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GLOBAL ECONOMICS

INSIGHTS & VIEWS

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Duty Calls: Canada & US Trade Report, September 2026

- **Exports rise in seventh consecutive monthly trade surplus (chart 1).** The value of Canadian exports edged up 0.2% as increases in crude oil and gold more than offset declines in most other categories. Total imports fell 0.3%, led by the second consecutive roughly 9% decrease in motor vehicles and parts (which were impacted by production stoppages in the U.S.). Imports of industrial machinery and equipment (a key indicator for capital investment) fell slightly m/m but remained up 14% y/y. Export volumes (which adjust for prices) fell 3.9% and imports dropped 2.5% (chart 2). Overall, this report helps confirm our expectation that trade will contribute positively to economic growth in Q3.

- **Volatility in gold and energy exports continues to mask clear declines in some sectors.** Exports are lower in most goods categories targeted by the U.S. sectoral tariffs (chart 3) including: steel (-42% vs Dec 2024), forestry (-22%), and autos (-7%)—though aluminum has recovered.

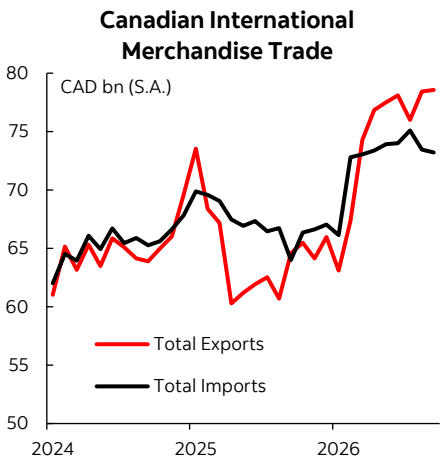
- **The share of Canadian exports bound for the U.S. is volatile but trending lower**, averaging 76% in 2024 and 72% in 2025, and coming in at 70% in September 2026. This has been driven by faster growth in exports to non-U.S. markets (chart 4). In September, exports to the U.S. rose 0.7% m/m and were up 12% since 2024 (aided by the increase in oil prices since last year). Exports to other countries fell 1.1% m/m, but are up 50% 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 59% in September 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 has narrowed.** We estimate Canada's ETR at 4.5%, up from around 3% before the latest round of new tariffs. The reported average actual duties paid on U.S. goods imports from Canada (which reflects substitution effects) had been trending lower but has risen for the past two months due to the newest U.S. tariffs—reaching 4.2% in September (chart 6). The proportion of Canadian goods imported into the U.S. facing tariffs rose slightly to 26% (chart 7).

- **The U.S. trade deficit remains high (chart 8).** In September, the U.S. trade deficit narrowed slightly as exports rose 1.9% and imports increased 1.2%, but remained elevated at more than US$100 bn—substantially larger than its average 2024 level. Imports reached a record high in the month, driven by rising imports of industrial machinery and equipment (including for data centres) on top of steady imports in most other categories.

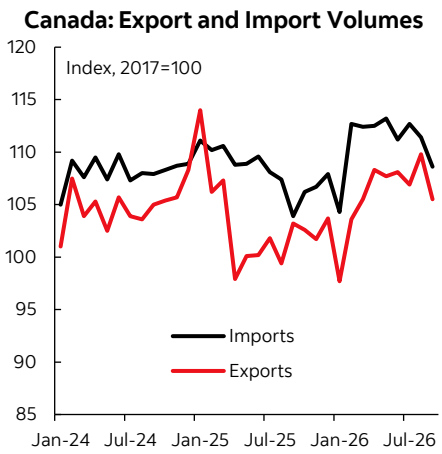
- **Tariffs and uncertainty (chart 9) continue to be elevated and dynamic.** Canada continues to benefit from tariff-free access to the U.S. on the vast majority of our trade, but the trade war has heated up following the latest breakdown in negotiations. Our baseline remains that Canada will emerge from the CUSMA negotiations with a competitive ETR and tariff-free access to the U.S. economy for the vast majority of our exports—but also that the path to this outcome will be volatile. There was some tit-for-tat tariff escalation in the late summer and early fall, though this fortunately seems to have settled down. However, additional U.S. tariffs on autos have been threatened for January. That said, given that a deal was so close in August, there remains the potential for a deal in the coming months; indeed, reports indicate that negotiators are back at the table now. It is unclear how the Democratic wins in the mid-term elections will impact the trajectory of Canada-U.S. trade, but there is the possibility of an acceleration of progress during the upcoming 'lame duck' session of Congress.

