the budget lab

State of U.S. Tariffs: January 19, 2026

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Key Takeaways

1 The Budget Lab (TBL) estimates the effects of all US tariffs and foreign retaliation implemented through January 19, 2026, with and without the effect of proposed 10 percent additional tariffs on 8 European countries (Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands, and Finland) as part of President Trump's effort to purchase Greenland (Greenland tariffs). This report examines the scenario where these tariff policies remain in effect in perpetuity.

2 Current Tariff Rate: Prior to the announced Greenland tariffs, consumers faced an overall average effective tariff rate of 16.9%, the highest since 1932. If the Greenland tariffs go into effect, that rate will increase to 17.5%. After consumption shifts, the average tariff rate will be 14.3% without the Greenland tariffs, and 14.8% if they are enacted.

3 Overall Price Level & Distributional Effects: TBL assumes the Federal Reserve "looks through" the tariffs and allows prices to rise such that the tax burden is felt through prices rather than nominal incomes. With the Greenland tariffs, price level would rise by 1.3% in the short run, representing a loss of $1,751 for the average household and $964 for households at the bottom of the income distribution. This is marginally higher than the 1.2% price increase without the Greenland tariffs.

4 Commodity Prices: The 2025-26 tariffs fall most heavily on apparel and leather products like shoes and handbags, products with high metal content like electrical equipment and electronics, and motor vehicles. The Greenland tariffs would have the largest impact on the prices of heavy machinery and computers.

5 Real GDP Effects: Tariffs slow US real GDP growth by 0.4 pp in 2026, with or without the Greenland tariffs. In the long run, the US economy is persistently 0.3% smaller, the equivalent of $100 billion annually in 2025 dollars.

6 Labor Market Effects: The unemployment rate rises 0.6 percentage points by the end of 2026 without the Greenland tariffs, and 0.7 percent if they are enacted. Payroll employment is about 1.3 million lower by the end of 2025.

7 Long-Run Sectoral GDP & Employment Effects: In the long run, tariffs present a trade-off. With the Greenland tariffs, US manufacturing output expands by 3.2%, but these gains are more than crowded out by other sectors: construction output contracts by 4.3%, mining and extraction declines by 2.1%, and agriculture declines by 1.3%.

8 Fiscal Effects: All tariffs, including the proposed Greenland tariffs, raise about $2.8 trillion over 2026-35 on a conventional scoring basis, though slower economic growth reduces revenues and brings the net dynamic revenue to $2.4 trillion. The conventional estimate is about $76 billion dollars greater than the revenue raised without the additional Greenland tariffs.

Changes Since the Last Report

Since the last State of Tariffs report from November 2025, several significant policy developments have occurred:

New Policy. Since the last update, the Trump administration announced several changes to tariff policy:

- The administration announced on November 20th that certain agricultural goods from Brazil will be exempted from the 40 percent IEEPA tariff imposed on that country.
- Further details were announced concerning the United States' trade deal with South Korea, including new lower rates for some goods like aircraft.
- We have not incorporated changes to tariffs that were part of the announced trade deal with Taiwan, as the administration has not released the details of that deal.

Refinements to Effective Tax Rate Calculations. Since the last update, TBL has updated its methodology for calculating effective tariff rates (ETRs) by making two changes:

1. We have corrected an error related to the IEEPA tariff imposed on Brazil, which did not include the 40 percent IEEPA tariff (higher than the 10 percent reciprocal rate).
2. We have refined our treatment of IEEPA refunds by using actual, not estimated, 2025 IEEPA collections when modeling macroeconomic effects.

Current tariff policy as of January 19, 2026

The following tables describe the general set of existing tariff policies as of January 19th, 2026. In addition to these, we model the Trump administration announced tariffs of 10 percent on 8 European countries (Denmark, Norway, Sweden, France, Germany, the UK, the Netherlands, and Finland). These were announced as part of the President's push to purchase Greenland. We model these new tariffs as a 10 percentage point increase on top of the existing tariff rates, which vary between 10 and 15 percent for the impacted countries. We do not model the threatened 25 percent hike that the President has threatened to impose on these same countries if a deal is not reached by June of this year.

