

First Trust
CLIENT RESOURCE KIT
TARIFFS

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What are Tariffs?

Tariffs are taxes or duties imposed on imported goods by a government.

Why are they used?

Their intent is to protect domestic industries, encourage local production, generate government revenue, reduce reliance on foreign goods or respond to trade policies of other nations.

What is their potential impact?

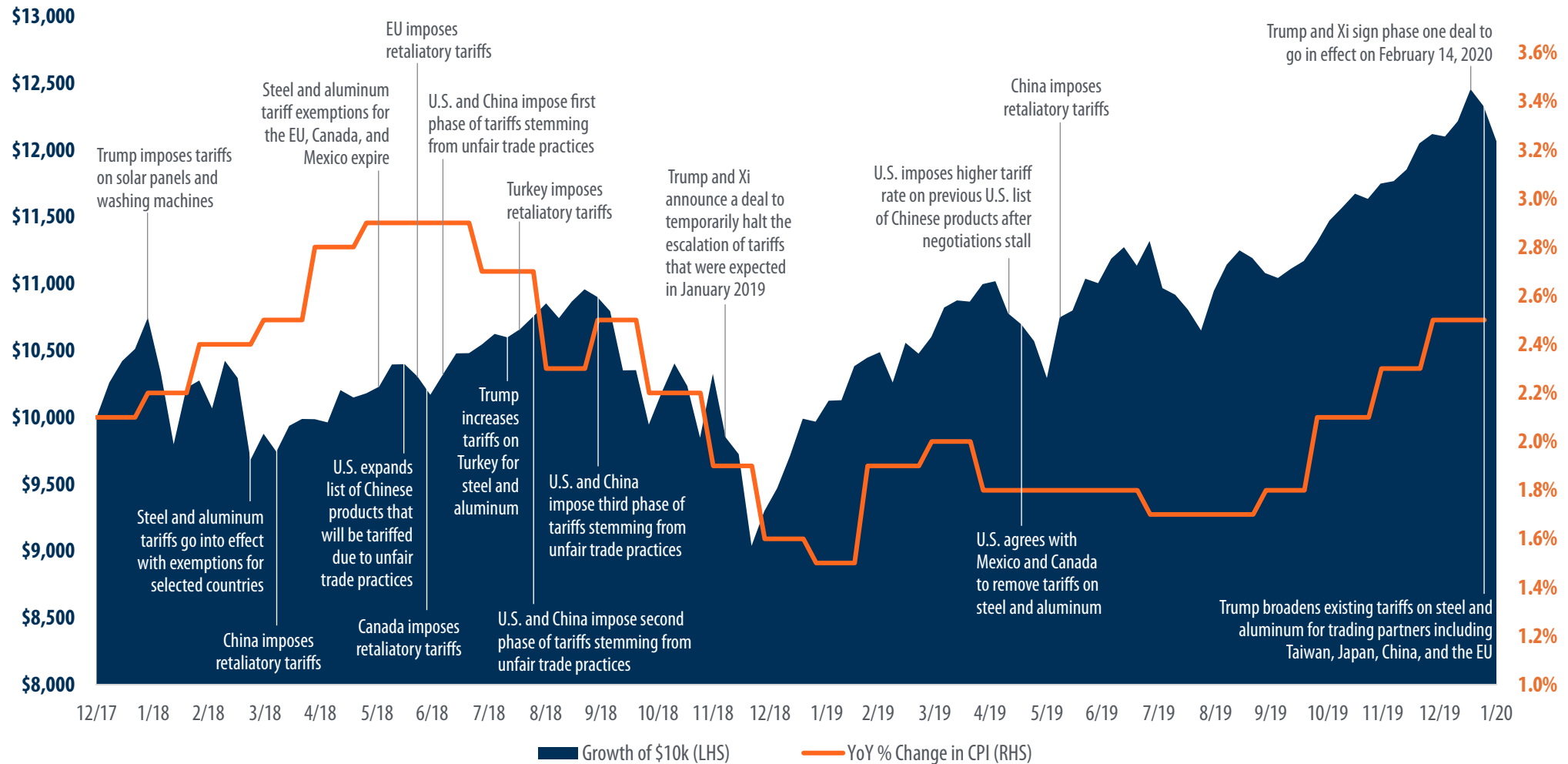
Tariffs raise prices for consumers, affect trade relationships with other countries, and influence economic growth.

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What Happened with Tariffs During Trump's First Term

S&P 500 Index Growth of \$10k and YoY % Change in CPI

Tariffs dominated U.S. headlines during Trump's first term which brought with it some market volatility, but it did not bring about rampant inflation and markets ultimately moved higher.



