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US President Donald Trump's aggressive trade policies have intensified in recent weeks with the announcement of new tariffs on key trading partners and goods. The brewing trade war and the fallout from Trump's withdrawal of support for Ukraine in its war with Russia leave the world on the cusp of epochal policy decisions that could shape the global economy for decades. For now, tariffs are almost certain to have a negative impact on global growth, though the distribution of costs and benefits among countries, as well as the effect on inflation is less clear. Against this backdrop, central banks may face a challenging task in determining the appropriate policy response, in order to support economic expansion while maintaining price stability.

Macro Picture

USA: data signals slowing growth momentum amid policy uncertainty and inflation concerns

EA: sentiment surveys indicate weak, but slightly improving economic momentum in Q1

China: no surprises from the "Two Sessions"; growth target again set to 5% despite tariffs

Japan: economy eked out surprise 2024 GDP expansion after strong Q4 print

CESEE: growth poised to pick up in 2025 despite geopolitical risks and region-specific challenges

Markets

FX: German fiscal stimulus plan causes upward surge of EUR; USD/JPY lower, 145 territory in sight

Rates: EU rates jumped on defence spending; US rates declined on weaker data, geopolitical risks

EM: sovereign bonds remained relatively steady despite rapidly shifting global environment

Credit: news flow on US tariffs and geopolitics will continue to dominate

Policy Outlook

USA: concerns about weakening activity have led to a dovish shift in Fed rate easing expectations

EA: weak growth, ongoing disinflation support the sixth rate cut at the March ECB meeting

Japan: BoJ hawkish, but deputy governor all but rules out rate hike in March

CESEE: exacerbating inflation from higher tariffs could delay plans for further interest rate cuts

Key Downside Risks

DM & EM: further escalation of the trade war through an extension of the geographical scope of tariffs or through retaliation from trading partners; intensification of geopolitical tensions; sharply higher commodity prices and market-based inflation expectations; monetary policy remains restrictive for longer; climate related disasters; swelling trade deficits from increased tariffs exerting depreciation pressures on currencies of import-dependent EM countries

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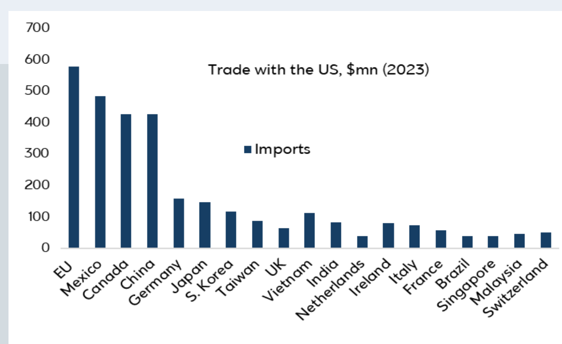
Macro Views

Trade, geopolitical tension put world on cusp of epochal policy choices

US President Donald Trump's aggressive trade policies have intensified in recent weeks with the announcement of new tariffs on key trading partners and goods, as well as plans for reciprocal tariffs. On 4 March, the 25% tariffs on Mexico and Canada, which had been delayed a month ago, went into effect (with a lower 10% rate on Canadian energy), effectively undermining the US-Mexico-Canada free trade agreement, one of Trump's signature achievements from his first term. In addition, tariffs on all Chinese goods were raised to 20%, doubling the previous rate and marking a significant increase compared to the 12% hike during the 2018-2019 trade war. These new tariffs effectively target $1.3trn (or 43%) of total US annual goods imports (based on 2023 data). In response, Canada unveiled a retaliatory tariff package, as did China, and Mexico's president made it clear that her country is prepared to retaliate as well. The risk of further escalation in the trade war was highlighted earlier this week when President Trump tweeted that if Canada imposes tariffs on the US, the US will respond with reciprocal tariffs of a similar magnitude.

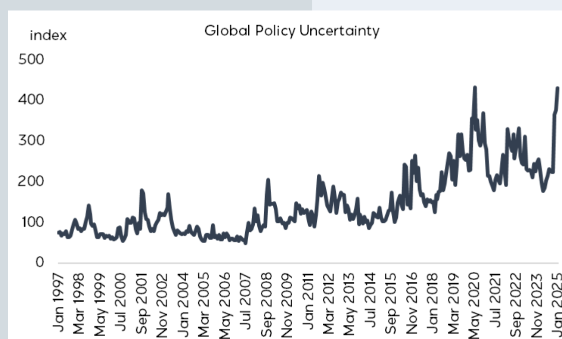
Figure 1: US imports from Mexico, Canda and China account for 43% of total imports



Source: BEA, Eurobank Research

While it remains unclear how long these tariffs will stay in place or whether they might face legal challenges that would pause or delay their implementation, there is a risk that the US president could implement other tariff threats in the coming weeks. These actions aim to adjust bilateral trade imbalances, curb the growing US goods trade deficit which hit a fresh record monthly high of $153.3bn bn in January 2025, protect domestic manufacturers from foreign competition and generate revenue that could potentially offset the costs of extending the Tax Cuts and Jobs Act (estimated at around $4trn or higher over the next ten years) and financing other fiscal initiatives, like proposed further tax cuts. Unless concessions are made in the interim, Trump has indicated that a 25% tariff on steel and aluminium could be implemented on 12 March. On top of that, he has warned of potential EU-specific tariffs and has also threatened reciprocal tariffs on countries with higher duties or indirect taxes on US exports in early April, when trade investigations he initiated on his inauguration day are expected to conclude.

Figure 2: Global policy uncertainty has spiked



Source: Economic Policy Uncertainty, Eurobank Research

Global policy uncertainty remains elevated and is unlikely to ease any time soon, driven by concerns over a significant slowdown in global economic activity, especially amid fears over further trade escalations. Tariffs are expected to affect growth through several channels, including a slowdown in global trade — particularly in a tit-for-tat scenario — disruptions in global supply chains and reduced private consumption. However, the most significant impact may arise from business uncertainty regarding future market conditions, which could lead to delayed or reduced investment. The overall impact, though, will depend on the duration of these trade tensions and whether they escalate further or are resolved through negotiations. While tariffs are almost certain to have a negative impact on growth, the effect on inflation is less clear. Slower growth and weaker domestic demand should ease inflationary pressures, but retaliation could drive up import prices, and supply chain disruptions could add to inflation pressures, even if GDP growth remains weak.

Against this backdrop, central banks may face a challenging task in determining the appropriate policy response, with their next moves largely contingent on balancing the need to support economic growth while maintaining price stability. Region-specific factors could also influence their policy deliberations, including the likely approval by EU leaders of European Commission President Ursula von Der Leyen proposed "ReArm Europe" plan. This initiative aims to mobilise around €800bn for defence spending over four years (or 1.2% of EU GDP per year), seeking to achieve greater EU strategic autonomy amid rising geopolitical risks. The plan includes, inter alia, triggering the escape clauses from the EU fiscal rules to facilitate €650bn in national defence and establishing a new EU loan facility worth €150bn backed by the EU Budget. The goal is to increase defence spending from the current average of 2% of GDP to 3.5% by 2028, aligning it with the US's ratio. This received dramatic impetus when Germany later the same day unveiled plans to dramatically ramp up defence spending and reform its debt brake.

Reflecting increased policy uncertainty, sentiment surveys for the first two months of Q1 2025 show signs of slowing momentum after the global economy grew by an estimated 3.2% in 2024, slightly below its long-term average. As a result, the market consensus (Bloomberg) forecast is for a GDP growth rate of 2.9% for the full year, 0.1pts lower than last month. The global composite PMI dropped in February for the second consecutive month, down by 0.3pts to 51.5, the lowest in 14 months. National PMI data revealed that the US lost steam and was no longer the fastest growing among major developed economies, with Japan surpassing it, while India outperformed the other major emerging markets. Despite the decline, the index remained above the threshold of 50, signalling expansion for 25 consecutive months. The services sector continued to expand, though the pace slowed further, registering 51.8 compared to January's 52.2. On the other hand, the manufacturing PMI moved further into expansionary territory, likely driven by pre-emptive actions ahead of expected higher US tariffs. The index rose to an eight-month high of 50.6, up from 50.1 in January, further narrowing the gap with the services sector which began expanding in January 2023. However, with ongoing uncertainty surrounding global trade policy, concerns about the sustainability of the expansion are growing, making it unclear whether the manufacturing recovery seen in the first two months of this year can be maintained.

