

Contributors

Mitch Villeneuve

Director, Economic Policy

Scotiabank Economics

416.350.1175

mitch.villeneuve@scotiabank.com

John Fanjoy

Economist

Scotiabank Economics

416.866.4735

john.fanjoy@scotiabank.com

With research assistance from:**Neha Sarraf**

Economic Analyst

Scotiabank Economics

416.869.2695

neha.sarraf@scotiabank.com

Duty Calls: Monthly Report on Canada & US Trade, December 2025

- Canada's goods exports rose 2.6% in December and imports increased 0.6% (chart 1)—resulting in a deficit of \$1.3 bn for the month.** As has been the case for several months, unwrought gold was the main driver in changes on the export side—though higher exports of aircraft and other transportation equipment also contributed to the monthly rise. Gold imports also drove much of the rise in imports in the month, along with increased imports of motor vehicles and parts.
- Looking at 2025 as a whole, nominal Canadian goods exports were down 0.2%,** as significant increases in gold exports were not enough to offset declines in most other product categories (chart 2), notably steel (-31%), aluminum (-7%), forestry (-10%), and motor vehicles and parts (-3%). This was weaker than many other countries (chart 3).
- Trade volumes tell a more negative story.** After adjusting for prices, goods exports were down 2% on the year and imports were roughly flat (chart 4). As a result, trade is expected to have dragged on overall GDP growth for 2025. However, Q4 export volumes were 2.1% stronger than Q3, with imports up only 0.3%. This is a stronger contribution to growth than we assumed in our January economic outlook. We expect the drag from trade to continue to gradually decline through 2027.
- The share of Canadian exports bound for the U.S. declined from 76% in 2024 to 72% in 2025 and is trending lower.** This has been driven by a decline in exports to the U.S. and increasing exports to other regions—mainly Europe (chart 5). In December, exports to the U.S. rose 1.1% m/m but were down 16.7% y/y. Exports to other countries rose 5.8% m/m and were 30% higher y/y—though much of this has been driven by elevated overseas exports of gold. A similar dynamic is playing out on the import side (chart 6), as the share of Canadian imports from the U.S. fell from 62% in 2024 to 59% in 2025.
- Canada continues to benefit from a (relatively) low effective tariff rate on exports to the U.S.** 6.3% is our current estimate (based on pre-tariff trade flows), thanks to most of our trade continuing on a tariff-free basis under CUSMA. The best estimate of the average actual duties paid on U.S. imports from Canada has fallen in recent months, dropping from 3.9% in September to 3.1% in December (chart 7). The proportion of Canadian goods imported into the U.S. facing tariffs has settled around 10% (chart 8).
- The U.S. trade deficit returned to its pre-tariff level in December (chart 9).** U.S. trade saw significant volatility in 2025, with its trade deficit spiking early in the year due to high imports driven by tariff-front-running, then reaching its smallest level since 2009 in October, before normalizing at the end of the year.
- U.S. trade flows have seen compositional changes.** Comparing 2025 to 2024, U.S. imports were significantly lower from China (-29%) and Canada (-7%), but higher from the EU (+5%), Mexico (+6%), and the rest of the world (+19%).
- The U.S. import tariffs continue to create inflationary pressures in that country,** with the latest estimate of the cumulative impact of the tariffs on U.S. CPI reaching a full percentage point (chart 10)—clouding the outlook for U.S. interest rate cuts.
- With the U.S. Supreme Court expected to rule on the legality of the IEEPA tariffs soon, there could be renewed turbulence in the ongoing U.S. global trade war.** If these tariffs are struck down, these could be replaced under a new mechanism—which would likely again be challenged, leading to renewed uncertainty. For Canada, the sectoral tariffs are by far the most impactful, and will continue to weigh on the Canadian economy as long as they remain in place.

