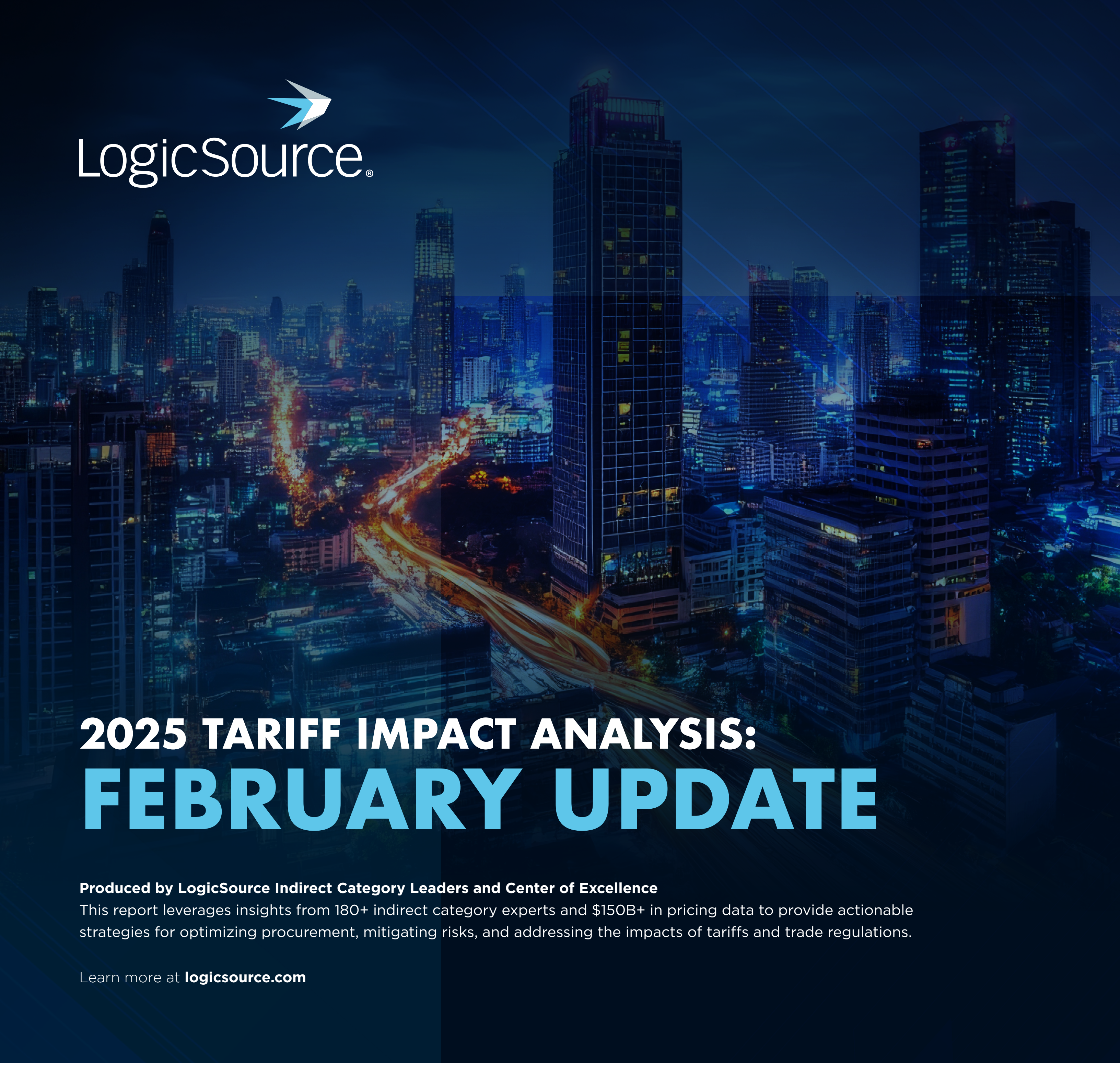

2025 TARIFF IMPACT ANALYSIS: FEBRUARY UPDATE

Produced by LogicSource Indirect Category Leaders and Center of Excellence
This report leverages insights from 180+ indirect category experts and $150B+ in pricing data to provide actionable strategies for optimizing procurement, mitigating risks, and addressing the impacts of tariffs and trade regulations.

