MAGMA – Advisory Council Presentation

Manufacturing Industry Policy & Tariffs
September 2025

Joe Carpenter Bio for MAGMA Advisory Council Presentation

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Background

Joe is a trained labor market economist focused on advising clients on location strategy and economic development strategies. He leads the team's developmental and technical functions, leverages market data and a deep network of relationships, and helps clients make location-intelligent decisions aligned with their overarching business strategies.

His team uses geographic information systems, spatial data science, and geospatial econometrics to craft innovative solutions to a wide range of location challenges. He excels at driving a team to use knowledge of and experience with data, computation, and visualization to help clients make better real estate decisions. He *loves* talking about maps and cartography.

Experience

- Led real estate geospatial data science team's development and delivery of multiple industrial site selection projects for clients across the US
- Works to advise economic development and regional investment committees like the Detroit Regional Partnership, the Southeast Michigan Community Alliance, and the Global Epicenter of Mobility to encourage and promote economic development across the region.
- Built locality-specific labor market analytics to support organizations' labor and talent need through the lens of location strategy
- Supported NY State's reopening plan by performing siting work on 400+ potential locations for Covid-19 testing sites
- Optimized a network of distribution centers to capture more customers with a smaller footprint
- Developed innovative algorithms for assessing 1,000s of potential sites' adherence to novel requirements

Macroeconomic situation & global tariffs update

Prepared for MAGMA Advisory Council
September 12, 2025

In brief: the global macroeconomy, especially the labor market, has been resilient—but lingering inflation and US tariffs are rocking the boat

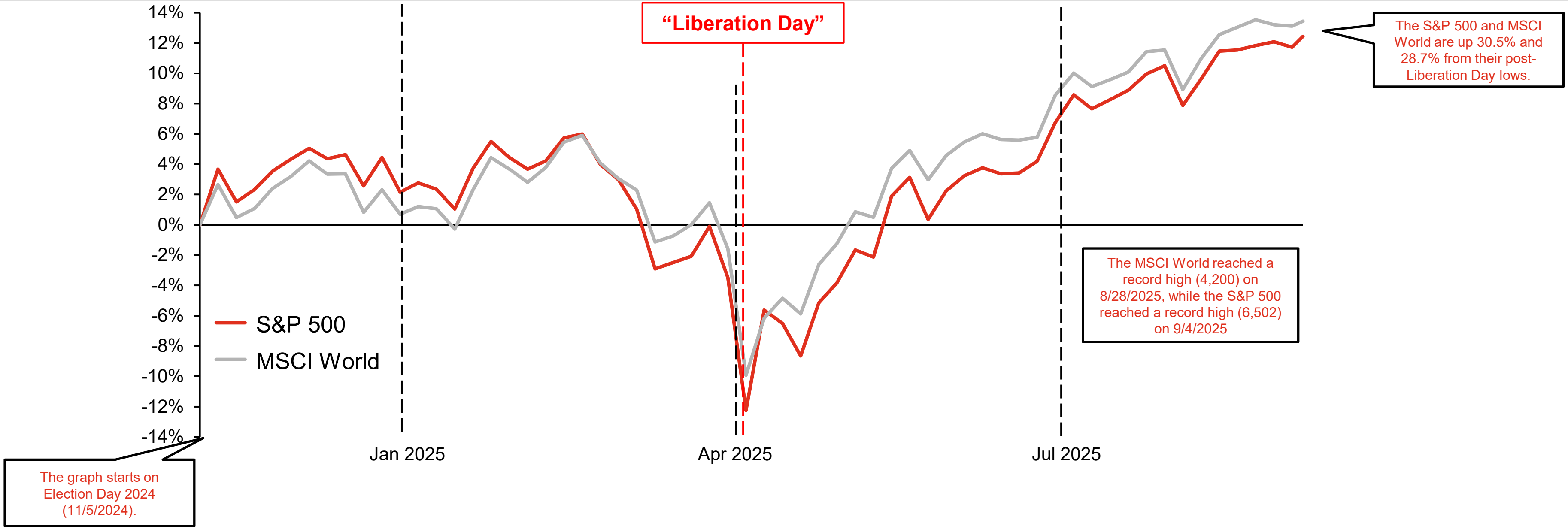
Global Macroeconomic Outlook

- **US tariff policy** has shifted as **several countries finalized trade deals** and others returned to negotiations, easing fears of a global trade war. However, a **lawsuit challenging Trump's tariffs** could pause collections or even force repayments.
- **Inflationary** impact of US tariffs emerging, with **US core inflation increasing in July** in line with estimates. Meanwhile, China has entered a **deflationary spiral**.
- **Borrowing costs** **are slowly coming down** in many regions as central banks assess the impact of recent rate cuts amid weakening economic data.
- **GDP** in Q1 **grew** in the US, China, UK, EU and India, though market sentiment suggests these gains were largely out of step with underlying economic conditions.
- **Unemployment** **data has been mixed and is trending downwards**, with jobless rates rising in the US and UK but remaining resilient in the EU. Tariff pressures weigh on export-driven economies like **China** and **India**, even as labor force participation increases.

