Trump Trade War May Force Canadians to Pay More for Their Next Vehicle

25% Tariffs on Used Vehicle Exports to the US Could Decimate the Auto Industry for Canadian Dealers and Consumers

Vehicle's Crossing the Border in a Trade War

TORONTO, CANADA, January 17, 2025 /EINPresswire.com/ -- A report released by the Canadian Vehicle Exporter's Association (CVEA) highlights the devastating financial impact a 25% tariff on used vehicle exports to the United States may have on vehicle dealers and consumers across Canada.

With the automotive market in Canada in the early stages of recovery from the Covid-19 pandemic, a trade war could reverse these gains and create an unsustainable 'negative-equity' bubble that threatens every Canadian who currently has a vehicle loan.

> "
> Canadian vehicle dealers and consumers share a mutual financial interest in the cross-border trade of used motor vehicles."
>
> *Damon Lyons - CVEA*

All Canadians are acutely aware that the incoming US Administration has threatened to impose a 25% tariff on any imported goods originating from Canada. The negative effect this will have on Canadian vehicle dealers who export their used vehicle inventory to the United States will have a direct financial impact on Canadian consumers who are currently in the market for a new vehicle.

"Vehicle dealers in Canada have long been able to offer their customers a good value for their 'trade-in' when it comes time for that consumer to purchase their next vehicle" said Damon Lyons, Executive Director of the CVEA. "This is made possible due in part to the fact that the US market has an appetite for high-quality used Canadian vehicles. A low and relatively stable Canadian dollar has historically allowed Canadian vehicle dealers to feel secure in knowing they can obtain a fair margin selling used vehicles acquired as trade-ins to the large US market. For the consumer, this helps to lower the overall purchase cost of their next vehicle. The benefits that come from open trade have a mutual benefit to Canadian dealers and consumers alike.”

However, the looming trade war could decimate that normal pattern. A 25% tariff would immediately end viable access to US markets. In turn, vehicle dealers will be forced to offer lower trade-in values to their new potential customers.

Overnight, consumers may find themselves in a negative equity position on their current vehicle, whereby the amount they currently owe on their vehicle far exceeds the current market value of that vehicle.

Loan terms are increasing, and some estimates say 50% of vehicles may already be in a negative equity position. Says Mr. Lyons, “The vehicle market in Canada has nearly made its way back up the hill from the disruptions caused by the pandemic shortages and a gentle nudge could send it back down. When that nudge is from a 25% tariff gorilla, vehicle dealers and consumers will need to be extremely aware of the financial impacts this will have upon them.”

“The fabric of the modern world is so tightly interwoven that pulling one trade-string can create far-reaching unintended consequences” concludes Mr. Lyons. “We remain optimistic that with Canadian unity and respectful yet frank dialogue with our friends to the south, calmer heads will prevail and practical solutions will be reached.”

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