Potential Impacts of New Federal Tariffs on the San Francisco Economy

Office of the Controller
Office of Economic Analysis

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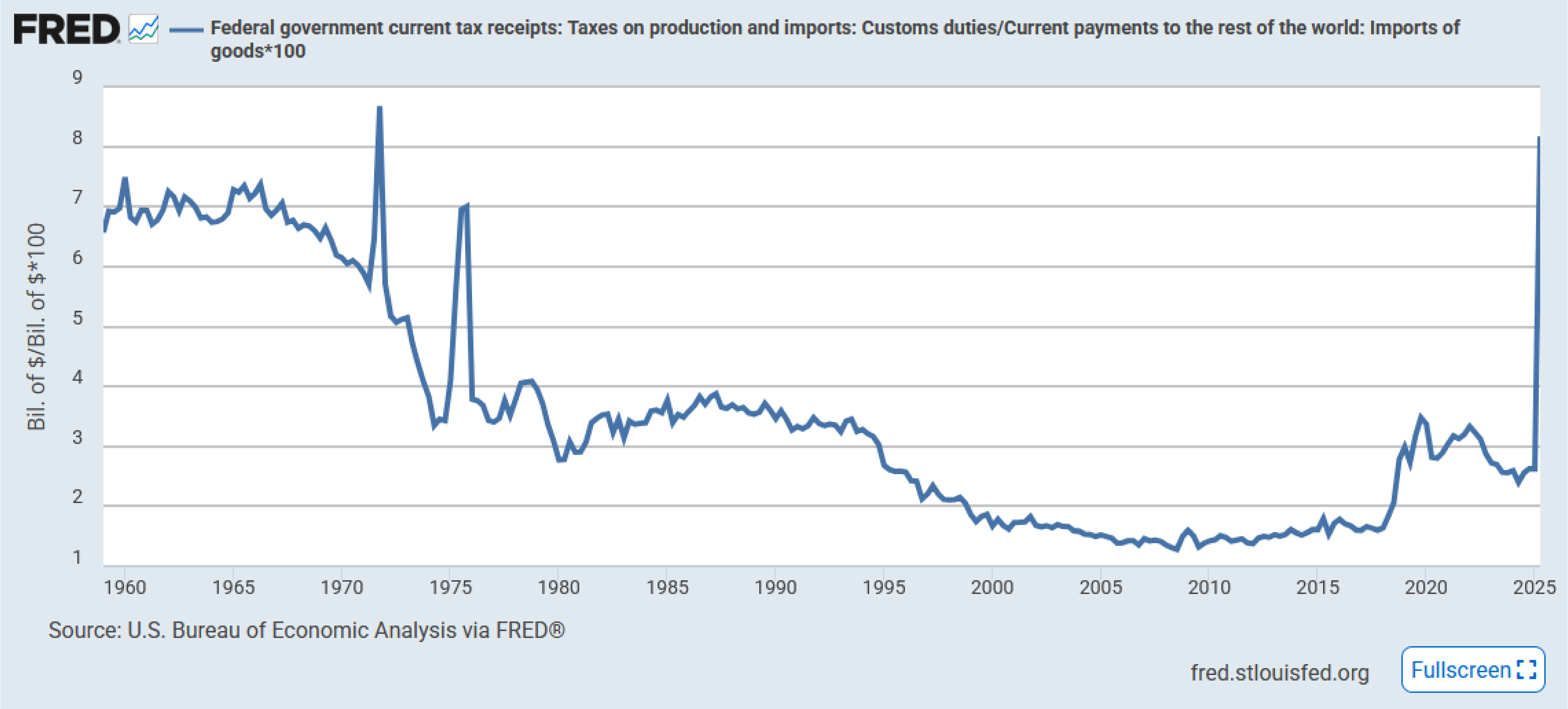
New Tariffs in 2025



