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OFFICE OF  
THE CHIEF  
ECONOMIST

# MONTHLY TRADE REPORT

## MAY 2023

# MAY

	Goods (m/m change) [YTD change]	Services (m/m change) [YTD change]	Total (m/m change) [YTD change]	
<b>Exports</b>	\$61.5 billion (-3.8%) [+0.6%]	\$14.6 billion (+0.0%) [+13.5%]	\$76.1 billion (-3.1%) [+2.7%]	▼
<b>Imports</b>	\$65.0 billion (+3.0%) [+5.7%]	\$15.7 billion (-0.5%) [+12.8%]	\$80.7 billion (+2.3%) [+7.1%]	▲
<b>Balance</b>	-\$3.4 billion (-\$4.3 billion)	-\$1.1 billion (+ \$0.1 billion)	-\$4.6 billion (-\$4.3 billion)	▼

## HIGHLIGHTS

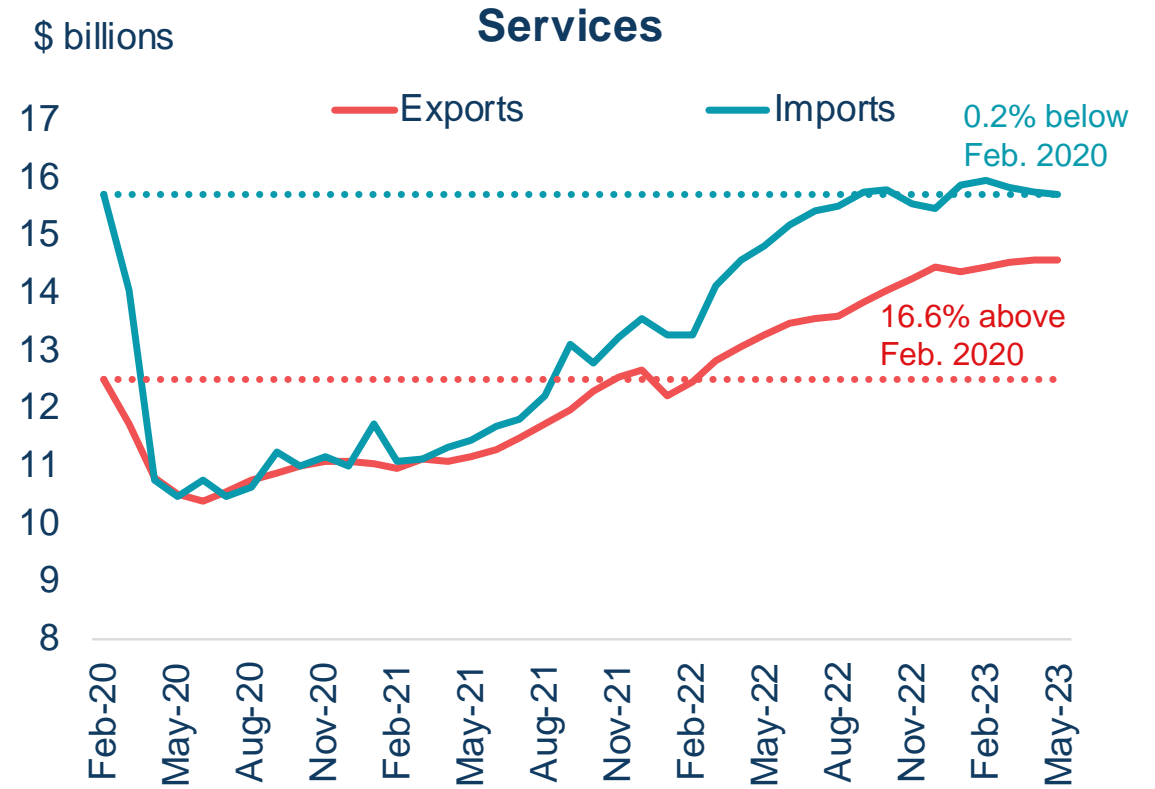
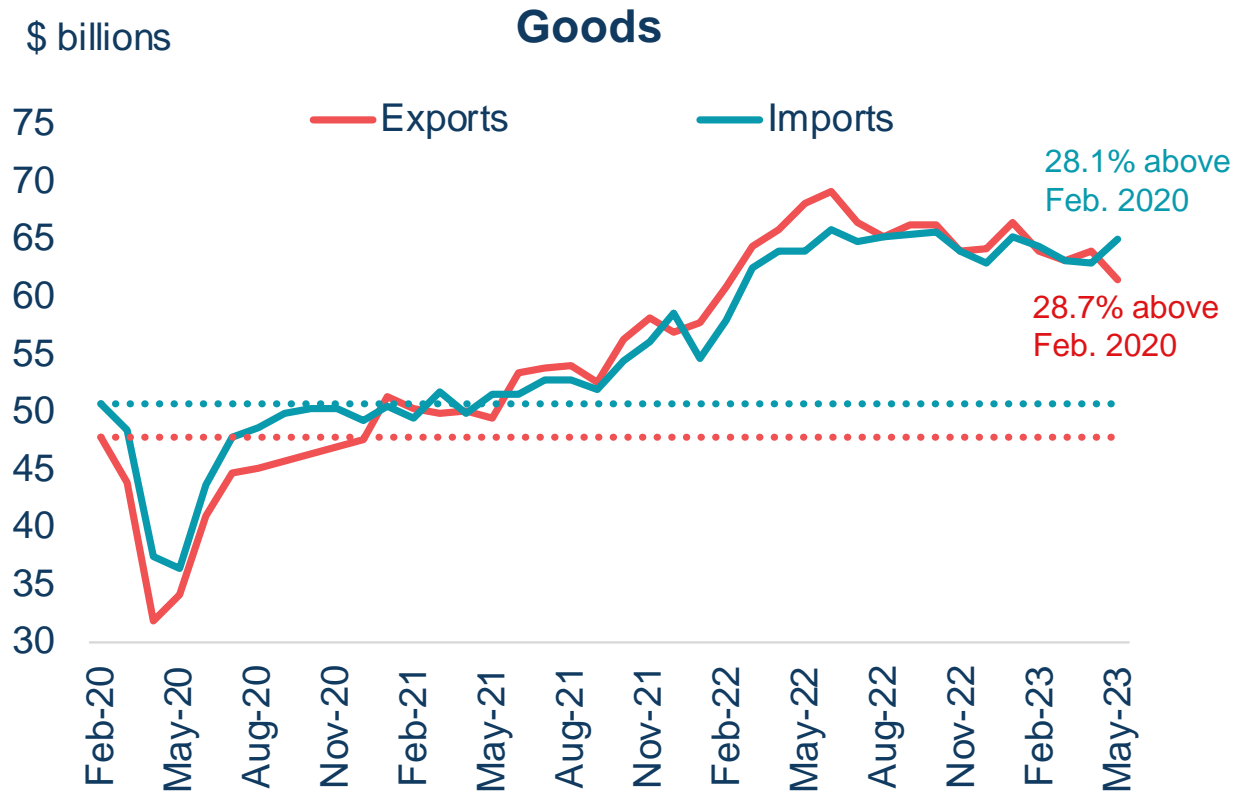
- Canada's exports of goods and services decreased by 3.1% in May, while imports increased by 2.3%.
- Goods exports declined 3.8% to \$61.5 billion. The decrease was largely attributable to the exports of energy products as well as farm, fishing, and intermediate food products. Service exports were essentially unchanged from the previous month.
- Following three consecutive monthly declines, goods imports increased 3.0% to \$65.0 billion. Precious metals and motor vehicles and parts were the largest contributors to the increase. Service imports edged down on lower financial services imports.
- Excluding prices, goods exports decreased by 2.5% in May while goods imports increased by 3.5%.
- Due to lower exports and higher imports, Canada's trade surplus with the United States reduced to its lowest level since May 2021.

