Canada: Exports Reach a Historic Peak

HIGHLIGHTS
- The international merchandise trade-balance deficit plunged in June from -$2.7B to -$0.6B.
- This improvement is explained by a 4.1% increase in exports and a 0.2% decrease in imports.
- In real terms, exports rose 2.2% while imports declined 1.2%.
- Export volume rose to $42.788 in 2007 dollars in June 2018. This is the highest level since this historical data began to be collected (1997).

COMMENTS
As shown by the 5.4% increase since the end of 2017, merchandise exports have regained momentum in recent months. It’s a fairly unusual result given the many obstacles in international trade at the moment. Clearly, foreign demand remains strong despite everything.

After three consecutive months of decline, the international merchandise trade balance improved significantly in the second quarter of 2018. In real terms, the balance overall is +$0.918 in 2007 dollars in the spring, compared to -$1.678 in 2007 dollars in the winter. Therefore, the international trade sector’s contribution to economic growth in the second quarter may be fairly high, i.e. around 2%. This contribution is, however, expected to be offset in part by a drop in inventories. Ultimately, our projected increase of roughly 3% in real GDP remains unchanged.

IMPLICATIONS
If economic conditions remain as positive as they currently are, the Bank of Canada may decide to raise its key rates a little sooner than expected, perhaps as early as the October meeting.

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