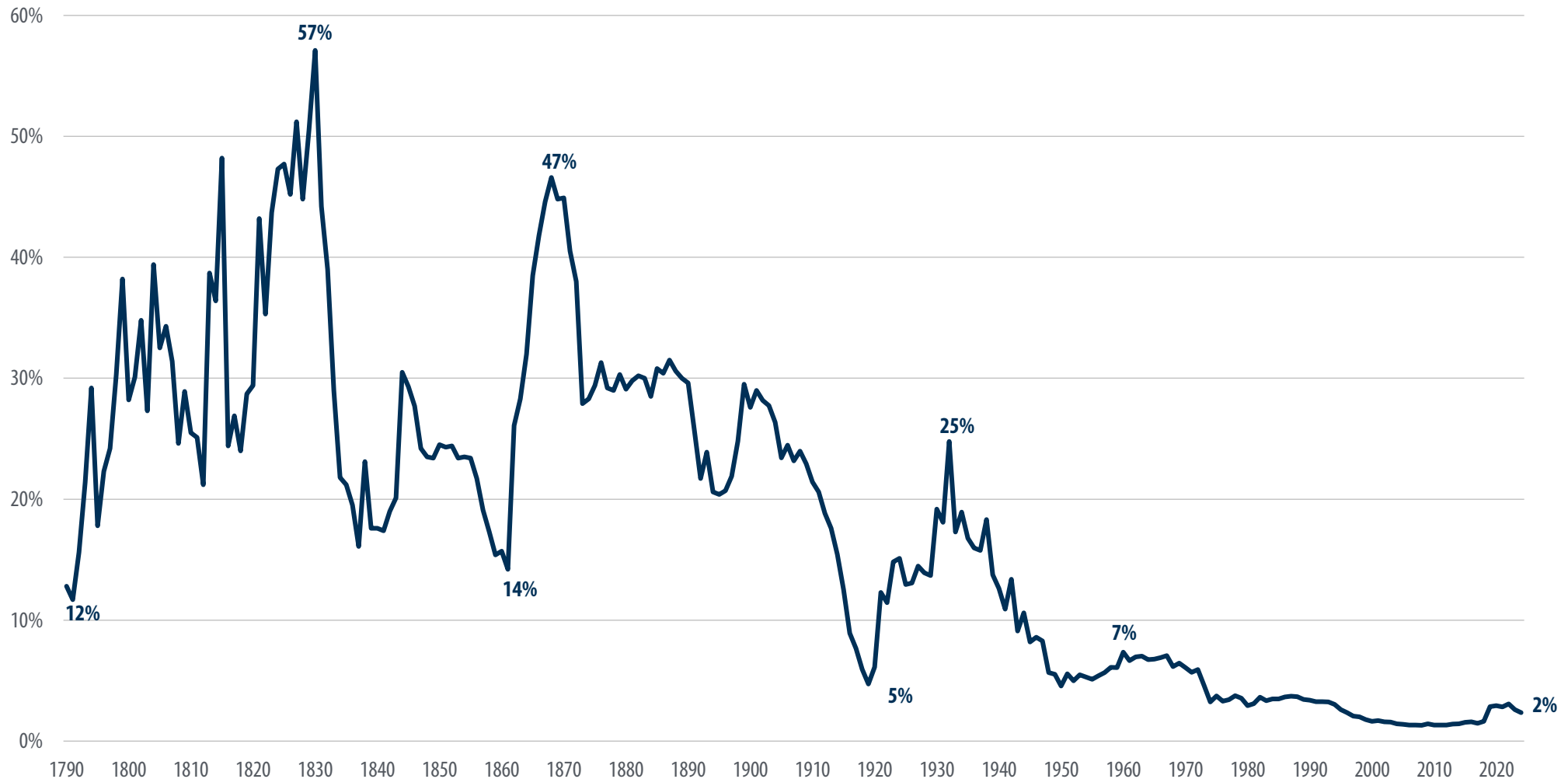
Source: First Trust, Peterson Institute for International Economics, Bloomberg. Data from 12/29/2017 – 1/31/2020. **Past performance is no guarantee of future results.** For illustrative purposes only and not indicative of any investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Consumer Price Index (CPI) measures Inflation - the average change in prices over time that consumers pay for a basket of goods and services.

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Imports: Average Effective Tariff Rates

Since 1790

The average effective U.S. tariff rate has been significantly lower in the last 40 years due to a combination of multilateral and regional trade agreements, economic policy shifts towards free trade, and the expansion of global supply chains.



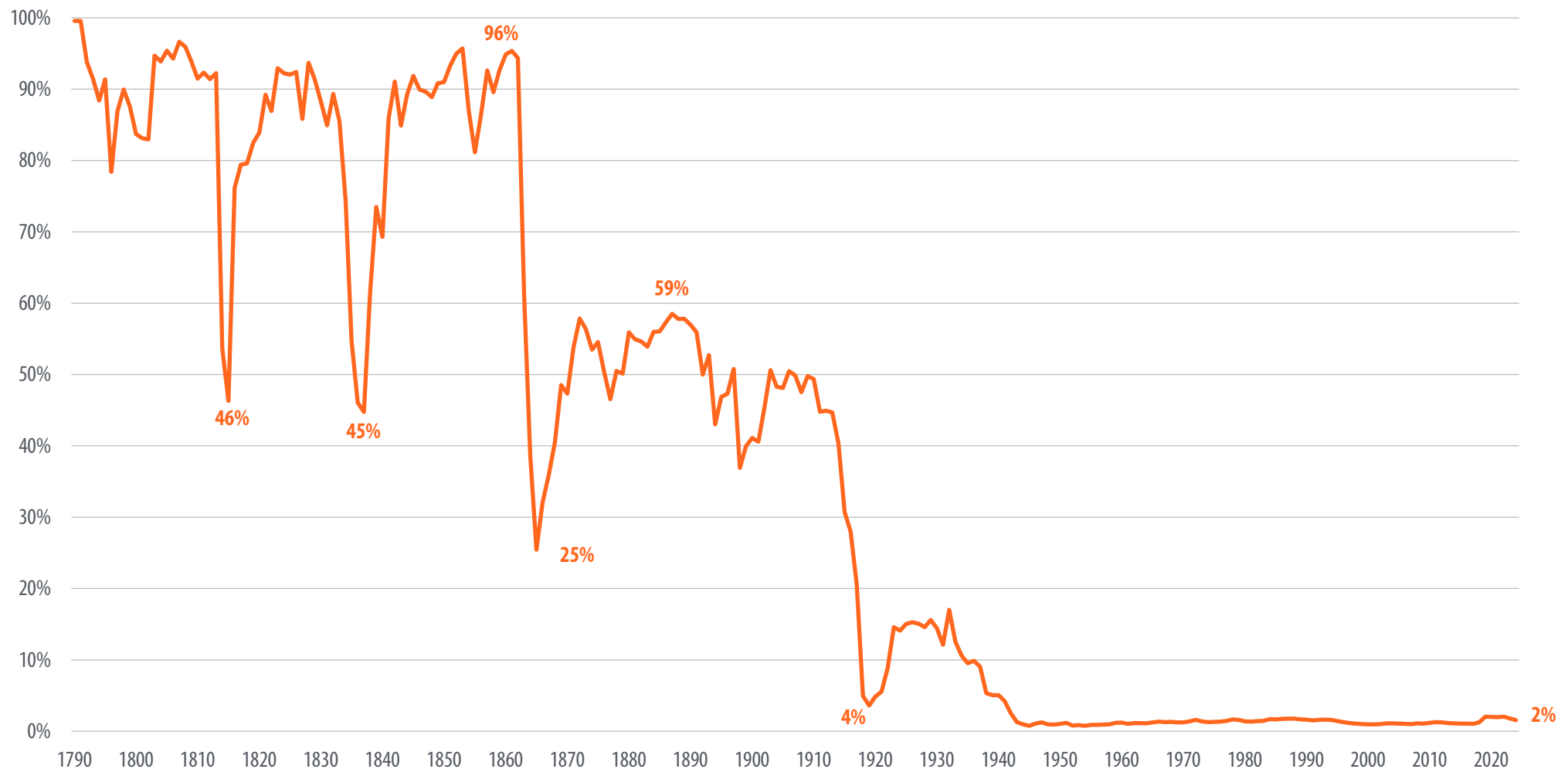
Source: First Trust, National Bureau of Economic Research (NBER), St. Louis Fed (FRED). Data from 1790-2024. Effective Tariff Rates – The actual rate of tariffs on imports, considering both the tariff levels and the types of goods being traded.