Developed Economies

US: Incoming sentiment surveys and hard data suggest a slowdown in growth momentum in Q1 2025 after an above-trend growth rate north of 2.5% in H2 2024. The US administration's tariff announcements and the prospect of more layoffs linked to the Department of Government Efficiency's (DOGE) plan for large-scale reductions in federal civil services are heightening uncertainty and weighing on economic activity. Increasing signs of slowing economic activity have triggered a dovish shift in Fed rate easing expectations, with markets now fully pricing in three cuts of 25bps each by end-2025 compared to just one less than a month ago. However, against the backdrop of elevated inflation expectations and persistently high inflation figures, the Fed may be reluctant to swiftly cut rates in response to signs of slowing growth. Nonetheless, rate cuts could become more likely if there is evidence of a weakening labour market or a substantial tightening in financial markets.

Euro area: Sentiment surveys for the first two months of Q1 2025 indicate that weak growth momentum persists, following a slight upward revision of 0.1ppts in Q4 2024 GDP growth to 0.1%QoQ. Meanwhile, external headwinds have intensified. A 25% US tariff on steel and aluminium imports, including those from the EU, is set to take effect on 12 March and the US President has threatened higher tariffs on more EU goods. On a more positive note, the EC's economic sentiment continued its gradual improvement in February, consumer sentiment rose for the second consecutive month and credit growth to the private sector showed further signs of gradual improvement in January. At the same time, both headline and core CPI resumed their downward trend in February and ECB forward-looking indicators continue to point toward a slowdown in wage growth by year-end, reinforcing confidence that disinflation remains on track. Given this backdrop, the ECB delivered its sixth straight rate cut at the 6 March policy meeting, as was widely expected.

Emerging Economies

EM: over the past month, a significant economic development was the imposition of new US tariffs by President Donald Trump, targeting imports from Mexico, Canada, Europe, and China. These measures have heightened global market uncertainty, fuelling concerns over the potential escalation of trade conflicts and their broader economic consequences. A notable event reflecting the prevailing trade environment was Vietnam's rare trade deficit of USD1.55bn in February, primarily driven by a sharp increase in imports. This trade imbalance has exacerbated concerns about the impact of US tariffs, especially given Vietnam's strong trade links with both the US and China. On the geopolitical front, the recent meeting between Prime Minister Narendra Modi and President Donald Trump garnered significant attention. The talks were viewed as a crucial diplomatic development, highlighting India's strategic importance in the shifting US-China dynamic. Moreover, the ongoing escalation of the Russia-Ukraine conflict, with the US playing a central role in negotiations, has further contributed to global geopolitical instability. In response to these evolving geopolitical challenges, key international forums such as the AlUla Conference for Emerging Market Economies convened in mid-February in Riyadh. The conference focused on addressing the complex economic challenges facing emerging markets amidst these shifting dynamics.

CESEE: GDP growth is projected to accelerate in 2025, despite ongoing geopolitical risks and both broad and region-specific challenges. The region's average growth rate is expected to rise to 2.5% from 2.0% in 2024. This expansion is anticipated to be largely driven by domestic demand, continuing the trend set in 2024. However, while inflation eased throughout much of 2024, early 2025 has seen unexpected upticks across several CEE countries, signaling that price pressures may persist. Inflation remains subdued in Poland and the Czech Republic, with the latter's central bank cutting its key policy rate by 25bps in February. Several key risks continue to loom over the region's outlook. Ongoing negotiations between Ukraine, the US and Russia are expected to have significant geopolitical and economic ramifications for CEE countries. Recent policy shifts, including the suspension of US military aid to Ukraine, have raised concerns regarding the US's commitment to European security, potentially emboldening Russia and heightening regional instability. This could prompt increased defense spending in some CEE nations, placing strain on fiscal balances. Compounding this, evolving US trade policy poses additional challenges. A rise in US tariffs on sectors where CEE countries are significant exporters—such as automotive, machinery, electronics, and agriculture—could erode the region's competitiveness in the US market. Furthermore, a potential US-EU trade conflict could introduce economic and political uncertainty, pushing up consumer prices and exacerbating inflation in countries highly dependent on imports.

Markets View

Foreign Exchange

EUR/USD: the pair was trading within a strong USD environment for most of February, struggling to sustain gains above 1.05. ECB policy and US economic data were the key influences, but the focus then shifted to the geopolitical tensions, Trump's pause on Ukraine aid and Eurozone defence strategies that could impact market sentiment in the medium term. Germany's an-nouncement of a massive fiscal package for defence and infrastructure spending caused the pair to break above its range, reaching levels slightly above 1.08 early on March 6. One-month, six-month and nine-month implied volatility was at 9.13%, 7.87% and 7.80% respectively.

USD/JPY: remains under pressure as yield spreads narrow, trading within a descending channel. Global security dynamics could affect the pair. A shift in US policy toward Ukraine could potentially influence broader market sentiment, which could get expressed via safe-haven JPY buying related flows. The short-term outlook is bearish, with a break below 148 potentially targeting the 145.935 territory. Support levels include 146.52, 145.78 and 145.04 and resistance ones include 153.65, 154.41 and 155.17. As of March 6, one-month, six-month and nine-month im-plied volatility was at 11.84%, 10.59% and 10.34% respectively.

Rates

EU: rates initially moved higher in the first half of February, driven by stronger economic data, persistent inflation and the announcement of increased defence spending. However, in the latter half of February, sentiment shifted as risk-off dynamics gained momentum, leading to lower rate easing expectations and increased volatility. Key factors contributing to this shift included uncertainty around US foreign policy and geopolitical developments. By month-end, the 10yr EUR swap rate settled at 234bps, after fluctuating between 229bps and 249bps. Then Germany's fiscal announcement at the beginning of this month, with the rate at 270bps on March 6, the highest since July 2024. The yield curve steepened further in February, with the 5s30s segment closing 12bps higher at 4bps, continuing its upward trajectory throughout the month.

US: an upside surprise in the January CPI report, initially pushed rates significantly higher. However, subsequent economic data — including weekly jobless claims, PMIs, consumer expectations and PCE inflation — pointed to softening labour markets and slowing growth, prompting a sharp repricing lower. Political developments further contributed to bearish sentiment. As a result, the 10yr SOFR swap rate ended the month 30bps lower, with a clear downward trend. The yield curve steepened, with the 5s30s segment closing 6bps higher at 0.3bps. Looking forward, markets were pricing in 70bps of Fed rate cuts by year end as of March 6, and we anticipate further repricing of US rates to the downside. The yield curve is expected to steepen further as economic data weakens. Additionally, geopolitical risks and escalating trade tensions could amplify market volatility, adding to investor uncertainty.

Emerging Markets Sovereign Credit

Emerging market sovereign bond spreads have remained relatively stable despite a more challenging sentiment toward global risk assets. As of March 3, the EMBI Global Index had widened by ap-proximately 10bps since the end of January to reach 302bps. In Central Europe, the initial tightening of spreads — driven by optimism over a potential Ukraine-Russia peace agreement — was partially reversed after the US and Ukraine failed to reach a critical minerals agreement following the Oval Office bust up between Donald Trump and Volodymyr Zelenskiy. Among regional peers, Romania and Hungary outperformed, with their 10yr EUR spreads over swaps tightening by roughly 12bps from the end of January. Serbia, on the other hand, lagged, with its spread remaining unchanged. In Latam, spreads widened slightly, with Mexico's 10yr USD spread rising 6bps to 208bps. In Asia, Indonesian external debt spreads were largely unchanged over the observation period. While we remain cautious and sceptical given the tight spread levels and the rapidly shifting global environment, we continue to monitor the market for selective opportunities.

Corporate Credit

February was an eventful month for global markets, with most assets registering steady gains despite the newsflow on US tariffs. Initially, the tariff threat led to a risk-off move, but a last-minute extension for Canada and Mexico led to a subsequent relief rally. Towards the end of the month and into the beginning of March, risk-off sentiment prevailed once again as tariffs came back on the agenda, alongside some weaker data in the US and geopolitical uncertainty. As of March 4, European equities continued their outperformance, with Stoxx 600 up 3.1% from the end of January, alongside gains for the DAX (+1.4%) and the CAC 40 (+1.9%). Tariff-sensitive assets were affected the most, with European autos and parts registering a decline. Overseas, there were growing fears of inflation after the US CPI release for January showed a strong month-on-month increase, leading investors to price-in meaningfully higher inflation for the coming year. The S&P declined 5.0% in February and the start of March, with tech stocks leading the decline. In fact, the Magnificent 7 fell more than 13% since the beginning of February, marking their worst monthly performance in more than two years.

