

Trade Compass

Macroeconomics Team

November 11, 2025



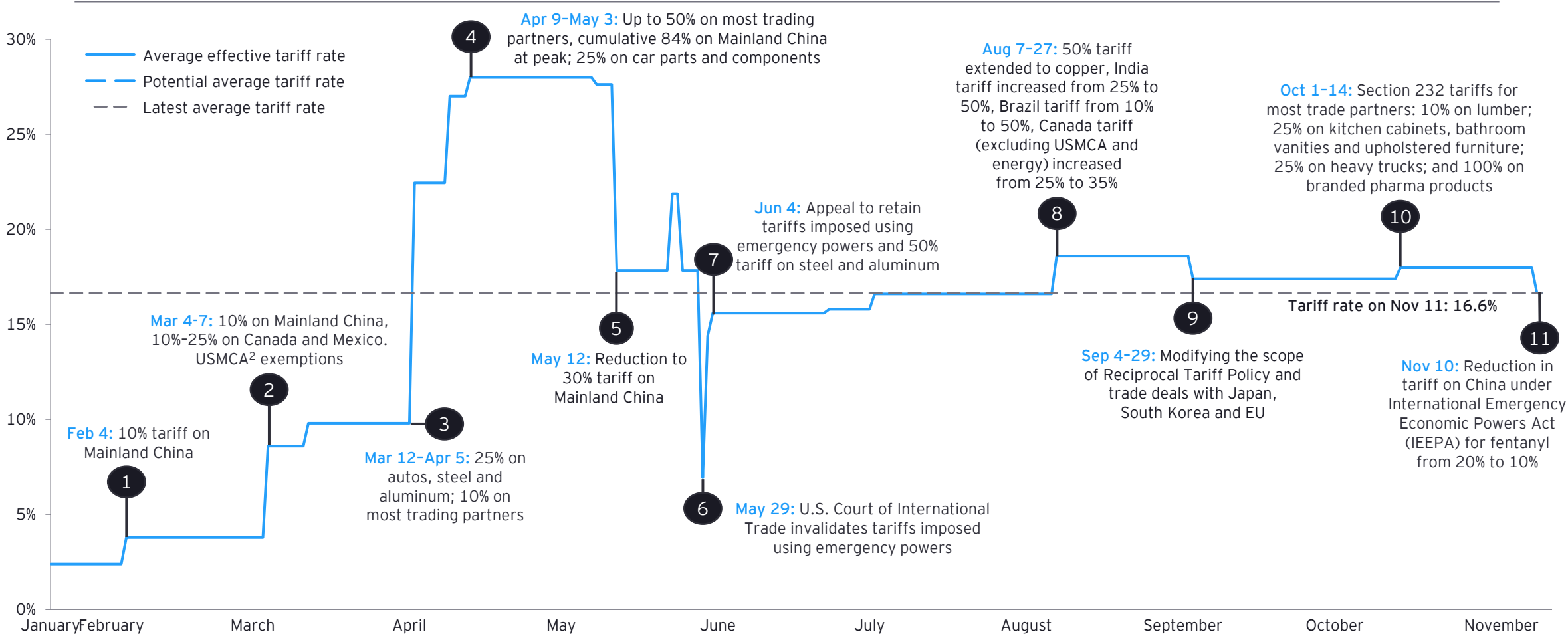
The better the question. The better the answer. The better the world works.

| Agenda

- **Where we stand**
- Economic impact of tariffs: now and then
- Meet the team

The US average tariff rate has increased sevenfold since the start of 2025, with several deals leading to large swings along the way

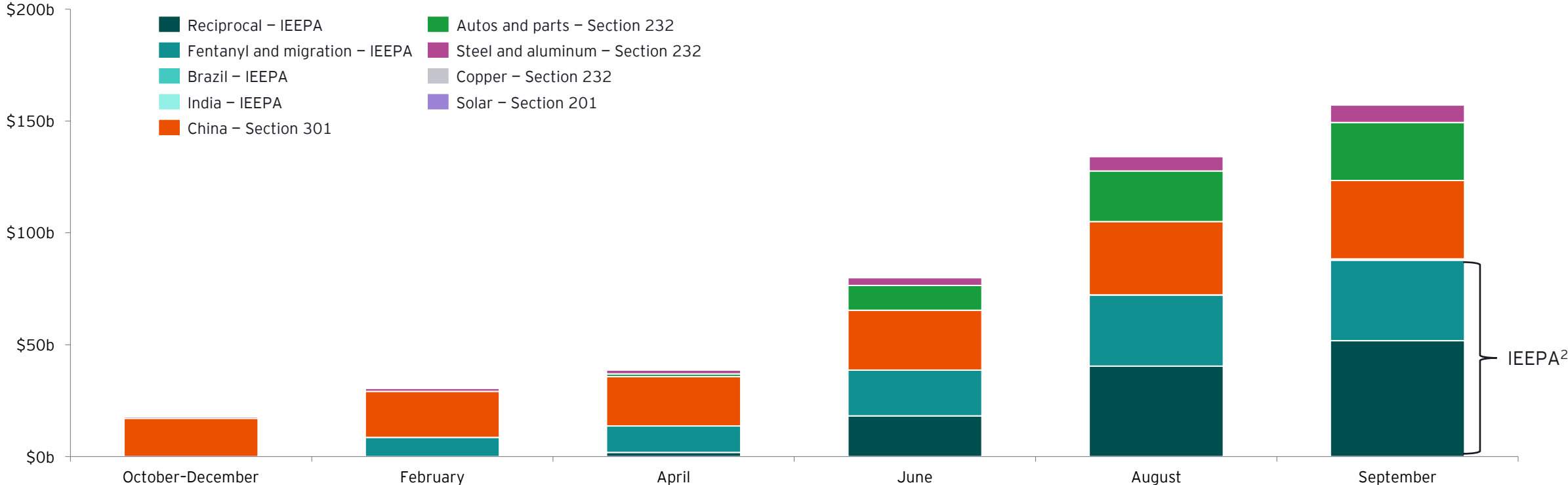
Average US tariff rate¹
January 20, 2025–November 11, 2025



1. Dates correspond to effective dates when the executive orders officially took effect.
 2. United States-Mexico-Canada Agreement.
 Source: Yale Budget Lab; EY-Parthenon

The Supreme Court ruling on the use of the IEEPA to impose tariffs could affect over half of new customs duties collected in 2025

US trade remedy duties assessed
October 2024-September 2025¹



1. U.S. Customs and Border Protection reports data on a fiscal year basis. Assessed duties do not include revenue from enforcement activities, including Entry Summary Reviews (ESRs), which have generated \$32.95 billion, some of which is likely attributable to IEEPA remedies.

2. IEEPA refers to the International Emergency Economic Powers Act, a law that grants authority to the president to regulate international commerce during declared, national emergencies.

Source: U.S. Customs and Border Protection; EY-Parthenon

There are several presidential authorities to impose tariffs if the Supreme Court rules out the use of the International Emergency Economic Powers Act

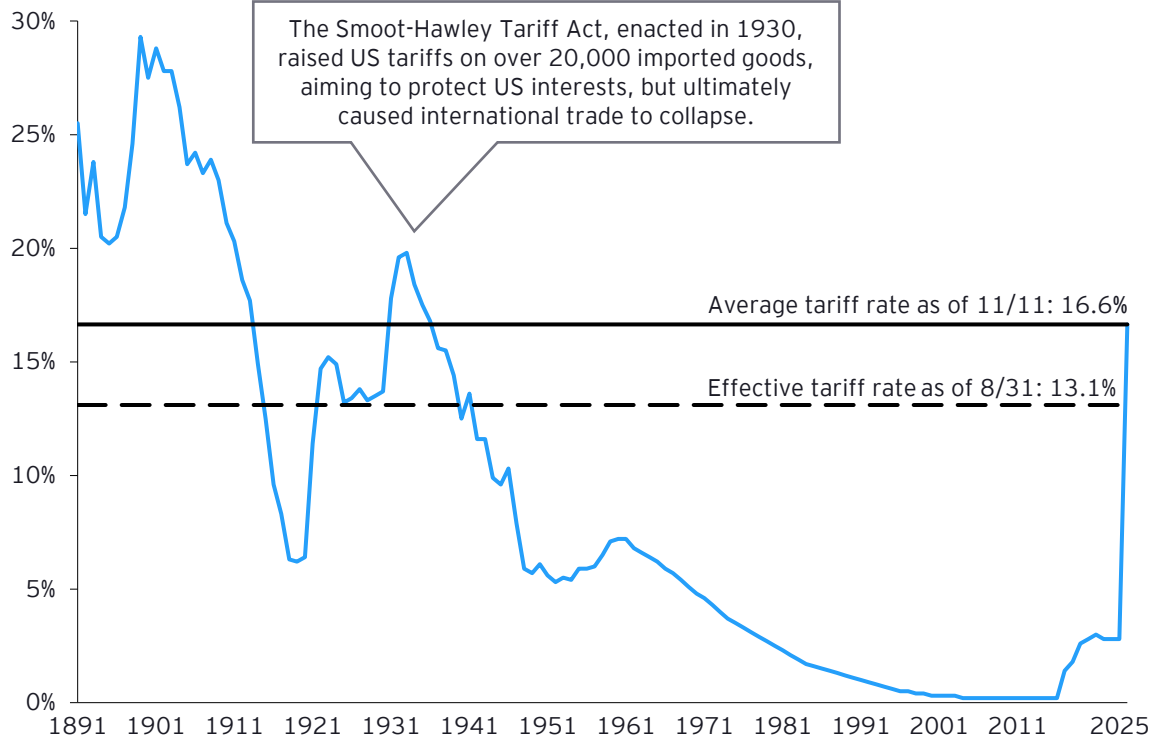
US tariff authorities				
Provision	Standard	Limitations	Is a finding required?	Use to date
Section 232	<ul style="list-style-type: none"> “National security” 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Department of Commerce must study for up to 270 days before issuing findings 	<ul style="list-style-type: none"> Steel, aluminum, autos
Section 301	<ul style="list-style-type: none"> “Unfair trade practices” 	<ul style="list-style-type: none"> Four-year tariff duration; may be extended indefinitely 	<ul style="list-style-type: none"> U.S. Trade Representative (USTR) investigation of up to one year 	<ul style="list-style-type: none"> Certain imports from China
Section 201	<ul style="list-style-type: none"> Imports are a “substantial cause” of “serious injury” 	<ul style="list-style-type: none"> Four-year tariff of up to 50%; may be extended up to eight years 	<ul style="list-style-type: none"> U.S. International Trade Commission (USITC) investigates 120-210 days; president’s decision in 60 days 	<ul style="list-style-type: none"> Solar tariffs
Section 338	<ul style="list-style-type: none"> Discrimination against US commerce 	<ul style="list-style-type: none"> Maximum 50% tariffs 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> None
Section 122	<ul style="list-style-type: none"> “International payments problems” 	<ul style="list-style-type: none"> 150-day tariff up to 15%; Congress must then approve 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> None