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Tariff Revenue as a Share of Total Federal Receipts

Since 1790

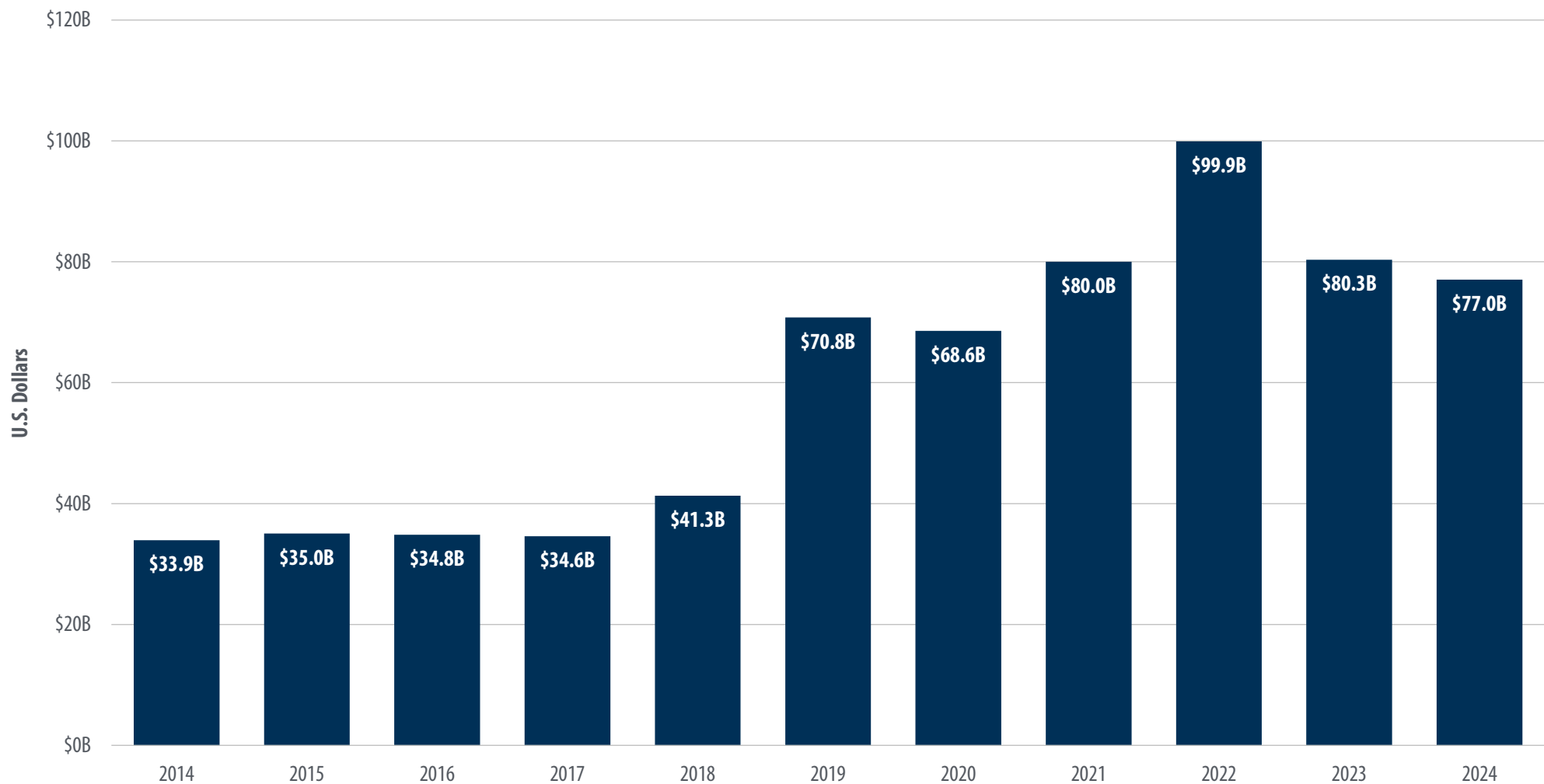
For much of early U.S. history, tariffs were the government's primary revenue source. That changed with the 16th Amendment in 1913, which introduced the federal income tax, now the dominant revenue stream.



Source: First Trust, U.S. Census Bureau. 2024 data. Federal receipts – the total money the U.S. government collects from taxes, fees, and other sources.

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Total U.S. tariff revenue nearly tripled from 2017 to 2022, largely due to tariffs introduced in 2018. By 2024, they dropped to \$77 billion as trade patterns and imports adjusted.

