



State of U.S. Tariffs: June 1, 2025

Published: June 1, 2025 Updated: June 6, 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 June 1, including the effects of the higher 50% steel & aluminum tariffs announced May 30. TBL analyzed the June 1 tariff rates as if they stayed in effect in perpetuity.

2

Current Tariff Rate: Consumers face an overall average effective tariff rate of 15.6%, the highest since 1937. After consumption shifts, the average tariff rate will be 14.5%, also the highest since 1938.

3

Overall Price Level & Distributional Effects: The price level from all 2025 tariffs rises by 1.5% in the short-run, the equivalent of an average per household consumer loss of \$2,500 in 2024\$. Annual pre-substitution losses for households at the bottom of the income distribution are \$1,100. The post-substitution price increase settles at 1.3%, a \$2,100 loss per household.

4

Commodity Prices: The 2025 tariffs disproportionately affect clothing and textiles, with consumers facing 31% higher shoe prices and 28% higher apparel prices in the short-run. Shoes and apparel prices stay 17% and 15% higher in the long-run respectively.

5

Real GDP Effects: US real GDP growth is -0.5pp lower from all 2025 tariffs. In the long-run, the US economy is persistently -0.3% smaller respectively, the equivalent of \$100 billion annually in 2024\$.

6

Labor Market Effects: The unemployment rate rises 0.3 percentage point by the end of 2025, and payroll employment is 376,000 lower.

7

Long-Run Sectoral GDP & Employment Effects: In the long-run, tariffs present a trade-off. US manufacturing output expands by 1.3% but more than crowds out other sectors: construction output contracts by 2.0% and agriculture declines by 0.9%.

8

Fiscal Effects: All tariffs to date in 2025 raise \$2.4 trillion over 2026-35, with \$347 billion in negative dynamic revenue effects, bringing dynamic revenues to \$2.0 trillion.

Changes since the Last Report

Since the [May 29 report](#):

- On May 28, the U.S. Court of International Trade invalidated the Trump Administration's tariffs imposed under authority from the International Emergency Economic Powers Act. That case is ongoing; however, on May 29, a federal appeals court temporarily agreed to preserve the IEEPA tariffs. That means that as of today, June 1, those tariffs remain in place, and they are reflected in our analysis.
- On May 30, the Trump Administration announced that the U.S. will double its current tariff rate on steel and aluminum imports from 25% to 50%.
- TBL incorporated updated data on USMCA-compliant trade shares with Canada. Whereas before, TBL assumed that 38% of trade with Canada was USMCA-compliant, March Census data showed that the share rose substantially to 50%.

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 June 1

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)
50% tariff on all steel and aluminum imports (effective March 12, raised May 30), 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 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.

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

Results

The table below summarizes the effects of current tariffs in place as of June 1, **assuming they stayed in force indefinitely.**

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

	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*	\$2,381	0.6%	1.49%	-\$2,455

* Increases steel & aluminum tariffs to 50%.

** 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 13.2 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 15.6%, the highest since 1937.

Post-substitution—after imports shift in response to the tariffs—the 2025 tariffs are a 12.1 percentage point increase in the US average effective tariff rate, which brings the overall US effective tariff rate to 14.5%, the highest since 1938.

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 June 1

Pre- and post-substitution

	Effective Tariff	Import Share		Average Effective Tariff	
		Pre- Substitution	Post- Substitution	Pre- Substitution	Post- Substitution
China	27.2	14%	7%	3.7	1.9
Canada	11.2	13%	16%	1.4	1.8
Mexico	10.7	15%	18%	1.7	1.9
Rest of World	11.0	58%	59%	6.4	6.5
Total		100%	100%	13.2	12.1

