US tariffs: One year on, where do we stand?

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By Eve Barré & Marcos Carias, Coface economists The trade war dominated economic news in 2025, and all the signs suggest it is far from over. Firstly, this article reviews the evidence pointing to the cost of tariffs being absorbed primarily by US companies. It then assesses the resilience of global trade.

A cost largely absorbed by US companies

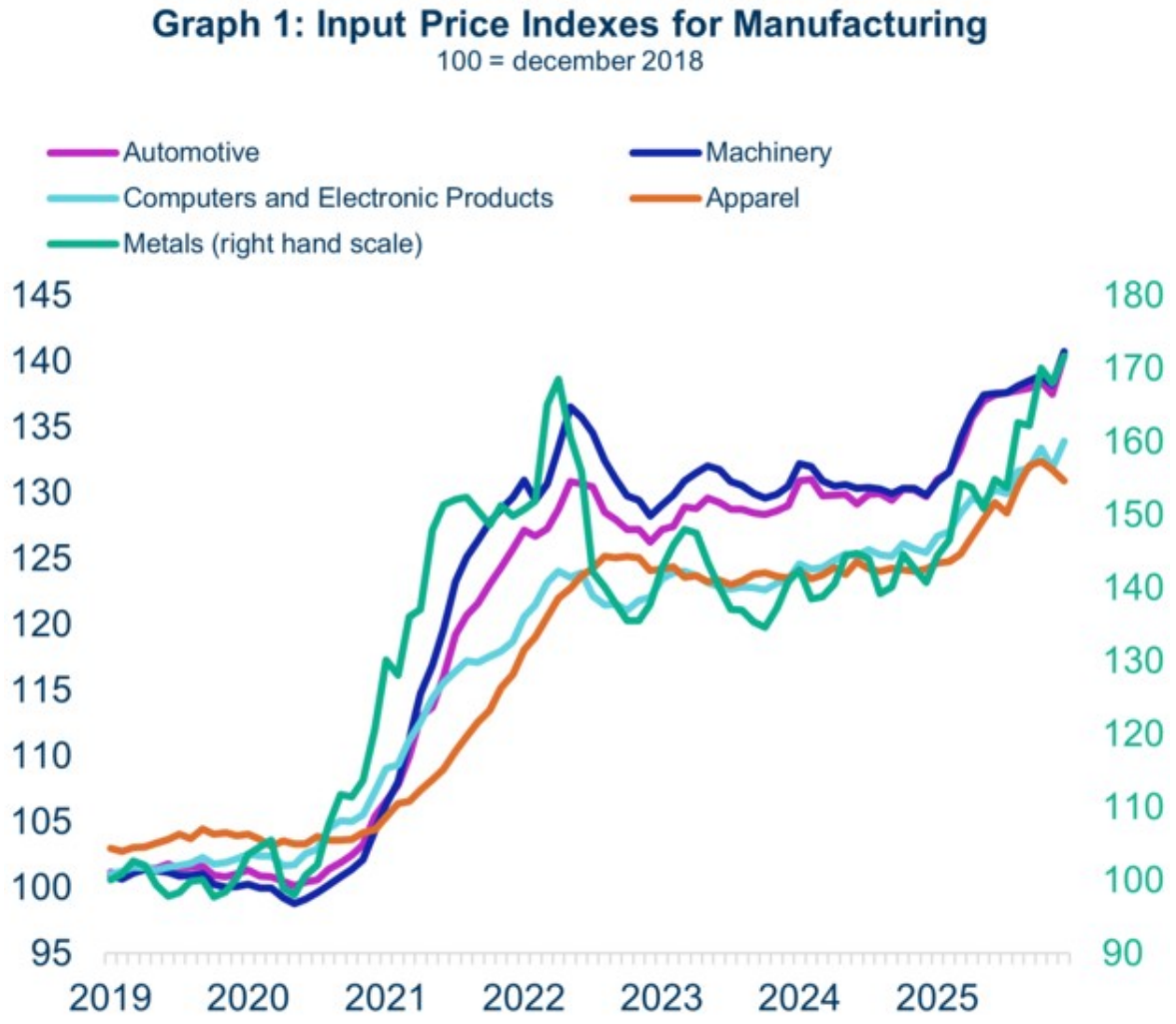
Since Donald Trump launched the trade war in 2025, the debate has remained open as to who actually bears the final cost of the tariffs. The US president claims that it is *foreign companies* which, in order to **preserve their access to the US market**, would lower their prices and thus absorb the bulk of the shock. Economic history suggests, however, that sooner or later it is the consumer who ends up 'footing the bill' in the form of **higher inflation**.

