

US Tariffs: What's the Impact?

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J.P. Morgan Global Research brings you the latest updates and analysis of President Trump's tariff proposals and their economic impact.

Since taking office, President Trump has enacted a growing list of tariffs on specific countries and commodities — a move aimed at protecting American interests. While the rollout was initially marred by delays and reversals, the latest announcements have ignited an international response, increased market volatility and created material headwinds that J.P. Morgan Global Research believes will weigh on growth.

Read the latest on U.S. tariffs and their impact on consumers, markets, and the global economy. Bookmark this page for regular updates and analysis from J.P. Morgan Global Research.

September 2: The US–Canada trade war escalates

Trade negotiations between the U.S. and Canada broke down on August 21. In response, the Trump administration instituted 50% tariffs on a broad range of Canadian exports, including dairy products and alcoholic beverages, which came into effect on August 22. Additionally, the administration has threatened to increase tariffs on Canadian autos and auto parts to 50% — doubling the current rate of 25% — from January 1, 2027.

Consequently, Canada has announced it will impose dollar-for-dollar counter-tariffs beginning September 8, with individual product rates based on the matching U.S. rate for the same goods.

“This increase in effective tariff rates on Canada is large enough to suggest some additional downside risk for a Canadian economy that had appeared poised for a mid-year rebound after contracting around the start of the year,” said Michael Hanson, a senior economist at J.P. Morgan. “On the U.S. side however, the rise in the overall average effective tariff rate is small enough that it will likely have minimal effects on the outlook for inflation.”

In light of these renewed tensions, the Bank of Canada left the policy rate unchanged at 2.25% at its recent meeting, while signaling a more hawkish tilt. Looking ahead, J.P. Morgan Global Research sees the central bank staying on hold into 2027. “We forecast a lingering drag from the trade war, with continued excess supply, limited scope for firms to raise prices and broadly anchored inflation expectations,” Hanson noted.

July 21: Generic drugs could face tariffs of up to 200%

President Trump has floated tariffs on imported generic medicines in a bid to move production to the U.S. Under this proposal, which has not been finalized, generic drugs would initially not face any tariffs for two years starting from August 1, 2026, after which rates will be raised to 100% for one year (from August 2028) and to 200% thereafter.

However, this move is unlikely to boost U.S. manufacturing. “Unlike the U.S.-branded pharma industry, we see reshoring of generics as extremely difficult given the cost disadvantages of U.S.-based manufacturing for what is inherently a lower-margin industry — after all, labor and other costs are

significantly cheaper elsewhere,” said Chris Schott, a senior analyst covering the U.S. Diversified Biopharma sector at J.P. Morgan. “Further, the industry’s balance sheet has little room for the significant capex that would likely be required for a broad reshoring of generic manufacturing. Along these lines, the industry would likely pass along any higher tariff costs through price increases or discontinue manufacturing for low-margin products if implemented.”

July 20: The Trump administration announces 50% tariffs on Canadian imports

The Trump administration has announced 50% tariffs on \$20 billion worth of imports from Canada, slated to take effect on August 19. These tariffs will cover many everyday consumer items, from wine to hockey sticks; however, they will not apply to energy, potash, products subject to tariffs under Section 232 and certain other goods. In addition, the exemptions previously granted to USMCA-compliant goods have explicitly been withdrawn.

“This challenges the expectation for trade policy uncertainty to have faded after the Supreme Court’s decision against the IEEPA tariffs earlier this year. It is also likely to weigh on hiring and investment decisions by directly impacted firms across North America,” said Michael Hanson, a senior economist at J.P. Morgan. “That said, the fact that these tariffs were not imposed immediately suggests they may be used as leverage in the ongoing trade negotiations between the Trump administration and Canada.”

June 12: The effective US tariff rate could rise once more

On the whole, U.S. tariff rates have fallen in recent months. The invalidation of IEEPA tariffs in February has lowered the effective U.S. tariff rate from roughly 10% to 7%; however, the Trump administration has since pivoted to other measures in a bid to restore the tariff regime. This includes implementing Section 301 tariffs, which target foreign government policies or practices that are deemed to violate trade agreements or burden U.S. commerce, and Section 232 tariffs, which affect imports that the Department of Commerce determines threaten U.S. national security.

“We continue to look for upcoming tariff announcements to return the observed tariff rate back to 9–10% — consistent with its range in the months before the February Supreme Court decision,” said Nora Szentivanyi, senior global economist at J.P. Morgan. “That said, Section 301 actions in particular are likely to face considerable legal challenges, keeping the state of U.S. trade policies in flux.”

June 7: The US lowers tariffs on agricultural and industrial equipment

The White House has announced that it is reducing tariffs on agricultural equipment (including combines and harvesters) from 25% to 15%. It is also expanding the category of industrial equipment currently subject to a 15% tariff to include mobile equipment like bulldozers and forklifts. Foreign companies can qualify for a 10% duty rate if their capital equipment contains at least 85% U.S. steel or aluminum by weight, down from 95% previously.

“The move, in theory, encourages foreign companies to use more U.S. steel and aluminum, which could drive incremental exports, while also supporting farmers, construction, logistics and manufacturers that rely on equipment currently treated as steel or aluminum derivatives,” said Bill Peterson, senior analyst for Metals & Mining at J.P. Morgan.

June 2: The Trump administration seeks to limit the payout of IEEPA tariff refunds

IEEPA refunds are underway, with U.S. Customs and Border Protection (CBP) reporting that it has accepted \$85 billion in potential and certified refund applications as of May 26 — with \$21 billion already paid out. However, the Trump administration is seeking to stop some refunds from going ahead unless

the plaintiff has filed a court challenge, which could delay the process.

That said, the pace of refunds has been faster than previously assumed. “Consequently, we are raising our deficit forecast for this fiscal year by \$40 billion and lowering it by the same amount for FY27, assuming there are \$75 billion in refunds this fiscal year,” said Michael Feroli, chief U.S. economist at J.P. Morgan.

