## Appendix: Tariff Update: Incorporating Recent Decisions and Deals

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The **impact factor** accounts for the import intensity of each industry from each country under consideration, the share of domestic and imported inputs from industry *j* on the value added of industry *i*, and the tariffs applied on imported inputs from industry *j* on country n:  $\tau^{j,n}$ .

Impact Factor<sub>i</sub> = 
$$\sum_{j=1}^{J}$$
 Change in costs <sub>i</sub> due to  $\Delta \tau^{j,n}$ 

Here,  $\Delta \tau^i = \tau^{new} - \tau^{bench}$  captures the difference between the tariffs in the benchmark case (that is,  $\tau^{bench}$  = tariffs in 2024) and  $\tau^{new}$  representing the new tariffs as of May 2025. The change in costs is calculated using a static trade model that uses BEA data of input-output relationships to compute the elasticities of different sectors in production.

Some assumptions need to be made due to the incomplete nature of the data:

- There is full pass-through of tariffs into prices.
- Intermediate firms have no market power.
- Wages and interest rates remain constant.
- Final goods' sectors use a similar import bundle to intermediate goods' sectors from source countries.