

Kingston, ON | Feb 20, 2025

# ECONOMIC OUTLOOK



Canadian  
Chamber of  
Commerce

Chambre de  
Commerce  
du Canada



Business  
Data Lab

Laboratoire de données  
sur les entreprises

**STEPHEN TAPP**

**Chief Economist and  
SVP, Research, Data and Analytics**



**Bending,  
not breaking**





# OUTLINE



- 1** Global economy
- 2** Canadian businesses and consumers
- 3** Trump's tariff threats
- 4** Kingston's economy



An abstract graphic in the top right corner consisting of two concentric circles. The outer circle is a thin white line, and the inner circle is a solid dark purple. The background is a gradient of purple and blue.

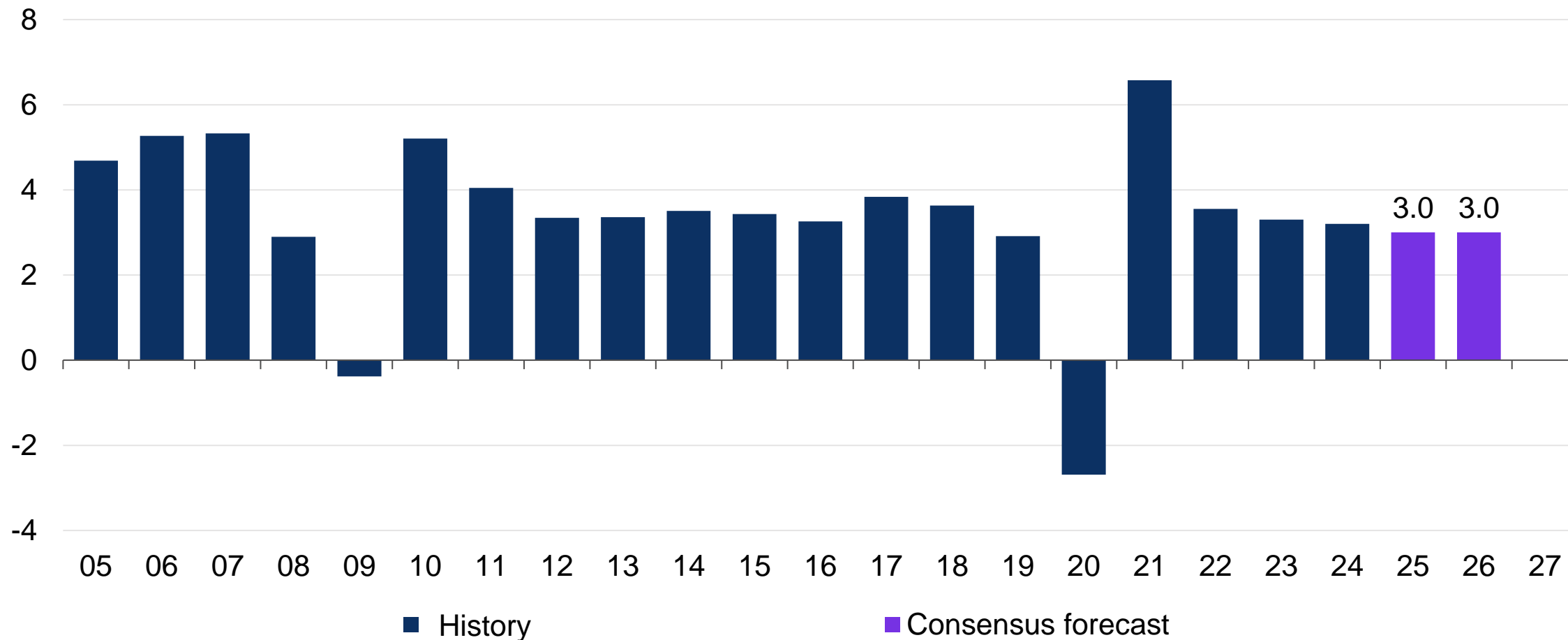
# **Global Economy**



# GLOBAL GROWTH STUCK IN NEUTRAL...

## Global GDP growth

Annual % change

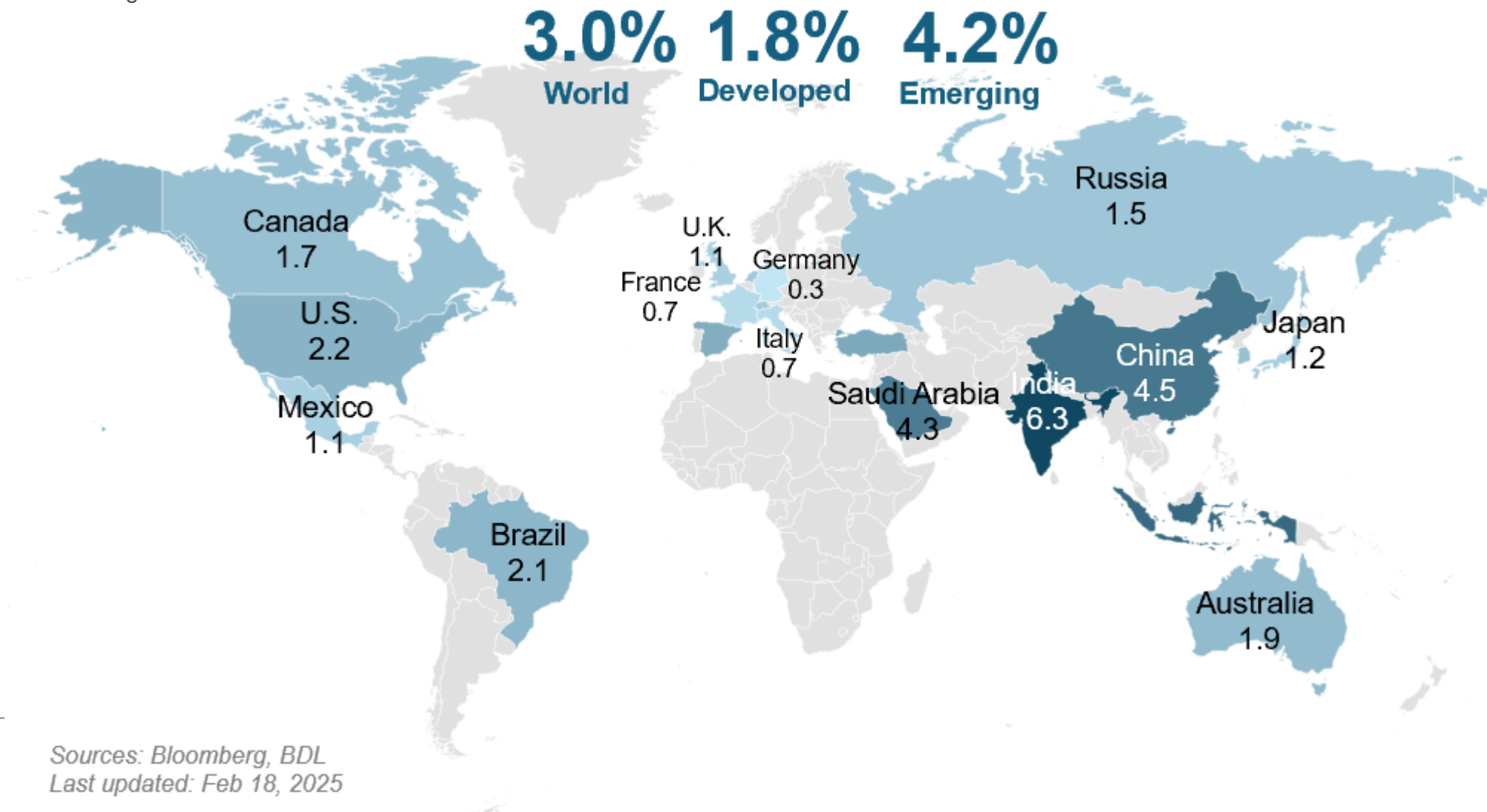


Sources: Bloomberg, BDL  
Last updated: Feb 18, 2025

# ...WITH VARIATION

## Global GDP growth forecast, 2025

Annual % change



Sources: Bloomberg, BDL  
Last updated: Feb 18, 2025

Business Data Lab

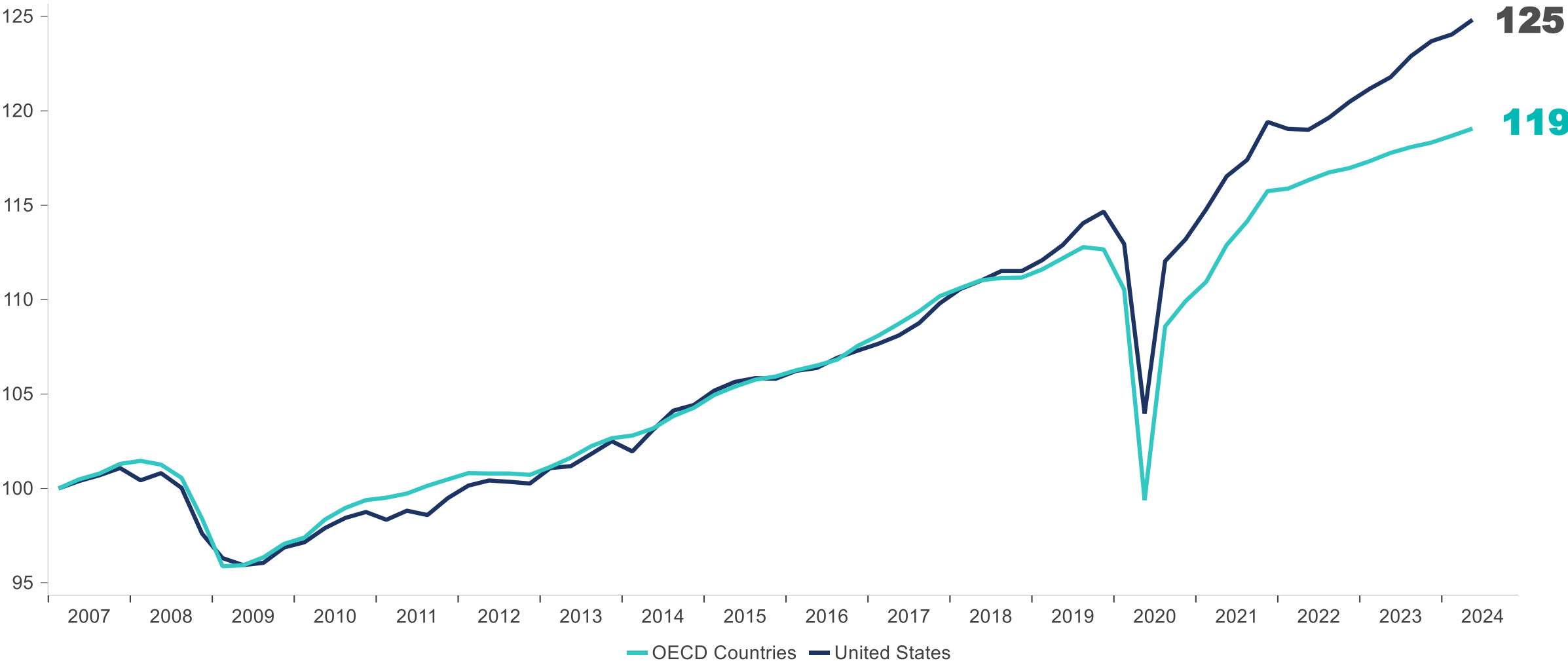




**U.S. Economy**

# U.S. EXCEPTIONALISM

Real GDP per capita  
Index, 2007Q1 = 100





**“We don’t need  
to be in a hurry  
to adjust our  
policy stance.”**

**Jerome Powell,  
U.S. Fed Chair**

**Jan 30, 2025**







# **Canada's Economy**





# BELOW POTENTIAL IN 2023 & 2024. SLIGHT PICKUP IN 2025 – *IF NO MAJOR TARIFFS.*

Canadian real gross domestic product (GDP) growth  
Chained 2012 dollars, annualized quarterly percent change



Sources: Statistics Canada historical data and Bloomberg consensus forecast as of Feb 11, 2025.

\*Estimates from Bank of Canada's *Monetary Policy Report*.



