



State of U.S. Tariffs: October 17, 2025

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Key Takeaways

1

The Budget Lab (TBL) estimated the effects all US tariffs and foreign retaliation implemented in 2025 through October 17, including the recently implemented tariffs on certain wood products. TBL assumes that these tariff policies remain in effect in perpetuity.

2

Current Tariff Rate: Consumers face an overall average effective tariff rate of 18.0%, the highest since 1934. After consumption shifts, the average tariff rate will be 17.0%, the highest since 1936.

3

Overall Price Level & Distributional Effects: The price level from all 2025 tariffs rises by 1.3% in the short-run, the equivalent of an average per household income loss of \$1,800 in 2025\$. This assumes the Federal Reserve does not react to tariffs and so the real income adjustment comes primarily through prices rather than nominal incomes; if the Federal Reserve reacted, the adjustment could in part come in the form of lower nominal incomes. Annual pre-substitution losses for households at the bottom of the income distribution are more than \$1,000. The post-substitution price increase settles at 1.1%, a \$1,500 loss per household.

4

Commodity Prices: The 2025 tariffs disproportionately affect metals, leather, and apparel products, with consumers facing price increases of between 28% and 40% in the short run. These prices stay about 10% to 14% higher in the long run.

5

Real GDP Effects: US real GDP growth over 2025 and 2026 is about -0.5 pp lower each year owing to new 2025 tariffs. In the long run, the US economy is persistently -0.4% smaller, the equivalent of \$125 billion annually in 2024\$.

6

Labor Market Effects: The unemployment rate rises 0.3 percentage points by the end of 2025 and 0.7 percentage points by the end of 2026. Payroll employment is 490,000 lower by the end of 2025.

7

Long-Run Sectoral GDP & Employment Effects: In the long run, tariffs present a trade-off. US manufacturing output expands by 2.5%, but these gains are more than crowded out by other sectors: construction output contracts by 3.8% and agriculture declines by 0.3%.

8

Fiscal Effects: All tariffs to date in 2025 raise about \$2.5 trillion over 2026-35, though slower economic growth reduces revenues and brings the net dynamic revenue to \$2.0 trillion.

Changes Since the Last Report

TBL has incorporated the following changes since the [September 26 report](#):

New Economic Assumptions. TBL updated our model to more accurately capture exposure of domestic consumption to imports based on new 2024 input-output data from BEA, somewhat reducing the estimated consumer price impact of tariffs all else equal.

New Policy. TBL incorporated official Section 232 tariffs on softwood timber and lumber, based on newly available proclamations and annexes.

Refinements to Previously Reported Policy. Since the last update, TBL obtained additional information that necessitated several adjustments to reported tariff rates and scope:

- The previous report included tariffs on certain pharmaceuticals and heavy trucks announced by the President. However, these have not yet become effective policy; they remain threats or previews pending the conclusion of official Section 232 investigations. Consistent with TBL's "real-time current policy" baseline—where policy as it stands as of a date certain is assumed to continue in perpetuity—these tariffs have been removed from the analysis until they become effective.
- Cabinet and furniture tariffs were initially reported at 50% and 30% respectively, based on informal presidential announcements. Official proclamations revealed that current rates are 25% and 25%, scheduled to rise to 50% and 30% in January. Under our current policy methodology, this analysis reflects the 25%/25% rates in effect as of this report.
- The official proclamations also disclosed country-specific rates for cabinet and furniture products negotiated with the EU, UK, and Japan that were not previously public.
- TBL also refined its analysis of tariff interactions based on clarifications of how USMCA exemptions apply across different Section 232 tariffs. USMCA exceptions now apply only to Section 232 auto tariffs.

Current Tariff Policy as of October 17

U.S. Tariffs****

Retaliatory/Deal Tariffs

20% broad tariff on all Chinese imports (effective February 4; increased March 4)

China 10%/15% list (announced February 4)

10% tariff on Canadian potash and energy (effective April 2)

Canada 25% list (announced March 4)

25% tariff on all Mexican imports. 35% on other Canadian imports* (prior 25% rates effective March 4, 35% rate effective August 7)

China 10%/15% list (announced March 4)

25% tariff on all automobiles, with an exemption for US content and a discount through April 2027 on parts tariffs for US-assembled autos** (effective April 3), reduced to 10% on the first 100K UK imports (announced May 8), 15% on the EU (announced July 31).

Canada 25% list (announced March 13)

50% tariff on all steel and aluminum imports (effective March 12, raised May 30), 0% on the UK (announced May 8), extended to steel derivative products (effective June 23)

China broad 125%, lowered to 10% for 90 days (announced April 4; increased April 11; lowered May 12)

50% tariff on copper imports, clarified to exclude refined copper and copper ore (announced July 8, effective August 7).

UK reduction in ethanol tariff on the US to 0% (announced May 8)

Modified April 2 announcement: 10% minimum tariffs on all countries ex. China, Canada, & Mexico; 125% tariff on China lowered to 10% for 90 days on May 12 (effective April 9, modified April 9, 90-day duration)***. July 31 unilateral announcements and bilateral deals with Japan, Indonesia, the Philippines, & the EU (effective August 7). 50% tariff on India.

