

Economic Research View:

Six Months Into Trump's Presidency

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Atsushi Matsumoto, Senior Economist

Six months have passed since Donald Trump became the 47th US President. During this period, a variety of decisions have been made on a scale and pace that are greater than most people expected, including additional tariffs and the OBBBA. Currently, Trump seems to be satisfied with voters' assessments; his approval rating remains high, and the Republican Party's approval rating is higher than the Democratic Party's.

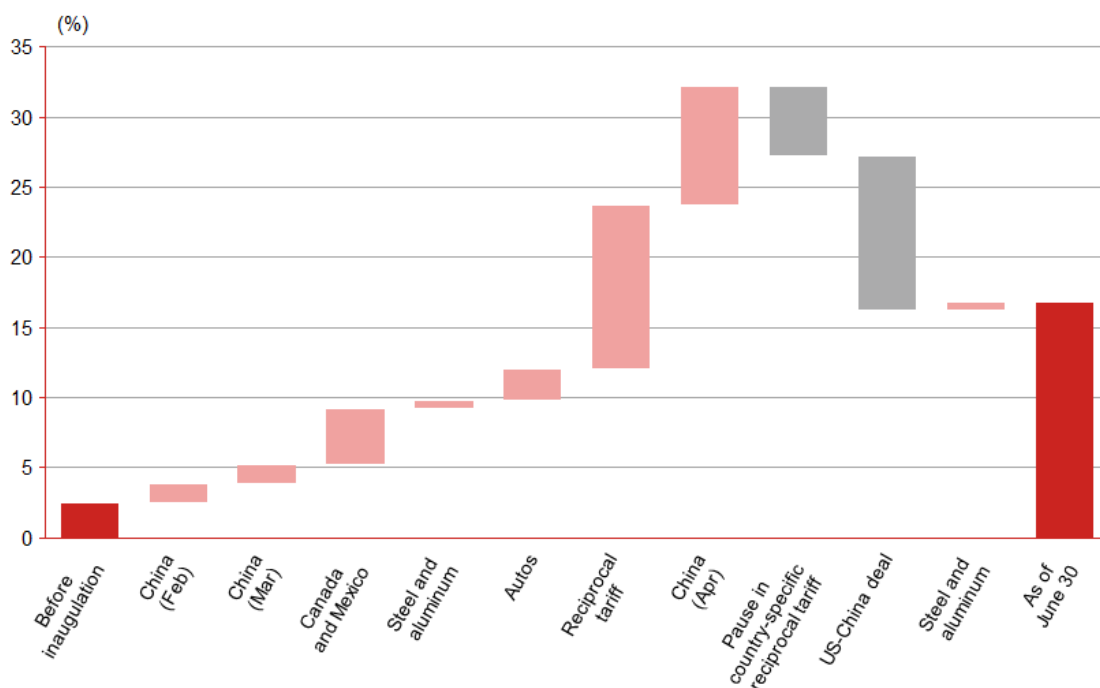
Looking ahead, there are two short-term issues. The first issue is the direction of trade policy. Even if trade agreements are reached between the US and non-US countries, it is highly likely that tariff rates will not return to the level before Trump's inauguration, and it cannot be ruled out that high tariffs will be imposed on August 1. The second issue is the impact of Trump's policies on the US economy. Although the impact is currently contained, it is likely to intensify in the future, with the economy slowing and inflation accelerating.

There are also two medium-term issues. The first one is the sustainability of the strength of the US economy. The strength of the US economy, namely its high economic metabolism, is likely to remain unchanged, and the US economy will continue to outperform other economies. However, it is worrisome that the US economy is showing signs of self-harming acts. The second issue is whether the discontent of voters who chose Trump will be resolved. If it is resolved, Trump-style policies will gain more support and continue. If not, it will lead to "new" extreme policies. It is not an encouraging prospect either way.

The first six months of Trump's presidency: Decisions made at a scale and pace greater than most expected

Six months have passed since Donald Trump took office as the 47th US President. In the first six months of his presidency, many decisions have been made on a scale and pace that are greater than most expected. In February and March, tariffs were imposed on countries such as China, Canada, and Mexico, and on products including steel, aluminum, and automobiles. Reciprocal tariffs followed in April. Since then, some of the additional tariffs have been exempted and some changes have been made to tariff rates. However, my estimation shows that the US tariff rate is currently 17% (Fig.1). (Please note that this is a theoretical value based on the assumption that the composition of imports remains unchanged from 2024.) This is significantly higher than before Trump's inauguration (about 2.5%).

