

# **World Economic Trends II**

## **<The 2025 Autumn/Winter Report>**

— U.S. Trade Policy: Developments and Current Status—

(Summary)

February 2026

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This material has been tentatively prepared to explain the World Economic Trends 2025 Autumn/Winter Report.  
For quotations and other purposes, please refer to the full text of the World Economic Trends 2025 Autumn/Winter Report.

“World Economic Trends” surveys and analyzes the trends of the world economy, which has been released since 2002. This is the 47th issue.

# 1-1 Trends in U.S. Trade Policy

- The 2nd Trump Administration implemented unprecedentedly broad and high-tariff rate additional duty measures (Figure 1). The effective tariff rate reverted to levels seen before the progress of trade liberalization following the establishment of GATT (Figure 2).
- The additional duties increased U.S. tariff revenues (Figure 3). However, no significant change has been observed to date in reducing the trade deficits, and manufacturing employment has shown a declining trend (Figures 4 and 5). With substantial investments and factory expansions from various countries into the U.S. planned going forward, it is necessary to monitor developments surrounding trade policy from a medium- to long-term perspective as well.

Figure 1. Overview of U.S. tariff measures

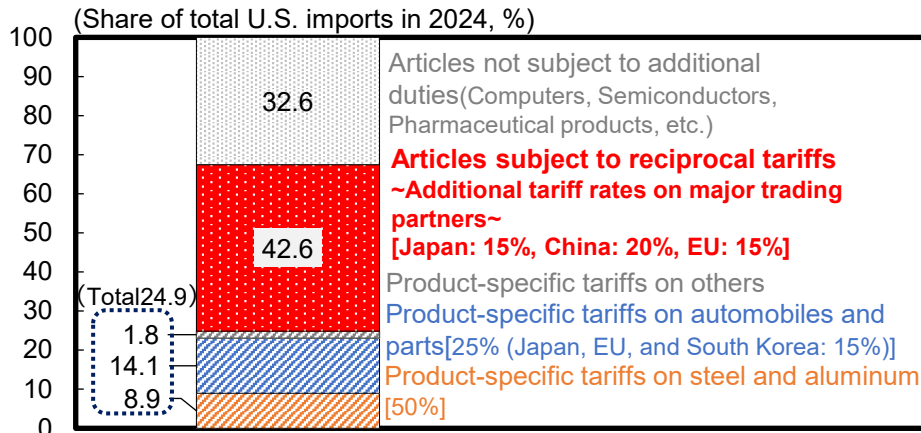


Figure 2. Effective U.S. Tariff Rates (Long-term trend)

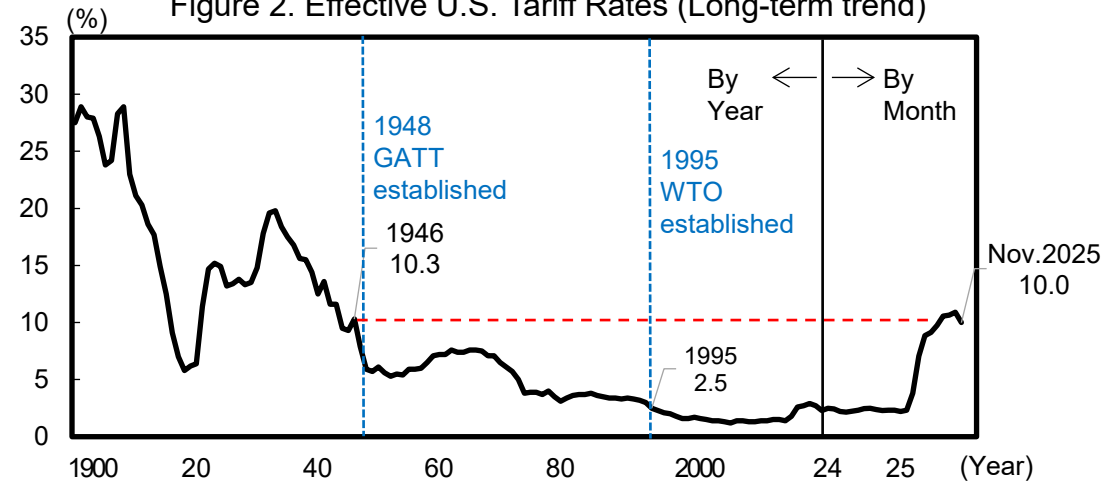


Figure 3. Tariff Revenues (U.S.)

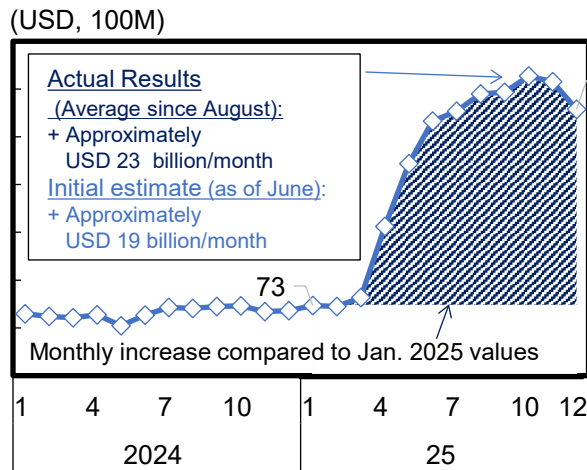


Figure 4. Trade Balance (U.S.)

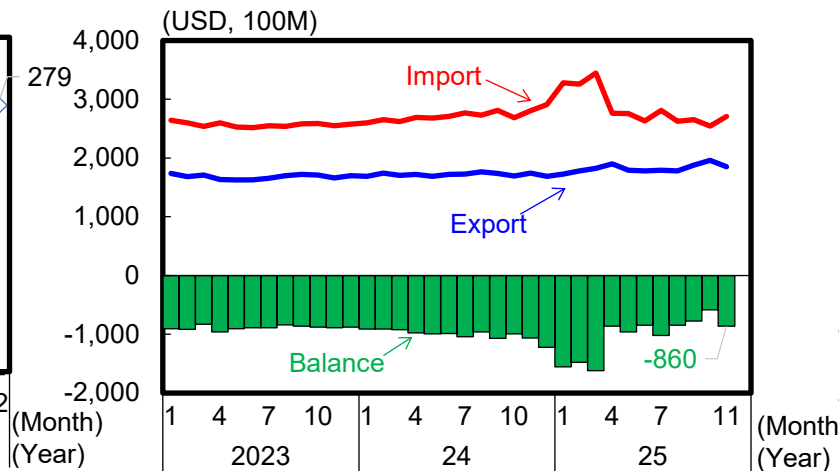
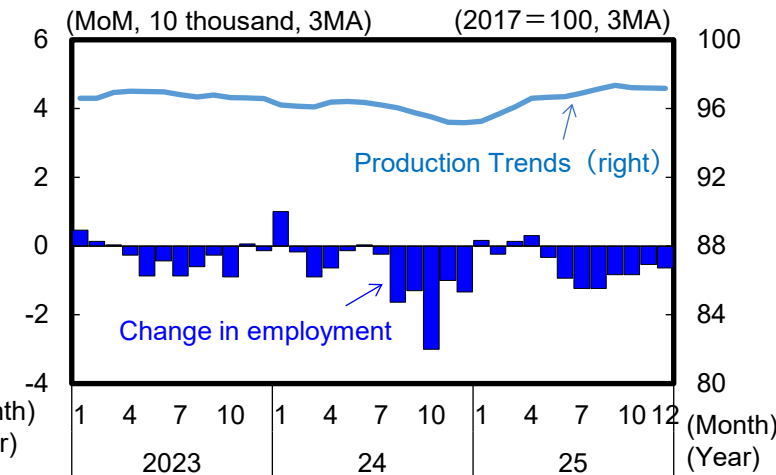


Figure 5. Manufacturing Industrial Production and Employment (U.S.)