May 8: The Court for International Trade rejects Section 122 tariffs

In a 2-1 decision, the Court for International Trade invalidated the Trump administration's invocation of Section 122 of the Trade Act of 1974, which sought to impose a temporary 10% global tariff on imports for a 150-day period. However, the administration is widely expected to appeal.

“The case does raise the prospect, though, that the Section 122 tariffs could also eventually have to be refunded. The Committee for a Responsible Federal Budget (CRFB) estimates that 150 days of section 122 collections would total \$35 billion,” noted Michael Feroli, chief U.S. economist at J.P. Morgan.

Elsewhere, the first wave of IEEPA tariff refunds is being paid out to companies, and the U.S. Customs and Border Protection (CBP) has updated its online portal to facilitate the claims process. It is estimated that once a refund request has been accepted, the sum (plus interest) will be paid out within 60 to 90 days. On the other hand, the Trump administration has clarified that it is unlikely that individual consumers who have been indirectly impacted by tariffs through higher prices will be compensated.

April 5: The US revises Section 232 tariffs on steel, aluminum and copper

The Trump administration has announced a revised tariff structure for imported steel, aluminum and copper products. The new law exempts goods with less than 15% metal content, while maintaining 50% tariffs on most derivative products and applying the levy to the full product value. However, some metal-intensive industrial and electrical grid equipment will face a 15% tariff through 2027, and products made abroad with U.S. metals will be taxed at 10%.

“In our view, the changes aim to simplify compliance while leaving underlying metals tariffs in full force,” said Bill Peterson, senior analyst for Metals & Mining at J.P. Morgan.

March 16: The Trump administration launches investigations against trading partners

The U.S. has announced a probe into the “acts, policies and practices” of 60 trading partners — including China, the EU and India — which could result in new tariffs. This is being carried out under Section 301 of the Trade Act of 1974, which authorizes investigations into whether U.S. trading partners employ practices that unfairly burden or restrict U.S. commerce — for instance, importing goods that are underpriced because of state subsidies.

“In the past, Section 301 investigations and the resulting tariffs have generally been interpreted as needing to be item-specific. By changing the scope to broad policies and practices, the Trump administration's investigation can be undertaken in a much shorter period of time,” said Jahangir Aziz, co-head of Economic Research at J.P. Morgan. “This could be an attempt to speed up the process and replicate a similar tariff regime to the one struck down.”

February 22: President Trump announces new global tariffs of 15%

Following the invalidation of IEEPA tariffs, President Trump has invoked a law known as Section 122. This section of the 1974 Trade Act allows the President to impose tariffs not exceeding 15% for a

maximum of 150 days on all countries, in order to address balance-of-payments needs or to prevent a significant depreciation of the dollar. However, the administration has introduced several exemptions — for instance, goods entering America under the U.S.-Mexico-Canada free trade agreement (USMCA) will remain duty-free.

“Taking all this into account, we estimate that December’s realized average effective tariff rate under the Section 122 tariff schedule would have been little changed at 8.8%, instead of the 9.4% actually observed. We also estimate that the static (2024 weights) average effective tariff rate will decline to 13.1% under the new regime, from 15.3% previously,” said Michael Feroli, chief U.S. economist at J.P. Morgan. “Given these changes, the macro impact of these developments shouldn’t be huge. This isn’t to say there won’t be headaches for importers juggling different tariff schedules, but the difference in the aggregate fiscal burden of the tariffs on domestic purchasers is not enough to have a big effect on our outlook.”

February 20: The Supreme Court strikes down IEEPA tariffs

In a 6–3 decision, the U.S. Supreme Court upheld a lower court ruling that President Trump lacks the authority to impose IEEPA tariffs. The ruling impacts all reciprocal and fentanyl-related tariffs but leaves tariffs on China under Section 301 and sector-specific tariffs — such as those on steel, aluminum, autos, pharmaceuticals and copper under Section 232 — intact.

Market reaction has been muted, as the decision was widely expected following last November’s appeals hearing. Additionally, the administration will likely pursue new tariffs using existing Congressional trade laws.

There are important implications to note, however. “Many trade deals negotiated to date have relied on IEEPA tariffs and have not yet been formalized as trade agreements. With the legal basis for these tariffs now invalidated, the fate of these deals is in question. These may need to be renegotiated as the administration shifts to tariffs under different sections of the various Trade Acts,” said Jahangir Aziz, co-head of Economic Research at J.P. Morgan.

Questions also surround the reimbursement of the IEEPA tariffs already collected, which stand at around \$130 billion for 2025, according to J.P. Morgan Global Research. “While the Court of International Trade ruled that all such tariffs should be refunded, the Department of Justice has argued that importers must file individual lawsuits to claim reimbursement, and there is no guarantee of an automatic refund process. As a result, it remains unclear how much of the IEEPA tariffs will be returned,” Aziz added.

January 23: The US drops tariff threat on European countries

The Trump administration has said that it will no longer impose new tariffs on eight European countries, after establishing a framework with NATO for a future deal regarding Greenland. “Tensions have eased again, likely reflecting a combination of opposition in the U.S. Congress, skeptical U.S. public opinion, proposals made by NATO secretary general Mark Rutte to Trump on Greenland, the initial market response and an assertive threat of retaliation by the EU,” noted Greg Fuzesi, chief euro area economist at J.P. Morgan.

The European Council now looks set to move forward with implementing the EU–U.S. trade deal that was agreed last year, having postponed a vote on the topic earlier in the week. “However, the conclusion is that the EU needs to press on with strengthening its economic foundations and this will be picked up again at the next summit in mid-February,” Fuzesi added.

While the Greenland escalations triggered a brief “sell America” trade, risk assets rebounded after the announcement of the new framework with NATO. “While some investors have viewed the pullback as a buying opportunity, European leaders have reiterated their opposition to U.S. ambitions in Greenland. The broader geopolitical landscape remains unsettled, with ongoing negotiations likely to shape sentiment in the weeks ahead,” said Fabio Bassi, head of Cross-Asset Strategy at J.P. Morgan.