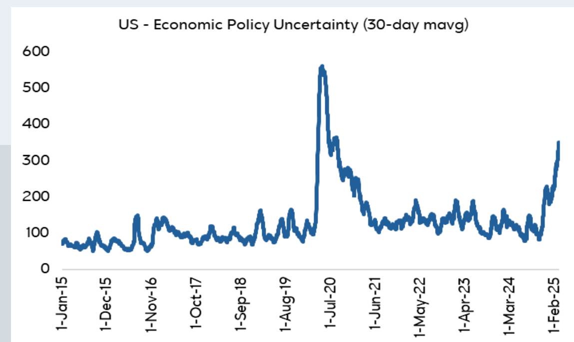
Against this backdrop, European credit spreads had tightened since the beginning of February as of March 4, outperforming compared with the US. Main tightened by -3.2bps while Xover tightened -21bps, while Snr and Sub Fins were also 6-11bps tighter. vs. CDX IG -1bp, CDX HY -12bps). On the other side of the Atlantic, CDX IG was +0.5bps wider February-to-date, with CDX HY +6bps wider. European cash remained very well supported, with most European IG and HY sectors ending tighter from the end of January (IEAC -5bps, IHYG -12bps January-to-date). Sector-wise, Snr and Sub Financials outperformed (-7 and -11bps respectively), while Technology underperformed (+2.5bps). In High Yield, Consumer Staples, Energy and Industrials outperformed (c. -50-60bps each), while Telecoms lagged (+20bps). Activity in the European primary market was high, with total issuance in February at €218bn, well ahead of €170bn in February 2024.

US

Growth momentum slows amid rising policy uncertainty, inflation concerns

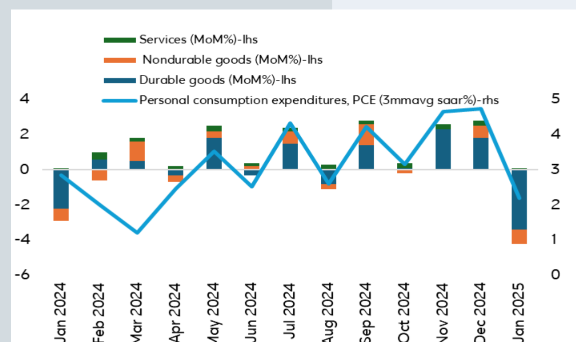
Incoming sentiment surveys and hard data suggest a slowdown in growth momentum in Q1 2025 after an above-trend growth rate north of 2.5% in H2 2024. The US administration's tariff announcements and the prospect of more layoffs linked to the Department of Government Efficiency's (DOGE) plan for large-scale reductions in federal civil services are heightening uncertainty and weighing on economic activity. Despite a stronger-than-expected 0.9%MoM increase in January's personal income, more than double the 0.4%MoM rise in the previous month, real personal consumption — the key driver of US economic growth — fell 0.5%MoM, marking the first decline in a year. This downturn in consumer spending was accompanied by a sharp decline in consumer sentiment. The University of Michigan's (UM) survey for January revealed a 6.4pt drop in its respective index, falling to 64.7, its lowest for more than a year. Similarly, the Conference Board's (CB) consumer confidence index dropped by 7pts to an eight-month low of 98.3, also influenced by a weaker assessment of overall labour market conditions. Adding to signs of slowing growth momentum in Q1, January's construction spending dropped by a larger than expected 0.2%MoM, ISM manufacturing resumed its downtrend in February (-0.6pts to 50.3) and the goods trade deficit widened to a new record high of $153.3bn in January. Of particular concern, the weakening in consumer sentiment coincided with a sharp rise in inflation expectations. The median inflation expectation for the next 5-10 years, according to the UM survey, jumped to 3.5%, the highest since 1995, a 0.3ppt increase from the previous month, the largest since November 2022. Similarly, CB's survey showed that consumers expect inflation to rise to 4.8% the next year, up from the 4.0-4.2% range seen over the previous six months. Increasing signs of slowing economic activity have triggered a dovish shift in Fed rate easing expectations, with markets now fully pricing in three cuts of 25bps each by end-2025 compared to just one less than a month ago. However, against the backdrop of elevated inflation expectations and persistently high inflation figures (January's core PCE growth was 2.6%YoY), the Fed may be reluctant to swiftly cut rates in response to signs of slowing growth. Nonetheless, rate cuts could become more likely if there is evidence of a weakening labour market or a substantial tightening in financial markets.

Figure 3: US economic policy uncertainty was only higher during the pandemic crisis



Source: Economic Policy Uncertainty, Eurobank Research

Figure 4: Real consumer spending declined broadly in January, the first drop in a year



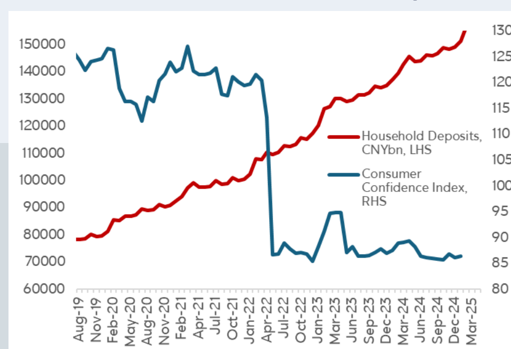
Source: BLS Policy Uncertainty, Eurobank Research

China

No surprises from the “Two Sessions”; growth target again set to 5%

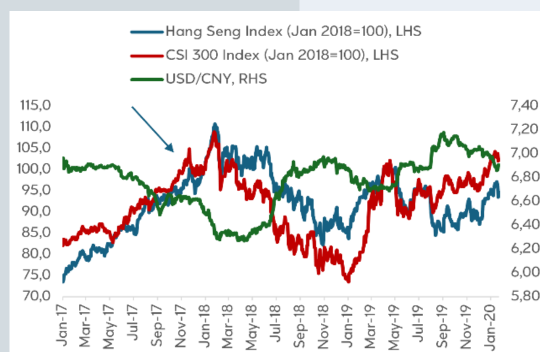
The “Two Sessions”, which encompass China’s annual political gatherings of the National People’s Congress (NPC) and the Chinese People’s Political Consultative Conference (CPPCC), started on March 4 and conclude on March 11, 2025. While early discussions within the sessions have offered no surprises, they have highlighted continued fiscal stimulus, increased support for consumption and a more flexible stance on housing supply restrictions. The Government Work Report (GWR) delivered a GDP growth target of approximately 5% for 2025, consistent with the targets for 2023 and 2024. The report outlined several key economic parameters, including a 2% inflation target, a 4% budget deficit goal and CNY0.5tn in special treasury bonds to support bank recapitalizations. Significantly, the GWR reaffirmed the priority of boosting domestic demand, elevating it to the top of the policy agenda from third place in the previous year. The report emphasized the acceleration of new types of consumption, such as digital, green and smart consumption. Further policy adjustments could occur at the Politburo meeting in April, with a more comprehensive review expected during the mid-year Politburo session. On the international front, trade tensions between the U.S. and China have sharply escalated. President Donald Trump’s administration initiated a 10% tariff hike on Chinese imports, which was subsequently raised to 20% on March 3, 2025, covering a broad range of Chinese goods. In response, China imposed retaliatory tariffs on U.S. exports, including a 15% levy on coal and liquefied natural gas, and 10% tariffs on crude oil, agricultural machinery and large-displacement vehicles. On March 4, China retaliated further, introducing additional tariffs of up to 15% on US agricultural products such as chicken, wheat, corn and cotton, effective from March 10. This intensifying tariff conflict has led to rising consumer prices and significant disruptions in global supply chains which are far from fully unfolding yet. Both the U.S. and China have signalled their intent to maintain and potentially increase these tariff measures, with China expressing its readiness for a prolonged trade confrontation.

Figure 5: The Politburo focuses on restoring consumer confidence and consumption...



Source: Bloomberg, Eurobank Research

Figure 6: ..so as to limit the clash of 2018 when trade war roiled Chinese financial markets...



