



AMO 2025 Pre-Budget Update: New Economic Reality Demands Partnership and Strategic Investment

The global economic context has fundamentally changed since AMO originally submitted its 2025 Pre-Budget Submission in January.

The province of Ontario and Ontario municipalities are facing an unprecedented economic threat from one of our longest and most trusted allies. Tariffs from the United States could have devastating impacts on Ontario's economy in both the short and long-term.

As stated in the recent Speech from the Throne, the rapidly shifting economic landscape is creating widespread economic uncertainty and that uncertainty is already impacting Ontario's residents, businesses and local communities.

AMO and its members applaud Premier Ford's leadership during these uncertain times and fully support the province's strong response on this critical issue. As a sector that invests \$68 billion annually in the provincial and local economies, Ontario's municipalities have important tools to support the provincial government as it charts a path that both:

- Mitigates the short-term impacts of tariffs on businesses, communities, and workers through accelerated investments in municipal infrastructure and social housing; and
- Re-orient's Ontario's economy over the longer-term, using municipal purchasing power to support Canadian firms, attracting new investment, supporting local businesses to access new opportunities, and working in partnership to build the infrastructure needed to support productivity and resilience.

AMO and its members in every part of Ontario are confident that our communities, our province and our nation are resilient, innovative and competitive, and are ready to work together to continue to build our shared social and economic prosperity.

Municipalities understand what is at risk

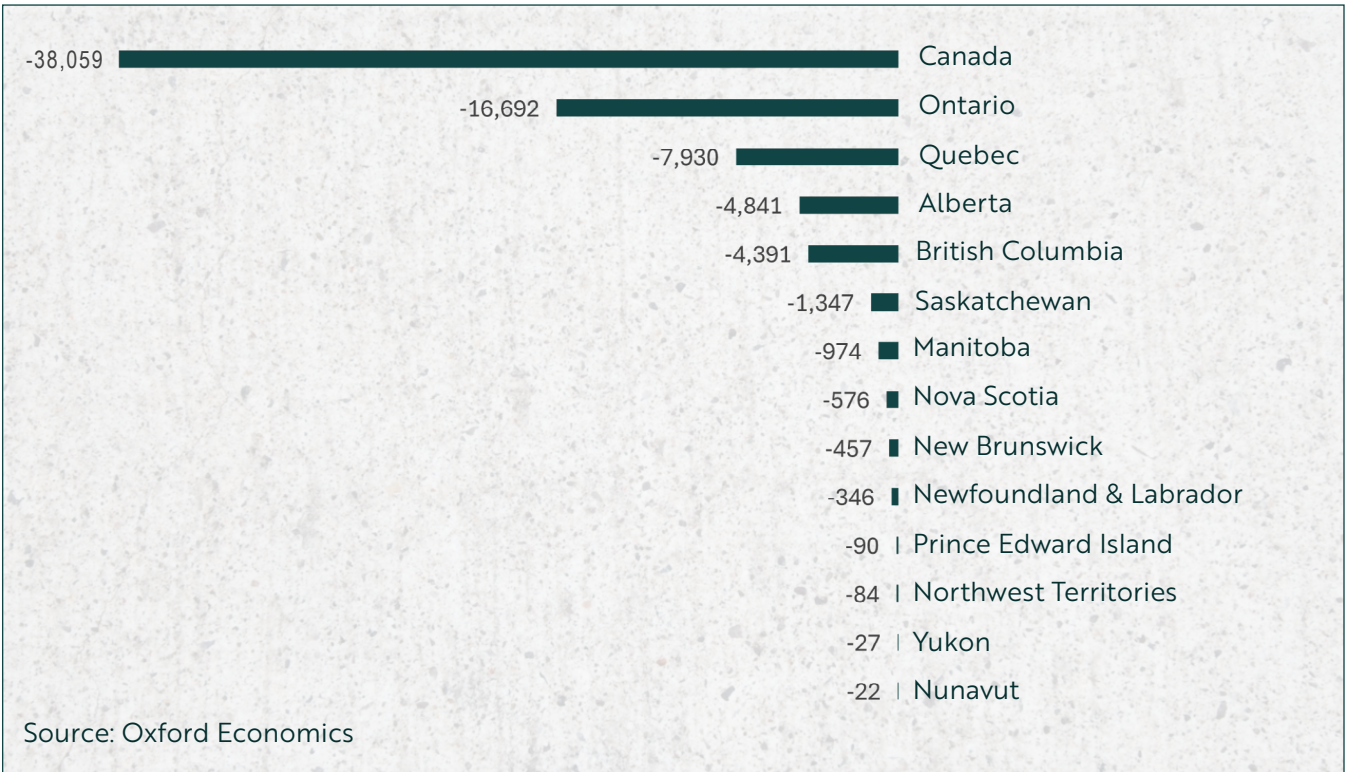
Municipalities understand the potential magnitude of ongoing tariffs on Ontario’s economy and are committed to doing everything within their power to help local businesses, communities and workers to weather the storm.

