the budget lab

State of U.S. Tariffs: April 2, 2026

Published: April 2, 2026

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Key Takeaways

1. The Budget Lab (TBL) estimates the effects of all US tariffs and foreign retaliation implemented through April 2, 2026, including the 10% Section 122 tariffs and the Section 232 tariffs on steel, aluminum, copper, automobiles, auto parts, and other products. Under our baseline case, the Section 122 tariffs expire after 150 days, but this report also presents estimates for a scenario where they are made permanent.

2. Current Tariff Rate: The US average effective tariff rate stands at 11.0%, the highest since 1943 (excluding 2025). If the Section 122 tariffs expire in 150 days as scheduled, the rate will fall to 8.2%, the highest since 1946. Post-substitution, these figures are 9.6% and 7.1%, respectively.

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 higher prices for consumers rather than lower nominal incomes for workers and firms. If Section 122 tariffs expire as scheduled, the ultimate price level impact will be between 0.5% and 0.6%, representing a loss of between about $650 and $780 for the average household. (If they are instead made permanent, the price impact would be between 0.8% and 1.0% and the household loss figures would be between $1,130 and $1,340).

4. Macro Effects: On a year-over-year basis, the 2026 economy benefits from lower tariff rates this year compared to last year. In the long run, the US economy is persistently 0.1% smaller, the equivalent of about $27 billion annually in 2025 dollars. (If Section 122 is extended, the long-run reduction in output grows by about two-thirds.)

5. Long-Run Sectoral GDP & Employment Effects: In the long run, tariffs present a trade-off. US manufacturing output expands by 0.7%, but these gains are more than crowded out by other sectors: construction output contracts by 2.0% and mining declines by 0.8%. (These effects are directionally similar and larger if Section 122 is extended.)

6	Fiscal Effects: Assuming Section 122 tariffs expire in 150 days, the administration's tariffs will raise about $1.1 trillion over 2026–35, though slower economic growth reduces revenues and brings the net dynamic revenue to $1.0 trillion. (If they are instead made permanent, these figures would be $1.7 trillion and $1.6 trillion.)

Changes Since the Last Report

This report reflects several changes, the code behind which is available to view in our public GitHub repository, since our update published on March 9:

- **New input-output price model.** Prior to this update, our consumer price estimates were based on a top-down formula which applied an overall average effective tariff rate shock to an estimated import content share of goods parameter. We have since replaced this approach with a Leontief input-output price model based on the methodology described in Barbiero and Stein (2025). The new model uses Bureau of Economic Analysis use tables and requirements matrices to trace tariff shocks through the full production network. Rather than assume all commodities share the same exposure to import shocks, this approach allows the import content assumption to vary with changes in composition of the tariff regime.
- **Consumer prices by spending category.** In prior reports, our disaggregation for the aggregate price impact was reported in terms of *commodities*—essential product types like "metals" or "wheat". We have since updated our breakout to instead report *consumption categories*, which more clearly reflect the types of final goods and services households actually spend their money on rather than product types. For example, increases in wheat prices previously appeared as a standalone commodity category, but are now reflected in consumer-facing categories such as food at home (e.g., bread or cereal). This approach better captures how upstream price changes translate into the prices households ultimately pay.
- **Inclusion of daily tariff rate figures.** In 2025, our State of Tariffs report typically included a chart showing the overall effective tariff rate for each day of the year. In recent months, however, we discontinued this series: it became increasingly difficult to report a concept-consistent series because we had made several methodological improvements to our measure of ETRs over the year. Yesterday's release of the Budget Lab's Daily Tariff Rate Tracker, an open-source tool that parses the official Harmonized Tariff Schedule for every day since 2025 and calculates country- and product-level tariff rates, allows us to reintroduce that figure and add a tariff authority breakout of the overall ETR.
- **Improved USMCA estimates.** We now estimate USMCA eligibility at a more fine-grained degree of product detail. This change slightly increases our estimated overall ETR.

We analyze two scenarios for tariff policy: one where Section 122 expires at the end of 150 days as scheduled, and another where it is extended. Both scenarios assume that the invalidated IEEPA duties are refunded to importers over the course of 2026.