(Sources) (Figure 1) United States International Trade Commission. (Figure 2) IMF and United States International Trade Commission.

(Figure 3) U.S. Department of the Treasury and the Congressional Budget Office. Initial estimate for increased tariff revenues is based on the Congressional Budget Office estimate as of June 4, 2025 (calculated by simply averaging the estimated cumulative +\$2.5 trillion through fiscal year 2035).

(Figure 4) U.S. Census Bureau. Custom Value, nominal, seasonally adjusted. (Figure 5) The Federal Reserve Board and U.S. Bureau of Labor Statistics. Seasonally adjusted.

# 1-2 Impact on the U.S. economy

- Tariff hikes were expected to raise U.S. prices. While upstream intermediate input costs did increase, consumer price inflation remained modest (Figure 1).
- U.S. companies have been insufficient in passing cost increases through to customers, with firms absorbing a portion of the costs internally (Figure 2). Passing cost increases through has been harder, partly due to heightened consumer sensitivity to price increases amid trade policy uncertainty (Figures 3 and 4).
- Consequently, Corporate Profits have been squeezed. Profit declines were particularly pronounced among wholesalers (Figure 5). The phase where increased inventory helped mitigate impacts also appears to have ended (Figure 6). Price pressure from tariffs may still persist, requiring continued vigilance.

Figure 1. Trends in Asset Prices

(Jan.2025=100)

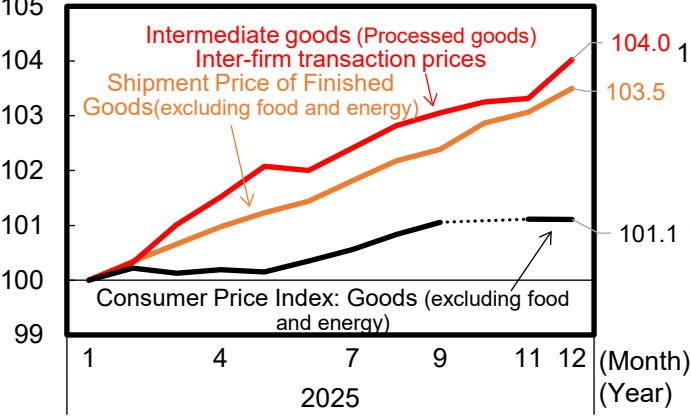


Figure 4. Ease of Passing cost increases through to customers

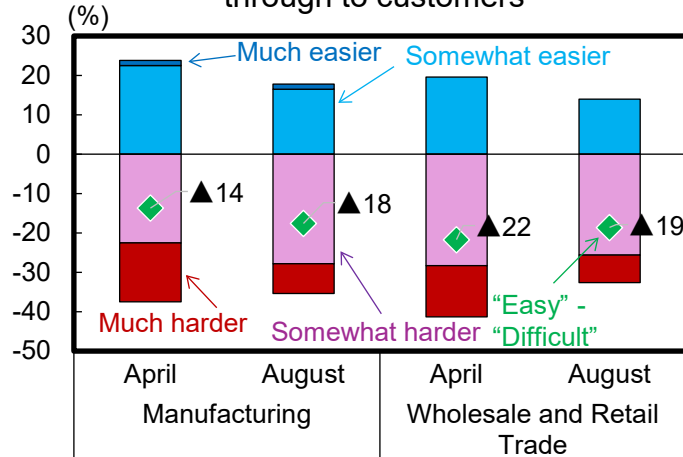


Figure 2. Pass-Through of Tariff Costs (U.S. Corporate Survey)

① Manufacturing

② Wholesale and Retail Trade

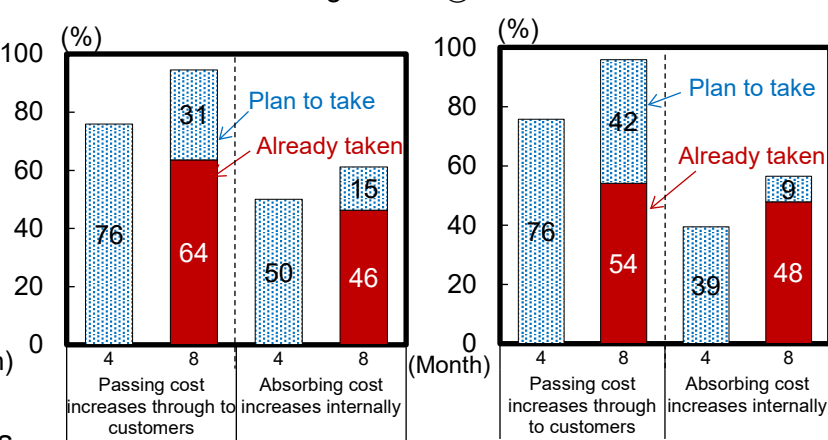


Figure 5. Corporate Profits by Industry

(2024 = 100)

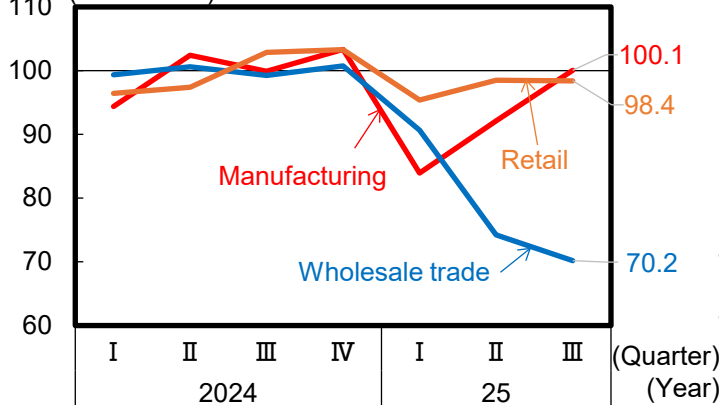


Figure 3. Consumer Sentiment

(Jan.2024=100)

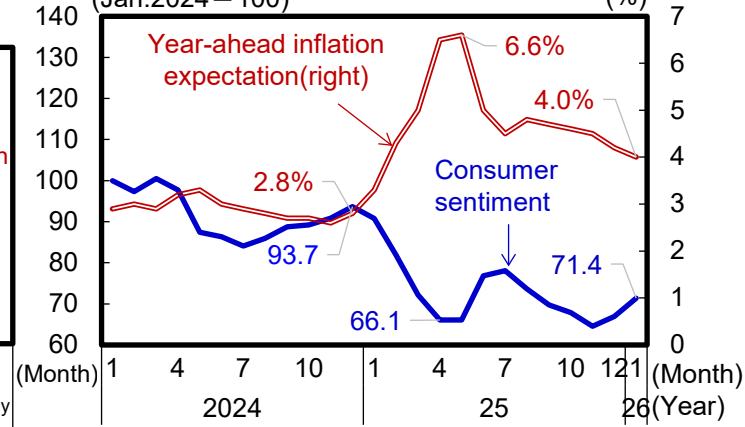
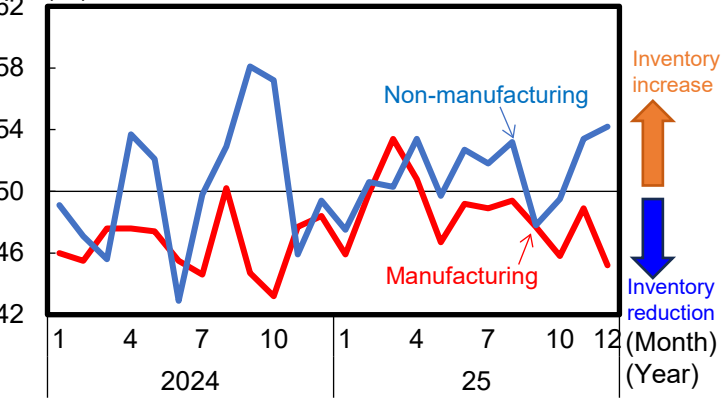


Figure 6. Business Inventory Trends

(DI)



(Sources) (Figure 1) U.S. Bureau of Labor Statistics. Seasonally adjusted. The Oct. 2025 consumer price value is missing due to the government shutdown.

