



January 6, 2016

TD Economics

Data Release: Canada's trade deficit narrowed in November

- Canada's trade deficit narrowed in November to \$2.0 billion (\$2.5 billion in October), as exports rose by 0.4% and imports fell by 0.7%. In real terms, the picture was even better, with export volumes up 0.7% and import volumes down 1.6%.
- The rise in exports was fairly broad based, with some areas that are less sensitive to the exchange rate leading the way: metal ores and non-metallic minerals (+20%) and forestry products (+6%) were up after trending down over the last couple of months. Exports of motor vehicles (+6%) were also up strongly in November, marking a fourth consecutive increase. Exports of energy products (-6.6%) and consumer goods (-4.5%) provided some offset, due to lower volumes and prices. Excluding energy, exports were up 1.6% in November.
- Weakness in imports was also wide spread, driven largely by lower volumes. The largest declines stemmed from imports of energy products (-6.4%), and electronic and electrical equipment (-2.9%).
- Exports to the U.S. (+1.3%) accounted for the bulk of the increase, as exports sent elsewhere were down 2.2%. Imports from the U.S. slipped 0.1%, while imports from the rest of the world were down 2.1%.

Key Implications

- Overall, this was a decent report, especially when looking at trade in real terms. The rise in export volumes is encouraging and combined with the strong handoff heading into the quarter, net trade should contribute positively to overall growth in Q4, albeit modestly.
- While the weak loonie is certainly a positive for Canada's export sector, the response thus far has been slower than normal – about half the pace seen in the past – suggesting that exports are more sensitive to foreign demand than exchange rate movements (please see our [report](#)). Given our outlook for ongoing strength in U.S. domestic demand, exports should pick up – particularly those in sectors that are less sensitive to the exchange rate (about half of all non-energy exports).
- While economic activity looks sure to disappoint the Bank of Canada's latest forecast (October), its expectation for exports to lead growth is still on track.

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