

The only certainty is uncertainty

- US policy has been erratic, to put it mildly. Tariffs were announced, paused, and then focused on China, but with key exemptions
- It is unclear what the Trump administration actually wants. This makes predicting outcomes even harder
- With uncertainty the only real certainty, the global – especially the US – economy is the main casualty
- But so, increasingly, is the US's leadership of the global financial system
- **Spotlight:** The US dollar is facing testing times, but the real test is still to come. Despite the pressures it is facing, we still see no viable alternative
- **Regional updates:** Uncertainty and tariffs will drive a sharp slowdown in the [eurozone](#) in the near term, before fiscal policy lifts growth in 2026
- We also update our [NL](#) growth forecasts, and on coalition spending plans
- The [US](#) has lost the trade war, and risks losing its financial hegemony
- We lower our [China](#) growth forecasts on the back of the US tariff shock



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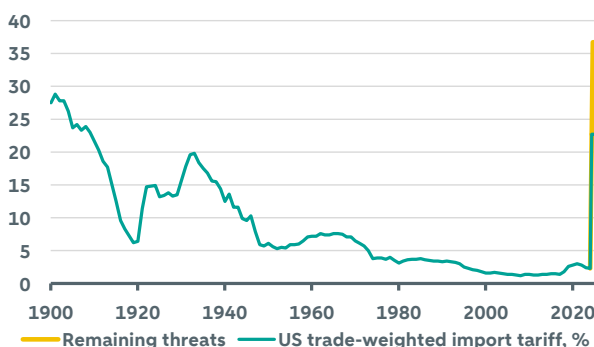
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Global View: Advanced economies are still likely to skirt recession this year

Scarcely a month has passed since the US's 'Liberation day', but it has felt like a lifetime. Tariffs were [announced](#), then [un-announced](#) (or at least paused), negotiations were started but without clear goals, and almost on a whim, the US focused its tariff ire squarely on China. This seemed to be Trump's way of engineering a face-saving climbdown, with a 90 pause announced for the biggest tariff rises on countries that have held back in retaliating against the US. Trump has since climbed down further, [exempting consumer electronics](#) from the 145% tariffs on China imports, and sounding a more conciliatory tone. He has even climbed down in other market-unfriendly policy domains, such as his persistent threats to fire Fed Chair Powell ("I have no intention of firing him. [...] Never did."). In all cases of 'blinking', market pressure has played a crucial role. But, as we argue this month, much of the damage has been done. Significant tariffs remain in place, even against countries supposedly given a reprieve, with a 10% baseline tariff and a 25% tariff on cars and steel. Our base case remains for the US and eurozone to skirt a recession this year, and we have also downgraded our China growth forecasts this month. The US itself is likely to suffer the most – not only from tariffs but under the weight of [uncertainty](#) and policy volatility. And this is not yet to speak of the damage to the US's reputation in financial markets. While we think the dollar's role remains safe for now, this is more due to the lack of viable alternatives, and this won't be the case forever. In the meantime, a key near-term uncertainty is how far the US will go in cajoling supposed allies into ganging up against China. It could also be the moment that China fills the global leadership vacuum left by the US. To call the future uncertain is an understatement.

US tariff rise still massive, despite 90 day 'reprieve'

US trade-weighted tariff rate %



Source: Bloomberg, ABN AMRO Group Economics

Unusual dollar weakness points to US reputation hit

USD index

US 10y Treasury yield, %



Source: Bloomberg, ABN AMRO Group Economics

Spotlight: Testing times for the dollar

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- The US dollar is down 9% year-to-date and sentiment is very negative. We judge that the recent decline is driven by cyclical factors, but investors are questioning if the dollar is still a safe haven
- The real test of its safe haven status has not happened yet. Market indicators of stress such as the VIX or liquidity spreads are not at crisis-like levels
- With no viable alternative to the dollar, we think it will survive the test
- Should a panic scenario materialise, the euro would be vulnerable to a sharp correction. In any case, we expect rate differentials to drive a decline in EUR/USD to 1.08 by end-2025

This Spotlight summarises our [FX Special - US dollar's safe haven status](#)

