Tariff Impact Report 2025

Executive Sentiment, Industry Risks, and Economic Implications

April 2025

AlphaSense

What's Inside

Introduction

Starting with the Trump administration's tariff announcement on April 2, markets began a roller-coaster ride as companies, investors, and consumers assessed how the newly implemented and planned tariffs would affect every aspect of the economy. The 90-day pause of reciprocal tariffs on April 9 (excluding China) provided some breathing room, but several new tariffs remain in effect, including on cars, steel, and aluminum — as well as a new 10% global tariff.

The Trump administration's abrupt and scattershot tariff actions triggered historic market volatility, wiping out $10 trillion in stock value and sparking fears of recession, retaliatory trade battles, and deepening global economic fragmentation. As earnings season unfolds and the Federal Reserve adopts a cautious stance, investors are now weighing the dual impact of trade uncertainty and Trump's expansive fiscal agenda — including major tax cuts and deregulation — on growth, inflation, and financial stability.

While almost every facet of the economy will feel the effects of the Trump Administration's tariffs, at a sector level, the severity of the impact will vary. **The technology sector** — and in particular semiconductor and hardware companies — is facing significant disruption as President Trump's tariff policies are driving up costs, destabilizing supply chains, and amplifying uncertainty around global trade. Despite some efforts to reshore production and restore manufacturing locations, experts remain skeptical about the long-term viability of tariffs as a strategy for revitalizing U.S. tech manufacturing.

Tariffs are creating both immediate and longer-term ripple effects across the **energy and industrial sectors**, with industries such as automotive, agriculture, natural gas, and construction facing rising costs, supply chain disruptions, and market uncertainty. Experts believe these tariffs risk undermining domestic production goals by triggering inflation, eroding margins, and weakening global competitiveness.

The **healthcare sector** has remained relatively resilient amid broad economic uncertainty and volatile trade policies, thanks to its essential nature and domestic focus. Still, newly implemented and planned tariffs — particularly those targeting medical devices and pharmaceuticals — pose growing risks to supply chains, input costs, and global operations, challenging the industry's traditional stability.

Within **consumer goods**, tariffs are hitting particularly hard, with durable goods, apparel, and non-durable goods facing rising input costs, disrupted supply chains, and mounting pressure to pass on higher prices to consumers. Experts foresee companies struggling to absorb or offset these costs, potentially triggering reduced demand, margin compression, and even bankruptcies in already vulnerable segments like retail apparel.

In this report, we dive into the macroeconomic ramifications and sector-by-sector impacts of Trump's tariffs, using expert interviews and complementary insights from within the AlphaSense platform.

CHAPTER 1

Macroeconomic Impact

Since the Trump administration's tariff announcement on April 2, investors around the world have been grappling with extreme market volatility. The situation has become a fast-changing global trade war that has triggered recession fears, deleveraging and concerns about bond market liquidity, and a historic tariff turnaround that delivered the S&P 500's third largest one-day gain since World War II.

In only a handful of sessions, tariff turmoil destroyed $10 trillion in stock market value before President Trump pivoted on April 9, giving countries (except China) a 90-day reprieve on the additional country-specific reciprocal duties, but keeping the minimum 10% baseline rate. The top two U.S. trading partners, Mexico and Canada, remain subject to a 25% levy for non-compliance with the USMCA agreement that Trump negotiated during his first term.

Wall Street underestimated the aggressive moves initiated by Trump's "Liberation Day," which developed into a high-stakes showdown with China and a developing battle with the European Union. Economic slowdown concerns remain as several tariffs stay in place for the auto industry, steel and aluminum. While the White House asserts that trade deals with several countries are almost finalized, the U.S. is still expected to launch tariffs on other sectors including clean energy, copper and derivative products, and digital services. The White House also has imminent plans to launch Section 232 investigations on both semiconductor chips and pharmaceuticals, and many analysts believe these will be followed by further Chinese levies and European countertariffs that could also target sectors and specific U.S. companies.

Which companies could China and the EU target in response to Trump's latest tariffs?