January 19: The US threatens new tariffs on certain European countries

The U.S. is looking to impose new tariffs on Denmark, Finland, France, Germany, the Netherlands, Norway, Sweden and the U.K. The news follows a small and temporary deployment of troops by these eight European countries to Greenland, in a joint military exercise called “Operation Arctic Endurance.” Global stocks fell as a result, with Europe’s Stoxx 600 index posting its worst day since November 2025.

The Trump administration has said the additional tariffs will start from 10% from February 1 before rising to 25% on June 1 and will be payable until the U.S. is allowed to purchase Greenland. However, it remains unclear what powers the tariffs would be imposed under, and how exactly they would be applied.

“The new U.S. tariffs are casting doubt on existing trade deals between the EU and the U.S. and between the U.K. and the U.S.,” said Greg Fuzesi, chief euro area economist at J.P. Morgan. “That said, Western Europe has weathered the trade war surprisingly well over the past year and therefore it could be argued that the latest threats may also only have a relatively modest impact. The coming days, with possible meetings in Davos, will show the potential for de-escalation.”

January 14: US Supreme Court delays tariffs decision again

The Supreme Court continues to defer its ruling on the legality of IEEPA tariffs, suggesting that the case could be delayed for several more weeks — even months.

“Legal experts continue to expect the Supreme Court to rule against the use of emergency powers to authorize tariffs, but note that each week the Supreme Court delays its decision increases the likelihood of the Trump administration prevailing,” said Amy Ho, who is part of the Strategic Research team at J.P. Morgan. “Historically, SCOTUS reserves its most impactful decisions for the end of its term in June, which allows for extended deliberation.”

If the Supreme Court invalidates IEEPA tariffs, the Trump administration might have to refund over \$135 billion in revenue collected from more than 300,000 importers. “The number of companies filing for refunds is more than 1,000 and has escalated since November, but it remains unclear how a refund process would operate,” Ho noted.

December 4: What could happen if IEEPA tariffs are revoked?

The U.S. Supreme Court is currently evaluating the legality of President Trump's decision to impose sweeping tariffs under the International Economic Emergency Powers Act (IEEPA), and a ruling is expected in early 2026. If the Court declares the tariffs unlawful, the Trump administration could lose the authority to collect duties and might need to return revenues already received.

“We estimate IEEPA measures account for roughly 61% of the year-to-date increase in U.S. tariffs, or about \$180 bn on an annualized basis as of October. However, we do not expect a decision revoking IEEPA tariffs to have a material impact on where the level of the effective tariff rate settles,” said Nora Szentivanyi, senior global economist at J.P. Morgan.

Should the tariffs be revoked, several alternative legal pathways remain available, and efforts to

implement them could generate short-term volatility. The administration could, for example, invoke Section 122 to maintain 15% tariffs for 150 days, using that period of time to work out more lasting alternatives.

“Replacing IEEPA tariffs with a blanket 15% rate could lead to a modest short-term reduction in the effective rate, but much will depend on whether current trade agreements and sectoral exemptions are upheld,” Szentivanyi added. “In addition, the impact would be felt differently across U.S. trading partners. For countries hit with the largest IEEPA tariff hikes (e.g., India, Brazil, China, Indonesia), revoking IEEPA would bring short-term relief and could even prompt a renewed round of front-loading before other tariffs are put in place. For Mexico and Canada, impacts should be limited, provided USCMA exemptions survive a new tariff regime replacing IEEPA.”

October 29: The US and China reach a temporary trade truce

Following the meeting between U.S. President Trump and China’s President Xi, the two countries have announced a new truce. Under the agreement, the U.S. will reduce fentanyl-related tariffs from 20% to 10% and suspend the 24% reciprocal tariff for one year, lowering the effective U.S. tariff rate on Chinese goods from 42% to 32%. China will also suspend its retaliatory tariffs from 2025.

On export controls, the U.S. has agreed to suspend its “Affiliates Rule” and China has agreed to suspend its rare earth measures. Additionally, the U.S. will pause port fees on Chinese-linked vessels stemming from the Section 301 investigations into China’s maritime, logistics and shipbuilding industries. China will also pause its port fees on U.S.-linked vessels.

“The latest one-year suspension is a positive sign. This supports our view that, despite ongoing de-risking efforts, a hard decoupling or trade embargo remains unlikely in the near term,” said Tingting Ge, an economist at J.P. Morgan. “Both sides have shown willingness to compromise, but strategic competition will persist, with the possibility of further tit-for-tat actions and potential escalation or de-escalation during the upcoming truce period.”

October 27: The Trump administration raises tariffs on Canadian goods

President Trump announced that he is adding an extra 10% tariff on Canadian imports, on top of the existing 35% levy — though most goods are currently exempt under an existing free trade agreement. This comes after the province of Ontario aired an anti-tariff advertisement featuring clips of former president Ronald Reagan. However, he has not yet specified when the new tariff will take effect or what goods it will cover.

“Given the unusual basis for this action, it’s possible the president could later choose to not go ahead with the tariff. If it were to go into effect, the impact on the U.S. would be limited if it just raised IEEPA tariffs, as those cover a relatively small share of Canadian imports,” said Abiel Reinhart, an economist at J.P. Morgan.

October 14: The US threatens new tariffs on China due to rare earths export controls

On October 9, China expanded its export controls on rare earth metals and related technology, which are slated to take effect in phases. In response, President Trump said the U.S. would impose an additional 100% tariff on Chinese goods — bringing the total rate to 140% — as well as its own export controls on “any and all critical software,” starting November 1.

However, the situation could well change, especially as President Trump and China’s President Xi are expected to meet during the upcoming APEC event in South Korea. “We think the most likely outcome of

talks is that we won't get additional 100% tariffs, or at least over any sustained period, and that export controls on both sides will be made permissive enough so that they don't become an export embargo. Between now and then, though, there could be further escalation, and not everything will necessarily be resolved at the South Korea meeting," said Abiel Reinhart, an economist at J.P. Morgan.

"If no short-term truce is reached and the proposed measures go forward, however, the result would be effectively an embargo on all Chinese exports to the U.S., disruption to U.S. manufacturing production, an intensification of U.S. efforts to hinder China's development of its semiconductor industry, and possibly the restriction of other U.S. exports to China. While both countries have reduced their bilateral trade exposure since the start of the year, this could still translate into a material hit to near-term GDP growth," added fellow economist Tingting Ge.

