



# State of U.S. Tariffs: May 12, 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 May 12, including the effects of the lower rates with China, the deal with the UK, and the recent announced auto tariff rebate. TBL analyzed the May 12 tariff rates as if they stayed in effect in perpetuity.

2

Judged by effects on the price level and GDP, the May 12 changes to the China rate alone reduce the negative economic impact of all 2025 tariffs to date by 40%; the US-UK trade deal and auto tariff rebate have only minor impacts.

3

Current Tariff Rate: Consumers face an overall average effective tariff rate of 17.8%, the highest since 1934. The reduction since the April 15 report is almost entirely due to the lower rates on Chinese imports—the US-UK trade deal has minimal effects on average tariff rates. Even after consumption shifts, the average tariff rate will be 16.4%, the highest since 1937.

4

Overall Price Level & Distributional Effects: The price level from all 2025 tariffs rises by 1.7% in the short-run, the equivalent of an average per household consumer loss of \$2,800 in 2024\$. Annual pre-substitution losses for households at the bottom of the income distribution are \$1,300. The post-substitution price increase settles at 1.4%, a \$2,300 loss per household.

5

Commodity Prices: The 2025 tariffs disproportionately affect clothing and textiles, with consumers facing 15% higher shoe prices and 14% higher apparel prices in the short-run. Shoes and apparel prices stay 19% and 16% higher in the long-run respectively.

**6**

Real GDP Effects: US real GDP growth is -0.7pp lower from all 2025 tariffs. In the long-run, the US economy is persistently -0.4% smaller respectively, the equivalent of \$110 billion annually in 2024\$.

**7**

Labor Market Effects: The unemployment rate rises 0.4 percentage point by the end of 2025, and payroll employment is 456,000 lower.

**8**

Long-Run Sectoral GDP & Employment Effects: In the long-run, tariffs present a trade-off. US manufacturing output expands by 1.5% but more than crowds out other sectors: construction output contracts by 3.1% and agriculture declines by 1.1%.

**9**

Fiscal Effects: All tariffs to date in 2025 raise \$2.7 trillion over 2026-35, with \$394 billion in negative dynamic revenue effects. This is \$300 billion more than under the higher 145% China tariffs, showing how far from revenue-optimal levels those rates were.

**10**

Without the lower China tariffs—but with the US-UK trade deal and auto rebates—the average effective tariff rate would have been 27.6% pre-substitution, the highest since 1903, GDP growth would have been 1.1pp lower over 2025, and PCE prices would have been 2.9% higher in the short-run, the equivalent of a \$4,800 per household consumer loss in 2024\$.

## Changes Since the Last Report

Since the [April 15 report](#):

- The US and China agreed to a 90-day temporary reduction in tariffs as trade talks continue. The US 125% tariff on Chinese imports announced April 2 will be reduced to 10%. The 20% broad US tariff on Chinese imports announced February 4 and increased March 4 will remain. China will lower their 125% retaliation list to 10%.
- The US and the UK announced a trade deal on May 8 that included following tariff provisions, among other agreements:
  - The first 100,000 UK auto imports into the US will be tariffed at 10% rather than 25%.
  - US tariffs on UK steel & aluminum will be zeroed out.
  - UK tariffs on US ethanol will be zeroed out.
- The Administration [modified](#) the 25% auto & auto part tariff to allow for a temporary offset against tariffs on parts for autos assembled in the US, equal to 3.75% of the MSRP (covering parts up to 15% of vehicle value) through April 30, 2026 and 2.5% of MSRP (covering parts up to 10% of vehicle value) through April 30, 2027. TBL modeled this as a short-run reduction in the effective tariff rate on autos.
- TBL has added analysis of the long-run US sectoral output effects of tariffs.

TBL analyzes tariffs on a “real-time current policy” basis, where policy as it stands as of date certain is assumed to continue in perpetuity, even if framed as a temporary policy.

## Current Tariffs

### U.S. Tariffs

### Retaliatory 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 and other Canadian imports\* (effective March 4)

[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)

[Canada 25% list](#) (announced March 13)

25% tariff on all steel and aluminum imports (effective March 12), 0% on the UK (announced May 8)

China broad 125%, lowered to 0% for 90 days (announced April 4; increased April 11; lowered May 12)

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)\*\*\*

China suspension of exports of minerals and magnets (announced April 11)\*\*\*\*

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

\* USMCA-compliant trade remains duty-free. TBL assumes that 49% of imports by value from Mexico are USMCA-compliant, while 38% 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.

