



State of U.S. Tariffs: May 29, 2025

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Key Takeaways

1

The Budget Lab (TBL) estimated the effects all remaining US tariffs and foreign retaliation implemented in 2025 through May 28, assuming all tariffs previously introduced under IEEPA authority are invalidated per the May 28 U.S. Court of International Trade Ruling.

2

The May 28 court ruling leaves only tariffs introduced under Section 232 authority in place: tariffs on steel and aluminum as well as autos and auto parts. Future Section 232 tariffs on other commodities such as pharmaceuticals and semiconductors are expected but not yet implemented.

3

Current Tariff Rate: Consumers face an overall average effective tariff rate of 6.9%, the highest since 1969. After consumption shifts, the average tariff rate will be 7.0%, also the highest since 1969.

4

Overall Price Level & Distributional Effects: The price level from all 2025 tariffs rises by 0.6% in the short-run, the equivalent of an average per household consumer loss of \$950 in 2024\$. Annual pre-substitution losses for households at the bottom of the income distribution are \$800. The post-substitution price increase settles at the same 0.6%.

5

Commodity Prices: The 2025 tariffs affect metals inputs and automobile prices primarily. The latter sees a 5% long-run price increase, the equivalent of an extra \$2,400 on the cost of an average 2024 new car.

6

Real GDP Effects: US real GDP growth is -0.2pp lower from all 2025 tariffs. In the long-run, the US economy is persistently -0.1% smaller respectively, the equivalent of \$20 billion annually in 2024\$.

7

Labor Market Effects: The unemployment rate rises 0.1 percentage point by the end of 2025, and payroll employment is 127,000 lower.

8

Long-Run Sectoral GDP & Employment Effects: In the long-run, US manufacturing output contracts by 0.1%, while construction output contracts by 1.5% and agriculture declines by 1.2%.

9

Fiscal Effects: All tariffs to date in 2025 raise \$686 billion over 2026-35, with \$101 billion in negative dynamic revenue effects.

Changes Since the Last Report

Since the [May 23 report](#):

- The U.S. Court of International Trade [invalidated](#) tariffs announced under IEEPA authority, including the “reciprocal” tariffs and 25% tariffs on Canada and Mexico.
- President Trump delayed the previously-announced 50% tariff on the EU.

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 Tariff Policy as of May 28

U.S. Tariffs

Retaliatory Tariffs

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)

[China 10%/15% list](#)
(announced February 4)

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

[Canada 25% list](#)
(announced March 4)

[China 10%/15% list](#)
(announced March 4)

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

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

China suspension of exports of minerals and magnets
(announced April 11)^{****}

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

* 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.

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

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

Results

The table below summarizes the effects of current tariffs in place as of May 28, **assuming they stayed in force indefinitely.**

Table 1. Summary Economic & Fiscal Effects of 2025 Tariffs Through May 28

| | 2026-35 | | Conventional Score**** | |
|----------------------------------|--------------|-------------|-------------------------------|---|
| | \$billions | % of GDP | % Change in PCE Price Level** | Decline in Average Real Disposable Income per Household (2024\$)* |
| All 2025 Tariffs to Date* | \$686 | 0.2% | 0.58% | -\$951 |

* Removes all IEEPA tariffs per May 28 court ruling.

** 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 (assuming IEEPA-authority tariffs remain invalid) are the equivalent of a 4.5 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 6.9%, the highest since 1969.

Post-substitution—after imports shift in response to the tariffs—the 2025 tariffs are a 4.6 percentage point increase in the US average effective tariff rate, which brings the overall US effective tariff rate to 7.0%, also the highest since 1969.

