

# US auto tariff impact slightly negative



## US raises tariff wall on automobiles and components

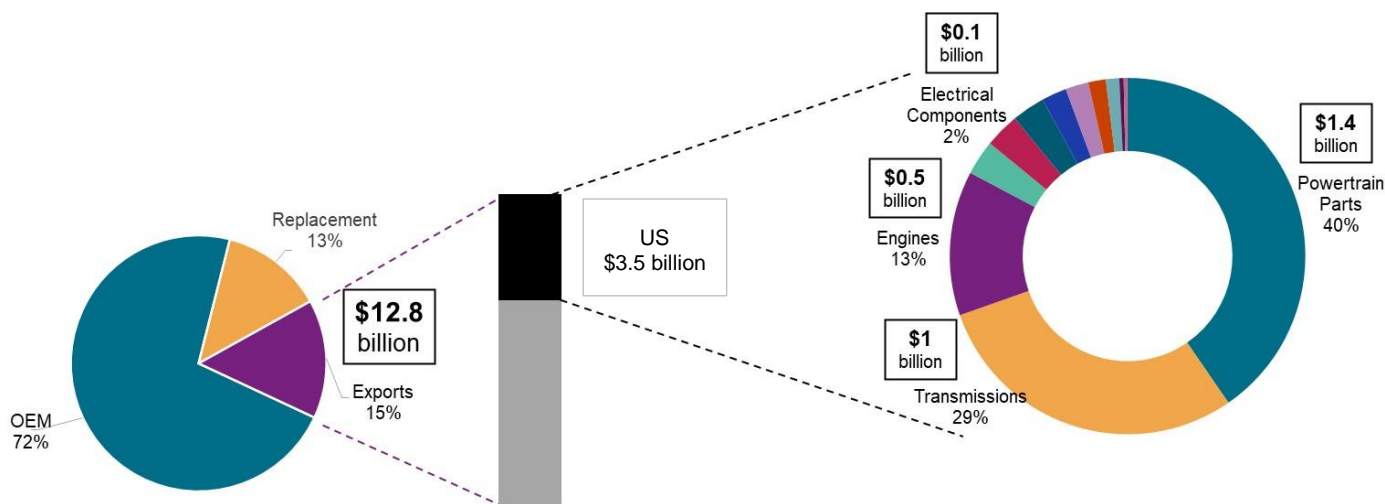
The Trump Administration in the United States (US) has announced a 25% tariff on imports of automobiles and some components to protect its industry, supply chains and national security.

The new tariffs will apply from April 3, 2025, on imports of passenger vehicles (PVs), light trucks and a date to be announced but not later than May 3, 2025 on components such as engines, transmissions, powertrain parts and electricals.

However, imports from Mexico and Canada will get preferential treatment under the United States-Mexico-Canada Agreement (USMCA) and remain tariff free till a procedure is devised to apply tariffs only to the non-US components.

### Impact wagon wheel

#### Share of US in India's auto component exports



Note: Average exchange rate for the calendar year 2024 considered for market size conversion

Source: DGFT, Crisil Intelligence

In fiscal 2024, India's exports of PVs and commercial vehicles (CVs), as a percentage of overall production, stood at ~15% and ~8%, respectively, while the share of the US in these exports was relatively small at 0.21% and 3%, respectively.

For passenger cars and light trucks, majority of Indian exports are to the Middle Eastern, African and Latin American countries, such as Saudi Arabia, UAE, South Africa, Mexico and Chile.

After the exit of General Motors and Ford from India, no US major had an Indian manufacturing base for exporting back to their country. Given the meagre share of India's exports of PVs and CVs to that country, the tariffs imposed would have minimal impact on original equipment manufacturers (OEMs) here.

However, India's share of auto component exports to the US is significant at 28%. Within this, powertrain parts, transmissions, engines, and electricals account for 40%, 29%, 13% and 2%, respectively. Cumulatively, they account for ~84% of all automotive component exports from India to the US.

The share of exports in India's automotive production stands at just 15%, which means the exposure of domestic component manufacturers to the US is small at 4.2%.

Further, accounting for the components under tariffs, this exposure would whittle down further to 3.5% of the annual revenue from auto components, thus limiting impact.

This limited exports to the US is what will shield the revenue of component makers.

However, a potential reduction in the competitiveness of domestic component makers because of increased prices in the US will have a bearing.

This impact on India and some other countries would, in turn, benefit Mexico and Canada, which are covered under the USMCA and account for ~46% of overall imports to the US.

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