

A nighttime photograph of a city skyline, likely New York City, with several skyscrapers illuminated. In the foreground, there are vibrant, colorful light trails from traffic, creating a sense of motion. The sky is dark blue with some vertical streaks of light.

The Impact of Tariffs on World GDP by Region

October
2025



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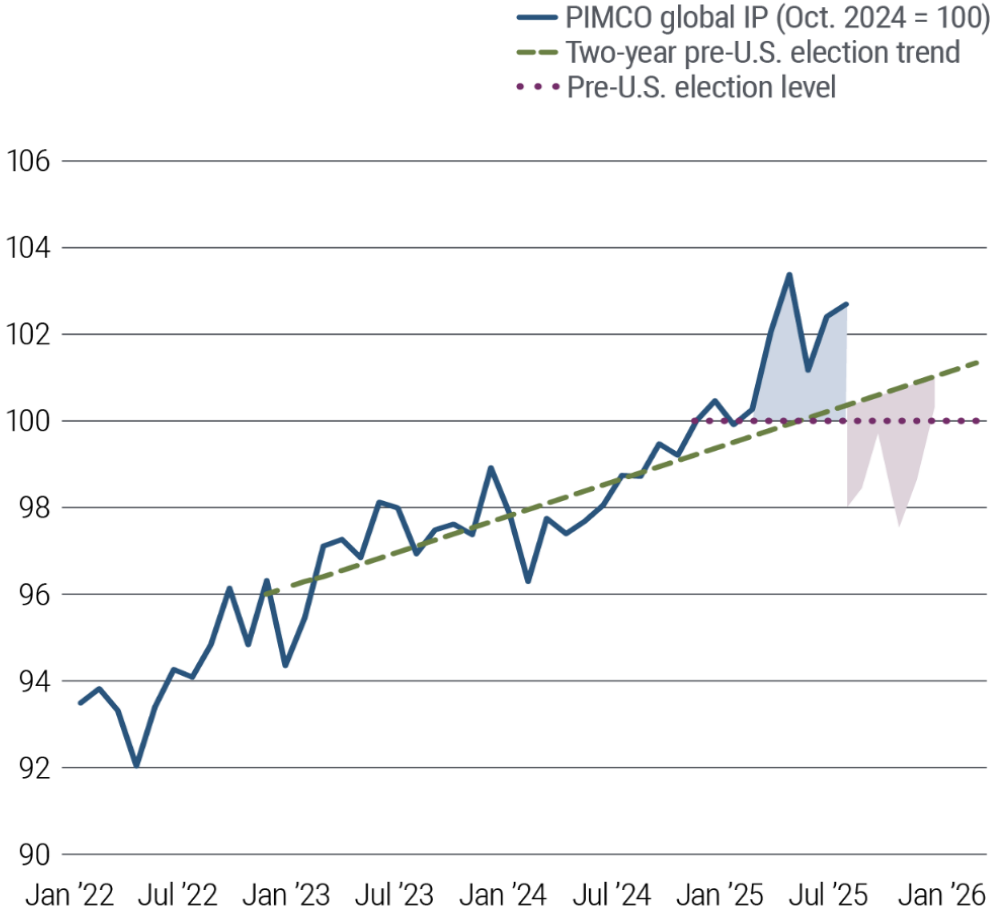


The Worldwide Impact of Tariffs Today

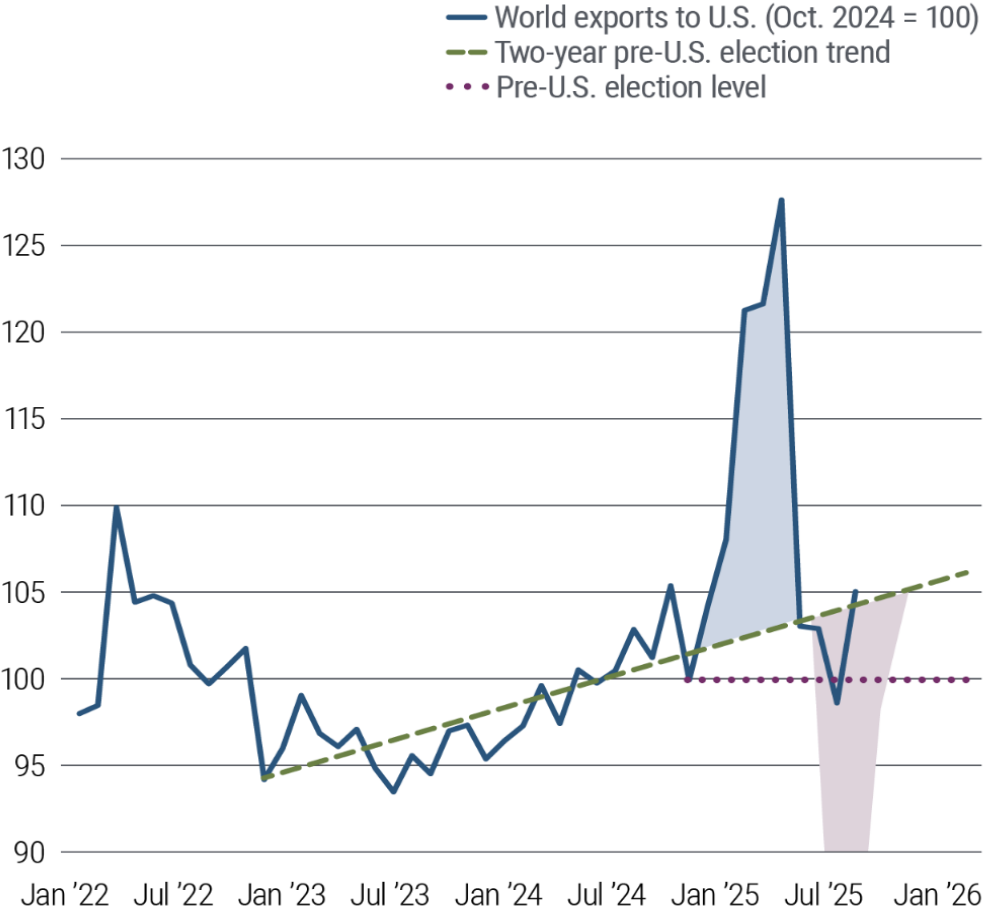
01

Exports to the US Increased Substantially Pre-New U.S. Tariffs Activation

PIMCO global industrial production



World exports to U.S.

