

## Bloomberg Intelligence

# Trump Impact on the World



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Team: Economics  
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## 1. What Trump Win Means for US and Global Economy

(Bloomberg Intelligence) -- Donald Trump has won the presidential election. On the campaign trail, he pledged soaring tariffs, lower taxes, mass deportations, and a more transactional approach to ties with everyone from Ukraine to Taiwan. Bloomberg Economics has modeled what those policies would mean for growth, inflation and debt in the US, and their implications for the rest of the world.

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Campaign trail pledges don't always translate into policy - we'll have to see what actually gets delivered. In the meantime, we think our analysis of what is pledged and what is plausible is a good starting point. Scroll through the screens below, and click on the links, for our analysis.

(11/06/24)

## Analysis

### Research

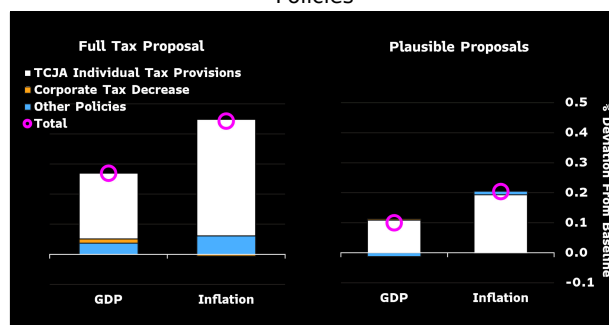
## 2. What Trump's Victory Means for the US Economy

Contributing Analysts Anna Wong (Economics)

Former President Donald Trump won a decisive reelection victory that saw the Republicans also take control of the Senate. The outcome for the House of Representatives isn't yet settled. In this piece we assume Republicans will control both the executive and legislative branches of government.

Our baseline is that Trump will extend most but not all elements of the 2017 Tax Cuts and Jobs Act (TCJA), and will raise some tariffs. With market discipline likely to prevent Trump from realizing his most extreme campaign promises, growth and inflation will likely be marginally higher in the short term. The fiscal debt-to-GDP ratio will continue to climb - and rise further than in our pre-election baseline. Click the Text tab for the full report. (11/06/24)

Impact of Full vs. Plausible Trump Administration Tax Policies



Source: Bloomberg Economics. Note: Results show cumulative impact in 2028.

## 3. Trump Tariffs Would Reshuffle Global Trade

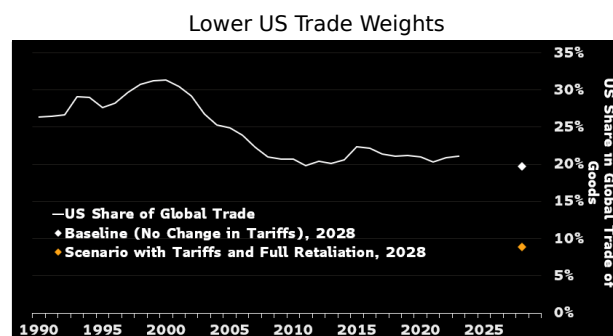
Contributing Analysts Maeva Cousin (Economics) & Eleonora Mavroeidi (Economics)

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Donald Trump has threatened to raise tariffs to 60% on goods imported from China and 20% on the rest of the world. This would bring average US levies above 20%, a level not seen since the early-20th century. Using a computable general equilibrium model of the global economy, we find that would take the US share of global goods trade from the current 21% down to around 9%. China would see around a 90% drop in its exports to the US. For Canada and Mexico, the drop would be about 50%.