Chart 1



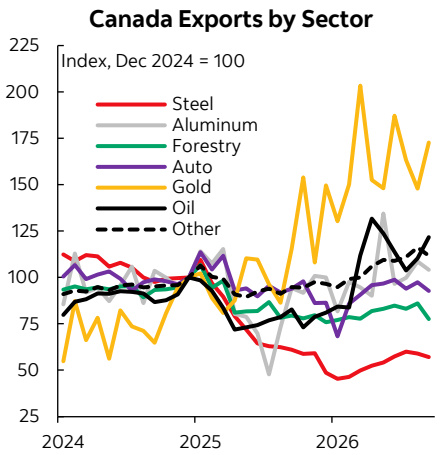
Sources: Scotiabank Economics, Statistics Canada.

Chart 2



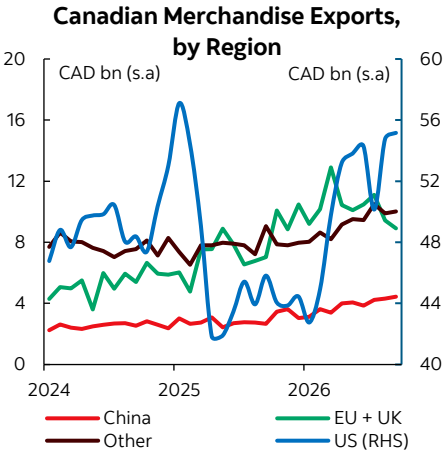
Sources: Scotiabank Economics, Statistics

Chart 3



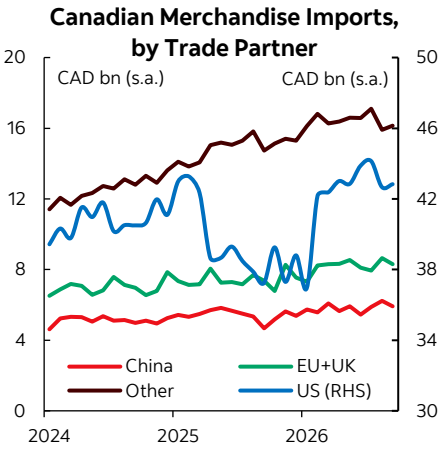
Sources: Scotiabank Economics, Statistics Canada.

Chart 4



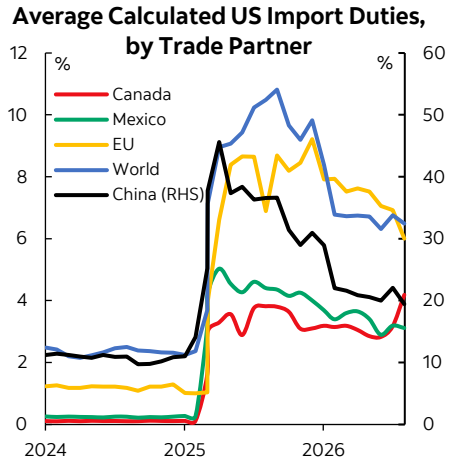
Sources: Scotiabank Economics, Statistics Canada.

Chart 5



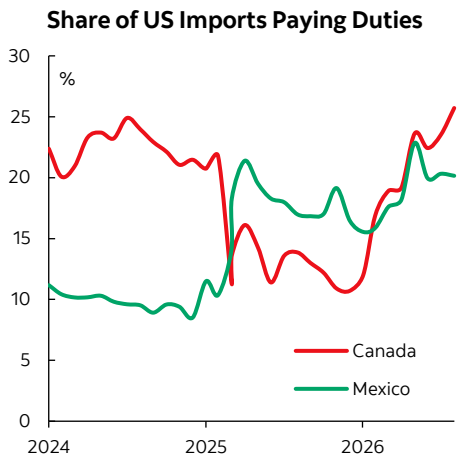
Sources: Scotiabank Economics, Statistics Canada.

