# WORLD

# MACRO-ECONOMIC SCENARIO 2025-2026

## Quarterly – April 2025

ECO

ÉTUDES ÉCONOMIQUES GROUPE

# Place your bets

**Stupefaction was the reaction to Donald Trump's "Liberation Day" tariff announcements. Firstly, because the tariffs – which Trump claims are sucking the life out of the US economy – are perplexing when compared with those applied. Secondly, because the tariffs announced (including the strangely calculated reciprocal tariffs) exceed what had been anticipated and are likely to be further tightened. Finally, because we had just completed our quarterly scenario. The scenario's figures may be amended once the definitive trade provisions (US measures and retaliation by other major countries) have been decided, but its credo remains that the cost of protectionism is already high and could get even higher.**

The contours of the "new world" are clearly taking shape: domination by force at the expense of the rule of law and multilateral institutions, trade wars replacing the now-defunct globalisation, fragmentation/regionalisation of trade flows. The paths that lead to this new territory, the paths that usually enable us to draw up economic scenarios over a shorter horizon, are chaotic. In particular, they are distorted by US trade obsessions: tariffs so high that they almost look like threats, dates for the implementation of sanctions announced and then postponed, hopes for negotiations, expected retaliation from targeted countries, and so on. The versatility and excessiveness of the US administration's threats are such that their victims move **from uncertainty, which is already highly penalising, to a state of stupefaction, obliterating their ability to think, anticipate and react**.

Stupefaction is precisely what Donald Trump's tariff announcements on "**Liberation Day"** produced. Firstly, because the tariffs – which Trump claims are sucking the life out of the US economy, are perplexing when compared with what is actually applied. Secondly, because the tariffs announced (including the strangely calculated reciprocal tariffs) exceed what had been anticipated and are likely to be further tightened. Finally, because we had just completed our quarterly scenario[1]…

The scenario's figures may be amended once the definitive trade provisions (US measures and retaliation by other major countries) have been decided, but its credo remains that the cost of protectionism is already high and could get even higher. Its first extra cost, in the form of additional inflation, justifies the drop in US growth forecast for 2025.

In the **US**, since the beginning of the year, the market has radically altered its stance, with the strong belief in 'American exceptionalism' giving way to heightened fears about growth. Back in December, our scenario was based on a policy timeline conducive to a US slowdown by mid-2025. It still assumes that punitive policies (tariffs and immigration restrictions, implemented by executive order) will be applied before pro-growth measures such as tax cuts, which require Congressional approval. In essence, the overall policy mix is tilted slightly towards growth. More precisely, as it stands, before the full application of the 2 April announcements, our scenario envisages growth of 1.7% in 2025, a clear slowdown from the 2.8% posted in 2024 and a slight downward revision of our December 2024 forecast (1.9%). This slowdown is accompanied by inflation close to 3% at the end of 2025.

***The intensification of the trade confrontation with the US poses a downside risk on both sides of the Atlantic.***

In response to the declaration of trade war, **Europe** has not disarmed. A transatlantic rift has opened up. This rift had already been incorporated in the form of a double negative impact: higher tariffs[2] and increased uncertainty, taking a total of 0.3ppt off the Eurozone's growth rate. The latest round of tariffs included in the scenario (25% tariffs on automobiles) takes off a further 0.1ppt. But the promising European response in the form of infrastructure investment and military spending, and above all the German tax package, would bring additional growth to the Eurozone, which is currently expected to reach 1.0% in 2025 and 1.5% in 2026 (compared with 1.2% previously). The intensification of the trade confrontation with the US, not included in our central scenario, poses a downside risk on both sides of the Atlantic.

After "Liberation Day", the **Fed** will be faced with an even more perilous balancing act. It will have to combine support for weakened growth, while rising inflation is the first risk to the US economy brought on by tariffs. The Fed could end up relaunching its rate-cutting process, but with limited easing, with two further 25bp cuts in June and September, before entering a prolonged pause with the Fed Funds rate upper bound at 4.0%. However, the risks are tilted to the upside: it would be no surprise to see the Fed cut rates less than twice in 2025.

As for the **ECB**, the depressive impact of US tariffs is countered by the prospect of stronger growth due to the

[1] The main assumptions of the scenario and the associated figures, notably for growth and inflation, were finalised on March 31.

[2] Main assumptions already incorporated in December: steel and aluminum tariffs raised to 25%, average US tariff aligned with that of the EU.

German package. Against a backdrop of immense uncertainty, the ECB is obliged to be cautious: with a certain amount of audacity, our current scenario only includes one 25bp cut in June followed by a long pause, with a deposit rate at 2.25%, and the maintenance of quantitative tightening. Unlike the US, the risk is rather bearish, with the possibility of a cut in April: this bias is maintained.

**Interest rates** are supposed to bet early on the promise of growth: an assumption that should be maintained. While monetary easing appears to be nearing an end, the second phase of Trump's economic policy, presumed to be favourable to growth, and hopes of European momentum boosted by German public spending, remain conducive to a gradual rise in interest rates.

In the **US,** in the absence of any risk of a hard landing, it is unlikely that the 10Y Treasury yield will fall below 4.0% for long. If we base our interest rate forecasts on the monetary scenario and the tempo of economic policy measures, the 10Y UST would fall until mid-year, before firming up in H225 (to 4.45% by the end of 2025) and in 2026 (to 4.75% by the end of 2026). In the **Eurozone**, Germany's change in fiscal policy means that we can expect the German 10Y Bund yield to reach 3% by the end of 2025 (ie, almost 20bp above the swap of the same maturity) and major countries to tighten Bund spreads. France, Italy and Spain would offer spreads of 60bp, 105bp and 55bp respectively above the Bund at the end of 2025.

Finally, on the **USD** front, the “Trump trades” did not last long. While Trump's election was favourable to the USD’s appreciation, it all went south after Inauguration Day: the speed of its depreciation since the start of the year has come as a surprise. The USD is likely to remain under pressure, particularly if concerns over the "Mar-a-Lago accord" are revived: the EUR could thus appreciate and peak at USD1.12 by the end of 2025.

**Catherine LEBOUGRE**

*Completed on April 3*

*The main assumptions of the scenario and associated pricing, including growth and inflation, were finalized on March 31, 2025.*

# *Focus* Geopolitics – The seven bottom lines

**Since Donald Trump took office in January, the geopolitical scenario has taken on an air of strategic upheaval. Seven major underlying trends run through this scenario, creating enormous uncertainty. This makes forecasts fragile and increases the risk of a sudden turnaround in expectations.**

For the time being, the impact of the US political situation on the macroeconomic scenario is still limited: on the one hand, the impact is not yet fully apparent and, on the other, there is a growing gap between the historical importance of US political events and their actual impact on the economy. It is no doubt a matter of time before this gap closes. What's more, these events are also too big to be priced... by the financial markets, of course, but also, by rating agencies which no longer rate US political risk at its true value.

### *1 - US political risk*

Trump's domestic policies are now threatening the balance of power between the executive and the judiciary branches. In addition, the president is leading a cultural revolution by attacking the institutional pillars of his country (eg, schools and universities, museums, research institutes). All this will eventually have an impact on the economic scenario, because the US risk is no longer just a political risk but an institutional risk: this makes a big difference to investor confidence. On a wider scale, the suspension of international aid, images from Gaza and deportations are stripping the US of what was left of its soft power. In addition, the disorganisation associated with large-scale layoffs of government workers is weakening the coordination needed to manage international, health and financial crises, even though communication between central banks and major international donors has been one of the achievements of the past fifty years, limiting the effects of contagion, particularly during financial liquidity crises.

Finally, it is unlikely that such a political, institutional and cultural shock will be erased in the mid-term election, whatever the outcome. The 2026 election should not be seen as a potential ‘normalisation’ opportunity for the US. This political crisis is a long-standing one, fuelled by divisions between Republicans and Democrats that are widening by the day. Trump is merely the symptom of a political risk that does not stop at his person, whatever media saturation he may enjoy. In fact, this is a characteristic period at the end of the global hegemonic cycle.

### *2 -The historic upheaval of the "great game"*

Trump's attempt at rapprochement with Russia is shifting the fundamental balance of what is known as the "great game", ie, relations between the major powers – the US, China and Russia. This development is decisive for all global security, macro-economic, financial and sectoral balances. This new situation has a particular impact on Europe, led by Germany, but the US’s allies everywhere are worried about a protector perceived as unstable. Above all, this situation represents a break with the principles of the post-war era, which saw Russia as the main enemy. However, the turn towards the Chinese enemy has been established since Barack Obama’s presidency, and the bi-partisan nature of hostility to China will remain a constant. During a recent trip to Asia, US Secretary of Defence reaffirmed the importance of American deterrence against the "communist enemy" and sought to reassure us of the solidity of bilateral alliances in Asia. The hypothesis of a reverse Nixon strategy – drawing closer to Russia before resuming hostilities with China – is therefore possible, but the US underestimates the depth of the economic, political and strategic ties that exist between Moscow and Beijing. As for the "Mongol alliance" (including Iran and North Korea), for the time being, it seems more solid than the Western alliance. In the long term, Trump's quest for a "great deal" could perhaps encourage global stabilisation, based on a balance between the major powers – a mental map that would correspond to that of Russia and China. But for the time being, China remains an existential hegemonic rival for the US.

### *3 - The law of the strongest and the lack of respect for the sovereignty of smaller states*

The "geopolitics of the great powers" also consists in defining zones of influence (be it Greenland, Panama, Ukraine or Taiwan) and this is done to the detriment of the sovereignty of smaller powers: areas are re-examined and renamed (the Gulf of Mexico), according to whether they are useful or not, but only for the ‘big’ powers. What is more, there is no negotiable solution in Taiwan: the way to avoid conflict is for China not to act, or (from Beijing's point of view) to ‘digest’ the island through political means, following the example of Hong Kong – which explains the intense cognitive war and constant military manoeuvres, which keep fear alive – while increasing the interoperability of the Chinese armies. The line between military exercises and training for a future conflict is therefore sometimes very blurred. And of course, this increases the risk of a military incident (provoked or not), in the South China Sea where Beijing is increasingly asserting its power.

The rules of the great powers can also come up against the people, who always represent the ‘grain of sand’ in the cogs of history: Euromaidan was a movement inspired by the people, carried by all the generations who refused to lose their link with Europe. In Turkey today, the movement to defend democracy is growing, as it did recently in Serbia. And let's not forget that Turkey's political evolution always has major geopolitical implications, as we are talking about one of the world's major pivot countries, master of the Black Sea straits...

Ultimately, the 'great game' scenario is therefore unstable, and this has an impact on all in-depth economic and geopolitical forecasts. All we can be certain of is that attempts to control anything considered to be a strategic sector – in particular tech, pharmaceuticals or rare resources – will continue. In any case, global uncertainty should encourage investors to diversify their risks.

### *4 - The uncertainties of the new US-Russia relationship*

The rapprochement between the US and Russia is aimed not only at resolving the conflict in Ukraine, but also at normalising economic relations between the US and Moscow. However, the two parties have different expectations and there are many areas of tension. It is therefore a tug-of-war and a process that may not be linear: there may yet be reversals. On the US side, Trump is going to need quick victories, especially as the economic results are deteriorating – this contributes to the pressure on the Houthis, the paradox of a president so eager to be a 'peacemaker' that he wages war. On the Russian side, the war must not have been fought for nothing, and this reinforces Moscow's revisionist stance: Russia did not take action 'just' to gain territory, but to change the balance of power that no longer suited it. Moscow is playing the long strategic game, while the US is looking for short-term political gains. But a poker player tends to lose to a chess player: it's a tale that goes back to Yalta. Finally, the difficulties in US-Russia relations may have implications for Iran, where it is increasingly difficult to distinguish the difference in US rhetoric between deterrence and preparation for war[3]. Israel's visibly extremist strategy is also a factor in the rise to extremes.

### *5 - A powerful ideological divide within the Atlantic alliance*

JD Vance's comments revealed during 'Signalgate' cast a new spotlight on how the US administration really feels about Europe, with a sentiment of hatred and disdain as a refuge for 'woke' ideology. All this points to Trump's statements about the internal enemy being more important than the external enemy, a statement echoed by Vance at the Munich Security Conference. This can be seen as an explanation for the current situation, where the new administration seems primarily concerned with its domestic cultural revolution. In the short term, this ideological schism between western countries may put investors in a tricky situation, caught between US demands to abandon diversity policies and a Europe that lives in a different normative universe. In the medium term, the US stance forms the basis of a new diagonal of alliances, stretching from Giorgia Meloni's Italy to the Orthodox Russia of Aleksandr Dugin, who is increasingly active on American blogs. This political dimension of the conflicts cuts across Germany & France and accelerates the interpenetration of & and geopolitics. It also highlights the religious and identity-based dimensions at play in rebuilding the global geopolitical puzzle. More generally, MAGA ideology is echoing throughout the world.

### *6 - The debate on the existential nature of the Russian threat*

The term 'existential' now plays a central role in Europe's public policy choices. In reality, the notion of existential risk does not refer to the intentions of the Russian president, which even the best expert in the world cannot know. But it does express certain realities. In particular, the asymmetries of power (including the nuclear issue) and the asymmetries of size and proximity (Poland, the Baltics and Nordic countries – ie, all the countries on the front line of contact with Russia, behind Ukraine – feel more exposed). The existential risk therefore expresses a political reality. Finally, it reflects Russia's revisionist stance, which it claims for itself. As long as no peace is achieved that suits Moscow, and even if nothing objectively prejudges Russia's intentions beyond Ukraine, the hypothesis that Russia move beyond the perimeters of the current conflict is not impossible (but its probability is incalculable), especially in areas with Russian-speaking populations (Baltic countries and Moldova). On Ukrainian territory, Odessa would also be a critical point for the extension of hostilities...

> ***The rules of the great powers can also come up against the people, who are always the 'grain of sand' in the cogs of history.***

Meanwhile, in Europe, the domestic political effects of the discourse adopted around rearmament will be different, depending on whether it is a narrative of deterrence or a narrative of preparation for war, because part of the European population does not subscribe to the idea of a Russian warmongering threat. One of the challenges of successfully rearming Europe will therefore be to construct the most politically unifying discourse, at the risk, otherwise, of increasing internal political divisions and differences of position between countries. This is an essential point of connection between the global geopolitical scenario and the European political scenario.

### *7 - Mercantilism will have powerful strategic effects that run counter to the expected results*

The new US approach to trade, based both on tariffs and an obsession with critical resources (linked to the omnipresent theme of national security), is opening up fronts of economic warfare. But it is also opening up fronts of potential military tension (Panama, Greenland, the Arctic). Finally, it increases the importance of all the strategic straits, ports and control points in the critical metals value chain. This may lead the major powers to adopt coercive strategies (such as making access to

[3] There have been moves of air defence systems from Korea to Bahrain, and a concentration of bombers at the Diego Garcia base in the middle of the Indian Ocean.

Ukraine's critical minerals a condition for military aid), but it may also give rise to new alliances.

Above all, this policy opens up a strategic opportunity for China, which is seeking to be perceived as a champion of free trade and is advocating for a rebalancing of global institutions towards greater multilateralism.

The revival of free trade negotiations between China, Korea and Japan is therefore an important geopolitical signal: is the mercantilist threat to the open economies of Asia so dangerous that it could be a partial antidote to the military risk? Japan is increasing its defence spending and stepping up its conflict-preparedness exercises, but it is also trying to stabilise its economic relationship with China. But it would be one of history's tricks if Montesquieu's *doux commerce* theory suddenly reappeared in response to the gesticulations of the breathless US dominance.

In reality, the behaviour of Japan, Australia and India will set the tone for the Asian scenario over the coming months, but there is a great deal of mistrust towards China. Above all, this will certainly re-launch new strategic agreements within Asean, on the India-Gulf axis and, more generally, between southern countries.

**Tania SOLLOGOUB**

# DEVELOPED COUNTRIES

# The cost of protectionism

USA – Policy sequencing contributes to slower 2025 before some rebound in 2026

Eurozone – Between new divides and new convergences

United Kingdom – Higher business costs weigh on the economic outlook amidst heightened global uncertainties

Japan – On the cusp of breaking out of structural stagnation

# The cost of protectionism

**The cost of protectionism is high and is likely to get even higher. This additional cost justifies the slight downward revision in US growth forecast for 2025. In response to the US aggressiveness, Europe is not disarming: its reaction and, first and foremost, the German fiscal package, are leading to an upward revision of growth forecasts for the Eurozone. However, the intensification of the trade confrontation with the US poses a downside risk.**

## USA: POLICY SEQUENCING CONTRIBUTES TO SLOWER 2025 BEFORE SOME REBOUND IN 2026

**Since the beginning of the year, there has been a major shift in the market narrative, with a strong belief in US exceptionalism giving way to heightened growth fears.** However, our own outlook has only seen a modest adjustment over this same timeframe, as our views on policy sequencing meant that we had already been anticipating a softer patch for the US economy in mid-2025.

**Specifically, we now project annual average GDP growth of 1.7% in 2025, before some rebound to 2.2% in 2026.** The 2025 projection represents a sharp slowdown compared to 2.8% in 2024 and a downgrade to our 1.9% forecast heading into the year, though a relatively limited one compared to some other downgrades and not enough of an adjustment to suggest recession. Still, when combined with our view that inflation will remain relatively sticky, it would mean a period that could be deemed as mild stagflation.

**Heading into the year, we had placed a great deal of emphasis on policy sequencing, or the order in which policy changes would be implemented under the Trump administration.** Essentially, while we saw the overall policy mix as leaning slightly positive for growth, we had thought that growth-negative policies such as tariffs and immigration restrictions would be implemented before growth-positive ones such as tax cuts, as the former can be achieved through executive order whereas the latter require legislation.

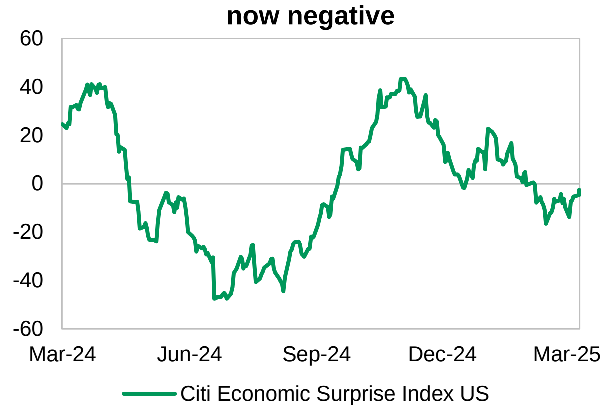
**Thus far, sequencing has played out as we expected, with an early emphasis by the Trump administration on tariffs and immigration policy, along with some attempts to downsize the Federal government.** Tax cuts and deregulation are still on the docket, though the tax cut process could be a slow one given that Congress will have to use reconciliation, and the two chambers are still working through the details of legislation they will hope to pass.

That said, the aggressiveness of Trump's tariff threats do suggest that eventual tariff hikes will likely be larger than what we had pencilled in late last year, which had been tariff hikes theoretically worth around USD170bn. **Given that we would now expect the theoretical amount to be larger, this has been the main driver of the modest downgrade to our outlook for this year.**

> ***While we saw the overall policy mix as leaning slightly positive for growth, we had thought that growth-negative policies would be implemented before growth-positive ones.***

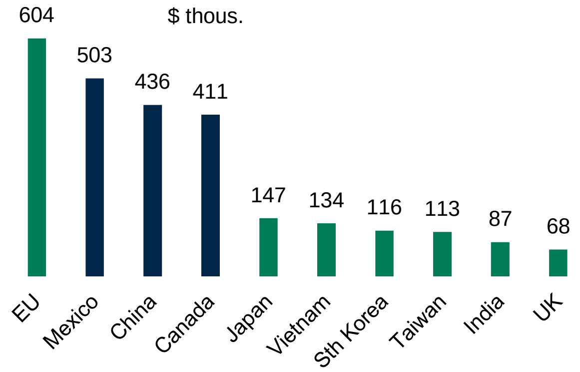
**However, we would stress that policy uncertainty is still extremely high, especially on the tariff front, and the exact details are still to be determined.** At the moment, we would lean towards China tariffs and some form of reciprocal tariffs remaining in place, likely along with some tariffs on key sectors as well. However, we think other threats such as the blanket tariffs on Canada and Mexico have more room for negotiation and therefore have scope to be eventually removed, even if they are put in place temporarily. We will watch carefully for additional details and are prepared to further adjust the outlook as needed.

**US: economic surprises now negative**




Sources: Citi, CA CIB

**US: substantial amounts of imports threatened with tariffs**




Sources: Census Bureau, CA CIB

**Even as the administration continues to work out some of these details, policy uncertainty has already begun to make its mark on the economic data.** This has been clearly evident in a string of downside surprises in recent weeks, with the Citi economic surprise index dipping into negative territory in mid-February, and remaining there as of late March.

**Admittedly, there has been somewhat of a divergence between soft and hard data.** In particular, soft data such as consumer confidence and consumer sentiment has been especially weak, whereas hard data has been more of a mixed bag. As well, the weakness in hard data was more acute in January, which may have had something to do with severe winter weather and/or payback for a very strong end-2024, consistent with firmer reports in February for a number of indicators.

**Labour market data has been among the hard data holding up decently well so far.** Here, while the labour market has clearly cooled from its overheated state of a couple of years ago, we see what has been realised so far as more of a normalisation that has brought supply and demand into better balance as opposed to something worse. One metric that sums this up is the vacancy-to-unemployment ratio, which remains right around 1.1x and suggests that the cooling realised thus far has been accomplished mainly through a decline in job openings as opposed to mass layoffs, consistent with a low-hiring but also low-firing environment. We do look for some additional cooling, but again of a relatively modest magnitude with the unemployment rate peaking around 4.4%.

