

Global Macro Trends

US-China trade war de-escalation brings US's fiscal deficit concerns back into the forefront

Global macro trends

- ▶ The temporary truce in the US-China trade war and the prospect of reaching an agreement through negotiations is undoubtedly a significant positive development. However, given the geopolitical rivalry between the two countries, it is highly likely that tensions will continue in various sectors, with phases of easing and escalation. Consequently, many foreign companies operating within China are already exploring ways and new locations for partial relocation, laying the groundwork for the creation of new production centers and the redesign of the geopolitical map of the global supply chain. The question, of course, is the extent to which international production can economically disengage from China and how quickly this can occur.
- ▶ In the US, trade policy developments caused high uncertainty and negatively impacted economic activity in the first quarter. On a quarterly annualized basis, real GDP decreased by 0.3% as per the advance estimate (Q4 2024: 2.4%), mainly attributed to a substantial rise in imports. Overall, the growth momentum appears more subdued compared to the beginning of the year, as most leading indicators are trending downward, future inflation expectations have risen significantly, and the strained fiscal situation necessitates prudent economic policies. Overall inflation in April slowed, nearing the Fed's target, while the labor market remains strong.
- ▶ In the Eurozone, on the other hand, the growth rate in the first quarter surprised positively as it increased to 0.3% on a quarterly basis (fourth quarter of 2024: 0.2%). However, it remains relatively low. Inflation remains relatively close to the ECB's target, allowing potential rate cuts, while the labor market remains strong. Of course, challenges persist as highlighted by the progress of key leading indicators (business and consumer confidence), as well as the necessity of securing an acceptable trade agreement with the United States. Furthermore, there is a high likelihood that the "lost" exports from the US market may be redirected to the European market, intensifying competition and narrowing profit margins for companies.
- ▶ Recent data from China indicate sustained robust growth, albeit at a somewhat moderated pace. Nevertheless, the imposition of increased tariffs by the United States, even if relatively mild, is expected to adversely impact China's growth momentum. Redirecting some exports from the United States to other markets is not an easy task, and domestic demand does not appear sufficient to absorb this redirected supply.

Διεθνείς Μακροοικονομικές Τάσεις

- ▶ Η προσωρινή εκχειρία στον εμπορικό πόλεμο ΗΠΑ-Κίνας και η προοπτική σύναψης συμφωνίας μέσω διαπραγματεύσεων αναμφίβολα αποτελεί σημαντική θετική εξέλιξη. Ωστόσο, δεδομένης της γεωπολιτικής αντιπαλότητας των δύο χωρών είναι πολύ πιθανό οι εντάσεις με τον έναν ή τον άλλον τρόπο να συνεχιστούν με φάσεις ύφεσης και όξυνσης σε διάφορους τομείς. Στο πλαίσιο αυτό, αναπόφευκτα, αρκετές από τις ξένες επιχειρήσεις που δραστηριοποιούνται μεταποιητικά στην Κίνα εξετάζουν ήδη τρόπους και νέους τόπους μερικής μετεγκατάστασής τους θέτοντας τις βάσεις για τη δημιουργία νέων κέντρων παραγωγής και τον επανασχεδιασμό του γεωπολιτικού χάρτη της παγκόσμιας αλυσίδας ανεφοδιασμού. Το ερώτημα βεβαίως είναι ο βαθμός στον οποίο η διεθνής παραγωγή μπορεί να απεξαρτηθεί από την Κίνα βάσει οικονομικών όρων και το πόσο γρήγορα μπορεί αυτό να συμβεί.
- ▶ Στις ΗΠΑ, η υψηλή αβεβαιότητα που τροφοδότησαν οι εξελίξεις ιδιαίτερα στην εμπορική πολιτική τους επηρέασε αρνητικά κατά το Α' Τρίμηνο την οικονομική δραστηριότητα. Σε τριμηνιαία-ετησιοποιημένη βάση το πραγματικό ΑΕΠ συρρικνώθηκε 0,3% (α' εκτίμηση, Δ' Τρίμηνο 24: 2,4%), απόρροια κυρίως των πολύ αυξημένων εισαγωγών. Γενικότερα, η δυναμική της ανάπτυξης διαφαίνεται σήμερα αρκετά πιο συγκρατημένη σε σχέση με την αρχή του έτους καθώς η μεγάλη πλειοψηφία των πρόδρομων δεικτών κινείται πτωτικά, έχουν αυξηθεί σημαντικά οι προσδοκίες για τον μελλοντικό πληθωρισμό και η επιβαρυνόμενη δημοσιονομική εικόνα απαιτεί συνετή οικονομική διαχείριση. Ωστόσο, ο γενικός πληθωρισμός τον Απρίλιο επιβραδύνθηκε περαιτέρω, ευρισκόμενος πολύ κοντά στον στόχο της Fed, ενώ και η εικόνα στην αγορά εργασίας παραμένει αρκετά καλή.
- ▶ Στην Ευρωζώνη, από την άλλη, ο ρυθμός ανάπτυξης κατά το Α' Τρίμηνο εξέπληξε θετικά καθώς σε τριμηνιαία βάση ανήλθε στο 0,3% (Δ' Τρίμηνο 24: 0,2%). Παραμένει, ωστόσο, σχετικά χαμηλός. Ο πληθωρισμός διατηρείται σχετικά κοντά στον στόχο της ΕΚΤ, παρέχοντάς της τη δυνατότητα περαιτέρω μείωσης των βασικών επιτοκίων της, ενώ πολύ καλές εξακολουθούν να είναι και οι συνθήκες στην αγορά εργασίας. Φυσικά οι προκλήσεις δεν λείπουν όπως καταδεικνύει η εξέλιξη των πρόδρομων δεικτών (επιχειρηματικών, καταναλωτικής εμπιστοσύνης), αλλά και η ανάγκη σύναψης μια αποδεκτής εμπορικής συμφωνίας με τις ΗΠΑ. Επιπλέον, υψηλή είναι η πιθανότητα των «χαμένων» από την αγορά των ΗΠΑ εξαγωγών να ανακατευθυνθούν στην ευρωπαϊκή αγορά εντείνοντας τον ανταγωνισμό και περιορίζοντας τα περιθώρια κέρδους των εταιρειών.
- ▶ Στην Κίνα, τα τελευταία στοιχεία καταδεικνύουν συνέχιση της ισχυρής ανάπτυξης, αν και με ελαφρά συγκρατημένο ρυθμό. Ωστόσο, η αύξηση των δασμών από την πλευρά των ΗΠΑ, όσο ήπια και εάν είναι τελικά, θα επηρεάσει αρνητικά την αναπτυξιακή δυναμική της δεδομένου ότι η ανακατεύθυνση μέρους των εξαγωγών στις ΗΠΑ σε άλλες αγορές δεν είναι εύκολη υπόθεση και η εσωτερική ζήτηση δεν φαίνεται ικανή να αναπτυχθεί επαρκώς ώστε να την απορροφήσει.

Main Macroeconomic Indicators – Market Consensus

US											
	Actual				Estimates				% Y/Y avg		
	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2024	2025	2026
Real GDP											
Q/Q % SAAR	3,0	3,1	2,4	-0,3	0,9	0,6	1,1	1,5	2,8	1,4	1,5
Headline PCE PI											
% Y/Y	2,6	2,3	2,5	2,5	2,6	3,0	3,1	2,9	2,5	2,8	2,6
Core PCE											
% Y/Y	2,7	2,7	2,8	2,8	2,9	3,2	3,3	3,0	2,8	3,0	2,6
Unemployment Rate	4,0	4,2	4,1	4,1	4,3	4,5	4,6	4,6	4,0	4,4	4,5
Fed Policy Rate (Upper Bound)	5,50	5,00	4,50	4,50	4,45	4,30	4,05	3,80	4,50	4,05	3,45
EA											
	Actual				Estimates				% Y/Y avg		
	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2024	2025	2026
Real GDP											
Q/Q %	0,2	0,4	0,2	0,4	0,1	0,2	0,3	0,3	0,9	0,8	1,1
CPI											
% Y/Y	2,5	2,2	2,2	2,3	2,1	2,1	2,0	1,9	2,4	2,1	1,9
Unemployment Rate	6,4	6,3	6,2	6,2	6,3	6,4	6,4	6,4	6,4	6,4	6,4
ECB Policy Rate (Main Refin Rate)	4,25	3,65	3,15	2,65	2,15	2,15	2,15	2,15	3,15	2,15	2,15
Emerging Markets											
	Emerging Markets		Brazil			China		India			
	Real GDP	Inflation	Real GDP	Inflation	Key Rate	Real GDP	Inflation	Real GDP	Inflation	Key Rate	
2022	3.9	6.4	3.0	9.3	13.75	3.1	2	9.7	6.7	6.25	
2023	4.4	5.7	3.3	4.6	11.75	5.4	0.2	7.6	5.7	6.50	
2024e	4.8	6.7	3.4	4.4	12.25	5.0	0.2	9.2	5.00	6.5	
2025f	4.0	3.3	1.9	5.3	15.0	4.2	0.35	6.2	4.6	5.45	
2026f	3.9	2.9	1.5	4.3	12.5	4.0	1.0	6.3	4.1	5.3	
Market Consensus 15.05.2025											

Bird's Eye View

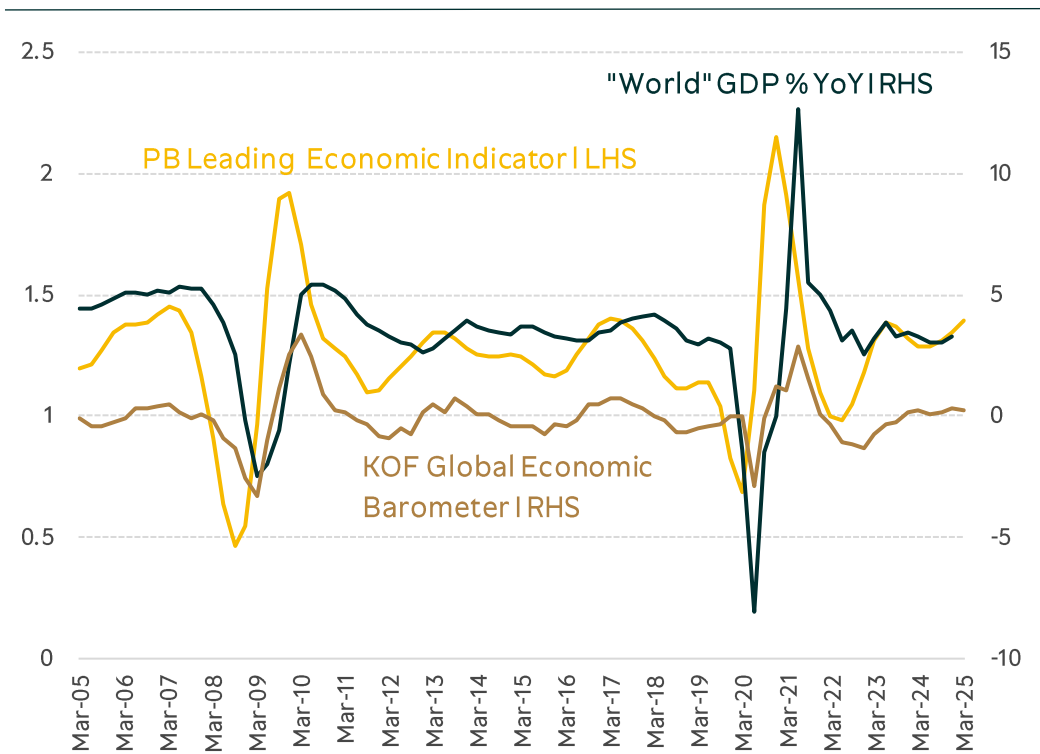
US Economy

EA Economy

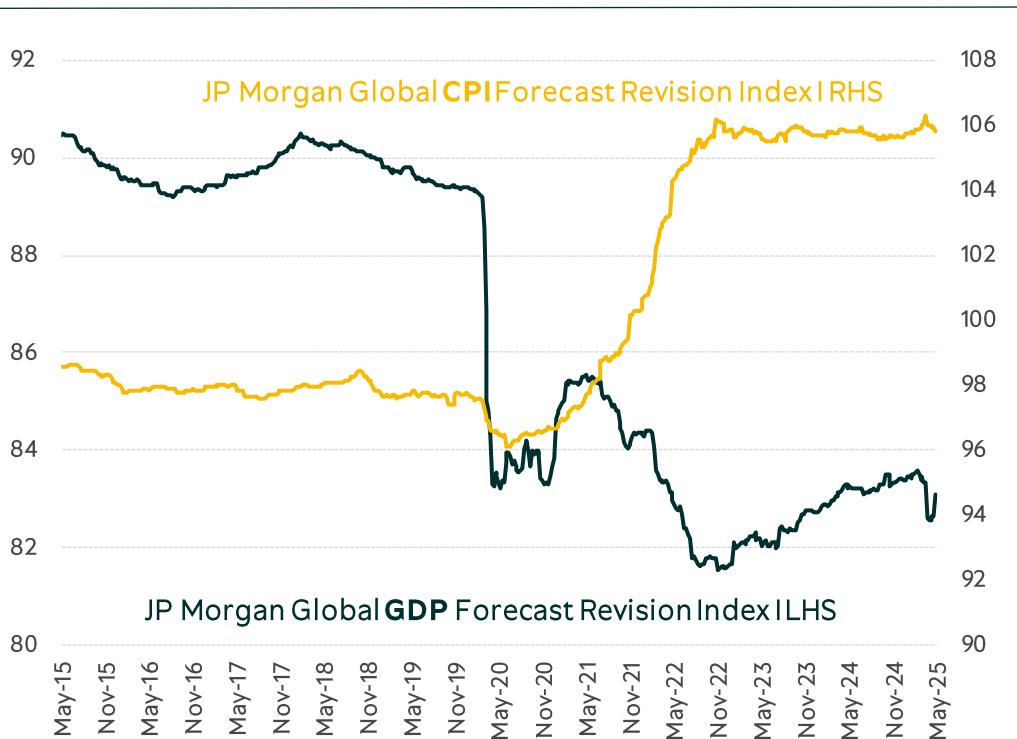
China Economy

The Global Bird’s-Eye View | The de-escalation of the trade war has halted the decline in global GDP forecasts; however, concerns regarding the long-term outlook persist despite the 90-day suspension of reciprocal tariffs.

Piraeus Bank “World” Leading Economic Indicator & Economic Growth

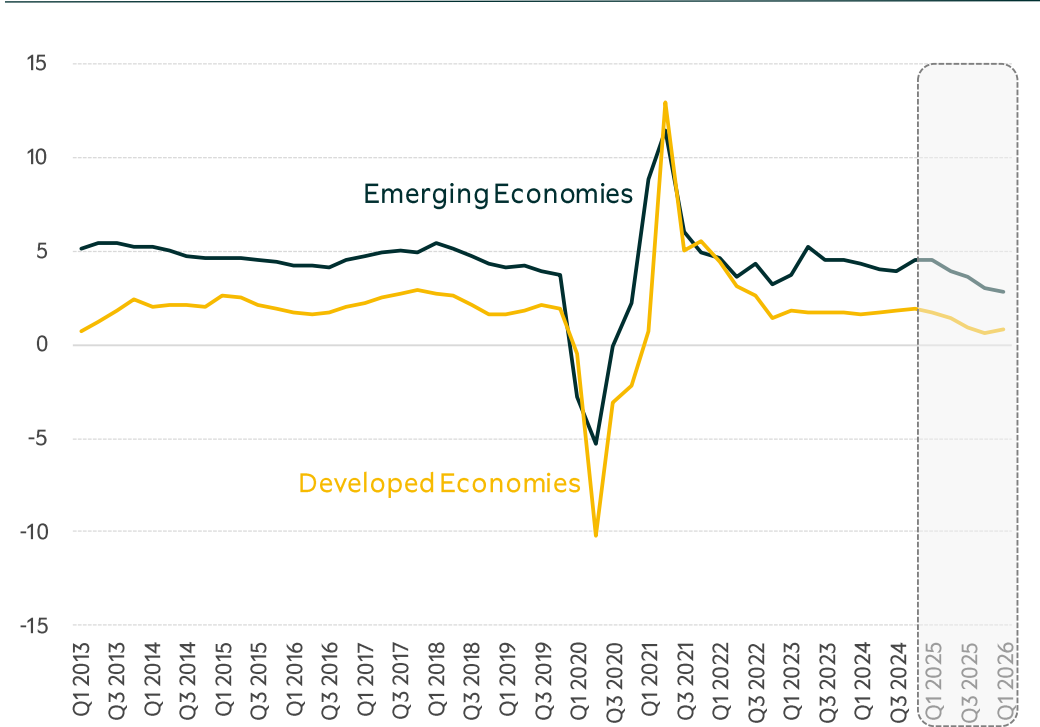


JP Morgan Global Forecast Revision Indices

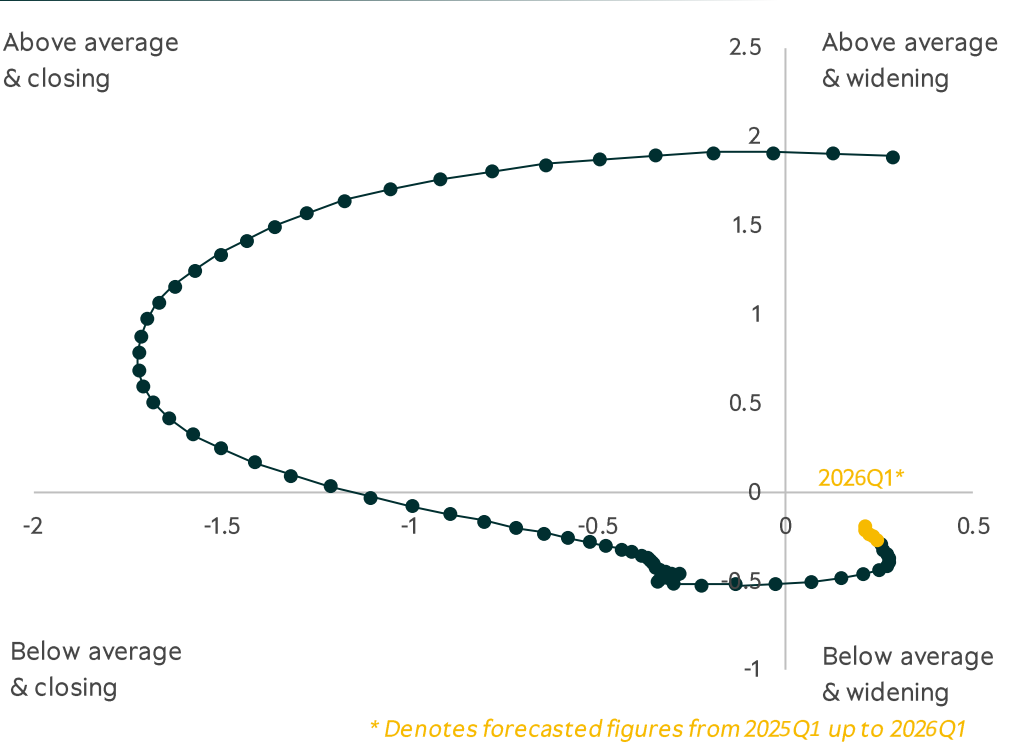


The Global Bird's-Eye View | The growth differential between emerging markets and developed markets is expected to remain steady at below average levels for 2025.

Real GDP Growth % YoY

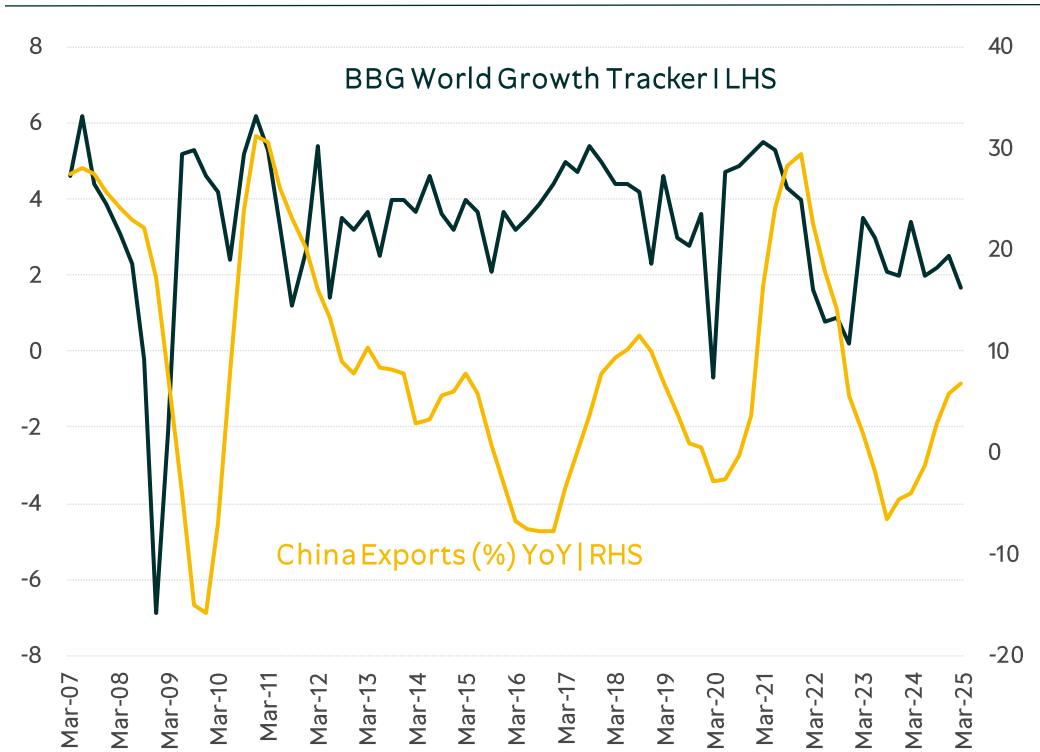


EM – DM Growth Differential

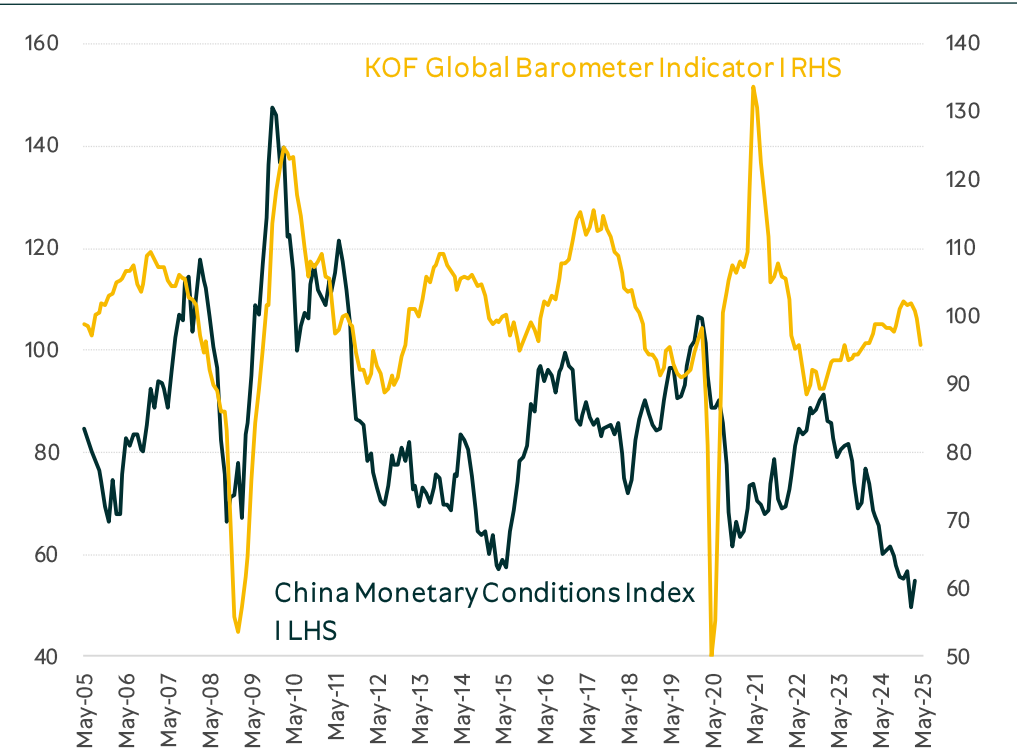


Global Economic Activity | China's exports saw a steady increase in the first quarter of 2025; however, the final tariffs that will be imposed by the United States are anticipated to significantly moderate this growth.

BBG World Growth Tracker & China Exports

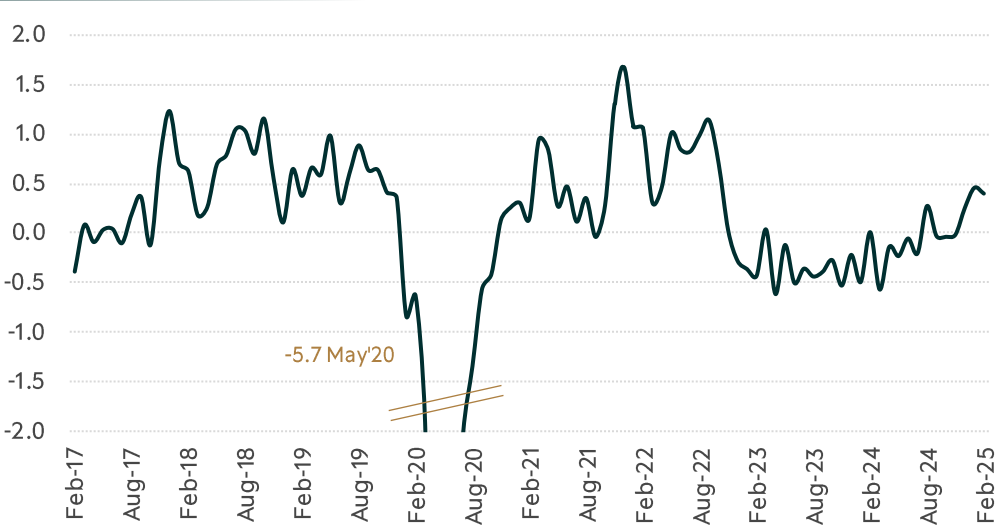


KOF Global Barometer Indicator & China Monetary Conditions

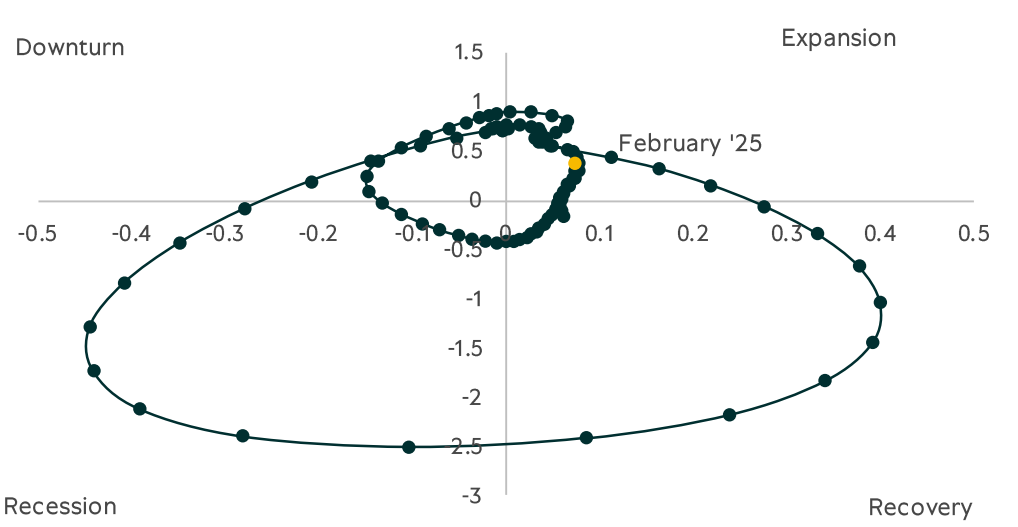


Global Trade | World Trade Tracer for EM transitioned into the downturn phase of the cycle prior to the reciprocal tariff announcements.

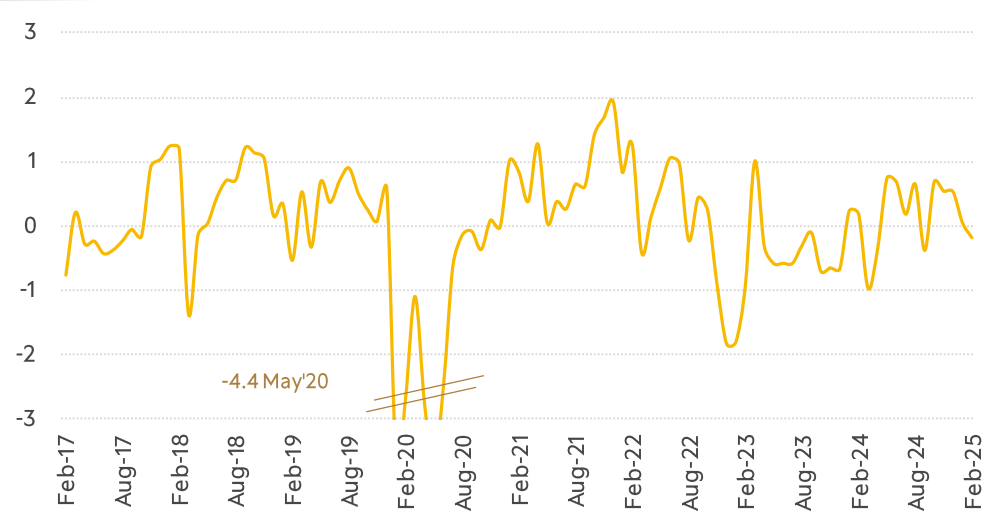
World Trade



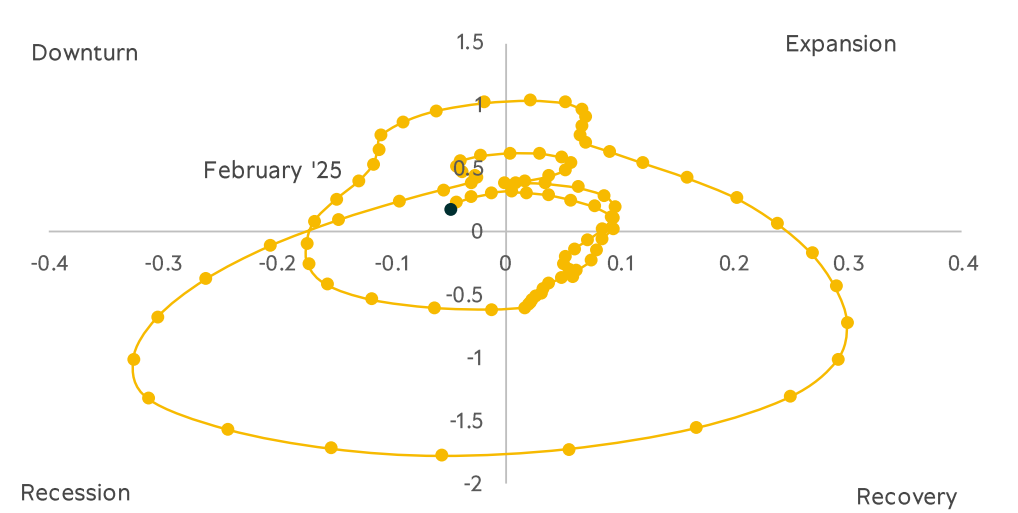
World Trade Tracer



World Exports | EM

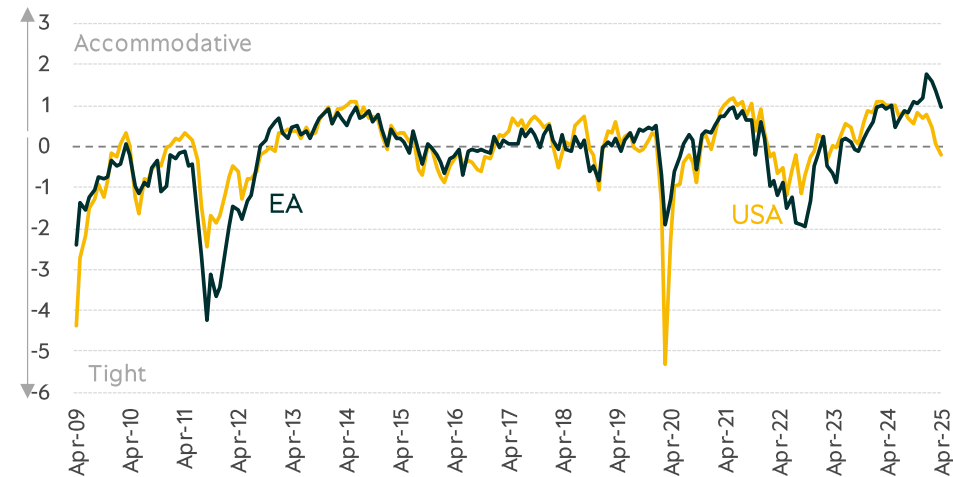


World Exports Tracer | EM

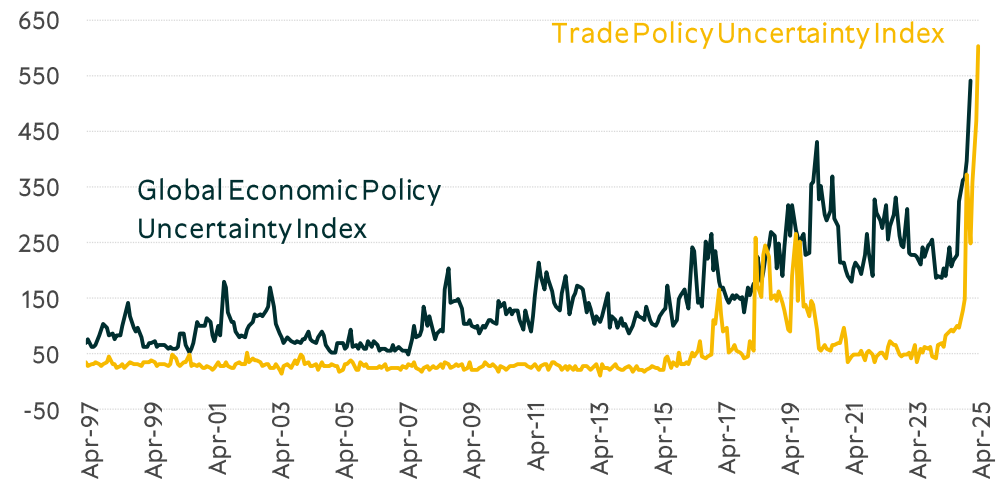


Global Trends | Trade and Economic Policy Uncertainty expected to remain elevated due to the frequently changing policy landscape. US Financial Conditions on a tightening trend.

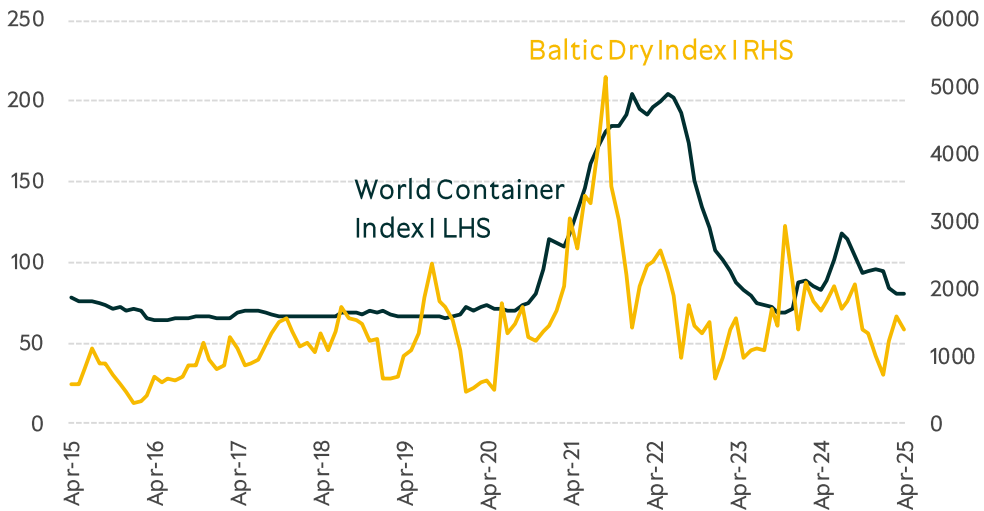
Bloomberg Financial Conditions Indices



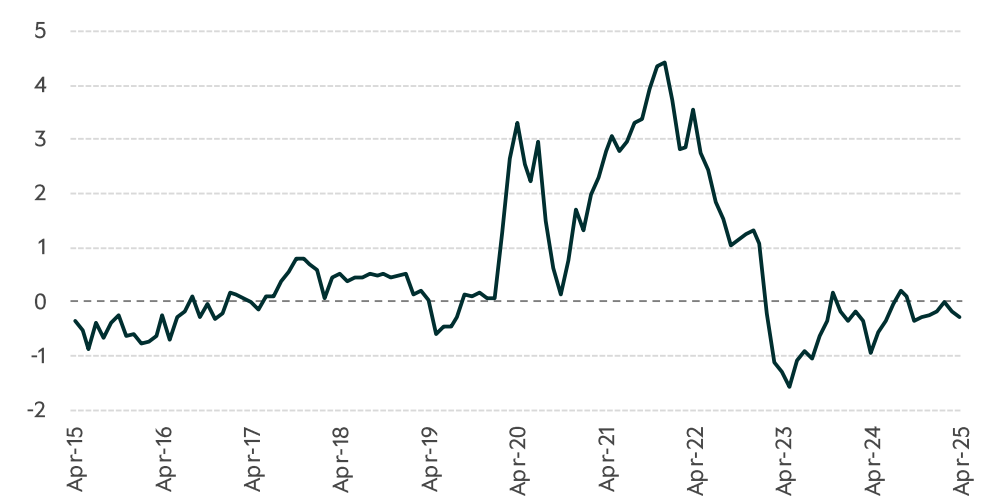
Global Economic & Trade Policy Uncertainty (Caldara & Iacoviello)



World Container and Baltic Dry Indices

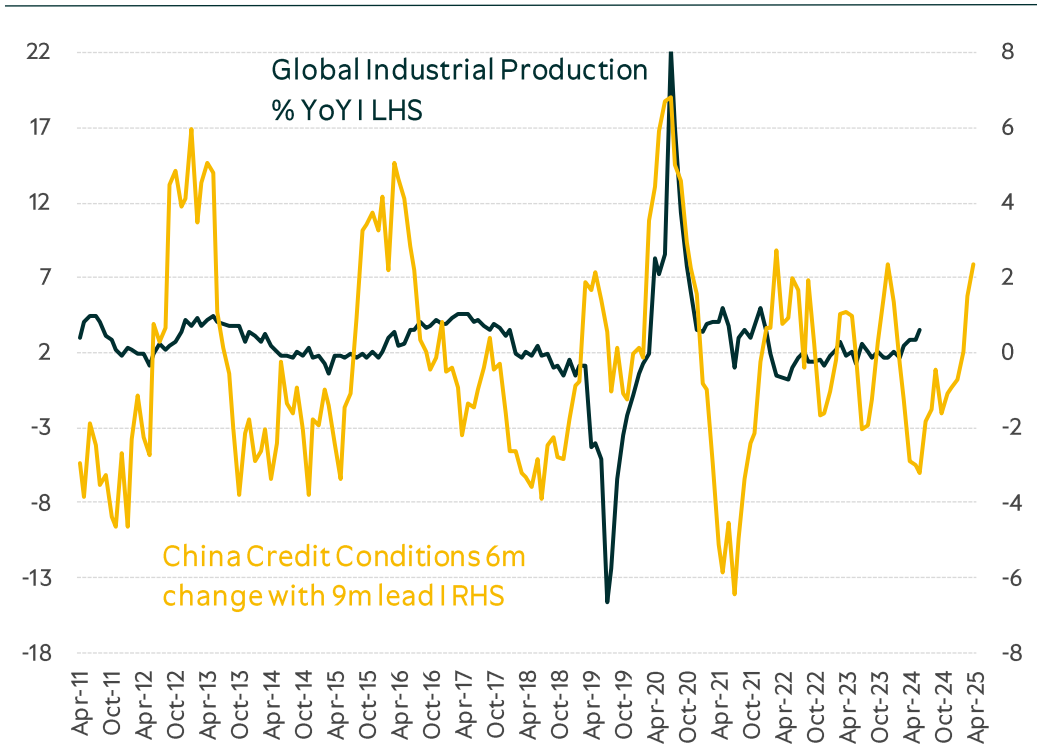


NY Fed | Global Supply Chain Pressure

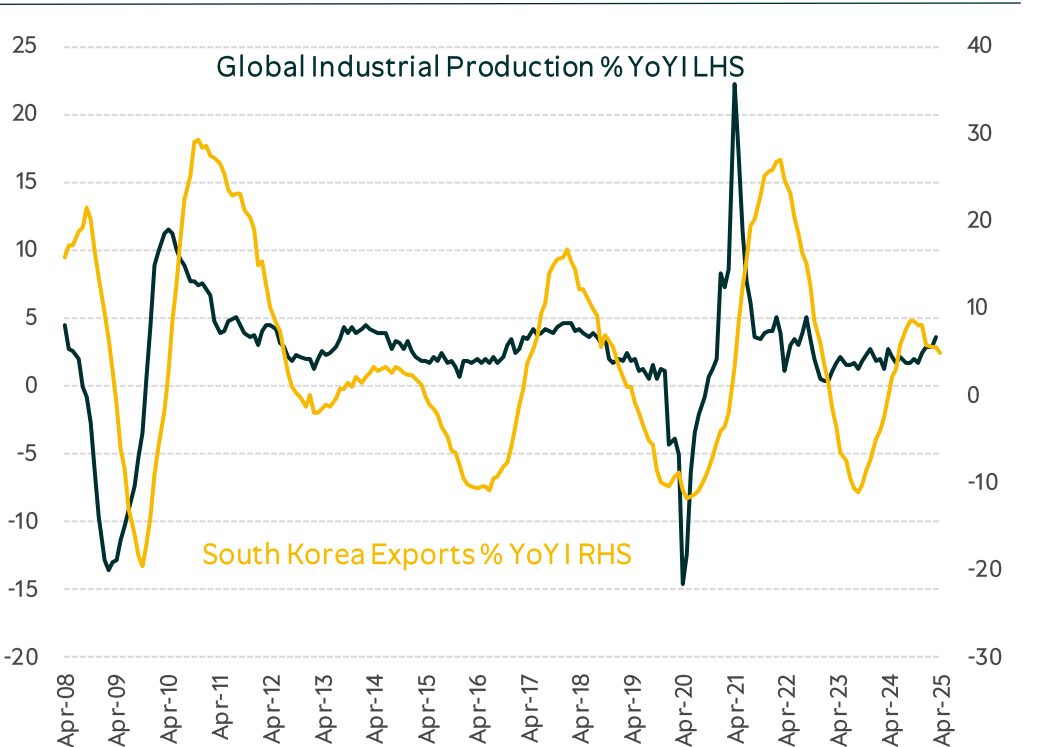


Global Trends | China’s credit conditions have rebounded in the past months, but South Korea’s exports indicate a deceleration in global industrial production and growth prospects

China Credit Impulse (9m lead) & Global industrial production

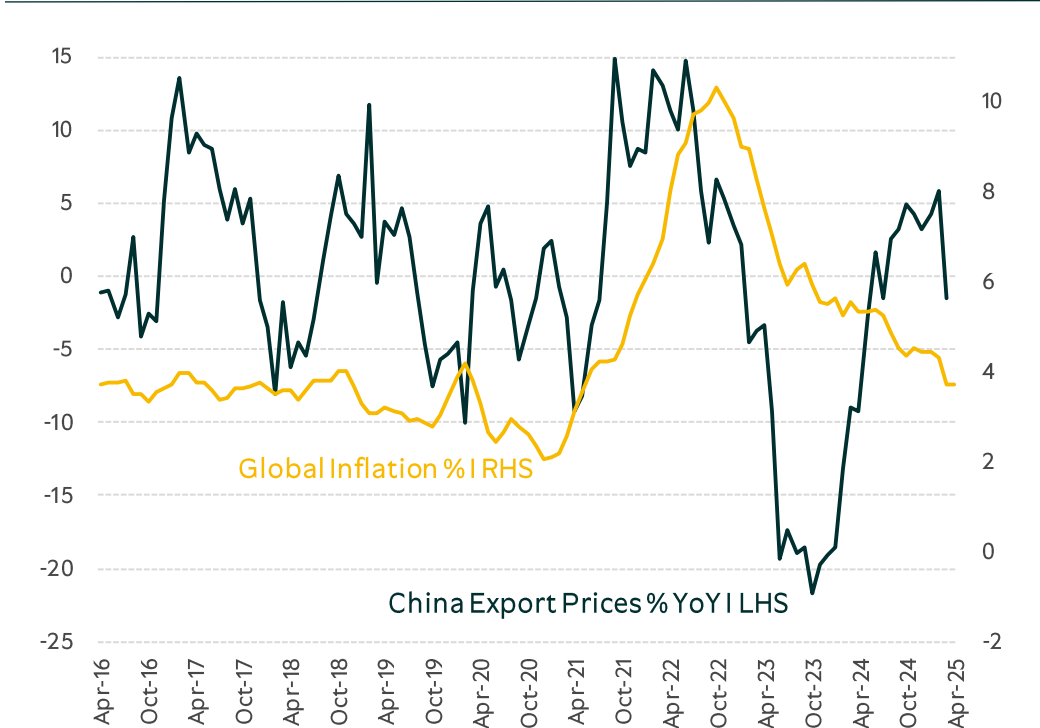


South Korean Exports & Global Industrial Production

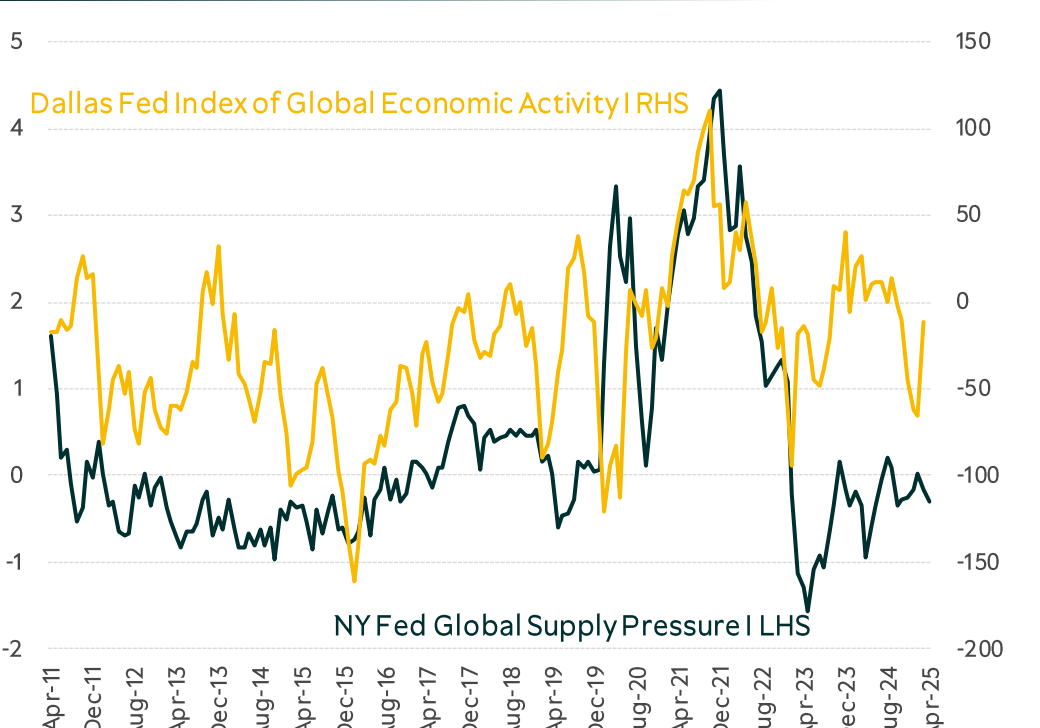


Global Trends | China’s export prices decelerated significantly in March (negative annual growth rate), while global economic activity indicators are showing mixed signals

China Export Prices & Global Inflation

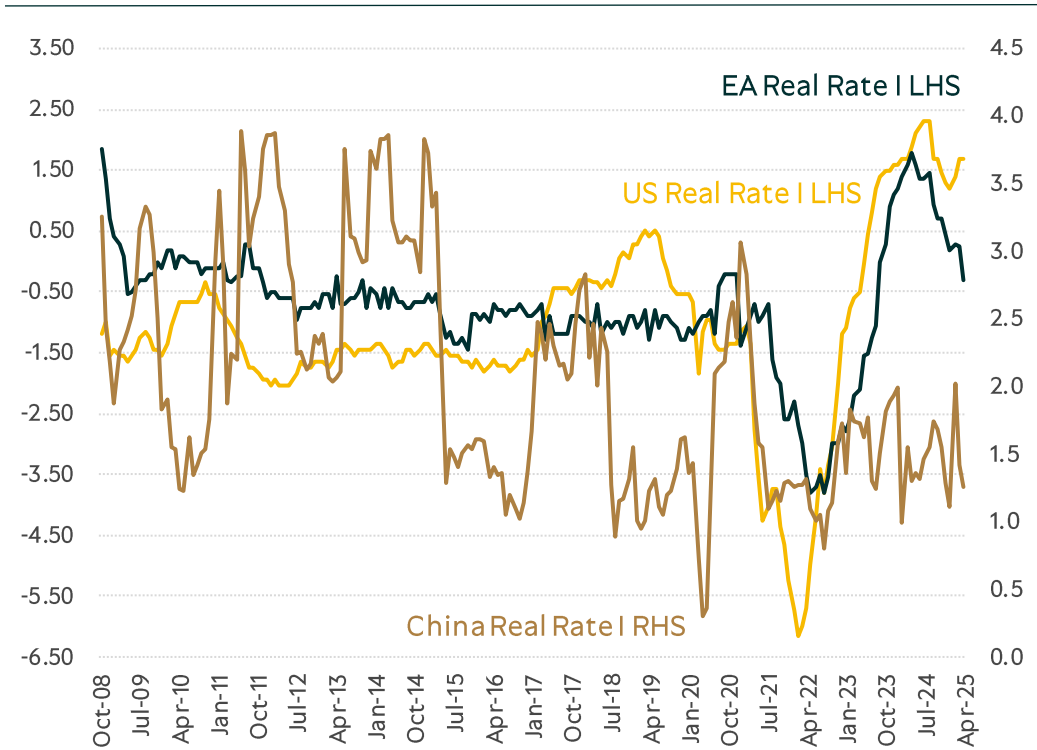


Global Economic Activity vs Global Supply Pressure

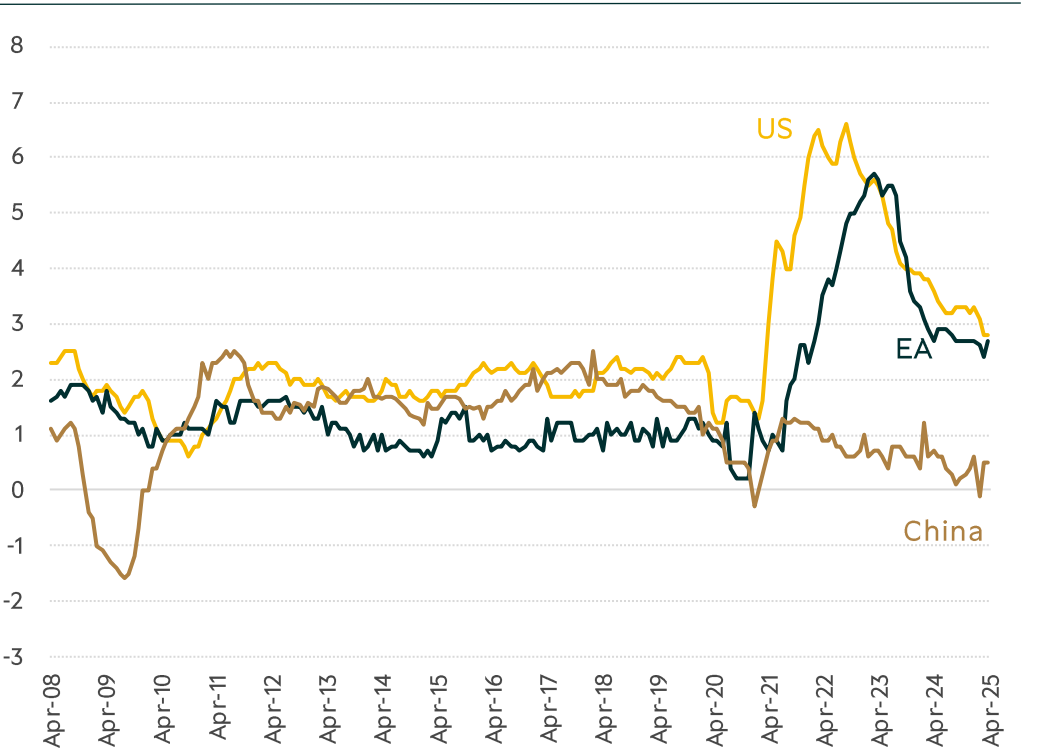


Global Trends | US real policy rate ticked up marginally in March-April. China's core CPI remained at 0.5% in April rebounding from a 0.1% y/y decline in February.

