



Tariffs and Arizona's Role in Border Trade

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Major Risks to the Economy

► Policy Uncertainty

- Large business and consumer purchases depend on views about the future, including the future of economic policy
 - When there is significant uncertainty about economic policy, businesses and consumers hold back

► Tariffs

- Tariffs are taxes
- Importers pay tariffs, but the tax burden may vary across products and industries
- Current tariff levels are a significant increase in taxes on consumers and businesses

► Mass Deportations

- In already tight labor markets, significant increases in deportations will create and exacerbate labor shortages

► Federal spending and job cuts

- Reduced federal purchases of goods and services and reduced federal employment will put downward pressure on economic activity

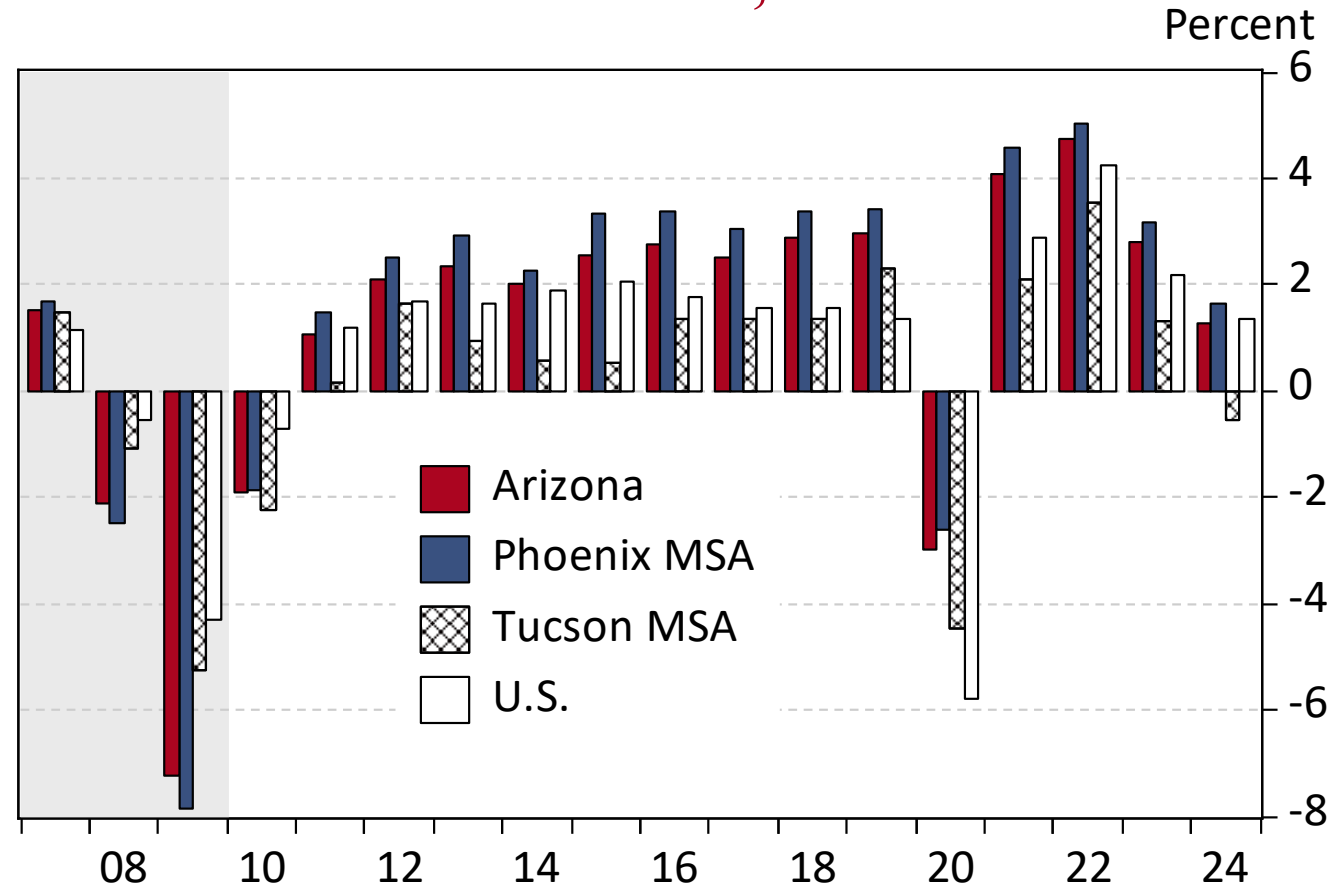
► Reduction or elimination of the independence of the Federal Reserve