What does the evidence say?. With a few exceptions, foreign exporters' margins have largely been preserved. Furthermore, there is a rise in consumer inflation, but for the time being, it is significantly more **moderate than expected**. Taken together, these two observations indicate that, at this stage, it is US companies that are absorbing the bulk of the costs.

Other data corroborate this assessment**.** This is the case with the import price index, which rose by 0.7% in 2025, a rate very close to its average annual increase of **0.5% since 2010**. Admittedly, some product categories recorded significant price falls — notably spirits, timber, cosmetics, steel and textiles — but these are exceptions. We don't see a widespread trend of foreign firms lowering their prices in order to preserve their market share in the US.

Furthermore, 2025 ended with an average annual inflation rate of 2.8%. In the absence of a trade war, the rate would most likely have been 2%. However, it remains well below the 3.5–4% that some had expected with average tariffs of around 15%. These figures do not, at this stage, suggest a very high degree of cost pass-through to the consumer.

Finally, there has been a sharp rise in input costs[1] among firms heavily exposed to tariffs (Figure 1). By the end of 2025, input inflation stands at 20% in the metalworking industry, 9% in household appliances, 8% in the automotive sector, 6% in machine tools and textiles, and 5% in electronics. In most of these sectors, gross margins are stagnating or even contracting.



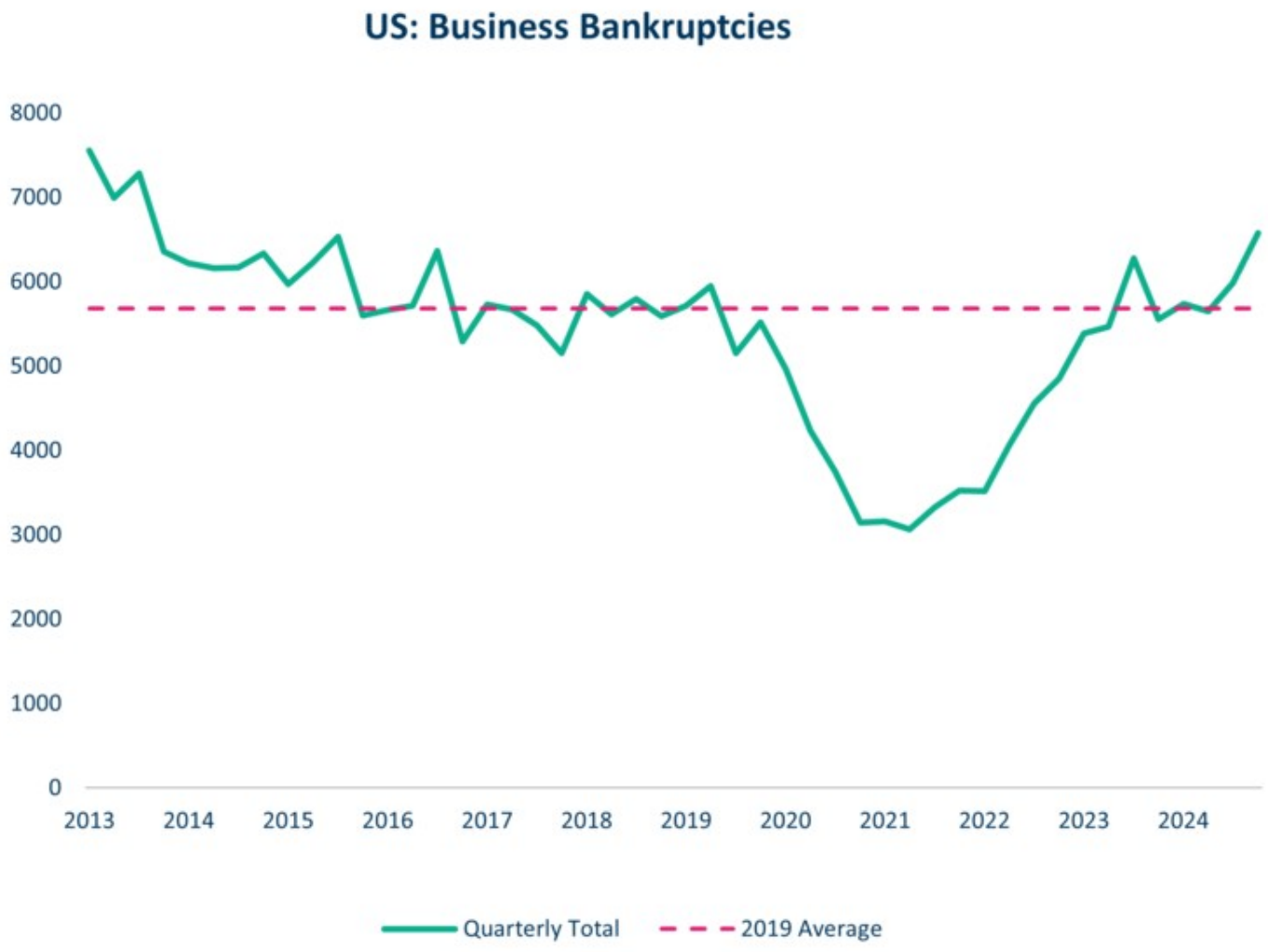
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Source: Coface calculations based on figures from the Bureau of Labour Statistics and the Census Bureau, Macrobond.

