



The Perryman Group

# The Potential Economic Impact of Sustained Tariffs on Automobiles and Parts April 2025

Recently announced tariffs on automobiles (and, potentially, parts) would cause increases in prices and other economic costs. The Perryman Group estimates that the US economy could lose hundreds of thousands of jobs if the tariffs are sustained.

Recent data indicate that motor vehicles valued at approximately \$268.9 billion were imported to the US in 2024, including autos and light duty vehicles (\$247.1 billion) and heavy duty trucks (\$21.7 billion). Another \$148.9 billion in motor vehicle parts were also imported.

When a tariff is imposed, the importing firm (typically a US business) pays the tax to the US Treasury. Importers then pass much of the added cost to consumers and absorb any remainder through lower profits. The inevitable result is price increases and a diversion of money from the spending stream, causing major economic dislocations and harms. Because of the highly integrated global supply chain in this sector, the disruptions are particularly problematic and create the possibility of cascading levies during the production process.

The Perryman Group recently examined the losses (including multiplier effects and accounting for any offsetting gains in production by US manufacturers) assuming a sustained 25% tariff on automobiles and parts. The net cost of such a tariff on motor vehicles would be approximately **\$40.5 billion** in annual gross product and about **339,300 jobs**. If automotive parts are also included, the cost rises to **\$84.6 billion** in annual gross product and **715,400 jobs**. In addition, retaliatory tariffs would be likely, and such levies would reduce the competitiveness of US automobiles on world markets.

The situation remains in flux as countries around the globe retaliate and US policy changes frequently and unpredictably (which creates its own set of issues associated with uncertainty). Nonetheless, these estimates illustrate the enormous magnitude of the potential costs of tariffs on automobiles and parts. Irrespective of their stated purpose, the recent escalation in tariffs is causing disruptions and higher costs across a broad spectrum of the economy.

## The Potential Economic Cost of 25% Auto Tariffs on the US Economy

	Total Expenditures	Gross Product	Personal Income	Jobs
Automobiles	-\$124.276 b	-\$40.499 b	-\$25.111 b	-339,276
Automobile Parts	-\$102.177 b	-\$44.116 b	-\$27.821 b	-376,120
<b>Total, Automobiles &amp; Parts</b>	<b>-\$226.453 b</b>	<b>-\$84.615 b</b>	<b>-\$52.933 b</b>	<b>-715,396</b>

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Based on current import levels and potential dynamic effects of the proposed tariffs. Monetary values in millions of 2024 dollars. Components may not sum due to rounding. For more information, see the methodology section.