\*\*\*\* TBL simulated this as a prohibitive Chinese export tariff on these commodities.

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

## Results

The table below summarizes the effects of current tariffs in place as of May 12, **assuming they stayed in force indefinitely.**

**Table 1. Summary Economic & Fiscal Effects of 2025 Tariffs Through May 12**

	2026-35		Conventional Score****	
	\$billions	% of GDP	% Change in PCE Price Level**	Decline in Average Real Disposable Income per Household (2024\$)*
<b>All 2025 Tariffs to Date*</b>	<b>\$2,673</b>	<b>0.7%</b>	<b>1.73%</b>	<b>-\$2,836</b>

\* Includes effects of May 12 lower US-China Tariffs & May 8 US-UK trade deal.

\*\* 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 15.4 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 17.8%, the highest since 1934.

Post-substitution—after imports shift in response to the tariffs—the 2025 tariffs are a 14.0 percentage point increase in the US average effective tariff rate, due to the substantial fall in China’s share of US imports as American consumers and businesses find alternatives for Chinese imports. China’s import share goes from 14% to 6% as a result of the tariffs, which, compositionally, means that fewer Americans are paying the China tariffs and means therefore it has less “weight” in the post-substitution average effective tariff rate calculation. The 14.0pp increase brings the overall US effective tariff rate to 16.4%, the highest since 1937.

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.<sup>1</sup>

**Table 2. Change in Average Effective US Tariff Rate, New 2025 Policy Through May 12**

	Effective Tariff	Import Share		Average Effective Tariff	
		Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
China	33.2	14%	6%	4.5	2.0
Canada	17.2	13%	15%	2.2	2.6
Mexico	14.7	15%	17%	2.3	2.5
Rest of World	11.0	58%	62%	6.4	6.8
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>15.4</b>	<b>14.0</b>

Table: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datwrapper](#)

