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Trump Tariffs: Economic and market implications

Economics and Macro Strategy

DBS Group Research

03-04-2025



Trump Tariffs: Economic and market implications



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US

*Only a mega market
meltdown and
House/Senate
Republican revolt could
change Trump’s mind*

US tariff history		
	Average rate on dutiable imports	Average rate on all imports
1890s (McKinley)	50%	20%
1930 (Hawley-Smoot)	60%	20%
2018-19 (Trump)	10%	3%
2025 (Trump)	10-60%	20%+
Source: Tax Foundation, DBS		

Trump’s “Liberation” Day

Unlike any other day

10% baseline tariff.

These are across-the-board levies on all imports, effective April 5.

“Discounted reciprocal tariff” The higher rates are for nations the White House considers bad actors on trade. Japan: 24%, EU: 20%, China: 54% (34% plus 20% already levied)

The above are in lieu of the universal 10% tariff, effective April 9

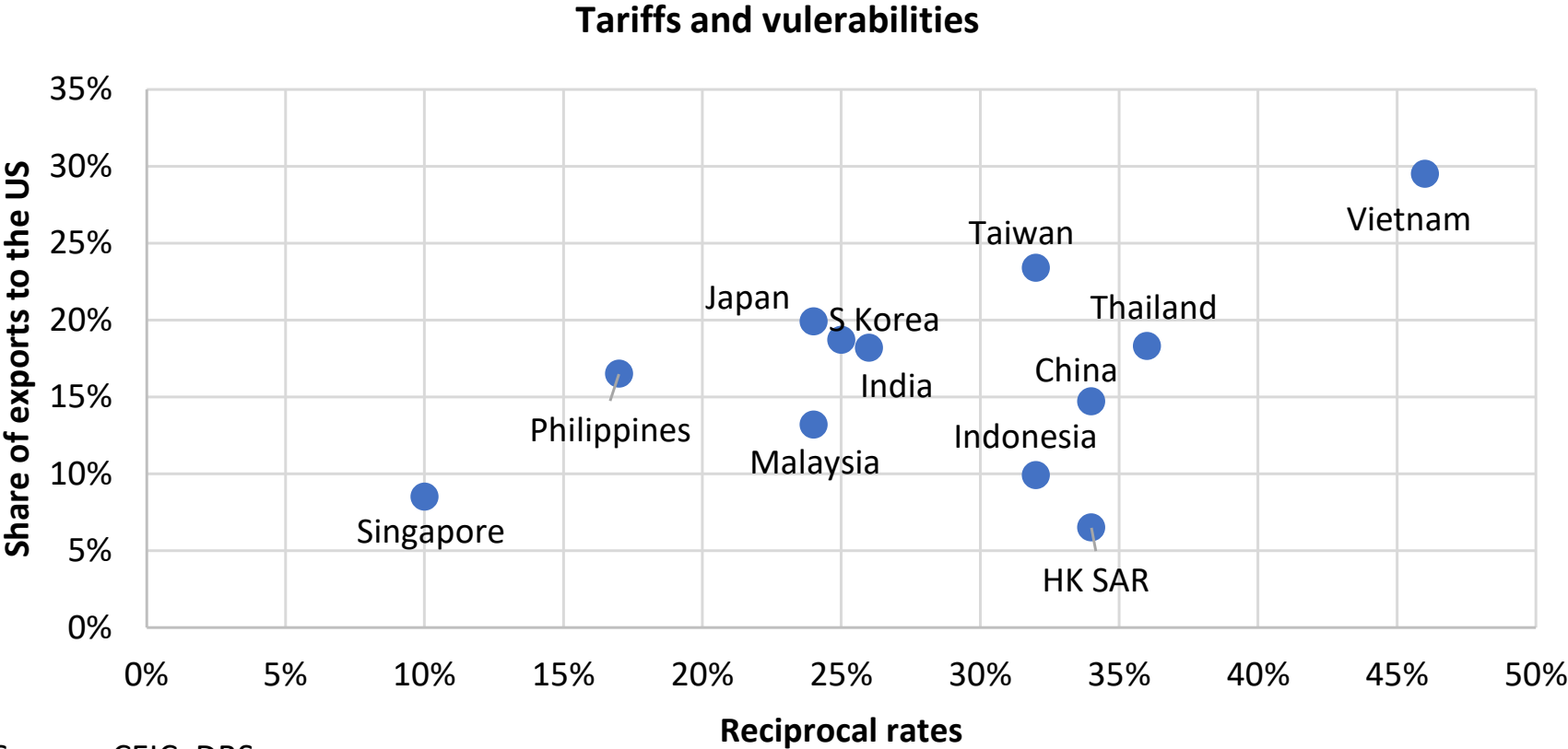
Canada and Mexico are excluded from the reciprocal tariff regime. They are still subject to plans to impose 25% tariffs on most imports.

Auto tariffs will take effect tonight. 25% tariffs on all foreign-made autos as of midnight.

Regional dispersion

End of re-shoring?

China has reciprocal tariffs and past tariffs. Adds up to over 60%



Source: CEIC, DBS

Managing the coming crisis

Top-of-mind for a CFO

Investment Portfolio Triage. Portfolio impact, manage liquidity, and hedge exposures where possible against market volatility

Rapid Economic Impact Assessment

Underwriting & Exposure Review. Trade credit, marine cargo, potentially political risk, D&O for highly impacted industries

Stakeholder Communication. Board, regulators, especially MAS, key clients/brokers, and internal teams

Capital Adequacy Check. Re-run solvency calculations based on immediate market movements and potential future stress scenarios related to the new tariffs. Confirm capital buffers remain sufficient.

Scenario Planning Update

Monitor Counterparty Risk

US

Forcing other countries to appreciate their currencies or stop using the USD will open a massive can of economic and financial worms

Four inconsistencies of Trump's model

Brewing macro risks

Can't have the following simultaneously:

- Immigration tightening and a lower cost of living
- Tax cuts and lower fiscal deficit
- Tariffs and competitiveness
- Weaker USD and lower interest rates

Threats from trade war

Auto sector vulnerabilities

US: Top 10 sources of passenger car imports (2024)

		USD bn	% share
1	Mexico	48.4	22.7
2	Japan	39.9	18.7
3	South Korea	37.4	17.5
4	Canada	27.6	12.9
5	Germany	25.3	11.9
6	UK	9.7	4.5
7	Slovakia	6.3	2.9
8	Italy	3.9	1.8
9	Sweden	3.9	1.8
10	China	2.6	1.2
	World total	213.6	100

Sources: US Census Bureau, DBS

Threats from trade war

Semiconductor sector vulnerabilities

US: Top 10 sources of semiconductor imports (2024)

		USD bn	% share
1	Malaysia	16.2	19.8
2	Taiwan	15.5	19.0
3	Vietnam	8.8	10.7
4	South Korea	8.5	10.4
5	Thailand	5.2	6.3
6	Israel	4.7	5.7
7	Mexico	2.8	3.4
8	China	2.6	3.2
9	Japan	2.5	3.0
10	Ireland	2.2	2.6
	World total	81.9	100

Sources: US Census Bureau, DBS

Threats from trade war

Pharmaceutical sector vulnerabilities

US: Top 10 sources of pharmaceutical imports (2024)

		USD bn	% share
1	Ireland	73.4	29.7
2	Switzerland	21.8	8.8
3	Singapore	19.3	7.8
4	Germany	17.3	7.0
5	India	13.1	5.3
6	Belgium	12.8	5.2
7	Italy	12.2	4.9
8	China	9.2	3.7
9	Japan	7.5	3.0
10	UK	7.4	3.0
	World total	246.8	100

Sources: US Census Bureau, DBS

Firm level impact

Profit, market share, solvency

Challenges galore

Spread cost across the supply chain, all
the way to the customer

Accept hit to margins and profitability

Solvency considerations

Economy level impact

Risks to GDP growth

Retaliations could make it worse; deal-making could make it better

Growth, yoy	2025 forecast	Risk to forecast
China	5.0%	-0.5%
Hong Kong SAR	2.5%	-0.5%
India	6.5%	-0.4%
Indonesia	5.0%	-0.5%
Malaysia	4.8%	-1.0%
Philippines	5.8%	-0.3%
Singapore	2.8%	-0.4%
South Korea	1.7%	-0.7%
Taiwan	3.0%	-1.8%
Thailand	2.6%	-1.5%
Vietnam	6.8%	-2.0%
Eurozone	1.0%	-0.3%
Japan	0.9%	-0.3%
United States	2.0%	-0.5%

Trump Tariffs: Economic and market implications



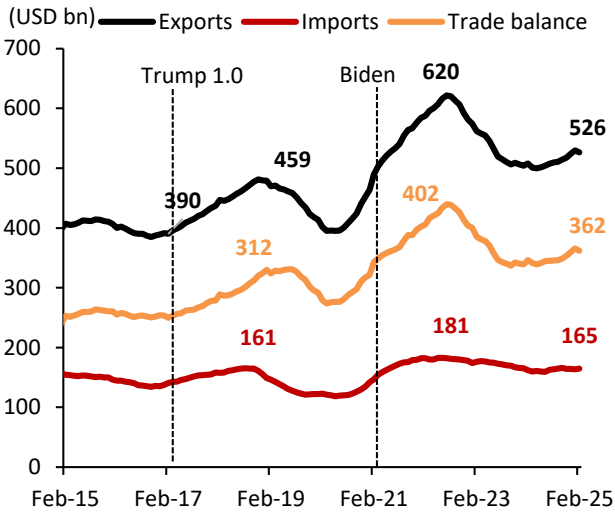
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China and Hong Kong

Trade vis-à-vis the US (12m moving total)



Source: CEIC, DBS

Total	Exports	Imports	Trade balance
Trump 1.0	1,793(USDbn)	572(USDbn)	1,222(USDbn)
Biden	2,188(USDbn)	688(USDbn)	1,501(USDbn)
Changes	+22%	+20%	+23%



