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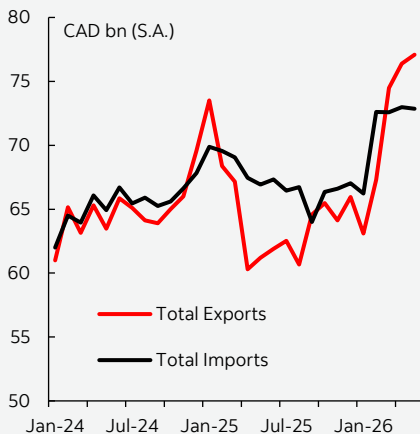
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Duty Calls: Canada & US Trade Report, May 2026

- Aluminum helps drive increase in export values to record level (chart 1).** The value of Canadian exports rose by 0.9% in May with increases in seven of 11 exports categories. Aluminum exports led the overall increase with a 51% m/m jump, driven by increased shipments to Europe. Nuclear fuel, canola, and sulphur also contributed significantly to the monthly increase in overall exports, with the latter aided by the disruptions in the Strait of Hormuz. Oil exports dropped slightly from April but remained high—also reflecting impacts from global supply disruptions. Imports dropped 0.2%, given a large monthly decline in gold imports, which offset increases in most other categories. Imports of industrial machinery and equipment rose 2.8% and are up 6.8% y/y, which is a positive signal for business investment. Export volumes (which adjust for prices) were roughly flat and imports rose 0.4% on the month (chart 2). April exports were also revised slightly higher. Overall, the trade data have improved after a weak start to the year, and point to a rebound in Q2.
- Strength in gold and energy exports are masking declines in some sectors.** Exports are lower in most goods categories targeted by the U.S. sectoral tariffs (chart 3) including: steel (-49% vs May 2024), forestry (-12%), and motor vehicles and parts (-7%). However, exports of aluminum, after initially falling roughly 50% last year, have now more than recovered—thanks to a normalization of U.S. demand (aided by a fire at a NY plant) combined with an increase in exports to overseas markets.
- 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 70% in May 2026. This has been driven by a decline in most exports to the U.S. and increasing exports to other regions—especially Europe (chart 4). In May, exports to the U.S. rose 1.5% m/m and were up 9.3% compared to 2024, following three straight months of growth driven by higher oil prices. Exports to other countries dropped 0.3% m/m, but were up 49.5% from 2024—though much of this increase has been driven by gold. On the import side (chart 5), the share of Canadian imports from the U.S. has gradually fallen to 58% in May from an average of 62% in 2024.
- Canada continues to benefit from a (relatively) low effective tariff rate on total exports.** 3.0% 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. The reported average actual duties paid on U.S. goods imports from Canada was slightly above 3% for the sixth month in a row, down from close to 4% last Fall (chart 6). The proportion of Canadian goods imported into the U.S. facing tariffs held at 19% for a second consecutive month (chart 7).
- The U.S. trade deficit rose (chart 8).** In May, U.S. exports fell 3.2% and imports increased 3.3%, resulting in an increase of the U.S. trade deficit to US\$78 bn, slightly higher than its 2024 level.
- 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. core PCE at around 0.7% (chart 9)—clouding the outlook for U.S. interest rate cuts, especially given the increase in oil prices since the start of the year.
- Tariffs and uncertainty (chart 10) continue to be elevated and dynamic.** An agreement to extend CUSMA past 2036 was not achieved by the July 1st deadline, but the status quo continues until a deal is reached. After a slow start, discussions on CUSMA are expected to ramp up over the Summer, though the timing of a potential agreement remains unclear. Renewed trade volatility can't be ruled out, especially given the scheduled expiry of the U.S.'s global 10% tariff (Section 122) on July 24th.

