

## Canada: Trade likely contributed to growth for the first time since 2016

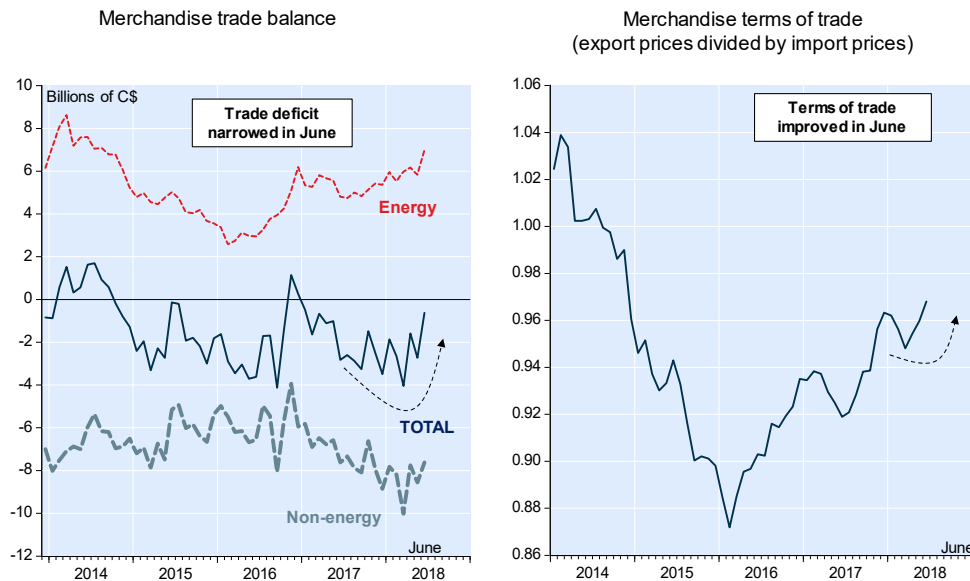
By Kyle Dahms

Canada's trade deficit was much lower than expected in June. The narrowing to the smallest deficit since January 2017 was in large part due a surge in exports to an all-time high. That said, a rebound was in the cards after several temporary factors had negatively suppressed exports in prior months including a shutdown of refineries – energy sector exports rose in June at their highest pace in almost 4 years. It's unclear, however, if the overall export surge can be sustained. Tense trade relations may have caused American importers to stock up as evidenced by the Canadian trade surplus with the U.S. jumping to the highest since April last year. Declining imports, particularly for aerospace products, also helped improve the trade balance in June. All in all, the advance in real exports, coupled with the retreat in real imports in the second quarter should allow trade to add to GDP in Q2 after five negative contributions in a row (see chart at the bottom right).

### HIGHLIGHTS:

- Canada's merchandise trade deficit narrowed from C\$2.7bn in May to C\$0.6bn in June.
- Nominal exports jumped 4.1%, while imports edged down 0.2%.
- Solid exports of energy products (+7.1%), aircraft (+18.9%) and motor vehicles/parts (+3.7%) were more than enough to offset a drop in the metal/non-metallic mineral (-1.1%) and consumer goods (-0.4%) segments.
- Imports of energy products (-15.1%) and aircraft (-17.1%) declined on lower volumes while the consumer goods category (+1.2%) rose.
- The energy trade surplus rose C\$1.0bn to C\$7.0bn (the best since 2014) while the non-energy trade deficit improved C\$0.9bn to C\$7.6bn.
- The goods trade surplus with the U.S. advanced C\$0.8bn to C\$4.1bn, the highest since April of last year.
- Terms of trade were the best since November 2014 (see chart at the bottom left).
- In real terms, exports rose 2.2% while imports fell 1.2% in June.

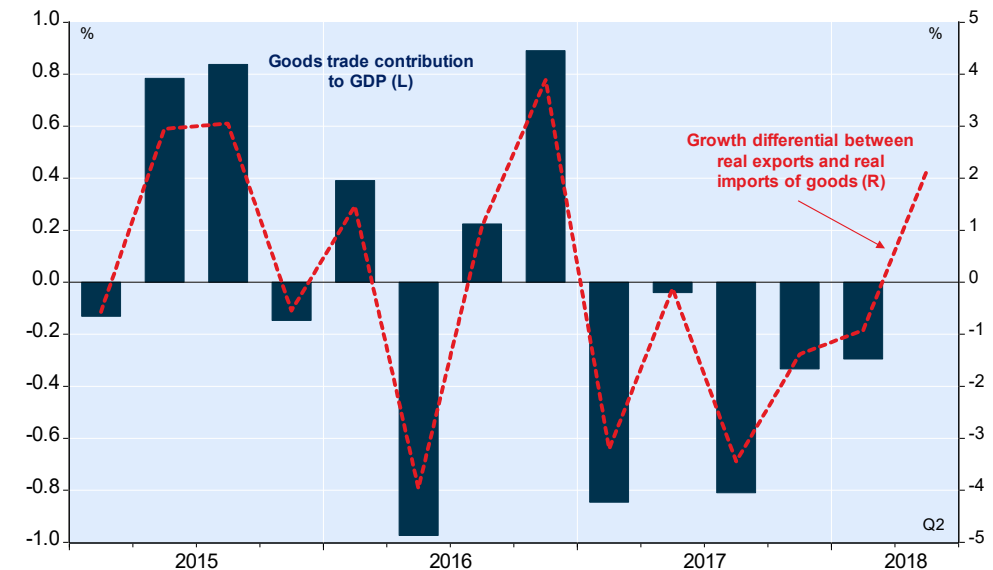
### Canada: Goods trade deficit narrowed in June



NBF Economics and Strategy (data via Statistics Canada)

### Canada: Goods trade likely contributed to growth in Q2

Real exports and imports of goods vs. goods trade contribution to GDP



NBF Economics and Strategy (data via Statistics Canada)

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