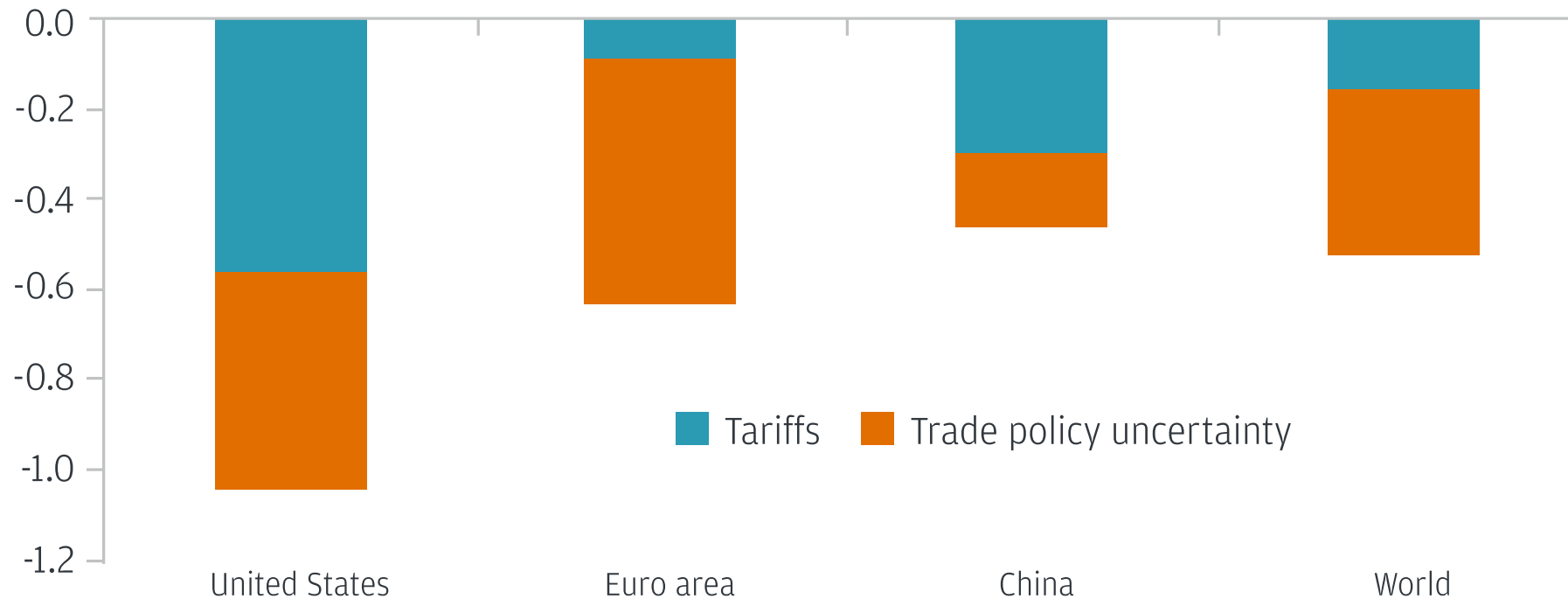


Source: Haver Analytics and PIMCO Calculations as of August 2025



The Impact of US Tariffs and Trade Policy Uncertainty Could Weigh on Both U.S. and Global GDP

%-pt change in GDP through 2026



Source: IMF, J.P. Morgan

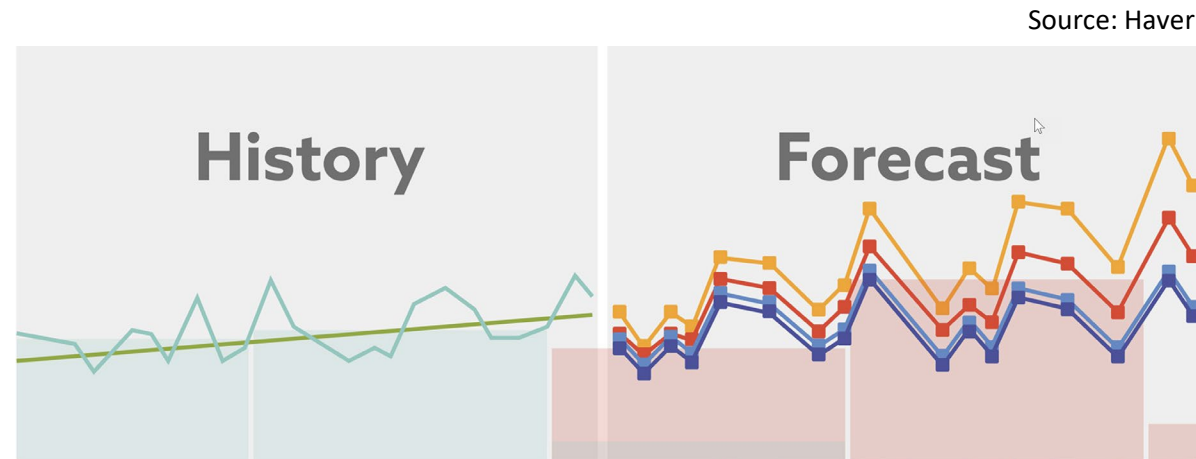


Supply Chains in Manufacturing Will Witness Serious Disruptions Due to New Tariffs

There will be a major focus in the foreseeable future on supply chains, as disruptions of different kinds are expected to occur more frequently. For instance, companies have experienced how climate-induced disruptions such as floods, wildfires and hurricanes can severely affect their global supply chains.

At the same time, geopolitical tensions add uncertainty to raw material availability and prices, furthering reduced access to manufacturing or distribution facilities.

Probabilistic planning is the key to managing uncertainty. This requires details to identify the parameters most susceptible to uncertainty, such as supplier reliability and transport lead times, to find mitigation solutions.



High-Tariff Scenario: U.S. Tarriff Increases by Country/Group and Sector After Adjusting for Exemptions (percentage points)

Sector	Argentina	Australia	Brazil	Canada	China	France	Germany	Indonesia
Energy	10.0	10.0	10.0	5.6	65.0	20.0	20.0	32.0
Mining	10.0	10.0	10.0	5.6	65.0	20.0	20.0	32.0
Agriculture	10.0	10.0	10.0	5.6	65.0	20.0	20.0	32.0
Durable manufacturing	16.0	11.9	14.3	8.5	60.9	20.7	22.1	31.2
Nondurable manufacturing	10.0	10.0	10.5	5.5	64.8	20.1	20.1	31.6
	India	Italy	Japan	Mexico	Russia	Saudi Arabia	South Africa	South Korea
Energy	26.0	20.0	24.0	2.5	0	10.0	30.0	25.0
Mining	26.0	20.0	24.0	2.5	10.0	10.0	30.0	25.0
Agriculture	26.0	20.0	24.0	2.5	10.0	10.0	30.0	25.0
Durable manufacturing	25.8	21.2	24.5	6.0	10.1	15.8	28.9	25.0
Nondurable manufacturing	26.0	20.0	24.1	2.4	10.0	10.0	29.9	25.0
	Turkey	United Kingdom	Rest of Asia	Rest of Eurozone	Other advanced economies	Other oil-exporting economies	Rest of world	
Energy	10.0	10.0	14.5	20.0	16.0	22.0	18.8	
Mining	10.0	10.0	39.5	20.0	17.9	25.9	15.8	
Agriculture	10.0	10.0	41.2	20.0	12.0	10.7	12.4	
Durable manufacturing	13.9	15.2	32.6	21.8	27.0	17.6	20.0	
Nondurable manufacturing	10.3	10.1	31.0	20.1	25.9	15.6	21.5	

Source: PIIE

It's obvious that China and other Asian countries are the most affected by the Trump tariffs.