Impact assessment of trade war

Additional tariff	10%	20%	30%	40%	50%	54%	60%	70%	80%	90%	100%
Average tariff	21%	31%	41%	51%	61%	65%	71%	81%	91%	101%	111%
Original average US tariff on Chinese exports, 2024	11%										
China exports to the US, 2025	3,887 (CNYbn)										
China total exports, 2025	26,623 (CNYbn)										
Share of China exports to the US, 2024	14.6%										
Incremental US tariff impact on China total exports value	-1.02%	-2.04%	-3.07%	-4.09%	-5.11%	-5.52%	-6.13%	-7.15%	-8.18%	-9.20%	-10.22%
Incremental US tariff impact on China real GDP growth	-0.25%	-0.46%	-0.66%	-0.86%	-1.07%	-1.15%	-1.27%	-1.47%	-1.68%	-1.88%	-2.08%

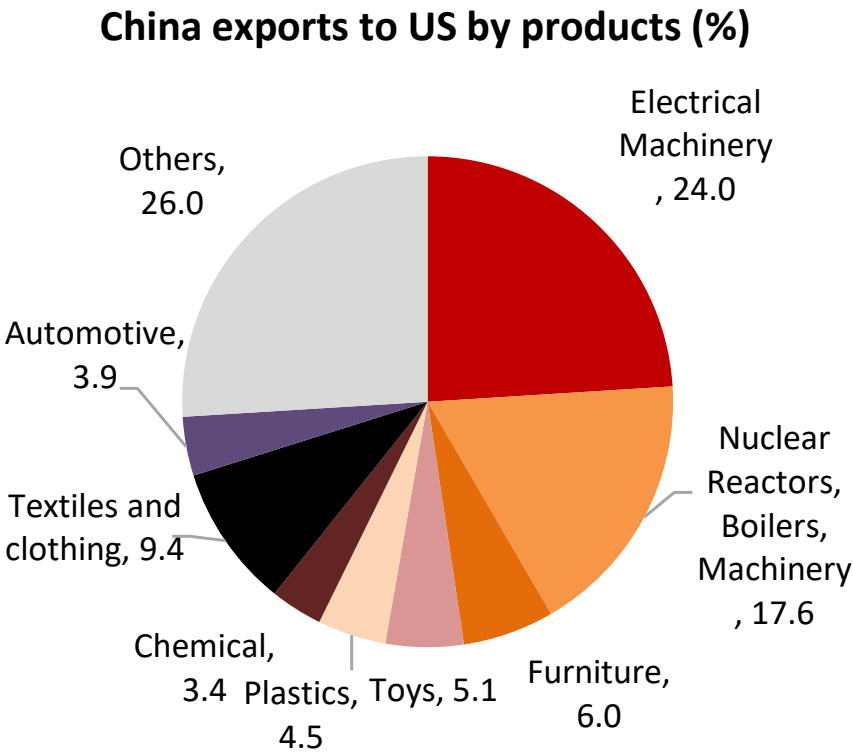
Source: DBS

China and Hong Kong

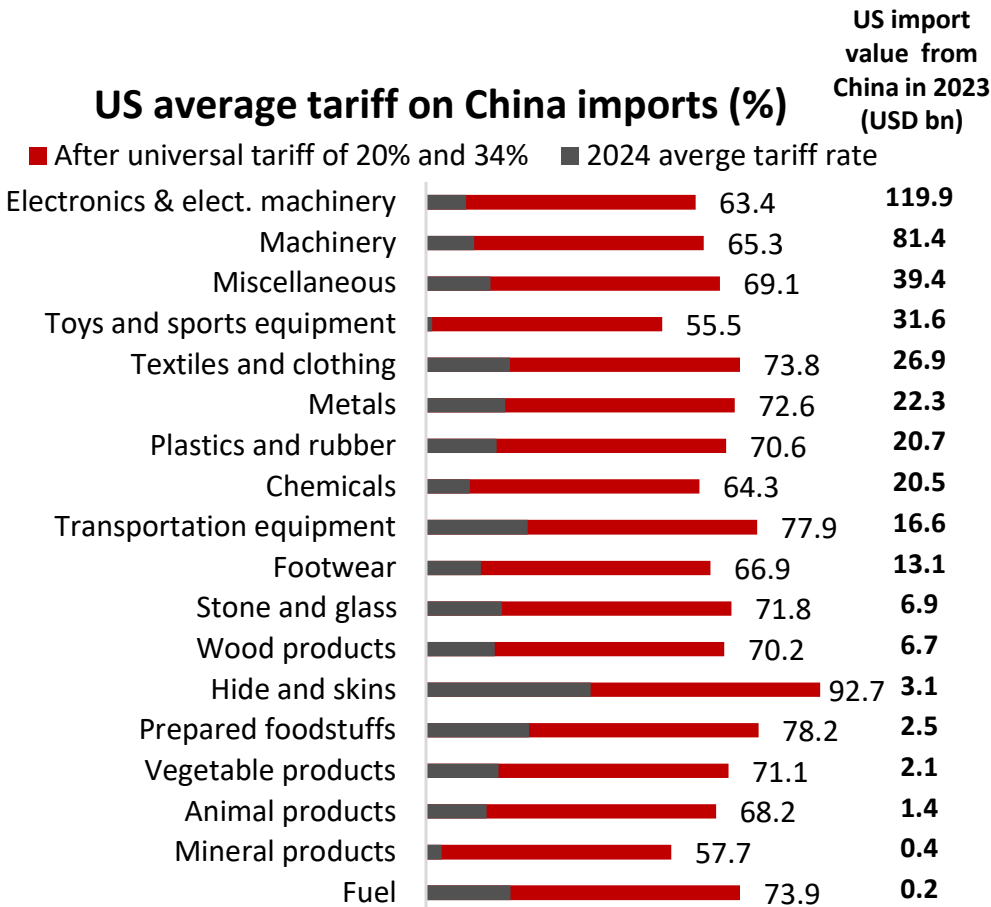
Electronics and machinery contribute to 42% of total exports to US

Average tariff increases from 13% in 2023 to 54% after the additional tariff

Tariff impact on China industries



Source: CEIC, DBS



Source: PIIE, DBS

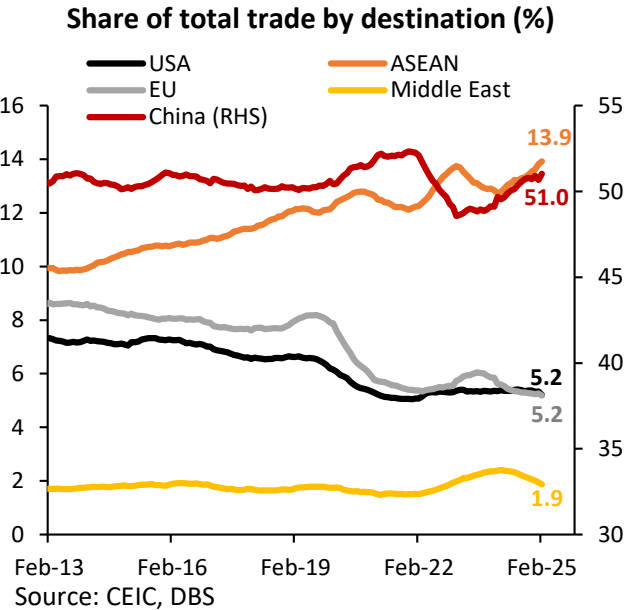
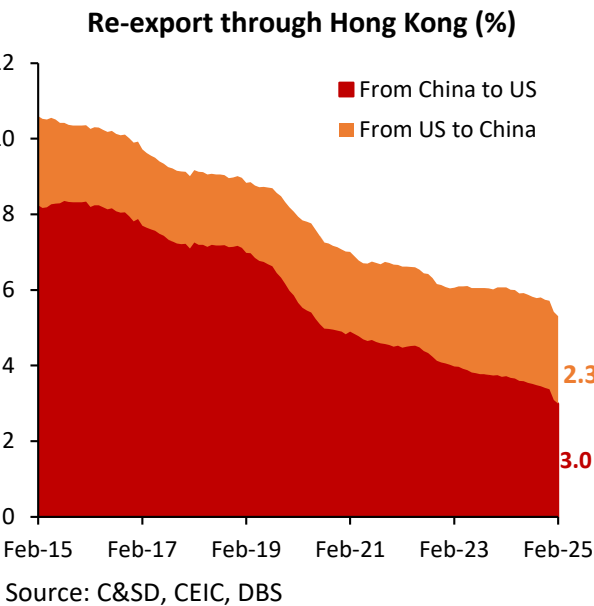
China and Hong Kong

Local manufactured goods only contribute to 1.3% of HK total exports in 2024, of which 10.2% goes to US. This means it represents only 0.13% of HK total exports

Re-exports via HK between China-US drops from 10.6% in 2014 to 5.7% in 2024

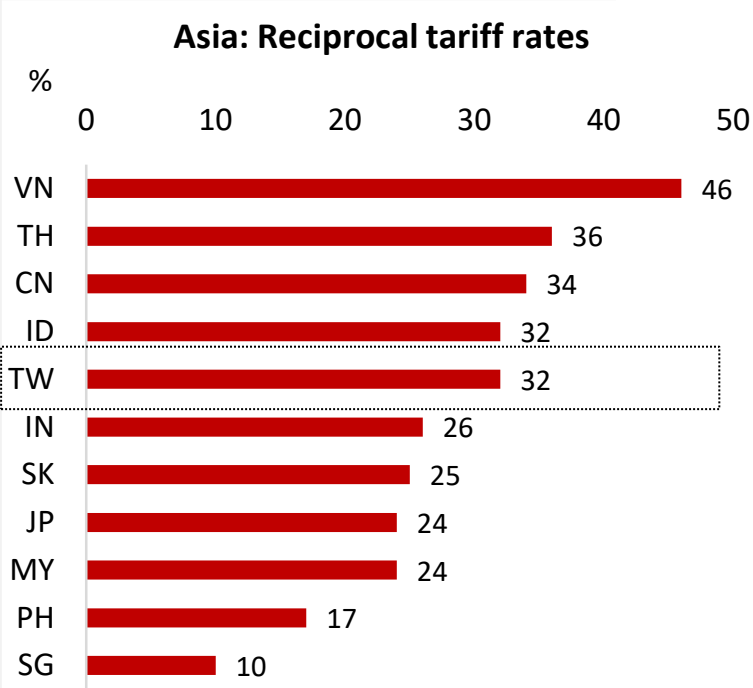
HK's share of total trade of the US drops from 8.7% in 2017 to 5.3% in 2024 vs to China accounts for 50.9% as of 2024

