

Merchandise Trade Analysis - August 2017

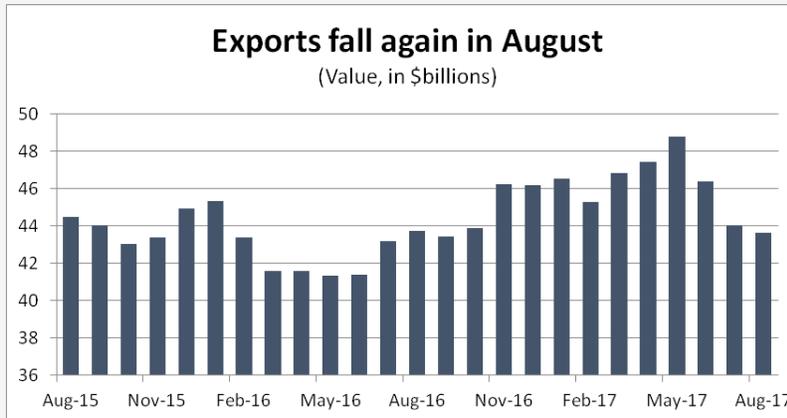


Canadian Fluid
Power Association

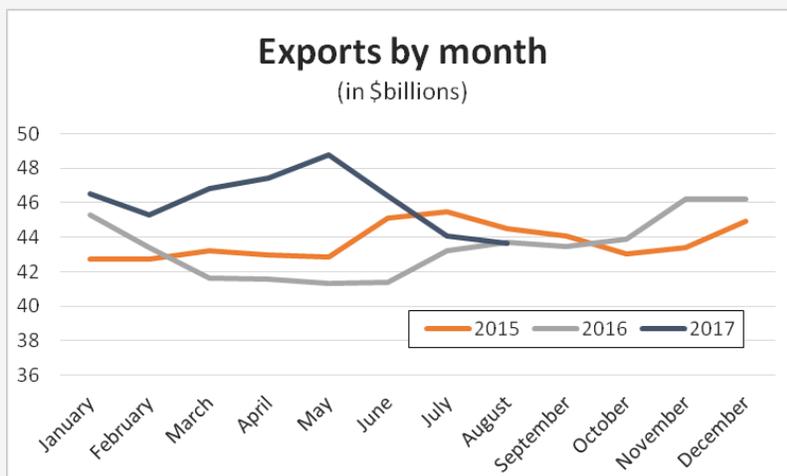
Association canadienne
d'énergie des fluides

Exports fall for the third straight month

After driving the Canadian economy to its best performance in recent memory earlier this year, there has been an abrupt reversal of fortune for the country's exporters. Exports fell for the third month in a row in August, dropping 1.0 % to \$43.6 billion. Since May, exports have fallen by 10.6 % and they are now lower than they were at the same point in 2016.



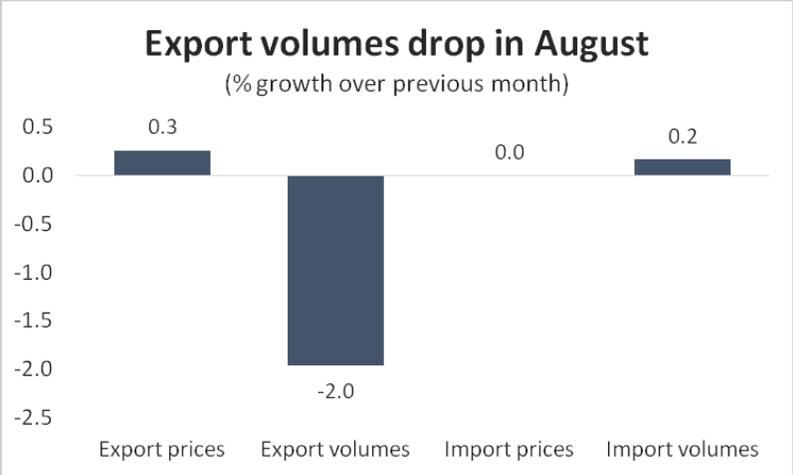
The silver lining is that tremendous growth through the first five months of 2017 have given exporters considerable momentum to push through the rest of the year. Even after considering the nearly-11 % drop since May, exports are tracking 8.0 % higher through eight months compared to the same period last year.



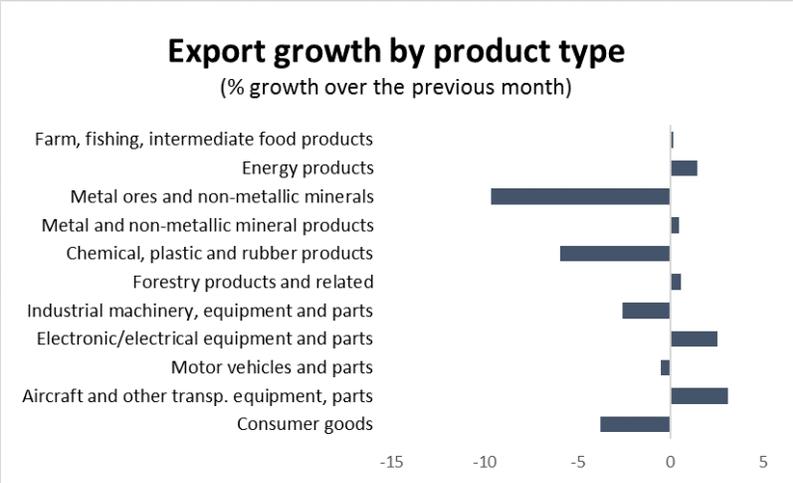
Meanwhile, imports into Canada were effectively unchanged, holding steady at about \$47.0 billion. As a result, Canada's trade deficit expanded slightly, from a revised \$3.0 billion in July to \$3.4 billion in August.

