# September Macro Brief

## Special edition: Tariff update

September 30, 2025

accenturestrategy

Macro Foresight

**About this document**

The monthly brief is intended to inform executive teams, boards and investors on the state of the economy. It has been prepared based on data as of **September 27, 2025**.

Each brief includes a summary of global business-relevant macroeconomic developments, and a set of indicators that track the overall health of the economy, business activity and consumers.

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# September 2025
## Executive Summary

**Tariff developments**

- **Recent trade deals with major partners and the reinstatement of higher reciprocal tariffs have cemented a US trade policy regime that is unlikely to be softened during the remainder of this Administration. This new US trade order features:**
  - Baseline reciprocal tariffs of least 10% for trade surplus countries, and 15-41% for deficit countries
  - Global product/sector-level tariffs of at least 25-50%, covering 3 sectors to date and 11 more set to be added
  - Additional punitive tariffs on select countries (e.g. India, Brazil) to pursue specific bilateral objectives (sometimes non-economic in nature)
- **The effective US tariff rate is now 18 p.p. higher than at end-2024—and the highest in a century—with 10 p.p. of increases still in the pipeline.** The scale of this macro shock and its repercussions for growth, inflation, and global trade flows has yet to be fully felt, as the initial impacts were blunted by import frontloading and the reluctance of companies to make major pricing and capital decisions until there was greater policy clarity.
- **Looking ahead, the new higher floor for tariff rates and lack of significant foreign retaliation have narrowed the range of potential future outcomes. Most of the risk is now skewed towards even higher tariffs, with three broad scenarios:**
  - **Market-driven restraint,** where acute negative economic fallout and legal challenges limit the total effective tariff rate increase to 17-20 p.p.
  - **Completing the vision,** where implementation of remaining sector/product-level tariffs pushes the total increase to 24-26 p.p.
  - **Deals breakdown and re-escalation,** particularly with major partners such as the EU and China, that drive the tariff rate increase north of 30 p.p.

**Regional highlights**

| Americas | Europe, Middle East and Africa | Asia-Pacific |
|---|---|---|
| • In the **US**, inventory buffers and companies' wait—and-see approach to pricing have limited the inflationary boost from tariffs to 0.25 p.p. thus far, but the full impact could be closer to 2.2 p.p<br>• The tariff-related drag on US GDP is expected to be at least 1%, pushing the economy towards stagflation and raising annual costs for the average household by USD 2,400 | • Frontloading of purchases from Europe by US importers boosted Q1 **Euro area** growth, but recent data suggest this effect is fading<br>• Despite some sectoral carve outs, higher US tariffs on the **EU** and **UK** are expected to further weigh on Europe's already-weak growth, as is increased export competition and dumping from China | • **China** has weathered US tariffs thus far by rerouting its exports to (and through) other countries, but will likely struggle to sustain this as foreign demand slows<br>• Competitive pressures on companies in both **APAC** and Europe are likely to intensify due to Chinese manufacturing overcapacity and export dumping |

**Key considerations and priorities for clients**

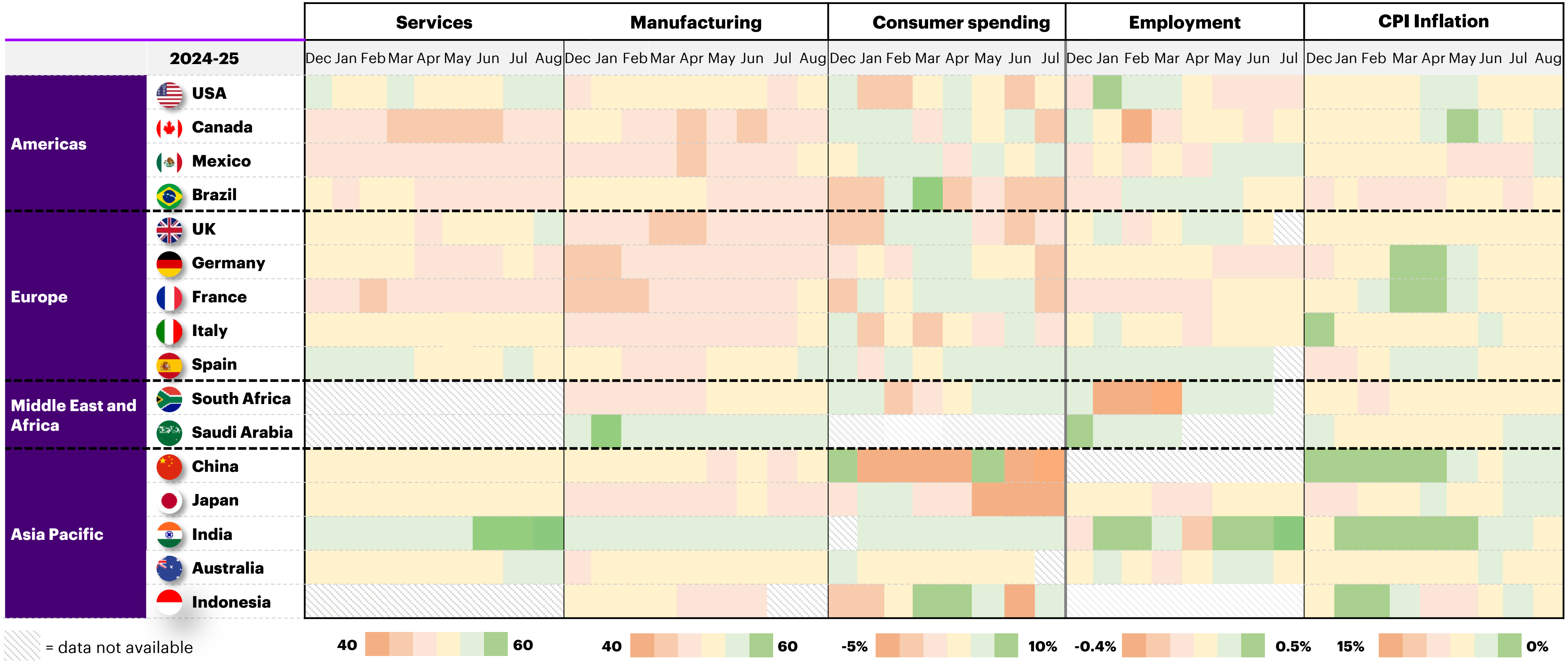
- **Import-intensive manufacturing sectors in the US such as Automotive, Aerospace and Defense, Chemicals and High Tech** will continue to face the greatest cost and margin pressure from tariffs and a growing imperative to raise prices to protect profitability, which would accelerate inflation.
- **It is important to recognize that tariff-related disruptions are occurring against a broader backdrop of more frequent, overlapping crises and intensifying geopolitical, energy, and technology competition.** A fragmenting world with more geopolitical tensions means firms will need to fundamentally re-think how they approach selling abroad, producing across the value chain, and running operations.
- **Companies should focus on building multi-dimensional resilience**, leveraging AI to improve demand planning, supply chain visibility, and overall productivity, as well as strengthening risk management capabilities, including internal government relations and trade compliance functions.

Sources: Accenture Strategy analysis

# Economic momentum globally is largely softening, reflecting slowing consumer spending amidst persistent inflation pressures in US and Europe and weakening labor markets

## Country economic momentum snapshot

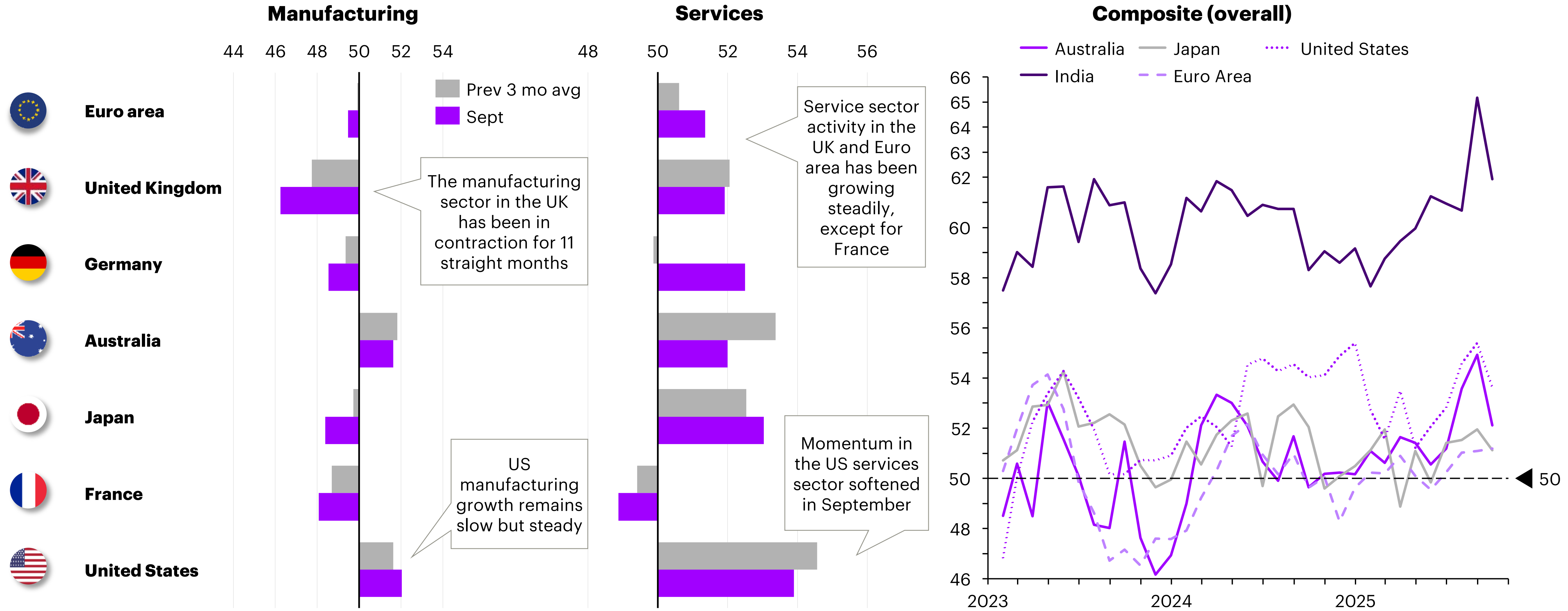
**AS OF SEP 25**




Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary "flash" figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services refers to Business Climate Index: Non-mfg. Consumer spending shading based on real retail sales growth 3MMA percent change except for Australia which is based on Q/Q % change and India which is based on 3MMA of Y/Y% change. Employment growth is derived from employment figures as provided by government authorities. CPI uses harmonized figures for Euro area countries.
Sources: S&P Global, Haver Analytics, Accenture Strategy analysis

# Manufacturing and services activity is holding up in the US for now, while the UK and Europe feel the brunt of tariffs and weakening global demand

## September Flash PMI Survey



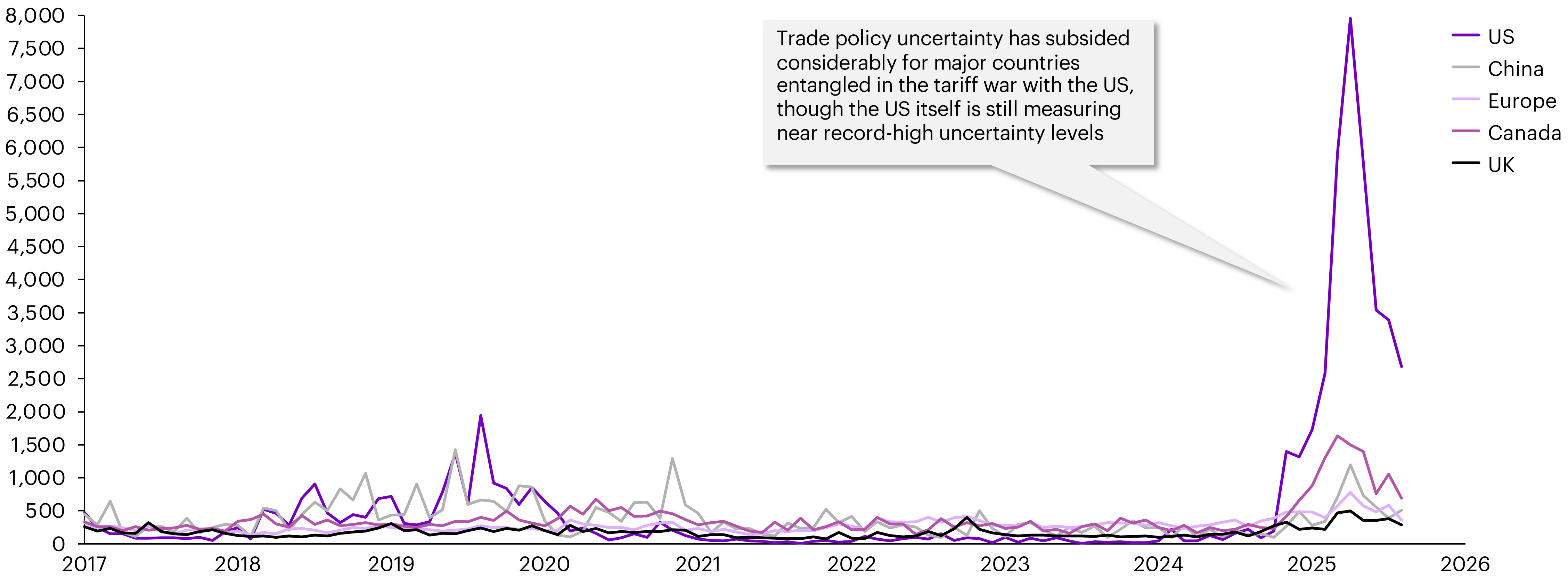

Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures
Source(s): S&P Global, Accenture Strategy analysis

# While policy uncertainty has retreated from peak levels in early 2025, elevated anxiety about tariff-related consequences remains

## Trade policy uncertainty

**Global policy uncertainty**

Index, 1985=100

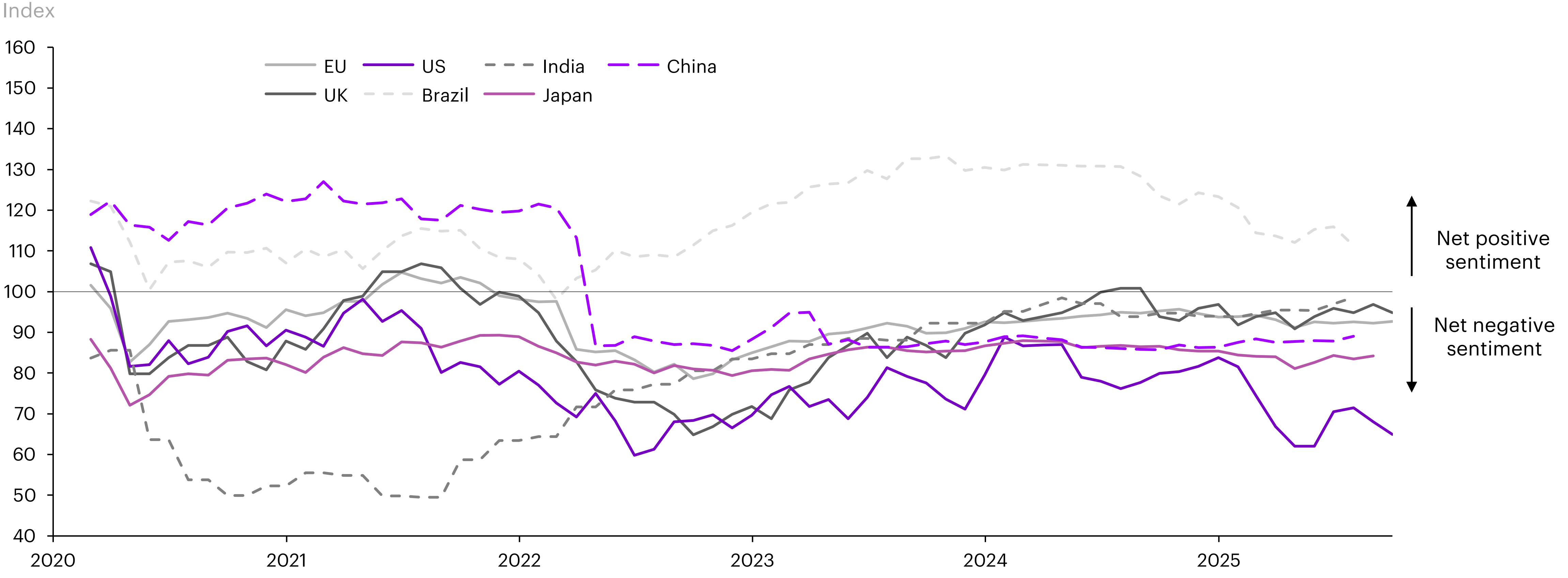



Source(s): Economic Policy Uncertainty, Accenture Strategy analysis

# Global consumer sentiment remains pessimistic, with the US seeing the steepest drop in confidence in recent months

## Consumer sentiment across major economies

**Indicators of overall consumer sentiment**




Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey
Source(s): EC Consumer Surveys, GfK Survey, University of Michigan Survey, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

# A tariff-driven growth slowdown and above-target inflation are the base case for the US, with continued stagnation or mild recessions most likely throughout Europe

## Latest near-term economic outlooks: Americas and Europe

| Region | Country | Key recent datapoints | Base case outlook | What to watch for |
|---|---|---|---|---|
| **Americas**  | US | • Nonfarm payroll growth slowed considerably in Aug, up only 22K compared to 111K average in Q1<br>• Headline CPI increased to 2.9% YoY in Aug, with core inflation holding steady at 3.1%<br>• The Fed cut rates by 25bp in Sept to 4.25%, marking the first cut this year, with 1-2 more cuts expected before year-end | • Aggressive tariffs will likely lead to below-trend growth as business investment and consumer spending soften<br>• Supply-side cost pressures and tariff increases keep inflation above target at 3-4% as the Fed cautiously re-enters a rate cutting cycle | • Pending sector-level tariffs still to come<br>• Reversal of tariff-related demand frontloading leading to a slowdown in consumer and business spending in H2 2025<br>• Further pass-through of tariff costs from businesses to consumers |
| | Canada | • Headline CPI rose slightly to 1.9% in Aug, with core at 2.5%<br>• The Bank of Canada cut interest rates to a three-year low of 2.5%, the first cut since March | • Trade tensions with the US will exacerbate existing growth challenges, including cost-of-living pressures, weak productivity, weak business investment, and housing undersupply | • Potential for tariff de-escalation as a precondition to USMCA renegotiation<br>• Government policy support for US tariff-affected sectors (e.g. steel, autos) |
| | Brazil | • Real retail sales declined for the fourth straight month, down 0.27% in July<br>• Headline CPI fell slightly to 5.16% YoY in Aug, as the central bank commits to holding rates at 15% | • Growth deceleration is likely amidst stubborn inflation, elevated interest rates, and US tariffs<br>• Strong agricultural harvest remains a key growth driver, to the extent other sectors don't collapse | • Brazilian Real depreciation alongside higher inflation and interest rate hikes<br>• Global trade conflict could weigh on commodity exports |
| **Europe**  | UK | • Inflation held steady at 3.8% YoY in Aug, with food inflation reaching the highest since 2019<br>• Real retail sales increased 0.5% in Aug for the 3rd straight month, driven largely by apparel sales<br>• The BoE kept rates unchanged in Sept at 4% | • Growth remains the top priority for government policy, but the outlook is challenging<br>• Business investment could remain weak given the new tax increases | • Higher energy costs from flare-ups in the Middle East could dampen consumer confidence and retail sales, risking stagnation or recession if energy supplies are disrupted |
| | Germany | • Headline inflation was unchanged in Aug at 2% YoY despite a rise in food inflation to 3.2%<br>• Consumer confidence increased slightly in Sept as income expectations improved | • New fiscal stimulus (EUR 500bn) marks a major policy shift in support of economic growth, but near-term impact is limited amid weak sentiment and low private investment | • New government formation, stimulus details, ECB signals<br>• Impact of US tariffs on manufacturing<br>• Dumping of Chinese industrial exports |
| | France | • Inflation decelerated in Aug to 0.9% YoY, from 1% in June and July<br>• Real retail sales recovered in Aug following three months of sluggish growth | • Economic growth is expected to be subdued, with tighter fiscal policy and global uncertainty dampening investment | • US tariffs may hurt exports, confidence, and investment, while rising interest rates could curb investment |

