US tariffs – who is footing the bill?

Donald Trump claims that the massive increase in US tariffs will be borne by other countries. We investigate who will really foot the bill.

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US customs revenues are booming...

The protectionist US tariff policy is increasingly reflected in rising tariff revenues. In August, the US Treasury received nearly $30 billion in tariffs (title chart). These revenues are likely to continue to rise in the coming months. According to various estimates, annual revenues are expected to level off at around $400 billion in the medium to long term.

... and the tariffs are here to stay

This is unlikely to change fundamentally in the coming years. Although a Supreme Court ruling on the legality of the tariffs is still pending (see box), the US is unlikely to return to a policy of low tariffs. After all, the erection of tariff barriers is one of the few issues on which Republicans and Democrats largely agree. Moreover, given the budget situation, tariff revenues are politically indispensable. Tariffs are apparently the only way to generate higher revenues for the US government.

Who will bear the tariffs?

The scale of the expected tariffs is gradually becoming clearer:

- On Wednesday, the US government announced that tariffs on cars imported from the EU would be reduced from 27.5% to 15% retroactively to August 1. This means that the US is implementing the concessions agreed with the EU.
- Yesterday, Trump announced on social media the pending decision on pharmaceutical tariffs. According to this, a 100% tariff will be imposed on "any branded or patented" pharmaceutical product from October 1, unless the respective manufacturer establishes US production.

However, it is unclear who will actually pay the tariffs in the end. From a purely technical point of view, the answer is simple: the US importer pays the tariffs to the US customs authorities. However, this does not mean that the importer will also shoulder this burden in the end; rather, importers will try to pass it on.

In the short term, importers can hardly react to tariff increases if they are bound by supply contracts without corresponding adjustment clauses and cannot raise prices for their customers significantly. In the medium term, however, they will try to pass on at least part of these costs to the foreign exporter and/or their US customers. Accordingly, they will try to negotiate down their purchase price (before customs duties) and raise their own selling price.

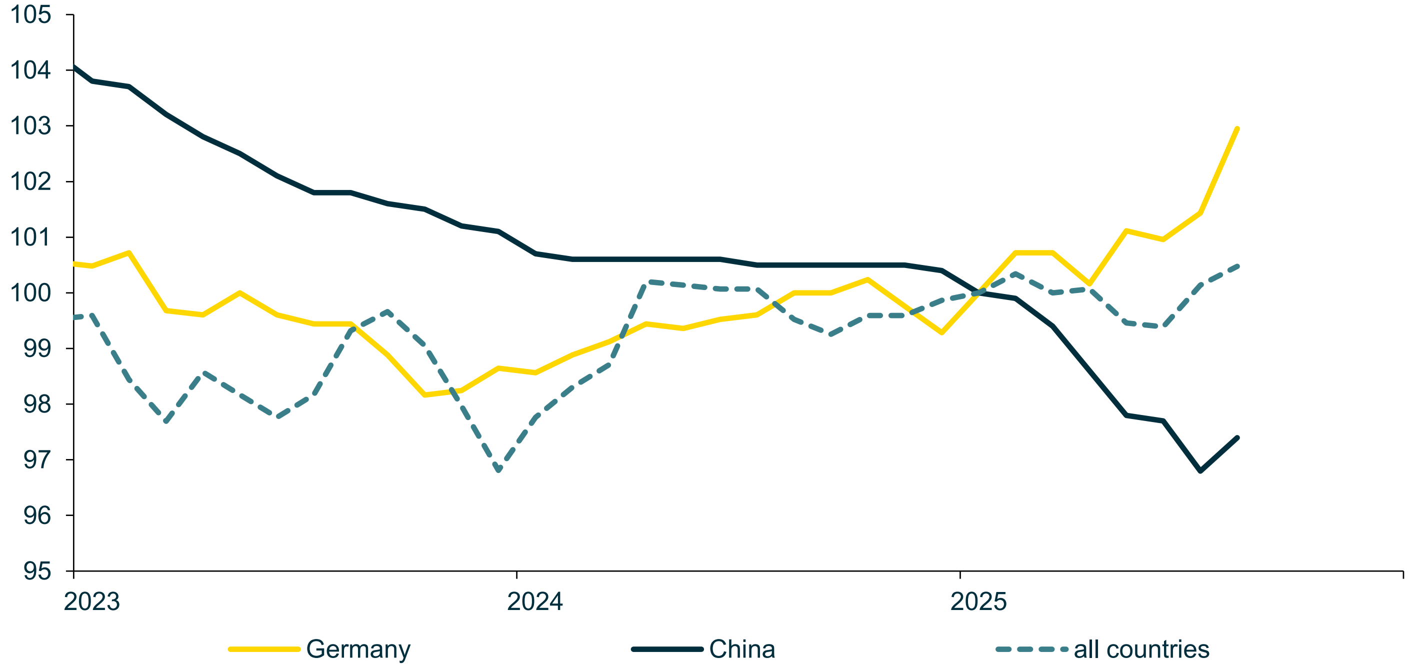
So far, foreign suppliers have made few concessions...