(Figure 2) Federal Reserve Bank of Dallas. Responses from companies indicating tariff hikes negatively impacted their business.

(Figure 3) University of Michigan. (Figure 4) Federal Reserve Bank of Dallas. (Figure 5) U.S. Census Bureau. Seasonally adjusted. (Figure 6) Institute for Supply Management.

# 1-3 Impact on Economies other than the U.S.

- U.S. tariff measures were expected to depress exports from various countries and economies. Indeed, exports to the U.S. were significantly depressed in Canada, which is highly dependent on the U.S., and in Germany, which was heavily impacted by tariffs on automobiles and automobile parts (Figures 1 and 2).
- Meanwhile, in Taiwan and ASEAN Member countries, benefiting from AI-related demand, exports of goods—including those destined for the U.S.—maintained increasing trends, driven by computers and semiconductors, which were exempt from U.S. tariff measures (Figures 3 and 4).
- In China and Mexico, which faced both impacts, the latter effect was more significant, and exports of goods also maintained increasing trends (Figures 5 and 6).

Figure 1. Canada's Goods Exports (by Country)

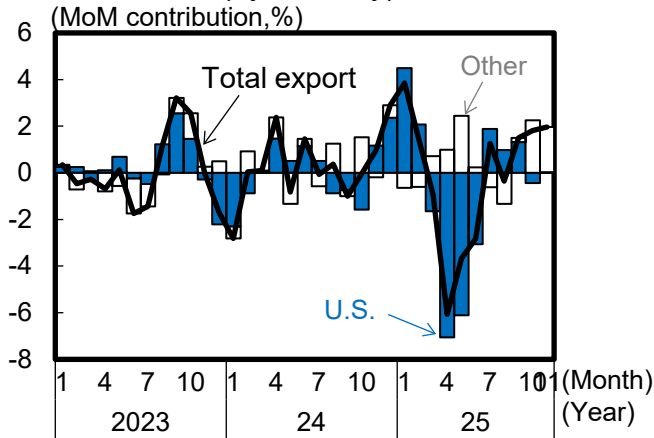


Figure 2. German Goods Exports (by Country and Economies)

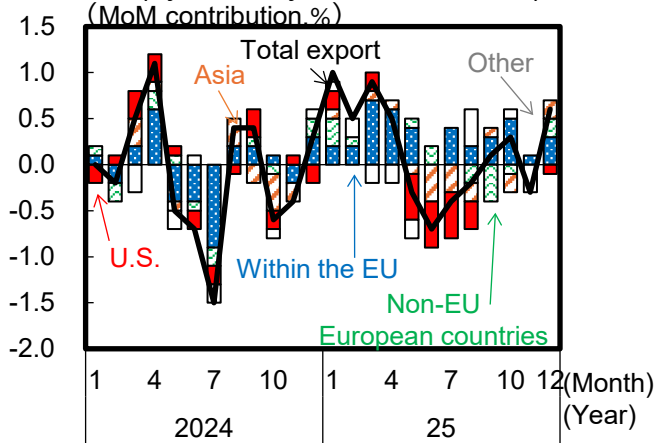


Figure 3. Taiwan's Exports of Goods to the United States

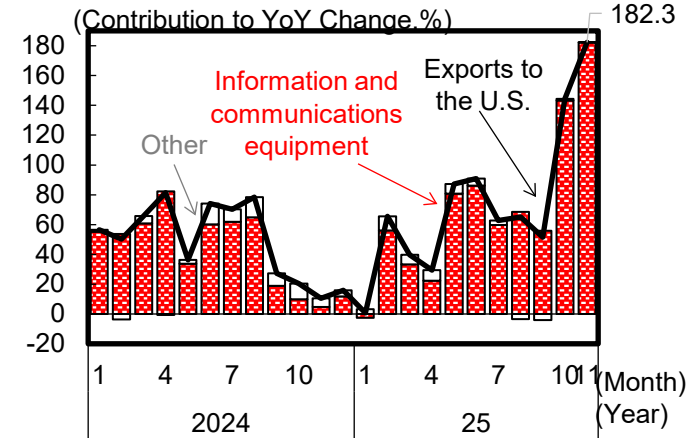


Figure 4. Exports of Goods from Major ASEAN Countries

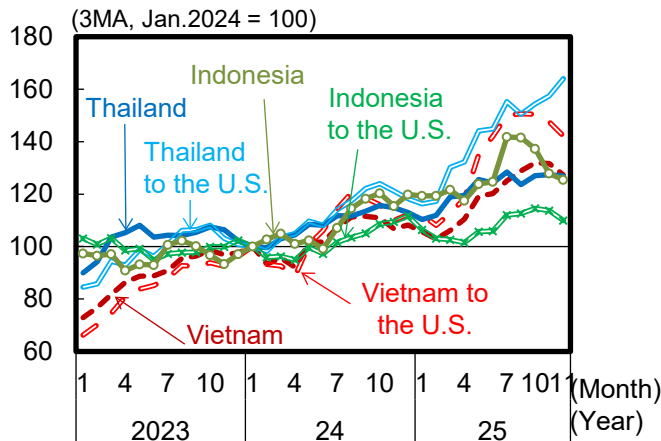


Figure 5. China's Goods Exports (by Countries and Economies)

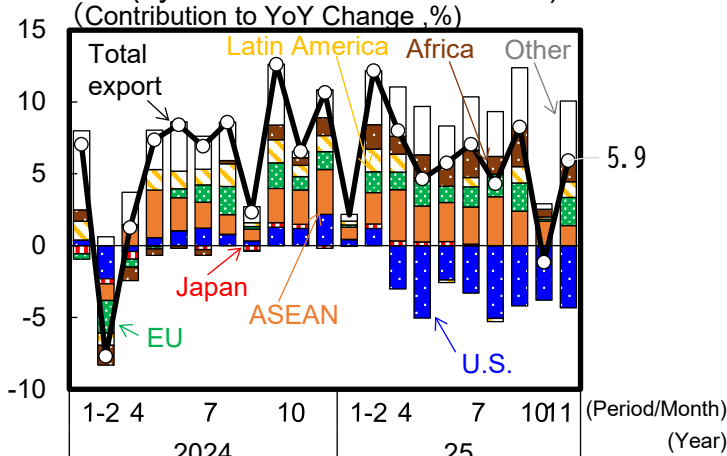
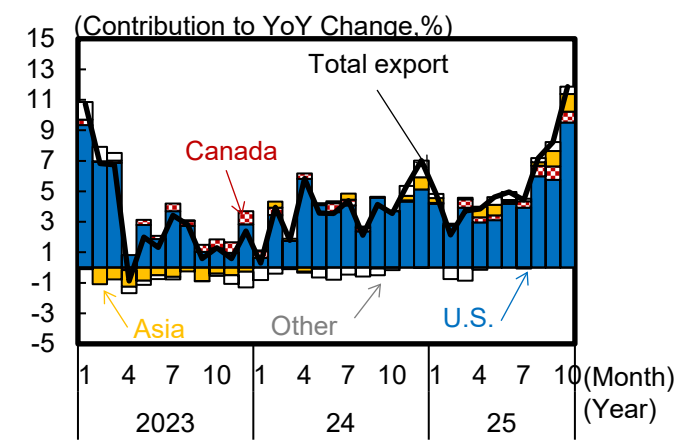


Figure 6. Mexico's Goods Exports (by Countries and Economies)



(Sources) (Figure 1) Statistics Canada. Balance of Payments (BOP) basis, seasonally adjusted moving average for three months.

