

Art Lovers Embrace An Otherwise Weak Canadian Trade Report

- Export and import volumes increased in October...
- ...but the trends remain weak and distorted
- An art show in NYC bizarrely drove the export gain
- This has been a soft year for exporters and importers

Merchandise trade balance, October, SA C\$ billions:

Actual: -1.08

Scotia: -1.5

Consensus: -1.45

Prior: -1.23 (revised from -0.98)

Well this is a new one on me. Canada posted an improvement in exports during October and an art fair in New York was a major culprit. Say what?! Exactly. Excluding this category, the value of exports would have fallen. The trends point to continued softness in the external sector of the Canadian economy.

While export volumes were up by 0.7% m/m in October, there is no export relief coming to Canada on a trend basis. Including revisions, export volumes fell by 1.5% q/q at a seasonally adjusted and annualized rate in Q3 and they are tracking another 1.9% drop in Q4 based upon the Q3 hand-off and October reading. This follows a transitory and distortion-riddled pick-up of 12.6% q/q SAAR in Q2 and a 4.6% decline in Q1. For the year as a whole, export volumes are tracking a 1.8% annualized gain over the first ten months.

Similarly, import volumes were up by 0.8% m/m in October but the trend remains weak. They were flat in Q3 (+0.1% q/q SAAR) and are tracking a 1.1% decline in Q4. This follows a 2.2% decline in Q2 after a large 10.2% jump in Q1. For the year-to-date through October, import volumes are up by only 1% at a seasonally adjusted and annualized rate.

Back to the art world for a moment and I can do no more justice to how bizarre Canada's trade figures have become than to directly quote StatsCan:

"Exports of consumer goods rose 5.5% in October, mainly on higher exports of miscellaneous goods and supplies. This category, which includes a wide variety of products, posted a significant increase of \$532 million in October as a result of higher exports of artwork such as paintings and sculptures. These fine art pieces were destined to an art fair in New York that began at the end of October. Items that do not sell could be brought back and subsequently included in Canada's import statistics. Total exports excluding miscellaneous goods and supplies were down 0.3%."

The key is the guidance that the 0.7% m/m rise in the value of exports disappears after removing the jump in exports to the art exhibition in NY. Go figure. Missed that one in our models and general guesswork!

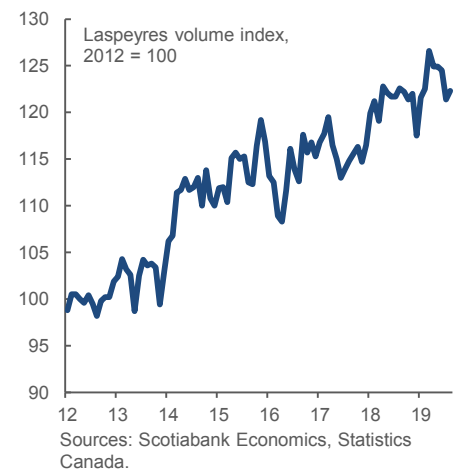
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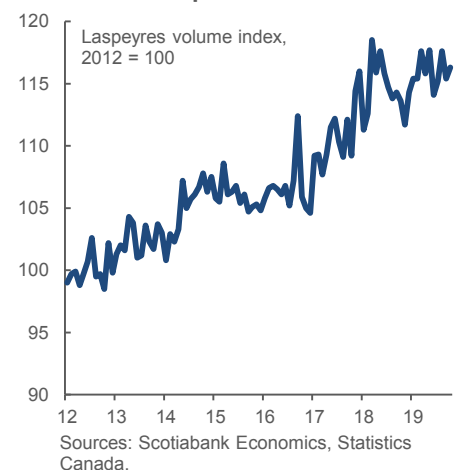
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Export Volumes

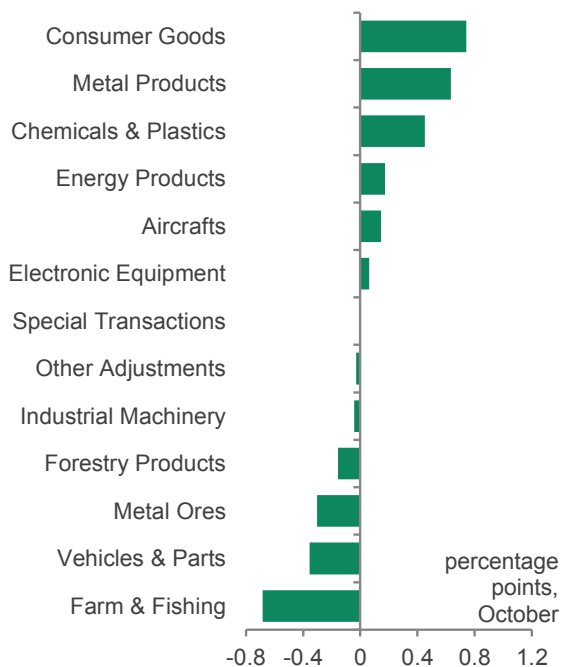


Import Volumes



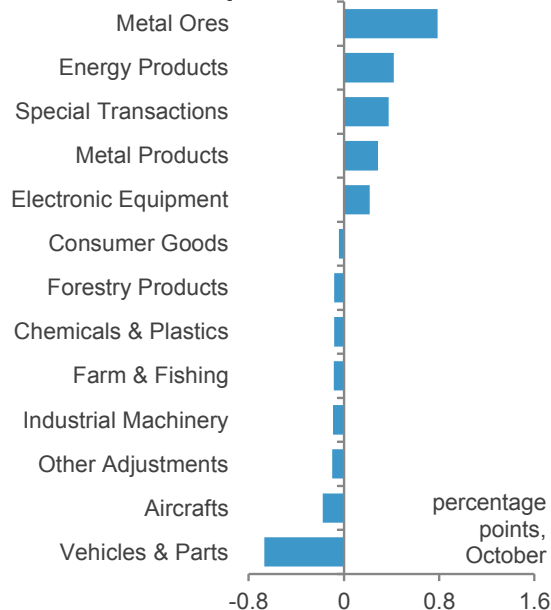
Please see the accompanying four charts depicting trends in the volume of Canadian exports and imports as well as the weighted contributions to overall growth in export and import volumes by category in October. More figures by industry and country are available in the StatsCan recap [here](#).

Weighted Contributions to Exports



Sources: Scotiabank Economics, Statistics Canada.

Weighted Contributions to Import Volumes



Sources: Scotiabank Economics, Statistics Canada.

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