August 22 announcement: Canada effectively dropping most of their retaliatory tariffs against the US. August 20: US expanded the scope of steel & aluminum tariffs.

US-Vietnam July 2 framework: 20% broad tariff, 40% tariff on goods transshipped from China

Various wood-related tariffs: 10% on softwood lumber and timber; 25% on certain wooden cabinets, vanities, and upholstered furniture, with lower rates for Japan, the UK, and the UK (effective October 14).

* USMCA-compliant trade remains duty-free. TBL assumes that 48% of imports by value from Mexico are USMCA-compliant, while 50% of imports from Canada are compliant.

** TBL assumes that 40% of automobile content in imported motor vehicles from Canada and Mexico are of US origin. For the purposes of the auto tariff rebate, TBL assumes that 1/3 of imported autos are assembled in the US.

*** The tariffs announced on April 2 apply to most imported goods but exempt steel, aluminum, and autos—which have already been tariffed separately this year—as well as copper, pharmaceuticals, semiconductors, lumber, energy, and critical minerals. The Administration clarified the scope of the semiconductor exemption on April 13. TBL carved out these commodities in its analysis of the April 2 announcement but does stack tariffs on those commodities from earlier announcements where applicable.

**** Executive Order 14289 prevents many tariffs from stacking with one another and establishes the stacking order for tariffs, with the Section 232 automobile tariffs being the highest priority.

Table: The Budget Lab • Created with [Datawrapper](#)

Results

The table below summarizes the effects of current tariff policy as of October 17, **assuming it stays in force indefinitely**.

Table 1. Summary Economic & Fiscal Effects of 2025 Tariffs through October 2027

	Conventional Score****			
	2026-35		In Equilibrium	
	\$billions	% of GDP	% Change in PCE Price Level**	Decline in Average Post-Tax-And-Transfer Income per Household (2025\$)
All 2025 Tariffs to Date	\$2,527	0.7%	1.34%	-\$1,808

** Pre-substitution. *** Post-substitution.

**** Under relaxed conventional assumptions.

Table: The Budget Lab • Source: Congressional Budget Office, S&P Global, GTAP v7 [Corong et al (2017)], GTAP-RD, The Budget Lab analysis. • Created with [Datawrapper](#)

Average Effective Tariff Rate

The distinction between *pre-substitution* metrics (before consumers and businesses shift purchases in response to the tariffs) and *post-substitution* (after they shift) is a crucial one. One metric where the difference is meaningful is the average effective tariff rate.

Measured pre-substitution—assuming there are no shifts in the import shares of different countries—the 2025 tariffs to date are the equivalent of a 15.6 percentage point increase in the US average effective tariff rate. That calculation assumes that, for example, the share of imports from China remains at 14%, where it was in 2024. This is the right way to think about the tariffs from the perspective of consumer welfare, since it reflects the full cost faced by consumers before they start making difficult spending choices. This increase would bring the overall US average effective tariff rate to 18.0%, the highest since 1934.

The effective tariff rate implied by policy has fluctuated substantially this year, starting at 2.4% in early January and peaking at 28% in the wake of the April 9 and 13 announcements.

Post-substitution—after imports shift in response to the tariffs—the 2025 tariffs are a 14.6 percentage point increase in the US average effective tariff rate, which brings the overall US effective tariff rate to 17.0%, the highest since 1936.

The timing of the transition from “pre” to “post” substitution is highly uncertain. Some shifts are likely to happen quickly—within days or weeks—while others may take longer.¹

Table 2. Average Effective US Tariff Rate, New 2025 Policy through October 17

Pre- and post-substitution

	Effective Tariff	Import Share		Average Effective Tariff	
		Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
China	27.8	14%	9%	3.8	2.4
Canada	9.2	13%	15%	1.2	1.4
Mexico	9.6	15%	19%	1.5	1.8
Rest of World	15.7	58%	57%	9.1	9.0
Total		100%	100%	15.6	14.6