However, American import prices show that US importers have not yet been able to obtain any significant concessions from their foreign suppliers, meaning that they are still largely bearing the cost of the tariffs. It is important to note that tariffs are not included in the import price indices. If foreign suppliers were to bear the tariffs, US import prices would have to fall significantly in order for prices for US importers to remain the same, taking into account the tariff surcharge. This has clearly not happened so far. Instead, import prices have hardly changed in recent months and, if anything, have even risen slightly (Chart 1).

However, there are certain differences depending on the country of origin of the goods. Prices for goods imported from China have fallen by around 3% since the beginning of the year, while prices for products imported from Germany have risen slightly in recent months. US importers have apparently been able to persuade their Chinese suppliers to make certain price concessions, without this even coming close to offsetting the burden of tariffs, which are particularly high on imports from China. German suppliers, on the other hand, have so far been able to avoid such concessions to a large extent, with the result that US importers have borne the entire tariff burden, at least until August [1].

Chart 1 - On balance, US importers have not been able to lower prices paid

US import price indices by the commodities' country of origin, Jan 2025 = 100, monthly figures



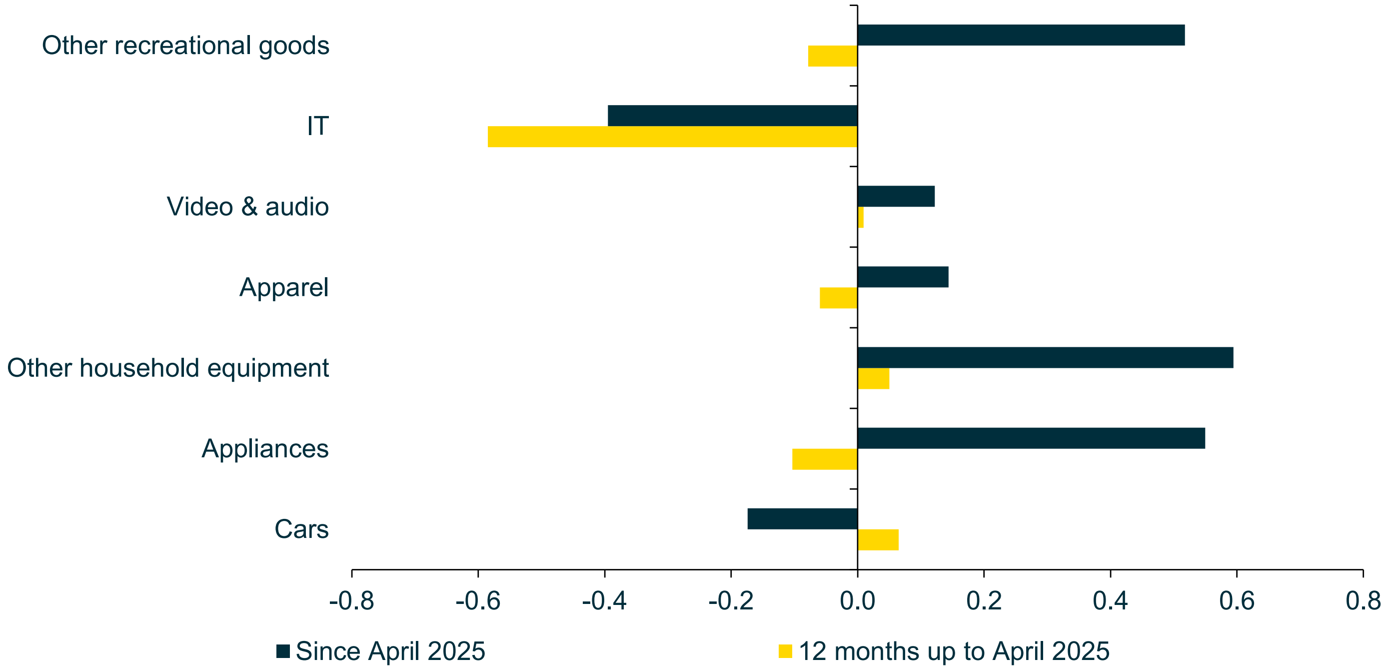
Source: BLS, S&P Global, Commerzbank Research