The equity market has been volatile since Trump's reelection, but thus far has remained positive despite moving tariff policy

Equity Market Performance Since Trump's Election

Global equity markets have experienced **volatility** since Trump was elected and inaugurated, substantially driven by Liberation Day and the US administration's enactment of tariffs. However, after losing significant market value, the S&P 500 and MSCI World have rebounded to **record highs**, now standing **12.4%** and **13.4%** above their Election Day levels, and **30.5%** and **28.7%** above post-Liberation Day market lows.



US tariffs state of play: **Elevated**, with some key partners still higher than "liberation day"

Q2 2025 Tariff Rates Update

Tariff rates have shifted since Liberation Day **through trade deals and negotiations**, though an **ongoing lawsuit threatens Trump's strategy,** and raises the risk of significant repayments.

	Tariffs: Pre- and Post-Liberation Day			Explanation	
Geography	**January 2025** *Pre-Liberation Day*	**Liberation Day** *4/2/2025*	**Current** *As of 8/21/2025*	**Liberation Day vs. Current Change**	**Commentary**
China	**7.5% – 100%***	**125%**	**30%**	**-95%**	Negotiations are ongoing, with a recent temporary tariff truce in place through November 9, Recently, Trump threatened 200% tariffs if China curbs rare earth magnet exports to the US.
India	**0%**	**25%**	**50%**	**+25%**	The Trump administration raised reciprocal tariffs to a punitive 50% effective August 27, implementing a 25% penalty for purchasing Russian oil and weapons.
United Kingdom	**0%**	**10%**	**10%**	**0%**	The UK continues to face a 10% on most of its imported goods
Brazil	**0%**	**10%**	**50%**	**+40%**	Import taxes on Brazilian goods were raised as high as 50% on August 6, 2025. The Brazilian government estimates that the imposed tariffs will apply to ~$14.5 billion worth of goods.
European Union	**0%**	**20%**	**15%**	**-5%**	A written framework has been agreed with the EU earlier this month, but formal tariff reductions—especially on autos, pharmaceuticals, semiconductors, and lumber—are still pending implementation.
Japan	**0%**	**25%**	**15%**	**-10%**	The US and Japan entered into a trade agreement in late July in which tariffs were lowered to 15% and Japan committed to a $550 billion investment in the US.
Mexico	**0%**	**12%**	**25%**	**+13%**	The U.S. granted a 90-day tariff pause in exchange for USMCA compliance and border cooperation, but duties on non-compliant goods remain. Note this rate applies to just over a fifth of imports from Mexico.
Canada	**0%**	**10%**	**35%**	**+25%**	On August 1, 2025, President Trump raised tariffs on Canadian goods to 35%. Canada recently removed its 25% tariff on US goods in a bid to reset trade relations with the US. Note this rate applies to less than a tenth of imports from Canada.

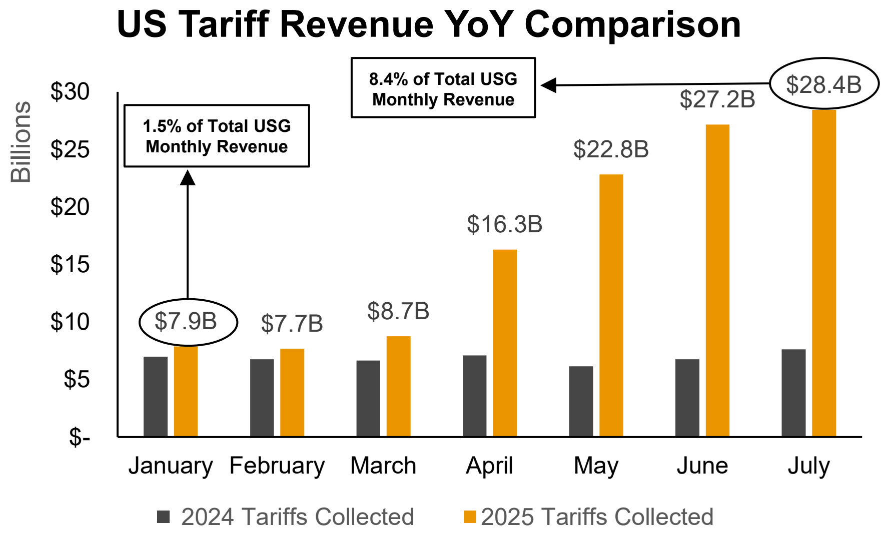
Trade deal finalized *Trade discussions ongoing*

