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Global Outlook 2025

Group Economics | 22 November 2024

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The year of the tariff

- The return of president Trump is likely to mean a significant rise in US import tariffs in 2025. China will bear the brunt, but Europe will also be hit, leading to a sharp slowdown later in the year
- Tariffs threaten the nascent recoveries in domestic demand in the eurozone and China, while in the US, deregulation and tax cuts will help blunt the real income shock from tariff rises
- Inflation in the US is expected to reaccelerate, but to fall *below* the 2% target in the eurozone
- All of this is likely to drive a divergence in Fed & ECB policy, with slower and fewer Fed rate cuts, and the ECB deposit rate falling to 1%. This will push the euro to parity vs the dollar in the course of 2025.
- We need to talk about China: In a two-part special we tackle Europe's complex relationship with China
- Regional Outlooks: Ahead of the tariff shock, domestic demand is recovering in the Eurozone and the Netherlands, while snap elections in Germany are an opportunity for a step-change in fiscal policy
- The US economy has remained resilient, but vulnerabilities and policy uncertainty pose significant risks
- China is better prepared for Trump than it was in 2018, but growth is still expected to slow materially

Global View: 2025 is likely to be a year of major change

In 2025, China will usher in the *Year of the Snake*. According to eastern lore, the snake is associated with wisdom, charm, elegance, and transformation. The snake has rather different associations in western culture, but *transformation* – not necessarily of the positive sort – looks set to be an apt description for the coming year. The return of president Trump to the White House is already sending geopolitical shockwaves, well before his inauguration on 20 January. The most notable of these, and one where the effects will be difficult to fully comprehend in the near-term, is his approach to the Russia-Ukraine war. More broadly, and thinking purely of the macro-economic impact, a weakening in the US' commitment to NATO allies could mean higher European government spending on defence in the coming years, with potentially a relaxation of fiscal rules to enable this. While we can only speculate at this point on the geo-economic ramifications of Trump's second term, a much more concrete driver of the near-term outlook is likely to be trade tariffs. Trump's flagship economic policy is massive new tariffs on US imports, particularly against the US's favourite *bug-bear* China, but Trump is also threatening much broader tariffs in his coming presidency, including against allies in Europe. In the US, the growth hit from tariffs will – at least initially – be partly offset by the business confidence boost accompanying Trump's deregulation drive, and a swathe of new tax cuts. For Europe, there will be no such offset, and if tariffs are levied as planned, European exports to the US are likely to be hit hard, with the eurozone's nascent recovery hitting a brick wall later next year and moving into 2026. Tariffs are also likely to push inflation in the US well above the Fed's 2% target, while in the eurozone, inflation is more likely to *undershoot*. This, as we flagged over summer, will drive a renewed transatlantic divergence in interest rate paths – strengthening the dollar and weakening the euro.

Are there any silver linings? The starting point for advanced economies is relatively good. The US has continued to defy expectations of a slowdown, even if this has come at the expense of increased vulnerabilities, such as a persistently low household savings rate and rising delinquency rates on consumer credit. In the eurozone, hard data has come in much stronger than survey indicators suggested, driven by a timely pickup in consumption. In the near-term, activity is likely to see continued support from falling interest rates – which are already feeding through to higher mortgage lending – and solid real income gains. Another silver lining could come from policy changes outside the US. First, China is taking a more activist approach to stimulating demand, and although this is unlikely to boost global growth as much as in the past, it is still likely to give some positive impulse. Second, the German elections in February offer an opportunity for a step-change in the government's notoriously spendthrift budgetary management. Germany certainly is in dire need of greater public and private investment to deal with competitiveness challenges, and it is also one of the few countries with the fiscal space to do so. Whether it chooses to ultimately comes down to politics – and the electorate.

Wherever developments take us in 2025, we wish our readers a restful holiday period, and a happy new year!

New US trade tariffs: 10%? 20%? 2000%?

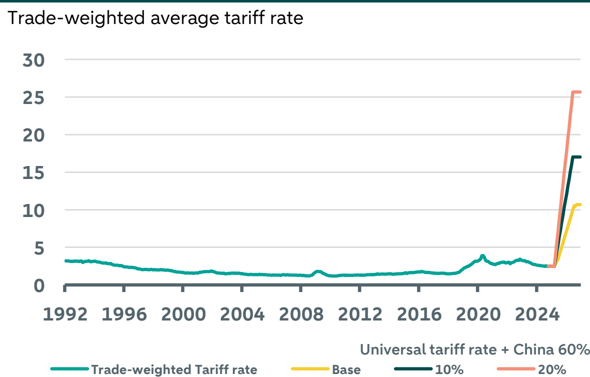
Trump's proposal for a 10% universal tariff on all US imports, alongside a 60% tariff on imports from China, first surfaced in September 2023 as part of his Republican presidential nomination bid[1]. In August 2024, he raised the stakes further by suggesting a 20% baseline tariff. In his most recent remarks – where he said 'tariff' is 'the most beautiful word in the dictionary' – he even proposed a 2000% tariff specifically on car imports from Mexico.

The wide range of proposals makes it hard to know what to expect. Moreover, might the tariffs be a bargaining chip, to coax the US's trade partners into dropping their own trade barriers? Leading frontrunners for Trump's economic team (Treasury Secretary & NEC director) have made comments to that effect, with Scott Bessent calling the strategy 'escalate to de-escalate', as a means to get trade partners to for instance drop tariffs against the US car industry. Moreover, it would seem logical for the US to put tariffs on products where it competes, but not on products it does not make itself.

A clear argument against the 'bargaining chip' theory is that Trump's tax cutting plans depend to some extent on revenue from new tariffs. Even with revenues from a full 10% universal tariff, budget deficits would rise from an already high level under current tax cut proposals. While Republicans are not as hawkish over the deficit as they once were, the alternative of completely unfunded tax cuts might be too difficult to stomach, making at least some tariff rises the path of least resistance. Indeed, an added layer of uncertainty to both tariff and the tax cut plans will be the response of Congress. On paper, policy implementation looks easy given the Republican trifecta control of the Presidency, Senate and House. However, the Republican majorities are slim, and it would only take a handful of rebellious Senators or House Republicans to scupper Trump's plans (whatever they ultimately entail).

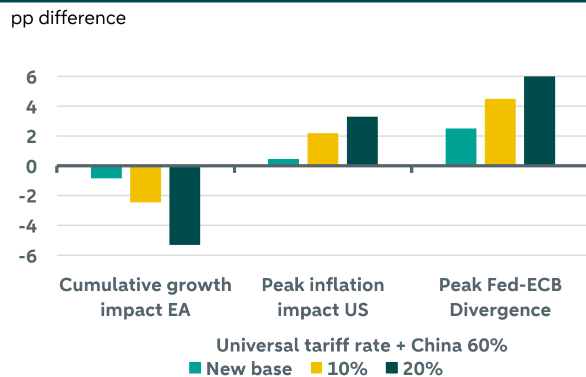
In short, the range of possible policy outcomes is huge, with an array of moving parts. We have not even discussed the response of the US's trade partners to tariff threats yet (see below), which will also surely play a key role in developments. Given the uncertainty, as well as laying out our new base case below, we also show how different tariff scenarios could impact the variables that are likely to be key in driving the ECB-Fed interest rate divergence: growth in the eurozone, and inflation in the US. The bigger the tariffs, the bigger the divergence in interest rates.

US average tariff rates expected to soar



Source: LSEG, ABN AMRO Group Economics

Tariff scenarios impact on growth, inflation, Fed+ECB



Source: ABN AMRO Group Economics

Base case: 60% headline China tariff; a 5pp increase in RoW[2] tariffs; limited retaliation

We judge a reasonable base case to involve a sharp rise in tariffs on China imports, and a much smaller – though still significant – rise in tariffs on imports from other countries, including those from Europe. Consistent with the comments from Treasury Secretary candidates, we expect considerable variation in tariff rates per product category, such that a standard headline tariff on Chinese imports would be 60% (as proposed), but with many exemptions or much lower rates on goods where there is little direct competition with US manufacturers, as well as higher rates on some others (such as the 100% tariff on Chinese EVs – already in place). Taking this into account, we assume a gradual build-up to an effective average tariff rate of 45% on China imports, up from around 9% currently.

For the rest of the world, we assume a 10% (or even higher) tariff is levied against a number of goods – matching the headline proposal – but that in practice, this will mean a 5pp increase in the average effective tariff rate on all other goods the US imports. There are three reasons for this lower 5pp effective increase. First, the US already levies tariffs on many goods imports, and so raising the tariff to 10% for those products does not have the same effect as raising a tariff rate from 0% to 10%. Second, as for China, we expect many exemptions or lower rates on goods for which the US does

[1] See our US Outlook 2024: Could Trump throw Goldilocks off course?

[2] Rest of the World

not directly compete, or where it is judged that a higher tariff would do more harm than good – or more simply, who has the best lobbyists in the Trump administration. The third reason is that, to some degree, we assume that negotiations between the US and its trade partners succeed in lowering tariffs on US goods (or outright commitments to buy more US goods), causing the US to make further exemptions. As described in our August Monthly, the European Commission has been working on a negotiation plan, with a combination of carrots (commitments to buy more US goods) and sticks (threats to retaliate against politically sensitive goods) to achieve this. For the EU specifically, we do not expect this to fully succeed, but we assume some degree of success, such that the average tariff increase on EU exports rises by 5pp.

In terms of timing, we expect the China tariff rise to be implemented shortly after Trump's inauguration in Q2 25, and for the RoW tariff rise to happen in Q3 25, following an act of Congress. In both cases, we expect tariff rises to start low and gradually ratchet higher, so as to ease the disruption to the US economy. The China tariffs are clearly the easiest 'low hanging fruit' to implement, as the president will most likely use the Section 301 national security provision to bypass Congress for the tariff increase. In any case, the hawkish stance against China has bipartisan support and is the least controversial of Trump's tariff plans. In contrast, tariffs against the US's allies and across a much broader swathe of goods will most likely require Congressional approval, making it more difficult and slower to implement.

In the below, we focus our impact analysis on the US and the eurozone aggregate; see our China and Netherlands Outlooks for more specific effects on these countries.

Growth: Tariffs are a clear negative for Europe; offsetting factors blunt the US impact

Ahead of their implementation, tariffs will actually have a positive effect on growth in the eurozone and China, as US importers frontload purchases to avoid higher tariffs. Combined with the recovery in domestic demand, this is likely to lift growth in early 2025. This 'sugar high' will prove short-lived, however, with exports likely to see a sharp decline immediately after tariffs are implemented, with trade later settling at its post-tariff 'new normal'. The US accounts for around 20% of the eurozone's total exports, and we ultimately expect exports to the US to fall by around 15% relative to the baseline. This lowers GDP growth by around 0.8pp over time. Translating this to quarterly growth, we expect relatively solid growth of 0.4pp q/q in the first half of 2025, with a sharp slowdown to a 0.1-0.2% q/q pace in the second half of 2025 and moving into 2026. While this is well below trend, we do not expect a recession to result from this. With that said, trade-oriented Germany – which remains stuck in an industrial malaise – is particularly vulnerable to new tariffs, and depending on the precise makeup of tariff increases, this could raise the risk of recession given the already weak starting point. As a small open economy, the Netherlands is also particularly vulnerable (see our NL Outlook for more).

