

Special Edition: Economic Insight
Tariffs and Trade

February 2025

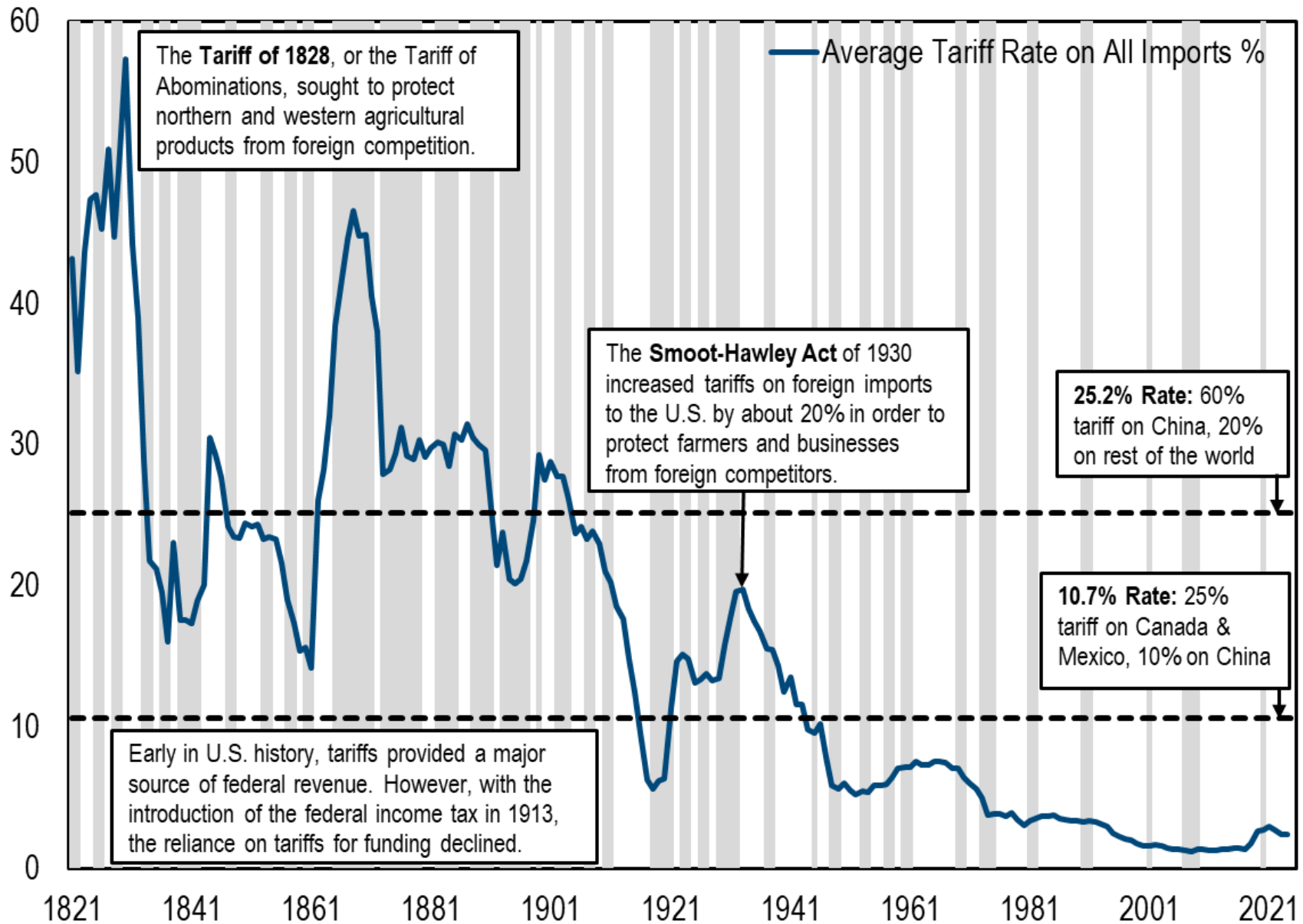


STIFEL

The policies of the Trump administration continue to drive the outlook for the U.S. economy in 2025. The threat of increased tariffs could lead to a pickup in inflation and reduced investment, while an extension of the 2017 tax cuts and deregulation could offer a – partial – offset.