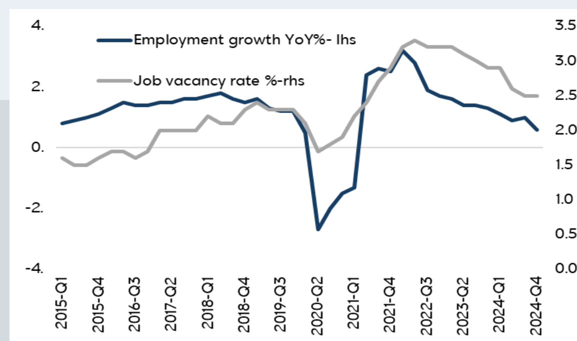
Source: Bloomberg, Eurobank Research

Euro area

Weak growth and ongoing disinflation suggest further ECB rate easing

Sentiment surveys for the first two months of Q1 2025 indicate that weak growth momentum persists. This follows a slight upward revision, of 0.1ppts, in Q4 2024 GDP growth to 0.1%QoQ and a sub-trend growth rate of 0.7% for the full year. The composite PMI was steady at 50.2 in February, remaining just above the threshold of 50, signalling only marginal economic growth. The services activity index fell to a three-month low (-0.7pts to 50.6) driven by a sharp drop in France's corresponding indicator, while the manufacturing PMI rebounded (+1pts to 47.6), likely reflecting front-loaded production in anticipation of higher US tariffs. The PMI survey also pointed to concerning signs in the labour market as the employment index remained weak, with the respective index for the three largest Eurozone economies falling below 50. This trend aligns with a gradual loosening of market conditions, as suggested by declining vacancy rates and other leading indicators. Meanwhile, external headwinds have intensified. A 25% US tariff on steel and aluminium imports, including those from the EU, is set to take effect on 12 March. Additionally, Trump has threatened higher tariffs on more EU goods which could also weigh on growth, primarily by reducing export growth. Rising trade uncertainty and indirect effects, such as supply-side disruptions, could further hinder economic growth. Moreover, weak retail sales and industrial production data for December suggest a challenging start to 2025. On a more positive note, the EC's economic sentiment continued its gradual improvement in February (+1pts to 96.3) and consumer sentiment, though still well below its long-term average, rose for the second consecutive month (+0.6pts to -13.6), probably supported by falling fuel prices. Additionally, credit growth to the private sector showed further signs of gradual improvement in January, increasing from 2.0%YoY to 2.3%YoY. At the same time, both headline and core CPI resumed their downward trend in February (-0.1ppts to 2.4%YoY and 2.6%YoY, respectively) and ECB forward-looking indicators continue to point toward a slowdown in wage growth by year-end, reinforcing confidence that disinflation remains on track. Given this backdrop, the ECB delivered its sixth straight rate cut at the 6 March policy meeting, as was widely expected. However, as rates approach the neutral zone, the debate over a slower pace of easing in the near future may get more heated.

Figure 7: Labour market conditions in the Eurozone are gradually loosening



Source: Eurostat, Eurobank Research

Figure 8: The US is the largest trading partner of the Eurozone

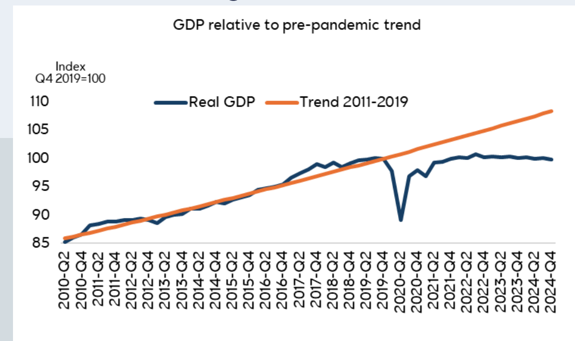
Source: Eurostat, Eurobank Research

Germany

CDU/CSU and SPD reach agreement on massive fiscal expansion

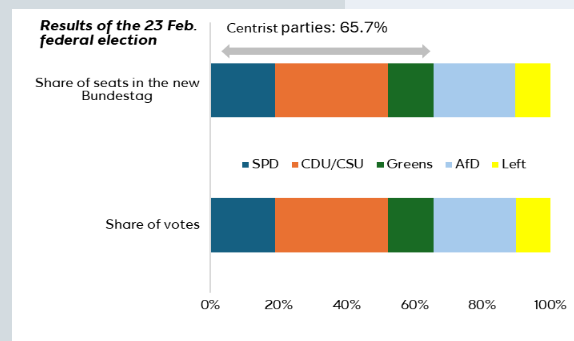
A renewed grand coalition between the CDU/CSU and the SPD appears to be the only viable option for forming a coalition government, based on the results of the February 23 federal election. The incoming government will undoubtedly face substantial challenges in revitalizing the economy, which has barely grown since the end of 2019 and has consistently lagged the Eurozone average since 2021, struggling with both cyclical and structural headwinds (had the economy grown at the same pace as the trend set between 2011 and 2019, output would have been approximately 8% higher). In this context, as well as deregulation, a streamlined bureaucracy and potential supply-side reforms, Germany urgently needs a more expansionary fiscal policy, potentially through changes to the constitutionally enshrined debt brake or the establishment of off-budget funds for investments in infrastructure and defence. The SPD and the Greens have long advocated for fiscal stimulus and a loosening of the constitutional debt brake, while the CDU/CSU was open to off-budget funds during the lead-up to the federal election (but had firmly supported adhering to the constitutional debt brake). However, all of these proposals require a constitutional change, which necessitates a two-thirds majority in parliament. The three centrist parties no longer hold this majority in the new parliament, which will convene on March 24. As a result, decisions had to be made swiftly, and the outgoing parliament, where the centrist parties hold the necessary majority, had to take action before its term ends. In a surprising shift, the CDU/CSU reversed its stance on fiscal policy and, in cooperation with its likely coalition partner, the SPD, agreed on a massive fiscal stimulus package that will meaningfully impact Germany's medium-term economic outlook. This includes the establishment of a €500bn Special Purpose Vehicle (SPV) for infrastructure spending over the next decade (11.6% of 2024 GDP), exempting defence spending above 1% of GDP from the debt brake, raising the net borrowing cap for federal states from zero to 0.35% of GDP, and potentially making changes to the debt brake by the end of the year to enable additional long-term investments. The proposals are set to be presented to the Bundestag next week, with the Greens, whose support is needed for the constitutional majority, expected to back them, as defence and infrastructure spending align with their core priorities.

Figure 9: GDP is well below the long-term growth trend



Source: Eurostat, Eurobank Research

Figure 10: Centrist parties lack two-thirds majority in the new parliament



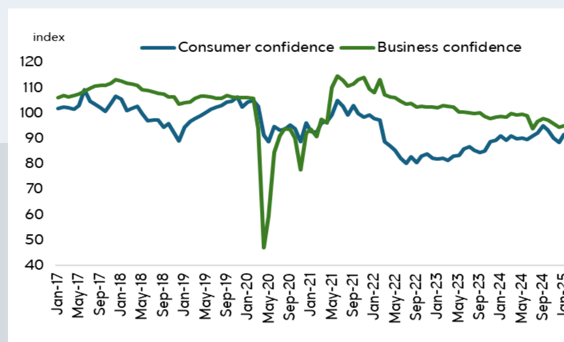
Source: Federal Returning Officer, Eurobank Research

France

Sentiment remains cautious despite passage of 2025 Budget

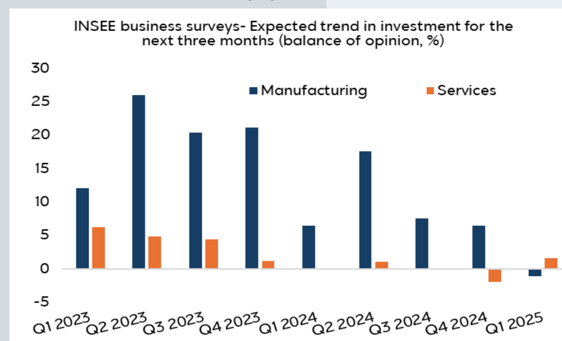
After months of intense political negotiations, Prime Minister Francois Bayrou's minority government successfully passed the 2025 budget in February thanks to the indirect support of both the Socialists and Marine Le Pen's National Rally (RN). However, recent weak sentiment indicators suggest that market participants may view Bayrou's achievement as a temporary success in reducing the risk of political instability in the near term rather than ensuring long-term stability. The government still lacks a majority in Parliament, and the risk of a snap election could potentially re-emerge in the second half of the year, as President Emmanuel Macron will regain the constitutional authority to dissolve the National Assembly and call for a new election from July, a year after the last one. Remaining in a downward trend for the sixth straight month, partly driven by ongoing domestic political uncertainty and the planned fiscal tightening of about 0.7% of GDP in the 2025 budget, the composite PMI plunged by 3.1pts in February, its steepest monthly decline since September 2023, falling to 44.5, further below the 50 threshold that separates expansion from contraction. The decline was driven by the critical services sector, which accounts for almost 80% of total output, with its index dropping from January's 48.2 to a 17-month low of 44.3. The manufacturing PMI slightly exceeded expectations, rising to 45.5. In a slightly more positive note, the INSEE business confidence indicator rose from 95 to 96 in February, although it remained below the November level and its long-run average of 100, with business investment intentions still weak. In terms of hard data, retail sales declined 0.2%MoM in December, fully offsetting November's improvement. This points to a modestly negative carryover effect into Q1, adding to the view that the government's 2025 GDP forecast of 0.9%, as penciled in the 2025 budget (which implies an average quarterly growth rate of around 0.3%) might be overly ambitious and difficult to reach. The uncertain external environment due to Donald Trump's trade policies also clouds France's outlook considering that half of the 2.6% increase in GDP growth since Q3 2022 was attributed to net trade (2.0ppts from exports of goods and services). Ultimately, we stick to our view that, in contrast to a modest improvement expected for the Eurozone this year, France's GDP growth is forecast to slow to 0.7% in 2025, down from 1.1% in 2024.

