

Navigating Economic Uncertainty: A U.S. Perspective

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Trump Administration takes the reins

United States



Donald Trump, President of the United States

Policies potentially good for growth:

- Expiring 2017 tax cuts fully extended

- Even lower corporate and personal taxes

- Less regulation

Policies potentially bad for growth:

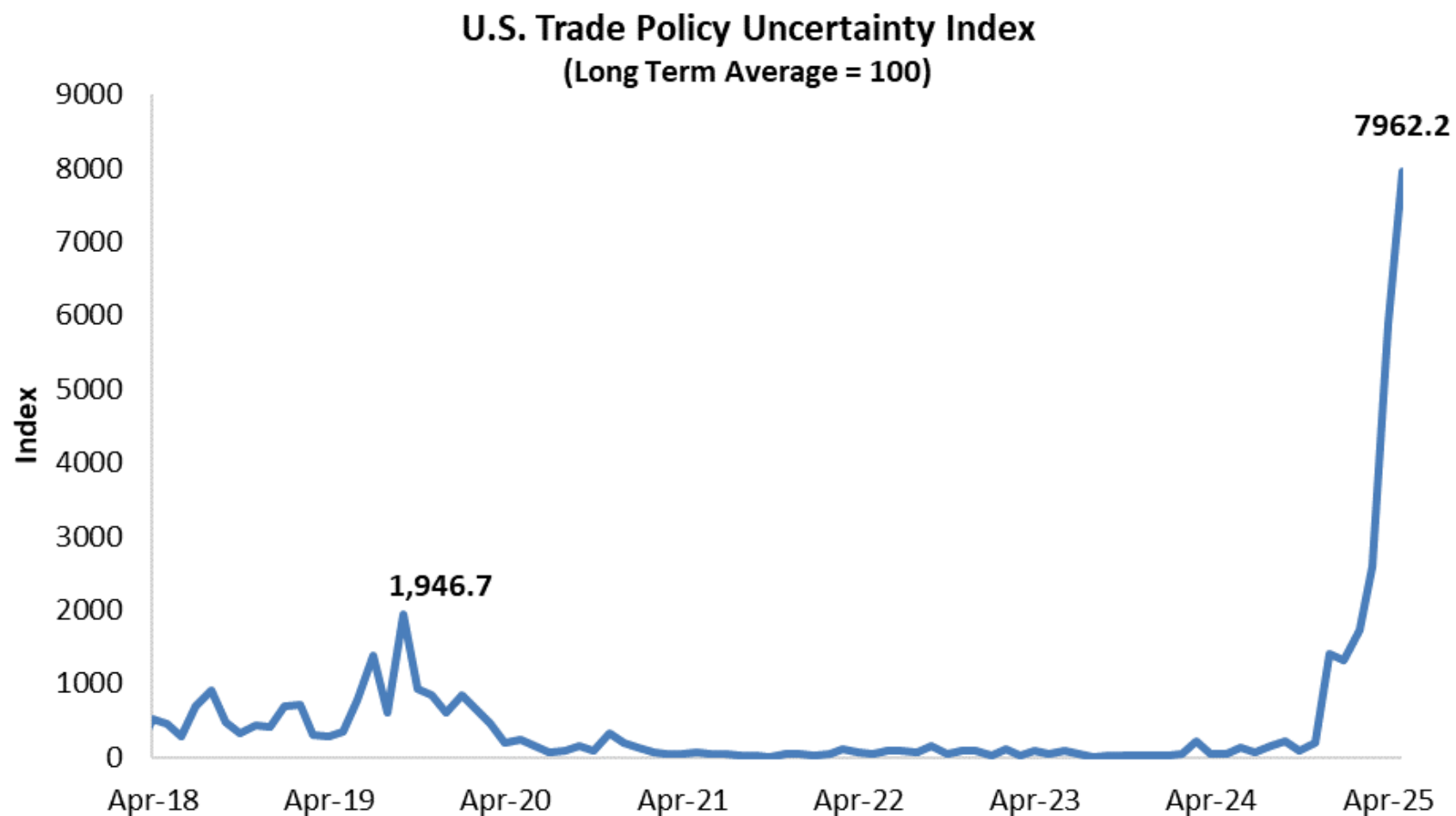
- Higher tariffs and retaliation

- Deportations

- Hefty spending cuts (to 'pay' for tax cuts + DOGE)

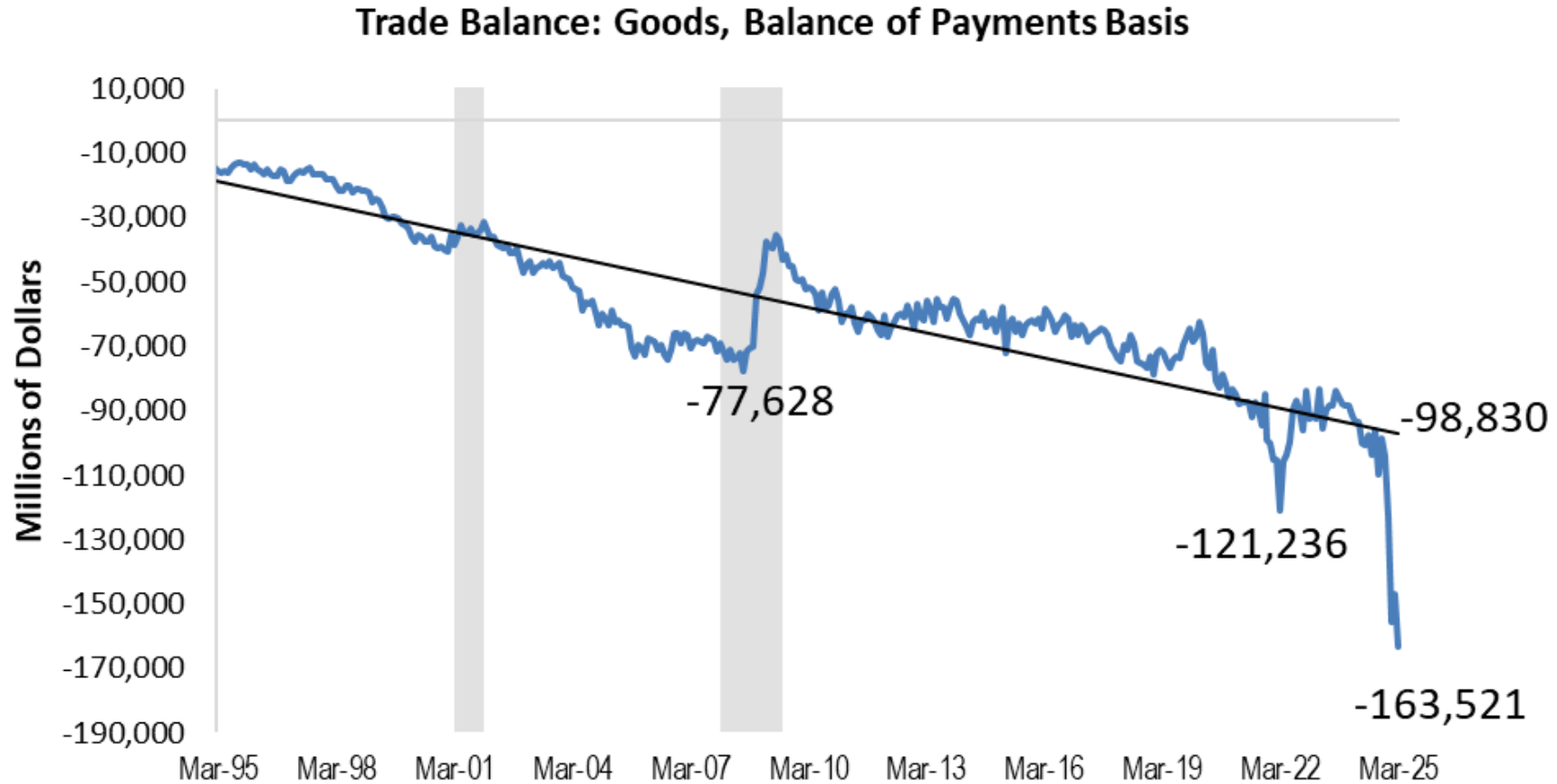
Net risks of larger deficits, faster inflation, and higher interest rates

Trade Policy Uncertainty Hits Unprecedented Heights



Source: BMO Economics, Baker, Bloom & Davis

Trade Deficit Skyrockets 65% as Businesses Rush to Beat the Tariffs



Source: BMO Economics, Bureau of Economic Analysis, Census Bureau

Protectionist Trade Policy Returns to the U.S. – Global Trade War Ensues

Timeline of Trump's Tariffs

	Effective Date	Target Countries	Tariff	Target Goods	Retaliation	Latest Update
Implimented	4-Feb-25	China	10%	All	Retaliated: Tariffs: 15% on coal, coke, lignite and others 10% on crude oil, agricultural machinery and vehicles Non-tariff measures: export controls	
	4-Mar-25	China	Another 10%	All	Retaliated: Tariffs: mainly on agricultural products 15% on chicken, wheat, corn, and cotton 10% on soybeans and others	
	12-Mar-25	Major Exporters	25%	Steel, aluminum	Retaliated: EU Tariffs on \$28 billion of goods , targeted tariffs on agricultural products and industrial goods to as high as 25% by mid-April	US threatened to raised 200% tariff on European alcoholic products after EU retaliation: 25% steel and aluminum tariffs were implemented in 2018 during trumps first term Major trading partners South Korea, Brazil, Australia, etc. were granted exemptions under Biden Administration
	2-Apr-25	All	25%	Motor vehcles and key parts	Retaliated: Canada 25% tariff on non-CUSMA compliant US vehicle imports and content	Rest of world: 25% tariff on passenger vehicles and key auto parts USMCA: for autos 25% tariff only apply to the value of non-US content for key parts, it will remain tariff-free but subject to change
	2-Apr-25	Canada, Mexico	25%, 10% for Canadian energy	Most	Retaliated on March 4th: Canada: 25% tariffs on \$155 billion of goods with \$30 billion effective immediately 25% by April 2nd	exemption for USMCA-compliant goods
	9-Apr-25	All	1/2 Reciprocal, VAT all other barriers	All	Retaliated: China raised tariffs on U.S. goods to 125% effective 4/11	U.S. China import reciprocal tariff raised from 34%, 84%, 104% to 125% after China Retaliated Chips, computers, phones, other electronics import tariffs excluded for a month or two
	9-Apr-25	European Union	20%	All		90-Day pause to July 9, 2025 held at universal baseline 10% rate
	9-Apr-25	All	10% Universal Baseline Tariff	All		
	14-Oct-25	China	Non-tariff measures	Vessels		Chinese-built Vessels \$1.5 mn port call fee and service fee Chinese Vessel Operators: \$500k to \$1mn port call fee
Upcoming	TBD	Major Exporters	25%	Chips, pharma, lumber		
	22-Nov-25	Major Exporters	Unspecified	Copper		
	31-Dec-25	EU, UK, Canada	Digital taxes	Unspecified		

Source: BMO Economics

Reciprocal Import Tariffs Go Into Effect

Reciprocal Import Tariff Rate (%)*

	Initial	Current**
China***	34	125
Cambodia	49	10
Vietnam	46	10
Thailand	36	10
Taiwan	32	10
Indonesia	32	10
Switzerland	31	10
South Africa	30	10
India	26	10
South Korea	25	10
Japan	24	10
Malaysia	24	10
European Union	20	10
United Kingdom	10	10
Baseline All Countries	10	10

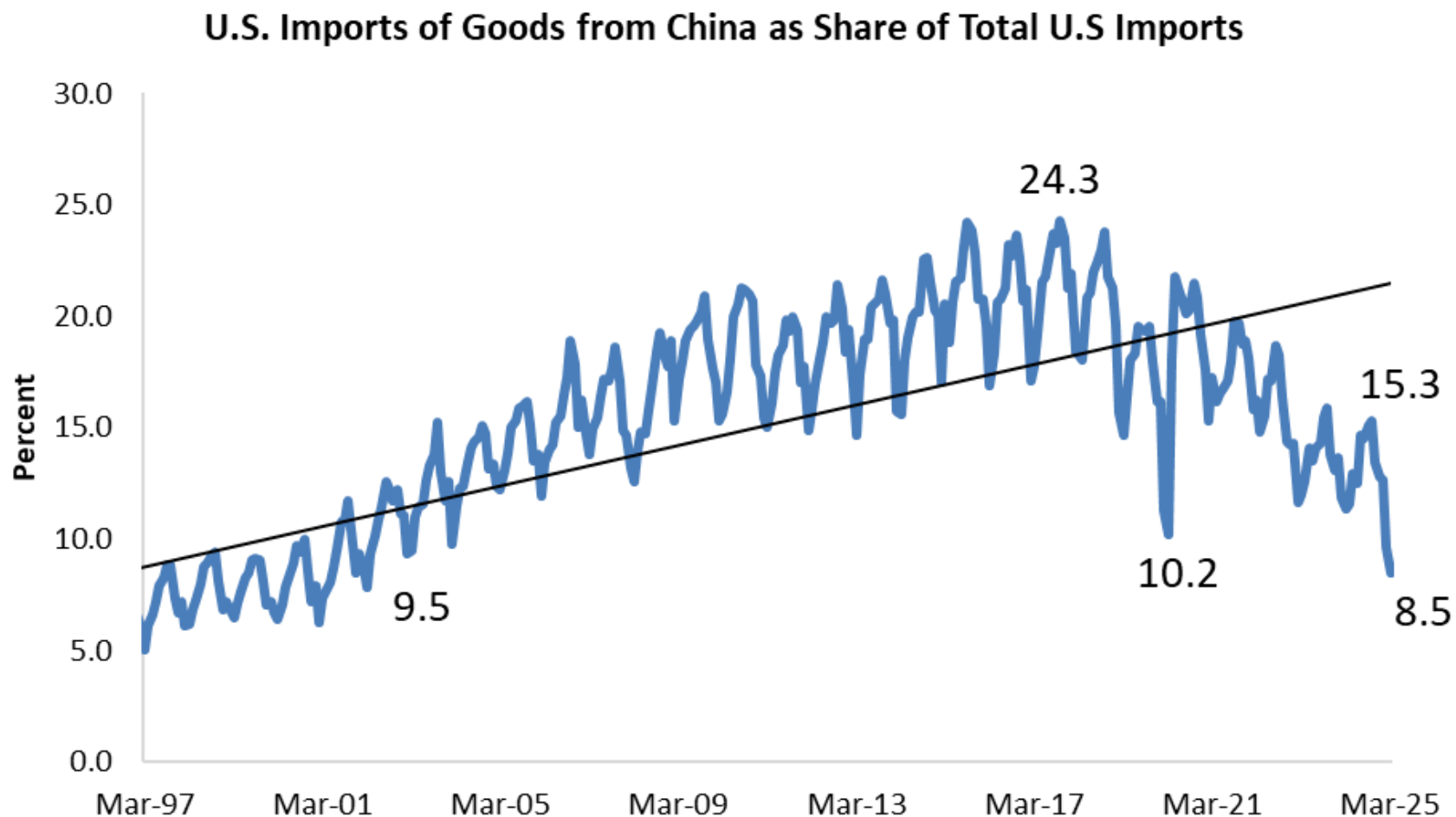
USMCA Exemption will remain in effect for Canada and Mexico

* One-half Reciprocal Tariffs after Including estimated tariff and non-tariff barriers

