

Daily Dose of Macro & Markets 1st October 2025: “Tariffs –> Still A Key Risk”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quotes:

“US expects \$50 billion a month in tariff revenues, US Commerce chief Lutnick says.”

Source: Reuters, 7th August 2025, <https://www.reuters.com/world/china/us-expects-50-billion-month-tariff-revenues-us-commerce-chief-lutnick-says-2025-08-07/>

“Why I’ll be cautious about further rate cuts”

Source: Lorrie Logan, Dallas Fed, September 30, 2025
<https://www.dallasfed.org/news/speeches/logan/2025/lkl250930>

Tariffs –> Still A Key Risk

As the US market continues to reach new record highs, the macro effects of the dramatic changes in the global trading system, brought about by Trump’s tariffs, are being (increasingly) ignored. As per the US government’s latest data, the US Customs & Border Protection (CBP) department collected \$29.5 billion in ‘custom duties (tariffs)’ in August (FIG 1). That is up from \$6.8 billion at the end of last year (i.e. incremental revenue of \$22.7 billion per month).

That \$29.5 billion run rate, however, equates to an **effective tariff rate of around 10%** (calculated as monthly ‘customs duties (i.e. tariffs)’ collected divided by total US goods imports – FIG 2; H/T Rob D for pointing this out). According to most estimates, though, the effective average US tariff rate on goods imports is now around 16 – 20%. The Yale Budget Lab, for example, in its baseline scenario, expects “consumers (to) face an overall average effective tariff rate of 17.4%, the highest since 1935”, see FIG 5 (**source:** As below). If correct, then, as Lutnick outlined in August (see quote above), the US is likely to collect around “\$50 billion per month in tariff revenues”.

In other words, **the full fiscal and economic impact of tariffs is yet to be fully felt in the US.**

According to the Yale Budget lab’s modelling, that full effect is expected to include the following:

- “The **price level** from all 2025 tariffs rises by 1.7% in the short-run under the baseline scenario, the equivalent of an average per household income loss of \$2,300 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.”
- “**Real GDP Effects:** In the baseline scenario, US real GDP growth over 2025 and 2026 is -0.5 pp lower each year from all 2025 tariffs. In the long-run, the US economy is persistently -0.4% smaller, the equivalent of \$120 billion annually in 2024\$.”

- **“Labor Market Effects:** In the baseline scenario, the unemployment rate rises 0.28 percentage points by the end of 2025 and 0.65 percentage points by the end of 2026. Payroll employment is 480,000 lower by the end of 2025.”
- **“Fiscal Effects:** In the baseline scenario, all tariffs to date in 2025 raise \$2.4 trillion over 2026-35, with \$451 billion in negative dynamic revenue effects, bringing dynamic revenues to \$2.0 trillion.”

Source: Yale Budget Lab, ‘State of US Tariffs’ 4th September 2025.
<https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025>

Other estimates of revenue raised from tariffs, according to the Peterson Institute, mostly range from \$2.6 trillion up to \$4.5 trillion (as well as an \$800 billion outlier estimate – see table 1). Given the CBO’s estimated cost of the ‘OBBB’ (at \$3.4 - \$4.0 trillion), on most calculations, therefore, tariffs cover much, if not all, of the cost of the fiscal stimulus bill. As such, one of the main impacts of Trump’s fiscal actions (in aggregate, i.e. OBBB, tariffs and DOGE) is re-distributional (and regressive, with the wealthier benefiting the most).