Source(s): Accenture Strategy analysis

# Deceleration towards a lower structural growth rate remains base case for China, while Japan’s economy is expected to recover modestly, and India will remain an outperformer

## Latest near-term economic outlooks: Asia-Pacific

| | | Key recent datapoints | Base case outlook | What to watch for |
|---|---|---|---|---|
| **Asia Pacific** | China | • Total exports to the US rebounded in July, up nearly 40% from June, but are still far below 2024 levels<br>• Industrial profits jumped 20.4% YoY in Aug, the largest gain since Nov, after 3 months of decline | • Growth is expected to decelerate as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts<br>• Weak consumer confidence and precautionary savings will limit domestic demand | • Resilience of Chinese exports (incl. through re-routing) amidst US tariff pressures<br>• Additional policy stimulus if growth undershoots targets |
|  | Japan | • The BoJ left rates unchanged at 0.5% in Sept but hinted that a hike might be warranted in Oct<br>• Industrial production dropped 1.2% in July, reversing the 2.1% gain in June, reflecting ongoing trade uncertainty and weakness in the auto and steel sectors | • Modest recovery in GDP growth in 2025 as wage gains balance against continued inflationary pressures<br>• Risks persist amid continued consumer pessimism, an uncertain external environment, and cautious monetary policy normalization | • Impact of potential Middle-East disruptions to energy supplies on trade balance and inflation<br>• The impact of a potential consumption tax cut on business/consumer spending and overall growth prospects |
| | India | • Inflation accelerated significantly in Aug to 2.1% YoY, from 1.6% in July, reflecting higher food prices<br>• The composite PMI dropped sharply in Sept to 61.9, from 65.2 in Aug, as both services and manufacturing sectors saw slower growth | • Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment<br>• India should remain one of the fastest-growing major economies, propelled by favorable demographics and “friendshoring” FDI | • Resilience in domestic demand despite global headwinds<br>• Potential trade deal with US<br>• Signs of manufacturers or other companies shifting supply chains |
| | Australia | • Headline CPI rose to 3.0% YoY in Aug, from 2.8% in July, while core CPI reached 3.4%, complicating the central bank’s rate cut plans<br>• Manufacturing and services PMIs declined slightly in Sept, though growth remains positive | • Growth is likely to remain subdued, owing to Australia’s export exposure to a China slowdown and ongoing pressures on consumers, though sentiment may improve as the central bank enters a rate cutting cycle | • Degree to which the labor market loosens and reduces pressure on inflation<br>• Extent of imported inflation as the Australian dollar remains weak |
| | Indonesia | • Bank Indonesia cut interest rates again in Sept to 4.75%, marking the third consecutive 25bp cut<br>• The manufacturing PMI jumped to 51.5 in Aug following four consecutive months of contraction | • Growth is expected to remain steady, driven by robust consumer spending and easing inflation pressures<br>• Easing tariff tensions due to a US trade deal will likely provide a more stable macro environment to spur economic growth | • Further monetary policy easing as inflation stabilizes<br>• Reallocation of government spending, including cuts to existing projects |

Source(s): Accenture Strategy analysis

# Tariff developments

# Tariff rollout over since February has been fast and furious, with mixed messaging on the overall strategy, and shift towards re-escalation since May

## Key US trade policy developments so far in 2025 (1/2)

**AS OF SEPTEMBER**

### January

**Jan 20: Inauguration Day**

- **20** Issues the "America First Trade Policy," memo directing federal agencies to evaluate key aspects of U.S. trade policy

### February

- **1** Signs Executive Order to impose additional 25% tariffs on Canada and Mexico and additional 10% on China
- **4** 10% tariff on Chinese imports goes into effect; tariffs on Canada and Mexico postponed
- **10** Expands existing Section 232 tariffs on steel and aluminium, ending all exemptions. Also raises aluminium tariff from 10% to 25%, effective March 12
- **13** Issues presidential memorandum to develop plan for tariffs in response to other countries' policies, with recommendations due April 1
- **19** Announces intention to place 25% tariffs on autos, pharmaceuticals and semiconductors
- **25** Launches Sec. 232 investigation into potential tariffs on copper
- **27** Announces additional 10% tariff on China

### March

- **2** Launches Sec. 232 investigation into potential tariffs on lumber
- **4** Additional 10% tariff on China goes into effect; across-the-board tariffs on Canada and Mexico initially also enacted but later postponed until April 2[1]
- **12** Steel and aluminium tariffs take effect
- **25** Announces intent to put 25% tariffs on imports from countries buying Venezuelan oil
- **26** Issues Executive Order confirming 25% auto tariffs

### April

- **2** Announces 10% universal tariff and individualized higher reciprocal tariffs of 11% to 50% on 57 countries; auto tariffs go into effect
- **9** Individualized reciprocal tariffs briefly go into effect, before being paused for 90 days[2]
- **11** Announces reciprocal tariffs exemptions for selected consumer electronics
- **15** Launches formal Sec. 232 investigations into potential tariffs on critical minerals, semiconductors and pharmaceuticals
- **29** Announces some relief for auto industry via partial tariff rebates and no stacking with CA/MX tariffs

### May

- **1** Launches Sec. 232 investigation into potential tariffs on commercial aircraft and parts
- **8** Announces provisional US-UK trade deal
- **12** Announces reduction and 90-day pause in reciprocal tariffs on China
- **16** Second round of EU retaliatory tariffs take effect
- **23** Threatens increase in EU's reciprocal tariff rate to 50% if no trade deal reached by July 9
- **31** Announces steel and aluminum tariffs will increase from 25% to 50% on June 4

**Country specific trade policy**

**Industry specific trade policy**

Notes: 1/ The postponement of tariff increases on Mexico and Canada was for goods complying with USMCA, which account for around 50% of imported goods from Mexico, and 38% from Canada; 2/ The pause was for all countries except China, which saw its reciprocal tariff increase to 125%; the baseline 10% universal tariff (which went into effect on April 5) was maintained.

Source(s): USITC, World Bank, White House, Haver, Accenture Strategy analysis

# Looking ahead: staying on top of the tariff timeline for the next quarter is key

## Key US trade policy developments (2/2) and upcoming dates to watch

**AS OF SEPTEMBER**

### June

- **4** Increases steel and aluminum tariffs from 25% to 50%
- **17** Signs Executive Order confirming UK trade deal
- **27** Confirms the May 12 trade "truce" with China, lifting immigration restrictions on Chinese students and export controls on semiconductor software and aircraft engines

### July

- **1** Announces preliminary trade deal reached with Vietnam
- **7** Announces extension of reciprocal tariff pause to August 1
- **7** Threatens pharma tariffs could be as high as 200%
- **7-9** Sends letter to 22 countries threatening imposition of higher reciprocal tariff if additional concessions not offered by Aug 1
- **9** Announces 50% tariff on copper will take effect on August 1
- **23** Announces trade deals with Japan, Indonesia and the Philippines
- **27** Announces trade deal with the EU
- **30** Announced special 40% tariff on Brazil
- **31** Confirms that paused higher reciprocal tariffs (at revised rates) will go into effect on August 7
- Oral arguments held at Federal Court of Appeals on legality of IEEPA tariffs

### August

- **1** 50% tariff on copper goes into effect
- **1** Increase in fentanyl tariff on Canada (from 25% to 35%) goes into effect
- **7** Paused higher reciprocal tariffs on all countries (ex. China) go into effect
- **7** Signals that semiconductor tariff will be 100%, with possible company-level exemptions
- **12** Pause on remaining 24% reciprocal tariff on China extended for further 90 days
- **27** India additional 25% tariff goes into effect
- **29** Federal Appeals court rules IEEPA tariffs are illegal
- End of de minimis exemption globally goes into effect

### September

- **2** Initiates Section 232 investigations into potential tariffs PPE and medical equipment, and on robotics and industrial machinery
- **27** Announces 100% pharma tariff, 25% on heavy trucks, and 30-50% on furniture (to go into effect on Oct 1)

### October

- **4** Deadline for USTR to submit notice for public comment on the USMCA's six-year review
- **12** Final report due to the President on Section 232 investigation into tariffs on critical minerals 232
- **14** USTR Section 301 maritime action on China takes effect, with revised vessel fees and expanded data rules targeting Chinese-built and operated ships

### November

- **1** Additional 5% fentanyl tariff on Mexico set to go into effect (if no trade deal reached)
- **5** US Supreme Court hearing on legality of IEEPA tariffs
- **10** End date for pause on higher China reciprocal tariffs
- **xx** TBD

**Country specific trade policy**

**Industry specific trade policy**

Source(s): Accenture Strategy analysis

# Trade deals announced thus far follow a common structure—market access and financial commitments to "buy down" US tariff rates

## Summary of key trade deals agreed to date

**NOT EXHAUSTIVE**

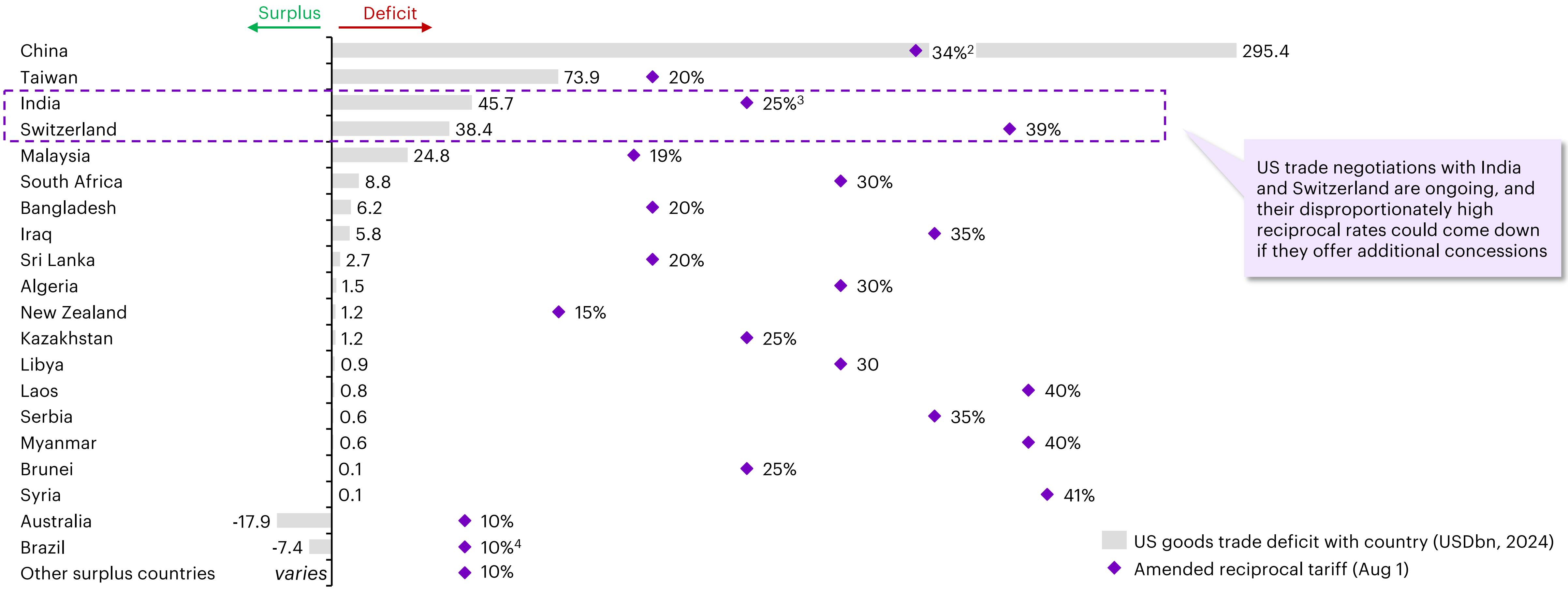
| Country | Reciprocal tariff | Reduced sectoral tariff rates: Steel and aluminum (50% global) | Autos (25% global) | Lumber (10-50% global) | Semicon (TBD) | Pharma (TBD) | Market access for US exports | US product purchasing commitments | Investment commitments in US |
|---|---|---|---|---|---|---|---|---|---|
| **UK** | 10% | **0%** | **10%** | **10%** | **TBD** | **TBD** | • Zero tariffs on beef (with quotas) and ethanol | • USD 13bn of Boeing aircraft | • N/A |
| **EU** | 15%[1] | **No** | **15%** | **15%** | **15%** | **15%** | • Zero tariffs on industrial goods<br>• Increased access for seafood and select agri. products | • USD 750bn in energy and "significant" amounts of military equipment | • USD 600bn in strategic sectors |
| **Japan** | 15% | **No** | **15%** | **15%** | **TBD** | **TBD** | • Increased access for agricultural products (notably rice) and autos | • USD 8bn agri. goods<br>• 100 Boeing aircraft and "billions" in military equipment | • USD 550bn, incl. for chips, critical minerals and shipbuilding |
| **South Korea** | 15% | **No** | **15%** | **No** | **No** | **No** | • Zero tariffs on all products | • USD 100bn in LNG | • USD 350bn |
| **Vietnam** | 20% | **No** | **No** | **No** | **No** | **No** | • Zero tariffs on all US exports | • Yes (details TBD) | • N/A |
| **Indonesia** | 19% | **No** | **No** | **No** | **No** | **No** | • Zero tariffs on 99% of US goods | • 50 Boeing aircraft, $15bn energy, $4.5bn agri goods | • N/A |
| **Philippines** | 19% | **No** | **No** | **No** | **No** | **No** | • Zero tariffs on US automobiles, soybeans, wheat, and pharmaceuticals | • N/A | • N/A |

Notes: 1/ The EU reciprocal tariff structure is unique as it does not stack on top of existing general duties—i.e. if duty rate on a given product is already 15% or higher, the additional reciprocal tariff is zero.
Source(s): USITC, Accenture Strategy analysis

# Other countries not striking trade deals received reciprocal rates linked to their trade balances with the US—10% for surplus countries and 15-41% for deficit countries

## Reciprocal tariff rates[1] for countries without trade deals

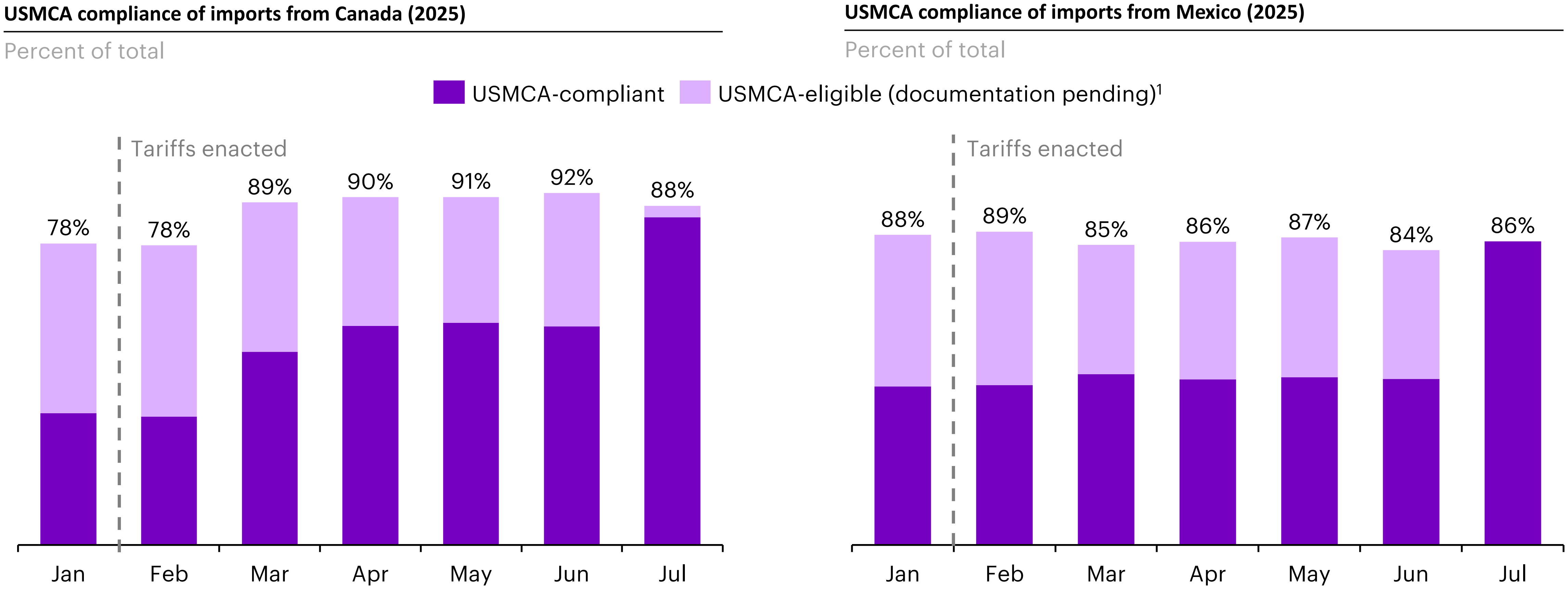
**NOT EXHAUSTIVE**




Notes: 1/ These rates represent the floor for each country, and any goods imports found to be transhipped to evade tariffs will be subject to a 40% rate instead; 2/ Only 10% of China's total 34% reciprocal tariff will be in effect as of August 7, with the remaining 24% on pause until November 10; 3/ India faces an additional 25% "secondary" tariff linked to its purchases of Russian oil, set to go into effect on August 27. 4/ Brazil is facing an additional 40% tariff that covers a different scope of products than the reciprocal tariffs.
Source(s): White House, Census Bureau, Accenture Strategy analysis

# Higher "fentanyl" tariffs on Canada and Mexico increase trade negotiation pressures but their impact remains limited due to high share of exempted USMCA goods

## Canada and Mexico USMCA compliance trend




Notes: 1/ Refers to goods that have been entering the US tariff-free based on their conformity with USMCA requirements but have not yet been formally certified as compliant. Their duty-free treatment to date by CBP suggests that USMCA-compliance documentation has been filed and is under review/processing.
Source(s): USITC, Accenture Strategy analysis

# The main pending trade deal is with China, where the path to an agreement is not clear cut as the two sides remain divided on core issues such as rare earths and tech controls

## Outlook for US-China trade deal negotiations

**The US–China summit in Stockholm yielded limited concrete outcomes but struck a constructive tone**

- The only significant outcome was an extension of the deadline for reinstating higher tariffs
  - The previous deadline August 12 was pushed out 90 days to November 10
  - Current tariff rate increases will remain in place
    - US tariffs at 30% on Chinese goods (10% reciprocal, 20% "fentanyl), with additional 25-100% Section 301 tariffs on various products and 50% sectoral tariffs (steel/aluminum, autos, copper)
    - Chinese tariffs at 10% on all US goods, with additional 10-15% on select products (energy, agriculture, machinery)
- Recent US conciliatory gestures, such as lifting select tech export restrictions and allowing advanced AI chip exports to China, reflect a desire to improve relations heading into further negotiations
- China is seemingly comfortable practicing strategic patience until a broader US-China deal can be reached
- Any clear comprehensive deal by November will likely hinge on direct involvement from President Trump and Xi

**Negotiating priorities and dynamics of each side**

| Issues | US | China |
|---|---|---|
| Tariffs | • Maintain pressure through conditional pauses/extensions | • Avoid high/triple-digit tariff rates<br>• Seek permanent rollback |
| Rare earths | • Seek open supply and stable rare earth exports to the US | • Exert leverage via export restrictions |
| Chip and tech exports | • Control of leading-edge technology and Chinese reliance on US AI ecosystem | • Relief from US tech export controls (e.g., advanced chips) and entity list restrictions on firms |
| Energy imports | • Reduce China's purchases of Russian & Iranian oil as part of broader sanctions enforcement | • Maintain control over energy trade<br>• Refuse US interference |
| Other | • Structural economic reforms in China (e.g., more domestic consumption, fairer market access, IP | • Third-party dynamics (e.g., US stance on Taiwan) |

Source(s): Accenture Strategy analysis

# Legal challenges to the reciprocal and "fentanyl" tariffs await a decision from the Supreme Court but are unlikely to fully derail tariffs due to other legal authorities for reinstatement