Global Real Policy Rates US, EA, CN



US, EA, CN Core Inflation



Bird's Eye View

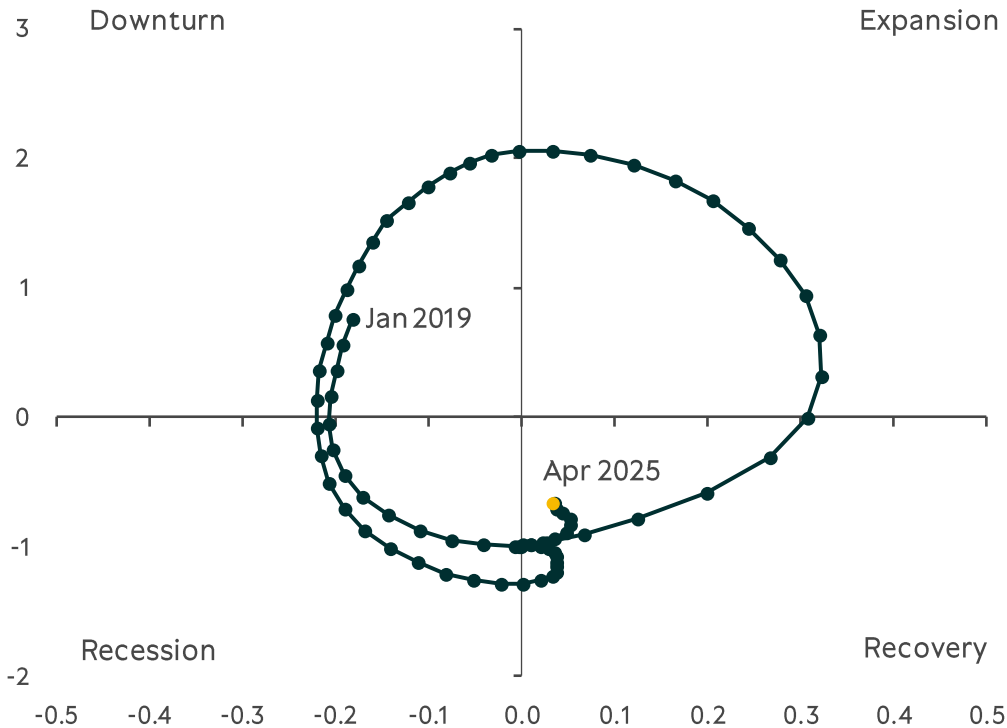
US Economy

EA Economy

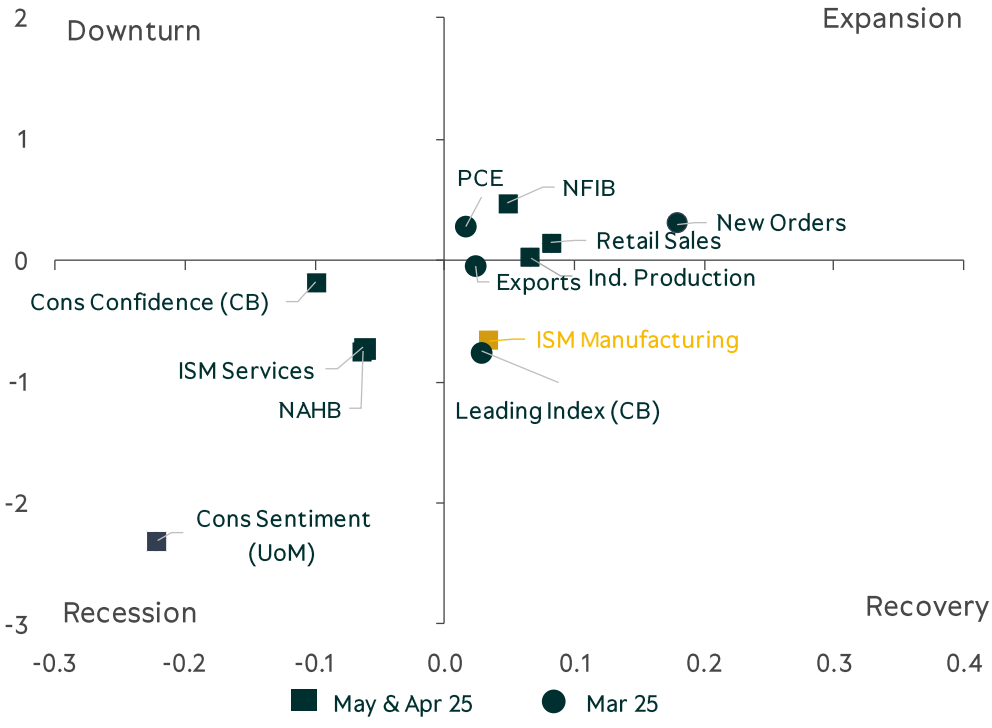
China Economy

US Business Cycle | Soft survey data has worsened compared to hard data

US Business Cycle | Based on ISM Manufacturing Indicator

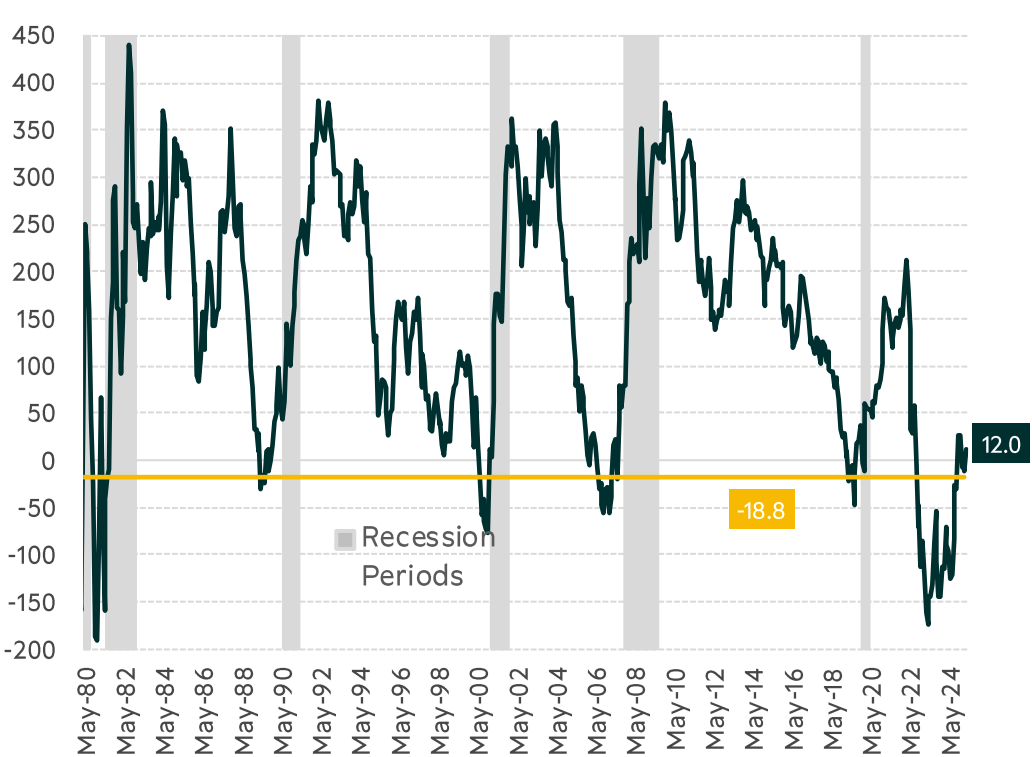


US Business Cycle | Based on Major US Economic Variables

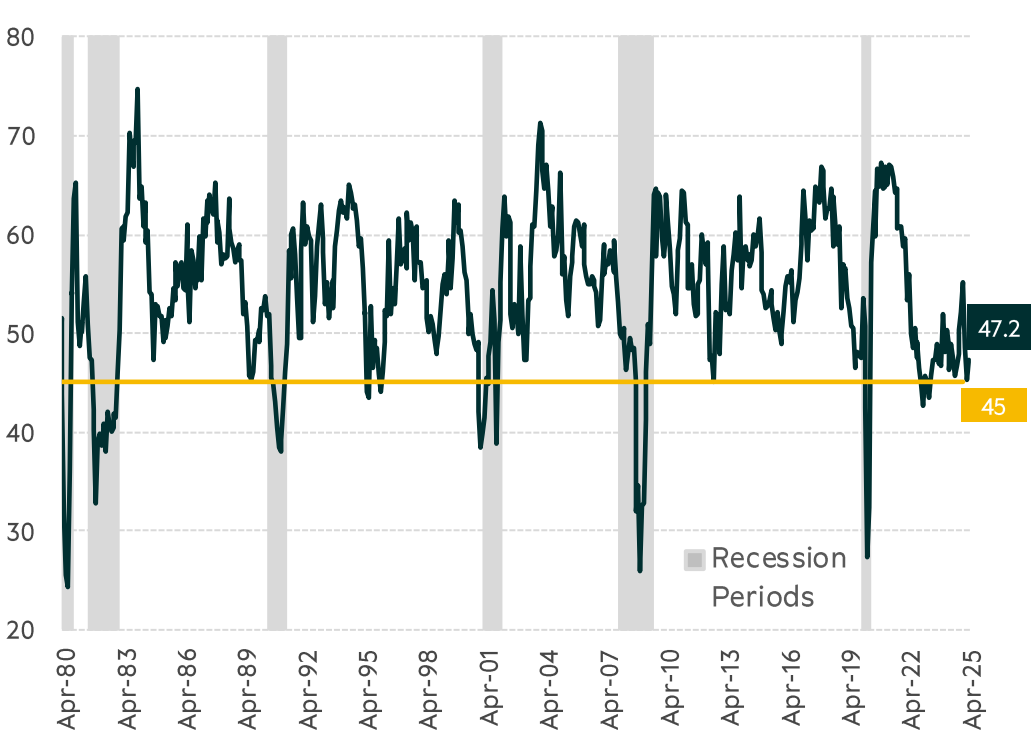


US Recession Indicators | The 10YR3M spread is no longer negative and the ISM New Order Index rebounded from the level near the threshold consistent with recession periods

10 Year and 3M US Treasury Yields Spread

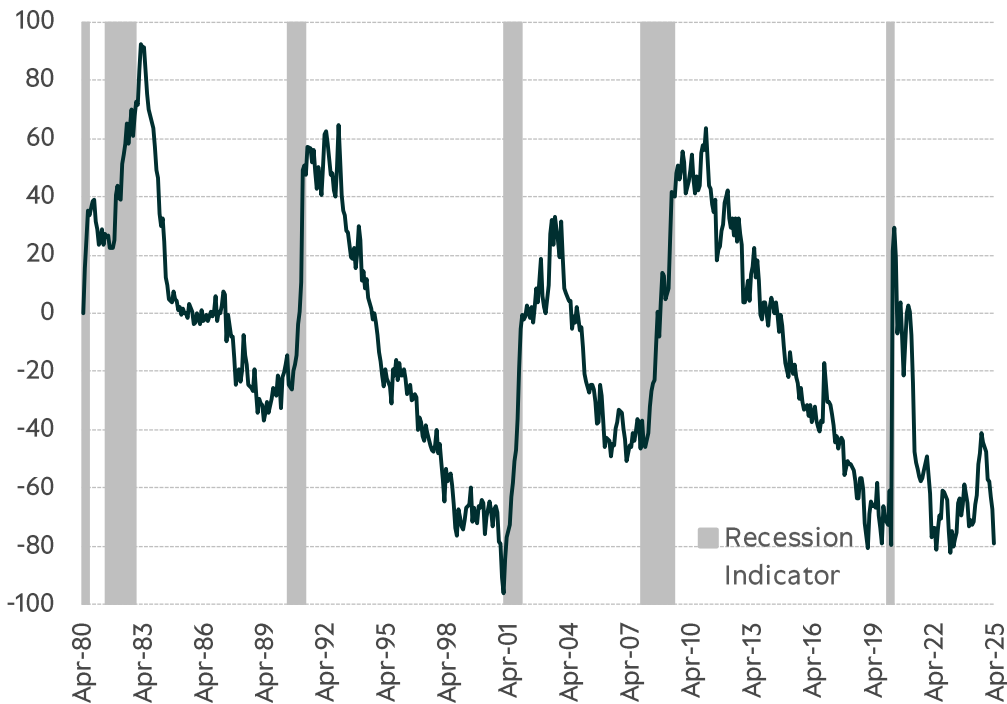


ISM Manufacturing New Order Index

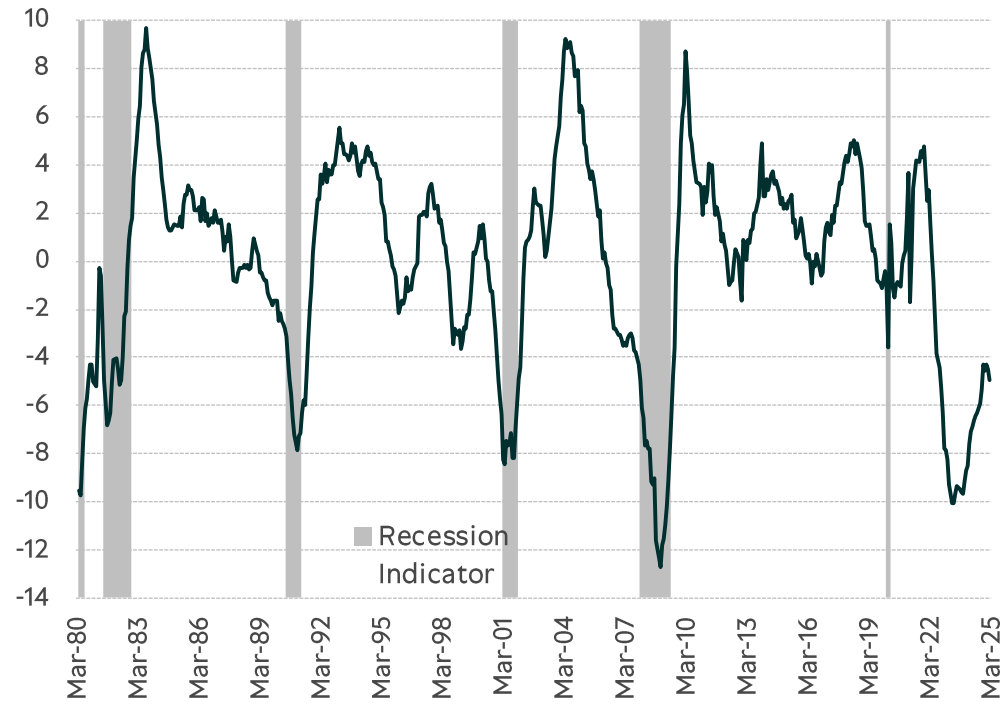


Conference Board Survey | Consumer confidence declined further in April with the expectations component seeing the sharpest drop. CB's Leading Indicator also fell further in March.

Difference between Consumer Expectations and Current Situation Indicators (Conference Board)

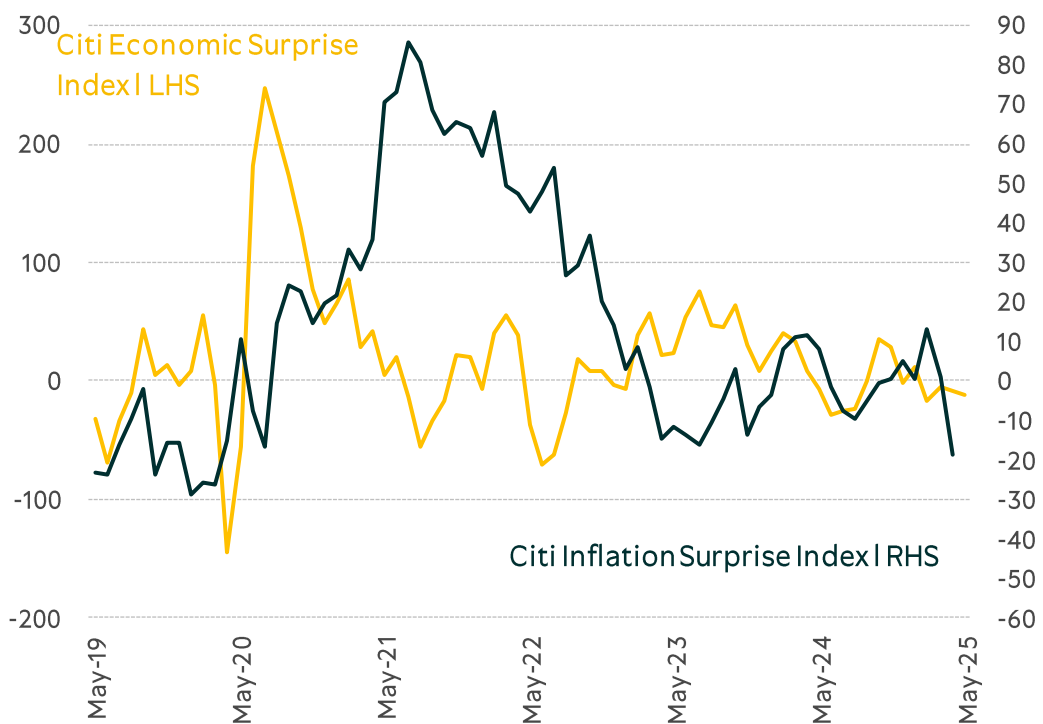


Difference between Leading & Coincident Indicators (Conference Board)

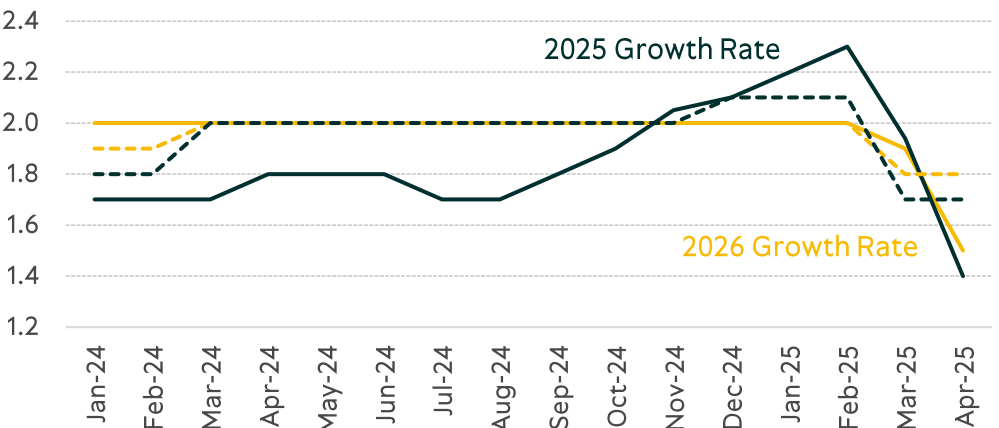


US Macro Expectations | The consensus expects a “Stagflationary” US Economy

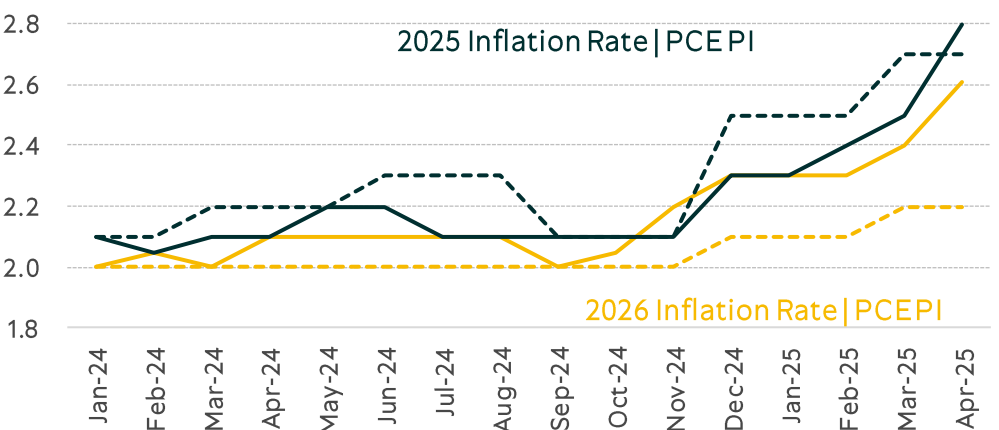
Economic & Inflation Surprises



Growth Rate Expectations*

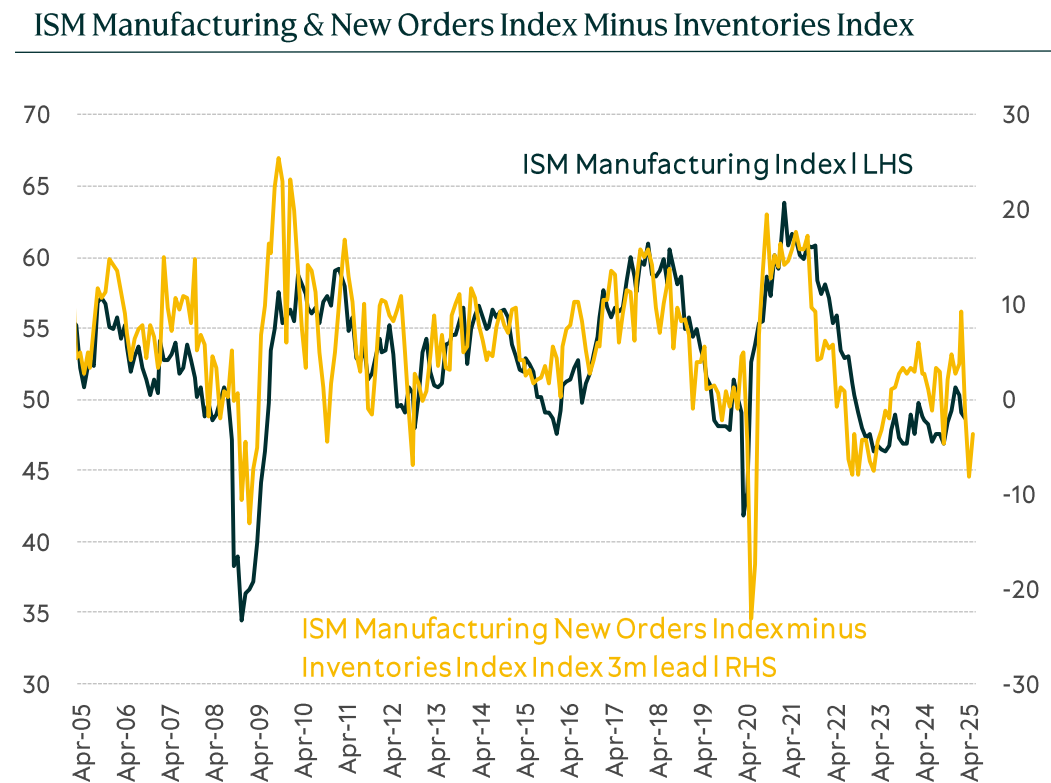
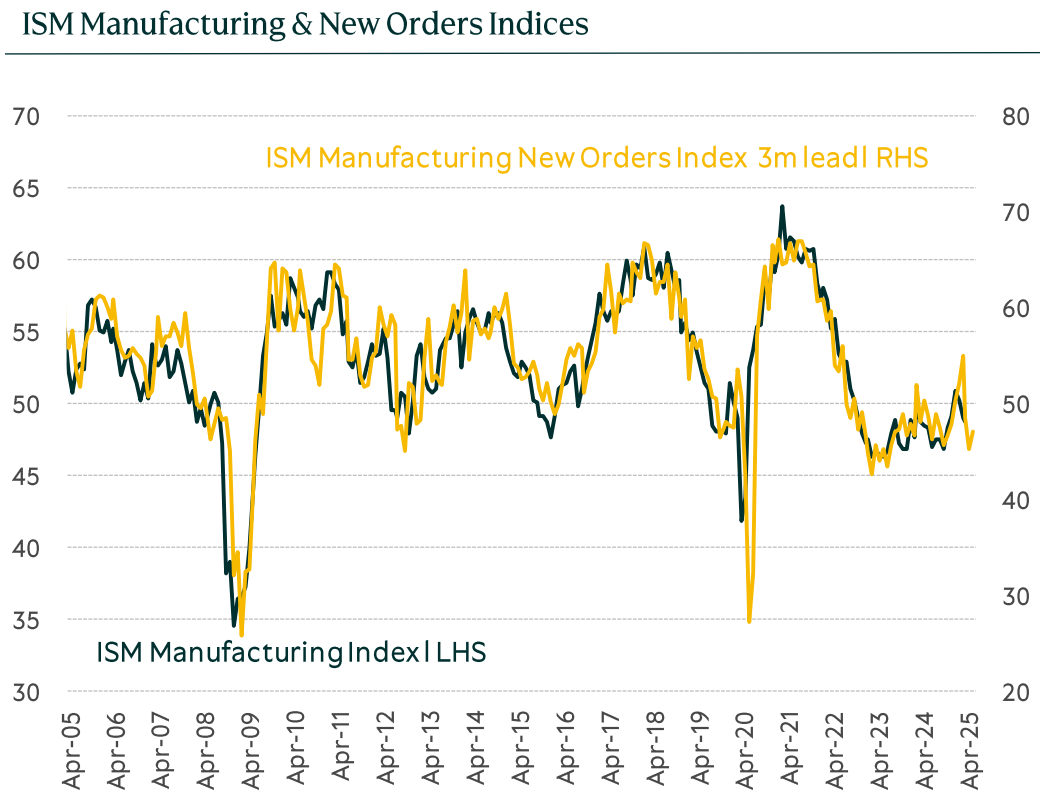


Inflation Rate Expectations*



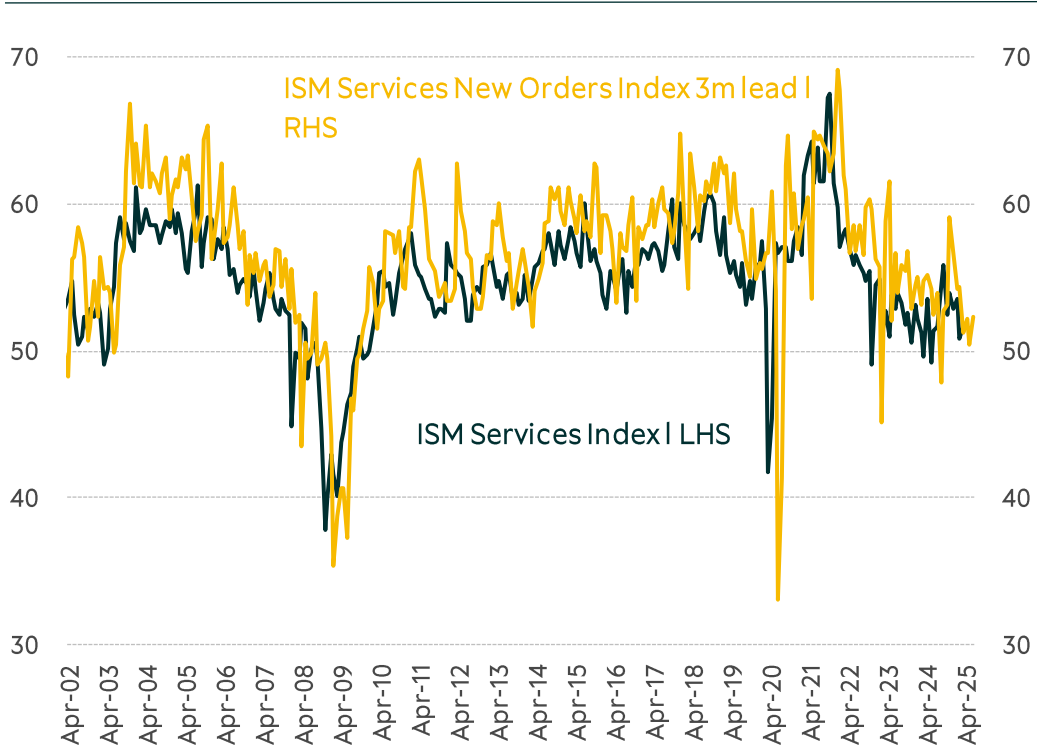
*Solid line: Consensus; Dotted line: Fed projections

US Leading Indicators | In April ISM Manufacturing remained below 50. Small improvement in the New Orders component to 47.2 from 45.2.

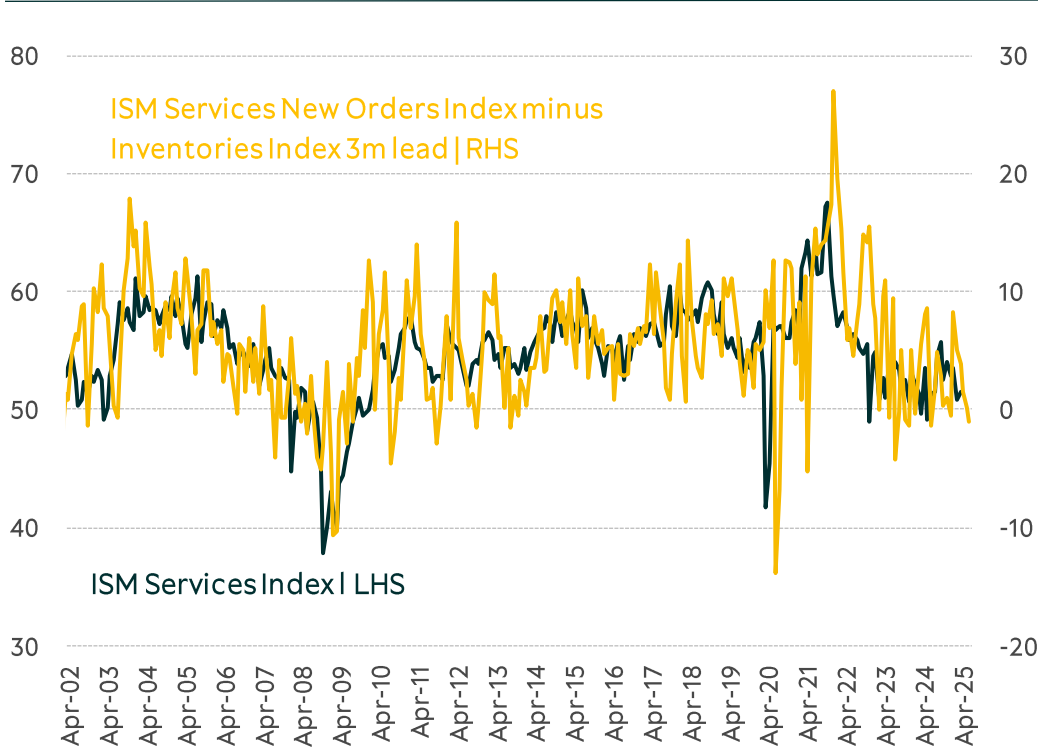


US Leading Indicators | ISM Services rose in April mainly reflecting improvement in the New Orders and Inventories components

ISM Services & New Orders Indices

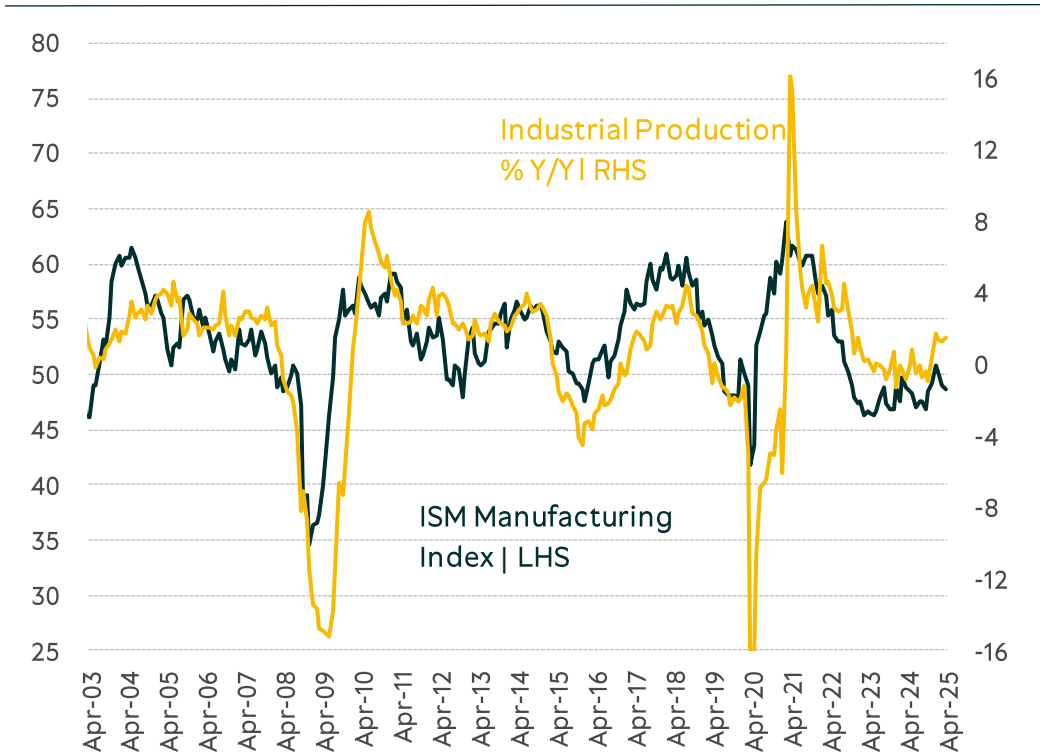


ISM Services & New Orders Index Minus Inventories Index

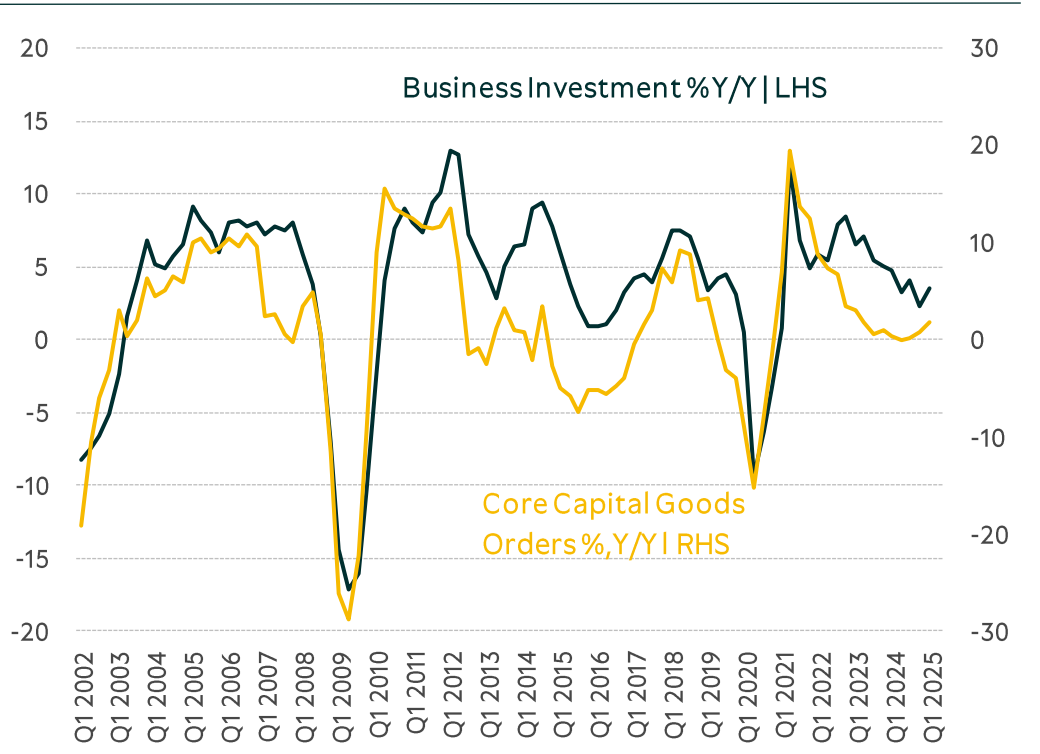


US | Industrial Production was unchanged in April, driven by a rebound in utilities production. Business investments rose in Q1 driven by an upswing in equipment spending.

Industrial Production YoY & ISM Manufacturing

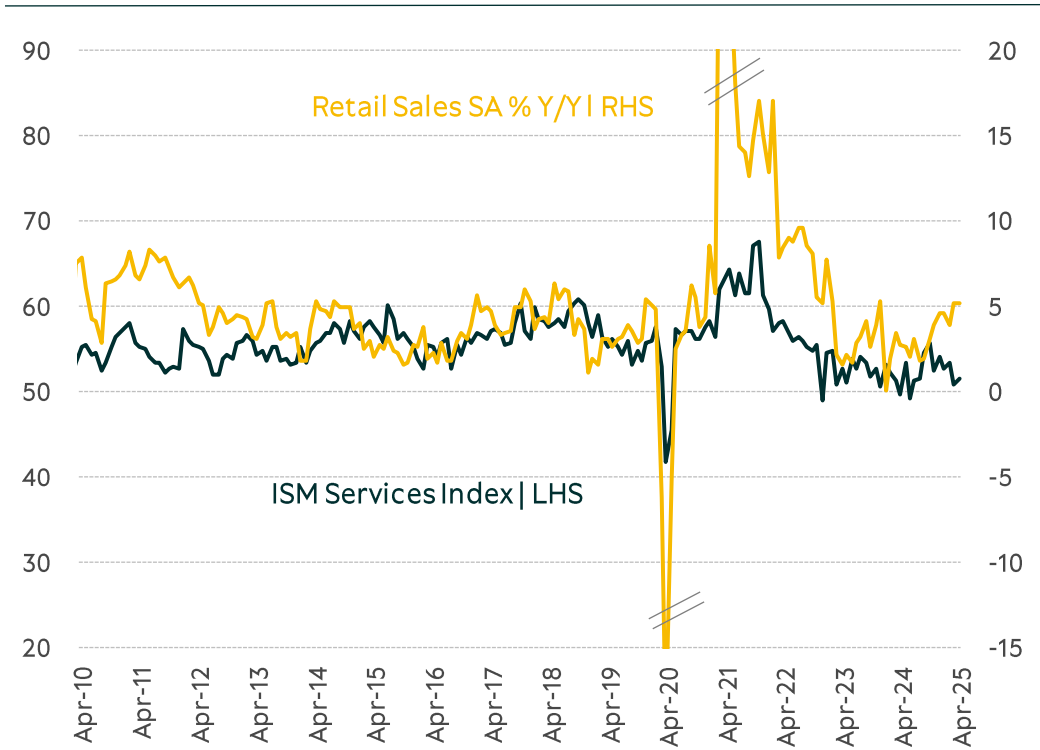


Core Capital Goods Orders & Business Investment

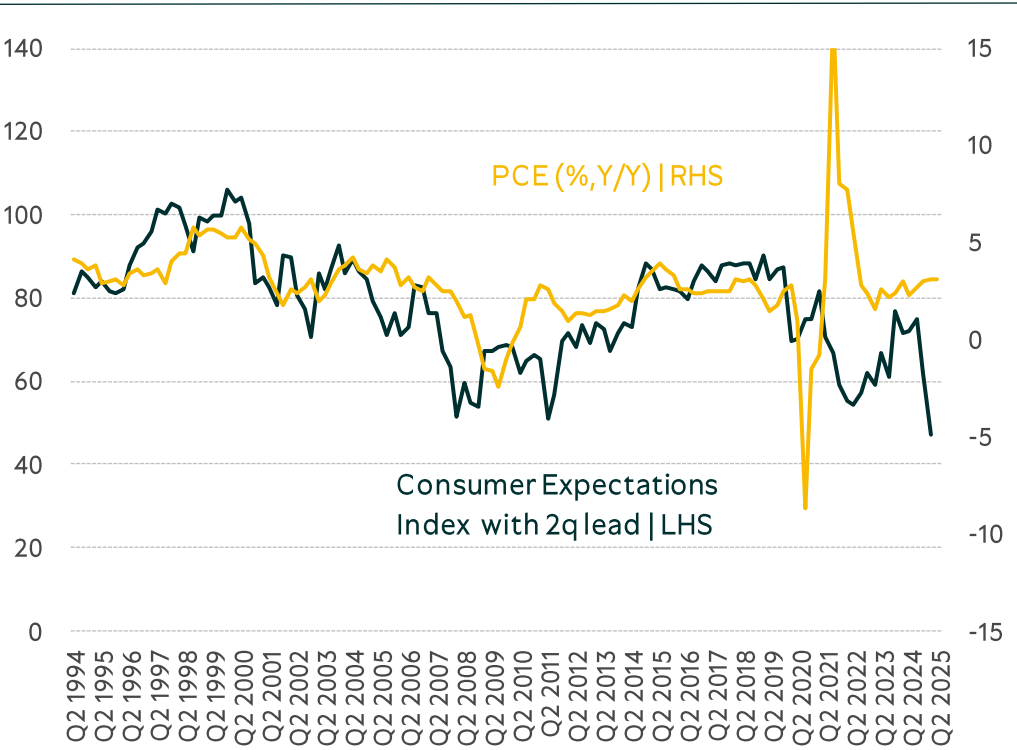


US | The US consumer has been the main “growth driver” so far. Retail sales edged up in April following March’s surge. Large downward adjustment to consumer sentiment points to lower consumption ahead

