PwC's US Tariff Industry Analysis under incoming Trump administration

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In brief

What happened?

The Trump administration has laid out an activist trade policy agenda focused on increasing US tariffs. This strategy aims to reshape US trade relations, promote fair trade practices, address socioeconomic issues, and encourage domestic manufacturing. However, this approach may also lead to considerable disruption and uncertainty for US importers and multinationals.

Since the November elections, President-elect Trump has focused his announced tariff actions on key trading partners including China, Mexico, and Canada, suggesting trade policy actions affecting imports from these countries could be implemented as early as the first day of his new term. The Trump administration has unveiled a tariff agenda with rates that would be an escalation from current trade norms. Key proposals include a:

- **60%+ tariff** on all Chinese-origin products
- **100% to 200% tariff** on vehicles imported from Mexico
- **25% tariff** on all imports from Mexico and Canada
- **10% to 20% tariff** on all rest-of-world (ROW) imports (not already covered above)

Why is it relevant?

The potential Trump tariff policies significantly expand the scope of products, industries, and countries subject to punitive tariffs compared to previous administrations. Barring carve-outs or a new exclusions process, even

Chinese goods that were previously exempt from punitive tariffs would be impacted by the new Trump tariff proposals. Importers and purchasers across all sectors must therefore assess the potential impacts of these new policies on a go-forward basis.

To illustrate how impactful these tariffs might be, PwC prepared a US Tariff Industry Analysis using 12 months (October 2023 to October 2024) of US Census data along with Trump's announced pre-inauguration tariffs. The data reflects that the proposed tariff measures could increase tariff revenues from $81 billion a year to nearly $900 billion a year, although that figure does not take into account countermeasures that trading partners may impose in reaction to US policy changes. The Census Bureau breaks out this impact across different buckets which are effectively categorized as "Dutiable" and "Non-dutiable" goods. "Dutiable" goods are those imports upon which duty was paid (e.g., pursuant to the relevant tariff classification and inclusive of Most-Favored Nation duties, special or punitive measures, etc.). "Non-dutiable" goods are those imports that entered without payment of duty (e.g., conditionally duty-free goods, goods entered under a special program or Free Trade Agreement (FTA)/exemption, etc.). For discussion purposes, PwC uses the breakout of "Dutiable" and "Non-dutiable" goods throughout this publication.

Of the $3.3 trillion worth of goods imported each year, the largest impact would be to goods that fall under the "Non-dutiable" goods category, encompassing nearly $2.3 trillion of goods. Tariffs on this category could go from **zero** to over $550 billion annually. From an industry perspective, the hardest hit sectors would be motor vehicles, pharmaceuticals and medicines, computer and communication equipment, and oil & gas. These industries, which rely heavily on imports, would face an immediate impact with additional tariff costs, increased consumer prices, and overall margin erosion across companies at large. Follow-on impacts may include potential changes to a company's overall supply chains including alternative materials sourcing strategies or even alternative manufacturing locations.

Action to consider

Each multinational corporation, including those not currently subject to tariffs, must assess the pre/post impact of the potential tariffs on its earnings per share and overall shareholder returns. It is crucial for companies to model the changes to have data-driven insights that inform strategic decisions moving forward. Additionally, as certain industries have historically been subject to predominantly low or duty-free rates, companies in these industries should consider whether existing trade, logistics and sourcing operations and regulatory controls should be enhanced to address the changing risk profiles associated with the new tariffs.

In detail

Tariff analysis overview

PwC's US Tariff Industry Analysis encompasses all US imports that cover over 100 industries and imports from over 230 countries into the United States. The results of the potential tariffs under the Trump administration among the "Dutiable" and "Non-dutiable" groups are illustrated in Figure 1 below.