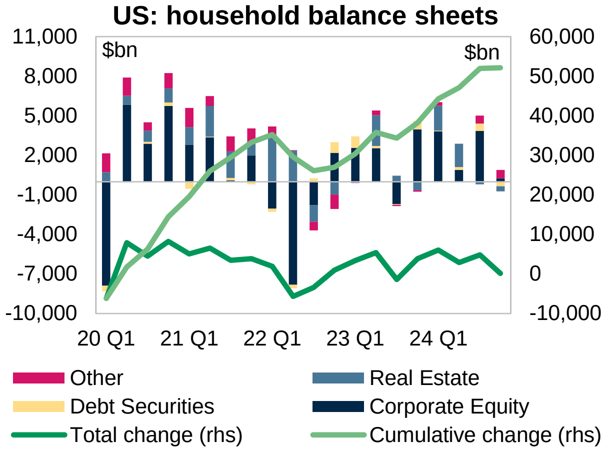
**With other support factors still in place, including household balance sheets that remain extremely healthy even when taking into account the recent dip in equities, we think the data remains consistent with our view of a clear slowdown, but not recession.** However, the still-elevated policy uncertainty highlighted earlier keeps open a range of plausible outcomes.

**Despite the expected slowdown in growth, we think the policy mix also leans inflationary and have raised our inflation forecasts a bit further.** In total, we have now boosted our YoY CPI forecasts by around 50bp due to policy changes led by tariffs, at the point of maximum impact, though it does take some time for this to fully ramp up.

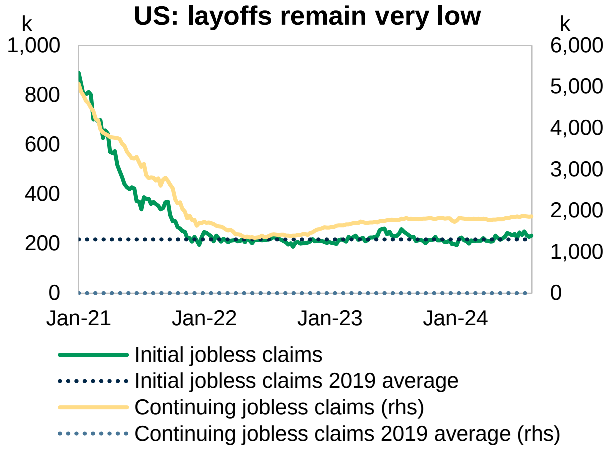
| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 2.8% | 1.7% |
| Inflation | 2.9% | 2.7% |

**In detail, we expect headline CPI to dip to the mid-2% range in the coming months before bumping back up to around 2.9% by end-2025, then modestly slowing in early 2026 before stabilising around 2.6% by end-2026.** We look for core CPI to hover around the low-3% range for the remainder of 2025 before then taking a small step down by stabilising around 2.8% by end-2026.

Nicholas VAN NESS



Sources: Federal Reserve, CA CIB



Sources: BLS, CA CIB

## EUROZONE: BETWEEN NEW DIVIDES AND NEW CONVERGENCES

A transatlantic rift has opened. We had factored it into our forecast last December in the form of a downward revision to Eurozone growth considering a double negative impact from both tariff hikes and the uncertainty surrounding the Trump administration's policies. This fault line translated into different growth and inflation trajectories on both sides of the Atlantic, with the corollary of higher interest rates in the US.

But in response, Europe is playing defence and intends to deploy economic policies designed to stimulate demand and supply, freeing up resources for infrastructure investment and military spending. **Europe's response has led to an upward revision of our growth forecasts for the Eurozone**: the impact of these measures offsets the negative effect of US policies, reducing the differential in growth, inflation and interest rates. Eurozone growth is expected to reach 1.0% in 2025 and 1.5% in 2026. **The intensification of the trade confrontation with the US, which is not included in our central scenario, nevertheless poses a downside risk on both sides of the Atlantic.**

### *Customs duties: our assumptions*

Last December, we had already factored in the negative impact of the increase in steel and aluminium tariffs to 25%, as well as an alignment of the average US tariff with that of the EU. This resulted in a downward revision to growth by 0.2ppt due to the direct effect of declining exports, and a further 0.1ppt due to the growing uncertainty weighing on investment decisions.

The 25% autos tariffs would result in an 8% decrease in automobile production in Western Europe, with a differentiated impact on the zone's major economies depending on the share of this production in total activity. In Germany, in the eye of the storm, the impact on growth would be -0.2ppt in 2025 and 2026. The drain on growth in the Eurozone would be -0.1ppt in 2025.

This decrease would be the result of **a fall in US imports of European vehicles, as US consumers would no longer be able to absorb such a price rise and European producers would no longer be able to eat into their margins**. It would also be the result of a rapid relocation of production to European manufacturers' plants in the US, which are currently operating at low capacity utilisation rates. However, as carmakers cannot create a local automotive supply chain from scratch in less than two or three years, they will have to continue importing components in large quantities.

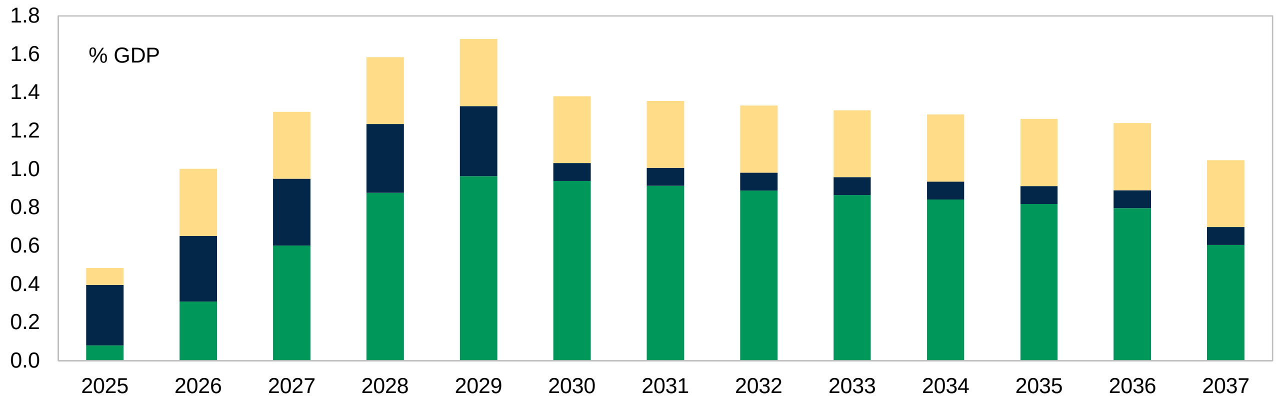
### *A new budgetary era: our assumptions*

**The German fiscal turnaround triggered by the leader of the new German coalition and already passed by the Bundestag and the Bundesrat is the main factor in the upward revision of our growth forecasts.**

These measures consist in a new EUR500bn infrastructure investment fund to be spent over 12 years (2025-37), complemented by a reform of the debt brake allowing defence spending in excess of 1% of GDP to be excluded from the deficit calculation and authorising the Länder to post a structural deficit of 0.35% of GDP.

Because of supply constraints and administrative delays, we anticipate a gradual increase in German spending, particularly on infrastructure. Additional spending (current and capital) would be 0.5% of GDP in 2025, 1% in 2026, then peak at 1.6% in 2028 and 2029. German growth would thus gain +0.4ppt in 2025, then +1.2ppt in 2026[4]. The contagion to the Eurozone as a whole is positive but limited: with average knock-

**Germany : additional public expenditure**




Sources : Crédit Agricole S.A./ECO

[4] The multiplier is 0.8 for investment and 0.2 for current expenditure (and higher if the output gap is lower at the start of the forecast period).

on effects of 0.2, the Eurozone as a whole would benefit from an additional 0.3ppt of growth in 2026.

### ReArm Europe*: our assumptions*

**The rearmament efforts anticipated by the European Commission's ReArm Europe plan will have a limited impact over the time horizon of our scenario. Together with the German spending effort, they will nevertheless contribute to the upward revision of our investment scenario.** We expect that only low-debt countries will benefit from the additional budgetary margins allowed by the activation of the Stability Pact's safeguard clause, which excludes defence spending from the calculation of the deficit for the purposes of budgetary supervision. Additional average spending of 1.5% of GDP over four years (ie, an additional 0.4% per year) in the EU corresponds to the EUR650bn figure put forward by the Commission. On the other hand, the additional EUR150bn available from the SAFE fund would only benefit those countries financing themselves on less favourable terms than the EU. As these countries are also the most heavily indebted, we anticipate a limited drawdown of these loans, as they contribute to increasing the stock of debt.

***The German fiscal turnaround triggered by the leader of the new German coalition is the main factor in the upward revision of our growth forecasts.***

### *Recent developments confirm our past narrative*

Eurozone GDP grew by 0.2% in Q424, with annual average growth of 0.9% in 2024. Among the zone's major economies, only Spain saw sustained growth at the end of the year (0.8%), while Italy (+0.1%), France (-0.1%) and Germany (-0.2%) were virtually at a standstill. Domestic demand made a favourable contribution to growth in Q4 thanks to private consumption, whose rise (+0.4% over the quarter) confirmed our scenario of a moderate recovery in household spending. While consumption continued to grow strongly in Spain (+1.0%) and Portugal (+2.9%), it was more timid but positive in Germany (+0.1%), Italy (+0.2%) and France (0.3%).

**After the various shocks, household consumption has returned to a composition more in line with its historic average**: growth in the consumption of services is normalising, allowing the consumption of durable and non-durable goods to accelerate and recover respectively, without however returning to pre-pandemic levels. This normalisation is guided by relative prices for services and goods, which are converging towards their historical trend. Our scenario continues to assume that **the moderate recovery in household consumption will continue** (+1.2% in 2025 and 2026). It is true that growth in disposable income will be held back by the slowdown in wages (4% YoY for wages per capita in Q4, after 4.5%). However, wages (+3.4% in 2025 and +2.8% in 2026) continue to outpace forecast inflation; households are therefore benefiting from gains in purchasing power that exceed our forecast for consumption growth and imply a continued moderate rise in the savings rate. While the surveys (European Commission and ECB) agree on the improvement in expectations of net income and the financial situation of households, they send out a contrasting signal on consumption expectations: the first indicates that purchasing expectations are on the mend, while the second points to a fall in spending expectations. After improving in the first three quarters of 2024, household confidence deteriorated again at the end of 2024 and, at the start of the year, it remains well below its historic average.

The key factor likely to influence households' willingness and ability to consume more is continued job creation. Job creation has lost momentum (0.7% YoY in Q4, after 0.9%) but remains positive despite the pause in the employment rate following its steady rise in recent years. The vacancy rate (2.5% in Q4) has stabilised after a steeper decline during 2024. Despite this slowdown in employment, the fall in the number of unemployed has accelerated and exceeded that of the labour force, facilitating the fall in the unemployment rate (6.1% in February). According to the surveys, consumers continue to anticipate a rise in unemployment and a fall in the probability of finding a job, but the probability of losing their job is also perceived to be falling. The surveys continue to show that companies are keen to keep their employees in work, even though their employment expectations have deteriorated since the autumn. We expect a slight rise in the unemployment rate in 2025 and a modest fall in 2026, barely visible on the annual average (6.4% in 2025 and 6.3% in 2026).

Our scenario of stabilisation in housing investment was also confirmed in Q424 (-0.3%) and is extended in our forecast. The fall in house prices is offsetting the slowdown in disposable income and keeping house purchases affordable. Interest charges are falling as interest rates on new loans continue to fall (3.3% in January).

### *New features that are changing our scenario*

**The fundamentals of productive investment have not radically improved**. Investment in machinery and equipment fell again (-1.5% over the quarter) at the end of the year; new loans to non-financial companies are rising, but at a historically low rate. While business surveys point to persistent weakness in loan demand, they also indicate a deterioration in the availability of credit, associated with financing conditions that businesses expect to be more restrictive. We expect a modest recovery in productivity and margins, but uncertainty over trade policy developments will continue to hold back investment decisions.

**While these negative factors remain, they need to be weighed up against European ambitions and German decisions.** Together, these factors support the investment profile and justify an upward revision of our investment forecast for construction, machinery and equipment, and transport goods. Germany's new spending measures on infrastructure and defence, as well as the general increase in defence spending by European countries, will particularly benefit production in the zone's three major economies. Investment growth outlook has been lifted from 1.5% to 1.8% in 2025, and from 2.0% to 3.2% in 2026.

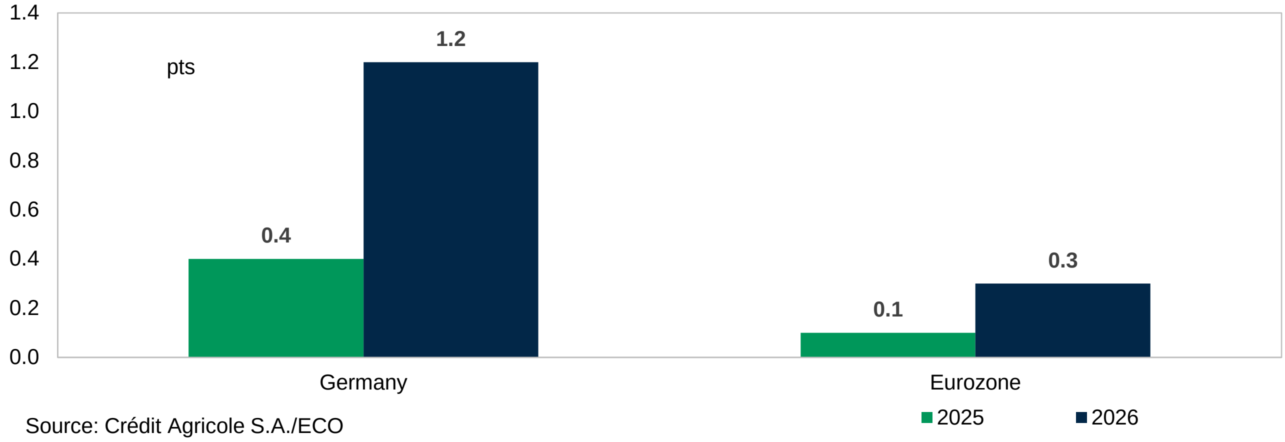
### *Public finances: no slippage*

The faster rise in public spending on defence and investment, mainly concentrated in low-debt countries, would result in a simple slowdown in the trajectory of deficit reduction in 2025, a slight deterioration in 2026 (from 2.9% in 2024 to 2.6% of GDP in 2025 and 2.7% in 2026) and a rise in the debt/GDP ratio (from 88.2% in 2024 to 88.9% in 2025 and 89.5% in 2026), already recorded before the introduction of these measures. Through their ability to increase GDP growth, these measures have a positive impact on the denominator, thereby limiting the rise in the debt ratio.

| Annual average | 2024 | 2025 |
|---|---|---|
| GDP | 0.9% | 1.0% |
| Inflation | 2.4% | 2.1% |

**Paola MONPERRUS-VERONI**

**German fiscal turning point : impact on GDP growth**




Source: Crédit Agricole S.A./ECO

## UNITED KINGDOM: HIGHER BUSINESS COSTS WEIGH ON THE ECONOMIC OUTLOOK AMIDST HEIGHTENED GLOBAL UNCERTAINTIES

The UK economy stagnated in H224 following a strong H124, which brought the annual growth rate in 2024 at 0.9% following 0.4% in 2023. GDP grew by 0.1% QoQ in Q424, in line with our expectation, but contrary to consensus and the BoE's expectation for a 0.1% contraction. Stronger variations in inventories largely explain the positive surprise, while household consumption was flat and business investment fell by 3.2% QoQ. Net exports were also weak, contributing negatively to growth (-1.5ppt) as exports contracted (-2.5% QoQ) and imports increased (+2.1% QoQ).

**Q125 GDP growth is currently tracking at around 0.3% QoQ** (unchanged from our previous forecast), **as output rose by 0.4% MoM in December and 0.1% MoM in January.** We maintain our Q1 forecast of +0.3% QoQ growth but revise down to 0.2% QoQ growth in Q225 on the back of heightened global uncertainty, tighter financial market conditions and changes to taxes and energy prices occurring on 1 April. GDP is expected to accelerate slightly in H225. Accounting for these changes, annual GDP growth is revised down to 0.9% against 1.1% expected previously and to 1.4% in 2026 (vs 1.6% three months ago).

***The weaker labour market outlook implies downside risks to household consumption growth.***

**On 1 April, two measures announced in the Autumn Budget will take effect**: (1) a 1.2ppt increase in employers' national insurance contributions (NICs) and (2) a 6.7% increase in the national living wage (NLW), to GBP12.21. Businesses are likely to try to pass on some of the extra costs to prices, but profit margins will likely be squeezed overall. Business surveys suggest weaker employment intentions and greater price pressures. Particularly vulnerable are lower-paying jobs due to the decrease in the threshold (from GBP9,000 to GBP5,000) from which businesses are paying NICs. Businesses are also likely to lower wages where it is possible in order to compensate for the increase in the NLW. The overall economic impact will be higher inflation, lower business investment, lower employment and weaker wage growth.

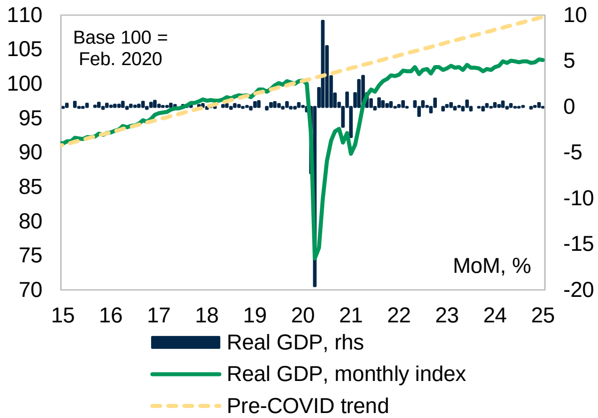
While we had already accounted for these negative effects in our scenario three months ago, **surveys suggest that the drag on employment is likely to be more front-loaded than expected**. We have revised upwards our forecasts for the unemployment rate to 4.7% in H225 and 2026 from 4.4% in Q424. The weaker labour market outlook implies downside risks to household consumption growth.

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 0.9% | 0.9% |
| Inflation | 2.5% | 3.2% |

**Moreover, the government announced a modest fiscal tightening on 26 March through lower welfare spending and cuts in departmental day-to-day budgets.** Defence spending will increase to 2.5% of GDP by 2027 (from 2.3% currently), financed by a similar 0.2% of GDP cut to overseas aid spending. UK public finances remain vulnerable due to the relatively low headroom (0.3% of GDP or GBP9.9bn) against the fiscal rule which requires a balanced current budget balance by 2029-30.

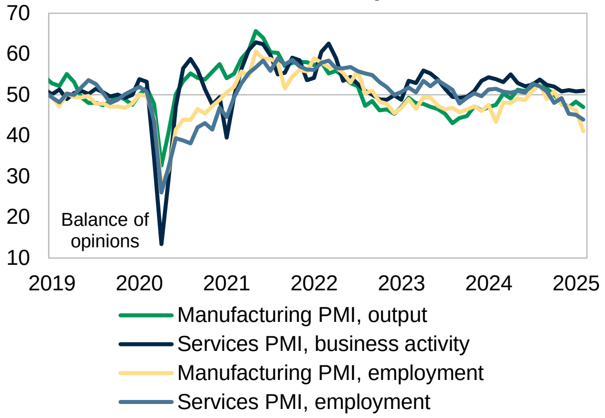
Slavena NAZAROVA

**UK: real GDP**




Sources: ONS, Crédit Agricole S.A./ECO

**UK: PMI surveys**




Sources : S&P Global, Crédit Agricole S.A./ECO

## JAPAN: ON THE CUSP OF BREAKING OUT OF STRUCTURAL STAGNATION

### *Supporting growth through economic measures*

**In 2024, despite stagnant domestic demand, the BoJ's lifting of its prematurely implemented negative interest rate policy** and additional rate hikes put downward pressure on the credit cycle, and with the global economic slowdown, real GDP growth stagnated below the potential growth rate of about +0.5%. The turnaround in the rise in import prices and the high rate of inflation put downward pressure on real wages, and the recovery of domestic demand also stagnated. While short-term interest rates would rise due to the BoJ's continued rate hike stance, soft domestic demand, declining inflation expectations, and rate cuts overseas would keep long-term interest rates from rising.

> ***Real wage growth is still weak and consumption recovery is still sluggish.***

**In 2025, amid the downward pressure of the global economic slowdown and the uncertainty of the Trump administration, we expect economic measures to support domestic demand, maintaining a real GDP growth rate of around 1% and continuing the movement** toward overcoming the deflationary structural stagnation. However, real wage growth is still weak and consumption recovery is still sluggish. The BoJ's premature rate hikes amid stagnant domestic demand also cause **the inflation rate to contract significantly toward about 1%**, and political developments would halt the BoJ's rate hikes. The Ishiba administration is likely to step down after the government budget is approved in March. The new prime minister would dissolve the Lower House again and hold a same-day election for the Lower and Upper House in the summer. **Before the election and in the fall, the new administration would implement large-scale economic measures to support the move toward a complete end to deflation.**

**Nominal GDP growth, the pie of the economy, would temporarily fall below 2%**, putting risk assets at risk. Inflation expectations would not rise and yield curve flattening is expected to continue. Long-term interest yields would gradually rise in H2 as the global economy recovers and the effects of economic stimulus measures begin to be felt for the next rate hike.

