



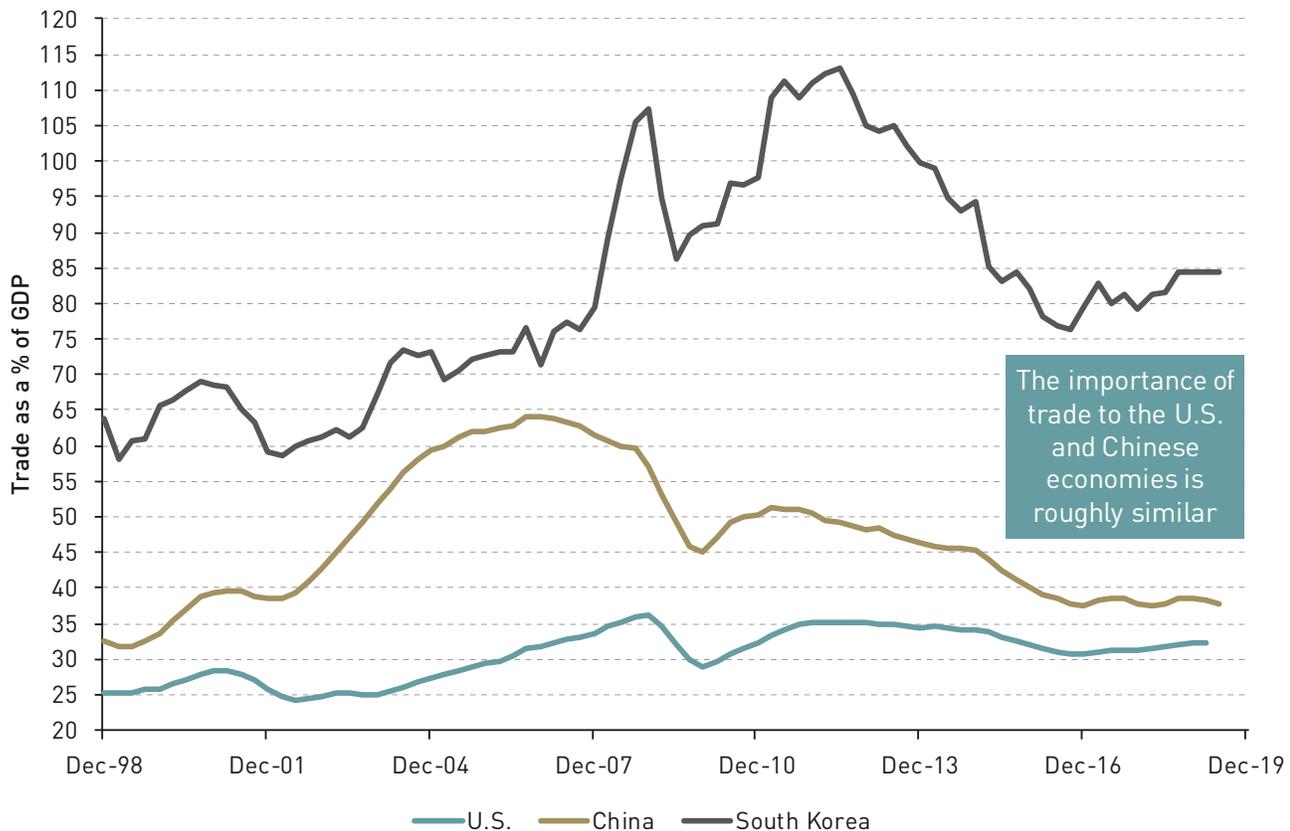
# Tracking the Trade-War Impact

*How might the economies of the United States and China be affected by the current conflict?*

The importance of trade to China's economy is very similar to that of the United States—and less than half of what it is for export-dependent economies such as South Korea.

