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ADVANCED ECONOMIES

United States

Fed in pause mode and growth is still strong. In line with expectations, the FOMC maintained its target range (+4.25% to +4.5%) at the meeting of 28-29 January. This interrupts the easing cycle initiated in September 2024 (-100 bps in total). According to Powell, the job market remains "solid" while inflation remains "somewhat elevated". This allows the Fed to take its time before deciding on its next moves. In fact, preliminary figures show GDP growth in volume of 0.6% q/q (2.3% y/y) in Q4 2024, below Q3 and consensus. Household consumption (+1.0% q/q, +0.1 pp) remains the principal growth driver. Private fixed investment fell (-0.1% q/q) despite growth in residential and intellectual property. The average annual growth rate therefore stands at 2.8% (after 2.9% in 2023) and provides the US economy with a carryover of +1.0 pp for 2025.

Trump officially triggers trade war. With an executive order, Donald Trump has imposed tariffs of 25% on goods imported from Canada - except energy and oil products (10%) - and also tariffs of 25% on imports from Mexico and 10% on imports from China. The stated objective is to deal with a public health and security emergency at the borders. The products concerned represent approximately one third of US imports and a more than threefold increase in the average actual tariff. Canada and Mexico have announced measures in retaliation and China is preparing to file a lawsuit against the US at the WTO. Trump has also announced that tariffs on the EU would follow. US inflation is expected to rise as a result, while the application and widespread use of measures are expected to penalise global growth. On Monday, the stock markets reacted negatively to these announcements, while the dollar and oil were up.

Euro area

GDP stagnating in Q4 but confidence and inflation rising. Consumer confidence was up slightly in January (+0.3 points to -14.2). Harmonised inflation rose in January by 0.1 points to 2.5%, as a result of rising energy prices, but inflation in services and industrial goods (excluding energy) is stable. Median consumer expectations for inflation over the next twelve months in the euro area increased by 0.2 points to 2.8% in December (ECB survey). **The European Commission has unveiled its "competitiveness compass"** to provide European institutions with a roadmap for implementing the recommendations of the Draghi and Letta reports. This plan aims to boost the EU's investment and strategic autonomy with the immediate priority being regulatory simplification.

On 30 January, the ECB cut its key rates by 25 basis points. The deposit facility rate is 2.75%. The ECB repeated that it was confident that inflation would return to 2% in 2025 and that the economic recovery would accelerate, while recognising that greater friction in trade constituted a negative risk. On 28 January, the ECB also published the results of its Q4 2024 Bank Lending Survey (BLS) on credit distribution in the euro area. Banks have tightened their eligibility criteria for corporate loans. As for consumer loans, while the eligibility criteria remained unchanged for home loans, these were tightened for consumer credit. Demand for home loans continued to rebound, while demand for corporate loans - which had returned to positive territory for the first time in two years in Q3 - did not accelerate in Q4.

Germany GDP falling and the economic outlook remaining unclear. Economic activity contracted slightly in Q4 2024 (-0.2%). The Ifo Business Climate Index recovered slightly from 84.7 to 85.1 in January 2025, thanks to an improvement in current conditions, but business expectations continue to deteriorate. Consumers also remain cautious in the face of economic uncertainties: the GfK Consumer Confidence Index fell from -21.3 to -22.4 in February 2025. And lastly, the unemployment rate rose again in January, to 6.2% (data from the Federal Employment Agency, adjusted for seasonal variations), continuing the upward trend observed since March 2022.

Spain The unemployment rate fell below 11% for the first time since 2008 (10.6% in Q4 2024). GDP rose by +0.8% q/q in Q4, i.e. 3.3% y/y on average over the year, boosted by domestic demand. Harmonised inflation rose slightly (2.9%; +0.1 pp), but core inflation slowed (2.4%; -0.2 pp).

France The economic outlook remains mixed. Economic activity contracted slightly in the last quarter of 2024 (-0.1% q/q). Nevertheless, consumer consumption ended 2024 up sharply by 0.7% m/m, and production in services recovered significantly in November (+0.9% m/m). According to Insee, consumer confidence recovered in January 2025 (+3 points), which exceeded expectations, but it remains below its long-term average. Concerns about unemployment abated, while the number of category A job applicants rose sharply in Q4 2024 (+4% q/q, its largest increase since 2009 excluding Covid). Harmonised inflation remained stable at 1.8%. In terms of the budget, after the compromise reached by the Joint Parliamentary Committee, with a deficit target reduced to 5.3% of GDP, the budget has to be submitted to Parliament for approval under Article 49.3 of the Constitution, i.e. without a vote. One or more votes of no confidence will be considered on Wednesday.

Italy Confidence in industry remains negative but is improving significantly (-8.3; +1.1 pt, the strongest one-month increase since July 2021). For the first time in 8 months, the ESI has risen above 100 (100.2). Activity in Q4 was stable.

EMERGING ECONOMIES

China

Unexpected loss of momentum. The PMI indices published by the NBS and Caixin for January deteriorated. The NBS manufacturing PMI returned to contraction territory (49.1) after three months slightly above 50. This drop is largely due to the uncertainties weighing on the export outlook. The fall in the NBS non-manufacturing PMI (to 50.2, vs. 52.2 in December) is more surprising given the recent slight improvement in household consumption and housing demand, and the continuation of accommodative fiscal and monetary policy.

COMMODITIES

The European gas market remains nervous. European gas stocks continue to decrease (-21% compared to the end of January 2024), but remain at a median level compared to the extreme values reported between 2015 and 2020. The stoppage of production at some Norwegian gas terminals (17% of European imports in 2024) last week has pushed the TTF benchmark to its highest level (above €53/MWh) since October 2023.