Table: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

Figure 1. Average Effective US Tariff Rate, New 2025 Policy through October 17

By Country Contribution and Pre/Post Substitution Percentage points

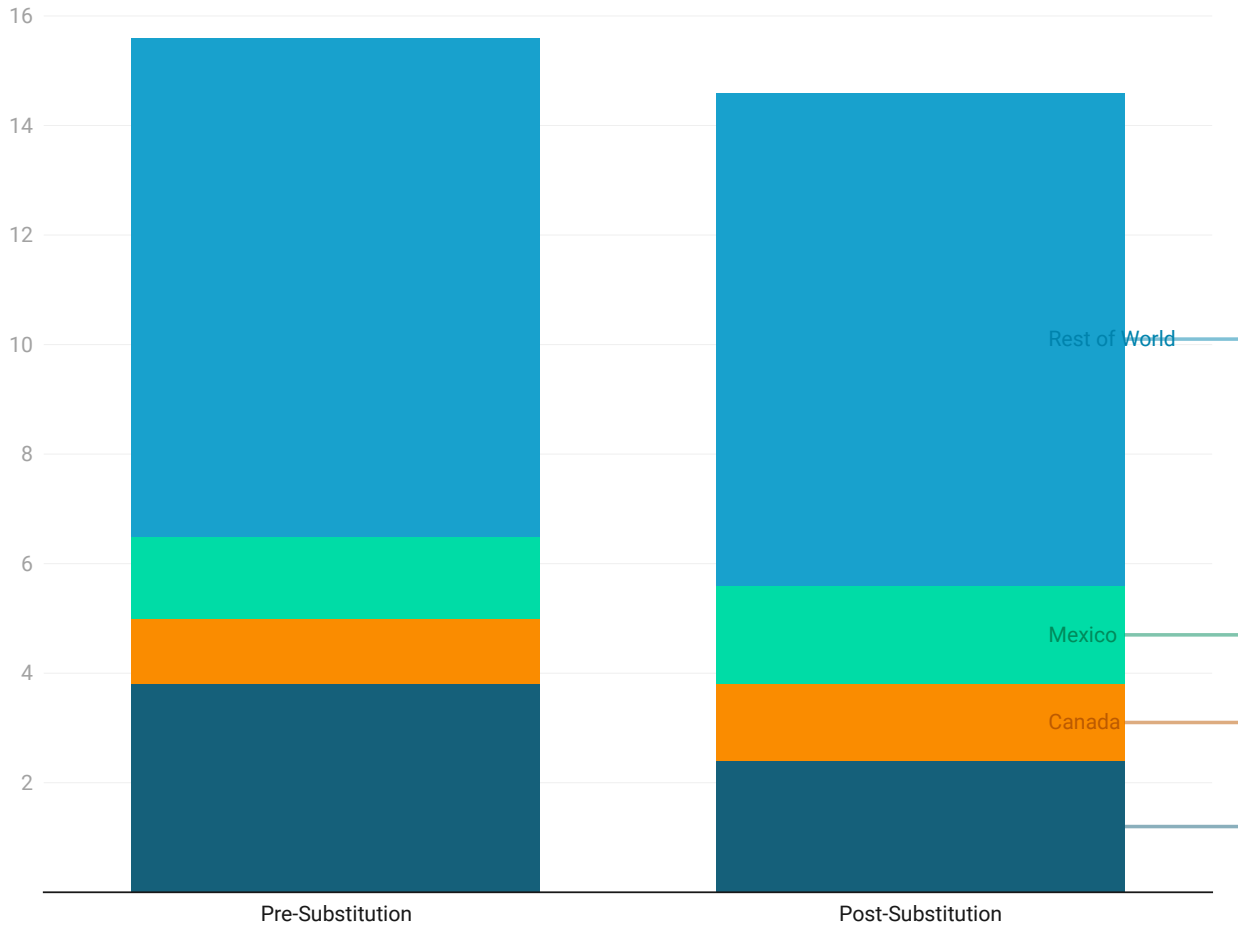


Chart: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

Figure 2. U.S. Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports

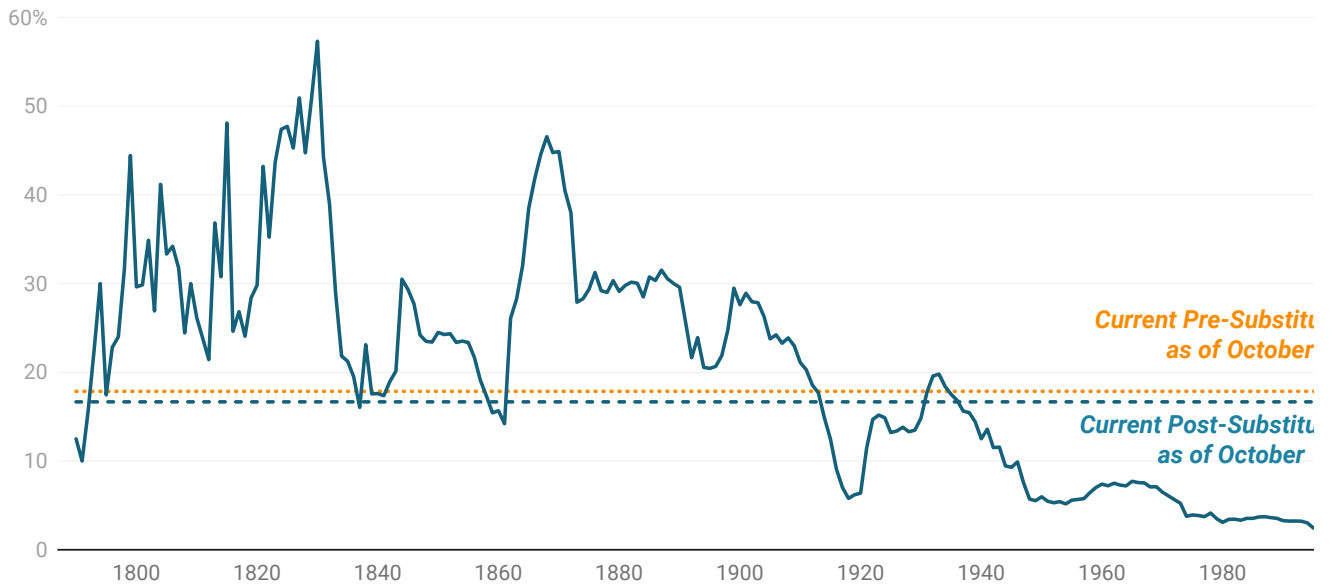


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datavrapper](#)

