



State of U.S. Tariffs: July 23, 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 July 22, including the new lower rates for Japan, Indonesia, and the Philippines. TBL analyzed the July 22 tariff rates assuming they stay in effect in perpetuity.

2

Current Tariff Rate: Consumers face an overall average effective tariff rate of 20.2%, the highest since 1911. After consumption shifts, the average tariff rate will be 19.3%, the highest since 1933.

3

Overall Price Level & Distributional Effects: The price level from all 2025 tariffs rises by 2.0% in the short-run, the equivalent of an average per household income loss of \$2,700 in 2025\$. This assumes the Federal Reserve does not react to tariffs and so the real income adjustment comes primarily through prices rather than nominal incomes; if the Federal Reserve reacted, the adjustment could in part come in the form of lower nominal incomes. Annual pre-substitution losses for households at the bottom of the income distribution are \$1,400. The post-substitution price increase settles at 1.7%, a \$2,300 loss per household.

4

Commodity Prices: The 2025 tariffs disproportionately affect clothing and textiles, with consumers facing 40% higher shoe prices and 36% higher apparel prices in the short-run. Shoes and apparel prices stay 19% and 17% higher in the long-run respectively.

5

Real GDP Effects: US real GDP growth over 2025 is 0.8pp lower from all 2025 tariffs. In the long-run, the US economy is persistently 0.4% smaller, the equivalent of \$135 billion annually in 2024\$.

6

Labor Market Effects: The unemployment rate rises 0.4 percentage point by the end of 2025, and payroll employment is 594,000 lower.

7

Long-Run Sectoral GDP & Employment Effects: In the long-run, tariffs present a trade-off. US manufacturing output expands by 2.5%, but these gains are more than crowded out by other sectors: construction output contracts by 4.0% and agriculture declines by 0.8%.

8

Fiscal Effects: All tariffs to date in 2025 raise \$2.9 trillion over 2026-35, with \$467 billion in negative dynamic revenue effects, bringing dynamic revenues to \$2.5 trillion.

Changes Since the Last Report

Since the [July 14 report](#):

- On July 22, the [US and Indonesia agreed to a joint framework](#) that would set tariffs on Indonesia at 19% beginning August 1. This is a cut from the 32% threatened by the US in President Trump's July 7 letter and which TBL previously assumed.
- Also on July 22, President Trump announced the US and the Philippines had [concluded a trade deal](#), setting the US tariff rate at 19%. This is lower than the 20% threatened in President Trump's July 9 letter and previously-assumed by TBL.
- On July 22, President Trump also announced a trade deal with Japan. [The deal](#) would set the US tariff rate at 15%, down from the 25% laid out in President Trump's July 7 letter and previously-assumed by TBL.

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 July 22

U.S. Tariffs****

20% broad tariff on all Chinese imports (effective February 4; increased March 4)

10% tariff on Canadian potash and energy (effective April 2)

30% tariff on all Mexican imports. 35% on other Canadian imports* (prior 25% rates effective March 4, 30%/35% rates effective August 1)

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)

50% tariff on all steel and aluminum imports (effective March 12, raised May 30), 0% on the UK (announced May 8), extended to steel derivative products (effective June 23)

50% tariff on copper imports (announced July 8, effective August 1).

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)***. July 7 & 9 announcements, 30% EU rate, and bilateral deals with Japan, Indonesia, and the Philippines (effective August 1).

US-Vietnam July 2 framework: 20% broad tariff, 40% tariff on goods transshipped from China.

Retaliatory Tariffs

China 10%/15% list (announced February 4)

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)

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.

**** Executive Order 14289 prevents many tariffs from stacking with one another and establishes the stacking order for tariffs, with the Section 232 automobile tariffs being the highest priority.

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

Results

The table below summarizes the effects of current tariff policy as of July 22 (some of which takes effect August 1), **assuming it stays in force indefinitely.**

Table 1. Summary Economic & Fiscal Effects of 2025 Tariffs Through July 22

	2026-35		Conventional Score****	
	\$billions	% of GDP	% Change in PCE Price Level**	Decline in Average Real Disposable Income per Household (2025\$)*
All 2025 Tariffs to Date	\$2,933	0.8%	2.04%	-\$2,713