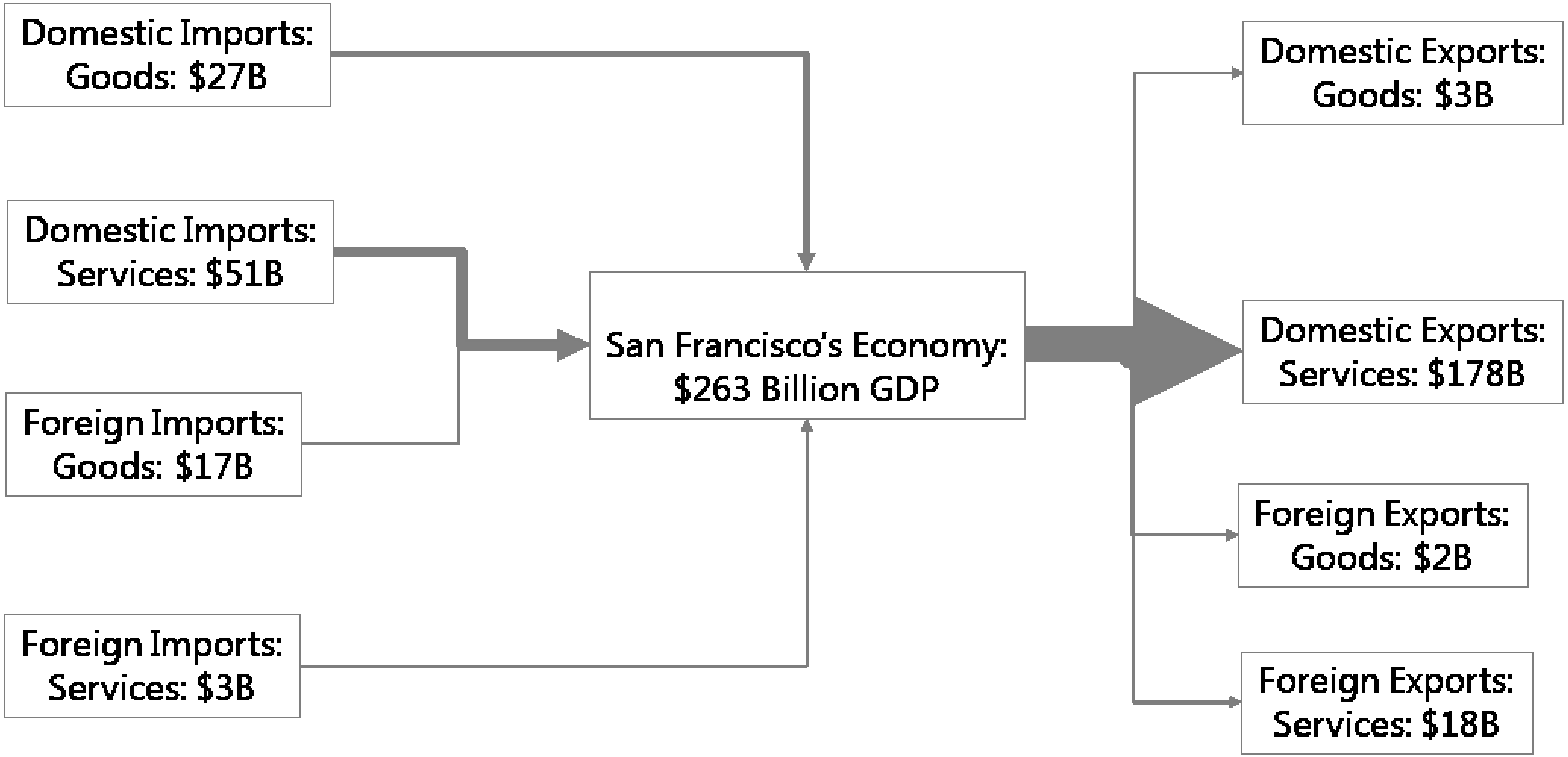
The "Econ 101" of Tariffs

- Tariffs are like taxes on imported commodities and goods.
- They cause import prices to rise and revenues to importers to decline.
- Higher import prices ripple through the economy and slow growth.
- On the other hand, demand for domestic goods rise as foreign competition gets more expensive.
- Raising tariffs risks retaliation from trading partners.

