

DATA COMMENTARY · MAY TRADE

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Canada posts widest trade surplus in four years

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THE TAKE

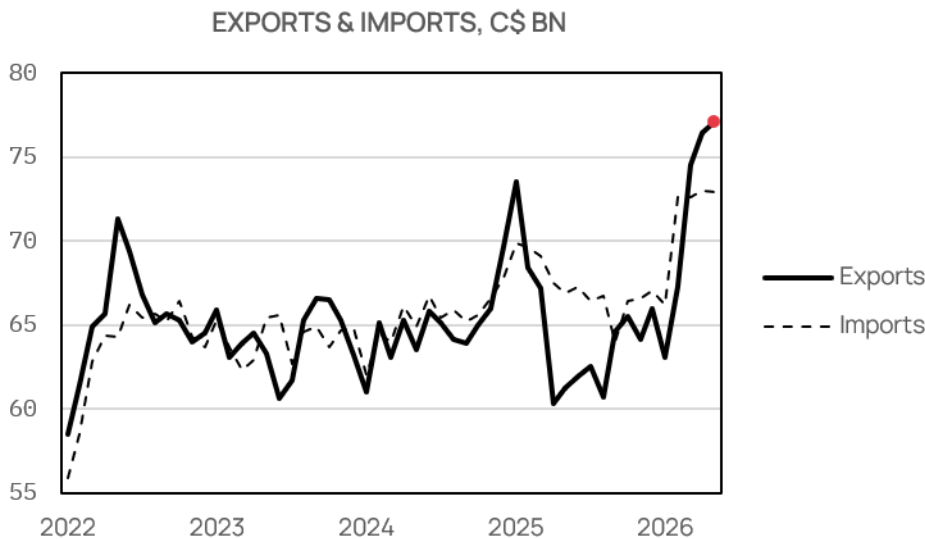
“May’s report is a positive terms of trade story: Canada is getting a better deal from the world, selling at higher prices and buying at lower prices. Export diversification is still limited, with US-bound exports back to 70%.”

— JAY ZHAO-MURRAY · CHIEF ECONOMIST · SIBLEY CREEK

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Canada posted a C\$4.2 billion goods trade surplus in May, the biggest surplus in four years. Both higher exports and lower imports drove it: exports hit another record high of C\$77.1 billion, up 0.9% on the month, as imports edged down 0.2% to C\$72.9 billion. In volume terms, exports were roughly flat as imports rose, indicating the country is getting a better deal from trade: Canada is selling at higher prices and buying at lower prices.

Canada hits biggest trade surplus in four years.



Source: Statistics Canada. Seasonally adjusted, balance of payments basis.

Exports showed a broad-based increase with 7 of 11 product groups posting gains. Metal ores (+16.1%) led the gains, while consumer goods, chemicals, plastics, and metal products also performed well. On the import side, the overall picture is highly distorted by a 33% decrease in unwrought gold and other precious metals. Imports of consumer goods, meanwhile, rose 3.5%.

Trade diversification continues to struggle. The share of exports destined for the US rose to 70%, up more than 1 percent from a year ago. The difficulty that Canada has experienced in diversifying its exports since Prime Minister Mark Carney made that goal explicit exposes how structurally dependent the country is on its southern neighbour. The truth is that Canada has only one land neighbour, and that neighbour happens to be the world’s largest consumer market. That’s a powerful force. The desire to break away from America’s gravitational pull requires Canada to overcome geographic reality.

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