** 90-Day pause on higher reciprocal rates for other countries July 9, 2025

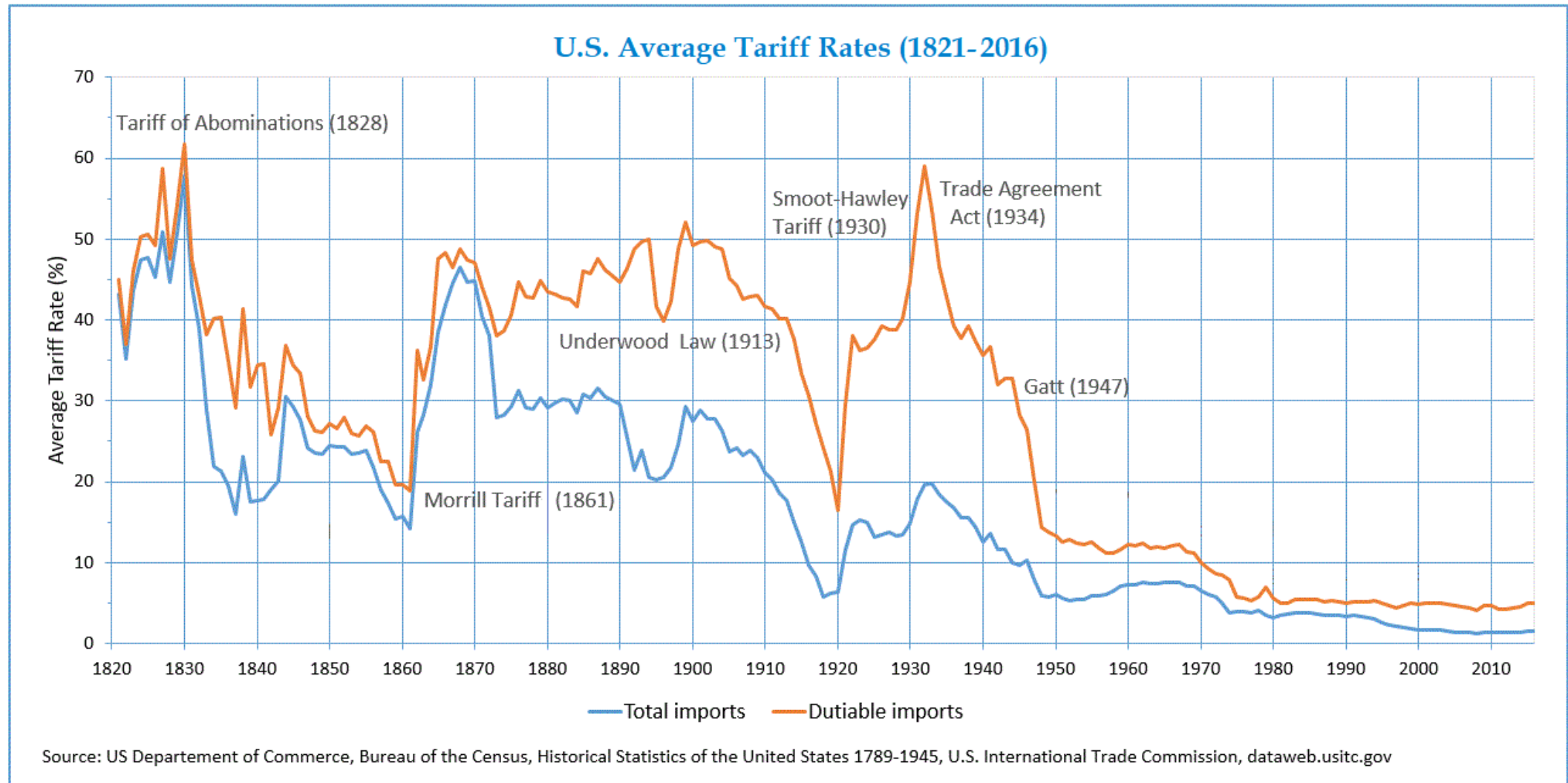
*** Smart phones, computers, chips, other electronics exempt for month or two

Goods Imports From China Already Plunging – Down 32% Since September



Source: BMO Economics, US. Bureau of Economic Analysis, US. Bureau of the Census/FRED

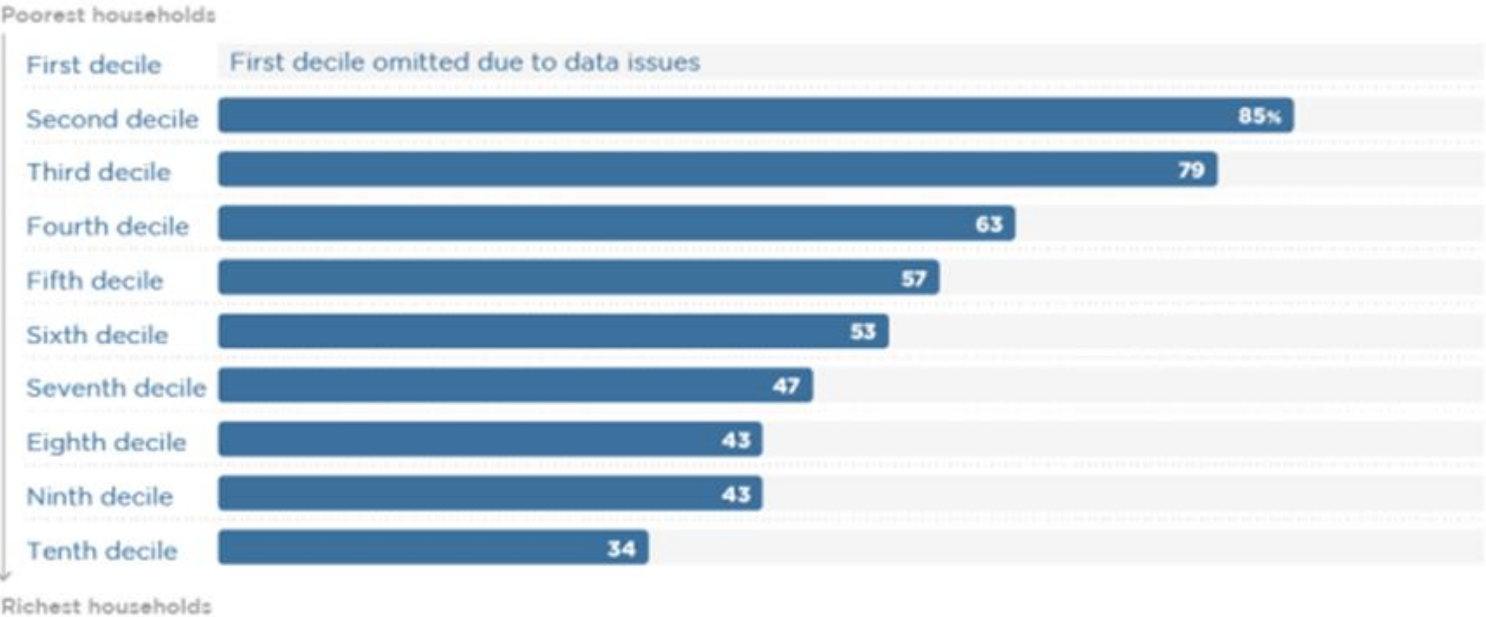
Average U.S. Tariff Rate Could Be Going Back to 1900's or Worse



Burden of Import Tariffs Largely Borne By Lower-Income Households

Figure 4
Lower-income households consume a much higher share of their income while richer households can afford to save more

Consumer expenditure excluding housing, personal insurance, and pensions, as a share of after-tax income by decile, 2022

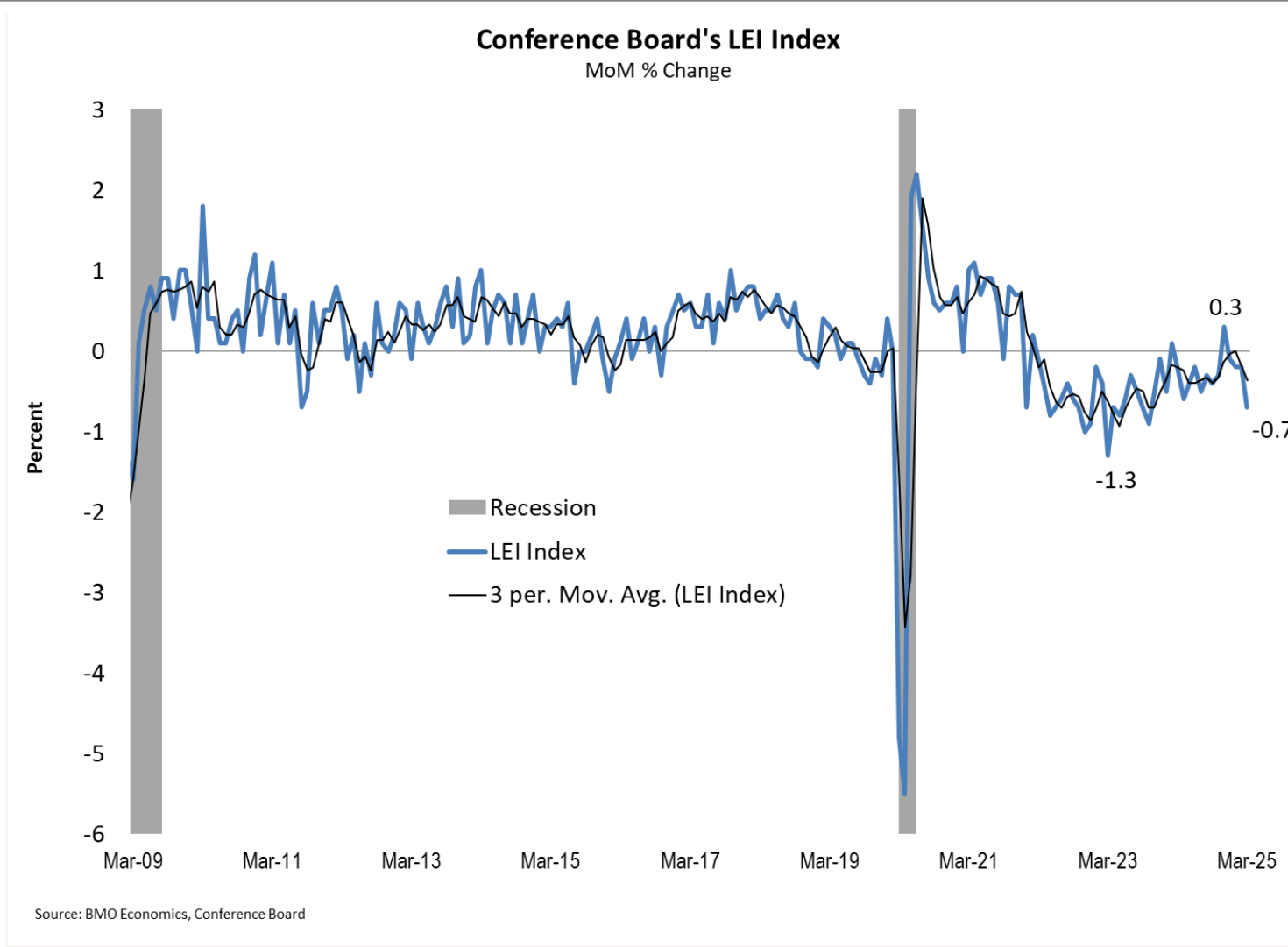


Notes: Mean expenditures and income were used in the calculations. In this figure (and in our analysis), we omit the first decile for reasons discussed in the text.

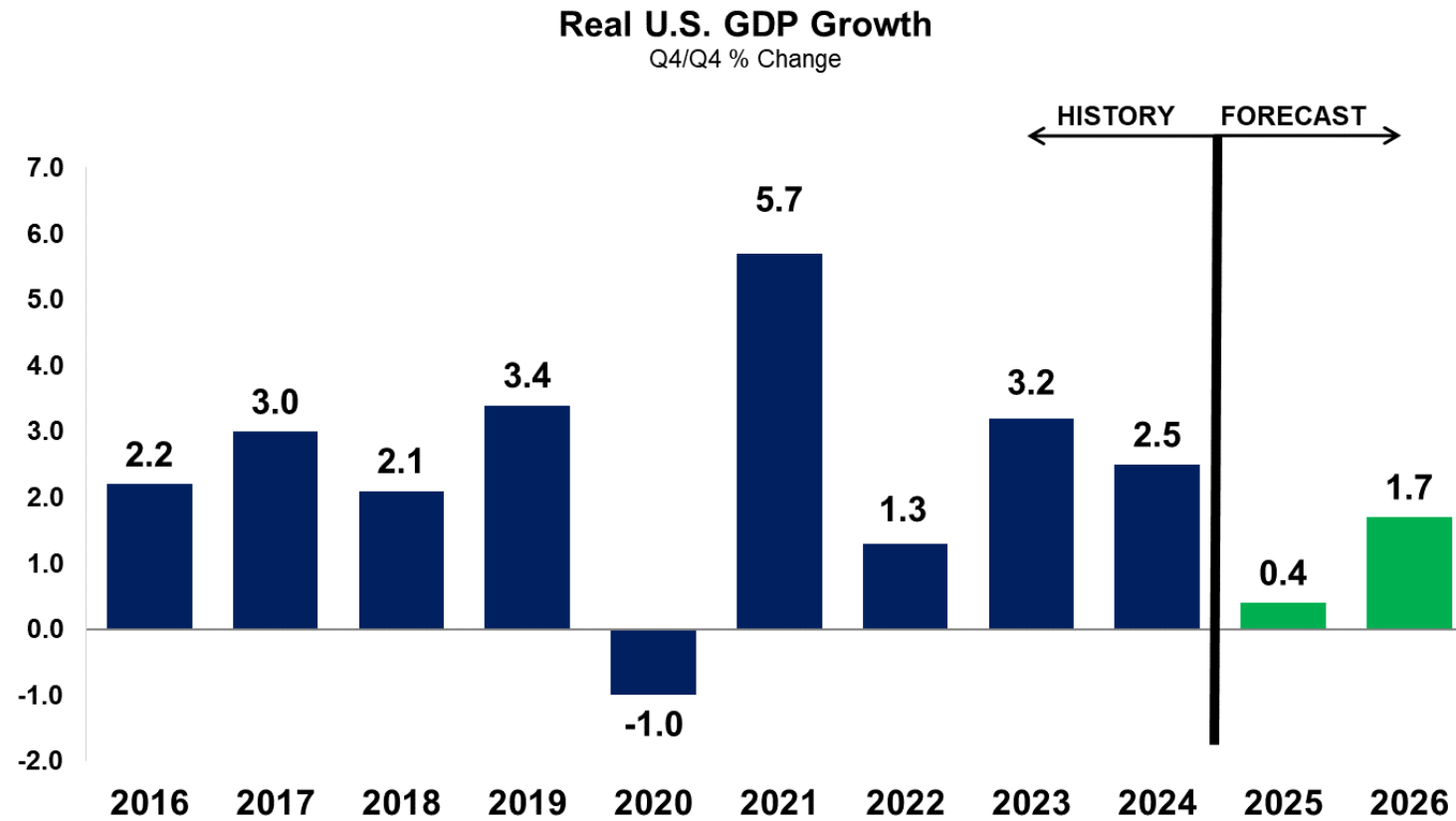
Source: US Bureau of Labor Statistics, Consumer Expenditure Surveys, 2022.

