

Economy-wide modeling for states' tariff resilience

Turning policy into progress with KPMG



Empowering state governments with economy-wide modeling insights

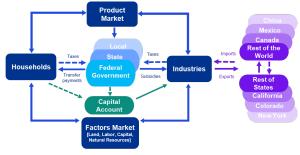
At KPMG LLP, we recognize that the evolving global trade and policy landscape presents both challenges and opportunities for consumers, businesses, and governments. For state and local governments, the stakes are particularly high—policy shifts at the national or international level can have profound and uneven impacts across regions, industries, and communities.

In this complex policy environment, data-driven insights are essential for strategic and forward-looking decision-making. KPMG advanced multistate, multicountry, economy-wide model (the model) is designed to help clients understand and respond to the state-level dynamics.

Our model integrates key regional economic characteristics—such as industry composition, labor markets, and trade dependencies—into a global framework. This enables a **customized**, **state-specific analyses** of how tariffs, taxes, incentives, energy, environment, Build America Buy America (BABA) requirements, and other regulatory policies affect state and local economies. By embedding each state's unique industry mix, labor profile, and fiscal structure into a global framework, we reveal not only the direct effects of tariffs, taxes, or incentives, but also the indirect knock-on impacts that standard forecasting tools may miss.

KPMG extensive economy-wide modeling

- Extensive economic models: Describe an entire economy and its interactions.
- Multisector and Multiregional: Include firms, households, governments, and international trade
- Behavioral equations: Predict how producers and consumers respond to changes
- Market equilibrium: Account for price changes in goods, services, and inputs
- Policy analysis: Estimate the effects of policies on production, consumption, and trade
- Future projections: Help understand economic linkages and project future scenarios



Circular Flow of Income & Expenditure in a Global Economywide Model

Benefits to your state

- Macroeconomic and industry impact: Quantifies how current and prospective tariffs can influence state job creation, tax revenues, and gross domestic (state) product—delivering a data-driven basis for decision-making
- Consumer prices and cost of living: Captures consumer behavioral spending under changing prices and disposable incomes, revealing demand shifts and distributional effects on the households
- Industry competitiveness: State agencies can assess the impact of tariffs on local industries, particularly import-reliant ones, and evaluate their ability to compete domestically and internationally.
- Supply-chain diagnostics: Provides insights into in-state industries vulnerable to global input disruptions or price spikes, informing targeted diversification, resilience, and economic-development strategies
- **Export performance**: States can examine the effects of retaliatory tariffs on state exports, and identify market access barriers and potential new export destinations.
- Investment attraction: Agencies can develop strategies by leveraging our analyses to attract new businesses by highlighting competitive advantages, workforce, and supportive infrastructure.

Value to your state

KPMG approach & value-add to your state

- KPMG economy-wide models assess state- and industry-level macroeconomic impacts of any proposed trade, tariff, or regulatory policies, capturing knock-on effects across industries, households, and supply chains.
- Presented through clear visuals and documentation, these insights equip budget and economic-development teams with a reliable, scenario-driven foundation for planning, decision-making, and opportunity identification.

Inputs

Select global data:

- Widely used Global Trade Analysis Project database covering160 countries and 75 sectors
- Updated trade data from the US International Trade Commission

Select US states data:

- State-level macroeconomic and input-output data from Bureau of Economic Analysis
- Commodity Flow Survey, from US Census Bureau

Data configuration

- · Harmonized with latest data
- Customized aggregation, and explicit creation of new industries/states/regions

Economy-wide modeling

Time steps Sectors: Sect

Scenarios

- Customized model (comparative static versus dynamic)
- Baseline versus scenarios
- Trade and tarff policies: Reciprocal and retaliatory tariffs.
- Nontariffs and BABA requirements

Outputs

Economic output and GDP

 Impact on production, prices, input costs, consumption, value-added, GDP/GSP, and inflation rate, and unemployment

Employment and wages

 Impact on employment and wages by industry, across the states and countries

Imports and exports

 Change in bilateral exports and imports, trade deficit, and tariff revenue

Fiscal impacts

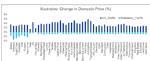
Impact of various taxes and policy instruments on revenue

Energy and environment

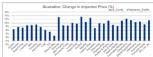
 Additional modules to track impact on energy including electricity, renewable fuels, and greenhouse gas emissions

❖ Global-to-local impact toolkit: Your insight-driven deliverables









Source: Illustrative results based on model simulations

Contact us: Economic & Valuation Services

Uma Radhakrishnan, PhD Principal

Tysons Corner T: +1 703-286-8726

E: uradhakrishnan@kpmg.com

Dileep K. Birur, PhD Manager Short Hills

T: +1 919-246-4925

E: dbirur@kpmg.com

Alexander Pearson, PhD Manager

Houston

T: +1 713-817-1755

E: alexanderpearson@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us: in



kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS031467-1A

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.