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.



# CANADA'S TRADE RELATIVE TO PRE-PANDEMIC LEVELS

(International trade in goods and services)

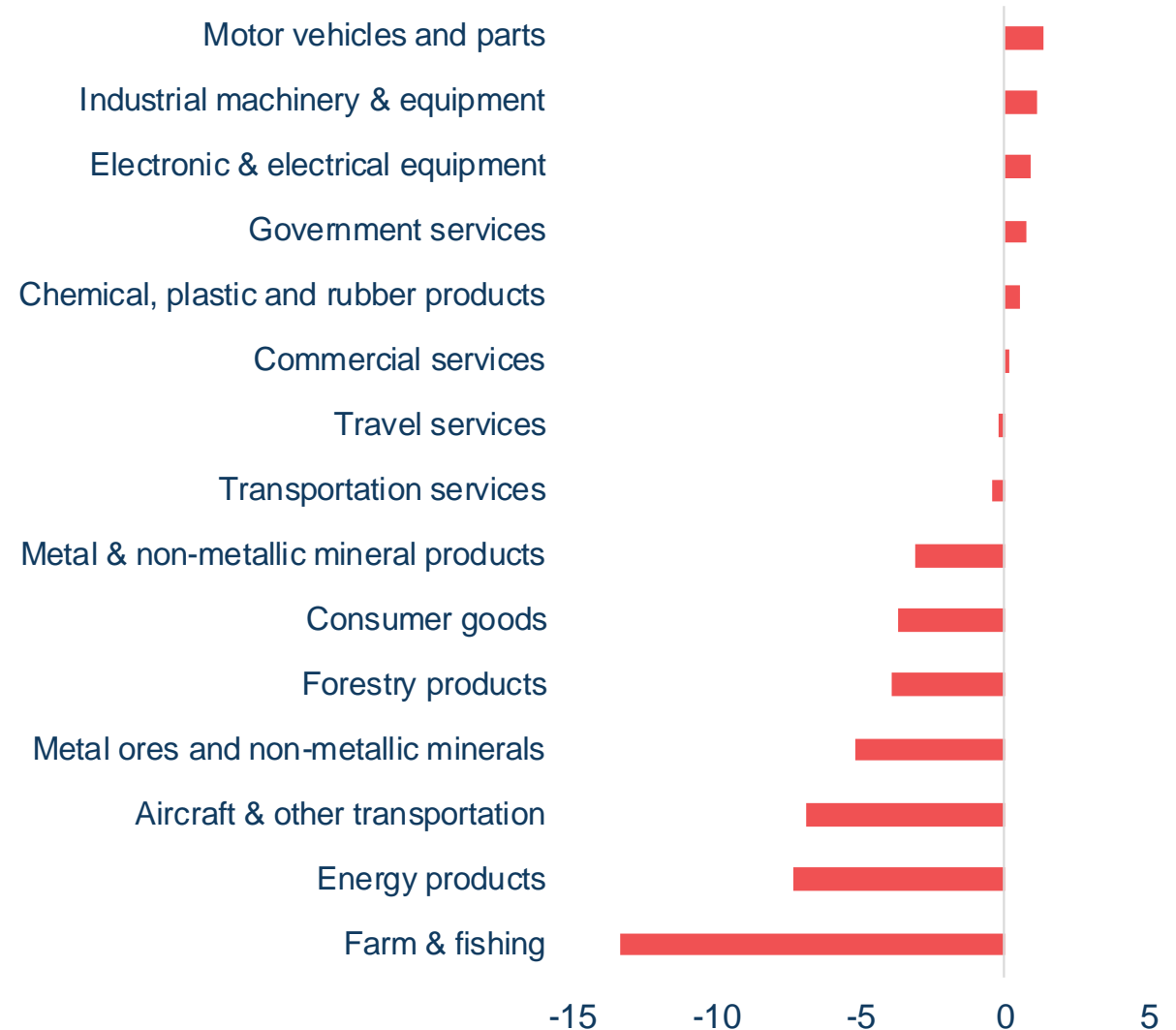


Sources: Statistics Canada Tables 12-10-0011-01 and 12-10-0144-01.  
Balance of payments basis, seasonally adjusted.

