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The threat of a full-on trade war remains high and is unlikely to go away any time soon. US President Donald Trump appears to be pursuing a faster and more aggressive tariff policy than first expected, raising fears about the potential for a tit-for-tat escalation in trade tensions. Meanwhile, early sentiment indicators point to a slight loss of growth momentum at the start of 2025, contributing to market jitters over the sustainability this year of a strong global expansion. As major central banks wait for more clarity on the US administration's trade agenda, they may face a hard task in determining the appropriate policy response in the short run, with their next moves largely dependent on domestic economic conditions.

Macro Picture

USA: final sales to private domestic purchasers on a resilient trajectory, boding well for Q1 GDP

EA: latest surveys point to sluggish outlook after unexpected GDP stagnation in Q4 2024

China: tariffs with the US cloud the outlook; launch of DeepSeek provides some leverage

Japan: wage growth and inflation both accelerated more than expected at the end of 2024

CESEE: economic reliance on a struggling Germany compounds uncertainty from tariffs

Markets

FX: EUR under pressure on tariff threats, German politics; JPY higher after BoJ rate hike

Rates: outlook affected by policy divergence between US and EU as trade tensions escalate

EM: sovereign bonds held up well despite increased volatility on tariff uncertainty

Credit: tariff news will continue to dominate the agenda, while US inflation prints are also key

Policy Outlook

USA: Fed likely set for an extended pause, waiting for greater clarity about government policies

EA: weak growth and ECB confidence that disinflation remains on track justify further cuts ahead

Japan: BoJ kicked off 2025 with a hawkish interest rate hike with officials saying more may come

CESEE: Polish and Hungarian central banks held fire; Czechia eased; fiscal slippages in Romania

Key Downside Risks

DM & EM: tit-for-tat escalation in trade tensions; intensification of geopolitical tensions; sharply higher commodity prices and market-based inflation expectations; monetary policy remains restrictive for longer; mounting concerns over fiscal trajectories in major economies; climate related disasters

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Macro Views

Newsflow dominates as Trump's tariff policy has raised concerns over a tit-for-tat trade war

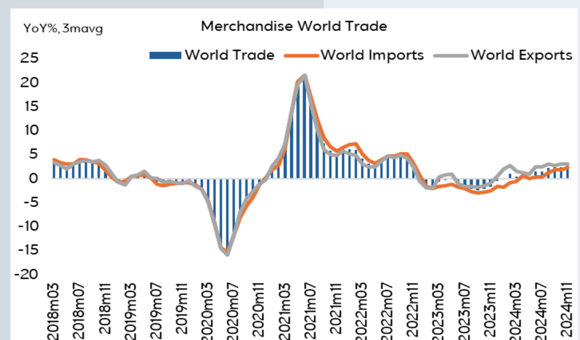
Tariff developments have dominated headlines in recent weeks, fueling significant volatility across global markets. US President Donald Trump, determined to fulfill his election promises tied to the "America First" agenda, appears to be pursuing a more rapid and more aggressive trade policy than initially expected. Rather than waiting for the completion of trade investigations, which are due by April 1, Trump invoked the International Emergency Economic Powers Act (IEEPA) to justify the imposition of tariffs as a national emergency. Effective 4 February, the US president imposed an additional 10% tariff on imports from China, prompting a measured retaliatory response from the latter. The threat of a 25% tariff on imports from Mexico and Canada (excluding "energy or energy resources" from Canada, which would be subject to a 10% tariff) was delayed for a month after the US president reached an agreement with both countries on new measures to strengthen border security and combat drug and migrant trafficking into the US. Trump has also warned that the European Union is next in line for higher trade tariffs citing the large trade deficit as a reason. Furthermore, the US president revived tariffs that were introduced in 2018, by signing an executive order imposing a 25% tariff on US steel and aluminum imports, effective March 12. Mexico and Canada, major suppliers of steel to the US, account for around 40% of total US steel imports and Canada is also supplying nearly 80% of the US' total primary aluminum imports. Additionally, Trump has stated his intention to impose reciprocal tariffs on countries that levy duties on US goods.

Figure 1: Tariffs threaten economies that account for a big share of US imports

Source: BEA, Eurobank Research

Tariffs seem to serve as a strategic tool for the US administration's broader foreign policy goals, including addressing migration and drug-related issues. They are also employed to adjust bilateral trade imbalances and curb the growing US goods trade deficit, which hit a record monthly high of $122bn in December 2024. The tariffs target specific products that contribute significantly to the trade deficit or are considered vulnerable to potential supply chain disruptions and critical to national security. Moreover, the revenue generated from these tariffs is viewed as a potential source of tax income,

Figure 2: Global trade recovery is at risk



Source: CPB Netherlands Bureau for Economic Policy Analysis, Eurobank Research

which could help offset the costs of extending the Tax Cuts and Jobs Act (TCJA) and financing other fiscal initiatives, such as proposed tax cuts.

Trade uncertainty remains elevated and is unlikely to subside any time soon, with many key questions still unresolved. One major uncertainty is how long tariffs will remain in place and the response of trading partners. While tariffs may be temporary — either due to the US securing concessions from trading partners or because the economic and political costs become too high — they could remain in place for an extended period. Even if tariffs remain in place, vulnerable nations may adjust to the new trade landscape. They may seek new trading partners or strengthen existing trade agreements to solidify stronger partnerships. Additionally, countries benefiting from lower or zero tariffs from the US could capture a larger market share, fostering their own economic growth and job creation. This shift could lead to a restructuring of supply chains, a short-term modest slowdown in economic growth and some upward pressure on inflation. However, in a worst-case scenario, tariffs could be further increased or expanded to other countries and products. In response, nations targeted by these tariffs could retaliate, prompting the US administration to escalate tariffs further, as Trump has indicated. In such a scenario, Trump's aggressive tariff policy could lead to a tit-for-tat trade war, creating an adverse supply and demand shock, which would probably result in a pronounced slowdown in global economic activity and temporary inflationary pressures.

As central banks wait for more clarity about Trump's tariff policy, they may face a challenging task in determining the appropriate policy response, with their next move largely contingent on the balance between economic growth and inflation, especially as gas prices are rising. Natural gas prices have been climbing since mid-January, reaching a more than two-year high of €59.27/MWh on February 11 on storage concerns, before retreating slightly below €56/MWh, though still more than double their levels from a year ago.

After the global economy grew an estimated 3.2% in 2024, a solid near-trend pace, early sentiment surveys indicate some loss of momentum at the start of 2025. The global composite PMI dropped 0.8pts to 51.8 in January, though it remained above the threshold of 50, with the US and Asian economies outperforming the rest of the world. The services sector continued to expand, albeit at a slower pace, registering 52.2 compared to January's 53.5. On the other hand, manufacturing PMI rebounded, rising 0.5pts to 50.1, its highest level since June 2024, narrowing the large gap with the services sector that emerged in 2023, after central banks aggressively hiked rates, hitting the goods sector more than services. However, with growing uncertainty surrounding Donald Trump's tariff policy, which raises concerns about the sustainability of robust global expansion this year, it remains uncertain whether the manufacturing recovery seen in January can be sustained over the coming months.

Developed Economies

US: Despite restrictive Fed monetary policy, aggregate demand remains robust, largely supported by strong household fundamentals alongside solid personal income growth. In 2024, consumer spending accelerated to 2.8%, up from 2.5% in 2023, and remained the primary driver of economic growth. Undoubtedly, this performance suggests a favourable outlook for GDP growth in Q1 2025. Meanwhile, underlying wage growth continued to moderate, supporting optimism for a return to the 3.0-3.5% range that the Fed considers consistent with its inflation target. Similarly, core PCE rose 2.8%YoY in 2024, aligned with the Fed's December projection. Nevertheless, uncertainty about inflation remains elevated amid concerns over the impact of government policy changes. Against this backdrop, the Fed signalled at its January policy meeting that, with economic activity remaining resilient and no signs of renewed upward pressures on inflation, it is in no hurry to adjust policy rates further, awaiting more clarity on the course of Trump administration policies to assess their potential impact on its dual mandate objectives.

