



28 March 2025

Charts of the Week

Tariffs, Tensions, and Trade-Offs

HAVER ANALYTICS[®]

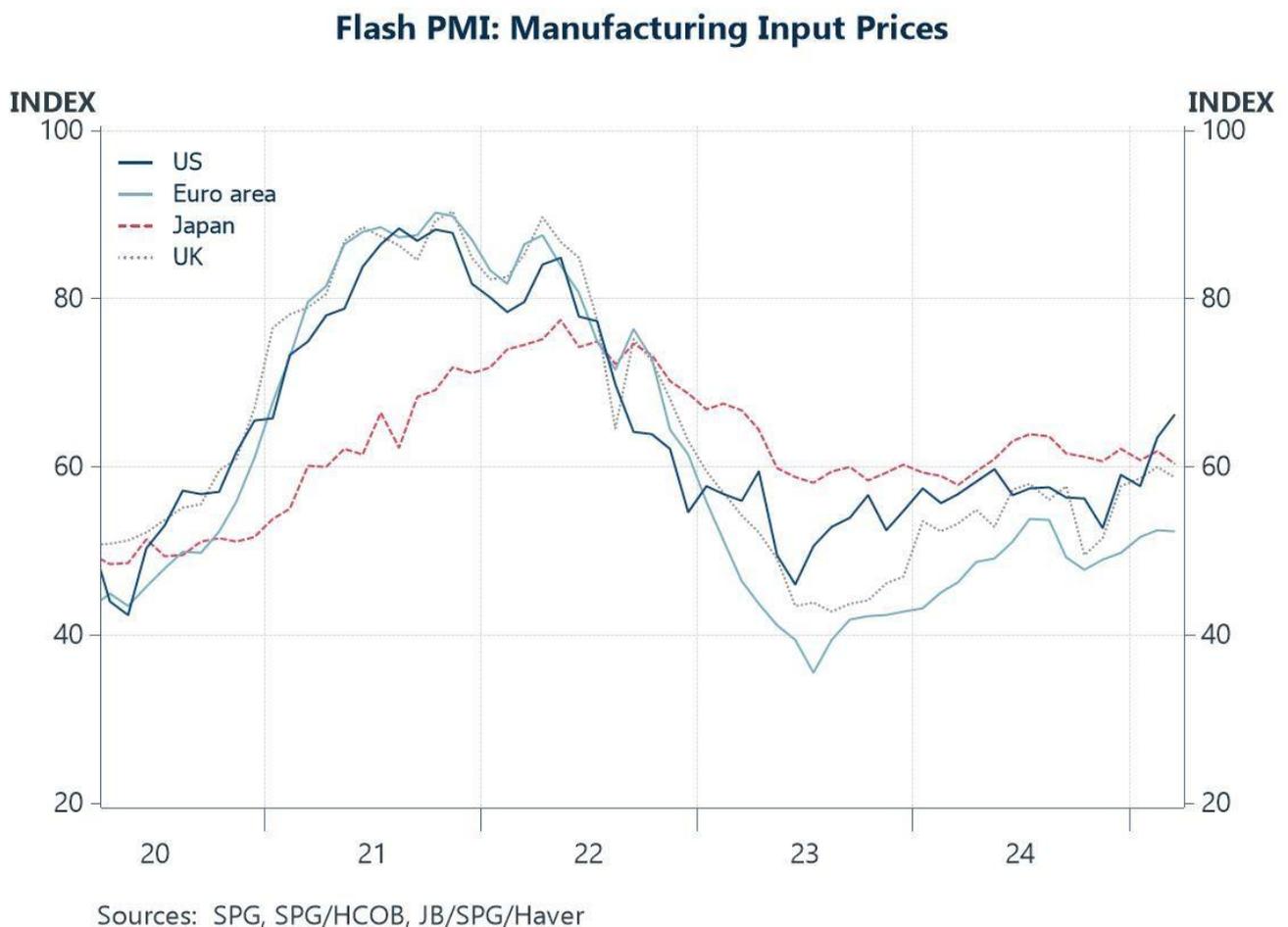
Link to online commentary: <https://haverproducts.com/charts-of-the-week/>
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Financial markets remain gripped by heightened uncertainty surrounding US trade policy, slowing US growth, and broader fears of global economic instability. Latest data suggest that the recent introduction of US tariffs has driven up manufacturing input prices and risks exacerbating supply chain frictions (charts 1 and 2). Looking ahead, investors are also increasingly assessing the implications of reduced global cooperation for US capital markets and the value of the dollar (chart 3). Still, notwithstanding recent concerns, there remain big question marks about the degree to which other major economies, including Europe and China, will act as a magnet for global capital in the period ahead. Energy costs, for example, remain a critical ingredient for economic competitiveness, and while the US continues to benefit from low electricity prices, Europe's high energy costs are still acting as a drag on its growth prospects (charts 4 and 5). As for China, tentative signs of stabilization have emerged following recent fiscal loosening and targeted stimulus measures, which have helped buoy industrial output and credit growth. The government's latest initiatives—centred on infrastructure investment, tax incentives, and efforts to support the property sector—have raised hopes of a turnaround, though structural headwinds, including weak consumer confidence and ongoing financial strains in the real estate sector, remain formidable. Whether China can sustain a more durable recovery will be a key factor shaping global capital flows, particularly as investors weigh the relative attractiveness of US and Chinese assets in an increasingly fragmented global economy (chart 6).

