

WEEKLY COMMENTARY

It's Been a Busy Couple of Weeks, and Trump 2.0 Is Just Getting Started

By Francis Généreux, Principal Economist

True to form, President Trump has been all over the political and economic news since taking office (although he was briefly pushed out of the spotlight on Monday by Chinese company DeepSeek's advances in AI). The returning president kicked off his second term with a flurry of executive orders, proclamations and memoranda setting out the basis of the new administration's public policies. These executive actions cover a wide range of issues and break sharply with President Biden's policies. So far, the executive actions on trade policy, immigration, energy and the federal civil service will have the biggest short-term impact on the economy.

On the morning of Trump's inauguration as 47th president, the most pressing questions were whether he would announce a clearly protectionist trade policy that very day and whether higher tariffs would be imposed imminently. But rather than resolving those questions, the president issued a memorandum laying the foundations for his America First Trade Policy without providing any specifics on his promised tariffs. Instead, it set out a long list of what the new administration sees as problems with international trade. These ranged from general matters like the US's persistent trade deficit to highly specific issues like multiple US complaints about China's trade practices. Canada and Mexico were both mentioned. The memorandum covered everything from the US's large trade deficit with its neighbors, the USMCA review process and national security concerns that could lead to changes in exemptions on steel and aluminum tariffs, to a desire to address the fentanyl and migration crises. It didn't announce any immediate measures, but it laid the groundwork for what's to come. The president ordered various US agencies to study

each of these issues by April 1 and recommend solutions, while explicitly stating that these could include tariffs.

And yet, Trump being who he is, government employees may not get much time to prepare their recommendations. On the evening of January 20, the president floated the idea of imposing 25% tariffs on Canada and Mexico as early as February 1. Since then, both he and his press secretary have repeated the threat. Based solely on what has been signed and published by the White House so far, such a rapid implementation of tariff hikes would be surprising. But we can't completely rule it out. (At the time of publication, there was breaking news that tariffs would be announced shortly and take effect March 1.) If the president really wants to move ahead quickly, he can invoke the International Emergency Economic Powers Act (IEEPA). On August 15, 1971, President Richard Nixon used a similar statute to raise tariffs on imports to the US by 10%. It remains to be seen whether Trump will use this power and, if so, exactly what he'll do with it. His abandoned threat of 25% (and potentially 50%) tariffs on imports from Colombia (in retaliation for Colombian president Gustavo Petro's refusal to accept US deportation flights), pressure placed on Denmark regarding Greenland, and other threats toward China and Russia are a reminder of the US president's volatile and unpredictable nature. But they also suggest that there's a difference between what Trump posts on social media and what actually gets officially signed and implemented. The coming days, or even hours, will tell us more.

The president also wanted to really focus attention on the issue of immigration. We're not talking a memo calling for

CONTENTS

Musing of the Week.....	1	What to Watch For.....	3	Economic Indicators.....	5
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reviews, but actual executive actions with real and immediate impact, including the declaration of a state of emergency on the Mexican border. But what kind of repercussions will these actions have on economic activity? In this case, we need to separate showmanship, and even human tragedy, from economic repercussions. Remember that the US never stopped deporting people. According to [data from the Department of Homeland Security](#), more than 675,000 people were deported (total repatriations) in the first 11 months of 2024. Deportations may have accelerated since the president increased the powers of the agencies in charge. The first detentions and deportations under the new regime will be easier and have little impact on the economy. But if, as the Republican administration hopes, they ramp up significantly, the repercussions will be more strongly felt. Right now, stories of undocumented migrants skipping work are mostly just that: stories. But a significant disruption of this workforce will nevertheless curtail US economic activity, especially in the agricultural, construction, manufacturing and service sectors. This may very well put upward pressure on inflation, especially if Trump's tariff threats come to pass.

Ironically, US voter frustration with rising prices was one of the main reasons Donald Trump prevailed over Kamala Harris. On January 20, Trump issued a memorandum on defeating the cost of living crisis. It's a worthwhile goal, but the memo doesn't map out a clear path to achieving it. This policy relies mainly on deregulation, with the new administration focusing primarily on lowering the cost of energy, especially oil and gas. Executive orders that were also signed on January 20 aim to "free American energy" and declared a national energy emergency. The president is counting on heavily deregulating the oil and gas industry, particularly by eliminating a wide swathe of environmental restrictions, simplifying and fast-tracking the permitting process, and reopening some federal land to energy drilling. But we question whether energy prices will fall enough to bring all the benefits the president is hoping for, such as the interest rate cuts he demanded during his speech at Davos. US oil companies are eager to maintain high profits and will therefore plan production and investments based on market conditions. Excessively low prices are likely to scare them off.

