September 5, 2018

Canadian Net Trade Supports Q3 GDP Growth

Canada, International Merchandise Trade Balance, C$ Billions, July:
Actual: -0.11
Scotia: -1.8
Consensus: -1.0
Prior: -0.74 (revised from -0.63)

- Canada registered a narrower than expected trade deficit largely due to a) higher export prices and b) a drop in import volumes. The combined effects drove the trade balance to its best position since the surplus at the end of 2016. These figures won't affect the BoC's pending statement that was approved before hand and that are rather short-sighted figures (which counsels a brief take), but at the margin they reinforce positive expectations for Q3 GDP growth.
- Net trade is shaping up to be a solid contributor to Q3 CDN GDP growth so far largely due to lessened import leakage effects. Export volumes are tracking flat changes (-0.4% q/q annualized) while import volumes are tracking a decline of 5.4%. Both of these figures follow explosive gains in Q2 when export volumes were up 16% (revised up) and import volumes were up 7.8%. We're therefore getting moderation into Q3 which isn't surprising, but it's occurring more on the import side of the picture so far which is constructive to GDP given how the accounting works.
- As for the individual month, export volumes fell 0.8% m/m which isn't surprising after a 2.2% jump in June. Import volumes fell by 1.1% which follows an identical drop in June after prior strength in three of the four earlier months.

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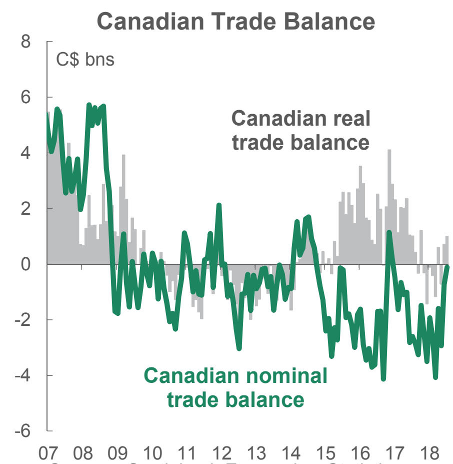

Sources: Scotiabank Economics, Statistics Canada.