

The Potential Impacts of US Tariffs on the Ontario Economy

Briefing Deck

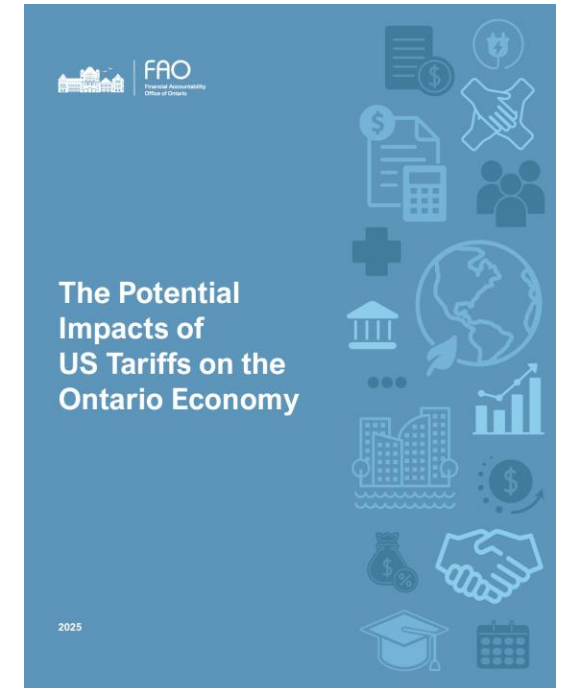


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Overview of report

- This report examines Ontario's trade relationship with the United States (US) and estimates the potential impacts of US tariffs on Ontario's economy, including exports, imports, GDP, employment and inflation.
- This presentation will:
 1. Examine the importance of exports to the US for the Ontario economy.
 2. Estimate the impact of US tariffs and Canada's retaliatory tariffs on Ontario's economy, based on trade actions announced as of April 17.
 3. Discuss the key uncertainties in the FAO's projection and provide a range of potential impacts.

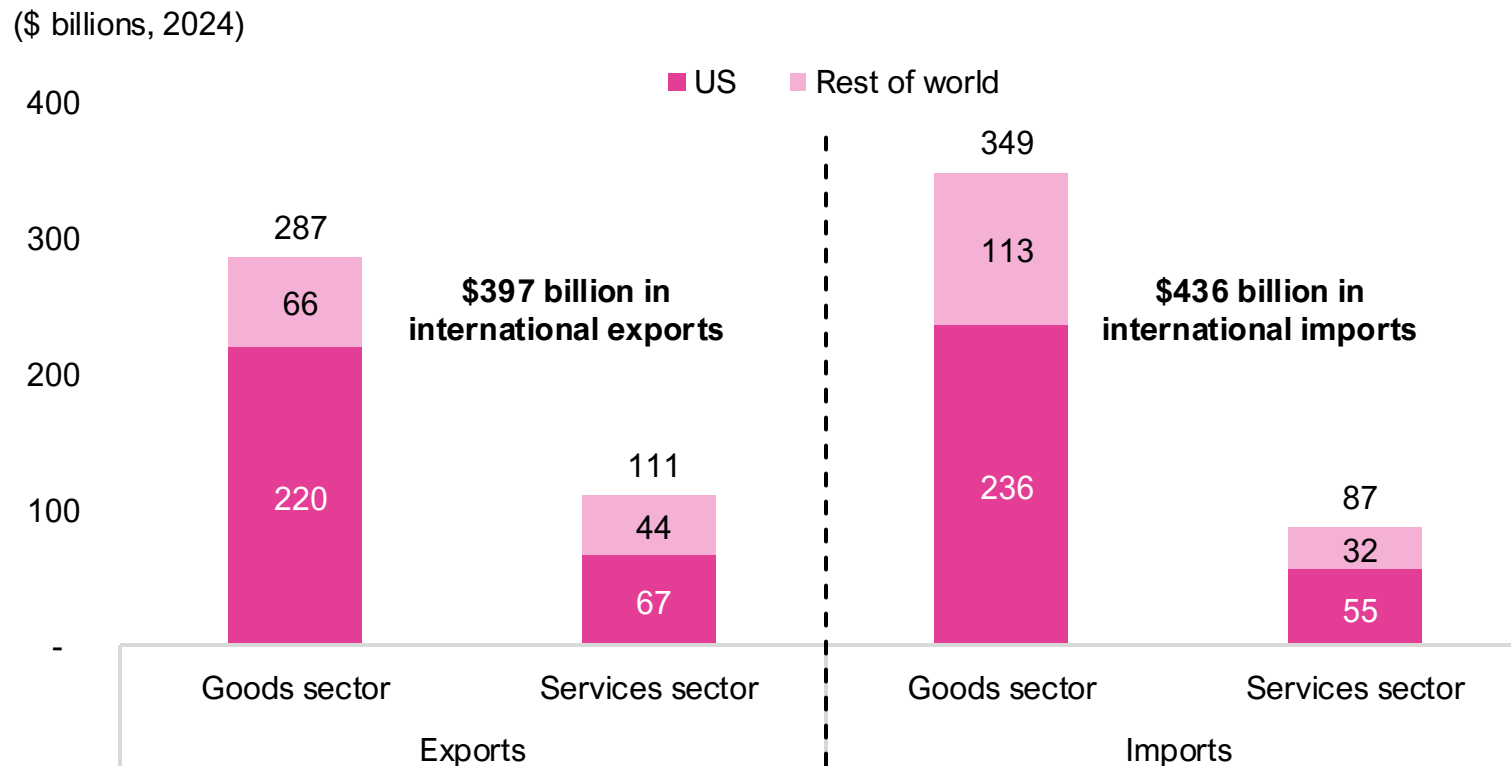


Ontario's trade with the United States



The US is Ontario's most important trading partner

- The US accounts for most of Ontario's international trade.
 - \$220 billion in goods exports to the US and \$67 billion in services exports.
 - \$236 billion in goods imports from the US and \$55 billion in service imports.



