

A low-angle photograph showing the lower legs and feet of several people walking on a paved surface. They are wearing jeans and white sneakers. Multiple colorful shopping bags (red, blue, pink, orange) are hanging from their hands. In the background, a bicycle wheel is visible on the left, and a blurred storefront is on the right.

ECOCHARTS

April 2025

INFLATION TRACKER



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CHART OF THE MONTH: United States: Inflation that could come from China

The pick-up in US inflation caused by the increase in tariffs, particularly on Chinese imports (prohibitive tariffs of 145% at the time of writing), is a clearly identified risk that has yet to materialize. While US inflation has not yet completely vanished, the tariff shock will undoubtedly push it up. Three factors will be at play: i/ higher import prices, ii/ reduced competitive pressure on domestic producers, iii/ likely supply issues leading to supply/demand imbalances. The uncertainty lies in the extent of its renewed rise, which could be partly absorbed by FX effects and margin compression and tempered by slowing demand.

According to our forecasts, US inflation will begin to rise noticeably from Q3 2025, slightly exceeding 3% year-on-year, before peaking at 4% in Q2 2026. In annual average terms, inflation is expected to reach 3.1% in 2025 and 3.7% in 2026. This increase would not be driven by self-sustaining inflationary forces as in 2021-2023. From this perspective, it should be transitory, provided that the trade war de-escalates, the Fed does not cut rates prematurely and/or its independence is not called into question. All of this would allow household inflation expectations to fall from their current high levels and prevent them from becoming self-fulfilling. For the time being, the warning signs are limited to a sharp rise in household inflation expectations and a marked upturn in the input price component of business confidence surveys. The inflation figures themselves do not yet show any significant impact from the tariff increases that have already come into effect, particularly those targeting China.

To detect and monitor these impacts as closely as possible, we have identified the categories of the US consumer price index (CPI) that best correspond to the 16 most imported products by the US from China¹. These components account for just over 10% of the core CPI. Our chart of the month shows their contribution to monthly core inflation since 2012 (when all data became available), providing some historical perspective. Volatility is quite high: this is not unusual given the monthly frequency of the data, but it makes it difficult to distinguish the signal from the noise. The average and median² contributions are zero over the entire period. The inflationary shock of 2021-2022 is nonetheless clearly visible. It is likely that the tariff shock on Chinese imports will also be visible in the coming months.

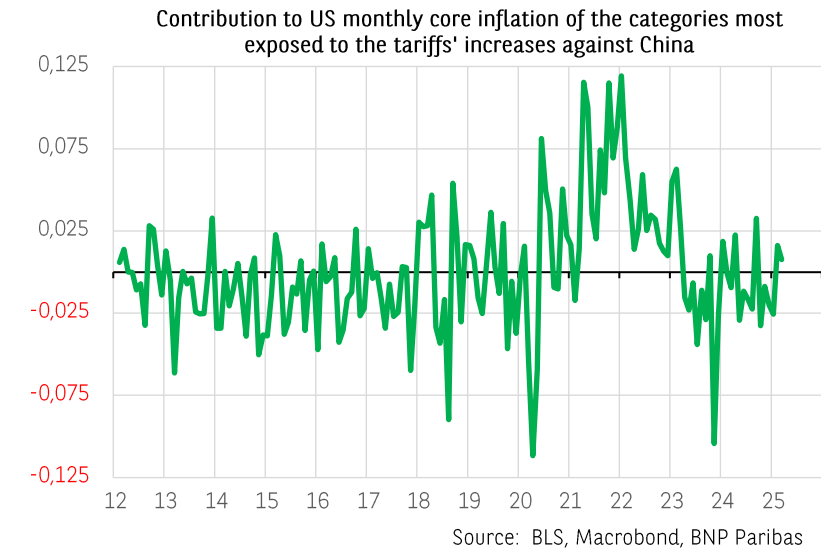
For the moment, the signs are tenuous: the contribution returned to slightly positive territory in February and March 2025, after having been more often negative than positive since April 2023. Given the uncertainty surrounding the level, scope, and duration of tariffs, companies are likely still taking time to assess the best course of action in terms of price changes. We believe it is more likely that they will ultimately pass on most of the tariffs to consumers rather than absorb them into their margins. However, this process could be staggered and take some time, as managers wait for greater certainty before acting.

¹ These are mainly electrical, electronic, IT, computers, textile, apparel, toys, household equipment, automotive parts and accessories, and miscellaneous manufactured goods.

² To three decimal places, the median is negative (-0.003) and the average is positive (0.001).

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KEY POINTS: Unsurprisingly, inflation expectations are rising again

- Inflation slowed on both sides of the Atlantic in March, mainly due to the fall in energy prices. This was helped by the fall in gas and oil prices in the first quarter of 2025. In the United States, however, the situation remains worrying, with household inflation expectations at their highest level for over 30 years (University of Michigan survey); they are also rising in the United Kingdom against a backdrop of still robust wage growth. The situation is much more comfortable in the Eurozone, where inflation expectations remain moderate and wages are decelerating, reinforcing the 2% target. In Japan, the situation remains under control.
- In the United States, one-year household inflation expectations (page 16) reached 6.7% y/y in April (highest level since 1981), while long-term expectations are close to 4.5% (highest figure since 1991). Price pressures (on the supply side) remain high, reaching their highest level since October 2023 (page 14). For the time being, however, the financial markets are not showing the same concerns as households, with the break-even inflation rate slowing since January (page 20). CPI inflation slowed to 2.4% in March (from 2.8% in February), mainly as a result of energy deflation and lower rents and car insurance prices (page 6). By contrast, the consumption deflator remained stable at 2.5% in February. Producer prices also slowed (+2.8% in March; -0.4 points over one month).
- In the Eurozone, inflation also fell in the first quarter, from 2.5% in January to 2.2% in March. France recorded the lowest inflation (0.9%), followed by Luxembourg (1.5%), while Croatia and Estonia saw the highest rise in prices (4.5%). Growth in negotiated wages in the Eurozone slowed in December 2024 (+4.1% y/y; -0.5pp) and the ECB's wage tracker confirms the expected deceleration in 2025 (current forecast at +1.6% y/y in Q4 2025). The producer price index, on the other hand, rose sharply in February (+3.0% y/y). It has now exceeded inflation for the first time since the end of 2022 (page 8).
- Although inflation is falling in the UK (2.6% in March compared with 3.0% in January), the outlook is less favourable than in the Eurozone. Core inflation is decelerating (3.4% compared with 3.7% in January) but remains above the headline measure. Despite the continuing sharp deterioration in the labour market, wage growth is not moderating (page 22), thereby limiting disinflation. This is also reflected in household inflation expectations, which have been rising since Q4 2024 (page 18). Moreover, long-term expectations are above the levels recorded during the inflation crisis.
- After rising at the end of 2024, inflation in Japan slowed in the first quarter (from 4.0% in January to 3.6% in March), due to the lower contributions of volatile components (energy, perishable food). The outlook for the coming months points to a stabilisation of inflation: the price pressure indicator (supply side) remains stable (page 14), household inflation expectations for the next 1 year are rising only very slightly (page 19), average monthly earnings excluding bonuses have moderated markedly (page 22), and the producer price index has stabilised at around 4% since the start of the year (page 12).

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General dynamics of inflation

Inflation and survey data

Inflation expectations (households, forecasters, markets)

Inflation-wage dynamics

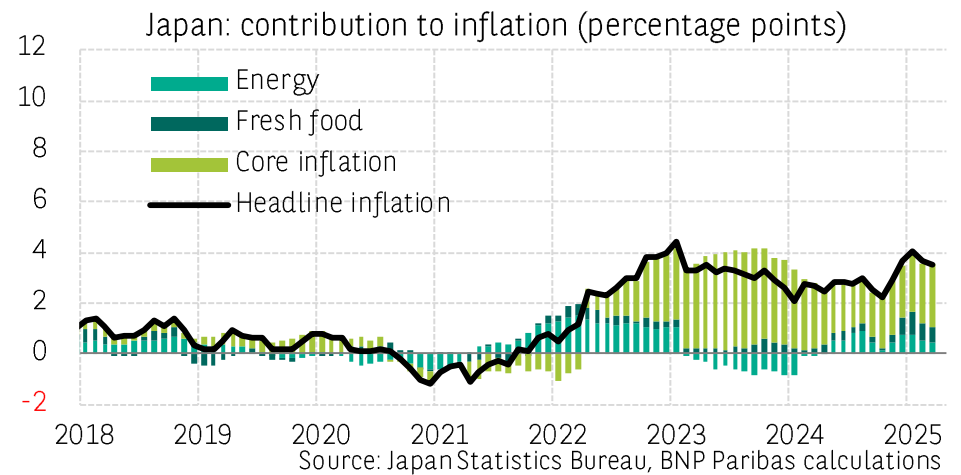
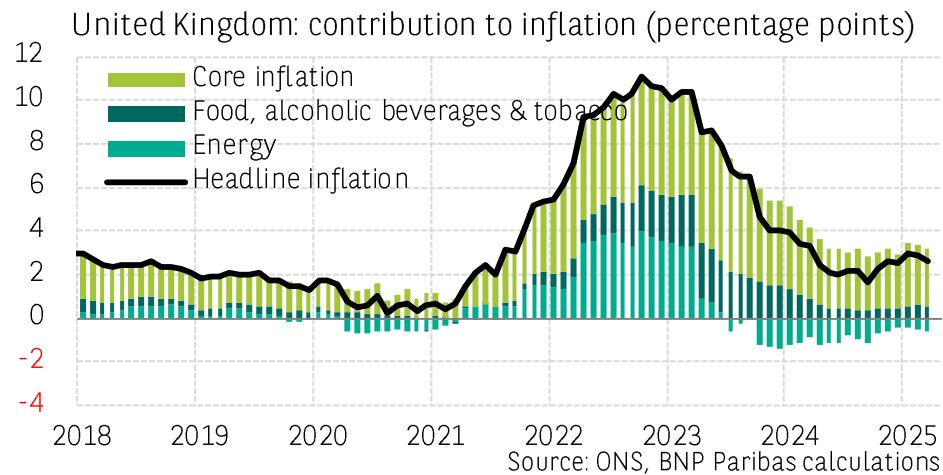
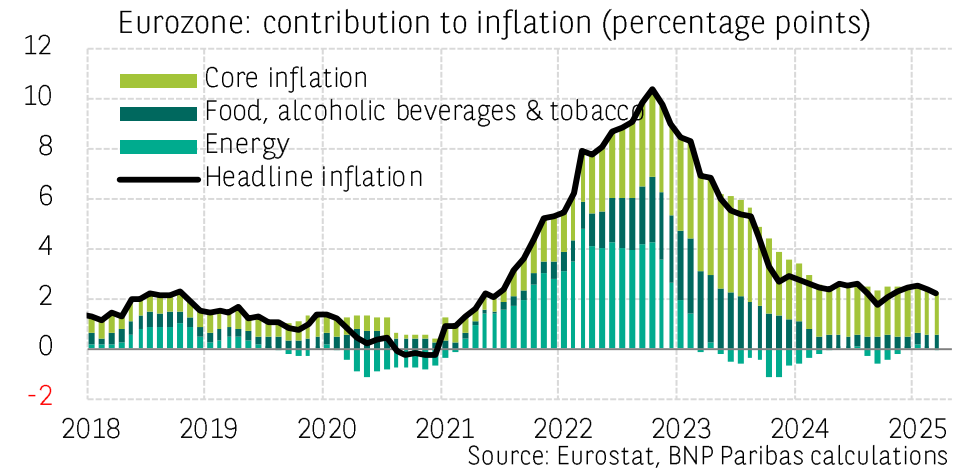
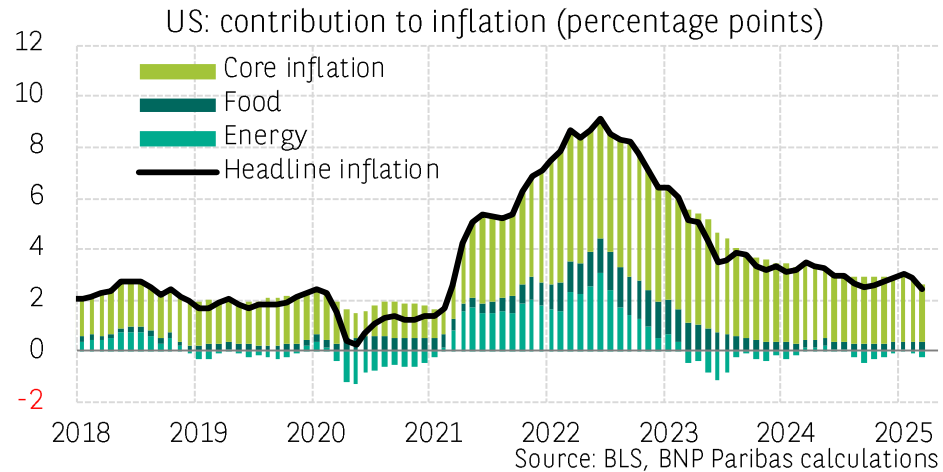
Commodities



