

ECONOMIC VIEWPOINT

# Assessing the Vulnerability of Quebec's Regions to US Tariffs One Year Later

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## Introduction

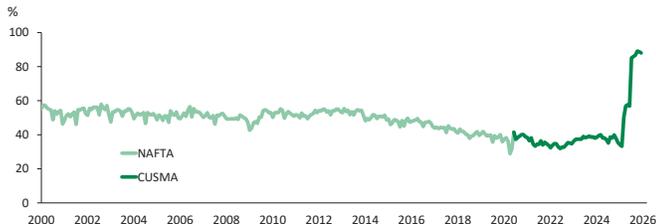
A lot has changed over the past year. While uncertainty remains high, the latest data provides a clearer picture of how US–Canada trade tensions are affecting Quebec's regional economies. While some of the risks we identified in our [previous analysis](#) (in French only) have materialized, the overall economic impact of US tariffs appears to be less severe than expected for most of Quebec's regions, due in large part to the fact that the majority of Canadian exports to the United States are tariff-exempt under the Canada-United States-Mexico Agreement (CUSMA) (graph 1).

**Table 1**  
Sector-Specific Tariffs Have Become the Norm

Sector-specific tariff*	Targeted goods	What the tariff applies to	Tariff %
Automobiles and heavy vehicles	Finished automobiles and heavy vehicles	If CUSMA-compliant: on non-US content (otherwise on the total value)	25
	Finished buses	On the total value	10
	Automobile and heavy vehicle parts	Only if not CUSMA-compliant**	25
Steel and aluminum	Primary metals (input)	On the total value	50
	Derivative products (finished or semi-finished)	Only on metal content	50
Copper	Derivative products (finished or semi-finished)	Only on metal content***	50
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. Aside from certain categories, sector-specific and REPR (Bonnay/Notzang) tariffs cannot be stacked.  
 \*\* Not applicable (0%) if CUSMA-compliant. Steel and aluminum tariffs may still apply.  
 \*\*\* Exemptions: The REPR may apply to non-metal content.  
 \*\*\*\* Effective January 1, 2026, the tariff is 30% for upholstered products and 50% for cabinets.  
 The White House and Desjardins Economic Studies

**Graph 1**  
The Share of CUSMA-Compliant Canadian Exports to the United States Has Grown Significantly  
Share of Canadian exports to the United States that meet NAFTA or CUSMA rules of origin



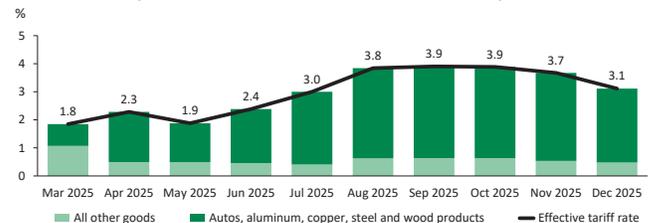
NAFTA: North American Free Trade Agreement (January 1994–June 2020); CUSMA: Canada-United States-Mexico Agreement (since July 2020)  
 U.S. International Trade Commission and Desjardins Economic Studies

That said, some industries that had a positive outlook last year are facing higher tariffs than anticipated. The reason for this is sector-specific tariffs, which offer very few exemptions. Some of the products targeted by these tariffs play a significant role in Quebec's economy. They include aluminum, steel, copper, lumber, wood products, trucks and buses, which are major economic drivers in several Quebec regions (table 1).

These sector-specific tariffs make up the bulk of the effective tariffs currently applied to Canadian exports to the United States (graph 2). Against this backdrop, Quebec has emerged as one of the provinces hardest hit so far by the US trade war (graph 3 on page 2).

**Graph 2**  
Sector-Specific Tariffs Represent 80% of the Effective Tariff Rate

Share of sector-specific tariffs vs. US effective rate on Canadian imports



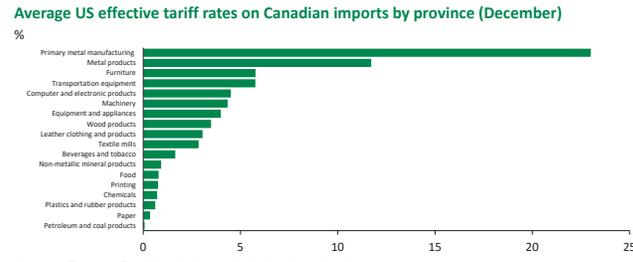
NOTE: Sector-specific tariffs refer to tariffs on autos, aluminum, copper, steel and wood products. The sharp decline in December is largely attributable to a strong seasonal spike in aircraft exports.  
 United States International Trade Commission and Desjardins Economic Studies

