

Prospects for the U.S. Economy

Will tariffs make a difference?

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Bard

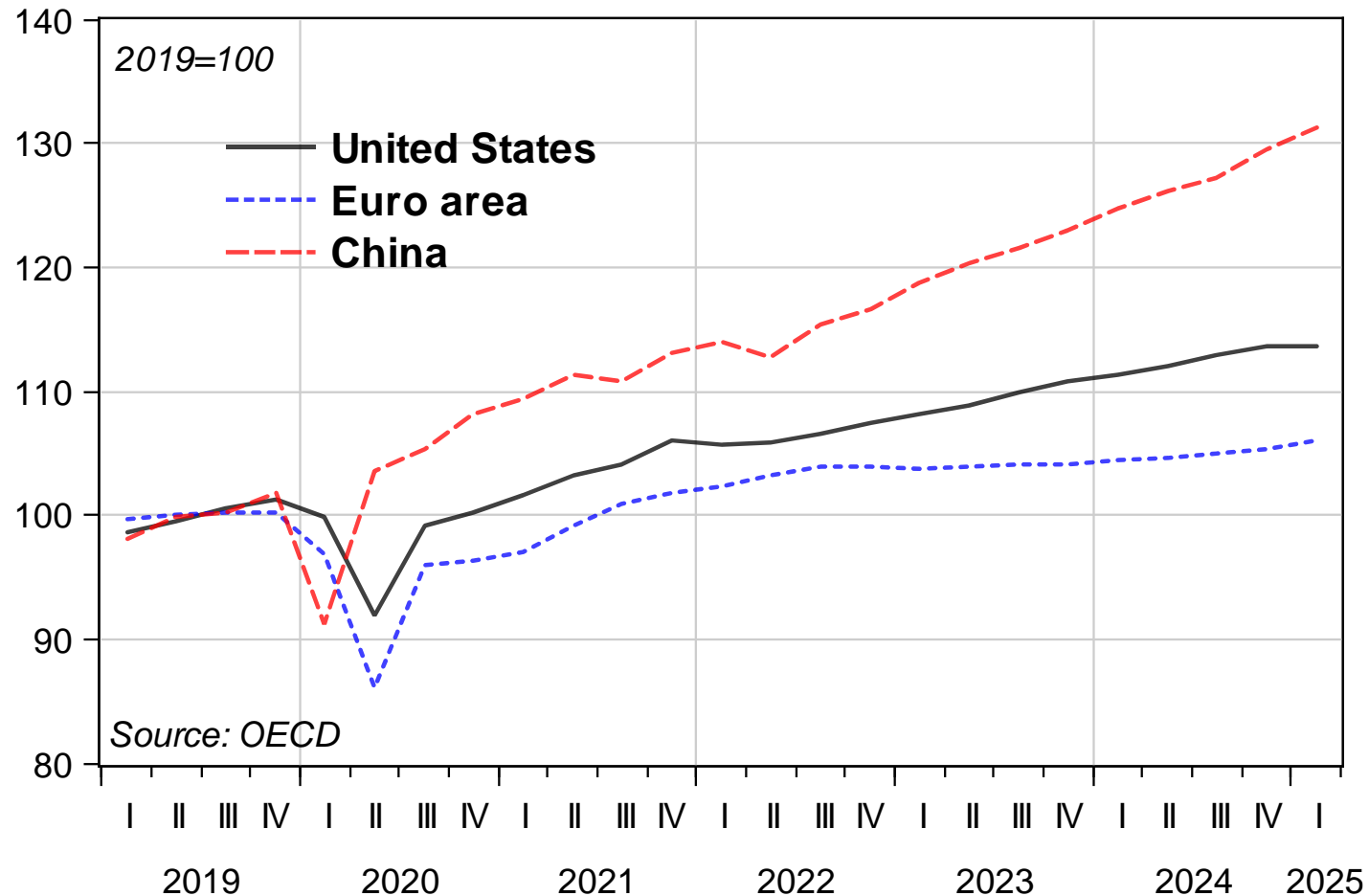
Contents

1. Drivers of U.S. growth
2. Determinants of the U.S. current account deficit
3. The potential impact of tariffs
4. Conclusions – Q&A