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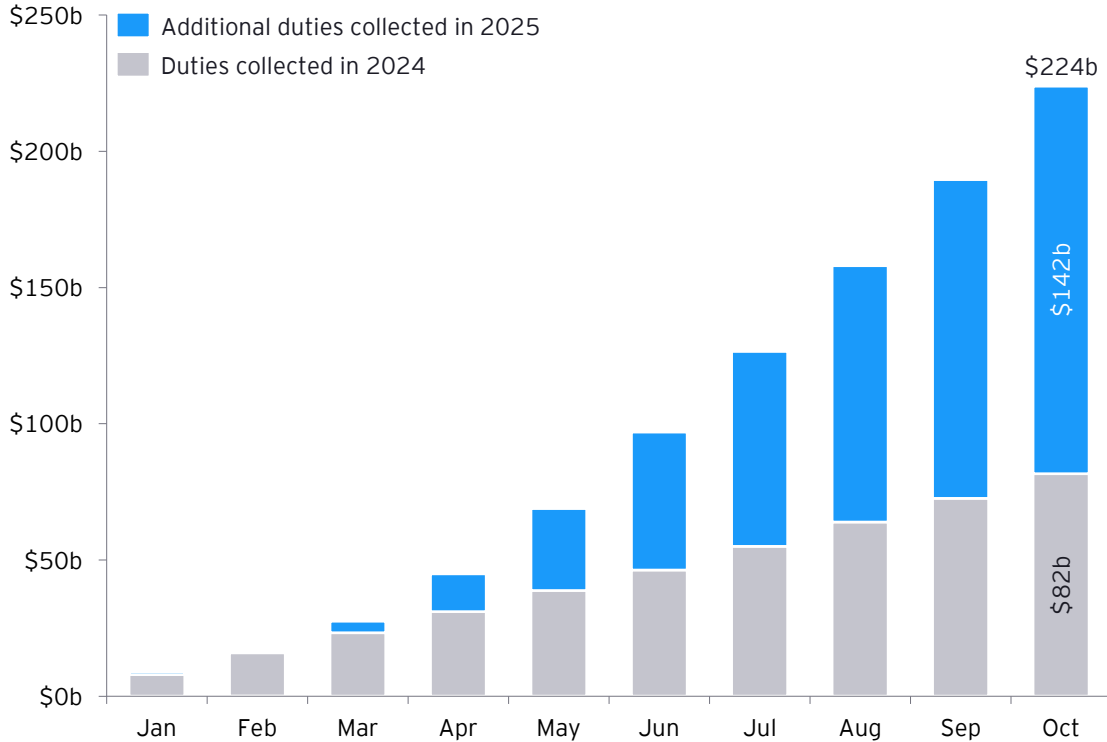
- Where we stand
- **Economic impact of tariffs: now and then**
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Cumulative duties collected through October reached \$224b, or \$142b more than last year as a result of the average tariff rate rising to 16.6%

Average US tariff rate and effective tariff rate^{1,2}
1891-2025



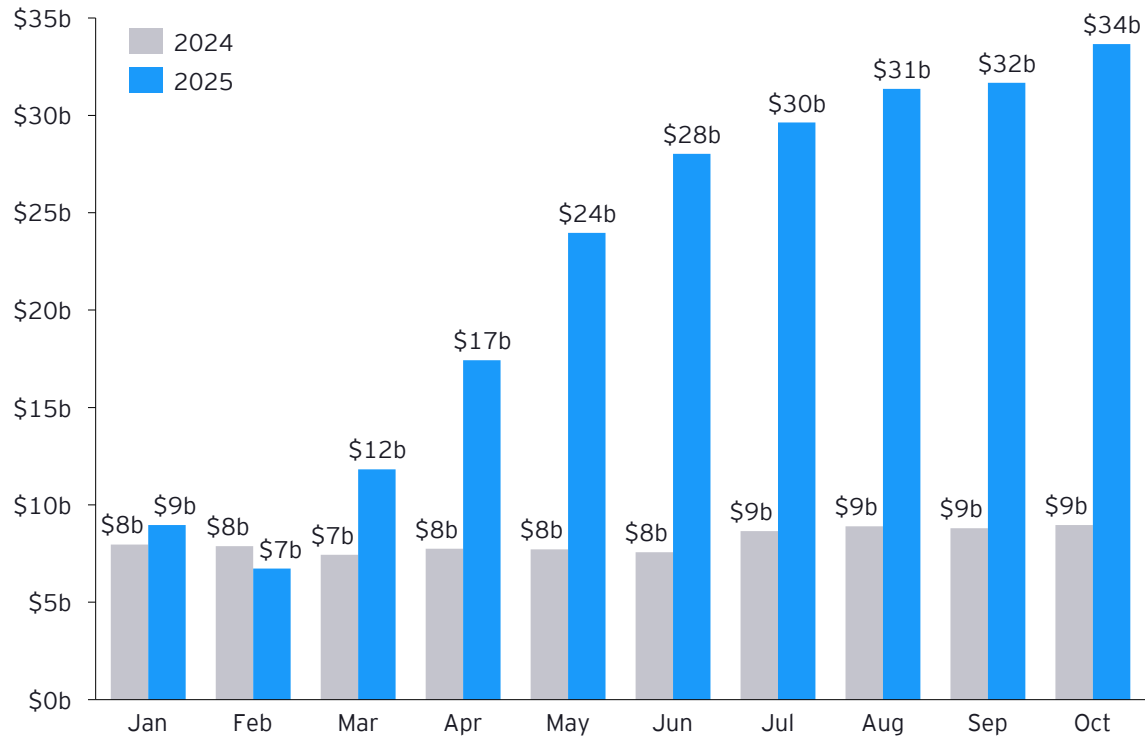
Cumulative difference in collected US customs duties by month
2024 vs. 2025



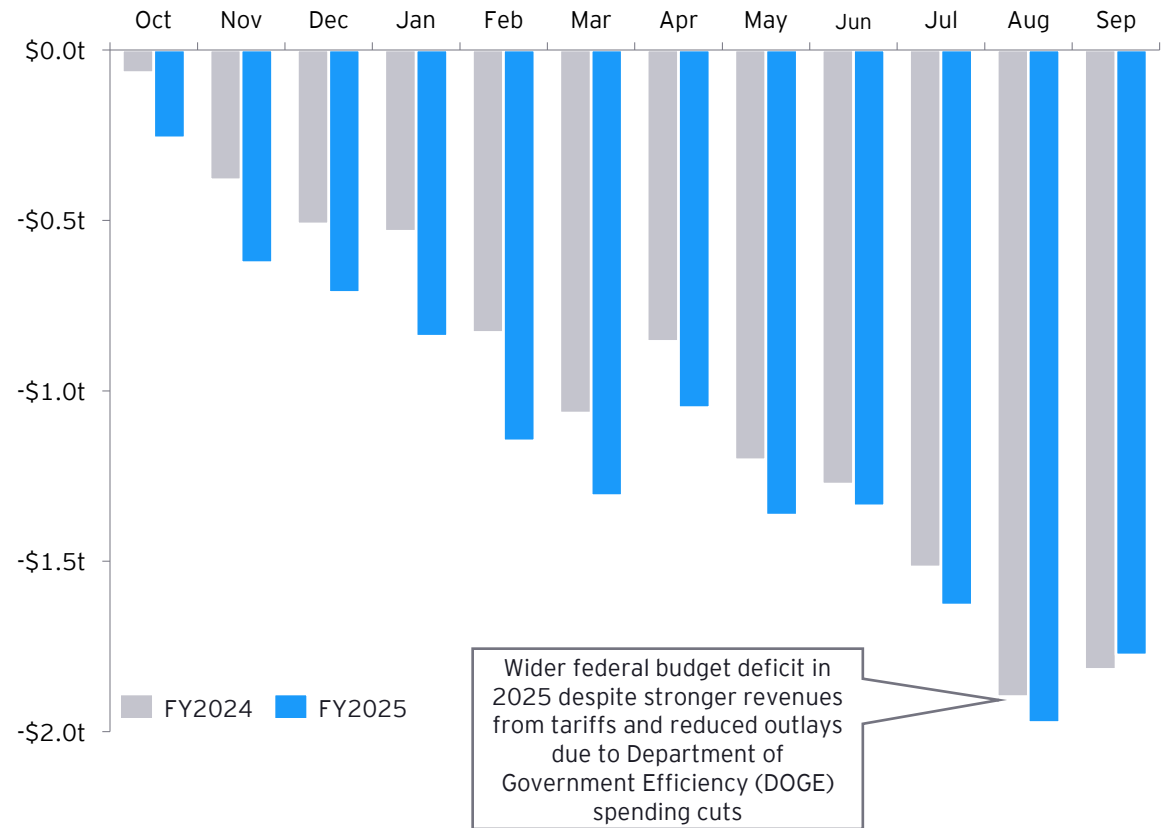
1. Average tariff rate equates to the weighted average of tariffs across trading partners based on 2024 US imports.
 2. Effective tariff rate equates to collected customs duties relative to total merchandise imports value; using August imports values, the latest available data.
 Source: U.S. International Trade Commission; Daily Treasury Statement; EY-Parthenon

Due to new tariffs, the US government is collecting about \$30b-\$35b in customs duties per month, but these have yet to materially affect federal government balances