Euro area: GDP growth unexpectedly stagnated in Q4 2024, coming in below market consensus for 0.1%QoQ growth and the ECB's forecast for a 0.2%QoQ expansion. This followed a 0.4%QoQ increase in the previous quarter, which was boosted by one-off factors including the Paris-Olympics. For the full year 2024, economic activity grew by 0.7% after GDP growth unexpectedly stagnated in Q4 2024, while recent data indicates that sluggishness is likely to continue in the coming months. More concerning, the risk of higher US tariffs adds to economic uncertainty, reinforcing the ECB's shift from focusing on inflation to growth, especially as all indicators point to a slowdown in wage growth this year, a key factor behind the recent stickiness of services inflation. Against this backdrop, the ECB remains confident that disinflation is on track and the policy stance still restrictive, signalling clearly at the January policy meeting that further gradual easing is to come, with the neutral rate estimated to be between 1.75% and 2.25%.

Emerging Economies

EM: a complex array of risks threatens growth prospects in emerging markets. US tariffs on steel and aluminium introduce significant trade uncertainties, potentially raising supply chain costs and adversely impacting developing economies. Additionally, commodity-dependent emerging markets remain highly vulnerable to price volatility. The Fed's ongoing restrictive policies and the prospect of prolonged high interest rates may lead to capital outflows, increased borrowing costs, and currency depreciation, all of which could dampen economic growth. Geopolitical risks also remain elevated, with coming discussions between the US and Russia regarding the resolution of the Ukraine conflict further adding to global instability.

CESEE: GDP growth across the CEE3 region improved notably in 2024. Poland's real GDP surged to 2.9%, up from just 0.1% in 2023, driven by a strong 4.1% rebound in domestic demand. Hungary's economy expanded by 0.5% in 2024, reversing a -0.9% contraction in 2023, supported by resilient labor markets, wage growth, and declining inflation (3.7% in 2024 vs. 17% in 2023). Czechia's GDP grew 1% in 2024, recovering from a 0.1% decline in 2023, with private and public consumption as key drivers. Romania, however, is expected to see a 1% growth rate in 2024, down from 2.4% in 2023. Persistent inflation (5.8% in 2024) and high interest rates have strained growth, while a large fiscal deficit clouds the outlook. This was reflected in recent downgrades from S&P and Fitch.

Markets View

Foreign Exchange

EUR/USD: remains under pressure amid US tariff threats, fluctuating between 1.0100 and 1.0460 as trade uncertainty weighs on sentiment. The Eurozone faces additional risks from weak eco-nomic data and German political uncertainty, while the US PCE report, retail sales00 and the Fed's future guidance on the rates path will be key drivers for the pair. A break below 1.0285 could pave the way for a potential downward push towards parity. Support levels include 1.0182, 1.0131 and 1.0079 while resistance levels include 1.0411, 1.0510 and 1.0616. Implied volatility for 1M, 6M and 9M at 8.35%, 8.05% and 7.855% respectively as of February 10.

USD/JPY: at around 152 as of February 10, following a downward momentum, with rising Japanese 10yr government bond yields putting even more pressure on the pair. A break below 150.82 could potentially target the 147.695 territory. Support levels include 149.3118, 148.5577 and 147.8036 and resistance ones 158.6407, 159.4261 and 160.2114. Implied volatility for 1M, 6M and 9M at 10.4225%, 10.505% and 10.175% respectively.

Rates

EU: swap rates have been on a rollercoaster since the start of the year. Initially they moved higher until mid-January, then they were repriced significantly lower into the end of the month – with the ECB delivering another 25bps of monetary easing, accompanied by a dovish statement. The 10yr swap rate was trading in 235bps area as of February 10, with a trading range between 265bps and 230bps. The slope of the curve is steeper, with 5s-30s trading at -8bps, with intra-month lows at -14bps and highs at -6.2bps. The bull steepening is expected to continue as the market anticipates consecutive ECB rate cuts, with the terminal rate forecast between 175bps and 225bps. However, this outlook remains heavily dependent on upcoming economic data and may be affected by the reignition of US tariffs and a potential new trade war.

US: swap rates were on a rollercoaster as well through January. They moved higher until mid-Jan with the 10yr swap rate reaching 433bps. Post mid-Jan rates have been repriced lower, with the 10y swap rate hitting lows at 395bps and now trading at 410bps area. The curve's slope is flat versus the start of the year. 5s-30s segment trades at -11.5bps with more flattening bias, especially after the Fed's pause in rate cuts. Going forward, the market is pricing less than 2 cuts until the end of the year. Growth looks robust and the unemployment rate is sticky at historically low levels, while inflation may move a bit higher, due to Trump's tariff policy. Consequently, we expect the US rates to remain elevated and the slope of the curve to remain at those levels or become even flatter.

Emerging Markets Sovereign Credit

Emerging market sovereign bonds performed relatively well despite increased uncertainty, particularly concerning US tariffs. Markets navigated a volatile period after the announcement of tariffs on Mexico, Canada and China, which was followed by a one-month delay for the first two. As a result, the EMBI Global Index tightened by around 10bps as of February 10 from the end of last year, reaching 287bps. In central Europe, Romania underperformed its peers following December's elections. The S&P maintained its BBB- sovereign debt rating for the country but revised the outlook to negative, echoing Fitch's move in December. The 10yr spread over swaps has widened by 7bps this year to 332bps. In the Middle East, the 5yr Israeli USD CDS continued to tighten after the Israel-Hamas ceasefire agreement. In Latin America, the initial widening of the 5yr Mexican CDS by more than 10bps due to the 25% tariffs on Mexico was fully reversed after a one-month delay was announced. Over the entire period from the end of 2024 to February 10, the CDS tightened by 16bps, reaching 125bps. While we remain selective in identifying positive idiosyncratic stories from emerging markets, we maintain a cautious outlook given the rising headline volatility, particularly related to US tariffs.

Corporate Credit

Markets started 2025 strongly, with both the S&P 500 and Stoxx 600 reaching all-time highs in early January, although there were sizeable risk-off moves throughout the month. The first such move took place in early January, after hawkish US data pushed treasury yields up to the highest levels since October 2023, which later unwound on softer inflation prints. Then DeepSeek's new AI model led to big questions about the sustainability of US tech valuations – although the consequent moves also mostly unwound. And third, tariffs were back on the agenda, with markets losing ground at the end of the month as the new Trump administration announced they will be imposing tariffs on Canada, Mexico and China. Despite the wobbles, January ended on strong footing. As of February 10, European equities outperformed the US year-to-date, with Stoxx 600 +7% and the S&P 500 +2.5% even though the Magnificent Seven posted marginal losses during the same period (-0.4%). On the central bank front, whilst most major banks have had an easing bias recently, the Bank of Japan announced their latest rate hike in January. The ECB announced another 25bps rate cut, as widely expected, with the statement describing monetary policy as "restrictive" and President Lagarde saying that "we are not at the neutral rate". The Fed kept rates unchanged, with the decision to hold being accompanied by some potentially hawkish comments that were downplayed by Chair Powell who said that the Fed needs to see more progress on inflation or a labour market weakening to ease policy further, but did not need to see inflation all the way back to 2% to cut rates.

Against this backdrop, credit saw positive performance between the end of 2024 and February 10, with European synthetics outperforming vs. US. Since the beginning of January, Main tightened by 5bps while Xover was 24bps tighter. Cash remained very well supported, with most European IG and HY sectors tighter year-to-date as of February 10 (IEAC -5bps, IHYG -3bps January-to-date). Sector-wise, Snr and Sub Financials outperformed (-9 and -16bps respectively), while Technology underperformed following the DeepSeek

newsflow, ending a tad wider (+2bps). In High Yield, Energy and Industrials outperformed (c. -50bps each), while Telecoms lagged (+25bps). Activity in the European primary market was somewhat muted, with total issuance in January at €331bn, some 7% behind 2024's at the same point. Activity picked up at the start of February, but remains slow overall amid market volatility (€53bn issuance as of February 10).

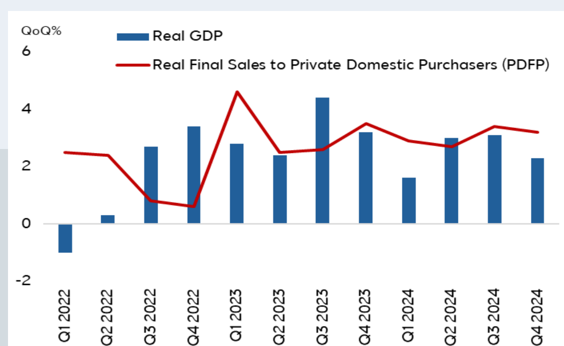
Looking ahead, tariff news will continue to dominate, after Trump's announcement of US plans for equalising tariffs on "reciprocal trade", including autos, alongside 25% tariffs on steel and aluminium im-ports. In terms of data, attention remains on inflation prints in the US, following last week's jobs report that led investors to dial back their expectations for rate cuts this year. Fourth-quarter earnings announcements continue in the background, with Europe seeing a solid results season so far (best EPS beats in seven quarters) and US growth expectations also better than last quarter.

