ECONOMIC VIEWPOINT

Recent Changes to Metal Product Tariffs Are Creating Challenges for Manufacturers

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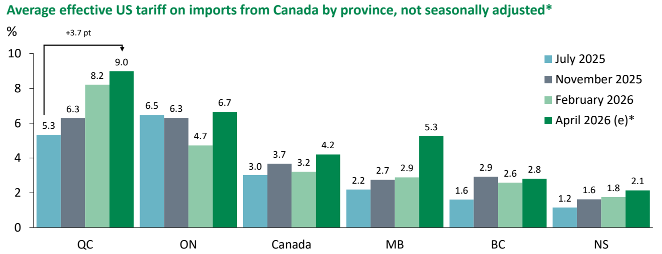
The US administration's tariff policies have hit Quebec harder than the rest of Canada until now. And things are likely to get even tougher on the heels of the latest changes to tariffs on metal products that took effect on April 6. These changes have flown under the radar somewhat due to other political news and the conflict in Iran, but we think it's important to keep an eye on them. Manufacturing companies could see their situation worsen.

More than a year after the US launched its hostile trade policy, Canada continues to absorb the impact on its economy. The fallout has been particularly apparent in Quebec, where the average effective tariff on exports to the United States has nearly doubled since July and is twice as high as the Canadian average. We think that Quebec's average effective tariff likely rose to 9.0% in April 2026 due to changes in tariffs on metals, compared to 5.3% in July of last year (graph 1). At an estimated 6.7% in April, Ontario probably has the second-highest tariff rate, while the Canadian average is likely close to 4.2%. However, while Ontario's effective tariff is lower than Quebec's, the negative impact on Canada's most populous province should not be underestimated. Ontario's exports of tariffed goods have plummeted in recent months, with the composition effect partly behind the decline in the province's effective tariff. We believe

Graph 1
Quebec's Average Effective Tariff Rate Will Likely Hit 9% in April, Compared to 5% Last July
Average effective US tariff on imports from Canada by province, not seasonally adjusted*



(e): estimate; * Estimate based on February 2026 customs data, if April's export basket components (%) are stable. Average effective tariff rate based on duties calculated at the HS6 level, scaled by provincial exports to the United States. These figures include general tariffs (IEEPA, Section 122) and sector-specific tariffs (Section 232); and exclude countervailing and anti-dumping duties on softwood lumber.

Statistics Canada, U.S. International Trade Commission and Desjardins Economic Studies

Manitoba is likely to suffer the largest tariff increase as a result of these changes because of its exports of several metal-based products.

Recent Changes Have Broadened the Tariff Scope

Prior to the White House's latest proclamation, the sector-specific tariffs on steel, aluminum and copper levied under Section 232 of the *Trade Expansion Act* were essentially targeting primary metals and the metal content of certain manufactured products. Specifically, a 50% tariff was levied on the value of primary metals shipped to the United States or on the steel, aluminum and copper content of select derivative products.

The stated objective of the new proclamation, which took effect on April 6, is to simplify the application of steel, aluminum and copper tariffs, especially for derivative products. Rather than calculating the value of the metal content in each product, a lower 25% tariff will now be applied to the entire value of the derivative product. The tariff on primary metals remains at 50% (box 1 on page 2). However, there are exemptions and a refund procedure available in some cases (box 2 on page 3).

Metal Product Manufacturers Are the Biggest Losers

This steel, aluminum and copper tariff reform significantly increases the number of exporting companies affected by any sector-specific tariff. These tariffs apply to a broad range of manufactured products. We estimate that about a quarter

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BOX 1
Sector-Specific Tariffs and the Order in Which They Are Applied

Table A summarizes the various sector-specific tariffs in effect, in the order in which they are applied. These tariffs do not stack with each other. There are also general tariffs that apply to products that do not comply with the Canada-United States-Mexico Agreement (CUSMA) and that are not affected by sector-specific tariffs. Prior to the US Supreme Court's February 20 decision, these general tariffs were 35%,[1] under the *International Emergency Economic Powers Act* (IEEPA). Since February 24, a 10% across-the-board tariff has applied, pursuant to Section 122 of the *Trade Act* of 1974.