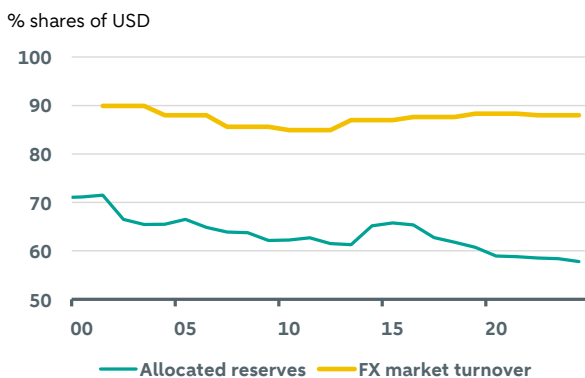
The US dollar started the year strong, rising until the week before the Trump Administration's inauguration. Since then it has declined, with the decline accelerating post-Liberation day. The dollar index is now 5% lower than on Liberation day and close to 9% lower than at the start of the year. From a technical perspective, the dollar is now officially in a long-term downtrend. This is part of a general 'sell the US' market dynamic, with simultaneous selling of US equities, bonds and FX.

The dollar's dual character as a cyclical safe haven means that in normal times it is driven by growth and inflation developments (strengthening when the outlook is positive, weakening when negative), but in periods of severe market stress it strengthens regardless of the cyclical dynamics. Liquidity then attracts a premium, and this is where the dollar's safe haven status comes into play. The dollar is involved in 88% of all trades on one side, and it makes up over half of total allocated reserves (see chart below left). No other currency matches the dollar's role in these functions. While the dollar may decline for cyclical and sentiment reasons – as it has recently – when liquidity is paramount, it will be bought again.

Previous 'sell the US' episodes offer clues on what might happen next

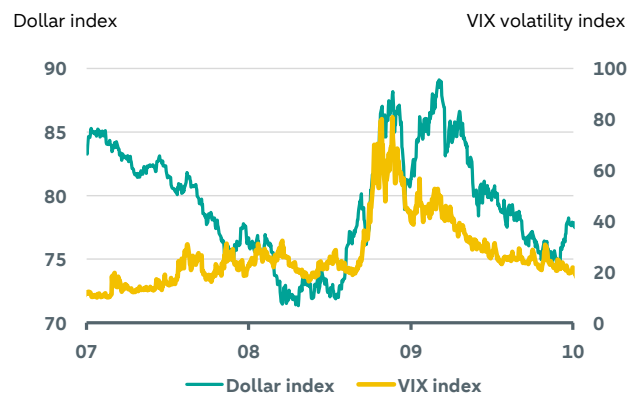
During the US sub-prime crisis in 2007, the dollar initially declined by 14% as investors perceived the crisis as US-originated. However, as concerns about global spillovers emerged and equity volatility rose, the dollar rallied significantly when liquidity was at stake (see chart below right). The dollar followed a similar pattern at the onset of the pandemic. Initially, the dollar weakened as COVID spread in the US and lockdowns began, but later rallied substantially when risk-off sentiment turned into panic and liquidity concerns arose.

The dollar still dominates FX turnover and reserve



Source: BIS, IMF, ABN AMRO Group Economics

The dollar spiked during the global financial crisis



Source: Bloomberg, ABN AMRO Group Economics

Recently, the US dollar and US assets are out of favour due to the erratic policy of the US administration, triggering a confidence crisis. The dollar's decline parallels the US sub-prime crisis so far. In the current environment, the dollar may decline further in the near term, potentially with the US dollar index dropping towards 93 and EUR/USD rising to 1.15-1.17. However, sentiment has not deteriorated to levels seen during the global financial crisis nor the COVID crisis, meaning the market has not panicked enough to significantly value dollar liquidity. The dollar's safe haven status will only be tested when VIX and liquidity spreads rise to previous crisis levels. We think the dollar will maintain its global safe haven role when the time comes. Investors should therefore be ready for a potential dollar rebound when (or if) liquidity demands rise. Even if that does not materialise, our base case is for EUR/USD to in any case decline, driven by a dovish ECB and a hawkish Fed. We expect EUR/USD to fall to 1.08 by the end of 2025.

