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GLOBAL ECONOMICS

INSIGHTS & VIEWS

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Duty Calls: Canada & US Trade Report, June 2026

- **Exports rose to a new record with a fifth consecutive increase (chart 1).** The value of Canadian exports rose by 0.4% in June with increases in six of 11 exports categories. Gold exports were responsible for the vast majority of the overall increase with a 28% m/m jump. The increases more than offset a 10% m/m drop in exports of energy products, which were impacted by lower prices in June. Total imports edged up 0.2%, led by a strong increase in processing units for data centres. Imports of industrial machinery and equipment (a key indicator for capital investment) fell 3.3% m/m but remained elevated for a fourth consecutive month. Export volumes (which adjust for prices) rose 1.1% and imports fell 1.4% on the month (chart 2). Overall, this report confirms that trade will contribute strongly to growth in Q2, which could come in above our July forecast of 2.8% SAAR.

- **Strength in gold and energy exports continues to mask declines in some sectors.** Exports are lower in most goods categories targeted by the U.S. sectoral tariffs (chart 3) including: steel (-43% vs Dec 2024), aluminum (-5%), and forestry (-15%). However, exports of automotive vehicles and parts, after initially falling roughly 10% last year, have gradually recovered and are back to 2024 levels.

- **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 June 2026. This has been driven by faster growth in exports to non-U.S. markets—especially Europe (chart 4). In June, exports to the U.S. rose 0.3% m/m and were up 24% y/y (aided by the increase in oil prices since last year). Exports to other countries increased 0.7% m/m, and were up 50.9% 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 60% in June from an average of 62% in 2024.

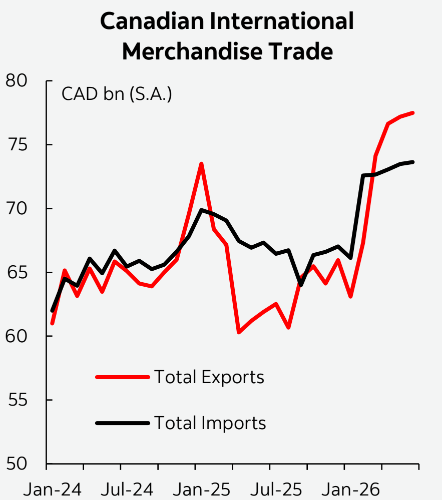
- **Canada continues to benefit from a (relatively) low effective tariff rate (ETR) on total exports, though this advantage could shrink.** 3.0% is our estimate (based on pre-tariff trade flows) of the increase in tariffs put in place since end-2024, thanks to most of our trade with the U.S. continuing on a tariff-free basis under CUSMA. However, this is set to rise to 4.6% later this month if the new U.S. tariffs in response to alleged discrimination by Canada on automobiles, alcohol, and dairy come into effect as currently planned. The reported average actual duties paid on U.S. goods imports from Canada dropped to 2.8%—down from close to 4% last Fall (chart 6). The proportion of Canadian goods imported into the U.S. facing tariffs rose to 23.6% (chart 7).

- **The U.S. trade deficit fell (chart 8).** In June, U.S. exports fell 0.9% and imports dropped 1.8%, resulting in a small decline of the U.S. trade deficit to US$73 bn, in line with 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 further 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. As expected, the U.S. has escalated its trade war with Canada as CUSMA discussions begin to ramp up. Our baseline remains that Canada will emerge from the CUSMA negotiations with a competitive ETR and tariff-free access to the U.S. economy from the vast majority of our exports—but also that the path to this outcome will be volatile and marred by sensational negotiating tactics.

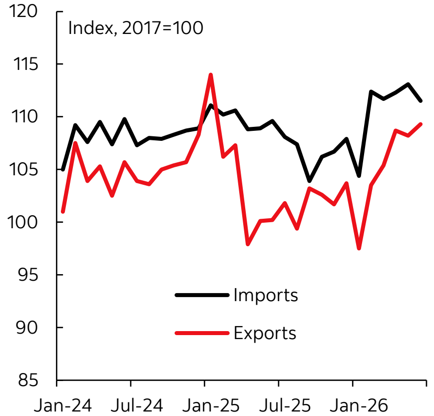
Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

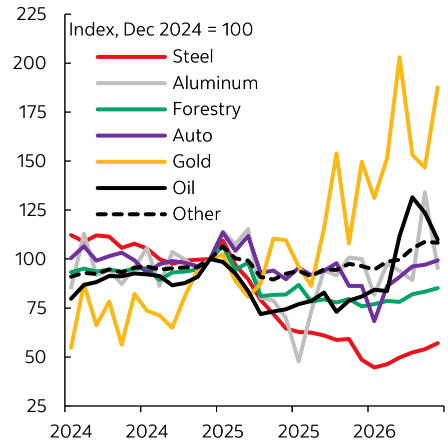
Canada Export and Import Volumes



Sources: Scotiabank Economics, Statistics Canada.