GDP of the U.S. and trading partners

Figure 1. Real GDP

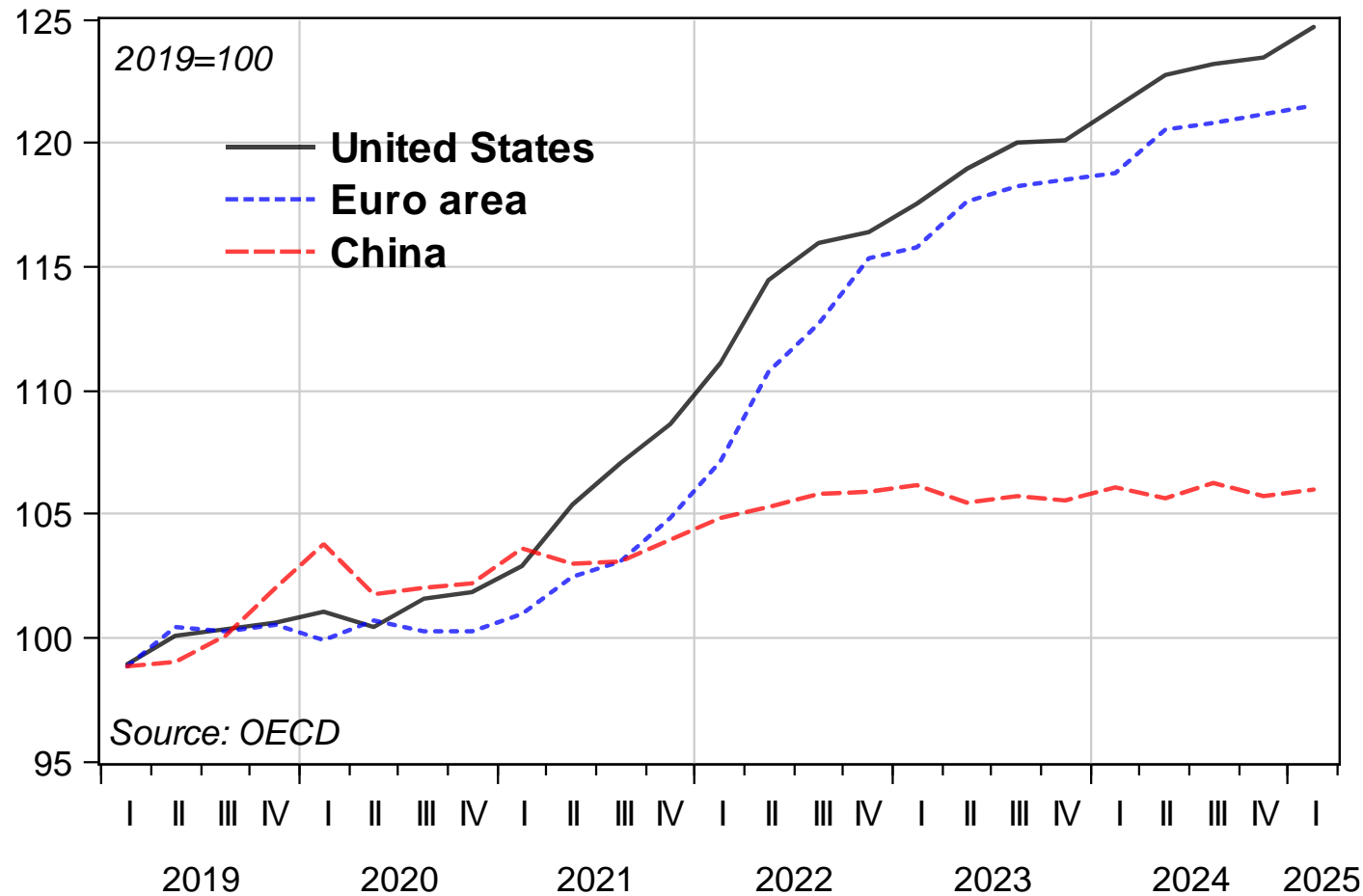


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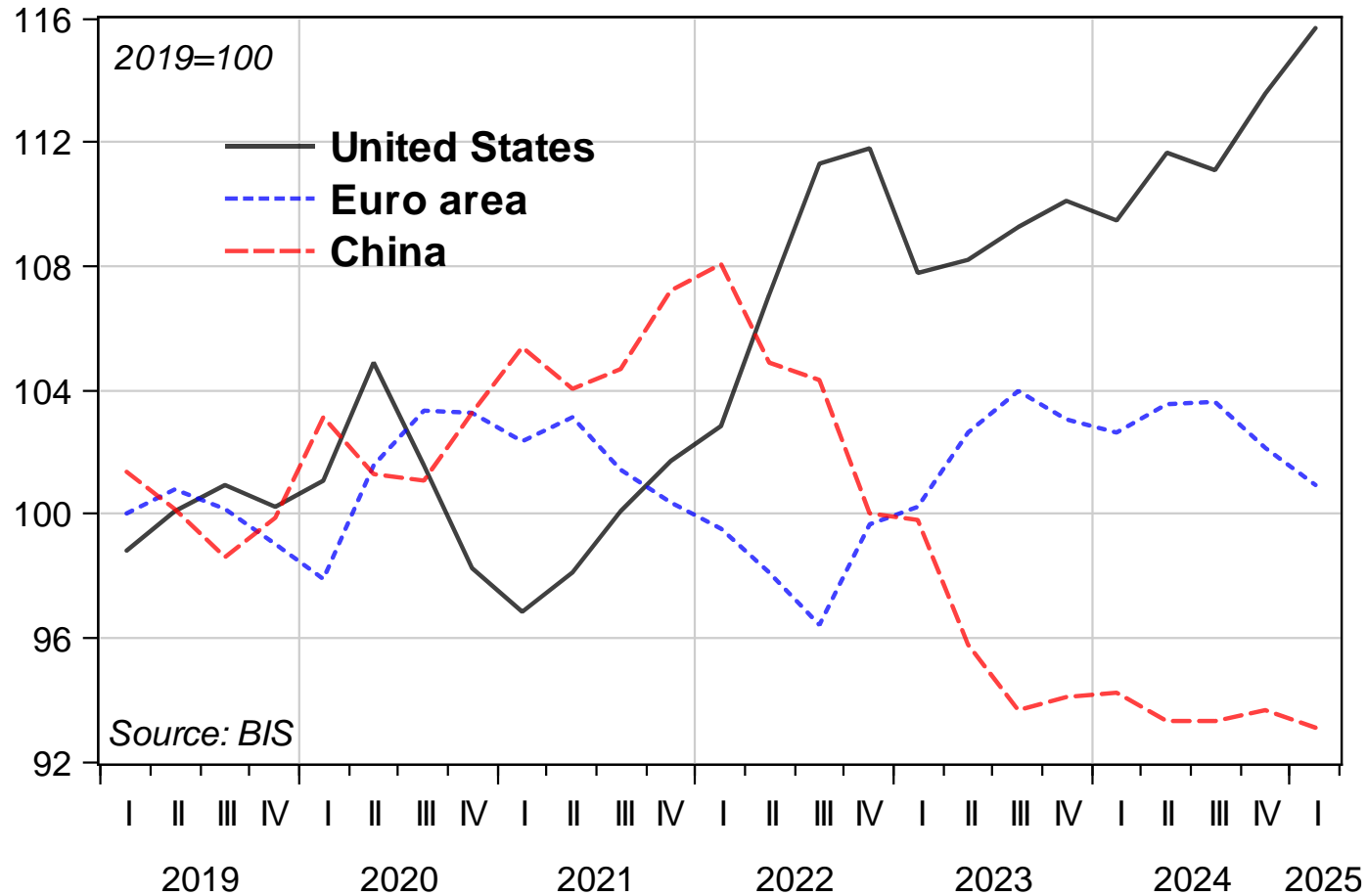
Inflation