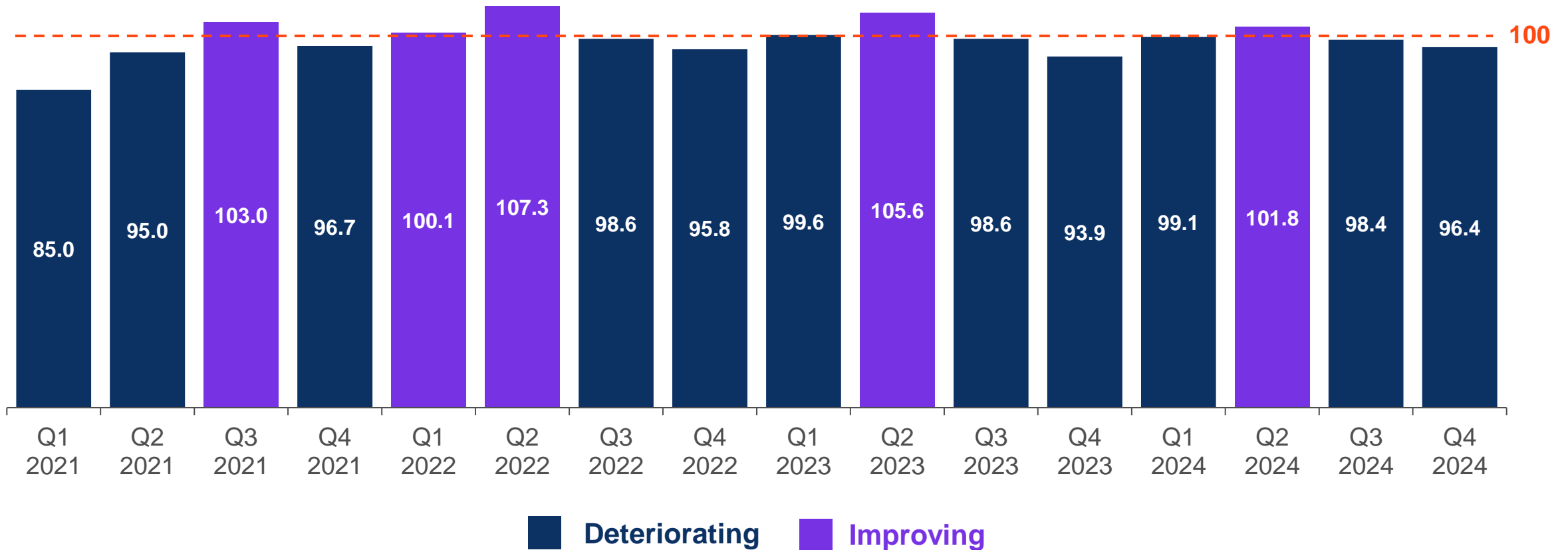
**Businesses**



# BUSINESS SENTIMENT SUBDUED BEFORE TRUMP

## Business Expectations Index

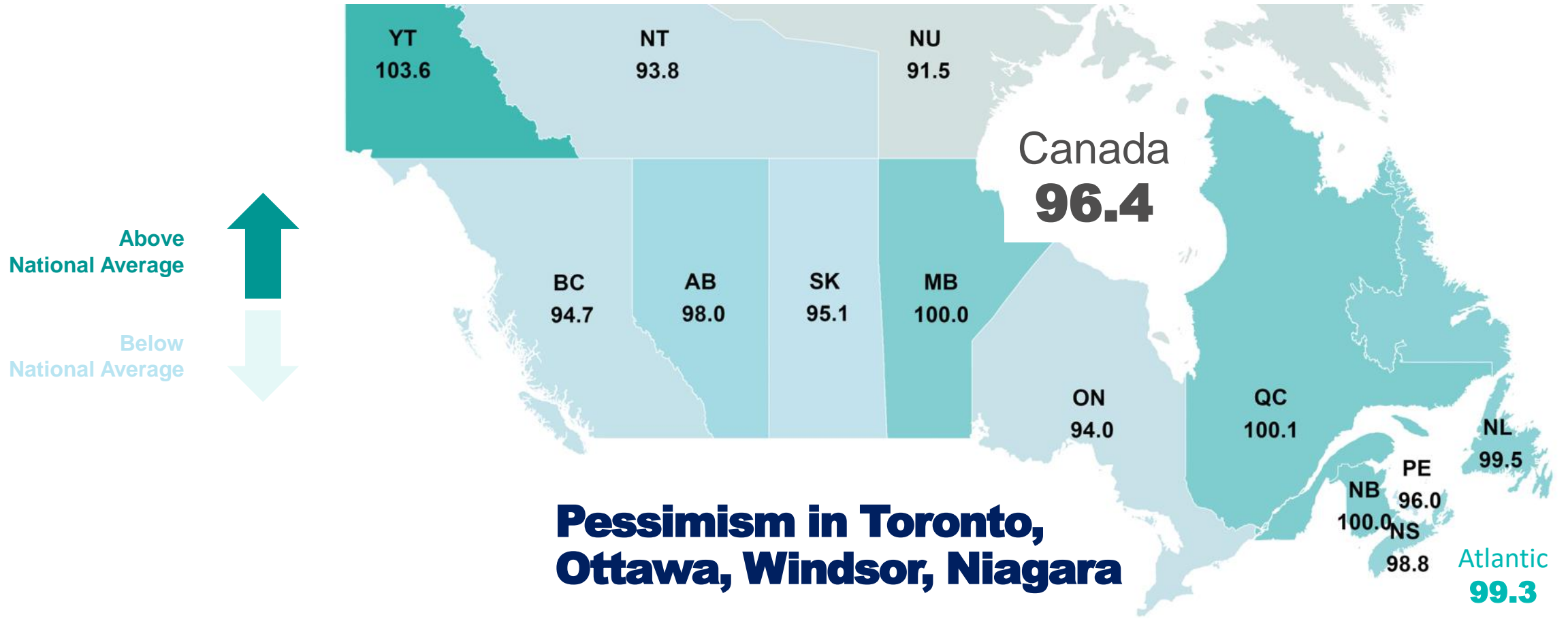
Next three months; above 100 indicates improving sentiment from the previous quarter, below 100 indicates deteriorating sentiment



# ONTARIO BACK OF THE PACK

## Business Expectations Index, provinces and territories

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

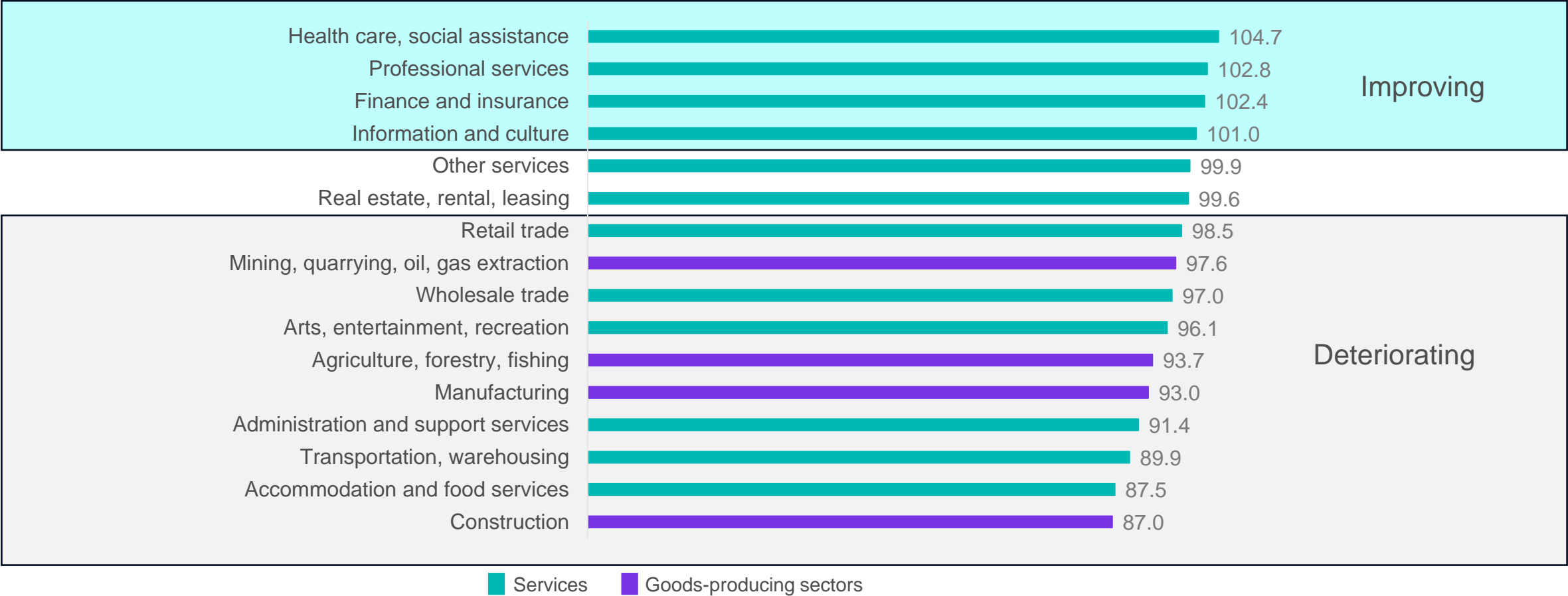




# HEALTHCARE, PROF SERVICES, FINANCE, TECH MOST OPTIMISTIC. SENTIMENT WEAK IN MOST INDUSTRIES.

## Business Expectations Index, by industry

Next three months; above 100 indicates improving sentiment, below 100 indicates deteriorating sentiment

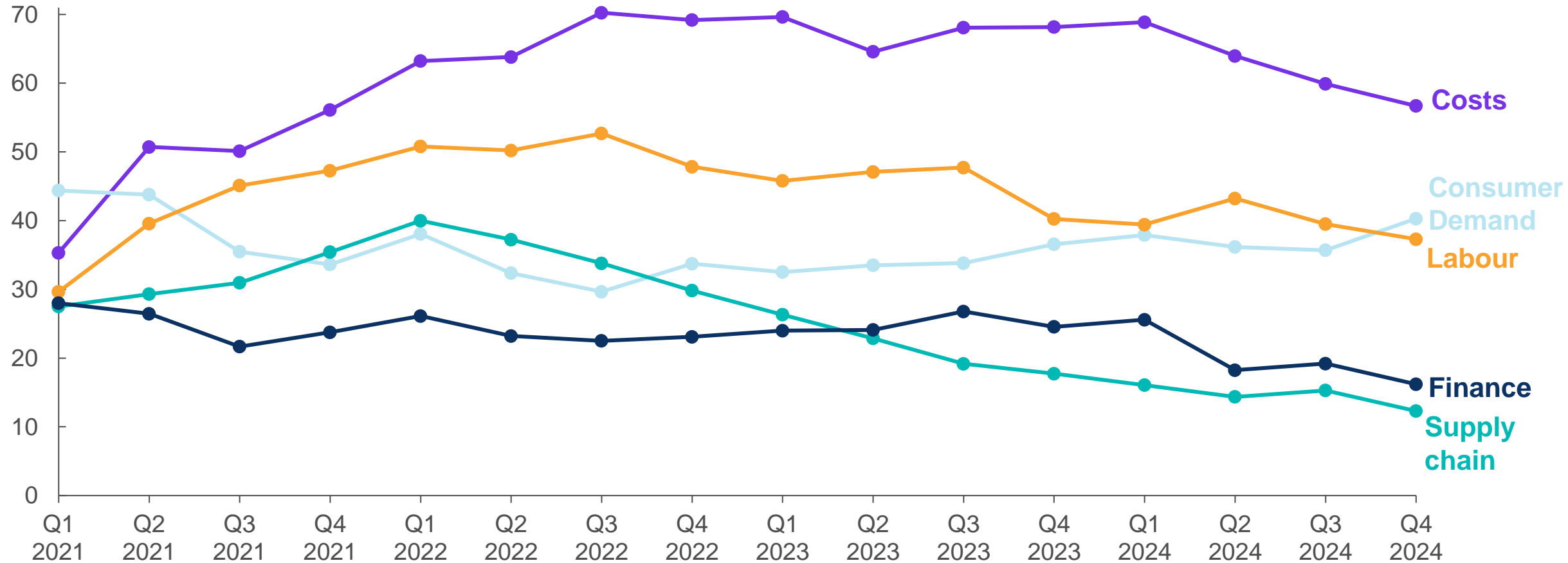


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*; 9,420 business responses in October and November 2024.



# OBSTACLES EASING, EXCEPT CONCERNS ABOUT CONSUMER DEMAND

Business obstacles expected, next three months  
% of businesses, grouped by category



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.