Manufacturers' input prices

This week's flash PMI surveys from the US, Europe and Japan contained mixed evidence about the current plight of the world economy. The US economy maintained some decent momentum in March at the same time as Europe's growth rate has picked up pace. Japan in contrast saw some marked weakening in its headline composite PMI, suggesting a big loss of momentum. Away from the headline messages, however, it was the underlying details that were of more interest. As chart 1 below suggests US factories reported the steepest rise in input costs for 31 months, causing the rate of inflation to far outpace equivalent rates reported in the other G4 economies. Producers commonly blamed these higher prices on tariffs.

Chart 1: Flash PMIs: Manufacturing input prices in the US, euro area, UK and Japan

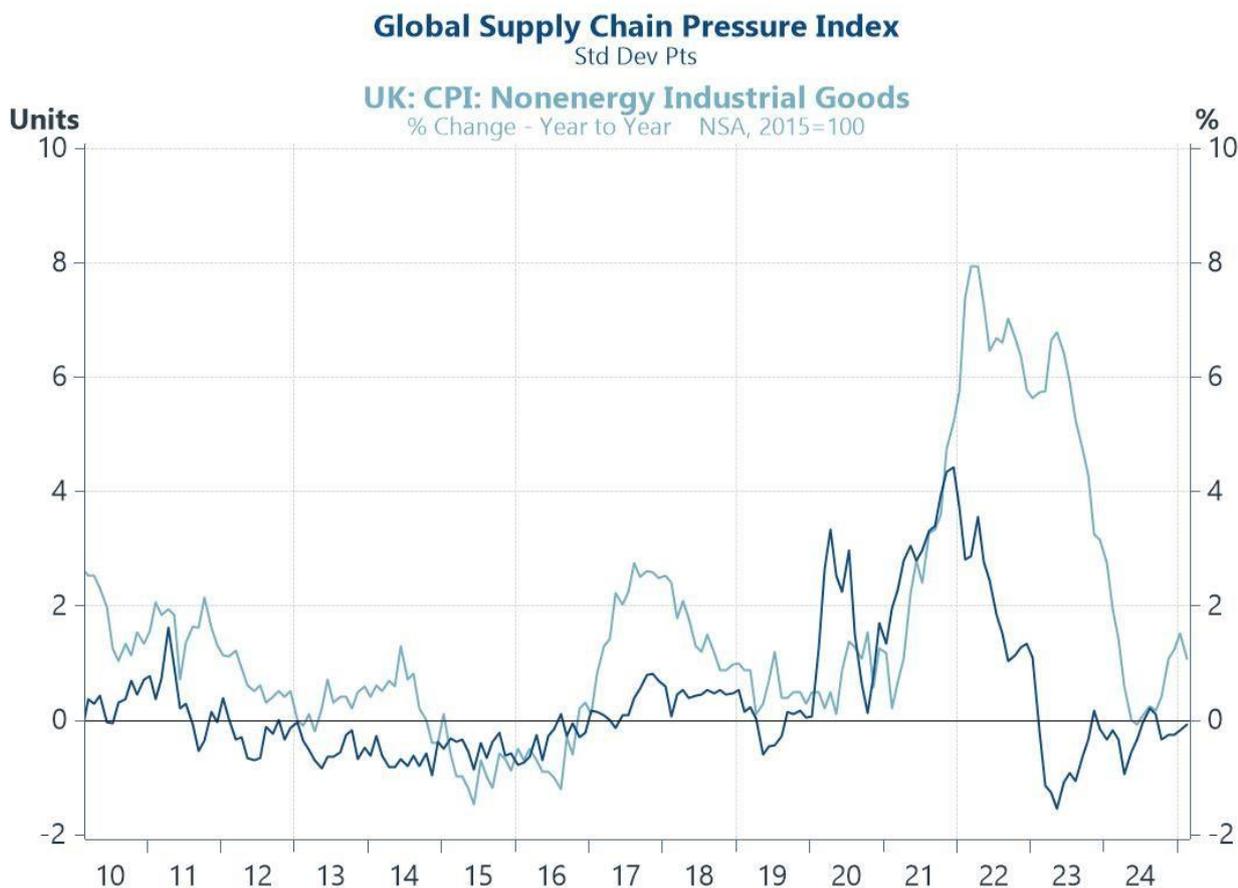


Supply chain pressures and UK inflation

A broader concern that stems from US tariff policies is the disruption they might invoke for global supply chains. Still, the evidence for this so far is patchy. The New York Fed's global supply chain pressure index, for example, remained close to "normal" levels in February. This week's inflation data from the UK

additionally showed no evidence yet to suggest that pipeline price pressures in the goods sector are beginning to stoke inflation (chart 2).

