

TARIFF INDUCED CONSTRUCTION COST ESCALATION ANALYSIS

Ontario Municipalities Town Hall

13th May 2025



Project objectives and deliverables



OBJECTIVES

Estimate the expected cost increase on Ontario municipality construction budgets from tariff induced price escalation on building materials.

The purpose of the work is to help municipalities plan and budget for expected cost increases.



OUTPUT

We deliver as part of this work:

1. A **factsheet** to rapidly estimate the impact of tariffs at a high level
2. A **report** estimating the total cost increase caused by tariffs on the construction budget of Ontario's municipalities.
3. A user-friendly **Excel model** that will help individual municipalities make an initial estimate of the expected impact of tariffs on their construction budget for FY26 and FY27.

Project deliverables available for you

The factsheet, report, model and user guide is available on AMO's website here:

<https://www.amo.on.ca/policy-category/finance-infrastructure-and-economy/tariffs-and-trade>

The collage displays four key deliverables:

- TARIFF IMPACTS ON ONTARIO MUNICIPALITIES**
Association of Municipalities of Ontario
28/02/2025
- TARIFF IMPACTS ON ONTARIO MUNICIPALITY CONSTRUCTION**
REPORT FOR ASSOCIATION OF MUNICIPALITIES OF ONTARIO
DRAFT REPORT
APRIL 2025
- Estimating Tariff Impact on Municipality Modelling Tool**
A user-friendly tool to help individual municipalities construction budget for FY26 and FY27.
Please navigate this workbook using the links below:

Section	Tab
Inputs >>>	Core Inputs Interface Optional Project-Level Inputs
Outputs >>>	Summary Detailed Breakdown Downloadable Outputs

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End of Home Page
- TARIFF-INDUCED CONSTRUCTION COST ESCALATION ANALYSIS MUNICIPALITY MODELLING TOOL**
AMO
Model guide and overview
24 April 2025

The background of the collage features a scenic view of the Toronto skyline, including the CN Tower, under a blue sky with clouds, with a green park in the foreground.