Retail Sales YoY & ISM Services

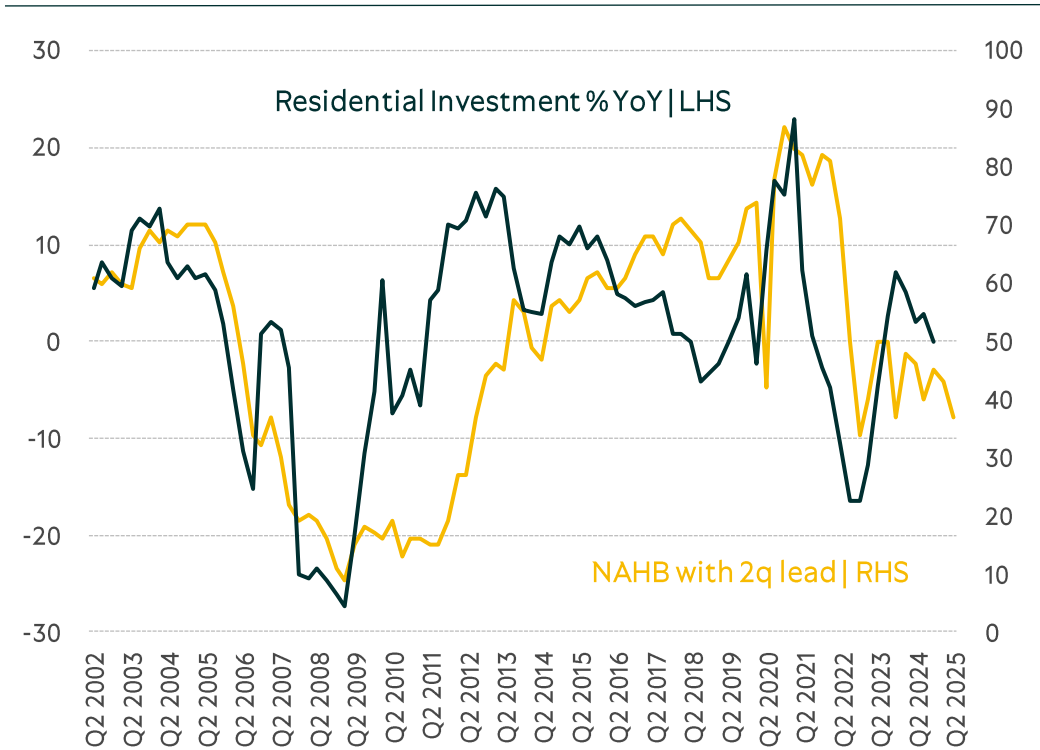


PCE & University of Michigan Consumer Expectations Index

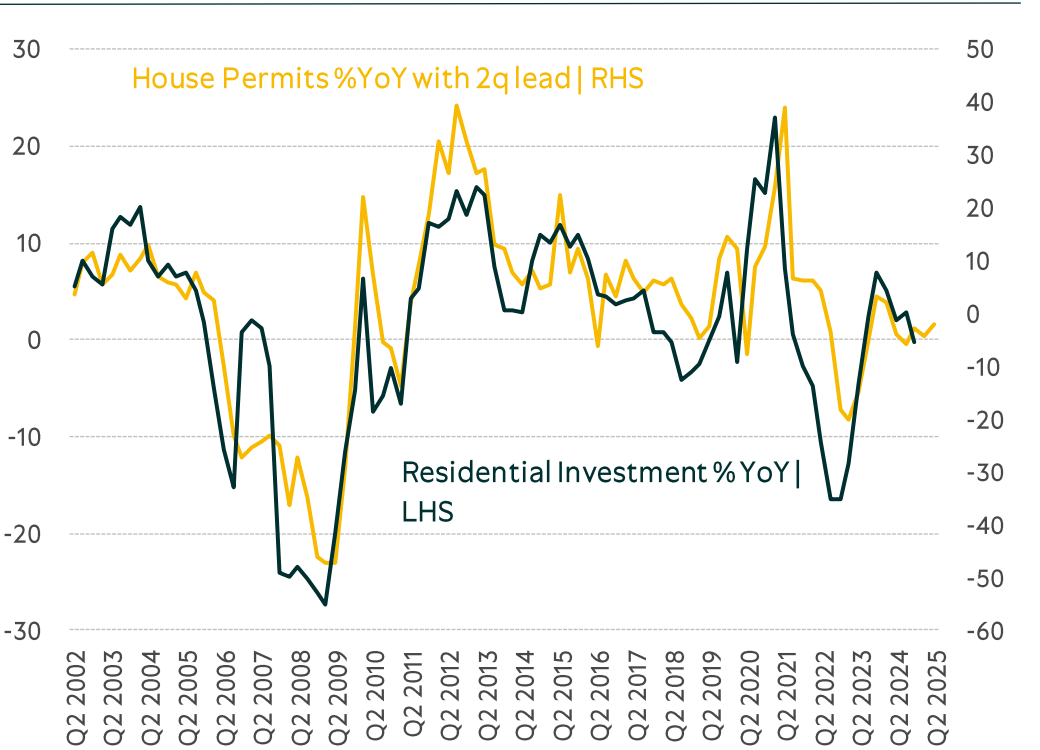


Housing Market | Residential investment declined in Q1. Policy uncertainty is having a negative impact on home builders' expectations

Residential Investment & NAHB Index

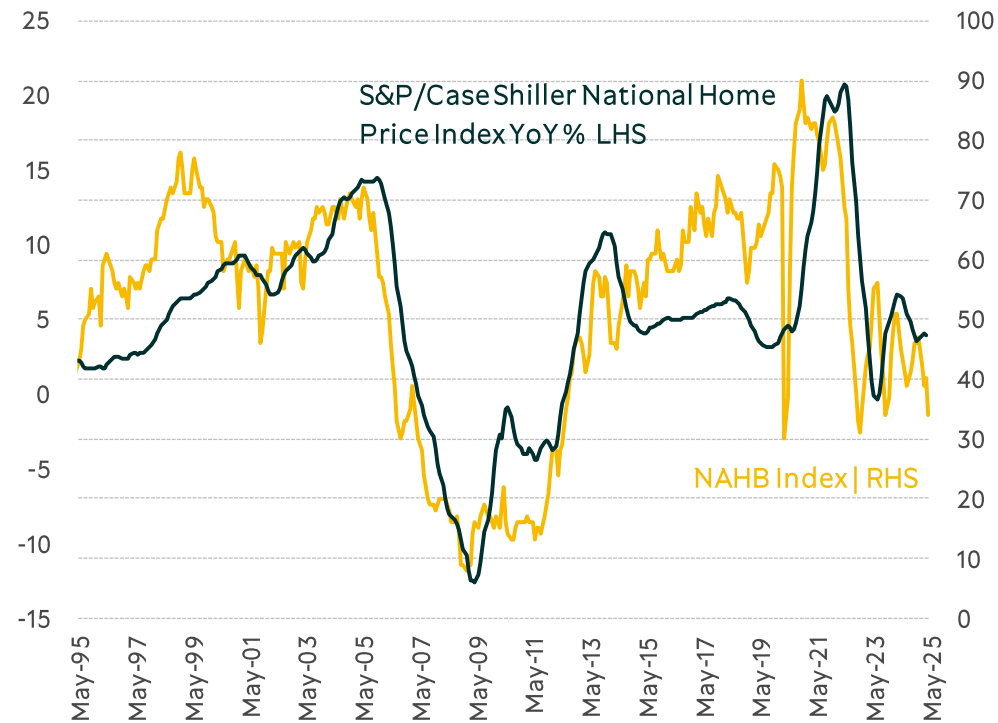


Residential Investment & House Permits

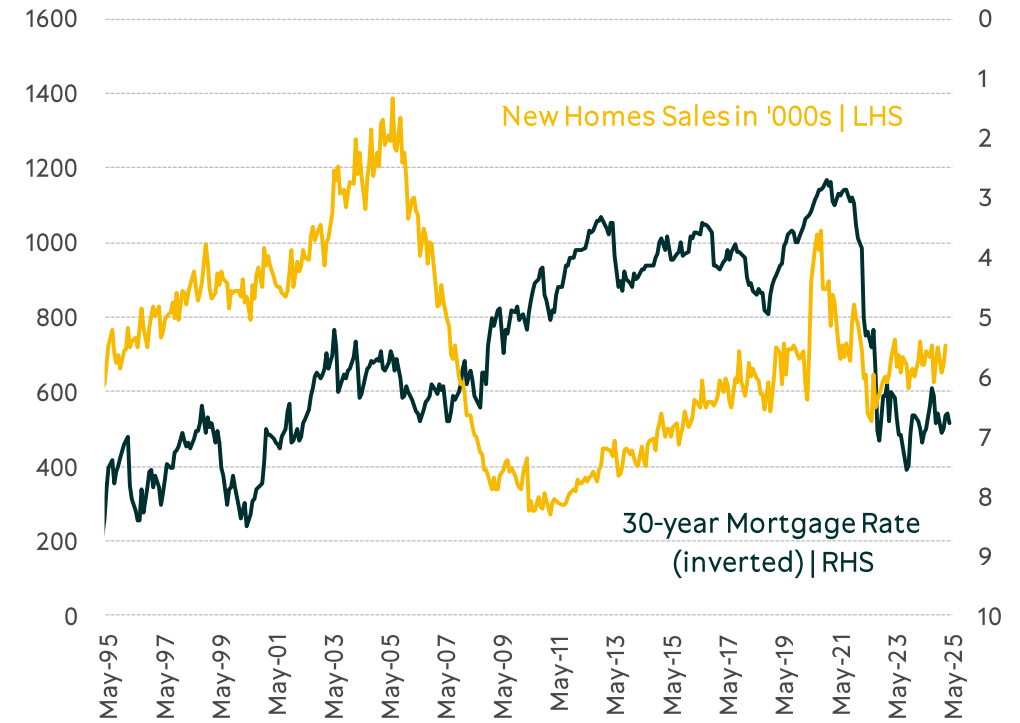


Housing Market | Homebuilder confidence fell significantly in May amid a small increase in 30-year mortgage rates.

NAHB Index & S&P/Case Shiller Home YoY %

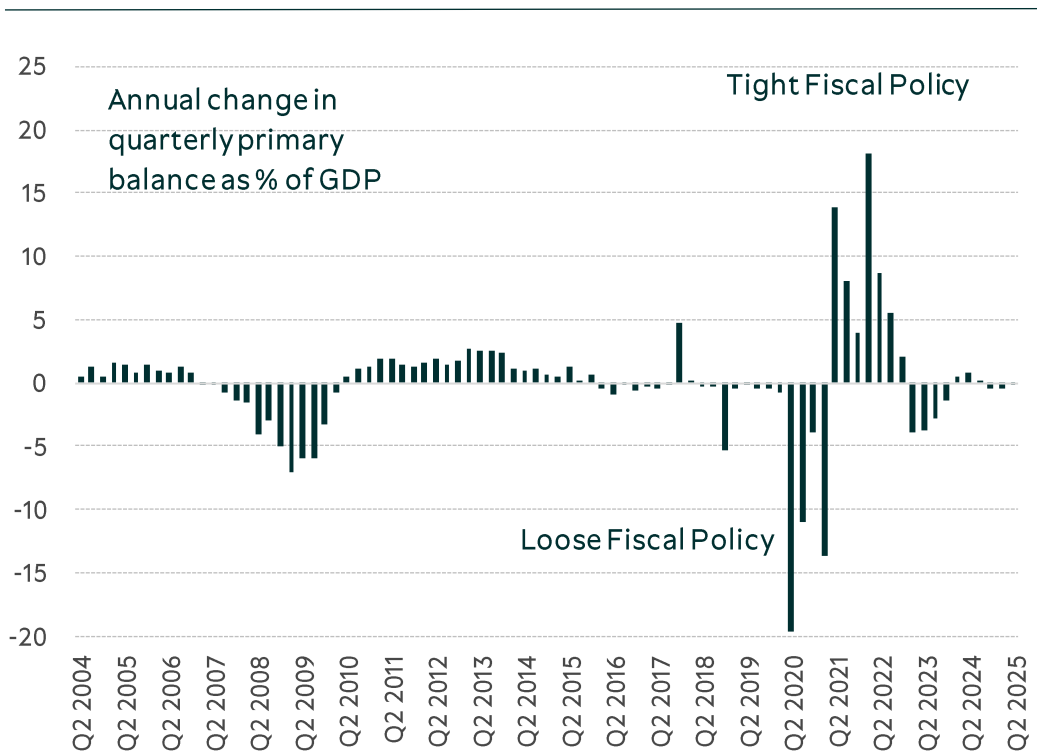


US new home sales and mortgage rates

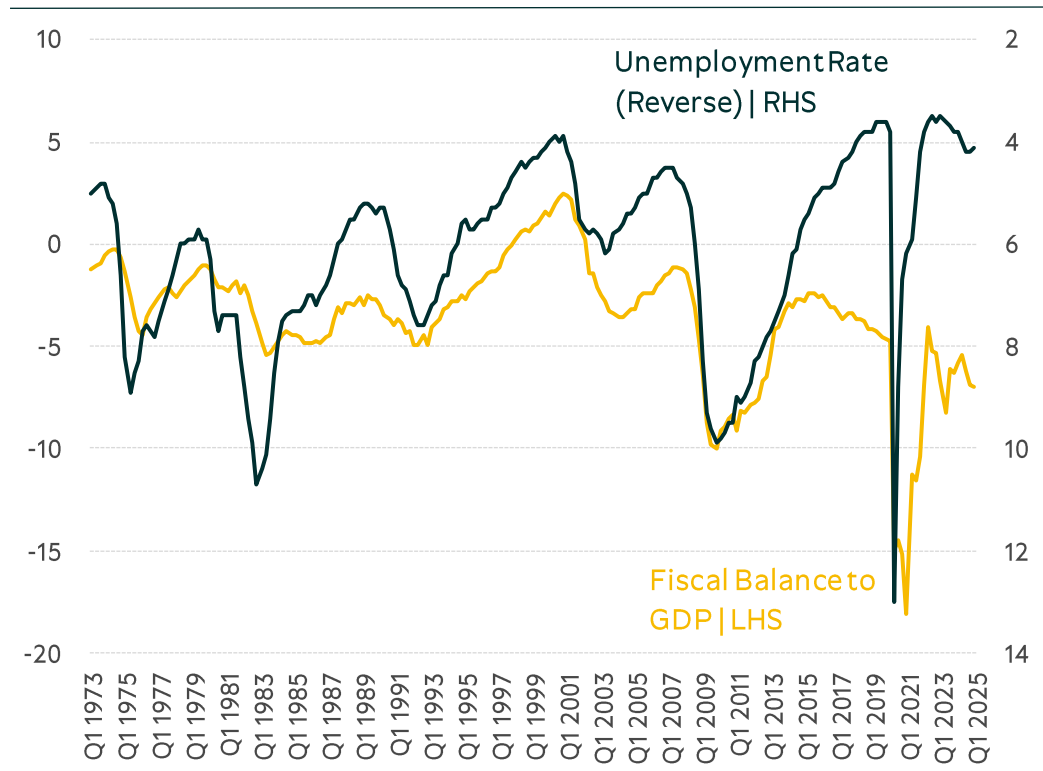


Fiscal Policy | Still too loose vs unemployment. Fiscal challenges ahead.

Fiscal Thrust

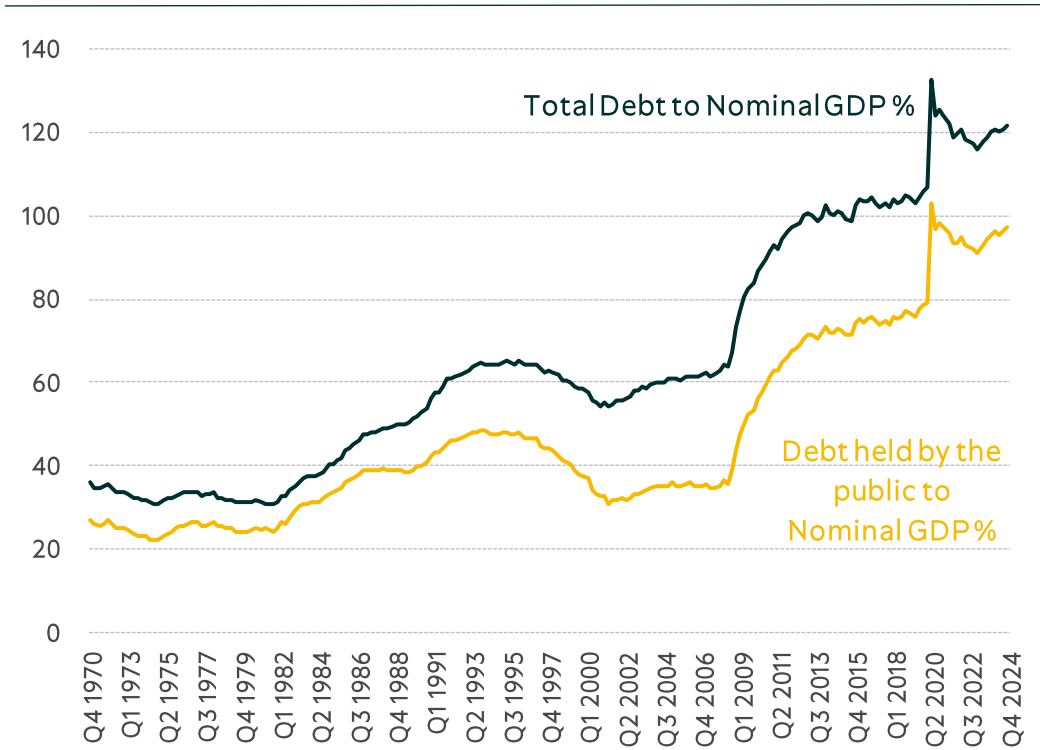


Fiscal Policy vs Unemployment

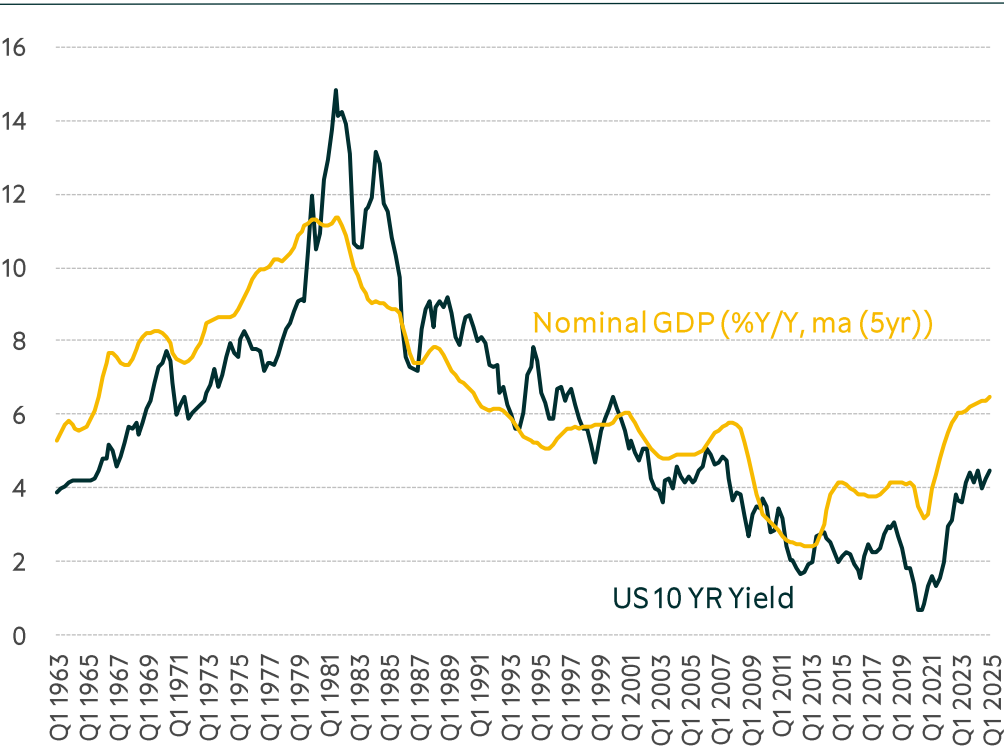


Fiscal Policy | The nominal growth rate is likely to remain at higher levels than the long-term cost of public financing

Debt / Nominal GDP (quarterly)

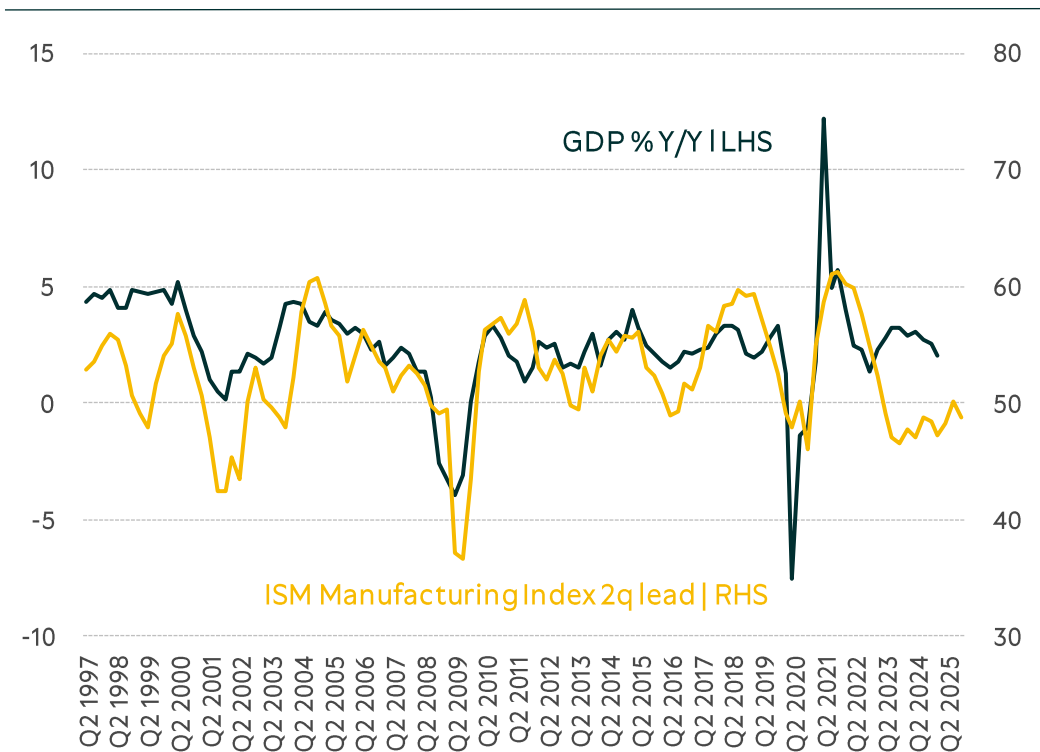


Fiscal Policy Sustainability

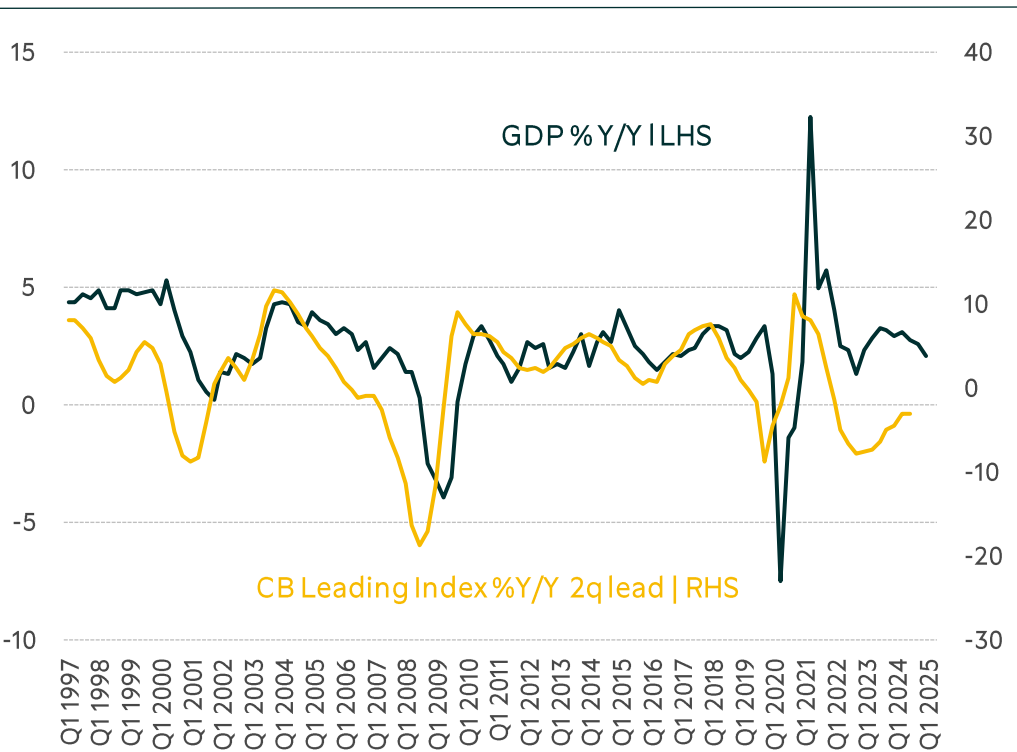


US GDP Outlook | Leading indicators are suggesting a deceleration in real GDP

GDP & ISM Manufacturing Indicator

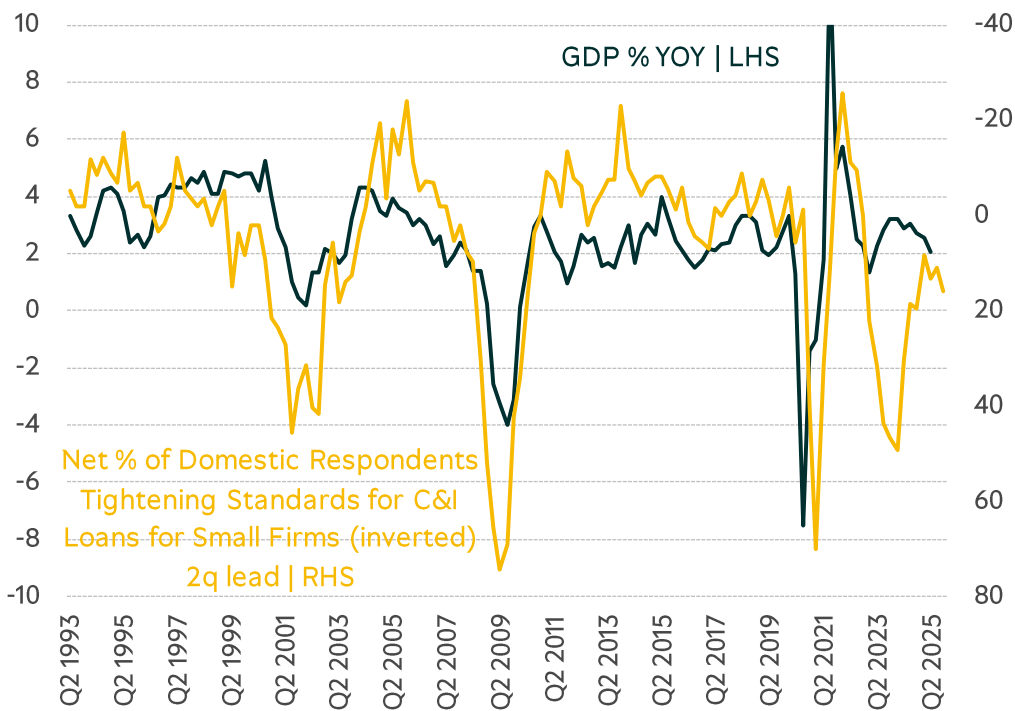


GDP & CB Leading Indicator

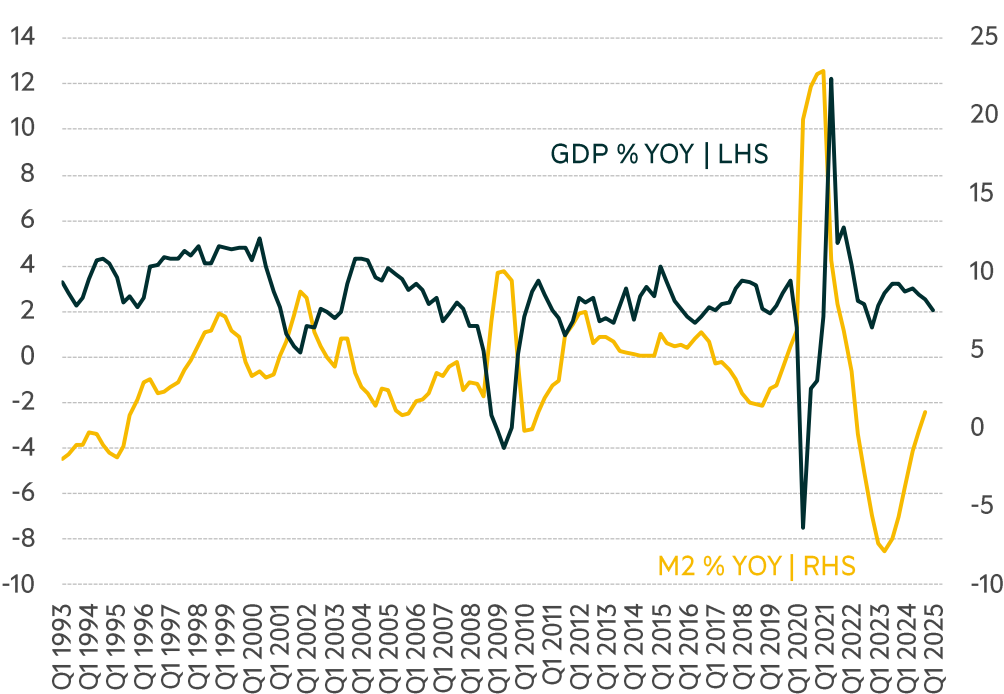


US GDP Outlook | Small increase in Tightening of Lending Standards & further improvement in M2

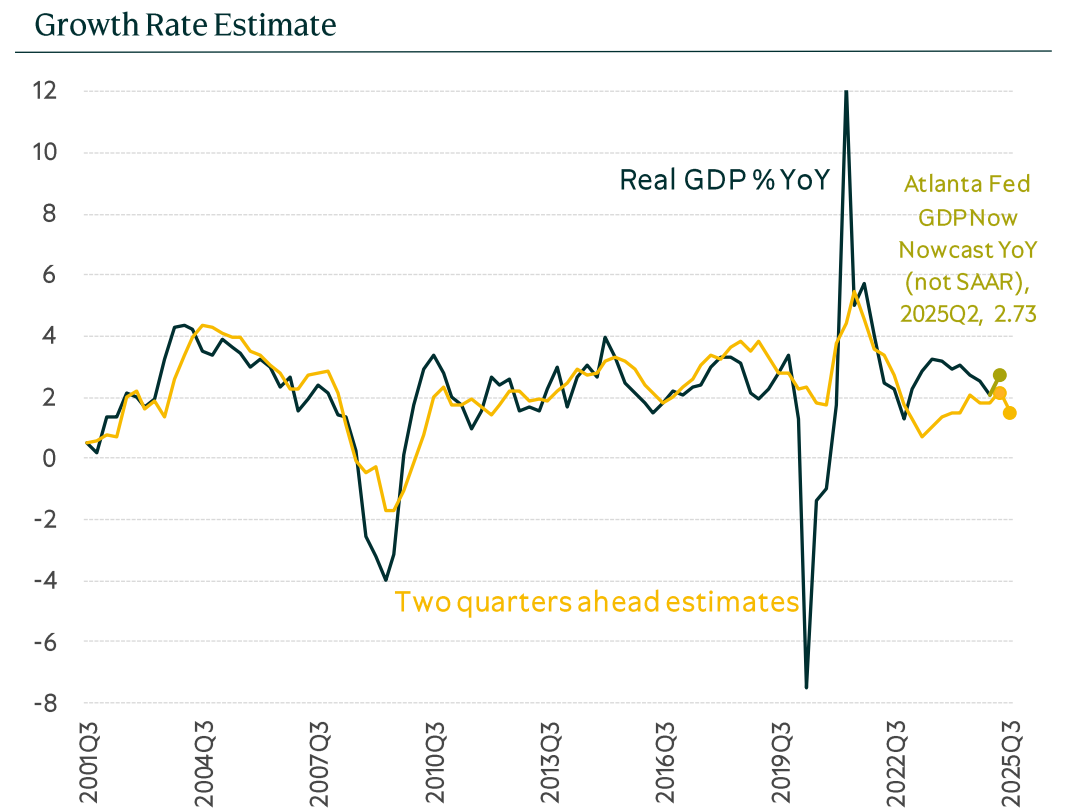
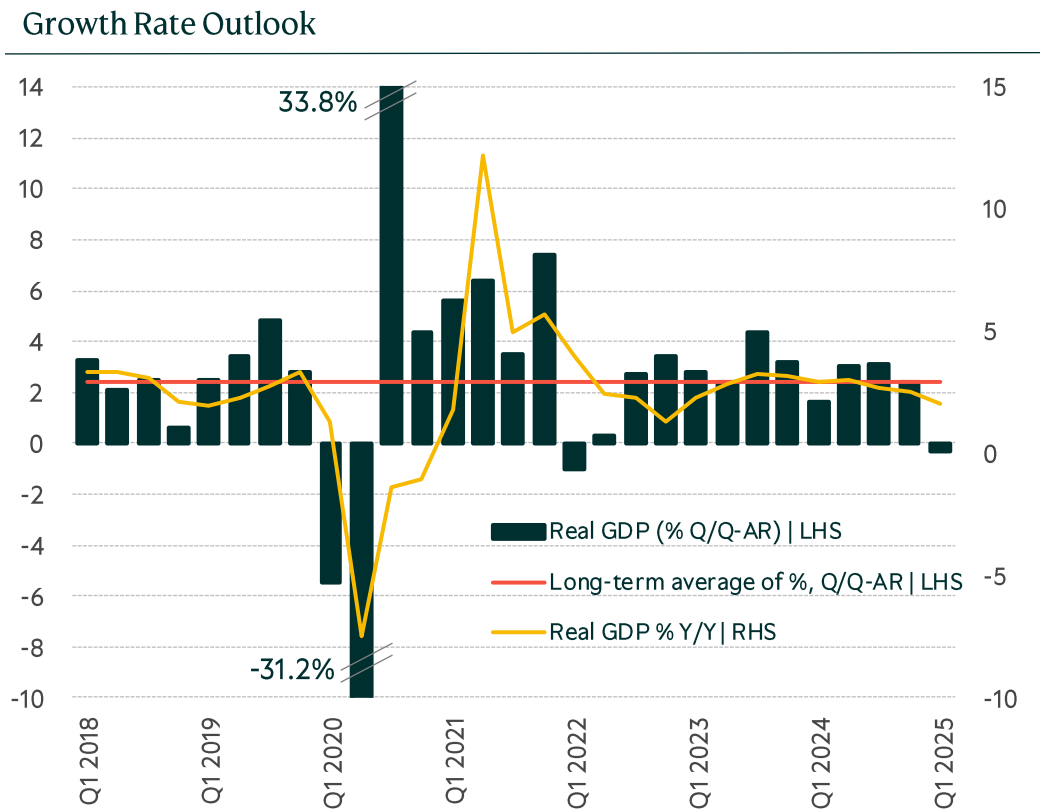
Senior Loan Officer Opinion Survey on Bank Lending Practices



M2 growth vs GDP

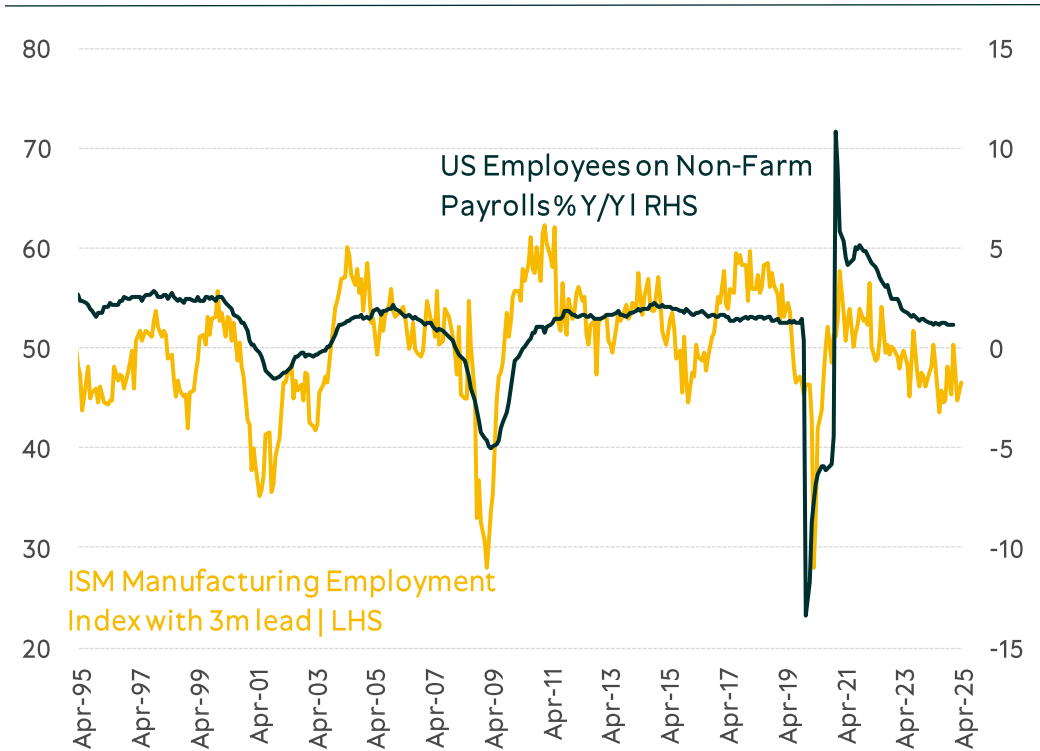


US GDP Outlook | GDP growth is projected to slow down over the next few quarters as elevated uncertainty is likely to weigh on growth

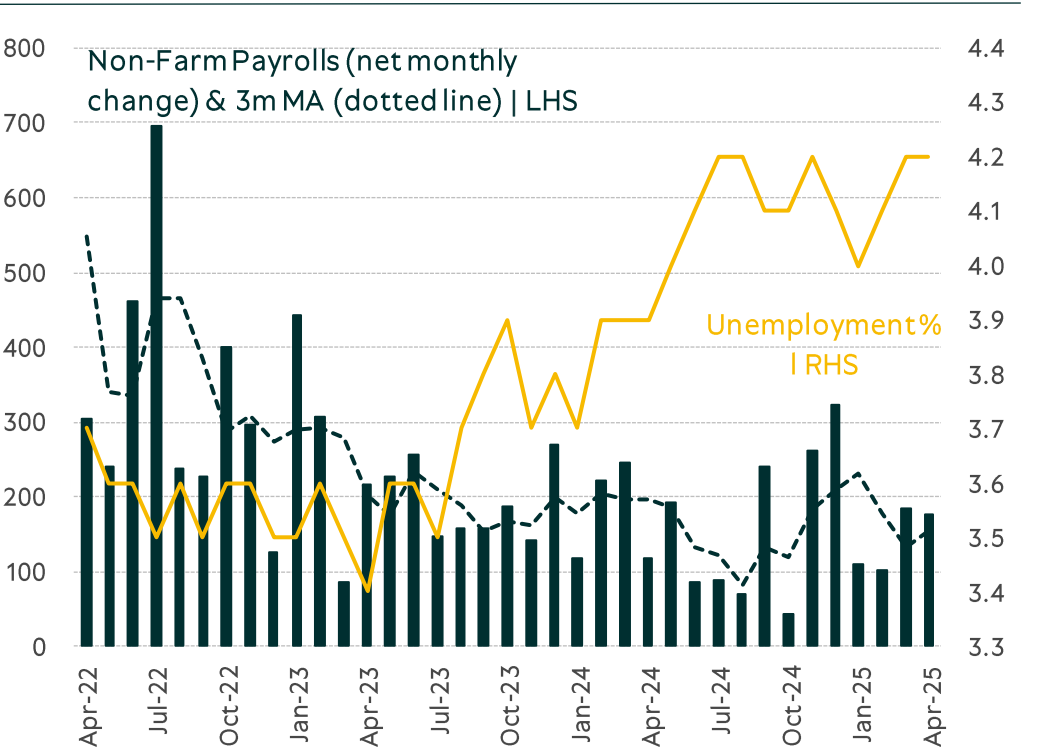


US Labor Market | Non-Farm Payrolls gains were stronger than expected in April, the unemployment rate remained at 4.2% while the ISM Employment Index rose to 46.5 from 44.7

Employment & Leading Manufacturing Indicator

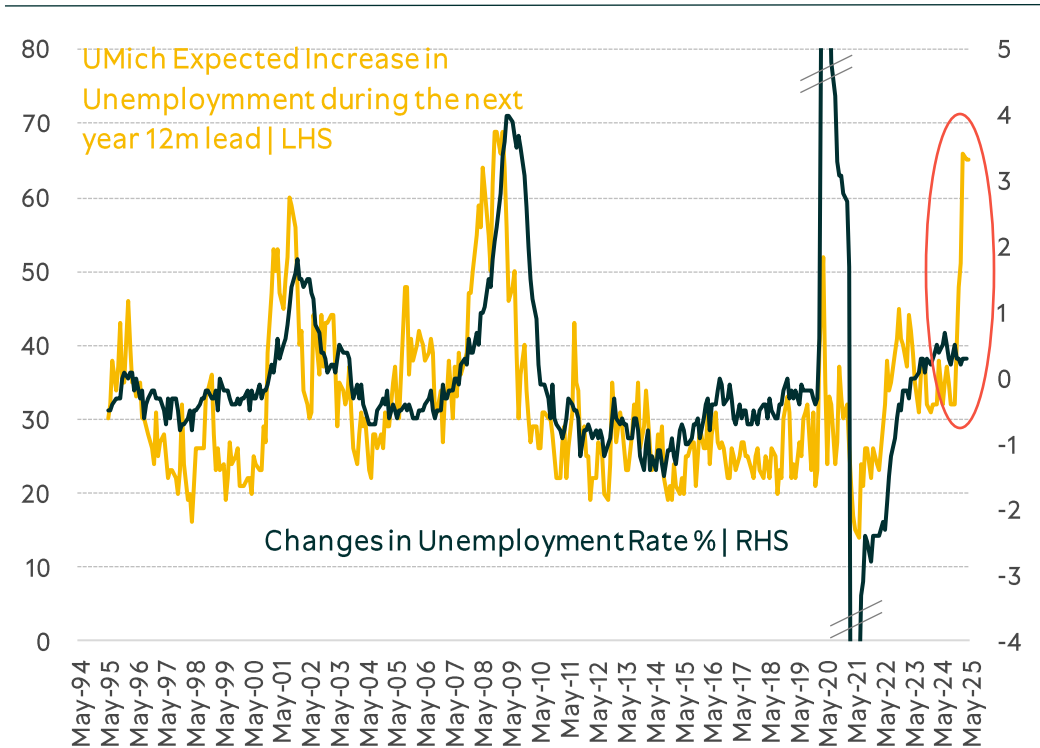


Nonfarm payrolls & Unemployment

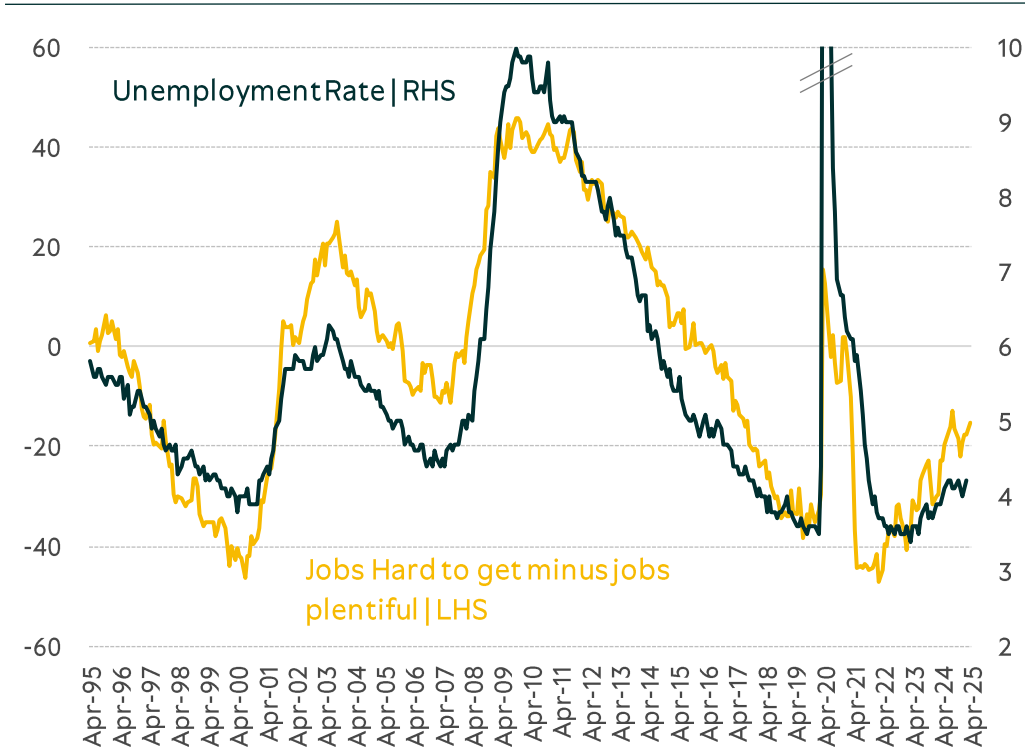


US Labor Market | Large increase in unemployment expectations. The gap between those saying jobs were hard to get and jobs were plentiful widened in April.