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EXECUTIVE SUMMARY

This report serves as a critical update to **LogicSource's original 2025 Tariff Impact Analysis**, reflecting significant policy developments and their implications for indirect spend categories. Since the release of our initial analysis, the Trump administration has made several key policy announcements that both reinforce and modify our original projections.

KEY POLICY UPDATES

TARIFF ON CANADA & MEXICO

Implementation Date	:	Early March 2025
Rate	:	25% on all imports, with a reduced 10% tariff specifically on Canadian energy exports
Primary Driver	:	Concerns about illegal immigration and drug trafficking
Status	:	Paused for 30-60 days (as of February 3, 2025)

President Trump has temporarily delayed the implementation of tariffs on imports from Canada and Mexico following recent policy changes by both nations aimed at strengthening border security. While the tariffs have yet to take effect, their threat has triggered economic repercussions. If the Trump Administration proceeds with implementing these tariffs after the 30-day review period, the following industries are expected to face significant impacts:

AUTOMOTIVE INDUSTRY
The integrated North American automotive sector, which conducted over $110 billion in bilateral trade during 2023, faces potential disruption due to its dependence on vehicle components regularly crossing the border multiple times during production.

AGRICULTURE AND FOOD PRODUCTS
Essential items like fruits, vegetables, meats, and processed goods imported from Canada and Mexico could see price increases, potentially impacting grocery, restaurant, and healthcare industries as a result of substantial food spending.

ENERGY SECTOR
Canada supplies the United States with 20% of its consumed oil, and provides the heavy crude oil for two-thirds of Midwest oil refineries and 90% of those in Rocky Mountain states; tariffs could disrupt this supply, leading to increased fuel costs.

LUMBER AND PAPER INDUSTRY
Canada, a major supplier of softwood lumber and paper products to the U.S., may see its exports significantly reduced, leading to higher prices for building materials, home construction, and paper goods, which could increase costs for U.S. industries such as housing, packaging, and printing.

MEDICAL DRUGS
Tariffs might lead to increased prices for crucial medical drugs like pain relievers, antibiotics, and cancer treatments, many of which are imported from these countries.

If implemented, these tariffs are anticipated to raise costs for U.S. consumers and businesses, potentially leading to higher prices for goods and disruptions in supply chains across these industries.

Canada and Mexico have outlined potential retaliatory measures in response to the Trump Administration's proposed tariffs. Although both nations have opted to delay implementing their own tariffs for now, they may proceed with them if the U.S. moves forward with its planned trade restrictions.

CANADA'S POTENTIAL RETALIATORY TARIFFS

Canada will implement 25% tariffs on approximately $155 billion worth of U.S. goods, including consumer products such as alcohol, appliances, furniture, and sports equipment.

MEXICO'S POTENTIAL RETALIATORY TARIFFS

Mexico has announced plans to implement its own retaliatory tariffs on U.S. goods. While specific products have not been detailed, the measures are expected to target key American exports.

RETALIATORY TARIFFS LIKELY IMPACT ON U.S. BUSINESSES

REDUCED DEMAND

U.S. exporters may face reduced demand due to increased costs to the importer, potentially leading to decreased competitiveness in Canadian and Mexican markets.

PRESSURE TO LOWER PRICES

To remain competitive, U.S. exporters may need to lower their prices to offset the tariffs and make their goods more affordable in Canada and Mexico. This effectively reduces their profit margins and increases their financial burden.

SUPPLY CHAIN DISRUPTIONS

Industries with integrated supply chains across North America, such as automotive and agriculture, may experience operational challenges and increased costs.

ECONOMIC UNCERTAINTY

The retaliatory measures contribute to broader economic uncertainty, potentially affecting investment decisions and market stability.