Source: BMO Economics, Peterson Institute for International Economics

Leading Economic Indicators in a Prolonged Decline Begins to Deteriorate Again

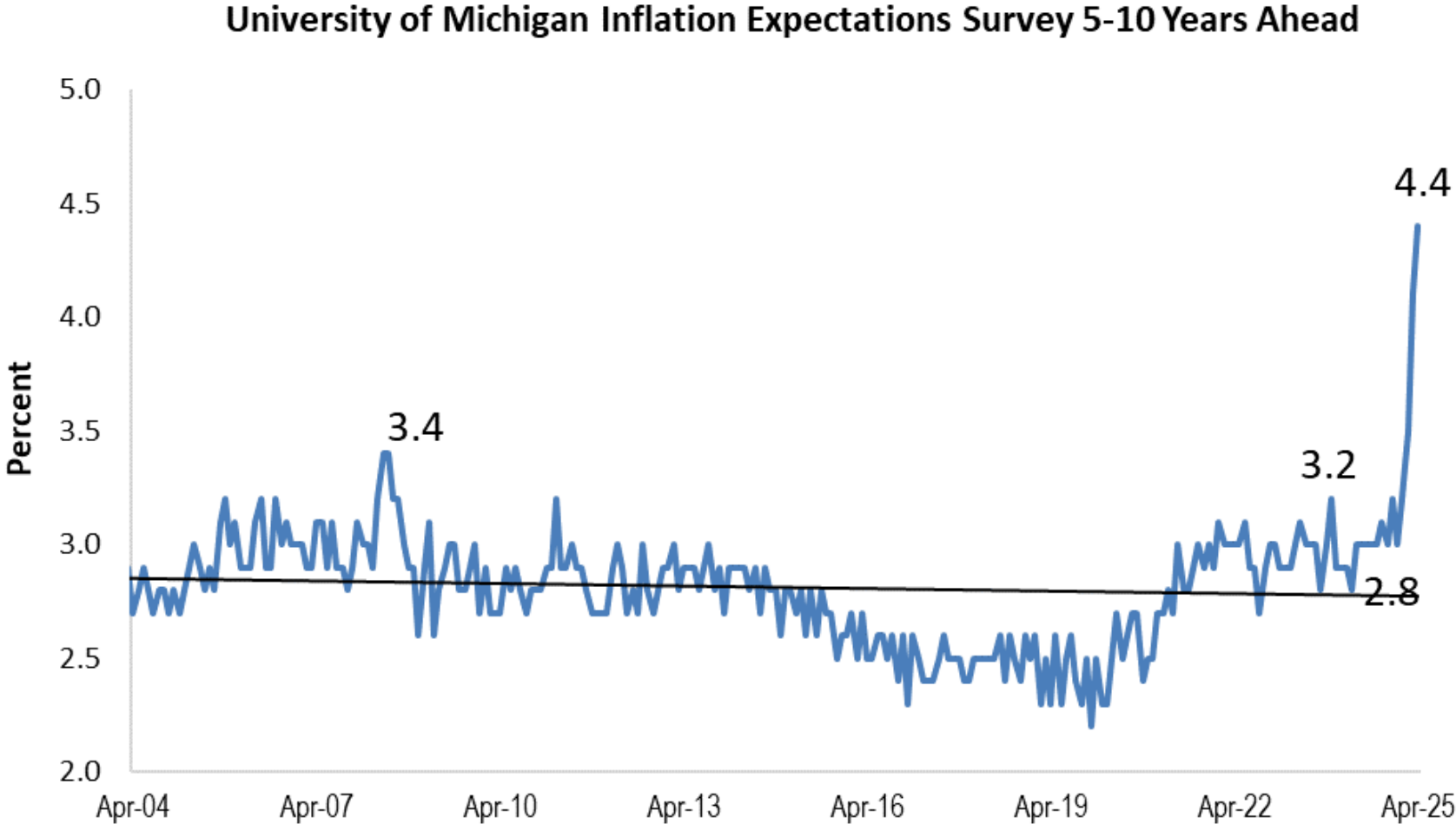


Forecasting an Abrupt Slowdown in Economic Growth This Year



Source: BMO Economics, Bureau of Economic Analysis

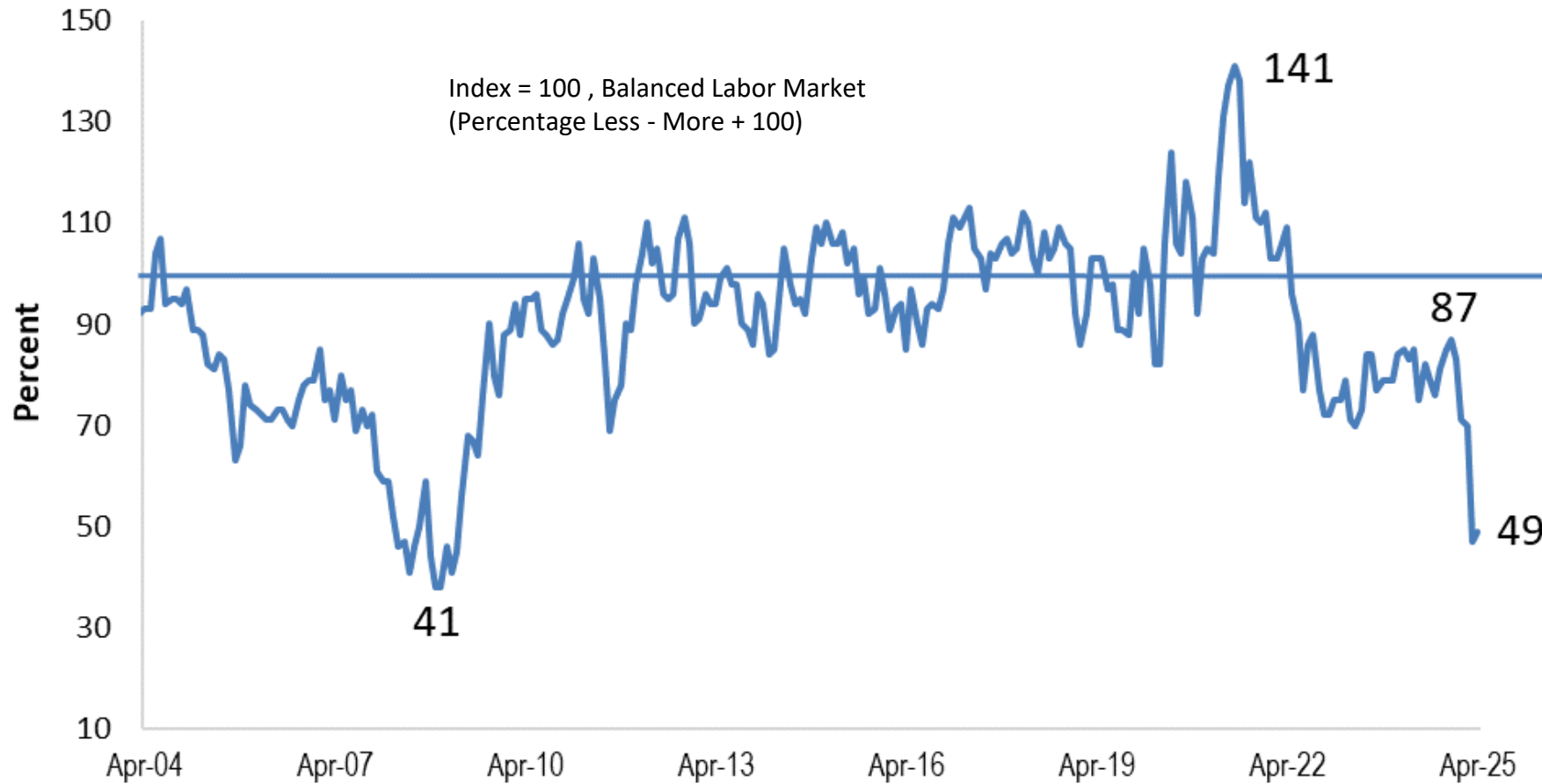
Tariff Threats Are Stoking Consumer Inflation Expectations



Source: BMO Economics, Thomson Reuters/Univ. Of Michigan

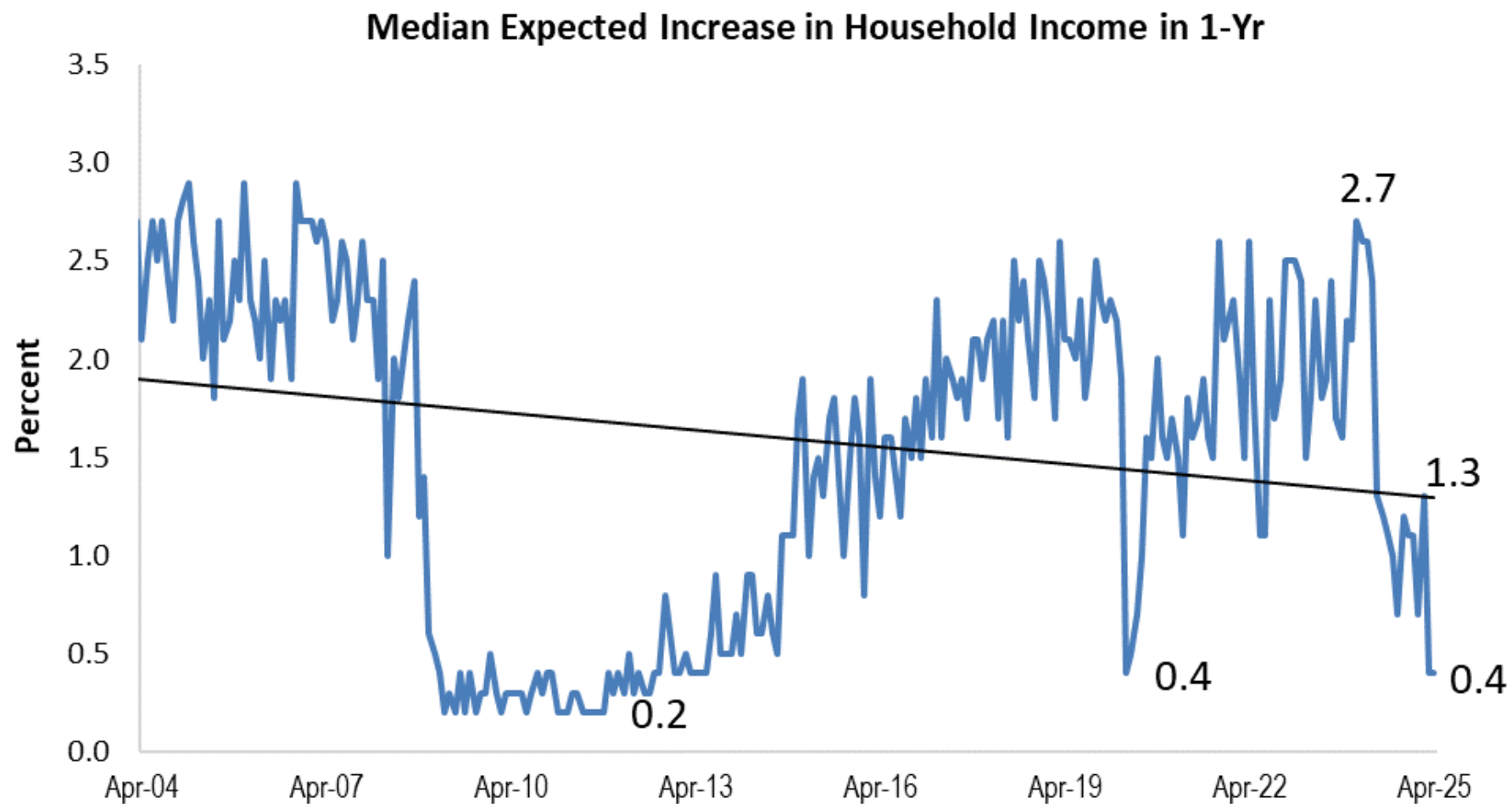
Unemployment Fears Skyrocket

U of Mich. Survey Expected Change in Unemployment Rate 1-Year Ahead



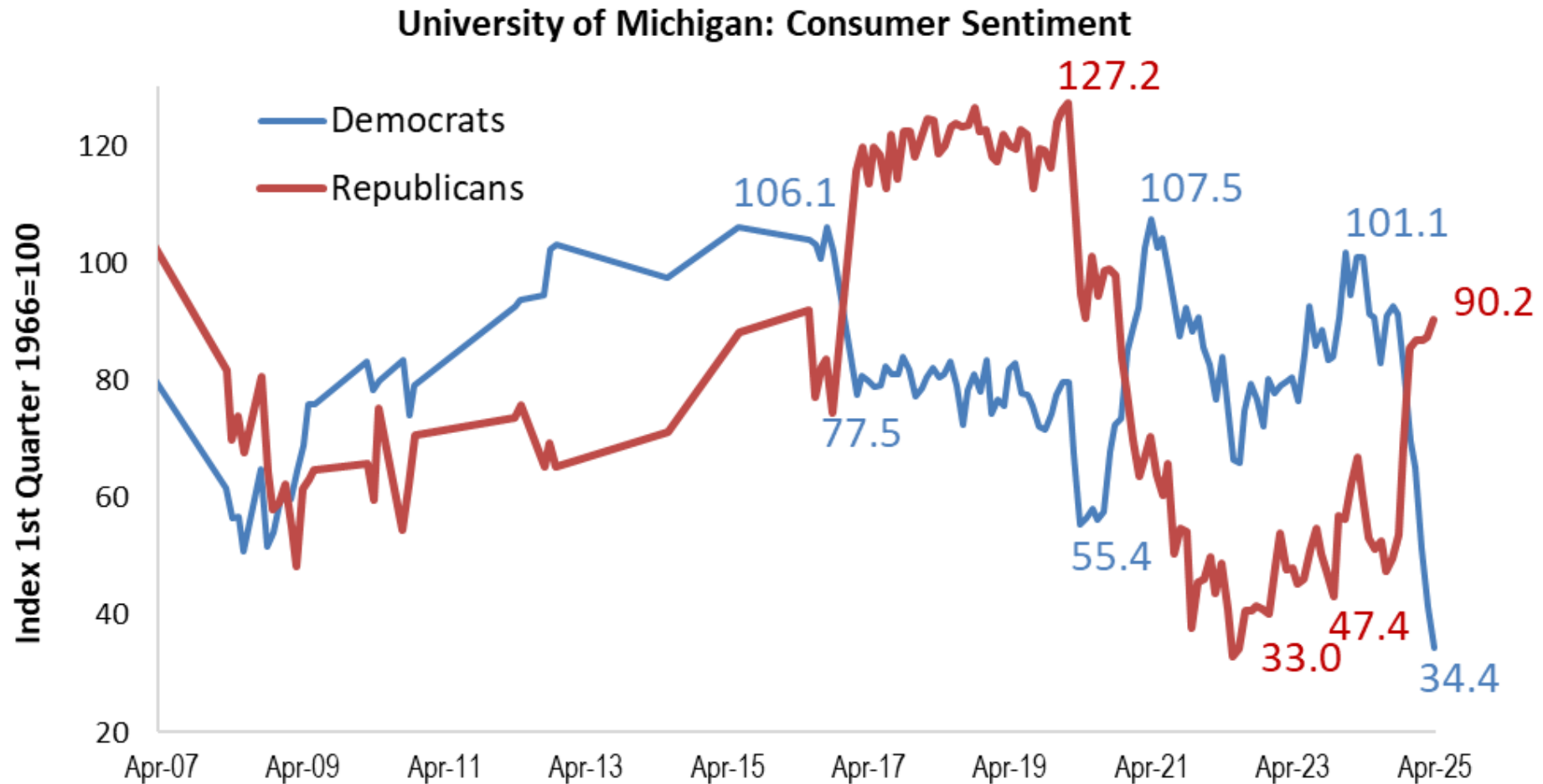
Source: BMO Economics, Thomson Reuters/Univ. Of Michigan

