

Strong Canadian trade, productivity data bolster economic recovery

By David Ljunggren

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Canadian exports climbed to a record in April and first-quarter labor productivity approached a three-year high, further evidence that the economy is recovering after a long slump caused by low oil prices.

Statistics Canada said on Friday that the April trade deficit narrowed to \$370-million as exports outpaced imports for a second straight month on shipments of motor vehicles and parts.

After struggling for years to adjust to sharply lower prices of crude oil, Canada's economy appears finally to be on a sustainable path to recovery.

In particular, the export sector, long a cause of concern for the Bank of Canada, is showing strength.

"The Bank of Canada has been looking for that for the length of 2016 but has been largely disappointed, but maybe it is starting to materialize as we move into 2017," said Paul Ferley, assistant chief economist at Royal Bank of Canada.

Exports, which jumped 3.2 per cent in March, increased by 1.8 per cent in April to \$47.69-billion. Exports of motor vehicles and parts grew 4.4 per cent while energy shipments posted a 2.5 per cent gain.

"It's a very strong trend... we see this continuing because there is strong U.S.

growth," said Ross Prusakowski, a senior economist at Export Development Canada.

Imports also hit a record high, edging up 0.6 per cent to \$48.06-billion – the fifth consecutive monthly increase – thanks in part to increased inflows of consumer goods, electronic and electrical equipment and parts.

In a note to clients, CIBC economist Nick Exarhos said "trade is likely to be a more significant source of growth in the second quarter than it has in recent quarters."

Figures released this week show first-quarter annualized growth of 3.7 per cent, the best in the Group of Seven leading industrialized nations.

The Canadian dollar strengthened slightly to \$1.3505 to the U.S. dollar, or 74.05 U.S. cents, up from \$1.3526, or 73.93 U.S. cents.

Exports to the United States, which accounted for 75.7 per cent of all Canadian exports in April, soared 5.4 per cent while imports grew 1.1 per cent.

As a result, Canada's trade surplus with the United States expanded to \$4.95-billion – the largest since May 2014 – from \$3.44-billion in March.

Separately, Statscan said the labor productivity of businesses grew 1.4 per cent in the first quarter, the most in almost three years.