



Tariffs/Automotive

Aluminum and steel tariffs have had a significant impact on the automotive industry but the real threat is a potential 25% tariff on cars and parts imported from the Canada, Mexico and the EU. The industry is already feeling the effects of the tariff on Chinese goods instituted in July.

Aluminum & Steel Tariffs

- Effective March 23, 2018, President Trump imposed a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports.
- Although initially exempted by the tariffs, Canada, Mexico and the European Union (EU) had the tariffs applied to their U.S. steel and aluminum exports on June 1.

Automotive Tariffs

- The US implemented a 25% tariff on 50 billion dollars of Chinese products including cars on July 6th.
- The President has also proposed increasing U.S. tariffs from 2.5% to 25% on all automobiles and parts imported from Canada, Mexico and the EU.

Effects of Steel & Aluminum Tariffs on the Automotive Market

Incremental Price Increases and Revised Outlooks– Ford and GM both revised their FY2018 outlooks due to increasing commodity costs. The estimated price increases due to steel and aluminum tariffs are between \$200 and \$300.

Several Brands Won't See An Impact Until 2019 – Some brand like Fiat Chrysler Automobiles have negotiated steel contracts through the end of 2018 so any financial impact won't be felt until next year.

Effect of a Potential Automotive Tariff on the Automotive Market

Tariffs on China –The 25% tariff on Chinese produced goods may affect Ford's plans to produce their next generation Focus in China and will raise the price of the Buick Envision.

Automotive Tariffs a Significant Impact – Automotive tariffs on the EU, Canada, and Mexico remain a proposal but could have a significant impact on the economy. These tariffs stand to raise automotive prices over \$6,000 on average per vehicle. A 25-percent tariff on all automobile and parts imports would result in 2 million fewer U.S. vehicle sales, 715,000 fewer U.S. jobs and nearly \$60 billion in lower U.S. economic output

Companies	Effect of Current Steel & Aluminum Tariffs	Potential Effect of an Automotive Tariff
	<ul style="list-style-type: none"> • The tariffs have already resulted in \$145 million in higher commodity costs for Ford. • Commodity costs could rise to as much as \$600 million for the full year. • Ford will experience a 1% overall increase in cost for their F-series pickups that imports aluminum from Canada. 	<ul style="list-style-type: none"> • Tariffs on passenger vehicle produced in China may change Ford's plans to produce their next generation focus in China. • Ford uses a large percentage of imported parts that would be effected by a 25% tariff.
	<ul style="list-style-type: none"> • GM turned a \$2.4 billion profit for the second quarter of 2018 but reported \$300 million in increased commodity costs. • GM slashed its profit outlook for FY2018 given the increased commodity costs. 	<ul style="list-style-type: none"> • Last year, about 36% of GM's U.S. sales were of imported vehicles made outside the U.S., or about 1.1 million vehicles . • A tariff on imported vehicle will have a significant impact on the company's bottom line as they are already feeling the effects of the tariff on Chinese goods with the Buick Envision.
	<ul style="list-style-type: none"> • The carmaker's current contracts for large steel purchases shield it from the impact of the duties through the end of 2018. • The company has incorporated into its 2019 outlook higher steel prices due to the 25 percent tariff. 	<ul style="list-style-type: none"> • Fiat Chrysler Automobiles is making plans to adjust its global manufacturing footprint as President Donald Trump's threats over levies escalate. • A 25 percent tariff on imports would reduce FCA's profits by up to 743 million euros (\$866 million) annually.
	<ul style="list-style-type: none"> • The company saw limited impact from steel and aluminum tariffs on its bottom line. • Toyota said the impact of U.S. steel and aluminum tariffs would reduce operating profit by a little under \$100 million. 	<ul style="list-style-type: none"> • Based on the roughly 709,000 vehicles Toyota exported to the United States from Japan in 2017, the automaker could take an annual tariff-related hit of \$4.25 billion on those vehicles alone.



Ways that Proactive Can Help

Proactive Worldwide specializes in market, customer, and competitive insights that provide the intelligence that will keep you informed and Out in Front of market developments. Find out how PWW can help you navigate sourcing, manufacturing and international trade challenges by:

- 1** Providing insight on how competitors are adapting to the new trade realities and what that means to your specific organization.
- 2** Executing studies that identify threats to current manufacturing processes being affected by the trade war.
- 3** Identifying opportunities that arise in the market as well as competitors' strategies.
- 4** Understanding how the market is being transformed and identifying the actions needed to adapt to new realities.

By leveraging our automotive expertise, Proactive Worldwide can provide research and strategic analysis about potential or future threats and opportunities.