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Economic Letter from Asia: Tariff Pause

HAVER ANALYTICS

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Written by [Tian Yong Woon](#)

This week, we focus on US-China trade developments in light of the economies' joint 90-day tariff pause announcement. The extent of the interim tariff cuts has surpassed investors' expectations. As such, the cuts have understandably boosted sentiment in Chinese equity markets (chart 1), though sentiment had already been buoyed by the increasingly conciliatory tone in US-China communications leading up to the announcement. The tariff cuts are a significant reprieve for both economies. The US is likely to see reduced price pressures on producers and consumers in the near term, while China stands to gain from a temporary easing of growth drags amid ongoing domestic challenges (chart 2).

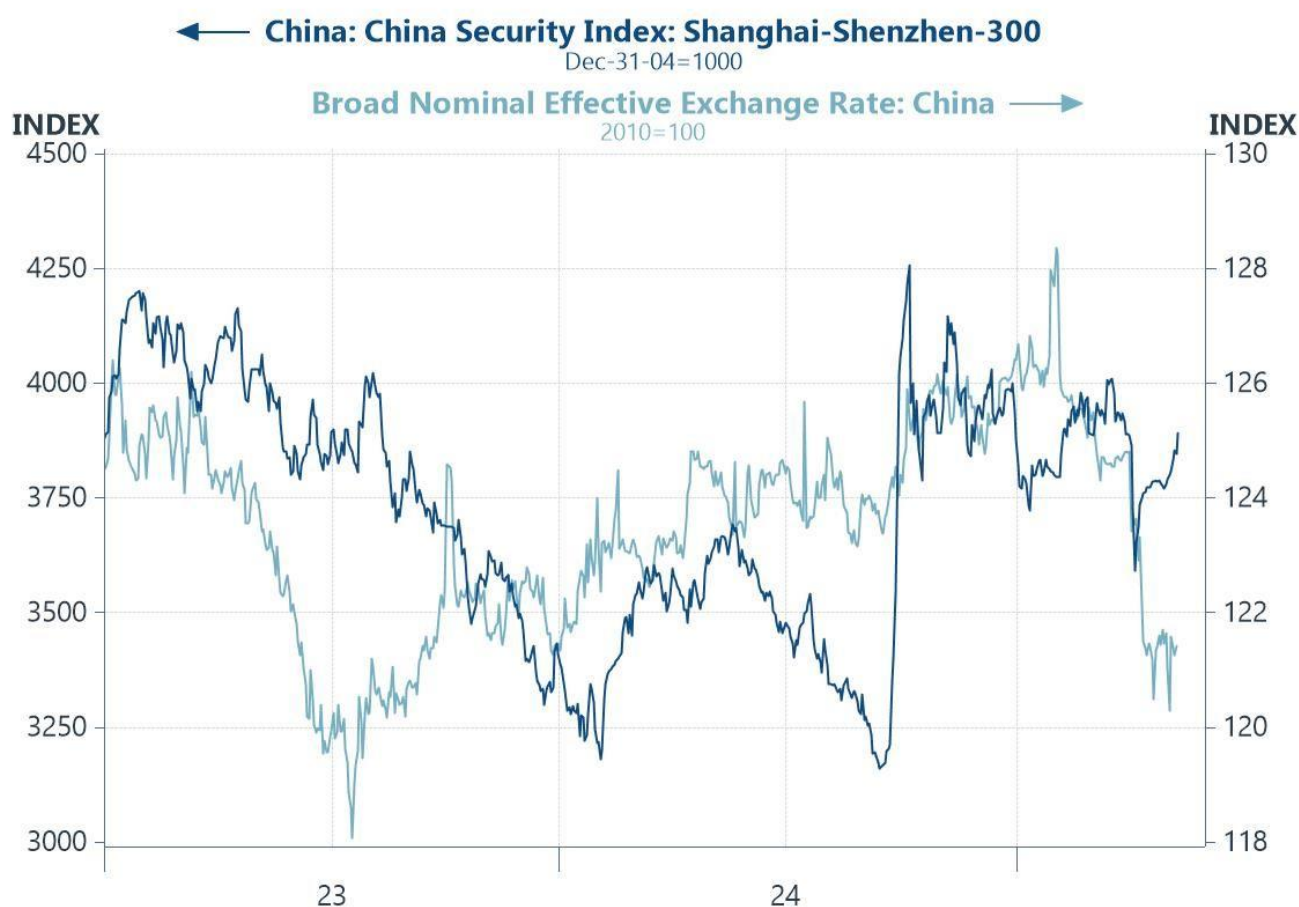
Turning to the hard numbers, China's April trade readings were relatively resilient, partly due to significant front-loading ahead of the prior US-imposed 145% tariffs taking effect (chart 3). As shown in chart 4, sharp declines in shipments to the US were more than offset by rising exports to Asian partners, including ASEAN, India, and Taiwan. Looking ahead, with the tariff pause beginning around mid-May, we may not see a full month's data capturing trade responses to the earlier steep tariffs.