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

Figure 1. Average Effective US Tariff Rate, New 2025 Policy Through June 1

By Country Contribution and Pre/Post Substitution Percentage points

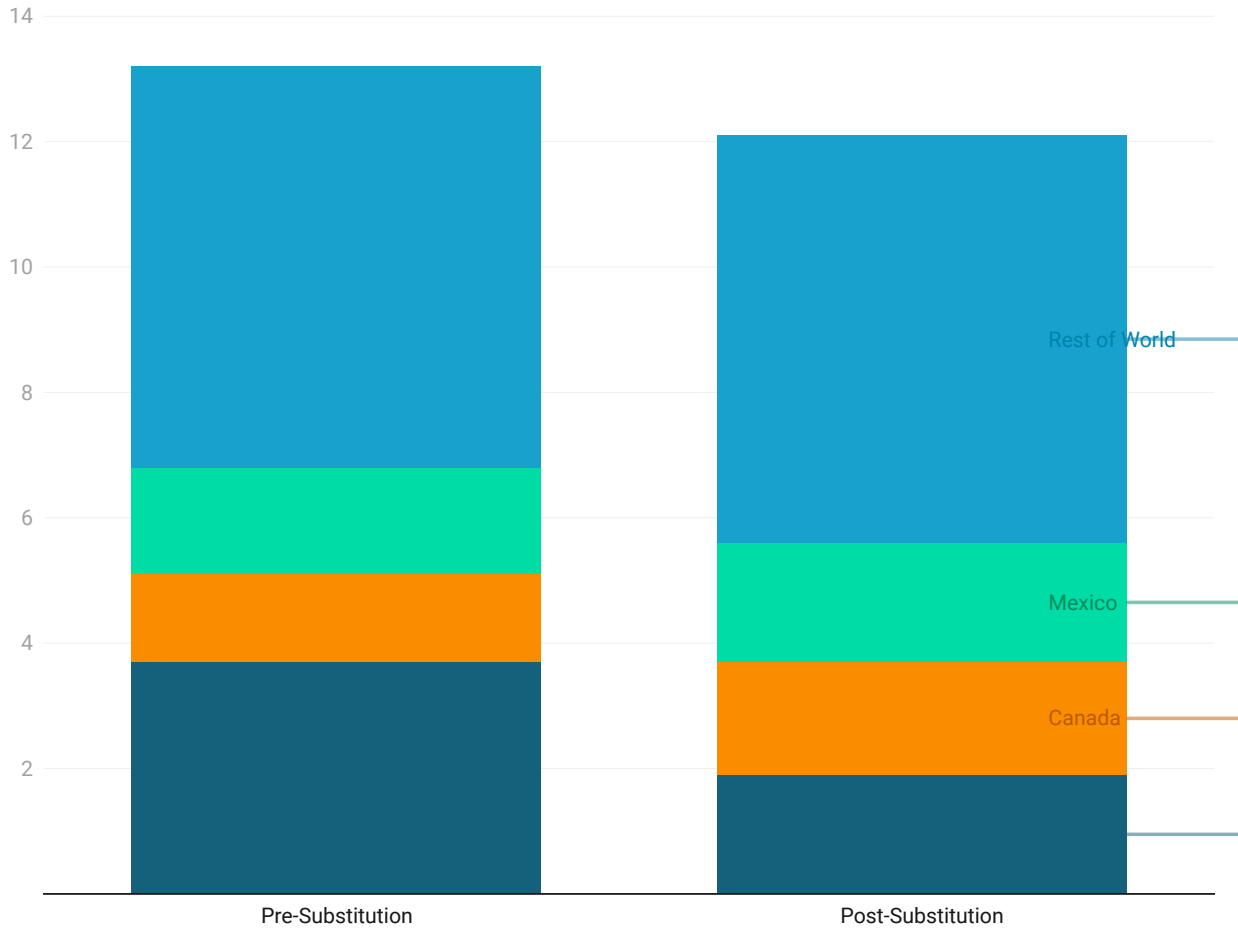
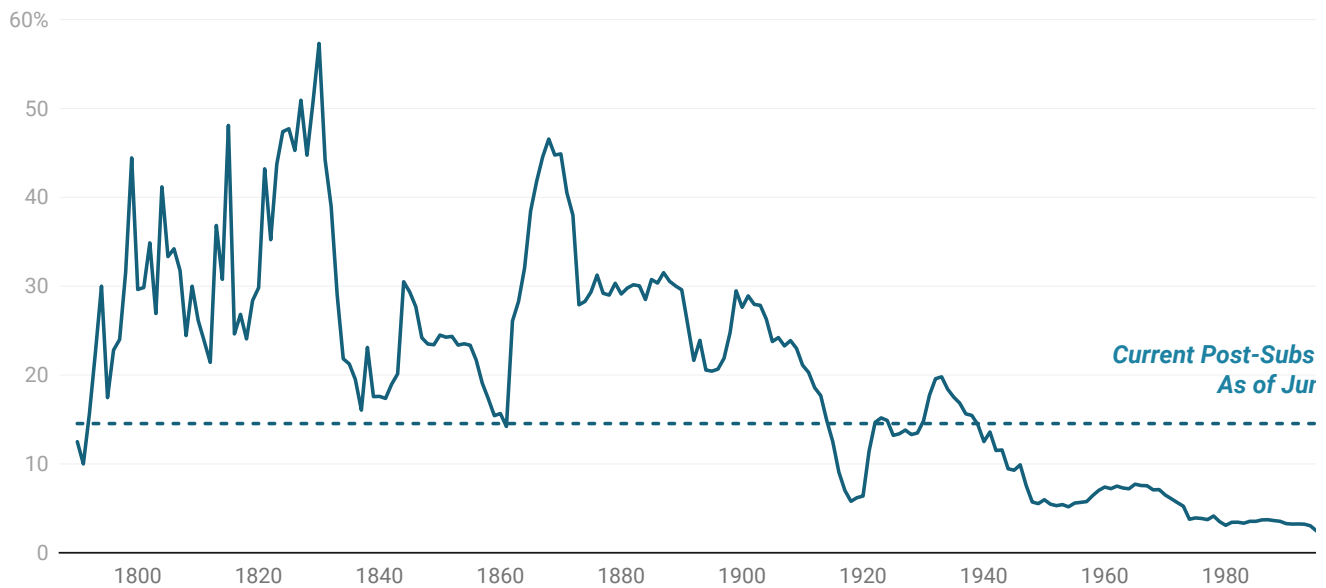


