SN LLP
Chartered Professional Accountants

Potential impact on our economy due to 25% US tariff

The U.S. is Canada's largest trading partner, and higher tariffs would make Canadian goods less competitive in the U.S. market. Key industries like automotive, energy (oil and gas), agriculture (e.g., lumber, dairy), and metals (aluminum, steel) could see reduced demand.
Below are some highlights of some potential impact in our economy due to looming 25% US tariff:

• **Lower GDP Growth**: Declining exports would reduce overall economic output, as Canada's economy relies heavily on trade. Industries like manufacturing and resource extraction could face production cuts.

• **Job Losses**: Sectors most affected by the tariffs could lay off workers. This might increase unemployment rates in regions dependent on U.S.-bound exports, such as Ontario (automotive) and Alberta (oil and gas).

• **Weakened Canadian Dollar**: The Canadian dollar might depreciate as a result of reduced export earnings. While this could make Canadian goods cheaper internationally, it may not offset the damage from tariffs.

• **Counter-Tariffs**: Canada could impose retaliatory tariffs on U.S. goods, further escalating trade tensions. While this might protect Canadian producers in the short term, it could lead to higher prices for Canadian consumers and businesses reliant on U.S. imports.

• **Higher Prices**: If tariffs disrupt supply chains or lead to retaliatory tariffs, Canadian consumers could face higher prices on certain goods, including U.S. imports. This would contribute to inflationary pressures.

• **Shift in Investment**: Companies might relocate operations to avoid tariffs, leading to reduced investments in Canada. Foreign investors might also see Canada as a less favorable destination for trade-related industries.

INDUSTRIES MOSTLY IMPACTED

• **Automotive:** Canadian vehicles and parts face significant export exposure to the U.S. A 25% tariff could devastate Ontario’s auto sector.

• **Energy:** Oil and natural gas exports might face challenges, especially with pipelines already under scrutiny in the U.S.

• **Lumber and Agriculture**: Lumber, dairy, and other agricultural products are traditional points of trade disputes and would likely see immediate impacts

OPPORTUNTIES FOR CANADA

Every hardship brings opportunity. We think Canadian economy is resilient and ready to face any challenges

• **Increased Self-Reliance**: In the long term, Canada might focus on strengthening domestic production and trade diversification to reduce dependency on the U.S.

• **Trade Diversification Pressure**: Canadian exporters might look to diversify trade with other countries, such as in Europe (via CETA) or the Asia-Pacific (via CPTPP), but this would take time and resources

Value - added will help Canada's export

• Exporting processed goods (e.g., lumber turned into furniture) commands higher prices than raw commodities.

• Increases Canada’s GDP by shifting from resource-based exports to advanced manufacturing and technology-driven products.

• More value-added industries (e.g., agri-food, automotive, technology) mean more skilled jobs in manufacturing, R&D, and services.

• Countries with high value-added exports (e.g., Germany, Japan) dominate global trade with branded, high-quality products.

Examples of Canadian Value added exports

Agriculture → Wheat into flour, lentils into packaged soups.
Forestry → Logs into engineered wood or furniture.
Mining → Raw lithium into EV batteries.
Energy → Crude oil into refined petroleum or petrochemicals.
Technology → AI software, biotech solutions

Disclaimer
The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.