

Cross Border Event: Economic Update

October 30, 2025

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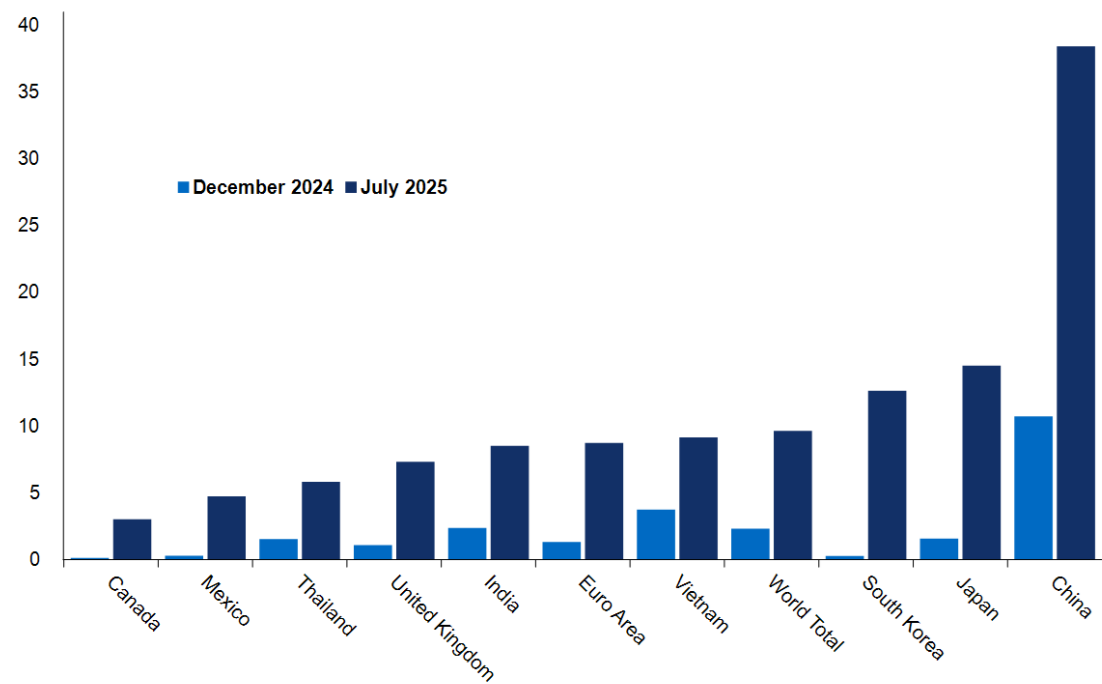
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U.S. tariffs imposed on trading partners

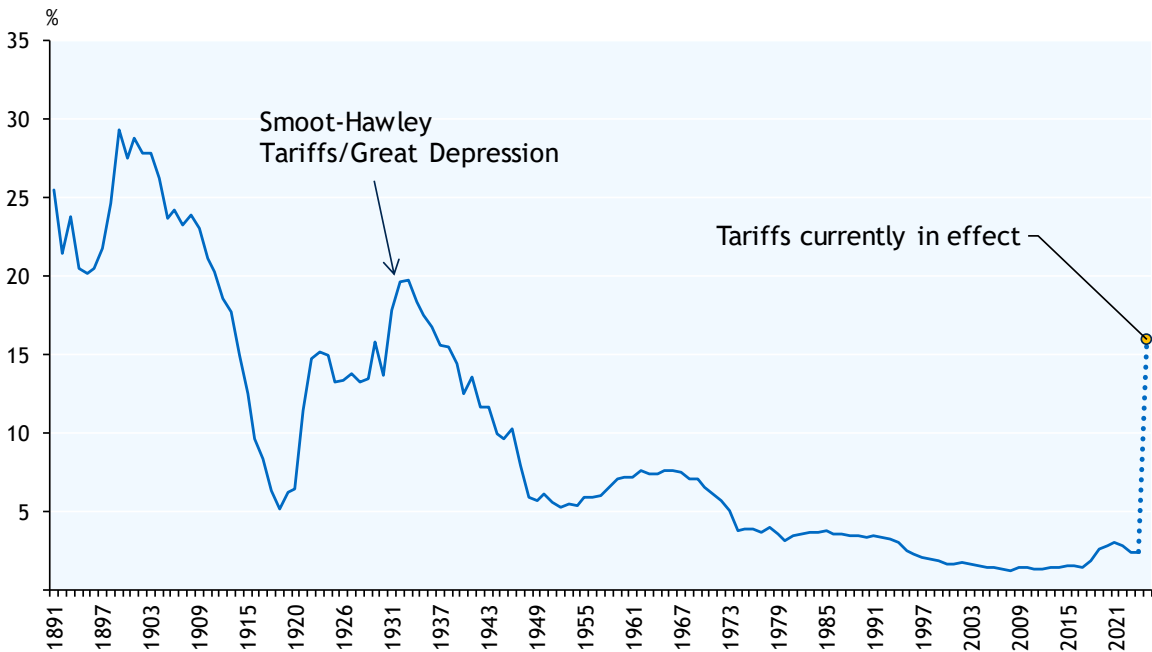
Canada ranked low on list of U.S. tariff hikes in July

Calculated duty, percent of U.S. imports



Source: U.S. Bureau, RBC Economics

Effective import duties: United States



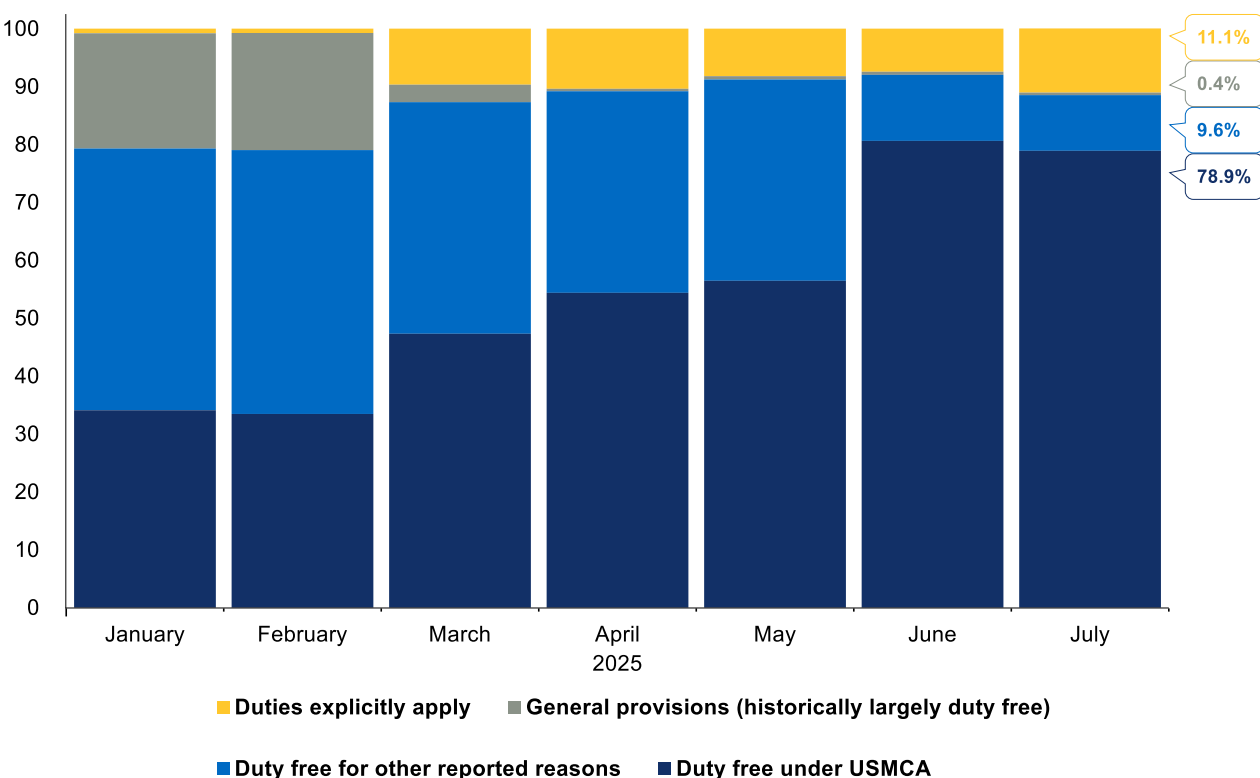
Source: US ITC, RBC Economics

The U.S. faces the highest average effective tariff rate on its imports since the 1930's

