

Economics

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Canadian trade (Nov): Hanging on to a surplus

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Merchandise trade, in million (\$)	23:Q1 ¹	23Q2 ¹	23:Q3 ¹	Sep	Oct	Nov
Merch. trade balance—Annual rate	884	-8,450	1,810	13,564	38,360	18,797
• Monthly rate	-	-	-	1,130	3,197	1,566

Merchandise trade (period/period % chg)	23:Q1 ²	23:Q2 ¹	23:Q3 ¹	Sep	Oct	Nov
Exports	-1.3	-13.0	12.7	1.3	0.3	-0.6
Imports	-1.7	0.8	-4.2	0.9	-2.9	1.9
Export volumes (chain Fisher)	16.0	1.8	-2.2	0.1	0.3	-0.3
Import volumes (chain Fisher)	0.1	4.2	-2.7	1.5	-3.8	2.1

Source: Statistics Canada

- Canada's trade surplus narrowed to \$1.6bn in November from \$3.2bn, leaving it a little below the consensus expectation of \$2.0bn. That reflected a 1.9% increase in imports on broad based gains, with import volumes up by 2.1% in chain Fisher terms. Total exports decreased by 0.6%, the first drop recorded since June, with export volumes down by 0.3%. While that adds some downside to GDP for November, exports for the quarter as a whole still look set to rise by roughly 4% annualized owing to a strong start to the quarter, while imports will show a decline, making net trade a contributor to GDP growth.
- On the import side, 8 of 11 product sections showed increases in November, with inbound shipments of uranium jumping following a lull in shipments for the prior several months. Inbound shipments of motor gasoline and aviation fuel from the US also surged, and that coincided with outages at Canadian refineries in the fall months. Imports of industrial machinery and equipment also showed an impressive increase, tied to wind farm projects in Alberta. The 2% drop in consumer goods imports, which leaves that category 6% below year-ago levels, is a sign of weak domestic demand.
- On the export side, a drop in the volatile aircraft and other transportation category, along with mineral products, drove the decrease. The drop in the former category followed a surge in October, with shipments falling back to more typical levels. Lower shipments of unwrought gold accounted for the drop in the mineral products category, following record exports in August. Excluding those categories, exports in other categories were up by 1.0%.
- On the services side, the deficit narrowed slightly to \$1.2bn, from \$1.4bn in the prior month, owing to an increase in exports and a modest decline in imports. Including services trade, Canada's trade balance with the world moved to a \$0.6bn surplus in November, from \$2.0bn.

¹ Annualized.

² Annualized.

Implications & actions

Re: Economic forecast — Net trade will be a positive for Q4 GDP, with exports bouncing back following Q3 disruptions, and imports dropping off. The latter implies weaker inventory accumulation for the quarter, however. Looking ahead, Canada's trade balance should swing back into deficit territory as auto imports normalize following US strike impacts, while demand for Canadian exports will be limited by the global economic slowdown.

Re: Markets — Bond yields were down slightly following the release.

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