Table A
US Sector-Specific Tariffs on Canadian Products

Sector-specific tariff*	Targeted products	What the tariff applies to	Tariff %
Automobiles and heavy vehicles	Automobiles and heavy vehicles	If CUSMA-compliant: on non-US content (otherwise on the total value)	25
	Buses	On the total value	10
	Automobile and heavy vehicle parts	If not CUSMA-compliant	25
		If CUSMA-compliant: metal tariffs	25
Steel, aluminum and copper	Primary metals	On the total value	50
	Manufactured products (finished or semi-finished)	On the total value	25
		On the total value	15**
Wood	Softwood lumber	On the total value	10***
	Upholstered wood products and wood kitchen cabinets	On the total value	25

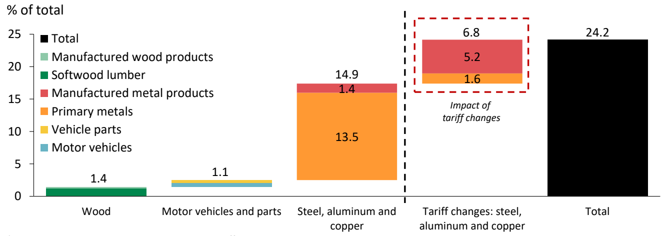
* Presented in order of application and priority; with exceptions, sector-specific tariffs and tariffs under Section 122 (general tariffs) cannot be stacked; ** Reduced tariff until December 31, 2027, for industrial items included in Annex III; *** Excludes anti-dumping and countervailing duties, which have been 35% since mid-August 2025.
White House and Desjardins Economic Studies

As shown in the table, tariffs on steel, aluminum and copper take precedence over tariffs on wood and general tariffs. In contrast, tariffs on steel, aluminum and copper do not apply to products subject to tariffs on motor vehicles (including heavy trucks, buses and most small motor vehicles). However, if the product in question is exempt from vehicle parts tariffs by virtue of its compliance with CUSMA, it then becomes subject to metal tariffs (provided that it falls under that scope). Prior to April 6, a 50% tariff applied to the value of a product's metal content. As of April 6, a 25% tariff applies to the total value of the product.

[1] Also known as fentanyl tariffs. These tariffs were originally 25% but were increased to 35% on August 1, 2025.

of Quebec's exports are now subject to sector-specific tariffs (graph 2). Prior to April 6, 17.4% of exports were affected. This means nearly 7% of Quebec's exports to the United States were added to the list of tariffed products in April.

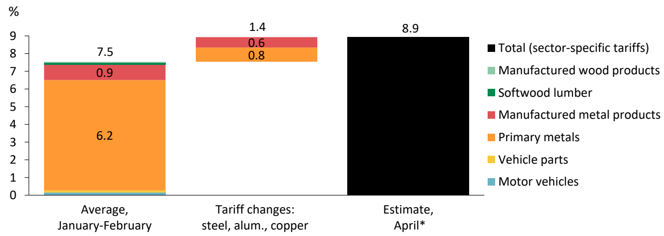
Graph 2
Nearly a Quarter of Quebec's Exports to the United States Are Now Subject to Sector-Specific Tariffs
Percentage of Quebec exports to the United States subject to US sector-specific tariffs, April 2026*



* Estimate based on February data and changes effective April 6. Non-seasonally adjusted data. Dutiable value refers to the value of exports subject to tariffs.
U.S. International Trade Commission, White House, Global Affairs Canada and Desjardins Economic Studies

Unsurprisingly, these changes also raise the average effective tariff. In Quebec, the increase is estimated at 1.4 percentage points, and the effective tariff is now likely close to 9% (graph 3). Primary metal manufacturers remain acutely impacted, as they are subject to 50% tariffs, but manufacturers of finished and semi-finished products are now also having to contend with a

Graph 3
Metals and Metallic Products Account for the Vast Majority of the Effective Tariff That Quebec Exporters Face
Contribution of sector-specific tariffs to the effective tariff rate, Quebec, April 2026*



* Estimate based on January/February data and changes effective April 6. Non-seasonally adjusted data. Dutiable value refers to the value of exports subject to tariffs. These data exclude IEEPA tariffs and softwood lumber anti-dumping and countervailing duties.
U.S. International Trade Commission, White House, Global Affairs Canada and Desjardins Economic Studies

25% tariff. Details of the impact on Canada (effective tariff up 1.5 points), Ontario (up 2.3 points) and Manitoba (up 3.0 points) are also available in the Appendix on page 6.

