ECONEWS

Find out more in our scenario and forecasts

AVANCED ECONOMIES

UNITED STATES

Negative growth in Q1 2025 but robust job market ahead of the Fed meeting. First contraction in GDP for three years in Q1 2025 (-0.1% q/q, compared with +0.6% in Q4 2024), due to the surge in imports of goods (+10.9% q/q, the highest since 1972 excluding the post-Covid reopening), the fall in public consumption (-0.4% q/q) and the slowdown in household consumption (+0.4% q/q, compared with +1% in Q4). However, investment in equipment (+5.2% q/q) played a positive role. The April employment survey proved positive, with nonfarm payrolls robust at +175k (-7k m/m). The unemployment rate was stable at +4.2%. Wage growth slowed to +0.2% m/m (-0.1 pp). In April, the ISM Manufacturing index fell (48.7, -0.3 pp). The "Production" component reached its lowest level since the start of the pandemic (44, -4.3 pp). Consumer confidence, as measured by the Conference Board, was at its lowest level since April 2020 (86.0), with expectations at their lowest level since 2011. The Fed's monetary policy meeting takes place next week (6-7 May). We expect the Fed Funds rate target to remain unchanged at +4.25% to +4.5%.

EUROZONE

Growth surprised to the upside in Q1. Eurozone GDP (+0.4% q/q) benefited in particular from strong quarterly growth in Ireland (+3.2% q/q). The unemployment rate remained stable at 6.2% in March. Household confidence reached its lowest level since November 2023, and one-year inflation expectations are rising at a moderate pace (2.9%). Finally, harmonised inflation remained stable at 2.2% in April, but inflation in services (particularly closely watched by the ECB) rebounded to 3.9% y/y.

FRANCE

Sluggish growth. Growth reached 0.1% in the first quarter, penalised by stagnating household consumption, falling exports (-0.7% q/q) and investment (-0.2% q/q), and weak growth in public consumption (+0.1% q/q). Inflation slowed in April to 0.8% y/y (compared with 0.9% in March), according to the harmonised index, due to the sharp fall in energy prices (-1.7% m/m). Producer prices in industry fell by 1.1% m/m in March (-0.3% y/y).

GERMANY

Some positive signs. Household confidence rallied to -20.6 in April (+3.7 points m/m) according to GFK, its highest level since last November, underpinned by an increase in the willingness to buy and in expectations regarding income and the economy, while the propensity to save fell. Growth came out at +0.2% q/q in Q1 2025 (preliminary figures) after -0.2% q/q in Q4 2024. Inflation fell to 2.1% in April (2.3% in March), thanks to the moderation in goods and food prices and the fall in energy prices. Inflation in services rose, taking core inflation from 2.6% to 2.9%.

SPAIN

Sharp decline in industrial activity. The manufacturing PMI remained in contraction territory for the third month in a row in April, recording its sharpest fall since December 2023 (to 48.1; -1.4 points m/m), with a drop of 3.6 points to 44.2 for new orders and 2.4 points for production. The employment index continues to hold up well (50.1). At the same time, GDP growth moderated somewhat (+0.6% q/q, compared with +0.7% q/q in Q4), but household consumption remains a driving force as retail sales continued to grow in March (+0.3% 3m/3m in March). Inflation was stable at 2.2% y/y in April.

ITALY

Industrial activity is stabilising. The manufacturing PMI rebounded (49.3 in April; +2.6 points m/m), supported by new orders (49.1; +4.4 points) and production (49.9; +3.7 points). In addition, real GDP growth surprised to the upside in Q1 (+0.3% q/q compared with +0.2% q/q in Q4 2024). But intentions to make major purchases and expectations of the overall economic situation over the coming year are deteriorating. Inflation remained stable in April (2.1% y/y).

UNITED KINGDOM

The sluggishness continues. House prices fell by 0.6% m/m in April to GBP 270,752 (Nationwide). Industrial production rose by 2.2% in Q1, but the manufacturing PMI remained in contraction territory in April, rebounding slightly to 45.4 after hitting a 17-month low in March. The Reform UK party, led by Nigel Farage, came out on top in the local elections, winning the majority of council seats and a parliamentary seat. On 8 May, the Bank of England is expected to cut its key rate by 25 bp to 4.25%.