Figure 2. Consumer price index



The role of the exchange rate

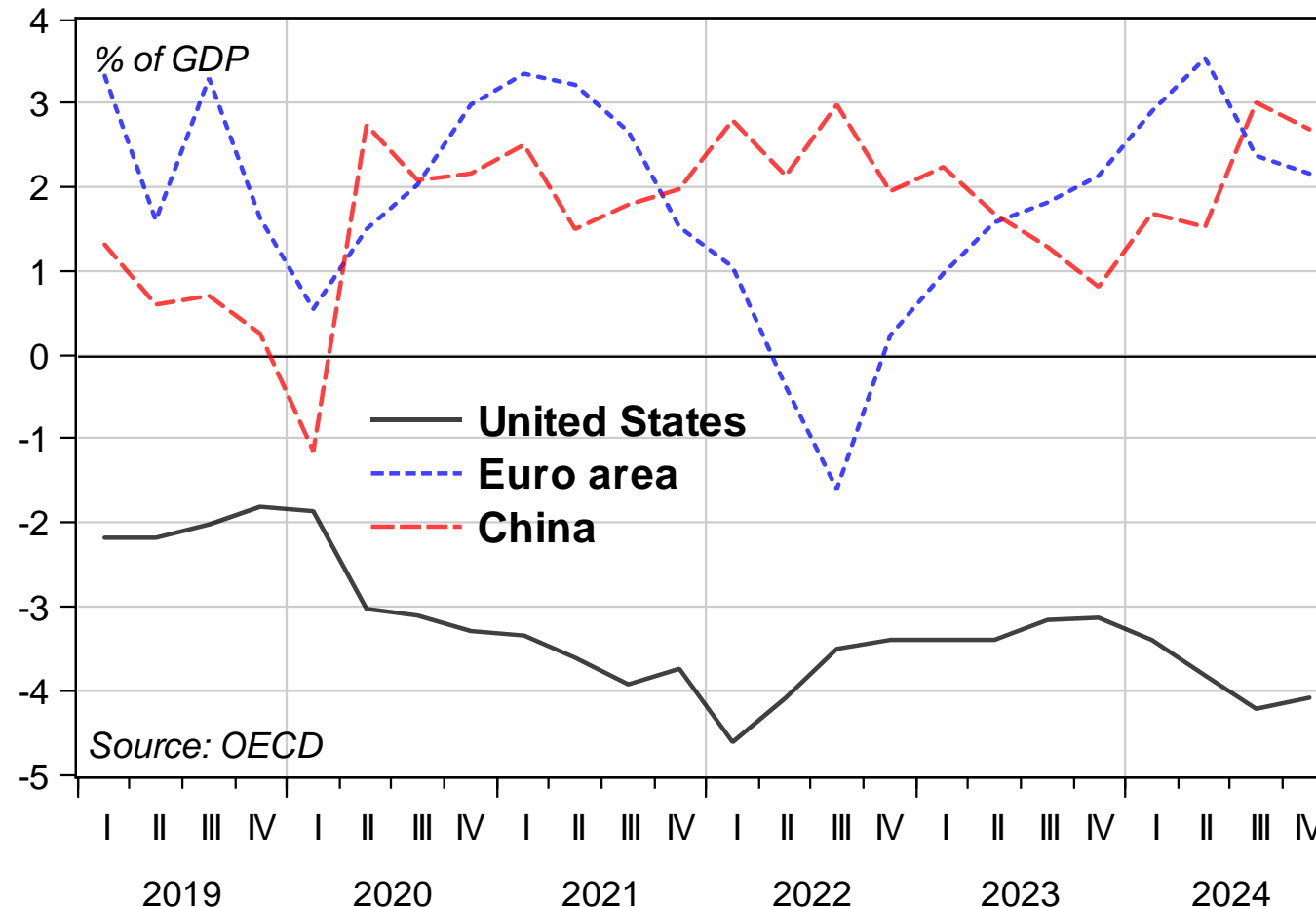
Figure 3. Real Effective Exchange Rates