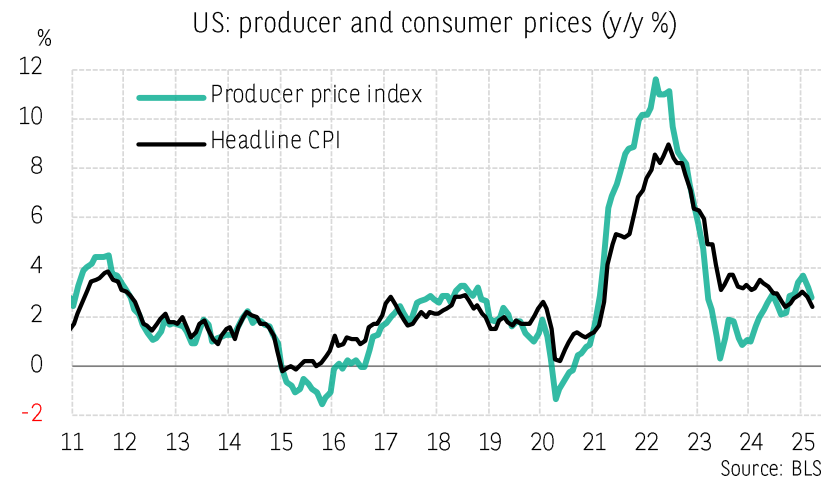
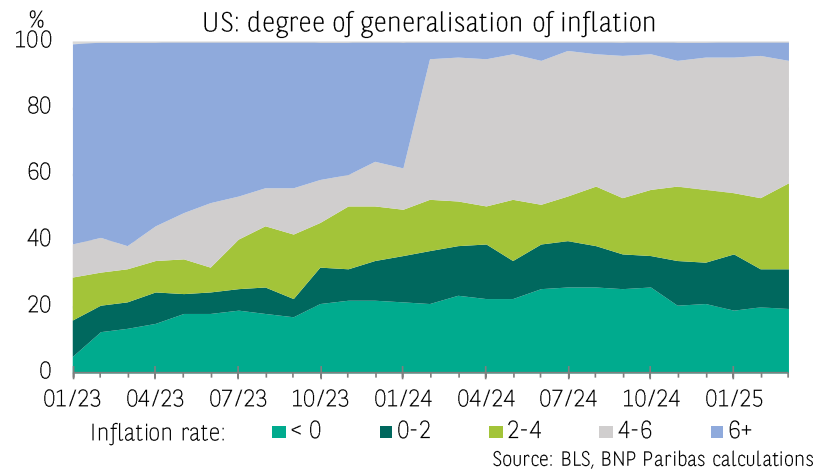
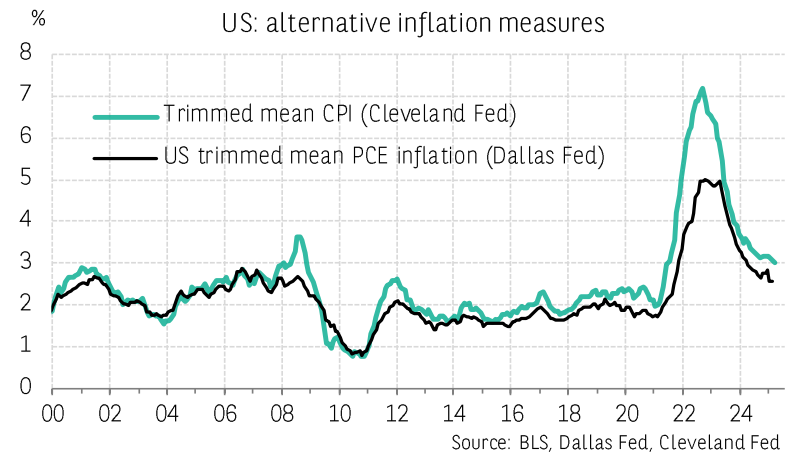
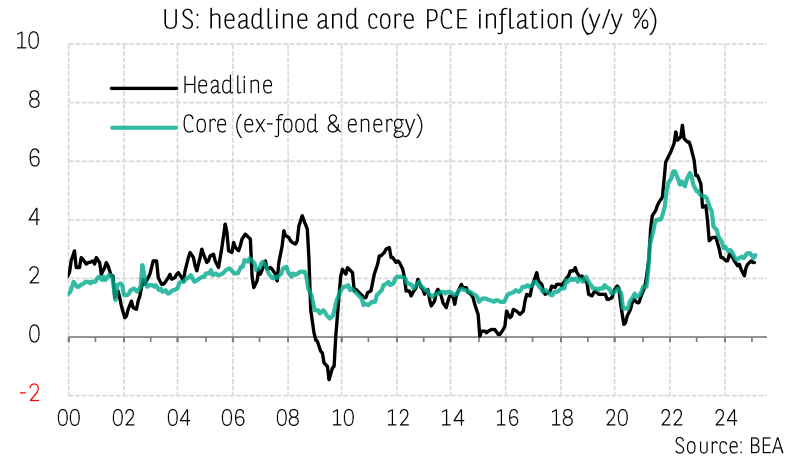
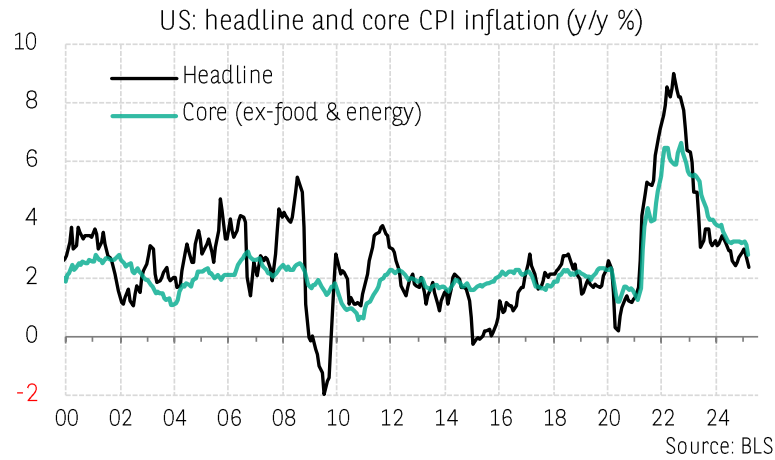
General dynamics of inflation



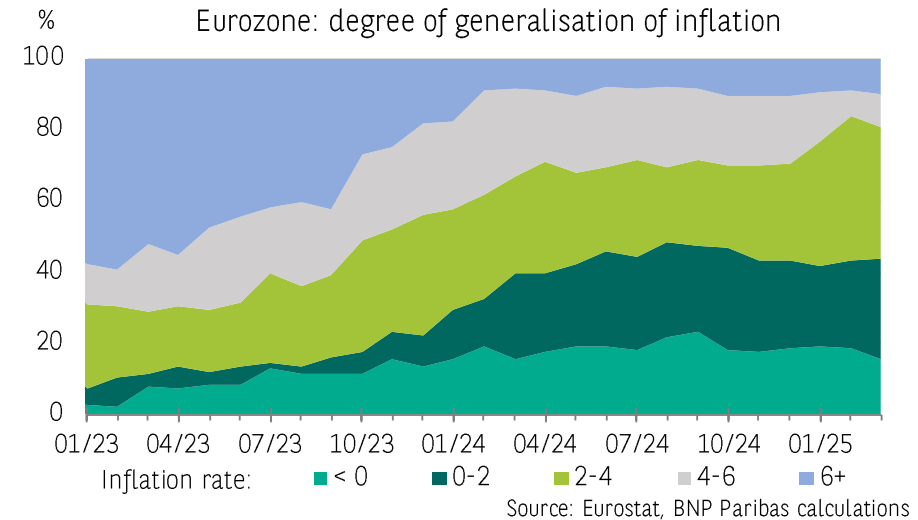
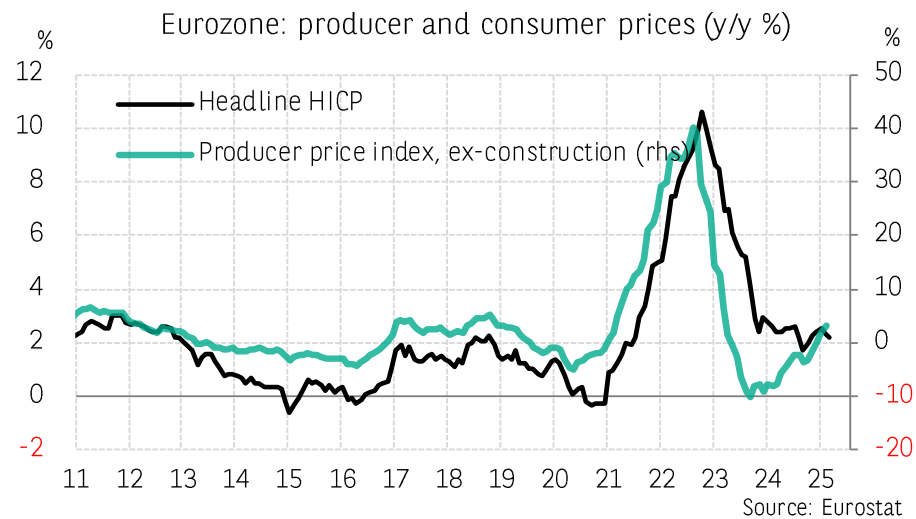
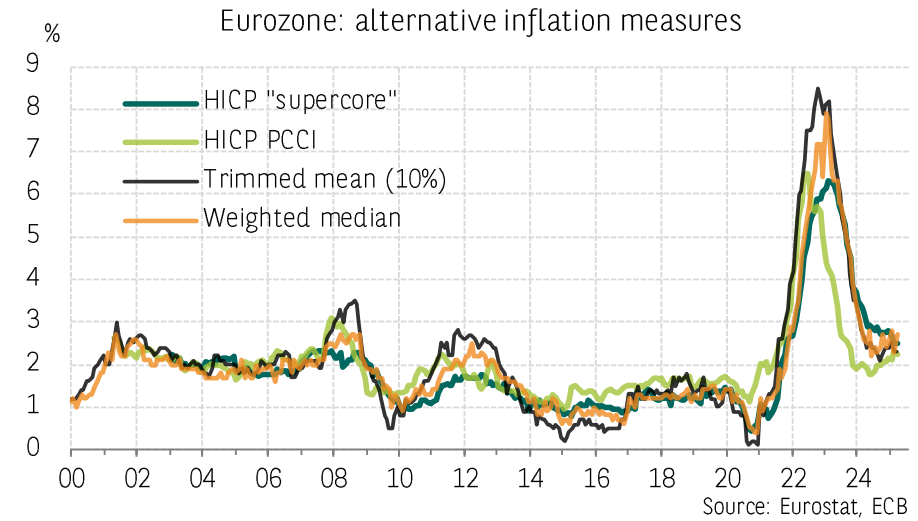
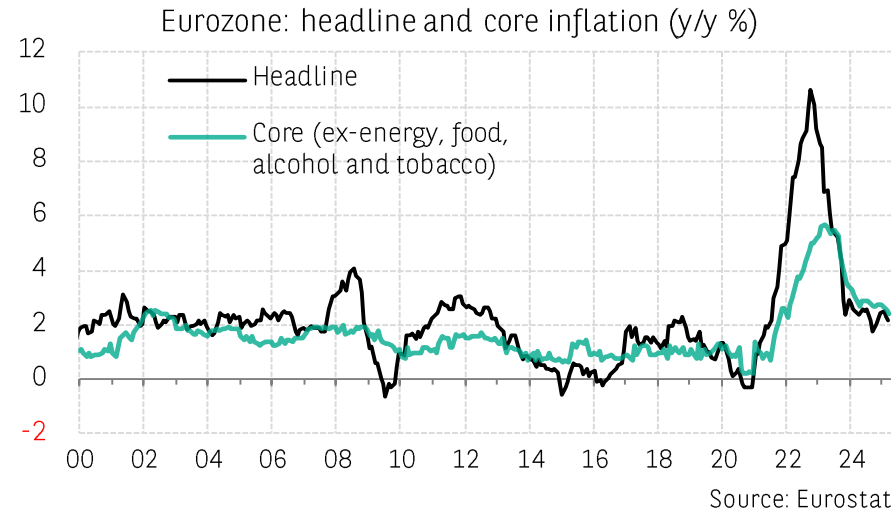
General dynamics of inflation: decomposition of inflation