Note: Numbers may not add due to rounding.

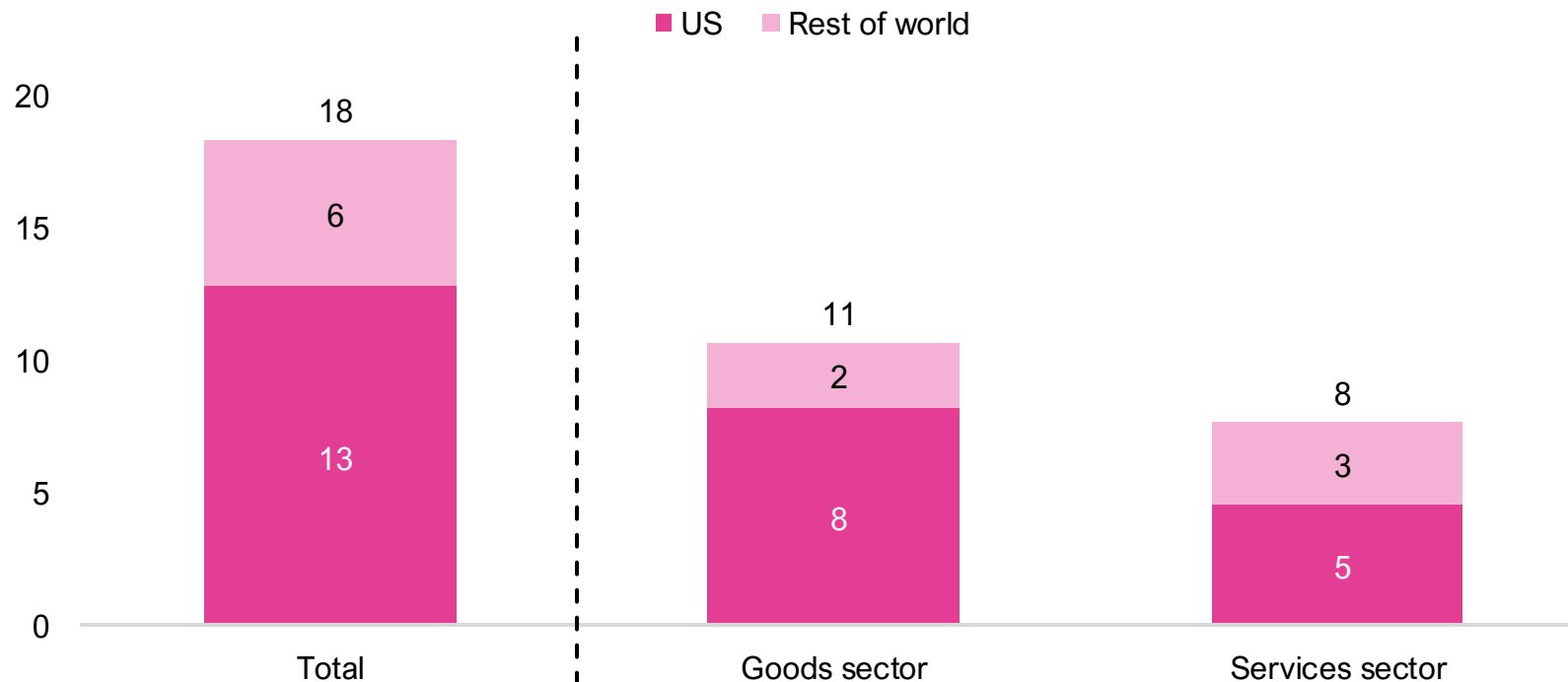
Source: Statistics Canada Table: [36-10-0222-01](#), [12-10-0100-01](#), Ontario Economic Accounts FAO estimate.



Exports to the US account for 13% of Ontario's GDP

- Goods exports to the US accounted for 8% of Ontario's Gross Domestic Product (GDP), while services exports to the US accounted for 5%.

International goods and services exports contribution to Ontario GDP
(per cent, 2013 to 2021 average)