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 May 28

| | Effective Tariff | Import Share | | Average Effective Tariff | |
|---------------|------------------|------------------|-------------------|--------------------------|-------------------|
| | | Pre-Substitution | Post-Substitution | Pre-Substitution | Post-Substitution |
| China | 1.2 | 14% | 13% | 0.2 | 0.2 |
| Canada | 6.9 | 13% | 14% | 0.9 | 1.0 |
| Mexico | 7.4 | 15% | 16% | 1.2 | 1.2 |
| Rest of World | 4.0 | 58% | 56% | 2.3 | 2.3 |
| Total | | 100% | 100% | 4.5 | 4.6 |

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

Figure 1. Change in Average Effective US Tariff Rate, New 2025 Policy Through May 28

By Country Contribution and Pre/Post Substitution Percentage points

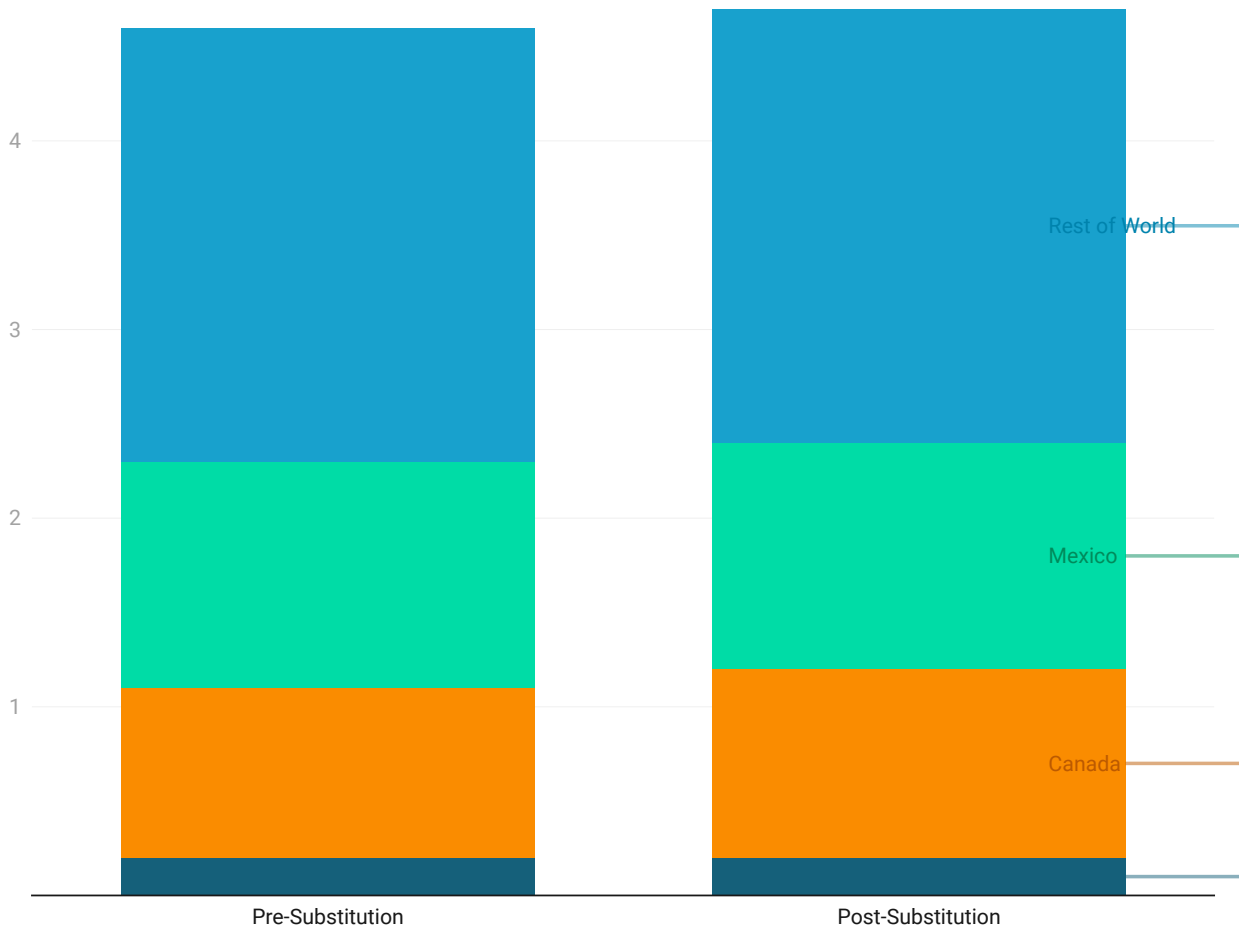
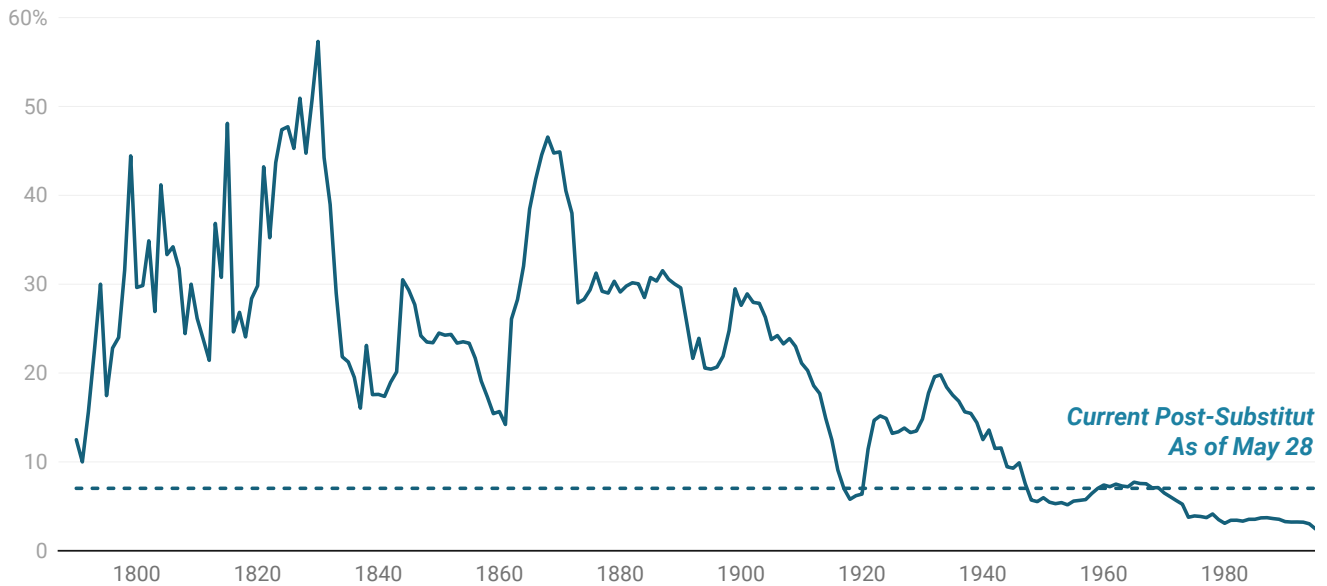