Chart 2: Global supply chain pressures versus UK goods price inflation



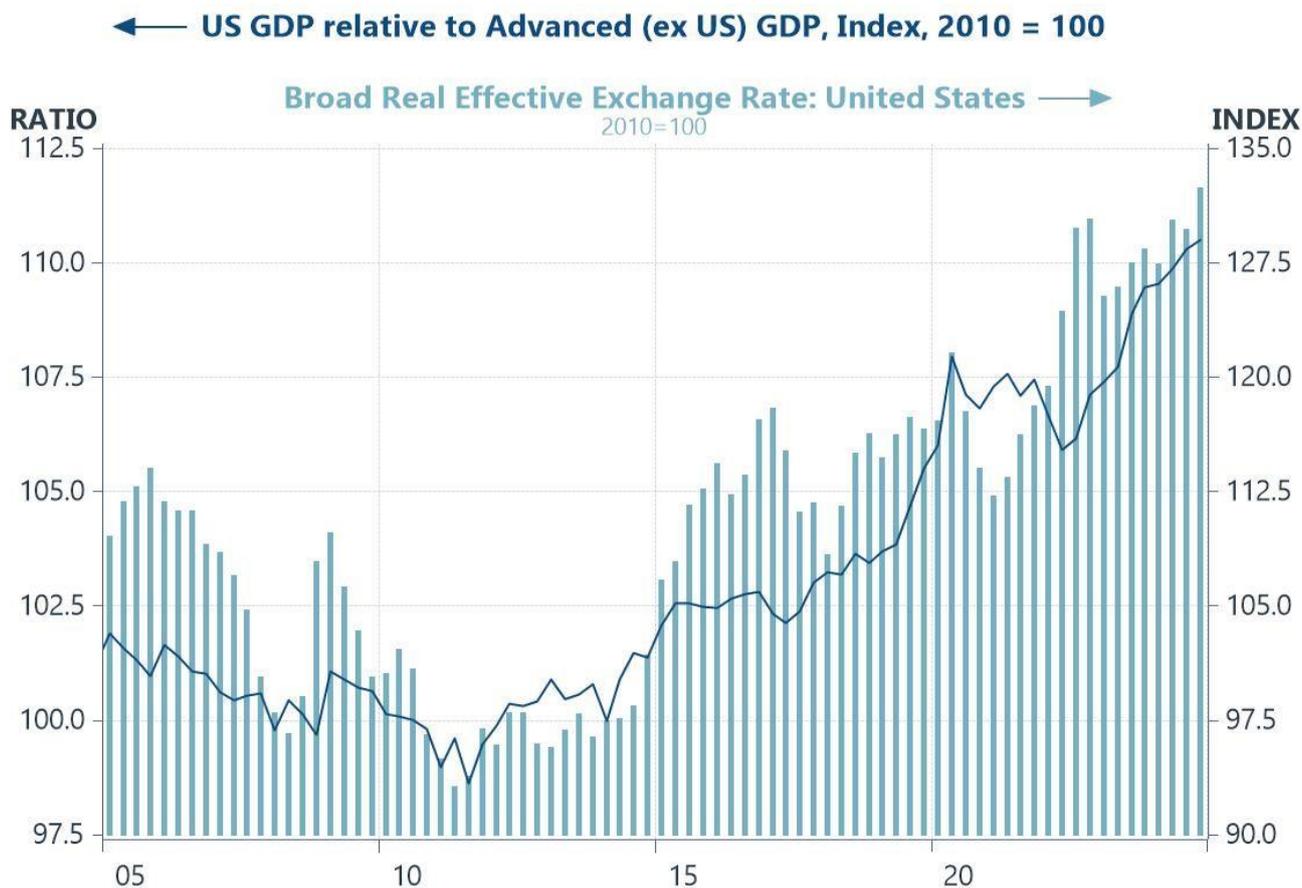
Sources: NYFEDLSE, ONS/Haver

US growth and the dollar

A broader, longer-term concern among investors is the willingness of overseas capital to remain in US asset markets amid rising trade tensions and reduced global cooperation. A sustained deterioration in international economic ties could trigger an outflow of foreign capital from US markets, undermining elevated valuations and putting significant downward pressure on the US dollar. However, the extent of any capital flight will depend not only on investors' willingness to exit US markets but also on the attractiveness of alternative destinations. As chart 3 highlights, the steady appreciation of the real value of the US dollar in recent years—driven in large part by robust foreign demand for US financial assets—has coincided with a period of US economic outperformance. With US growth concerns mounting and policy uncertainty increasing, the narrative of American economic superiority is being increasingly questioned. But if confidence in US

markets erodes while viable alternatives in Europe or China fail to materialize, capital reallocations may be more gradual.

Chart 3: US output versus other advanced economies versus the real trade weighted USD