Figure 1. US Tariff Rates

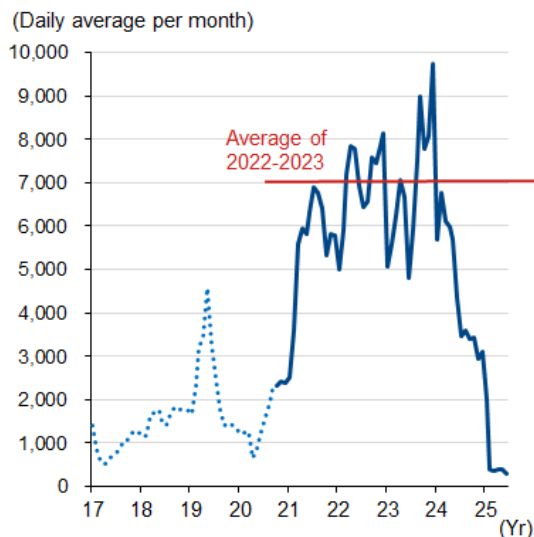


Source: Prepared by Nomura Asset Management as of July 2025.

With regard to fiscal policy, the "One Big Beautiful Bill Act (OBBBA)" was enacted in July, introducing tax relief measures centered on the extension of the 2017 Trump tax cuts. As for immigration policy, immediately after taking office, Trump announced measures to strengthen controls on the influx of undocumented immigrants. As a result, the average number of undocumented immigrants encountered at the southern border (a proxy for inflow) was around 300 per day in June, well below the pre-Trump level of 4,500 per day in 2024 (Fig.2).

Most of these policy changes, with the exception of OBBBA, were made through presidential executive orders. Setting aside the advantages and disadvantages of concentrating power in the President and the White House, this six-month period saw policy decisions made at an extremely rapid pace through the use of executive orders — faster than during the first Trump administration and previous administrations.

Figure 2. Number of People encountered by CBP at the southern border

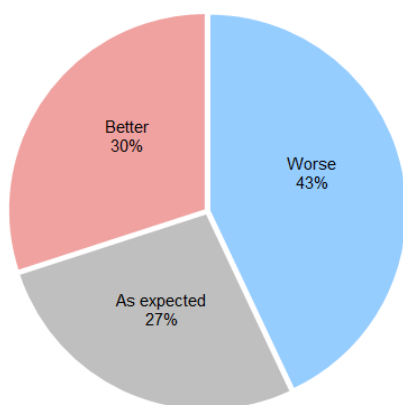


(Note) Total number of people encountered by CBP's two offices: Office of Field Operations and Office of Border Patrol. But dotted line is my estimate based only on Border Patrol's data.

Trump's approval rating remains high, suggesting voter satisfaction, and the Republicans approval rating continues to exceed that of the Democrats.

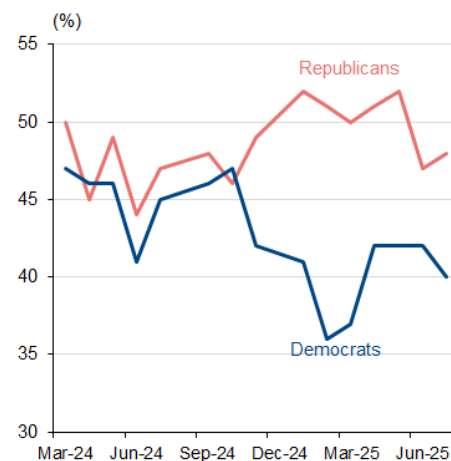
At first glance, voters' assessment of the current situation is not favorable. In response to the question, "Is Trump doing better than you expected as president?" only 30% of voters answered that he is doing better than expected (Fig.3). On the other hand, 27% replied that he that he is performing as expected, and 43% responded that he is doing worse than expected. However, Trump is probably satisfied with the current situation. First, Trump's approval rating is around 45%, which should be regarded as high (presidential approval ratings rarely exceed 45% in the US, which has been deeply divided in recent years). Next, looking at party approval ratings, the Republicans have stabilized at around 50%, while the Democrats have remained stagnant at around 40%, indicating no shift from the Republicans to the Democrats (Fig.4). Democrats' continued slump can be attributed to the absence of a strong leader like Trump, and the fact that the Democrats' arguments on democracy and the environment do not resonate with voters who are dissatisfied with the issues discussed later.

Figure 3. Is Trump doing better than you expected as president?



Source: Prepared by Nomura Asset Management based on the data from Harvard CAPS / Harris Poll.

Figure 4. Party Approval Rate



Source: Prepared by Nomura Asset Management based on the data from Harvard CAPS / Harris Poll.

