



Global Affairs
Canada

Affaires mondiales
Canada

Canada



OFFICE OF
THE CHIEF
ECONOMIST

MONTHLY TRADE REPORT

MAY 2022

MAY

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]
Exports	\$68.4 billion (+4.1%) [+25.9%]	\$12.4 billion (+1.7%) [+15.0%]	\$80.8 billion (+3.8%) ▲ [+24.0%]
Imports	\$63.1 billion (-0.7%) [+18.8%]	\$13.5 billion (+0.5%) [+24.1%]	\$76.7 billion (-0.5%) ▼ [+19.7%]
Balance	+\$5.3 billion (+\$3.2 billion)	-\$1.1 billion (+\$0.1 billion)	+\$4.2 billion (+\$3.3 billion) ▲

Note: "m/m" is the change from the previous month; "YTD" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.

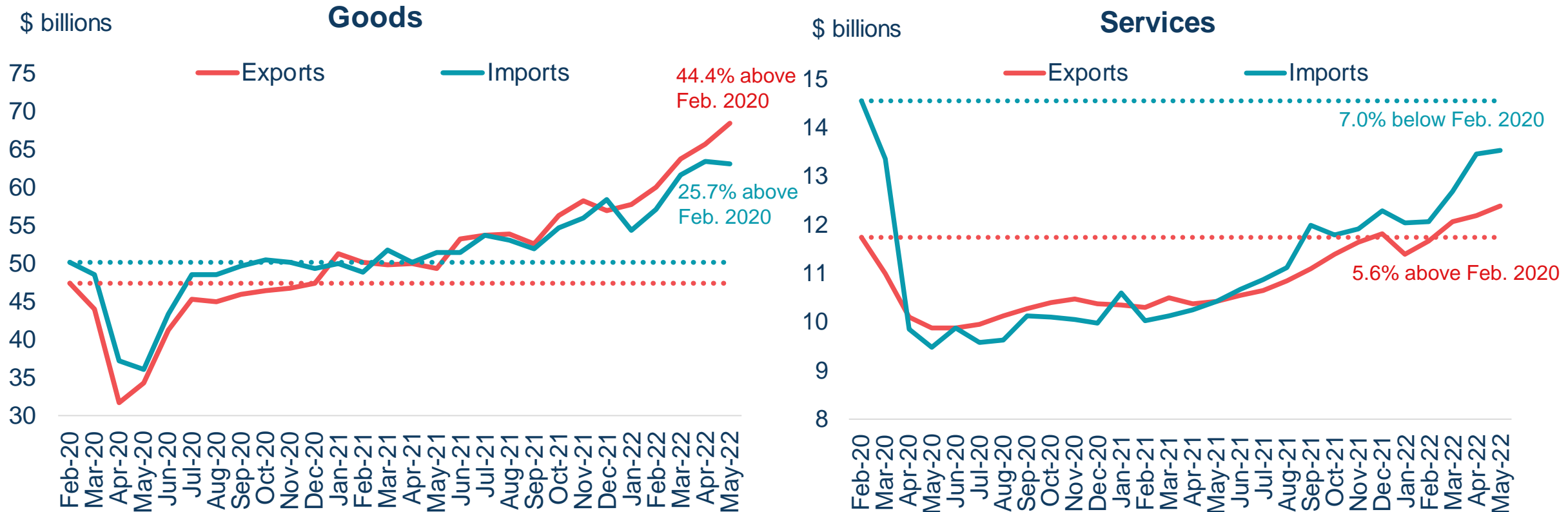
Source: Statistics Canada. Balance of payments basis, seasonally adjusted.