Next, we turn to how investors and analysts are responding. In the May survey, our Blue Chip panellists continued to mark down growth forecasts across several economies relative to end-2024 expectations (chart 5). At the same time, they raised US inflation forecasts and lowered China inflation forecasts (chart 6). However, these forecasts are likely to see favourable revisions in future surveys—barring new adverse developments—especially in light of this week's positive news.

Latest US-China trade developments

Financial market sentiment has remained fairly buoyant despite the flare-up in US-China trade tensions in April. Recent messaging from both sides has moved away from the fiery rhetoric of previous months, adopting a more conciliatory tone aimed at de-escalating rather than intensifying frictions. Encouragingly, developments earlier this week reinforced this shift: the US and China issued a joint statement agreeing to a 90-day cooling-off period as they pursue trade talks following a relationship “reset.” During this time, the US will reportedly reduce its 145% tariffs on Chinese imports to 30% by May 14, while China will lower its 125% tariffs on US imports to 10%. Markets have understandably reacted positively, as seen in chart 1, with this move representing a significant rollback of mutual tariffs and bringing rates much closer to their pre-“Liberation Day” baseline. As a result, the growth-dampening effects from elevated tariffs are now considerably more muted—though it is worth noting that these measures remain temporary.

Chart 1: China’s CSI equity index and the yuan



Sources: Shanghai Stock Exchange, /Haver Analytics

The latest developments are indeed cause for optimism, as neither the US nor China stood to benefit from maintaining steep, mutually applied tariffs. For China, this short-term reprieve will help ease what would have been another significant growth headwind, compounding an already challenging set of domestic issues. Among these, China continues to struggle with persistently low inflation—likely stemming from weak demand and a long-standing problem of excess supply, both of which have contributed to downward pressure on prices. This is particularly evident in producer prices, which have been falling for years now, as shown in chart 2. These underlying drivers likely explain why our Blue Chip survey panellists continue to expect weak price pressures in China this year—a topic discussed in more detail later. Also, the sustained price decline not only highlights China's oversupply problem but has also provoked frustration among trading partners who had to absorb the effects.

