Consumer Impact Report – Tariffs

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What's Inside

In periods of uncertainty, marketing's role is not just to defend share—but to stabilize confidence, uphold brand value, and prevent long-term erosion.

The decisions made now on message, tone, spend, and structure will define market position when volatility recedes.

Confidence is the New Battleground - Consumer and business sentiment is tumbling, driven more by uncertainty than cost. Brands must focus on trust, relevance, and visibility to prevent long-term erosion.

Tariffs Are Reshaping the Map - From global supply chains to domestic ad budgets, U.S. tariffs are triggering downstream effects across sectors. CAN is both a casualty and a refuge in the shifting landscape.

Marketing's Role is Expanding - In this climate, advertising isn't just for growth, it's a stabilizer. Campaigns must defend equity, reassure consumers, and respond to volatility fast.

The Confidence Collapse

Canadian sentiment is slumping. Confidence, not tariffs, will shrink consumer spending.

The most immediate impact of trade policy isn't transactional, it's psychological. Despite a strong start to 2025, Canadian consumer and business confidence has collapsed under the weight of tariff threats and policy ambiguity.

Discretionary spending is softening.

Planning cycles are tightening. Brands must counter this hesitancy not with discounts, but with conviction, clear messaging, empathetic tone, and the courage to stay visible.

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U.S. Tariffs Are a Canadian Crisis

25% tariffs aren't just exports, they're inflation, logistics, and loyalty.

With over 60% of Canada's imports sourced from the U.S., American tariffs act like domestic inflation. The 25% tariff on Canadian goods, 10% for energy, will ripple through retail prices, supply chains, and consumer psychology.

For Canadian brands, this isn't a trade issue, it's a trust and affordability issue. Businesses are re-evaluating cross-border models. Consumers are recalibrating value.

From Surge to Stall

Early-year export spikes masked what's now clear; slowdown ahead.

A temporary rush to ship goods before tariffs kicked in gave the illusion of growth. But that front-loaded activity has now reversed.

Economic forecasts show a hard deceleration: 0.8% GDP growth in 2025, just 1% in 2026.

Brands must act accordingly, plan for cautious consumers and hesitant business buyers.

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Interest Rates ↓, Pressure ↑

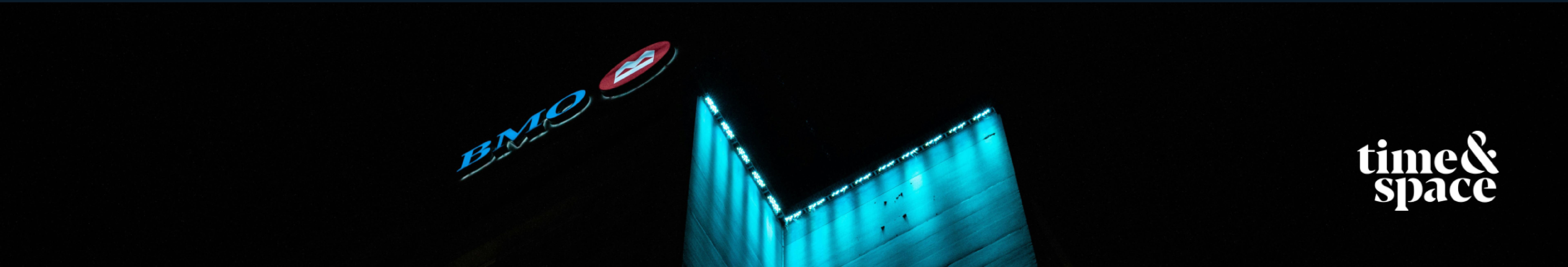
The Bank of Canada has acted fast, but rate cuts may not be felt fast enough by Canadians.

The Bank of Canada has responded aggressively, slashing its policy rate by 2.25 percentage points since mid-2024, with more cuts expected.

But monetary relief competes with global volatility.

The loonie was projected to dip to US$0.66 in 2025 amid growing divergence with the U.S. Fed., but with uncertainty around global conflicts, the loonie appears to be roaring back to life.

For marketers, expect budget volatility and FX-based price tension in cross-border campaigns.



U.S. Pressure Puts the DST on Hold

Canada's Digital Services Tax has taken centre stage in the U.S. / Canada trade negotiations

The Canadian government has rescinded the Digital Services Tax (DST), which was passed along to marketers in Canada.

The Winners - Should organizations like Alphabet and META eliminate the 3% tax on all marketing expenditures in Canada? If they do, marketers in Canada will benifit as their ad spend will get a 3% increase.

The Losers - Canadian publishers were the intended beneficiaries of the DST. We can expect some form of additional government support, or there will inevitably be additional job losses, consolidation, and a reshaping of the sector.

Productivity Needs a Reboot

To compete, Canadian businesses must invest, not just hire.

Canada's long-standing productivity gap is worsening under tariff stress. Businesses have historically prioritized headcount over technology.

But with global efficiency pressures mounting, the brands that invest in operational agility, and in modern marketing infrastructure, will weather turbulence better than those that don't.

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Digital Dominates, but Not All Boats Rise

Digital ad share hits 77%, but sector cuts will still hit the market.

Canada’s ad market will grow just 3.2% in 2025, dragged down by macro uncertainty. While digital channels dominate, fueled by retail media and targeting sophistication, brands in sensitive sectors (e.g. automotive) are pulling back.

Ford’s U.S.-centric message won’t shield it from Canadian EV-related tariffs. Strategic clarity will be required: not just where you spend, but why.

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Confidence Is a Campaign KPI

The CMO's job isn't just about sales, it's economic stability.

In today's environment, your advertising isn't just a brand signal, it's a confidence signal.

Maintaining ad spend doesn't just protect brand equity; it calms volatility. This moment requires brands to think like anchors: present, steady, and trust-worthy.

Action

Your playbook for navigating
the tariff uncertianty:

Signal Stability Through Brand Visibility

Stay visible, even if spend shifts. Lead with empathy, consistency, and conviction.

In uncertainty, marketing isn't just spend — it's a signal of leadership.

Prioritize Strategic Rebalancing Over Retraction

Rebalance your media mix with intent. Protect space for brand building while optimizing performance.

Prioritize partners that reflect your values—especially those under pressure.

Build Marketing Infrastructure, Not Just Campaigns

Invest in the systems that enable agility. In volatile times, it’s not size but readiness that wins. Brand strength starts from within.

About Time & Space

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Time & Space has a diverse team with deep specialization in media strategy, planning, execution and insights, sought after by regional, national and global brands.

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