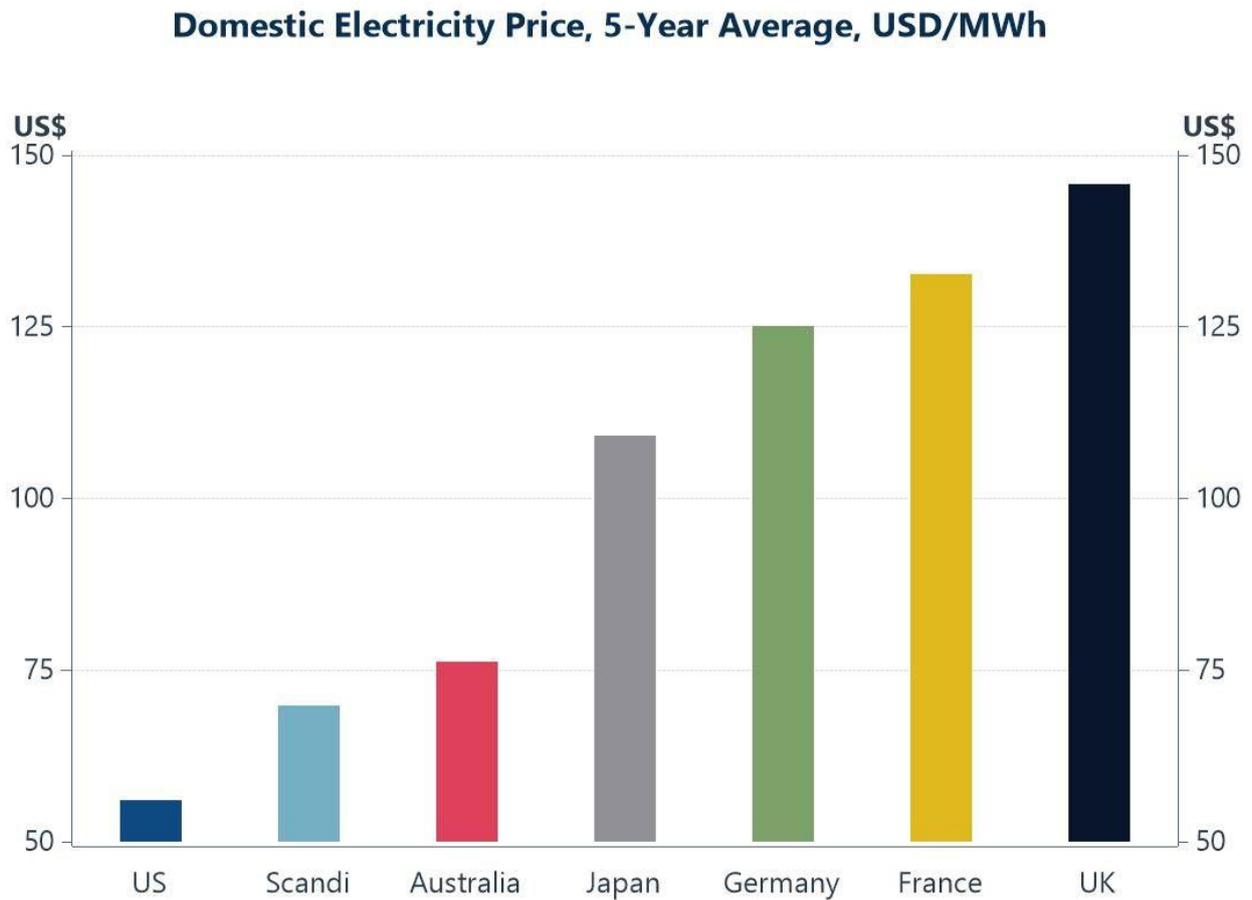


Source: Haver Analytics

Electricity prices in selected advanced economies

Indeed, as we have emphasized in this publication before, the outperformance of the US economy relative to other advanced economies is underpinned by several structural advantages that are unlikely to fade anytime soon. One of the most significant is the US's energy advantage. As highlighted in Chart 4, domestic electricity prices in the US remain substantially lower than in other major economies, with the UK, France, and Germany facing significantly higher costs. This energy cost disparity continues to provide US industries with a competitive edge, supporting manufacturing, investment, and overall economic resilience at a time when Europe's growth prospects remain constrained by elevated energy expenses.

