

Economics

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## Canadian trade (Mar): Surging and glittering

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Merchandise trade, in million (\$)	25:Q3	25:Q4	26:Q1	Jan	Feb	Mar
Merch. trade balance—Annual rate	-38,154	-16,635	-26,108	-38,324	-61,350	21,352
• Monthly rate	-	-	-	-3,194	-5,113	1,779

Merchandise trade (period/period % chg)	25:Q3	25:Q4	26:Q1	Jan	Feb	Mar
Exports	10.8	18.3	14.9	-5.0	6.8	8.5
Imports	-8.5	5.6	19.9	-1.5	9.4	-1.6
Export volumes (chain Fisher)	5.6	9.6	-2.4	-6.4	5.8	2.2
Import volumes (chain Fisher)	-11.0	0.3	14.0	-3.1	10.0	-2.5

Source: Statistics Canada

- A surge in oil exports, led by higher prices, and added glitter in gold trade, saw Canada's trade balance flip unexpectedly to a surplus in March. However, the improvement in export volumes was much more muted, and for the quarter as a whole net trade still appears to be a slight drag on Q1 GDP. Overall, while the scale of improvement in the trade balance was bigger than expected, today's data doesn't change the view that a relatively short period of elevated oil prices is unlikely to have much of a positive impact on the volume of economic activity.
- The \$1.8bn goods trade surplus compared to a \$5.1bn deficit in the prior month and consensus expectations for a \$2.5bn shortfall. Total exports surged by 8.5%, driven almost exclusively by metals and energy. Excluding those two areas, exports were up by a much more modest 1.1%. Auto exports rebounded further from January's low (+4.5%) but remained roughly 20% down on a year-over-year basis.
- Higher prices drove most of the surge in nominal exports. While export volumes increased by 2.2% in chain-fisher terms, in fixed weight terms they were little changed relative to the prior month. The volume of trade in energy activity fell, although there was an increase in gold exports in both nominal and real terms. In contrast to the strength in exports, imports fell on the month led by consumer goods.
- Despite a strong end to the quarter for exports, the volume of trade out of Canada was still lower on average in Q1 than in the final quarter of 2025. That came in contrast to a healthy gain in imports. As such, net trade will still be a drag on GDP in Q1, albeit likely offset by inventories if the strength in imports was linked to restocking activity.
- Adding in services trade, which was fairly balanced in March, the Canada's total trade balance with the world moved from a deficit of \$5.0 billion in February to a \$1.7 billion surplus.

### Implications & actions

**Re: Economic forecast** — While a trade surplus in March was unexpected, it was mainly driven by price fluctuations rather than any signs that real economic activity was stronger than anticipated. Combined with signs last week that higher

gasoline prices may already be having a negative impact on consumer spending, we continue to expect only modest GDP growth this year and little evidence that slack within the economy is being absorbed. That should see the Bank of Canada look through a near-term spike in headline inflation, keeping interest rates on hold this year.

**Re: Markets** — Markets continued to react more to movements in oil prices rather than the economic data, despite the large headline beat.

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