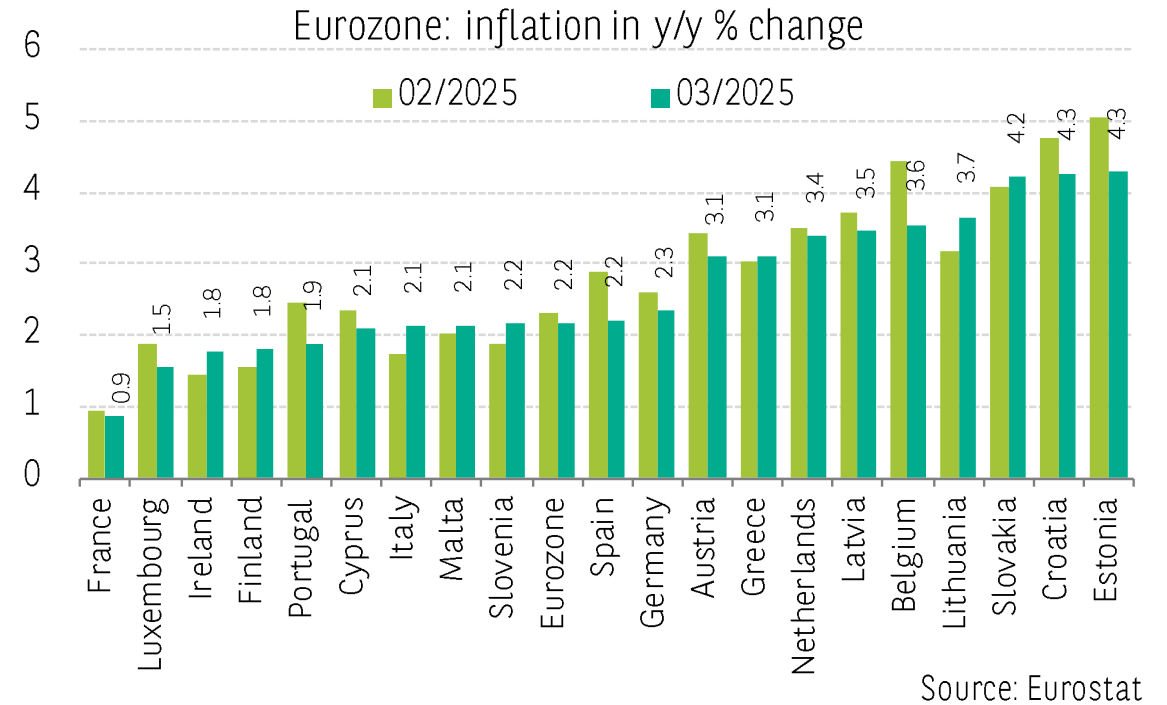
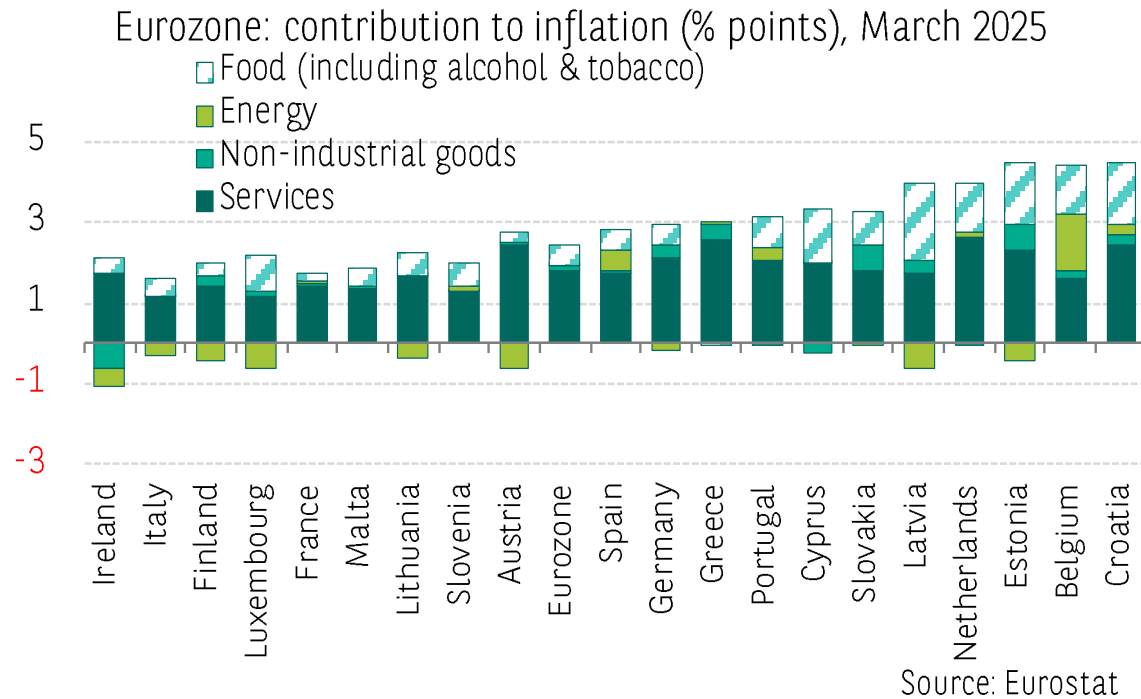
Inflation dynamics in the United States: different metrics and degree of generalisation



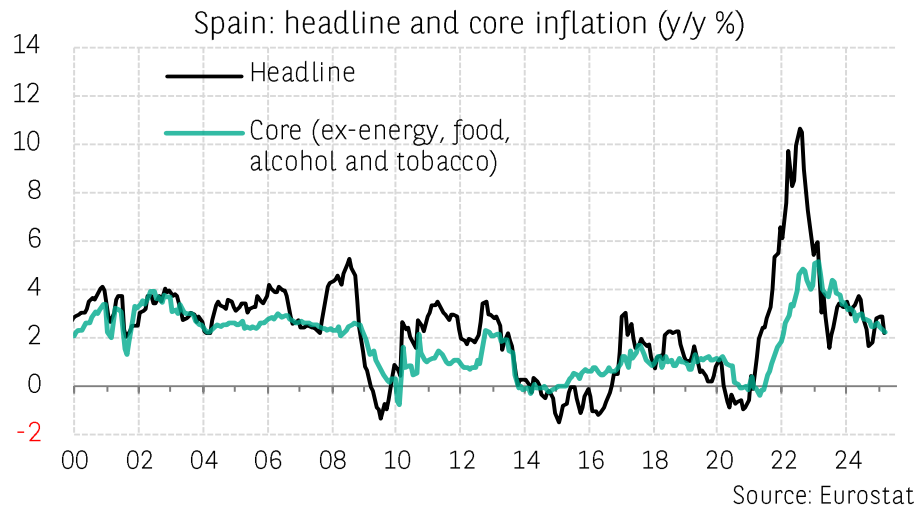
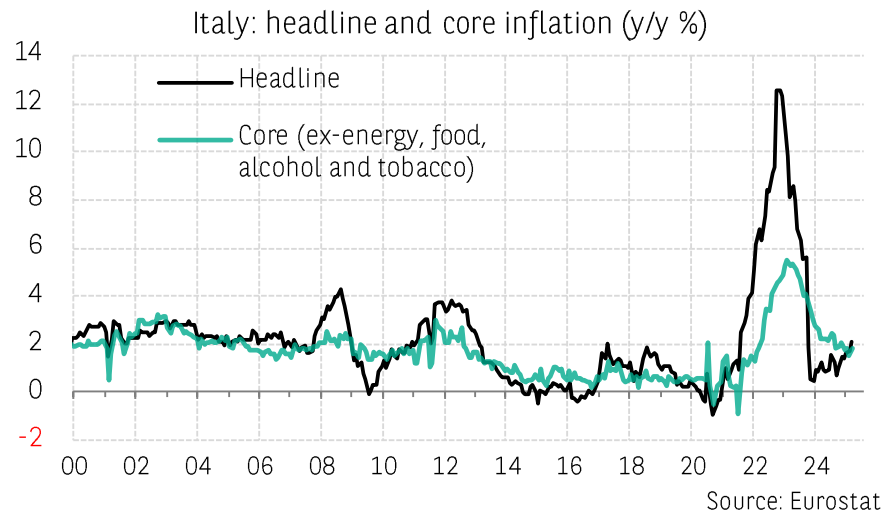
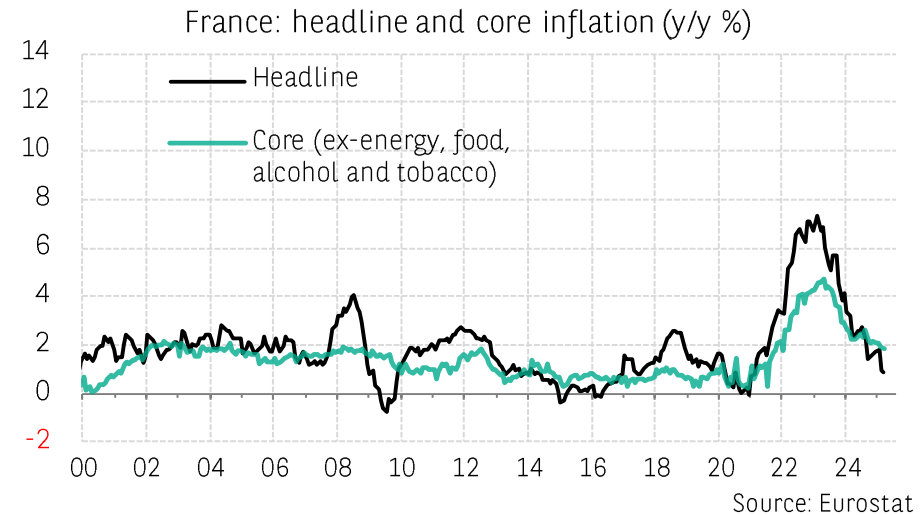
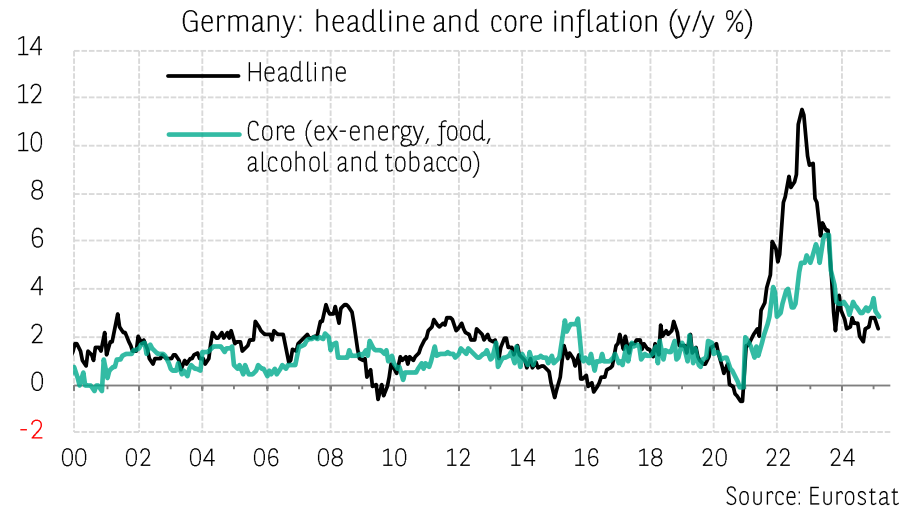
Inflation dynamics in the Eurozone: different metrics and degree of generalisation