Chart: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datawrapper](#)

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

Customs duty revenue as a percent of goods imports



* Assumes removal of all 2025 IEEPA tariffs.

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 0.6% 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 \$950 per household on average in 2024 dollars. The post-substitution price increase settles at the same 0.6%.

US real GDP & labor market effects

All 2025 US tariffs plus foreign retaliation lower real GDP growth by -0.2pp over calendar year 2025 (Q4-Q4). The unemployment rate ends 2025 0.10 percentage point higher, and payroll employment is 127,000 lower that same quarter. The level of real GDP remains persistently -0.06% smaller in the long run, the equivalent of \$20 billion 2024\$ annually, while exports are -3.9% lower.

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

U.S. tariffs implemented through May 28
 Percentage point change against baseline

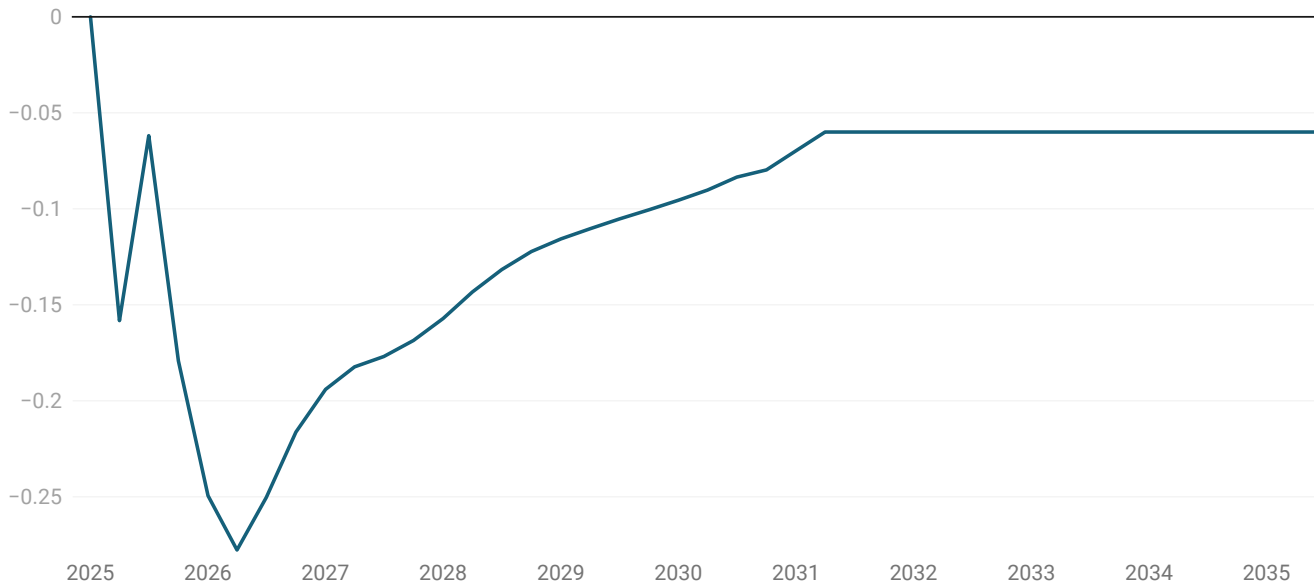


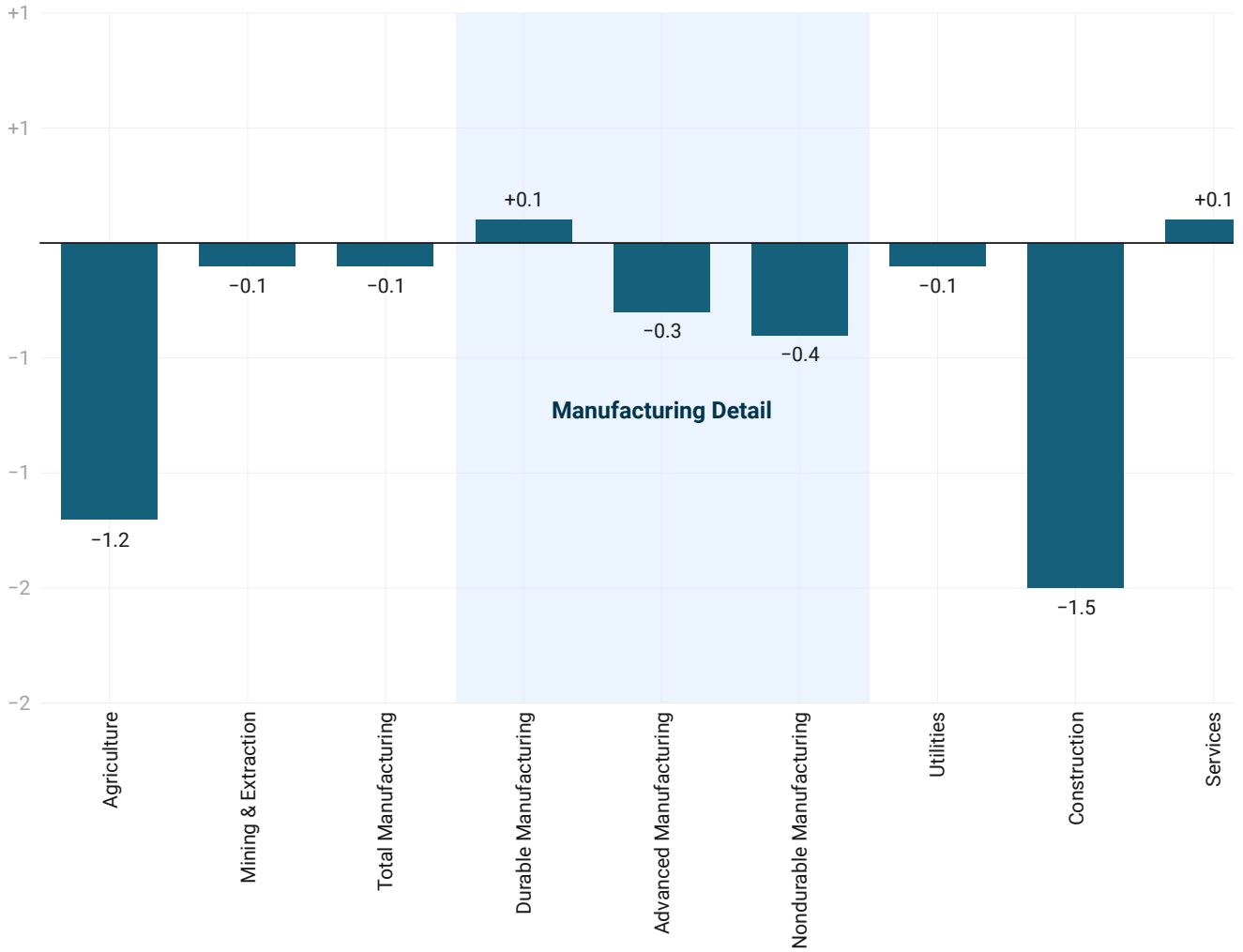
Chart: The Budget Lab • Source: S&P Global, GTAP v7, GTAP-RD, The Budget Lab analysis. • Created with [Datawrapper](#)