Figure 3. U.S Average Effective Tariff Rate Since January 1, 2025

Policy as of October 17, Pre-Substitution
Percent of goods import

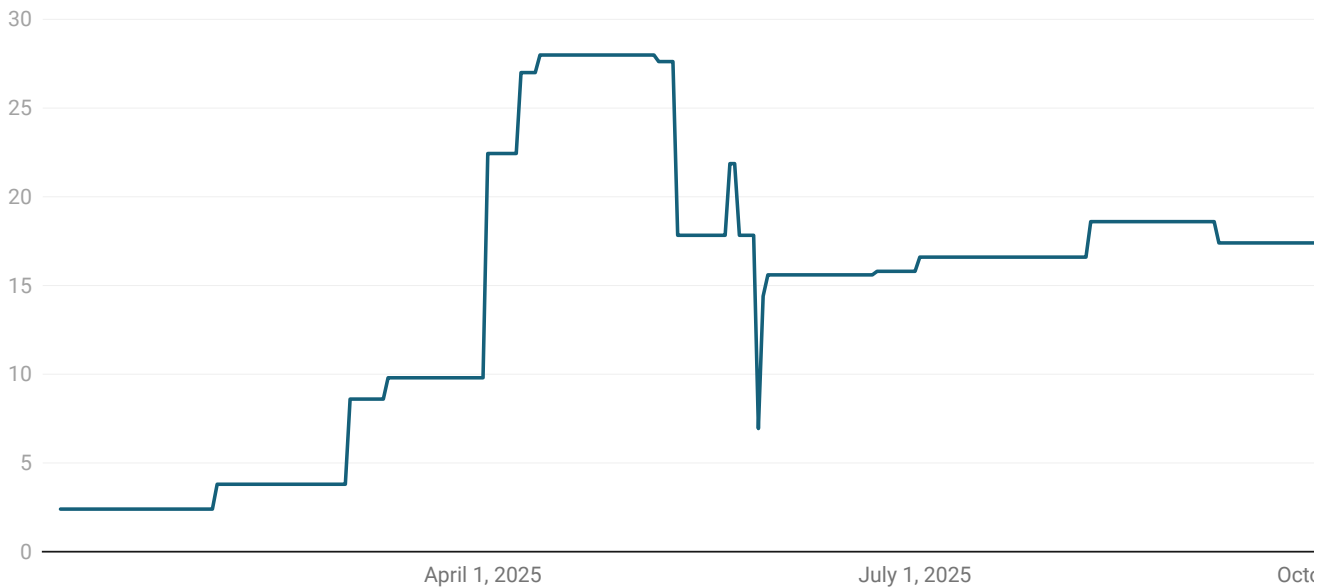


Chart: The Budget Lab • Source: The Budget Lab analysis. • Created with [Datavrapper](#)

Average Aggregate Price Impact

The 2025 tariffs imply an increase in consumer prices of 1.3% in the short-run, assuming no policy reaction from the Federal Reserve and full passthrough of tariffs to consumers. As a result, TBL assumes the real income adjustment comes **primarily through prices rather than nominal incomes**. If the Federal Reserve reacted, the adjustment could in part come in the form of lower nominal incomes. This is a pre-substitution number that captures consumer welfare

effects. It is the equivalent of a short-run income loss² of about \$1,800 per household on average in 2025 dollars. The post-substitution price increase settles at 1.1%, a \$1,500 short-run loss per household.

US Real GDP & Labor Market Effects

All 2025 US tariffs plus foreign retaliation lower real GDP growth by -0.5 pp over calendar years 2025 and 2026. The unemployment rate ends 2025 0.3 percentage point higher and 2026 0.7 percentage point higher, and payroll employment is 490,000 lower by the end of 2025. The level of real GDP remains persistently -0.4% smaller in the long run, the equivalent of \$125 billion 2024\$ annually, while exports are -15% lower.

Figure 4. U.S. Real GDP Level Effects of 2025 Tariffs to Date

U.S. tariffs implemented through October 17
Percentage point change against baseline