Eurozone: Tariff reversal is some relief, but no game changer

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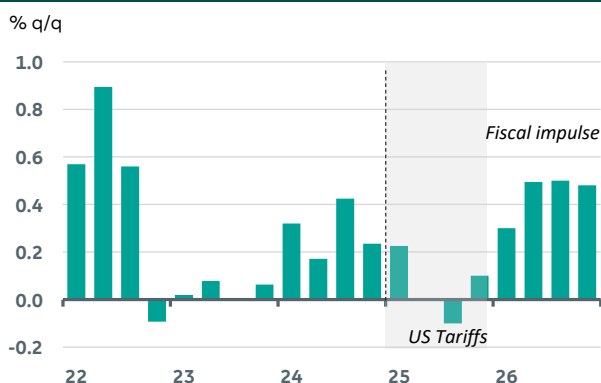
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- High uncertainty continues to impact the eurozone economic recovery
- The recovery is halted by tariffs in the near term; fiscal policy raises growth outlook in 2026
- Disinflationary forces mean the ECB is likely to cut rates further to 1.5% by September

Liberation Day was supposed to provide clarity on future US tariff policy and by that a more certain eurozone economic impact. Liberation day, and one week later “Reversal Day” have – if anything – only lead to *more* policy uncertainty. This culminated in a 90-day pause for the reciprocal tariffs. The universal tariff of 10% stays in place, as do the separate 25% tariffs on steel & aluminium and cars & car parts. For the outlook, 3 points matter. 1) The pause is clearly a positive for growth, though it is not a game changer. European exports will still see a significant hit from the 10% baseline tariff as well as the 25% tariff on cars, steel & aluminium. If Trump follows through with a similar magnitude tariff on pharma, then the trade weighted tariff on EU exports to the US would rise to c15% from the c2-3% that prevailed until a month ago. 2) The euro has appreciated by c10% year to date, partly owing to general dollar weakness. Contrasting to earlier expectations it is therefore an additional drag on growth as it reduces export competitiveness (although good news for inflation – see below). 3) Tariffs and the US confidence shock have led to tighter financial conditions via weaker equity markets, albeit much less than that seen in the US. Against this backdrop, the eurozone economic recovery so far is unfolding broadly as expected. Frontloading is providing a small cushion, especially for the ailing manufacturing sector, and rising real incomes do provide a positive impulse to household consumption, but uncertainty is keeping a lid on investment and moving into Q2 tariffs will lead to a slowdown in growth. The latter was already showcased by the underwhelming April composite PMI. Further out, while tariffs negatively affect growth this year, fiscal expansion in the eurozone and especially in Germany has lifted the 2026 growth outlook.

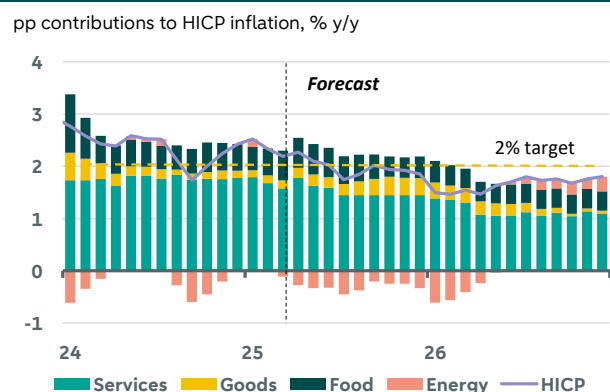
[Inflation](#) in March edged lower with headline moving down to 2.2% from 2.3% in February, and core falling to 2.4% from 2.6%. Elevated services inflation has been the focal point of the ECB. Recently the outlook on that front is improving markedly. The most important driver is falling wage growth, with for instance the Indeed tracker moving another leg lower to a new post-pandemic low of 2.7% in Q1. The volatility in the wake of liberation day has also led to a strengthening of disinflationary forces. The euro has appreciated materially in recent weeks, and tighter financial conditions have added to growth headwinds. Oil and other commodity prices have fallen sharply. The result of the above is that our conviction in inflation leading to an undershoot of the ECB’s 2% target by the turn of the year has increased. While [we now](#) assume a more meaningful retaliation by the EU to US tariffs in our inflation forecasts, the impact of this merely offsets by the stronger euro and sharper fall in commodity prices. The US share of eurozone goods imports stands at just 13%; around 20-30% of goods consumption is imported; and goods makes up 26% of the HICP basket. Based on this, a 20% rise in the price of US goods imports adds only 0.2pp to HICP inflation.

Tariffs shape 2025 while fiscal policy supports growth



Source: LSEG, ABN AMRO Group Economics

Inflation to move below the 2% target by 2026



Source: LSEG, ABN AMRO Group Economics

At the April [meeting](#), the ECB cut the deposit rate by 25bp to 2.25%, as widely expected. The tone in the press conference was dovish, reflecting the tariff hit to the growth outlook. More importantly, the April cut revealed a more dovish reaction function to tariffs; before, some Governing Council members still favoured a pause. Given the growth and inflation outlook we expect 75bp in rate cuts, taking the deposit rate to 1.5% by September.