- Increases inflation and inflation volatility, raising its costs



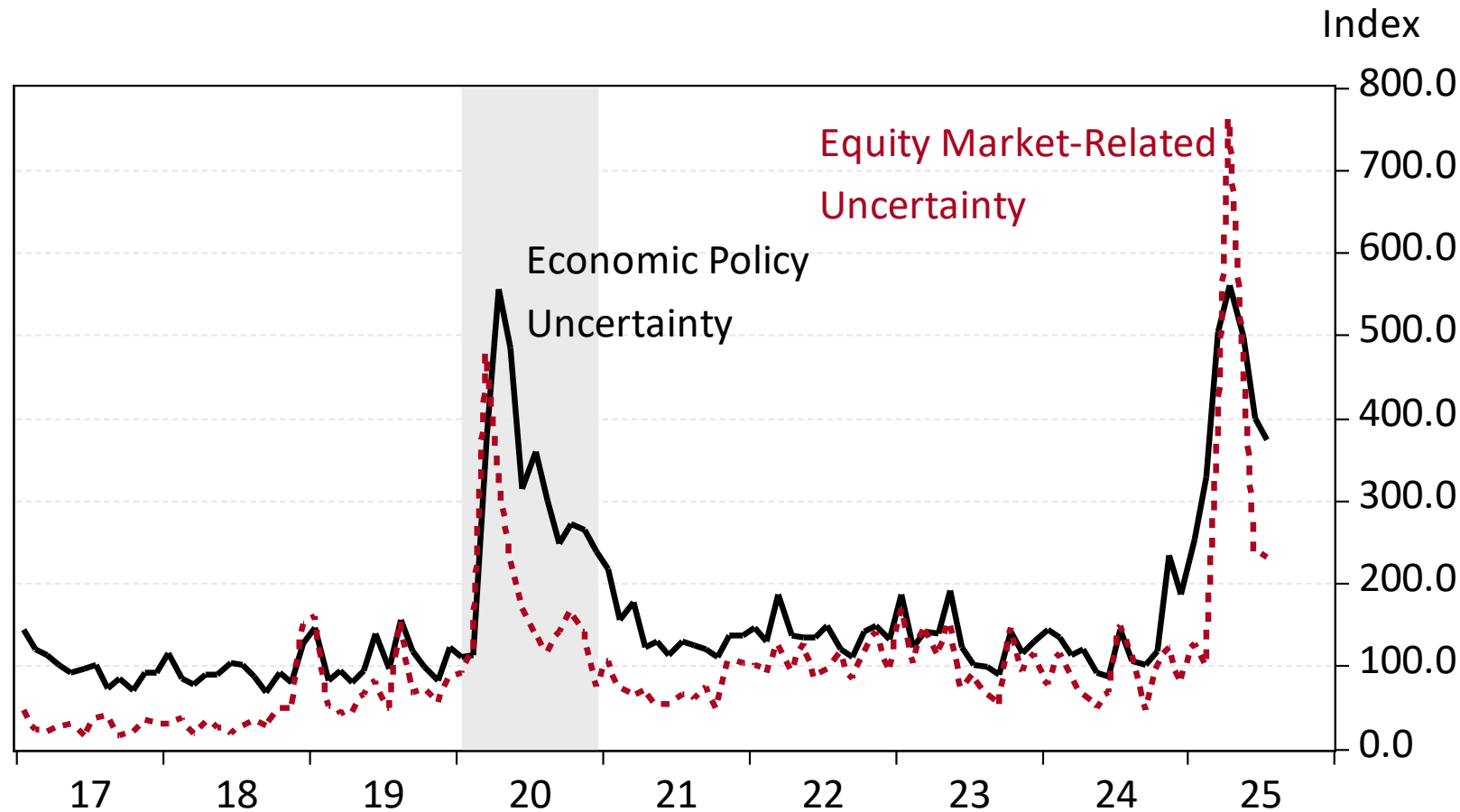
Arizona Nonfarm Job Growth

Annual Growth, Percent



A Huge Increase in Economic Policy Uncertainty

Baker, Bloom, Davis (2012)



A Huge Increase in Tariffs

U.S. Average Effective Tariff Rate

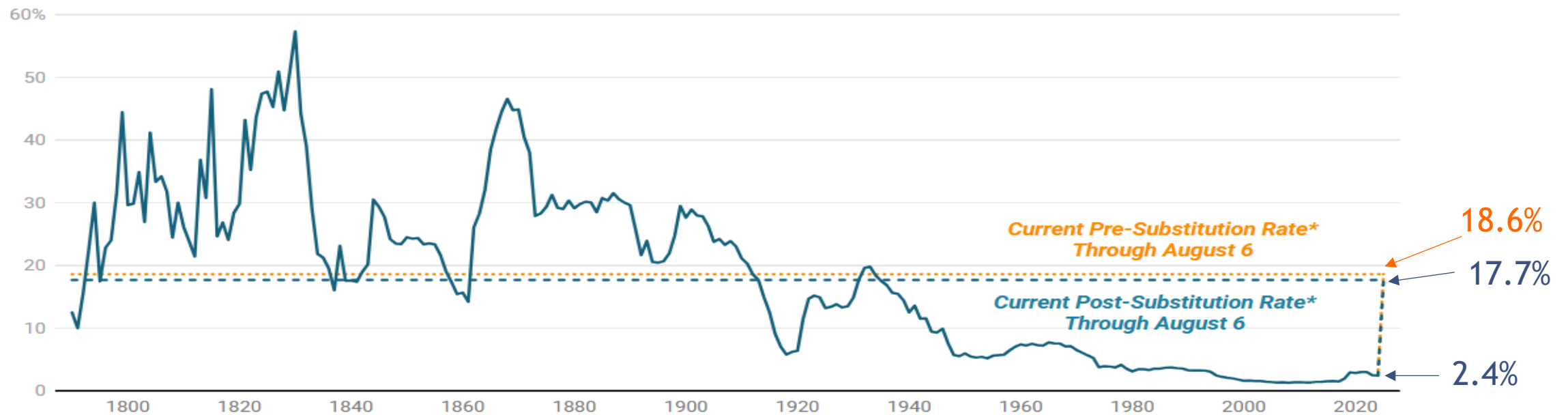


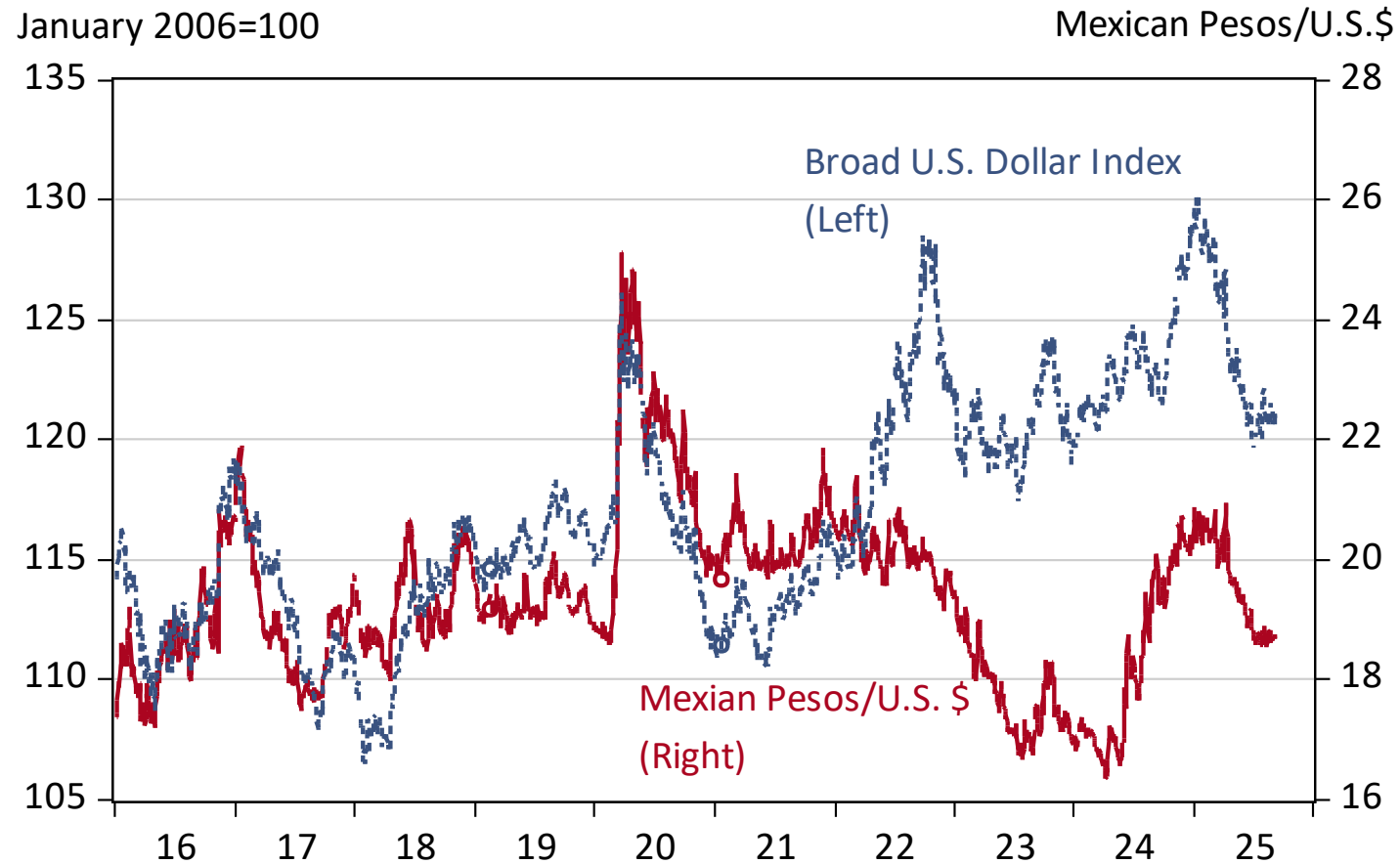
Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. •

