

Pharmaceuticals and Biotech excluded from tariffs announced by Trump

Pharmaceutical and biotechnology companies breathed a sigh of relief after President Donald Trump's tariff announcement on Wednesday afternoon excluded pharmaceutical products. A White House informational document confirms that drugs are exempt from the tariffs.

During the event following the tariff announcement, Trump expressed concern that many drugs are produced outside the United States and that supply issues could arise in the event of wars. However, he noted that several large pharmaceutical companies, such as Johnson & Johnson (JNJ), Eli Lilly (LLY), and Merck (MRK), have recently announced investments in production within the United States.

Most active pharmaceutical ingredients (APIs), which are used to produce generic drugs (which represent 9 out of 10 prescriptions in the United States), are instead produced abroad, particularly in India, China, and the European Union, which also manufacture a significant amount of finished products. According to the U.S. Pharmacopeia, in 2021, India produced nearly half—48%—of the APIs used in drugs consumed in the United States, while Europe produced 22%, and China produced 13%. Only 10% of APIs in 2021 were produced in the United States.

If active pharmaceutical ingredients (APIs) were subject to tariffs, generic drug manufacturers, such as Viatris or Teva Pharmaceutical, could face a significant impact.