

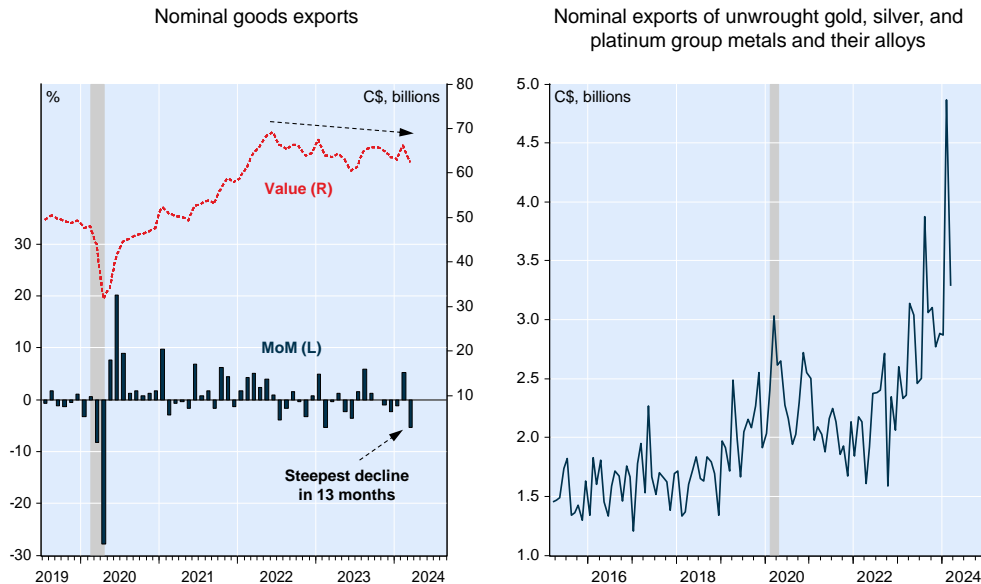
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Canada: Goods trade balance swings back into deficit territory as gold exports retrace

By Jocelyn Paquet

Canada's merchandise trade balance with the world moved back into deficit territory in March as exports dropped the most in 13 months. Shipments of metal/non-metallic mineral products contracted no less than 17.4%, but this came on the heels of a record expansion the prior month (+31.5%). As was the case in February, this reflected a rather large swing in the unwrought gold category, where exports remain 39.4% above their level a year ago despite a significant decline in March (-32.5%, see chart on the left). Even excluding gold, nominal exports were still down 3.2% in the third month of the year, as shipments of energy products suffered from unplanned shutdowns at refineries in the U.S. Midwest. Lower exports of motor vehicles/parts also weighed on the headline exports print as they sank to a 15-month low of C\$8.0 billion. The trade deficit could have been even wider had it not been for a decline in nominal imports, the latter caused in part by a 29.2% plunge in the metal ores/non-metallic minerals segment. Imports of computer peripherals (-23.0%) also tanked, but this came after a stellar gain the prior month. Looking at quarterly data, trade in goods likely contributed negatively to GDP growth in Q1, as real exports contracted (-1.3% annualized) and real imports expanded (+2.0% annualized, see chart on the right). The stagnation in import volumes in the machinery equipment category, meanwhile, suggests business equipment spending remained tepid in the quarter.

Canada: Exports fell the most in 13 months as gold shipments retraced



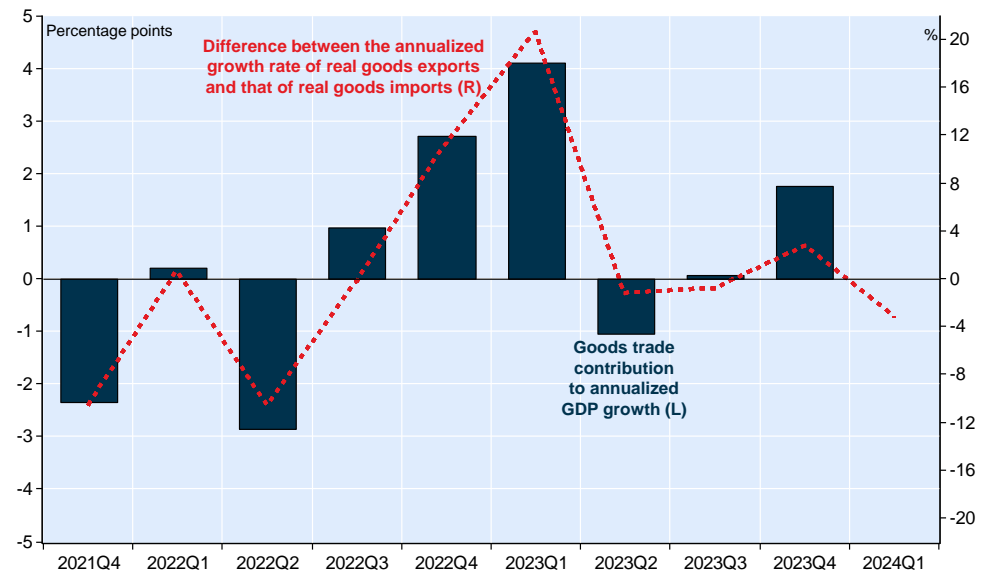
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HIGHLIGHTS:

- The merchandise trade balance went from a surplus of C\$0.48 billion in February (initially estimated at C\$1.39 billion) to a deficit of C\$2.28 billion in March. This result is far from the C\$1.21 billion surplus anticipated by analysts.
- Nominal exports plunged 5.3%, while nominal imports contracted 1.2%.
- On the exports side, 9 of the 11 industries covered saw decreases, led by metal/non-metallic mineral products (-17.4%), farm/fishing/intermediate food products (-9.2%), motor vehicles/parts (-6.3%) and energy products (-4.9%).
- Turning to imports, where a gain for chemical/plastic/rubber products (+6.1%) was more than offset by steep declines for metal ores/non-metallic minerals (-29.2%), aircraft/transportation equipment (-19.8%), and electronic/electrical equipment (-8.1%).
- Canada's energy surplus with the world narrowed from C\$11.0 billion to an 8-month low of C\$10.5 billion, while the non-energy deficit moved from C\$10.6 billion to an 18-month high of C\$12.7 billion.
- The goods trade surplus with the United States shrank from C\$8.5 billion to C\$6.5 billion.
- In real terms, goods exports sank 4.7%, while goods imports cooled 1.2%.
- The services trade deficit, meanwhile, widened from C\$0.9 billion to C\$1.0 billion.

Canada: Goods trade contributed negatively to Q1 GDP growth

Real exports/imports of goods vs. goods trade contribution to GDP



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