### *Core core CPI expected to fall below 2% by end-2025*

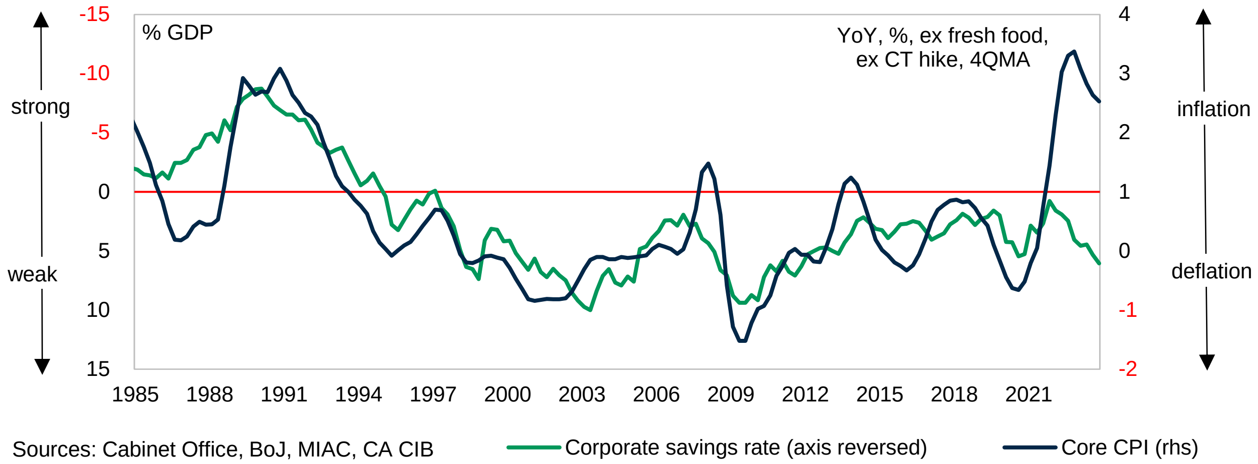
**Inflation is likely to fall far short of the 2% target again**, and deflation would not fully break out until there is a stronger corporate investment behaviour, a return to a normal negative corporate savings rate, and the elimination of structural deflationary pressures. Even with the support of the government's fixed-amount tax cuts, households are concerned about the increased burden from the BoJ's premature rate hike and real consumption has turned negative in 2024.

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 0.1% | 0.9% |
| Inflation (ex-fresh food and energy) | 2.4% | 2.1% |

We expect the YoY change in the CPI (excluding fresh food and energy) would contract to around 1% from 2025 to H126 due to a lull in price transfers of rising import prices and worsening of supply-demand balance from low economic growth in 2024 that underperformed the potential growth rate. Under the global cyclical recovery and the recovery of domestic demand, corporate spending, including capital investment and wages, would become stronger, and the positive corporate savings rate, which caused the deflationary structural stagnation as excess savings, would narrow. **We expect the inflation rate to rise toward 2% with the recovery of consumption due to higher real wage to start from H226.** The precondition is that the JPY does not appreciate sharply due to the BoJ's premature rate hikes.

**Takuji AIDA – Ken MATSUMOTO**

**Japan: corporate savings rate and core CPI**




Sources: Cabinet Office, BoJ, MIAC, CA CIB


# EMERGING COUNTRIES
# Trade turmoil under Trump 2.0

# Trade turmoil under Trump 2.0

**The growth scenario for EMs remains strong, but the potential impacts of the Trump shock are multiple and will reveal the structural weaknesses of some countries, as investors become more wary.**

The macroeconomic scenario for EMs seems to be on hold, pending the shock of tariffs on global trade, which remains one of the drivers of growth in many developing countries. For the time being, our GDP forecasts for 2025 have not changed much from our last scenario, increasing from 3.8% to 3.9% for EMs as a whole, a slight slowdown compared to 4.2% growth seen in 2024. At the end of 2024, the overall picture for EMs also showed that, after the anomalies of the Covid period, two major trends had returned: (1) the growth differential with developed countries returned to positive territory and (2) major emerging markets recorded a trade surplus (even without the Chinese surplus). As a result, these countries replenished their foreign exchange reserves, which will represent a significant buffer if the tariff war rocks currency markets.

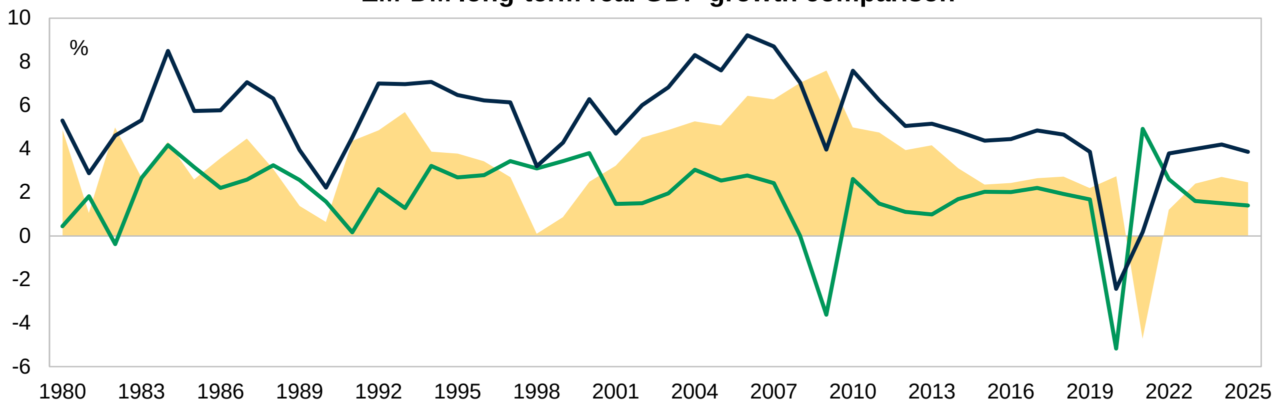
### *Asia continues to drive growth*

**Asia (excluding China) remains characterised by low inflation, and central banks are generally expected to cut interest rates in 2025, other than in Taiwan.** However, this will not be sufficient to maintain domestic demand in the region. Growth in Asia is therefore expected to slow from 5.2% to 4.7% between 2024 and 2025, but the region is still the leading provider of global growth. India, Indonesia and the Philippines are leading the way, but behind these strong performances, the difficulties are growing: political turmoil in the Philippines and, above all, the financial crisis in Indonesia. In fact, all markets in the region are weakened by the mistrust of investors, who fear the shock of tariffs on industrial sector exports especially those with a trade surplus vis-à-vis the US. There is also a DeepSeek effect that is attracting capital to China. As a result, the Indonesian currency fell, revealing the country's structural problems (difficulties in public management and an uneven distribution of the benefits derived from growth). In India, growth is expected to slow to 6.4% in the 2024/25 fiscal year, which is not enough to absorb new entrants into the labour market. Inflation remains high, amid a backdrop of persistent current account and budget deficits.

**In Eastern Europe, disinflation is slower than in Asia, hampered by increases in administered prices, taxes and, above all, real wages (with tight labour markets).** Central banks are therefore acting cautiously. Since the autumn, the growth prospects of the Visegrad+[5] countries for 2025 have deteriorated and the results for 2024 are below expectations in Slovakia, Hungary and Romania. However, Poland stands out as a result of its resilience, and growth is expected to be 3.5% in 2025. Part of the zone will suffer from its exposure to the German automotive sector, but growth could be supported next year by increased use of EU funds to support public investment. This should offset weak external demand. Poland and, to a lesser extent, Hungary and Slovakia, could regain fiscal space by exempting their military spending from debt ceilings.

**In Latin America, Mexico was one of Trump's first targets, since he considers it to be China's back door into US markets.** Indeed, Mexico benefited from the first US-China trade war, which inflated its trade surplus with the US, mainly in cars, machinery and electronics. Mexico is therefore at risk, with growth already slowing and dependent on external demand. Brazil also benefited from the first US-China trade war, taking the US's place as leading exporter of soybeans

**EM-DM long-term real GDP growth comparison**




Sources: IMF, Crédit Agricole CIB

[5] Poland, Hungary, Czech Republic, Slovakia

to China. Brazil's largest trading partner is currently China, and the price shock will be limited. Strong growth in 2024 generated inflation, however, which caused the BRL to depreciate. The central bank has therefore begun to tighten monetary policy, which is weighing on demand, with confirmed signs of a slowdown.

*In terms of tariffs, it is difficult to predict which countries will be the most exposed, because the US statements point to a number of different criteria, including political criteria.*

**In the Gulf countries, growth in most economies will benefit from an increase in oil production, following the gradual reduction of restrictions from April onwards, confirmed by OPEC+[6].** Non-oil growth in Saudi Arabia and the UAE is also being driven by a large portfolio of projects, reflecting their economies' efforts to diversify. However, a larger-than-expected fall in oil prices would have a very negative impact on the fiscal and external positions of Oman, Bahrain and Saudi Arabia. The outlook for Saudi Arabia is therefore good in the short term (with growth expected to exceed 4% in 2026), but remains conditional, in the long term, on the challenge of transforming the overall economy and society. Above all, the financing of the ambitious Vision 2030 projects raises questions, against a backdrop of lower levels of liquidity and a 32% fall in the dividends paid by Aramco in 2025 (despite the country's reserves representing 40% of GDP). Turning to Egypt, it managed to emerge from a long liquidity crisis in 2024, but the share of volatile capital in financing is becoming too high once again. Debt stabilisation will also require further cuts to be made to subsidies at a time when the middle class is already growing poorer. In a catastrophic regional geopolitical environment, the risks facing Egypt must therefore be monitored. Similarly, on the other side of the Mediterranean, the Turkish scenario, which was gradually normalising on the monetary front, has become more obscure politically. This should not be seen as an isolated incident: the brutality of the events is a reminder of Turkey's chronic instability.

### *Developing economies: not necessarily Trump's initial targets, but they may be the first victims.*

**EM are going to be very vulnerable to the Trump shock because of the number of ways in which they can be impacted**: tariffs, Fed policy, the USD and, above all, uncertainty, which is more damaging for developing countries. All these factors combined can create inflation, fiscal slippage and growth shocks. In terms of tariffs, it is difficult to predict which countries will be the most exposed, because the US statements point to a number of different criteria, including political criteria (see Venezuela, for example). Bilateral negotiations blur the analysis and also the competitiveness benchmarks for countries that will have to deal with competitors that have been granted more favourable arrangements. This is a measure of the huge competitive upheaval that these tariffs can cause. Overall, there are three types of 'victims':

- ✓ **Countries with large surpluses vis-à-vis the US** (especially Vietnam, Taiwan, Korea, India, Thailand, Malaysia and Indonesia).
- ✓ **Countries sensitive to certain sectors[7]**. In Asia, Malaysia is the country where exports of electronic chips to the US represent the highest percentage of GDP, followed by Vietnam and Thailand. South Korea is vulnerable to tariffs on semiconductors and cars (47.9% of car exports go to the US), as is Slovakia (11.7%). Bahrain is affected by aluminium tariffs (36% of exports, 15% of which go to the US) and 47% of Brazilian steel exports go to the US.
- ✓ **Countries with significant asymmetry in tariffs to the detriment of the US** – ie, most emerging markets, but with varying tariff differentials.

**In the short term, the introduction of reciprocal tariffs would therefore represent a significant asymmetric shock for EMs**, measurable using two criteria: (1) their commercial exposure to the US and (2) the size of the tariff differential. For example, Thailand, a very open economy, is highly exposed to reciprocal tariffs, as its exports to the US account for 11.6% of its GDP, with a tariff differential of 5.5ppt. However, the impact of the shock will also depend on the degree to which products can be substituted and the ability to redirect exports.

**India has advantageous tariff differentials with the US, its largest customer, accounting for 18% of its total exports.** But it remains a relatively closed country, thereby limiting the shock. Nevertheless, the impact will be sectoral: the US buys 35% of India's exported pharmaceutical products, which account for 13% of the country's total exports (Singapore would also be weakened by tariffs on pharmaceutical products). Like India, Nigeria has a significant tariff differential, but its exports to the US represent only 2% of its GDP. In fact, many countries find themselves in this scenario. Vietnam, on the other hand, tops the list of countries with large deficits and is dependent on its sales to the US (nearly 23% of its GDP). It is the 'springboard' country that benefited most from the diversions of China's trade and investment flows during Trump's first trade war. However, Vietnam can emphasise in its negotiations an overall tariff differential that favours the US.

[6] For more information, see the *oil article* in this scenario.

[7] For more information, see the articles on the *automotive*, metals and *semiconductors* sectors in this scenario.

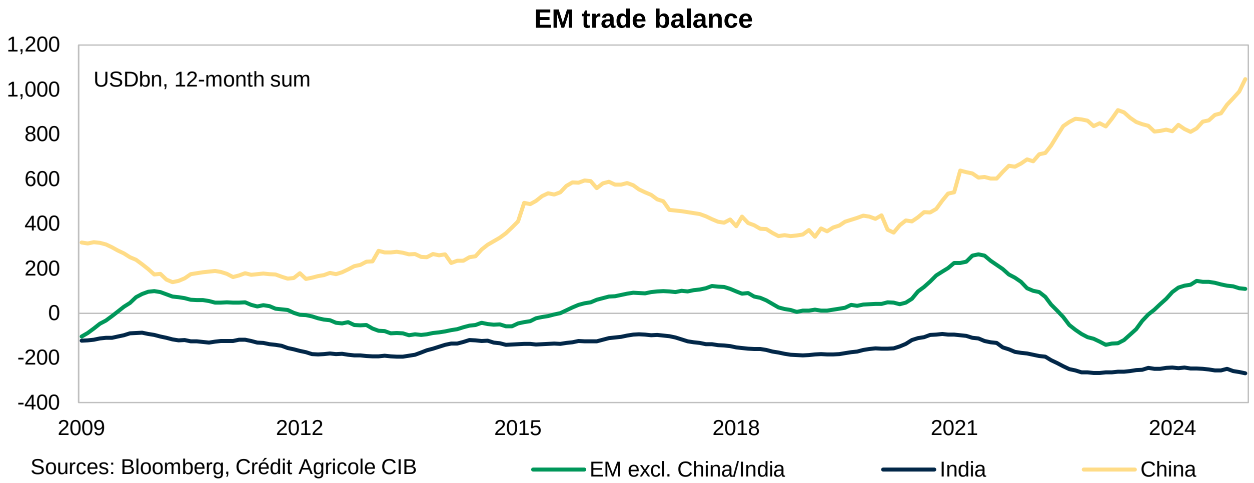
### *Trump is accelerating the reconfiguration of trading relationships*

Ultimately, **a large number of EMs are vulnerable to this trade war**. This is not only due to the economic shock, but also because many developing countries have based their growth models on trade, and sometimes on preferential access to the US market. Asymmetric tariffs have shaped the sectoral profile of some economies. Emerging markets will also be exposed to the risk that Chinese products subject to tariffs in the US will be dumped in their markets. Indonesia is fearful of losing 200k jobs in the textile industry. Vietnam and Korea have introduced anti-dumping measures against Chinese steel. Lastly, most of these countries have little scope to introduce retaliatory measures. Many have no choice but to commit to buying more US products: aircraft and ethane for Thailand, agricultural products and liquefied gas for Vietnam. Boeing is expected to regain markets and it is likely that the US will enter into new military cooperation agreements with countries subject to trade pressures.

But make no mistake. **Despite these short-term asymmetries in the balance of power, it is likely, in the longer term, that the trade war will accelerate trade diversification, as all countries try to protect themselves against instability in the US.** India, in particular, would be in favour of negotiating closer ties with China – facilitating trade and investment (which has been difficult since the 2020 clashes in the north of India) or the easing of regulations at ports. In Asia, particularly, the brutality of the US strategy with very open economies could be counter-productive. This strategy will increase the already high levels of intra-regional trade, particularly in the Asean region, and thereby thwart the US attempt to isolate China. The trade war will simply accelerate the reshaping of a world in which the US is increasingly becoming less central.

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 4.3% | 4.0% |
| Inflation | 5.8% | 4.5% |

**Tania SOLLOGOUB**



## CHINA: STABILISATION IN FOCUS

### *Counter growth challenges*

**We expect continued growth moderation in China in 2025**, as exports will likely face major headwinds on US tariff hikes, while domestic demand recovery could still be gradual. Despite positive developments in China, including resilient data, policy easing in the right steps and AI breakthroughs, in our view, there could be major uncertainties ahead, especially related to external challenges as the US under the Trump administration will likely continue tightening its curbs on China on multiple fronts beyond trade.

**We expect GDP growth to slow to 4.6% in 2025 and 4.3% in 2026 from 5.0% in 2024.** Nominal GDP growth is likely to edge up to 4.3% in 2025 from 4.2% in 2024 and accelerate to 5.3% in 2026.

### *Ambitious growth target and further policy easing*

In line with expectations, the 2025 National People's Congress (NPC) set an ambitious growth target of around 5% (unchanged from 2024), lowered its CPI inflation target to 2% from 3% and kept its employment targets unchanged.

**On the fiscal front, China raised its headline general fiscal deficit ratio to a record high at 4.0% of GDP in 2025** (from 3.0% in 2024), with the budget deficit amount rising to RMB5.66trn from RMB4.06trn (to be financed by general CGBs and LGBs). General fiscal expenditure growth will rise to 4.4% YoY from the actual 3.6% in 2024, while general fiscal revenue growth is budgeted to decline by 0.1% YoY after a small actual increase of 1.3% in 2024. On the monetary policy front, China pledged to cut interest rates and RRR at the appropriate times and continued expansion of credit supports to targeted areas; it reiterated that the CNY shall be kept basically stable.

There are broad policy guidelines on various fronts, and boosting domestic demand, especially consumption, was placed as a priority government policy, confirming China's strong will to stabilise the economy and markets amid lingering weak domestic demand and stiff external demand headwinds.

### *Tariffs remain a major headwind for China*

**Global trade tensions have been heating up, as US President Donald Trump has introduced waves of tariff announcements and threats.** The tit-for-tat tariff hikes between the US and China have been relatively milder than feared, with a cumulated 20% US tariff hikes on Chinese goods and China's restrained response on multiple fronts. However, Trump is unlikely to stop here and, beyond tariffs, the US will likely continue exerting pressure on China with non-tariff trade and financial restrictions.

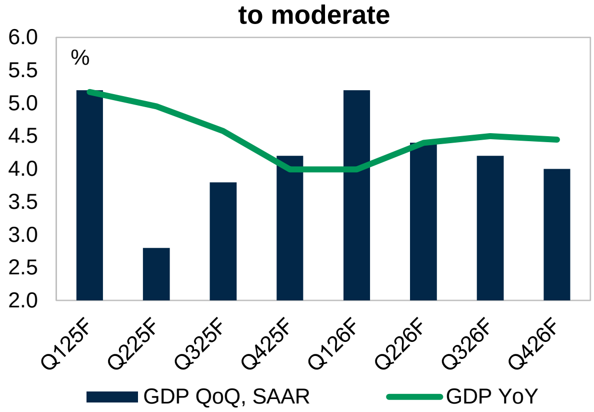
***Compared to Trump 1.0, China is now better prepared with its own playbook for countermeasures this time.***

**Despite encouraging signals on willingness from both China and the US to seal a trade agreement, we caution that the bar for a deal could be quite high.** Compared to Trump 1.0, China is now better prepared with its own playbook for countermeasures this time, with targeted measures, including selected tariff hikes, export controls on critical supplies as well as increasing pressures on some US companies with notable China exposures to manage tension.

### *Paring back CNY bearishness*

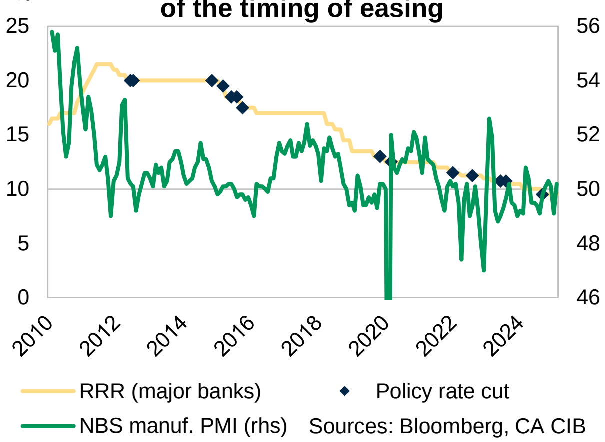
In our view, **US-China trade developments remain a central risk for the CNY**, with the materialisation of significant US tariff hikes on China exports is supportive of higher USD/CNY, though the PBoC will likely continue to smooth FX volatility and not use CNY depreciation proactively as a counter tool. Onshore fundamentals remain supportive of USD/CNY. China institutions onshore continue to maintain a high level of USD demand in recent months, and **net FX demand to start 2025 was at a record high, putting pressure on the CNY**. Meanwhile, the US-CH rate gap has shown some signs of narrowing in 2025, but room for

**China: growth continued to moderate**




Sources: CEIC, CA CIB

**China: the PBoC would be mindful of the timing of easing**




Sources: Bloomberg, CA CIB

further narrowing is likely to be contained and remain a drag on the CNY. Therefore, we expect USD/CNY to climb higher from current levels on trade war risks and fundamentals, while there is room for spot to turn lower into end-2025 as the USD weakens and seasonality turns more positive.

### *Re-anchoring China rates*

We stay constructive on CGBs on continued PBoC easing but are mindful of uncertainties around the pace of bond supply and equity market movement. The tight balance of liquidity conditions has weighed on the short end of the curve, but we still prefer a buy-on-dip strategy. **We see value of 1Y CGB in 1.6-1.7% and expect it to trend lower towards 1.5%. 10Y CGB yield will likely be in a range of 1.5-2.0% and trade towards 1.7% at year-end.**

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 5.0% | 4.6% |
| Inflation | 0.2% | 0.5% |

### *Risk to watch*

Domestically, it is key to watch the implementation and effectiveness of subsequent related policies, though China has shown its commitment to boosting consumption and stabilising the property market to enhance domestic demand. Externally, the uncertainty regarding Trump's tariff policy continues to be a significant factor that should be monitored.

**Xiaojia ZHI**

## BRAZIL: THE ADVANTAGES OF BEING BIG, NOT VERY OPEN (AND COMFORTABLE WITH CRISIS MANAGEMENT…)

Brazil has been buoyed by four consecutive years of strong growth – perhaps too strong. 'Excess' dynamism, signalled by the rapid acceleration in inflation, the rise in imports and the erosion of the trade surplus, was not reflected in a falling public debt-to-GDP ratio, rather it ended up leading to a depreciation of the BRL and powerful monetary tightening starting in September 2024. Against a backdrop of widespread uncertainty and strong fiscal constraints, **signs of deceleration have emerged and are being confirmed**: a slowdown in the credit growth rate (which remains positive), a rise in the unemployment rate (which remains moderate), and a deterioration in household confidence.