AMO has engaged Oxford Economics to undertake analysis to help decision-makers to better understand evolving economic factors from a municipal perspective, including:

- [Macro-economic impacts](#), including a potential recession, currency fluctuations, increased inflation, and impacts on municipal revenue and expenditures
- Cost implications for municipal capital projects, including in-depth analysis of Ontario’s municipal infrastructure supply chain

GDP by region, 2026

change from baseline, C\$ millions: 2017 chained prices

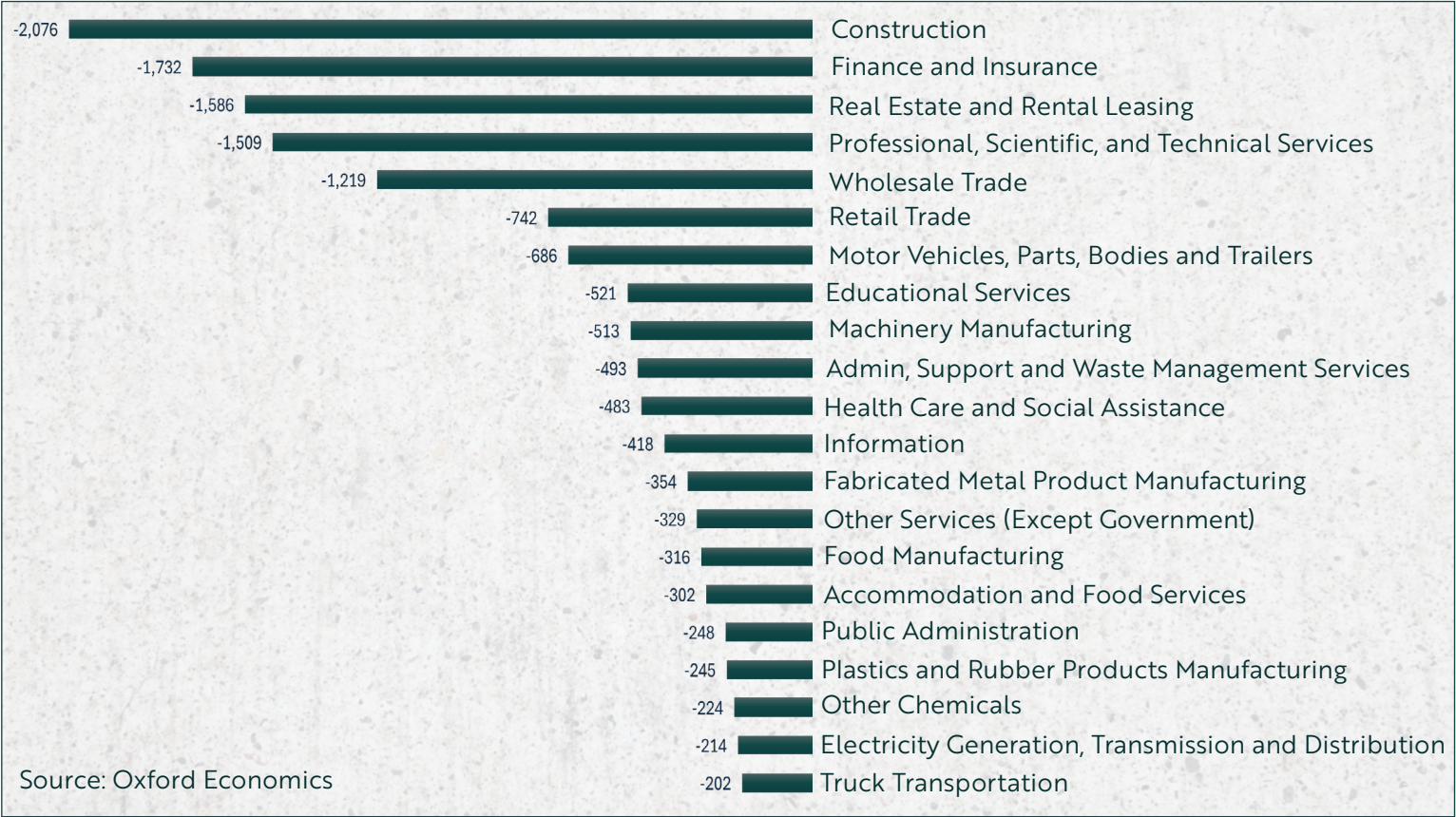


Municipalities understand the significant risks facing Ontario. Given its high exposure to U.S. tariffs, Ontario would experience the largest declines in exports, investment, employment and GDP among Canadian provinces. Nearly 45% of anticipated GDP losses would be felt in Ontario, outstripping its share of Canada’s population. More than 100,000 Ontario jobs could be lost by 2026 due to a combination of interconnected factors, including falling exports to the U.S., reduced Ontario business investment, and lower demand from Ontario consumers due to rising costs.

A range of Ontario industries and local communities across the province will be impacted by U.S. tariffs. Construction is expected to be most impacted due to rising costs in construction materials and reduced demand for new private sector housing starts.

GDP by Industry, Ontario, 2026 (Top 20)

change from baseline, C\$ millions, 2017 chained prices



