

Cdn. Merchandise Trade Balance — October

Export Momentum Carries into Q4

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Canada's merchandise trade deficit widened to \$1.2 bln in October, roughly in-line with expectations. That compares to a \$0.9 bln shortfall in the prior month (downwardly revised from \$0.4 bln) and is slightly smaller than the average over the past year \$1.9 bln).

Exports fell 1.2% in the month, with **energy exports** the biggest drag, slumping 12.4%. Recall that the WCS differential was widening sharply through October, but it wasn't until November that WTI prices really cracked to the downside (i.e., don't look for a big turnaround in next month's report). That said, non-energy exports managed to rise 1.6% with broad gains across most sectors. Meantime, **imports** dipped 0.6% with autos the biggest decliner.

In real terms, the news gets better. Stripping out price effects (notably for oil), **export volumes** jumped 1.4% in October, and they're up a strong 6.4% y/y. Again, the gains were relatively broad based. **Import volumes** were flat in the month, but industrial machinery and electrical equipment imports were up solidly—a good sign for M&E. All told, and with prior revisions in mind (i.e., real trade balances were revised down going back to 2017), it looks like trade got off to a good start early in Q4, after a very strong prior two quarters.

The Bottom Line: A pretty good result early in what will be a challenging quarter for the Canadian economy. Right now, it looks like trade could add roughly half a percentage point to growth, but its admittedly early in the proceedings. Still, the BoC should take some comfort.



Merchandise Trade Balance

Canada (C\$ billions)	(year-to-date)				
	Oct	Sep	Aug	2018	2017
Total Trade Balance	-1.2	-0.9	-0.5	-17.1	-18.6
United States	3.1	4.3	4.9	35.9	33.3
China	-1.1	-1.2	-1.4	-14.8	-14.2
European Union	-1.4	-1.4	-1.5	-14.1	-9.8
Automotive	-1.3	-1.9	-1.7	-20.1	-16.6
Energy	5.5	6.9	6.7	63.1	52.6
(% change)	Oct	Sep	Aug	(y/y)	(ytd/ytd)
Exports	-1.2	-1.3	-0.9	10.4	7.1
United States	-2.3	-0.8	-0.9	9.0	6.4
Automotive	4.4	0.2	-6.3	15.3	-3.1
Energy	-12.4	-2.0	-0.9	10.9	19.5
Volumes	0.0	-0.2	-0.2	4.7	4.7
Imports	-0.6	-0.6	0.1	9.6	6.5
United States	1.3	0.7	-0.1	11.3	6.3
Automotive	-3.5	2.4	-2.9	2.9	1.1
Volumes	1.4	-0.6	-0.4	6.4	3.0

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