**On the external demand side, while Brazil is not a priority target of Donald Trump's trade war, it is not totally immune to it either.** The 25% tariffs on steel and aluminium (USD6bn in 2024) represents a bill of USD1.5bn. The tax should have an economically absorbable macro impact. Steel and aluminium exports to the US (admittedly the main export market, accounting for around 35% of steel & aluminium exports) represent around 1.5% of total exports, or ultimately less than 0.3% of GDP. On the other hand, GDP could be adversely affected if Trump's China policy has a significant impact on Chinese imports and/or commodity prices.

Growth is therefore expected to slow to 2.0% in 2025 and to continue to 1.7% in 2026. **The predicted economic slowdown does not seem to be enough to significantly depress sticky inflation** (+1% MoM in February, 5.1% YoY). Inflation expectations have still not stabilised, and the forecasts for end-2025 remain high (at 5.1%, exceeding the target range of 3.0% ± 1.5%). Despite the BCB's 375bp increase in the Selic rate**, monetary tightening remains on the agenda**: our scenario assumes a 75bp hike in May, followed by a final 50bp hike, taking the Selic to 15.5% in June.

### *Brazil's relatively limited direct commercial exposure to the US and the BCB's determination have contributed to the BRL's re-anchoring in early 2025*

**Monetary determination proved to be crucial: it (further) consolidated the BCB's credibility and calmed the 'fiscal noise' at end-2024 by helping to support the currency**, which had depreciated sharply, with USD/BRL falling below the psychological threshold of 6.0 (after a peak of nearly 6.3 in December 2024). However, the budgetary concerns that motivated the depreciation have not disappeared. In fact, the tax reform which had been presented at the same time as the fiscal consolidation measures in December and which had then disconcerted investors, precipitating the fall in the BRL, was officially announced again on 18 March[8]. Congress also finally

[8] The reform introduces major changes to personal income tax. Reductions on modest/mid-level incomes (income tax exemption up to BRL5,000 per month, tax relief up to BRL7,000 of income per month) are financed by an increase in taxation on high incomes and dividends (minimum effective tax rate above BRL50,000 per month). The reform would come into force in 2026. It would help boost President Luiz Inacio Lula da Silva's popularity in the run-up to the 2026 general elections.

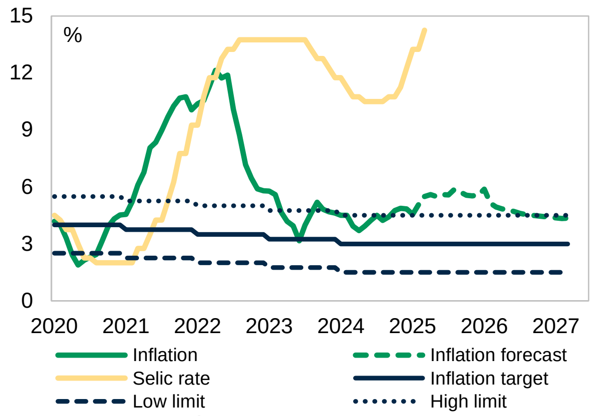
approved the 2025 budget (three months late). The budget forecasts a primary surplus of BRL15bn in 2025 (higher than the surplus of BRL3.7bn initially estimated by the government) and enables the government to meet its target of zero deficit by 2025. The apparent efforts to achieve the budget targets (balanced budget in 2025, surplus of 0.25% of GDP in 2026) and the improvement in communication have allayed investors' concerns.

**The budgetary intentions and the hawkish tone adopted by the COPOM at its last monetary policy meeting on 19 March should support the currency in the short term**: our scenario is for USD/BRL around 5.70 by end-June. However, as usual, the implementation of the budget will prove decisive: we will remain "on the lookout" before giving our vote of confidence and therefore expect some slight BRL depreciation (USD/BRL 5.80 for end-2025).

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 3.4% | 2.0% |
| Inflation | 4.4% | 5.2% |

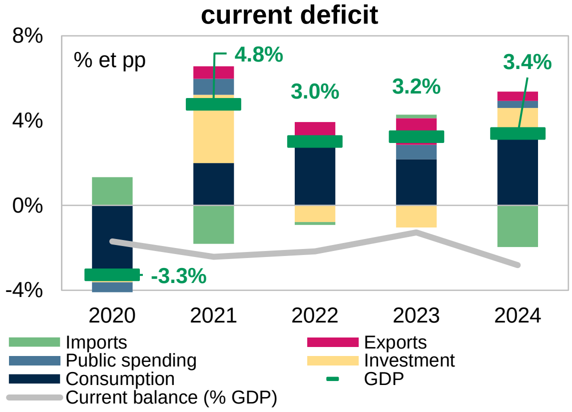
Catherine LEBOUGRE – Olga YANGOL

**Brazil: inflation and monetary policy**




Sources: BCB, Crédit Agricole S.A./ECO

**Brazil: growth, contributions and current deficit**




Sources: IBGE, Crédit Agricole S.A./ECO

## RUSSIA: IN THE TRUMP ERA

The Russian economy has remained on a path of strong growth, increasingly structured by the principles of the war economy.

### *Strong GDP growth*

**GDP growth remained strong at the end of 2024 and slowed only slightly at the beginning of 2025.** Private consumption was a key contributor to this. Wages have continued to increase at full speed (11.3% YoY in December). This is a corollary of the stress induced on the workforce by the war, and it has generated strong support for growth. Investment has also been particularly robust, also as a by-product of the military effort.

**On the external side, exports have remained rather resilient**, benefiting from Russia having successfully redirected its hydrocarbon exports over the past three years. As a consequence of still-comfortable external surpluses, international reserves have come back to the record high level they reached at the end of 2021.

### *Inflation requiring tighter monetary policy*

**Inflation is the major imbalance generated by this situation.** It reached 10% in February, for the first time in two years. The price pressure is directly fuelled by labour scarcity. The unemployment rate is very low, at 2.4% in February.

***Tight monetary conditions should contribute to slowing the economy in 2025.***

As a consequence, **the structurally hawkish Central Bank of Russia has kept in place a particularly tight monetary policy**. It has maintained its policy rate stable at 21% since October 2024. This makes Russia one of large countries with the highest real interest rates in the world.

### *Slowdown ahead*

Such tight monetary conditions (short-term rates at 10% in real terms) should contribute to slowing the economy. This is a price to pay to fight inflation. We do not expect a recession, as the war effort remains growth-supportive, but **we see a marked slowdown in 2025**.

### *RUB rally*

**Such a high carry tends to support the currency.** However, the recent strong rally of the RUB is first of all due to expectations of a possible (at least partial) normalisation of the US-Russia relationship, initiated by the US administration.

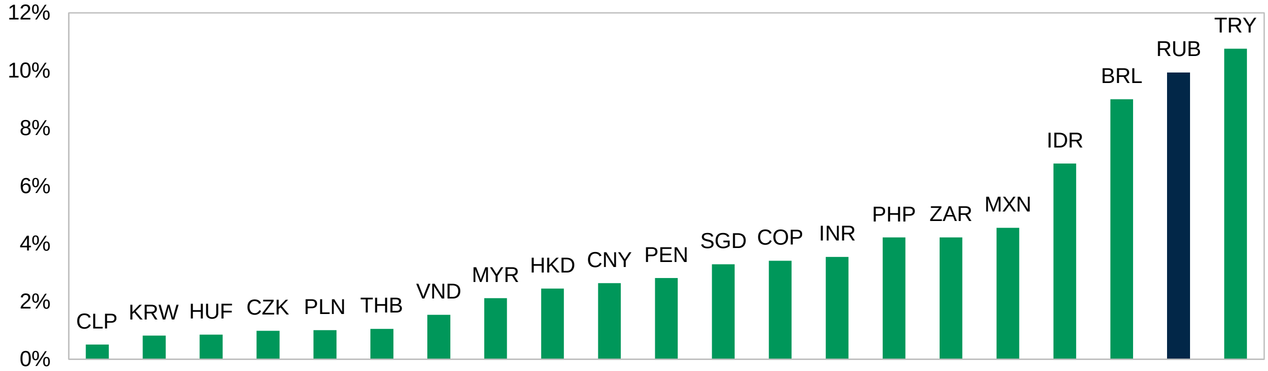
### *Uncertainty remains high, fuelled by the gap between US and Russian strategies*

What happens next with both the Russian economy and the RUB will depend to large extent on the cease-fire talks and on whether or not this can actually lead to a partial reopening of the Russian economy (ties with the US in particular). We note President Donald Trump's willingness to make progress. But we also believe that the difference between Trump's transactional approach and Vladimir Putin's more global & systemic approach will likely make the whole process a difficult and potentially long one, before an actual sustainable peace agreement could be reached.

| Annual change | 2024 | 2025 |
|---|---|---|
| **GDP** | **4.1%** | **1.5%** |
| **Inflation** | **8.4%** | **6.8%** |

**Sébastien BARBÉ**

**EM real interest rates: cross-country comparison (3-month rates as of 28 March 2025)**




Sources: Bloomberg, Crédit Agricole CIB

## INDIA: IN THE TRUMP ERA

India has experienced some turbulence in recent months, which could be exacerbated if Donald Trump implements reciprocal tariffs.

### *Dispelling concerns surrounding growth*

**At the end of 2024, India's fundamentals worsened against a backdrop of slowing growth.** The rise in food inflation caused domestic consumption to fall, while the policy mix was more restrictive. The rise in real interest rates caused by relatively restrictive monetary policy weighed on private investment, while public spending, particularly on infrastructure, fell once the elections were over and in order to meet fiscal consolidation targets.

**While the growth outlook for 2025 remains high** (at around 6.3%), **it reflects a slowdown from the 7% annual growth** – minimum – **posted in the previous period**. Above all, this level of growth is still not high enough to create the jobs needed to absorb new entrants into the labour market.

**The most recent data points to some improvements in consumption.** It can be seen in VAT receipts and the slowdown in food inflation, which makes up nearly half of the price index. In February, the new RBI governor also announced a first cut in its reference rate (by 25bp) from 6.50% to 6.25%), together with liquidity injections, signalling the beginning of a much-anticipated monetary easing cycle and a preference for supporting business activity over the exchange rate. Compared to 2024 levels, the INR has depreciated and is now stabilising around the historic 85 level, without too much of an impact on prices so far. We expect two further 25bp rate cuts by year-end, provided that inflation remains under control and that the INR stabilises.

On the fiscal front, the Finance Minister introduced new tax reforms aimed at lowering taxes for the middle and working classes in order to stimulate consumption. The budgetary consolidation objective remains in place, however, with an expected deficit of around 4.4% of GDP, compared with 4.8% for the 2024/2025 tax year.

### *Signing a 'super deal'*

**Narendra Modi knows that, in this new Trump era, his country has as much to win as it has to lose – hence his determination to reach an agreement with the US president as soon as possible.** India would be particularly affected by potential reciprocal tariffs. It is highly protectionist, particularly in relation to certain products exported by the US (motorcycles, agricultural products and pharmaceuticals) and has also seen its trade surplus with the US increase in recent years (from USD24bn to USD49bn between 2016 and 2024). Lastly, India is one of the few countries with a trade surplus for both goods and services.

*India has seen its trade surplus with the US increase in recent years.*

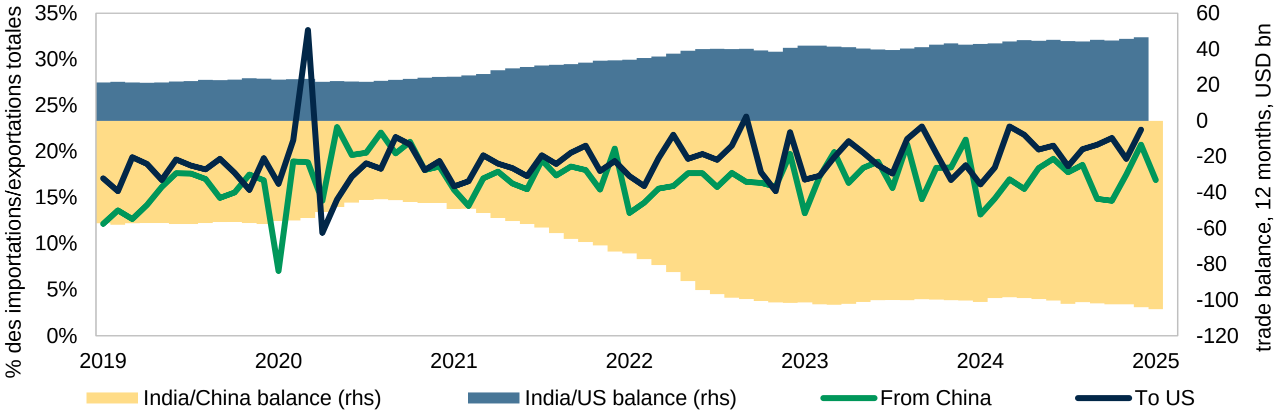
**While the WTO may have lost much of its sanctioning power, India cannot theoretically choose to use most favoured nation clauses in order to offer the US more favourable tariffs.** There are therefore two options remaining: (1) lower tariffs for everyone and end decades of protectionism; or (2) enter into a free trade agreement, which is the most likely option but also the longest to implement, because it will require significant negotiation. A deal of this nature, and even the start of negotiations, would allow India to position itself in reorganised value chains at a time when the country has stressed that it wants to attract new investors, particularly in the electronics and semiconductors sector.

| Annual change | 2024 | 2025 |
|---|---|---|
| GDP | 6.8% | 6.3% |
| Inflation | 4.9% | 4.0% |

**Meanwhile, India's reduced exposure to global trade** (India's trade openness rate remains well below that of other Asian countries such as Malaysia, the Philippines, Thailand and Vietnam) **and its domestic consumption-focused model will be an advantage, even if India, which is still pursuing a multi-alignment strategy, could have done without this level of global disorder.**

**Sophie WIEVIORKA**

**India between China and the United States**




Sources: Customs, Crédit Agricole S.A./ECO

# SECTORS

Oil – OPEC+ offers lower oil prices to the US

Gas – After the harshest winter in recent years, clear challenges ahead for 2025

Automotive – A shifting landscape

Metals – The effect of Trump's tariffs on European steel

Semiconductors – Strong demand push for data centers in the short term

Containers – The start of the “Big Bang”

# Oil – OPEC+ offers lower oil prices to the US

**In an unexpected move, OPEC+ recently accounted that it would increase production by 2.2m bpd. Against an uncertain market backdrop where a trade war looms, this increase in oil supply is likely to result in a moderate drop in oil prices.**

**The Trump administration has an impact on oil markets beyond its threats of tariffs on Canadian oil imports.** During the presidential campaign, Donald Trump promised to lower pump prices. The administration's promise to ramp up US drilling to ensure a supply of cheap fuel will not happen overnight. In the short term, only a rapid increase in oil production, which can be achieved exclusively by OPEC+, will have an effect on pump prices. The US president may have used his close ties with leaders of Saudi Arabia and Russia to sway OPEC+ to increase production.

*The increase in OPEC+ production is expected to keep oil prices below USD75 per barrel.*

**The 2.2m bpd increase**, which is equal to the production cuts decided unilaterally by certain producers (including Saudi Arabia) in 2023, **is surprising**. The prospect of a trade war between the US and its main partners should weigh on relatively sluggish growth in demand for oil. This outlook is far removed from OPEC+'s optimistic analysis, in a statement released on 3 March, of a growing market. However, the effect of this increase on the balance of the market could be slightly mitigated by the production adjustments imposed on countries that have exceeded their respective production quotas.

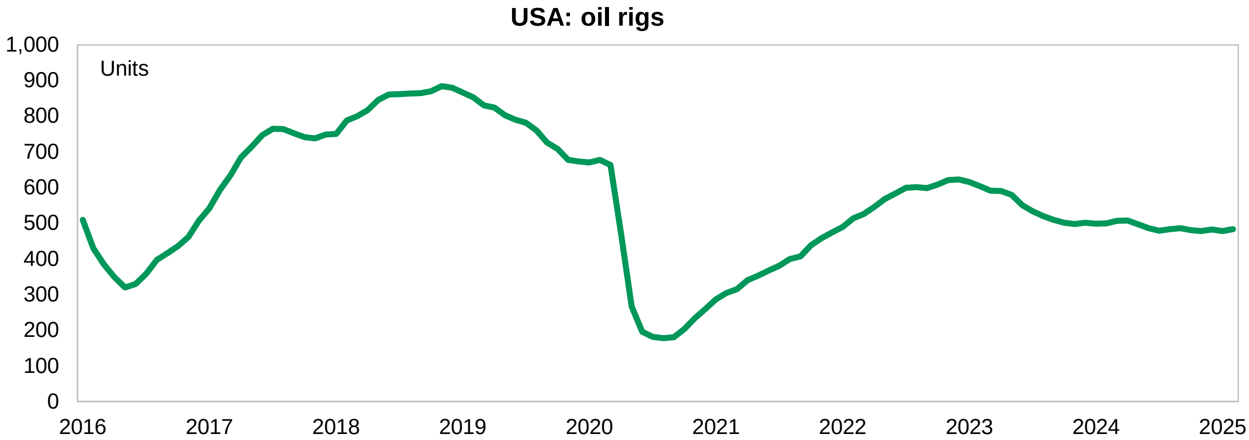
Against a backdrop of annual growth in demand of around 0.9m bpd in 2025 and 2026, the increase in OPEC+ production is expected to keep oil prices below USD75/bl. This fall in prices could act as a brake on the uptick in drilling and lead to an increase in US oil production.

**If these countries meet their commitments, the correction could be 260,000 barrels on average per day up until June 2026.** Half of the adjustments will be borne by Iraq. However, we believe that, as is often the case, production adjustments will not necessarily be fully complied with by the countries in question, as they are more focused on maximising their revenues. We also believe that a collapse in Iranian production is unlikely if the US imposes further sanctions on Iran.

| | Average oil price (barrel) |
|---|---|
| Q125 | $ 76 |
| 2025 | $ 71 |

**However, Trump's ability to further destabilise the oil market should not be underestimated.** The imposition of significant tariffs on goods from countries that source oil from countries hostile to the US, such as Venezuela currently, and possibly Iran in the future, could reduce global supply and therefore support oil prices. While the lifting of US sanctions on Russia is likely to result in a slight increase in Russian production, this increase may not fully offset the loss of Venezuelan, Iranian and even Canadian production in the event of an extreme trade war led by the US.

Stéphane FERDRIN



Sources: Baker Hughes, Crédit Agricole S.A./ ECO

# Gas – After the harshest winter in recent years, clear challenges ahead for 2025

**The depletion of natural gas stocks during the winter, which was the coldest in years, is expected to cause tension on the LNG market in the coming months.**

**The early months of winter in Europe were more severe than in previous years, resulting in increased household natural gas demand as well as energy sector demand.** As a result of lower levels of renewables production this winter, natural gas plants were solicited more than last winter in order to balance electricity systems.

**The European strategy prioritised depleting stocks over increasing imports of LNG** (liquefied natural gas). This strategy limited the increase in gas prices in Europe to EUR46/MWh on average between November and March, up from EUR32/MWh last year. Given that Europe reduced its LNG imports by 15% between the two winters, this increase in the price of natural gas provides confirmation that the natural gas market is tightening, with a recovery in demand for gas in Asia and weak growth in supply.

*European LNG imports are expected to increase by 37% and reach nearly 150bcm in 2025.*

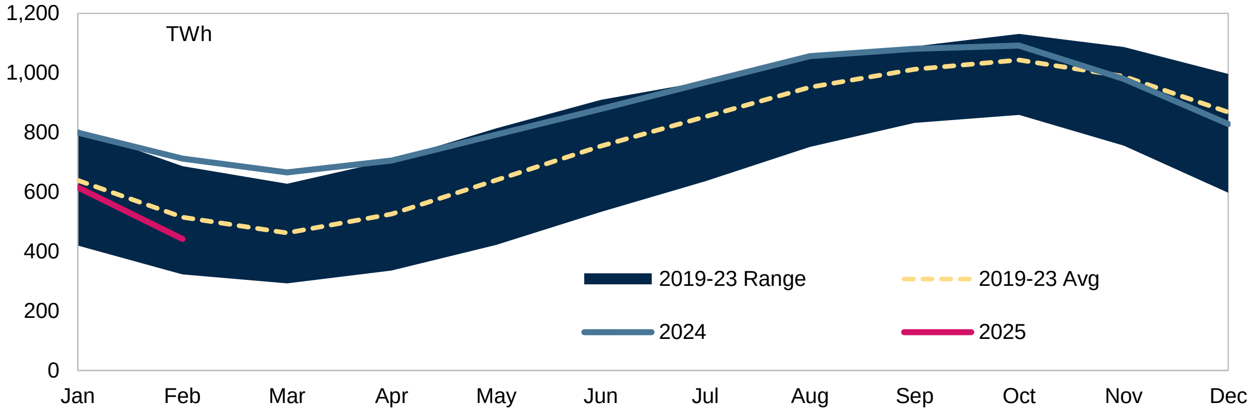
**Logically, stocks will end the winter at a much lower level than seen in the past two years.** In mid-March, the deficit in stocks compared to last year was 25bcm, a volume that the EU will need to import to get back to 90% stock by 1 November. In the event that Russian gas flows via Ukraine do not resume, the EU will also have to import an additional 14bcm of LNG. In overall terms, European LNG imports are expected to increase by 37% and reach nearly 150bcm in 2025. Europe is likely to compete with Asia in acquiring the volumes of LNG it needs. A number of companies are calling for greater flexibility to be given to the EU's stock replenishment targets. A target of 80% instead of 90% on 1 November would ease conditions on the natural gas market between April and October.

| | EU LNG imports |
|---|---|
| Q424 | 26.8bcm |

**Ever since the start of this winter, the US has also faced rising natural gas prices.** The winter was generally harsher, and demand for liquefaction terminals has increased, causing natural gas prices to rise by 50% between the this winter and the previous one. One of the short- and medium-term challenges for the US will be to revive the drilling of new oil and natural gas wells to meet the needs of households, industry, the energy sector and new natural gas liquefaction capacities, which are mostly located in the southern US. The revival of oil wells in the south will be key to avoiding spikes in natural gas prices, as a significant share of southern US natural gas production, which feeds liquefaction terminals, is made of associated natural gas from oil production. A potential fall in oil prices triggered by OPEC+'s recent decision to increase production could delay the resumption of drilling activities in the US, potentially affecting natural gas production

Stéphane FERDRIN

**EU: underground natural gas storage**




Sources: GIE, Crédit Agricole SA / ECO

# Automotive – A shifting landscape

**In the maelstrom of geopolitical tensions, tariff hikes and regulatory changes…**

The climate of confidence in Europe is being impacted by the crisis in Ukraine, and European automobile demand reached a low of 1m units per month in Q125. Combined February sales in the five largest European markets fell by 2.3% in the first two months of the year. Spain was the sole exception with an increase of 8.4%.