Tariffs Will Adversely Impact the Economy

- ▶ **Arizona will feel the impact of tariffs on Mexico more than most states**
 - ▶ Arizona ranked 31st in the nation in the importance of international trade (12.3% of GDP)
 - ▶ Arizona ranked 6th in the nation in the importance of trade with Mexico (3.8% of GDP)
 - ▶ Lower after-tax income for households, higher costs for businesses importing inputs
 - ▶ Short-run burst of inflation followed by higher price levels that linger
- ▶ **May incentivize capital investment in the U.S., resulting in increased manufacturing output (long run)**
 - ▶ But probably not much job impact since firms invest in state-of-the-art automation
- ▶ **Raises the value of the U.S. dollar, other things the same**
 - ▶ Offsets some of the price/inflation impact
 - ▶ But hurts exports of goods and services
- ▶ **Retaliatory tariffs**
 - ▶ Hurt U.S. exporters, including those in Arizona

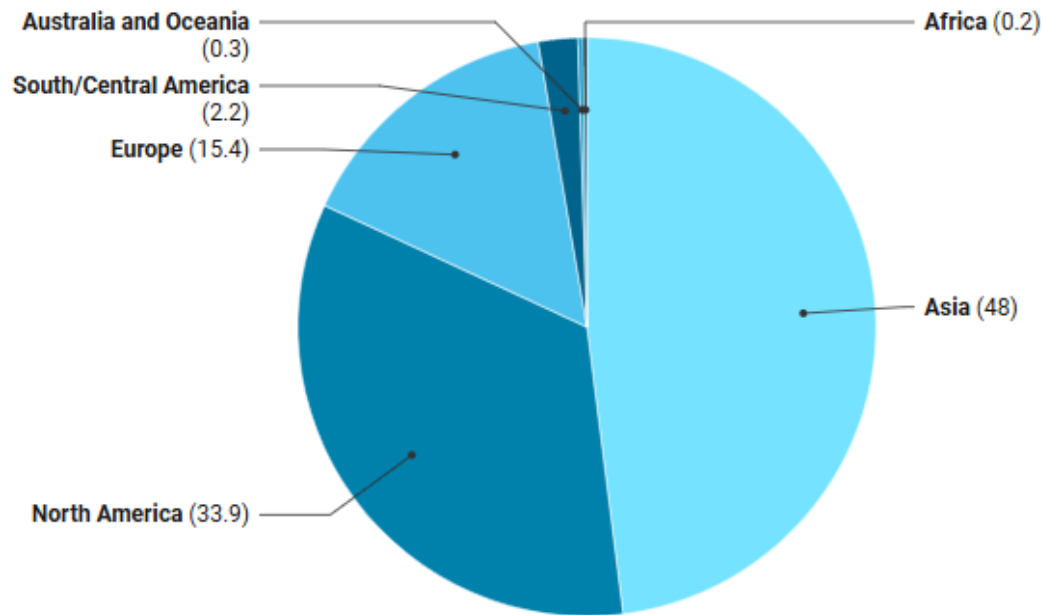
U.S. Dollar Exchange Rates

Daily



Arizona Merchandise Imports in 2024

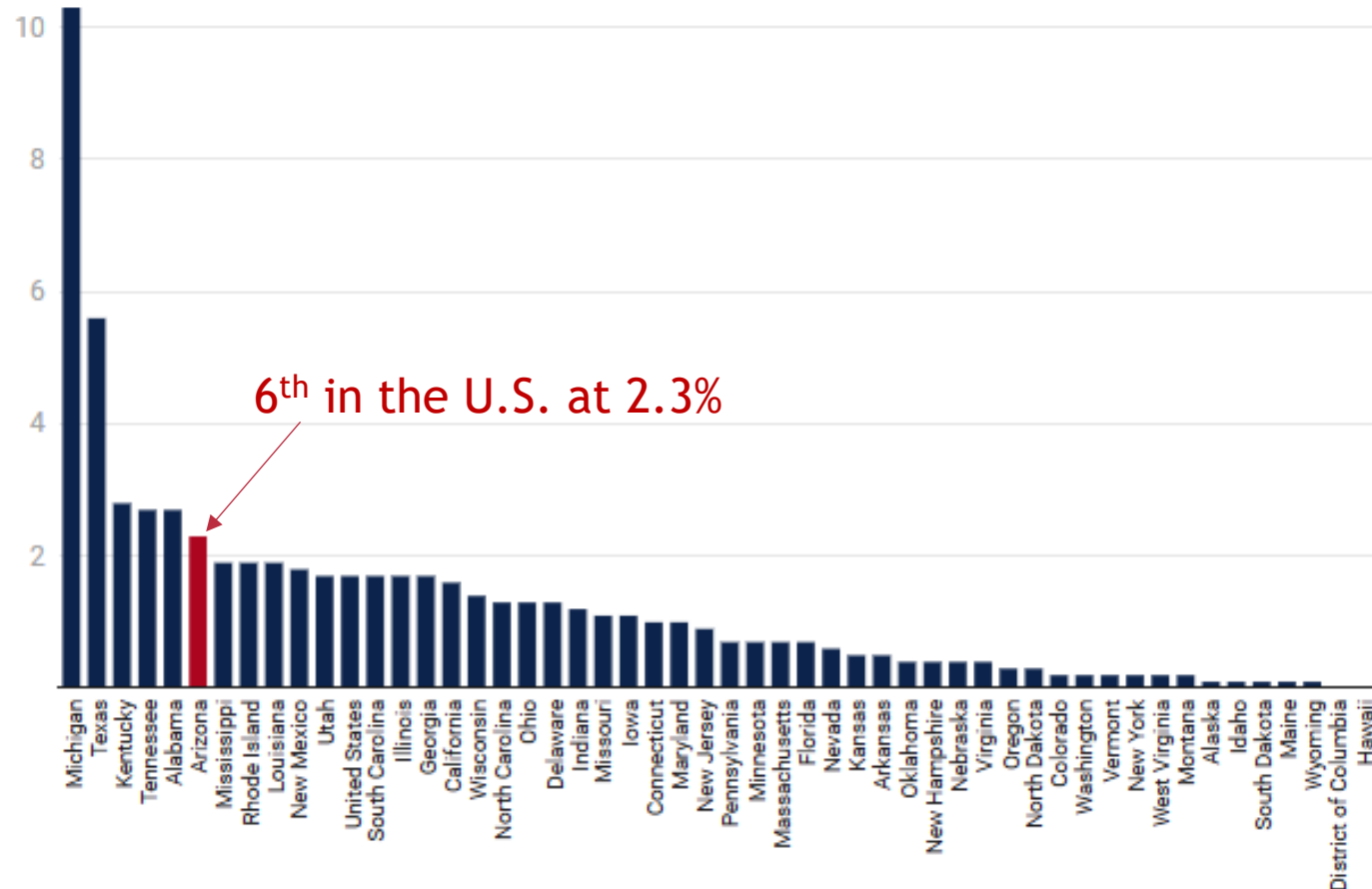
Percent of Total Imports from the World



	Millions of Dollars	Share of Total (%)	All States Share (%)
All Countries	42,206	--	--
Mexico	11,593	27.5	15.5
China	5,366	12.7	13.4
Taiwan	3,553	8.4	3.6
Canada	2,697	6.4	12.6
Japan	2,378	5.6	4.5
Malaysia	1,901	4.5	1.6
Germany	1,831	4.3	4.9
Thailand	1,809	4.3	1.9
Singapore	1,043	2.5	1.3
South Korea	1,011	2.4	4.0