Current Tariff Policy as of January 19 , 2026

Panel A. Broad Tariffs under IEEPA Authority

Region	Description
Canada	0% reciprocal (exempt); 0% on USMCA-duty-free; 10% energy/potash; 35% other non-USMCA; USMCA goods duty-free
Mexico	0% reciprocal (exempt); 0% on USMCA-duty-free; 10% potash; 25% other non-USMCA; USMCA goods duty-free
China	10% reciprocal baseline; higher China rate delayed; additional “fentanyl” 10% (stacks regardless of other tariffs)
European Union	Formula reciprocal rate, typically 0–15%
United Kingdom	10% reciprocal
Trade-deal partners (Japan, Korea, Vietnam, etc.)	Reciprocal rates mostly in 15–25% range
Other	Mostly 10% reciprocal; some countries 15–50%

Panel B. Product-Specific Tariffs under Section 232 Authority

Sector/Product	Description
Steel	50%; 25% UK; USMCA goods duty-free
Aluminum	50%; 25% UK; USMCA goods duty-free
Copper	50% on semi-finished/derivative copper; USMCA goods duty-free
Automobiles	25% headline; often 0–15% for EU/Japan via formula; USMCA goods duty-free
Auto parts	25% most; 10% for some UK parts; 0–15% EU/Japan formula; USMCA import adjustment can reduce rates
Medium/heavy trucks & buses	25% on trucks/parts; 10% buses; some USMCA relief
Lumber / wood products	10% softwood; 25–30% upholstered furniture; 25–50% cabinets/vanities; USMCA goods duty-free

Table: The Budget Lab • Created with Datawrapper

Results

This report presents the effects of tariff policies as of January 19, 2026, assuming they remain in effect in perpetuity.

Table 1. Summary Economic & Fiscal Effects of 2026 Tariffs Through January 19, 2026

	Current Policy	With Greenland Tariffs
Effective Tariff Rates		
Overall, Pre-Substitution	16.9%	17.5%
Overall, Post-Substitution	14.3%	14.8%
Fiscal		
Conventional Revenue, 2026-2035 (Trillions)	$2.7	$2.8
Dynamic Revenue, 2026-2035 (Trillions)	$2.3	$2.4
Prices		
Percent Change in PCE Price Level, pre-substitution	1.2%	1.3%
Percent Change in PCE Price Level, post-substitution	0.9%	1.0%
Average Household Real Income Loss, Pre-Substitution (2025$)	$1,681	$1,751
Average Household Real Income Loss, Post-Substitution (2025$)	$1,253	$1,292
Output and Employment		
Percentage Point Change in Q4-Q4 GDP Growth, 2026	-0.4	-0.4
Percent change in long-run GDP	-0.31%	-0.33%
Change in the Unemployment Rate, End of 2026	0.6	0.7

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 for understanding tariff impacts.

Measured pre-substitution—assuming there are no shifts in the import shares of different countries and products—current tariff policy with the newly announced Greenland tariffs represents the equivalent of a 15.1 percentage point increase in the US average effective tariff rate. This increase brings the overall US average effective tariff rate to 17.5%, the highest since 1932. Without these additional tariffs, the pre-substitution rate would be 16.9%.

Post-substitution—after imports shift in response to the tariffs—the 2025-26 tariffs generate a 12.4 percentage point increase in the US average effective tariff rate, bringing the overall US effective tariff rate to 14.8%, the highest since

1935. The timing of the transition from “pre” to “post” substitution varies, with some shifts happening within days or weeks while others may take longer. Without the Greenland tariffs, the post-substitution rate would be 14.3%.

