

CANADA

International trade ends the third quarter on a high note

HIGHLIGHTS

- Merchandise exports increased 1.1% in September.
- Imports fell 1.5% during the month.
- The trade balance went from $-\$0.46\text{B}$ in August to $+\$0.71\text{B}$ in September.
- In real terms, exports rose 1.4% while imports slipped 1.8%. The balance thus made a gain of $\$1.3\text{B}$ in 2007 dollars during the month.

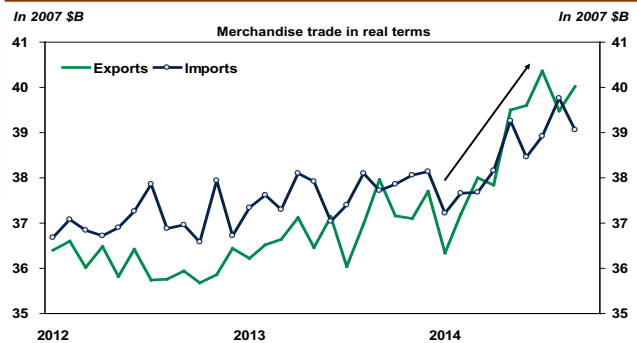
COMMENTS

After much disappointing news, it is reassuring to note that international trade grew more than expected in September. The decrease in automotive product exports suggested by certain preliminary data did not transpire, and increased trade volume kept the drop in commodity prices from translating into reduced exports. Exports are clearly showing some resilience, which bodes well for the Canadian economy. It should be noted that demand from south of the border is growing sharply, as was confirmed by yesterday's surge in the U.S. ISM manufacturing index. In addition, the loonie's depreciation is definitely a contributing factor to the recent vitality in Canadian exports.

For imports, the decline in September was also a surprise. The continuing upward trend very likely stems from the normal volatility recorded within this data.

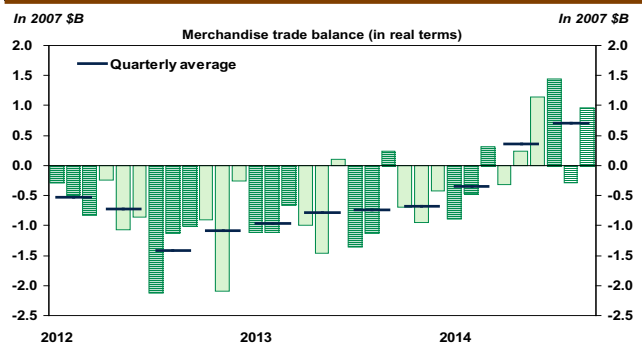
Implications: The results for the third quarter show a 10.4% increase in merchandise exports and a 6.6% rise in the volume of imports. As such, the merchandise trade balance expressed in real terms improved during the quarter, with a gain of $\$1.1\text{B}$ in 2007 dollars. This will allow international trade to make a positive contribution of slightly more than 1% to real GDP in the third quarter. However, we can expect the contribution from domestic demand to slow during the period, thereby curbing real GDP growth in the third quarter.

International trade has been up since the start of 2014



Sources: Statistics Canada and Desjardins, Economic Studies

The balance of trade in goods improved again in the third quarter of 2014



Sources: Statistics Canada and Desjardins, Economic Studies

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