Most of Canada's exports continue to enter the U.S. duty-free

U.S. imports from Canada by tariff provision

% of total imports from Canada

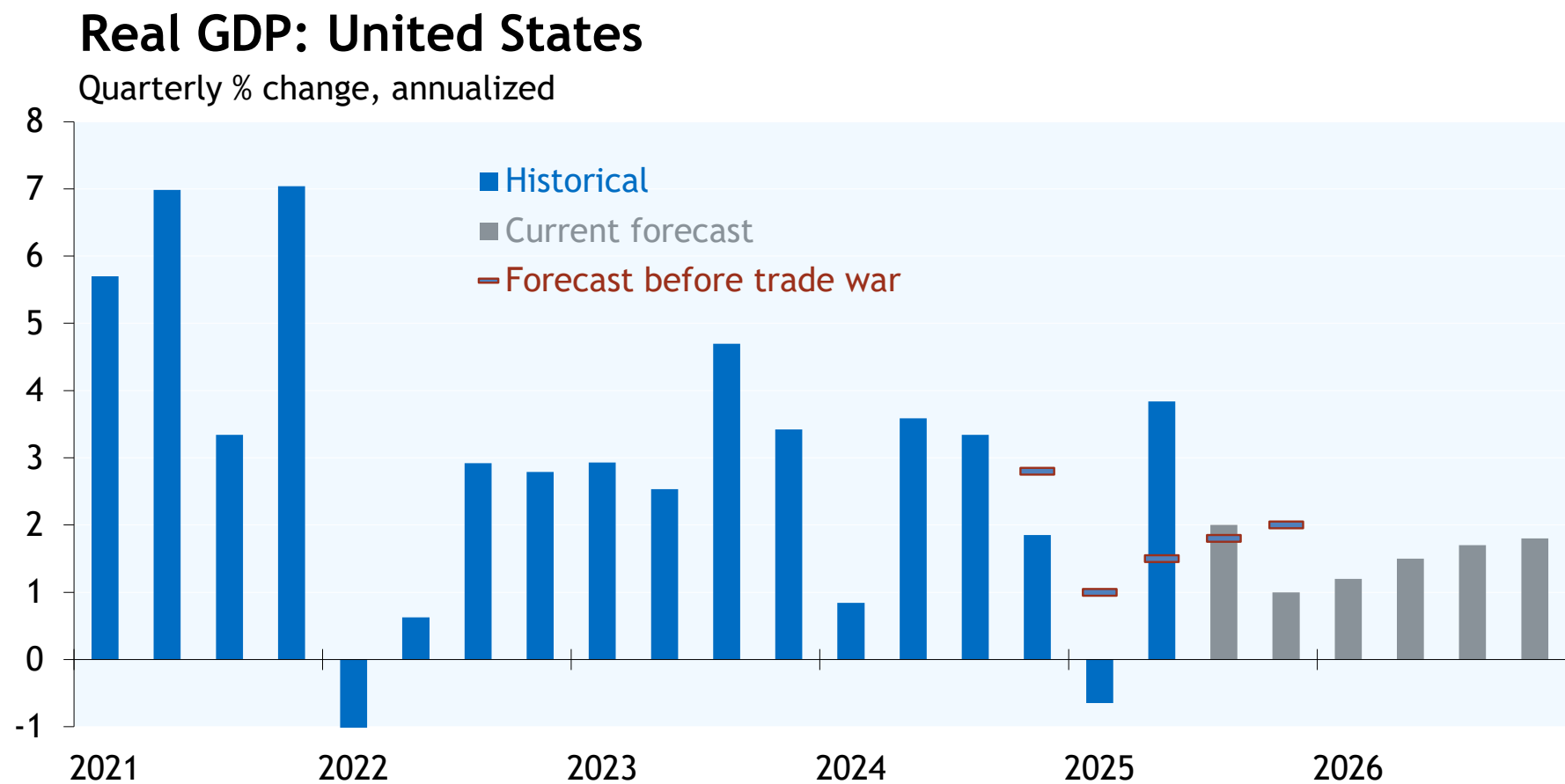


Source: U.S. Census Bureau, RBC Economics



Despite roughly 90% of Canada's exports being duty-free, U.S. tariffs target steel, aluminum, copper, portions of the auto sector and lumber

Trade risks expected to weigh on U.S. growth



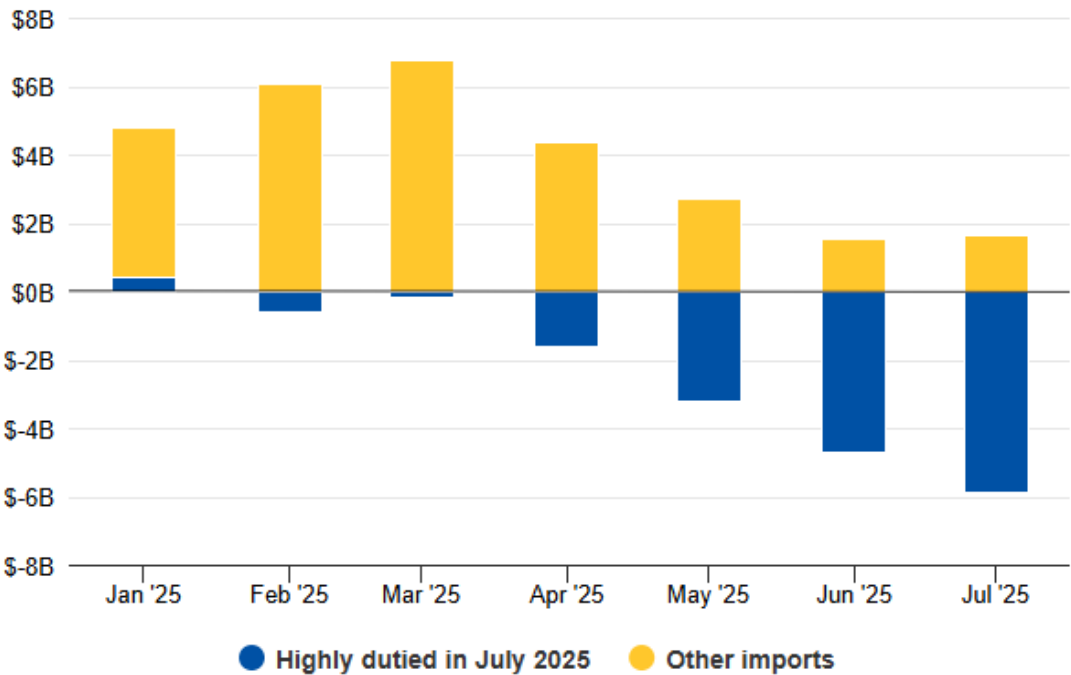
Source: Bureau of Economic Analysis, RBC Economics

U.S. tariffs expected to weigh on U.S. growth later this year and next

Canada is navigating multiple economic disruptions

Trade war hit highly dutied Canadian goods

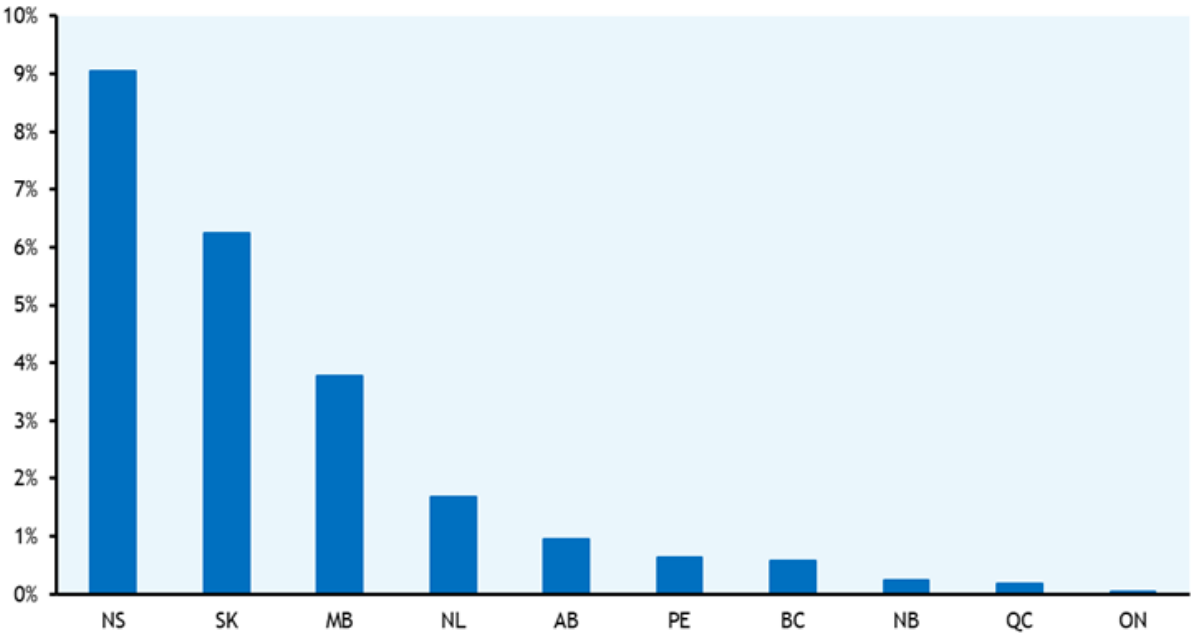
USD billions, year-over-year- change in rolling sums of total U.S. imports from Canada, by duty