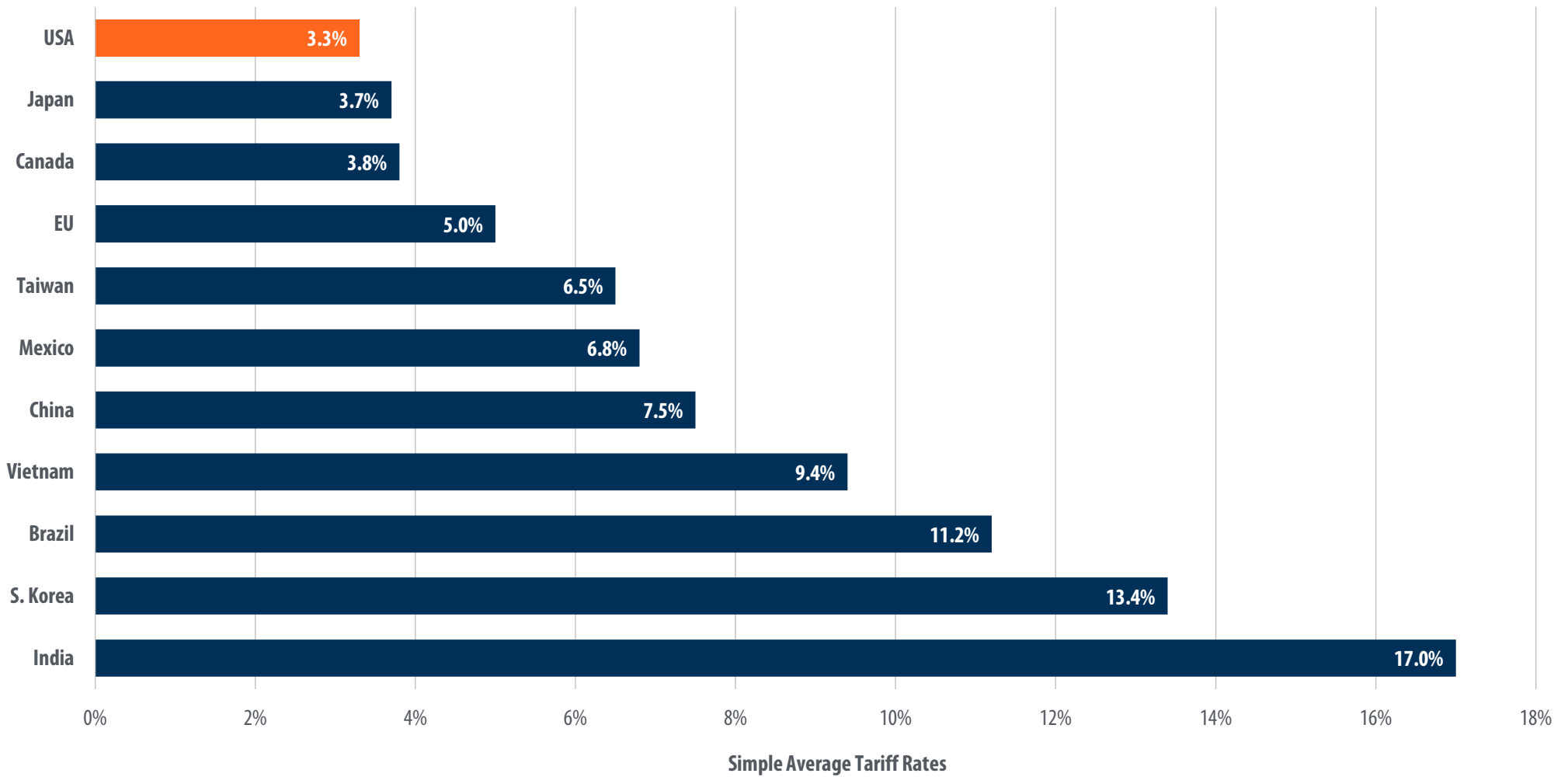


Source: First Trust, U.S. Census Bureau. 2024 data. Customs duties — taxes imposed on goods imported into a country.

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Simple Average Tariff Rates – U.S. & Top 10 Trading Partners

The U.S. simple average tariff rate across all imported goods is low at 3.3% compared to its top 10 trading partners. Major economies like the EU (5.0%), China (7.5%), and India (17.0%) maintain higher tariffs on imports. Among these key trading partners, tariff rates vary widely due to different trade policies and economic structures.

