

## CANADA

### Heading toward a slight improvement in the trade balance?

#### HIGHLIGHTS

- The merchandise trade balance deteriorated slightly in March, going from +\$847M to +\$79M.
- The value of exports fell 1.4%. Significant decreases were observed in commodities (energy and mines), chemicals, forest products and construction materials, as well as in electrical and electronic equipment and parts.
- The value of imports grew 0.4%. Roughly half of the major sectors were down while the rest grew during the month.
- In real terms, exports were only down 0.1%, while imports retreated a slight 0.2%.
- The merchandise trade balance in real terms therefore remained essentially unchanged at -\$606M in 2007 dollars compared with the previous month's -\$629M in 2007 dollars.

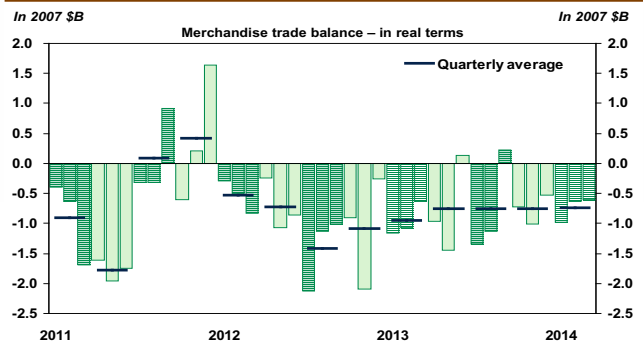
#### COMMENTS

As forecast, the fall in commodities prices negatively affected the value of Canadian exports in March. However, exports posted an increase of around 1% during the month when commodities are excluded.

The volume of merchandise exports fell 6.5% as a whole in the first quarter. Clearly, the assumption that exports would make a larger contribution to Canadian economic growth is yet to be proven. Note that anemic first-quarter growth in real U.S. GDP did not help. That said, imports also recorded a 6.5% slide in the first quarter. As such, the balance of trade in goods was flat from -\$2.3B in 2007 dollars in the fourth quarter of 2013 to -\$2.2B in 2007 dollars in the first quarter of 2014.

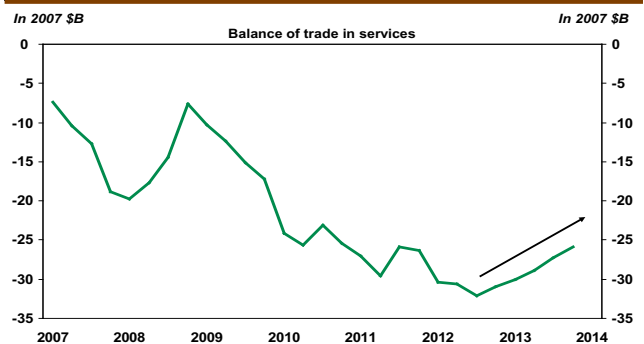
**Implications:** If we also factor in the upward trend observed in the balance of trade in services, first quarter performance could actually include a slight improvement in the total balance of trade. This is a surprising outlook as, up until now, all signs indicated that the first quarter would post another deterioration. Nevertheless, we are maintaining our forecast of around 2% economic growth due to the

#### Balance of trade in goods remains fairly stable



Sources: Statistics Canada and Desjardins, Economic Studies

#### The balance of trade in services is trending up



Sources: Statistics Canada and Desjardins, Economic Studies

numerous difficulties observed across the country during the winter.

**Benoit P. Durocher**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Yves St-Maurice**  
Senior Director and Deputy Chief Economist

514-281-2336 or 1 866 866-7000, ext. 2336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)

**Hélène Bégin**  
Senior Economist

**Benoit P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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