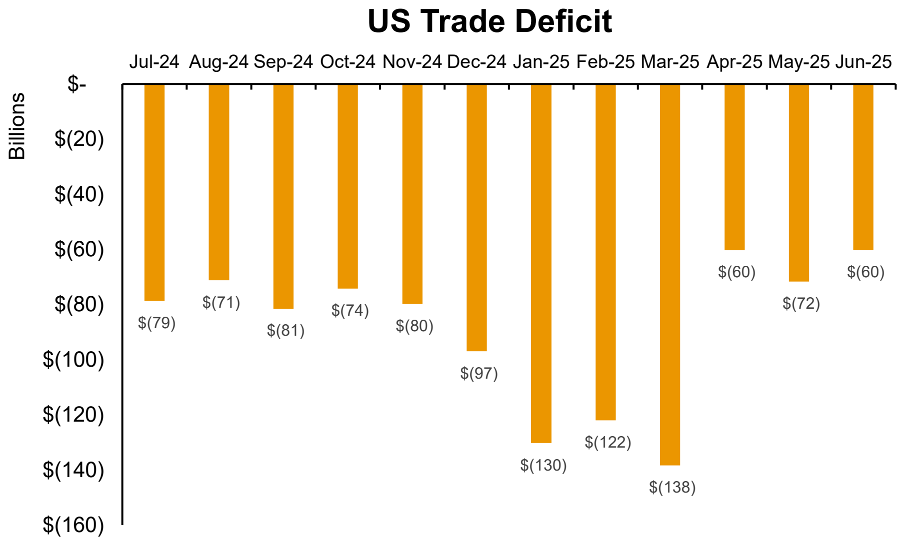
*In early 2025, steel and aluminum tariffs were set a 7.5%, semiconductors were tariffed at 50%, and electric vehicles were tariffed at 100%.

The US fiscal position is moderately improved by tariff revenues, but is still on an unsustainable path

US Tariffs/Trade Deficit

- The US Government ("USG") has **collected record levels of tariffs** in CY 2025, generating approximately $100 billion in tariff revenue since Trump's introduction of Liberation Day tariffs.
- The **US trade deficit surged in early 2025** as firms front-loaded imports ahead of tariffs **but narrowed sharply by June**, falling 16.6% to $60B, its lowest in nearly two years. Though tariffs currently account for only a small share of revenue, they could account for nearly $2-3 trillion over the next decade.
- Tariffs have started pressuring some consumer prices, but this effect is still small to date. Effective tariff rates are below statutory rates, showing US firms are proactively managing their imports to minimize cost impacts. Wholesale prices are up, seeing the most measurable tariff impacts. The **net impact of tariffs has not pushed inflation** beyond expectations to date.
- While higher tariff revenues may help the U.S. address its national debt, **firms and consumers face higher costs/prices, and inflationary effect could delay Fed rate cuts**.