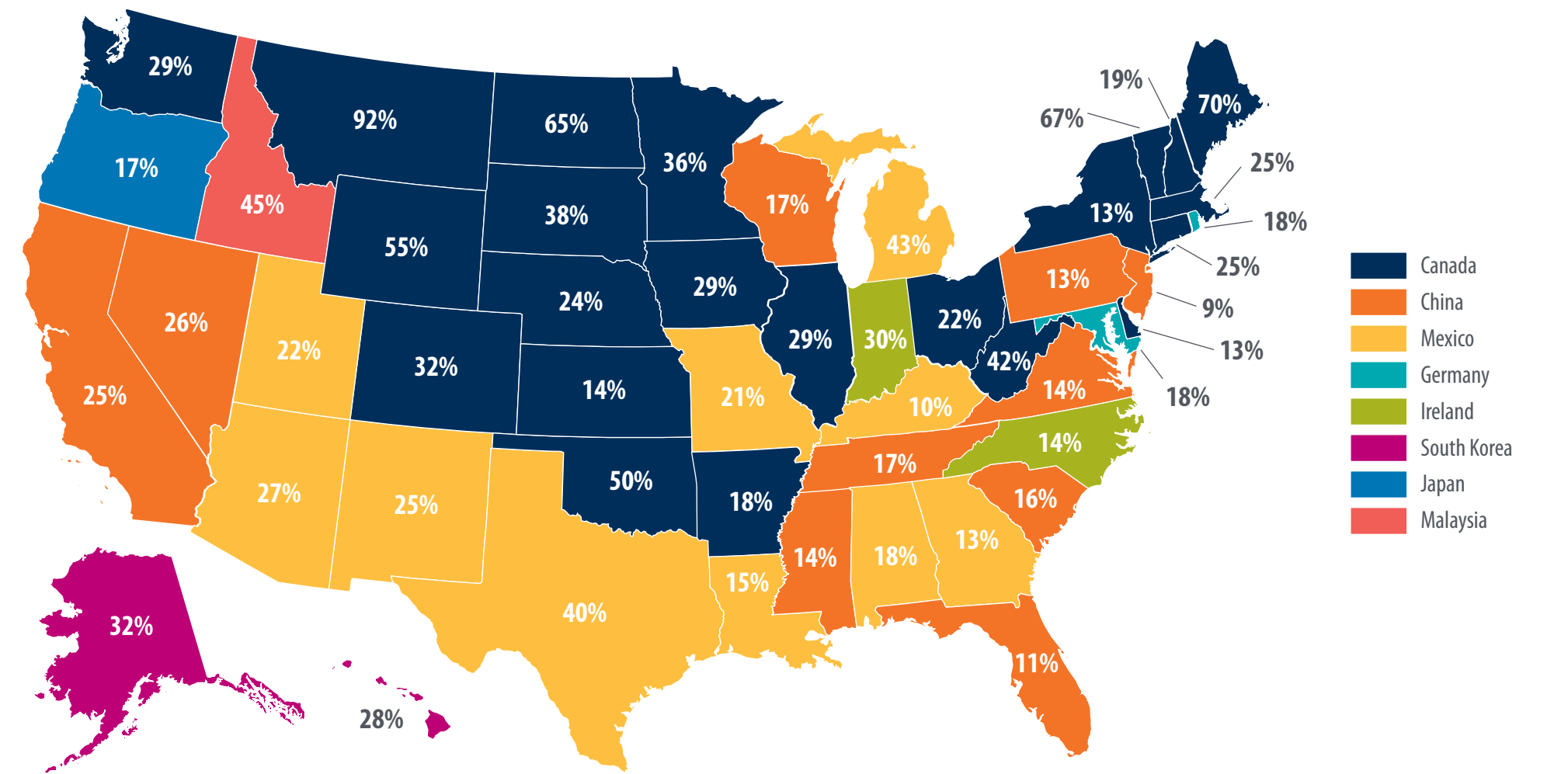


Source: First Trust, World Trade Organization. 2023 data (latest available). Simple Average Tariff Rates – The average of all tariff rates applied to imported goods, calculated without weighting for trade volume.

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Largest Import Partner as a Share of Overall Imports

In 2024, Mexico was the largest overall exporter to the U.S., but a closer look at individual states reveals a different picture. Canada emerged as the top exporter to 22 states, followed by China and Mexico, which each led in 10 states. Montana had the highest concentration of imports from a single country, with 91.8% coming from Canada. In contrast, New Jersey had the most diversified import sources, with its top trade partner China accounting for just 9.3% of total imports.

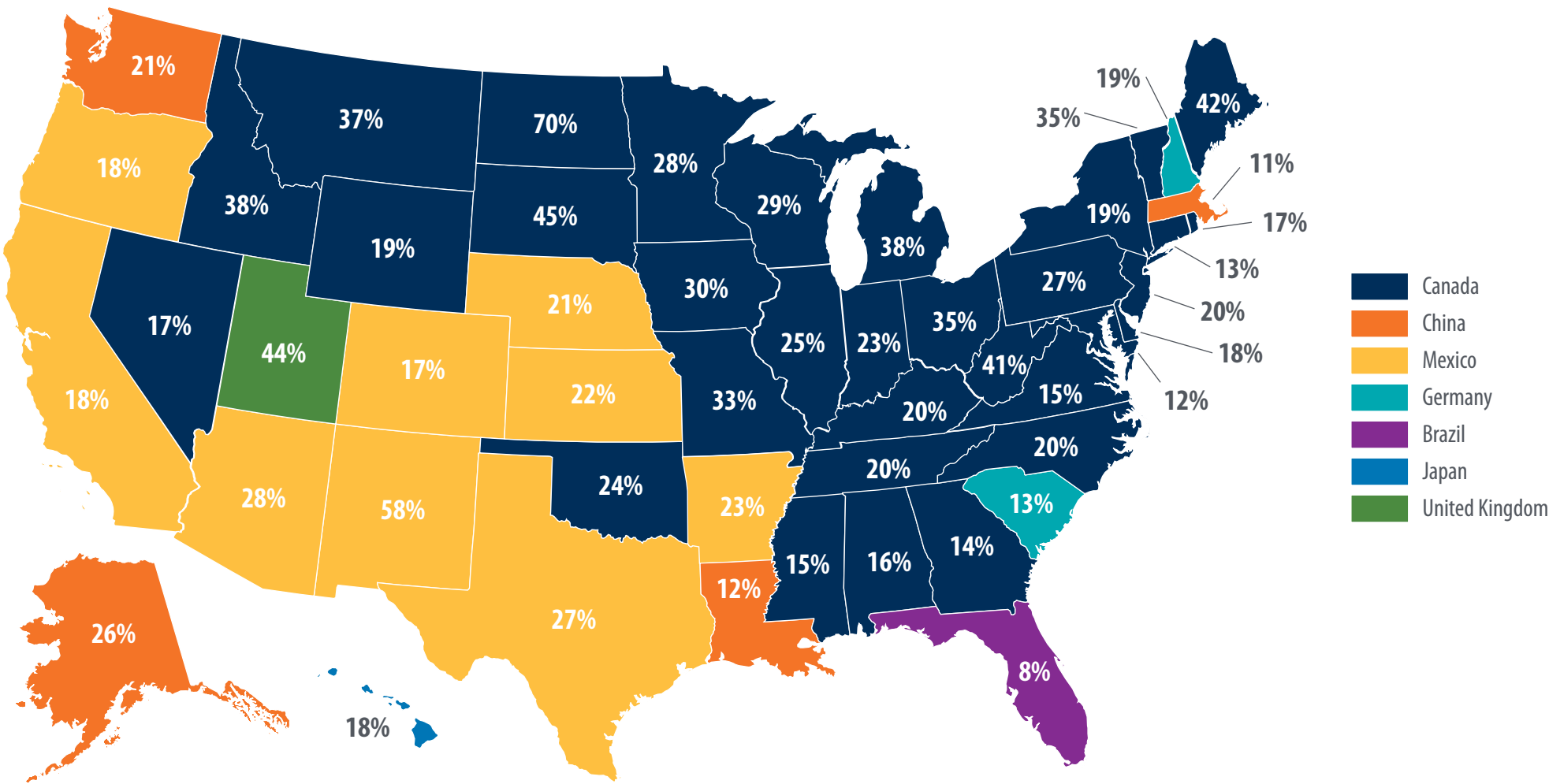


Source: First Trust, U.S. Census Bureau. 2024 data.

