

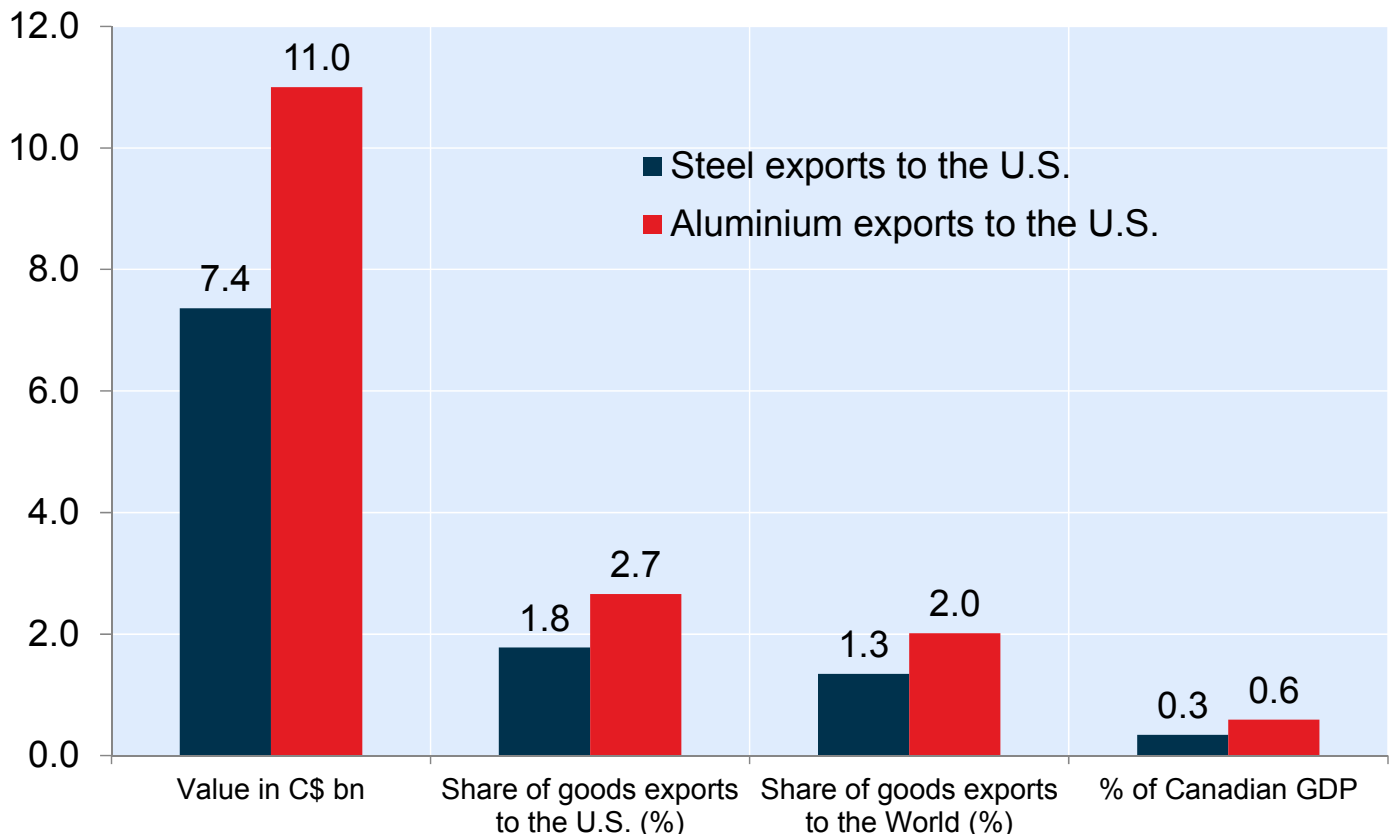
## Canada Watch

The world took another step towards a full blown trade war today as even so-called “allies” went at each other with tariffs. Retaliatory measures from the European Union, Mexico and Canada were swiftly imposed on the U.S. after it imposed tariffs on imports of steel (25%) and aluminium (10%) from those economies. With more than 80% of their exports going to the U.S., Canadian producers of steel and aluminium will take a major hit as their products become more expensive and hence less appealing to American buyers. But the Canadian economy as a whole can weather this storm assuming nothing else changes. As today’s *Hot Chart* shows, in the 12 months to March 2018, Canadian exports of steel products to the U.S. amounted to C\$7.4 bn and those of aluminium products totalled C\$11 bn. Taken together, those represent less than 5% of Canadian goods exports to the U.S. and less than 1% of Canadian GDP. In other words, this latest stunt from the U.S. will hardly break the Canadian economy. That said, today’s events are still concerning because they open the door for a broadening of tariffs to include more goods, something that cannot be entirely ruled out as U.S. politicians seek to boost their approval ratings in rust belt states ahead of mid-term elections.

Krishen Rangasamy

### Canada: Will U.S. tariffs break the economy?

Canadian exports of steel and aluminium products to the U.S. (April 2017-March 2018)



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