Chart 2: China's consumer and producer price inflation

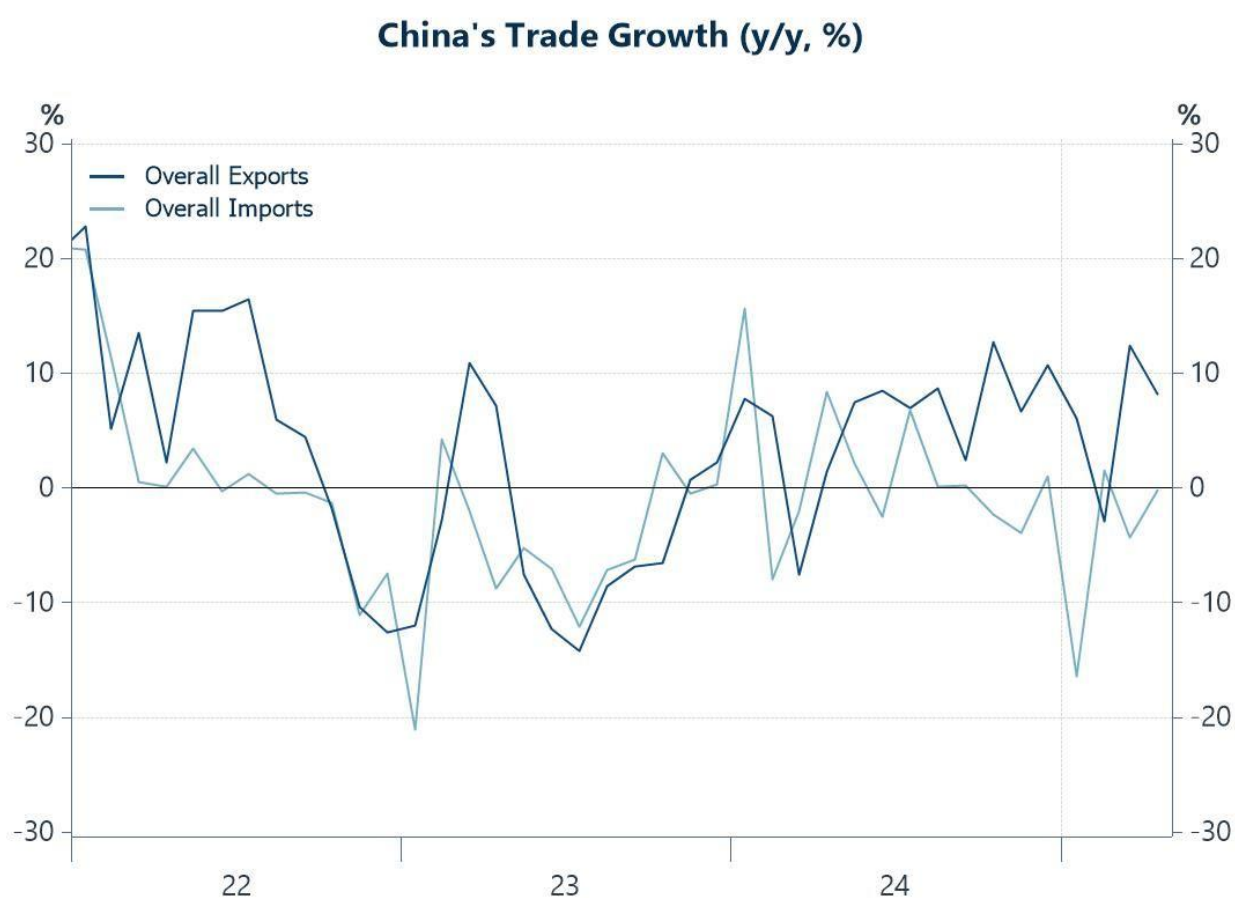


Source: China National Bureau of Statistics/Haver Analytics

First round effects of US tariffs on China

Moving next to initial hard numbers reflecting the effects of the US' 145% tariffs before the announced pause, China's April trade data were released last week. Exports rose a strong 8.1% y/y, as shown in chart 3—well above expectations. This eased initial concerns that the US-imposed tariffs would severely hit trade. While the April export print beat forecasts, it was driven by several underlying factors. A key contributor was significant front-loading by importers ahead of the tariff implementation in mid-April, which likely offset the drop in shipments that followed. As a result, though April's data capture the early impact of the steep US tariffs, they also reflect a surge in pre-tariff activity, making the figures somewhat noisy. On the import side, shipments to China declined modestly, extending the recent trend of weak import growth. Although the drop was less severe than expected, continued weakness in imports may reflect subdued domestic demand—a concerning signal.

Chart 3: China's trade growth



Source: General Administration of Customs, China/Haver Analytics

A closer look at the April data (chart 4) shows that China’s stronger-than-expected export performance was largely driven by shipments to ASEAN economies, India, and Taiwan, where exports posted double-digit y/y growth. This surge reflects several dynamics. First, it underscores the deep integration of regional supply chains and the critical role of Chinese inputs in broader manufacturing processes. Second, it points to these economies’ capacity to absorb some of China’s excess capacity—diverted from the US, which has become a less viable destination due to steep tariffs. However, it remains uncertain whether these markets can sustainably absorb such redirected trade flows. Exports to the EU and Japan also grew in April, though at a more modest pace. Overall, the surge in shipments to regional and European partners more than offset the sharp 21% y/y drop in exports to the US.