Source: Census Bureau, RBC Economics

Chinese tariffs could hit Prairie and Atlantic provinces harder

Share of tariffed goods exports to total provincial exports, 2024



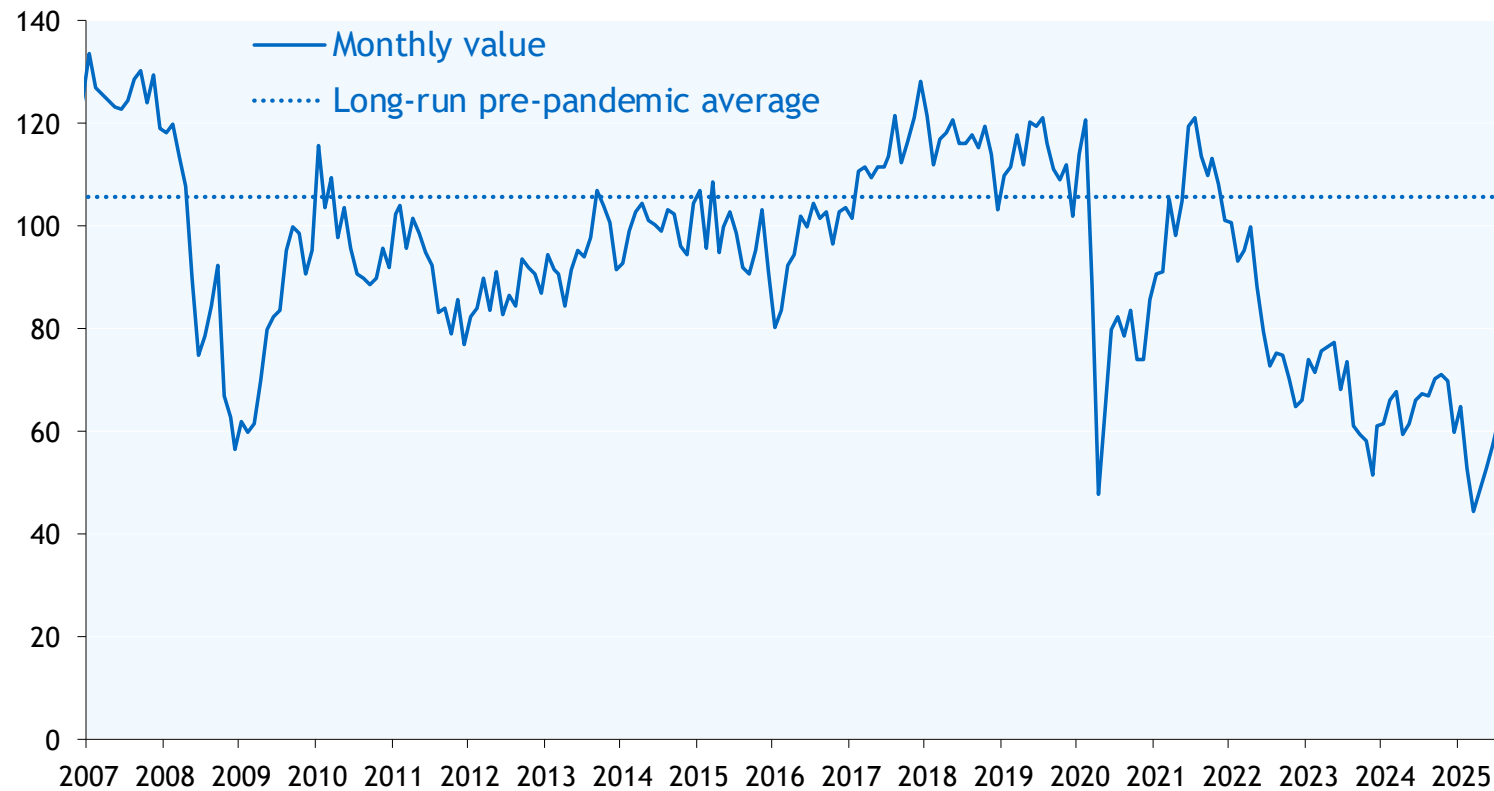
Source: China Ministry of Commerce, Industry Canada, RBC Economics

Specifically targeted goods bear brunt of tariff impact

Trade uncertainty dampens consumer confidence at home

Consumer confidence: Canada

2014 = 100

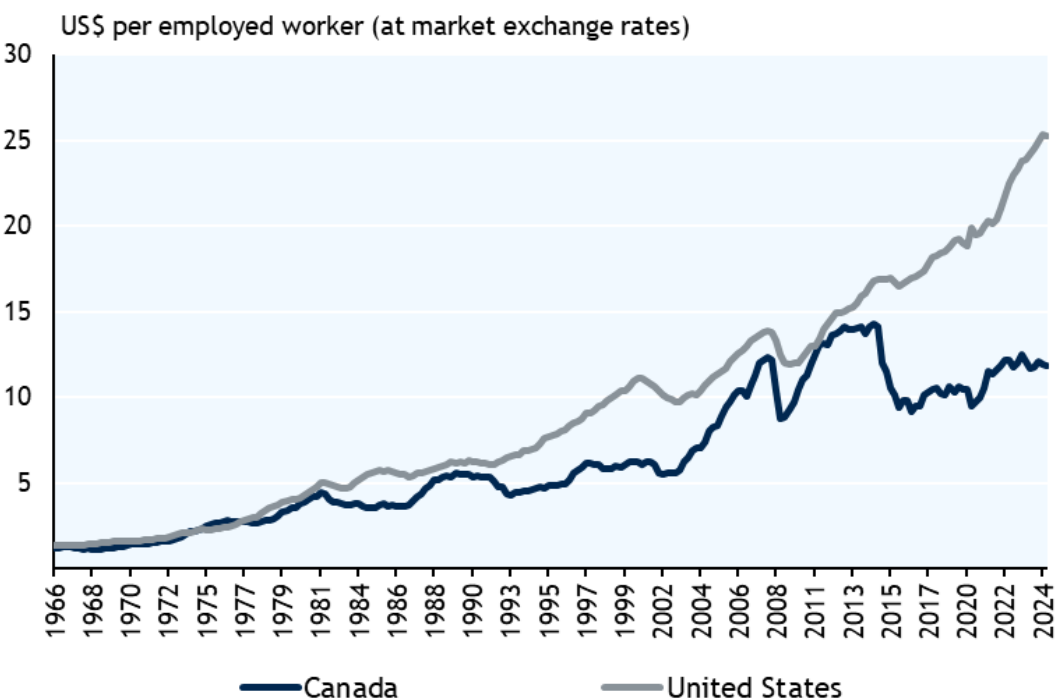


Source: Conference Board of Canada, RBC Economics

Canadian consumer confidence survey data near historical lows

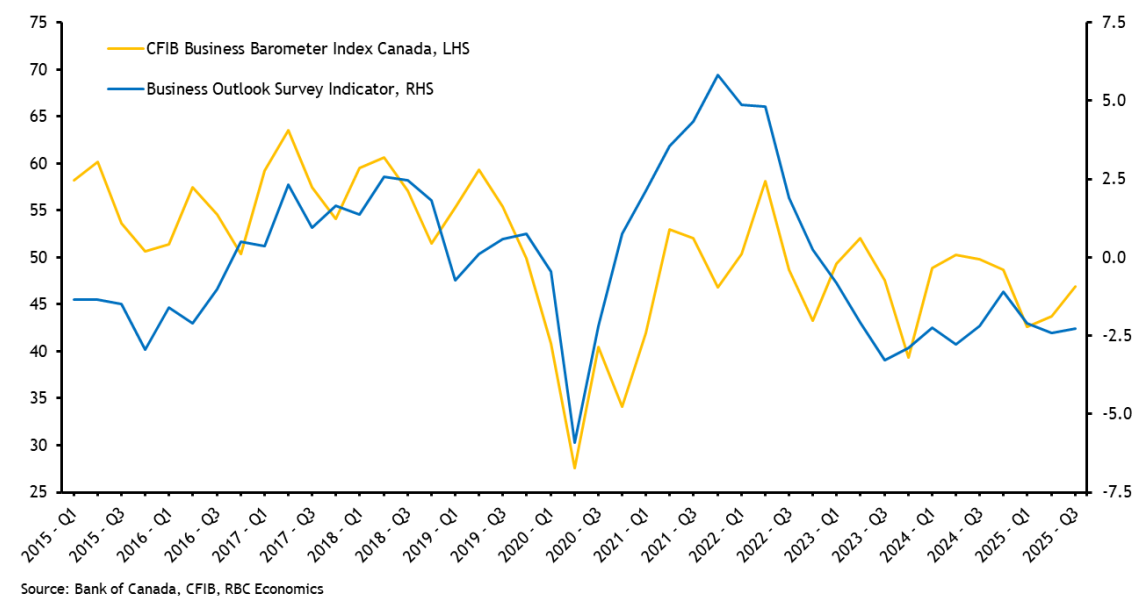
And on already weak business investment

Canada severely lags the U.S. in capital investment



Source: Statistics Canada, Bureau of Economics Analysis, RBC Economics Research

Business sentiment is still low



Trade uncertainty postpones business investment and hiring decisions

Uncertainty is derailing the housing market recovery

Home resales: Canada

Thousand units, seasonally adjusted and annualized



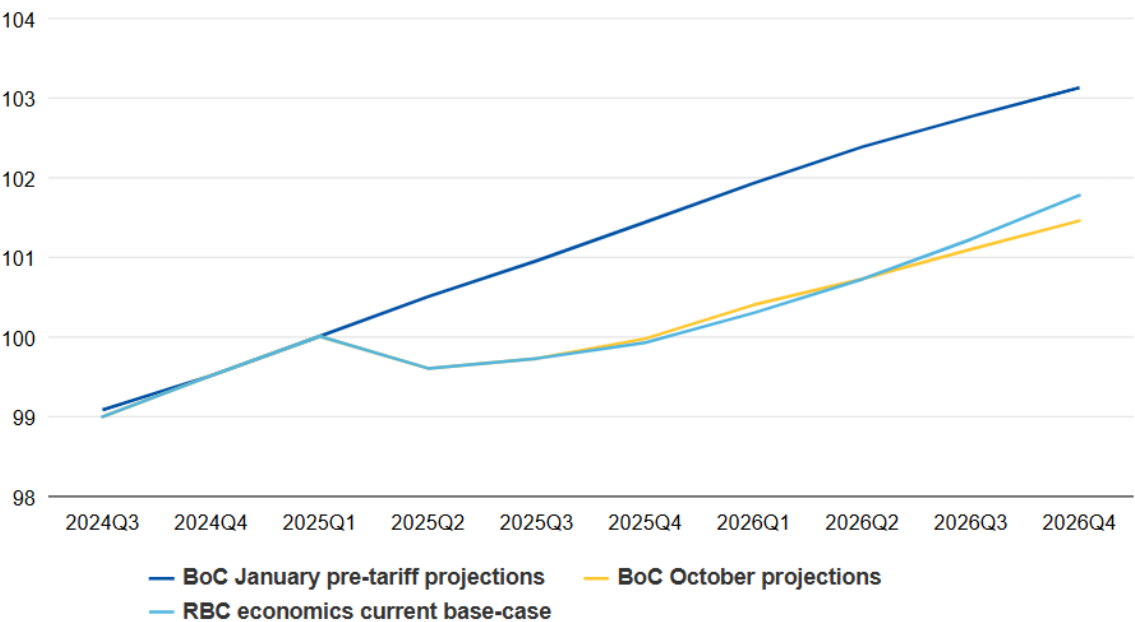
Source: Canadian Real Estate Association, RBC Economics