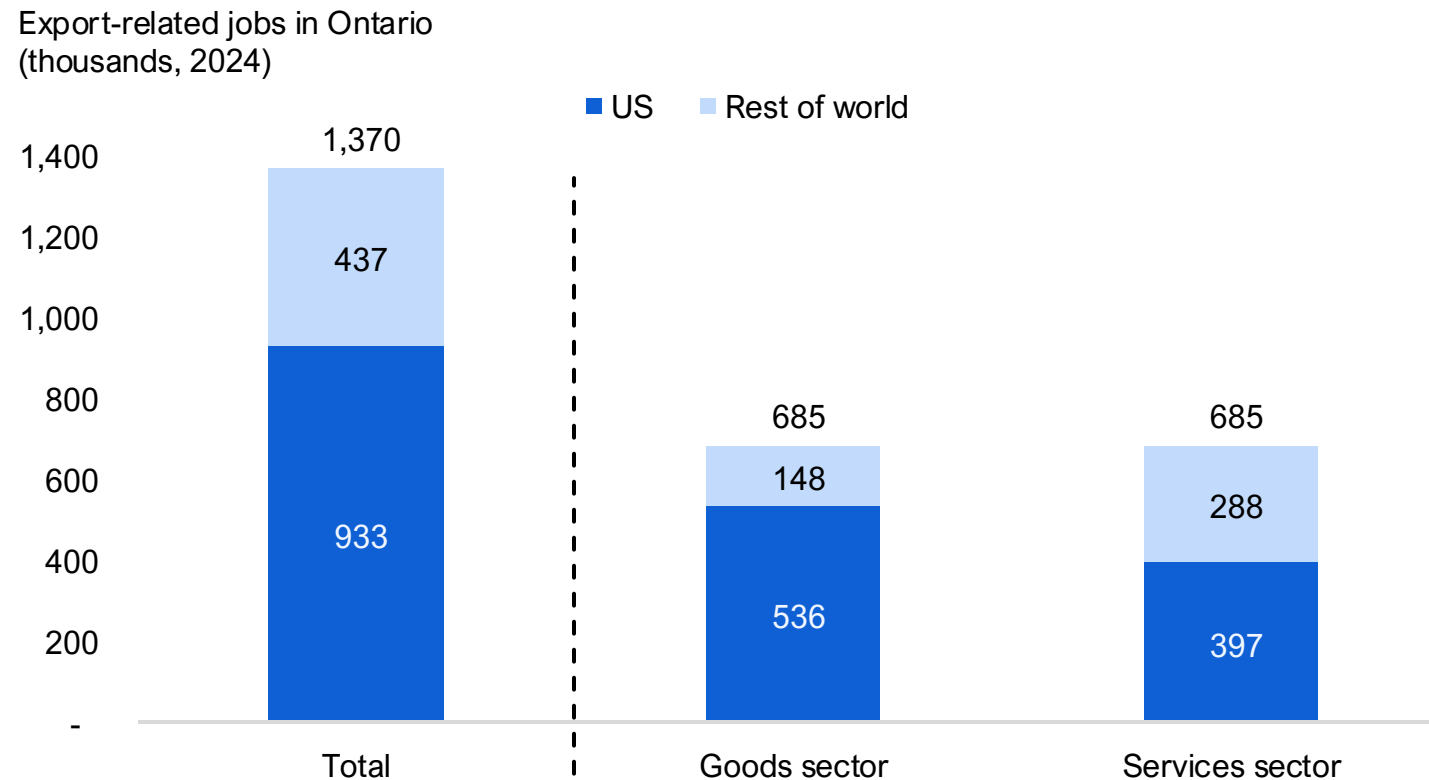


Note: Numbers may not add due to rounding.
Source: Statistics Canada Table: [12-10-0100-01](#) and FAO.



Exports to the US employed 933,000 people in Ontario in 2024

- Exports to the US accounted for 536,000 of Ontario's goods sector jobs, mostly in the manufacturing industry.
- Exports to the US accounted for 397,000 of Ontario's services sector jobs, including in professional services, trade and transportation, and other services.



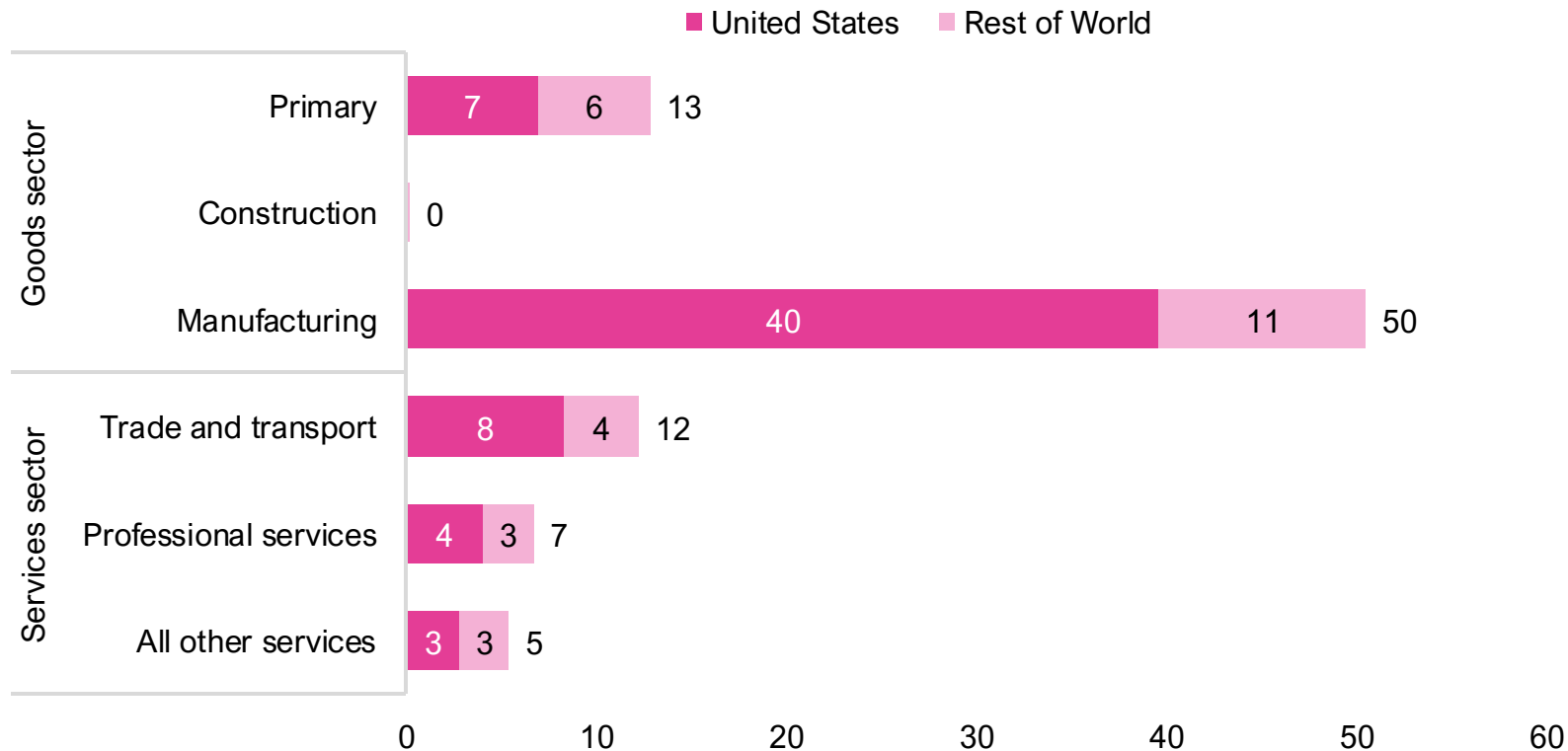
Note: Numbers may not add due to rounding.
Source: Statistics Canada Table: [14-10-0023-01](#), [12-10-0100-01](#) and FAO estimate.



