Economic News

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CANADA

Non-energy exports save the day

HIGHLIGHTS

- The international merchandise trade balance went from -$0.34B in November to -$0.65B in December, eroding much less than expected.
- Exports increased 1.5%, while imports grew 2.3%.
- In real terms, exports advanced 3.8% while imports rose 2.3%. The trade balance therefore went from $0.23B in 2007 dollars to $0.80B in 2007 dollars.

COMMENTS

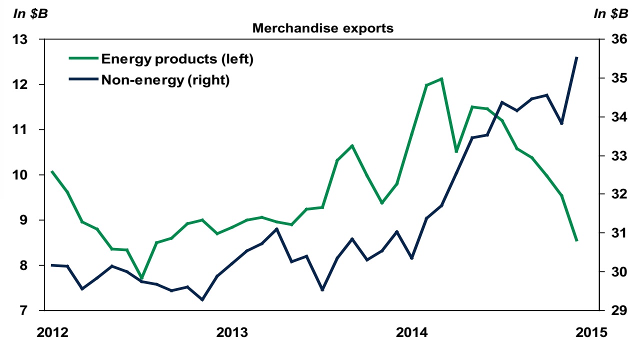
As expected, plummeting crude oil prices had a major impact on the value of Canadian energy product exports, which were down 10.3% in December. Thus, energy product exports have decreased a cumulative 29% since the peak in March.

However, non-energy exports performed quite well in December, gaining 4.9%, including significant increases in nearly all key sectors. This is calming worries that have recently arisen about the vitality of the manufacturing sector and its ability to partially offset the adverse effects of falling oil prices on the Canadian economy. Exports to the United States, European Union, China and Japan increased significantly in December.

Implications: The release of December's data provides an overview of the evolution of international merchandise trade for the overall fourth quarter. The total volume of exports fell 0.7%. However, this slight reduction follows large gains in the previous quarters. For imports, the fourth quarter concluded with an increase of 0.1%. The balance thus worsened by $1.0B in 2007 dollars during the period.

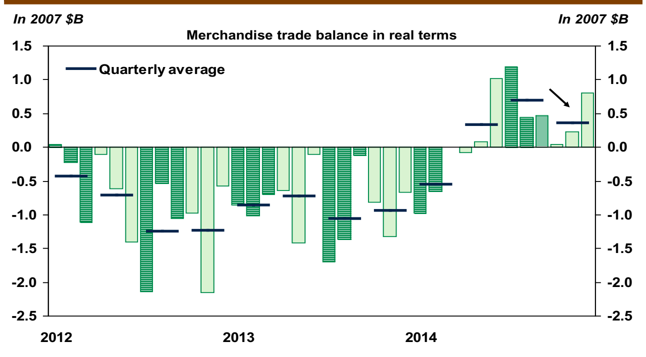
Under these conditions, we can expect that the international trade balance will somewhat dampen fourth quarter economic growth. However, certain signs suggest that domestic demand will experience fairly strong growth, which should allow the Canadian economy to increase its real GDP slightly more than 2% in the last quarter of 2014.

Non-energy exports rebounded in December



Sources: Statistics Canada and Desjardins, Economic Studies

Balance of trade in goods eroded in the fourth quarter of 2014



Sources: Statistics Canada and Desjardins, Economic Studies

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