

Uncertainty From Trump's Tariffs Derails U.S. Manufacturing in Both the Short and Long Term

New Committee Estimates Find that Continued Uncertainty Could Reduce Manufacturing Investments by an Average of 13 percent Per Year, or by More Than \$490 Billion by 2029

Introduction

Strengthening domestic manufacturing is critical to U.S. national security, outcompeting China, and securing the future of our economy. While the Trump administration has [stated](#) that its policies will create growth in the U.S. manufacturing sector, its approach is having the opposite effect – depriving manufacturers of the certainty that they need to invest in building new factories and creating jobs in the United States. Since April – when President Trump announced the so-called “Liberation Day” tariffs on nearly every country – the U.S. has lost 37,000 manufacturing jobs, and **hiring in the manufacturing sector has dropped to its lowest level in nearly a decade**. In addition, many experts have [noted](#) that in and of itself, the uncertainty created by the administration so far could significantly damage the broader economy long-term.

Economic experts have also discussed the parallels that the uncertainty surrounding the Trump administration’s approach to trade has to the recent experience of the United Kingdom. In the 2016 Brexit referendum, U.K. voters chose to leave the European Union, which led to heightened trade policy uncertainty, with questions swirling around the process, timeline, and terms of the withdrawal. This had long-term consequences for growth: Economists have estimated that, in the years following the Brexit vote, the U.K.’s real Gross Domestic Product (GDP) was [4 to 8 percent](#) lower than it would have otherwise been, [primarily](#) due to businesses pulling back on investment amidst high uncertainty.

Based on both U.S. business investment projections and economic analyses of the U.K. in the aftermath of Brexit, the Joint Economic Committee – Minority calculates that a similarly prolonged period of uncertainty in the U.S. **could result in an average of 13 percent less manufacturing investment per year, amounting to approximately \$490 billion in foregone investment by 2029**. Although businesses have received additional clarity on reciprocal tariff rates in recent days, uncertainty over outstanding negotiations is [likely](#) to continue to delay long-term investments and pricing decisions.

Furthermore, even if the uncertainty about the U.S. economy were to end tomorrow, evidence suggests that the uncertainty that businesses have already faced in recent months would still have long-term consequences for the manufacturing sector. The Committee finds that **the economic uncertainty experienced just in April could result in a 1 percent reduction in investment on average per year by 2029, or approximately \$42.2 billion**.

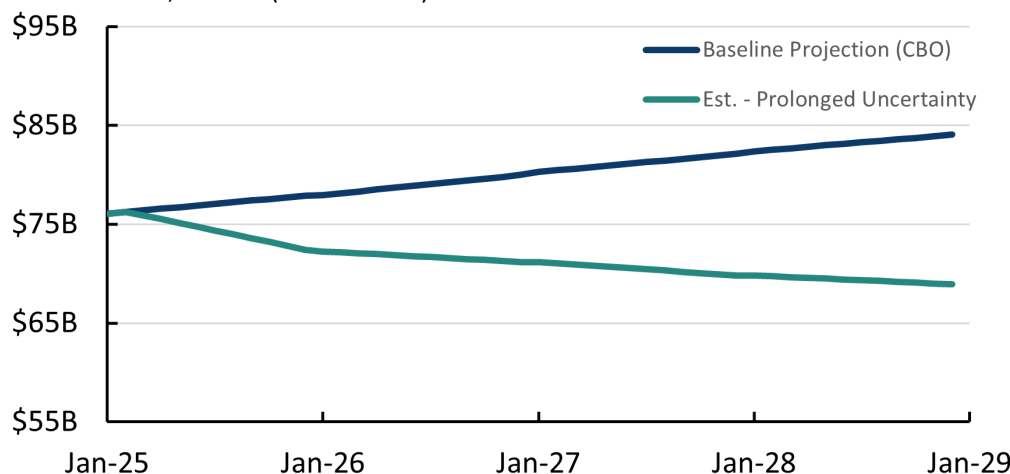
Prolonged economic uncertainty could reduce manufacturing investments in the U.S. by \$490 billion by 2029; if uncertainty ended tomorrow, the U.S. could still lose more than \$42 billion in manufacturing investments

As the Wall Street Journal [wrote](#) earlier this year, “What happens when a developed economy throws up barriers with its biggest trade partners? Brexit offers a few clues... One clear red flag for the U.S. from Britain’s Brexit experience is the costs of uncertainty...The U.S. could experience something similar if firms are unsure how long these tariffs will last. The longer the uncertainty, the worse the damage.”

The Joint Economic Committee – Minority finds that if economic uncertainty in the U.S. continues as it has over recent months, it could reduce manufacturing investment growth by an average of **13 percent per year, amounting to approximately \$490 billion in foregone manufacturing investment by 2029**. The Committee’s calculations are based on long-term [projections](#) of nonresidential fixed investment growth released by the Congressional Budget Office (CBO) in January 2025 and [research](#) from the Bank of England on the impact that prolonged trade policy uncertainty – spurred by the June 2016 Brexit decision – had on businesses’ investment in the U.K. from 2016 to 2021.