Spring activity was the slowest since 1998 but has picked up since summer

Economic growth soft but expected to be positive overall

Trade war sends the economy on a lower path

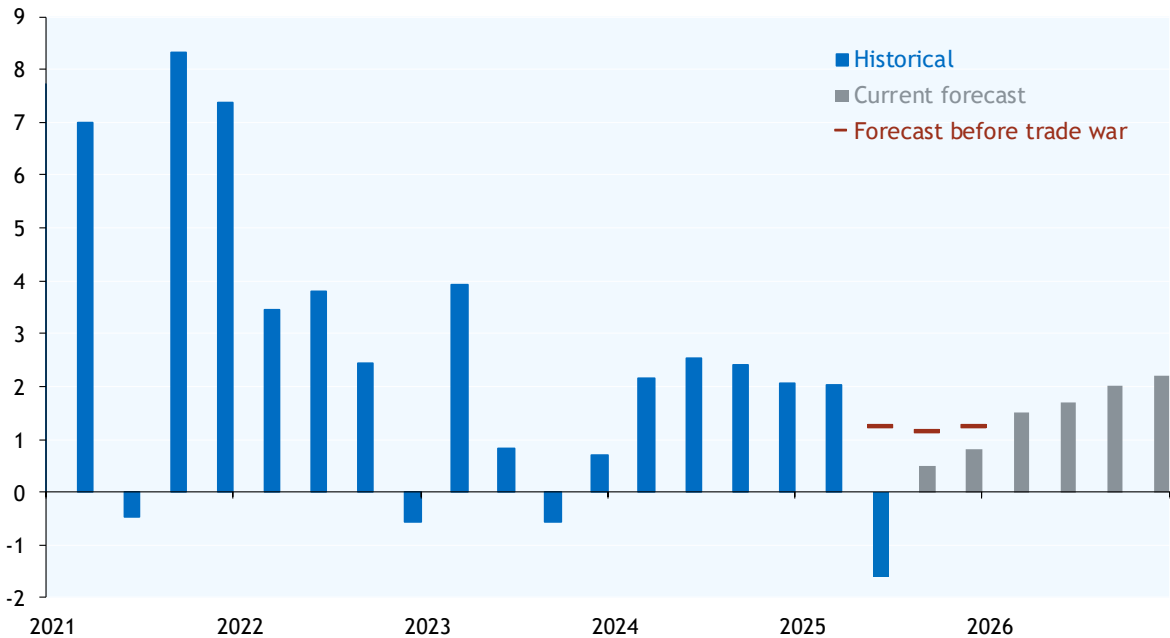
Index = 100 in Q1 2025, real GDP



Source: Bank of Canada, RBC Economics

Real GDP: Canada

Quarterly % change, annualized



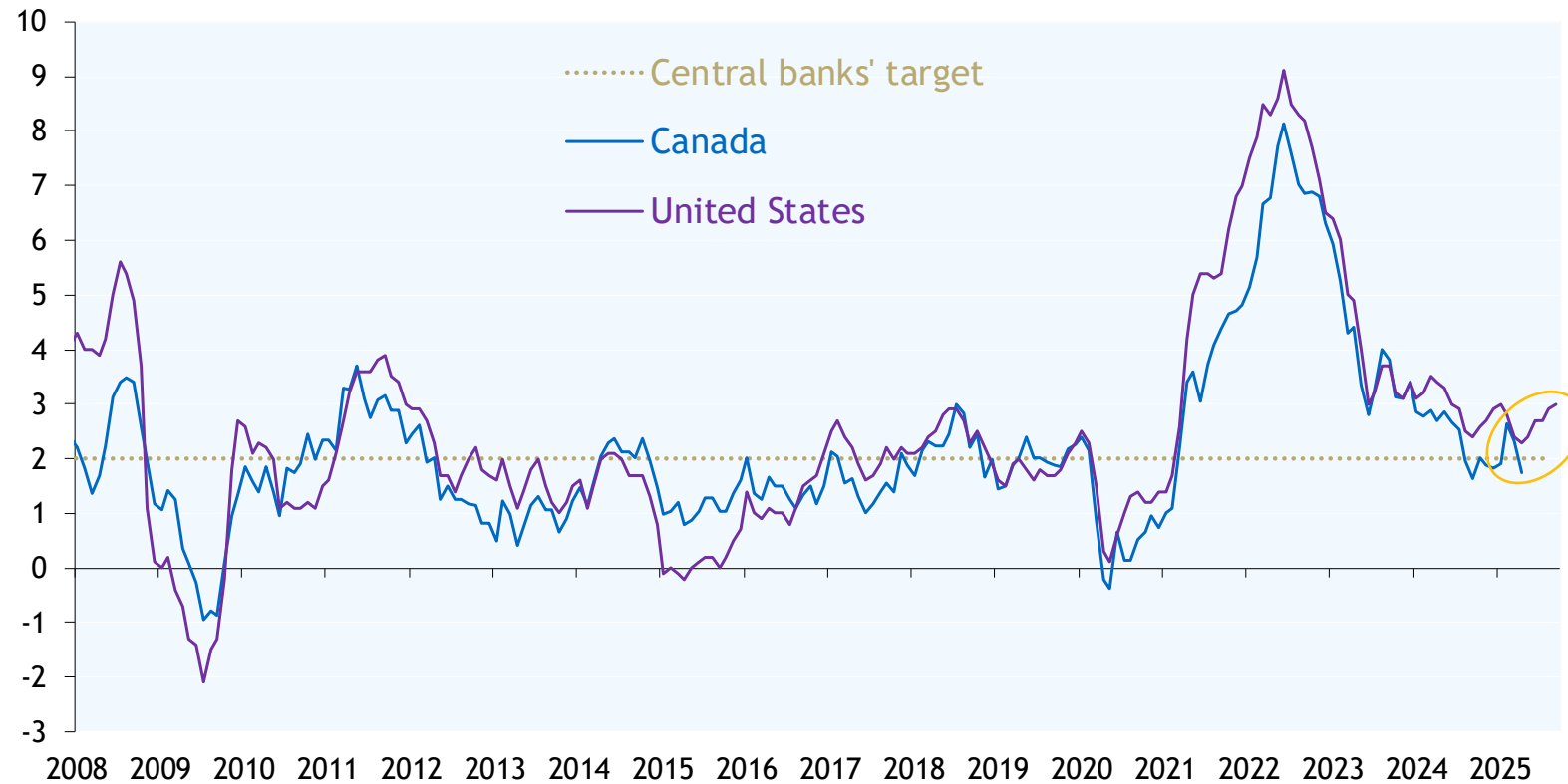
Source: Statistics Canada, RBC Economics