These developments underscore the escalating trade tensions between the United States, Canada, and Mexico, with significant implications for businesses operating across these borders.

CHINA TARIFFS

Implementation Date	:	February 4, 2025
Rate	:	10% additional tariff on all imports
Primary Driver	:	Address influx of illegal drugs, trade imbalances, national security concerns, and to boost the U.S. economy by making domestic production more competitive
Status	:	In effect

On January 17, 2025 President Trump engaged in high-level discussions with Chinese President Xi Jinping to address trade tensions between the two nations. While Trump had originally proposed imposing 60% tariffs on Chinese goods, the conversation led to a softened stance, with the final tariff set at 10% on all Chinese imports implemented on February 1, 2025. These tariffs are expected to impact several key industries:

TECHNOLOGY AND ELECTRONICS

China is a major supplier of semiconductors, smartphones, and consumer electronics; tariffs could increase costs for companies like Apple, Dell, and HP, leading to higher retail prices and potential supply chain disruptions.

RETAIL AND APPAREL

The U.S. apparel industry relies heavily on Chinese manufacturing for clothing, footwear, and accessories; tariffs may result in higher production costs, forcing brands to either absorb the impact or pass it on to consumers.

MACHINERY AND INDUSTRIAL EQUIPMENT

A significant portion of manufacturing equipment, robotics, and heavy machinery used by U.S. industries is imported from China; tariffs could raise costs for construction, manufacturing, and infrastructure projects.