Arizona Merchandise Imports From Mexico

Share of GDP in 2023, Percent

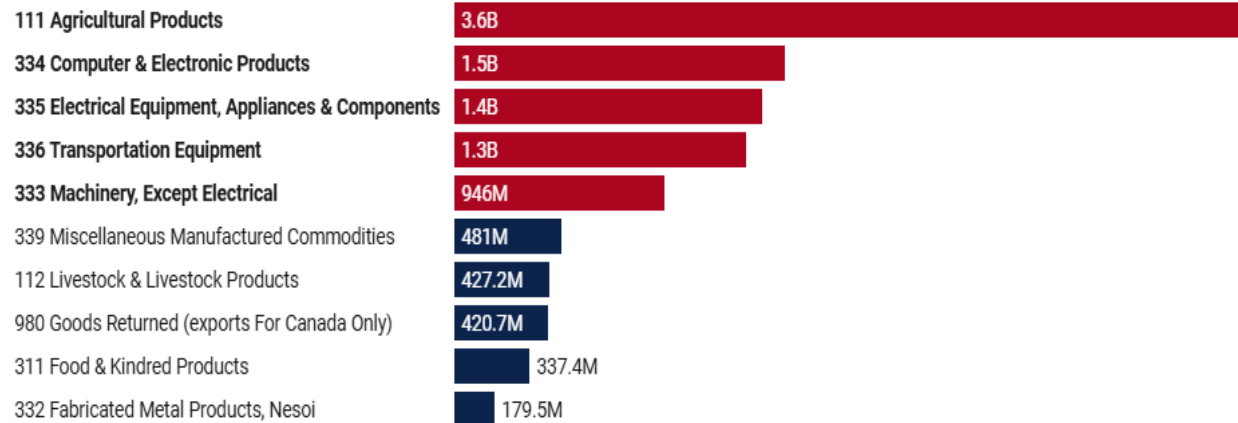


Arizona Merchandise Imports

Top 10 By Industry, 2024, Dollars

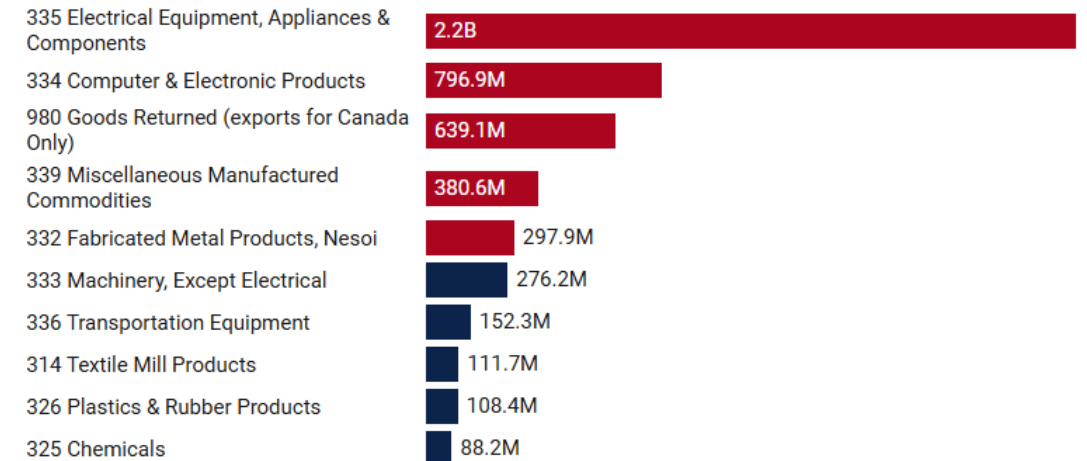
Imports from Mexico

Three-Digit NAICS, Dollars



Imports from China

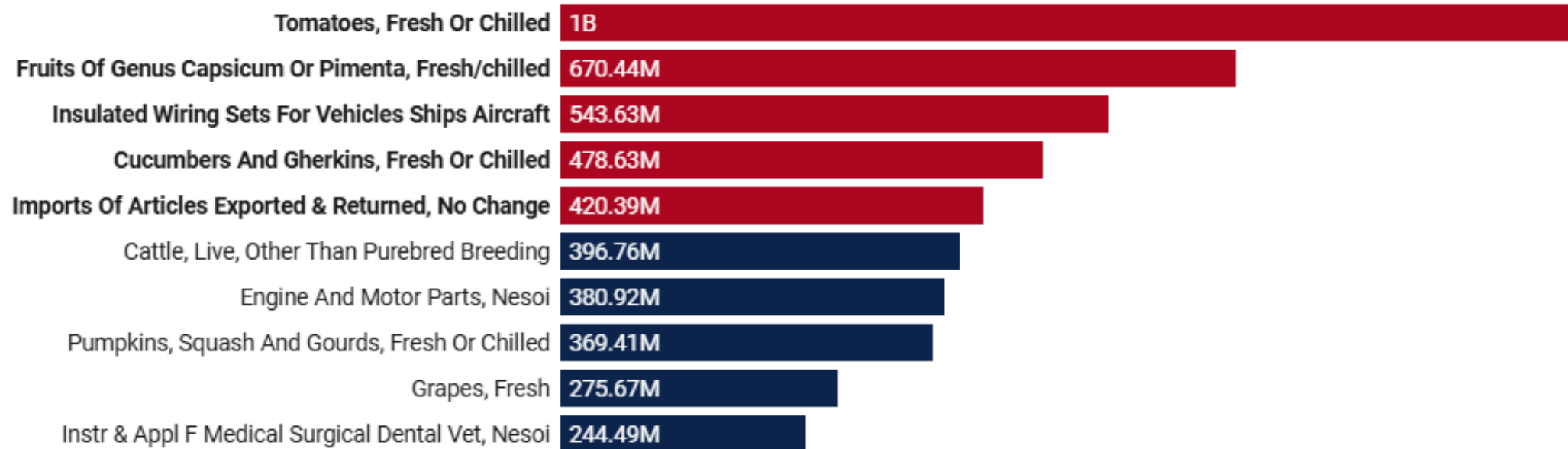
Three-Digit NAICS, Dollars



Arizona Merchandise Imports From Mexico

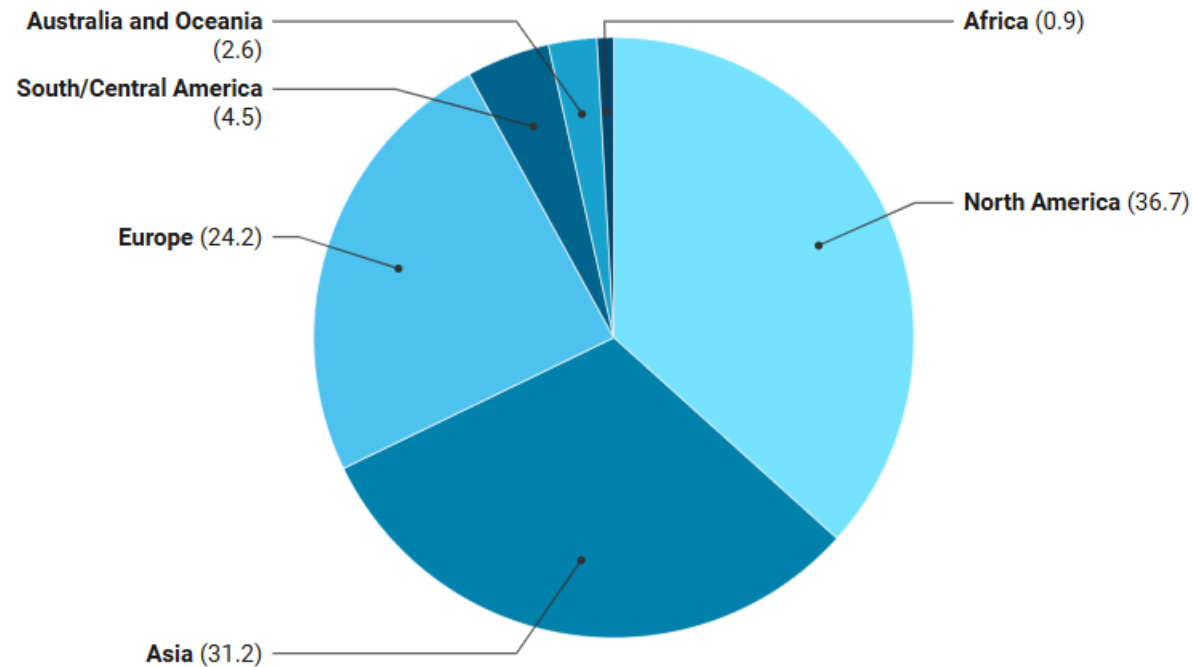
Top 10 Commodities, 2024 Dollars

