

ECONOMIC NEWS

Canada: Another Outstanding Trade Surplus in June

By Randall Bartlett, Senior Director of Canadian Economics

HIGHLIGHTS

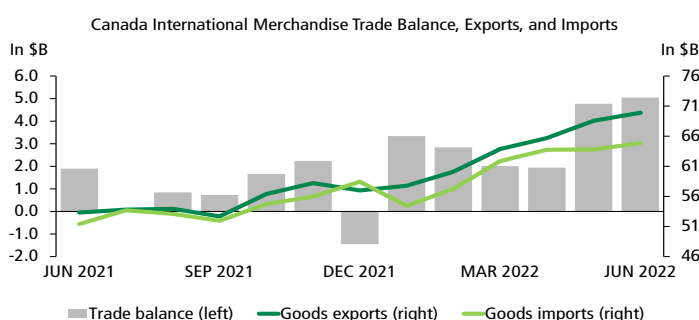
- ▶ Canada's international merchandise trade surplus widened in June, expanding to \$5.0 billion from a downwardly revised \$4.8 billion in May.
- ▶ Exports posted a respectable advance of 2.0% to \$69.9 billion, on the back of solid gains in exports of energy products, metals ores and non-metallic mineral products, and consumer goods. In all, 8 of 11 product categories posted increases, supporting the sixth consecutive monthly increase in exports. The export story was largely one of a solid increase in volumes (+1.7%), as prices posted the weakest advance since contracting in December 2021 on falling energy prices.
- ▶ At the same time, imports were up 1.7% to \$64.9 billion, with imports of energy products—particularly refined petroleum and natural gas—leading the advance. Notably, imports of aircraft and other transportation also reversed their substantial decline in May. And while import volumes advanced in the month (+0.1%), the real story here was the 1.6% increase in prices.
- ▶ Canada's trade surplus with the United States narrowed from \$13.6 billion in May to \$13.2 billion in June, still the second-highest surplus on record.

COMMENTS

Another month, another outstanding trade surplus in Canada. And unlike previous months in 2022, it's not just an energy price story this time. Indeed, with energy prices falling sharply in June on concerns of an impending global recession, the trade surplus can largely be chalked up to stronger export volumes.

GRAPH

Canada's trade surplus hits another high in June



Sources : Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

On a quarterly basis, export volumes increased at an annual rate of 9.4% while import volumes surged 29.7% in Q2. When combined with the monthly real GDP estimates and forecasts provided by Statistics Canada, our Q2 real GDP growth tracking is coming in at around 4.5% (q/q, saar). This strength along with sustained high inflation supports our view that the Bank of Canada will hike by another 50 bps in September. However, under the hood, there are signs that the Canadian economy is starting to weaken. Modest real GDP growth in May and June are pointing to an impending slowdown starting in the second half of 2022.