Research Plan

China and the EU have both indicated potential targets in response to Trump's latest tariffs. Here's a breakdown of the companies and sectors that could be affected:

China's Response

China has already taken specific actions against certain US companies:

- **DuPont China Group Co.**: China launched an anti-monopoly investigation into this subsidiary of the multinational chemical giant. News • 4 Apr
- **High Point Aerotechnologies**: Added to the export control list, subject to an export ban of dual-use products. News • 4 Apr
- **Universal Logistics Holding**: Also added to the export control list, facing similar restrictions. News • 4 Apr
- **Skydio and BRINC Drones**: These American drone makers were added to the unreliable entity list, banning them from import and export activities as well as new investments in China. News • 4 Apr

EU's Response

The EU is considering targeting US tech companies:

- **Google and Meta (Facebook's parent company)**: France, Germany, and Austria have suggested targeting these big digital companies. News • 5 Apr
- **Other US Tech Firms**: The EU has hinted at imposing taxes on US tech firms operating in Europe. News • 3 Apr

These actions reflect the broader strategy of both China and the EU to retaliate against the US tariffs by targeting key industries and companies.

Source: AlphaSense Generative Search (April 15, 2025)

Within two months, financial markets went from debating how much stocks would benefit from U.S. exceptionalism to de-risking every asset class, and now trying to price in ongoing trade tensions that could trigger effects including potential recession, labor market weakness, and a decoupling of the world's two largest economies.

Earnings Should Signal Tariff Damage

Tariff volatility is expected to set a gloomy mood this earnings season as both consumer and corporate confidence has recently weakened. Earnings reports this season from Delta, CarMax, and Constellation Brands either delivered disappointing outlooks or pulled guidance due to broad economic uncertainty.

As the global trade war evolves, small- and medium-sized businesses are struggling to absorb higher costs from tariffs. Pessimism about the economy and fears that inflation will substantially worsen over the next 12 months have both increased in American households. Trade messaging from the Trump administration remains optimistic, but the high level of uncertainty surrounding Chinese negotiations remains volatile. Beijing appears poised for a lengthy battle after signaling they will implement more growth-supporting measures for the Chinese economy. Although the White House could be close to finalizing some trade deals with other key partners, the global trade war is far from over, as the United States is expected to deliver sectoral tariffs that impact pharmaceuticals, semiconductors, copper, lumber, commercial trucks, and other critical minerals.

A recent Generative Grid search within the AlphaSense platform shows how companies are being impacted by tariffs and how they are trying to protect their margins.

Recent Earnings Calls Mentioning Tariff Impact and Margin Update

COMPANY	TARIFF IMPACT	MARGINS
JPMorgan Chase & Co 4/11/25 Q1 Earnings Call	Tariffs are causing companies to front-load spending ahead of expected price increases. Corporate clients are shifting focus from strategic priorities to optimizing supply chains. Smaller businesses face greater challenges adapting. Tariffs are expected to be inflationary by approximately 0.5%.	Margin pressures include deposit margin compression in both consumer and wholesale segments. Cost inflation is evident in higher compensation, growth in employees, technology investments, marketing, legal expenses, and brokerage fees. Card services showed improved margins with higher revolving balances.
BlackRock, Inc. 4/11/25 Q1 Earnings Call	BlackRock notes sweeping U.S. tariffs announcements that went beyond expectations. The company is concerned about market uncertainty from tariffs and potential reallocation of capital away from U.S. markets if trade tensions continue.	BlackRock reported 100 basis points of margin expansion in Q1 2025, with operating margin at 43.2%. This improvement reflects positive market impact on revenue and organic base fee growth, demonstrating profitable growth and operating leverage in good markets.
Delta Air Lines, Inc., 4/9/25 Q1 Earnings Call	Delta is seeing booking declines in Canada and mixed results in Mexico due to tariffs. The airline refuses to pay tariffs on Airbus deliveries and will defer aircraft with tariffs, though most of their supply chain is U.S.-based or service-related.	Delta is managing margins through cost control, with nonfuel unit costs up 2.6% in Q1 (better than expected) and projected low single-digit growth in Q2. They're aggressively managing costs by reducing capacity and workforce to protect margins amid demand softness.

Source: AlphaSense Generative Grid (April 14, 2025)

Trump's Fiscal Agenda

Financial market chaos has not disrupted the White House plan to fast-track Trump's planned tax cuts and deregulation agenda, which includes changes across the financial, energy, pharmaceutical, and technology sectors, as well as environmental policy. President Trump is closer to advancing his fiscal package, which includes new tax cuts, extending expiring ones, spending cuts, as well as increased budgets for defense, border enforcement, and energy investments. The passing of the amended budget resolution sets the budget framework for trillions of dollars in tax cuts and raising the debt ceiling.

