

Canadian trade data show ongoing pain in those sectors that are hit by tariffs

4 September 2025

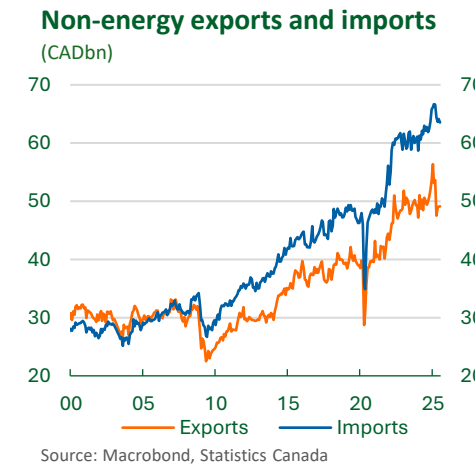
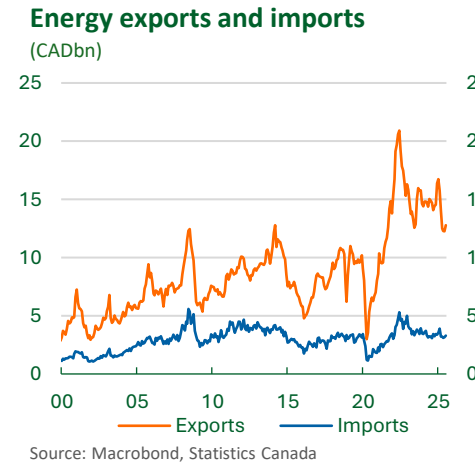
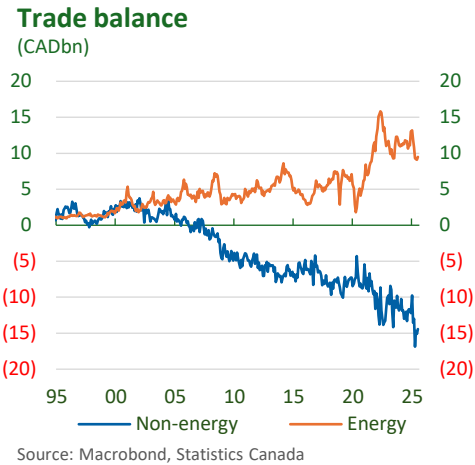
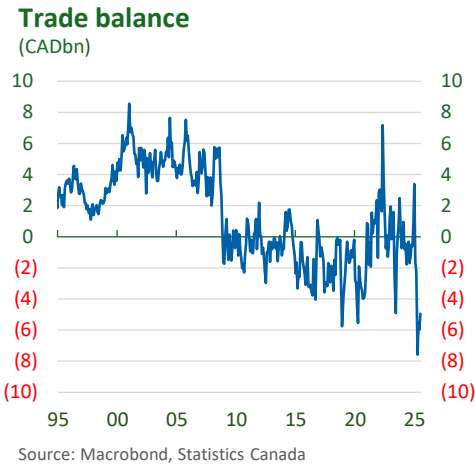
Canada’s trade deficit narrowed to CAD4.9bn in July compared to a deficit of CAD6.0bn in June. While the smallest trade deficit in four months, it remains a historically large trade deficit. The energy trade surplus widened to CAD9.5bn, while the non-energy trade deficit narrowed to CAD14.4bn. Two key features of Canada’s international trade are that 1) the persistent energy trade surplus; and 2) the persistent non-energy trade deficit. Under normal circumstance, the energy trade surplus will largely offset the non-energy trade deficit leaving the overall trade balance in a moderately-sized deficit. Long gone are the days when Canada ran persistent trade surpluses.

Looking at energy and non-energy trade. The energy trade surplus has narrowed as energy exports have declined from around CAD15bn/month, to CAD12.5bn/month. On the non-energy side, exports surged amid the US pre-tariff inventory build, reaching a peak in January 2025. They have since fallen back to post-pandemic normal levels. Curiously, Canada’s non-energy imports peaked in February 2025, and remain elevated relative to post-pandemic levels. Not dramatically, but enough to have an impact on trade balances.

As a result, the decline in total exports is largely

concentrated in the energy sector — which, incidentally, are not subject to US tariffs. This highlights two things. 1) the vast majority of Canadian exports to the US — those that are USMCA/CUSMA compliant — are not being hit with tariffs. We can take some solace from that. But, 2) this does not mean that the US tariffs are having no effect. In fact, for those exports that are subject to tariffs, such as the sectoral tariffs on steel and aluminum products, the effects have been severe.

