

Weekly Economic Review

Exports tumble as tariffs take hold

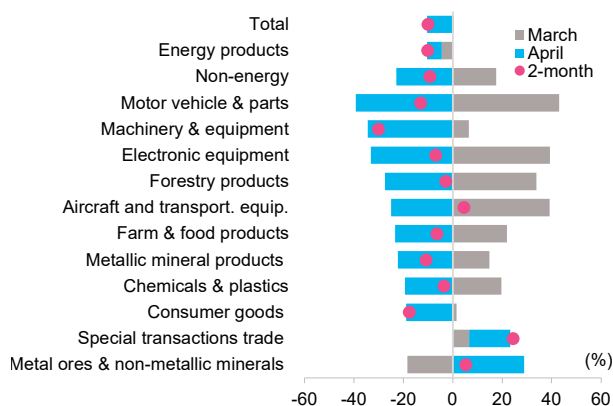
Merchandise exports

Fall after pre-tariff surge

Alberta's international goods exports pulled back sharply in April, largely driven by the pre-tariff build-up waning off. Total merchandise exports fell 10% month-over-month (m/m) to \$14.6 billion. The value of non-energy exports plunged 23% m/m with large declines in most categories. Many of the monthly declines were a reversal of pre-tariff gains, such as forestry products which fell 27% m/m after surging 34% m/m in March (Chart 1). However, the export value of agricultural products (-23% m/m) and industrial machinery (-34% m/m) fell to the lowest levels in three years. Also, the value of energy exports declined 6.1% m/m. While oil export volumes surged, oil prices tumbled in April on fears that U.S. tariffs would weaken global petroleum demand. Despite the monthly drop, exports were up 13% year-to-date (YTD), driven by strength in energy exports (+16% YTD) and front running orders before tariffs.

CHART 1: EXPORTS FALL AFTER PRE-TARIFF BUILDUP

Month-over-month change in export values, Alberta



Sources: Statistics Canada, Haver Analytics

Canadian merchandise exports

Widespread decline

Canadian exports took a sharp dive in April as tariffs were implemented. Canadian exports fell 16% m/m in April after growing 11% m/m in the prior month. The largest contractions were in aircraft & other transportation equipment & parts

(-32% m/m), industrial machinery equipment & parts (-30% m/m), as well as motor vehicles & parts (-24% m/m). In contrast, the decline in energy was modest (-11% m/m) and largely reflected lower prices. Eight provinces saw a downturn in exports led by Manitoba (-24% m/m), Quebec (-23% m/m), and Newfoundland and Labrador (-20% m/m) (Chart 2). Despite the monthly decline, Canadian exports were up 7.1% YTD, led by large gains in energy (+11% YTD), metal & non-metallic minerals (+15% YTD), and consumer goods (+7.8% YTD).

CHART 2: EXPORTS IN APRIL FALL ACROSS THE COUNTRY WHILE YTD STILL UP

Month-over-month and year-to-date export growth by province



Sources: Statistics Canada, Haver Analytics

U.S. Trade Balance

Deficit narrows sharply

The U.S. trade deficit tumbled in April from record-breaking levels in March when businesses and consumers rushed to import goods before the new tariffs. The deficit shrank to \$61.6 billion from \$138.3 billion in the prior month as exports (+3.0% m/m) continued to edge higher and imports plunged 16% m/m. The decline in imports was most notable in goods that saw sizeable gains in March: consumer goods (-32% m/m), automotive vehicles, parts & engines (-20% m/m), and capital goods (-3.0% m/m). Despite the monthly contraction, total goods imports were up 20% YTD, with imports of consumer goods and capital goods up 28% YTD and 19% YTD, respectively.

Global Manufacturing Purchasing Managers Index (PMI)

Conditions ease

Global manufacturing conditions remained subdued in May. The Global Manufacturing PMI eased from 49.8 to 49.6. After a few months of expansion at the start of the year, the index has fallen back below 50, indicating a contraction. The weakness reflects the higher tariffs and significant trade and policy uncertainty. Canada and Mexico, both impacted by US tariff uncertainty, saw the steepest output declines. Additionally, the Eurozone saw a further easing of manufacturing conditions, while China worsened for the first time in eight months on deteriorating demand conditions, partly due to a decline in export orders. In contrast, the U.S. PMI improved in the month as new orders jumped. While present conditions remain soft, future output expectations improved in the month suggesting that uncertainty and pessimism may have peaked.