# The Potential Economic Cost of 25% Auto Tariffs on the US Economy

## Results by industry

	Total Expenditures	Gross Product	Personal Income	Jobs
<b>25% TARIFF ON AUTOMOBILES</b>				
Agriculture	-\$1.145 b	-\$0.339 b	-\$0.218 b	-2,717
Mining	-\$0.988 b	-\$0.244 b	-\$0.142 b	-704
Utilities	-\$3.808 b	-\$0.852 b	-\$0.372 b	-1,280
Construction	-\$1.169 b	-\$0.626 b	-\$0.516 b	-5,739
Manufacturing	-\$82.552 b	-\$18.870 b	-\$11.700 b	-135,991
Wholesale Trade	-\$4.497 b	-\$3.047 b	-\$1.757 b	-15,810
Retail Trade*	-\$9.118 b	-\$6.859 b	-\$3.991 b	-96,496
Transportation & Warehousing	-\$2.571 b	-\$1.717 b	-\$1.136 b	-12,263
Information	-\$1.421 b	-\$0.869 b	-\$0.371 b	-2,634
Financial Activities*	-\$8.642 b	-\$2.178 b	-\$0.891 b	-7,393
Business Services	-\$2.397 b	-\$1.456 b	-\$1.187 b	-11,445
Health Services	-\$2.046 b	-\$1.436 b	-\$1.214 b	-15,886
Other Services	-\$3.920 b	-\$2.005 b	-\$1.616 b	-30,919
<b>Total, All Industries</b>	<b>-\$124.276 b</b>	<b>-\$40.499 b</b>	<b>-\$25.111 b</b>	<b>-339,276</b>
<b>25% TARIFF ON AUTOMOBILE PARTS</b>				
Agriculture	-\$1.258 b	-\$0.361 b	-\$0.235 b	-2,939
Mining	-\$1.142 b	-\$0.278 b	-\$0.169 b	-855
Utilities	-\$4.432 b	-\$0.999 b	-\$0.436 b	-1,500
Construction	-\$1.462 b	-\$0.784 b	-\$0.646 b	-7,192
Manufacturing	-\$57.295 b	-\$21.343 b	-\$13.575 b	-156,043
Wholesale Trade	-\$3.611 b	-\$2.442 b	-\$1.408 b	-12,669
Retail Trade*	-\$9.917 b	-\$7.454 b	-\$4.336 b	-105,000
Transportation & Warehousing	-\$2.700 b	-\$1.828 b	-\$1.209 b	-13,052
Information	-\$1.382 b	-\$0.854 b	-\$0.365 b	-2,587
Financial Activities*	-\$9.399 b	-\$2.293 b	-\$0.934 b	-7,774
Business Services	-\$2.426 b	-\$1.472 b	-\$1.201 b	-11,575
Health Services	-\$2.291 b	-\$1.604 b	-\$1.356 b	-17,743
Other Services	-\$4.862 b	-\$2.405 b	-\$1.950 b	-37,189
<b>Total, All Industries</b>	<b>-\$102.177 b</b>	<b>-\$44.116 b</b>	<b>-\$27.821 b</b>	<b>-376,120</b>
<b>25% TARIFF ON AUTOMOBILES &amp; PARTS</b>				
Agriculture	-\$2.403 b	-\$0.699 b	-\$0.454 b	-5,655
Mining	-\$2.130 b	-\$0.522 b	-\$0.311 b	-1,559
Utilities	-\$8.240 b	-\$1.851 b	-\$0.808 b	-2,781
Construction	-\$2.631 b	-\$1.410 b	-\$1.162 b	-12,931
Manufacturing	-\$139.847 b	-\$40.213 b	-\$25.275 b	-292,034
Wholesale Trade	-\$8.109 b	-\$5.490 b	-\$3.165 b	-28,479
Retail Trade*	-\$19.035 b	-\$14.313 b	-\$8.327 b	-201,496
Transportation & Warehousing	-\$5.271 b	-\$3.545 b	-\$2.345 b	-25,314
Information	-\$2.803 b	-\$1.723 b	-\$0.736 b	-5,222
Financial Activities*	-\$18.041 b	-\$4.471 b	-\$1.825 b	-15,167
Business Services	-\$4.822 b	-\$2.928 b	-\$2.388 b	-23,021
Health Services	-\$4.337 b	-\$3.039 b	-\$2.570 b	-33,628
Other Services	-\$8.782 b	-\$4.411 b	-\$3.566 b	-68,109
<b>Total, All Industries</b>	<b>-\$226.453 b</b>	<b>-\$84.615 b</b>	<b>-\$52.933 b</b>	<b>-715,396</b>

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Based on current import levels and potential dynamic effects of the proposed tariffs. Monetary values in millions of 2024 dollars. Components may not sum due to rounding. For more information, see the methodology section.

## METHODS AND ASSUMPTIONS

This analysis compares the performance of the US economy with and without the proposed tariffs. The price differential across all industry categories was determined for more than 500 sectors. The elasticity of demand for products imported was then used to estimate the direct effects in each sector reflecting current trade patterns and market conditions. Responses such as reductions in purchases due to higher prices were fully accounted for, as was the potential for increased manufacturing in the United States as a result of the tariffs. These net results were then used as

inputs in a dynamic interactive simulation of the US Multi-Regional Impact Assessment System and the US Multi-Regional Econometric model to estimate the total effects.

Total economic effects are quantified for several measures of business activity; these measures are different ways of looking at the same effects and are not additive. Total expenditures (or total spending) reflects the change in the dollars changing hands as a result of the negative economic stimulus of the tariffs. Gross product (or output) is production of goods and services foregone as a result of

the tariffs. This measure is parallel to the gross domestic product numbers commonly reported by various media outlets and is a subset of total expenditures. Personal income is dollars that end up in the hands of people in the areas; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included. Job losses would persist as long as the tariffs are in place. Monetary values are given in billions of 2024 US dollars per year. Industry components may not sum to total values due to independent rounding.

## THE PERRYMAN GROUP



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Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

### M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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