Click the Text tab for the full report. (11/06/24)



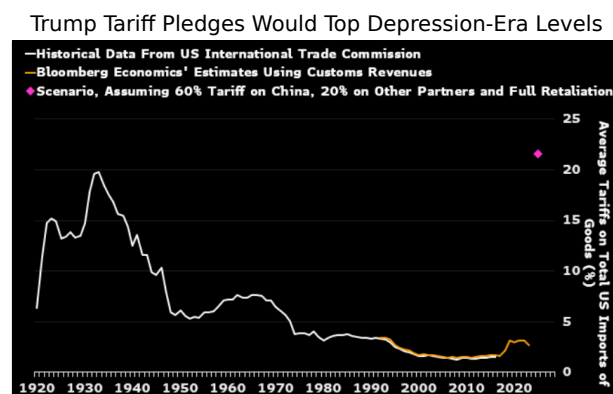
Source: Bloomberg Economics, IMF

### 4. Trump's Tariff Pledges Top Depression-Era Levels

Contributing Analysts Maeva Cousin (Economics) & Eleonora Mavroeidi (Economics)

Donald Trump's election victory raises the prospect of a broad-based increase in US tariffs: he's threatened to raise levies on Chinese goods to 60% and to 20% for the rest of the world. If implemented, that would make Trump's first trade war with China look like minor friction, and would even outdo the infamous depression-era tariffs of Smoot-Hawley.

It's still uncertain how much will actually be enforced - and how much is just a bargaining chip for Trump to extract concessions. Here, we take Trump's pledges seriously and model what they would mean for US growth and inflation. Click the Text tab for the full report. (11/06/24)



Source: Bloomberg Economics, US International Trade Commission, US Census Bureau, Bureau of Economic Analysis

### 5. Modeling Dollar Surge on US Election Results

Contributing Analysts Rana Sajedi (Economics) & Maeva Cousin (Economics)

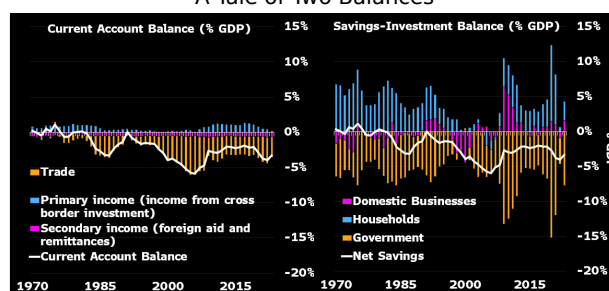
The dollar has surged on Donald Trump's US election victory, despite his vows to weaken the currency. This is hardly surprising. At least in the short term, many of Trump's policies would have the potential to strengthen the US currency. Our stylized model explores the mechanisms at play, focusing on how Trump's proposed tariffs would affect the real effective exchange rate.

Click the Text tab for the full report. (11/06/24)

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A Tale of Two Balances



Source: US Bureau of Economic Analysis

### 6. The Trump Trade – Ways It Could Go Wrong

Contributing Analysts Anna Wong (Economics)

Economists are famously divided in their opinions, but when it comes to the tariffs former President Donald Trump says he'll pursue if re-elected, there's near universal agreement: They'd be highly inflationary. That conviction has been a key driver of the recent surge in Treasury yields. Another theme of the "Trump Trade" is a more bullish view on equities, with 38% of respondents surveyed by Bloomberg expecting the S&P 500 to rise more quickly under Trump than if Vice President Kamala Harris wins.

We're not so sure on both counts. Here we show how those perceptions could prove off the mark if Trump wins. Click the Text tab for the full report. (11/04/24)