US

Fed in no rush to adjust rates further, waiting for clarity over government policies

Despite restrictive Fed monetary policy, aggregate demand remains robust, largely supported by strong household fundamentals alongside solid personal income growth. In 2024, consumer spending accelerated to 2.8%, up from 2.5% in 2023, and remained the primary driver of economic growth, contributing 1.9pts to GDP growth. Fixed investment also had a positive contribution to economic activity (+0.7pts), as did government consumption (+0.6pts). Conversely, net trade detracted from overall growth (-0.6pts) with small offsetting contributions from imports (-0.7pts) and exports (+0.4pts). Reflecting strong underlying growth momentum, real final sales to private domestic purchasers — which include consumers spending and fixed investment — rose 3.0% for the full year, exceeding the 2.8% growth rate of real GDP in 2023. Undoubtedly, this performance suggests a favourable outlook for GDP growth in Q1 2025. However, it is anticipated that consumer spending will probably experience some deceleration over the course of the year, though gradually, driven by tighter immigration policies, tariff increases — the US trade goods deficit reached its widest ever in December 2024 — and the recent decline in the savings rate (-0.3ppts to a two year low of 3.8% in December).

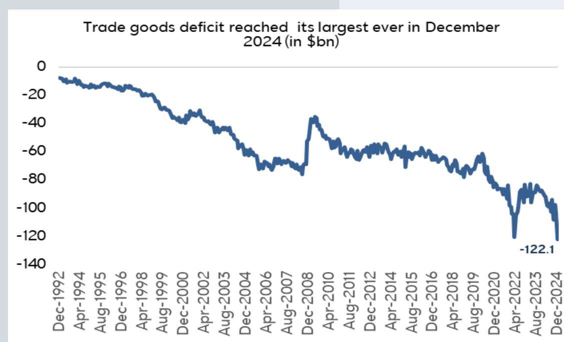
Figure 3: PDFP remains on a strong trajectory, pointing to solid underlying growth momentum



Source: BLS, Eurobank Research

Meanwhile, underlying wage growth continued to moderate, supporting optimism for a return to the 3.0-3.5% range that the Fed considers consistent with its inflation target. The Employment Cost Index declined in Q4 2024 for the third consecutive quarter, rising 3.8%YoY, the slowest pace since Q3 2021. This followed an average quarterly pace of 4.1% in the first three quarters of 2024, bringing the full year growth rate to 4.0%, down from 4.5% in 2023. Similarly, core PCE increased at an annualized rate of 2.2% over the three months ending December, slightly lower than the 2.4% rise in the prior three-month period, taking the annual rate for the full year to 2.8%, aligned with the Fed's December projection.

Figure 4: Trade goods deficit reached its widest ever in December 2024



Source: Census Bureau, Eurobank Research

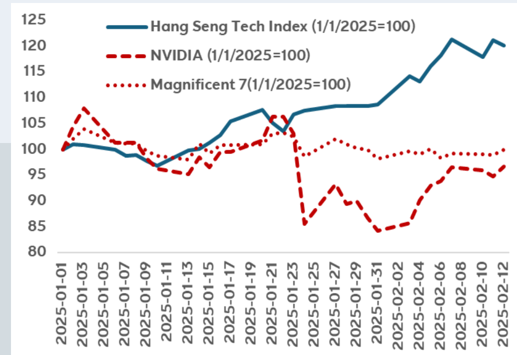
Nevertheless, uncertainty about inflation remains elevated amid concerns over the impact of government policy changes. Against this backdrop, the Fed signalled at its January policy meeting that, with economic activity remaining resilient and no signs of renewed upward pressures on inflation, it is in no hurry to adjust policy rates further, awaiting more clarity on the course of Trump administration policies to assess their potential impact on its dual mandate objectives.

China

DeepSeek's rise challenges 'Magnificent Seven' as trade war reignites

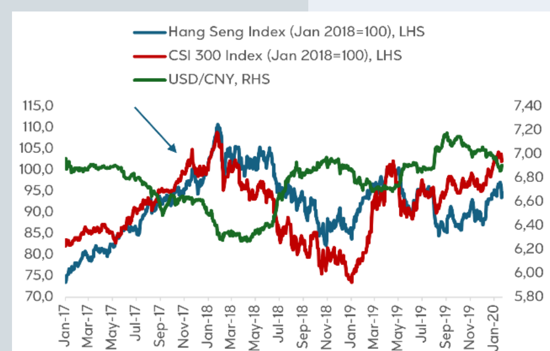
The key development since our last report is the launch of DeepSeek, an AI model made by a spin-off of the Chinese hedge fund High-Flyer, positioning itself as a direct competitor to OpenAI's ChatGPT. Just one week after its debut on January 20, 2025, DeepSeek surpassed ChatGPT as the most downloaded free app in the U.S., triggering the largest single-day sell-off in tech stocks since September 2022, with Nvidia's stock being the hardest hit. Behind the market reaction lies investor concern that this new Chinese AI tool could disrupt the dominance of existing AI leaders, notably the remaining companies of the "Magnificent Seven" (Apple, Microsoft [which has a 49% stake in ChatGPT], Amazon, Alphabet [Google's parent], Meta [Facebook's parent], and Tesla). Key differentiators of DeepSeek include its rapid two-month training period and relatively low development costs compared to other chatbots, suggesting that AI progress can be achieved with less advanced hardware, lower processing power, reduced energy consumption, and a faster time-to-market than is typical of current industry leaders. As a result, markets are reassessing the need for substantial investments in AI and the inflated valuations of companies in this space. While this microeconomic disruption — the breakthrough of a little-known Chinese startup — continues to reverberate through the global tech sector, developments on the trade front are also unfolding. After a prolonged period of tit-for-tat tariffs, US-China trade tensions took a new turn in early February 2025. On February 1, President Trump announced a 10% tariff on all imports from China, effective February 4, with China retaliating by imposing tariffs on approximately $21.2 billion worth of US exports starting February 10. These include a 15% tariff on coal and liquefied natural gas, and a 10% tariff on crude oil, agricultural machinery, and large-displacement vehicles. This escalation in trade tensions is expected to have broad economic repercussions, potentially increasing costs for both consumers and businesses. The situation remains fluid, with both countries signaling further retaliatory actions. While China probably achieved its 5% growth target in 2024, driven by a stronger-than-expected final quarter (5.3% YoY vs. consensus of 5.0% YoY), the outlook for 2025 is marked by heightened uncertainty and the renewed trade conflict, which could push growth lower and closer to 4.5%.

Figure 5: DeepSeek launch gave a breather to Chinese equity markets and outperformed Mag7...



Source: Bloomberg, Eurobank Research

Figure 6: ..yet, the 2018 trade war roiled Chinese financial markets. Could a repeat realise?