Six-Digit HS Commodities, Dollars



Arizona Merchandise Exports in 2024

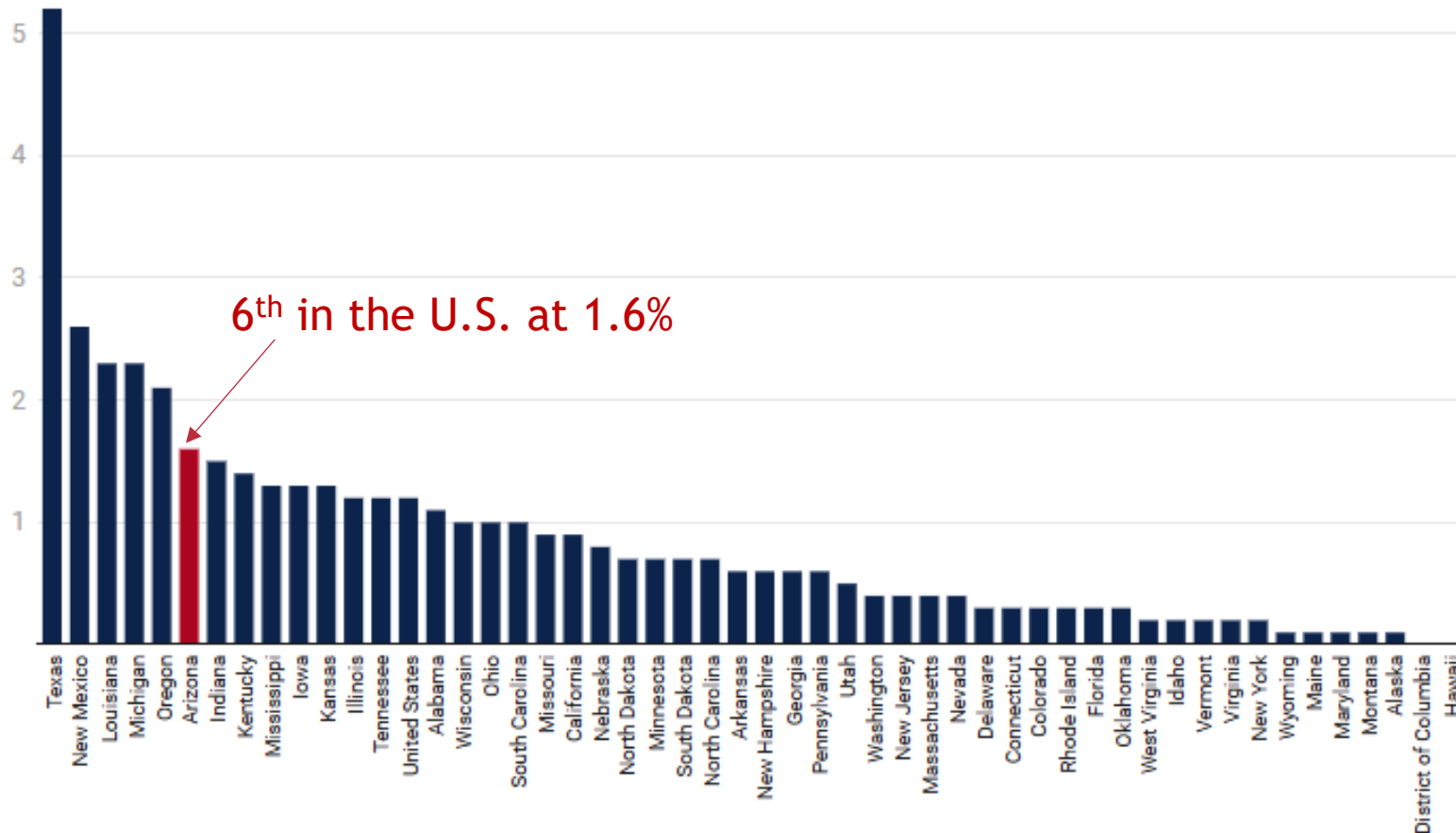
Percent of Total Exports to the World



	Millions of Dollars	Share of Total (%)	All States Share (%)
All Countries	32,398	--	--
Mexico	8,899	27.5	16.2
Canada	2,997	9.3	17.0
Netherlands	1,990	6.1	4.3
China	1,717	5.3	6.9
United Kingdom	1,385	4.3	3.9
Taiwan	1,323	4.1	2.1
Japan	1,322	4.1	3.8
Singapore	971	3.0	2.2
Malaysia	897	2.8	1.3
Germany	845	2.6	3.7

