

# Macro Monthly

Economics  
GLOBAL

## Tariff overhang

- ◆ The impact of tariffs and related uncertainty...
- ◆ ...became clearer in the April data...
- ◆ ...even if the magnitude of the blow to global growth and trade flows could take time to emerge

The 90-day pause on additional 'reciprocal' tariffs, various carve outs, and reports of progress on some bilateral US trade negotiations have restored some calm to equity markets, but the global economic outlook is deteriorating amid enormous uncertainty (charts 1 and 2).

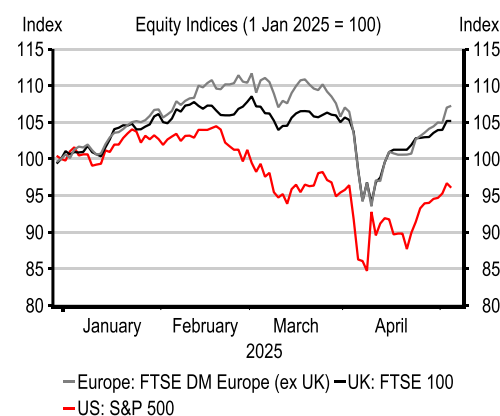
### Tariff uncertainty

A 10% baseline tariff on all US imports has been in effect since 5 April and sector-specific tariffs of 25% are either already in place or loom for a large range of major products. The better news is that President Trump announced some exemptions for the auto sector. However, the imposition of tariffs of 145%-plus on imports from mainland China, along with the demise of the de-minimis rule, **are causing US firms to alter plans** or cease imports entirely, while they await clarity and hope for relief.

**Firms altering plans pending tariff clarity**

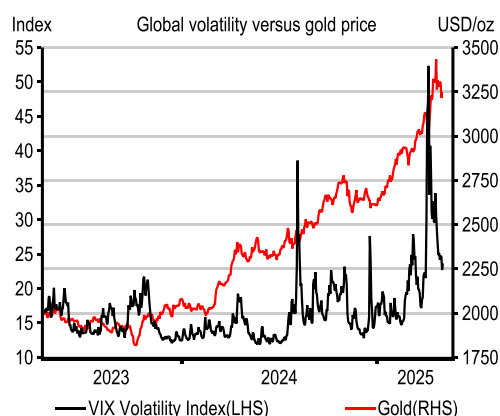
The Trump administration has already initiated discussions on new trade deals with over 70 countries, prioritising those geographically closer to China. But the likely outcome is highly uncertain, with President Trump having suggested he is unlikely to cut the baseline tariff below 10%. China has issued warnings of potential retaliation on third countries should such deals come at the expense of China's trade (NY times, 21 April 2025).

### 1. Equity markets have recovered somewhat...



Source: Macrobond

### 2. ...despite ongoing global uncertainty



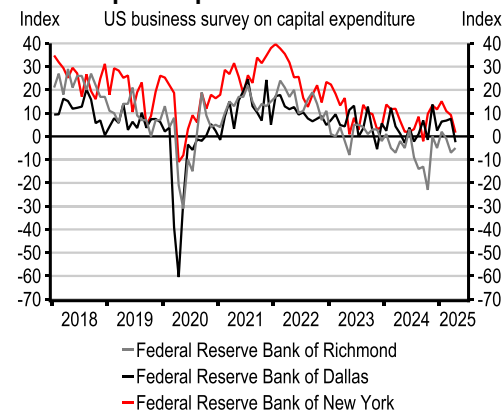
Source: Macrobond

**Weaker US consumer and business surveys**

### Survey softness

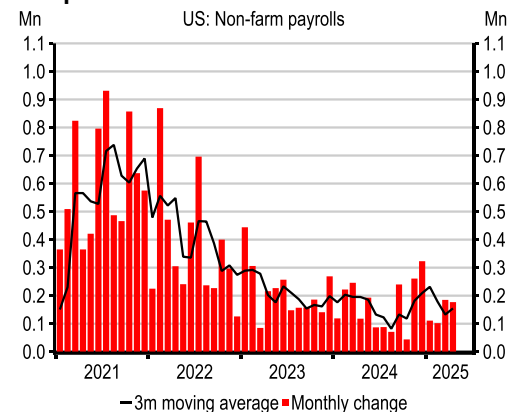
The associated heightened anxiety in the US was very evident across an array of business and consumer surveys for April (chart 3): **hiring intentions have slowed** and US households are postponing or cancelling major purchases in response to the economic uncertainty. For now, though, the April data are mostly “soft” releases, with the only notable “hard” data so far being from the **US labour market, which remains resilient** (chart 4).