Chart 4: China export growth by destination economy

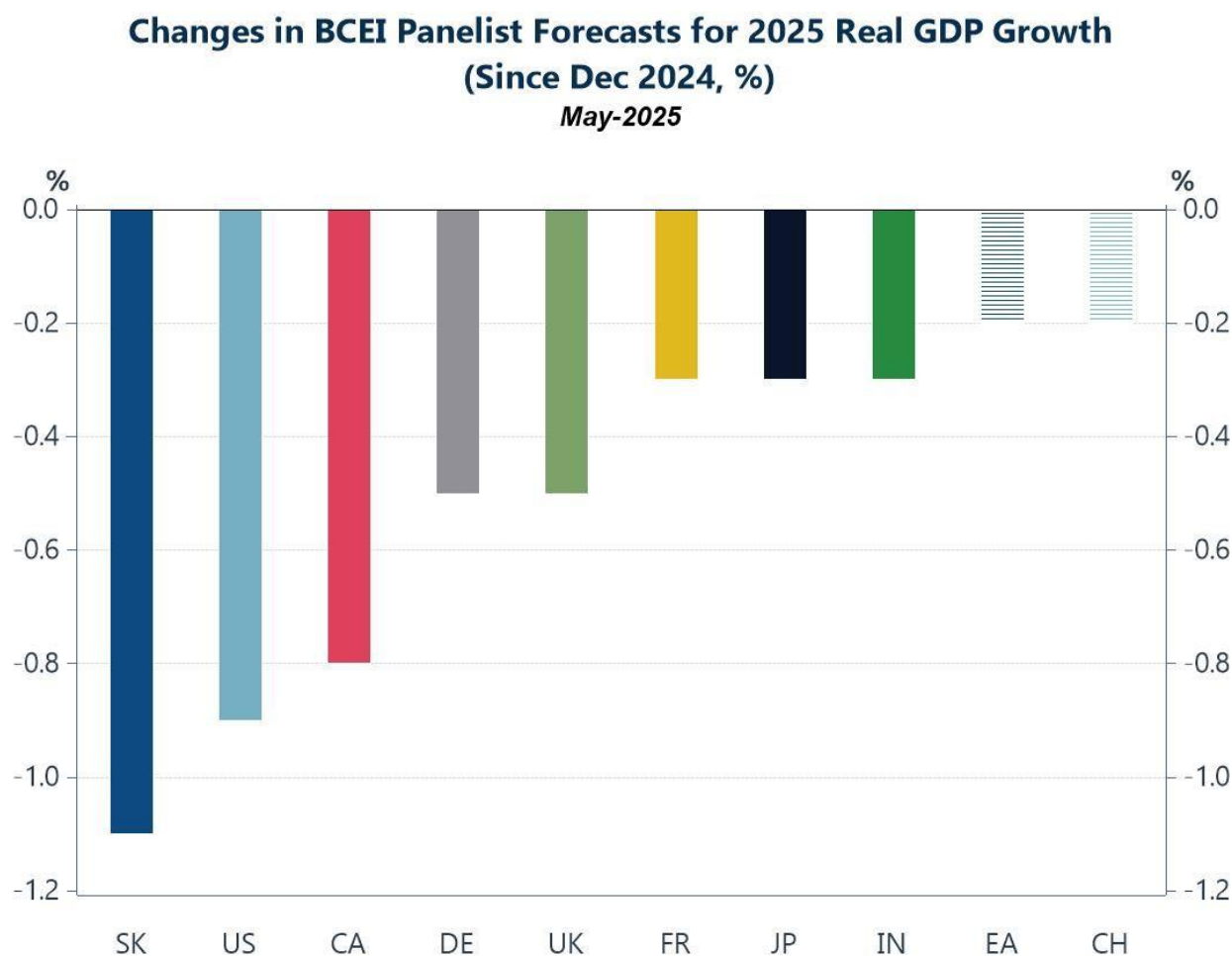


Source: General Administration of Customs, China/Haver Analytics

May Blue Chip survey outlook

Next, we turn to investor and analyst expectations for global growth amid the seemingly unrelenting stream of trade developments between the US and its trading partners. The latest Blue Chip survey results continue to paint a bleak picture for global growth, with panellists having sharply downgraded their forecasts in the May survey compared to those expressed in December last year, as shown in chart 5. However, given the recent and substantial de-escalation in US-China trade tensions—and barring any new growth-negative developments—panellists may soon be compelled to revise their outlooks upward. Notably, the May survey did not capture this week’s positive trade breakthrough, and a significant portion of the tariff burden has now been temporarily lifted from both economies.

