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FRANCE

The Prime Minister has announced that the **2025 budget** will target a deficit of 5.4% of GDP (compared to 5% for his predecessor's plan), in particular due to a reduction in measures weighing on households. These parameters, together with the start of negotiations between social partners to improve pension reform without damaging its financial balance, should reduce the political and economic uncertainty that has weighed on growth for several months. **Corporate bankruptcies** reached an all-time high of nearly 66,000 in 2024¹, partly reflecting a catch-up from the post-COVID dip. The economic weight of corporate bankruptcies, calculated and published by the Banque de France, remained stable in December 2024 for the third consecutive month, at a historically high level of 0.61 after three consecutive years of increase.

GERMANY

The country recorded **negative growth** for the 2nd consecutive year (-0.1% in 2023 and -0.2% in 2024 as an annual average).

EUROZONE

A very limited drop in the **savings rate** in Q3 2024, from 15.6% in Q2 to 15.3%. This level remains well above the pre-COVID average (12.6% between 2009 and 2019). At the same time, **household debt** fell in Q3 2024 (-0.7 percentage points) to 82.7% of gross disposable income, its lowest level in 21 years. **Industrial production** continued its downward trend in November: although the index rose by 0.2% m/m, production continued to fall on a three-month moving average basis, reaching a new post-COVID low.

UNITED KINGDOM

Slowing activity and inflation growth in Q4 looks subdued: real GDP rose by only 0.1% m/m in November after two consecutive months of contraction (-0.1% each), while retail sales fell by 0.4% m/m in December and by 0.7% in Q4 compared to Q3. The decline is particularly affecting food, where spending reached its lowest level since April 2013. On the **inflation** side, there was also a downside surprise: in December, headline inflation fell from 2.6% to 2.5% y/y, while core inflation (excluding energy, food products, tobacco and alcoholic beverages) slowed from 3.5% to 3.2%. Inflation in services fell from 5.0% to 4.4%, half of the decline was due to the drop in air fares, a highly volatile component. These developments enabled a strong easing of UK long-term interest rates.

UNITED STATES

A positive surprise on inflation reassured the markets. Inflation, measured by the CPI, rose to +2.9% y/y (+0.2pp), a high since July, but which was expected and can be explained by the rebound in energy commodity prices. The nice surprise came from core inflation, which fell slightly unexpectedly (+3.2% y/y compared to the +3.3% projected). This number enabled the bond and stock markets to wipe out the sudden movements in the previous week after stronger nonfarm payrolls than expected. **Small business sentiment** ended 2024 on a very high note. The December NFIB survey gained 3.4 points to reach 105.1 (long-term average = 100), confirming the post-election boost; sentiment was therefore at its highest level since October 2018.

CHINA

Economic recovery confirmed in Q4 2024. The official figure for economic growth in 2024 reached 5%, exactly in line with the authorities' target. Activity strengthened in December and in Q4 2024 as a whole (real GDP: +1.6% q/q and 5.4% y/y), driven by strong export growth and the recovery in household demand. The acceleration benefited the industrial sector (+5.6% y/y in Q4 compared to 5% in Q3) and the services sector (+6.3% in Q4 compared to 4.8% in Q3). Encouraged by policy stimulus measures, retail sales growth strengthened in December (but remained modest) and housing sales rose very slightly y/y over the last two months of 2024, interrupting more than three years of contraction. These dynamics are expected to continue in Q1 2025.

SAUDI ARABIA

Current account balance in the red in Q3 2024. Saudi Arabia posted a current account deficit of almost USD 9 billion in Q3. This situation illustrates the pressure exerted by the Vision 2030 diversification programme, at a time when Saudi Arabia must also bear a significant share of the oil production restrictions decided by OPEC+. The economy now needs a Brent price of around USD80/barrel to balance its current account, compared to less than USD55 in 2022. Saudi Arabia is therefore expected to record fiscal and current account deficits in 2025, a situation unprecedented since the pandemic.

COMMODITIES

There will be a continued supply surplus according to the first 2026 forecasts of the EIA (US Energy Information Administration), which do not take into account the new raft of sanctions on Russian oil. Oil production (crude and other liquids) is expected to increase by 1.8 mb/d and 1.5 mb/d in 2025 and 2026 respectively, with OPEC+ members contributing significantly to this increase in 2026. On the demand side (crude and other liquids), growth is expected to be 1.3 mb/d and 1.1 mb/d in 2025 and 2026, mainly fuelled by India. Against this backdrop, the price of Brent is expected to fall by 8% in 2025 (USD 74/b on average) and by 11% in 2026 (USD 66/b on average).

¹ This ratio compares the amount of outstanding bank lending to newly defaulting companies to the total amount of outstanding lending to companies (in difficulty or not).