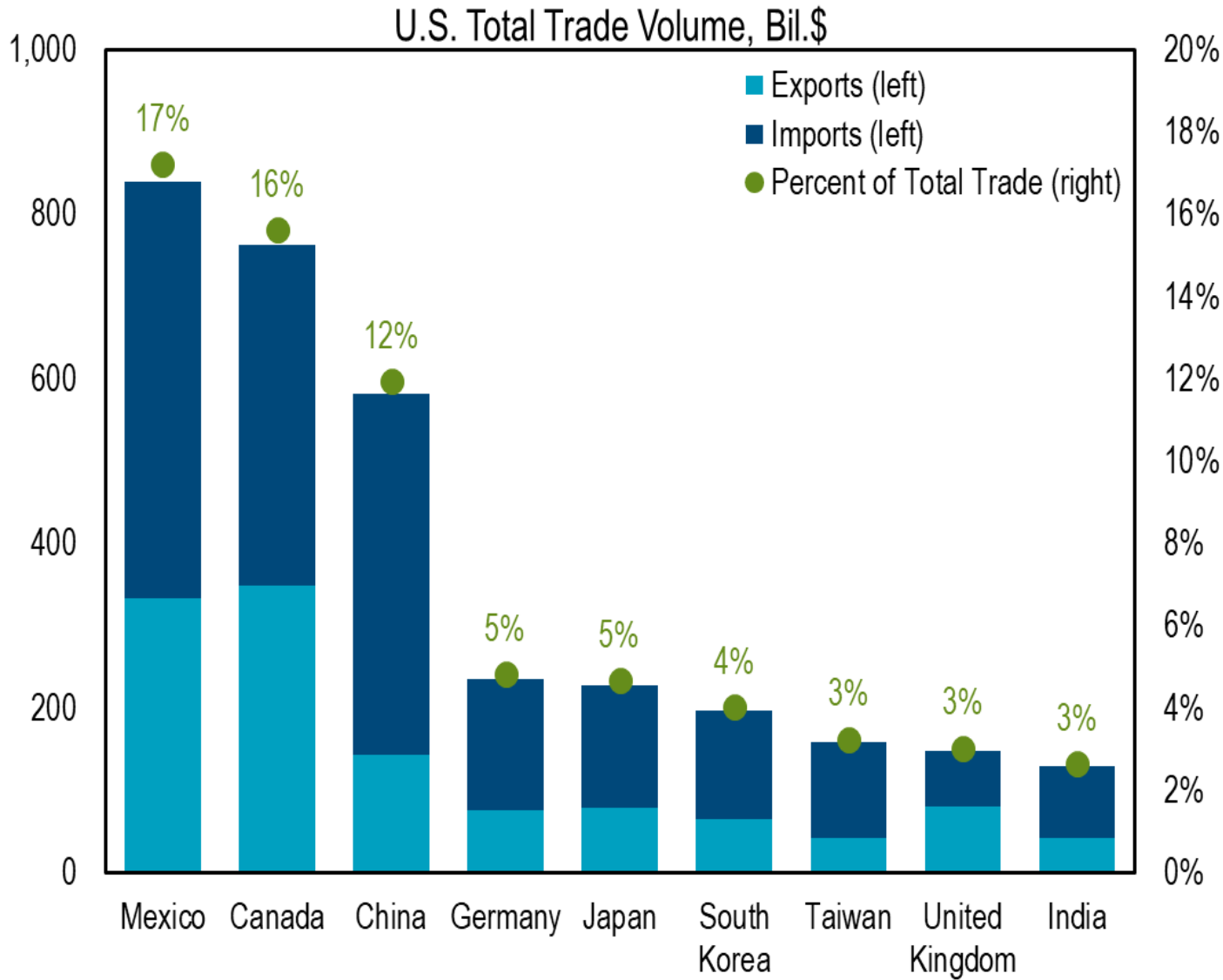
This week we take a closer look at tariffs, the countries most likely impacted, and the potential impact on various sectors of the economy.

Average Tariff Rate to Potentially Reach Highest Level Since 1940s



Source: Tax Foundation/Financial Times/Bloomberg

Top U.S. Trading Partners



Mexico, Canada, and China are the three largest trading partners with the U.S. and make up about 41% of total U.S. imports.

In 2024, the U.S. imported the most goods from Mexico, amounting to \$505.9 billion, followed by \$439.0 billion from China and \$412.7 billion from Canada.

Canada was the largest purchaser of U.S. exports in 2024, buying a total of \$349.4 billion, followed by Mexico and China at \$334.0 billion and \$143.5 billion, respectively.