Unemployment Rate & UMich expected increase in unemployment 1yr ahead

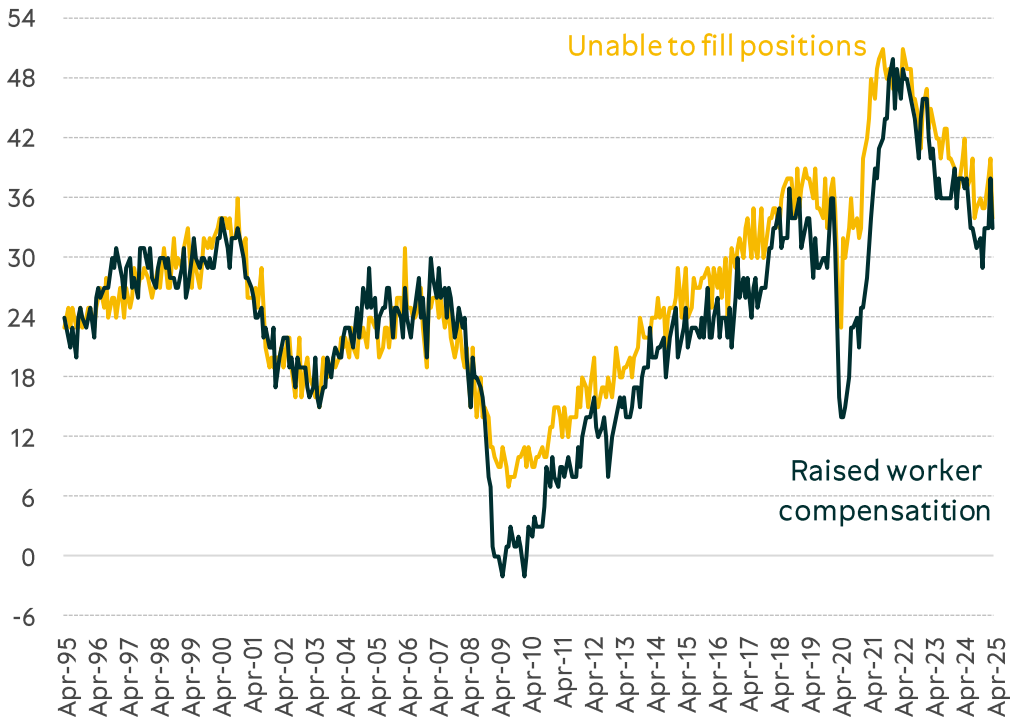


Conference Board Labor market differential & Unemployment rate

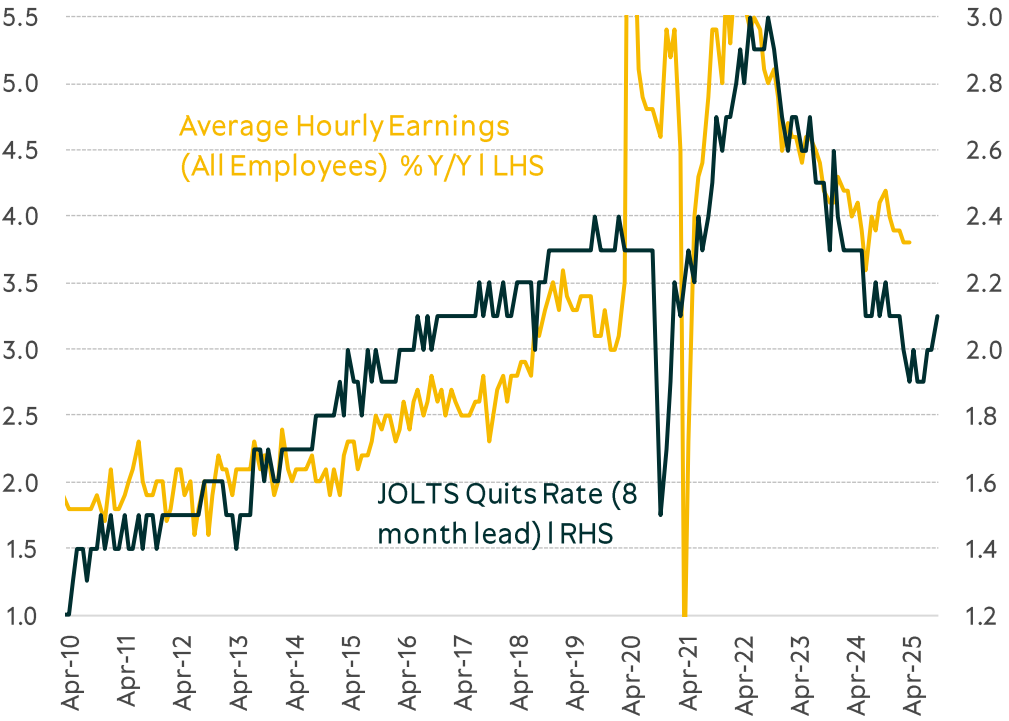


US Labor Market | NFIB survey points to lower wages while the JOLTS Quits Rate picked up marginally

US NFIB small business survey

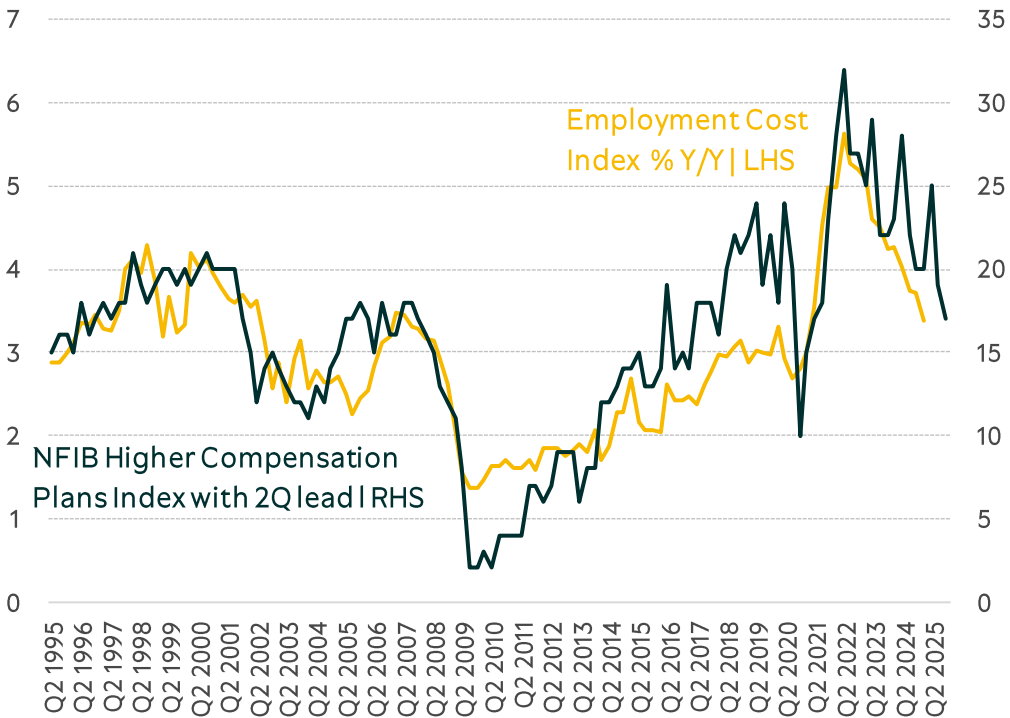


Wages & Quits Rate

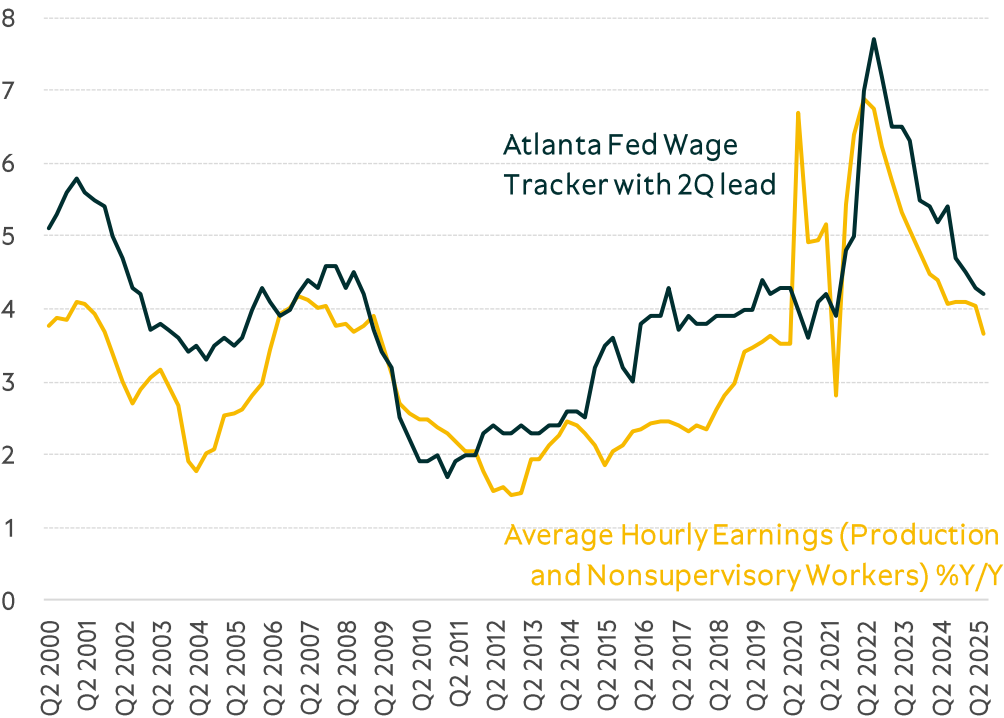


US Wage Tracker | Leading Indicators point to further wage growth deceleration

Employment Cost & Leading Indicator

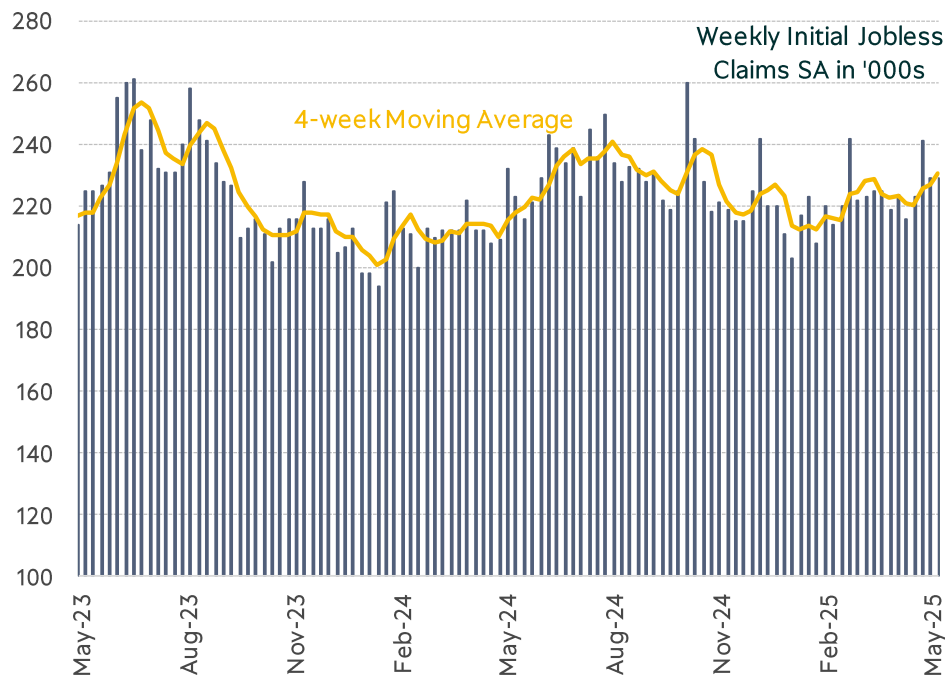


Wages & Leading Indicator

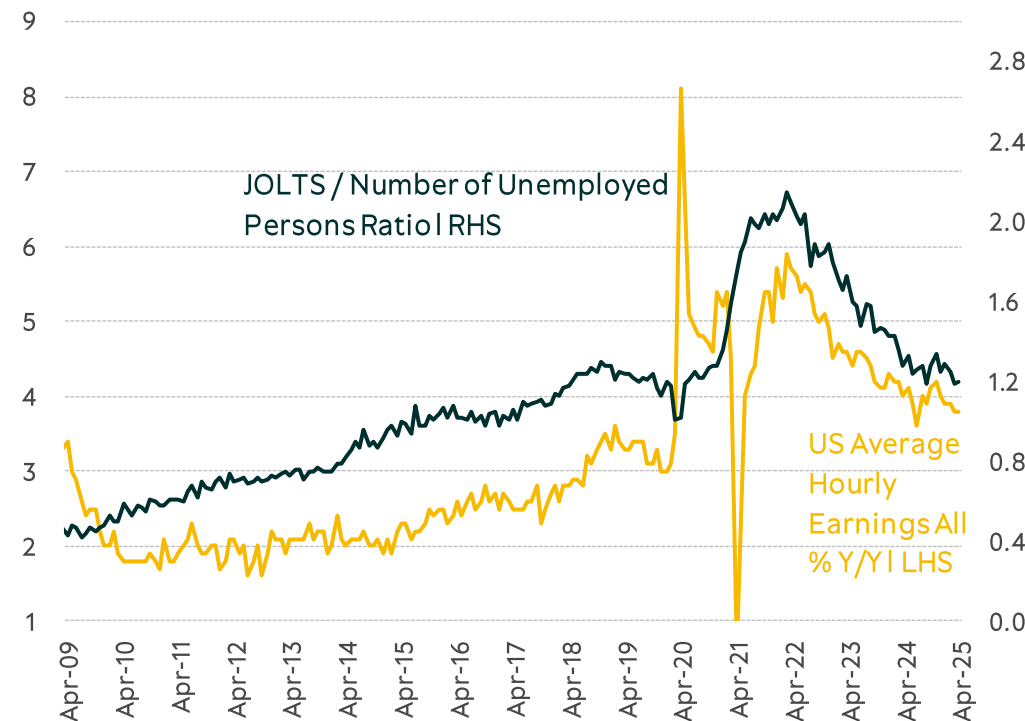


US Labor Market | Weekly Initial Jobless Claims (229k) at 4-week average

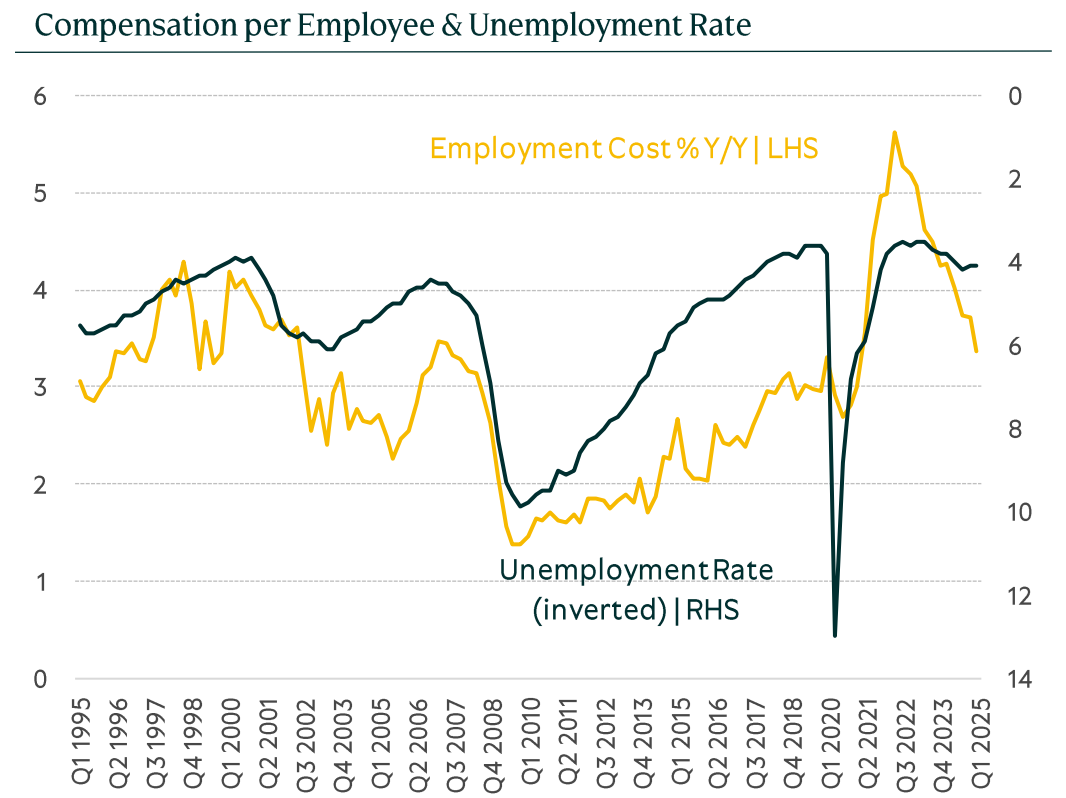
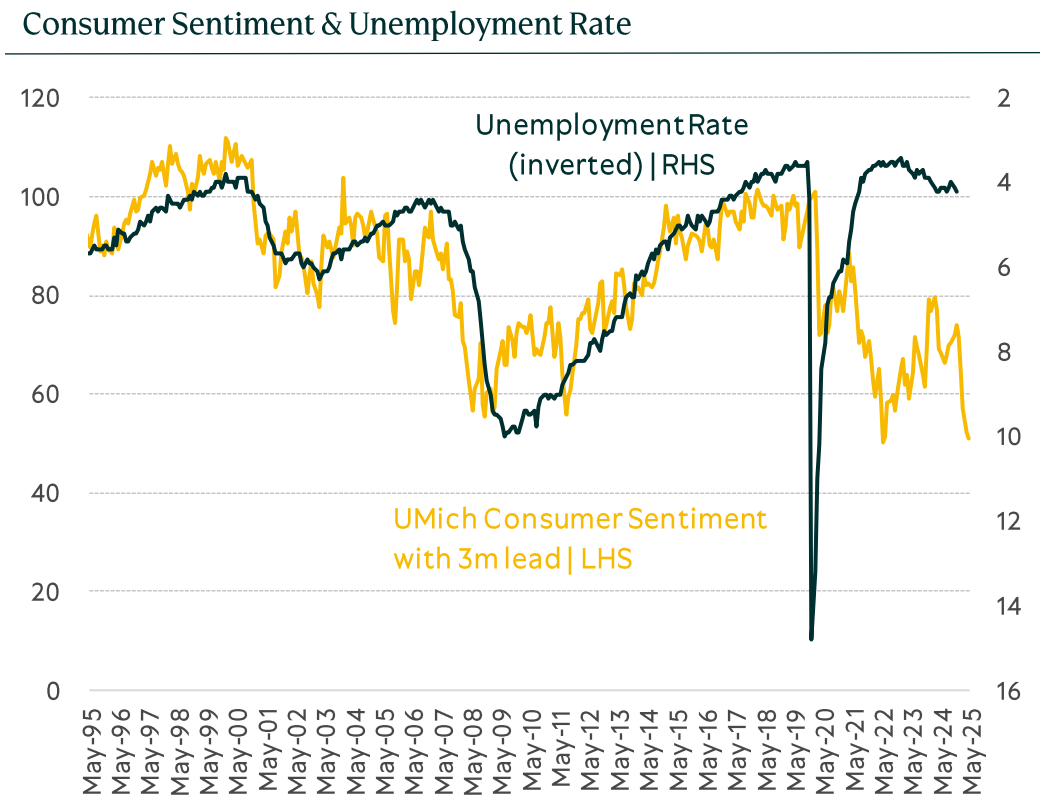
Weekly Initial Jobless Claims



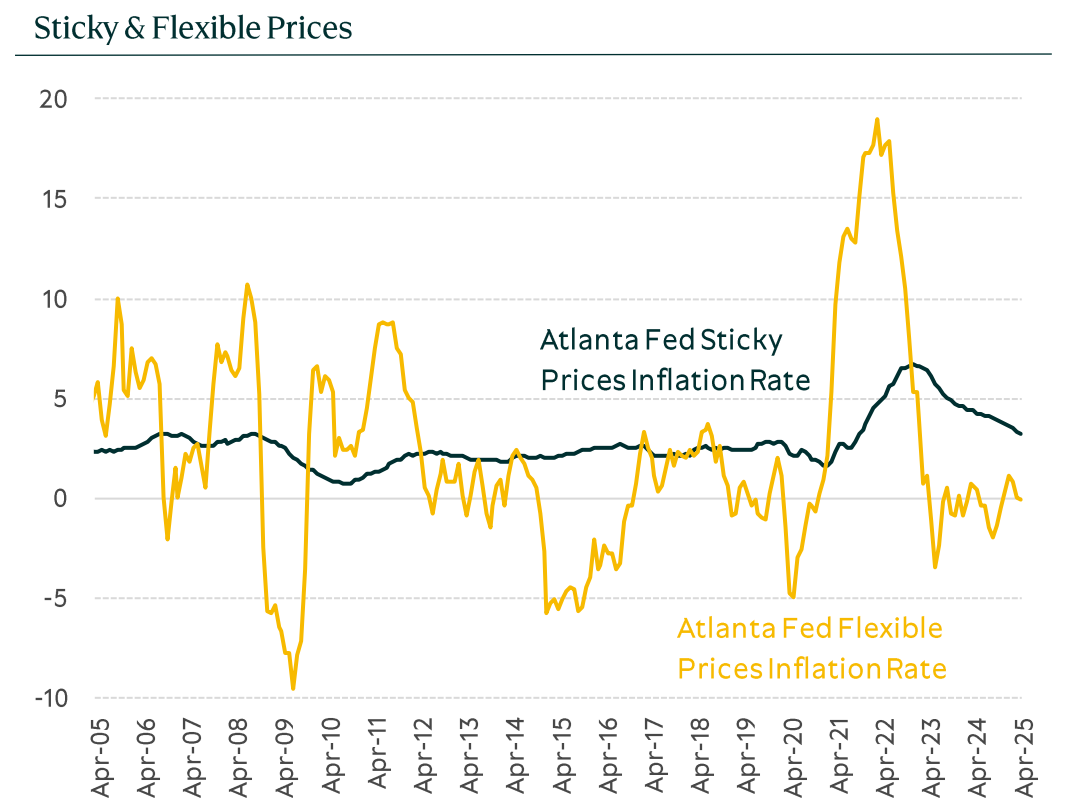
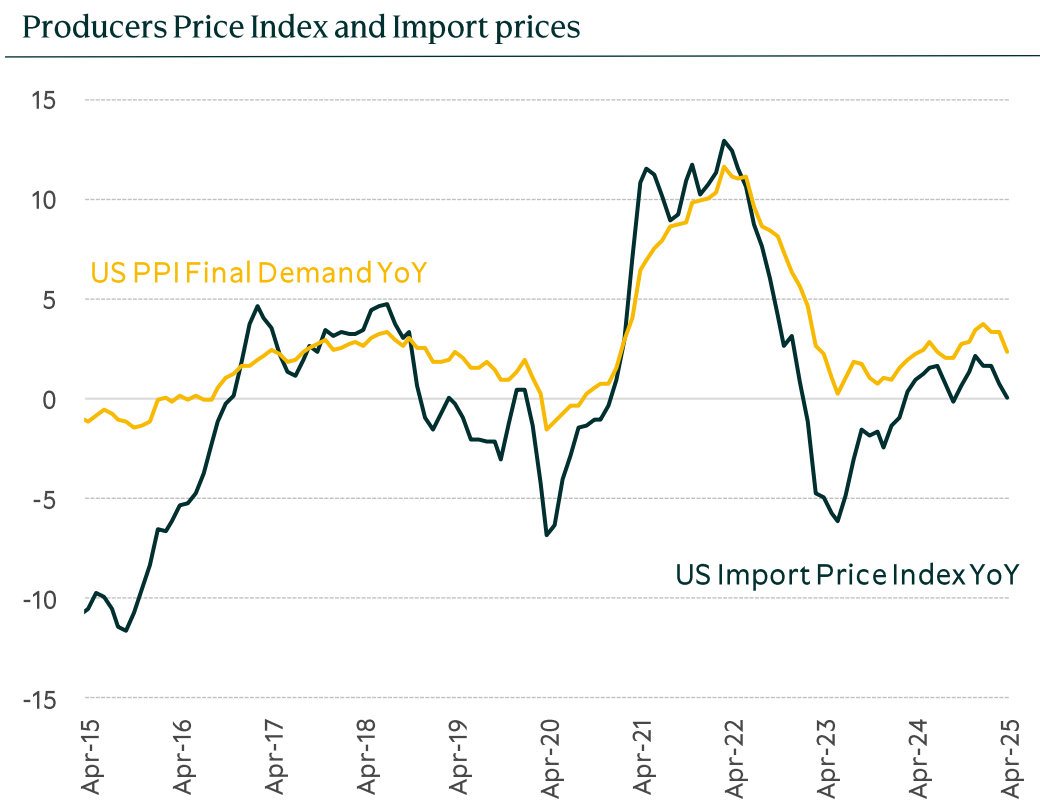
Demand & Supply in Labour Market



US Labor Market | Consumer sentiment is falling sharply although unemployment remains low. Employment costs continue to gradually cool further

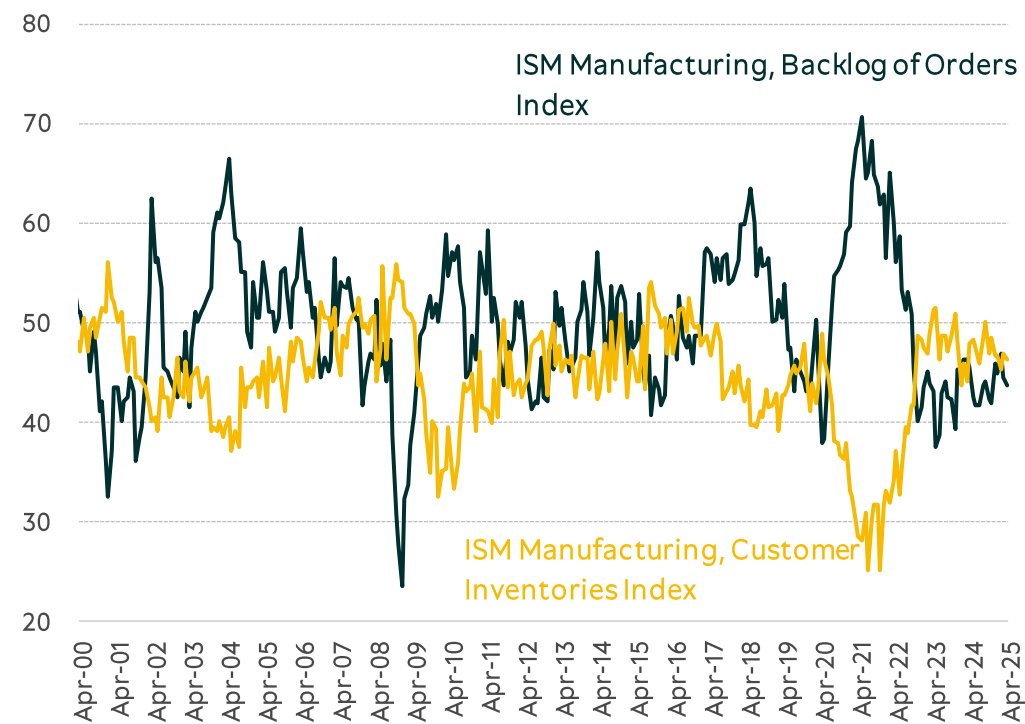


US Alternative Inflation Metrics | Inflation pressures have been limited to the sticky prices segment. Producer and import prices are rising at a slower pace

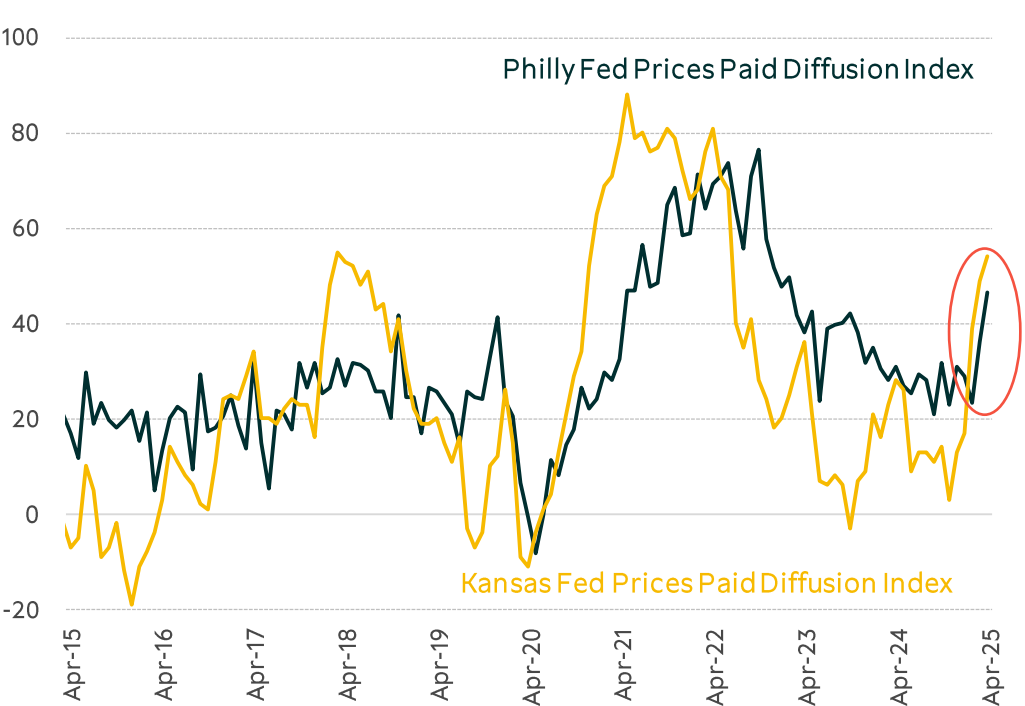


US Supply & Demand Gap | Customer inventories above Backlog of orders in April; price pressures from regional Feds' surveys have risen significantly

Backlog of Orders & Customer Inventories Relation

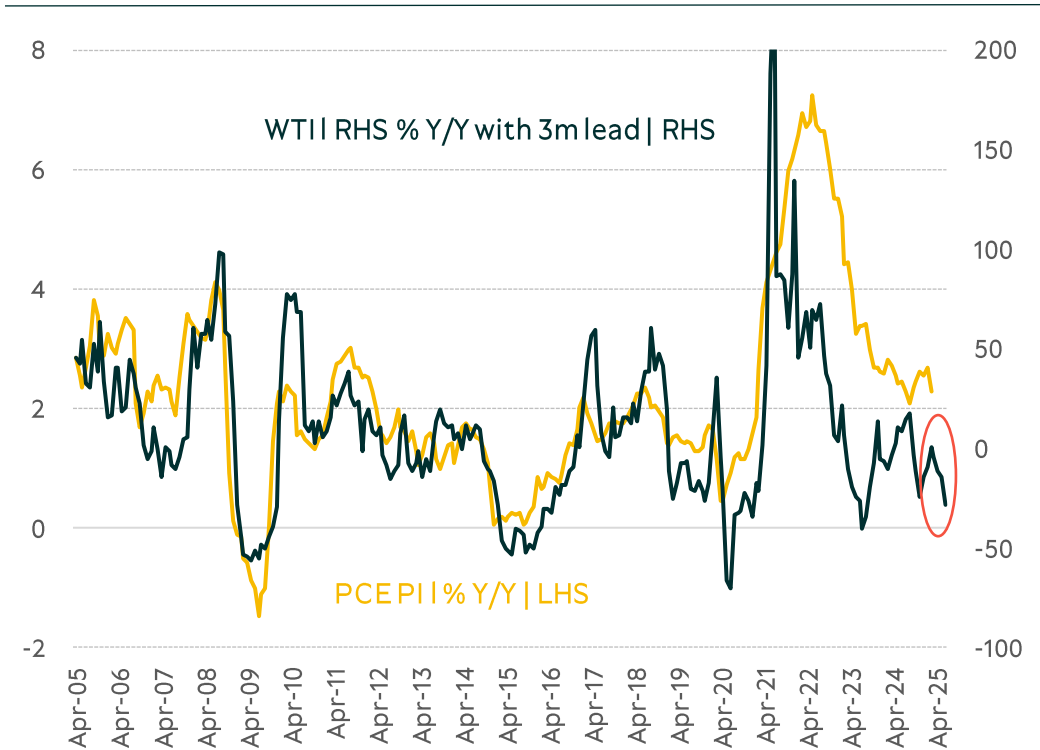


Leading Prices Indicators

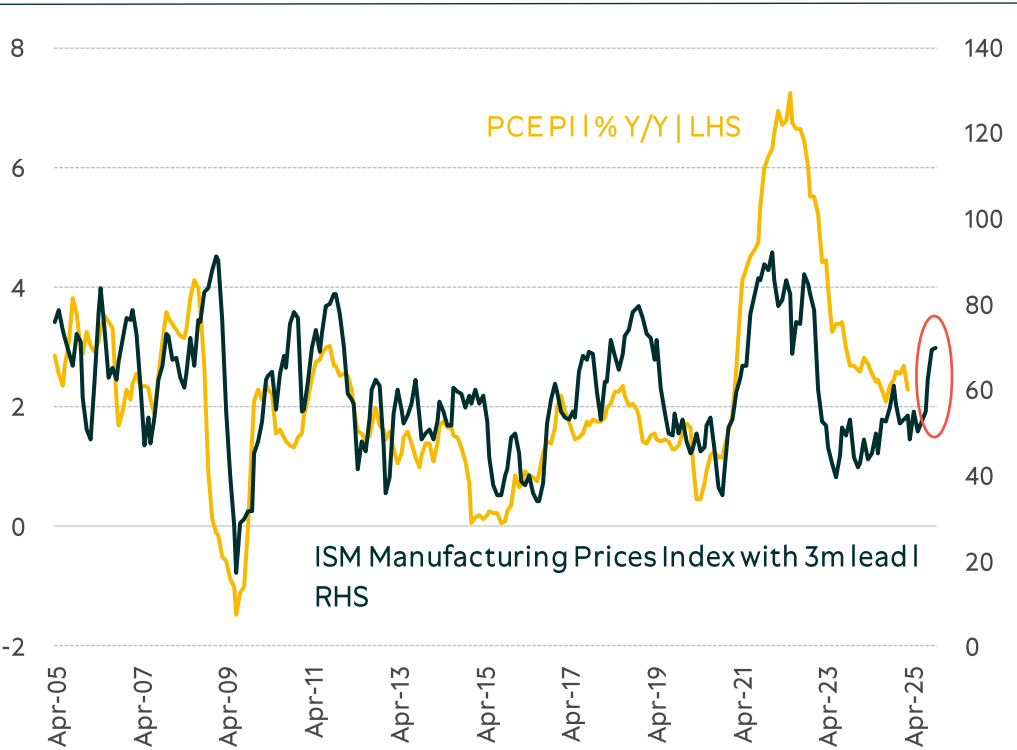


US Inflation & Energy Prices | Leading price indicators are mixed. Energy is supportive but the Manufacturing Price Paid component remains a headwind

Inflation Rates & Energy Prices

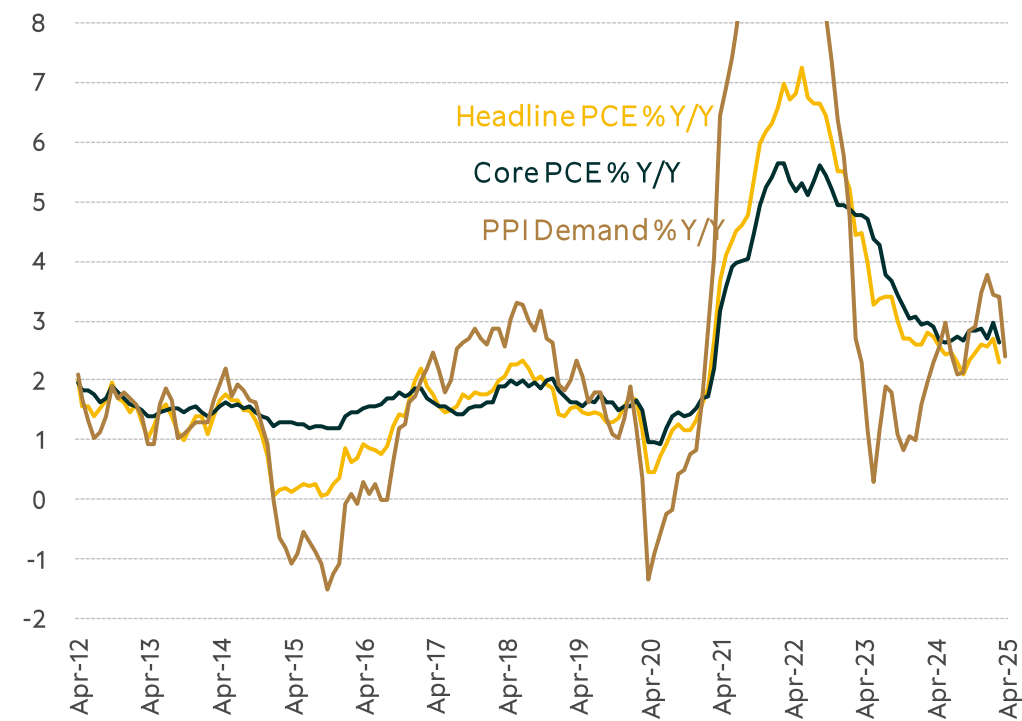


Inflation Rate & Leading Prices Indicator

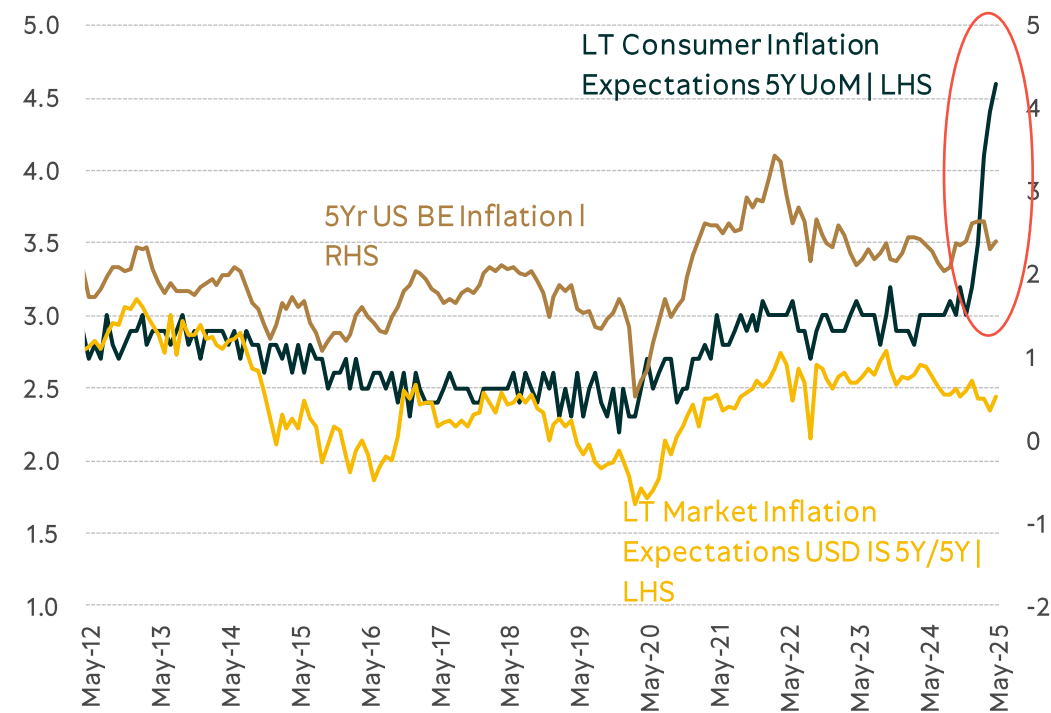


US Headline & Core Inflation | Inflation rate remains above Fed's target. Long-term market inflation expectations near 2.5%. Consumer expectations much higher (at 4.6%)

Inflation Rates

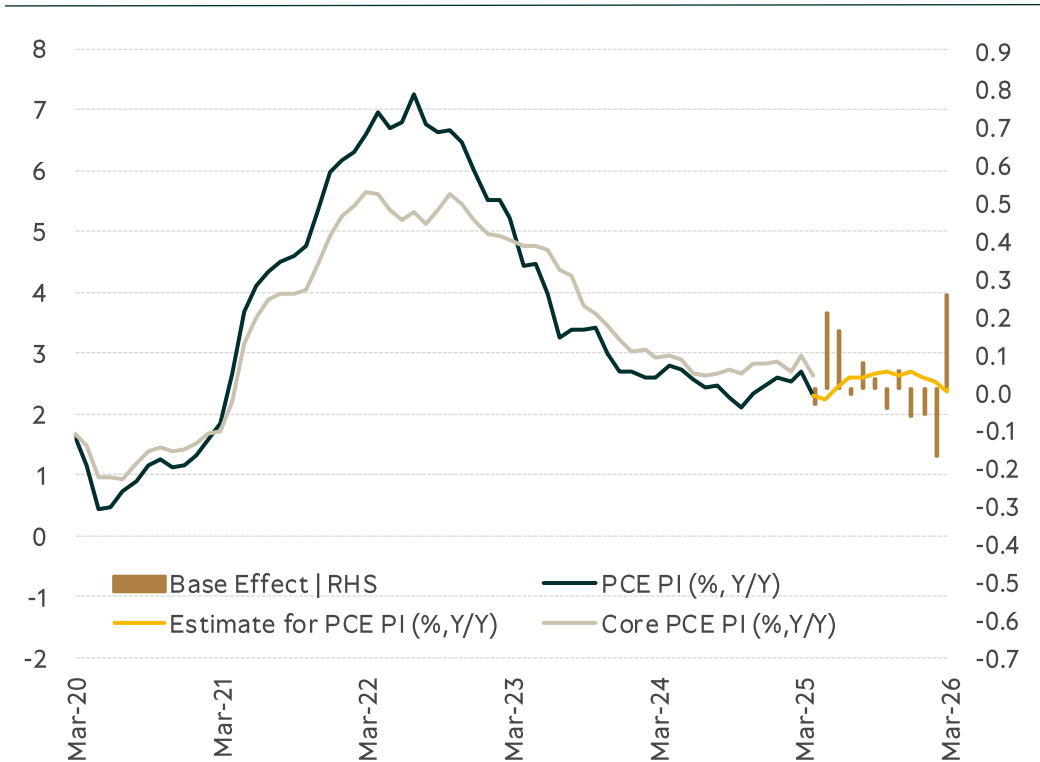


Long-Term Inflation Expectations

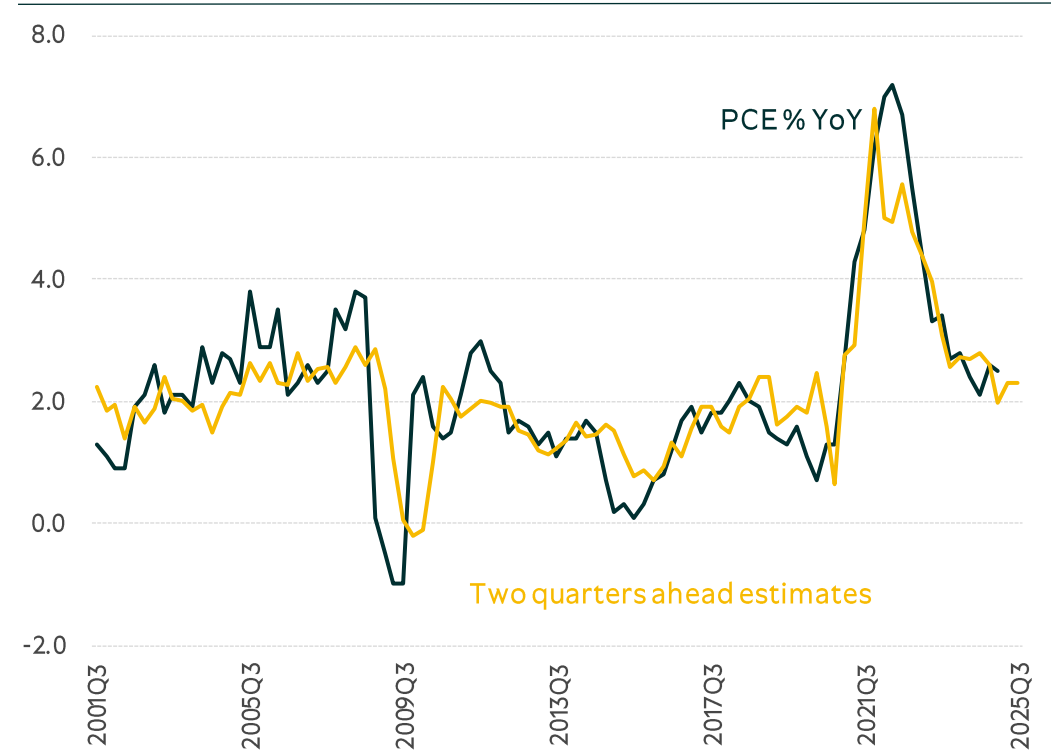


US Inflation Outlook | Favorable base effects are likely to remain in place in April, but both our models point to inflation above 2.5% for 2025

Inflation Rate Forecast | Statistical Model

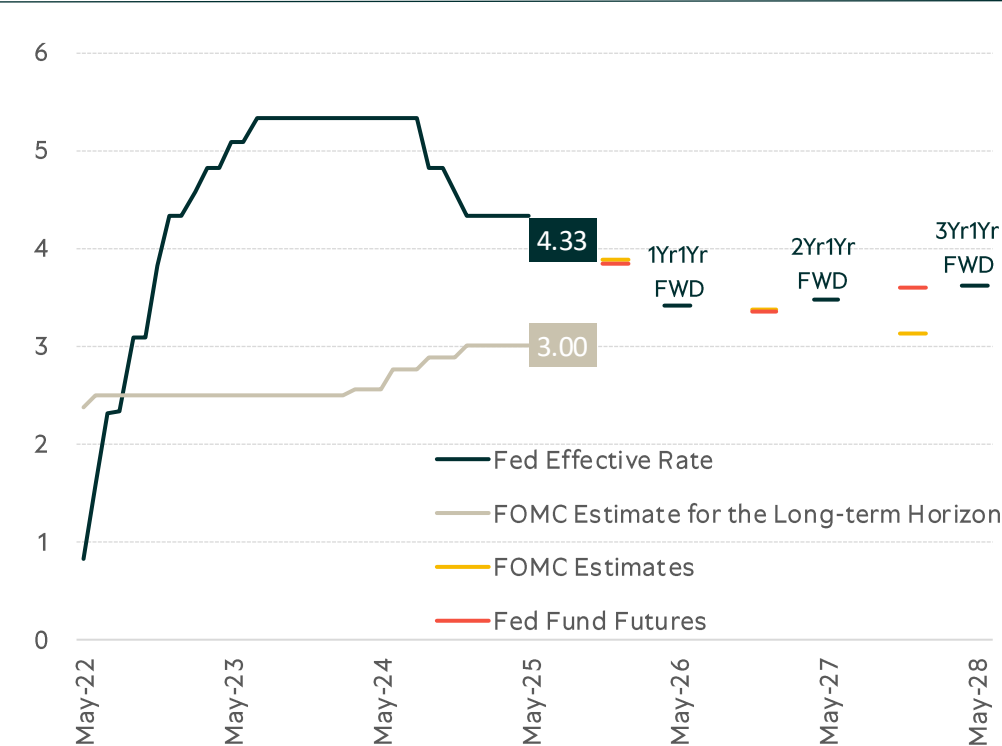


Inflation Rate Forecast | Macro Model

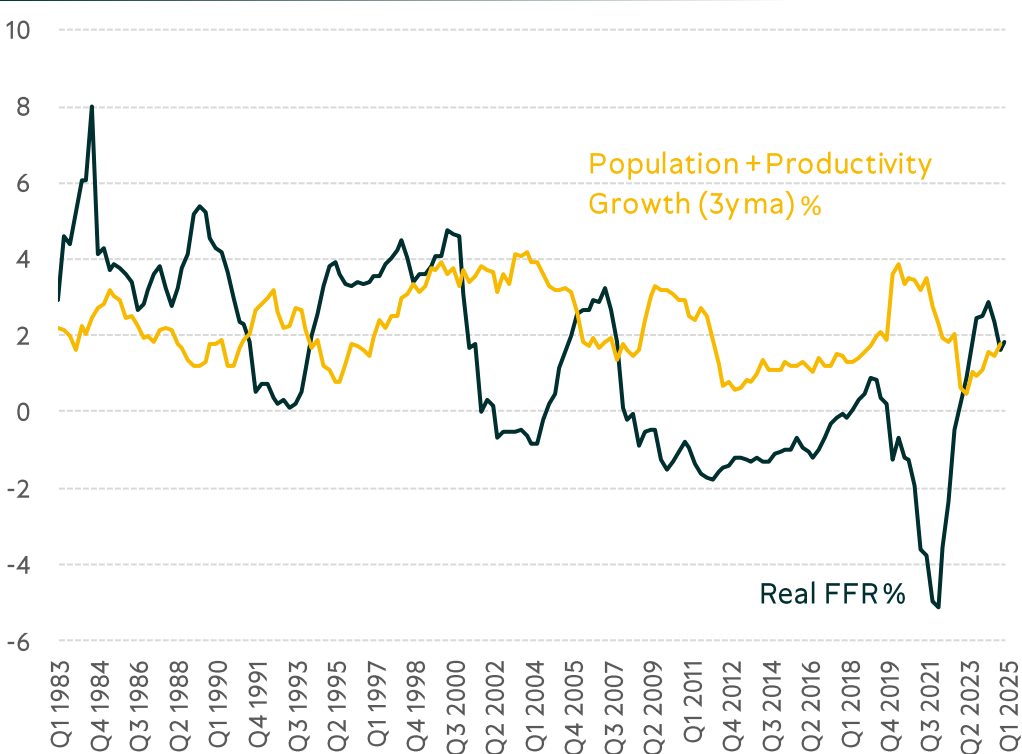


US Interest Rates | Forward rates are above FOMC's long-term target

Interest Rates | Fed Effective Rate

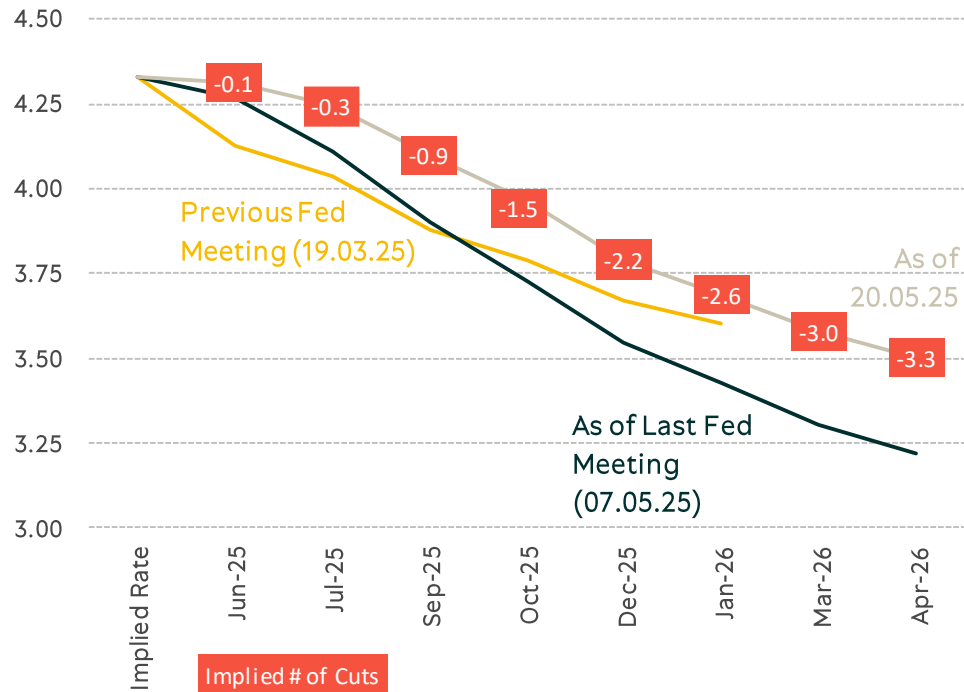


Real FFR (FFR – Core PCE) & Population + Productivity growth (3y ma)

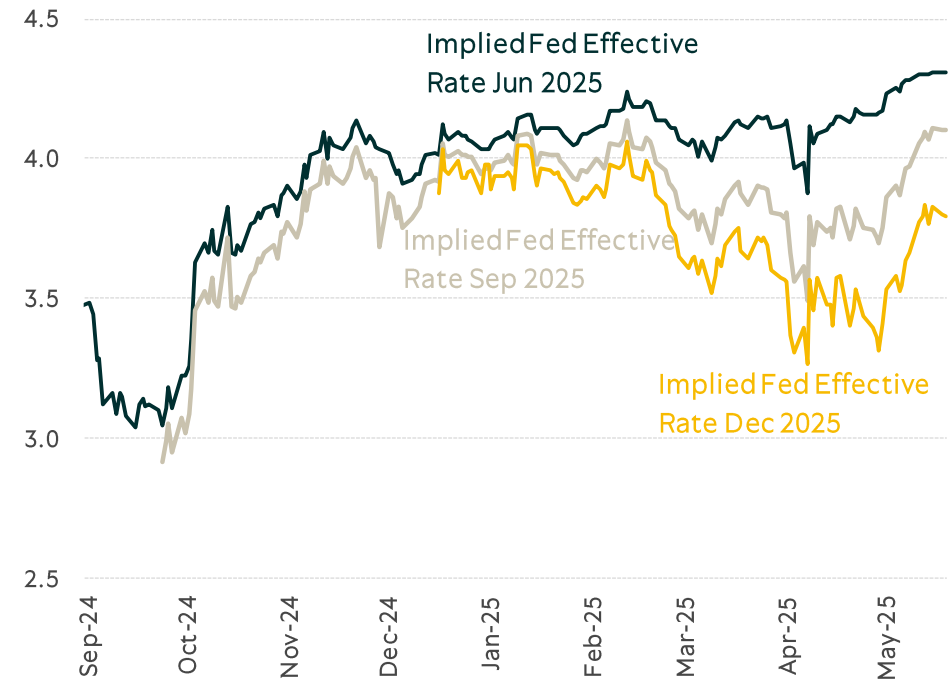


US Interest Rates | A less aggressive rate cut trajectory is now anticipated by the markets on signs of tariff de-escalation between the US and China

Implied Overnight Rate based on Overnight Index Swaps

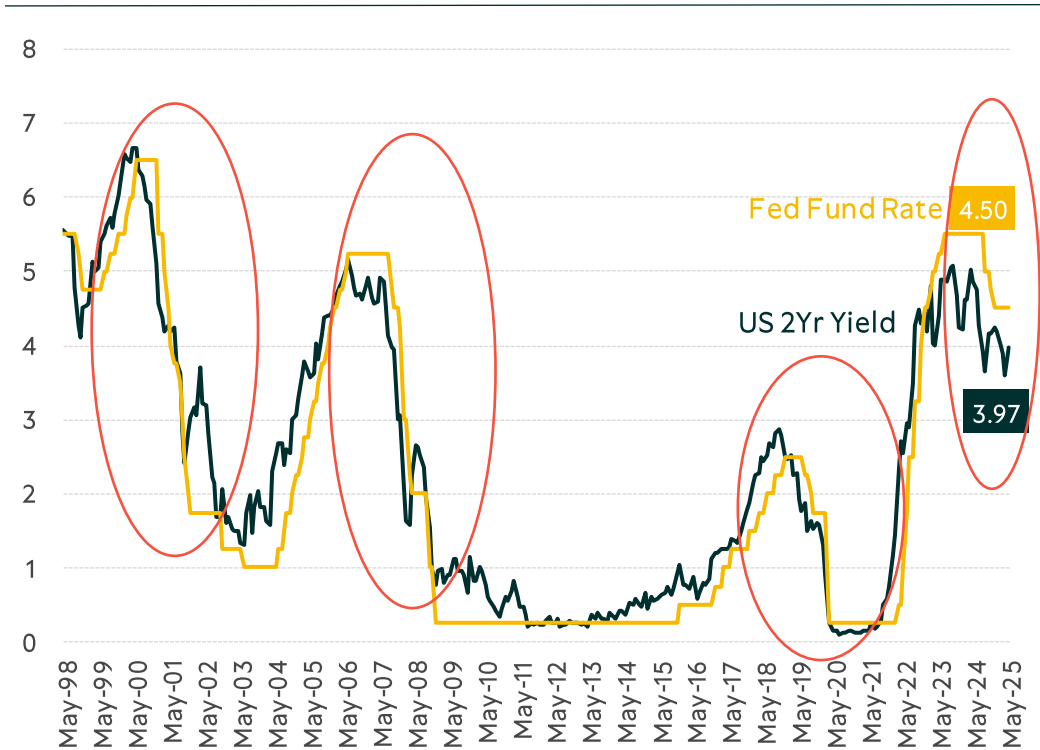


Interest Rates | Implied Fed Effective Rate



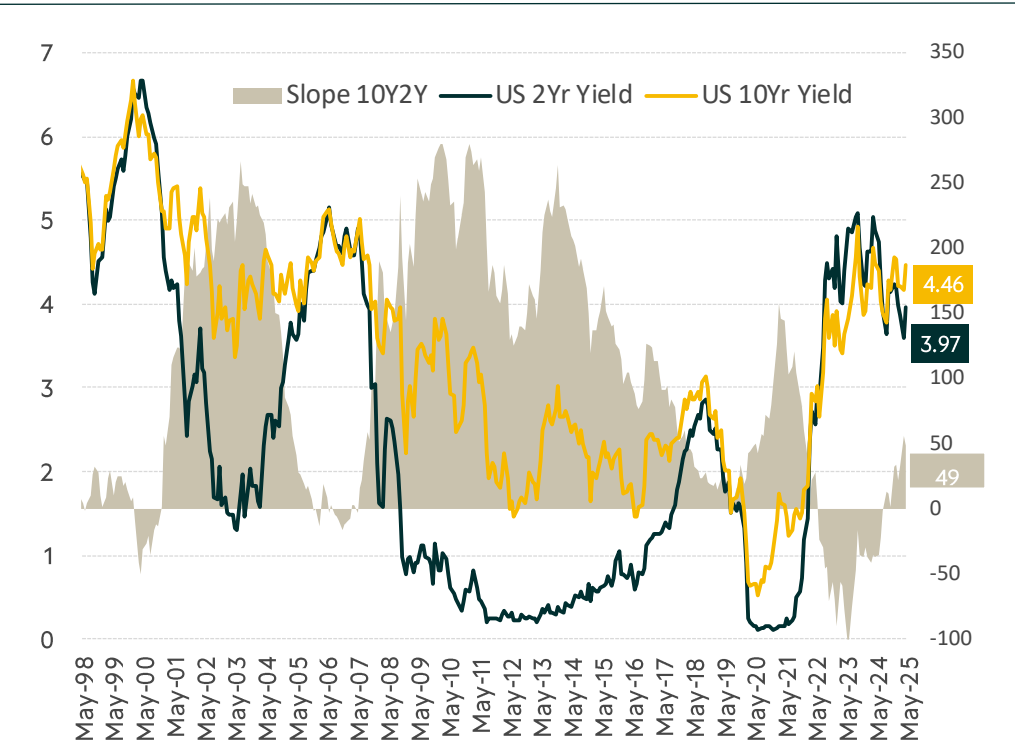
US | In September, the Fed reduced its benchmark interest rate by 50 bps, followed by 25bps cuts in October and in December 2024. On Hold since.