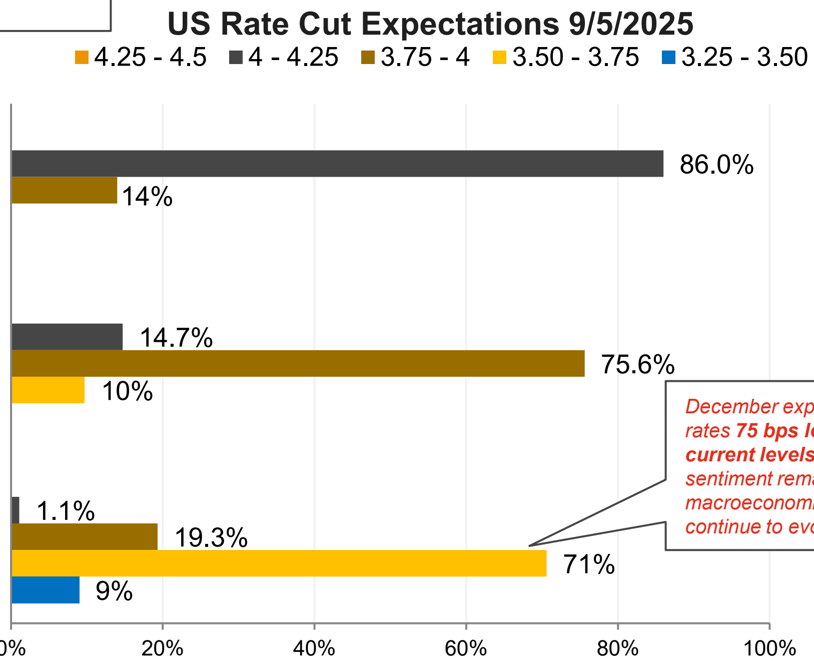




The market is expecting three rate cuts of 25 bps each by year end

*Market is signaling an **86.0% likelihood of rates being cut 25 bps** at the September Fed meeting.*

Current Fed Funds Target Range
4.25% - 4.50%



*December expectations favor rates **75 bps lower than current levels**, but market sentiment remains mixed as macroeconomic indicators continue to evolve.*

Market Expectations

- **Weakening labor market data** has markets now pricing in an **86% chance of a 25-bps cut and a 14% chance of a 50-bps cut.** The market is assigning **0% probability** that rates will remain flat at the upcoming meeting.
- Tariffs have so far been **less inflationary** than expected, with headline inflation holding at **2.7%** in July. Core prices, however, rose **3.1%** year over year, driven by accelerating services costs even as essentials like groceries and energy stayed stable. This contrast suggests the full impact of tariffs **may not yet have filtered through the economy**.
- The labor market is showing clearer signs of **cooling**, with July job gains **falling short of expectations** and **substantial downward revisions** to prior data indicating that employment has **barely grown since April**.
- In late August, **President Trump fired Fed Governor Lisa Cook**. If the action holds, Trump will be able to appoint a new member to the Fed Board, potentially aligning with his calls for rate cuts.
- Markets now see a **strong likelihood of a September rate cut**, with expectations rising significantly since June. By December, the probability of the Fed lowering rates by **50 bps** from current levels has climbed to **~47%**, up from **~40%** in June.

The Fed is adjusting monetary policy based on inflation and market conditions

2025 Federal Reserve Annual Jackson Hole Symposium

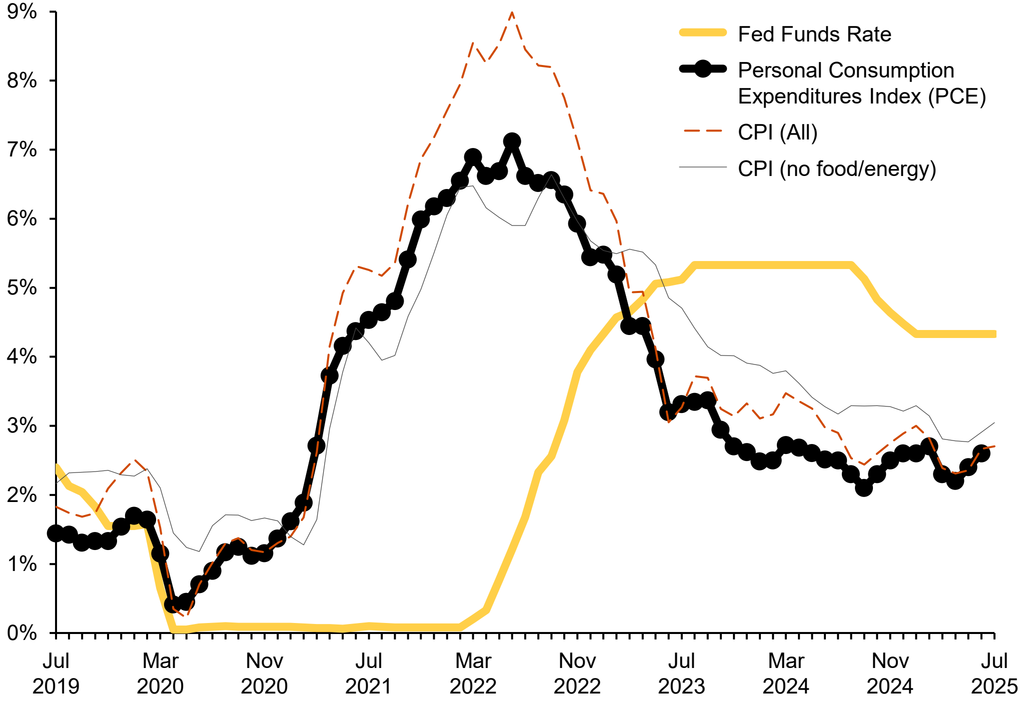
"With policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance." – Jerome Powell

On August 22, Fed Chair Jerome Powell gave his **clearest signal yet** that the central bank is **preparing for monetary easing**. While stopping short of a firm commitment, he reinforced market expectations that a **rate cut could come as soon as the September FOMC meeting**.