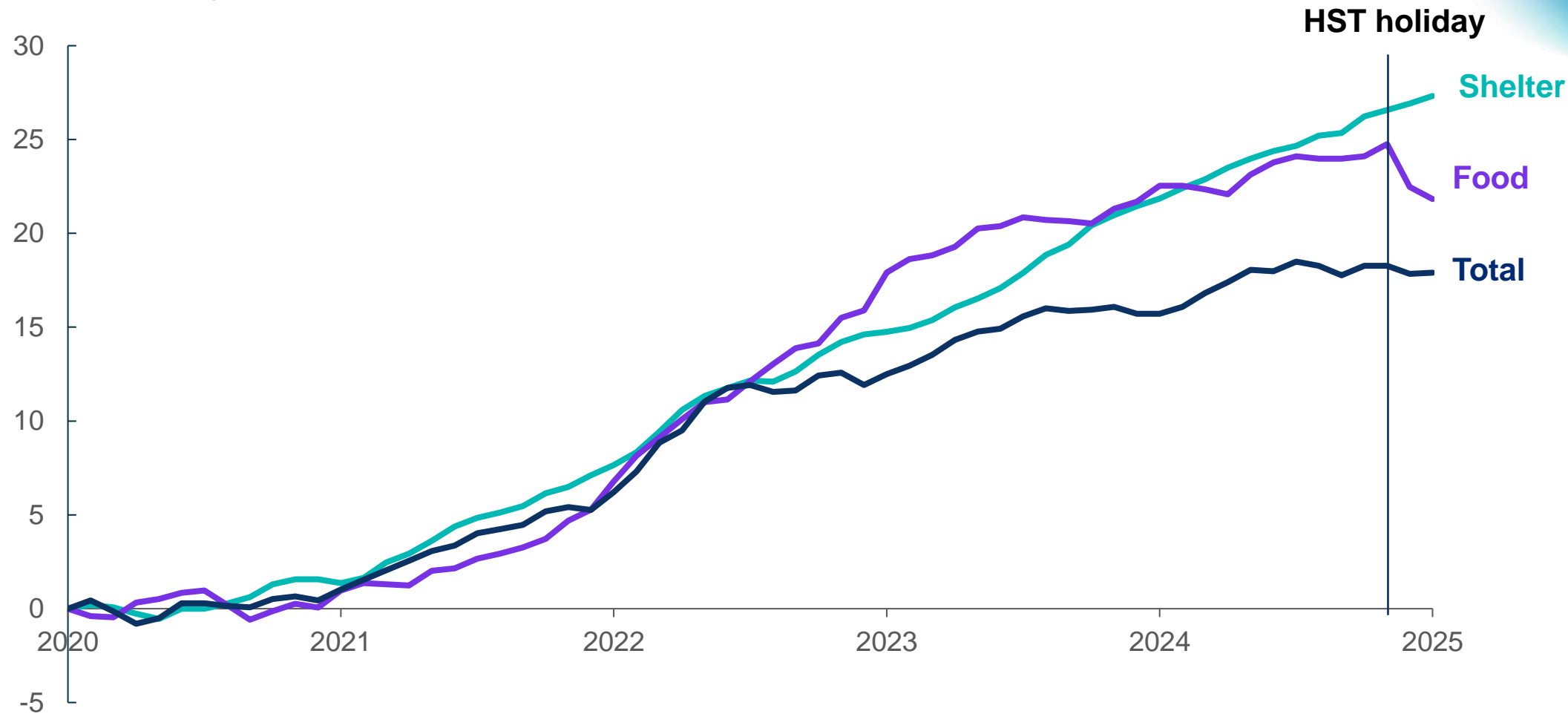
# Consumers



# AFFORDABILITY CONCERNS



Consumer price levels  
Cumulative changes since Jan 2020



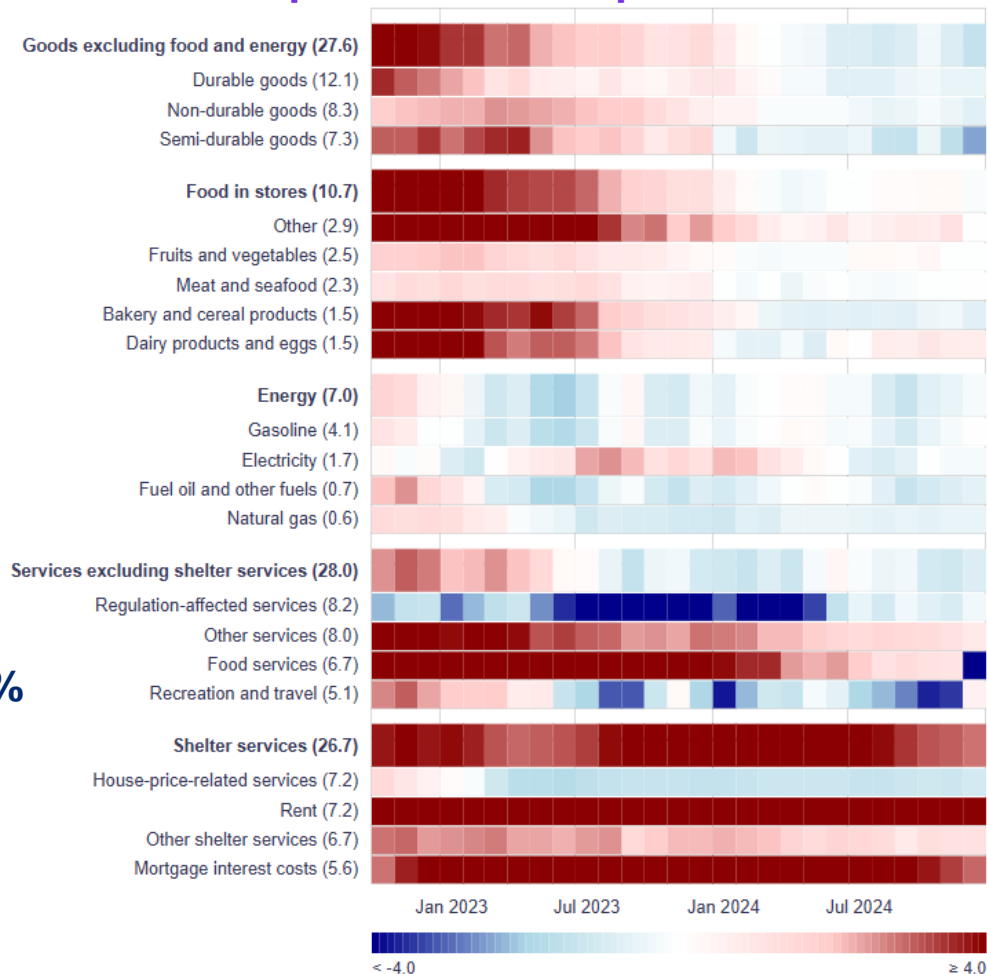
Source: BDL calculations using Haver data.

# INFLATION COOLING

Canadian consumer price index (CPI)  
% change, year-over-year



Inflation components heatmap



 **Shelter**

# BANK OF CANADA CUTTING RATES...



Bank of Canada policy interest rates  
%



Sources: Business Data Lab analysis; Bank of Canada; Bloomberg.  
Bloomberg overnight index swaps for the policy rate path as of January 29, 2025.

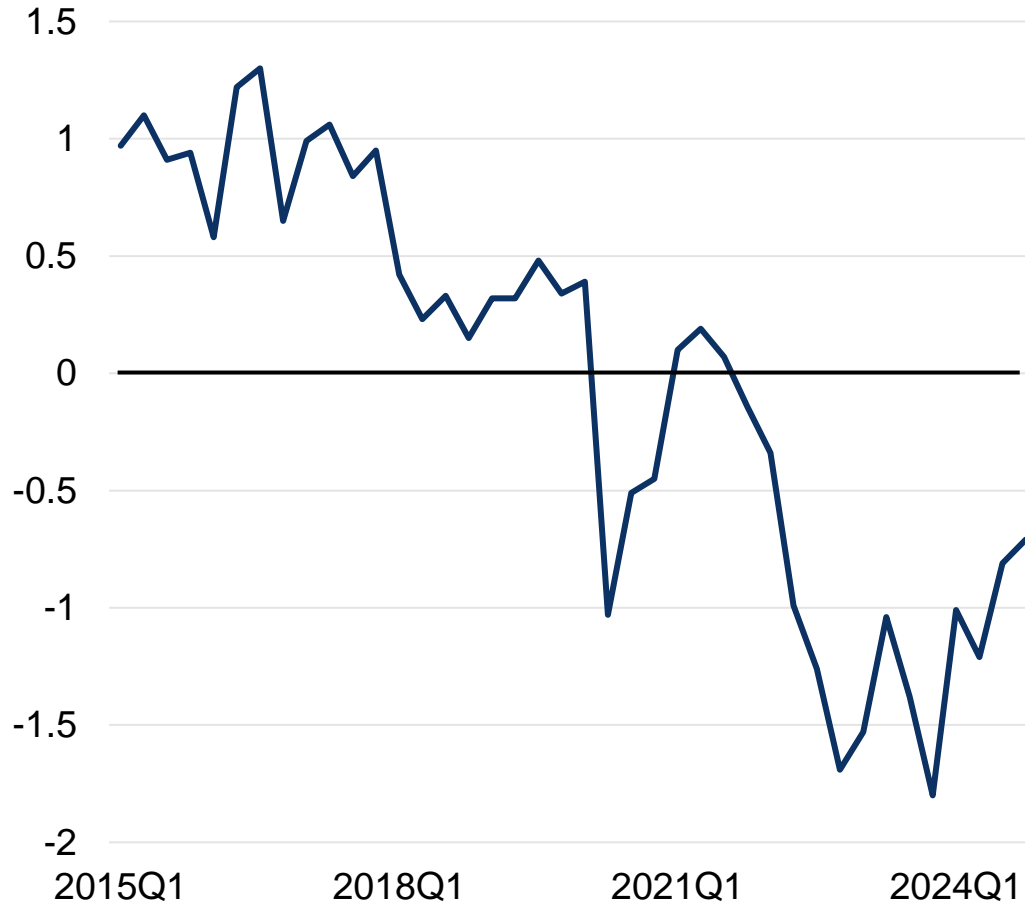




# CONSUMER SENTIMENT & SPENDING SOFT BUT IMPROVING, ONTARIO LAGGING BEHIND

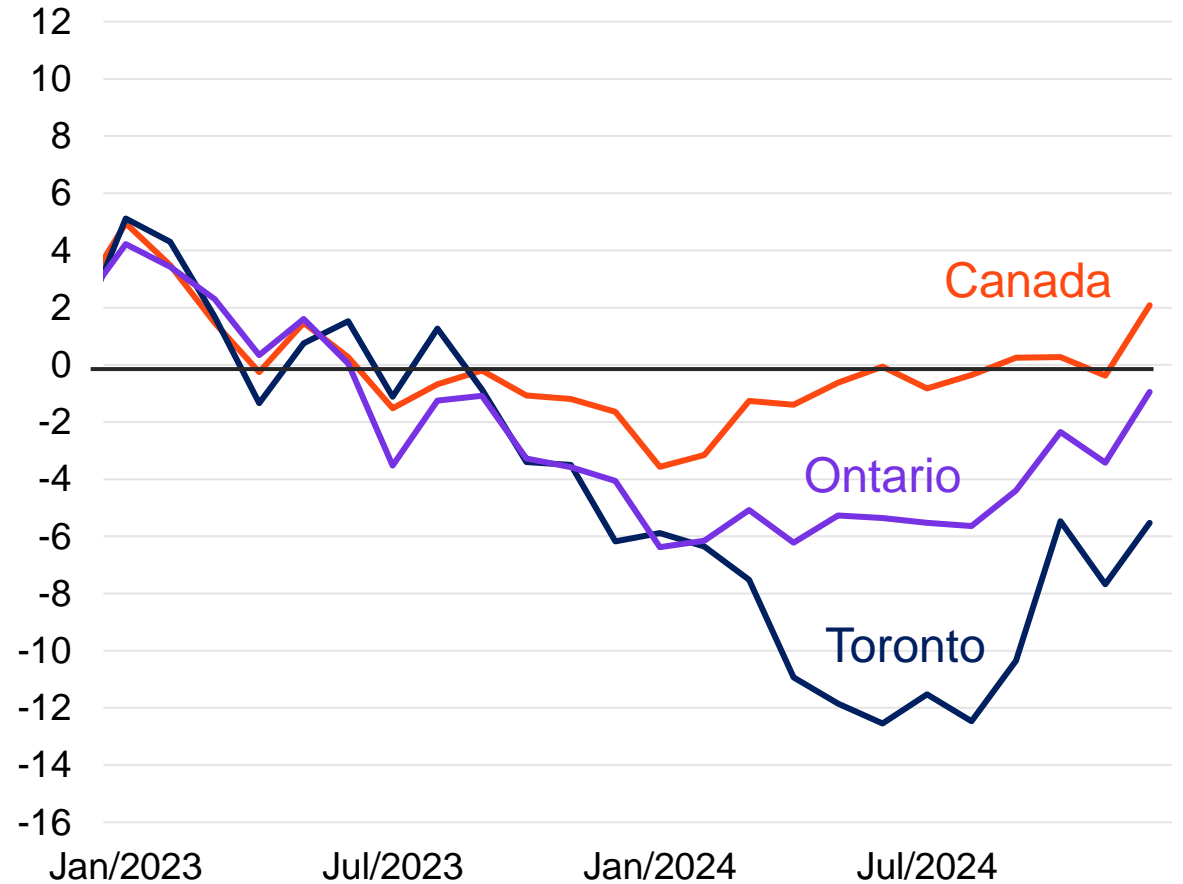
## Index of financial health

CSCE index, quarterly data



## Real consumer spending

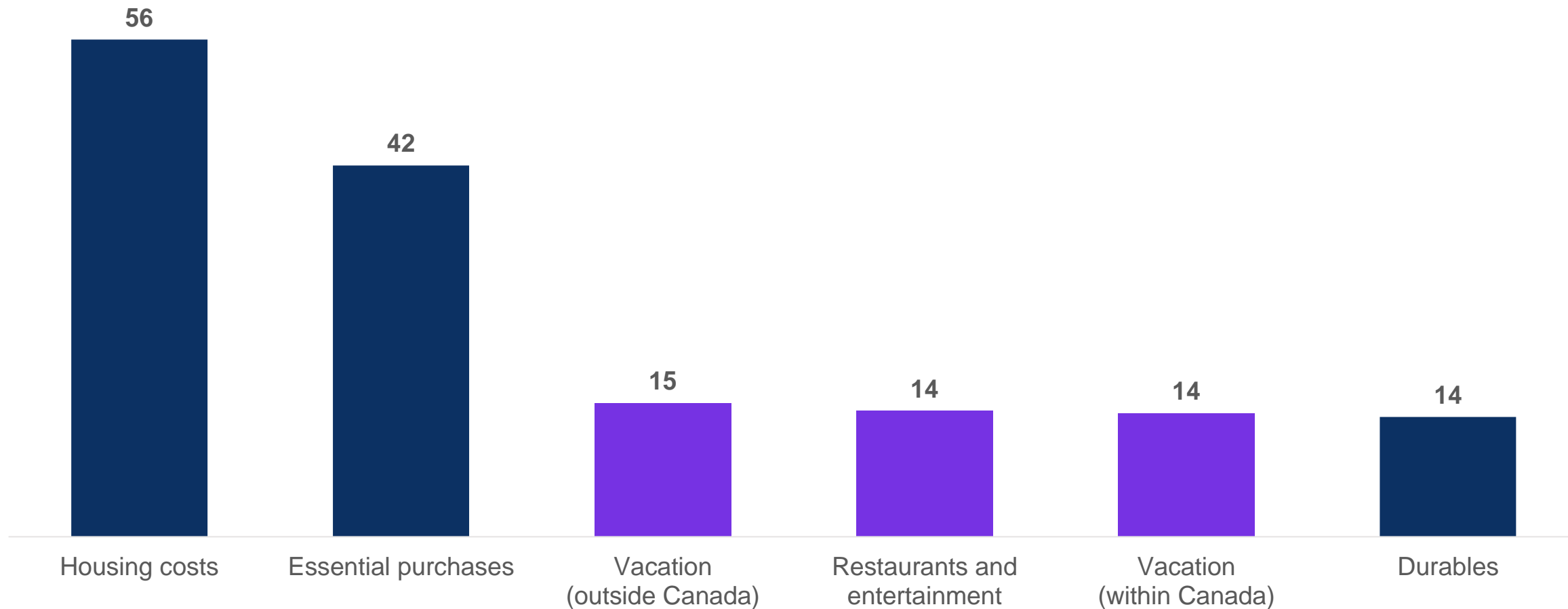
% change, year-over-year, monthly data



# NECESSITIES BEFORE DISCRETIONARY SPENDING

## Expected household spending change by category

Next 12 months, double-weighted balance of opinion






# “BUY CANADIAN” SENTIMENT







# **Predictions for Canada's Economy in 2025**





# DOLLAR COULD FALL FURTHER



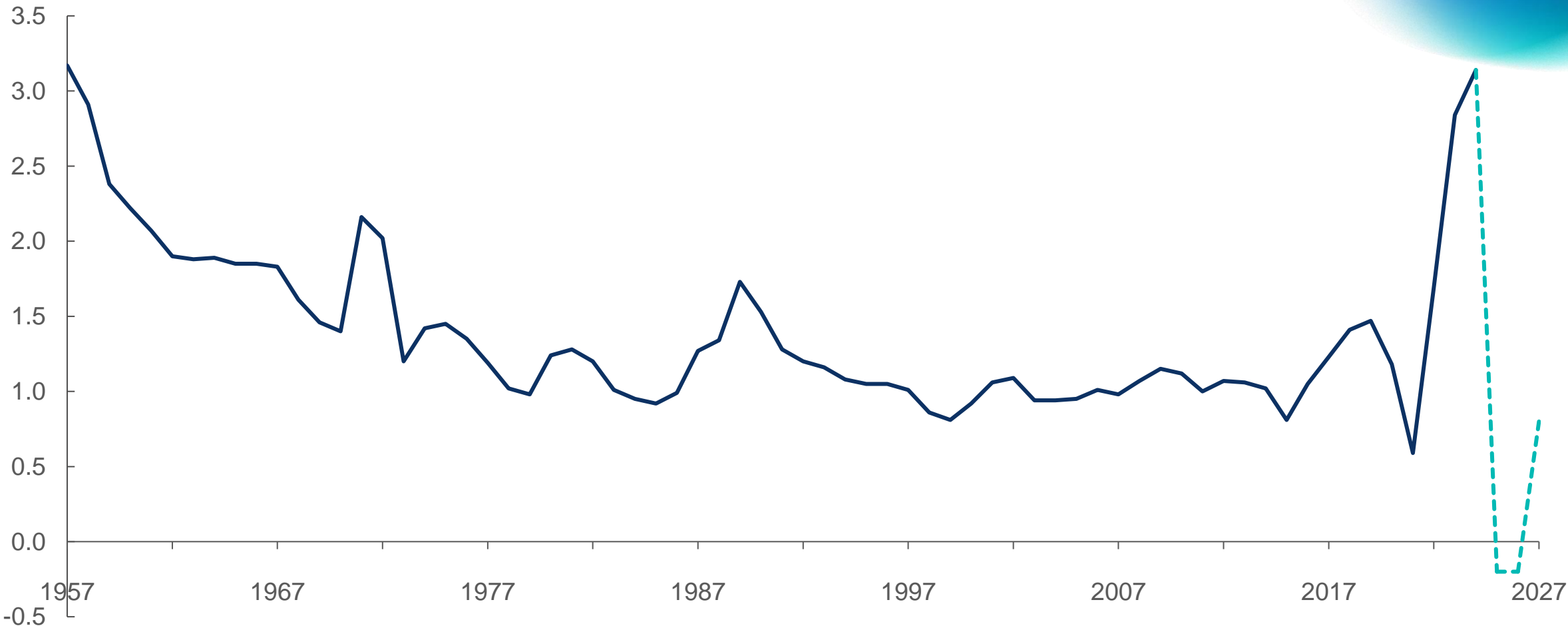
Canada-U.S. dollar nominal exchange rate  
CAD/US, monthly average