Household Income Expectations at Pandemic Low



Source: BMO Economics, Thomson Reuters/Univ. Of Michigan

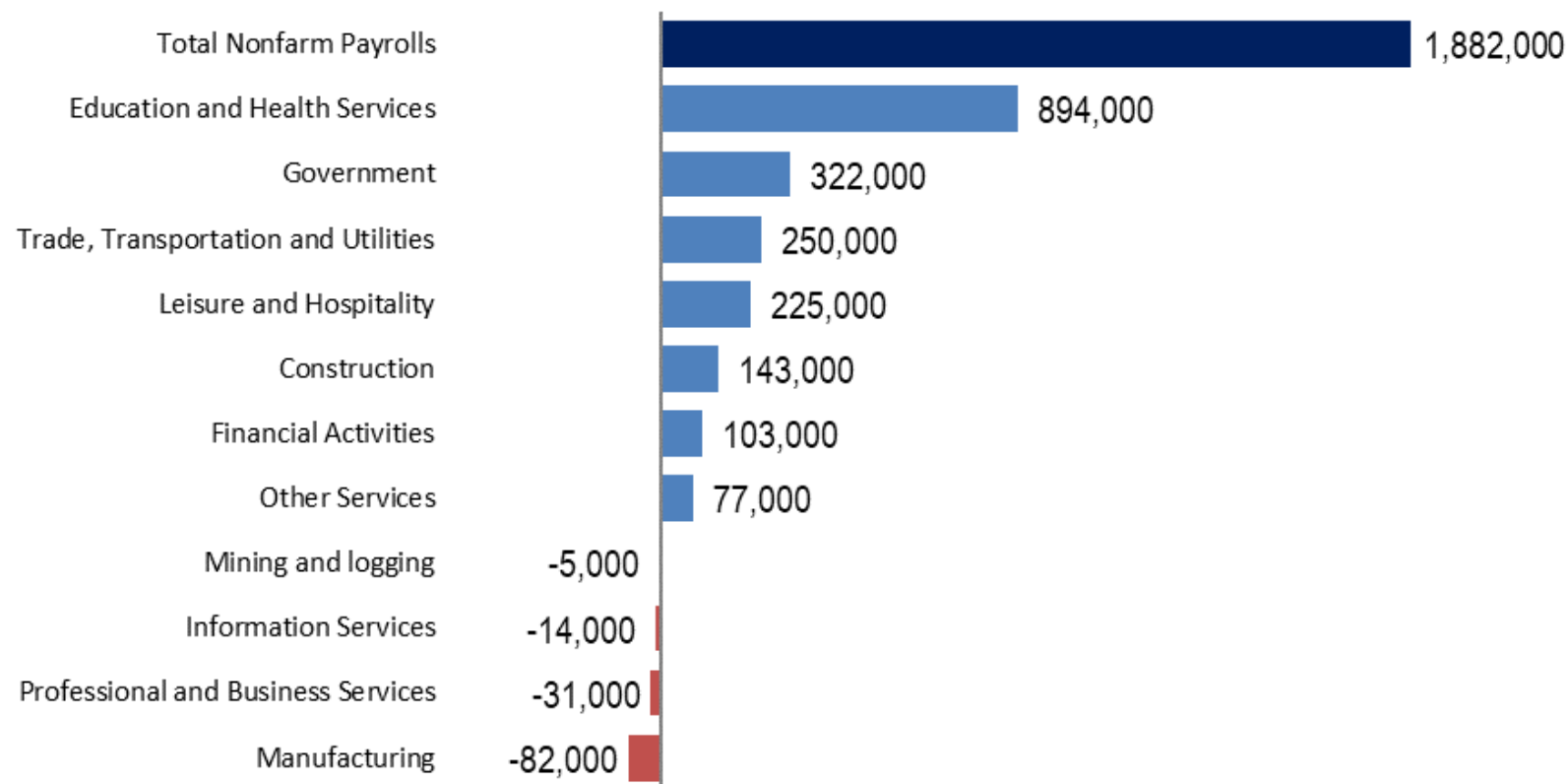
Survey Data Being Heavily Influenced By Political Affiliation



Source: BMO Economics, Thomson Reuters/Univ. Of Michigan

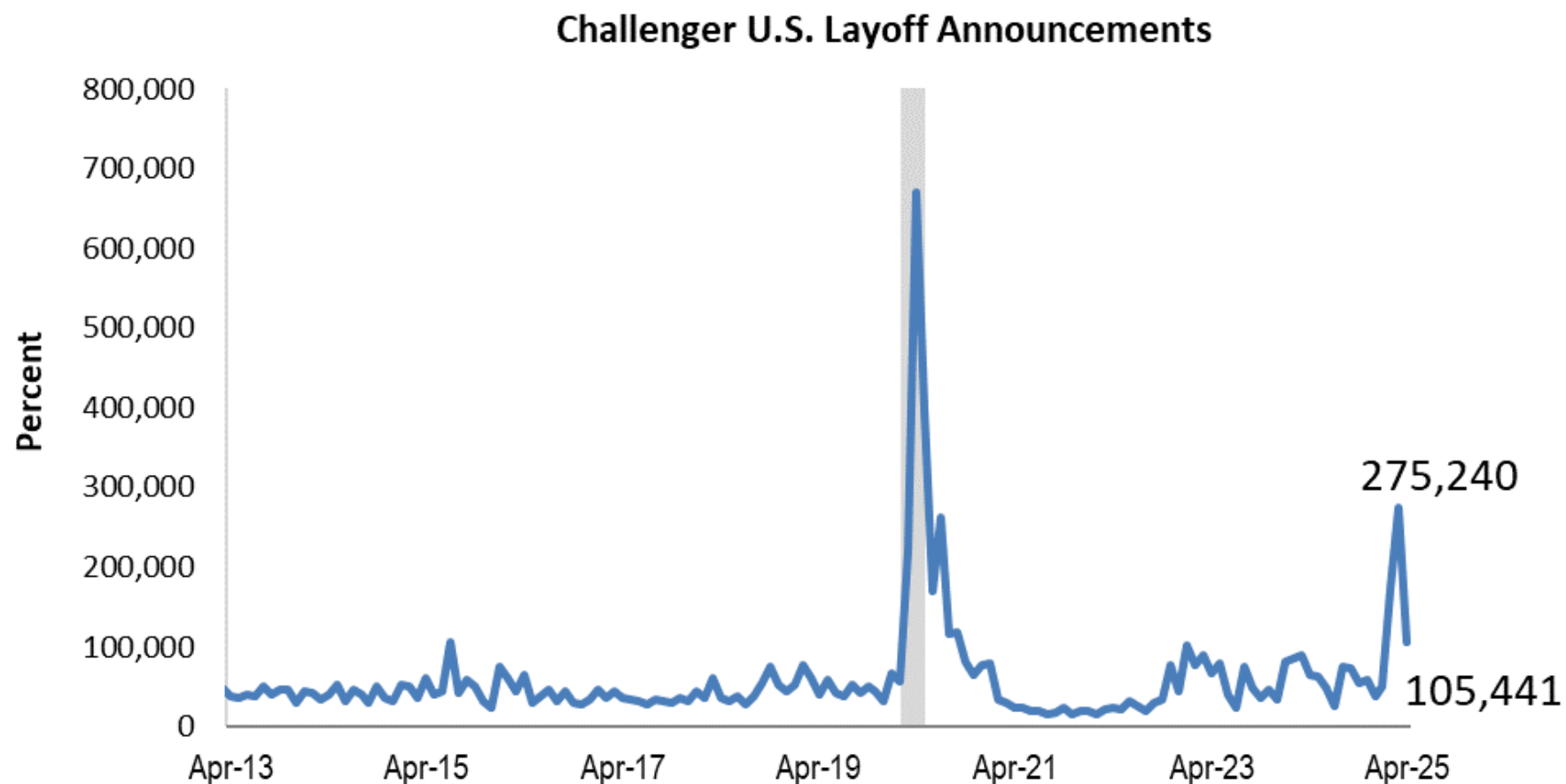
Steady Job Growth Over Past Year- But 78% From Top Three Sectors

Nonfarm Employment YoY Growth
4/30/2025



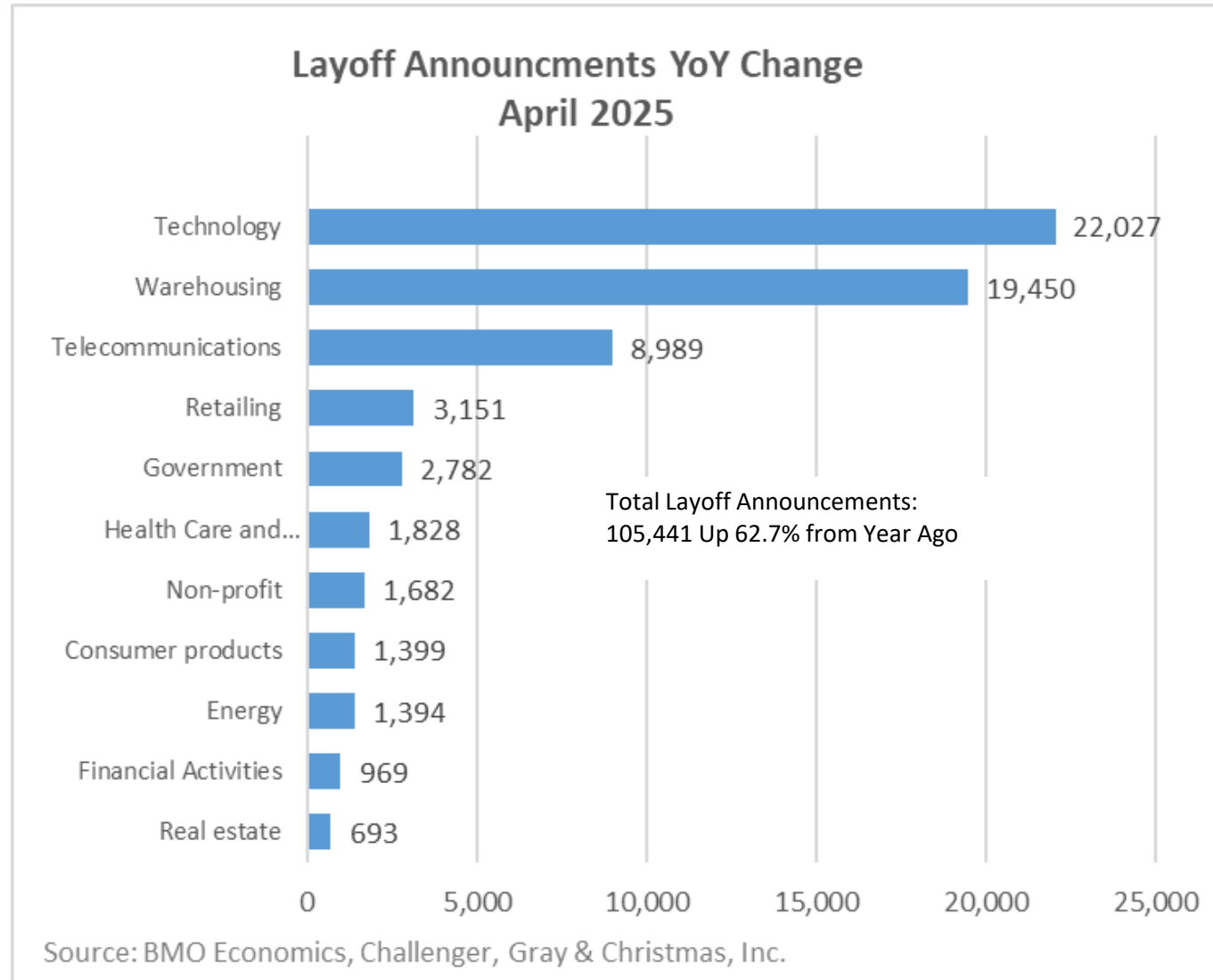
Sources: BMO Economics, Bureau of Labor Statistics

