Canada: The Trade Balance Worsened Last Summer... But Employment is Still Rising

HIGHLIGHTS

- The merchandise trade balance stood at -$3.18B in September, similar to the previous month.
- The volume of the balance of international trade totals $0.18B in 2007 dollars for the third quarter, down from the second quarter’s $4.72B in 2007 dollars.
- The results remain better for the labour market, however: October wound up with 35,300 jobs created, growth that solidly outstrips expectations.
- The unemployment rate did tick up, going from 6.2% to 6.3%, due to an increase in the participation rate.

COMMENTS

The third-quarter plunge in the trade balance is largely due to a decline in auto sector activity as a result of one-off work stoppages and changes to some models. On the other hand, given how lively auto sales are in North America, the international trade in automotive products should rise as of the fourth quarter.

As for the labour market, the trend for employment remains very strong: the six-month moving average has been holding within a relatively high band for the last year, between 21,700 and 39,800.

IMPLICATIONS

International trade’s negative contribution leans toward a slowdown by real GDP growth in the third quarter. However, that weakness should be partially offset by ongoing lively domestic demand, thanks to a solid labour market, among other things.