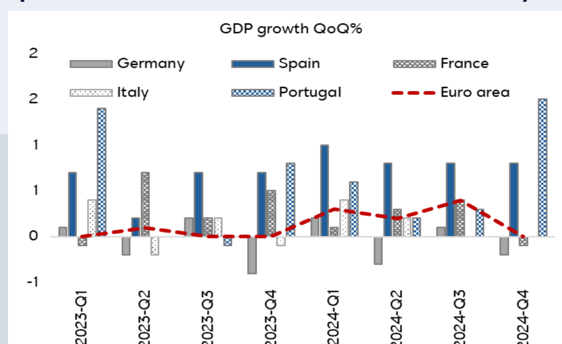
Source: Bloomberg, Eurobank Research

Euro area

Sluggish growth and ongoing disinflation support further ECB rate easing

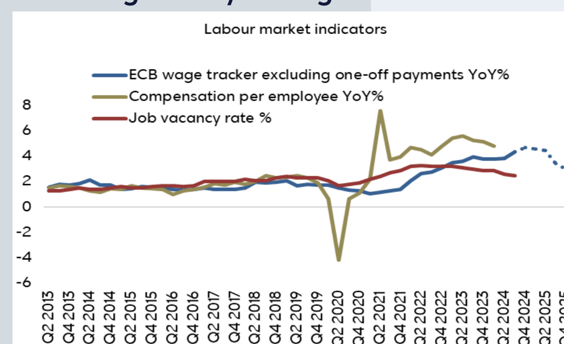
GDP growth unexpectedly stagnated in Q4 2024, coming in below market consensus for 0.1%QoQ growth and the ECB's forecast for a 0.2%QoQ expansion. This followed a 0.4%QoQ increase in the previous quarter, which was boosted by one-off factors including the Paris-Olympics. Economic performance continued to vary across countries, with the southern periphery continuing to outperform the major economies, all of which faced significant idiosyncratic challenges. The GDP growth components have not yet been released (scheduled for 7 March), but the expenditure breakdown from several individual countries suggests weak exports due to subdued external demand and low investment, restrictive monetary policy and economic uncertainty. These factors offset the positive contribution from private consumption which benefited from higher real income growth. For the full year 2024, economic activity grew by 0.7%, while recent data indicates that sluggishness is likely to continue in the coming months. The composite PMI rose slightly in January, to 50.2 from 49.6, driven by manufacturing (+1.5pts to 46.6) probably due to expectations of higher US tariffs. The EC's economic sentiment improved 1.5pts to 95.3, the first increase since August, but remained below November's level. Similarly, consumer confidence rose 0.3pts to -14.3, but only partially recovered the 0.7pts decline in December, with the details of the survey pointing to a further deterioration in households' expectations for major purchases over the next year and continued worries over rising unemployment. Reflecting these concerns, retail sales continued to decline in December (-0.2%MoM) after reaching a recent peak in September. Additionally, the ECB's Q4 Bank Lending Survey showed that banks further tightened credit standards for corporates and expect this trend to continue in Q1, which is worrying for business investment prospects. More concerning, the risk of higher US tariffs adds to economic uncertainty, reinforcing the ECB's shift from focusing on inflation to growth, especially as all indicators point to a slowdown in wage growth this year, a key factor behind the recent stickiness of services inflation. Against this backdrop, the ECB remains confident that disinflation is on track and the policy stance still restrictive, signalling clearly at the January policy meeting that further gradual easing is to come, with the neutral rate estimated to be between 1.75% and 2.25%.

Figure 7: Eurozone southern periphery has outperformed core economies in the last two years



Source: Eurostat, Eurobank Research

Figure 8: Labour market indicators are gradually moving downward



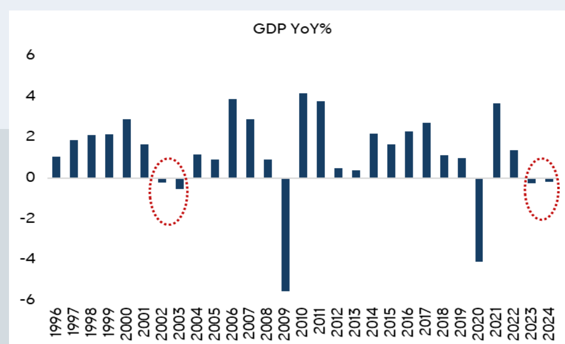
Source: Eurostat, ECB, Eurobank Research

Germany

More expansionary fiscal policy likely essential for a clear economic recovery

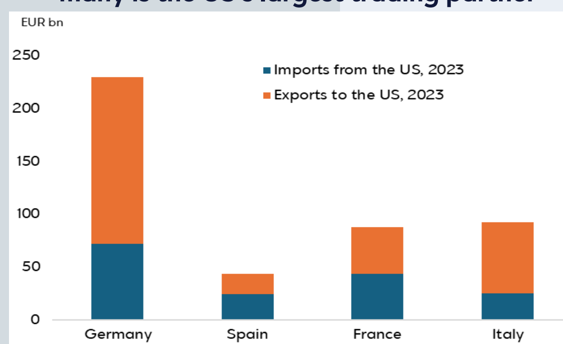
In 2024, GDP contracted by 0.2%YoY, as positive contributions from government spending (+0.6ppts) and, to a lesser extent, household spending (+0.2ppts) were insufficient to offset the negative effects of gross fixed capital formation (-0.5ppts) and net exports (-0.4ppts). This marked a second consecutive year of economic contraction, following a 0.1%YoY decline in 2023, the first such occurrence since 2002-2003. The downturn was driven by a mix of structural challenges, including obstacles related to the transition to renewable energy, weakening industrial competitiveness due to prolonged underinvestment, the shift of China from an export destination to a competitive rival and bureaucratic inefficiencies. Additionally, cyclical factors such as an economic slowdown in key trading partners and weak domestic demand, contributed to this decline. Germany's struggling economic performance is particularly evident in industrial production which fell in 2024 for the sixth consecutive year (-6.6%YoY), remaining 14% below its pre-pandemic levels. Looking ahead to Q1 2025, sentiment indicators suggest that a clear recovery is not in sight, and the economy is still stagnating. The IFO business climate index rose in January (+0.4pts to 85.1), driven solely by a rebound in current conditions (+1.0pts to 86.1). Business expectations, however, dropped to a one-year low (-0.2pts to 84.2) reflecting weak manufacturing, sluggish global trade, domestic political uncertainty, rising insolvencies and the threat of higher US tariffs (10% of Germany's total exports are directed to the US). The compositive PMI rose above the 50 threshold (+2.1pts to 50.1) driven by a rebound in both manufacturing and services. However, the manufacturing PMI remained in contractionary territory (45.0), with elevated levels of destocking and a continued decline in new orders, albeit at a slower pace. In this context, it seems unlikely that Germany will see a clear economic turnaround without a more expansionary fiscal policy to stimulate public investment, potentially through amendments to the debt brake or the introduction of shadow budgets, similar to the one created in 2022 for military spending (any such measure would require a two-thirds parliamentary majority). The next government, which will emerge following the snap elections on February 23 will face significant challenges in reviving the economy, with recent polls indicating that a coalition government led by the centre-right CDU/CSU is the most likely outcome.

Figure 9: 2024 & 2023 GDP contractions mark the first consecutive annual decline since 2002-2003