** 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.

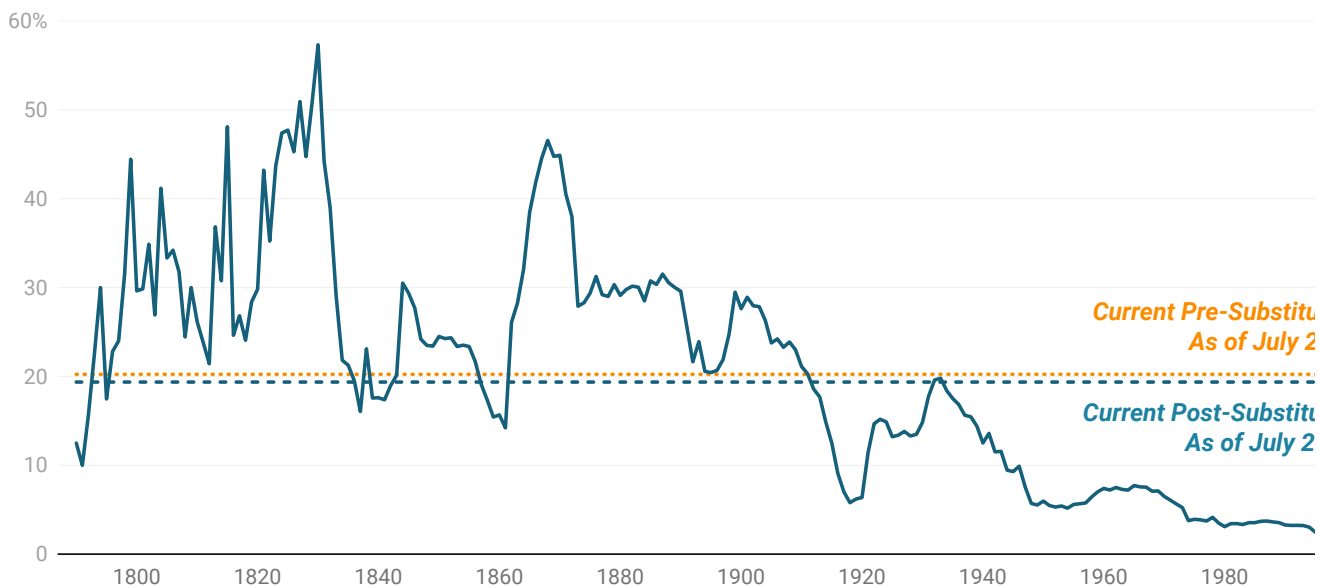
Measured pre-substitution—assuming there are no shifts in the import shares of different countries—the 2025 tariffs to date (including the ones effective August 1) are the equivalent of a 17.8 percentage point increase in the US average effective tariff rate. That calculation assumes that, for example, 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 20.2%, the highest since 1911. The effective tariff rate implied by policy has fluctuated substantially this year, starting at 2.4% in early January and peaking at 28% in the wake of the April 9 and 13 announcements. The current policy rate before the August 1 tariffs take effect is 16.6%.

Post-substitution—after imports shift in response to the tariffs—the 2025 tariffs are a 16.9 percentage point increase in the US average effective tariff rate, which brings the overall US effective tariff rate to 19.4%, the highest since 1933.

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

Figure 1. U.S. Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports



* Incorporates US-Vietnam framework and July 7 announcements.

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. Average Effective US Tariff Rate, New 2025 Policy Through July 22

