ECOWEEK

Issue 24.44
17 December 2024

> 2025 COULD BE MARKED BY THE BEGINNING OF CONVERGENCE OF GROWTH RATES BETWEEN THE UNITED STATES AND THE EURO AREA, BUT BY DIVERGENT INFLATION TRAJECTORIES AND A DECOUPLING OF MONETARY POLICIES.

ALSO IN ECOPERSPECTIVES THIS WEEK, WITH THE UNDERLYING ANALYSIS

ECONOMIC RESEARCH

BNP PARIBAS

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EDITORIAL

HOW DIFFERENT WILL 2025 BE FROM 2024?

The year 2024 is coming to an end, but political and economic uncertainties persist and are expected to continue into 2025, albeit in new forms. Donald Trump's economic agenda is known. On the other hand, the measures that will actually be implemented, their timing and their economic impact are among the great known unknowns of 2025. In any case, uncertainty itself is expected to be a major drag on growth next year. A convergence of growth rates between the US and the Eurozone is expected in the course of 2025, via a slowdown in US growth. The latter would suffer from the inflationary effects of Trumponomics and the resulting more restrictive monetary policy, with the Fed's expected *status quo* on rates throughout 2025. In the euro area, the expected strengthening of growth would remain limited and constrained, but the return of inflation to the 2% target would be secured, allowing the ECB to continue its rate cuts. 2025 would thus be marked by the beginning of convergence of growth rates between the United States and the euro area, but by divergent inflation trajectories and a decoupling of monetary policies. Next year should also be different from 2024 by a likely rise in unemployment rates. The possibility of a European revival and the potential introduction of bolder measures to address the region's structural challenges are among the upside risks.

2024 is not quite over yet and there is still a lot of uncertainty as the year draws to a close, but the focus is already on 2025. How different or similar will next year be to this year?

The weight of uncertainty. One point that 2024 and 2025 both have in common is the high degree of uncertainty adversely affecting the economic environment. This is certainly not specific to either year, as it has been a recurring feature for several years now. The nature and origins of this uncertainty differ over time, but it is actually persisting and even getting more intense. In 2024, the results of the numerous elections over the year were high among these known unknowns. Now that the results of these elections are known, they do create other uncertainties for 2025, however. First and foremost of these uncertainties, is President-elect Donald Trump's planned economic agenda, relating to which measures he will actually implement and when, and what the economic consequences will be both for the United States and the rest of the world (*see box*). And while some political uncertainties have disappeared, others have taken their place, particularly in France, Germany and Japan. Together, they stand as another impediment to growth[1].

Growth rates would start to converge. Growth prospects on both sides of the Atlantic should somewhat continue their 2024 trajectories, with US growth remaining significantly higher than euro-area growth (with the 2025 annual averages standing at 2.1% and 1%, respectively). However, these figures are expected to mask a convergence starting in the course of 2025, with a fairly significant slowdown in US growth anticipated. Eurozone growth rebound is expected to remain limited, constrained by an ever-increasing number of headwinds[2] that will counteract those factors supporting growth[3]. Nonetheless, 2025 should still be slightly better than 2024 (0.8%). In 2026, we expect the US slowdown to continue (1.3%), which is partly why we do not expect a stronger growth rate in the euro area (1%). This slowdown will contribute to a significant narrowing of the growth gap between the United States and Europe.

The United Kingdom and Japan are expected to see their economies accelerate quite sharply in 2025 (through a combination of monetary and fiscal support in the United Kingdom and a more supportive momentum of household disposable income in Japan) before slowing down again in 2026 (as the effects of US protectionist measures kick in).

Fiscal consolidation and rising unemployment. Unlike 2024, 2025 should see more fiscal consolidation and likely a more marked rise in unemployment rates. Against this backdrop, and despite help from lower interest rates and significantly higher purchasing power gains in 2024, it seems difficult to predict that 2025 will finally see a rebound in consumer spending in Europe and a sharp drop in savings rates. From this point of view, 2025 could look very much like 2024.