Current Tariff Policy as of April 02, 2026

Broad Tariffs under Section 122 Authority

Parameter	Details
Rate	10% flat rate
Exemptions	Certain critical minerals, energy products, agricultural goods, pharmaceuticals, electronics, etc.

Product-Specific Tariffs under Section 232 Authority

Sector / Product	Current Tariff Rate
Steel	50%
Aluminum	50%
Copper	50%
Automobiles	25%
Auto parts	25%
Medium/heavy trucks & buses	25% on trucks/parts; 10% buses
Lumber/wood products	10-25%

Section 232 tariffs are assumed to preempt Section 122 for all countries where they overlap.

Table: The Budget Lab • Created with Datawrapper

Table 1. Summary Economic & Fiscal Effects of Trump Administration Tariffs

	Section 122 Expires	Section 122 Extended
Effective Tariff Rates at the End of 2026		
Overall, Pre-Substitution	8.2%	11.0%
Overall, Post-Substitution	7.1%	9.6%
Fiscal		
Conventional Revenue, 2026-2035 (Trillions)	$1.14	$1.75
Dynamic Revenue, 2026-2035 (Trillions)	$1.05	$1.60
Prices in the Medium Run		
Percent Change in PCE Price Level, pre-substitution	0.6%	1.0%
Percent Change in PCE Price Level, post-substitution	0.5%	0.8%
Average Household Real Income Loss, Pre-Substitution (2025$)	$780	$1,338
Average Household Real Income Loss, Post-Substitution (2025$)	$648	$1,130
Output and Employment		
Percentage Point Change in Q4-Q4 GDP Growth, 2026	0.1	0.1
Percent change in Q4 2026 GDP	-0.11%	-0.11%
Percent change in long-run GDP	-0.10%	-0.16%
Percentage Point Change in the Unemployment Rate, End of 2026	0.12	0.16

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 and products—current tariff policy, while the Section 122 tariffs are in effect, represents the equivalent of a 9.0 percentage point increase in the US average effective tariff rate. A pre-substitution approach is a good measure of 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 11.0%, the highest since 1943, excluding last year's tariff rates.

Post-substitution—after imports shift in response to the tariffs—the current tariffs generate a 7.6 percentage point increase in the US average effective tariff rate, which brings the overall US effective tariff rate to 9.6%. If the Section 122 tariffs expire in 150 days as scheduled, the effective tariff rate will then be 8.2% (7.1% post-substitution).

Figure 1 shows the Trump administration's tariffs in the long-run historical context, and Figure 2 plots the daily ETR, broken down by legal authority, throughout 2025 and 2026.