Chart 4: Domestic electricity prices in selected advanced economies

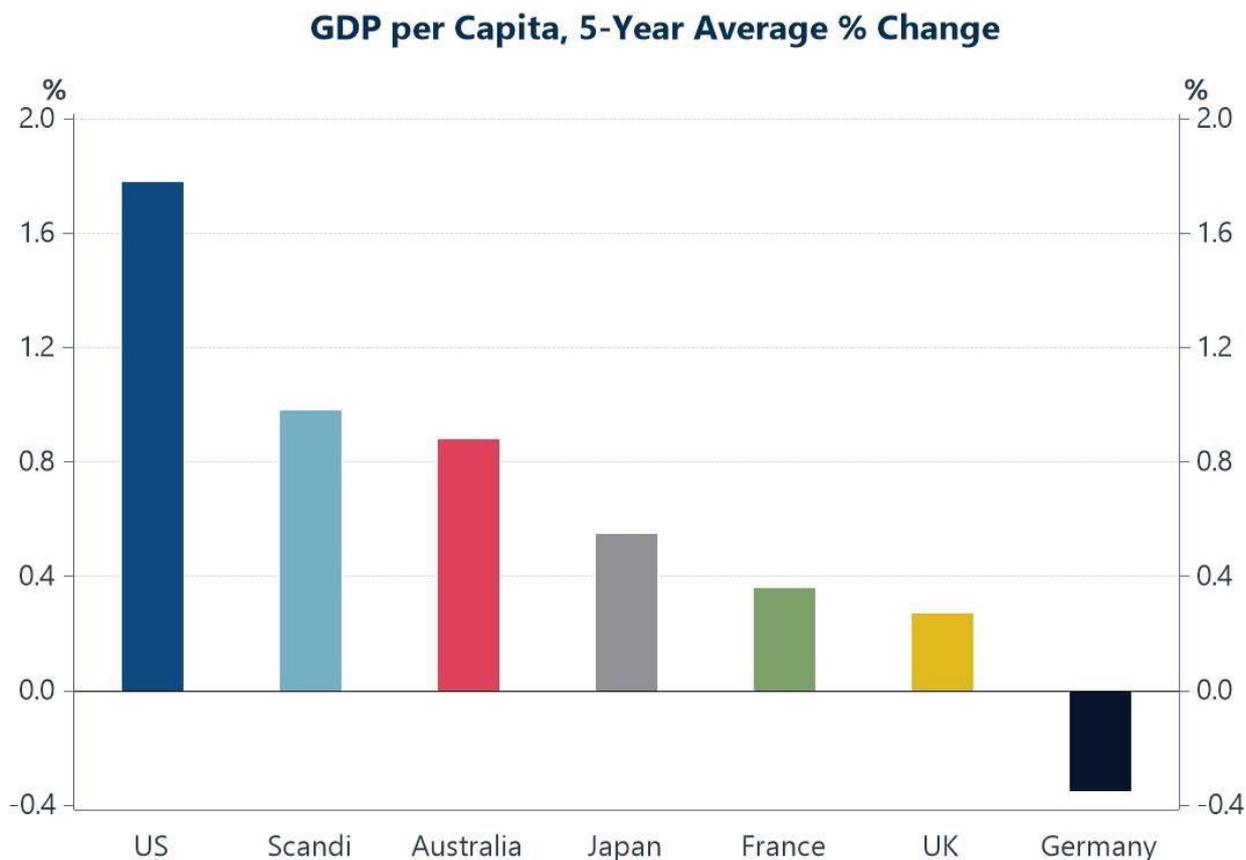


Source: Energy Intelligence/Haver Analytics

Living standards (and energy)

As chart 5 below suggests, it can be no coincidence that European economies with relatively high electricity prices over the past 5 years have seen very little overall growth – and in Germany’s case, negative growth - in their living standards. In contrast those economies with relatively low electricity prices, including the US, but also the Scandinavian bloc and Australia, have seen a bigger improvement in their overall living standards.

