



## PRESS RELEASE

### **United States: A hotly contested election could lead to economic overheating**

**Singapore, November 5<sup>th</sup>, 2024 – Nobody can predict Tuesday's result. However, it will undoubtedly have major implications for trade, taxes, and interest rates. In all likelihood, the US economy's tendency to overheat could intensify.**

#### **Uncertainty reigns, from the Oval Office to Capitol Hill**

On November 5<sup>th</sup>, Americans will head to the polls to decide between former President Donald Trump (Republican) and sitting Vice President Kamala Harris (Democrat). The outcome hinges on a few key "swing states" where no clear favorite has emerged. In addition to the presidency, control of Congress is at stake: Republicans need only two seats to reclaim the Senate, while Democrats need a net gain of four to take back the House. A divided Congress is likely, though a trifecta – control of both chambers and the presidency by one party – remains possible.

#### **Protectionism and trade risks**

A second Trump presidency would result in the most impactful escalation in protectionist policies in recent memory. The Republican candidate wants to apply a 60% tariff on all imports from China, and, crucially, a blanket 10-20% tariff on imports from all trading partners, allies or not. This would come as a substantial cost to American businesses and consumers, and heavily disrupt global value chains.

In contrast, Harris would likely continue a more strategic and measured approach to trade, focusing on targeted restrictions, especially concerning China. However, trade tensions are expected to persist, especially in the technology and energy sectors.

#### **Diverging fiscal visions**

Harris and Trump present significantly different fiscal policies. Harris aims to raise taxes on corporations and the wealthy, offering tax relief to lower-income families. Her platform emphasizes public investment in green infrastructure and social programs, seeking to reduce income inequality.

Trump's fiscal strategy focuses on extending and deepening the 2017 tax cuts, including lowering the corporate tax rate to 15%. His approach includes deregulation to spur economic growth, but it could also significantly widen the federal deficit, increasing the risk of economic overheating.



### **Inflation and economic uncertainty**

Both candidates' platforms involve substantial public spending, raising concerns about inflation and interest rates. With household consumption strong, increased deficit spending could drive inflation up, forcing the Federal Reserve to tighten monetary policy and raise interest rates.

Despite these risks, the U.S. dollar will remain the global reserve currency, ensuring favorable financing conditions for the country. However, should the Fed's independence come under threat in a second Trump term, confidence in U.S. monetary policy could waver, increasing global economic uncertainty.

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