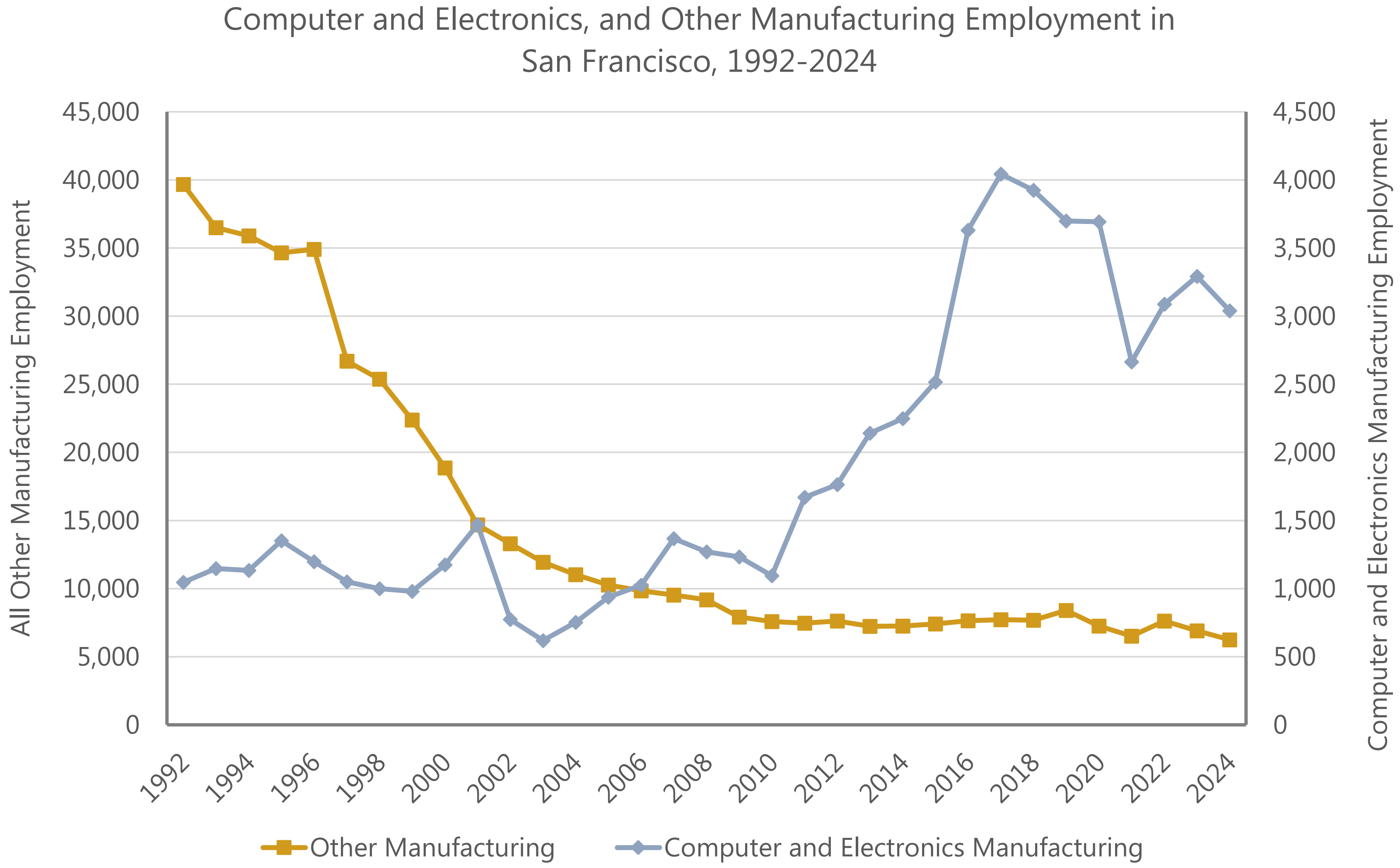
San Francisco's Economic Structure in Context

Industry	% of San Francisco GDP	% of U.S. GDP
Primary Industries (Ag, Mining)	0%	2%
Utilities	0%	2%
Construction	2%	4%
Manufacturing	2%	10%
Trade and Transportation	10%	16%
Information	20%	5%
Finance and Real Estate	22%	21%
Professional and Business Services	26%	13%
Education, Health, Social Assistance	4%	8%
Leisure & Hospitality	4%	4%
Other Services	1%	2%
Government	8%	11%
Total	100%	100%

San Francisco's Trading Relationships (2024)



San Francisco's Manufacturing



Source: Census LED

As noted earlier, manufacturing makes up only 2% of San Francisco's GDP, compared to 10% of the U.S. as a whole. Manufacturing is highly relevant to tariffs because this sector both absorbs higher import costs (as customers of foreign producers), and potentially benefits from them (as competitors with foreign producers).