Figure 1: US Annual Imports (October 2023 through October 2024) Comparison of "Dutiable" vs. "Non-dutiable" goods current state vs. all potential future state impact of Trump's potential tariffs

The potential impact of Trump's tariffs on current US annual dutiable/non-dutiable imports

	Current State		Potential Trump Tariff Impact				
Type of Goods	Import Value	Current Tariff	Potential China	Potential Mexico	Potential Canada	Potential ROW	Potential Total
Dutiable	**$1T**	$81b	$172b	$13b	$24b	$124b	$334b
Non-Dutiable	**$2.3T**	$0	$100b	$119b	$82b	$261b	$562b
Total	**$3.3T**	$81b	$272b	$132b	$106b	$385b	$896b

Source: PwC Tariff Industry Analysis relying on US Census Bureau, "Monthly U.S. Imports by North American Industry Classification System (NAICS) Code," as of December 17, 2024

Approximately $3.3 trillion of imported goods entered the United States in the last year. Of that total, approximately $2.3 trillion entered duty free. The Trump administration's proposals pertaining to Canada and Mexico suggest that the status of FTAs vis-a-vis proposed tariffs may be in jeopardy, and additional tariffs may apply on top of any existing FTA benefits. Going forward, this shift could result in duties and fees being assessed on the full US import value of $3.3 trillion (including the $2.3 trillion that is currently "Non-dutiable"), **encompassing a multitude of US imports previously exempt from tariffs.**

The estimated annual total tariff amount would increase dramatically to $896 billion (from $81 billion), with $334 billion derived from "Dutiable" goods and $562 billion derived from "Non-dutiable" goods (the latter reflecting an increase from **zero** tariffs today). Many US multinationals have built their supply chains to comply with FTAs, therefore the imposition of tariffs on "Non-dutiable" goods could disproportionately affect these companies by disrupting their sourcing strategies.

To break things down further, the top twelve US importer countries are broken out by potential tariff, tariff increase, and major products impact in Figure 2 below.

Figure 2: Breakout of Top Twelve US Importer Countries and Potential Tariff Impact

Breakout of Top Twelve US Importer Countries and Potential Tariff Impact

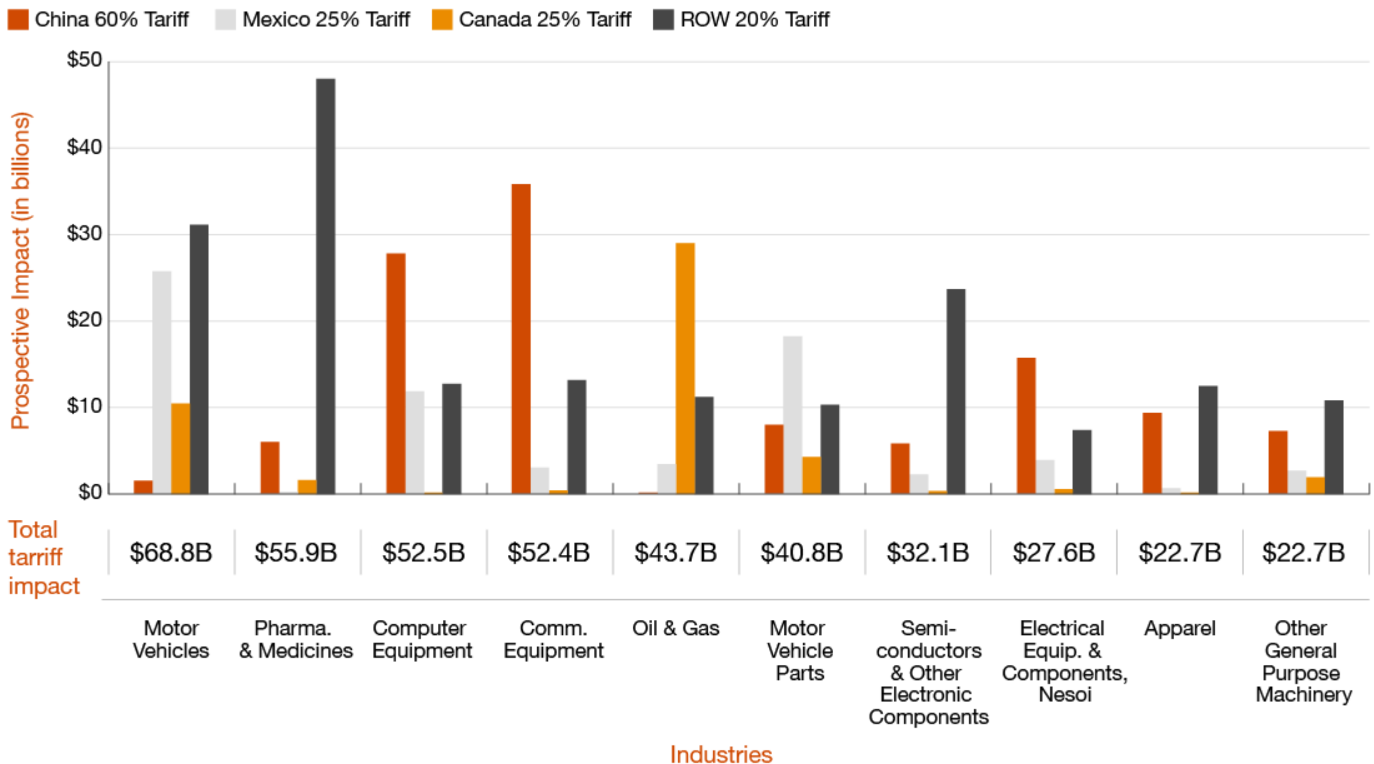
Country	% of US Imports	Potential Tariff %	Potential Annual Tariff Increase $	Top Products Impacted
Mexico*	15.9%	25%	$131 b	Motor vehicles and parts, digital processing units, insulated wire.
China	13.6%	60%	$223 b	Smartphones, portable automatic data processing machines, lithium-ion batteries
Canada	12.8%	25%	$106 b	Crude oil, motor vehicles and parts
Germany	4.9%	20%	$30 b	Motor vehicles, Immunological products, medicaments
Japan	4.8%	20%	$29 b	Motor vehicles, machinery, immunological products
Vietnam	4.4%	20%	$24 b	Smartphones, portable automatic data processing machines, furniture.
South Korea	4.1%	20%	$27 b	Motor vehicles, parts and accessories for machines, oil (not crude)
Taiwan	3.5%	20%	$22 b	Digital processing units, electronic integrated circuits, smartphones.
Ireland	2.8%	20%	$19 b	Immunological products, medicaments and hormones
India	2.8%	20%	$16 b	Medicaments, smartphones, diamonds
Italy	2.3%	20%	$14 b	Medicaments, motor vehicles and immunological products, wine
UK	2.0%	20%	$13 b	Motor vehicles, turbines, immunological product