Corporate investment is also facing headwinds. On the one hand, there is the easing of financing conditions and the ever more critical need for digitalisation and the greening of production systems, while on the other, there are some signs of deterioration in companies' financial positions, fragile demand and prevailing uncertainty. Over the year as a whole, 2025 could see a deterioration in this growth component compared to 2024. Conversely, residential investment could benefit a bit more from the easing of credit conditions, with a knock-on effect of helping the construction sector to start coming out of the crisis that it has been facing. There are also hopes that the European automotive industry will also start to emerge from its current downturn. However, there is no certainty that the entire industrial sector will see an end to its recession. While the situation could be better in 2025, it should nonetheless be yet another challenging year for industry as a whole (with the aeronautics sector seemingly escaping this trend, with more positive prospects). The dichotomy between the difficulties in industry and the growth engine role of the services sector, one of the characteristics of 2024, is likely to continue into 2025.

1 See, for example, the recent work by the OFCE on quantifying the economic cost of uncertainty (https://www.ofce.sciences-po.fr/blog2024/fr/2024/20241203_RS/, 3 December 2024).
2 Increased uncertainty about trade policy, potentially weaker German growth, French fiscal consolidation and higher customs tariffs.
3 Increased real income, easing of credit conditions, buoyant economies in Southern Europe, continued disbursements of NGEU funds, and the likely increase in specific budgetary items (defence and decarbonisation).

EDITORIAL

Inflation and monetary policy on diverging trajectories on both sides of the Atlantic. According to our forecasts, diverging inflation trajectories between the US and the euro area are what will primarily distinguish 2025 from 2024 and, as a result, lead to a decoupling between monetary policies.

We expect US inflation to rise again from Q2 2025 under the effect of Trumponomics 2.0 and this would prevent the Fed from continuing its cycle of rate cuts initiated in September 2024. The Fed will not be able to look through this new pickup in inflation given the still relatively favourable economic and financial backdrop. After an expected final cut of 25 basis points at the December FOMC meeting, we believe that it will opt for a prolonged monetary status quo on Fed Funds, whose target range would be kept unchanged at 4.25-4.50% until mid-2026. It is then expected to resume its rate cuts (we anticipate two of 25 bps each), once inflation reaches its peak according to our forecasts. Even if inflation remains high, US growth falling below its potential pace could enable the Fed to be more forward-looking.

In the euro area, disinflationary pressures should prevail, and the return to the 2% inflation target should be secured in 2025, enabling the ECB to continue the gradual easing of its monetary policy until it reaches the neutral level in the middle of next year. Specifically, after four rate cuts of 25 bps in 2024, the ECB is expected to continue at this pace at each of the upcoming meetings and should therefore make four further rate cuts in 2025, taking the deposit rate down to 2% in June, which corresponds to the midpoint of our neutral rate range. However, it is likely that the ECB will cut rates below this neutral rate and begin to adopt an accommodative policy if the economy weakens more than we expect.

Overall, there are more downside risks than upside risks in this new baseline economic scenario. However, we will conclude by highlighting an upside one: Europe may bounce back with bolder measures being implemented to address the region's structural challenges[4].

Hélène Baudchon

4 For more information, read Isabelle Mateos y Lago's editorial, European Silver Linings, 12 November 2024.

Trump 2.0: differenciated direct negative effects, widespread indirect negative effects

For the United States, our baseline scenario is based on an almost full implementation of Trump's economic platform, based on the following assumptions:

• A 25 percentage-point (pp) increase in tariffs on Chinese goods (up to an effective rate of around 40%): +10 pp in Q1 2025 and the remaining 30 pp being implemented from Q3 2025 and phased in over four quarters.

• An average increase of 3 pp in tariffs on other countries (with an overall effective rate of around 5%), starting in Q4 2025 and phased in over four quarters.

• In the short term, some countries, such as Canada and Mexico, should escape tariff increases. These would also not apply to goods with highly visible prices, such as oil or unprocessed food.

• TCJA tax cuts are extended and combined with government spending cuts, mainly in social welfare, including some in 2025-2026. The fiscal impulse should be slightly negative compared to 2024.

• On the immigration side, net new irregular arrivals are forecasted to fall to around 300,000 in 2025 (compared to 1 million in 2024 YTD and compared to a negative net rate of 129,000 in 2019). No large-scale involuntary departures are expected.