By Country Contribution and Pre/Post Substitution Percentage points

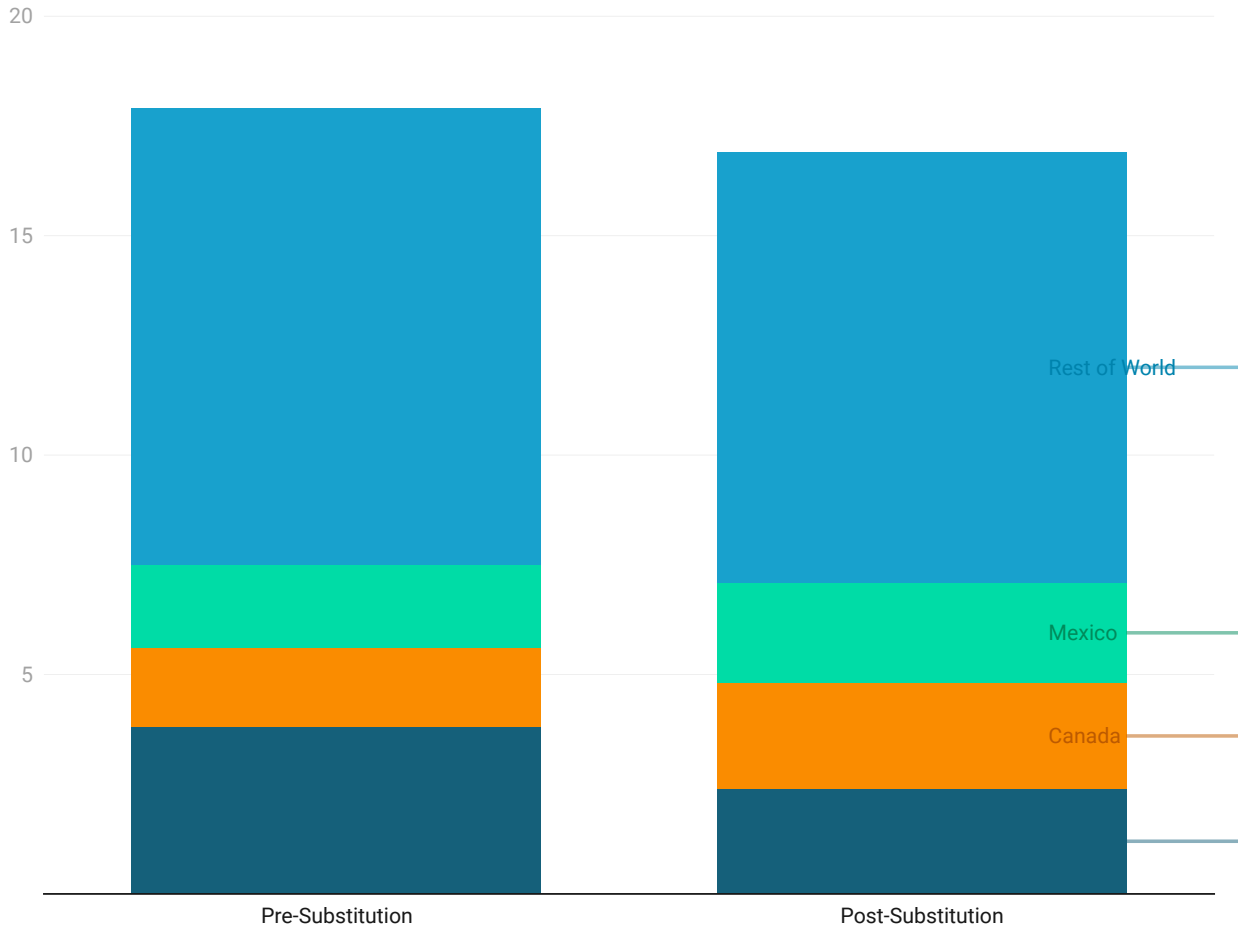


Chart: The Budget Lab • Source: Source: GTAP v7, The Budget Lab analysis. • [Get the data](#) • Created with [Datawrapper](#)

Table 2. Average Effective US Tariff Rate, New 2025 Policy Through July 22

Pre- and post-substitution

	Effective Tariff	Import Share		Average Effective Tariff	
		Pre-Substitution	Post-Substitution	Pre-Substitution	Post-Substitution
China	27.9	14%	9%	3.8	2.4
Canada	14.1	13%	17%	1.8	2.4
Mexico	12.1	15%	19%	1.9	2.3
Rest of World	17.8	58%	55%	10.4	9.8
Total		100%	100%	17.8	16.9