Figure 11: Economic confidence has weakened in recent months...



Source: INSEE, Eurobank Research

Figure 12: .... and business expectations have sharply declined



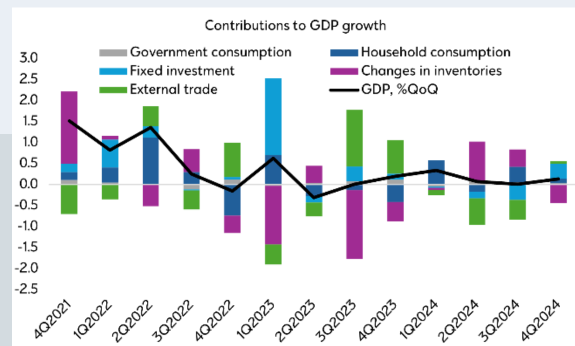
Source: INSEE, Eurobank Research

Italy

Government gets welcome budget news as GDP grew more than thought

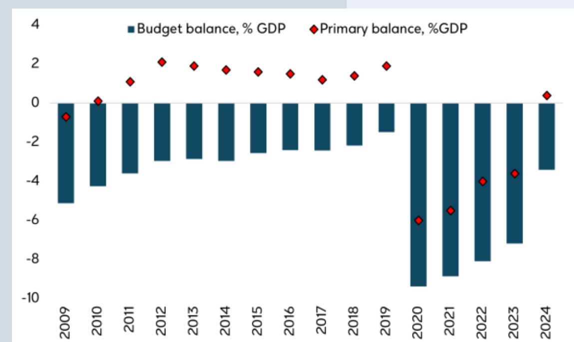
Several data releases in recent weeks suggest that Italy's economic outlook is improving after a loss of momentum in the second half of last year. The second GDP release for Q4 resulted in revised expansion of 0.1%QoQ, with the growth rate having previously been estimated at zero for a second straight quarter. There were also revisions to previous quarters in the series, though GDP remained flat in Q3 in the new estimation. It means GDP grew 0.7% last year, the same rate as in 2023 and 0.2ppts higher than earlier thought. Final consumption expenditure contributed 0.4ppts to last year's GDP growth, with this amount split equally between private and government spening. External trade also contributed 0.4ppts. Gross fixed capital formation – which was the main contributor to the Q4 quarterly expansion – added 0.1ppts to growth for the whole of 2024. In terms of carrying economic momentum into the current quarter, the February PMI data was highly encouraging, with the services indicator jumping 2.7pts to 53 and the composite PMI rising to 51.9 from 49.7 – crossing above the 50-threshold separating expansion from contraction. The manufacturing PMI remained in deeply contractionary territory, but did increase 1.1pts to 47.4. All three readings came in well above the consensus estimates. Consumer confidence also beat the market expectations in February, rising to 98.8 from 98.2 the month before. Meanwhile, the country's inflation rate was unchanged in February at 1.7%YoY, which was better than the consensus estimate that it would increase by 0.1ppts. If the most recent data suggests some green shoots for the economy, the Italian government received an even bigger boost from Istat's first reading of its country's fiscal data for 2024, which showed that the budget deficit narrowed to 3.4% of GDP in 2024 – less than half a percentage point below the EU's 3% permitted ceiling – from 7.2% in 2023. That's better than the government's 2025 Budget forecast, which had estimated that last year's deficit would be 3.8%, before falling to 3.3% this year. Those forecasts, in turn, had seemed optimistic compared with the Bloomberg consensus forecast, which estimated the deficit would be 4%, remaining at 3.6% this year. The country also posted a primary surplus of 0.4% of GDP for the first time since its 10-year run of surpluses before pandemic. Public debt increased to 135.3% of GDP from 134.6% in 2023.

Figure 13: A rise in fixed investment helped eke out a small GDP increase in Q4



Source: Istat, Bloomberg, Eurobank Research

Figure 14: Italy posted a primary surplus last year for the first time since the pandemic



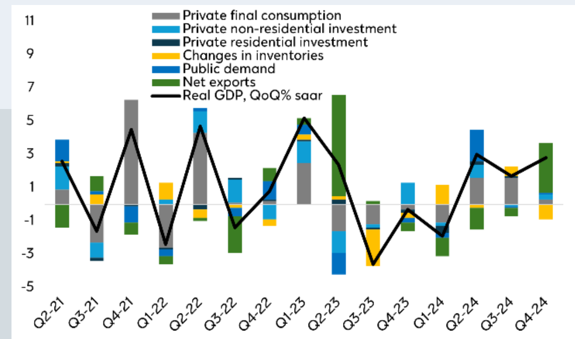
Source: Istat, Bloomberg, Eurobank Research

Japan

Economy expanded last year; BoJ deputy all but rules out rate hike in March

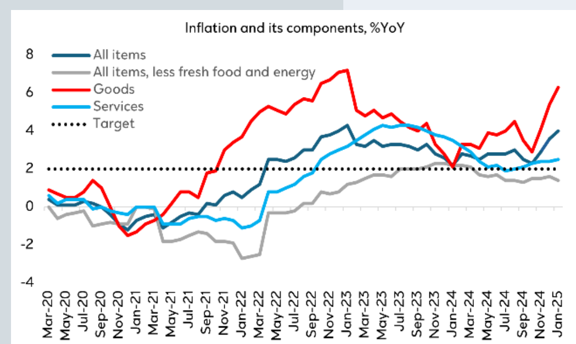
The economy eked out a surprise 0.1% expansion in 2024 after Q4 GDP growth came in much higher than the consensus estimate thanks to a big contribution from net exports. GDP grew at a seasonally adjusted annualised rate (saar) of 2.8%QoQ in the final three months of the year, after expanding 1.7%QoQ saar in Q3 and 3%QoQ saar in Q2. The Q4 expansion beat the consensus estimate for 1.1%QoQ saar growth, while GDP for the whole year was expected to shrink 0.1% after the economy contracted for a third straight quarter in Q1. Domestic demand subtracted 0.2ppts from Q4 growth, though the drag came entirely from inventories, which subtracted 0.9ppts. All other main domestic components either expanded or were statics. Net exports contributed 3ppts to saar Q4 growth, though that to a large degree also reflected domestic demand weakness, with two thirds of that coming from an 8%QoQ saar drop in imports. Exports grew 4.3%QoQ saar mainly thanks to a strong tourism performance, with services exports expanding 17.4%QoQ saar. February PMI data mostly provided encouraging signs of economic momentum continuing at the start of 2025, although not so much for the manufacturing sector, which despite the indicator increasing 0.3pts to 49, remained stuck below the 50-threshold that seperates expansion from contraction. However, the services PMI increased to 53.7 in February from 53 the month before, which helped increase the composite PMI by 0.9pts to 52, surpassing even the US. Meanwhile, inflation is heating up nationwide, with the headline rate increasing to 4%YoY in January from 3.6%YoY the month before, in line with expectations, driven largely by higher food and energy costs. In Tokyo, which is seen as a leading indicator for nationwide trends, headline CPI rose 2.9%YoY in February, down from 3.4%YoY in January. With the Bank of Japan having already ratcheted up its hawkish tone this year, the better-than-expected Q4 GDP added to reasons why market participants are expecting another 30bps of rate hikes this year, with the central bank already having delivered a 25bps increase at its first meeting of the year in January. However, the central bank's deputy governor, Shinichi Uchida, shut down any expectation that the next hike could come as soon as the March 19 policy meeting when he said that Japan's current situation doesn't require a pace of a rate hike at every meeting.