# IMMIGRATION SLOWS, BUT TARGETS MISSED



Population growth  
% annual change

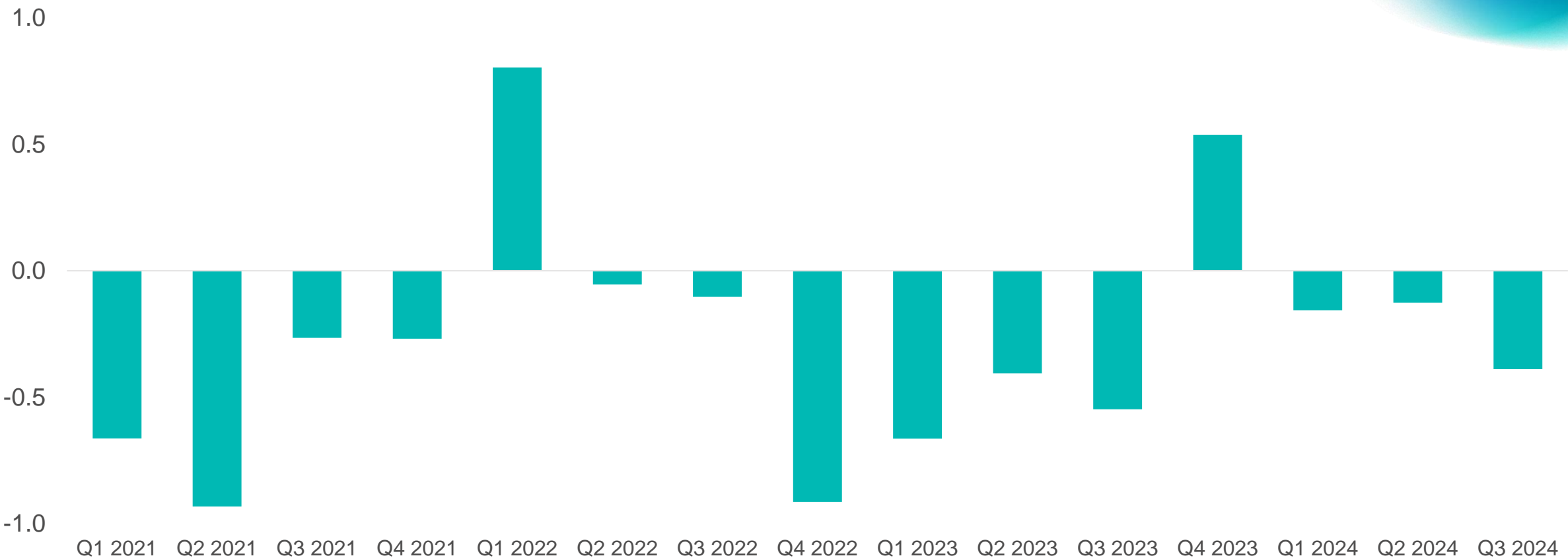


Sources: Statistics Canada; Government of Canada projections

# ABYSMAL PRODUCTIVITY TO IMPROVE



Labour productivity  
% change, quarterly



Source: Canadian Chamber of Commerce Business Data Lab using Statistics Canada (Table: 36-10-0206-01).





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Chamber of  
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# The Art of the (International) Deal

Andrew DiCapua

Principal Economist

Feb 20, 2025 | Greater Kingston Chamber of Commerce



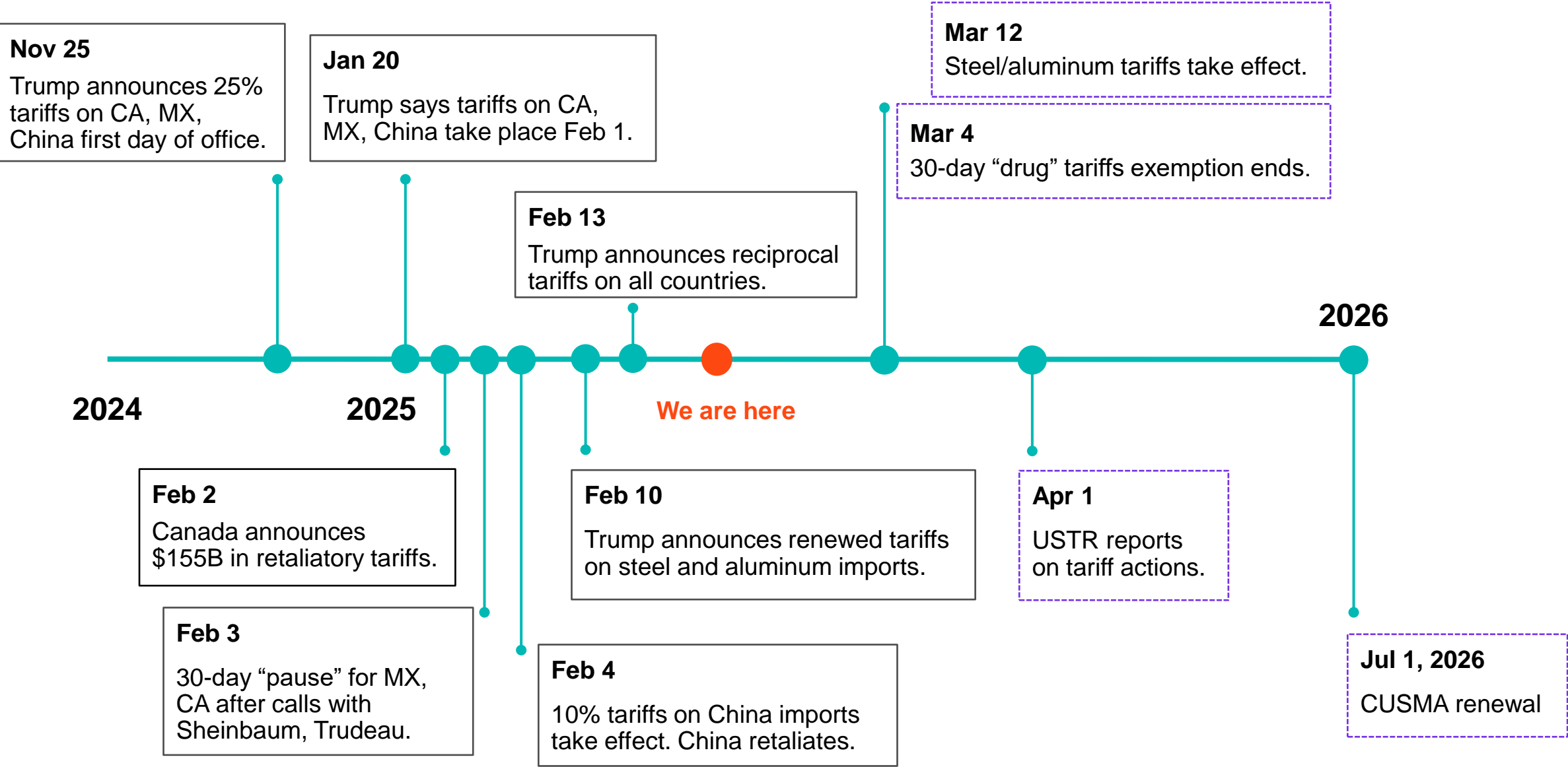
# THE AVENGERS



February 12, 2025



# DON'T BLINK



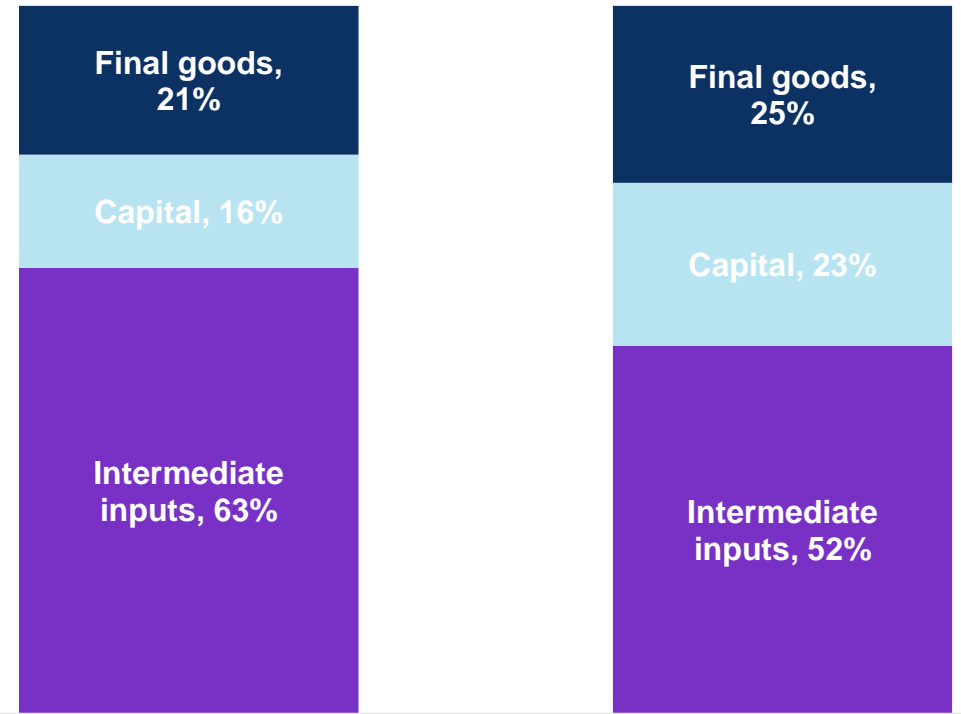


# WE MAKE THINGS TOGETHER



Source: Agriculture and Agri-food Canada.

## Broad economic categories of Canada-U.S. trade % of total, 2023



Canadian exports to the U.S.      U.S. exports to Canada

# MOST CAN-U.S. TRADE IS MANUFACTURING AND ENERGY



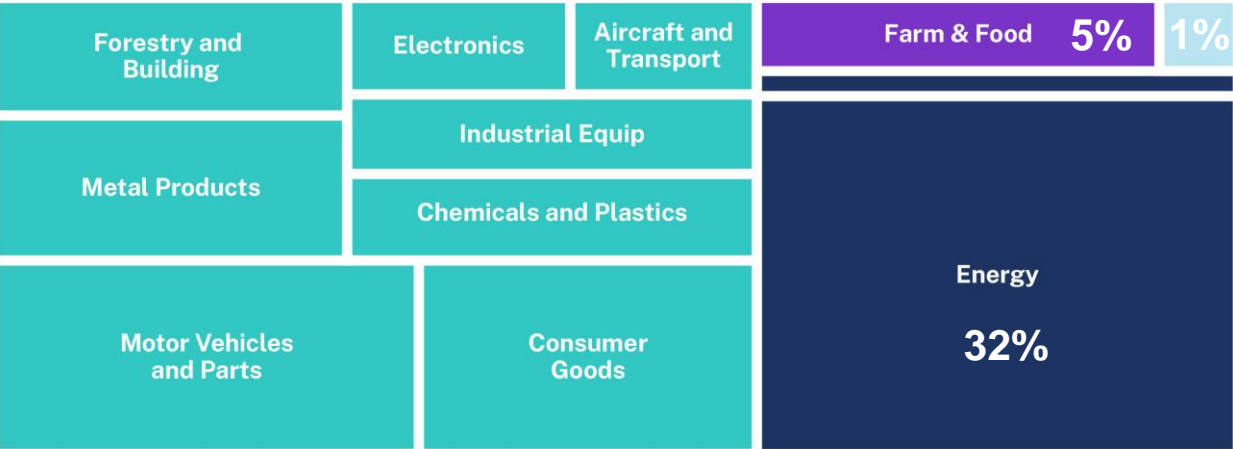
## Composition of Canada-U.S. goods trade

% of total, first half of 2024



### Canadian goods exports to the U.S.

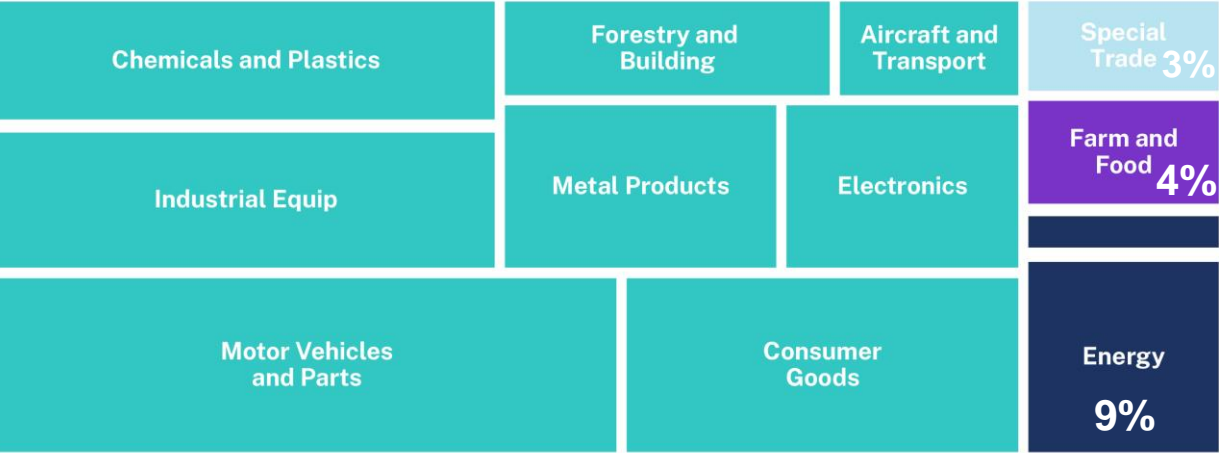
% of total, first half of 2024



All manufacturing, 61%

### Canadian goods imports from the U.S.

% of total, first half of 2024



All manufacturing, 84%

Source: BDL's *Partners in Prosperity* report.  
Note: BDL calculations using StatCan Table 12-10-0175-01. Numbers may not sum to 100% because of rounding.