Manageable impact on HK

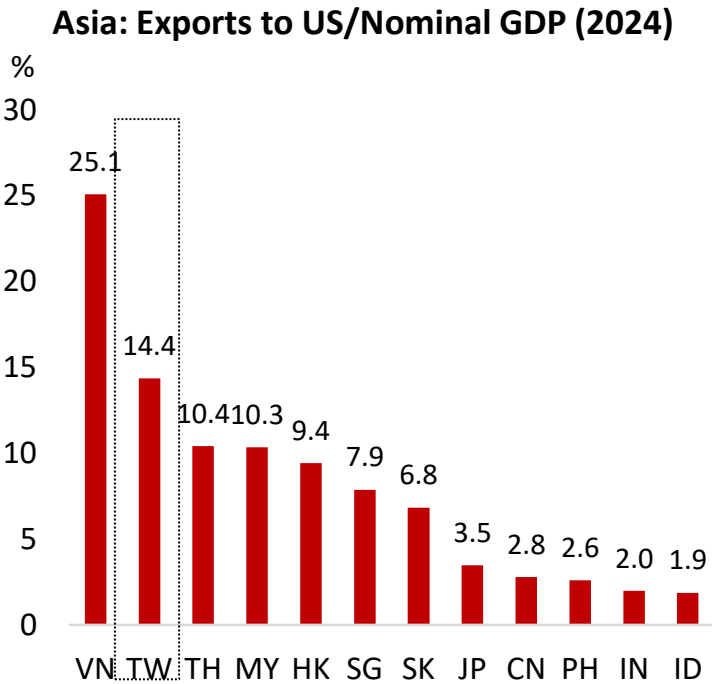


Taiwan

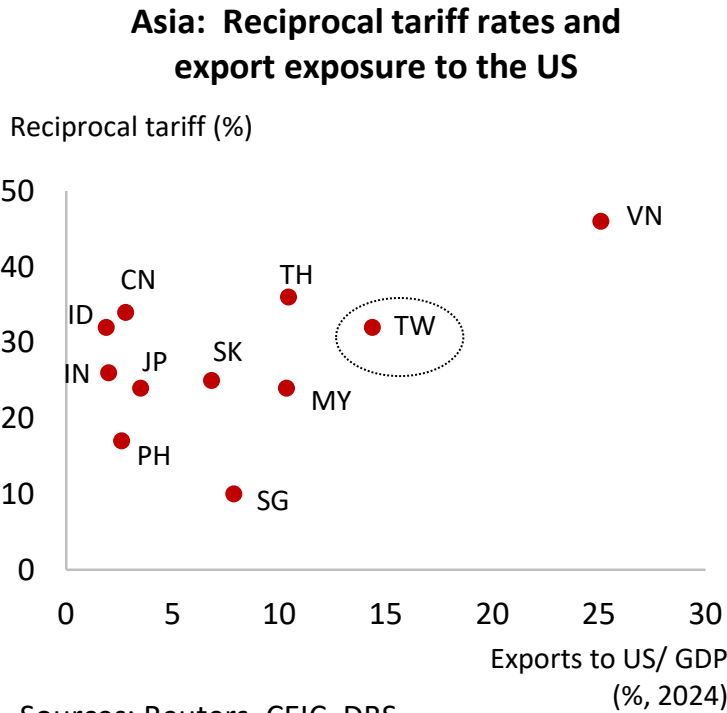
Threats from reciprocal tariff



Sources: Reuters, DBS



Sources: CEIC, DBS



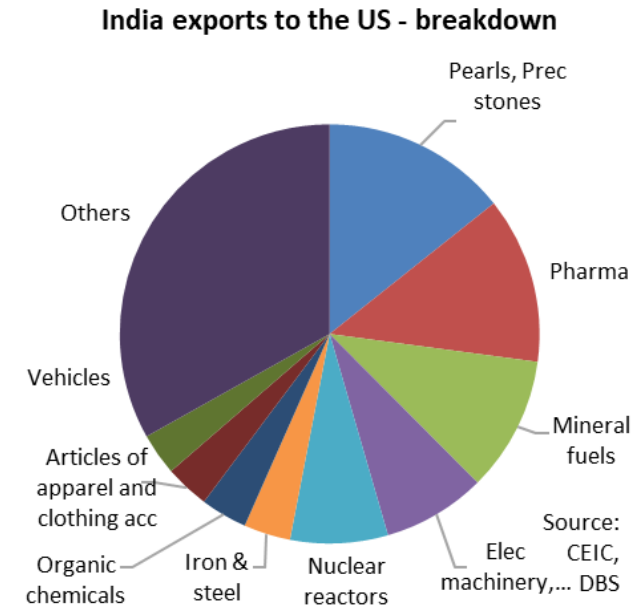
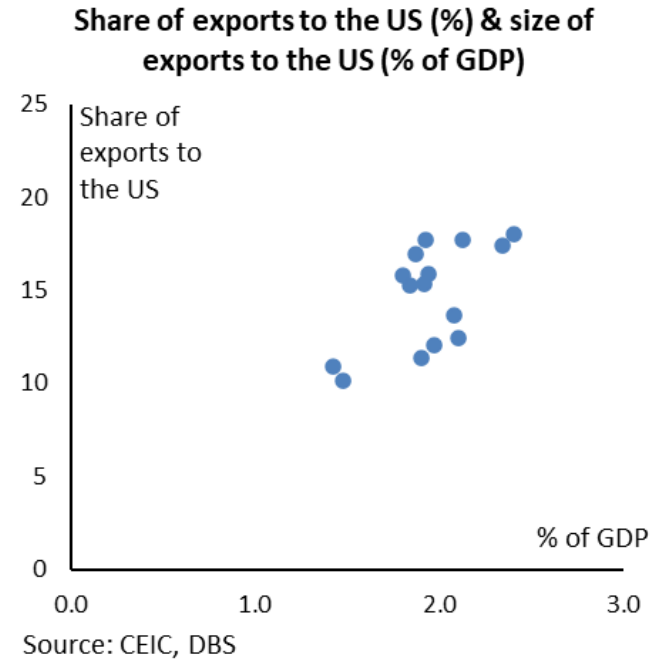
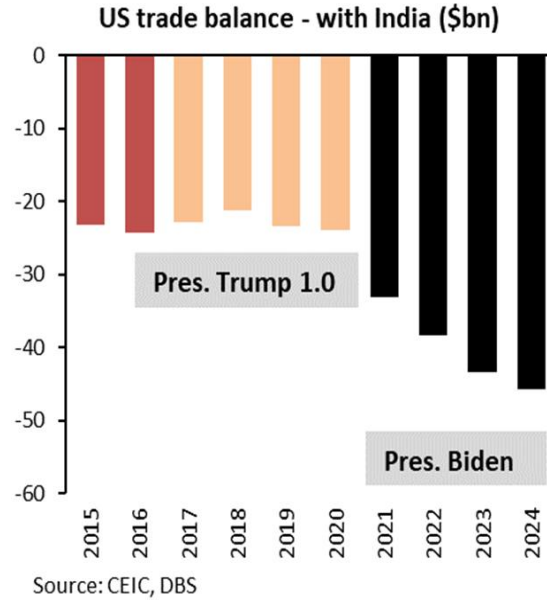
Sources: Reuters, CEIC, DBS

Possible policy response

	Japan	South Korea	Taiwan
Increasing imports from US	★★★	★★★	★★★
Increasing manufacturing investment in US	★★★	★★★	★★★
Fiscal stimulus	★☆☆	★★★	★★★
Monetary easing	☆☆☆	★★★	★★★

India

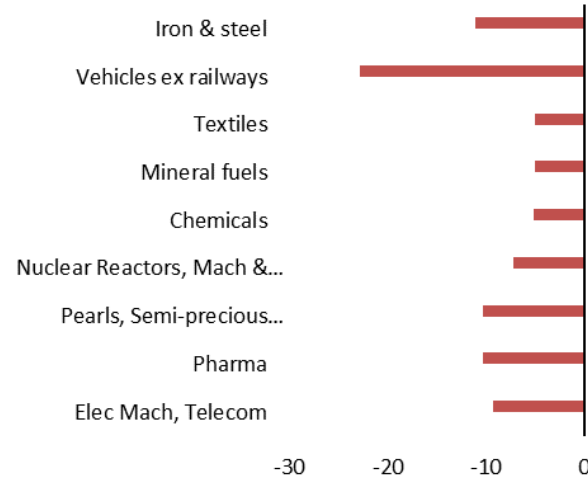
- India was mentioned as one of the countries at risk in Trump's 'Fair and Reciprocal Plan'
- US trade deficit with India doubled between 2015 and 2024. US is a key trading partner.
- Top sectors ranging from iron & steel, pharma, electronics, chemicals and precious stones face a tariff gap of 5% to 22% (average ~9%).
- India lowered sector-specific import tariffs in the February's budget.