The Netherlands: Revised growth forecasts in response to the US tariffs

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- We have revised our growth forecasts to 1.4% for 2025 (from 1.8%) and 1.3% for 2026 (from 1.0%)
- Discussions on the Spring Memorandum have ended and the coalition has published their plans
- They likely provide a short term boost to households' purchasing power, but structural investments lack

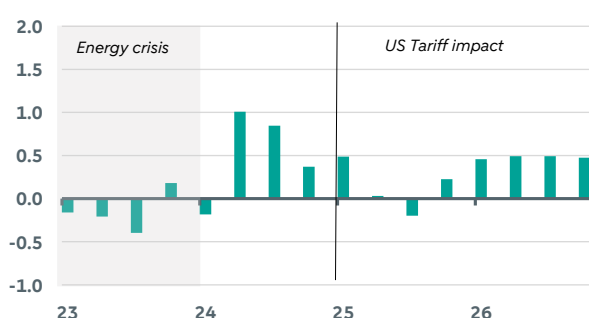
International developments have been unfolding rapidly recently, and as a result we revised our growth forecasts earlier this month. For 2025 it has been adjusted downwards to 1.4% (from 1.8%), as the tariffs are implemented earlier than we originally included in our projections. We raised the forecast for 2026 to 1.3% (from 1.0%) primarily reflecting fiscal support and mitigating factors kicking in. Generally, while there is a lot of uncertainty about the impact of the tariffs, there are several channels through which they impact the Dutch economy. Firstly, there is a direct effect on Dutch exports to the US. While there are still exceptions for important exported goods, such as pharmaceuticals, consumer electronics and semiconductors, the currently active 10% import tariff impacts the Dutch economy on the short term. Secondly, there is the indirect effect, which we judge will dominate: a weakening of the global economy and trade particularly affects the export-dependent Dutch economy.

There are a few mitigating factors. While the frontloading effect has so far been less visible in the macro figures compared to what we had anticipated, some frontloading might still happen in the currently exempted goods. Also, the EU might benefit from a stronger relative competitive position versus the US, as China received a much higher tariff. Additionally, Trump's announcement has not been the only recently announced game changer for Dutch growth forecasts. Fiscal largesse in main trading partner Germany has spillovers to the Netherlands, which comes on top of the EU ambition to increase defence spending. Timing plays a critical role in the growth profile, as tariffs mainly hit the economy in 2025, while the growth impulse from fiscal spending will ramp up over the course of 2026.

The growth figure for Q1 – released on the 30th of April – is expected to reach 0.5% q/q, which is mainly driven by spending from both the government and households. The latter benefits from increasing real incomes and supportive government policies, which boost consumption despite lingering weak household sentiment. Conversely, investment growth is likely to be negative after an exceptionally strong Q4, particularly in transport such as cargo vans, which surged late last year in anticipation of the altered tax regulations in 2025. However, the negative impact of subdued investment is likely counterbalanced by a positive contribution from inventories, rebounding from their drop in Q4.

Weakness in 2025, growth resumes in 2026

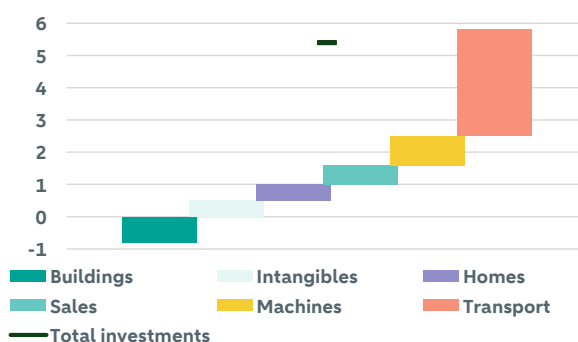
% q/q GDP growth



Source: LSEG, ABN AMRO Group Economics

Major contribution of transport to Q4 investment

%, 2024 Q4, y/y investment growth by asset



Source: CBS, ABN AMRO Group Economics

The Dutch government has concluded discussions on the Spring Memorandum and unveiled its plans. The list of policy wishes was extensive. The new plans include various short-term measures to bolster household purchasing power, such as reducing the energy tax, freezing social rents, and increasing rental allowances. Additionally, EUR 1.1 bn per year has been allocated to defence (adding just 0.1% of GDP). To offset these spending increases, amongst others, the income tax will see only limited inflation adjustments and the duration of unemployment benefits has been reduced. The Spring Memorandum appears to lack structural investments. Decisions on critical and more structural issues, such as nitrogen and climate goals, which seriously constrain the Dutch economy, have been postponed until *Prinsjesdag*. Nevertheless, with these new plans, the coalition has managed to comply with Dutch budget rules and guidelines.