# KNOWN UNKNOWNS



Reduce fentanyl inflows

Improve border security

Attract attention

**Opening negotiations to  
extract foreign concessions**

Increase other NATO  
countries' defense spending

Decouple from China

Destabilize

Divide and conquer

Make Canada the 51<sup>st</sup> state

Reshore manufacturing jobs

Protect domestic industries  
from foreign competition

**Reduce U.S. trade deficits**

**Be seen as fighting for  
American jobs**

Encourage FDI in the U.S.

**Revenue source**





# NO MORE AUDITIONS



## DONALD J. TRUMP

45TH & 47TH PRESIDENT OF THE UNITED STATES

After a landslide election victory in 2024, President Donald J. Trump is returning to the White House to build upon his previous successes and use his mandate to reject the extremist policies of the radical left while providing tangible quality of life improvements for the American people.



## JD VANCE

VICE PRESIDENT OF THE UNITED STATES

In 2024, President Donald J. Trump extended JD the incredible honor of asking him to serve as the Vice-Presidential Nominee for the Republican Party. JD looks forward to serving with President Trump over the next four years as they work diligently to Make America Great Again.

Promoting Beautiful Federal Civic

Presidential Actions | January 20, 2025

PROTECTING THE MEANING AND

PROTECTING THE UNITED STATES FROM

# America First Trade Policy

Presidential Actions | January 20, 2025

Presidential Actions | January 20, 2025

## SECURING OUR BORDERS

Presidential Actions | January 20, 2025

## Unleashing American Energy

Presidential Actions | January 20, 2025



# THE OPENING ACT ON TRADE: DRUGS

## Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border

Presidential Actions | February 1, 2025

**February 3, 2025**



### International Emergency Economic Powers Act (IEEPA)

President can regulate international commerce **after declaring national emergency** in response to unusual/extraordinary threat to the national security, foreign policy, or economy of the US.

**This is not a trade war, this is a drug war.**

- Kevin Hassett, Director of the National Economic Council

# BACK TO THE FUTURE: STEEL & ALUMINUM

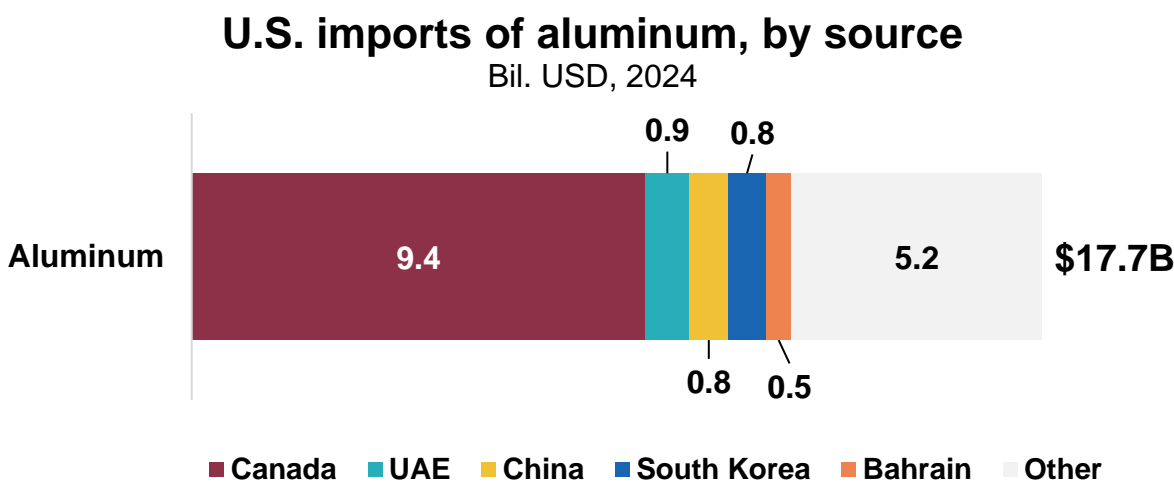
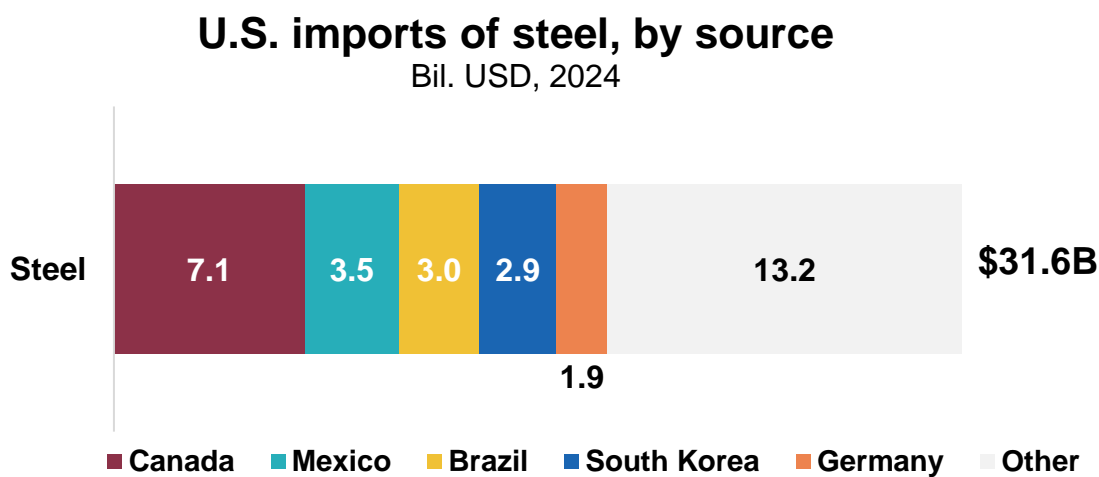


## Adjusting Imports of Steel into The United States

Presidential Actions | February 10, 2025

### Section 232 (“National Security”)

President finds threat to national security due to surge in imports. Dept. of Commerce launches investigation.



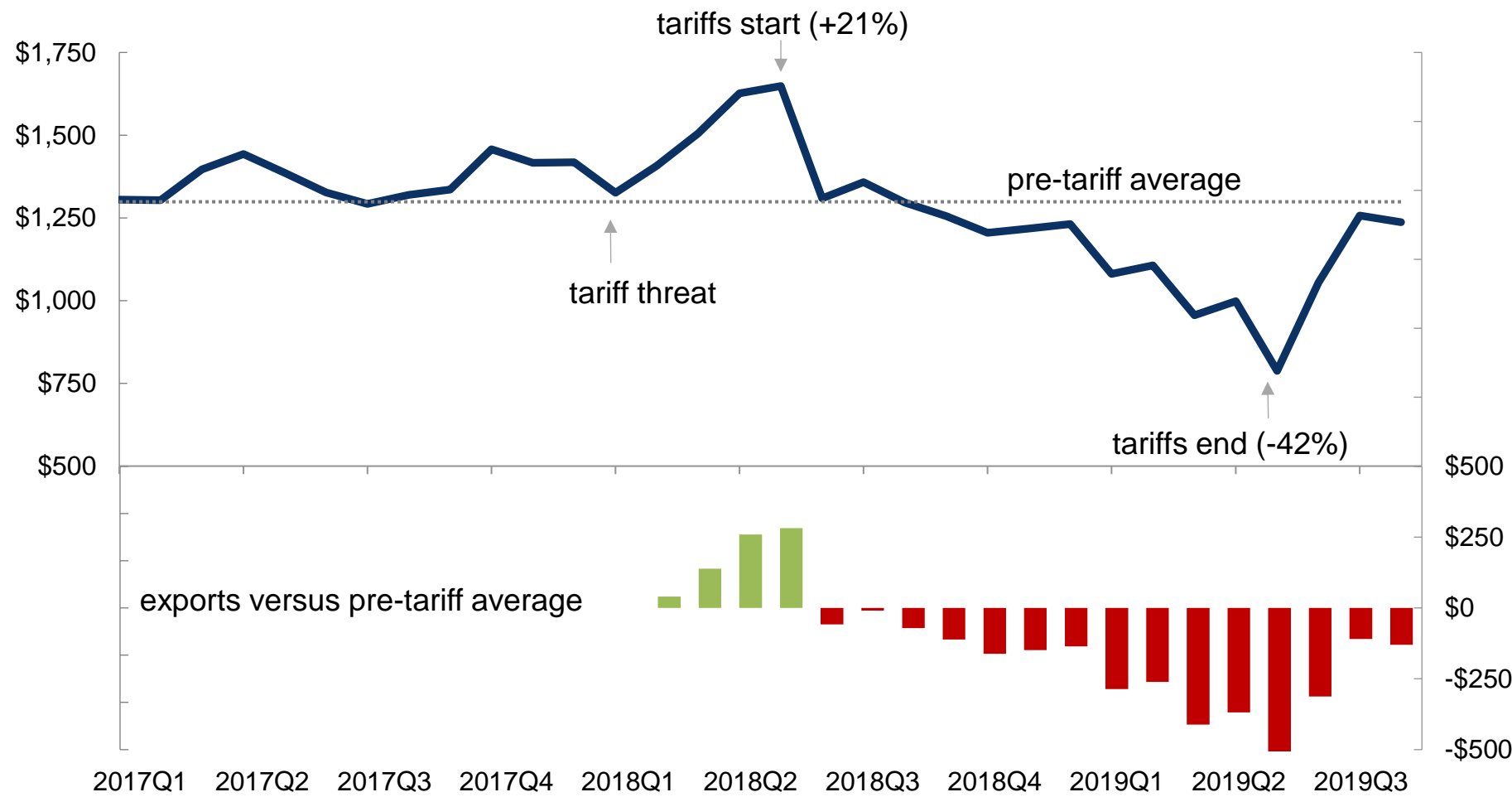


# PAST TRUMP TARIFFS TOOK A TOLL



## Canadian exports of tariffed steel and aluminum products to the U.S.

Millions of Canadian dollars



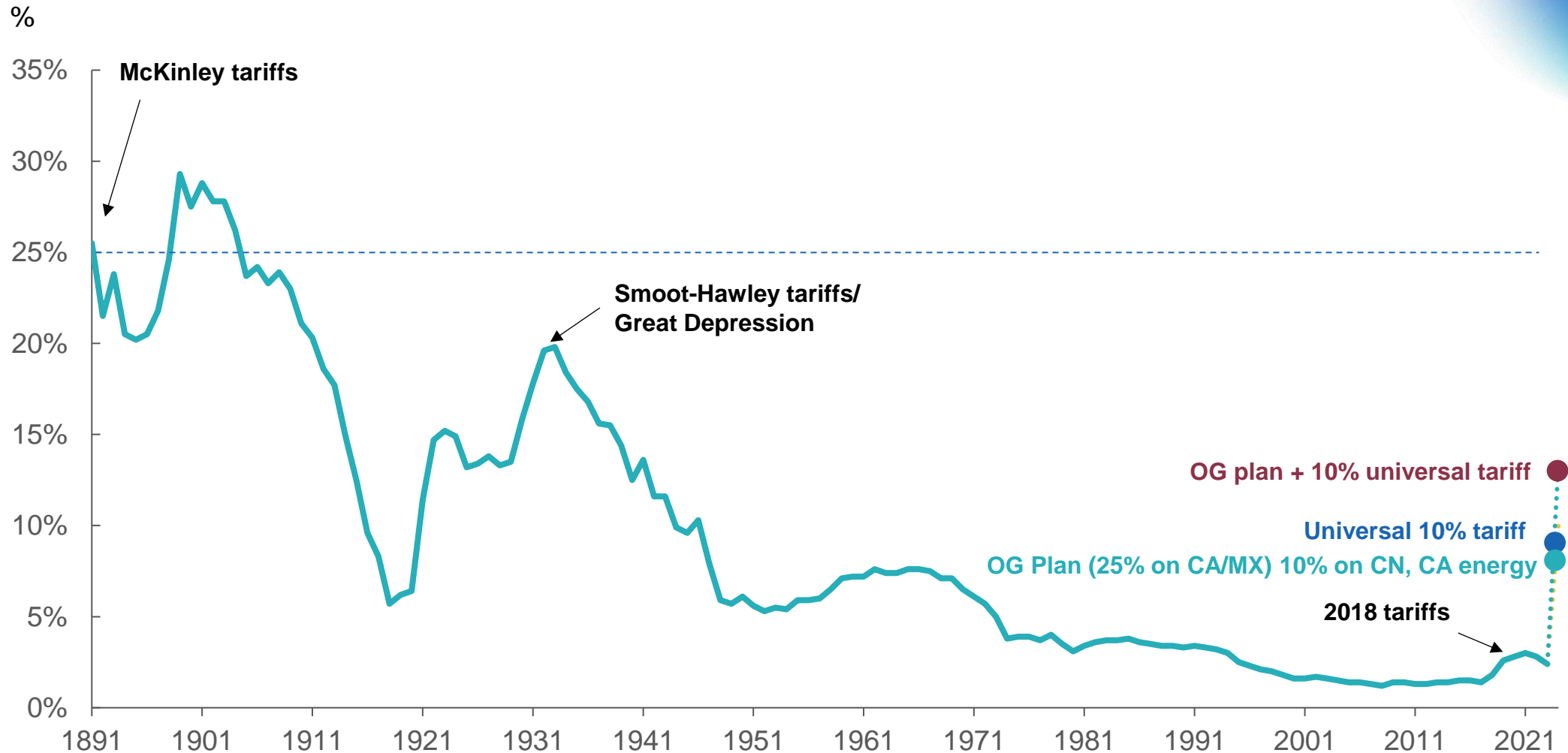
**\$2.4B**  
**(-16%)**

Source: Calculations using Statistics Canada trade data.