Since the early 1990s, the city's manufacturing employment has declined by more than 75%. However, one bright spot has been computer and electronics manufacturing, which has generally grown since 2010 and now makes up more than one-third of all manufacturing jobs in the city.

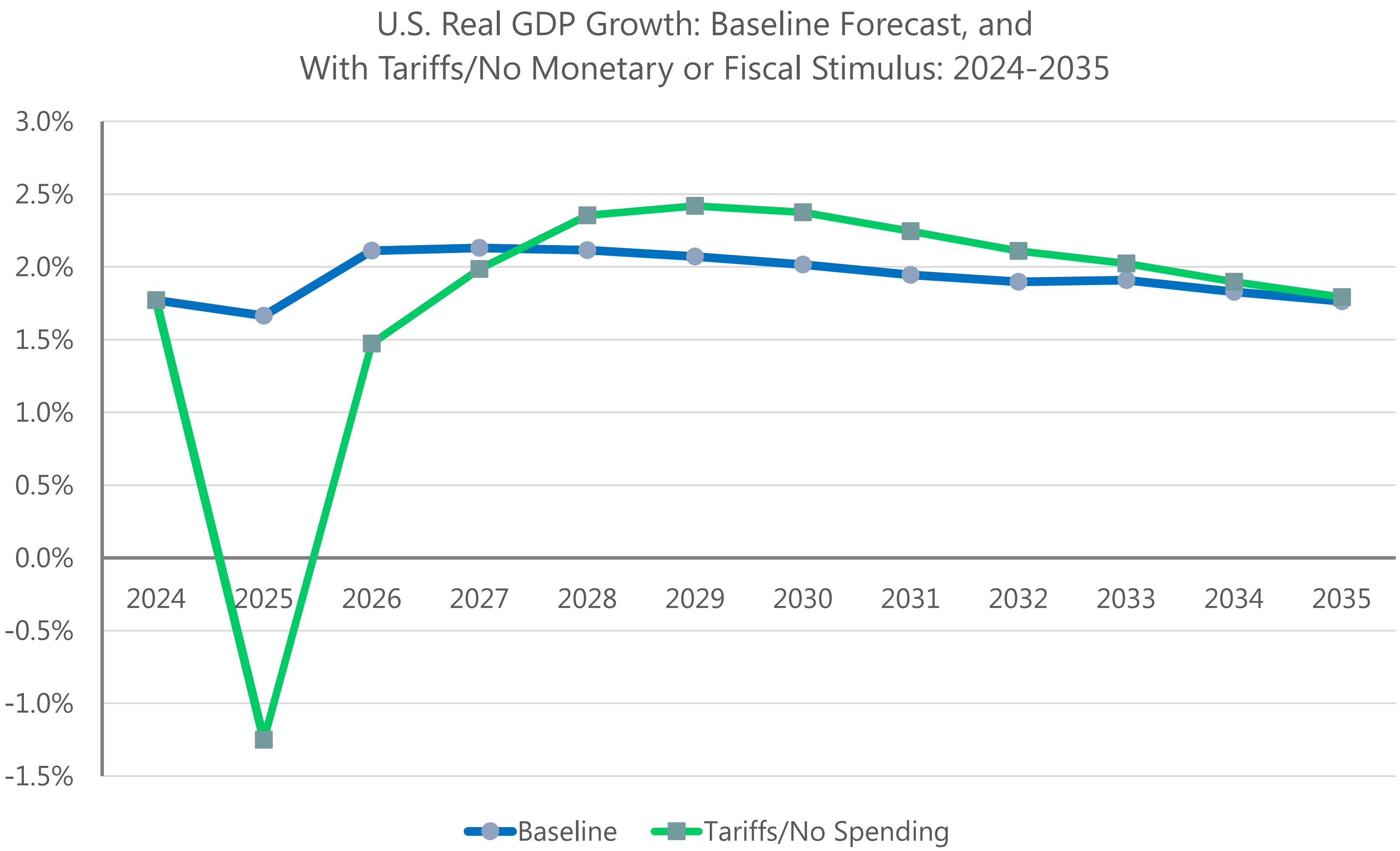
Average Tariff Rate Increase, Major Trading Partners (2025)