Arizona Merchandise Exports to Mexico

Share of GDP in 2023, Percent

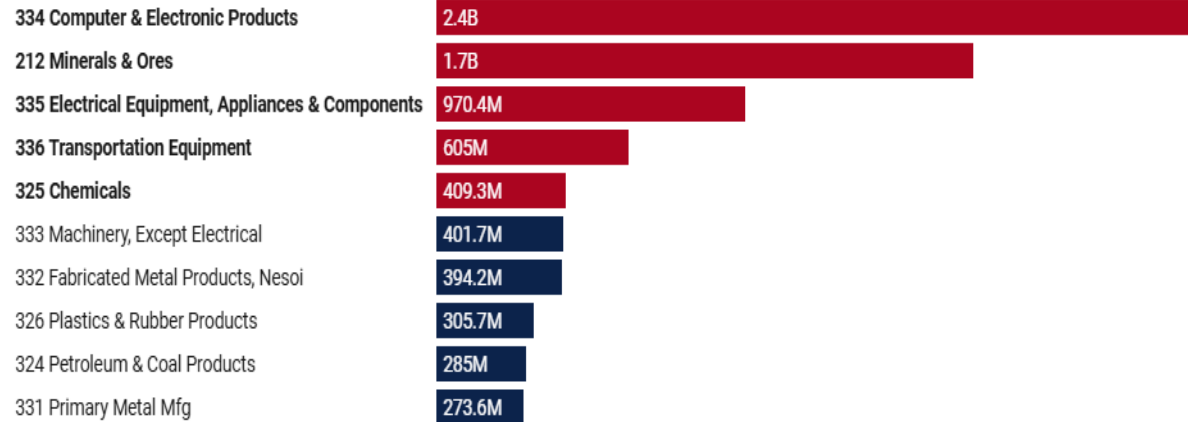


Arizona Merchandise Exports

Top 10 By Industry, 2024, Dollars

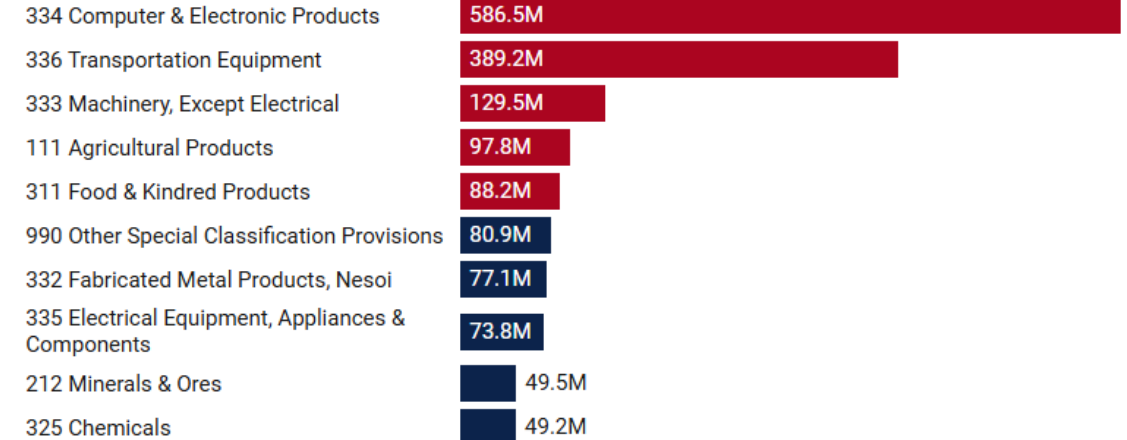
Exports to Mexico

Three-Digit NAICS, Dollars



Exports to China

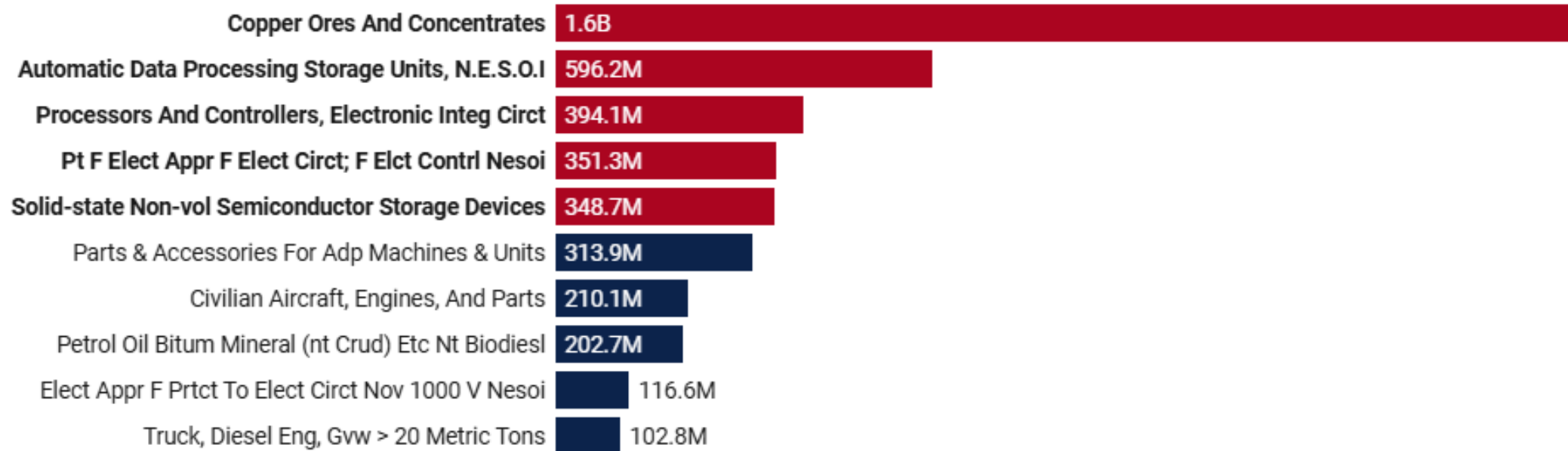
