

New Auto Tariffs Would Threaten U.S. Jobs and Hurt Consumers

August 30, 2019

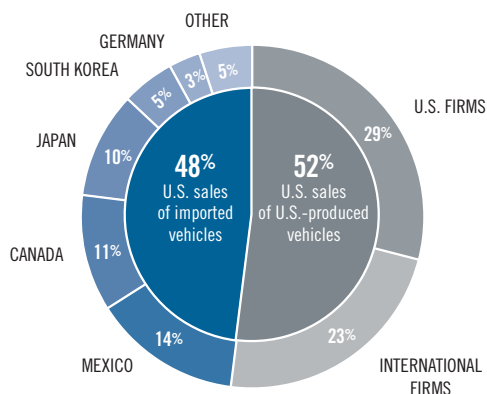
In May 2019 the Trump administration delayed the imposition of new auto and auto parts tariffs of up to 25% as ongoing trade agreements are being negotiated. But the decision to impose new tariffs could come as early as mid-November.

The Trump Administration has made progress in negotiating better trade deals for America, such as the U.S.-Mexico-Canada Agreement (USMCA) and the Korea-U.S. Agreement (KORUS), that will greatly reduce the risk of tariffs with those trading partners. However, steep new tariffs on autos and auto parts, still under consideration by the administration, would hurt the auto industry and consumers. A February 2019 report by the Center for Automotive Research shows that even with a new agreement with South Korea and approval of the USMCA, new tariffs with other trading partners (such as the European Union, the United Kingdom, Japan and China) would increase prices, stifle demand for new cars and cost U.S. jobs. The data below show the negative impact of new auto tariffs on imports from countries not included in the USMCA or KORUS.

U.S. vehicle sales reflect a global industry.

Of new vehicles sold in the U.S., 25% are made in either Canada or Mexico, mostly by domestic brands. Therefore the impact of the USMCA would be significant.

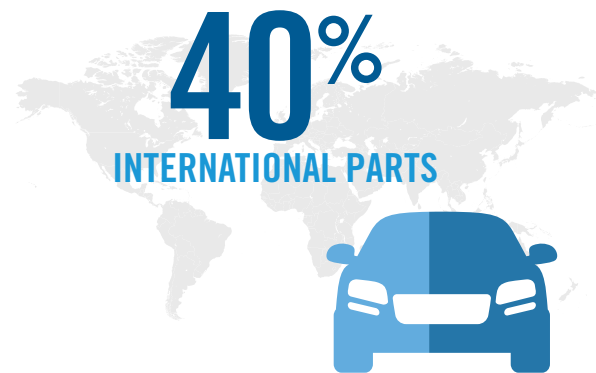
Sourcing of Light-Vehicles Sold in U.S., 2017



Source: The Center for Automotive Research

No vehicle is 100% domestic.

On average, vehicles assembled in the U.S. have an international parts content of 40%.



Source: The Center for Automotive Research

New tariffs would hit both U.S.-built and imported vehicles.

A 25% tariff applied to all imported autos and auto parts would lead to an increase in the price of all vehicles sold in the U.S.

Average Increase

\$2,750



ALL VEHICLES

\$1,900



U.S.-BUILT

\$3,700



IMPORTED

\$47

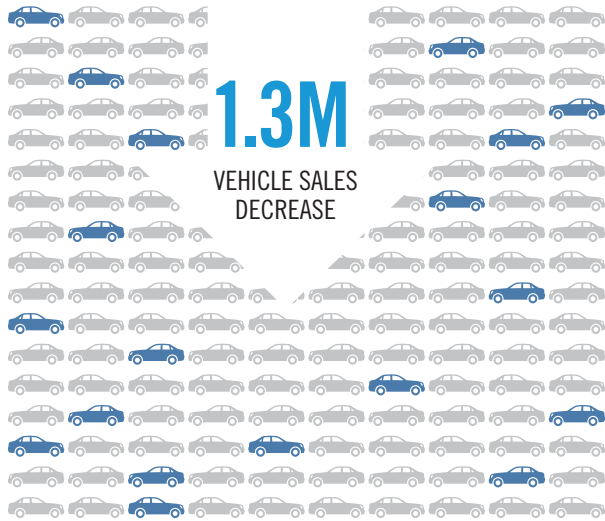


INCREASE IN AVERAGE MONTHLY CAR PAYMENT

Sources: The Center for Automotive Research, NADA

Tariffs Up, Sales Down

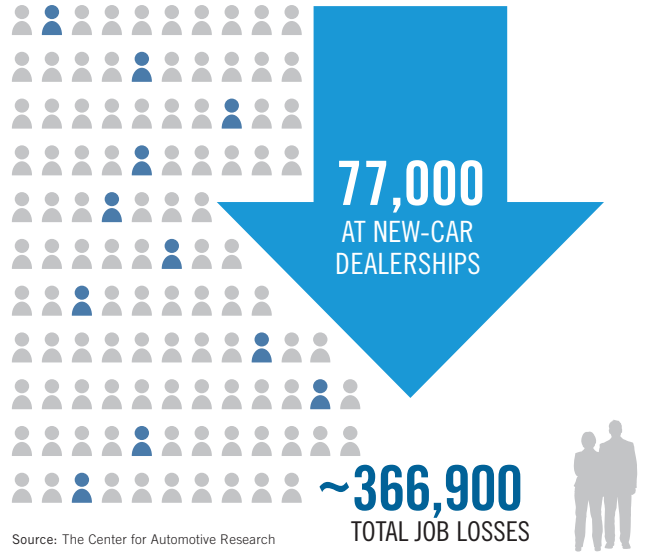
A 25% tariff on imported autos and auto parts would decrease annual auto sales by up to 1.3 million units.



Source: The Center for Automotive Research

Tariffs Up, Jobs Down

A 25% tariff on imported autos and auto parts would result in the loss of 77,000 of the 1.1 million jobs at new-car dealerships—an average loss of 4.6% of jobs per dealership.



Source: The Center for Automotive Research

The Bottom Line

Tariffs present serious risks to consumers, jobs and the economy, including:

Higher new-vehicle prices. A 25% tariff applied to imported vehicles and auto parts from outside of North America or South Korea would lead to a \$3,700 average increase in the price of those vehicles sold in the U.S.

A loss of dealership jobs. A 25% tariff on these imports would result in the loss of 77,000 of the 1.1 million U.S. new-car dealership jobs (an average loss of nearly five employees per franchised dealership).

Fewer sales and less fleet turnover. Decreased new-vehicle sales (up to 1.3 million units) inhibit fleet turnover. This means it will be harder to get safer, cleaner and more efficient vehicles onto the road.

Less choice and decreased competition. Manufacturers will send products to other markets, which will reduce competition and customer choice in the U.S.

Higher prices for used vehicles. As higher prices drive customers out of the new-vehicle market and into the used market, used-car prices will rise due to the increased demand.

Deferred maintenance and repair. Higher parts prices will lead to delayed automobile service and repair, leaving potentially unsafe vehicles on the road longer.

A loss of state and local taxes. Franchised dealerships provide 18% of total retail sales in the U.S., so sustained vehicle sales are major generators of sales and payroll tax revenue for all levels of government.

Increased insurance costs. A tariff on imported parts would increase premiums by nearly 3%.

Tell your Member of Congress that new tariffs on autos will raise consumer prices, cost U.S. jobs, and cause harm to local and national economies.



Visit nada.org/tariffs to learn more.