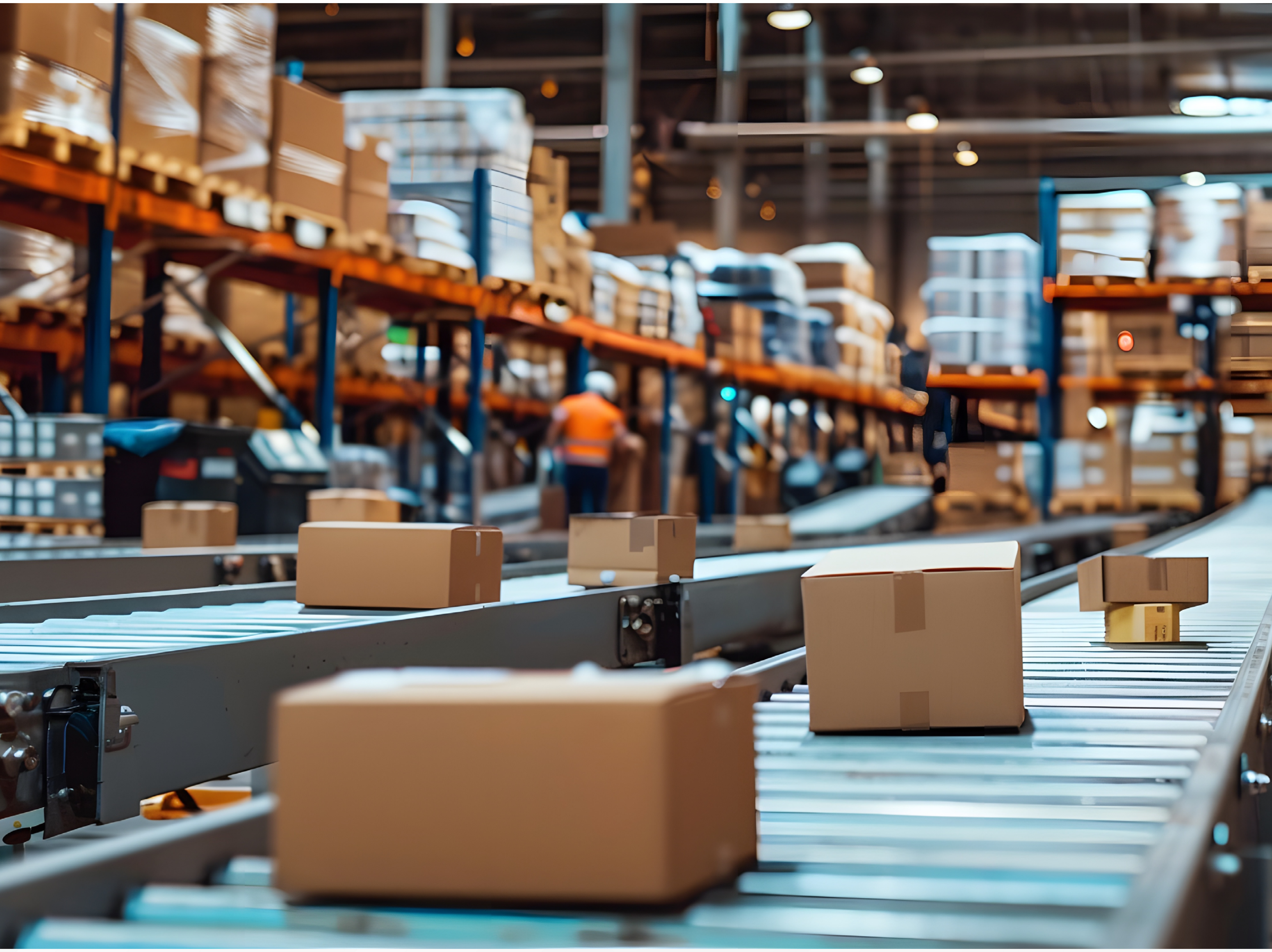
PHARMACEUTICALS AND MEDICAL SUPPLIES

China is a key exporter of active pharmaceutical ingredients (APIs) and medical equipment; tariffs may lead to increased costs for essential drugs and medical devices, impacting hospitals and healthcare providers. All U.S. employers will be impacted as the cost of providing healthcare benefits to employees will also rise.

AUTOMOTIVE SUPPLY CHAIN

Many critical auto parts, including batteries, chips, and electrical components, are sourced from China; tariffs could increase costs for automakers and potentially slow production in the U.S. auto industry.

China's response to the 10% tariff included an antitrust investigation into Google, a 15% tariff on coal and liquified natural gas (LNG) imports, and a 10% tariff on crude oil, agricultural machinery, and certain cars. Other technology companies may be targeted by China next, potentially resulting in fines, operational restrictions, or even reduced market access. The energy tariffs will reduce the U.S. competitiveness of energy exports to China, which may result in decreased sales and revenue losses.



FINANCIAL IMPACT OF CANADA, MEXICO AND CHINA TARIFFS

Currency

On Monday February 3, the U.S. dollar strengthened significantly, causing the Canadian dollar and Mexican peso to drop to their lowest levels in years, while China's offshore yuan reached an all-time low. It remains uncertain whether the temporary pause on Canada and Mexico tariffs will reverse these recent currency fluctuations.

POTENTIAL IMPLICATIONS FOR U.S. BUSINESSES IF CURRENCY TREND CONTINUES

CHEAPER IMPORTS

A stronger dollar makes imported goods from Canada, Mexico, and China less expensive for U.S. businesses, potentially lowering costs for industries reliant on foreign raw materials, machinery, or other consumer goods.

WEAKER EXPORT COMPETITIVENESS

U.S. products become more expensive for foreign buyers, potentially reducing demand for American exports in key global markets, especially in Canada, Mexico, and China.

SUPPLY CHAIN IMPACT

Companies that manufacture in the U.S. but rely on foreign components may see cost savings on imported parts, but those exporting finished goods abroad may struggle due to the buyer's higher cost.

EMERGING MARKET RISKS

A weaker peso and yuan could lead to economic instability in Mexico and China, impacting U.S. businesses with operations or supply chains in those countries.

Overall, while a stronger dollar benefits import-heavy businesses by reducing costs, it poses challenges for exporters by making U.S. goods less competitive globally.

ECONOMIC IMPACT

The imposition of tariffs by the United States on imports from Canada, Mexico, and China is anticipated to have several effects on U.S. consumer spending in 2025:

INCREASED CONSUMER PRICES

Canada, Mexico, and China tariffs are expected to raise the cost of various consumer products. The Budget Lab at Yale University estimates Trump's tariffs would cost the average American household $1,000 to $1,200 in annual purchasing power.