## Legal challenges to IEEPA tariffs and alternative implementation authorities

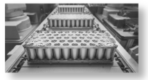
| Court battle and potential outcomes | |
|---|---|
| **Original ruling by Court of International Trade** | • Use of IEEPA authority to impose broad-based tariffs was illegal and an overreach of executive authority:<br>– For **reciprocal tariffs**, due to their sweeping global nature and justification on the basis of long-standing trade deficits, rather than the short-term emergencies for which IEEPA was designed<br>– For **"fentanyl" tariffs**, due to the incongruence of the policy tool (tariffs) with the stated emergency that it is intended to address—fentanyl trafficking and immigration |
| **Administration's appeal of the lower court ruling** | • The Court of Appeals for the Federal Circuit upheld the lower court ruling but permitted the tariffs to remain in effect until October 14 to allow for Administration to appeal to the Supreme Court<br>• The Supreme Court has agreed to hear the case but it may take several months for a ruling to be issued |
| **If the ruling is upheld by Supreme Court and IEEPA tariffs removed** | • The President could ask Congress to provide the explicit authority to impose these sweeping global tariffs<br>• The Administration could re-impose the reciprocal tariff and fentanyl tariffs through other legal authorities, including:<br>– **Section 122** of the Trade Act of 1974, which allows the President to levy tariffs of up to 15% for as long as 150 days, unless extended by Congress, to address balance-of-payments deficits<br>– **Section 338** of the Tariff Act of 1930, which allows for tariffs of up to 50% (with no specified duration limit) on countries found to be discriminating specifically against US exporters<br>– **Section 301**, already used with China during Trump's first term, to levy tariffs on specific products from countries deemed to be engaging in unfair trade practices<br>• Since these alternative legal authorities have either tariff rate or duration limitations or require perquisite investigations, recreating the sweeping nature of the current tariffs could be a complex and lengthy process, likely resulting in a patchwork of product-level tariffs on a country-by-country basis |

Source(s): Accenture Strategy analysis

# Key determinants of how much higher tariffs could rise will be the extent of additional sector/product-level tariffs and their final scope and rates

## Pending Section 232 investigations and product/sector-level tariffs

**NOT EXHAUSTIVE**

| Sector/product | | Scope | Likely tariff rate | Value of imports (USD billion, 2024)[1] | Top 3 import source countries |
|---|---|---|---|---|---|
|  | **Pharmaceuticals** | Branded pharmaceutical products and upstream ingredients and intermediates | **25-250%[2]** | 270 | • Ireland (27%), Switzerland (8%), Germany (7%) |
|  | **Semiconductors** | Semiconductors, mfg. equipment and derivative products in electronics supply chain | **100%** | 144 | • Taiwan (19%), China (19%), Mexico (12%) |
|  | **Critical minerals** | Processed critical minerals and their derivative products (e.g. batteries, motors, magnets) | **50%** | 55 | • China (24%), Canada (9%), South Africa (8%) |
|  | **Timber and lumber** | Timber, lumber and derivative wood products (e.g. kitchen cabinets, furniture) | **10-50%** | 41 | • Canada (28%), Vietnam (20%), China (11%) |
|  | **Medium and heavy trucks** | Trucks weighing 10,000+ lbs. and their parts (engines, transmission, electrical components) | **25%** | 93 | • Mexico (35%), China (12%), Japan (10%) |
|  | **Commercial aircraft and jet engines** | Entire aircraft, propulsion systems, structures, airframes, avionics, interiors, and repair parts | **25%** | 40 | • Canada (25%), France (21%), Germany (19%) |
|  | **Unmanned aircraft systems (i.e. drones)** | Unmanned aircraft systems, their parts, and affiliated components | **25%** | 1 | • Malaysia (35%), China (11%), Thailand (9%) |
|  | **Polysilicon** | Polysilicon and its derivative products (e.g. silicon wafers and modules, solar cells) | **50%** | 2 | • Japan (18%), Taiwan (14%), South Korea (11%) |
|  | **Wind turbines** | Wind turbines and their parts and components, including towers, blades, and gear boxes | **25%** | 2 | • Mexico (30%), France (19%), India (12%) |

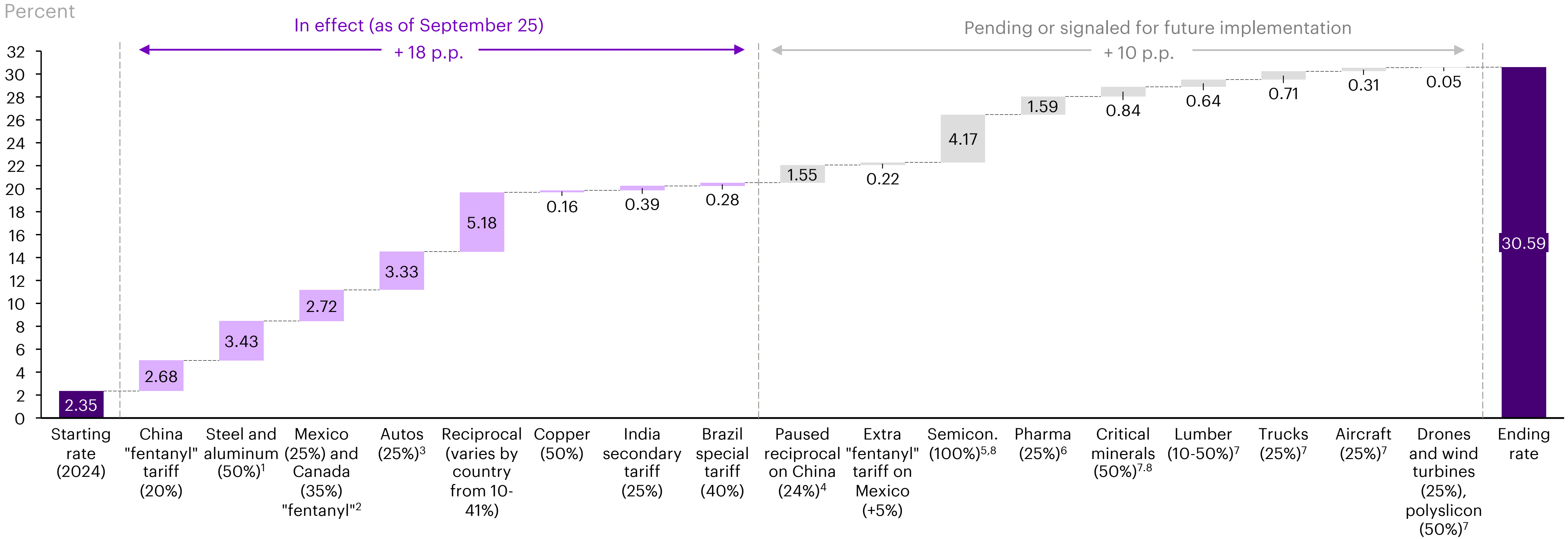
Notes: 1/ Estimated based on the indicative HTS codes, as the precise codes that would be covered under the tariffs have not yet been announced; for derivative products, only the tariff-exposed value is included in the import figures; 2/ The White House has signalled that pharmaceutical tariffs will be phased in over time, starting at a "low" rate (e.g. 25%) and rising to as high as 250%.
Source(s): USITC, Federal Register, Accenture Strategy analysis

# Based on the latest developments, the US' effective tariff rate has increased by 18 p.p. to date, with an additional 10 p.p. still on the horizon

## Scale and scope of announced tariff measures

**AS OF SEP 25**

**Estimated impact of announced measures on overall US effective tariff rate**




Note(s): 1/ Except for the UK, which will face no tariff; 2/ Except for imports of energy resources (including critical minerals) and potash from Canada, which are subject to a 10% tariff; USMCA-compliant goods are exempt; 3/ EU, Japan, and South Korea will face a lower 15% rate, and the UK a 10% rate; 4/ Paused for implementation until November 10; 5/ Does not incorporate potential exemptions for certain US companies; the EU's semiconductor tariff rate will be 15%; 6/ Expected to start at 25% and rise over time to as high as 250%; EU's pharma tariff rate will be 15%; 7/ Prospective tariff rates have not yet been confirmed but are expected to be in line with the 25-50% for other Section 232 tariffs implemented to date; 8/ Includes derivative products.

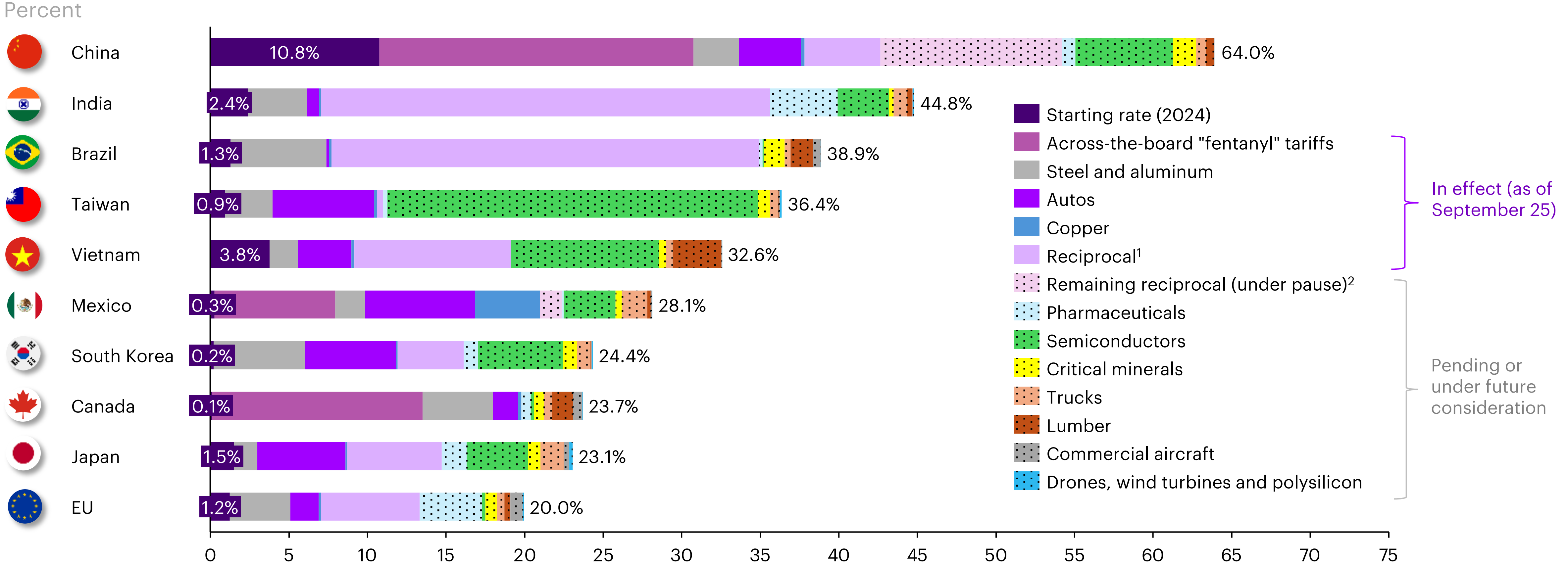
Source(s): USITC, Haver, Accenture Strategy analysis

# The differential between tariffs on China and on other countries has narrowed from its April peak, but is still large enough to incentivize supply chain diversification

## Country-specific effective tariff rates

**AS OF SEP 25**

**Impact of current and potential future tariff packages on average tariff rates imposed on key US trading partners**




Note(s): 1/ For China, includes only the 10% portion that is currently in effect of the total 34% reciprocal tariff; For Brazil, includes the 40% special tariff; 2/ Includes the remaining portion of the reciprocal tariff on China (paused until November 10), the extra 5% fentanyl tariff on Mexico (paused until November 1) and the 25% secondary tariff on India (set to go into effect on August 27).
Source(s): USITC, Haver, Accenture Strategy analysis

# The US has managed to contain foreign retaliation to only China and Canada, with the EU backing off after reaching a trade deal

## Retaliatory measures enacted or threatened in response to US tariffs

**AS OF SEP 25**

| | China | Canada | EU |
|---|---|---|---|
| **Tariff rates levied** | **10-34%** | **25%** | **25%** |
| **Value of impacted US goods** | • **USD 14bn** (Phase 1, in response to first 10% tariff increase)<br>• **USD 21bn** (Phase 2, in response to second 10% tariff increase)<br>• **USD 164bn** (Phase 3, in response to reciprocal tariffs) | • **USD 21bn** (Phase 1, in response to "fentanyl tariffs", enacted Mar 4)<br>• **USD 21bn** (Phase 2, in response to steel and aluminum tariffs, enacted Mar 12)<br>• **USD 25bn** (Phase 3, in response to auto tariffs, enacted April 9) | • **USD 22bn** (Tranche 1 , in response to steel/aluminum tariffs)—***paused for at least 6 months***<br>• **USD 75bn** (Tranche 2, proposed as potential future response to auto and reciprocal tariffs)—**paused for at least 6 months** |
| **As % of goods imports from the US** | **100%** | **25%** | **31%** |
| **Impacted products** | *First round:*<br>• 15%: coal, liquified natural gas<br>• 10%: crude oil, agricultural machinery, vehicles<br>*Second round*<br>• 15%: chicken, wheat, corn, and cotton<br>• 10%: sorghum, soybeans, pork, beef, seafood, fruits, vegetables, and dairy products.<br>*Third round:*<br>• **10% on all products (reduced from 125% initially, with an additional 24% on pause until August 12)** | *Phase 1*<br>• 25%: beer, wine, bourbon, fruits and vegetables, clothing, appliances and furniture, lumber and plastics<br>*Phase 2*<br>• 25%: steel and aluminum, tools, computers and servers, sport equipment, cast-iron products<br>*Phase 3*<br>• 25%: Cars not compliant with USMCA, and US content of USMCA-compliant cars | *Tranche 1:*<br>• 25% on range of agricultural, industrial and consumer products, including soybeans, meat, tobacco, iron, steel and aluminum, wood products, and motorcycles<br>*Tranche 2:*<br>• Wine and spirits, fish, aircraft, car and car parts, chemicals, electrical equipment, health products and machinery |
| **Non-tariff measures** | • Export controls on critical minerals<br>• Antitrust and "Unreliable Entity" investigations into US firms<br>• Export and investment restrictions on US firms | • Ban on Canadian alcohol distributors from selling US products (in Ontario) | • TBD, but likely to file a WTO legal challenge, as in the 2018-19 episode<br>• Potential restriction on US services exports |

Source(s): Reuters, Accenture Strategy analysis

# Recent developments have raised the floor for tariff rates and effectively eliminated the possibility of a negotiated drift back to free trade

## Possible near-term tariff scenarios

**ILLUSTRATIVE**

Increasing magnitude of additional tariff increases

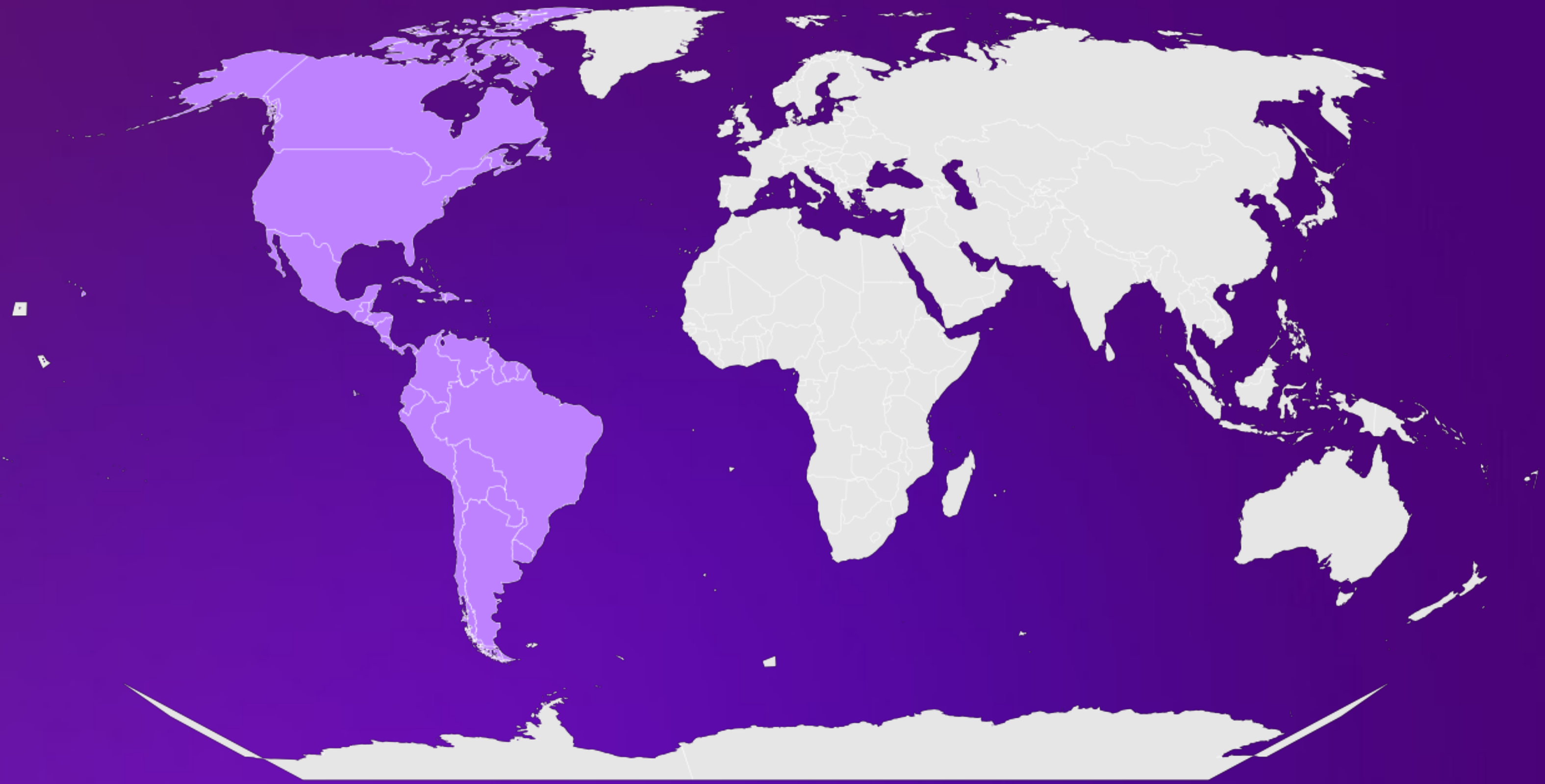
| Scenarios | 1. Market-driven restraint | 2. Completing the vision | 3. Deal breakdowns and re-escalation |
|---|---|---|---|
| **Description** | • More negative-than-expected economic impacts prompt US to stop short of imposing all remaining sector/product-level tariffs<br>• Additional carve outs/exemptions to reciprocal tariffs and sectoral tariffs to help blunt economic damage | • Finalization of pending trade deals with key partners (e.g. India, Switzerland, Brazil, Canada, Mexico) and "Grand Bargain" with China that brings down their reciprocal tariff rates<br>• Implementation of the eight remaining planned sector/product-level tariffs | • Incomplete adherence to certain trade deal commitments (e.g. limiting transshipment, product purchases and capital investments) prompts US to re-escalate and increase reciprocal tariffs to higher pre-deal levels<br>• Proliferation of additional country-specific punitive tariffs (à la Brazil and India) on reneging countries |
| **Scenario drivers and signposts** | • Significant acceleration in inflation, deterioration in labor market, and renewed financial market selloff<br>• Courts overturn legality of IEEPA tariffs, forcing them to be re-designed in less sweeping manner<br>• Political blowback in runup to 2026 midterm elections | • Limited pass-through of tariffs to inflation and drag on broader economic growth<br>• Resilience in financial markets<br>• Strong tariff revenue growth enables deficit reduction or rebate payments to households, reinforcing political and public support for tariffs | • Significant evidence of continued transshipment and tariff evasion<br>• Impasse with China leading to mutual re-escalation of tariffs and export restrictions<br>• Legal overturn of IEEPA tariffs opens the door for countries to try and re-negotiate certain trade deal parameters |
| **Overall US effective tariff rate increase (relative to 2024)** | • **17 to 20 p.p.,** depending on which sector/product tariffs are abandoned and how IEEPA tariffs are re-designed | • **24 to 26 p.p.,** depending on where tariff rates land for pending trade deals and sector/product-level tariffs | • **30 p.p. or higher,** depending on extent of re-escalation in reciprocal tariffs |