September 25: The impact of new pharma tariffs will likely be limited The Trump administration has announced that branded or patented pharmaceutical products will be subject to a 100% tariff, unless the company involved is building a manufacturing plant in America. On paper, this means that the prices of certain imported drugs could double for U.S. importers and consumers. Details — including on when the levy will take effect — are still scarce, however, as the Trump administration continues to negotiate with pharma firms. Overall, the impact on U.S. large-cap biopharma companies is expected to be minimal. "While there are very limited details, we note that this will likely lead to a majority of pharma products being excluded from any tariffs, given that our large-cap names have already started or are in the process of increasing U.S.-based manufacturing," said Chris Schott, a senior analyst covering the U.S. Diversified Biopharma sector at J.P. Morgan. "In addition, inventory builds across the large-cap group should result in no or minimal exposure through mid-2026 or later, which gives companies time to start manufacturing buildouts if they haven't already."

August 1: The effective US tariff rate now stands at 15.8%

The Trump administration has announced new tariff rates for several countries, slated to come into effect on August 7. These include 35% tariffs on Canadian goods, 30% on South African goods and 20% on Vietnamese goods.

"Our updated estimate of the average effective U.S. tariff rate stands at 15.8% — a significant increase from the 2.3% rate at the end of 2024, but roughly six percentage points lower than the 22% recorded on Liberation Day," said Nora Szentivanyi, senior global economist at J.P. Morgan. "Based on our expectation that sectoral tariffs will be imposed later this year, we still anticipate that the U.S. effective tariff rate will approach 18–20%, while the observed tariff rate (based on actual customs duties) is likely to level off slightly higher than 15%."

Uncertainty still surrounds currently exempt sectors, notably pharmaceuticals and electronics. The Trump administration has signaled that tariffs on pharmaceuticals could potentially rise toward 200% by mid- to late-2026.

In addition, regulatory risks remain. "An eventual court ruling against the administration's reliance on the International Emergency Economic Powers Act (IEEPA) as the basis for these tariffs could significantly alter the implementation path. If the IEEPA is deemed inadmissible, the legal status of the trade deals themselves could come into question," Szentivanyi noted.

August 1: Tariffs on South Korea leave Q3 GDP growth forecast unchanged at 2%

U.S. tariffs on South Korean imports could result in a possible negative income effect, but will leave J.P. Morgan Global Research's GDP growth forecast intact. The new average effective tariff rate is estimated

to be 13.5%, calculated based on a 15% universal tariff rate, a 50% tariff rate on steel and aluminium and an exemption on tech products. “The effective tariff rate is now roughly similar to the U.S. overall effective tariff rate — as a result, the issue for Korean exporters’ performance would not be a relative price shock in the U.S. market, but a possible negative income effect, if there is any,” said Seok Gil Park, chief Korea economist at J.P. Morgan.

The data ahead of the tariff deal suggested a mixed outlook. Notably, PMI softened in July, possibly due to concerns regarding headwinds from U.S. tariff hikes. “The data indicated a slowing trend into the third quarter,” Park added. “We continue to expect a payback in third quarter manufacturing GDP growth, with industrial production growth likely to decline further. We believe third quarter real GDP growth is on track for a modest rise of 2% quarter-over-quarter, at a seasonally adjusted annual rate.”

Recent moves have seen tariff rates climb higher than J.P. Morgan Global Research had anticipated, with the U.S. effective tariff rate now expected to be approaching 20%. This estimate has been nudged higher by 2 percentage points, taking the Global Research team’s estimate from 16-18% to 18-20%.

Based on the latest announcements and J.P. Morgan Global Research’s expectations that sectoral tariffs will be imposed later this year, it is anticipated that the U.S. effective tariff rate (based on the 2024 spending basket) will approach 20%.

While global growth is still expected to experience a downshift in the second half of 2025, J.P. Morgan Global Research expects less impact on supply chains and household purchasing power than was initially expected based on Liberation Day tariffs. “Tariff hikes are being implemented in a gradual fashion, and U.S. policymakers have eschewed potentially disruptive barriers to trade within North America and with China,” said Bruce Kasman, chief global economist at J.P. Morgan. “The anticipated retaliation to higher U.S. tariffs has not materialized, reducing the drag on global growth. In addition, the trade war has depressed business sentiment, but the risk that this prompts retrenchment is being tempered by easier global financial conditions.”

July 27: The US and EU agree on a trade deal

After months of negotiations, the U.S. and EU have agreed on a 15% tariff. This will apply to most EU goods entering the U.S. except for aircraft and aircraft parts, certain chemicals, semiconductor equipment, some agricultural products and all natural resources and critical raw materials. However, steel and aluminum will continue to be taxed at 50%.

“While tariffs will likely settle somewhat higher than assumed in our forecast, other factors remain relevant. First, the deal avoids the EU being singled out compared with other countries, which means EU exporters to the U.S. are not disadvantaged in a relative sense. Second, uncertainty may arguably have declined somewhat, which is key as sentiment effects can be much larger than direct effects,” said Greg Fuzesi, chief euro area economist at J.P. Morgan. In addition, growth in the euro area has held up better than expected so far.

Despite greater clarity, the overall impact of the new tariffs remains to be seen. “Tariffs may at first squeeze the margins of some EU exporters to the U.S., but could eventually fall on U.S. importers and customers, while EU export volumes may fall only if U.S. demand weakens or if U.S. producers can boost production to replace imports,” Fuzesi noted.

All factors considered, J.P. Morgan Global Research still sees euro area growth slowing modestly in the second half of 2025, and expects the European Central Bank (ECB) to cut rates once more this year.

July 24: US–Japan trade deal could be supportive of Japanese stocks and the yen

The Trump administration has reached a trade agreement with Japan, one of the U.S.'s largest trading partners. Tariffs on Japanese goods, including automobiles, will be set at 15% — significantly below the 25% figure that was previously floated.

