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Estimated Impact of “Trump 2.0” on the Global Economy

Maximum impact on US real GDP growth expected to be -1.2%pt per year

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Summary

- We estimated the impact on the global economy under three scenarios of moderate, risk, and tail risk for four main policy issues of the Trump administration: (1) higher tariffs, (2) tighter immigration controls, (3) greater government efficiency, and (4) AI deregulation and increased investment.
- The moderate scenario has a limited impact on economic activity. However, if the tail risk scenario emerges, the impact on the US real GDP growth rate is expected to be as large as -1.2%pt per year from 2025 to 2029. The impact on Japan's real GDP growth rate under the tail risk scenario is -0.9%pt per year, which is larger than the impact on the euro zone (-0.6%pt). However, if the US imposes high tariffs on imports from certain countries and regions, the impact on the Japanese economy may be mitigated by Japan capturing alternative demand.
- In addition, tighter immigration controls could lead to higher wages and supply shortages in the US construction and lodging/restaurant industries. It is also noted that energy policy could lower crude oil prices in the medium term, which could improve the earnings environment, especially in the durable goods manufacturing sector.