Country	Value of Imports, 2024 ($B)	Average Tariff Increase
Mexico	$506	8%
China	$439	33%
Canada	$413	6%
Germany	$160	21%
Japan	$148	23%
Vietnam	$136	21%
South Korea	$132	24%
Taiwan	$116	22%
Ireland	$103	15%
India	$87	27%
Italy	$76	18%
United Kingdom	$68	14%
Switzerland	$63	39%
Thailand	$63	22%

Average Tariff Increases by Industry (2025)

Industry	Value of Imports, 2024 ($B)	Effective Tariff Increase
Computer and electronic product manufacturing	$540	20%
Motor vehicles, bodies and trailers, and parts manufacturing	$419	23%
Chemical manufacturing	$392	17%
Machinery manufacturing	$251	19%
Electrical equipment, appliance, and component manufacturing	$204	20%
Oil and gas extraction	$176	12%
Miscellaneous manufacturing	$155	21%
Primary metal manufacturing	$135	30%
Apparel, leather and allied product manufacturing	$124	20%
Food manufacturing	$118	17%
Fabricated metal product manufacturing	$99	34%
Other transportation equipment manufacturing	$78	19%
Plastics and rubber products manufacturing	$77	20%

Impacts on GDP Growth, Without Fed Action or Fiscal Stimulus



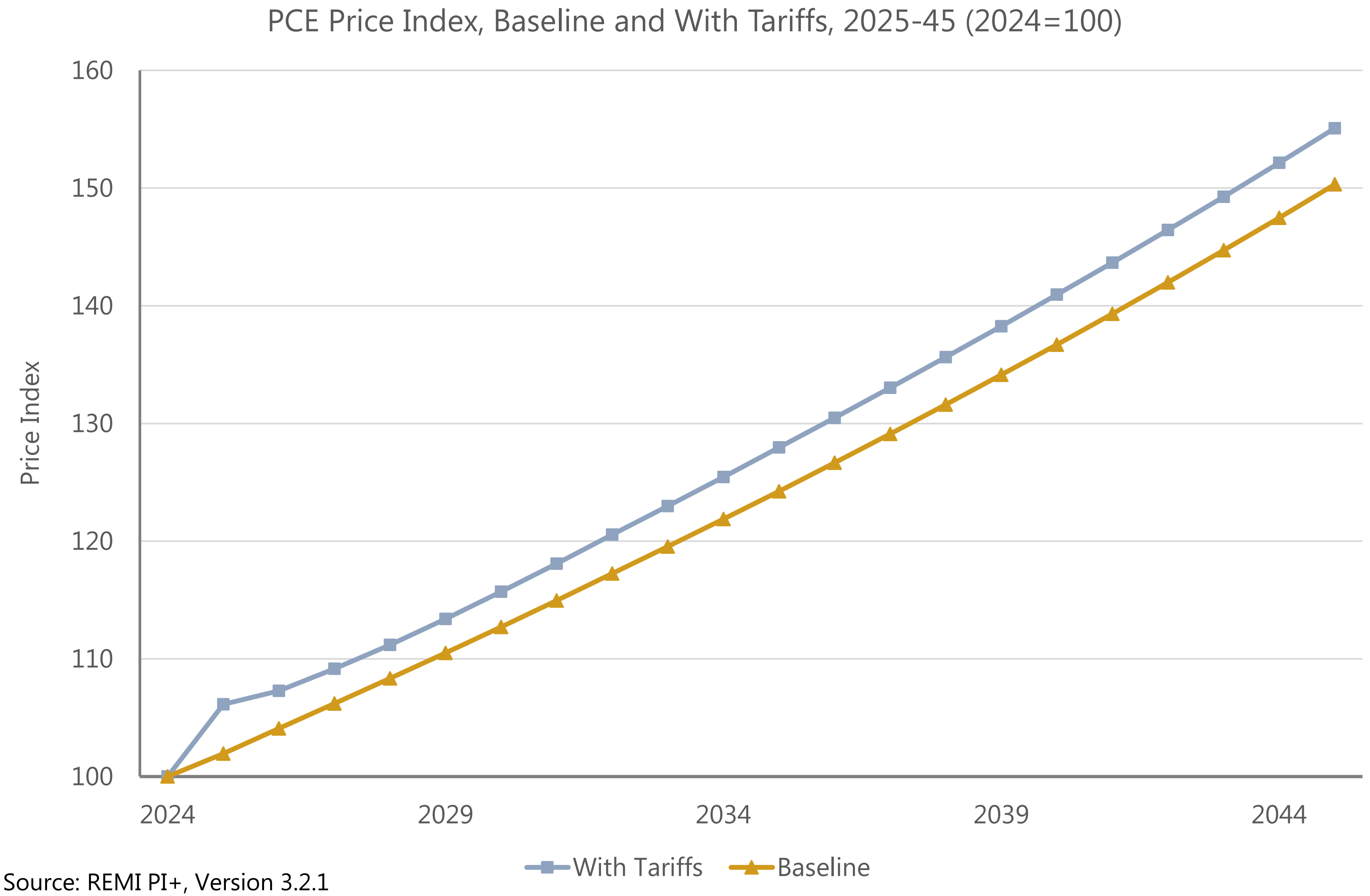
Source: REMI PI+, Version 3.2.1

The new tariffs are likely to have little impact on GDP growth over the longer-term, but could have an important near-term impact.

If the tariff revenue does not lead to new federal spending, and the Fed does not take action to stimulate the economy, the tariffs are expected to lead to negative GDP growth in the first year.

Because of the timing of the tariffs' implementation, the impacts attributed here to 2025 are more likely to be felt in 2026.