The changes are particularly painful for companies manufacturing high value-added products. To illustrate this point, let's compare the price paid for three fictional products, all valued at $10,000 (figure 1 on page 3). Product A is a higher value-added product with only 20% metal content by value and was previously subject to a $1,000 tariff. As of April 6, the same product is subject to a $2,500 tariff. Product B has about 50% metal content by value and faces the same tariff now as before. Product C has a very high metal content by value and now incurs a lower tariff.

BOX 2

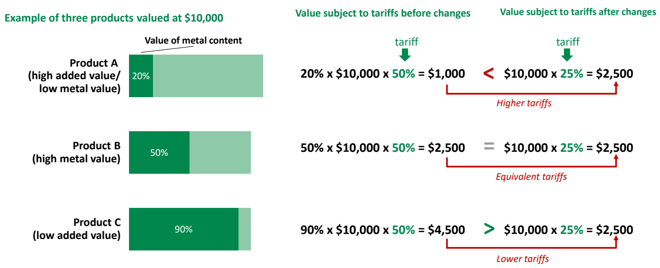
New Tariffs ... and Exemptions

The latest proclamation expanded the list of tariffed products, but there are still several tariff exceptions for metal-based products, such as civil aircraft products, some products of strategic importance to the government and sports products. There's also a category of specific industrial products—primarily inputs for growing industries in the United States, such as data centres and the electric power grid—where a 15% tariff will apply until the end of 2027. Products whose metal content is less than 15% of their weight will not incur any tariffs. Previously, metal containers (such as beer cans) were subject to tariffs, but duties are now only levied if the containers are empty. Finally, derivative articles made with US steel, aluminum or copper, which were previously exempt, are now subject to a 10% tariff. However, complying with this exemption will be challenging.

US importers will be able to apply for a manufacturing drawback—a type of refund of tariffs paid on inputs used to manufacture products that are later re-exported—provided the inputs come from the United Kingdom, the European Union, Japan, South Korea, Mexico, Canada or any trading partner with which the US has entered into a definitive reciprocal trade agreement. All of the input's metal content must also be smelted and cast in one of these countries. This refund mechanism seems more feasible for auto industry suppliers.

Figure 1

Higher Value-Added Metallic Products Are Most Affected



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However, there is a caveat for some products with a high metal content by value. The presidential proclamation issued in early April also includes product categorization adjustments. Some products that were previously considered fabricated metal derivatives are now categorized as primary metal products, and so are subject to a 50% tariff. This includes springs and some alloy plumbing pipes.

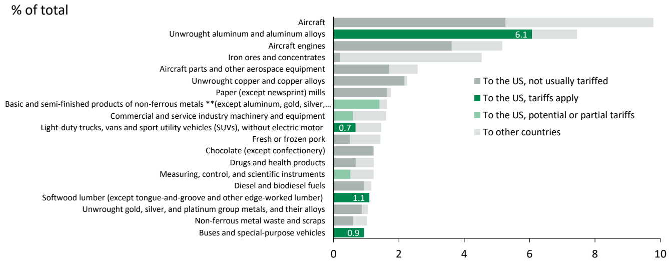
Exports Have Fallen Under Tariffs, and the Downtrend Is Likely to Continue

As we remarked in a note published a year ago, many Quebec industries are highly dependent on trade with the United States. It therefore comes as no surprise that exports have fallen significantly since tariffs were introduced. In Quebec, the decline has been more pronounced for heavily tariffed products than for non-tariffed ones.