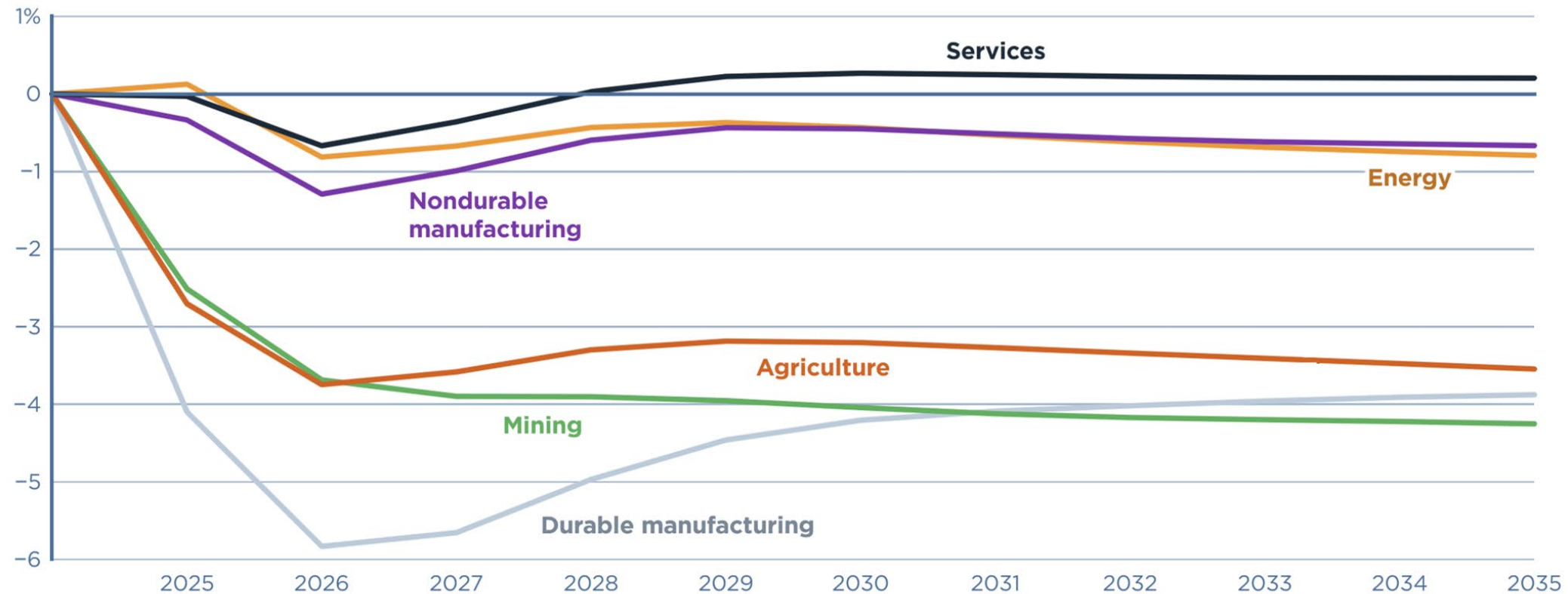
On the other side, GCC and mainly Saudi Arabia are less directly impacted by the tariffs.



Manufacturing Sector is Going to Have the Highest Downside Effect

US employment would be lower than otherwise in five sectors under US tariffs as of September 11, 2025

Projected percent change from baseline in US employment in six sectors under US tariffs, 2025-35



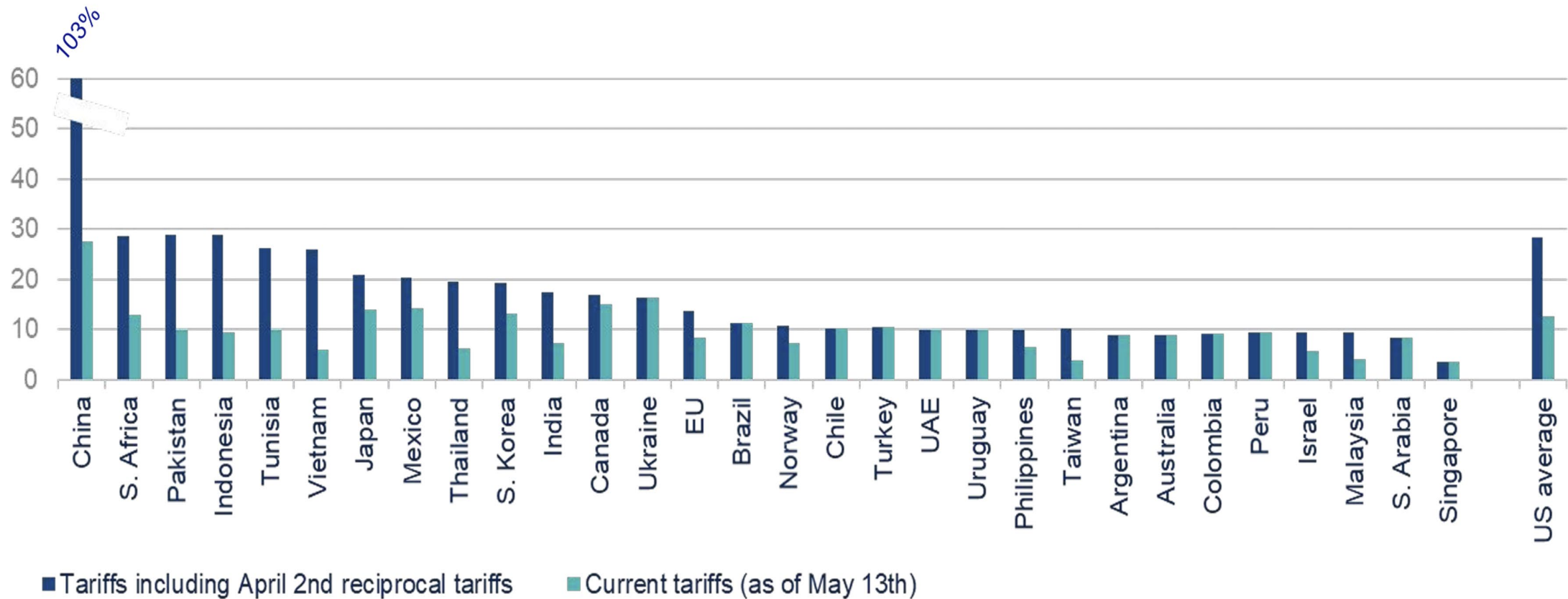
Notes: Employment measured as hours worked.