Tariffs Create Short-Term Inflation, Permanently Higher Prices



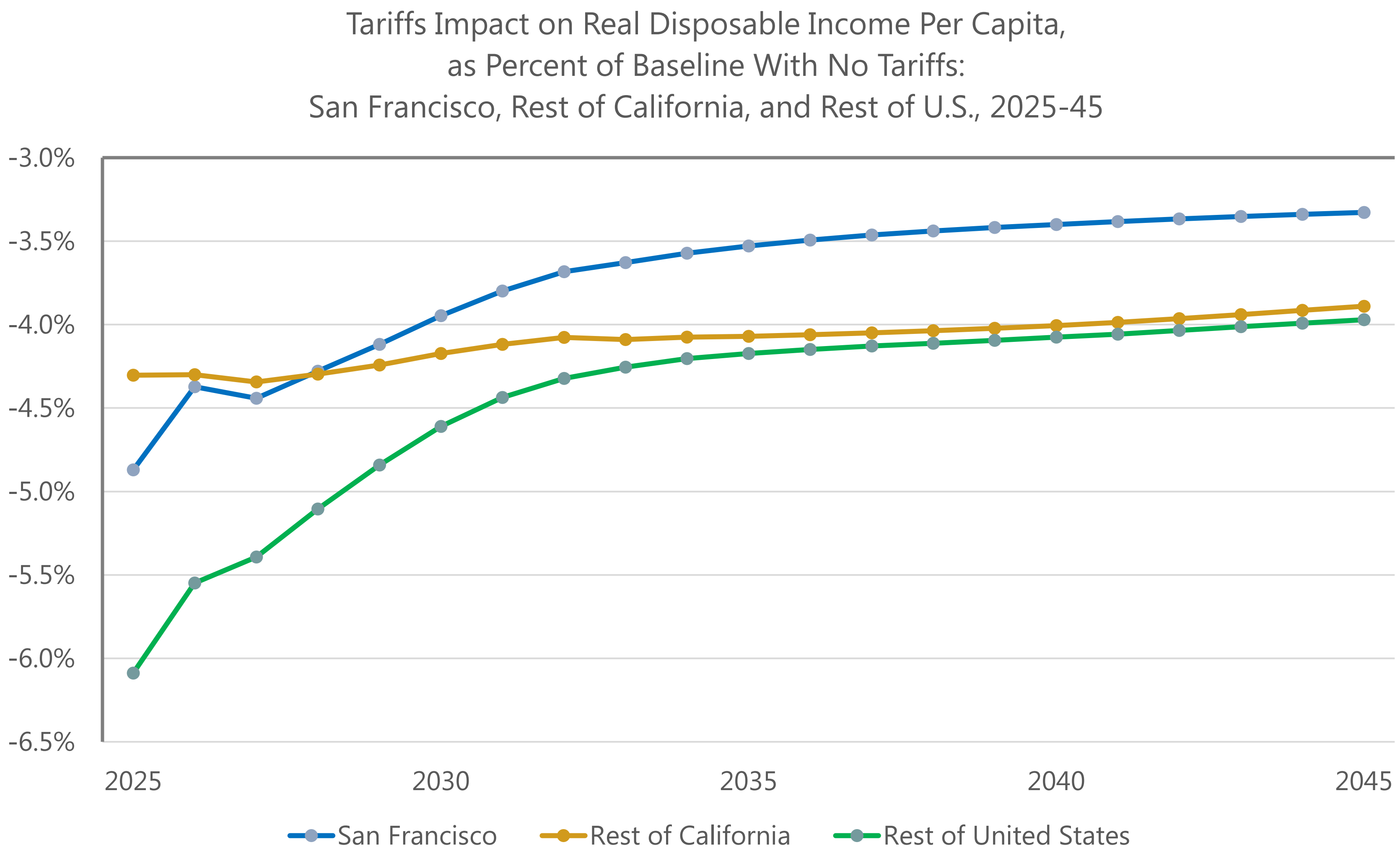
Source: REMI PI+, Version 3.2.1

The tariffs are forecast to create a significant inflationary shock in the year after full implementation, with Personal Consumption Expenditure (PCE) inflation forecast to be about 4% higher than baseline in the year following implementation.

After that initial shock, inflation will return to baseline levels, but prices will remain permanently higher as a result of the tariffs. This is due to the fact that some of the burden of the new tariffs will be passed on to U.S. businesses and consumers in the form of higher prices.

In this way, the tariffs function somewhat like a national sales tax, in which the federal government raises revenue and the private sector faces higher prices.