The US faces the other side of the tariff coin. Frontloading of imports will actually depress US GDP growth in the course of 2025, recovering once the tariffs are implemented. This means we might see some weakness in headline GDP growth over the course of 2025, while underlying demand remains relatively strong on the back of the economy's momentum, further lifted by deregulation and significant fiscal stimulus. The Committee for a Responsible Federal Budget estimates the Trump budget proposals will add almost 3% of GDP to the deficit. Taking out the cost of the extension of the Trump Tax cuts (TCJA), which is best viewed as the absence of a fiscal contraction, the plans amount to a stimulus of around 1.2% of GDP, although given its distribution, it is likely to have a relatively low fiscal multiplier. At the same time, the price increases from tariffs put a dent in real consumption, and the Fed keeping rates restrictive for longer in response to inflation keeps a mild brake on the economy. The net effect is that the economy loses its momentum and settles into a period of below-trend growth well into 2026.

Box: Alternative tariff scenario impact on US & eurozone growth and inflation

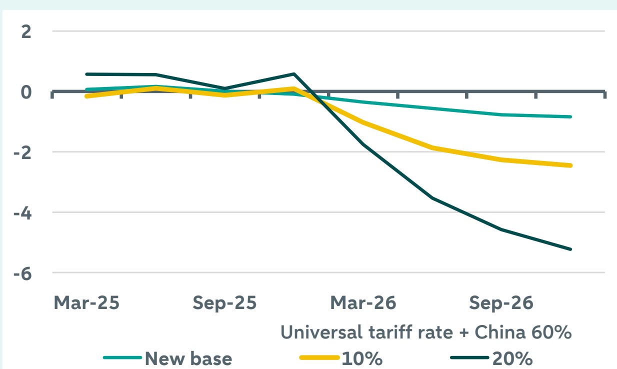
There is massive uncertainty over the ultimate extent of new US tariffs, with many moving parts. We have therefore modelled two alternative scenarios to illustrate the effects of: 1) a 10% universal tariff (the original Trump proposal and the likely starting point of negotiations); 2) a 20% universal tariff (his most recent suggestion), with a 60% tariff on China in both scenarios. For eurozone growth, moving up to a 10% universal tariff has fairly linear implications, with the growth hit moving from 0.8pp shock by end 2026 to a c1.7pp shock. In practice, this would mean the eurozone moving from a low growth to a stagnation scenario, with the effect comparable to that of the energy crisis period of 2022-23. The impact takes on non-linear characteristics when moving to the 20% scenario, with a more than 4pp hit to growth, implying deep contractions in economic output. The impact becomes non-linear due to the second round effects on employment and confidence, with the 20% scenario much more likely to lead to widespread layoffs in the sectors most heavily dependent exports to the US. This then sets off a recessionary vicious cycle job layoffs and lower consumption, as the hit to

confidence drives more widespread retrenchment among businesses and consumers. This, compounded by lower energy prices due to the hit to global trade, drives inflation even further below the ECB's 2% target than in our new base case.

For US inflation, moving to the universal tariffs has implications for timing and magnitude. Compared to the staggered approach in our baseline, inflation rises more rapidly. The incremental impact on inflation is almost double that in our base case, and the 20% scenario is again almost double that of the 10% scenario. Here, too, we see a non-linearity but with a *decreasing* impact on inflation. At first sight this seems like a good thing, but the reason is not. Similar to the eurozone, US growth sees a non-linearly *increasing* negative impact of the tariffs, as a cycle of lower (real) consumption and job layoffs decreases activity, further amplified by restrictive rates from a central bank that is also facing above target inflation. The significantly weaker economy's disinflationary pressure ultimately leads to a lower net increase in inflation than a one-to-one pass-through of tariffs to prices would suggest.

Impact of tariffs on growth are nonlinear

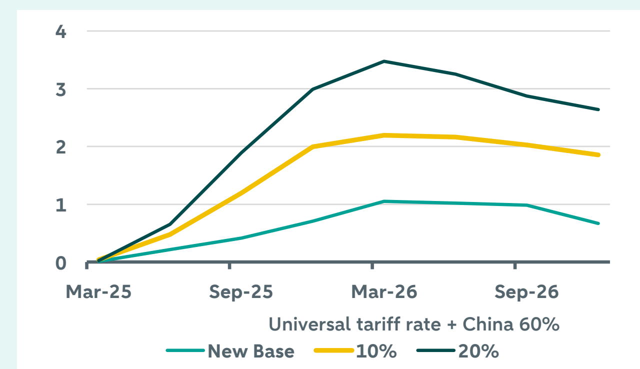
pp difference in eurozone GDP vs prior baseline



Source: ABN AMRO Group Economics

Tariff impact on US inflation in different scenarios

pp difference in US y/y core PCE vs prior baseline



Source: LSEG, ABN AMRO Group Economics

Inflation: US to see renewed overshoot of 2% target, eurozone set to *undershoot*

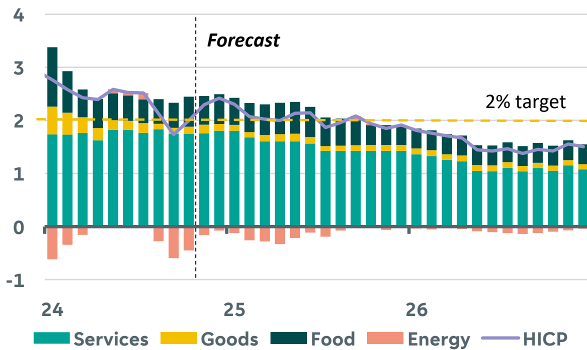
The tariffs are likely to have very different effects on inflation in the US and on the rest of the world. In the US, inflation will push the cost of goods higher, and given resilient domestic demand, price rises will likely be directly passed on to consumers. At its peak in Q2 2026, we expect this to raise core PCE inflation some 1.0pp above our prior baseline forecast, pushing core inflation back to well above the Fed's 2% target to a peak of around 3.3%. This is expected to lead to some second round effects on wage growth in what is still a relatively tight labour market, as workers seek to make up for the shock to their real incomes, and this will then feed again back into higher inflation. The risk – as with any inflation shock but especially now, so soon after the last inflation shock – is that this leads to a de-anchoring of inflation expectations, with inflation settling persistently above the Fed's 2% target.

In the eurozone, and perhaps counterintuitively, we actually expect tariffs to drive an *undershoot* of the ECB's 2% target. This rests partly on the assumption that the EU will retaliate in a limited way to US tariffs, with any retaliatory measures likely to be focused on politically sensitive goods rather than across the board tariffs. However, even with broad tariffs on US imports, the upward impact on inflation would be very small. 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 10% rise in the price of US goods imports would add only 0.1pp to HICP inflation.

Rather, a much bigger effect is expected to be downward, due to the indirect effects of lower energy prices. Tariffs are likely to lead to significantly weaker global trade and global growth, and we have sharply lowered our oil price forecasts as a result. This effect overwhelms any potential upward impact of tariffs via goods. Broadly, we expect HICP inflation to be close to the 2% target in the first half of 2025, before falling substantially below target in the second half of the year, driven by lower oil prices. Additional (albeit much less) downward pressure comes from lower gas and electricity prices due to higher US exports of LNG, with Trump expected to end Biden's moratorium on new LNG export licenses, while the European Commission is already offering to buy more US LNG as part of its trade negotiations with the US. Finally, though more difficult to estimate, are the effects of lower US demand on both eurozone as well as Chinese goods. This reduced demand impulse will weaken the pricing power of producers, while the impact on labour markets will be to lower the bargaining power of workers (as for instance is now apparent at Volkswagen in Germany).

Eurozone inflation to undershoot 2% target in 2026

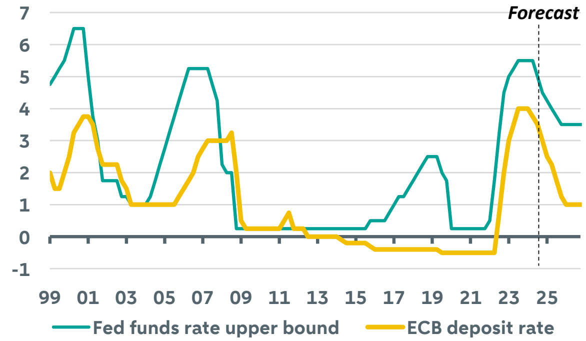
pp contributions to eurozone HICP inflation, % y/y



Source: LSEG, ABN AMRO Group Economics

ECB and Fed rate paths to sharply diverge

European Commission consumer confidence sub-index



Source: Bloomberg, ABN AMRO Group Economics

Interest rates: Slower and fewer Fed cuts; ECB deposit rate to fall back to 1%…

In the near term, we expect both the ECB and Fed to lower rates again at their December policy meetings. Both central banks are on a normalising path, with falling inflation enabling a return to a more neutral policy stance. From a growth perspective, while demand remains solid in the US, there are lingering concerns over the health of the labour market, with for instance job vacancies continuing to decline at a more-than-desirable pace. In the eurozone, while headline GDP growth has come in stronger than suggested by the PMIs, industry remains stuck in a downturn.

While the near-term path for rates is clear for both the ECB and the Fed, from 2025 their paths are likely to diverge – initially by little, and then by a lot. The Fed is expected to slow rate cuts to a quarterly pace, with the first rate cut of 2025 expected in March, and at the end of each quarter thereafter. The ECB in contrast is expected to continue cutting at every meeting – with the exception of a pause in Q2 – when relatively solid growth alongside uncertainty over the outlook for tariffs (and the potential for retaliation) is likely to briefly stay the Governing Council's hand. Once it becomes clear that eurozone exports to the US will be hit hard by higher tariffs, we then expect the ECB to resume cutting rates at every meeting, until the deposit rate reaches 1% in early 2026. Spurring the ECB to continue cutting will be the growing risk of an undershoot of the 2% inflation target. While this will to a large extent be driven by energy prices, the growth shock from the US tariffs will also pose downside risks to core inflation in the medium term, and this is likely to be the main factor driving continued rate cuts. In contrast, the Fed is expected to continue cutting rates at a slower pace, with the FOMC ultimately forced to abort rate cuts altogether once the upper bound of the fed funds rate reaches 3.5% in late 2025. Around this time, the inflationary pressures of higher tariffs are likely to be pushing inflation increasingly out of reach from the Fed's 2% target, and the Committee will be concerned about second round effects.

There is enormous uncertainty around this new base case for central banks, with the timing, magnitude, and breadth of any tariff rises a critical determinant of their ultimate impact on growth and inflation. Our view hinges on what NEC frontrunner Bessent refers to as a 'layering' – or gradual implementation of – tariff changes. More abrupt changes could mean an earlier end to rate cuts. However, given the ongoing worries over the labour market, and the risks that tariffs pose to the growth outlook further out, we see a high bar to the Fed restarting rate hikes in response to tariffs. The same uncertainty applies to the ECB, but in the opposite direction. Should tariffs be raised more abruptly and by a greater magnitude than we assume, the ECB is likely to cut rates at an even faster pace, with perhaps one or two 50bp cuts, and the deposit rate ultimately falling back to near-zero.