Long-run US sectoral output & employment effects

Tariffs shrink the overall size of the US economy in the long-run by 0.1%, but beneath aggregate GDP they also drive reallocation across US sectors. Long-run output in the manufacturing sector contracts by 0.1% under the tariffs, though durable manufacturing expands by 0.1%. However, advanced durable manufacturing output falls 0.3%. Moreover, construction contracts by 1.5% and agriculture by 1.2%.

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

Effect of all 2025 U.S. tariffs through May 28
Percentage Points



Real value added by sector.

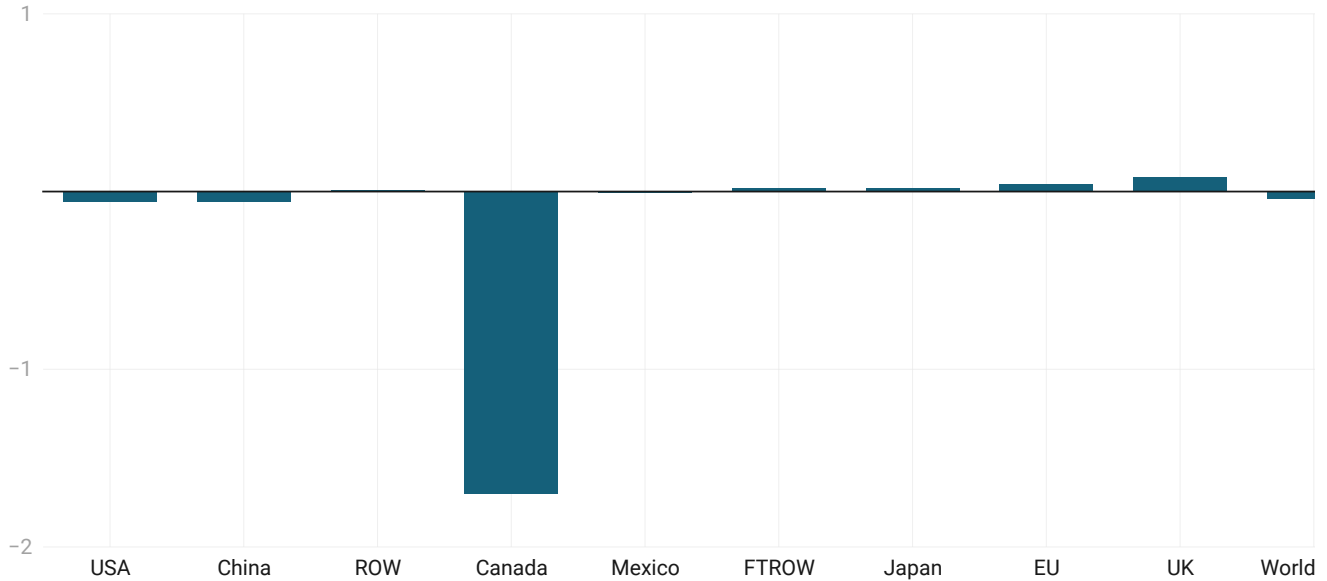
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