The process of outlining spending cuts and increases over the next 10 years has begun in Congress. The budget resolution included a plan of up to $5.3 trillion in tax cuts over the next decade, which sets the stage for Republicans to debate making them permanent with spending cuts or front-loading them in the early years. Enacting the fiscal package will require both chambers to incorporate all the bills into one, which means its passage will need to satisfy the group of fiscal hawks in the House.

Trade War Keeps Fed in Wait-and-See Mode

Wall Street expectations for Fed action have been extremely volatile in April. During the peak financial market turmoil, some on the Street believed the Fed may have to deliver an emergency rate cut on fears the global trade war would lead to a global recession. However, on April 4, Fed Chair Powell signaled that policymakers will not rush to react and will need to wait to see if the temporary shock to prices becomes more persistent.

Economists have been slashing their U.S. economic growth forecasts and raising their odds for a recession. The U.S. labor market could see a rise in the unemployment rate if tariff escalation leads to lasting harm to import-sensitive small businesses and inflation.

The March inflation report highlighted an unexpectedly benign reading, which was supported by a plunge in gasoline prices. The Fed most likely overlooked the March inflation report that showed a sharp drop in the year-over-year reading, as pricing pressures are expected to show up with next month's report.

Tremendous tariff uncertainty clearly remains and that should keep Fed interest rate expectations volatile, but the Fed seems poised to hold rates steady for now. Analysts' expectations over what the Fed will do with monetary policy for the rest of the year is rather divergent as broker research forecasts range from no cuts in 2025 to as many as four quarter-point cuts.

CHAPTER 2

TMT: Tech Sector Bracing for Tariff Impacts

President Trump's tariff policy has sparked a trade war and fueled chaos across sectors — especially those most reliant on foreign manufacturing, like tech.

Semiconductors and tech hardware companies figure to be among the hardest impacted in this space, as stock price volatility reflects uncertainty around the supply and demand dynamics in the United States and abroad. That is one reason why the recent stock selloff has been more pronounced in these areas than in most other sectors. Upcoming earnings guidance may offer clarity around forward expectations and how corporations are positioning for tariff impacts.

Semis and Hardware Feeling the Effects

Tariffs will directly increase manufacturing costs and disrupt supply chains. They are also poised to upend the delicate U.S.- China trade relationship. More so than other pockets of tech, semis and hardware firms rely heavily on global supply chains — and manufacturing in countries like China and Mexico where input costs are lower. These factors make semis and hardware more prone to tariff effects.

While semis themselves were exempted from the original April 2 slate of tariffs, Trump now says tariffs on chip imports are coming very soon. Additionally, end products (such as autos and consumer electronics) containing these chips are hit by tariffs, effectively impacting the entire industry. The tariffs in play are particularly damaging to countries in Asia — including major players in the global semi and hardware supply chains like Taiwan, South Korea, and Japan.

Additionally, the U.S. government has announced it will require special licenses for the export of Nvidia's H20 chips to China, a significant change from previous restrictions that allowed sales without a license. The H20 chip was used by Chinese start-up DeepSeek to develop its R1 model, which received significant attention in the market. The new restrictions will potentially push Chinese innovators towards alternatives, such as Huawei.

An Uncertain Near-Term Outlook

Compound issues around trade are complicating tech's near-term outlook. The source of much of this uncertainty: There is broad skepticism that Trump's stated goal of bringing tech manufacturing back to the United States through tariffs is a viable long-term strategy.

Advanced technology is at the heart of the United States' strategic competition with China. That is one reason why recent U.S. administrations have focused on incentivizing companies to invest in domestic tech infrastructure. In the wake of the 2022 CHIPS Act, semi companies like TSMC and Intel ramped up their investment in onshore infrastructure, breaking ground on fabrication plants in states like Arizona where CHIPS incentives are strongest at the state level.

Trump's tariffs represent a push to jump-start this reshoring effort, even as experts are mostly skeptical about the effectiveness of tariffs in bringing manufacturing back to the United States. Companies are considered unlikely to rapidly expand capacity. Why? Doing so would require long-term capital commitments across political administrations, as building a wafer fabrication plant in the United States takes years. Additionally, higher U.S. labor costs relative to manufacturing hubs such as China, India, Vietnam, and Singapore are another hurdle for companies looking to onshore.

