

## Monthly Trade Report – June 2023

### Highlights

Canada's exports of goods and services decreased by 1.7% in June, while imports were down 0.4%.

Following a 3.0% decrease in May, goods exports recorded a further 2.2% drop in June to \$60.7 billion. Declines were observed across most product sections such as metal and non-metallic mineral products and industrial machinery, equipment and parts. Meanwhile, service exports were up 0.4% from the previous month.

Goods imports declined by 0.5% in June to \$64.4 billion. Energy products and consumer goods were the largest contributors to the decrease. Service imports also edged down 0.2%, mainly on lower transportation services imports.

Goods exports were down 1.2% to the United States and plummeted by 27.6% to China.

Excluding prices, the volume of goods exports decreased by 1.1% in June while goods import volumes increased by 0.9%.

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

### Industry view - exports

Goods export decreases were observed in 9 of the 11 product sections. Metal and non-metallic mineral products was the largest contributor to the monthly decline, which fell primarily because of lower exports of refined gold and decreased gold asset transfers in the banking sector.

Other product sections that contributed to the decline included: machinery, equipment and parts; basic and industrial chemical, plastic and rubber products; and farm, fishing and intermediate food products (canola and intermediate food products).

Service exports increased in 2 of the 4 services categories. Travel services (+1.6%) and commercial services (+0.4%) propelled growth, but were partially offset by declines in transportation and government services.

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

### Industry view - imports

Goods imports declined in 7 of the 11 product sections.

Imports of energy products fell for the fifth time in 2023, mostly because of weaker imports of motor gasoline and crude oil. Imports of consumer goods also fell in June, largely due to lower imports of pharmaceutical products. However, imports of metal and non-metallic mineral products (mainly gold) posted a second consecutive strong monthly increase and partially offset the overall decrease in imports in June.

Service imports declined in 2 of the 4 services categories. The 0.2% overall decline was mostly driven by lower transportation services imports, while the other categories posted minimal changes.

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

### Global markets

Goods exports to the United States were down 1.2% in June, partly due to lower exports of gold. Goods imports from the United States also decreased 0.7%. As exports fell more than imports, Canada's trade surplus in goods with the United States narrowed from \$7.7 billion in May to \$7.4 billion in June.

Goods exports to China plummeted by 27.6%, but no additional information about the drivers of this decline were available at the time of writing.

Exports to countries other than the United States decreased 5.5% in June, while imports from these countries edged down 0.1%. As a result, Canada's goods trade deficit with countries other than the United States rose from \$10.4 billion in May to a record high of \$11.2 billion in June.

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

### Prices and volumes

In real (or volume) terms, goods exports declined 1.1% in June while imports were up 0.9%.

Prices fell for both exports and imports in June. Export prices were down 1.1%, with large declines in resource product sections such as metal and non-metallic mineral product and farm, fishing and intermediate food product.

Export prices declined for the 11th time in the past 12 months. Import prices also fell 1.3% in June.

The Canadian dollar appreciated against most major currencies in June. The CAD to USD exchange rate climbed from 0.7396 in May to 0.7526 in June.

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

### What to watch

- Following a 3.4% increase in May, Canada's year-over-year inflation eased to 2.8% in June. There was widespread deceleration, but the slowdown was primarily driven by the base-year effect in gasoline prices, while Canadians continued to see elevated grocery prices and mortgage interest costs.
  - Inflation in Canada has significantly declined since its peak of 8.1% last summer.
  - The Bank of Canada raised policy rate by 25 basis points in July and continues quantitative tightening (sells assets to shrink money supply).
- Recent disruptions at British Columbia marine port terminals are expected to impact trade activities in July, especially containerized shipments destined to Asian countries.
- The U.S. economy remains resilient. Q1 GDP growth was revised upward significantly (from 1.3% to 2.0% annualized) due to stronger consumer spending and exports than initially estimated. However, the cumulative impact of Fed rate hikes, tighter lending conditions, and lower spending could lead to a mild recession late this year.

- Despite a strong reopening bounce in Q1, China's economic growth fell below expectations in Q2. The underperformance was mainly due to the diminishing of the reopening consumption boost and a resurgence of weaknesses in the property sector.