First Trade War Lifted Effective Tariff on Imports by 1.8 Ppt



Source: USITC, Customs Revenues, Bloomberg Economics

### 7. Trump, Laffer and the Hunt for Tariff 'Trillions'

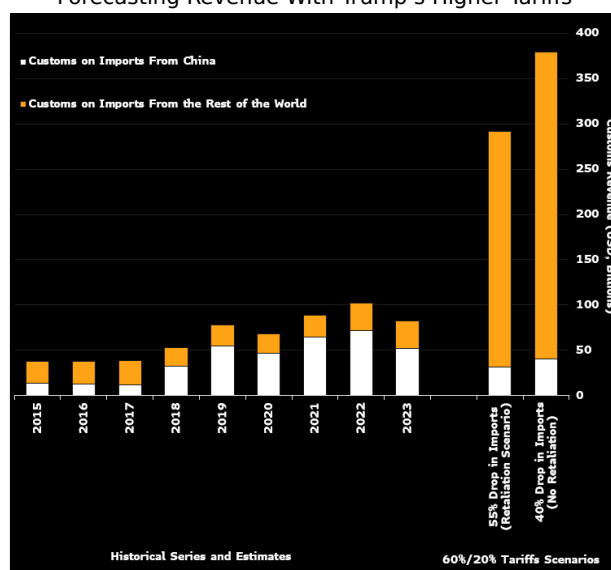
Contributing Analysts Maeva Cousin (Economics) & Eleonora Mavroeidi (Economics)

Could the US be "taking in trillions of dollars" in tariff revenue, as ex-President Donald Trump has claimed? Probably not. We've crunched the numbers on revenue from tariffs in the first trade war and modeled the impact of Trump's proposed 60% tariff on China and 20% on the rest of the world.

The big takeaway - Trump's tariffs could mean annual revenue of around \$300 billion-\$400 billion, up from the \$83 billion collected in 2023 but short of the promised trillions. Why not more? Think about the Laffer curve, where the positive relationship between tax rates and revenues gradually flattens and then reverses as higher taxes change incentives and activity falls. Click the Text tab for the full report. (09/20/24)

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Forecasting Revenue With Trump's Higher Tariffs



Source: Bloomberg Economics, US Bureau of Economic Analysis

### 8. Plausible Trump Tax Policies Would Boost US Debt Ratio

Contributing Analysts Anna Wong (Economics)

Tax cuts were a central pillar of President-elect Donald Trump's campaign platform. If passed in full, his proposals would provide a small fillip to growth, while boosting inflation and government debt. However, fiscal hawks in his own Republican party may force Trump to tone down any tax cuts and credits.

Looking only at what Trump could plausibly pass through Congress, we estimate his policies would boost the debt-to-GDP ratio to 141% by 2035 - 7 percentage points higher than in our baseline scenario. Trump's tax policies could boost growth and inflation over the next two years, but on a four-year horizon the differences for growth and inflation look like a rounding error. Click the Text tab for the full report. (11/06/24)

Additional Reading:

- US INSIGHT: Promises vs. Plausibility - Trump, Harris Tax Impact

### 9. Modeling Impact of Trump's Immigration Plans

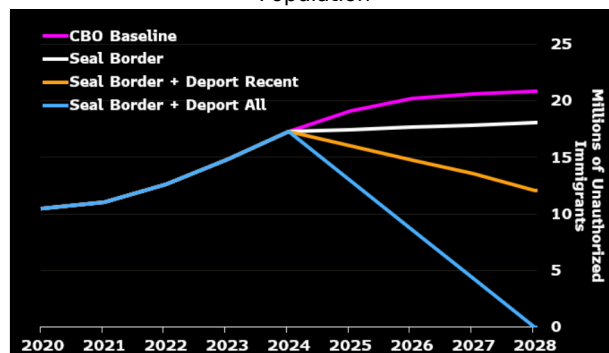
Contributing Analysts Chris G Collins (Economics)

Immigration was a hot-button issue in the presidential campaign. President-elect Donald Trump pledged to secure the southern border and deport unauthorized immigrants already in the US.

