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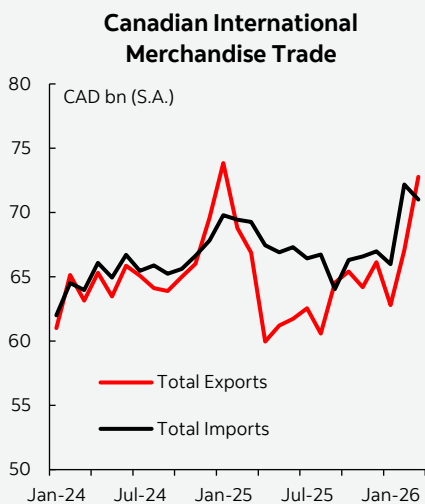
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Duty Calls: Canada & US Trade Report, March 2026

- **Canada’s goods trade balance jumped back into surplus in March, with exports rising 8.5%(m/m) and imports falling 1.6% (chart 1).** As has often been the case lately, gold was the dominant driver on the export side, though energy products also contributed—aided by the rise in oil prices since the start of the U.S.-Iran conflict. On the import side, most categories ticked lower after a strong February—with the notable exception of motor vehicles, reflecting the continued integration of supply chains in that sector. After adjusting for prices, export volumes rose 2.2% and imports were down 2.5% on the month (chart 2). The trade data have improved after a very weak January report, but net trade is still likely to drag on estimated Q1 growth. However, we expect a rebound in Q2.
- **The strong gold exports and higher energy prices are masking declines in some sectors.** Exports are clearly lower in the goods categories targeted by the U.S. sectoral tariffs (chart 3) including: steel (-51% vs Dec 2024), aluminum (-5%), forestry (-23%), and motor vehicles and parts (-11%).
- **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 67% in March 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 March, exports to the U.S. rose 8.3% m/m but were down 1.3% compared to 2024. Exports to other countries rose 9.1% m/m and were up 55.2% 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. has gradually fallen to 58% in March from an average of 62% in 2024.
- **Canada continues to benefit from a (relatively) low effective tariff rate on total exports.** 2.9% 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, following the replacement of the U.S. IEEPA tariffs with a 10% global tariff, as well as changes to steel and aluminum tariffs and the addition to pharmaceutical tariffs. The reported average actual duties paid on U.S. goods imports from Canada was slightly above 3% for the fourth month in a row, down from close to 4% six months ago (chart 6). The proportion of Canadian goods imported into the U.S. facing tariffs jumped from 12% to 17% in March (chart 7), in part due to an increase in Canadian exports of steel and aluminum to the U.S. in the month.
- **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 March, U.S. exports rose 2.0% and imports increased 2.3%, resulting in an increase to the trade deficit to US\$60 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 deemed CUSMA-compliant and thus exempt from those tariffs. The sectoral tariffs are by far the most impactful for Canada, and the recent U.S. changes to the steel and aluminum tariffs, as well as the addition of tariffs on pharmaceuticals, represent increased headwinds for these sectors.

Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

Canada Export and Import Volumes

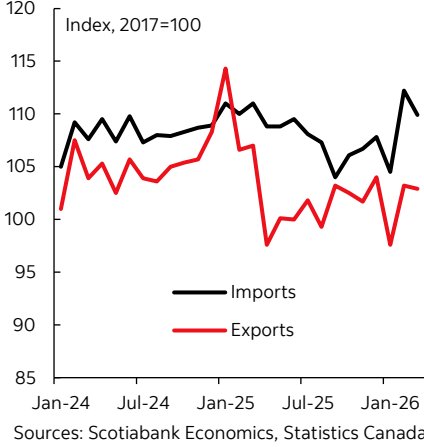


Chart 3

Canada Exports by Sector

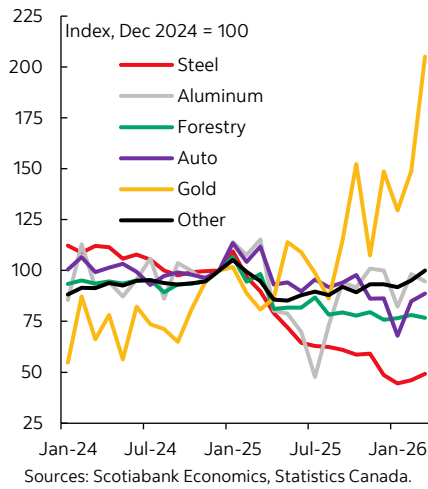


Chart 4

Canadian Merchandise Exports, by Region

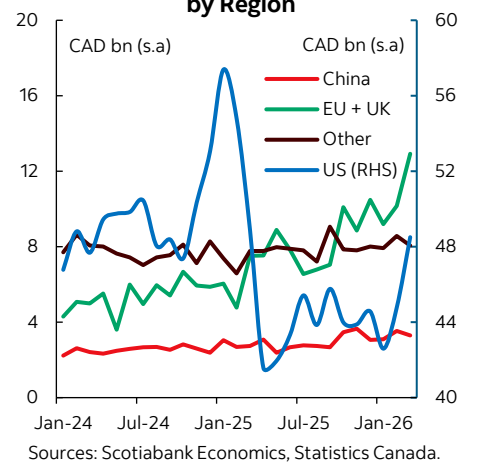


Chart 5

Canadian Merchandise Imports, by Trade Partner

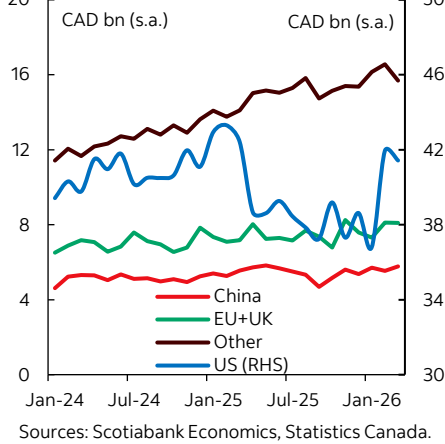


Chart 6

Average Calculated US Import Duties, by Trade Partner

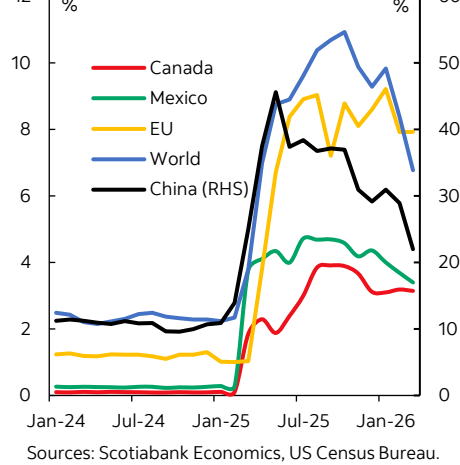


Chart 7

Share of US Imports Paying Duties

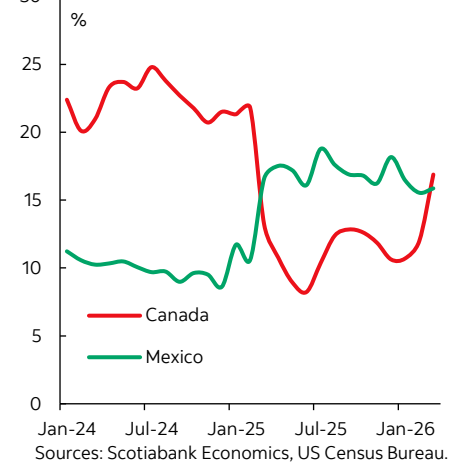


Chart 8

US Trade Balance



Chart 9

Cumulative Impact of Tariffs on US CPI

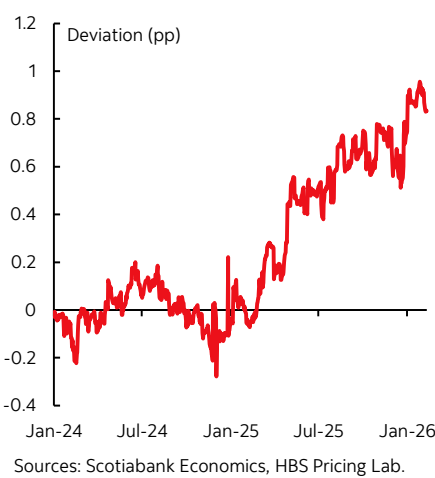


Chart 10

Economic Policy Uncertainty in Canada, US and Mexico

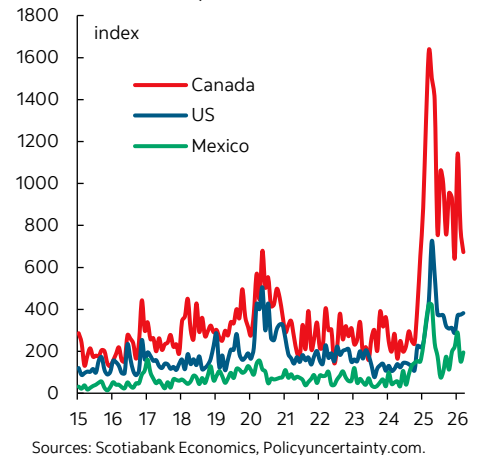


Table 1: Canada, U.S. Mexico - Goods Exports and Imports (s.a.)

Country and Flow	m/m%	y/y%	3 mma y/y%
Canada Total Exports	8.5	8.8	-2.9
Canada Total Imports	-1.6	2.5	0.3
U.S. Goods Exports	2.0	13.3	11.9
U.S. Goods Imports	2.3	-9.0	-9.1
Mexico Total Exports	8.5	23.9	17.3
Mexico Total Imports	2.7	19.9	18.2

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	8.3	-0.7	-15
China	-6.7	20.6	18
Mexico	3.9	0.2	1
EU	15.6	15.4	21
UK	34.0	127.7	151
Rest of the World	-6.9	4.0	15

Sources: Scotiabank Economics, Statistics Canada.

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

Sector	m/m%	y/y%	3mma y/y%
Steel	6.9	-45.1	-52.3
Aluminum	-3.8	-17.9	-18.1
Forestry	-1.9	-22.0	-22.5
Autos	4.5	-20.6	-26.4

Sources: Scotiabank Economics, Statistics Canada.

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

