

To the point!



Cross-Asset- and Strategy-Research

Trump or Harris? The mother of elections

Germany must hope for a victory for the Democrat candidate

The time has finally come. On Tuesday, after a seemingly endless election campaign full of dramatic scenes such as assassination attempts and candidate resignations, things are now going down to the wire. It is still unclear who will reside in the White House in the future. However, Donald Trump is currently the clear favorite and has taken a lead in most swing states. He has the momentum on his side. Figure 1 shows the probability of a Trump victory as measured by the LBBW Trump-O-Meter, which takes polls, betting odds, and our own expert opinions into account. The trend speaks for itself.

Trump's love for tariffs

Tariffs to curb imports into the U.S. are a central plank in Donald Trump's economic policy strategy, or at least in his economic policy ruminations. Trump sees global trade as a zero-sum game. What one man wins, the other must lose. Of course, anyone who has attended Economics 101 knows that this interpretation is fundamentally mistaken. Trade, including cross-border trade, benefits everyone involved. But for Trump, the US trade deficit means that surplus countries are exploiting hard-working U.S. families. And with the trade deficit running at around \$ 100 billion a month, this imbalance is a big (perceived) problem for Team Trump.

This is why Trump keeps repeating in election campaign speeches and media interviews that all imports into the USA will be subject to a general tariff of between 10 % and 20 %, irrespective of product or origin. Imports from China, a particular Trumpian bugbear would even be slapped with a 60 % general tariff. In a [TV interview](#), Trump recently stated that "tariffs" was

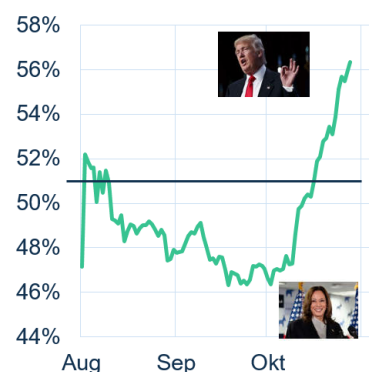
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Donald Trump is the favorite

Figure 1: The LBBW Trump-O-Meter
(Probability of a Trump election victory)



Source: LBBW Research

not only his absolute favorite word in the dictionary (ahead of "love" or anything else!). But he went further claiming that tariffs could also replace income taxes altogether (no, they can't, because this would cause a fiscal meltdown).

There is nothing ambivalent here: if Trump wins, he wants to erect high tariff walls. A global trade war looms. Since Congress has largely delegated its right to impose tariffs to the executive branch, a president Trump could turn his announcements – or better: threats – quickly and smoothly into action.

A trade conflict means recession in Germany

Germany is a particularly open and export-dependent (we used to say "export-strong") economy. Almost half of the value-added produced in this country is sold across national borders. By comparison, the export ratio in the United States is mere 12 % of GDP. Hence Germany has a lot to lose. Exports to the U.S. alone account for close to 4 % of Germany's GDP. With exports amounting to € 158 billion in 2023, the USA was by far the most important destination for our exports (see Figure 2).

With a monthly export surplus of \$ 7 billion, Germany is likely to infuriate a President Trump particularly. Only China and Mexico, the latter in a free trade zone with the U.S., have larger surpluses. However, higher tariff walls also mean that German companies will invest even more in the U.S. to produce behind the tariff walls in order to remain competitive in serving the local market.

All in all, under the scenario that Trump puts his tariff announcements into practice, there is a threat of a tangible recession in Germany in 2025, of up to minus 2 %. Anyone who cares about the German economy should therefore keep their fingers crossed for Kamala Harris on Tuesday night!

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Congress has delegated trade policy to the White House

Figure 2: The top 5 export destinations in Germany (2023, Billion Euros)



Source: [Destatis](#)

Recession of - 2% possible