We've evaluated three scenarios for the unauthorized immigrant population in a Trump II administration, estimating the impact on GDP and inflation. Our analysis suggests the main economic impact would be a smaller US economy. Click the Text tab for the full report. (11/06/24)

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Potential Paths for the Unauthorized Immigrant Population



Source: CBO, Bloomberg Economics

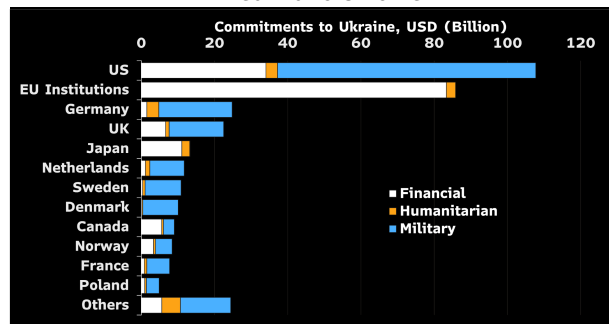
### 10. What Trump's Win Means for US Foreign Policy

Contributing Analysts Gerard DiPippo (Economics)

Donald Trump is returning to the White House. What does this mean for US foreign policy? Election promises often aren't great indicators of what a president will do once in office and facing trade-offs. Even more caution is warranted with Trump, who views his unpredictability as an asset. Still, Trump's first term and statements offer a guide.

Trump cares first and foremost about trade and other countries supposedly taking advantage of the US. He's less concerned with national security, as broadly defined in Washington, including TikTok and Chinese investment in the US. Expect a greater focus on trade and investment. Click the Text tab for the full report. (11/06/24)

Allied Aid to Ukraine



Source: Kiel Institute for the World Economy, Bloomberg Economics. Note: Data for Jan. 24, 2022-Aug. 31., 2024.

### 11. Assessing the Impact of Trump II on China

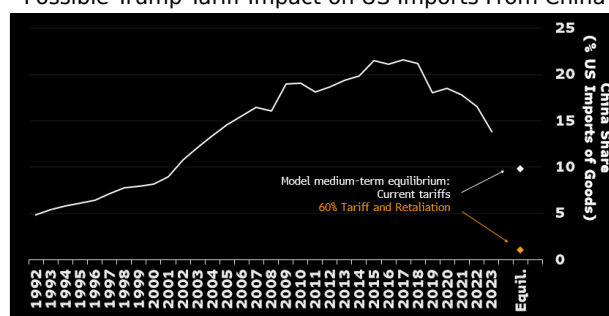
Contributing Analysts Chang Shu (Economics) & Eric Zhu (Economics)

Donald Trump's election victory brings a much higher likelihood of new tariffs, with some potential for bilateral de-escalation via deal-making. In this note, we lay down scenarios for US policy after the election, and assess the corresponding impacts on China.

Campaign-trail rhetoric suggests Trump would likely threaten to impose more tariffs. How much may depend on negotiations, but his love of tariffs is likely to be tempered only by the effects on US firms and the stock market. Click the Text tab for the full report. (11/06/24)

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Possible Trump Tariff Impact on US Imports From China



Source: US Census Bureau, Bloomberg Economics (results from CGE model, five years after tariffs shock)

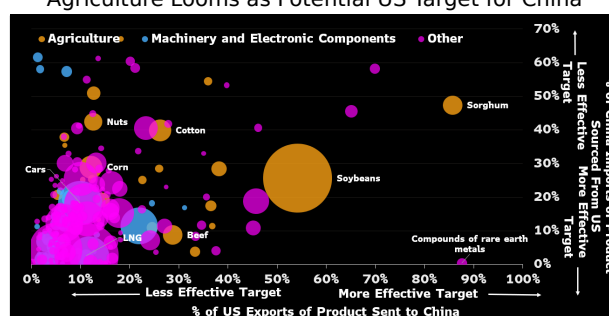
### 12. China's Growing Arsenal for New Trump Trade War

Contributing Analysts Nicole Gorton-Caratelli (Economics) & Gerard DiPippo (Economics)

Donald Trump is headed back to the White House, and he's likely to impose new tariffs on China. How will China react when Trump imposes new tariffs? Beijing's retaliatory targets could be similar to the first trade war - particularly agricultural and energy exports from Republican-leaning states.

