



CANADA

International trade: disappointing results

HIGHLIGHTS

- The merchandise trade balance fell to $-\$1.7\text{B}$ in December, slightly worse than November's downward revised balance of $-\$1.5\text{B}$.
- The value of merchandise exports rose 0.9% in December 2013.
- Substantial gains were also made in mineral ores and metallic minerals (+19.5%), chemicals (+6.6%), electrical equipment and parts (+4.6%) and aerospace (+8.0%) products.
- Merchandise imports added 1.2% in value during the month.
- The greatest increases were for energy products (+22.6%), mineral ores and metallic minerals (+18.5%) and chemicals (+7.8%).
- In real terms, exports edged up 0.2%, while imports grew 0.4%. The balance fell from $-\$1.2\text{B}$ in 2007 dollars in November to $-\$1.3\text{B}$ in 2007 dollars in December.

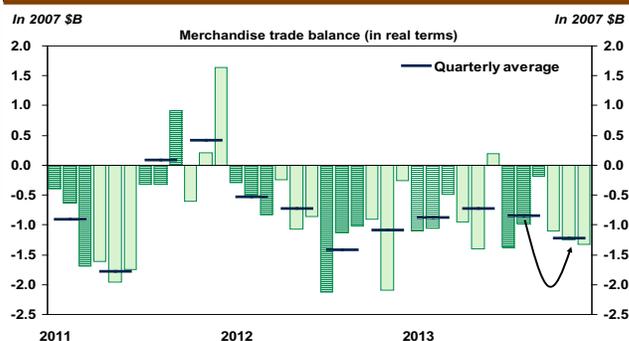
COMMENTS

With most forecasters expecting an improved balance of trade in December, the results released this morning disappointed at first glance. It is still reassuring to see that exports were up in December, ending two consecutive months of retreats. Given the volatile nature of monthly data, it is much too early to conclude that a long-awaited uptrend in exports is beginning to materialize.

This slight upturn in exports was still not enough to improve the trade balance, as imports were also quite a bit higher in December. This is not necessarily bad news, as it demonstrates some vitality in domestic demand.

Overall in the fourth quarter, merchandise exports in real terms posted a 1.3% decline whereas imports advanced 2.7%, shifting the balance from $-\$2.5\text{B}$ in 2007 dollars in the third quarter to $-\$3.7\text{B}$ of 2007 dollars in the fourth quarter. This deterioration in the international balance of trade in goods will in turn negatively affect real GDP in the fourth quarter.

The balance of trade worsens again in the fourth quarter 2013



Sources: Statistics Canada and Desjardins, Economic News

In contrast, the international balance of trade in services has been on an upwards trajectory for over a year. Another improvement on the services side could therefore offset the losses suffered on the goods side in the last quarter of 2013. All in all, the total balance of trade in goods and services could remain nearly unchanged in the fourth quarter, and therefore have a rather limited impact on economic growth.

Implications: The Canadian economy has clearly still not managed to capitalize on improved U.S. and global demand. Fortunately, many signs point to domestic demand that will continue to underpin growth, which suggests real GDP will rise around 3% in the fourth quarter of 2013.

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