Negative Impact on Disposable Income



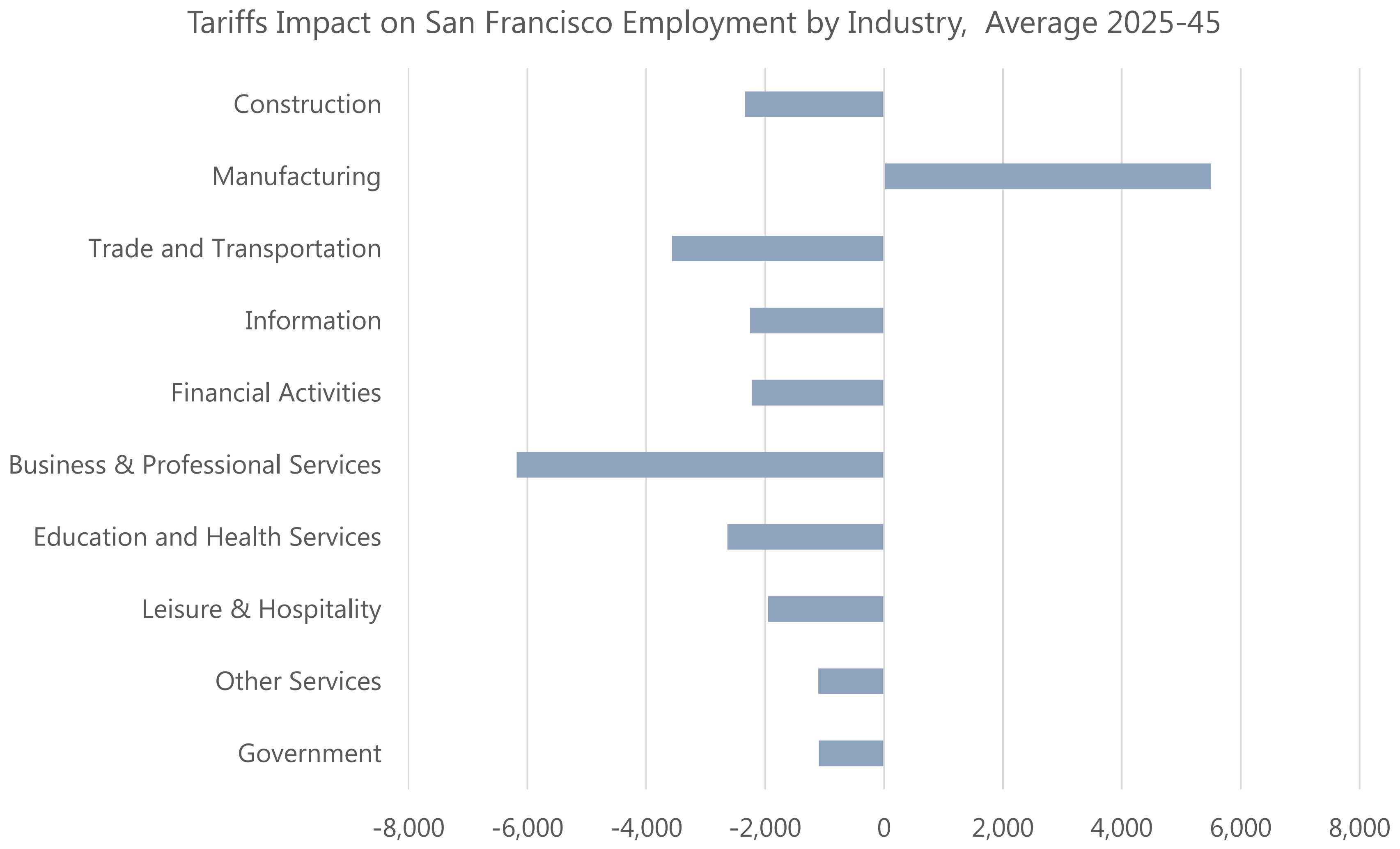
Largely because of this permanent price impact, the tariffs will have substantially negative effect on the inflation-adjusted disposable incomes, in San Francisco, the rest of California, and the rest of the United States.

Average San Francisco real disposable incomes are projected to be reduced by an average of 3.7% over the 2025-45 period, equivalent to about $5,600 per person in today's dollars.

However, in percentage terms, the long-term impacts on real incomes will be worse in the rest of California, and the rest of the United States.

Source: REMI PI+, Version 3.2.1

Impacts on Employment in San Francisco



Manufacturing in San Francisco—though currently a small employer—is expected to grow to add more than 5,000 jobs, with 44% of that growth occurring in the computer hardware and electronics industries.

Other than that, the remainder of the city's economy is expected to shed jobs, mainly due to reduced local demand associated with reduced consumption and investment. Business and Professional Services, Trade and Transportation, and Construction will be hardest-hit.

Source: REMI PI+, Version 3.2.1