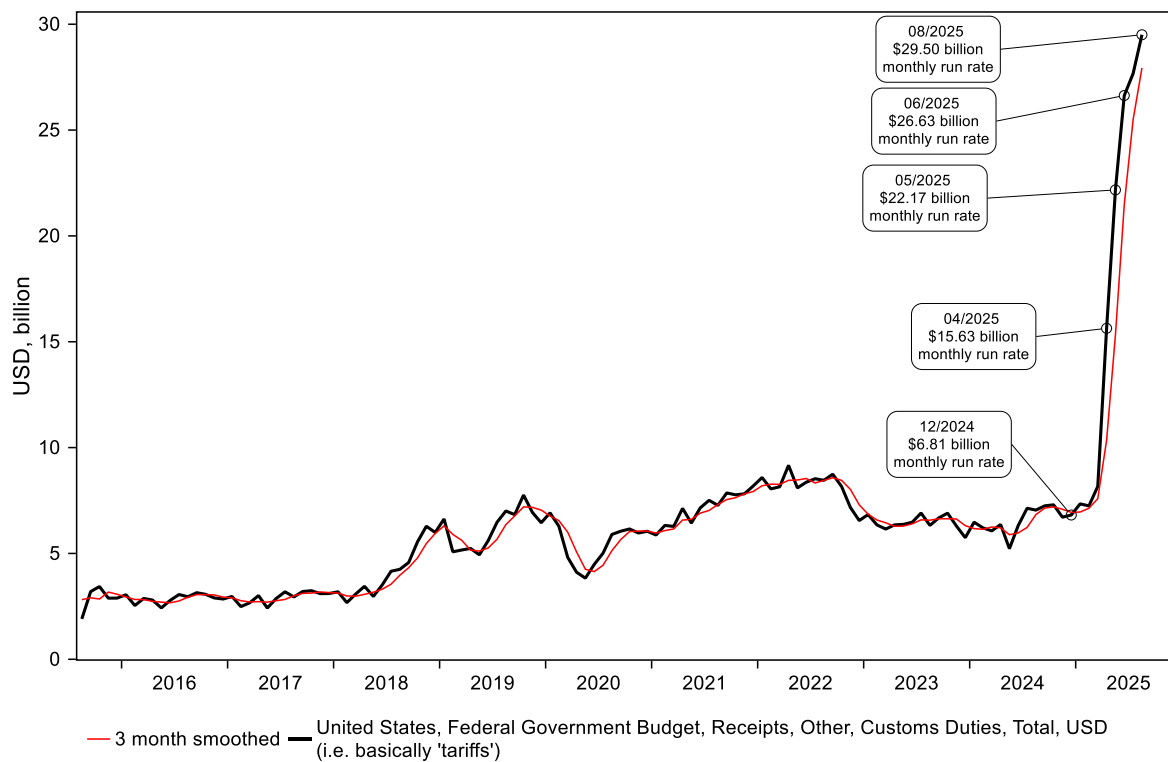
Overall, though, according to the Hutchins Center (part of the Brookings institute), **fiscal policy is expected to be tight for most of the next two years** (except in Q1 2026 and modestly in Q3 2025 – see FIG 4).

As such, the role of monetary policy becomes increasingly important in the US (& global) economy. In that context Lorrie Logan’s comments yesterday were important (although she’s not a voting member until next year). As the quote above makes clear, she is ‘[cautious about further rate cuts](#)’. Indeed the pick up in inflation (and superficially strong Q2 GDP data) are key reasons why Lorrie and other central banking colleagues are cautious about cutting too fast.

A cursory glance at ‘goods’ price inflation across the globe, however, provides clear insight into why headline inflation (globally) has picked up. Tariffs are feeding through the global trading system and pushing up ‘goods prices’ across western economies (perhaps as China and other countries look to spread the cost of US tariffs across the global economy) – FIG 3. Tariffs, however, are a one-off hit to the price level and an effective tax on consumers (i.e. a fiscal tightening). In that sense, their price effect should be looked through (as the BoE has been doing with the April National Insurance tax hike). Tighter fiscal policy, in theory, requires looser monetary policy.