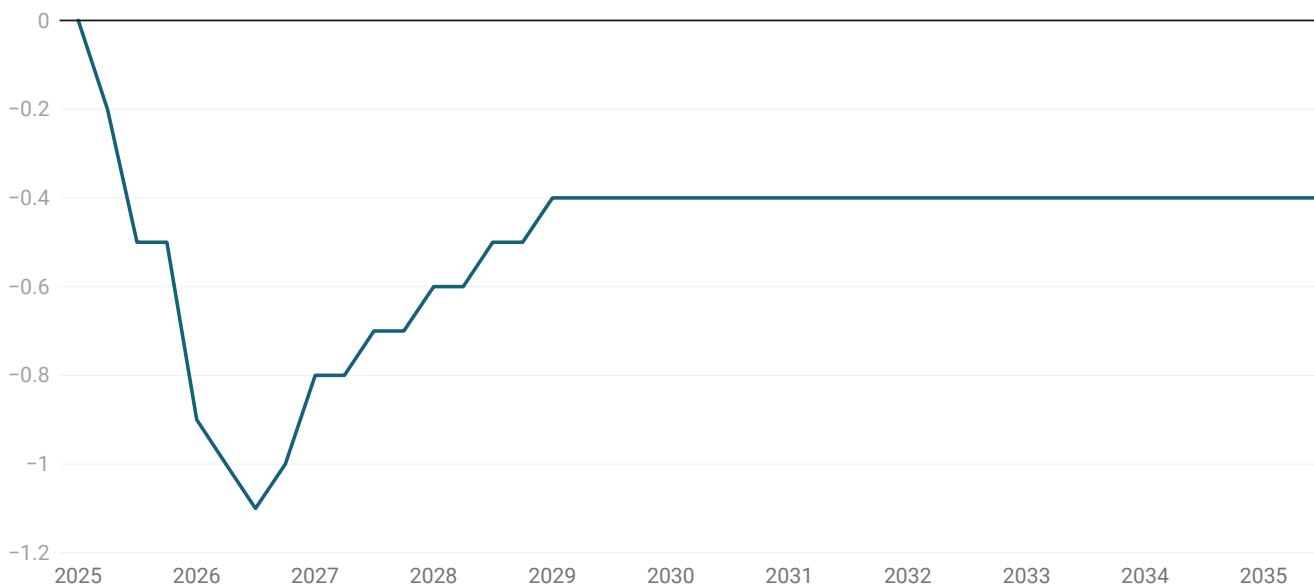


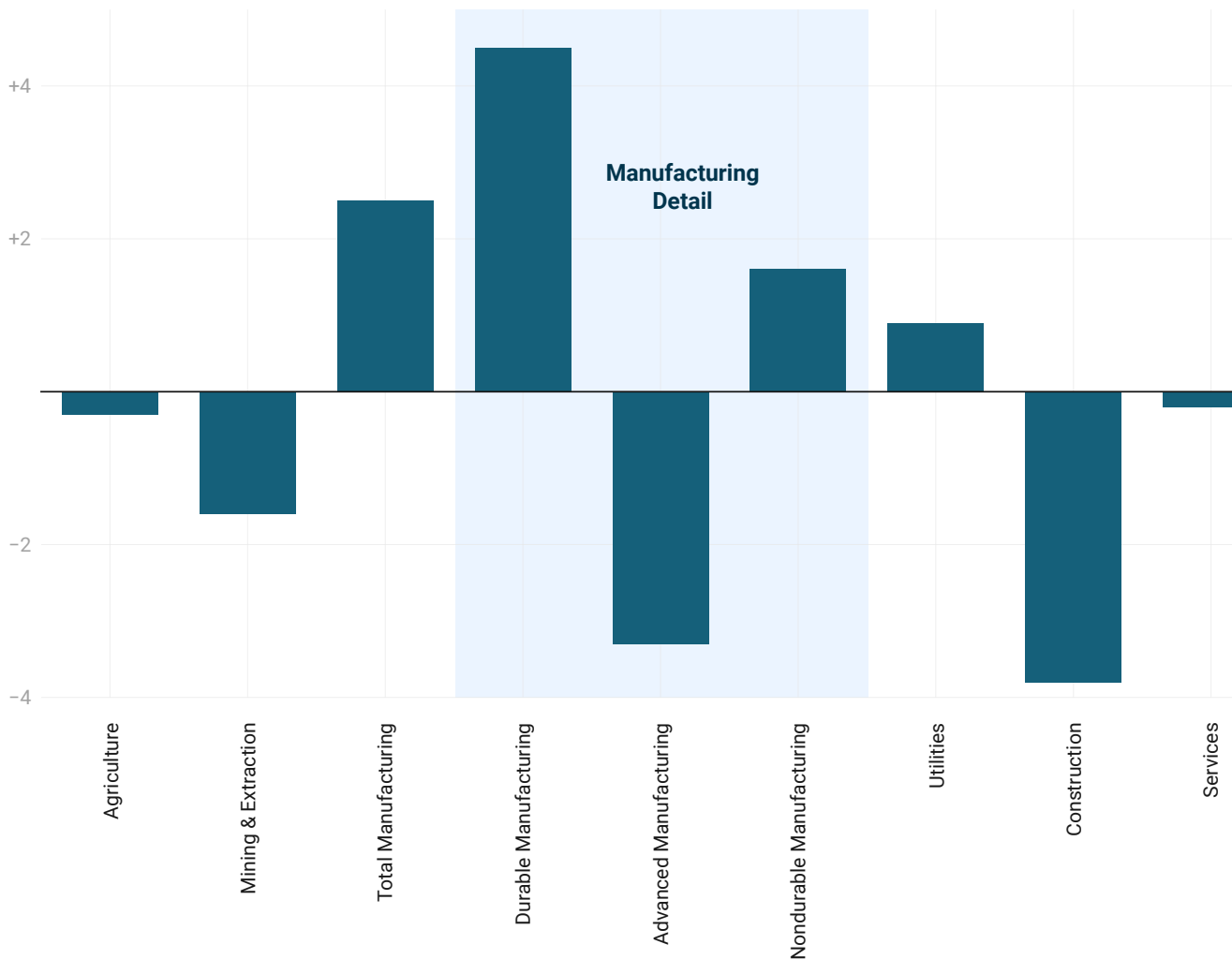
Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datawrapper](#)

Long-run US Sectoral Output & Employment Effects

Tariffs shrink the overall size of the US economy in the long-run by 0.4%, but beneath aggregate GDP they also drive reallocation across US sectors. Long-run output in the manufacturing sector expands by 2.5% under the tariffs, with nonadvanced durable manufacturing output 4.5% larger and nondurable manufacturing 1.6% larger. However, advanced manufacturing is down by 3.3%. Moreover, the expansion of the overall manufacturing sector more than crowds out the rest of the economy: construction contracts by 3.8%, agriculture by 0.3%, and mining & extraction by 1.6%.