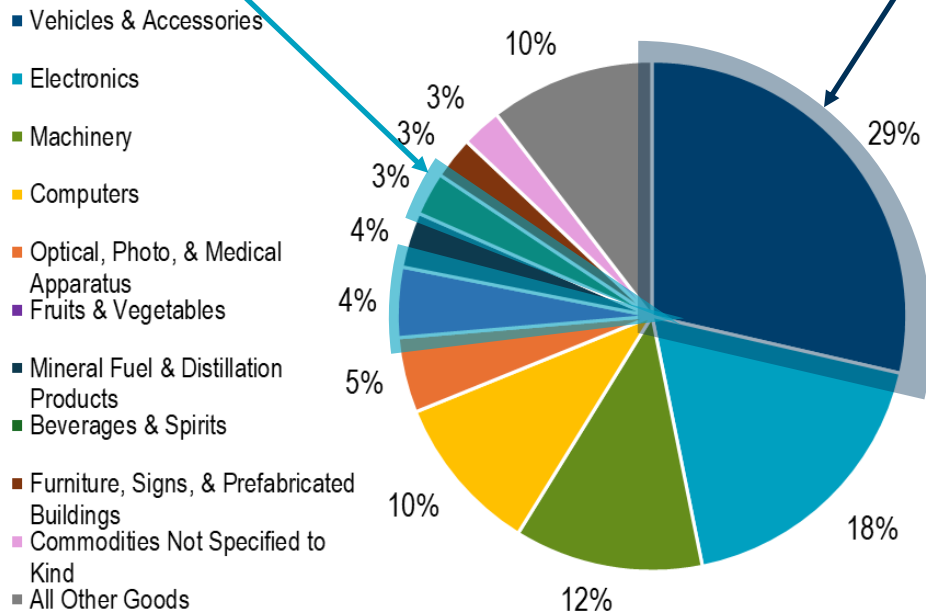
Source: U.S. Census Bureau

Spotlight: U.S. Trade with Mexico

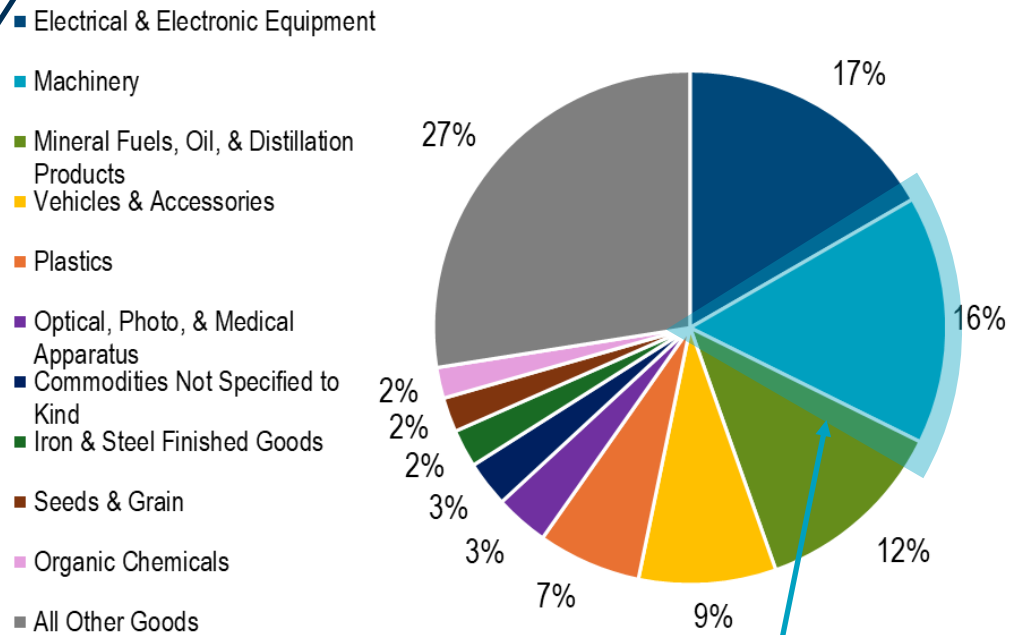
Food and Beverage: In 2024, the U.S. purchased 2.5 billion lbs. of avocados and \$5 billion worth of Modelo beer from Mexico.

Auto Industry: The top imports from Mexico to the U.S. are vehicles and accessories with trade totaling \$137 billion in 2024. Top buyers of these imports include companies such as General Motors, Ford, Nissan, Volkswagen, and Toyota.

Top Imports to U.S. from Mexico, Bil.\$



Top Exports from U.S. to Mexico, Bil.\$



Source: UN Comtrade Database (2024)

Machinery: U.S. machinery exports to Mexico include John Deere and Kubota tractors with sales totaling \$7.7 billion in 2024.

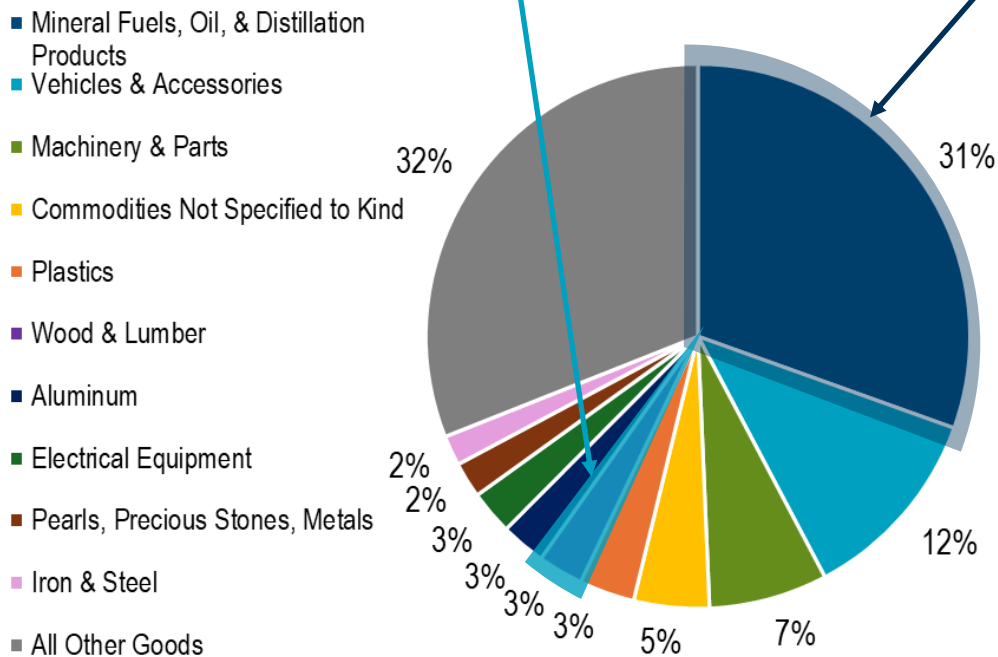
Source: UN Comtrade Database (2024)

