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Canadian trade (June): Trade a big contributor to Q2 rebound

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Merchandise trade, in million ($)	25:Q4	26:Q1	26:Q2	Apr	May	Jun
Merch. trade balance—Annual rate	-17,637	-27,323	44,518	42,916	44,374	46,266
• Monthly rate	-	-	-	3,576	3,698	3,856

Merchandise trade (period/period % chg)	25:Q4	26:Q1	26:Q2	Apr	May	Jun
Exports	17.7	19.7	63.5	3.4	0.7	0.4
Imports	5.8	24.8	17.7	0.6	0.6	0.2
Export volumes (chain Fisher)	9.6	1.4	23.4	0.5	-1.2	2.6
Import volumes (chain Fisher)	0.4	16.4	5.8	0.1	-0.5	-1.8

Source: Statistics Canada

- Canada's goods trade surplus was little changed in June, with imports and exports both increasing modestly, with the latter flattered by a surge in the volatile trade of gold. However, even if June's results were a little mixed, the second quarter was still a good one for trade, and not just because of higher oil prices flattering the nominal figures. Export volumes rose at their fastest pace since the wild swings of the 2020 pandemic in the second quarter, and appear to be an important driver of the rebound in GDP shown by last week's provisional data.
- The $3.9bn merchandise trade surplus was largely unchanged from a downwardly revised $3.7bn in the prior month, although it was wider than the $3.0bn consensus expectation. Exports increased by 0.4% in nominal terms and 2.6% in chain-fisher volume terms. However, that was flattered by a surge in the often volatile export of gold, which increased by nearly 28% despite lower prices. Smaller gains were also seen in metal ores and motor vehicles. The increase in motor vehicle & parts exports was the fifth consecutive gain and took exports to their highest level since the tariff front-running activity of March 2025. These increases were partly offset by a 10% decline in energy prices, largely linked to the fallback in oil prices seen during the month.
- Exports to the US rose by 0.3% in June, while imports from the US increased by 3.0% which narrowed Canada's trade surplus. Exports to countries other than the US increased by 0.7%, although that was driven largely by higher gold exports to the US.
- Total imports edged up by 0.2% in nominal terms, and in real chain-fisher terms they were down by 1.8%. Moreover, the nominal increase was driven mainly by one sector (electronics and electrical equipment), and excluding that imports would have been down 1.3%. Industrial machinery, consumer goods and metal ore imports all saw declines on the month.
- While June's results were somewhat mixed, they capped a good quarter for trade in both nominal and real terms. While energy prices drove much of the nominal gain seen in the quarter, exports were also up by 23% annualized in volume terms. With that easily eclipsing the more modest gain in imports over the quarter, net trade appears likely to

be a big driver of the rebound in GDP already signalled by last week's data release.

Implications & actions

Re: Economic forecast — June's data confirm that a further rebound in export volumes from the lows seen in 2025 appears to have been a large driver of the strength in GDP signalled for Q2. However, with the threat of new tariffs looming, this surge in exports could easily slow or stall ahead. Export volumes could see a small bump in the next couple of months if companies potentially impacted by new US tariffs look to front-run their implementation, but there would be a negative effect afterwards if these new tariffs actually come into effect.

Re: Markets — Markets were little changed on today's data.

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