(Figure 2) Deutsche Bundesbank. Nominal value basis, moving average for three months, seasonally adjusted.

(Figure 3) Ministry of Finance, R.O.C. Value basis. (Figure 4) Compiled from the statistics of each country. Value basis.

(Figure 5) General Administration of Customs of the People's Republic of China. Value basis. (Figure 6) Banco de México. Balance of Payments (BOP) basis, moving average for three months.

# 1-4 Summary

- Comparing the economic developments after tariff hikes with model-based simulation (expected impacts), in the United States, consumer price increases remained modest due to firms absorbing cost increases internally, and consumption growth exceeded simulation result (Figure 1). Export competitiveness did not decline (Figure 2). Driven by AI-related investment not anticipated in simulation, investment growth also exceeded simulation result (Figure 3).
- In most other major economies, while export growth through April-June 2025 quarter aligns with simulation, expanding AI-related demand allowed exports to maintain growth through the July-September quarter, differing from simulation result (Figures 4-6).
- Consequently, firms' efforts to absorb cost increases internally and the expansion of AI-related demand mitigated and offset the downward pressure on the economy caused by tariff hikes.

Figure 1. Price and Consumption (U.S.)

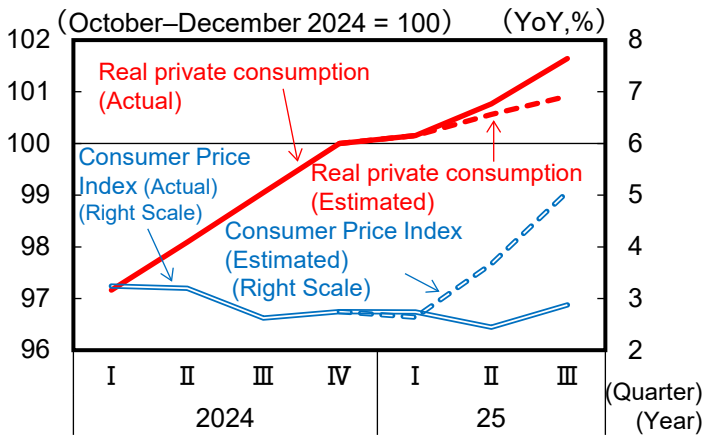


Figure 2. Exports and Imports (U.S.)

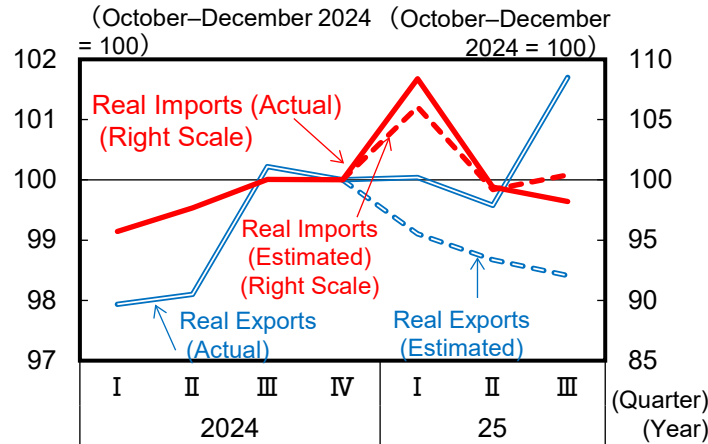


Figure 3. Long-Term Interest Rates and Investment (U.S.)

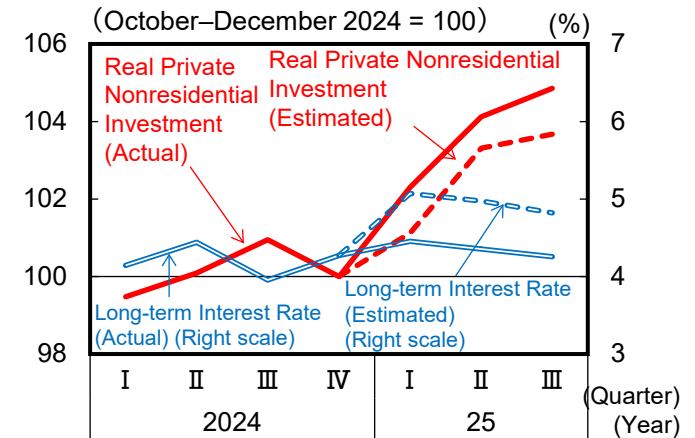


Figure 4. Exports and Real GDP (South Korea)

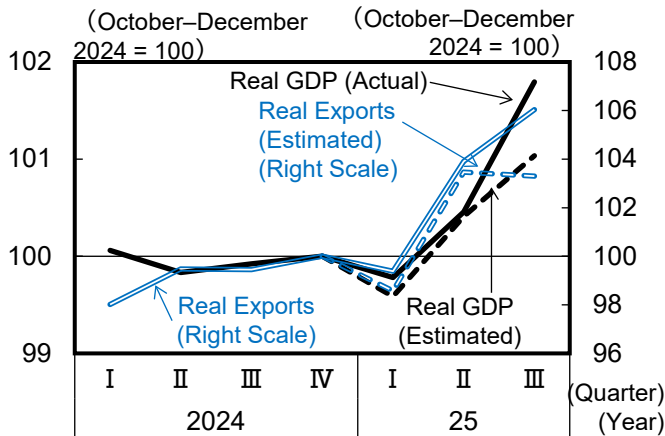


Figure 5. Exports and Real GDP (Taiwan)

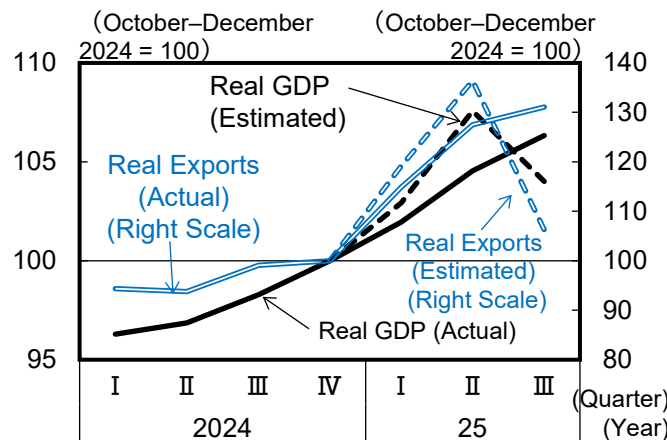
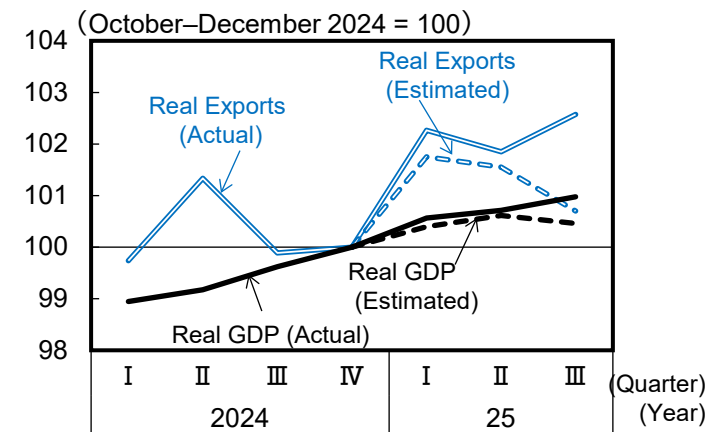