Three-Digit NAICS, Dollars



Arizona Merchandise Exports to Mexico

Top 10 Commodities, 2024 Dollars

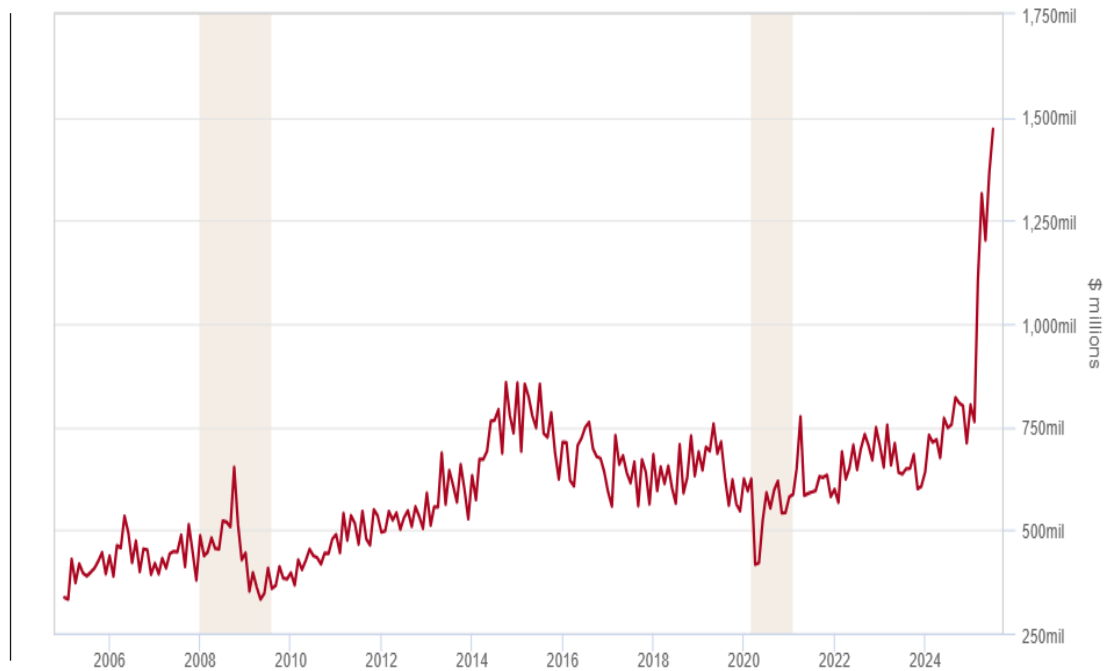
Six-Digit HS Commodities, Dollars



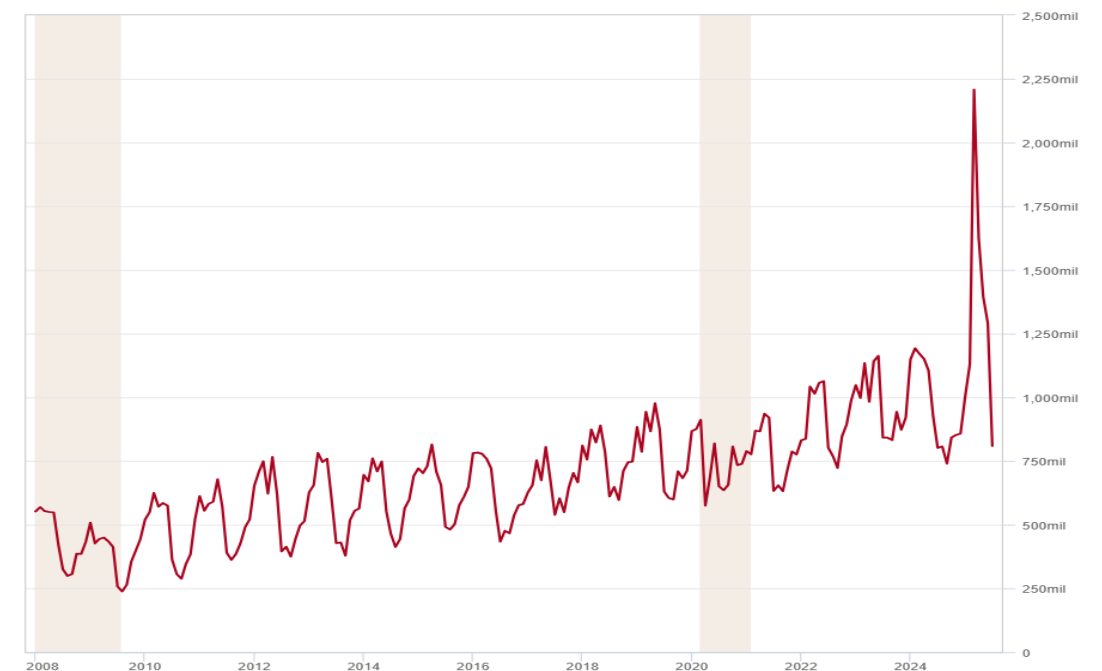
Arizona Merchandise Trade With Mexico

Monthly, 2024 Dollars

Exports

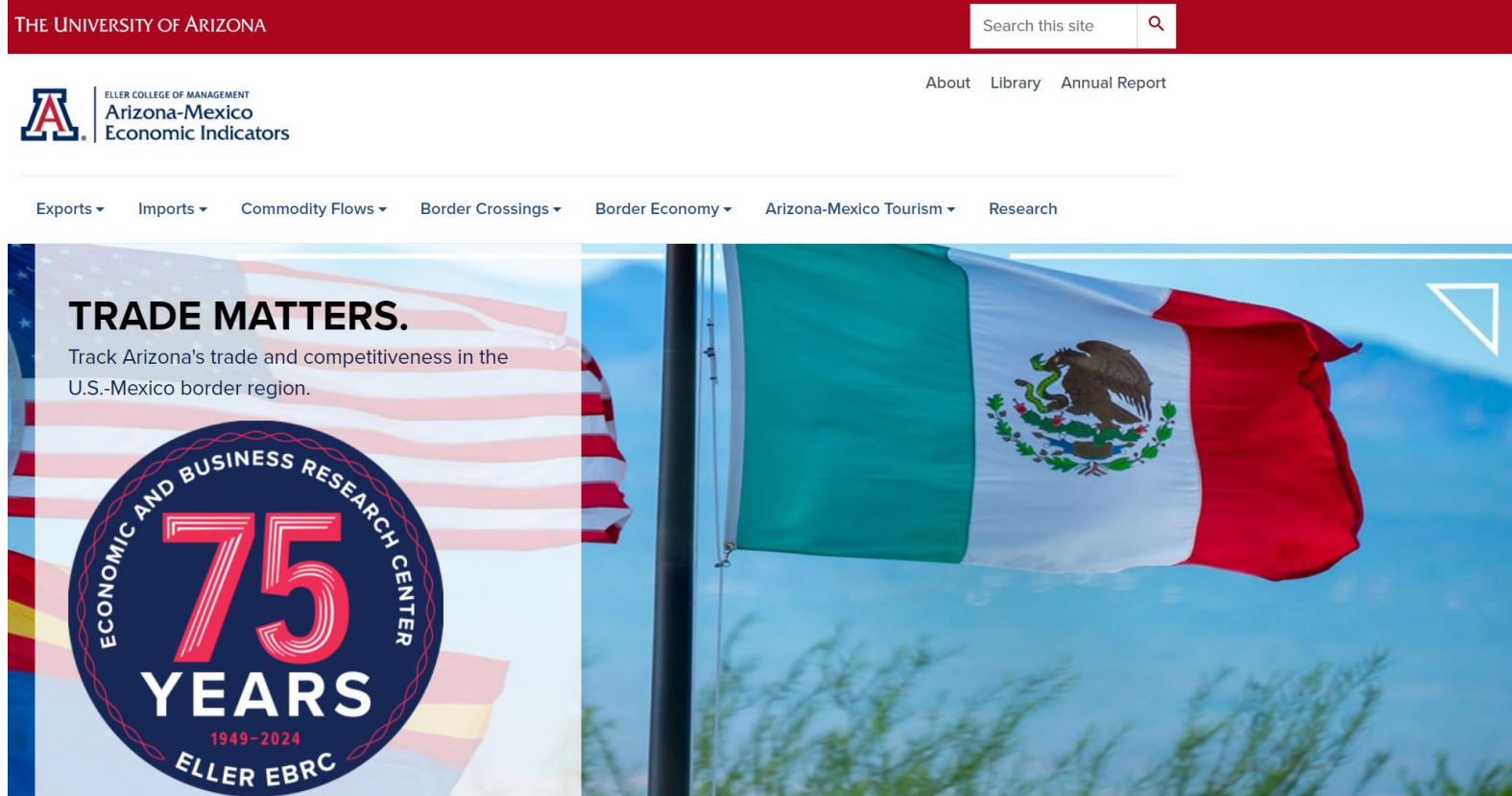


