

# Tariff impacts

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John Ricco

Pacific Northwest Regional Economic Conference, May 20, 2026

The Budget Lab at Yale

# About the Budget Lab

**Nonpartisan** think tank focused on *federal* budget scorekeeping.

## Goals:

- Produce **timely** analysis of policy proposals
- Be **transparent** about our assumptions
- Never advocate for policies — illustrate **tradeoffs** instead

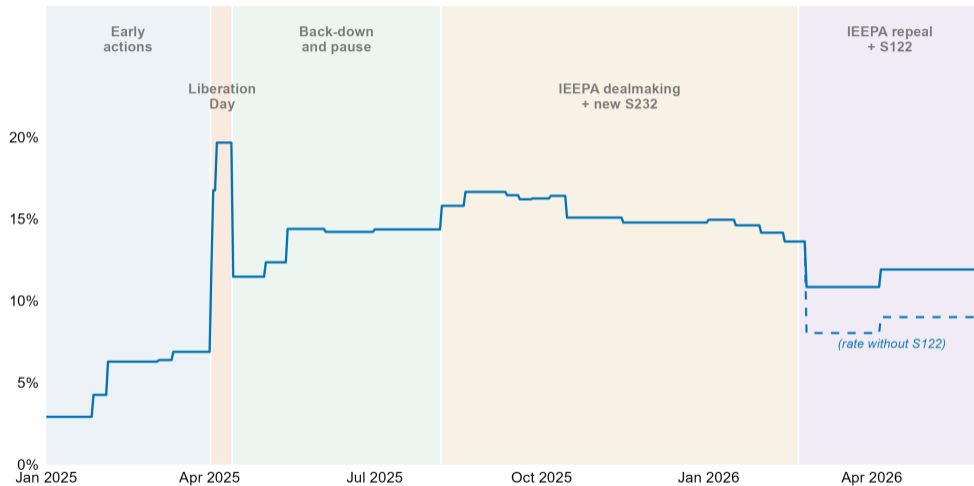
# Roadmap

1. **Where we've been:** tariff policy in 2025 and 2026
2. **Where we stand:** estimated impacts of the current regime
3. **What we've learned:** retrospective evidence with a year of data
4. **Where we are *might be* going:** tariff policy in a post-IEEPA world

## **1. Where we've been**

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# The daily tariff rate chart



# Broad trends

1. **Higher rates** → **lower rates**
  - Deals have brought eye-watering rates down
2. **Broader bases** → **narrower bases**
  - Product-specific exemptions piling up
3. **More discretion** → **less discretion**
  - More process involved for S232, S301 vs. IEEPA
  - An exception: Pharma S232

## 2. Where we stand

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# The State of Tariffs report

**Recurring report** updated with all major tariff policy announcements.

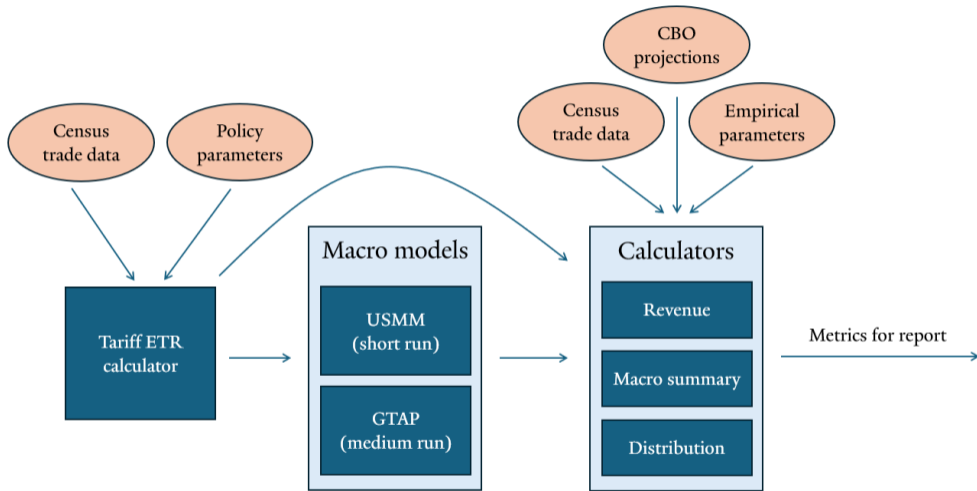
**Answers:** “What would be the impact of tariff policy as of today *if it were in place permanently?*”

