

Making deals great again

Trump's trade wins

Economies at a glance

May
2025



United States (US) tariffs are designed to tackle the US\$1.2 trillion trade deficit, safeguard American jobs, revitalise domestic manufacturing, and promote fair trade by addressing foreign practices such as currency manipulation and excessive taxation. US President Donald Trump claims that the US secured US\$10 trillion in trade agreements since announcing a 90-day reprieve following Liberation Day.



The office of the US Trade Representative has an insufficient number of negotiators to secure trade deals with all countries targeted before the 8 July 2025 deadline, marking the end of the 90-day pause. Unclear demands by the US are further hindering progress.



Deals between the US and its major trading partners may hold but smaller nations risk exclusion. Multiple postponements of trade deal deadlines create uncertainty, delaying firms' investment decisions. Moreover, supply chain disruptions could prompt cost shifts.



United Kingdom (UK)

In

1.9% of total US imports come from the UK

Out

12.1% of total UK exports are destined for the US

Key deals sealed

- A trade deal concluded on 8 May 2025 promotes an expansion of market access, a reduction of non-tariff barriers and streamlined customs for US exports.
- Deal focuses on secure supply chains for pharmaceuticals and boosts US exports of beef, ethanol and dairy, while allowing for tariff-free imports of Rolls Royce engines and plane parts.
- A framework has further been included for future digital trade and intellectual property commitments.

Current status and open talks

- Tariffs on some UK goods could ultimately go down and the country could open their markets for some more US goods to enter.
- Details on food standards still to be decided.
- Services trade remains largely unaddressed.
- 10% tariff on most British goods still in place, but UK steel and aluminium tariffs were reduced to 0%. The UK's 2% digital services tax remains in place.



Saudi Arabia

In

0.7% of total US imports come from Saudi Arabia

Out

1.7% of total Saudi Arabia's exports are destined for the US

Key deals sealed


- A US\$600 billion trade deal was concluded by 17 May (with the potential for this to increase to US\$1 trillion).
- The deal includes a mix of public and private partnerships across energy, defense (US\$142 billion arms and defense cooperation), technology/AI and mining.
- Other bilateral agreements were concluded in the areas of arts, zoology and space.

Current status and open talks

- Markets are concerned about financial feasibility for Saudi Arabia given oil price fluctuations and its own budgetary constraints.
- Stronger safeguards around a Saudi civil nuclear programme and uranium enrichment remains a key unresolved issue.
- Any potential defense and technology deals with Russia remain a concern for the US.
- Talks around the Israel-Palestinian conflict took a backseat in the recent discussions.





 **China** **In** 17.1% of total US imports come from China **Out** 16.2% of total China's exports are destined for the US

Key deals sealed

- Trade negotiations on 12 May 2025 in Geneva, Switzerland resulted in a reduction of US tariffs on Chinese imports from 145% to 30%.
- This was accompanied by a drop in China's tariffs on US imports from 125% to 10% (for a 90-day period).

Current status and open talks

- China to open market access for US exporters and to address trade imbalances.
- China could remove retaliatory tariffs and non-tariff countermeasures (regulations, industrial and agricultural subsidies, licensing requirements and bureaucratic hurdles)
- The 20% tariff on fentanyl and 25% on steel, aluminium, vehicles and parts remain in place.



Many nations are actively engaging with the US to secure agreements aimed at mitigating tariffs and strengthening economic ties. India, South Korea, Vietnam and Japan are particularly prominent in these efforts, navigating complex negotiations to align with America's push for what it terms "fair trade." Meanwhile, the European Union (EU), having recently faced renewed threats of significant US tariffs (which have since been temporarily postponed until early July following high-level dialogue), is strategically engaging in discussions.



The office of the US Trade Representative is likely to focus on larger economies, suggesting a comprehensive deal with South Africa (SA) is less likely to be concluded within the 90-day reprieve, risking higher tariffs until a deal is put in place, following on from President Cyril Ramaphosa's pivotal meeting with Trump at the White House on 21 May 2025.

 **India** **In** 2.7% of total US imports come from India **Out** 17.7% of India's total exports are destined for the US

- Trump has pledged to impose reciprocal tariffs of 27% on India (currently paused).
- India has offered to reduce duties to zero on 60% of US imports (including auto parts) and has offered preferential access to c.90% of the goods that India imports from the US. India also lowered import duties on bourbon whiskey and Harley-Davidson motorcycles.
- India has further offered to ease export regulations on high-value US imports (including aircraft, electric vehicles, medical devices and hydrocarbons).



 **Japan** **In** 4.6% of total US imports come from Japan **Out** 18.7% of India's total exports are destined for the US

- Japan faces a 24% tariff on exports to the US (currently paused), with a 10% baseline tariff and 25% tariffs on autos.
- Japan has expressed a willingness to explore changes to non-tariff barriers, including regulatory standards and subsidies.
- Japan is also keen to explore cooperation on defense spending and energy.
- Upper house elections set for 22 July 2025 could negatively impact trade negotiations given the potential loss of the LDP-Komeito coalition's majority.