HIGHLIGHTS

- In May, Canada's growth in international trade of goods and services continued to shift towards exports, driven by strengthening prices. While imports declined 0.5% in May, exports grew by a solid 3.8% from the previous month.
- The export of goods led the way in May, growing by 4.1% and eclipsing the 1.7% growth in services. The import of goods, on the other hand, dropped by 0.7% while service imports grew by 0.5% for the month. Aircraft and other transportation equipment exhibited the highest export growth, but also witnessed the largest decline across import product categories.
- Canada's merchandise trade surplus widened to \$5.3 billion in May, representing the largest monthly trade surplus in almost 14 years. The widening of Canada's trade surplus reflects increased prices for many Canadian export products, especially energy, much of which goes to the United States. Trade with China dropped in both directions in May, overlapping the ongoing lockdowns in China caused by its zero-COVID policy.
- Elevated prices continue to play a significant role in export growth. Looking solely at volume, exports increased by a modest 1.7%. On the other hand, import volumes decreased by 1.4% compared to April.

CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)



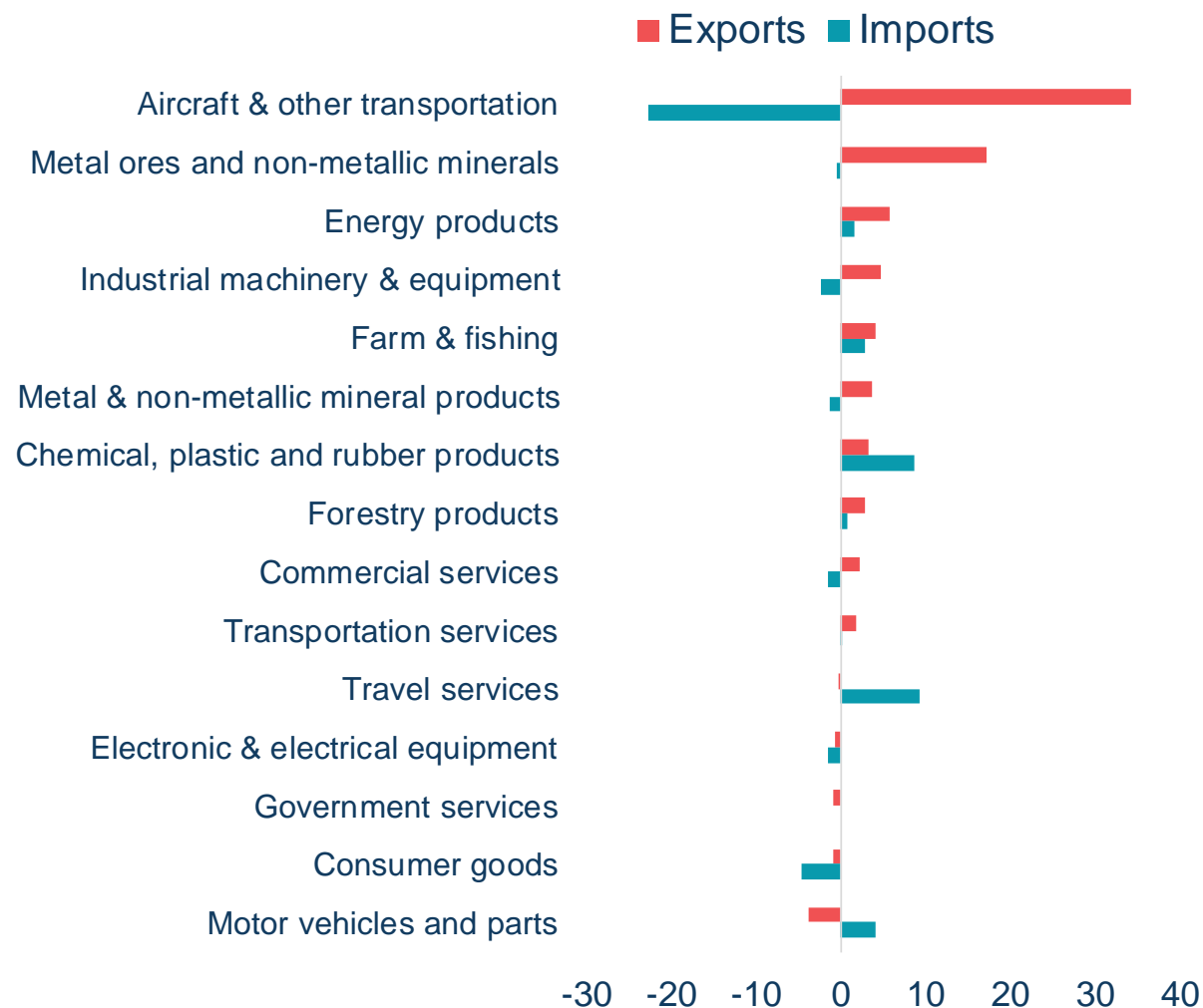
Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