# INDUSTRY VIEW—EXPORTS

Export decreases were observed in 7 of the 11 product categories for goods and in 2 of the 4 service sectors. Two-thirds of the total decline in goods exports can be attributed to energy products as well as farm, fishing, and intermediate food products. Energy product exports decreased 7.3% in May largely due to lower prices. The main contributor to the energy export decline was an 8.3% drop in crude oil exports, driven by a continued decline in crude prices; additionally there was a small decline in the quantity of crude oil exported. Furthering the decline of energy exports was a decrease in the exports of coal (-14.5%) driven by Asian countries. Exports of farm, fishing, and intermediate food products increased 40% between August 2022 and February 2023, but have since had three consecutive monthly declines. Improving global supplies—namely of wheat and canola—have decreased the demand for Canadian grains, resulting in lower prices. Nevertheless, Canadian exports of farm, fishing, and intermediate food products were up 38.5% from January-May 2023 compared to the same period in 2022. For service exports, a small increase in commercial services exports was offset by small declines in travel services as well as transportation services.

## Exports by Industry and Sector (monthly % change)

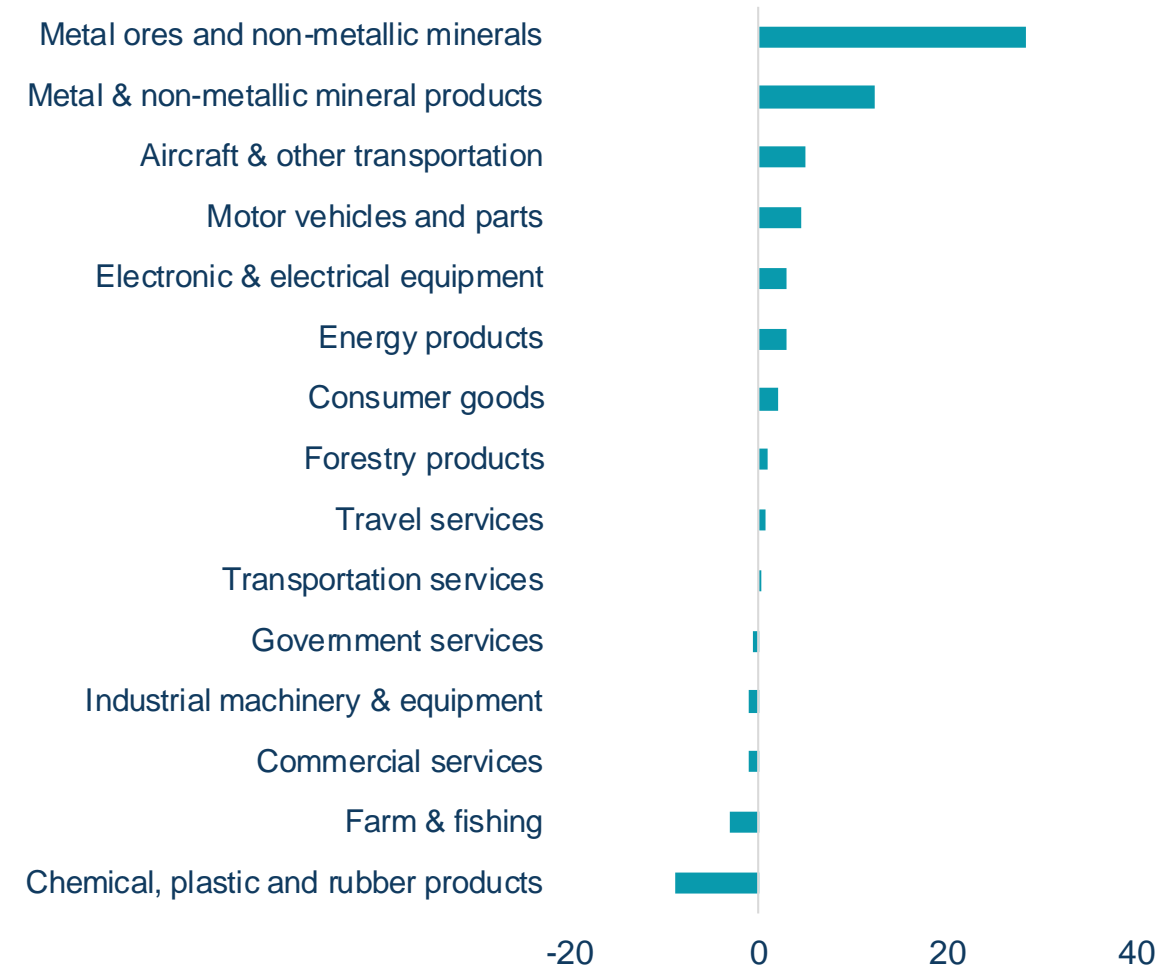


Sources: Statistics Canada Tables 12-10-0121-01 and 12-10-0144-01.  
Balance of payments basis, seasonally adjusted.

