Canada: Biggest trade surplus in 14 years, exports still supported by energy products

By Jocelyn Paquet

Not only did Canada's goods trade balance remain in positive territory for the twelfth time in the last thirteen months in June, but the surplus was the largest in almost 14 years. Exports reached a new all-time high in the month (C$69.9 billion) as the energy segment once again benefited from higher prices and uncertainty surrounding global oil supply. Energy goods accounted for a whopping 30.0% of total exports in June, the highest percentage in data dating back to 1988 (see chart on the left). Apart from energy, the metal ores/non-metallic minerals segment also performed well, something Statistics Canada attributed to an increase in shipments of refined gold to the United Kingdom. Exports in the consumer goods segment, for their part, benefited from a strong increase for pharmaceutical products (+34.0%) as "large quantities of medications for the treatment of COVID-19 were exported to the United States, Australia and the Netherlands." Shipments of forestry products/building equipment, on the other hand, suffered from a steep drop in the price of lumber, the latter caused in part by reduced demand from the construction industry in the United States. The rise in imports, meanwhile, was mainly attributable a surge in the energy products segment, with sizeable gains observed for refined petroleum products (+32.5%), crude oil (+20.8%) and natural gas (+35.2%). Turning to quarterly data, trade in goods likely weighed on GDP growth in the second quarter of the year (see chart on the right), as real exports (+2.3%) expanded at a slower pace than real imports (+6.7%). The increase in import volumes in the machinery equipment category (+9.4%), meanwhile, bodes well for investment spending in Q2.

HIGHLIGHTS:

- The merchandise trade surplus widened from C$4.77 billion in May (initially estimated at C$5.32 billion) to C$5.05 billion in June, the largest since August 2008. Analysts expected a +C$4.90 billion print.
- Nominal exports expanded 2.0%, while nominal imports advanced 1.7%.
- On the exports side, 8 of the 11 industries surveyed saw gains, notably metal/non-metallic mineral products (+6.5%), consumer goods (+6.3%), chemical/plastic/rubber products (+4.0%) and energy products (+3.2%). Alternatively, international shipments declined in the forestry products/building equipment category (-6.6%) as well as in the motor vehicles/parts segment (-2.3%).
- Turning to imports, increases for energy products (+22.3%), industrial machinery/equipment and aircraft/transportation equipment (+39.7%) were only partially offset by sizeable drops for motor vehicles/parts (-6.8%) and metal/non-metallic mineral products (-4.5%).
- Canada’s energy surplus with the world shrank from an all-time high of C$16.1 billion to C$15.8 billion, while the non-energy deficit shrank from C$11.3 billion to C$10.8 billion.
- The trade surplus with the United States moved from an unprecedented C$13.6 billion to C$13.2 billion.
- In real terms, exports rose 2.2% while imports edged down 0.3%.
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