ECONEWS

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WORLD / INTERNATIONAL TRADE

The WTO has drastically lowered its forecasts for world trade. Trade in goods is expected to fall by 0.2% this year, 2.9 percentage points below previous estimates. North American exports are set to plunge by 12.6% in 2025 (-0.4% in 2026), while Asian exports would slow to 1.6%, before rebounding in 2026. The revisions for Europe are less marked, at -0.3 pp for 2025 (now +1.9%) and +0.2 pp for 2026 (+2.5%). These projections assume that the "reciprocal" universal tariffs imposed by the United States remain at 10%.

AVANCED ECONOMIES

UNITED STATES

President Trump's attacks on Jerome Powell are intensifying. In a speech to the Economic Club of Chicago on 16 April, Fed Chairman Jerome Powell reaffirmed his message of "patience" while waiting for "greater clarity", while indicating that the tariff shock is likely to increase both inflation and unemployment. Powell also dismissed the possibility of rate cuts in the face of market volatility. He also stressed the importance of keeping "longer-term inflation expectations well anchored". Finally, he reaffirmed the Fed's statutory independence. These comments prompted numerous interventions from the White House indicating the President's wish to terminate Powell's term of office.

The hard data for March were mixed. Retail sales rose by +1.4% m/m (+1.2 pp) in March, thanks to the massive upturn in car sales (+5.3% m/m) and in visits to bars and restaurants (+1.8% m/m). But the control group (excluding the automotive sector) was disappointing, slowing to +0.4% m/m (compared with +1.2% in February and +0.6% expected). Manufacturing output also rose over the month (+0.3% m/m) thanks to the automotive and aerospace sectors, but less vigorously than in February (-0.7 pp). The sharp drop in utilities (-5.8% m/m) also dragged down industrial production (-0.3% m/m). Housing starts continued to yo-yo, falling sharply in March (-11.4% m/m). The risk of a deterioration in the economic climate and an increase in credit risks can be seen in the provisioning calculations announced by the very large US banks when they announced their results for the first quarter of 2025.

EUROZONE

Rates cut by 25 bp in the face of "exceptional" uncertainty. As expected, the ECB cut its key rates by 25 bp, taking the deposit rate to 2.25%. The decision was taken unanimously, and the concept of "restrictive" monetary policy was dropped from the communiqué, as President Lagarde deemed the deviation from the neutral rate to be ineffective in the current economic climate, marked by multiple shocks. The final inflation estimate confirms the fall from 2.3% to 2.2% y/y in March, driven mainly by the declines in Germany and Spain. Industrial production rose by 1.1% m/m in February, following a 0.6% increase in January. According to the ECB's Bank Lending Survey (BLS) for Q1, banks have eased their credits standards for housing loans, for which they have seen a significant rise in demand. Conversely, they have somewhat tightened lending terms and conditions for consumer and business loans. For Q2 2025, the banks plan to pass on the deterioration in loan quality to business and consumer credit standards and anticipate a very slight tightening in housing loan terms and conditions. Over the same period, they anticipate a timid recovery in loan demand from businesses and a strengthening of demand for housing loans. The ECB survey on access to business credit (SAFE) also shows a fall in bank lending rates.

FRANCE

The first public finance alert committee was held on Tuesday 15 April, to launch discussions on the 2026 budget and beyond. Details of the consolidation measures should be communicated by 14 July. The budget savings required have been estimated by Bercy at EUR 110 billion between now and 2029 in order to meet the target of reducing the deficit to 3% of GDP by that date. *Coming up this week: INSEE surveys on consumer confidence (24 April) and business climate (25 April).*

GERMANY

A coalition agreement has been officially reached. After two months of negotiations, the CDU/CSU and the SPD have reached a coalition agreement. Under the banner of "Responsibility for Germany", this programme ratifies the reform of the debt brake, provides for tax breaks for households and businesses, a reduction in electricity taxes, and subsidies to support the purchase of electric cars and investment in this sector. In April, the ZEW Indicator of Economic Sentiment recorded its third biggest one-month fall since 1992.

ITALY

S&P raised Italy's rating from BBB to BBB+ on 11 April, with a stable outlook. This improvement is justified by "the improvement in Italy's economic, external and monetary buffers amid rising global headwinds, and the gradual progress Italy has made in stabilising public finances since the pandemic's onset."

