Trump Tariffs - Impact on the Provincial Economy- Scenario Analysis

Summary of Results

Imposing 10% and 25% tariffs with full retaliation would have severe economic impacts on Saskatchewan, reducing gross output by $12.0 billion and $17.8 billion, respectively, and shrinking the province's GDP by $6.7 billion and $9.9 billion.

Employment would fall by 22,500 to 33,700 positions (5% of total employment), with labour income dropping by $1.6 billion to $2.3 billion under the two scenarios.

Government revenues would also decline, with the federal portion for Saskatchewan falling by $825 million to $1.2 billion, and provincial revenues dropping by $640 million to $943 million. These losses reflect the province's heavy reliance on exports—particularly to the U.S.—and it's exposure in manufacturing, agriculture, and resource sectors, which face restricted market access, higher costs, and disrupted supply chains.

The tariffs would decrease the competitiveness of Saskatchewan products, negatively affect investment, and create anxiety among workers, especially in industries tied to international trade, while also fueling inflation and raising prices for consumers.

It should be noted that these should be viewed as short-term impacts. In the longer term, Saskatchewan will find other markets for its goods and/or the Trump regime may back down, returning to near status quo.

Implications for Business

The results of the scenario analysis demonstrate the importance of international trade, particularly with the US to the provincial economy.

Exporting businesses must continue to diversify into other export markets. Although the future of trade with the US contains many unknowns, it is clear that over-reliance on this single export market is not necessarily a sound strategy.

These tariffs, along with Canada's retaliatory measures, have driven up costs for importers and exporters, leading to higher prices on goods ranging from consumer products to agricultural equipment.

Business owners report increased uncertainty, with many unsure how much of the added expense can be absorbed versus passed on to customers, and some suppliers are delaying decisions due to the unpredictable trade environment.

The tariffs have already resulted in noticeable price hikes and are undermining confidence among

Saskatchewan's small and medium-sized enterprises, who are struggling with supply chain disruptions and shifting demand. Sectors such as agriculture, manufacturing, and energy—which are heavily reliant on U.S. trade—face particular risk, as the tariffs threaten to erode competitiveness, reduce cross-border sales, and potentially trigger layoffs or reduced investment.

The ongoing trade war is also fueling inflation and could contribute to broader economic instability, with the threat of recession looming if the dispute escalates further.

Background

In early 2025, President Donald Trump reignited a trade war with Canada by imposing sweeping tariffs on imports, marking a dramatic escalation in economic tensions between the two countries. On February 1, Trump signed executive orders instituting a 25% tariff on nearly all Canadian goods entering the United States, with a 10% tariff specifically targeting Canadian energy exports. The stated aims were to reduce the U.S. trade deficit, pressure Canada to strengthen border security against illegal immigration and fentanyl smuggling, and to bolster domestic manufacturing

Canada, led by Prime Minister Justin Trudeau, responded swiftly and forcefully. Trudeau announced retaliatory tariffs of 25% on CA$30 billion (US$20.6 billion) of American goods, with plans to expand these countermeasures to CA$155 billion (US$106 billion) after three weeks

Trudeau denounced Trump's justification for the tariffs—particularly the claims about fentanyl—as "completely bogus" and accused the U.S. president of seeking to destabilize the Canadian economy. This tit-for-tat escalation marked an unprecedented rupture in the historically close economic relationship between the two countries, both founding partners in the United States–Mexico–Canada Agreement (USMCA).

The tariffs took effect on March 4, 2025, after a brief negotiation period failed to yield a compromise

While Trump later announced exemptions for USMCA-compliant goods, these covered only about 38% of Canadian exports, leaving the majority of trade subject to new duties. The situation quickly became volatile, with threats of further tariffs on Canadian steel, aluminum, lumber, and dairy, and Canadian provinces considering surcharges on electricity exports to the U.S.

Economists and business leaders warned that the trade war could have devastating consequences for both economies. Analysts predicted a significant risk of recession for Canada, with projections that sustained tariffs could reduce Canadian GDP by up to 4% and push unemployment rates higher

The Canadian dollar plunged to its weakest level in over two decades, and businesses on both sides of the border faced severe uncertainty as supply chains were disrupted

The Trump administration's tariff war with Canada thus represents not only a major economic shock but also a profound shift in North American trade relations, with the potential for lasting damage if the dispute is not resolved quickly.

