

Trump tariffs will hit automotive supply chains upfront

Trump tariffs could have a tremendous impact on the automotive sector and it could spread across the world. The US sells many more new cars than it produces and automotive supply chains are among the most internationally integrated. Import levies will therefore quickly lead to higher costs and price pressure. And it could also trigger shifts in trade



Large 3 car makers among the first to feel the impact of tariffs

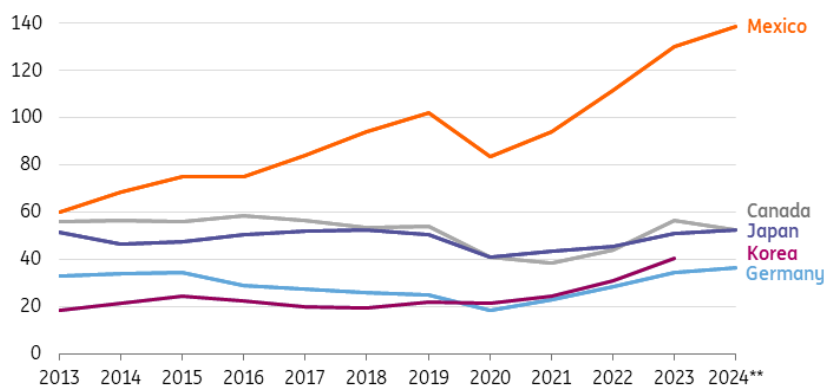
US import tariffs of 25% on finished and intermediate products from Canada and potentially Mexico will have a significant impact on the automotive sector. The industry has one of the most integrated cross border supply chains, especially across the North American continent which has been a free-trade bloc for decades. The US produced just 64% of its new car and light truck sales within its own borders in 2024, so over a third of the annual volume is imported from other countries. The big three US car makers General Motors (Chevrolet, Buick, GMC), Ford and Stellantis (Chrysler, Dodge, Jeep) all have significant operations in US, Mexico and Canada. So the impact shouldn't be underestimated. Particularly Mexico has grown rapidly in vehicle and parts supplies in recent year and is by far the largest partner with an estimated total exports worth close to \$140 bn. in 2024. Canada follows in the top 3.

Japanese and Korean brands including Toyota, Honda, Nissan and Hyundai have large market shares as well in the US and export significant numbers of cars and light trucks to the US, followed

by German brands VW, BMW and Mercedes. Chinese car makers hardly export finished cars to the US (as high barriers are already in place), but for batteries it is still a relevant supplier.

Mexico most exposed to the US for cars and parts, Canada, Japan, Korea and Germany follow

Largest US import countries for vehicles, engines & parts* in \$bn per year



Source: UN Comtrade, ING Research
*HS-code 87 **projection

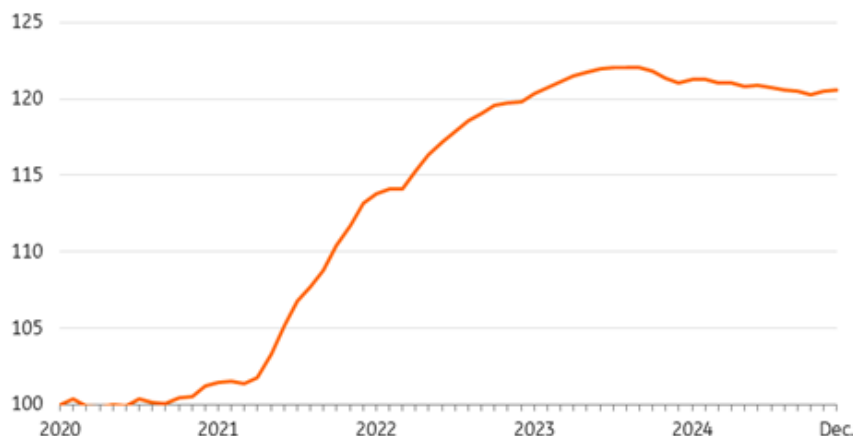
Tariffs drive up costs – relocating production won't offset full impact

Import tariffs on its neighbours will immediately push up costs for new car makers selling the cars in the US. GM appears to be the most impacted in that case, with a large presence in the US neighbouring countries and importing about a quarter of its global light vehicle sales into the US. But Ford and Stellantis are significantly exposed as well. As the president of 'global automakers of Canada' puts it: "the US and Canada aren't just each other largest trading partners we build things together and there's no other industry where this is the case more than the automotive industry". The impact can't be underestimated.

US-based car makers do have some spare capacity to look into restructuring manufacturing footprints and shift production to the US. But that won't always be possible and also requires investment and additional staff. To turn completely self-sufficient over 5 million light vehicles will need to be built. Moreover: especially in Mexico, labour costs are significantly lower. Therefore, it will almost inevitably push up costs. And with an adjusted EBIT margin of 5.3% for GM in 2024 it won't likely be an option to absorb all the extra costs. Consequently, at least part of it will be passed on to consumers.

New car prices have been tempered recently, but tariffs add upward pressure once again

New car & light truck prices in the US (2020-1 = 100)



Source: St. Louis FED, ING Research

Benefits for car exporters from overseas could be short-lived

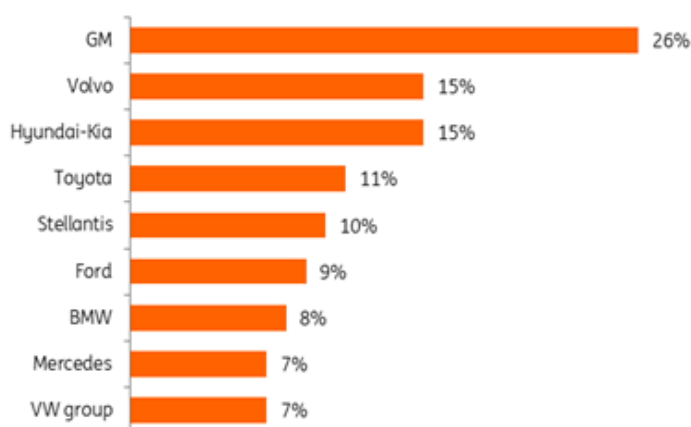
European car makers are not expected to benefit much from import tariffs on the US' neighbours. Several car makers including VW also have operations for delivery of the US market in Mexico as and won't be immune to the impact if it happens. But more importantly, there's little reason to think that Europe remains exempted given earlier remarks of President Trump. And retaliation is expected as well. As such any competitive advantage won't likely be long-lived. Instead the car market and industry could suffer as a whole.

It's unclear whether Asian countries like Japan and Korea are also immediately at risk for new import tariffs, but it is evident that Toyota and Hyundai export large numbers of cars and [parts](#) from Japan and Korea, and the trade balance isn't a reason to think differently.

All in all, tariffs add costs and creates new follow up uncertainty for a the car industry, which is [already exposed to multiple challenges](#). This makes it only harder to navigate.

GM is the most exposed to import tariffs

Expected light duty vehicles (LDV) imports into the US as part of total global sales (forecast 2025)



Source: S&P Global

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