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ADVANCED ECONOMIES

United States

The Fed: the virtues of patience. The members of the FOMC agree on the central message of maintaining a restrictive policy in the absence of significant new progress on inflation and in the presence of a “strong economy and a solid labour market.” The Minutes of the latest meeting report balanced risks around the growth scenario (reduction of the output gap) and employment (unemployment rate around its neutral level, but with upward risks on prices (recent disappointments in core inflation and fears of upward pressures related to possible changes in trade and immigration policies). They also point to the possibility of pausing quantitative tightening until uncertainty about the effects of the federal debt ceiling on money markets is lifted. 5-10-year household inflation expectations reached a 30-year high in February at +3.5% according to the University of Michigan, which also revised its consumer sentiment index downwards.

Eurozone

February flash PMIs are stable, despite a sharp drop in the services index in France. The composite PMI remains at 50.2, with an increase in the index in Germany offsetting the decline in France. The manufacturing index for the euro zone rose by 0.7 points (47.3), but services fell by 0.6 points (50.7). Household confidence has reached its highest level in five months, according to the European Commission’s preliminary estimate. The urgent need to free up additional funds for defence is likely to lead the EU to suspend its fiscal stability rules once again, and work is underway to reallocate some of the undisbursed funds from the pandemic response plan, among other avenues being explored.

Germany An improvement in leading economic indicators, but weaknesses persist. The HCOB Composite PMI Flash rose to 51.0 in February (50.5 in January), due to a moderation in the contraction of the manufacturing PMI (46.1, the best level in two years) and a stable services PMI at a good level (52.2 in February). The employment component is deteriorating due to losses in industry. The centre-right CDU-CSU alliance won the elections on 23 February. Their leader Friedrich Merz has announced his desire to form a coalition government, presumably with the centre-left SPD, within two months. Read our analysis in our latest EcoFlash: [German election: A government by Easter?](#)

Spain The strong growth recorded during 2024 led to a **3.3pp drop in the public debt-to-GDP ratio** (to 101.8%). **In terms of the real estate market, 2024 is the second best year for the sector since 2008.**

France The INSEE business climate rebounded to 96 in February from 95 in January and a low of 94 in December but remains below its long-term average (100). The industry and services components explain this rebound. However, the employment climate deteriorated sharply from 98 in January to 94 in February (the lowest level excluding Covid since January 2015), due to market services, and the flash PMI for services fell from 48.2 to 44.5.

United Kingdom The employment outlook is worsening, despite upward revisions in recent months. The composite employment PMI fell in February to its lowest level since November 2020. Wage increases remain steady (+5.9% y/y in the private sector). The unemployment rate rose by 0.1 points to 4.4% in Q4 compared with the previous quarter, according to the LFS. **Inflation is picking up again, but short-term price increases are losing momentum.** Headline inflation rose from 2.5% to 3.0% in January, but with a lower than expected increase in services. Core inflation is also picking up, but this masks a recent slowdown in monthly prices, which should fuel disinflation over the coming months. Retail sales rebounded by 1.6% m/m in January, after four consecutive months of decline.

Japan Japanese GDP growth accelerated in Q4, to +0.7% q/q compared with +0.4% in Q3, mainly due to a rebound in non-residential investment (+0.5% q/q). The growth rate stands at +0.9pp for 2025. Inflation rose in January to +4.0% y/y (+0.4pp). The index excluding energy and fresh food increased by +2.5% y/y (+0.1pp). The PMI for February 2025 improved marginally, to 48.9 (+0.2pp) for the manufacturing sector and 53.1 (+0.1pp) for services.

EMERGING ECONOMIES - CAPITAL FLOWS

Strong resistance of portfolio investments to emerging countries. According to IIF estimates, portfolio investment flows in the bond and equity markets of the main emerging countries reached USD 35.9 billion, including USD 45 billion in debt securities. With the exception of China, the situation is the same, although the flows are less significant. With regard to investments in debt securities, these estimates should be treated with caution because, during H2 2024, they were much higher than the balance of payments data.

China Return to favour of private companies in the technology sector. On 17 February, President Xi Jinping brought together the directors of China’s major tech companies (including Alibaba, Tencent, Huawei, Xiaomi, DeepSeek, etc.). The President gave a speech in support of private entrepreneurship, marking a radical change of tone compared to the last five years – the tech sector had faced a severe tightening of regulations in 2020-2022. This return to political favour can be explained by the need to strengthen innovation, investment and job creation.

COMMODITIES

According to the EIA (US Energy Information Administration), US LNG exports have reached a new record in the last two weeks, reaching 16.1 bcf/day, an increase of 25% over a year. As for Europe, the increase in LNG imports is contributing to the fall in the price of gas in the short term (the TTF has fallen by 19% over the last ten days after reaching a high since October 2023).