# INDUSTRY VIEW—IMPORTS

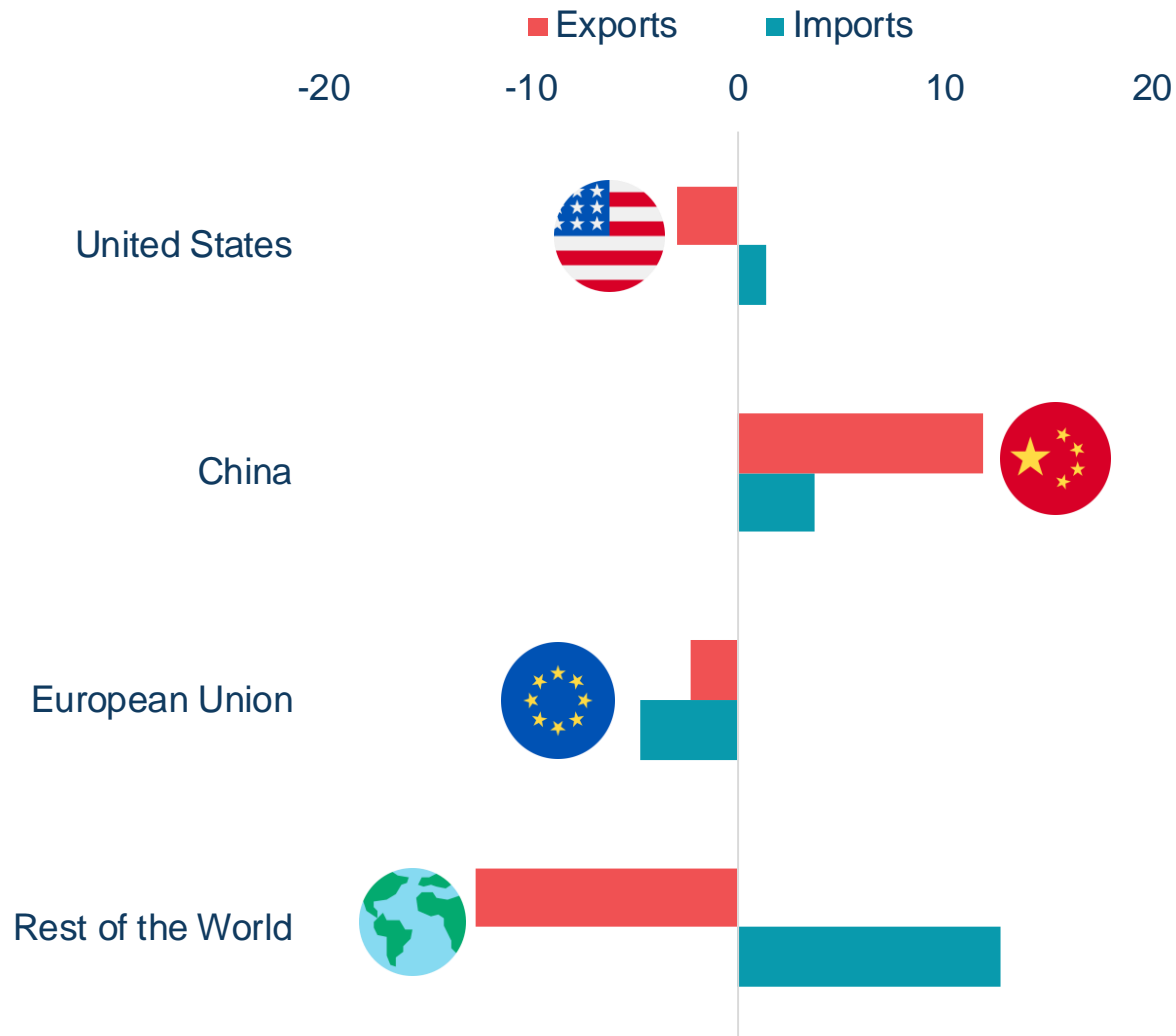
Import increases were observed in 8 of the 11 product categories for goods and in 2 of the 4 service sectors. Imports of unwrought gold, silver, and platinum group metals and their alloys (+42.8%) were the largest contributor to the increase in imports in May. While gold is normally the main driver of this category, in May unwrought silver imports from the United Kingdom was the biggest reason for the increase. The other important sector in the month was imports of motor vehicles and parts, which increased 4.5% to reach a record-high of \$11.3 billion. Imports of engines and parts (+6.9%) as well as imports of passenger cars and light trucks (+4.6%) were both reasons for the record high. Increased imports of engines and parts reflect improved supply chain conditions for Canadian automakers, which have led to higher production since the beginning of the year. The increase in imports of cars and trucks reflect higher sales and timelier deliveries, especially of electric vehicles. Between January and May, imports of motor vehicles and parts increased 22.4% compared to the same period in 2022. For services imports, the decrease in commercial services can largely be attributed to lower imports of financial services.

## Imports 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

Exports to the United States (-2.9%) decreased partly due to lower exports of crude oil in May. At the same time, the increase in imports (+1.3%) is largely due to increases of motor vehicles engines and parts, as well as aircrafts. Combining the decrease in exports with the increase in imports, Canada's merchandise trade surplus with the United States narrowed to its lowest level since May 2021 and sits at \$6.7 billion.

Exports to China (+11.9%) increased due to higher exports of articles of precious metals and iron ores. Imports from China increased by 3.7% due to higher imports of passenger cars and light trucks, as well as cellphones.

Meanwhile, exports to the rest of the world decreased due to lower exports to Saudi Arabia (other transportation equipment), the United Kingdom (gold), and Brazil (various products). At the same time, imports increased off of higher imports from the United Kingdom (silver) and Saudi Arabia (crude oil).