Chart: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datawrapper](#)

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

Customs duty revenue as a percent of goods imports



* Includes 50% steel & aluminum tariff.

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](#)

Average Aggregate Price Impact

The 2025 tariffs imply an increase in consumer prices of 1.5% 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 \$2,500 per household on average in 2024 dollars. The post-substitution price increase settles at 1.3%, a \$2,100 loss per household.

US Real GDP & Labor Market Effects

All 2025 US tariffs plus foreign retaliation lower real GDP growth by -0.5pp over calendar year 2025 (Q4-Q4). The unemployment rate ends 2025 0.3 percentage point higher, and payroll employment is 376,000 lower that same quarter. The level of real GDP remains persistently -0.32% smaller in the long run, the equivalent of \$100 billion 2024\$ annually, while exports are -14% lower.

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

U.S. tariffs implemented through June 1
 Percentage point change against baseline

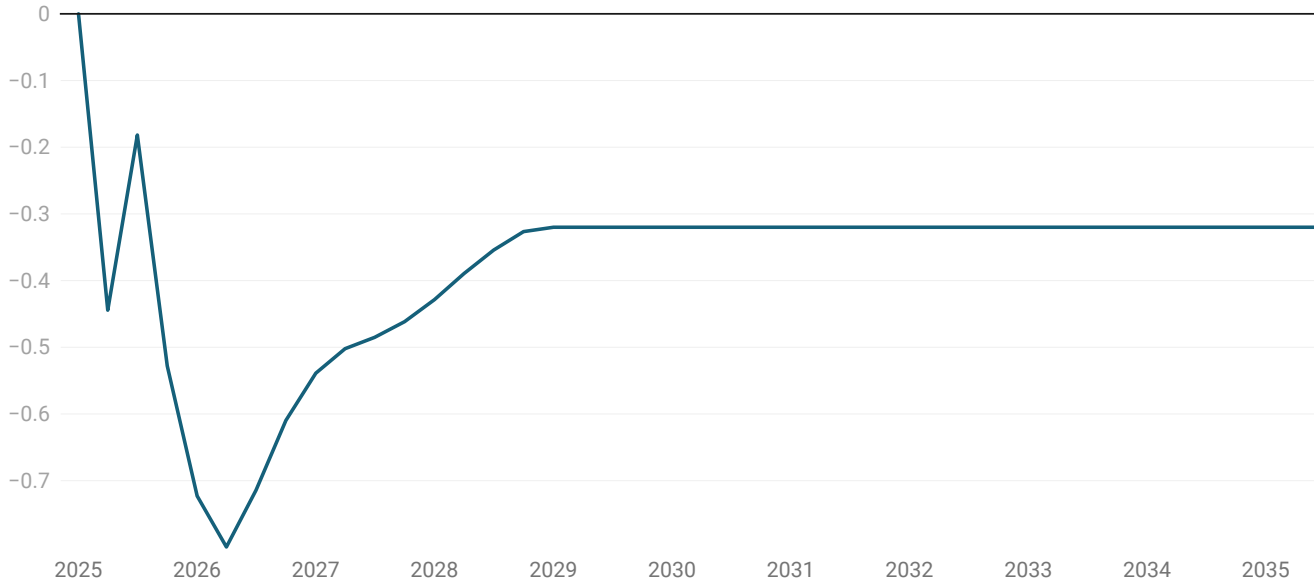


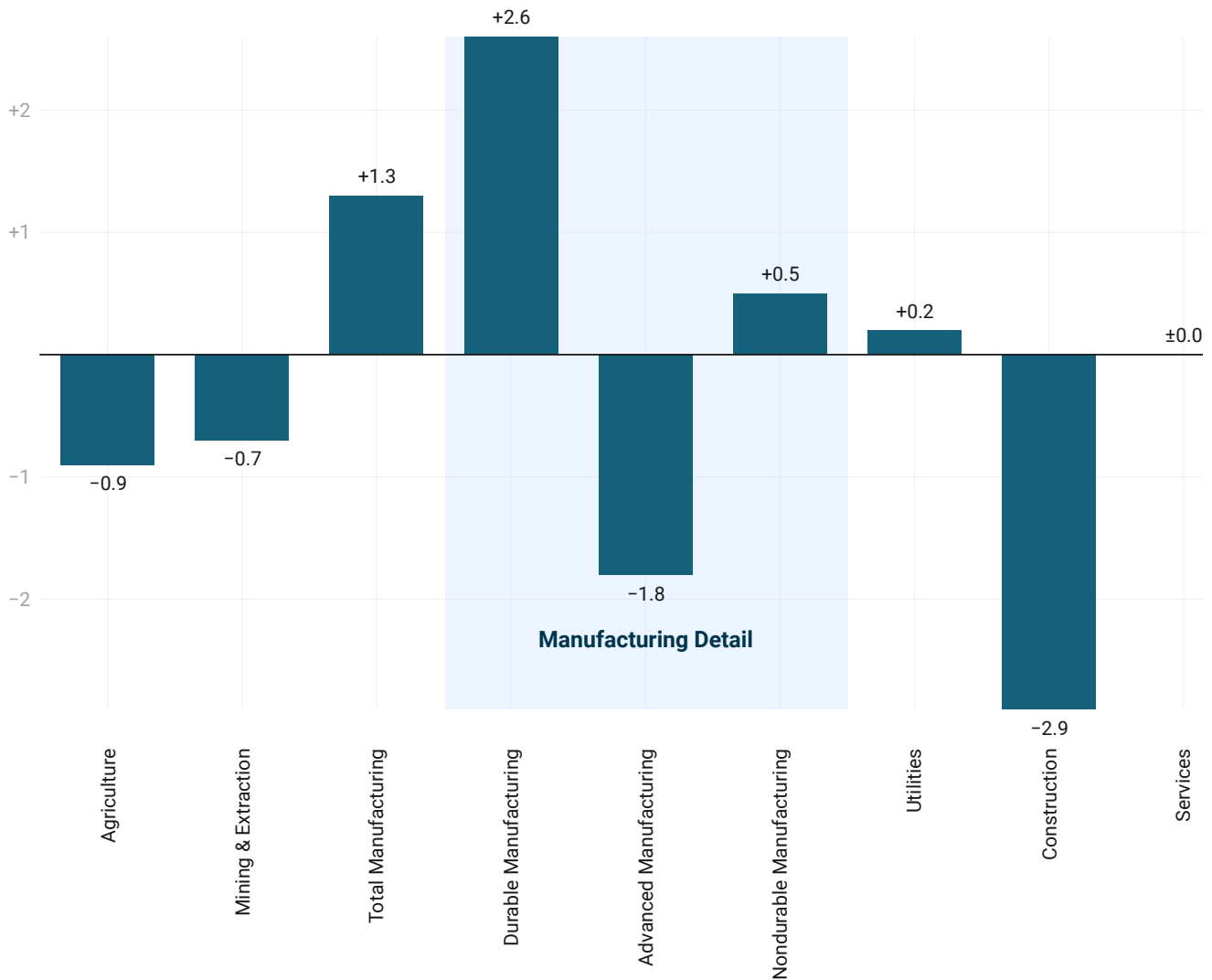
Chart: The Budget Lab • Source: S&P Global, GTAP v7, GTAP-RD, The Budget Lab analysis. • Created with [Datawrapper](#)