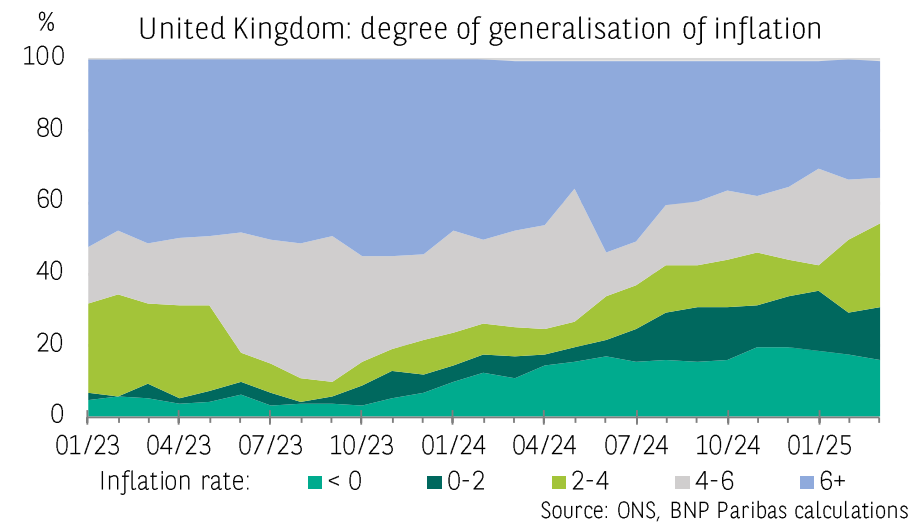
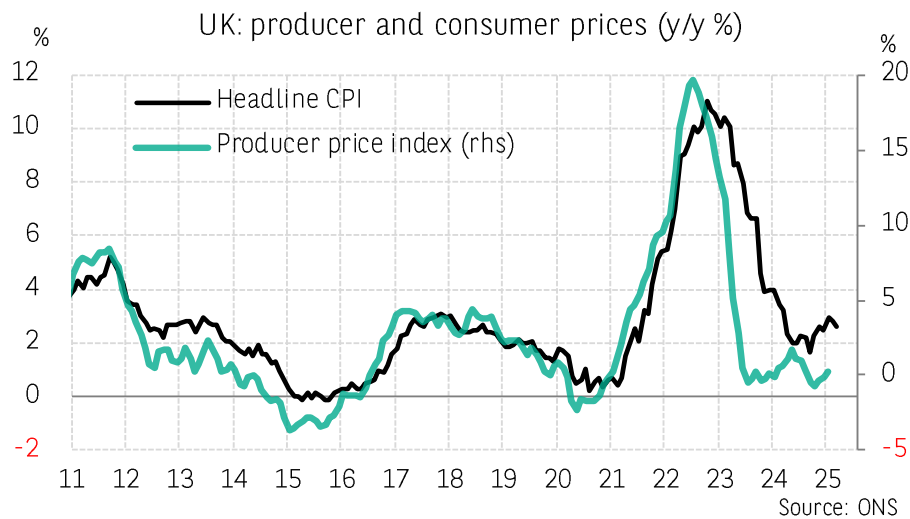
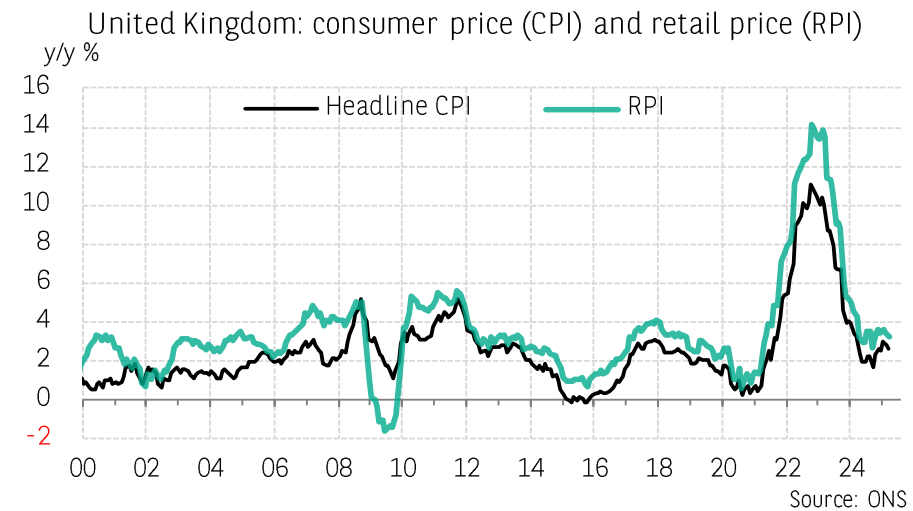
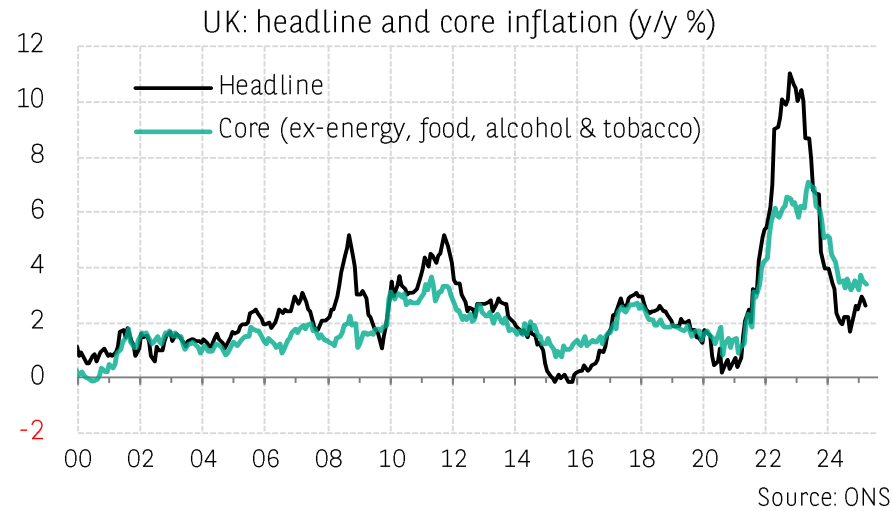
Inflation dynamics in the Eurozone by country (1)



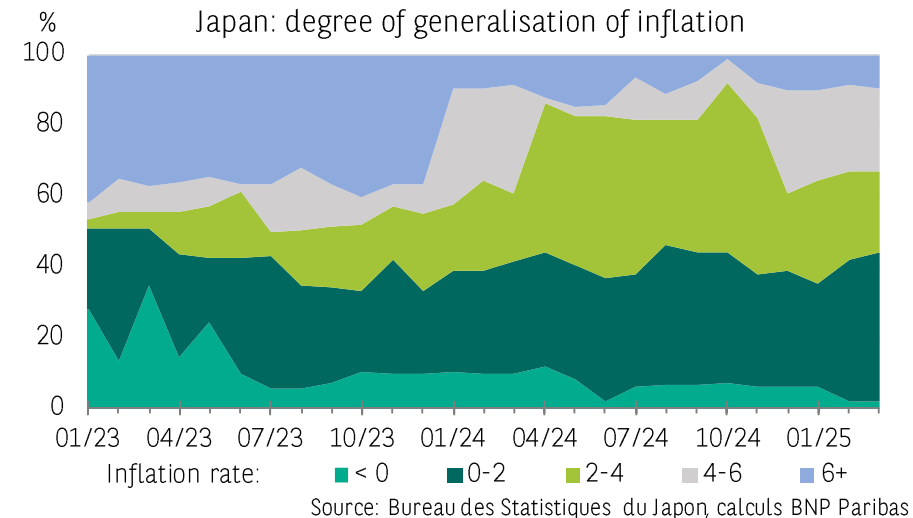
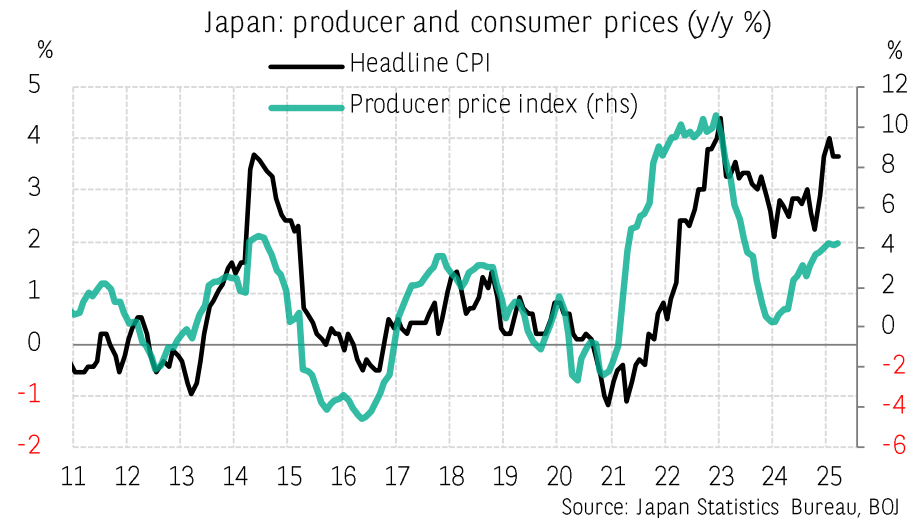
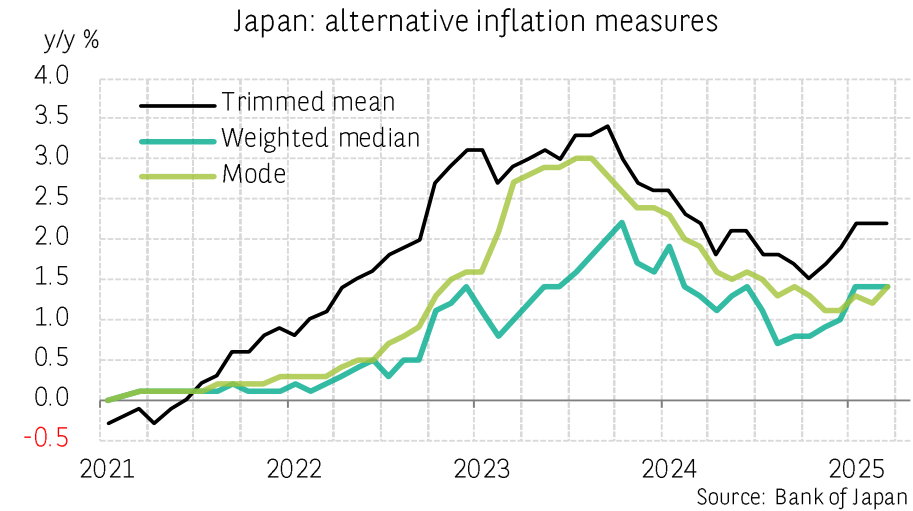
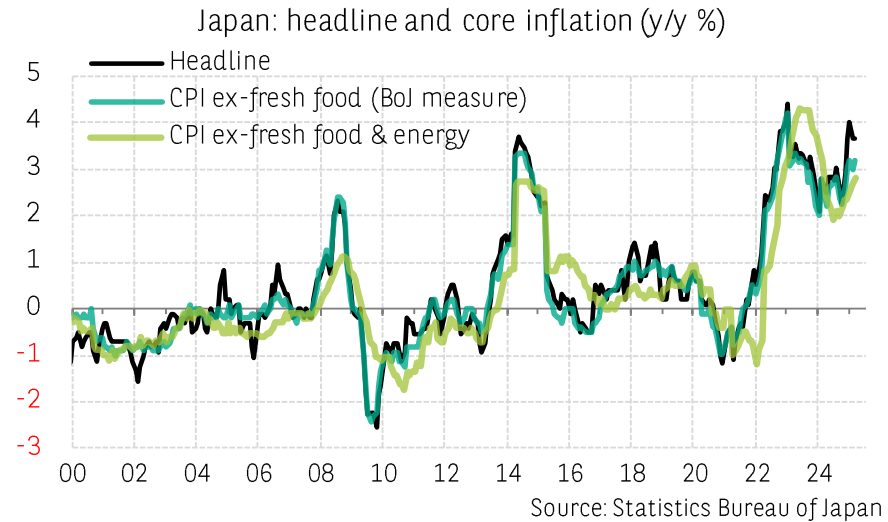
Inflation dynamics in the Eurozone by country (2)