Source: PIIE



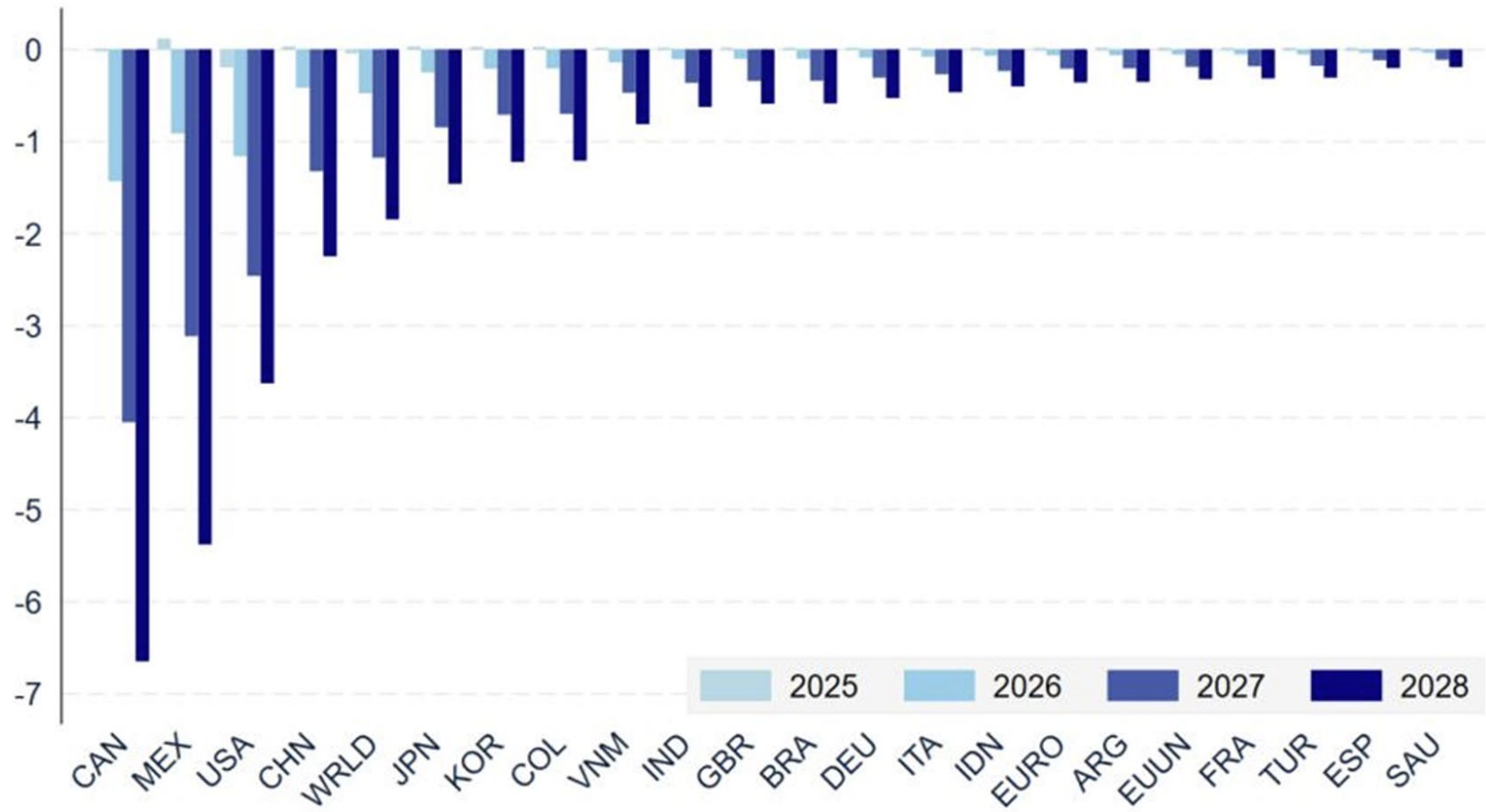
China and other Asian & African Regions Will Witness a Tough Impact on their GDPs

US Bilateral Tariffs: Estimated Increase Since the Beginning of 2025 until May 13, 2025 (%-pt)



Long Term Impact is Even Worse

Current Simulation: Cumulative Impact on GDP in Different Periods – Linear Model (%-pt)



Source: BBVA Research



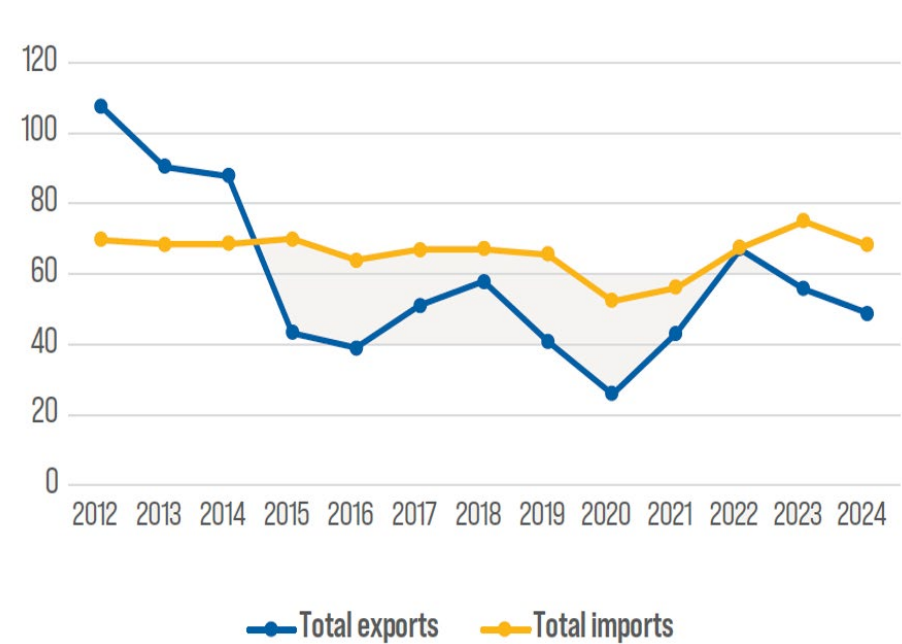
U.S. Tariffs on its Major Trading Partners Tend to Reduce US GDP; Raise Inflation and Price Indexes in the World

Current Simulation: Cumulative Impact on GDP in Different Periods – Linear Model (%-pt)

Country/group	Durable manufacturing		Nondurable manufacturing		Country/group	Durable manufacturing		Nondurable manufacturing	
	High tariffs	Low tariffs	High tariffs	Low tariffs		High tariffs	Low tariffs	High tariffs	Low tariffs
Australia	0.40	0.18	0.15	0.07	Saudi Arabia	0.20	0.11	0.05	0.03
Brazil	0.23	0.10	0.08	0.03	South Africa	0.31	0.16	0.16	0.08
Canada	0.50	0.17	0.15	0.06	South Korea	0.36	0.13	0.11	0.05
France	0.36	0.16	0.13	0.06	Turkey	0.71	0.32	0.27	0.13
Germany	0.52	0.22	0.17	0.08	United Kingdom	0.39	0.17	0.16	0.07
India	0.21	0.10	0.06	0.03	United States	-1.83	-0.9	-0.52	-0.19
Indonesia	0.24	0.13	0.10	0.05	Rest of Asia	1.28	0.72	0.32	0.18
Italy	0.30	0.13	0.13	0.06	Rest of Eurozone	0.29	0.13	0.10	0.05
Japan	0.29	0.09	0.18	0.07	Other advanced economies	0.21	0.10	0.10	0.05
Mexico	0.81	0.31	0.09	0.04	Other oil-exporting economies	0.12	0.11	0.04	0.04
Russia	0.47	0.22	0.18	0.08	Rest of world	0.27	0.13	0.11	0.05