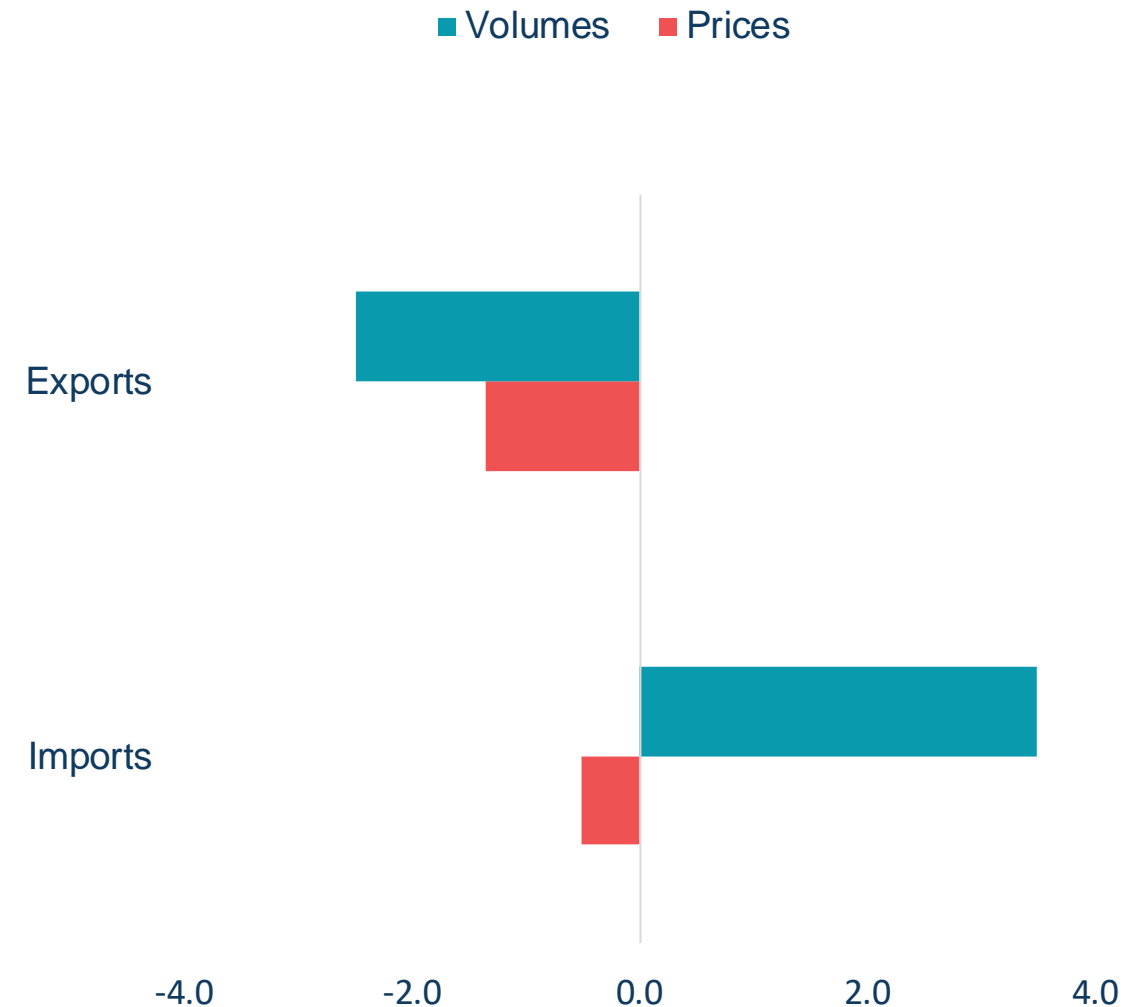
# PRICES AND VOLUMES

Prices were a drag on both exports and imports in May. Export prices decreased 1.3% in May, part of which is attributable to lower energy and crude oil prices, as well as lower prices for Canadian grains. Import prices decreased 0.5% in May. Stripping out prices, in real (or volume) terms, exports declined 2.5% in May while imports increased 3.5%.

The Canadian exchange rate was stable from April to May, with little movement against the US Dollar, the Euro, or the UK Pound Sterling.

## Goods Trade

(monthly % change in volume and price indices)



Source: Statistics Canada Table 12-10-0128-01.  
Balance of payments basis, seasonally adjusted.