Source: German Federal Statistics, Eurobank Research

Figure 10: Among major EA economies, Germany is the US's largest trading partner



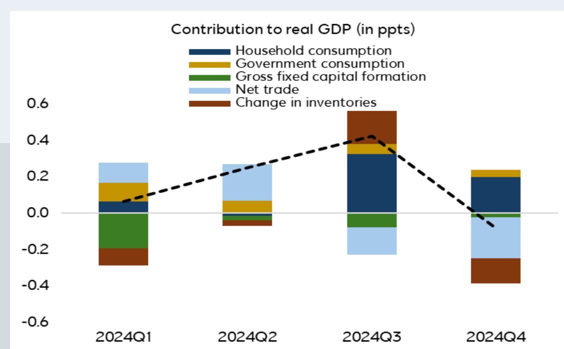
Source: Eurostat, Eurobank Research

France

Early sentiment indicators for 2025 suggest a weak Q1

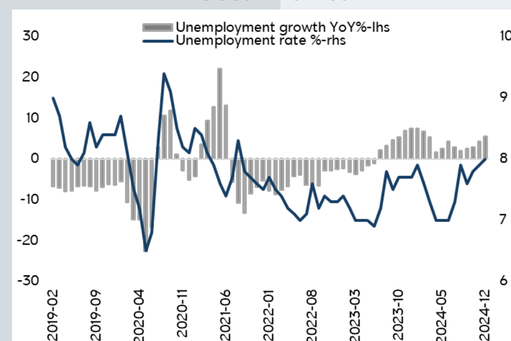
The economy ended 2024 with a 0.1%QoQ GDP contraction in Q4, partly reflecting a whiplash from the Paris Olympics which had boosted Q3 GDP by an estimated 0.25ppts (according to the Bank of France). Political uncertainty and an unclear external environment, particularly around Trump's policies, also contributed to weaker than expected economic performance at the close of the year. Domestic demand continued to support GDP growth, but at a slower pace (+0.1ppts vs. +0.6ppts in Q3), as investment declined further (-0.1%QoQ), and household consumption decelerated (+0.4%QoQ vs. +0.6%QoQ), coinciding with signs of weakness in the labour market. By contrast, both net trade and inventories had a negative effect on growth (-0.2ppts and -0.1ppts respectively). The Q4 GDP contraction followed a solid 0.4%QoQ expansion in Q3 and modest 0.2%QoQ average growth in H1, resulting in an annual growth rate of 1.1% for 2024, matching the pace seen in 2023. The economic outlook for 2025 looks cloudy, with the planned fiscal tightening of around 0.7% of GDP in the 2025 budget expected to dampen both consumer and business spending, as well as public expenditure. Political uncertainty, expected to continue for months, should also weigh on economic activity. That said, early sentiment indicators for 2025 suggest a weak Q1, reinforcing the view that the government's forecast of 0.9%YoY growth this year may be difficult to achieve. The composite PMI index rose slightly in January (+0.1pts to 47.6), driven by a modest improvement in manufacturing, while the critical services sector (which accounts for almost 80% of total output) slipped further into contraction (-1.1pts to 48.2). INSEE's business climate improved (+0.5 to 95) though it remained below the November level. Similarly, the INSEE confidence index rose (+0.3pts to 92) but stayed below its long-run average of 100. On the political front, after extended negotiations, Bayrou's minority government passed the 2025 budget which sets a budget deficit at 5.4% of GDP, down from an estimated 6.1% in 2024, with implicit support from both the Socialists and Le Pen's National Rally (RN). However, the government still faces challenges as maintaining support from these two parties remains difficult. The outcome of renegotiations on the 2023 pension reform, initiated at the request of the Socialists, and potential concessions the RN may seek on the voting system, pose significant risks to the government's long-term stability.

Figure 11: France ended 2024 with GDP growth contraction



Source: INSEE, Eurobank Research

Figure 12: There are signs of weakness in the labour market



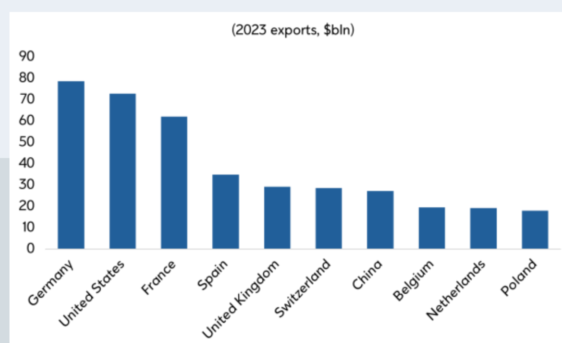
Source: Eurostat, Eurobank Research

Italy

Industrial production slump leaves economy stuck in stasis

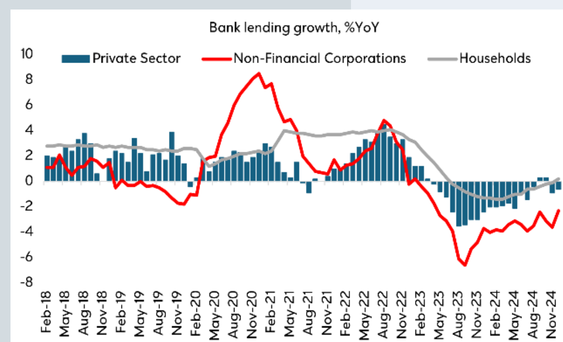
The preliminary release of Q4 GDP data confirmed that the country experienced a complete loss of momentum in the second half of the year as the economy stagnated for a second straight quarter after growing at an average rate of 0.3%QoQ in the first half. Overall, the economy grew 0.5% in 2024, 0.2ppts less than the year before. The release did not offer a detailed breakdown by component, but noted that net exports added to growth while domestic demand gross of investment subtracted. That marks a shift from both Q2 and Q3 2024, when external trade subtracted 0.5ppts and 0.7ppts respectively. However, given sluggish growth in Italy's biggest euro-area export markets and weakening consumer sentiment in Q4, it is likely that the drop in net exports was the result of falling imports. Consumer confidence declined in all three months of Q4, each time coming in below consensus expectation. It subsequently increased to 98.2 in January from 96.3 in December, leaving it just 0.1pts below the level in September 2024 and offering some hope that the picture might improve in Q1. However, December's industrial production data offered a shocking look of the depth the country's manufacturing slump as it contracted 3.1%MoM – the most in almost three years and far below the consensus forecast of a 0.2%MoM contraction – after increasing 0.3%MoM in November. Compared with the same month a year earlier, industrial production fell 7.1% in December, the 23rd straight month of contraction, compared with a 2.5%YoY drop in November. The portents do not look good for the sector at the start of 2025 either. January's manufacturing PMI inched up 0.1pt to 46.3, less than the consenus forecast of 46.9 and well below the 50-threshold that seperates expansion from contraction. That helped ensure that the composite PMI also stayed in contractionary territory as it remained unchanged at 49.7, while the services PMI fell 0.3pts to 50.4. The sector's outlook hasn't been helped by monetary conditions that have remained tight despite the ECB being well into its easing cycle. Bank lending to non-financial corporations has been contracting on an annual basis for 24 months and fell 2.3%YoY in December. Overall lending to the private sector shrank 0.6%YoY, while lending to households turned positive for the first time since June 2023, increasing 0.2%YoY. Meanwhile, the headline inflation rate increased 0.3ppts to 1.7%YoY in January.

Figure 13: Italy's economy has been dragged down by poor growth in key export markets



Source: Bloomberg, Eurobank Research

Figure 14: Monetary conditions remain tight despite ECB being well into easing cycle



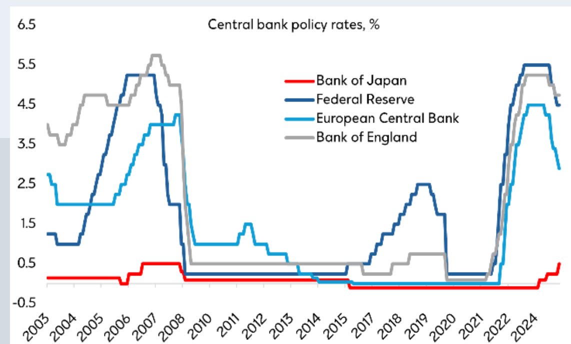
Source: ECB, Eurobank Research

Japan

Central bank continues tightening as growth accelerates in wages and prices

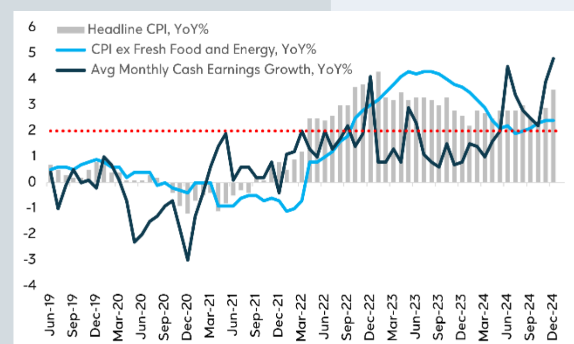
The Bank of Japan kicked off 2025 with a hawkish interest rate hike, raising expectations of more to come as prices and wages both grew faster than consensus expectations. After raising the rate 25bps to 0.5% at January's policy meeting, Governor Kazuo Ueda said that it remained far from the neutral rate and that the BoJ board would be willing to hike further as inflation becomes more established above the 2% target. It was the third time the BoJ has hiked rates since March 2024. The hawkish tone was later vindicated by the release of data on labour cash earnings in December which, driven by a bump in bonuses, increased 4.8%YoY, the most since 1997 and well above the consensus forecast of 3.7%YoY. November's increase was revised upwards by 0.9ppts to 3.7%YoY. Real cash earnings unexpectedly increased 0.6%YoY in December, a second straight increase after rising 0.5%YoY the month before. Accelerating price growth is the main factor driving the central bank to consider further tightening, with the headline rate of inflation increasing to 3.6%YoY in December, 0.2ppts more than the consensus estimate, from 2.9%YoY the month before. The core inflation measure excluding fresh food increased 3%YoY in December, the most in 16 months. In Tokyo, which is seen as a leading indicator of nationwide trends, energy prices surged 10.1%YoY in January after gas and electricity subsidies were phased out, driving headline CPI higher by 3.4%YoY compared with a 3.1%YoY increase the month before. Meanwhile, the country releases Q4 GDP data on February 17, with the consensus forecast being for annualised 1.1%QoQ growth in the quarter after expanding 1.2%QoQ in Q3, with the full-year forecast for 0.2% contraction after a difficult Q1. There are some promising signs that the economy ended 2024 with a bit of momentum as household spending in December jumped 2.7%YoY – a sign of the impact of rising real wages – beating the estimates for a 0.5%YoY increase after it contracted 0.4%YoY in November. Industrial production rebounded 0.3%MoM, spurred by chip demand, after dropping 2.2%MoM in November. However, in January the manufacturing PMI dipped 0.1pts to 48.7, remaining below the 50-threshold that separates expansion from contraction for a seventh straight month. That underlines that it is still mostly services that are driving Japanese growth, with services PMI rising to 53 in December from 52.7 the month before, and the composite PMI unchanged at 51.1.

