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REAL ESTATE LAW

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Prepare for slower growth and higher inflation as the president seeks to revise the global trade system through sweeping tariffs on virtually all U.S. imports. He is promising short-term pain for long-term gain. We agree on the short term. The long term is murkier.

## Economic Forecasts

**GDP growth** NEW
1.7% in '25,
down from 2.8% in '24

**Interest rates** NEW
10-year yield dipping below 4.0%
as economy slows

**Inflation** NEW
5.0% at end '25,
up from 2.9% at end '24

**Unemployment** NEW
4.5% at end '25,
up from 4.1% at end '24

**Crude oil** NEW
Trading around $70 per barrel
this spring

**Motor vehicle sales**
15.4 million cars & light trucks in '25,
down from 15.8 million in '24

**APRIL 6 2025 - LOPT MARKET & NEWS UPDATE**

**TARIFFS**

Given the highest U.S. tariffs in a century... Prices of many goods will turn higher. Sellers of imported goods will absorb some of the new duties and pass along the rest to their overseas suppliers and to U.S. consumers. The exact breakdown will vary by product and industry, but the trend is inflationary.

Overall inflation could hit 5% by year-end, up from 2.8% in Feb., but not as bad as the 9% peak that the economy endured in 2022. Still, for businesses and consumers alike, steeper price hikes will hurt.

Spending will suffer, at the retail level because shoppers' dollars won't stretch as far now, and among businesses because of the uncertainty about how long the tariffs will last. The White House wants companies to invest in new manufacturing here. Some will...indeed, some already are...but other firms are likely to hold off. Building new factories is costly and can take years, a major risk if tariffs then get reversed by Trump or his successor.

Recession doesn't appear imminent. But there is a real threat of stagflation... the dreaded combo of slow growth and stubbornly high inflation, last seen in the '70s.


Of course, the exact impact of the new tariffs depends on reactions to them. Trade partners must decide whether to negotiate, stand pat or push back. We expect a mix of reactions there. China will almost certainly retaliate. It faces the highest combined duties, well over 50%. And while the U.S. is a key market that China can ill afford to lose, Beijing also can't afford to appear cowed by Trump. Look for it to respond by targeting sensitive U.S. products, especially foodstuffs.

The European Union may well also push back as it faces 20% U.S. duties.

For now, Australia, India and possibly the U.K. appear unlikely to retaliate.

Smaller countries facing steep tariffs may have no choice but to negotiate by dropping their own duties on U.S. goods. Vietnam, for instance, depends heavily on exports to the U.S., and now faces a punishing 46% rate. That may be unbearable.

Mexico and Canada, spared new duties, may also look to make deals. USMCA, the free-trade pact Trump made with them in his first term, is up for renewal in 2026. He appears open to extending it, if he gets concessions on migration and other issues.

The big question: Will Trump succeed and bring back U.S. manufacturing? He is determined to try. But there are limits to what any president can do. Consumers are also voters, and even voters who support him may blanch at the cost tariffs will add to what they buy. Some foreign leaders will bet we can't take the pain.