Uncertainty rises around Pittsburgh as Trump’s tariffs spark fears of a global trade war

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ANYA LITVAK, TIM GRANT AND STEPHANA OCNEANU
Pittsburgh Post-Gazette

MAR 6, 2025 | 4:00 AM

Since taking office in January, President Donald Trump has announced tariffs ranging from 10% to 25% on goods imported from China, Mexico and Canada, and threatened the possibility of more, as a tool to address issues such as protecting American businesses or blocking the flow of fentanyl into the country.

Some tariffs have gone into effect, while others have been put on pause as negotiations continue. Whether initiated, implied, pending or withdrawn, they are creating uncertainty in virtually every financial corner of American life with analysts reporting some consumers are already cutting back on spending.

Buying a car or gas to drive it; shopping for groceries or selling milk in bulk; deciding when to pull the trigger, or not, on an investment — just the threats of tariffs are changing how people and businesses calculate their next financial moves.

Investments, inflation and uncertainty

Investors hate uncertainty and right now, uncertainty is all they’ve got. Fears of a full-blown trade war sent stocks tumbling for two days earlier this week, before they stabilized Wednesday, as well as sending investors scrambling for the safety of bonds.

"There's no doubt a trade war would cause extreme market volatility," said Matt Yanni, owner of Yanni & Associates Investment Advisors in Pine.

U.S. Treasury bond yields — which move in the opposite direction of bond prices — have fallen to their lowest levels of the year due to investor concerns that a trade slowdown will stop the Federal Reserve from cutting interest rates in 2025.

But the biggest factor in financial market swings may be the ever-changing news coming from the White House.

"Uncertainty created by the administration may be the biggest problem for the markets," said Michael Godwin, chief investment officer at Sewickley-based Fragasso Financial Advisors. "It's hard to know how other countries will react, how long the process will last, and how the Trump administration is thinking about the balance between short-term economic pain and long-term goals."

Paul Brahim, managing director at Wealth Enhancement Group in Downtown, said, "Tariff's are a consumption tax." The estimates that he's seen suggest upwards of $150 million could be added to the cost of goods imported from other countries based on the tariffs being discussed.

"Many believe this could be inflationary," he said. "During the first Trump administration, the inflationary effect of tariffs was somewhat offset by tax cuts and lower energy prices."

Energy industry impacts

Eos Energy Enterprises, a battery manufacturer with production facilities in Turtle Creek, played down the impact of tariffs during its earnings call with analysts on Wednesday.

The company said it had discussed tariffs on Chinese goods with customers, adding that it's "a small piece of the conversations we're having these days," according to one executive, Nathan Kroeker.

But in its annual report, filed Tuesday, Eos said about 15% of its parts, products and materials come from Canada and Mexico.

If the tariffs that have been announced are "implemented and sustained for an extended period of time, (it) could have a significant adverse effect, including financial, on the overall energy storage solutions industry, us, and our supply chain," the report said.

"Further, retaliatory tariffs imposed by other governments would exacerbate the impact," the company said.

Analysts see less of a potential impact on U.S. exports of natural gas or coal — that is, if tariffs and retaliatory duties by targeted countries stay contained to a few countries.

Cecil-based Core Natural Resources, formed by Consol Energy's recent merger with Arch Coal, said during its earnings call with investors last month that tariffs already imposed on China slightly scrambled where the company sent its international coal shipments, but didn't create a hole. There's enough demand elsewhere, executives said.

"It is a bit... of a game of music chairs," Deck Slone, Core's senior vice president of strategy and public policy, said during the call. "We're really well equipped to redirect volumes to wherever the markets are. And if this means that ... China is taking more volume from other countries, then we're filling the gaps there."

But the buildout of energy systems in the U.S. — to accommodate ballooning electricity demand from data centers and manufacturing — could be faced with increased costs and potentially project cancellations, experts advised.

A January analysis by consulting firm Wood Mackenzie showed that tariffs on goods coming from Mexico, Canada and China would impact many electrical components needed to modernize and build out the U.S. electric grid.

Mexico accounted for 39% of high voltage transformer imports last year, and 56% of all medium-voltage circuit breakers and a quarter of the medium-voltage switchgear brought into the country. China supplied more than half of all low voltage transformers and 49% of high voltage circuit breakers.

Gas prices

Mike Sommers, CEO of the American Petroleum Institute, said jeopardizing the flow of Canadian crude oil — Trump has imposed a 10% tariff on energy imports from Canada and Mexico — can be expected to show up at the gas pump.

Canadian crude flows into the U.S. at a discount, he said, and is processed into gasoline in American refineries. Those refineries can't simply switch to U.S. crude oil — they weren't configured to refine that kind of product.