…ultimately driving the euro down to parity with the dollar

Financial markets have already moved significantly to price in Trump's tariff plans, with rate expectations for the ECB and Fed sharply diverging even before the central banks themselves diverge, and the euro has correspondingly fallen by around 6% against the dollar, from a high in late September of $1.12 to $1.05 at the time of publication. As markets continue to price in the expected divergence in Fed and ECB monetary policy, we expect EUR/USD to weaken further over the coming year, ultimately reaching parity by the end of 2025. As for the ECB-Fed policy divergence, however, the bigger the tariffs, likely the greater potential downside to the euro – at least in the near-term, and up to a point. In a scenario where the tariff rises are so large that they tip the US economy into a recession, the Fed may then have to revert to cutting rates again very sharply. This is particularly likely if the Trump administration succeeds in undermining Fed independence, which is more likely to occur when Chair Powell's current term ends in 2026.

To some extent, currency moves will blunt both the growth impact on the eurozone, and the inflation impact in the US. However, this will not be sufficient to fully offset the growth shock. While we expect only a 5pp effective rise in the tariff rate on eurozone exports, this is the average, and for some goods we expect the tariff rise to be considerably higher. It is via these more targeted measures that most of the hit to exports – and in turn the growth hit – is expected to materialise. Likewise, for US inflation, a stronger dollar will to some extent dampen the impact, but the overall magnitude of the tariff proposals greatly exceeds the expected appreciation. Against the backdrop of resilient domestic demand, importers weighing the pass-through of (sticky) price increases of tariffs and (more volatile) price decreases via dollar appreciation will likely err on the side of caution and initially take the appreciation as profit margin. Domestic producers will also have stronger pricing power relative to importers, raising the risk of spillover price rises to domestic goods. (Bill Diviney & Rogier Quaedvlieg)

In the below table, we summarise our key judgement calls and assumptions for macro and financial market developments in 2025.

Theme	View
Trade & Growth	• **US to impose steep import tariffs rises,** with China bearing the brunt, but significant rises also against RoW (including European) imports • **Global trade to slow sharply from H2 2025**, but with frontloading initially boosting trade in H1 2025 • Activity to therefore expand solidly in H1 2025, but weaken substantially from H2 2025 and into 2026 • **Improved domestic demand in the eurozone and China**, partly due to falling interest rates, will be an important offset; no eurozone recession expected • **In the US, tax cuts & deregulation will partly offset** the real income shock and disruption from higher tariffs, but growth to fall below trend in 2026
Labour markets and inflation	• **US inflation to re-accelerate on tariff rises, but eurozone inflation to undershoot** the 2% target due to falling energy prices • **Unemployment to rise modestly in the US & eurozone,** but labour markets overall are likely to remain resilient • **Wage growth to continue normalising** in the eurozone, but US may see a pickup on second-round effects from the inflation comeback • **Mass deportations in the US are unlikely**, but are a tail risk for growth (downward) and inflation (upward)
Interest rates and FX	• **Fed & ECB rate paths to diverge in 2025**, driven by eurozone growth weakness and the inflation comeback in the US • **ECB deposit rate to fall to 1%, Fed to abort rate cuts at 3.5%** in the upper bound of the fed funds rate. Fed to cut once per quarter, ECB at every meeting • **EUR/USD to weaken to parity during 2025** • **Bond yields to decline, but by a bigger magnitude in Europe** than in the US
Geopolitics and structural challenges	• **European defence spending to continue rising,** with a weaker US commitment to NATO potentially leading to a relaxation of fiscal rules • **Eurozone productivity to see a cyclical pickup,** but competitiveness challenges from high energy prices and China will keep a lid on the recovery • **German elections on 23 February could trigger a step-change in fiscal policy.** Coalition-building will be challenging, but the centre-right CDU is open to amending the constitutional debt-brake in order to raise public investment

Special: We need to talk about China...

(I) Reliance on China might be the least-worst of all options

Sandra Phlippen – Chief economist | sandra.phlippen@nl.abnamro.com

Caught up in geopolitical tensions and warfare, Europe – a trade driven continent – needs to choose its battles if it wants to turn decarbonisation into a competitive advantage. If Europe turns its back on China's offer to keep our energy transition affordable, decarbonisation can become a self-eroding force through either political retreat or through competitive disadvantages.

The goal of upping productivity – or suffering the slow agony of declining living standards – has become a dominant narrative among European policymakers, politicians and economists since Mario Draghi published his long-awaited report on Europe's competitiveness. Most of the recipes in Draghi's cookbook are about internal problems to fix, such as unnecessary and conflicting regulation, policy prioritisation and deeper capital markets so that Europe can join the technology revolution not merely as consumer and regulator, but also as a producer.

What did not need any fixing was Europe's position as a global trading partner, as it is already one of the most prominent players in global trade. A position that has provided Europe the very basis of the wealth and welfare that it is so afraid to lose.

Trade openness as a liability?

Today, as the world is increasingly filled with trade-, and political conflicts, this trade openness feels more like a vulnerability than a strength. Trade openness no longer has the same lucrative allure as an aggregate welfare maximiser, but seems to have become a naïve dream of global prosperity by armchair economists. Today's global commodity chains are mainly cited for carrying risks of reputation-damaging ESG problems, importing cybersecurity threats, and – most of all – they are seen as making us dependent on regimes that can have significant influence over our institutions. Our answer: strategic autonomy.

Strategic autonomy – meaning industrial policies promoting home production or, at least, near-shoring production in strategic sectors – has become Europe's main policy response since it started doing the rounds in Brussels thinktanks. This began in 2016, when the trade war between the US and China broke out and threatened to involve Europe. The Russian invasion of Ukraine gave the need for strategic autonomy in energy a whole new meaning. The latest push came from Trump's announcement of steep tariff walls on China imports that induces European fears of a China shock 2.0, with cheap products flooding the continent and driving European businesses into default.

Openness ≠ vulnerability

Trade vulnerability or trade dependence can be assessed via impact (Europe's reliance on certain products) multiplied by probability (the potential of a trading partner to squeeze our access to a product). According to an EPICE report, most imported products do *not* make Europe more vulnerable: we can either live without them, or we can diversify our purchases to other suppliers. Besides the obvious critical products such as life-saving pharmaceuticals, and physical, digital and energy infrastructure that form basic safeguards, there are therefore many good reasons for keeping trade relations with China open.

Energy independence comes from low system costs

Energy independence became a desired outcome since the Paris agreement of 2015, but it wasn't until 2022 – when reliance on Russian gas was no longer an option – that it became a necessity. With that, the energy transition which already carried many risks of price increasing hurdles when gas was still a transition fuel, suddenly became much bumpier and more uncertain. The costs of renewable energies such as wind, solar and battery technology decreased massively, but this has not yet solved the problem of the inherent uncertainty of these technologies. Investor appetite is hampered by volatile and hard to predict future cash flows. Also, the interest rate rises of 2023 and 2024 hit investments in renewables disproportionately hard, as these require relatively more upfront capital investments.

All of these factors have increased the energy systems' total costs. And while the basic grid investments are part of a strategic autonomy agenda, the products that tap into the grid (EVs, panels and batteries) are not.

Low system costs come from trade openness

Electric Vehicles, batteries, smart demand managing appliances and of course solar panels should be sourced from global markets, or at least through European green field investments by the most efficient suppliers. It is the best way

to prevent the transition from becoming unaffordable for consumers, which would in turn make politicians reluctant to introduce further transition-inducing policies. Also, European manufacturers need the cheapest possible energy costs to win back the competitive position they started losing since the energy crises. Openness to Chinese imports even benefits critical infrastructure investments indirectly, as the inflation-suppressing effect of cheap products enables interest rates to stay low. This further strengthens the case for large European investments in critical infrastructure.

Negotiating power for European values

The first worry people have when hearing about cheap Chinese products is that European values are trampled on to make these products so cheap. The new geopolitical order offers opportunities to do something about this. China's necessity to find a market for its overcapacity can be a strategic advantage for Europe to demand production conditional on human rights or European jobs. This week's news on technology transfer demands by the EU toward accepting production bids from Chinese battery production signals that Europe is learning fast.

(II) China's growth impact on Europe – Supply hits even more than demand

Arjen van Dijkhuizen – Senior economist | arjen.van.dijkhuizen@nl.abnamro.com

In the past, Europe's growth link with China was primarily via demand, i.e. through the impact of Chinese demand on European exports. But, increasingly, China is competing more directly on Europe's domestic home markets. This shift has profound implications for how we look at and assess China's growth impact on Europe.

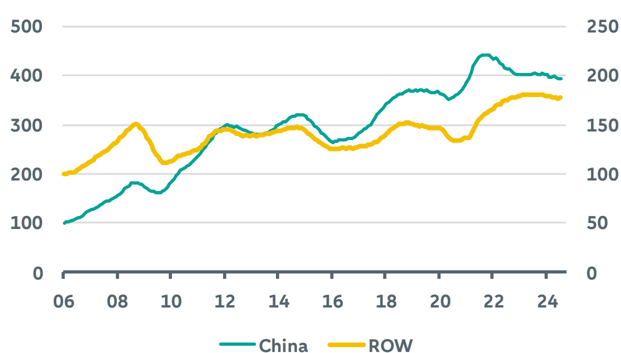
The shift in the relative importance of these demand and supply channels is shaped by developments in China. Barring fluctuations related to the business cycle or big shocks like a pandemic, China's growth rate is on a gradual slowdown path. China's growth trajectory over the past few years has been impacted to a large extent by industrial policy focusing on the supply side (as Beijing wants to develop high-tech manufacturing), and the downturn in the property sector pushing down demand. Hence, China's recovery is quite imbalanced, with the supply side stronger than the demand side (although with some signs of a recent demand revival – see China coverage in this Global Outlook). Domestic demand management has long played only a secondary role, gaining more attention only recently as China's growth momentum kept stalling. Against this background, we distinguish two channels through which China's growth trajectory is impacting the eurozone: the channel of China's demand and the channel of China's supply (although both channels are to a certain extent linked).

The channel of Chinese demand

We analyse this channel by looking at eurozone exports to China. After having been on a sharp upward trend since the start of this century, with a clear pick-up during the initial phase of the pandemic (2020-21), eurozone merchandise exports to China have been on a downward trend in recent years. They started falling since 2022, when China was faced with broad lockdowns and the start of the property sector downturn, and have underperformed compared to eurozone exports to the rest of the world in this period. As a result, China's share in eurozone exports peaked in 2020 at 4.6%, and has come down since. For Germany, which structurally has a higher China export share than the eurozone average, this share peaked at 8.0% in 2020 and has fallen even sharper. This drop in eurozone goods exports to China can be explained in the first place by the general weakness in China's domestic demand, particularly in construction related sectors. However, this also seems to reflect a shift in Chinese consumer preferences, for instance in new tech areas such as electric vehicles – with domestic supply being cheaper and at least equal in quality (also see below). Finally, it will likely also reflect the rotation in Chinese demand back to services after the pandemic.

