

WEEKLY COMMENTARY

Liberation Day: A Dark Day for the Global Economic Order

By Francis Génèreux, Principal Economist

With great pomp and circumstance, President Trump finally unveiled what will likely be the most impactful piece of economic policy of his second term—and indeed, of his entire presidency. Of course, we can expect further tax cuts, and maybe even other relatively important measures, but those are standard fare for sitting presidents. But with Wednesday’s trade policy announcements, Trump has all but singlehandedly broken the global economic order that has been in place since the end of World War II.

The president was undoubtedly quite pleased with himself. This was, after all, “Liberation Day.” Market reactions to the announcement may be sobering, but Trump’s protectionist beliefs seem truly unshakeable at this point. His entourage may be a bit more nervous, though, as may Congress. We’ll see if these convictions waver sooner or later ... and what real effects these tariffs and any retaliatory measures have on the US economy in the meantime.

“Reciprocal” Tariffs

Before we dive into the consequences, let’s look at what Trump announced from the White House Rose Garden. After listing the many evils that have resulted from international trade and his predecessors’ mismanagement of the country, the president announced that he would be invoking the International Emergency Economic Powers Act and applying tariffs on all US trading partners. The tariffs range from 10% to 50%. Imports from China will therefore now be subject to a 34% tariff—on top of the two rounds of 10% tariffs that were

announced in response to the fentanyl crisis.¹ Imports from the European Union will be tariffed at 20%, Japan’s imports at 24%, South Korea’s at 25%, et cetera. According to the White House, these tariffs represent roughly half of what the US administration considers “tariffs charged to the USA including currency manipulation and trade barriers.” But these figures have little basis in reality, and the calculations don’t seem to have any real connection to the tariffs and barriers imposed by other countries.² All countries that have a trade surplus with the United States (including the United Kingdom, Brazil, Australia and others) will have a new tariff of at least 10% levied against them. The effective tariff being imposed on all US imports is expected to climb from 2.3% in 2024 to 24.5%.³ This is the highest it’s been since before the First World War (graph 1 on page 2).

The executive order signed by the president on Wednesday states that a 10% tariff will be applied to all affected countries on Saturday, April 5, and the remaining tariff percentages will come into effect starting April 9.

¹ Potentially in addition to a 25% tariff being levied against importers of Venezuelan oil.

² Most of these tariff percentages look like they were determined through simple division: The US trade deficit with that country (if there is one) is used as the numerator, and the amount the US imports from that country is used as the denominator.

³ Preliminary estimate. Based on the level of imports in 2024, without considering any exemptions or special tariffs and excluding the negative effects that tariffs may have on imports.

CONTENTS

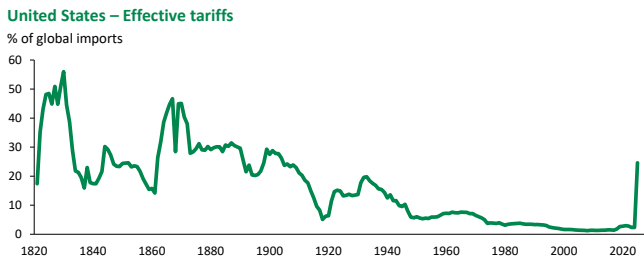
Musing of the Week	1	What to Watch For	3	Economic Indicators	4
--------------------------	---	-------------------------	---	---------------------------	---

Jimmy Jean, Vice-President, Chief Economist and Strategist • Randall Bartlett, Deputy Chief Economist
 Benoit P. Durocher, Director and Principal Economist • Royce Mendes, Managing Director and Head of Macro Strategy
 Mirza Shaheryar Baig, Foreign Exchange Strategist • Marc-Antoine Dumont, Senior Economist • Tiago Figueiredo, Macro Strategist
 Francis Génèreux, Principal Economist • Florence Jean-Jacobs, Principal Economist • Kari Norman, Economist • Oskar Stone, Analyst
 LJ Valencia, Economic Analyst