Inflation dynamics in the United Kingdom: different metrics and degree of generalisation



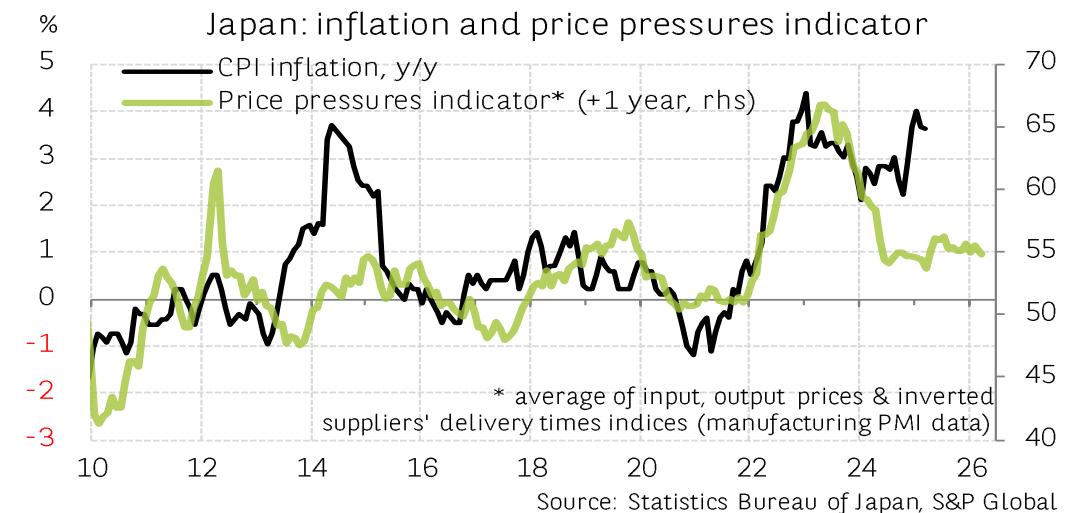
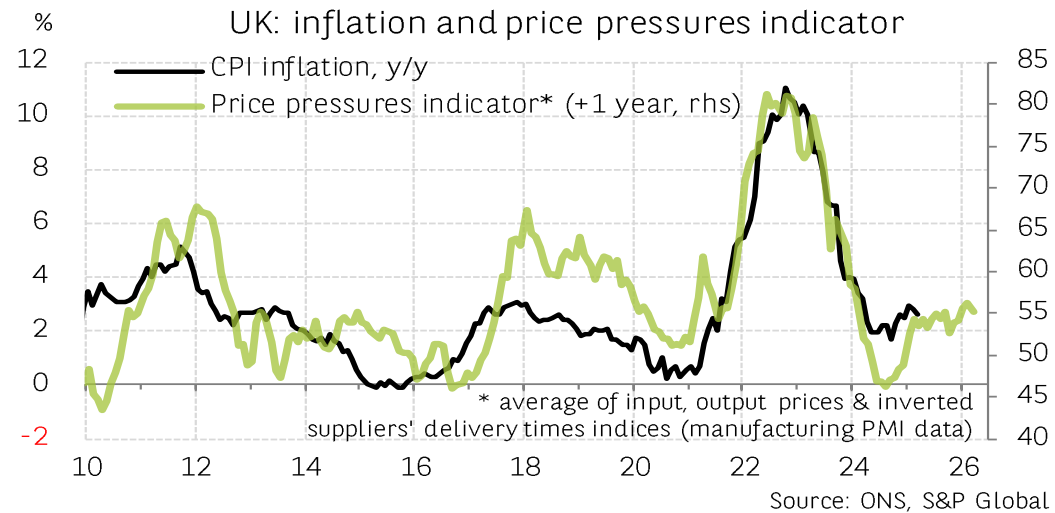
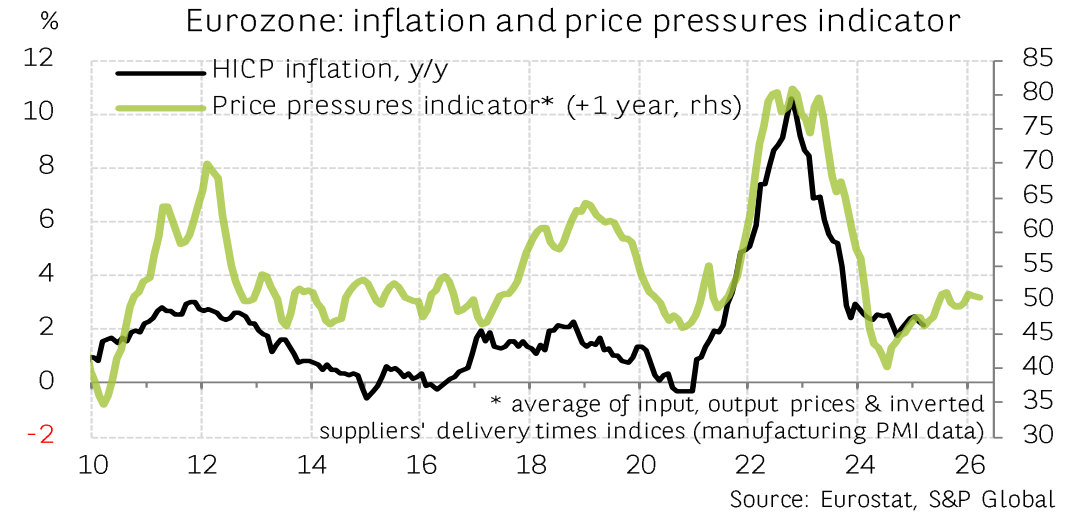
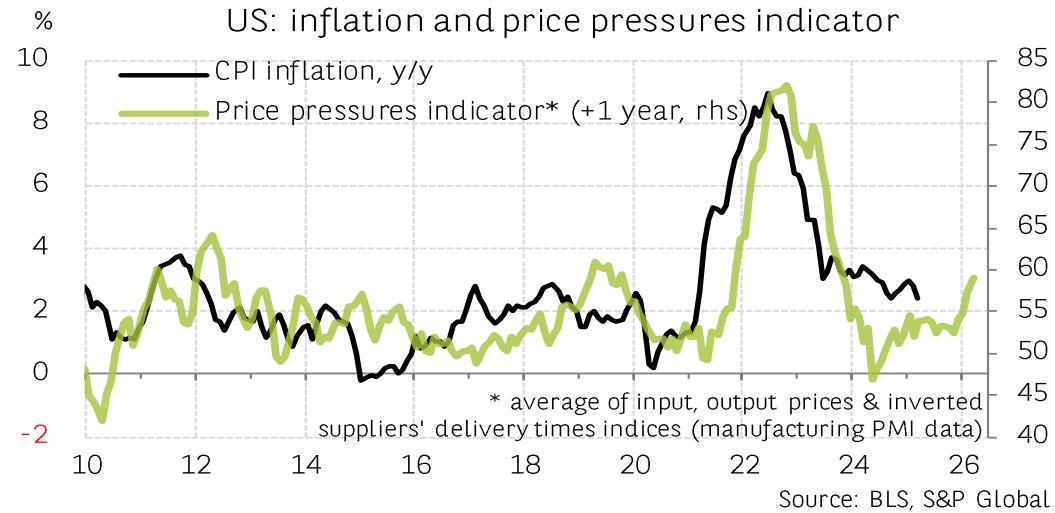
Inflation dynamics in Japan: different metrics and degree of generalisation