Figure 15: Net exports drove Japanese GDP growth in the final three months of 2024



Source: Japan's Cabinet Office, Eurobank Research

Figure 16: A surge in food and energy prices has been behind the recent pickup in inflation



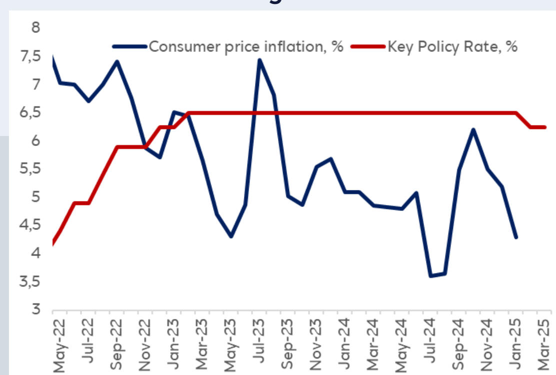
Source: Statistics Bureau of Japan, Eurobank Research

India

Growth picked up in Q3 but risks have intensified in Q4

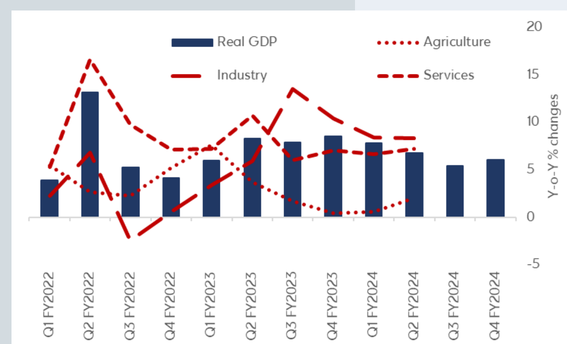
GDP growth for Q3 FY2024/25 registered a solid 6.2%YoY increase, marking a recovery from the previous quarter's 5.4%YoY. This uptick was primarily driven by robust government spending and strong rural demand. Government expenditure played a crucial role in sustaining growth, accelerating from 3.8%YoY in Q2 to 8.3%YoY in Q3. However, it remains evident that India's growth trajectory continues to be highly dependent on public spending, as private investment has yet to make a significant contribution. Private consumption also showed positive momentum, rising to 6.9%YoY from 5.9%YoY in Q2. A key driver of this growth was strong rural demand, supported by favorable monsoon conditions, which boosted agricultural output by 5.6%YoY. Additionally, manufacturing output showed notable improvement, increasing to 3.5%YoY. The National Statistical Office has revised its full-year GDP growth forecast for FY2024/25 to 6.5%, slightly higher than the initial estimate of 6.4%. The Reserve Bank of India (RBI) also expects FY2024/25 growth to reach 6.6%, with a further acceleration to 6.7% in FY26. Despite the improved growth figures for Q3 FY2024/25, the Indian economy still faces several challenges and risks. The RBI has expressed concerns over external vulnerabilities, particularly the depreciation of the Indian Rupee, which has weakened against the US Dollar and other major global currencies in recent months. As a result, the RBI is expected to maintain steady rates in its upcoming April meeting and carefully assess the impact of its recent policy adjustments. Additionally, the India Meteorological Department (IMD) has forecast warmer weather conditions for March, which could adversely impact wheat yields and potentially contribute to food inflation. Against this backdrop, the recent meeting between Prime Minister Modi and President Trump was lauded by experts as one of the most successful bilateral engagements in recent years. The talks underscored India's growing strategic role amid shifting U.S.-China dynamics, potentially strengthening India's position in global geopolitics.

Figure 17: first interest rate after many years amid waning inflation…



Source: RBI, NSO, Eurobank Research

Figure 18: .. in the effort to foster retreating growth



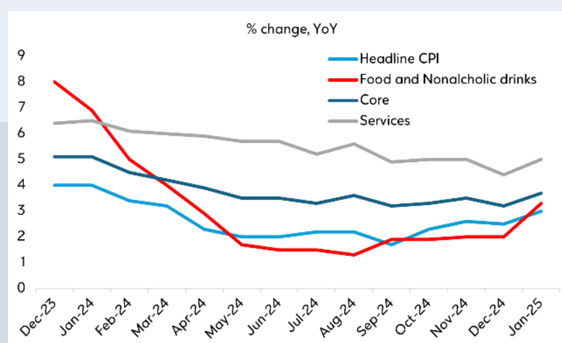
Source: OECD, NSO, Eurobank Research

UK

Inflation accelerated more than expected with economy still lacking momentum

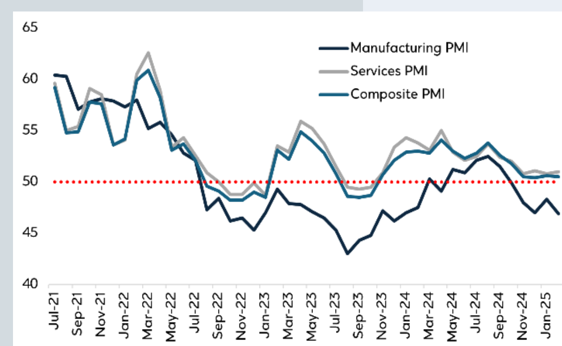
A faster-than-expected acceleration of inflation in January strengthened, on the face of it, the case of the majority on the Bank of England's Monetary Policy Committee for a gradual approach to cutting interest rates. The Consumer Price Index rose by 3%YoY, compared with 2.5%YoY in December and 0.2ppts more than the consensus estimate due to higher-than-anticipated food inflation, which was 3.3%YoY. Core CPI increased 3.7%YoY in January, the same as the consensus estimate and up from 3.2%YoY the month before. Average weekly earnings data for December was also an upside surprise as the three-month moving average rose 6%YoY, compared with 5.6%YoY in November, contributing further evidence for MPC hawks on the need to be cautious on lowering the policy rate from its current level of 4.5%. That said, the services component of the CPI report offered some support for the two MPC dissenters who voted for a 50bps rate cut in February's policy meeting as they argued that demand conditions have weakened and that the fragile pricing power of UK firms will lead to lower inflation. Although the inflation rate for services did jump 0.6ppts to 5%YoY in January, this was an anticipated increase from the government imposing VAT on private schools, and it was lower than the consensus forecast for 5.1%YoY. Meanwhile, business survey data shows that trouble is deepening for UK producers following the country's dramatic loss of economic momentum in the second half of 2024, with the manufacturing PMI falling 1.4pts in February to 46.9, well below the 50-threshold that separates expansion from contractions for a fourth month. The services PMI is faring better, unexpectedly increasing 0.3pts to 51.1, while the composite PMI sipped 0.1pts to 50.5. Meanwhile, with the storm raging over the US's withdrawal of backing for Ukraine in its war with Russia, Prime Minister Keir Starmer announced that the government would raise defence spending as a share to GDP to 2.5% from 2.3% by 2027, with the funds coming from cuts to the overseas aid budget, and to 3% in the next parliament. Raising defence expenditure risks further straining the government's budget, with Finance Minister Rachel Reeve already facing a headache as the Office of Budget Responsibility later this month looks set to revise down UK's growth forecasts. That could have the knock-on effect of leaving the government out of compliance with its fiscal rule and needing to take additional measures.

Figure 19: A jump in food prices is behind the latest upside inflation surprise



Source: ONS, Bloomberg, Eurobank Research

Figure 20: Manufacturing remains most pressured from loss of economic momentum



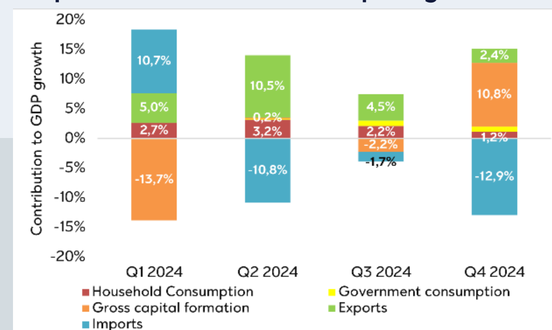
Source: S&P Global, Bloomberg, Eurobank Research