Chart 1

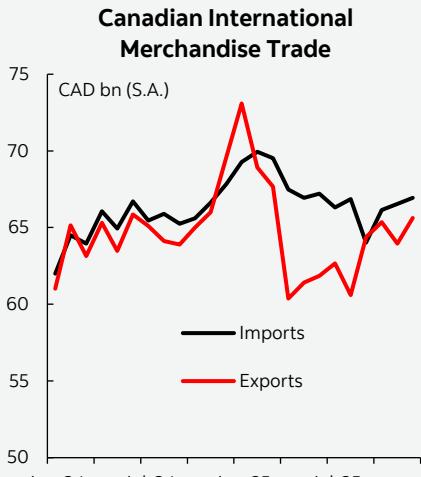


Chart 2

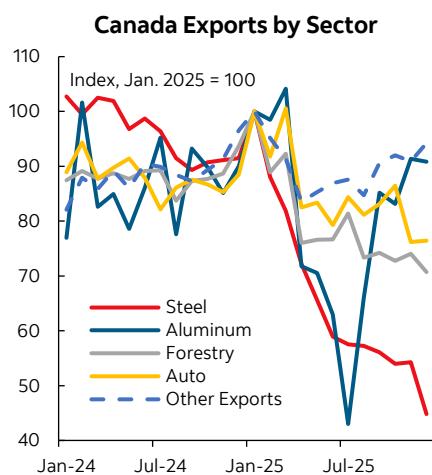


Chart 3

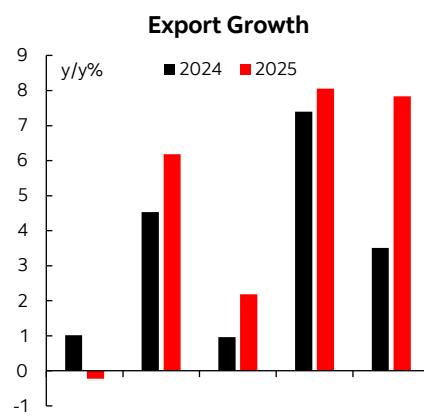


Chart 4

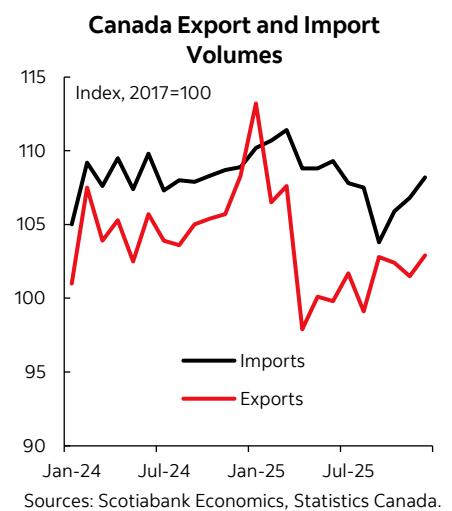


Chart 5

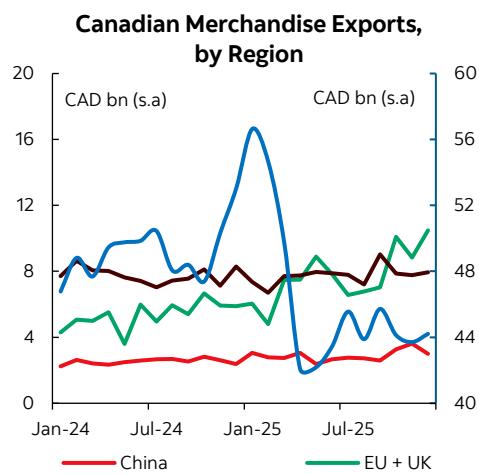


Chart 6

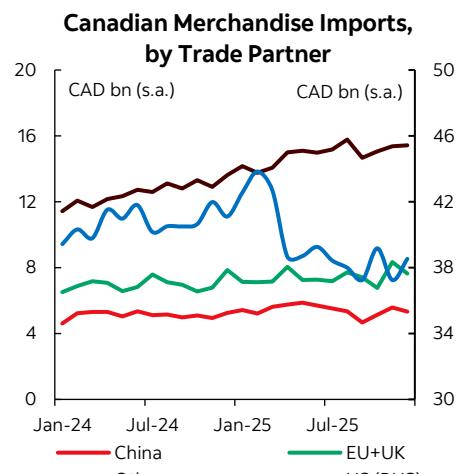


Chart 7

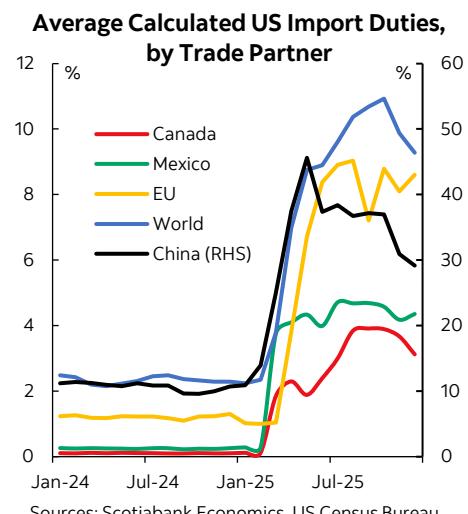


Chart 8

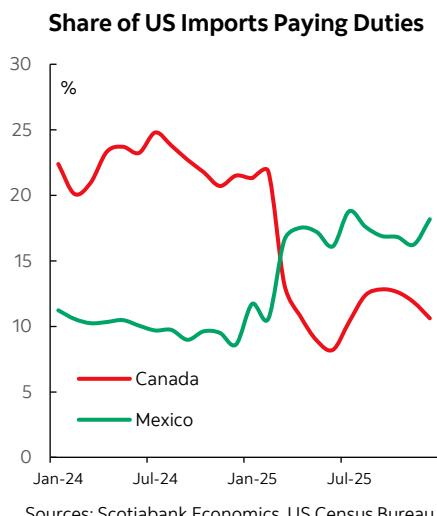


Chart 9

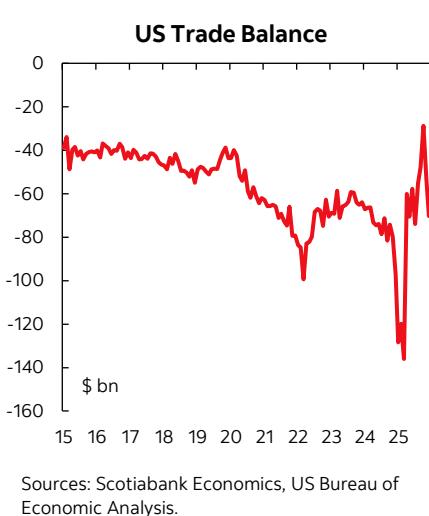


Chart 10

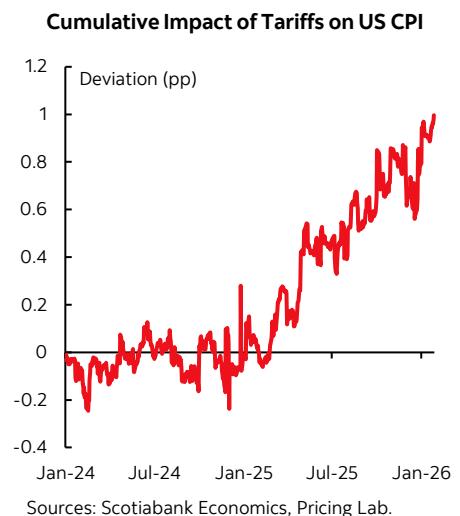


Table 1: Canada, U.S. Mexico - Goods Exports and Imports (s.a.)

Country and Flow	m/m%	y/y%	2025 y/y%
Canada Total Exports	2.6	-5.7	-0.2
Canada Total Imports	0.6	-1.3	2.8
U.S. Goods Exports	-1.7	6.3	6.2
U.S. Goods Imports	3.6	-2.6	4.8
Mexico Total Exports	-0.5	13.0	7.8
Mexico Total Imports	0.4	12.3	4.7

Sources: Scotiabank Economics, US Census Bureau, Statistics Canada, Banco de México.

Table 2: Canada - Merchandise Exports by Region (s.a.)

Country	m/m%	y/y%	2025 y/y%
US	1.1	-16.7	-6
China	-17.5	25.8	14
Mexico	-1.2	-3.3	-1
EU	-5.4	15.1	23
UK	39.3	162.0	68
Rest of the World	2.5	-4.3	0

Sources: Scotiabank Economics, Statistics Canada.

Table 3: Canada - Exports by Select Sectors (s.a.)

Sector	m/m%	y/y%	2025 y/y%
Steel	-17.4	-51.0	-31.4
Aluminum	-0.6	0.9	-7.1
Forestry	-4.6	-24.6	-9.7
Autos	0.3	-13.6	-2.9

Sources: Scotiabank Economics, Statistics Canada.

Table 4: U.S. - Merchandise Imports by Region (s.a.)

Country	m/m%	y/y%	2025 y/y%
Canada	5.6	-13.2	-6.8
China	-2.0	-46.0	-28.8
EU	-3.6	-6.8	4.8
Mexico	-2.9	5.5	5.9
Rest of the World	9.8	8.6	18.8

Sources: Scotiabank Economics, US Census Bureau.