Municipal finances will not be spared by this province-wide economic impact. The trade war and broader economic fallout will reduce municipal revenues and increase costs. From 2025 to 2026, Ontario’s municipalities will face an estimated **\$1.8 billion** fiscal impact.

Revenues will be impacted by slower housing development and a resulting smaller property tax base. Greater property tax arrears and reduced business activity and consumer spending will impact other revenue sources. Expenditures will also increase as municipalities see growth in operating costs, greater need for housing supplements and social assistance benefits, and rising interest costs for debt.

Investing in local communities is a safe bet to mitigate short-term economic risks

The most important collective action we could take right now is to drive economic activity at the local level. Stimulus investments in community housing and municipal infrastructure have been critical responses to previous economic downturns, including under Prime Minister Harper in 2008.

In-flight municipal infrastructure projects need support to stay on track and shovel-ready projects should be accelerated

Ontario municipalities are already planning **\$51 billion** in capital expenditures by the end of March 2027. This represents more than 27,000 infrastructure projects and the construction of more than 19,000 new social housing units.

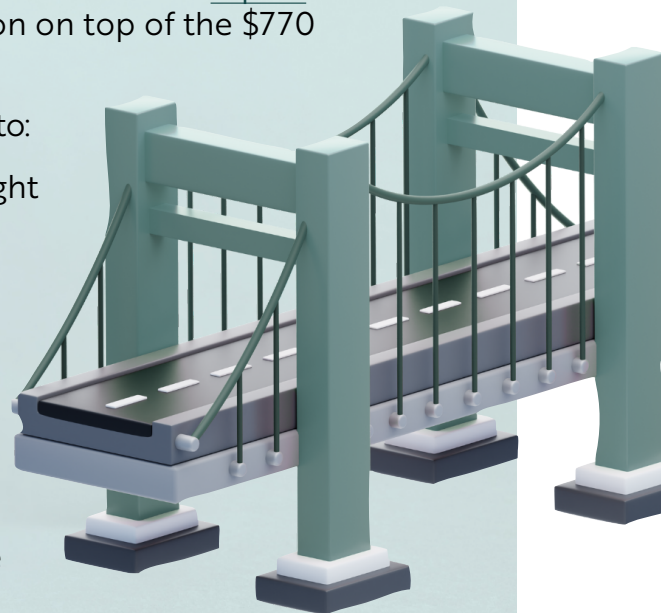
U.S. tariffs will drive up municipal infrastructure construction costs as Ontario construction is heavily dependent on American materials. Due to tariffs alone, Ontario's municipal capital expenditures will increase by around 2%, adding more than **one billion dollars** in new project costs over the next two years.

