



Majority of Irish exports to the US still exempt from tariffs

President Trump's threat to impose 100% tariffs on pharmaceuticals from October 1st, albeit with a get-out clause for firms building plants in the United States, has failed to come to fruition. Rather, the White House has confirmed these tariffs have been paused, allowing time for similar deals, akin to that with Pfizer, to be concluded. In return for a 3-year exemption from any tariffs, Pfizer committed to \$70bn of fresh investment in the US and to provide price discounts to US Medicaid. So US pharmaceutical tariffs remain at 0% for now. The bulk of the €74bn of Irish goods exports to the US in 2024 were chemicals/pharmaceuticals, which remain mainly exempt. So Ireland's exposure to US tariffs remains low, with only 2-3% of total exports affected. Of course, this exposure could rise. On that point, in September, the Central Bank of Ireland revised up its projections for Irish GDP growth to 10.1% and 3.8% in 2025 and 2026 respectively, despite assuming a 15% US tariff would apply to Irish pharmaceutical exports.

President Trump threatens 100% tariffs on pharmaceuticals: On September 25th President Trump announced, via the Truth Social platform, that from October 1st, 100% tariffs would apply to any branded/patented pharmaceuticals. That is, unless the company in question is currently building pharmaceutical plants in the United States. Clearly this threat lacked detail, pharmaceutical tariffs due to come into effect in just five days and providing little time to determine which companies might be exempt. Most major pharmaceutical firms currently have production facilities in the United States, many recently announcing plans for fresh investment.

In the event, the 100% pharmaceutical tariffs have not been applied: The White House has now confirmed the October 1st pharmaceutical tariffs have been paused. Commerce Secretary Howard Lutnick said this reflects a decision to allow negotiations with multinational pharmaceutical companies to play out, following the recent 'deal' with Pfizer. The Pfizer deal announced this week exempts the company from tariffs for 3 years, secured by a commitment to invest \$70bn in the United States and provide discounts (up to 85% and 50% on average) to Medicaid. In late July, President Trump had sent letters to 17 pharmaceutical companies, demanding they lower their US drug prices, or face unspecified measures. The clear implication is that the threat of tariffs is being used as a stick to secure price discounts for Medicaid, which typically account for 5%-10% of large pharmaceuticals companies' US sales.

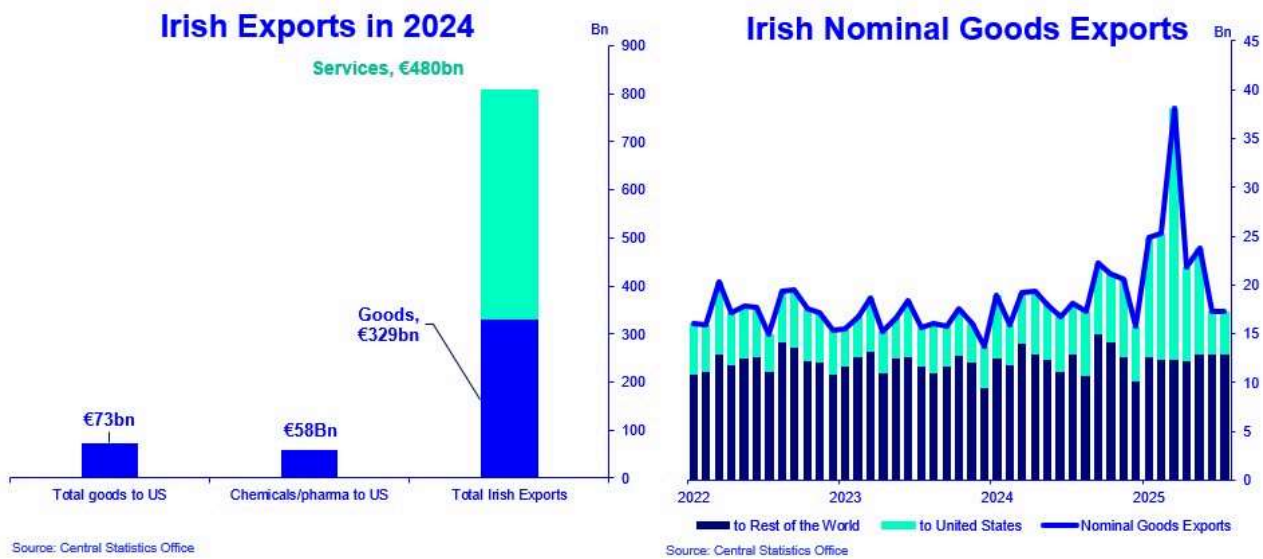
So the majority of Irish goods exports to the US remain exempt from tariffs: The EU/US trade deal had set a 15% ceiling on any future pharmaceutical tariffs that might apply to all countries. The White House confirmed this week they would abide by this agreement. However, for now, US tariffs on EU exports of pharmaceuticals remain at the Most Favoured Nation (MFN) rate, currently 0%. This probably now looks less likely to rise, given the Trump administration's strategy to secure investment commitments and price discounts for Medicaid. The bulk of the €73bn of Irish goods exports to the US in 2024 were chemicals/pharmaceuticals (€58bn), which are mainly exempt from tariffs. (**see chart**). So just 2-3% of Irish exports are currently exposed to tariffs. Hence, the Centre for Global Development estimated Ireland's effective (trade-weighted) US tariff rate is 3.8%, amongst the lowest in the OECD.

Official projections revised up, despite tariff threat: On September 18th the Central Bank of Ireland published its updated projections, based on the assumption a 15% rate would apply to all Irish goods exports to the United States, including pharmaceuticals. Despite these tariff assumptions, the Central Bank's forecasts are more optimistic than our own, at 10.1% and 3.8% GDP growth in 2025 and 2026 respectively. The Economic and Social Research Institute (ESRI) also revised up their forecasts in September, to 8% and 2% GDP growth in 2025 and 2026. In July, our Bank of Ireland forecast was for 8.1% and 3.2% GDP growth in 2025 and 2026, but we will revise this in the near future. The clear message from the official projections is that the imposition of pharmaceutical tariffs was expected to have a limited impact on aggregate export performance.

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