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TD Economics

Data Release: Canada's trade balance moves into surplus territory

- Canada's trade balance shifted into surplus territory in November (\$526 million), marking the first surplus since September 2014. Exports jumped 4.3% during the month, while imports rose by a more modest 0.7%. In real terms, exports were up 3.5%, while import volumes fell 0.3%.
- The gains in exports were widespread, led by metal and non-metallic mineral products (+10.6%), which reached the highest level in nearly two years, and metal ores and non-metallic minerals (+26%).
- The rise in imports was driven largely by energy products (+18%). Declines in aircraft and other transportation equipment imports (-17%) provided some offset.
- Canada's trade surplus with the U.S. widened to \$4.2 billion in November, marking the greatest surplus since June 2015. Meanwhile, the trade deficit with the rest of the world shrank to \$3.7 billion, its smallest level in two years.

Key Implications

- The pick-up in export volumes in November is a welcome development for the Canadian economy, especially given the softness recorded during the previous two months. Volumes are now sitting at the highest level seen since February, and could provide some support to economic growth in the fourth quarter which is now tracking near 2%.
- Looking to 2017, conditions remain supportive for exports to take the growth baton, as the Canadian dollar will continue to hover in the mid-70 US cent range and growth in the U.S. is set to accelerate. That said, protectionist measures that could arise under the new U.S. President may limit any growth in the sector.
- Canada's external sector has struggled to gain traction, leaving the domestic economy as the key driver growth. As such, the Bank of Canada is unlikely to move off the sidelines anytime soon.

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