... but US consumers are more and more confronted with higher prices

While foreign suppliers have not yet borne a significant portion of the tariffs, US companies have been somewhat more successful in passing on the burden to consumers. This is because the price development for some product groups that are typically imported – especially from China – shows clear tariff effects in some cases. Since April, household appliances have become 0.6% more expensive on average compared with the previous month, whereas in the twelve months prior to that they had become around 0.1% cheaper each month (Chart 2). IT goods have recently become 0.4% cheaper each month, but this represents a slowdown in their decline from the previous monthly rate of -0.6%. On the other hand, there has been no discernible effect on the prices of cars, arguably the most important German product on the US market. These have actually fallen slightly since April, whereas in the twelve months prior to that they had tended to rise.

Chart 2 - Prices rise for some typically imported goods

Consumer prices for various categories, average monthly rates of change (seasonally-adjusted)



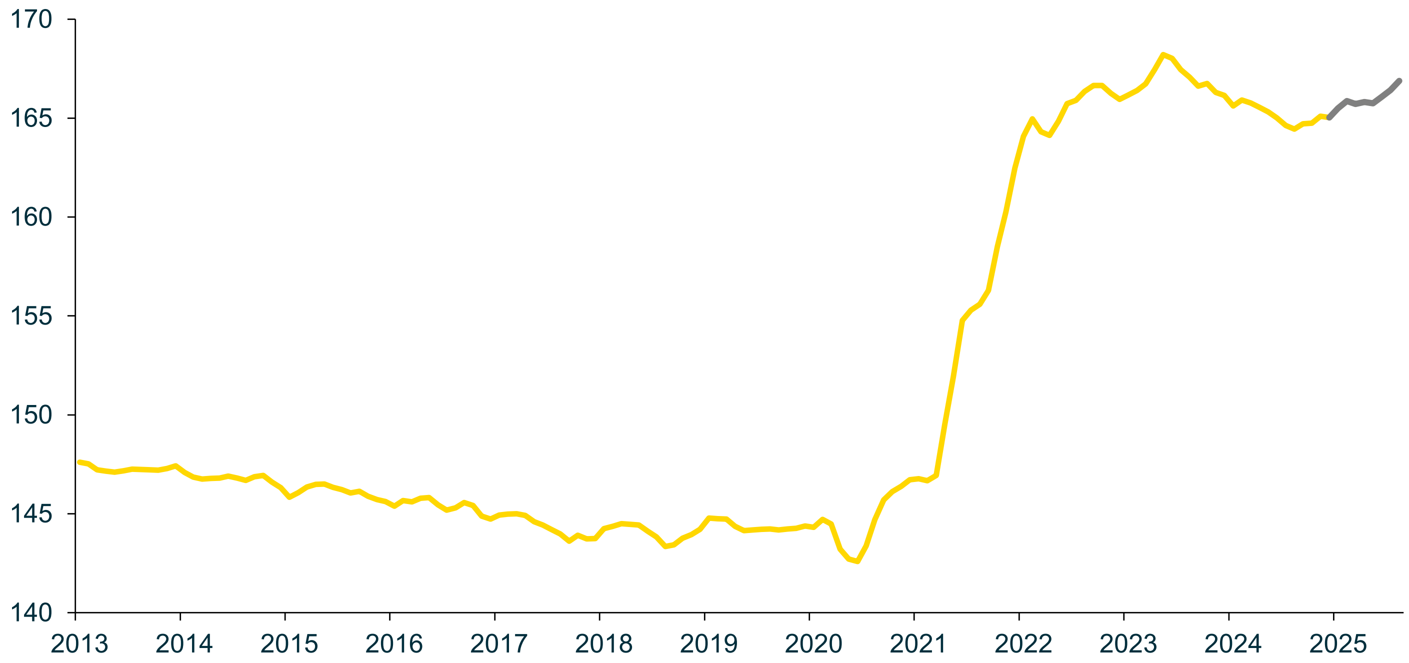
Source: BLS, S&P Global, Commerzbank Research

Higher tariffs have thus likely contributed to the rise in consumer prices for goods excluding energy and food in recent months, whereas over the past twenty years – apart from the sharp increase from 2020 to 2023, which was due to the disruptions and supply difficulties during the pandemic – they have fallen slightly (Chart 3). However, prices have been rising again since August 2024, when Trump was not yet president again.