POTENTIAL INFLATIONARY PRESSURES

The increased costs of imported goods may contribute to overall inflation, further eroding consumers' purchasing power and potentially leading to reduced discretionary spending. Tax Consulting firm EY predicts inflation to rise by 0.4 percentage points this year.

IMPACT ON SPECIFIC SECTORS

Essential items like food and vehicles are expected to see price increases soon. The U.S. energy sector will face a significant hit if the 10% tariff on Canadian crude oil is implemented, potentially increasing gasoline prices by 10 cents per gallon. Imported vehicles, car parts, electronics, and clothing from China are all set to become more expensive.

These tariffs are likely to lead to higher prices for a range of goods and services, which could reduce consumer spending and slow economic growth in the United States during 2025.

WORLD ECONOMIC FORUM IN DAVOS UPDATE

Key Policy Messages:

- Emphasized "America First" approach
- Warning to international companies to manufacture in the U.S. or face tariffs
- Criticism of EU trade practices
- Intent to levy high tariffs on Russian products if Ukraine war continues
- Called on OPEC to lower oil prices to pressure Russia
- Expressed desire for swift Ukraine conflict negotiations

President Trump's recent statements at the World Economic Forum in Davos have significant implications for U.S. companies:

1

INCENTIVES FOR DOMESTIC MANUFACTURING

President Trump emphasized that businesses manufacturing products in the U.S. would benefit from some of the lowest taxes globally. He proposed reducing the corporate tax rate from 21% to 15% to encourage domestic production.

2

TARIFF THREATS ON FOREIGN PRODUCTION

Companies that choose to manufacture products outside the U.S. may face tariffs upon importing those goods back into the country. **The President stated**, "If you don't make your product in America... you will have to pay a tariff."

POTENTIAL IMPACTS ON U.S. COMPANIES

SUPPLY CHAIN ADJUSTMENTS

To avoid tariffs, companies might consider relocating manufacturing operations to the U.S., which could lead to increased operational costs due to higher labor and production expenses.

PRICING STRATEGIES

Tariffs on imported goods could result in higher prices for consumers. Companies may need to balance absorbing these costs or passing them on to maintain profitability.