India

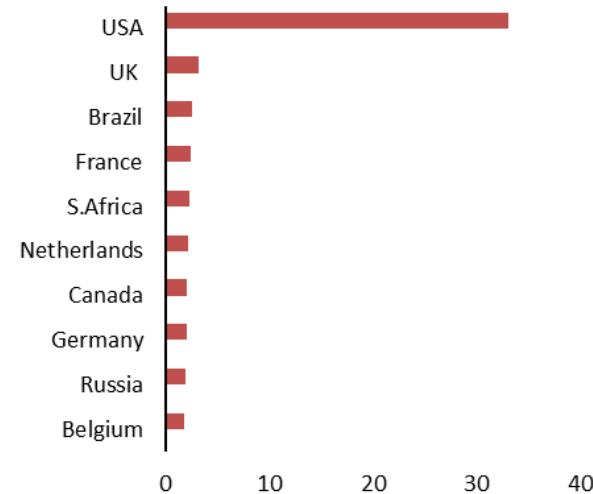
- US announced 26% reciprocal tariff on India. This is 2x of the tariff differential
- Suggests outsized role of non-tariff barriers
- BTA first phase by fall of 2025; keeps the door open for a reassessment
- Exclusion of pharma and semiconductors is net positive (for now)
- Competitive advantage as tariff on others is higher
- Impact is likely to be 0.3-0.5%

Key product categories (by HS codes):
Tariff differential - India over US - %



Source: WTO, DBS

Pharma products: Top 10 export markets (% share)



Source: Commerce Ministry, DBS

Country-specific US discounted reciprocal tariffs

Developed Markets		Emerging Asia	
Switzerland	31%	China	34%
EU	20%	Taiwan	32%
Norway	15%	South Korea	25%
UK	10%	Cambodia	49%
Japan	24%	Laos	48%
Australia	10%	Vietnam	46%
New Zealand	10%	Myanmar	44%
		Thailand	36%
		Indonesia	32%
		Malaysia	24%
		Philippines	17%
		Singapore	10%
		India	26%

Source: The White House



Note: These are not bilateral tariff rates from country averages

Singapore

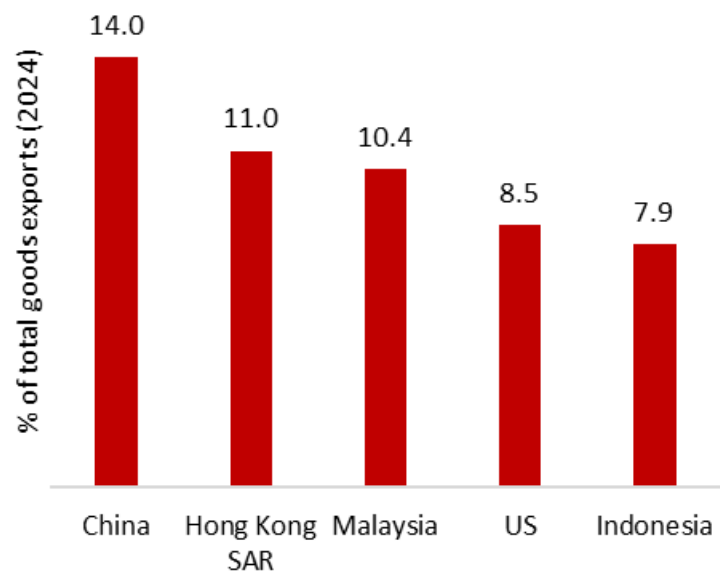
Singapore is set to be subjected to US baseline tariff rate of 10%, the lowest among ASEAN-6 peers

The tariffs increase on Singapore is partly mitigated by the US-Singapore Free Trade Agreement

Singapore’s goods exports exposure to the US is smaller than other ASEAN-6 peers, but is still amongst its top 5 goods exports destination in 2024

In a relatively better position, but exposed to global slowdown

Singapore's top 5 goods exports destination



Source: CEIC, DBS

Key US goods imports from Singapore in 2024

Categories	% of Singapore's GDP	% of total US imports from Singapore
Pharmaceutical preparations	3.5	45
U.S. goods returned, and reimports	0.7	9
Other foods	0.5	6
Medicinal equipment	0.5	6
Industrial machines, other	0.4	6
Petroleum products, other	0.4	5
Semiconductors	0.3	4
Cell phones and other household goods, n.e.c.	0.3	4
Electric apparatus	0.1	2
Chemicals-other, n.e.c.	0.1	1
Other products	1.1	14

Source: US census bureau, CEIC, DBS

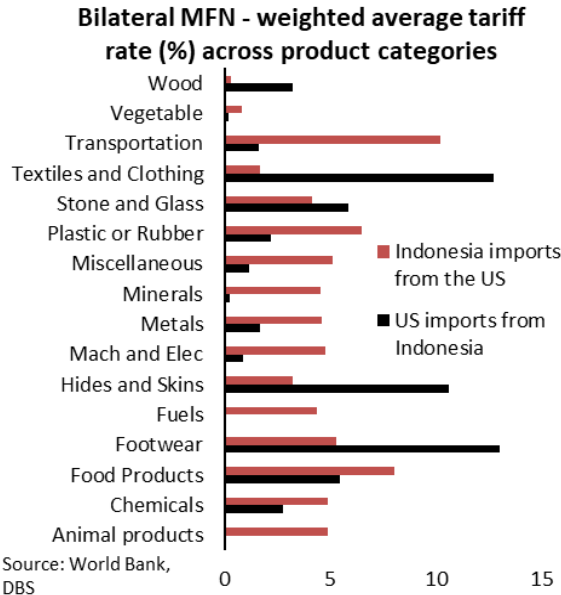
Indonesia

- Indonesia was US's 15th largest trade deficit country in 2024.
- US announced 32% reciprocal tariff on Indonesia
- Surprising as Indonesia has a more balanced tariff structure with the US, with positive and negative differentials.
- A potential flashpoint could be Indonesia's strong investment/ trade linkages with China
- Growth impact is more notable after higher reciprocal tariffs



US imports from Indonesia	Imports (\$bn)	% share
Electrical, electronic equipment	4.83	16.3
Articles of apparel	4.44	15.0
Footwear, gaiters and the like,	2.64	8.9
Animal, vegetable fats and oils	2.2	7.4
Rubbers	1.96	6.6
Furniture, lighting signs, prefabricated buildings	1.64	5.5
Machinery, nuclear reactors, boilers	1.23	4.2
Seafood	1.15	3.9
Articles of leather	0.91	3.1
Meat, fish and seafood preparations	0.84	2.8
Wood and articles of wood, wood charcoal	0.8	2.7
Others	6.91	23.4

Source: US Census Bureau, DBS



Direct growth impact (post reciprocal tariffs) - DBS estimates

Countries	Growth impact
Indonesia	High
Malaysia	Medium
Philippines	Low
Singapore	Low
Thailand	Medium
Vietnam	High

Source: CEIC, WITS, US census bureau, DBS Note: Red=High impact; Green=Negligible impact; Yellow=Low impact; Orange=Medium impact; Assessed based on relative ranking

ASEAN-6

While ASEAN-6 was not explicitly mentioned in the US’s ‘Fair and Reciprocal Plan’, it is amongst the hardest hit

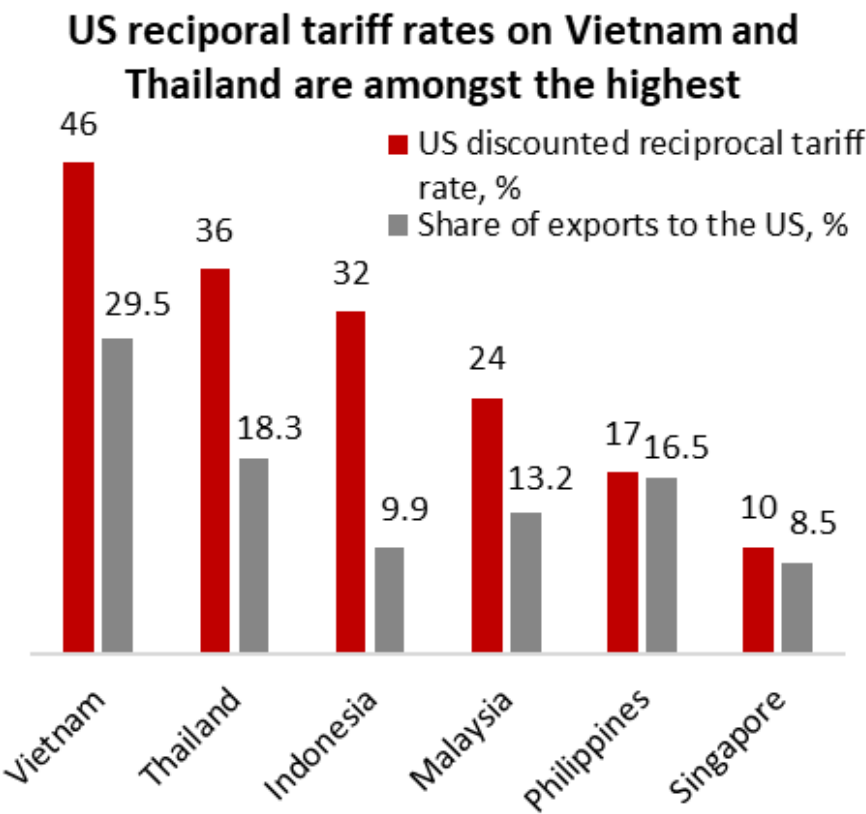
Vietnam, Thailand, Malaysia, and Indonesia were amongst the US’s top 15 trade deficit partners in 2024

Vietnam and Thailand have the highest goods exports exposure to the US

The region will be negatively hit, with greater impact on Vietnam, Thailand, Malaysia



The region is hit relatively hard by US tariffs



Source: News sources, CEIC, DBS

Direct growth impact (post reciprocal tariffs) - DBS estimates

Countries	Growth impact
Indonesia	Yellow
Malaysia	Orange
Philippines	Yellow
Singapore	Yellow
Thailand	Orange
Vietnam	Red

Source: CEIC, WITS, US census bureau, DBS Note: Red=High impact; Green=Negligible impact; Yellow=Low impact; Orange=Medium impact; Assessed based on relative ranking