**BOX**  
**Methodology**

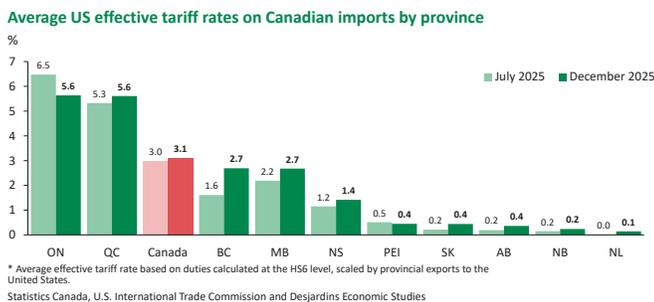
Using the most recent industry-level GDP data for Quebec’s regions (2023), we can paint a detailed picture of the sectoral makeup of Quebec’s regional economies. Based on customs data compiled by the United States International Trade Commission on Canadian exports to the United States, we are able to estimate an effective tariff rate. First we calculate the rate by industry (graph 4). We then factor in each industry by its share of regional output to assess the region’s vulnerability to the US trade war. Since our analysis relies on GDP data, we cannot produce an exact estimate of effective tariffs for each region. Doing so would have required full sectoral trade data for regional exports to the United States, which unfortunately isn’t available.

Because regional GDP statistics contain a large amount of confidential data, we’re unable to generate sufficiently reliable estimates for **Nord-du-Québec** and **Gaspésie-Îles-de-la-Madeleine**.

**Graph 4**  
**Sector-Specific Tariffs Affect a Number of Manufacturing Sub-Sectors**



**Graph 3**  
**Ontario and Quebec Are Particularly Exposed to US Tariffs**



Like the provinces, Quebec’s regions have very different industrial profiles, resulting in uneven exposure to sector-specific tariffs. To address this, we developed a new index to measure the potential impact of tariffs on the economies of Quebec’s administrative regions. This index takes into account the unique industrial structure of each region and its level of exposure to sector-specific tariffs (table 2). See the box to learn about the methodology used.

**Highly vulnerable regions: Saguenay-Lac-Saint-Jean, Abitibi-Témiscamingue, Côte-Nord and Laurentides**

The regions most severely affected by tariffs remain largely the same as those that were identified as vulnerable one year ago, namely **Côte-Nord**, **Saguenay-Lac-Saint-Jean** and **Abitibi-Témiscamingue**, with **Laurentides** also now among them. These regions’ greater exposure to industries directly

targeted by sector-specific tariffs results in higher tariff levels than in other regions of the province. With manufacturing concentrated in just a few sub-sectors, these regions are more vulnerable economically.

**Table 2**  
**Vulnerability Index for Quebec Regions**

Administrative region	Vulnerability index
Saguenay-Lac-Saint-Jean	●
Abitibi-Témiscamingue	●
Côte-Nord	●
Laurentides	●
Montérégie	●
Centre-du-Québec	●
Chaudière-Appalaches	●
Montréal	●
Laval	●
Bas-Saint-Laurent	●
Estrie	●
Mauricie	●
Lanaudière	●
Capitale-Nationale	●
Outaouais	●
Gaspésie-Îles-de-la-Madeleine	N/A
Nord-du-Québec	N/A

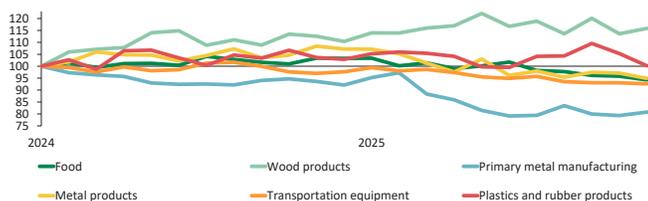
N/A: Data not available  
Institut de la statistique du Québec and Desjardins Economic Studies

As anticipated, producers of primary metals (steel and aluminum) and wood products are highly exposed to US tariffs. In the case of aluminum, even though Quebec’s smelters are faring relatively well given that US buyers have few alternatives, the effective tariff remains high at around 50%. Several companies in the sector have started diversifying their markets by boosting exports to Europe, helping strengthen their resilience. In the steel sector, substitution risks are higher, which amplifies the vulnerability of metal product manufacturers. These companies face declining US demand stemming from sector-specific tariffs.

Primary metal manufacturing plays a key role in the economies of several regions, particularly aluminum in **Saguenay–Lac-Saint-Jean**, copper in **Abitibi-Témiscamingue** and iron in **Côte-Nord**. Consequently, the tariff levels in these three regions are higher than the provincial average. Tariffs have taken a significant toll on production in this sub-sector (graph 5). Forestry is also an important sector in these regions. Countervailing and anti-dumping duties on lumber doubled last August to reach 35%, with the US administration adding an additional 10% tariff in October. This means Quebec’s lumber exporters face a total trade barrier of roughly 45%. The slowdown this causes for sawmills also ripples upstream to forestry operations.