Canada on a structurally lower growth path

Inflation is on target in Canada, though underlying risks persist

Inflation

Consumer price index, annual % change

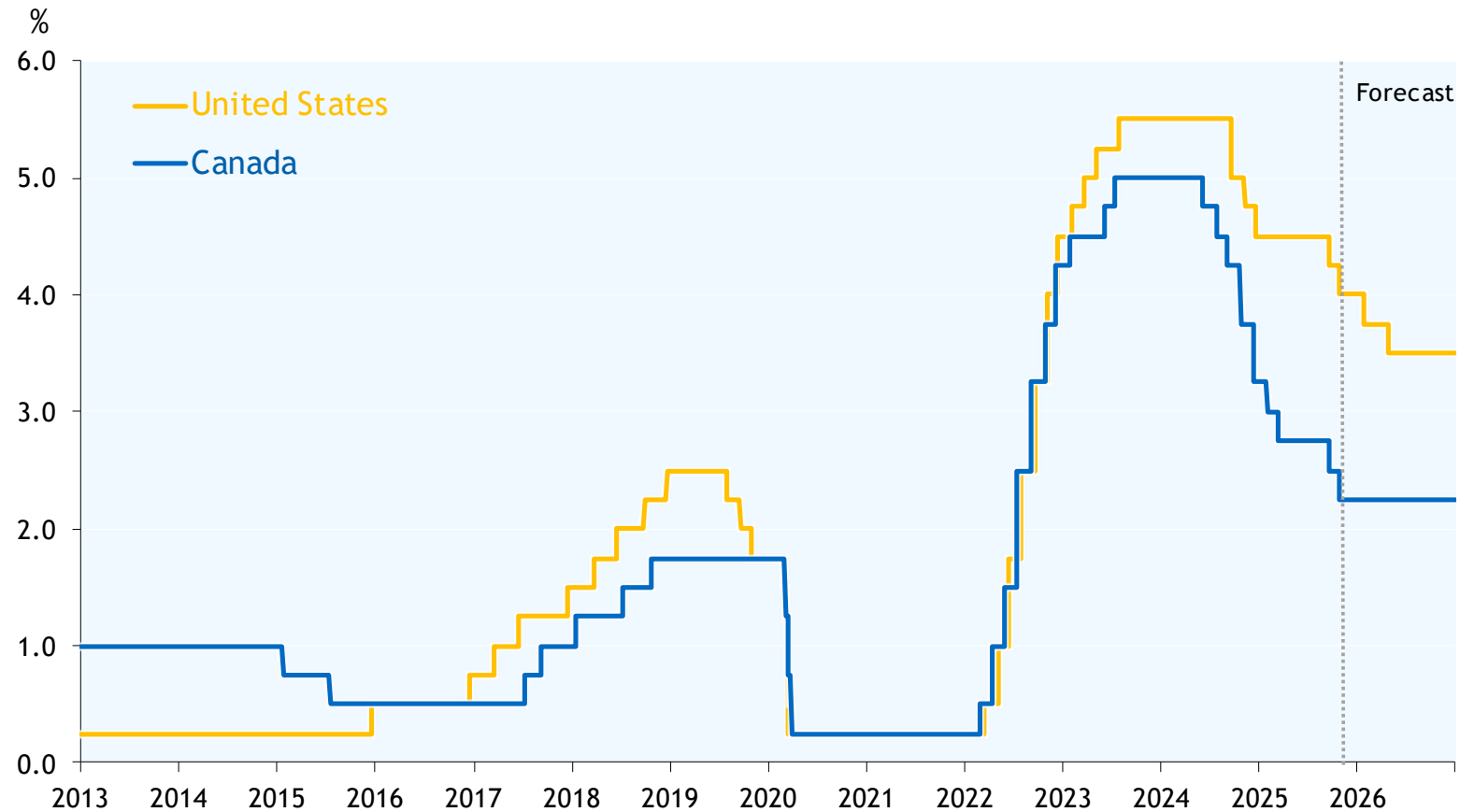


Source: Statistics Canada, Bureau of Labor Statistics, RBC Economics

Core inflation pressures are still present

Bank of Canada to move to the sidelines

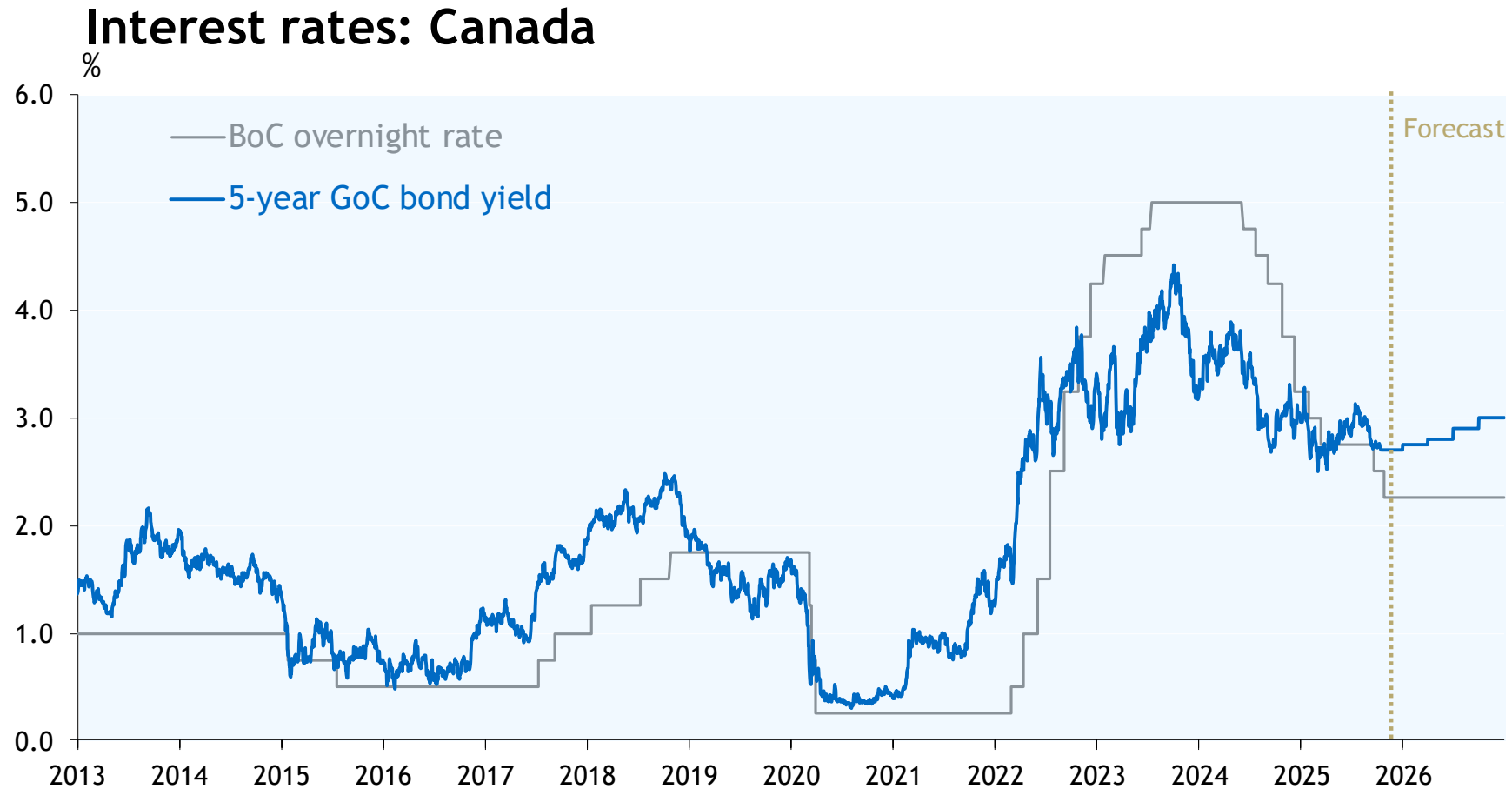
Policy interest rates



Source: Bank of Canada, Federal Reserve, RBC Economics

BoC likely done; inflationary pressures to weigh on Fed

Longer-term rates could drift higher



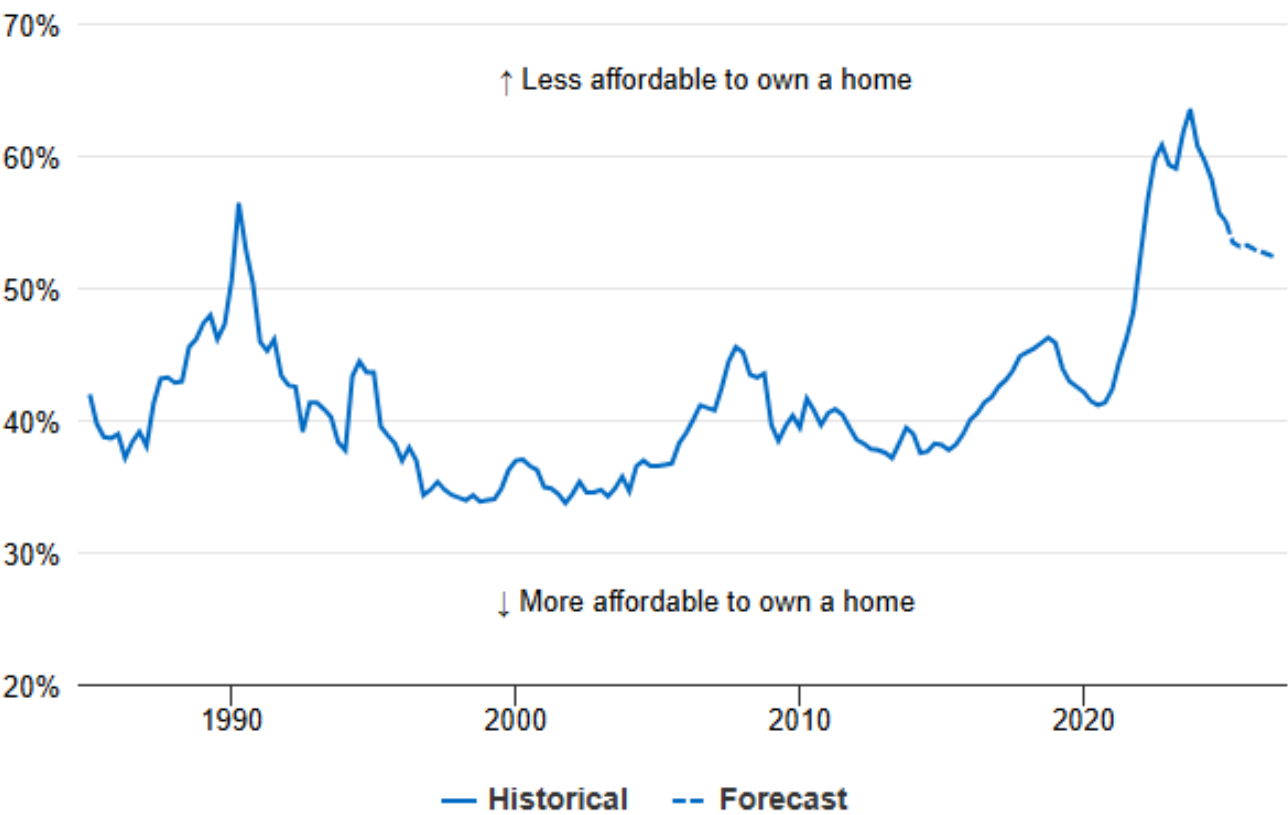
Source: Bank of Canada, RBC Economics

U.S. yields to set the tone amid an inflation resurgence tying the Fed's hands

Housing affordability has improved with rate cuts

Affordability issues will persist despite easing

Ownership costs as % of household income, Canada, composite of all housing categories



