Canada: Strong Imports Are Affecting the Trade Balance

HIGHLIGHTS

- After three disappointing months, merchandise exports at last rebounded in March with a 3.7% increase. However, imports also jumped (+6.0%), meaning that the trade balance deteriorated further during the month.
- In real terms, annualized exports of goods are down 0.3% for the first quarter as a whole. For imports, the first quarter concluded with a 5.1% increase.
- The balance of trade in goods expressed in real terms therefore went from -$0.37B in 2007 dollars in the fourth quarter of 2017 to -$2.01B in the first quarter of 2018.

COMMENTS

The deterioration in the trade balance of goods observed in the first quarter suggests that foreign trade might contribute negatively to economic growth. According to our estimates, foreign trade could therefore deduct around 1.5% from the annualized quarterly change in real GDP in the first quarter, a projection similar to results in previous quarters.

However, the 5.1% increase in imports of goods during the winter suggests that domestic demand continued to advance steadily during the period. Moreover, imports of consumer goods rose 5.8% and those of automotive products surged 23.8%.

IMPLICATIONS

With domestic demand likely offsetting weak foreign trade, our forecast for real GDP in the first quarter holds at around 1.7%.

François Dupuis, Vice-President and Chief Economist
Hélène Bégin, Senior Economist  •  Benoit P. Durocher, Senior Economist  •  Francis Généreux, Senior Economist
Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336  •  desjardins.economics@desjardins.com  •  desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2018, Desjardins Group. All rights reserved.