Tariffs apply to four major product categories that account for 9% of Quebec's exports, namely: primary aluminum, softwood lumber, light trucks and buses (graph 4 on page 4). Here's how they've fared, year-over-year, since the pre-tariff period (January-February 2025) (graph 5 on page 4):

- Quebec softwood lumber exports, which are primarily destined for the US, have fallen (-37.5% in constant dollars). This industry is subject to a total duty rate of 45%, derived from tariffs of 10% and combined countervailing and anti-dumping duties (CVD/ADD) of 35%. In fact, with CVD/ADD added to existing sector-specific tariffs, the average effective tariff rate applicable to Quebec exports to the US is actually closer to 9.5% (graph 6 on page 4).
- Primary aluminum export volumes have receded 29.6%. However, there has been an uptick in export volumes to the US in recent months.
- Exports of light trucks and buses are down 52.8% and 6.9%, respectively, as both products are subject to sector-specific tariffs.
- Export volumes of non-ferrous metals and alloys have plunged 74.3%, mainly due to the dramatic drop-off in US-bound copper wire exports that began last August when tariffs on copper took effect.

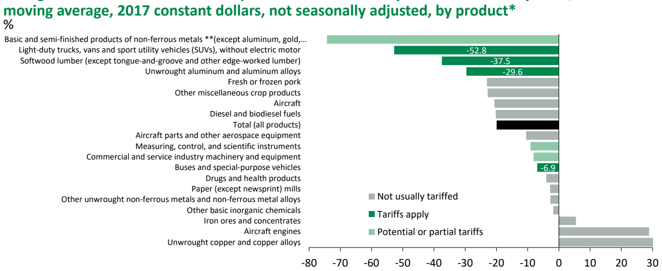
Graph 4
Tariffs Apply to Four Major Product Categories Accounting for 9% of Quebec's Exports (Aluminum, Wood, Trucks, Buses)
Quebec's Leading Merchandise Exports, 2025, current dollars, by product*



* Top 19 exported products (NAPCS 2022), excluding special transactions; ** Includes copper wire, tariffed since August.
Institut de la statistique du Québec, Statistics Canada and Desjardins Economic Studies

Graph 5
Quebec Export Volumes of Tariffed Products Are Down Sharply

Changes in Quebec merchandise exports between February 2025 and February 2026, 2-month moving average, 2017 constant dollars, not seasonally adjusted, by product*



* Top 19 products (NAPCS 2022) exported to the United States; ** Includes copper wire, tariffed since August.
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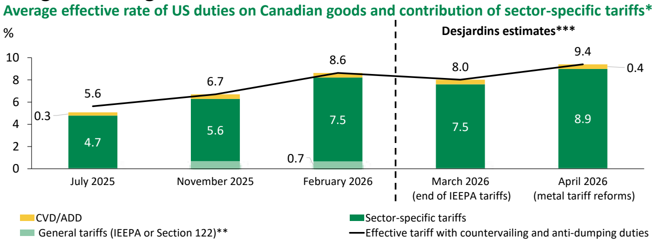
Graph 6
Sector-Specific Tariffs Combined with Softwood Lumber Duties Would Bring the Average Rate to More than 9% in Quebec
Average effective rate of US duties on Canadian goods and contribution of sector-specific tariffs*

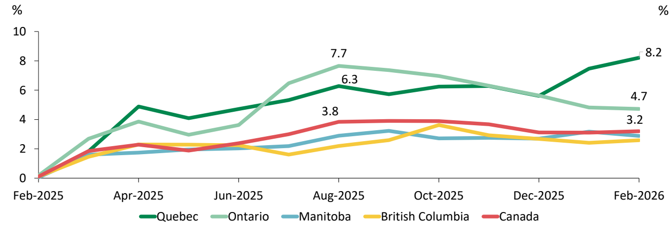


* Sector-specific tariffs refer to Section 232 duties on automobiles, aluminum, steel, copper and wood products. CVD/ADD: Anti-dumping and countervailing duties applied to softwood lumber; ** Refers to the IEEPA (North) general tariffs or Section 122 tariffs; *** Desjardins estimate based on February 2026 customs data, assuming that March and April export basket components (%) are stable.
U.S. International Trade Commission, Global Affairs Canada and Desjardins Economic Studies

Ontario Has Also Been Hard-Hit

While both Quebec and Ontario have seen exports fall due to tariffs, it's interesting to see a significant difference between Quebec and Ontario (graph 7). The drop in demand has been so steep in Ontario that the effective rate actually came down between August 2025 and February 2026, due to the composition effect. This means the volume effect exceeded the tariff-related price effect. In Quebec, the volume effect (downside) has been less impactful overall than the price effect (upside).