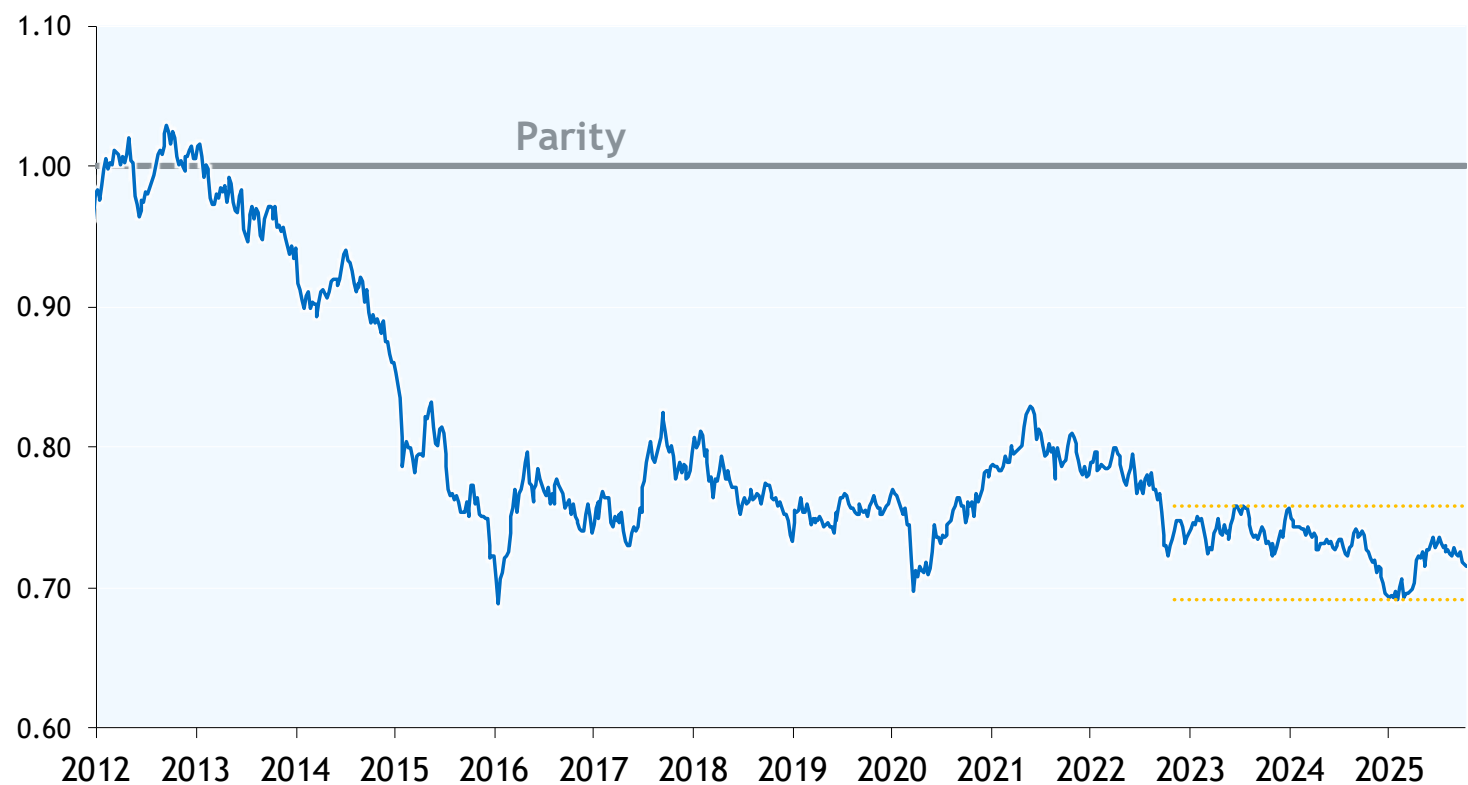
Source: RPS, Statistics Canada, Bank of Canada, RBC Economics

