10 answers to Trump's tariffs in our cut-out-and-keep THINK Ahead

Did someone mention tariffs? Impress your mates with James Smith's ten-point dinner party guide to President Trump's trade "liberation" day. Oh, and everything else that's happening in the world of economics next week too

'Ten', as illustrated by President Trump's fingers

THINK Ahead: Trump's tariffs in ten questions

Heading to a dinner party this weekend and dreading the small talk? I get it. At some point, people will realise you work in finance. Once they've stifled their yawns and mumbled something about "having an early start the next day," they might be forced to engage you on the least boring topic that springs to mind. And that topic is inevitably going to be President Trump's tariffs.

Don't panic! We've got you covered. Here's our ten-point guide to all the chat you could possibly need on Trump, trade, and tariffs:

1 What tariffs will get imposed on 2 April?

A simple question, but good luck answering it over a cheese board.

The crux of this issue is this: more often than not, US exports are hit by higher tariffs abroad than the equivalent foreign good entering America. My colleague Deepali discusses how emerging markets, notably India, are particularly in the spotlight here.

Reciprocal tariffs deal with this, in theory, by matching American tariffs on a product-by-product and country-by-country basis. But that's hideously complicated to do in practice; remember every country charges thousands of different tariffs. It gets more complicated still when you throw regulatory barriers and most controversially of all, VAT.

And it's VAT where things get particularly problematic for Europe. Tariff differences may be minor, overall, but if Trump makes a big deal out of VAT, then that could be what lands 20-25% tariffs on EU goods.

That's reportedly what EU negotiators are fearing. And given all the complexity, it sounds like this could get distilled into a single, flat universal tariff across all US imports from Europe. Don't forget these tariffs supposedly come on top of the car and metals tariffs already announced.

2 Will these tariffs be long-lasting?

My colleagues reckon these reciprocal tariffs could be much longer-lasting than the on-and-off Canada and Mexico measures we've seen so far. The US administration desperately needs the revenue. For that, some tariffs have to end up sticking. And that's more likely to happen for countries with long-running and sizeable trade deficits.

That's all well and good until US stock markets take the brunt. Equities have started turning south again this week, and investors are quickly recognising that Trump is more tolerant of market weakness this time around. But my US colleague James Knightley thinks that's only true up to a point. If both the economy and stock market continue to creak, it could quickly become a serious issue for the Republicans, who are at risk of losing the House in the 2026 midterms. For all the tough talk, stock market weakness still looks like one of the more obvious trigger points for tariff de-escalation.

3 What's priced into financial markets?

Big tariffs should mean a stronger dollar. However, as Chris Turner wrote this week, it was striking how little the surprise announcement of 25% US car tariffs impacted FX markets. As he says, either that says tariffs are basically baked into markets now, or investors don't think they'll last.

When it comes to bonds, Padhraic Garvey makes the fair point that tariffs can cut both ways. Higher inflation and weaker growth are opposing forces on yields. But our base case is that US long-end yields should go higher as the year wears on.

4 Can Europe do a deal with President Trump?

It's going to be difficult, to put it mildly. Sure, recent defence commitments should help. But the President's grievances about European deficits run deep. And it won't be news to you that diplomatic relations are considerably worse than in his first term. LNG and defence procurement can help, but the focus on VAT is a real nightmare for Europe. As Inga Fechner wrote last month, there's no chance European governments can do away with such an important revenue-raiser.

Will tariffs pay for US tax cuts?

Extending the 2017 tax cuts is going to cost upwards of $5 trillion over ten years. This week's auto tariffs, the White House believes, could raise as much as a fifth of that. A 25% flat tariff across America's main trading partners would raise considerably more – James K reckons as much as $825bn a year. However, tariffs represent a fresh tax on consumers and businesses, whereas extending those 2017 tax cuts doesn't represent a fresh stimulus. Creating genuinely new tax breaks, even if (still a big if) DOGE succeeds in cutting spending significantly, would be hard to reconcile with ambitions to lower America's 6% fiscal deficit down to 3%.

6 How much will US inflation rise?

Passed on in full, a blanket 25% average tariff would lift the price level by more than four percentage points, James K estimates.

In practice, retailers will absorb some of that; in 2018, James reckons 60% of washing machine tariffs were passed on. But maybe this time is different: firms may be either less able or less inclined to absorb as much of the hit of wider-reaching tariffs. Business surveys already show firms are preemptively raising prices for consumers. Consumer inflation expectations are through the roof.