**European production for Q1 is now estimated to be down 9.2%.** For 2025 as a whole, production is expected to fall by 3.1% YoY in a global market that is generally stable at 89.4m units.

However, the market environment in Europe has not deteriorated further and **the production outlook could gradually become more favourable at the end of the year**.

### *US tariffs set to take effect*

**A 25% tariff on automotive imports to the US is set to take effect on 3 April and will exacerbate the structural difficulties affecting the sector** and is expected to impact demand in the region. Car manufacturers cannot create a local automotive supply chain out of nothing in less than two to three years and will have to continue to import large quantities of components.

Car manufacturers' ability to pass on additional cost increases to consumers is likely to be limited. US consumers are already facing average monthly car payments close to historic highs. In overall terms, if these increased costs are not absorbed through higher sales prices, the 25% tariffs would represent an additional bill of USD41bn and potentially a c. 7% increase in sale prices.

**President Donald Trump's tariff rhetoric is partly aimed at negotiating other issues with the countries in question.** This is reinforced by the fact that GM, Ford and Stellantis are among the manufacturers most impacted by the measures. If tariffs are not passed on to consumers, the additional costs would potentially represent around 100%, 30% and 12% of their operating margins, respectively, which is likely not to be sustainable in terms of local employment and over the long term.

*Car manufacturers' ability to pass on additional cost increases to consumers is likely to be limited.*

According to S&P, the probability that these measures will last for more than twenty weeks is only 20%, and the rating agency considers that it is more likely than not that the crisis will last 10-16 weeks.

**For European manufacturers, exports to the US represent around 24% of cars produced in Europe** (generating a positive trade balance of EUR102bn in 2022, ie, c. 1m units per year or 7% of European production).

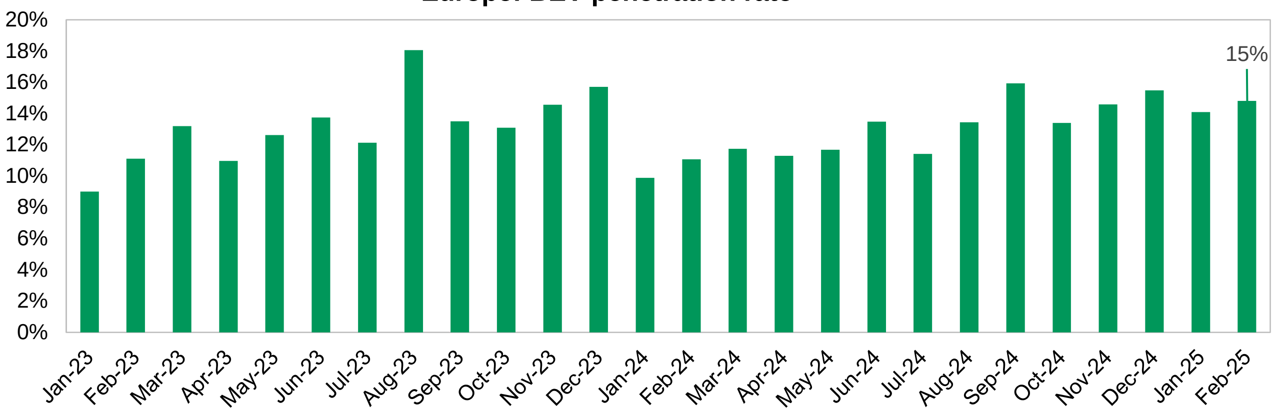
As for the supply chain, disruptions to schedules and changes to manufacturing locations will be added to the list of structural challenges faced by automotive equipment manufacturers now and in the future.

### *Relaxation of European regulations*

**After a 6% YoY fall, sales of electric vehicles in the five largest European countries picked up again at the start of 2025** (+25% YoY), achieving a market share of 15%. Sales in France were down by around 7.8% in the first two months of the year.

However, **the relaxation of the sanctions imposed on car manufacturers that fail to meet European $CO_2$ regulations by 2025 would support the**

**Europe: BEV penetration rate**




Source: Crédit Agricole S.A./ECO

**production of combustion engines in Europe in the short term**. Production rates for the European market could recover earlier than expected, by H225. Over the long term, the proposed support plan (support for innovation in the production of batteries and critical metals on European soil, EV charging) should also benefit the industry.

**For now, no substantial changes are being made to current $CO_2$ emission targets**. The reduction targets of 15% by 2025, 50% reduction for commercial vehicles & 55% for passenger vehicles (compared to 2021) and the ban on sales of new internal combustion engine (ICE) vehicles by 2035 remain unchanged. The phasing-out of ICE vehicles by 2035 is, however, being reviewed in March and may eventually be revised.

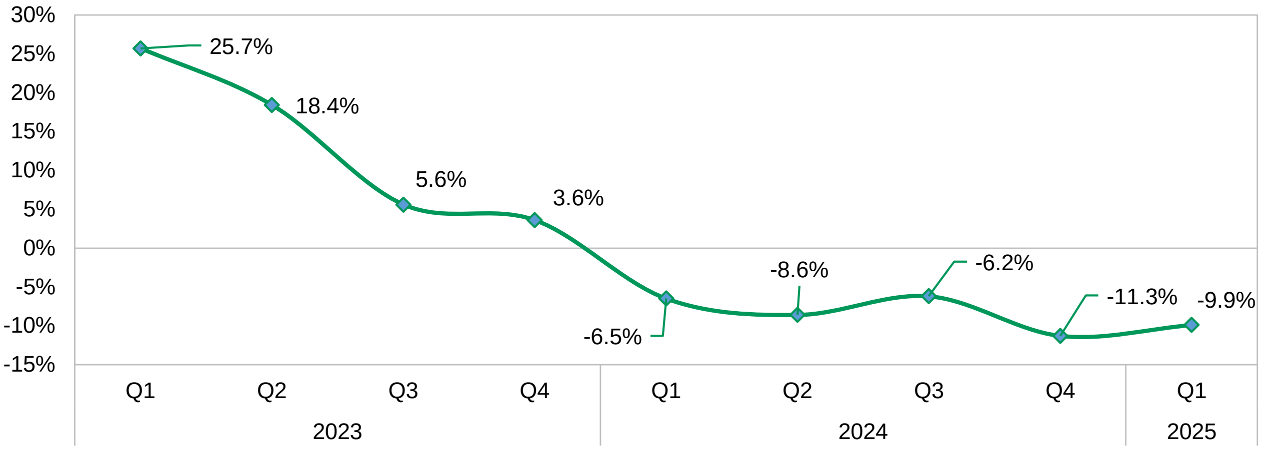
| | EV penetration rate in Europe |
|---|---|
| 2 months 2025 | 15% |

### *Profitability down sharply until 2026*

In accordance with the strategy implemented two quarters ago, manufacturers are readjusting their production facilities to adapt to a smaller market (down 17% from 2019). Before 2027, however, as a result of the regulatory changes, car manufacturers should no longer fear the imposition of penalties (which would have amounted to EUR11-15bn, according to ACEA, the European Automobile Manufacturers' Association). This will support their margins and cash flows in 2025-26.

**Véronique VIGNER**

**Western Europe: automotive production (February 2025)**




Source: Crédit Agricole S.A./ECO

# Metals – The effect of Trump's tariffs on European steel

**Far from being a surprise, the return of US steel tariffs seems likely to cause European protectionism to increase, ultimately potentially benefiting local producers. Given the trade imbalance, the efficiency of a symmetrical response from the EU would be debatable.**

**In 2024, the EU exported 4m tonnes (Mt) of steel to the US, equivalent to around 3% of its domestic production.** This volume represents the average exports made over the ten-year period between 2014 and 2024, encompassing the unique slump seen in 2020 (2.4Mt) and the prolific years, 2014 and 2018 – before the implementation of Donald Trump's first set of tariffs – in which exports exceeded 5Mt. Although post-Covid volumes remain below historic levels, the value of these exports peaked in 2022, at almost EUR8bn, benefiting from the sharp rise in steel prices. In 2024, in value terms, exports remained at the high level of EUR7bn**,** 28% above the ten-year average, and were mainly made by Germany (26%), the Netherlands (13%) and Italy (10%).

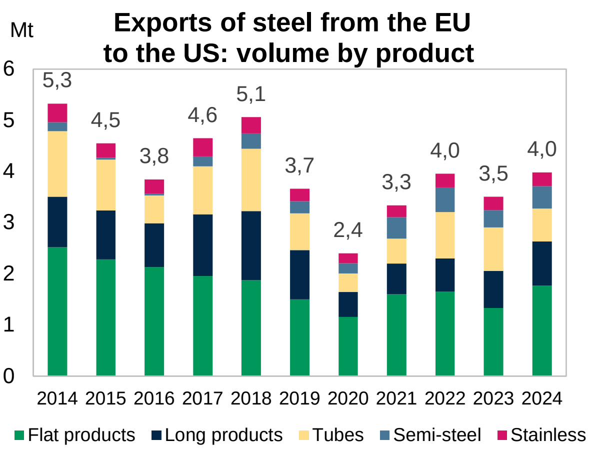
*In 2024, in value terms, exports remained at the high level of EUR7bn.*

In terms of products, **30% of trade in value terms relates to (1) tinplate for packaging; (2) welded and seamless tubes for hydrocarbon drilling & extraction; and (3) stainless steel bars and rods**. Due to the high added value of these products, export volumes are unlikely to be systematically substituted, just as trade flows continued following the first series of tariffs imposed in 2018.

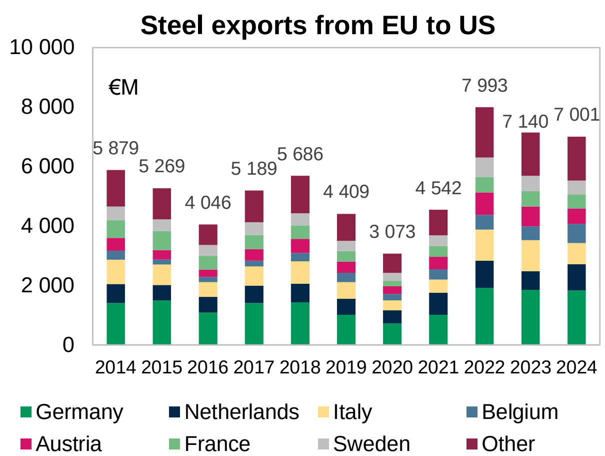
**More exposed than their European counterparts, Canada, Brazil and Mexico alone account for 50% of total volumes imported into the US**, estimated at 26Mt, covering 30% of its domestic demand.

**As the trade in steel between the two continents is largely asymmetrical** – the value of European imports of steel from the US is one-tenth of the value of exports – **a symmetrical response from the EU would appear to be inefficient**. In addition, the redirection of trade flows from third countries to Europe remains the main risk for local producers, a risk to which the European Commission will need to respond by remodelling its tariff quota system. Paradoxically, the return of US tariffs will therefore have given rise to this protective measure, long demanded by European steel producers exposed to a market that remains sluggish. The expected reduction in duty-free import quotas was confirmed in March and will be implemented as early as April, while an extension of safeguard measures beyond June 2026 was also announced in the steel action plan unveiled on 19 March.

**Guillaume STECHMANN**




Sources: Eurostat, Crédit Agricole S.A./ECO




Sources : Eurostat, Crédit Agricole S.A./ECO

# Semiconductors – Strong demand push for data centers in the short term

**Demand for chips geared to data training and storage in data centers for the development of artificial intelligence (AI) applications is particularly strong. This overshadows demand from other segments.**

**The training of different language models needed to build AI tools calls for huge data computing power and storage capacity. These are the main demand drivers for semiconductors used in data centers** over the short and medium term, eg, graphics processing units (GPUs), other AI processors and high-bandwidth memories (HBMs).

*GPUS and other AI processors showed the highest impressive annual growth in 2024, at 132% and 309% respectively.*

**The worldwide semiconductor market was worth USD626bn in 2024, with revenues up by over 18% vs 2023.** A rebound after reaching a bottom in 2023 in this cyclical industry mainly driven by strong demand for AI processors and HBMs. GPUs and other AI processors are custom-designed chips. They are classified under Application Specific Integrated Circuits (ASICs) category. HBMs are part of Random Access Memory (DRAM) chips.

### *Strong demand for data center chips*

**In 2024, a total of USD112bn in worldwide revenues were generated by semiconductors consumed in data centers geared to data training and storage for the development of AI tools;** this represented 18% of the total semiconductor market. This also corresponds to a spectacular annual growth of 73% vs 2023. Excluding memory chips, annual revenue growth still exceeds 50%.

There are **two main semiconductor categories in the industry: General-Purpose and ASICs. In 2024, these accounted for 53% and 47% of revenues generated by semiconductors consumed in data centres**. ASICs' contribution to revenue generation is steadily increasing, and the trend is expected to reverse in 2027 with ASICs accounting for 53% of revenues.

### *Strong growth for GPUs and other AI processors*

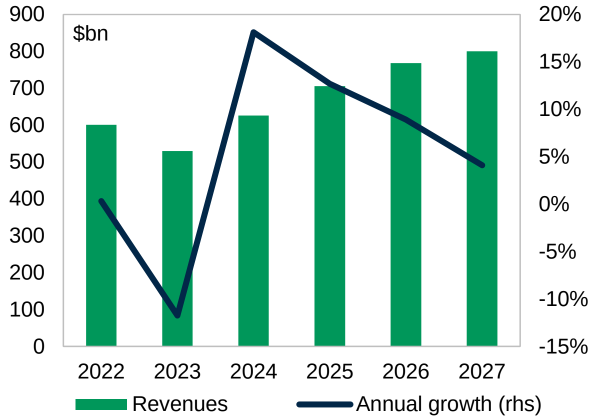
**GPUs and other AI processors showed the highest impressive annual growth in 2024 at 132% and 309% respectively**. These are by far the two highest growth performances among all types of semi-conductors for data centers. GPUs alone accounted for 31% of those revenues generated in 2024.

This trend is expected to continue in 2025, though at a slower pace but still at a significantly high annual growth rate of 35% for GPUs and 50% for other AI processors.

| | Global semiconductor market |
|---|---|
| 2025 | $705 billion |
| 2026 | $768 billion |

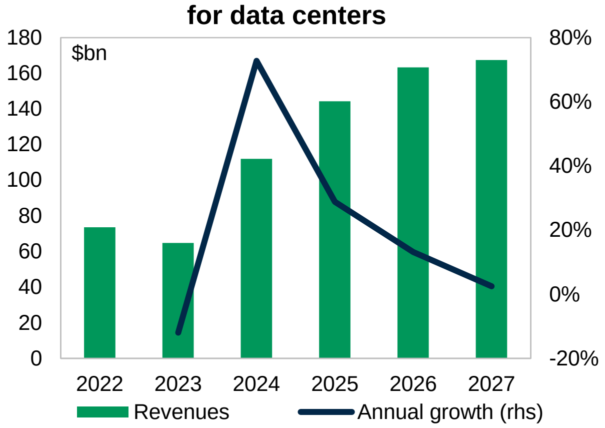
Rabindra RENGARADJALOU

**Worldwide market revenue trend**




Sources: Gartner (Dec. 2024), Crédit Agricole S.A./ECO

**Worldwide market: semiconductors for data centers**




Sources: Gartner (Jan. 2025), Crédit Agricole S.A./ECO

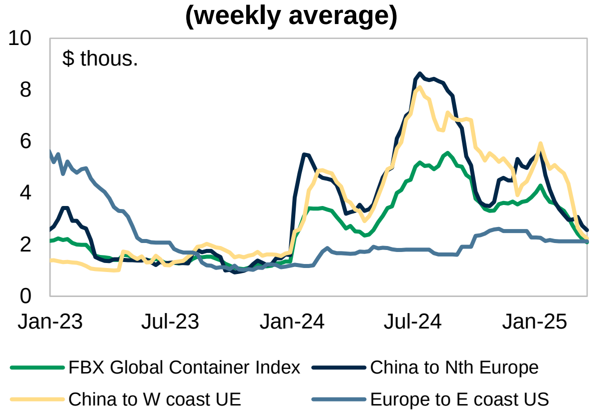
# Containers – The start of the "Big Bang"

**The radical shift in US trade policy is disrupting international trade much more abruptly and rapidly than expected. A change in the geography of shipping flows and services is looming.**

**The shipping sector is nervously following Donald Trump's raft of protectionist announcements and measures**, which mark the end of globalisation as we have known it, with multiple implications for transportation.

**The anticipation of tariffs has reignited the restocking movement already responsible for the 6% jump in global traffic in 2024.** The acceleration of US imports in January generated a record trade deficit and a surge in container freight rates. But the first two waves of tariffs on Chinese imports in February and March and the start of the low season prematurely shattered that momentum. Since then, **freight rates have fallen on the main routes, with the temporary exception of the transatlantic route, threatened by the escalation of tensions with Europe**.

**40-foot container price (weekly average)**




Sources: Datastream, Freightos, Crédit Agricole S.A.

**The sweeping new "reciprocal" tariffs announced by Trump will reduce containerised volumes entering North America (more than one-quarter of global intercontinental traffic),** even more so if Mexico is forced by its neighbour to tax imports from China. With the expected retaliatory measures, **the geography of maritime flows and services is likely to be disrupted, to the detriment of East-West trade. Conversely, the search for new markets and new sources of supply should support North-South trades**, as previously demonstrated in 2024 by the dynamism of Chinese trade with Latin America, India and the Middle East.

**Africa, in turn, could well be integrated into the movement this year.** Heavily involved on the continent and free from operational alliances since February, **the container shipping leader MSC will redeploy its largest ships from the Asia-Northern Europe route, which has surplus capacity, to the more buoyant Asia-West Africa-Mediterranean route**. MSC was also set to become the world's leading port operator by acquiring, in partnership with US firm BlackRock, Hong Kong operator Hutchison's portfolio of international ports, including the two ports in Panama that earlier aroused US anger. But Chinese authorities want to block the deal.

*The possibility of shipping returning to the Red Sea, which would cause freight rates to collapse by freeing up the capacity used in traffic diversions, remains a hot topic.*

**Another imminent shock is coming from plans to impose steep US port fees on Chinese-built ships,** and on any ship belonging to carriers that own or have on order Chinese-built ships. This proposed measure, which would affect most container shipping companies, also aims to require a growing fraction of US exports to be transported by ships built in the US. It supports the ambition reaffirmed by Donald Trump to revitalise US commercial shipbuilding to restore the country's sovereignty in maritime transport (the largest US container shipping company only ranks $28^{th}$ worldwide) and ensure its presence in the Arctic, thanks to the construction of icebreakers.

**If it is introduced in its current form, the measure would potentially have disastrous effects:** several tens of billions in taxes passed on to consumers**,** de facto exclusion of Chinese operators due to excessive fees, concentration of calls at a few major US ports, with the risk of major bottlenecks and disruption to supply chains. **These risks suggest, at the very least, that the proposed fees should be reduced**.

Finally, the possibility of shipping returning to the Red Sea, which would cause freight rates to collapse by freeing up the capacity used by traffic diversions, remains a hot topic. The end of the truce in Gaza and the daily US bombings of Houthi positions since mid-March still rule out this prospect for the moment, dreaded by carriers.

Even if these diversions continue, hypothetical traffic growth in 2025 when viewed against a 6% increase in supply suggests that freight rates will continue to decline. **But persistent port congestion, expected major reconfigurations of shipping services, and capacity allocations by carriers could hold some surprises.**

Bertrand GAVAUDAN


# MARKETS

Monetary policy – Delicate trade-offs

Interest rates – The promise of growth

Exchange rates – The Trump Trades didn't last long

# Monetary policy – Delicate trade-offs

**The Fed is faced with a balancing act, having to combine support for weakened growth with signs of persistent inflation. As for the ECB, the depressive impact of US tariffs is set against the prospect of stronger growth as a result of the German fiscal package. These trade-offs suggest that the end of monetary easing is nigh.**

## FEDERAL RESERVE: STICKY INFLATION TO LIMIT ADDITIONAL EASING

**The Fed has made clear that it is firmly on hold for the time being, and policy uncertainty leaves the timing & amount of additional easing up in the air.** If realised, the mildly stagflationary scenario seen in our base case would create a difficult environment for the Fed, providing conflicting pressures on the two sides of the dual mandate and meaning that the Fed's upcoming decisions may be a bit of a balancing act.

**Taking this into account, we expect the Fed to eventually resume rate cuts, but look for only limited further easing**, with two more 25bp cuts in June and September before the Fed then goes on an extended pause with the upper bound at 4.00%. That said, we see risks as tilted towards higher rates and would not be surprised to see the Fed cut fewer than two times by year-end, despite the market pricing closer to three.