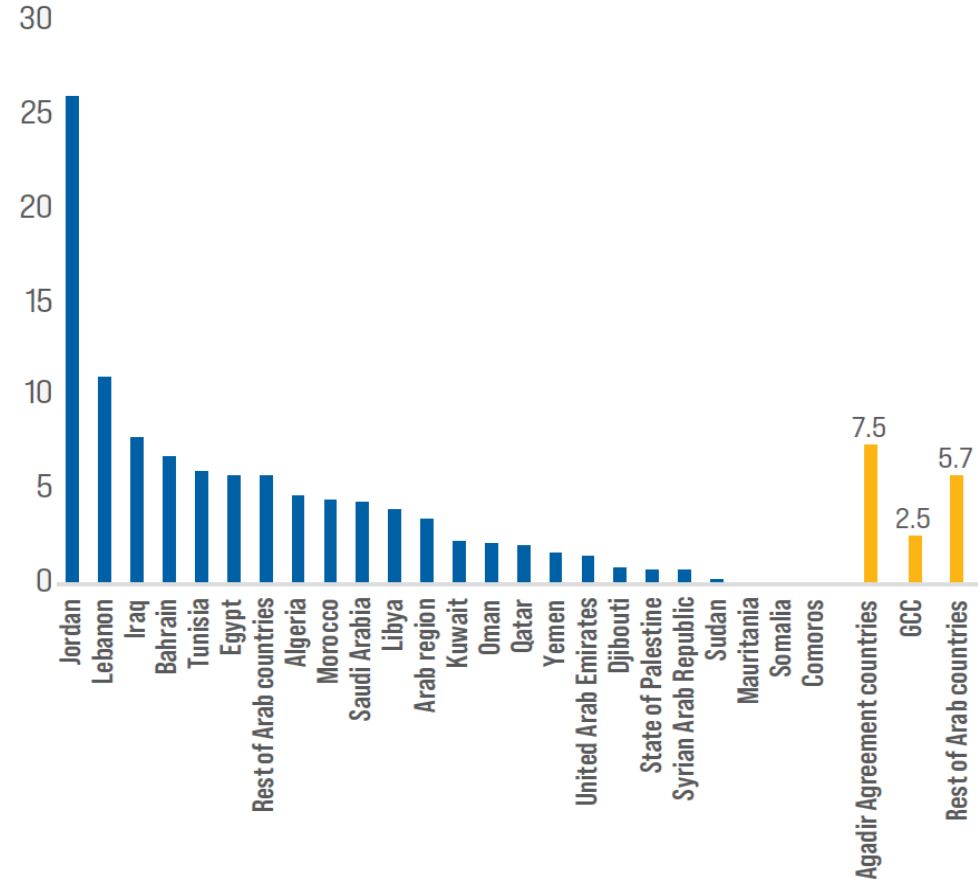
Most Arab Countries Have a Moderate or Low Share of Exports to the United States Market, except Jordan

The Arab region's trade with the United States: exports and imports (Billions of dollars)

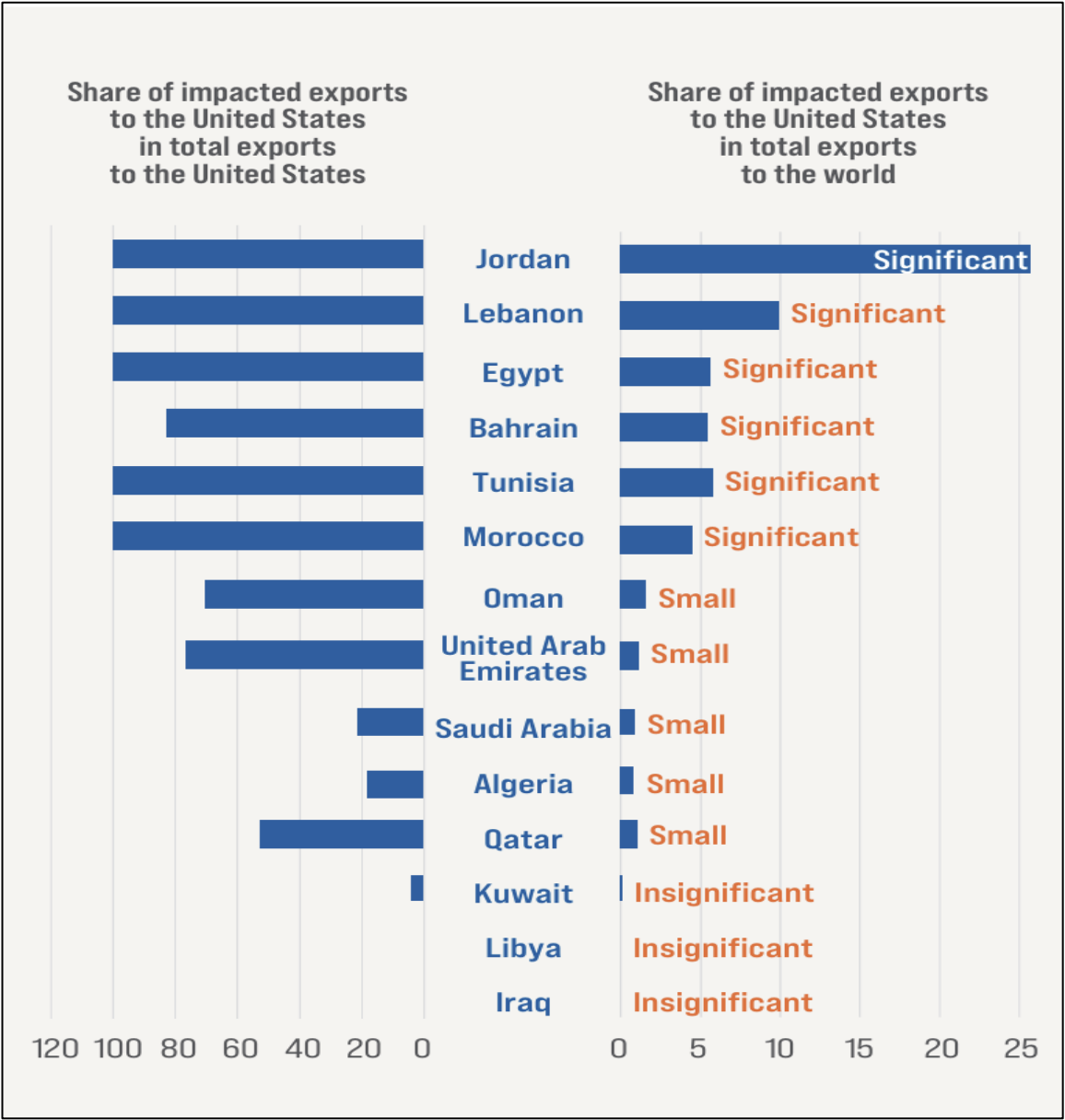


Source: ESCWA calculations.

Shares of Arab countries' exports to the United States, 2024 (Percentage of total goods exports)



Variation of Direct Exposure and Impacts Across Arab Countries



Jordan is surprisingly very reliant on the United States, as well as Lebanon, suggesting a change is due.

Qatar and Kuwait, on the other hand, are minimally impacted as they export oil mostly to US.





The Impact of Tariffs on the GCC

02

What Changed in 2024-2025?