Figure 5. Change in Long-Run Real U.S. GDP by Sector from 2025 Tariffs

U.S. tariffs implemented through October 17, plus foreign retaliation.
Percentage points.



Real value added by sector.

Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

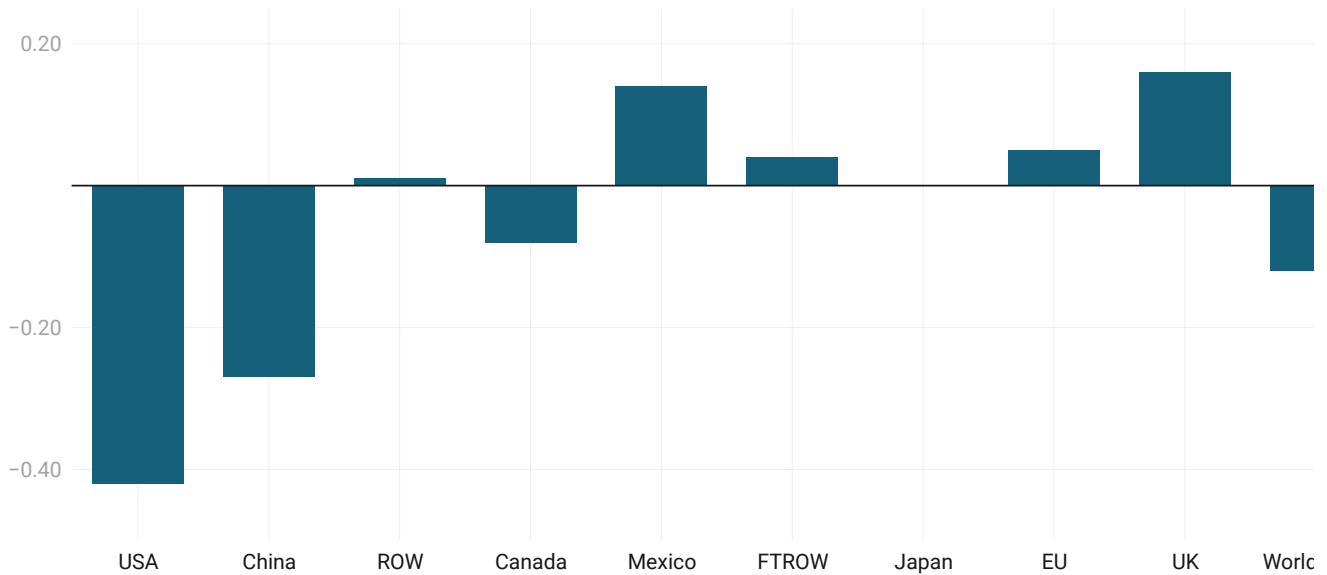
Global Long-run Real GDP Effects

Mexico is the biggest winner from the 2025 tariffs to date, with its economy about 0.1% larger in the long-run.

Canada's economy is 0.1% smaller in real terms. China's economy is -0.3% smaller, roughly two thirds as large as the hit to the US. The EU's economy is 0.05 percentage point larger in the long-run, while the UK's is almost 0.2% bigger thanks in part to the benefits of the US-UK trade deal.

Figure 6. Long-Run Change in Real GDP Level from 2025 Tariffs to Date

U.S. tariffs implemented through October 17
 Percentage point change



FTROW = countries with a comprehensive free trade agreement with the US
 ROW = all other countries

Chart: The Budget Lab • Source: GTAP v7 [Corong et al (2017)], The Budget Lab analysis. • Created with [Datawrapper](#)

Fiscal Impact & Historical Context

The 2025 tariffs to date, were they to remain in place, would raise more than \$2.5 trillion over 2026-35 conventionally-scored (\$2.3 trillion over 2025-34).^{3,4} Given the negative output effects of the tariffs, these new revenues will be partially offset by reductions in tax revenue as a result of lower growth. Based on Congressional Budget Office rules-of-thumb, TBL estimates that these effects would more than -\$4 billion over the decade about \$1 trillion (\$1.9 trillion over 2025-34).

Table 3. Estimated Revenue Effects of All 2025 Tariffs, as of October 17

By Fiscal Year
 Billions of dollars

	2025*	2026	2027	2028	2029	2030	2031	2032	2033
Conventional	111	228	220	228	236	244	254	264	274
Dynamic	103	183	163	178	195	204	212	219	226
<i>Dynamic effect</i>	-8	-44	-57	-50	-41	-40	-42	-45	-48

* FY2025 reflects actual tariff revenue to date.