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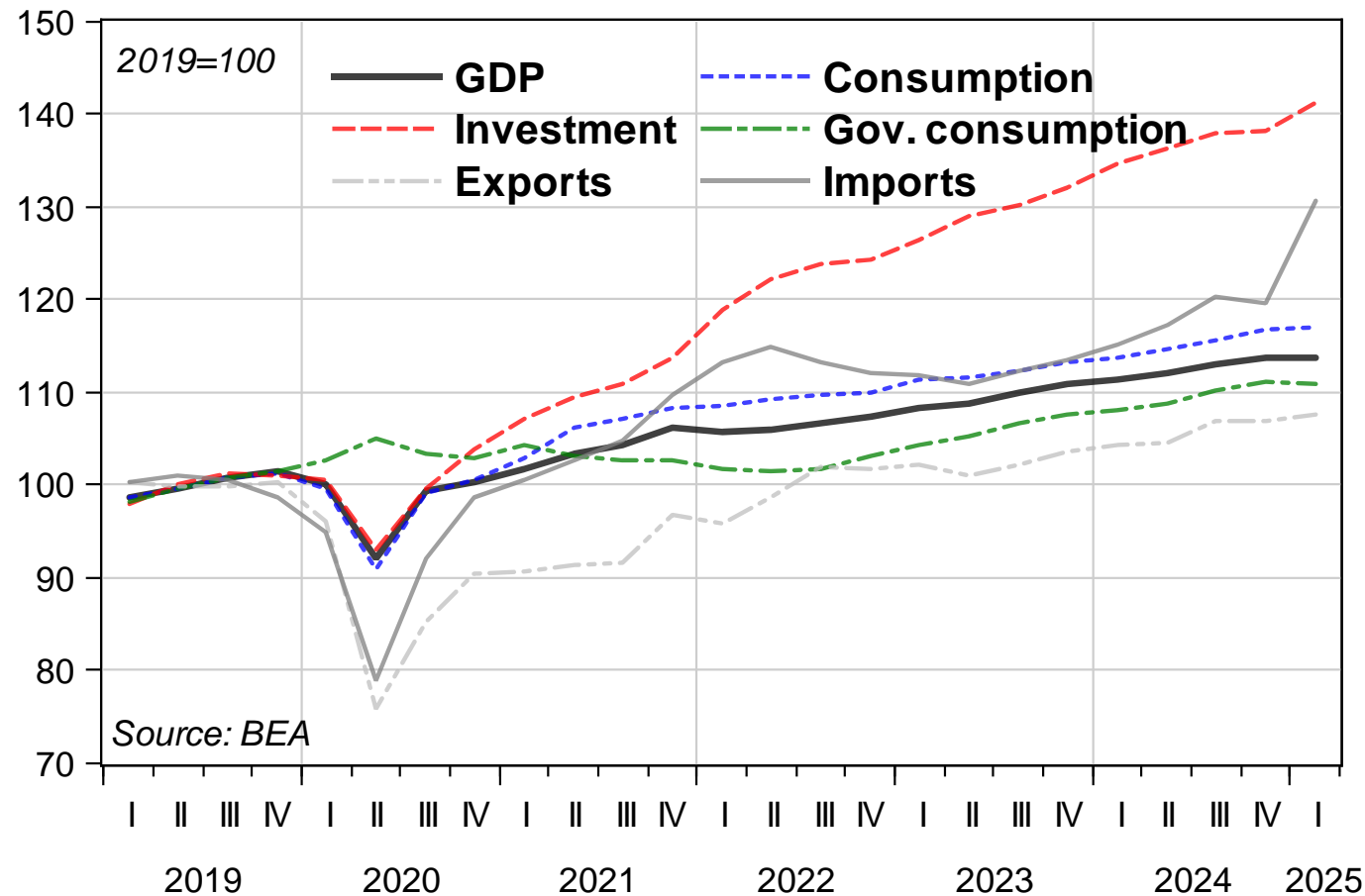
The resulting imbalances