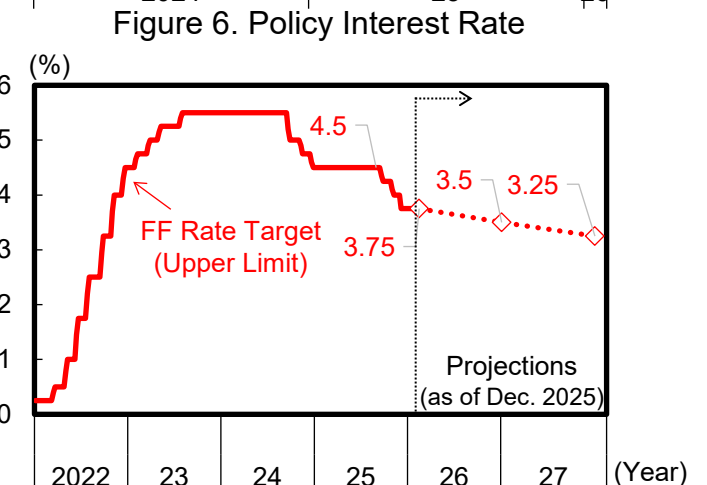
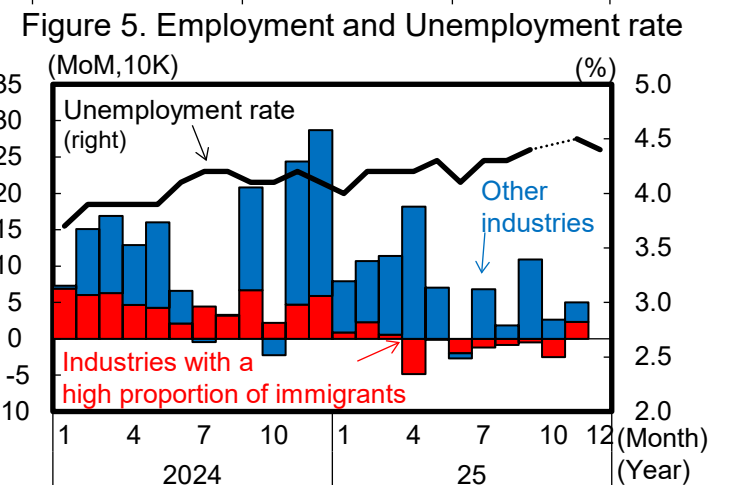
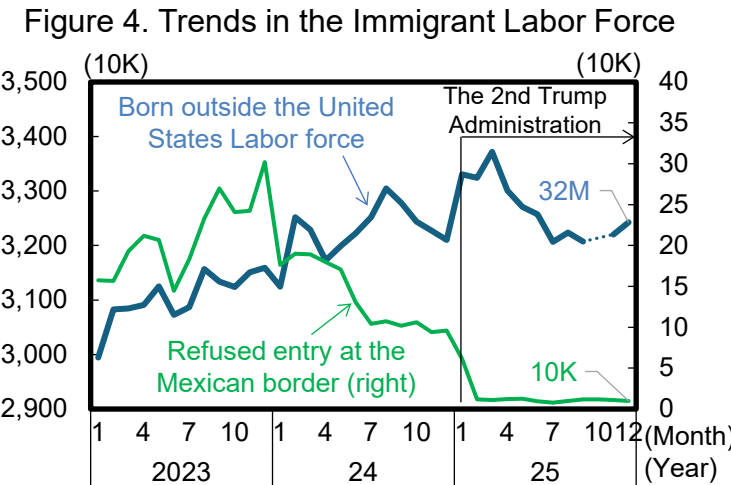
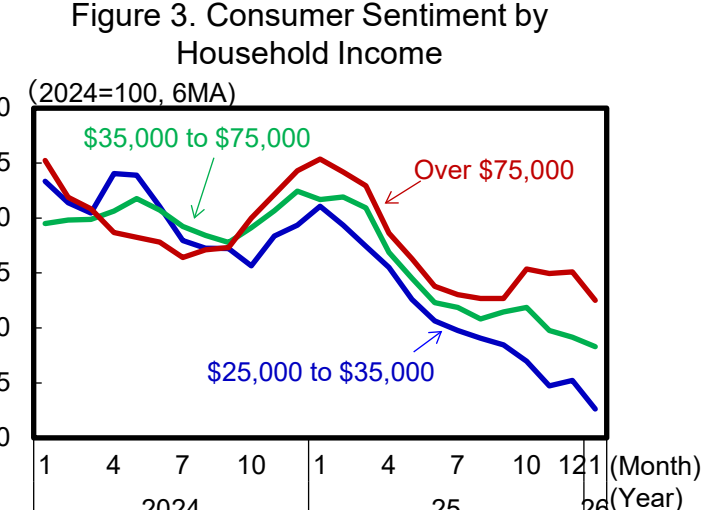
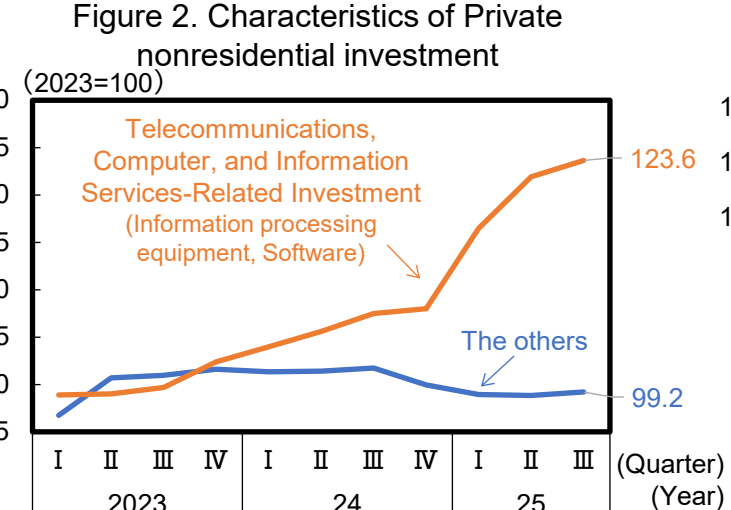
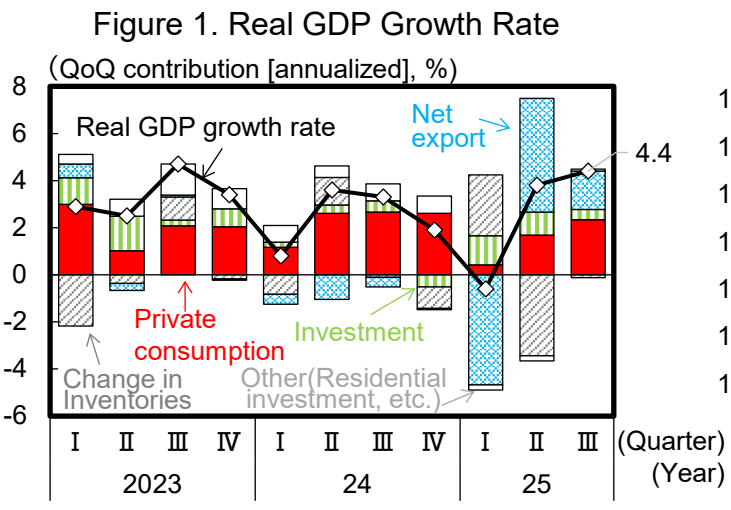
Figure 6. Exports and Real GDP (Euro Area)



(Sources) (Figures 1-6) Actual figures compiled from the statistics of each country and Bloomberg.

# 2-1 Economic Trends in U.S.

- In the United States, economic expansion centered on domestic demand has continued even after tariff hikes (Figure 1). However, corporate investment growth is concentrated in digital-related fields (Figure 2). Consumer sentiment shows a significant divergence between higher-income households benefiting from stock market gains and lower-income households facing declining purchasing power due to rising prices, starting in autumn 2025 (Figure 3). The sustainability of this economic expansion remains uncertain.
- Amid tightened immigration policies reducing immigrant labor supply, employment growth slowed through late 2025, with the Unemployment rate rising slightly (Figures 4 and 5).
- The Federal Reserve cut rates by a total of 0.75% over three consecutive meetings. A gradual rate-cutting phase is expected to continue (Figure 6).