• Deregulation should take the form of a broad pause in new rulemaking, a streamlining of administrative processes, and targeted deregulation measures to support investment, especially in the energy sector.

The net impact (positive minus negative effects) on US growth of this programme is initially expected to be positive over approximately the first six months of 2025. The American economy should continue to show signs of resilience, supported by post-election optimism, before starting to suffer more noticeably because of the new Trump administration's economic policy, in particular its inflationary effects and an ensuing more restrictive monetary policy.

In a qualitative way, among Europe's major developed economies reviewed in our publication, we expect Germany and Italy to be the most vulnerable to increases in tariffs, given their close trade links with the United States, their high bilateral trade surpluses and their sectoral specialisation. The Netherlands is stuck in the middle: the United States is just the fifth largest destination for Dutch exports and the United States has a significant trade surplus with that country, but the Netherlands is also a hub for European trade.

France, on the other hand, appears to be relatively unexposed directly, with bilateral Franco-American trade being rather balanced. The mutual dependence of both countries on the aeronautics industry should also protect this sector. For Belgium and Spain, the direct consequences should also be limited, as both countries export relatively little to the United States. The weight of services in the Spanish economy is another protective factor, as this sector should not be affected by the higher tariffs. The United Kingdom also does not appear very vulnerable, as while there is a trade surplus with the United States, it is very small. Furthermore, the United Kingdom, like Spain and France, is a services-oriented country.

Outside Europe, Japan appears to be doubly exposed, as the United States is Japan's largest export market and China is the second largest. While the direct effects will be more limited for some countries than others, all will be negatively impacted by the all-pervasive uncertainty, but also by knock-on effects (through inputs and lower growth among European partners) and any trade war escalation or retaliatory measures. The net impact in terms of inflation is currently unclear, between the inflationary factors (due to higher tariffs and the depreciation of currencies against the US dollar), disinflationary ones (weaker demand, disinflationary pressures or even deflationary Chinese pressures) and the behaviour of corporates regarding their margins (to what extent they have pricing power and are able or not to protect their margins). The ECB and the BoE are expected to be able to continue their monetary easing by focusing on the downside risks to growth, while the BoJ is set to continue its very gradual tightening.

ECONEWS

EUROZONE: The ECB continued its monetary easing cycle with a fourth cut of 25 basis points in December, bringing the refinancing rate down to 3.5% and the deposit rate down to 3.0%. This decision was accompanied by the publication of the ECB's new quarterly forecasts, which include small downward revisions for growth and inflation for 2025 and 2026. Growth for 2025 and 2026 has been revised downwards to 1.1% (compared to 1.3% previously) and 1.4% (compared to 1.5% previously), respectively, while inflation is forecasted at 2.1% (compared to 2.2% previously) in 2025 and 1.9% in 2026 (unchanged). **Industrial production stabilised in October, but the trend remains very precarious.** The three-month smoothed index is falling to its lowest level in four years.

FRANCE: Reduced uncertainty, but a rating downgrade by Moody's. France has had a new Prime Minister, François Bayrou, since 13 December. With no budget for 2025, the draft special law on reconducting the 2024 budget in 2025 should enable the French government to raise taxes and issue debt, and therefore finance expenditure. However, an amending budget will have to be adopted in 2025 to correct some provisions (including the non-indexation of income tax brackets, which involves an automatic EUR 4 billion income-tax increase) and to resume the fiscal-consolidation effort. However, Moody's issued a suprise downgrade of French sovereign debt, given its doubts about the government's ability to consolidate public finances.

UNITED STATES: Rising inflation before the Fed, with mixed sentiment indicators. Inflation, as measured by the CPI, accelerated slightly in November, taking the year-on-year variation up from +2.6% to +2.7%. The core index is stable at +3.3% y/y (+0.3% m/m for the 2 indices). More positively, non-energy services are slowing in month-on-month and year-on-year terms. However, this loss of momentum in disinflation should not prevent a further rate cut (-25 bps) by the FOMC this week. On the sentiment side, the University of Michigan household survey has improved in December to 74.0 (+2.2 points). However, within this survey, there was also a deterioration in sentiment about future employment conditions (-5.3 points). Optimism among small businesses, as measured by the NFIB survey, has risen by an unprecedented 8 points to 101.7, exceeding its long-term average for the first time since December 2021.