Table 2. Average Effective US Tariff Rate by Region, using Tariff Policy as of January 19, 2026

Pre- and post-substitution

	Average Effective Tariff Rate		Share of Goods Imports		Contribution	
	Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitutic
Current Policy						
China	24.0	22.8	13%	9%	3.2	2.0
Canada	8.1	5.3	13%	16%	1.0	0.8
Mexico	12.8	11.1	16%	19%	2.0	2.1
Rest of World	14.1	12.4	58%	57%	8.2	7.0
Total	**14.5**	**11.9**	**100%**	**100%**	**14.5**	**11.9**
With Greenland Tariffs						
China	24.0	22.8	13%	9%	3.2	2.0
Canada	8.1	5.3	13%	16%	1.0	0.9
Mexico	12.8	11.1	16%	19%	2.0	2.1
Rest of World	15.1	13.1	58%	56%	8.8	7.3
Total	**15.1**	**12.4**	**100%**	**100%**	**15.1**	**12.4**

Table: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • Created with Datawrapper

Figure 1. US Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports

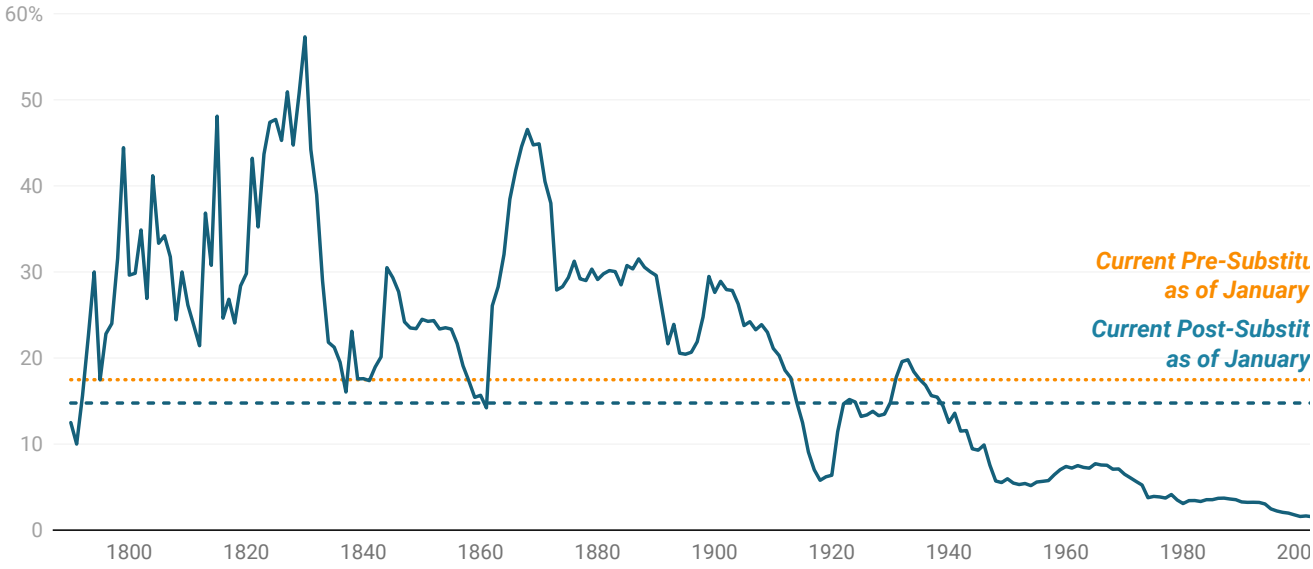


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with Datawrapper

Average aggregate price impact

The 2025-26 tariffs imply an increase in consumer prices of 1.3% (1.2% without the Greenland tariffs) in the short run, assuming full passthrough of tariffs to consumers. This pre-substitution number captures consumer welfare effects and represents a short-run income loss of about $1,751 per household on average in 2025 dollars.

The post-substitution price increase settles at 1.0% (0.9% without the Greenland tariffs), representing a $1,292 loss per household.

US real GDP & labor market effects

All 2025-26 US tariffs, inclusive of the Greenland tariffs, plus foreign retaliation (prior to January 19, 2026) lower real GDP growth by about 0.4 percentage points in 2026. TBL estimates that the unemployment rate at the end of 2026 will be 0.7 percentage points higher than it would have been without the tariffs implemented over the last year, and payroll employment is estimated to be approximately 1.3 million lower by the end of 2026. Without the Greenland tariffs, the GDP effect would remain the same, but the unemployment rate would only rise by 0.6 percentage points.

In both cases, the level of real GDP remains persistently about 0.3% smaller in the long run, equivalent to about $100 billion in 2025 dollars annually.

