

ECONOMIC NEWS

Canada: International Trade Lost Ground in the Third Quarter

HIGHLIGHTS

- ▶ Third-quarter international trade results were mixed, with the value of merchandise exports down 1.3% and imports down 1.7% in September.
- ▶ The trade balance improved slightly in September, up from $-\$1.24\text{B}$ to $-\$0.98\text{B}$.

COMMENTS

The release of September's figures provides us with a clear indication of how international trade shifted over the entire third quarter. In the end, merchandise exports expressed in real terms posted a 1.0% drop (annualized) in the third quarter. It is worth remembering that the second quarter ended with a 12.4% hike in exports due to the rebound in the energy and automotive sectors. As it turned out, these two sectors saw much more modest gains in the third quarter, which failed to offset the major declines in other sectors.

On the import side, the third quarter ended with a 4.0% increase (annualized) thanks to most of the sectors advancing. This suggests that domestic demand regained strength in the third quarter. On the other hand, the rise in imports combined with the fall in exports led to the trade balance plunging $\$1.69\text{B}$ (in 2012 dollars) in the third quarter.

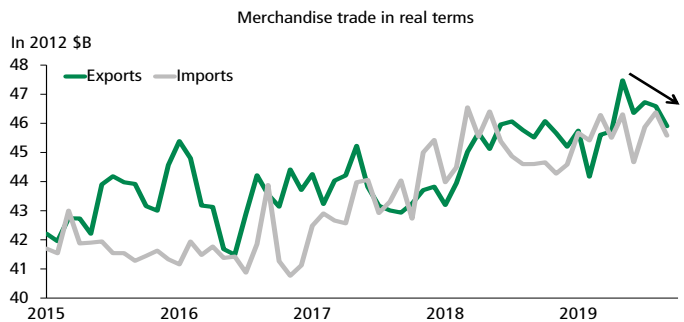
IMPLICATIONS

According to our estimates, the deterioration in the trade balance could trim around 1% off Canada's quarterly annualized variation in real GDP in the third quarter. Under these circumstances, economic growth should slow significantly during the period before settling at between 1.0% and 1.5%.

Benoit P. Durocher, Senior Economist

GRAPH 1

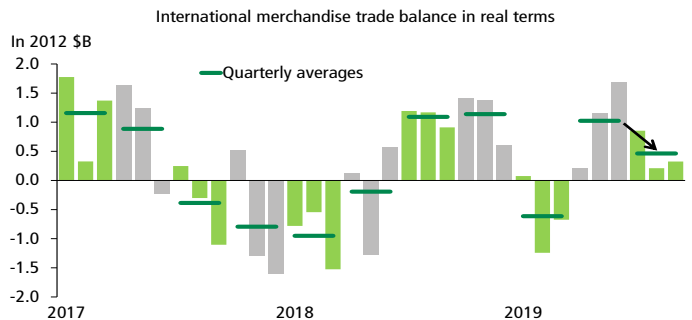
The rebound in exports in the second quarter was fleeting



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2

The trade balance deteriorated further in the third quarter of 2019



Sources: Statistics Canada and Desjardins, Economic Studies

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