"This unusual situation suggests that downside risks to employment are rising." – Jerome Powell

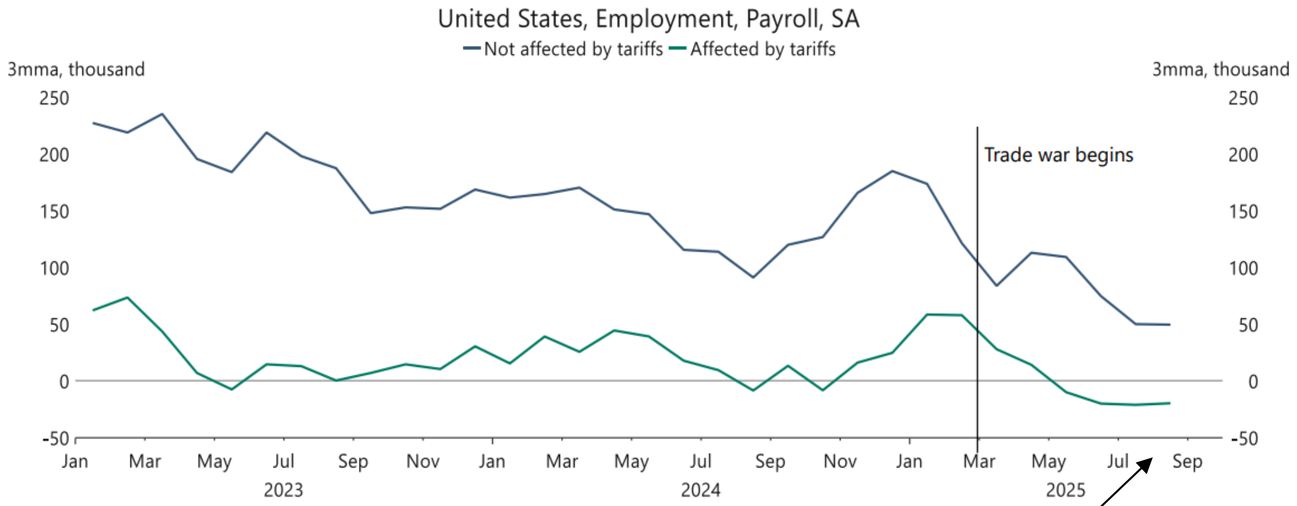
Powell highlighted **labor market deterioration** as the driving force behind the change in policy stance, noting the recent slowdown in monthly job growth, but questioned whether it reflected weaker employer demand or reduced labor supply due to immigration crackdowns.

Additionally, Powell stressed that **inflation is still high** and that tariff-related pressures require time to evolve, ultimately acknowledging that the Fed is in a *"challenging situation"* as its goals of low, stable inflation and a healthy labor market are at odds. As a result, Powell explained that the Fed must *"proceed carefully,"* suggesting a **measure approach to easing**.



*The **Consumer Price Index (CPI) measures the out-of-pocket expenditures of urban households**, while the **Personal Consumption Expenditures (PCE) index measures the consumption of goods and services by all households and nonprofit institutions**. The PCE covers a broader range of items and includes purchases made on behalf of households, such as employer contributions for medical care. The Fed prefers to track PCE inflation for its policymaking purposes, but the market broadly tracks all measures of inflation.*

Tariff-impacted sectors are **already seeing job losses**



Note: Sectors impacted by tariffs include manufacturing, mining and logging, construction, wholesales trade, retail trade, transportation and warehousing. Sources: US Bureau of Labor Statistics (BLS), Macrobond, Apollo Chief Economist

August 2025: U.S. payrolls increased by only 22,000 jobs, far below the roughly 75,000 economists had forecast—highlighting a marked softening in labor-market momentum. The unemployment rate edged up to 4.3%

Key Takeaways

- Sectors **less affected by tariffs** maintained consistently higher job growth throughout 2023–2025.
- In contrast, **tariff-impacted sectors** (manufacturing, mining, construction, trade, transportation) has seen slugging job growth over the past few years, and is **now losing jobs**.
- Non-tariff-affected industries are still seeing job growth under high tariffs, but the **rate of growth declined sharply**, suggesting spillover effects from broader economic uncertainty.
- The data strongly suggests tariffs reduced hiring and employment in key goods-producing sectors, while also **dampening overall job growth momentum** across the wider economy.