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

Figure 3. U.S Average Effective Tariff Rate Since January 1, 2025

Policy as of July 22
Pre-Substitution
Percent of goods import

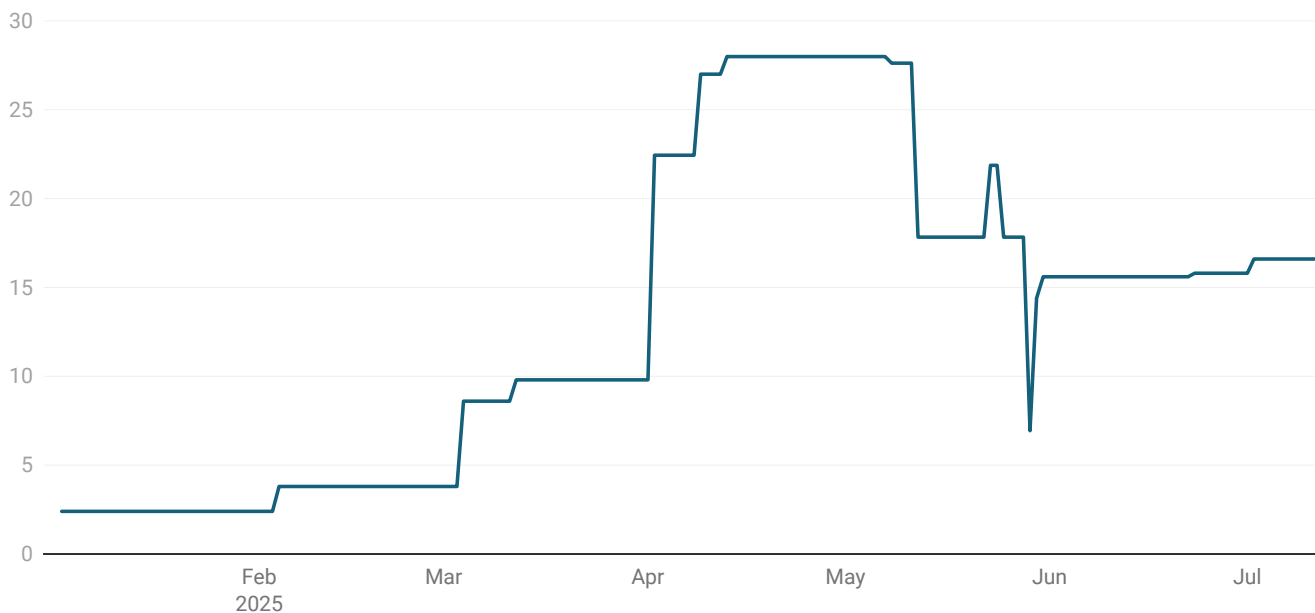


Chart: The Budget Lab • Source: The Budget Lab analysis. • Created with [Datawrapper](#)

Average aggregate price impact

The 2025 tariffs imply an increase in consumer prices of 2.0% in the short-run, assuming no policy reaction from the Federal Reserve and full passthrough of tariffs to consumers. As a result, TBL assumes the real income adjustment comes [primarily through prices rather than nominal incomes](#). If the Federal Reserve reacted, the adjustment could in part come in the form of lower nominal incomes. This is a pre-substitution number that captures consumer

welfare effects. It is the equivalent of a short-run income loss² of \$2,700 per household on average in 2025 dollars. The post-substitution price increase settles at 1.7%, a \$2,300 short-run loss per household.

US real GDP & labor market effects

All 2025 US tariffs plus foreign retaliation lower real GDP growth by 0.8pp over calendar year 2025 (Q4-Q4). The unemployment rate ends 2025 0.4 percentage point higher, and payroll employment is 594,000 lower that same quarter. Over the long-run, tariffs cause the economy to use its resources less efficiently, which reduces GDP and real income even after accounting for tariff revenue. The level of real GDP remains persistently 0.44% smaller in the long run, the equivalent of \$135 billion 2024\$ annually, while exports are 17.3% lower.

Figure 4. U.S. Real GDP Level Effects of 2025 Tariffs to Date

U.S. tariffs implemented through July 22
 Percentage point change against baseline

