HIGHLIGHTS

- In Canada, the international merchandise trade balance deteriorated in November, going from -$0.6B to -$2.0B. The decline is due to a 2.7% rise in imports combined with a 0.9% drop in exports.
- In the United States, the balance of trade in goods and services declined from -US$42.1B in October to -US$48.7B in November. Exports increased by 1.0%, while imports jumped 3.8%.

COMMENTS

In Canada, the drop by exports is disappointing. Clearly, some activities in the energy sector have not yet fully recovered from last summer’s problems. In real terms, in November, exports of energy products were still down about 10% from where they were in June. Also, the difficulties in Europe’s economy seem to be impacting Canada. Exports to the United Kingdom plunged 32% in November, while exports to the euro zone fell 6%.

In the United States, it was primarily an upswing in imports that added US$6.7B to November’s deficit; in October, the increase in the deficit mainly stemmed from a drop in exports. In real terms, November’s import growth is the strongest since July 2009. What remains to be seen is whether this jump is sustainable, as the rise in imports of consumer goods still seems to be the result of the launch of new Apple products.

Implications: In Canada, the carryover points to a deterioration of about $5B in 2007 dollars in the balance of trade in goods in Q4 2012. Even though energy exports could jump more sharply in December, the autumn will likely end with a deterioration in international trade. Under these conditions, the economy’s Q4 growth is likely to be softer than the 2% forecast to date.

In the United States, the rebound by real imports suggests that net exports will make a negative contribution to real GDP growth in the last quarter of 2012.

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