

United States Tariff Situation

SPC Finance and Economic Development
West Committee Room Council Building,
510 Main Street
Friday, March 7, 2025

Presentation Topics

1. Winnipeg's Economy and its Exposure to U.S. Tariffs
2. Municipal Procurement and Tariffs
3. Next Steps

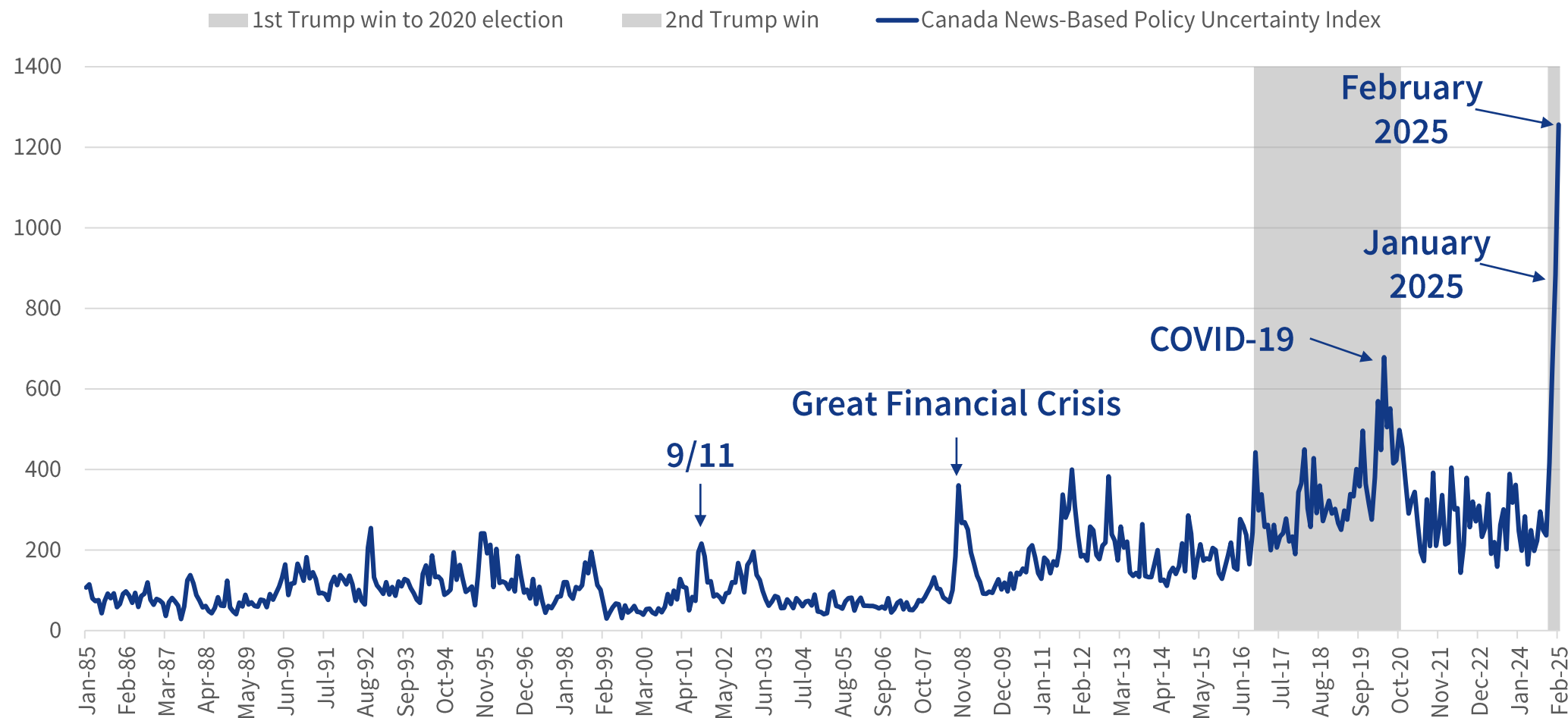
Winnipeg's Economy and its Exposure to U.S. Tariffs

Qualitative economic impact of tariffs

- Tariffs are essentially a tax imposed by a country on imported goods that are exported from another country.
- Tariffs lower exports and creates uncertainty which decrease business sales and increases unemployment in the exporting country.
- Tariffs increase prices in the importing country , with a greater impact on goods that frequently move across the border to create a final product, such as cars
- Price inflation from tariffs could become persistent if businesses continue to raise their prices as a result of tariffs.