Layoff Announcements Spike For the First Time Since Pandemic Started

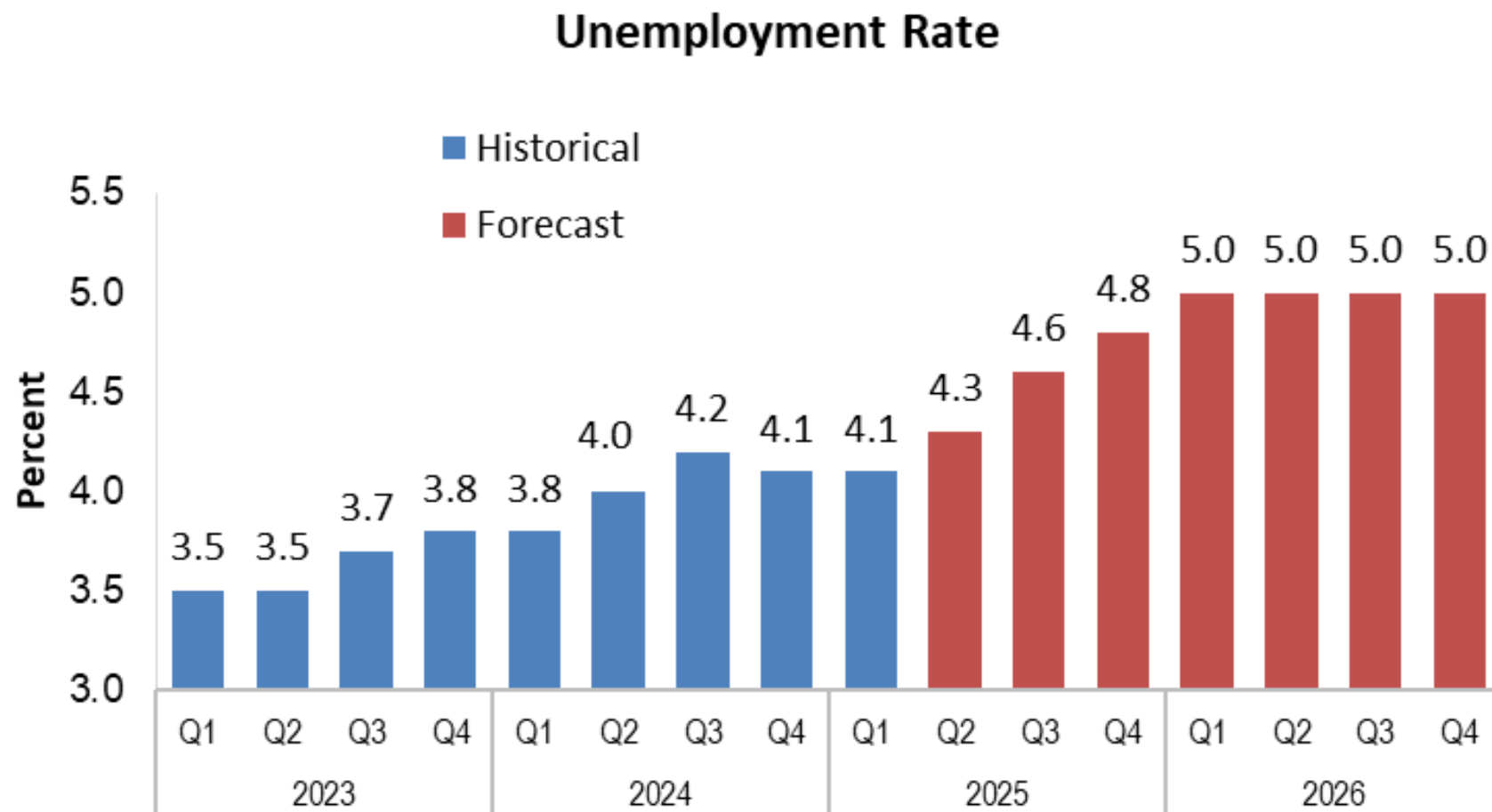


Source: BMO Economics, U.S. Bureau of Labor Statistics

Technology and Warehouse Layoffs Jump in April

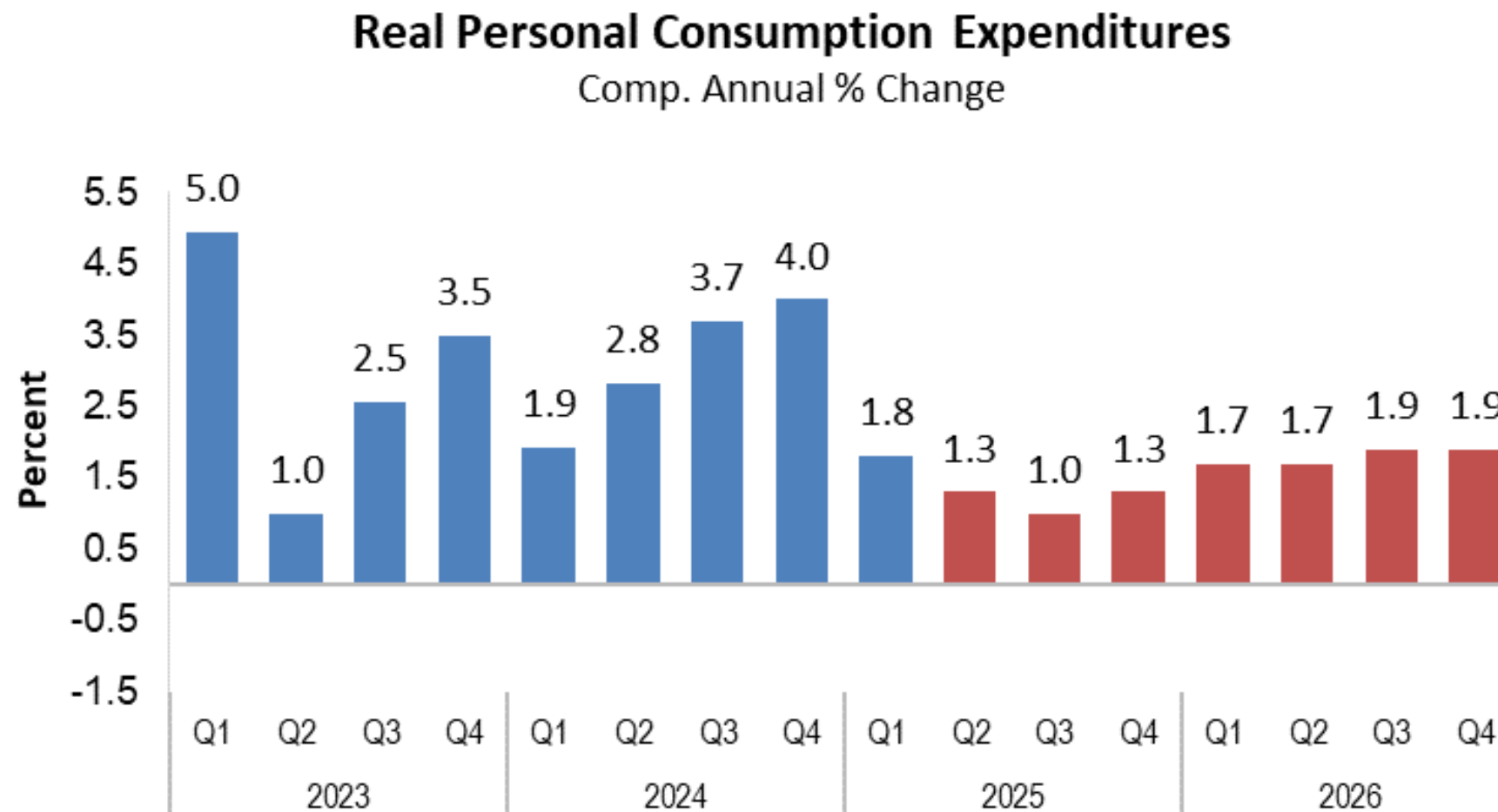


Unemployment Rate Not Done Rising



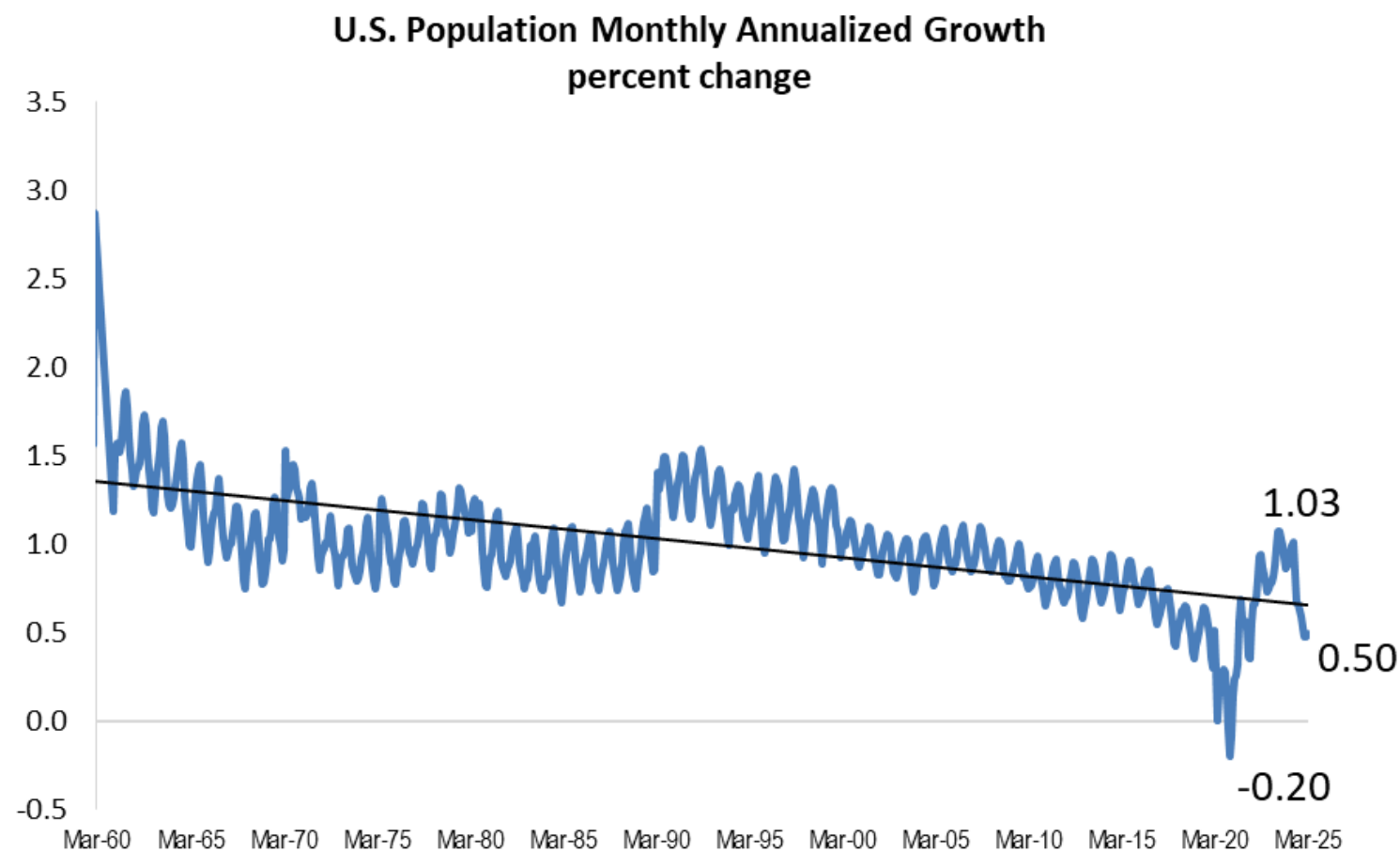
Source: BMO Economics, US. Bureau of Labor Statistics

U.S. Consumers Hunker Down



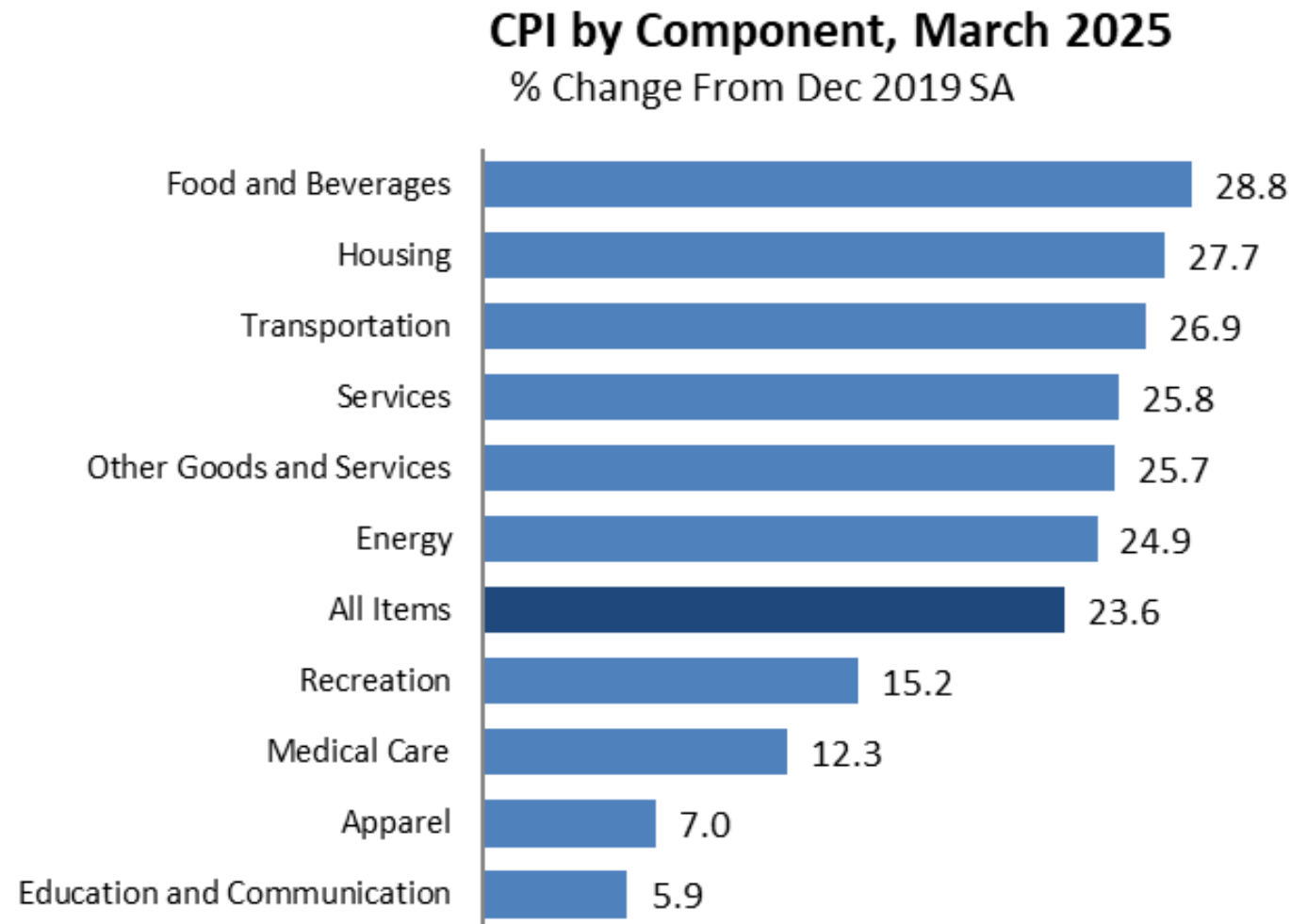
Source: BMO Economics, Bureau of Economic Analysis

Immigration Fueled Population Growth Surge Fades



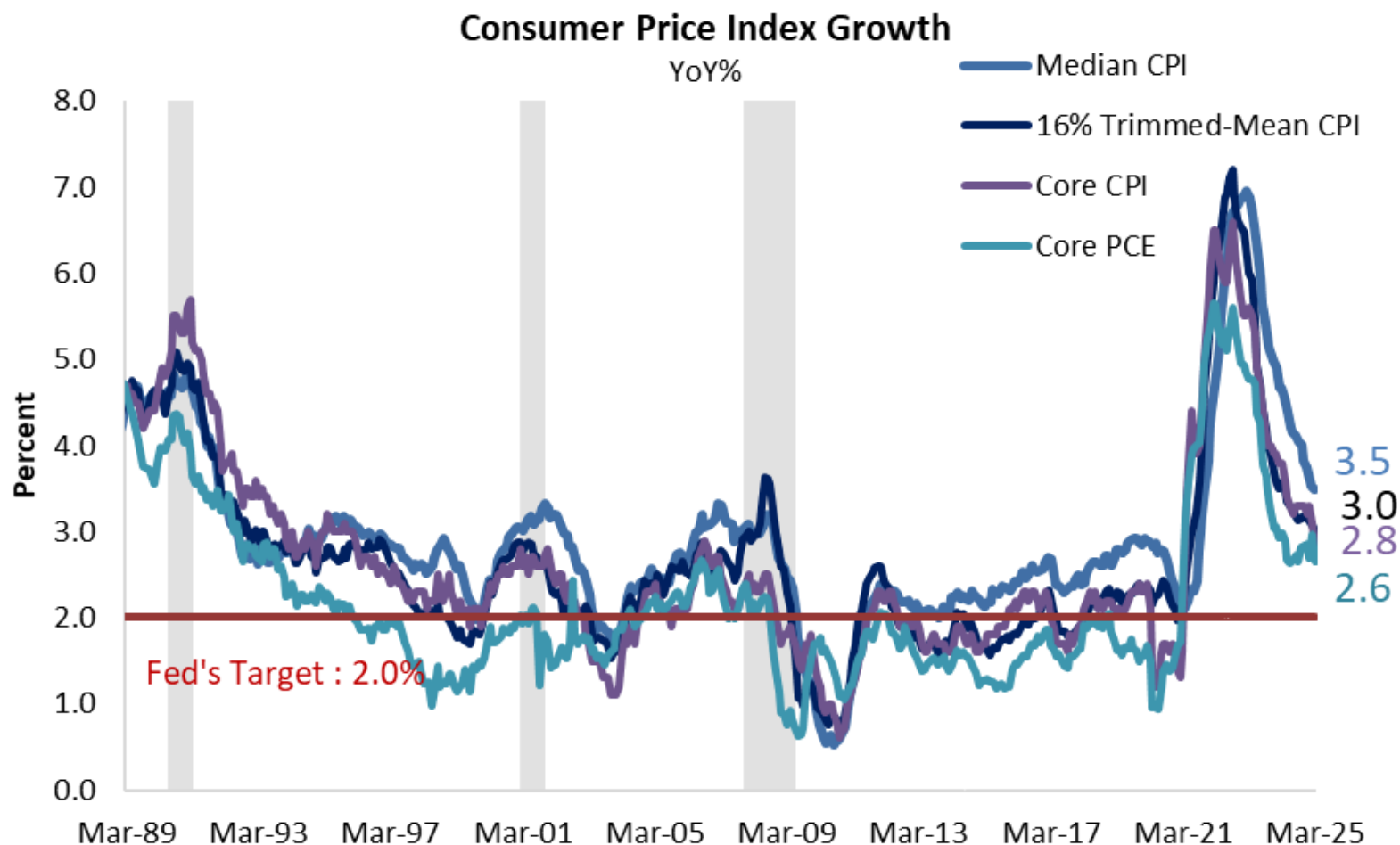
Source: BMO Economics, Bureau of Economic Analysis

Inflation Shock Since the Pandemic Has Been Substantial



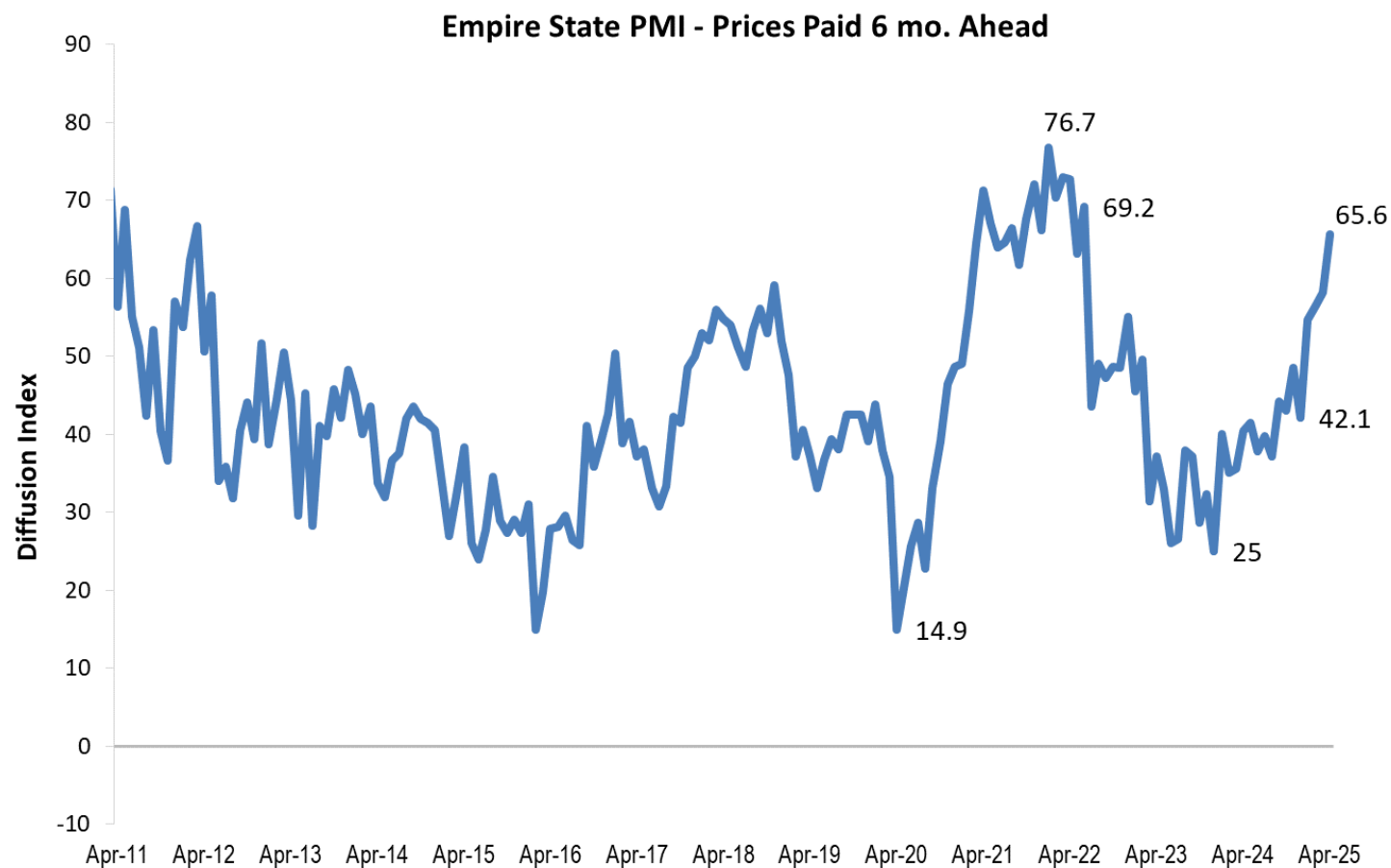
Source: BMO Economics, Bureau of Labor Statistics