This could spell good news for the Japanese stock market, with J.P. Morgan Global Research estimating the decrease in tariffs could lift corporate earnings by 3 percentage points or GDP by 0.3 percentage points on a year-over-year basis. "Beyond the direct impact on the economy and corporate earnings, the decrease in tariffs will likely pave the way for another wage increase next year. This is positive for the Japanese markets and economy," said Rie Nishihara, head of Japan Equity Strategy at J.P. Morgan.

The new tariff agreement could support the yen, too. "This deal increases the likelihood of a Bank of Japan rate hike in October. If the market starts pricing in more rate hikes due to an upward revision in the inflation outlook, this should support the JPY," said Junya Tanase, chief Japan FX strategist at J.P. Morgan.

July 14: The total effective tariff rate could now be close to 17%

Over the weekend, the Trump administration announced new reciprocal tariff rates for several countries, most notably 50% for Brazil and 35% for Canada. President Trump also stated that the EU and Mexico could both see rates rise to 30%. This could take the total effective tariff rate close to 17% — excluding the effects of future sector-specific tariffs and the possibility of renewed higher rates for other countries not mentioned in the announcement.

"The rates announced over the weekend, if fully passed through, would add about 0.4 percentage points to the PCE price level. Given imperfect pass-through and margin compression, a more likely estimate is 0.2 to 0.3 percentage points. We think this bolsters the case for the Fed to take a very cautious approach to rate cuts," noted Michael Feroli, chief U.S. economist at J.P. Morgan.

However, these calculations assume that the rates on Canada and Mexico will continue to apply only to non-USMCA-compliant goods. "Were the administration to begin applying these tariff rates to USMCA-compliant goods, then overall tariff rates would be materially higher," Feroli added.

July 14: A surprise 30% tariff for the EU?

President Trump has announced plans for a 30% tariff on EU goods shipped to the U.S., arguing that a trade deficit was a potential threat. This would take effect from August 1; however, the EU has not retaliated and is willing to continue negotiating. A 10% universal tariff rate has been in place since April 5, with higher tariffs at the sector level, and the announcement of a 30% tariff rate comes as something of a surprise.

Tariffs have already had a significant impact on euro area activity. "Front-loading was at play in the first months of the year, but looking through the noise, activity has been running at an annualized rate (ar) of 0.9% in the first half of 2025," said Raphael Brun-Aguerre, senior economist at J.P. Morgan.

"We expect activity to moderate in the second half of the year, with a negative direct and indirect impact from tariffs," Brun-Aguerre added. "We forecast GDP growth of 0.5%ar in the third quarter and 0.75%ar in the fourth quarter. We are not making changes to our forecast now, as there is room, in our view, for U.S. tariffs to settle at a lower level than mentioned this weekend."

July 9: President Trump imposes 50% tariffs on Brazil

President Trump has announced 50% tariffs on Brazilian exports, effective August 1 — significantly exceeding the 10% rate set on Liberation Day. This follows several issues being monitored by the Trump administration — from the legal situation of former president Jair Bolsonaro to the “very unfair” trading relationship between the U.S. and Brazil.

Currently, Brazil's exports to the U.S. account for slightly less than 2% of its GDP, and the countries have roughly balanced trade. “Given the experience of other countries in abrupt changes to tariffs and uncertainty over Brazil's response, we are not adjusting our forecasts right now. That said, the risk to our already downbeat growth forecast for the second half of 2025 and beyond is further weighed down,” said Vinicius Moreira, an economist on the Emerging Markets Research team at J.P. Morgan. “If this 50% tariff scenario becomes long-lasting, with an effective tariff of around 40%, Brazil's GDP could potentially be reduced by 0.6% to 1.0%, though this impact could be mitigated by diversifying exports to other countries.”

July 8: Tariffs deadline pushed to August 1

With only a couple of tentative trade frameworks agreed ahead of the administration's July 9 deadline for a tariff rate reset, President Trump this week announced a new date of August 1. In addition, he has imposed new tariff rates on 14 countries — including Japan and South Korea — that will take effect from then. There were other sector-specific announcements too, with President Trump suggesting that copper could be taxed at 50% and that pharmaceutical products could face tariffs as high as 200% — though he signaled implementation could be delayed by 12 to 18 months.

“After all this news, and given our expectations for future actions, we continue to see the average effective tariff rate settling in the mid- to high-teens, and still see this weighing on growth and boosting inflation in the second half,” said Michael Feroli, chief U.S. economist at J.P. Morgan.

Despite President Trump's declaration that no extensions will be granted, the outlook for tariff rates remains uncertain. “It is possible that some trading partners could agree to a trade deal ahead of August 1, and that some deadlines could be extended,” Feroli added.

July 8: Copper prices surge after President Trump imposes 50% tariffs

President Trump intends to impose a 50% tariff on copper according to statements made at a cabinet meeting and press conference, which would likely come into effect by August 1.

“With greater certainty around tariffs and an accelerated timeline for implementation, the copper market is transitioning to a ‘period of payback,’ after fundamentals were tightened by a very sharp pull-forward in U.S. imports,” said Gregory Shearer, head of Base and Precious Metals Strategy at J.P. Morgan.

A 50% tariff would exceed J.P. Morgan Global Research's previous estimates. However, the timing aligns with expectations. “This leaves us more cautious on LME copper prices over the balance of the year,” Shearer added. “We forecast LME copper prices will slide toward \$9,100/metric tonne (mt) in the third quarter of 2025, before stabilizing around \$9,350/mt in the fourth quarter.”

July 2: The US and Vietnam agree on a trade deal

A U.S.-Vietnam trade deal has been struck one week before the end of the 90-day reciprocal tariff pause. A 20% tariff will now apply to all Vietnamese exports to the U.S. — below the 46% announced on Liberation Day, but well above the prior rate of 3.3%.

“Assuming exemptions are removed, the deal raises the effective tariff rate on Vietnam from 11.7% to

20% and lifts the overall U.S. effective tariff rate from 13.1% to 13.4%, based on 2024 trade volumes. This outcome is in line with our expectation of a moderate increase in the U.S. average tariff rate to 14-18% as deals are finalized, rather than a return to Liberation Day levels,” says Nora Szentivanyi, senior global economist at J.P. Morgan.