But China also will have a new economic arrow in its quiver - export controls. That means a second trade war could escalate beyond tit-for-tat tariffs or import restrictions, with spillovers to the rest of the world. Click the Text tab for the full report. (11/06/24)

Agriculture Looms as Potential US Target for China



Source: UN Comtrade, Bloomberg Economics

### 13. Trump II = More Dovish ECB, BOE? Not So Fast

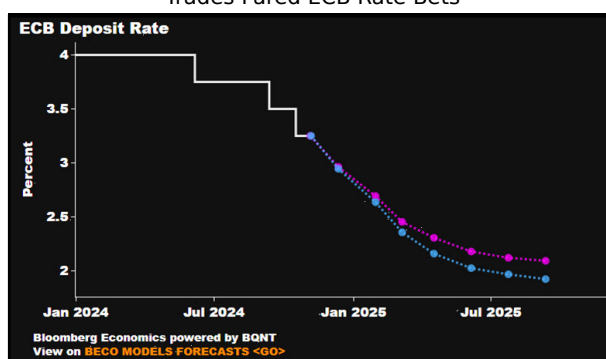
Contributing Analysts Jamie Rush (Economics) & Dan Hanson (Economics)

European rates markets have responded dovishly to news that Donald Trump has won the US presidential election. We're less convinced the European Central Bank and Bank of England will think the same way.

Trump's policies will create a trade off between growth and inflation and, given recent experience with surging price pressure, we think policymakers may be more inclined to focus on the latter. Click the Text tab for the full report. (11/06/24)

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Trades Pared ECB Rate Bets



Source: Bloomberg Economics

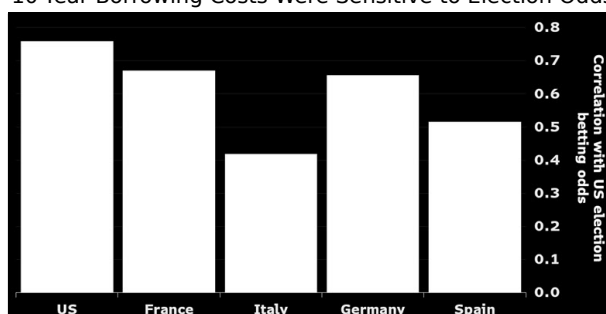
### 14. What Trump Means for Europe's Ailing Economy

Contributing Analysts Jamie Rush (Economics) & Antonio Barroso (Economics)

Donald Trump's election victory could hit the European economy with higher borrowing costs, increased defense spending and more tariffs. Running in the other direction, if Trump delivers on tax cuts and the US economy grows faster, that might raise demand for European exports, but the impact would likely be modest.

The broader medium-term challenge for the European Union is to position itself for growth in a world that is becoming increasingly polarized along ideological lines. Click the Text tab for the full report. (11/06/24)

10-Year Borrowing Costs Were Sensitive to Election Odds



Source: Bloomberg Economics, PredictIt

### 15. Trump II — Few EM Opportunities, Many Risks

Contributing Analysts Adriana Dupita (Economics)

Export-driven emerging markets - save for China - were relatively unscathed during Donald Trump's first term in the White House, while countries with larger external debts took a hit from higher interest rates. A second Trump administration could be similar for EMs, depending largely on whether Trump imposes the global tariffs he's threatened and the direction of US dollar rates.

Global interest rates are critical for EMs. If Trump 2.0 pushed them higher, most likely by expanding the US fiscal deficit, emerging economies may find it difficult to ease policies at home and, more worryingly, face external financing pressure. Our external vulnerability scorecard shows Egypt, Argentina and South Africa most at risk. Click the Text tab for the full report. (11/06/24)

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### External Vulnerability Scorecard

