

Duty Calls: Canada & US Trade Report, July 2026

Scotiabank Economics · 2026-09-03 · English original

- Exports dip after five consecutive monthly increases (chart 1). The value of Canadian exports fell by 2.3% in July, with declines in seven of the 11 exports categories. However, the volatile gold and oil categories drove the monthly decline, in part reflecting softer prices in July—which have since rebounded. Other categories in aggregate increased 0.6% on the month. Total imports rose 2.2%, led by an 11% increase in motor vehicles and parts. Imports of industrial machinery and equipment (a key indicator for capital investment) continued its trend higher with a 2.2% monthly increase. Export volumes (which adjust for prices) fell 1.5% and imports rose 2.2% (chart 2). After a very strong contribution to growth in Q2, this report suggests weaker momentum into Q3—with further headwinds ahead given new U.S. tariffs in August.
- Volatility 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 (-40% vs Dec 2024), aluminum (-1%), forestry (-17%), and autos (-6%).
- 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 66% in July 2026. This has been driven by faster growth in exports to non-U.S. markets—especially Europe (chart 4). In July, exports to the U.S. fell 6.6% m/m but were up 11% y/y (aided by the increase in oil prices since last year). Exports to other countries increased 7.7% m/m, and were up 64% 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 July 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 that Canada's ETR increased from around 3% to 4.3% with the imposition of new U.S. tariffs late last month. This could increase further if Canada's retaliatory tariffs kick in next week, and the U.S. follows through on threats to retaliate back. The reported average actual duties paid on U.S. goods imports from Canada held at 2.8%—down from close to 4% last Fall (chart 6). The proportion of Canadian goods imported into the U.S. facing tariffs ticked down to 22% (chart 7).
- The U.S. trade deficit increased (chart 8). In July, U.S. exports fell 2.1% and imports rose 2.8%, resulting in an increase of the U.S. trade deficit to US\$89 bn—slightly larger than its average 2024 level. The increase in imports was led by computers and computer accessories, reflecting the ongoing U.S. investment in AI and data centres.
- 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. 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 from the vast majority of our exports—but also that the path to this outcome will be volatile. There could be further tit-for-tat tariff escalations in the coming months. However, given that a deal was so close last month, and the U.S. has delayed the implementation of its latest announced tariff increase on Canada until next year, there remains the potential for a deal in the coming months.

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