Fed Fund Rate & US Treasury Yield



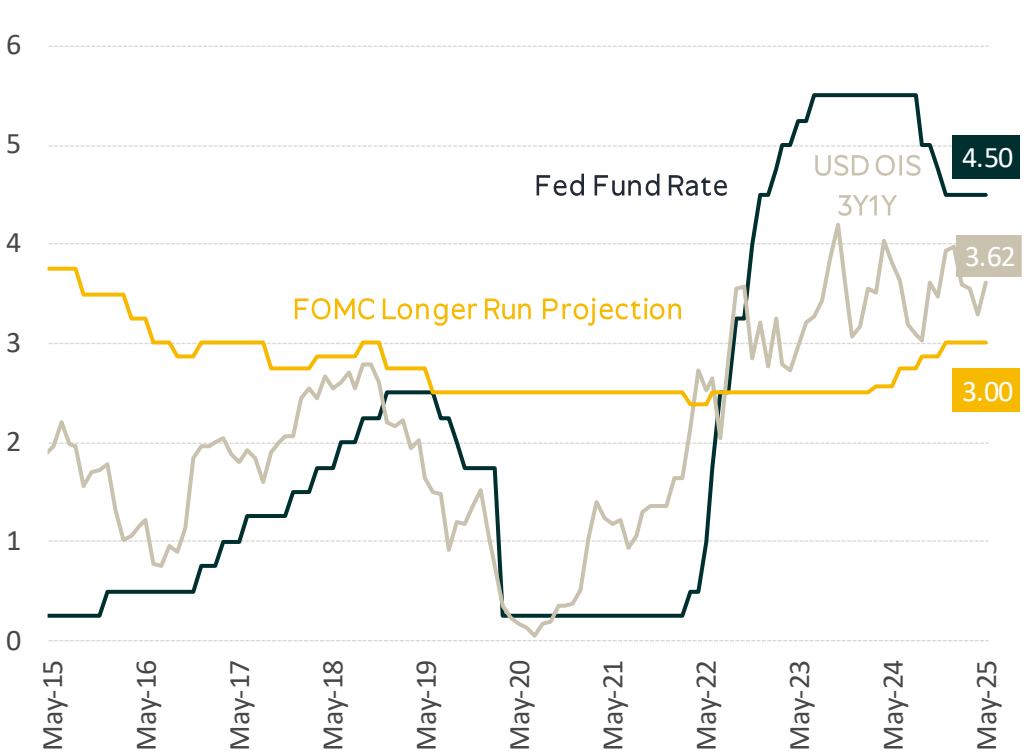
Note: Monthly data apart from the last observation which shows the latest available daily value

US Yield Curve



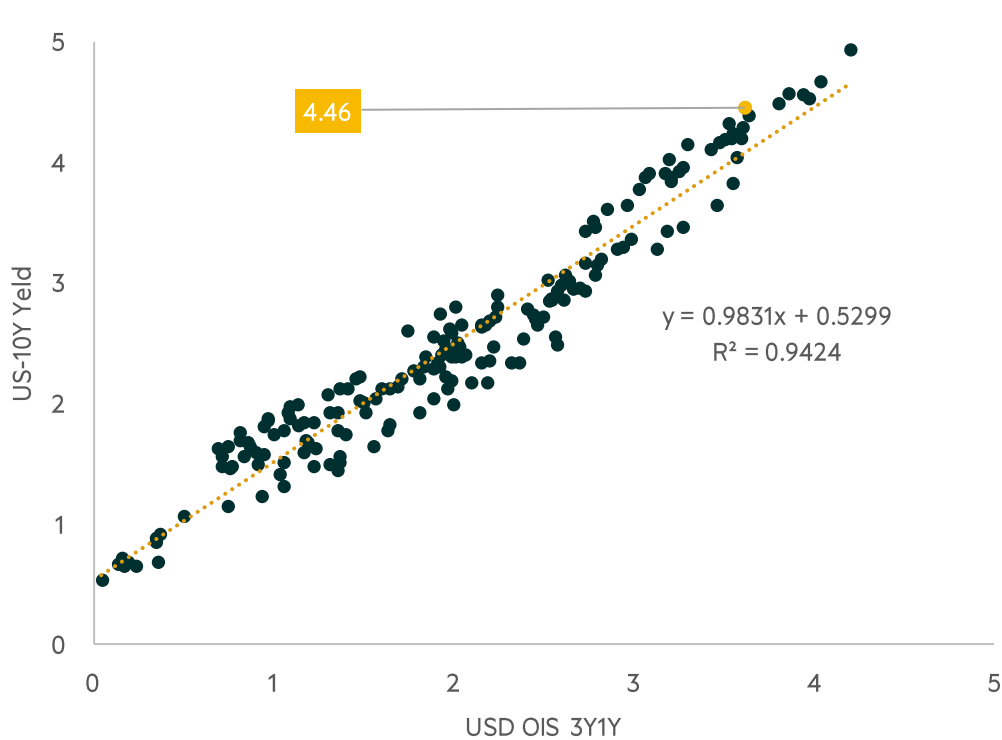
US Long-Term Rates | Short-term rates 4 years in the future remain above target (3%). 10- year rates above “fair” value given the current level of short-term rates.

LT Interest Rate Expectations



Note: Monthly data apart from the last observation which shows the latest available daily value

US Yield vs Medium-Term Interest Rate Expectations



Bird's Eye View

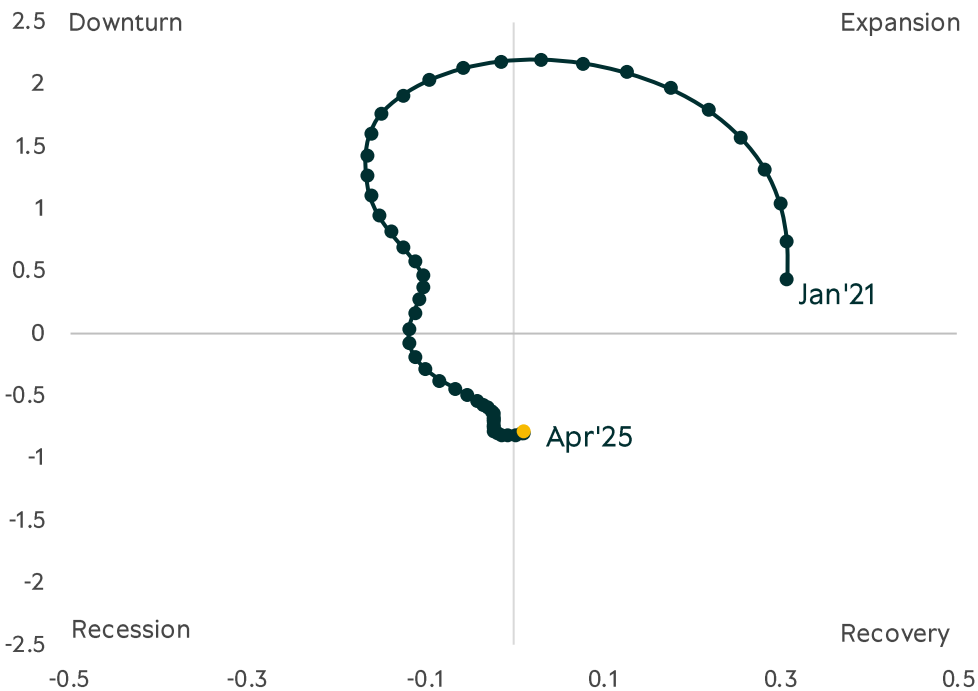
US Economy

EA Economy

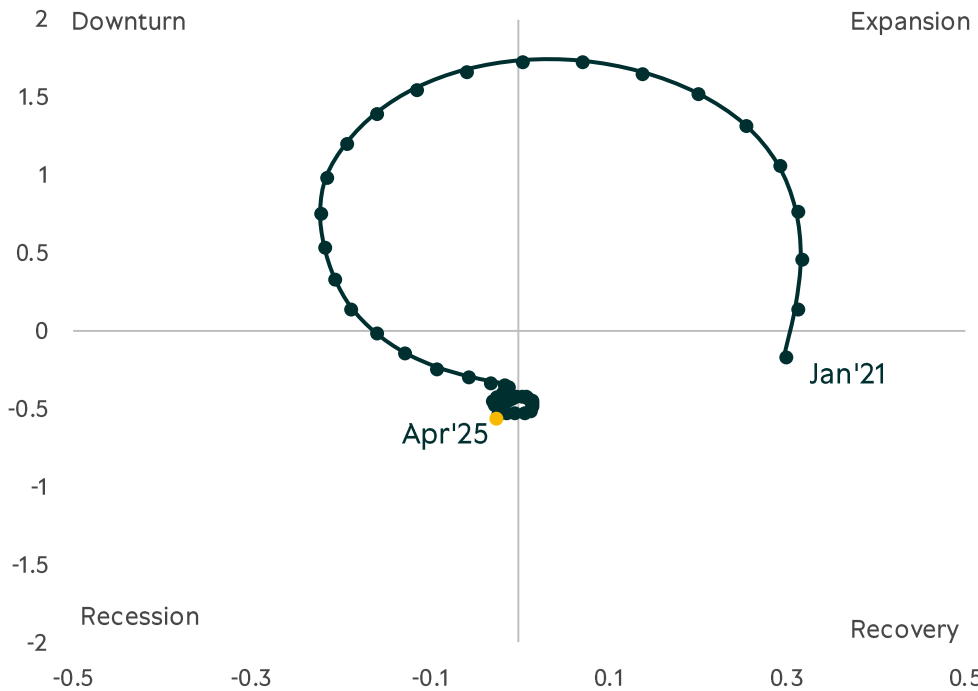
China Economy

EA Business Cycle Watch | April's economic sentiment stayed in the recession quartile, while manufacturing confidence remained in the recovery phase.

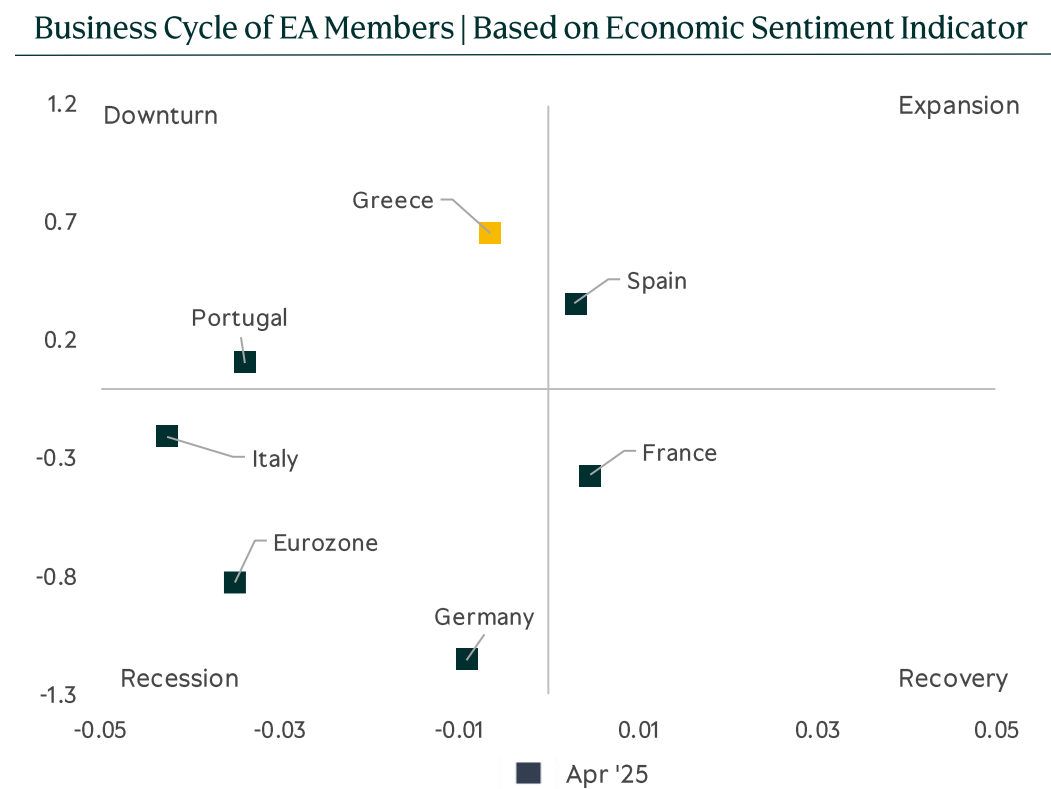
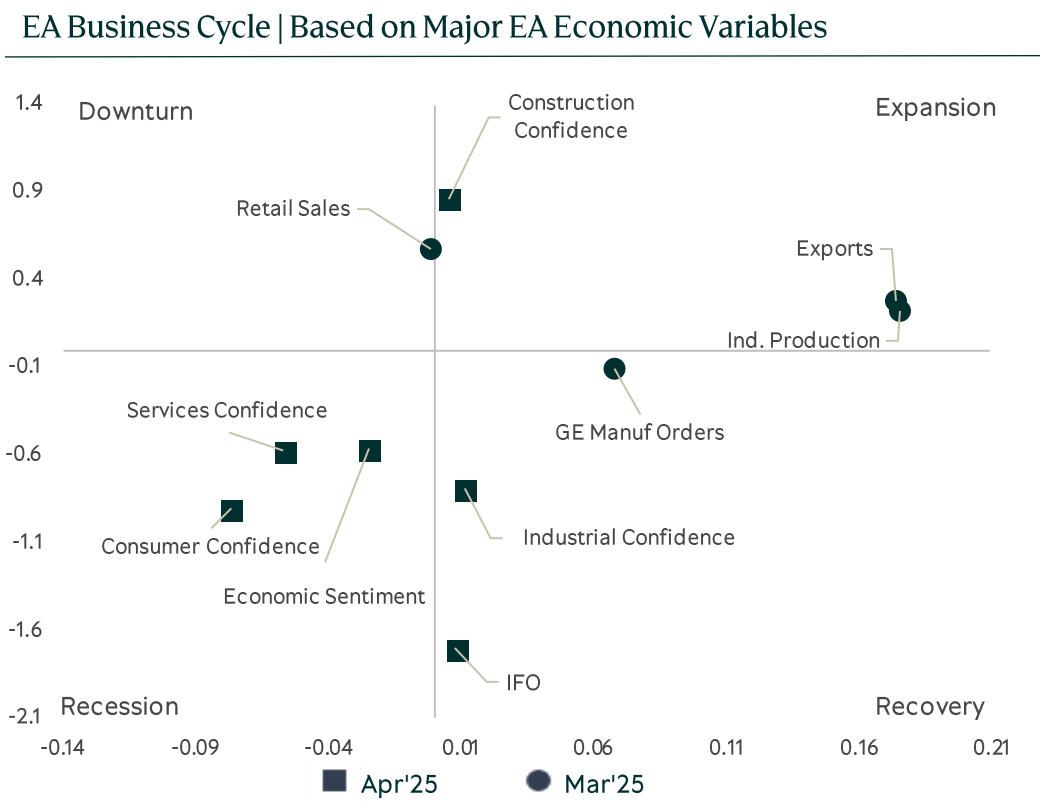
EA Business Cycle | Based on Manufacturing Confidence Indicator



EA Business Cycle | Based on Economic Sentiment Indicator

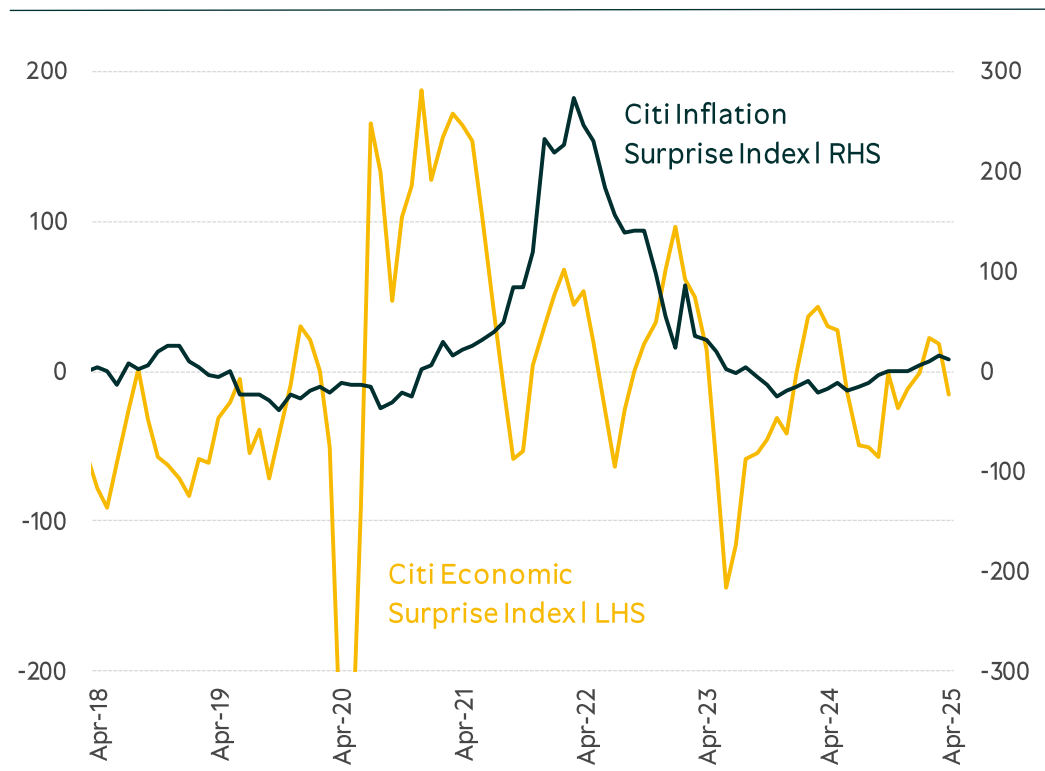


EA Business Cycle | Mixed signals are observed among the major economic variables but also on country level

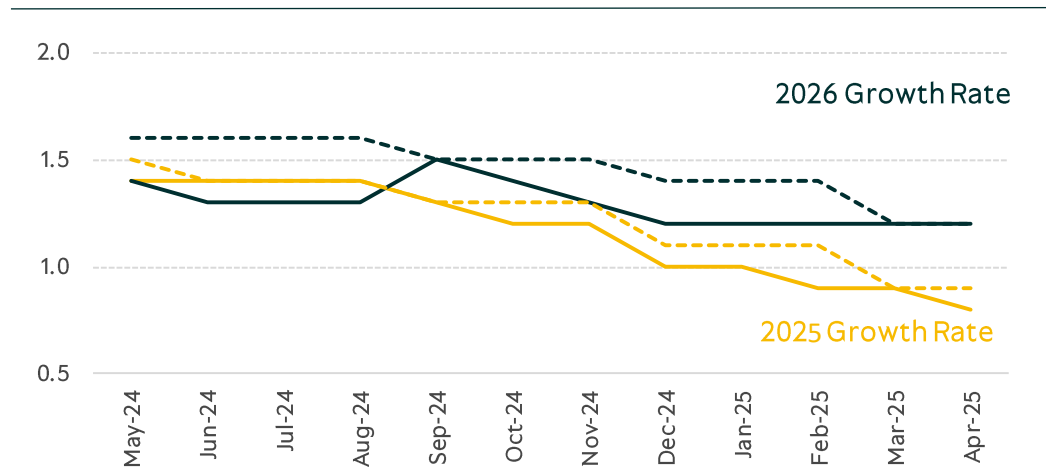


EA Macro Expectations | Economic surprises turned negative in April. The consensus expect a “traditional” slowdown in the EA.

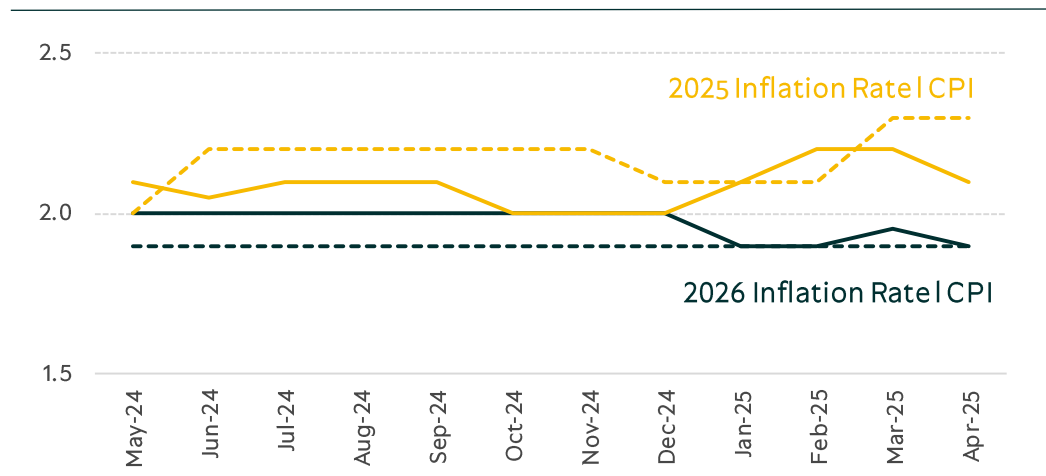
Economic & Inflation Surprises



Growth Rate Expectations*

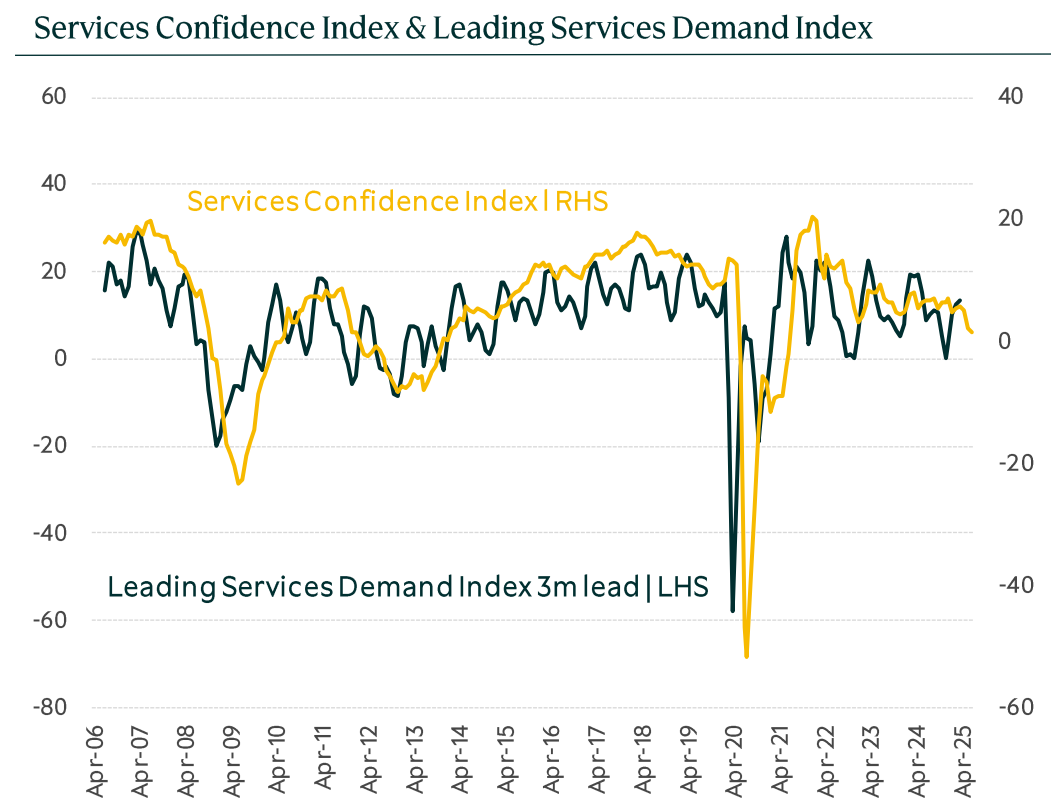
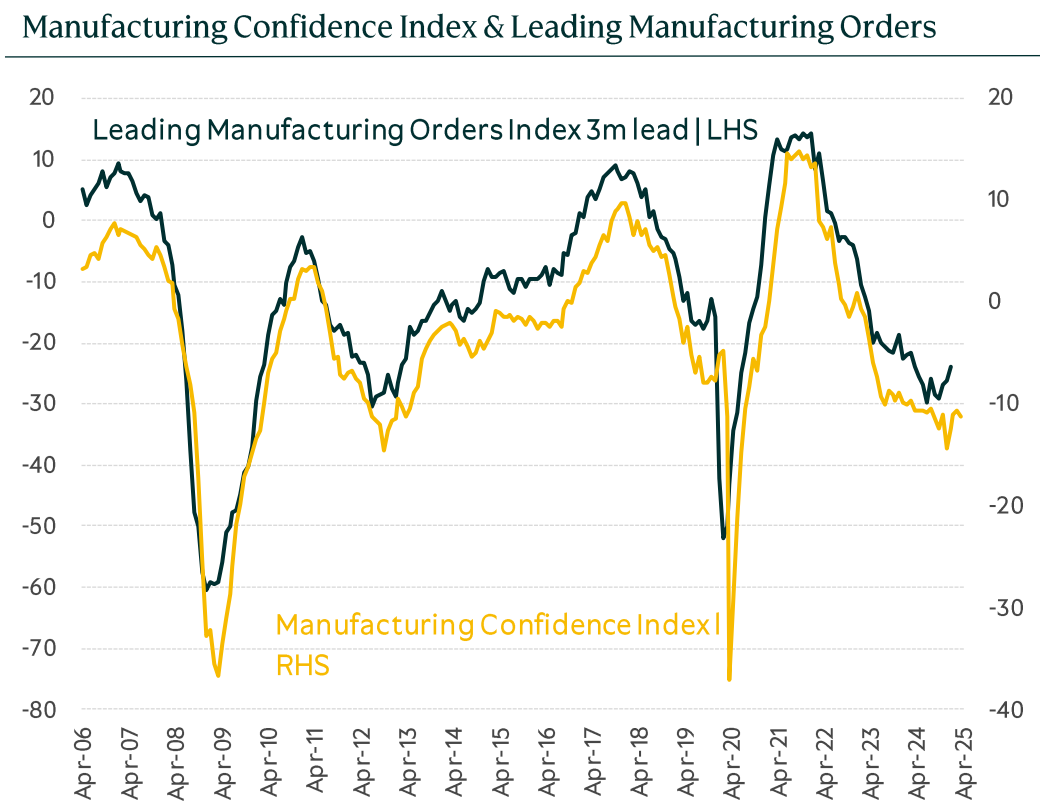


Inflation Rate Expectations*



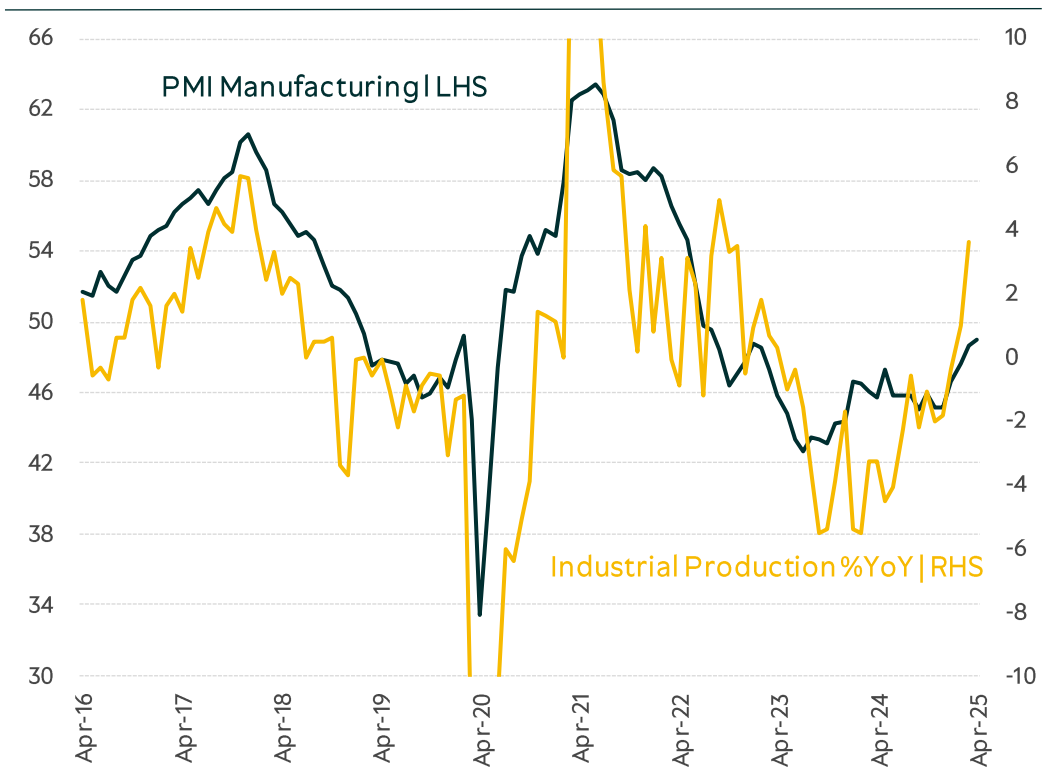
*Solid line: Consensus; Dotted line: ECB projections

EA Leading Indicators | Manufacturing indicators in marginal upturn. Demand on Services shows signs of stabilisation

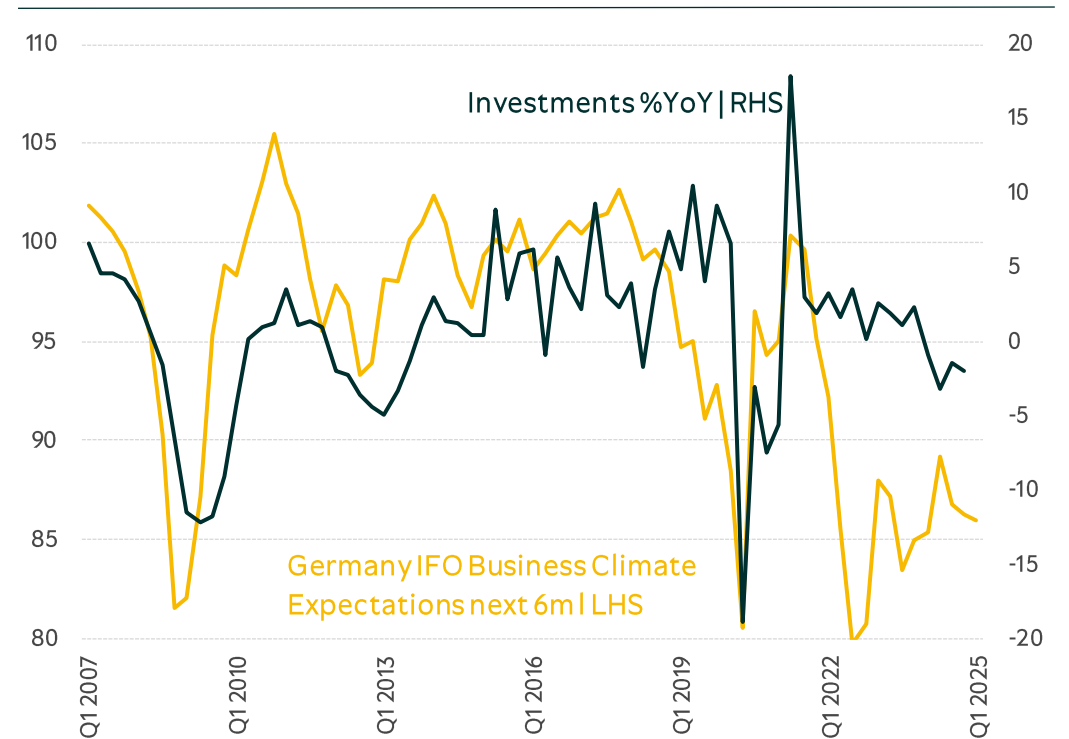


EA Business Conditions | The Manufacturing Leading indicator showed further improvement in April, so did industrial production with an impressive annual increase in March by 3.6%. Business investments slow down.

Industrial Production YoY vs PMI Manufacturing

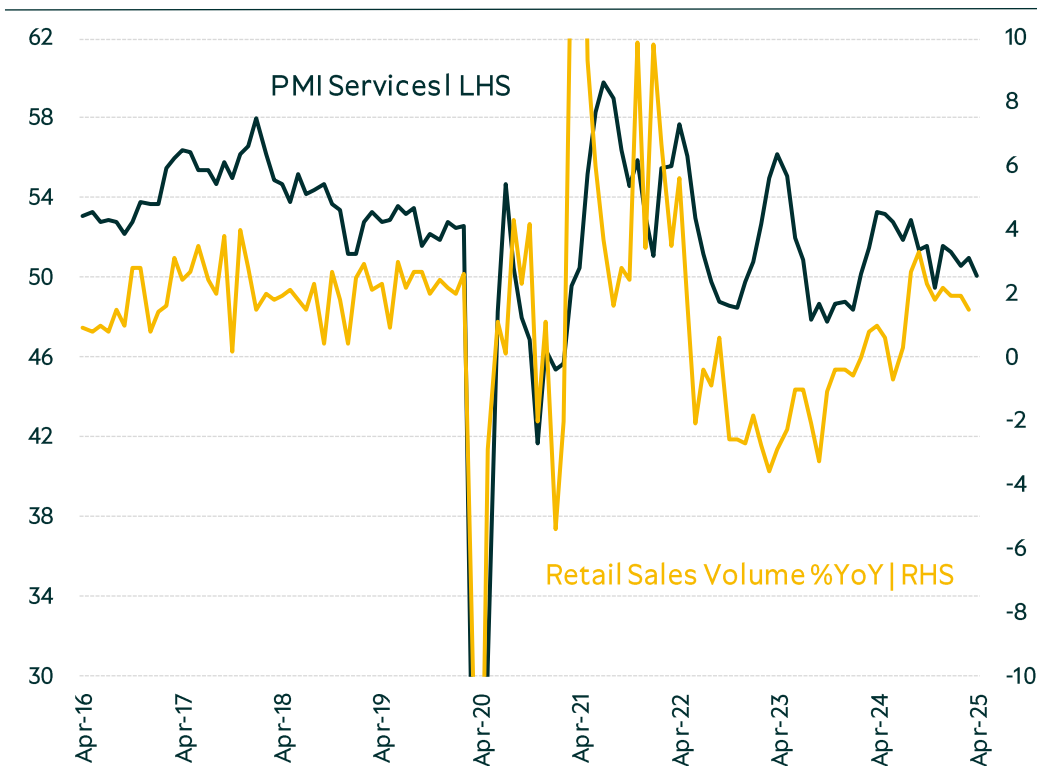


IFO Expectations & Business Investment

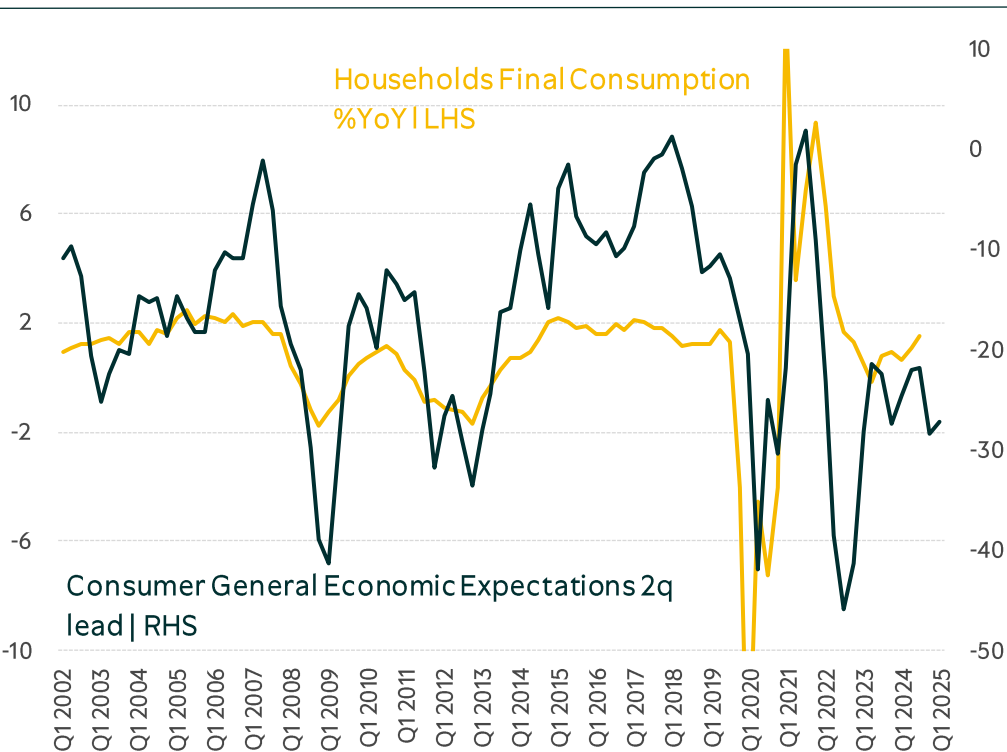


EA Business Conditions | Retail sales decelerated in March but remain a possible tailwind to EA growth. Consumers' general economic expectations over the next 12 months rebounded in Q1 2025.

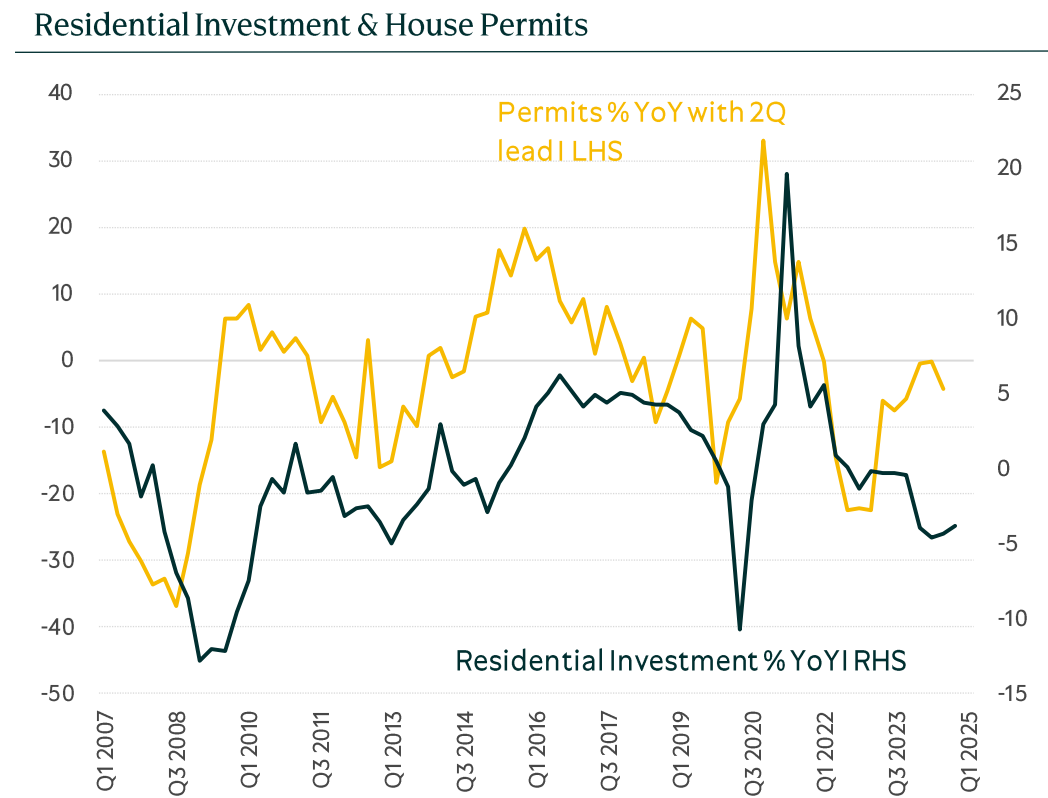
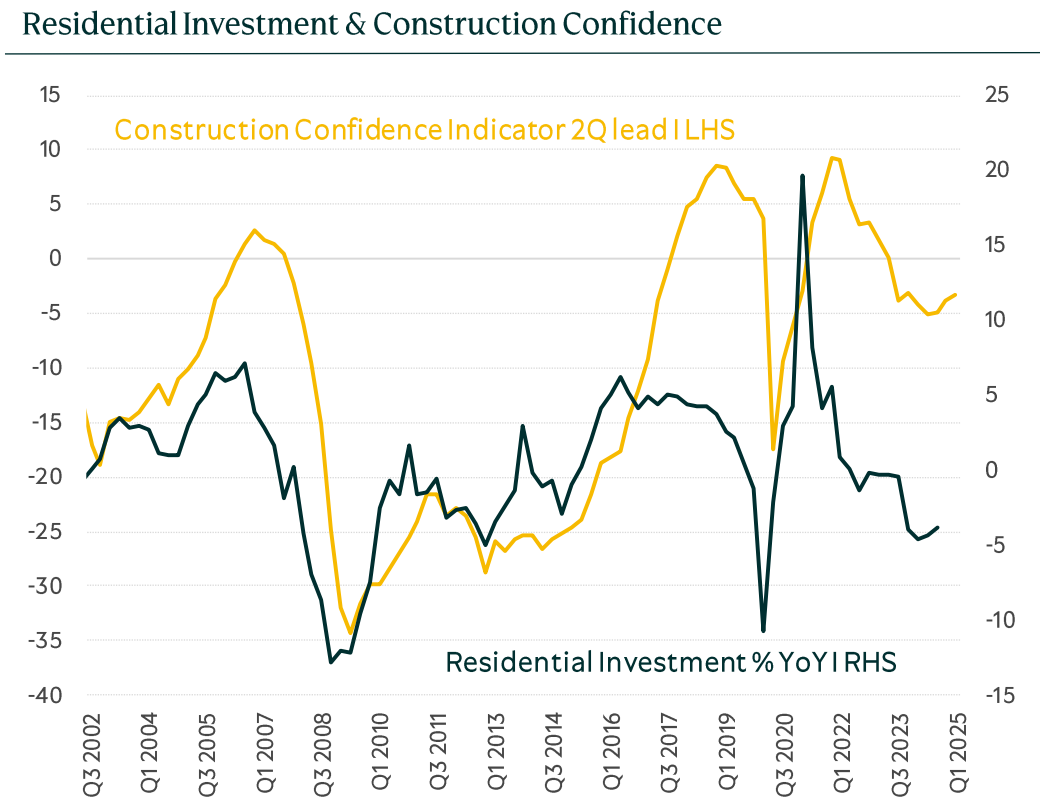
Retail Sales Volume YoY vs PMI Services



Final Consumption & Consumer Expectations Index

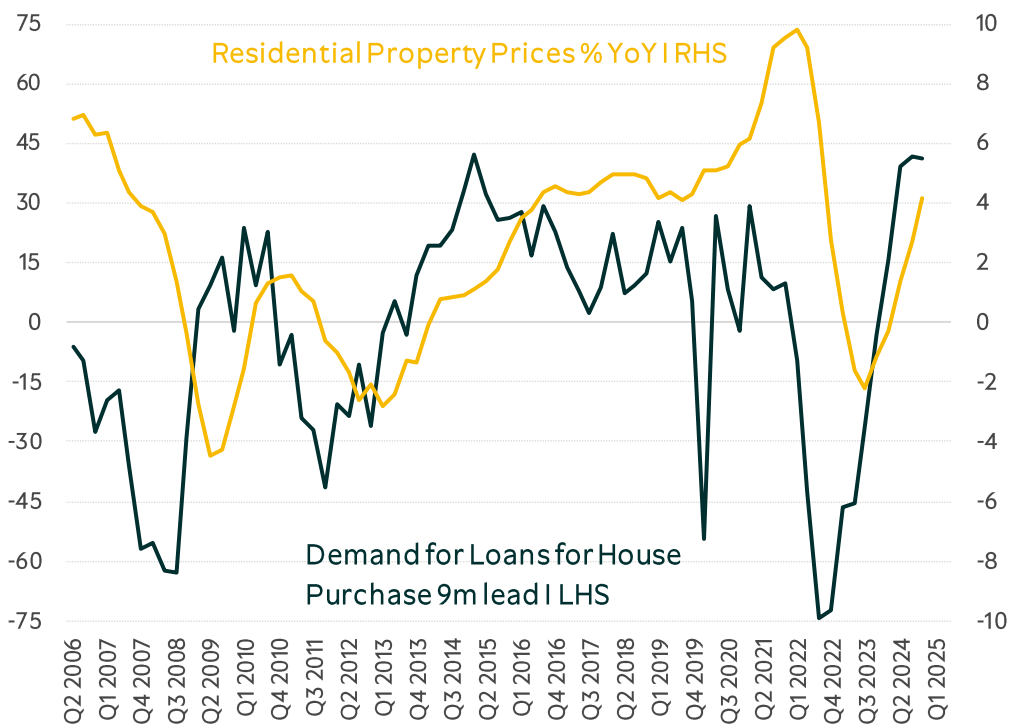


EA Construction | Residential activity gives positive signals as Construction Confidence is on an upward trend. The latest upticks in residential investments provide a glimmer of hope, though permits decelerated.

