

CANADA

Exports finally post a significant increase

HIGHLIGHTS

- The value of merchandise exports rose 6.3% in June. This is the first increase since 2015.
- With the exception of automotive (-0.6%) and aviation (-3.9%) products, all other primary activity sectors saw their exports go up.
- The value of imports slipped 0.6%. Large declines were posted in aviation (-19.0%) and energy (-10.4%) products as well as in metal ores and non-metallic minerals (-4.1%).
- In real terms, exports advanced 4.8% while imports fell 0.8%. The balance therefore went from -\$0.65B in 2007 dollars to +\$1.51B in 2007 dollars.

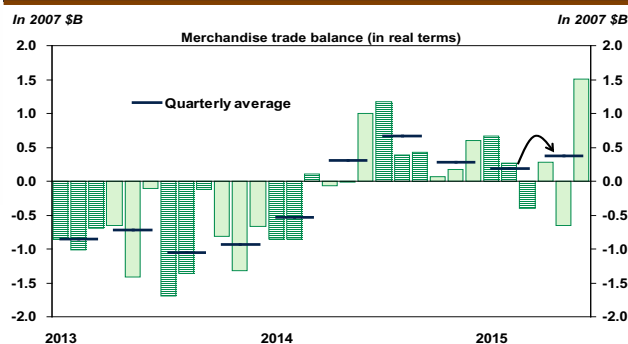
COMMENTS

Following several disappointing months marked by a pullback in exports, there was finally an increase in June. We will have to wait for the results of the coming months to see if this is the start of a new uptrend in exports. We can nevertheless allow for some optimism since conditions are fairly favourable, with a weaker Canadian dollar and stronger U.S. demand.

We can now hope that exports will make a positive contribution to economic growth. This will partially offset the difficulties with domestic demand, particularly with business investment. June's drop in imports is also fairly symptomatic of the problems with non-residential investment.

Implications: The release of June's results provides an overview of international trade for the second quarter as a whole. Expressed in real terms, merchandise exports grew 0.7% (quarterly annualized) in the spring thanks to the rebound recorded in June. Remember that the volume of exports fell in the last quarter of 2014 and the first quarter of 2015. For imports, the picture for the second quarter shows a 1.3% decrease. Under these conditions, the trade balance should improve in the second quarter of 2015 and thereby contribute positively to economic growth. However,

The balance of trade in goods improved slightly in the second quarter of 2015



Sources: Statistics Canada and Desjardins, Economic Studies

with sluggish domestic demand this should be insufficient for the change in real GDP to wrap up the quarter in positive territory.

June's rise in exports provides some optimism following much disappointing economic data in recent weeks. This should somewhat reassure Bank of Canada leaders and reduce the possibility of another cut in key interest rates. It now remains to be seen if the other economic indicators will also post an upturn, particularly manufacturing sales, and if June's gain in exports will translate into an uptrend for the coming months.

Benoit P. Durocher
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoit P. Durocher
Senior Economist

Francis Généreux
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com