# Figure 1. Change in Average Effective US Tariff Rate, New 2025 Policy Through May 12

By Country Contribution and Pre/Post Substitution Percentage points

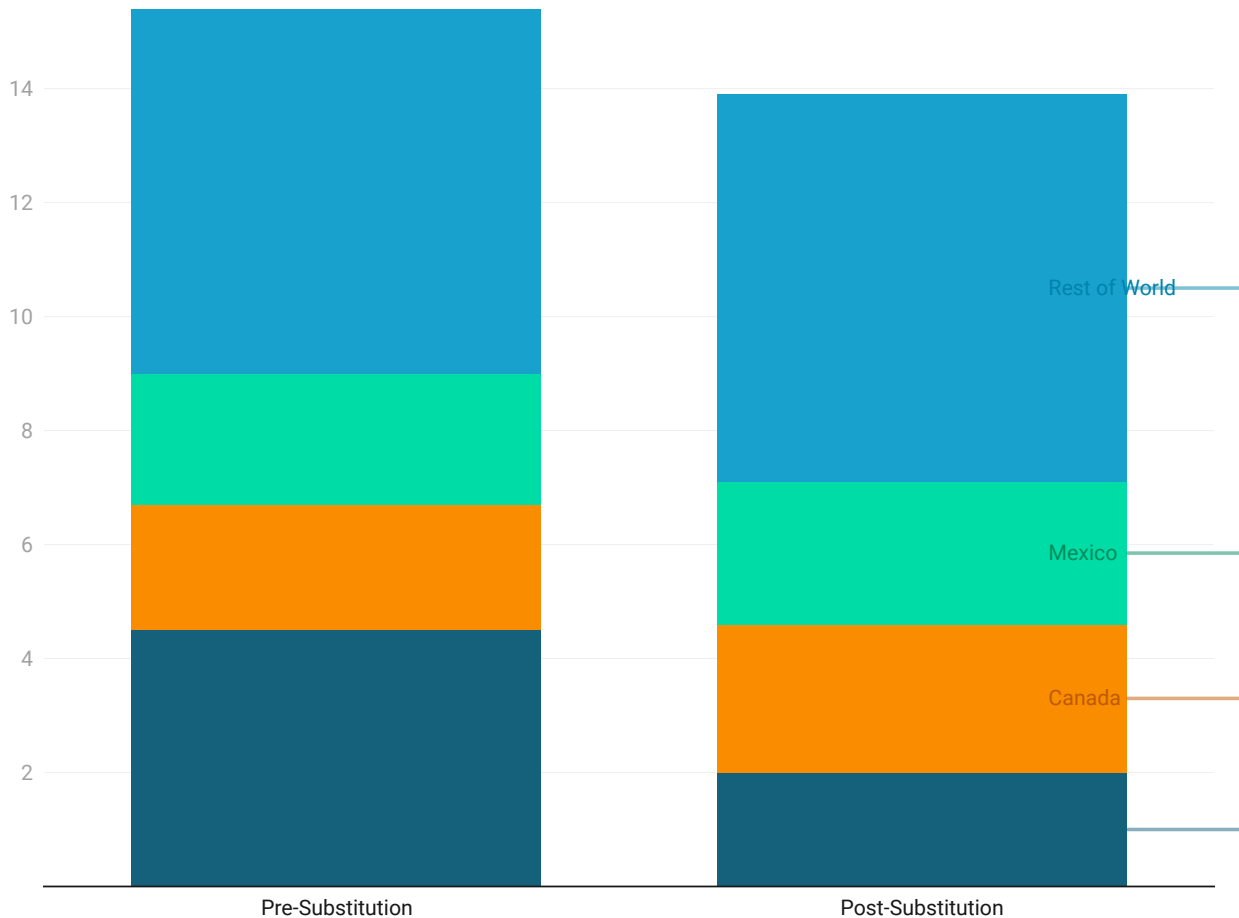
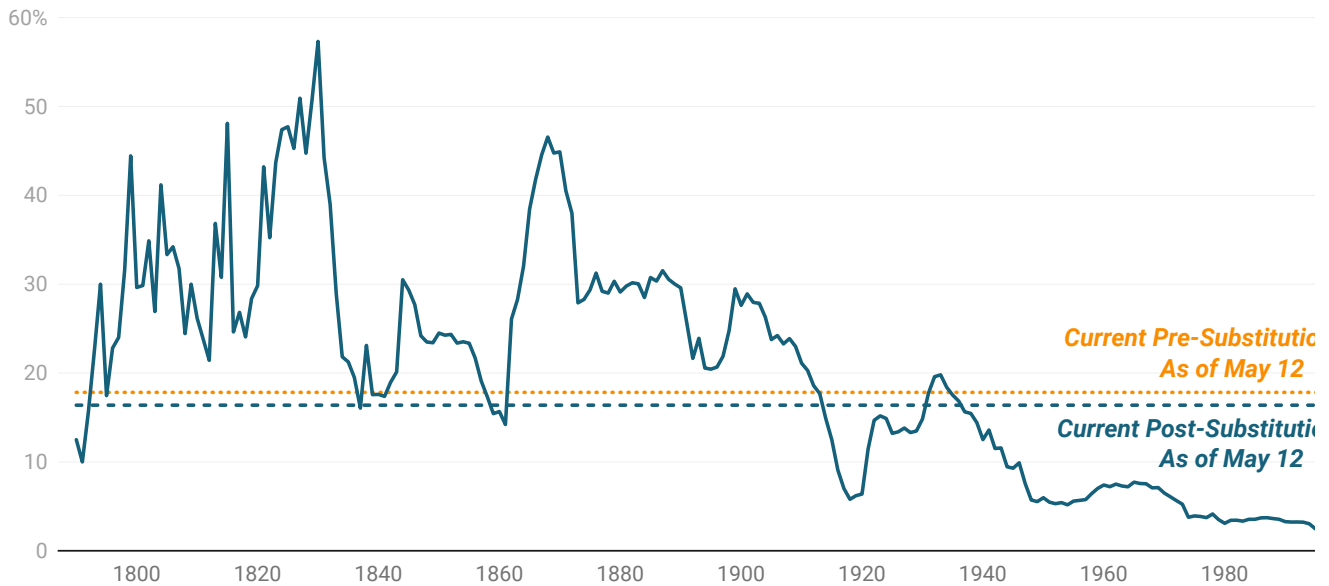


Chart: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datawrapper](#)

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

Customs duty revenue as a percent of goods imports



\* Assumes revised April 9 tariffs stay in place.