*Current base case*

Source(s): Accenture Strategy analysis


# Regional impacts

# Americas

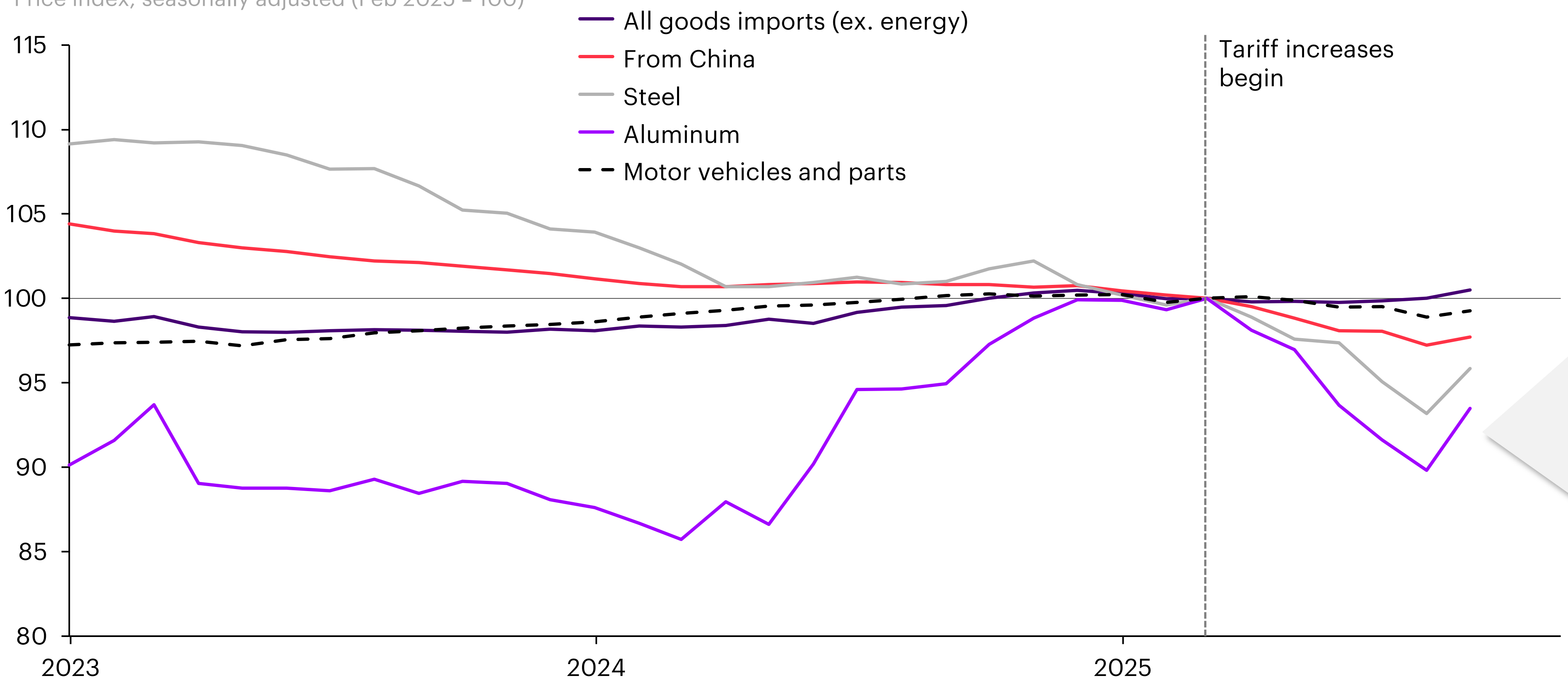


# When it comes to the inflationary impact of tariffs, there is limited evidence to date that foreign exporters are “paying for the tariffs” by reducing their selling prices

## Burden sharing of US tariffs by foreign exporters

**US import prices (excluding tariffs)**

Price index, seasonally adjusted (Feb 2025 = 100)




- Overall goods imports prices (exclusive of tariffs) have been largely unchanged since tariff increases began in late Feb
- Foreign exporters selling the most tariff-impacted goods have only lowered prices by 3.5%, on average, with aluminum prices seeing largest adjustment
- In July and August, foreign sellers started to reverse some of these price discounts, possibly due to:
  - uncertainties over durability of the tariffs
  - greater-than-expected willingness of US buyers to absorb tariffs

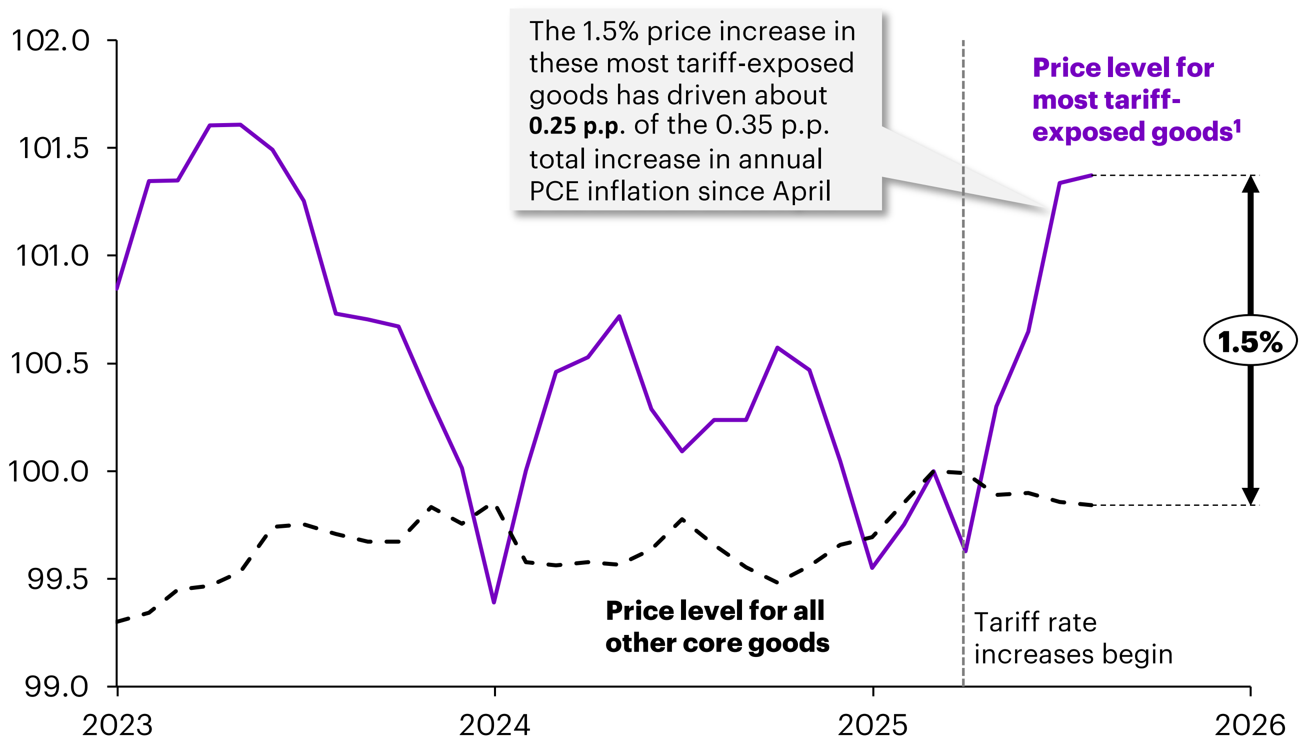
Source(s): Bureau of Labor Statistics, Accenture Strategy analysis

# The burden of tariffs is thus primarily falling on US consumers and companies, though pre-stocking and a "wait-and-see approach" to pricing have delayed inflation impacts

## Gradual but emerging inflation impact of tariffs

**Impact on consumer prices of recent tariff increases**

Personal consumption expenditures (PCE) price index (2022 = 100)




**Contributors to more muted-than-expected pass-through of tariffs to inflation thus far:**

- Significant pre-stocking of imported goods by US companies in late 2024/early 2025 in anticipation of tariffs
- Inherent lag between when largest tariff increases went into effect (April) and the shipment of goods[1]
- Tariff policy volatility (i.e. rate changes, pauses, exemptions) prompting companies to wait for greater clarity before passing on costs
- Companies delaying tariff payments to allow for possibility of policy changes or rebates[2]
- Declining energy prices and slowing wage growth alleviating some pressure on companies' cost base
- Ongoing disinflation in services prices as economy and labor markets cool

Note: (1) Tariff-impacted goods categories include motor vehicles and parts, furniture and household equipment and supplies, recreational equipment and vehicles, therapeutic equipment and appliances, luggage, clothing and footwear, personal care products.
Source(s): Bureau of Economic Analysis, Accenture Strategy analysis

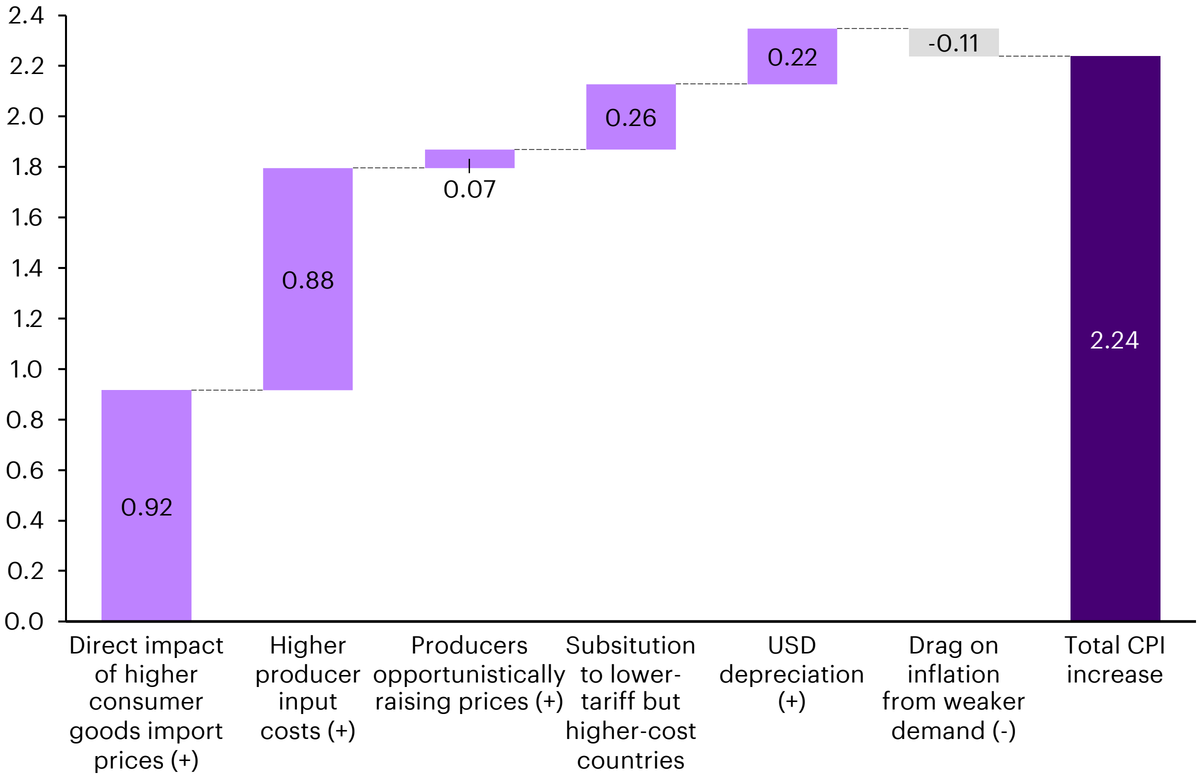
# Eventual full transmission of current tariffs could raise consumer prices by 2.2%, with risk of additional second-round inflation effects given elevated inflation expectations

## Estimated tariff impacts on US inflation

**ROUGH ESTIMATES**

### Increase in US consumer prices by channel of transmission

Percent change in PCE level (relative to no-tariff counterfactual) over a 1-year horizon




### 1- and 5-year ahead inflation expectations of US consumers

Year-on-year inflation rate, percent (based on survey)


Source(s): University of Michigan, Goldman Sachs Investment Research, Accenture Strategy analysis

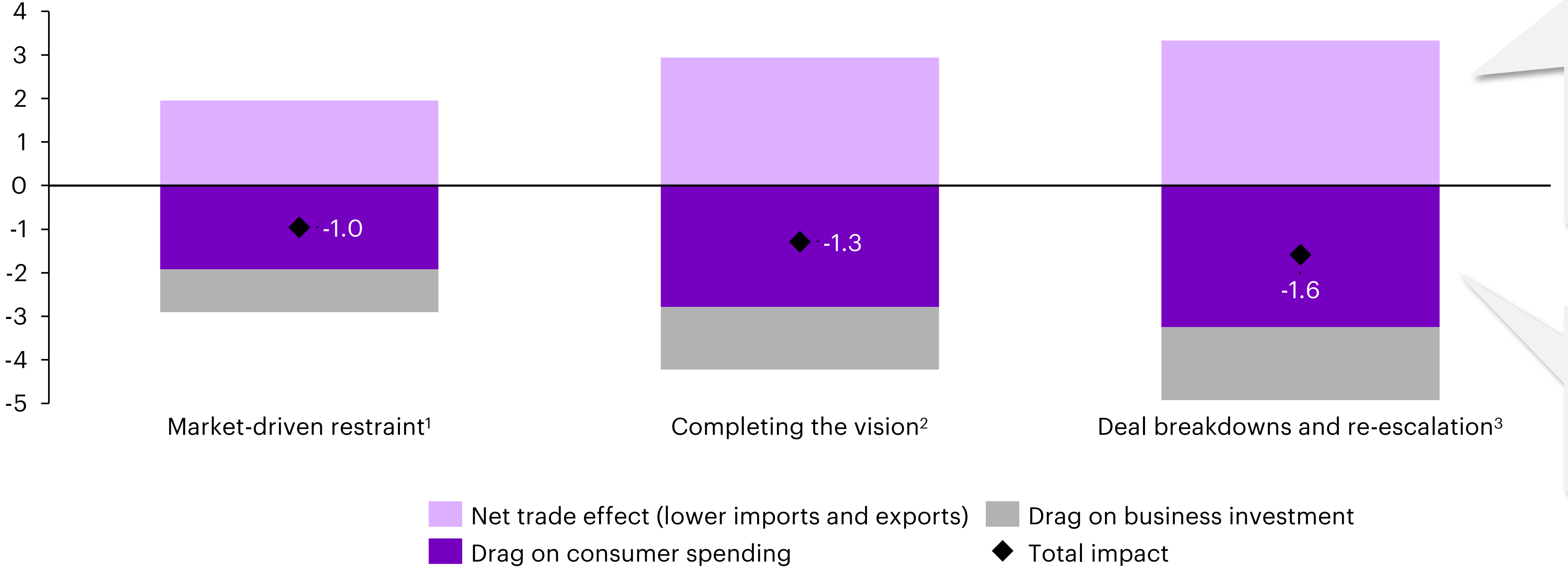
# Lack of significant trading partner retaliation tempers tail risks to the US economy, but tariffs are still expected to subtract at least 1% from GDP

## Estimated tariff impacts on US GDP, by scenario

**ROUGH ESTIMATES**

**Incremental impact to US real GDP under different US tariff scenarios**

Incremental percentage point change in real GDP level (relative to a no-tariff counterfactual) over a 1-year horizon




The potential hit to US exports (and GDP) under higher tariff scenarios will be blunted by:

- low likelihood of additional trading partner retaliation (based on observed experience to date)
- Ongoing USD depreciation

Consumer purchasing power boost from recent tax cuts under OBBB[4] is expected to largely be offset by regressive tax-like impacts of higher tariffs

Note(s): 1/ Assumes foreign retaliation remains limited to the status quo—i.e. the current retaliatory tariffs enacted by Canada and China; 2/ Assumes same retaliation is the in "Market-driven restraint" scenario; 3/ Assumes that, as part the re-escalation of US tariffs, the EU follows through with previously-planned retaliatory tariffs on USD 98 billion of US goods exports; 4/ One Big Beautiful Bill (OBBB) Act, passed on July 4, 2025.
Source(s): Accenture Strategy Analysis

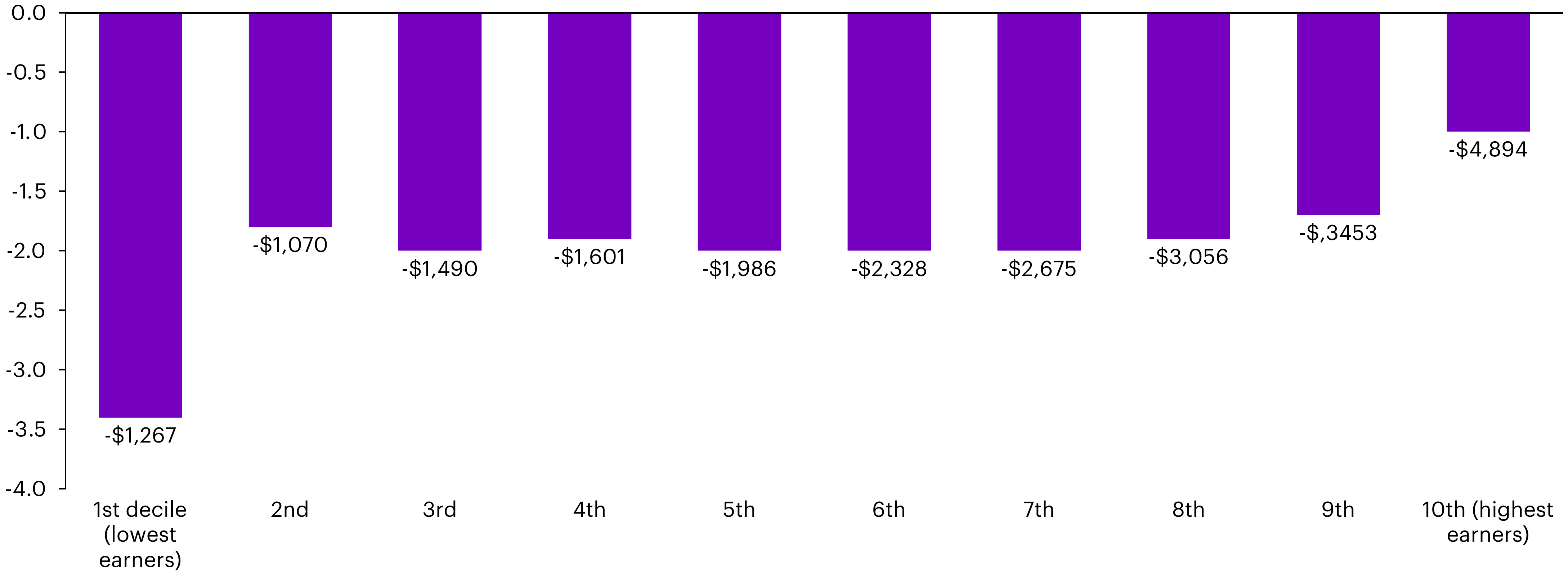
# US households could face an average annual cost increase of $2,400, with lower income consumers taking a proportionately bigger hit

## Estimated tariff impacts on US households

**ROUGH ESTIMATES**

**Average annual cost per US household due to tariffs, by income decile**

Percent decrease in real household disposable income and associated annual USD loss (in parentheses)




Source(s): Yale Budget Lab, Accenture Strategy analysis

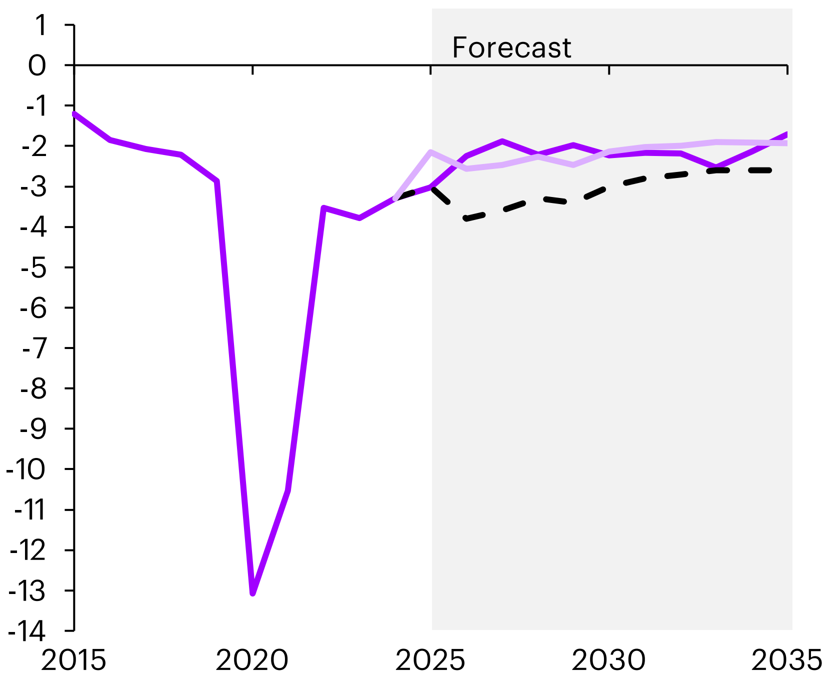
# Tariff revenue is unlikely to offset the additional deficit/debt expansion resulting from the recent One Big Beautiful Bill (OBBB)