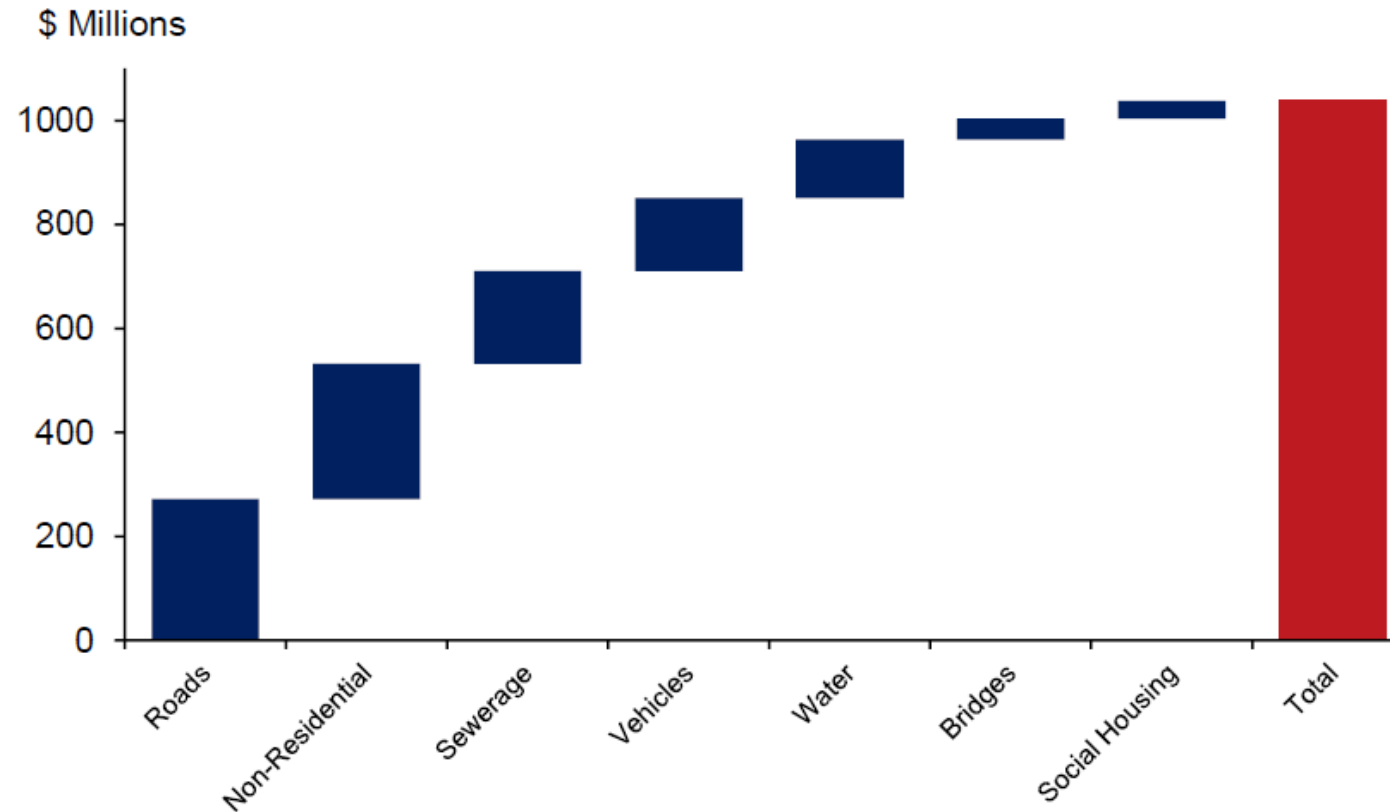


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THE BIG PICTURE

Tariffs are estimated to add \$1bn to the municipal capital costs

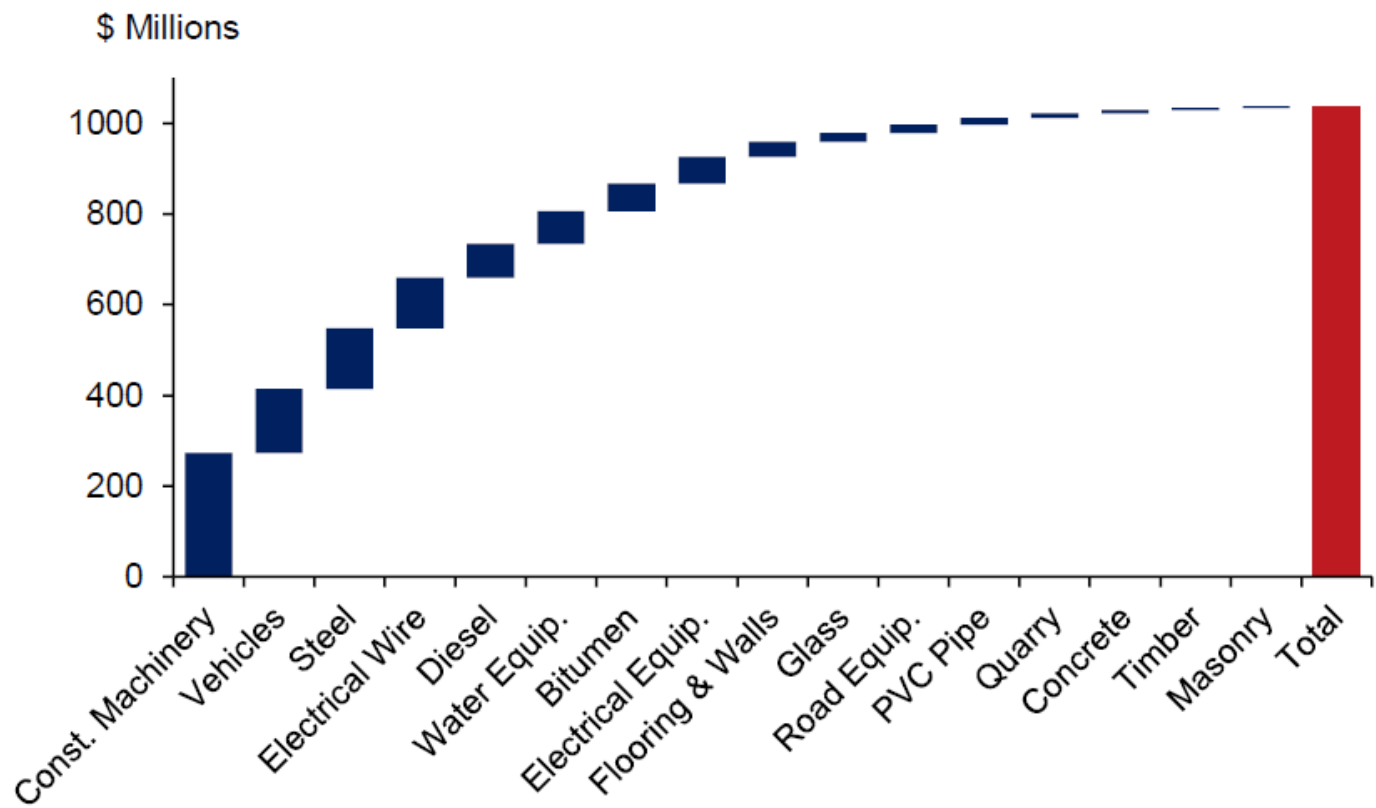
Figure 1: Estimated tariff impact by asset type