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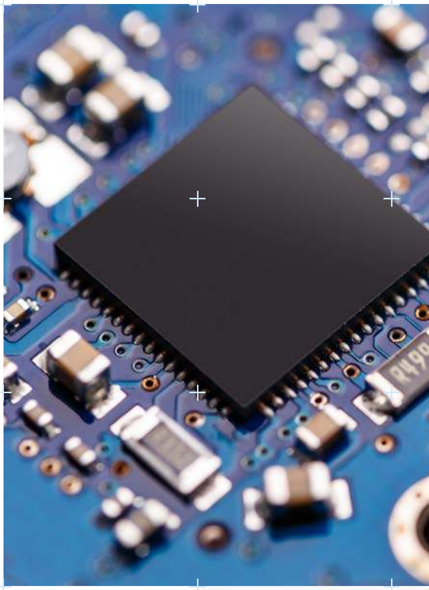
It is not just semis and hardware companies that are affected: One expert points out more than half of Amazon's top sellers are Chinese, underscoring the potential risk to its retail business.

Experts see a risk of a vicious circle of tariffs and retaliatory responses driving down overall tech demand — and broad economic growth. IDC estimates the new wave of tariffs could slash global IP spending in half over the next six months. Tariffs are expected to drive down U.S. real GDP growth by 0.9% in 2025, and by 0.4%-0.6% going forward.

In 2024, a massive 29% of U.S. semi manufacturing machinery was exported to China. Some key semi players are already reporting significant drops in export volumes abroad. There is concern among industry watchers that tariffs will hurt the competitiveness of U.S. tech compared with China.

Additionally, tariffs will exert pricing pressures that tech companies will likely pass on to consumers. Amazon's CEO commented on sellers passing on the costs to consumers. Even if successful, the reshoring push will ultimately result in higher prices at the point of purchase. A pricing expert formerly with a large semi company estimates reshoring tech manufacturing to North America would easily raise the price consumers pay by at least 25%-50%.



Lack of Policy Clarity Slowing Decision-Making

Globalization has been the driving force for the growth of the U.S. IT services sector in recent decades. Now, escalating trade tensions are challenging IT company growth rates and the sector's status as a driver of broad GDP growth.

Analysts cite Trump's goalpost-moving playbook as another source of unease among tech companies. Many say their inability to plan long-term due to ever-shifting tariff plans is causing significant uncertainty for their businesses.

This uncertainty is causing delays in decision-making, which could stretch lead times in areas like IT. The unpredictable environment is causing IT companies to exert caution with their procurement and expansion plans, potentially affecting their long-term growth strategies.

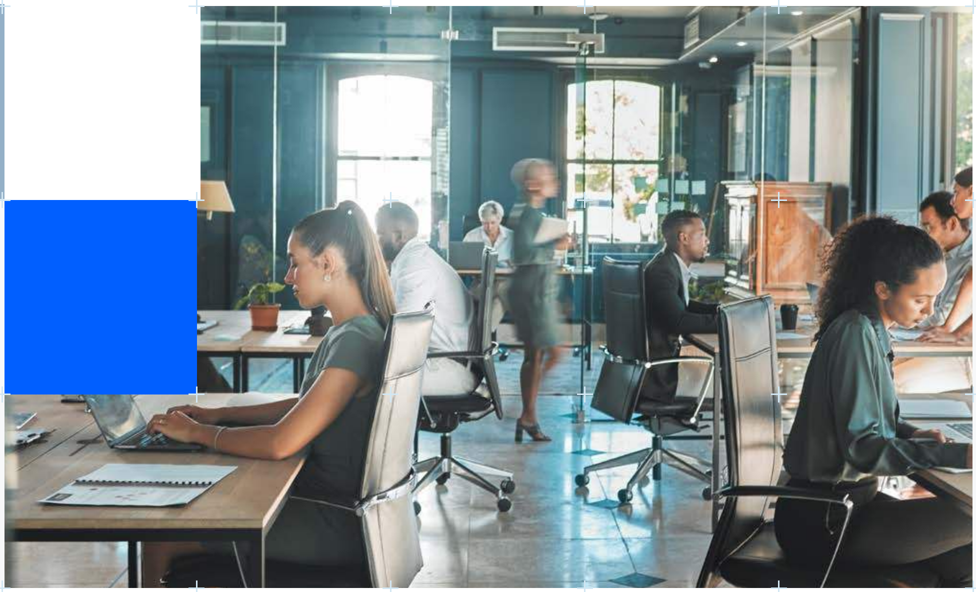
How Companies Are Trying to Mitigate Tariff Impacts

While the ultimate scope and impact of tariffs is still unclear, tech companies are preparing for a wide range of scenarios and developing strategies to mitigate potential operational and supply chain headwinds.

