Scotiabank

GLOBAL ECONOMICS

INSIGHTS & VIEWS

April 2, 2026

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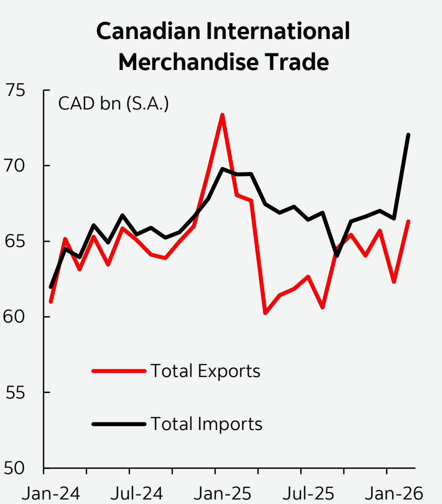
Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Duty Calls: Canada & US Trade Report, February 2026

- **Canada's goods exports rebounded 6.4% in February (m/m), but imports rose an even greater 8.4% (chart 1).** Motor vehicles and parts was the largest contributor on the export side, rebounding 24.2% in February after falling 21% in January (due to a longer-than-usual production shutdown over the holiday season). Metals were a close second, with gold shipments increasing 11% after dropping in January and aluminum exports increasing a solid 19.6%. On the import side, the gold, silver, and platinum category more than doubled over the previous month and was the main driver of the February increase. After adjusting for prices, export volumes were up 4.9% and imports were 7.1% higher on the month. The February data confirms that net trade will drag on Q1 growth—and likely more than we expected in our latest outlook. However, we expect a rebound in Q2, in part due to the increase in oil prices.

- **Looking past the monthly volatility, exports are broadly in line with 2024 levels, though gold has masked some declines.** Excluding gold, Canadian exports have averaged about 12% lower over the past three months compared to the same period a year ago (chart 2), led by the categories targeted by the U.S. sectoral tariffs (chart 3): steel (-55%), aluminum (-12%), forestry (-23%), and motor vehicles and parts (-24%).

- **The share of Canadian exports bound for the U.S. is gradually trending lower**, averaging 76% in 2024 and 72% in 2025, and coming in at 66% in February 2026. This has been driven by a decline in exports to the U.S. and increasing exports to other regions—mainly Europe (chart 4). In February, exports to the U.S. rose 4.4% m/m but were down 10.4% compared to 2024 . Exports to other countries rose 10.5% after a weak January and were up 42.4% from 2024—though much of this has been driven by elevated overseas exports of gold. On the import side (chart 5), the share of Canadian imports from the U.S. was down slightly in February to 59% from 62% in 2024.

- **Canada continues to benefit from a (relatively) low effective tariff rate on total exports.** 3.1% is our latest estimate (based on pre-tariff trade flows) of the increase in tariffs since end-2024, thanks to most of our trade with the U.S. continuing on a tariff-free basis under CUSMA. This is down from 4.5% in February due to the country-specific U.S. IEEPA tariffs being replaced by a 10% global tariff. The reported average actual duties paid on U.S. goods imports from Canada was slightly above 3% for the third month in a row, down from close to 4% six months ago (chart 6). This could tick lower in March, given the tariff changes in late February. The proportion of Canadian goods imported into the U.S. facing tariffs has settled around 10% (chart 7).

- **The U.S. trade deficit is back close to its pre-tariff level (chart 8).** U.S. trade saw significant volatility early in 2025 in response to the tariffs, before stabilizing later in the year. In February, U.S. exports rose 4.2% and imports increased 4.3%, resulting in an increase to the trade deficit to US$57 bn, down from around US$70bn in 2024.

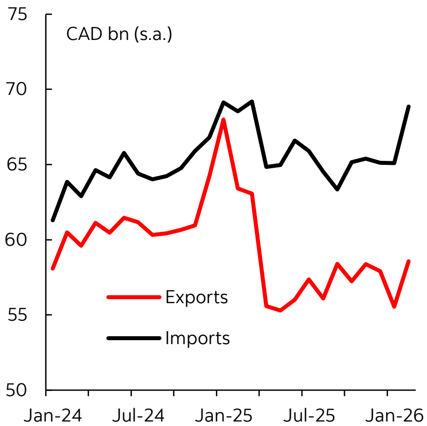
- **The U.S. import tariffs continue to create inflationary pressures in that country**, with the latest estimate of the cumulative impact of the tariffs on U.S. CPI reaching nearly a full percentage point (chart 9)—clouding the outlook for U.S. interest rate cuts, especially given recent increases in oil prices.

- **Tariffs and uncertainty (chart 10) continue to be elevated and dynamic.** Although the replacement of the U.S. IEEPA tariffs with the temporary global tariff of 10% was positive for Canada (and many other U.S. trade partners), the vast majority of our trade has been compliant and thus exempt from those tariffs. The sectoral tariffs are by far the most impactful for Canada, and have not been affected by the recent changes. However, there are reports today of potential changes to the steel and aluminum tariffs, which could see a lower tariff rate for some items, but against a broader base for all items—with the net effect possibly increasing the tariffs paid.