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 tariffs imply an increase in consumer prices of 1.7% in the short-run, assuming no policy reaction from the Federal Reserve. This is a pre-substitution number that captures consumer welfare effects. It is the equivalent of a loss of purchasing power of \$2,800 per household on average in 2024 dollars. The post-substitution price increase settles at 1.4%, a \$2,300 loss per household.

### US real GDP & labor market effects

All 2025 US tariffs plus foreign retaliation lower real GDP growth by -0.7pp over calendar year 2025 (Q4-Q4). The unemployment rate ends 2025 0.35 percentage point higher, and payroll employment is 456,000 lower that same quarter. The level of real GDP remains persistently -0.36% smaller in the long run, the equivalent of \$110 billion 2024\$ annually, while exports are -15.5% lower.

### Figure 3. U.S. Real GDP Level Effects of 2025 Tariffs to Date

U.S. tariffs implemented through May 12  
 Percentage point change against baseline

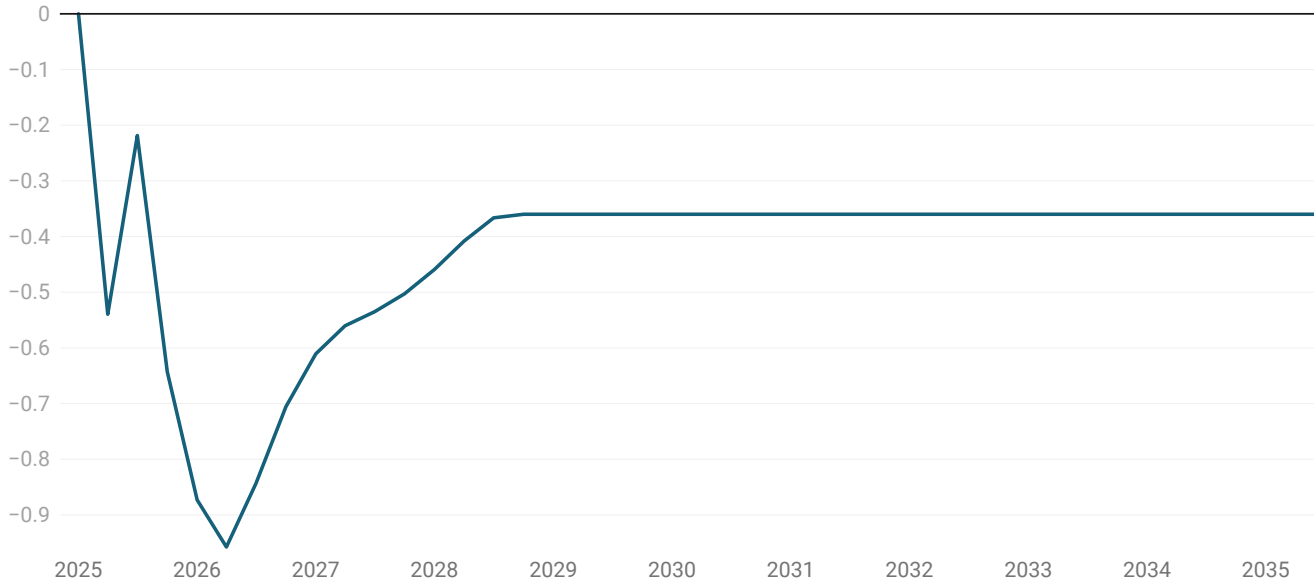


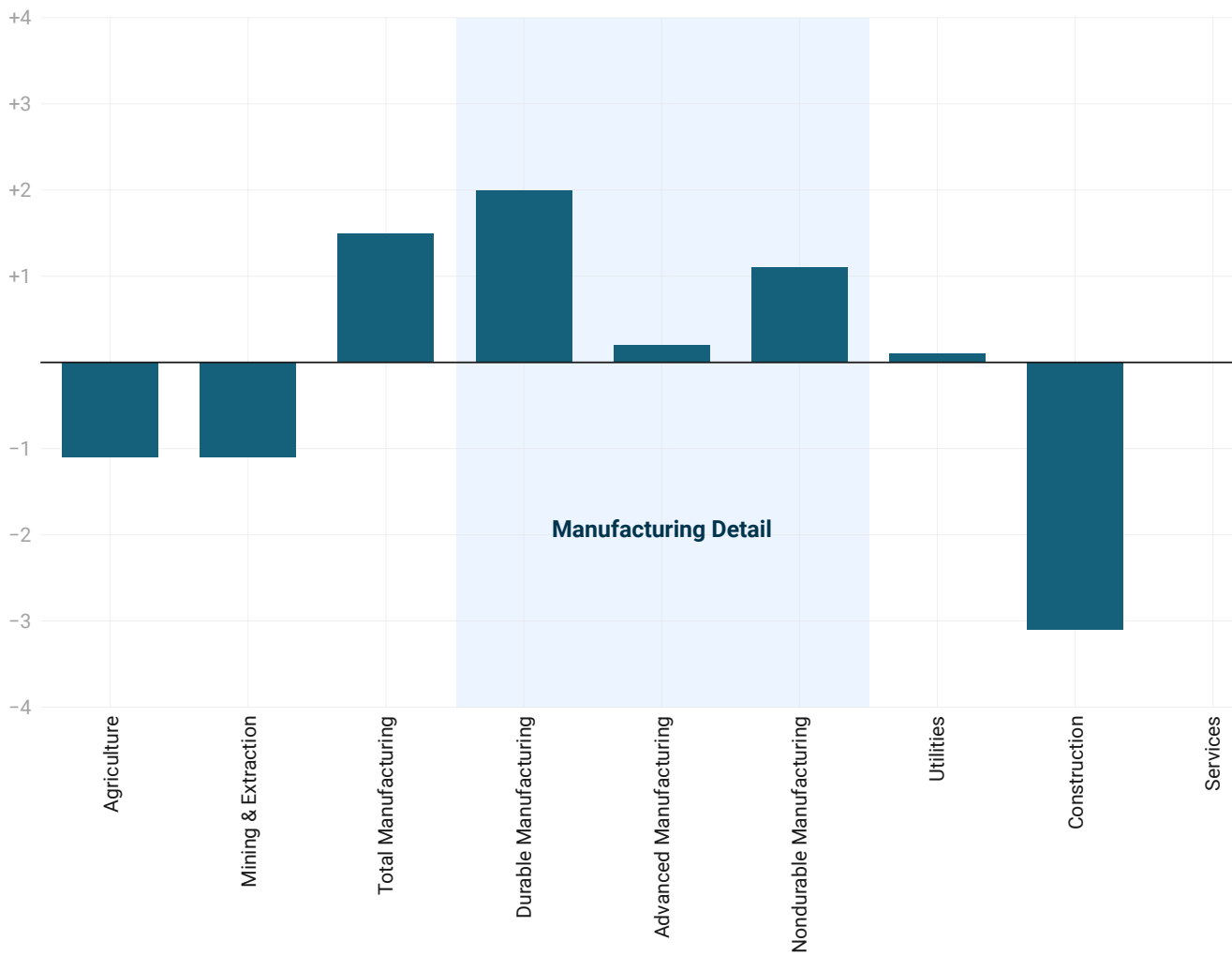
Chart: The Budget Lab • Source: S&P Global, GTAP v7, GTAP-RD, The Budget Lab analysis. • Created with [Datawrapper](#)

### 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 2.0% larger, nondurable manufacturing 1.1% larger, and advanced manufacturing up 0.2%. However, the expansion of the manufacturing sector more than crowds out the rest of the economy: construction contracts by 3.1%, agriculture by 1.1%, and mining & extraction by 1.1%.

## Figure 4. Change in Long-Run Real U.S. GDP by Sector from 2025 Tariffs

Effect of all 2025 U.S. tariffs through May 8, plus foreign retaliation  
Percentage points



Real value added by sector.