Table 5: Tariffs in Place

Imposing	Impacted Country	Impacted Sector	Tariff Rate	Date of Latest Significant Change
USA	All	Steel & Steel Articles	50%	June 4th, 2025
USA	All	Aluminum & Aluminum Articles	50%	June 4th, 2025
USA	Canada	All exports that do not comply with USMCA rules of origin requirements	10% (energy & potash) 35% (remaining goods)	August 1st, 2025
USA	China	All exports not subject to de minimis rule (replaced by all exports)	20%	March 3rd, 2025
USA	Mexico	All exports that do not comply with USMCA rules of origin requirements	25%	March 7th, 2025
USA	CA & MX	Non-US content in passenger vehicles (Auto parts exempt)	25%	April 3rd 2025
USA	All ex. CA & MX	Assembled passenger vehicles	25%	April 3rd, 2025
USA	CA & MX	Non-US content in medium-/heavy-duty trucks and buses	25% (medium-/heavy-duty trucks) 10% (buses)	October 17th, 2025
USA	All ex. CA & MX	Assembled medium-/heavy-duty trucks and buses	25% (medium-/heavy-duty trucks) 10% (buses)	October 17th, 2025
USA	All ex. CA & MX	Majority of exports ex. steel, aluminum, autos, semiconductors/consumer electronics	10%	April 8th, 2025
USA	Canada	Increase of countervailing duties/tariffs on Canadian softwood lumber	Avg combined rate now 45.16%	October 14th, 2025
USA	All ex. CA	Softwood timber & lumber	10%	October 14th, 2025
USA	All	Upholstered wooden products	25%	October 14th, 2025
USA	All	Kitchen cabinets and vanities, and their parts	25%	October 14th, 2025
USA	All ex. CA & MX	Automotive parts	25%	May 3rd, 2025
USA	All	Semiconductors	25%	January 15th, 2026
Canada	USA	Steel and aluminum	25%	March 13th, 2025
Canada	USA	Non-CUMSA compl. passenger autos, & US-content in CUSMA-compl. passenger autos	25%	April 9th, 2025
China	Canada	Select agricultural exports (canola rapeseed)	7%	March 1st, 2026
China	USA	All exports	10%	May 11th, 2025

Sources: Scotiabank Economics, White House, Govt of Canada, Ministry of Commerce of the People's Republic of China.

Table 6: Canada - Effective Tariff Rate (ETR)

Measures Contributing to Effective Tariff Rate	
35% on non-CUSMA compliant goods to US	
10% on non-CUSMA compliant energy and potash to US	
50% on steel/derivatives and aluminum/derivatives to US	
30% increase in countervailing duties/tariffs on softwood lumber exports to US	
7% tariffs on select agricultural exports to China	
25% on wooden products, kitchen cabinets, and vanities exports to US	
25% tariffs on non-US content in automotives and medium-/heavy-duty trucks	
10% tariffs on non-US content in buses and similar trucks	
25% tariffs on semiconductor exports to US	
Effective Tariff Rate	%
Change in ETR on Exports to World	4.5
Share of Exports Currently Impacted by Post-2024 Tariffs	21.7

Sources: Scotiabank Economics, WITS.

Table 7: Mexico - Effective Tariff Rate (ETR)

Measures Contributing to Effective Tariff Rate	
25% on non-CUSMA compliant goods to US	
50% on steel/derivatives and aluminum/derivatives to US	
25% on non-US content in automotives and medium-/heavy-duty trucks	
10% tariffs on non-US content in buses and similar trucks	
10-25% on softwood lumber and wooden products exports to US	
25% tariffs on semiconductor exports to US	
Effective Tariff Rate	%
Current ETR on Exports to World	7.3
Share of Exports Currently Impacted by Tariffs	35.6

Sources: Scotiabank Economics, WITS.

Table 8: United States - Effective Tariff Rate (ETR)

Measures Contributing to Effective Tariff Rate	
10% on non-CUSMA compliant energy and potash from CA	
35% on non-CUSMA compliant other goods from CA	
25% on non-CUSMA compliant goods from MX	
50% on steel/derivatives and aluminum/derivates from world	
25% on passenger vehicle/auto parts from world (excl. CA & MX)	
25% on passenger vehicles and trucks (only non-US content from CA, MX)	
10% tariffs on buses and similar trucks (only non-US content from CA, MX)	
30% increase in countervailing duties/tariffs on softwood lumber from CA	
10-25% on softwood lumber and wooden products imports to US	
10% baseline on imports from world, and higher for various countries	
30% on majority of imports from China	
25% tariffs on imports of semiconductors	
Effective Tariff Rate	
%	
Current ETR on Imports from World	12.9
Share of Imports Currently Impacted by Tariffs	54.4

Sources: Scotiabank Economics, WITS.

Table 9: United States - Duties Collected

Country/Region	Dec. 2025 (\$ bn)	m/m%	y/y%	2025 (\$ bn)
Canada	1.0	-5	2757	9.3
China	6.2	-5	53	91.8
EU	4.1	8	533	35.5
Mexico	1.8	-1	1726	19.8
Rest of World	13.1	4	663	104.5

Sources: Scotiabank Economics, US Census Bureau.

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