At first glance, these findings may seem counter-intuitive given the resilience shown by the US economy. Nevertheless, while GDP is growing, this does not mean that all businesses are doing well.

The rise in insolvencies bears this out. The trade war has indeed coincided with a rapid increase in bankruptcy filings: their number is currently around 15% above the 2019 average, and this has been the case for three consecutive quarters for the first time since the pandemic. Although a majority of companies are still managing to withstand this adverse environment by drawing on their cash reserves or offsetting the impact through productivity gains, a growing number of them are finding themselves in a vulnerable position.

It also appears that US consumers are now less willing to accept further significant price rises after the bout of inflation that followed the COVID-19 pandemic. The feeling that the cost of living has become unacceptably high is giving rise to a narrative of an “affordability crisis” that risks costing the Republicans dearly in the mid-term elections in November.



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Global trade further disrupted, but not yet overturned

The US tariff offensive has caused significant turbulence in global trade. It initially fuelled volatility in the flow of goods: US imports surged by 25% in volume in the first quarter of 2025 compared with the same period in 2024, as companies anticipated the entry into force of the tariffs.

Then, in April, the announcement of a 90-day truce triggered a new wave of purchases. This surge in activity subsequently weighed on US imports, leading to a decline in the second half of the year. Ultimately, the United States maintained strong import momentum in 2025.

They rose by 4.2% over the year, marking a moderate slowdown compared with the 5.2% growth recorded in 2024. This momentum contributed to the persistence of the US trade deficit, even though reducing this deficit was one of the stated objectives of the US administration through its tariff policy.



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This instability has had an impact on the cost of maritime transport. Freight rates had not reacted in the first quarter, as carriers had anticipated an influx of goods prior to the imposition of tariffs. However, the second wave of demand had not been foreseen. In the meantime, companies had reduced capacity on trans-Pacific routes, expecting a sustained slowdown.

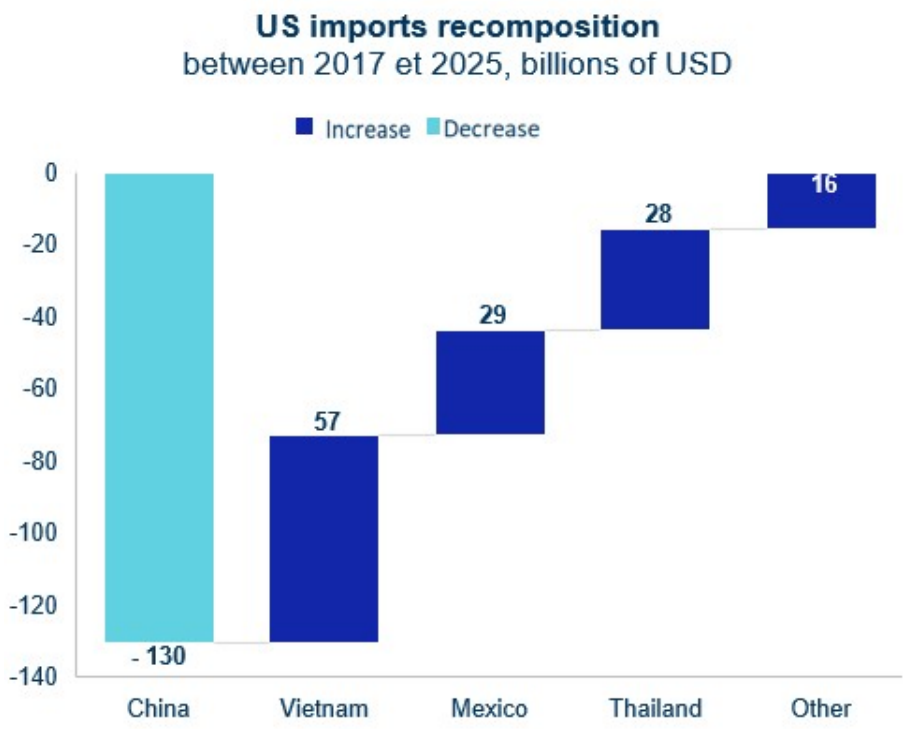
The result: container freight rates surged by 70% in four weeks from early May, with a dramatic spike of nearly +120% on the Shanghai–Los Angeles route.