 **South Korea** **In** 3.6% of total US imports come from South Korea **Out** 16.2% of South Korea's total exports are destined for the US

- South Korea faces a 25% tariff on its exports to the US (currently paused).
- South Korea wants to explore joint ventures/investments to support US shipbuilding and has expressed a willingness to increase its imports of US liquefied natural gas.
- A snap presidential election is scheduled for 3 June 2025, which limits the country's ability to commit to binding deals before a new president is elected.





Vietnam

In

4% of total US imports come from Vietnam

Out

29.5% of Vietnam's total exports are destined for the US



- Vietnam faces a 46% tariff on its exports to the US (currently paused) alongside a 10% baseline tariff.
- Vietnam aims to reduce its tariffs on liquified natural gas imports from the US, cars, ethanol and agricultural products (chicken, almonds and apples), while potentially lowering the rest to zero.
- Vietnam remains open to US technology investments (Starlink).



EU

In

13.7% of total US imports come from the EU

Out

20.6% of the EU's total exports are destined for the US

- Negotiating documents between the US and the EU outline areas of discussion ranging from tariffs to digital trade and investment opportunities
- The US has indicated that some American trade tariffs would remain in place even after negotiations, particularly in sectors they wish to reshore, such as steel and car manufacturing. This stance has been met with resistance from the European Union, which regards even a 10% tariff level as "very high".
- The European Union has halved its 20% "reciprocal" tariff until 8 July 2025, to allow for negotiations. Meanwhile, a 25% levy on steel and aluminium remains in place.



South Africa

In

0.4% of total US imports come from SA

Out

8.8% of SA's total exports are destined for the US



- The SA Presidency noted that SA sought to enhance bilateral trade relations with the US, boost mutual investment opportunities and promote collaboration in technology exchanges.
- Among SA's proposed trade measures were a duty-free quota of 40 000 vehicles annually for the automotive sector, exemptions on SA-sourced automotive components for US production and duty-free quotas of 385 million kilograms of steel and 132 million kilograms of aluminium per year.
- SA aims to increase liquefied natural gas imports from the US, encourage American investment in gas infrastructure and fracking technologies and establish a joint fund for exploration.

Sources: The Presidency, The White House, CNN, Financial Times, BusinessTech, The Guardian, ReedSmith, World Trade Integrated Solution, Stimson, Aljazeera and BBC

May 2025

Forecast 2025:

GDP: 1.5%
Core PCE Inflation: 3.1%

Forecast 2026:

GDP: 1.7%
Core PCE Inflation: 3.0%

EUROZONE

The International Monetary Fund's (IMF) European Department at the Centre for European Policy Studies estimates moderate growth of 0.8% for 2025 and 1.2% for 2026 for the Eurozone, down 0.2 percentage points from its January forecasts. Meanwhile, inflation is decelerating toward targets, driven by lower energy prices and weak demand. They warn against escalating trade tensions which could dampen external demand and heighten uncertainty. Supply chain reconfigurations may disrupt activity and inflation, though higher April tariffs are estimated to have a minor 0.25% impact on GDP. The European Central Bank, having already cut interest rates three times in 2025, is expected to implement at least two more cuts before year-end, balancing normalisation with price stability goals. Markets are reflecting cautious sentiment, with volatility persisting amid global trade uncertainties and regional economic challenges.

Forecast 2025:

GDP: 0.9%
Inflation: 3.1%

Forecast 2026:

GDP: 1.2%
Inflation: 2.2%

JAPAN

US tariff uncertainties are impacting Japan's exporters and dampening business confidence. While direct tariff effects could be limited, the uncertainty of indirect effects and further negotiations between the US and Japan prompts caution from the Bank of Japan (BoJ) on the timing and extent of rate hikes. A robust wage-inflation cycle should be supportive of growth, with 2025 wage increases surpassing last year's 33-year high. Structural labour market shortages are further promoting capital expenditure to boost productivity. Wage inflation is likely to sustain core inflation above the BoJ's 2% target through 2025. Japan plans to counter tariff impacts with US\$6.3 billion in spending, including utility subsidies and expanded Japan Finance Corporation loan programmes for enhanced insurance support. Despite these measures, US tariff policy uncertainty clouds the growth and inflation outlook, leaving the BoJ on a cautious footing in this policy normalisation cycle.

UNITED STATES

Economic prospects have improved following a temporary truce with China and a 90-day pause on reciprocal tariffs, reducing the effective tariff rate on the United States' (US) trading partners to 13.1% from 22.8%. Nevertheless, the risk of re-escalation remains if negotiations falter. Business and consumer sentiment continues to suffer from unpredictable trade policy. Progress is further hampered by staffing constraints at the Office of the US Trade Representative, limiting its ability to finalise detailed trade agreements with all affected countries before the 90-day reprieve expires. So far, tariffs have had a minimal effect on inflation—likely due to firms drawing down pre-tariff inventories or absorbing costs via margin compression—raising the risk of a delayed inflation spike. While growth is expected to slow, recession risks have lessened. Against this backdrop, the Federal Reserve is expected to deliver two interest rate cuts in 2025, given the balance of growth and inflation risks.

