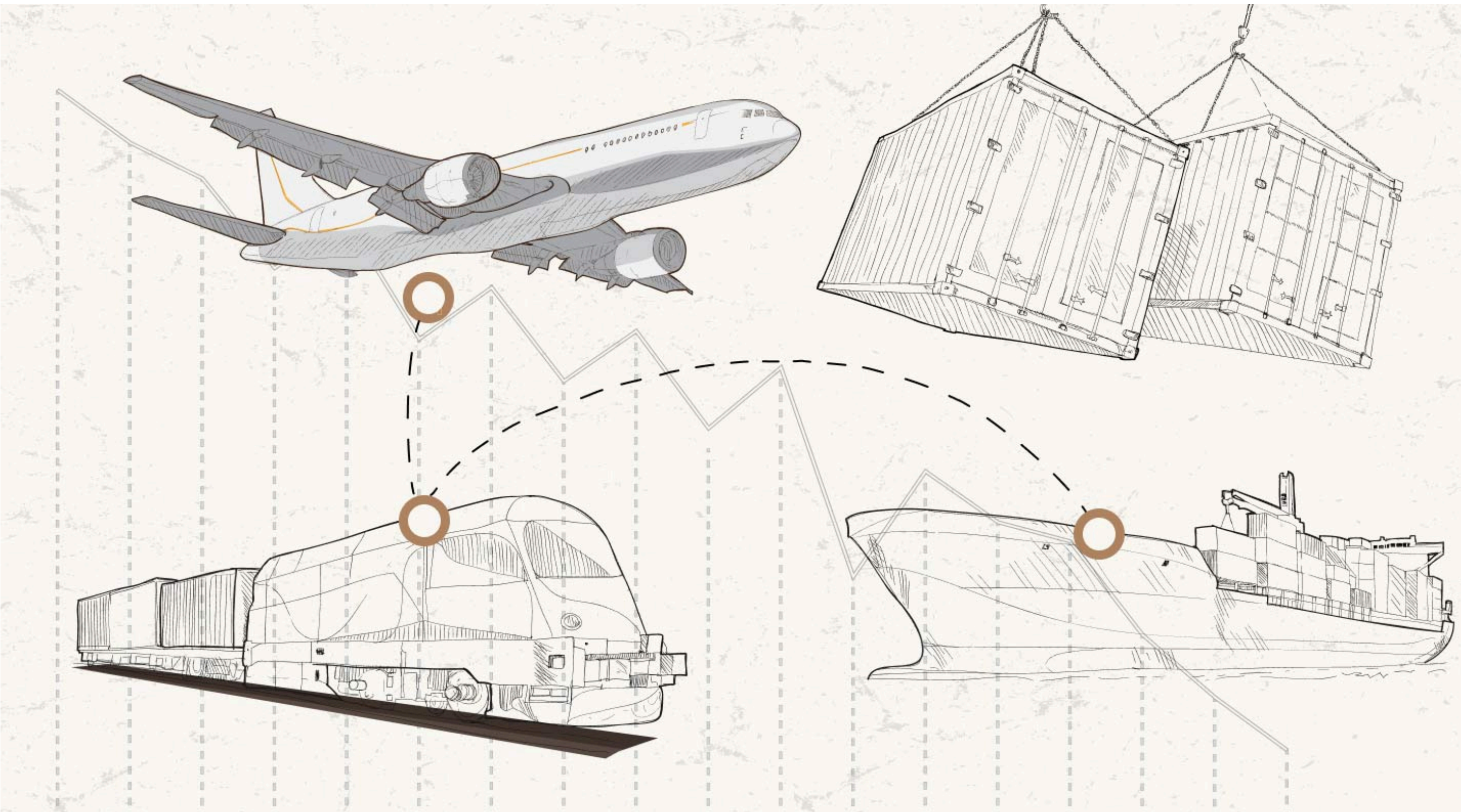
US tariffs: What’s the impact on global trade and the economy?