*The Mexico analysis assumes tariffs would be applied to all tangible products coming from Mexico into the United States, regardless of tax structure (e.g., if the company is a Maquiladora, toll manufacturer, or contract manufacturer).

The key takeaway is that industries most affected by the proposed tariff changes are those that have historically benefited from importing goods with minimal to zero duties, falling under the “Non-dutiable” goods category. Companies that rely heavily on imports from Mexico, Canada, or other FTA partners — or imports that are currently unconditionally duty-free — could face substantial tariff increases ranging from zero to 20% or 25% in tariffs. Multinationals will also have to balance the potential opportunity for “tariff arbitrage” (e.g., moving from a location with a 25% tariff to one with 20% (or zero)) against the potential for additional logistics costs and considering the longevity of proposed tariffs.

Top impacted industries

To analyze the current vs. proposed tariff state, Figure 3 summarizes the prospective annual impact for the top industries with the largest incremental increase of potential tariffs.



Source: PwC Tariff Industry Analysis relying on US Census Bureau, "Monthly U.S. Imports by North American Industry Classification System (NAICS) Code," as of December 17, 2024.

The proposed tariffs are set to create significant challenges across certain industries:

- **Transportation and Automotive**: Manufacturers reliant on vehicles imported from Mexico and Canada would face cost increases due to the 25% rate from those countries, plus the proposed 100% to 200% tariffs on cars from Mexico. This industry is estimated to have a tariff increase from nearly $4 billion a year to over $68 billion – making them the hardest hit industry by dollar amount of tariffs.
- **Pharmaceuticals and Life Sciences** (classified as chemicals per the Census database): Previously exempt from most tariffs, companies in these industries could have the largest exposure if the ROW rates are enacted and there are no carve outs. The level of tariffs paid is projected to jump from approximately $90 million to over $56 billion a year.
- **Computer Equipment and Communications Equipment:** Companies importing products ranging from semiconductors and electronic components to other communication equipment (e.g., cell phones) from China are preparing for steep disruptions. These two combined industries are forecasted to increase 100-fold from just over $1 billion to over $100 billion in tariffs.
- **Oil and Gas:** Companies integrated with Canada's energy and utility sectors should anticipate higher costs on goods that were previously free from tariffs.

