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## GERMANY

**Beginning of an improvement in activity?** The composite PMI rose from 48 in December to 50.1 in January (according to the preliminary estimate), a 7-month high, driven in particular by services (PMI at 52.5), with an improvement in the manufacturing PMI, which nevertheless remains in contraction territory (44.1 compared with 42.5). This survey also suggests that net job losses (which began in June) will continue in January (albeit at a more moderate pace). At the same time, inflationary pressures on the price of inputs are likely to intensify.

## FRANCE

**Slight improvement.** The composite PMI rose slightly but remains in contraction territory. Business surveys still point to weak momentum (INSEE business climate stable at 95, below its long-term average of 100), although other indicators point to relative resilience (rebound in business start-ups in November/December, up 5.7% in 2024 compared with 2023).

The forecast for investment in the manufacturing sector has deteriorated according to INSEE (balance of opinion down from +7 in October to -1 in January). The Finance Bill 2025 continues to be debated in Parliament. The additional consolidation effort will focus on central government spending, on a scale that makes the deficit target (5.4% of GDP) credible, at the cost of reduced support for investment and the environmental transition. The OAT-Bund spread has fallen back below 75 basis points.

## UNITED STATES

**Positive surprises.** On the economic front, manufacturing output grew faster in December (+0.6% m/m after +0.4%), as did housing starts, which rose sharply to 1.499 million (+205k, annualised), the highest level since December 2023.

On the political front, Donald Trump's inauguration on 20 January was followed by almost fifty decisions with immediate effect. However, they do not extend to customs tariffs. The subject is on hold pending the outcome of an audit of the US trade deficit and negotiations by mutual agreement. The new President has declared a 'national energy emergency', which is part of a broad movement to increase the use of fossil fuels while halting support for the energy transition. Also of note is the US withdrawal from the Paris climate agreement, the World Health Organisation and the OECD agreement for minimum global corporate taxation. On Thursday 23 January 2025, US President Donald Trump issued an executive order banning establishment, issuance and promotion of a central bank digital currency in the United States.

## JAPAN

**The key rate is at its highest level since 2008.** In line with our expectations, the Bank of Japan has decided to raise its key rate by 25bps. This is the first increase since July, taking the key rate to +0.5%. The decision was accompanied by an upward revision of the core inflation forecast (+0.5pp to +2.4%) for the 2025 fiscal year.

## EURO AREA

**The PMI indices improved slightly in January, but the momentum of contraction in industry remains strong.** According to the flash estimate, the composite indicator is just back in expansion territory (+0.6 points to 50.2). Still in contraction territory, the manufacturing index gained 1 point (46.1), while the services index fell by 0.2 points (51.4). Consumer confidence in the euro area rose very slightly in January (+0.3 points to -14.2) after two months of decline, according to preliminary figures from the European Commission.

## UNITED KINGDOM

**Activity remains fragile.** According to the ONS, the number of employees in the UK fell by 46,922 (-0.2% m/m) in December, the biggest one-month fall since November 2021. The unemployment rate, calculated on the basis of the LFS, rose by 0.3 points to 4.4% over the period September-November 2024. The CBI's quarterly survey for the manufacturing sector points to a near-widespread deterioration in the leading indices for Q1 2025. The GfK consumer confidence index reached its lowest level since December 2023 in January (-5 points to -22). The PMI flash indices, meanwhile, looked better in January, but inflationary pressures are likely to regain ground in services. The composite index gained 0.5 points to 50.9, with an improvement in manufacturing (+1.2 points to 48.2 points) and services (+0.1 points to 51.2 points).

## EMERGING COUNTRIES

**Turkey: further normalisation.** The general government budget deficit amounted to 5.2% of GDP in 2024, the same as in 2023. On the basis of nominal GDP growth estimated at 63% last year, central government debt as a percentage of GDP is now just 21%, compared with 25.4% at the end of 2023. The effect of the appreciation of the real exchange rate still far outweighs the deficit. Following the January monetary policy committee meeting, the central bank (CBRT) cut its key interest rates again from 47.5% to 45%.

## COMMODITIES

**The global gas market is expected to continue to rebalance in 2025** after the supply shocks of 2022 and 2023, according to the latest quarterly report from the International Energy Agency. Nevertheless, geopolitical tensions will continue to weigh on the market in 2025. Growth in global demand is set to slow slightly (+1.9% compared with +2.8% in 2024), with Asia, and India in particular, accounting for more than 40% of this increase. After some delay, the implementation of new LNG production capacity in North America should enable growth in global supply to slightly exceed growth in demand (+2.1%). Barring exceptional geopolitical or climate-related circumstances, the risk to European supply should be brought under control in 2025, thanks in particular to substantial storage capacity and the increase in the quantity of LNG available on the world market.