Quantitative analysis of tariffs

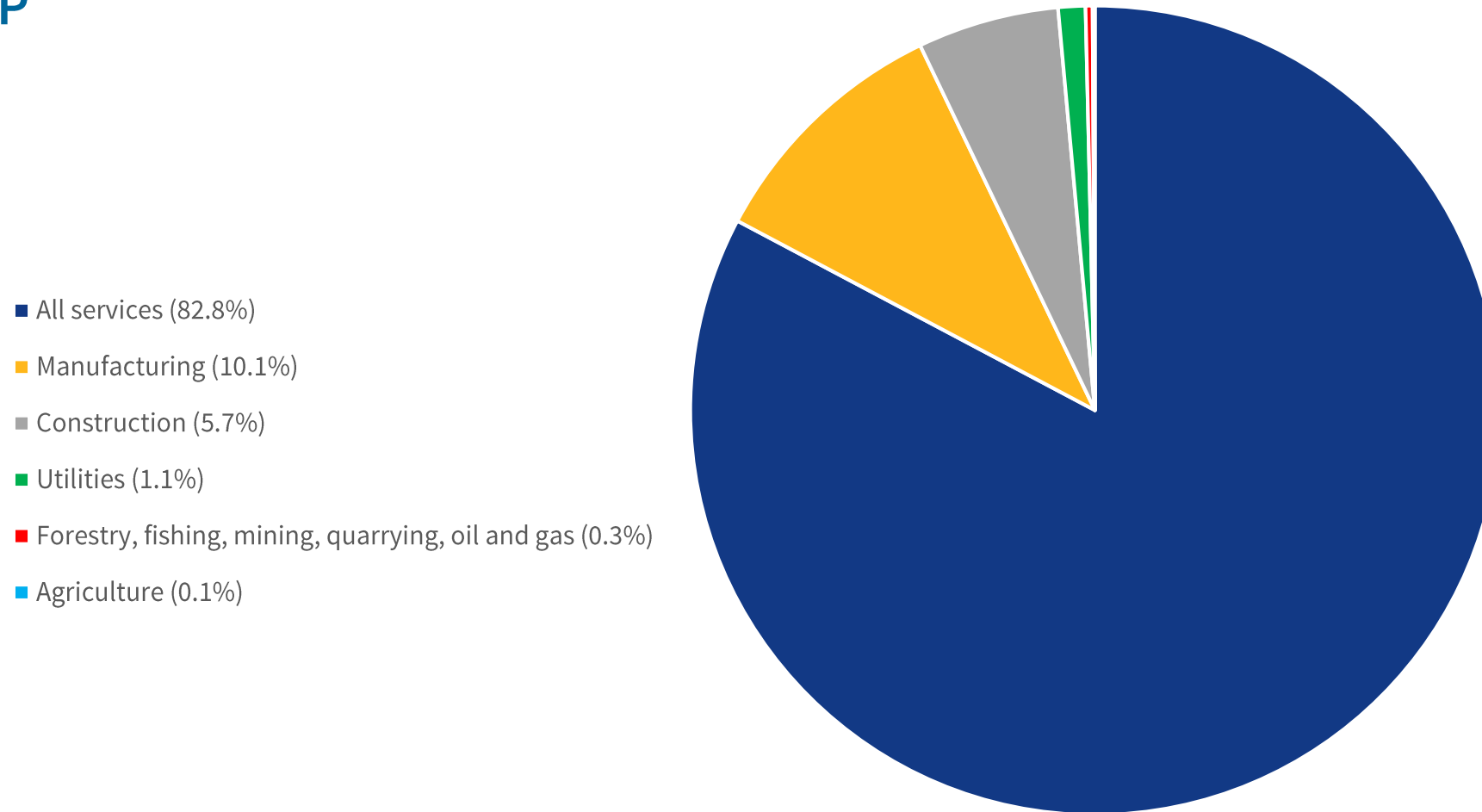
Uncertainty is extremely elevated due to tariff threat



Source: 'Measuring Economic Policy Uncertainty' by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com