Spotlight: U.S. Trade with Canada

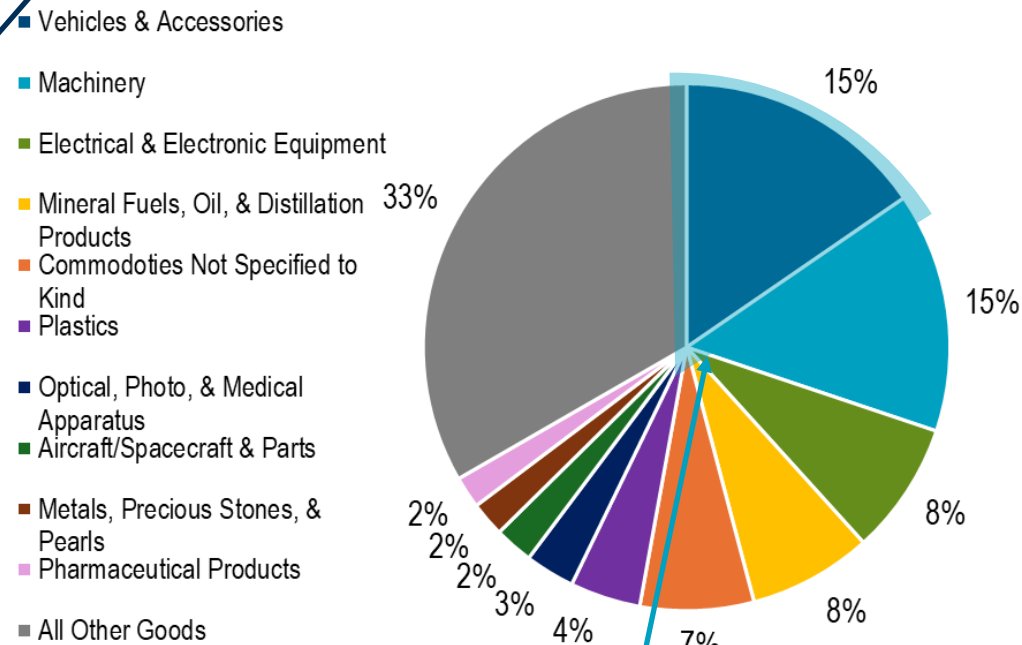
Lumber: Canada supplied 30% of U.S. lumber and wood products, totaling \$11.6 billion in 2024.

Petroleum & Crude Oil: Canada is the top U.S. supplier of petroleum and crude oil, supplying 99% of imported U.S. natural gas in 2024.

Top Imports to U.S. from Canada, Bil.\$



Top Exports from U.S. to Canada, Bil.\$



Source: UN Commtrade Database (2024)

Source: UN Commtrade Database (2024)

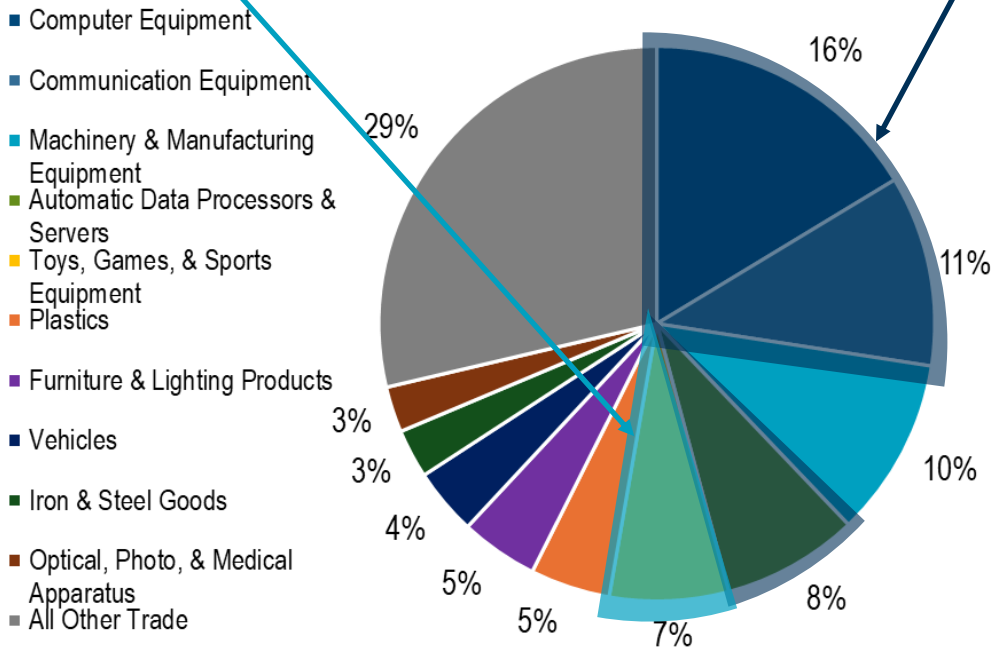
Vehicles: Canada purchased \$63.8 billion of U.S. vehicles and accessories in 2024, amounting to 16% of U.S. exports to Canada. General Motors, for example, sold 294,000 vehicles to Canada last year, representing the company's third-largest market.