April 2025

Across-the-board 10% tariff on most U.S. imports (IEEPA)

2024 - 2026

Section 301 hikes on China – EVs to 100%, solar wafers/polysilicon to 50%, chips to 50%, selected batteries to 25-50%

Section 232 steel (25%) and aluminum (10%) regime remains a key backdrop; renewed enforcement and scope discussions in 2025

Intensified U.S. scrutiny on transshipment via third countries to evade tariffs; bipartisan push to close loopholes



Transmission Channels to the GCC

Direct

10% blanket tariff raises land prices of GCC-origin goods in the U.S. (aluminum, steel, chemicals, fertilizers)

Indirect

China-focused 301 hikes re-route supply chains; potential diversion benefits for GCC in selected inputs, but also tighter rules-of-origin checks

Macro

Potential global growth and trade slowdown -> softer hydrocarbon demand; commodity price volatility

Financial

Higher costs for U.S. downstream users can shift demand to domestic or FTA sources, affecting GCC export volumes and margins



GCC Exposure Snapshot (Qualitative)

GCC Economy	Top Exposed Sectors	Direct Exposure to U.S. (qual.)	Key Notes
Saudi Arabia (KSA)	Petrochemicals, Plastics, Fertilizers, Metals	Medium	Large U.S. commercial ties; chemicals mostly priced globally
United Arab Emirates (UAE)	Aluminium, Metals, Re-exports (logistics), Gold/Jewelry	High	Largest GCC exporter of aluminium to U.S.; hub for re-exports
Bahrain	Primary Aluminium (Alba)	High (sectoral)	U.S. a key market for Alba billet/slab; tariff sensitivity
Qatar	Petrochemicals, LNG value chain inputs	Low–Medium	Energy-heavy, U.S. market less central than Asia/EU
Oman	Metals, Petrochemicals	Low–Medium	Diversified metals/chemicals; smaller U.S. share
Kuwait	Petrochemicals, Fertilizers	Low–Medium	Selective chemicals/fertility products; U.S. not primary outlet

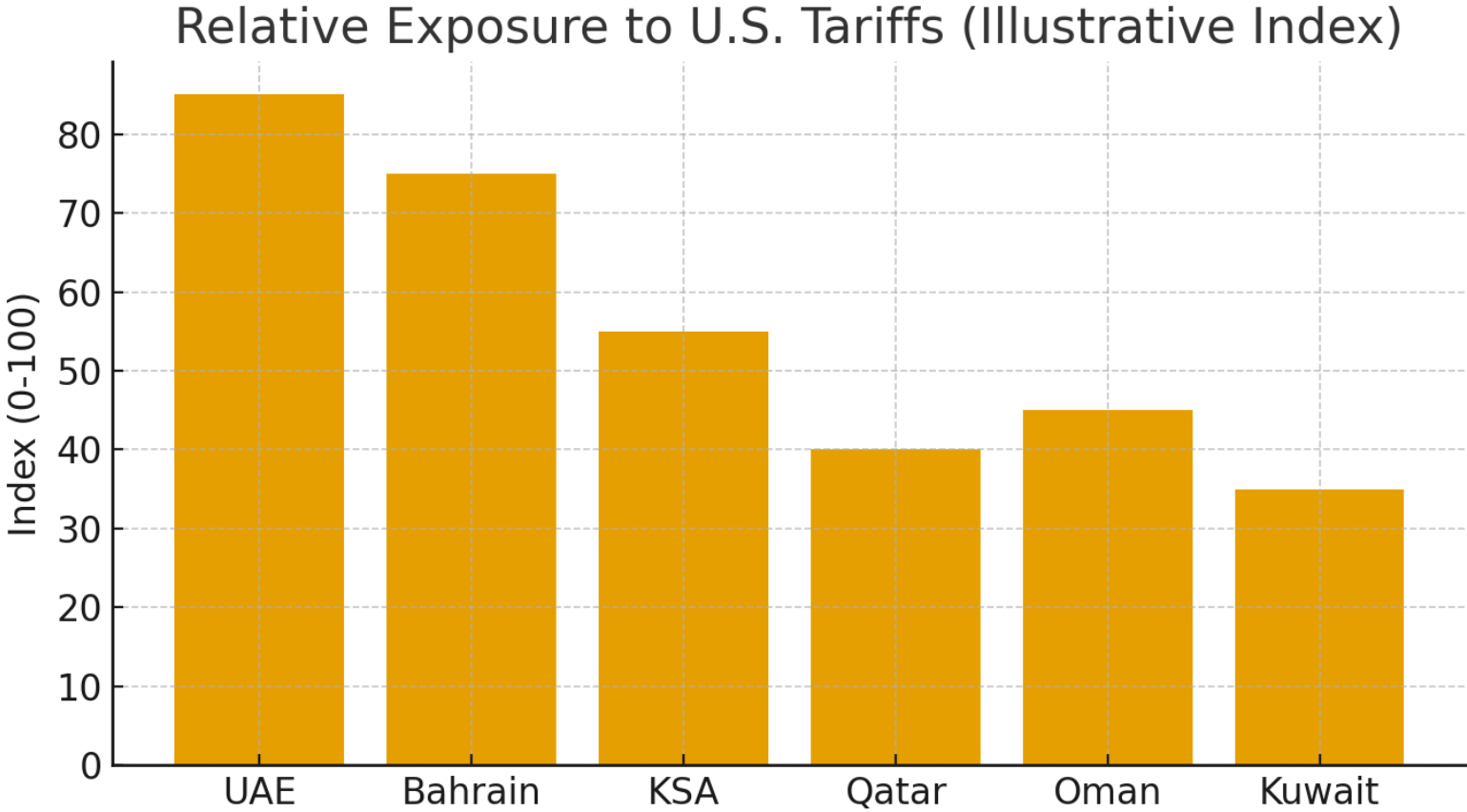
Selected Recent Trade Facts

Metric (Year)	Value (USD)	Source
UAE → U.S. Aluminium exports (2023)	≈ \$1.78 billion	UN Comtrade via TradingEconomics
Bahrain → U.S. Aluminium exports (2023)	≈ \$0.75 billion	UN Comtrade via TradingEconomics
U.S.–Saudi goods trade (2024)	Imports from KSA: \$15B; Exports to KSA: \$24.8B	USA Facts (U.S. Census)

Source: IMF, Seeds



GCC Exposure to U.S. Tariffs Low; Indirect Impact May Affect Credit Profiles Through Less Oil Demand



Source: White House Fact Sheet (Apr 2, 2025)



Scenario Assumptions (Illustrative)

Scenario	Key Tariff Settings	Assumed GCC Export Volume Impact	Assumed GCC Non-oil GDP Impact
Baseline (pre-2025)	Legacy 232/301 levels	0%	0 pp
A: 10% Across-the-board	10% applied broadly; 232 unchanged	-3% to -6%	-0.05 to -0.15 pp
B: 10% + China 301 hikes	10% + EV/solar/chips/batteries escalations	-4% to -8%	-0.10 to -0.25 pp
C: Stricter anti-transshipment	B + tighter origin checks, higher compliance costs	-6% to -10%	-0.15 to -0.35 pp