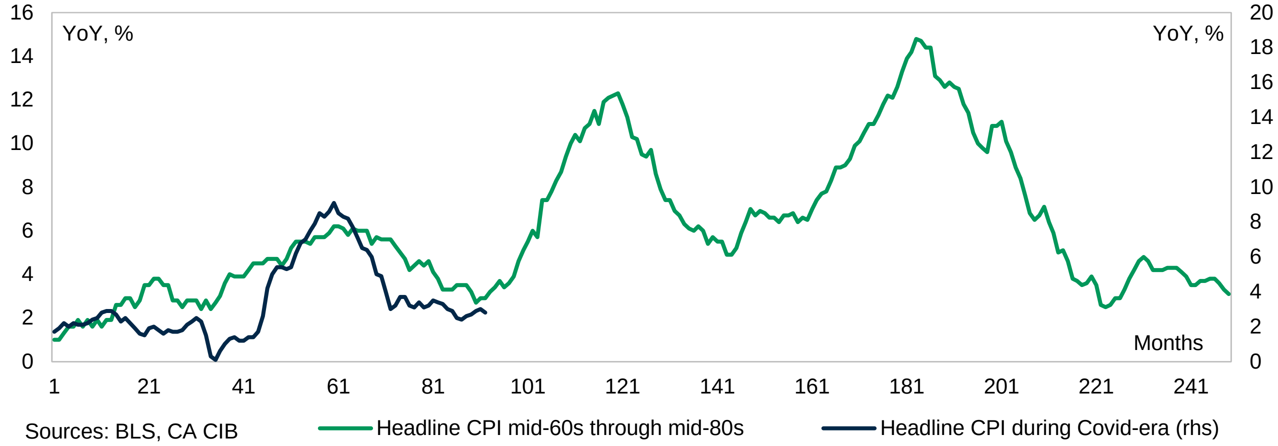
**This view comes down to the fact that we think the Fed's reaction function could lean towards the inflation side of the mandate if there are increasing signs of stickiness.** The 50bp cut to start the easing cycle last September does suggest that the Fed will want to provide some support for a slowing economy, hence the 50bp of additional cuts in our base case. However, inflation progress has mostly stalled since last autumn, and the combination of additional upside risks from tariffs and signs that some inflation expectation measures are drifting upwards will limit the amount of additional easing that will be realised, in our view. In this vein, FOMC members have cited the 1970s, when inflation saw multiple successive peaks each higher than the last, as a cautionary tale.

*We see risks as tilted towards higher rates and would not be surprised to see the Fed cut fewer than two times by year-end, despite the market pricing closer to three.*

**On the balance sheet, with the March FOMC meeting bringing a further slowdown in the pace, balance sheet run-off could now continue into 2026.** Reserve balances are the key balance sheet line-item to watch concerning this decision, with the Fed targeting a ratio of reserves to GDP of around 10-11%, according to comments from FOMC members. As such, we think run-off will conclude with reserve balances in the USD3trn range and the total balance sheet in the mid-USD6trn range.

**Nicholas VAN NESS**

**1970s inflation provides the Fed a cautionary tale**




Sources: BLS, CA CIB

## EUROPEAN CENTRAL BANK: SYMMETRICAL UNCERTAINTIES

**The ECB currently faces huge uncertainties**: the geopolitical paradigm shift is causing a profound challenge to the economic structure of the Eurozone, while trade barriers pose a risk of economic slowdown. Conversely, the German tax package is significantly improving the medium-term economic outlook.

**Against this backdrop, the ECB needs to act cautiously when making monetary policy decisions.** With the downward cycle approaching its end, we expect the ECB to cut rates again, by 25bp. Our central scenario includes a cut in June – and therefore no change in rates at the April meeting – but the decision is uncertain and the ECB could choose to lower its rates as early as the next meeting.

**Contrary to market expectations, we do not expect any further rate cuts**. The deposit rate is likely to remain at 2.25% throughout 2025 and most of 2026. Over the longer term, while the German fiscal plan will affect growth and – to a lesser extent – inflation, the question of monetary tightening may arise.

While German growth could be 1.7% in 2026 and higher in 2027, with Eurozone growth of 1.5% in 2026 and potentially higher in 2027, the ECB may consider that the economy is, to some extent, overheating.

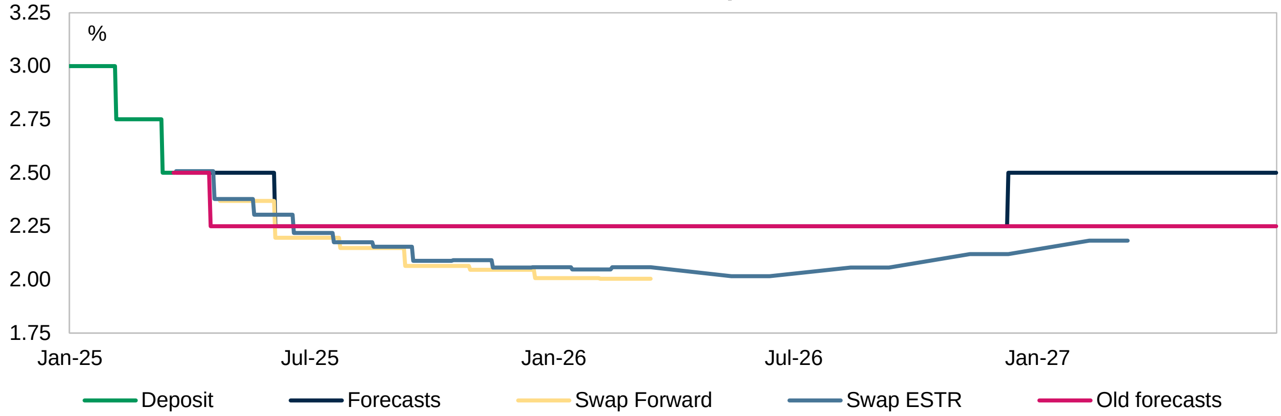
Therefore, **we expect discussions on rate hikes to happen in 2026 and the ECB to start hiking rates at the end of 2026**. In all likelihood, this cycle will be limited in its scope and duration, as the rebound in inflation caused by the economic recovery is likely to remain under control.

***The ECB is currently reducing its security holdings by around EUR45bn per month, thereby reducing bank liquidity by the same amount.***

In parallel with these movements on interest rates, the ECB is expected to continue reducing its balance sheet through its quantitative tightening. The ECB is currently reducing its security holdings by around EUR45bn per month, thereby reducing bank liquidity by the same amount. As stated during the review of the monetary framework, the ECB will continue to reduce its programmes until they are extinguished. The gradual reduction in bank liquidity will eventually lead to an increase in borrowing by banks at the ECB's refinancing operations to make up for this reduction.

**Louis HARREAU**

**ECB: new scenario for the deposit rate**




Sources: BCE, Crédit Agricole CIB

## BANK OF ENGLAND: FEWER RATE CUTS WITH A TERMINAL BANK RATE AT 3.75%

Unfavourable base effects pushed CPI inflation to 3.0% YoY in January from 2.5% YoY in December, higher than expected three months ago. There were upside surprises in core inflation and a material increase in food prices.

We expect CPI inflation to peak at 3.5% YoY in Q325. This near-term increase is due to increases in regulated energy prices in April, to higher business costs partially feeding through to prices and robust wage growth, which is likely to keep services inflation above 4.0% for the rest of the year. In 2026, we now expect CPI inflation to remain above the 2.0% target (2.2% YoY in Q426).

The BoE left its key policy rate unchanged at 4.5% in March, as expected, after having cut it in August, November and February 2025. In February, the forward guidance has been modified to add the word “careful” when qualifying monetary policy easing: “a gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate“. In March, the stance remained very cautious, with Governor Andrew Bailey insisting on the high levels of economic uncertainty.

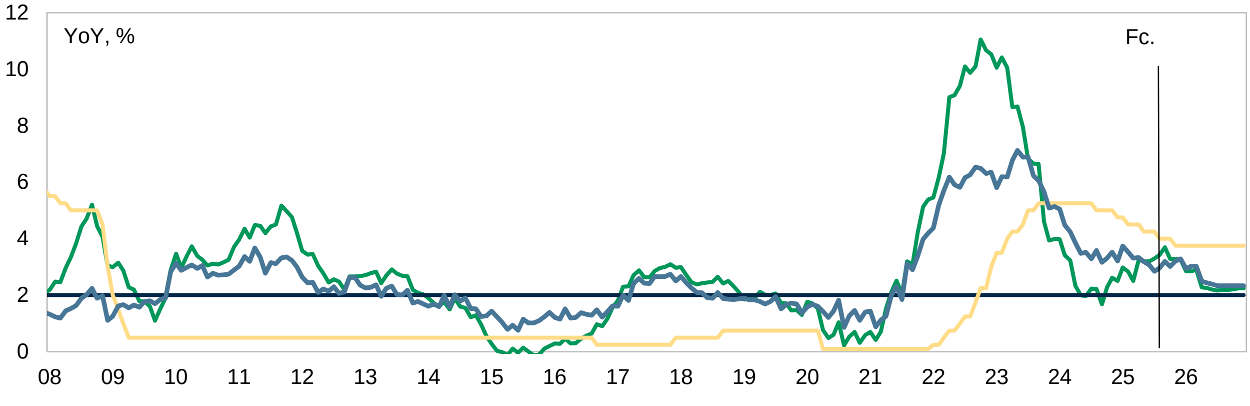
The BoE sees two-sided risks around its monetary policy: a less restrictive stance would be warranted if there is greater or long-lasting weakness in demand relative to supply; if there was more constrained supply relative to demand and more persistence in domestic wages and prices, including from second-round effects related to the near-term increase in CPI inflation, this would warrant a relatively tighter monetary policy path. We continue to expect that the first scenario is the most likely as the near-term increase in CPI inflation is likely to be temporary and the labour market is likely to deteriorate in the coming months, which in turn will weigh on demand.

***In February, the forward guidance has been modified to add the word “careful” when qualifying monetary policy easing.***

Uncomfortably elevated inflation is likely to keep the BoE on the back foot. We continue to expect only gradual monetary policy easing going forward, implying one rate cut per quarter this year. We expect a further 75bp of cuts this year (100bp in total for 2025), bringing the Bank rate to 3.75% as at end-2025. This would be in line with the BoE’s new estimate for the long-run equilibrium real interest rate (R*). Indeed, it considers that different empirical approaches suggest that the R* increased by 25bp 75bp relative to the estimates published in 2018 when the R* was estimated between 0-1% (2-3% in nominal terms).

**Slavena NAZAROVA**

**UK: CPI inflation CPI and key policy rate**




Sources: ONS, Crédit Agricole SA

## BANK OF JAPAN: FULL-SCALE RATE HIKE CYCLE TOWARD NEUTRAL RATES BEGINS IN 2026

**With Japan's real private domestic demand still below the pre-Covid 2019 average, two rate hikes in 2024 pushed down real GDP significantly below potential.** Another prematurely executed rate hike in January 2025 would delay the recovery of domestic demand. There would be no opportunity for additional rate hikes due to intensifying political developments leading up to the Upper House election in the summer and in tandem with the government's policy of prioritising the end of deflation. The global economic slowdown would continue, and growth rate well below potential in the previous year and stagnant domestic demand would slow the rate of inflation, which would put a pause on rate hikes.

***After three rate hikes since last March, the Japanese economy appears to have lost its ability to expand.***

**In Q126**, when the global cyclical recovery reduces the corporate savings rate, **the BoJ would finally enter a full-fledged rate hiking cycle** toward the neutral rate after confirming the certainty of the outlook for a pick-up in the rate of inflation due to a recovery in domestic demand supported by an increase in real wages. Rate hikes would continue at 0.25% every six months, accelerating to quarterly hikes in 2027, and by 2028, the policy rate would rise to over 2%. The rate hike would follow the expansion of inflation, keeping the real interest rate near 0% and supporting a negative corporate savings rate due to increased corporate investment. Real interest rates returning to a slightly positive level relative to 2% inflation target is the reaching point.

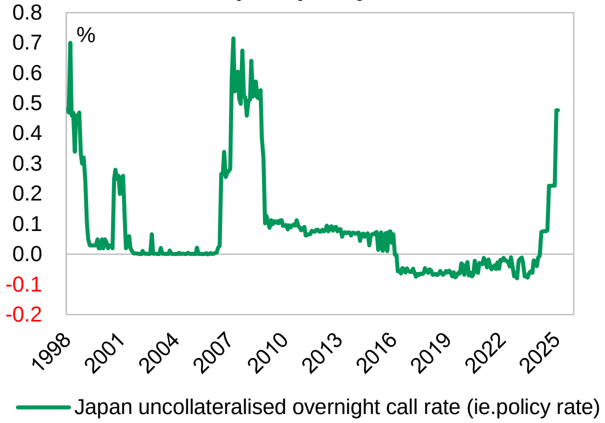
**We can estimate with our model that the current neutral rate is around 0%.** The current 0.5% policy rate seems to have already become a tightening force in the Japanese economy. In fact, after three rate hikes since last March, the Japanese economy appears to have lost its ability to expand, with negative growth due to sluggish domestic demand in 2024 and a stagnant stock market. The BoJ's preoccupation with raising interest rates above the current neutral rate, which reflects the stagnation of domestic demand, has likely suppressed the subsequent rebound in real GDP, which is probably the cause of the growth rate below potential in 2024.

**The policy of solving social issues that are hindering investment and growth through aggressive fiscal measures, including government investment in growth, would be maintained.** Expansion of fiscal spending and tax cuts would be discussed, and by making the public feel the economic recovery, the administration aims to win the Upper House election in the summer. In Basic Policies for Economic and Fiscal Management and Reform (Honebuto) that is expected to be approved by the cabinet in June, a new fiscal policy target that takes macroeconomic trends into account, rather than a primary balance surplus, would be discussed.

The unstable management of the regular Diet session by the minority ruling party and being swept away by the Trump administration's moves may cause the cabinet's approval rating to decline, leading to Prime Minister Shigeru Ishiba's resignation before the Upper House election in July and the possible handover to a new Prime Minister who is more capable to keep pace with the conservative opposition parties and the US administration.

**Income and gasoline tax cuts would be partially realised and would support the recovery of domestic demand in 2026.** In order to regain public support, the government's economic policy direction would be prioritised on overcoming deflation and pushing up economic growth. We also expect another set of large-scale economic measures before the Upper House election in the summer. With economic policy as the issue, we expect the new prime minister to dissolve the Lower House again, bringing the election the same day as the Upper House. With the new Prime Minister, the LDP-Komeito coalition government would barely maintain its majority in the Lower House and Upper House. If Ishiba remains Prime Minister, the coalition would lose majority in the both houses and Ishiba would likely step down.

**Japan: policy rate**




Sources: Bloomberg, Crédit Agricole CIB

**Ken MATSUMOTO – Takuji AIDA**

# Interest rates – The promise of growth

**While monetary easing appears to be nearing an end, the second phase of Donald Trump's economic policy, supposedly favourable to growth, and hopes of a European dynamic boosted by German public spending are conducive to a gradual rise in interest rates.**

## USA: FROM EXCEPTIONALISM TO GROWTH WORRIES

With only two Fed rate cuts in our house call, we expect US rates to trade in a range in the near-to-medium term. We think **rates could decline modestly in Q225 to reflect tariffs' negative impact on growth and the Fed resuming rate cuts in June in our macro forecast**. Since the start of the year, consensus view has transitioned from a strong belief in US exceptionalism to growth fears. The 10Y Treasury yield is now in the lower end of the YTD range between 4.15% and 4.80%, correlating with Fed expectations tracked by 1Y1Y SOFR swaps.

Market participants have re-calibrated the future rate path since the beginning of 2025. As suggested by Fed Chair Jerome Powell at the March FOMC meeting press conference, **the Fed is on hold for the time being and is in "no hurry" for further action**. Trump 2.0 policy unknowns mean that the economic outlook is far from certain, contributing to a cautious stance for the Fed. On macro, tariffs have led to expected weakening growth and sticky inflation. The labour market has cooled, albeit gradually. Our macro forecast expects the Fed to cut the policy rate by 25bp at each of the June and September FOMC meetings, compared to a slightly more dovish market pricing of around 62bp easing for the balance of 2025.

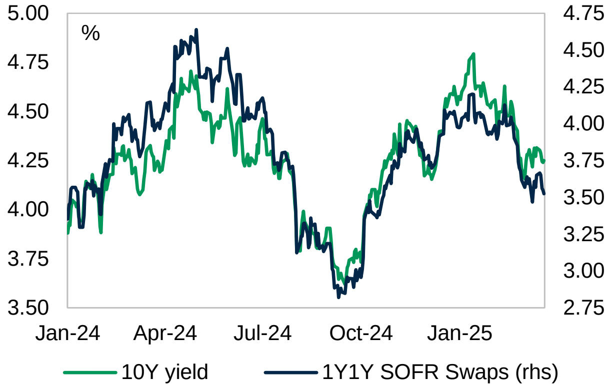
**Despite market volatility earlier in the year, rates have stuck in a trading range lately, meeting our Q125 forecast** published in November 2024. In our new forecast, we see rates rising in H225, when President Trump's pro-growth policies, such as tax cuts and deregulation, come into effect. The timeline of policy implementation is important to the growth and inflation trajectory, in our view. We expect growth-negative policies to be introduced in the early stage of the second Trump presidency, as many of those do not require legislation. On the other hand, growth-positive policies, eg, tax cuts, may take longer to roll out, as they require congressional approval. Such a timeline implies slower growth around mid-2025, when for example tariff and immigration policies will have begun going into effect. **Growth will likely pick up in late 2025 and 2026 after tax cuts pass Congress and regulatory reforms are implemented. Hence, a modest decline in the 10Y yield mid-2025 before a rise in late 2025 and 2026 in our forecast.**

*The timeline of policy implementation is important to the growth and inflation trajectory.*

We expect the yield curve to stay relatively stable and biased towards steepening, as the front end is anchored during the Fed pause and growth expectations drive long-term rates. Higher tariffs and tighter immigration policies are a recipe for elevated inflation, which, combined with increasing Treasury supply due to tax cuts, will likely raise Treasury term premium in late 2025 and 2026.

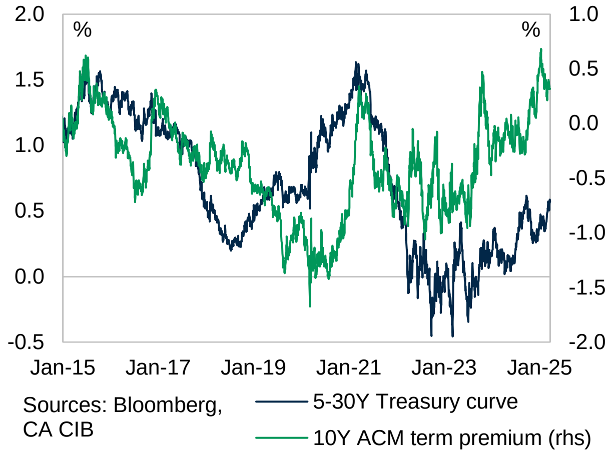
**In H225, expected tax cuts and de-regulation point to higher growth and higher R*.** If our macro call is correct that the Fed stops the easing cycle when the upper-bound policy rate drops to 4.00%, the 2Y Treasury yield should be range-bound between 3.75% and 4.25%. Meanwhile, with no hard landing on the horizon, 10Y is unlikely to trade below 4.00% over an extended period.

**10Y yield correlates with Fed expectations**




Sources: Bloomberg, CA CIB

**Curve and term premium**




Sources: Bloomberg, CA CIB

In our forecast, **rates continue to grind higher in 2026 but are capped below 5.00%.** Our 10Y 2026 year-end target is now 4.75% vs 4.95% in the prior forecast to reflect a less optimistic growth outlook, consistent with the March 2025 FOMC's Summary of Economic Projections, which projects slower growth in 2025 to 2027.

**Alex LI**

## EUROPE: FISCAL RUBICON HAS BEEN CROSSED

**The change in Germany's fiscal stance is pivotal in our call of EUR rates.** The newfound German political leadership has embraced fiscal expansion not only for defence spending but also to tackle its long-neglected infrastructure. While the eventual relaxation of the debt brake was one of the backbones of our previous call, this voluntarist approach not only embeds less prospect of recession but should lead to endogenously-led higher NGDP. In time, other EU countries should increase their own defence spending commitment, but more importantly a higher German output will percolate through the whole EMU economy. On the other hand, while the EU will make EUR150bn of loans available, the spending and funding will rest on national governments' shoulders.

**While US tariff threats to EZ exports remain, there seems to be no reason as to why the ECB should cease with QT for the foreseeable future.** We do not believe this will put stress on financial markets. The yet-to-be-determined inflationary angle to the fiscal expansion will need to be embedded into the ECB's modelling and decision-making, which implies further money market steepening prospects. Against this backdrop, we see 10Y Bunds above 3% with real yields around 1%.

**We expect structural spending to be matched with long-term funding, in line with the recent 10-30Y steepening in EGB curves.** This may seem premature as a number of steps have to occur before the funding process starts, but this implies we should still see further 30Y EGBs cheapening vs swaps as we get closer to the issuance process. As for the Schatz ASW, the newfound macro background reduces the bias to receive short-end rates. Yet the extent of potential widening in Schatz ASW is limited by the relentless pressure towards cheaper repo rates, as a by-product of the constant drain of reserves by the ECB.

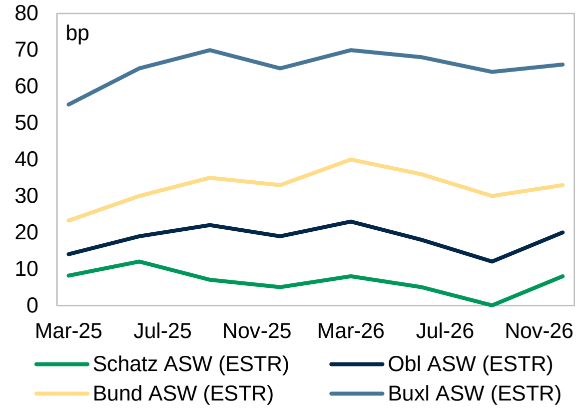
*Illiquidity should bear a higher price, as well as political risk, especially with countries with limited fiscal leeway and chronic defence underinvestment.*

**Our view on German credit as well as prospects of a higher output in the Euro area are a tailwind for further tightening of EGB spreads**, especially for countries with a high passthrough for the fiscal impulse in Germany. Yet implied volatility should increase due to higher chances of restrictive monetary policy down the line. This should also increase risk premia, in an environment less supportive of carry trades. Illiquidity should bear a higher price, as well as political risk, especially with countries with limited fiscal leeway and chronic defence underinvestment.

