Duty Calls: Canada & US Trade Report, July 2026 (PDF)

Scotiabank Economics · 2026-09-03 · English original

GLOBAL ECONOMICS Visit our website at scotiabank.com/economics | Follow us on Twitter at @ScotiaEconomics | Contact us by email at scotia.economics@scotiabank.com INSIGHTS & VIEWS September 3, 2026 Contributors Mitch Villeneuve Director, Economic Policy Scotiabank Economics 416.350.1175 mitch.villeneuve@scotiabank.com With research assistance from: Anthony Bambokian Senior Economic Analyst Scotiabank Economics 416.866.4211 anthony.bambokian@scotiabank.com Duty Calls: Canada & US Trade Report, July 2026 • 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. Char t 1 50 55 60 65 70 75 80 Jan-24 Jul-24 Jan-25 Jul-25 Jan-26 Jul-26 Total Exports Total Imports Sources: Scotiabank Economics, Statistics Canada. Canadian International Merchandise Trade CAD bn (S.A.)

2 Global Economics September 3, 2026 INSIGHTS & VIEWS Char t 2 Char t 3 Char t 4 Char t 5 Char t 6 Char t 7 Char t 8 Char t 9 Char t 10 0 0.1 0.2 0.3 0.4 0.5 0.6 0.7 0.8 0.9 Jan-25 Jul-25 Jan-26 Sources: Scotiabank Economics, Federal Reserve. Cumulative Impact on US Core PCE Deviation (pp) 85 90 95 100 105 110 115 120 Jan-24 Jul-24 Jan-25 Jul-25 Jan-26 Jul-26 Canada Export and Import Volumes Imports Exports Sources: Scotiabank Economics, Statistics Canada. Index, 2017=100 25 50 75 100 125 150 175 200 225 2024 2024 2025 2025 2026 2026 Canada Exports by Sector Steel Aluminum Forestry Auto Gold Oil Other Index, Dec 2024 = 100 Sources: Scotiabank Economics, Statistics Canada. 40 44 48 52 56 60 0 4 8 12 16 20 Jan-24 Jul-24 Jan-25 Jul-25 Jan-26 Jul-26 China EU + UK Other US (RHS) Canadian Merchandise Exports, by Region Sources: Scotiabank Economics, Statistics Canada. CAD bn (s.a) CAD bn (s.a) 30 34 38 42 46 50 0 4 8 12 16 20 Jan-24 Jul-24 Jan-25 Jul-25 Jan- 26 Jul-26 Thousands China EU+UK Other US (RHS) Canadian Merchandise Imports, by Trade Partner Sources: Scotiabank Economics, Statistics Canada. CAD bn (s.a.) CAD bn (s.a.) 0 10 20 30 40 50 60 0 2 4 6 8 10 12 Jan-24 Jul-24 Jan-25 Jul-25 Jan-26 Jul-26 Canada Mexico EU World China (RHS) Sources: Scotiabank Economics, US Census Bureau. % Average Calculated US Import Duties, by Trade Partner % 0 5 10 15 20 25 30 Jan-24 Jul-24 Jan-25 Jul-25 Jan-26 Jul-26 Canada Mexico Sources: Scotiabank Economics, US Census Bureau. % Share of US Imports Paying Duties -140 -120 -100 -80 -60 -40 -20 0 15 16 17 18 19 20 21 22 23 24 25 26 Thousands US Trade Balance $ bn Sources: Scotiabank Economics, US BEA. 0 200 400 600 800 1000 1200 1400 1600 1800 15 16 17 18 19 20 21 22 23 24 25 26 Canada US Mexico Economic Policy Uncertainty in Canada, US and Mexico Sources: Scotiabank Economics, Policyuncertainty.com. index