Canada and the United States maintain one of the world's most integrated and mutually beneficial economic relationships, characterized by deeply intertwined supply chains and significant cross-border investment. According to the "Partners in Prosperity" report published by the Canadian Chamber of Commerce in October 2024, Canada is a critical and reliable supply chain partner for U.S. companies and consumers, with about half of bilateral trade occurring between related parties, demonstrating a high level of business integration. Canadian exports to the U.S. generate substantial income and wages for American businesses and workers, with a significant portion of value added coming from U.S. producers themselves. However, the report notes that the importance of Canada as a trading partner is often underappreciated in the U.S., despite the fact that the U.S. enjoys a trade surplus with Canada in services and non-oil goods

The second article, published November 28, 2024, by the Canadian Chamber of Commerce's Business Data Lab, examines the potential consequences of renewed protectionist policies, specifically a proposed 25% tariff on U.S. imports by President-elect Donald Trump

The analysis warns that such tariffs would significantly disrupt North American supply chains, reduce trade volumes, and lower productivity on both sides of the border. Modeling suggests these tariffs would reduce annual purchasing power by $1,900 CAD for the average Canadian and $1,300 USD for the average American. The report emphasizes that retaliatory measures would further magnify economic losses, threatening jobs and industries across both countries. Both articles conclude that continued partnership and a rejection of protectionism are essential for safeguarding shared prosperity and economic security in North America

Analysis

The President does not have the power to terminate or renegotiate trade deals unilaterally. Two thirds of the vote belong to the senate, so he would rely on congress to make the final decision.

As such, the potential for a tariff war remains unclear.

However, some assumption-based analysis can be conducted. Using the Canadian Chamber of Commerce's analysis on the drop in sectoral exports to the United States as a share of output, removing sectors not applicable to Saskatchewan, and Saskatchewan exports to the US in 2024, the reduction in total Saskatchewan exports was calculated as below in 2024 dollars:

Table 1: Initial Shock – 10% Tariff Scenario with Full Retaliation from Canada

Sectoral export change to US as a share of output (%)		HS code or chapter	Domestic Exports $M*	$M to US	Commodity	US exports as % of Output	New share	$M reduction in exports
Mining, quarrying energy products	-42	5	13,381.7	13,326.9	**Mineral fuels [M21B0], Metal ores and concentrates [M2122], Non-metallic minerals [M2123]**	99.6%	57.8 %	- 5,597.3
Basic metals	-17	15	350.6	349.2	**Primary metallic products [M3310] and Fabricated metallic products [M3320]**	99.6%	82.7 %	-59.4
Chemicals and chemical products	-14	6	10,994.5	5,619.4	**Chemical products [M3250]**	51.1%	44.0 %	- 786.7
Paper products and printing	-13	10	297.3	5.9	**Wood pulp, paper and paper products and paper stock [M3220]**	2.0%	1.7%	- 0.8

Sectoral export change to US as a share of output (%)		HS code or chapter	Domestic Exports $M*	$M to US	Commodity	US exports as % of Output	New share	$M reduction in exports
Coke and refined petroleum products	-12	27	13,313.8	13,285.4	**Refined petroleum products (except petrochemicals) [M3240]**	99.8%	87.8 %	- 1,594.2
Wood and wood products	-11	9	387.2	387.2	**Wood products [M3210]**	100.0%	89.0 %	-42.6
Machinery and equipment nec	-10	16 & 17	1,060.5	923.9	**Industrial machinery [M3330]**	87.1%	78.4 %	-92.4

Source: Praxis, Canadian Chamber of Commerce, Statistics Canada

In the second scenario, a 25% across the board tariff regime with a full retaliation from Cananda was examined.