Figure 4. Current account balance



The drivers of U.S. growth

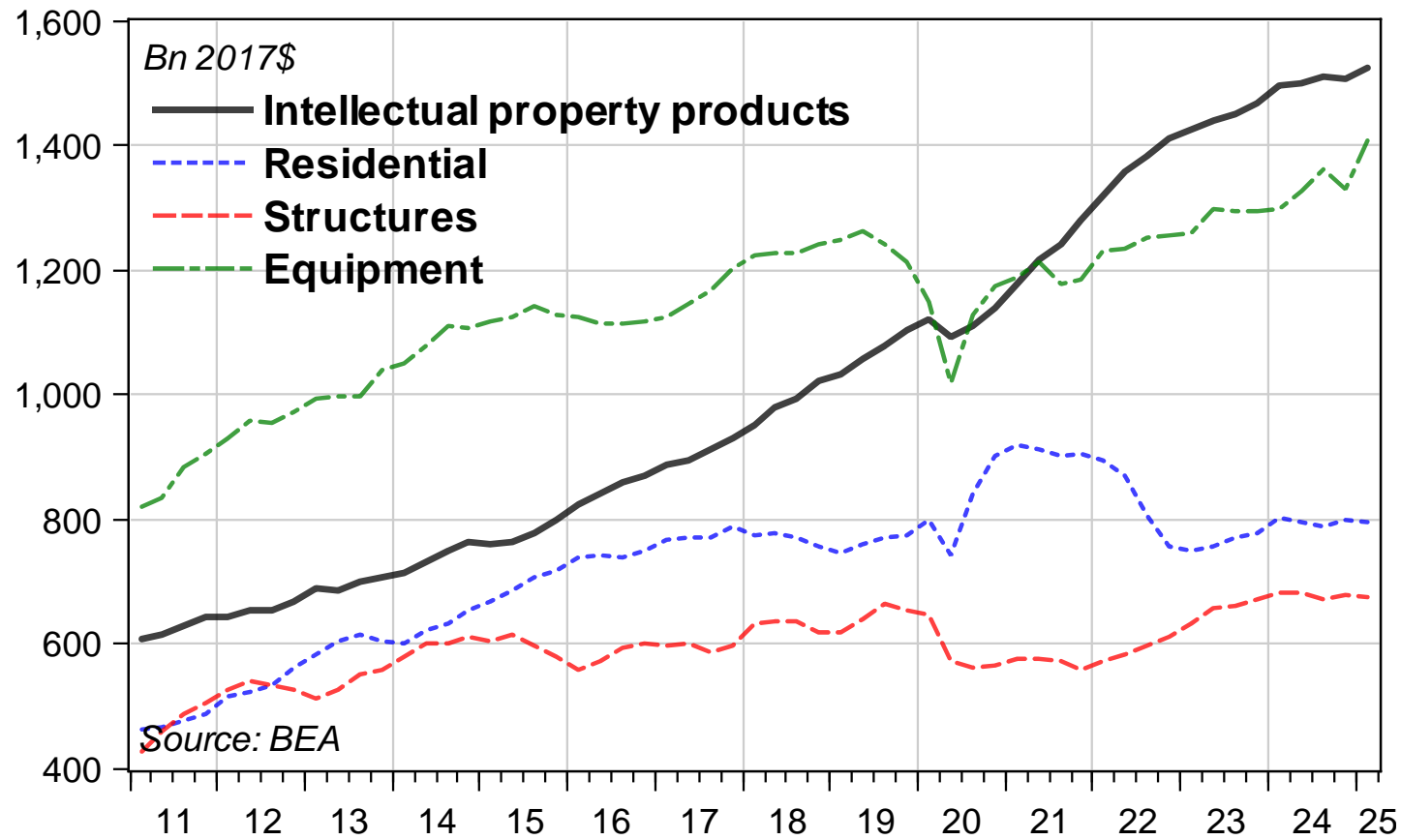
Figure 5. U.S. GDP components



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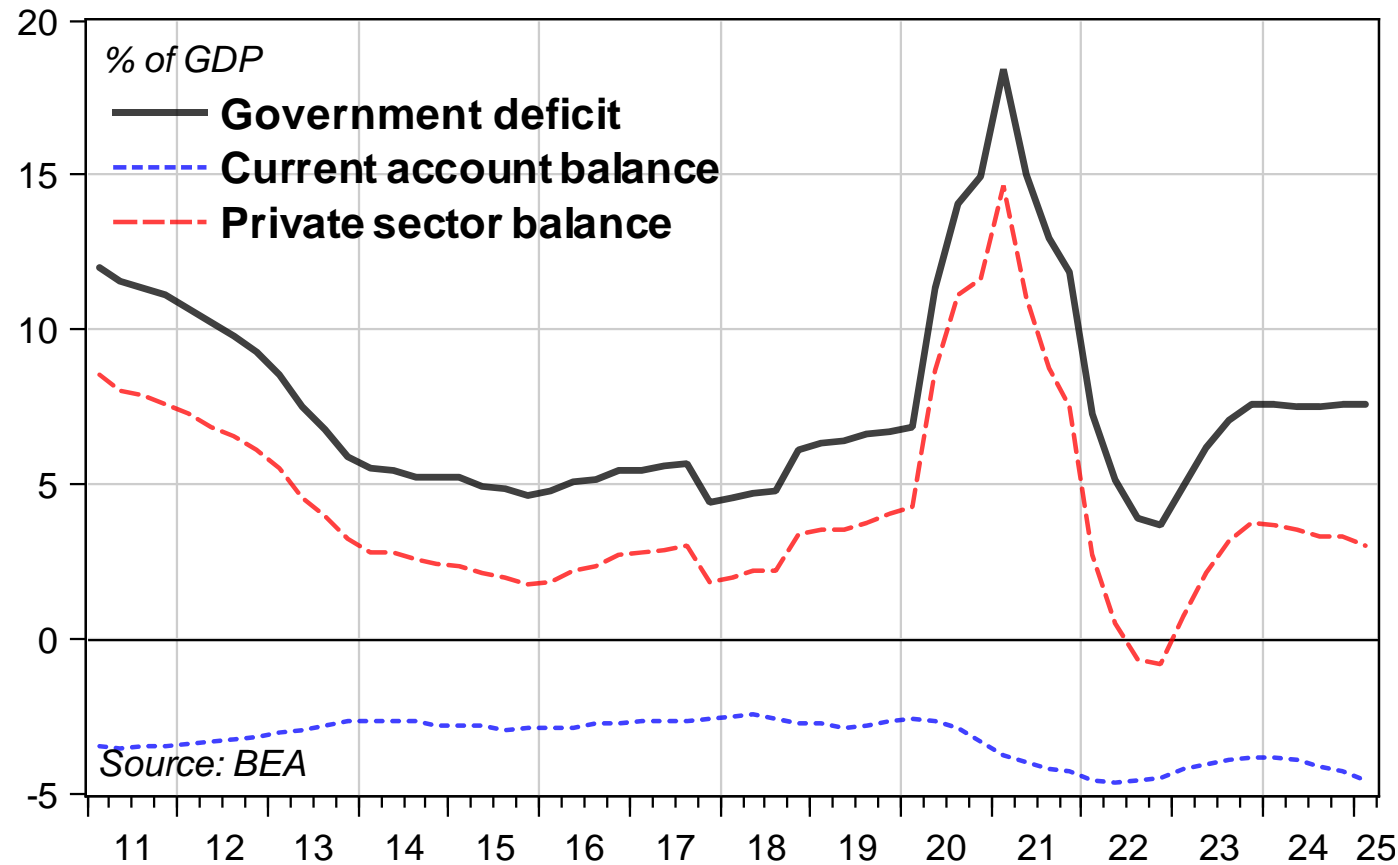
Software is the major type of investment