Spotlight: U.S. Trade with China

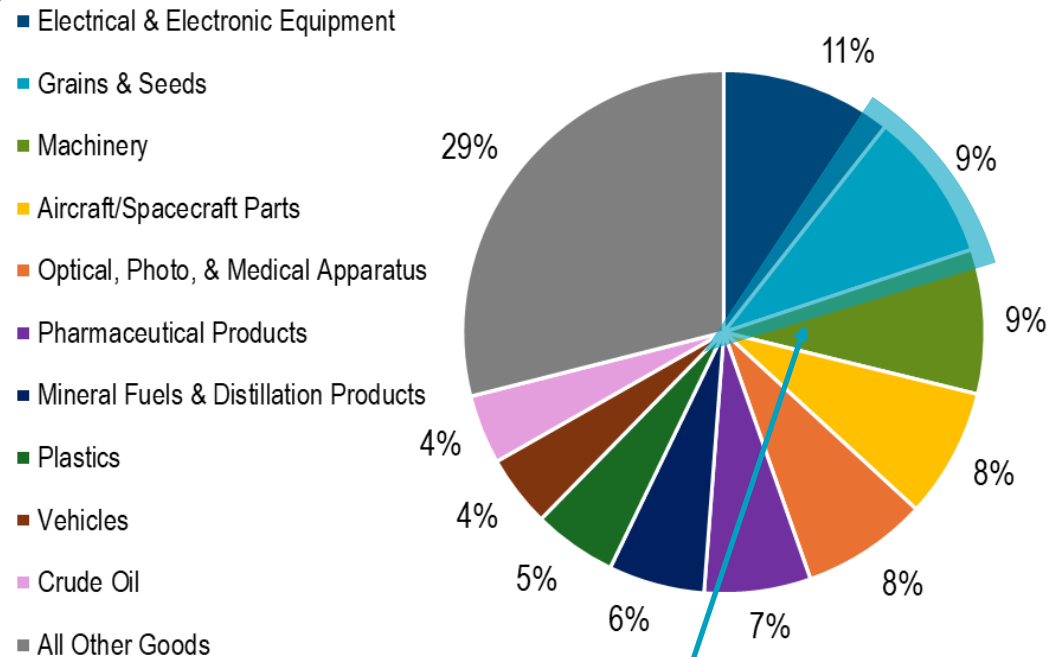
Toys and Games: The U.S. relies on China for many household goods, such as toys and games; 7% of all Chinese imports were toys and games in 2024.

Consumer Electronics and Computers: The majority of Chinese imports to the U.S. in 2024, roughly 27%, were consumer electronics with 8% being servers and other computing equipment. In 2024, 85% of iPhones were manufactured in China.

Top Imports to U.S. from China, Bil.\$



Top Exports from U.S. to China, Bil.\$























Source: UN Commtrade Database (2024)

Agricultural Products: 11% of U.S. exports to China in 2024 were agricultural products, including \$12.7 billion worth of soybeans and \$1.6 billion worth of beef.

Source: UN Commtrade Database (2024)

Impact of Steel & Aluminum Tariffs

Steel Imports (Bil.\$)			New Tariff Rate, %		Aluminum Imports (Bil.\$)			New Tariff Rate, %	
Canada		11.2	25		Canada		9.5	25	
Mexico		6.5	25		UAE		1.1	35	
Brazil		5.2	25		Mexico		0.69	25	
China		5.2	50		South Korea		0.64	25	
Taiwan		3.8	50		China		0.51	35	
South Korea		3.2	25		Bahrain		0.49	35	
Germany		2.9	25		Argentina		0.46	35	
Japan		2.4	25		South Africa		0.38	35	
India		1.9	50		Australia		0.27	25	
Vietnam		1.7	50		India		0.27	35	

