

ECONOMIC NEWS

Canada: International Trade Wraps Up 2019 on a Positive Note

HIGHLIGHTS

- ▶ Merchandise exports rose 1.9% in December, mainly on major gains by energy products (+9.5%), and metal ores and non-metallic minerals (+16.9%). Much of the improvement can be chalked up to rail transport returning to normal. Merchandise imports advanced 0.2% in December. The trade balance therefore improved by \$826M over the month.
- ▶ The results are not as good for the fourth quarter as a whole. The volume of exports shows a decline of 5.5% (annualized), while the volume of imports retreated 4.7%. The balance of trade in goods in real terms therefore deteriorated slightly over the quarter, going from \$2.4B in 2012 dollars to \$2.1B in 2012 dollars.

COMMENTS

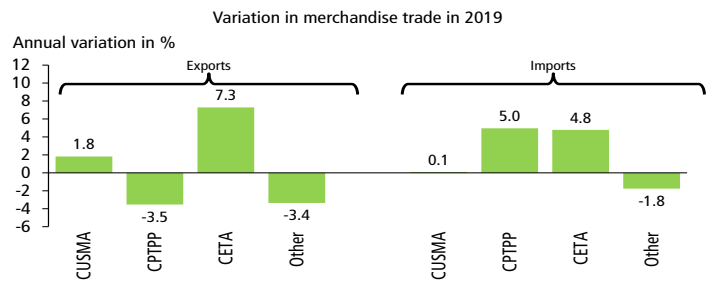
The trade balance's pullback will lead to a slightly negative contribution to the fourth quarter variation in real GDP. The drop in imports also suggests that domestic demand ran into some difficulty during the period. This finding is consistent with our latest economic scenario, which calls for real GDP growth of just 0.6% (annualized) in the fourth quarter.

For 2019 as a whole, the value of exports increased 1.7%, while imports rose 1.0%. In exports, growth was stronger (+7.3%) for the European nations in the Comprehensive Economic and Trade Agreement (CETA). Exports to the United States and Mexico increased 1.8% in 2019.

These results seem to indicate that Canadian businesses are increasingly starting to capitalize on the new trade agreements to further diversify their export destinations. Note that the uncertainties in recent years over renegotiating North American Free Trade Agreement (NAFTA) into the Canada–United States–Mexico Agreement (CUSMA) prompted some businesses to seek better geographic diversification for their trade. Whether this trend will continue in 2020 remains to be seen, given the ratification of CUSMA which securing trade with the United States and Mexico.

GRAPH

Trade with Europe grew well in 2019



CUSMA: Canada–United States–Mexico Agreement; CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership; CETA: Comprehensive Economic and Trade Agreement; Other: All other countries

Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

A number of disruptive events have affected international trade in the last few months. That being said, foreign demand continues to rise, and the trend for Canadian exports should generally be positive in the coming quarters.

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