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Largest Export Partner as a Share of Overall Exports

In 2024, Canada remained the top destination for U.S. exports, serving as the largest market for 32 states. Mexico followed at a distant second, serving as the top export destination for nine states. North Dakota had the highest export concentration to a single country, with 69.6% of its goods going to Canada. On the other end of the spectrum, Florida had the most diversified export market, with its top trade partner, Brazil, accounting for just 8.4% of total exports.

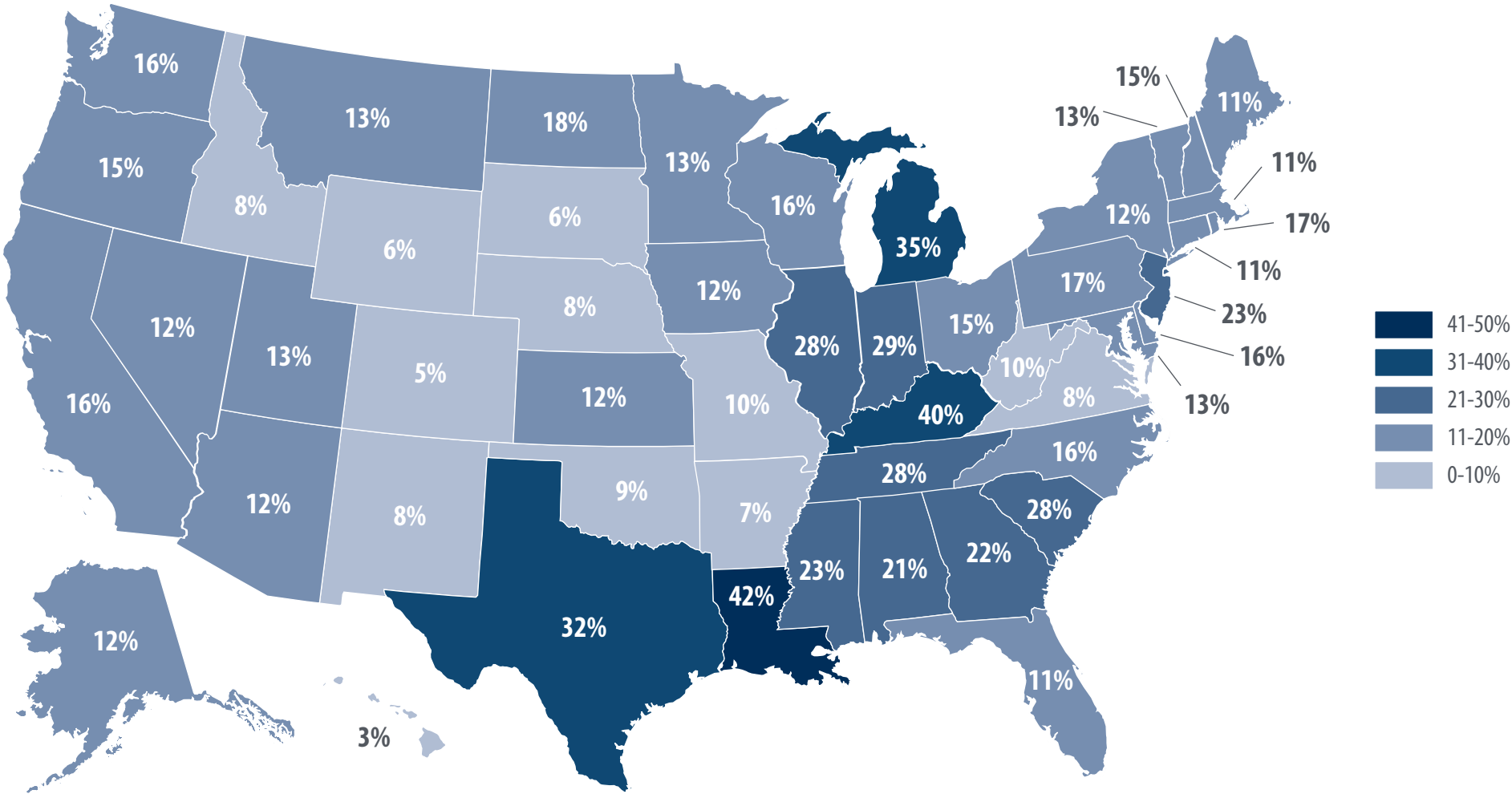


Source: First Trust, U.S. Census Bureau. 2024 data.

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Overall Trade as a Share of State GDP

International trade plays a vital role in most U.S. state economies. In 2023, the average trade volume (exports + imports) accounted for 16.0% of each state's GDP. Trade dependence varied widely, from a low of 2.9% in Hawaii to a high of 41.6% in Louisiana—the most globally integrated state. Louisiana also boasted the largest trade surplus, driven primarily by petroleum exports.

