**HIGHLIGHTS**

- In **Canada**, merchandise exports rose by 1.4% in June, while imports ticked up by 0.6%. Consequently, the balance of trade went from -C$0.8B to -C$0.5B.
- In the **United States**, exports of goods and services grew by 2.2% in June, but imports dropped by 2.5%. As a result, the balance of trade moved up, from -US$44.1B to -US$34.2B.

**COMMENTS**

In **Canada**, if we take the revised data for May into account, the trade balance improved by C$312M in June. Bear in mind that most forecasters were expecting a deterioration during that month. The floods in Alberta certainly did produce negative effects on energy exports (-1.4%), but that downturn was amply offset by a major increase in other areas of activity, such as automotive products (+5.5%) and the aerospace industry (+28.3%).

In the **United States**, the improvement in the trade balance was far beyond expectations. For one thing, the increase in exports is fairly generalized, although we do note a 3.4% slump in automotive products. Furthermore, most of the main sectors report a decline in imports.

**Implications:** In **Canada**, the state of international trade has changed substantially, due to the revision of earlier data. While those changes were favourable as far as the month of June is concerned, the picture for the second quarter as a whole is, all told, more negative: the balance of trade in goods expressed in real terms deteriorated by $98M in 2007 dollars during the quarter. If we also take the deficit in the service sector into account, we should expect a slightly negative contribution by international trade to Canada’s real GDP during the period.

In the **United States**, the June numbers are more positive than the assumptions used by the Bureau of Economic Analysis in its calculations of economic accounts for the second quarter. Therefore, the negative contribution by foreign trade to second-quarter real GDP will probably be less pronounced than initially estimated. This paves the way for an upward revision of U.S. real GDP at the next release.

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