Ontario manufacturers rely heavily on exports to the US

- All sectors of Ontario's economy are exposed to US trade to some extent, but the manufacturing sector is the most exposed, with 40% of its production exported to the US.

International exports as a share of sector gross output
(per cent, 2013 to 2021 average)



Source: Statistics Canada Table: [12-10-0100-01](#), [36-10-0488-01](#) and FAO.



The potential impacts of US tariffs on Ontario's economy



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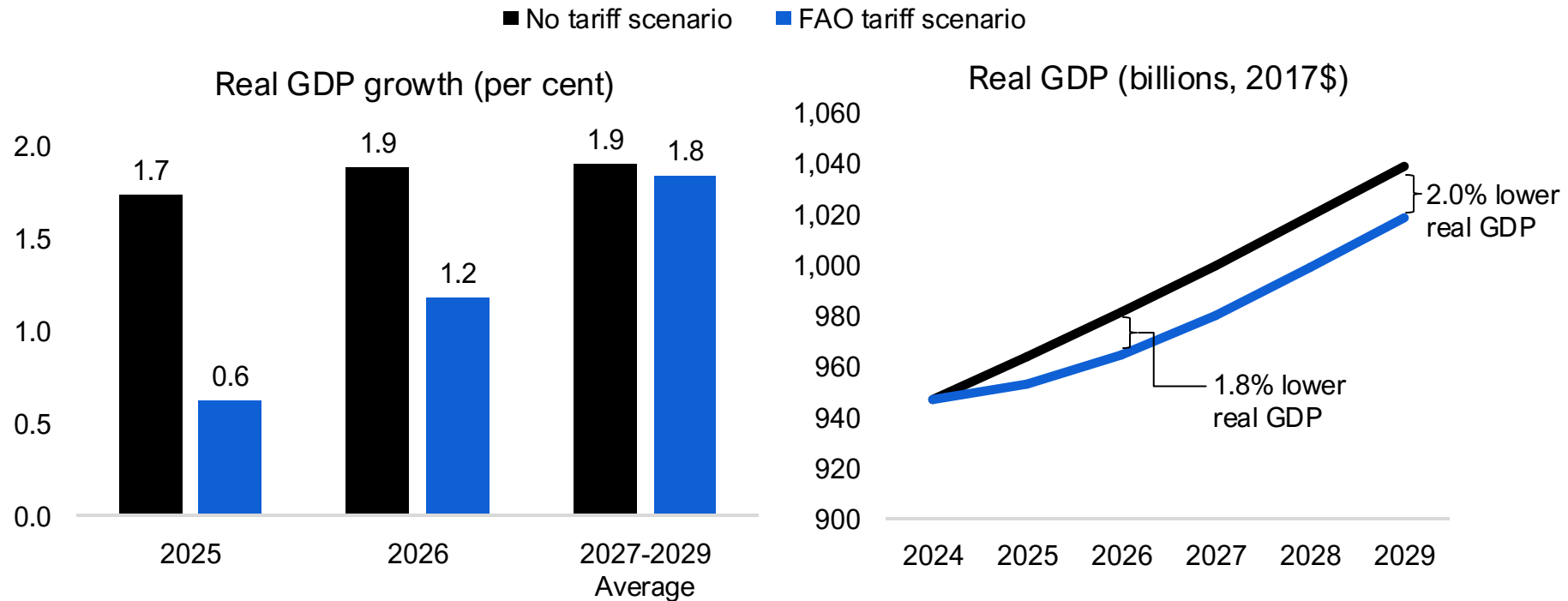
The FAO's tariff scenario

- For Canada-United States-Mexico Agreement (CUSMA) compliant exports to the US:
 - 25% tariffs on steel and aluminum.
 - 25% tariffs on automobiles and automobile parts (assumed to start on May 3), with an exclusion for the value of US-content.
- For non-CUSMA-compliant exports to the US:
 - 25% tariffs on all goods, apart from energy and critical minerals which are tariffed at 10%.
 - 50% tariffs on steel and aluminum.
 - 50% tariffs on automobiles and automobile parts.
- In response to these tariffs, the Canadian government introduced the following countermeasures, which are included in the FAO's tariff scenario:
 - 25% tariffs on \$30 billion in imports from the US, including agricultural products, metals, consumer goods and food and beverages.
 - 25% tariffs on \$29.8 billion in imports from the US, including steel and aluminum products, tools, computers and servers.
 - 25% tariffs on automobile imports, applied to the full value of non-CUSMA-compliant vehicles and to the value of non-Canadian and non-Mexican content of CUSMA-compliant vehicles.