INDUSTRY VIEW

In May, **exports** increased in 8 of the 11 product sectors, and in 2 of the 4 services sectors. Good exports increased 4.1% to \$68.4 billion, the fifth consecutive monthly increase. Energy exports grew by 5.7% in May, and represented almost 30% of total export value. Notably, exports of crude oil and bitumen posted the most significant growth in this category at 9.2%. Uncertainty about supply exacerbated by the Russian invasion of Ukraine contributed to higher crude oil prices, thereby driving the growth in crude oil exports. The largest growth in exports was in aircraft and other transportation equipment, which grew by 34.2% compared to the previous month. This growth is largely attributable to an increase in business jet exports to the United States. A record-high value of \$3.1 billion was reached in the exports of metal ores and non-metallic minerals, which grew by 17.2% in May. In light of Russia's invasion of Ukraine, the demand for fertilizer products from other countries has risen, explaining the 34.9% growth in Canadian potash exports. Total service exports grew by 1.7% to \$12.4 billion in May, driven by a 2.3% increase in commercial services and a 1.8% increase in transportation services. After posting a 11.9% growth in April, exports in travel services declined by 0.3% in May.

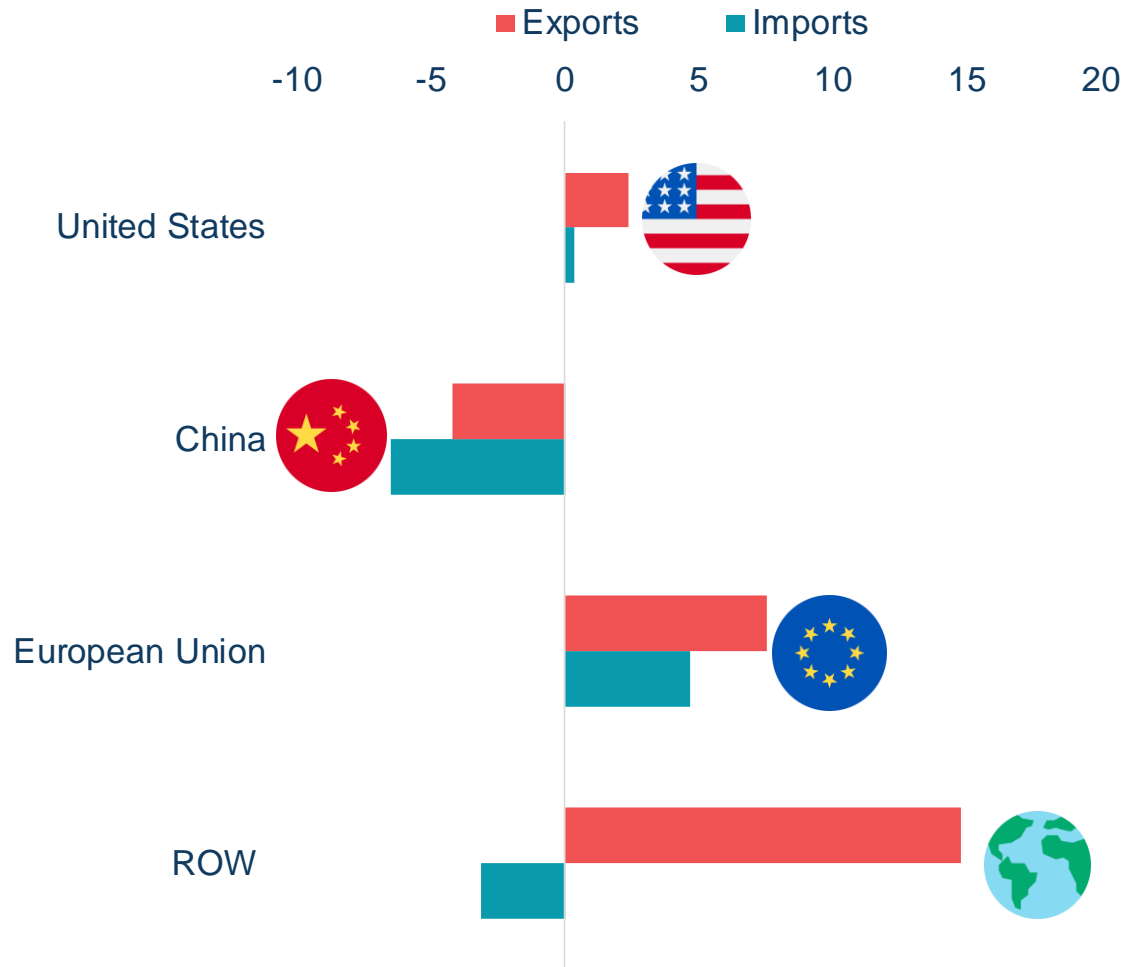
In May, **imports** declined in 6 of the 11 goods product sectors, and in 1 of the 4 services sectors. Good imports fell by 0.7% to \$63.1 billion, representing the first decline after three consecutive increases. After exhibiting growth in April, imports of consumer goods dropped by 4.7% in May. Lower imports of clothing, footwear, and accessories (-11.3%) and medicinal products (-5.9%) contributed to the drop. In response to the COVID-19 pandemic and supply chain issues, Canadian retailers have adapted their inventory management strategies to be more resilient, leading to larger monthly variations in consumer good imports. The import of aircraft and other transportation equipment dropped by 22.7%, representing the most significant decrease of any product category. An import category which exhibited positive growth in May was chemical, plastic, and rubber products, which grew by 8.6%. This growth partially offset the drop in total good imports, and was largely caused by a rise in the imports of pharmaceutical ingredients from Ireland. Total service imports grew by 0.5% to reach \$13.5 billion in May. The growth in service imports was led by a 9.2% growth in travel imports, followed by a 0.2% growth in transportation services.

