

Trade Chartapolooza: Exports to US down over 27% in recent months, but gold shines in May

3 July 2025

Canada's trade deficit fell to CAD5.9bn in May, compared to a record deficit of CAD7.6bn in April — the non-energy trade deficit narrowed by CAD2.3bn to CAD14.6bn; the energy trade surplus fell by CAD0.6bn to CAD8.7bn.

Overall, Canada's trade balance features a large — and persistent — energy trade surplus, and a large — and persistent, if not growing — non-energy trade deficit. Charts show the evolution of the energy and non-energy trade balances.

A side-note and a bit of history on Canada's trade balance. Prior to the 2008-2009 global financial crisis (GFC), Canada was running a trade surplus overall — the commodity super cycle led to steady energy trade surpluses. The non-energy sector was in surplus during the early 00s, but moved into balance around 2005, before falling into deficit — improved terms of trade effect and a strong Canadian dollar boosted the demand for imports. Notably, since the GFC, Canada's non-energy trade deficit has continued to rise with the overall trade balance kept moderate by to a rising energy trade surplus. The tariffs are now having a huge effect on non-energy trade.

It's more than just tariffs in play. In May, exports of energy products fell by 5.6% MoM, while imports of energy fell by 3.3% MoM. Since January, the value of energy exports has declined by 29.7%. Most of this is a price effect, though real energy exports are down 8.5%.

Lower energy prices and higher tariffs — Body blows to Canadian trade.

The tariff drama has led to wild swings in non-energy exports. Before tariffs were imposed, but as it became clear they were coming, non-energy exports rose sharply late in 2024 through Q1 2025 due to strong demand for firms to build inventories ahead of tariffs. From their January peak, however, non-energy exports are down 13.2%.

That is not necessarily bad news. Prior to tariff-related moves, non-energy exports had been essentially flat since late 2021 at around CAD49bn — that is basically where they are now.

Two issues to consider though. First, the tariff drama is not in the rear-view mirror. It remains a

key source of uncertainty. Second, it is the volume of non-energy exports that is disconcerting. The volume of non-energy exports has declined in recent months, falling to their lowest level since early 2022. I'll get back to why there was a small bounce in May, and why we should not get too excited about it.