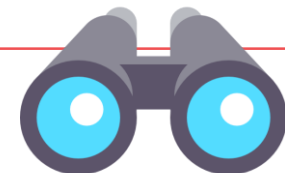
# WHAT TO WATCH

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- Canadian inflation slowed to 3.4% year-over-year in May (down from 4.4% in April). However, the change was predominantly a story of two components. Gasoline was the main component slowing inflation, while increases in mortgage interest costs kept inflation high. Excluding gasoline, the Consumer Price Index (CPI) increased 4.4% in May. Excluding mortgage interest cost, the CPI only rose 2.5% in May.
  - The Bank of Canada's next interest rate announcement and Monetary Policy Report release will be on July 12, 2023.
- In the Asia-Pacific, China's post-COVID recovery lost momentum in May. However, interest rate cuts and other policy measures implemented by Chinese authorities should be enough to sustain the economy at a moderate pace. Additionally, the latest data is generally positive for other economies in the region.
- Economic activities picked up in the Eurozone at the start of Q2 after posting virtually no growth in the two previous quarters. Nevertheless, declining Purchasing Managers' Index (PMI) suggests momentum has begun to wane and more restrictive financial and credit conditions may dampen growth during the second half of the year.

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**Next Monthly Trade Release:** Tuesday, August 8<sup>th</sup>





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

	Exports			Imports		
	May 2023	m/m %	YTD %	May 2023	m/m %	YTD %
<b>Goods</b>	<b>61,529</b>	<b>-3.8</b>	<b>0.6</b>	<b>64,968</b>	<b>3.0</b>	<b>5.7</b>
Resource products	34,185	-6.0	-8.1	20,993	3.0	-2.8
Energy products	12,104	-7.3	-23.6	3,639	2.8	-1.0
Non-Resource products	25,554	-1.1	15.6	41,282	2.4	10.8
Industrial machinery & equipment	4,324	1.1	20.7	7,497	-1.1	19.1
Electronic & electrical equipment	2,893	0.9	13.5	7,285	3.0	6.0
Motor vehicles and parts	8,665	1.4	24.6	11,261	4.5	22.4
Aircraft & other transportation	2,458	-6.9	31.2	2,422	5.0	20.7
Consumer goods	7,214	-3.7	2.0	12,818	2.0	-0.3
<b>Services</b>	<b>14,575</b>	<b>0.0</b>	<b>13.5</b>	<b>15,704</b>	<b>-0.5</b>	<b>12.8</b>
Commercial services	9,523	0.2	6.0	9,336	-1.2	4.0
Travel services	3,281	-0.2	45.6	3,279	0.7	71.8
Transportation services	1,638	-0.4	11.2	2,934	0.3	0.1
Government services	133	0.8	7.2	155	-0.6	5.7
<b>Total goods and services</b>	<b>76,104</b>	<b>-3.1</b>	<b>2.7</b>	<b>80,672</b>	<b>2.3</b>	<b>7.1</b>

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 2023	m/m %	YTD %	May 2023	m/m %	YTD %
United States	47,391	-2.9	-1.3	40,650	1.3	8.1
Mexico	873	20.9	0.5	2,397	5.5	21.2
European Union	2,944	-2.3	2.4	6,047	-4.7	13.9
Germany	668	32.5	5.0	1,714	-0.4	20.4
France	323	-21.0	28.2	519	3.0	12.4
United Kingdom	814	-20.1	-28.0	1,241	82.7	6.5
India	569	11.7	4.6	503	6.4	-0.5
China	2,722	11.9	35.5	5,097	3.7	-10.7
Japan	1,313	-6.8	-5.3	1,255	8.2	15.7
South Korea	652	-18.1	-21.9	776	-7.1	-6.6
Rest of the world	4,252	-18.9	21.0	7,002	11.7	-3.6
<b>Total Goods Trade</b>	<b>61,529</b>	<b>-3.8</b>	<b>0.6</b>	<b>64,968</b>	<b>3.0</b>	<b>5.7</b>

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.