The Fed's million-dollar question is whether this one-off increase in the price level sparks all manner of longer-lasting second-round effects. Auto tariffs (more on them here) and their impact on new car prices would presumably lift used prices and, latterly, car insurance premiums, just as we've seen over the past four years.

Fed officials are clearly wary. Friday's sticky core inflation data only adds to the stagflationary narrative.

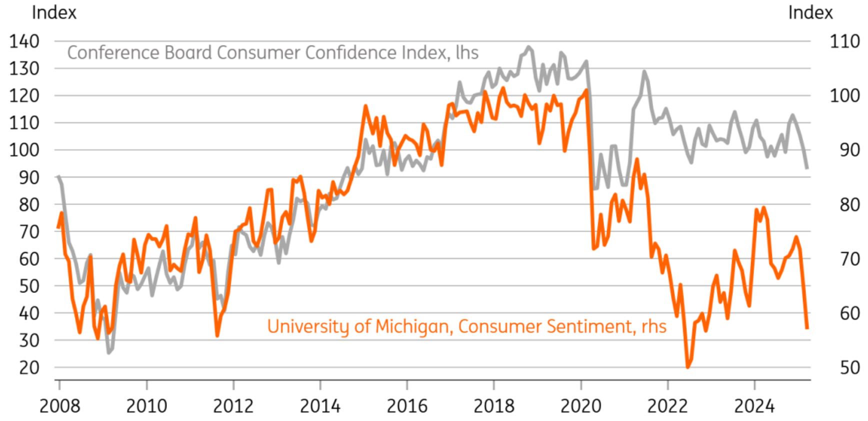
7 How damaging is all of this for the US economy?

Higher inflation is clearly bad news for consumers; unsurprisingly, confidence is falling. But does that weaker sentiment map across to the hard economic data? The Fed is sceptical.

Next week's jobs numbers are clearly key. February's spike in layoffs was a cautionary signal and perhaps relates more to the wave of uncertainty sparked by DOGE and the Federal government's cost-cutting measures. Weak payrolls would feed the narrative in markets that Trump's policy 'negatives' are increasingly outweighing the potential positives from tax cuts or deregulation.

As for tariffs bringing back activity to the US, at best that's a multi-year exercise, as our team discusses in their comprehensive manufacturing outlook.

American consumers really don't like tariffs...



Source: Macrobond

8 What's bigger for Europe: tariffs or defence spending?

After all the optimism about European growth that was sparked by Germany's landmark budget decisions, the mood has soured slightly within markets over the past couple of weeks. My colleague Ruben has a detailed look at tariffs and Eurozone GDP. But the basic point is that Trump's trade war is a much bigger deal for the 2025 growth outlook than whatever public spending increases are coming down the track, even if those spending increases are ultimately a game-changer for Europe later this decade.

9 What about eurozone inflation?

The message here is mixed. Chatting to colleagues, European retaliation to Trump's tariffs would naturally add to inflation, though presumably the EU will look for more targeted measures that minimise the impact on domestic prices. Then there's the longer-term question of dumping. Reduced access for European corporates to the US could push more product onto the local market, and other export partners will be looking to redirect trade flows too. All of that, if and when it happens, would be deflationary.

10 Where does this all leave the ECB?

Markets are increasingly warming to the idea of another ECB rate cut in April and are pricing an additional move later in the year. That's not our base case; we're looking for just one more cut closer to the summer. But chatting to our ECB watcher Carsten, an April move can't be ruled out and it all depends on what actually gets announced by the US on 2 April.

Phew! If all of that doesn't win you some new friends at the dinner table, then I don't know what will.

THINK Ahead in developed markets

United States (James Knightley)

- The coming week is going to be hectic. With 25% tariffs announced on foreign steel and

aluminium now extended to 25% tariffs on autos we will be awaiting news on what else is subject to taxes on "Liberation Day" - April 2nd. This is when reciprocal tariffs will be announced on countries that have "cheated" America and they will additive to the already announced measures – so we could be talking 50% tariffs on European autos, for example, if there is a flat 25% tariffs applied to imports from the European Union (25% EU plus 25% auto tariff).
- The concern is that this will significantly put up prices for US consumers while also squeezing spending power and corporate profit margins. Hence growing concerns about a potentially stagflationary environment that will be bad news for both jobs and asset prices.
- We will get to hear what Fed Chair Powell thinks of all this when he speaks on Friday. However we suspect he will be non-committal at this stage and instead emphasise he will be watching the economic data as it will be that which determines the central bank's course of action.
- In terms of the numbers we expect the ISM business surveys to respond negatively as panellists were awaiting the tariff news and were seeing equity market falls at the time the survey was taken. The jobs report will be the focus though and we will be looking to see if hiring cooled further amidst economic uncertainty and Federal government workers being laid off.