- **Conditional** projection: takes policy as given and estimates conditional effects
- **Counterfactual** projection: policy deltas relative to a pre-Trump admin baseline

## Metrics:

- Tariff rates by country
- Revenue impacts
- Macroeconomic impacts (GDP, prices, employment)
- Distributional impacts (costs by household income, relative price effects by product, output effects by sector)

# State of Tariffs modeling pipeline



# Current tariff regime, May 2026

## Broad tariffs — Section 122 authority

- **Rate:** 10% flat
- **Exemptions:** critical minerals, energy, ag, pharma, electronics, etc.
- **Sunset:** expires July 24, 2026 (150 days after enactment); baseline assumes lapse

## Product-specific tariffs — Section 232 authority

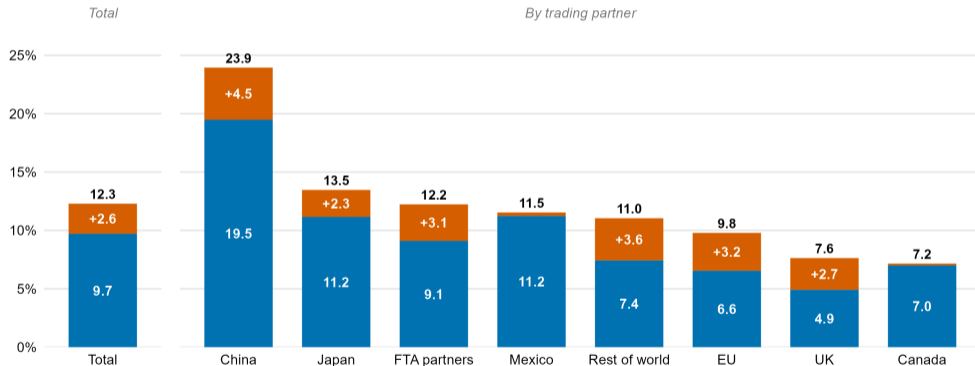
Sector / product	Current rate	Notes
Steel, aluminum, copper	15–50%	Multi-rate by metal content (eff. Apr 6)
Automobiles, auto parts	25%	
Medium/heavy trucks & buses	25% / 10%	Trucks & parts / buses
Lumber, wood products	10–25%	
Patented pharmaceuticals	100%	Effective Sept 29, 2026

# Tariff rates under the current regime

## Pre-substitution effective tariff rate, end of 2026

Section 122 expires baseline + incremental effect if S122 is extended

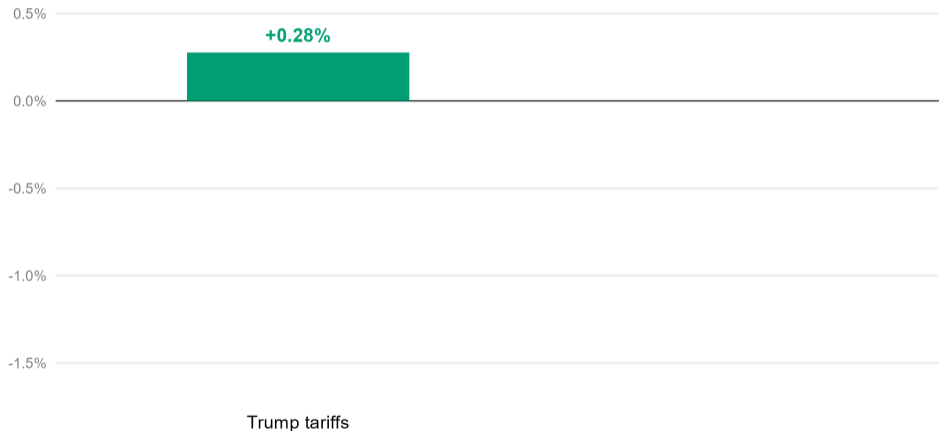
■ Without S122 ■ S122 effect



Source: The Budget Lab, State of Tariffs: April 8, 2026.