Figure 6 Fixed investment



Government deficit – private sector surplus

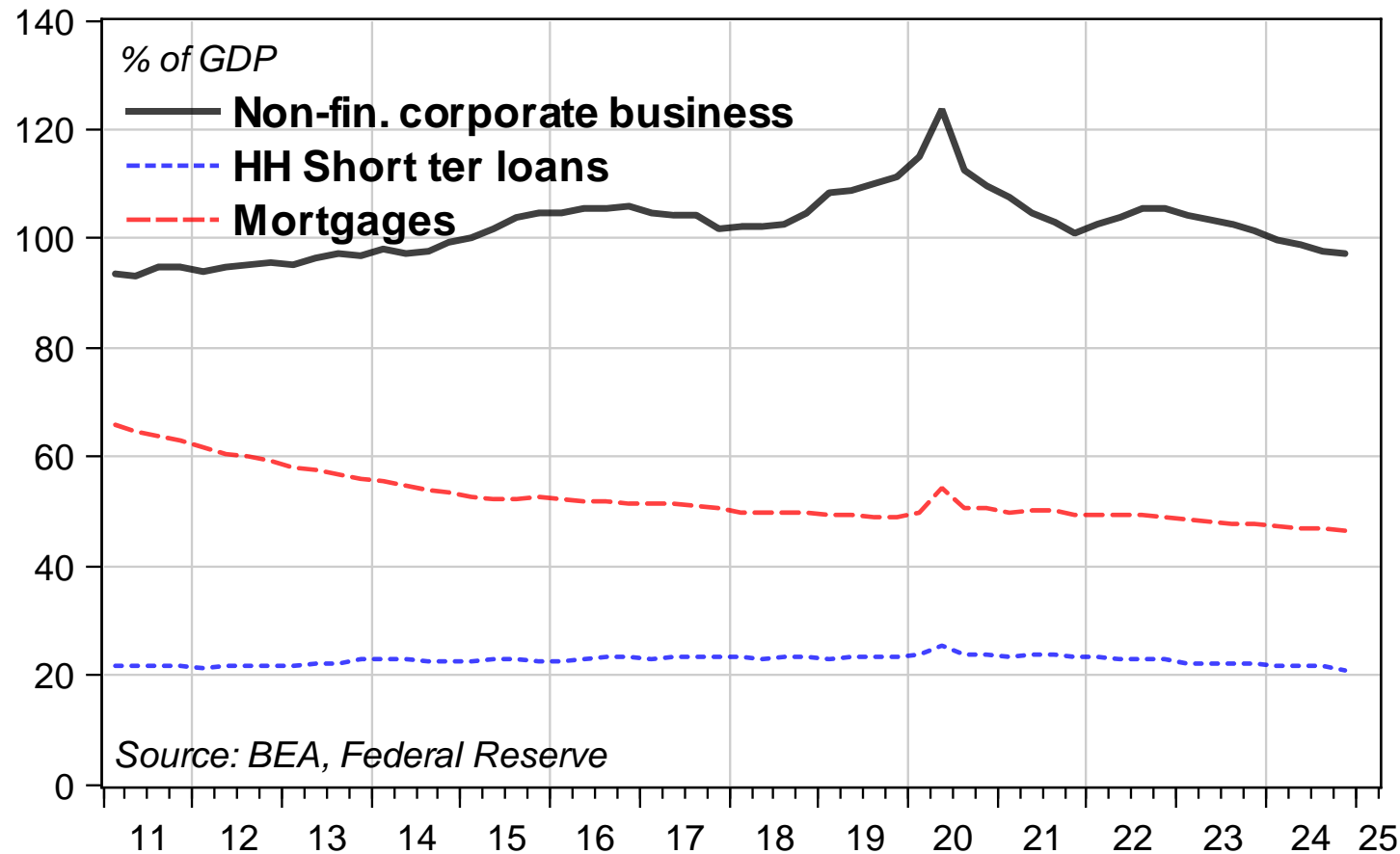
Figure 7 Financial balances



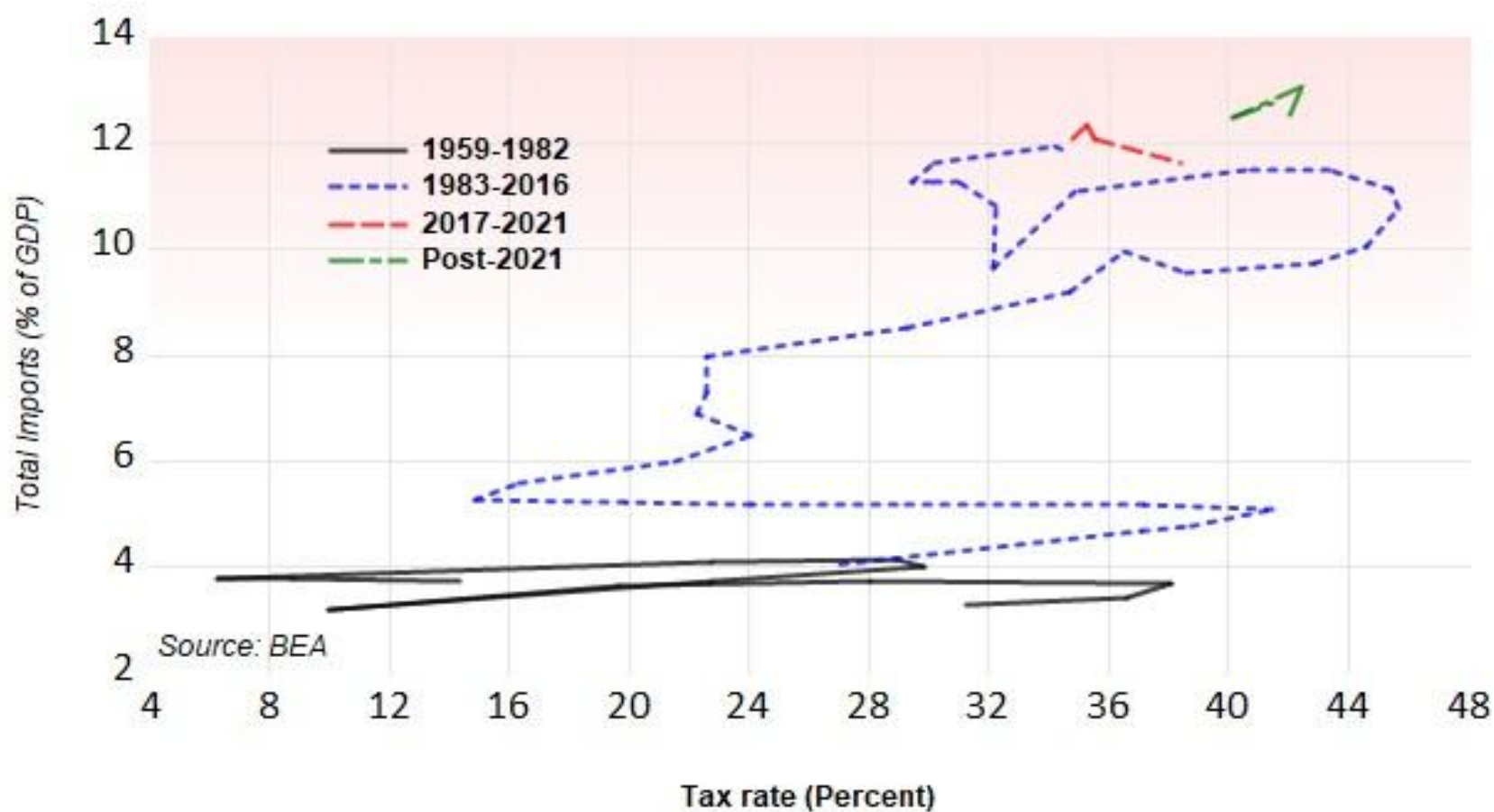
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Private demand no longer based on debt?