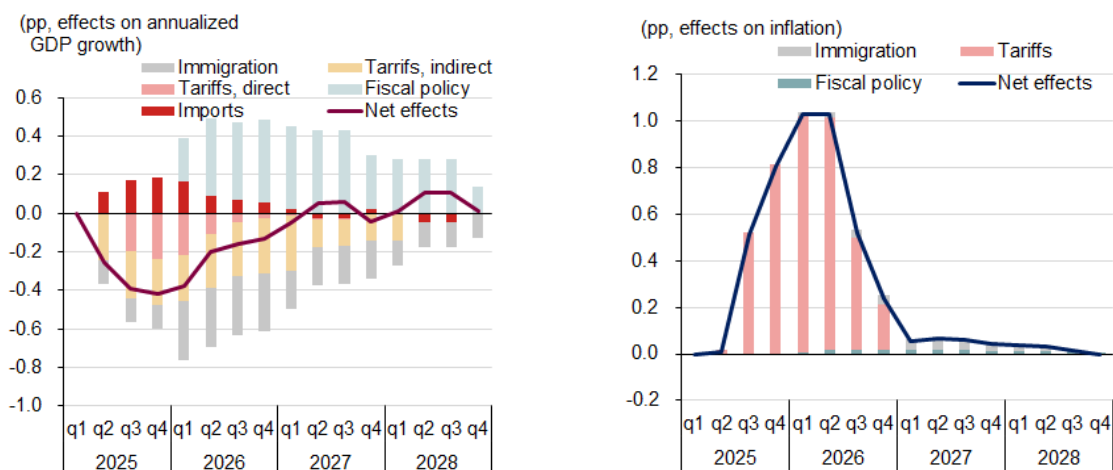
The first short-term issue is the direction of trade policy. Even if trade agreements are reached, it is highly likely that the US tariff rate will not return to the level before Trump took office, and it cannot be ruled out that high tariffs will be imposed on August 1 or introduced again depending on Trump's mood.

- While uncertainty over the future situation remains high, I would like to summarize the issues for the short-term (around one year) and medium-term (around two to three years) horizons.
- There are two short-term issues. The first is the direction of trade policy. The Trump administration has indicated that it intends to raise the reciprocal tariff rates of many countries effective August 1, which would raise US tariffs by 6 percentage points to 23%. In order to avoid such a situation, many countries have continued trade negotiations with the US, and these efforts are bearing fruit; following the UK, Vietnam, and Indonesia, Japan reached a deal with the US, agreeing on a reciprocal tariff of 15% and an automobile tariff of 15%. In addition to reciprocal tariffs, Japan's success in reducing tariffs on automobiles, which had been regarded as very difficult, was received as a positive surprise in financial markets.
- Trade negotiations with the EU and other countries are still ongoing. Because the US benefits politically from concluding trade agreements that appeal to voters, it seems likely that many countries will reach a trade agreement by the August 1 deadline, or even if not, that the deadline will be extended again, avoiding the imposition of additional tariffs for the time being.
- What is important, however, is that even after a trade agreement is reached, it is highly likely that the US tariff rate will not return to the level before Trump took office. Indeed, tariff rates for all countries that have reached a trade agreement with the US are much higher than they were before Trump's inauguration, although they are lower than what was initially announced. There also remains a risk that agreed tariff rates will be raised again depending on Trump's mood. In addition, the risk that Trump will become increasingly frustrated with the lack of trade agreements and that high tariff rates will be imposed on August 1 has not disappeared.

The second short-term issue is the impact of Trump's policies on the US economy. While the impact is currently contained, it is likely to intensify in the future

- The second short-term issue is the impact of the aforementioned policy changes on the US economy. As I have continued to point out, Trump's policies are expected to have stagflationary effects on the US economy (Fig.5).

Figure 5. Effects of Trump's Policies on US GDP Growth (left) and Inflation (right)



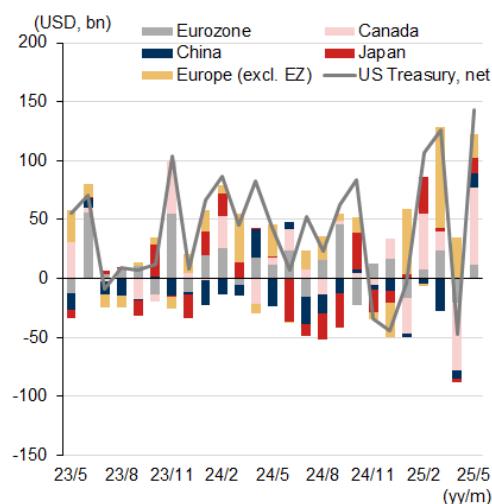
Source: Prepared by Nomura Asset Management based on the data from US DOC and US BLS.

- Currently, the impact of Trump's policies is still contained. For example, although prices of some goods with higher dependency on imports have risen, indicating that the effects of tariffs are becoming apparent, overall prices remain disinflationary. This containment is largely due to inventories built up before the tariffs were imposed and temporary exemptions currently in place. As inventories run out and exemptions are suspended, the effects of tariffs are likely to intensify. Naturally, the timing and extent of the effects of tariffs will also affect the Fed's monetary policy (i.e., the timing and pace of rate cuts).