Figure 1. US Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports

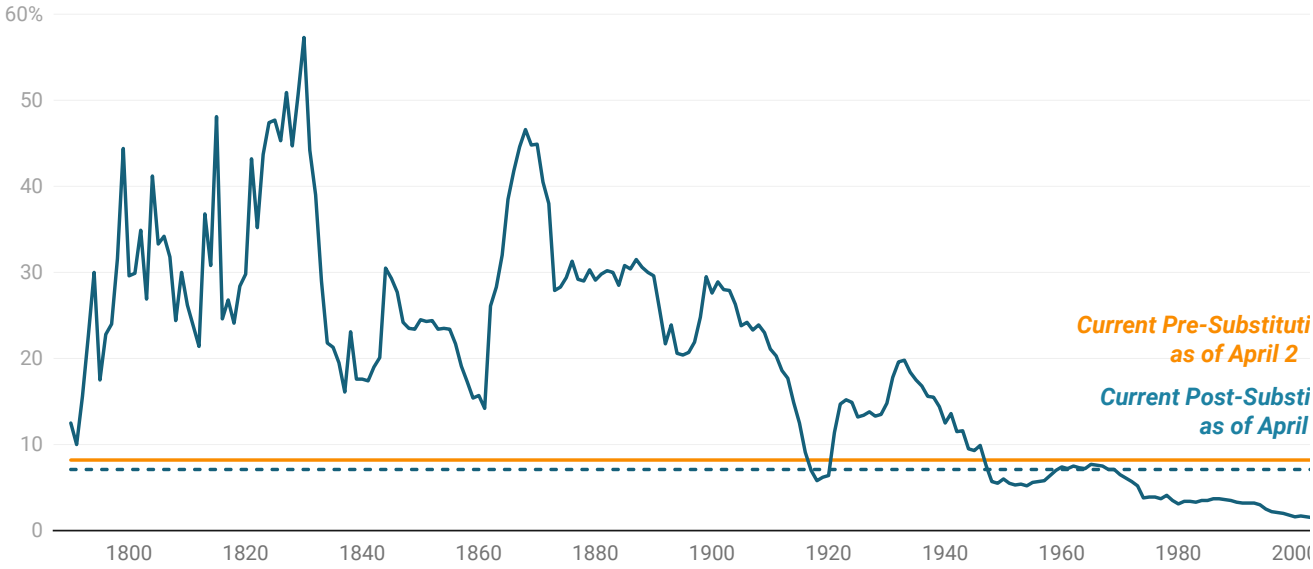
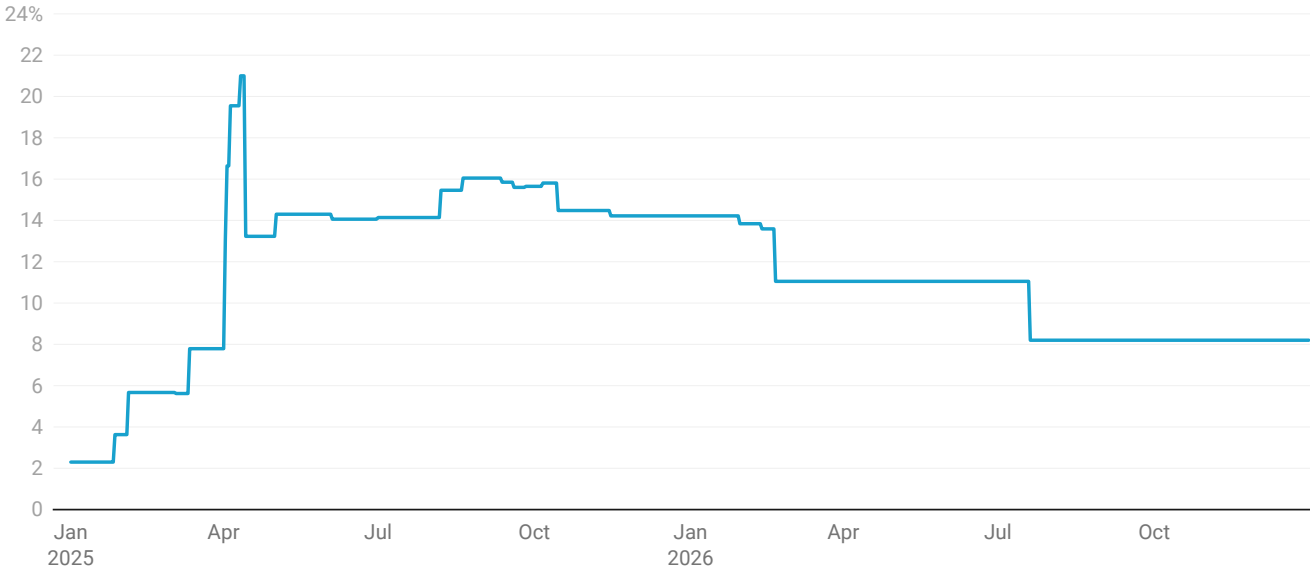


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with Datawrapper

Figure 2. Daily Effective Tariff Rate

Percent, pre-substitution



Source: The Budget Lab Analysis • Created with Datawrapper

Table 2. Average Effective US Tariff Rate at the End of 2026, Trump Administration Tariffs