Chart 5: Growth rates in GDP per capita in selected advanced economies

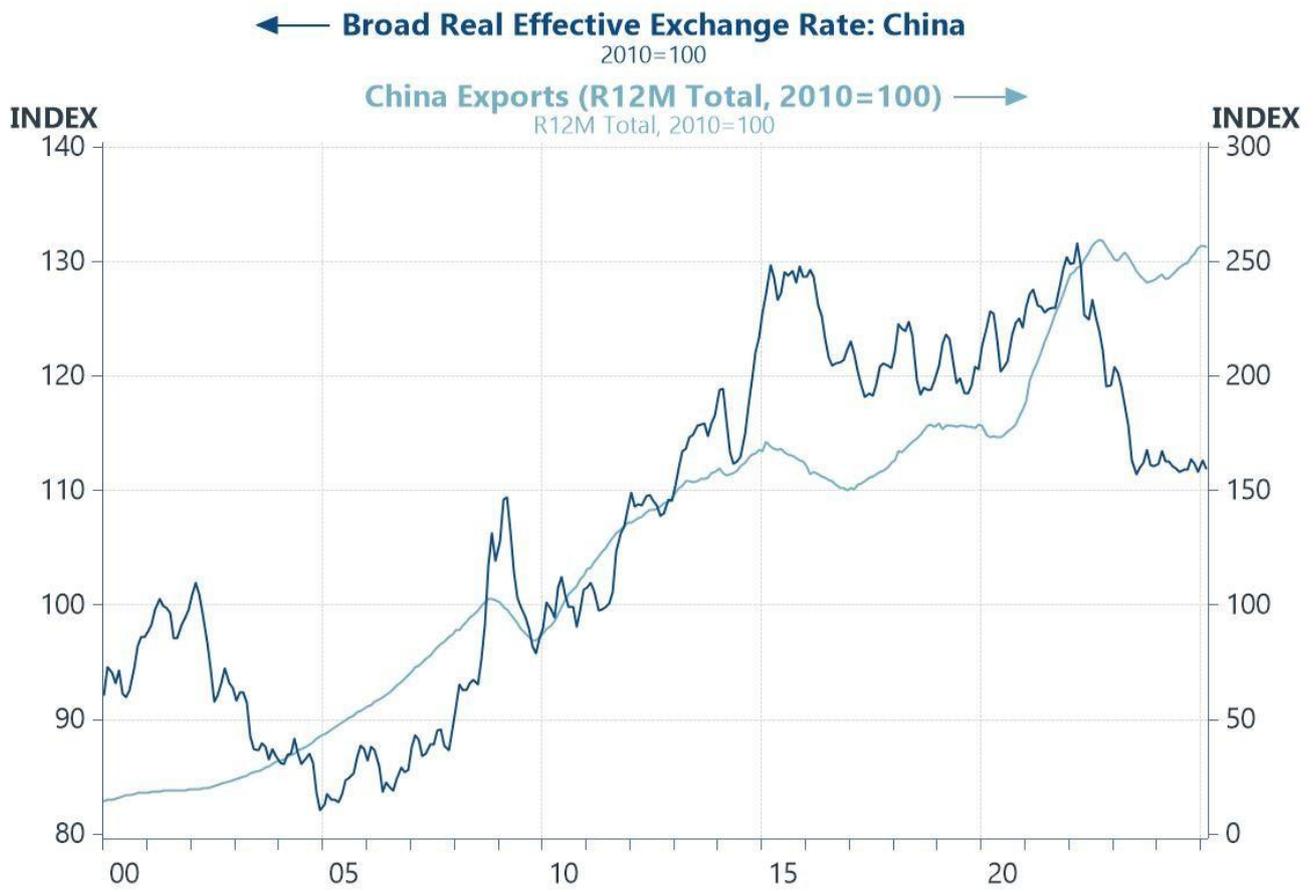


Sources: BEA/H, DSt/H, ABS/H, CAO/H, INSEE/H, ONS/H, Bbk/H/Haver

China's real exchange rate

Amid ongoing US-China trade tensions and shifting global capital flows, China's currency dynamics remain a key focus. While the yuan has depreciated in real terms since early 2022—partly due to external exchange rate and inflation trends—its role in trade competitiveness is evolving. Historically, a weaker yuan supported China's export-led growth model, benefiting global firms sourcing inputs from China. However, as China has moved up the value chain in high-end manufacturing, currency-driven trade advantages are becoming more contentious. With China now competing more directly with advanced economies in finished goods, further depreciation could invite greater scrutiny—particularly from the US, where protectionist sentiment is already high.

Chart 6: China's exports and competitiveness



Sources: Haver Analytics, General Administration of Customs, China