Continued home building is necessary to help balance housing pressures

CAD back in recent years' trading range

Canadian dollar

US\$/C\$



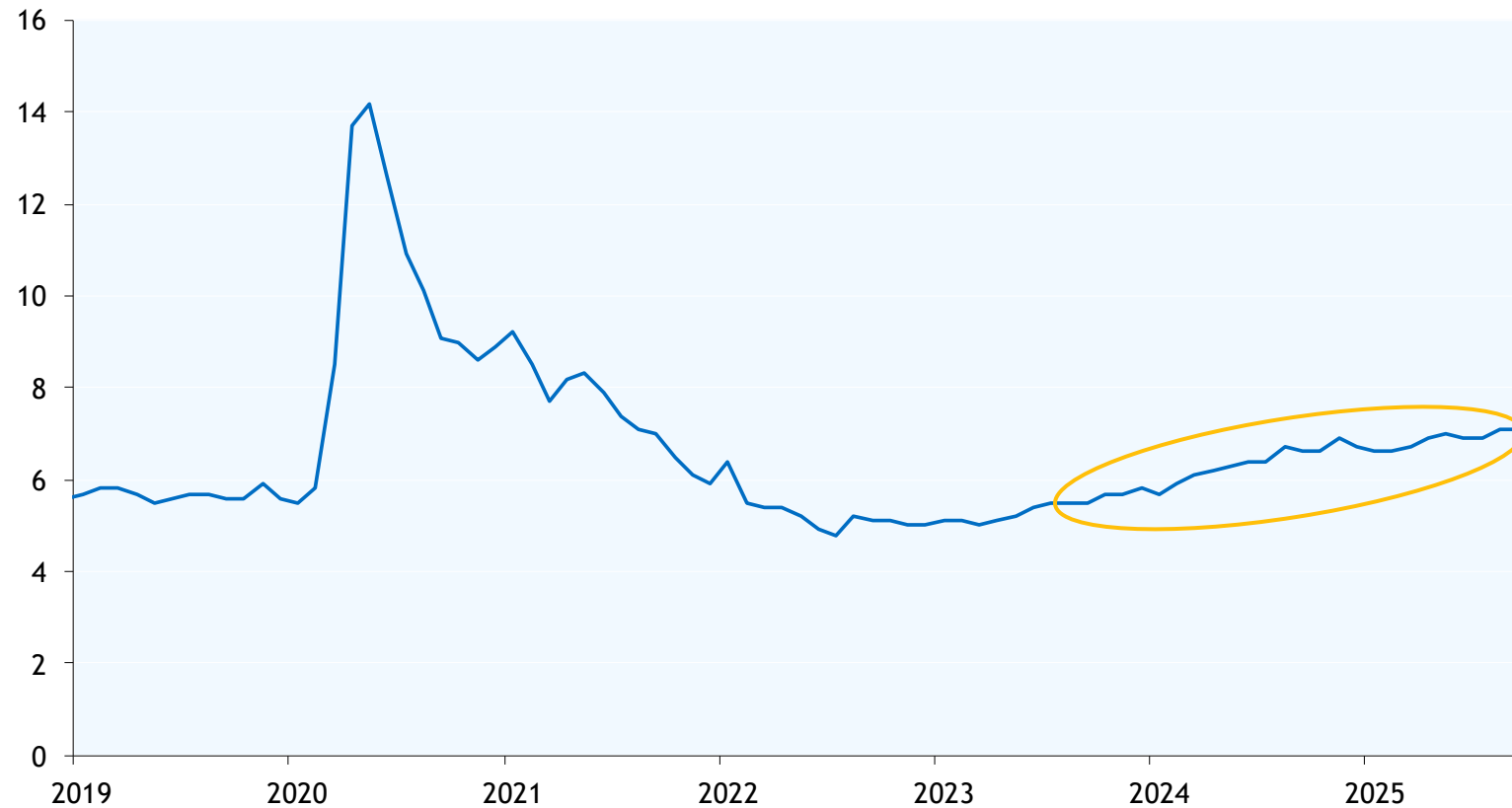
Source: Bank of Canada, RBC Economics

Expected to end 2025 near 73 ¢ US and climb toward 76 ¢ US by end of 2026

There's slack in the job market

Unemployment rate

Canada, %

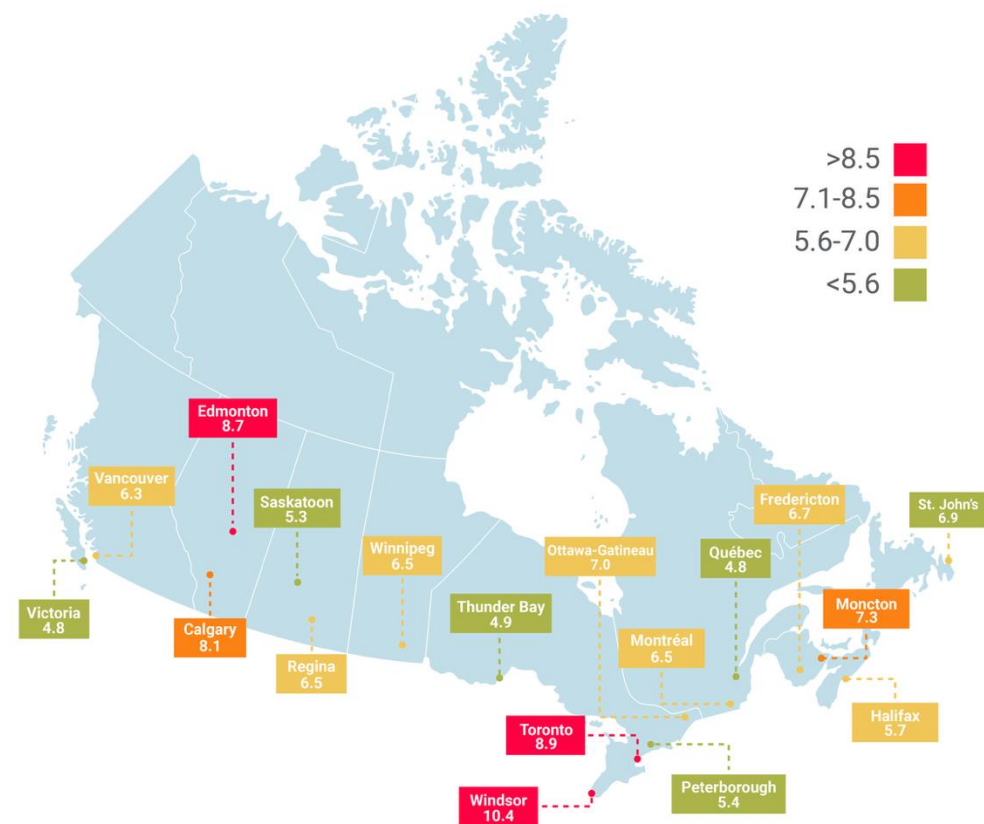


Source: Statistics Canada, RBC Economics

Jobless rate may be peaking, expected to gradually ease next year

Some job markets under more pressure than others

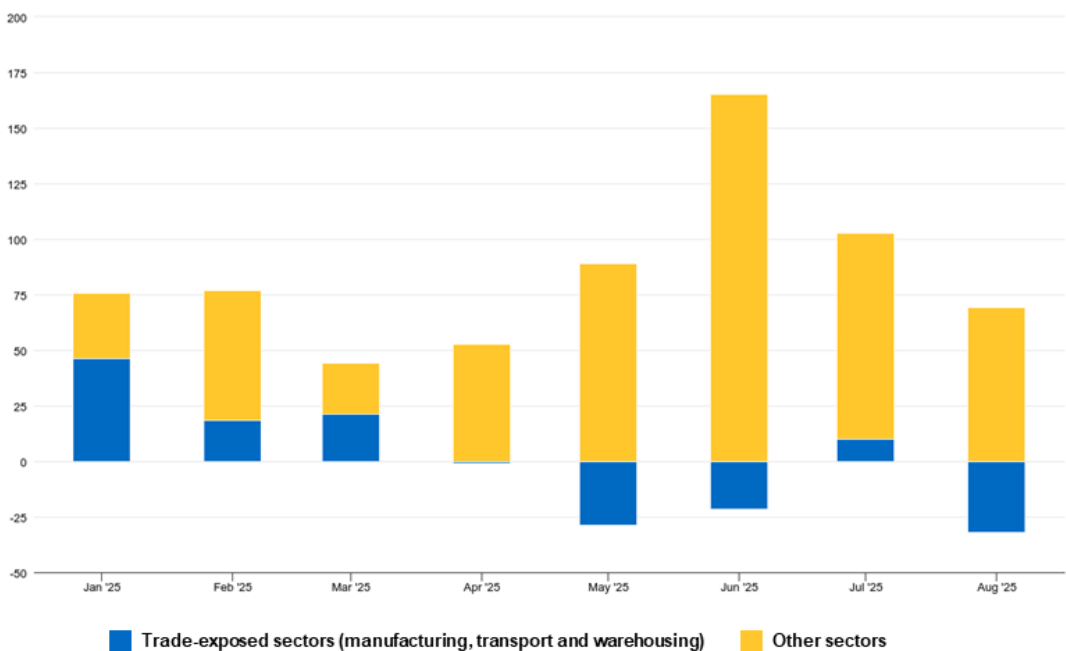
Unemployment rate (%), September 2025



Source: Statistics Canada, RBC Economics

Job losses in Canada concentrated in trade exposed sectors

Thousands, change in employment since December 2024, seasonally adjusted



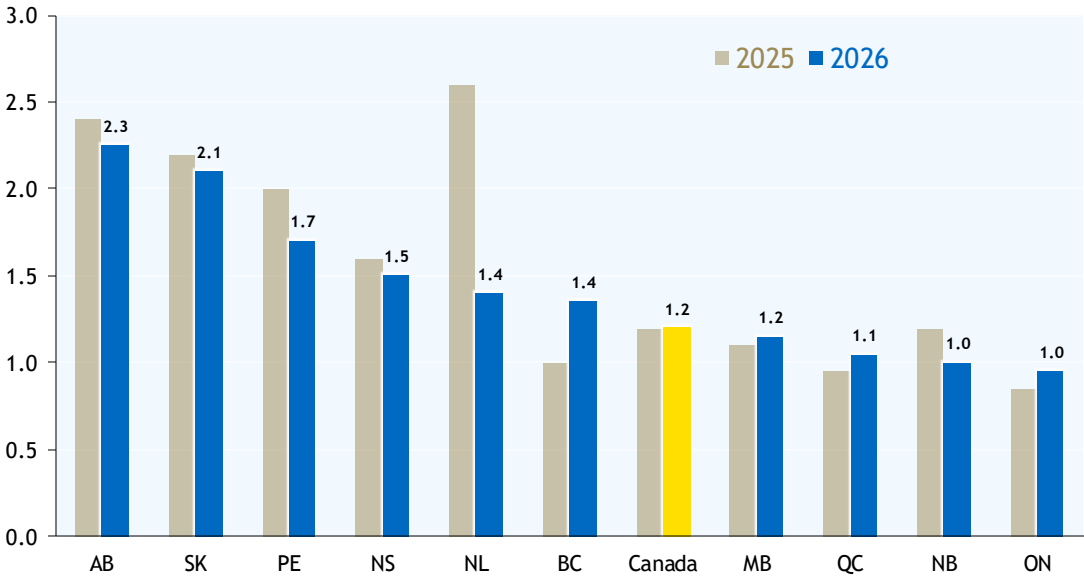
Source: Statistics Canada, RBC Economics

Ontario has some of the highest unemployment rates in the country

Outlook varies across the country

Real GDP forecast by province

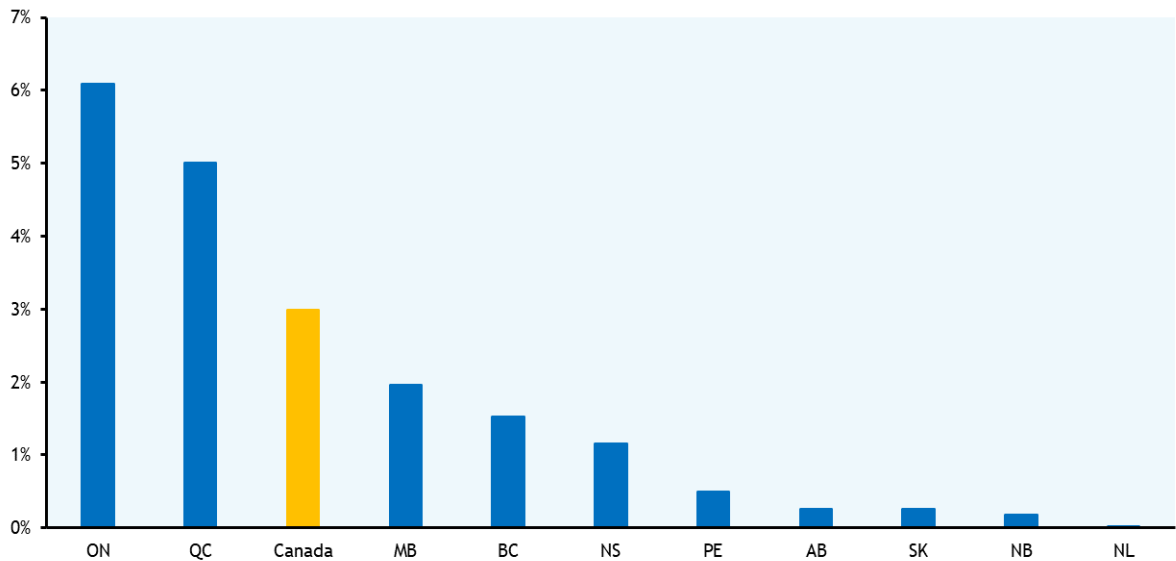
Annual % change



Source: Statistics Canada, RBC Economics

Average effective tariff rate on exports to the U.S. by province

Average effective tariff rate based on calculated duties at the HS4 level, scaled by provincial exports to the U.S. in July 2025



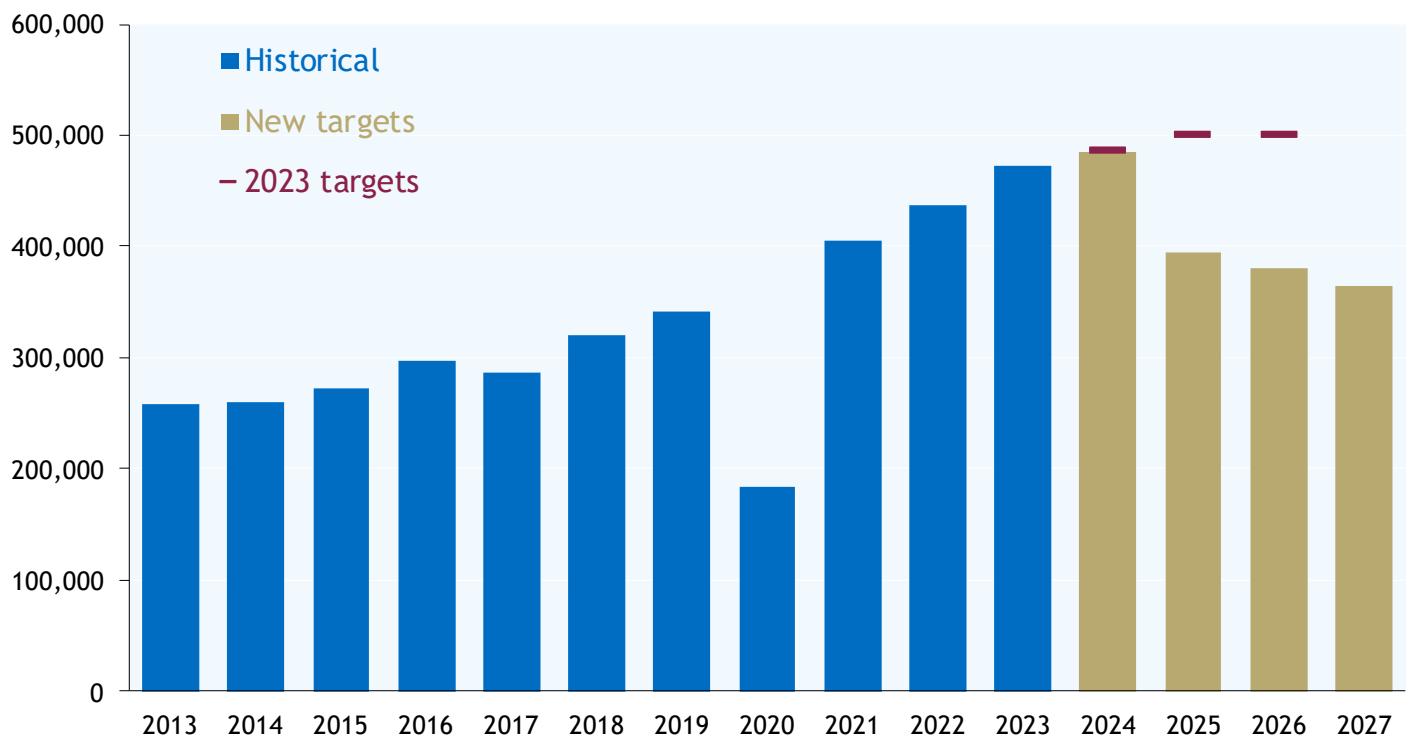
Source: U.S. Census Bureau, Industry Canada, RBC Economics