"If you're filling up in the Northeast, you'll see price increases first and more significantly," Patrick De Haan, head of petroleum analysis at GasBuddy, wrote on Wednesday. That's because a lot of that gasoline flows directly from a Canadian refinery.

In other parts of the country, such as the Midwest and the Great Lakes region, Canadian crude is refined at U.S. facilities and price increases will take a few weeks to work their way to consumers, he said, advising drivers to anticipate a rise between 5 and 25 cents per gallon.

"The real-world impact of tariffs won't be to shift refining patterns. Instead it will be to add costs throughout the system, and these costs will make their way to consumers ... starting today," Mr. De Haan said.

Groceries

At Reyna's Foods in the Strip District, pinatas hung from the ceiling Wednesday as co-owner Linda Jones stocked shelves with beans and other canned goods. She said she worries about the tariffs because her shop specializes in Mexican food and other items.

“There are no other options for sourcing,” she said, adding that she would have no choice but to raise her own prices to offset tariff-influenced pricing.

“Otherwise, the business just won’t survive,” she said.

Lucy’s, a handmade clothing and gift shop a few storefronts away on Penn Avenue, has already felt the pinch. Co-owner Lesly Moran said she received a letter from a distributor in Mexico last week announcing a 25% price increase.

“We’re just going to have to take the hit,” she said. “We want to avoid customers getting upset.”

Some shoppers are now looking to buy in bulk.

“We’re really going to put our Costco membership to use now,” said Emily Kraus as she shopped at Pennsylvania Macaroni Co. in the Strip. With a 3-month-old daughter at home, she and her husband, Peter, worry about the costs of baby essentials, such as formula and diapers.

“There’s a lot of uncertainty, and it feels like there’s an existential dread and that things are just spiraling,” Mr. Kraus said.

Local dairy farms

Pennsylvania’s governor, Josh Shapiro, predicted Wednesday on X that tariff-driven higher prices for Pennsylvania products will drive away international consumers and shut off markets for the region’s exports. He cited Pennsylvania’s dairy farms — which sell more milk and cheese to Mexico than any other state does.

“Our products now cost more in Mexico. That means Mexicans are going to buy less product or no product,” he said.

At a speech before the Allegheny Conference on Community Development Wednesday, Mr. Shapiro warned, “Costs are about to go up for Pennsylvania consumers, and selling products is about to get harder for Pennsylvania businesses because the president pushed a button to impose tariffs on Canada and Mexico.”

He added: "This hurts our farmers, our businesses [and] consumers, here in Pennsylvania, and I don't know why we would want to pick a fight with our allies and start a trade war. That's just going to drive the cost of things higher."

Trade organizations and exemptions

A number of industry trade organizations have vowed to advocate against tariffs and/or seek exemptions from them.

The National Association of Home Builders warned of immediate impacts to affordable housing projects. The trade organization estimated that “two essential materials used in new home construction, softwood lumber and gypsum (used for drywall), are largely sourced from Canada and Mexico, respectively."

It promised to advocate for exclusions for such materials.

Mr. Sommers, of the American Petroleum Institute, said he is otherwise in lock step with Trump's energy priorities.

But he bemoaned the proposed tariffs in an interview last month. "Free trade has worked very well for the American oil and gas industry," he said.

If tariffs are imposed, Mr. Sommers said his organization would at least try to secure exemptions for certain materials, like metal pipe used to drill and transport oil and gas.

Companies were able to get exemptions for these and similar products during the first Trump administration when 25% tariffs were imposed on steel imports. Shell Chemical, which at the time was still building its petrochemical plant in Beaver County, applied for and received exemptions for materials used in the construction of the facility, which opened in 2022.

"There are a lot of products that this industry uses, including some that were used for the development of the Shell cracker, that are simply not produced in the U.S.," Mr. Sommers said.

Auto industry

Pittsburgh-area auto dealers said they are bracing for surging prices and major disruptions to the supply chain.

For now, automakers have been temporarily spared from sweeping 25% tariffs following a call between the president and top executives from General Motors, Ford and Stellantis on Wednesday. Trump issued a one-month exemption on all vehicles that qualify for duty-free treatment under the North American trade deal negotiated in his first term.

What happens after the reprieve remains uncertain, said Patrick Winter, a sales manager at South Hills Chrysler, Dodge, Jeep and Ram in McMurray.

"It's hard to really prepare for this, because you really don't know," he said.

Dealers are still waiting for clearer guidance from manufacturers, but Mr. Winter warned that rising costs would be inevitable, especially with parts for his Jeeps being sourced directly from Canada.

"For us, it's wait and see," he said. "Sometimes he says some stuff, but that doesn't mean it's always going to happen."

Post-Gazette reporters Jordan Anderson and Steve Bohnel contributed.

First Published: March 6, 2025, 4:00 a.m.
Updated: March 6, 2025, 1:40 p.m.