The first medium-term issue is the sustainability of the US economy's strength. Its key advantage —namely, its high economic metabolism — is likely to remain unchanged. However, self-harming acts are worrisome

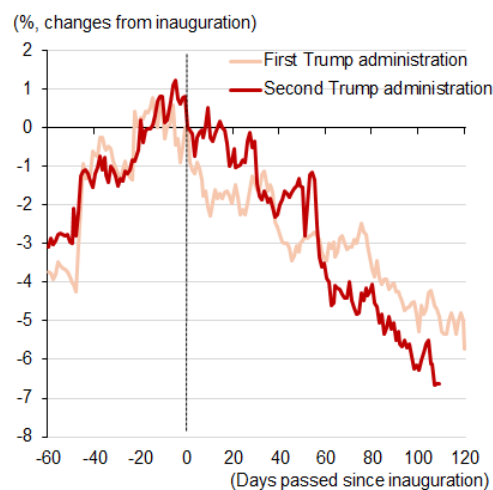
- There are also two medium-term issues. First, what will happen to the US economy after the short-term effects emerge? Until last year, optimism about the US, such as "US exceptionalism," had dominated. This year, however, pessimism, such as "shifts from US," has emerged. In particular, after the announcement of reciprocal tariffs at the beginning of April, US stocks, US Treasuries, and the US dollar all fell, which fueled such pessimism.
- As I have pointed out in another note, the strength of the US economy will continue in the medium term. The high metabolism of the US economy, supported by individualism and other factors, will continue to support economic growth under the Trump administration. In financial markets, pessimism has abated, and US stocks have recovered to pre-Trump levels. Foreign capital inflows into the US government bond market, which recorded net outflows in April, returned to net inflows in May (Fig.6).
- However, pessimism has not disappeared, and the US dollar continues to depreciate (Fig.7). As a downside risk to my own outlook, I am concerned about the increasing number of self-harming acts that nip economic growth in the bud. One example is documented immigration. As mentioned above, the inflow of undocumented immigrants declined sharply under the Trump administration, but from the perspective of medium- to long-term economic growth, the decline in the inflow of those immigrants is not that serious. More important is documented immigrants holding visas, which did not decline as of March 2025. However, as the Trump administration's attacks on universities become prominent, an increasing number of students might think they cannot study in the US. As a result, the number of students studying in the US will decline, and it cannot be denied that this will have a negative impact on the level of research and innovation.

Figure 6. Overseas Investors' Net Purchases of US government bonds (by country)



Source: Prepared by Nomura Asset Management based on the data from US Treasury

Figure 7. US NEER during the Trump Administration



Source: Prepared by Nomura Asset Management based on the data from Bloomberg

The second medium-term issue is whether the discontent of voters who elected Trump will be resolved. If it is resolved, it will lead to the expansion and continuation of Trump-style policies. If it is not resolved, it will lead to "new" extreme policies

- The second medium-term issue is whether the discontent of voters who elected Trump will be resolved. A common misconception is that Trump's presidency has made the US more inward-looking. It is actually the opposite: the US's increasing inward focus contributed to the election of a candidate like Trump. The American dream has become an impossible dream, and many people are unable to earn money. Voters therefore have become increasingly discontent with spending money abroad, and their desire for more domestically oriented politics has intensified. This is why Trump is implementing policies that reflect voters' discontent and wishes.
- However, it is unclear whether the policies that have been enacted will resolve voters' discontent. For example, one of the objectives of the tariff policy is to increase the competitiveness of the US manufacturing sector and to increase production and investment in the US, thereby creating more jobs in the country. Will this happen within a few years? Given the high labor costs in the US, many companies may find it better to produce outside the US, even if they have to bear the cost of tariffs. On the fiscal front, the OBBBA would allow for tax cuts, which would benefit mainly upper-income Americans according to Yale University's analysis. Given that Trump's support base is larger among low- and middle-income Americans than among upper-income Americans, it is uncertain whether the OBBBA will be appreciated by Trump's support base.
- It is difficult to give a positive assessment regardless of whether voters' discontent is resolved nor not (but it matters which way it goes). If the discontent is resolved, it will be seen as a success of Trump's policies, which will lead to greater support for his MAGA or America First policies. Naturally, this will contribute to the victory of a Trump-like person (or Vice President Vance?) who will run for president as a Republican in 2028.
- On the other hand, if the discontent is not resolved, it will be seen as a failure of Trump's policies, but since the discontent has not been resolved, there will be no return to the era of the past. What is expected in this case is a "new" extreme policy. I do not know whether such an extreme policy will come from the Republican Party or the Democratic Party, and as it is it is difficult to have a concrete image of it at this point, but what such an extreme policy would bring about a new turmoil.

The commentary is based on personal views and does not necessarily reflect the house view.

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