(Sources) (Figures 1 and 2) U.S. Census Bureau. Seasonally adjusted. (Figure 3) The Conference Board and U.S. Census Bureau. (Figure 4) U.S. Bureau of Labor Statistics and U.S. Customs and Border Protection. Unadjusted values. (Figure 5) U.S. Bureau of Labor Statistics and the U.S. Census Bureau. Seasonally adjusted. The Oct. 2025 unemployment rate is missing due to the government shutdown. (Figure 6) The Federal Reserve Board. Projections represent the median of projections by FOMC participants as of Dec. 2025.

# 2-2 Economic Trends in China

- In China, domestic demand growth, led by consumption, has weakened, and the economy is slowing gradually (Figure 1).
- As the replacement demand stimulus from consumer goods trade in programs has run its course and the policy effects are fading, consumption has weakened, and Fixed assets investment growth has turned negative, showing weak momentum (Figures 2-4).
- While Industrial production remains in pickup (Figure 5), the GDP deflator has declined for 11 consecutive quarters, partly due to price competition among companies, and there are no signs of rising prices (Figure 6).

Figure 1. Real GDP Growth Rate

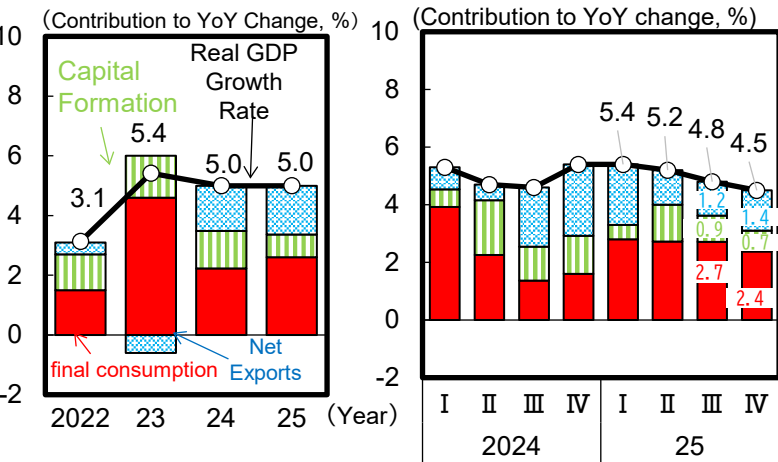


Figure 2. Nominal Retail Sales

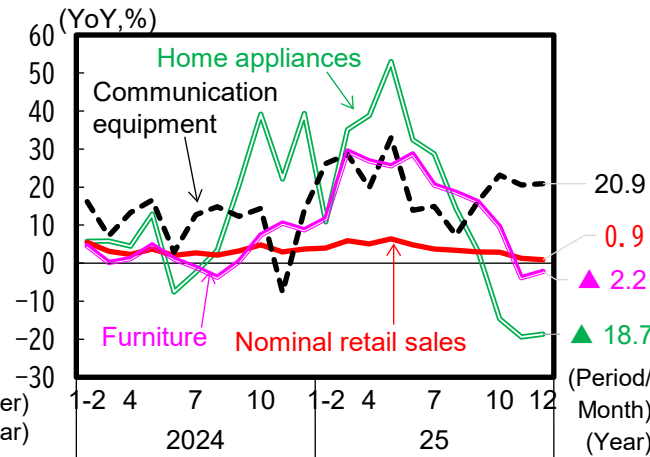


Figure 3. Automobile sales

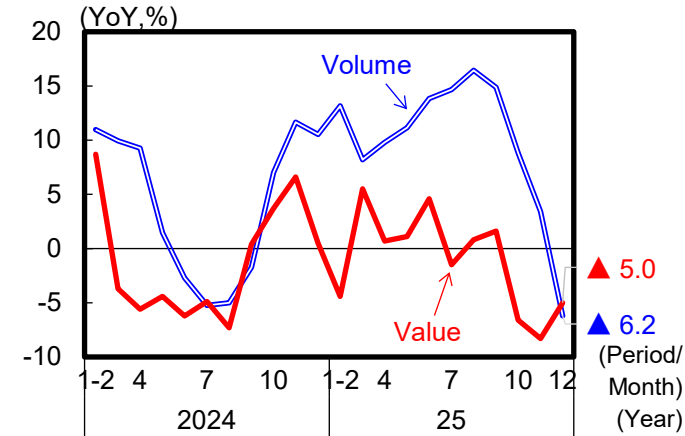


Figure 4. Nominal Fixed Assets Investment

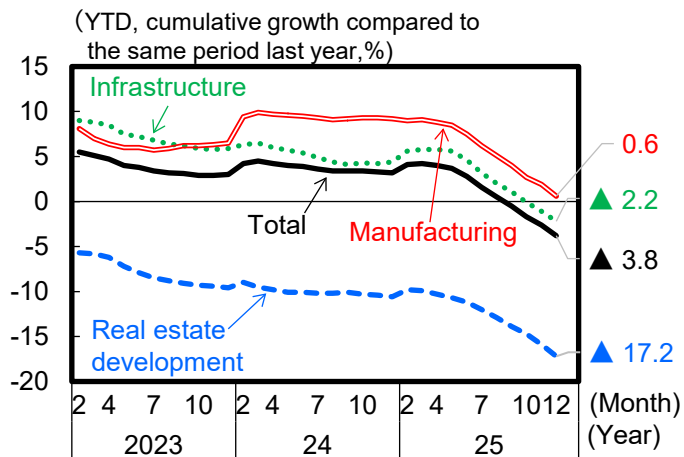


Figure 5. Production

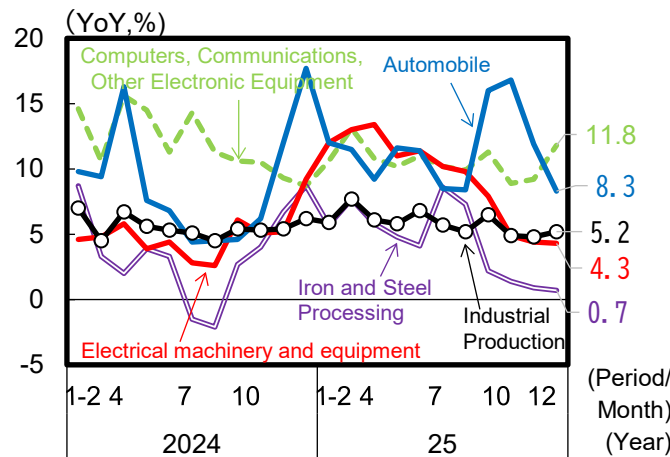
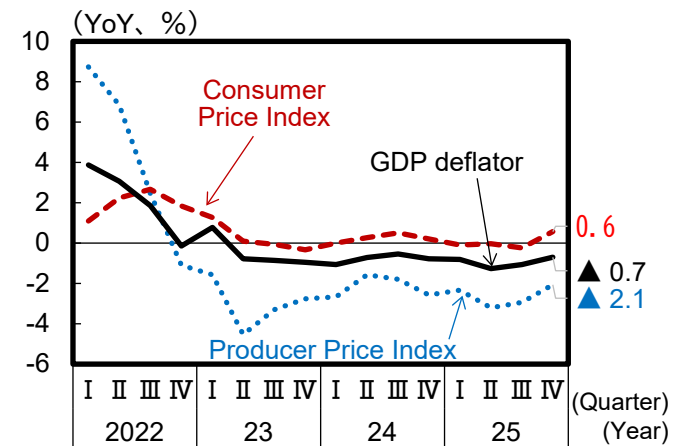


Figure 6. Price Index / GDP Deflator



(Sources) (Figures 1, 2, 4, 5, 6) National Bureau of Statistics of China. (Figure 3) National Bureau of Statistics of China and the China Association of Automobile Manufacturers.