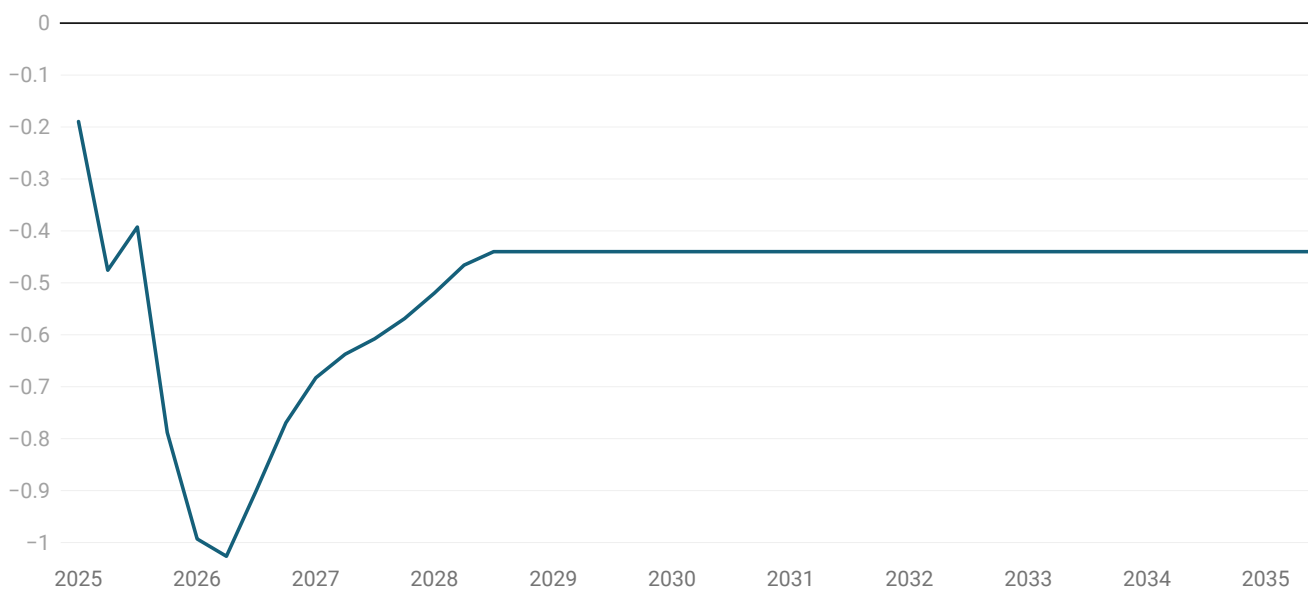


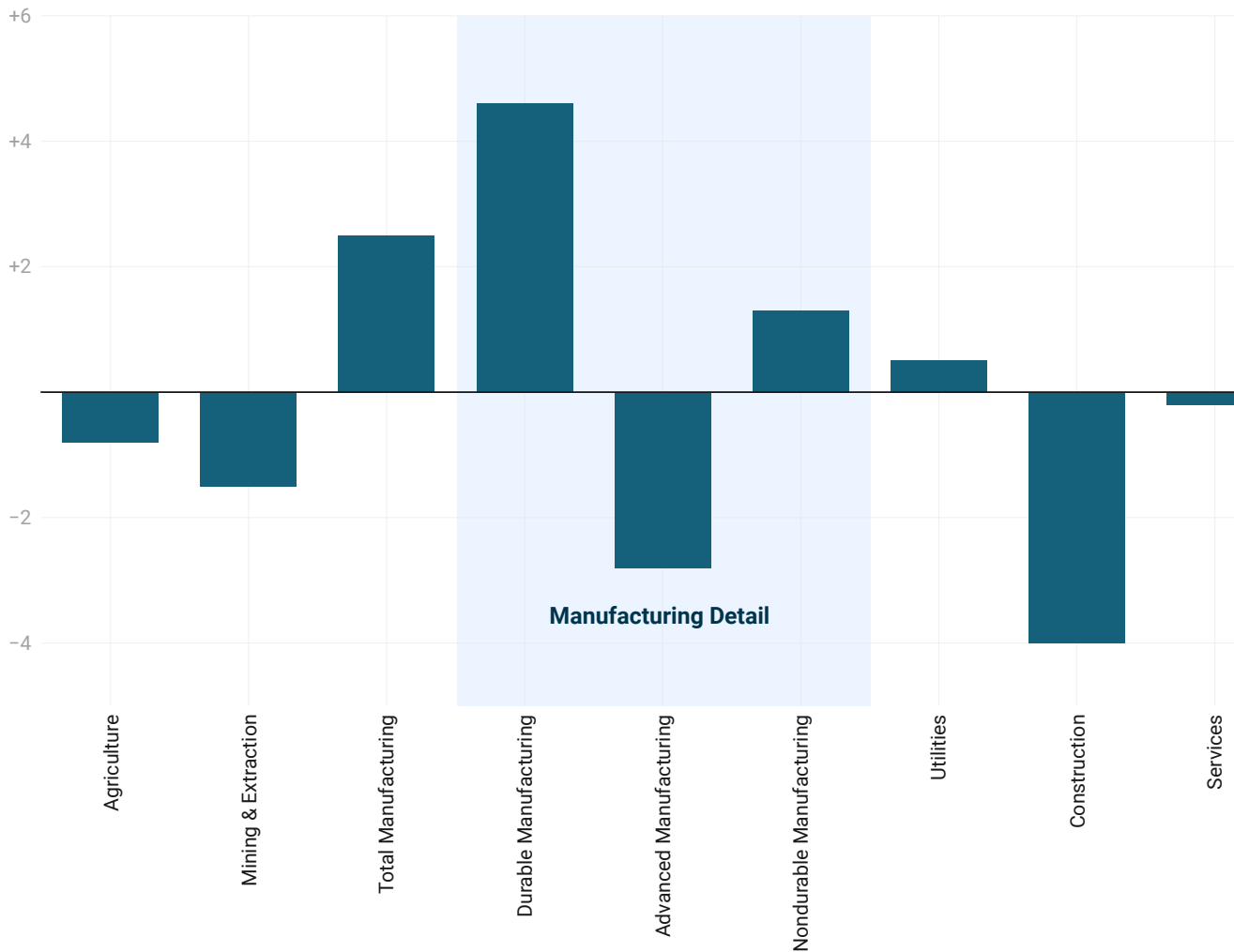
Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datawrapper](#)

Long-run US sectoral output & employment effects

Tariffs shrink the overall size of the US economy in the long-run 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 4.6% larger and nondurable manufacturing 1.3% larger. However, advanced manufacturing is down by 2.8%. Moreover, the expansion of the overall manufacturing sector more than crowds out the rest of the economy: construction contracts by 4.0%, agriculture by 0.8%, and mining & extraction by 1.5%.

