



PERSPECTIVES Memo

## US imposes new tariffs

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### Key takeaways

- US President Trump has announced steep new tariffs on trucks, furniture, cabinets, and branded pharmaceuticals.
- Higher tariffs will likely drive up inflation and increase uncertainty for markets.
- Some European pharmaceutical firms may be exempt, but details are still missing.

### What happened?

On Thursday US President Trump announced steep new import tariffs effective from October 1 via social media.

The announced tariffs are: 25% on large trucks, 30% on upholstered furniture, 50% on kitchen cabinets, bathroom vanity units and associated products as well as 100% on branded or patented pharmaceutical products.

That said, pharmaceutical companies which “are constructing” manufacturing plants in the US or have “broken ground” would be exempt from the tariffs, according to President Trump’s post. This exemption may affect the scope of the tariffs, since many major brand-name drugmakers already produce in the US.

At present, brand-name pharmaceuticals imported into the US are predominantly manufactured in Europe. According to the EU-US trade agreement reached in July, products originating from the European Union should be subject to a maximum tariff rate of 15% in the future. However, in his announcement President Trump did not provide any specifics on the matter. Importantly, Switzerland and UK are large European producers which are not covered by the EU-US trade agreement.

President Trump’s announcement indicated that the proposed pharmaceutical tariffs may exclude generic drugs. Under the EU-US trade agreement, tariffs on generic medicines remain at the beneficial most-favoured-nation rate. This exemption is particularly

significant for generic drug manufacturers, who typically operate with narrower profit margins compared to brand-name producers. India remains the primary supplier of generic pharmaceuticals to the US market, providing 40% of total generics.

The impact of the tariffs on large trucks could be limited because they are mostly produced in the US – often also by European companies. The other large foreign producer of large trucks is Mexico.

The legal basis for the new tariffs is the Section 232 national security provision of 1962 trade legislation. The Trump administration has also applied this law to tariffs on steel, aluminum, cars, and copper. On Wednesday, it was announced that Section 232 investigations into imports of robotics, industrial machinery, and medical devices have started.

Tariffs imposed under Section 232 are separate from those involved in the current Supreme Court case related to the International Emergency Economic Powers Act. Therefore, even if the court rules against the president and requires the withdrawal of certain tariffs, those implemented under Section 232 would remain in effect.

### What does it mean for investors?

The recent announcement carries several significant implications.

Firstly, the overall effective US tariff rate is poised to rise from its current level of 16.8%. We have argued all along that higher tariffs primarily generate adverse effects for the US economy, particularly potentially harming US consumers with – at least temporary – upside risks for inflation.

The announcement also delivers some clarity regarding expected tariff measures. In previous months, the US President had indicated the possibility of imposing tariffs on pharmaceutical products, with rates as high as 250%.



The now-declared rate of 100% is therefore lower than earlier proposals. Moreover, many major pharmaceutical companies maintain production facilities within the US, which may moderate the sector's overall exposure.

Nonetheless, uncertainty remains considerable and is likely to weigh on equity markets until the official guidelines are released. It is still unclear whether the US administration will comply with the July agreement established with the EU, and details on which companies qualify for tariff exemptions have not yet been disclosed.

Furthermore, the initiation of additional investigations into possible new tariffs on robotics, industrial machinery, and medical devices is expected to sustain uncertainty in these sectors. This development reinforces our view that the US administration will persist in utilising tariffs as a key policy instrument.

The announcement may have implications for European pharmaceutical companies. Many of these companies already operate manufacturing facilities in the US and could thus be exempt from the new tariffs. Additionally, the 15% maximum rate on EU pharmaceuticals provides a level of protection, if confirmed by the US

administration; however, the specific details of the now announced tariffs are still required to allow assessment of their overall impact. At the time of writing the STOXX 600 Healthcare sector is largely unchanged.

Risks remain for the pharmaceutical sector, particularly as the US administration continues its efforts to lower pharmaceutical prices, though current prices already reflect a significant portion of this risk. The STOXX Europe 600 Healthcare sector is currently trading at its lowest price-to-earnings valuations in the past decade.

We recommend that investors regard the present low valuations as a potential entry point into a sector supported by robust long-term growth factors, including demographic shifts related to aging populations and increased global public expenditure on healthcare.

At the same time, we anticipate that shares of certain European large truck manufacturers will continue to face downward pressure until there is greater clarity regarding the tariff implications for trucks and components produced in Mexico, where some European firms manufacture 70-90% of their output.



Glossary

**Price/earnings (P/E)** ratios measure a company's current share price relative to its per-share earnings. The **STOXX Europe 600 Healthcare** tracks the performance of companies from the Healthcare sector.

Historical performance

	26.9.2020 - 26.9.2021	26.9.2021 - 26.9.2022	26.9.2022 - 26.9.2023	26.9.2023 - 26.9.2024	26.9.2024 - 26.9.2025
Stoxx Europe 600 Health Care	15.4%	-7.2%	19.2%	16.3%	-14.5%

Source: Deutsche Bank AG, Bloomberg Finance L.P., LSEG Datastream; Data as of September 26, 2025.

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