# 2-3 Economic Trends in Europe

- In the euro area, the economy is showing signs of picking up. Although Exports declined due to U.S. tariffs, domestic demand is recovering as a whole. The recovery is supported by Germany's expansionary fiscal policy and funding from sources such as the EU's recovery fund(RRF) (Figures 1-3).
- In the UK, consumption has recovered as inflation has moderated, but services exports, which had been driving growth, are currently losing momentum, and goods exports are showing a decline. The economy is picking up moderately (Figures 4 and 5).
- The European Central Bank (ECB) cut its policy interest rate for seven consecutive meetings through June 2025, followed by five consecutive meetings with no change. The Bank of England (BOE) cut its rate to 3.75% in December (Figure 6).

Figure 1. Real GDP Growth Rate in the Euro area

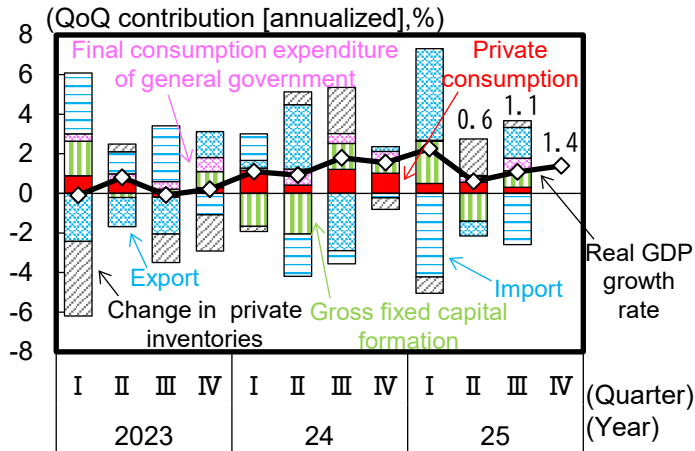


Figure 2. Real nonresidential Equipment Investment in the Euro area

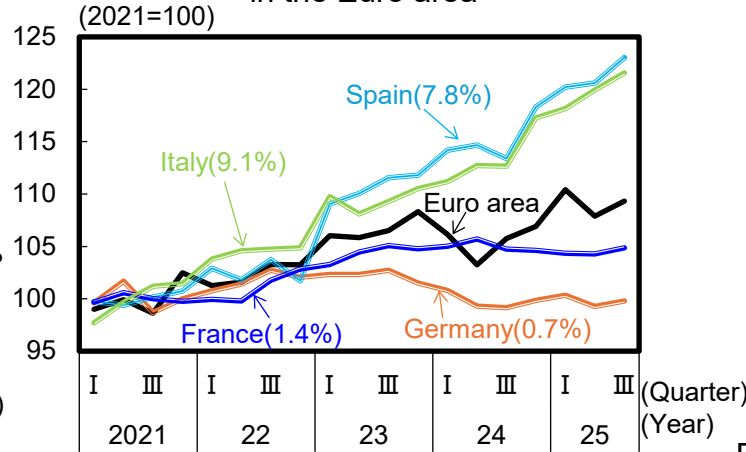


Figure 3. European Fiscal Balance (as a percentage of GDP)

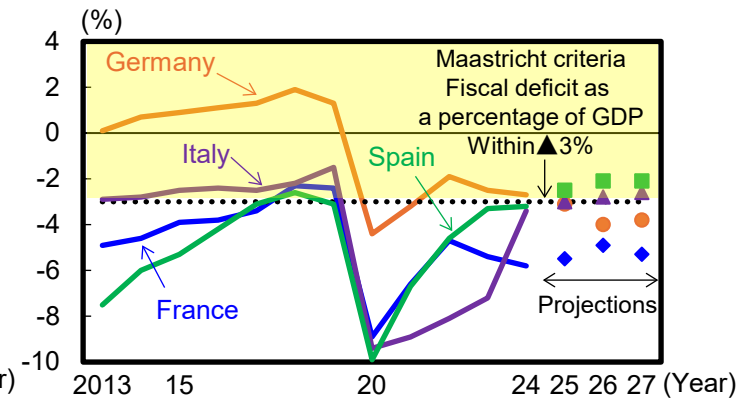


Figure 4. Real GDP Growth Rate in the U.K.

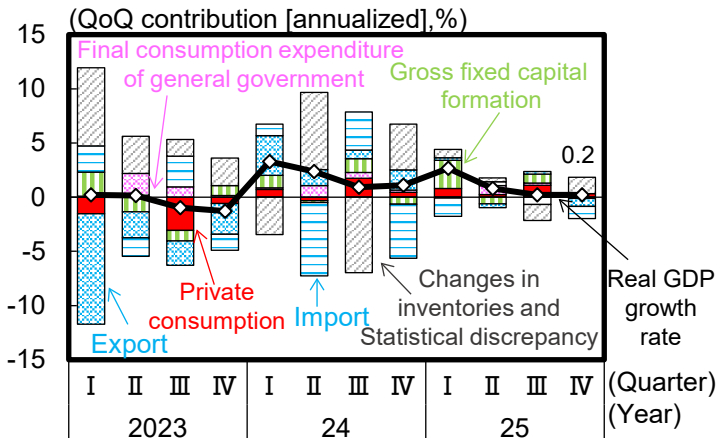


Figure 5. Real Exports in the U.K.

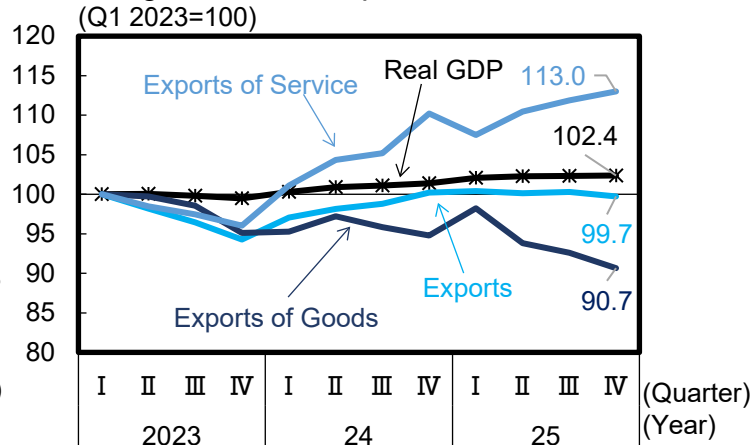
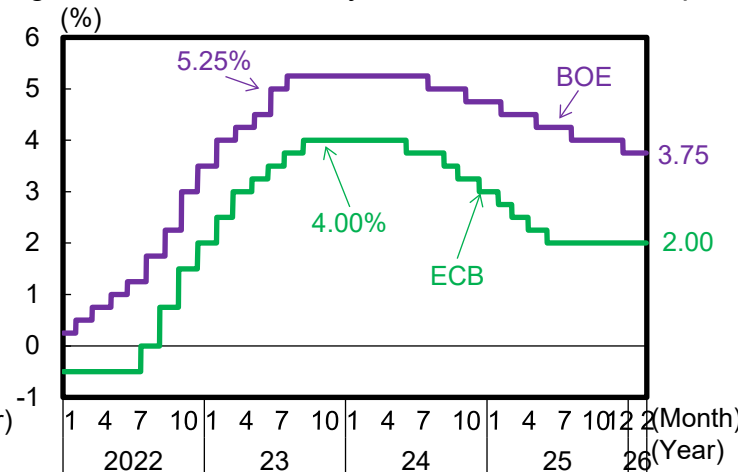


Figure 6. Trends in Policy Interest Rates in Europe



(Sources) (Figure 1) Eurostat. Seasonally adjusted. (Figure 2) Eurostat and the European Commission. Seasonally adjusted. Figures in parentheses represent the ratio of total grant and loan allocations to each country under the European Commission's Recovery and Resilience Facility (RRF) (COVID-19 recovery fund, implemented from 2021 to 2026) to GDP (2023).