Core Consumer Inflation Still Well Above Fed 2.0% Target



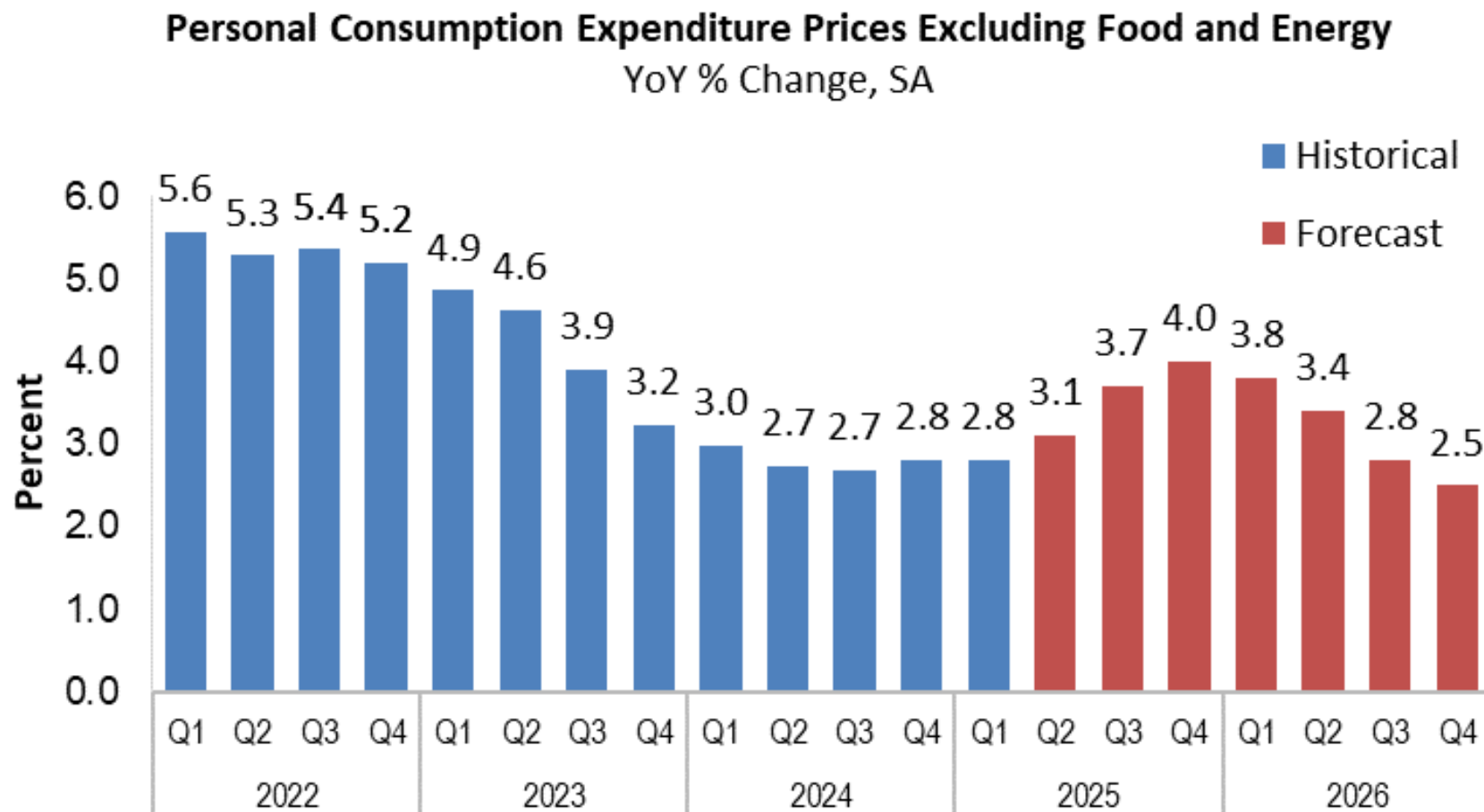
Source: BMO Economics, Federal Reserve Bank of Cleveland/FRED

Producers Facing Rapidly Rising Input Prices Again



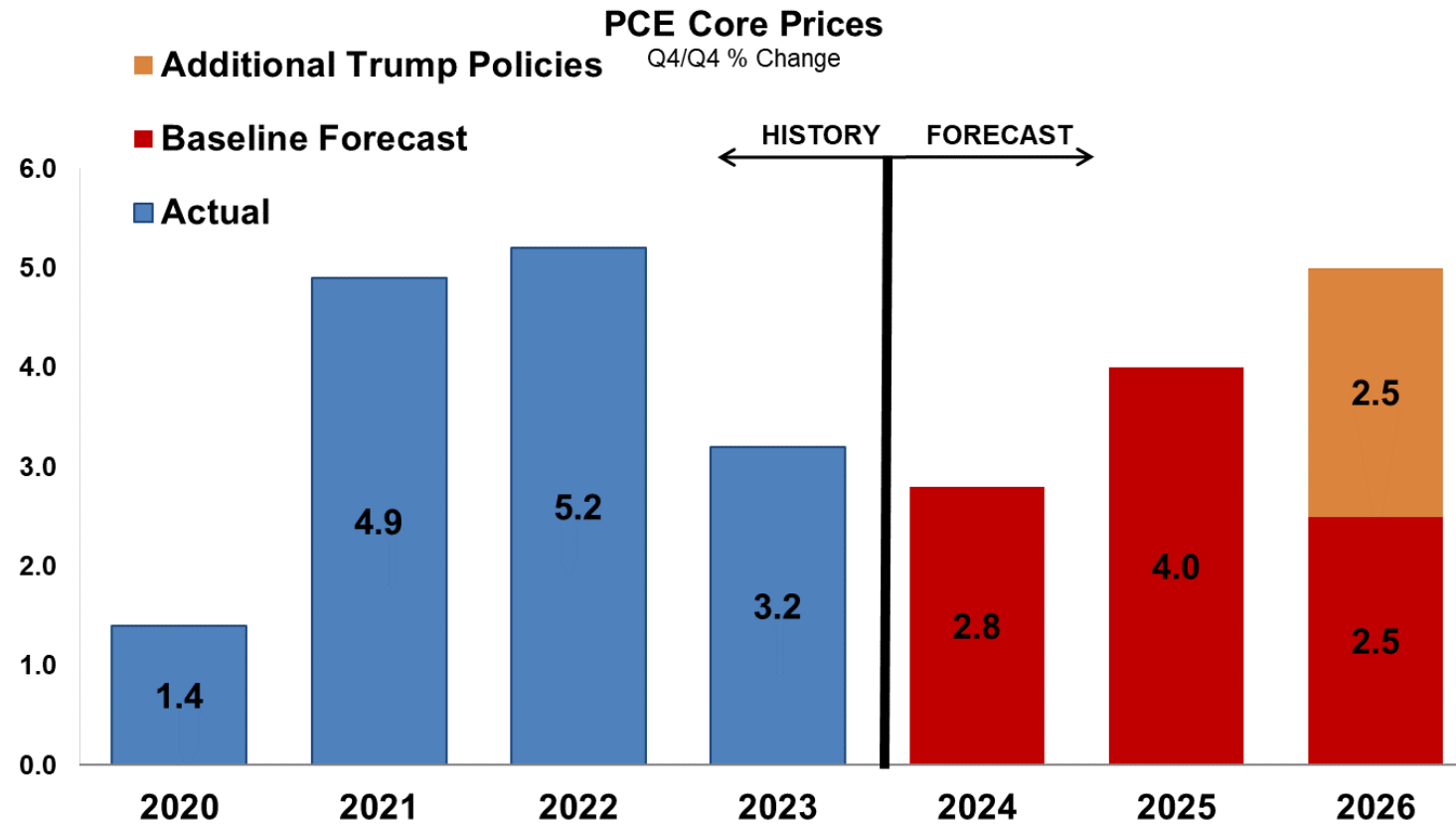
Source: BMO Economics, Federal Reserve Bank of New York

Core PCE Inflation Moves Further Away From the Fed's Target



Sources: BMO Economics, US. Bureau of Economic Analysis

U.S. Inflation Outlook Murky – Significant Upside Risks

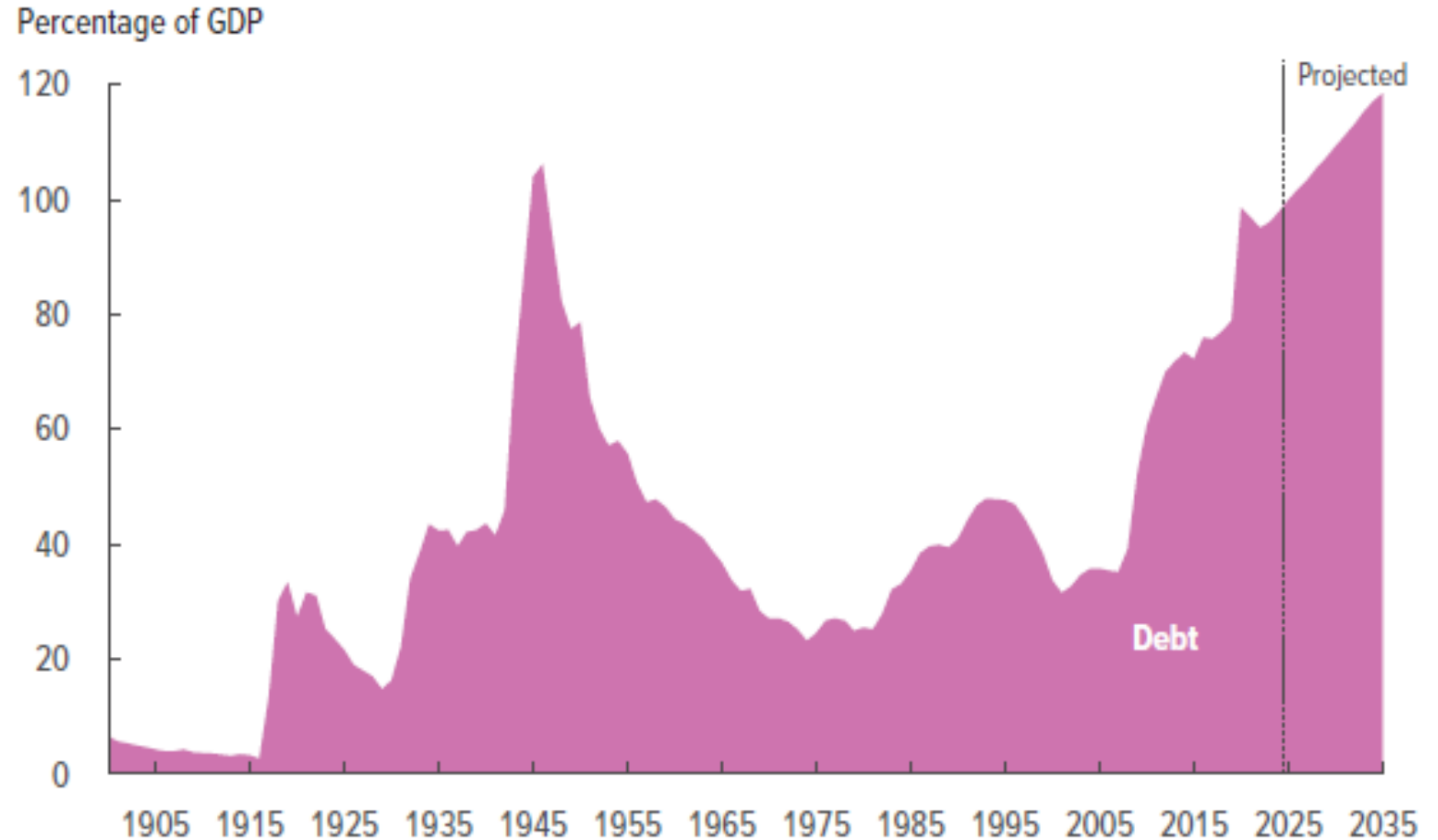


Source: BMO Economics, BLS, Peterson Institute for International Economics

U.S. Federal Debt Outlook Has Never Been Worse

Federal Debt Held by the Public

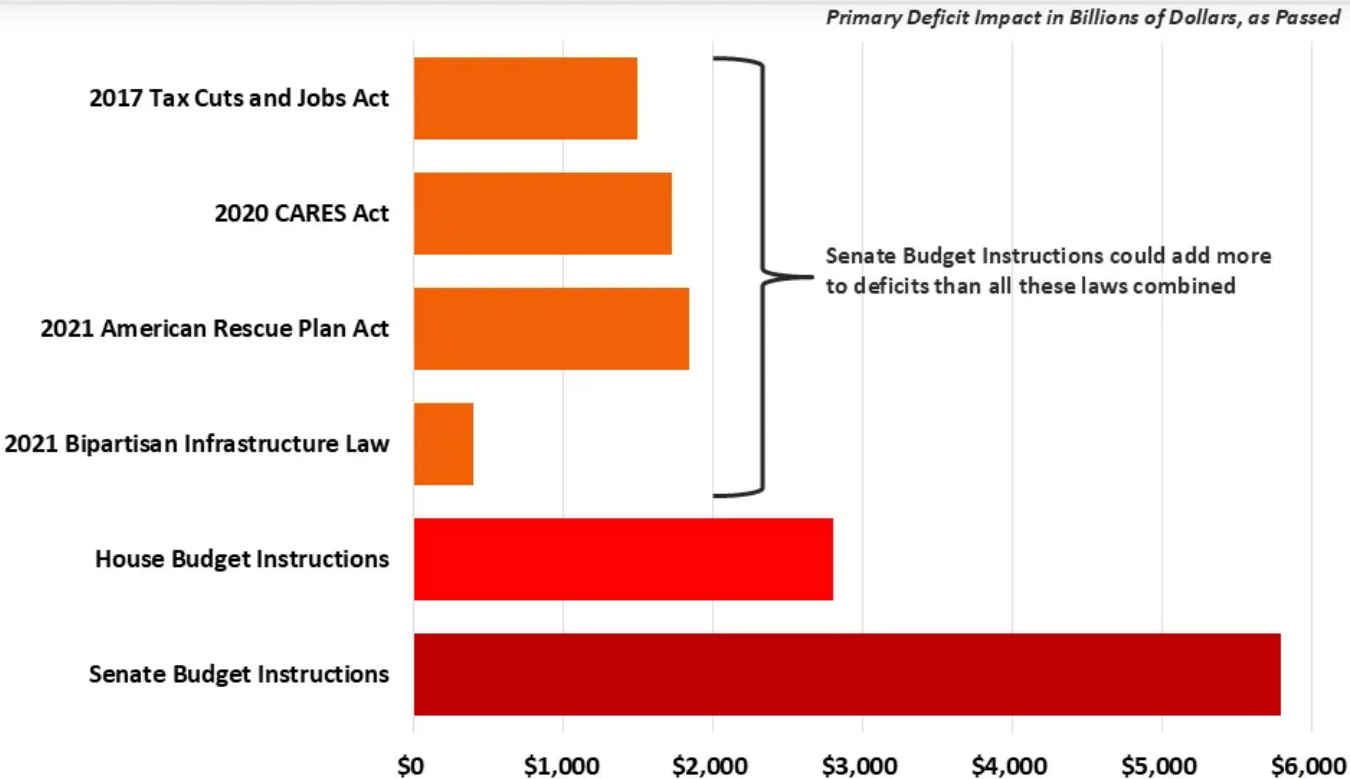
Debt held by the public rises each year. From 2025 to 2035, it swells from 100 percent of GDP to 118 percent—an amount greater than at any point in the nation's history. (For more details about CBO's budget projections, see Appendix B.)



