

## Tariffs were sooooo last year... right?

By Ethan Currie

Trade, tariffs, and geopolitics were clearly in vogue last year, and it seems those will remain key themes as we kickstart 2026. With fresh (albeit, naturally lagged) trade data out this morning, we now have seven months of hard data in hand since 'Liberation Day' to assess the impact.

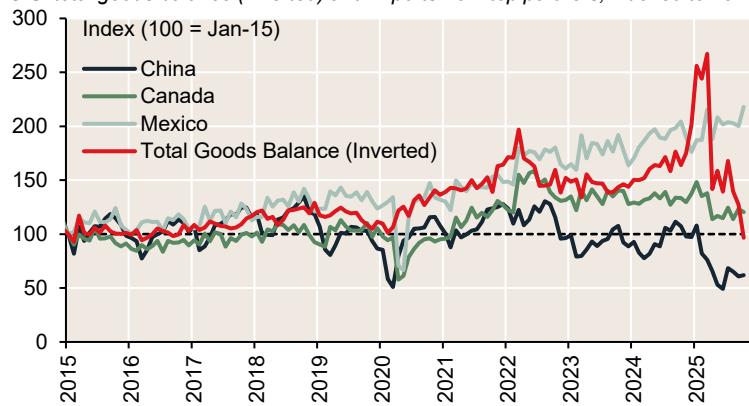
Perhaps 'part of the plan', the U.S. goods trade deficit is now the smallest in a decade, with exports from key trading partners, like Canada and China, down considerably from February's front-loaded peak (Chart 1). As Q1 inventory builds in targeted products / jurisdictions diminished, and levies came into effect, the U.S. average effective tariff rate (AETR) climbed higher, as just shy of \$300bln of customs revenue was recorded in 2025—up from just \$98bln the previous year (Chart 2).

Customs duties are now a better reflection of where White House policy truly resides (though trade behaviour shifts will likely result in a 'permanent' gap between hard data and policy-implied AETR estimates, which use prior year weightings). Though *relative* tariff stability has been reached when compared to last spring, considerable uncertainty remains on the trade front this year...

From a broader perspective, we're *potentially* less than 24 hours away from a Supreme Court decision on whether the full list of IEEPA-induced

### Chart 1: U.S. goods trade deficit the smallest in a decade...

U.S. total goods balance (inverted) and imports from top partners, indexed to 2015



Source: NBC, Bloomberg | Note: Dotted line denotes index 100 level

### Chart 2: ... as 2025 set record for tariff revenue collection

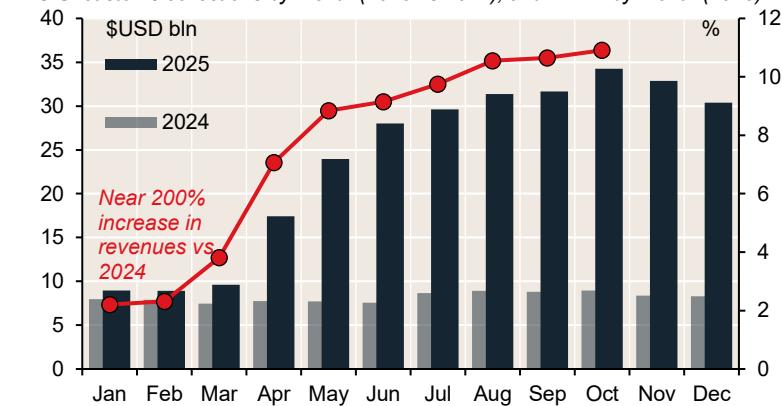
U.S. customs collections by month (2025 vs 2024), and AETR by month (2025)

tariffs can (legally) persist. If these levies were to be struck down, there's also considerations to be made on corporate remediation, with hundreds of companies piling into tariff lawsuits. While the removal of IEEPA levies could considerably ease the global trade burden (Chart 3), the Trump administration would still have several avenues to impose tariffs, should the aforementioned revenues be deemed too good to give up.

The most likely of such avenues would be through Section 232, where several sectoral investigations, such as those on pharmaceutical products, are currently being conducted. As it stands, these sectoral tariffs are the most damaging from a Canadian economic standpoint. While efforts are being made to diversify trade to non-U.S. partners, the recent apparent trend of such might be overstated (Chart 4 & 5). That's namely due to gold exports, already predominantly directed to partners like the U.K., which have moved the overseas export tally materially higher thanks to the metal's price surge. Canada's medium-term resilience thus hinges on a renewed, preferential USMCA agreement. It is critical that this bolsters business confidence while keeping tariffs low, re-attracting private capital investment which would ultimately enable sustained trade diversification and stronger trend growth.

### Chart 2: ... as 2025 set record for tariff revenue collection

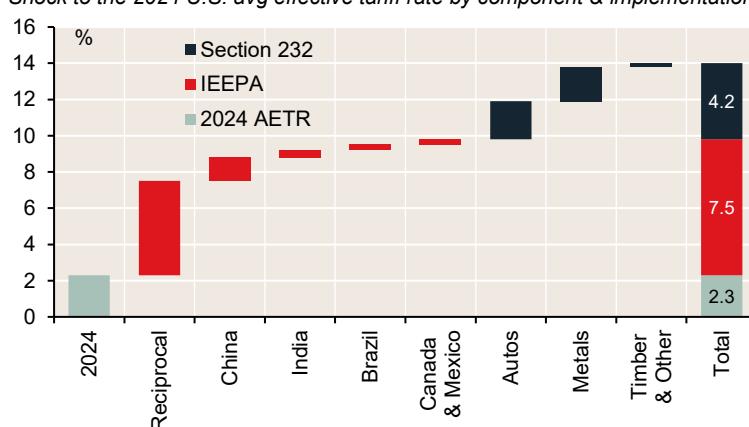
U.S. customs collections by month (2025 vs 2024), and AETR by month (2025)



Source: NBC, Bloomberg, USITC | Note: AETR is customs duties / import base for given month

### Chart 3: IEEPA ruling could cut tariffs in half (but for how long?)

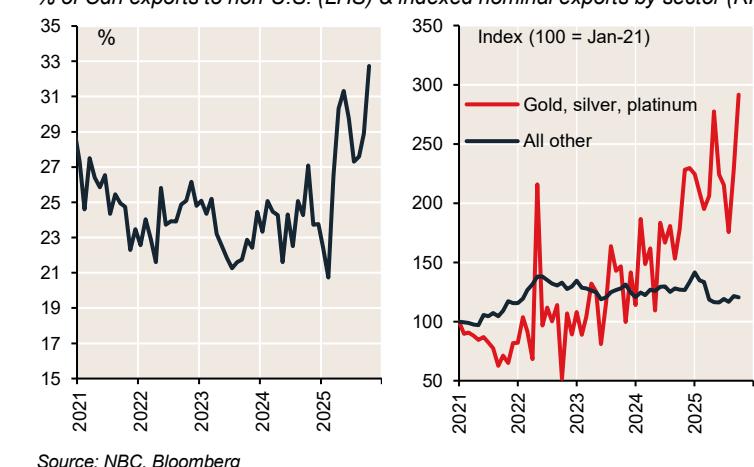
Shock to the 2024 U.S. avg effective tariff rate by component & implementation



Source: NBC, Bloomberg | Note: Sums to AETR point-in-time estimate

### Chart 4 & 5: Canada's trade diversifying? Not so fast...

% of Cdn exports to non-U.S. (LHS) & indexed nominal exports by sector (RHS)



Source: NBC, Bloomberg



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