Chart 1

Canadian International Merchandise Trade



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

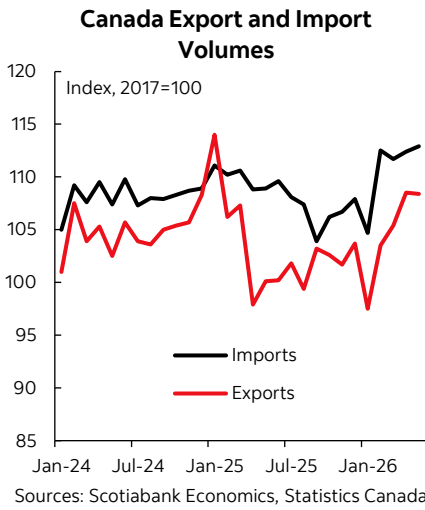


Chart 3

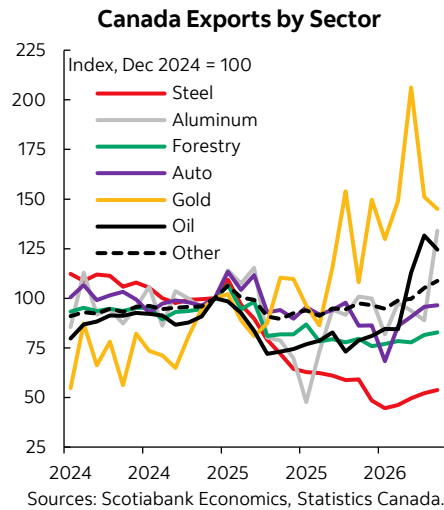


Chart 4

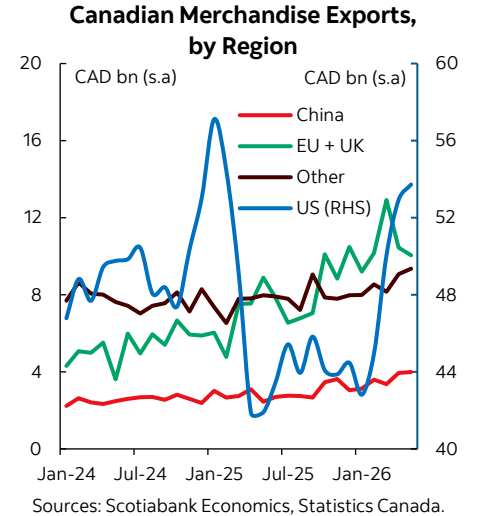


Chart 5

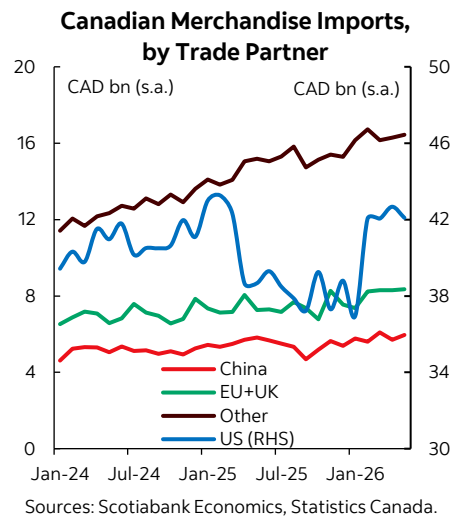


Chart 6

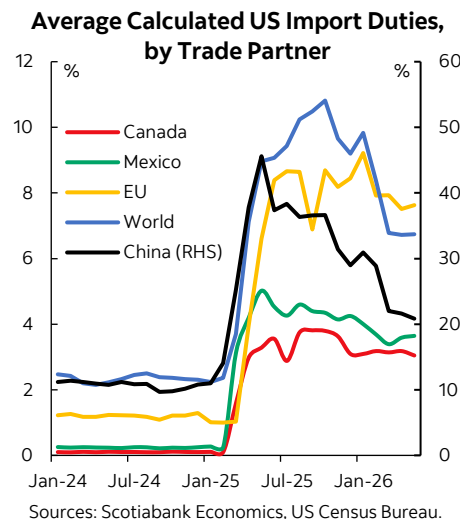


Chart 7

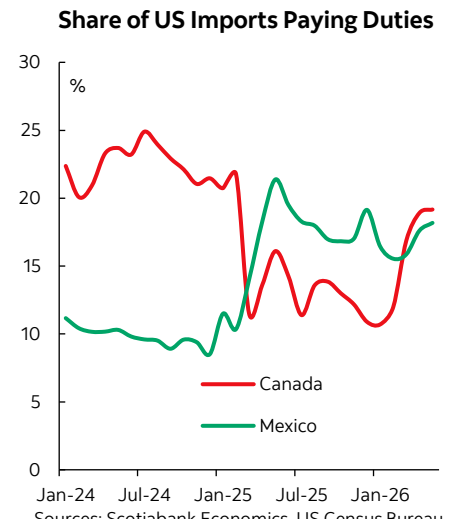


Chart 8

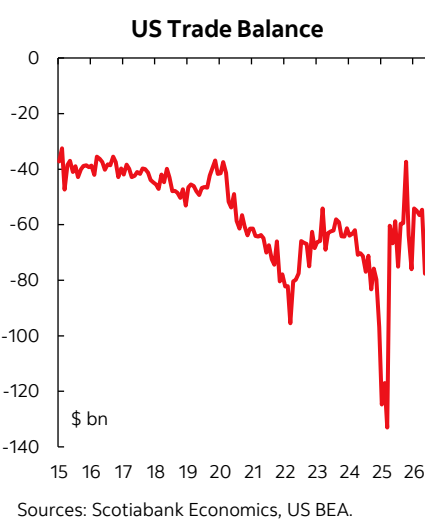


Chart 9

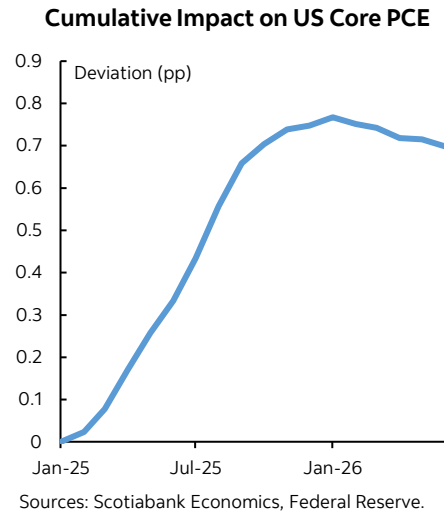


Chart 10

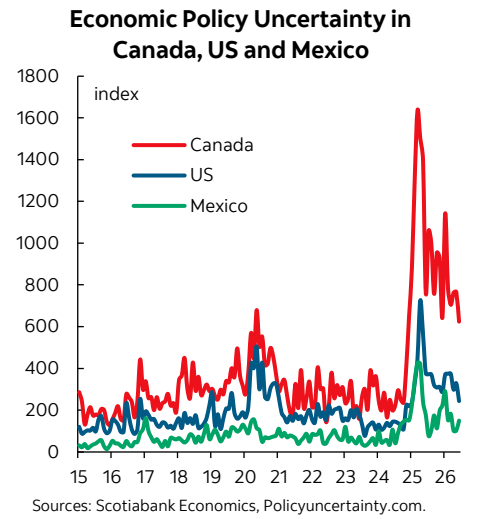


Table 1: Canada, U.S. Mexico - Goods Exports and Imports (s.a.)

Country and Flow	m/m%	y/y%	vs May 2024%
Canada Total Exports	0.9	26.0	21.5
Canada Total Imports	-0.2	8.8	12.2
U.S. Goods Exports	-3.2	12.6	19.2
U.S. Goods Imports	3.3	13.3	17.4
Mexico Total Exports	-0.5	30.0	33.9
Mexico Total Imports	3.0	28.8	31.5

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%	vs May 2024%
US	1.5	28.2	8.0
China	1.0	63.2	60.2
Mexico	19.5	46.1	32.7
EU	25.5	25.1	96.6
UK	-19.0	4.9	318.9
Rest of the World	1.3	14.4	21.3

Sources: Scotiabank Economics, Statistics Canada.

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

Sector	m/m%	y/y%	vs May 2024%
Steel	3.2	-25.1	-49.1
Aluminum	50.7	70.4	53.7
Forestry	1.5	1.2	-11.6
Autos	0.9	2.6	-6.5
Gold	-4.1	31.4	157.9
Oil	-5.4	70.2	36.6