Figure 15: As other major CBs ease monetary policy, BoJ rates are converging through hikes



Source: Bloomberg, Eurobank Research

Figure 16: Real wages rose for a second month in December, helped by bonuses



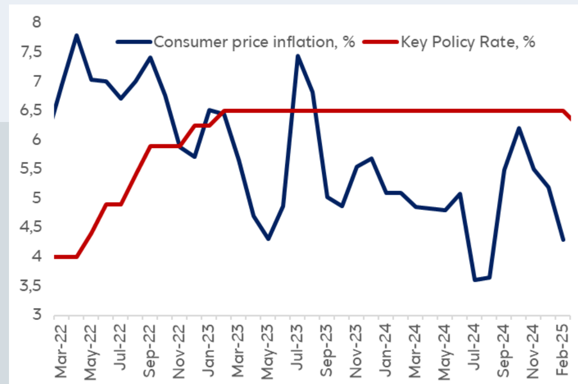
Source: Bloomberg, Eurobank Research

India

First interest rate cut in five years to bolster growth amid fiscal prudency

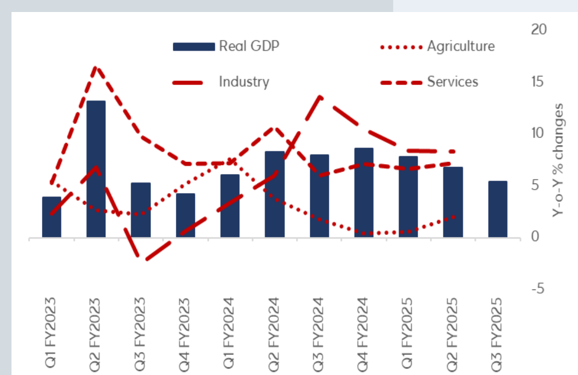
India's new central bank governor, Sanjay Malhotra, began 2025 with a decisive move by cutting the benchmark repo rate by 25bps to 6.25%—the first reduction in five years. This unanimous decision by the Monetary Policy Committee (MPC) was largely in line with market expectations. Notably, the MPC opted to maintain a "neutral" policy stance, refraining from shifting to an "accommodative" stance, which could signal further rate cuts and provide premature forward guidance to the markets. Inflation moderated to 4.31%YoY in January 2025, down from 5.22%YoY in December 2024, driven primarily by a sharp decline in food prices. However, it remains above the RBI's 4% target. This marks a notable improvement from the 5.49%YoY inflation spike observed in September 2024, which followed a sharp rise in prior months. The depreciation of the rupee against the US dollar since September 2024 has also become a critical concern, with the Indian currency falling from 83.57 to 87.58 against the USD, reflecting a nearly 5% decline up to February 6. The RBI's rate cut on February 7 acted as a countermeasure, providing short-term support and helping stabilize market confidence, allowing the rupee to recover some of its losses. Despite the RBI's action providing a temporary boost to sentiment, economic challenges remain. India's growth forecast for FY2025 is estimated 6.4%, down from 8.2% in FY2024. Projections for FY2026 range between 6.4% and 6.8%, but growth potential is constrained by limited fiscal space. The government aims to bring the fiscal deficit down to 4.4% of GDP in FY2026, compared to the revised 4.8% deficit for FY2025. The administration is under significant pressure to address the slowing economy, but its scope for expansionary fiscal policy is constrained, given the need for a fiscally responsible post-pandemic budget. In parallel, Prime Minister Modi is scheduled to meet US President Donald Trump on February 12-13, marking a crucial moment in US-India relations. The outcomes of these discussions are expected to have a substantial impact on bilateral ties and broader regional dynamics.

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



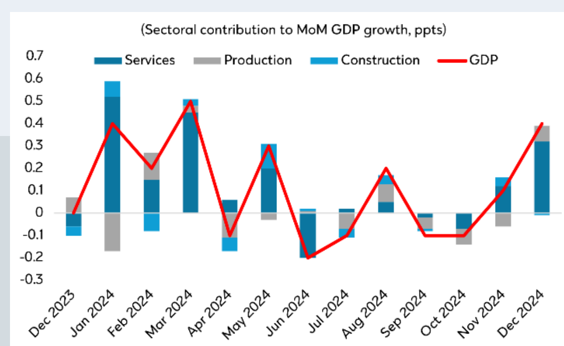
Source: OECD, Eurobank Research

UK

Economy ekes out surprise growth in Q4; Mann dissent muddies BoE message

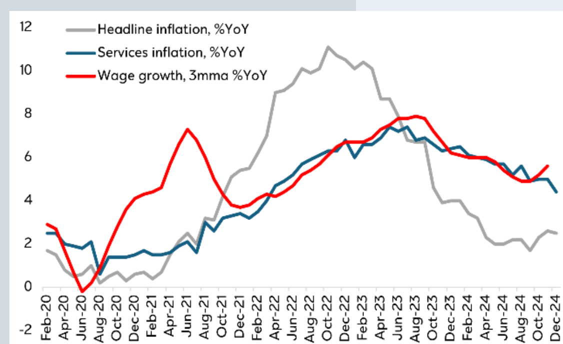
With the outlook darkening for the UK economy, Q4 GDP figures brought some good news as the economy unexpectedly expanded 0.1%QoQ in the last three months of the year. Following a string of weak economic data releases, the consensus forecast was that GDP would contract 0.1%QoQ after stagnating in the three months through September. For the whole of 2024, GDP grew 0.9%, compared with 0.4% the year before. Given that the UK releases monthly GDP data, it needed a strong print in December to push the quarter into positive territory, and GDP that month expanded 0.4%MoM after increasing 0.1%MoM the month before and contracting 0.1%MoM in October. However, concerns linger beneath the headline figure, as private-sector output contracted, with Q4 government spending growth of 0.8%QoQ required to lift the overall figure into positive territory. Private consumption was flat in Q4, while gross fixed capital formation contracted 0.9%QoQ. Immediately prior to the release, the UK's economic headlines were dominated by a remarkably open airing of disagreements by members of Bank of England's Monetary Policy Committee following the February 6 policy meeting, in which the central bank lowered interest rates by 25bps for a third time in this easing cycle to 4.5% and released new forecasts that lowered the country's growth outlook for 2025 to 0.8% from 1%. With the inflation forecasts for two and three years lifted slightly, and an acknowledgement that the neutral rate may have increased slightly, the message that the central bank sought to convey was that a "gradual and careful approach to the further withdrawal of monetary policy restraint was appropriate". However, that strategy was undermined by the MPC's 7-2 vote split, with the two dissenting members favouring a 50bps cut instead. The real surprise was that one of the two dissenters was Catherine Mann, who was previously considered the MPC's most hawkish member – and deemed more likely to dissent by voting to keep rates unchanged. In the post-meeting press conference BoE Governor Andrew Bailey said that markets shouldn't put too much weight on the voting, while Chief Economist Huw Pill later criticised Mann and the other dissenter, Swati Dhingra, for "rushing". However, Mann hit back in an interview with the FT, saying that weak demand conditions meant companies would struggle to raise prices, and that a larger interest rate cut would be a "cut through the noise".

