

RBA Quick Insights

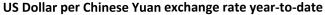


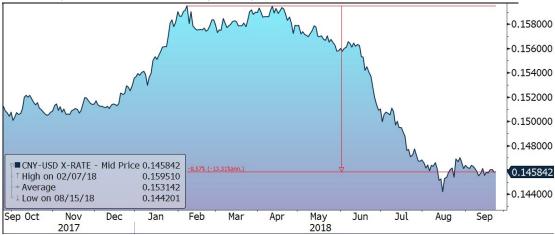
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Putting big, scary tariff numbers into context

Well, that escalated quickly

Under Section 301 (unfair trade practices), the US has increased the scope of its tariffs from \$50bn to \$250bn worth of Chinese imports (roughly half of the total imports from China). While the rate on the latest round of tariffs starts at 10%, it is set to rise to 25% in January. All else equal, the total cost of 25% on \$250bn represents about 0.44% of China's GDP. But all else is not equal. Whether by policy or by market forces, China's currency has depreciated by 9% since the February high.





Source: Bloomberg

As a result, the net cumulative increase in the price of Chinese goods is closer to 14% rather than 25% (more than a 40% haircut). While still significant, the net cost as a percent of China's GDP falls from 0.44% to 0.25%.

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Gross impact

Adj for FX

Previous 25% tariffs on \$50bn of Chinese imports



0.09%

0.0

Including 25% tariffs on additional \$200bn



0.44%



0.25%

- Previous cost of tariffs (% of China GDP)
- Including 25% on additional \$200bn of proposed tariffs (% of China GDP)

Source: Richard Bernstein Advisors, LLC

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