Desjardins Economic Studies: 514-281-2336 or 1-866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

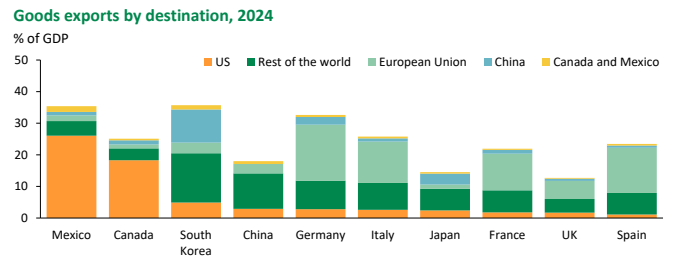
NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively. **IMPORTANT:** This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. Data on prices and margins is provided for information purposes and may be modified at any time based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. Unless otherwise indicated, the opinions and forecasts contained herein are those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2025, Desjardins Group. All rights reserved.

Graph 1
US Effective Tariffs Have Skyrocketed



U.S. Census Bureau, U.S. International Trade Commission, Douglas W. Irwin, Peterson Institute for International Economics and Desjardins Economic Studies

Graph 2
European Economies Are Less Reliant on US Demand



Organisation for Economic Co-operation and Development and Desjardins Economic Studies

These tariffs do not apply to goods already affected by other decisions, including the 25% tariff on automobiles, steel and aluminium. There are also other exceptions for goods that will probably be subject to other decisions (copper, pharmaceuticals, semiconductors, lumber, certain critical minerals, energy).

What About Canada?

For once, Trump seems content to leave Canada (and Mexico) out of it. There were no new tariffs announced for US imports of Canadian and Mexican goods. The previously announced tariffs remain in effect, and as a happy surprise, the exemption for CUSMA-compliant goods is being maintained. That being said, Canadian exports that aren't CUSMA-compliant are still subject to the tariffs imposed in response to the fentanyl crisis (25% on all goods, with a 10% carveout for energy and potash). If the president revokes (or Congress overturns) the February 1 executive order linking tariffs to the fentanyl trade, Canada and Mexico will be hit with tariffs of 12% on non-CUSMA compliant goods instead of 25%. Meanwhile a 25% tariff on the non-US content of Canadian and Mexican automobiles came into effect on Thursday.

The Consequences

First and foremost, this week's announcements don't diverge significantly from the assumptions used in our [March Economic and Financial Outlook](#). In fact, the situation may even be slightly less negative for Canada: the CUSMA exemptions are being maintained, whereas we expected them to end. That said, economic conditions here and in the United States could still deteriorate, and there's still a good chance that both countries will slide into a technical recession over the coming quarters.

The rest of the world will not be spared, but the severity of the setbacks will vary from country to country. While European countries will still be affected, they are far less dependent on US demand than we are (graph 2). The protectionist measures levied against Chinese goods are so large that it would be surprising if the country made it through unscathed, especially

since its own economy has improved but remains fragile. Other emerging economies in Asia are also being hit by tariffs of over 35%. This includes Vietnam, which is the United States' fifth-largest exporter, sending more than US\$141B in goods to the United States in 2024. It will now face rather gargantuan tariffs of 46%.

And while tariffs have a direct impact, they also do collateral damage. It's been clear for some time now that Trump's protectionist stance has been fuelling uncertainty, which has in turn caused problems in the United States and around the world. At best, Wednesday's announcements give us some insights into a fairly bleak situation. However, it would be surprising if this were the last of it. We can expect a wave of reprisals, some of which have already been announced. Canada has imposed 25% tariffs on the non-Canadian portion of automobiles imported from the US, and China has announced 34% tariffs on imports from the United States. Other countries are also expected to retaliate. But on the other hand, further trade negotiations could bring about positive developments. It will also be interesting to see if this new distance with the United States leads to greater solidarity between other countries. And finally, Trump being who he is, we can't rule out the possibility that further tariffs are ahead of us. The situation therefore remains fluid.