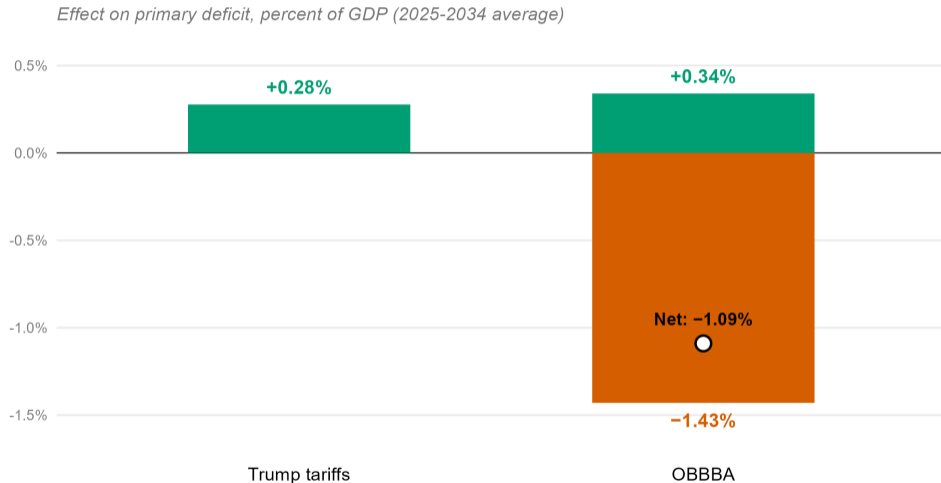
# Tariffs are a meaningful source of revenue...

*Effect on primary deficit, percent of GDP (2025-2034 average)*



OBBBA: CBO final score of HR 1 (2025). Tariffs: TBL dynamic revenue, S122 expires.

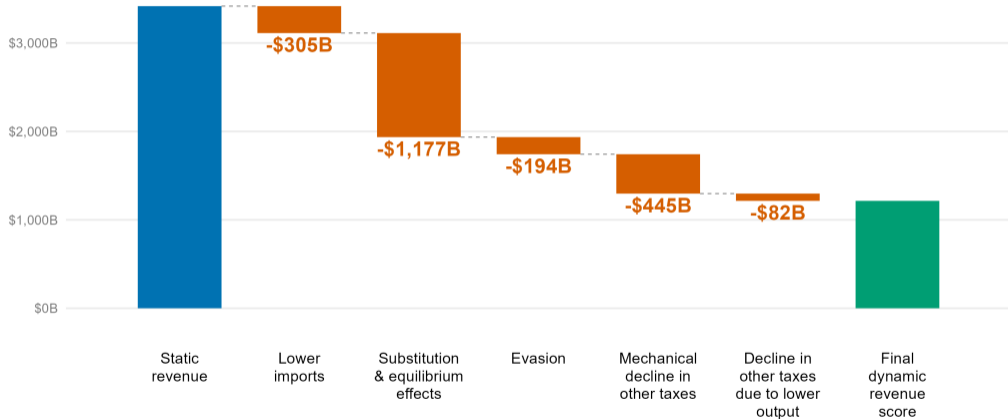
## ...but they were dwarfed by tax cuts...



OBBBA: CBO final score of HR 1 (2025). Tariffs: TBL dynamic revenue, S122 expires.

