**CANADA – UNITED STATES**

**Improvement in Canada’s balance of trade**

**HIGHLIGHTS**

- In Canada, merchandise exports pulled back by 1.6% in May, while imports fell by 3.2%. Despite these declines, the balance of trade improved during the month, narrowing from -$0.95B to -$0.30B.

- In the United States, the balance of trade in goods and services deteriorated for a second straight month, from -US$40.1B in April to -US$45.0B in May. Exports dipped by 0.3% while imports advanced by 1.9%.

**COMMENTS**

In Canada, the level reached by the trade balance is pretty much in line with expectations. However, the declines in several categories of exports and imports suggest less robust economic activity. Among other things, we note drops in exports of motor vehicles, metal products and non-metallic mineral products, in both current and constant dollars. On the other hand, real exports of industrial machinery, equipment and parts showed sound growth of 4.6%. This is the best gain since 2011, and follows a 5.1% slump in April. The decline in imports comes mainly from energy products, minerals, metallurgy and automobiles.

In the United States, the deterioration in the trade balance is on a somewhat larger scale than anticipated. The higher growth in imports than in exports was expected, but the spread between the two monthly variations is especially wide. Still, the weakness in exports is fairly contained in a few sectors that play a rather minor role in the country’s economy, i.e. gold, jewellery and artwork. On the imports side of the equation, the sharp increase comes from crude oil, petroleum products, cell phones and automobiles.

**Implications:** In Canada, the balance of merchandise trade expressed in real terms improved by $627M in May. This completely makes up for the deterioration that was recorded in April and suggests we can look forward to further improvement in the trade balance for the second quarter as a whole. In the United States, the spike in imports inflated the trade deficit. Barring a reversal in June, it appears that net exports will make a negative contribution to real GDP growth. It is to be hoped that this drain on the economy will be offset by improvement in domestic demand.

Francis Généreux
Senior Economist

---

**FRANÇOIS DUPUIS**
Vice-President and Chief Economist

**HÉLÈNE BÉGIN**
Senior Economist

**BENOÎT P. DUROCHER**
Senior Economist

**YVES ST-MAURICE**
Senior Director and Deputy Chief Economist

**FRANCIS GÉNÉREUX**
Senior Economist

**NOTES TO READERS:** The letters *k, M* and *B* are used in texts and tables to refer to thousands, millions and billions respectively.

**Important:** This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2013, Desjardins Group. All rights reserved.