Some companies, like Taiwan Semiconductor (TSMC) and Apple, have responded by announcing billions of dollars of new U.S. manufacturing investments in an attempt to offset some of the negative tariff impact. The hope is that stepping up U.S. investment could ease tensions with the administration and potentially help secure a tariff exemption. Yet some analysts believe such a strategy may not be enough to shield tech companies from tariff headwinds.

Other firms such as Nvidia and Broadcom indicate they are staying in wait-and-see mode until the uncertainty clears. Still others are shifting their production away from countries like China that are more exposed to tariffs. One expert points out that companies have been preparing for the worst by scouting out alternative factory locations since Trump's election odds started rising, yet heightened global uncertainty is expected to persist near term.

The hope is that stepping up U.S. investment could ease tensions with the administration and potentially help secure a tariff exemption.



CHAPTER 4

The Impact of Tariffs on Energy & Industrials

Across the energy and industrial sectors, there are immediate and more residual — or unintended — impacts of newly implemented and planned U.S. tariffs. Below, we leverage the AlphaSense platform to explore these impacts across the automotive, agriculture, natural gas, and construction industries which are expected to be hit hardest by tariffs.

Automotive

On April 2, the Trump administration formally imposed a 25% additional tariff on automotive imports, with the goal of fueling domestic manufacturing. However, experts believe this is likely to backfire due to heavy reliance on the global supply chain. U.S. automotive sector imports total nearly $200 billion — $135 billion in automobiles and $65 billion in auto parts.

Broker research from the AlphaSense platform suggests the tariffs could raise the average transaction price for vehicles in the United States by up to $5,100 per vehicle and trigger price inflation of up to 11%.

An automotive industry expert believes tariffs could result in a zero-sum game globally, with consumers in different countries paying higher prices due to retaliatory tariffs. In addition, U.S. automotive OEMs could face potential demand erosion, margin contraction, and a slowdown in EV adoption.

Impact of tariffs on auto sector?

Research Plan

The implementation of tariffs is expected to have a significant impact on the auto sector, particularly affecting car prices, sales, and profitability of automotive OEMs. [1] Experts believe that tariffs will be extremely damaging for North American automakers with supply chains integrated with Mexico and Canada. [2] The impact is likely to be felt across the industry, with potential demand erosion and margin contraction for U.S. automotive OEMs. [3]

The tariffs are expected to result in immediate cost increases that manufacturers will have to either absorb or pass through to consumers. [2] For example, a 25% tariff on sheet metal alone could result in a $400-$500 cost penalty per vehicle. [2] This increase in production costs is likely to lead to higher vehicle prices, potentially reducing overall industry volume from the projected 15 million vehicles. [2] Some experts estimate that for companies like General Motors, which is projected to import 750,000 cars from Mexico and Canada in 2024, the tariffs will significantly impact profits and may result in price increases being passed on to customers. [4]

Agriculture

The agriculture sector is likely to experience consequences as a result of new and planned tariffs. Following the White House's enactment of a 10% tariff on all U.S. imports, China and Canada announced reciprocal tariffs on U.S. goods. Prior to that, China had imposed 10% and 15% tariffs on chicken, wheat, corn, cotton, soybeans, pork, beef, seafood, fruit, vegetables, and dairy products.

On April 3, the Canadian government announced a 25% tariff on $30 billion in goods imported from the U.S.— including peanut butter, coffee, and orange juice — as a "suite of countermeasures designed to compel the U.S. to remove tariffs."

Analyst research from the AlphaSense platform highlights the trickle-down effect farmers are facing. With rising fertilizer and farm equipment prices, crop prices are likely to decline if retaliatory tariffs remain on course, and further jeopardize fertilizer and machinery affordability.

A chemical industry expert observed that price and volume pressure could affect farmers' willingness to spend on treatments if there is a reduction in demand for products globally:

> "At the same point, if there is not as much demand from consumers for agriculture products coming from U.S. into Canada or U.S. going to other countries, then that's **going to put pressure on the prices and how much the farmers are willing to spend in essentially herbicides and pesticides, and so on."**
>
> **– VP at Compass Minerals, April 2025 Expert Call**

Natural Gas

Increased construction costs due to tariffs could hamper the development of natural gas pipelines. Tariffs on imported materials, such as steel, would directly increase the cost of pipeline projects and would significantly hinder a project's feasibility, making pipeline development too expensive.