Ontario to underperform given U.S. tariffs heavily target its manufacturing sector

Demographic tailwind is shifting

Immigration : Canada

New permanent residents in Canada, in thousands



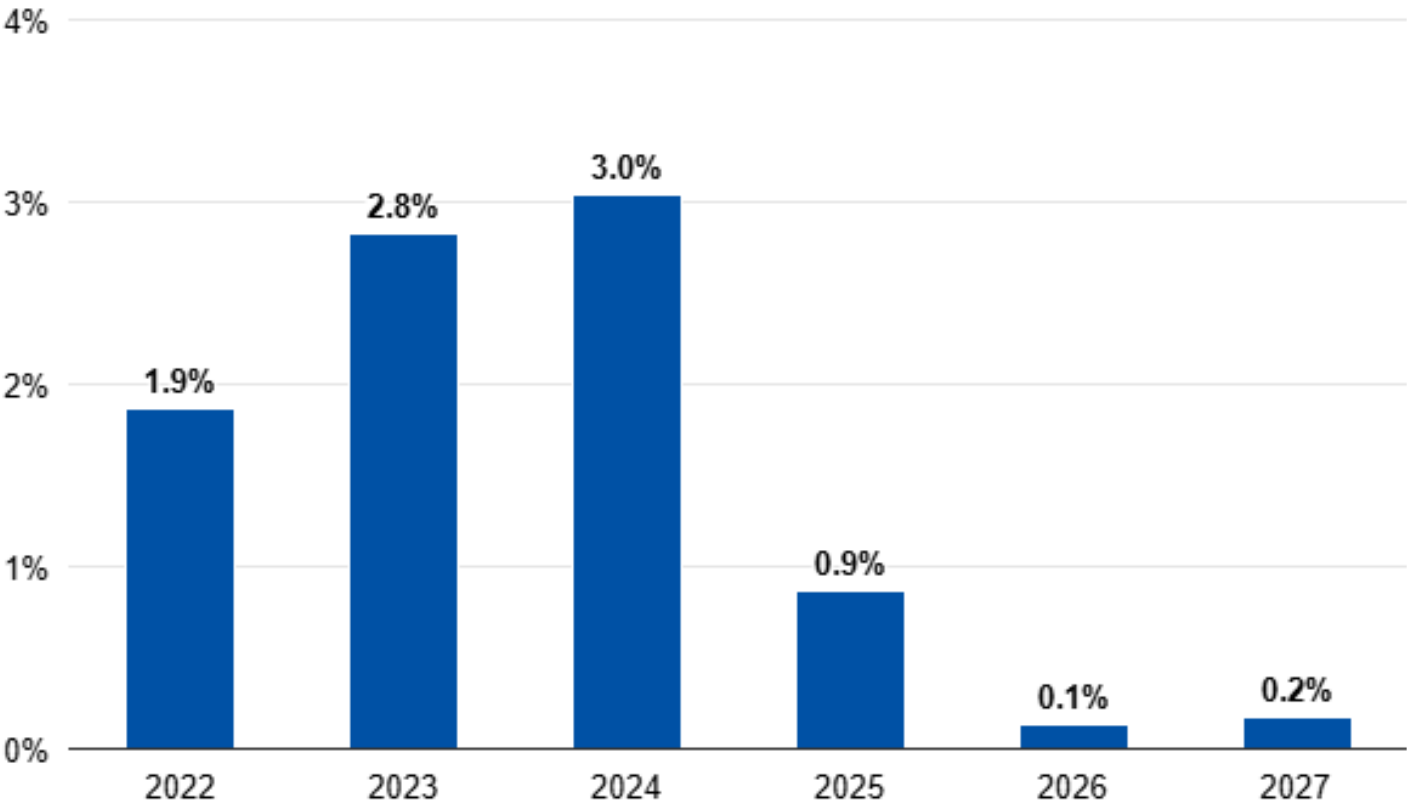
Sources : Statistics Canada, Immigration, Refugees and Citizenship Canada, RBC Economics

Immigration recalibration to help bring better balance, but could weigh on growth over the next 2-3 years

Population growth is expected to continue to slow in the near-term

Canada's population growth expected to remain subdued

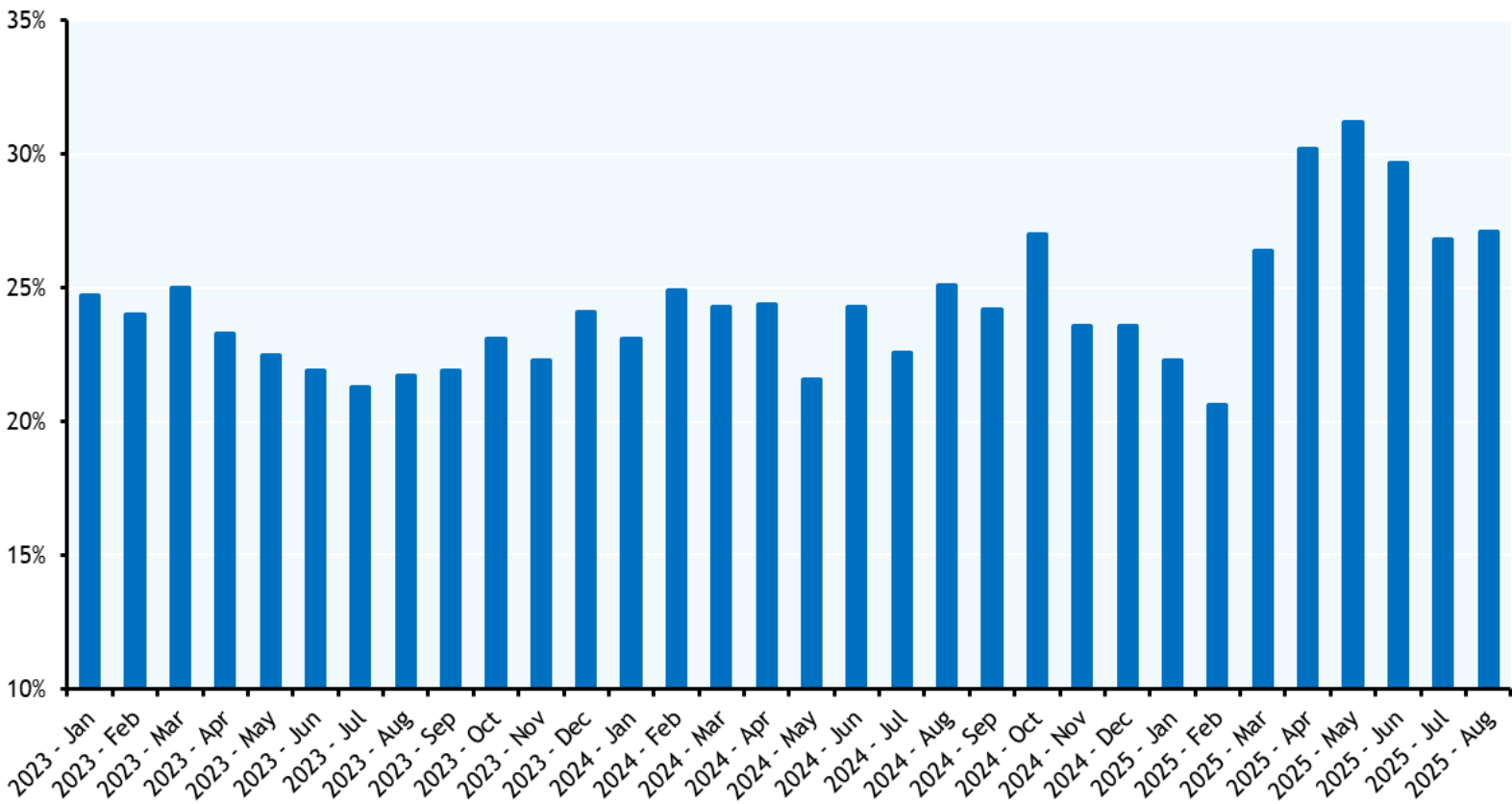
Annual percent change



Source: Statistics Canada, RBC Economics

Population growth expected to stall over the next two years

Canada: share of non-U.S. bound merchandise exports



Source: Statistics Canada, RBC Economics

Early evidence of export diversification amid tariffs

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