**Graph 5**  
**Growth in the Primary Metal Manufacturing Sub-Sector Is the Slowest Since the Beginning of 2025**

Real GDP by industry, January 2024 to November 2025 (selected manufacturing sub-sectors)  
 January 2024 = 100



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In the **Laurentides** region, the transportation equipment manufacturing sub-sector accounts for over 40% of manufacturing activity. The region’s tariff level is relatively high compared to the provincial average, as it incorporates part of the sector-specific duties on cars and heavy vehicles. From producers of buses and heavy trucks to makers of related products, many businesses in the region are affected by these measures. These products may also be partly subject to metal tariffs. However, Laurentides differs from resource-heavy regions because its economy is more diversified, which partially offsets its vulnerability even as it remains more exposed than several other regions in Quebec.

### Vulnerable regions: **Montérégie, Centre-du-Québec, Chaudière-Appalaches and Montreal**

These regions face slightly lower exposure to sector-specific tariffs than those in the “highly vulnerable” category, but they are still more affected than the provincial average.

As in Laurentides, the production of transportation equipment plays an important role in **Montérégie** and **Montreal**, though to a lesser extent. This explains their moderate though still substantial exposure to sector-specific tariffs targeting this industry. Montreal, where some primary processing of metals takes place, faces greater direct exposure to the tariffs imposed on these products.

Tariffs on products made from steel and aluminum affect a much wider range of industries. For example, many food products exported to the United States such as candy, frozen juices, condensed dairy products, coffee and syrups use packaging made from metal-derived materials. As a result, these goods are partially subject to 50% tariffs on metal derivatives, at least for the portion of their value that comes from the metal content. Food manufacturing accounts for a relatively large share of total production in **Montérégie, Montreal, Centre-du-Québec** and **Chaudière-Appalaches**, contributing to higher tariffs for these regions.

Sector-specific tariffs on metals also partially apply to certain products classified under machinery, an important industry in **Centre-du-Québec**, as well as to metal products, a key manufacturing sub-sector in **Chaudière-Appalaches**.

### Moderately vulnerable regions: **Laval, Bas-Saint-Laurent, Estrie, Mauricie and Lanaudière**

Moderately vulnerable regions face tariffs roughly in line with the provincial average. These regions mainly export CUSMA-compliant products to the United States, which are exempt from tariffs, although some of their manufacturing sub-sectors are subject to sector-specific tariffs.

Like other areas in Greater Montreal, **Laval** is home to transportation equipment manufacturers, though their share of the local economy is more limited. Because of this lower reliance, sector-specific tariffs have a smaller effect on Laval’s total exports.

However, food production plays a significant role in **Laval, Bas-Saint-Laurent, Estrie, Mauricie** and **Lanaudière**, which somewhat adds to their vulnerability for the reasons noted above. While most food products comply with CUSMA rules, notable exceptions remain, particularly for products that do not meet certain administrative requirements, such as coffee and cocoa, making them ineligible for exemptions. The effective tariff applied to these two products is therefore much higher, with

coffee at nearly 19%. As a result, a major producer in **Estrie**, Café William, has shifted most of its production to the United States to mitigate the impact of tariffs.

The presence of other manufacturing sub-sectors also leaves these regions more vulnerable. Wood product manufacturing in **Bas-Saint-Laurent** and machinery production in **Estrie** increase the exposure of local economies to sector-specific tariffs on metals and wood products, which may partially apply.

In **Lanaudière**, the main manufacturing sub-sector is plastics and rubber products manufacturing. At first glance, these products appear to be largely CUSMA-compliant and therefore exempt from tariffs. However, automotive tires produced in the region are subject to sector-specific tariffs on auto parts. Although these products are currently CUSMA-compliant, the slowdown in Canada's automotive industry is having a negative impact on tire manufacturers.

### Least vulnerable regions: Capitale-Nationale and Outaouais

Capitale-Nationale and Outaouais are only minimally affected by tariffs and trade tensions with the United States, mainly due to the limited role of manufacturing in their economies.

That said, the forest industry does play an important role in several regional county municipalities in **Outaouais**. As a result, these municipalities may feel the impact of the sector-specific tariffs on lumber.

Despite being in the "least vulnerable" category, these regions remain exposed to some risk. The large public sector presence around Quebec City and Ottawa-Gatineau helps reduce trade risk, though this protection has its limits. Provincial and federal government workforce reductions announced over the year could have negative effects on economic activity in these two regions.

### Conclusion

While regional vulnerability to tariffs plays a significant role, it is far from the sole determinant of economic growth. Demographics, investment and the structure of regional industries will also be key factors influencing economic growth over the coming years.

Nonetheless, sector-specific tariffs are creating tangible consequences for many regions across the province. While the magnitude of these impacts varies according to each region's industrial composition, Quebec's interconnected economy leaves no region entirely immune. Those regions whose economies rely on sectors specifically targeted by tariffs continue to be the most vulnerable and may face the most significant consequences.

The situation is rapidly evolving, and the US administration could impose additional sector-specific tariffs in the months ahead. Diversifying export markets remains the key to reducing Quebec's vulnerability to trade tensions between Canada and the United States. However, this is a gradual and often costly process that takes time to fully bear fruit. The key issue for the current year remains the [review of CUSMA](#), as its outcome will have major implications for Quebec's entire economy.