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# ECONOMIC FLASH!

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## Canadian trade (Jul): Stabilising at a lower level

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| Merchandise trade, in million ($) | 24:Q4 | 25:Q1 | 25:Q2 | May | Jun | Jul |
|---|---|---|---|---|---|---|
| Merch. trade balance—Annual rate | -1,319 | -1,853 | -76,217 | -66,012 | -71,770 | -59,237 |
| • Monthly rate | - | - | - | -5,501 | -5,981 | -4,936 |

| Merchandise trade (period/period % chg) | 24:Q4 | 25:Q1 | 25:Q2 | May | Jun | Jul |
|---|---|---|---|---|---|---|
| Exports | 18.2 | 17.4 | -42.5 | 1.9 | 0.1 | 0.9 |
| Imports | 11.2 | 17.7 | -15.2 | -1.3 | 0.8 | -0.7 |
| Export volumes (chain Fisher) | 10.5 | 6.4 | -31.3 | 2.7 | -1.3 | 0.7 |
| Import volumes (chain Fisher) | 6.2 | 6.1 | -6.2 | -1.1 | 1.5 | -1.8 |

Source: Statistics Canada

- Canadian exports and the goods trade deficit began to stabilise in July, albeit at weaker levels than prevailed before US tariffs and related uncertainty took hold. The deficit in goods trade was $4.9bn, which was around $1bn narrower than in the prior month and also slimmer than the consensus forecast ($5.3bn). While a solid rise in inflation-adjusted exports suggests that net trade will be a positive to GDP in Q3, trade uncertainty will continue to indirectly impact other areas of GDP, likely keeping the overall pace of growth fairly tepid during the second half of the year.
- Exports increased by 0.9% in nominal terms, and by 0.7% in real (chain-Fisher) terms. Auto exports rebounded to offset the decline in the prior month, while energy also contributed to the overall increase. However, exports of steel and aluminum, which are subjected to the highest sector-specific tariffs, continued to weaken. The 30% decline in aluminum exports took them to their lowest level since May 2019.
- Imports were down by 0.7% in the month (-1.8% in real terms) as inbound shipments of industrial machinery normalised following an outsized increase in June.
- By country, a third consecutive increase in exports resulted in a larger surplus with the US than seen in the previous month. However, the $6.7bn surplus is still slimmer than the average seen in 2024 ($8.5bn). Exports to countries other than the US fell 8.6% on the month, albeit largely reflecting a further decline in gold exports to the UK which had surged earlier in the year.
- On the services side, the trade balance swung from a small deficit in June (-$0.2bn) to a modest surplus in July (+$0.5bn). The combined trade deficit narrowed from $6.2 billion in June to $4.4 billion in July.

## Implications & actions

**Re: Economic forecast** — Overall, it looks like net trade will be a positive for GDP in the third quarter, but that doesn't mean that the negatives from this year's tariff shock are behind us. Exports in the second quarter were likely below the underlying trend, due to earlier tariff front-running, and so the recent improvement is simply returning us to a new, lower, trend level. While CUSMA exemptions are helping stabilise exports in many areas, sectors exposed to specific tariffs (notably steel and aluminum) continue to suffer. Moreover, the negative impact of trade uncertainty on business investment, hiring and, by extension, consumer spending, will persist for longer and likely keep overall GDP growth fairly tepid during the second half of the year.

**Re: Markets** — There was limited market reaction to today's trade data.