Change from baseline, pre- and post-substitution

	Average Effective Tariff Rate		Share of Goods Imports		Contribution	
	Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
Section 122 Expires						
China	18.2	18.0	13%	14%	2.4	2.5
Canada	5.9	3.8	13%	14%	0.7	0.5
Mexico	9.4	8.2	16%	15%	1.5	1.3
EU	4.9	3.8	18%	18%	0.9	0.7
Japan	9.0	7.8	5%	4%	0.4	0.3
UK	4.2	4.1	2%	2%	0.1	0.1
FTA Partners	5.1	3.9	9%	10%	0.5	0.4
Rest of World	6.7	5.7	24%	23%	1.6	1.3
Total	**8.2**	**7.1**	**100%**	**100%**	**8.2**	**7.1**
Section 122 Extended						
China	23.2	22.9	13%	13%	3.1	3.1
Canada	6.1	3.9	13%	15%	0.8	0.6
Mexico	9.8	8.4	16%	17%	1.5	1.4
EU	8.6	7.2	18%	17%	1.5	1.2
Japan	12.1	11.4	5%	4%	0.6	0.5
UK	7.4	7.0	2%	2%	0.1	0.1
FTA Partners	8.5	7.5	9%	10%	0.8	0.7
Rest of World	10.5	9.1	24%	22%	2.6	2.0
Total	**11.0**	**9.6**	**100%**	**100%**	**11.0**	**9.6**

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

Results

Average Aggregate Price Impact

The current tariff regime implies an increase in consumer prices of 1.0% in the short run, assuming full passthrough of tariffs to consumers and assuming that the Section 122 tariffs are extended. If these tariffs expire as scheduled, this figure is about 0.6%. These pre-substitution numbers capture consumer welfare effects and are the equivalent of a loss of income of about $1,338 (extension) or $780 (expiration) per household on average in 2025 dollars.

Under expiration of the Section 122 tariffs, the post-substitution price increase settles at 0.5%, a $648 loss per household. (If extended, these figures are roughly 0.8% and $1,130.)

US Macroeconomic Effects

TBL estimates that, all else equal, the current tariff regime has reduced GDP and increased unemployment slightly. While the *level* of output in 2026 is lower than it would have otherwise been if the pre-2025 tariff regime had been maintained, tariffs are increasing the *growth rate* of output in 2026 as the economy recovers somewhat from the large shock in 2025. The level of real GDP remains persistently 0.10% to 0.16% smaller in the long run, depending on the duration of Section 122 tariffs. Our modeling suggests any economic boost associated with refunds of IEEPA tariffs to businesses will be small.

