Market View
Economics and Strategy

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Canadian trade: Provincial credit implications

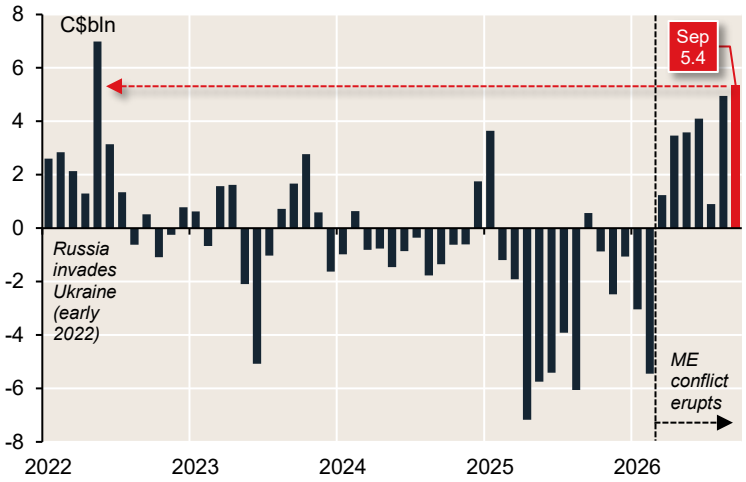
By Warren Lovely

This morning, Statistics Canada released fresh data on international merchandise trade, revealing a further improvement in Canada's goods trade balance for the month of September. Our Economics & Strategy colleague, Jocelyn Paquet, has provided his usual timely and thoughtful take. Refer to NBC's related *Economic News* report available **here**.

The national highlights are striking enough, including September's above-consensus merchandise trade surplus of $5.4 billion—the largest since mid-2022. Industry and product-related narratives are likewise compelling, as the energy trade surplus has bloomed while the non-energy deficit remains wide. It follows that there are some not-so-subtle regional/provincial implications, which we touch on quickly here.

Chart 1: A trade surplus for Canada since ME conflict erupted

Canada monthly merchandise trade balance: All products

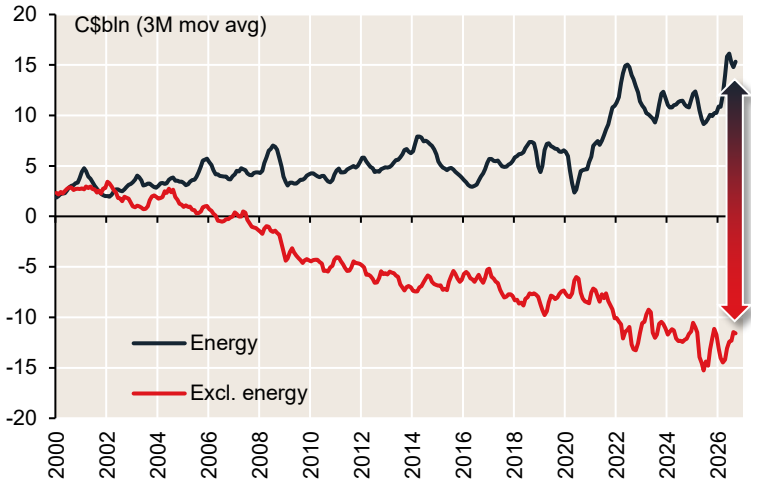


Source: NBC, StatCan | Note: Monthly to Sep-26; latest ME conflict commenced 28-Feb-26

Canada ran a $5.4bln merchandise trade surplus in September. That makes seven straight months of surplus, coinciding with the start of a conflict in the Middle East. September's tally represents Canada's strongest monthly trade balance since mid-2022 (when another military conflict roiled energy markets) and "masked the impact of new [U.S.] tariffs" (**link**).