An energy expert believes tariffs could significantly derail future infrastructure projects:

> "That's probably the way to see it. You imagine steel coming in to build pipelines. That's sourced out of China. This...tariff on China goes ahead with steel products, then that will increase the cost of the project and have a negative impact on economics."
>
> **– Energy Expert, January 2025 Expert Call**

Construction

Experts believe new tariffs have negative implications for builders and the construction cycle, leading to costlier materials across the board for steel, aluminum, lumber, glass, and cement, and resulting in potential supply chain delays.

Equity research indicates that tariffs "threaten an already weak housing backdrop," and builders' pricing power has sharply deteriorated. The analyst also notes that U.S. residential construction relies heavily on China, Mexico, and Canada to import materials used in residential construction.From a construction expert's perspective:

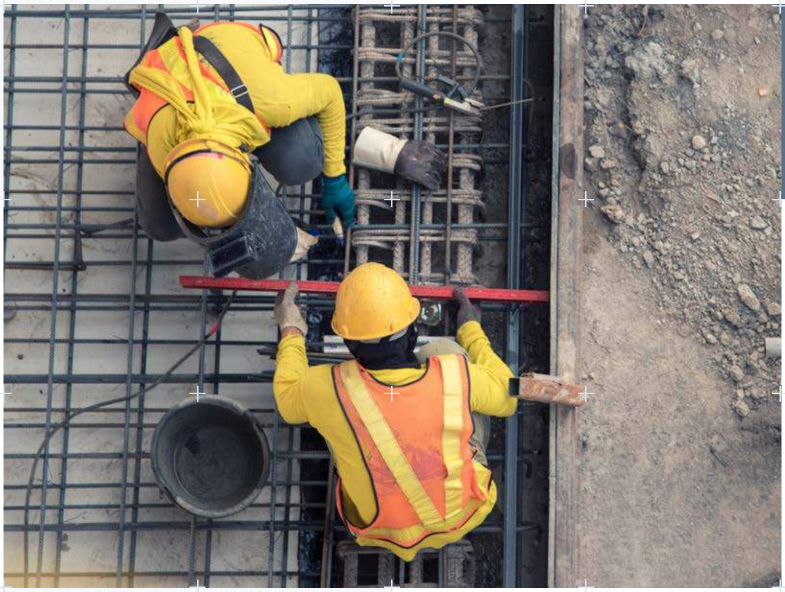
> "Everything looked great for nice rebounds of our industry. In reality, what happened is that all those tariffs have created a huge mess, a huge uncertainty in our industry and there is a big risk of inflation coming back to our industry.. That's why you have probably seen builder confidence declining very quickly in the last couple of months because the builders don't like at all what is going on right now. They don't like uncertainty. They don't like the risk of a potential tariff on lumber that could add $10,000, $20,000, $30,000 in construction cost to any single-family home."
>
> **– Senior Director at Building Material Distributors**
> **April 2025 Expert Call**

Impact on Material Costs

Dig Deeper

Tariffs have led to significant increases in construction material costs, affecting various aspects of the construction cycle.

- According to Lisa Colon, a legal advisor at Saul Ewing, companies relying on steel and aluminum can expect to pay between 3% and 10% more for these materials due to tariffs.
  26 Mar • Colliers • "Tariffs' Impact on Commercial Real Estate"
- A report by Origin Investments noted that tariffs could cause pricing spikes of up to 7.5% for all construction materials, leading to overall project cost increases of 3% to 4%.
  26 Mar • Colliers • "Tariffs' Impact on Commercial Real Estate"
- The impact extends beyond steel and aluminum, affecting other materials such as lumber, glass, and cement, which are also subject to tariffs.
  26 Mar • Colliers • "Tariffs' Impact on Commercial Real Estate"
- Steel prices have surged in the first quarter of 2025, with hot rolled coil prices in the Midwest jumping by 20 percent between January 20, 2025, and mid-February, according to data provider Fastmarkets.
  2 Apr • Company Publication • Delta Consulting • "What History Teaches Us About Construction Tariffs"
- An analysis by John Burns Research & Consulting estimates that tariffs may drive up average building material costs by 10 percent, nearly two and a half times the increase anticipated under normal market conditions.
  2 Apr • Company Publication • Delta Consulting • "What History Teaches Us About Construction Tariffs"



CHAPTER 3

Healthcare & Tariffs: Medical Devices, Pharmaceuticals at Greatest Risk

Broad economic uncertainty and the Trump administration's aggressive and fluctuating trade policies have led to outsized market moves, though most view the healthcare sector as better positioned than others. Healthcare's reputation as a safe haven has, overall, helped its stocks hold up better this year than the broader market.