Source: Bloomberg/USITC

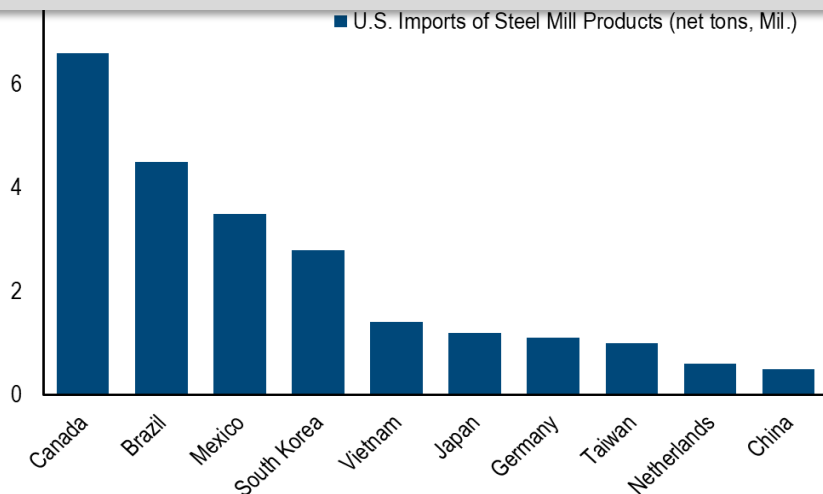
*New tariff rate is the 25% proposed tariff plus any existing tax on steel/aluminum imports

In 2024, the U.S. imported \$11.2 billion of steel from Canada, followed by \$6.5 billion from Mexico, and \$5.2 billion from Brazil.

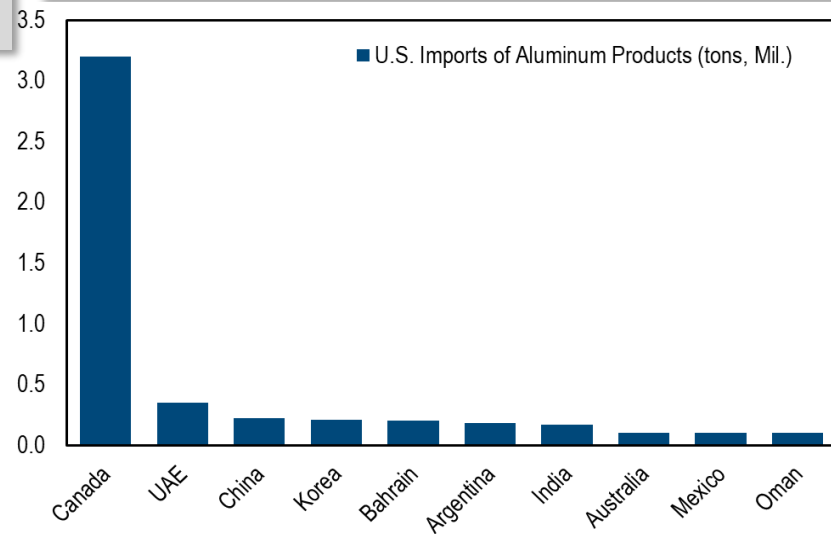
A typical new car has 1,000 lbs. of steel, and according to the Center for Economic and Policy Research, a 25% tariff could raise the average car price by \$1,500.

The U.S. imported \$9.5 billion worth of aluminum from Canada with \$1.1 billion imported from the UAE.

Aluminum is commonly used in car engine blocks, frames, and body panels with an average of 350 lbs. used per vehicle.



