Canada: Trade balance narrows as energy/metal exports suffer from a decline in prices

By Jocelyn Paquet

Although the trade surplus narrowed in July, Canada’s international merchandise balance nonetheless remained in positive territory, and that for a thirteenth time in the past fourteen months. Exports fell for the first time this year, but this was mostly due to a decrease in prices. With the price effect removed, international shipments continued to expand. Consumer goods exports suffered from a 49.1% drop in the pharmaceutical products category which had risen steeply in June as large quantities of medications for the treatment of COVID-19 were exported to the United States, Australia and the Netherlands. Exports of energy products, meanwhile, declined for the first time in 7 months, hampered by lower prices. This drop was partly responsible for the narrowing of the trade surplus with the United States, the main buyer of Canadian energy products. The retreat in the metal/non-metallic mineral products category, for its part, reflected a 37.9% drop for unwrought aluminum/aluminum products which had benefited earlier from increased demand/prices following Russia’s invasion of Ukraine. Exports of motor vehicles/parts, on the other hand, advanced at a steep clip as automakers experienced a reprieve from supply chain issues that have been limiting output in previous months. Despite this gain, international shipments in the auto sector remained 6.1% below their pre-pandemic level. And this figure is embellished by a sizeable price effect. In volume terms, exports remained 10.2% below their level in December 2019 (see chart on the left). Farm/fishing/intermediate food product was another star performer this month as wheat shipments (+55.8%) reached a new all-time high, a feat Statistics Canada attributed to an “expected rebound in production… as well as the conflict in Ukraine” (see chart on the right). The story was similar on the imports side, with energy products declining on lower prices and motor vehicles/parts advancing as a result of an easing of supply chain constraints.

HIGHLIGHTS:

- The merchandise trade surplus narrowed from a 14-year high of C$4.88 billion in June (initially estimated at C$5.05 billion) to C$4.05 billion in July. Analysts expected a +C$3.78 billion print.
- Nominal exports contracted 2.8%, while nominal imports shrank 1.8%.
- On the exports side, 6 of the 11 industries surveyed saw declines, notably consumer goods (-14.3%), metal/non-metallic mineral products (-8.4%), forestry products/building materials (-4.3%) and energy products (-4.2%). These retreats were only partially offset by gains for motor vehicles/parts (+9.4%) and farm/fishing/intermediate food products (+9.1%).
- The drop in imports, meanwhile, was due in large part to steep declines for aircraft/transportation equipment (-11.9%), energy products (-10.2%) and industrial machinery/equipment (-6.0%).
- Canada’s energy surplus with the world narrowed from C$16.1 billion to C$15.7 billion, while the non-energy deficit expanded from C$11.2 billion to C$11.7 billion.
- The trade surplus with the United States moved from C$13.3 billion to C$11.8 billion.
- In real terms, exports advanced 1.7% while imports edged down 1.4%.

Canada: Auto shipments recovering… still below pre-pandemic levels

Exports of motor vehicles and parts, balance of payments basis

Canada: Conflict in Ukraine helps lift wheat exports to new all-time high

Exports of farm/fishing/intermediate food products and wheat, balance of payments basis, current dollars
Economics and Strategy

Montreal Office
514–879–2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Kyle Dahms
Economist
dkyle.dahms@nbc.ca

Daren King
Economist
dkaren.king@nbc.ca

Alexandra Ducharme
Economist
alexandra.ducharme@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Toronto Office
416–869–8598

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.schleich@nbc.ca

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