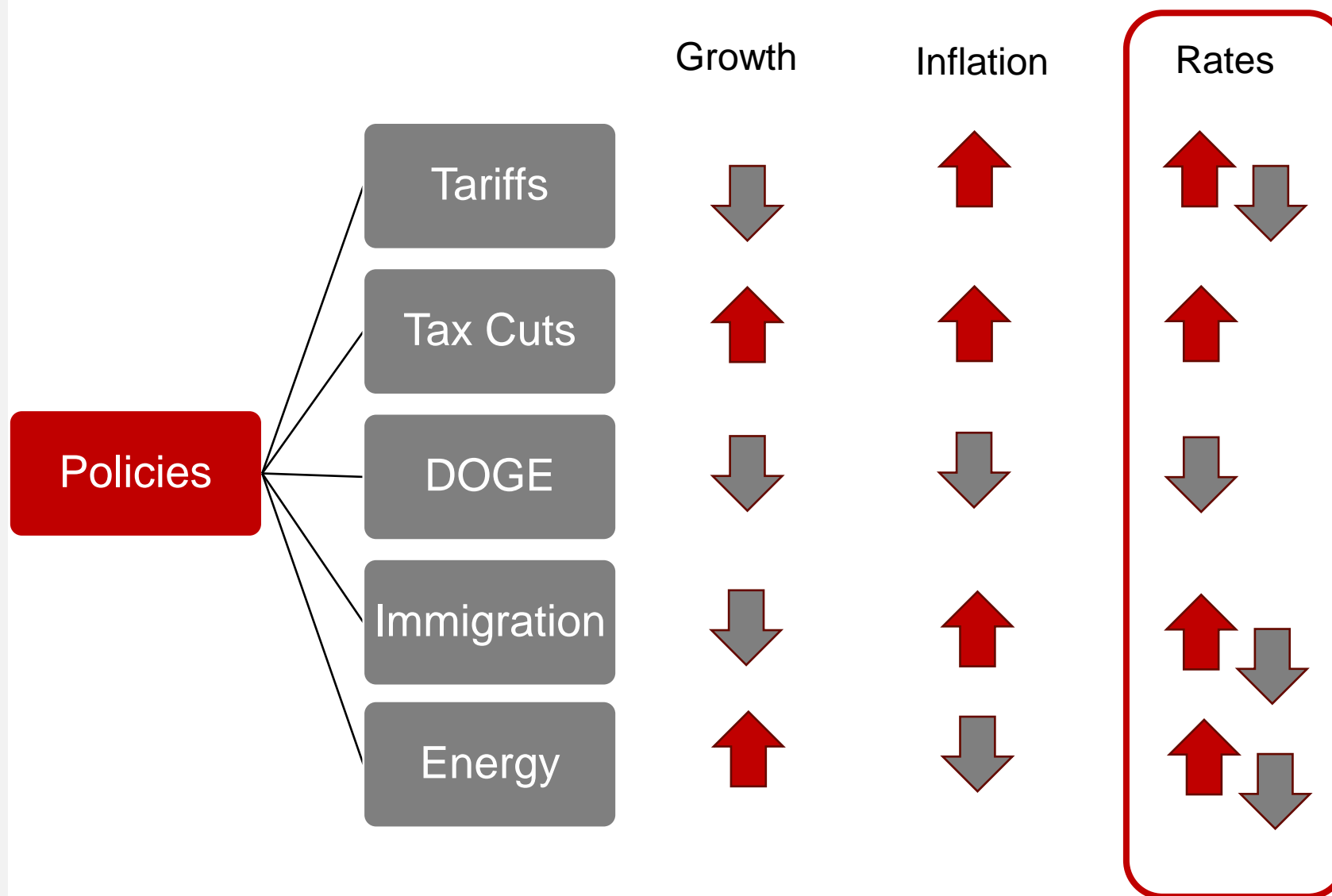
Financial markets

Outlook

A range of policies which have wide ranging implications.

It looks like stagflation-lite for a while as tariff bites.

US Policy Impact – Engineered Stagflation

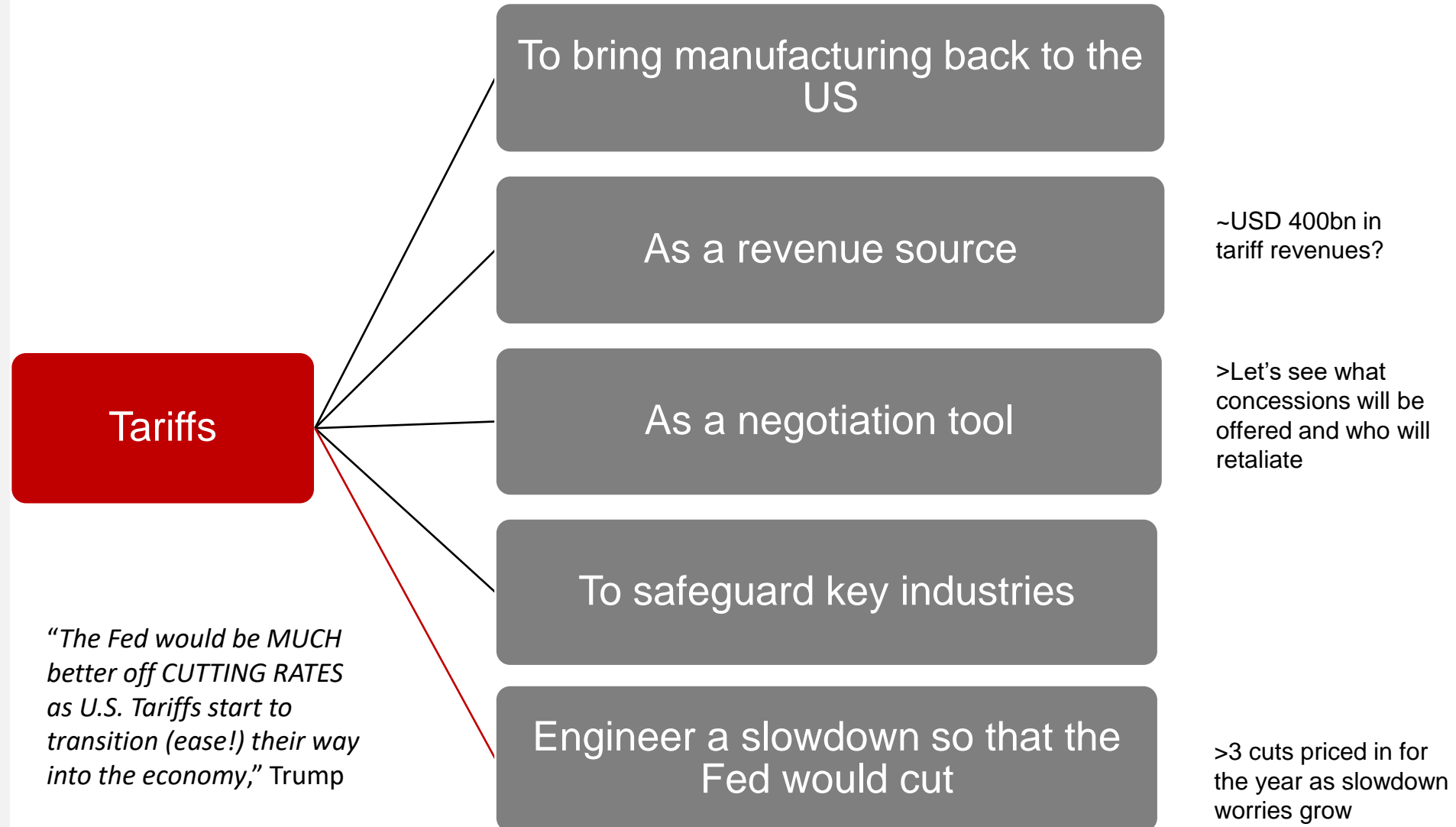


Takeaway

There are multiple use cases for tariffs from Trump's point of view.

But if revenue is important, some tariffs will not be negotiated away

Tariff Use Cases



Yield Divergence

Dispersed performance across the globe.

US exceptionalism has faded.

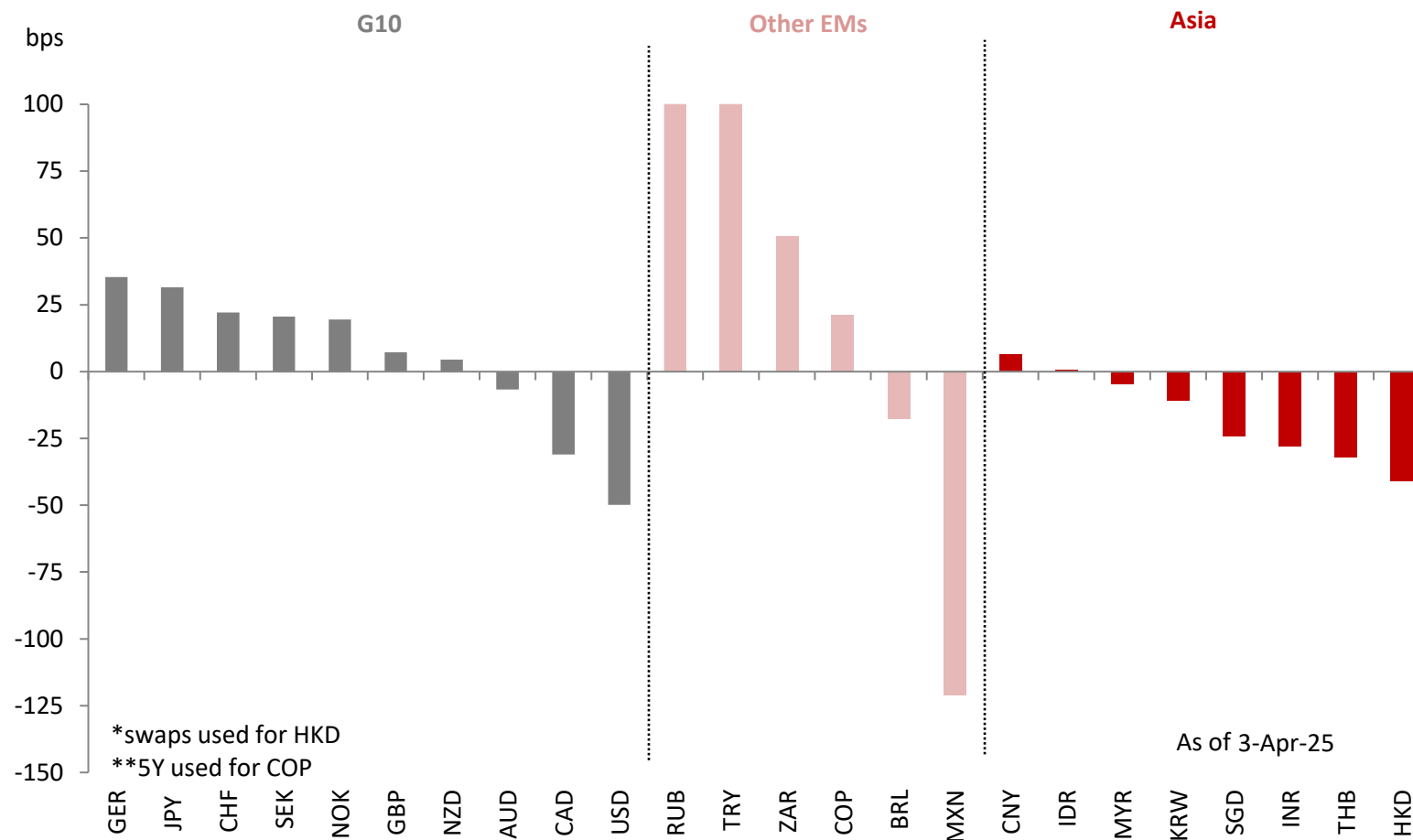
Turnaround seen in Japan, Germany and China.