# (RE)BUILD THE TARIFF WALL



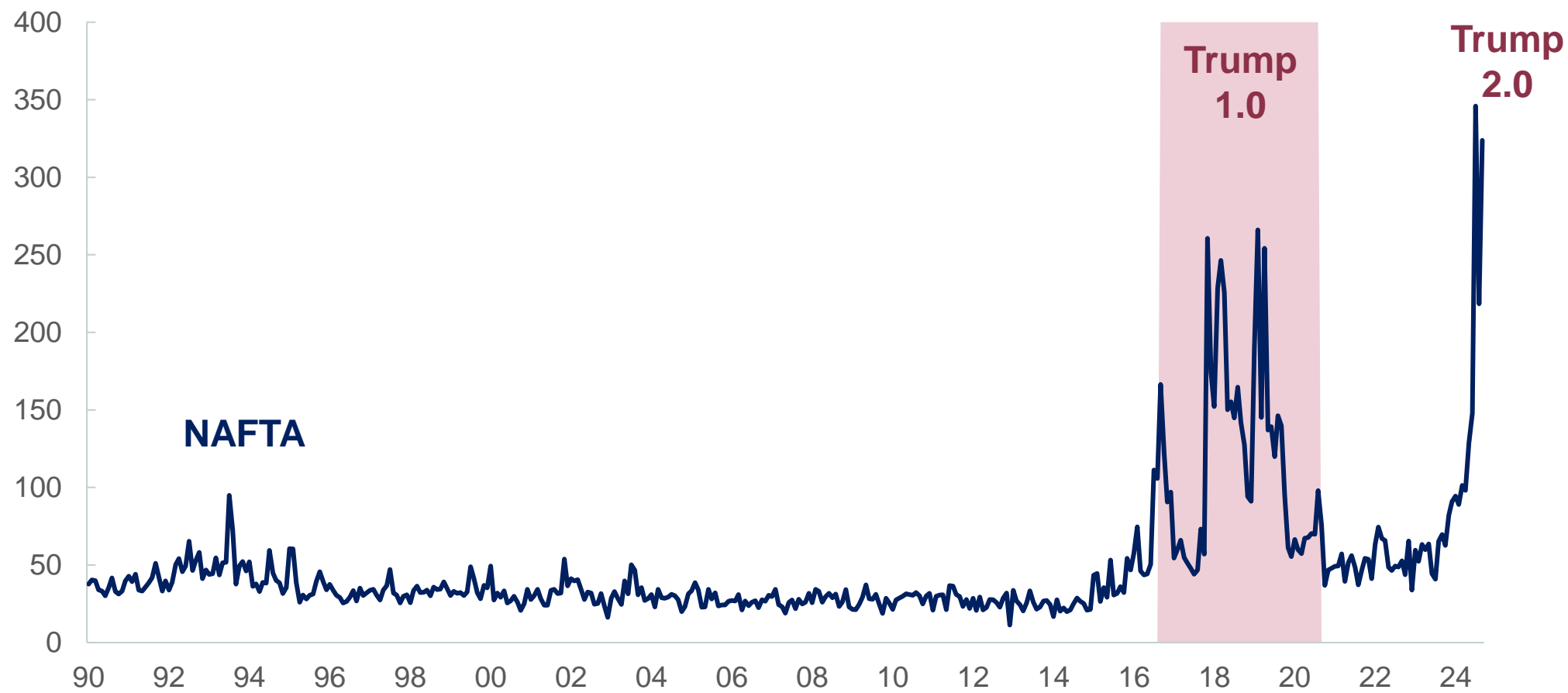
## U.S. effective tariff rate



# WEAPONIZING POLICY UNCERTAINTY

## U.S. Trade Policy Uncertainty

1985 = 100



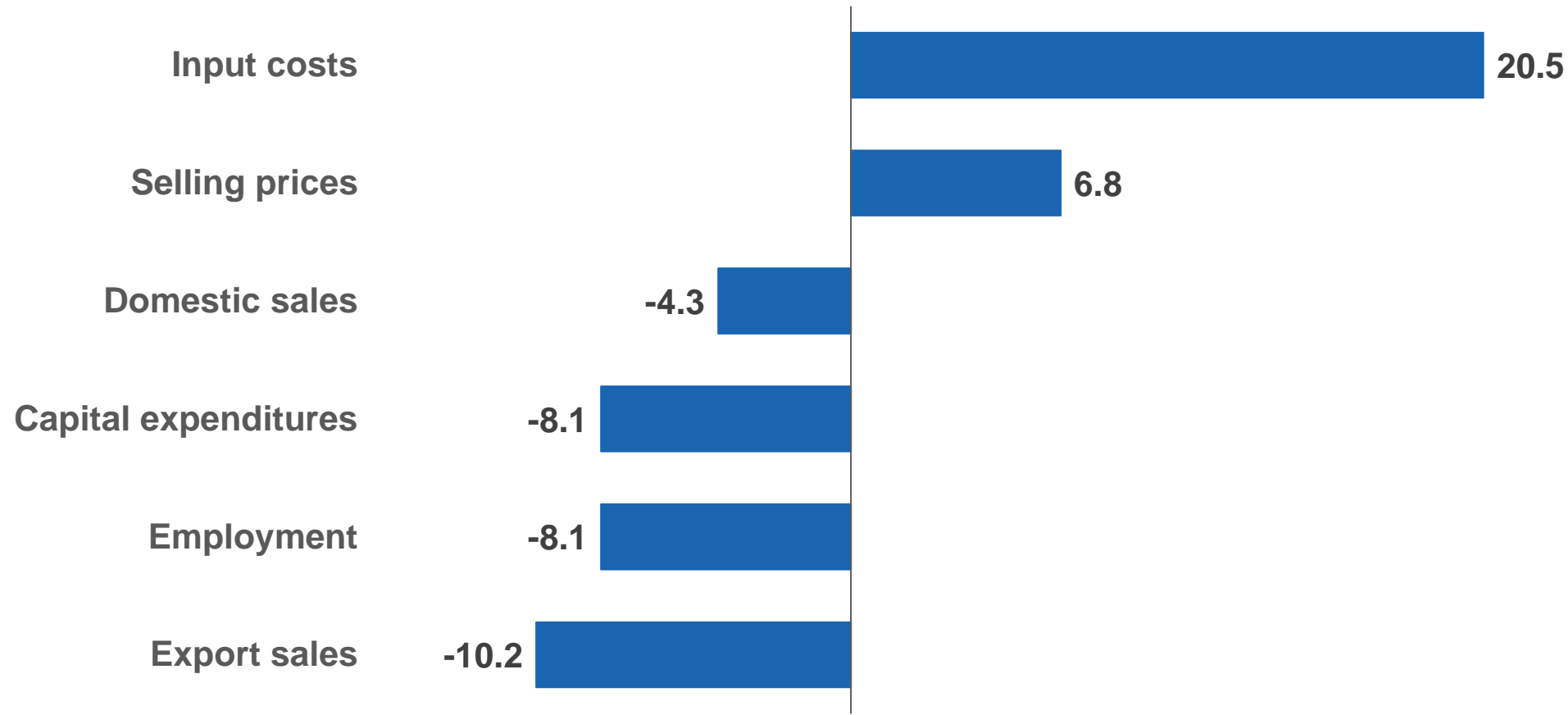
Source: Baker, Bloom and Davis via Haver



# TRUMP'S WIN EXPECTED TO RAISE COSTS, REDUCE EXPORTS, JOBS, CAPEX IN CANADA

## Impact of the U.S. election outcome on Canadian businesses

Balance of opinion



Note: \* Percentage of firms expecting this business indicator to be higher minus the percentage expecting it to be lower.

Source: Bank of Canada's Business Leaders Pulse Survey (as of: December 31, 2024)



# NEW TARIFFS WOULD HURT



## Simulated Economic Effects of a 25% Import Tariff Levied by the United States

**Real GDP shock, %**

**Economic cost, per person**

### No Retaliation

Canada	<b>-1.8%</b>	<b>\$1,300 CAD</b>
United States	<b>-1.0%</b>	<b>\$800 USD</b>

### Full Retaliation

Canada	<b>-2.6%</b>	<b>\$1,900 CAD</b>
United States	<b>-1.6%</b>	<b>\$1,300 USD</b>

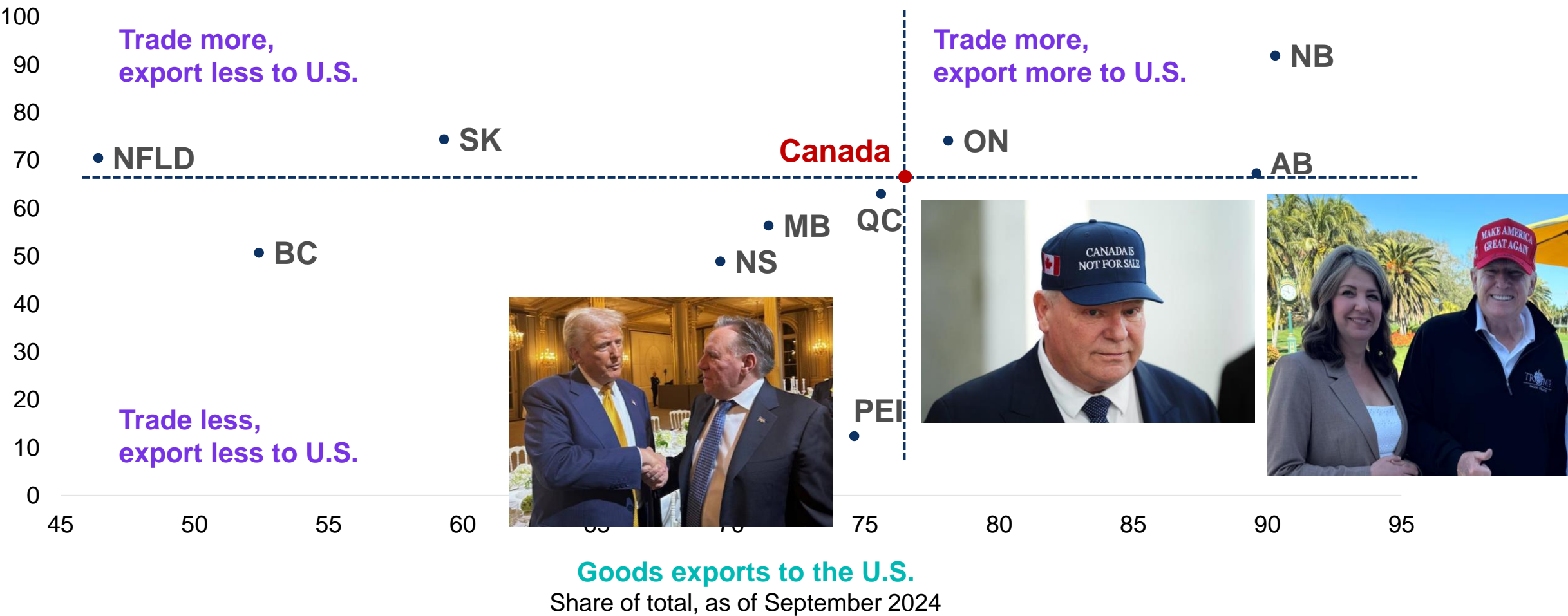
Source: Update of the BDL's *Partners in Prosperity* report.

Note: BDL calculations using a general equilibrium model of the global economy.

# MOST VULNERABLE PROVINCES: NB, AB, ON

## Trade intensity

Goods exports plus imports, relative to GDP in 2023



Source: BDL using Statistics Canada data.