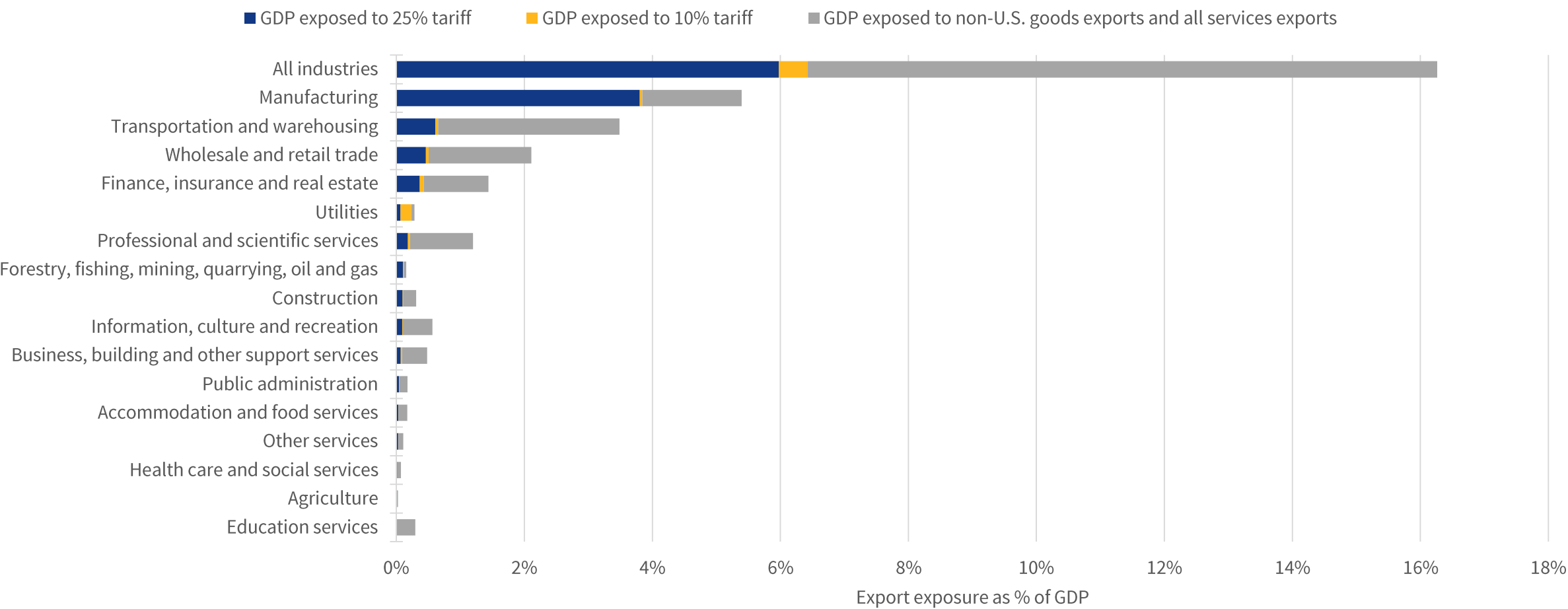
Quantitative analysis of tariffs

Winnipeg's economy is diversified, with 11 service industries making up ~83% of total GDP



