

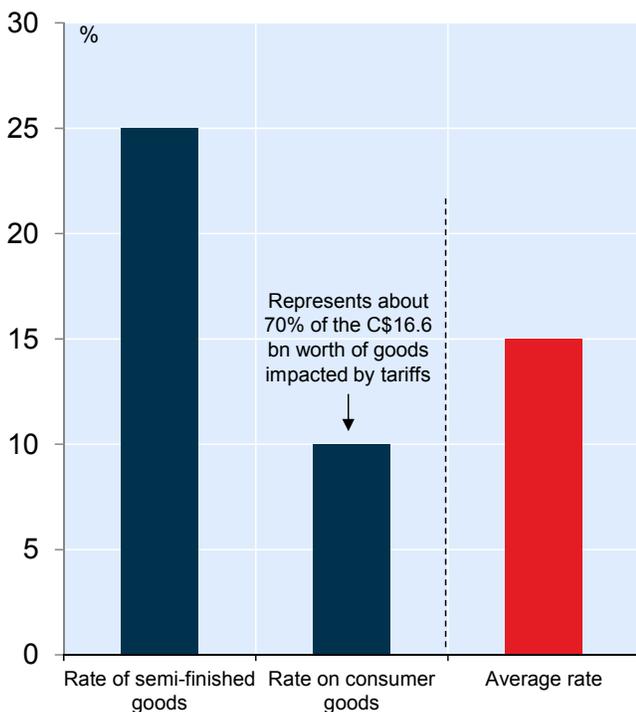
## Canada Watch

This Canada Day will be extra special for Canadians, with retaliatory import tariffs against the U.S. taking effect on July 1<sup>st</sup>. Recall that Ottawa imposed a 25% “surtax” or tariff on some semi-finished goods including steel products and a 10% tariff on a range of consumer goods including orange juice and coffee. How much of an impact will the import tariffs have on consumer prices? Not much it seems. For starters, importers are unlikely to pass on to consumers the higher costs due to tariffs on items such as steel and aluminium. But even under the unlikely scenario that tariffs are fully passed on to consumers, the impacts are set to be minimal. As today’s *Hot Charts* show, the C\$16.6 bn worth of imported goods affected by tariffs represent only about 6% of the value of goods imported annually from the U.S. According to the Bank of Canada<sup>1</sup>, about 12% of goods CPI or 5% of total CPI are imported from the U.S. So, with the tariffs averaging roughly 15%, the CPI would therefore increase by just 0.1% or so (i.e. 6% x 5% x 15%). In other words, while there are many things to worry about with regards to protectionism, higher consumer prices should be at the bottom of the list, unless of course the Canadian dollar takes a deep enough dive as to cause a surge in import prices.

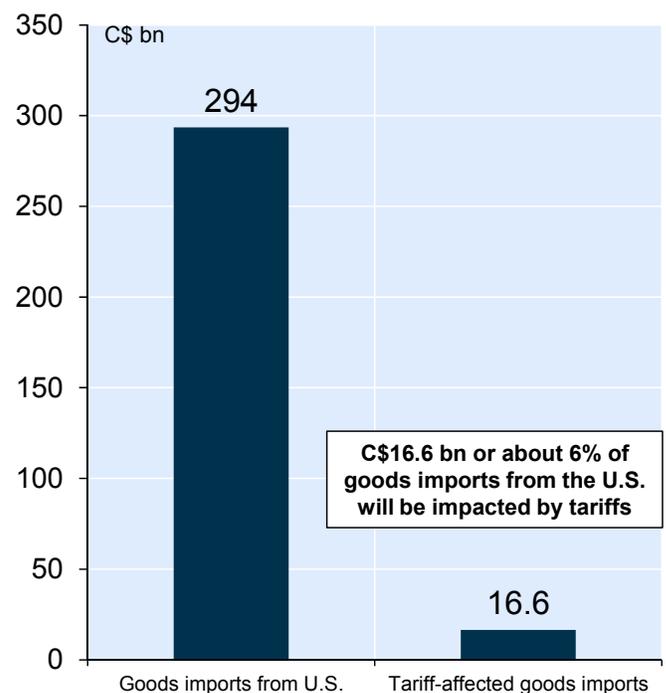
Krishen Rangasamy

### Canada: How significant are upcoming import tariffs?

New tariffs on imports from U.S.



Annual goods imports from the U.S. versus tariff-affected goods imports



NBF Economics and Strategy (data via Innovation, Science and Economic Development Canada, Bank of Canada<sup>1</sup>, NBF calculations)

<sup>1</sup> “Global Factors and Inflation in Canada”: Bank of Canada Staff Analytical Note 2017-17

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