UNITED KINGDOM: Economic difficulties are piling up. The GfK index, which measures household confidence, rose by only 1 point in November (-17). The indicator has still not returned to its August level. The monthly estimate of real GDP (value added) once again points to contracting activity in October, by 0.1% m/m, following a similar drop in September. The three major sectors (industrials, construction and services) contracted in October, with activity for industry hitting a new post-COVID low. The trade balance is still very poor, hitting £198.2 billion in November, the equivalent of 7% of GDP, cumulatively over 12 months. Some leading RICS indices for the real estate market are losing momentum in December, but the trend remains strong.

CANADA AND SWITZERLAND: Rate cuts of 50 bps in response to plummeting inflation. The Bank of Canada has lowered its key rate to +3.25%. This is the fifth consecutive cut, with cuts totalling -175 bp overall, set against a backdrop of inflation coming down to its 2% target and disappointing growth. The Swiss National Bank, on the other hand, has lowered its rate to 0.50%, in the explicit hope of avoiding having to return to rates to prevent inflation from falling below its 0% floor.

CHINA: Disappointing activity in November, but further stimulus planned. Growth in industrial production recovered very slightly (+5.4% y/y after +5.3% in October), mainly driven by exports. Growth in service production slowed slightly but was still faster than in the first nine months of 2024 (+6.1% y/y after +6.3% in October and +4.8% in Q3). Growth in retail sales weakened in November (+2.8% y/y in real terms), partly due to base effects, but automobile sales held up well and household appliance sales continued to be buoyed by the "durable consumer goods trade-in" programme. Private consumption is expected to strengthen again in the coming months. The increase in housing sales in November (+3.2% y/y), the first year-on-year increase since mid-2021, is also noteworthy. In addition, the authorities (Politburo, and then the Central Economic Work Conference) announced, for 2025, a **further easing of monetary policy** (which will become "moderately loose" after several years of "prudence") and **further fiscal stimulus measures. Strengthening domestic demand is expected to become a priority by 2025**, including through the revaluation of pensions and medical coverage. These changes would be particularly welcome. However, the exact measures and the timetable for their implementation have not been established. Other priorities listed by the authorities include, for example, further development of "new productive forces" and innovation, stabilisation of foreign trade and foreign investment, reduction of systemic risks, and the green transition.

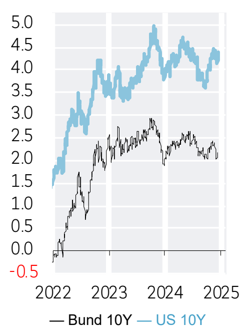
BRAZIL: Markets in turmoil amidst rising political, fiscal and monetary uncertainty. Lula's hospitalisation (to relieve intracranial bleeding), speculation about his incapacity to complete his mandate, and debates over his succession ahead of the next election have led to a new wave of market turbulence – adding to year-long jitters driven in large parts by deteriorating public finances. The currency, which recently crossed a historic threshold of 6 *real* against the US dollar, has struggled to recover lost ground as spending cuts announced in recent weeks disappointed expectations. To stabilise the currency and anchor deteriorating inflation expectations, the central bank (BCB) intervened in the foreign exchange market and raised its policy rate by 100 basis points to 12.25%. The BCB has also announced increases of similar magnitudes in its next meetings through March 2025.

