

Vital Briefing—Tariff Insights

Friends again, but Canadian PM leaves Trump's White House empty handed

By [Thomas Thompson](#)

Mark Carney, Canada's prime minister, arrived in Washington on Monday evening, October 6, "with hopes to find relief for Canada's steel and aluminum sector" according to Canadian government sources as [reported](#) by CTV News.

At a joint White House press conference ahead of the negotiations, Trump hinted that a deal was in the works saying, "They're going to walk away very happy," and "The people of Canada will love us again."

Carney returned to Canada with no new trade or tariff concessions.

The prime minister's office released a brief statement Wednesday outlining the wide-ranging discussions that the prime minister held with Trump and other members of the administration. The press [release](#) included the following statement from Carney: "President Trump and I know that there are areas where our nations can compete – and areas where we will be stronger together."

Despite Carney making a courtesy call at the White House the day after he was elected prime minister, Canada remains one of only a few large economies without a trade and tariff deal. Referring to the USCMA, the free trade deal that replaced NAFTA during the first Trump administration, Carney said, "Canada currently has the best trade agreement of any U.S. trading partner, with 85% of Canada-U.S. trade now tariff-free ..." according to the release.

The Canadian economy has nonetheless taken a hit from the steel tariffs which came into effect in March. Since then, July is the only month Canada has recorded economic growth, which was only .2 per cent. Unemployment is running at the highest level in nine years, not counting some pandemic months.

Canada has retaliatory tariffs on steel and aluminum products and on some U.S. automobiles, having eliminated a broad based 25 per cent counter tariff on September 1.

Carney appeared hopeful of making progress on the tariff front, dangling new Canadian private investments in front of the president. He told the Canadian Parliament on Wednesday that he had told Trump, "We are the largest foreign investor in the United States, half a trillion in the last five years alone, probably \$1 trillion in the next five years — if we get the agreement we expect to get." The deals Trump has concluded with other major trading partners like Japan, South Korea, U.K. and E.U. all included sizable investment commitments.

Sources [told](#) CTV News that while Carney was speaking to his Parliament on Wednesday, Trump's Secretary of Commerce, Howard Lutnick was dismissing any prospects for an automobile deal in remarks to the Eurasia Group's Canada-U.S. Summit in Toronto.

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Lutnick said Canada should "come second" to the U.S. auto industry. Sources [told](#) the Globe and Mail that the secretary said the U.S. is determined to dominate auto manufacturing and his country no longer wants vehicles to be assembled in Canada, although it will continue to import parts.

According to sources who attended the summit, Lutnick also told attendees he thinks the U.S. and Canada should cut Mexico out of USCMA. CTV News noted in its report that Carney had dismissed "the idea of working against Mexico in the renegotiations" of the pact scheduled for next year.

Fed tariff watch. The Fed released the minutes of the September 16-17 Federal Open Market Committee meeting on

Wednesday, October 8. The committee voted at that meeting to lower the target interest rate for Fed Funds by a quarter point, the first rate move this year.

The staff review of the U.S. economic situation at the time of the meeting pointed out that foreign economic growth had generally cooled in the second quarter from first quarter levels which had been boosted by the imminent U.S. tariffs. Regarding Canada, the staff [said](#), “Canadian economic activity contracted significantly, as exports of price-sensitive industrial supplies fell sharply in the face of higher U.S. tariffs.”

Stronger than expected consumer spending and business investment, in the Fed staff's view, were buoying the economy above the level that had been expected earlier in the year. The staff continue to believe, however, that this year's tariff increases are retarding growth this year and, after the economy adjusts for tariffs and other shocks, next year's growth outlook is relatively stronger.

The staff still believe that tariffs will impede inflation from returning to its two per cent target this year.

The minutes reported that committee participants themselves had mixed outlooks for GDP growth, inflation and the unemployment rate. Despite voting to stimulate the economy with lower short-term interest rates, participants observed that inflation had increased since the beginning of the year as they also noted that tariffs' effects on inflation seemed muted compared to earlier expectations.

Participants' responses also indicated that they are not concerned about labor market conditions leading to a “sharp deterioration,” although they noted that recent Bureau of Labor Statistics data reports and revisions indicate that “labor market conditions had been softening for longer than was previously reported.”

CBO reports. With most of the government closed and not pumping out data and reports during the first week of October, the Congressional Budget Office's monthly budget review released on October 8 contained some of the only fresh official reading on the economy out there.

Containing no surprises from earlier estimates, the report did [show](#) that the U.S. budget deficit in fiscal year 2025 narrowed to \$1.8 trillion, down four per cent from the

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2024 level. The federal fiscal year runs from October 1 to September 30.

Noting that tariffs on most imported goods were raised during FY 2025, CBO reported custom duties rose from \$77 billion in 2024 to \$195 billion, a 153 per cent increase. The \$118 billion increase covered the \$77 billion decline in corporate tax receipts brought about by changes to the depreciation provisions in Trump's signature 2025 budget act passed in July.

Tariff collections also helped offset part of the \$80 billion increase in public debt payments which topped \$1 trillion in 2025 for the first time.