(Figure 3) Eurostat. Forecasts are based on the European Commission's autumn economic forecast. (Figure 4) U.K. Office for National Statistics. Seasonally adjusted.

(Figure 5) U.K. Office for National Statistics. Seasonally adjusted. (Figure 6) ECB and BOE.

## 2-4 Outlook and Risks for the World Economy

- The outlook for the world economy in 2026 is divided among international organizations, especially regarding the U.S. economy: whether expansionary fiscal and monetary policies will support economic growth, or immigration restrictions and the passing of tariff-related cost increases through to consumers will cause a slowdown (Figure 1).
- Key risk factors ahead include U.S. policy developments such as trade policy (Figure 2) and export control measures by various countries on critical materials (Figure 3). Attention is also needed to financial and capital market volatility, including the risk of a revaluation of the AI-related stock-led rally (Figure 4). Further slowdown in Chinese economy due to the continued stagnation of real estate market (Figure 5) and geopolitical risks in the Middle East, Ukraine, and elsewhere also warrant attention.

Figure 1. Global Real GDP Growth Forecast

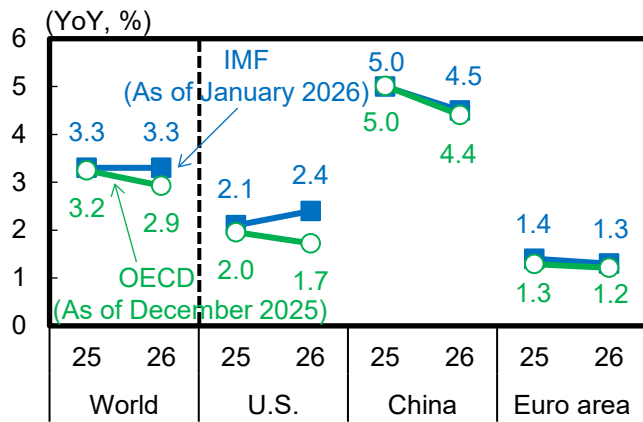


Figure 2. Economic policy uncertainty index

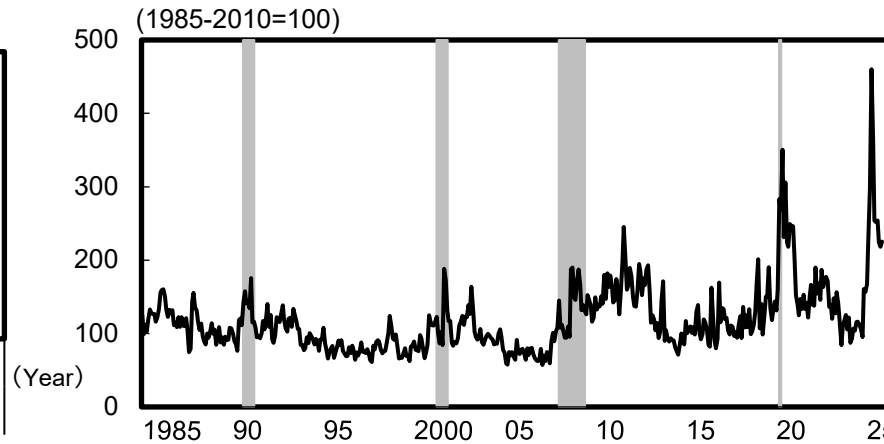


Figure 3. Major mineral resource refining countries

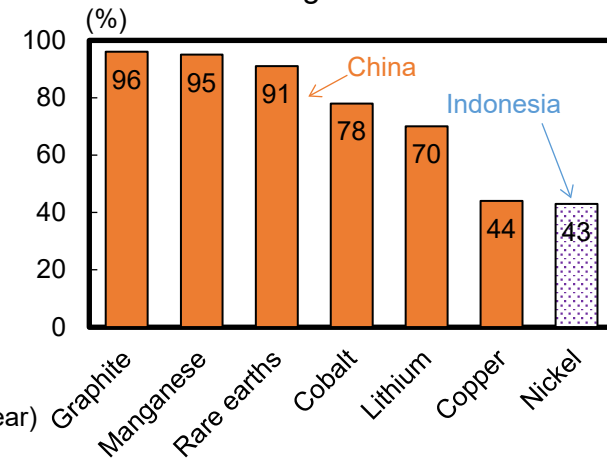


Figure 4. 1-year-forward P/E ratios (U.S. stocks)

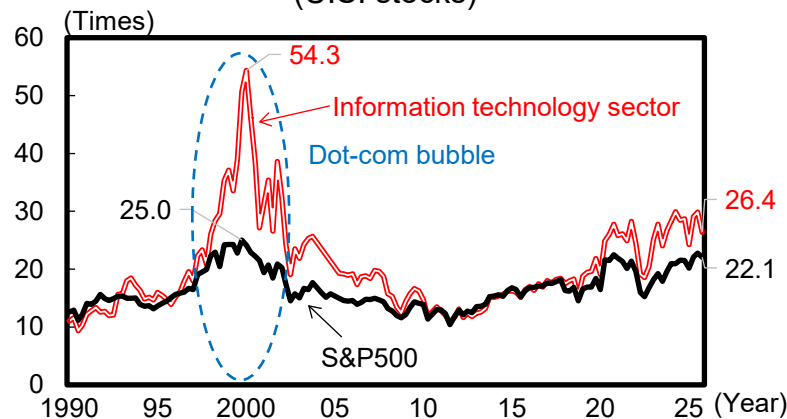
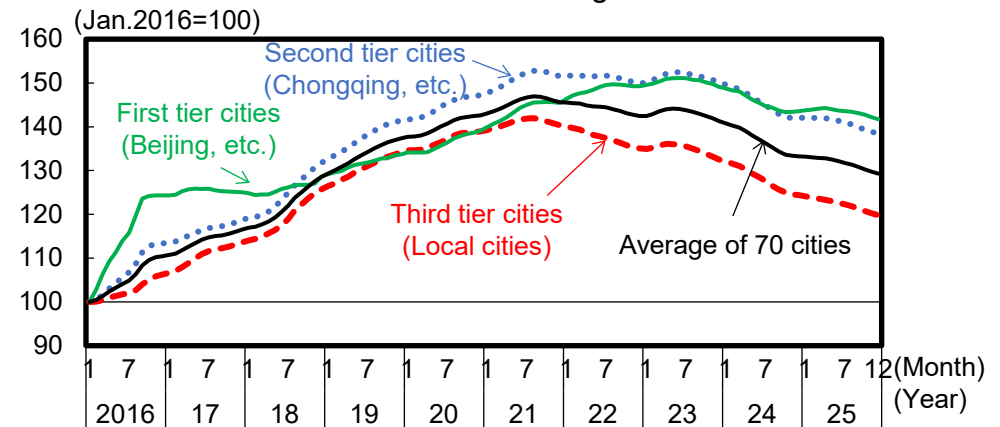


Figure 5. Sales price of newly constructed commercial residential buildings in China



(Sources) (Figure 1) IMF and OECD. (Figure 2) Economic Policy Uncertainty Index (Baker, Bloom and Davis) and NBER. Shaded areas indicate U.S. recession periods. (Figure 3) International Energy Agency. 2024 values. (Figure 4) Bloomberg. (Figure 5) National Bureau of Statistics of China.