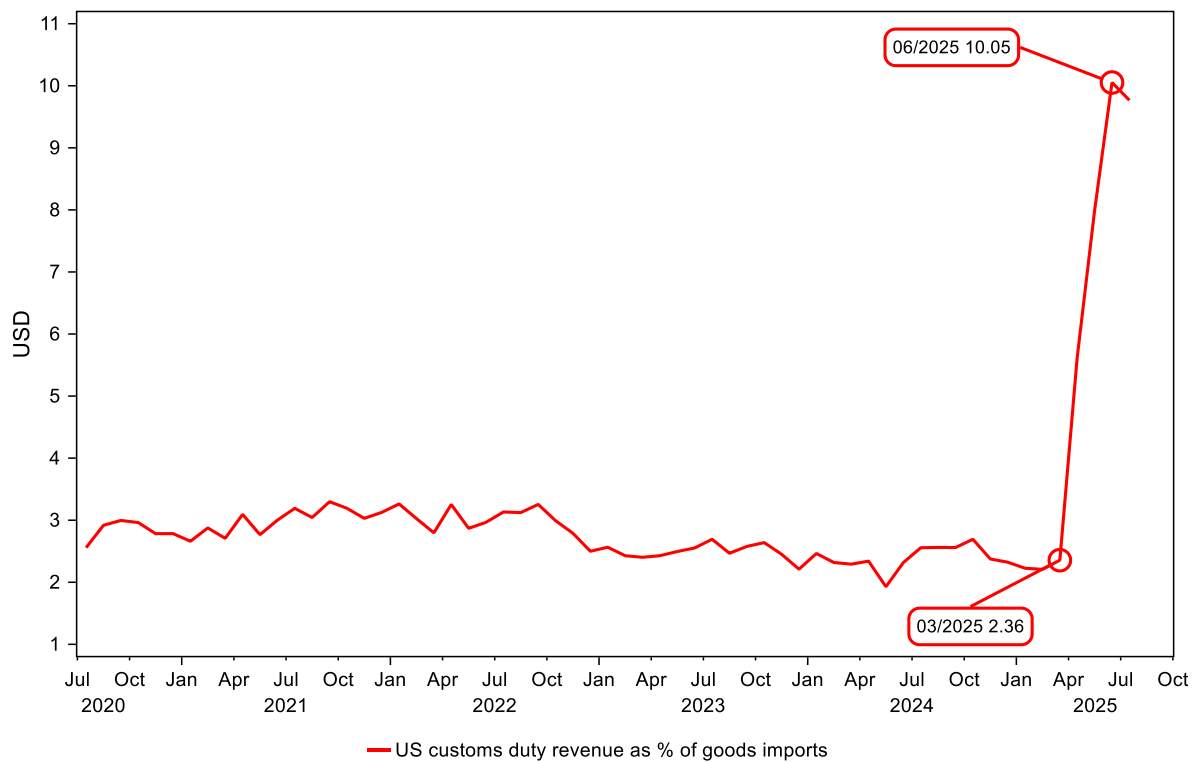
It’s in that sense, therefore, that ‘[tariffs remain a key risk](#)’!

FIG 1: US tariff revenue ('custom duties', \$bn monthly)