Country details

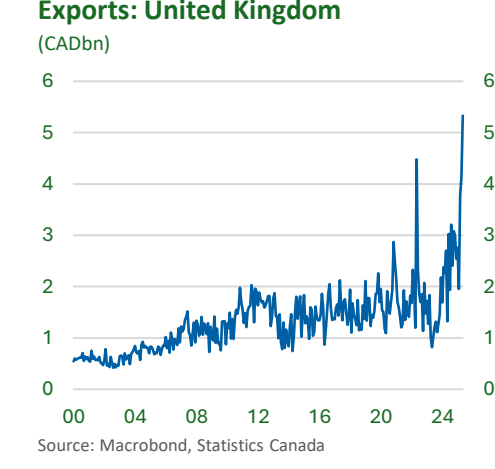
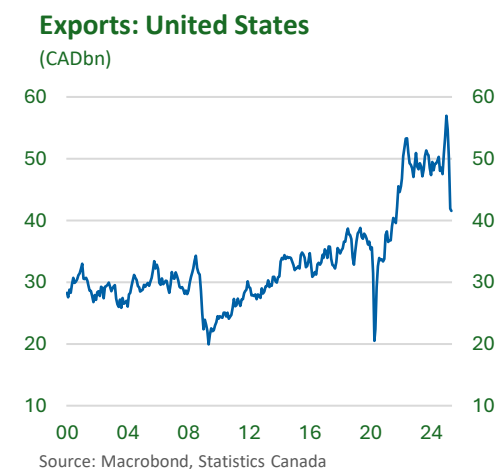
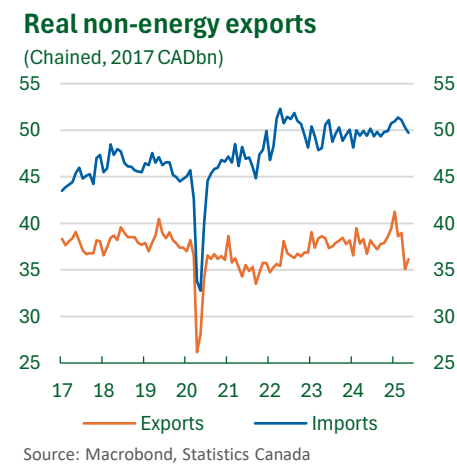
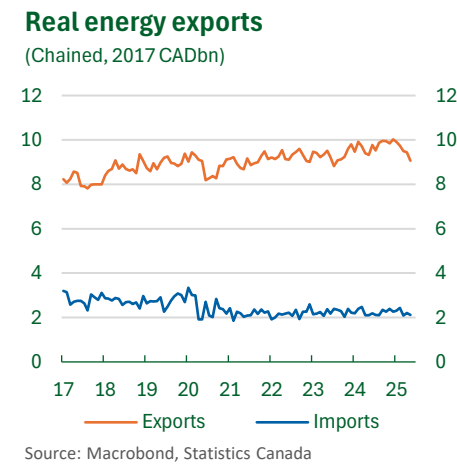
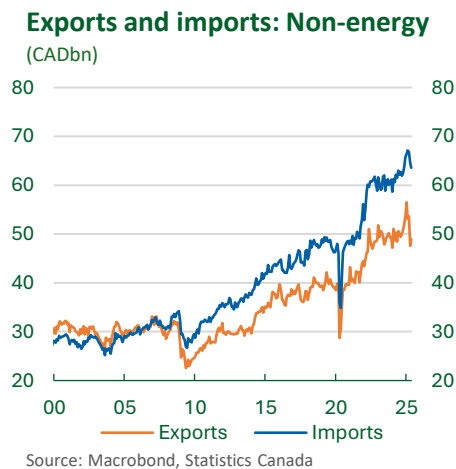
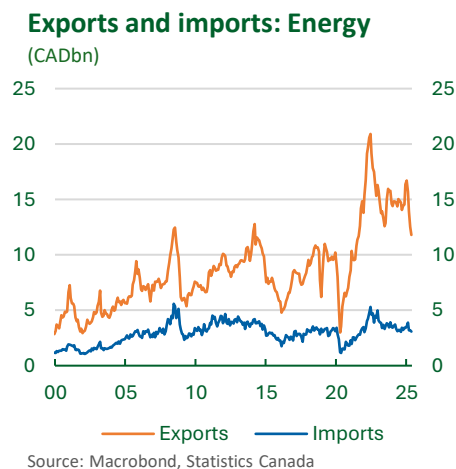
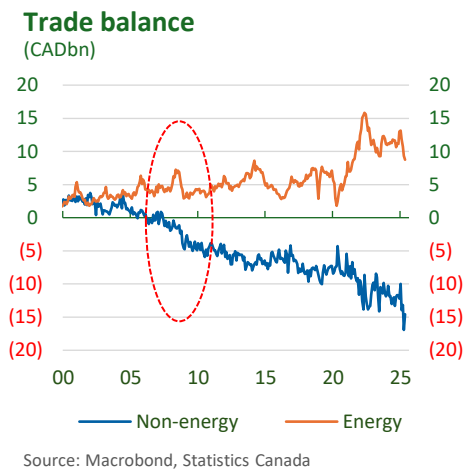
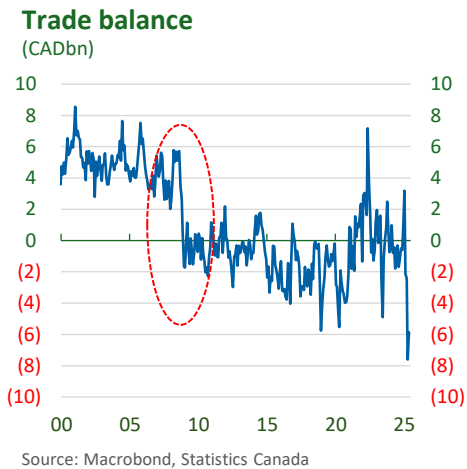
With tariffs battering the non-energy side of Canada-US trade, exports to the US continued to decline in May, falling by 0.9% MoM. That, however, was the smallest decline in exports to the US in four months. Still the cumulative drop in the value of Canadian exports to the US is a whopping 27.1%.