Inflation and survey data



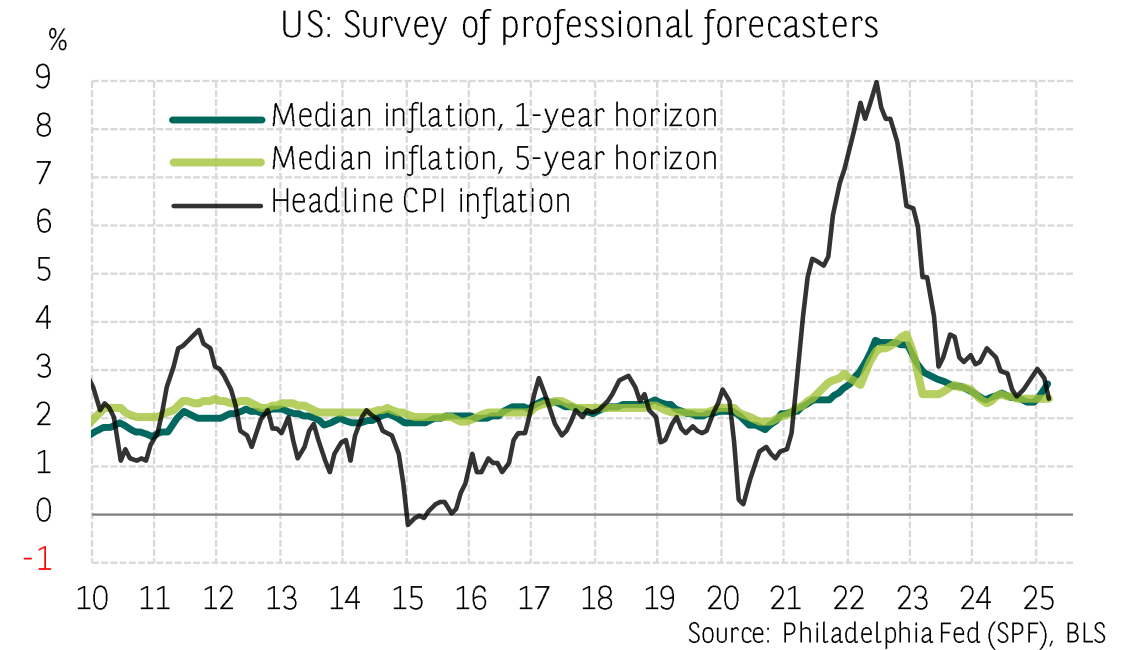
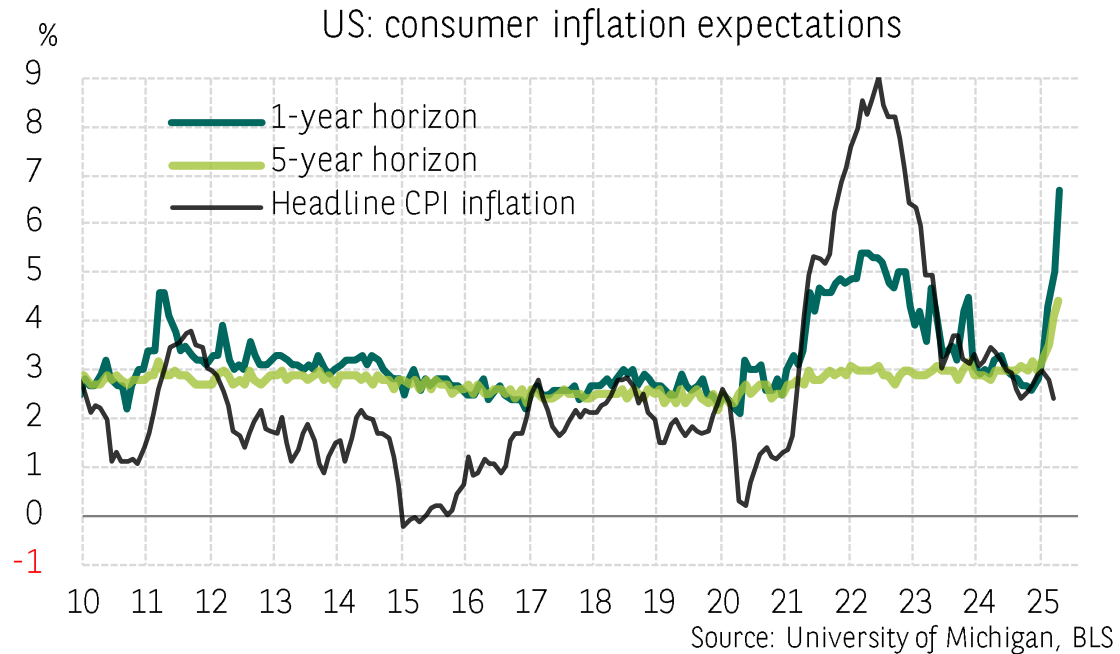
PMI surveys: an indication of inflationary pressures



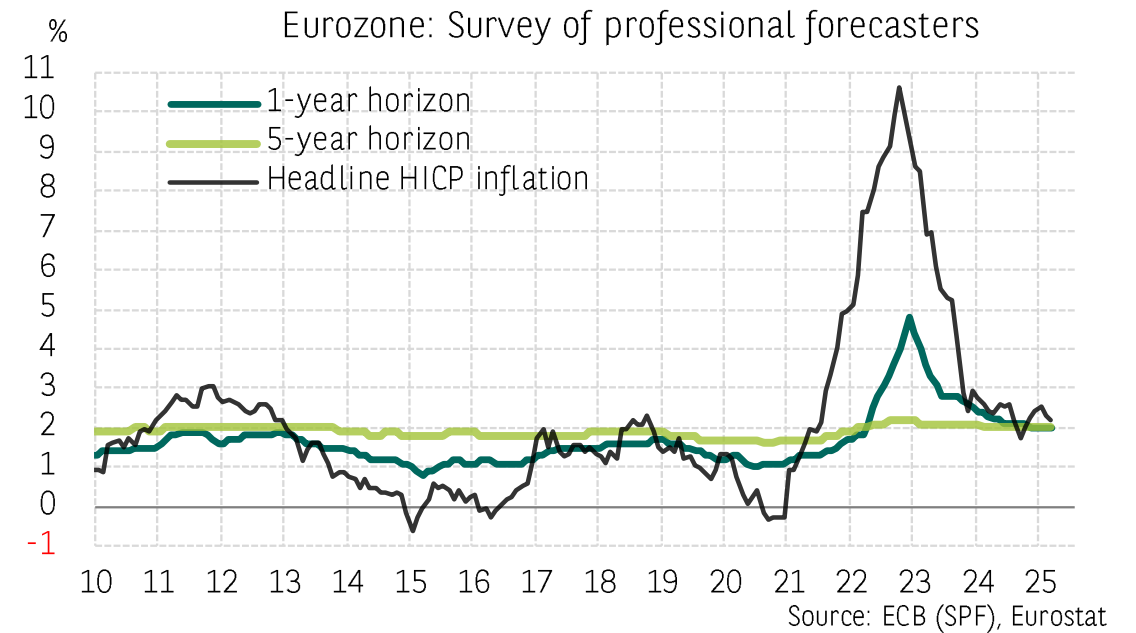
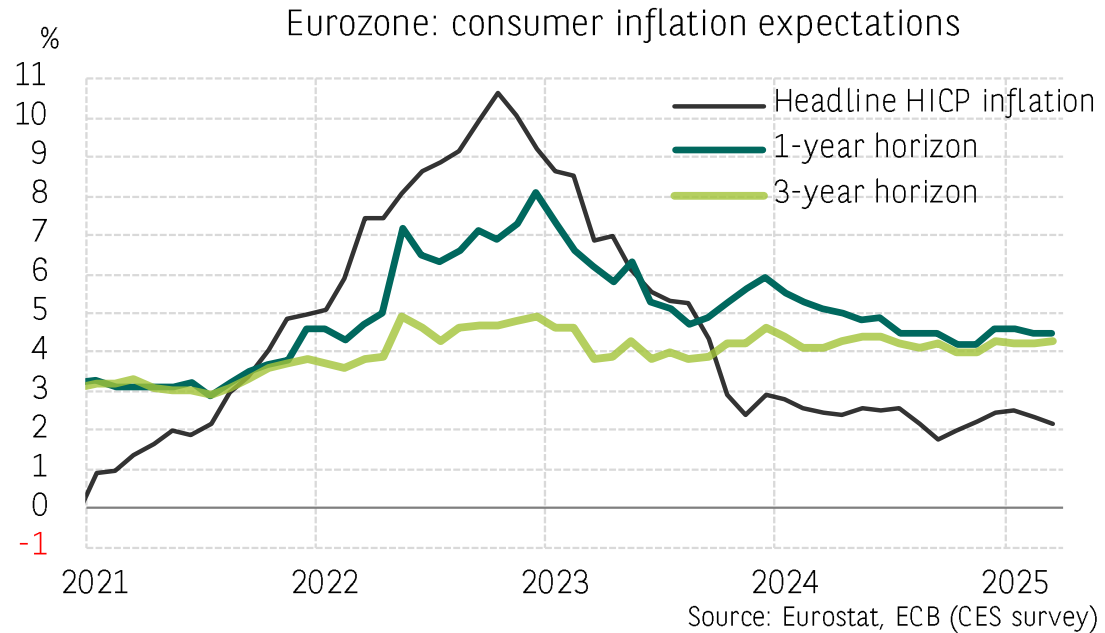
Inflation expectations (households, forecasters, markets)



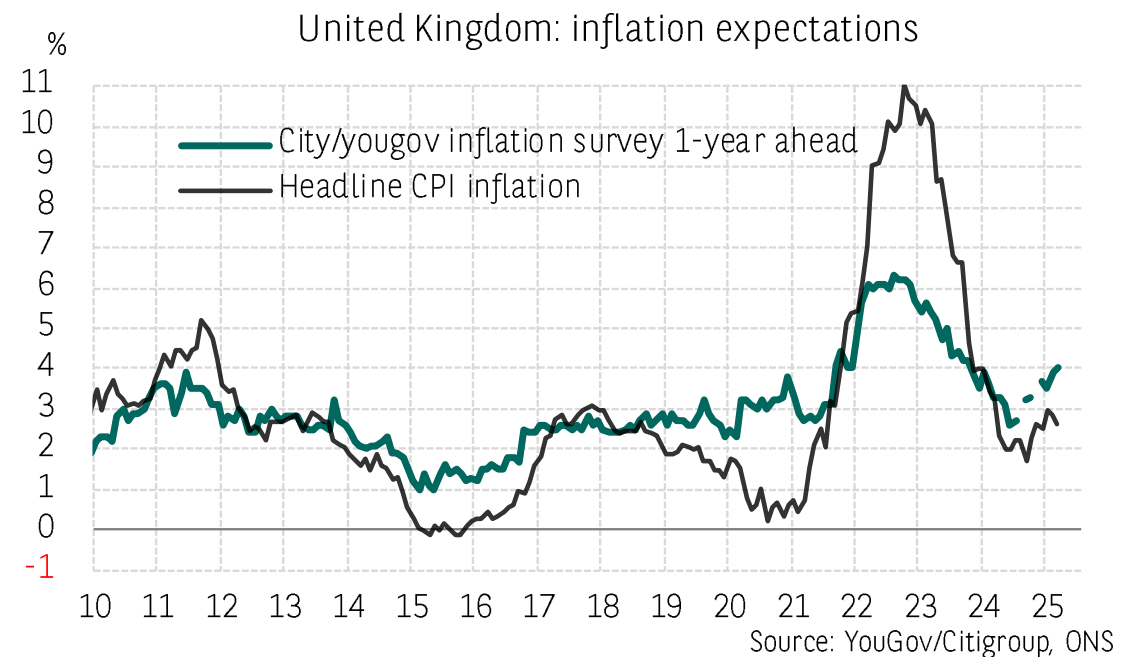
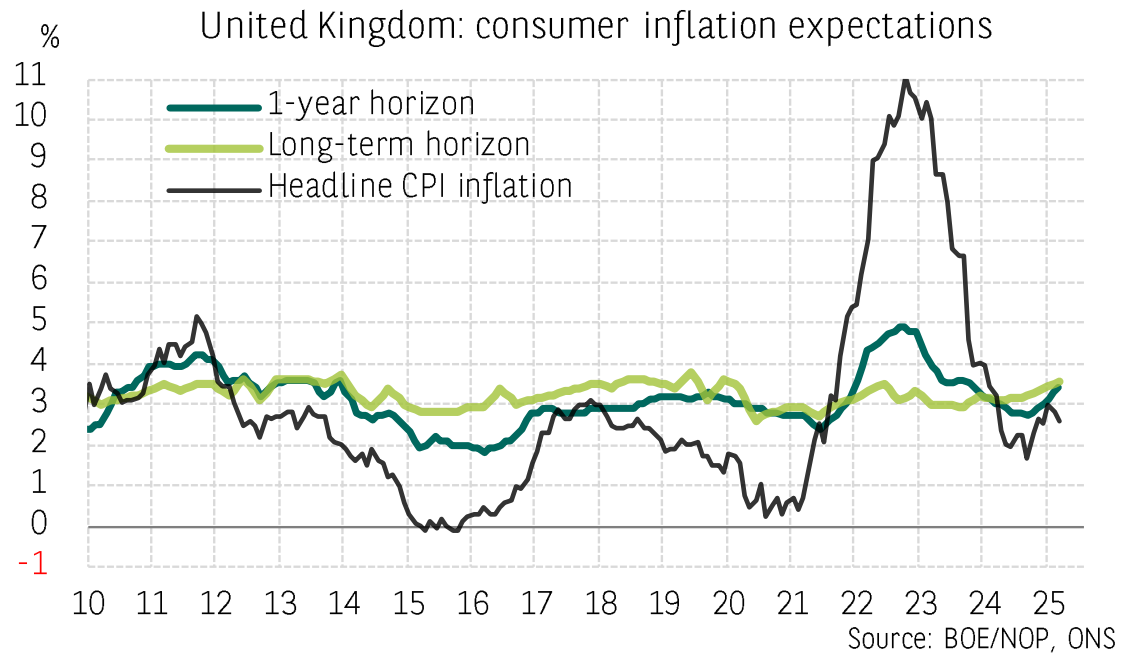
Inflation expectations in the United States