Trade by Industry and Sector (monthly % change)



Sources: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01.
Balance of payments basis, seasonally adjusted.

Goods Trade, by Major Trading Partner (monthly % change)



GLOBAL MARKETS

Canada's growth in goods trade was primarily driven by higher imports and exports with the United States and the European Union, as well as higher exports to the rest of the world. Trade with China fell in May, falling for both imports and exports.

For the fifth consecutive month, Canada's trade surplus with the United States widened, to reach a record high of \$14.0 billion in May. Driven by higher exports of crude oil, Canadian exports to the United States increased by 2.4% in May. Imports from the United States also increased, although only by 0.3%.

Exports to countries other than the United States reached a record-high value of \$15.5 billion, representing 10.6% growth from April. Climbing 74.2%, exports to the United Kingdom, particularly in crude oil and gold, played a significant role in Canada's export growth.

In May, imports from countries other than the United States dropped by 2.3%. Lockdowns in China as a result of its zero-COVID policy were a prominent factor in the decline in imports. Lower imports of passenger cars and light trucks from Mexico and Japan also contributed to the downward trend in imports.

As a result of higher exports and lower imports, Canada's merchandise trade deficit with countries other than the United States narrowed to \$8.6 billion.

*European Union does not include the United Kingdom.

Source: Statistics Canada Table 12-10-0011-01. Balance of payments basis, seasonally adjusted.

PRICES AND VOLUMES

In May, merchandise export volumes increased 1.7% and prices increased 2.4%. On the volume side, there were notable increases in the exports of aircraft and other transportation equipment and parts (+28.1%), and metal ores and non-metallic minerals (+26.4%). For prices, energy products led the way with an increase of 10.8% in May.