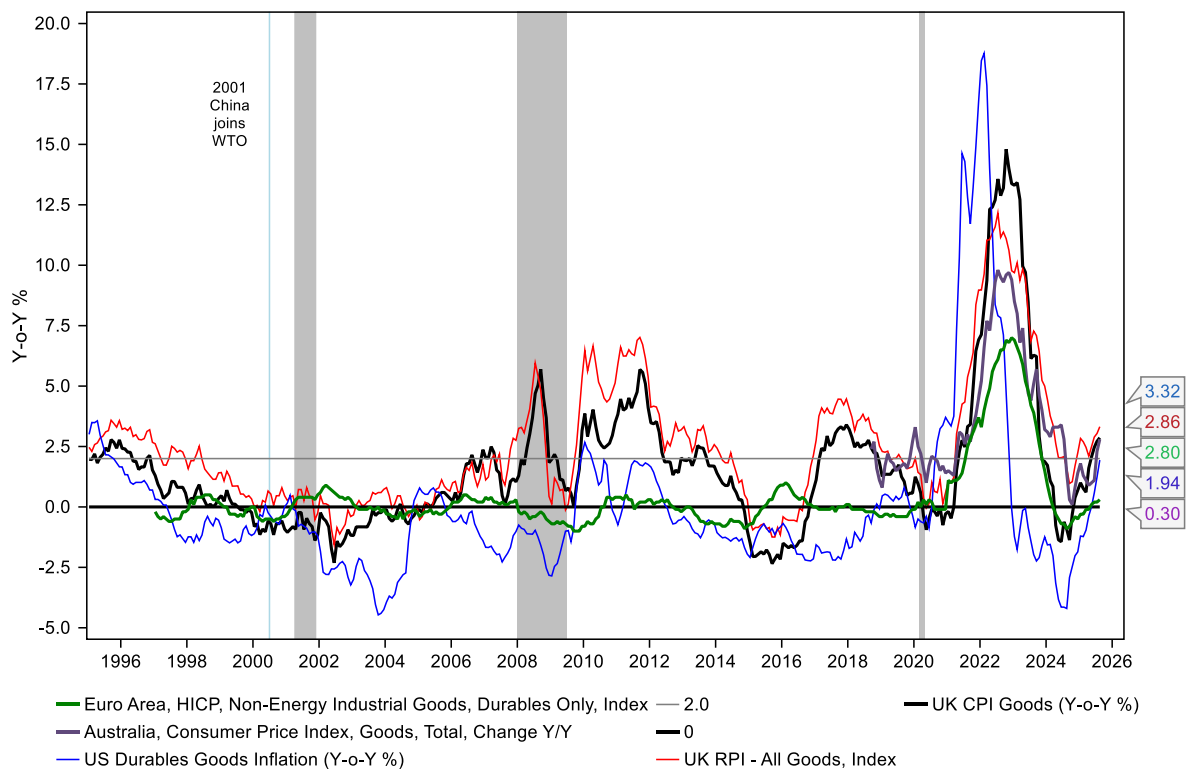
Source: Longview Economics, Macrobond

FIG 2: US effective tariff rate (% , customs duties revenue as a share of goods imports)



Source: Longview Economics, Macrobond

FIG 3: CPI ‘goods’ inflation (US, UK, EZ & Australia)



Source: Longview Economics, Macrobond

FIG 4: US ‘contribution of fiscal policy to real GDP growth’ (tightening/loosening)

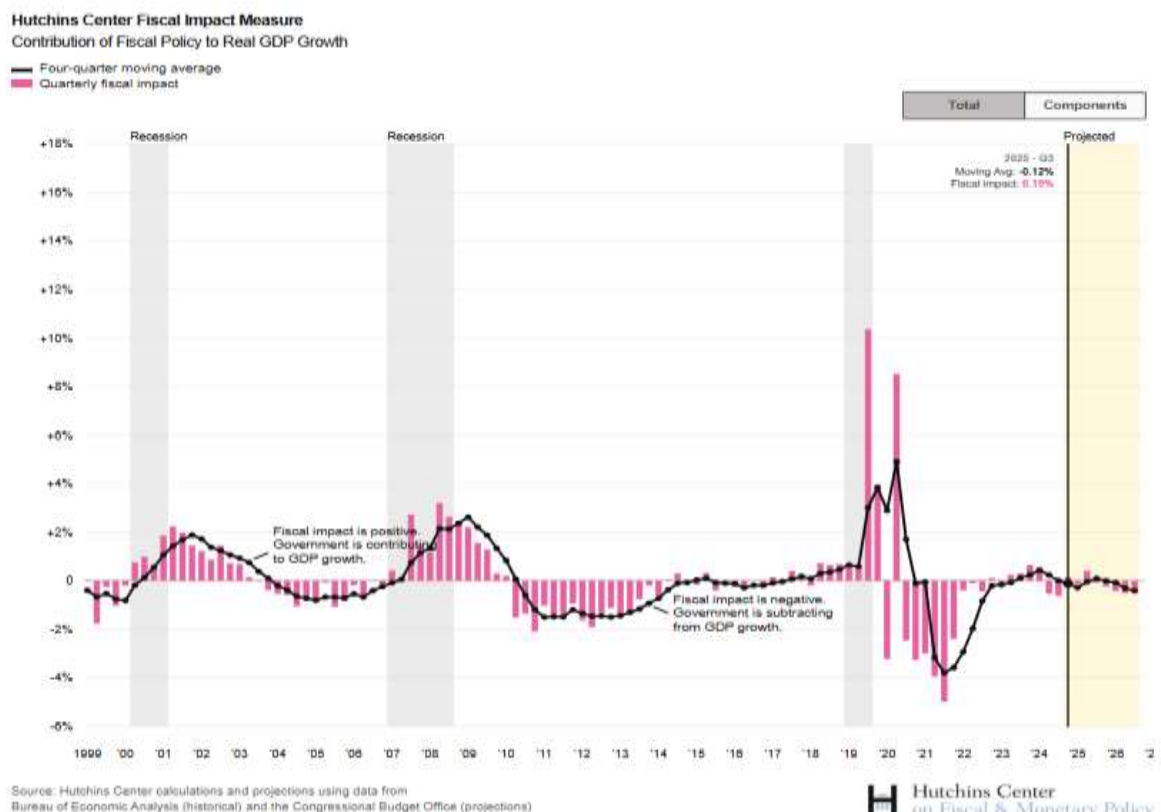


Table 1: Recent estimates of tariff revenues (\$billion, 10 year periods)**Table 1** Recent estimates of tariff revenues