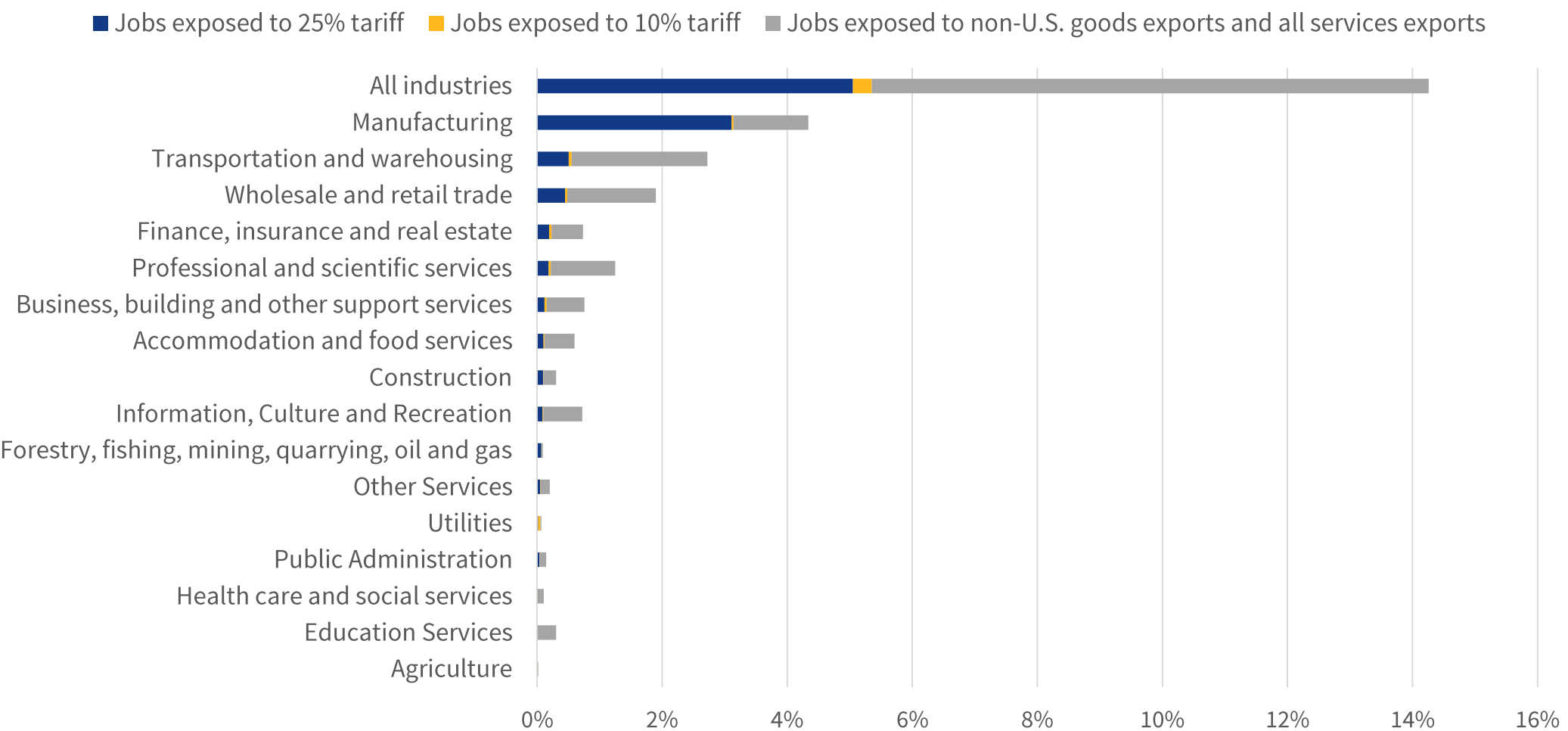
Quantitative analysis of tariffs

What percentage of Winnipeg ER's GDP by industries are exposed to U.S. tariffs?



Quantitative analysis of tariffs

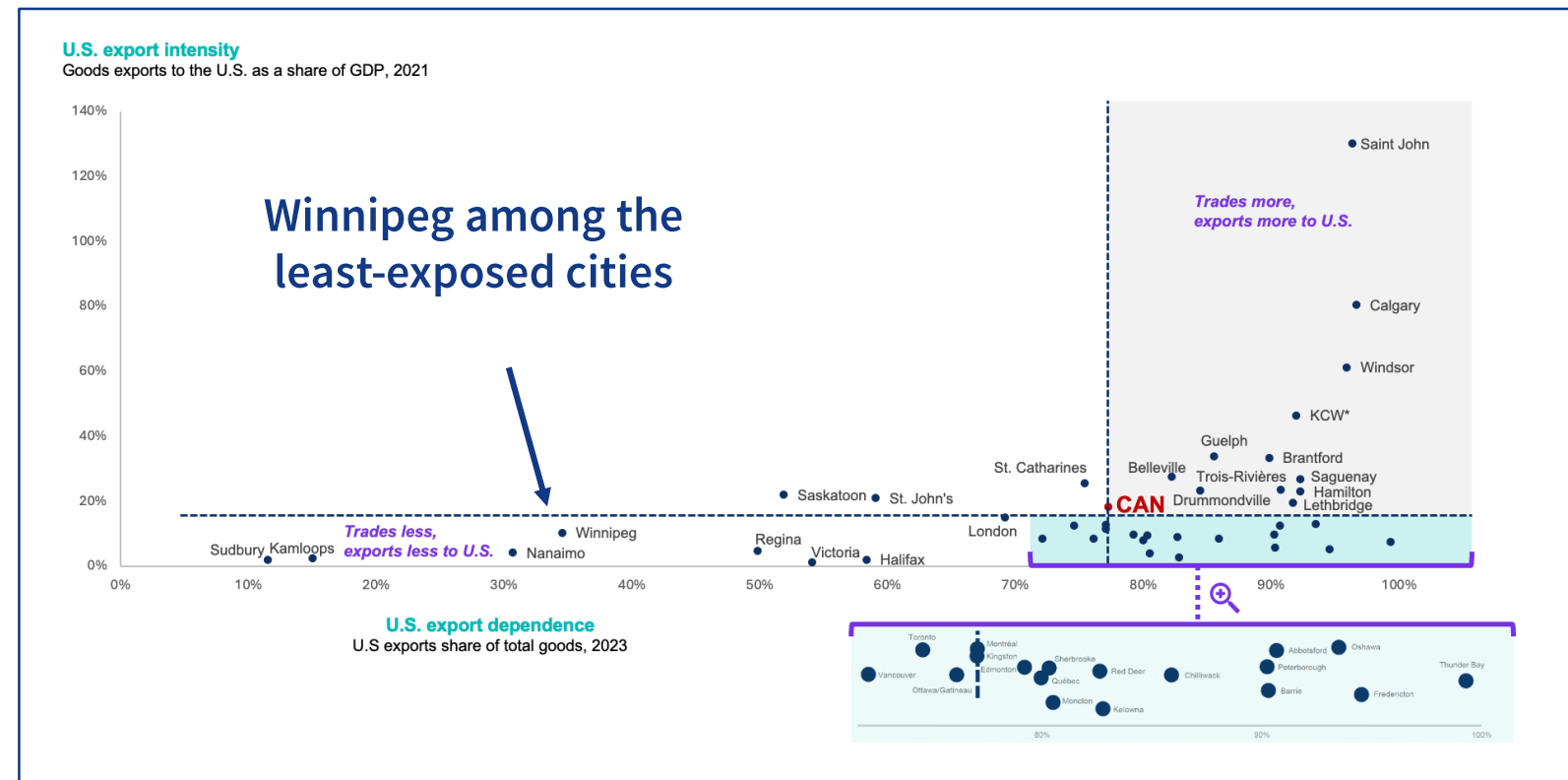
What percentage of Winnipeg ER's jobs by industries are exposed to U.S. tariffs?