Table: The Budget Lab • Source: Source: Congressional Budget Office, GTAP v7 [Corong et al (2017)], The Budget Lab analysis. • Created with [Datawrapper](#)

Short-run Distributional Impact

One way to measure the distributional burden of tariffs is to look at the relationship between consumption, which gets more expensive under tariffs, and income for a given year. Under this view, tariffs are a regressive tax, since lower-income households spend a larger fraction of their income than higher-income households do, on average.

TBL finds that the short-run burden on the first decile is more than three times that of the top decile (-2.7% versus -0.8%). The average annual cost to households in the first and top decile rise to \$1,000 and \$4,100 respectively in 2025\$. The median cost is about \$1,500 per household.

Figure 7. Short-Run Distributional Impact of 2025 Tariffs to Date

Through October 17

Percentage points of disposable income by household income decile

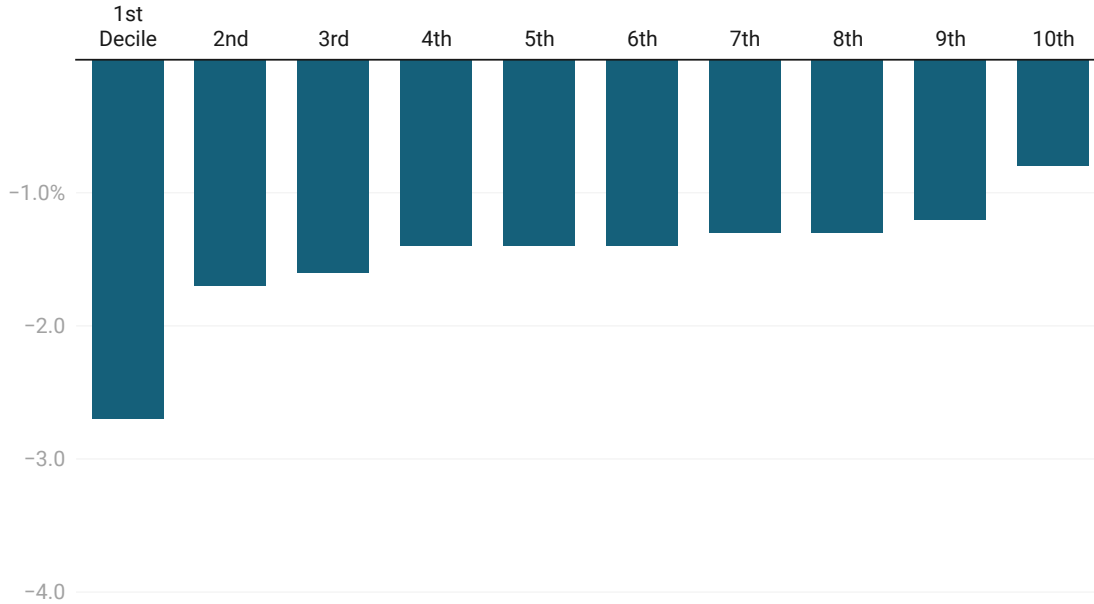


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datavrapper](#)

Constant 2025\$ of Average Disposable Income per Household

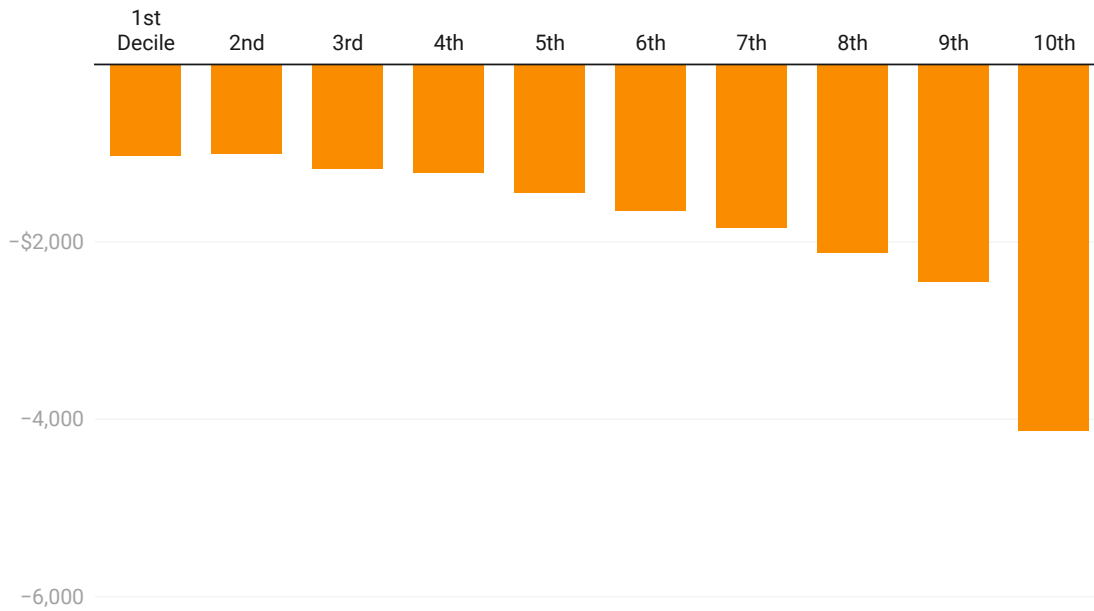


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datavrapper](#)

Commodity Price Effects

The charts below show how the 1.3% price level increase from the 2025 tariffs to date would look across individual commodities in the short-run (pre-substitution), as well as the 1.1% long-run price increase (post-substitution).