Eurozone goods exports to China have come down

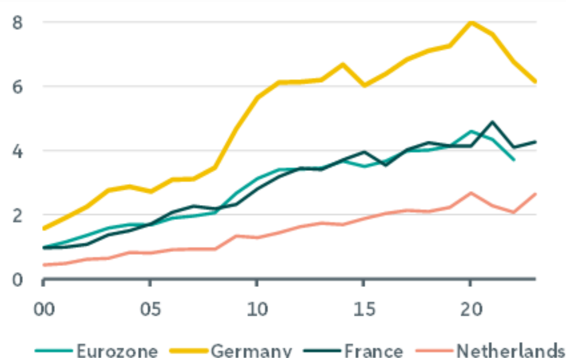
Eurozone merchandise exports, 12m rolling indices, Jan-2006 = 100



Source: ABN AMRO Group Economics, Bloomberg, IMF

Germany still has a relatively high China export share

China share in merchandise exports, %



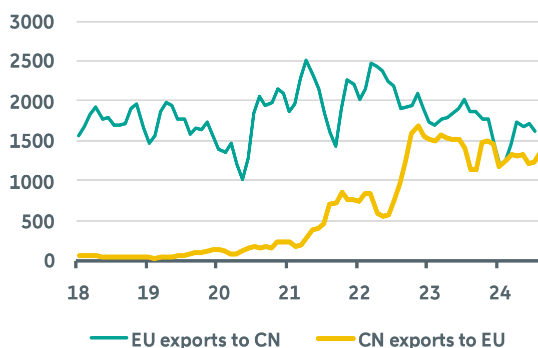
Source: ABN AMRO Group Economics, Bloomberg, LSEG, IMF

The channel of Chinese supply
While demand remains an important channel, China's impact on Europe through the supply channel looks even stronger. China has rapidly caught up in terms of innovation and its move up the value chains, supported by Beijing's industrial policies aimed at bolstering strategic, emerging industries. US import tariffs also look to have contributed to a shift towards higher value-added, less price sensitive sectors. As a result, the composition of China's exports has become more similar to that of developed industrial nations. What is more, China's competitiveness has benefited in recent years from the fact that it did not experience a severe energy crisis driving up inflation and wages, unlike many of its competitors (see our May 2024 Global Monthly on eurozone productivity here). In fact, domestic demand weakness and the resulting deflationary pressures has made China even more competitive in this respect, while adding to domestic oversupply. As a result of all of this, industrial countries, including in Europe, are faced with cheaper, but (at least) similar-in-quality, competition from China in domestic markets, and with more serious competition with China in third markets. This has contributed to an intensification of trade spats between China and the west, including the EU (see our April 2024 Global Monthly on global excess supply driven by China and our 2024 Global Outlook).

A clear case in point: the car sector
Europe, and in particular Germany, looks particularly exposed to China's move up the value chain, given that it increasingly has a high export similarity with China. Developments in the car sector probably offer the most striking example, with China overtaking Japan as the world's largest car exporter in 2023. In 2018-2020, the EU still had a large trade surplus in passenger cars with China, but this has almost evaporated in recent years. As the chart below on the left shows, that is driven more by the rise of China's car exports to Europe (the supply channel) than by the decline of EU's car exports to China (the demand channel). All of this is largely explained by the fact that China is leading the global mobility transition towards electric vehicles (EVs): China's EV exports to the EU have surged since 2021, while the EU's EV exports to China are still negligible (see chart below on the right).

EU car trade surplus with China gone in three years

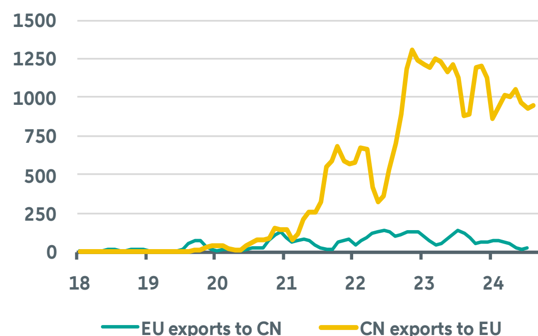
Passenger car exports, USD mln, 3 months' moving averages



Source: ABN AMRO Group Economics, ITC Trade Map

China is leading the mobility transition towards EVs

Electric vehicles exports, USD mln,, 3 months' moving averages



Source: ABN AMRO Group Economics, ITC Trade Map

Conclusion: Europe, please unite and innovate!
Going forward, we expect China's domestic demand to stabilise following the stepping up of monetary and fiscal stimulus, which should support eurozone exports to China purely from a cyclical perspective (eurozone producers of for instance luxury products may benefit). However, the more structural factors at play (shift in preference of Chinese consumers, rise of China as strategic competitor on European and third markets) are unlikely to reverse soon, and this may continue to form a drag for the eurozone economy for the foreseeable future. The EU has reacted so far to China's oversupply with a stepping up of trade restrictions, with the proposed hike in EV import tariffs (from 10% to maximum 45%) being the most eye-catching example. China retaliated with tariffs on European brandy, and is investigating pork, dairy and cars. With tariff negotiations still ongoing, we still do not believe the EU and China will run into a broad tariff war, comparable to the US-China one. Strikingly, Germany – the country most impacted by China's rise – has voted against the EU EV tariffs, with Germany's car lobby strongly opposed.

More generally, we think trade tariffs are not really effective in addressing the root causes of the problem. A more effective, sustainable route for Europe would be a joint stepping up of investment in innovation, and a stronger integration of knowledge, competition, trade, industrial and security policies – in line with the recommendations of the Draghi report (see our earlier coverage here). Given the way the political winds are blowing in Europe right now, an integrated EU approach looks unlikely in the near-term, though the German federal elections (see Germany coverage in this Global Outlook) may lead to a shift at the domestic level. In the meantime, European industry should get used to no longer seeing China as the growth driver that it used to be.

Eurozone: Trump tariffs push ECB beyond neutral

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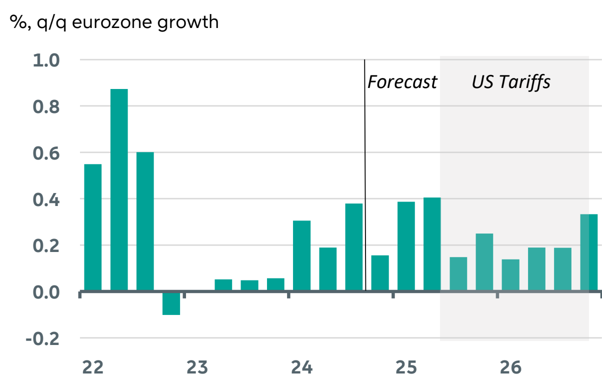
- The recovery is continuing for now, with growth to average 0.8% in 2024, and 1.2% in 2025…
- …but the economy is likely to slow later in 2025 on new US tariffs, to 0.1-0.2% q/q
- Domestic demand increasingly picking up the growth baton; consumers benefit from real income gains
- Labour demand in the eurozone is softening, but the overall labour market remains resilient
- The eurozone fiscal stance is neutral in 2025, but France faces significant fiscal tightening
- Disinflation remains on track; tariffs lead to inflation persistently below target inflation in 2026
- This prompts the ECB to extend its rate cut cycle to a low of 1% in 2026

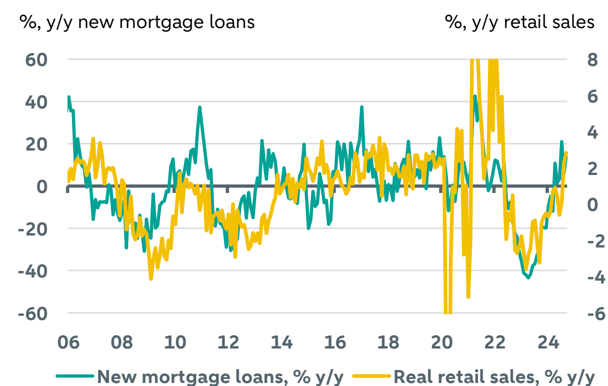
Growth to remain sluggish, tariffs to constitute a new headwind from H2 2025 onwards
After a prolonged period of stagnation, the eurozone economy returned to growth in 2024. While the recovery has remained subdued, we expect growth to continue at roughly the current pace on the back of improving domestic demand. Quarterly growth is expected to slow in Q4 to 0.2% q/q following 0.4% in Q3, weighed by payback following the French Olympics, and the floods in Spain. Moving into 2025, growth should pick back up due to 'frontloading' effects, i.e. US firms increasing imports from the EZ in anticipation of tariffs. The implementation of these US import tariffs adds a significant new headwind for eurozone growth (see here). From H2 25 onwards, lower exports to the US will constitute a drag on growth, slowing the overall growth profile.

Eurozone growth continues before tariffs take effect



Source: LSEG, ABN AMRO Group Economics

Revival in credit dynamics supports domestic demand



Source: LSEG, ABN AMRO Group Economics

The subdued eurozone recovery gets impulse from domestic demand
In H1 2024 domestic demand was a drag on activity, but is now finally becoming a source of growth. Despite lower inflation and high wage growth driving real incomes gains, consumers preferred deleveraging and saving over consuming. Policy uncertainty, and conflicts in the Middle East and Ukraine may have caused consumers to adopt a wait-and-see approach, and prompted businesses to delay investments. More recently, in part due to the first effects of rate cuts feeding through to for instance housing markets, consumers seem to have found their wallets (see chart above-right, and our September Global Monthly). Indeed, solid Q3 GDP growth likely already reflected an expansion of household consumption, as signalled by monthly retail sales data. Stronger demand for goods and further rate cuts feeding through to the economy also bodes well for the struggling eurozone industrial sector. Although the industrial sector is not anticipated to drive growth in 2025, rising domestic demand should help to stabilise activity. The rebound in investment likely needs a bit longer to ramp up, especially with rates still restrictive and current industrial activity still weak. Recovery and Resilience fund (RRF) flows will however continue to drive public investment activity (see below). All in all, considering the further expected increases in purchasing power in 2025 (alongside rate cuts), and the uncertain external demand environment, domestic demand is likely to be the main growth driver in 2025 and 2026.