Table 2: Initial Shock – 25% Tariff Scenario with Full Retaliation

Sectoral export change to US as a share of output (%)	HS code or chapter	Domestic Exports $M*	$M to US	Commodity	US exports as % of Output	New share	$M reduction in exports	Sectoral export change to US as a share of output (%)
Energy products	-60	27	13,313.8	13,285.4	**Mineral fuels [M21B0]**	99.8%	39.9%	- 7,971.2
Basic metals	-27	15	350.6	349.2	**Primary metallic products [M3310] and Fabricated metallic products [M3320]**	99.6%	72.7%	-94.3
Chemicals and chemical products	-22	6	10,994.5	5,619.4	**Chemical products [M3250]**	51.1%	39.9%	- 1,236.3
Wood and wood products	-20	9	387.2	387.2	**Wood products [M3210]**	100.0%	80.0%	-77.4
Paper products and printing	-20	10	297.3	5.9	**Wood pulp, paper and paper products and paper stock [M3220]**	2.0%	1.6%	- 1.2
Coke and refined petroleum products	-19	27	13,313.8	13,285.4	**Refined petroleum products (except petrochemicals) [M3240]**	99.8%	80.8%	- 2,524.2
Machinery and equipment nec	-19	16 & 17	1,060.5	923.9	**Industrial machinery [M3330]**	87.1%	70.6%	-175.5

Sectoral export change to US as a share of output (%)	HS code or chapter	Domestic Exports $M*	$M to US	Commodity	US exports as % of Output	New share	$M reduction in exports	Sectoral export change to US as a share of output (%)
Textiles	-12	9	4.5	3.9	Textile products, clothing, and products of leather and similar materials [M31D0]	86.2%	75.9%	- 0.5

Source: Praxis, Canadian Chamber of Commerce, Statistics Canada

Implicit in this approach are a few further assumptions:
- Service exports are not impacted.
- Trade with other countries is not impacted.
- Most statements from Canada's Federal government point in the direction of full retaliation.

The $M reduction in Exports was used as inputs to the Praxis economic model yielding the following:

Table 3: Direct. Indirect, and Induced Tariff Impacts

Provincial Impacts: Saskatchewan – Tariff Scenarios	Gross Output ($M)	Gross Domestic Product ($M)	Employment (Positions)	Labour Income ($M)
10% Tariffs with Full Retaliation	-11,972.1	- 6,737.0	-22,502	-1,555.8
25% Tariffs with Full Retaliation	-17,789.1	- 9,867.0	-33,685	-2,312.4

Source: Praxis

Table 4: Direct. Indirect, and Induced Tariff Fiscal Impacts

Government Revenues ($M) - Tariff Scenarios	Federal (Saskatchewan Portion)	Provincial
10% Tariffs with Full Retaliation	-824.5	-639.7
25% Tariffs with Full Retaliation	-1214.6	-942.8

Source: Praxis

Definitions

Employment impact results are measured in positions, a mix of full-tine and part-time positions.

Labour income includes wages, salaries, and employer contributions to pensions and benefit packages.

Gross Output: total expenditures on local goods and services as well as payments to labour and business profits. Gross output includes double counting because it includes the value of inputs used in production rather than net value added alone.

Gross Domestic Product (GDP): measure of net economic activity within a prescribed geographic area. It represents the payments made to final factors of production: labour, unincorporated business profits, and other operating surplus (corporate profits, interest income, inventory valuation adjustments, and capital consumption allowances). GDP at factor cost excludes the value of intermediate goods and services used in production.

Direct Impact: Initial shock of reduced exports.

Indirect Impact: the secondary impact that includes inter-industry transactions, purchases of inputs from supporting industries.

Induced Impact: the additional impact from changes in household spending as industries modify labour input requirements in response to altered levels of demand for output

Harmonized System (HS): International trade in goods is classified using the World Customs Organization's (WCO's) Harmonized Description and Coding System (HS). The HS classifies all products using 6-digit codes that are organized by chapter (2 digits), heading (4 digits) and subheading (6 digits). HS codes are harmonized internationally up to the 6-digit level. WCO members use the HS as the basis for their tariff schedules and export codes, typically adding digits to the HS 6-digit subheading for additional precision in their national classification. By finding the HS code that applies to the good, you can find the applicable tariff rate.