JAPAN

***Status quo* and downgraded forecasts for the BoJ.** As expected, the Bank of Japan's monetary policy meeting on 30 April and 1 May resulted in the uncollateralized overnight call rate being maintained at +0.5%. The BoJ has revised its growth forecast downwards (from +0.9% - +1.1% to +0.4% - +0.6%) for FY2025. Monetary tightening is set to continue, but with great caution. In April, consumer confidence fell to 31.2, its lowest level since February 2023. Industrial production (-1.1% m/m) and retail sales (-1.2% m/m for large retailers) were down in March.

EMERGING ECONOMIES

CHINA

PMIs fall across the board. The official PMI (NBS) for the manufacturing sector fell to 49.0 in April (from 50.5 in March) and the PMI published by Caixin fell to 50.4 (from 51.2 in March). The fall was widespread across all sub-components (including new export orders, which fell from 49 in March to 44.7 in April in the NBS index). It heralds a major slowdown in activity, as an immediate consequence of the 145% tariffs imposed by the US since 9 April. In services, the PMI published by the NBS fell slightly to 50.1 in April (from 50.3 in March), signalling the risk of contagion effects from the manufacturing slowdown to the rest of the economy.

COLOMBIA

Monetary policy easing resumes. On 1 May, the Central Bank eased its monetary policy after taking a pause from December. The policy rate was cut by 25 bp to 9.25%. The Monetary Policy Committee voted unanimously in favour of a cut, justified by the continued slowdown in inflation (5.1% year-on-year in March, compared with 5.3% in February). The Central Bank also revised its growth forecast for 2025 downwards, from 2.8% to 2.6%. The resumption of monetary policy easing comes against a backdrop of high tension with President Petro, who has been urging the Central Bank to cut its rates for several months to support growth and reduce interest payments on public debt. Also this week, the IMF announced the temporary suspension of its flexible credit line to Colombia, citing concerns over the deterioration in the country's public finances.

HUNGARY

Unexpected decline in GDP in Q1. GDP growth stood at -0.2% q/q (0.0% y/y) in Q1 (Bloomberg consensus: +0.4% q/q) after an upward revision of +0.1 point to 0.6% q/q in Q4 2024. With a carry-over of -0.1% for 2025 at the end of Q1, the official target of 2.5% for this year will probably be difficult to achieve. However, there are still factors supporting growth in the short term. The volatility of the Hungarian currency argues in favour of maintaining the monetary *status quo*. At its meeting on 29 April, the Central Bank maintained its key rate at 6.5%. Wage growth remains buoyant, supporting household consumption.

SAUDI ARABIA

Economic activity is slowing but macro fundamentals are robust. Growth reached 2.7% y/y in Q1 2025, compared with 4.4% in the previous quarter. The 1.4% contraction in the oil sector accounts for most of the slowdown. Excluding oil, real GDP grew by 4.2%, and the outlook remains positive. A tightening of fiscal policy is expected in response to the fall in oil prices, but this is likely to be moderate. With debt at 30% of GDP, the government has plenty of room for manoeuvre to maintain its economic diversification programme. The significant increase in oil production by OPEC+ members since April will also support economic activity.

THAILAND

Negative outlook. The rating agency Moody's has revised the outlook on Thailand's sovereign rating from stable to negative, as the country is particularly exposed to the increase in US tariffs. Thai exports to the United States accounted for 18.3% of total exports in 2024 (10.4% of GDP). In addition to the fall in exports, there is the risk of an acceleration in imports of highly competitive Chinese products – which has already led to a marked slowdown in manufacturing activity over the last five years. As a result, the IMF and the World Bank have lowered their real GDP growth forecasts for the next three years from over 1 pp to an average of just 1.8%. Such a slowdown could further weaken public finances. Public debt reached 63.9% of GDP at the end of 2024 (compared with 41.2% in 2019) and the government's room for manoeuvre to support its economy is increasingly limited.

COMMODITIES

OPEC+ persists and is weighing on oil prices. For the second month in a row, OPEC+ members will increase their crude oil production by 411 kb/d in June (compared with the 138 kb/d initially planned). The willingness to bring recalcitrant cartel members to heel remains officially the main justification for this decision. As a reminder, in March 2025 (the latest data available), Kazakhstan's production surplus (compared with its reference quota) was 422 kb/d. This decision comes ahead of President Trump's visit to the Gulf, scheduled for mid-May. On Monday morning, Brent crude fell below $60 a barrel, its lowest level for four years.