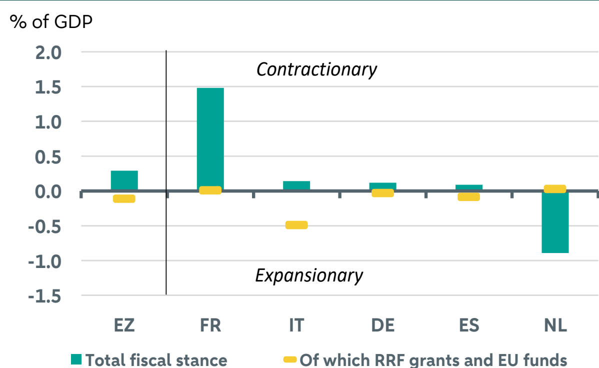
Eurozone fiscal stance neutral in 2025, with France facing a significantly contracting fiscal stance
In 2024 the eurozone fiscal stance has been slightly contractionary. In 2025, the fiscal stance switches to neutral. While many governments are taking fiscal consolidation measures in national budgets, this is offset by increased RRF grants and EU fund flows (including the diversion of unspent cohesion funds to defence spending). The neutral fiscal stance of the eurozone aggregate hides significant differences between countries. France will see a significantly contractionary fiscal stance of roughly 1.5% of GDP, consistent with the expected fall in the budget deficit in 2025. Other large economies such as Germany, Italy and Spain have broadly neutral fiscal stances – in line with the aggregate – while the

Netherlands an outlier in the opposite direction, with a highly expansionary fiscal stance of around 1% of GDP in 2025. A shift could happen in Germany, with the government collapsing due to disagreement on reforming the strict debt brake rules, and a potential new coalition might step up much needed public investment (see here). Overall, the neutral fiscal stance in the eurozone in 2025 is more supportive of growth, relative to the contractionary stance in 2024, but the significant regional variation naturally has implications for growth differences. This year, peripheral countries – especially Spain – outperformed core countries such as France and Germany, helped by strong tourism activity and services demand as well as past Recovery and Resilience fund payouts (RRF). Looking forward however, this gap may narrow somewhat, primarily due to growth in Germany edging up from the weak 2024 (see here). However, lower growth in France, partly due to the highly contractionary fiscal stance, will partly offset this.

Disinflation on track, undershooting 2% later on due to tariffs

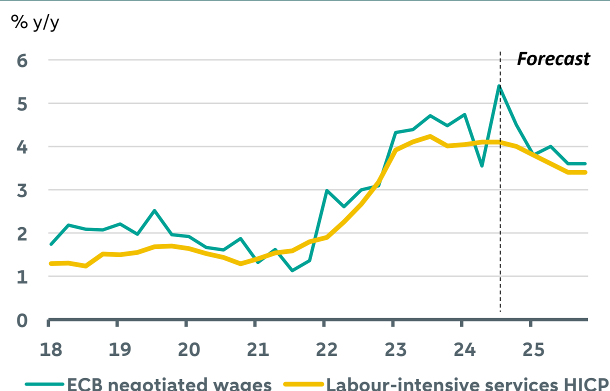
Over the course of 2024 the disinflationary process has made considerable progress. Headline inflation declined from 2.8% at the start of the year to 2% in October and core inflation declined from 3.3% to 2.7%. One area where disinflation has covered less terrain is services inflation, which remains elevated at 3.9% as of October. As a key indicator for domestic inflationary pressure, this remains the main worry of the ECB. Due to the high share of labour costs in total costs, services inflation is heavily influenced by wage developments. As a result, services inflation is expected to pick up again in the short run, due to past and present high negotiated wage growth, and is only expected to decline slowly over the course of 2025. Over time, wage growth is expected to ease, given that workers have largely recouped past purchasing power losses, and the eurozone labour market is loosening as the pace of employment growth slows. Falling negotiated wage growth is also consistent with leading indicators such as the Indeed tracker. Still, the eurozone labour market is expected to remain resilient. As such, disinflation in services will likely continue to proceed slowly in 2025. Despite this, falling energy prices (especially oil) will likely drive headline inflation back to 2% in the first half of 2025. In 2026, new headwinds from our US tariff scenario on economic growth will have a profound impact on inflation, directly via energy prices and indirectly via macro-economic slack. This will more than offset any upward pressure from European retaliatory tariffs, pushing inflation substantially below the 2% target.

Fiscal stance stable but differs between countries



Source: European Commission, ABN AMRO Group Economics

Wage growth and services inflation to slowly ease



Source: LSEG, ABN AMRO Group Economics

ECB to tread carefully around neutral, but go beyond neutral in H2 2025

The ECB commenced rate cuts in June, and with three rate cuts in H2 2024, the easing cycle is now well underway. Taking into account the expected trajectory of inflation, the central bank is expected to cut rates by 25bp at every meeting until the second quarter of 2025. At the April meeting, we see the ECB pausing for two reasons. First, by then the deposit rate will stand at 2.5%, getting closer to the ECB's own estimate of neutral of around 2%. Approaching neutral, the ECB is likely to once again follow a more data dependent approach, especially as overall growth is expected to be firm in the first half of 2025 due to 'frontloading' effects following the announcement of Trump tariffs. Secondly, the potential Trump tariffs alone are a reason to adopt a wait-and-see approach. In our scenario we expect US tariffs to be announced in Q2 25 and implemented from Q3 25 onwards. We think the ECB will want to tread more carefully in this phase, as it assesses the impact of the tariffs on eurozone growth and inflation. We expect both to fall on the back of US tariffs, but it is the growth shock that we think will be most concerning to the Governing Council. This is consistent with recent communication from the ECB on the risks weaker activity poses to the inflation outlook. Ultimately, we expect the ECB to resume rate cuts in June, and to cut rates by somewhat more than markets currently price, at each consecutive meeting until the deposit rate reaches 1% in early 2026. In doing so, roughly a year from now the ECB will have moved from a restrictive to an accommodative stance of monetary policy, which should help to some extent in putting a floor under the growth shock from US tariffs.

The Netherlands: Domestic strength to face turbulent times

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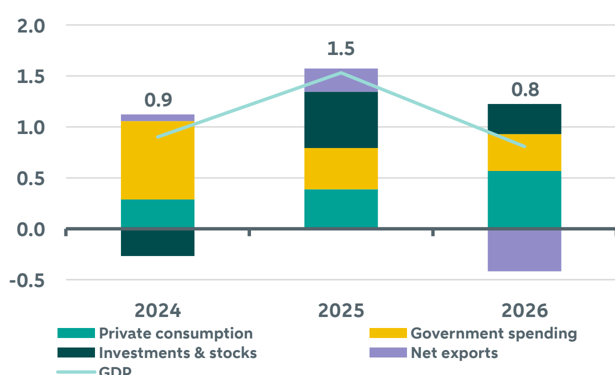
- The economy has showed robust growth over the past year; growth is expected to continue in 2025
- But with a precarious external environment, growth will be domestically driven
- Unemployment will increase slightly, but the tight labour market remains a constraining factor
- Inflation still at 2.5% in 2026, higher than the eurozone, creating risks to competitiveness

Growth robust after period of stagnation, but tariffs cloud the outlook

In 2024, the economy has performed robustly. While growth in Q1 was still meagre, the second and third quarters showed solid growth with GDP expanding by 1.1% and 0.8% q/q respectively. The economy is clearly recovering from high inflation induced stagnation in 2022/23. Since then, the Netherlands has outperformed the eurozone aggregate. Looking ahead, risks on the external side are tilted to the downside. Yes, external demand benefits from the continued eurozone recovery in the near term, but an extended stagnation in main trading partner Germany and later on potential Trump tariffs cloud the outlook. As a result, growth will be domestically driven. We expect annual growth to average 0.9% this year, and 1.5% next year, before slowing to 0.8% in 2026 following the introduction of US import tariffs.

Growth driven by domestic demand

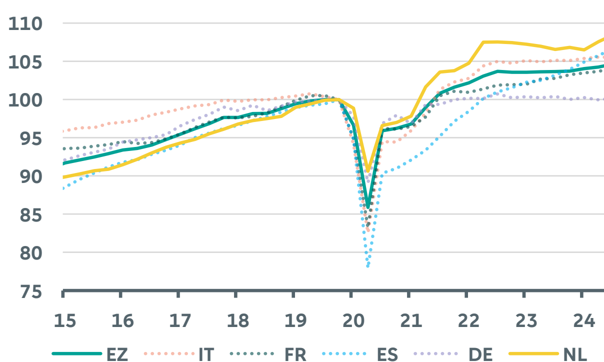
Contributions to GDP in pp



Source: LSEG, ABN AMRO Group Economics

Dutch economy outperforming eurozone

GDP. Index, Q4 2019 = 100



Source: LSEG, ABN AMRO Group Economics

Domestic demand to drive growth ...

In the Netherlands, a trade-oriented economy, growth typically originates externally. An increase in exports gradually benefits households and boosts domestic demand. In the coming two years, the reverse will take place. Due to drags from the external side, it is mainly domestic demand that will drive growth. With wage growth remaining at historic highs (6.7% y/y in October) and expected to continue outpacing inflation in the coming quarters, households are benefiting from rising real incomes and supportive government measures. In the first half of 2024 the spending impulse from this was delayed, as households prioritized saving and deleveraging over consuming. Going forward, as real income growth continues, consumer confidence improves further, and mortgage lending (a leading indicator for durable goods spending) picks up, we expect household spending to continue expanding for the remainder of 2024 and into 2025. High savings and households making additional downpayments on their mortgages have been a silver lining. Households' balance sheets, in aggregate, have improved, providing a robust starting point for the coming years.

The economy also benefits from the expansive fiscal stance of the Dutch government. In other large eurozone economies the fiscal stance in 2025 is broadly neutral or even significantly contractionary. The Netherlands stands out in that regard. Indeed, in 2024 government consumption already added a forecasted 0.8 pp to growth, and also in 2025 and 2026 this contribution is expected to be sizeable. In the budget we see that spending is mostly concentrated on healthcare, public administration and refugee shelter. In their policy plans, the new Schoof cabinet has shifted spending away from longer term investments towards more short-term goals, such as boosting purchasing power. This will provide an impulse to private consumption and investment in 2025. Still, just as in past years, the constraint of the policy agenda lies in the execution. Given the tight labour market, the risk of underspending remains high.

Investment, the final component of domestic demand, performed solidly throughout the year. A bit unexpected given high interest rates, (geo)political uncertainty, the underperforming German economy, and the tight labour market. The government likely made a substantial contribution to overall investment growth, while private investment growth was

somewhat lower. The lagged pass-through of rate cuts will provide support, but the impulse might take longer to materialize, since rate-sensitive sectors such as construction and manufacturing remain among the most constrained sectors by internal bottlenecks, like labour market tightness and grid congestion.

... while risks loom on the external front

Due to the open nature of the Dutch economy, changes affecting global trade affect the Dutch economy relatively more. In the coming quarters, we expect foreign demand to pick up, in line with eurozone growth continuing. Given our Trump tariffs scenario, assuming a gradual stepping up of US tariffs, Dutch exports to the US and in general are impacted negatively from Q3-25 onwards. Before that, we may actually see an upside to growth: US companies frontloading imports in anticipation of the tariffs boosting Dutch exports. The Netherlands will see a stronger drag from US tariffs compared to the broader eurozone, with the growth effect primarily visible in 2026. Closer to home, weakness in Germany – the Netherlands' main trading partner – has kept a lid on export growth. Although the Netherlands' dependence on Germany has been falling, with the added value of Dutch goods exports to Germany decreasing since 2012, weak growth prospects in Germany continue to impact demand for Dutch exports.

