

Economics

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January 8, 2026

Canadian trade (Oct): Back into deficit territory

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Merchandise trade, in million (\$)	25:Q1	25:Q2	25:Q3	Aug	Sep	Oct
Merch. trade balance—Annual rate	3,035	-74,188	-41,236	-79,836	2,910	-6,997
• Monthly rate	-	-	-	-6,653	243	-583

Merchandise trade (period/period % chg)	25:Q1	25:Q2	25:Q3	Aug	Sep	Oct
Exports	18.5	-41.9	9.4	-3.4	6.7	2.1
Imports	18.0	-13.2	-7.9	1.0	-4.3	3.4
Export volumes (chain Fisher)	6.4	-31.0	2.8	-3.4	5.1	1.7
Import volumes (chain Fisher)	6.4	-4.0	-10.3	0.3	-4.0	2.8

Source: Statistics Canada

- Canada's trade balance moved back into deficit in October, although the \$0.6bn shortfall was not as bad as the \$1.5bn deficit expected by the consensus. That reflected a 3.4% rebound in imports and a 2.1% rise in exports. In chain-Fisher volume terms, imports increased by 2.8% and exports rose by 1.7%. There were modest revisions to the Q3 data, but the detail still confirms that net trade was a large positive contributor to growth in that quarter, something that appears to be reversing course in Q4. Indeed, Canadian exporters remain challenged by US tariffs and uncertainty around CUSMA renegotiations, and likely won't see a sustained improvement in activity until that uncertainty fades further into 2026.
- The increase in imports reflected broad based gains, with 8 of 11 categories rising. Computer imports rose by 32% to reach a record high, with industrial machinery and metal/non-metallic minerals also adding to the gains. In volume terms, imports of industrial machinery are sitting 2% below year-ago levels, indicating a muted appetite for domestic business investment. Consumer goods imports also look weak in volume terms, sitting 4% below year-ago levels, in line with the retrenchment in consumption in Q3.
- On the export side, the increase in nominal shipments was due entirely to unwrought gold, as excluding the related category showed a 2.5% drop in exports. Categories subject to US tariffs (autos, steel, aluminum, lumber) saw mixed performances on the month but remain below pre-tariff levels. New tariffs on furniture and cabinets/vanities also saw those categories drop off in October. Total export volumes are sitting 1.8% below year-ago levels, as exporters haven't been able to fully offset the tariff hit by exporting to non-US markets.
- Adding services trade back into the mix showed that Canada's total trade balance with the world moved from a surplus of \$607mn in September, to a deficit of \$59mn in October.

Implications & actions

Re: Economic forecast — The trade figures suggest that the positive contribution to growth from net trade in Q3 is fading in Q4. Moreover, Canadian exporters still face challenges ahead due to uncertainty around CUSMA renegotiations and existing tariffs. As a result, we don't expect to see a sustained improvement in export performance until later in 2026.

Re: Markets — Bond yields rose slightly following the release due to the more modest deficit than expected and the limited revisions to the prior quarter's data that showed a big growth contribution from net trade remains in place.

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