# ...and tariffs are a leaky source of revenue

10-year revenue estimate as of May 2026 (assumes Section 122 expires)

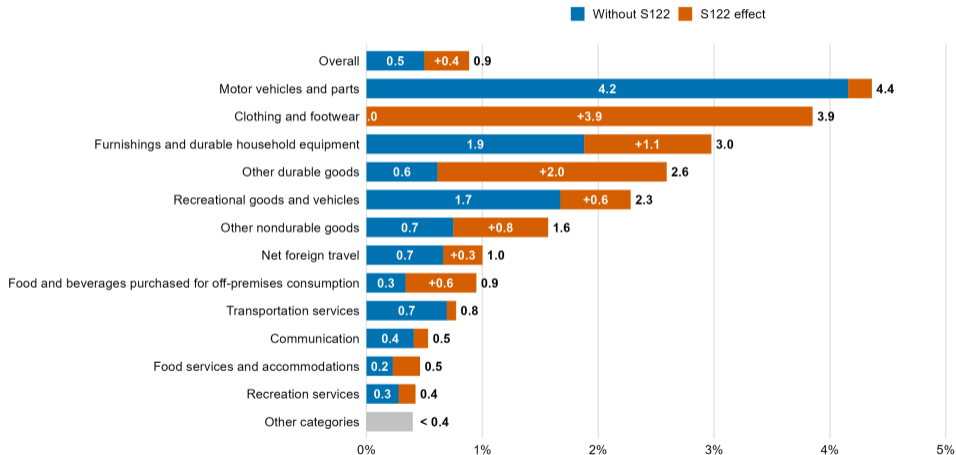


FY2026-2035 totals. SCOTUS refund excluded. Substitution & equilibrium effects combine importer origin/sector-mix shifting and GTAP general-equilibrium duty-base and price effects. Source: The Budget Lab at Yale.

# Price effects by spending category

## Pre-substitution consumer price effect by spending category

S122 expires baseline + S122 increment, end of 2026



Source: The Budget Lab, State of Tariffs: April 8, 2026. I-O price model (Barbiero & Stein 2025).

## Much more at [budgetlab.yale.edu](https://budgetlab.yale.edu)!

Metric	S122 expires	S122 extended
<b>Effective tariff rate, end of 2026</b>		
Pre-substitution	9.7%	12.3%
Post-substitution	8.3%	10.7%
<b>Fiscal, FY2026–2035</b>		
Conventional revenue	\$1.15T	\$1.74T
Dynamic revenue	\$1.06T	\$1.61T
<b>Prices, medium run</b>		
PCE price level, pre-sub	0.5%	0.9%
PCE price level, post-sub	0.4%	0.8%
Avg. household cost, pre-sub (2025\$)	\$693	\$1,232
Avg. household cost, post-sub (2025\$)	\$581	\$1,050
<b>Output &amp; employment</b>		
Q4–Q4 GDP growth, 2026 (pp)	+0.10	+0.14
Long-run GDP	-0.09%	-0.14%
Unemployment rate, end-2026 (pp)	+0.12	+0.16

### **3. What we've learned**

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## Three retrospective workstreams

It's been more than a year: **what can we learn now that we have some data?**

- **(a) Tariff rate discrepancy**

Why doesn't all of what's announced show up in collections?

- **(b) Price effects discrepancy**

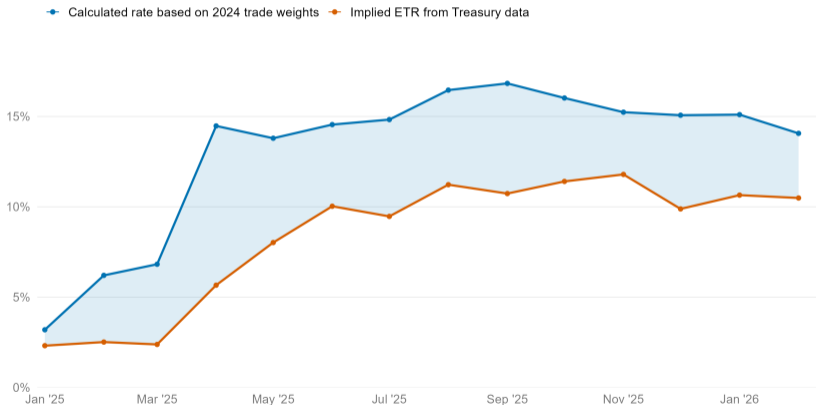
Projected **2.3%** consumer price effect vs. realized **0.5–1%** — decomposing the gap