MARKETS OVERVIEW

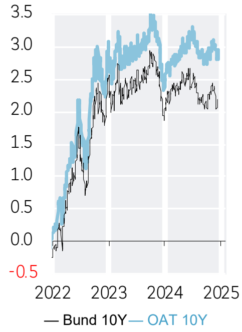
Bond Markets

	in %	in bps			
	13-déc.-24	1-Week	1-Month	Year to date	1-Year
Bund 2Y	2.07	+3.3	-10.5	-60.3	-84.8
Bund 5Y	2.05	+8.9	-13.4	+10.4	-11.0
Bund 10Y	2.25	+13.6	-13.9	+24.8	+10.7
OAT 10Y	2.96	+13.7	-10.9	+49.0	+32.1
BTP 10Y	3.28	+19.2	-24.3	-25.5	-49.7
BONO 10Y	2.88	+16.4	-18.1	-6.6	-24.9
Treasuries 2Y	4.26	+13.5	-2.9	-7.5	-22.3
Treasuries 5Y	4.27	+21.7	-3.9	+40.5	+26.0
Treasuries 10Y	4.40	+24.8	-5.3	+53.1	+37.3
Gilt 2Y	4.08	-0.3	-18.0	+10.2	-29.0
Treasuries 5Y	4.24	+10.3	-18.1	+92.9	+50.9
Gilt 10Y	4.41	+13.5	-10.8	+81.2	+50.3

Bund 10Y vs US Treas. 10Y



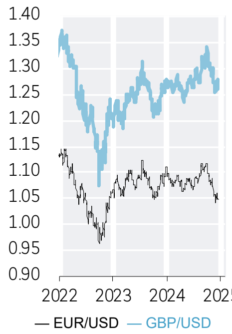
Bund 10Y vs OAT 10Y



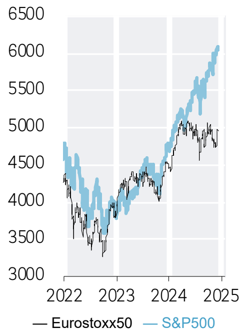
Currencies & Commodities

	Level	Change, %			
	13-déc.-24	1-Week	1-Month	Year to date	1-Year
EUR/USD	1.05	-0.7	-0.9	-5.0	-2.8
GBP/USD	1.26	-1.0	-0.9	-1.1	+0.7
USD/JPY	153.69	+2.5	-0.9	+9.0	+5.9
DXY	111.99	+7.9	+11.5	+10.5	+6.1
EUR/GBP	0.83	+0.3	-0.1	-4.0	-3.5
EUR/CHF	0.94	+1.1	+0.2	+0.8	-0.9
EUR/JPY	161.20	+1.8	-1.8	+3.5	+2.9
Oil, Brent ($/bbl)	74.16	+2.7	+2.7	-4.5	+0.2
Gold ($/ounce)	2663	+1.0	+2.3	+28.9	+34.3

EUR/USD vs GBP/USD



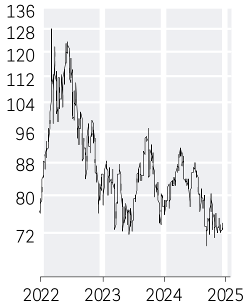
EUROSTOXX 50 vs S&P500



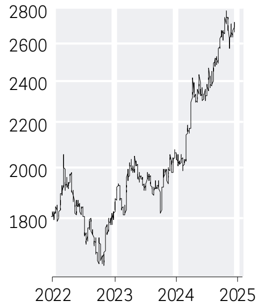
Equity Indicies

World					
MSCI World ($)	3817	-1.0	+1.3	+20.4	+23.1
North America					
S&P500	6051	-0.6	+1.1	+26.9	+28.6
Dow Jones	43828	-1.8	-0.3	+16.3	+18.2
Nasdaq composite	19927	+0.3	+3.6	+32.7	+35.2
Europe					
CAC 40	7410	-0.2	+2.7	-1.8	-1.6
DAX 30	20406	+0.1	+7.4	+21.8	+21.7
EuroStoxx50	4968	-0.2	+4.8	+9.9	+9.7
FTSE100	8300	-0.1	+3.4	+7.3	+10.0
Asia					
MSCI, loc.	1425	+0.2	+1.4	+14.3	+16.5
Nikkei	39470	+1.0	+1.9	+17.9	+19.9
Emerging					
MSCI Emerging ($)	1107	+0.2	+1.2	+8.1	+13.7
China	65	+0.4	-0.4	+16.8	+19.9
India	1083	+0.2	+5.8	+17.6	+22.1
Brazil	1268	-1.3	-9.2	-29.5	-25.6

Oil, Brent ($/bbl)