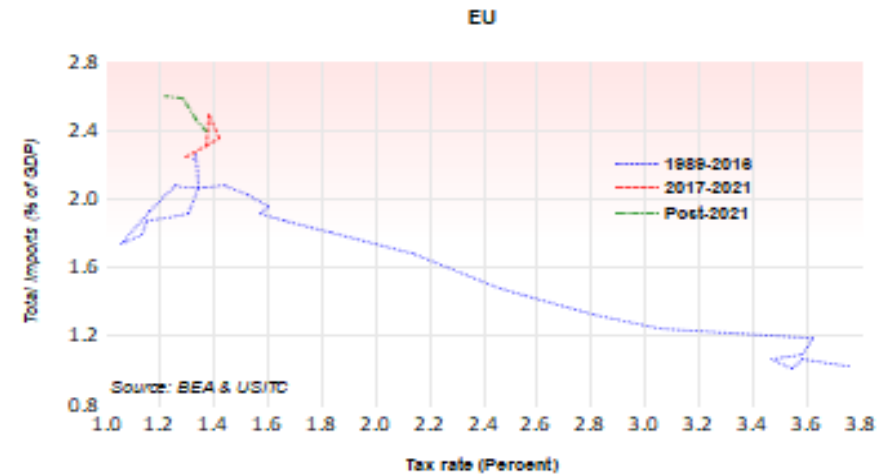
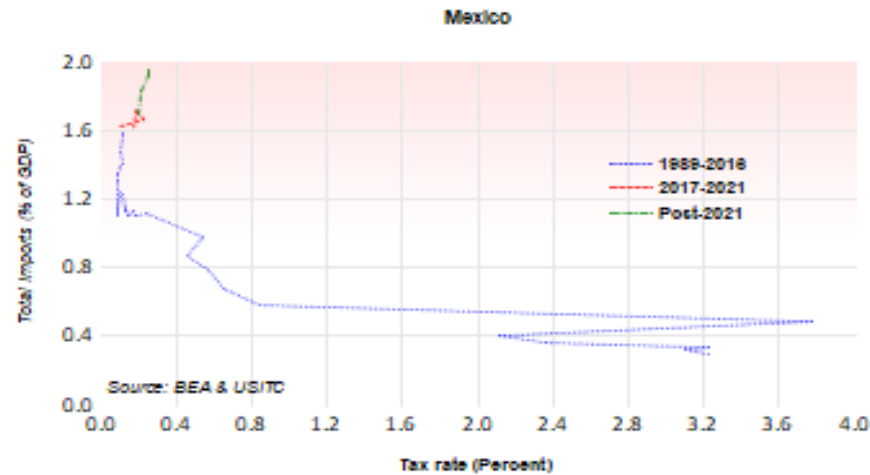
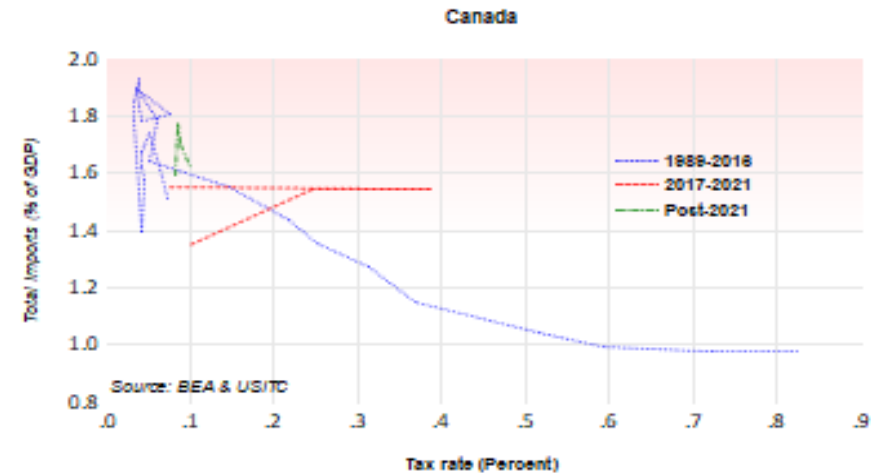
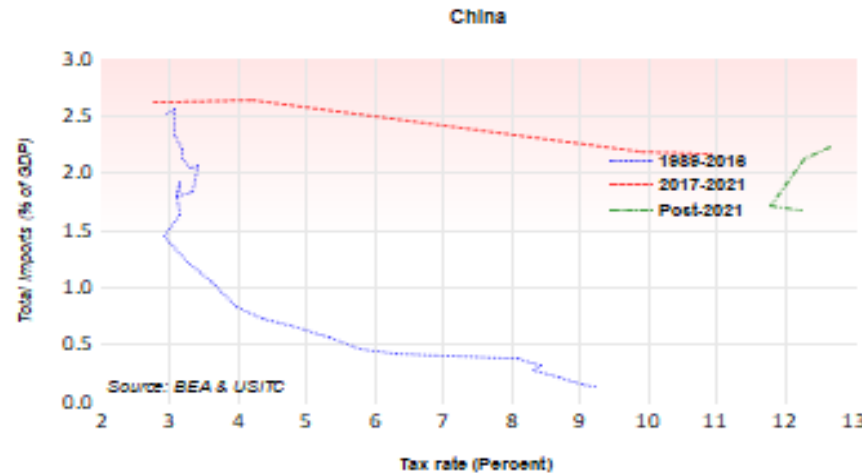
Figure 8 Private debt



