

# ECONOMIC NEWS

## Canada: International Trade Is Looking Up

### HIGHLIGHTS

- ▶ After improving a bit in May, the recovery of international trade picked up in June.
- ▶ Merchandise exports rose 17.1% during the month, while imports grew 21.8%.
- ▶ The automobile products sector contributed heavily to growth in both cases. That said, most of the other main sectors also went up in June.
- ▶ Since imports came back up faster than exports, the trade balance deteriorated in June, from  $-\$1.3\text{B}$  to  $-\$3.2\text{B}$ .
- ▶ Despite the recent improvement, the very negative base effects stemming from the sharp decreases of March and April mean that exports in real terms dropped 17.6% (or  $-54.0\%$  quarterly annualized) for the second quarter as a whole. Imports in real terms decreased 20.9% (or  $-60.9\%$  quarterly annualized).

### COMMENTS

The gradual resumption of activities starting in May allowed international trade to pull out of its slump. That said, despite the strong increases in June, the levels of merchandise exports and imports are still very much below those observed before the pandemic. Clearly, a full recovery will be slow and gradual.

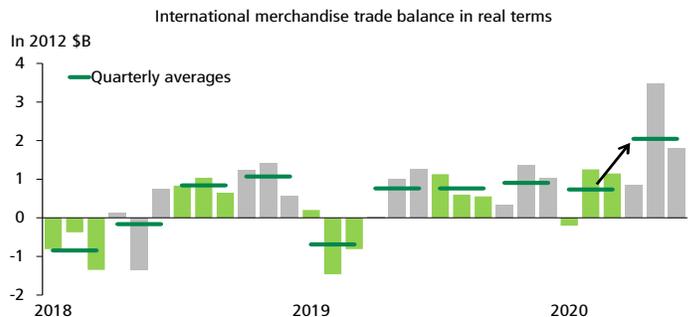
The picture for the second quarter in real terms shows that the drop in merchandise imports was sharper than for exports. This resulted in an improvement in the balance of trade in goods from  $+\$2.2\text{B}$  in 2012 dollars to  $+\$6.1\text{B}$  in 2012 dollars.

### IMPLICATIONS

International trade will contribute positively to the variation in real GDP in the second quarter. However, this won't stop the latter from seeing a record drop during the period, with a

**GRAPH 1**
**The recovery of international trade is far from over**


Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 2**
**The trade balance improved in the second quarter of 2020**


Sources: Statistics Canada and Desjardins, Economic Studies

decrease of about 12% (or  $-40\%$  quarterly annualized) due to the collapse of domestic demand.

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

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