

Trumponomics: Why the Predicted US Economic Crash Hasn't Happened Yet

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Trumponomics Latest News

- Six months after US President Donald Trump's sweeping tariff hikes, the predicted economic collapse has not materialised.
- The S&P 500 is about 10% higher since "Liberation Day," and the dollar, after dipping, has recently strengthened.
- Despite tariffs on almost all major trading partners, consumer prices in the US have not spiked significantly.
- The muted inflation response raises the key question: will tariffs trigger only a one-time price jump, or lead to prolonged inflationary pressure?
- This article examines the unexpectedly modest short-term economic impact of "Trumponomics," specifically the aggressive tariff strategy implemented by President Trump.

Tariff Magnitude and Global Reach

- The US has increased tariffs significantly on virtually all trading partners — 15% on economies like the EU, Japan, and South Korea, and 35–50% on countries such as Canada, Switzerland, Brazil, and India.
- With January's average tariff at 3%, current rates could average 15–20%, a shift that is inherently inflationary even if importers or retailers absorb some of the costs.

US Economy's Current Resilience Amid High Tariffs

- The US economy has retained stability despite higher import duties, largely because President Trump inherited a growing economy with over 2% GDP growth, near full employment, and low inflation.
- Stock markets have also been buoyed by the booming artificial intelligence sector, significantly boosting tech company earnings and market sentiment.
- Importers accelerated shipments ahead of tariff enforcement, meaning many goods currently on shelves are not yet affected by higher duties.
- Additionally, Trump's repeated waivers and deadline extensions have delayed the full impact of tariffs.
- **Warning Signs in the Labour Market**
 - Despite overall resilience, labour market data shows weakness.
 - In July, non-farm payrolls rose by only 73,000, with significant downward revisions for May and June.
- **Risks Ahead: Inflation and Job Losses**
 - While inflation has not surged yet, higher import costs are expected to filter into prices, potentially denting consumer demand and slowing job creation.
 - The Fall-Winter/Christmas season could reveal these strains, influencing voter sentiment ahead of midterm elections.

Signs of a Looming US Economic Slowdown

- Inflationary effects are becoming evident, with major retailers like Costco and Walmart raising prices on appliances, furniture, tools, and children's items.
- These increases indicate that higher import costs from tariffs are starting to filter through to consumers.
- US GDP grew at an annualised 3% in Q2 2025, rebounding from a 0.5% contraction in Q1.
- However, this surge was largely due to strong consumer spending on goods imported in advance of tariffs. This temporary boost raises concerns about a sharp slowdown in the coming quarters.

Fiscal Concerns and Rising Treasury Yields

- Trump's **tax bill has sparked worries about the US deficit**.
- These concerns were reflected in the recent rise in Treasury yields following a weak \$42 billion bond auction.
- The 10-year note yield rose to 4.22%, and the 30-year bond yield climbed to 4.813%, signalling investor apprehension.
- The US Federal Reserve faces a dual challenge: **balancing the need to contain inflation without exacerbating weaknesses in the job market**.
- Keeping interest rates high could stabilise prices but also risk further employment slowdown.
- With inflation expected to rise and job creation likely to taper, the Fed's policy decisions are under intense scrutiny.

High Tariffs Likely to Persist Beyond Trump

- The latter half of 2025 is expected to be more volatile, with Trump's unpredictable tariff policies beginning to influence long-term pricing decisions.
- In this new trade environment, companies will thrive not only through innovation or efficiency, but also by navigating the tariff framework skillfully and lobbying effectively for government concessions.
- The resulting heavy spending on lobbying will make it politically and economically challenging to dismantle these tariffs, even if a future administration desires to do so.
- Consequently, the US is likely to maintain a high-tariff trade stance well beyond Trump's tenure.

Source: IE | TAP

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