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Canada Watch

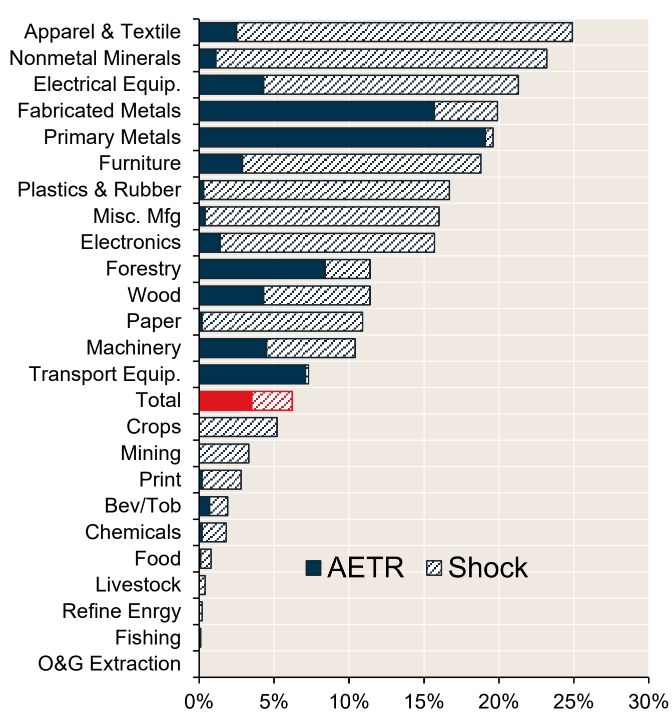
By Ethan Currie and Matthieu Arseneau

Washington's latest tariff threats would raise the average tariff rate on Canadian exports, but even if the proposed measures were implemented, Canada would still face a slightly lower effective levy rate than the average U.S. trading partner. That aggregate comparison, however, masks important asymmetries. A moderate increase in tariffs spread across all exports is not economically equivalent to a prohibitive tariff applied to a limited set of products. Since a large portion of Canada's natural resource exports would remain exempt, the national average provides only a limited indication of where the adjustment would occur. As today's *Hot Chart* shows, the proposed measures would concentrate the tariff shock on a group of manufacturing industries. Apparel and textiles, nonmetallic minerals, and electrical equipment would face effective tariff rates exceeding those currently borne by primary metals and fabricated metal products, two sectors already struggling under existing trade restrictions. The regional impact would also vary significantly, with Central Canada, British Columbia and Nova Scotia among the provinces facing the largest increases in effective tariff rates, reflecting differences in export specialization and industrial composition. While the macroeconomic impact may therefore appear manageable, concentrated trade barriers can have disproportionately large consequences for the industries and regions most directly exposed, weighing on exports, investment and market share even as Canada's average tariff burden remains comparatively low.

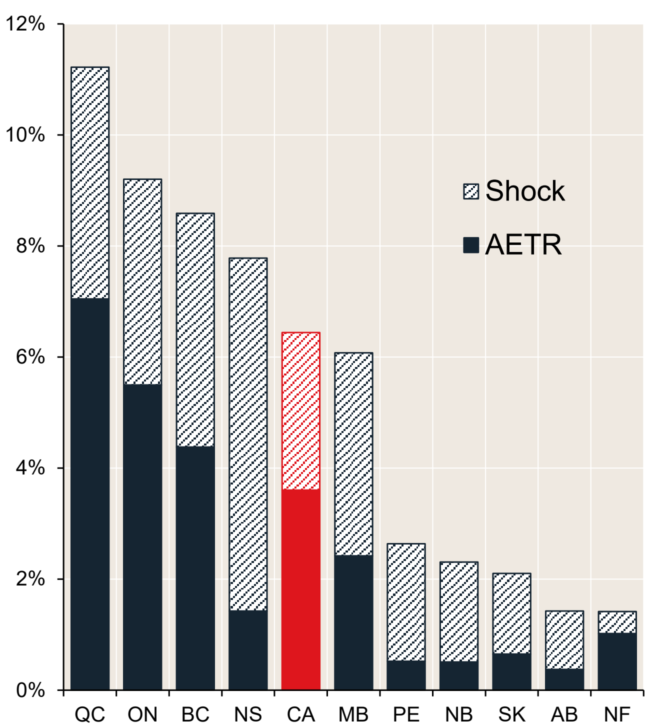
The one-month implementation delay suggests Washington's latest tariff threats may ultimately prove to be part of a broader negotiating strategy, but their potential impact on the most exposed sectors should not be underestimated. A fresh injection of trade-related uncertainty might weigh on (what was) recovering business and export sentiment in Canada. While these trade restrictions, threatened and / or implemented, are unlikely to jeopardize Canada’s return to growth, they are likely to reaffirm the Bank of Canada's patient policy stance this year.

Canada: The average tariff rate hides the real pain

Average effective tariff rate, before and after tariffs potentially imposed on August 19th, by sector



Average effective tariff rate, before and after tariffs potentially imposed on August 19th, by province



NBC calculations based on U.S Census and Canada Trade Data Online, with latest AETR figures using May-2026 customs collections

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