Cyprus

Fiscal overperformance for another year in 2024, weakened GDP growth in Q4

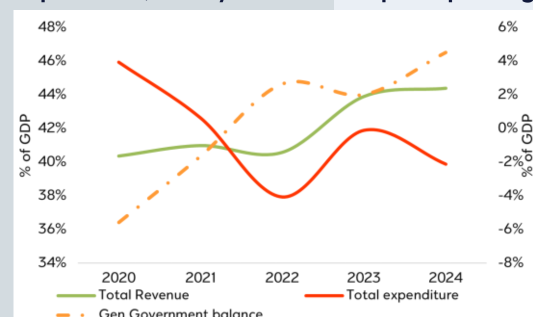
GDP growth decelerated to 2.9%YoY in Q4 2024, down from a downwardly revised 3.6%YoY in Q3 (previously: 3.8%YoY), marking the slowest pace in any quarter last year. The slowdown was mainly driven by weaker export performance (+2.3%YoY vs. +4.5%YoY), primarily because of a strong decline in exports of goods (-19.2%YoY). In addition, household consumption growth moderated (+2.0%YoY vs. +3.5%YoY), despite unemployment at a 16-year low, increases in public sector salary and pensions in October, and an acceleration in consumer financing since September. The modest rise in inflation (+2.3%YoY from 2.1%YoY in Q3) explains only partly the weaker consumption dynamics. Net exports were further hit by a sharp increase in imports (+13.1%YoY), however, most of the rise concerned vessels imports and was the main driver of the 71.1%YoY surge in gross capital formation in Q4. Despite the growth slowdown, average GDP increase in 2024 stood at 3.4%, outperforming the 2.6% growth recorded in 2023. Data about public finances in 2024 were also released, showing an impressive performance, as the budget surplus reached 4.5% of GDP, which is more than double than that in 2023 (2.0% of GDP). Public debt also saw a notable reduction, falling to 65.4% of GDP from 73.6% in 2023, with 3.9ppts of the decline due to GDP growth and another 4.3ppts coming from the reduction of the debt stock. The strong economic performance and robust public finances in 2024 position Cyprus for potential sovereign credit rating upgrades by rating agencies, which would further enhance the country's growth prospects and debt dynamics. Meanwhile, credit expansion accelerated significantly, reaching 3.2%YoY in January, a 32-month high pace, against an 1.7% average growth in 2024. As in the previous year, the increase in credit supply was largely driven by higher business lending, (+5.0%YoY), while household credit slightly decelerated from the 2-year high a month earlier (+2.2%YoY from +2.3%YoY), mostly by a slowdown in consumer loans. The acceleration in business credit since December is considered partly linked to disbursement of the second RRF tranche of €115mn in November. While data on short-term indicators of economic activity for 2025 are still very limited, the first signals from tourism this year are very positive, with arrivals rising 27.4%YoY in January.

Figure 21: Growth slowdown in Q4 from weaker exports and household consumption growth



Source: CYSTAT, Eurobank Research

Figure 22: R Higher budget surplus in 2024 due to less expenditure, mainly from lower capital spending



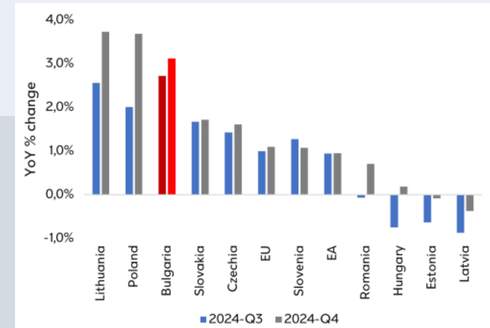
Source: CYSTAT, Eurobank Research

Bulgaria

Eurozone entry request submitted; new 2025 budget bill has ambitious targets

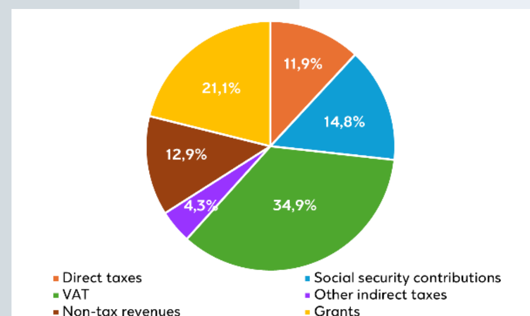
Finance minister Temenuzhka Petkova and national bank governor Dimitar Radev sent a joint letter to the European Commission (EC) and the European Central Bank (ECB) requesting the preparation of extraordinary convergence reports to assess Bulgaria's readiness for euro adoption. This was despite the January inflation figure implying a slight shortfall in meeting the eurozone entry criterion for price stability, as the 12-month average headline inflation stood at 2.6%YoY compared to the reference value of 2.53%YoY. To ensure eurozone eligibility, Bulgaria will need positive assessments not only from the EC and ECB, but also from the Eurogroup, the ECOFIN, and the European Council. However, historical experience suggests that the initial positive reviews from the EC and ECB will be the most critical in deter-mining the success of this process. Another recent significant political development was the presentation of the new draft budget for 2025, targeting a deficit of 2.4% of GDP on an accrual basis, down from the 3.0% target in the previous caretaker government's budget plan. Both expected expenditure and revenues were reduced by BGN2.2bn compared to the previous budget proposal. Nevertheless, revenues are projected to rise by a substantial 25.7% (+BGN18.3bn), driven largely by ambitious VAT receipt targets (+33.7% or +BGN6.3bn) and expected higher EU grants (+104.8% or +BGN3.8bn). Furthermore, the target for VAT receipts depends heavily on broadening the tax base through a reduction in the annual turnover threshold for mandatory VAT registration. The increase in the VAT rates on tourism, sports facilities, restaurants and bread is expected to generate BGN464.9mn, accounting for only 7.4% of the total VAT increase. On the grants side, deputy prime minister Tomislav Donchev recently indicated that Bulgaria may lose the second tranche from the Recovery and Resilience Facility due to unimplemented reforms and legislative changes. Amid uncertainty surrounding the 2025 budget draft, data on economic activity in Q4 2024 provided some positive news as GDP grew by 3.1%YoY, marking the strongest increase in two years, following a 2.7%YoY expansion in Q3. The growth acceleration came mainly from a stronger rise in final consumption (+5.8%YoY vs. +4.8%YoY in Q3), and a weak expansion in investment (+0.7%YoY), after two consecutive quarters of decline. Although domestic demand increased, the rise in imports eased. Still, the external balance worsened due to a sharper decline in exports. The Q4 print brought GDP growth in 2024 to 2.5% from 1.8% in 2023.

Figure 23: GDP growth outperformed regional peers and EU average for another quarter in Q4 2024



Source: Eurostat, Eurobank Research

Figure 24: Increase in fiscal revenues targeted for 2025, based mainly on higher VAT receipts & EU grants



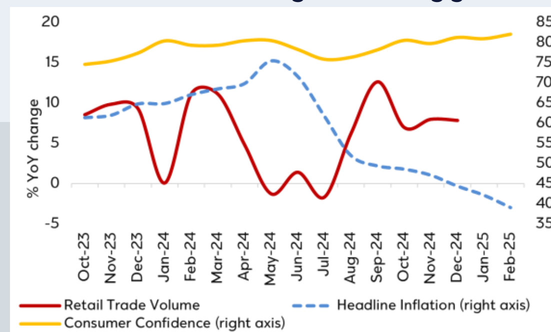
Source: Ministry of Finance, Eurobank Research

Turkey

Mild disinflation supports consumption; 2024 budget deficit above 5% of GDP

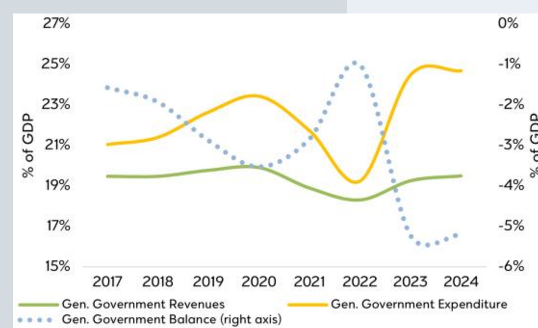
GDP growth came in at 2.4%YoY in Q4 2024, a three-quarter-high pace, after a 2.2%YoY increase in Q3. The uptick was mainly driven by a 6.0%YoY rise in gross fixed capital formation, after two quarters of decline, and a stronger increase in household consumption (+4.3%YoY compared to +3.1%YoY in Q3), on the back of unemployment at a 12-year low in Q4 (8.4%) and a continued – albeit slower than in Q3 – disinflationary trend. An expansion in government consumption also contributed to GDP increase, after it contracted in Q2-Q3. Net exports were the only GDP component to detract from growth, as the small decline in exports in Q3 deepened further, while imports rose for the first time in a quarter of 2024. The Q4 GDP print brought average GDP growth in 2024 to 3.2%, significantly down from the 5.1% increase in 2023. Disinflation intensified slightly in January-February relative to Q4, to 5.3ppts vs. 5.0ppts, resulting in a headline inflation rate of 39.1%YoY in February, a 20-month low. This downward trend – coupled with increases in the minimum wage, civil servants' salaries and pensions since January, as well as unemployment at multiyear lows – is expected to sustain a strong increase in household consumption through Q1 at least. However, the seasonally adjusted (s.a.) monthly inflation, which is a key indicator for Turkey's central bank (TCMB) in shaping monetary policy, accelerated in January to a six-month high of 3.4% from 2.0% in December. This was largely due to faster s.a. price increases in energy, processed food, and select services. In response to these upward dynamics in s.a. inflation, the TCMB governor forecast in February that the acceleration relative to end-2024 will persist until March, with a slowdown anticipated after that. Against that backdrop, the TCMB opted for its third consecutive policy rate cut on March 6, lowering the rate by another 250bps, to 42.5%. Due to the slow disinflationary process, the CPI-based real effective exchange rate continued strongly appreciating in the first two months of 2025 (+20.8%YoY), which is expected to weigh on exports. As to the potential implications of further US tariffs, the EBRD estimated in a recent report that there will be a small impact on Turkey's exports from the im-position of either a broad 10% tariff, or a 10% targeted tariff (on vessels, cigarettes, cereals), amounting to 0.2% of GDP in both cases. Thus, the interplay between moderating inflation, monetary policy easing and export performance is expected to define Turkey's GDP trajectory through H1 2025.