Tariffs

-Worries about high inflation and slower growth in the US. **Depressed US yields. 5Y/30Y steepening.**

-Worries about slower growth (limited concerns on inflation) in the rest of the world. **Curve steepening as Asia will utilise monetary easing and fiscal support to cushion the shock.**

Change in 10Y LCY Government Bond Yields Since Start of 2025



Source: Bloomberg, DBS

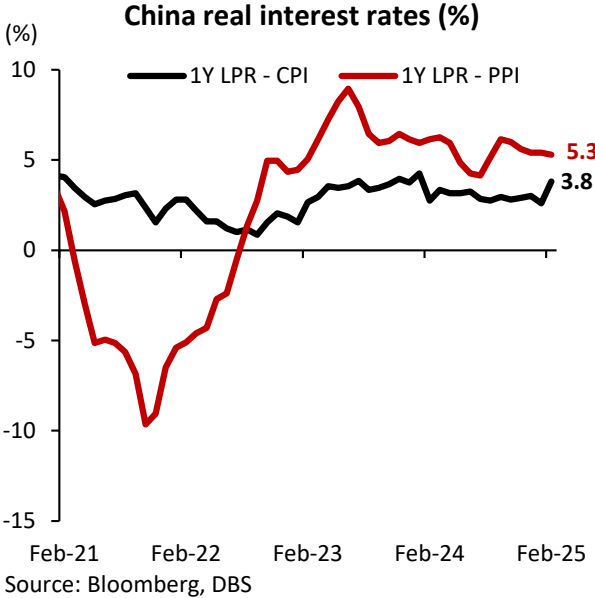
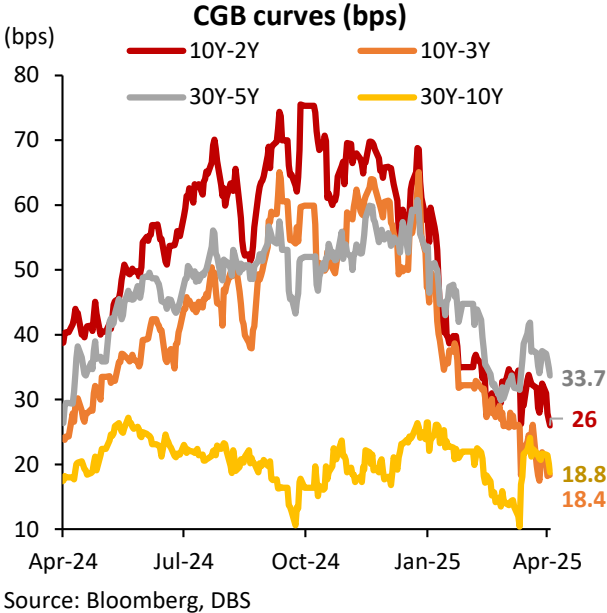
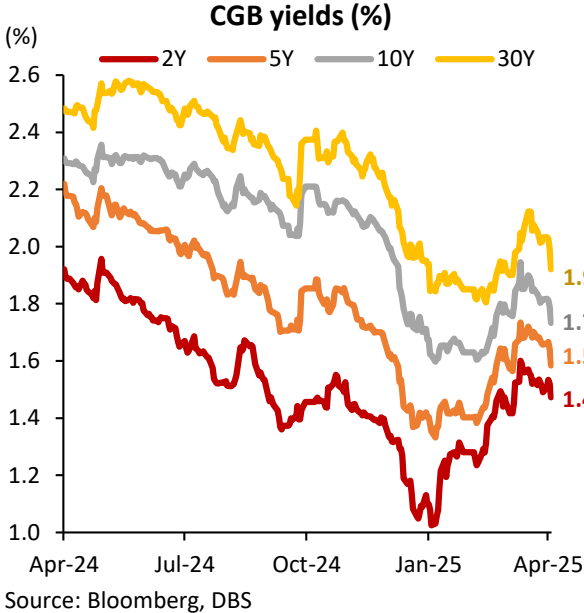
China and Hong Kong

2Y and 10Y CGB breached resistance of 1.50% and 1.80% levels respectively

Medium-term flattening vs. tactical steepening

Real borrowing costs remains elevated

Lower onshore rates on monetary easing

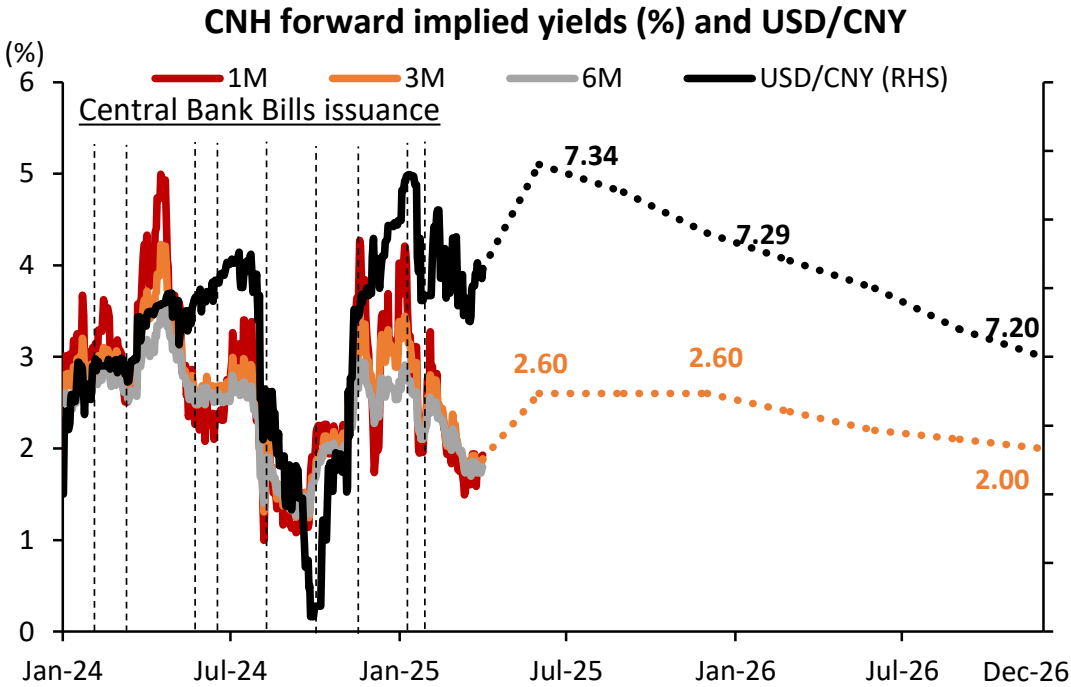


China and Hong Kong

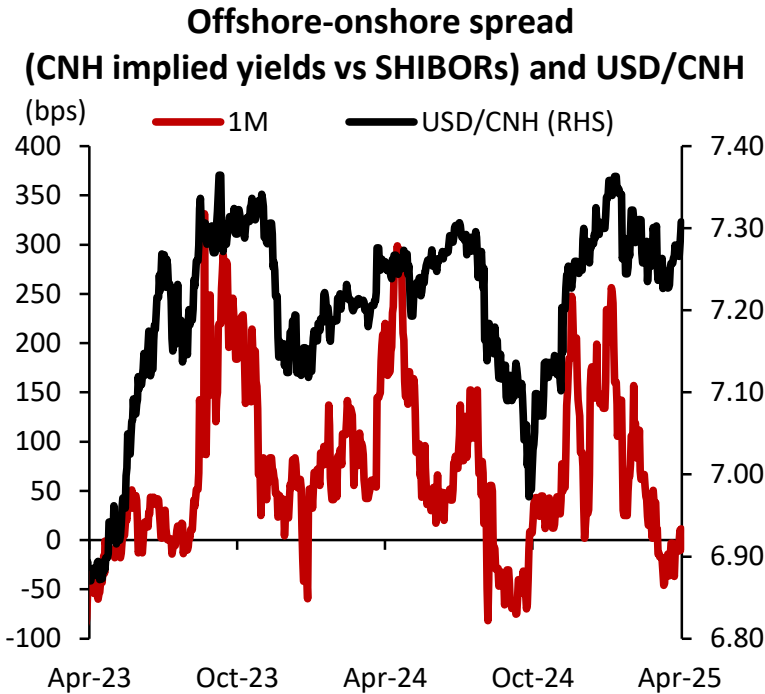
Short-end CNH rates are set to rise amid volatile RMB exchange rates

Premium of long-end offshore rates continue to rise amid weak RMB

Higher offshore premium ahead



Source: Bloomberg, DBS



Source: Bloomberg, DBS

Takeaways

Sequencing the Events

Retaliation (bad for risk) in immediate term.