Chart 3

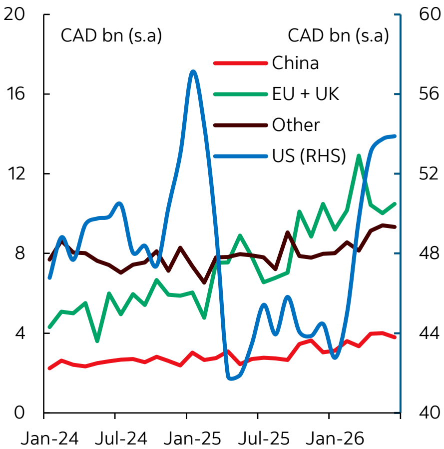
Canada Exports by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

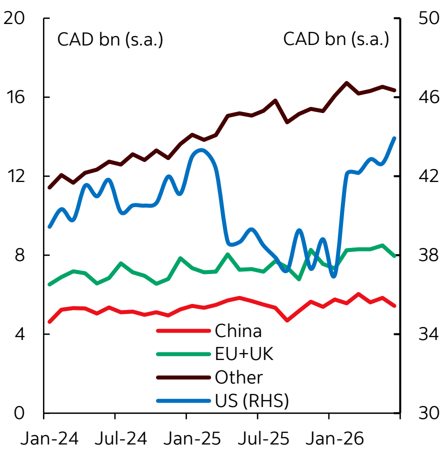
Canadian Goods Exports, by Region



Sources: Scotiabank Economics, Statistics Canada.

Chart 5

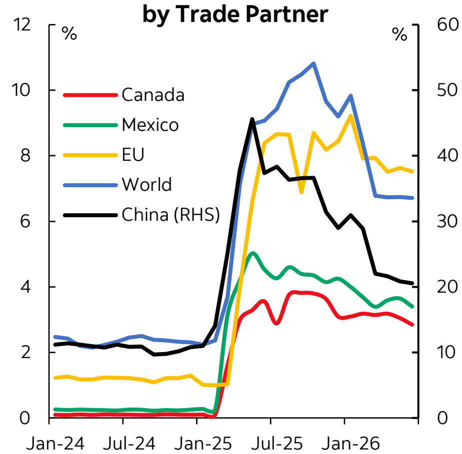
Canadian Good Imports, by Partner



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

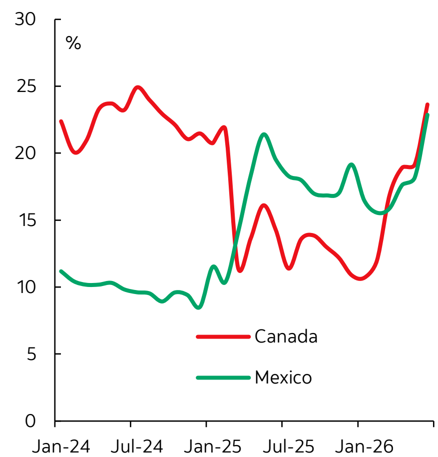
Average Calculated US Import Duties, by Trade Partner



Sources: Scotiabank Economics, US Census Bureau.

Chart 7

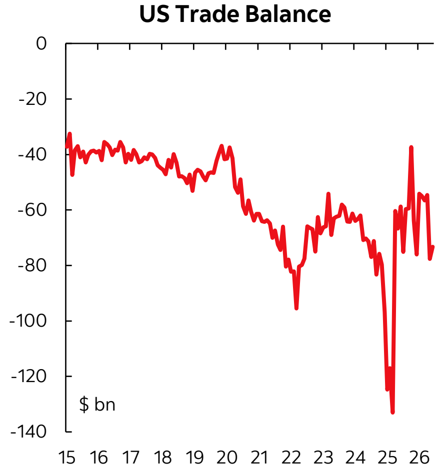
Share of US Imports Paying Duties



Sources: Scotiabank Economics, US Census Bureau.