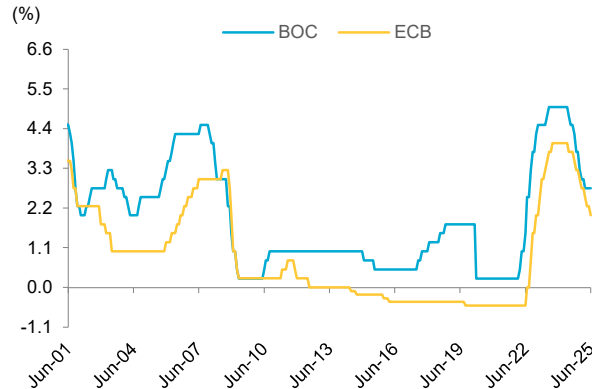
Monetary Policy

Bank of Canada on hold

The Bank of Canada (BoC) held its policy rate steady this week as it waits for more data. For the second consecutive meeting, the BoC left the benchmark interest rate unchanged at 2.75%. Meanwhile the European Central Bank (ECB) continued to cut its key policy rates. The Governing Council lowered the deposit rate by 25 basis points to 2.0%, the eighth cut in a year (Chart 3).

CHART 3: BOC HOLDS BUT ECB LOWERS RATE

BoC overnight target rate and ECB deposit rate



Sources: Bank of Canada, European Central Bank, Haver Analytics

Rigs Drilling

Strength continues

Alberta's rig activity remained solid during the spring break-up in May. While the number of rigs drilling declined by 14 to 101 active rigs, activity was up 8% year-over-year (y/y) and stayed at a five-year seasonal high. Drilling activity has been strong this year and was up 6.0% YTD with more rigs targeting gas (+11% YTD) and oil (+4.2% YTD).

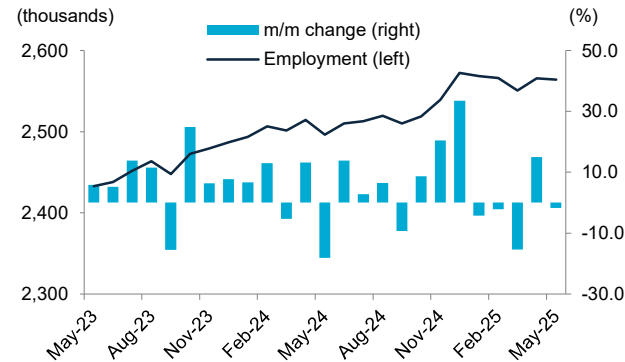
Employment

Employment holds steady

Alberta's labour market remained resilient in May (Chart 4). Employment declined slightly (-1,700 m/m) as solid gains in the private sector (+12,200 m/m) were offset by declines in the public sector and self-employment. Weakness in the public sector weighed on the service sector (-12,600 m/m), which reversed most of April's gains. Conversely, the goods sector expanded (+11,000 m/m) with growth in agriculture and forestry, fishing, mining, quarrying, & oil & gas. Notably, the manufacturing sector continued its recovery, improving for the second month in a row (+1,100 m/m). While employment was nearly unchanged, the unemployment rate rose from 7.1% in April to 7.4% in May as Alberta's source population and labour force (+7,400 m/m) continued to expand.

CHART 4: EMPLOYMENT HOLDS STEADY

Alberta's employment level and month-over-month growth



Sources: Statistics Canada, Haver Analytics

U.S. Employment Report

Modest job growth

U.S. employment continued to expand at a modest pace in May. Non-farm payrolls rose by 139,000 during the month. While in line with the average gains over the last 12 months, the increase was well below the 216,000 monthly average in 2023. Health care & social assistance (+78,300 m/m) and leisure & hospitality (+48,000 m/m) continued to lead job growth. Meanwhile, employment declined in manufacturing (-8,000 m/m), retail trade (-6,500 m/m), and the government sector (-1,000 m/m), as trade policies and cuts to federal employment (-22,000 m/m) weighed on job numbers.

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