Figure 2. US Real GDP Level Effects of Tariffs as of January 19, 2026

U.S. tariffs implemented through January 19
Percentage point change against Current Policy

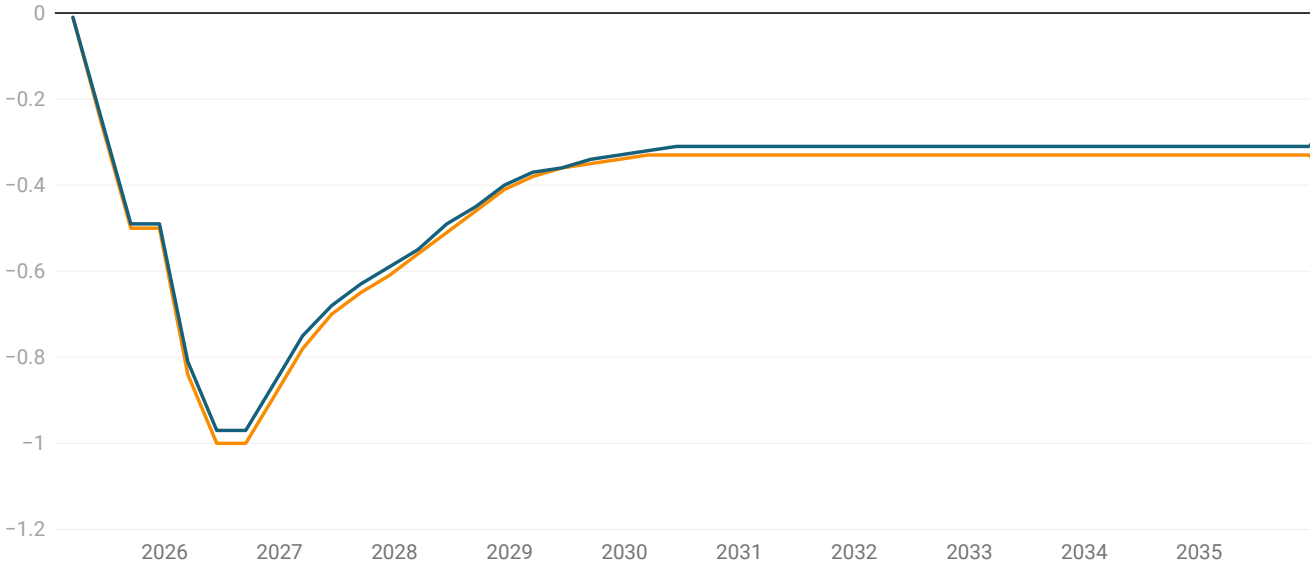


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with Datawrapper

Long-run US sectoral output & employment effects

Tariffs shrink the overall size of the US economy in the long run by 0.3%, but they also drive significant reallocation across US sectors.

Long-run output in the manufacturing sector expands by about 3.2%, with the largest gains in durable manufacturing while advanced manufacturing sees more modest increases. This expansion of manufacturing, however, crowds out the rest of the economy: construction contracts by about 4.3%, agriculture by 1.3%, and mining & extraction by 2.1%. The services sector declines by 0.2%. The imposition of the additional Greenland tariffs magnifies this shift marginally.

Figure 3. Change in Long-Run Real US GDP by Sector from Tariffs as of January 19, 2026

U.S. tariffs implemented through January 19, 2026, plus foreign retaliation.
Percentage points.

Real value added by sector.