About the author



Haver Analytics is pleased to bring [Andy Cates's](#) commentaries on the state of the global economy to its clients. Andy has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units. He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Series info:

Chart 1: Flash PMIs: Manufacturing input prices in the US, euro area, UK and Japan

Series 1: [H111MMPI@MKTPMI](#)

H111MMPI@MKTPMI [US PMI: Manufacturing Input Prices [Flash] (SA, 50 +=Expansion)]

Series 2: [H023MPI@MKTPMI](#)

H023MPI@MKTPMI [HCOB Euro Area PMI: Manufacturing Input Prices [Flash] (SA, 50+=Expansion)]

Series 3: [H158MPI@MKTPMI](#)

H158MPI@MKTPMI [Japan PMI: Manufacturing Input Prices [Flash] (SA,50+=Expansion)]

Series 4: [H112MPI@MKTPMI](#)

H112MPI@MKTPMI [UK PMI: Manufacturing Input Prices [Flash] (SA, 50+=Expansion)]

Chart 2: Global supply chain pressures versus UK goods price inflation

Series 1: [W1NGSCPI@TRANSPRT](#)

W1NGSCPI@TRANSPRT [Global Supply Chain Pressure Index (Std Dev Pts)]

Series 2: [yryr%\(DK9J@UK\)](#)