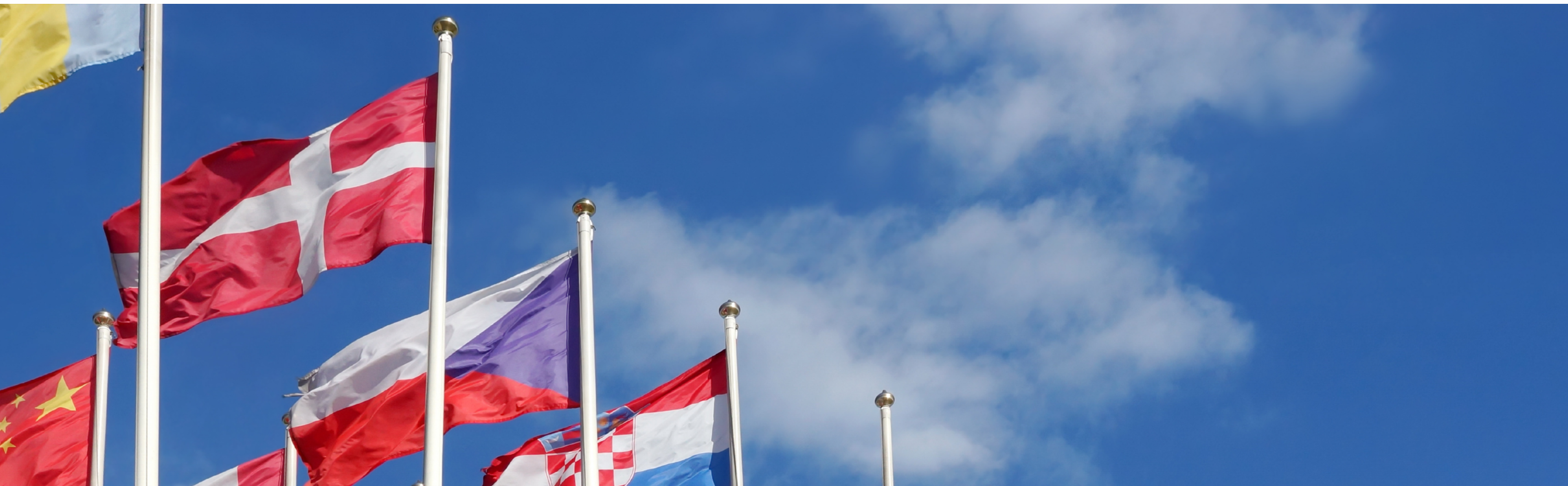
INVESTMENT DECISIONS

The proposed tax incentives could make domestic investments more attractive, potentially leading to increased capital expenditure within the U.S.

GLOBAL TRADE RELATIONS

Imposing tariffs might strain relationships with trade partners, possibly leading to retaliatory measures affecting U.S. exports.

While the administration aims to bolster domestic manufacturing and reduce trade deficits, companies will need to carefully assess the financial and strategic implications of these policies on their operations.



EXTERNAL REVENUE SERVICES (ERS) PROPOSAL

Overview	:	Announced January 15, 2025
Purpose	:	Collection of tariffs, duties, and other revenues from foreign sources
Goal	:	Ensure foreign entities contribute their "fair share" from trade profits

POSITIVE IMPACTS

1. **INCREASED GOVERNMENT REVENUE**
The ERS aims to collect tariffs, duties, and other revenues from foreign entities, potentially increasing federal revenue. This could fund infrastructure projects or other domestic priorities that indirectly benefit U.S. companies.

2. **LEVEL PLAYING FIELD FOR DOMESTIC BUSINESSES**
By targeting foreign entities and ensuring they pay their "fair share," the initiative might reduce competition from cheaper imports, offering an advantage to U.S.-based manufacturers and suppliers.

3. **INCENTIVES FOR DOMESTIC SOURCING**
Companies may opt to source more goods domestically to avoid paying additional tariffs and duties, fostering growth within U.S. supply chains.

NEGATIVE IMPACTS

1. **HIGHER COSTS FOR IMPORTS**
If the ERS enforces additional tariffs, companies reliant on imported materials or goods may face increased costs. These costs could be passed on to consumers, leading to higher prices and potential reductions in demand.

2. **DISRUPTIONS OF GLOBAL SUPPLY CHAINS**
Increased tariffs and duties could discourage international trade and complicate existing supply chain agreements, requiring companies to renegotiate contracts or find alternative suppliers.

3. **RETALIATION FROM TRADE PARTNERS**
The ERS might provoke foreign governments to implement retaliatory tariffs or restrictions on U.S. exports, potentially reducing market access for American companies.

4. **ADMINISTRATIVE BURDEN**
Companies engaged in international trade may face increased compliance requirements and scrutiny, leading to higher administrative costs and complexities.

TARIFF ON COLOMBIA

Implementation Date	:	Proposed January 26, 2025, held in reserve
Rate	:	25% on imports to increase to 50% after 1 week
Primary Driver	:	Colombia's initial refusal to accept deported immigrants
Status	:	Held in reserve after Colombia agreed to accept deportees

President Donald Trump's recent proposal to impose 25% - 50% tariffs on imports from Colombia was aimed at pressuring the country to comply with U.S. immigration policy by accepting deported Colombian nationals. The swift reversal of this tariff plan, following Colombia's agreement to accept deportees, underscores Trump's approach of using trade barriers as leverage for policy enforcement.

Had these tariffs gone into effect, they would have significantly impacted key industries, including:

COFFEE

Colombia is one of the largest coffee suppliers to the U.S., and tariffs could have driven up prices for American consumers and coffee retailers.