April 2, 2026

Chart 2

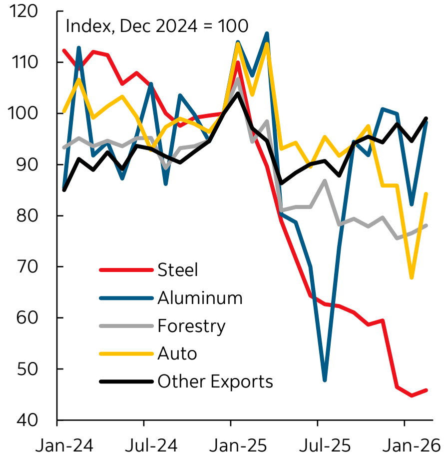
Canadian Goods Trade, Excluding Gold, Silver, Platinum



Sources: Scotiabank Economics, Statistics Canada.

Chart 3

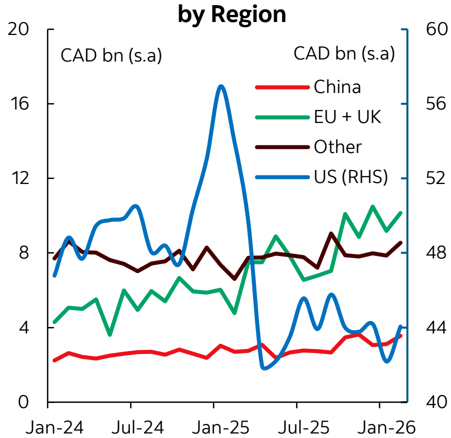
Canada Exports by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

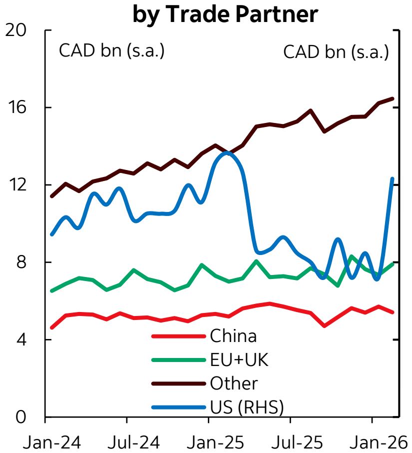
Canadian Merchandise Exports, by Region



Sources: Scotiabank Economics, Statistics Canada.

Chart 5

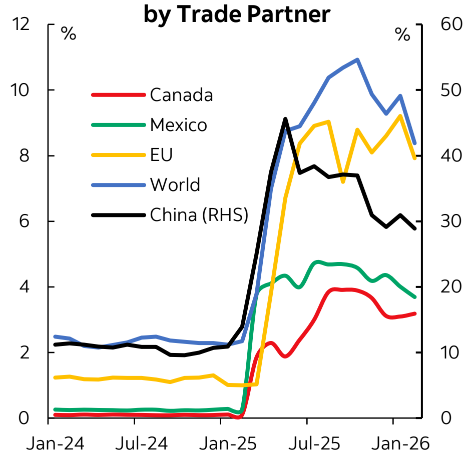
Canadian Merchandise Imports, by Trade Partner



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

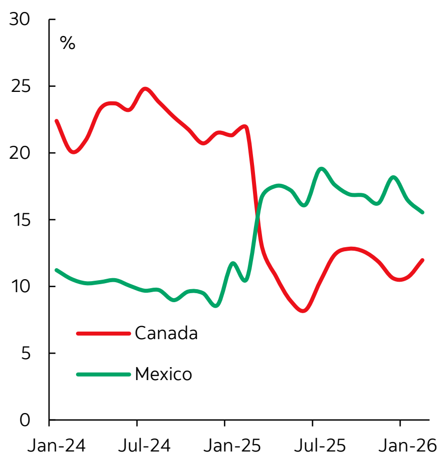
Average Calculated US Import Duties, by Trade Partner



Sources: Scotiabank Economics, US Census Bureau.

Chart 7

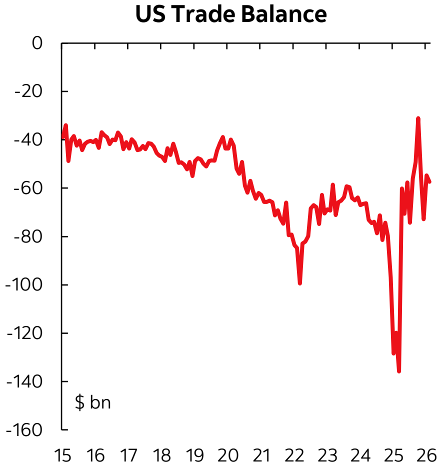
Share of US Imports Paying Duties



Sources: Scotiabank Economics, US Census Bureau.