- **(c) Tariff Effects Tracker**

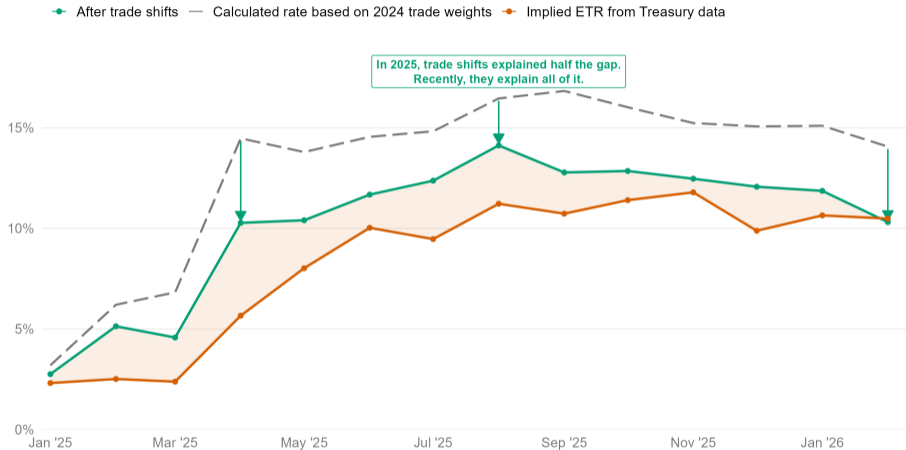
Monthly readout of how tariff effects show up in the real data

# Tariff rate discrepancy

## Statutory rates have exceeded realized rates in the data

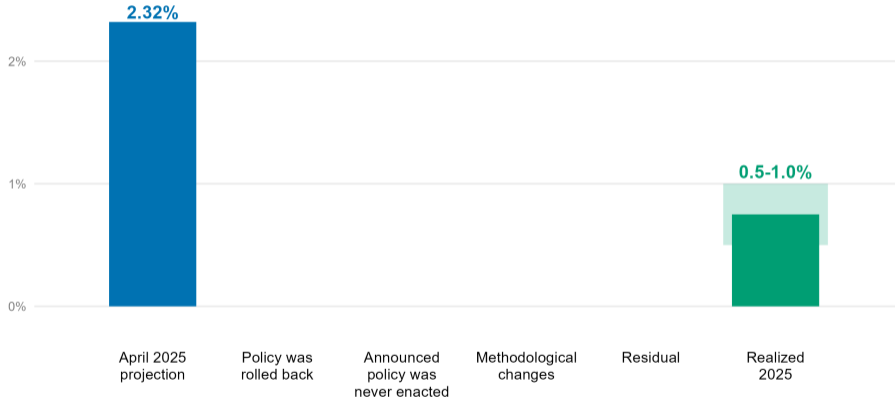


# Tariff rate discrepancy



# Price effects discrepancy

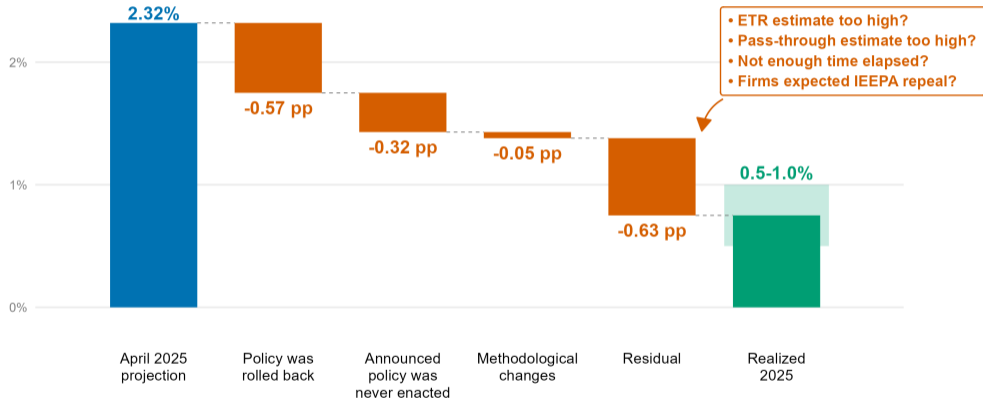
*Decomposing the gap: April 2025 projection vs. realized 2025 consumer price effect*



Levels in percentage-point consumer price effect. Realized range reflects uncertainty across CPI/PCE-based estimates. Source: The Budget Lab at Yale.