## Tariff fiscal implications

**ROUGH ESTIMATES**

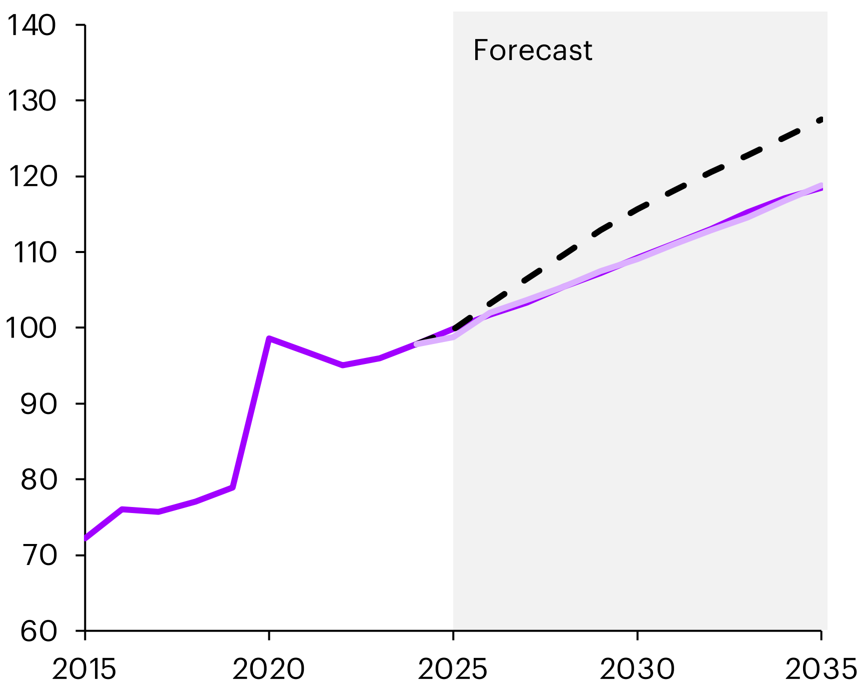
### US primary budget balance

Percent of GDP (negative = deficit)




### US federal government debt

Percent of GDP




### Commentary

- The One Big Beautiful Bill (OBBB) is set to increase the US federal primary deficit over the next 10 years (relative to a no policy change baseline) due to an expansion of tax cuts and incentives that outweigh spending decreases
- Potential tariff revenues could offset some of this fiscal deterioration, but only enough to bring the deficit and debt back closer to pre-OBBB trajectories, rather than putting finances on a more sustainable path
- This persistence of large fiscal deficits and increases in public debt will contribute to higher-for-longer interest rates

Note: Tariff revenues are not included in standard assessments of the fiscal impact of the OBBB, as they are not legislated by Congress as part of the budget process but rather imposed under temporary Executive Branch authorities. Tariff projections are based on the assumed continuation of tariff measures in place as of end-June 2025.

Source(s): CBO, Yale Budget Lab, Penn Wharton Budget Model, Accenture Strategy analysis.

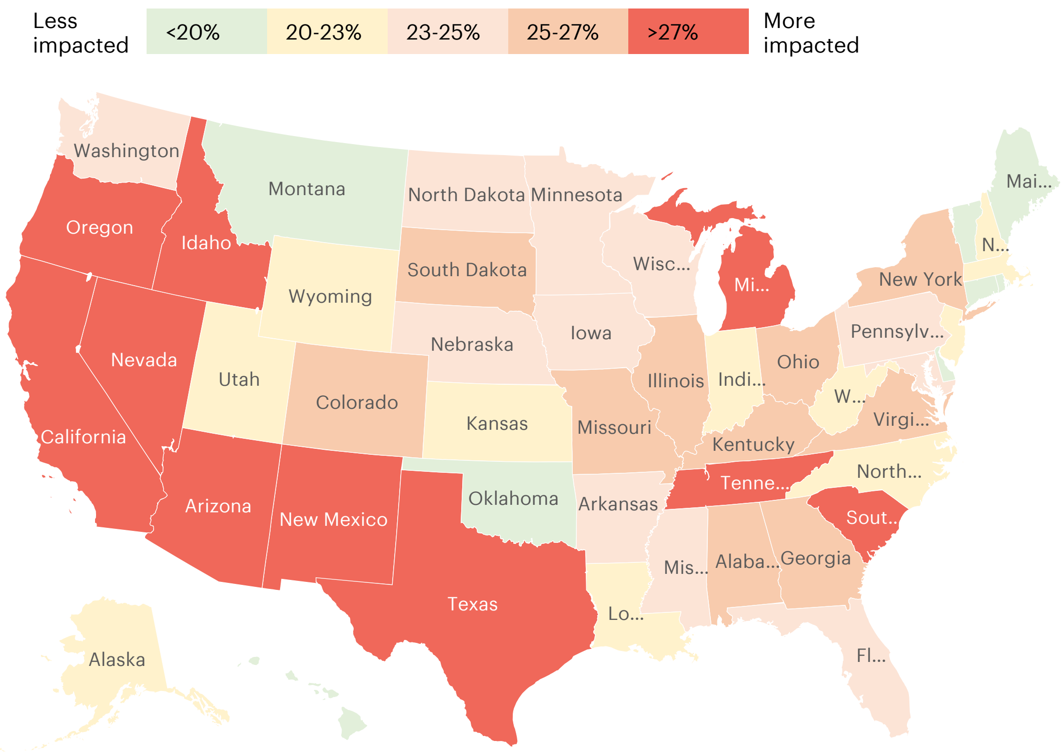
# Western states stand to be most impacted by tariffs on account of their high China imports and semiconductor industry exposure

## Exposure of US states to import tariffs

**AS OF SEP 25**

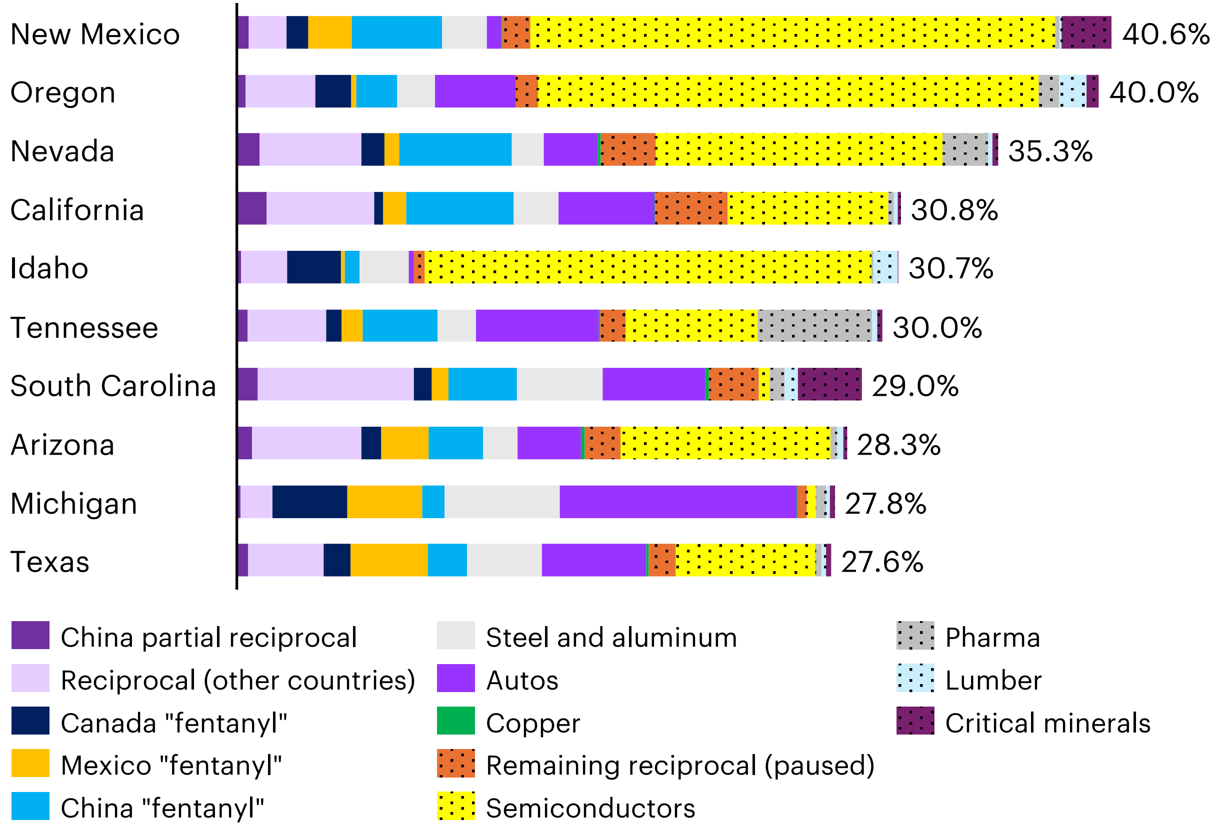
### Projected tariff impact on US states

Increase in effective tariff rate on State-level imports[3]




### Top 10 most tariff-exposed US states and sources of tariff exposure

Contributions to increase in effective tariff rate on State-level imports[3]



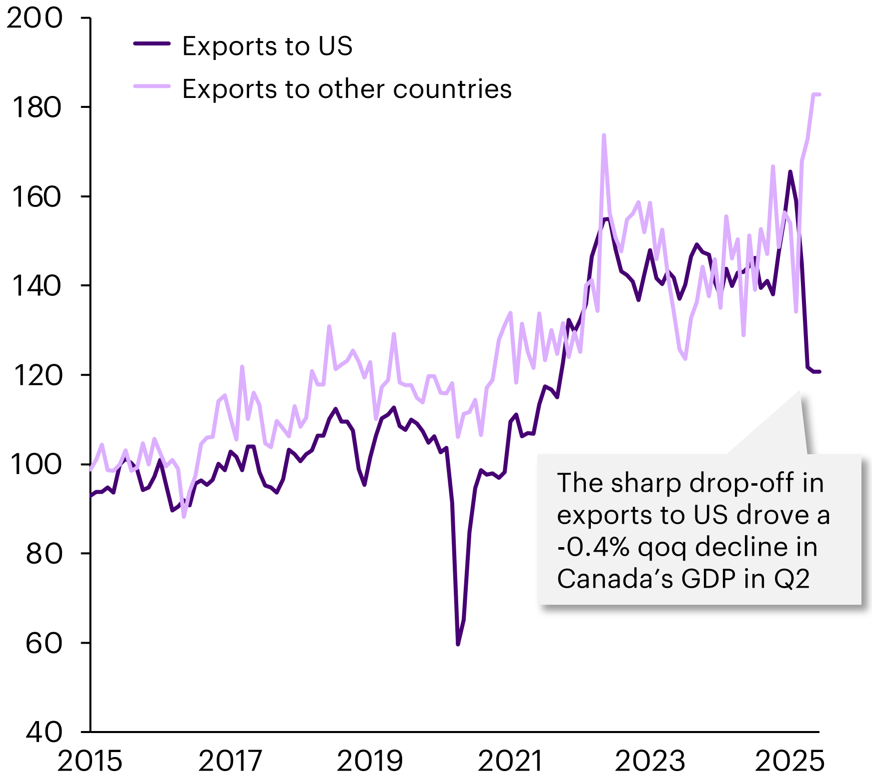

Notes: 1/ Excludes potential impact of secondary tariff on importers of Venezuelan oil.
Source(s): US Census Bureau, USITC, Accenture Strategy analysis

# US tariffs have triggered Canada's sharpest GDP decline since the pandemic and bifurcated the labor market, with US trade-exposed sectors shedding jobs at a rapid clip

## Tariff impacts on Canadian economy

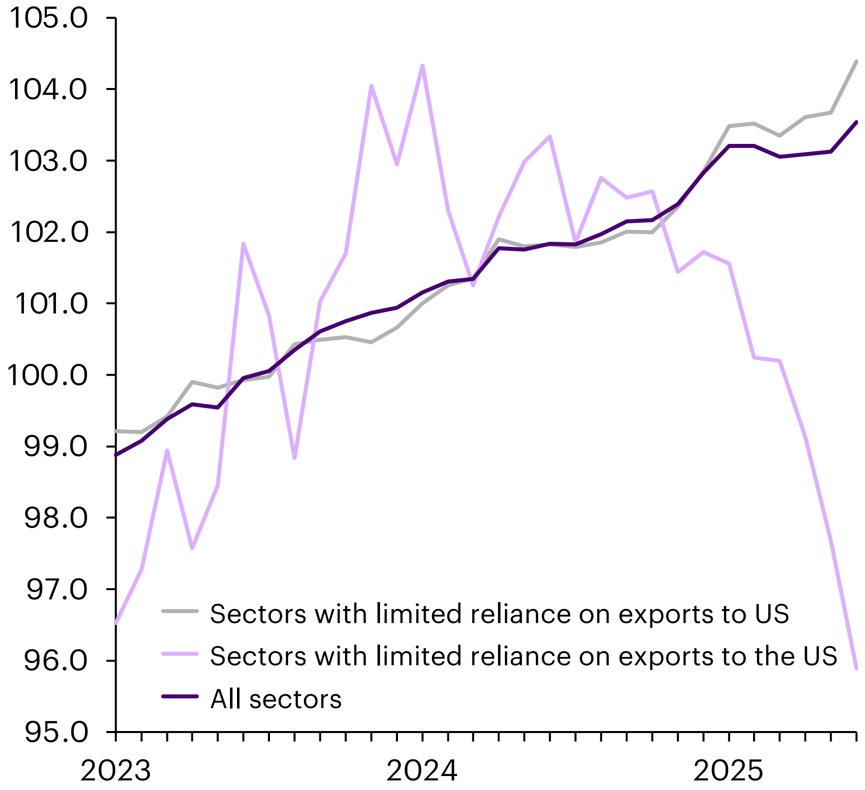
### Canadian goods exports

Index (2016=100)




### Employment in Canada

Index (2023 = 100, seasonally adjusted)



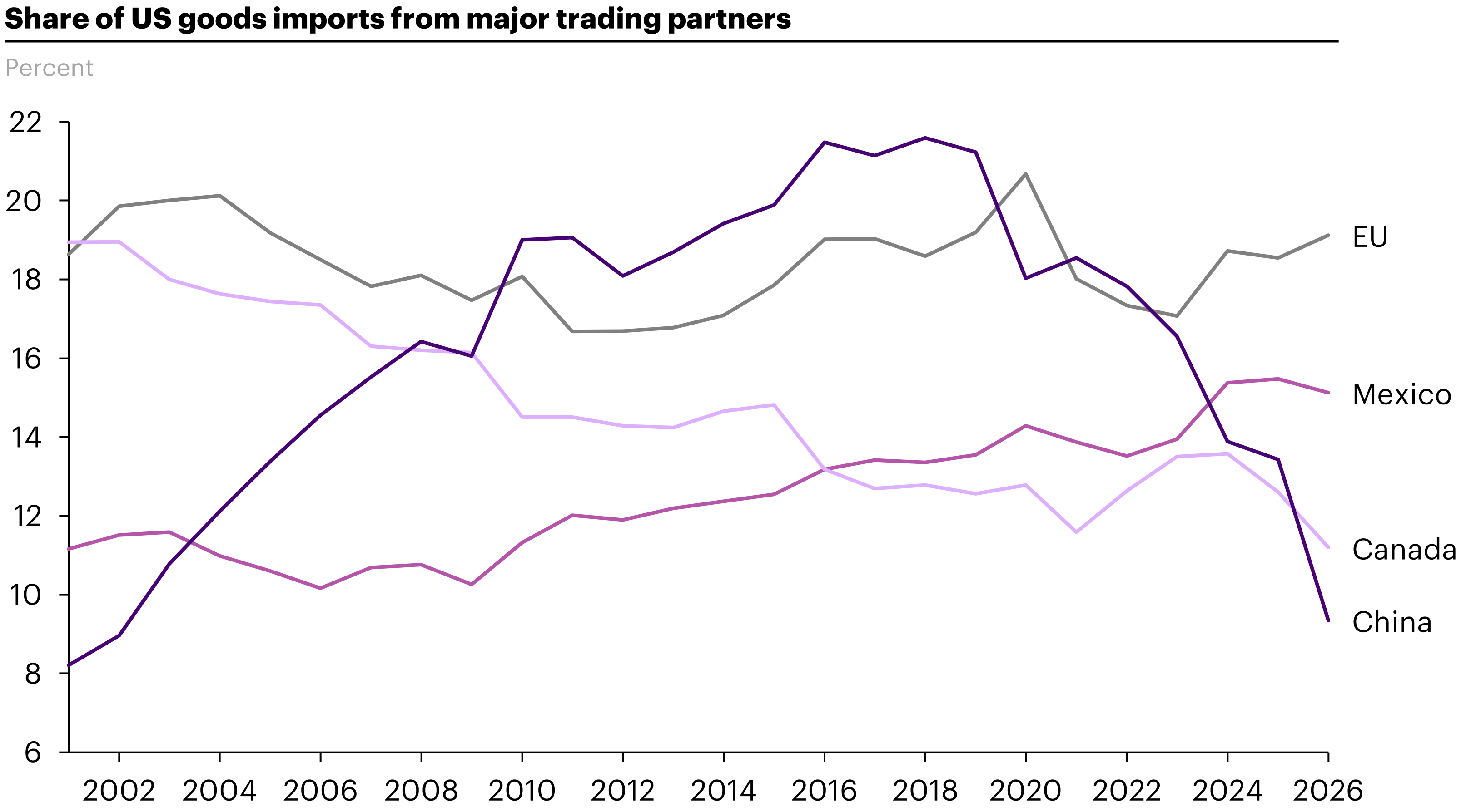

### Commentary

- US tariffs have created a major export shock in Canada and accelerated labor market softening
- Canadian company performance dispersion is likely to widen, with US export-exposed firms facing lower demand, shorter backlogs, and higher earnings volatility, and thus hiring and investing less
- Canadian exporters do have scope for geographic diversification, but it will likely be limited in near-term
  - Canada's FTA network, covering over 50 countries and 60% of global GDP creates future optionality
  - However, deep North American supply chain integration keeps near-term outlook anchored to US demand and policy

Source(s): Statistics Canada, Bank of Canada, Accenture Strategy analysis

# Despite ongoing tariff uncertainty, Mexico has significant opportunity to align trade policies with the US and capture US import market share away from China