Finally, the White House made a number of announcements regarding public spending and the civil service. He froze spending and investments under the 2022 Inflation Reduction Act and the 2021 Bipartisan Infrastructure Law, both signed by Biden. The new administration's priority is halting all measures that go against its own views, especially regarding the environment. At first the freeze was wide-ranging, but subsequent directives clarified and narrowed its reach. He also issued an order pausing all federal aid, but the administration has already had to walk that back. He also established a Department of Government Efficiency (DOGE) under Elon Musk. But it's really just a rebrand of the United States Digital Service, and its mandate will be more limited than initially promised. Its purpose is to modernize the technology and software used by the federal government,

which is a far cry from restructuring the government apparatus or slashing up to US\$2 trillion in spending. That said, federal civil servants still face real uncertainty. The new administration even rolled out an incentive plan encouraging them to resign now (but get paid till September 30).

Although his promises to extend the 2018 tax cuts and introduce new tax breaks were central to his campaign, Trump hasn't said much about them during the first two weeks of his term. We get the impression that, as in 2017, he'll let congressional Republicans take the lead in making a proposal, or even a budget, that reflects his campaign platform.

All things considered, Donald Trump has been president for less than two weeks, and the new administration has pumped out an enormous number of memos and orders for such a brief stretch of time. But we still don't know much about how all of this will affect the economy. Although we are concerned about the economic fallout of the decisions that the new president will make, it will still be good to get some clarity. This will help us differentiate between Trump's informal comments on social media and the actions officially taken by the US government.

What to Watch For

MONDAY February 3 - 10:00

January

Consensus	49.3
Desjardins	50.6

December 49.2

WEDNESDAY February 5 - 10:00

January

Consensus	54.5
Desjardins	53.8

December 54.0

FRIDAY February 7 - 8:30

January

Consensus	150,000
Desjardins	155,000

December 256,000

FRIDAY February 7 - 10:00

February

Consensus	n/a
Desjardins	70.5

January 71.1

FRIDAY February 7 - 15:00

December

Consensus	12.500
Desjardins	22.000

November -7.489

UNITED STATES

ISM Manufacturing index (January) – In December, the ISM Manufacturing index jumped to its highest level since March. While the index as a whole lingered just below 50, some components did climb into growth territory, most notably new orders. The ISM Manufacturing index likely rose above 50 in January. Regional manufacturing indexes were rather mixed in January, but the Philadelphia Fed posted its highest reading since April 2021, which suggests that manufacturing is on an upward trend. If that is the case, we may see business investment perk up in early 2025. This GDP component had been especially disappointing in late 2024.

ISM Services index (January) – The ISM Services index has been holding strong for several months now. Its average since September is 54.2, which is consistent with good economic growth. The business activity component even managed to reach 58.0 in December. At the same time, prices have felt some upward pressure, and this component reached 64.4 in December, its highest level since February 2023. The ISM Services index likely ticked down in January while still remaining relatively high. This expectation is backed up by the readings from consumer confidence indexes and regional non-manufacturing indexes.

Change in nonfarm payrolls (January) – Net hires posted a sharp rebound in December, adding 256,000 jobs. This was their best performance since March 2024. However, we expect more timid growth for January based on the uptick in jobless claims earlier this month. According to the Conference Board Index, US consumer confidence in employment prospects also deteriorated slightly in January. The fires in Los Angeles and change in leadership at the White House have also been disruptive. These factors, combined with a pullback after December's stellar growth, point to gains of just over 150,000 jobs in January. But keep in mind that this month's print will include the annual revision of the establishment survey results, which might change things. We expect unemployment to stay put at 4.1%.

University of Michigan consumer sentiment index (February – preliminary) – Consumer sentiment dropped in January after some post-election gains in November and December. We expect further deterioration in February, though it should be slight. Household sentiment may be dragged down by gas prices, which have risen over the last few weeks. Some foods have also become more expensive, with bird flu hitting several states, and the stock market is struggling compared to previous months. Even so, we suspect political changes may have the biggest impact. The Trump administration is back in power and has already introduced a number of controversial measures. While some Americans welcome these changes, others do not. We're less than two weeks into the term, though, so net effect on confidence can't yet be determined.

Consumer credit (December) – Consumer credit balances fell sharply in November, suffering their biggest monthly decline since December 2023. Revolving credit, including credit cards and lines of credit, was behind this decrease. Non-revolving credit accelerated in November compared to previous months. All the same, consumer credit likely bounced back in December, as signalled by weekly banking credit data. This result would also be in line with the higher motor vehicle sales, solid retail sales figures and rising gas prices we've seen.