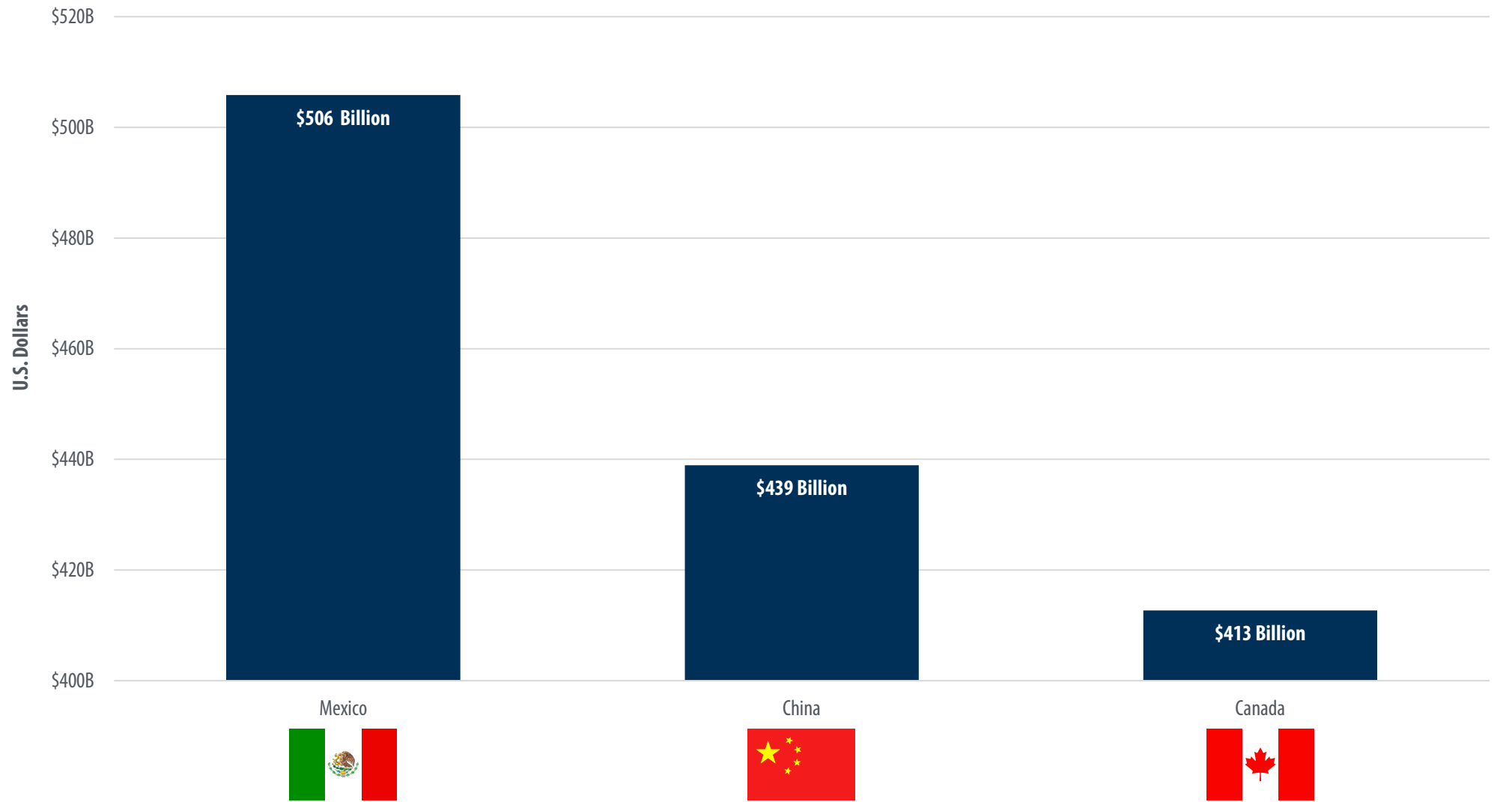


Source: First Trust, U.S. Census Bureau, Bureau of Economic Analysis. 2023 data (latest available).

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Import Value of U.S. Top Trading Partners

In recent years, there has been a major shift in U.S. trade patterns, and with new tariffs on China, this trend is expected to continue. China was once the top exporter to the U.S., but now Mexico holds the top spot with China falling to number two and Canada close behind.



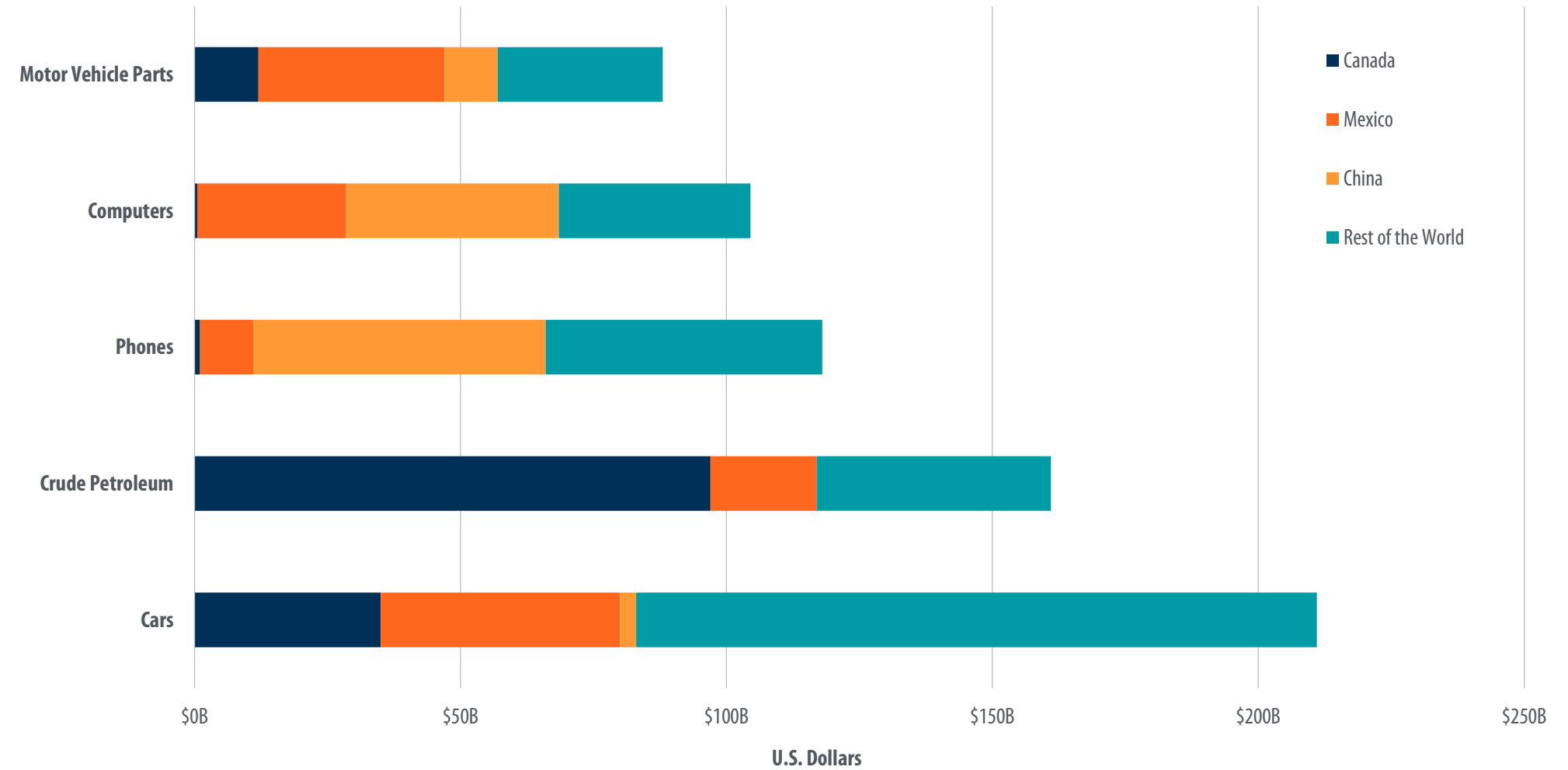
Source: First Trust, U.S. Census Bureau, U.S. Department of Commerce. 2024 data (latest available).

