

## Canadian Trade Figures Not As Bad As They Appear

### Canada, International Merchandise Trade balance (CAD billions), August:

Actual 0.53

Scotia -0.30

Consensus -0.50

Prior -0.19 (Revised from: -0.11)

- Canada's trade balance swung to a surplus for somewhat unhealthy reasons as a bigger drop in imports overtook a decline in exports. I don't think the numbers are quite as bad as they look.
- Export volumes fell by 0.7% m/m and import volumes fell by 1.5% m/m in August.
- The 1.1% m/m decline in the value of exports had seven of thirteen industries behind it. That said, **two sectors contributed to pretty much all of the decline in exports and for idiosyncratic reasons.** A 6.2% m/m plunge in exports of autos and parts contributed about 87% of the decline in total exports after the prior month's rise contributed about 91% of the gain in July's exports. Within the autos plunge, an 8.9% decline in exports of cars and light trucks was responsible. StatsCan rightly flagged **'atypical shutdowns in the automotive industry'** that will be transitory in nature. Also note that a decline in lumpy aircraft export data also weighed on the headline. **Take autos and planes out of the picture, and the value of exports increased by 0.3% m/m which is a far sight better than the 1.1% headline drop.**
- The same general point holds true in volume terms. **Excluding autos and planes, export volumes were up 0.2% m/m.**
- **For the quarter as a whole, however, net trade is perversely contributing to GDP growth.** Export volumes are tracking an annualized and seasonally adjusted decline of 1.2% q/q and imports are tracking a bigger decline of 8.2%.
- In volume terms, the decline in imports was broadly based. 9 of 13 categories were lower. That said, four sectors contributed the most to the decline including autos/parts, planes, consumer goods and chemicals/plastics/rubber.
- For the most part, Q3 is coming off the boil compared to H1 in terms of changes to imports. Import volumes were up 8% q/q in seasonally adjusted terms in Q2 and 5.5% in Q1 and are tracking an 11.8% decline in Q3. Smooth through the figures as the earlier import impulse was likely to decelerate.

### CONTACTS

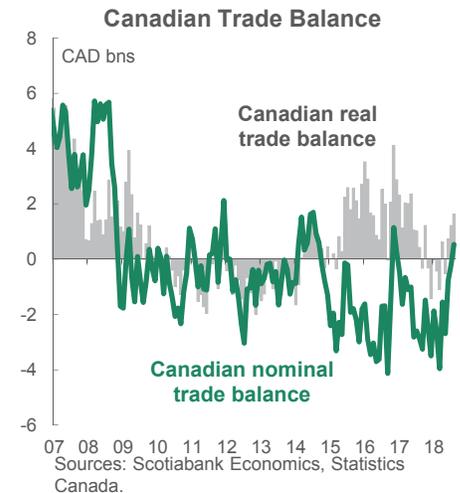
**Derek Holt, VP & Head of Capital Markets Economics**  
416.863.7707

Scotiabank Economics  
[derek.holt@scotiabank.com](mailto:derek.holt@scotiabank.com)

**Sam Fraser, Research Analyst**

416.866.4212

Scotiabank Economics  
[sam.fraser@scotiabank.com](mailto:sam.fraser@scotiabank.com)



This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia’s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.