Chart 6



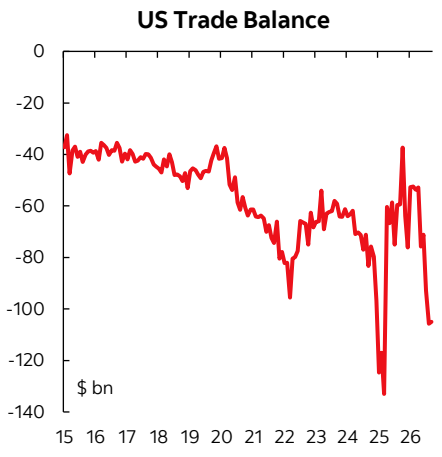
Sources: Scotiabank Economics, US Census Bureau.

Chart 7



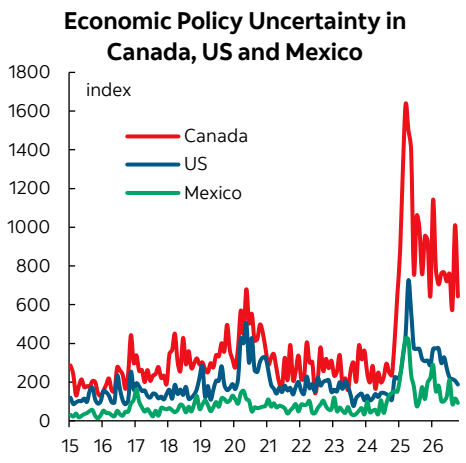
Sources: Scotiabank Economics, US Census Bureau.

Chart 8



Sources: Scotiabank Economics, US BEA.

Chart 9



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 Sep 2024%**
Canada Total Exports	0.2	21.7	22.9
Canada Total Imports	-0.3	14.4	12.2
U.S. Goods Exports	1.9	10.0	17.6
U.S. Goods Imports	1.2	21.3	19.6
Mexico Total Exports	-2.4	36.6	50.4
Mexico Total Imports	1.0	32.8	47.4

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 Sep 2024%**
US	0.7	20.4	14.0
China	3.0	67.3	75.1
Mexico	0.4	13.7	38.9
EU	6.4	3.9	31.6
UK	-13.3	52.9	105.8
Rest of the World	1.5	10.5	32.1

Sources: Scotiabank Economics, Statistics Canada.

Table 3: Canada - Exports by Select Sectors (s.a.)			
Sector	**m/m%**	**y/y%**	**vs Sep 2024%**
Steel	-3.2	-6.5	-41.6
Aluminum	-4.1	10.5	0.6
Forestry	-9.8	-2.2	-16.7
Autos	-4.9	-1.4	-6.4
Gold	16.8	49.6	166.2
Oil	10.2	46.9	40.4

Sources: Scotiabank Economics, Statistics Canada.

Table 4: U.S. - Merchandise Imports by Region (s.a.)			
Country	**m/m%**	**y/y%**	**vs Sep 2024%**
Canada	-8.0	9.8	-2.2
China	9.5	39.1	-27.5
EU	5.1	-7.6	-2.2
Mexico	3.6	40.2	37.7
Rest of the World	2.3	44.6	50.8

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 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%	August 19th, 2026
USA	Canada	Modification and certain exclusions to alcohol, dairy, and various other goods (September 8, 2026). Further modifications on October 23, 2026.	50%	October 23rd, 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
Canada	USA	Steel, dairy, agricultural equipment, pulp and paper, electronics, and various other goods	50%/25%/15%	September 8th, 2026
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	4.5
Share of Exports Currently Impacted by Post-2024 Tariffs	14.3

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	6.8
Share of Exports Currently Impacted by Post-2024 Tariffs	28.6
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	
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	33.9
Sources: Scotiabank Economics, WITS.	

Table 9: United States - Duties Collected			
Country/Region	**Sep 2026 ($ bn)**	**m/m%**	**y/y%**
Canada	1.5	29	21
China	6.1	2	-29
EU	3.1	-9	-20
Mexico	1.9	0	-1
Rest of World	10.3	1	-23
Sources: Scotiabank Economics, US Census Bureau.			

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