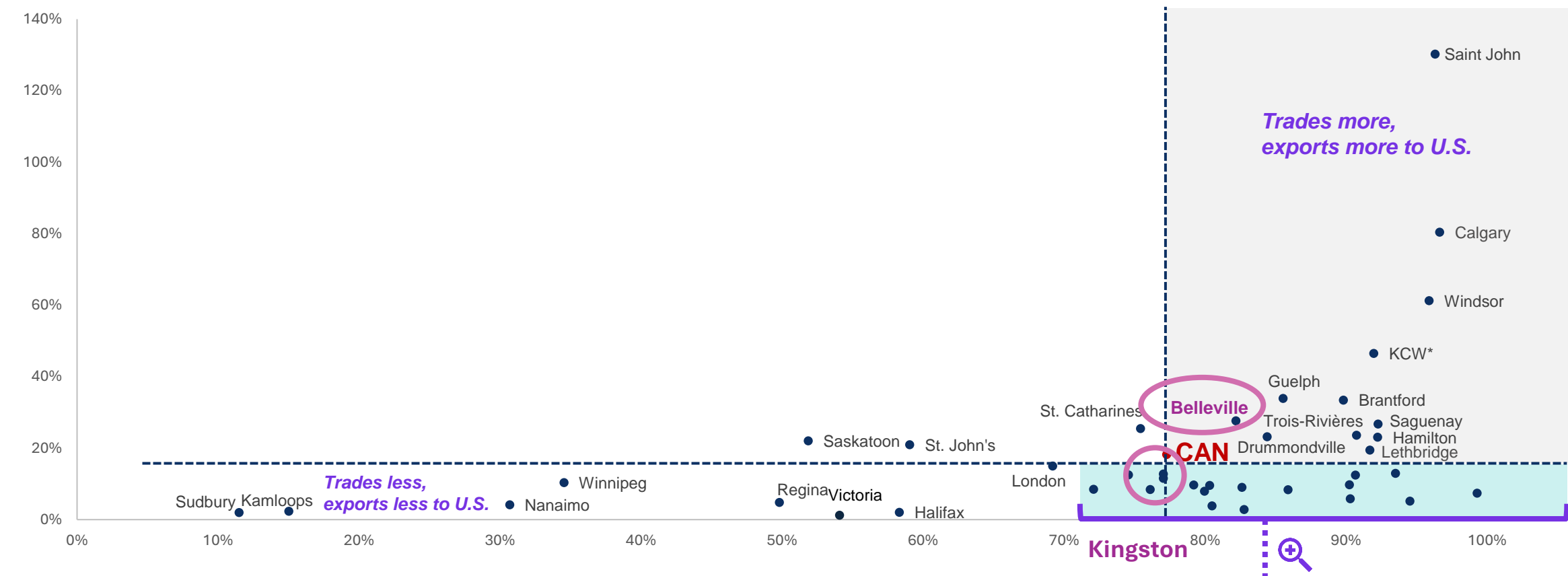


# KINGSTON marginally less exposed than



## U.S. export intensity

Goods exports to the U.S. as a share of GDP, 2021



## U.S. export dependence

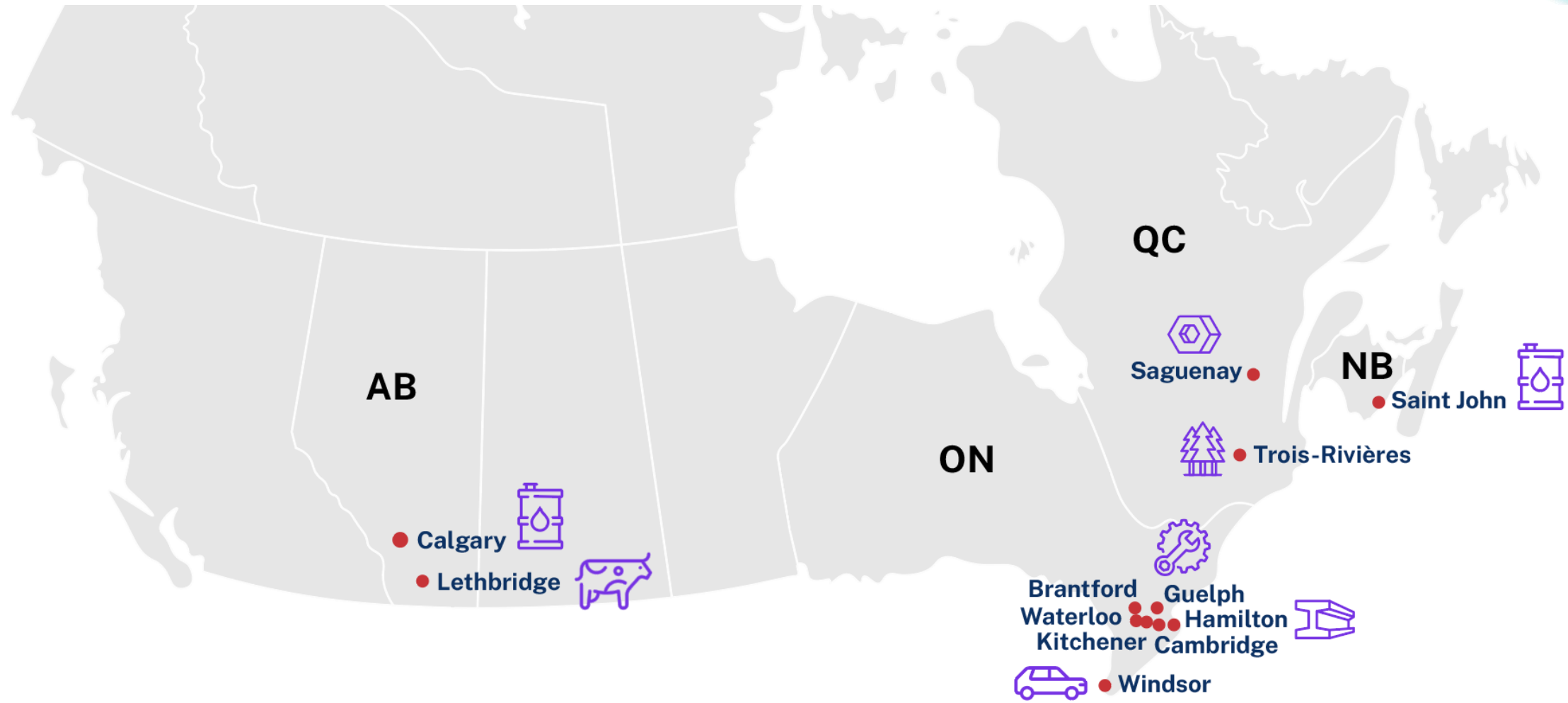
U.S. exports share of total goods, 2023



\*KCW=Kitchener-Cambridge-Waterloo

Source: Canadian Chamber of Commerce Business Data Lab calculations using Statistics Canada custom Trade by Exporter Characteristics data.

# “HOTSPOTS” MOST VULNERABLE TO U.S. TARIFFS



Source: BDL calculations using custom Statistics Canada trade data by exporter characteristics.  
Based on goods export intensity to U.S. (relative to local GDP), and export dependence on U.S. market (relative to total exports).

# MOST VULNERABLE CITIES



Rank	City	Tariff Exposure Index
1	Saint John, NB	131.1%
2	Calgary, AB	81.6%
3	Windsor, ON	61.7%
4	K-C-W*, ON	43.0%
5	Brantford, ON	27.8%
6	Guelph, ON	24.0%
7	Saguenay, QC	23.5%
8	Hamilton, ON	19.8%
9	Trois-Rivières, QC	18.9%
10	Lethbridge, AB	15.7%
11	Belleville - Quinte West, ON	14.4%
12	Drummondville, QC	12.1%
13	Thunder Bay, ON	11.2%
14	Oshawa, ON	11.0%
15	Abbotsford - Mission, BC	7.6%
16	St. Catharines - Niagara, ON	5.4%
17	Peterborough, ON	4.5%
18	Fredericton, NB	4.2%
19	Barrie, ON	0.7%

Rank	City	Tariff Exposure Index
20	Chilliwack, BC	-1.2%
21	Red Deer, AB	-3.8%
22	Sherbrooke, QC	-5.6%
23	Montréal, QC	-5.7%
24	Edmonton, AB	-6.6%
25	Kingston, ON	-6.9%
26	Québec, QC	-7.6%
27	Toronto, ON	-8.4%
28	Kelowna, BC	-9.9%
29	Ottawa - Gatineau, ON/QC	-10.9%
30	Moncton, NB	-11.1%
31	London, ON	-11.3%
32	Vancouver, BC	-14.9%
33	St. John's, NFLD	-15.5%
34	Saskatoon, SK	-21.6%
35	Halifax, NS	-35.1%
36	Victoria, BC	-40.1%
37	Regina, SK	-40.9%
38	Winnipeg, MB	-50.6%
39	Nanaimo, BC	-60.6%
40	Kamloops, BC	-78.1%
41	Sudbury, ON	-82.0%

\*KCW=Kitchener-Cambridge-Waterloo

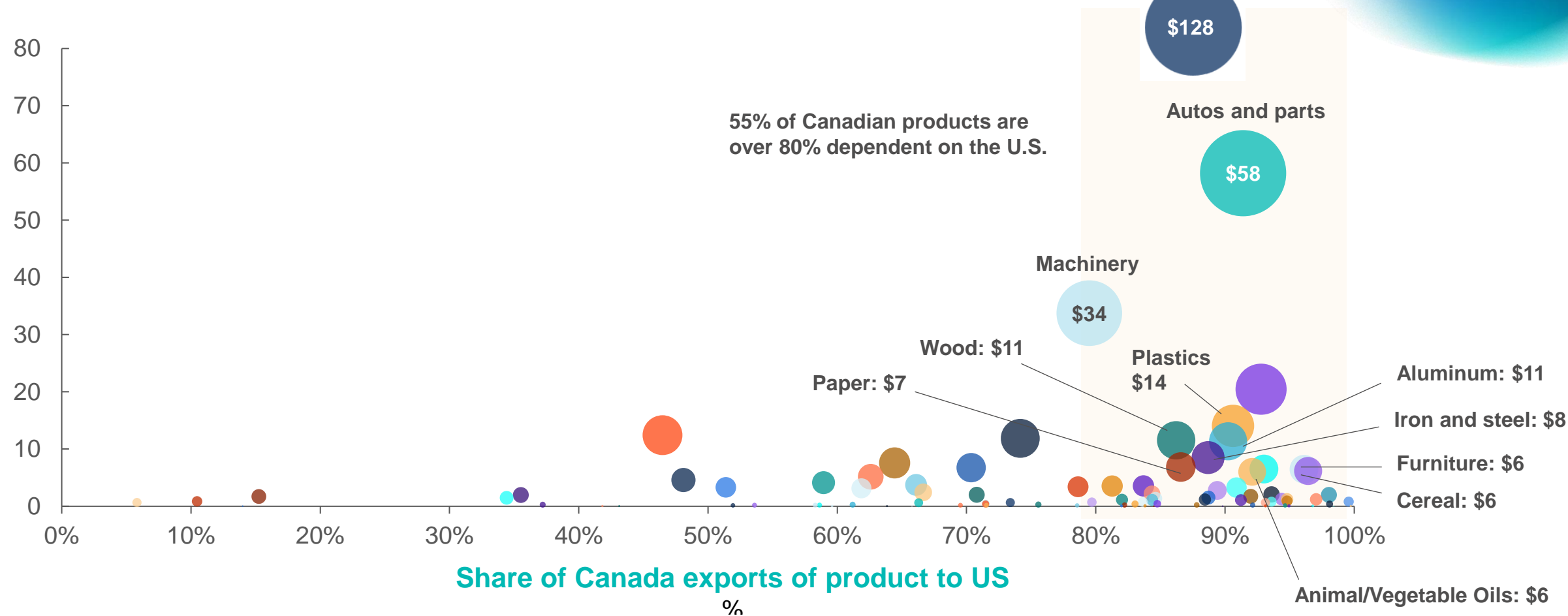
Source: Canadian Chamber of Commerce Business Data Lab calculations using Statistics Canada custom Trade by Exporter Characteristics data.



# MOST VULNERABLE SECTORS: O&G, AUTOS...



Canadian exports to the U.S. by product  
Billions \$USD, 2023

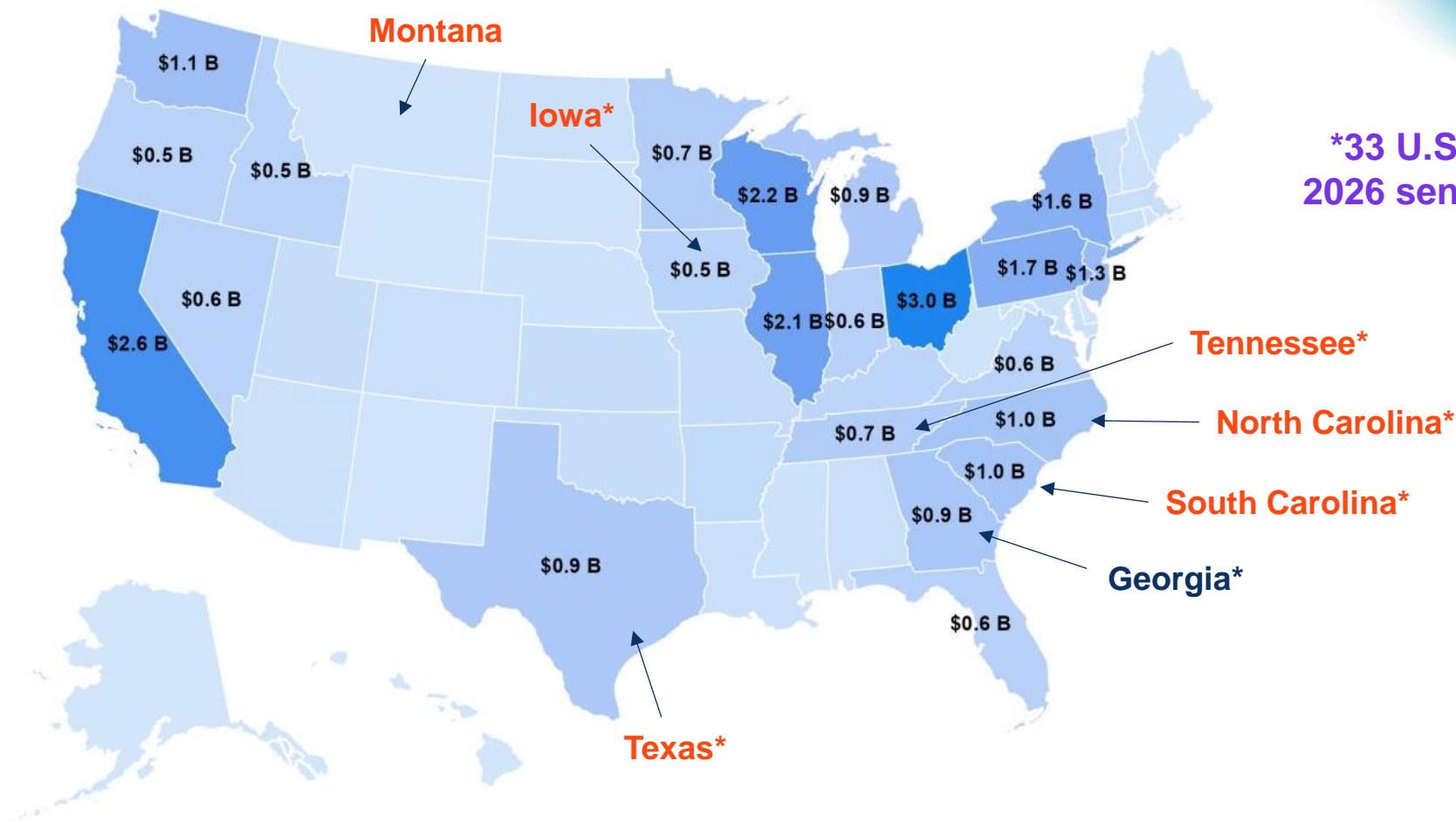


Sources: Bloomberg, UN Comtrade

# POLITICAL PRESSURE...PLEASE



## Distribution of Canada's Initial (\$30 billion) Retaliation, by US State



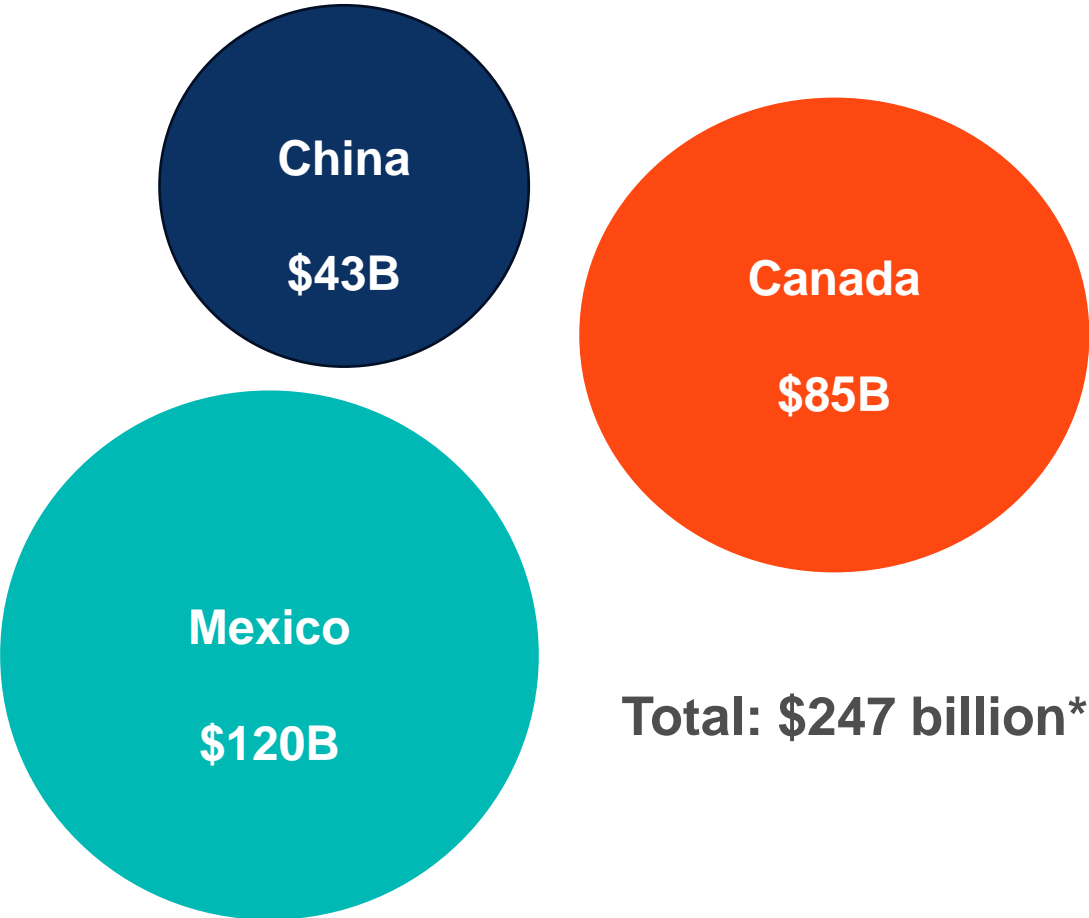
Source: Trevor Tombe, CIMT  
Note: Retaliation list at HS8 level. States with labels have >\$500m impacted.