US-collected customs duties
2024 vs. 2025

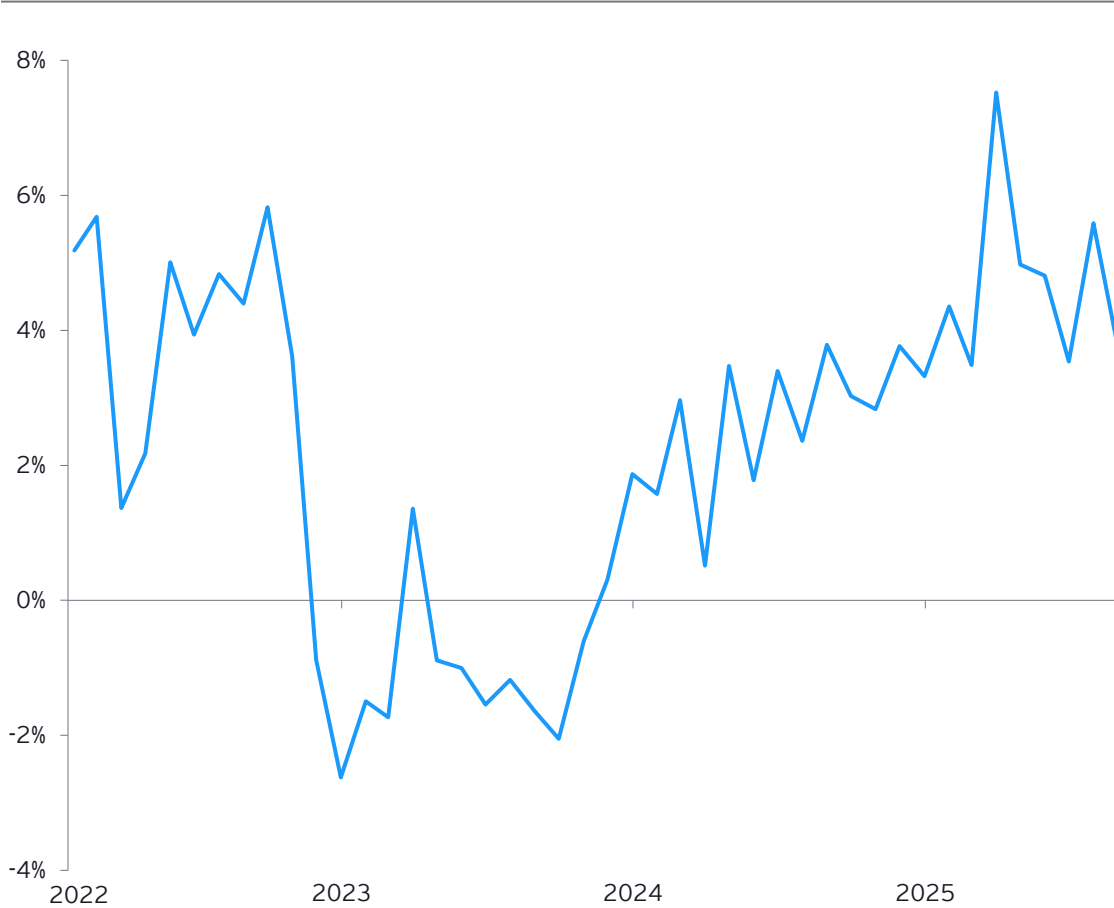


US cumulative federal budget deficit
FY2024 vs. FY2025

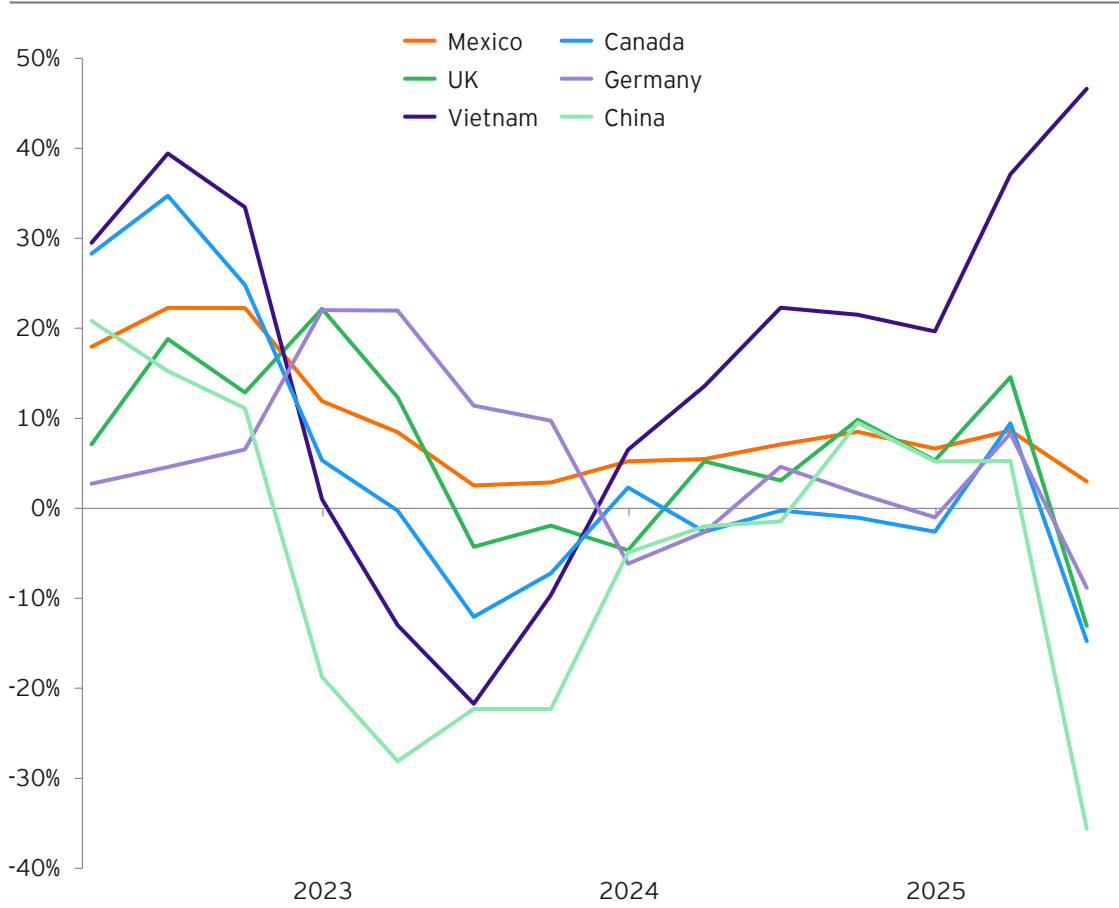


Global trade is under mounting pressure from higher tariffs, and with persistent trade policy uncertainty, a further slowdown in trade flows appears likely in 2026

Year-over-year (y/y) growth in real total world trade
January 2022-August 2025



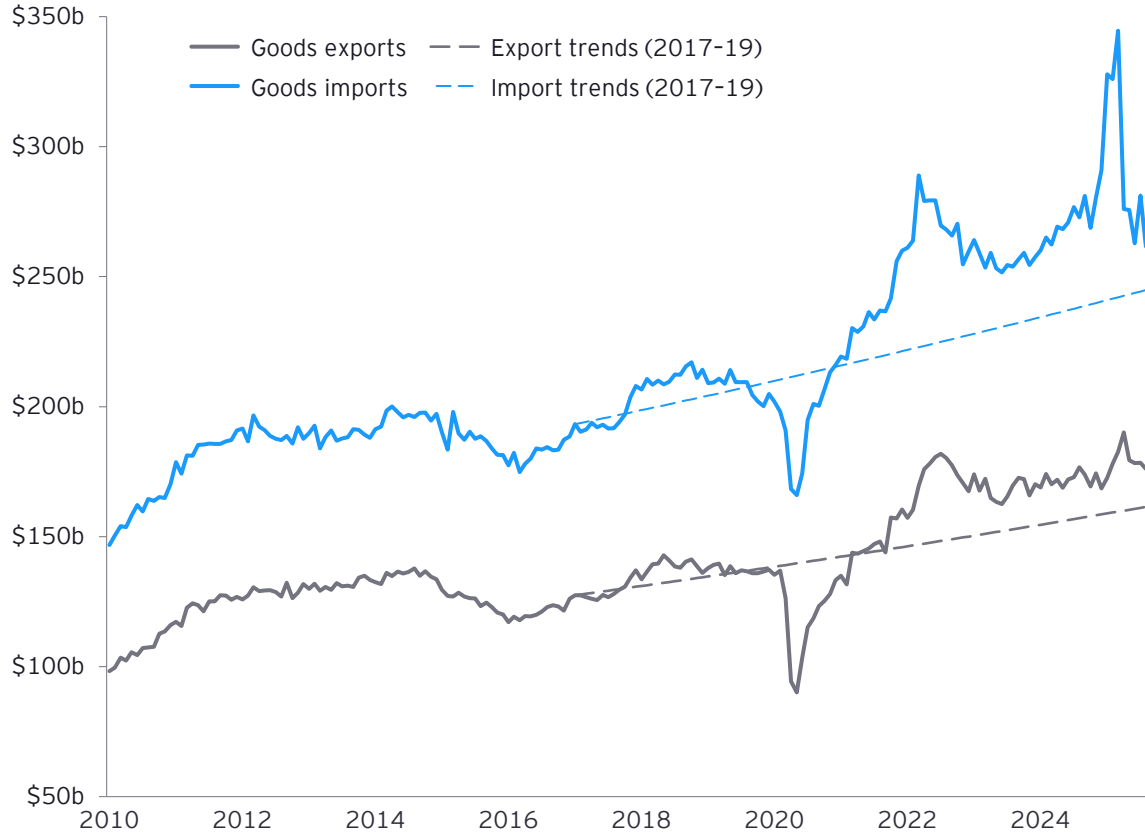
Y/y growth in nominal US imports by country of origin
Q1 2022-Q2 2025



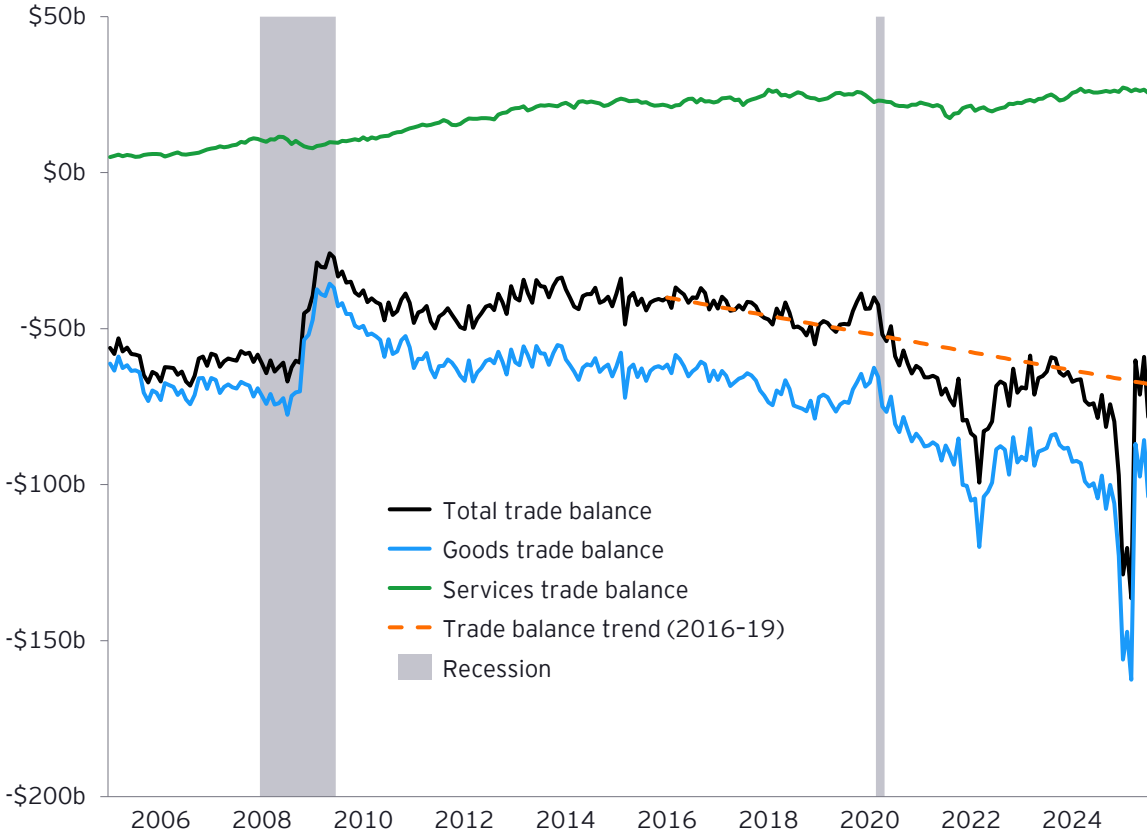
Source: Netherlands Bureau for Economic Policy Analysis; U.S. Census Bureau