US: The US has already lost the trade war

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- One of the primary objectives of the Trump administration's (trade) policies is to become less dependent on China, but policy implementation is poorly aligned with overall goals and too erratic
- The trade war hurts everyone, but it hurts the US more than other major economic players
- The price of China-decoupling is higher than just inflation: the US risks losing control of the global financial system

Trump's trade war is on track to fail. While there is at least a path through which tariffs can be used to achieve the administration's stated goals, the erratic implementation makes them ineffective. There's no well-structured predictable plan for tariffs, leaving companies in limbo. There appears to be no planned response to retaliation or actions from the rest of the world, be it on trade, or broader. Over the past few weeks, the narrative has shifted from the US against the rest of the world to the US against China, with the US requesting that the rest of the world falls in line. The idea of strong-arming(former) allies into countering China is treacherous, with China positioning itself as the sensible, predictable, and even more friendly of the two. There is a significant risk of the US losing its status as the leader of the western world, or at the very least, as the leader of the financial system.

Trump and his advisors have at different times raised three apparent goals of this trade war: reshoring manufacturing, raising revenue to decrease the deficit, and getting better (trade) deals. If the aim is to bring back manufacturing to the US through tariff policy, you'd want to offer clear incentives for firms to invest. You provide them with a clear and adequately long timeline and make it credible that these trade barriers are sufficiently high and stable to make the business case. The Trump administration has done the opposite, with erratic, rapid policy changes, frequent reversals and delays. This does not provide the necessary business climate for firms to reshore their production. Moreover, the current policy of enormous tariffs on China and more moderate tariffs elsewhere, more likely than not drives investment to China's neighbors instead of the US. As for the second aim, the projected revenues – projected to be in the range of about \$150-200bn per year - do very little to reduce the deficit of almost \$2tn. Proposed tax cuts more than offset any revenues. Time will tell whether the US will get better trade deals, though this aim is certainly not helped by the fact that the US's own negotiators do not seem to have a clear objective, with officials from other countries frequently reporting back that it's unclear what the Americans actually want.

Recent developments point toward growing evidence that the US's major trading partners, and particularly China, have the upper hand. Most of the recent changes in tariff policy were undoing previously applied tariffs - forced by financial (in particular Treasury) markets - and the fear of an inflation shock in consumer goods. Trump has mid-term elections to think about. China therefore has escalation dominance; the cost of escalation is higher for the US than for China, and China can likely bear pain longer. China retaliated because it believed it would hurt the US more than itself.. The US is reliant on China for various vital goods, and it does not have the capacity yet to produce domestically. It started the war without preparing, cutting off supply before securing adequate domestic production.

So, in the short-term, the tariff policy hits the US harder than most of its trading partners. In the longer-term, things look worse. Industrial policy has generally been regarded as unsuccessful, as governments fail to identify the right industries. Due to recent changes in the geopolitical landscape one can make the case that some inefficiency is simply the cost of securing strategic goods, such as energy, semiconductors, pharmaceuticals and critical minerals. Ironically, due to the US' reliance on foreign producers, Trump has now exempted most of exactly these strategic goods from high tariffs, limiting the incentive to build these industries at home. Rather, the administration seems intent on betting on the industries of the past, not the industries that are strategically necessary or likely to provide future growth. They want to open coal plants and drill for more oil, support combustion engine cars, and cut R&D budgets, as emphasized by the recent withdrawal of funding to Harvard. Such research and talent are imperative to the innovation needed to stay ahead in the industries of the future, such as robotics and green energy – sectors where China's lead has grown.

Finally, while China controls global manufacturing, the US controls the global financial system. In trying to bring back manufacturing, and reducing its dependence on China, the US is destroying its reputation and risks losing its dominance of the financial system, perhaps even to China. Although no viable substitute for the dollar or US payment systems exists, countries are actively working on alternatives. China has started that process a long time ago and is increasingly conducting its trade in its own currency. Europe needs its own payments systems, and the euro needs closer financial integration to achieve deeper, more liquid capital markets. These are both clearly articulated policy objectives, although progress is slow. The US government's actions are accelerating these developments. The cost of losing dollar dominance, and with that the direct benefits and all the soft power that is associated with it, far exceed the short-term pain from tariffs. Tariffs can be unwound quickly, but regaining the world's trust will take much longer.