Country	m/m%	y/y%	3mma y/y%
Canada	3.3	-6.4	-15.9
China	13.5	-29.9	-39.9
EU	9.0	-43.0	-34.0
Mexico	0.1	4.4	4.9
Rest of the World	1.6	1.3	-0.8

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, Aluminum, Copper, & Derivatives	50%/25%/15%	April 2nd, 2026
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
USA	All	Pharmaceuticals	100%	April 2nd, 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%/25%/15% 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	
100% tariffs on pharmaceuticals	
Effective Tariff Rate	%
Change in ETR on Exports to World	2.9
Share of Exports Currently Impacted by Post-2024 Tariffs	14.4

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%/25%/15% on steel/aluminum/copper and select derivatives to US	
25% on non-US content in automobiles 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	
100% tariffs on pharmaceuticals	
Effective Tariff Rate	%
Change in ETR on Exports to World	6.8
Share of Exports Currently Impacted by Post-2024 Tariffs	28.8
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%/25%/15% 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	
100% tariffs on pharmaceuticals	
Effective Tariff Rate	%
Current ETR on Imports from World	11.4
Share of Imports Currently Impacted by Tariffs	53.5
Sources: Scotiabank Economics, WITS.	

Table 9: United States - Duties Collected			
Country/Region	Mar. 2026 (\$ bn)	m/m%	y/y%
Canada	1.1	15	62
China	4.6	-16	-38
EU	3.9	29	347
Mexico	1.7	6	-4
Rest of World	9.2	-10	300
Sources: Scotiabank Economics, US Census Bureau.			

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