Tariffs have also led to a reconfiguration of global trade, or rather to the acceleration of this phenomenon. Tariffs have once again shone a spotlight on ‘connector countries’ – a concept that emerged in the context of the Sino-American trade war that began in 2018.

These countries act as transmission belts between the **United States** and **China**, the main target of the tariff offensive. But unlike in previous years, the choice of these connector countries has also been driven by relative tariff dynamics. Consequently, countries that were already acting as connectors have seen their role take on a new dimension, benefiting from more favourable tariffs than those applied to China.

Vietnam is the most striking example. Between 2017 and 2024, Vietnam’s share of US exports increased by an average of 0.3 percentage points each year, rising from 2% to 4.2%. In 2025 alone, the increase was 1.5 points, a fivefold acceleration. US imports from Vietnam surged by 42% in value, accounting for nearly half (44%) of the decline in imports from China. At the same time, Chinese exports to Vietnam increased by a similar amount, suggesting a role as an intermediary hub.

Although the rise in US imports from **Thailand** was half as large in value, it also coincided with the rise in Chinese exports to the country. As for **Mexico**, often cited as a connecting country, its case is more ambiguous: its exports to its American neighbour increased in 2025. Nevertheless, this rise is four times greater than that of Chinese exports to Mexico, which puts its role as an intermediary into perspective.



Data for the graph in .xlsx format

Source: US Census Bureau, Coface

The uncertain future of the tariff instrument

The upheavals caused so far by US tariffs may be only the first act. On 20 February 2026, the US Supreme Court's decision to invalidate the tariffs applied under the *International Emergency Economic Powers Act* (IEEPA) introduced new uncertainties. This concerns the majority of the so-called 'reciprocal' tariffs initially announced on *Liberation Day* (2 April 2025), as well as the so-called 'fentanyl' tariffs affecting Mexico, Canada and China.

However, tariffs under Section 232 — which allows the President to impose measures when certain imports are deemed a threat to national security and which specifically target the **metals**, **automotive** and timber sectors — remain in place. The same applies to Section 301 tariffs, which are mainly directed against China and were largely introduced during Donald Trump's first term. Nevertheless, of the total $272 billion in tariffs collected since March 2025, approximately $166 billion — collected under the IEEPA — could potentially be refunded to the US companies that paid them.

To replace the IEEPA tariffs, the White House swiftly invoked a temporary measure (Section 122 of the *Trade Act* of 1974) allowing it to apply a general tariff of 10%, raisable to 15%, valid until 24 July and renewable subject to congressional approval. Furthermore, steps are underway to attempt to replicate the tariff regime invalidated by the Supreme Court using other legal tools. This could notably include additional tariffs under Sections 232 and 301.

In this context, three main lessons emerge. Firstly, the administration remains determined to defend an aggressive tariff regime. Thus, a rapid easing of restrictions intended to cushion the potential shock of energy inflation following the crisis in the Strait of Hormuz would represent a spectacular U-turn and be incompatible with the stated policy line. The hypothesis of a 'TACO' — *Trump Always Chickens Out* —

therefore seems highly unlikely in this regard.

Secondly, by relying on flimsy legal arguments, the Trump administration is contributing to heightened uncertainty surrounding trade. If even tariffs that have been in place for nearly a year can be revoked, at what point will economic actors be able to consider the tariff regime to be stable?

The new tariffs announced following the Supreme Court's decision are, moreover, themselves legally contestable, further fuelling uncertainty. Thirdly, there is no guarantee that companies will continue indefinitely to absorb the costs without passing on an increasing share of them to consumers. The ability to squeeze margins or rely on productivity gains has its limits. After the 2025 tariff 'sprint', the trade war could now enter a 'marathon' phase: slower, longer and potentially more inflationary.

1 Measured by the business input price index compiled by the *Bureau of Labor Statistics (BLS), "inputs to industry price indexes"*