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Economy

As new tariffs loom, United shrugs while Abbott braces for a hit

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Credit: Bloomberg

Scott Kirby, left, and Robert Ford

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Heading toward an Aug. 1 deadline for new tariffs, winners and losers are starting to emerge.

On the same day that United Airlines CEO Scott Kirby told analysts the worst of the tariff anxiety has passed for his company, Abbott Laboratories CEO Robert Ford warned investors to brace for a $200 million tariff headwind.

“Demand was weak for the last five months due to high levels of uncertainty for both businesses and consumers,” Kirby told analysts yesterday, pointing to tariffs, as well as taxes and tensions in the Middle East, as pressures on the airline business. “In the past few weeks, the level of uncertainty has declined.

"While tariffs are not yet certain, I think the market and most businesses have a much better read on how they’ll manage in a narrower range of outcomes,” he added.

The Chicago-based airline says sales increased 6 percentage points in July from the secc d quarter, with double-digit improvement in business travel revenue.

United shares rose 3% to $91.22 yesterday. Airlines such as United were hard-hit by tariff woes and a stock market drop that followed. United shares were as low as $55.18 on April 8, down from a high of $109 on Feb. 7.

Shares in Abbott, meanwhile, fell 8.5% to $120.51, as the North Chicago-based company forecast third-quarter earnings below Wall Street’s expectations, in part because of tariffs.

Abbott, which has 90 manufacturing sites worldwide, illustrates how challenging it is to navigate an ever-changing tariff map. Tariffs on Chinese goods have risen 30 percentage points this year. Levies of 30% on goods from Mexico and the European Union could take effect Aug. 1. Abbott said in April that it planned to make new investments in U.S. manufacturing to blunt the impact of potential tariffs on the industry.

“Every product has a tariff from China," said Nick Klein, vice president of sales and marketing at OEC Group, an Illinois logistics company.

Tech manufacturing, including laptops and cellphones, is being hit hard with both metal and rare minerals sourced from high-tariff countries like China and other parts of Asia.

Industries that rely on steel and metal, such as auto manufacturing, also are feeling the pinch.

Yet tariffs have created opportunity for domestic suppliers, such as Rheo Engineering, a material-handling and process-technology company in Peoria that serves pharmaceutical companies. “Their phone had been ringing, and companies were asking, 'Can you increase production? We want to increase it,' ” said Mark Denzler, CEO of the Illinois Manufacturers' Association.

Some companies have stockpiled inventory from overseas ahead of tariffs, but production constraints limit that strategy. Others are moving to source away from China, where tariffs are felt strongest, to countries such as India and Vietnam, but the process takes time.

“There’s no way we can just stop buying from China this year,” Klein said. “You can't build a factory fast enough.”

The agricultural sector, which has struggled from low commodity prices in the past few years, is also taking a hit from U.S. duties on imported steel that drive up prices for equipment and fertilizer as its exports of corn and soybeans get more expensive to overseas buyers.

"They are getting squeezed on both ends," Denzler says.

Those who rely on food imports are looking for products closer to home, but some food ingredients cannot be produced in mass quantities on U.S. soil, like coffee or certain tea.

“Even if we wave a magic wand, it can’t be done here,” said Robb Karr, president and CEO of the Illinois Retail Merchants Association.

Jon Asplund contributed.