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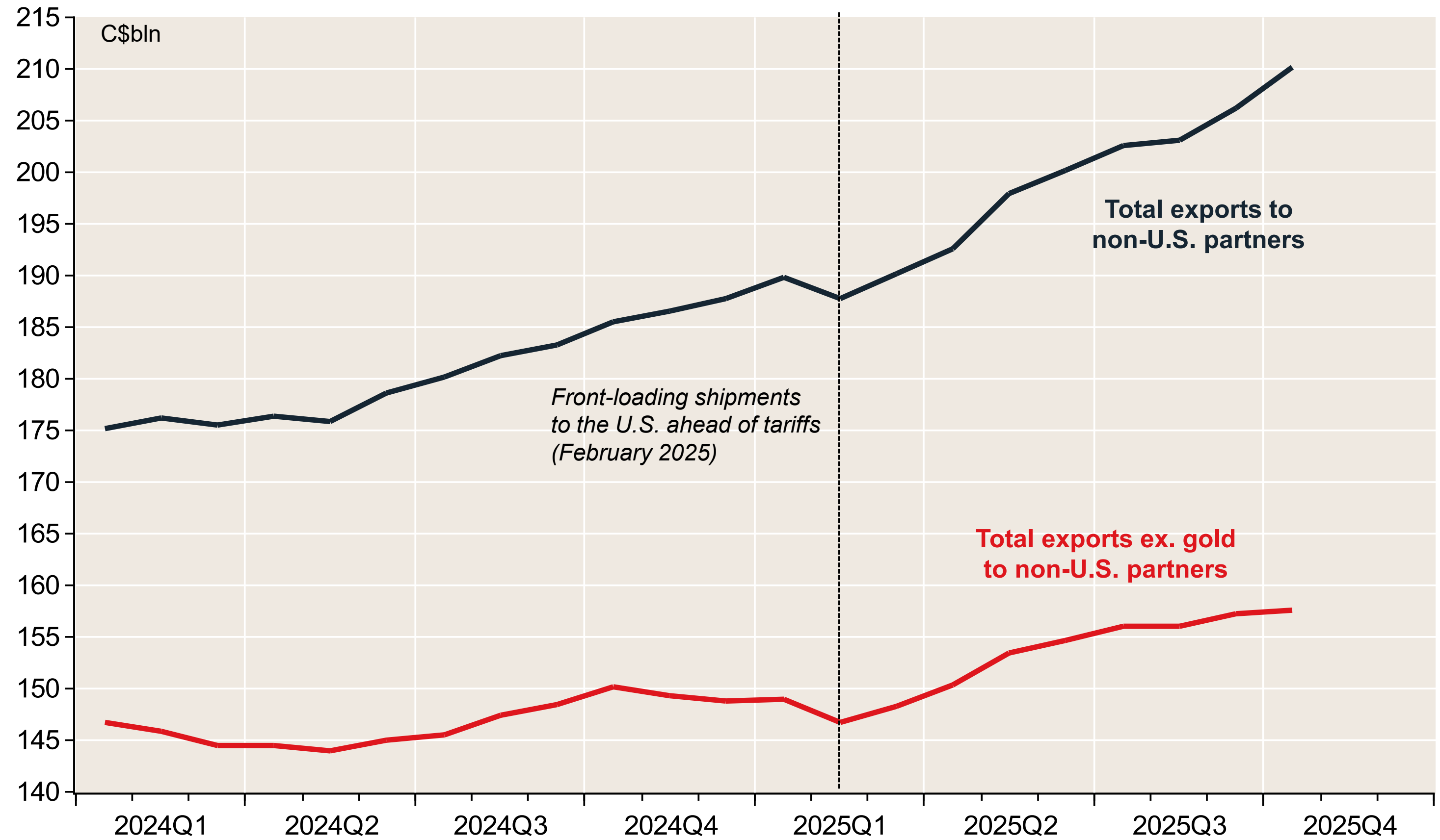
Canada Watch

By Ethan Currie and Stefane Marion

Tariffs and geopolitics are set to remain key themes in 2026, as we discussed (**here**) upon the arrival of fresh trade data yesterday. The Government of Canada has set an ambitious agenda which aims to diversify international trade, doubling non-U.S. exports within the next decade. Following front-loading activity ahead of early 2025's tariff implementations, the share of Canada's exports heading overseas has gained significant ground. Representing not quite a quarter of business in 2024, exports to non-U.S. destinations climbed to a ~33% share in the latest available month of data (October 2025). While this appears a welcome development, there's perhaps more to it than meets the eye. As today's *Hot Chart* shows, nominal exports to non-U.S. partners have increased predominantly due to gold. That is then predominantly a function of price impacts—spot gold surging by 70% since last January—suggesting that true, volume-based trade diversification away from the U.S. is perhaps not making the strides it appears to be on the surface. Canadian gold products, a relatively greater share of which already find their way to non-U.S. partners, represented over 13% of October's export basket, the highest on record (by a mile). Ultimately, Canada's near-term economic resilience hinges on a renewed, still-preferential USMCA agreement. Longer-run, effective, and sustained trade diversification (which is still a good goal), can not properly materialize in the absence of a renewed, confidence-bolstering deal, and the associated private capital investment.

Canada: The golden ~~diversification~~ delusion?

Canadian nominal exports to countries other than the U.S. – total and total excluding gold (12M rolling sum)



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NBC.EconomicsStrategy@nbc.ca

To contact us:
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Jocelyn Paquet
Senior Economist
jocelyn.paquet@nbc.ca

Kyle Dahms
Senior Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Senior Economist
alexandra.ducharme@nbc.ca

Daren King, CFA
Senior Economist
daren.king@nbc.ca

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.Schleich@nbc.ca

Ethan Currie
Strategist
ethan.currie@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Nathalie Girard
Senior Coordinator
n.girard@nbc.ca

Giuseppe Saltarelli
Desktop Publisher
giuseppe.saltarelli@nbc.ca