Chart 5: Change in Blue Chip panellists’ growth outlook since December 2024

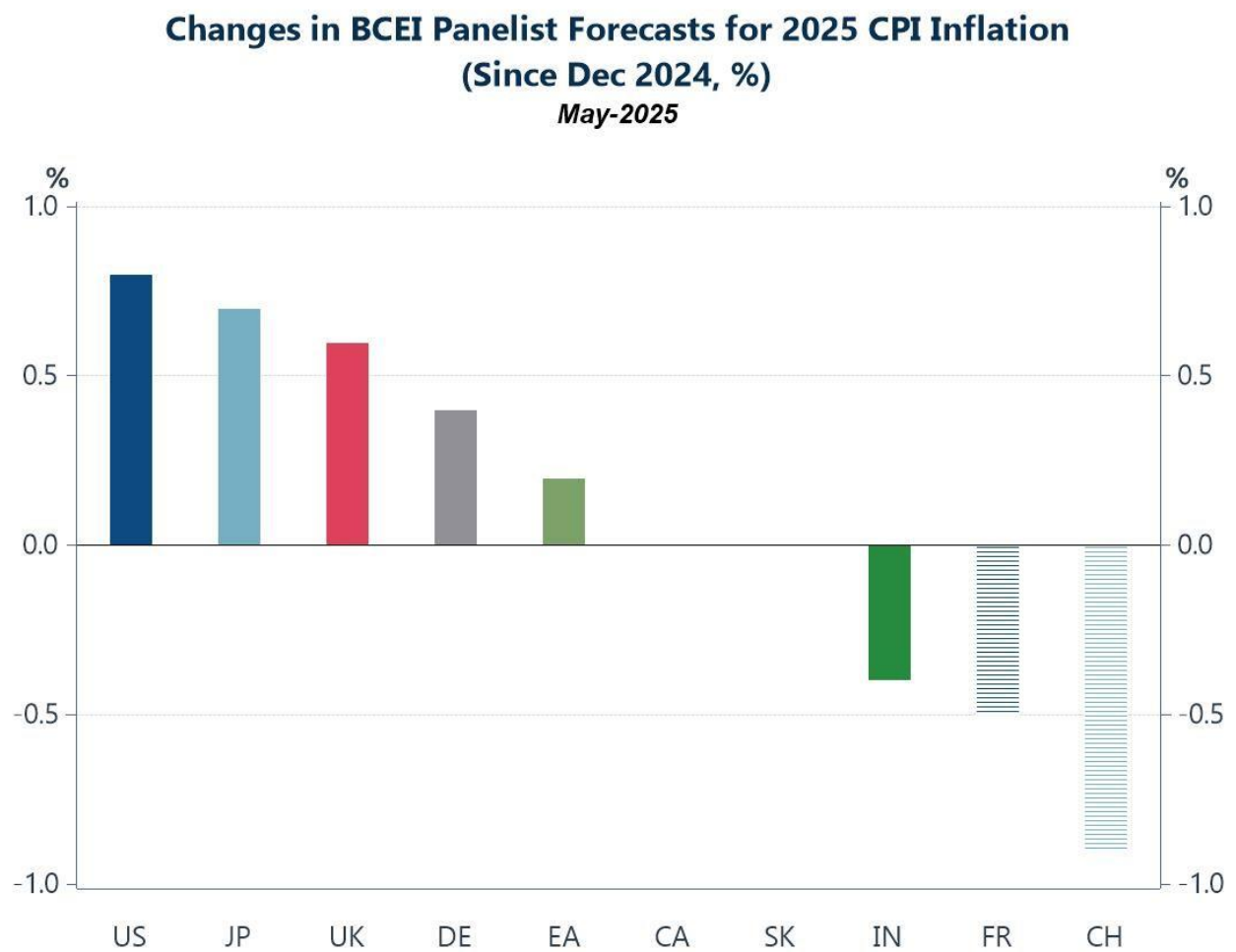


Source: Wolters Kluwer/Haver Analytics

Lastly, we examine investor and analyst expectations for inflation in light of US-China trade developments prior to this week’s positive news. Understandably, our Blue Chip panellists had significantly revised upward their inflation outlook for the US, given the potentially inflationary effects of the previously announced tariffs. In contrast, the inflation outlook for China has become increasingly pessimistic, largely due to the structural

factors discussed in earlier sections. However, with the latest de-escalation in US-China trade tensions, expectations for US inflation—and even those for some other economies—now stand to be revised downward. Whether expectations for Chinese inflation can be meaningfully adjusted upward remains uncertain. Looking further ahead, attention will also turn to US President Trump’s other 90-day pause, specifically concerning his “reciprocal” tariffs on economies other than China. The outcome of these trade discussions will be critical in determining the trajectory of future inflation expectations.