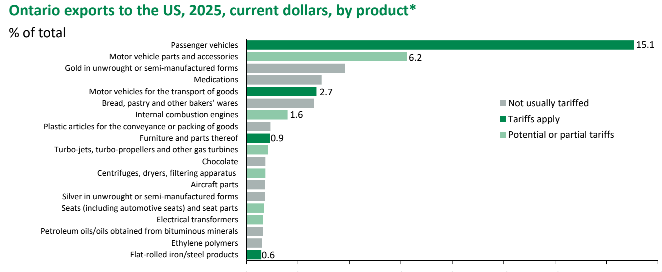
Graph 7
Since August, the Effective Tariff Has Been Trending Down in Ontario, but Not in Quebec
Average effective US tariff on exports from Canada by province, not seasonally adjusted*



* These figures include general tariffs (IEEPA, Section 122) and sector-specific tariffs (Section 232); and exclude countervailing and anti-dumping duties on softwood lumber.
Statistics Canada, U.S. International Trade Commission and Desjardins Economic Studies

In Ontario, automotive sector exports—which accounted for a quarter of the province's US-bound shipments in 2025—have fallen, with particularly damaging effects (graphs 8 and 9). Rolled steel exports have also dropped by more than 60% from a year ago. The changes introduced on April 6 are likely to add further pressure on auto parts (6% of exports), as these products typically contain metal—unless US importers can offset the duties through manufacturing drawbacks (box 2 on page 3).

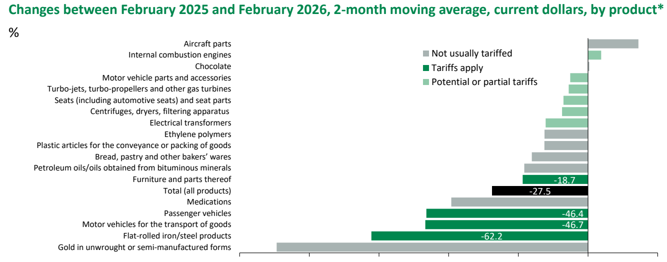
Graph 8
Motor Vehicles and Parts Accounted for a Quarter of Ontario Exports to the United States in 2025
Ontario exports to the US, 2025, current dollars, by product*



* Top 19 products (4-digit HS codes) exported to the United States, in current dollars, excluding special transactions.
Statistics Canada, Innovation, Science and Economic Development Canada and Desjardins Economic Studies

Graph 9
Ontario Exports to the United States Have Fallen Across the Board

Changes between February 2025 and February 2026, 2-month moving average, current dollars, by product*



* Top 19 products (4-digit HS codes) in 2025, in current dollars, excluding special transactions. Non-seasonally adjusted data.
Statistics Canada, Innovation, Science and Economic Development Canada and Desjardins Economic Studies

The Changes Could Erode the Economic Fabric in Some Regions

In Quebec, the Chaudière-Appalaches and Centre-du-Québec regions have the highest concentration of manufacturers in at-risk industries, but many other areas are also threatened. That said, not all businesses in these sectors are going to face difficulties. Some don't export to the United States, while others derive only a limited share of their sales from the US market. Plus, many products aren't subject to tariffs. In Ontario, the new measures are expected to hit the province's southwestern region especially hard, given its high concentration of auto parts manufacturers. Hamilton and Sault Ste. Marie, which are home to much of Ontario's metal production, will also be affected.

Fortunately for Quebec, the aeronautics sector is exempt from tariffs under World Trade Organization Agreement on Trade in Civil Aircraft. But things aren't as good for its automotive industry. While Quebec's automobile sector is smaller than Ontario's, the province is home to manufacturers of all terrain vehicles, buses, trucks and vehicle components. The tariff changes could result in higher duties on automotive parts containing metal, with higher value-added products most affected. While the impact may be mitigated if US importers can recover tariffs on parts used in re-exported products (box 2 on page 3), refund systems are often complex and can represent a significant administrative burden, particularly for SMEs.

