

CANADA

Canada Trade Deficit Narrowed in August

Exports rose on higher prices for crude oil, increase in aircraft sales



The Bank of Canada has said it anticipates growth will be slower in the second half. PHOTO: SEAN KILPATRICK/ASSOCIATED PRESS

By Kim Mackrael

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OTTAWA—Canada recorded a smaller-than-expected trade deficit with the rest of the world in August as prices for crude-oil exports moved higher. A sharp rise in aircraft exports also contributed to the narrowing of the deficit.

Canada posted a merchandise trade deficit with the rest of the world of 955 million Canadian dollars (\$716 million), Statistics Canada said Friday. Market expectations were for a C\$1.05 billion deficit, according to economists at TD Bank.

The previous month's data were revised to show Canada had a trade deficit of C\$1.382 billion, compared with the earlier estimate of a C\$1.124 billion deficit.

Canadian exports rose 1.8% in August to C\$50.58 billion, following a revised decline of 0.8% in the previous month and a 5.3% drop in June. In volume terms, exports edged down 0.2% in August.

Meanwhile, imports climbed 1% to C\$51.54 billion, after a revised 1.5% advance in the previous month. In volume terms, purchases from abroad rose 1.2%.

Canada's monthly trade report covers the sale and purchase of merchandise goods. It doesn't incorporate services.

The August trade data come amid signs the Canadian economy may be decelerating after the strong 3.7% annualized growth that was reported for the second quarter. Data on gross domestic product released earlier this week showed economic growth stalled in July amid weaker oil and gas extraction.

The Bank of Canada, which left its key interest rate unchanged at 1.75% in September, has said it anticipates growth will be slower during the second half of this year. The central bank's next interest-rate decision is due Oct. 30.

The details of Friday's report suggest trade could be a net drag on third-quarter GDP. The decline in export volumes was a disappointment, several economists said, while the sharp rise in August aircraft sales is unlikely to be repeated in the near term.

Overall, the trade report "does little to alter our view that GDP growth slowed markedly in the third quarter, to around the 1% mark," TD Bank economist Omar Abdelrahman said.

The August trade report showed exports of energy products rose 3.9% in August on higher prices for crude-oil exports. Aircraft exports, which can be volatile, were up 38.7% in August because of higher sales of business jets to the U.S.

Overall, eight of the 11 export sectors tracked by Statistics Canada reported increases in August.

On a regional basis, exports to the U.S. rose 3.1% in August to reach their second-highest level on record. The U.S. is Canada's biggest market, taking about three-quarters of Canadian exports. Sales to non-U.S. countries fell 1.9% in August, marking their third straight monthly decline.

The overall rise in imports was driven by stronger imports of gold and crude oil. Imports of metal and nonmetallic mineral products increased 9.4% as gold imports reached their highest level in more than two years. Energy-product imports advanced 9.7% in the month, led by higher imports of crude oil.

Corrections & Amplifications

Canada's trade deficit was C\$1.382 billion in July. A previous version of this story incorrectly said the July trade deficit was C\$1.382 million. (Oct. 4, 2019)

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