Chart 6: Change in Blue Chip panellists’ inflation outlook since December 2024



Source: Wolters Kluwer/Haver Analytics

About the author



Haver Analytics is pleased to bring [Tian Yong Woon's](#) commentaries on the state of the global economy to its clients.

Tian Yong joined Haver Analytics as an Economist in 2023. Previously, Tian Yong worked as an Economist with Deutsche Bank, covering Emerging Asian economies while also writing on thematic issues within the broader Asia region. Prior to his work with Deutsche Bank, he worked as an Economic Analyst with the International Monetary Fund, where he contributed to Article IV consultations with Singapore and Malaysia, and to the regular surveillance of financial stability issues in the Asia Pacific region. Tian Yong holds a Master of Science in Quantitative Finance from the Singapore Management University, and a Bachelor of Science in Banking and Finance from the University of London.

Series info:

Chart 1: China's CSI equity index and the yuan

Series 1: [S924SH3@INTDAILY](#)

S924SH3@INTDAILY [China: China Security Index: Shanghai-Shenzhen-300 (Dec-31-04=1000)]

Series 2: [X924NR@INTDAILY](#)

X924NR@INTDAILY [Broad Nominal Effective Exchange Rate: China (2010=100)]

Chart 2: China's consumer and producer price inflation

Series 1: [N924PCY@EMERGEPR](#)

N924PCY@EMERGEPR [China: Consumer Price Index (NSA, year/year % chg)]

Series 2: [N924PY@EMERGEPR](#)

N924PY@EMERGEPR [China: Producer Prices: All Industry Products (NSA, yr/yr % chg)]

Chart 3: China's trade growth

Series 1: [yrr%\(N924IXD@EMERGEPR\)](#)

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

Series 2: [yrr%\(N924IMD@EMERGEPR\)](#)

N924IMD@EMERGEPR [China: Merchandise Imports, cif (NSA, Mil.US\$)]

Chart 4: China export growth by destination economy

Series 1: [yrr%\(N924IXID@EMERGEPR\)](#)

N924IXID@EMERGEPR [China: Exports to Indonesia (NSA, Mil.US\$)]

Series 2: [yrr%\(N924IXTH@EMERGEPR\)](#)

N924IXTH@EMERGEPR [China: Exports to Thailand (NSA, Mil.US\$)]

Series 3: [yrr%\(N924IXVN@EMERGEPR\)](#)

N924IXVN@EMERGEPR [China: Exports to Vietnam (NSA, Mil.US\$)]

Series 4: `yyr%(N924IXIN@EMERGEPR)`
N924IXIN@EMERGEPR [China: Exports to India (NSA, Mil.US\$)]

Series 5: `yyr%(N924IXTW@EMERGEPR)`
N924IXTW@EMERGEPR [China: Exports to Taiwan (NSA, Mil.US\$)]

Series 6: `yyr%(N924IXMY@EMERGEPR)`
N924IXMY@EMERGEPR [China: Exports to Malaysia (NSA, Mil.US\$)]

Series 7: `yyr%(N924IXSG@EMERGEPR)`
N924IXSG@EMERGEPR [China: Exports to Singapore (NSA, Mil.US\$)]

Series 8: `yyr%(N924IXEU@EMERGEPR)`
N924IXEU@EMERGEPR [China: Exports to European Union (NSA, Mil.US\$)]

Series 9: `yyr%(N924IXJP@EMERGEPR)`
N924IXJP@EMERGEPR [China: Exports to Japan (NSA, Mil.US\$)]

Series 10: `yyr%(N924IXPH@EMERGEPR)`
N924IXPH@EMERGEPR [China: Exports to the Philippines (NSA, Mil.US\$)]

Series 11: `yyr%(N924IXAU@EMERGEPR)`
N924IXAU@EMERGEPR [China: Exports to Australia (NSA, Mil.US\$)]

Series 12: `yyr%(N924IXUK@EMERGEPR)`
N924IXUK@EMERGEPR [China: Exports to the U.K. (NSA, Mil.US\$)]