Long-run US Sectoral Output & Employment Effects

Tariffs shrink the overall size of the US economy in the long-run by 0.3%, but beneath aggregate GDP they also drive reallocation across US sectors. Long-run output in the manufacturing sector expands by 1.3% under the tariffs, with nonadvanced durable manufacturing output 2.0% larger, nondurable manufacturing 1.1% larger. However, advanced manufacturing is down by 1.8%. Moreover, the expansion of the overall manufacturing sector more than crowds out the rest of the economy: construction contracts by 2.9%, agriculture by 0.9%, and mining & extraction by 0.7%.

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

Effect of all 2025 U.S. tariffs through June 1
Percentage Points



Real value added by sector.

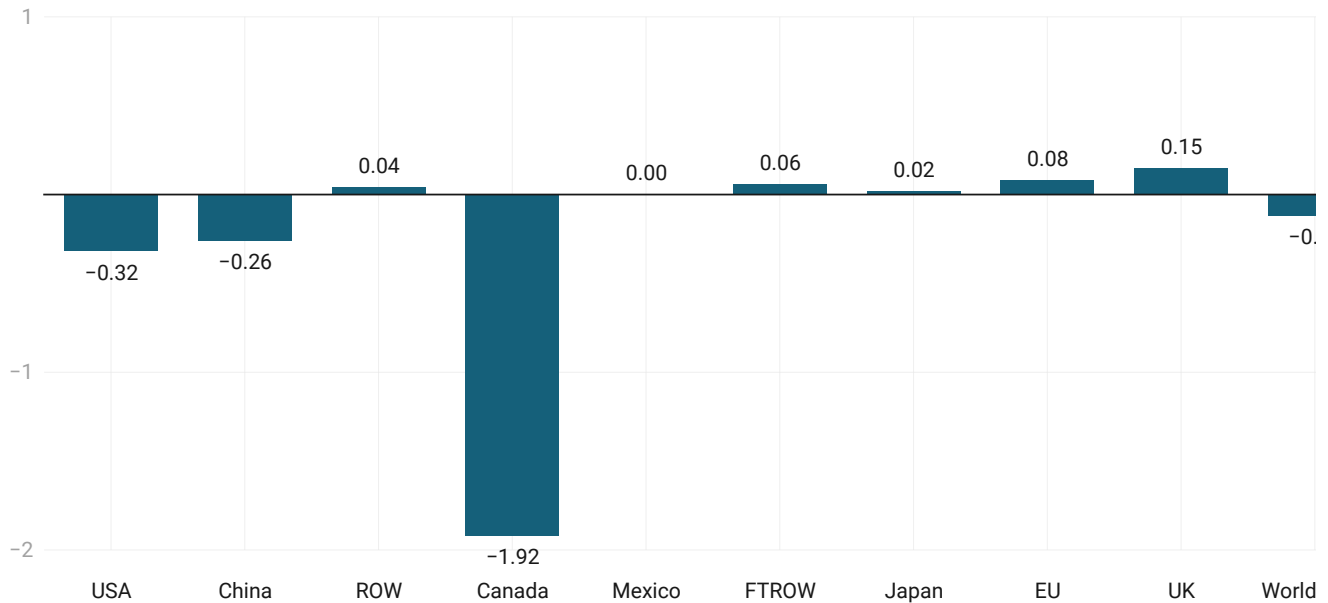
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

Global Long-run Real GDP Effects

Canada has borne the brunt of the damage from US tariffs so far, with its long-run economy -1.9% 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 June 1
 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 \$2.4 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 -\$347 billion over the decade, bringing total dynamic revenue to \$2.0 trillion over 2026-35.