Figure 5. Change in Long-Run Real U.S. GDP by Sector from 2025 Tariffs

U.S. tariffs implemented through July 22, plus foreign retaliation
Percentage Points



Real value added by sector.

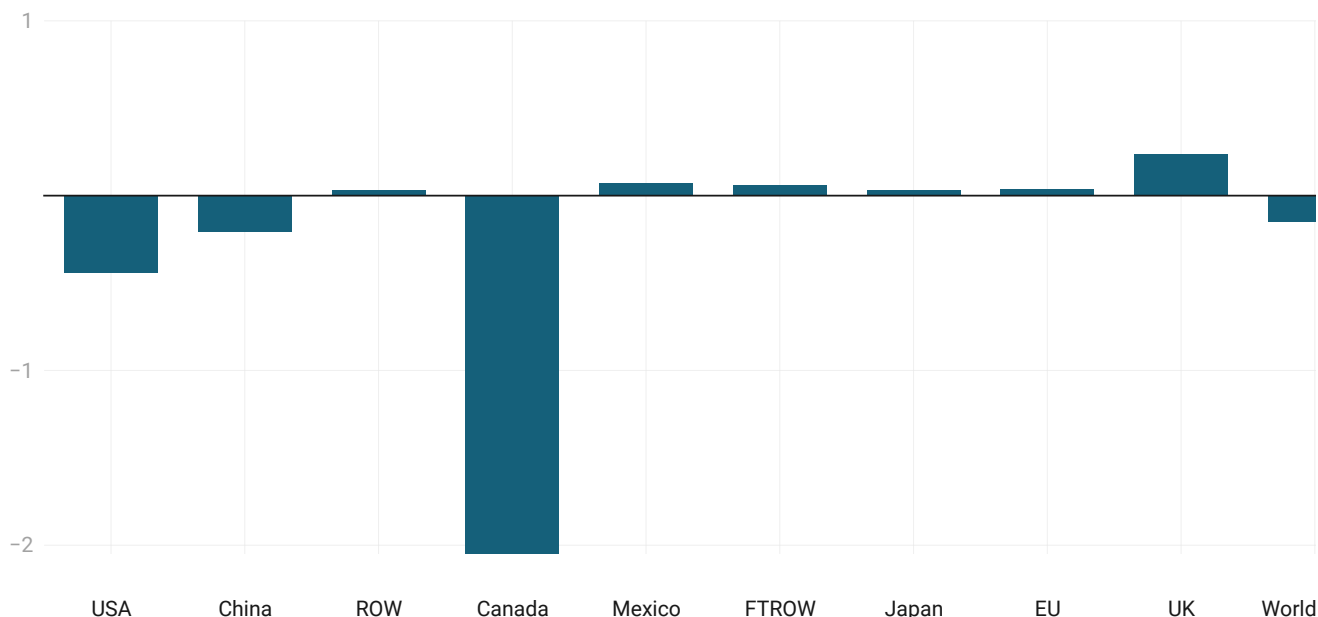
Chart: The Budget Lab • Source: GTAP v7, The Budget Lab analysis. • Created with [Datawrapper](#)

Global long-run real GDP effects

Canada has borne the brunt of the damage from US tariffs so far, with its long-run economy -2.0% smaller in real terms (reflecting both US tariffs and Canadian retaliation to date). China's economy is -0.2% smaller, less than half as large as the hit to the US. Mexico's 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 6. Long-Run Change in Real GDP Level from 2025 Tariffs to Date

U.S. tariffs implemented through July 22
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, would raise \$2.9 trillion over 2026-35 conventionally-scored (\$2.8 trillion over 2025-34).³ 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 -\$467 billion over the decade (-\$423 billion over 2025-34), bringing total dynamic revenue to \$2.5 trillion over 2026-35 (\$2.3 trillion over 2025-34).