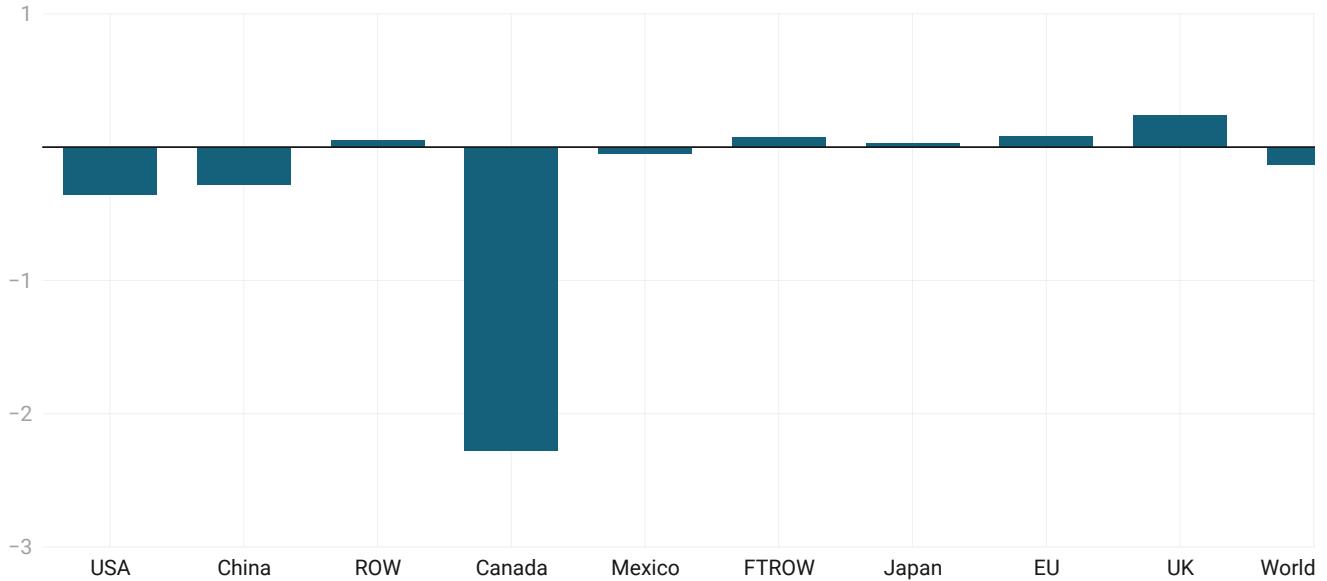
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

### Global long-run real GDP effects

Canada has borne the brunt of the damage from US tariffs so far, with its long-run economy -2.3% smaller in real terms (reflecting both US tariffs and Canadian retaliation to date). China's economy is -0.3% smaller, almost as large as the hit to the US. The EU economy is 0.1 percentage point larger in the long-run, while the UK's is 0.2% bigger thanks in part to the benefits of US-UK trade deal.

## Figure 5. Long-Run Change in Real GDP Level from 2025 Tariffs to Date

U.S. tariffs implemented through May 12  
 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. • [Get the data](#) • Created with [Datawrapper](#)

### Fiscal impact & historical context

The 2025 tariffs to date, were they to remain in place (and not expire after 90 days), would raise \$2.7 trillion over 2026-35 conventionally-scored.<sup>2</sup> Given the negative output effects of the tariffs, there would be additional dynamic reductions in tax revenue as a result. Based on Congressional Budget Office rules-of-thumb, TBL estimates that these effects would total -\$394 billion over the decade.

### Short-run distributional impact

Tariffs are a regressive tax, especially in the short-run. This means that tariffs burden households at the bottom of the income ladder more than those at the top as a share of income. The regressivity is about the same when looking at all 2025 tariffs: the burden on the 2<sup>nd</sup> decile is 2.5x that of the top decile (-2.9% versus -1.2%). The average annual cost to households in the 2<sup>nd</sup>, 5<sup>th</sup>, and top decile rise to \$1,300; \$2,200; and \$6,100 respectively.