# Price effects discrepancy

Decomposing the gap: April 2025 projection vs. realized 2025 consumer price effect



Levels in percentage-point consumer price effect. Realized range reflects uncertainty across CPI/PCE-based estimates. Source: The Budget Lab at Yale.

## Tariff Effects Tracker

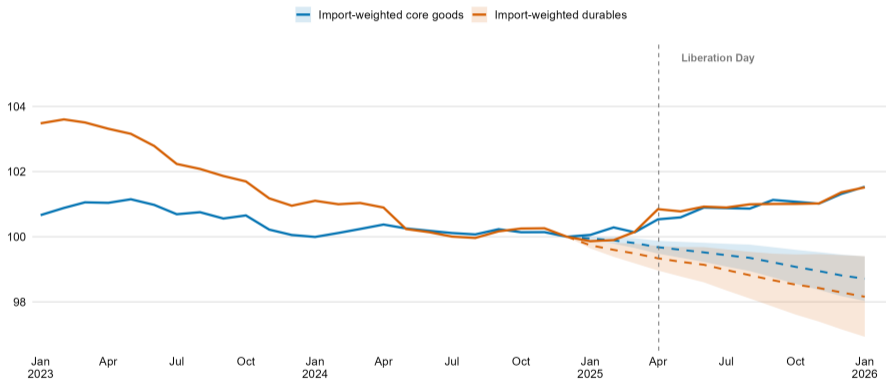
**Asks:** *“Do we see any evidence of tariff impacts in the monthly government data?”*

- Suite of metrics meant to be suggestive, not definitive

# Tariff Effects Tracker: prices

## Import-weighted consumer prices moved above trend

Index, January 2025 = 100; trend estimated with pre-Liberation Day data. Dashed = trend, solid = actual.

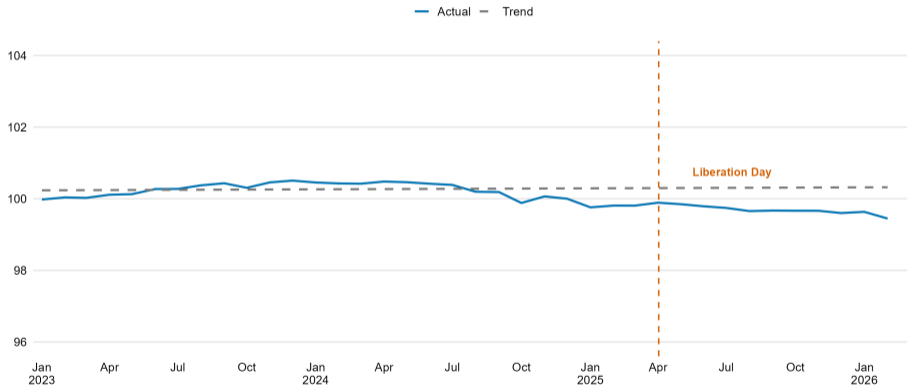


Source: The Budget Lab at Yale, Tracking the Economic Effects of Tariffs, April 2026.