US tariffs will slow Ontario's export demand and economic growth

- US tariffs would slow Ontario's real GDP growth to 0.6% in 2025, less than half the 1.7% growth expected in the no tariff outlook. This implies that a modest recession would occur in 2025.
- For 2026, real GDP growth would be 1.2%, compared to 1.9% growth in the no tariff outlook.
- The level of Ontario's real GDP is projected to be 1.8% lower than the no tariff scenario by 2026 and 2.0% lower by 2029, led by declines in Ontario's steel, aluminum, auto and auto parts sectors.



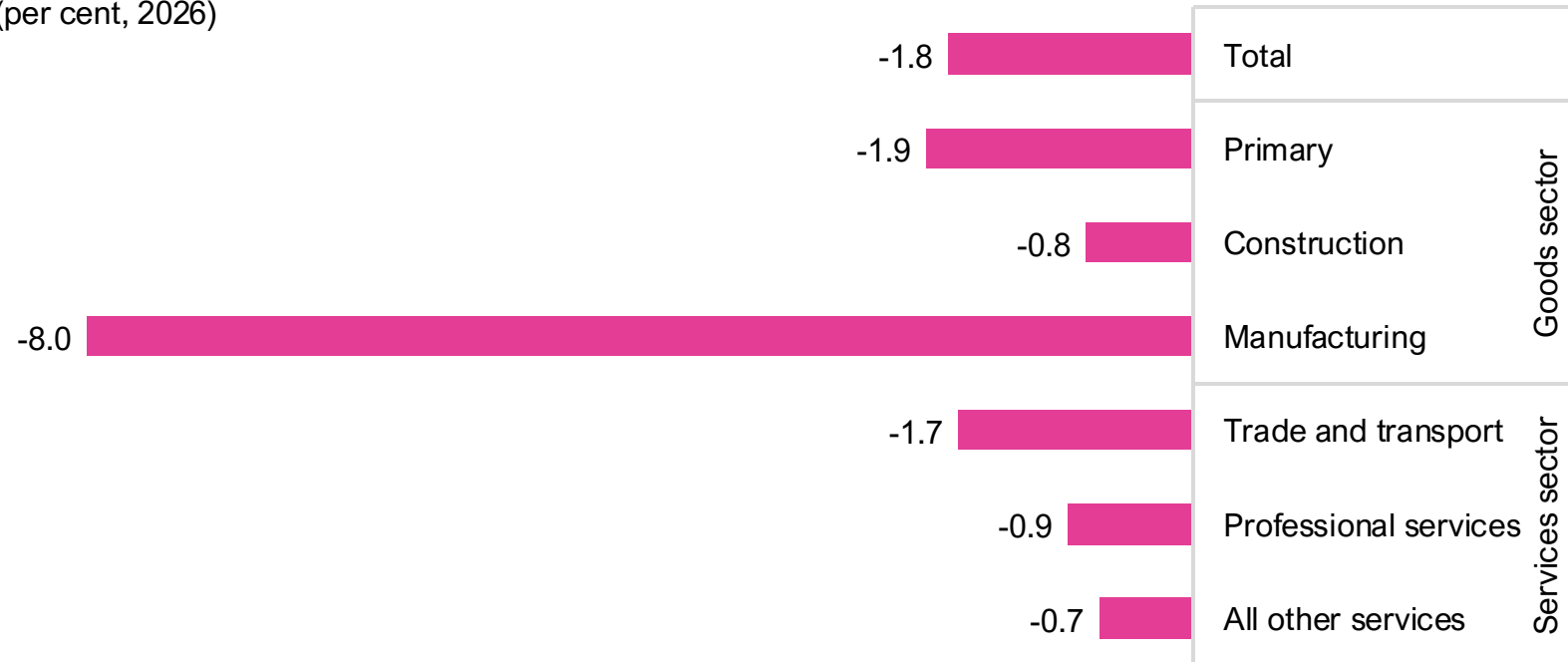
Source: Ontario Economic Accounts and FAO.



Manufacturing sector's output most impacted by US tariffs

- In 2026, the first full year of tariffs, the Ontario manufacturing sector's real GDP level would be 8.0% lower than in the no tariff scenario.
- All other sectors, including services, would also be impacted through supply chain effects, as well as through broader economic impacts from lower incomes, profits, consumption and investment.

Change in Ontario real GDP from no tariff scenario
(per cent, 2026)