Long-Term Average Employment Differences (versus Baseline) by Industry and Region

	San Francisco	Rest of California	Rest of United States
Total	**-1.6%**	**-0.3%**	**-4.2%**
Construction	-7.6%	-3.9%	-9.0%
Manufacturing	38.9%	20.5%	8.1%
Trade and Transportation	-3.6%	-3.1%	-5.3%
Information	-2.9%	-3.5%	-4.4%
Financial Activities	-1.4%	-1.2%	-3.0%
Business & Professional Services	-2.0%	-1.3%	-3.0%
Education and Health Services	-1.8%	-1.2%	-2.9%
Leisure & Hospitality	-1.9%	-0.9%	-2.8%
Other Services	-2.4%	-2.1%	-3.9%
Government	-0.9%	1.1%	-1.4%

Source: REMI PI+, Version 3.2.1

Looking at the employment effects by industry confirms that California would do less badly than the rest of the United States in job terms. Both San Francisco and the rest of California are expected to see greater job gains, or lesser job losses, in every major industry sector, compared to the rest of the United States.

Although San Francisco's manufacturing sector is smaller than California's, it is even more focused on electronics and stands to see even greater growth in percentage terms than the rest of California. California stand to benefit from tariffs on Asian electronics imports, which the rest of the U.S. will in effect pay for.