The Paradox of the Tariff Rates Proposed by USTR



Imports and Tariffs by Selected Partners



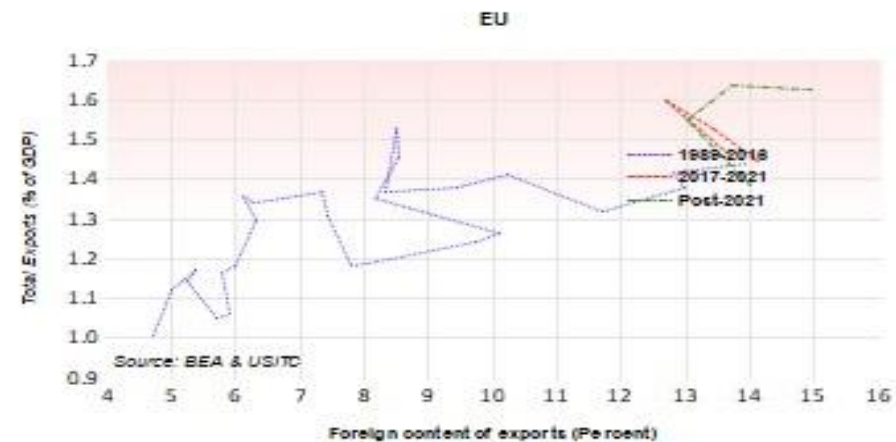
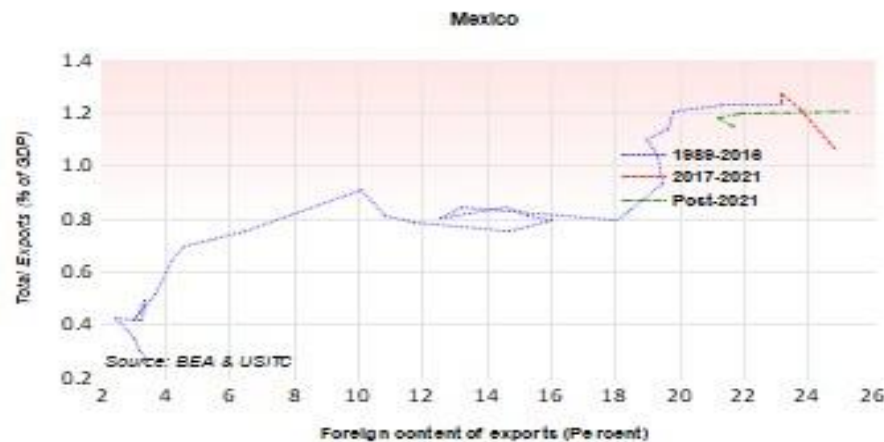
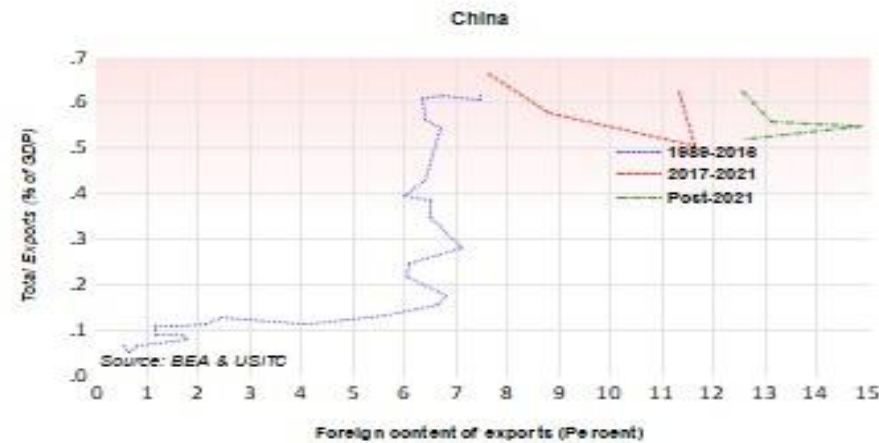
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U.S. Goods Imports and Tariffs

Custom Duties (% of Imports)				Imports as % of GDP				
Category	1989–16	2017–21	Post-21	Category	1989–16	2017–21	Post-21	
Food	1.6	1.2	1.6	Food	0.3	0.6	0.6	
Beverages	1.6	0.8	0.5	Beverages	0.1	0.1	0.1	
Crude Mat.	0.2	0.5	0.5	Crude Mat.	0.2	0.2	0.2	
Fuels	0.2	0.2	0.1	Fuels	1.2	0.9	1.0	
Oils	0.9	0.6	1.1	Oils	0.0	0.0	0.1	
Chemicals	1.7	1.1	1.4	Chemicals	0.7	1.3	1.5	
Manuf. Mat.	2.3	4.1	4.5	Manuf. Mat.	1.0	1.3	1.4	
Mach./Transp.	1.2	1.8	2.3	Mach./Transp.	3.8	5.1	5.2	
Misc. Manuf.	6.6	6.2	6.5	Misc. Manuf.	1.5	2.0	2.0	
Other SITC	0.1	0.0	0.0	Other SITC	0.4	0.6	0.6	
China	4.8	8.1	12.2	China	1.2	2.4	1.9	
Mexico	0.8	0.2	0.2	Mexico	1.0	1.7	1.9	
Canada	0.2	0.2	0.1	Canada	1.6	1.5	1.7	
EU	2.0	1.4	1.3	EU	1.7	2.4	2.5	



Foreign Content of Exports by Selected Partners



Foreign Content of Exports by Selected Partners

Foreign	Content	of	Exports	(Percent)	Total	Exports	(%	of	GDP)
		1989-2016	2017-2021	Post-2021			1989-2016	2017-2021	Post-2021
Food		3.3	3.7	3.9	Food		0.4	0.5	0.5
Beverages		4.6	17.0	9.7	Beverages		0.0	0.0	0.0
Crude Mat.		1.6	1.5	1.6	Crude Mat.		0.3	0.4	0.4
Fuels		1.2	1.1	1.9	Fuels		0.3	0.9	1.2
Oils		2.6	9.0	14.8	Oils		0.0	0.0	0.0
Chemicals		2.9	6.7	9.8	Chemicals		0.8	1.1	1.1
Manuf. Mat.		11.9	23.8	24.1	Manuf. Mat.		0.6	0.6	0.6
Mach./Transp.		12.7	23.4	25.3	Mach./Transp.		2.9	3.0	2.6
Misc. Manuf.		13.2	26.1	28.9	Misc. Manuf.		0.7	0.8	0.7
Other SITC		3.9	4.3	9.5	Other SITC		0.3	0.3	0.4
China		4.6	10.4	13.3	China		0.3	0.6	0.6
Mexico		11.4	23.3	22.5	Mexico		0.8	1.2	1.2
Canada		12.3	17.6	17.6	Canada		1.3	1.4	1.3
FTT		8.2	13.6	13.9	EU		1.3	1.5	



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Conclusions

1. Tariffs have nothing to do with the U.S. current account imbalance
2. Trump policies will contribute to increasing the gap between top income earners and the bottom 90%
 - The recent tax bill
 - Higher public debt coupled with higher interest rates will increase income transferred to creditors

