

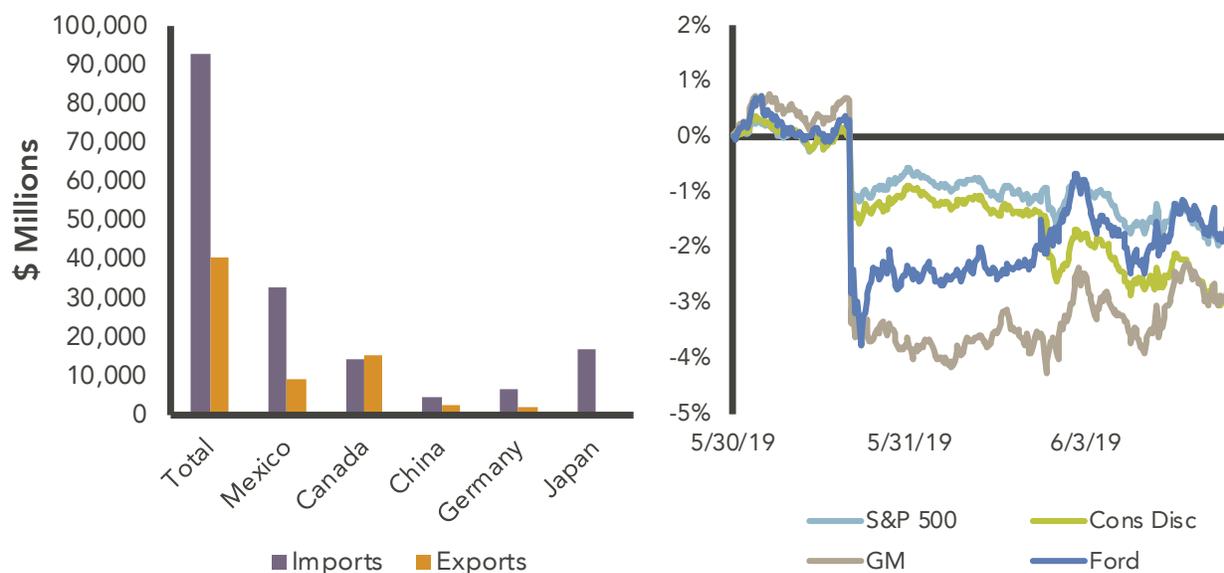
Chart of the Week

June 7, 2019

Tank on Empty? Proposed Tariffs on Mexico Will Heavily Impact the Auto Industry

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Trump's tariffs on Mexico look like trouble for U.S. automakers



Sources: U.S. Census Department, Bloomberg

On May 30th, President Trump announced via Twitter that the United States will impose a 5% tariff on all Mexican imports starting on June 10th. The White House added that this percentage could quickly escalate to 25% if Mexico fails to "reduce the number of illegal aliens" crossing border lines. This week's chart displays the potential impact of these tariffs on the auto industry in both the United States and Mexico.

In the first quarter of 2019, the United States' imports of motor vehicles and parts totaled \$93.3B (*bar chart*). Out of this total, the United States imported a whopping \$32.8B from Mexico, almost a third of all the United States' imports in motor vehicles and parts. After Trump's tweet, both the S&P 500 Index and the S&P 500 Consumer Discretionary sector fell sharply.

Looking at specific auto stocks (*line chart*), General Motors (GM) will likely struggle dealing with this tariff as GM is Mexico's largest automaker and has 14 manufacturing plants located throughout the country. Ford could also struggle: approximately 10% of Ford's vehicles sold in the United States last year were imported from Mexico. Overall, these tariffs are likely to raise auto prices and reduce profits of automakers, which is bad news for investors and consumers. ▀

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