## US import market shares

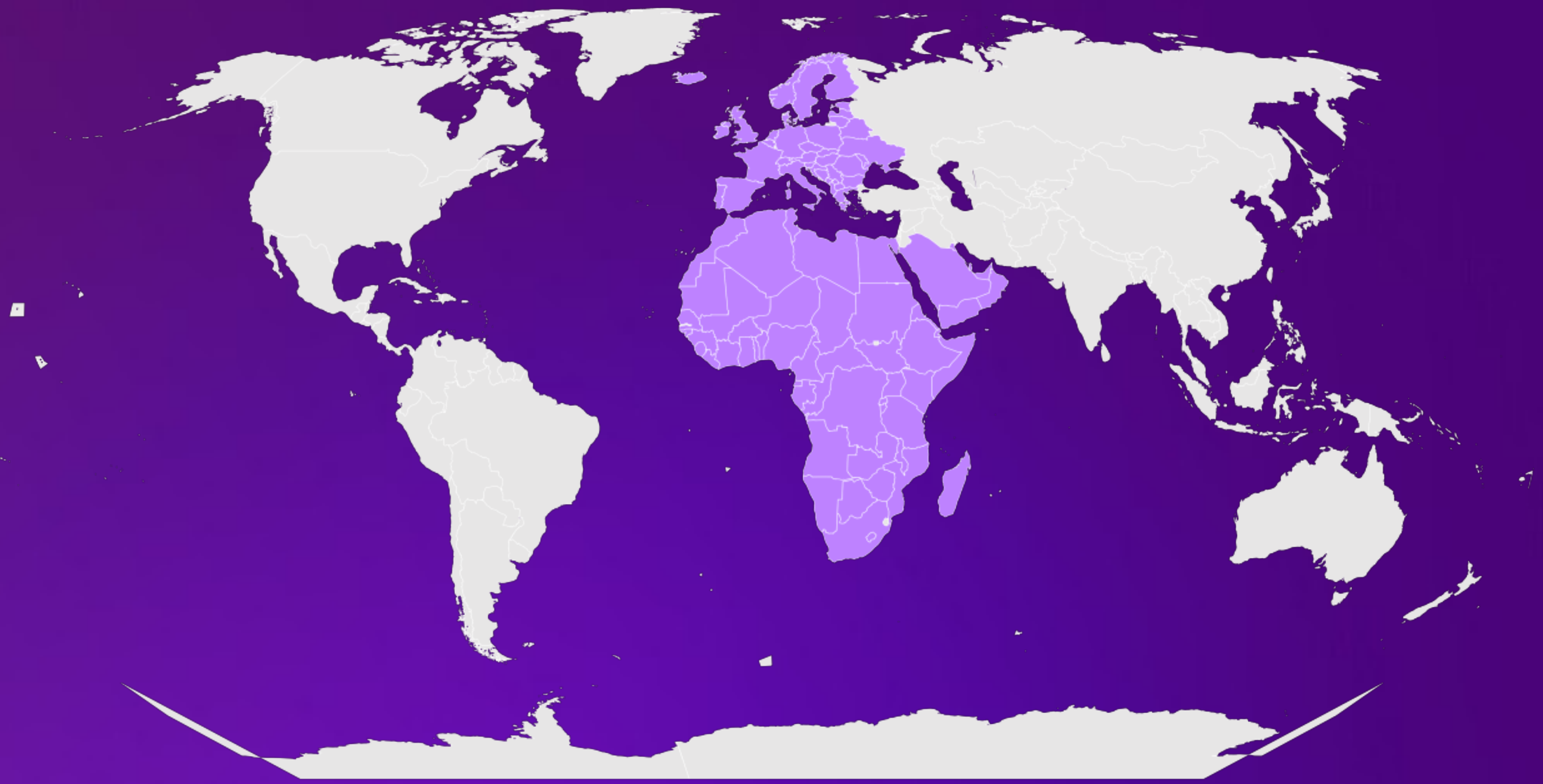



**Between 2018 and 2024, Mexico captured around 1/4th of the US import market share lost by China during this period:**

- Close to 90% of Mexico's exports to the US remain tariff-free, thanks for USMCA compliance/eligibility
- The auto industry has played a large role, with the share of US auto imports from Mexico rising from 30% in 2018 to nearly 40% in mid-2025
- Mexico is working toward a favorable outcome in the 2026 USMCA renegotiations by making concessions to the US and aligning policy against China, particularly for textiles, EVs, and auto parts

Source(s): US Census Bureau, Mexico's Finance Ministry (SHCP), Accenture Strategy analysis

# Europe, Middle East and Africa



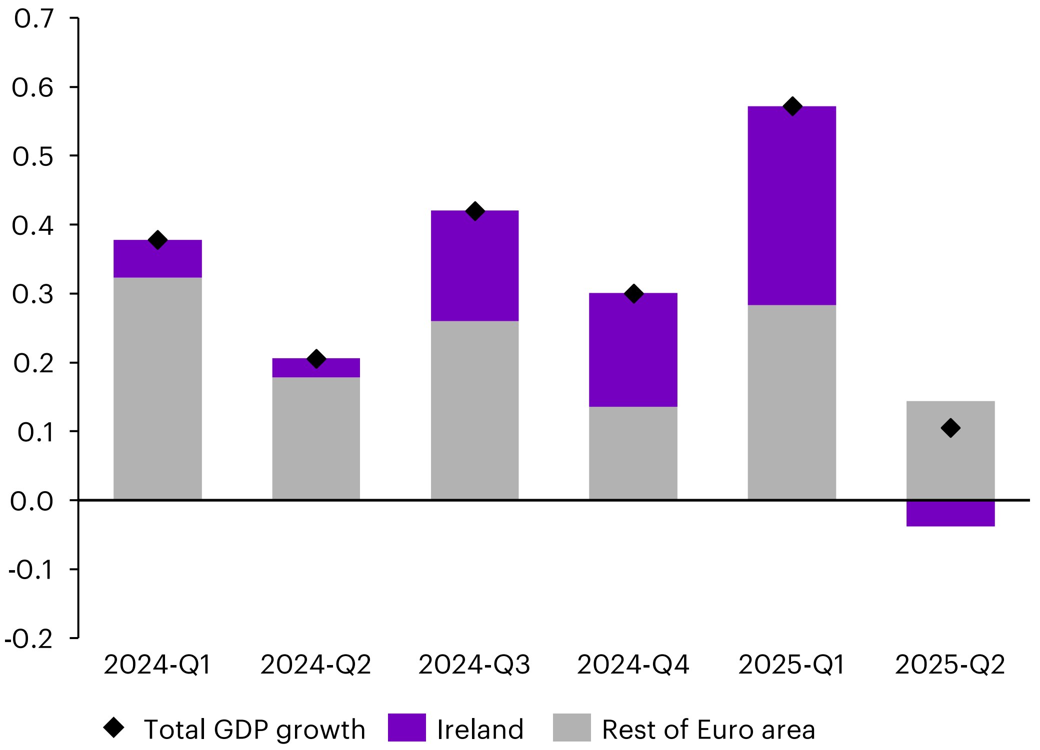
# Euro area Q1 growth was temporarily boosted by US import frontloading, but recent data suggest this effect is fading as trade patterns normalize

## Europe growth dynamics amidst US tariff rollout

**AS OF SEPTEMBER**

### Euro area GDP growth

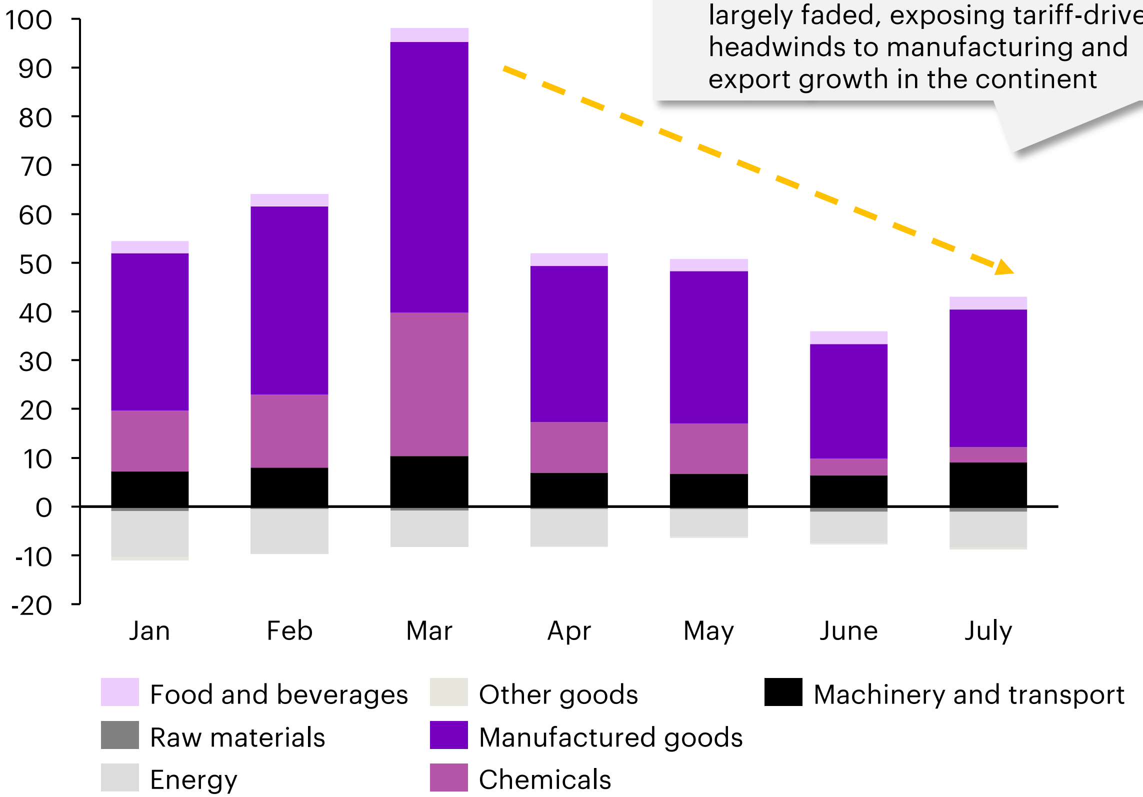
Contribution to quarterly GDP growth (percentage points)




### Euro area trade balance with the US (2025)

EUR billions (goods only)

- Although exports surged in Q1 driven by frontloading, the momentum has largely faded, exposing tariff-driven headwinds to manufacturing and export growth in the continent



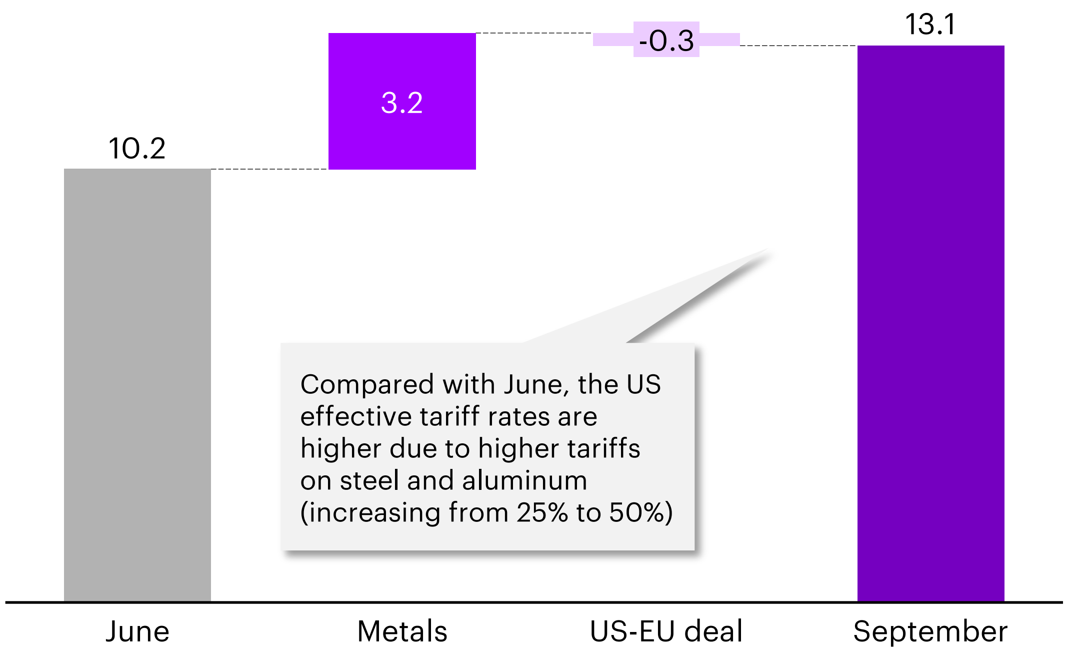
# Euro area export prospects remain under pressure from the combined impact of higher effective US tariff, a stronger Euro, and persistent competitive headwinds

## Europe export competitiveness

**AS OF SEPTEMBER**

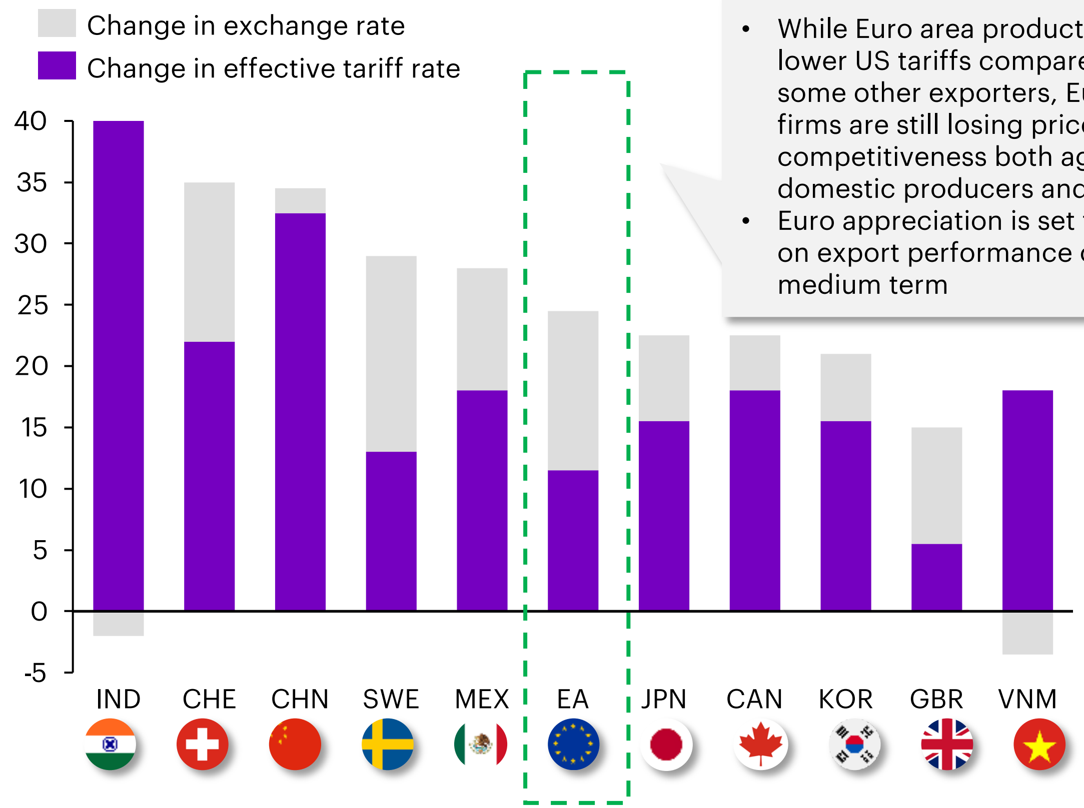
### US effective tariff rates for imports from the Euro area (goods only)

Percentages and percentage point contributions (trade deal as of 27 July 2025)




### Changes in effective tariff rates faced and exchange rates in the US market since the current US administration took office

Percentage point




- While Euro area products face lower US tariffs compared with some other exporters, Euro area firms are still losing price competitiveness both against US domestic producers and globally
- Euro appreciation is set to weigh on export performance over the medium term

Note(s): 1) Includes the additional 25% tariff on steel and aluminium and the 50% tariff on copper together with the 50% tariffs on the aluminium and steel content of an additional 407 products; 2) US-EU deal" includes the 15% tariffs on cars and car components, the MFN rate for aircraft and aircraft parts and the higher of 15% and the MFN rate for other goods.
Source(s): Conteduca, Mancini, and Borin (2025), CEPII's "Base pour l'Analyse du Commerce International" (BACI), World Integrated Trade Solution, Trade Data Monitor and ECB staff calculations, Accenture Strategy analysis

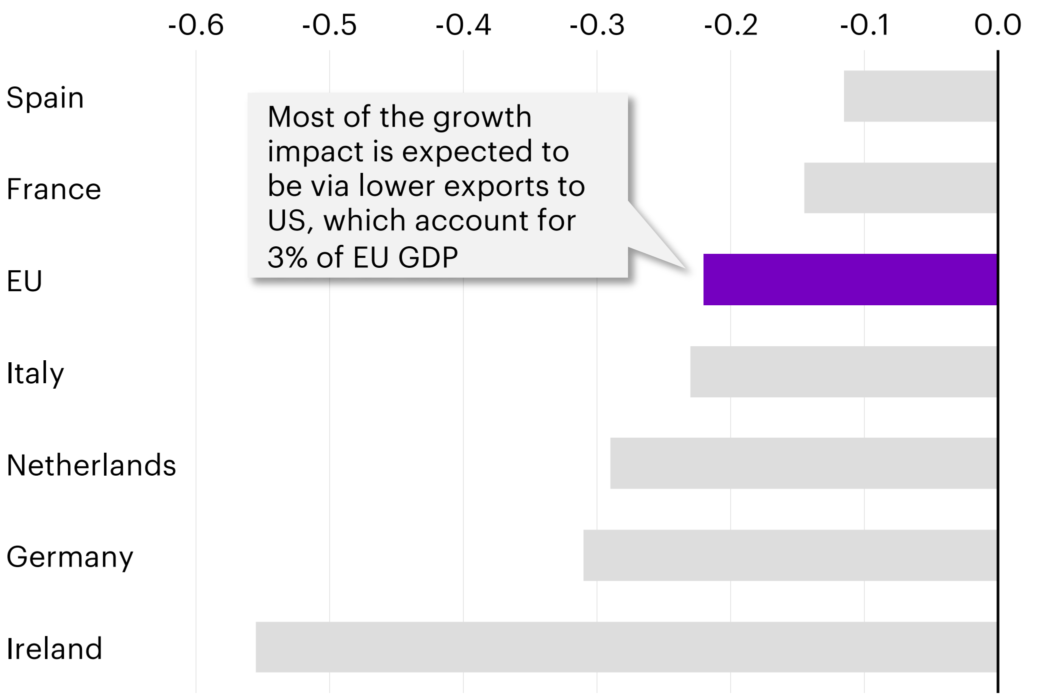
# The EU-US trade deal is likely to exert downward pressure on Europe's already-weak growth, with Ireland and Germany most at risk

## Estimated tariff impacts on future European economic growth

**AS OF SEPTEMBER**

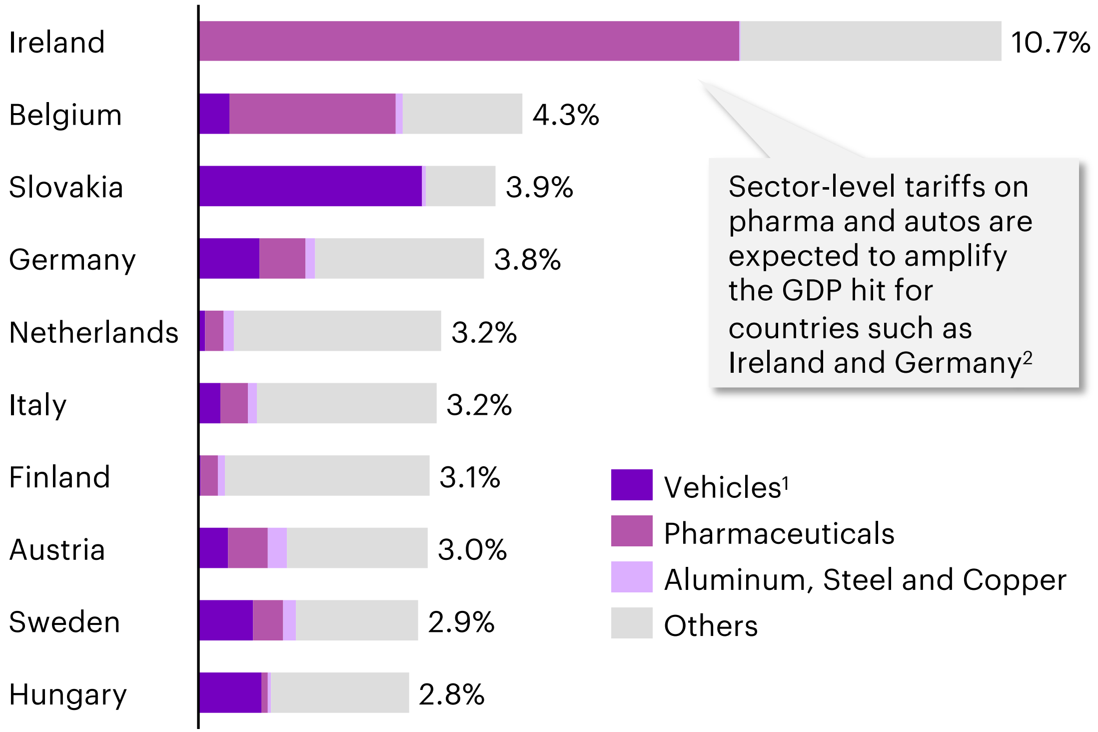
### Estimated growth impact from 15% US reciprocal tariffs[1]

Reduction in GDP




### Top 10 EU exporting nations to US

Export % of GDP (2023)



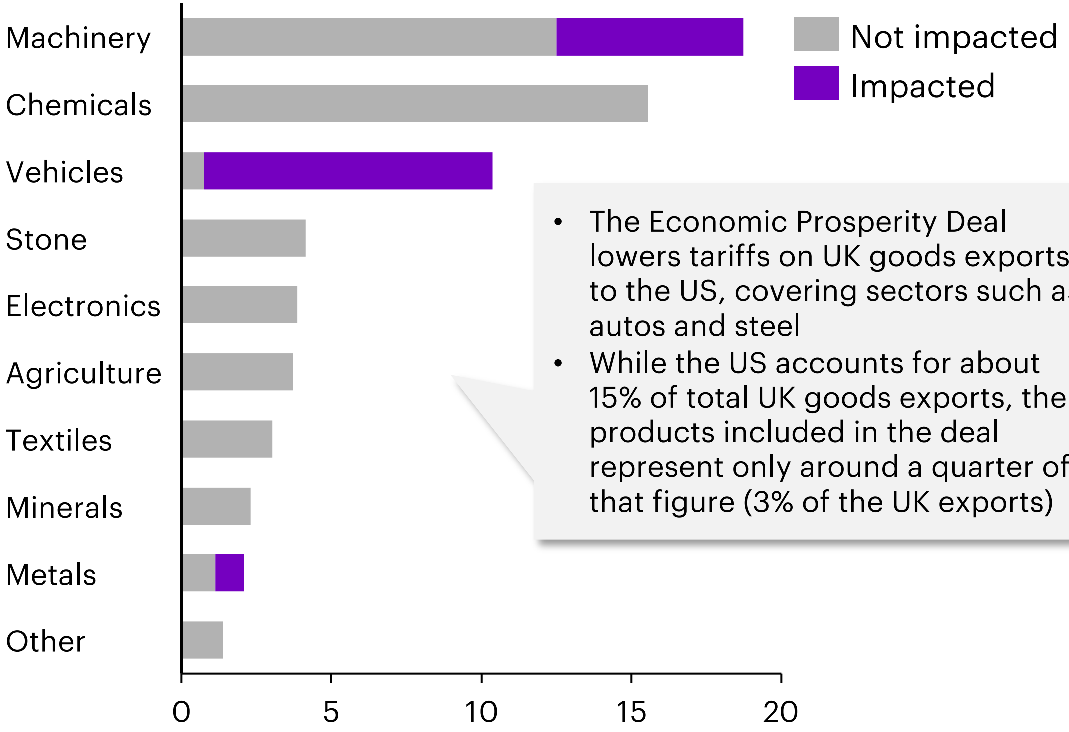

Notes: 1/ Excludes rail cars and trams; 2/ Although the EU locked in a preferential 15% rate for US pharma and auto tariffs, the economic impacts are nonetheless expected to be significant.
Source(s): Capital Economics, Eurostat, Accenture Strategy analysis

# The US trade deal with the UK is economically limited, covering only a quarter of UK's goods exports to the US and is likely to have limited impact on UK firms given modest exposure

## US-UK Economic Prosperity Deal

**UK exports to the US that are potentially affected by trade deal[1]**

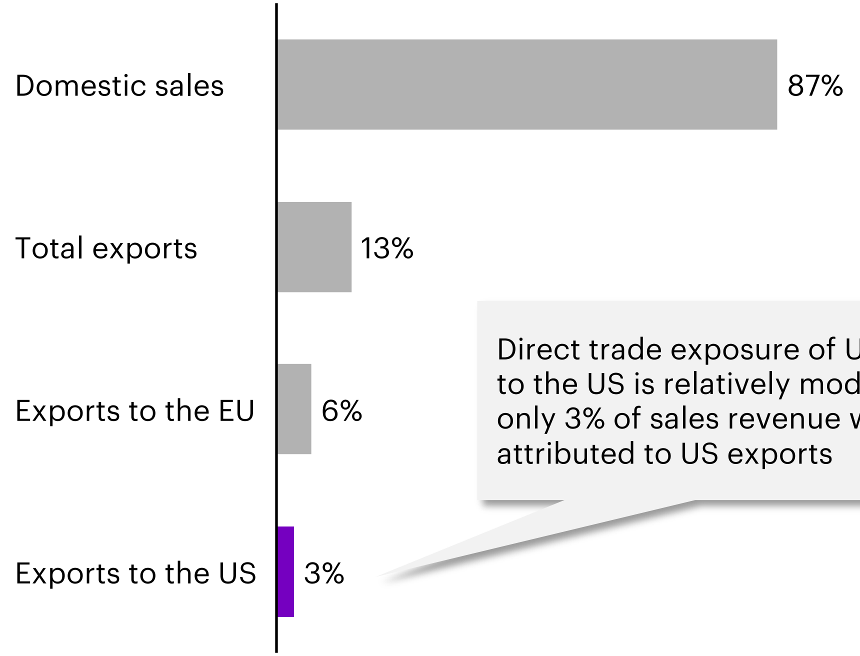
USD billions, 2023




- The Economic Prosperity Deal lowers tariffs on UK goods exports to the US, covering sectors such as autos and steel
- While the US accounts for about 15% of total UK goods exports, the products included in the deal represent only around a quarter of that figure (3% of the UK exports)

**Source of sales revenues of UK firms[2]**

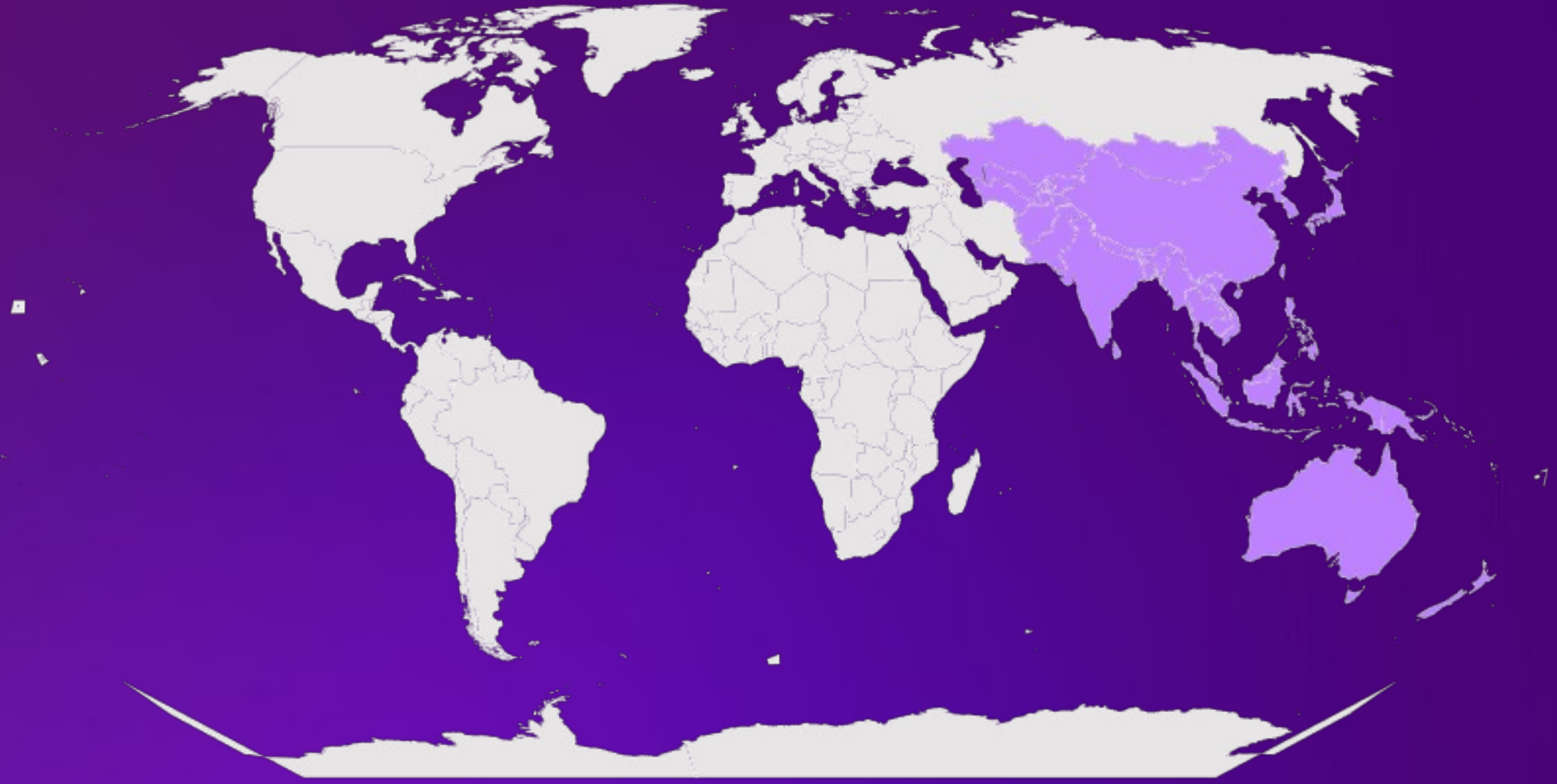
Percent of total (2024)




Direct trade exposure of UK firms to the US is relatively modest—only 3% of sales revenue was attributed to US exports

Note(s): (1) The exports assumed to be affected are steel and aluminium production, motor vehicle manufacturing, aircraft manufacturing and beef. Beef exports are not visible on the chart as these were less than 1% of UK agricultural exports to the United States in 2023; (2) The DMP is a monthly survey of CEOs, CFOs, and Finance Directors across businesses in the UK. Chart is based on data collected over April-June 2025
Source(s): Harvard Atlas of Economic Complexity using United Nations Statistical Division data (COMTRADE), Decision Maker Survey, CEPR, Accenture Strategy analysis

# Asia Pacific

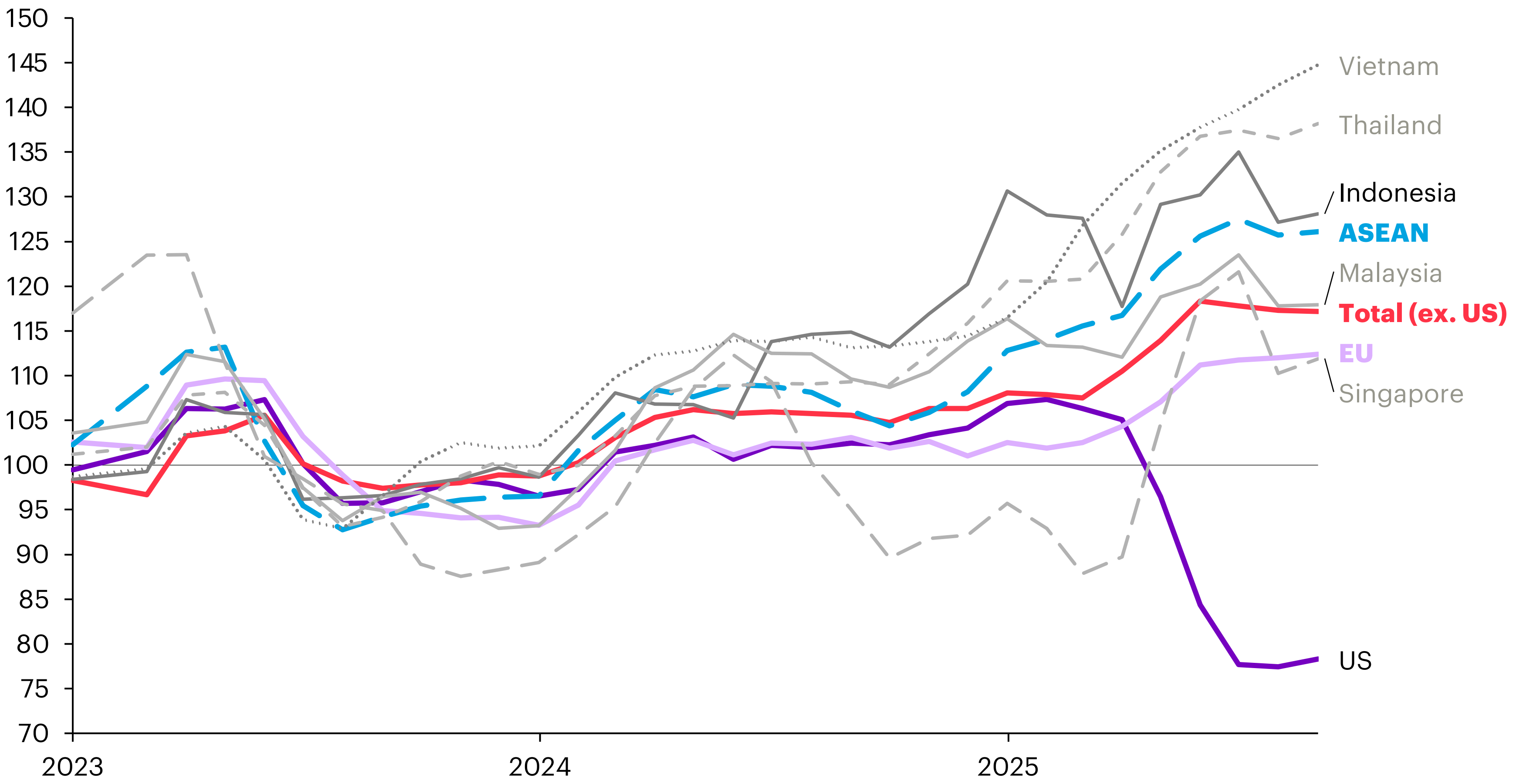


# Chinese exports have weathered US tariffs thus far due to pre-stocking by importers, re-routing and transshipment, but some weakening can be expected in coming quarters

## China's export resiliency

**China goods exports by destination**

Index (2023 = 100), 3-month moving average




**Commentary**

- Import frontloading (in anticipation of trade policy volatility) by China's other major trading partners such as as ASEAN and EU has helped pick up the slack from the drop-off in exports to the US
- The surge in exports to Vietnam and Thailand—historically used by China as transshipment hubs to evade tariffs—also suggests a chunk of China's exports is still reaching the US indirectly
- As this demand frontloading dissipates and the permanency of higher US tariffs bites harder, China will find it increasingly challenging to maintain current export levels
- With domestic demand still sluggish, China's overall GDP growth thus likely to decelerate in H2

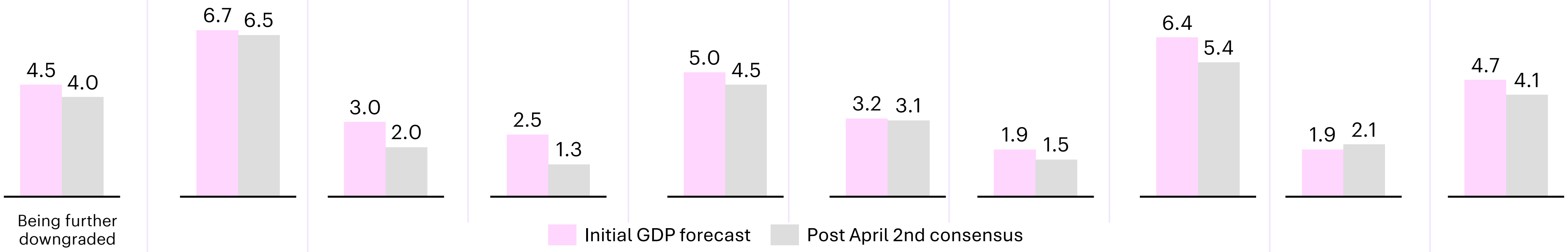
Source(s): China General Administration of Customs, Haver Analytics, Accenture Strategy analysis.

# GDP growth expectations for both China and broader APAC have become more bearish as uncertainty remains about how trade flows will ultimately recalibrate

## APAC GDP growth outlook

| | China | India | Singapore | Thailand | Indonesia | Japan | South Korea | Vietnam | Australia | Malaysia |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reciprocal Tariff Rate** | **34%[1]** | **50%** | **10%** | **19%** | **19%** | **15%** | **15%** | **20%** | **10%** | **19%** |

Revision in GDP growth forecast for 2025 (%)




| | China | India | Singapore | Thailand | Indonesia | Japan | South Korea | Vietnam | Australia | Malaysia |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP forecast rationale | Combination of continued domestic demand weakness and tariff-induced slowdown in export growth | Less impact due to limited sectors exposed except for pharma | Trade intensive economy, decline in manufac-turing, wholesale trade and pharma | Significant manufac-turing exports impacted | Impact exposure would be on non-oil & gas exports, textile & electronics | Significant auto-related exports but maintained strong domestic consump-tion rate | Significant auto and chips export impact | Significant apparel, electronics, export impacted | Low exposure to tariffs expected for mining sectors relating to China | Significant apparel, electronic, exports impacted, partially offset by resilient domestic demand |

Note: 1/ Only 10% of the announced reciprocal tariff on China is currently in effect, with the remaining 24% on pause until November 10.
Source(s): Bloomberg, CNBC, Press Information Bureau (India), Reuters, Ministry of Trade & Industry (Singapore), CNA, Bangkok Post, The Straits Times, Bank Indonesia, Japan Center for Economic Research, Bank of Korea, Ministry of Economy and Finance (South Korea), Maybank, National Australia Bank, HSBC, Wespac IQ, Accenture Strategy analysis



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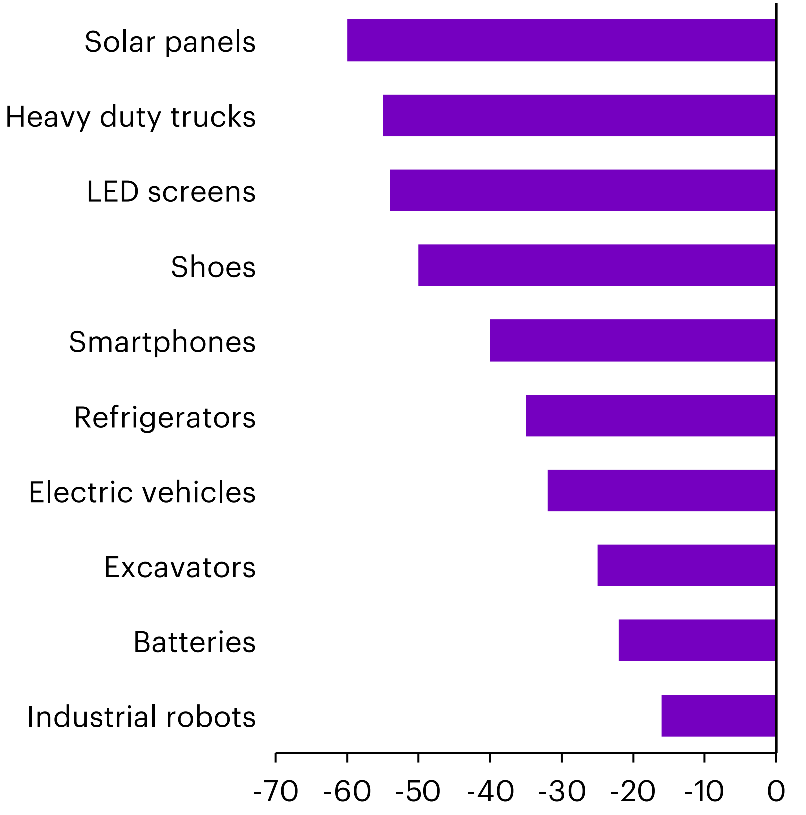
# Prospect of continued Chinese manufacturing overcapacity and export dumping increases competitive pressures for companies in both APAC and Europe