Chart 8

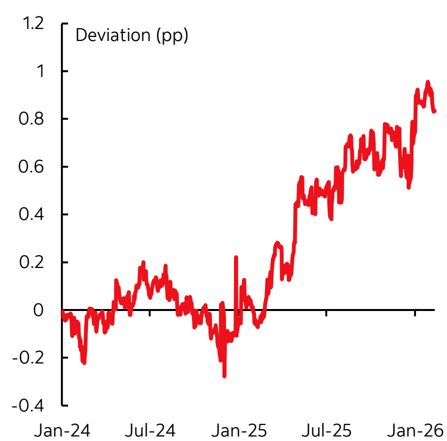
US Trade Balance



Sources: Scotiabank Economics, US BEA.

Chart 9

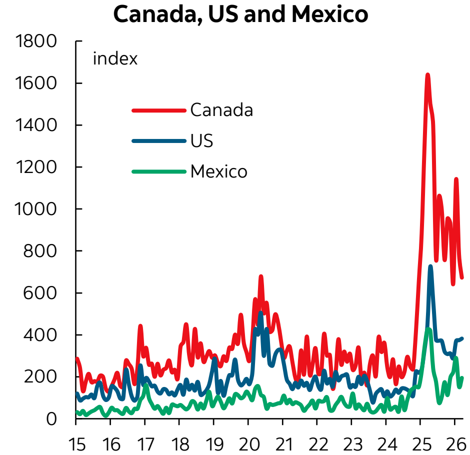
Cumulative Impact of Tariffs on US CPI



Sources: Scotiabank Economics, HBS Pricing Lab.

Chart 10

Economic Policy Uncertainty in Canada, US and Mexico



Sources: Scotiabank Economics, Policyuncertainty.com.

Table 1: Canada, U.S. Mexico - Goods Exports and Imports (s.a.)			
Country and Flow	**m/m%**	**y/y%**	**3 mma y/y%**
Canada Total Exports	6.4	-2.6	-7.7
Canada Total Imports	8.4	3.8	-0.7
U.S. Goods Exports	4.2	12.2	9.5
U.S. Goods Imports	4.3	-7.1	-6.8
Mexico Total Exports	3.0	15.8	13.6
Mexico Total Imports	2.3	20.5	15.6

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%**	**3mma y/y%**
US	4.4	-18.4	-20
China	14.5	31.9	21
Mexico	-4.0	-1.9	0
EU	-1.3	31.4	20
UK	18.8	229.6	163
Rest of the World	10.3	33.7	12

Sources: Scotiabank Economics, Statistics Canada.

Table 3: Canada - Exports by Select Sectors (s.a.)			
Sector	**m/m%**	**y/y%**	**3mma y/y%**
Steel	2.4	-52.5	-55.1
Aluminum	19.6	-8.5	-12.2
Forestry	1.9	-17.4	-23.3
Autos	24.2	-18.7	-24.4

Sources: Scotiabank Economics, Statistics Canada.

Table 4: U.S. - Merchandise Imports by Region (s.a.)			
Country	**m/m%**	**y/y%**	**3mma y/y%**
Canada	6.2	-16.5	-18.2
China	1.7	-43.3	-45.2
EU	4.6	-30.4	-21.9
Mexico	5.2	6.4	5.3
Rest of the World	5.5	2.0	1.6

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	All	Copper & Copper Articles	50%	August 1st, 2025
USA	Canada	All exports that do not comply with USMCA rules of origin requirements	10%	February 20th, 2026
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	10%	February 20th, 2026
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%	February 20th, 2026
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	
10% on non-CUSMA compliant goods to US	
10% on non-CUSMA compliant energy and potash to US	
50% on steel/aluminum/copper and select 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	3.1
Share of Exports Currently Impacted by Post-2024 Tariffs	13.5

Sources: Scotiabank Economics, WITS.

Table 7: Mexico - Effective Tariff Rate (ETR)	
Measures Contributing to Effective Tariff Rate	
10% on non-CUSMA compliant goods to US	
50% on steel/aluminum/copper and select 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	**%**
Change in ETR on Exports to World	4.6
Share of Exports Currently Impacted by Post-2024 Tariffs	19.9

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	
10% on non-CUSMA compliant other goods from CA	
10% on non-CUSMA compliant goods from MX	
50% on steel/aluminum/copper and select derivatives to US	
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	
30% on majority of imports from China	
25% tariffs on imports of semiconductors	
Effective Tariff Rate	**%**
Current ETR on Imports from World	10.2
Share of Imports Currently Impacted by Tariffs	51.9

Sources: Scotiabank Economics, WITS.

Table 9: United States - Duties Collected

Country/Region	Feb. 2026 ($ bn)	m/m%	y/y%
Canada	0.9	6	2353
China	5.5	-16	24
EU	3.0	-15	451
Mexico	1.6	-4	1354
Rest of World	10.2	-22	516

Sources: Scotiabank Economics, US Census Bureau.

April 2, 2026

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