This raises the question of when the price increases can be attributed to tariffs. President Trump introduced massive tariffs in February, culminating in the so-called reciprocal tariffs on "Liberation Day" in early April. But the election of the self-proclaimed tariff man in November 2024 may already have led to initial price reactions. If we pragmatically choose the beginning of 2025 as the starting point for our distinction between the period "before the Trump tariffs" and "after," the price effect of the tariffs on the core inflation rate is three-tenths of a percentage point. [2]. Without the tariffs, this would not have been 3.1% in August, but 2.8%. A recent **study** by three US researchers based on microdata from several retail companies comes to similar conclusions. According to the study, between October 2024 and early September 2025, prices of imported goods rose by 2 percentage points more than those of goods produced in the US, after adjusting for trends.

Chart 3 - Goods prices have increased recently, contrary to downward trend

US consumer prices for commodities excluding food and energy, index 1982/84 = 100, seasonally adjusted monthly figures. Data since January 2025 have been marked



Source: BLS, S&P Global, Commerzbank Research

US companies will continue to pass on the burden...

The bottom line is that, so far, the higher US tariffs have largely been borne by Americans, and here mainly by businesses. This is not surprising, as they are the ones who actually have to pay the tariffs, and it takes time to pass on the costs to foreign exporters or American consumers. The latter is also delayed by the fact that US consumers probably buy only very few products directly from importers. Wholesalers are often involved before the goods are available for sale in retail stores. The chain is even longer if the imported goods are an intermediate product or a machine for US manufacturing. Then there are even more intermediate steps before the price increase reaches the consumer and is measured in the consumer price index.

The distribution of the burden of tariffs is therefore certain to change. Suppliers from Germany and other countries should not count on being able to get by without price reductions in the long term if they want to defend their market shares. A decline in US import prices is therefore to be expected in the medium term.

... especially to consumers, ...

However, US consumers are likely to bear the brunt of the tariffs in the form of higher prices. This is because they have few alternatives. In principle, they can switch from imported to domestic products. But these will also become more expensive in the longer term due to higher prices for imported intermediate goods. In addition, the tariff wall around the US market is likely to lead to domestic suppliers taking advantage of the reduced competitive pressure to raise prices.

... tariffs therefore are thus set to boost consumer prices

The ultimate magnitude of this effect can only be roughly estimated. With imports accounting for around 10% of private consumption and an increase in the average tariff rate of around 15 percentage points (from 2% to 17%), companies would have to raise prices by 1.5% if consumers were to bear the full cost of the tariffs. In the longer term, there will also be indirect effects if the prices of domestic products rise due to more expensive intermediate goods or less competitive pressure from abroad.

Ultimately, the effect on consumer prices is likely to be smaller, as foreign suppliers and US companies will also bear part of the burden. Overall, we expect tariffs alone to push consumer prices up by around 1%, of which around 0.7% is still pending. We therefore believe that the Federal Reserve is underestimating the risks of inflation.

BOX: Is Trump's tariff policy legal?

A case is pending before the US Supreme Court to determine whether the tariffs announced by President Trump are legal. The focus is on the International Emergency Economic Powers Act (IEEPA), on which Trump has based most of the new tariffs. Several district and appeals court rulings have found the tariffs based on the IEEPA to be unlawful, prompting the government to appeal to the Supreme Court. The Supreme Court has agreed to expedite the proceedings, and the parties to the dispute will present their arguments to the court in early November. However, a ruling is not expected until spring or early summer 2026.

Even if the court were to curtail the president's powers under the IEEPA, this would not spell the end of high tariffs. Trump can still fall back on a number of other laws, some of which, however, stipulate longer deadlines and impose stricter requirements on tariff levels.

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[1] When assessing the different price trends for imports from Germany and China, however, it should also be noted that these have followed different trends in recent years. Prices for imports from China have fallen, while goods from Germany have actually become slightly more expensive. In addition, the rise in import prices for German products could be attributed, at least in part, to the fact that the dollar has depreciated by 8% on a trade-weighted basis since the beginning of February, when the US government announced the first tariff increases. However, most US imports are probably invoiced in dollars, so the effect of exchange rate changes on import prices is likely to be very limited, at least in the short to medium term. This is also supported by the fact that import prices have hardly changed in the previous months, even though the dollar had risen significantly. (back to text)

[2] Since the beginning of the year, consumer prices for goods excluding energy and food have risen by 1.1%, whereas a decline of one to two tenths would normally have been expected. With a share of one quarter in the core rate basket, the price effect of the tariffs on the core inflation rate is three tenths (1.2 x ¼). (back to text)

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