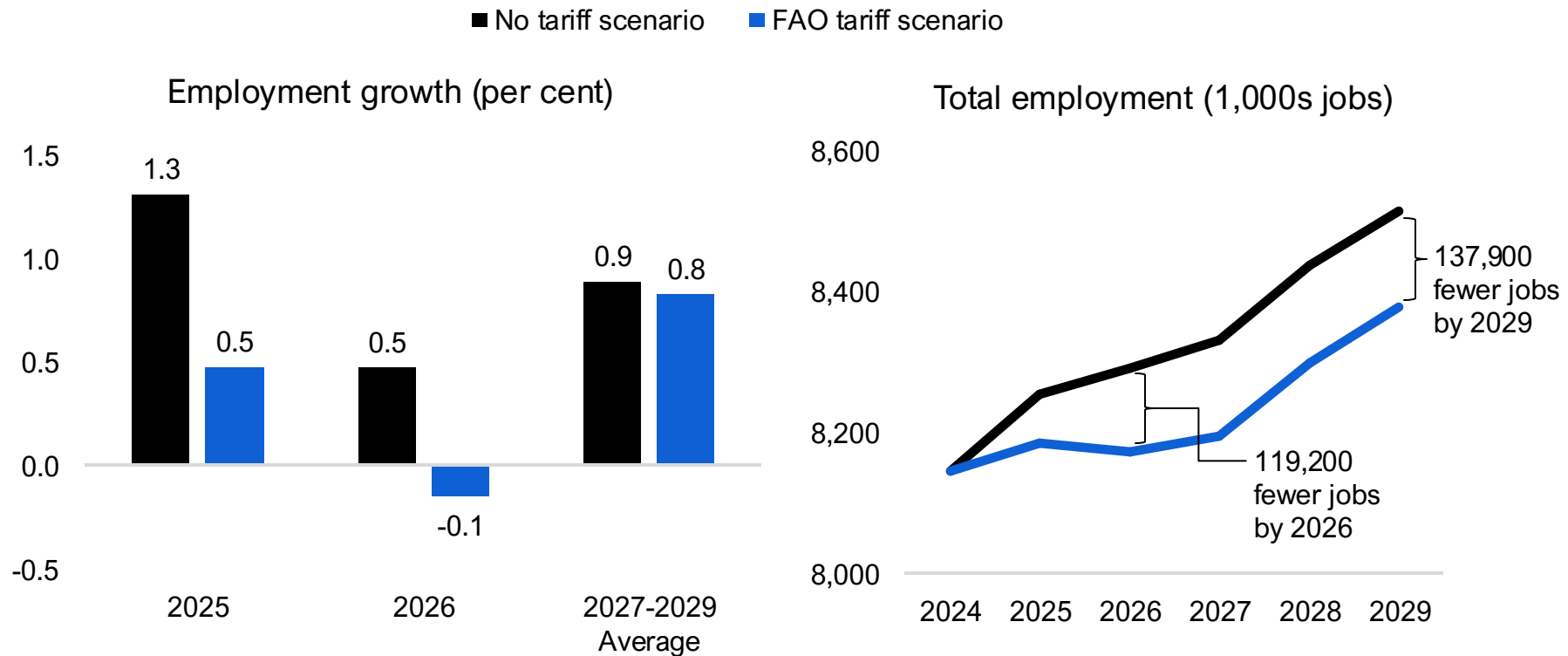


Source: Statistics Canada Tables [36-10-0402-01](#), [12-10-0100-01](#) and FAO.



US tariffs will slow Ontario's employment growth

- In 2025, Ontario's job creation would slow to 0.5%, less than half the 1.3% growth expected in the absence of US tariffs. In 2026, employment declines by 0.1% in the FAO tariff scenario.
- Compared to the no tariff scenario, the FAO estimates that US tariffs would result in 68,100 fewer jobs in Ontario in 2025 and 119,200 fewer jobs in 2026. By 2029, there would be 137,900 fewer jobs in Ontario.



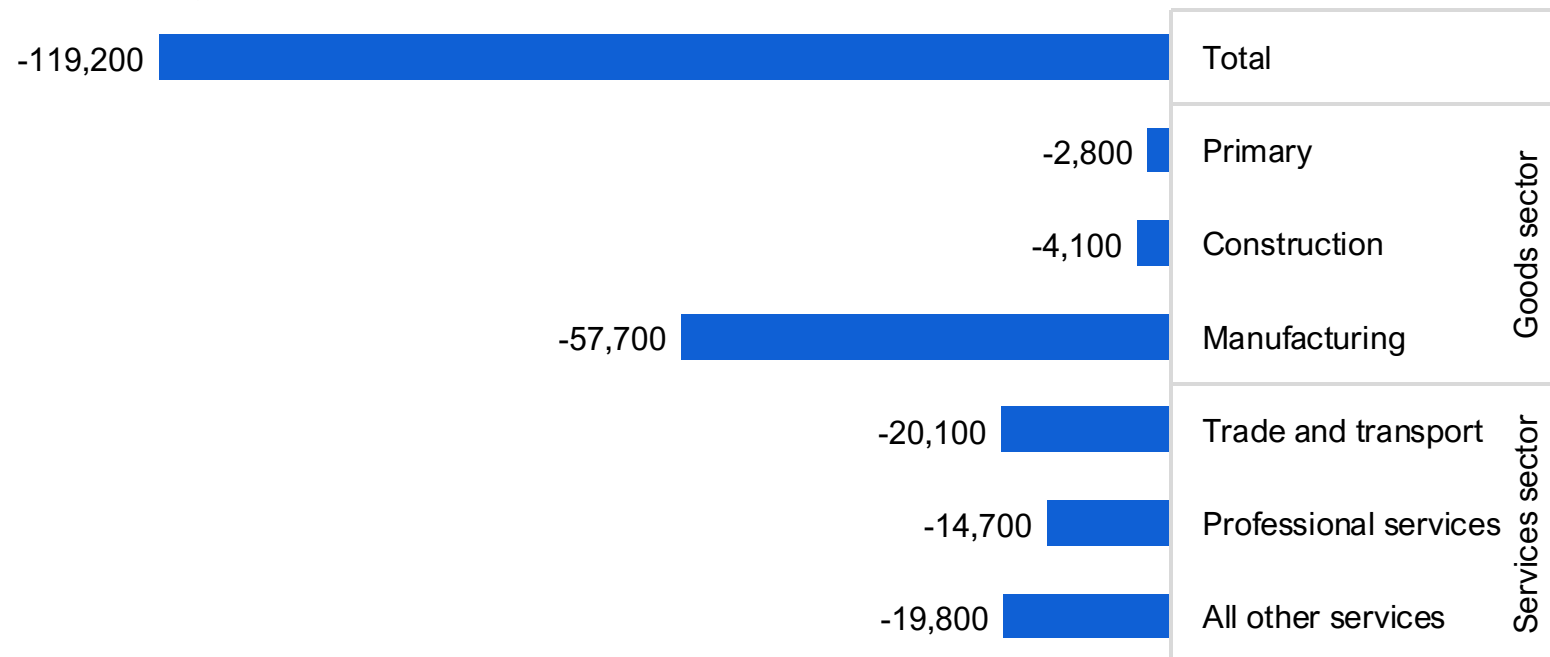
Source: Statistics Canada Table [14-10-0327-01](#) and FAO.



