

November 14, 2009

Canada gets boost as exports to U.S., Europe rise

By KEVIN CARMICHAEL
From Saturday's Globe and Mail

Canada's economy is finally getting a little help from its friends. The question is how long it will last.

International shipments of goods increased in three of four months through September, easing a record slump in Canadian exports, as the economies of the United States and Europe rebounded from their worst recessions since the Second World War.

Canadian exports increased 3.5 per cent in September from August, led by a jump in sales of automotive products in the U.S. and a remarkable 34-per-cent surge in shipments to the European Union, Statistics Canada reported yesterday.

The United States and Europe represent the two biggest markets for Canadian goods. The latest Statistics Canada data coincided with reports in Washington and Luxembourg that showed imports to the United States increased the most in 16 years in September and the gross domestic product of the 16 euro nations grew 0.4 per cent, the first expansion in more than a year.

Resurgent trade is a prerequisite for a rebound from Canada's first recession since the early 1990s because the country's domestic economy is too small to generate the wealth needed to spark growth in a \$1.3-trillion economy.

Signs of life in the world's biggest economies promise demand for Canadian goods in the months ahead, which would supplement elements of domestic strength, such as elevated consumer confidence and a booming housing market.

"We're getting some benefit in the improvement in economic conditions," said Daniel Bain, president and chief investment officer at Thornmark Asset Management Inc. in Toronto. "Global trade is going to continue to increase."

The dollar rose 0.5 per cent to 95.2 cents U.S., according to the Bank of Canada's

closing rate, as investors bet Canada would benefit from rising global trade.

Canadian imports were little changed in September, allowing the gain in exports to halve Canada's trade deficit to \$927-million, far better than the \$1.8-billion gap between exports and imports that was the median estimate of 20 Bay Street and Wall Street analysts surveyed by Bloomberg News, not to mention the record trade deficit in August.

Canada's economy sank into recession last autumn as demand for exports fell. The Bank of Canada fought back by slashing its benchmark interest rate to a record low, and Finance Minister Jim Flaherty pledged a fiscal stimulus program worth more than \$50-billion.

Those measures have buoyed the domestic economy enough avoid a protracted downturn. But both Bank of Canada Governor Mark Carney and Mr. Flaherty always maintained it will take a global recovery to put the Canadian economy on its feet - and there's still a long way to go before that happens.

Global trade will contract by more than 10 per cent this year, according to the International Monetary Fund. Canadian exports were 28-per-cent lower in September than a year ago, and in the United States, imports declined 21 per cent over the same period, according to the U.S. Commerce Department's latest report.

The higher Canadian dollar also will hamper companies' efforts to take full advantage of the rebound in global demand. The Bank of Canada said last month that the loonie's 12-per-cent rise since May will more than fully offset the benefits of lower interest rates and higher commodity prices.

There's also a risk that the world economy will lose steam.

Much, if not all, of the demand is being generated by trillions of dollars in government spending and rock-bottom interest rates. For example, a 15.8-per-cent increase in Canadian automotive exports in September, which accounted for more than half of the overall gain in international shipments from the previous month, was directly related to the U.S. government's temporary cash-for-clunkers program.

Canadian exports

Total exports Sept.: \$30.25-billion

Exports to the U.S. Sept.: \$22.05-billion

SOURCE: BLOOMBERG

CTVglobemedia Publishing, Inc



CTVglobemedia Publishing Inc. All Rights Reserved.. Permission granted for up to 5 copies. All rights reserved.

You may forward this article or get additional permissions by typing http://license.icopyright.net/3.8425?icx_id=/icopyright/?

[artid=1363501](http://license.icopyright.net/3.8425?icx_id=/icopyright/?) into any web browser. CTVglobemedia Publishing, Inc and Globe and Mail logos are registered trademarks of CTVglobemedia Publishing,

Inc . The iCopyright logo is a registered trademark of iCopyright, Inc.