

Economics

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Canadian trade (Mar): From gold, back into the red

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Merchandise trade, in million (\$)	23:Q3 ¹	23Q4 ¹	24:Q1 ¹	Jan	Feb	Mar
Merch. trade balance—Annual rate	1,320	8,461	-5,596	4,822	5,712	-27,320
• Monthly rate	-	-	-	402	476	-2,277

Merchandise trade (period/period % chg)	23:Q3 ¹	23:Q4 ¹	24:Q1 ¹	Jan	Feb	Mar
Exports	10.0	4.7	-5.6	-1.1	5.3	-5.3
Imports	-3.4	1.0	1.6	-3.1	5.2	-1.2
Export volumes (chain Fisher)	-2.7	2.8	-0.1	-1.8	5.6	-5.1
Import volumes (chain Fisher)	-1.7	-2.3	2.4	-3.0	4.7	-1.1

Source: Statistics Canada

- Canada's trade balance swung into a \$2.3bn deficit in March, in stark contrast for expectations of a \$1.2bn surplus. That reflected a 5.3% drop in exports, while imports fell by 1.2%. Compounding the bad news was a downward revision to the prior month's surplus, now \$0.5bn, down from \$1.4bn previously. The March deficit is the largest seen since June 2023, and included drops in 9 of 11 exports product sections. On the import side, 7 of 11 product sections decreased, reflecting weak domestic demand. For the quarter overall, real imports rose by 2.4% annualized while export volumes were flat, suggesting that net trade will act as a drag on growth.
- After record high exports of gold in February tied to shipments to the UK and Switzerland, that category plummeted by 33% in March. While that was the leading contributor to the drop in exports, excluding that category still saw exports decrease by 3.2%. Despite higher oil prices, shipments of energy products dropped by 5%, mainly reflecting lower crude oil and bitumen exports. That was partly the result of unplanned shutdowns at refineries in the US Midwest, leaving room for a rebound ahead, which will be amplified by the opening of the new Trans Mountain pipeline as well. Ongoing retooling at vehicle plants to produce new models limited auto shipments, which fell by 6.3%. Auto export volumes are 9% below the highs seen at the end of last year, and will see a rebound once retooling is completed.
- On the import side, a 23% drop in computers and parts led the decreases, compounded by an 11% drop in communication equipment, tied largely to lower imports of cellphones from China. Looking through the volatility, import volumes were up by a sluggish 0.6% y/y in the first quarter, while export volumes were up by only 0.3% y/y, suggest that both weak domestic and foreign demand is weighing on two-way trade.
- Adding services back into the mix, Canada's total trade deficit widened to \$3.3bn in March, from \$0.4bn in the prior month, as monthly service exports fell by 2.0%.

¹ Annualized.

Implications & actions

Re: Economic forecast — The downside surprise in the March trade balance, combined with sizeable downward revisions to the February data, now suggest that net trade will act as a modest drag on growth in the first quarter. Some one-off events related to shutdowns and retooling mean that exports will likely bounce back in the months ahead, and with imports under pressure from weak domestic demand, that could see net trade return to a growth contributor ahead.

Re: Markets — Markets didn't pay much attention to today's data, with some volatile categories and one-off factors driving some of the downside surprise.

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