Prolonged Uncertainty Would Undermine the Future of U.S. Manufacturing

Projected monthly U.S. nonresidential fixed investment growth (manufacturing), Jan. 2025–Dec. 2028, Billions (2025 Dollars)



Source: JEC - Minority estimates based on data from the Congressional Budget Office, the Bureau of Economic Analysis, and research from the Bank of England. A trend line is used to reflect the general pattern in the annual data over time.



There is also reason to believe that the impact could be even greater, given that U.S. manufacturers are arguably facing a broader range of possible policy and economic outcomes than U.K. businesses did throughout the Brexit process. In either case, the U.S. could see a major contraction in investment at a moment when [experts](#) have [highlighted](#) the need to increase [investment](#) to meet the economic and national security challenges posed by China’s growing dominance in advanced manufacturing.

Even if the Trump administration finalized trade policy for the rest of the administration tomorrow and ended all economic uncertainty, the turmoil of recent months could still harm long-term manufacturing innovation and growth in the U.S. Based on the Congressional Budget Office's projections and Federal Reserve [research](#) on the impact of short uncertainty shocks, the Joint Economic Committee - Minority estimates that the uncertainty that businesses faced in April alone could **result in a 1 percent reduction in investment on average per year, or approximately \$42.2 billion in foregone manufacturing investment by 2029.**

Economic uncertainty has already led to layoffs, business closures, and a decline in investments in the manufacturing sector

As independent [research](#) has shown, businesses are less likely to make long-term investments when they face high uncertainty about future policies and economic conditions. For manufacturers, decisions to expand production – which often entail [major](#), irreversible investments in equipment and new facilities that typically take [years](#) to complete – require an especially high degree of confidence that these expenses will pay off. This barrier, along with other factors, makes manufacturing the sector most likely to see its growth affected by trade policy uncertainty, as [noted](#) recently by analysts at Goldman Sachs.

Since April, the Trump administration has made nearly [100](#) different tariff policy decisions (including threats, delays, and reversals), which has caused economic uncertainty to skyrocket. Amongst other measures, the Economic Policy Uncertainty Index surged to the highest level ever observed in April. This uncertainty is putting stress on the manufacturing sector. In December 2024, surveyed manufacturing firms [expected](#) capital expenditures to increase by 5.2 percent in 2025; as of May 2025, they expected them to shrink by 1.3 percent. The National Association of Manufacturers' 2025 Q2 Outlook Survey, released at the end of May, found that **optimism among manufacturers had [dropped](#) to its lowest level since the height of the COVID pandemic.** Most respondents named trade uncertainty as their top concern, followed by higher input costs. Other surveys released in recent months show a similar pattern, including:

- The Federal Reserve's Beige Book [survey](#)
- The Institute for Supply Management (ISM)'s Purchasing Managers' Index ([PMI](#))
- Manufacturing surveys conducted by the [Philadelphia](#), [Kansas City](#), [Dallas](#), [New York](#), and [Richmond](#) regional Federal Reserve Banks

In addition to putting a chill on investment and future growth in the sector, tariffs and economic uncertainty have already led to the loss of U.S. manufacturing jobs. **The number of U.S. manufacturing [jobs](#) fell by 37,000 across May, June, and July.** In May, [hiring](#) in the manufacturing sector also dropped to its lowest level since 2016. Manufacturers have [cited](#) economic uncertainty as a motivation for increasing layoffs.

Some manufacturers have already closed or declared bankruptcy due to the economic uncertainty and tariff-related price increases for key inputs. For example, a Michigan clockmaker that had operated for nearly 100 years recently [announced](#) that it would be going out of business due to both the direct and indirect effects of tariffs. Powin Energy, an Oregon-based

manufacturer of battery storage systems, filed for [bankruptcy](#) in June after struggling to find alternative suppliers for key inputs.

Manufacturing investments overall have declined this year. An analysis by Bloomberg [found](#) that 220 of the Fortune 500 companies reduced capital spending in the first quarter, with companies in the industrial sector especially reining in spending due to uncertainty and higher costs. Between 2021 and early 2023, construction spending in the manufacturing sector more than doubled, a [surge](#) which reflected the significant impact of programs from the Inflation Reduction Act, the bipartisan infrastructure law, and the CHIPS and Science Act. Since last November, however, this trend has begun to reverse, driven by businesses' uncertainty about the continuation of many of these key programs, the direct impact of Trump's tariffs, and uncertainty about the tariffs, among other factors.

Since November, Manufacturing Construction Investment Has Been in Decline

Total Manufacturing Construction Investment, Jan 2015-June 2025, Billions of June 2025 U.S. Dollars



Source: FRED Total Manufacturing Construction Spending, monthly at a seasonally adjusted, annualized rate using FRED Producer Price Index of Materials and Components for Construction