Companies producing metal or goods with significant metal content accounted for about 4.5% of Quebec's real GDP in 2024, as well as a similar share of employment. In Quebec, approximately 170,000 people work in manufacturing industries that could be affected by these tariff changes, compared with about 300,000 in Ontario. These figures exclude workers in aerospace manufacturing, which is not subject to metal tariffs, as well as those in motor vehicle manufacturing, which is primarily subject to automotive-specific tariffs.

Conclusion

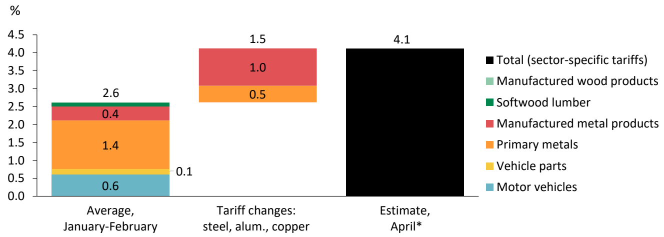
The Section 232 tariff overhaul appears to expand the reach of metal tariffs rather than streamline their administration. By extending high duties to a wide range of manufactured products containing steel, aluminum and copper, the measure effectively renders the concept of sector-specific tariffs meaningless. The scale and diversity of affected goods point to a shift toward broad, industry-wide tariffs, with protectionism moving beyond isolated upstream sectors and extending to much of the industrial value chain. These tariffs also erode CUSMA's efficiency. While some countries have recently negotiated trade agreements with the US, none has secured a full exemption from sector-specific tariffs. Whether Canada and Mexico can secure such waivers remains to be seen, but it would likely require major concessions.

At the macroeconomic level, we don't believe the shock from the updated metal tariffs will be sufficient to materially weaken the Canadian economy as a whole. The impact of the changes is likely to be greatest in Quebec, Ontario and Manitoba, while remaining largely confined to the manufacturing sector. And while some regions may be hit harder than others, the broader concern is that the tariff tweak could prolong the slowdown in economic growth and leave the economy more sensitive to additional shocks, such as higher oil prices and greater financial-market volatility.

Appendix

Graph 10
The Updated Tariffs Will Weigh More Heavily on Canadian Finished and Semi-Finished Metal Products

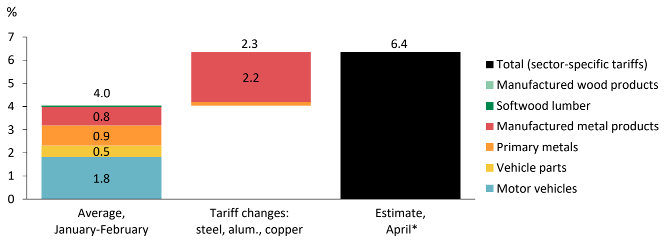
Contribution of sector-specific tariffs to the effective tariff rate, Canada, April 2026*



* Estimate based on January/February data and changes effective April 6. Non-seasonally adjusted data. Dutiable value refers to the value of exports subject to tariffs. These data exclude IEEPA tariffs and softwood lumber anti-dumping and countervailing duties.
U.S. International Trade Commission, White House, Global Affairs Canada and Desjardins Economic Studies

Graph 11
Tariff Reforms on Metal Products Will Likely Push Ontario's Effective Rate 50% Higher

Contribution of sector-specific tariffs to the effective tariff rate, Ontario, April 2026*



* Estimate based on January/February data and changes effective April 6. Non-seasonally adjusted data. Dutiable value refers to the value of exports subject to tariffs. These data exclude IEEPA tariffs and softwood lumber anti-dumping and countervailing duties.
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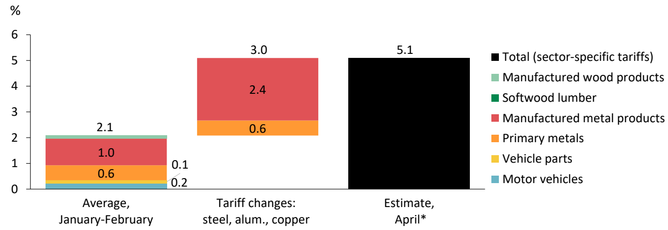
Graph 12
Manitoba Is Expected to See the Largest Increase in Its Effective Tariff Rate Following the April Changes

Contribution of sector-specific tariffs to the effective tariff rate, Manitoba, April 2026*



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