Eurozone (Bert Colijn)

- **Inflation (Tue):** The inflation rate in the eurozone is likely to remain above 2% for March. Core inflation is set to remain stubbornly above 2.5% and a tick down in energy prices could slightly dampen headline inflation for March. At the same time, with possible reciprocal tariffs underway there will be a lot more anticipation for the coming inflation prints compared to the March one.
- **Unemployment (Tue):** The unemployment rate has fallen further to 6.2% in recent months, despite weaker employment expectations from businesses. As the latter has strengthened a bit again, there is no imminent expectation of increased unemployment in the months ahead.

THINK Ahead for Central and Eastern Europe

Poland (Adam Antoniak)

- **Flash CPI (Mon):** Headline inflation most likely inched up to 5.0%YoY in March, reaching its 2025 peak. Core inflation increased slightly on the back of a hike in excise duties on cigarettes. Annual growth in food prices was also slightly higher than in February. At the same time, household energy prices were little changed vs. the previous month, while fuel prices declined amid cheaper gasoline and diesel. March inflation peaked lower than had been expected several months ago as the upswing in CPI inflation at the beginning of this year was smaller than predicted, partly because of a recent CPI basket update.
- **Manufacturing PMI (Tue):** Developments in manufacturing seem to have begun stabilising and we expect a second consecutive reading of manufacturing PMI above 50. There have been further improvements in Poland's main trading and manufacturing partner, Germany. The key question is to what extent recent improvements in manufacturing reflects a genuine pick up in activity, or merely reflects the fiscal boost in Germany from the ReArm EU programme. In the latter case, a stronger PMI could be only temporary.
- **NBP rate (Wed):** The MPC will keep rates on hold on Wednesday (main policy rate still at

5.75%), but the Council is becoming increasingly convinced that the hawkish stance presented by NBP Governor Glapiński is excessive and the inflation path in the March NBP projection overly pessimistic. The StatOffice revised the January CPI reading down by 0.4 percentage points after the projection was finalised, and the new Energy Regulatory Office electricity tariffs expected in June will bring a reduction from the current high level. Therefore, the CPI bounceback in Q4 2025 envisaged in the NBP's projection is unlikely. The mood among the committee is shifting towards a less restrictive bias, and we do not rule out a motion to cut rates being put forward as early as April, but as of now, we do not see a sufficient majority for it to pass.

Hungary (Peter Virovacz)

- **Wages (Mon):** Based on the 9% increase in the minimum wage in January, we expect Hungarian wage growth to be in the same range in January. However, some anecdotal evidence suggests that companies may be reluctant to hand out hefty pay rises this year, so we wouldn't rule out a downside surprise.
- **Industry (Fri):** After another disappointing industrial production figure in January, we are not convinced that February will bring much improvement to the overall picture. Moreover, a year ago there was an unusual monthly jump in production, which provided a high base. We therefore see a further deterioration in the sector's year-on-year performance in the second month of 2025.

Czech Republic (David Havrlant)

- **GDP (Tue):** The Statistical Office will likely confirm the GDP headline growth figure, yet the composition may be revised toward a bit less punchy household consumption and a bit less negative fixed investment, as these were very pronounced.
- **PMI (Tue):** The PMI is expected to have continued its gaining streak in March, as the Czech manufacturing likely starts to bottom out and is heading to brighter tomorrow. As the reading arrives on 1st of April, perhaps we'd better be prepared for an upward surprise.
- **Retail sales (Fri):** Real retail sales have likely returned to a decent annual dynamic in February, with the previous base effects fading out. Households were still able to carry on in solid spending, as their budgets got some boost from previous real wage increases.
- **Inflation (Fri):** When plugging in all the available predictors, our best guess about the March headline inflation reading is a stable 2.7% annually, with a marginally softer core rate and more potent food price growth.

Turkey (Muhammet Mercan)

- **Inflation (Thu):** As of 25 March, USD/TRY is up by 4.3% month-to-date and an FX basket (50:50 USD and EUR) is up 6.2%. FX passthrough means we could see price pressure building in April and May, though it will likely be limited given TRY weakness remains contained. Accordingly, we see April inflation at 2.4%, translating into 38% YoY vs 39.1% a month ago.

