

INTERNATIONAL TRADE

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“Liberation Day” is approaching. Without waiting for 2 April, the date of the announcement of the “reciprocal tariffs”, which Donald Trump is calling “Liberation Day”, on 26 March, he announced 25% customs duties on cars manufactured outside of the United States, to take effect on 3 April. He also announced that tariffs on imports of pharmaceuticals, copper and timber would follow. Donald Trump indicated that reciprocal tariffs would not apply to all countries and that the rates could be lower than required under pure reciprocity. The European Union is due to announce its first retaliatory measures on 3 April.

ADVANCED ECONOMIES

UNITED STATES

Household fears are mounting. Consumer confidence, as measured by the Conference Board, has deteriorated for the fourth month in a row in March. The total index stands at 92.9 (-7.2 pts), its lowest level since January 2021. The recessionary signal of the “Expectations” component (score below 80) is strengthening (index at 65.2 (-9.6 pts), its lowest level since 2013). 1-year inflation expectations have risen by 0.4 pp to +6.2%. In February, PCE core inflation, the Fed’s favourite measure, accelerated slightly to +2.8% y/y, while the Consensus forecast was for a stable performance of +2.7%. (Nominal) consumer spending (+0.4% m/m) recovered from its contraction in the previous month (-0.3%) but less than expected (+0.5%). Orders for durable goods surprised expectations by only slowing to +0.9% m/m (EST: -1.1%, January: +3.3%). Lastly, corporate profits resumed rising in Q4 2024 (+5.7% q/q after tax). The main figures for the week ahead: ISM Manufacturing (1 April) and Non-Manufacturing (3 April), and, most importantly, the Employment situation (4 April).

EUROPEAN UNION

The European Commission has unveiled a list of 47 projects aimed at strengthening the EU’s strategic independence on strategic raw materials. More than half of the projects (22) will focus on lithium, but nickel, cobalt, manganese and graphite are also covered. The economic sentiment index has fallen in March (-1.1 points to 95.2), pulled down by a fall in household confidence and in the services index. Outstanding loans (adjusted for securitisations and other adjustments) to the resident private sector in the Eurozone rose by 2.5% year-on-year (y/y) in February 2025 (compared with +0.7% in February 2024). Loans to non-financial companies (NFCs) grew slightly more strongly than those to households, by 2.2% and 1.5% y/y, respectively. Preliminary inflation data and final PMIs for March will be published on Thursday.

GERMANY

Business surveys show a slight improvement. In March, the IFO business climate index has hit its highest level since last July (+1.4 to 86.7 points). Both the current situation (85.7 points, compared with 85 in February) and expectations (87.7 points, compared with 85.6 in February) have improved, with an upturn in industry (-16.6) and services (-1.1), while the construction sector has continued to be adversely affected (-24.6) by a lack of orders. Consumer confidence remained stable in April (-24.5 points, compared with -24.6 points in March 2025, according to the GfK index).

FRANCE

The upturn has yet to materialise. Household confidence has fallen from 93 in February to 92 in March, due to a deterioration in the outlook for living standards, and despite relatively stable price expectations and a slight decline in fears about unemployment (+46 in March, compared with +54 in February, with a historical average of +33). Household consumption of goods fell again in February (-0.1% m/m after -0.6% in January), dragged down by spending on food. In contrast to the fall in industrial production in January (-0.6% m/m, the fifth consecutive month of decline), output in the services sector rose (+0.3% m/m). Harmonised inflation has remained stable in March according to the flash estimate, at 0.9% y/y. The public deficit increased to 5.8% in 2024, according to INSEE’s initial estimate (compared with 5.4% in 2023). This balance is below expectations (6% of GDP), due to a lower-than-expected increase in local authority spending (+4.5% instead of +5.7%). Public debt hit 113% of GDP in 2024 (compared with 109.8% in 2023), returning to its 2021 level (the gain linked to the inflationary episode was wiped out).

SPAIN

Harmonised inflation fell more than expected in March (+2.2% y/y, compared with +2.9% in February) due to the moderation in electricity prices. On the other hand, the producer price index accelerated further (+6.6% y/y in February, compared with +2.6% in January). Both the index and the year-on-year figure are back at their highest level since 2023. The Economic Sentiment Index (ESI) has improved in March (103.4; +1.1 points) thanks to a lesser deterioration in confidence in industry (-5.6; +0.7 points). The public deficit fell significantly to 2.8% of GDP in 2024 (after -3.5% in 2023). Tax revenues reached a new all-time high, buoyed by rising corporate profits, the strength of the labour market, rising household consumption and higher prices.

ITALY

The Economic Sentiment Index (ESI) has fallen in March (97.6; -2 points) to its lowest level for sixteen months, due to a sharp deterioration in confidence in the services sector (-2.6 pts over one month, hitting its lowest level since October 2022). Consumer confidence fell sharply (-2.9 pts), mainly due to the deterioration in economic expectations for the year ahead (-6.7 pts).

UNITED KINGDOM

Mixed results against the backdrop of the Spring Statement by the Chancellor of the Exchequer, Rachel Reeves: GDP 14 billion of savings will be made to balance current public spending by 2030. Nevertheless, an additional GBP 2.2 billion will be allocated to defence. The Office for Budget Responsibility (OBR), the independent public body, has halved its growth forecast for 2025 (to 1.0%) but has raised it for 2027-2029. Retail sales rose by 0.9% m/m in February, hitting their highest level since January 2022. However, the gloom in the retail sector is lingering, with the balance of opinion on sales and orders deteriorating again in March, according to the CBI survey. The flash manufacturing PMI has dropped to an 18-month low of 44.6 in March, due to a plunge in new export orders (39.1). The services index, on the other hand, has improved, rising to 53.2 and pulling the composite up to 52 (50.5 in February). The second estimate of GDP for Q4 2024 confirms the slight rise of 0.1% q/q.