	Current Account Balance, 2023 <sup>1</sup> (x GDP)	Short-Term External Debt, 2024 <sup>2</sup> (x GDP)	Gross Government Debt, 2024 <sup>3</sup> (x GDP)	Public Debt Securities Held by Foreigners, 2023 <sup>4</sup> (\$ total)	Reserve Coverage, 2023 <sup>5</sup> (x Annual)	Real Policy Rate, Latest <sup>6</sup> (%)	Governance, 2022 <sup>7</sup> (Score)	External Vulnerability Ranking <sup>8</sup> (Higher Score, Higher Risk)
Egypt	-5.4	9.1	90.9	13.8	48.3	0.7	-0.4	17.0
Argentina	0.6	10.9	91.5	27.8	37.0	-54.7	-0.3	16.4
South Africa	-1.9	12.9	78.0	31.1	98.2	4.0	-0.1	14.9
Chile	-2.7	17.0	41.0	40.0	83.1	1.1	0.5	14.4
Turkey	-2.1	18.4	25.2	25.8	99.8	0.4	-0.2	14.1
Nigeria	-0.7	4.6	51.3	27.5	56.4	-4.1	-1.0	13.7
Kenya	-4.1	2.3	69.9	9.8	27.4	6.1	-0.3	13.2
Colombia	-2.6	12.0	55.8	38.8	121.1	4.2	0.0	12.9
Poland	0.0	20.9	55.5	23.1	149.2	0.7	0.3	11.6
Brazil	-1.8	8.3	87.6	8.8	130.2	6.1	-0.6	11.3
Malaysia	2.8	23.8	68.4	24.1	114.6	1.2	1.0	11.1
China	1.6	9.6	90.1	3.9	65.1	1.6	0.5	10.9
Pakistan	-0.9	3.2	69.2	6.0	36.0	9.9	-0.6	10.6
Peru	-0.1	6.2	34.2	61.4	232.8	3.4	-0.4	10.4
India	-1.3	7.3	83.1	1.3	176.3	1.0	0.4	10.3
Mexico	-0.9	4.7	57.7	25.6	117.1	5.7	-0.3	9.9
Thailand	2.0	19.1	65.0	11.7	208.8	1.6	0.1	9.6
Philippines	-1.8	5.1	57.6	16.7	196.0	4.0	0.1	9.4
Indonesia	-1.2	5.1	40.5	29.1	112.0	4.1	0.4	9.3
South Korea	3.6	12.7	52.9	22.1	92.5	1.6	1.3	9.1
Saudi Arabia	-1.8	5.4	28.3	29.5	208.0	3.7	0.6	8.9
Russia	2.6	4.1	19.9	12.2	341.4	11.4	-0.7	5.3

Source: IMF, World Bank, Bloomberg Economics

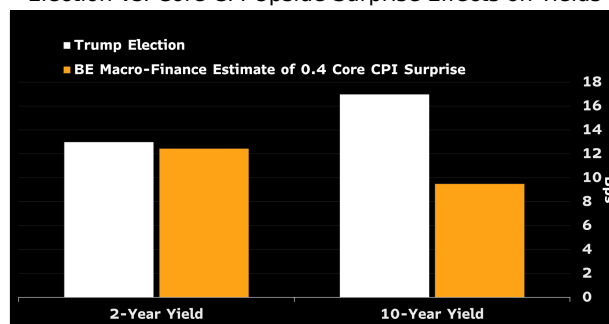
## 16. Markets Read Trump Win Like CPI Beat With Debt Risk

Contributing Analysts Ana Galvao (Economics) &amp; Jamie Rush (Economics)

Donald Trump's election victory has had an impact on two-year borrowing costs equivalent to a 0.4-percentage-point beat on US core CPI - that's what Bloomberg Economics' Macro-Finance model suggests. That 10-year yields have climbed by significantly more than the same model indicates, signals that investors are troubled by increased fiscal risks.

As Trump's victory crept into view, two-year Treasury yields climbed by 13 basis points, 10-year yields by 17 bps, and the dollar index gained 1.5% - we compared the yields and dollar index at 11 p.m. Eastern Time (4 a.m. UK) vs. the Nov. 5 close. Click the Text tab for the full report. (11/06/24)

### Election vs. Core CPI Upside Surprise Effects on Yields



Source: Bloomberg Economics

To contact the analyst for this research:  
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