Figure 3. US Real GDP Level Effects of Trump Administration Tariffs

Percentage point change against baseline

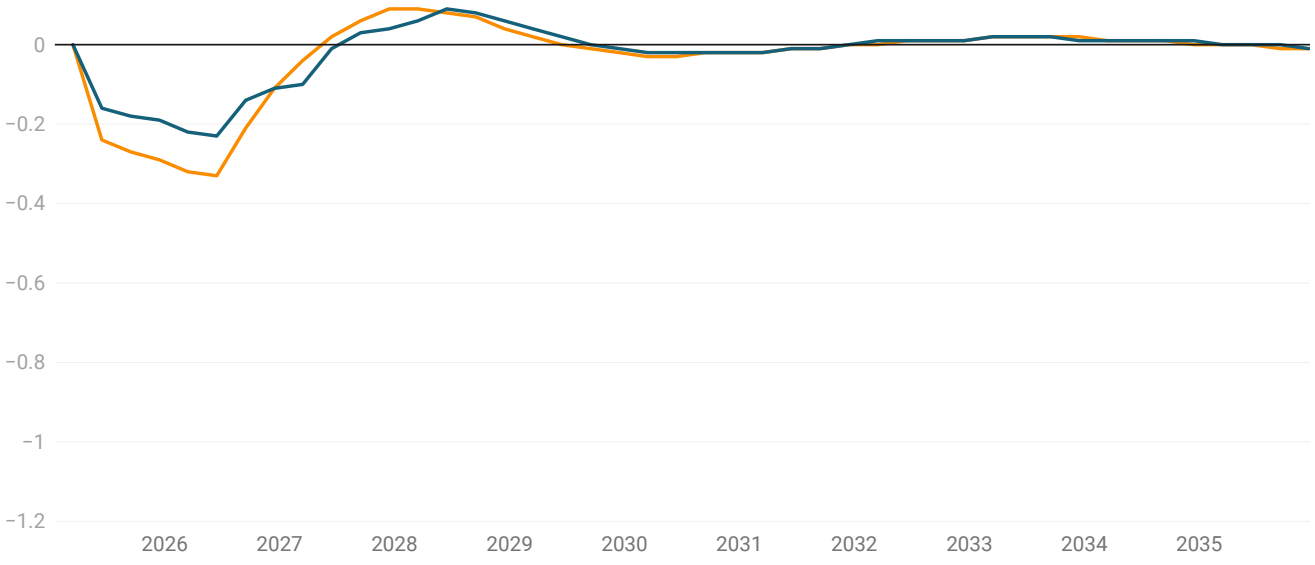


Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with Datawrapper

Long-Run US Sectoral Output & Employment Effects

Tariffs shrink the overall size of the US economy in the long run, but beneath aggregate GDP, they also drive reallocation across US sectors. Long-run output in the manufacturing sector expands slightly, with durable manufacturing seeing the largest gains within the manufacturing category. But this expansion in manufacturing more than crowds out the rest of the economy: construction, mining & extraction, and agriculture contract slightly. These patterns are similar regardless of whether Section 122 tariffs expire or are extended.

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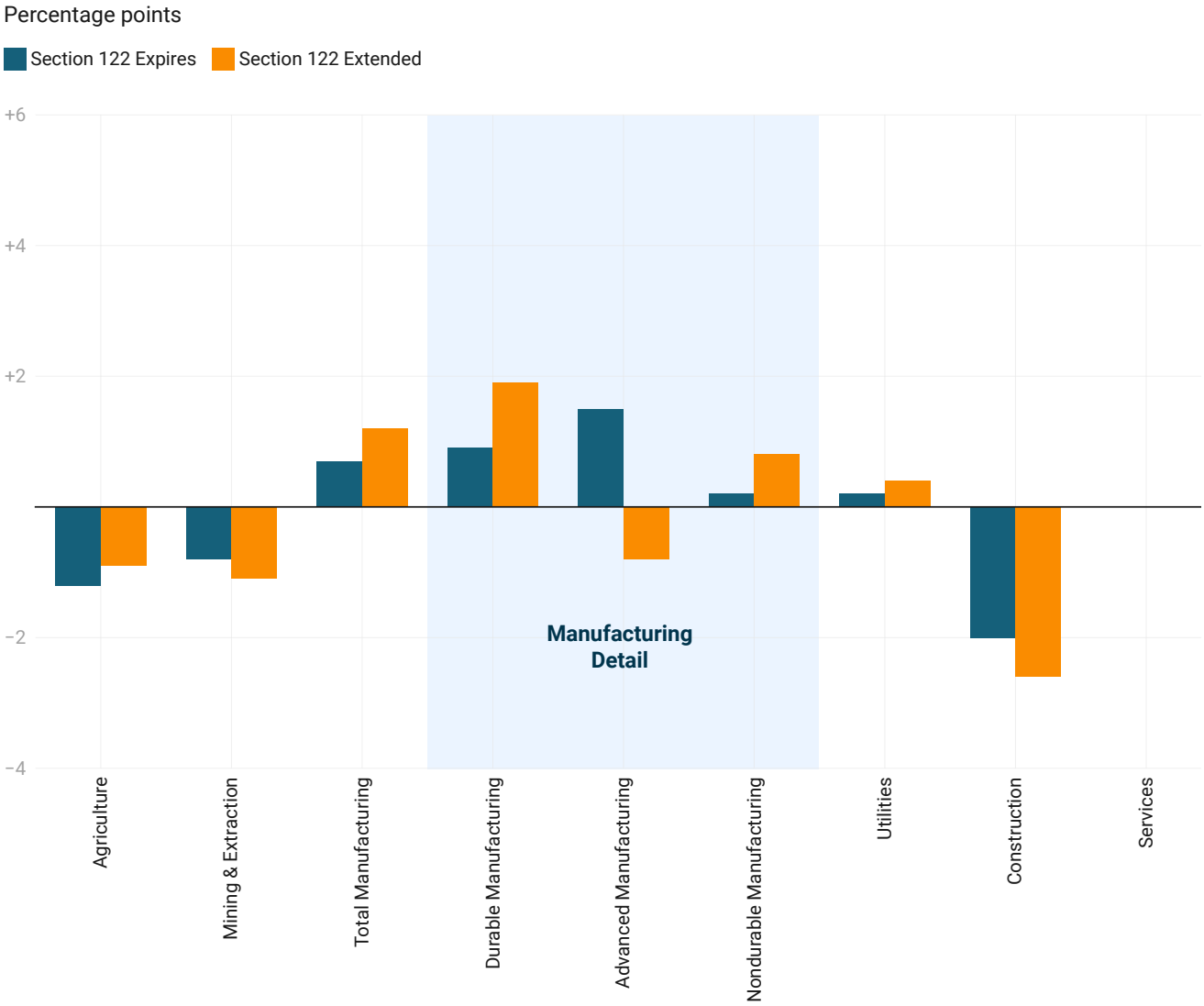
Figure 4. Change in Long-Run Real US GDP by Sector from Trump Administration Tariffs