Key events in developed markets next week

Country	Time (GMT)	Data/event	ING	Prev.
		Monday 31 March		
US	1445	Mar Chicago PMI	45	45.5
Germany	0700	Feb Retail Sales Real (MoM%/YoY%)	-0.8/2.5	0.2/2.9
	1300	Mar CPI (MoM%/YoY%)	0.5/2.2	0.4/2.3
Italy	1000	Mar CPI (MoM%/YoY%)	1.2/1.8	0.1/1.7
Portugal	0930	Mar CPI (YoY%)	-	2.4
Eurozone	0900	ECB Panetta Speech	-	-
		Tuesday 1 April		
US	1500	Mar ISM Manufacturing PMI	49.5	50.3
	1500	Feb JOLTs Job Openings (mn)	7.8	7.74
UK	0915	BoE Greene Speech	-	-
	0930	Mar S&P Global Manufacturing PMI Final	-	44.6
Italy	0845	Mar HCOB Manufacturing PMI	48.2	47.4
	0900	Feb Unemployment Rate	6.2	6.3
Eurozone	0900	Mar S&P Global Manufacturing PMI Final	48.7	48.7
	1000	Mar CPI (YoY%)	2.2	2.3
	1000	Mar Core CPI (YoY%)	2.6	2.6
	1100	Feb Unemployment Rate	6.2	6.2
	-	ECB Lagarde and Lane Speeches	-	-
		Wednesday 2 April		
US	1315	Mar ADP National Employment	130	77
	1500	Feb Factory Orders (MoM%)	0.8	1.7
Eurozone	1130	ECB Schnabel Speech	-	-
		Thursday 3 April		
US	1330	Initial Jobless Claims (000s)	228	224
	1330	Feb International Trade (USD bn)	-120	-131.4
	1445	Mar S&P Global Composite PMI Final	-	53.5
	1500	Mar ISM Non-Manufacturing PMI	53.0	53.5
Germany	0855	Mar S&P Global Composite PMI Final	50.9	50.9
France	0850	Mar S&P Global Composite PMI Final	-	47
UK	0930	Mar S&P Global Services PMI Final	-	53.2
	0930	Mar S&P Global Composite PMI Final	-	52
Italy	0845	Mar HCOB Composite PMI	-	51.9
Canada	01330	Feb Trade Balance (CAD bn)	-	3.97
Switzerland	0730	Mar CPI (MoM%/YoY%)	-/-	0.6/0.3
Eurozone	0900	Mar S&P Global Services PMI Final	50.4	50.4
	0900	Mar S&P Global Composite PMI Final	50.4	50.4
		Friday 4 April		
US	1330	Mar Non-Farm Payrolls	125	151
	1330	Mar Private Payrolls	115	140
	1330	Mar Unemployment Rate	4.1	4.1
	1625	Fed Powell Speech	-	-
Germany	0700	Feb Industrial Orders (MoM%)	3	-7
France	0745	Feb Industrial Output (MoM%)	-	-0.6
Canada	1330	Mar Unemployment Rate	6.6	6.6
Switzerland	0645	Mar Unemployment Rate	-	2.7

Source: Refinitiv, ING

Key events in EMEA next week

Country	Time (GMT)	Data/event	ING	Prev.
		Monday 31 March		
Poland	1000	Mar CPI (MoM%/YoY%)	0.2/5.0	0.3/4.9
Hungary	0730	Feb Trade Balance (EUR mn)	1300	903
	0730	Jan Average Gross Wages (YoY%)	9.5	11
		Tuesday 1 April		
Poland	0800	Mar S&P Global Manufacturing PMI	51.2	50.6
	1200	NBP Base Rate	5.75	5.75
Czech Rep	0800	Q4 GDP Final (QoQ%/YoY%)	0.7/1.8	0.7/1.8
	0830	Mar S&P Global Manufacturing PMI	48.6	47.7
Hungary	0800	Mar Manufacturing PMI	52.1	51
Kazakhstan	0900	Mar CPI (MoM%/YoY%)	0.9/9.5	1.5/9.4
		Wednesday 2 April		
Russia	1700	Feb Retail Sales (YoY%)	1.8	5.4
	1700	Feb Unemployment Rate	2.4	2.4
Turkey	0800	Mar Manufacturing PMI	-	48.3
		Thursday 3 April		
Russia	-	Feb GDP (YoY%) Monthly	1.00	3.00
Turkey	0800	Mar CPI (MoM%/YoY%)	2.4/38.0	2.3/39.1
		Friday 4 April		
Czech Rep	0800	Feb Retail Sales (YoY%)	3.5	3.1
	0800	Mar CPI (MoM%/YoY%)	0.1/2.7	0.2/2.7
Hungary	0730	Feb Industrial Output (YoY%)	-6.6	-3.9

Source: Refinitiv, ING

Author

James Smith
Developed Markets Economist, UK
james.smith@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr