

# PwC's US Tariff Industry Analysis – Private Equity

March 17, 2025

## In brief

### What happened?

Since taking office on January 20, President Trump has introduced several policies and executive orders. On his first day in office, he issued the [America First Trade Policy](#), which launched an investigation into unfair trade practices, expected to conclude on April 1. A key component of this investigation, "Unfair and Unbalanced Trade," targets countries with significant annual trade deficits in goods, potentially subjecting them to country-specific tariffs. This includes several European Union nations (e.g., Germany, Ireland, and Italy), Asian jurisdictions (e.g., Vietnam, Japan, and Taiwan), and other global trade partners. A review of unfair trade practices by other countries and a consultation with respect to the United States-Mexico-Canada Agreement (USMCA) also are key components of the investigation.

Additionally, on February 13, President Trump introduced the [Fair and Reciprocal Plan](#), designed to evaluate and impose reciprocal tariffs on countries that enforce higher duties/tariffs on US goods, including through a value-added tax or other non-tariff barriers. The European Union, India, and Japan have been identified as potential targets due to their tariff policies on American products.

Both the America First Trade Policy and the Fair and Reciprocal Plan are expected to have their investigations completed by April 1 with potential new tariffs as soon as April 2.

### Why is it relevant?

Importers and purchasers across all sectors, including the entities owned by Private Equity (PE) firms, should assess the impacts of these new policies on a go-forward basis. To illustrate how impactful these tariffs might be, PwC prepared a US Tariff Industry Analysis using 12 months (January 2024 through December 2024) of US Census data along with Trump's proposed tariffs surrounding China, Canada, Mexico.

The 2025 Trump tariffs impact both equity-focused PE firms as well as investment-focused PE firms. Equity-focused PE firms are impacted by the 2025 tariffs, resulting in increasing costs for portfolio companies reliant on

imports, potentially reducing profitability and complicating exit strategies. For investment-focused PE firms, the tariffs may lead to market volatility and economic uncertainty, affecting the valuation and risk profile of their investments, especially in sectors sensitive to trade policies.

## Action to consider

To mitigate the impact of the tariffs, equity-focused PE firms could support their portfolio companies in implementing strategies such as diversifying supply chains, reassessing sourcing locations, and exploring tariff engineering as well as dynamic pricing models to reduce costs and stay competitive. Additionally, they can leverage trade programs such as free trade agreements and duty drawback programs to manage or defer tariff expenses. Investment-focused PE firms should monitor market conditions and consider adjusting investment strategies accordingly, considering sectors less affected by tariffs. They also can evaluate opportunities in domestic markets.

## In detail

### Status of tariffs

In terms of tariffs imposed on specific countries, the main focus has been on China, Canada, and Mexico. However, the trade policy landscape remains highly fluid, with new developments arising from additional tariff orders, ongoing investigations, social media posts, and statements from press conferences. **Below are the current US Import Tariffs (as of publication date).**

Country	Rate	Date
China	Up to 25% Majority of goods, or up to 50% for certain classifications, and 100% for electric vehicles	2018 to Feb 2025
	20% All products (including products from Hong Kong)	Feb 4, 2025
Mexico	25% All products	March 4
	(Tariffs delayed until April 2 for goods (including automobiles) covered by USMCA)	
Canada	25% All products except energy	March 4
	(Tariffs delayed until April 2 for goods (including automobiles) covered by USMCA) 10% for Energy or energy resources	
Rest of World	TBD - <b>America First Trade Policy</b> Investigation	April 1
	TBD - <b>Fair and Reciprocal Plan</b> Investigation	April 1 - Aug 12
All Locations	Steel & Aluminum: 25% tariff on covered imports from all jurisdictions	March 12
All Locations	De minimis - Proposed prohibition on de minimis entries for all goods subject to Sec.301, Sec. 232, or Sec. 201, and IEEPA tariffs	TBD

### Tariff analysis overview

To illustrate how impactful these tariffs might be, PwC prepared a US Tariff Industry Analysis using 12 months (January 2024 through December 2024) of US Census data, along with Trump's current tariffs on China and proposed tariffs for Canada and Mexico. PwC also prepared potential directional proposed tariff estimates on reciprocal tariffs for the remaining Rest of World (ROW) jurisdictions using various sources, including World Trade Organization data and Most Favored Nation rates. For the reciprocal tariffs, PwC has made calculations to account for a combination of Sec. 2 (a): tariffs imposed on United States products and Sec. 2 (b): extraterritorial taxes (e.g.,

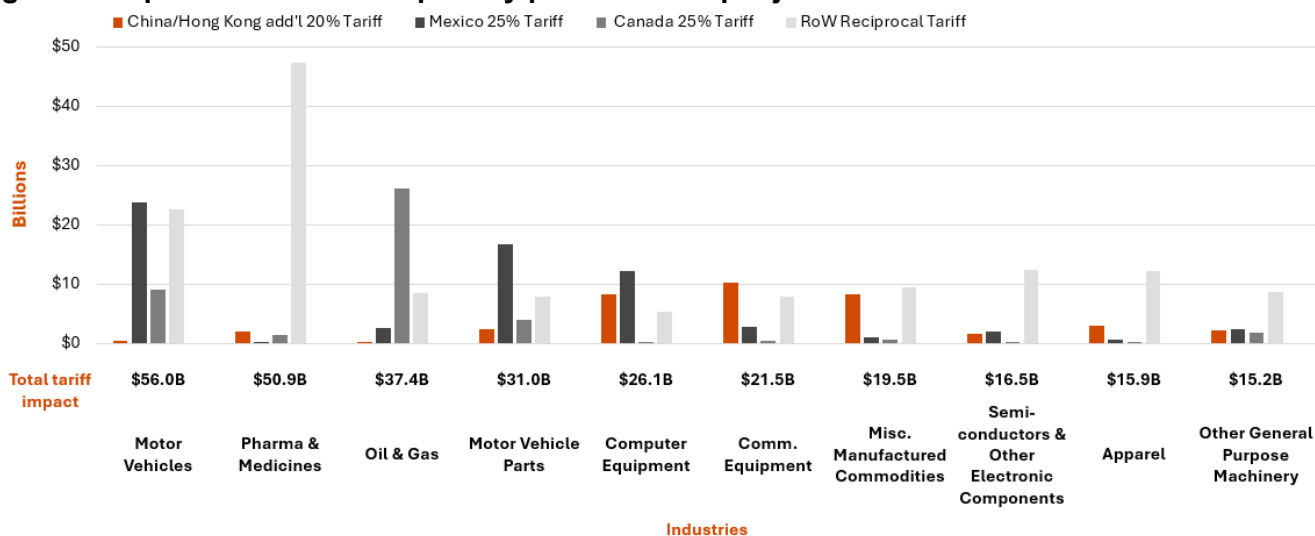
VAT) of the Fair and Reciprocal Plan. PwC did not make any estimates for retaliatory tariffs or for the factors listed within Sec 2(c), 2(d), or 2(e) of the Fair and Reciprocal Plan.

Equity-focused PE firms should conduct thorough analyses of their portfolio companies' industries to assess the specific impacts of the tariffs. This involves evaluating each company's supply chain to identify dependencies on imported goods subject to new tariffs, understanding the cost structures to determine how increased import costs may affect profitability, and assessing market dynamics to anticipate potential shifts in demand or competitive positioning due to price changes. PwC's US Tariff Industry Analysis encompasses all US imports that cover over 100 industries and imports from over 230 jurisdictions into the United States. By identifying these vulnerabilities, PE firms can support portfolio companies to develop targeted strategies to mitigate adverse effects, such as diversifying suppliers, adjusting pricing models, or exploring alternative markets.

### Top impacted industries

To analyze the current vs. proposed tariff state for portfolio companies, Figure 1 summarizes the prospective annual impact for the top 10 industries with the largest incremental increase of potential tariffs.

**Figure 1: Top 10 industries – impact by potential rate per jurisdiction**



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

### Reciprocal tariffs may be on the horizon

To help shed light on the America First Trade Policy investigations concerning "Unfair and Unbalanced Trade," PwC also has used the US Tariff Industry Analysis to illustrate the top 20 jurisdictions with US trade deficits in Figure 2 below.

**Figure 2: Top 20 annual trade deficit jurisdictions in 2024**

Jurisdiction	Total export Value	Total import Value	Trade balance*
China	\$144B	\$418B	(\$274B)
Mexico	\$334B	\$490B	(\$156B)
Vietnam	\$13B	\$140B	(\$126B)
Ireland	\$17B	\$92B	(\$76B)
Germany	\$76B	\$147B	(\$71B)
Taiwan	\$42B	\$113B	(\$70B)
Japan	\$80B	\$144B	(\$64B)
South Korea	\$66B	\$127B	(\$62B)
Thailand	\$18B	\$63B	(\$45B)
India	\$42B	\$86B	(\$44B)
Italy	\$32B	\$71B	(\$38B)
Canada	\$349B	\$386B	(\$37B)
Switzerland	\$25B	\$57B	(\$32B)
Malaysia	\$28B	\$50B	(\$22B)
Indonesia	\$10B	\$28B	(\$18B)
Austria	\$4B	\$17B	(\$12B)
Cambodia	\$0B	\$13B	(\$12B)
Sweden	\$8B	\$17B	(\$9B)
Hungary	\$3B	\$12B	(\$9B)
France	\$44B	\$52B	(\$9B)