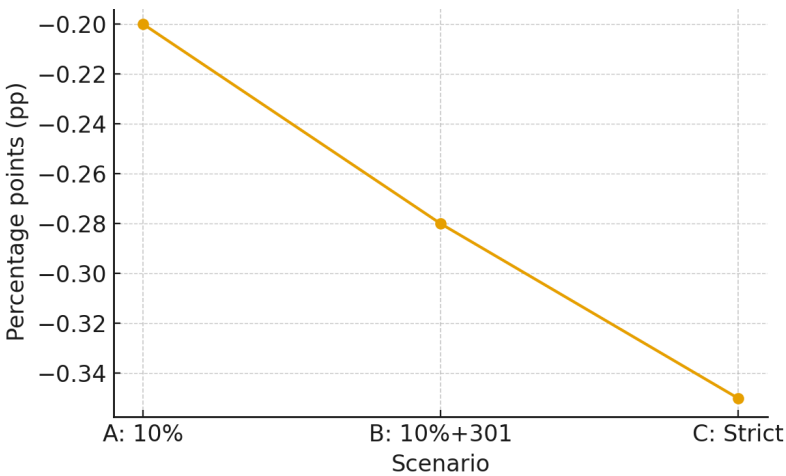
Source: IMF, Seeds



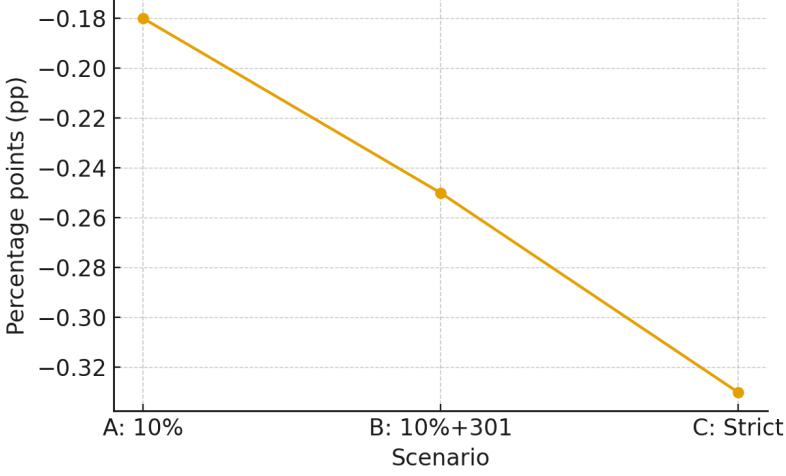
Illustrative Non-Oil GDP Impact (By Country)