Real value added by sector.

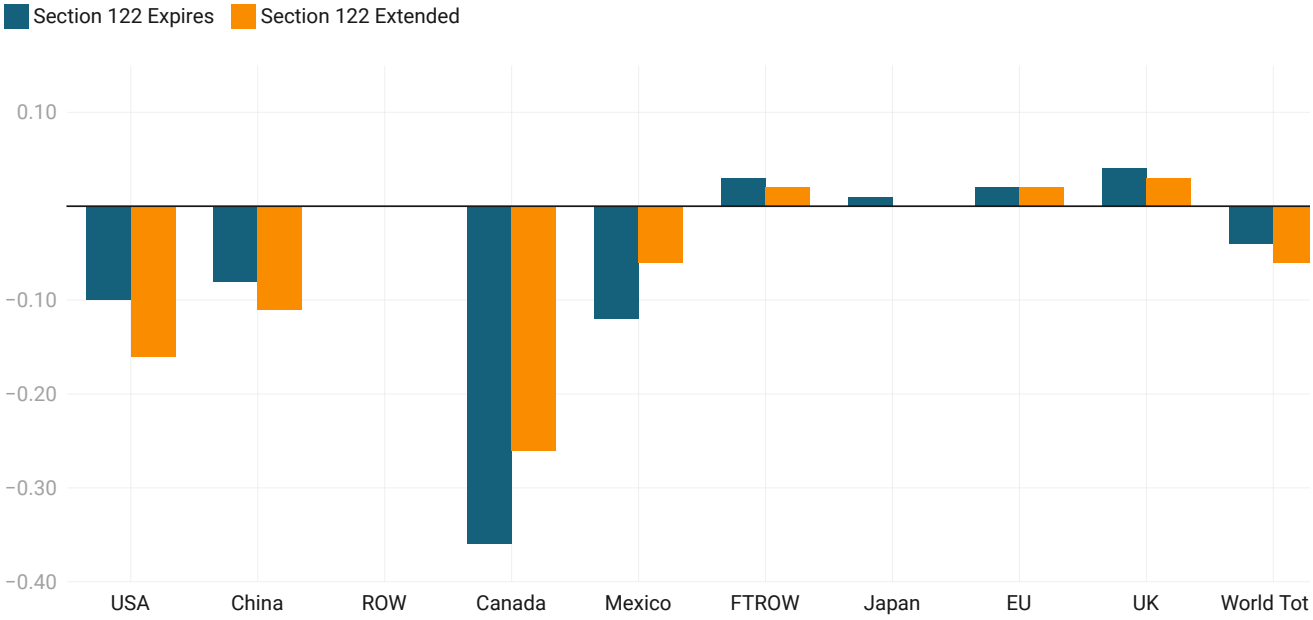
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with Datawrapper

Global Long-Run Real GDP Effects

Long-run global GDP is slightly lower due to tariff policy. Canada, China and Mexico see the largest negative hits to output, while European and other free trade agreement partners see slight boosts to output. These directional effects are similar regardless of whether Section 122 tariffs expire or are extended in July.