OIL AND ENERGY PRODUCTS

Colombian oil exports to the U.S. represent a critical energy supply.
Tariffs could have disrupted trade flows and contributed to increased fuel costs.

APPAREL AND TEXTILES

Colombia is a major supplier of textiles and apparel to the U.S., with exports exceeding $1 billion annually. Tariffs would have disrupted supply chains and increased costs for American retailers and consumers.

While the tariffs were ultimately avoided, this episode highlights Trump's willingness to use trade policy as a tool for achieving broader policy objectives. It also signals that such tariffs can be quickly withdrawn if policy changes are implemented, reinforcing the notion that economic pressure remains a core tactic in Trump's strategy.

TARIFFS ON PROPOSED PRODUCTS
(PHARMACEUTICALS, SEMICONDUCTORS, METALS, AUTOMOBILES)

Implementation Date	:	TBD
Rate	:	Proposed but not yet finalized
Primary Driver	:	Reducing reliance on foreign manufacturing and boosting domestic production
Status	:	Under consideration

President Donald Trump has proposed a broad set of tariffs on key imported products, including pharmaceuticals, semiconductors, metals, and automobiles. These tariffs are aimed at incentivizing domestic manufacturing and reducing dependency on foreign suppliers, particularly from China and other major exporters. However, critics warn that such measures could lead to higher consumer prices, supply chain disruptions, and increased costs for businesses.

If implemented, these tariffs could significantly impact key industries:

PHARMACEUTICALS
Many essential medications, including generics and specialty drugs, are manufactured abroad. Tariffs could lead to higher costs for insurers, pharmacies, and patients while also creating potential drug shortages.

SEMICONDUCTORS
The U.S. heavily relies on chip imports, particularly from Taiwan and South Korea. Tariffs could increase costs for technology manufacturers and slow innovation in industries reliant on advanced computing.

METALS (STEEL & ALUMINUM)
Tariffs on imported steel and aluminum could benefit domestic producers but would raise costs for construction, automotive, and manufacturing sectors, potentially leading to higher prices for consumers.

AUTOMOBILES
Higher tariffs on imported vehicles and auto parts could increase the cost of cars for American consumers, impacting affordability and industry competition.

While Trump's goal is to bring manufacturing back to the U.S., these tariffs could have unintended consequences, such as increased production costs and price inflation across multiple industries. As the proposal remains under review, businesses and policymakers are assessing the potential long-term economic implications.

CONCLUSION

The tariff policies announced for 2025 present both confirmed changes and ongoing negotiations. While some initially projected tariffs may be moderated through negotiation, others—particularly those affecting China—are proceeding as planned. Organizations must balance immediate compliance needs with longer-term strategic positioning.

The recent pause on Canada and Mexico tariffs highlights the uncertainty surrounding which proposed tariffs by the Trump Administration will ultimately take effect. Currently, tariffs are being leveraged as a tool to influence policy decisions. However, just a day ago, the U.S. was on the brink of a trade war with multiple nations, making it critical to assess the potential consequences if additional tariffs are enforced.

The confirmed implementation of China tariffs on February 4 creates immediate urgency for organizations that import technology / electronics, apparel, and equipment / machinery in a significant way. Furthermore, China tariffs will likely impact employee healthcare costs across the nation due to the heavy reliance on pharmaceuticals from China. We recommend maintaining close monitoring of policy developments while implementing a staged approach to mitigation strategies.

This update supplements the original LogicSource 2025 Tariff Impact Analysis.
For detailed category-specific impacts and baseline analysis, please refer to the original report.

ABOUT THE AUTHORS

This tariff report was produced by the LogicSource Indirect Category Leaders and Center of Excellence, which leverages decades of expertise and data to help organizations navigate global trade challenges and optimize their procurement strategies. With a dedicated team of 180+ indirect category experts and access to $150B+ in indirect pricing data, LogicSource equips our clients with the insights and tools needed to make informed decisions, mitigate risk, and drive sustainable value.

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