# Us economy contracts in first quarter amid tariff turmoil and market uncertainty



The US economy experienced a contraction in the first quarter of the year, with gross domestic product (GDP) shrinking by 0.3%, according to recently released figures. This marks the first time in three years that growth in the world’s largest economy has turned negative. The data revealed an annualised contraction, meaning the economy would shrink at this rate if the pattern continued over the entire year. This downturn follows a 2.4% growth rate in the fourth quarter of the previous year.

These figures emerged against the backdrop of significant economic policy changes under President Donald Trump’s administration. On April 2, dubbed ‘Liberation Day,’ President Trump announced a series of steep tariffs on global trading partners, aiming to bolster domestic manufacturing and address trade imbalances. This move, however, triggered market turmoil both domestically and internationally. In response to the initial market reaction, the administration suspended tariffs on most countries for 90 days and offered exemptions for certain products. Despite these suspensions, a daunting 145% tariff on China remains, with Beijing retaliating by imposing a 125% tariff on US imports. Additional duties on steel, aluminium, and the car industry have also disrupted supply chains and investment strategies for major companies.

Economists attribute part of the Q1 contraction to a surge in imports, as US companies rushed to import goods ahead of the tariff implementation. This inventory adjustment widened America’s trade deficit during the period, negatively impacting growth. However, economists predict this effect should reverse in the second quarter, potentially boosting GDP. Nonetheless, ongoing uncertainty and tariffs are expected to continue exerting downward pressure on economic growth later in the year, with inflation also remaining elevated.

In response to the economic data, President Trump rejected any association between the downturn and his tariff policies. On his social media platform Truth Social, he stated, "This is Biden's stock market, not Trump's. Tariffs will soon start kicking in, and companies are starting to move into the USA in record numbers. Our country will boom, but we have to get rid of the Biden ‘overhang’. This will take a while, has NOTHING TO DO WITH TARIFFS, only that he left us with bad numbers, but when the boom begins, it will be like no other. BE PATIENT!!!"

The economic report triggered a decline in US stock markets, with the Dow Jones Industrial Average falling 1.7%, the S&P 500 dropping 2%, and the Nasdaq plummeting 2.6% in early trading. The sombre data heightened concerns over stagflation—a combination of stagnant growth and high inflation—a scenario seen as economically precarious. Kallum Pickering of investment bank Peel Hunt commented, "A US recession is now a serious worry." Lindsay James from wealth manager Quilter added, "On Donald Trump's 101st day in office, we are just now beginning to see the true impacts of his policies on the US economy."

These developments followed a rally held by President Trump in Michigan, attended by a sparsely filled sports centre to mark his first 100 days in office. At the event, he proclaimed it was "the most successful first 100 days of any administration in the history of our country." However, his approval rating has declined, with recent polls indicating 42% approval against 53% disapproval.

Separately, Tesla CEO Elon Musk made a notable appearance at a White House cabinet meeting, wearing two baseball caps emblazoned with "Gulf of America," though the significance of the message was unclear. Musk has been reportedly spending less time at the White House as he scales back his involvement with the Department of Government Efficiency.

The Daily Mail is reporting that the confluence of tariff policies and economic performance has plunged the US economy into uncertain territory, with market participants and analysts keeping a close watch on forthcoming quarters to gauge the longer-term impacts.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.reuters.com/breakingviews/us-economic-stall-hints-freefall-come-2025-04-30/> - This article reports that the U.S. economy contracted by 0.3% in the first quarter of 2025, marking the first decline in three years, and attributes the downturn to a surge in imports ahead of new tariffs announced by President Donald Trump.
* <https://apnews.com/article/28a0da24c803c4796eb32704cd0244cc> - This report details the 0.3% contraction in the U.S. economy in the first quarter of 2025, the first decline in three years, and links it to disruptions from President Trump's trade policies, particularly the imposition of massive tariffs.
* <https://www.reuters.com/business/finance/global-markets-investors-analysis-2025-04-30/> - This article discusses how global investors are seeking safer yet profitable niches beyond traditional markets amid escalating U.S. policy uncertainties and a volatile Wall Street, following President Trump's tariff announcements.
* <https://www.ft.com/content/8742b522-eee2-4a04-9409-3e2d41933591> - This piece examines the risks posed to the U.S. dollar’s status as the world’s dominant reserve currency, particularly under the Trump administration’s renewed foreign policy and trade strategies, including the April 2 announcement of reciprocal tariffs.
* <https://apnews.com/article/8d90bb37735e833c43a7b7a9d5a0b9a2> - This article reports on the significant impact of President Trump's aggressive tariffs on imports, particularly the 145% tariff on Chinese goods, on the U.S. economy, including a 0.3% contraction in the first quarter of 2025.
* <https://www.reuters.com/breakingviews/us-economic-stall-hints-freefall-come-2025-04-30/> - This article discusses how the U.S. economy contracted by 0.3% in the first quarter of 2025, marking the first decline in three years, and attributes the downturn to a surge in imports ahead of new tariffs announced by President Donald Trump.
* <https://www.dailymail.co.uk/news/article-14666029/U-S-economy-reverse-tariff-war-Trump-blames-Biden.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data