Forecast 2025:

GDP: 0.8%
HICP Inflation: 2.1%

Forecast 2026:

GDP: 1.1%
HICP Inflation: 1.7%

UNITED KINGDOM

In its latest Article IV report, the IMF projected growth at 1.2% in 2025 and 1.4% in 2026, supported by monetary easing, stronger confidence and higher public spending. However, medium-term growth forecasts remain subdued at 1.4%, below pre-crisis trends, due to weak productivity. Trade tensions are expected to shave 0.3% off GDP by 2026, reflecting uncertainty, softer global demand and US tariffs. The IMF notes risks to the outlook include tighter financial conditions and increased household saving, which could delay a consumption rebound. Continued global trade uncertainty may further weigh on investment and supply chains. Despite challenges in calibrating policy amid persistent inflation and elevated long-term rates, the Bank of England's gradual easing is seen as appropriate. In line with this, overnight index swap markets are pricing in at least one more interest rate cut by year-end.

Forecast 2025:

GDP: 0.8%
Inflation: 2.6%

Forecast 2026:

GDP: 0.7%
Inflation: 1.7%



CHINA

Forecast 2025:

GDP: 4.5%
Inflation: 0.2%

Forecast 2026:

GDP: 4.1%
Inflation: 0.7%

China's economic outlook has brightened following a 12 May agreement with the US to reduce tariffs for 90 days. Bloomberg's median consensus growth forecast has been revised up to 4.5% from 4.2%, returning to levels seen before the April tariff announcement. Nevertheless, downside risks to growth persist due to earlier export disruptions and US tariffs on Chinese goods, which remain elevated relative to pre-April levels. While renewed trade tensions remain a concern, progress in negotiations has reduced the need for immediate stimulus, prompting policymakers to adopt a more reactive stance. Inflation is expected to remain subdued, driven by industrial overcapacity in sectors such as automotive and chemicals, compounded by the ongoing property sector slump. Although deflationary pressures linger, modest stimulus measures and recovering food prices may support a slight uptick in inflation indicators.

Forecast 2025:

GDP: 4.1%
Inflation: 3.3%

Forecast 2026:

GDP: 3.9%
Inflation: 2.9%

EMERGING MARKETS

Latin America and Asia Pacific face heightened risks from US tariff policies due to their trade openness and reliance on US demand. Beyond direct tariff impacts, US policy shifts—such as cuts to foreign aid, changes to immigration, disruptions to global supply chains (higher costs of intermediary goods), tariff-related uncertainty and retaliatory measures—pose broader emerging market (EM) threats. Commodity price volatility—crucial for growth and fiscal revenues in many exporting EMs—remains a challenge, although lower oil prices may benefit net oil importers. Higher US Treasury yields and limited monetary easing, due to inflation pressures, are tightening global financial conditions. However, a weaker dollar provides EM central banks with more room to cut interest rates. To bridge financing gaps, EMs will need stable foreign capital flows, as many governments lack post-COVID fiscal space. Countries with fiscal flexibility can provide support, while others must focus on deficit reduction and reserve accumulation.

Forecast 2025:

GDP: 1.2%
Inflation: 3.3%

Forecast 2026:

GDP: 1.6%
Inflation: 4.1%

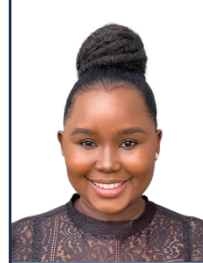
SOUTH AFRICA

South Africa's third budget iteration reflects fiscal adjustments amid a weaker economic outlook. Treasury now projects a higher peak in the gross debt ratio at 77.4% for this fiscal year, up from 76.2% in Budget 2.0. However, the medium-term rise in the debt ratio is largely driven by a R466.5 billion downward revision to nominal GDP estimates rather than a wider fiscal deficit. The main budget deficit remains at 3.8% of GDP over the medium-term expenditure framework (MTEF), in line with estimates outlined in Budget 2.0. Although Treasury expects a slightly wider deficit of 4.6% this fiscal year, it anticipates a narrowing to 3.2% by fiscal year 2027/28 (previously 3.3%), while a primary surplus of 2.1% is forecast for the end of the MTEF. Real growth has been revised lower to 1.7% over the MTEF, with Treasury cutting its 2025 real GDP forecast to 1.4%, citing weaker fixed investment and exports. Factoring in a lower international oil price, inflation is expected to average 4.2% over the MTEF. Although the contentious value-added tax hike has been taken off the table, bracket creep and fuel levy increases (15–16c/l) could still strain households, while social grants will rise in line with inflation. Rating agencies may adopt a wait-and-see stance amid ongoing political and economic uncertainty. In our view, kickstarting private fixed investment—through stronger confidence, likely driven by momentum in structural reform—closing tax loopholes, and conducting spending reviews is necessary for fiscal sustainability.

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