**OATs are in a peculiar place given the importance of the defence industry in France and the comparatively weaker growth outlook which prevailed in the wake of the fiscal uncertainty throughout the budget process.** With a decent spillover of activity from Germany fiscal impulse, we see room for further tightening of OAT-Bund spreads, albeit limited by the difficulty to stabilise debt/GDP ratio and reliant on further German underperformance against swaps on the back of a higher free float.

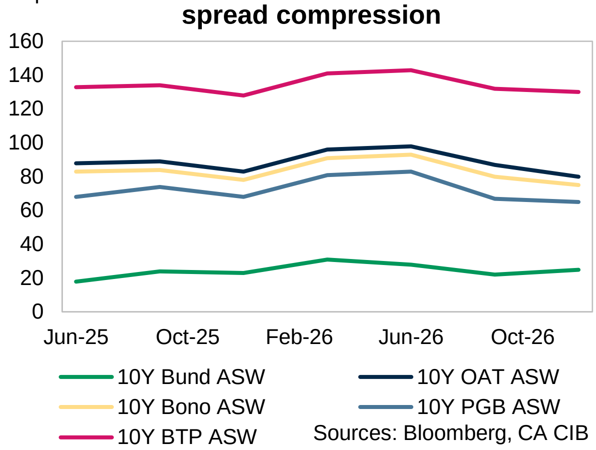
**Guillaume MARTIN**

**German ESTR ASW forecasts**




Sources: Bloomberg, CA CIB

**Bund cheapening key to further EGB spread compression**




Sources: Bloomberg, CA CIB

# Exchange rates – The Trump Trades didn't last long

**While Donald Trump's election was favourable to the USD's appreciation, his inauguration was less so. The worsening short-term outlook for the US economy has caused the USD to fall, and it is likely to remain under pressure over the next twelve months.**

## DEVELOPED COUNTRIES: DOWNGRADING OUR BELOW-CONSENSUS USD-OUTLOOK

**Our below-consensus USD outlook has served us well so far in 2025** as fears about the near-term US economic outlook forced FX investors to unwind the so-called "Trump trade" and send the USD lower across the board. The speed and aggressiveness of the USD sell-off surprised us nevertheless, and we downgrade our USD outlook, expecting it to remain under pressure in the next twelve months as the Fed restarts its easing cycle while fears about fiscal dominance and a "Mar-a-Lago Accord" loom large. Further out, a renewed US economic recovery and growing UST yields should give the USD some respite in H226.

**The EUR rebounded sharply in March**, supported by market hopes that aggressive fiscal stimulus could support the Eurozone's economic outlook, attract repatriation capital flows and even cut short the ECB easing cycle. **We have upgraded our EUR outlook** as a result but caution that many positives are already in the price. We now expect EUR/USD to hit 1.12 in Q425 but believe that further gains would be made difficult by a renewed rebound of the US economy, UST yields and thus the USD in H226.

*The USD is expected to remain under pressure over the next twelve months.*

**We have upgraded our GBP/USD outlook** and see it heading towards 1.35 by Q425 and 1.36 in Q426. We are less bearish on EUR/GBP – mainly due to the prospect of a more resilient Eurozone economy and a less dovish ECB, and we expect the pair to remain close to 0.83 for most of 2025 before resuming its drift lower towards 0.81 in 2026. US-Japan rate spread contraction keeps USD/JPY on a bumpy downward path. We believe this spread contraction has gone too far in the near term, fuelling a potential temporary rebound in the exchange rate. US tariffs hurt US and Japanese manufacturers, making them neutral for USD/JPY. Their weight on global equities is causing an unwinding of JPY-funded carry trades, but may have run its course.

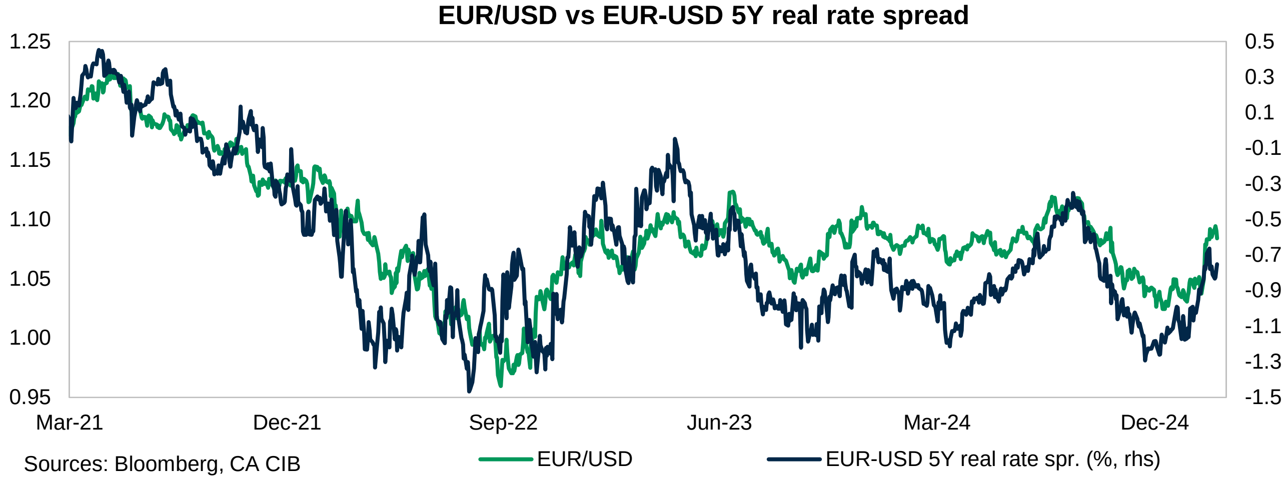
We expect the AUD and NZD to grind higher on USD weakness and improving investor sentiment towards China. A shallow RBA rate cutting cycle will also help the AUD. There is potential for NZD outperformance as NZ emerges from recession. US tariffs remain a restraint on Antipodean currency upside.

**The CHF is still seen as a favoured funding currency thanks to near 0% interest rate and high valuations.** EU fiscal boost may still imply a higher EUR/CHF by year-end, while Switzerland's lower inflation differentials should help cool real valuations in the long run, without incurring large nominal losses.

We upgrade our constructive SEK view after an impressive start to the year, while still being wary of potential pitfalls in the near term. The NOK has lagged only a bit behind, although we marginally tame our bullish call due to uncertainties over supply in global energy markets.

**A Canada-US trade war could hold the CAD back for longer**, as the high degree of uncertainties leaves

**EUR/USD vs EUR-USD 5Y real rate spread**




Sources: Bloomberg, CA CIB

us with a fairly flat USD/CAD profile (slight upside risk in the near term, in line with forward for year-end). Whichever of the two economies starts to show the first material cracks could decide whether USD/CAD settles north or south of current levels.

**Valentin MARINOV**

## EMERGING COUNTRIES: DON'T TAKE YOUR SEATBELT OFF YET

On the paper, the election of Donald Trump was supposed to be negative for EM currencies. Several factors, including "America first," tariffs, more space for Putin's Russia and intensifying tensions with China, could have put pressure on EM currencies.

### *EM FX: not so weak after Trump's inauguration*

In practice, this was only the case at the beginning. There have actually been two periods since the election: (1) initially, EM currencies mostly depreciated vs the USD, primarily before the inauguration; then (2) starting in the second half of January, EM currencies have recovered partly on average vs the USD. EM FX's improved fortune have has mostly come from the US's lighter-than-expected stance on tariffs. **China has to cope with a 20ppt increase in tariffs, but the 10% blanket tariff on all countries that was expected was not actually applied in Q1.**

### *Interest rate relief*

In the absence of a major initial shock, EM currencies are supported by three factors. First, **lower US interest rates have provided some fresh air**. The 100bp cut in the Fed fund rate that materialised between September & December contributed to widening the average interest rate gap between EMs & the USD and supported the average EM carry attractiveness.

### *Growth outperformance*

Second, **many EMs managed to maintain decent GDP growth rates**. Consumer demand in particular has benefited from lower inflation (which has supported purchasing power) and lower interest rates. Exports have also benefited from the resilience of external demand, as the soft patch that has been expected in the US for many quarters has actually not materialised. Hence the EM-DM growth differential was roughly maintained. We expect EMs to grow about 2.5ppt faster than DMs in 2025.

### *Trade surpluses*

Finally, **the EM aggregate trade surplus has remained in place** (with some marked heterogeneity between the different countries, though). This is actually not necessarily a support for the future, as one of the corollaries of the EM aggregated surplus is the large US trade – which may fuel the threat of further tariff pressure from the US.

### *We remain cautious*

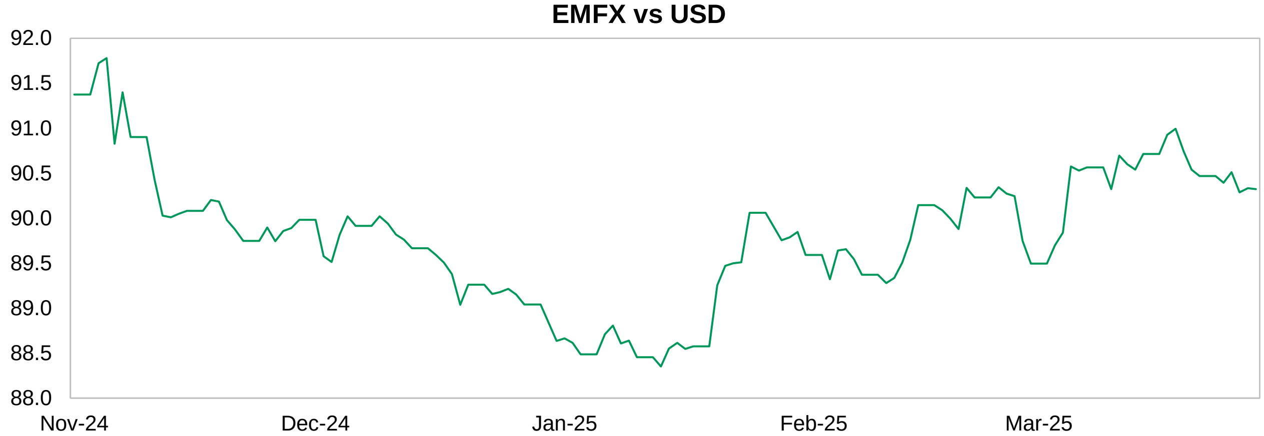
As a matter of fact, we remain cautious, as we assume that the Trump administration will impose more tariffs, and that this will put pressure on some large countries. The FX market will have to digest such a risk, and **we expect some EM FX weakness vs the USD when this happens, likely in Q2**. Once this has been absorbed, we see a more constructive outlook for EM currencies on average.

***We remain cautious, as we assume that the Trump administration will impose more tariffs.***

### *Regional disparities*

On a region-by-region basis, we expect the following. In our view, **Central European currencies** may outperform their peers. They benefit from the carry, as interest rates are higher than in other regions like Asia for instance. They would also benefit from the promises

**EMFX vs USD**




Sources: Bloomberg, Crédit Agricole CIB index of more geopolitical stability, should the hopes of a ceasefire persist.

In **Asia**, we believe the CNY could soften vs the USD if further tariffs are imposed, but only to a limited extent, as China enjoys significant leeway to buffer the negative effect of the US pressure. In the rest of Asia, many countries would also suffer from more tariffs being imposed, as the region is very open to trade, and rather strongly exposed to the US. Then we would expect an FX stabilisation in H2.

In **Latin America**, the carry is high, but many countries are burdened by less favourable public balance sheets and less favourable sovereign trajectories, whereas we also expect some of the Latam central banks to lower interest rates significantly, which will contribute to eroding the carry attractiveness.

**Sébastien BARBÉ**

# ECONOMIC AND FINANCIAL FORECASTS

Economic forecasts

Interest rates

Exchange rates

Commodities

Public accounts

## ECONOMIC FORECASTS

| | GDP (yoy, %) | | | Consumer price * (yoy, %) | | | Current account (% of GDP) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| **United States** | **2.8** | **1.7** | **2.2** | **2.9** | **2.7** | **2.7** | **-3.7** | **-3.6** | **-3.5** |
| **Japan** | **0.1** | **0.9** | **1.0** | **2.4** | **2.4** | **1.2** | **4.0** | **2.5** | **2.0** |
| **Eurozone** | **0.9** | **1.0** | **1.5** | **2.4** | **2.1** | **1.8** | **2.8** | **2.4** | **2.3** |
| Germany | -0.2 | 0.1 | 1.5 | 2.5 | 2.2 | 2.2 | 6.4 | 6.4 | 6.0 |
| France | 1.1 | 0.8 | 1.4 | 2.3 | 1.1 | 1.4 | -0.3 | -0.1 | 0.1 |
| Italy | 0.5 | 0.6 | 1.0 | 1.1 | 1.7 | 1.2 | 1.5 | 2.2 | 2.2 |
| Spain | 3.2 | 2.5 | 2.0 | 2.9 | 2.6 | 1.9 | 3.1 | 0.9 | 1.5 |
| Netherlands | 0.9 | 1.6 | 1.5 | 3.2 | 2.6 | 2.1 | 10.3 | 10.0 | 10.0 |
| Belgium | 1.0 | 1.1 | 1.5 | 4.3 | 3.5 | 1.7 | 0.1 | -0.1 | 0.2 |
| **Other advanced** | | | | | | | | | |
| United Kingdom | 0.9 | 0.9 | 1.4 | 2.5 | 3.2 | 2.4 | -2.5 | -2.0 | -2.2 |
| Canada | 1.1 | 1.8 | 1.9 | 2.4 | 2.0 | 2.0 | -0.8 | -1.0 | -0.9 |
| Australia | 1.2 | 2.1 | 2.2 | 3.3 | 3.3 | 3.0 | -0.9 | -1.1 | -1.3 |
| Switzerland | 1.3 | 1.3 | 1.8 | 1.3 | 1.0 | 1.0 | 8.2 | 7.6 | 8.0 |
| Sweden | 1.0 | 1.9 | 2.1 | 2.8 | 1.0 | 1.8 | 7.4 | 6.8 | 6.0 |
| Norway | 0.6 | 1.8 | 1.7 | 3.1 | 2.3 | 2.2 | 17.2 | 16.3 | 12.4 |
| **Asia** | **5.2** | **4.7** | **4.7** | **1.7** | **1.7** | **2.1** | **2.0** | **1.4** | **1.2** |
| China | 5.0 | 4.6 | 4.3 | 0.2 | 0.5 | 1.0 | 2.2 | 1.2 | 1.0 |
| India | 6.8 | 6.3 | 6.7 | 4.9 | 4.0 | 4.7 | -1.4 | -1.6 | -1.7 |
| South Korea | 2.0 | 1.6 | 2.1 | 2.3 | 2.0 | 2.0 | 5.3 | 4.8 | 4.9 |
| Indonesia | 5.0 | 5.0 | 5.1 | 2.3 | 2.6 | 2.7 | -0.6 | -1.0 | -1.2 |
| Taiwan | 4.6 | 2.6 | 2.5 | 2.2 | 1.9 | 1.8 | 14.3 | 13.0 | 12.2 |
| Thailand | 2.5 | 2.8 | 2.7 | 0.4 | 1.4 | 1.2 | 2.2 | 2.8 | 3.2 |
| Malaysia | 5.1 | 4.2 | 4.3 | 1.8 | 2.3 | 2.2 | 1.7 | 2.0 | 2.5 |
| Singapore | 4.4 | 2.4 | 2.5 | 2.4 | 2.3 | 2.2 | 17.5 | 18.8 | 19.3 |
| Hongkong | 2.5 | 2.3 | 2.2 | 1.8 | 2.5 | 2.2 | 11.3 | 10.7 | 10.0 |
| Philippines | 5.6 | 6.0 | 6.1 | 3.2 | 2.6 | 3.2 | -3.5 | -3.5 | -2.9 |
| Vietnam | 7.1 | 6.1 | 6.0 | 3.6 | 3.2 | 3.3 | 4.5 | 5.6 | 4.1 |
| **Latin America** | **2.4** | **2.3** | **2.4** | **3.7** | **3.1** | **2.7** | **-1.3** | **-1.6** | **-1.8** |
| Brazil | 3.4 | 2.0 | 1.7 | 4.4 | 5.2 | 4.3 | -2.6 | -2.5 | -1.5 |
| Mexico | 1.2 | 0.7 | 1.2 | 4.7 | 3.8 | 3.5 | -0.7 | -0.6 | -0.8 |
| **Emerging Europe** | **3.2** | **2.3** | **2.4** | **20.9** | **13.7** | **7.8** | **0.6** | **0.3** | **0.2** |
| Russia | 4.1 | 1.5 | 1.5 | 8.4 | 6.8 | 5.5 | 3.0 | 2.2 | 2.1 |
| Turkey | 3.0 | 3.0 | 3.2 | 60.1 | 36.0 | 17.0 | -1.5 | -1.5 | -1.5 |
| Poland | 2.9 | 3.5 | 3.3 | 3.6 | 3.9 | 2.8 | 0.1 | 0.2 | 0.1 |
| Czech Republic | 1.0 | 2.2 | 2.4 | 2.5 | 2.4 | 2.0 | 1.8 | 1.2 | 0.6 |
| Romania | 0.8 | 2.6 | 2.9 | 5.6 | 4.5 | 3.1 | -8.3 | -7.0 | -6.5 |
| Hungary | 0.6 | 2.4 | 3.1 | 3.7 | 4.3 | 2.8 | 2.1 | 1.5 | 1.0 |
| **Africa, Middle East** | **2.1** | **3.2** | **3.4** | **12.8** | **10.5** | **9.0** | **1.7** | **0.7** | **0.5** |
| Saudi Arabia | 1.3 | 3.7 | 4.2 | 1.7 | 2.0 | 2.0 | 0.2 | -1.8 | -2.1 |
| United Arab Emirates | 3.8 | 4.5 | 4.7 | 1.8 | 2.0 | 2.0 | 9.1 | 8.8 | 8.3 |
| South Africa | 0.6 | 1.7 | 1.4 | 4.4 | 4.0 | 4.4 | -0.6 | -1.5 | -1.8 |
| Egypt | 2.4 | 3.8 | 4.4 | 33.2 | 21.0 | 14.0 | -5.5 | -5.1 | -4.5 |
| Algeria | 3.3 | 3.0 | 2.7 | 4.8 | 5.2 | 4.8 | -0.4 | -1.8 | -2.6 |
| Qatar | 1.7 | 2.1 | 5.2 | 1.3 | 1.7 | 2.0 | 15.9 | 12.5 | 13.9 |
| Koweit | -2.4 | 3.1 | 2.2 | 3.0 | 2.3 | 2.2 | 24.4 | 21.0 | 19.0 |
| Morocco | 3.4 | 3.6 | 3.3 | 1.1 | 2.0 | 2.0 | -2.1 | -2.6 | -2.9 |
| Tunisia | 1.4 | 1.6 | 1.5 | 7.0 | 6.7 | 6.7 | -1.7 | -2.3 | -2.8 |
| **Total** | **3.1** | **2.8** | **3.0** | **4.4** | **3.6** | **3.0** | **0.8** | **0.3** | **0.2** |
| **Advanced economies** | **1.6** | **1.4** | **1.8** | **2.6** | **2.4** | **2.2** | **-0.1** | **-0.4** | **-0.4** |
| **Emerging countries** | **4.3** | **4.0** | **4.0** | **5.8** | **4.5** | **3.7** | **1.4** | **0.9** | **0.7** |