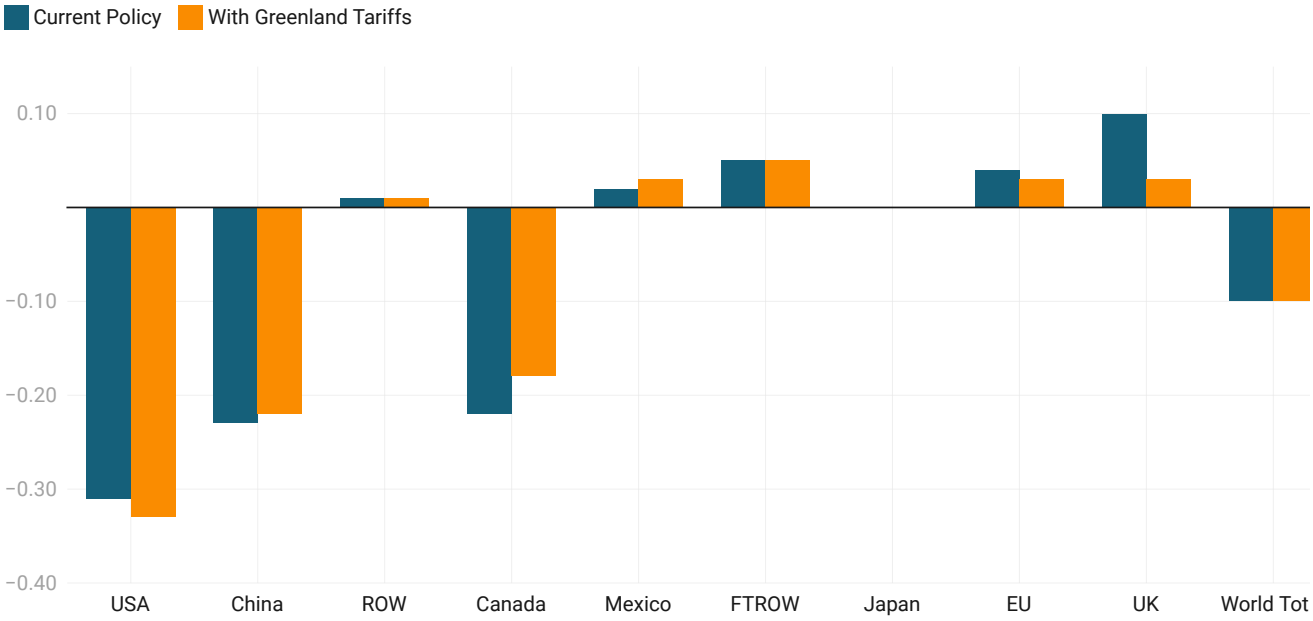
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with Datawrapper

Global long-run real GDP effects

Long-run global GDP is about 0.1% lower due to the tariff policy. China's economy is about 0.2% smaller in the long run, while Canada sees a 0.2% decline. Mexico, the EU, and UK see small gains of about 0.03% each, reflecting trade diversion effects. World GDP excluding the US is 0.03% lower. The net effect of the Greenland tariffs would be felt most severely by the UK (a 0.07 percentage point drop in real GDP), and less so by the EU (only a 0.01 percentage point drop). Canadian and Chinese GDP is modeled to actually grow by more with these Greenland tariffs that without them.

Figure 4. Long-Run Change in Real GDP Level from Tariffs as of January 19, 2026

U.S. tariffs implemented through January 19, 2026
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

The 2025-26 tariffs combined with the Greenland tariffs, were they to remain in place, would raise about $2.8 trillion over ten years, conventionally scored. However, the negative output effects of the tariffs partially offset these new revenues through reductions in other tax revenues as a result of slower growth. TBL estimates these dynamic effects would total approximately $410 billion over the decade, bringing net dynamic revenue to $2.4 trillion. This is approximately $76 billion dollars more (conventionally scored) than would have been the case without the Greenland tariffs.

Table 3. Estimated Revenue Effects of Tariffs as of January 19, 2026

Billions of dollars

	2026	2027	2028	2029	2030	2031	2032	2033	203
Current Policy									
Conventional	246	238	247	255	264	274	285	296	307
Dynamic	205	186	203	220	232	242	251	260	269
Dynamic effect	*−41*	*−52*	*−44*	*−35*	*−32*	*−32*	*−34*	*−37*	*−39*
With Greenland Tariffs									
Conventional	253	244	254	262	271	282	293	304	316
Dynamic	211	191	209	226	238	247	256	266	275
Dynamic effect	*−42*	*−53*	*−45*	*−36*	*−33*	*−34*	*−36*	*−39*	*−41*

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

Distributional impact

Measuring the distributional burden of tariffs by examining the relationship between consumption and income reveals that tariffs function as a regressive tax. Lower-income households spend a larger fraction of their income on goods subject to tariffs.