Table 3. Estimated Revenue Effects of All 2025 Tariffs

Through July 22
By Fiscal Year
Billions of dollars

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2
Conventional	164	267	255	265	274	283	294	306	318	
Dynamic	153	220	204	223	235	242	251	260	269	
Dynamic effect	-11	-48	-51	-42	-39	-41	-43	-46	-49	

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

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 short-run burden on the 1st decile is more than 3x that of the top decile (-3.8% versus -1.1%). The average annual cost to households in the 1st and top decile rise to \$1,400 and \$5,600 respectively in 2025\$. The median cost is \$2,500 per household.

Figure 7. Short-Run Distributional Impact of 2025 Tariffs to Date

Through July 22

Percentage points of disposable income by household income decile

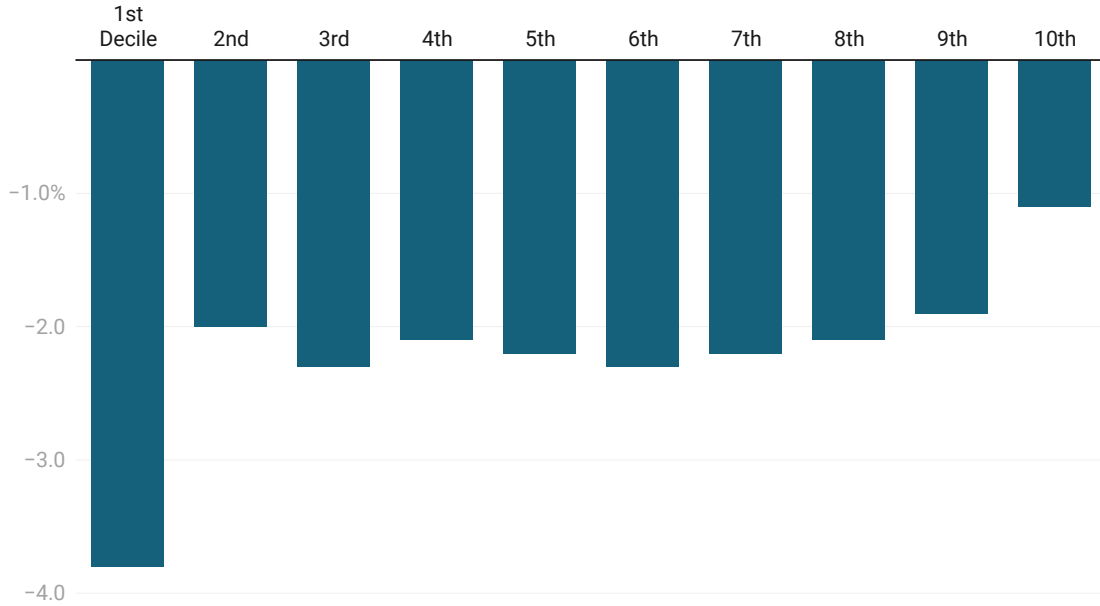


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datavrapper](#)

