

Export Performance Monitor

7/3/13

EDC Economics

Plummeting Gold Drags Exports into Red

Canada's Trade Deficit becomes a Surplus as Imports Weaken

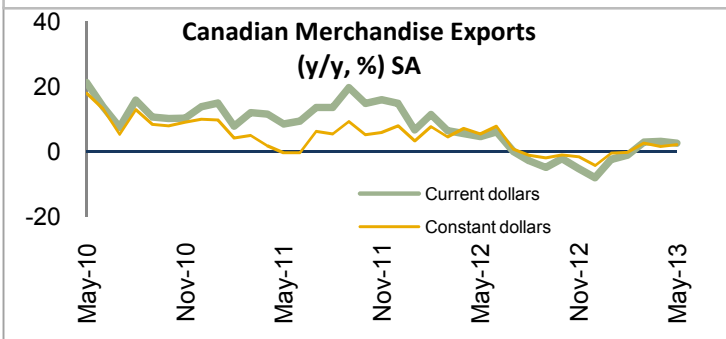
Exports declined by 1.6% after Canada's exports of precious metals, mostly gold, contracted by a stunning 35% in May. Gold fell from a peak of \$1472 per ounce to \$1350 during the month, after a similarly precipitous decline in April, and buyers used up inventories so that export volumes were impacted as well as prices. With gold currently trading in the low \$1200 range more weakness is to be expected in the metals sector.

Setting aside the impact of gold, Canada's exports would have risen by 0.3%, an uninspiring result in a very mixed month. The big winner in May was the industrial machinery and equipment sector which bounced back from a disappointing April to rise 4.3%. The main drivers were commercial and service machinery which rose 27.6%, metal working machinery which rose 25.2% and agricultural machinery which climbed 16.8%. The consumer goods sector chalked up a healthy 2.1% gain because of food and beverage exports. Canada's forestry sector edged down by 0.8% as a 4.8% fall in building and packing materials offset a 31% gain in logs and other forestry products, as demand from the red-hot US housing market charges ahead.

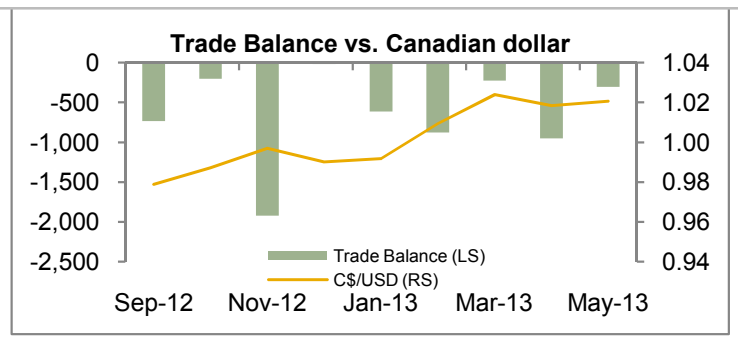
Sadly, the red-hot rise in US auto sales has not yet translated into stronger Canadian production as motor vehicle exports tumbled 4.1%.

By destination, May's weakness was widely shared with exports to the USA declining by 1.6%, while exports to the UK falling by 32.3%, the latter mainly because of gold. Thank goodness for sales to emerging markets which rose by 5.1%.

Overall, May was a surprisingly weak month for trade because declines came in spite of relatively positive economic indicators. Looking ahead, the accelerating momentum in the US and rising consumer confidence should provide a welcome boost, while the positive growth outlook for emerging markets should also provide lift. The main downside risk to Canada's export growth comes from further deterioration in commodity prices.



Source: Statistics Canada



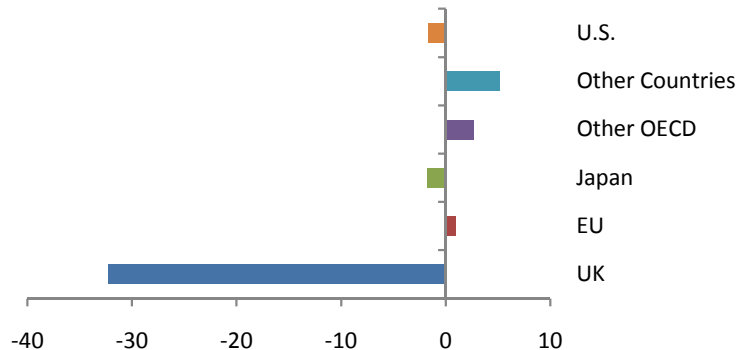
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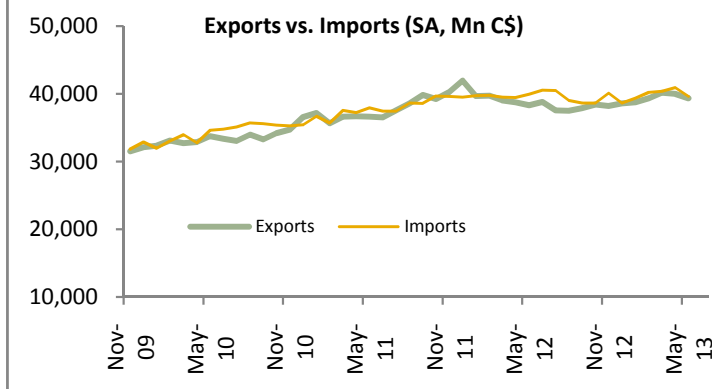
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Export growth by region (m/m, %)



Source: Statistics Canada

Exports vs. Imports (SA, Mn C\$)



Source: Statistics Canada

Industry Sectors	Values (\$C)				Real (Inflation Adjusted) \$C		
	YTD	M/M %change	YTD % change	YoY 13/12	m/m% change	YTD % growth	May YoY 13/12
All Merchandise	\$350,766	-1.6%	-1.7%	2.7%	-1.3%	-0.3%	2.2%
Farm, Fishing and Intermediate Food Products	\$21,681	0.4%	7.5%	8.8%	1.3%	2.0%	4.3%
Energy Products	\$80,111	1.2%	-4.2%	9.6%	1.2%	0.6%	4.2%
Metal Ores and Non-Metallic Minerals	\$13,511	3.9%	-9.1%	0.1%	4.7%	-1.7%	10.2%
Metal and Non-Metallic Mineral Products	\$41,127	-15.0%	-6.7%	-5.7%	-13.3%	-0.2%	2.1%
Basic/Industrial Chemical/Plastic/Rubber Products	\$25,474	1.0%	-2.7%	7.5%	3.7%	-0.1%	17.1%
Forestry Products/Building/Packaging Materials	\$24,199	-0.8%	5.3%	11.8%	0.2%	1.5%	7.9%
Industrial Machinery, Equipment and Parts	\$19,724	4.3%	-3.5%	-3.6%	4.6%	-3.8%	-4.0%
Electronic and Electrical Equipment and Parts	\$16,670	-0.3%	-7.5%	-5.2%	-0.4%	-8.4%	-6.7%
Motor Vehicles and Parts	\$50,155	-3.8%	2.5%	-1.2%	-3.8%	2.8%	-1.9%
Aircraft/Oth Transportation Equipment/Parts	\$13,172	-4.9%	6.7%	-16.1%	-5.0%	7.0%	-16.6%
Consumer Goods	\$37,404	2.1%	-1.2%	6.5%	0.8%	-0.7%	3.7%
Special Transactions Trade	\$1,644	3.6%	-4.8%	1.7%	3.3%	-3.0%	1.0%

Source: Statistics Canada

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