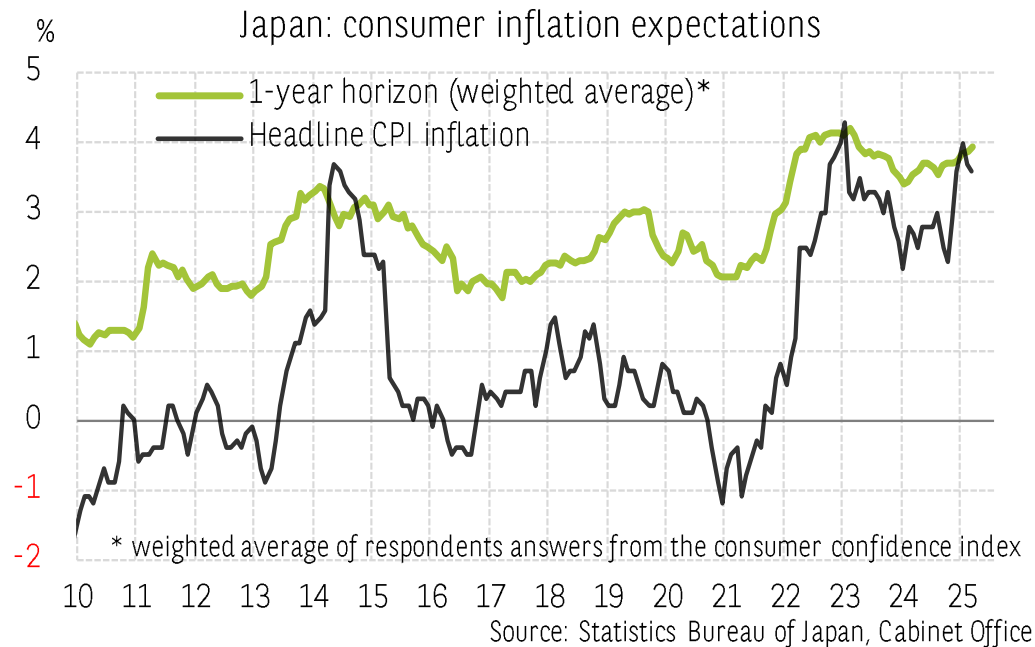
Inflation expectations in the Eurozone



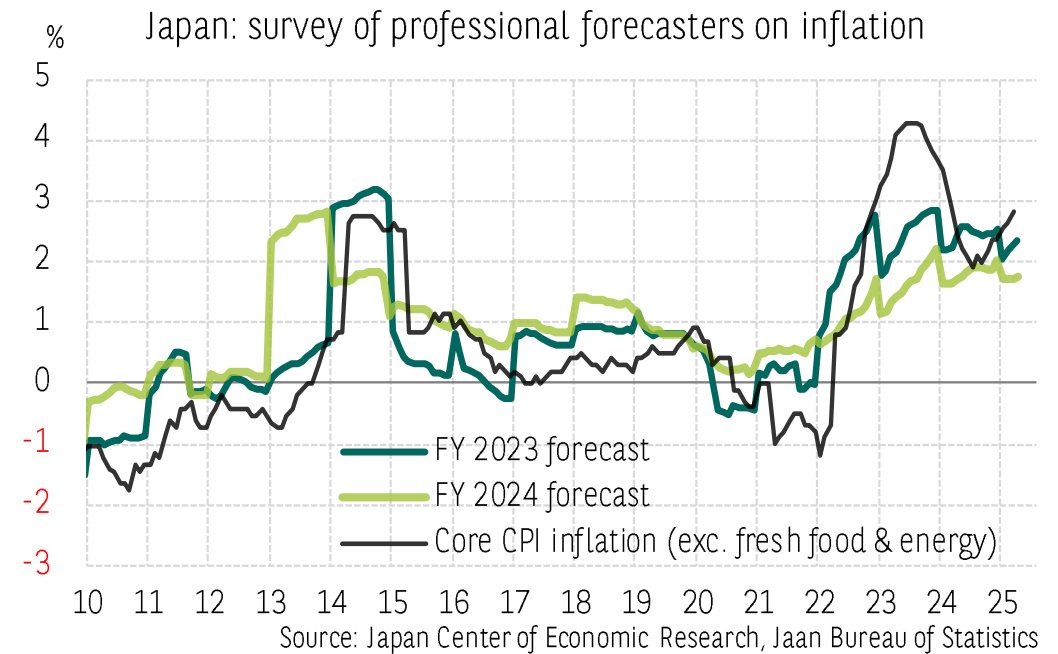
Inflation expectations in the United Kingdom



Inflation expectations in Japan



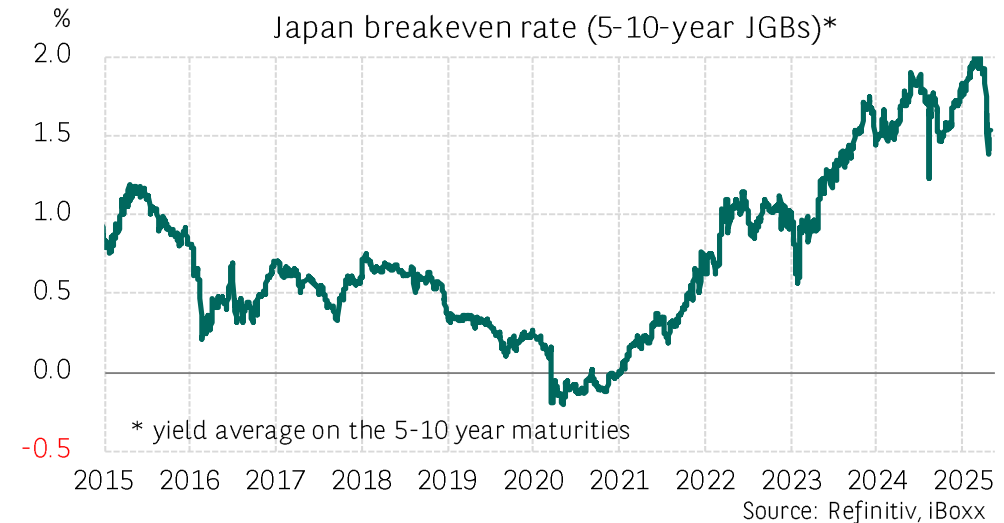
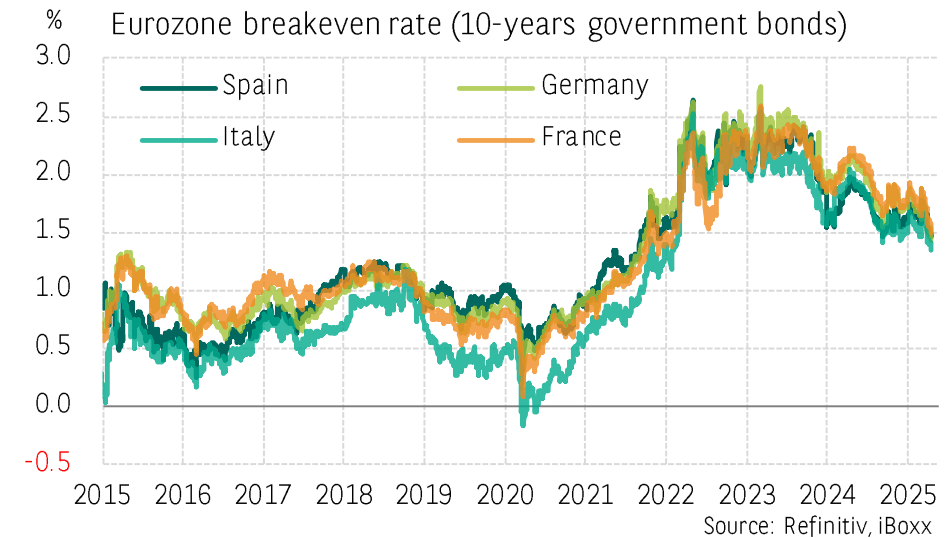
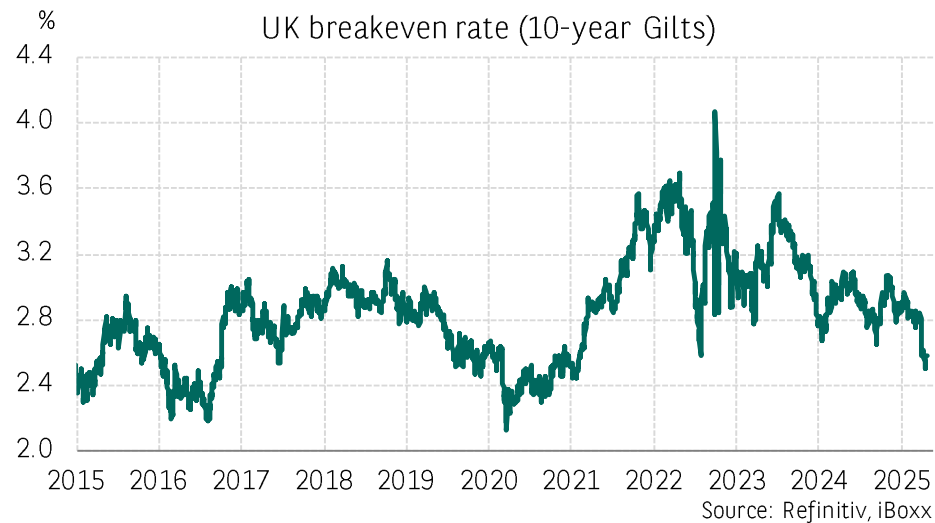
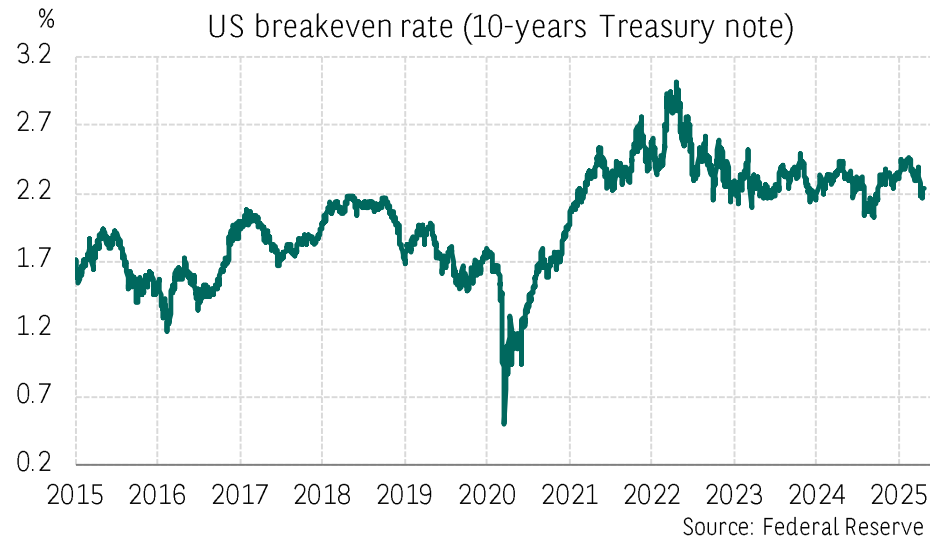
* Weighted average of respondents' answers from the consumer confidence survey (Cabinet Office)



