

The US Administration Announced It Would Impose Uniform 25% Additional Tariff on Imported Automobiles—JCR Will Watch Impact on Business Performance and Finances of Japanese Companies

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by the Trump administration in the US that it will impose a uniform 25% additional tariff on all automobiles imported into the US.

On March 26, the Trump administration announced that it would impose a 25% additional tariff on all cars imported into the US. Some key parts are also expected to be included. Japanese automakers have been promoting local production in the US, but those with a high proportion of imports from Japan, Mexico, etc. will be badly affected. In the future, there will be moves such as efforts to reduce costs throughout the supply chain, passing on some of the cost increases due to tariffs to new car prices, and restructuring of global production systems. The extent to which prices are passed on will be determined based on factors such as brand strength and price competitiveness. As for the impact on suppliers of auto parts, it is thought that a large part of the impact will be mitigated by passing on the price to the automakers to which they supply, but they may be affected in terms of cost reductions and production volumes. JCR recognizes that the business models of Japanese automakers in the US market differ from company to company and that there are differences in their import ratio in the US sales. JCR will follow the outcome of the imposition of the tariffs, response of each company, and impact on their business performance and finances, and will reflect those developments in the ratings as appropriate.

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