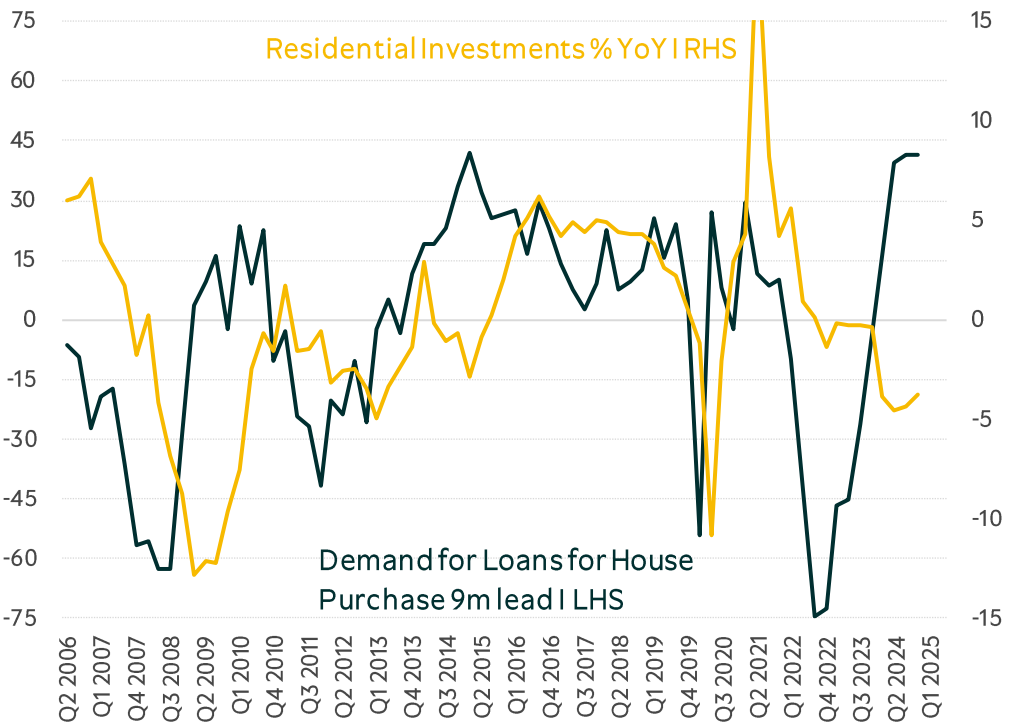


EA Construction | A pick up in investments and housing loans is expected in the coming months

Residential Property Prices & Demand for loans (9m lead)

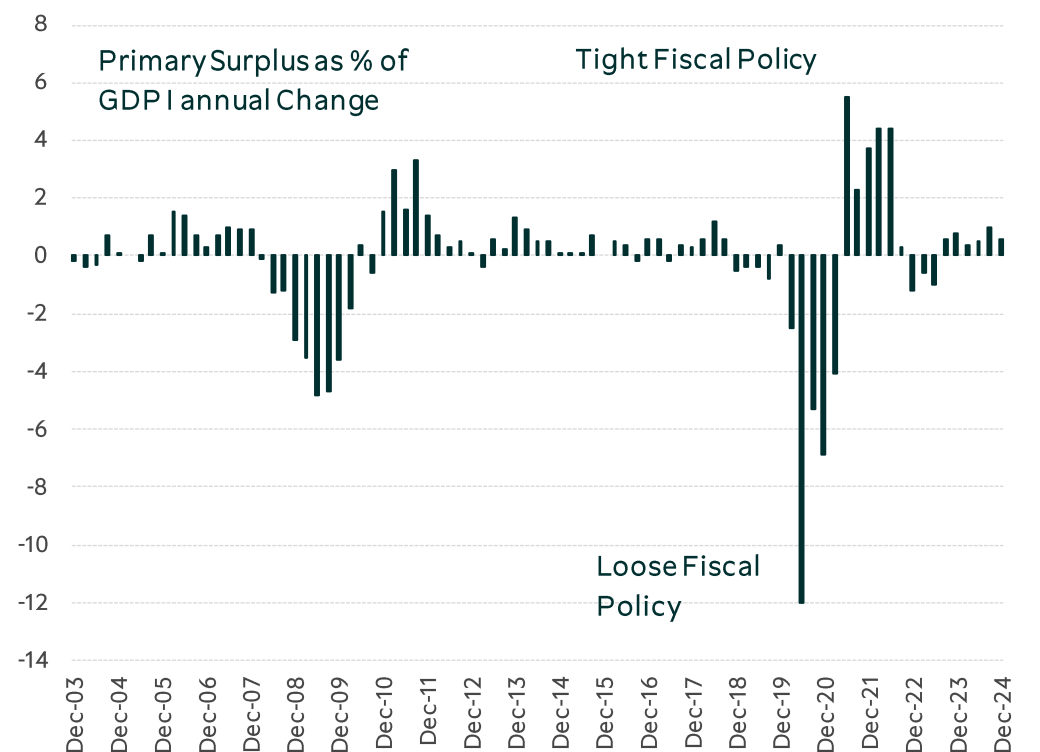


Residential Investments & Demand for loans (9m lead)

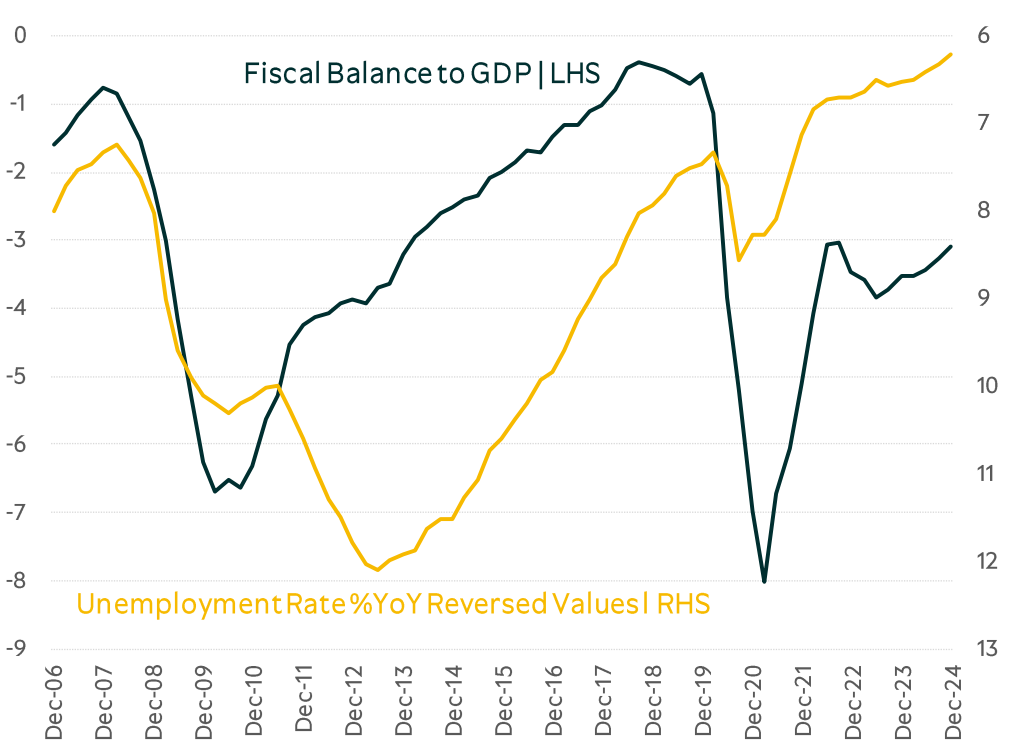


EA Fiscal Policy | Fiscal Deficit remains at low levels while the Unemployment Rate remains at a historic low

Fiscal Thrust

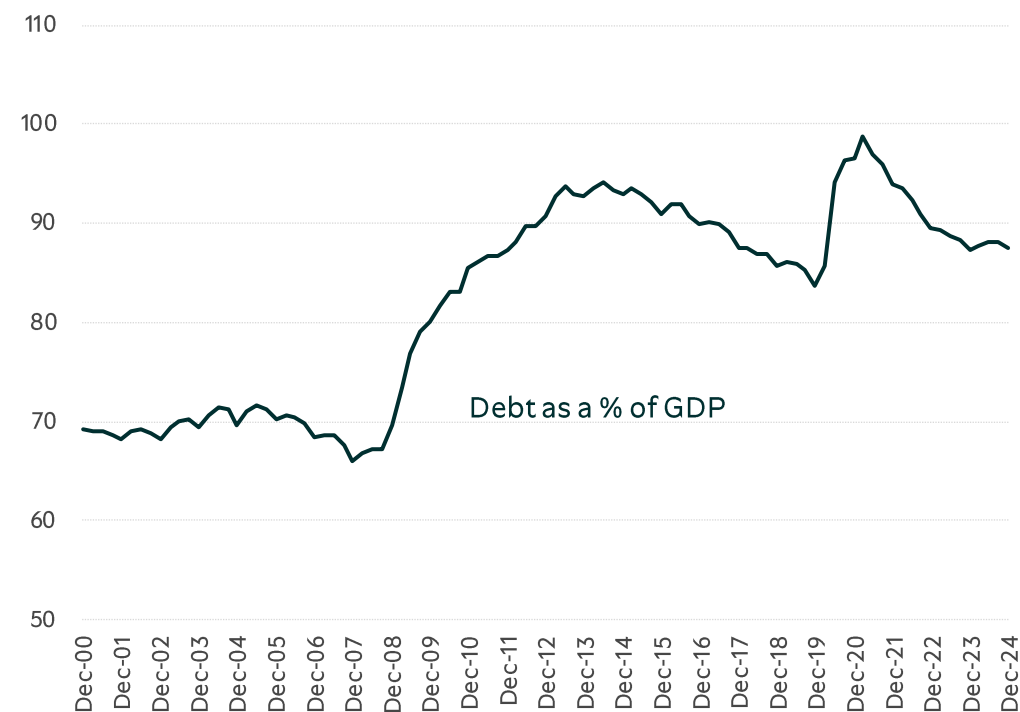


Fiscal Policy & Unemployment Rate

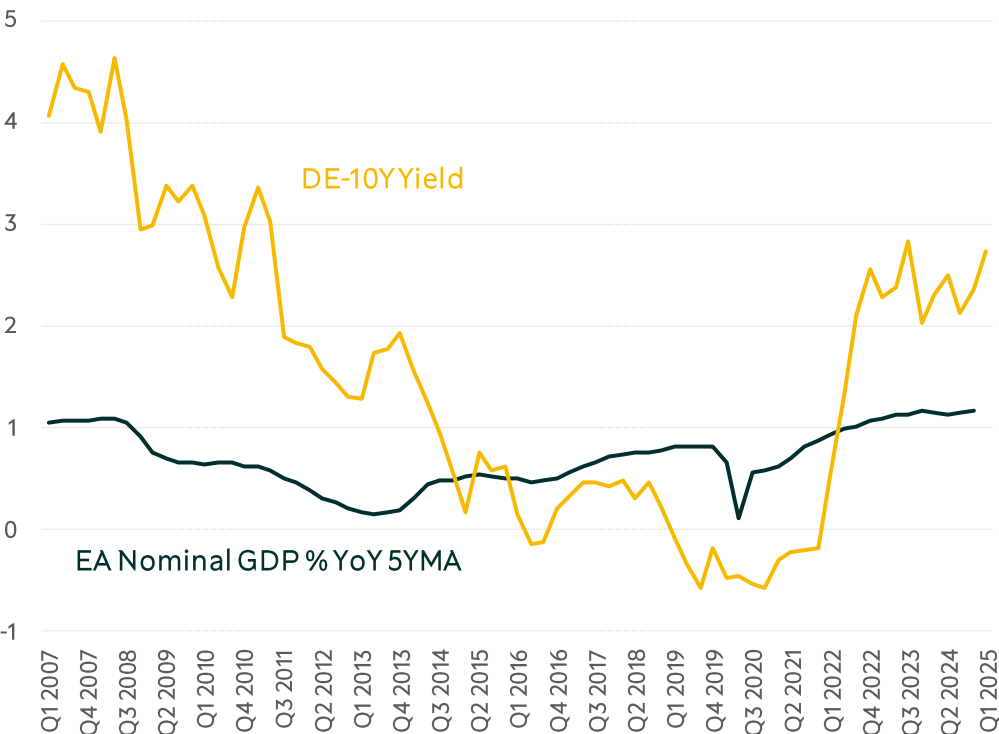


EA Fiscal Policy | Debt levels have moderated after the pandemic

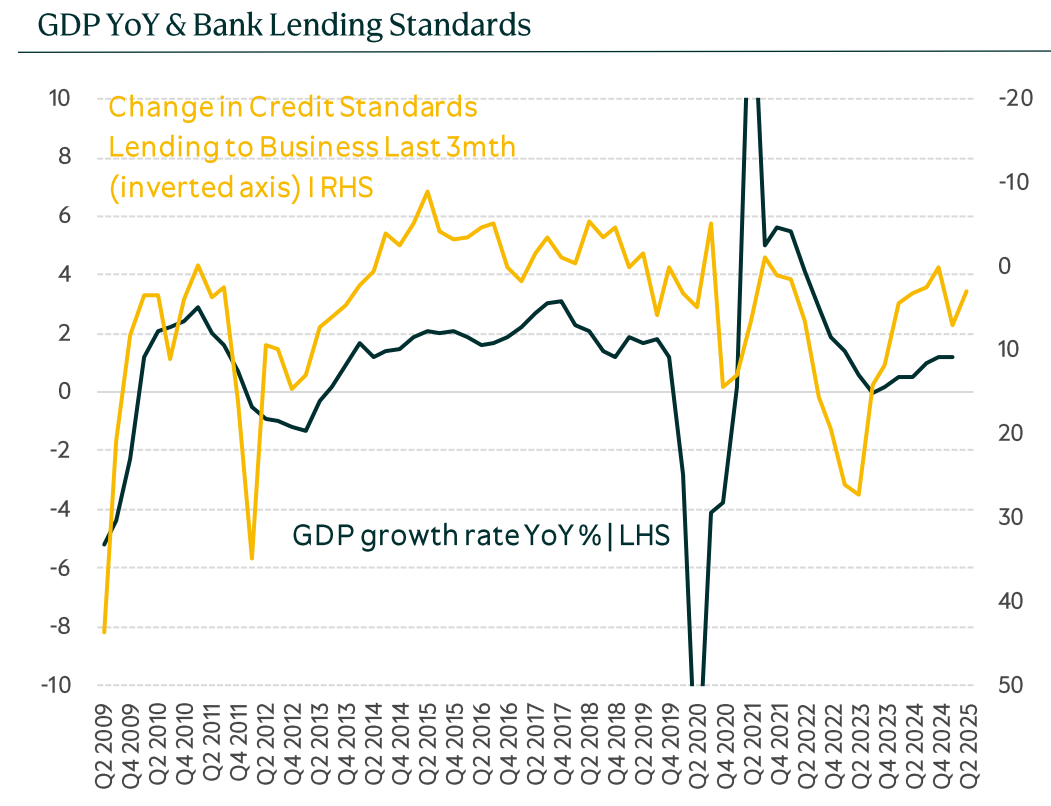
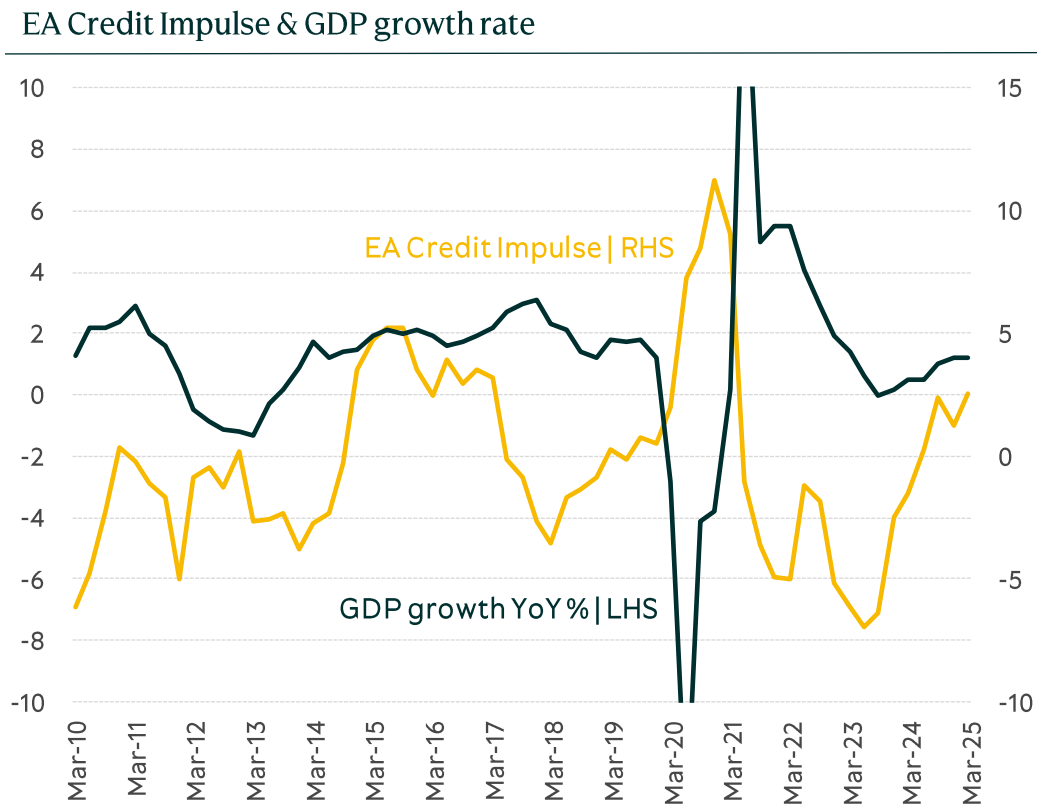
Debt / GDP



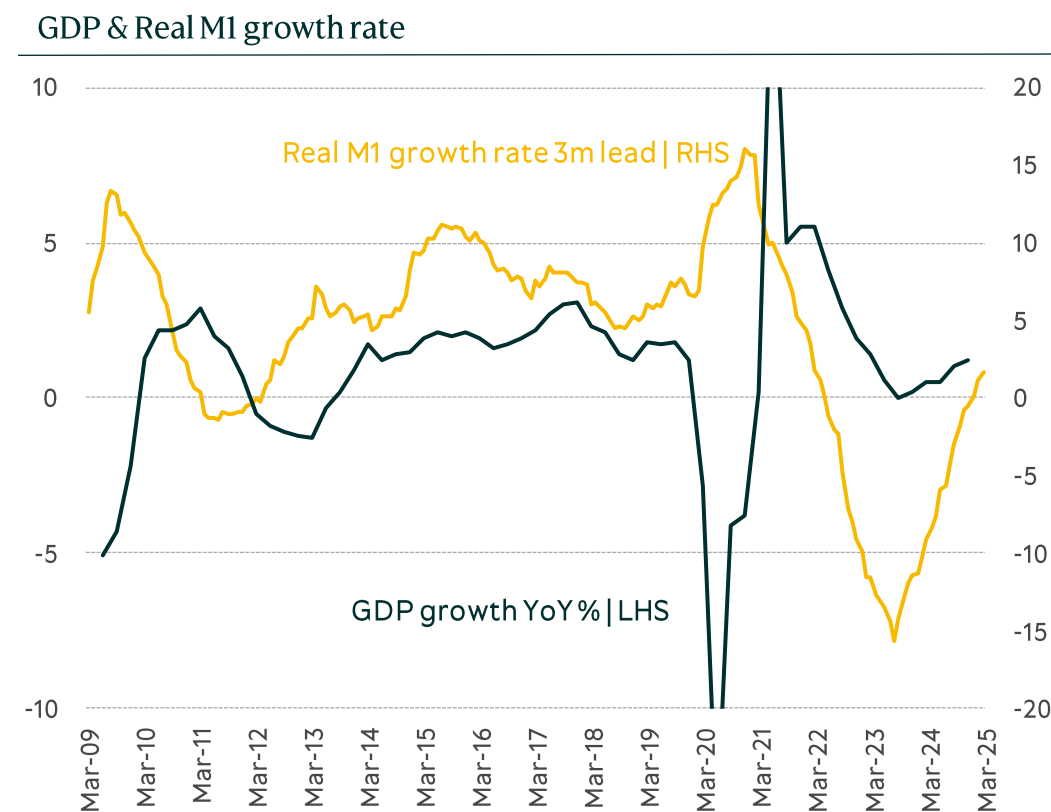
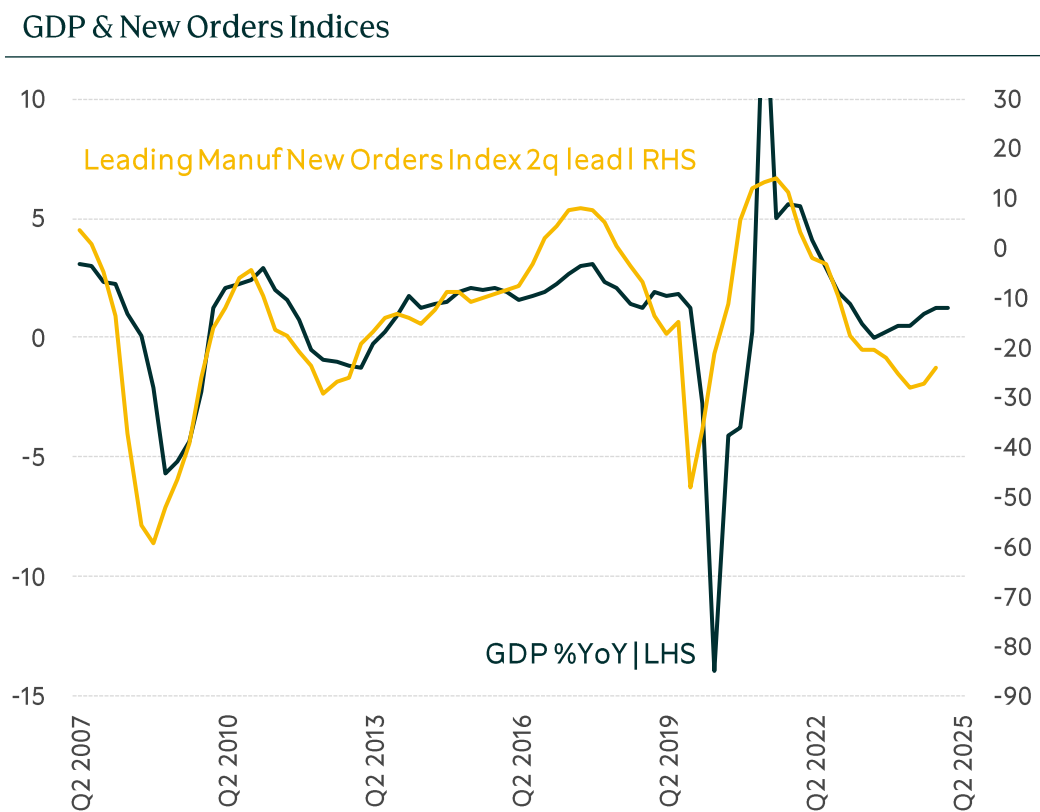
Fiscal Policy Sustainability



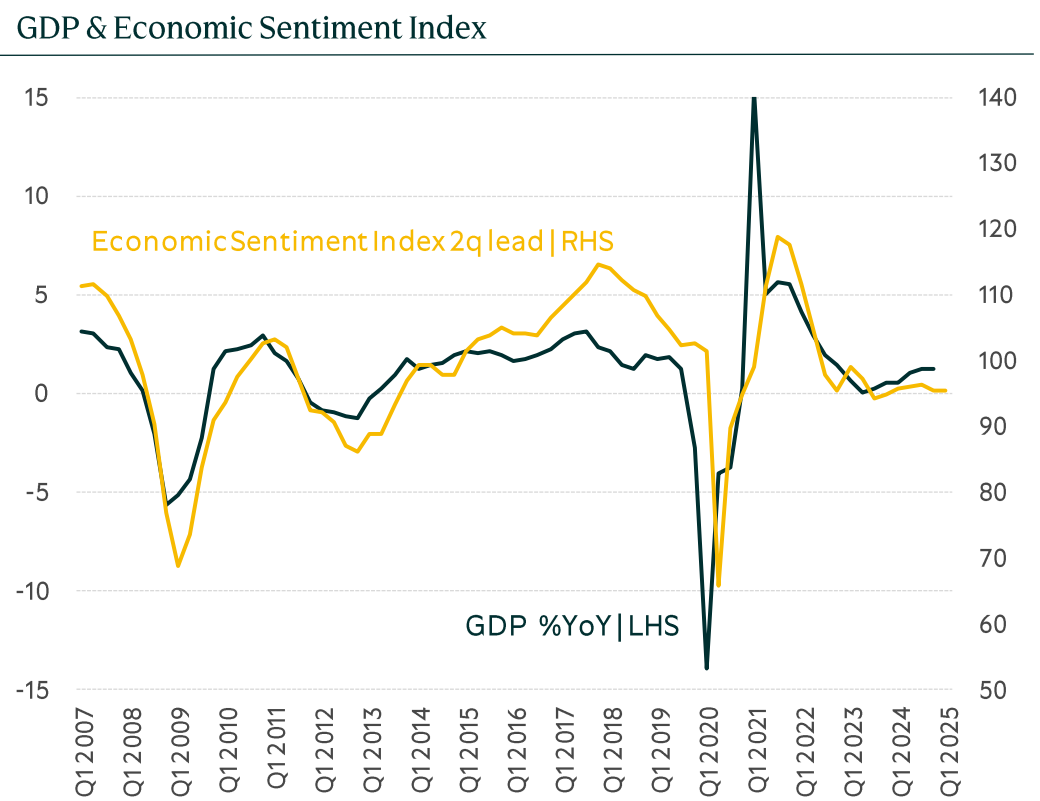
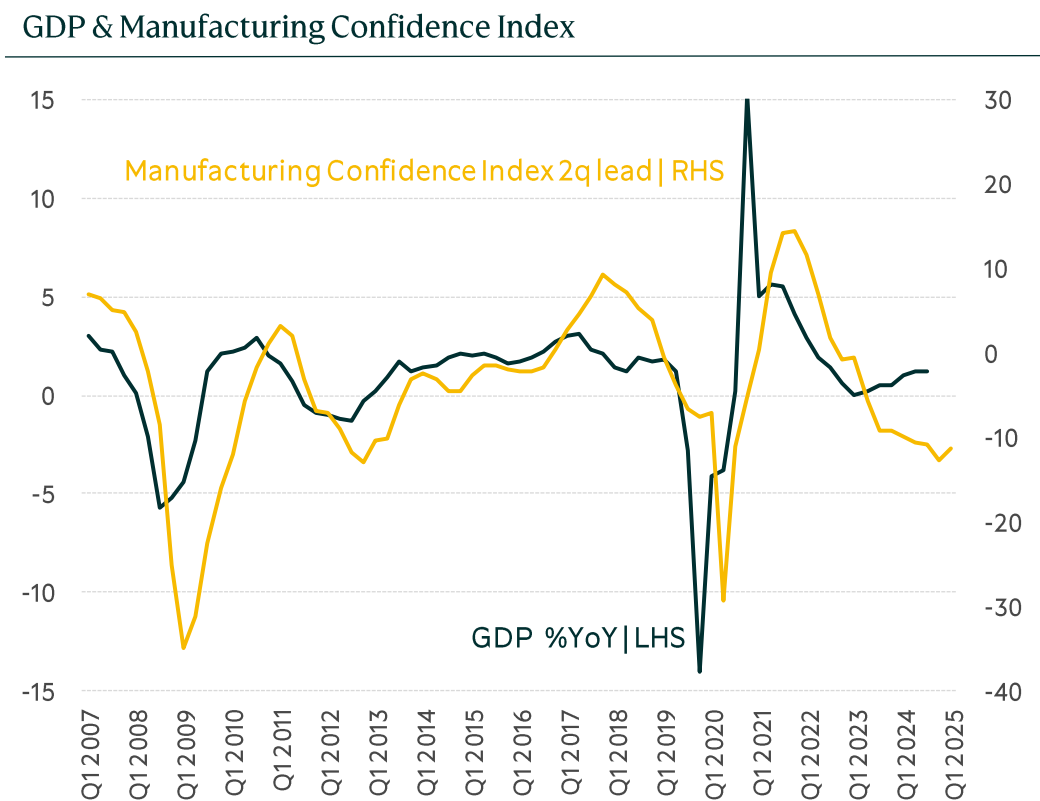
EA GDP Outlook | Credit impulse continues to recover in March. There was a small net tightening of credit standards for loans or credit lines to enterprises in the first quarter of 2025



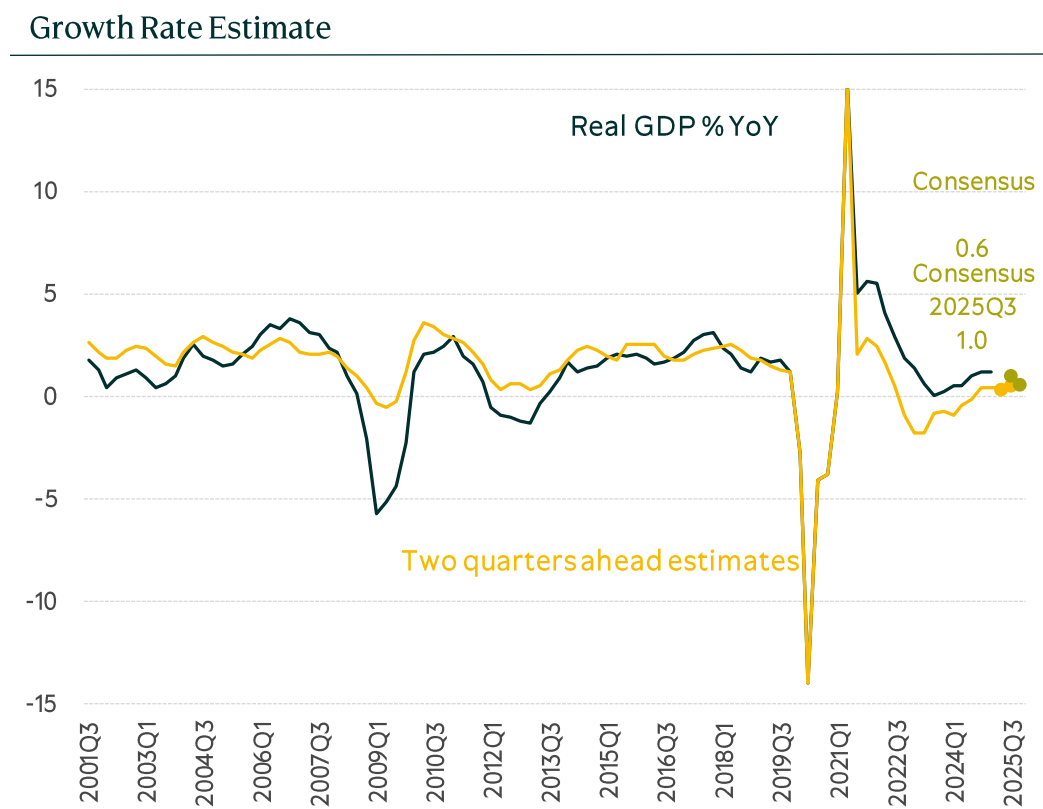
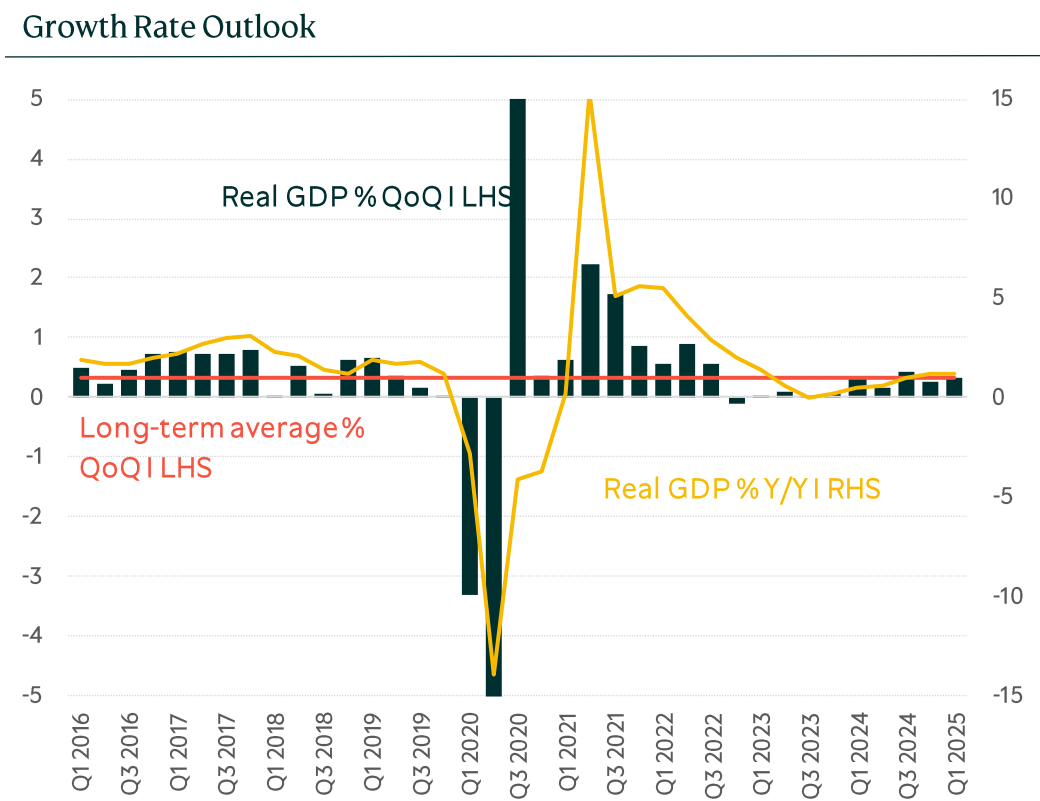
EA | Manufacturing New Orders still on a downtrend; Real M1 improvement somewhat reduces concerns about the economic outlook



EA GDP Outlook | Economic sentiment implies stabilisation at low levels, while manufacturing picked up marginally providing some green shoots



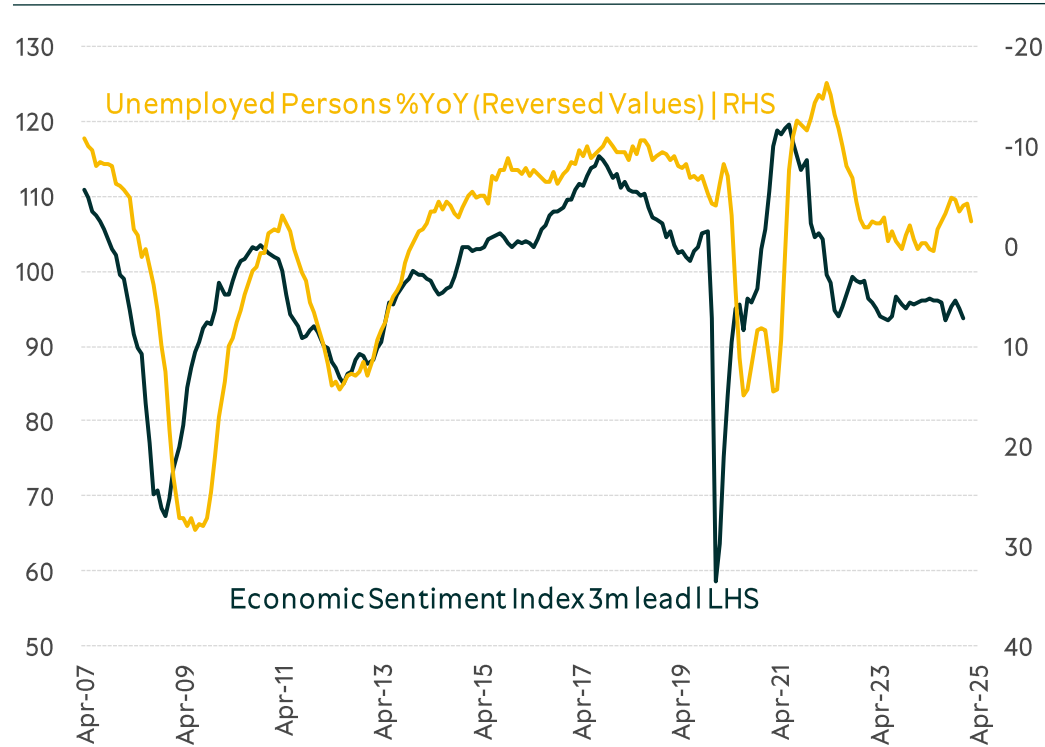
EA GDP Outlook | Real GDP grew by 1.2% year-on-year in Q1 2025 maintaining the growth rate from Q4 2024. It rose by 0.3% quarter-on-quarter, compared to a 0.2% increase in Q4 2024.



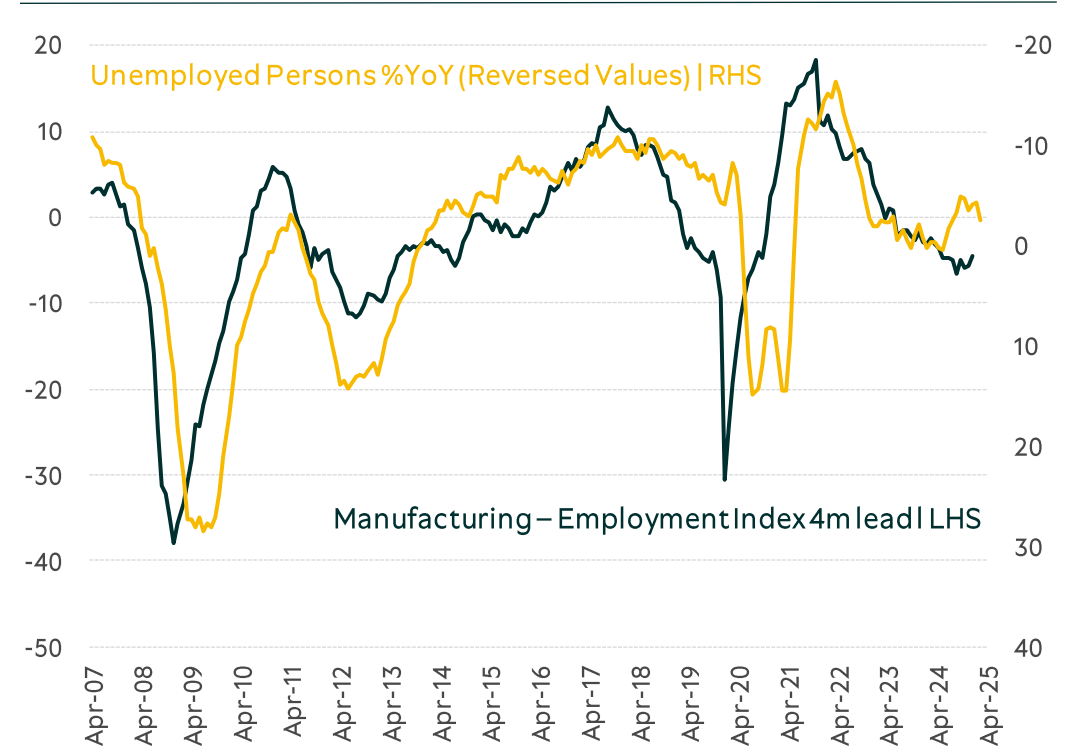
Note: Covid-19 period (Q4 2019 - Q2 2021) is excluded from the estimation

EA Labour Market | Labour market is still in good shape with some improvement in the Manufacturing sector. Consumers' pessimism on unemployment expectations has risen.