Tight labour market puts potential growth under pressure

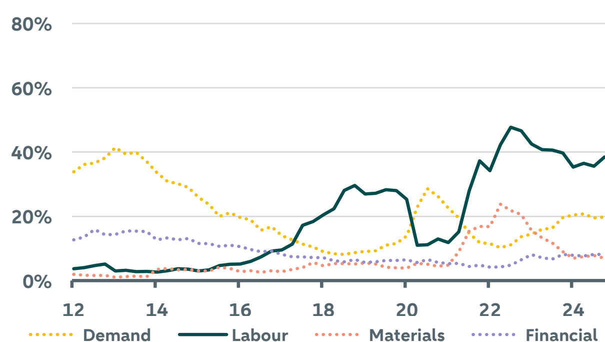
Over the past years, the employed workforce has grown steadily, but not fast enough to meet all the labour demand. The number of vacancies still surpasses the number of unemployed, and businesses still report a lack of personnel as the main constraining factor. Labour market tightness is here to stay in the coming years, as the pool of people that can still enter the workforce is drying up and the number of unemployed is low. Additionally, the growth of the labour supply – a source of economic growth in the past – is slowing in the coming two years and set to turn negative from 2027 onwards. Together with a slowing of productivity growth, an economy at capacity constraints, and limited scope to increase participation or the number of hours worked, potential GDP growth is facing downward pressure. As a result, labour shortages will remain a large bottleneck for the Dutch economy.

Inflation diverges from eurozone aggregates, creating risks to competitiveness

We expect that inflation in the Netherlands will remain above the ECB's 2% target in the coming years, with an average of 3.3% this year, decreasing to 3.1% next year, and reaching 2.5% in 2026. Dutch inflation remains a story of services, driven by still high wage growth and housing rent increases. Food prices have also risen due to higher levies on tobacco and drinks. On the other hand, price pressures from industrial goods and energy are decreasing. Going forward we expect Dutch inflation to decline, but to stay above eurozone inflation for a number of reasons. First, higher inflation peak in 2022 leads to a larger catch-up in wages. Indeed, wage growth in the Netherlands is higher than the eurozone average, also due to the tight labour market. Second, the fiscal stance of the government is at odds with monetary tightening. Third, tax increases, for instance on hotels and leisure and fuel excise levies in 2026, provide an upward impact on inflation. The long tail of Dutch inflation creates risks for Dutch competitiveness.

Labour shortage still the main constraining factor

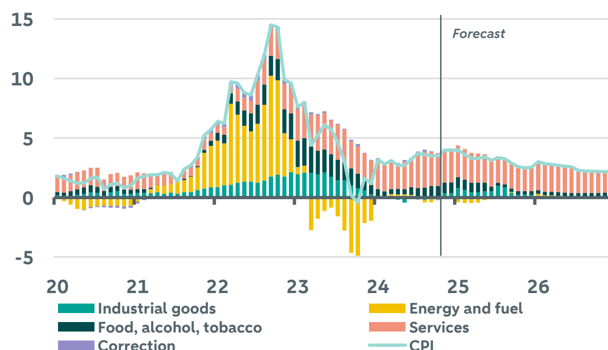
% of businesses reporting limitations in the area of ...



Source: CBS, ABN AMRO Group Economics

Inflation is a services story, caused by wage growth

Contributions in pp



Source: CBS, ABN AMRO Group Economics

Dutch coalition increasingly unstable, possibly delaying reforms

Since the Schoof cabinet – consisting of PVV (far-right), VVD (liberal centre-right) and newcomers BBB (right) and NSC (centre-right) – started in July, it has been troubled by internal discussions with most recently two departures of NSC cabinet members. While a lot remains unclear about the future, or a possible fall, of the coalition, it is likely that these troubles impact the ability of the government to adequately address the many bottlenecks faced by the Dutch economy. Indeed, plans to solve the nitrogen emission crisis lack concreteness, and so do the plans to increase housing supply. Together with other bottlenecks, these constraints are expected to affect the economy going forward.

Germany: Elections and Trump tariffs shape the path ahead

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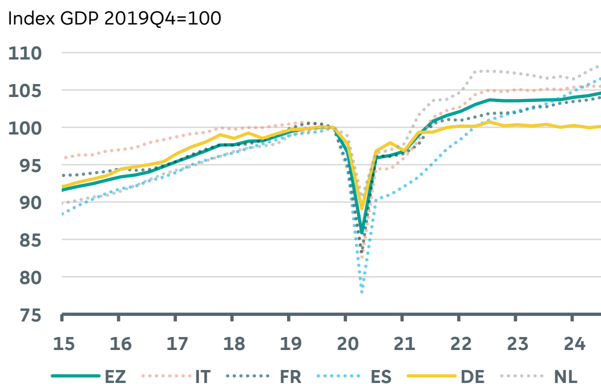
- The economy is expected to return to sluggish growth, expanding by 0.7% in 25 and 0.8% in 26
- Rising real incomes and falling interest rates mean growth will be driven by domestic demand
- Trump tariffs the biggest downside risk: they are likely to hit German exports from H2 2025 onwards
- Disinflationary trend to continue, but high wage growth is keeping core inflation elevated
- With elections on 23 February, a new government may not be in place before mid-2025
- Depending on the election outcome, a step up in fiscal spending is likely given the CDU's turn

Growth to turn positive after 2023-24 contractions, but to remain sluggish
Since the start of the pandemic, the German economy has roughly stagnated (+0.2%), sharply underperforming the broader eurozone, which grew 4.6%. For 2023 and most likely 2024 as well, annual average growth will actually be negative. Looking ahead, and despite political turbulence (see below) moving into 2025, the German economy is expected to see a modest cyclical pick-up in growth in 2025-26. Indeed, rising real incomes, low unemployment and lower interest rates should lift domestic demand, which has been very weak the past 2 years. Investment in particular has room to expand, as it has seen a broad-based contraction, particularly in construction, machinery and transport. As investment typically trails overall GDP, this uptick is likely to materialize over time. ECB rate cuts will help, but the uncertain international as well as domestic political situation will likely keep a lid on the investment recovery.

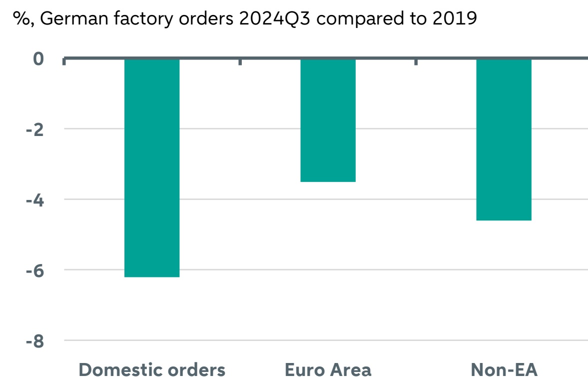
Similar to other eurozone countries, German households have been reluctant to spend real income gains, but incoming data suggests private consumption has been expanding in the second half of 2024. With further purchasing power increases, due to high wage growth and easing inflation, we expect private consumption to continue expanding in 2025. In contrast to the improving domestic backdrop, the outlook for external demand has darkened on the prospect of new US trade tariffs. Exports to the US are likely to see a significant hit from H2 2025 onwards, although in the near-term the economy might see a lift from front-loading to avoid the tariffs. Export-oriented economies like Germany are disproportionately affected by the tariffs (link). Next to the bilateral impact, an escalating trade spat between China and the US could lead to even more overcapacity in Chinese exporting sectors, raising additional downside risks for eurozone exporters such as Germany (see more below).

Germany underperforms already subdued eurozone



Source: LSEG, ABN AMRO Group Economics

Lack of domestic orders drove industrial slump



Source: LSEG, ABN AMRO Group Economics

A challenge to the German growth model
The darkening in the trade outlook comes on top of structural issues that have troubled Germany in recent years. Chronic (public) underinvestment and further out, ageing, are weighing on potential growth, but industrial competitiveness is arguably the biggest worry. In car manufacturing, the biggest challenge has come from rising unit labour costs, as well as China, which has gone from being a supplier and source of demand to a competitor even in home markets (see Special). In other industrial sectors such as energy-intensive chemicals, elevated energy input costs compared to global competitors, constitute an ongoing disadvantage. The result is that Germany's industrial base is losing global market share, and is unable to export its way out of domestic demand weakness like it could in the past. Industrial activity is expected to see some impulse from the current low base, as lower interest rates stimulate demand for capital goods, directly as well as indirectly via activity in other sectors such as construction. But industry is unlikely to become a major growth engine on our forecast horizon to 2026.

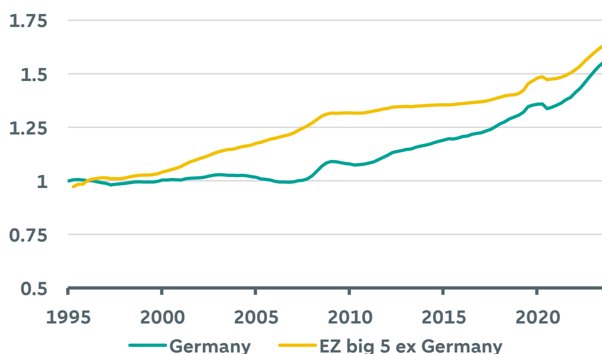
Disinflation to continue while wage growth keeps core inflation elevated
Inflation in October stood at 2% with core inflation higher at 2.9%. Similar to the eurozone, further disinflation is expected for Germany over the course of 2025 and 2026. However, services disinflation will take much longer to return to more normal levels as wage growth is still very high in Germany. Indeed negotiated wage growth is currently at historic highs at 5.8% y/y in August, which seems unsustainable given the recent turn in the labour market. Indeed, notwithstanding the cyclical pickup, the overall subdued growth environment is likely to cause more companies to restructure, leading to a gradual softening of the labour market. This should dampen wage growth – probably significantly[3]. Furthermore as workers recoup past purchasing power losses from high inflation – a process that is largely complete – this relieves pressure to demand higher wage growth. Indeed, more forward-looking wage trackers (such as Indeed) already point to a gradual easing of wage growth in the coming months, which should lead to lower services inflation over the course of 2025 as well

New elections on 23 February add to near-term uncertainty, but could ultimately lead to higher investment
The fall of the German government extends the period of policy uncertainty that was already elevated for most of the year, given troubles in the 'traffic light' coalition headed by Scholz's SPD, the Greens and the FDP. With important decisions to be made at the European level, German political instability could have negative spillovers to the eurozone. In the coming months Europe will likely have to: 1) negotiate with the US (and China) on tariffs, 2) decide on support for Ukraine following the US elections, and 3) decide a reform agenda drawing on the Draghi and Letta reports.