## Figure 6. Short-Run Distributional Impact of 2025 Tariffs to Date

Through May 12

Percentage points of disposable income by household income decile

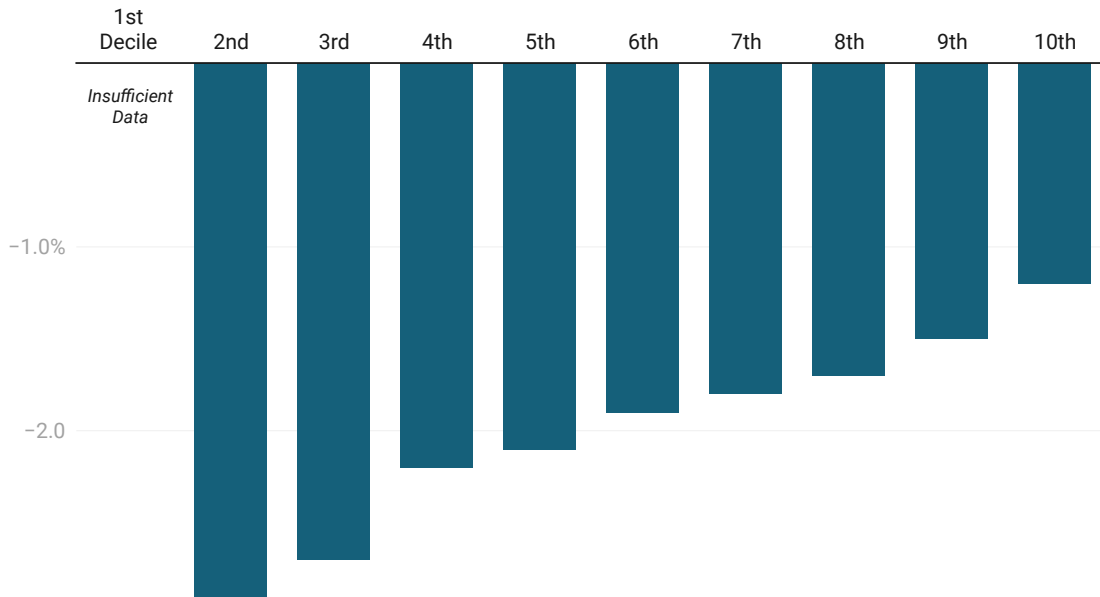


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

Constant 2024\$ of Average Disposable Income per Household

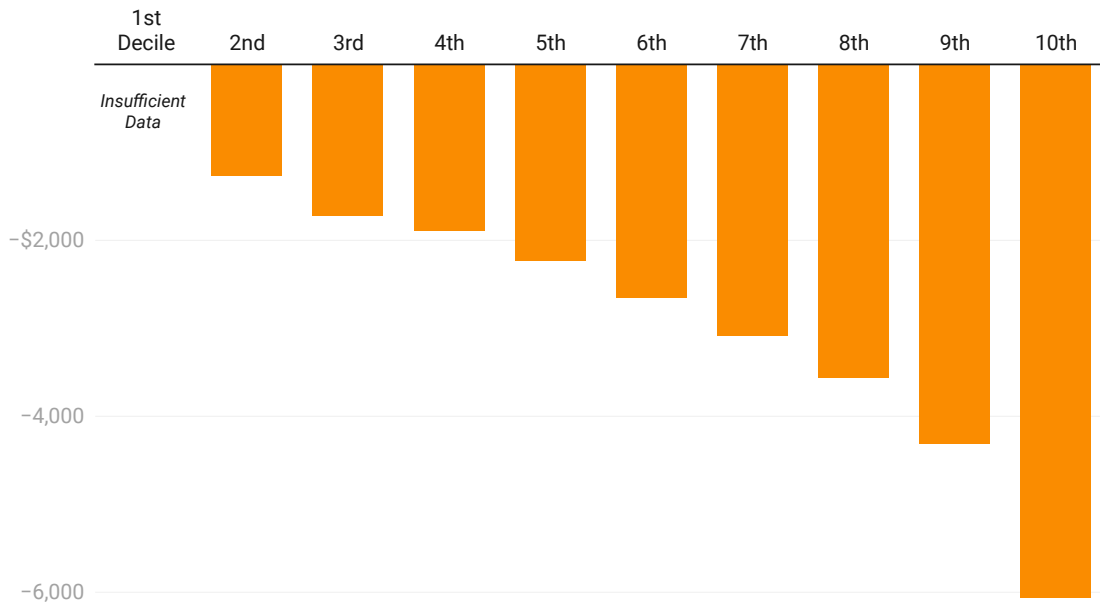


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

Tariffs are more distributionally-ambiguous in the longer-run. Tariffs reduce both labor income and above-normal returns to capital, or rents. We assume that owners of capital hold rents rather than consume them in the short-run, but do consume them over their lifecycle in the long-run. The implication is that the tariff burden is more regressive in the short-run and more evenly-distributed across households in the long-run