However, some goods that are transhipped (or intentionally routed) through Vietnam could be subject to a 40% tariff, though it remains to be seen how this measure will be enforced.

June 18: 50% aluminum tariffs are paralyzing the MWP market

The surprise tariff increase on steel and aluminum imports into the U.S. — doubling the rate from 25% to 50% — is causing significant uncertainty for the U.S. Midwest premium (MWP) market. “We think the MWP market is currently in a state of paralysis,” said Gregory Shearer, head of Base and Precious Metals Strategy at J.P. Morgan. “Tariffs could be walked back, or key exemptions may come through that would reduce the need to fully price in the tariff in future.”

A 50% tariff on aluminum points to an MWP of around 70 cents per pound (c/lb) or higher, which would be necessary to incentivize enough imports to meet U.S. demand. “Current spot prices of around 60 (c/lb) are barely high enough to cover the tariff alone,” Shearer added. “If U.S. tariffs don’t change and the MWP remains in stasis, any shipper with flexibility on delivery location is incentivized to send aluminum elsewhere, with a focus on Europe. Eventually, the stasis would have to break.”

June 3: The average effective tariff rate should eventually settle around 15-18%

The Court for International Trade (CIT) has ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) are unlawful, which encompasses the Liberation Day reciprocal tariffs and drug trafficking tariffs on China, Canada and Mexico. If IEEPA tariffs were to cease, the effective tariff rate would fall from 13-14% to roughly 5%, double the level in 2024. “A tariff rate permanently at 5% would imply a material upgrade to our growth forecast for the second half of 2025, and would likely reduce our 2025 core CPI forecast by close to a percentage point,” said Abiel Reinhart, U.S. economist at J.P. Morgan.

Even if the administration loses this case, it does not necessarily spell the end of tariff hikes as they could still be pursued through a number of other channels. “Sector tariffs are a more likely longer-term solution, such as those applied to autos, steel and aluminum. There are also tariffs that remedy trade practices deemed to be unfair, which were already being used to set some tariffs on China,” Reinhart added.

“The court order makes tariff scenarios murkier in the short term,” said Bruce Kasman, chief global economist at J.P. Morgan. “However, tariffs are a central pillar of this administration’s economic agenda. The path and the distribution across countries and sectors are uncertain, but we continue to believe that the average effective tariff rate should eventually settle around 15-18%.”

May 13: The US and China announce a 90-day reprieve

In a de-escalation of trade tensions, both countries have announced they will slash tariffs for a period of 90 days as they negotiate a broader deal. From May 14, additional U.S. tariffs on Chinese imports will fall to 30% (from 145%), and China’s additional tariffs on U.S. goods will decrease to 10% (from 125%). Stocks rallied as a result, with the Dow, the S&P 500 and the Nasdaq Composite notching their biggest single-day gains in over a month.

“The magnitude of the temporary tariff reduction is larger than expected. We welcome the positive

outcome; meanwhile, risks are two-sided. On the one side, there is room for further reduction of tariffs, especially the 20% fentanyl-related tariff. On the other hand, the bar for a potential deal between China and the U.S. is high and it could take much longer than 90 days, so we should not rule out the possibility of a resurgence of tariff increase,” said Haibin Zhu, chief China economist for J.P. Morgan.

If this temporary tariff reduction stays in place for the rest of 2025, it could have a large impact on China’s growth prospects. It could also make additional fiscal stimulus less likely. “On the monetary policy front, we maintain our forecast of a rate cut of 30 basis points (bp) and a required reserved ratio (RRR) cut of 100 bp in 2025, as lower tariffs should mitigate CNY depreciation pressure,” Zhu said. “We also raise our full-year growth forecast to 4.8%, up from 4.1% previously.”

May 8: The US and the UK agree to a trade framework

The U.S. and the U.K. have announced a trade framework that includes reducing import taxes on 100,000 British cars and implementing a tariff-free quota on 13,000 metric tons of beef. However, the baseline 10% tariff on all other goods remains.

“The upside may be limited for an economy with no material goods trade imbalance with the U.S., where average tariffs were low to start off with and where political relations are reasonably warm,” said Allan Monks, chief U.K. economist at J.P. Morgan. “This could be read as a negative signal for other countries still engaged in negotiations with the U.S. While they potentially have more concessions to offer, the outstanding areas of dispute are generally greater. Also, larger economies such as China and the EU have more leverage and are likely to take a harder stance in the negotiations.”

Thus far, there is no firm indication of an exemption from any future tariff increases on pharmaceuticals, or an agreement on remaining reciprocal tariffs. “Going forward, it would appear that the potential for a more meaningful rollback of tariffs is limited in the absence of a removal of the 10% baseline,” Monks added.

The narrative around U.S. tariffs remains tied to bilateral negotiations, with some de-escalation and news of potential trade deals with Japan, Korea and India, but mixed messages around discussions between the U.S. and China. The lingering risk of a recession is not going to disappear amid these trade negotiations, and any support from the Fed would require deterioration in macro data and the labor market. Investors’ concerns have also shifted to President Trump’s criticism of the Federal Reserve, with concerns over the potential for removal of its chairman Jerome Powell triggering a decline in U.S. equities and Treasuries.

“In this environment of uncertainty as the global trade landscape continues to evolve, we call for range-bound equity markets, between our baseline of 5,200 and our bull case of 5,800 for the S&P 500,” said Fabio Bassi, head of Cross-Asset Strategy at J.P. Morgan. “However, our bull case scenario could be reached only with broad trade agreements, a decline in volatility and an improvement in sentiment, and we are unlikely to clear all the hurdles on trade deals in the very short term.”

Despite the recent rollback in tariffs, the global fallout could still be significant. “The impact of the trade war will be focused on the U.S., where it is being waged against all economies. However, the rest of the world will not be immune to the damage,” said Joseph Lupton, global economist at J.P. Morgan.

On balance, a 10% universal tariff and a 110% tariff on China is estimated to reduce global GDP by 1%, according to J.P. Morgan Global Research. “It’s less clear how these direct shocks are amplified through sentiment, financial markets and from the impact of a weaker U.S. on the rest of the world, but this could boost the drag considerably and perhaps even double the direct impact,” Lupton added.