DK9J@UK [UK: CPI: Nonenergy Industrial Goods (NSA, 2015=100)]

Chart 3: US output versus other advanced economies versus the real trade weighted USD

Series 1: $(100 * (\text{index}(\text{S111NGPC@G10},2010=100) / \text{index}(\text{N11XXGPI@G10},2010=100)))$
100

S111NGPC@G10 [U.S.: Gross Domestic Product (SA, Bil.Chn.2017\$)]

N11XXGPI@G10 [Advanced Economies [ex US] Real GDP (NSA, 2005=100)]

Series 2: [index\(FXTRBUS@DAILY,2010=100\)](#)

FXTRBUS@DAILY [Broad Real Effective Exchange Rate: United States (2010=100)]

Chart 4: Domestic electricity prices in selected advanced economies

Series 1: $\text{movv}(\text{(((U6ALAC@NED} + \text{U2ALAC@NED)} + \text{T1ALAC@NED)} + \text{U3ALAC@NED}) / 4),250)$

U6ALAC@NED [United States Southwest [Palo Verde]: Electricity Price (\$/MWh)]

U2ALAC@NED [United States Mid-Atlantic [PJM West]: Electricity Price (\$/MWh)]

T1ALAC@NED [Texas [Ercot]: Electricity Price (\$/MWh)]
U3ALAC@NED [United States New England: Electricity Price (\$/MWh)]
4

Series 2: [movv\(S3ALAC@NED,250\)](#)

S3ALAC@NED [Scandinavia [Nordpool]: Electricity Price (\$/MWh)]

Series 3: [movv\(AUALAC@NED,250\)](#)

AUALAC@NED [Australia [NSW]: Electricity Price (\$/MWh)]

Series 4: [movv\(JPALAC@NED,250\)](#)

JPALAC@NED [Japan [JPEX]: Electricity Price (\$/MWh)]

Series 5: [movv\(DEALAC@NED,250\)](#)

DEALAC@NED [Germany [EEX]: Electricity Price (\$/MWh)]

Series 6: [movv\(FRALAC@NED,250\)](#)

FRALAC@NED [France [Powernext]: Electricity Price (\$/MWh)]

Series 7: [movv\(GBALAC@NED,250\)](#)

GBALAC@NED [United Kingdom [APX]: Electricity Price (\$/MWh)]

Chart 5: Growth rates in GDP per capita in selected advanced economies

Series 1: [difv%\(A111GCPC@G10,5\)](#)

A111GCPC@G10 [U.S.: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Series 2: [\(\(\(\(difv%\(A176GCPC@G10,5\) + difv%\(A128GCPC@G10,5\)\) + difv%\(A144GCPC@G10,5\)\) + difv%\(A142GCPC@G10,5\)\)](#)

A176GCPC@G10 [Iceland: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

A128GCPC@G10 [Denmark: GDP per Capita at 2020 Prices & Exchange Rates (2020.US\$)]

A144GCPC@G10 [Sweden: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

A142GCPC@G10 [Norway: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

4

Series 3: [difv%\(A193GCPC@G10,5\) \[-1\]](#)

A193GCPC@G10 [Australia: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Series 4: [difv%\(A158GCPC@G10,5\)](#)

A158GCPC@G10 [Japan: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Series 5: [difv%\(A132GCPC@G10,5\)](#)

A132GCPC@G10 [France: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Series 6: [difv%\(A112GCPC@G10,5\) \[-1\]](#)

A112GCPC@G10 [UK: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Series 7: [difv%\(A134GCPC@G10,5\)](#)

A134GCPC@G10 [Germany: GDP per Capita at 2010 Prices & Exchange Rates (2010.US\$)]

Chart 6: China's exports and competitiveness

Series 1: [FXTRBCN@DAILY](#)

FXTRBCN@DAILY [Broad Real Effective Exchange Rate: China (2010=100)]

Series 2: [index\(movt\(N924IXD@EMERGEPR,12\),2010=100\)](#)

N924IXD@EMERGEPR [China: Merchandise Exports, fob (NSA, Mil.US\$)]

Get in touch

Email sales@haver.com and someone from our team will connect with you to discuss your data needs.