COMMERZBANK

Economic Research

Economic Briefing

Trump ramps up tariffs

4 March 2025

Bernd Weidensteiner [AC]

Dr. Christoph Balz [AC]

Table of contents

The next round of tariffs under Trump 1

China strikes back... 1

... and Canada is also retaliating 2

"Fortress" USA? 2

Donald Trump's threatened tariffs of 25% on goods imports from Canada and Mexico come into force today, and the tariff rate on Chinese products will be increased from 10% to 20%. The measures are likely to drive up not only US inflation, but Trump's aggressive economic policy is increasingly becoming a risk to economic growth.

The next round of tariffs under Trump

From today, the US is imposing the following new tariffs on imported goods (these tariffs are in addition to any tariffs that may have existed before Trump took office):

- **25%** on imports from **Mexico** and **Canada** (exception: energy imports from Canada only 10%). These tariffs were already threatened at the beginning of February, but then briefly suspended for a month. They essentially end the USMCA free trade area, which Trump himself had negotiated as the successor to NAFTA (North American Free Trade Area).

- **20%** on imports from **China** (increase of the tariff rate of 10% imposed in February)

The following have already been announced:

- **25%** on **aluminum** and **steel** from March 12

The following are also under discussion:

- **25%** on imports from the **EU**

- **25%** on **automobiles, pharmaceutical products, semiconductors, and wood products**.

In addition, there are the "**reciprocal tariffs**" that Trump wants to use to respond to higher tariffs abroad and alleged trade barriers. There could be more news on this front on April 2. However, because the issue is very complex, these tariffs are more likely to come into force later or will initially apply only to the most important trading partners.

China strikes back...

The Chinese authorities have announced a series of countermeasures. For example, an additional duty of 15% will be imposed on certain agricultural products (chickens, wheat, corn) and 10% on others (e.g. soy and sorghum). In addition, some American companies will be placed on an export control list, while others will be placed on a list of "unreliable" entities.

In contrast to the US tariffs, China is not imposing a general additional tariff on all imports from China, but is proceeding selectively. Its focus on agricultural products is

also likely to be aimed at hitting the economies of US states governed by Republicans.
China is an important market for US exports of soy and sorghum in particular.

… and Canada is also retaliating

As of today, Canada will impose tariffs of 25% on US goods worth CAD 155 billion (USD 107 billion) if US President Donald Trump's administration actually introduces the tariffs it has proposed on Canadian goods, as Prime Minister Justin Trudeau announced on Monday.

Initially, tariffs of 25% will be imposed on US goods worth CAD 30 billion, while tariffs on the remaining products worth CAD 125 billion will come into force in 21 days.

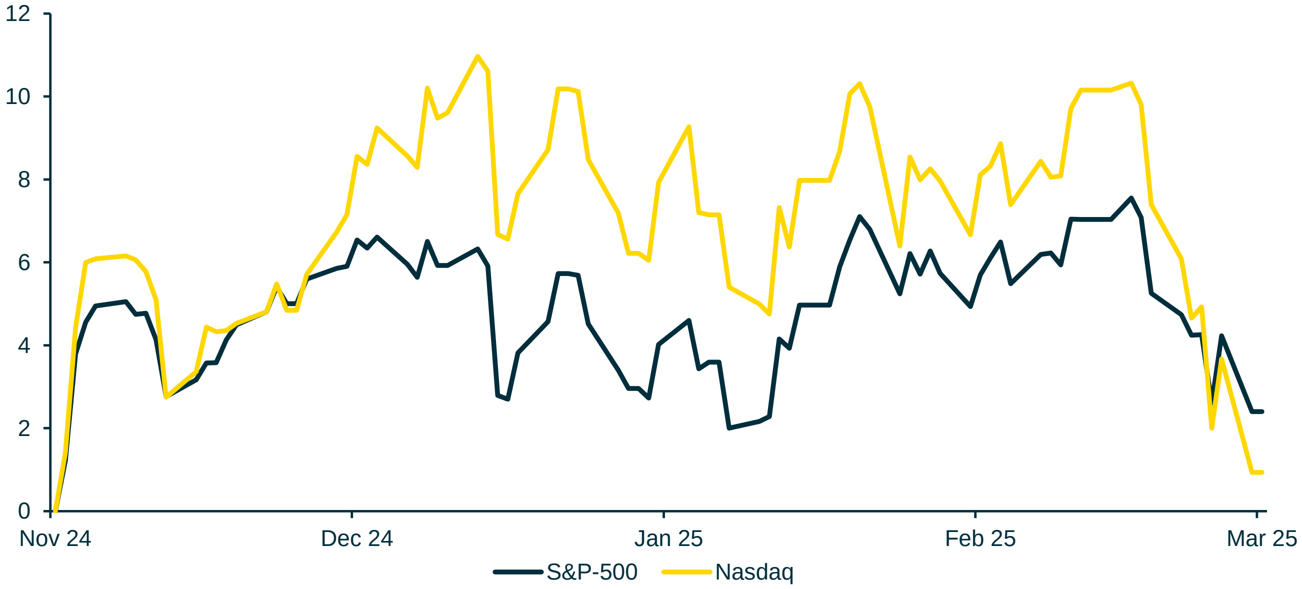
"Fortress" USA?