Source: PIIIE

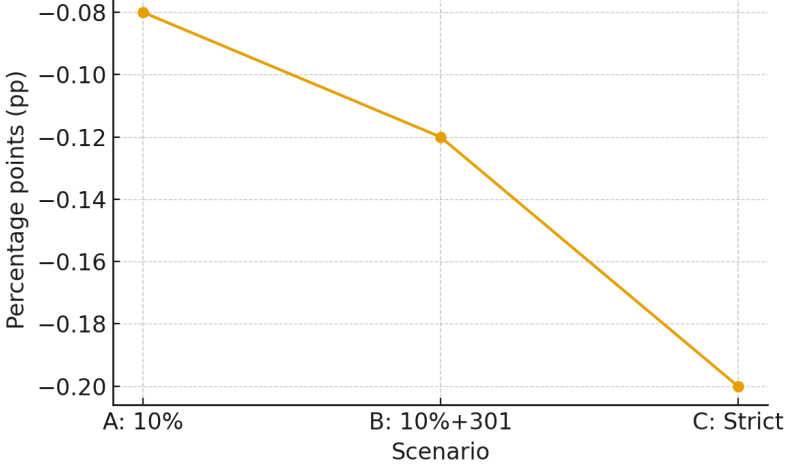
UAE



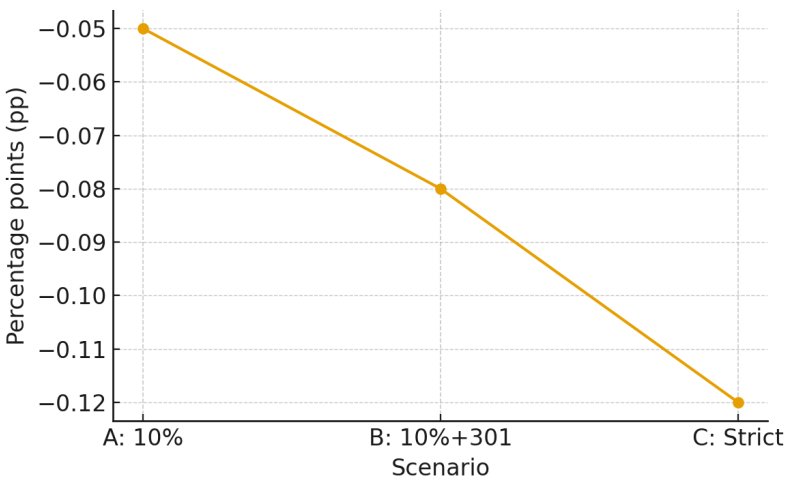
Bahrain



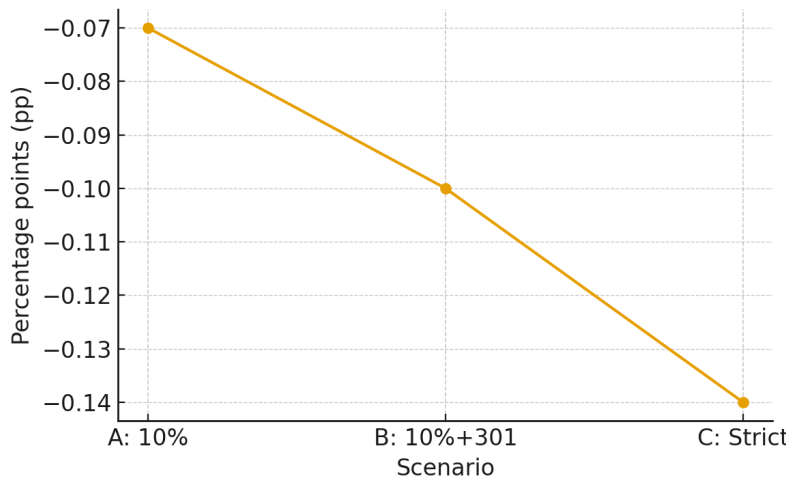
KSA



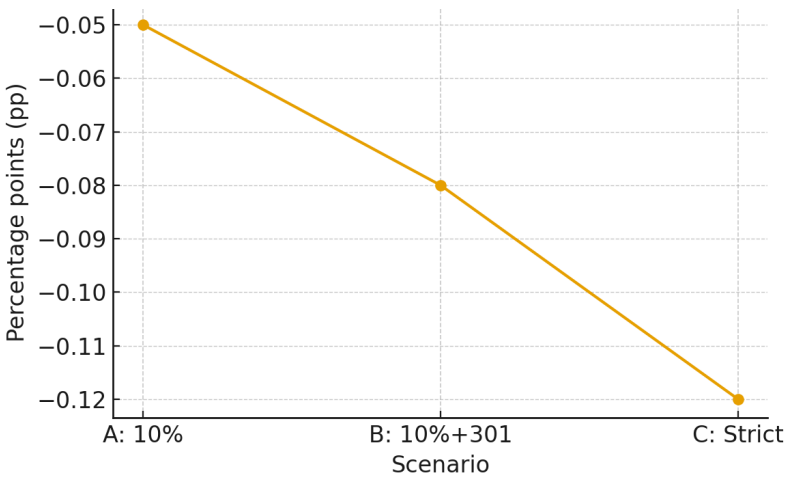
Qatar



Oman

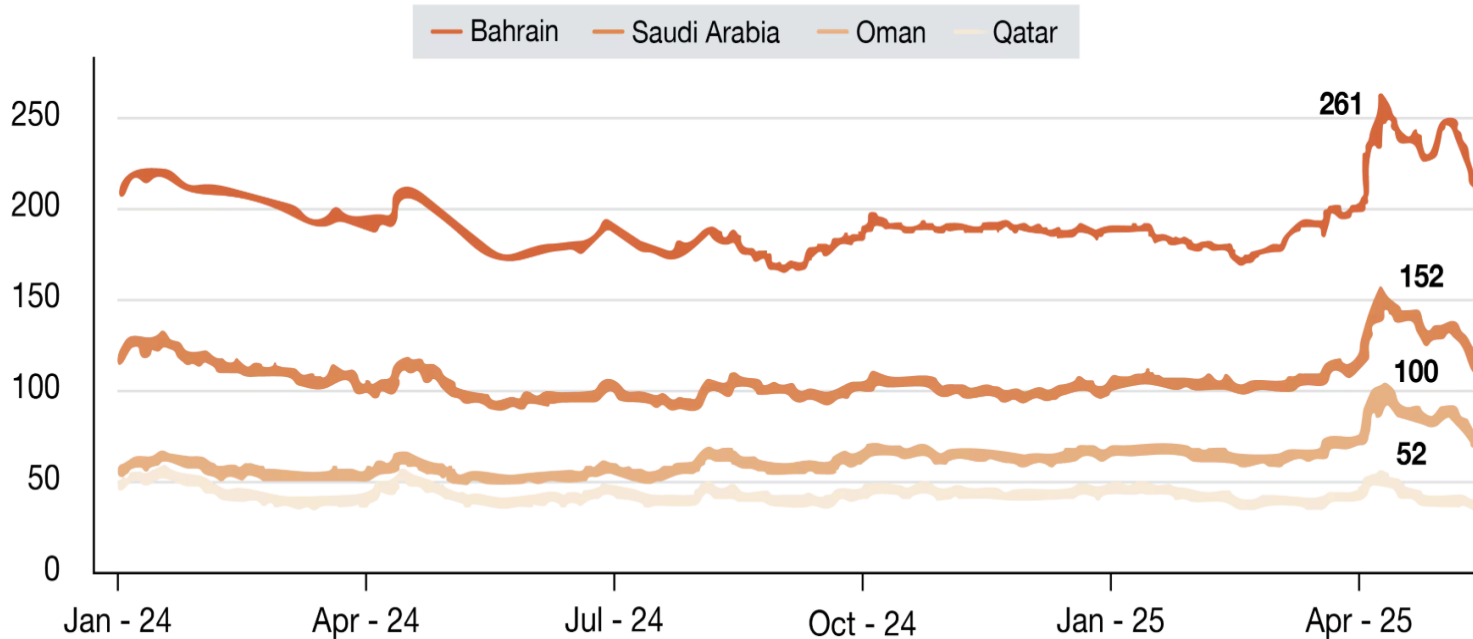


Kuwait



Weaker Oil Prices Do Present More of a Challenge for the GCC States as a Significant Indirect Effect

Credit Default Swaps (5-year, basis points)



Source: CMA

This is due to disturbances caused by U.S. tariffs on industries – resulting in less oil demand



Sectoral Impacts (Summary)

Aluminum (UAE, Bahrain)

Direct 10% tariff exposure; margins depend on price pass-through & USD strength watch exclusion talks

Chemicals/Petrochemicals (KSA, Qatar)

U.S. demand elasticities and global prices matter more than direct tariff lines; limited but non-zero exposure

Fertilizers

Urea/ammonia derivatives exposed; competing suppliers with FTAs may gain share

Steel

232 measures + 10% raise cost; niche GCC exports affected; domestic U.S. substitution likely

Logistics/Re-exports (UAE)

Tighter origin checks could slow re-export growth and raise compliance costs



Policy & Corporate Strategy Options

- 01 Pursue targeted exclusions or quota arrangements for aluminum/steel; explore expanded CEPA/FTA pathways where feasible
- 02 Increase U.S. localization via JVs/acquisitions in downstream metals and chemicals to neutralize tariff exposure
- 03 Tighten traceability & rules-of-origin compliance (digital certificates, auditable supply chains) to mitigate transshipment risk
- 04 Diversify market mix toward Asia/EU where tariff windows exist; hedge with long-term offtake agreements
- 05 Enhance value-add (semi-finished/finished goods) to improve pricing power and pass-through capacity

Sources & Notes

- White House Fact Sheet (Apr 2, 2025): 10% across-the-board tariff under IEEPA.
- USTR / Federal Register (Sep–Dec 2024): Section 301 hikes on EVs, solar wafers/polysilicon, semiconductors, lithium-ion batteries.
- CBP & CRS briefs (2025): Section 232 steel/aluminum context and FAQs.
- UN Comtrade via TradingEconomics (2023–2024): UAE and Bahrain aluminum exports to U.S.
- Reuters (2025): UAE aluminum shipments surged ahead of new U.S. tariffs; U.S. scrutiny on transshipment via third countries.
- USAFacts (2024): U.S.–Saudi bilateral trade flows.



The Impact of Tariffs on Inflation

03

How Tariffs Transmit to GCC Inflation

Direct Import Price Effect

10% tariff on U.S. origin goods raises landed costs for GCC importers (limited basket share)

Indirect via Global Supply Chains

Cost spillovers from China-focused hikes (components, capital goods), and potential re-routing costs

Dollar Channel

USD strength/weakness under new tariff regime and Fed stance affects imported inflation (most GCC pegs)

Commodity & Shipping

Possible energy/metals volatility and logistics premiums feed into tradables inflation

Second-Round Effects

Rents, services, and wages – typically muted vs. tradables but can appear if shocks persist

Baseline CPI Snapshot (Latest Available)

Economy	Latest CPI y/y	Primary CPI Drivers
Saudi Arabia	2.3	Housing (rents), food stable
UAE	2.1	Housing/services, food
Qatar	1.0	Housing/utilities, food subdued
Bahrain	1.7	Food & transport
Oman	0.9	Food, utilities
Kuwait	3.1	Housing, food

Source: PIIE



Key Pass-Through Assumptions (Illustrative Ranges)

Parameter	Low	Central	High
Direct U.S. import share in CPI basket	2–3%	3–5%	6–8%
Tariff pass-through to consumer prices (1y)	25–40%	40–60%	60–80%
Global spillover to import costs	0.1–0.2 pp	0.2–0.4 pp	0.4–0.7 pp
Second-round (rents/services)	0.0 pp	0.05–0.10 pp	0.10–0.20 pp

Source: PIIE



Concluding Remarks

- The U.S. mercurial nature – which we have already seen in the last few months, with 25% tariffs levied on some countries, then abruptly “paused” – indicates there are likely to be many twists and turns in the coming months and years. This could lead to serious instability in the world economy.
- Currency Wars
- Gold Prices Skyrocket as a Safe Haven for Purchasing Power
- The Global Economies’ (other than the US) will take a long-term shift in trade towards Asian markets and hence, change the whole world’s economic map.
- Financial Institutions are reshaping their strategies and applying stricter risk management
- Tariffs could lead to further dominance by large businesses with more resources to shift manufacturing to the U.S. and navigate uncertain times.
- Public Finance Mess and Weak Economies dealing with the new US tariffs will create social tension and jittery markets.
- Supply Chain Disruptions are highly expected and must be navigated by global corporates.





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