

Trump's Tariffs and What They Mean for Canada's Residential Construction Industry Webinar - FAQs

What is the status of the U.S. government's proposed 25% tariffs on Canadian goods?

On Monday, February 3rd, the Canadian government negotiated a deal with the U.S. to postpone 25% tariffs on Canadian goods for 30 days.

While the 30-day delay in implementation of tariffs is good news, especially given that it provides more negotiating time to avoid them all together, there still is an enormous amount of uncertainty, which is not good for the residential construction industry that is already operating in a challenging business environment.

Is Canada taking a 30-day pause on countervailing tariffs in response to the U.S. taking a pause?

Yes, on February 3, 2025, Canada and the United States agreed to delay the imposition of the respective tariffs on imported goods.

How could the proposed U.S. tariffs and countervailing Canadian tariffs affect the residential construction sector?

There are four principal areas where a possible trade war would potentially impact residential construction.

- First, a slowdown in the Canadian economy from fewer exports to the U.S. due to tariffs would reduce residential investment, starts, and supply.
- Second, Canada's countervailing tariffs, if applied to construction goods, would increase costs of construction, further eroding affordability and access to housing for Canadians.
- Third, if the Canadian dollar weakens due to a trade imbalance, imports will become more expensive, raising construction costs.
- And fourth, if the tariffs cause inflationary pressures, the Bank of Canada could consider raising interest rates, though the Bank would have to weigh that against the need for lower interest rates caused by a slowed economy.

Which products would the proposed U.S. tariffs, and subsequent Canadian countervailing tariffs, most affect?

The proposed 25% U.S. tariffs were set to apply to all imported products from Canada. However, due to the volume of oil exports to the U.S. (currently 4.3 million barrels per day from Alberta), “energy” exports were given a lower 10% rate, as this would be an overwhelmingly negative impact on the U.S. economy if they were tariffed 25%.

Canada is taking a more nuanced approach to tariffs, so it remains to be seen what will be most impacted. However, the high integration of the automotive industry across U.S., Canada, and Mexico would put this most in danger.

CHBA is advocating for construction materials to be excluded from Canada’s countervailing tariffs and will monitor the forthcoming list of \$125 billion of goods very closely. CHBA has also been working with other national associations to collaborate on this issue and is engaged with the National Association of Home Builders (NAHB) in the U.S., who are also advocating for no tariffs on construction goods.

Canada’s proposed tariffs were to come out in two phases. The now suspended first phase list was published on February 4th and can be found [here](#).

Would a 25% tariff offset goods going to the U.S. due to a weaker Canadian dollar?

Yes, a weaker Canadian dollar would benefit the exporters in Canada, both in terms of exports to the U.S. and to other countries. This would offset some of the increased cost to U.S. consumers. However, this is only in isolation and does not account for market power of U.S. competitors, currencies of foreign competitors looking to export, and other economic factors.

The Bank of Canada will need to manage effects to the Canadian dollar as well, as they typically take the current exchange rate as a given in their projections.

Are products that are not from the U.S. but move through the U.S. (e.g., via ground shipping from Mexico) affected by import tariffs?

In general, if a product is wholly produced in another country, but travels through the U.S. into Canada, it is not subject to U.S. tariffs.

Will the government ensure that the price of existing products on shelves and in inventory will not be immediately impacted?

We don't yet know what the government is planning on this front. Typically, once a product is in transit, its price is not impacted by tariffs.

Overall, how much would the U.S. tariffs, and countervailing tariffs, impact the cost of construction and purchasing power of buyers in Canada?

This will vary significantly depending on the region, the type of construction, and on which countervailing tariffs are implemented.

It's worth noting that the 25% tariffs across the board in the U.S. will likely have a larger impact on residential construction costs and housing affordability in the U.S. than in Canada.

As a result of the U.S. tariffs threat, do you see Canada moving to strengthen trade relationships with other countries?

Given the current uncertainty surrounding Canada's trade relationship with the U.S., the federal government will almost certainly look at opportunities to expand trade relationships with other countries.

Do you have concerns that further reductions in interest rates combined with the inflation of costs due to tariffs could cause "stagflation"?

A mild form of stagflation is possible. The Bank of Canada recently projected that Canada's GDP would contract in the first year of the tariffs being implemented. However, the reduction in demand from a slumping economy would also offset some of the higher price growth.

Would the removal of interprovincial trade barriers help offset some of the proposed U.S. tariffs?

The removal of any interprovincial trade barriers on construction goods and services would be helpful in strengthening the flow of Canada's domestic supply chain and help reduce

the impact of the proposed U.S. tariffs. It would also boost productivity in Canada in general.

What is CHBA recommending to government to help minimize the impact of the proposed U.S. tariffs and Canadian countervailing tariffs on the residential construction sector?

CHBA has been active on this matter and highly engaged with the Bank of Canada, officials from Housing, Infrastructure, and Communities, and the Minister of Foreign Affairs about the impacts of both potential U.S. tariffs and Canadian retaliatory tariffs on the home construction sector. CHBA has recommended that the residential construction industry, housing supply, and affordability be considered in any retaliatory tariffs, with an emphasis on avoiding tariffs on construction products and materials, unless other domestic or import solutions can be easily found for comparable prices.

Governments can also help offset the impact that countervailing tariffs would inevitably have on housing affordability by removing the GST (and PST/HST) on new construction, as well as lowering development charges (DCs) at the municipal level, particularly in those municipalities with extremely high DCs. Members can read more about CHBA action on this issue on [our website](#).

For updates on how CHBA is advocating on behalf of members on this issue, as well as others, CHBA members are encouraged to [subscribe to CHBA's Industry Highlights newsletter](#).

What can I, a builder/renovator/developer, do to help minimize the impact of the proposed U.S. tariffs and Canadian countervailing tariffs on my business?

CHBA members are encouraged to include a price escalation clause in their contracts. A draft price escalation clause that CHBA members can have reviewed/edited by their legal counsel and include in their contracts as they see fit is available for download on CHBA's website [here](#).

Further, all efforts to "buy Canadian" where possible will also serve to bolster Canada's economy now and into the future. Canadian importers in the residential supply chain are encouraged to look at alternatives to U.S. goods, seeking sources domestically and from other countries.