Healthcare is generally considered more insulated from macro and political impacts than other sectors because of its domestic focus and relatively predictable demand. For example, many healthcare products and services are considered essential and thus better able to withstand an economic downturn.

Yet not even healthcare is immune to the effects of President Trump's tariffs. Among healthcare companies, tariffs are expected to hit makers of medical devices and pharmaceuticals the hardest.

Medical Devices

Experts have highlighted tariffs as the one overarching policy risk that could materially affect the medical devices space. This marks a departure from the first Trump administration, when medical devices and other life-saving supplies were exempt from tariffs.

Companies that manufacture medical devices in locations outside of the United States now face the most obvious risk in experts' eyes as their goods are subject to tariffs. Mexico is a major manufacturing hub for medical devices, and companies with a heavy manufacturing

presence there were initially considered at high risk due to tariff expectations. Yet proposed rules that would exempt USMCA-compliant companies from tariffs have lessened this risk factor.

Likewise, suppliers to medical device companies are also eligible for the USMCA-compliant tariff exemption, although analysts say it is not yet clear which suppliers are USMCA-compliant. Those suppliers that manufacture in Mexico but are not covered by the USMCA expose their medical device customers to the risk of higher input costs and potential supply chain disruptions.

Meanwhile, most medical device multinationals are considered relatively insulated from the impact of tariffs on Chinese imports. This is because these companies started building up a local manufacturing presence within China years ago in response to the launch of the protectionist "Made in China" policy. This trend was exacerbated during Trump's first term as companies sought to reduce shipments from China to the United States to minimize potential tariff impacts.

By contrast, companies that export U.S.-made products to China face significant headwinds because China's retaliatory tariffs on U.S. goods make it more expensive for these companies to do business. One example is GE HealthCare, which is a major exporter of imaging equipment to China and was the worst-performing medical device stock immediately following the April 2 tariff announcement.

Pharmaceuticals

During Trump's first term, pharmaceuticals were given an exemption from tariffs. Initially, the industry was optimistic that pharma would be afforded the same treatment this time around, and pharmaceuticals were excluded from the list of reciprocal tariffs the Trump administration announced on April 2. However, Trump has since promised "major" pharma tariffs in an effort to stimulate U.S. drug manufacturing.

The unexpected inclusion of Europe in Trump's tariff plans is considered especially disruptive to the pharmaceutical industry and threatens to dampen pharma R&D and manufacturing activity there. The administration is particularly focused on disincentivizing a tax planning strategy in Ireland that enables companies to take advantage of the country's lower tax rate by booking operating profits for U.S.-sold products in their Irish subsidiaries. All told, the European Union could lose $100 billion in pharma investments due to potential targeted import taxes on certain medications, according to the European Federation of Pharmaceutical Industries and Associations.

As with medical devices, pharma companies are considered less exposed to China tariffs than other pockets. However, they are not immune. While U.S. pharma's manufacturing presence in China is relatively light, many of the active ingredients used to manufacture pharmaceuticals are made there.

How Will Medical Device and Pharma Firms Respond?

Onshoring medical device and pharma production would be a tall order. Experts see it taking years, not months, to do so — a long-term effort that could outlive the Trump administration. Experts note that construction timelines for medical device and pharmaceutical manufacturing facilities are particularly drawn out because they require FDA oversight.

Medical device and pharma companies have some recourse. One avenue some companies are using is stockpiling inventory to help mitigate near-term uncertainty. In fact, some firms started rushing shipments to the United States as early as late last year in anticipation of a tariff announcement. Another strategy is to pass on any tariff-related cost increases to customers, which would increase pressure on healthcare providers and the patients they serve. This strategy is considered by experts to be more viable than onshoring production.Firms are also using legal avenues to weather the tariff storm. Many are stepping up their lobbying efforts in an attempt to get officials to exempt medical devices and healthcare products from tariffs. Industry trade associations like the Advanced Medical Technology Association have taken the lead on lobbying efforts.