The US trade deficit has continued to widen after the imposition of tariffs, as large swings in imports and exports have largely reversed

US nominal merchandise exports and imports
January 2010-August 2025



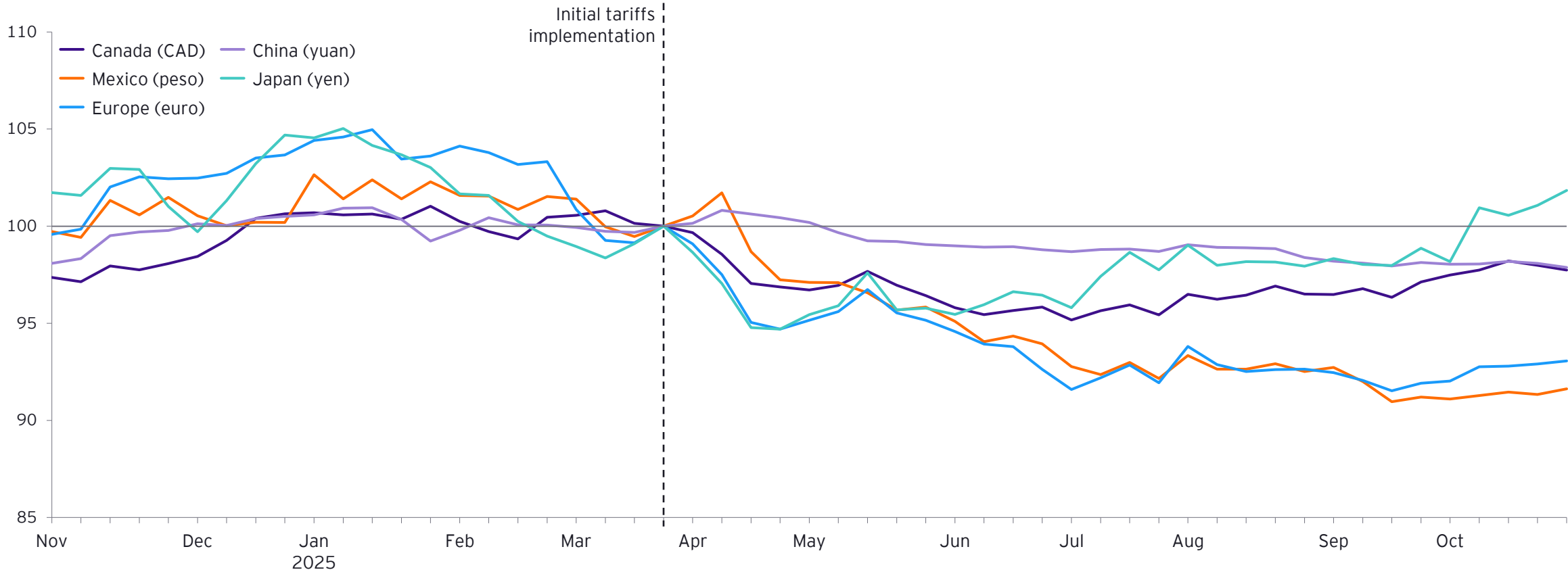
US nominal commercial trade balance
January 2005-July 2025



Source: U.S. Bureau of Economic Analysis; U.S. Census Bureau; National Bureau of Economic Research; EY-Parthenon

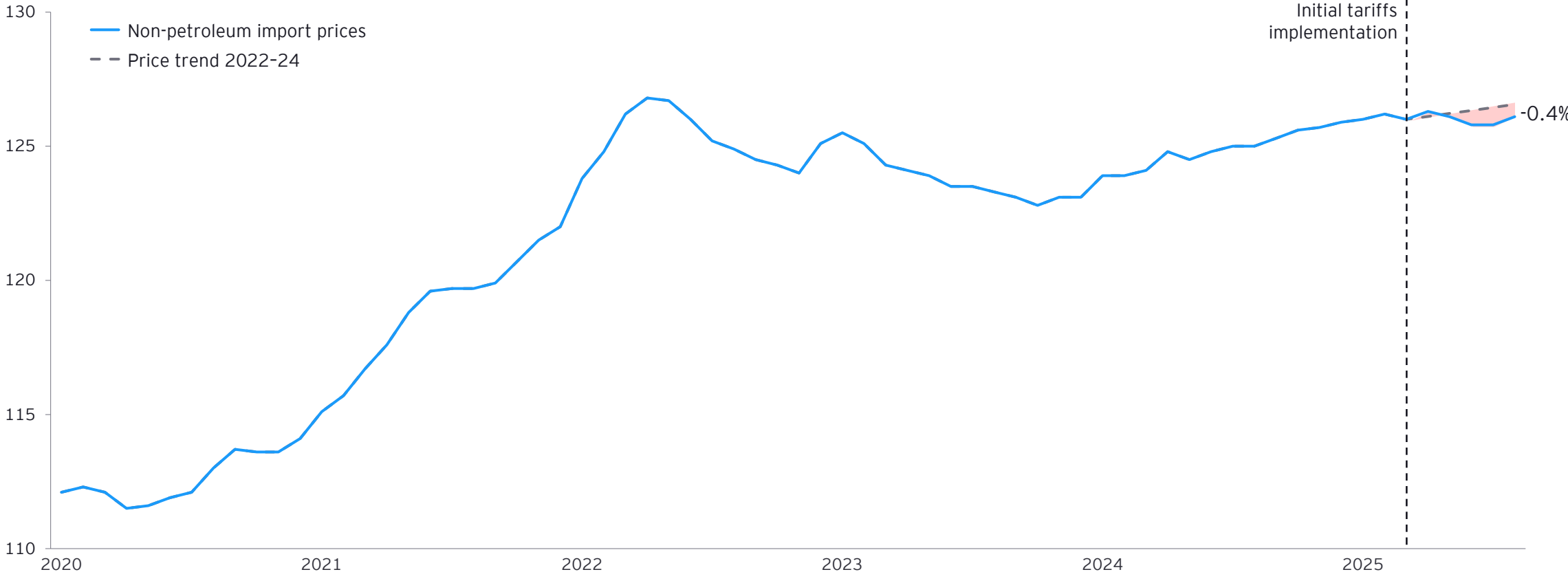
The US dollar has generally weakened since the imposition of US tariffs in early April, meaning there has been no meaningful currency offset to tariffs for US importers

USD spot exchange rates (April 1, 2024 = 100)
November 2024-October 2025



US import prices are only modestly lower than their prior trend, indicating foreign exporters have done little in the way of cutting their prices to share the tariff burden

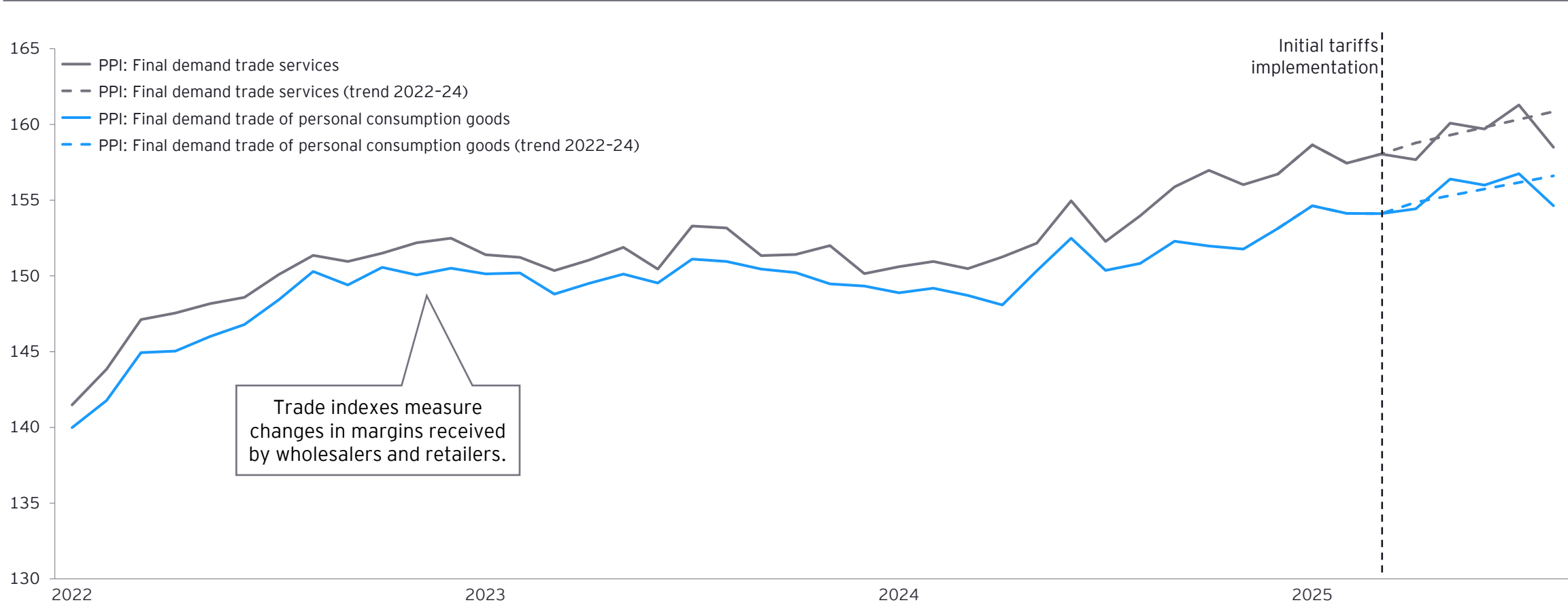
Nonpetroleum nominal import prices
January 2010-August 2025 (January 2000 = 100)



Source: U.S. Bureau of Labor Statistics; EY-Parthenon

Producer prices indicate some margin compression on the part of wholesalers and retailers to limit the pass-through to cost-sensitive consumers