Figure 25: Disinflation has been improving consumer confidence since August, boosting growth



Source: Turkstat, Eurobank Research

Figure 26: Despite fiscal measures, the budget deficit exceeded the 5% of GDP target in 2024



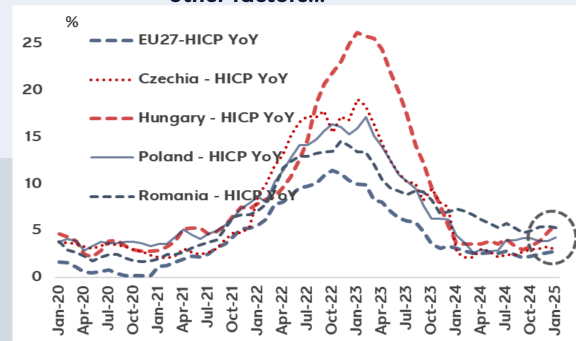
Source: Ministry of Finance, Turkstat, Eurobank Research

CESEE

Region again set to grow faster than EA in 2025 despite surging risks

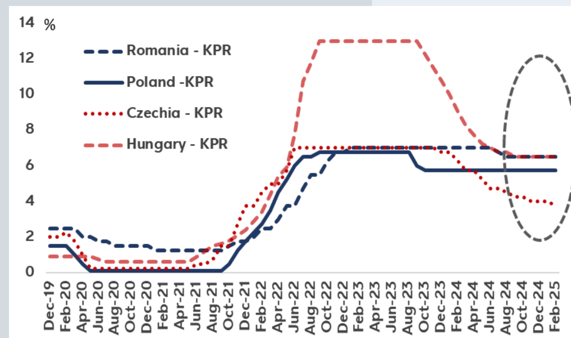
GDP growth across Central and Eastern Europe is projected to accelerate in 2025, despite persistent geopolitical risks and both broader and idiosyncratic challenges. The region's average growth rate is expected to rise to 2.5% from 2.0% in 2024, outperforming the Euro Area, where growth is forecast to be just under 1.0% in 2025, compared to 0.7% in 2024. This expansion is likely to be primarily driven by domestic demand, continuing the trend established in 2024. However, while inflation eased throughout most of 2024, there have been unexpected upticks in early 2025 across several CEE countries, suggesting that price pressures may persist. Inflation has remained subdued in Poland and the Czech Republic, with the latter's central bank opting for a 25bp key policy rate cut in February. By contrast, central banks in Poland, Romania and Serbia may delay further monetary easing until mid-2025. Several key risks remain, however. Negotiations between Ukraine, the US and Russia are expected to have substantial geopolitical and economic implications for the CEE region. Recent policy shifts, including the suspension of US military aid to Ukraine, have raised concerns regarding the US's commitment to European security. Such a shift could embolden Russia and exacerbate regional instability. For some CEE countries this could prompt increased defense spending with tangible fiscal implications for public balance sheets. Further complicating the outlook is the evolving US trade policy. An increase in US tariffs on key sectors where CEE countries are significant exporters — such as automotive, machinery, electronics, and agriculture — could erode the region's competitiveness in the US market. This would particularly affect industries in Poland, Hungary and the Czech Republic, where manufacturing plays a central role in economic activity. Finally, a US-EU trade conflict could introduce economic and political uncertainty for CEE nations. The imposition of higher tariffs could push up consumer prices, exacerbating inflation in countries where import prices constitute a substantial share of consumption. This could pressure central banks in the region to recalibrate their monetary policies, potentially delaying or complicating any plans for further interest rate cuts.

Figure 27: Building price pressures, among other factors...



Source: Eurostat, Eurobank Research

Figure 28: ..tap the brake on interest rate cuts ...



Source: Central Bank of Czechia, Hungary, Poland & Romania, Eurobank Research

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2024e	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024e	2025f	2026f
World	3.2	2.9	3.0	5.7	3.8	3.4									
Advanced Economies															
USA	2.8	2.3	2.0	3.0	2.8	2.5	4.0	4.2	4.2	-3.6	-3.7	-3.7	-6.9	-6.5	-6.5
Eurozone	0.7	0.9	1.2	2.4	2.2	1.9	6.4	6.4	6.4	2.7	2.3	2.5	-3.2	-3.0	-2.9
Germany	-0.2	0.3	1.0	2.5	2.3	2.0	6.0	6.3	6.2	5.8	5.7	5.6	-2.3	-2.0	-1.9
France	1.1	0.7	1.1	2.3	1.6	1.9	7.4	7.8	7.7	-0.2	-0.1	-0.2	-6.1	-5.8	-5.4
Periphery															
Cyprus	3.4	3.1	3.0	2.2	2.3	1.7	4.9	4.4	4.0	-5.0	-4.0	-5.5	4.4	3.8	3.6
Italy	0.7	0.6	0.9	2.0	1.7	1.8	6.6	6.3	6.2	1.4	1.0	1.6	-3.4	-3.3	-3.0
Portugal	1.9	1.9	2.0	2.7	2.0	1.9	6.4	6.3	6.2	2.2	1.4	1.3	0.5	0.3	0.3
Spain	3.2	2.5	1.9	2.9	2.0	2.0	11.4	10.9	10.6	3.0	2.8	2.7	-3.1	-2.8	-2.6
UK	0.9	1.0	1.4	2.5	2.8	2.4	4.3	4.5	4.6	-2.6	-2.9	-2.9	-4.5	-3.8	-3.4
Japan	0.1	1.2	0.9	2.7	2.4	1.9	2.5	2.4	2.4	4.8	4.5	4.2	-2.4	-3.6	-3.4
Emerging Economies															
BRIC															
Brazil	3.2	2.0	1.9	4.4	4.3	3.7	6.9	6.9	7.2	-2.4	-2.4	-2.3	-7.9	-8.3	-7.8
China	5.0	4.5	4.2	0.2	0.8	1.3	5.1	5.1	5.1	1.8	1.3	1.0	-5.0	-5.5	-5.7
India	6.4	6.5	6.8	4.8	4.2	4.0		N/A		-1.1	-1.0	-1.0	-4.8	-4.6	-4.8
Russia	3.7	1.5	1.4	8.3	7.3	4.9	2.6	2.7	3.1	2.9	2.6	2.6	-1.7	-1.2	-1.2
CESEE															
Bulgaria	2.5	3.2	3.4	2.6	2.7	2.0	4.1	3.9	3.7	-0.7	-0.9	0.6	-3.5	-2.9	-2.6
Turkey	3.2	2.8	3.7	60.0	30.7	18.7	8.8	8.4	8.0	-1.9	-1.4	-1.1	-5.0	-4.3	-3.8

Sources: European Commission, World Bank, IMF, OECD, Bureaus of National Statistics, Bloomberg, Eurobank Research

Eurobank Fixed Income Forecasts

	Current	March 2025	June 2025	September 2025	December 2025
USA					
Fed Funds Rate	4.25-4.5%	4.24-4.5%	4.12-4.35%	3.96-4.2%	3.83-4.1%
3m SOFR	4.29%	4.34%	4.17%	4.04%	3.9%
2yr Notes	4%	4.19%	4.09%	4%	3.91%
10yr Bonds	4.32%	4.49%	4.44%	4.41%	4.38%
Eurozone					
Refi Rate	2.9%	2.65%	2.25%	2.1%	2.05%
3m Euribor	2.5%	2.35%	2.05%	2.01%	1.98%
2yr Bunds	2.22%	2.03%	1.92%	1.87%	1.86%
10yr Bunds	2.85%	2.41%	2.34%	2.32%	2.35%
UK					
Repo Rate	4.5%	4.5%	4.2%	4%	3.8%
3m Sonia	4.41%	4.36%	4.06%	3.89%	3.78%
10-yr Gilt	4.73%	4.49%	4.36%	4.26%	4.18%
Switzerland					
3m Saron	0.27%	0.22%	0.13%	0.08%	0.08%
10-yr Bond	0.65%	0.36%	0.40%	0.42%	0.46%

Source: Bloomberg (market implied forecasts)

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