Municipalities cannot use most existing provincial and federal infrastructure program funding to cover cost escalation and municipalities cannot absorb more than one billion dollars in unplanned expenditures. Without action to increase federal and provincial program flexibility to support cost increases, thousands of housing and infrastructure projects could be de-railed injecting new uncertainty into the construction sector and the labour market.

In addition to keeping in-flight projects on track, municipalities have a long list of shovel ready infrastructure projects that could be accelerated to increase construction activity, stimulate Ontario's economy and create jobs in the short-term.

AMO is calling for a stimulus investment of \$3.45 billion annually over five years (from both provincial and federal sources) for municipal infrastructure and social housing:

- \$790 million per year for the new development, acquisition, and capital repair of social housing to create up to 20,000 new social housing units in communities across Ontario, as outlined in AMO's recent [report](#) and including a tariff cost escalator (\$20 million on top of the \$770 million base).
- \$2.67 billion per year in municipal infrastructure to:
 - » Provide \$520 million per year to keep in-flight municipal infrastructure projects on track despite cost increases, in line with Oxford Economics' [report](#)
 - » Accelerate planned municipal infrastructure projects and get shovels in the ground faster, by building on the province's [Protect Ontario](#) plan and doubling Ontario's portion of the federal Canada Community-Building Fund to increase municipal infrastructure investment



These stimulus investments will help to mitigate the negative impacts on Ontario's economy and help save jobs across the province, by:

- Reducing Ontario's GDP contraction by 28% and adding \$17.6 billion back into the Ontario economy over the next five years
- Resulting in 14,000 fewer jobs lost by 2026, including almost 5,000 in the construction sector.

Municipalities are core partners in building long-term economic resilience and diversification

In addition to stimulating the economy and saving Ontario jobs in the short-term, investments in social housing and municipal infrastructure will contribute to the province's economic productivity in the longer-term.

- As outlined in AMO's recent report *[Community Housing as a Response to Tariffs](#)*, investments in social housing improve overall housing affordability and enable workers to live where there is demand for skills and labour. This reduces labour market mismatches and lost time due to long-distance commuting and improves worker spending power and well-being.
- Long-term, affordable housing and infrastructure would also pave the way for economic growth, productivity, and improved standard of living. Based on estimates cited by the federal government, these stimulus investments would lead to ongoing productivity gains totaling as much as \$6 billion in 2029 alone.¹

Over decades, municipalities have also built significant local economic development networks and assets that could contribute to long-term economic diversification efforts. Municipalities have long-standing relationships with local businesses, a mandate to champion them in new markets, and the expertise to sell Ontario communities as attractive places to invest and live.

Economic diversification of our highly U.S.-integrated economy will not be easy and will require close alignment across sectors and governments. Municipalities have the economic development tools and the will to support this national priority.

Municipalities are tested delivery partners. We are everywhere across the province and ready to champion economic development and investment in a coordinated way. Municipalities stand ready to work in concert with Invest Ontario and Export Development Canada to drive forward long-term economic diversification and support economic resiliency.

¹ The Centre for Spatial Economics, 2017, The Economic Benefits of Public Infrastructure Spending in Ontario – <https://www.budget.canada.ca/aceg-ccce/pdf/infrastructure-eng.pdf>



Significant economic uncertainty deepens need to address long-standing municipal priorities

The global uncertainty only reinforces the importance of investing in local stability. While the world around us continues to shift and change, the three priorities that municipalities outlined in January remain even more true:

- **Long-term infrastructure funding:** A long-term, predictable and substantial municipal infrastructure transfer would support long-term municipal infrastructure planning while we invest in short-term infrastructure stimulus.
- **Reset the provincial-municipal fiscal framework:** The likely economic downturn and its impact on municipal revenue and costs only exacerbates the need to reduce reliance on municipal property taxes for areas of provincial jurisdiction.
- **Tackle the root causes of homelessness:** AMO's recent [report](#) on homelessness showed that under an economic downturn the number of homeless Ontarians could skyrocket to 300,000 people in 10 years. We're now facing that real threat and need to take action now.

Municipalities stand at the ready to support provincial and federal responses, get shovels in the ground, and do our part to build an Ontario economy that is more competitive, more resilient and more self-reliant.