Gold ($/ounce)



Performance by sector

Eurostoxx600

Year 2024 to 13-12, €

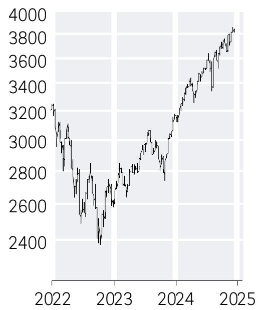
+26.2%	Banks
+20.7%	Insurance
+18.8%	Telecoms
+18.5%	Media
+15.9%	Industry
+15.5%	Travel & leisure
+11.8%	Retail
+9.9%	Index
+8.5%	Technology
+7.7%	Construction
+5.7%	Health
-1.9%	Utilities
-3.0%	Consumption Goods
-4.3%	Real Estate
-5.5%	Food industry
-5.9%	Oil & Gas
-5.9%	Chemical
-8.3%	Commodities
-9.5%	Car

S&P500

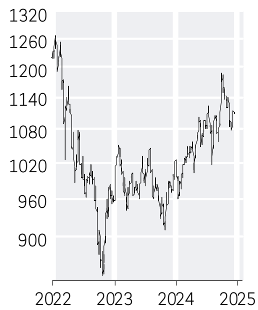
Year 2024 to 13-12, $

+43.1%	Communication Services
+38.5%	Information Technology
+35.4%	Consumer Discretionary
+31.0%	Financials
+26.9%	Indice
+21.7%	Utilities
+20.1%	Industrials
+16.5%	Consumer Staples
+6.3%	Real Estate
+5.7%	Energy
+3.7%	Materials
+3.1%	Health Care

MSCI World ($)



MSCI Emerging ($)



SOURCE: LSEG, BLOOMBERG, BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

The US economy continues to display dynamism and resilience to the monetary tightening. In the wake of a slowdown in Q1 2024 (+0.3% q/q, following +0.8% in Q4 2023), GDP growth accelerated again at +0.7% q/q in Q2 and Q3, mainly driven by household consumption. We forecast a +2.8% annual GDP growth in 2024, following +2.9% in 2023, enabled by the carryover effect and the catch-up in real income. The currently above-trend activity should face a slowdown in 2025, with a +2.1% annual growth rate, before the material impact of economic policy changes appears in 2026. The ongoing year's developments in the realm of inflation have increased the likelihood of the soft-landing scenario, and CPI is expected to stand at +2.6% y/y in Q4 2024. The rebalancing of risks surrounding inflation and the labour market paved the way for the Fed to undertake monetary loosening. The target rate was lowered in September (-50 bps) and November (-25 bps). A further cut, in December, should bring the target to +4.25% - +4.5% at the end of 2024. Nevertheless, the inflation risk associated with upcoming policy changes should lead the Fed to keep the policy rate stable throughout 2025.

CHINA

Economic growth accelerated in Q3 2024 (+0.9% y/y vs. +0.5% in Q2) and stood at 4.8% y/y in the three quarters of 2024. To reach the official growth target of "about 5%" set for 2024, activity will have to rebound strongly in Q4. This requires the fast implementation of all the fiscal and property policy measures announced over the past few weeks. Economic growth gained some momentum in October, notably supported by the strengthening in household consumption and the strong performance of exports. However, the 2025 outlook remains uncertain. On the one hand, the manufacturing sector will face a rising number of protectionist measures. On the other hand, domestic demand remains held back by significant brakes, including the crisis in the property sector, slower growth in household income, and low confidence of the private sector. Consumer price inflation remains very low and production prices have been falling for two years.

EUROZONE

After a rebound in Q3 2024 (+0.4% q/q), growth in the euro area is expected to slow in Q4 (+0.3% q/q) before stabilising at 0.2% q/q on a quarterly basis in 2025. On an annual average, growth is expected to strengthen slightly to 1.0% in 2025, with again significant differences between Member States. These differences are also felt on the labour market, where the signals are more negative in France and Germany, while the unemployment rate continues to fall in Spain and Italy Scope for growth will be limited by the protectionist turn that is looming in the United States, persistent difficulties in industry, underlined by the currently low levels of PMI indices, and uncertainty about the Chinese economy. These developments would be offset by the moderation in inflation, the continuation of the ECB's easing cycle, and the stronger impact expected from NGEU Funds.