Some high level takeaways:

- Metal imports are a central target of recent tariffs. Depending on the type of metal, short-run prices impacts range from 9% to 40%. In the long run, this range is 5% to 14%. Consumers face particularly high increases in leather and clothing in the short run: prices increase 29% for leather products (shoes and hand bags), 28% for apparel, and 17% for textiles. After substitution and global supply shifts in the long run, prices remain 10%, 10%, and 6% higher, respectively.
- Food prices rise 2.0% in the short run and stay 1.8% higher in the long run.
- Motor vehicle prices rise 9% in the short run and 5% in the long run, the equivalent of an additional \$4,500 and \$2,600 respectively to the price of an average 2024 new car.

Figure 8. Commodity Price Effects from 2025 Tariffs through October 17

Percent change to price level

name	Short Run	Long-Run
Metals nec	40.3	14.0
Leather products	29.4	10.2
Wearing apparel	27.8	9.8
Crops nec	23.3	8.4
Electrical equipment	20.7	7.7
Ferrous metals	19.2	7.3
Textiles	17.3	6.3
Computer, electronic and optical	12.2	3.8
Mineral products nec	9.7	3.6
Motor vehicles and parts	9.4	5.4
Metal products	9.1	4.5
Machinery and equipment nec	9.0	4.4
Rubber and plastic products	8.9	3.6
Manufactures nec	8.5	3.5
Transport equipment nec	7.8	4.0
Processed rice	4.8	5.9
Wood products	3.9	2.3
Chemical products	3.4	2.0
Vegetables, fruit, nuts	3.2	2.0
Fishing	3.2	2.4
Vegetable oils and fats	2.7	1.6
Food products nec	2.6	1.9
Paper products, publishing	2.0	1.7
Paddy rice	1.8	1.2
Beverages and tobacco products	1.7	2.1
Animal products nec	1.0	1.0
Cereal grains nec	0.9	1.2
Sugar	0.8	1.4
Bovine meat products	0.7	1.1
Oil	0.6	0.3
Forestry	0.5	1.0
Dairy products	0.5	1.2
Basic pharmaceutical products	0.5	0.6
Meat products nec	0.3	0.9
Oil seeds	0.3	0.5
Petroleum, coal products	0.3	0.4

Wool, silk-worm cocoons	0.2	5.9
Minerals nec	0.2	0.4
Electricity	0.1	0.7
Plant-based fibers	0.1	0.8
Natural gas	0.1	0.4
Construction	0.1	1.2
Raw milk	0.0	1.0
Bovine cattle, sheep and goats	0.0	0.8
Sugar cane, sugar beet	0.0	0.4
Wheat	0.0	0.9
Water	0.0	1.0
Gas manufacture, distribution	0.0	0.6
Coal	0.0	0.4
Air transport	0.0	0.5
Accommodation & food services	0.0	0.7
Communication	0.0	0.8
Water transport	0.0	0.7
Financial services nec	0.0	0.6
Insurance	0.0	0.6
Business services nec	0.0	0.7
Transport nec	0.0	0.7
Warehousing and support	0.0	0.9
Recreational and other services	0.0	0.7
Human health and social work	0.0	0.8
Public Administration	0.0	0.8
Real estate activities	0.0	0.7
Trade	0.0	0.7
Dwellings	0.0	0.6
Education	0.0	0.7

"nec" = "Not elsewhere classified"

Table: The Budget Lab • Source: Source: GTAP v7 [Corong et al (2017)], The Budget Lab analysis. • Created with [Datawrapper](#)

Footnotes

- 1 TBL assumes throughout its tariff analysis that the transition to longer-run GTAP equilibria occurs after three years.
- 2 TBL defines "income" as CBO-concept post-tax-and-transfer income. "Short-run" refers to the effect over the next couple of years; TBL proxies for this definition by using CBO projections of the distribution of income in 2027, expressed in 2025 dollars.

- 3 TBL employs a “relaxed conventional” assumption for the retaliation scenario, whereby foreign income is permitted to fall but US income remains fixed.
- 4 The Congressional Budget Office [has projected](#) that tariff policy in place as of August 19 reduces primary (non-interest) deficits by \$3.3 trillion over 2025-35. On a like-for-like policy basis, the differences between CBO's and TBL's estimates can be entirely explained by three factors: 1) CBO quotes the fiscal effects of tariffs on an 11-year basis (2025-35), while TBL quotes the effects on a 10-year basis (2026-35); 2) CBO does not adjust its estimates for non-compliance, while TBL reduces its first stage revenue estimates by 10% to account for additional non-compliance not captured in underlying trade elasticities; and, 3) CBO and TBL have different estimates of the average effective US tariff rate: in its August 22 report, CBO calculated that the average tariff rate was 18 percentage points higher due to new 2025 tariffs, while TBL, in its September 4 report, calculated the rate was 15 percentage points higher.