Chart 8

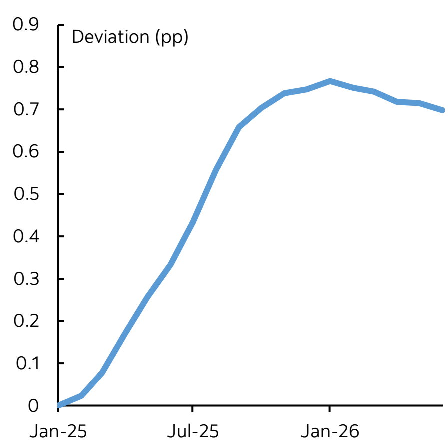
US Trade Balance



Sources: Scotiabank Economics, US BEA.

Chart 9

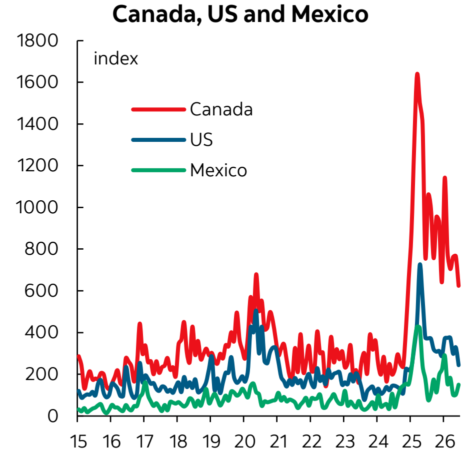
Cumulative Impact on US Core PCE



Sources: Scotiabank Economics, Federal Reserve.

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%	vs June 2024%
Canada Total Exports	0.4	25.2	17.7
Canada Total Imports	0.2	9.4	10.4
U.S. Goods Exports	-0.9	12.0	16.9
U.S. Goods Imports	-1.8	14.2	13.9
Mexico Total Exports	1.3	30.0	40.2
Mexico Total Imports	-2.8	22.9	24.5

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 June 2024%
US	0.3	24.0	8.1
China	-5.1	40.9	46.6
Mexico	-10.1	31.6	43.7
EU	-25.9	-8.1	11.1
UK	28.8	68.5	137.1
Rest of the World	0.2	16.4	23.7

Sources: Scotiabank Economics, Statistics Canada.

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

Sector	m/m%	y/y%	vs June 2024%
Steel	5.6	-11.6	-47.2
Aluminum	-28.8	36.9	-0.1
Forestry	2.2	4.1	-10.5
Autos	2.4	10.7	0.0
Gold	27.9	71.2	128.3
Oil	-11.1	47.9	18.7

Sources: Scotiabank Economics, Statistics Canada.

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

Country	m/m%	y/y%	vs June 2024%
Canada	-1.5	23.0	3.8
China	4.5	32.6	-29.3
EU	-4.7	5.0	-3.5
Mexico	-0.8	19.9	25.5
Rest of the World	-3.6	16.2	34.0

Sources: Scotiabank Economics, US Census Bureau.

Table 5: Tariffs in Place or Scheduled

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	Canada	Alcohol, Dairy, and various other goods	50%	July 20th, 2026 (effective August 19th, 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. goods subject to sector specific tariffs, trade deals, or other exemptions	12.5%/10%	July 23rd, 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	
50% tariffs on alcohol, dairy, and various other goods to US	
Effective Tariff Rate	**%**
Change in ETR on Exports to World	4.6
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	
12.5%/10% baseline on imports from world	
30% on majority of imports from China	
25% tariffs on imports of semiconductors	
100% tariffs on pharmaceuticals	
50% tariffs on imports of alcohol, dairy, and various other goods from CA	
Effective Tariff Rate	**%**
Current ETR on Imports from World	11.5
Share of Imports Currently Impacted by Tariffs	33.2
Sources: Scotiabank Economics, WITS.	

Table 9: United States - Duties Collected

Country/Region	June 2026 ($ bn)	m/m%	y/y%
Canada	1.1	-4	1
China	5.2	5	-27
EU	3.7	-2	-4
Mexico	1.9	-5	-8
Rest of World	9.5	2	-6

Sources: Scotiabank Economics, US Census Bureau.

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