

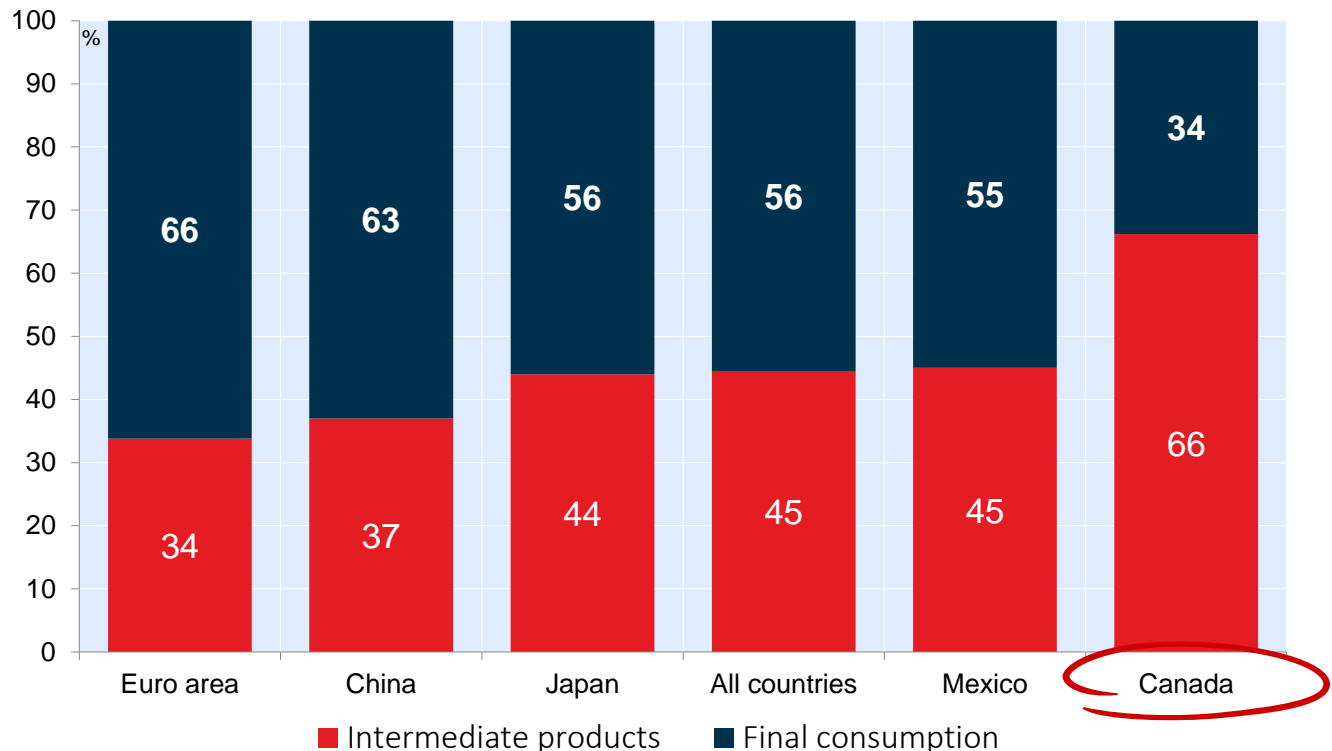
## Canada Watch

By **Matthieu Arseneau & Stéfan Marion**

Uncertainty is at its height in Canada as tariffs continue to hang over the economy like the sword of Damocles. As a result, we have lowered our economic growth forecast in 2025 by two-tenths of a percent, while some business leaders may put investment projects on hold until there is more visibility ([link](#)). We remain hopeful that the trade deficit inquiry to be presented to the President in April will conclude that Canada is a partner of choice and that generalized tariffs will be avoided. The entire U.S. trade deficit with Canada is due to our country's oil and gas imports, and our country is helping to reduce energy costs in the United States, which would promote the industrialization so desired by Mr. Trump. In more than 60% of the 35 industrial sectors, the Americans have a trade surplus with Canada, compared to 25% between the Americans and the rest of the world. But that's not all. Canada also stands out in terms of the destination of its products in the production chain. As today's Hot Chart shows, an analysis by the Federal Reserve Bank of San Francisco reveals that only 34% of imported goods from Canada are intended for final consumption. In contrast, a remarkable 66% of Canadian exports to the U.S. function as intermediate inputs in American production—well above the 45% average for other U.S. trading partners. Rather than taking market share to win the favor of American consumers, Canadian companies are therefore partners to American companies that produce locally. There is a good chance that these firms are already making this point to the American president, who would benefit from recognizing the special nature of his country's relationship with Canada. Unlike a hockey game, a trade relationship can be a win-win situation and its even true between U.S. and Canada.

### Canada: A major partner for companies producing on American soil

Share of imports meant for intermediate products vs. destined to final consumption



NBC Economics and Strategy (data via [San Francisco Fed 2019](#))



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