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Market expectations: breakeven inflation rate



Inflation-wage dynamics

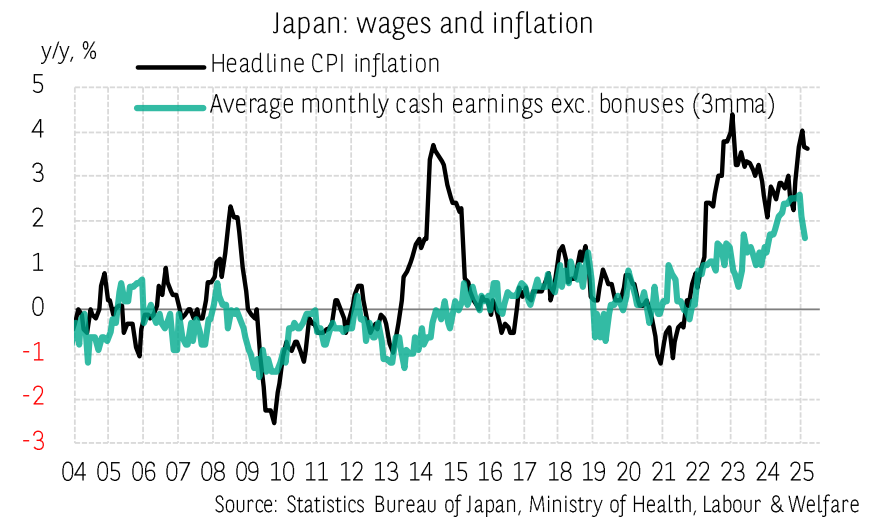
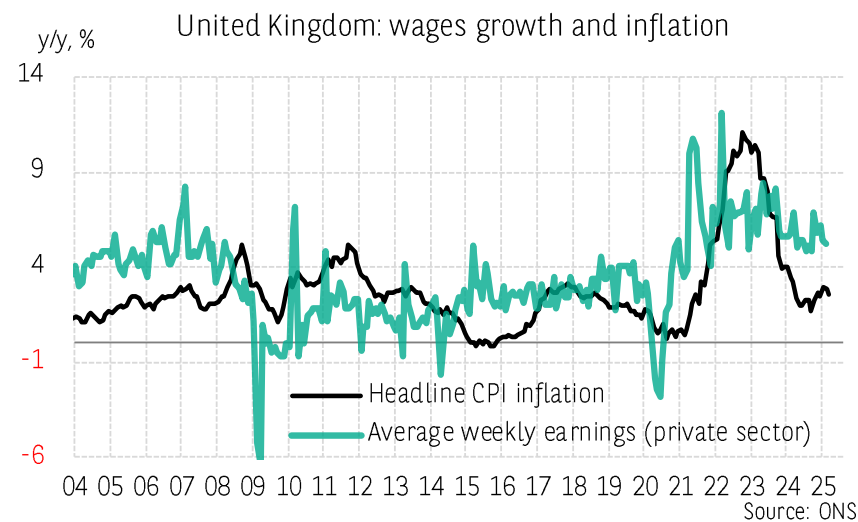
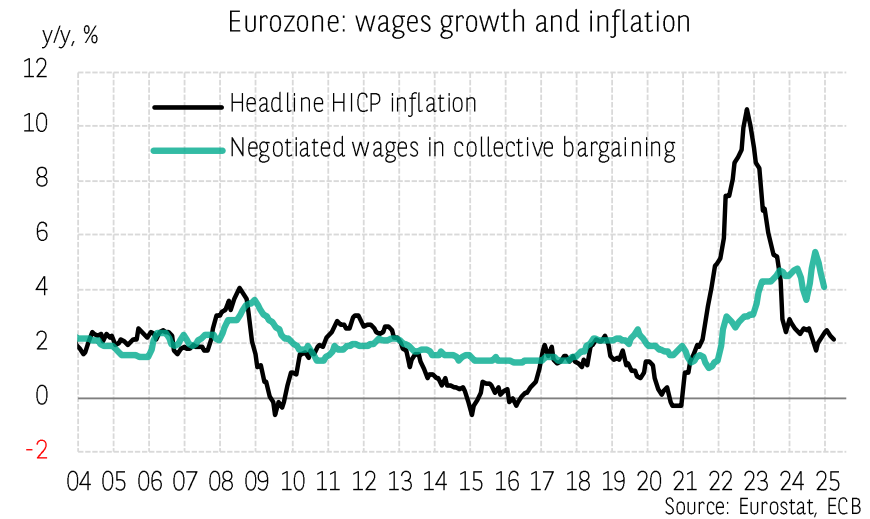
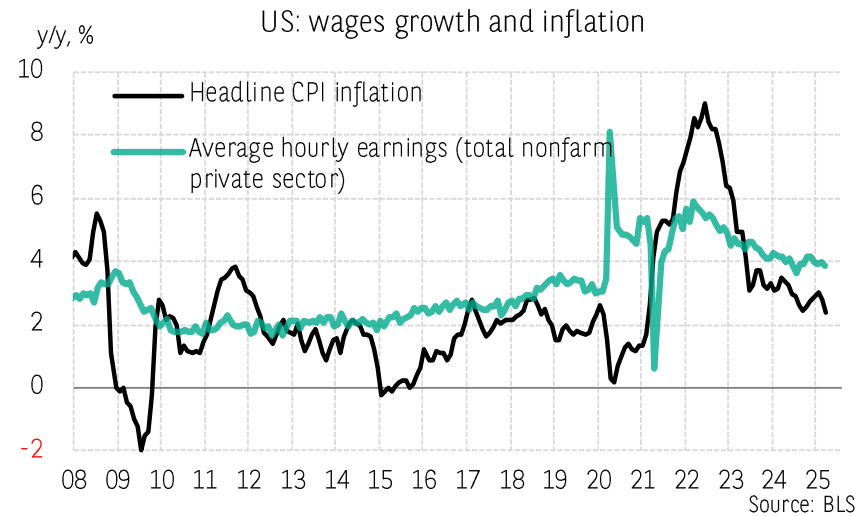


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ECONOMIC RESEARCH | ECOCHARTS | 21

Inflation-wage dynamics



Commodities

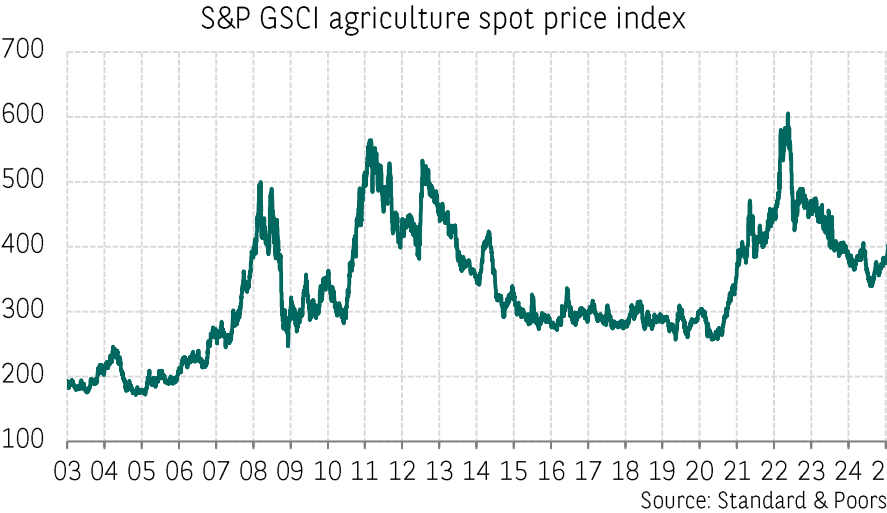
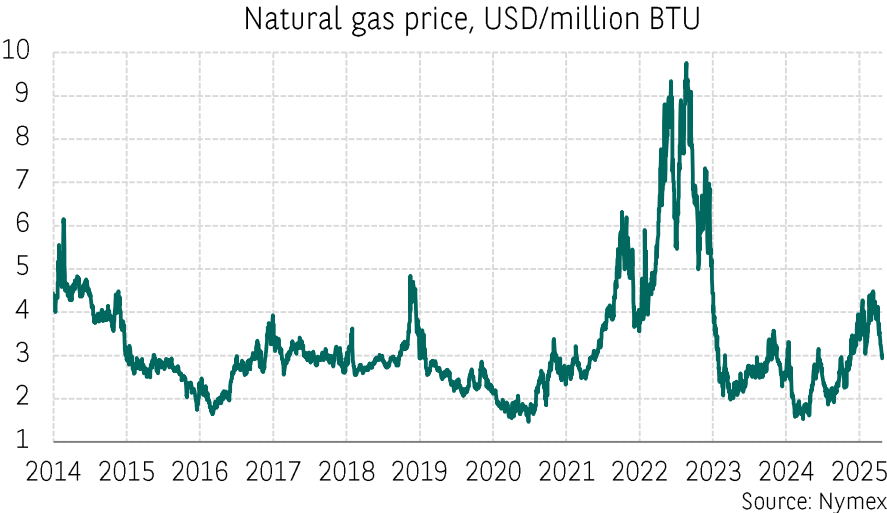
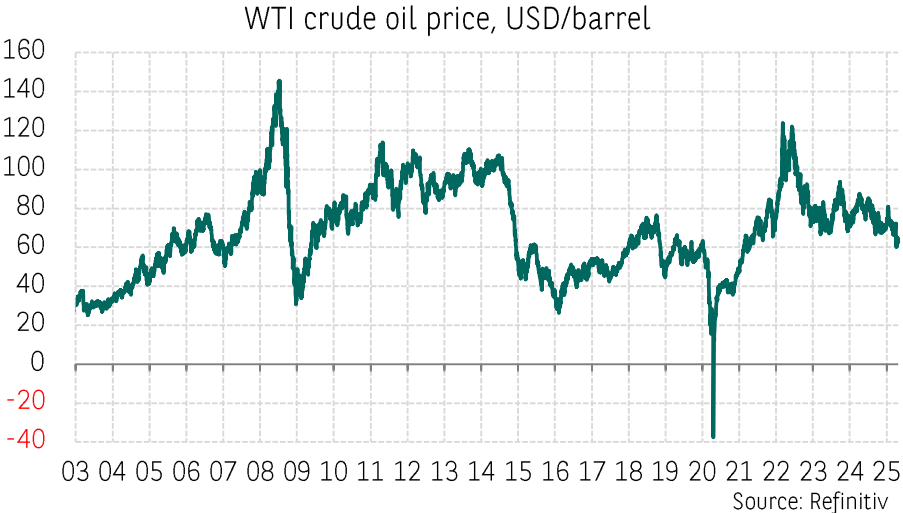


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ECONOMIC RESEARCH | ECOCHARTS | 23

Commodities



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