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 2.5x that of the top decile (-2.5% versus -1.0%). The average annual cost to households in the 2nd, 5th, and top decile rise to \$1,100; \$1,900; and \$5,000 respectively.

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

Through June 1

Percentage points of disposable income by household income decile

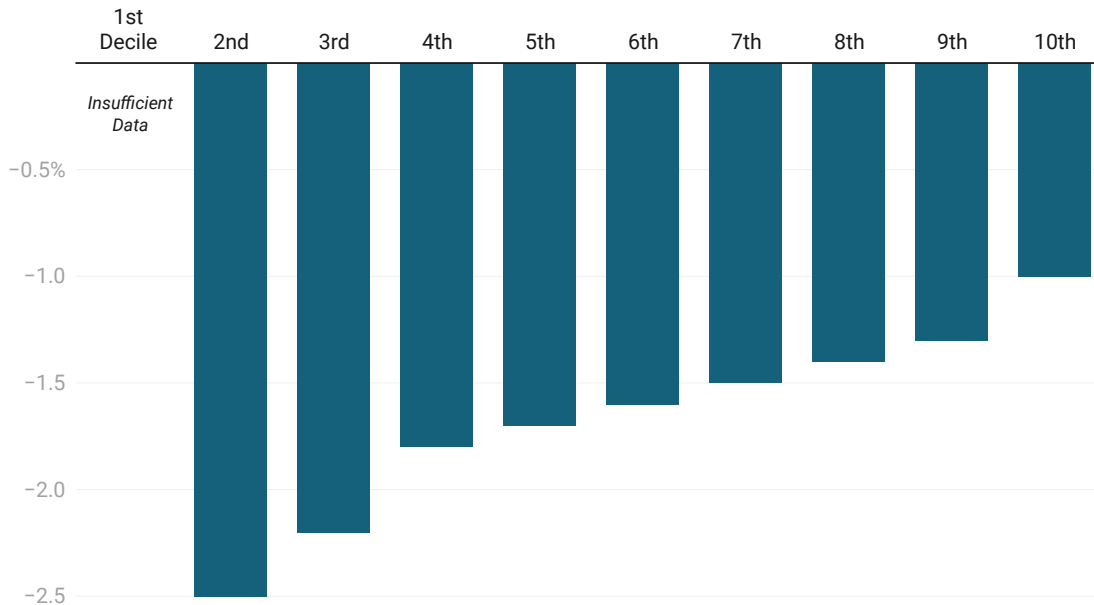


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

Constant 2024\$ of Average Disposable Income per Household

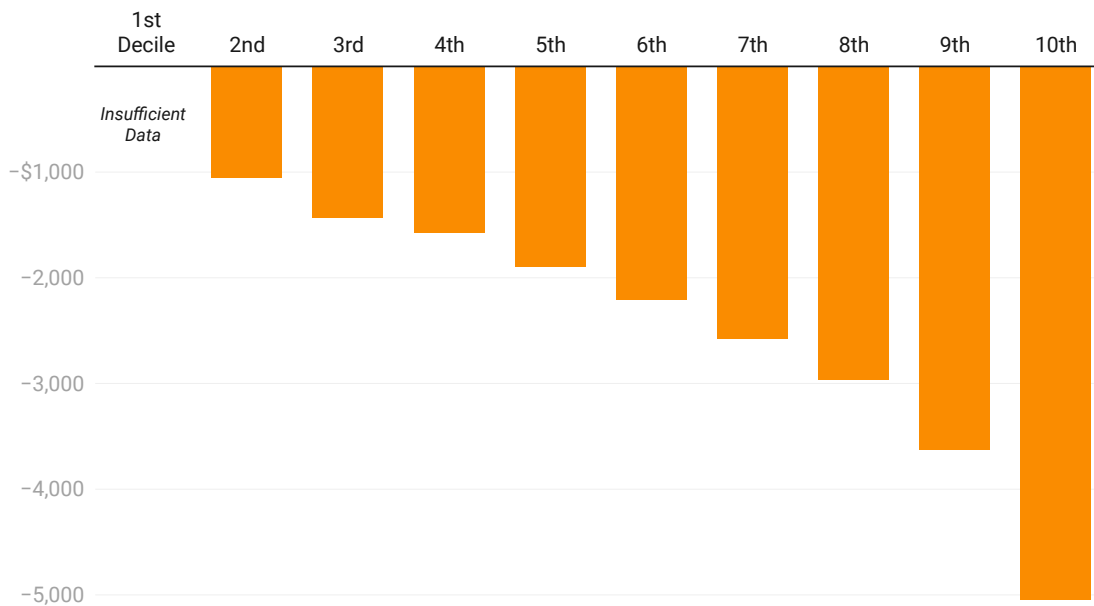


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datawrapper](#)

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 1.5% price level increase from the 2025 tariffs to date would look across individual commodities in the short-run (pre-substitution), as well as the 1.3% 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 31% for leather products (shoes and hand bags), 28% for apparel, and 15% for textiles. After substitution and global supply shifts in the long-run, prices remain 17%, 15%, and 10% higher, respectively.
- Food prices rise 2.4% in the short-run and stay 2.4% higher in the long-run. Fresh produce is initially 6.7% more expensive while stabilizing at 3.6% higher.
- Motor vehicle prices rise 12.7% in the short-run and 11.3% in the long-run, the the equivalent of an additional \$6,100 and \$5,400 respectively to the price of an average 2024 new car.

Figure 7. Commodity Price Effects from 2025 Tariffs Through June 1

Percent change to price level

name	Short Run	Long-Run
Metals nec	32.9	15.9
Leather products	31.2	17.0
Wearing apparel	27.5	15.2
Electrical equipment	19.0	11.8
Crops nec	18.5	11.1