Source: BMO Economics, CBO

Federal Government On The Road to Bankruptcy

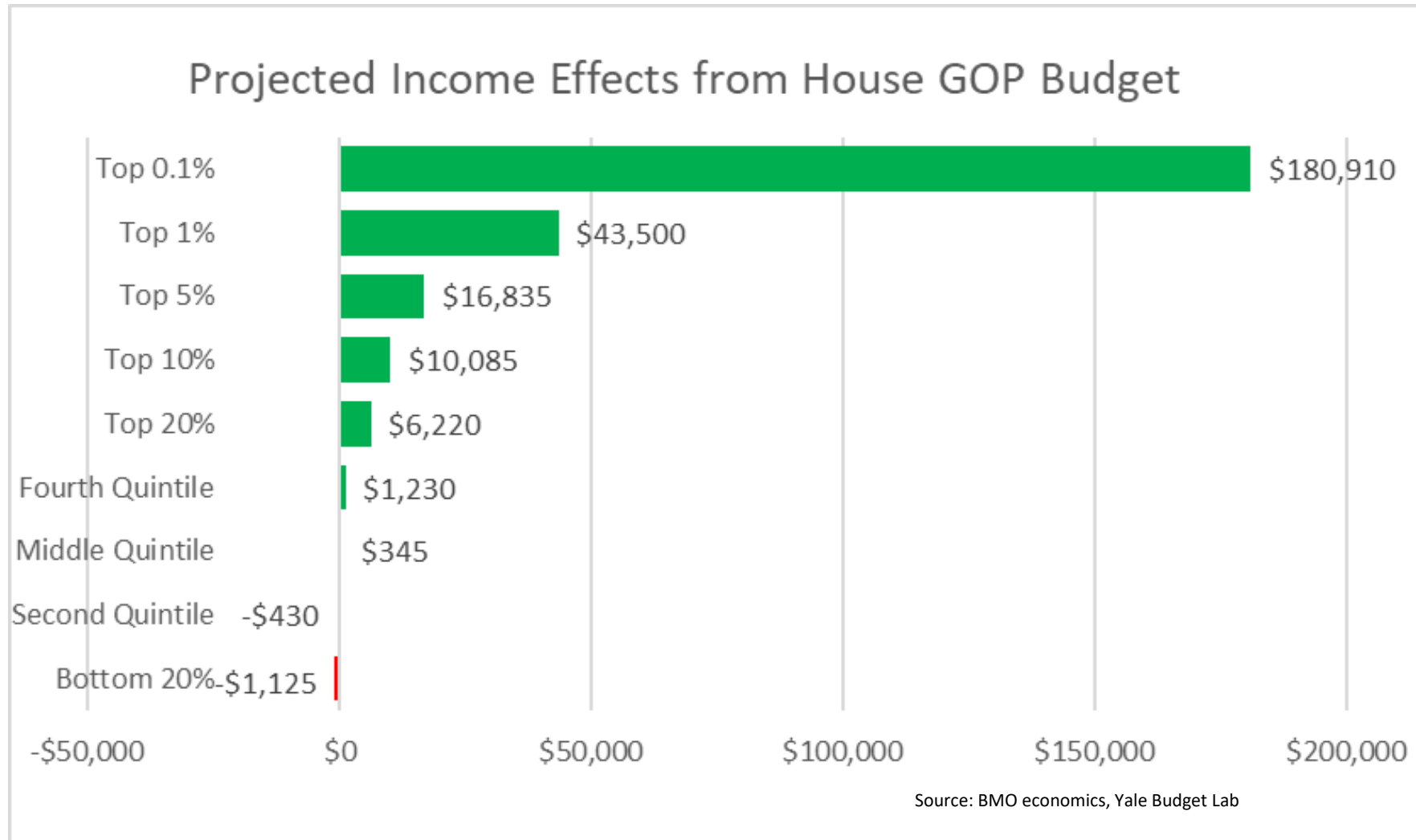
Senate Instructions Allow Larger Debt Impact Than Any Recent Law



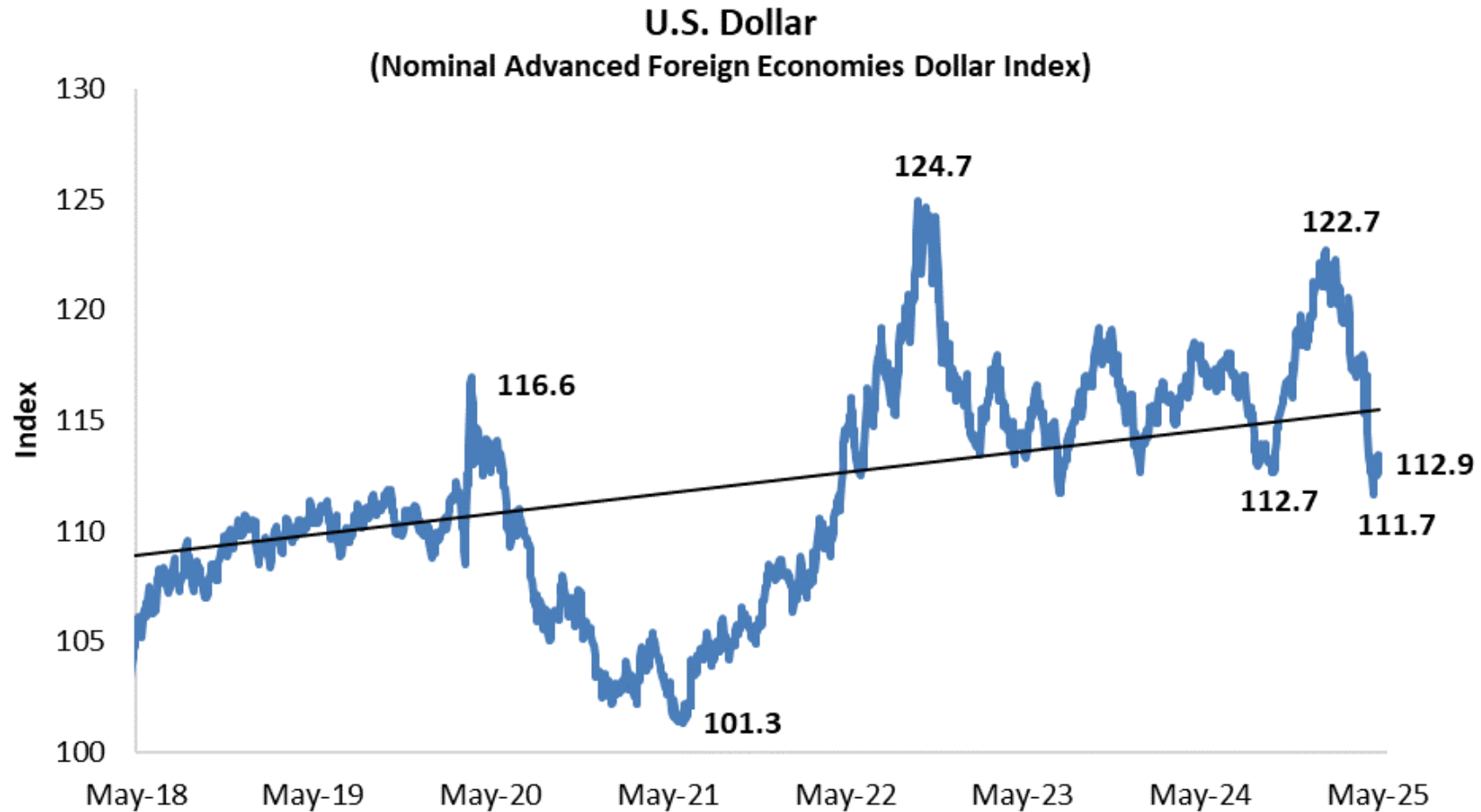
Source: Congressional Budget Office, CRFB estimates, House Budget Committee, Senate Budget Committee
Note: House Budget Instructions shown as \$2.8 trillion, but possibly totaling \$3.3 trillion without additional spending cuts



Budget Bill Threatens to Aggravate Income Inequality

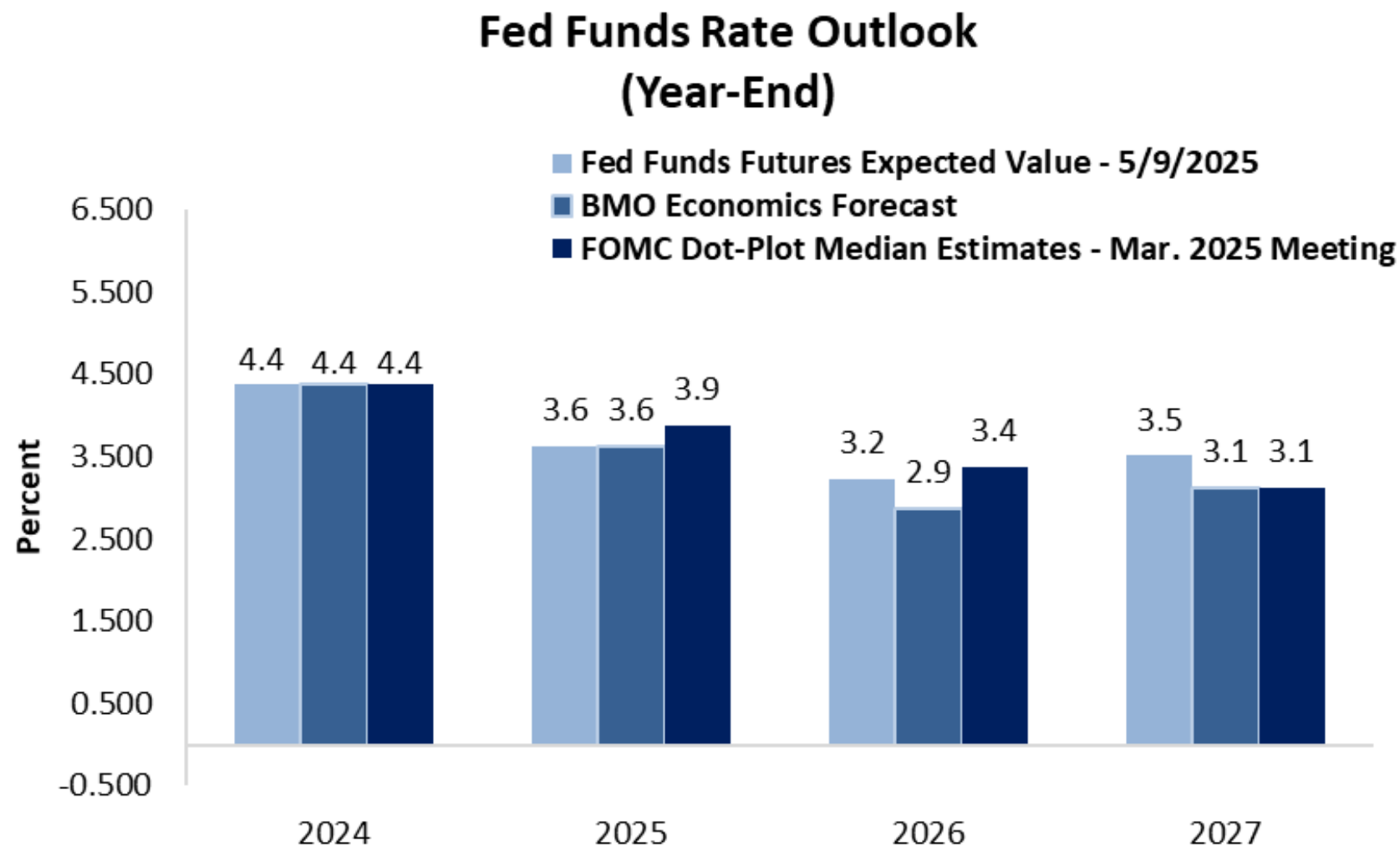


Policy Combo Puts Dollar Safe Haven Status at Risk



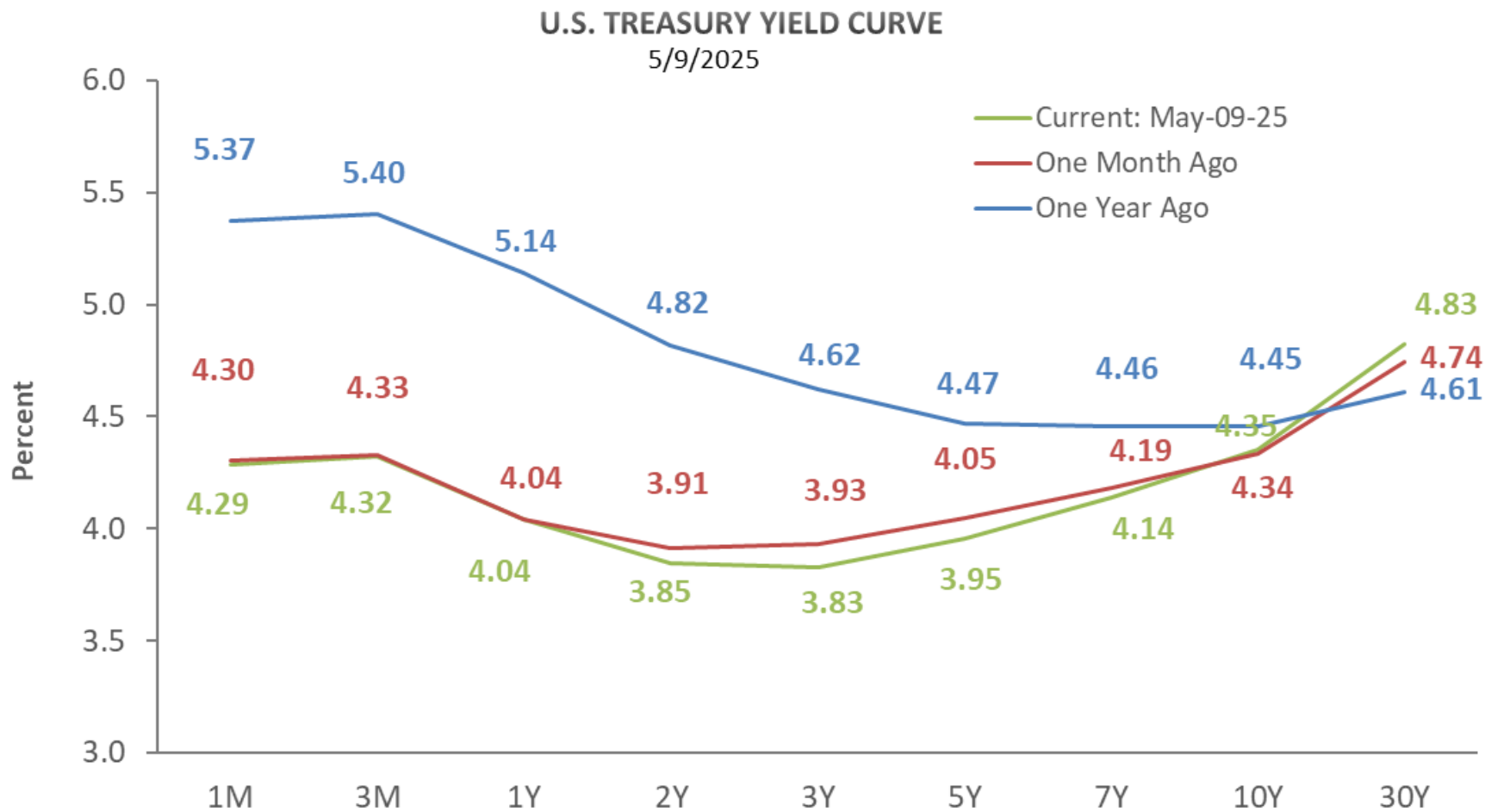
Source: BMO Economics, Federal Reserve

How Fast Will the Fed Be Able to Cut?



