

ECONOMIC NEWS

Canada: Despite the Increase in March, the Trade Balance Declined in Q1

HIGHLIGHTS

- ▶ Merchandise exports were up 3.8% in March, a result that beat expectations. What's more, the increased trade volume drove up the value of energy product exports by 7.0%. Exports of consumer goods also exceeded our forecast by far.
- ▶ The uptrend in imports continued, with a 1.7% gain in March.
- ▶ Expressed in real terms, exports advanced 2.3%, while imports ticked up 0.2%. As a result, the balance went from +\$1.2B in 2007 dollars in February to +\$2.0B in 2007 dollars in March.

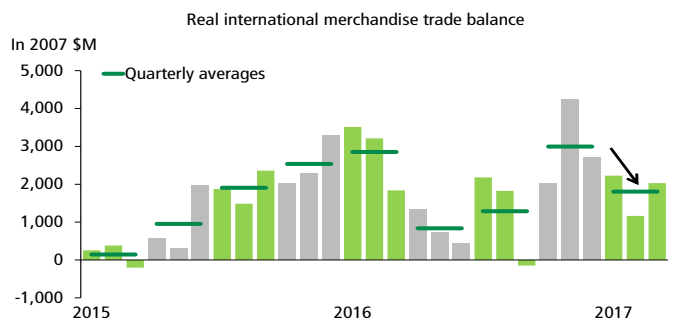
COMMENTS

Export volumes were up 0.8% (quarterly annualized) in Q1 overall, while import volumes jumped 14.1%. Keep in mind that this sharp increase comes on the heels of a 13.8% decline in the previous quarter. Besides the built-in volatility in these results, this surge in imports also reflects domestic demand, which was most likely very strong in early 2017. As such, the international balance of trade in goods expressed in real terms went from +\$9.0B in 2007 dollars in the fourth quarter to +\$5.4B in 2007 dollars in the first quarter.

IMPLICATIONS

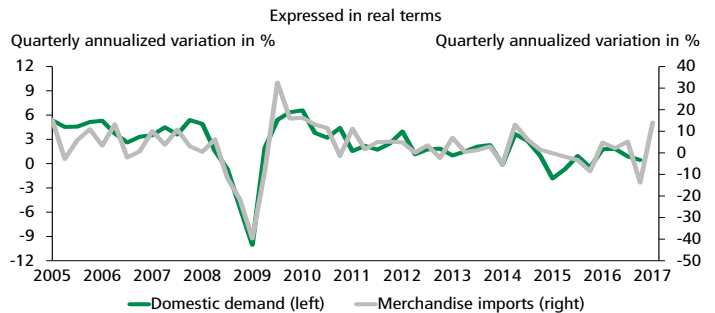
This deterioration in the balance of trade in goods in the first quarter of 2017 will make for a negative contribution to the change in real GDP for the period (somewhere around -3.5%, according to our estimates). This should be largely offset however by a sharp increase in domestic demand and a positive contribution from the change in inventories. Under such conditions, our estimates still show that real GDP growth could come in at slightly more than 4% for Q1 2017.

GRAPH 1
The trade balance declined significantly in Q1 2017



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
The sharp spike in imports points to strong growth by domestic demand



Sources: Statistics Canada and Desjardins, Economic Studies

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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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