FRANCE

GDP growth strengthened to 0.4% q/q growth in Q3 (after 0.2% q/q in Q2 2024), mainly supported by the positive impact of the Olympics and despite lower business and household investment (-1.2% and -0.6% q/q respectively). Disinflation is now visible (the harmonized index grew by 1.7% y/y in November 2024, compared to 3.9% y/y a year ago) but household consumption growth remains disappointing (excluding the positive impact of the Olympics). In 2025, GDP growth should decrease to 0.8% against a background of deterioration of the labor market and as a result of significant political uncertainty (after 1.1% in 2023 and 2024).

INTEREST RATES AND EXCHANGE RATES

Our rate scenario for the United States has been recalibrated to take into account the inflationary effects of protectionist measures expected in 2025. After a further 25 bps cut in the Fed Funds rate in December, which will bring it to a target range of 4.25-4.50%, the Federal Reserve would thus keep rates unchanged until the second half of 2026.

Regarding the ECB, we expect successive 25bps cuts in key rates at each meeting, until the deposit rate reaches 2% in June 2025, and then stabilises at that level, which is the middle of our range of neutral rate estimates. In December 2024, the Bank of England, for its part, would opt for the *status quo*, before restarting the downward cycle in early 2025, at a pace of one cut per quarter. In the United Kingdom and the United States, policy rates in real terms – which is a better indication of the degree of monetary tightening – would remain positive in 2025, while monetary policy would be broadly neutral in the eurozone.

The Bank of Japan (BoJ) was the first central bank among G7 economies to act in 2024. The BoJ jointly announced the end of its negative interest rate policy and yield curve control policy at the March meeting. As a result, the policy rate target was raised from a corridor of -0.1-0.0% to 0.0-0.1%, before a new +15bps upward movement in July. At the same time, it was announced that the volume of JGBs purchases was to be halved.

We expect monetary policy to normalise very gradually in the country, with three hikes envisaged in 2025, which would bring the policy rate to +1.0%

We are fundamentally bearish regarding the US dollar, but it is so far supported by geopolitical tensions and diverging trends between the US and the eurozone. This leads us to forecast a EUR-USD parity towards the end of 2025. The yen would depreciate moderately versus the USD, also as a result of the desynchronization of monetary policy, as the BoJ is tightening its monetary stance.

GDP GROWTH AND INFLATION

	GDP Growth				Inflation			
%	2023	2024 e	2025 e	2026 e	2023	2024 e	2025 e	2026 e
United States	2.9	2.8	2.1	1.3	4.1	2.9	2.9	3.9
Japan	1.5	-0.3	0.6	0.2	3.3	2.7	2.5	2.1
United Kingdom	0.3	0.9	1.4	0.9	7.3	2.6	3.2	2.5
Euro Area	0.5	0.8	1.0	1.0	5.4	2.4	2.1	2.0
Germany	-0.1	-0.1	0.4	0.6	6.0	2.5	2.4	1.8
France	1.1	1.1	0.8	0.9	5.7	2.3	1.1	1.2
Italy	0.8	0.5	1.0	1.0	5.9	1.1	2.0	1.9
Spain	2.7	3.1	2.5	1.8	3.4	2.8	2.2	2.2
China	5.2	4.9	4.5	4.3	0.2	0.3	0.8	1.0
India*	8.2	8.2	6.0	6.7	5.4	5.4	4.9	4.2
Brazil	2.9	3.4	2.1	1.8	4.6	4.4	5.1	4.0

Source : BNP Paribas (e: Estimates & forecasts)
Last update: 6 December 2024
* Fiscal year from 1st April of year n to March 31st of year n+1