We'll also need to see how the markets and businesses worldwide react in the weeks ahead, as well as in the longer term. Confidence was already shaky in many places, but will it deteriorate further? How severely will supply chains be disrupted? How will inflation evolve—not just in the United States, but also around the world? There are still many unknowns and many risks.

Breaking away from 70 years of global economic order can't be done without making a mess.

What to Watch For

THURSDAY April 10 - 8:30

March	m/m
Consensus	0.1%
Desjardins	0.1%
February	0.2%

FRIDAY April 11 - 10:00

April	
Consensus	55.0
Desjardins	53.0
March	57.0

WEDNESDAY April 9 - 21:30

March	y/y
Consensus	0.1%
February	-0.7%

FRIDAY April 11 - 2:00

February	m/m
Consensus	0.1%
January	-0.1%

UNITED STATES

Consumer price index (March) – After several months of rather worrisome results, the consumer price index (CPI) posted relatively modest growth in February. Even core CPI, which excludes food and energy, grew at a slower pace in February (+0.2%) than in January (+0.4%). We expect that total CPI growth remained modest in March, due primarily to gasoline prices. Nationally, pump prices fell an average of 0.9%, but since they typically rise significantly in March, the seasonally adjusted figure will likely be down sharply. However, we expect that the other CPI components rose at a faster rate. Prices may already have started climbing because of increased tariffs on imports from China and partial tariffs on imports from Mexico and Canada. However, the full impact of the Trump administration's trade policy will likely be felt later in 2025. For core CPI, we anticipate a 0.3% rise following the 0.2% gain recorded in February. We see total CPI edging up a mere 0.1%. Year-over-year, headline inflation probably inched down from 2.8% to 2.6%, while core inflation likely held steady at 3.1%.

University of Michigan consumer sentiment index (April – preliminary) – US consumers are worried. The University of Michigan consumer sentiment index has shed 19.9 points since November and in March reached its lowest level since January 2021. And the consumer expectations component—which is the component most closely correlated with future consumer spending—hit its lowest point since 2013. Things certainly haven't improved since mid-March. The preliminary April print of the University of Michigan index will be based on survey results collected between March 25 and April 7. During this period, the Trump administration's trade policy dominated the headlines, and there were no announcements that might have quelled consumer concerns about prices. Uncertainty has continued to rattle the stock markets, which suffered heavy losses following the announcement of reciprocal tariffs. Cuts to the federal government also seem to be undermining confidence. Plus, gas prices have increased slightly in recent weeks. But the labour market seems to be holding up well for now, which could provide households with a certain degree of support. We nonetheless expect the University of Michigan index to slide lower in April.


OVERSEAS


China: Consumer price index (March) – Headline inflation surprised to the downside, with prices falling at an annualized pace of 0.7% in February. This deflation was mainly attributable to a sharp decline in the food component (-3.3%), and beef in particular (-13.3%). The data were probably influenced by the fact that Lunar New Year festivities took place early this year and fell entirely in January, causing an abnormal seasonal price contraction in February. Although China has re-entered a deflationary cycle, the rise in the Manufacturing and Non-Manufacturing PMIs was a more encouraging sign for March.

United Kingdom: Monthly GDP (February) – The UK economy ended 2024 on a high note, with monthly GDP expanding 0.4%, its fastest pace in nine months. However, the tide turned in January 2025, as GDP contracted 0.1% due in large part to a slowdown in manufacturing and construction activity. We expect to see a better performance in February. The Manufacturing PMI rose during the month, and retail sales were also up 1.0%.