Cross-Canada City Comparison

Analysis from the Canadian Chamber of Commerce

- Of the 41 major cities in Canada, Winnipeg ranks very low in terms of export tariff exposure
- Winnipeg ranks 38th lowest out of 41 cities with population over 100,000
- Highest exposed industries:
 - Oil and Energy: Saint John, Calgary
 - Auto-industry: Southwestern Ontario cities like Windsor and Kitchener-Waterloo
 - Steel and Aluminum: Hamilton, Saguenay, and Quebec
 - Forestry, Wood Products, and Furniture: Trois-Rivières and Drummondville



How Other Canadian Municipalities are Responding

- Evaluating the Impact
 - Some cities have instructed their public service to examine the impact of tariffs on operating and/or capital budgets, and what goods and services are supplied by American companies
 - Cities like Calgary have flagged that certain items, such as water and wastewater treatment chemicals, are procured from American suppliers and treatment costs may escalate if a tariff is applied
- Switching to Non-American Suppliers
 - Cities like Montreal, Ottawa, Toronto, Hamilton, Edmonton, and Vancouver are examining the possibility of replacing American suppliers with non-American alternatives, where feasible
 - Some municipalities are considering changes to procurement policies that would favour Canadian and non-U.S. suppliers
- Meeting with Local Industry Groups and Chambers of Commerce
 - Elected Officials and the Public Service have begun engaging with their local business communities and tourism industries to discuss supply chains, infrastructure investments, alternative suppliers, and “buy Canadian/local” initiatives

Municipal Procurement and Tariffs

Direct Non-Construction U.S. Purchases

- Limited annual contracts with a US address approximately **\$8.5M in goods and services** (<1% of expenditures in the tax supported operating budget)
- We have transit buses and fleet vehicles on order
- Water & Waste has approximately \$6M in annual costs with US suppliers and a total of approximately \$32M in direct and indirect US purchases. A total annual estimated impact of tariffs could be \$3.4M. US purchases include chemicals used in water treatment and specialized equipment
- Goods purchased are transit fleet parts and a small amount of Library and Public Works supplies
- Indirect purchases are not tracked by origin country but do include heavy and light fleet vehicle purchases and water treatment chemicals
- P-Card purchases in USD totaled \$600K in 2024 and relate to supplies, travel costs and memberships

Contracts and Purchasing Considerations

- Most existing contracts include language where the City is responsible for the costs of tariffs. Departments have been asked to work with contractors to proactively manage costs in light of tariffs. Construction projects have been reviewed for risk
- Public tenders currently in process and going forward include new language requiring contractors to investigate alternatives for obtaining equivalent goods in other jurisdictions to reduce or eliminate the increase in contract price due to tariffs
- Trade Agreements have been reviewed in light of tariffs and remain in place (Canada, Western Canada, Europe). The Province is being consulted regarding the City's obligations under the US/Mexico Trade Agreement

Next steps

- We are working in partnership with the Province and other stakeholder organizations to mitigate the impact of tariffs such as buy Canadian purchasing strategy
- We are implementing tracking and reporting processes of the impact of tariffs on operating and capital expenses
- Assessing risks on capital projects and proactively working with our partners
- We will be providing monthly updates to council through SPC Finance and Economic Development

Questions?