There is an upside to draw from the current political situation as well. The coalition fell due to the FDP's reluctance to relax the debt brake rules, as proposed by SPD and Greens. A new coalition, with a strong mandate, could possibly lead to a step-change in fiscal spending. Friedrich Merz – leader of the opposition CDU and very likely to be Germany's next Chancellor – recently opened the door to a relaxation of Germany's strict fiscal rules, as long as this leads to increased investment as opposed to social spending. Public investment has been chronically low in recent years, leading to a lackluster state of infrastructure. Should the new coalition combine higher investment with a broader reform agenda and short term support for the struggling industrial sector, the German economy stands to benefit. All in all, we think the short term impact of early elections due to policy uncertainty will be limited, given that the existing government was already in a state of paralysis. Political instability may negatively impact European policymaking, but the urgency brought on by the election of Trump, and the slow-motion crisis in German industry, might speed up the pace of coalition-building in comparison with the past. Moreover, the election offers an opportunity for a reset with regards fiscal spending. Higher public investment resulting from this poses upside risks to the growth outlook later in our forecast horizon (2026).

Germany is losing its competitive edge on costs

Index, Nominal Unit Labour costs, 4-quarter moving average



Source: LSEG, ABN AMRO Group Economics

German negotiated wage growth at unsustainable

% y/y, ex bonus & benefits

Source: Bundesbank, ABN AMRO Group Economics

While Germany is clearly underperforming, strong balance sheets and a new government could be tailwinds
While the weak state of the German economy has raised alarm bells, all is not lost for the eurozone's biggest economy. Germany has three clear strong starting points to weather the weak outlook. First, the labour market is tight and while it is expected to soften somewhat, unemployment is expected to stay low, in part due to ageing. Second, demand has been weak in part because households and businesses have favoured deleveraging over consuming or investing. Indeed, balance sheets have profited significantly from deleveraging. This strengthens financial resilience, and creates more room for future consumption and investment. Finally, should the elections lead to a more pro-active fiscal policy by the federal government, Germany has ample fiscal space to make this shift.

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[3] Negotiations between Volkswagen and unions point to wage *cuts* as an alternative to factory closures and job losses.

US: A bull entered the China shop

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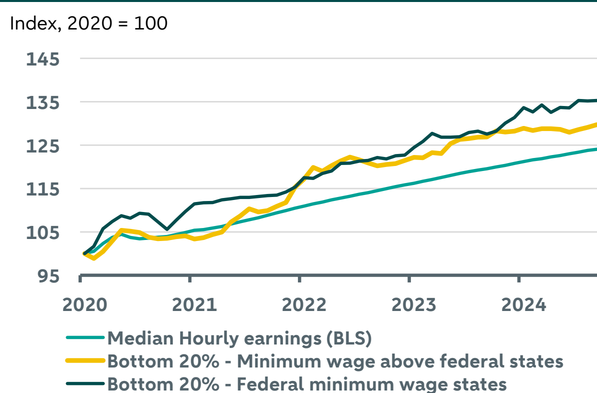
- The US economy showed remarkable resilience in the face of very restrictive rates
- It is however increasingly showing cracks, with weakening consumption and labour market
- Uncertainty about future policy is large, as is the range of potential outcomes

The US economy again exceeded all expectations in 2024. At the end of 2023, the Bloomberg consensus forecast for annual growth was 1.2%; our own forecast was 1.8%. Currently we're expecting 2.8% for the year. Despite high policy rates, and further passive tightening due to waning inflation, the economy showed even stronger growth than last year. The economy has been navigating the goldilocks zone, and is on course for that miraculous soft landing. Yet, 2024 was also very much a transition year. Headline growth has sailed on momentum from 2023, with both solid consumption and investment. But various pockets of weakness emerged over 2024, paving the way for a slowing down in 2025.

The first cracks in demand are showing. Real wages generally increased in 2024, but not for everyone. Since the start of the pandemic, the bottom 20% of wages showed substantially stronger growth compared to all other wages, breaking with a four-decade pre-pandemic trend. This was predominantly driven by the historically tight labour market, not increases in state-level minimum wages, where wage growth was actually weaker. As the tightness in the labour market receded over 2024, wages for the bottom quintile of the US population remained mostly stagnant, meaning a loss of real purchasing power. Excess savings have long been depleted for most of the population, the savings rate is at an all-time low, and consumption is increasingly supported by credit. In the aggregate, wage growth has outpaced debt growth; debt-to-income ratios have steadily declined. But as increasing levels of delinquency highlight, this is not broad-based. For credit card debt, 11.3% of the total balance is 90+ days delinquent (up from 8.2% in the beginning of 2023). Auto loan delinquency is similarly up to 4.6% from 3.9% in 2023.

Concurrent with the increase in credit delinquencies, we saw a change of pace in consumption, and particularly discretionary spending. Consumption growth is down to 1.9% from 2.3% at the same time last year, particularly due to much weaker growth in goods consumption. Indeed, retail sales shows a particularly weak year, with the slowest growth since at least 2015. Disaggregated data shows that consumption categories that are holding up are non-discretionary. Food and beverage, and in particular grocery stores have mostly kept up with historical trends, and health and personal care spending has caught up after a weak first quarter.

Wage growth bottom quintile stagnant



Source: LSEG, EPI microdata, ABN AMRO Group Economics

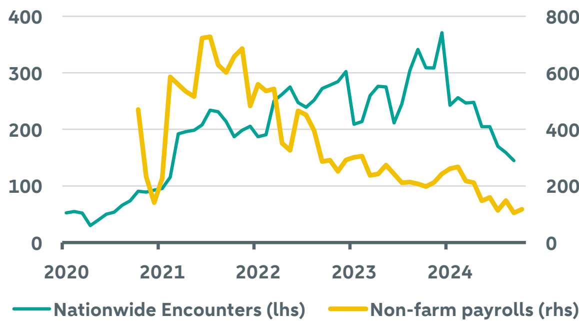
Retail sales supported by necessities

Source: LSEG, ABN AMRO Group Economics

The labour market is similarly showing its first cracks. This year saw a trigger of the Sahm rule – a technical indicator that relates recessions to increases in the unemployment rate – leading to strong reactions in financial markets. This trigger was fundamentally different from previous ones, led by strong supply stemming from immigration, and a mere weakening, not contraction of demand. As the economy started to slow down, it had trouble absorbing the inflow of workers. We anticipated that the less certain prospect of a job in the US would reduce these strong immigration flows, and indeed, the number of border encounters has dropped significantly since the summer. This put less pressure on the unemployment rate, which has since mostly held steady since. Still, a broad set of indicators shows a slow but steady weakening of the labour market. The unemployment rate and initial jobless claims have increased but are still near historic lows. More granular measures of (un)employment generally show a labour market near full employment, apart from some disenfranchised groups. We see more weakness in non-farm payrolls, which have shown significantly weaker growth since the summer, and are consistently revised down. Job openings and the hiring and quits rates have seen a stronger decline, and are indicative of a less dynamic labour market. Workers no longer see positive opportunities to move jobs. The vacancy-to-unemployed ratio is nearing unity, a point at which unemployment may quickly take off. While the momentum was strong going into 2024, the momentum is in the wrong direction for 2025.

Immigration decreased in tandem with labour demand

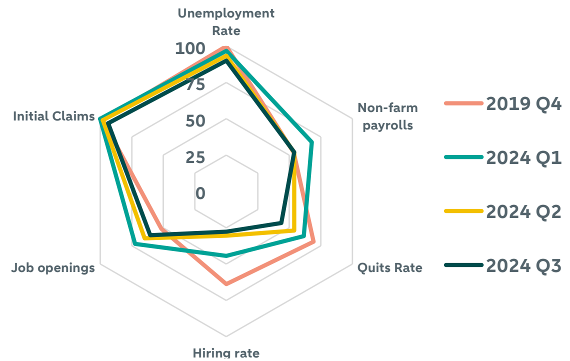
Thousands, non-farm payrolls 3m moving average.



Source: LSEG, ABN AMRO Group Economics

Labor market indicators slowly weakening

Percentage of 2015-2023 range, lower is weaker.



Source: LSEG, ABN AMRO Group Economics

The second half of 2024 sets the stage for a further slowing down in 2025. As set out in the Global View, we expect the economy to continue to exhibit solid growth compared to other advanced economies, albeit at a below trend pace. The momentum will initially continue into 2025, although the potential of tariffs mean that frontloaded imports may obfuscate this in headline growth figures, via a drag from net exports. Over time, underlying demand will also slow down the economy more fundamentally, not least because of government-induced headwinds. We go into 2025 with a lot of uncertainty regarding US policy. The big open question remains when, and to what extent, the tariffs will be implemented. The details will be crucial in how the economy will develop. We've evaluated some alternative scenarios in the Global View. Beyond the tariffs, there are three additional crucial policy issues for which we will get greater clarity on in the course of 2025: the budget deficit, immigration and the Federal Reserve's independence.

The establishment of a Department of Government Efficiency notwithstanding, the proposed policies are likely to push the deficit, and therefore the government debt level, up significantly. Nearing 100% of GDP, debt was already on an unsustainable trajectory, and this is increasingly attracting attention. These worries may play a prominent role in passing deficit-increasing legislation, given the thin Republican majorities in Congress. Trump's proposals would raise an already high deficit of about 6% to 9%, according to Committee for Responsible Federal Budgets estimates. Elon Musk has stated that the Department of Government Efficiency could remove $2 trillion from the budget – which would be enough to balance the 2024 budget – although it is not clear whether this would be in a single year or over multiple years. Current discretionary spending – spending that is not set in law - accounted for $1.7 trillion in 2023, so the $2 trillion target would be difficult to achieve in a single year. We ultimately expect the department to predominantly impact deregulation, rather than cost-cutting. Finally, a reduction in climate spending will help the budget in the near term, but will likely lead to worse budgetary and economic outcomes in the medium and long term.

Trump has confirmed he wants to use the military for active deportations by declaring a national emergency. They will target the more than 11 million people that are staying in the US with no legal basis, aiming for deportations of about 1 million per year. Deportations would require extensive funding, as well as cooperation from countries who have to accept the returned migrants. The government will likely also face legal challenges. If broader deportation is successful, the jobs they leave will be difficult to fill without significantly raising wages, and may even have knock-on effects in losing more jobs associated with them. The harder immigration stance is also likely to deter more potential migrants from attempting to enter the US. Immigration played a large role in alleviating worker shortages over the past years, dampening price pressures that might have otherwise occurred. While the labour market is less tight now, extensive deportation is still likely to increase inflationary pressures.

Trump and various members of his government that's taking shape, have openly stated they believe that the Fed's independence is not supported by constitutional law, and isn't good for the economy. We have previously written about a potential attack on the Fed's independence. The Fed will face a challenging environment; Trump's policies have the potential to increase inflation and decrease growth, pulling the policy rate in opposing directions. Rapid policy implementation may catch the Fed off-guard, meaning there is a high chance the Committee will be behind the curve. This will add to fuel to the government's attack on interest rate policy. Powell has made it clear that he would not step down if asked. His term as chair runs until May 2026; his board appointment ends in early 2028. Even a demotion from Powell's chair position seems unlikely, and a legal fight, during which he would maintain his position, will likely run beyond the end of his term. Changes to the Federal Reserve Act are unlikely. During the first Trump administration, various Republican senators blocked the appointment of Trump's proposals for the Fed board when they deemed them unqualified. The financial sector and markets are likely to defend the Fed's independence tooth and nail. Still, the appointment of Powell's successor in 2026 will be crucial for the medium term monetary policy outlook, as the economy will still be coping with policy-induced inflation at that point.