Estimate source	Time period	Tariff assumptions	Aggregate revenue (billions of dollars, rounded)
Budget Lab 2025a	2026-2035	Dynamic score, tariffs as of September 4, 2025; 17.4 percent effective tariff rate	2,000
Penn Wharton Budget Model 2025	2025-2034	Dynamic score, tariffs as of April 8, 2025; 22.5%* effective tariff rate	4,500
Tax Policy Center 2025	2025-2035	Dynamic score, tariffs as of April 2, 2025, 22.5%* effective tariff rate	3,500
Congressional Budget Office 2025a	2025-2035	Static score, tariffs as of August 19, 2025, about 20.5% effective tariff rate ²⁵	3,300
Clausing and Lovely 2024	2026-2035	Static score, 10% incremental universal tariff and 50% incremental tariff on China	2,800
York and Durante 2025	2025-2034	Dynamic score, 20% incremental universal tariff	2,600
McKibbin and Shuetrim 2025	2025-2034	Dynamic score, 20% incremental universal tariff with retaliation	800

Source: “Tariffs as Fiscal Policy”, Peterson Institute, <https://www.piie.com/sites/default/files/2025-09/wp25-19.pdf>

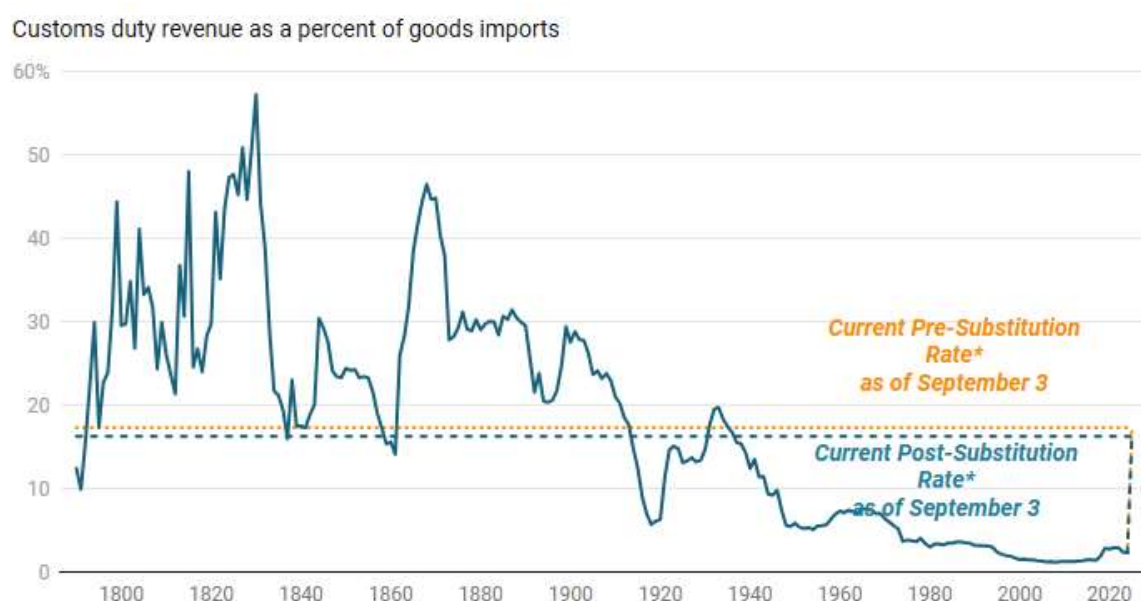
FIG 5: US average effective tariff rates (% , 1790 to present)

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](#)

Source: Yale Budget Lab, 4th September 2025, <https://budgetlab.yale.edu/research/state-us-tariffs-september-4-2025>