Source: U.S. Census Bureau



Source: U.S. Department of Commerce

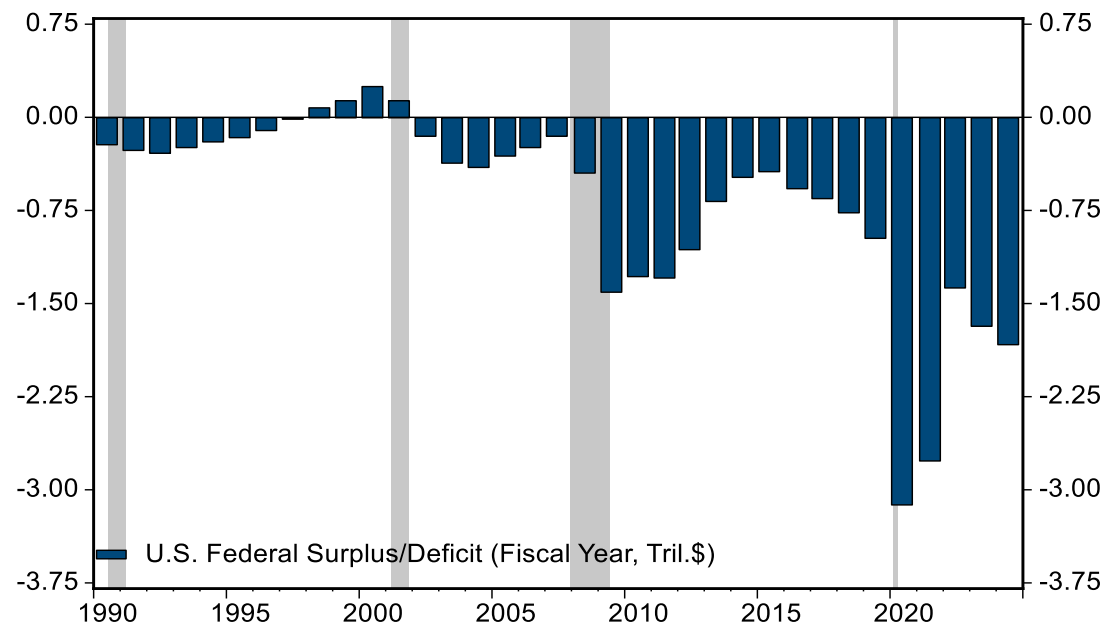
Potential Revenue Raised from Tariffs

Revenue Raised from Proposed Tariffs		
Policy	2025	2025-2035
10% Tariff, China	\$20B	\$200B
25% Tariff, Mexico	\$60B	\$750B
25% Tariff, Canada	\$40B	\$500B
Total Revenue (dynamic*)	\$120B	\$1.3T

Source: Committee for a Responsible Federal Budget

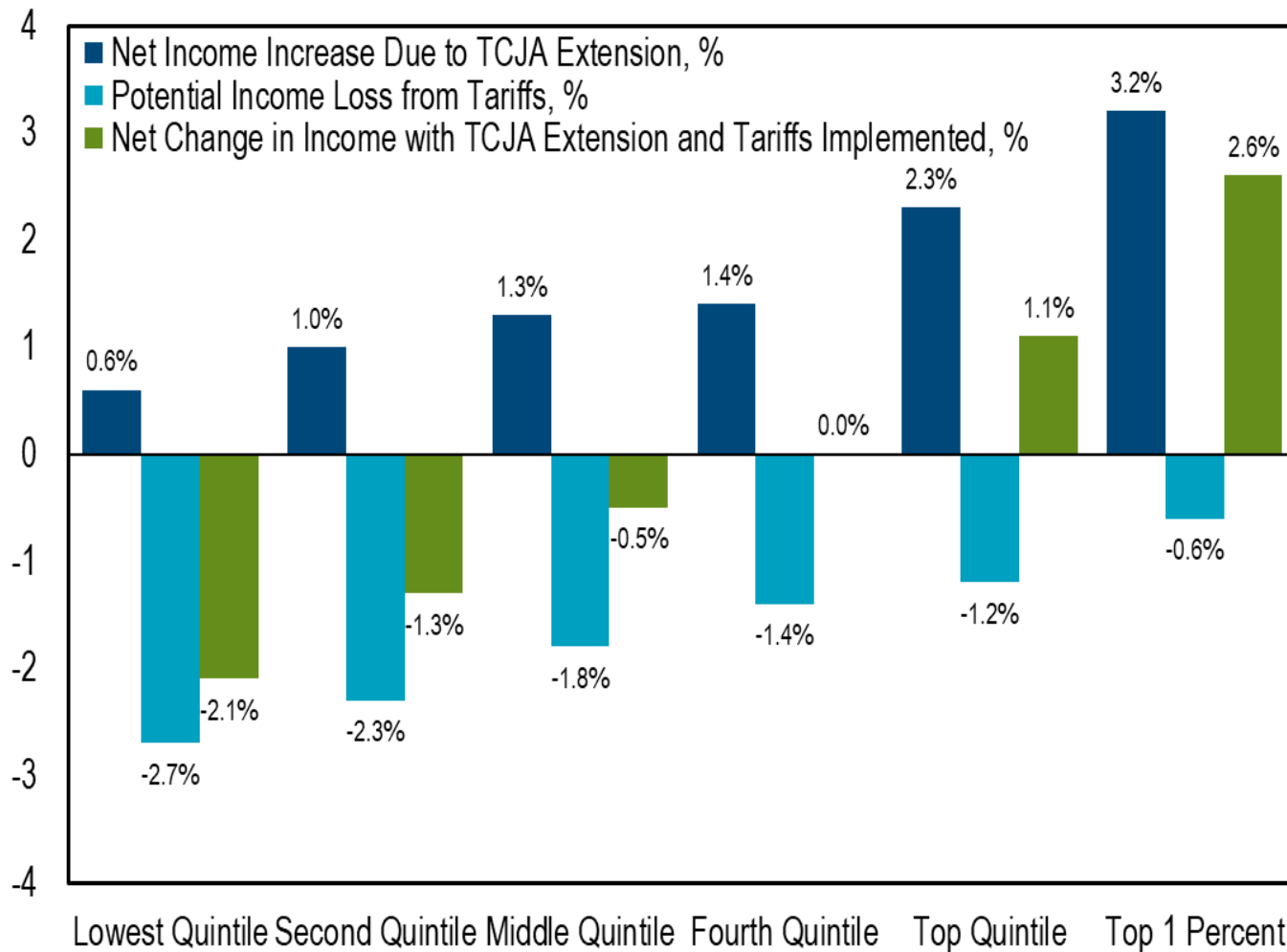
*Dynamic revenues take into account retaliatory tariffs and substitution effects

According to the Committee for a Responsible Budget, a 10% tariff on goods from China and a 25% tariff on goods from Canada and Mexico could raise about \$120 billion in revenue this year and about \$1.3 trillion through 2035.