## Trade Exposure: How Three Global Economies Stack Up

Total trade as a share of gross domestic product, March 31, 1999–June 30, 2019



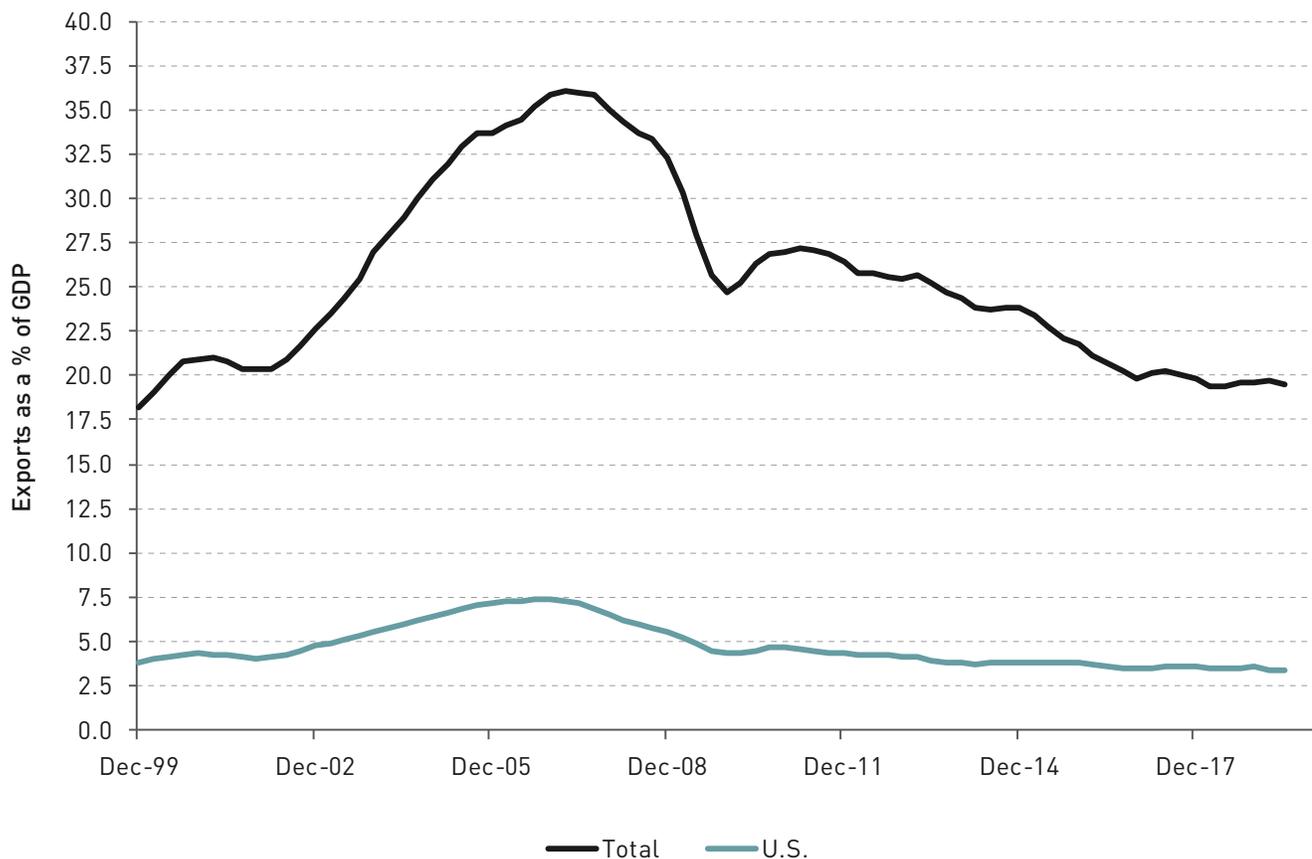
Source: Bloomberg, U.S. Bureau of Economic Analysis. Data as of September 3, 2019. Chart depicts a moving average of total exports and imports of goods and services for the respective economies. The historical data are for illustrative purposes only, do not represent the performance of any specific portfolio managed by Lord Abbett or any particular investment, and are not intended to predict or depict future results. Investors may experience different results.

**Past performance is not a reliable indicator or guarantee of future results.**

Exports of goods to the United States have actually fallen from 7.4% of China's gross domestic product (GDP) in 2006 to only 3.4% in 2019. Punitive tariffs on all exports to the United States likely would lower GDP in China by *less than 1%* over two to three years, in our estimation.

### Exports to the U.S. Account for Less Than 5% of China's GDP

Goods exports as a percentage of China's gross domestic product, December 31, 1999–June 30, 2019



Source: Bloomberg, U.S. Bureau of Economic Analysis. Data as of September 3, 2019. Chart depicts a moving average of total and U.S.-specific goods exports by China.