UNITED KINGDOM

Faced with the trade war, the government is stepping up its support measures. Chancellor Rachel Reeves has announced a two-year suspension of customs duties on 89 consumer products. A GBP 20 billion increase in government-backed loans has also been announced to support export businesses. Inflation came in lower than expected in March, at 2.6% y/y. A slowdown in services (4.7% y/y vs. 5% y/y in February) and a sharper fall in energy prices (from -6.8% to -8.0% y/y) were the main contributors to this decline. The unemployment rate remained stable at 4.4% in February (3m/3m), but the number of job vacancies is at its lowest since pre-Covid levels. The number of employees recorded its biggest post-Covid fall in March (-78,000), according to HMRC's preliminary estimate. Salary growth (including bonuses) remains strong at 5.6% y/y.

JAPAN

Inflation picked up in March, across all measures: headline (+0.3% m/m, +0.7 pp), core, i.e. excluding processed food (+0.4% m/m, +0.5 pp) and new core, i.e. excluding energy and unprocessed food (+0.4% m/m, +0.2 pp). Year-on-year, core inflation rose to +3.2% (+0.2 pp) and new-core inflation to +2.9%, its highest level since March 2024.

EMERGING ECONOMIES

CHINA

Economic activity recovered in March. Real GDP growth was +1.2% quarter-on-quarter in Q1 2025, down slightly on Q4 2024, but stable at +5.4% year-on-year. This performance is better than expected and is explained by the rebound in business in the last month of the quarter. In March, growth in services accelerated to +6.3% y/y (compared with +5.6% in the first two months of 2025). Retail sales posted their strongest rise since the end of 2023 (+5.9% y/y in value terms), as households continued to benefit from government subsidy programmes for the purchase of consumer goods. Industrial production grew by 7.7% y/y in March (compared with +5.9% in January-February), driven by stronger retail sales and a revival in exports ahead of the US tariff shock. This shock will trigger a sharp slowdown in manufacturing activity from April onwards and prompt the authorities to introduce further monetary and fiscal stimulus measures in the coming weeks.

No end in sight for the property sector crisis. Housing sales continued to fall in March (-2% y/y), as did building activity. House prices continued to fall, albeit at a slower pace (-7.3% y/y in March, compared with -8.1% in December 2024). Property investment continued to contract sharply (-10% y/y in value terms). The measures implemented by the authorities to support the property sector have so far failed to achieve the desired results. On the other hand, fiscal easing has led to increased investment in public infrastructure (+5.8% y/y in value terms in Q1 2025 compared with +4.4% in 2024).

EGYPT

Monetary easing begins. The Central Bank of Egypt has begun to ease monetary conditions by cutting its main interest rates by 225 bp, setting the lending rate at 26%. The downward trajectory of inflation (+13.6% y/y last March compared with +33.4% a year earlier), particularly in its more volatile components, together with a balanced recovery in economic growth, have triggered this cycle of rate cuts after a cumulative rise of 1,900 bp since March 2022. Monetary easing is likely to continue, albeit at a cautious pace, due to possible inflationary pressures from reduced energy subsidies, uncertainty over world trade, and the country's reduced but persistent vulnerability to volatile capital flows.

TÜRKIYE

Surprise rise in interest rates. The Central Bank raised its key rate from 350 bp to 46%, after lowering it by 750 bp between December 2024 and March 2025 following a reduction in inflation (from 75.5% y/y in May 2024 to 38.1% y/y in February 2025). However, the downward pressure on the Turkish lira (down 4% against the USD since mid-March) and the sharp fall in foreign exchange reserves (from USD 97 billion in mid-March to USD 68 billion on 11 April) led to this reversal.

COMMODITIES

Oil demand growth forecasts revised downwards. The International Energy Agency (IEA) has significantly revised its oil demand growth forecasts for 2025 to 730 kb/d (-300 kb/d), and for 2026 to 690 kb/d. In 2024, world demand stood at 102.9 mb/d, an increase of 830 kb/d compared with 2023. For its part, OPEC has only marginally revised its demand growth projections for 2025 to 1,300 kb/d (-100 kb/d) and for 2026 to 1,300 kb/d (-100 kb/d).