Figure 19: It took a strong month of growth in December to push Q4 into positive territory



Source: ONS, Eurobank Research

Figure 20: The BoE is cautious on rate easing given strong wage growth and uptick in CPI



Source: Bloomberg, Eurobank Research

Cyprus

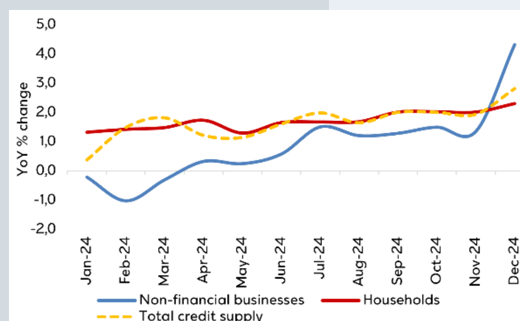
Robust real estate market in early 2025, credit expansion escalates

Just before the flash Q4 2024 GDP release on February 14, which will also provide an initial estimate for the full-year 2024 GDP growth, the latest short-term economic indicators point predominantly to downside risks. After a 16-month high in November (6.3%YoY), retail sales growth slowed in December to 3.6%YoY, a five-month low, primarily driven by a weaker increase in clothing-footwear trade. Despite that, the average increase in Q4 was slightly stronger than in the previous quarter, 4.8%YoY vs. 4.2%YoY. This sustained rise in consumer demand has begun to affect net exports, through higher imports. However, the surge in imports of goods in December — leading to a third consecutive monthly deterioration in the goods balance — was driven by imports of ships and aircrafts, which are expected to support investment. Overall, in Q4 2024, the goods deficit expanded by 48.9%YoY, the strongest deterioration in a quarter last year, mainly from higher imports, but also from falling exports. On the other hand, strong services exports, as in previous quarters, are expected to partially offset the negative impact from goods trade. Indicatively, tourist arrivals increased 8.8%YoY in Q4 and revenues from tourism 18.8%YoY in October-November, faster than in Q1-Q3, reflecting base effects from geopolitical factors. More importantly, 2024 saw record tourist arrivals, surpassing 2019 levels by 1.6%. This was driven by greater market diversification, with notable increases in arrivals from more countries (the UK, Poland, Germany, Romania, Israel, Slovakia etc.), which bodes well for 2025 growth prospects. On the investment front, the strong momentum in 2024 from the 17-year high in real estate volume continued in January, as evident in the 20.7%YoY increase in the number of sales. Domestic demand remained the key driver, increasing by 27.3%YoY and accounting for three-quarters of the total sales growth, although foreign purchases also saw a significant uptick (+12.1% YoY). Credit expansion accelerated in December to 2.8%YoY, up from 1.9%YoY in November, marking the highest pace in 2.5 years. Household credit, particularly for consumer loans, also saw an acceleration. Improved momentum in household consumption but mostly in investment combined with a deterioration in the external balance in Q4 2024, lead us to slightly revise upwards our GDP growth forecast for last year, by 0.1ppts to 3.8%, while for 2025 we expect a slight deceleration, to 3.4%.

Figure 21: Domestic demand drives real estate growth, sings of rising interest from abroad

Source: Department of Lands and Surveys, Eurobank Research

Figure 22: Retail sales growth helped by faster consumer credit expansion



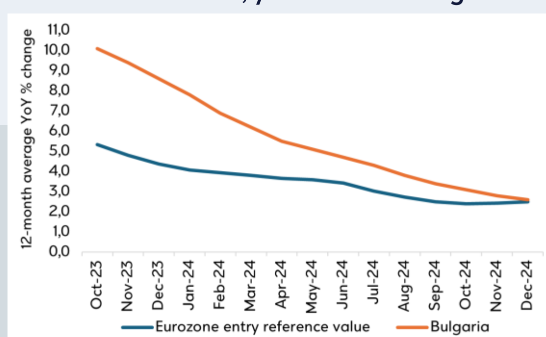
Source: Central Bank of Cyprus, Eurobank Research

Bulgaria

Challenges remain for preparing 2025 budget; inflation convergence at risk

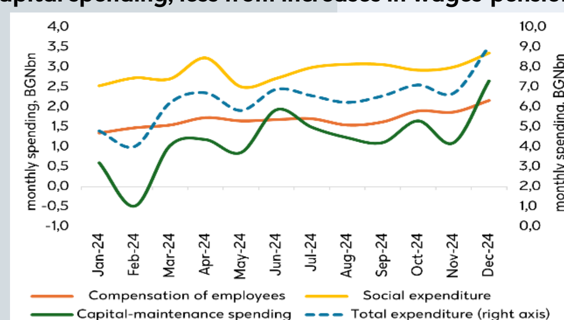
The central focus for the new coalition government is preparation of the 2025 draft budget, to be presented on February 14. Preliminary cash-based data for 2024, indicate a budget deficit of 3% of projected GDP — matching the threshold for eurozone entry — though final Eurostat methodology-based data will not be available before April. Higher government spending – including public sector salary increases from last year, pension increases of 11% since mid-2024 and more planned increases for July 2025, and increased transfers to municipalities – threatens to push the budget deficit above the 3% of GDP target in 2025. Furthermore, the ministry of finance announced last week postponed payments and advances in 2024 of BGN4.07bn – roughly 2% of last year's expected GDP – which will further expand public spending in 2025. To offset these spending increases, the government must implement yet-to-be-specified revenue measures. In previous years, such measures have often been one-off in nature, such as the full payment of state-owned enterprises' dividends to the government in 2023 and 2024 and the under-execution of the public investment program. Prime minister Rosen Zhelyazkov stated last week that no increase in the income tax and social security burden will be included in the draft budget, nor will the VAT rate be changed, apart from the VAT hike on restaurants and flour products already implemented on January 1. On the inflation front, while annual inflation edged up slightly to 2.1% in December from 2.0% in November due to a slowdown in energy disinflation, the gap between Bulgaria's 12-month average inflation and the eurozone's inflation reference value is now minimal (0.1ppts). However, risks to meeting the inflation criterion for eurozone access remain, particularly in the short term, such as the 15.4% increase in the minimum wage and the VAT increase for restaurants and flour products since January. Turning to recent economic developments, production in services grew in November by 4.5%YoY, the slowest pace in five months, on the back of a strong contraction in the real estate sector and a weaker growth in the ICT sector. Industrial production fell in December by 1.6%YoY, the worst print in the last seven months, in line with the weaker output in manufacturing. Conversely, the current account deficit weakened slightly in November compared to the previous month but remained significantly higher than the same period last year for the third consecutive month. In anticipation of more developments in economic indicators in December, our GDP growth forecast for 2024 remains unchanged at 2.2%.

Figure 23: Minimal gap from the inflation reference value for euro access, yet risks to meeting it remain



Source: Bulgarian Statistical Institute, Eurobank Research

Figure 24: Higher public expenditure mainly from more capital spending, less from increases in wages-pensions



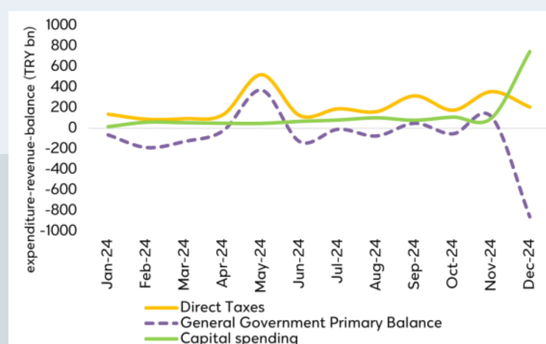
Source: Ministry of Finance, Eurobank Research

Turkey

Rebound in inflationary factors in January, spike in fiscal deficit at end-2024

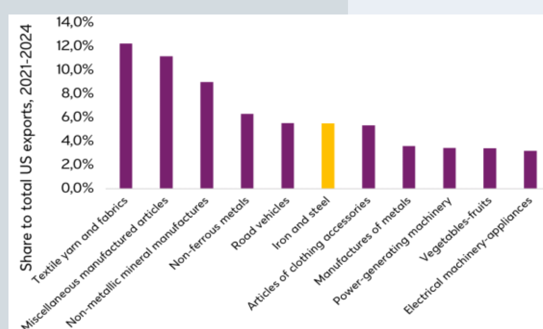
In January, the central bank of Turkey (TCMB) reduced the policy rate by a further 250bps to 45% following a similar cut in December. The TCMB justified its decision in the accompanying press release, citing weaker underlying monthly inflation for December, i.e., the seasonally adjusted (s.a.) core inflation, which declined primarily due to slower s.a. core goods inflation. However, the TCMB also noted that leading indicators pointed to a potential increase in underlying inflation for January, driven mainly by services with time-dependent pricing and backward indexation. These projections were confirmed by January's inflation data, which showed a sharp rise in s.a. monthly core inflation to an 11-month high of 3.7%, up from 2.6% in December. Moreover, the increase in s.a. services inflation outpaced that of s.a. goods inflation. As a result, the disinflationary trend weakened, with the headline inflation falling by 2.3ppts in January to 42.1% YoY, less than the 2.8 ppts drop in December. Near-term risks to the disinflationary trend stem from the increases in the minimum wage, civil servants' salaries, and pensions, which took effect on January 1. In the inflation report released after the January inflation data, the TCMB raised its year-end inflation forecast by 3ppts, to 24%, citing the upward revision in regulated prices adjustments (+1.7ppts), the greater weight of services in the CPI basket (+0.8ppts), and higher un-processed food costs (+0.5ppts). This revision will likely slow the pace of monetary policy easing in the medium term. Prolonged inflationary pressures have implications for competitiveness, as the CPI-based real effective exchange appreciated by 12.0% on average in 2024 compared to 2023, with the pace accelerating throughout the year, reaching 19.7% in Q4 2024. This appreciation was reflected in the deterioration of the goods and services balance in November, which fell by 19.1%YoY, the first decline in six months, driven by a 2%YoY drop in goods exports. While the US is a key export market for Turkish goods, accounting for the second-highest export share (6.3%) in 2021-2024, the products predominantly exported to the US have not been subject to the recently imposed tariffs. The fiscal balance also worsened significantly by the end of 2024, with December's accrual-based deficit accounting for 41% of the total deficit for the year. However, a surge in state's capital transfers in December, which represented two-thirds of the annual total, may help stimulate investment in early 2025.

