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Canadian trade (May): As good as it gets?

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Merchandise trade, in million ($)	25:Q3	25:Q4	26:Q1	Mar	Apr	May
Merch. trade balance—Annual rate	-37,610	-17,637	-26,250	22,590	40,864	50,921
• Monthly rate	-	-	-	1,883	3,405	4,243

Merchandise trade (period/period % chg)	25:Q3	25:Q4	26:Q1	Mar	Apr	May
Exports	10.0	17.7	20.5	10.7	2.6	0.9
Imports	-8.7	5.8	25.0	0.0	0.5	-0.2
Export volumes (chain Fisher)	4.9	9.6	1.3	4.4	-0.3	-0.5
Import volumes (chain Fisher)	-11.2	0.4	16.8	-1.2	0.1	-0.8

Source: Statistics Canada

- Canada's merchandise trade surplus increased further in May, as another rise in exports contrasted with a marginal decline in imports. However, the recent decline in global oil prices will likely see the trade surplus slim ahead, even if export volumes are maintained, meaning that May's surplus could be as good as it gets for Canada's merchandise trade balance this year.
- The $4.2bn surplus was up from a revised $3.4bn in the prior month (previously $2.7bn) and well above the consensus forecast for $2.5bn. The 0.9% rise in exports was driven primarily by metal ores and non-metallic minerals, with energy exports seeing a slight drop following outsized gains in prior months. Aluminum exports also surged on the month due to higher shipments to the Netherlands, Italy and Greece. In chain-Fisher volume terms, exports fell by 0.5% on the month. However, because of a strong advance in March, export volumes are up by a healthy 7.5% on a year-over-year basis. The level of export volumes also remained higher than its 2024 average, before the tariff-induced volatility of last year started.
- The decline in imports during the month was mainly due to the volatile gold trade, and excluding that category imports would have been up 1.9%. Imports rose in 9 of 11 categories, led by consumer goods. However, in chain-Fisher volume terms imports were down 0.8%.
- Exports to countries other than the US edged down in May, seeing Canada's trade deficit with those countries widen, although that was primarily due to lower exports of gold to the UK. There were positive signs of trade diversification in other categories, including the previously mentioned aluminum exports with the Netherlands.
- On the services side, exports rose 0.9% but that was eclipsed by a 2.0% increase in imports, which brought a slightly wider deficit of $0.5bn. Canada's total trade surplus with the world rose to $3.8bn in May, from $3.2bn in the previous month.

Implications & actions

Re: Economic forecast — While export volumes were down slightly on the month, the Q2 average remains well above that seen in the first quarter of the year and as a result exports should be a positive contributor to the healthy rebound in GDP that we are currently tracking. Even though CUSMA was not extended last week, the fact that the trade deal remains in place and most exports maintain an exemption from US tariffs should help maintain higher export volumes relative to a year ago, alongside ongoing efforts to grow trade with other countries which today's data suggest are paying dividends in some sectors.

Re: Markets — There was little market reaction to today's release.