Sources: Scotiabank Economics, Statistics Canada.

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

Country	m/m%	y/y%	vs May 2024%
Canada	4.1	24.7	7.5
China	9.8	19.9	-31.5
EU	6.0	-10.7	2.0
Mexico	7.8	21.0	28.9
Rest of the World	1.2	22.1	40.5

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 ex. CA & MX	Steel, Aluminum, Copper, & Derivatives	50%/25%/15%	June 1st, 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%/15% if signed a trade deal	April 2nd, 2026
Canada	USA	Steel and aluminum	25%	March 13th, 2025
Canada	USA	Non-CUSMA 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	3
Share of Exports Currently Impacted by Post-2024 Tariffs	14.5

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%/25%/15% 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	
100% tariffs on pharmaceuticals	
Effective Tariff Rate	%
Change in ETR on Exports to World	6.9
Share of Exports Currently Impacted by Post-2024 Tariffs	28.7
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	11.5
Share of Imports Currently Impacted by Tariffs	53.5
Sources: Scotiabank Economics, WITS.	

Table 9: United States - Duties Collected			
Country/Region	May 2026 (\$ bn)	m/m%	y/y%
Canada	1.1	-1	12
China	4.9	15	-47
EU	3.8	2	1
Mexico	2.0	9	-15
Rest of World	9.3	0	11
Sources: Scotiabank Economics, US Census Bureau.			

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