Charts on page 2 show some of the recent developments in real exports. Note the sharp declines in real exports of steel and aluminum products. These are the developments that add some urgency to efforts to trade ease tensions with the US — a fanciful idea, I know, but still very important.

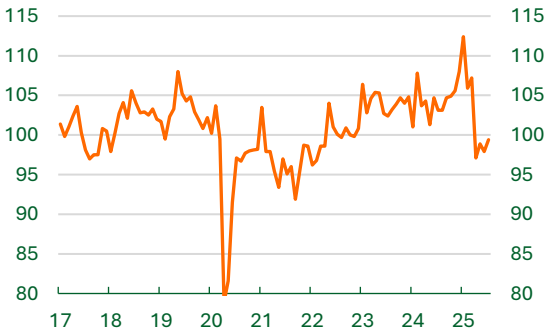


Exports of steel and aluminum products continue to get hammered

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Real exports

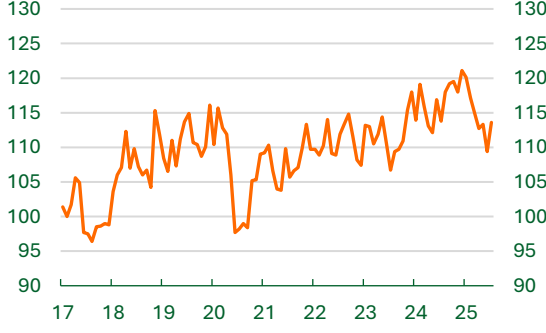
(2017 = 100)



Source: Macrobond, Statistics Canada

Real exports: Energy

(2017 = 100)

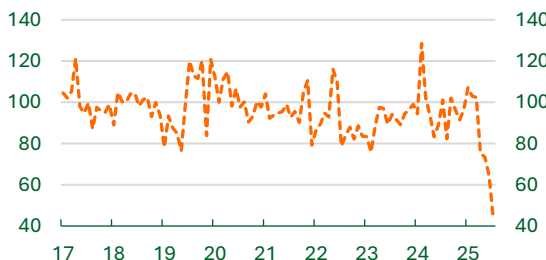


Source: Macrobond, Statistics Canada

Real exports: Metal and non-metallic mineral products

Unwrought aluminum and aluminum alloys

(2017 = 100)



Source: Macrobond, Statistics Canada

Real exports: Metal and non-metallic mineral products

Basic and semi-finished iron or steel products

(2017 = 100)

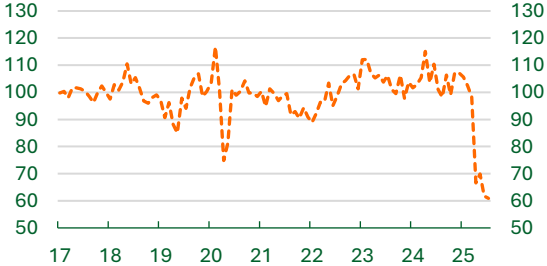


Source: Macrobond, Statistics Canada

Real exports: Forest products/building materials

Metal building and construction materials

(2017 = 100)



Source: Macrobond, Statistics Canada

Real exports: Metal and non-metallic mineral products

Basic and semi-finished aluminum & alloys

(2017 = 100)



Source: Macrobond, Statistics Canada

Real exports: Metal and non-metallic mineral products

Basic and semi-finished aluminum & alloys

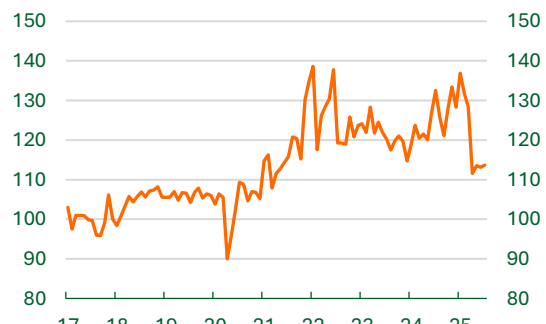
(2017 = 100)



Source: Macrobond, Statistics Canada

Real exports: Consumer goods

(2017 = 100)



Source: Macrobond, Statistics Canada

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