China: The Art of the No-Deal

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- Following sharp escalation of US-China trade war in April, a direct export shock to the US is imminent
- Exemptions for electronics, trade circumvention/reorientation and more support will mitigate this shock
- We lowered our annual growth forecasts for 2025/ 2026 to 4.1% (from 4.3%) and 3.9% (from 4.2%)

China enters escalated trade war with US after a solid first quarter

GDP growth in Q1 was solid at 5.4% y/y ([see China enters trade war on solid first quarter](#)), underpinned by policy support and frontloading of exports. March data also showed an improvement, with PMIs up and industrial production and retail sales accelerating. That said, property data remained lackluster, and ongoing deflation shows that the supply side stays stronger than the demand side. Moreover, these numbers do not yet reflect the escalation of the trade war with the US in April (see below). This may impact business and consumer confidence – as it did at the start of the 2018 trade war – complicating Beijing's efforts to lift consumer spending and private investment. Still, weekly Chinese container data suggest that the recent turns in US tariff policy (see below) have supported export flows. Frontloading of small-value exports may also still play a role – as the US *de minimis* clause will expire on May 2nd.

China has stopped buying LNG from the US

Volumes, 1000 MT



Source: Bloomberg

Beijing tolerates weaker yuan on trade war escalation

Exchange rates



Source: LSEG, ABN AMRO Group Economics

After sharp escalation of trade war in April, Beijing now plays 'hard to get' vs Trump

Since 'US Liberation Day' on 2 April, the US-China tariff war escalated, with the US now levying 145% on imports from China (and 125% vice versa). Further threats loom, such as the US port fee plan aimed at breaking China's dominance in global shipbuilding/shipping. That said, driven mainly by bond market pressures, the US made several twists in tariff policy (see [Reversal Day](#) and [US-China trade war: Twist and Shout](#)), and the recent exemption on consumer electronics (covering $\pm 25\%$ of exports to the US) is a key mitigant. Various US officials have hinted at a future US-China trade deal, but so far Beijing does not seem to have much appetite to go along with Trump's *Art of the Deal* tactics. China has positioned itself as 'the adult in the room', stating it would neglect further US tariff hikes (which have become meaning-less anyway), while also using instruments such as export restrictions on critical metals, blacklisting US firms, and halting purchases of Boeings, LNG etcetera. China also has leverage on the US via its large holdings of US Treasuries. Beijing likely feels it now has the upper hand, as the US is facing the macro and market fall-out of its tariff policy. China will also feel pain from the trade war, but does not face mid-term elections next year and hence may have a higher

We lowered our annual growth forecasts due to the larger, more abrupt export shock

We already assumed China would be 'singled out' in terms of tariffs and had forecast below-trend q/q growth in Q2/Q3. The April escalation implies the direct export shock (Chinese exports to the US were 2.8% of GDP in 2024) will be even more severe and abrupt, although we still expect mitigation from exemptions (see above), trade circumvention (e.g. through ASEAN) and trade reorientation. We also still assume a stepping up of monetary and fiscal support and looser FX policies to offset this shock. All in all, we adjusted our quarterly growth profile and cut our growth forecasts for 2025/26 to 4.1% (from 4.3%) and 3.9% (from 4.2%). Of course, uncertainty surrounding these forecasts is still larger than usual. A key downside risk would stem from countries teaming up with the US against China. Still, we think most countries will keep carefully managing trade relations with both giants. China is already the largest trade partner for most countries, and has also issued warnings not to make anti-China agreements with the US.

Key views on a page

US tariffs surprised even our pessimistic expectations, and despite the 90 day reprieve for the biggest rises, significant tariffs remain in place. The US has focused chiefly on China, as we had long expected, but the eurozone (and the rest of the world) are still hard hit – by both tariffs and the policy uncertainty. Interest rate cuts and other forms of policy support are a cushioning factor in the eurozone and China, while in the eurozone specifically, defence spending, and in Germany new infrastructure spending will support growth in 2026. Global trade and growth are also initially benefiting from a frontloading of US imports ahead of tariff rises. Still, the nascent recoveries in domestic demand in the eurozone and China face downside risks from weaker confidence, while in the US, demand will be hit by the tariff shock to real incomes. Inflation in the US is expected to reaccelerate, but to fall below target in the eurozone. This is likely to drive a divergence in Fed & ECB policy, with Fed policy staying on hold until late 2026, and the ECB continuing to cut rates.

