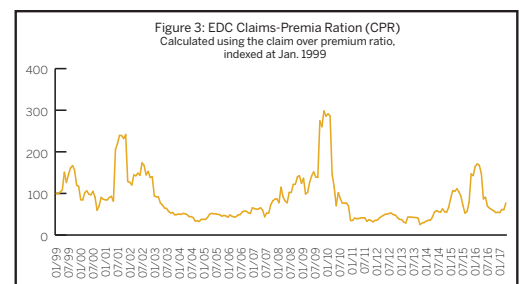
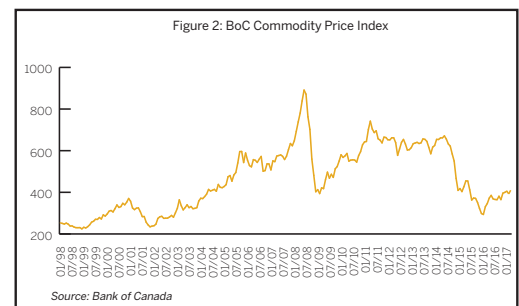
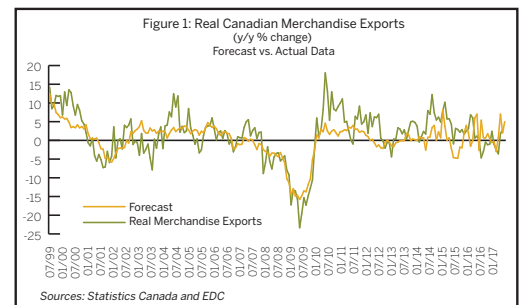


ENERGY, ORES AND MINERALS SPUR INCREASE IN APRIL EXPORTS

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 April and exceeded expectations. Export rose 0.8% on a monthly basis, despite being forecast to decline by 1%. Similarly, exports rose 2.8% on a yearly basis, though they were only expected to rise by 2%.
- Similar to last month, the increase was broad-based, with seven of the eleven major industry groups recording monthly improvements in exports. Metal ores and minerals led the way with increases of 17.3% m/m and 16.1% y/y. Exports of energy products reached a new high, following a 2.7% monthly increase and a notable 20.4% yearly increase. Electronic and electrical equipment and parts recorded a third consecutive monthly increase, rising 3.2% compared to last month, while motor vehicles and parts exports rose by 2.8%, snapping a two-month decline. Monthly decreases ranging from 1.7% to 4.5% were noted in farm, fishing, and food products; metal and mineral products; basic and industrial chemical, plastic, and rubber products; and consumer goods.
- Over the next two months, we expect year-on-year improvements in exports. We forecast a 3.6% y/y increase in May and a 5.7% y/y increase in June. On a month-to-month basis, we predict a 0.4% decline in May and a 1.3% increase in June.
- In May, the Claims-to-Premia ratio (CPR) increased to 77.0 from 60.9, reversing last month's decline, and reaching the highest value since July 2016. 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 increase may portend a negative 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) increased in April to 409.95 from 392.44 in March. This marks the highest value since July 2015, and represents an 18.4% increase from one year ago. Given the BCPI's positive correlation to export performance, this provides a positive signal for future exports. However, we must keep in mind the increasing 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](#).

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