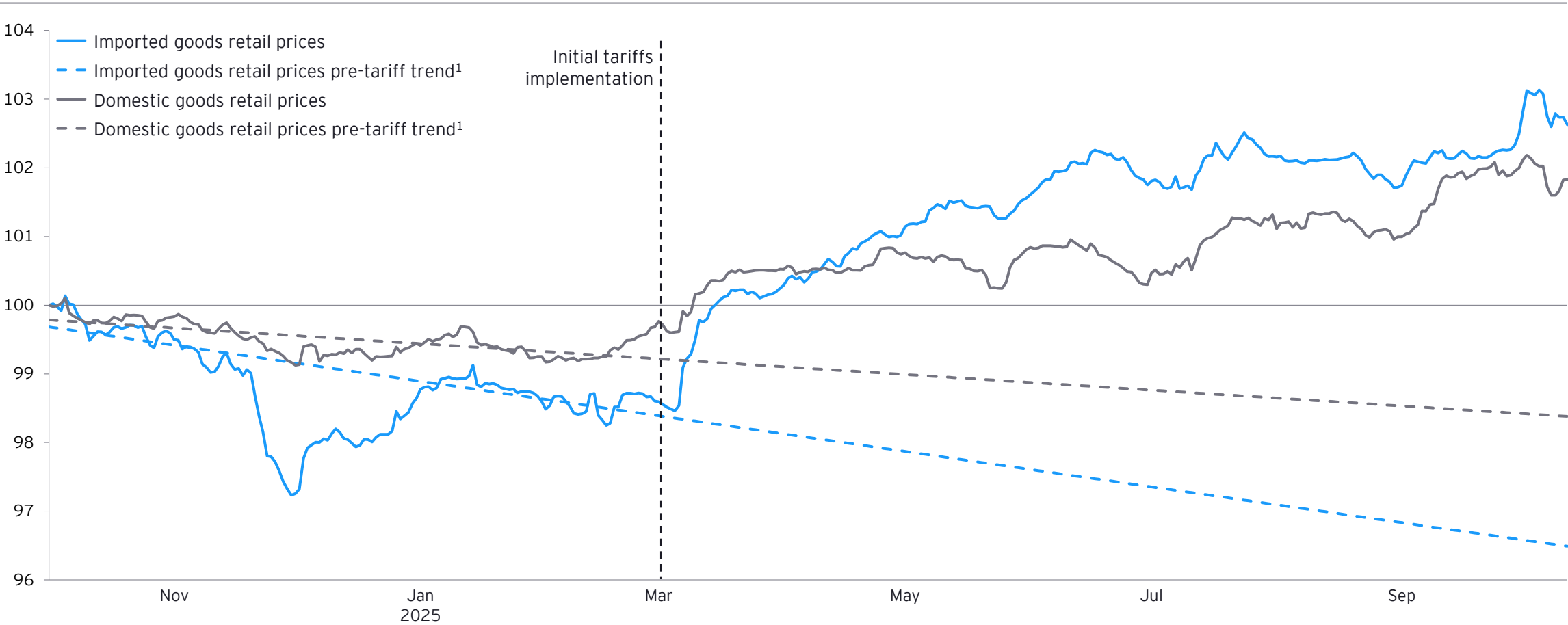
US producer price index, trade indexes (November 2009 = 100)
January 2022-August 2025



Source: U.S. Bureau of Labor Statistics; EY-Parthenon

Tariffs have pushed the prices of imported goods higher, with a gradual pass-through onto consumer prices and some diffusion across tariff-unaffected goods categories

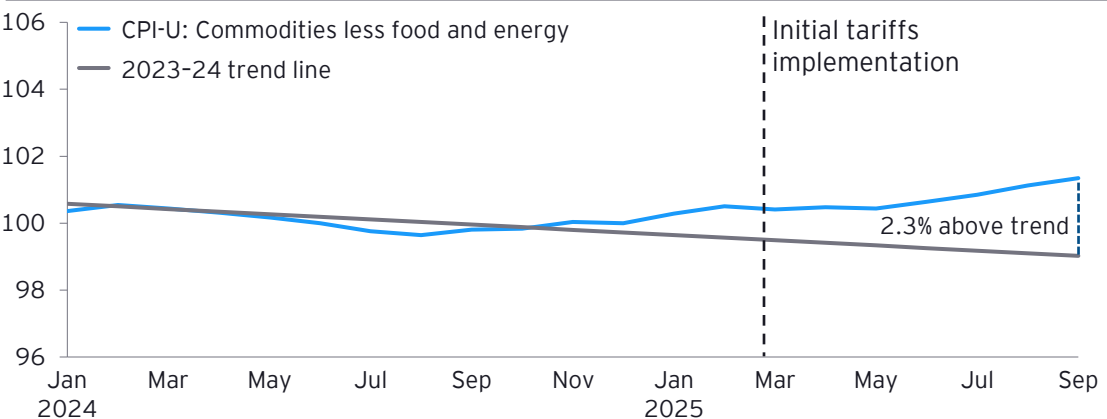
US domestic and imported goods
nominal retail prices (October 1, 2024 = 100)
October 2024-October 2025



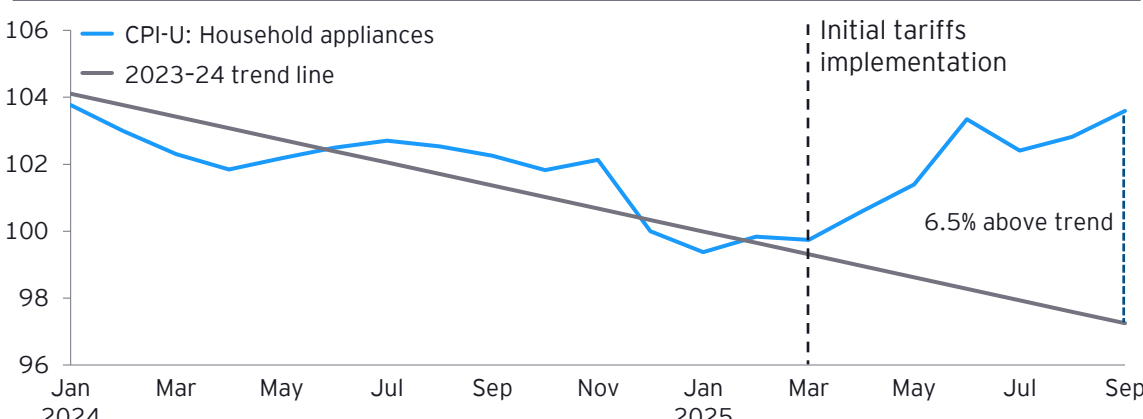
1. Pre-tariff price trends based on data from October 1, 2024 to March 4, 2025.
Source: Cavallo, Llamas & Vasquez (2025); EY-Parthenon

Across tariff-sensitive merchandise, prices have departed from their deflationary trends by as much as 7%

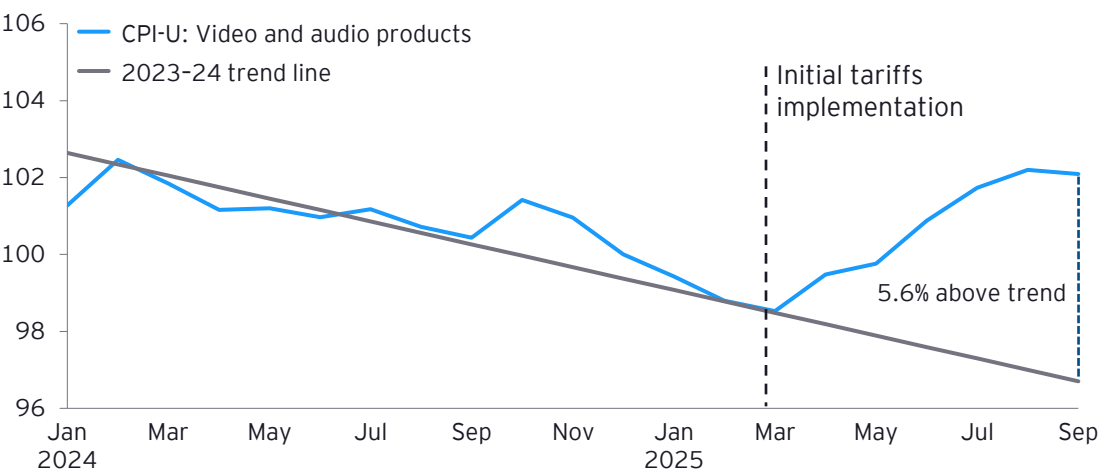
Commodities less food and energy consumer price index (CPI), seasonally adjusted (SA) (December 2024 = 100) January 2024-September 2025



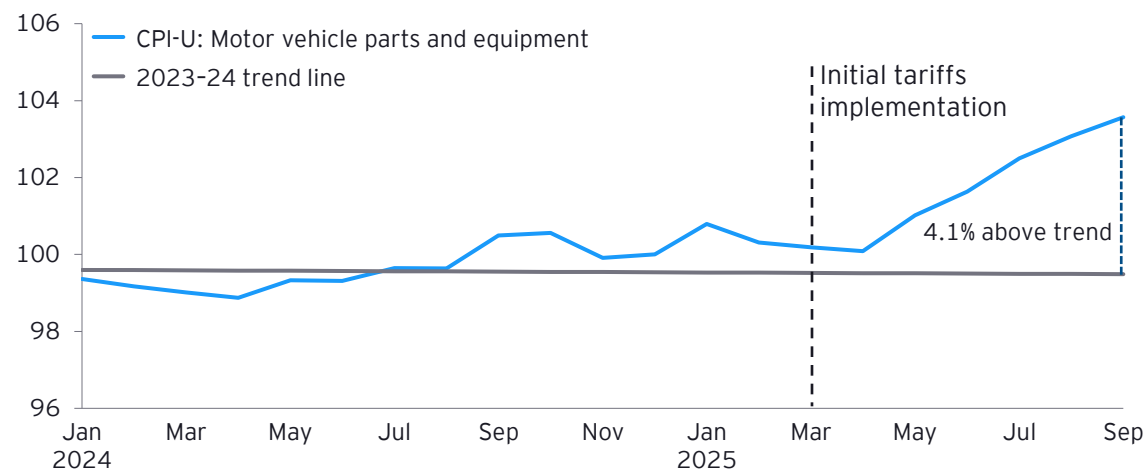
US household appliances CPI, SA (December 2024 = 100) January 2024-September 2025



Video and audio products CPI, SA (December 2024 = 100) January 2024-September 2025