Manufacturing jobs will be most affected by US tariffs

- In 2026, manufacturing employment is expected to be lower by 57,700 jobs (-6.8%) compared to the no tariff scenario.
- The manufacturing sector's supply chain industries are also impacted, particularly the more labour-intensive services industries, including trade and transport, and professional services.

Change in Ontario employment from no tariff scenario
(total jobs, 2026)



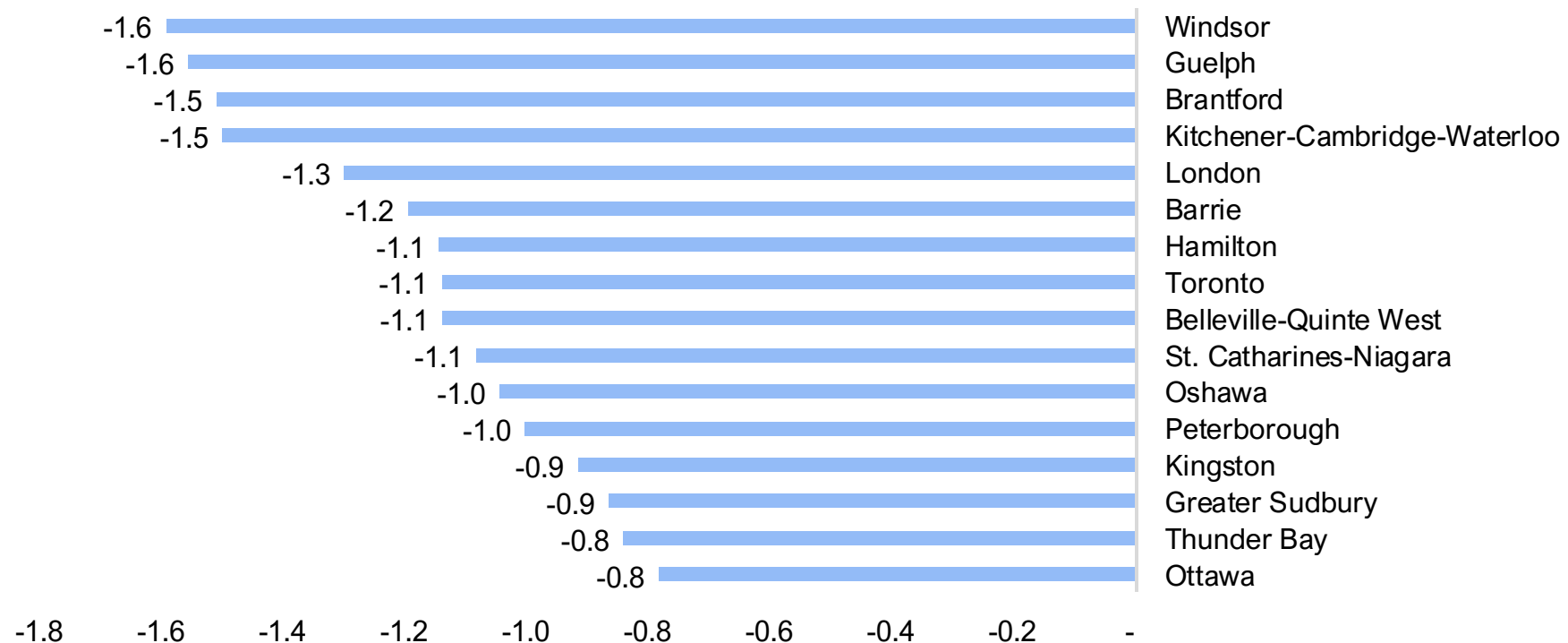
Source: Statistics Canada Tables [14-10-0023-01](#), [12-10-0100-01](#) and FAO.



Southwestern Ontario cities would be most impacted

- US tariffs on Ontario exports would negatively affect employment in all Census Metropolitan Areas (CMAs) in the province. Windsor is expected to be impacted the most, followed by Guelph, Brantford, Kitchener-Cambridge-Waterloo and London, as these CMAs are more exposed to export-focused manufacturing.

Change in Ontario employment from no tariff scenario,
as a share of total CMA employment (per cent)