- **Retail**: The apparel and consumer goods sectors anticipate higher costs, which may lead to increased consumer prices and softened demand. This may be exacerbated by the notice of proposed rulemaking issued by the Biden administration to restrict Section 321 de minimis imports on goods subject to major trade actions (e.g., Section 301).

Potential mitigation strategies

As a result of the anticipated disruptions to global commerce and trade, costs associated with production, regulatory, and tax compliance are expected to rise and potentially multiply for many companies. **Companies reliant on global sourcing should proactively adapt to this evolving trade environment to mitigate financial and operational risks across the value chain**. This would necessitate a multi-faceted approach across the supply chain, trade and customs, and tax departments as illustrated below.

Area	Key Impacts	Mitigation Strategies
Company Overall	• Reduced US gross margin /operating profit • Earnings Per Share erosion • Future cost uncertainty	• **Pre/Post Scenario Analysis** – preform comprehensive assessments to understand your impact down to the individual import • **Lobby – advocate** to ensure new tariffs allow for exclusions or potential duty drawback • **Evaluate –** review options on potential US domestic production or sourcing • **Plan –** ensure your strategy has a holistic approach covering supply chain, trade & customs, and tax
Trade & Customs	• Increased compliance • Additional tariff recovery measures • Limited team bandwidth	• **Duty deferral** – Leverage foreign trade zones or bonded warehouses to maximize cash flow and potential duty deferral benefits • **Duty recovery** – Utilize duty recovery programs such as Duty Drawback • **Strategic valuation –** Lower the basis of customs value using First Sale for Export or other valuation strategies • **Tariff engineering** – Potentially change to a lower duty tariff code via product or packaging modifications • **Country of Origin** – Avoid tariffs through a country-of-origin change driven by a shift of significant value-add activities
Supply Chain	• Increased import and overarching landed cost • Imbalance on US vs. non-US sourcing cost • Pressure on supplier and customer pricing	• **Conduct US Sourcing and Manufacturing Dependency Analysis** – Examine key dependencies of supplying and manufacturing countries, suppliers, and products that may help with potential sourcing & manufacturing planning. • **Revise Supply Chain Strategy** – Assess the financial exposure posed by the proposed tariffs through end-to-end supply chain modeling. Scenario analysis can identify vulnerabilities or opportunities (e.g., onshoring). Determine alternative strategies that may include changes in suppliers, manufacturing footprint, use of free trade zones, postponement strategies, product redesign, etc. • **Consider Retaliatory Tariffs** – Understand how retaliatory measures by trade partners may impact your operating model
Tax	• Transfer Pricing disruption • Transaction and functional recharacterization • Tax Operating Model enhancements (cash generation)	• **Transfer Pricing Policy Assessment** – post tariff impact on imported goods (and associated service and intangible transactions) may move intercompany margins out of arm's length range, requiring proactive review and adjustment to maintain on-going compliance • **Transactional and functional re-characterization** – assess transactional and functional characterization (including realignment of assets and risks), to adjust import value of US destined goods • **Revisit Tax Operating Model** –assess overall income tax impacts and opportunities such as mix of income, tax attributes, incentives as part of the company's re-evaluation of supply chains (generate 'above-the-line' cash savings

The takeaway

Each multinational corporation should evaluate how potential tariffs could impact its annual operating profit. Utilizing data-driven insights is critical to help drive strategic decisions and identify viable options moving forward. Aligning supply chain, tax, customs, and financial strategies is essential to reduce risks and avoid unexpected costs. Effective management of inter-company pricing can help address the conflicting priorities of tax authorities and customs agencies. By adopting a coordinated approach, businesses can navigate these complexities while maintaining stability and achieving an effective governance and compliance framework.

Let's talk

For a deeper discussion of how these potential tariffs might impact your business, please contact:

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