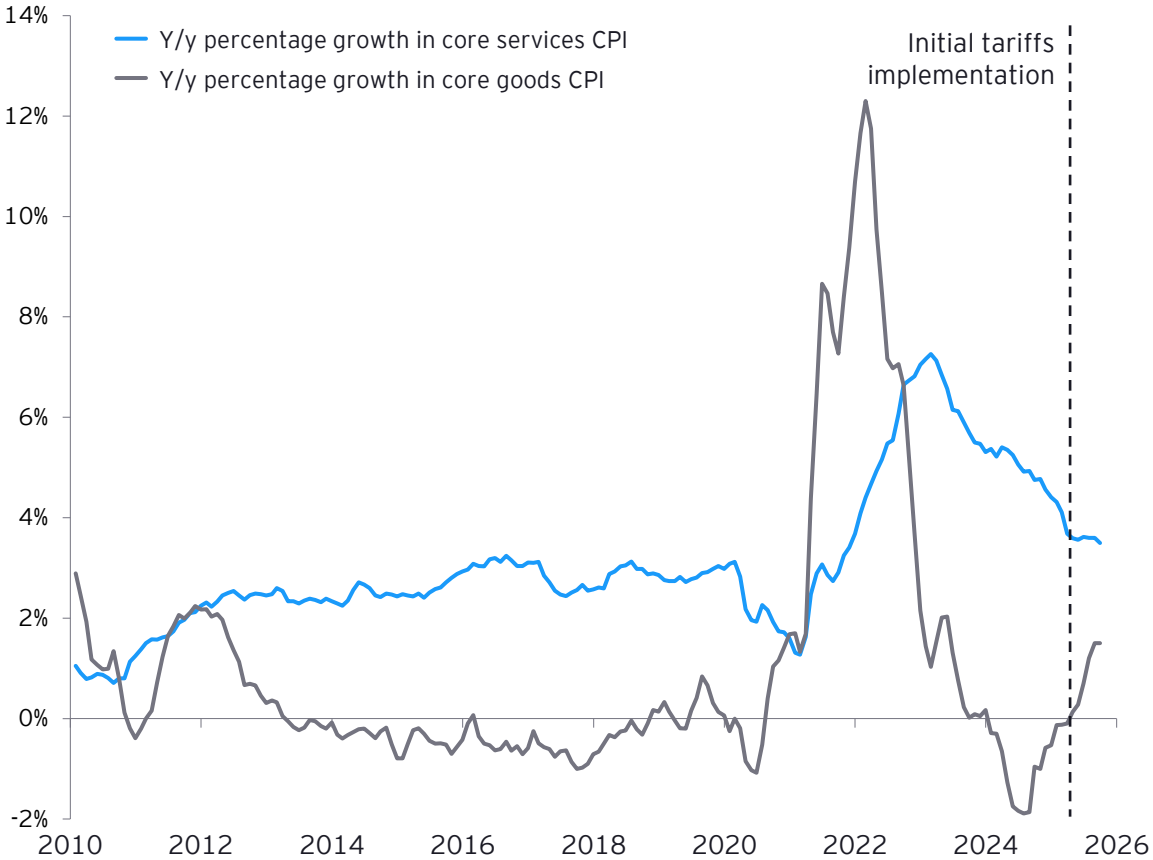
Motor vehicle parts and equipment CPI, SA (December 2024 = 100) January 2024-September 2025



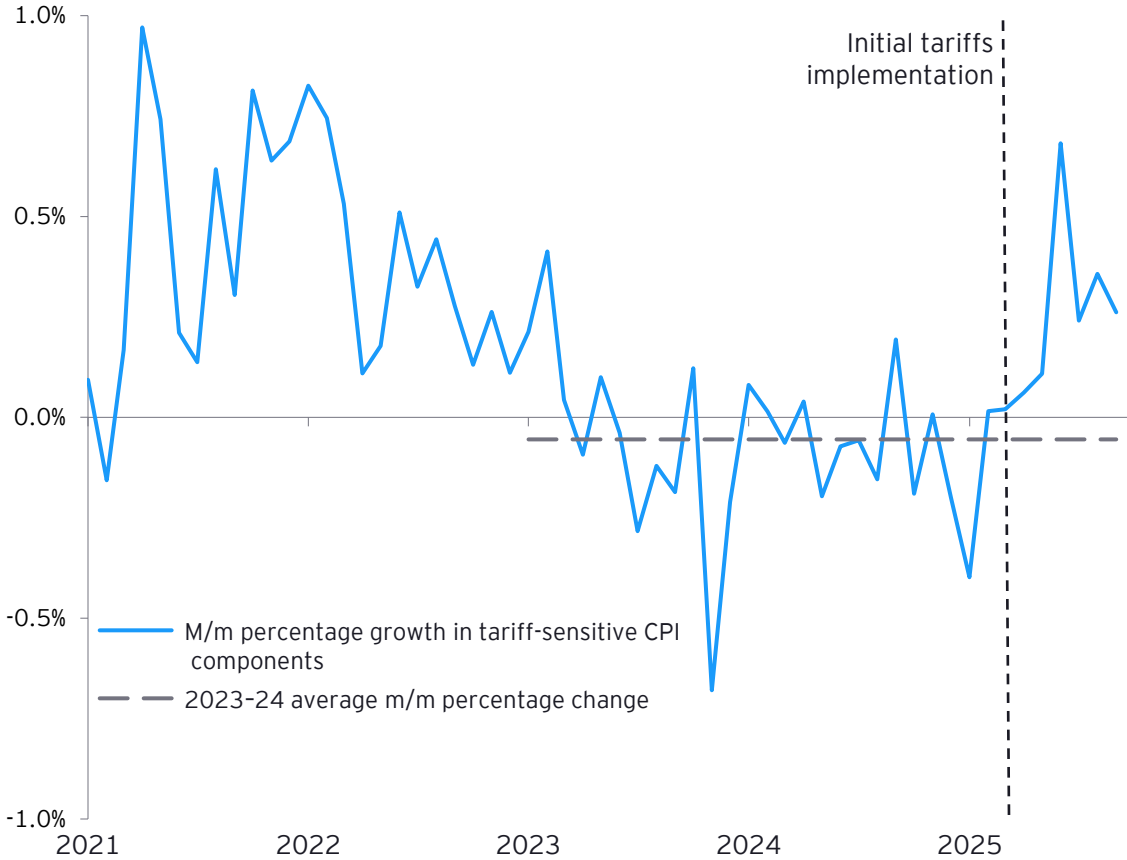
Source: U.S. Bureau of Labor Statistics; EY-Parthenon

On aggregate, roughly a third of consumer price increases stem from tariff-sensitive components, with core goods prices rising for the first time since 2023

US y/y percentage change in core goods and services CPI
January 2010-September 2025



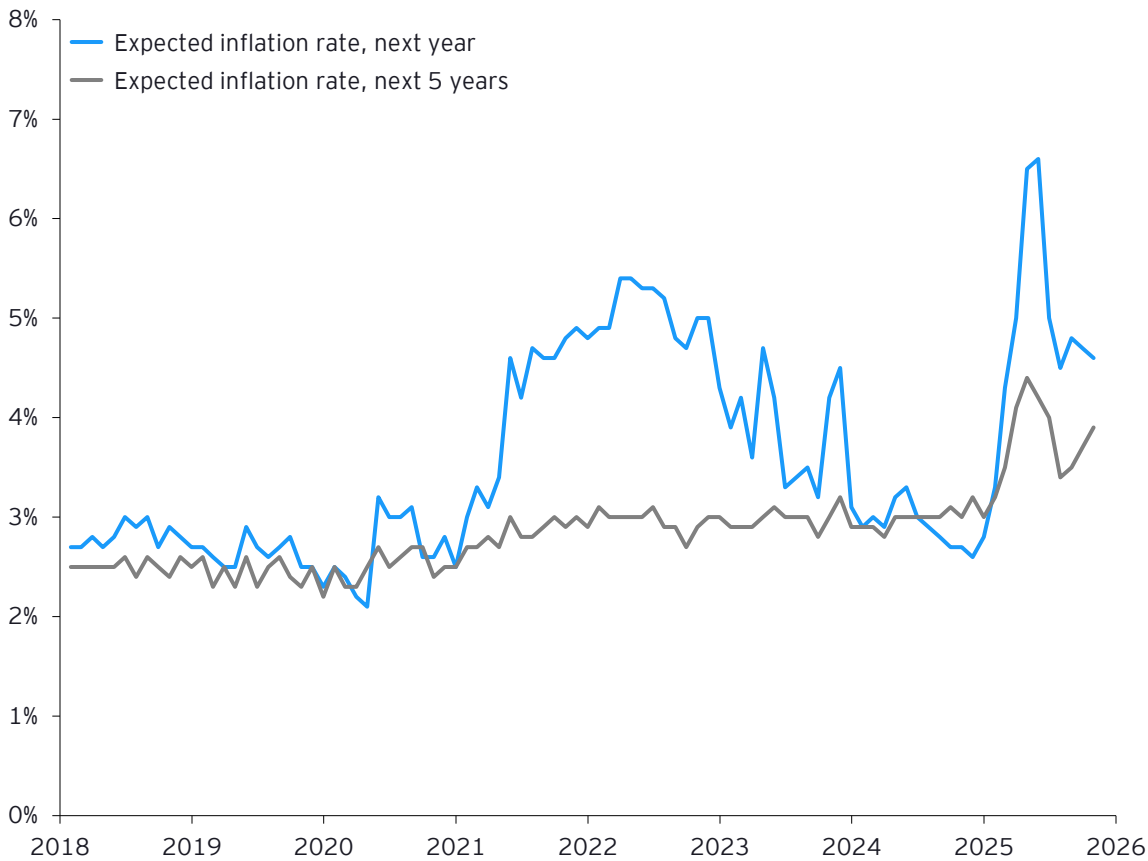
US month-over-month (m/m) percentage change
in tariff-sensitive¹ CPI components
January 2021-September 2025



1. Tariff-sensitive includes fruits and vegetables, apparel, household furnishings and supplies, recreational goods, information technology goods (including computers), and alcoholic beverages.
 Source: U.S. Bureau of Labor Statistics; EY-Parthenon

Short-term consumer inflation expectations have risen in the wake of the tariffs, but longer-term expectations appear to only have drifted marginally higher

University of Michigan inflation expectations
January 2018–October 2025



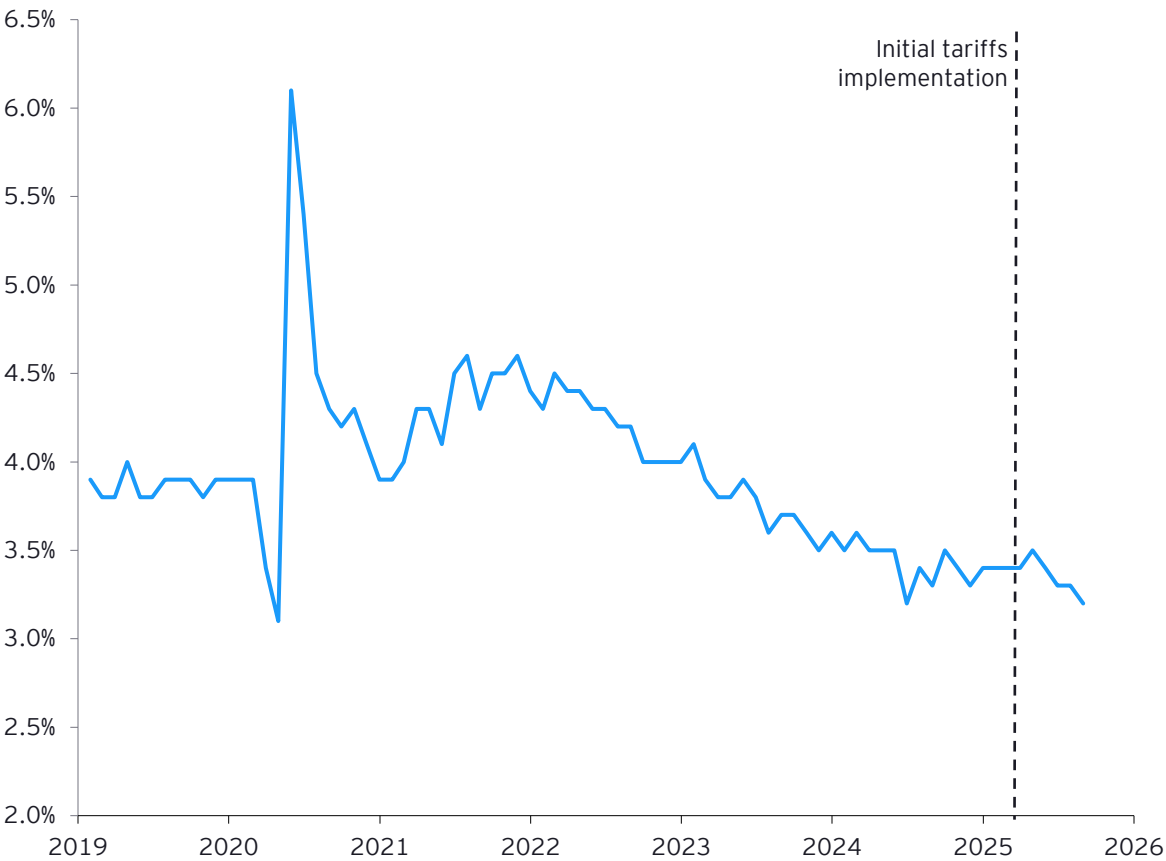
New York Fed inflation expectations
January 2018–September 2025