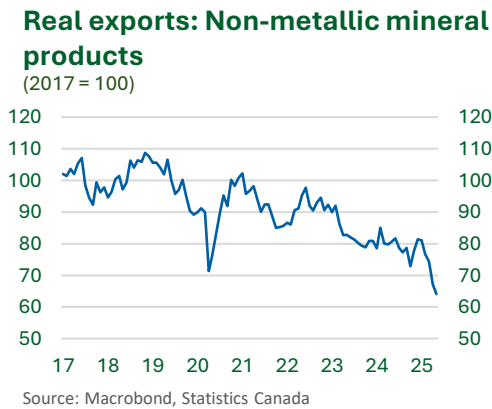
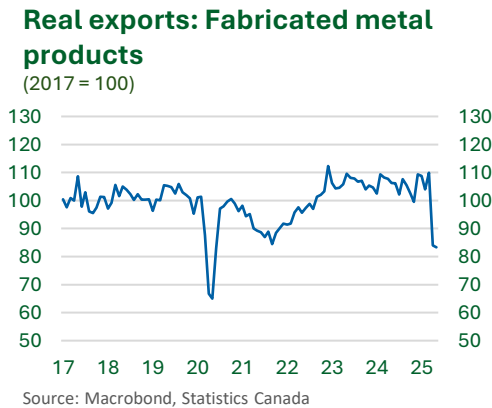
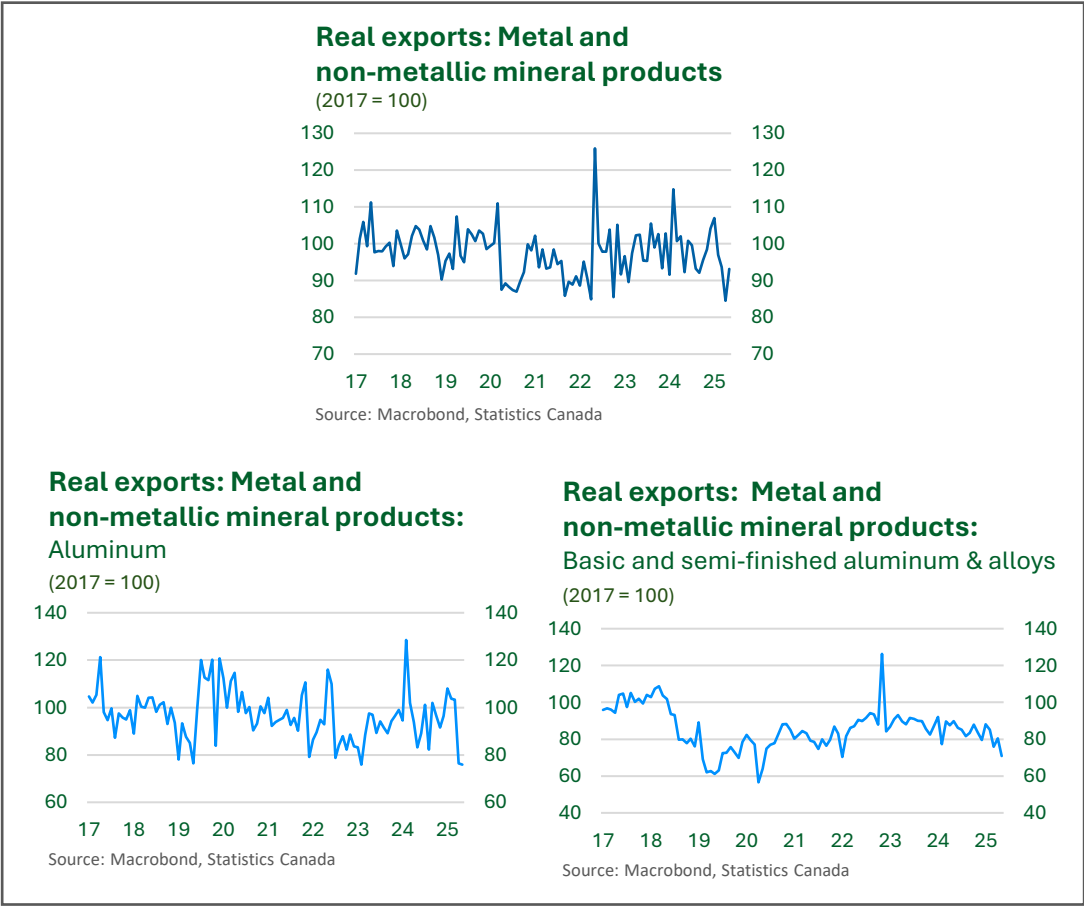
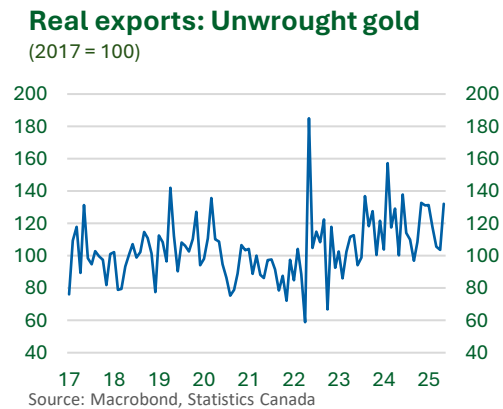
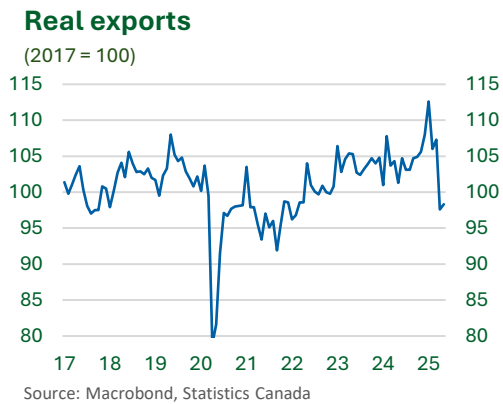
This highlights why it was a “no brainer” to jettison the digital services tax (DST) on the eve of it coming into force. Carney had invested no political capital in the DST, while he must navigate the turbulence coming out of the White House that is having real effects on the Canadian economy.