Macro	Central Banks & Markets
Eurozone – The US tariff shock is likely to push the eurozone to the edge of recession over the coming quarters, though our base case sees domestic demand (helped by rate cuts) keeping the economy growing just above zero this year. Next year, higher defence spending and German infrastructure spending are likely to drive much higher growth. Disinflation is also continuing, with services inflation less of a worry, and wage growth continuing to cool. Tariffs are likely to drive an undershoot of the 2% inflation target by the end of this year, helped by a stronger euro and falls in energy prices.	ECB – The Governing Council cut rates again in April, in a unanimous decision. The tone in the press conference was dovish, reflecting the tariff hit to the growth outlook. More importantly, the April cut revealed a more dovish reaction function to tariffs; before, some Governing Council members still favoured a pause. Given the growth and inflation outlook we expect a further 75bp in rate cuts, taking the deposit rate to 1.5% by September. With looser fiscal policy expected to lift growth from late this year onwards, the Governing Council is likely to keep policy on hold in 2026.
The Netherlands – After recovering in 2024, growth is expected to recover further into 2025, before slowing on the back of US import tariffs. The Q1 figure is expected to come in at 0.5% q/q. Given external uncertainty, growth will be domestically driven and will average 1.4% in 2025, and 1.3% in 2026, compared to 1.0% in 2024. Unemployment will increase slightly, but the tight labour market remains a constraining factor. Inflation is expected to stay above the 2% target in the coming years, mostly driven by still-high wage growth, rent increases, and product-specific tax changes.	Fed – After the December rate cut, the Fed's upper bound on fed funds rate stands at 4.5%. With relatively hot inflation readings in the start of the year, inflation is unlikely to come down sufficiently to ease, especially considering a new impulse from tariff policy. Risks to inflation and the labour market are currently roughly in balance, but likely to tilt to inflation in the second half of the year. Therefore, the Fed keeps rates at the current restrictive level, hedging against politically sensitive policy mistakes. The macro constellation may allow the Fed to slowly start easing in the second half of 2026.
UK – Government spending and rising real incomes are likely to keep the economy on a recovery path for now, but structural challenges remain. The UK is less vulnerable to US tariffs than the eurozone as it is less export dependent, and it faces a lower reciprocal tariff of 10% vs the threatened EU tariff of 20%. Services inflation is stubbornly high, with wage growth still well above levels consistent with 2% inflation. A sustained return to 2% inflation will take longer than elsewhere, due to historically higher inflation expectations in the UK.	Bank of England – The MPC kept Bank Rate on hold at 4.5% in March, in line with our expectations. Incoming data suggests stubbornly high underlying inflationary pressure, and sticky wage growth. The government's expansionary fiscal stance, alongside continued elevated wage growth, poses upside risks to medium-term inflation. This is likely to keep rate cuts at a more gradual pace than for the ECB. We expect three more 25bp rate cuts in 2025 with the next cut expected in May. Bank Rate is expected to settle at 3.5% in early 2026.
US – Growth and consumption are likely to slow on the back of a strong decline in confidence, caused by significant policy uncertainty. A gradually cooling labour market and pockets of financial stress among households are likely to contribute to a slowdown in growth in 2025. Tariffs will be a further drag on growth in the course of this year, whilst also raising inflation. On the basis of the recent developments in the trade war, our 2025 and 2026 growth forecasts are downgraded to 1.4% and 0.6% respectively. The tariff impact implies average PCE inflation of 3.1% in 2025, rising to 3.6% in 2026.	Bond yields – Over the past weeks, US Treasuries underperformed EU government bonds. US term premium has risen sharply leading to higher Treasury yields. This is primarily driven by a growing lack of confidence among investors regarding the US economy and government policy. Conversely, European government bonds have benefitted from this shift, as well as from a risk-off sentiment. Given the frequent policy U-turn by the US government and the volatility these changes trigger, we maintain a bullish stance on EU rates and recommend caution regarding US bonds at this time.
China – GDP growth in Q1 was stable at 5.4% y/y and March data surprised to the upside, but property data remained lacklustre and ongoing deflation shows the supply side is still stronger than the demand side. The escalating US-China tariff war leads to a large export shock, although exemptions (e.g. on consumer electronics), trade circumvention/reorientation, more policy support and looser FX policy will cushion the blow. Although we already expected high China tariffs, we adjusted our quarterly growth profile and cut our 2025/26 growth forecasts to 4.1% (from 4.3) and 3.9% (from 4.2%).	FX – The dollar is out of favour. Investors sell the dollar across the board because of the unfavourable US growth-inflation mix, US policy uncertainty, negative trend and recently because of Trump's attack of Fed Chair Powell. There have been questions about the dollar's safe haven status. The real test on its safe haven status has not happened yet as VIX and liquidity spreads have not yet reached the level of previous crises. With no viable alternative to the dollar, we think it will survive the test. Our forecast for the end of 2025 stands at 1.08.