The tariffs on imports from Canada and Mexico are likely to be painful for the US as well. These two countries – which are theoretically linked to the US in a free trade agreement – are closely integrated into the production chains of US manufacturers, particularly in the automotive industry. Many intermediate products are transported across the border multiple times during the various stages of production. This could result in a bureaucratic nightmare when it comes to collecting customs duties.

In 2024, Mexico and Canada accounted for 28% of all US goods imports, with China accounting for a further 13.4%. This means that 41.5% of the US import volume is affected by significantly higher tariffs. This will not remain without impact on prices. Consumer sentiment has recently come under pressure anyway. The latest tariff measures by the Trump administration are unlikely to provide much relief. Some indicators, such as the price components of the purchasing managers' indices, are already pointing to stronger price increases for goods again.

US stock markets already reacted negatively yesterday. Overall, equities have also underperformed since Trump's election in November 2024 (chart). Despite all the objections, the administration apparently intends to build its external trade walls. This strategy entails significant risks for the US as well.

Chart 1 - US equity markets: No Trump boom so far
US equity indexes, changes since 4 November 2024 (the day before the US Presidential election)



Source: Bloomberg, Commerzbank Research

Analysts

Bernd Weidensteiner AC
Senior Economist
+49 69 9353 45625
bernd.weidensteiner@commerzbank.com

Dr. Christoph Balz AC
Senior Economist
+49 69 9353 45592
christoph.balz@commerzbank.com

This report was completed 4/3/2025 09:15 CET and disseminated 4/3/2025 09:15 CET.

This document has been created and published by the Group Research department (GM-R) within the Group Management division of Commerzbank AG, Frankfurt/Main or Commerzbank's non-US branch offices mentioned in the document.

Analyst Certification (AC): The author(s), denoted by AC at the beginning of this report, individually certifies that the views expressed in this report accurately reflect their personal views about the subject securities and issuers; and no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price or spread which may fluctuate.

Conflicts of interest

Disclosures of potential conflicts of interest relating to Commerzbank AG, its affiliates, subsidiaries (together "Commerzbank") and its relevant employees with respect to the issuers, financial instruments and/or securities forming the subject of this document valid as of the end of the month prior to publication of this document*:

Please refer to the following link for disclosures on companies included in compendium reports or disclosures on any company covered by Commerzbank analysts: **https://commerzbank.bluematrix.com/sellside/Disclosures.action***

*Updating this information may take up to ten days after month end.

Disclaimer

This document is for information purposes only and has been prepared for recipients who, like professional clients according to MiFID II, have the experience, knowledge and expertise to understand information related to the financial markets. The document does not take into account specific circumstances of any recipient and the information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risks, legal, regulatory, credit, accounting and tax implications.

The information in this document is based on public data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. Commerzbank has not performed any independent review or due diligence of publicly available information regarding an unaffiliated reference asset or index. The opinions and estimates contained herein reflect the current judgement of the author(s) on the date of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of Commerzbank. Commerzbank does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

In order to address potential conflicts of interest Commerzbank's Research department operates independently of other business units of the bank. This is achieved by way of physical and administrative information barriers and separate reporting lines as well as by written internal policies and procedures.

This communication may contain trading ideas where Commerzbank may trade in such financial instruments with customers or other counterparties. Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Commerzbank and or its affiliates may act as a market maker in the instrument(s) and or its derivative that has been mentioned in our research reports. Employees of Commerzbank and or its affiliates may provide written or oral commentary, including trading strategies, to our clients and business units that may be contrary to the opinions conveyed in this research report. Commerzbank may perform or seek to perform investment banking services for issuers mentioned in research reports.

Definition of Article 2 of the FIEA. Please note that Commerzbank AG, Tokyo Branch has not participated in its preparation. Any instruments referred in this report cannot be introduced by the Branch. You should contact the Corporate Clients division of Commerzbank AG for inquiries on availability of such instruments.

Australia: Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

People's Republic of China (PRC): This document is furnished by Commerzbank AG and is only intended for eligible entities in the PRC. No-one else may rely on any information contained within this document. The products and services in this document only apply to entities in the PRC where such products and services are permitted to be provided by PRC laws and regulations. For any person who receives this document, the information in this document shall neither be regarded as promotion or solicitation of the business nor accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication, and the recipient is advised to seek independent advice from its own professional advisers about the information contained herein and shall understand and abide by PRC laws and regulations while conducting any related transactions.

Commerzbank Offices

Frankfurt	**London**	**New York**	**Singapore**
Commerzbank AG	Commerzbank AG	Commerz Markets LLC	Commerzbank AG
DLZ - Gebäude 2, Händlerhaus	PO BOX 52715	225 Liberty Street, 32nd floor,	128 Beach Road
Mainzer Landstraße 153	30 Gresham Street	New York,	#17-01 Guoco Midtown
60327 Frankfurt	London, EC2P 2XY	NY 10281-1050	Singapore 189773
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000