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Markets in a Minute

Key highlights

- **U.S. announces new wave of tariffs targeting the pharmaceutical sector:** President Trump announced new tariffs on branded and patented pharmaceuticals, along with a range of other products, effective from 1 October.
- **The impact of tariffs on U.S. jobs growth:** U.S. jobs growth has slowed significantly since tariffs were announced in April. Forecasts expect only 50,000 new jobs in September, the lowest figure since the COVID-19 pandemic.
- **A dramatic shift on the war in Ukraine:** In a high-stakes meeting in New York, President Trump met Ukrainian President Zelensky and signalled a major change in his stance on the Ukraine-Russia war, openly endorsing NATO's potential use of force to down Russian aircraft.



Watch the latest Markets in a Minute video with Guy Foster, Chief Strategist.

U.S. announces new tariffs

Last week wasn't a stellar one for stocks, even if the worst fears of September's seasonal weakness seem unlikely to materialise.

The calm in trade policy was broken once more with the latest announcement from U.S. President Donald Trump, who took to social media to reveal a slew of new tariffs set to come into effect on Wednesday.

The most eye-catching was the president's declaration that "branded or patented" pharmaceutical products will be subject to a 100% tariff, unless the company in question is actively building production plants in the U.S. This move could have a significant impact on the U.S. effective tariff rate – 'un-tariffed' pharmaceuticals currently make up 8% of U.S. imports, so imposing a 100% tariff on them ought to boost the effective tariff rate by eight percentage points. The effective tariff rate refers to the total amount of duties collected by the U.S. government, which is expressed as a percentage of the total value of imports.

While some companies may be able to mitigate the effects of these tariffs by leveraging their existing U.S. production facilities, the full impact of the measures remains to be seen.

A multi-billion-dollar pledge

The Trump administration secures pharmaceutical investment pledges of \$325 billion



Source: U.S. White House

Figure of the week

\$325bn

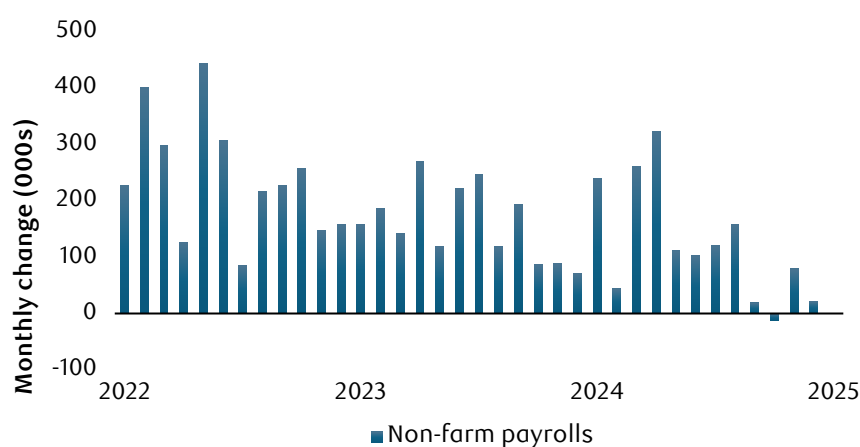
The amount of investment drug companies have promised the Trump administration as they seek to avoid tariffs.

It's worth noting that many pharmaceutical companies have already begun investing in U.S.-based production facilities, which may help reduce the sting of the tariffs. The Trump administration has secured promises of \$325 billion in pharmaceutical capital expenditure (capex).

So far this year, America's capex has been heavily concentrated on building out artificial intelligence (AI) capabilities, with other categories of investment being relatively weak. However, durable goods order data released last week suggested that orders for machinery manufacturing are increasing, which could be symptomatic of an increase in more general investment activity.

Increased investment would be welcome at a time when U.S. jobs growth seems to have almost ground to a halt and would otherwise weigh on growth.

U.S. jobs growth has ground to a halt since the tariff announcements in April



Source: LSEG Datastream

At the time of writing, there has been no additional detail offered beyond the social media post, so it remains unclear how strictly the requirement to have started building production plants will be enforced.

Another factor that may limit the overall impact of these tariffs is the significant stockpiling that has taken place in anticipation of their introduction. The long period of speculation ahead of the 'Liberation Day' tariffs allowed companies to build inventories and muted their immediate effects.

A major trade victory for the European Union?

The imminent onset of the tariffs reveals the value achieved by the European Union (EU) in securing an exemption from sector-specific tariffs as part of its trade deal with President Trump.

This could prove to be a major victory, particularly for Ireland. In 2024, U.S. imports of medicinal and pharmaceutical products reached \$234 billion – the top 10 exporters to the U.S. were led by Ireland (\$65.7 billion, 28.1% of total imports). In contrast, the UK and Switzerland, which are not EU members, have not been afforded the same protection.

The UK deal included references to special rates being considered in the event of tariffs being introduced under Section 232, but no concrete agreement has been reached. As the situation continues to unfold, investors will be watching closely to see how these tariffs play out and what impact they will have on the global economy.

“Considering the exemptions for U.S. production, existing commitments to expand domestic manufacturing, the EU exemption, and prior stockpiling efforts, the new tariffs are likely to have much less impact than their headlines suggest.”

Considering the exemptions for U.S. production, the existing commitments to expand domestic manufacturing, the EU exemption, and prior stockpiling efforts, the tariffs are likely to have much less impact than their headlines suggest.

It would also be politically prudent to avoid causing the price of medications to double at a time when many Americans believe the president should be counting reducing inflation as one of his top priorities.

In addition to the pharmaceutical tariffs, President Trump also announced tariffs on a range of other products, including heavy trucks (25%), upholstered furniture (30%), and kitchen and bathroom furniture (50%).

Trump meets Zelensky

President Trump and Ukrainian President Volodymyr Zelensky met last week on the sidelines of the United Nations General Assembly in New York. The tone was dramatically different from that of the ill-fated February meeting between the two (and U.S. Vice President JD Vance).

The most significant outcome was a major public shift in Trump's stance on the war. The president declared that Ukraine could win back all of its territory from Russia and explicitly endorsed the potential for NATO to use force to shoot down Russian aircraft.

Coming up

- **Jobs growth:** September's U.S. jobs growth is expected to be just 50,000, the lowest forecast since the COVID-19 crisis.
- **The Labour Party Conference:** The government will use its conference to try and reset its agenda.
- **China holiday:** The booming Chinese market will close for Golden Week from Wednesday.



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