Economic Indicators

Week of April 7 to 11, 2025

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 7	10:30	Speech by Federal Reserve Governor A. Kugler				
	15:00	Consumer credit (US\$B)	Feb.	15.000	8.000	18.084
TUESDAY 8	14:00	Speech by Federal Reserve Bank of San Francisco President M. Daly				
WEDNESDAY 9	10:00	Wholesale inventories – final (m/m)	Feb.	n/a	0.3%	0.3%
	11:00	Speech by Federal Reserve Bank of Richmond President T. Barkin				
	14:00	Release of the Federal Reserve’s meeting minutes				
THURSDAY 10	8:30	Initial unemployment claims	Mar. 31–Apr. 4	n/a	224,000	219,000
	8:30	Consumer price index				
		Total (m/m)	Mar.	0.1%	0.1%	0.2%
		Excluding food and energy (m/m)	Mar.	0.3%	0.3%	0.2%
		Total (y/y)	Mar.	2.6%	2.6%	2.8%
		Excluding food and energy (y/y)	Mar.	3.0%	3.1%	3.1%
		12:00 Speech by Federal Reserve Bank of Chicago President A. Goolsbee				
	12:30 Speech by Federal Reserve Bank of Philadelphia President P. Harker					
	14:00	Federal budget (US\$B)	Mar.	n/a	n/a	-236.6
FRIDAY 11	8:30	Producer price index				
		Total (m/m)	Mar.	0.2%	0.0%	0.0%
		Excluding food and energy (m/m)	Mar.	0.3%	0.3%	-0.1%
	10:00	University of Michigan consumer sentiment index – prel.	Apr.	55.0	53.0	57.0
	10:00	Speech by Federal Reserve Bank of St. Louis President A. Musalem				
11:00	Speech by Federal Reserve Bank of New York President J. Williams					
CANADA						
MONDAY 7	10:30	Release of the Bank of Canada’s Business Outlook Survey				
TUESDAY 8	---	---				
WEDNESDAY 9	---	2025 Newfoundland and Labrador Budget				
THURSDAY 10	---	---				
FRIDAY 11	8:30	Building permits (m/m)	Feb.	n/a	-0.5%	-3.2%

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 Daylight Time (GMT -4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of April 7 to 11, 2025

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
MONDAY 7								
Japan	1:00	Leading index – preliminary	Feb.	107.8		108.3		
Japan	1:00	Coincident index – preliminary	Feb.	116.7		116.1		
Germany	2:00	Trade balance (€B)	Feb.	18.5		16.0		
Germany	2:00	Industrial production	Feb.	-1.0%	-3.6%	2.0%	-1.6%	
Eurozone	5:00	Retail sales	Feb.	0.5%	1.9%	-0.3%	1.5%	
Japan	19:50	Current account (¥B)	Feb.	2,739.5		1,937.5		
TUESDAY 8								
France	2:45	Trade balance (€M)	Feb.	n/a		-6,540		
France	2:45	Current account (€B)	Feb.	n/a		-2.2		
New Zealand	22:00	Reserve Bank of New Zealand meeting	Apr.	3.50%		3.75%		
WEDNESDAY 9								
India	0:30	Reserve Bank of India meeting	Apr.	6.00%		6.25%		
Japan	1:00	Consumer confidence	Mar.	34.8		35.0		
Japan	19:50	Producer price index	Mar.	0.2%	3.9%	0.0%	4.0%	
China	21:30	Consumer price index	Mar.		0.1%		-0.7%	
China	21:30	Producer price index	Mar.		-2.3%		-2.2%	
THURSDAY 10								
Italy	4:00	Industrial production	Feb.	-1.0%	-1.7%	3.2%	-0.6%	
FRIDAY 11								
Germany	---	Current account (€B)	Feb.	n/a		11.8		
United Kingdom	2:00	Trade balance (£M)	Feb.	1,400		-596		
United Kingdom	2:00	Construction	Feb.	0.1%	1.7%	-0.2%	0.2%	
United Kingdom	2:00	Index of services	Feb.	0.1%		0.1%		
United Kingdom	2:00	Monthly GDP	Feb.	0.1%		-0.1%		
United Kingdom	2:00	Industrial production	Feb.	0.1%	-2.3%	-0.9%	-1.5%	
Germany	2:00	Consumer price index – final	Feb.	0.3%	2.2%	0.3%	2.2%	

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 Daylight Time (GMT -4 hours).