INTEREST AND EXCHANGE RATES

Interest rates, %

End of period		Q1 2025	Q2 2025	Q3 2025	Q4 2025
US	Fed Funds (upper limit)	4.50	4.50	4.50	4.50
	T-Note 10y	4.10	4.25	4.55	4.65
Eurozone	deposit rate	2.50	2.00	2.00	2.00
	Bund 10y	1.90	2.00	2.10	2.25
	OAT 10y	2.63	2.80	2.95	3.13
	BTP 10y	2.95	3.10	3.25	3.40
	BONO 10y	2.50	2.65	2.75	2.90
UK	Base rate	4.50	4.25	4.00	3.75
	Gilts 10y	4.15	3.90	4.00	4.00
Japan	BoJ Rate	0.50	0.75	0.75	1.00
	JGB 10y	1.20	1.40	1.40	1.60

Exchange Rates

End of period		Q1 2025	Q2 2025	Q3 2025	Q4 2025
USD	EUR / USD	1.03	1.02	1.01	1.00
	USD / JPY	153	154	155	156
	GBP / USD	1.26	1.24	1.23	1.22
EUR	EUR / GBP	0.82	0.82	0.82	0.82
	EUR / JPY	158	157	157	156

Brent

Quarter Average		Q1 2025	Q2 2025	Q3 2025	Q4 2025
Brent	USD/bbl	72	75	76	75

Sources: BNP Paribas (Market Economics, Interest Rate Strategy, FX Strategy, Commodities Desk Strategy)
Last update: 6 December 2024

FURTHER READING

Customs duties, how effective?	EcoTV	13 December 2024
Eurozone: The ECB's gradualist approach	EcoBrief	13 December 2024
French Economy Pocket Atlas - December 2024	French Economy Pocket Atlas	13 December 2024
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GROUP ECONOMIC RESEARCH

Isabelle Mateos y Lago Chief Economist	+33 1 87 74 01 97	isabelle.mateosylago@bnpparibas.com

OECD ECONOMIES AND STATISTICS

Hélène Baudchon Deputy chief economist, Head	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com
Stéphane Colliac France, Germany	+33 1 42 98 43 86	stephane.colliac@bnpparibas.com
Guillaume Derrien Eurozone, United Kingdom - Global trade	+33 1 55 77 71 89	guillaume.a.derrien@bnpparibas.com
Anis Bensaidani United States, Japan	+33 1 87 74 01 51	anis.bensaidani@bnpparibas.com
Lucie Barette Southern Europe	+33 1 87 74 02 08	lucie.barette@bnpparibas.com
Tarik Rharrab Statistics	+33 1 43 16 95 56	tarik.rharrab@bnpparibas.com

ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat Head	+33 1 58 16 73 32	jean-luc.proutat@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon Head	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Céline Choulet	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Thomas Humblot	+33 1 40 14 30 77	thomas.humblot@bnpparibas.com
Marianne Mueller	+33 1 40 14 48 11	marianne.mueller@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure Head – Argentina, Turkey – Methodology, Modelling	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Christine Peltier Deputy Head – Greater China, Vietnam – Methodology	+33 1 42 98 56 27	christine.peltier@bnpparibas.com
Stéphane Alby Africa (French-speaking countries)	+33 1 42 98 02 04	stephane.alby@bnpparibas.com
Pascal Devaux Middle East, Balkan countries	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot South Korea, Philippines, Thailand, Andean countries	+33 1 42 98 33 00	helene.drouot@bnpparibas.com
Salim Hammad Latin America	+33 1 42 98 74 26	salim.hammad@bnpparibas.com
Cynthia Kalasopatan Antoine Ukraine, Central European countries	+33 1 53 31 59 32	cynthia.kalasopatan.antoine@bnpparibas.com
Johanna Melka India, South Asia, Russia, Kazakhstan	+33 1 58 16 05 84	johanna.melka@bnpparibas.com
Lucas Plé Africa (Portuguese & English-speaking countries)	+33 1 40 14 50 18	lucas.ple@bnpparibas.com

CONTACT MEDIA

Mickaelle Fils Marie-Luce	+33 1 42 98 48 59	mickaelle.filsmarie-luce@bnpparibas.com

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Head office: 16 boulevard des Italiens – 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
Internet: www.group.bnpparibas - **www.economic-research.bnpparibas.com**

Head of publication : Jean Lemierre / Chief editor: Isabelle Mateos y Lago

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