Series 13: `yyr%(N924IXKR@EMERGEPR)`
N924IXKR@EMERGEPR [China: Exports to Korea (NSA, Mil.US\$)]

Series 14: `yyr%(N924IXUS@EMERGEPR)`
N924IXUS@EMERGEPR [China: Exports to the U.S. (NSA, Mil.US\$)]

Chart 5: Change in Blue Chip panellists' growth outlook since December 2024

Series 1: `diff(AKRD25@BLUECHIP,5)`
AKRD25@BLUECHIP [BCEI: Change in Real GDP: South Korea: Consensus: 2025 Forecast (%)]

Series 2: `diff(AAAD25@BLUECHIP,5)`
AAAD25@BLUECHIP [BCEI: US Real GDP: 2025 Forecasts: Consensus (Y/Y %Chg)]

Series 3: `diff(ACAD25@BLUECHIP,5)`
ACAD25@BLUECHIP [BCEI: Change in Real GDP: Canada: Consensus: 2025 Forecast (%)]

Series 4: `diff(ADED25@BLUECHIP,5)`
ADED25@BLUECHIP [BCEI: Change in Real GDP: Germany: Consensus: 2025 Forecast (%)]

Series 5: `diff(AGBD25@BLUECHIP,5)`
AGBD25@BLUECHIP [BCEI: Change in Real GDP: United Kingdom: Consensus: 2025 Forecast (%)]

Series 6: `diff(AFRD25@BLUECHIP,5)`
AFRD25@BLUECHIP [BCEI: Change in Real GDP: France: Consensus: 2025 Forecast (%)]

Series 7: `diff(AJPD25@BLUECHIP,5)`
AJPD25@BLUECHIP [BCEI: Change in Real GDP: Japan: Consensus: 2025 Forecast (%)]

Series 8: `diff(AIND25@BLUECHIP,5)`
AIND25@BLUECHIP [BCEI: Change in Real GDP: India: Consensus: 2025 Forecast (%)]

Series 9: `diff(AEZD25@BLUECHIP,5)`
AEZD25@BLUECHIP [BCEI: Change in Real GDP: Euro area: Consensus: 2025 Forecast (%)]

Series 10: `diff(ACND25@BLUECHIP,5)`
ACND25@BLUECHIP [BCEI: Change in Real GDP: China: Consensus: 2025 Forecast (%)]

Chart 6: Change in Blue Chip panellists' inflation outlook since December 2024

Series 1: `diff(DAAD25@BLUECHIP,5)`
DAAD25@BLUECHIP [BCEI: US Consumer Price Index: 2025 Forecasts: Consensus (Y/Y %Chg)]

Series 2: `diff(DJPD25@BLUECHIP,5)`
DJPD25@BLUECHIP [BCEI: Change in Consumer Price Index: Japan: Consensus: 2025 Forecast (%)]

Series 3: `diff(DGBD25@BLUECHIP,5)`
DGBD25@BLUECHIP [BCEI: Change in Consumer Price Index: UK: Consensus: 2025 Forecast (%)]

Series 4: `diff(DDED25@BLUECHIP,5)`
DDED25@BLUECHIP [BCEI: Change in Consumer Price Index: Germany: Consensus: 2025 Forecast (%)]

Series 5: `diff(DEZD25@BLUECHIP,5)`

DEZD25@BLUECHIP [BCEI: Change in Consumer Price Index: Euro area: Consensus: 2025 Forecast (%)]

Series 6: diff(DCAD25@BLUECHIP,5)

DCAD25@BLUECHIP [BCEI: Change in Consumer Price Index: Canada: Consensus: 2025 Forecast (%)]

Series 7: diff(DKRD25@BLUECHIP,5)

DKRD25@BLUECHIP [BCEI: Change in Consumer Price Index: South Korea: Consensus: 2025 Forecast (%)]

Series 8: diff(DIND25@BLUECHIP,5)

DIND25@BLUECHIP [BCEI: Change in Consumer Price Index: India: Consensus: 2025 Forecast (%)]

Series 9: diff(DFRD25@BLUECHIP,5)

DFRD25@BLUECHIP [BCEI: Change in Consumer Price Index: France: Consensus: 2025 Forecast (%)]

Series 10: diff(DCND25@BLUECHIP,5)

DCND25@BLUECHIP [BCEI: Change in Consumer Price Index: China: Consensus: 2025 Forecast (%)]

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