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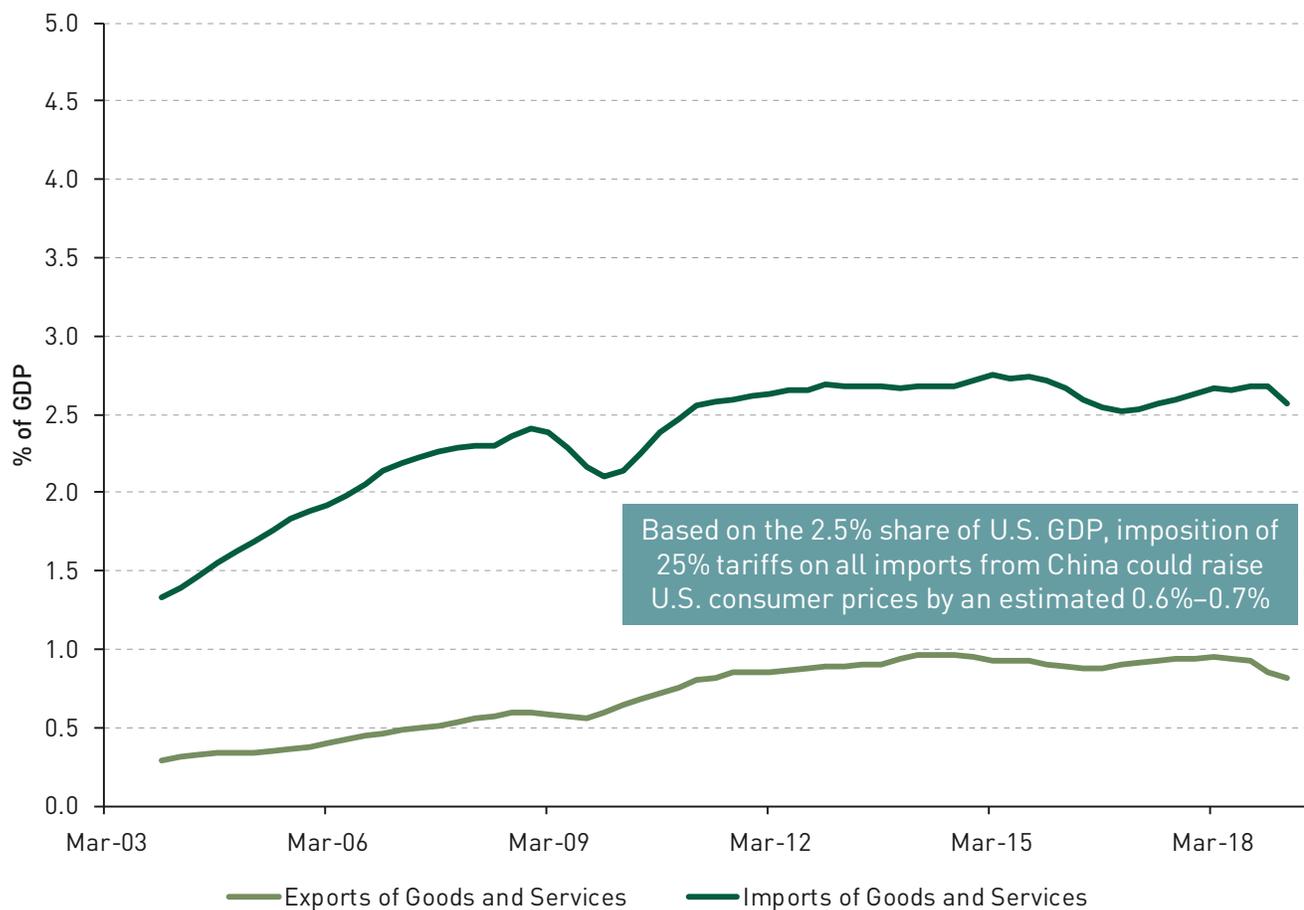
“ The trade war between the United States and China is generating a lot of uncertainty, and it carries political and economic risk for leaders of both nations. Ultimately, we believe it's in the interests of both sides to resolve this conflict. ”

Giulio Martini,  
Lord Abbett Director of Strategic Asset Allocation

Imports from China represent about 2.5% of U.S. GDP, so a full pass-through of a 25% tariff on all Chinese goods imported into the United States could potentially *increase consumer prices by 0.6%-0.7%*, based on our estimates.

### Hefty Tariffs Could Have a Significant Impact on U.S. Inflation

Trade from China as a percentage of U.S. gross domestic product, by category, December 31, 2003–March 31, 2019 (latest available)



Source: Bloomberg, U.S. Bureau of Economic Analysis, Lord Abbett.

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To sum up, the short-term economic impact of U.S.-China trade friction is likely to be limited. However, should the trade war drag on, the resultant uncertainty about the potential duration and scope of this conflict could weigh on global economic growth.



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