Figure 25: High capital spending ignited fiscal deficit in December, undermining the 5% deficit target



Source: Ministry of Finance, Eurobank Research

Figure 26: Products mainly exported to the US are little affected by the recent tariffs



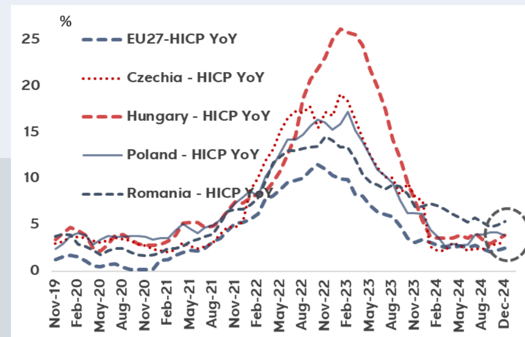
Source: Central Bank of Turkey, Eurobank Research

CESEE

CEE3 fared better in 2024 compared to 2023, Romania was the laggard

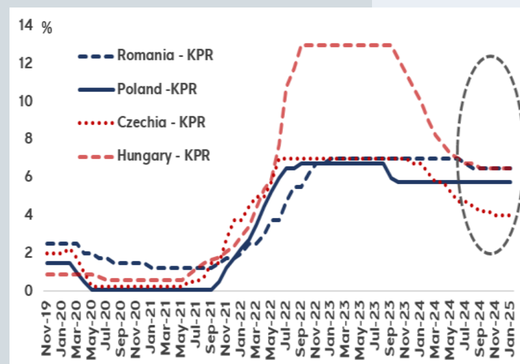
GDP growth across the CEE3 region showed a notable improvement in 2024 compared to 2023. Poland led the charge, with real GDP growth accelerating sharply to 2.9% in 2024, up from a mere 0.1% in 2023, surpassing the 2.8% consensus estimate. This growth was primarily driven by a robust domestic demand surge, which rose by 4.1% in 2024, a significant rebound from the contraction of -3.1% in 2023. Hungary's economy also showed positive momentum, expanding by 0.5% in 2024, following a contraction of -0.9% in 2023. Although detailed Q4 2024 data is not yet available (due in early March), preliminary figures through Q3 suggest that the economy benefitted from resilient labor markets, which enabled significant wage growth that, in turn, supported household consumption. The marked decline in inflation (average HICP 3.7% in 2024 compared to 17% in 2023) facilitated a more accommodative monetary policy (with the policy rate averaging 7.4% in 2024, down from 12.6% in 2023). Additionally, supportive government measures—ranging from housing incentives to tax benefits, capital injections for small businesses, and wage and pension hikes—contributed to the positive shift. In Czechia, growth reached 1% in 2024, rebounding from a modest decline of 0.1% in 2023. Growth in H2 2024 averaged 1.5%YoY, up from 0.5%YoY in H1, with both private and public consumption identified as key growth drivers. Romania, meanwhile, will publish its Q4 2024 GDP data tomorrow, with our forecast projecting a 1% growth rate for the full year, after an average expansion of 0.8%YoY in the first three quarters. This marks a sharp deceleration compared to the 2.4% growth rate in 2023. Romania's inflation remained more persistent than in its neighboring countries, averaging 5.8% HICP in 2024 (down from 9.7% in 2023), which kept interest rates high and financial conditions tight. The National Bank of Romania only reduced its policy rate by 50bps in 2024, from 7.0% to 6.5%, further straining economic conditions. The extensive fiscal deficit of the country exerts pressure on the economy, with the outlook for 2025 remaining highly uncertain. This deterioration in economic prospects was reflected in the downgrade of the country's outlook from stable to negative by S&P in late January, following a similar action by Fitch in mid-December 2024.

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	2024e	2025f	2026f	2024e	2025f	2026f	2024e	2025f	2026f	2024e	2025f	2026f
World	3.2	3.0	3.0	5.7	3.7	3.3									
Advanced Economies															
USA	2.8	2.2	2.0	3.0	2.7	2.5	4.0	4.3	4.1	-3.7	-3.7	-3.6	-6.9	-6.5	-6.6
Eurozone	0.7	1.0	1.2	2.4	2.1	1.9	6.4	6.4	6.4	2.8	2.4	2.5	-3.1	-3.0	-2.8
Germany	-0.2	0.4	1.0	2.5	2.2	2.0	6.0	6.3	6.2	6.1	6.1	6.0	-2.2	-2.0	-1.9
France	1.1	0.7	1.1	2.3	1.6	1.9	7.5	7.8	7.7	-0.3	-0.2	-0.4	-6.1	-5.7	-5.4
Periphery															
Cyprus	3.8	3.4	3.0	2.2	1.8	1.6	4.9	4.3	4.0	-4.4	-4.0	-5.5	4.4	3.8	3.6
Italy	0.5	0.6	1.0	1.1	1.7	1.7	6.5	6.3	6.2	1.1	1.0	1.3	-4.0	-3.6	-3.2
Portugal	1.9	1.9	2.6	2.7	2.0	2.0	6.4	6.4	6.2	1.9	1.4	1.3	0.5	0.3	0.3
Spain	3.2	2.3	1.9	2.9	2.1	2.0	11.3	11.0	10.8	3.3	3.0	2.8	-3.1	-2.9	-2.6
UK	0.8	1.2	1.4	2.5	2.6	2.2	4.3	4.4	4.5	-2.7	-2.8	-2.8	-4.5	-3.8	-3.3
Japan	-0.2	1.2	0.9	2.7	2.2	1.8	2.5	2.4	2.4	4.5	4.2	4.0	-2.4	-3.8	-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	2.2	2.8	3.2	2.6	2.0	2.4	4.4	4.1	3.7	0.2	0.2	0.6	-3.2	-2.9	-2.7
Turkey	3.2	2.5	3.5	60.0	34.2	21.8	8.8	8.4	8.0	-1.9	-0.7	-0.3	-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%	4.12-4.35%	3.95-4.2%	3.8-4.05%	3.69-3.95%
3m SOFR	4.32%	4.23%	4.04%	3.87%	3.7%
2yr Notes	4.28%	4.14%	4.01%	3.89%	3.82%
10yr Bonds	4.52%	4.47%	4.42%	4.36%	4.34%
Eurozone					
Refi Rate	2.9%	2.65%	2.25%	2.1%	2.1%
3m Euribor	2.54%	2.36%	2.02%	1.97%	1.96%
2yr Bunds	2.05%	2.02%	1.91%	1.89%	1.89%
10yr Bunds	2.41%	2.36%	2.27%	2.28%	2.32%
UK					
Repo Rate	4.5%	4.45%	4.15%	3.9%	3.7%
3m Sonia	4.43%	4.37%	4.07%	3.82%	3.67%
10-yr Gilt	4.48%	4.45%	4.29%	4.18%	4.1%
Switzerland					
3m Saron	0.27%	0.27%	0.10%	0.07%	0.07%
10-yr Bond	0.36%	0.35%	0.36%	0.39%	0.44%

Source: Bloomberg (market implied forecasts)

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