## Competitive pressures from Chinese export dumping

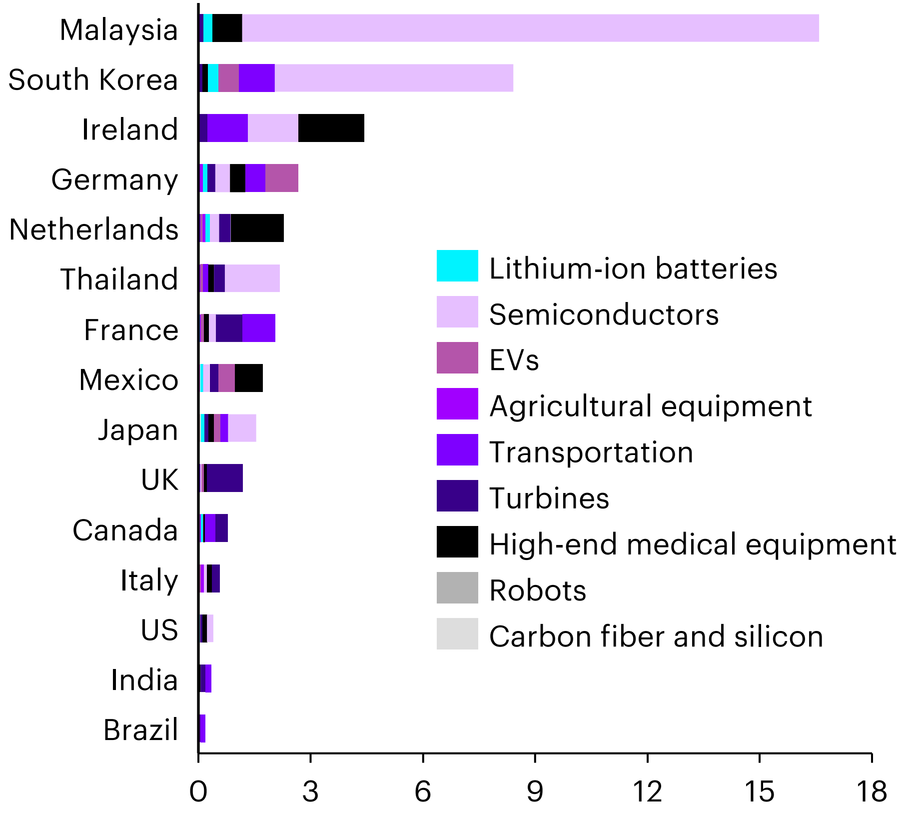
### China's price competitiveness in key products

Average price discount relative to global benchmarks (percent)




### Countries and exports at risk from Chinese export competition

Exports of each county (percent of GDP)




### Commentary

- Major APAC producers of autos, electronics and semiconductors (e.g. Japan, Korea, Thailand, Malaysia) are at particular risk of having their market share and margins squeezed by a flood of cheaper Chinese exports
- Other foreign exporters competing with China in these APAC markets—e.g. EU auto companies and industrial/medical machinery manufacturers—are also likely to come under increasing pressure
- AI-led productivity improvements will become critical to maintaining competitiveness in this cutthroat environment

Notes: Semiconductors include: Memory Chis, Processors, Power Transistors, Manufacturing Gear, Other IoT; Transportation includes: Aircraft, Rail, Ships; Carbon Fiber and Silicon include: Silicone Carbide, Silicone Steel and Carbon Fiber.
Source(s): Goldman Sachs Investment Research, UN Comtrade, Haver Analytics, Accenture Strategy analysis.

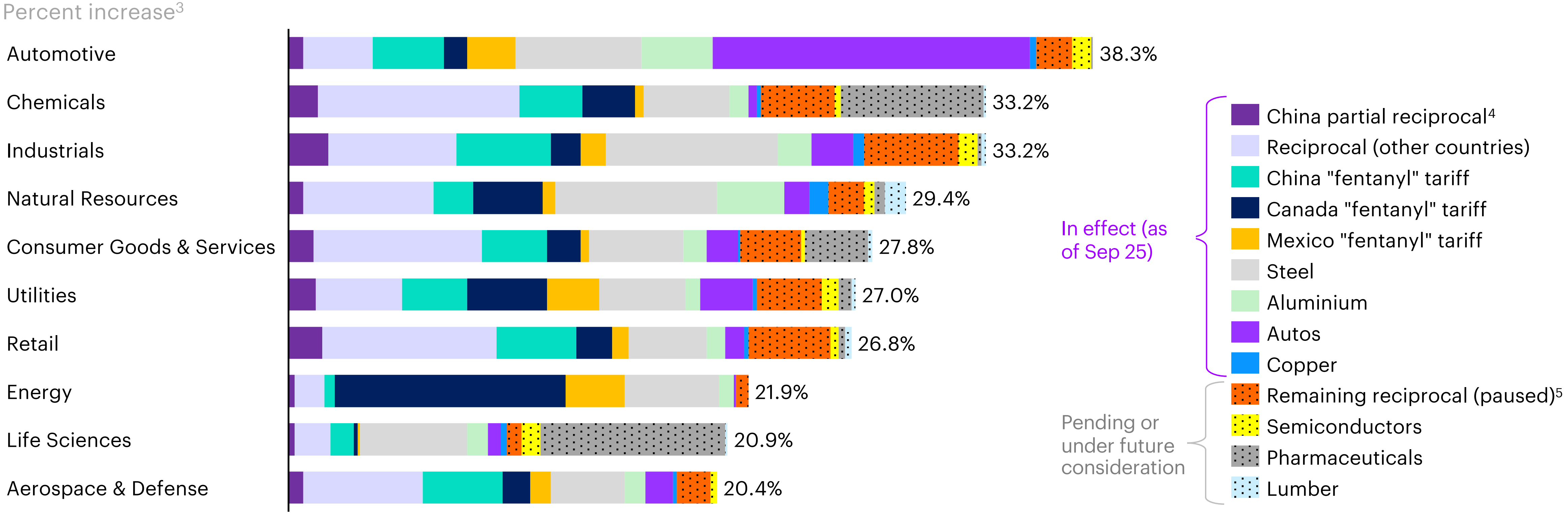
# Industry and business implications

# Among the major goods-importing sectors, many are facing a 25%+ increase in the cost of their foreign inputs, with the bulk of impact from the reciprocal and steel/aluminum tariffs

## Exposure of US industries to import tariffs (1/2)

**ROUGH ESTIMATES**

**Projected tariff impact on cost of imported goods inputs[1,2]**




Notes: 1/ For each industry, we calculated the exposure of total imports of goods (excluding services) and applied the latest tariff rates to the relevant shares by country/product category; 2/ The analysis does not include the China Venezuela tariff, which would add an amplified version of the China “fentanyl” tariff; 3/ The percentage is expressed as the cost of the tariff relative to the industry’s total imports of goods; 4/ This includes only the 10% reciprocal tariff portion that is currently in effect; 5/ Includes remaining 24% for China (paused until November 10, 2025), and 25% for India (paused until August 27).

Source(s): BEA, US Census Bureau, USITC, Accenture Strategy analysis

# Even among labor-intensive services industries that rely less on goods inputs, the tariff impact on their cost base is expected to be material, particularly for High Tech and CMT

## Exposure of US industries to import tariffs (2/2)

**ROUGH ESTIMATES**

| Industry | Projected increase in cost base (intermediate inputs + labor)1 due to tariffs | Share of labor in total costs | Imported share of intermediate inputs |
|---|---|---|---|
| **Automotive** | 12.3% | 26% | 43% |
| **Aerospace & Defense** | 7.1% | 32% | 69% |
| **High Tech** | 6.7% | 59% | 53% |
| **Chemicals** | 6.5% | 21% | 25% |
| **Life Sciences** | 5.7% | 52% | 56% |
| **Energy** | 5.3% | 5% | 25% |
| **Consumer Goods & Services** | 4.3% | 21% | 20% |
| **Natural Resources** | 4.2% | 26% | 19% |
| **Industrials** | 2.9% | 34% | 13% |
| **Communications & Media** | 2.5% | 33% | 13% |
| **Utilities** | 1.8% | 29% | 9% |
| **Health** | 1.7% | 55% | 15% |
| **Software & Platforms** | 1.6% | 36% | 9% |
| **Retail** | 1.5% | 41% | 10% |
| **Travel** | 1.2% | 37% | 8% |
| **Public Service** | 1.1% | 59% | 15% |
| **Capital Markets** | 0.6% | 61% | 8% |
| **Insurance** | 0.1% | 69% | 5% |
| **Banking** | 0.1% | 30% | 1% |

Note(s): 1/ This cost base definition (which comes from the industry GDP accounts) is broadly equivalent to COGS + SG&A.
Source(s): BEA, US Census Bureau, USITC, Accenture Strategy analysis

# In the most impacted industries such as Automotive, tariffs could singlehandedly wipe out margins if not offset by price increases

## Margin pressure from tariff-related cost increases

**ROUGH ESTIMATES**

| Industry | Industry margin[1] | Potential margin erosion due to tariffs[2] | Ability to pass on costs[3] |
|---|---|---|---|
| **Automotive** | 6% | 9.7% | ● |
| **Aerospace & Defense** | 10% | 5.6% | ◑ |
| **High Tech** | 14% | 4.6% | ◑ |
| **Chemicals** | 8% | 3.6% | ◕ |
| **Life Sciences** | 17% | 3.6% | ● |
| **Energy** | 13% | 3.5% | ◑ |
| **Natural Resources** | 11% | 3.3% | ◑ |
| **Consumer Goods & Services** | 14% | 3.2% | ◑ |
| **Industrials** | 8% | 2.2% | ◑ |
| **Communications & Media** | 15% | 1.6% | ◑ |
| **Retail** | 6% | 1.1% | ◔ |
| **Software & Platforms** | 22% | 1.1% | ● |
| **Utilities** | 16% | 1.0% | ◔ |
| **Travel** | 11% | 0.8% | ◔ |
| **Capital Markets** | 15% | 0.6% | ● |
| **Insurance** | 12% | 0.1% | ● |
| **Banking** | 25% | 0.1% | ● |

In effect (as of Sep 25)
- China partial reciprocal
- Reciprocal (other countries)
- China "fentanyl" tariffs
- Canada "fentanyl" tariffs
- Mexico "fentanyl" tariffs
- Steel
- Aluminium
- Autos
- Copper

Pending or under future consideration
- Remaining reciprocal (paused)
- Semiconductors
- Pharmaceuticals
- Lumber

Note(s): 1/ EBIT margins (2024), based on AR Financial Tower and Capital IQ data for 2,768 public companies; (2) Does not include potential margin impact from pricing responses and gain/loss in market share; (3) Based on assessment of industry-specific supply and demand elasticities and availability of substitutes.
Source(s): BEA, US Census Bureau, USITC, Accenture Research, Accenture Strategy analysis

# Tariff-related disruptions are occurring alongside a broader backdrop of more frequent, overlapping crises and intensifying geopolitical, energy and technology competition

## The new “polycrisis” era

Today

**2020**

**Pandemic outbreak** Unforeseen surge in demand for specific product categories. Driver shortages lead to logistics challenges, cargo tankers under capacity, transportation price increases

**2021**

**War in Ukraine** Raw material and critical minerals shortages (e.g. palladium, neon, gas) resulting in energy price hikes

**Cyber-attacks** on production lines and key ports and harbors forced to shutdown

**2022**

**Inflation soars** Energy crisis escalates in Europe

**Talent scarcity** Key engineering talent displaced by warfare and/or conscription

**2023**

**Geopolitical tensions rise**

**Tech breakthrough** Generative AI and ChatGPT ignites debate

**Extreme weather**, climate change and natural disasters persist

**2024**

**Conflict in the Middle East**

**2025**

**New US tariffs** come into force

**2030**

**The next known unknown?**

1. **Disruption shows no sign of abating.** Business leaders find themselves navigating a “polycrisis”—not one prolonged crisis, but overlapping disruptions that interact in unpredictable ways:
   - economic
   - geopolitical
   - environmental
   - technological
   - political
2. **This shift demands a new mindset**: no single crisis to fix, but an evolving system of disruptions that amplify one another

Source(s): Accenture Strategy analysis

# A fragmenting world with more geopolitical tensions means firms will need to re-think how they approach selling abroad, producing across the value chain, and running operations

## Channels of impacts to companies

### Market / demand

**Market access**
- Import / export restrictions
- Regulation for foreign entities
- Tariffs

**Product / portfolio**
- Changing consumer preferences
- Localized products / services
- Int'l consumer travel

**Competitive dynamics**
- JV mandates
- Policies which favor local firms
- More industrial policy

### Global value chains

**Raw materials**
- Access to raw materials
- Import / export restrictions
- Supply-side shocks

**Finished goods**
- Access to goods
- Import / export restrictions
- Supply-side shocks

**R&D (incl. IP)**
- Ecosystem partners
- IP / trade secret protection
- Regulation to do R&D in country
- Subsidies

**Talent**
- Access to skilled talent
- Local content mandates
- Immigration restrictions

### Global operations

**Technology**
- Applications
- Architecture
- Cyber security
- Data
- ERP
- Infra
- Technology stack

**Workforce**
- Employee mobility
- Local mgmt. teams
- Partners (incl. contractors)

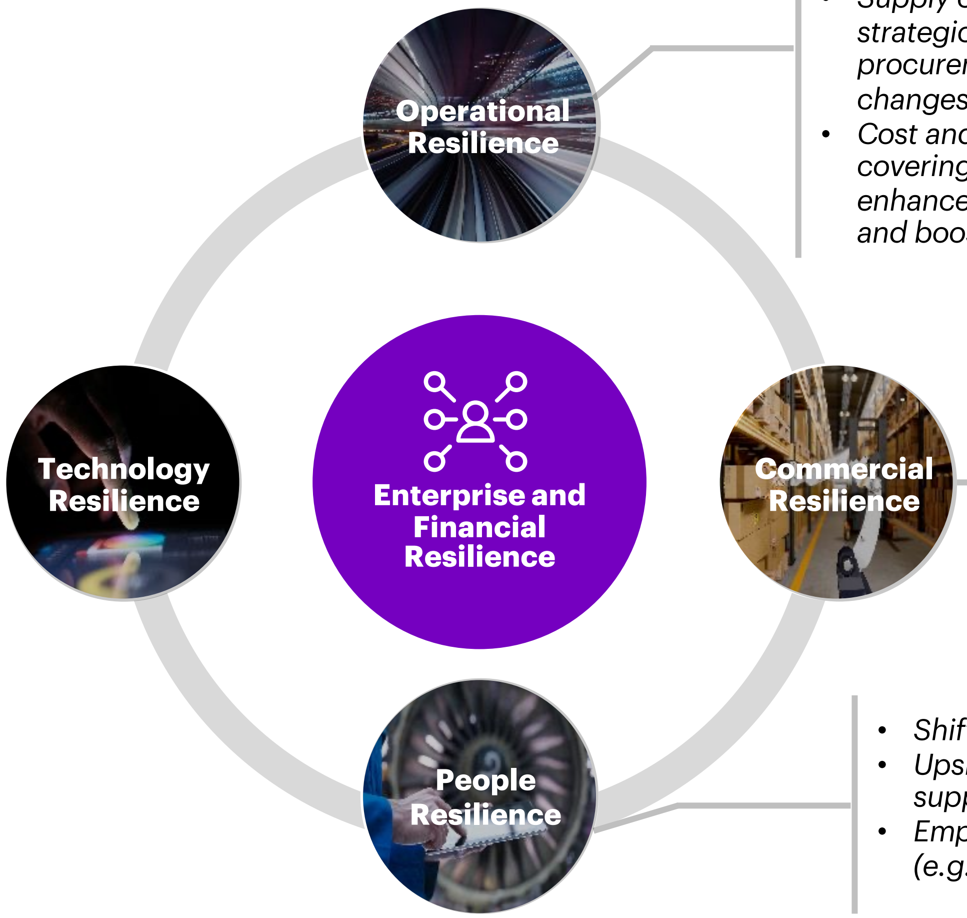
**Plant / facilities**
- Regulation which requires in-country production
- Subsidies / production credits

**Potential pain points of immediate concern amidst tariff/trade disruptions**

Source(s): Accenture Strategy analysis

# Resiliency will be the key differentiator for companies who can navigate this uncertain economic and policy environment

## What makes a resilient enterprise?




- *Supply chain resilience to drive strategic changes in sourcing and procurement, as well as potential changes to network strategy*
- *Cost and productivity reinvention covering spend and process enhancement to protect margins and boost productivity*

- *Embed autonomous AI agents across functions to continuously monitor real-time data and optimize decision making, e.g., flag risk exposure to new tariff codes*
- *Accelerate AI efforts to drive enterprise productivity*
- *Enable more secure processes given the risk of geopolitical and cyber threats*

- *Pricing and commercial strategy given tariff uncertainties where companies consider:*
  - *How much cost to absorb?*
  - *How much to pass on?*
  - *Commercial structures that enable these changes*
- *Thinking opportunistically about growth and M&A in a slower economic backdrop*

- *Shift in organizational structure*
- *Upskilling individuals across geographies (incl. to support re-industrialization agendas)*
- *Empowering multidisciplinary resilience squads (e.g., finance, legal. ops work together)*

**Strengthen enterprise resilience through regular Scenario Planning exercises given the uncertain macro environment**

Source(s): Accenture Strategy analysis

# Every company will need to excel in scenario planning, building resilience in their supply chains and driving productivity improvement efforts to offset potential margin impacts

## How can companies ensure Rapid and Resilient Response?

| | Enterprise and Financial Resilience | Operational Resilience | Commercial Resilience | People Resilience | Technology Resilience |
|---|---|---|---|---|---|
| ***Key questions to solve for?*** | • *What are the short and long-term risks to our business as a result of economic fragmentation?*<br>• *How will we perform in a potential recession?*<br>• *Has the long-term outlook fundamentally changed?* | • *What is the impact of tariffs on our COGS?*<br>• *How must our network strategy evolve?*<br>• *How can we better drive productivity to offset margin headwinds?* | • *How much cost can we pass on if our input costs rise?*<br>• *Where is our customer risk?*<br>• *What are potential growth opportunities in this environment?* | • *How will our workforce be impacted by this environment? How can we best support them?*<br>• *What types of skills are needed if we see a wave of reindustrialization?* | • *How can we accelerate AI to improve productivity and offset margin headwinds?*<br>• *Does our security posture need to change?*<br>• *Will security risks go up?* |
| ***Key considerations*** | • Scenario planning must be done at an enterprise level<br>• This needs to be done at an enterprise-level and factor in top- and bottom-line impacts | • Trade off between short term actions (e.g., increase inventory) vs strategic Capex changes in network<br>• Have a continuous mindset on productivity improvement | • Customer risk becomes important if the economic environment slows<br>• Pricing is critical, but many consumers are now more price sensitive in this cycle | • Inflation and job insecurity are pressuring employee morale and well-being<br>• Labor needs are shifting as companies re-shore or restructure operations | • Leverage and integrate AI where possible. This is key if there are talent or workforce shortages<br>• AI will also be key to offset potential margin impacts |
| ***How can technology help?*** | • Automate the monitoring of signals<br>• Leverage AI to inform scenario planning and monitoring | • Data is critical to ensure supply chain resilience. Leverage digital twins to stress test the network<br>• AI can accelerate rapid cost analysis in days now<br>• Leverage AI to do rapid tariff impact assessments | • Use dynamic pricing to adjust prices based on changing cost structures<br>• Leverage AI to monitor competitor actions on pricing and promo shifts<br>• Leverage AI to monitor vulnerable customers | • Use AI to complement/augment employee skills<br>• Deploy digital platforms to accelerate upskilling<br>• Monitor employee sentiment in real time to strengthen engagement | • Use AI agents to dynamically adjust ops (e.g., procurement, logistics) based on trade policy changes<br>• Be mindful of sovereign cloud strategies if geo-economic risks grow |

Source(s): Accenture Strategy analysis

## About Accenture Macro Foresight

Accenture Strategy's Macro Foresight capability is focused on helping companies and investors understand major macro shifts in the global economy and what they mean for corporate strategic planning, investment planning and enterprise-wide transformation – helping clients distill complex macro trends into simple, pragmatic recommendations which drive value.

The team has hubs in Europe, the United States and Asia, and its members have prior experience working for governments, investment banks, asset managers, multilateral institutions and large corporates to bring a global, multi-disciplinary perspective to problem-solving.
Visit us at www.accenture.com/macroforesight.

## About Accenture Strategy

Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise. Visit us at www.accenture.com/strategy.

## About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services— creating tangible value at speed and scale. We are a talent and innovation led company with 774,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at www.accenture.com.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