WEDNESDAY February 5 - 8:30

December	\$B
Consensus	0.23
Desjardins	3.30
November	-0.32

FRIDAY February 7 - 8:30

January	
Consensus	22,900
Desjardins	35,000
December	90,900

MONDAY February 3 - 5:00

January	y/y
Consensus	2.4%
December	2.4%

THURSDAY February 6 - 7:00

February	
Consensus	4.50%
Desjardins	4.50%
December 19	4.75%

SATURDAY February 8 - 20:30

January	y/y
Consensus	n/a
December	0.1%

CANADA

International trade (December) – Canada likely entered a trade surplus in December. The significant depreciation of the Canadian dollar probably impacted the trade balance, boosting nominal exports and imports. In contrast, we anticipate that Canadian import volumes fell, likely driven by a decline in motor vehicle sales. Indeed, US advance trade data also showed a notable decline in motor vehicles and parts. Our forecast contains a lot of uncertainty given the threat of US tariffs, which could lead to unexpected increases or decreases in the trade balance.

Net change in employment (January) – Hiring in the Canadian economy likely continued in December, with our estimate sitting at 35k new jobs created during the month. Population growth probably moderated further following the federal government’s goal of curtailing immigration. We anticipate that this slowdown in population growth will continue to gradually play out over the course of 2025. As a result of slower population growth, the estimated 35k newly created jobs would have been enough to keep the unemployment rate unchanged at 6.7% in January. The LFS revisions last week had a positive effect on unemployment, particularly in the important 25–54 age bracket. The unemployment data for this category now shows a decline of two ticks in December, the first month-over-month decrease since February. This demographic makes the largest per capita contribution to the Canadian economy and carries the majority of household debt, so we’ll be paying close attention to see if the unemployment rate for 25- to 54-year-olds continued to fall in January.

OVERSEAS


Eurozone: Consumer price index (January – preliminary) – After briefly dipping below the European Central Bank (ECB) target in September, inflation showed a bit more verve in the last few months of 2024. It rose from 1.7% in September to 2.4% in December, largely due to higher energy prices. Core inflation has proven to be more stable, holding at 2.7% for four months now. If inflation remains fairly close to target, ECB officials may decide to move ahead with gradual monetary easing.


United Kingdom: Bank of England meeting (February) – After holding interest rates steady in September, the Bank of England resumed monetary easing with two consecutive 25-basis-point cuts to its bank rate in November and December. We expect a similar cut to be announced on February 6. That’s also what the market expects. That said, we wonder how many cuts could follow. Market expectations point to a terminal rate near 4.00%. On the one hand, both core inflation and wage growth remain quite high in the United Kingdom. On the other hand, the economy seems to have lost the momentum it had earlier in the year. It will be interesting to see what’s in the latest Monetary Policy Report and what Governor Bailey signals.

China: Consumer price index (January) – While headline inflation slowed once again in December, core inflation instead rose to 0.4% after a 0.3% print in November. This is in line with China’s 1.6% non-annualized real GDP growth in the fourth quarter of 2024. Though economic conditions seem to have improved, there are still several forces at play that could undermine inflation and economic activity at the start of the year. China’s property market is still flailing, and the threat of US tariffs is sapping both business and consumer confidence. January’s inflation numbers will be one of the few indicators released during the Lunar New Year. They’ll give us a better idea of how the Chinese economy is faring.