However, the annual average for 2024 has been raised to 1.1% (from 0.9%) due to upward revisions for Q4 2023-Q2 2024. Inflation fell slightly in February, from 3% to 2.8% y/y, thanks to a slowdown in energy and industrial goods prices. Inflation in services remains stable and high at 5.0%. The current account deficit fell to 2.7% of GDP in 2024 from 3.5% in 2023.

JAPAN

Business activity has contracted in March. The March Jibun Bank PMI survey places both indices in contraction territory. The manufacturing PMI lost 0.7 pp, taking it down to 48.3, as improving employment figures have failed to offset the deterioration in production and new orders. Activity in services has fallen from 53.7 to 49.5. As a result, the Composite PMI interrupts four months of progress and posts a result below 50 (48.5 — the lowest since 2022) for the first time since October 2024. Finally, the Summary of Opinions from the latest monetary policy meeting mentions fears about domestic activity linked to the US tariffs.

EMERGING ECONOMIES

CHINA

Beijing has continued its seduction of private investors at the China Development Forum in Beijing and the Boao Forum for Asia. The balance of payments data for 2024 confirms the need to attract new foreign investment, as foreign direct investment inflows have fallen sharply over the past two years, standing at USD 19 billion in 2024 (vs. an average of USD 242 billion per year in 2018-2022). Total net capital outflows stood at USD 486 billion in 2024, its highest level for 8 years. These net outflows are larger than the current account surplus (USD 424 billion in 2024, or 2.3% of GDP).

The PMIs published by the NBS improved slightly in March. The manufacturing, services and construction indices rose slightly (from 50.2 to 50.5, from 50.4 to 50.8 and from 52.7 to 53.4 respectively). This improvement comes as a surprise, given the high level of uncertainty surrounding the export outlook (the “new export orders” sub-component was up, but below 50). It has been driven in particular by the strengthening of “total new orders” and better prospects for construction activity.

ISRAEL

2025 budget approved. It forecasts an increase in spending of over 15% and a budget deficit of 4.9% of GDP. Failure to meet the 31 March deadline would have meant the dissolution of parliament and new elections..

MEXICO

Policy rate cut, recession in sight. As expected, the Mexican Central Bank cut its main policy rate by 50 bps to 9% on 27 March. This is the second rate cut in a row, and the press release suggests that further rate cuts are planned for the coming months. The Central Bank is keen to support the disinflationary process (inflation was 3.8% y/y in February, vs. a peak of 5.6% in July). This decision comes against the backdrop of a sharp slowdown in economic activity. Growth was flat in Q4 and would have been negative had it not been for the strong performance of exports, due to anticipation of the tariffs promised by the US administration. The economic outlook is deteriorating: the deterioration in the business climate and investment outlook seen since 2018 is accelerating in line with the political uncertainties facing the country. Household consumption is showing signs of weakness (falling confidence, and growth slowdown in credit and formal employment). Whatever the outcome of the negotiations with the US government, the Mexican economy will slow significantly over the next few quarters.

TÜRKIYE

The Turkish lira and bond yields have stabilised this weekend with i/ the measures taken by the Central Bank (raising its lending rate and temporary restrictions on the volume of financing offered) and ii/ the reassuring statements by the Finance Minister and the Governor of the Central Bank. However, bond yields and CDS spreads are still 540 and 60 basis points, respectively, above their levels prior to the arrest of Ekrem Imamoglu, leader of the main opposition party.

CENTRAL AFRICA

Monetary easing. The Bank of Central African States (BEAC) has cut its key rates for the first time after two years of monetary standstill. The tender interest rate (TIAO) has been reduced from 5% to 4.5% and the marginal lending facility rate has been cut from 6.75% to 6%. The BEAC forecasts that inflation in the CEMAC zone (Cameroon, Congo, Gabon, Equatorial Guinea, CAR and Chad) should fall back below the 3% target in 2025. Regional economic growth should accelerate slightly to 2.9%, from 2.6% in 2024, driven by the non-oil sector.

SENEGAL

No IMF bailout in the immediate future. The IMF mission, which ended this week, confirmed the results of the audit of Senegal’s public finances by the Court of Auditors. The report refers to a “hidden debt” and reveals that, over the 2019-2023 period, fiscal deficits reached 11.1% of GDP on average, compared with 5.5%, according to the previous administration’s figures. Public debt was revised upwards by 25 pp to reach 100% of GDP at the end of 2023. The IMF visit has not yet resulted in a new financing programme. The international organisation expects more concrete measures in order to put public finances on a sounder footing. However, in the 2025 Finance Bill, the Senegalese government was counting on IMF disbursements of USD 488 million for the current year in order to cover its external financing needs.

COMMODITIES

A week ahead of the OPEC+ production increase, new US sanctions and the fall in US inventories are supporting oil prices. The United States will apply “secondary” sanctions against countries importing oil from Venezuela. Additional customs duties of 25% will be imposed on all exports to the United States; China is the largest importer of Venezuelan oil. In addition, US commercial oil inventories (excluding strategic reserves) have fallen more sharply than expected due to buoyant domestic demand.

The price of a ton of copper is down slightly in New York (COMEX), after hitting a nine-month high (+27% since the start of the year). The possible acceleration of the timetable for applying new customs duties on copper imports by the United States has precipitated US purchases. This movement has resulted in a difference of more than 10% between London Metal Exchange (LME) and COMEX prices.