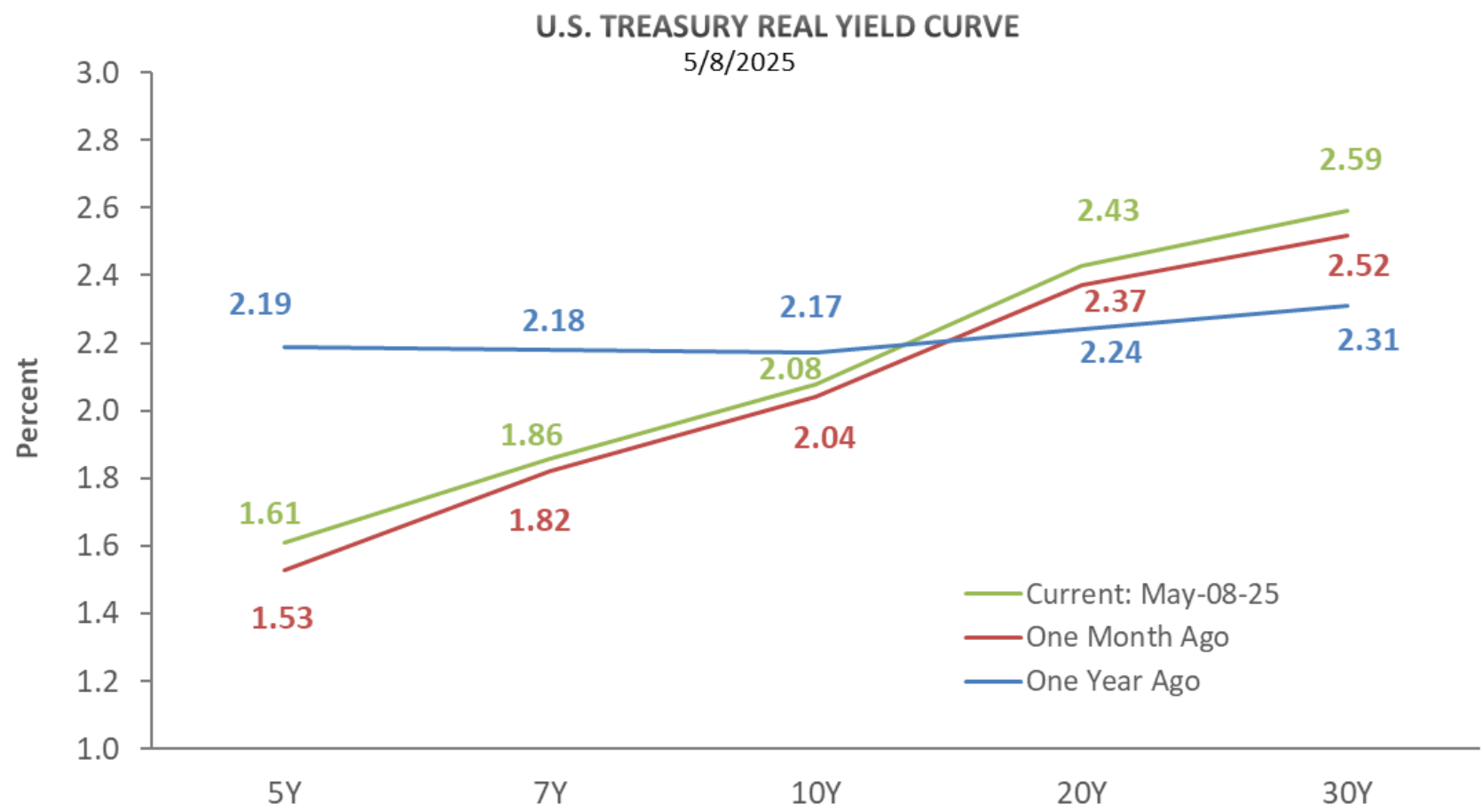
Sources: BMO Economics, Chicago Board of Trade Federal Reserve

Treasury Yield Curve Whipsawed



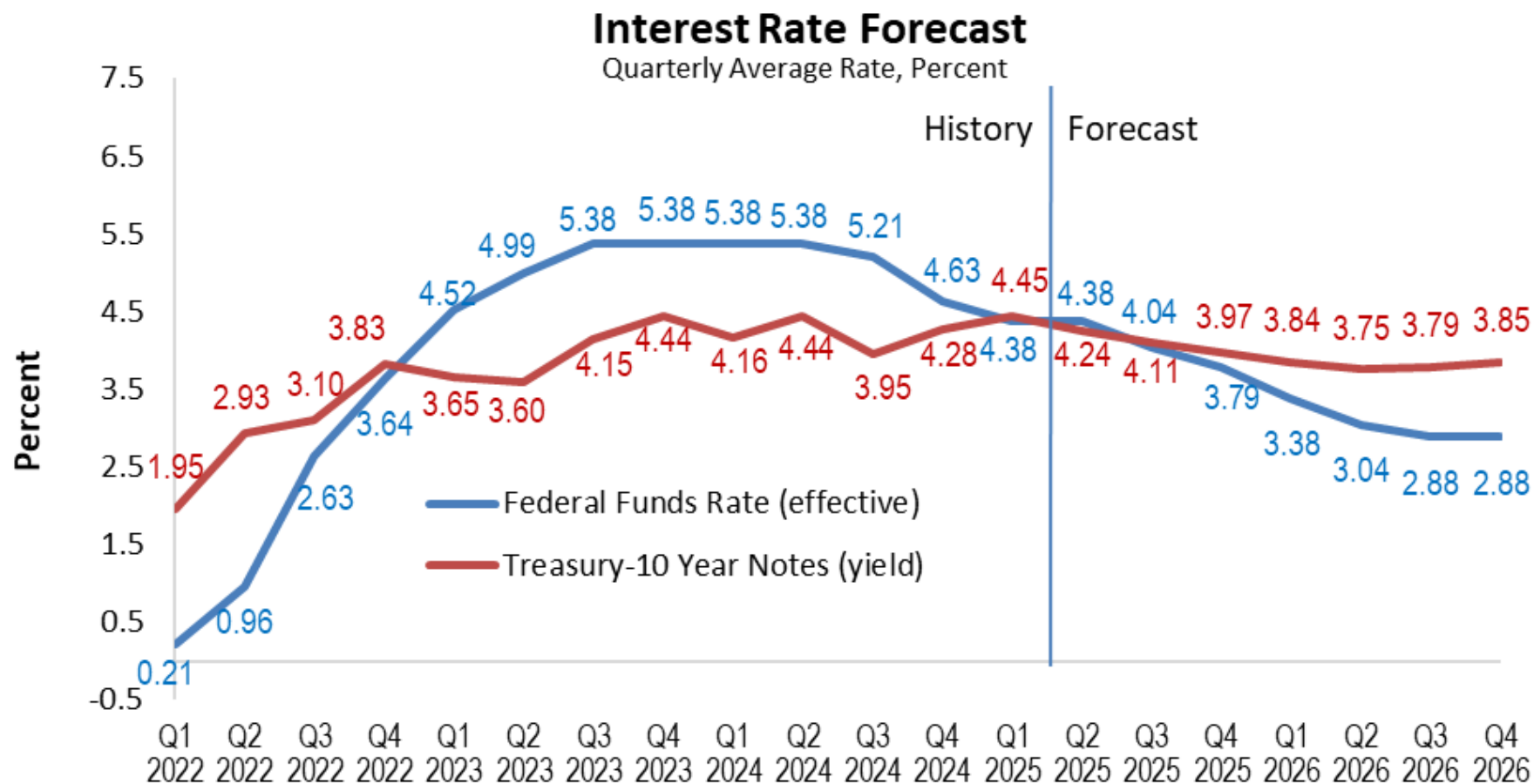
Sources: BMO Economics, Bloomberg

Real Interest Rates On the Rise



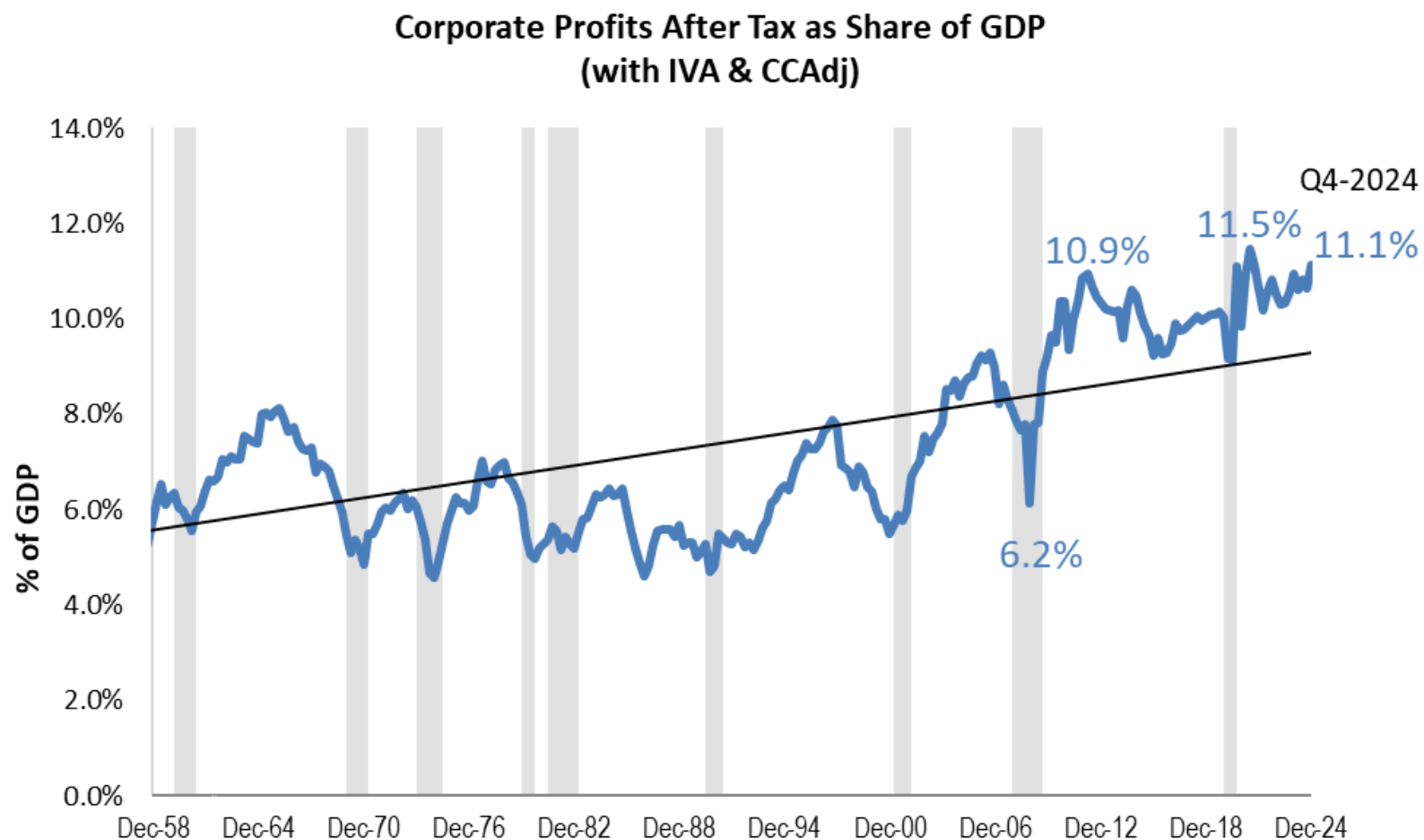
Source: BMO Economics, Bloomberg

Only Modest Interest Rate Relief at the Long-end of the Treasury Curve



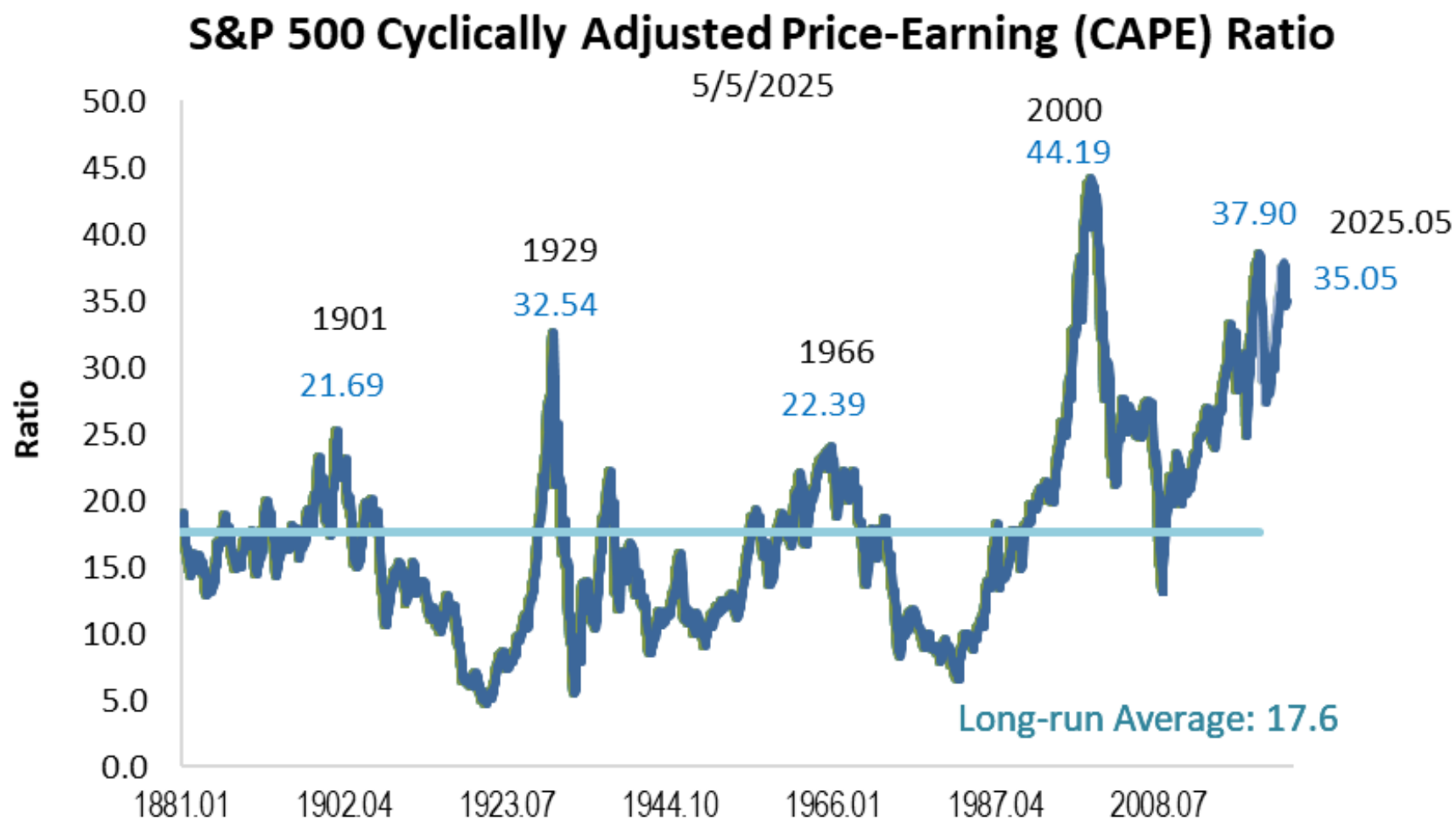
Sources: BMO Economics, Federal Reserve

Corporate Profits as a Share of the Economy Has Never Been Higher



Source: Bureau of Economic Analysis

Even After Recent Volatility U.S. Equity Prices Still Look Rich



Sources: BMO Economics, Robert Shiller's website

Thank You

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