Figure 5. Long-Run Change in Real GDP Level from Trump Administration Tariffs

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 current tariff regime, assuming that Section 122 tariffs expire, would raise about $1.1 trillion over ten years, conventionally scored. 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. TBL estimates that these effects would total about $90 billion over the decade, bringing net dynamic revenue to about $1.0 trillion.

If instead the Section 122 tariffs are extended, revenue would be meaningfully higher: conventional revenue would be $1.7 trillion over the decade and the dynamic score would be roughly $1.6 trillion.

Table 3. Estimated Revenue Effects of Trump Administration Tariffs

Billions of dollars

	2026	2027	2028	2029	2030	2031	2032	2033	2034
Section 122 Expires									
Conventional	48	67	112	116	120	125	130	135	140
Dynamic	38	60	107	109	112	116	120	124	129
Dynamic effect	*−9*	*−7*	*−5*	*−7*	*−9*	*−9*	*−10*	*−10*	*−11*
Section 122 Extended									
Conventional	66	123	171	177	183	190	198	205	213
Dynamic	52	114	163	165	169	175	181	188	195
Dynamic effect	*−14*	*−10*	*−8*	*−12*	*−14*	*−15*	*−16*	*−17*	*−18*

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

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 because lower-income households spend a larger fraction of their income than higher-income households do on average.

TBL finds that the burden, expressed as a share of post-tax-and-transfer income, on the first decile is about three times that of the top decile (1.1% versus 0.4% if Section 122 tariffs expire, and 1.9% versus 0.6% if extended). The average annual costs to households in the bottom and top deciles are about $430 and $1,810 respectively in 2025 dollars—figures that assume Section 122 tariffs expire. If instead Section 122 is made permanent, these annual household burdens would be about $740 and $3,100.