Unemployment & Leading Sentiment Index

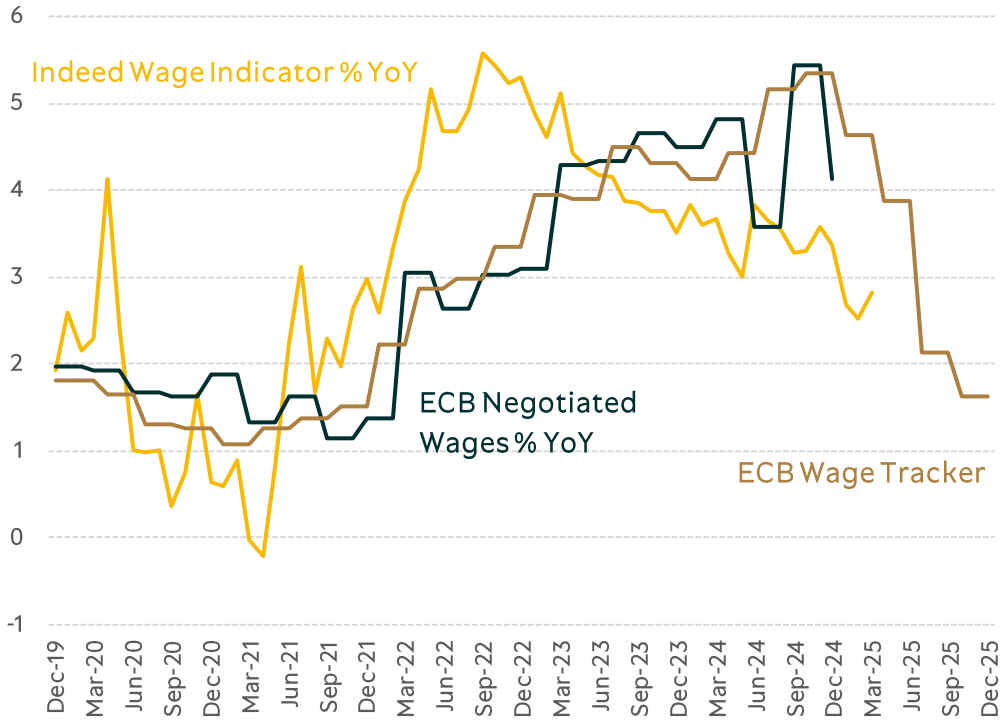


Unemployment & Leading Manufacturing Index

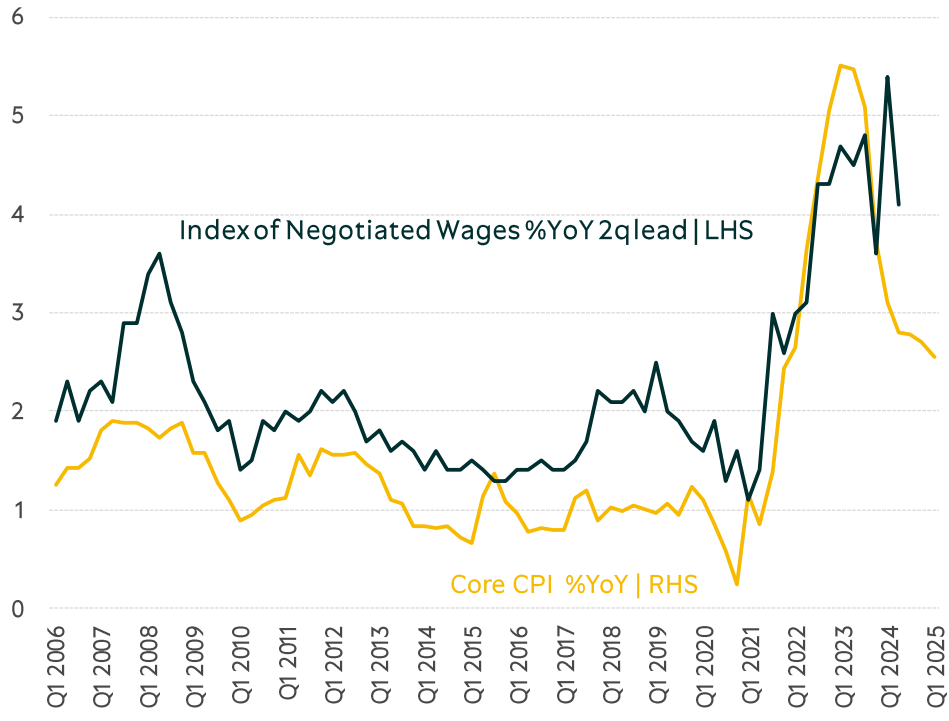


EA Wage Tracker | Indeed Wage Indicator & ECB's Wage Tracker point to sharp wages slowdown in 2025

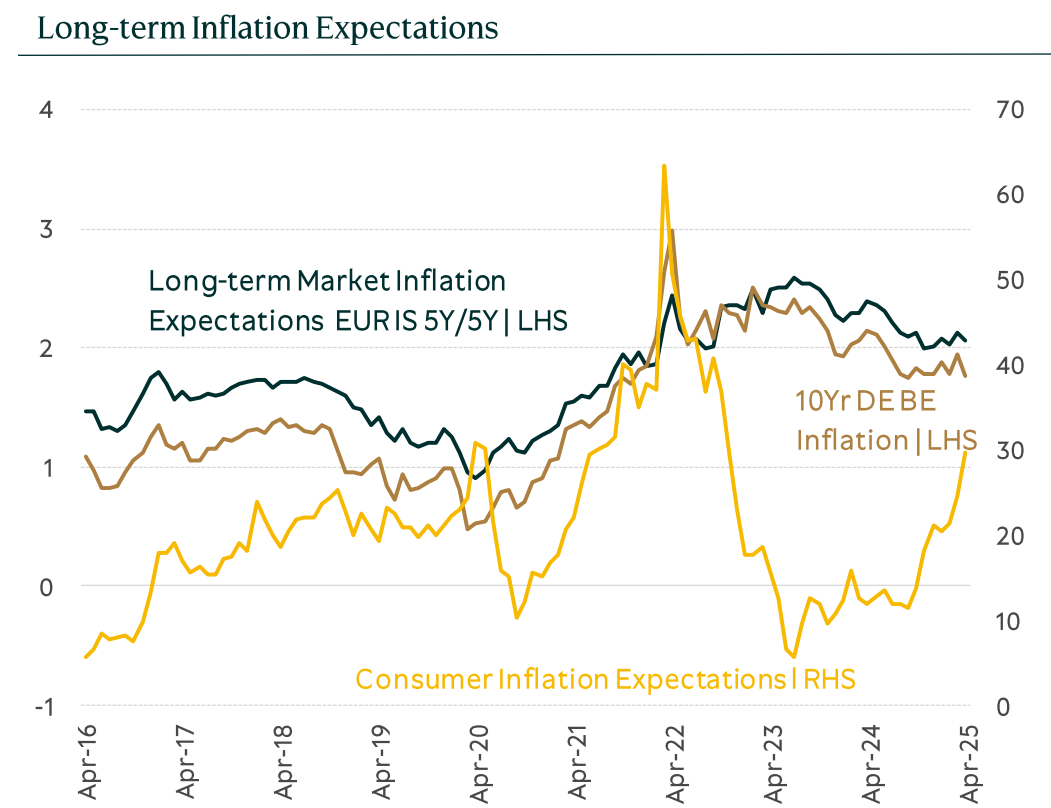
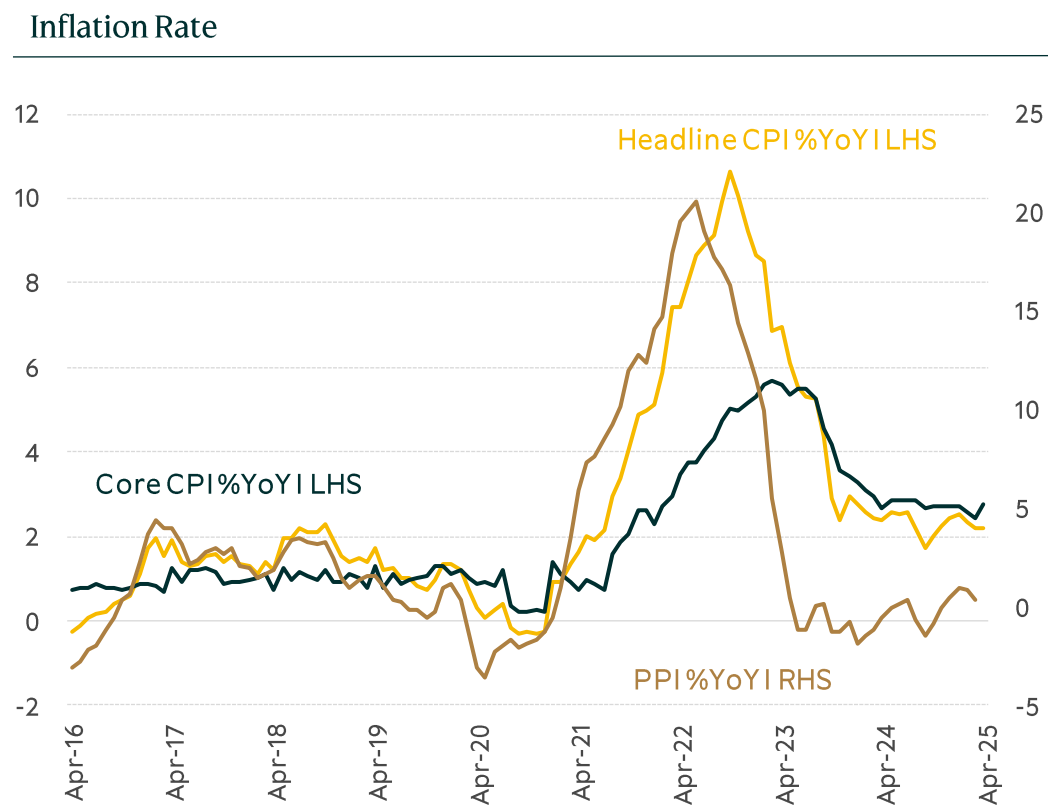
EA Wage Indicators



Core Inflation & Wages

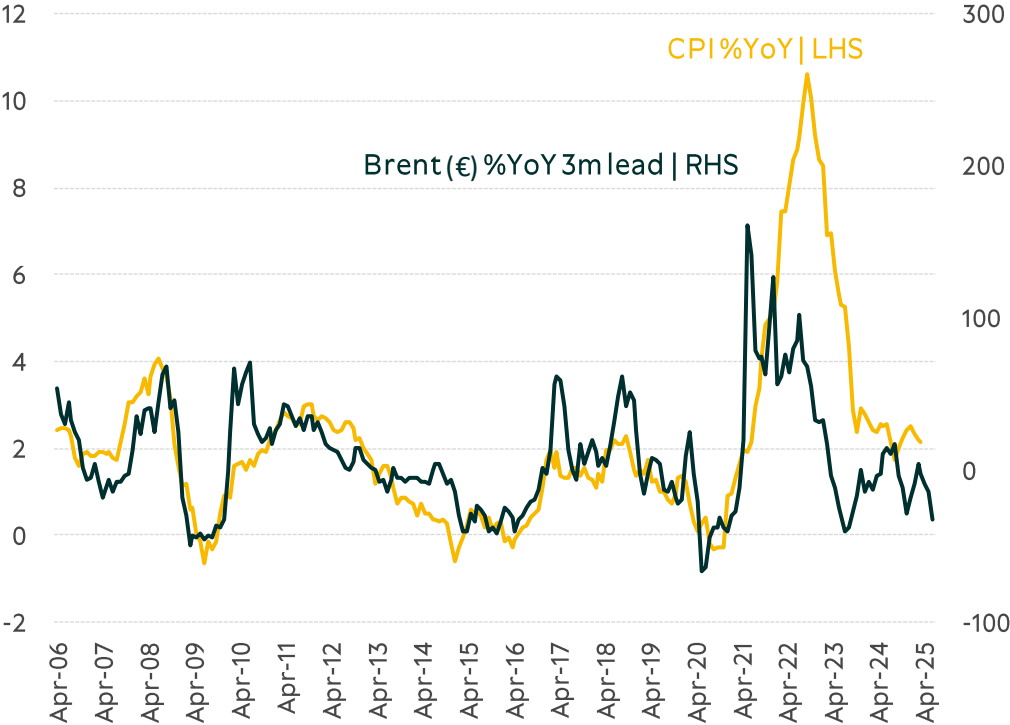


EA Inflation Pressures | Headline CPI remained unchanged at 2.2% in April, however Core CPI jumped to 2.7% from 2.4% in March. Consumer inflation expectations on the rise.

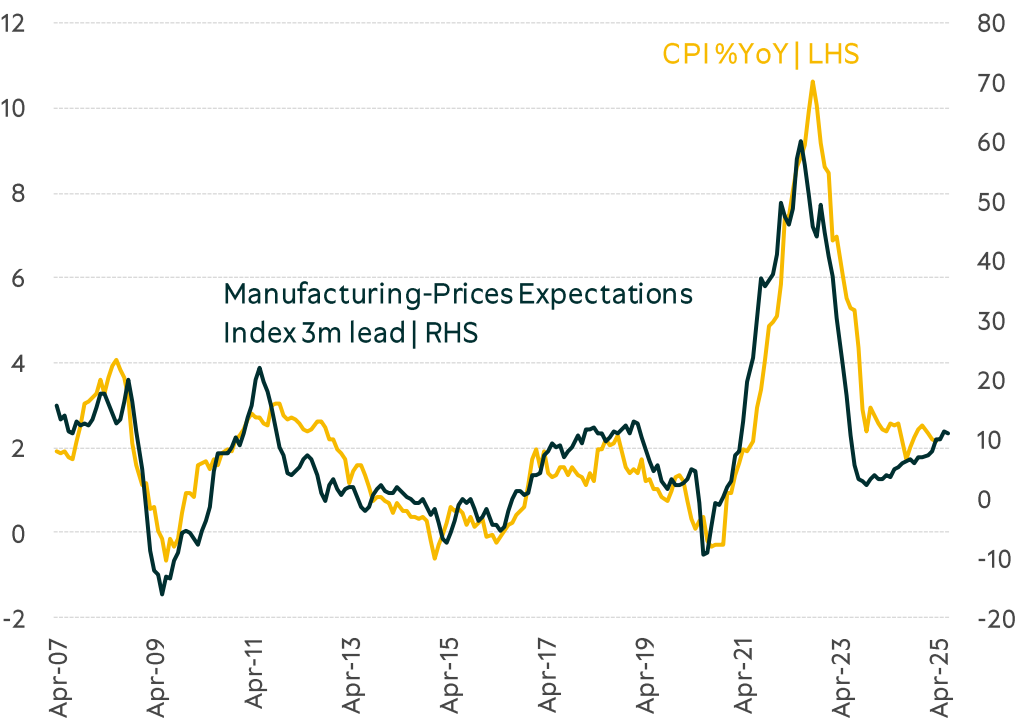


EA Inflation & Energy Prices | Manufacturing Prices Expectations show signs of marginal pressure

Inflation Rate & Oil Prices

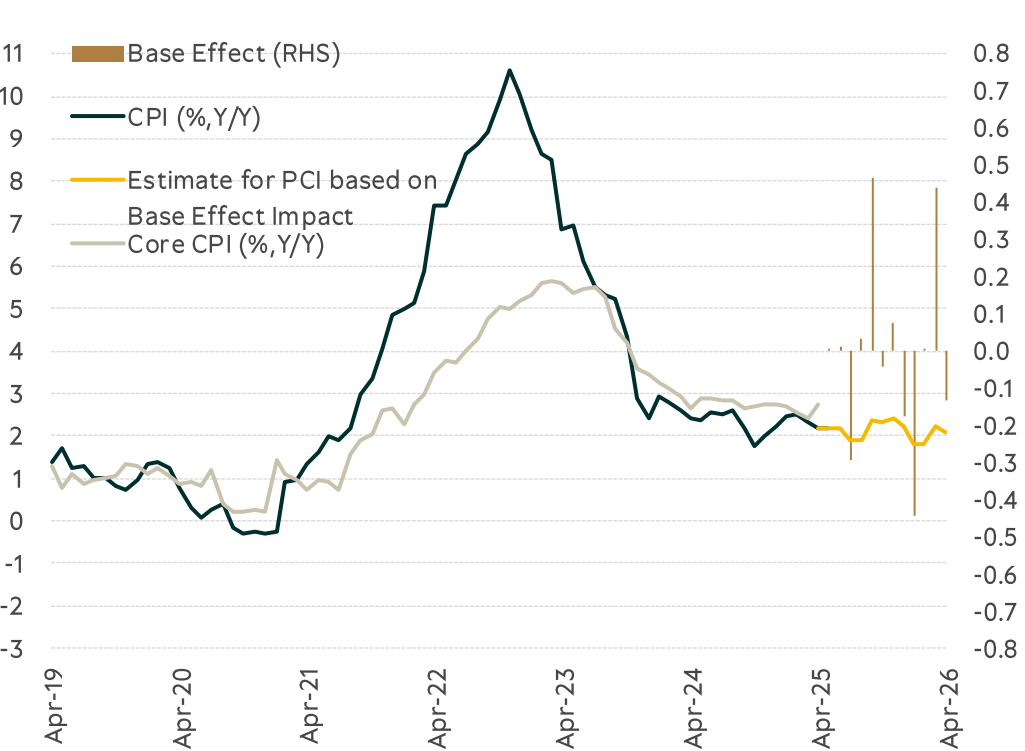


Inflation Rate & Leading Manufacturing Prices Index

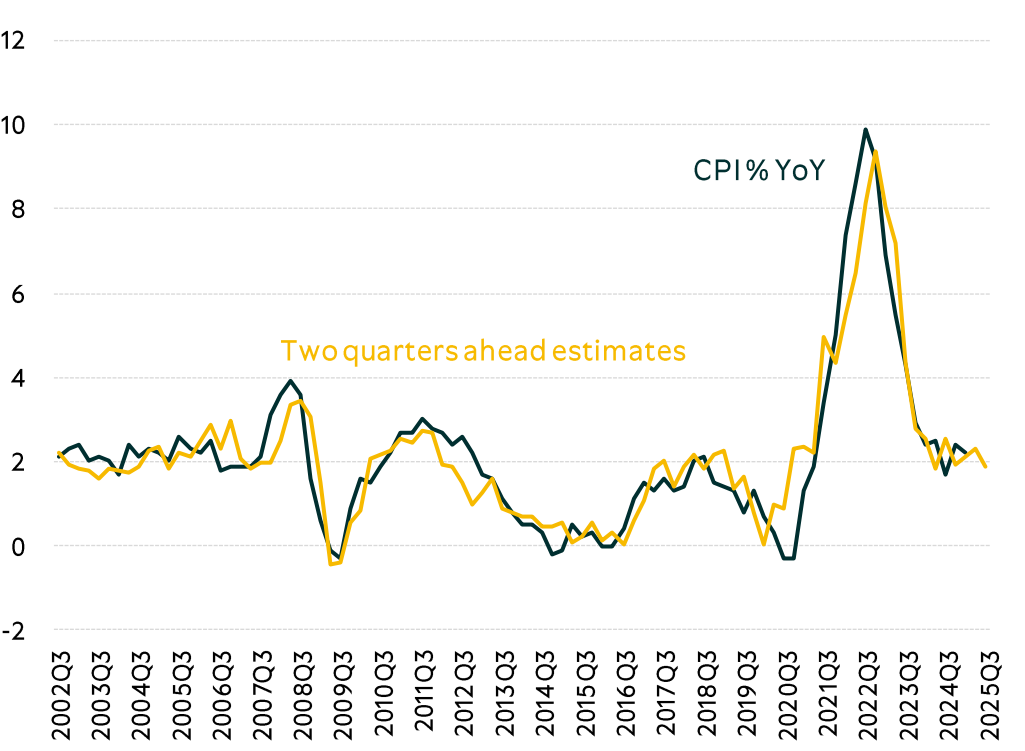


EA Inflation Outlook | The 2% target is expected to be achieved towards the end of 2025

Inflation Rate Forecast | Statistical Model

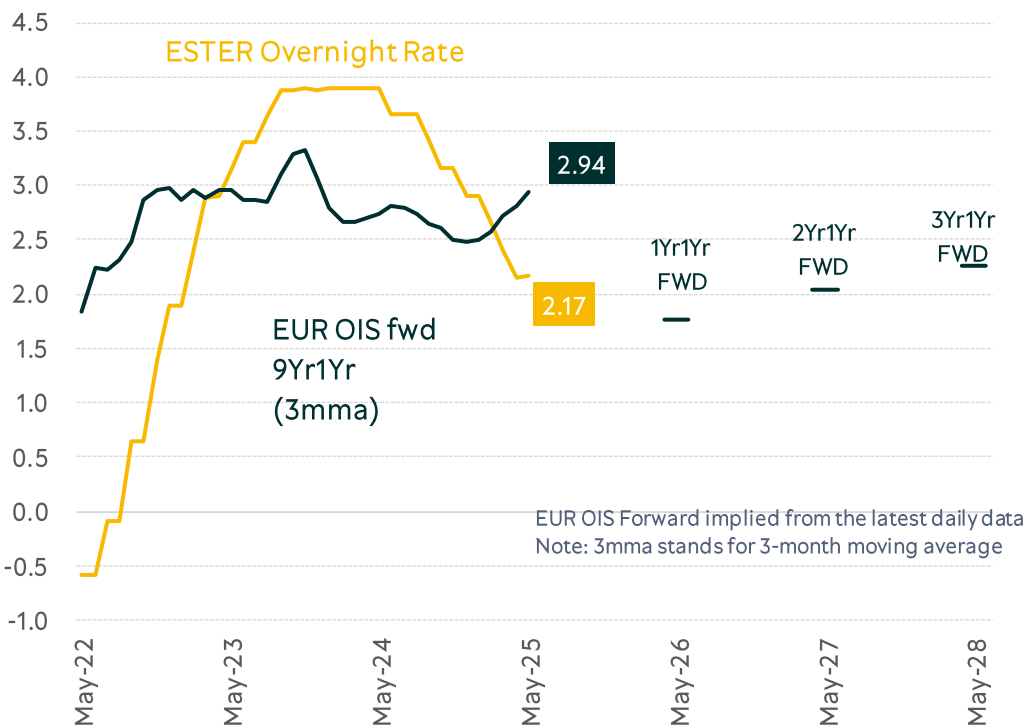


Inflation Rate Forecast | Macro Model

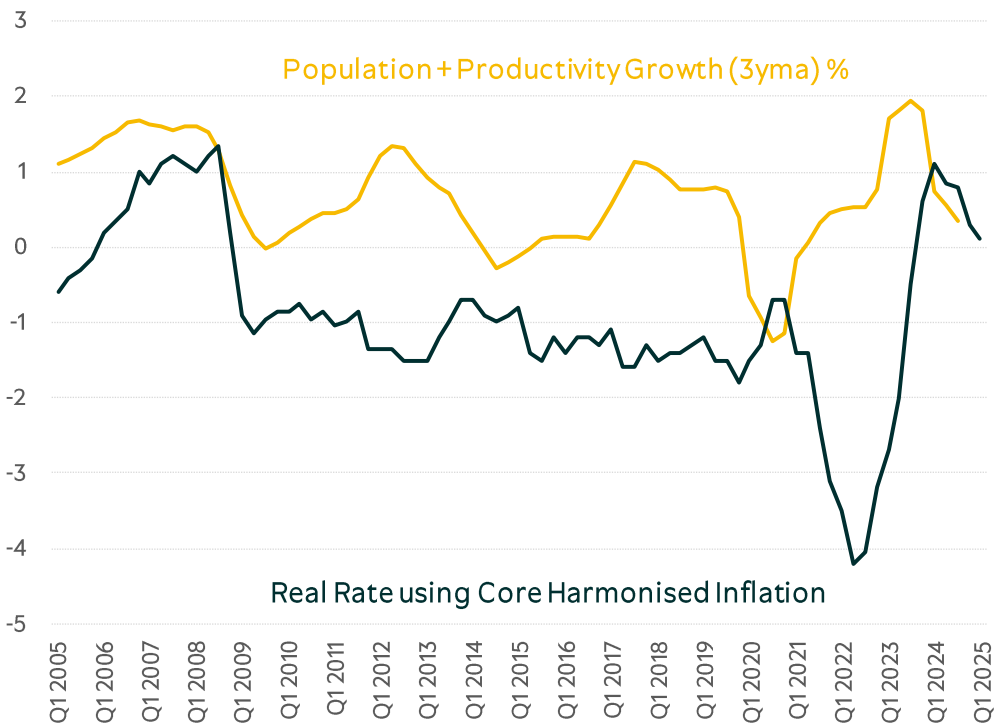


EA Short-Term Rates | Short term forward rates suggest lower levels of interest rates in the near term

Interest rates | Market Expectations

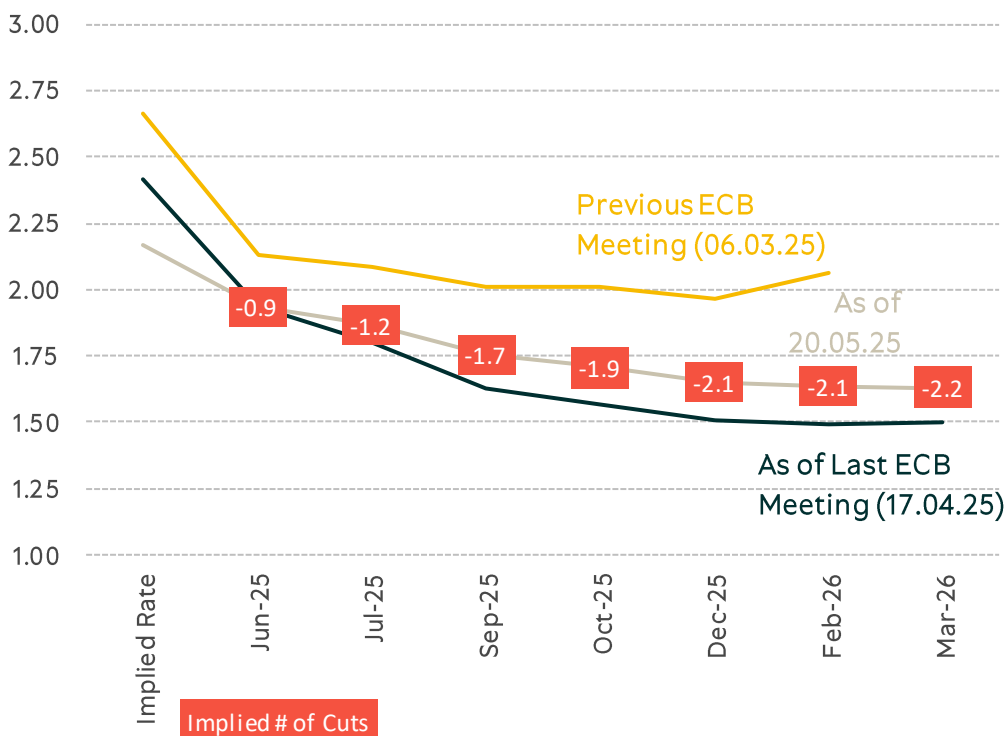


Real Depo Rate (Depo - Core CPI) & Population + Productivity growth (3y ma)

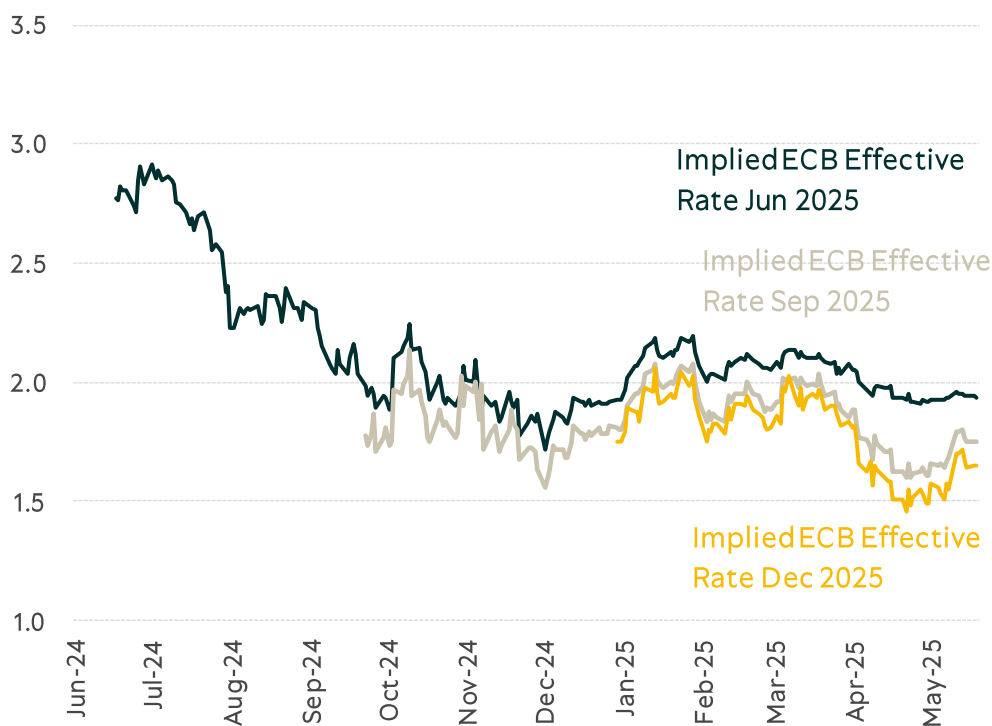


EA Short-Term Rates | Two more cuts are anticipated by the markets by year end

Implied Overnight Rate based on Overnight Index Swaps

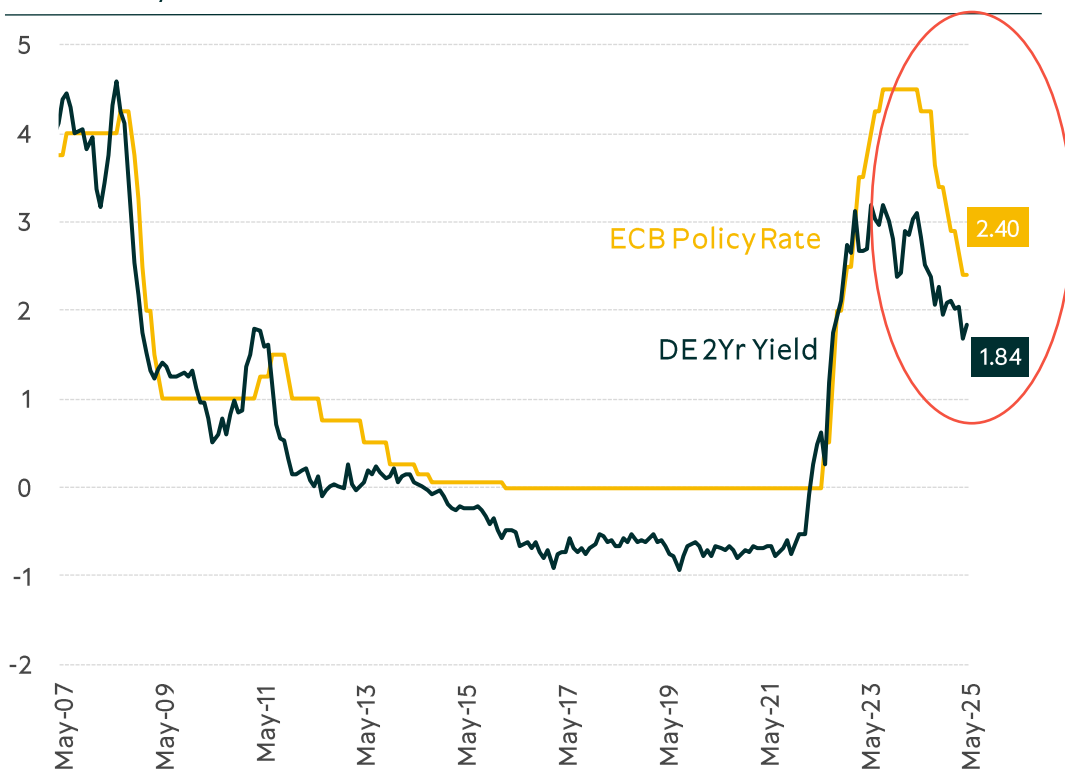


Interest Rates | Implied ECB Effective Rate

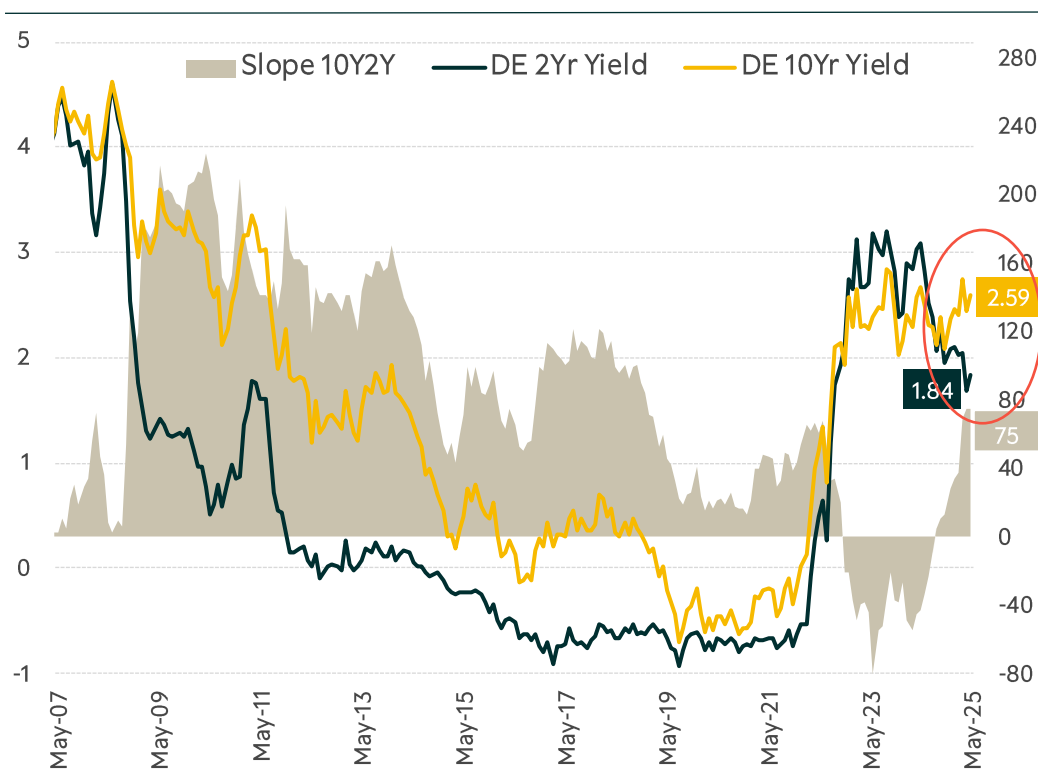


EA Rates | German 10Y2Y spread turned positive at the end of Q3 2024. Fears of recession have subsided.

ECB Policy Rate vs German 2Yr Yield

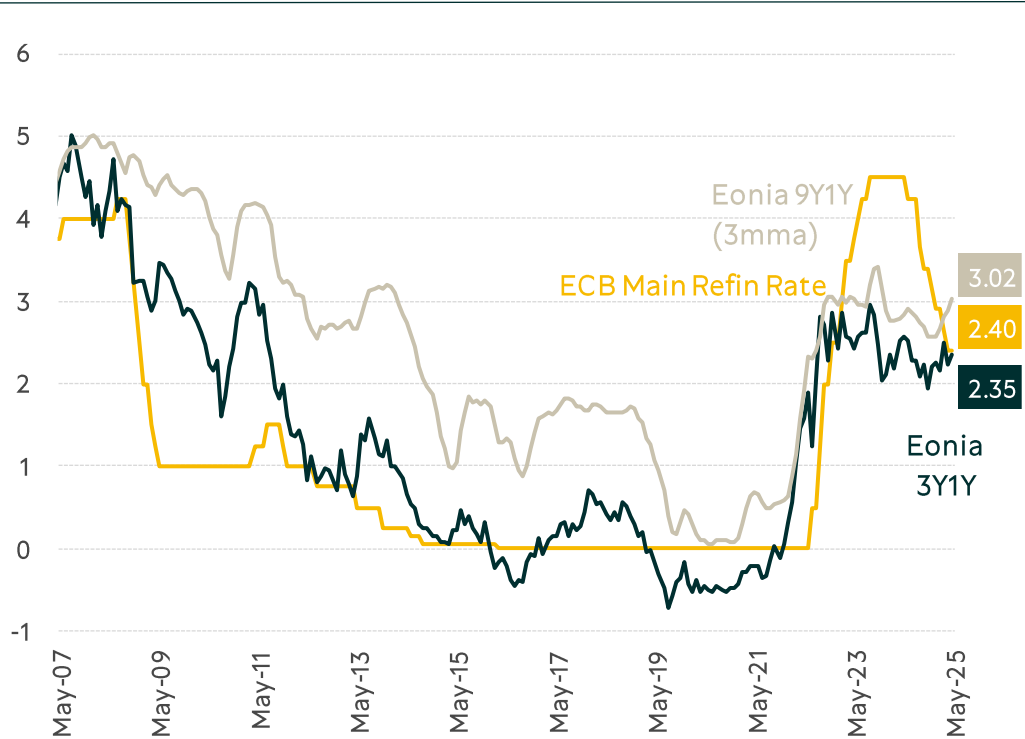


German Yield Curve

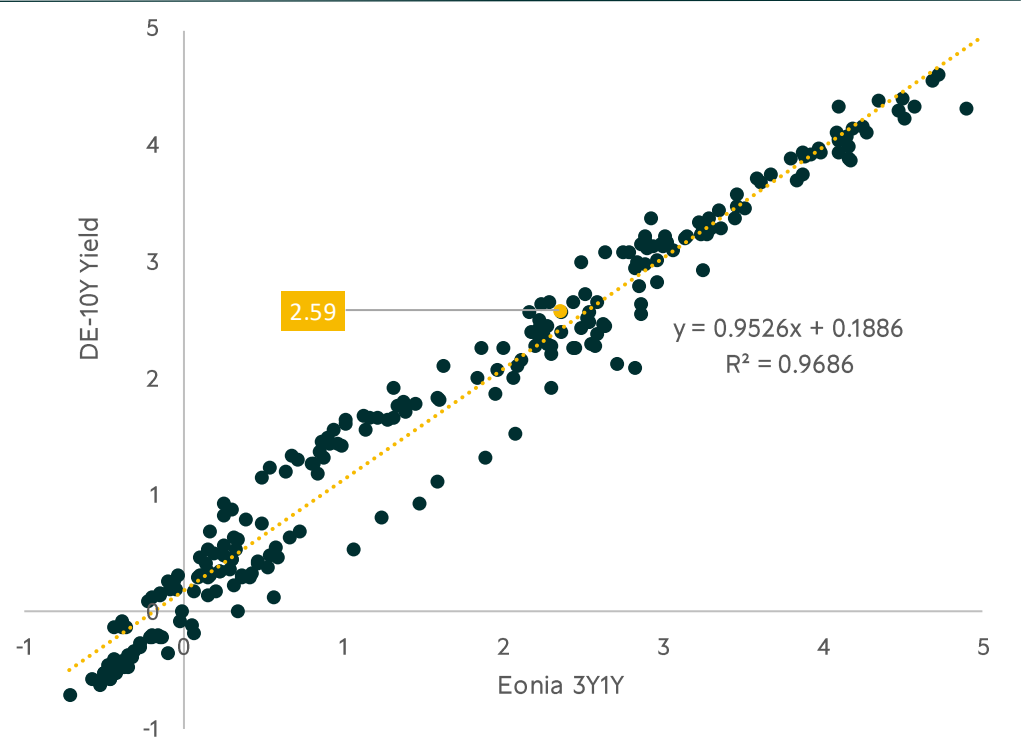


EA Long-Term Rates | Given the current level of short-term rates, long-term bonds are above “fair value”

Long-term Interest Rate Expectations



DE Yield vs Medium-term Interest Rate Expectations



Bird's Eye View

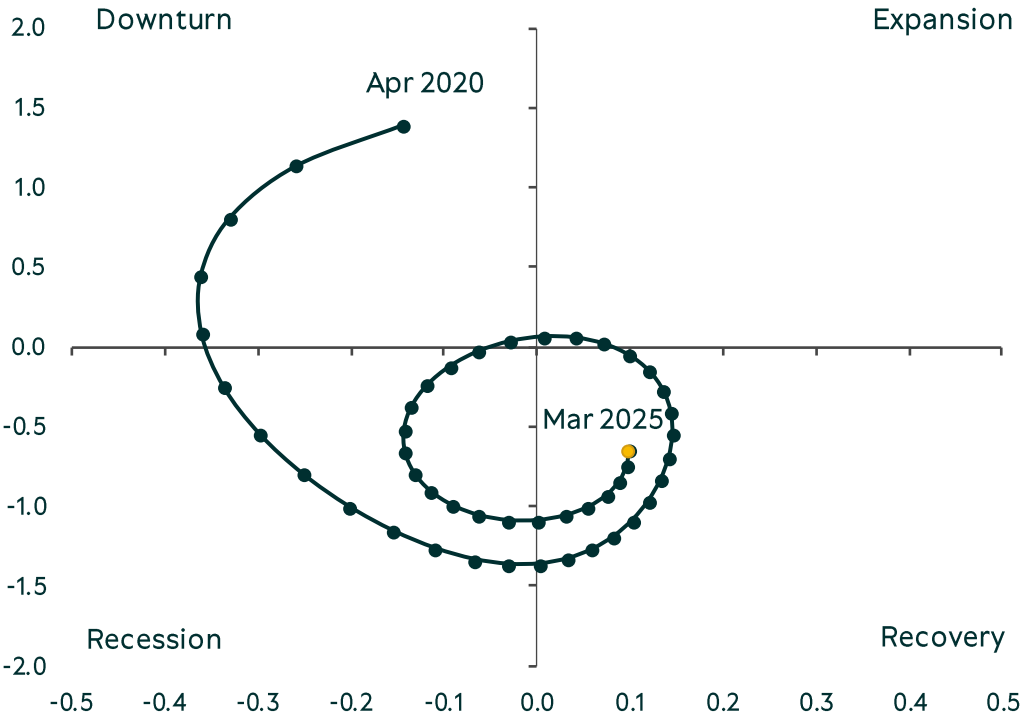
US Economy

EA Economy

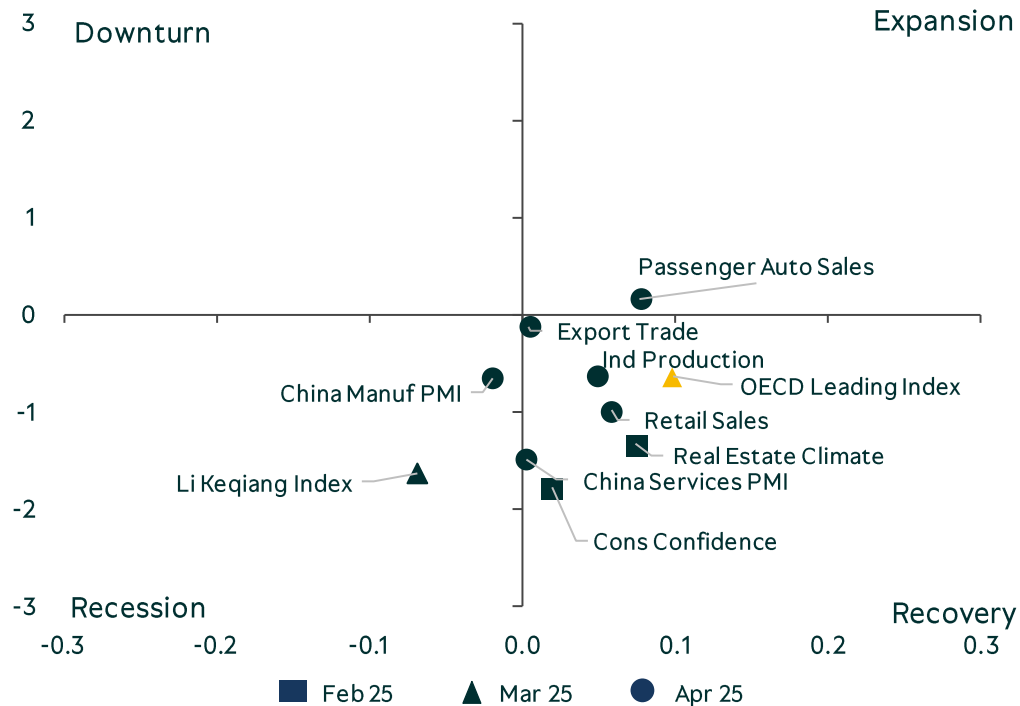
China Economy

Chinese Business Cycle | Most economic variables are in the recovery phase

CN Business Cycle | Based on China OECD Leading Indicator

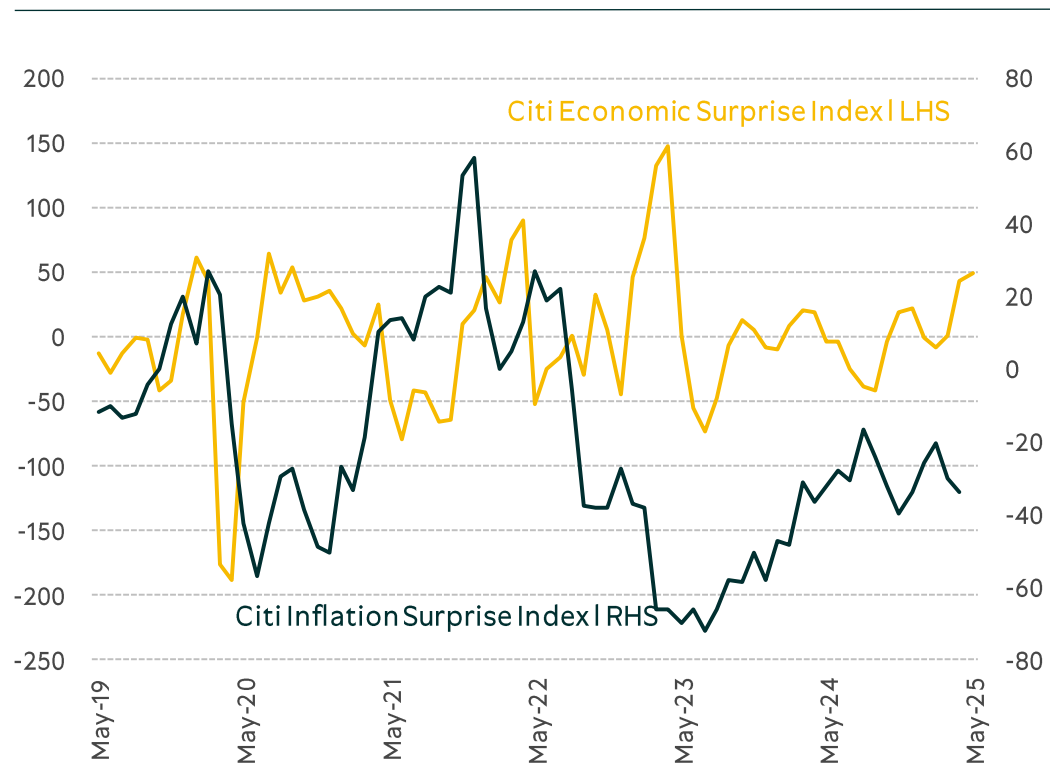


CN Business Cycle | Based on Major CN Economic Variables

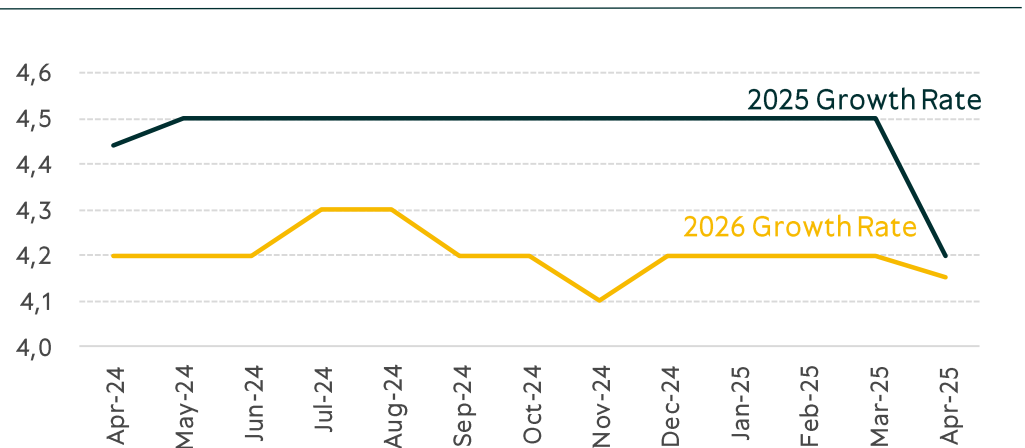


Chinese Macro Expectations | Sub 5% growth expectations for 2025

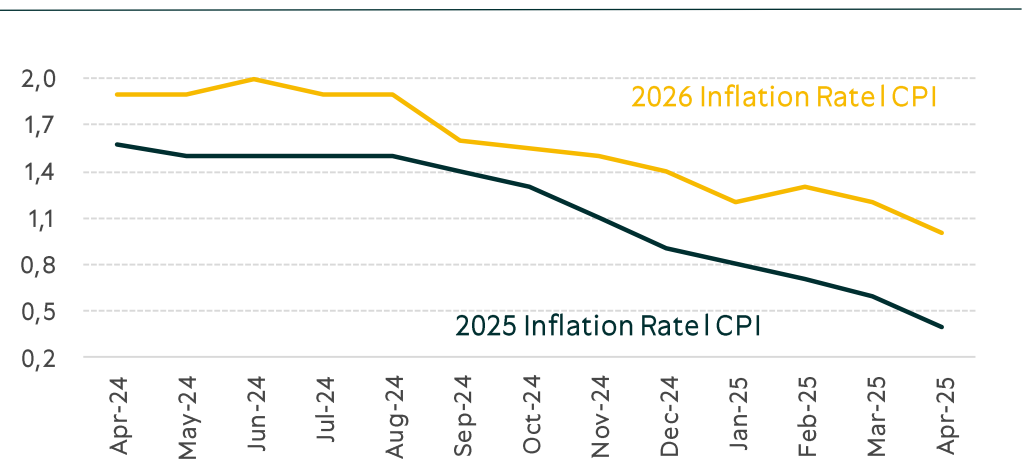
Economic & Inflation Surprises



Growth Rate Expectations (Consensus)

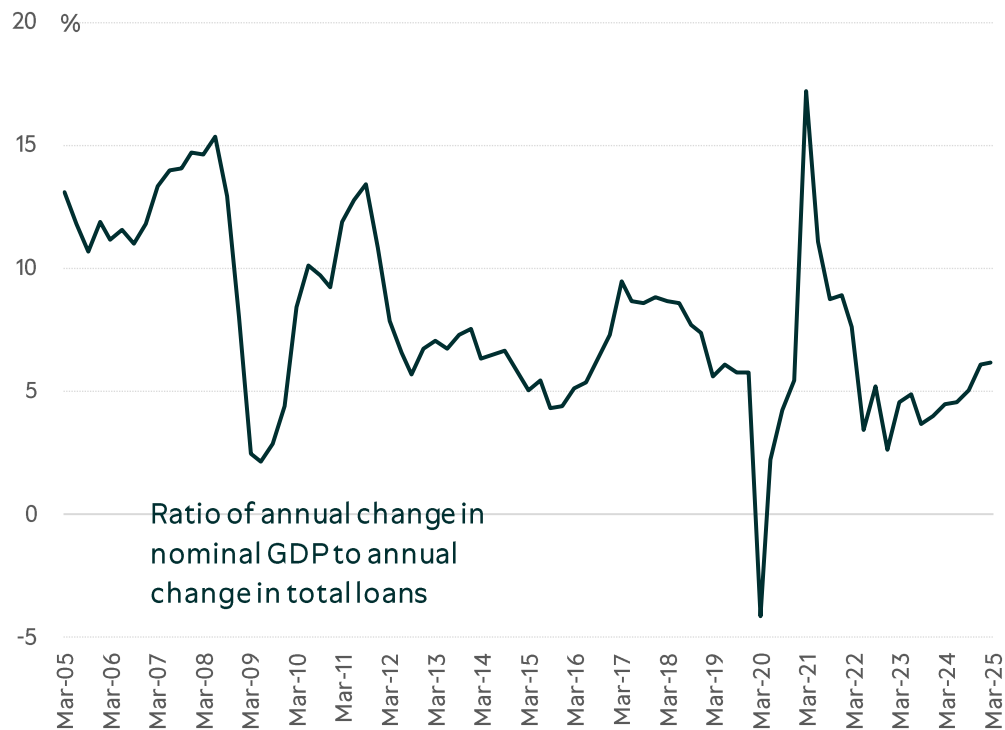


Inflation Rate Expectations (Consensus)