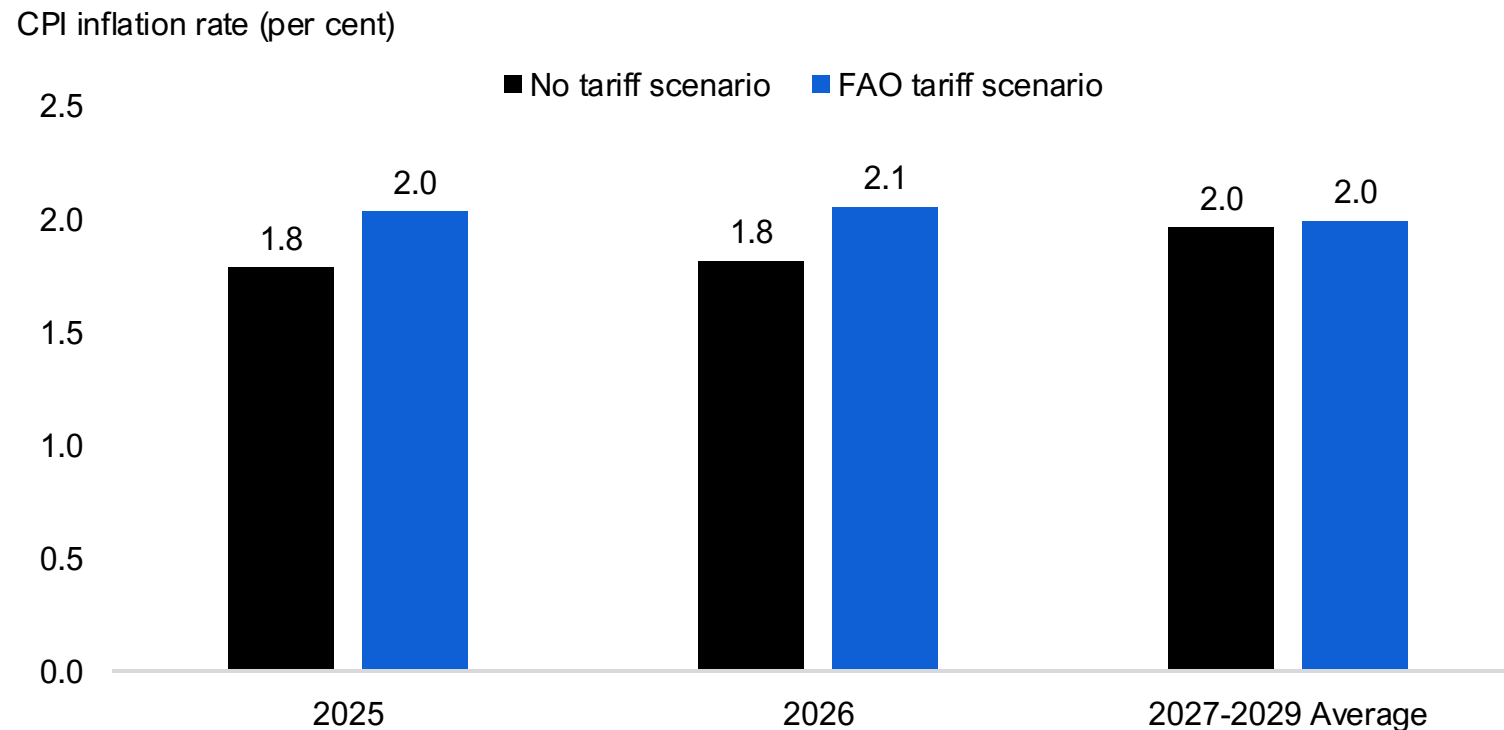


* Census Metropolitan Area represent where workers live, which may not correspond to the region in which they work.
Source: Statistics Canada Tables [14-10-0468-01](#), [14-10-0023-01](#), FAO.



Tariffs will modestly raise consumer prices in Ontario

- Ontario's CPI inflation rate is projected to be 0.2 percentage points higher in 2025 than in the no tariff scenario and 0.3 percentage points higher in 2026.
- Inflation would increase due to Canada's tariff retaliation, higher US inflation (primarily caused by US tariffs on imports from China) and a slightly weaker Canadian dollar. This would be partially offset by the impact of weaker economic activity in Ontario and lower oil prices.



Source: FAO.



Uncertainty and range of potential impacts



The actual impact of tariffs is uncertain

- The actual impact of tariffs on Ontario's economy is uncertain and will depend on the magnitude, breadth and duration of tariff coverage, as well as how businesses, households and economies respond to these tariffs.
- Given this uncertainty, the FAO has developed two additional scenarios, a “low impact” and a “high impact” scenario, to account for potential changes in US and Canadian tariff policies, as well as potential economic impacts to the Ontario economy.



The low impact scenario

- The **low impact scenario** assumes that existing US and Canadian retaliatory tariffs are reduced from 25% to 10%, trade volumes are more resilient to tariffs, and the US and global economies perform better than expected.
- Under the low impact scenario, Ontario's real GDP growth is 1.3% in 2025 and 1.6% in 2026, which implies that Ontario would not enter a recession.
- In addition, job losses and CPI inflation would be lower than under the FAO tariff scenario.

	Low Impact Scenario	FAO Tariff Scenario
Real GDP growth (per cent)		
2025	1.3	0.6
2026	1.6	1.2
2027-2029 average	1.9	1.8
Employment (thousands, change from no tariff scenario)		
2025	-20	-68
2026	-44	-119
2027-2029 average	-56	-138
CPI growth (per cent)		
2025	1.8	2.0
2026	1.9	2.1
2027-2029 average	2.0	2.0

Source: FAO.



The high impact scenario

- The **high impact scenario** assumes that the US introduces additional tariffs on Canadian copper, lumber, semiconductors and pharmaceuticals and increases tariffs on steel, aluminum and automobiles. As well, the Canadian government introduces additional retaliatory tariffs on US imports, trade volumes respond more strongly to tariffs, and the US and global economies suffer weaker growth and higher prices from a protracted trade war.
- Under the high impact scenario, Ontario's real GDP declines by 0.5% in 2025 and grows by 0.6% in 2026, which implies a deeper recession in Ontario than expected in the FAO tariff scenario.
- In addition, job losses and CPI inflation would be higher than projected under the FAO tariff scenario.

	FAO Tariff Scenario	High Impact Scenario
Real GDP growth (per cent)		
2025	0.6	-0.5
2026	1.2	0.6
2027-2029 average	1.8	1.8
Employment (thousands, change from no tariff scenario)		
2025	-68	-123
2026	-119	-214
2027-2029 average	-138	-234
CPI growth (per cent)		
2025	2.0	2.2
2026	2.1	2.2
2027-2029 average	2.0	2.1

Source: FAO.



Thank you!



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