Chart 2: Blooming energy surplus vs. large ex-energy deficit

Canada merchandise trade balance: Energy vs. non-energy products

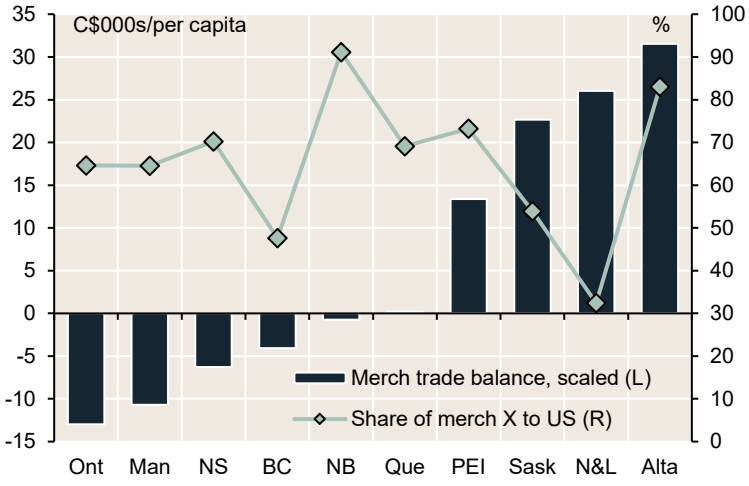


Source: NBC, StatCan | Note: Averaged over 3M to smooth month-to-month volatility

While an oversimplification, you might consider Canada's economy as somewhat bifurcated along energy lines. This is clear enough in the merchandise trade data, where a long-standing energy trade surplus (mostly notable for crude oil) has bloomed. In contrast, a trade deficit in non-energy products (incl. autos, machinery/equipment, consumer goods) remains wide.

Chart 3: Some perspective on provincial trade positions

Provincial merchandise trade balance & share of exports to U.S.: Latest 12M

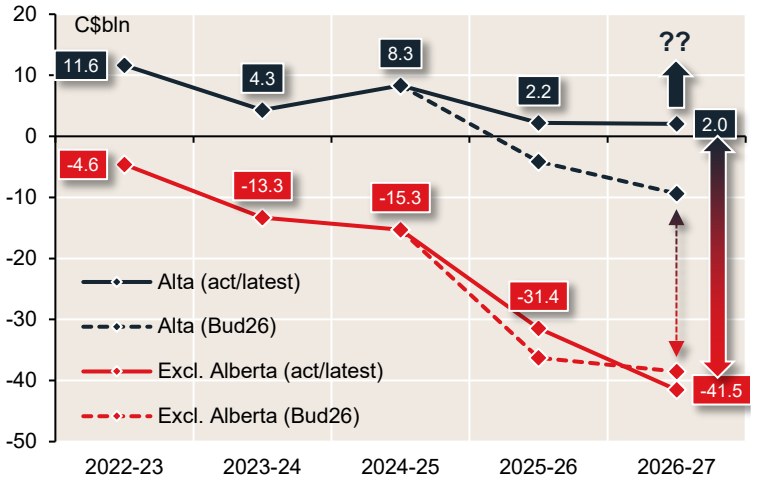


Source: NBC, StatCan | Note: Based on latest 12M of customs-based data (Oct-25 through Sep-26); merchandise trade balance scaled to 2026:Q3 population

It follows that the province's most directly leveraged to key commodities, including oil, have seen their exports—and the resulting goods trade balances—supported. Consider: Over the latest 12M period, the three provinces with largest relative merchandise trade surpluses are the three main oil-producing jurisdictions: Alberta, Newfoundland & Labrador and Saskatchewan.

Chart 4: Oil royalty windfall widens Alberta's fiscal edge

Provincial government budget balances: Alberta vs. all other provinces



Source: NBC, prov gov'ts | Note: Based on latest official estimates vs. Bud26 plans; latest Alberta projection from 27-Aug (when WTI was assumed to average US$73.5/bbl in 2026-27)

The positive terms-of-trade effect bolstering nominal output in oil-leveraged jurisdictions is, to some extent, echoed in provincial finances. Alberta—a province we've flagged as having enormous revenue upside—already has a balanced budget. All else equal, Alberta should move further into the black when a Q2 report updates energy price planning assumptions. Wait for it.

Economics and Strategy

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