3 Global Economics September 3, 2026 INSIGHTS & VIEWS Country and Flow m/m% y/y% vs Jul 2024% Canada Total Exports -2.3 21.8 17.0 Canada Total Imports 2.2 13.4 15.2 U.S. Goods Exports -2.1 9.3 14.5 U.S. Goods Imports 2.8 11.2 14.6 Mexico Total Exports 9.7 43.2 47.1 Mexico Total Imports 15.2 43.7 45.6 Table 1: Canada, U.S. Mexico - Goods Exports and Imports (s.a.) Sources: Scotiabank Economics, US Census Bureau, Statistics Canada, Banco de México. Country m/m% y/y% vs Jul 2024% US -6.6 11.2 0.1 China 9.2 51.7 56.5 Mexico 6.6 40.5 17.7 EU 31.3 29.4 43.3 UK -6.7 109.0 247.4 Rest of the World 9.3 32.6 52.5 Table 2: Canada - Merchandise Exports by Region (s.a.) Sources: Scotiabank Economics, Statistics Canada. Sector m/m% y/y% vs Jul 2024% Steel 5.0 -4.4 -43.0 Aluminum 3.1 107.0 -6.7 Forestry -2.1 -4.3 -12.9 Autos -4.9 -1.7 1.2 Gold -13.1 70.0 122.6 Oil -5.6 39.1 16.1 Table 3: Canada - Exports by Select Sectors (s.a.) Sources: Scotiabank Economics, Statistics Canada. Table 4: U.S. - Merchandise Imports by Region (s.a.) Country m/m% y/y% vs Jul 2024% Canada -9.2 4.2 -6.9 China 0.8 4.3 -33.4 EU -4.2 1.7 -10.1 Mexico 13.2 34.2 45.1 Rest of the World 6.9 15.2 39.3 Sources: Scotiabank Economics, US Census Bureau.

4 Global Economics September 3, 2026 INSIGHTS & VIEWS Measures Contributing to Effective Tariff Rate Effective Tariff Rate % Change in ETR on Exports to World 4.3 Share of Exports Currently Impacted by Post-2024 Tariffs 14.4 Sources: Scotiabank Economics, WITS. 25% tariffs on semiconductor exports to US 100% tariffs on pharmaceuticals 50% tariffs on alcohol, dairy, and various other goods to US Table 6: Canada - Effective Tariff Rate (ETR) 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 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 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 5: Tariffs in Place

5 Global Economics September 3, 2026 INSIGHTS & VIEWS Measures Contributing to Effective Tariff Rate 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. 25% tariffs on semiconductor exports to US 100% tariffs on pharmaceuticals 10% tariffs on non-US content in buses and similar trucks Table 7: Mexico - Effective Tariff Rate (ETR) 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 10-25% on softwood lumber and wooden products exports to US Table 9: United States - Duties Collected Country/Region Jul 2026 ($ bn) m/m% y/y% Canada 0.9 -11 2 China 5.4 5 -47 EU 3.4 -9 -17 Mexico 1.8 -7 -9 Rest of World 9.5 0 -9 Sources: Scotiabank Economics, US Census Bureau. Measures Contributing to Effective Tariff Rate Effective Tariff Rate % Current ETR on Imports from World 11.4 Share of Imports Currently Impacted by Tariffs 33.8 Sources: Scotiabank Economics, WITS. 25% on passenger vehicles and trucks (only non-US content from CA, MX) 50%/25%/15% on steel/aluminum/copper and select derivatives to US 25% on passenger vehicle/auto parts from world (excl. CA & MX) 50% tariffs on imports of alcohol, dairy, and various other goods from CA 100% tariffs on pharmaceuticals 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 25% tariffs on imports of semiconductors 12.5%/10% baseline on imports from world Table 8: United States - Effective Tariff Rate (ETR) 10% on non-CUSMA compliant energy and potash from CA 10% on non-CUSMA compliant goods from MX 10-25% on softwood lumber and wooden products imports to US 10% on non-CUSMA compliant other goods from CA 30% on majority of imports from China

Source: https://www.scotiabank.com/content/dam/scotiabank/sub-brands/scotiabank-economics/english/documents/insights-views/monthlytrade20260903.pdf