HIGHLIGHTS

- In Canada, merchandise exports fell 0.6% in February, while imports advanced by 0.1%, taking the trade balance from -$0.7B to -$1.0B.
- In real terms, exports dropped 1.6% while imports retreated 1.0%. The trade balance declined to -$1.2B in 2007 dollars, dropping $0.2B in 2007 dollars from the previous month.
- In the United States, exports of goods and services rose 0.8% in February, while imports barely budged, ticking up by 0.03%.
- The trade balance goes from -US$44.5B to -US$43.0B.

COMMENTS

In Canada, February’s performance by international merchandise trade is disappointing. Commodity prices rose that month, but this was clearly offset by negative effects. For example, exports of crude oil and natural gas advanced in February, but exports of refined products plunged. Moreover, exports of metal products and non-metallic mineral products also nosedived.

In the United States, much of the rise by exports comes from industrial goods and materials, primarily due to an advance by petroleum and petroleum products.

Implications: In Canada, despite the deterioration by the trade balance in real terms in January (-$0.5B in 2007 dollars) and February (-$0.2B in 2007 dollars), the first quarter remains slightly positive thanks to December’s net improvement (+$1.7B in 2007 dollars). The results for March will therefore be key in determining whether international merchandise trade will, in the end, make a slightly positive or slightly negative contribution to economic growth in the first quarter.

In the United States, February’s rise by the trade balance (in real terms) is not enough to offset January’s erosion. In fact, the trade balance is holding close to the average for the fourth quarter, a situation that, for now, suggests that net exports should not make a substantial contribution to U.S. real GDP growth in Q1 2013.