# Tariff Effects Tracker: employment

## Tariff-exposed employment remains near trend

Leontief-adjusted total import-content weighting; January 2025 = 100

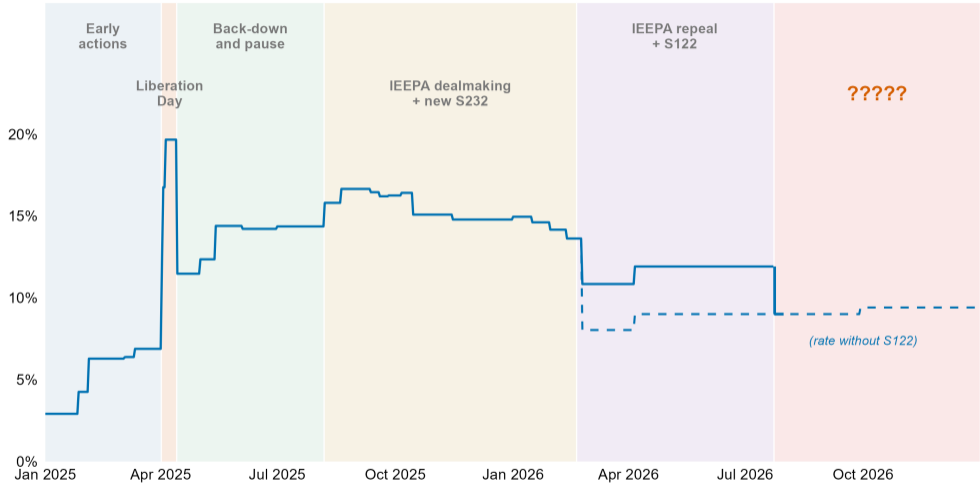


Source: The Budget Lab at Yale, Tracking the Economic Effects of Tariffs, April 2026.

## 4. Where we are *might be* going

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# Open questions for the rest of 2026



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- **What comes after Section 122?**
  - Bessent: admin plans to reconstruct IEEPA regime with other authorities this summer

## S122 / IEEPA replacement authorities

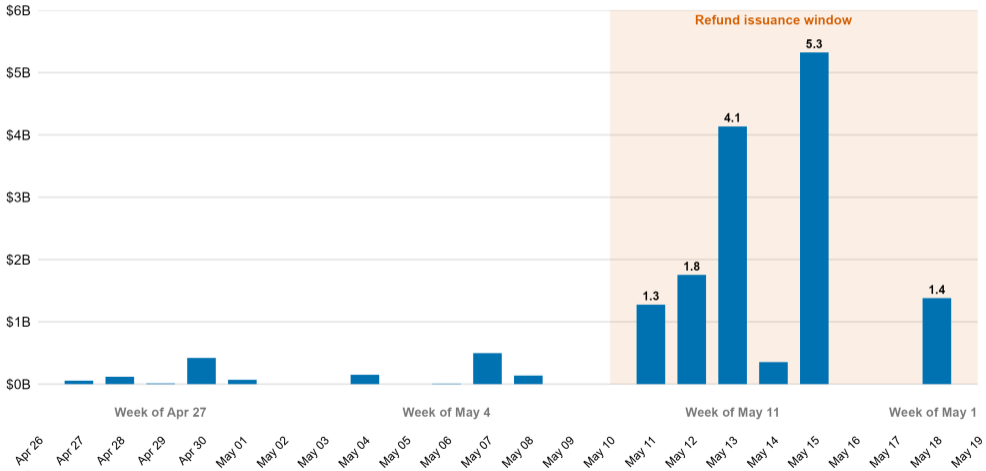
Authority	Process	Scope	Investigations underway
IEEPA	Emergency decl.	Broad / country-level	
S122	Presidential decl.	Broad / flat	
<b>S232</b>	Commerce inv.	Sectoral / nat'l sec.	<b>Due in a few weeks:</b> Robotics & industrial machinery · medical equipment
<b>S301</b>	USTR inv.	Country / practice-specific	<i>Excess capacity</i> (16): China, EU, Korea, Japan, Taiwan, Vietnam, India, Mexico, Indonesia, Thailand, Malaysia, Cambodia, Bangladesh, Singapore, Switzerland, Norway. <i>Forced labor</i> (60): incl. allies (Australia, Canada, EU, Japan, UK, etc.)

# Open questions for the rest of 2026

- **What comes after Section 122?**
  - Bessent: admin plans to reconstruct IEEPA regime with other authorities this summer
- **How fast will refunds be paid out?**
  - Budget Lab expects muted impact from ~\$175B “windfall”

# How fast will refunds be paid out?

**\$14B of the ~\$175B (~8%) of forthcoming refunds were paid through May 18.**



# Thank you

`john.ricco@yale.edu`

`budgetlab.yale.edu`

`github.com/Budget-Lab-Yale`

Q&A