#### 3. Businesses have become more cautious about capital expenditures



Note: New York Fed data is for future capital expenditure and Reserve Bank of Dallas represent Texas retail outlook survey capital expenditure.  
Source: Macrobond

#### 4. Non-farm payrolls outpaced consensus in April



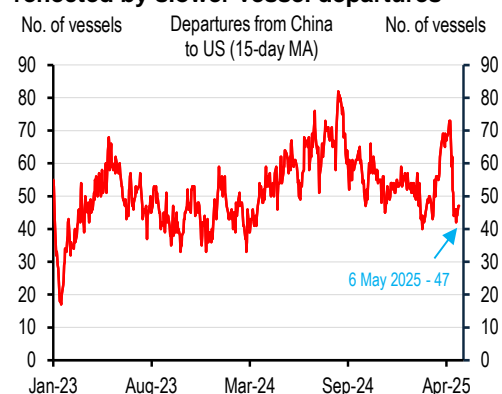
Source: Macrobond.

### Trade uncertainty

**China vessel departures to the US have slowed**

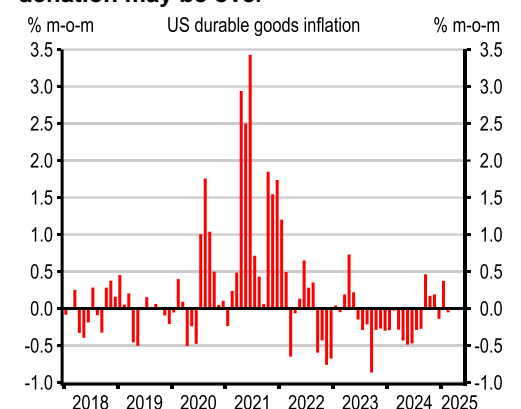
The trade data is set to remain hard to track. **Shipping data show plummeting flows from China to the US in March and April** (chart 5). US imports from other partners, including some Asian countries have held up better and could continue to do so during what French president Macron has called a “fragile pause” on US tariffs. But looking ahead, the world now fears inflows of cheaper Chinese goods now finding it harder to access the US market.

#### 5. US imports from China have slowed as reflected by slower vessel departures



Note: Latest data point for 6 May 2025.  
Source: Bloomberg

#### 6. In the US, the period of durable goods deflation may be over



Source: Macrobond.

### Growing US inflationary pressures

## Inflation divergence

Surveys of US inflation expectations have also risen with the tariffs. Declining energy prices will be welcomed by most, but higher import costs will add to US inflation, particularly for goods (chart 6). Assuming no broad-based retaliation, Europe and particularly Asia, could see lower inflation, allowing a faster pace of monetary easing.

### China consumer showing signs of revival

## Data highlights

PMIs mostly fell in April, but before “Liberation Day” global data were looking OK. Mainland China reported robust GDP growth of 5.4% y-o-y in 1Q, with higher frequency indicators on **the consumer side also showing signs of revival**. In Europe, both GDP and the survey data showed improvement, while in the US, 1Q GDP (-0.3% q-o-q, annualised) was a mixed bag: the stagnant headline GDP print reflected a surge in pre-tariff imports while consumer spending (notably on cars) and other countries’ exports were supported for the same reason.

## Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
16 Apr	Mainland China	GDP (% y-o-y)	1Q	5.4%	5.2%	5.4%	↑
16 Apr	US	Retail sales advance (% m-o-m)	Mar	1.4%	1.4%	0.2%	→
25 Apr	UK	Retail sales (% y-o-y)	Mar	2.6%	1.8%	1.8%	↑
30 Apr	Mainland China	Caixin manufacturing PMI (Index)	Apr	50.4	49.7	51.2	↑
30 Apr	US	Real GDP (% q-o-q, annualised)	1Q (1st release)	-0.3%	-0.2%	2.4%	↓
1 May	US	ISM manufacturing (Index)	Apr	48.7	47.9	49.0	↑
2 May	Eurozone	HICP (% y-o-y)	Apr, flash	2.2%	2.1%	2.2%	↑
2 May	US	Nonfarm payrolls, monthly change (000s)	Apr	177	138	185	↑

Note: ↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus.  
 Source: Bloomberg, HSBC

## Key upcoming events

Date	Market	Release	Period
9 May	Mainland China	Exports / Imports	Apr
10 May	Mainland China	PPI / CPI	Apr
13 May	US	CPI	Apr
15 May	UK	GDP	Mar, 1Q
15 May	Eurozone	GDP	1Q
15 May	US	Retail Sales	Apr
19 May	Mainland China	Retail Sales	Apr
20 May	Mainland China	People’s Bank of China interest rate announcement	-
21 May	UK	CPI	Apr
23 May	UK	Retail Sales	Apr
31 May	Mainland China	NBS Manufacturing PMI	May
3 Jun	Eurozone	HICP	May
5 Jun	Eurozone	European Central Bank interest rate announcement	-
6 Jun	US	Non-Farm Payrolls	May

Source: LSEG Eikon, HSBC

# Disclosure appendix

## Important disclosures

### Additional disclosures

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