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Value of U.S. Top 5 Imported Products

By Type of Product and Country of Origin

Canada and Mexico are the largest trade partners for the top two U.S.-imported products (autos and crude oil) while China is the leading source of U.S. technology imports (computers and phones).

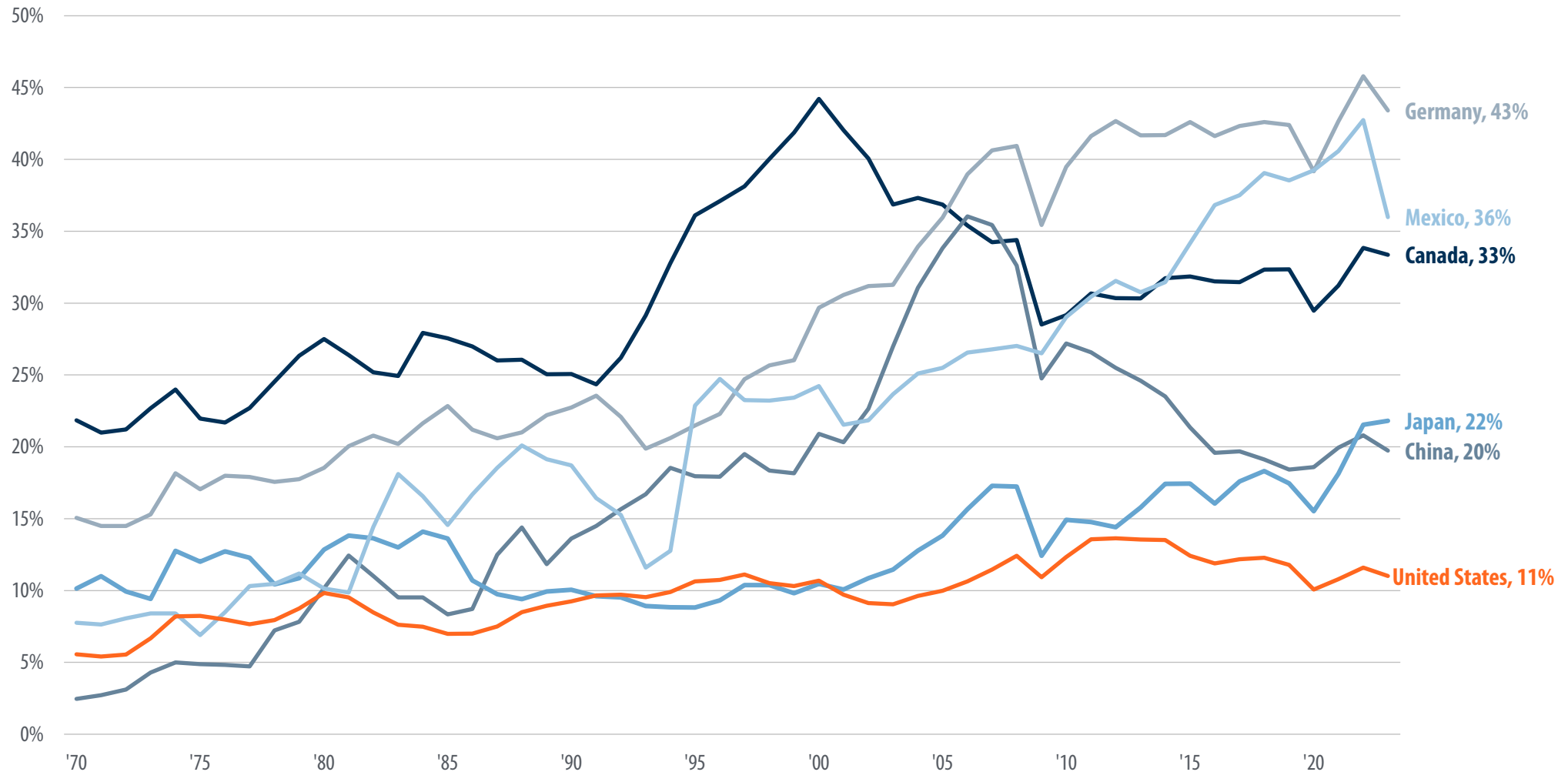


Source: First Trust, Statista. 2023 data (latest available).

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Exports as Share of GDP – U.S. & Top 5 Trade Partners

This chart illustrates that U.S. exports are a smaller share of GDP compared to its top five trade partners, which rely more on exports for economic growth.



Source: First Trust, World Bank Group. 2023 data (latest available).

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