Main economic & financial market forecasts												
	GDP				Inflation				Policy rate			
	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Eurozone	0.5	0.8	0.6	1.1	5.4	2.4	2.1	1.6	4.00	3.00	1.50	1.50
Netherlands	0.1	1.0	1.4	1.3	4.1	3.2	3.2	2.6				
Germany	-0.1	-0.2	0.5	1.4								
UK	0.4	1.1	1.2	1.6	7.3	2.5	3.2	2.8	5.25	4.75	3.75	3.50
US	2.9	2.8	1.4	0.6	3.8	2.5	3.1	3.6	5.50	4.50	4.50	4.00
China	5.4	5.0	4.1	3.9	0.2	0.2	0.3	1.1	3.45	3.10	2.70	2.60

Note: Annual average for GDP and inflation, end of period for the policy rate

	2024	21/04/25	Q2 25	2025	2026	Energy	2024	22/04/25	Q2 25	2025	2026
US Treasury	3.88	4.42	4.25	4.15	3.85						
German Bund	2.02	2.47	2.35	2.25	2.45	Brent - USD/bbl*	74.64	67.44	68	58	60
EUR/USD	1.03	1.15	1.09	1.08	1.15	WTI - USD/bbl*	71.72	64.31	64	54	55
USD/CNY	7.30	7.29	7.50	7.80	7.60	TTF Gas - EUR/MWh*	46.68	32.18	33	40	30
GBP/USD	1.25	1.34	1.26	1.24	1.28						

* Brent, WTI: active month contract; TTF: next calendar year

	2024				2025				2026			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (q/q)												
Eurozone	0.3	0.2	0.4	0.2	0.2	0.0	-0.1	0.1	0.3	0.5	0.5	0.5
Netherlands	-0.2	1.0	0.8	0.4	0.5	0.0	-0.2	0.2	0.5	0.5	0.5	0.5
US (saar)	1.6	3.0	3.1	2.5	0.5	1.2	0.1	0.3	0.4	0.8	1.0	1.3
China (y/y)	5.3	4.7	4.6	5.4	5.4	4.7	3.5	3.1	3.0	3.7	4.5	4.3
Inflation												
Eurozone	2.6	2.5	2.2	2.2	2.3	2.1	1.9	1.9	1.5	1.6	1.8	1.7
Netherlands	3.0	2.9	3.3	3.7	3.3	3.4	2.9	3.0	3.1	2.7	2.6	2.0
US (PCE)	2.7	2.6	2.3	2.5	2.6	3.1	3.6	3.9	3.9	3.6	3.4	3.0
China	0.0	0.3	0.5	0.2	-0.1	0.3	0.3	0.8	1.0	1.0	1.0	1.4
Unemployment												
Eurozone	6.5	6.4	6.3	6.2	6.4	6.5	6.7	6.7	6.7	6.7	6.7	6.6
Netherlands	3.6	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.1	4.2	4.2	4.3
US	3.8	4.0	4.2	4.1	4.1	4.5	4.6	4.6	4.6	4.7	4.7	4.7
Policy rate												
Eurozone	4.00	3.75	3.50	2.75	2.50	2.00	1.50	1.50	1.50	1.50	1.50	1.50
US	5.50	5.50	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25	4.00
UK	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.50	3.50	3.50
China	3.45	3.45	3.35	3.10	3.10	2.90	2.80	2.70	2.70	2.60	2.60	2.60

Source: LSEG, Bloomberg, ABN AMRO Group Economics

(saar = season adjusted annual rate)

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