Computer, electronic and optical	16.4	7.9
Ferrous metals	16.0	10.7
Textiles	15.2	9.8
Natural gas	13.3	4.5
Motor vehicles and parts	12.7	11.3
Mineral products nec	10.9	6.8
Rubber and plastic products	9.5	6.9
Machinery and equipment nec	9.4	7.4
Metal products	8.9	6.7
Transport equipment nec	7.7	6.5
Manufactures nec	6.9	5.1
Vegetables, fruit, nuts	6.7	3.6
Fishing	4.6	3.0
Oil	4.6	1.2
Wood products	4.3	3.3
Chemical products	3.4	3.3
Food products nec	2.9	2.8
Paper products, publishing	2.9	2.8
Vegetable oils and fats	2.8	2.0
Processed rice	2.6	9.0
Beverages and tobacco products	2.1	3.0
Cereal grains nec	1.4	1.2
Animal products nec	1.2	0.8
Basic pharmaceutical products	1.1	1.2
Sugar	0.9	1.9
Paddy rice	0.9	1.1
Petroleum, coal products	0.9	1.3
Bovine meat products	0.8	1.2
Minerals nec	0.8	0.9
Forestry	0.8	0.7
Meat products nec	0.5	0.8

Dairy products	0.3	1.4
Oil seeds	0.3	-0.4
Wool, silk-worm cocoons	0.2	10.2
Electricity	0.2	0.6
Wheat	0.1	0.6
Bovine cattle, sheep and goats	0.1	0.5
Construction	0.0	1.2
Plant-based fibers	0.0	0.6
Coal	0.0	0.1
Raw milk	0.0	1.0
Sugar cane, sugar beet	0.0	-0.6
Water	0.0	1.0
Gas manufacture, distribution	0.0	0.6
Recreational and other services	0.0	0.6
Trade	0.0	0.5
Dwellings	0.0	0.3
Transport nec	0.0	0.8
Education	0.0	0.4
Communication	0.0	0.6
Insurance	0.0	0.3
Financial services nec	0.0	0.3
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	0.6
Air transport	0.0	0.5
Accommodation & food services	0.0	0.6
Business services nec	0.0	0.6
Real estate activities	0.0	0.4

"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 employs a “relaxed conventional” assumption for the retaliation scenario, whereby foreign income is permitted to fall but US income remains fixed.