April 28, 2025

J.P. Morgan Research will bring you the latest updates and analysis of President Trump’s tariff proposals and their economic impact.

February 14: US tariffs and trade policy could have a material impact on the global economy



Since taking office, President Trump has announced 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, sending markets tumbling and increasing the risk of a global recession.

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 Research.

April 21: Business sentiment dips as tariffs weigh

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.

April 16: The Fed is expected to remain on hold until September

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."

April 9: President Trump pauses tariff hikes

The Trump administration has made a U-turn on trade policy, pausing higher tariffs for most

"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 Feroli.

"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.

April 9: Tariffs on China hit 104%

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 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 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.

April 3: President Trump enacts sweeping tariffs on all trading partners

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%," Feroli said. 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.

March 27: Auto tariffs could impact growth and inflation

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 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," Feroli said. "We hold our call for cuts in June and September and will revisit after next week's jobs report."

March 14: J.P. Morgan Research revises down U.S. GDP growth based on tariffs

J.P. Morgan 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," Feroli said. "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."

March 12: President Trump imposes 25% tariffs on steel and aluminum

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," Szentivanyi said.

March 7: The risk of a global recession rises to 40%

J.P. Morgan 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 Kasman. "The administration's shift in the application of tariff policy and the potential impact on sentiment have contributed to this increased risk."

March 7: Reciprocal tariffs could be substantial if foreign taxes are targeted

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," Szentivanyi noted.

March 6: Trump pauses tariffs – for now

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," Szentivanyi noted. "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."

February 27: Consumers could face higher prices as a result of tariffs

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 onto 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.

February 21: Tariffs rattle business confidence

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.

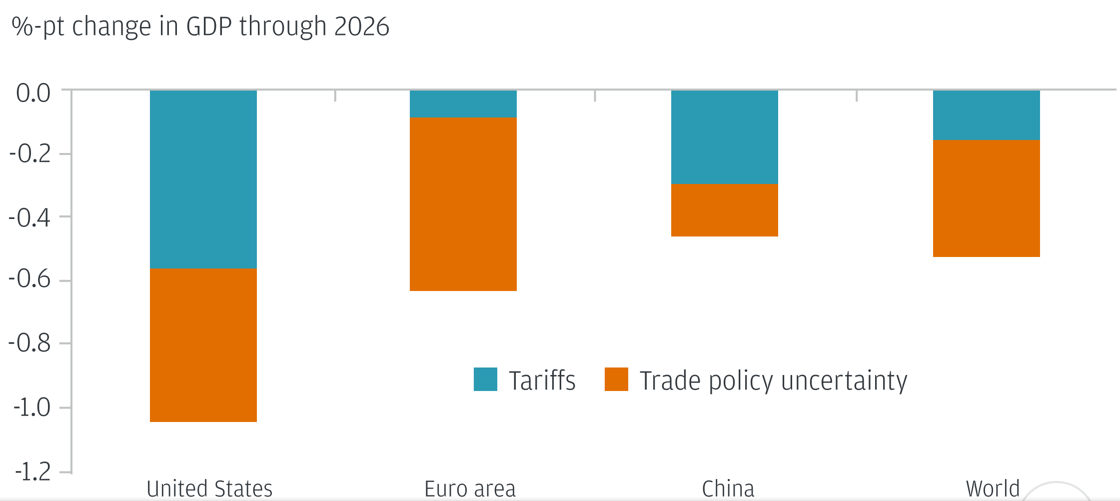
"As the focus in tariff negotiations looks set to shift from border issues to more structural economic issues, the risk that some tariffs may actually be put in place – and potentially for some time – appears to be drifting up," Feroli said. "Recent declines in sentiment measures and a late-week sell-off in equity markets suggest growing recognition of these risks."

February 14: US tariffs and trade policy could have a material impact on the global economy

"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," Kasman said. "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 weigh on both U.S. and global GDP



VIEW TEXT VERSION