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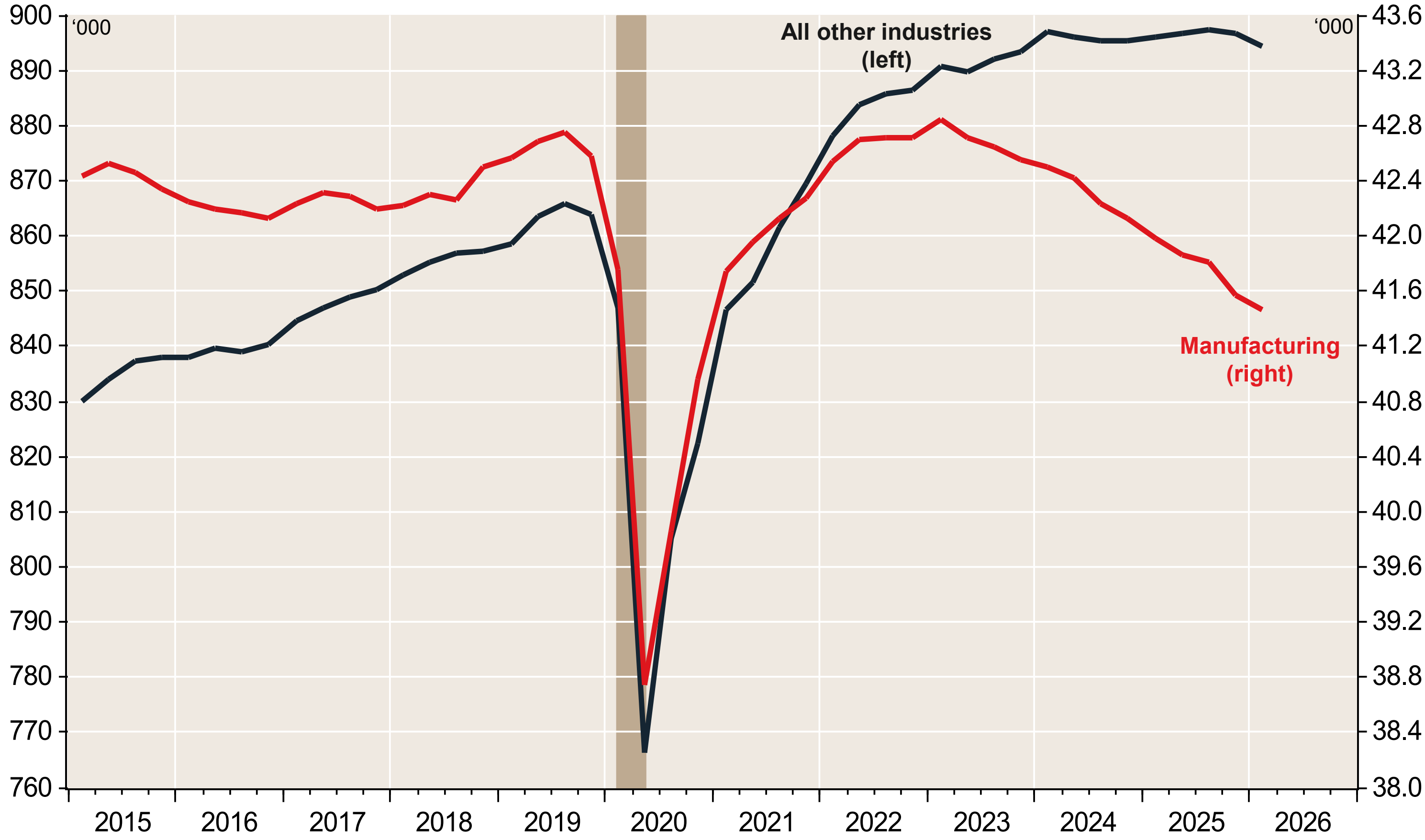
## Canada Watch

By Stefane Marion

Statistics Canada's firm count data, published today, offers a useful rebuttal to the argument that Canada has remained broadly resilient because the effective U.S. tariff rate on its exports is relatively low. That claim may hold at the aggregate level, but it says little about the sectors most exposed to trade friction — and manufacturing is the clearest case in point. Today's Hot Chart shows the number of active manufacturing firms continuing its steady decline, falling in Q1 to its lowest level in at least a decade outside the COVID collapse, even as firm counts across all other industries remain much closer to cycle highs. That divergence matters: it exposes the gap between headline resilience and industrial resilience. Canada may still be generating growth elsewhere in the economy, but its trade-exposed production base is telling a more fragile story. That's a troubling backdrop heading into the CUSMA review, which begins July 1 and is widely expected to extend well beyond that date.

### Canada: Manufacturing firms continue to retreat

Total number of firms—manufacturing versus all other industries (quarterly average)

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*NBC.EconomicsStrategy@nbc.ca*

**To contact us:**
514-879-2529

**Stéfane Marion**
Chief Economist and Strategist
*stefane.marion@nbc.ca*

**Matthieu Arseneau**
Deputy Chief Economist
*matthieu.arseneau@nbc.ca*

**Jocelyn Paquet**
Senior Economist
*jocelyn.paquet@nbc.ca*

**Kyle Dahms**
Senior Economist
*kyle.dahms@nbc.ca*

**Alexandra Ducharme**
Senior Economist
*alexandra.ducharme@nbc.ca*

**Daren King, CFA**
Senior Economist
*daren.king@nbc.ca*

**Warren Lovely**
Chief Rates and Public Sector Strategist
*warren.lovely@nbc.ca*

**Taylor Schleich**
Rates Strategist
*taylor.Schleich@nbc.ca*

**Ethan Currie**
Strategist
*ethan.currie@nbc.ca*

**Angelo Katsoras**
Geopolitical Analyst
*angelo.katsoras@nbc.ca*

**Nathalie Girard**
Senior Coordinator
*n.girard@nbc.ca*

**Giuseppe Saltarelli**
Desktop Publisher
*giuseppe.saltarelli@nbc.ca*

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