In an alternative scenario, where the universal tariff is 10% and the tariff on China is 60%, the direct global shock would likely dampen global GDP by 0.7%, building to around 1% when considering spillovers.

J.P. Morgan Global Research expects the business sector to be poised for a large sentiment shock, which could be one of the factors spurring the economy on towards a recession. At the start of the year, U.S. business sentiment surged following the election. However, the uncertainty associated with tariff increases and the general thrust of the Trump administration's policies are now depressing business sentiment, which will directly weigh on spending and hiring.

"We anticipate this slide in sentiment to accelerate sharply into midyear, as a front-loaded lift in global industry fades and as the April tariff announcement weighs on business confidence broadly," said Bruce Kasman, chief global economist at J.P. Morgan.

Speaking in Chicago, Federal Reserve chairman Jerome Powell highlighted his obligation to keep long-term inflation well anchored, preventing one-time tariff-driven price increases from becoming an ongoing inflationary problem. While Governor Waller said tariff-related inflation may be transitory in an April 14 speech, Powell didn't speculate on this, and he acknowledged growing stagflation risks. Aside from this, though, many of Powell's remarks were similar to those he made on April 4 following "Liberation Day". He reiterated that the Federal Open Market Committee (FOMC) is well positioned to wait for greater clarity before considering policy stance adjustments.

"Consistent with Powell's remarks, we don't expect the Fed's next move to happen any time soon," said Michael Feroli, chief U.S. economist at J.P. Morgan. "We believe unemployment will remain too high for longer than inflation will, so the next move should be an ease. However, we wouldn't look for a rate cut to happen until September."

The Trump administration has made a U-turn on trade policy, pausing higher tariffs for most countries. While the 10% global tariff will remain in place, the scheduled increase in country-specific tariffs has been frozen for 90 days — with the exception of China, where the tariff rate has been increased to 145%. In response to the reprieve, the EU also put its countermeasures on hold in hopes of negotiating a deal.

"In static terms, today's moves would actually increase the tariff rate. But with Chinese tariffs going to punitive rates, even conservative estimates would suggest that China's share of imports should shrink dramatically, reducing the increase in total average effective tariffs," said Michael Feroli, chief U.S. economist at J.P. Morgan.

"Overall, the drag from trade policy is likely to be somewhat less than before, and thus the prospect of a recession is a closer call. However, we still think a contraction in real activity later this year is more likely than not," Feroli added.

China has been hit with an additional 50% tariff by the Trump administration. This takes the tariff rate to over 104% — a 93-percentage-point increase. China has since retaliated with an 84% tariff on U.S. imports, underscoring the rapid escalation of a trade war already deemed disruptive enough to push the global economy into a recession.

"Given the import bill from China, this tariff alone amounts to an enormous \$400bn tax hike on U.S. households and businesses before substitution," said Nora Szentivanyi, senior global economist at J.P. Morgan. "The currency is likely to be a release valve for China policymakers. The Chinese yuan (CNY) has moved up 1.6% to 7.34 since mid-March, and expectations are building for a more material

devaluation in response to Trump's tariffs."

The reciprocal tariffs and retaliation measures have prompted J.P. Morgan Global Research to mark down China's full-year 2025 growth to 4.4%, which is 0.2 percentage points lower than its previous forecast. A decline in China's U.S. exports, along with a weaker global economic outlook, is expected to drag on growth via trade by about 0.3 percentage points. The indirect impact of weaker consumption and investment in export-related sectors is also likely to subtract 0.4 percentage points. However, a partial offset is expected from an additional 1 trillion yuan in government bonds, which should be announced in the third quarter of 2025.

J.P. Morgan Global Research has noted that its call for a U.S. recession will likely lead to downgrades in growth forecasts outside of North America. Recessions are already expected in Canada and Mexico, and modest downgrades have also been made to growth projections for Europe, China and some emerging economies, primarily in Asia. As a result, global real GDP growth is expected to be 1.4% in the fourth quarter of 2025, down from 2.1% at the start of the year.

The Trump administration has announced a minimum 10% tariff on all trading partners, with certain countries and areas — including China, Japan and the EU — facing even steeper rates. The global tariff will go into effect on April 5, and nearly 60 countries will have higher tariffs starting on April 9.

"By our calculations, this takes the average effective tariff rate from around 10% to just over 23%," said Michael Feroli, chief U.S. economist at J.P. Morgan. The new tariffs could raise just under \$400 billion in revenue, or about 1.3% of U.S. GDP, which would be the largest tax increase since the Revenue Act of 1968.

"We estimate that the announced measures could boost Personal Consumption Expenditures (PCE) prices by 1–1.5% this year, and we believe the inflationary effects would mostly be realized in the middle quarters of the year. The resulting hit to purchasing power could take real disposable personal income growth into negative territory in the second and third quarter, and with it the risk that real consumer spending could also contract in those quarters," Feroli noted.

President Trump has announced 25% tariffs on auto and auto parts entering the U.S., which will take effect on April 2. This updated trade policy will likely raise costs for consumers, according to Ryan Brinkman, head of U.S. Autos and Auto Parts at J.P. Morgan. U.S. light vehicle prices could potentially rise by as much as ~11.4% on average under one scenario, should automakers prove successful in passing tariff-related costs along to consumers.

"Under the new scheme, virtually all automakers will face significant pressure to raise prices, making it more likely domestic automakers will be able to effect price increases to better offset tariff costs without the risks of material market share loss," Brinkman noted.

In response to the auto tariff announcements, J.P. Morgan Global Research has further revised its growth and inflation forecasts. It now sees a 0.2 percentage point hit to U.S. GDP, which moves its estimate for the year down to 1.3%. PCE price inflation for 2025 is expected to climb to 2.7%, up 0.2 percentage points, while core PCE inflation is forecast to increase 0.3 percentage points to 3.1%.