Source: Oxford Economics

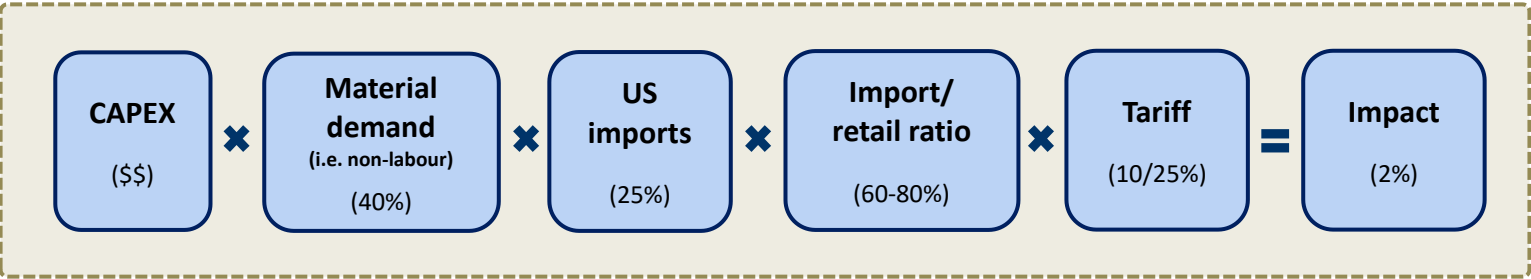
Construction machinery is expected to carry the biggest burden

Figure 2: Estimated tariff impact by material type



Source: Oxford Economics

How did we calculate the tariff impact?



Non-Residential Building Projects

Capex (\$m)	Inputs		Share of Capex		Reliance on US Imports		Retail : Import Price		Tariff		Impact (\$m)
11,280	Structural steel	x	3%	x	53%	x	60%	x	25%	=	26.6

We're operating in a rapidly changing and uncertain world

...So we've made a number of simplifying assumptions

- Duration of tariffs – significant uncertainty surrounding duration
 - Tariffs remain in play over the next two years
- Final list of tariffed goods – retaliatory tariffs yet to be finalised on remaining 70% of potential goods
 - All potential goods tariffed
- Exposure to US imports – municipalities may have varying exposure depending on their local supply chain configuration or proximity to the border
 - Provincial average applied

The economy has many complex and interlinking relationships

This analysis looked at the 'direct' impact of tariffs, but there could be additional flow-on effects

Readers should consider the following topics as opportunities for further research:

- Changes to general price levels in the Ontario economy and construction sector
- Import substitution and global price changes
- Changes to inventory levels of construction materials



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THE MODEL

Model objective

A user-friendly Excel model that will help treasurers of individual municipalities make an initial estimate of the expected impact of tariffs on their construction budget for FY26 and FY27.

What's in – what's out?

Use cases included

Early Impact Overview

Quickly assess potential tariff effects on construction costs with approximate percentage increases to support early budget framing.

Preliminary Budget Discussion

Use initial estimates to guide budget conversation, flag at-risk projects and begin stakeholder engagement with ballpark figures.

Preliminary Tariff Screening

Enter basic tariff rates and estimated Capex to generate early-stage impact assessments and support planning decisions.

Initial Comparative Analysis

Identify which construction materials and asset types are more exposed to tariffs to prioritise detailed review.

Scenario Testing

Explore alternative tariff scenarios to estimate cost ranges, document assumptions, and identify projects that may require further analysis.

Use cases excluded

Estimate the impact on maintenance and operating budgets

Does not estimate effects on maintenance or operating budget – the tool is limited to the impact on capital expenditure budgets only.

Supply substitution

Does not evaluate potential supply substitution from domestic or alternative import sources due to the complexity and project-specific inputs required.

Impact of indirect effects

Does not consider other indirect impacts (i.e. exchange rate shifts) – instead the model focuses on the direct effect of the import tariffs

Live demo time...





Questions?



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