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# ECONOMIC FLASH!

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## Canadian trade (July): Imports strike out

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| Merchandise trade, in million ($) | 22:Q4[1] | 23Q1[1] | 23:Q2[1] | May | Jun | Jul |
|---|---|---|---|---|---|---|
| Merch. trade balance—Annual rate | 8,312 | 2,772 | -26,216 | -32,046 | -59,000 | -11,849 |
| • Monthly rate | - | - | - | -2,671 | -4,917 | -987 |

| Merchandise trade (period/period % chg) | 22:Q4[2] | 23:Q1[1] | 23:Q2[1] | May | Jun | Jul |
|---|---|---|---|---|---|---|
| Exports | -6.4 | -2.7 | -14.3 | -2.7 | -3.5 | 0.7 |
| Imports | -5.8 | 0.1 | -0.1 | 3.1 | 0.1 | -5.4 |
| Export volumes (chain Fisher) | -0.1 | 11.6 | -1.5 | -1.4 | -2.0 | 0.2 |
| Import volumes (chain Fisher) | -12.8 | -0.5 | 4.7 | 4.3 | 1.6 | -4.9 |

Source: Statistics Canada

- The strike at BC ports and flooding in Nova Scotia appeared to impact imports more than exports in July, resulting in a narrowing of the goods trade deficit to $1.0bn, from a revised $4.9bn in the prior month (consensus $3.5bn). While today's data is positive news for the net trade component of GDP, the decline in import volumes could result in lower inventory accumulation which will act as a counterbalance for Q3 GDP but is also potentially bad news from an inflation point of view.
- Imports slumped by 5.4% in nominal terms and 4.9% in real terms, although more than a third of the decline was driven by the often volatile trade in gold which was partly linked to the BC port strike. Overall imports cleared at BC ports were down 18.5% compared to the prior month, with Statistics Canada noting that sectors which typically rely on these ports (such as consumer goods, electronic products and industrial machinery) all saw lower trade volumes in July than in the prior month. Overall, 9 out of 11 broad product segments saw declines in imports relative to June's readings.
- While exports into BC ports also saw a sharp decline (-23%), this was offset by higher exports elsewhere. Indeed, overall exports were up by 0.7% in July, albeit broadly flat (+0.2%) in volume terms. This was partly due to a doubling of trade in the volatile aircraft segment, but food and food product exports also rose following four consecutive monthly declines. Partially offsetting these increases, exports of metals and non-metallic mineral products fell by 8.6% driven by unwrought gold, as trade in this area continued to moderate after reaching a record high in April.
- June's trade deficit was revised wider to $4.9bn, from the $3.7bn originally reported, due to a combination of higher imports (+$0.5bn) and lower exports (-$0.7bn).
- The monthly trade in services data showed a wider deficit as imports rose but exports declined slightly. However, the overall trade deficit still narrowed significantly due to the shift on the goods side, moving from a $6.0bn shortfall in June to $2.4bn in July.

[1] Annualized.

[2] Annualized.

## Implications & actions

**Re: Economic forecast** — Exports appear to have gotten off to a better start in Q3 than we had previously expected, which should help overall GDP stay out of negative territory particularly if trade volumes strengthen in August following July's strike. However, a slowing global economy is likely to mean that exports still won't be the same economic driver that they were during the second half of 2022 and into early 2023.

**Re: Markets** — Market reaction was limited as investors looked towards the Bank of Canada interest rate decision later in the morning.