Global long-run real GDP effects

Canada has borne the brunt of the damage from US tariffs so far, with its long-run economy -1.7% smaller in real terms (this is primarily because of Canadian retaliation still in effect). China’s economy is -0.1% smaller, exactly the same as the hit to the US. The UK’s economy is 0.1% bigger.

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

U.S. tariffs implemented through May 28
 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 \$686 trillion over 2026-35 conventionally-scored.² 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 -\$101 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 2nd decile is nearly 5x that of the top decile (-1.9% versus -0.4%). The average annual cost to households in the 2nd, 5th, and top decile rise to \$810; \$708; and \$2,000 respectively.

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

Through May 28

Percentage points of disposable income by household income decile

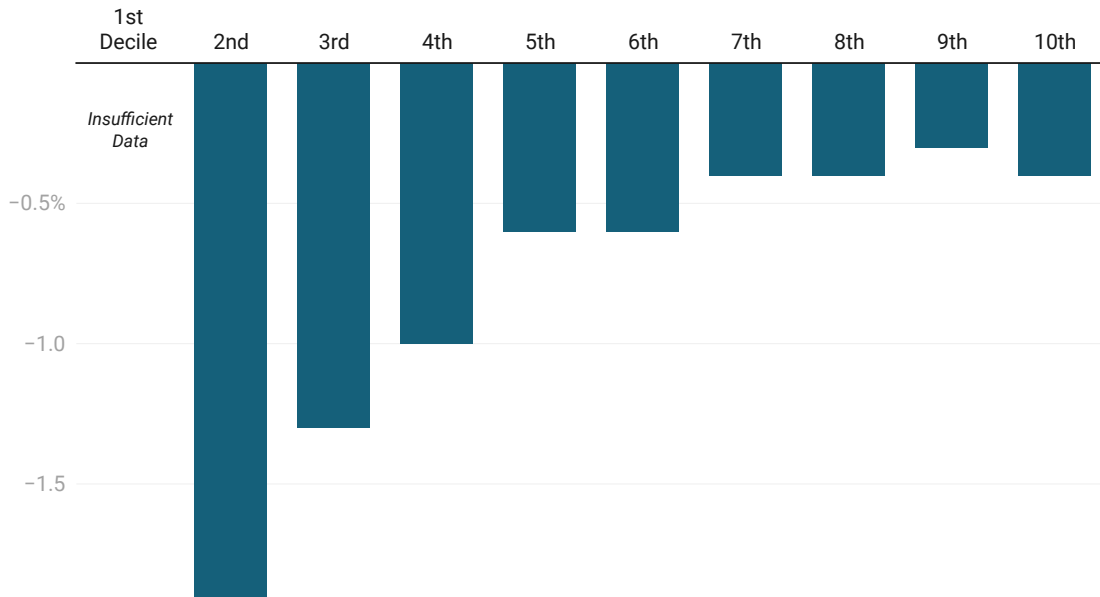


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

Constant 2024\$ of Average Disposable Income per Household

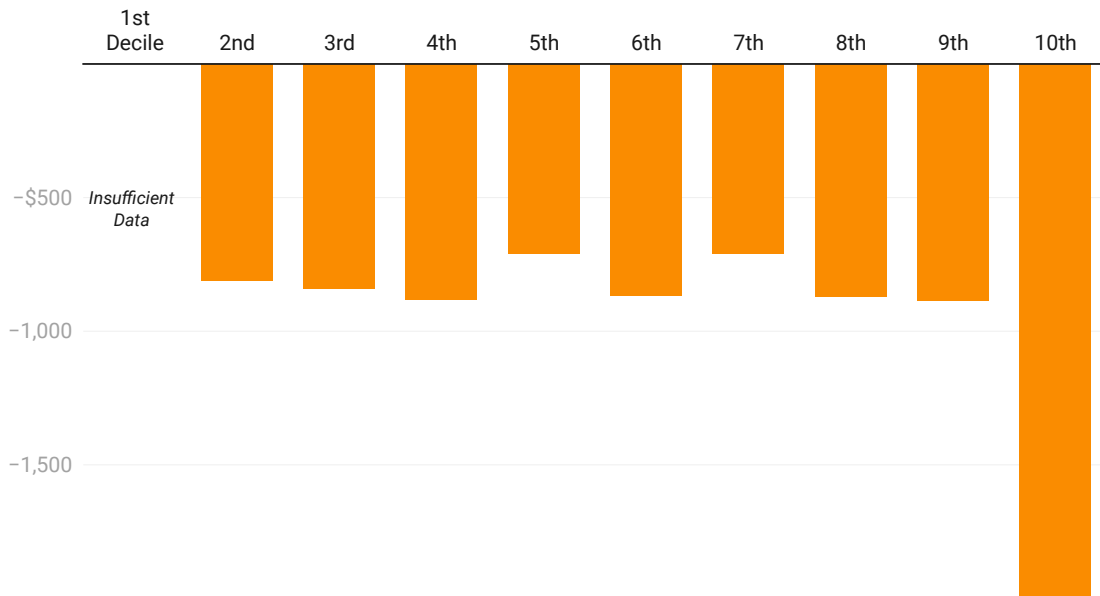


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

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 the price level increases consumers would face from the 2025 tariffs to date, both in the short-run (pre-substitution) as well as in the long-run (post-substitution). Some high level takeaways:

- The steel & aluminum tariffs raise ferrous metal prices by 6% in the short-run and non-ferrous metal prices by 13%. In the long run, prices remain 4% and 8% higher respectively.
