

## Canadian Exports Rebounded Due To Transitory Drivers But The Trend Remains Weak

- Exports rebounded and the trade deficit narrowed
- Transitory factors drove a considerable part of the rebound...
- ...including a reversal of the rail strike effect and Keystone repairs
- After two years of no trend growth in export volumes...
- ...the impact of one print on a more dovish BoC should be scant

### Merchandise trade balance, December, SA C\$ billions:

Actual: -0.37

Scotia: -0.5

Consensus: -0.61

Prior: -1.2 (revised from -1.09)

Canada's trade picture improved somewhat in December. Exports rebounded and the trade deficit narrowed close to Scotia's estimate.

The reversal of a CN strike effect and a rebound in oil exports after the previously ruptured Keystone pipeline was repaired drove a considerable portion of the gain. It is as difficult to ascertain how much of the overall rebound was driven by these specific factors as it was to determine how much of the prior month's weakness was due to them. Regardless, the trend remains unfavourable to Canadian exporters and the Canadian economy.

Export volumes increased by 2.8% m/m in December after a 1.7% m/m decline the prior month, a flat October and a 2.5% drop in September. Import volumes were little changed (+0.3%)

Export volumes were down by nearly 8% q/q SAAR in Q4 after about a 2% drop in Q3 over Q2. That kind of weakness speaks to much more than a particular month's transitory rail/auto strike or ruptured pipeline, each of which got shaken off the next month.

Import volumes were little changed in Q3 over Q2 at +0.5% q/q SAAR and then down by about 2½% in Q4. So there was little trend pull effect on imports from the domestic economy over 2019H2.

Into 2020, the way the quarterly math works and the way in which Q4 ended serves to bake in upside to Q1 export growth pending actual Q1 trade figures.

As for the impact upon the Bank of Canada, this report probably offers relatively little clear incremental information. Export volumes haven't really done much of anything on a trend basis for the past two years. As a fresh shock is absorbed by the global economy into 2020, only data will tell how resilient exports may be into 2020.

Please see the first two charts that depict the trends in export and import volumes.

The third chart breaks down the monthly increase in export volumes in terms of weighted contributions to the overall gain to show which categories led the upside and which categories drove some offsetting weakness.

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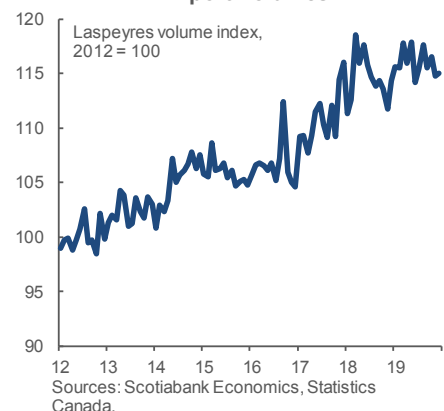
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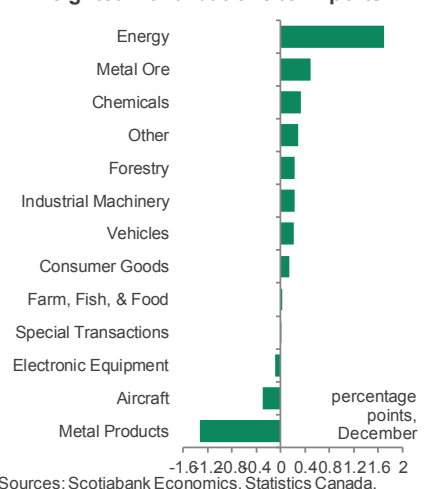
### Export Volumes



### Import Volumes



### Weighted Contributions to Exports



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