Figure 6. Distributional Effects of Trump Administration Tariffs

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

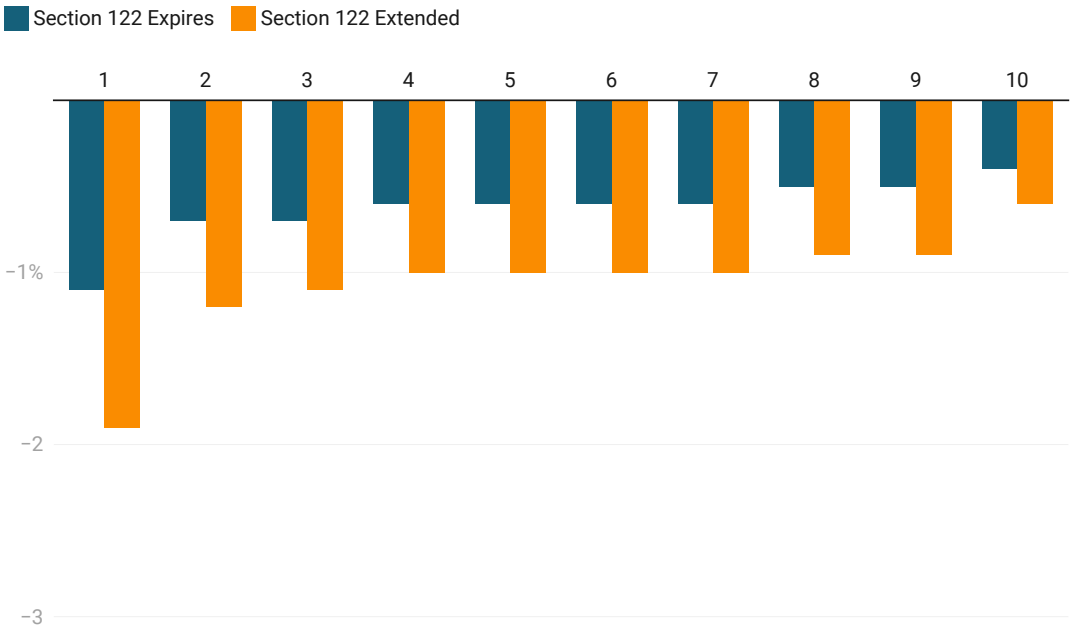


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper

Real 2025 USD

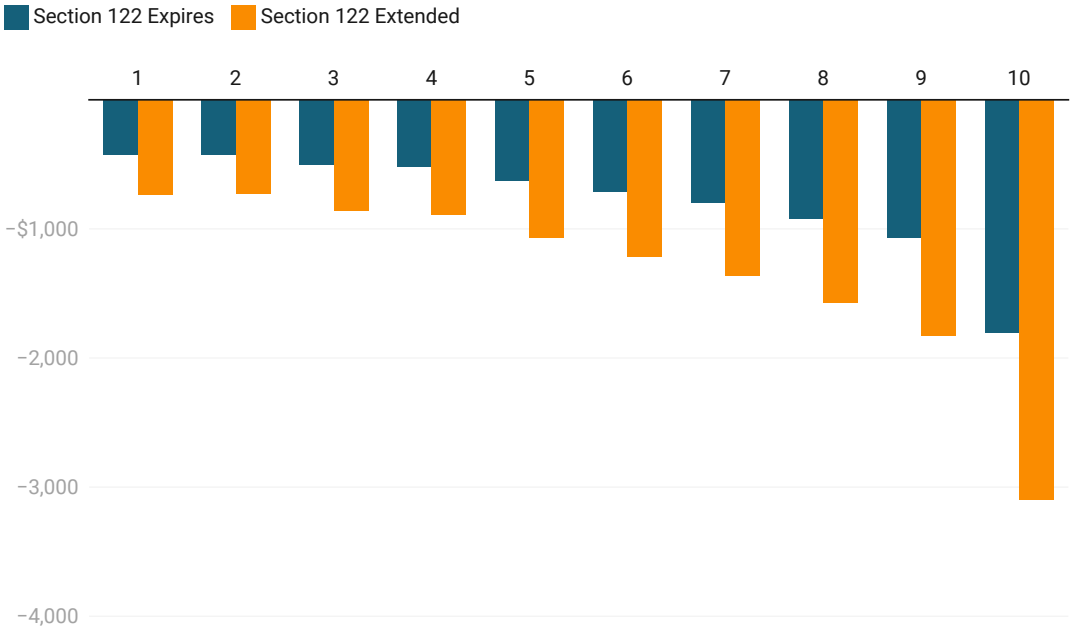


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with Datawrapper

Consumer Prices by Spending Category

Tariffs affect different goods and services differently. Figure 7 shows the estimated price impact by spending category. Assuming Section 122 tariffs expire as scheduled, the categories most affected are goods products like motor vehicles, clothing, and furnishings. Services, which account for the majority of consumer spending, face only indirect price pressures through tariffs and thus see much smaller price effects. If Section 122 tariffs are extended, the price effects are directionally similar but larger, and clothing would rank above motor vehicles as the hardest-hit category.

Figure 7. Consumer Price Effects by PCE Spending Category

Percent change in consumer prices

	Section 122 Expires		Section 122 Extended	
Major Category	Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
Motor vehicles and parts	4.2	3.6	4.4	3.8
Clothing and footwear	3.6	2.4	7.5	5.8
Recreational goods and vehicles	1.6	1.4	2.3	2.0
Furnishings and durable household equipment	1.6	1.4	2.9	2.3
Other durable goods	1.3	1.0	3.3	2.7
Transportation services	0.6	0.6	0.7	0.7
Net foreign travel	0.5	0.4	0.9	0.8
Communication	0.4	0.3	0.5	0.5
Food and beverages purchased for off-premises consumption	0.4	0.3	1.0	0.9
Other nondurable goods	0.3	0.3	1.2	1.0
Gasoline and other energy goods	0.3	0.3	0.4	0.3
Other services	0.3	0.2	0.4	0.4
Household utilities	0.3	0.2	0.4	0.3
Final consumption expenditures of NPISH	0.3	0.2	0.4	0.4
Recreation services	0.2	0.2	0.4	0.4
Food services and accommodations	0.2	0.2	0.5	0.4
Health care	0.2	0.2	0.4	0.3
Education	0.2	0.2	0.3	0.2
Financial services and insurance	0.1	0.1	0.1	0.1
Housing	0.0	0.0	0.1	0.1

I-O price model (Barbiero & Stein 2025). Pre-sub = welfare-relevant tariff price effect. Post-sub = after partial equilibrium trade substitution.

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