## Commodity price effects

The charts below show how the 1.7% price level increase from the 2025 tariffs to date would look across individual commodities in the short-run (pre-substitution), as well as the 1.4% long-run price increase (post-substitution).

Some high level takeaways:

- Consumers face high increases in clothing and textile prices in the short-run: prices increase 15% for leather products (shoes and hand bags), 14% for apparel, and 11% for textiles. After substitution and global supply shifts in the long-run, prices remain 19%, 16%, and 14% higher, respectively.
- Food prices rise 2.3% in the short-run and stay 2.3% higher in the long-run. Fresh produce is initially 3.0% more expensive while stabilizing at 2.9% higher.
- Motor vehicle prices rise 9.3% in the short-run and 6.2% in the long-run, the latter the equivalent of an additional \$3,000 to the price of an average 2024 new car.

## Figure 7. Commodity Price Effects from 2025 Tariffs Through May 12

Percent change to price level

name	Short Run	Long-Run
Metals nec	18.3	10.8
Leather products	14.5	18.5
Wearing apparel	14.0	15.8
Computer, electronic and optical	14.1	6.2
Crops nec	11.6	3.6
Electrical equipment	12.7	14.1
Textiles	10.6	11.0
Motor vehicles and parts	9.3	6.2
Basic pharmaceutical products	8.8	6.3
Ferrous metals	9.2	6.9
Natural gas	7.6	3.2
Mineral products nec	6.6	10.3
Rubber and plastic products	6.5	11.6
Metal products	4.4	9.1
Machinery and equipment nec	4.9	9.6
Transport equipment nec	4.3	4.8
Manufactures nec	3.2	5.7
Vegetables, fruit, nuts	3.0	2.9
Wood products	2.9	6.2
Fishing	1.5	2.6
Oil	2.5	2.5
Chemical products	2.9	1.1
Paper products, publishing	2.0	3.1
Food products nec	0.8	2.9
Cereal grains nec	1.3	0.7
Processed rice	0.9	1.8
Vegetable oils and fats	1.0	1.1
Beverages and tobacco products	0.8	1.0
Paddy rice	0.8	8.2
Animal products nec	0.5	2.9
Sugar	0.8	0.6
Minerals nec	0.3	1.1
Bovine meat products	0.3	1.8
Forestry	0.2	0.6
Meat products nec	0.2	1.1
Petroleum, coal products	0.2	0.8

Dairy products	0.1	-0.5
Oil seeds	0.0	1.3
Wool, silk-worm cocoons	0.0	9.3
Wheat	0.0	0.4
Electricity	0.0	0.5
Bovine cattle, sheep and goats	0.0	0.4
Construction	0.0	1.2
Plant-based fibers	0.0	0.5
Coal	0.0	0.9
Raw milk	0.0	0.1
Sugar cane, sugar beet	0.0	-0.7
Water	0.0	1.0
Gas manufacture, distribution	0.0	0.6
Recreational and other services	0.0	0.6
Trade	0.0	0.6
Dwellings	0.0	0.3
Transport nec	0.0	0.8
Education	0.0	0.4
Communication	0.0	0.7
Insurance	0.0	0.4
Financial services nec	0.0	0.4
Warehousing and support	0.0	0.9
Water transport	0.0	0.8
Human health and social work	0.0	0.7
Public Administration	0.0	0.7
Air transport	0.0	0.3
Accommodation & food services	0.0	0.5
Business services nec	0.0	0.6
Real estate activities	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 [Datwrapper](#)

## Footnotes

1. TBL assumes throughout its tariff analysis that the transition to longer-run GTAP equilibria occurs after three years.
2. TBL employs a "relaxed conventional" assumption for the retaliation scenario, whereby foreign income is permitted to fall but US income remains fixed.