Imports



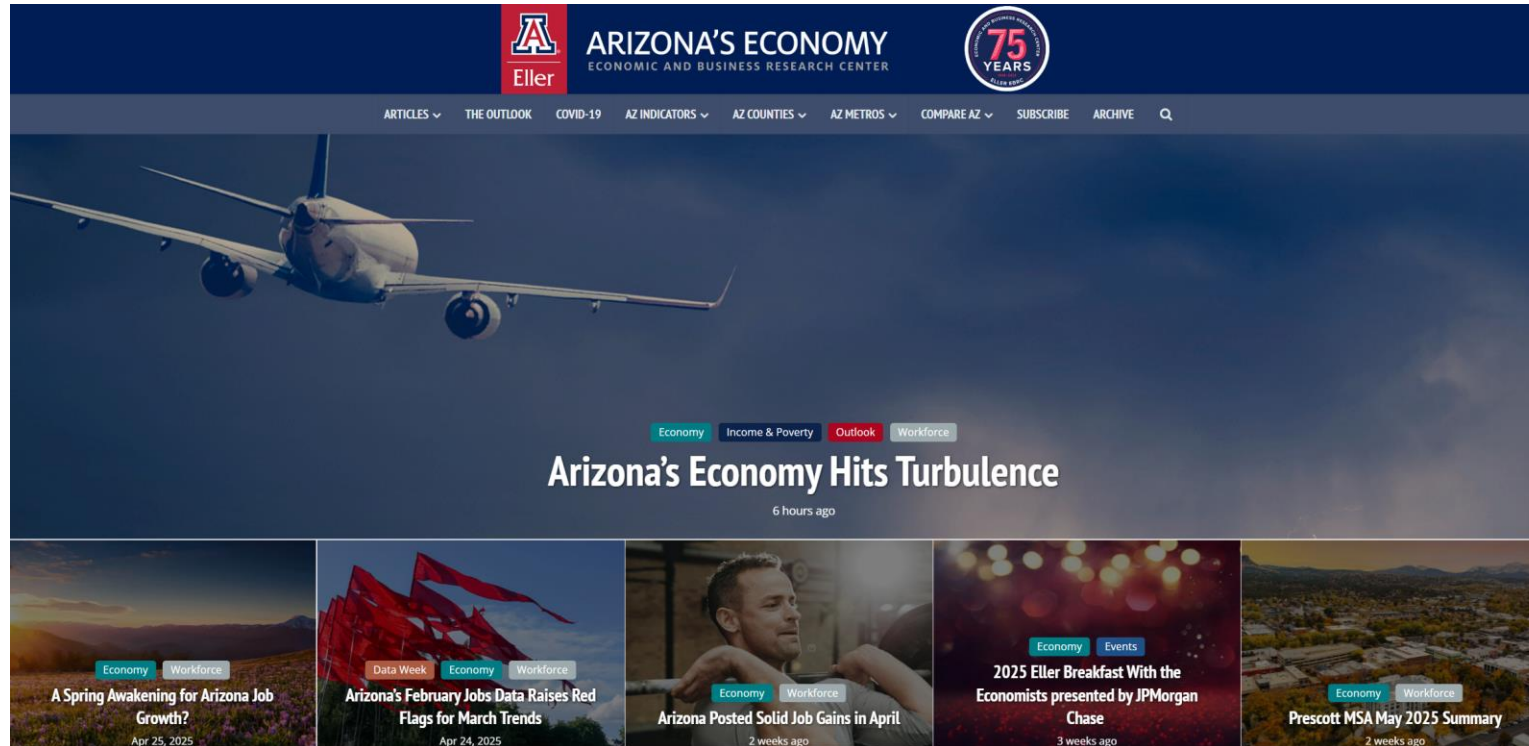
Explore data for border economies.

Arizona-Mexico Economic Indicators



azmex.eller.arizona.edu

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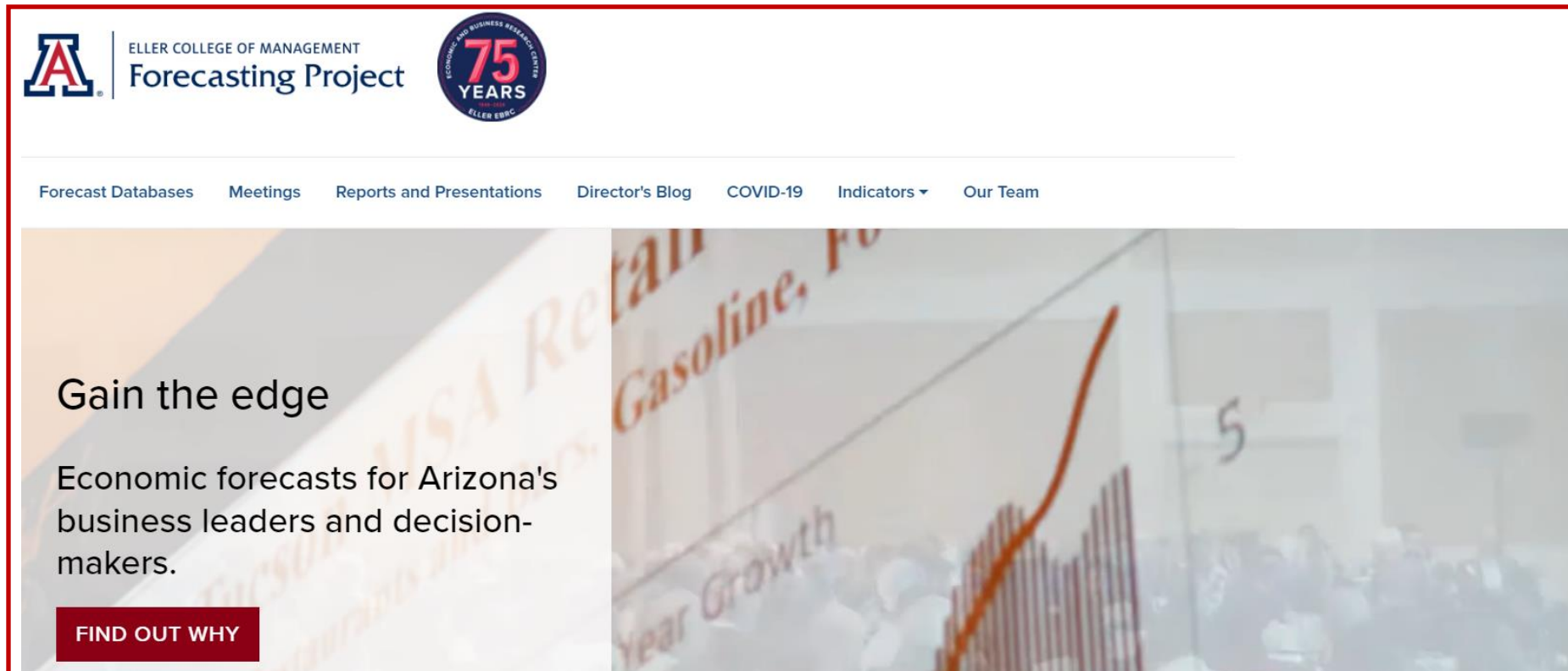


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