# SHOW ME THE MONEY



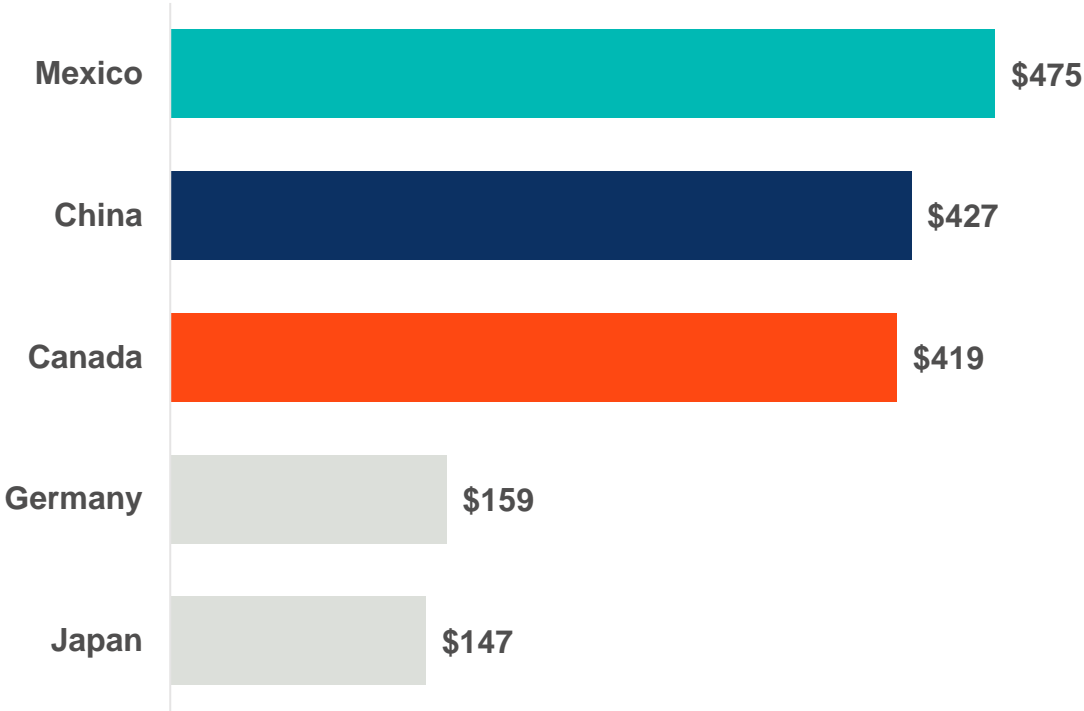
## Estimates of U.S. Tariff Revenue

By import source



## Top 5 U.S. import origins

Billions of USD, 2023



Source: BDL analysis based on U.S. Census Bureau  
\*Note: Tariff estimates based on 2024 YTD, **assuming no reduction in trade volumes**.  
Tariff rates: Canada (Non-energy: 25%, Energy: 10%), Mexico: 25%, China: 10%.

Sources: International Trade Administration, U.S. Census Bureau



# KINGSTON'S LABOUR MARKET HOLDING UP



## Labour, All Industries: 3-Month Moving Average

Monthly, Dec 2024

Showing results for:

Kingston, Ontario

▼

97.3K

Total employed

▲ 0.5%

from prior month

5.6%

Unemployment rate

▲ 0.0%

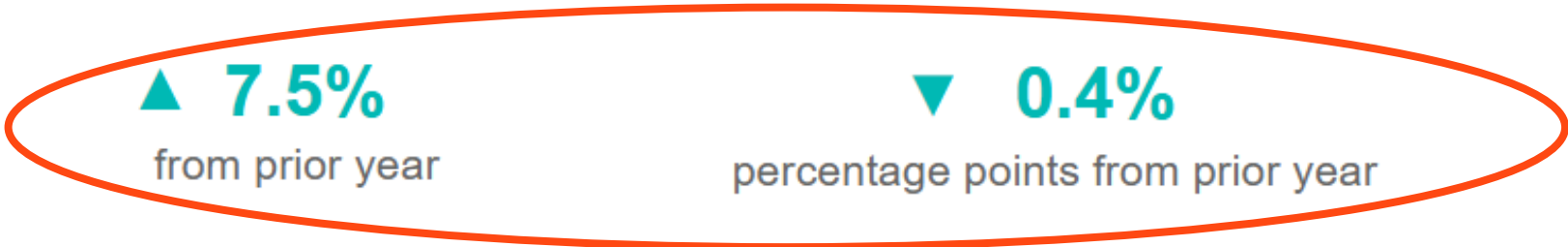
percentage points from prior month

▲ 7.5%

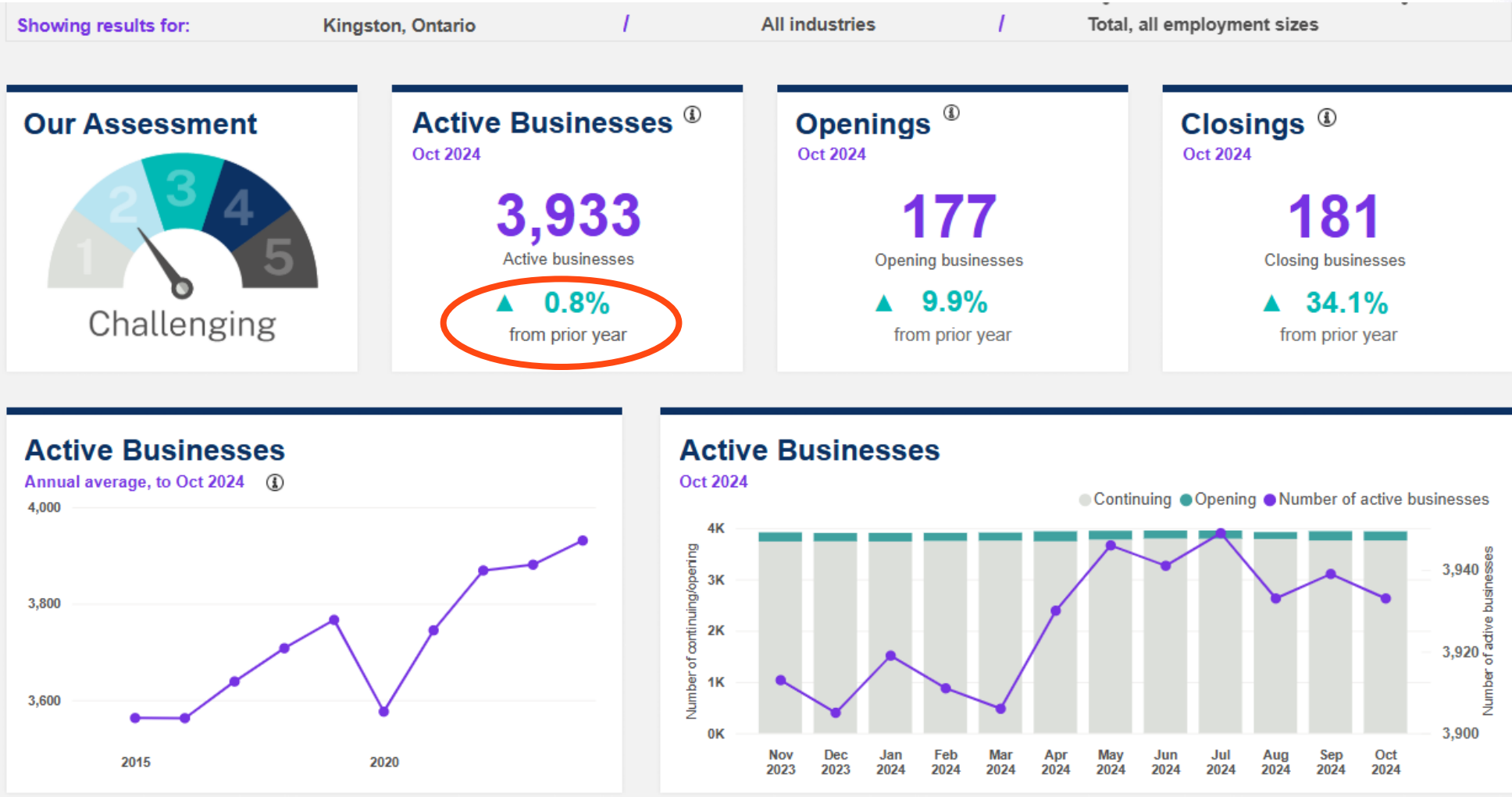
from prior year

▼ 0.4%

percentage points from prior year



# MODEST GROWTH IN KINGSTON'S BUSINESSES



Source: Canadian Chamber of Commerce Business Data Lab Business Conditions Terminal.

# SUMMARY



- 1 U.S. economy doing fine, but Trump tariff threats a huge business planning challenge, that's unlikely to be resolved soon**
- 2 Canada's/Kingston's economy holding up, all things considered, but Ontario lagging behind**
- 3 Consumer spending improving, but affordability still a big concern**
- 4 Business sentiment is weak. Uncertainty causing "investment pause"**



# WHAT CAN BE DONE?



## Suggestions for businesses (where possible)

- Try not to panic (yet)
- Understand risks
- Proactive scenario planning
- Review sourcing/suppliers/contracts
- Hedge currency risk
- Diversify
- Cut costs
- Seek efficiencies, invest to automate, train workers

## Policymakers

- Proportionate timely, targeted response using trade, monetary, fiscal policies
- Time for bold policies to make Canada's economy more resilient and dynamic

## Chambers

- Leverage BDL evidence/tools to advocate for Canadian business, including to U.S. audiences



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du Canada



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sur les entreprises



REPORT PRODUCED FOR THE CANADIAN  
CHAMBER OF COMMERCE BUSINESS DATA LAB

October 2024

**LINK TO REPORT**

**UPDATED TARIFF BLOG**

**CANADA-US TRADE BLOG**

**CANADA-US TRADE DASHBOARD**

**MOST TARIFF-EXPOSED CITIES**

CHAMBER OF COMMERCE BUSINESS DATA LAB  
REPORT PRODUCED FOR THE CANADIAN

October 2024

Canada-U.S. Trade

# Explore real-time data on Canadian business conditions.



**DISCOVER  
HOW THE BDL  
CAN HELP YOU**



**EXPLORE  
INTERACTIVE  
TOOLS**



**ACCESS  
DATA-DRIVEN  
INSIGHTS**



**STAY UP  
TO DATE**







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The BDL is made possible through our collaboration with Statistics Canada and financial support from Innovation, Science and Economic Development Canada.

Funded by the  
Government  
of Canada



# HEAD-TO-HEAD

## Goods exports from Kingston to the U.S.

**\$1,433.1 Million**

(Ranks 25 of 41 cities)

**\$7,612 per capita**

(Ranks 22 of 41 cities)

**11.5% of GDP**

(Ranks 21 of 41 cities)

**77% of total exports**

(Ranks 27 of 41 cities)

**Kingston's population**

**188,267**

(Ranks 24 of 41 cities)

**Number of exporters from  
Kingston to the U.S.**

**139**

(Ranks 30 of 41 cities)

**Kingston's GDP**

**\$10.1 Billion**

(Ranks 25 of 41 cities)

**Kingston's GDP per capita**

**\$56,381**

(Ranks 19 of 41 cities)

## Goods exports from Belleville to the U.S.

**\$1,743.6 Million**

(Ranks 23 of 41 cities)

**\$14,294 per capita**

(Ranks 13 of 41 cities)

**27.6% of GDP**

(Ranks 7 of 41 cities)

**Belleville's population**

**121,982**

(Ranks 38 of 41 cities)

**Number of exporters from  
Belleville to the U.S.**

**114**

(Ranks 36 of 41 cities)

**Belleville's GDP**

**\$5.6 Billion**

(Ranks 38 of 41 cities)

**Belleville's GDP per capita**

**\$48,834**

(Ranks 29 of 41 cities)



# DISCUSSION QUESTIONS



- 1** What is your business doing in response/to prepare?
- 2** Reaction to the Canadian government(s) initial response?
- 3** What can/should Chambers do?
- 4** 5 years from now, will there still be a trilateral North American trade deal?



# TIT-FOR-TAT: WHAT WILL WORK?



What is the right approach?

NEW

## Retaliatory tariff list

- Dairy products
- Poultry and meat products
- Coffee, orange juice
- Wood products and furniture
- Alcohol (i.e. whiskeys, bourbon)
- Various food preparations
- Appliances



## Blackhawk helicopters



Border Czar

## Mar-a-Lago dinner