TBL finds that the burden on the first decile is more than three times that of the top decile when expressed as a share of post-tax-and-transfer income (2.6% versus 0.8%). The average annual cost to households in the first and top decile are about $964 and $4,056 respectively in 2025 dollars. The median cost is about $1,400 per household. The differences between the distributional results with and without the Greenland tariffs is very small.

Figure 5. Short-Run Distributional Effects of Tariffs as of January 19, 2026

By household income decile
As a share of after tax and transfer income

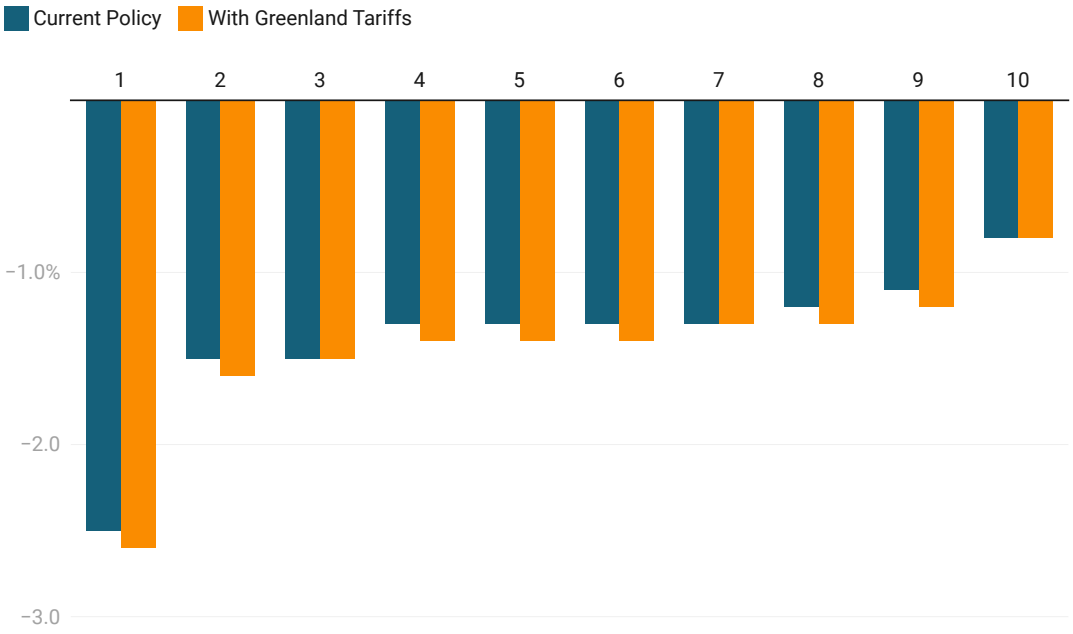


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper

Real 2025 USD

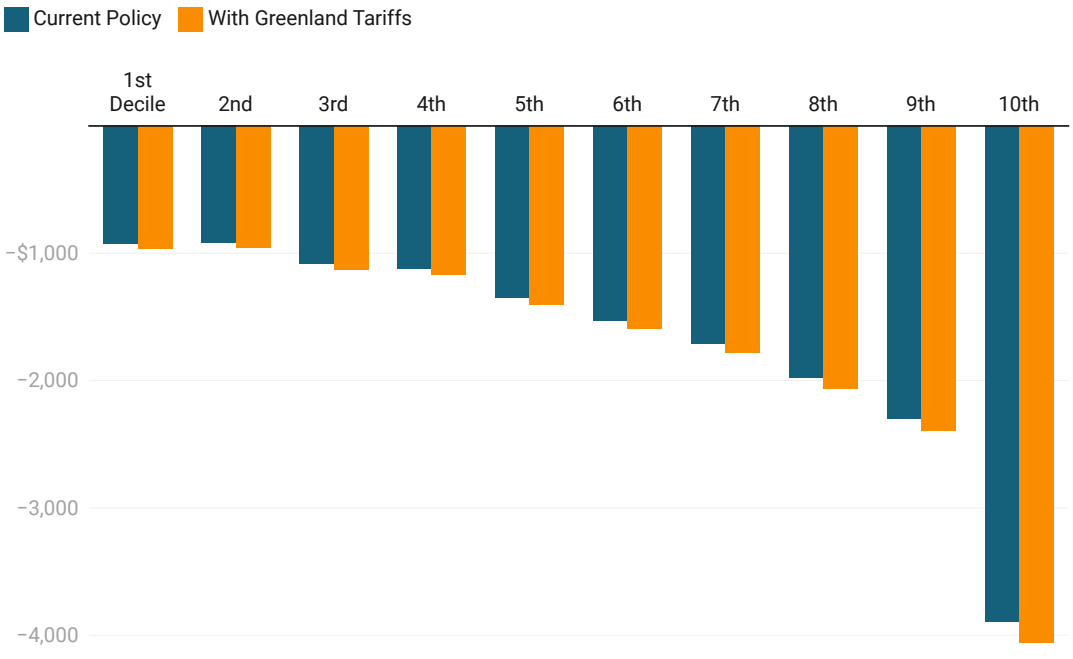


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper

Commodity price effects