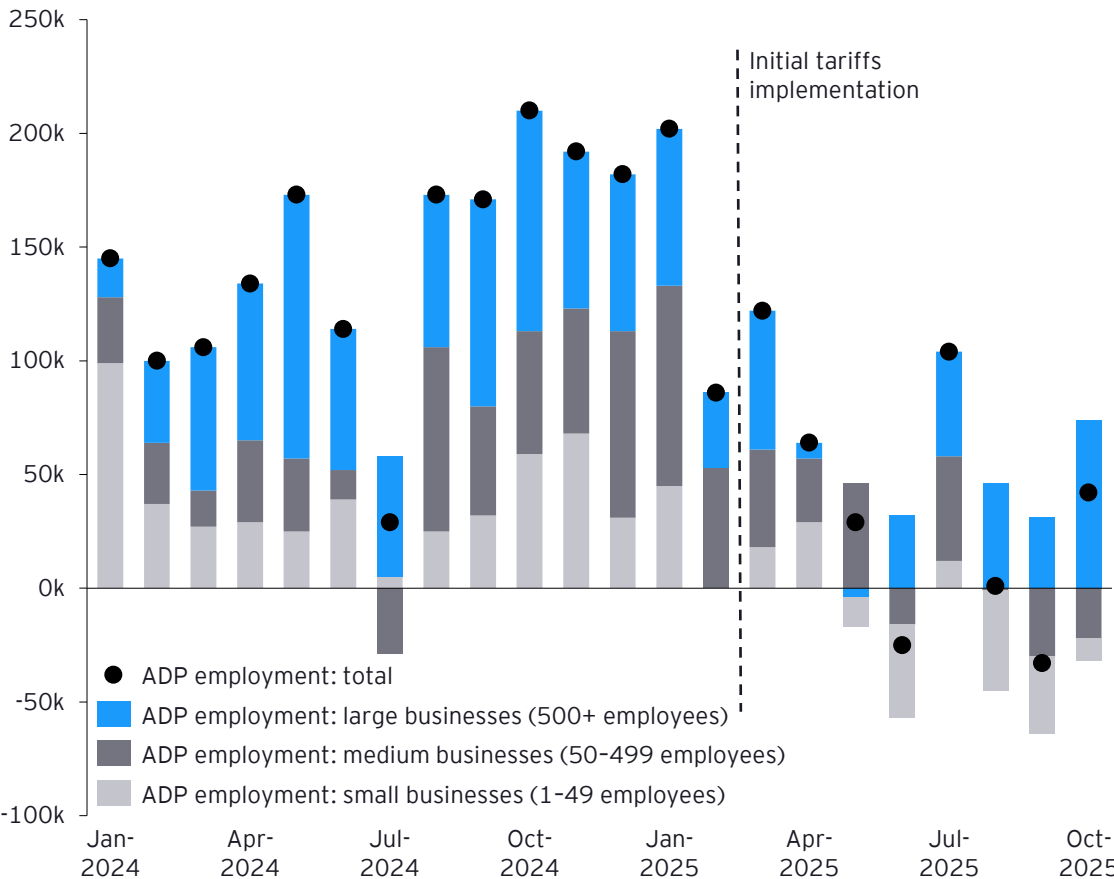
1. The five-year expected inflation rate began being tracked in January 2022.
Source: University of Michigan; Federal Reserve Bank of New York; EY-Parthenon

Several forces have shaped the employment outlook, but it appears tariffs have led to a slowdown in hiring and disproportionately weighed on small and midsize businesses

US hiring rate¹ (Job Openings and Labor Turnover Survey (JOLTS))
January 2019-August 2025



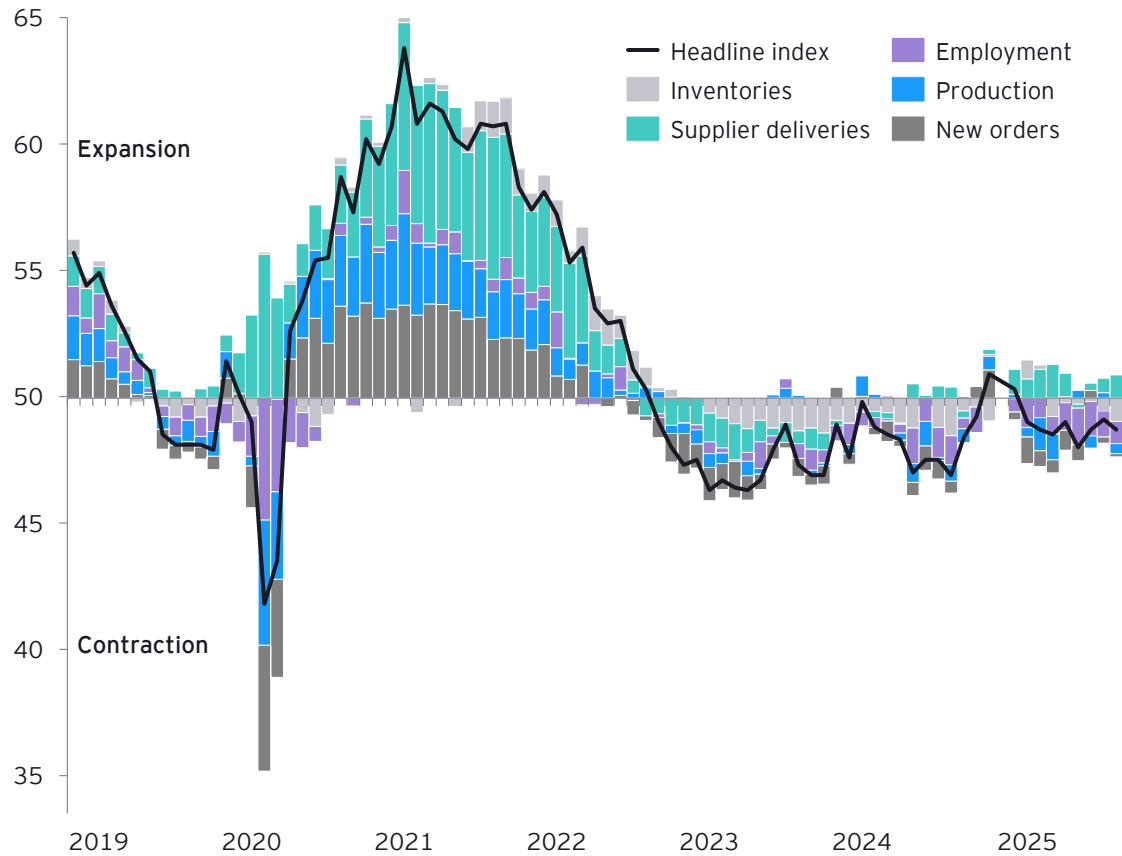
Monthly change in ADP private employment report by firm size
January 2024-October 2025



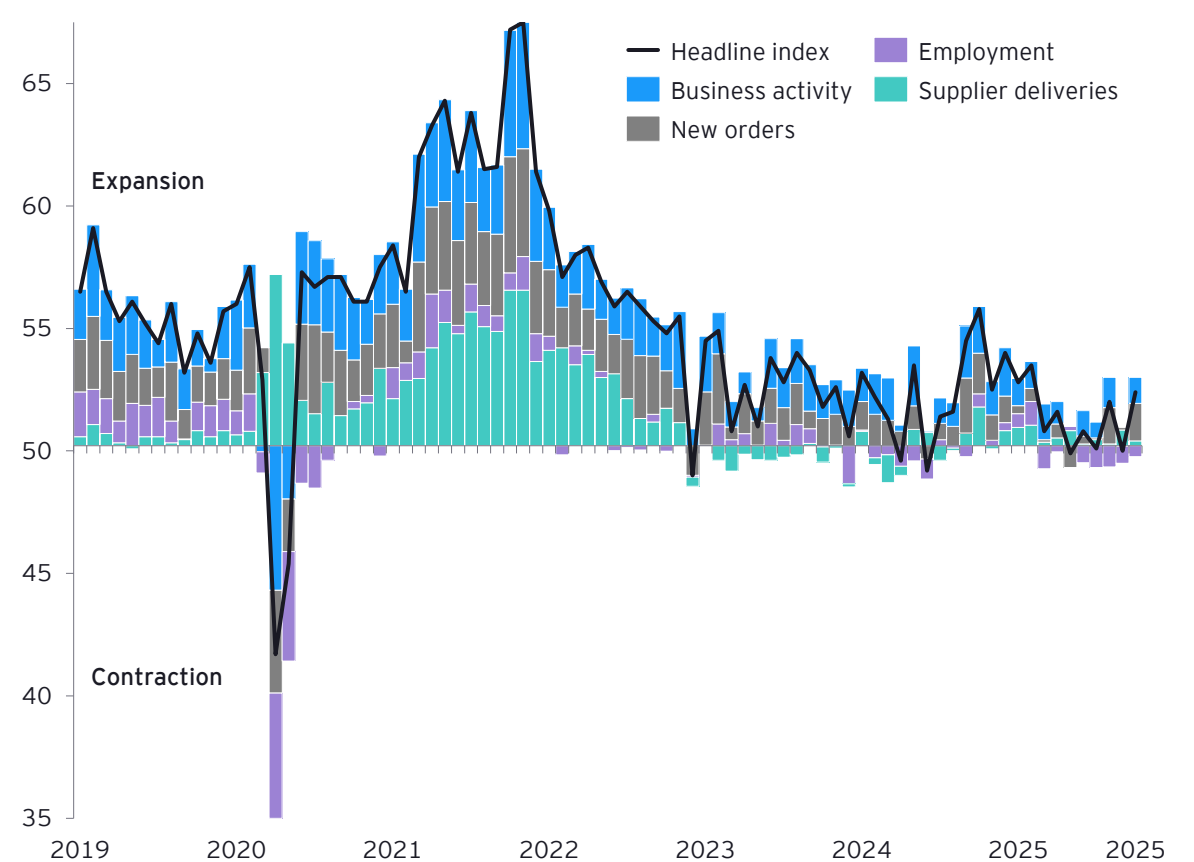
1. The hiring rate is the number of new hires as a percentage of total employment.
Source: Bureau of Labor Statistics; ADP Research Institute; EY-Parthenon

