

# MANUFACTURING AT RISK: THE IMPACT OF TARIFFS

## US TARIFF THREAT UNDERMINES CANADIAN MANUFACTURING COMPETITIVENESS

Tariffs pose a serious threat to Canadian manufacturing, with widespread concern across the sector:

**THE NEED FOR  
ACTION IS URGENT.**



**98%**  
of manufacturers expect  
NEGATIVE IMPACTS.



**57%**  
anticipate  
SEVERE IMPACTS.

## Economic Impact

### MANUFACTURING IS A CORNERSTONE OF CANADA'S ECONOMY:

Directly generates  
**10%**  
of Canada's real GDP

Employs  
**1.8 million**  
people in well-paying jobs nationwide

Accounts for  
**>60%**  
of the country's outbound goods

### THE U.S. IS CANADA'S LARGEST TRADING PARTNER, CREATING IMMENSE STAKES IN TARIFF DISCUSSIONS:

**\$1,000,000,000,000** in goods crossed the Canada-U.S. border in 2023 –  
**\$3.0 billion per day**



Canada's merchandise exports to the U.S. totalled nearly \$600 billion in 2023,

**77%** of Canada's total exports  
of **\$770 billion.**



Manufactured goods make up  
**TWO-THIRDS**  
of Canada's exports to the U.S.

### CANADA AND THE U.S. ARE DEEPLY INTEGRATED:

**NEARLY  
80%**  
of Canada's exports to the U.S. are composed of intermediate inputs and capital goods;

**75%**  
of U.S. exports to Canada serve the same role.

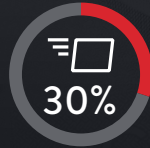
**41%** of respondents  
**ALSO OPERATE  
IN THE U.S.**  
10% also operate in Mexico

Canada is a vital supplier to U.S. businesses and helps them compete with the rest of the world—

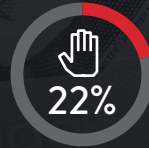
**TARIFFS ON CANADIAN EXPORTS  
WOULD HARM MANUFACTURERS  
ON BOTH SIDES OF THE BORDER.**

# Threats Already Having a Negative Impact

**MANUFACTURERS ARE ALREADY TAKING STEPS TO MITIGATE RISKS, WITH CONSEQUENCES FOR CANADA'S ECONOMY:**



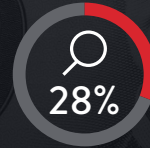
are accelerating shipments to the U.S. to get ahead of possible tariffs



are freezing hiring



are delaying investments

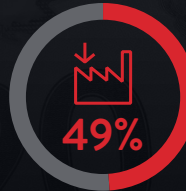


are seeking alternative markets

**IMPACT WORSENS IF TARIFFS ARE IMPOSED:**



will **FREEZE HIRING** or **LAY OFF** workers



will **SHIFT SOME PRODUCTION** TO THE U.S. to avoid tariffs



will **POSTPONE** or **CANCEL INVESTMENTS**

## Cost Absorption: Limited Options

**FEW MANUFACTURERS CAN FULLY ABSORB TARIFF COSTS, EVEN SHORT TERM, UNDERSCORING THE NEED FOR SOLUTIONS TO PROTECT COMPETITIVENESS:**



**ONLY 11%** can fully absorb costs, and even then, on a temporary basis.

**22%** will keep prices steady, risking reduced U.S. sales.

**44%** hope to negotiate cost-sharing with U.S. customers.

## Bold Policy Action Needed

With jobs, growth, and investment on the line, **BOLD GOVERNMENT ACTION IS ESSENTIAL.** Manufacturers urgently need support to weather tariff challenges and safeguard Canada's economy and industrial strength.



**1. STRENGTHEN DIPLOMATIC EFFORTS TO NEGOTIATE TARIFF REDUCTIONS OR EXEMPTIONS.**



**2. IMPLEMENT TAX RELIEF MEASURES, SUCH AS DEFERRING OR REDUCING CORPORATE TAXES.**



**3. OFFER TEMPORARY FINANCIAL ASSISTANCE OR TARGETED SUBSIDIES TO MITIGATE REVENUE LOSSES AND SUPPORT EMPLOYEE RETENTION.**

### Other Recommendations:

**4.** Launch public awareness campaigns in the U.S. to promote Canadian products.

**5.** Provide grants or low-interest loans to support businesses in adapting to new market conditions.

**6.** Expand export diversification programs to open new international markets.

Based on responses from **311** businesses.



**41%** were **SMALL BUSINESSES**

**40%** were **MID-SIZED BUSINESSES**

**19%** Large Businesses

**31%** were based in **WESTERN CANADA**

**20%** in **ONTARIO**

**43%** in **QUEBEC**

**6%** in **ATLANTIC CANADA**