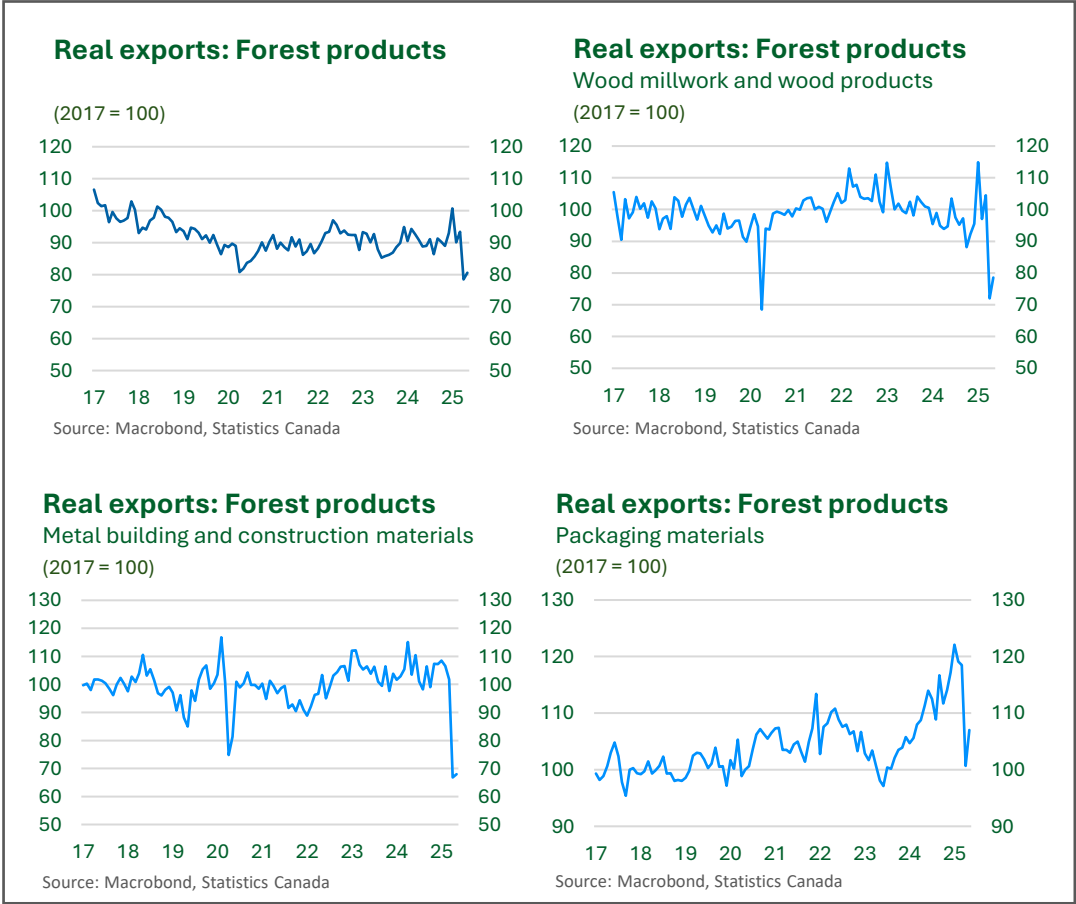
Despite the drop in exports to the US in May, however, the value of exports, overall, rose by 1.1% MoM in May. The gold star goes to the UK. Exports to the UK rose by a stunning 28.9% MoM, the result of a surge in exports of unwrought gold. In the month, exports of gold rose by 30.1% MoM, with most of the gain in real terms, as the volume of gold exports rose by 27.5%. It almost as though folks are nervous about the US remaining the lynchpin of global trade and finance.

The surge in gold exports helped lift Canadian exports to the UK to a record CAD5.4bn in May. Great result. However, the UK won't be a long-term solution to Canada's trade challenges given that over CAD40bn of exports (68% of total exports) go to the US.

To become more optimistic on Canadian trade, we need PMMC to successfully negotiate the trade and security arrangement with the US. Defending the DST would have needlessly complicated this process.







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