

Quick Hit – The regional perspective on US trade protectionism [revisited]

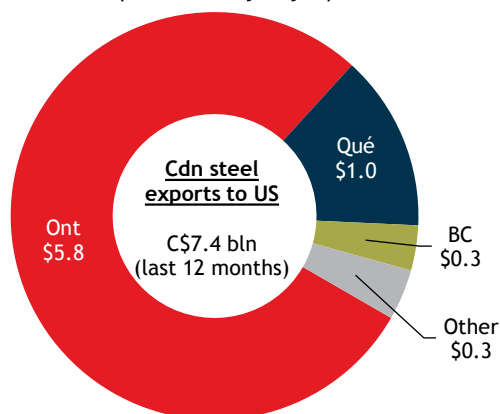
In the wake of Trump’s latest tariff declaration—whereby Canada (and some others) lost a temporary exemption from duties on US imports of steel (25%) and aluminum (10%)—my Economics colleagues offered up a quick [Hot Chart](#), taking a decidedly national perspective on how much was at stake for Canada. A key takeaway: “this latest stunt from the U.S. will hardly break the Canadian economy.” Fair enough, but don’t lose sight of the significant regional concentration in both steel and aluminum production/exports.

At the risk of oversimplifying, steel is an Ontario story and aluminum is a Québec story. Of the C\$7.4 billion of Canadian steel that was exported to the US in the past 12 months, almost 80% came from Ontario (Chart 1). Of the C\$11.0 billion of Canadian aluminum shipped to our American neighbours, Québec supplied roughly two-thirds (Chart 2). To be clear, other provinces ship steel and aluminum to the US (e.g., BC is an important player in aluminum). Surely then, premiers in Toronto, Québec City, Victoria and all across the country cringed when Trump lowered the boom. The resulting (and fully justified) retaliation by our federal government has upped the ante, raising the spectre of a full-fledged trade war. We’ll leave it to others to speculate on whether Trump tariffs are merely a NAFTA bargaining tactic or the hallmark of a US President who cares little for the benefits from the fair and tariff-free exchange of goods and services. Either way, it’s making Canadian citizens, businesses and governments understandably nervous.

If you’re interested in an ultra-thorough and broader analysis of provincial exposure to US protectionist rhetoric (beyond solely steel and aluminum), it’s again my colleagues in Economics that have a [Special Report](#) we consider required reading. As Marc Pinsonneault and Jocelyn Paquet noted: “Ontario is the province most exposed to protectionist risks, with 8.0% of its nominal GDP (as measured by value added in Ontario by vulnerable industries) depending on exports to the United States. Québec and Manitoba follow in order. At the other end of the spectrum, Newfoundland & Labrador, Nova Scotia, British Columbia and Alberta all showed exposure levels that were significantly below the Canadian average.” Refer to Chart 3 at bottom.

Chart 1: Steel primarily an Ontario story...

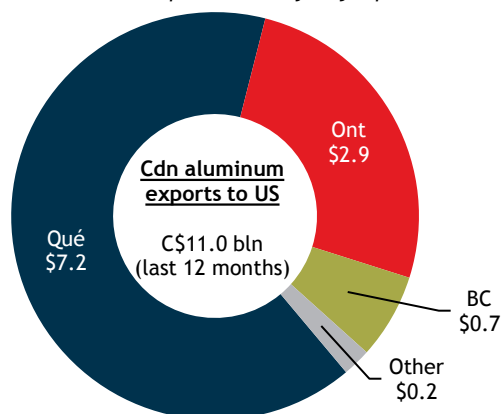
Value of Canadian steel exports to US by major province



Source: NBF, Industry Canada | Note: Provincial values in C\$bln

Chart 2: ...Québec most exposed to aluminum

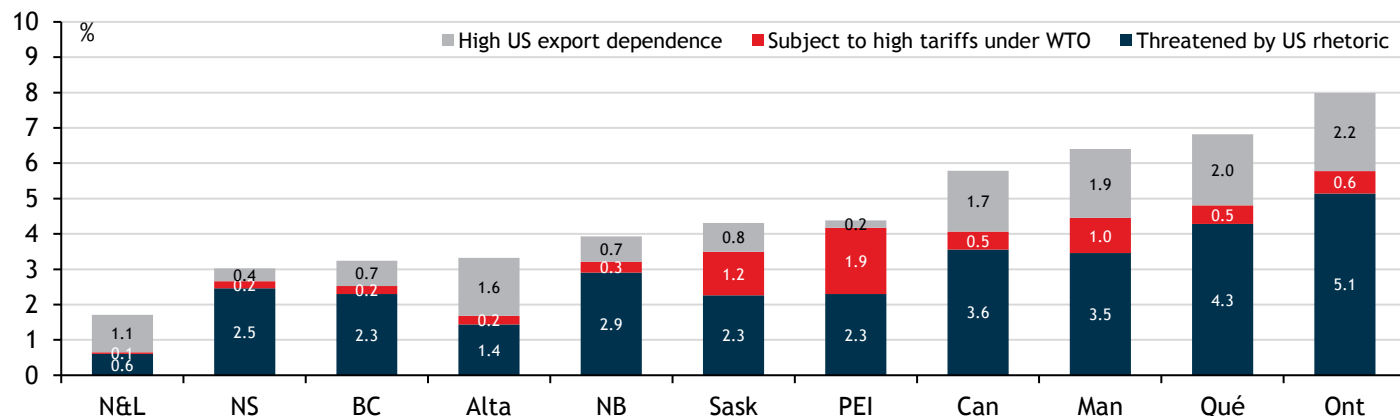
Value of Canadian aluminum exports to US by major province



Source: NBF, Industry Canada | Note: Provincial values in C\$bln

Chart 3: Potential impact of American protectionism on Canadian output

Share of Canadian GDP vulnerable to US protectionism: Direct & indirect effects (2013) [Analysis provided by NBF Economics]



Source: NBF Economics (data via Statistics Canada) | Note: Refer to Special Report for additional perspective/analysis

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