"The worsening growth and inflation outcomes leave the Fed with a challenging dilemma. Absent labor market deterioration, there is a strong case for rates to be on hold indefinitely. However, the more challenging business environment increases the chances of just such a labor market deterioration," said Michael Feroli, chief U.S. economist at J.P. Morgan. "We hold our call for cuts in June and September and will revisit after next week's jobs report."

J.P. Morgan Global Research has lowered its estimate for 2025 real GDP growth due to heightened trade policy uncertainty, the effect of existing tariffs and retaliatory measures by foreign trading partners. Real GDP growth is now expected to be 1.6% for the year, down 0.3% from previous estimates.

“Heightened trade policy uncertainty should weigh on activity growth, particularly for capital spending,” said Michael Feroli, chief U.S. economist at J.P. Morgan. “Plus, tariffs that have already been imposed will create a bump to headline inflation, pushing up consumer prices by 0.2 percentage points. Retaliatory tariffs would also serve to drag on gross export growth.”

The new administration has imposed 25% tariffs on all steel and aluminum imports to the U.S. This could drive up the prices of various goods ranging from autos to canned drinks.

This harks back to 2018, when President Trump imposed 25% tariffs on US\$16 billion of imported steel, and 10% tariffs on US\$9 billion of imported aluminum, during his first term. The measures at that time led to increased domestic production but also sparked retaliatory tariffs, raising costs and domestic prices for downstream industries.

“The U.S. relies on imports to meet the bulk of its primary aluminum needs and domestic prices have already been adjusting sharply higher in anticipation of the new tariffs,” said Nora Szentivanyi, senior global economist at J.P. Morgan.

J.P. Morgan Global Research now believes there is a 40% risk of a global recession taking hold this year, up from 30% at the start of 2025. “We see a materially higher risk of a global recession due to U.S. trade policy,” said Bruce Kasman, chief global economist at J.P. Morgan. “The administration’s shift in the application of tariff policy and the potential impact on sentiment have contributed to this increased risk.”

Reciprocal tariffs involve equalizing the U.S.’s import tariffs with those imposed by its trading partners. Average tariff rates between the U.S. and other advanced economies are relatively low, so reciprocal tariffs would in theory be small. However, the Trump administration is also considering applying these tariffs against a broader range of foreign taxes — such as value-added taxes and digital services taxes — imposed by other countries on U.S. firms.

The economic impact of applying tariffs in this way would be much more significant as the trading partner’s VAT would be added on top of the tariff differential with the U.S. While the rates could be negotiated lower on a country-by-country basis, the shock could still be large in some cases.

“Taken together, reciprocal tariffs levied in this extended way would raise the average U.S. tariff more significantly — by another 12 percentage points to above 20% — and would likely have material consequences for U.S. inflation and growth,” said Nora Szentivanyi, senior global economist at J.P. Morgan.

On March 4, President Trump enacted 25% tariffs on imports from Canada and Mexico, ranging from groceries to electronics. He also doubled the 10% levy on all goods imported from China, which had taken effect on February 4.

On March 5 however, he announced a one-month reprieve for goods traded under the United States–Mexico–Canada Agreement (USMCA), which was negotiated during his first term. This suggests the majority of exports to the U.S. from its North American neighbors will be spared until April 2.

“Our baseline has treated the potential impact of USMCA tariffs as largely transactional, based on our assessment that the economic damage from a meaningful sustained tariff hike would be too large — enough to throw the Mexican and Canadian economies into recession and also seriously damage U.S.

growth,” said Nora Szentivanyi, senior global economist at J.P. Morgan. “While the scale and timing of the tariffs remain unclear, we are increasingly concerned about the uncertainty shock to business investment via the sentiment channel and have started to recalibrate our forecasts in response.”

The impact of tariffs will likely trickle down to the American consumer, who could face higher costs for some imported goods. “At the end of the day, tariffs are a tax on imports. How much this tax raises final consumer prices depends on factors such as the elasticity of demand and the extent of exchange rate movement,” said Murat Tasci, senior U.S. Economist at J.P. Morgan. “However, the tax incidence nearly always falls on domestic sellers and consumers, and not foreign producers.”

In 2018–2019, Chinese exporters did not meaningfully change their prices in response to U.S. tariffs, even though the CNY depreciated in relation to the USD. Although the inflation impact did not appear significant at that time, studies have since shown that there was a nearly one-for-one rise in import prices, much of which was passed on to consumers.

“That said, President Trump’s proposed tariffs are much larger in magnitude and in scope of coverage than the 2018–2019 tariffs, and the inflation backdrop today is materially different,” Tasci noted.

The February flash services PMI, which provides an estimate of business conditions in the U.S. private sector, slipped below 50 for the first time in two years, suggesting a deterioration in business confidence. In the same vein, homebuilder sentiment has taken a hit, with the overall NAHB Housing Market Index, which tracks the relative level of current and future single-family home sales, falling from 47 to 42 in February.

“As the focus in tariff negotiations looks set to shift from border issues to more structural economic issues, the risk that some tariffs may actually be put in place — and potentially for some time — appears to be drifting up,” said Michael Feroli, chief U.S. economist at J.P. Morgan. “Recent declines in sentiment measures and a late-week sell-off in equity markets suggest growing recognition of these risks.”

“Rising concerns about trade conflict can have a significant independent impact on economic activity. Model estimates uniformly show negative growth impulses from tariffs, while empirical studies of the 2018–19 U.S. trade war conclude that the tariff costs were borne primarily by U.S. consumers and that this depressed both U.S. and global growth,” said Bruce Kasman, chief global economist at J.P. Morgan. “The key transmission element of tariff policy is through sentiment; earlier in the year, markets and surveys deemed policy to be business friendly. But we are starting to see a large drag on sentiment as businesses and households reassess, which can, and probably will, magnify the direct economic impact of tariffs.”

According to the IMF, a universal 10% rise in U.S. tariffs, accompanied by retaliation from the euro area and China, could reduce U.S. GDP by 1% and global GDP by roughly 0.5% through 2026. Roughly half of the GDP decline from higher tariffs is attributed to a negative sentiment shock related to rising trade policy uncertainty.

Tariffs and trade policy uncertainty could have a negative impact on U.S. and global GDP through 2026.

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