Some firms started rushing shipments to the United States as early as late last year in anticipation of a tariff announcement.

Trump's 90-day pause on most of the reciprocal tariffs implemented just days earlier offers some reprieve for healthcare companies. Yet the situation is still highly fluid and comes at a time when the industry is absorbing other shocks to the system such as the Trump administration's cuts to FDA staff and National Institutes of Health research funds.

CHAPTER 5

Consumer Goods

The Trump administration's sweeping tariffs have sent shockwaves across the markets, trickling down to the consumer as well. Consumer-facing pockets of the market such as consumer goods — which include electronics, household goods, apparel, non-durable goods like food or toiletries — are considered particularly vulnerable to tariff impacts. Below, we use insights from the AlphaSense platform to investigate what kind of disparate effects could play out for the companies that produce these goods.

Durable Goods

Although the breadth of newly implemented and planned tariffs will affect most industries in the United States to some degree, sector analysts believe consumer goods, and particularly durable goods, will be especially hard hit. Not only will inexpensive items made in China increase in price, but higher input costs for raw materials and component inputs imported for assembly in the United States will also drive up prices — even for items made domestically.

Because inputs may cross the border many times before they come to market, some goods are subject to tariff stacking, which is when various components of a finished good are taxed separately or when components move back and forth across the border during assembly. Industry analysts argue that through its trade policies, the administration is effectively pressuring companies operating in the United States to establish fully domestic production and supply chains. This shift would mean that any affected product would undergo a complete re-certification, testing, and inspection process to ensure that all taxable elements of production are properly accounted for and taxed.

Higher input costs mean durable goods companies that are headquartered outside the United States are likely to see less demand for their more expensive goods. But even U.S.-domiciled companies like Apple and Whirlpool will likely see rising costs and falling demand eat into their margins, even if they invest in reshoring operations. Apple CEO Tim Cook noted in 2017 that Apple manufactures in China due to its comparative advantage over the United States in vital capabilities like tooling engineers and its cultural focus on craftsmanship. Rebuilding China's manufacturing capacity in the United States would take many years and significant capital investment.

Apparel

Within retail, analysts identify the apparel industry as among the most exposed to tariff shocks. The tariff impact on apparel companies is expected to depend on their ability to pass on costs to consumers, a challenging proposition at a time when consumers are already feeling the effect of elevated inflation.

Under the announced tariffs, U.S. retail companies would incur costs that are broadly considered too large to absorb, which could result in prices higher than many consumers would be willing or able to pay. The National Retail Federation estimates that U.S. consumers "could lose between $46 billion and $78 billion in spending power each year if new tariffs on imports to the United States are implemented." The result would be devastating in the already low-margin apparel industry. Bankruptcy could be on the horizon for highly-leveraged companies like Macy's that are already warning shareholders about their onerous debt levels.

Non-durable Goods

The United States has been a net exporter of agricultural products for most of its history, though since 2021 has been running up a trade deficit for these goods, which has accelerated in the last three years. By contrast, the trade deficit for all non-durable goods, which includes finished goods like wine imported from France and whiskey exported to Japan, has been large for most of the last century, a situation exacerbated in recent years by the strong dollar that makes imports relatively cheap for U.S. consumers.

The new tariffs imposed on these goods will undoubtedly increase the cost of non-durables imported by the United States. This includes: avocados from Mexico, which are the most-imported fruit to the United States. Avocados are a crop that cannot be "reshored" because the U.S. does not have the right mix of climate and other factors necessary to grow them at scale, so tariffs will simply drive up their cost.

But what about domestically produced foods? The United States is a large importer of fertilizer and the ingredients needed to make it. Potash from Canada and phosphorus from Peru and Morocco are essential inputs for U.S. farmers who were projected to spend $30 billion on fertilizer inputs before the initial tariff announcement.

Looking Forward

The recent tariff announcements from the Trump administration initially left markets in a tailspin, with historic highs and lows all posted in the same week. While the ultimate trajectory and impact of tariffs remains to be determined, investors and corporations are undoubtedly keeping a close eye on how tariffs will affect their bottom line.

A common theme across sectors is tariffs likely disrupting the global supply chain, resulting in increased manufacturing costs, scarcity in product accessibility, and price inflation. The immediate and longer term ramifications of these policies also remain to be seen as trade negotiations ensue and companies create strategic workaround solutions.

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