** HICP for euro area countries, CPI for others*

| | 2024 | | | | 2025 | | | | 2026 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Real GDP growth, QoQ %** | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **USA (annualised)** | 1.6 | 3.0 | 3.1 | 2.3 | 0.8 | 1.5 | 1.2 | 1.8 | 2.5 | 2.5 | 2.4 | 2.4 |
| **Japan** | -0.5 | 0.8 | 0.4 | 0.6 | -0.1 | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 |
| **Eurozone** | 0.3 | 0.2 | 0.4 | 0.2 | 0.2 | 0.1 | 0.3 | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Germany** | 0.2 | -0.3 | 0.1 | -0.2 | 0.1 | -0.2 | 0.1 | 1.2 | 0.3 | 0.2 | 0.3 | 0.3 |
| **France** | 0.1 | 0.3 | 0.4 | -0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Italy** | 0.3 | 0.1 | 0.0 | 0.1 | 0.0 | 0.3 | 0.3 | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| **Spain** | 1.0 | 0.8 | 0.8 | 0.8 | 0.5 | 0.6 | 0.6 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| **United Kingdom** | 0.8 | 0.4 | 0.0 | 0.1 | 0.3 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |

| | 2024 | | | | 2025 | | | | 2026 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consumer prices, YoY %** | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **USA** | 3.2 | 3.2 | 2.6 | 2.7 | 2.8 | 2.4 | 2.7 | 2.9 | 2.8 | 2.7 | 2.6 | 2.6 |
| **Japan** | 3.2 | 2.2 | 2.0 | 2.3 | 2.6 | 2.8 | 2.4 | 1.7 | 1.2 | 1.1 | 1.2 | 1.4 |
| **Eurozone** | 2.6 | 2.5 | 2.2 | 2.2 | 2.3 | 2.0 | 2.0 | 2.0 | 1.7 | 1.9 | 1.8 | 1.9 |
| **Germany** | 2.7 | 2.6 | 2.2 | 2.4 | 2.6 | 2.0 | 2.1 | 2.2 | 2.2 | 2.3 | 2.2 | 2.2 |
| **France** | 3.0 | 2.5 | 2.1 | 1.7 | 1.2 | 0.9 | 1.1 | 1.1 | 1.2 | 1.4 | 1.4 | 1.5 |
| **Italy** | 1.0 | 0.9 | 1.2 | 1.2 | 1.7 | 1.9 | 1.7 | 1.3 | 1.0 | 1.4 | 1.2 | 1.2 |
| **Spain** | 3.2 | 3.6 | 2.3 | 2.3 | 2.7 | 2.3 | 2.7 | 2.6 | 1.9 | 1.9 | 1.9 | 1.9 |
| **United Kingdom** | 3.5 | 2.1 | 2.0 | 2.5 | 2.8 | 3.2 | 3.5 | 3.3 | 2.9 | 2.2 | 2.2 | 2.2 |

| | 2024 | | | | 2025 | | | | 2026 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Unemployment rate, %** | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **USA** | 3.8 | 4.0 | 4.2 | 4.1 | 4.1 | 4.3 | 4.4 | 4.3 | 4.2 | 4.2 | 4.1 | 4.0 |
| **Japan** | 2.6 | 2.6 | 2.5 | 2.5 | 2.6 | 2.6 | 2.7 | 2.7 | 2.6 | 2.6 | 2.6 | 2.6 |
| **Eurozone** | 6.6 | 6.5 | 6.4 | 6.3 | 6.4 | 6.4 | 6.4 | 6.3 | 6.4 | 6.4 | 6.3 | 6.2 |
| **Germany** | 3.3 | 3.4 | 3.5 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 |
| **France** | 7.4 | 7.4 | 7.4 | 7.3 | 7.5 | 7.7 | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 | 7.7 |
| **Italy** | 7.1 | 6.7 | 6.3 | 6.2 | 6.3 | 6.5 | 6.6 | 6.6 | 6.6 | 6.7 | 6.7 | 6.7 |
| **Spain** | 11.8 | 11.6 | 11.3 | 10.7 | 11.2 | 11.0 | 11.0 | 10.3 | 10.7 | 10.5 | 10.3 | 9.6 |
| **United Kingdom** | 4.4 | 4.2 | 4.3 | 4.4 | 4.4 | 4.6 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |

| | GDP (b) | Private consump-tion (b) | Public consump-tion (b) | Investment (b) | Exports (b) | Imports (b) | Net exports (a) | Changes in inventories (a) |
|---|---|---|---|---|---|---|---|---|
| **Eurozone** | | | | | | | | |
| **2024** | 0.5 | 0.8 | 1.2 | 1.1 | -0.3 | -0.6 | 0.1 | 0.2 |
| **2025** | 0.8 | 0.7 | 1.6 | -2.6 | 2.1 | -0.4 | 1.2 | -0.4 |
| **2026** | 1.3 | 1.1 | 0.8 | 0.9 | 3.1 | 2.5 | 0.4 | -0.5 |
| ***Q1 2025*** | *0.4* | *0.3* | *0.2* | *0.1* | *0.6* | *0.5* | *0.1* | *-0.3* |
| ***Q2 2025*** | *0.3* | *0.1* | *0.0* | *0.5* | *0.7* | *0.5* | *0.2* | *-0.4* |
| ***Q3 2025*** | *0.3* | *0.4* | *0.2* | *0.4* | *0.8* | *0.7* | *0.1* | *-0.4* |
| ***Q4 2025*** | *0.4* | *0.4* | *0.2* | *0.4* | *0.7* | *0.7* | *0.0* | *-0.4* |
| **Germany** | | | | | | | | |
| **2024** | -0.1 | -0.2 | -0.1 | -0.7 | 0.2 | -0.3 | 0.2 | 0.0 |
| **2025** | 0.1 | 0.4 | 1.8 | -3.1 | 0.0 | -1.6 | 0.6 | -0.6 |
| **2026** | 0.8 | 0.9 | 1.1 | 0.7 | 1.5 | 0.9 | 0.3 | -0.3 |
| ***Q1 2025*** | *0.1* | *0.1* | *0.1* | *-0.7* | *-0.2* | *-0.3* | *0.0* | *0.1* |
| ***Q2 2025*** | *0.2* | *0.2* | *0.2* | *0.0* | *0.4* | *-0.6* | *0.4* | *-0.4* |
| ***Q3 2025*** | *0.2* | *0.3* | *0.2* | *0.6* | *0.4* | *0.6* | *-0.1* | *-0.1* |
| ***Q4 2025*** | *0.3* | *0.3* | *0.3* | *0.6* | *0.6* | *0.6* | *0.0* | *-0.1* |
| **France** | | | | | | | | |
| **2024** | 1.1 | 0.9 | 0.8 | 0.7 | 2.5 | 0.7 | 0.6 | -0.3 |
| **2025** | 1.1 | 0.5 | 1.5 | -1.4 | 2.1 | -1.4 | 1.2 | -0.4 |
| **2026** | 1.0 | 0.7 | 0.6 | 0.7 | 1.8 | 1.8 | 0.0 | 0.3 |
| ***Q1 2025*** | *0.4* | *0.4* | *0.4* | *-0.2* | *0.8* | *0.9* | *0.0* | *0.2* |
| ***Q2 2025*** | *0.0* | *-0.2* | *-0.1* | *0.1* | *0.5* | *0.5* | *0.0* | *0.1* |
| ***Q3 2025*** | *0.3* | *0.3* | *0.2* | *0.3* | *0.5* | *0.5* | *0.0* | *0.0* |
| ***Q4 2025*** | *0.2* | *0.2* | *0.2* | *0.3* | *0.2* | *0.3* | *0.0* | *0.0* |
| **Italy** | | | | | | | | |
| **2024** | 1.0 | 1.2 | 1.2 | 4.9 | 0.5 | -0.2 | 0.2 | -1.2 |
| **2025** | 0.8 | 0.0 | -0.1 | 2.8 | 0.4 | -3.7 | 1.3 | -1.1 |
| **2026** | 0.8 | 1.3 | -0.6 | -0.6 | 1.9 | 1.8 | 0.1 | 0.2 |
| ***Q1 2025*** | *0.3* | *0.2* | *-0.1* | *0.0* | *0.6* | *0.5* | *0.0* | *0.1* |
| ***Q2 2025*** | *0.2* | *0.2* | *-0.2* | *0.0* | *0.5* | *0.5* | *0.0* | *0.1* |
| ***Q3 2025*** | *0.1* | *0.4* | *-0.1* | *-0.4* | *0.6* | *0.5* | *0.0* | *-0.1* |
| ***Q4 2025*** | *0.3* | *0.4* | *-0.1* | *-0.4* | *0.6* | *0.5* | *0.0* | *0.1* |
| **Spain** | | | | | | | | |
| **2024** | 2.5 | 1.8 | 3.8 | 0.8 | 2.3 | 0.3 | 0.7 | -0.1 |
| **2025** | 2.6 | 1.8 | 1.5 | 2.8 | 4.4 | 2.6 | 0.8 | -0.1 |
| **2026** | 1.8 | 1.5 | 1.1 | 3.6 | 3.2 | 3.5 | 0.1 | 0.0 |
| ***Q1 2025*** | *0.3* | *0.3* | *0.0* | *0.8* | *0.8* | *1.0* | *0.0* | *0.0* |
| ***Q2 2025*** | *0.2* | *0.2* | *0.1* | *1.1* | *0.9* | *1.3* | *-0.1* | *0.0* |
| ***Q3 2025*** | *0.5* | *0.4* | *0.4* | *1.0* | *0.8* | *0.8* | *0.0* | *0.0* |
| ***Q4 2025*** | *0.5* | *0.5* | *0.4* | *1.0* | *0.7* | *0.8* | *0.0* | *0.0* |
| **Portugal** | | | | | | | | |
| **2024** | 2.3 | 1.6 | 1.0 | 2.6 | 4.1 | 2.2 | 0.9 | -0.4 |
| **2025** | 1.6 | 1.7 | 1.0 | 2.8 | 3.7 | 3.6 | 0.1 | 0.0 |
| **2026** | 2.2 | 2.0 | 0.7 | 6.2 | 3.2 | 3.8 | -0.3 | 0.0 |
| ***Q1 2025*** | *0.3* | *0.5* | *0.3* | *3.0* | *0.7* | *1.2* | *-0.2* | *0.0* |
| ***Q2 2025*** | *0.4* | *0.4* | *-0.1* | *2.0* | *0.5* | *1.0* | *-0.2* | *0.0* |
| ***Q3 2025*** | *0.3* | *0.6* | *0.0* | *1.1* | *0.5* | *1.0* | *-0.2* | *0.0* |
| ***Q4 2025*** | *0.9* | *0.6* | *0.5* | *1.2* | *1.2* | *0.8* | *0.2* | *0.0* |
| **Netherlands** | | | | | | | | |
| **2024** | 0.1 | 0.8 | 2.9 | 1.2 | -0.4 | -1.7 | 1.0 | -2.2 |
| **2025** | 0.7 | 0.3 | 2.6 | -1.6 | 0.1 | -0.8 | 0.7 | -0.4 |
| **2026** | 1.3 | 1.2 | 1.0 | 2.4 | 3.0 | 2.4 | 0.8 | -0.8 |
| ***Q1 2025*** | *0.4* | *0.4* | *0.2* | *-0.1* | *1.0* | *0.3* | *0.7* | *-0.5* |
| ***Q2 2025*** | *0.6* | *0.4* | *0.2* | *0.8* | *1.0* | *0.5* | *0.5* | *-0.3* |
| ***Q3 2025*** | *0.1* | *0.4* | *0.2* | *0.4* | *0.8* | *0.7* | *0.2* | *-0.4* |
| ***Q4 2025*** | *0.2* | *0.4* | *0.2* | *0.9* | *0.2* | *0.7* | *-0.4* | *0.2* |
| **United Kingdom** | | | | | | | | |
| **2024** | 0.1 | 0.2 | 0.5 | 2.2 | -0.5 | -1.5 | 0.3 | -0.9 |
| **2025** | 1.1 | 0.4 | 2.3 | 1.3 | -0.8 | 6.1 | -2.2 | 0.1 |
| **2026** | 1.5 | 1.8 | 1.7 | 3.1 | 1.7 | 8.5 | -2.4 | 0.4 |
| ***Q1 2025*** | *0.3* | *0.3* | *0.0* | *0.4* | *0.5* | *7.0* | *-2.2* | *0.0* |
| ***Q2 2025*** | *0.3* | *0.4* | *0.4* | *0.8* | *0.3* | *0.7* | *-0.1* | *0.0* |
| ***Q3 2025*** | *0.3* | *0.5* | *0.4* | *0.8* | *0.3* | *1.0* | *-0.3* | *0.0* |
| ***Q4 2025*** | *0.4* | *0.5* | *0.4* | *0.8* | *0.5* | *1.0* | *-0.2* | *0.1* |

(a) contribution to GDP growth (%, q/q)  (b) q/q, %

## INTEREST RATES

| Short-term interest rates | | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| **Etats-Unis** | Fed funds | 4.50 | 4.25 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| | Sofr | 4.37 | 4.07 | 3.82 | 3.82 | 3.82 | 3.82 | 3.82 | 3.82 |
| **Japon** | Call rate | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 1.00 | 1.00 |
| **Eurozone** | Refinancing | 2.65 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.40 | 2.65 |
| | Deposit | 2.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.50 |
| | €str | 2.42 | 2.18 | 2.19 | 2.20 | 2.20 | 2.20 | 2.20 | 2.45 |
| | Euribor 3m | 2.35 | 2.23 | 2.26 | 2.27 | 2.28 | 2.29 | 2.30 | 2.57 |
| **United-Kingdom** | Base rate | 4.50 | 4.25 | 4.00 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| | Sonia | 4.45 | 4.20 | 3.95 | 3.69 | 3.45 | 3.20 | 2.95 | 2.45 |
| **Sweden** | Repo | 2.25 | 2.25 | 2.25 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 |
| **Norway** | Deposit | 4.50 | 4.00 | 3.75 | 3.50 | 3.25 | 3.00 | 3.00 | 3.00 |
| **Canada** | Overnight | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |

| 10Y rates | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|
| **USA** | 4.03 | 4.05 | 4.20 | 4.45 | 4.55 | 4.65 | 4.70 | 4.75 |
| **Japan** | 1.33 | 1.55 | 1.60 | 1.70 | 1.95 | 2.00 | 2.20 | 2.20 |
| **Eurozone (Germany)** | 2.64 | 2.74 | 2.99 | 3.01 | 3.02 | 3.03 | 3.03 | 3.10 |
| **Spread 10 ans / Bund** | | | | | | | | |
| **France** | 0.73 | 0.70 | 0.65 | 0.60 | 0.65 | 0.70 | 0.65 | 0.55 |
| **Italy** | 1.13 | 1.15 | 1.10 | 1.05 | 1.10 | 1.15 | 1.10 | 1.05 |
| **Spain** | 0.66 | 0.65 | 0.60 | 0.55 | 0.60 | 0.65 | 0.58 | 0.50 |

| **Asia** | | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| China | 7d reverse repo rate | 1.50 | 1.30 | 1.10 | 1.10 | 1.00 | 1.00 | 1.00 | 1.00 |
| Hong Kong | Base rate | 4.75 | 4.50 | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 | 4.25 |
| India | Repo rate | 0.00 | 6.00 | 5.75 | 5.50 | 5.50 | 5.25 | 5.25 | 5.25 |
| Indonesia | 7D (reverse) repo rate | 5.75 | 5.50 | 5.25 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Korea | Base rate | 2.75 | 2.50 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |
| Malaysia | OPR | 3.00 | 3.00 | 3.00 | 2.75 | 2.75 | 2.50 | 2.50 | 2.50 |
| Philippines | Repo rate | 5.75 | 5.50 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Singapore | O/N SORA | 2.20 | 2.30 | 2.20 | 2.15 | 2.15 | 2.15 | 2.10 | 2.10 |
| Taiwan | Rediscount | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 1.88 | 1.88 | 1.88 |
| Thailand | Repo | 2.00 | 2.00 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Vietnam | Refinancing rate | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |
| **Latin America** | | | | | | | | | |
| Brazil | Overnight/Selic | 14.25 | 15.50 | 15.50 | 15.50 | 15.50 | 15.00 | 14.00 | 13.00 |
| Mexico | Overnight rate | 9.00 | 8.00 | 7.50 | 7.00 | 7.00 | 7.00 | 7.00 | 7.00 |
| **Emerging Europe** | | | | | | | | | |
| Czech Rep. | 14D repo | 3.75 | 3.50 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Hungary | Base rate | 6.50 | 6.50 | 6.25 | 6.00 | 5.50 | 5.25 | 4.75 | 4.50 |
| Poland | 7D repo | 5.75 | 5.25 | 4.75 | 4.75 | 4.25 | 4.25 | 4.25 | 4.25 |
| Romania | 2W repo | 6.50 | 6.50 | 6.25 | 6.00 | 5.50 | 5.25 | 4.75 | 4.50 |
| Russia | 1W auction rate | 21.00 | 21.00 | 18.00 | 16.00 | 15.00 | 14.00 | 12.00 | 12.00 |
| South Africa | Repo | 7.50 | 7.25 | 7.00 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |

## EXCHANGE RATES

**USD Exchange rate**

| Industrialised countries | | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| Euro | EUR/USD | 1.11 | 1.08 | 1.10 | 1.12 | 1.12 | 1.11 | 1.10 | 1.10 |
| Japan | USD/JPY | 146.1 | 148.0 | 146.0 | 145.0 | 145.0 | 146.0 | 147.0 | 148.0 |
| United Kingdom | GBP/USD | 1.31 | 1.30 | 1.33 | 1.36 | 1.37 | 1.36 | 1.35 | 1.36 |
| Switzerland | USD/CHF | 0.86 | 0.90 | 0.89 | 0.88 | 0.88 | 0.89 | 0.89 | 0.89 |
| Canada | USD/CAD | 1.41 | 1.46 | 1.44 | 1.42 | 1.40 | 1.38 | 1.37 | 1.36 |
| Australia | AUD/USD | 0.63 | 0.63 | 0.64 | 0.66 | 0.67 | 0.68 | 0.70 | 0.70 |
| New Zealand | NZD/USD | 0.58 | 0.58 | 0.58 | 0.60 | 0.61 | 0.62 | 0.64 | 0.64 |

**Euro Cross rates**

| Industrialised countries | | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| Japan | EUR/JPY | 161 | 160 | 161 | 162 | 162 | 162 | 162 | 163 |
| United Kingdom | EUR/GBP | 0.84 | 0.83 | 0.83 | 0.83 | 0.82 | 0.82 | 0.81 | 0.81 |
| Switzerland | EUR/CHF | 0.95 | 0.97 | 0.98 | 0.99 | 0.99 | 0.99 | 0.98 | 0.98 |
| Sweden | EUR/SEK | 10.79 | 11.20 | 11.10 | 10.90 | 10.80 | 10.70 | 10.60 | 10.50 |
| Norway | EUR/NOK | 11.40 | 11.40 | 11.30 | 11.10 | 10.90 | 10.70 | 10.60 | 10.50 |

| Asia | | 03-Avr. | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
|---|---|---|---|---|---|---|---|---|---|
| China | USD/CNY | 7.28 | 7.30 | 7.28 | 7.25 | 7.26 | 7.28 | 7.27 | 7.26 |
| Hong Kong | USD/HKD | 7.78 | 7.77 | 7.76 | 7.75 | 7.76 | 7.76 | 7.77 | 7.77 |
| India | USD/INR | 85.25 | 89.00 | 88.00 | 87.50 | 87.00 | 86.50 | 86.25 | 86.00 |
| Indonesia | USD/IDR | 16555 | 16650 | 16500 | 16400 | 16300 | 16300 | 16200 | 16100 |
| Malaysia | USD/MYR | 4.44 | 4.60 | 4.55 | 4.60 | 4.55 | 4.50 | 4.50 | 4.45 |
| Philippines | USD/PHP | 57.0 | 59.0 | 58.8 | 58.7 | 58.5 | 58.3 | 58.0 | 57.5 |
| Singapore | USD/SGD | 1.33 | 1.37 | 1.37 | 1.36 | 1.36 | 1.35 | 1.34 | 1.33 |
| South Korea | USD/KRW | 1451 | 1460 | 1440 | 1420 | 1410 | 1400 | 1390 | 1370 |
| Taiwan | USD/TWD | 33.0 | 33.2 | 33.0 | 32.8 | 33.0 | 32.8 | 32.8 | 32.6 |
| Thailand | USD/THB | 34.2 | 35.0 | 35.5 | 36.0 | 36.1 | 36.0 | 35.8 | 35.6 |
| Vietnam | USD/VND | 25790 | 25900 | 26000 | 26000 | 25900 | 25900 | 25700 | 25700 |
| **Latin America** | | | | | | | | | |
| Brazil | USD/BRL | 5.63 | 5.70 | 5.75 | 5.80 | 5.85 | 5.90 | 5.95 | 5.90 |
| Mexico | USD/MXN | 19.92 | 20.25 | 20.50 | 20.75 | 21.00 | 21.00 | 21.00 | 21.00 |
| **Africa** | | | | | | | | | |
| South Africa | USD/ZAR | 18.71 | 17.80 | 17.70 | 17.50 | 17.40 | 17.40 | 17.60 | 17.70 |
| **Emerging europe** | | | | | | | | | |
| Poland | USD/PLN | 3.82 | 3.89 | 3.82 | 3.75 | 3.74 | 3.77 | 3.79 | 3.78 |
| Russia | USD/RUB | 84.10 | 95.00 | 96.00 | 96.00 | 96.00 | 96.00 | 96.00 | 96.00 |
| Turkey | USD/TRY | 37.94 | 39.60 | 40.50 | 41.20 | 41.80 | 42.20 | 42.60 | 43.00 |
| **Central Europe** | | | | | | | | | |
| Czech Rep. | EUR/CZK | 25.03 | 25.20 | 25.00 | 24.80 | 24.60 | 24.50 | 24.40 | 24.30 |
| Hungary | EUR/HUF | 402 | 403 | 395 | 385 | 380 | 370 | 368 | 365 |
| Poland | EUR/PLN | 4.22 | 4.20 | 4.20 | 4.20 | 4.19 | 4.18 | 4.17 | 4.16 |
| Romania | EUR/RON | 4.98 | 4.98 | 4.98 | 4.98 | 4.98 | 4.98 | 4.98 | 4.98 |

## COMMODITIES

| Av. quarter price | | 03-Avr. | 2025 Q1 | 2025 Q2 | 2025 Q3 | 2025 Q4 | 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 |
|---|---|---|---|---|---|---|---|---|---|---|
| Brent | USD/BBL | 70 | 75 | 73 | 70 | 67 | 65 | 70 | 70 | 72 |

| Av. quarter price | | 03-Avr. | 2025 Q1 | 2025 Q2 | 2025 Q3 | 2025 Q4 | 2026 Q1 | 2026 Q2 | 2026 Q3 | 2026 Q4 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gold | USD/oz | 3,108 | 3,000 | 3,000 | 3,100 | 3,200 | 3,200 | 3,100 | 3,000 | 2,750 |

## PUBLIC ACCOUNTS

| | Government balance (% of GDP) | | | Public debt (% of GDP) | | |
|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| **United States** | **-6.5** | **-6.4** | **-6.5** | **98.2** | **99.6** | **101.8** |
| **Japan** | **-4.5** | **-3.5** | **-2.5** | **232.4** | **223.3** | **215.3** |
| **Eurozone** | **-2.9** | **-2.6** | **-2.7** | **88.2** | **88.9** | **89.5** |
| Germany | -2.5 | -1.6 | -2.3 | 63.2 | 63.7 | 63.9 |
| France | -5.8 | -5.6 | -5.1 | 113.0 | 116.3 | 117.6 |
| Italy | -3.2 | -3.3 | -3.0 | 135.6 | 137.1 | 139.4 |
| Spain | -3.1 | -2.9 | -2.8 | 102.7 | 102.3 | 103.2 |
| Netherlands | -0.2 | -1.9 | -2.4 | 43.1 | 44.6 | 47.6 |
| Belgium | -4.6 | -4.9 | -5.3 | 104.1 | 106.4 | 110.4 |
| Greece | -1.2 | -1.0 | -1.1 | 156.9 | 151.7 | 149.2 |
| Ireland | 2.8 | 2.9 | 1.8 | 43.2 | 37.8 | 36.4 |
| Portugal | 0.3 | 0.4 | 0.4 | 97.9 | 95.2 | 93.1 |
| **United Kingdom** | **-6.0** | **-4.1** | **-3.6** | **101.3** | **103.0** | **104.3** |

***Completed on 3 April 2025***



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