- Motor vehicle prices rise 8% in the short-run and 5% in the long-run, the latter the equivalent of an additional \$2,400 to the price of an average 2024 new car.

Figure 7. Commodity Price Effects from 2025 Tariffs Through May 28

Percent change to price level

| name | Short Run | Long-Run |
|----------------------------------|-----------|----------|
| Metals nec | 12.6 | 7.9 |
| Motor vehicles and parts | 8.4 | 5.1 |
| Ferrous metals | 5.7 | 3.7 |
| Crops nec | 0.0 | 0.0 |
| Textiles | 0.0 | -0.1 |
| Natural gas | 0.0 | 0.0 |
| Basic pharmaceutical products | 0.0 | -0.3 |
| Computer, electronic and optical | 0.0 | 0.1 |
| Rubber and plastic products | 0.0 | -0.3 |
| Leather products | 0.0 | 0.3 |
| Wearing apparel | 0.0 | 0.2 |
| Electrical equipment | 0.0 | 0.2 |
| Chemical products | 0.0 | -0.5 |
| Manufactures nec | 0.0 | -0.3 |
| Metal products | 0.0 | 0.1 |
| Machinery and equipment nec | 0.0 | 0.0 |
| Wood products | 0.0 | -0.7 |
| Fishing | 0.0 | -1.0 |
| Vegetables, fruit, nuts | 0.0 | -0.8 |
| Transport equipment nec | 0.0 | -0.3 |
| Cereal grains nec | 0.0 | -1.0 |
| Oil | 0.0 | -0.1 |
| Mineral products nec | 0.0 | -0.4 |
| Beverages and tobacco products | 0.0 | -0.4 |
| Food products nec | 0.0 | -0.7 |
| Paper products, publishing | 0.0 | -0.7 |
| Processed rice | 0.0 | -0.4 |
| Paddy rice | 0.0 | -0.8 |
| Vegetable oils and fats | 0.0 | -1.0 |
| Sugar | 0.0 | -0.7 |
| Bovine meat products | 0.0 | -0.8 |
| Animal products nec | 0.0 | -1.0 |
| Forestry | 0.0 | -1.0 |
| Minerals nec | 0.0 | -0.6 |
| Meat products nec | 0.0 | -0.9 |
| Petroleum, coal products | 0.0 | -0.2 |

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

"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.