The 1.3% overall price level increase from the 2025-26 tariffs combined with the new Greenland tariffs affects individual commodities differently in the short run (pre-substitution) and long run (post-substitution). The Greenland tariffs increase the general size of the price effect, but with very few exceptions do not alter the general pattern across product types.

Apparel & Leather: Consumers face the highest increases in this category, with leather products (shoes and handbags) seeing 23% higher prices in the short run and 7% higher in the long run. Apparel prices rise 21% initially, settling at 6% higher long-term. Textiles increase 14% initially and 4% in the long run.

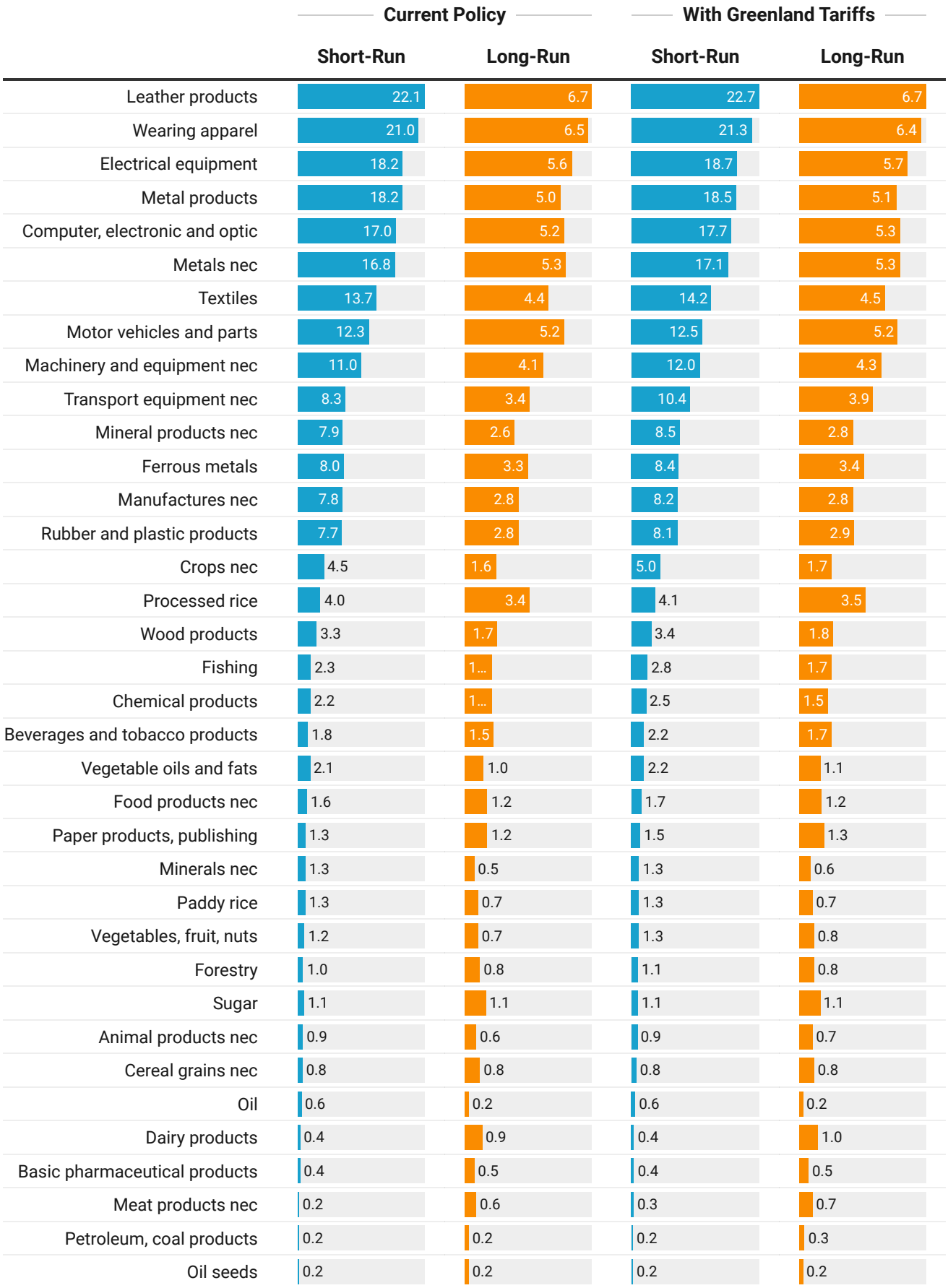
Metals & Electronics: Metal-intensive products show substantial impacts, with electrical equipment prices rising 18% initially and 5% long-term. Consumer electronics see similar patterns with 18% short-run and 5% long-run increases. Fabricated metal products rise 19% initially and 5% in the long run.