Constant 2025\$ of Average Disposable Income per Household

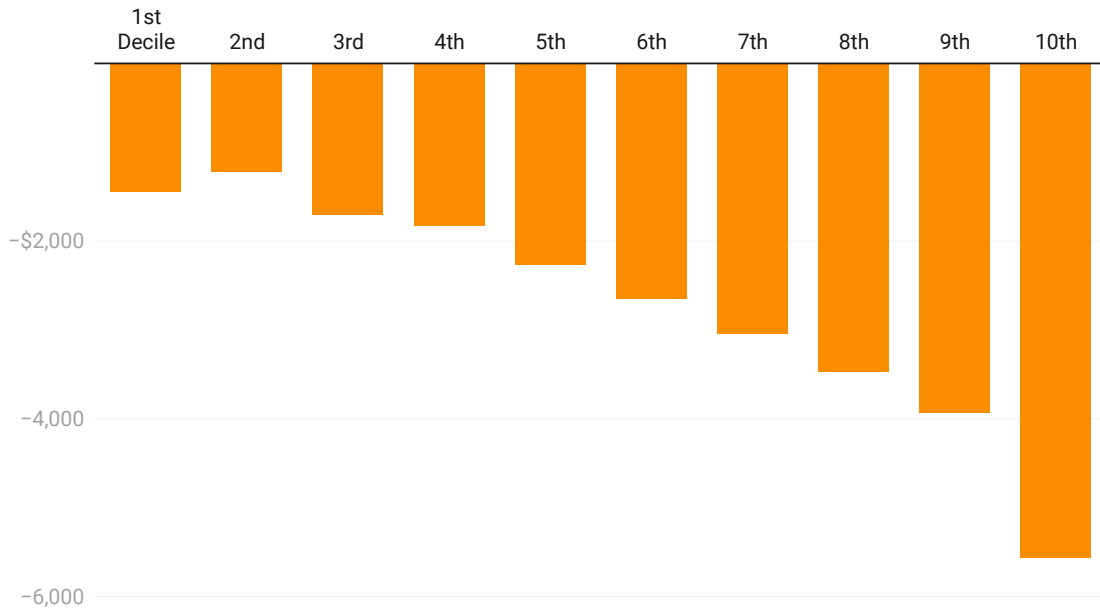


Chart: The Budget Lab • Source: GTAP v7, Census, BLS, BEA, The Budget Lab analysis. • Created with [Datavrapper](#)

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 1.9% price level increase from the 2025 tariffs to date would look across individual commodities in the short-run (pre-substitution), as well as the 1.7% long-run price increase (post-substitution).

Some high level takeaways:

- Consumers face particularly high increases in clothing and textile prices in the short-run: prices increase 40% for leather products (shoes and hand bags), 36% for apparel, and 19% for textiles. After substitution and global supply shifts in the long-run, prices remain 19%, 17%, and 10% higher, respectively.
- Food prices rise 3.7% in the short-run and stay 3.2% higher in the long-run. Fresh produce is initially 6.5% more expensive while stabilizing at 3.7% higher.
- Motor vehicle prices rise 13.1% in the short-run and 10.0% in the long-run, the equivalent of an additional \$6,300 and \$4,800 respectively to the price of an average 2024 new car.

Figure 8. Commodity Price Effects from 2025 Tariffs Through July 22

Percent change to price level

name	Short Run	Long-Run
Metals nec	43.2	19.8
Leather products	42.0	19.1
Wearing apparel	38.8	17.5
Crops nec	35.1	15.9
Electrical equipment	29.6	14.1
Textiles	20.8	8.4
Computer, electronic and optical	20.5	10.8
Ferrous metals	19.0	11.1
Motor vehicles and parts	17.3	9.9
Machinery and equipment nec	16.7	8.2
Mineral products nec	14.7	7.9
Rubber and plastic products	14.0	10.4
Metal products	13.1	7.7
Transport equipment nec	12.4	6.9
Manufactures nec	11.1	6.1
Fishing	10.9	6.4
Vegetables, fruit, nuts	7.5	4.7
Wood products	6.9	3.8
Processed rice	6.7	4.6
Natural gas	6.0	4.3
Chemical products	5.7	11.1
Paper products, publishing	5.4	1.0
Food products nec	5.0	4.6
Vegetable oils and fats	4.8	2.6
Beverages and tobacco products	4.4	3.4
Oil	2.3	0.5
Cereal grains nec	2.1	1.9
Animal products nec	1.8	1.3
Paddy rice	1.7	1.4
Basic pharmaceutical products	1.6	1.2
Forestry	1.6	1.9
Sugar	1.3	2.5
Bovine meat products	1.2	1.6
Minerals nec	0.9	0.6
Meat products nec	0.8	2.0
Dairy products	0.8	1.2

Petroleum, coal products	0.5	0.2
Oil seeds	0.5	12.0
Wool, silk-worm cocoons	0.5	0.5
Electricity	0.0	0.4
Wheat	0.2	0.7
Plant-based fibers	0.1	1.2
Bovine cattle, sheep and goats	0.1	0.9
Construction	0.1	1.7
Raw milk	0.1	1.1
Coal	0.0	0.9
Air transport	0.0	1.5
Sugar cane, sugar beet	0.0	1.0
Water	0.0	0.9
Accommodation & food services	0.0	0.5
Communication	0.0	0.6
Gas manufacture, distribution	0.0	-0.1
Water transport	0.0	0.6
Financial services nec	0.0	0.9
Insurance	0.0	1.4
Business services nec	0.0	0.9
Transport nec	0.0	1.2
Warehousing and support	0.0	0.9
Recreational and other services	0.0	1.0
Human health and social work	0.0	1.0
Public Administration	0.0	0.7
Real estate activities	0.0	0.7
Trade	0.0	0.9
Dwellings	0.0	0.6
Education	0.0	0.7

"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 defines “income” as CBO-concept post-tax-and-transfer income. “Short-run” refers to the effect over the next couple of years; TBL proxies for this definition by using CBO projections of the distribution of income in 2027, expressed in 2025 dollars.
3. TBL employs a “relaxed conventional” assumption for the retaliation scenario, whereby foreign income is permitted to fall but US income remains fixed.