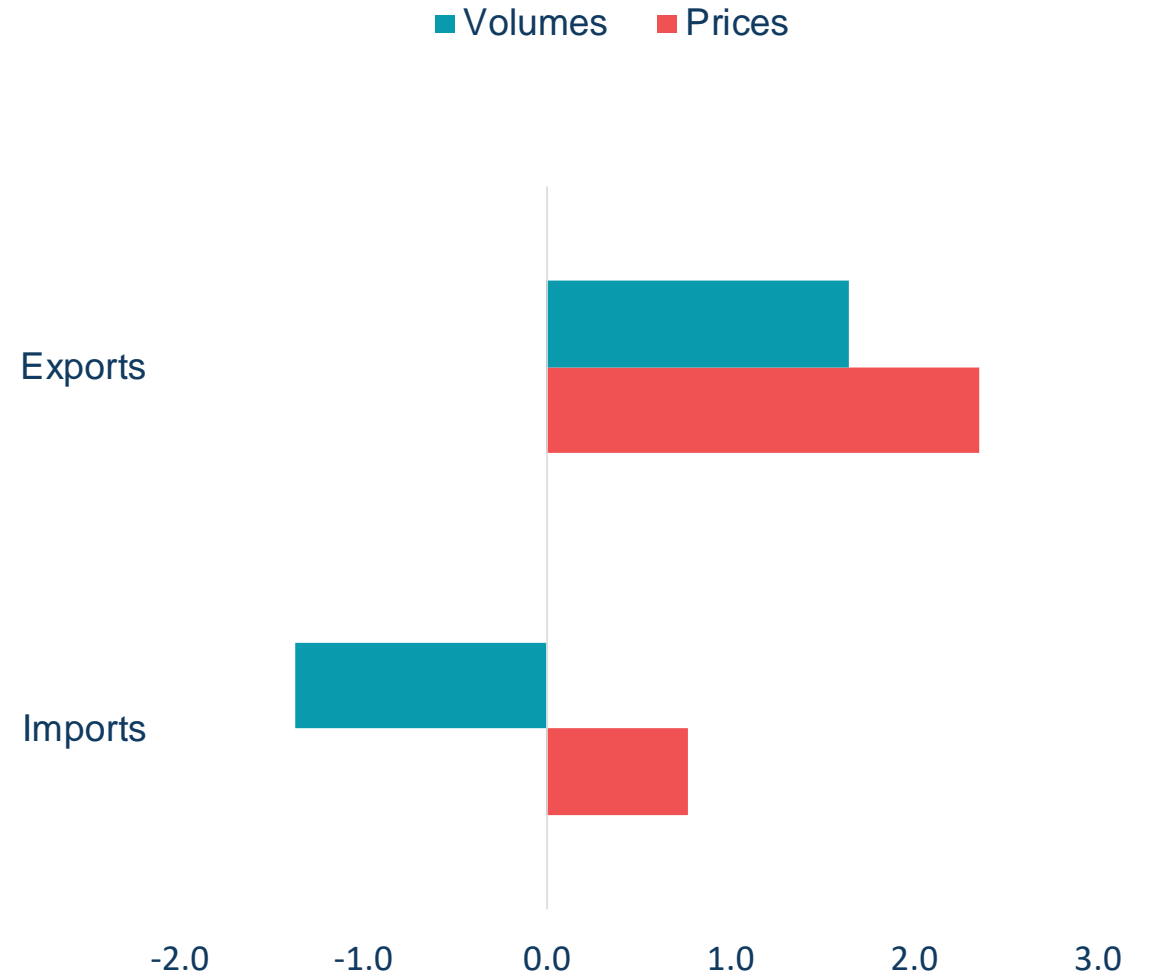
Merchandise import volumes decreased 1.4% in May, but prices increased 0.8%. The most notable decrease in volume came from aircraft and other transportation equipment and parts (-23.6%). Leading the growth in import prices were energy products (+4.7%).

After pulling back in April, the average West Texas Intermediate (WTI) crude oil price rose 7.5% to \$US109.26 per barrel in May.

In May, the Canadian dollar dropped 1.4 cents relative to the U.S. dollar compared to the previous month. The average monthly exchange rate for Canadian to U.S. dollar was 0.778 in May.