Vehicles: Motor vehicle prices rise by about 12% in the short run and 5% in the long run, equivalent to an additional roughly $6,200 and $2,600 respectively on the price of an average new car.

Food: Food prices rise 1.4% in the short run and remain 1.2% higher in the long run, reflecting both direct tariffs on agricultural products and indirect effects through input costs.

Figure 6. Commodity Price Effects from Tariffs through January 19, 2026

Percent change to price level



	Current Policy		With Greenland Tariffs	
	Short-Run	Long-Run	Short-Run	Long-Run
Wool, silk-worm cocoons	0.2	3.0	0.2	3.1
Bovine meat products	0.1	0.6	0.1	0.6
Plant-based fibers	0.1	0.5	0.1	0.6
Gas	0.1	0.4	0.1	0.4
Bovine cattle, sheep and goats	0.0	0.4	0.0	0.5
Sugar cane, sugar beet	0.0	0.1	0.0	0.1
Wheat	0.0	0.5	0.0	0.6
Raw milk	0.0	0.7	0.0	0.7
Coal	0.0	0.2	0.0	0.3
Electricity	0.0	0.5	0.0	0.5
Gas manufacture, distribution	0.0	0.6	0.0	0.6
Water	0.0	0.8	0.0	0.9
Construction	0.0	0.9	0.0	1.0
Trade	0.0	0.6	0.0	0.7
Accommodation, Food and servic	0.0	0.6	0.0	0.6
Transport nec	0.0	0.6	0.0	0.6
Water transport	0.0	0.6	0.0	0.6
Air transport	0.0	0.4	0.0	0.4
Warehousing and support activi	0.0	0.8	0.0	0.8
Communication	0.0	0.7	0.0	0.7
Financial services nec	0.0	0.5	0.0	0.6
Insurance	0.0	0.5	0.0	0.5
Real estate activities	0.0	0.6	0.0	0.6
Business services nec	0.0	0.6	0.0	0.7
Recreational and other service	0.0	0.6	0.0	0.7
Public Administration and defe	0.0	0.7	0.0	0.7
Education	0.0	0.6	0.0	0.6
Human health and social work a	0.0	0.7	0.0	0.7
Dwellings	0.0	0.5	0.0	0.5

"nec" = "Not elsewhere classified"

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