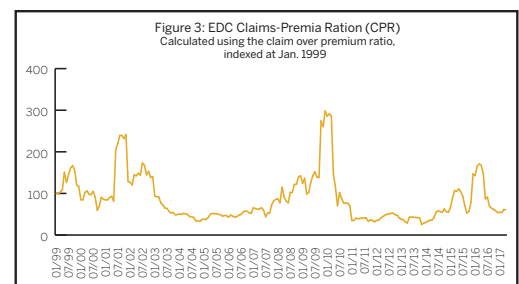
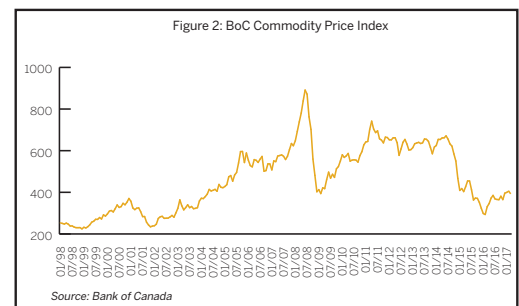
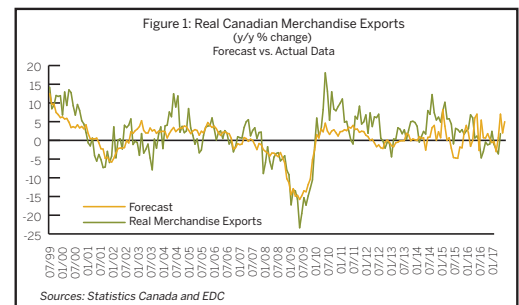


MODEST INCREASE IN MARCH EXPORTS LED BY ENERGY AND MINERAL PRODUCTS

Based on research¹ examining the causal link between EDC's short-term insurance business and Canadian export volumes, EDC has developed a leading indicator of Canadian real merchandise exports, using internal EDC Claims-to-Premia (CPR) data and the Bank of Canada's commodity price index (BCPI).² The CPR typically has an inverse relationship with exports, subject to risk appetite limitations. Under normal operating circumstances, a rise in the numerator or a decline in the denominator of the ratio will point to a decrease in exports. Higher premium revenue should be a sign of expanding EDC business and may indicate stronger export volumes. Symmetrically, rising claims may reflect a more difficult trade environment and/or falling exports once the cost of claims is accounted for. As such, a declining CPR ratio generally indicates improving exports. In 1H 2016, the CPR declined, while the rate of export growth also declined. Therefore, the relationship is not always inverse.

- Canadian merchandise exports increased in March, but remained below expectations. Despite being forecast to increase 7% on both a monthly and yearly basis, exports rose by 2.3% m/m and 1.8% y/y.
- This increase was nearly universal, with eight of the eleven major industry groups recording monthly improvements in exports. Energy products led the way with increases of 6.6% m/m and 14.6% y/y to reach a new high. Exports of mineral products were not far behind and improved 4.7% m/m and 8.9% y/y. Aircraft and other transportation equipment and parts rebounded from last month with a 5.7% gain, but recorded an 18.8% decline compared to last year. Modest monthly declines ranging from 1.0% to 3.5% were seen in farm, fishing, and intermediate food products; metal ores and minerals; and motor vehicles and parts.
- Over the next two months, we expect yearly improvements in exports. We forecast a 2% y/y increase in April and a 5% y/y increase in May. On a month-to-month basis, we predict a 1% decline in April and a 1% increase in May.
- In April, the Claims-to-Premia ratio (CPR) decreased slightly to 60.9 from 61.3, a reverse from last month's increase. While the CPR was on a steady decline for most of last year, 2017 has been characterized by monthly swings thus far. Given that the CPR typically has an inverse relationship with the headline exports figure, this month's decrease may portend a positive trend for future Canadian exports.



1 van der Veer (2010) "The Private Credit Insurance Effect on Trade"; DNB Working Paper no. 264

2 For more details on the methodology see our technical paper: "[Forecasting Canadian Exports using EDC's claims-to-premium ratios](#)"

- The Bank of Canada Commodity Price Index (BCPI) decreased in March to 392.44 from 405.70 in February.³ While this marks the first decline following three consecutive monthly increases, it is nevertheless 18.7% higher when compared to year-ago levels. Indeed, the March figure was higher than all but one value in 2016 (December). Given the BCPI's positive correlation to export performance, this provides a negative signal for future exports. However, we must keep in mind the decreasing CPR figure above.

FIND OUT MORE

Additional information on Canada's recent export performance, along with a medium-term outlook can be found in our [Export Performance Monitor](#) and [Global Export Forecast](#).

³ As noted last month, the Bank of Canada Commodity Price Index methodology has changed, and monthly figures are now on a two-month delay. We are now aligned with this change, and we are reporting on the March BCPI for the first time.

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