Goods Trade

(monthly % change in volume and price indices)





WHAT TO WATCH

- Short-term inflation expectations were revealed to be at record-highs according to the Bank of Canada's Survey of Consumer Expectations for the second quarter. Rising interest rates and modest expectations for wage growth have further weighed down consumer confidence. In response to rising interest rates, consumers indicated plans to cut spending, particularly for goods. The next interest rate decision is set to be announced on July 13th.
- Though still volatile, commodity prices appear to be easing from their recent peaks. The prices of energy, agricultural and metal products all trended downwards, with the prices of natural gas, crude oil, wheat, and copper dropping by more than 9% at the start of July. Considering that Canada's growth in exports has been largely driven by prices in 2022, a decline in commodity prices could place negative pressure on export values.
- Despite ongoing disruptions at major Canadian airports and persistent concerns over COVID-19 sub variants, travel and passenger transportation services continue to improve compared to pandemic levels. In April, trips to Canada from visitors abroad and trips abroad by Canadians grew by 667% and 725% on a year-to-year basis, respectively. China's recent announcement to cut quarantine time for international travellers may further boost travel.

Next Monthly Trade Release: Thursday, August 4th

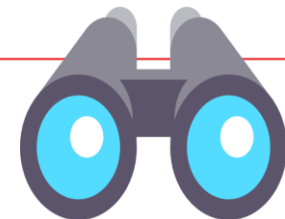


Table 1: Trade by Industry Sector
(\$ millions)

	Exports			Imports		
	May, 2022	m/m %	YTD %	May, 2022	m/m %	YTD %
Goods	68,436	4.1	25.9	63,112	-0.7	18.8
Resource products	44,043	5.4	37.4	22,907	2.4	29.9
Energy products	20,370	5.7	90.6	4,080	1.6	62.1
Non-Resource products	22,685	1.5	10.0	37,748	-2.6	13.7
Industrial machinery & equipment	3,765	4.7	15.7	6,789	-2.4	18.1
Electronic & electrical equipment	2,625	-0.8	16.5	6,895	-1.4	12.6
Motor vehicles and parts	6,739	-3.8	9.7	9,479	4.1	10.7
Aircraft & other transportation	2,076	34.2	-22.6	1,533	-22.7	15.8
Consumer goods	7,480	-0.9	17.1	13,052	-4.7	13.8
Services	12,401	1.7	15.0	13,538	0.5	24.1
Commercial services	8,628	2.3	6.7	8,012	-1.4	2.4
Travel services	2,082	-0.3	62.7	2,152	9.2	296.8
Transportation services	1,567	1.8	24.7	3,236	0.2	49.5
Government services	124	-0.8	8.0	138	0.0	6.9
Total Goods and Services	80,837	3.8	24.0	76,650	-0.5	19.7

Note: "m/m %" is the change from the previous month; "YTD %" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.
Source: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01. Balance of payments basis, seasonally adjusted.



Table 2: Goods Trade by Trading Partner
(\$ millions)

	Exports			Imports		
	May, 2022	m/m %	YTD %	May, 2022	m/m %	YTD %
United States	52,898	2.4	32.1	38,927	0.3	18.6
Mexico	703	-15.4	7.0	1,862	-12.9	21.1
European Union	3,012	7.6	14.8	5,773	4.7	18.0
Germany	575	-14.9	7.1	1,578	11.5	12.5
France	298	26.9	3.1	480	-2.0	9.6
United Kingdom	2,082	74.2	7.6	883	-8.0	11.2
India	440	-23.1	105.5	476	-5.0	23.7
China	1,937	-4.2	-16.2	5,860	-6.5	20.9
Japan	1,614	8.9	36.4	870	-20.9	-0.5
South Korea	877	13.1	58.1	928	-5.7	28.1
Rest of the world	4,874	11.6	0.4	7,533	3.5	21.0
Total Goods Trade	68,436	4.1	25.9	63,112	-0.7	18.8

Note: "m/m %" is the change from the previous month; "YTD %" is the year-to-date (January to recent month) cumulative change compared to the same period in the previous year.
Source: Statistics Canada Table 12-10-0011-01. Balance of payments basis, seasonally adjusted.