Tariffs have led to higher input costs and uncertainty, causing manufacturers and service providers to reduce headcount and delay investment decisions outside of AI

US ISM manufacturing index by component contribution¹
January 2019-October 2025



US ISM services index by component contribution¹
January 2019-October 2025

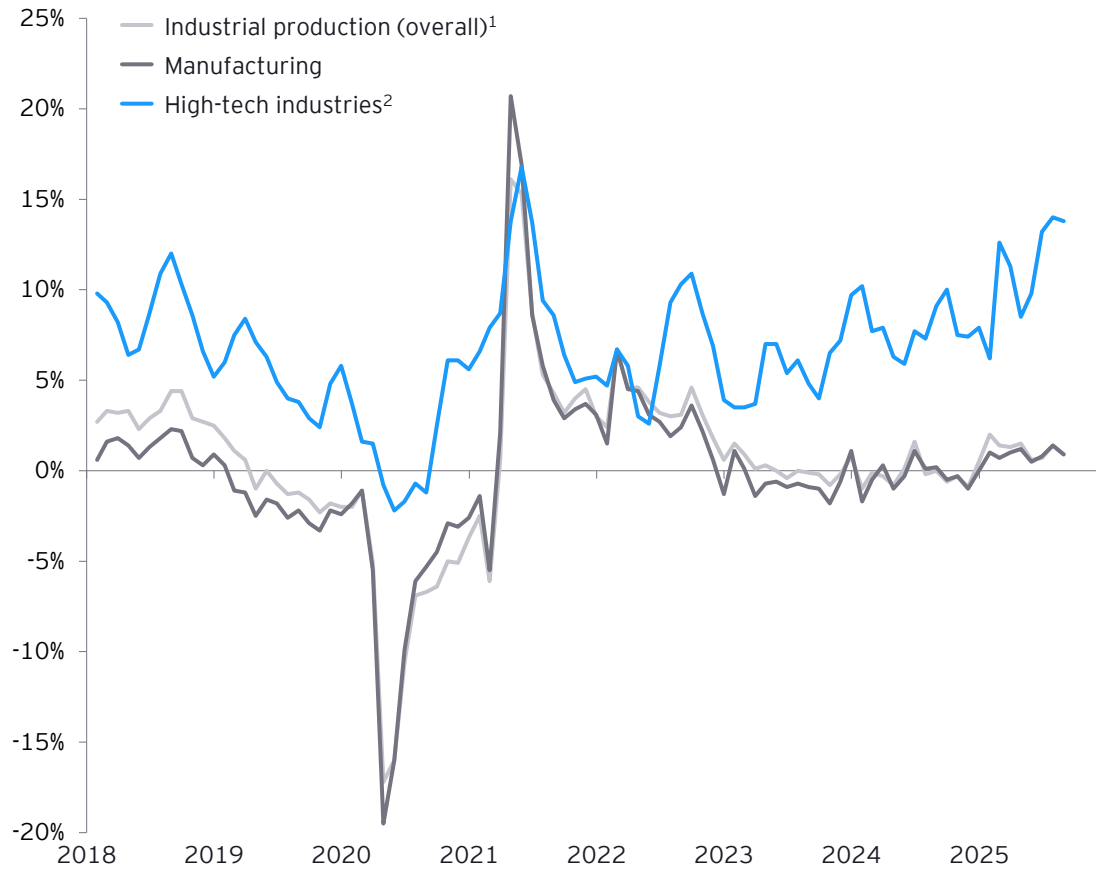


1. The Institute for Supply Management (ISM) measures PMI (Purchasing Managers' Index) by surveying manufacturing and service firms on their orders, production, employment, deliveries and inventories. The index indicates business activity in both sectors. This is a diffusion index, with readings above 50 indicating expansion and readings below 50 indicating contraction in activity.

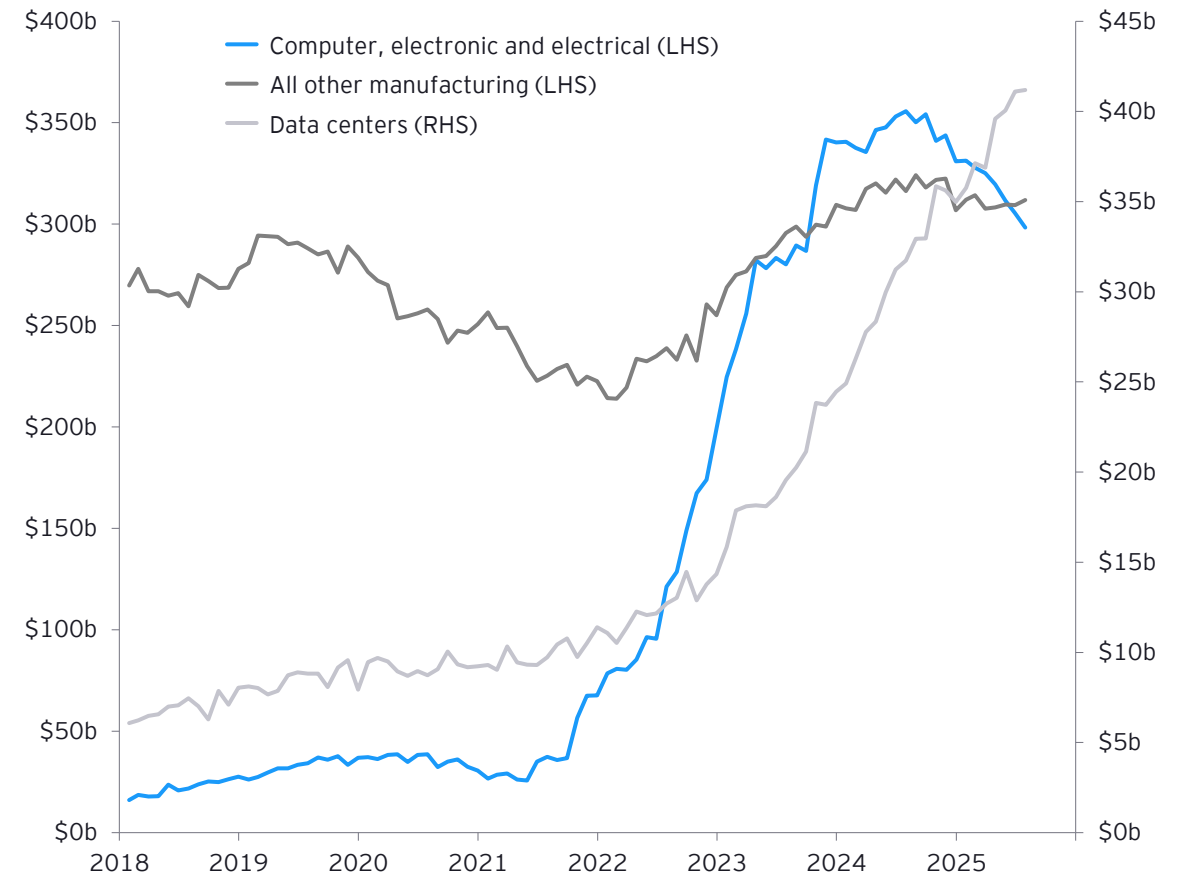
Source: Federal Reserve Board; Institute for Supply Management; EY-Parthenon

Manufacturing has been pressured by tariffs, with activity outside of the tech sector stagnant and scant evidence of manufacturing construction from reshoring

US y/y percentage change in industrial production
January 2018-August 2025



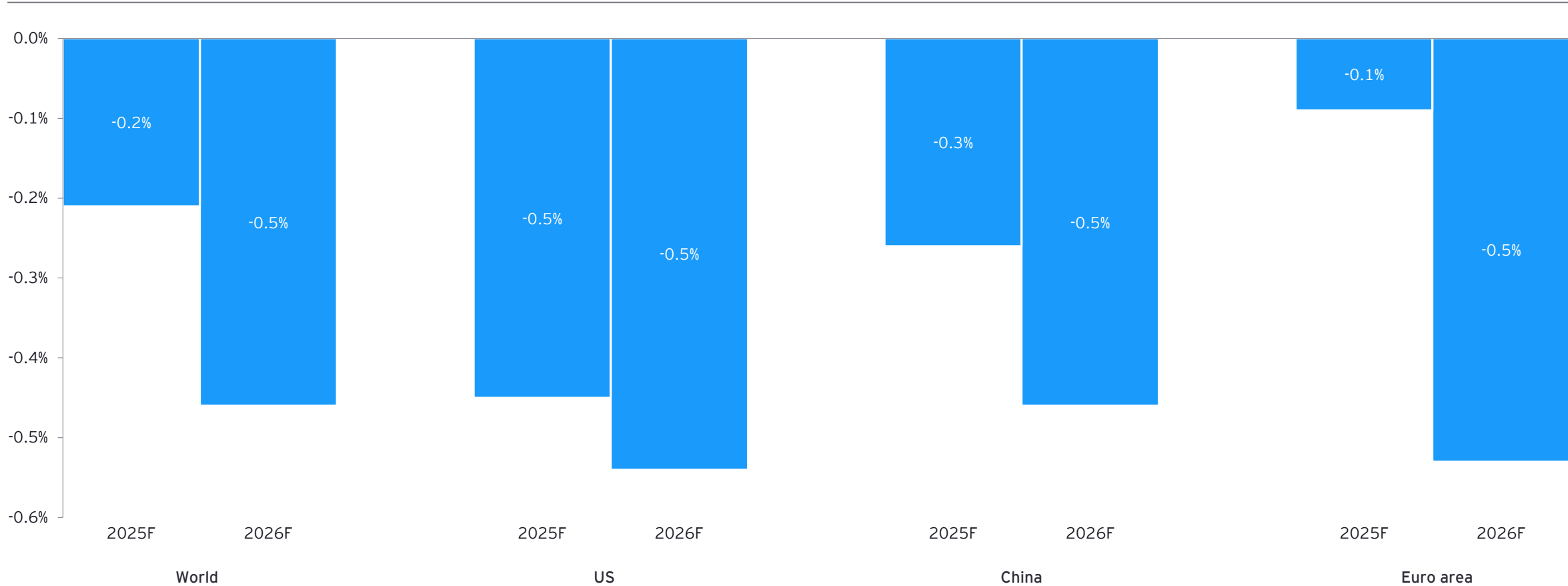
US private manufacturing construction spending (nominal; SAAR)
January 2018-July 2025



1. Includes manufacturing, mining, and electric and gas utilities.
2. Refers to production of computers, communications equipment and semiconductors.
Source: Federal Reserve Board; U.S. Census Bureau; EY-Parthenon

US-imposed tariffs on most trading partners could lead to a cumulative drag on US GDP around 1.0% and a cumulative drag on global GDP around 0.7%

Tariff-induced drag on real GDP growth assumed in the EY-Parthenon August baseline vs. a no-tariff scenario
2025F-26F



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Meet the EY-Parthenon Macroeconomics Team

Meet the team



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US SCORE no. 28953-251US
2507-10304-CS
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