

Economics

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Canadian trade (Mar): wrapping up a big quarter for export volumes

by **Karyne Charbonneau** karyne.charbonneau@cibc.com

Merchandise trade, in million (\$)	22:Q3 ¹	22:Q4 ¹	23:Q1 ¹	Jan	Feb	Mar
Merch. trade balance—Annual rate	9,670	7,554	6,878	14,810	-5,842	11,664
• Monthly rate	-	-	-	1,234	-487	972

Merchandise trade (period/period % chg)	22:Q3 ²	22:Q4 ¹	23:Q1 ¹	Jan	Feb	Mar
Exports	-10.2	-6.6	-1.1	3.6	-3.8	-0.7
Imports	3.4	-5.6	-0.8	3.5	-1.2	-2.9
Export volumes (chain Fisher)	4.7	-1.3	14.9	4.5	-1.4	0.7
Import volumes (chain Fisher)	-3.8	-12.5	-1.6	3.9	-1.1	-4.3

Source: Statistics Canada

- Following a surge in trade volumes during January, the rest of the quarter was about not erasing all the previous gains. While import volumes now sit below those seen at the end of last year, export volumes, which rose slightly in March, showed impressive gains over the first quarter of the year. This suggests that the Canadian economy is continuing to benefit from an improvement in supply chains for some items as well as global demand for natural resources.
- Canada's goods trade surplus was larger than expected in March at \$1.0bn (consensus \$0.2bn), while the prior month's \$0.4bn surplus was revised to a \$0.5bn deficit. The improvement in the trade balance reflects a 2.9% decline in imports that outweighed a more modest 0.7% drop in exports on the month.
- In volume terms, the decline in imports was even larger (-4.3%), as imports of pharmaceutical products dropped sharply following large shipments in February. Those were not the only culprits however, as imports of other consumer goods, such as clothing, also fell. Additionally, imports of electronic and electrical equipment declined, mostly as cellphones imports dropped off following two strong months that had coincided with the release of new models.
- Meanwhile, export volumes increased 0.7% despite a ninth consecutive decline in exports of energy products. Exports were boosted by a doubling of aircraft exports in March, mostly business jets to the US. Exports of motor vehicles and parts declined for a second consecutive month, though this is far from offsetting the large gains made at the end of last year and the beginning of this year, as easing supply chains allow the sector to recover. The nominal decline in exports was largely due to lower crude oil prices.
- The downward revision to February's trade balance (to a \$0.5bn deficit from a \$0.4bn surplus) were mostly the result of lower exports than previously reported, as estimates for natural gas were replaced by actual data.

¹ Annualized.

² Annualized.

- Combined with a largely unchanged trade deficit in services, the larger goods surplus implies that Canada's overall trade deficit narrowed from \$2.5bn in February to \$1.0bn in March.

Implications & actions

Re: Economic forecast — Over Q1, goods export volumes surged 14.9% annualized, while import volumes fell 1.6%. That suggests a healthy contribution from net trade to first quarter GDP, as the economy continues to benefit from some improvements in supply chain issues as well as resource demand. With the help of these factors, exports probably won't be impacted as much or as quickly by a slowing US and global economy later this year, although Canadian exports certainly won't be immune to those forces either.

Re: Markets — Bond yields increased after the release and the CAD appreciated slightly.

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