The decline in exports was largely the result of volume effects, as Canadian businesses shipped fewer goods to their foreign customers. Export volumes fell by 2.0 % compared to July, driven lower by food, energy and consumer goods products. Those declines were slightly offset by a modest 0.3 % increase in the prices Canadian exporters received for their goods. On the

import side, prices held steady, while there was a small increase in the volume of foreign goods sold in Canada.

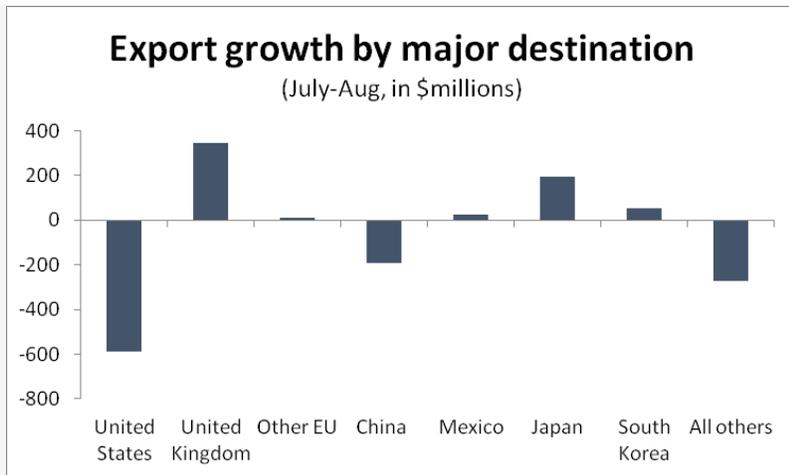


Although aggregate exports fell in August, results were mixed across product types. There was a steep decline in exports of raw metals and non-metallic minerals which dropped by 9.7 % compared to July. Producers of chemicals, plastics and rubber products also saw foreign shipments decline heavily - by about 5.9 %. Exports for industrial machinery and consumer goods were also lower.



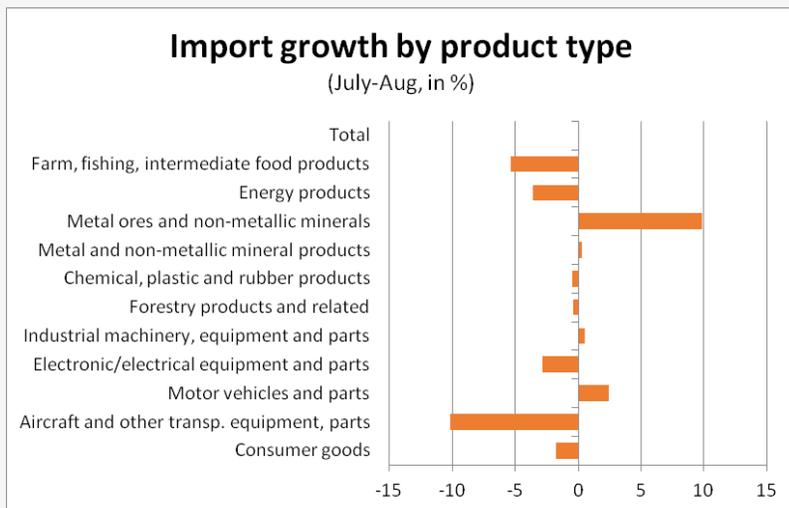
Meanwhile, deliveries of aerospace vehicles and parts were higher in August, as were exports of electrical and electronic goods. Energy exports were also up as higher prices overcame lower-volume sales.

Looking at major destinations, the decline in exports in August was primarily driven by lower sales into the US market. While total merchandise exports around the world fell by \$421 million compared to July, exports to the US were down by \$588 million (1.8 %). However, the US was not the only major market where Canadian exports fell. Sales to China were down 9.3 % compared to July, while shipments to India, the Netherlands, Germany and Norway were all sharply lower.



These losses were countered by a spike in exports to the United Kingdom - up by more than 25 % in August, offsetting a comparably-sized decline the previous month. Exports to Japan (up 22.8 %) and South Korea (14.5 %) were also higher.

On the import side, there was an increase in purchases of goods from Canada's NAFTA partners in August. Imports from the US were up 1.0 % (\$279 million) and those from Mexico were 11.8 % higher (\$200 million). Meanwhile, Canadians bought fewer Chinese and European goods in August.



The increase in NAFTA-partner imports were driven by motor vehicles and parts, purchases of which were 2.5 % higher in August. There was also a significant increase in imports of raw metals and mineral that month. On the other side of the ledger, imports of consumer goods, electronics and aerospace equipment were all lower.