Negotiations (potentially good for risk) next week ahead of 9 April deadline.

"Just as ripples spread out when a single pebble is dropped into water, the actions of individuals can have far-reaching effects." Dalai Lama

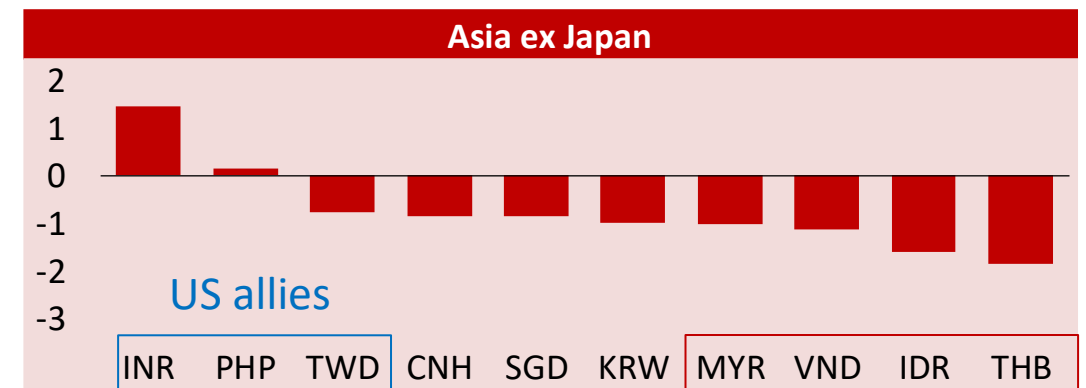
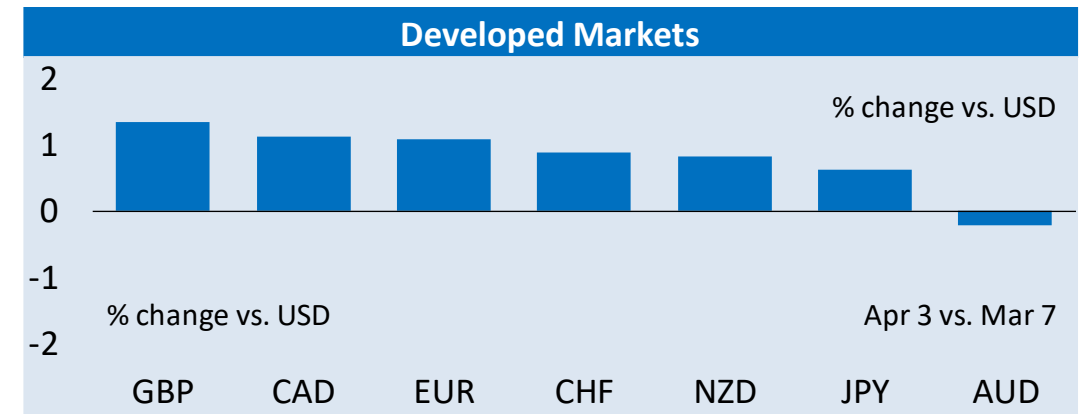
Asian currencies are more vulnerable to higher global trade tensions

Country-specific US reciprocal tariffs

Developed Markets		Asia ex Japan	
Switzerland	31%	China	34%
EU	20%	Taiwan	32%
Norway	15%	South Korea	25%
UK	10%	Cambodia	49%
Japan	24%	Laos	48%
Australia	10%	Vietnam	46%
New Zealand	10%	Myanmar	44%
BRICS new members		Thailand	36%
		Indonesia	32%
		Malaysia	24%
		Philippines	17%
		Singapore	10%
		India	26%

Source: The White House

Performance of currencies



China Plus One

China to maintain stable USD/CNY for now

PBOC has a calibrated approach to maintain CNY stability

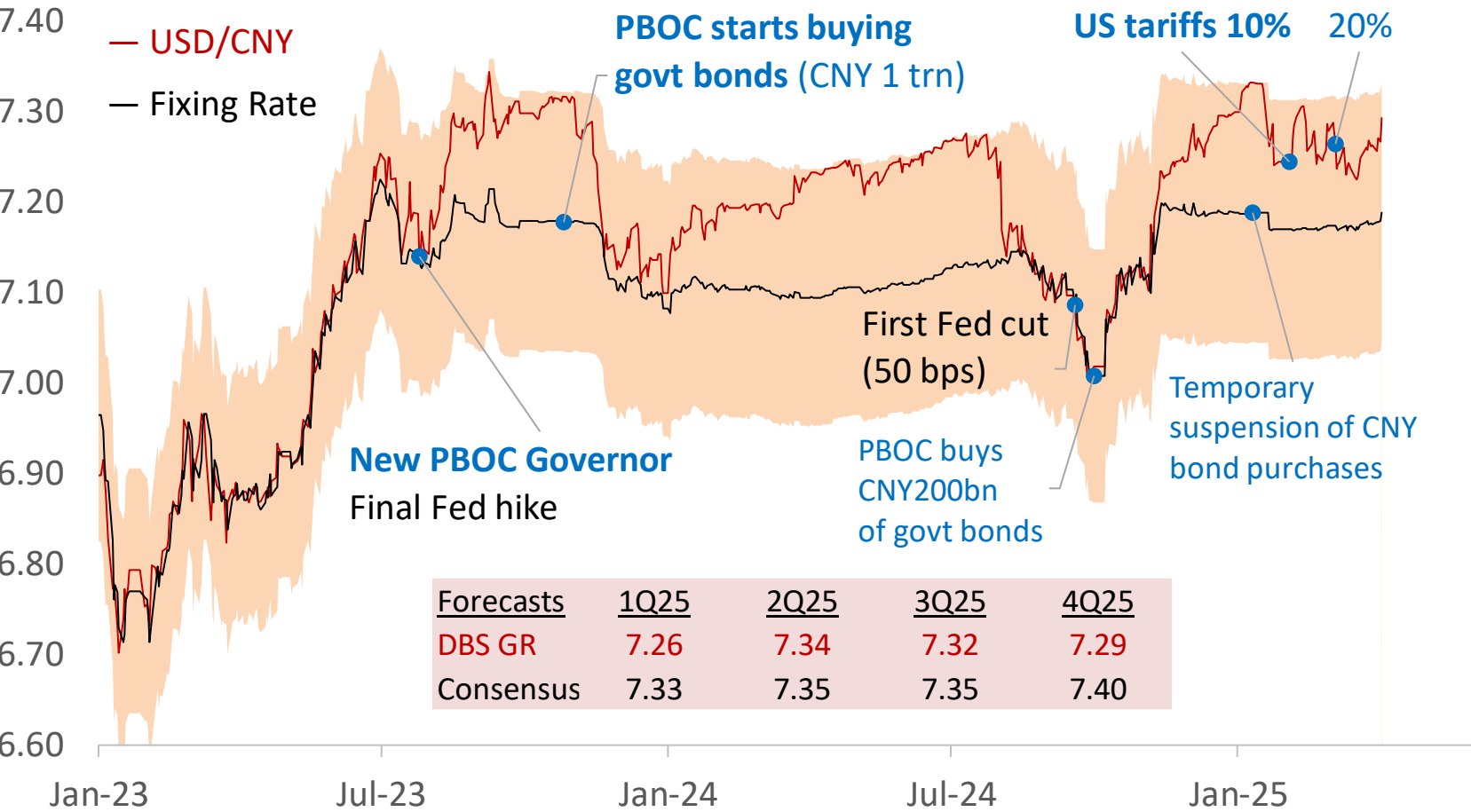
PBOC Governor
Pan Gongsheng

assumed office in July 2023

Discourage
one-way “sell CNY” bets

Tight Fixing Rate
mostly in 7.10-7.20 range

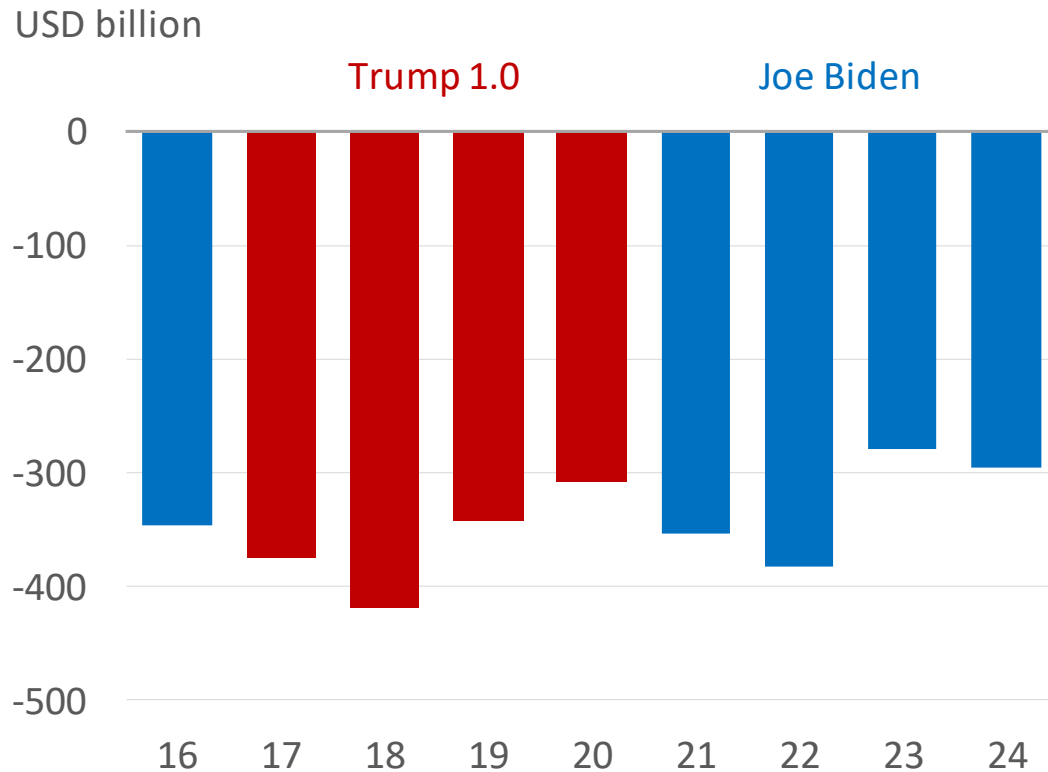
More tolerance for
USD/CNY to rise vs. Fixing
to the upper limit of $\pm 2\%$ band