Economic Indicators

Week of February 3 to 7, 2025

Day	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 3	10:00	Construction spending (m/m)	Dec.	0.2%	0.3%	0.0%
	10:00	ISM Manufacturing index	Jan.	49.3	50.6	49.2
	12:30	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
	---	Total vehicle sales (ann. rate)	Jan.	16,200,000	15,600,000	16,800,000
TUESDAY 4	10:00	Factory orders (m/m)	Dec.	0.5%	-1.0%	-0.4%
	11:00	Speech by Federal Reserve Bank of Atlanta President R. Bostic				
	19:30	Speech by Federal Reserve Vice Chair P. Jefferson				
WEDNESDAY 5	8:30	Trade balance – goods and services (US\$B)	Dec.	-80.4	-97.9	-78.2
	9:00	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	10:00	ISM Services index	Jan.	54.5	53.8	54.0
	13:00	Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	15:00	Speech by Federal Reserve Governor M. Bowman				
	19:30	Speech by Federal Reserve Vice Chair P. Jefferson				
THURSDAY 6	8:30	Initial unemployment claims	Jan. 27–31	n/a	213,000	207,000
	8:30	Nonfarm productivity – preliminary (ann. rate)	Q4	1.9%	0.8%	2.2%
	8:30	Unit labor costs – preliminary (ann. rate)	Q4	3.4%	2.6%	0.8%
FRIDAY 7	8:30	Change in nonfarm payrolls	Jan.	150,000	155,000	256,000
	8:30	Unemployment rate	Jan.	4.1%	4.1%	4.1%
	8:30	Average weekly hours	Jan.	34.3	34.3	34.3
	8:30	Average hourly earnings (m/m)	Jan.	0.3%	0.3%	0.3%
	9:25	Speech by Federal Reserve Governor M. Bowman				
	10:00	University of Michigan consumer sentiment index – prel.	Feb.	n/a	70.5	71.1
	10:00	Wholesale inventories – final (m/m)	Dec.	n/a	-0.5%	-0.5%
	12:00	Speech by Federal Reserve Governor A. Kugler				
	15:00	Consumer credit (US\$B)	Dec.	12.500	22.000	-7.489
CANADA						
MONDAY 3	---	---				
TUESDAY 4	---	---				
WEDNESDAY 5	8:30	International trade (\$B)	Dec.	0.23	3.30	-0.32
THURSDAY 6	---	---				
FRIDAY 7	8:30	Net change in employment	Jan.	22,900	35,000	90,900
	8:30	Unemployment rate	Jan.	6.8%	6.7%	6.7%

Note: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Standard Time (GMT -5 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of February 3 to 7, 2025

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
SUNDAY 2								
Japan	19:30	Manufacturing PMI – final	Jan.	n/a		48.8		
MONDAY 3								
Italy	3:45	Manufacturing PMI	Jan.	47.0		46.2		
France	3:50	Manufacturing PMI – final	Jan.	45.3		45.3		
Germany	3:55	Manufacturing PMI – final	Jan.	44.1		44.1		
Eurozone	4:00	Manufacturing PMI – final	Jan.	46.1		46.1		
United Kingdom	4:30	Manufacturing PMI – final	Jan.	48.2		48.2		
Eurozone	5:00	Consumer price index – preliminary	Jan.	-0.4%	2.4%	0.4%	2.4%	
Italy	5:00	Consumer price index – preliminary	Jan.	0.4%	1.4%	0.1%	1.3%	
TUESDAY 4								
Japan	19:30	Composite PMI – final	Jan.	n/a		51.1		
Japan	19:30	Services PMI – final	Jan.	n/a		52.7		
WEDNESDAY 5								
France	2:45	Industrial production	Dec.	-0.1%	-1.1%	0.2%	-1.1%	
Italy	3:45	Composite PMI	Jan.	49.7		49.7		
Italy	3:45	Services PMI	Jan.	50.5		50.7		
France	3:50	Composite PMI – final	Jan.	48.3		48.3		
France	3:50	Services PMI – final	Jan.	48.9		48.9		
Germany	3:55	Composite PMI – final	Jan.	50.1		50.1		
Germany	3:55	Services PMI – final	Jan.	52.5		52.5		
Eurozone	4:00	Composite PMI – final	Jan.	50.2		50.2		
Eurozone	4:00	Services PMI – final	Jan.	51.4		51.4		
United Kingdom	4:30	Composite PMI – final	Jan.	50.9		50.9		
United Kingdom	4:30	Services PMI – final	Jan.	51.2		51.2		
Eurozone	5:00	Producer price index	Dec.	0.5%	-0.1%	1.6%	-1.2%	
THURSDAY 6								
Germany	2:00	Factory orders	Dec.	2.3%	-10.5%	-5.4%	-1.7%	
Eurozone	5:00	Retail sales	Dec.	-0.1%	1.9%	0.1%	1.2%	
United Kingdom	7:00	Bank of England meeting	Feb.	4.50%		4.75%		
Mexico	14:00	Bank of Mexico meeting	Feb.	9.50%		10.00%		
India	23:30	Reserve Bank of India meeting	Feb.	6.25%		6.50%		
FRIDAY 7								
Germany	2:00	Trade balance (€B)	Dec.	17.0		19.7		
Germany	2:00	Industrial production	Dec.	-0.7%	-2.1%	1.5%	-2.8%	
France	2:45	Wages – preliminary	Q4	0.3%		0.4%		
SATURDAY 8								
China	20:30	Consumer price index	Jan.		n/a		0.1%	
China	20:30	Producer price index	Jan.		n/a		-2.3%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Standard Time (GMT -5 hours).