Auto Tariffs and the Reshoring Crossroads

President Trump issued an executive order imposing 25% tariffs on automobile imports beginning April 2, starting at 2.5% and incrementally increasing.

The tariffs will also apply to major automotive parts imports, identified as "engines and engine parts, transmissions and powertrain parts, and electrical components."

However, parts duties may start up to a month later with a date to be set no later than May 3.

The plan provides a partial exemption from tariffs for vehicles and parts that comply with the USMCA's rules of origin, but only for the value of their U.S.-produced content. So, a truck built in Mexico with 45% U.S. content would still face a 25% tariff on 55% of its value.

POTENTIAL FINANCIAL IMPACT (Top 15 companies by U.S. Sales, ~97% of total)

Critical Impact: Audi, Mitsubishi
- Full import dependence, small scale, severe risk.

High Impact: Hyundai-Kia, Nissan, VW, Mercedes-Benz, Mazda
- High import reliance, strained profitability.

Moderate-to-High Impact: Toyota, Honda, Subaru, BMW
- Balanced U.S./import mix, some mitigation ability.

Low-to-Moderate Impact: GM, Ford, Stellantis
- Total Hits: ~$2.7B-$3.8B
- Strong U.S. production, manageable relative costs.

Minimal Impact: Tesla
- Total Hit: ~$0.68B
- U.S.- dominant, high resilience.

DECISION TO BUY A VEHICLE

New Car Sales: ~40% necessary, ~60% discretionary. Higher costs and feature-driven buying tilt new cars toward desire, though replacements still play a role.

Used Car Sales: ~70% necessary, ~30% discretionary. Affordability and immediate availability make used cars more need-based, but upgrades and preferences persist.

SUMMARY

Trump’s announced auto tariffs—25% on imports from Canada and Mexico, 10% on other countries, and potentially 30%+ on China—will hit U.S. consumers by driving up vehicle prices.

This will translate to an approximate average production price hike of ~$2,058 per new domestic manufactured vehicle (4.3% on a $48,000 average), with imported models like a $30,000 Hyundai Tucson from Mexico jumping to $37,500.

About 60-80% of the hit will likely be passed to consumers, raising prices ~$1,200-$1,650 (2.5%-3.4%).

Companies will adapt by shifting production and passing on costs and consumers will counter by favoring U.S.-made options (e.g., Tesla, Ford), buying used cars, or delaying purchases. Together, these moves could trim the consumer burden to $832-$1,432 per car. (1.7%-3.0%).

OTHER IMPACTED INDUSTRIES

Negative:
Auto Dealerships
Coastal Transportation and Logistics
Imported Auto Parts Suppliers
Oil and Gasoline Refining
Consumer Finance and Auto Lending

Positive:
U.S. Steel Producers
Electric Vehicle and Battery Manufacturing
U.S. Rubber and Tire Manufacturers
Construction and Industrial Engineering
Inland Freight and Rail

OUR VIEWS

a. President Trump may change his position should Canada, Mexico, Japan, S. Korea, etc., lower their tariffs on U.S. goods

b. With greater clarity Auto Makers may build more cars and parts in the U.S. though this at best, is a several year process

c. At the moment, taking an investment position one way or another is tantamount to gambling and as such we will wait for greater clarity.

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