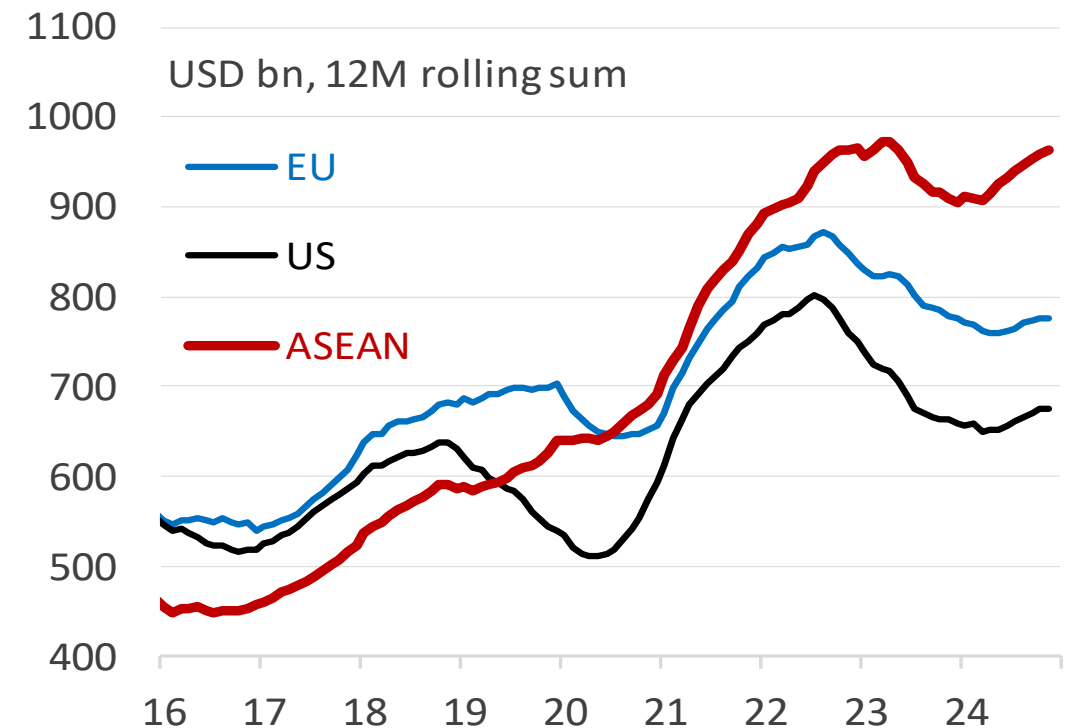
Sources: DBS Research, Bloomberg data and consensus. Last updated: 3 Apr 2025

Trump's tariffs addresses "China Plus One" strategy into Southeast Asia

US trade deficit with China remains wide



China's total trade with SE Asia overtook the US and the EU



**Foreign Minister
Vivian Balakrishnan**

Parliamentary address on
the changing world order
on March 3, 2025

*“A new world order is
taking shape and
characterised by
**profound unpredictability,
instability, and volatility.**”*

A New World Order is taking shape

Unipolarity



Multipolarity

Free trade



Protectionism

Multilateralism



Unilateralism

Globalisation



Hyper nationalism

Openness



Xenophobia

Optimism



Pessimism

Foreign Minister
Vivian Balakrishnan

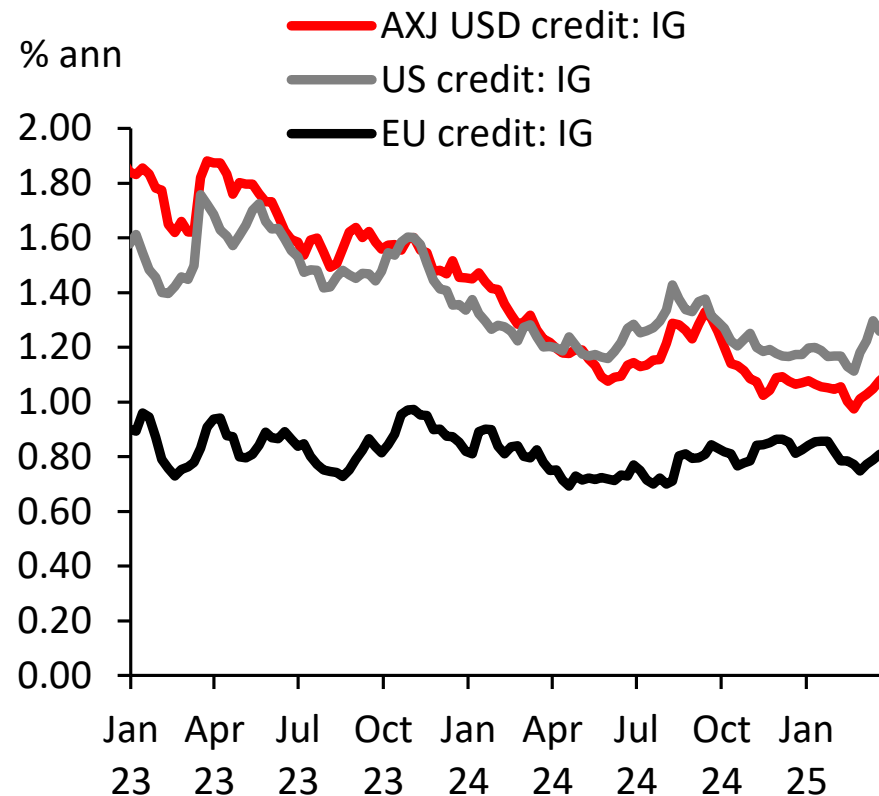
*“We may be reverting to a time when the **world is divided into blocs controlled by big powers.**”*

*“The post-WW2 **rules-based international order that benefitted Singapore is under serious strain.**”*

Economic fragmentation	Geostrategic upheaval ⇒ Law of the Jungle	Weakened global institutions
<p>Retaliatory tariffs lead to global trade war</p> <p>Supply chains regionalize & bifurcate</p> <p>3 levers weaponized by Big Powers</p> <ul style="list-style-type: none">• tariffs• financial systems• technology	<p>Severely eroded</p> <ul style="list-style-type: none">• sovereign equality• political independence• territorial integrity <p>Flashpoints</p> <ul style="list-style-type: none">• NATO/Ukraine vs. Russia• Taiwan Straits• South China Seas	<p>Significantly impaired the ability to</p> <ul style="list-style-type: none">• collectively respond to global threats e.g. WHO & pandemic• safeguard the commons<ul style="list-style-type: none">- WTO & free trade- UN Resolution on climate change

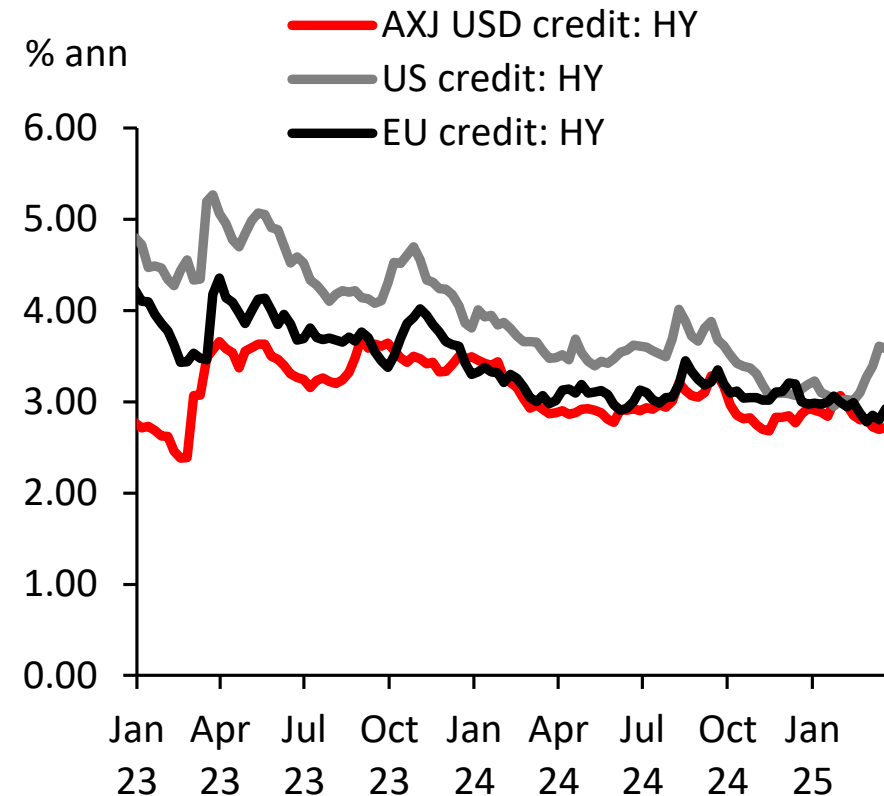
Scope for credit spreads to widen as exuberance is tempered

IG credit spreads: US vs EU vs Asia ex-Japan



Source: Bloomberg, DBS

HY credit spreads: US vs EU vs Asia ex-Japan



Source: Bloomberg, DBS

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