\*Differences in total amounts are due to rounding

## Potential mitigation strategies

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

Area	Key impacts and challenges	Mitigation strategies
1 Portfolio Company Overall	<ul style="list-style-type: none"> <li>• Reduced US gross margin/operating profit</li> <li>• Earnings per share erosion</li> <li>• Future cost uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Perform pre/post scenario analysis</b> – an end-to-end assessment to understand your impact down to the individual import. Modeling is crucial and these models may vary significantly by sub-sector</li> <li>• <b>Advocate policy</b> – request that new tariffs allow for exclusions or potential duty drawback</li> <li>• <b>Evaluate options</b> – for potential US domestic production or sourcing, as well as operating model</li> <li>• <b>Develop your strategy</b> – with a holistic approach covering supply chain, trade and customs, as well as tax</li> <li>• <b>Competitive pricing</b> – assess competitor pricing to evaluate if price adjustments remain competitive, especially if rivals source materials at lower costs</li> </ul>
2 Trade & Customs	<ul style="list-style-type: none"> <li>• Increased compliance</li> <li>• Additional tariff recovery measures</li> <li>• Limited team bandwidth</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Defer duty</b> – leverage foreign trade zones or bonded warehouses to increase cash flow and potential duty deferral benefits</li> <li>• <b>Recover duty</b> – utilize duty recovery programs such as Duty Drawback</li> <li>• <b>Re-evaluate value</b> – potentially lower the basis of customs value using First Sale for Export or other valuation strategies</li> <li>• <b>Revisit the basics</b> – potentially change to a lower duty tariff code via product or packaging modifications</li> <li>• <b>Shift country of origin</b> – to avoid tariffs driven by a shift of significant value-add activities</li> </ul>
3 Supply Chain	<ul style="list-style-type: none"> <li>• Increased import and overarching landed cost</li> <li>• Imbalance on US vs. non-US sourcing cost</li> <li>• Pressure on supplier and customer pricing</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Conduct US sourcing and manufacturing dependency analysis</b> – examine key dependencies of supplying and manufacturing countries, suppliers, and products that may help with potential sourcing and manufacturing planning.</li> <li>• <b>Revise supply chain strategy</b> – assess the financial exposure posed by the proposed tariffs through end-to-end supply chain modeling. Scenario analysis can identify vulnerabilities or opportunities (e.g., onshoring). Determine alternative strategies that may include changes in suppliers, manufacturing footprint, use of free trade zones, postponement strategies, product redesign, etc.</li> <li>• <b>Consider retaliatory tariffs</b> – understand how retaliatory measures by trade partners may impact your operating model</li> </ul>

Area	Key impacts and challenges	Mitigation strategies
4 Tax	<ul style="list-style-type: none"> <li>• Transfer Pricing disruption</li> <li>• Transaction and functional recharacterization</li> <li>• Generate cash through tax operating model enhancements</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Assess transfer pricing policy</b> – determine whether post-tariff impact on imported goods (and associated service and intangible transactions) may move intercompany margins out of arm’s length range, requiring proactive review and adjustment to maintain ongoing compliance</li> <li>• <b>Analyze transactional and functional characterization</b> – including product price unbundling, realignment of assets and risks, to adjust import value of US destined goods</li> <li>• <b>Revisit tax operating model</b> – identify overall income tax impacts and opportunities such as mix of income, tax attributes, incentives as part of the company’s re-evaluation of supply chains (generate ‘above-the-line’ cash savings)</li> </ul>

Investment-focused PE firms should continuously monitor market conditions by analyzing macroeconomic trends, trade policies, and industry-specific tariff impacts to adjust their investment strategies proactively. They should prioritize sectors with minimal tariff exposure, while being cautious about industries heavily reliant on imported raw materials or components. They also should assess international markets with favorable trade agreements (to reduce overall standard duties), and consider targeting regions with stable regulatory environments, allowing portfolio companies to maintain cost-effective operations.

Additionally, firms can explore investment opportunities in domestic markets where companies benefit from reshoring efforts, government incentives, or supply chain shifts in response to the tariffs. By diversifying across industries and geographies, investment-focused PE firms can mitigate tariff-related volatility while capitalizing on new growth opportunities.

## The takeaway

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

## See also

- [PwC’s US Tariff Industry Analysis: How Trump’s tariffs could impact US companies](#)

## Let's talk

PwC is utilizing industry data and schedules to run tailored analyses of companies' operating models. For a deeper discussion of how the Trump administration tariffs might affect your business or if you would like to have your data run within the proprietary PwC Tariff Industry Analysis, please reach out to your PwC contact or one of the following contacts:

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