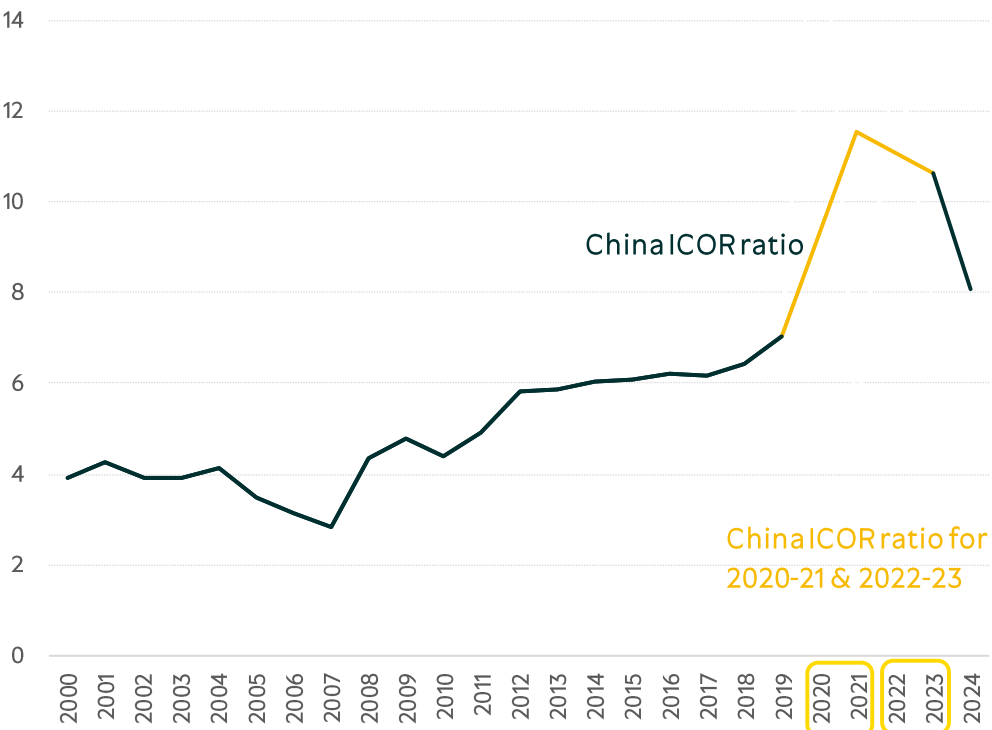


Chinese Investment Capacity | There is a need for more efficient capital allocation

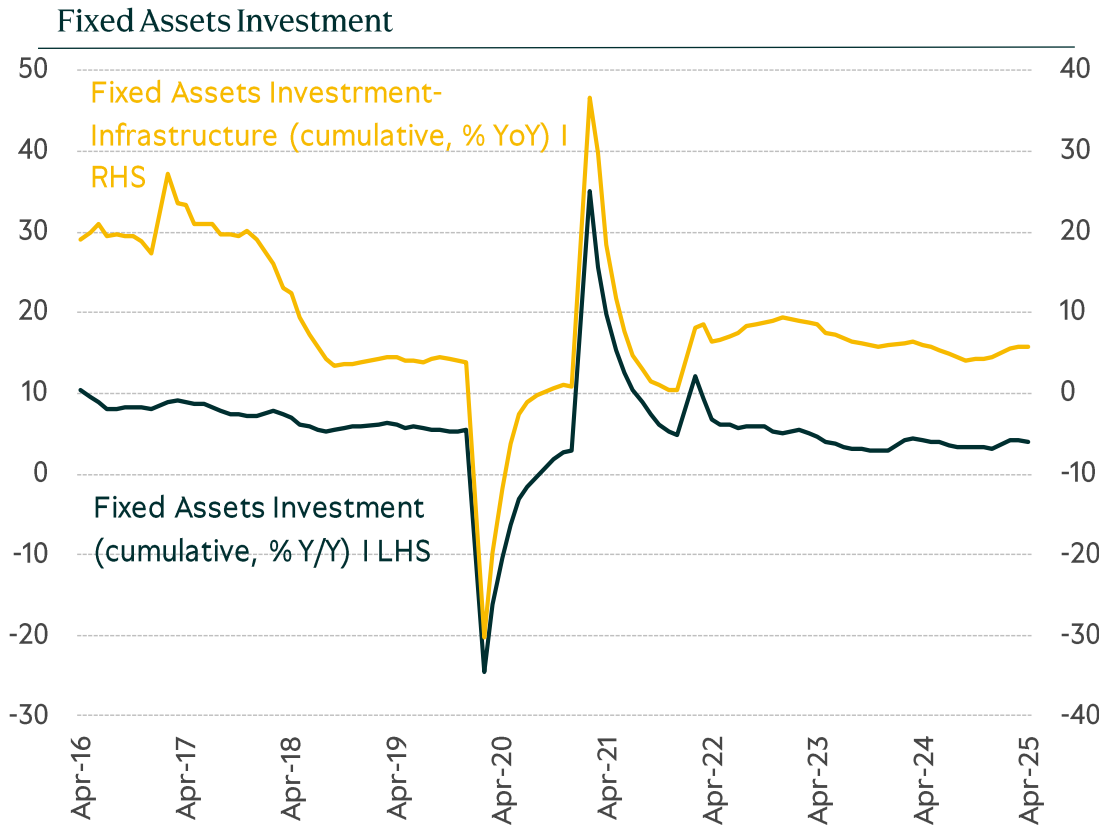
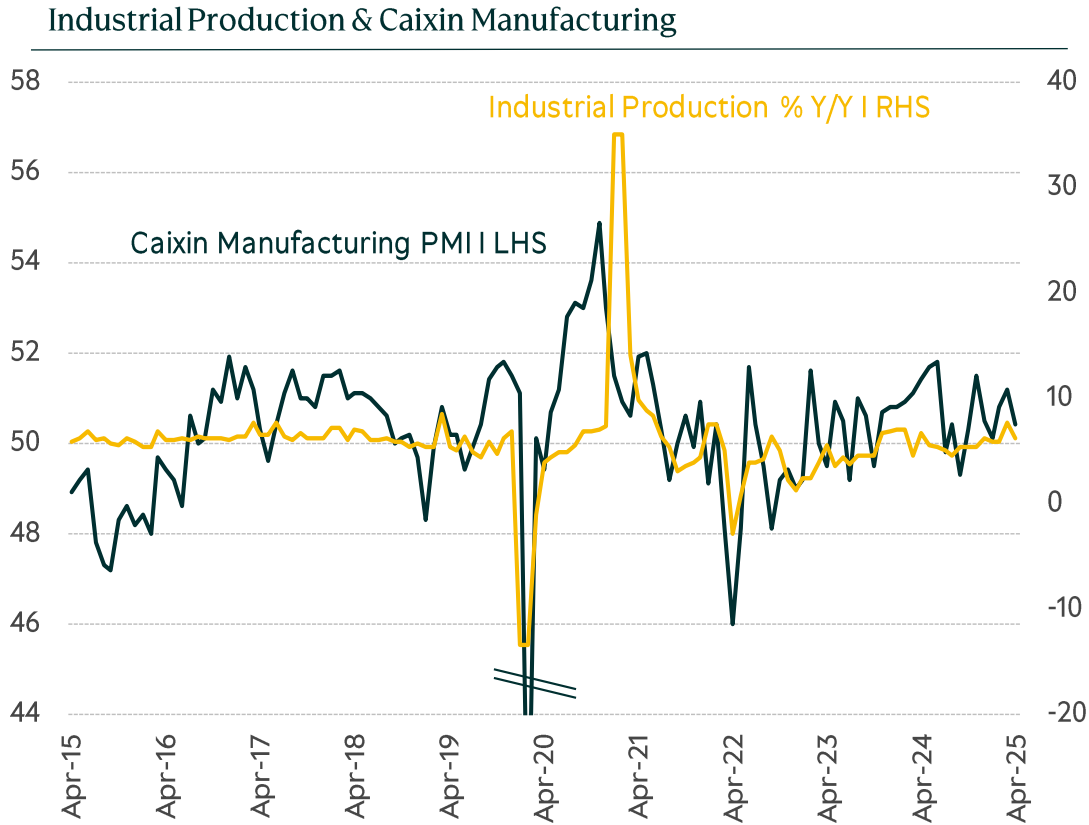
China credit-efficiency ratio



China Incremental Capital Output Ratio

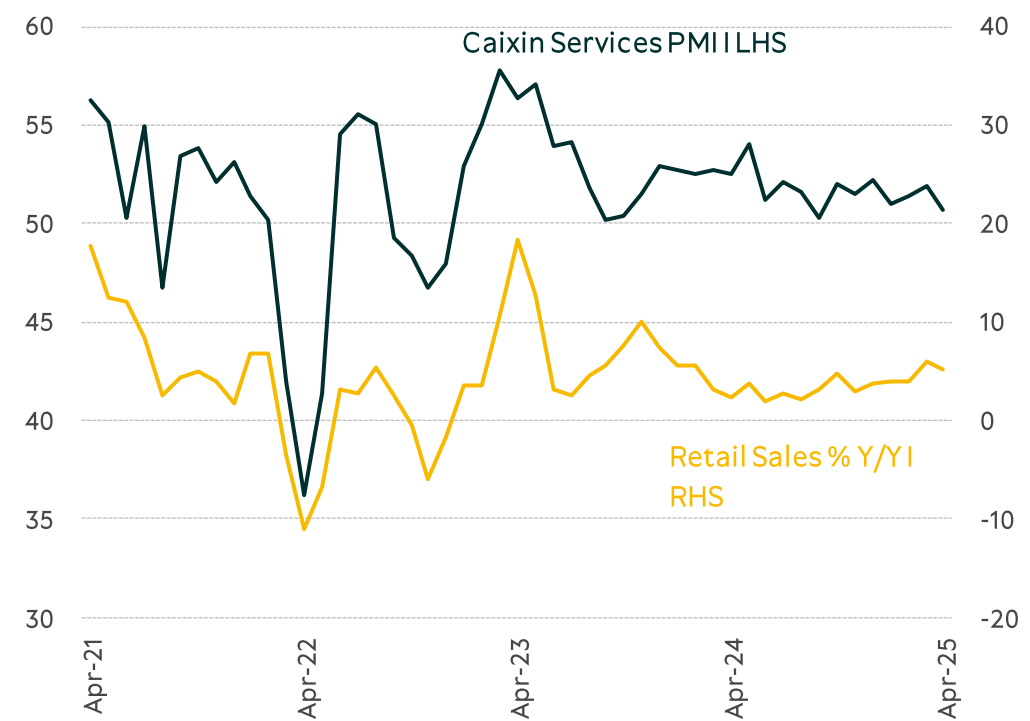


CN | Caixin Manufacturing PMI fell to 50.4 in April. There is apprehension about the future of manufacturing and investments due to tariffs.

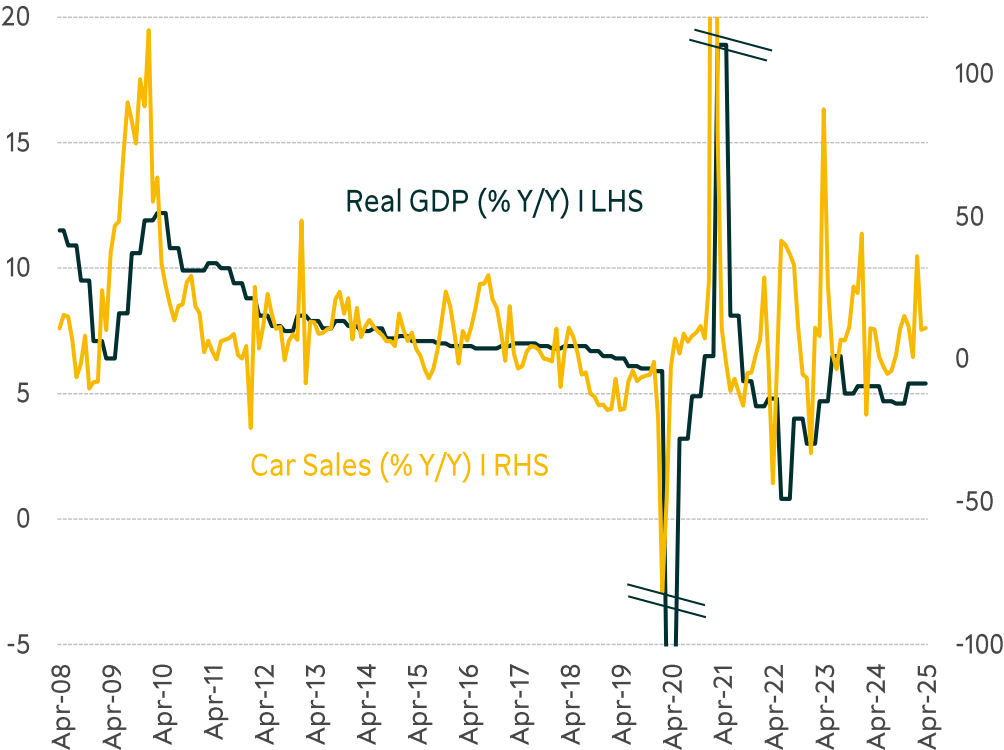


CN | Retail Sales and Caixin Services PMI were lower than expected in April

Retail Sales & Caixin Services PMI

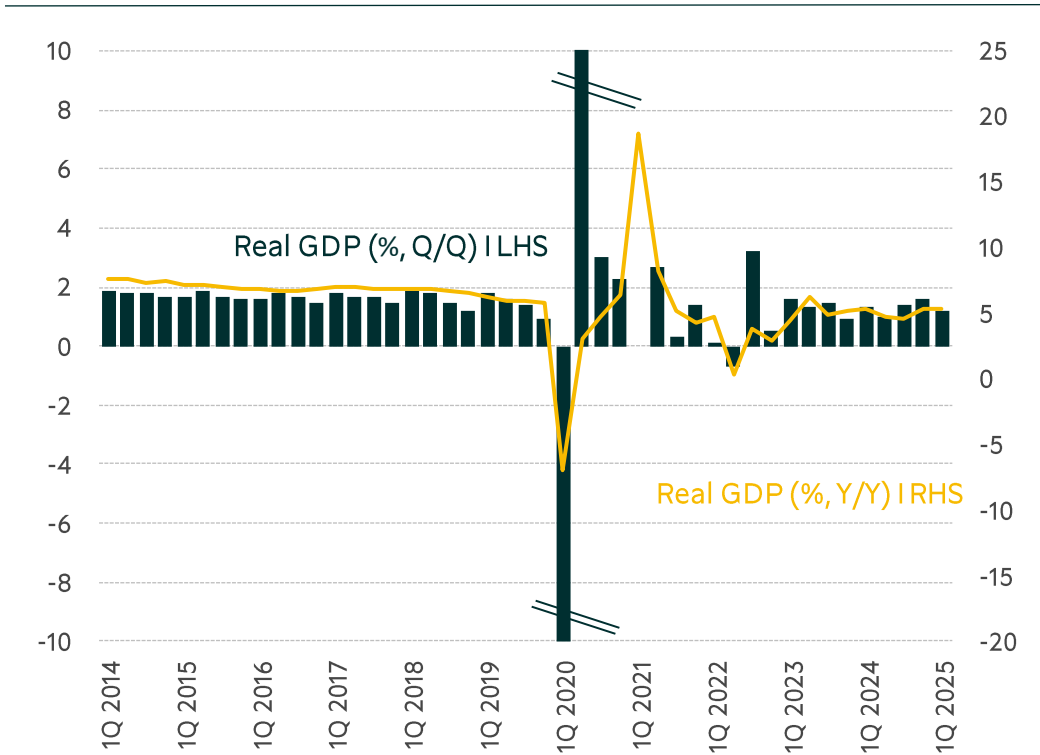


Real GDP & Car Sales

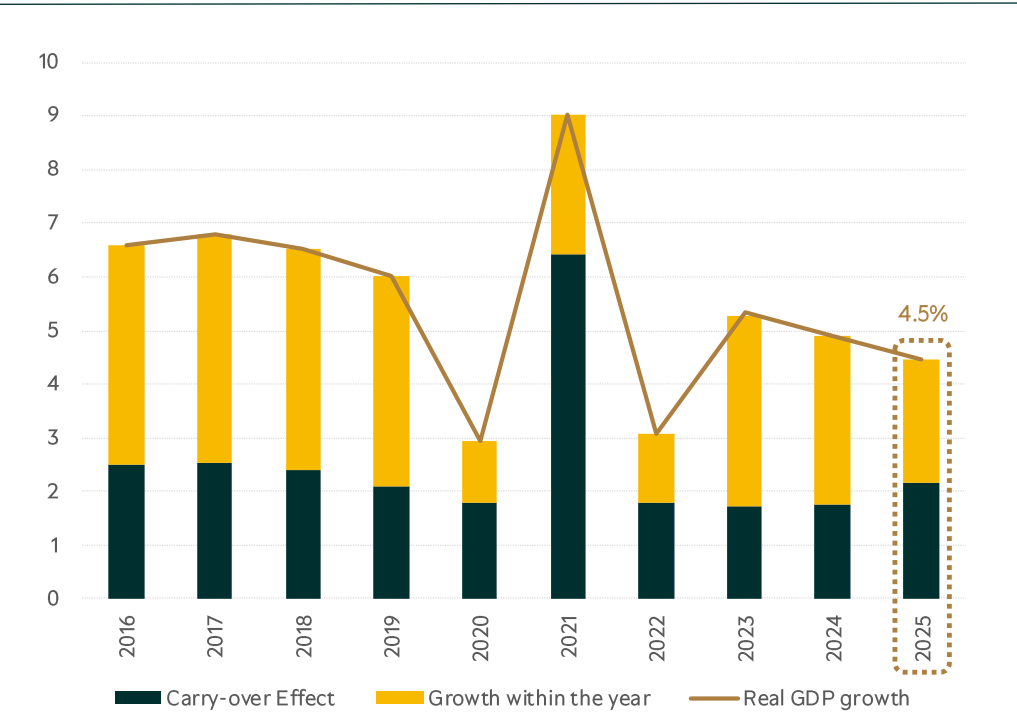


CN GDP Outlook | The official target of about 5% for 2025 is difficult to be achieved because of USA tariffs

GDP Growth Rate

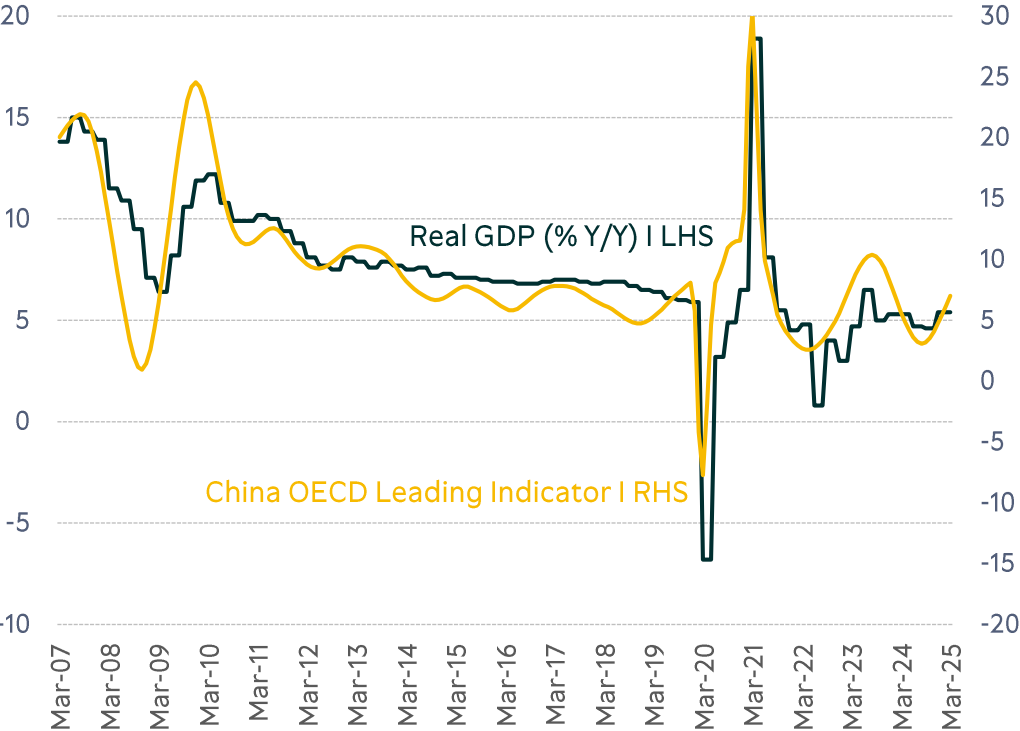


Carry Over Effect

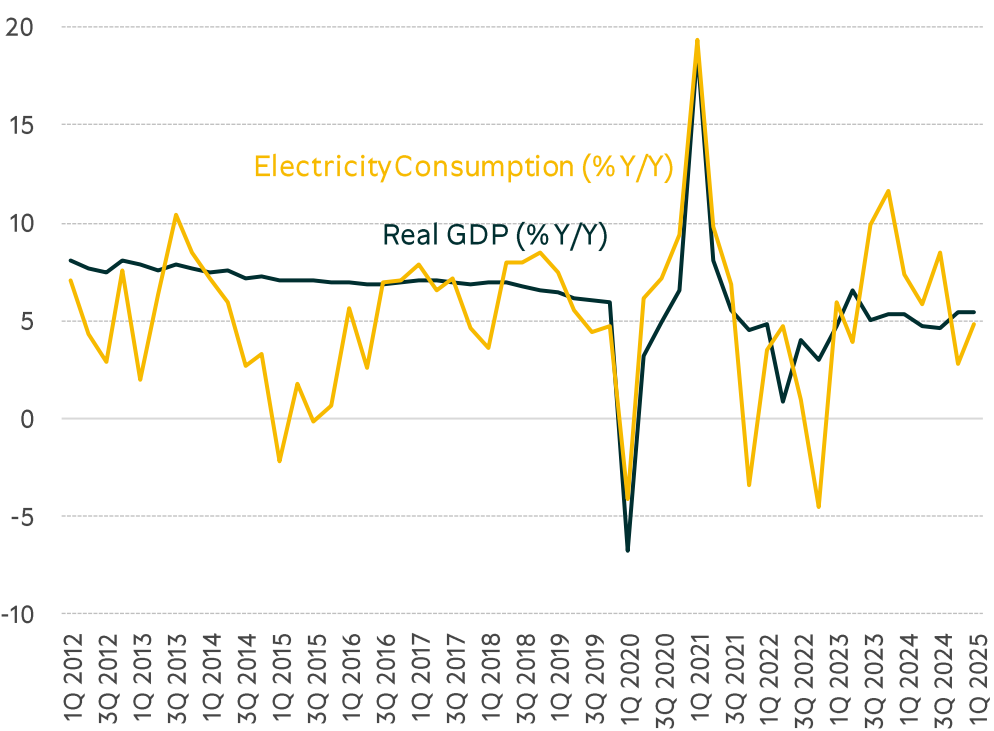


CN GDP | Electricity consumption and OECD's Leading Indicator are trending upwards

Real GDP & China OECD Leading Indicator

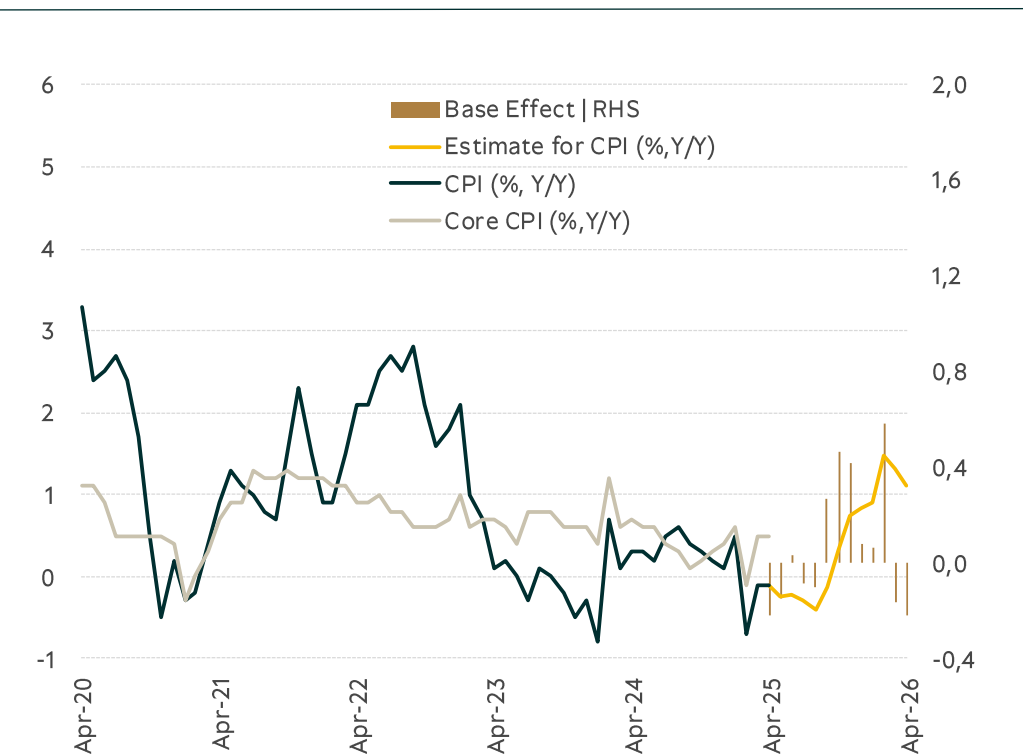


Real GDP & Electricity Consumption

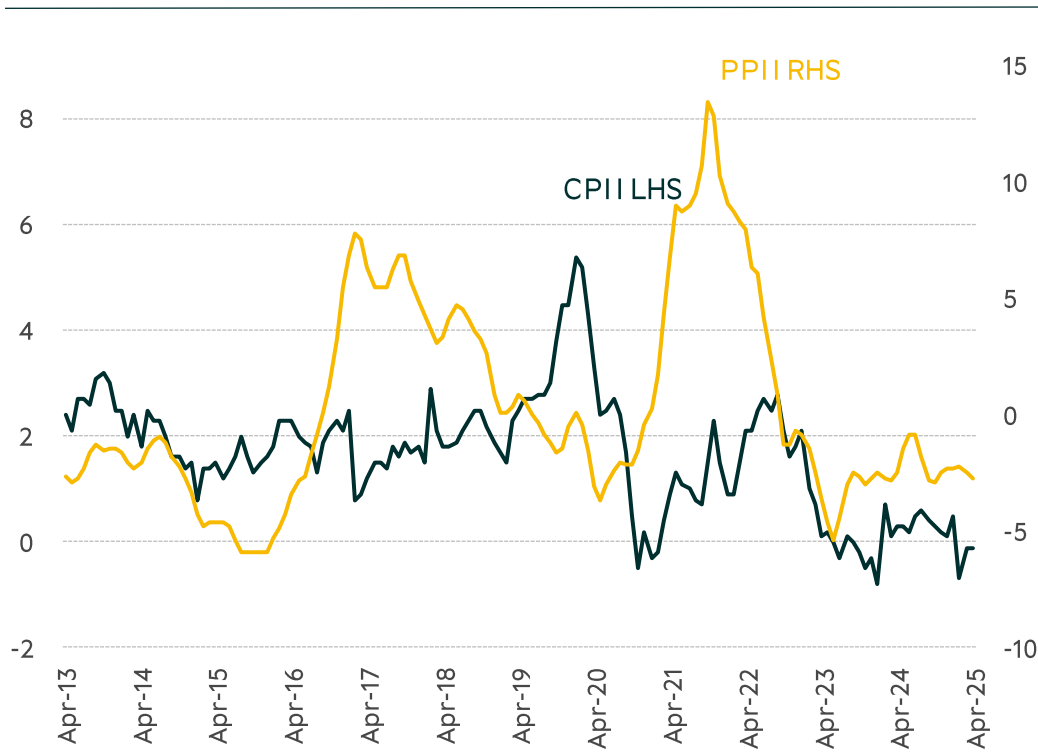


CN Inflation Outlook | Base effects are pointing to higher inflation in the next 12 months

Inflation Rate Forecast | Statistical Model

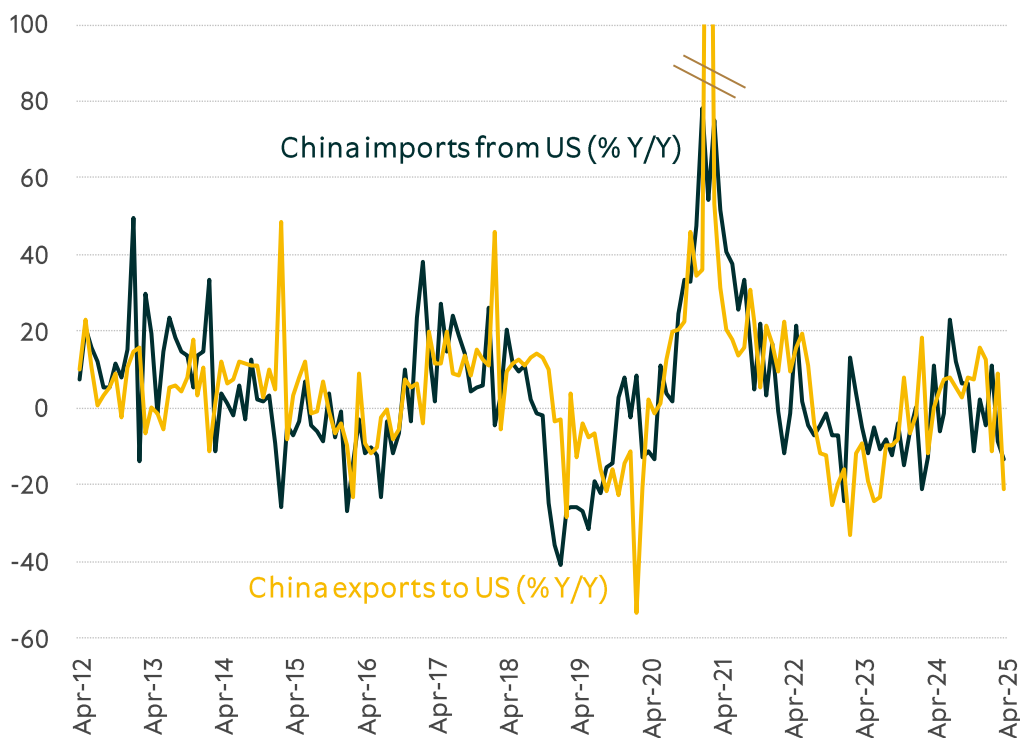


CPI & PPI

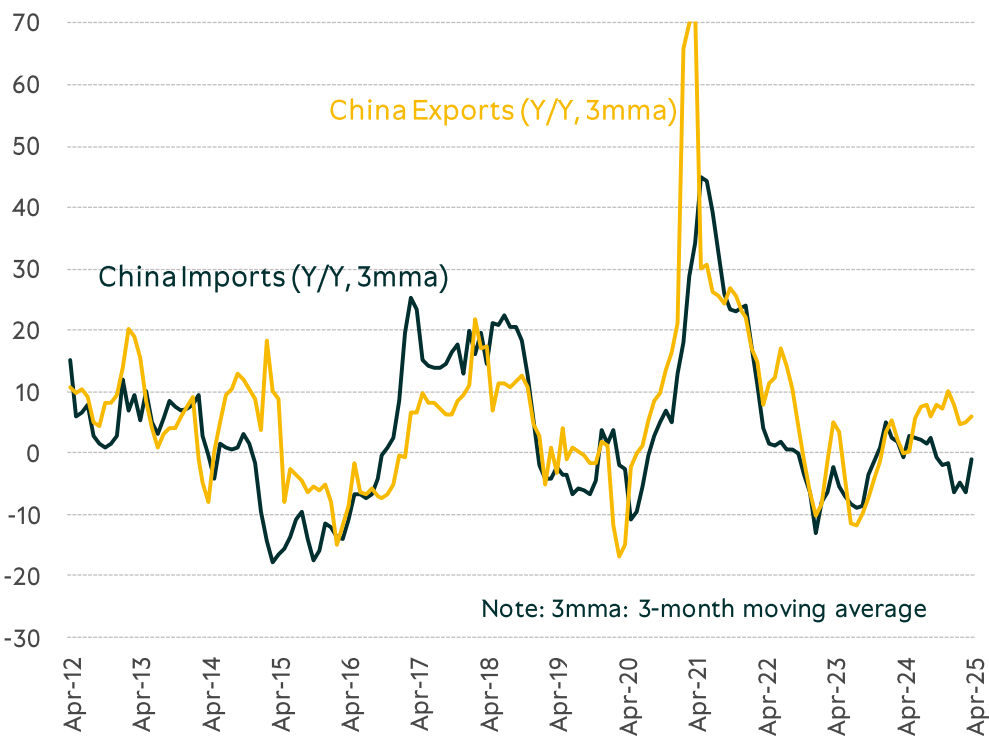


CN Trade | The trade outlook is quite uncertain due to tariffs

Trade US – China

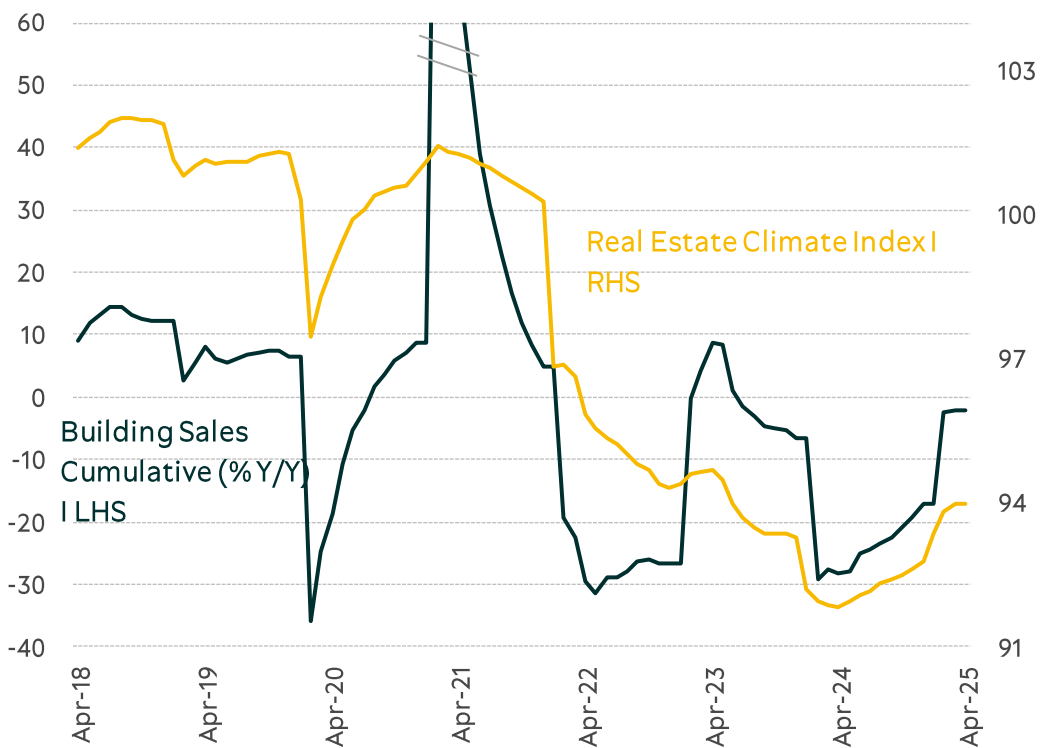


Imports & Exports

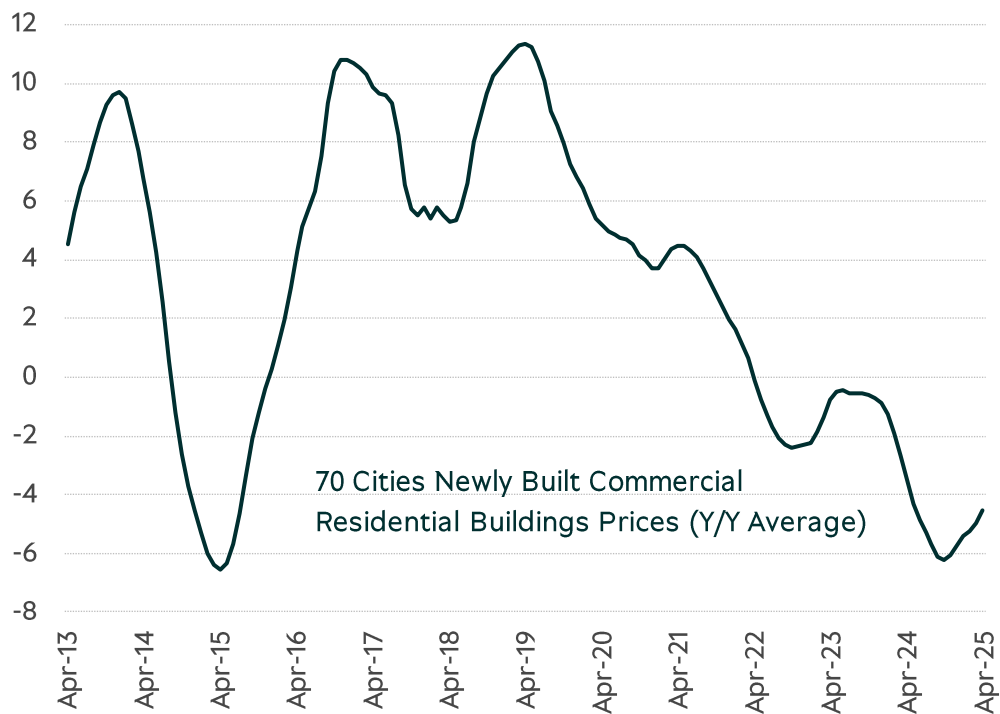


CN Real Estate | Improvement in Building sales and Real Estate climate but Prices still very subdued

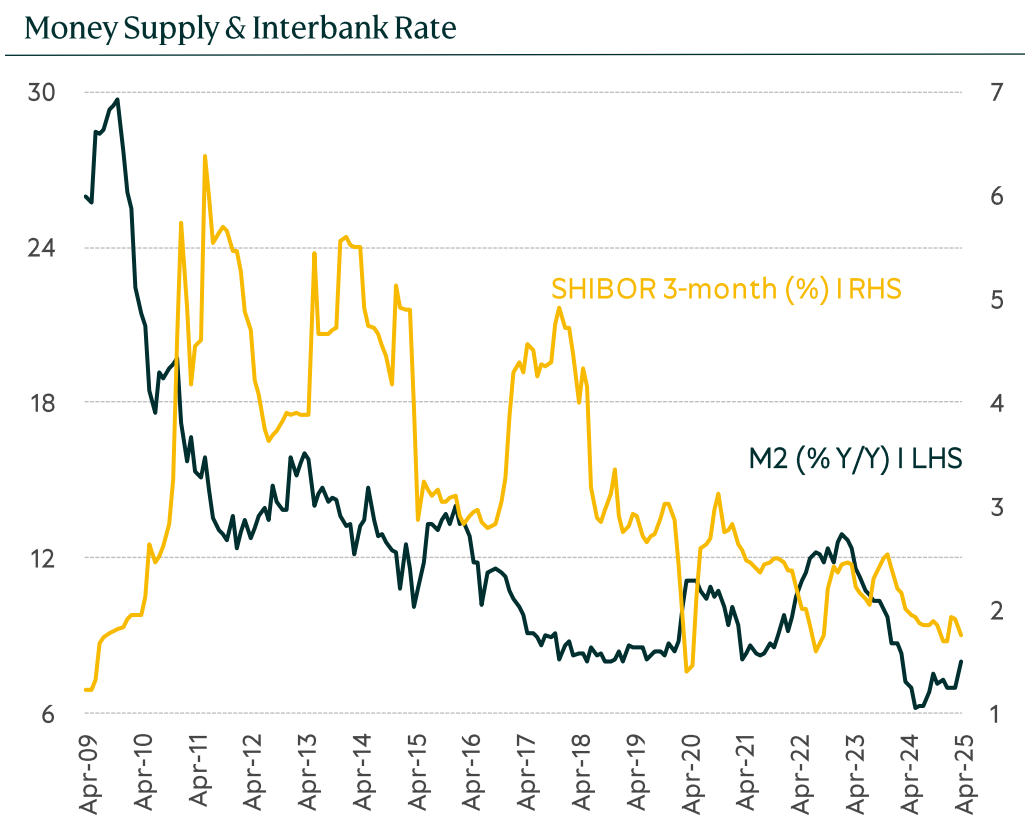
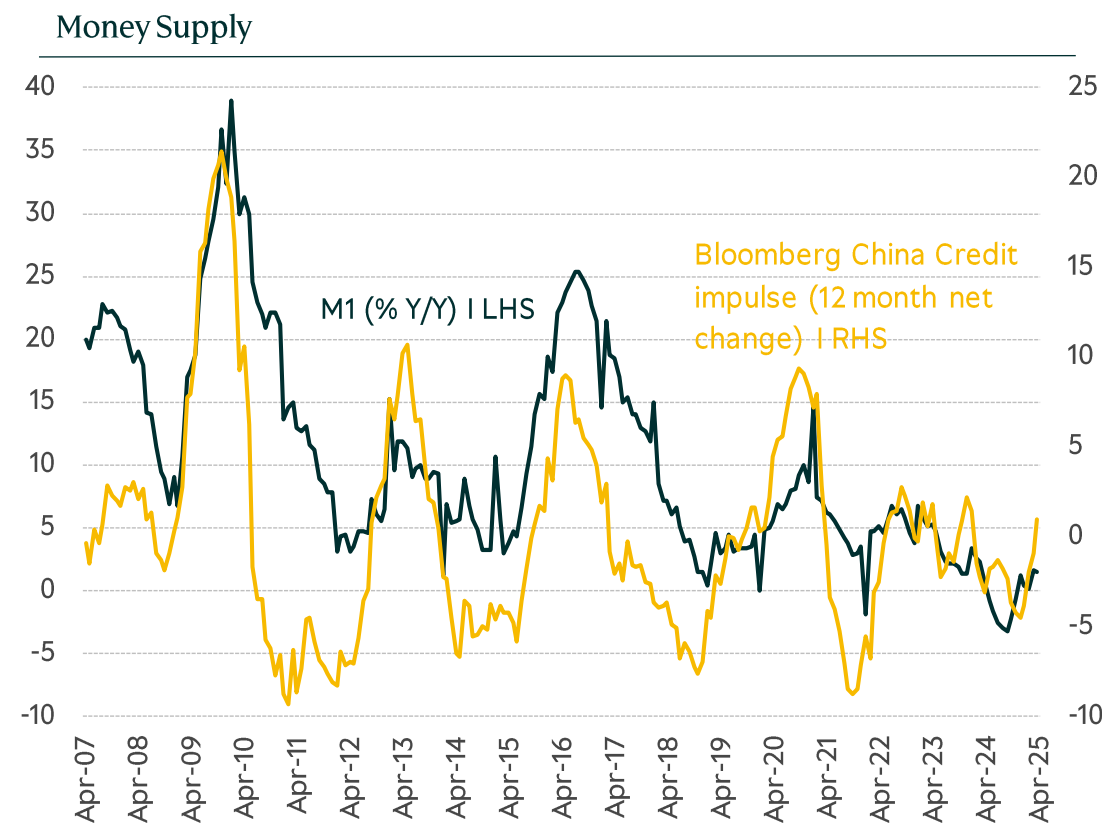
Real Estate Climate & Building Sales



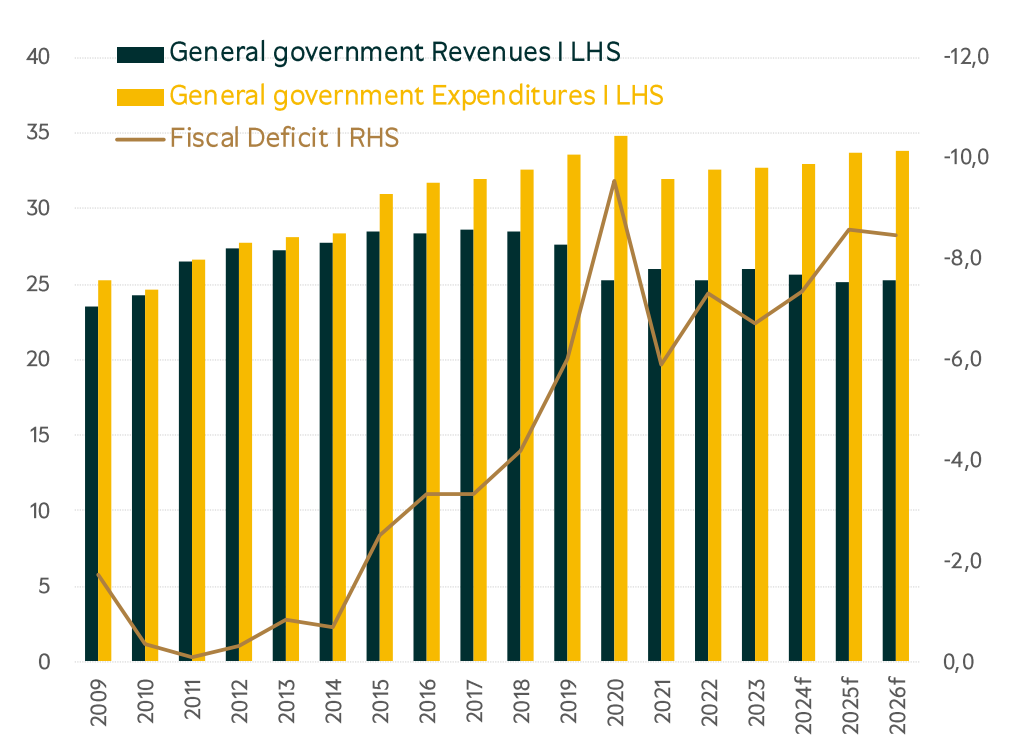
Newly Residential Buildings Prices



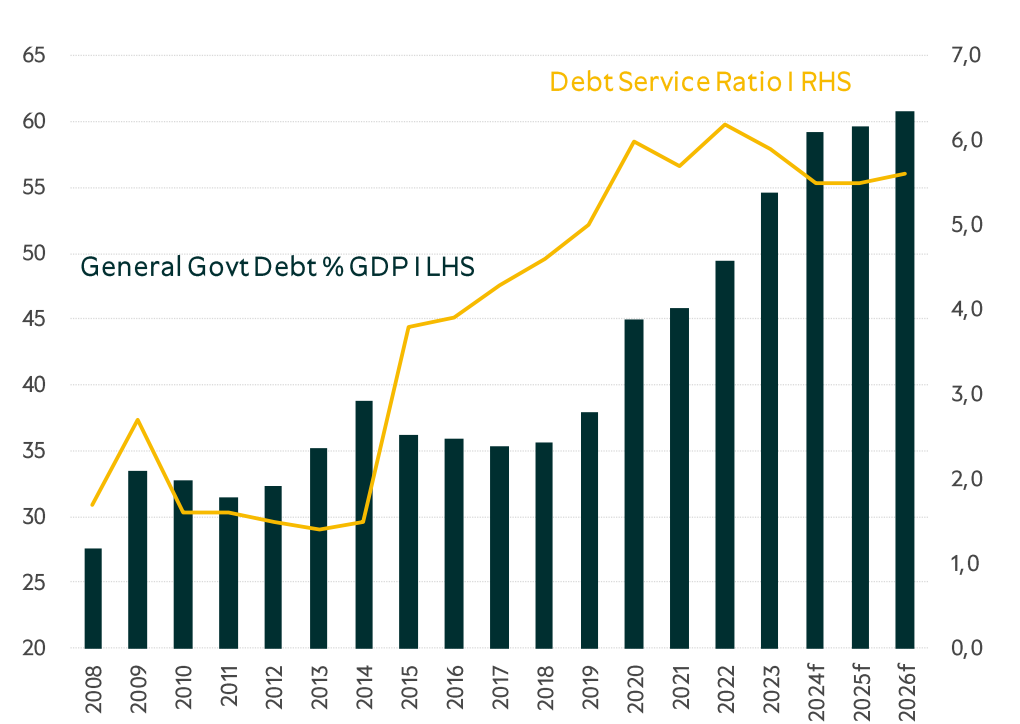
CN Money Supply | M1 and M2 still a drag to GDP ahead; less than before



Government Balance



General Government Debt & Debt Service Ratio



Debt Service Ratio = (Interest + Current-year repayment of principal) / Current-account receipts

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