

Economics

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Canadian trade (June): Well-oiled export machine

by **Katherine Judge** katherine.judge@cibc.com

Merchandise trade, in million (\$)	23:Q4 ¹	24Q1 ¹	24:Q2 ¹	Apr	May	June
Merch. trade balance—Annual rate	8,617	536	-6,345	-7,369	-19,326	7,660
• Monthly rate	-	-	-	-614	-1,611	638

Merchandise trade (period/period % chg)	23:Q4 ¹	24:Q1 ¹	24:Q2 ¹	Apr	May	June
Exports	5.2	-3.7	4.3	2.4	-2.2	5.5
Imports	0.9	0.5	8.0	0.9	-0.7	1.9
Export volumes (chain Fisher)	3.4	2.1	-1.6	1.0	-2.3	4.6
Import volumes (chain Fisher)	-2.3	1.3	1.2	-0.7	-0.4	1.2

Source: Statistics Canada

- Canada's trade balance swung into a \$0.6bn surplus in June, a much better outcome than the \$2.0bn deficit expected by the consensus. That reflected a 5.5% surge in exports, driven by higher crude shipment volumes tied to the Trans Mountain pipeline expansion. Exports increased in 9 of 11 categories, while imports were up by 1.9%, with 9 of 11 categories also rising. However, for the quarter as a whole, export volumes declined by 0.4% while import volumes increased by 0.3%, suggesting that net trade will have been a drag on growth overall in the second quarter.
- Adding to the jump in oil exports was a sharp increase in unwrought gold shipments, a volatile category that has only become more volatile within the context of geopolitical uncertainty lately. Total export volumes are 4.1% above year-ago levels, and although the June data represents a favourable starting point for the second half in which TMX shipments will continue to boost exports, that impact will be dulled by plummeting oil prices and shaky foreign demand.
- Canada's auto imports reached a record in nominal terms, a category that had been held back for most of the year from production disruptions and delayed deliveries from the US, but volumes in that category are still below their late 2023 peaks. Inbound real shipments of consumer goods ticked up but are well below their 2022 highs, as domestic demand remains subdued as evidenced by bloated inventory levels.
- Canada's trade surplus with the US widened to \$9.4bn from \$8.8bn, leaving it roughly in the middle of the range seen since mid-2022. Canada's trade deficit with the rest of the world narrowed from \$10.4bn to \$8.7bn, driven by higher crude oil shipments to Asian countries, and unwrought gold shipments to the UK.
- Adding services back into the mix showed that Canada's total trade deficit narrowed from \$2.6bn in May, to \$0.5bn in June.

¹ Annualized.

Implications & actions

Re: Economic forecast — Although the data provides a favourable handoff for Q3, plummeting oil prices and the hit to global confidence will weigh on Canadian exports and will require more policy easing this year than previously thought. A sustained lift to exports likely awaits a pickup in global growth in 2025 in response to an easing in interest rates ahead. Imports will likely remain subdued until bloated inventories are worked off.

Re: Markets — Markets didn't pay attention to the upside surprise in today's data, as it's backward looking and markets are more concerned about growing recession fears.

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