Source: Office of Management and Budget/Haver Analytics

Potential Impact on Consumers



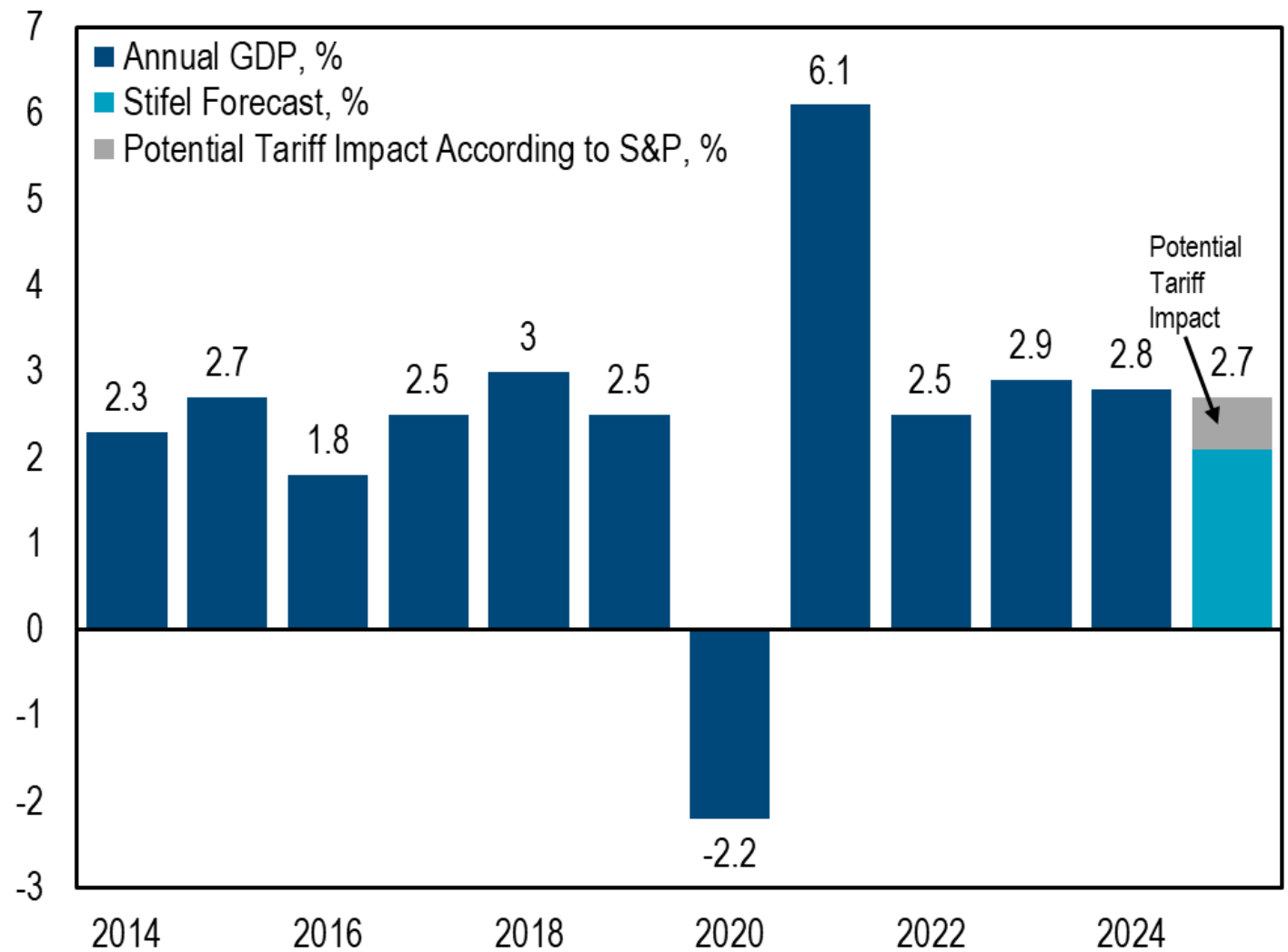
Estimates show 25% tariffs on Canada and Mexico, along with a 10% tariff on China could cost the average U.S. household (Middle Quintile*) \$1,200 per year in 2025, or a loss of 0.5% in income.

*Middle Quintile has an average income after taxes of \$66,606.

Source: Peterson Institute for International Economics
 *Assumes 25% tariffs on Canada and Mexico and 10% tariff on China
 **Assumes zero substitution or modification in behavior

Potential Reduction in GDP

A 2025 report from S&P Global estimated fully implemented 25% Mexican and Canadian tariffs, along with a 10% tariff on China could lower GDP by roughly 0.6% in 2025, while an estimate from the Congressional Budget Office estimates a 0.3% reduction in output.



Source: Bloomberg/S&P Global/Stifel

*Assumes zero substitution but factors in decreased consumption due to reduced real income

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