China: That 2018 (tariff) feeling – What's different in 2025?

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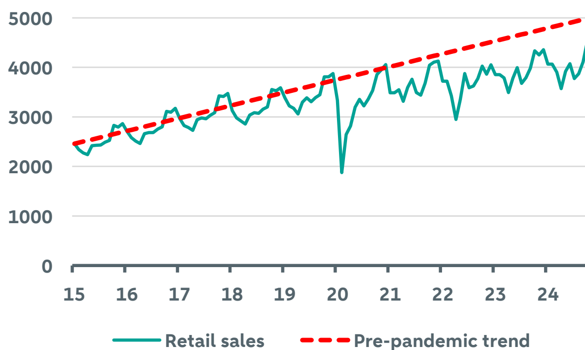
- Just as growth momentum is showing some signs of recovery as we near the end of 2024...
- ...an expected rise in US tariffs under Trump 2.0 will create more drags to GDP growth in 2025
- We assume a bigger tariff shock compared to 2018-19, with build-up to an average rate of 45%
- But China is now less dependent on the US, has developed a playbook to react, and will add stimulus
- We expect annual growth to slow from 4.9% in 2024 to 4.3% (was 4.5%) in 2025 and 4.2% in 2026

Just as growth momentum is showing signs of a recovery as we near the end of 2024...

With headwinds from the property downturn ongoing, real GDP growth slowed to a six-quarter low of 4.6% y/y in Q3-24 (Q2: 4.7%). That said, quarterly growth picked up to 0.9% qoq s.a. (Q2: 0.5%), while activity data for September/ October and the October PMIs suggest that growth momentum is regaining some strength as we near year-end. This partly reflects Beijing's recent pivot from industrial policy to demand management (see below and here). Improvements at the demand side are particularly interesting: retail sales growth is picking up, fixed investment growth is stabilising, and the PMI order components are improving. There are also signs that the property sector could be reaching a bottom: in October, for the first time since May 2023, residential home sales were higher than the same month one year earlier. Export growth was also strong in October, but imports remain weak. On the monetary front, inflation remains subdued and lending growth has slowed further. Still, recent data are in line with our forecast that quarterly growth will pick up materially in Q4, partly reflecting payback from weakness in the previous two quarters. We expect annual growth for 2024 to come in just below target, at 4.9%.

Retail sales show new signs of life in recent months

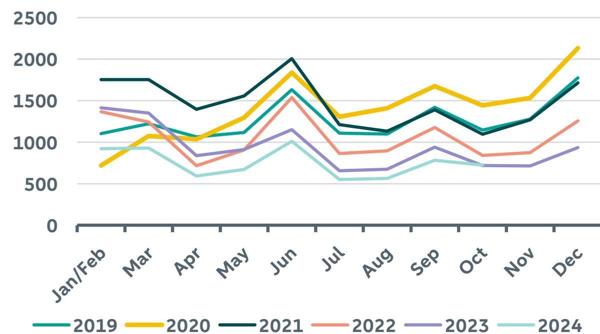
Nominal retail sales, CNY bn



Source: ABN AMRO Group Economics, Bloomberg

Some early signs of a bottoming out in real estate

China residential home sales, CNY bn



Source: ABN AMRO Group Economics, Bloomberg

...an expected rise in US tariffs under Trump 2.0 will create more drags in 2025

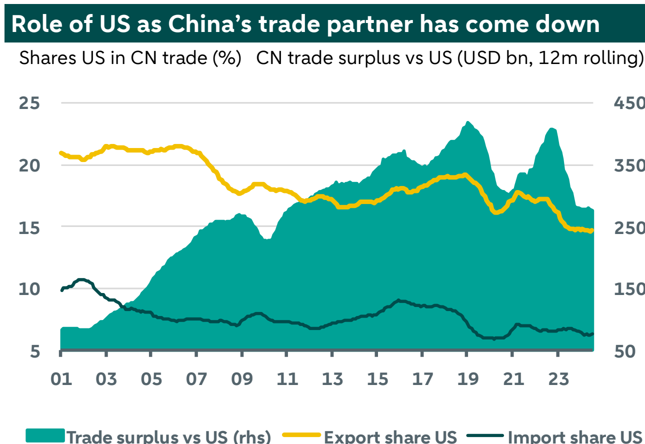
The Republican sweep in the US elections (gaining the presidency and full control of Congress) brings additional risks for China, with China hawks Rubio and Waltz in the running for secretary of state and national security advisor. Incoming President Trump does not even need parliamentary control: in 2018 he used the presidential powers under Section 301 of the 1974 US Trade Act to install specific China tariffs. We assume the US will announce a new round of high (headline 60%) China tariffs in Q1-25, start implementing them in Q2-25 and gradually expand their coverage until an effective average tariff rate of 45% (60% over 75% of CN exports to US) is reached in Q2-26. That's almost a quadrupling in comparison to the rate seen at the end of the first tariff war in 2019, and a fivefold increase compared to the current effective average rate of ±9% (also see lead article). Other measures such as a further tightening of export controls and investment restrictions beyond the current *'High Fence, Small Yard'* strategy are also likely. All these moves will sharply accelerate a US-China decoupling of trade and investment flows, and ex ante form a larger shock compared to 2018-19. Trump's first tariff war was followed by a 20% drop of US imports from China in 2019-2020 (also reflecting the impact of the pandemic), although there was a clear rebound in 2021-2022. Next to effects on trade flows, a new US-China tariff war may also undermine Beijing's efforts to improve sentiment/confidence.

Still, China now looks better prepared compared to the first tariff war in 2018-19...

Still, though the shock is larger, China now looks better prepared for a tariff war than in 2018. Through trade diversification, China has become less dependent on exports to or (crucially) imports from the US (see chart). China has

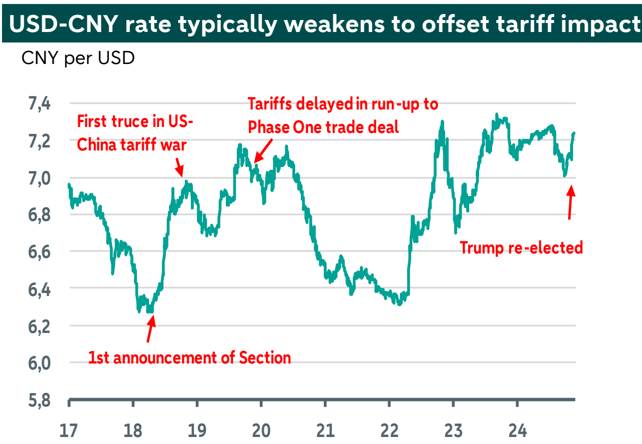
also developed a toolkit of countermeasures. Beijing may perhaps not respond proportionally to new tariffs, but it could target the 'Trump base' in rural areas by raising tariffs on agricultural products again. Other potential retaliation tools are blacklisting specific US firms, restricting access to critical inputs such as rare earths, and FX depreciation. During the first tariff war, the yuan fell by 15% versus USD between March-18 and September-19 (see chart). We expect the PBoC to tolerate more CNY weakness to offset the new tariffs again (USDCNY forecast per end-25: 7.80), although the PBoC will likely step in should the depreciation get disorderly. In fact, the CNY has already weakened versus USD since Trump's re-election, but that also reflects general dollar strength. While we do not expect CNY depreciation to fully offset US tariffs, a substantial weakening would benefit China's broader external competitiveness.

Role of US as China's trade partner has come down



Source: ABN AMRO Group Economics, LSEG

USD-CNY rate typically weakens to offset tariff impact



Source: ABN AMRO Group Economics, LSEG

All in all, we assume a flaring up of the US-China tariff war to lead to new GDP headwinds, with some nuances. First, in the short-term, the threat of tariffs typically leads to trade frontloading, which would benefit Chinese net exports and GDP growth initially. Second, the first tariff war showed that after a while exports destined for the US are partly diverted through third countries like Vietnam or Mexico (see *China: A tale of Trump risks, tariffs and trade diversion*). Third, China may be able to shift (part of its) exports to other destinations than the US, although there is a risk that some countries will try to push back against an (even bigger) surge in imports from China, particularly for some sensitive products. Fourth, given the potential impact of China's countermeasures on US firms (including Musk's Tesla) and Trump's electorate, and the effects of high/broad tariffs on US inflation, there is also a possibility that both countries, after an initial escalation, will start to work towards some kind of a deal, or a truce – similar to events in 2018-2019.

… and we expect Beijing to step up fiscal support further to offset tariff risks

With the economy stuck in low gear, Beijing finally decided to pivot from industrial policy to demand management over the summer. Following a PBoC package in late September, all eyes turned to fiscal stimulus. Judging from previous policy statements, Beijing aims to break negative feedback loops, while putting a floor under real estate and equity markets. This should help restore confidence among consumers/homebuyers, producers, and investors, thereby supporting domestic demand. Beijing tries to do this 'indirectly' by repairing the financial position of local governments, large state banks and (state-owned) property developers. Direct consumption support looks limited so far (to the poorest, and to students), but this may be stepped up should downside risks rise. Financing is said to take place via issuance of ultra-long central-government bonds and special local government bonds. So far, Beijing follows a stepwise approach in adding fiscal stimulus rather than instantly presenting a 'bazooka' package. A CNY 10trn package to repair local government finances announced on 8 November was followed by a housing tax cut the week after. One of the next steps could be a recapitalisation of the largest state banks. All in all, we expect more fiscal stimulus to follow under this stepwise approach. This enables Beijing to finetune support with actual developments in activity and sentiment, while keeping part of its powder dry for when more is known about Trump's tariff plans and their impact.

We expect annual growth to slow to 4.3% in 2025 (was 4.5%) and 4.2% in 2026

The assumed gradual building up of US tariffs would be negative for net exports, and possibly also for consumer and business confidence. On the other hand, a pick-up in quarterly growth in Q4-24 and Q1-25, partly boosted by trade frontloading, is putting the Chinese economy on a more solid footing. On top of that, we assume CNY depreciation and a stepping up of fiscal stimulus to act as offsetting forces. All in all, we expect annual growth to fall from 4.9% in 2024 to 4.3% in 2025 (was 4.5%) and to 4.2% in 2026. Given the remaining uncertainties regarding for instance US tariffs, risks surrounding these forecasts have obviously risen following the US elections, and are tilted to the downside.

Key views on a page

The return of president Trump to the White House is likely to mean a significant rise in US import tariffs in 2025. China will bear the brunt, but Europe will also be hit. Global trade and growth will initially benefit from a frontloading ahead of the tariff rises, before slowing sharply later in 2025. Against this backdrop, domestic demand is recovering in the eurozone and China, helped by falling interest rates and targeted fiscal measures in China, while in the US, deregulation and tax cuts will help blunt the real income shock from tariff rises. Inflation in the US is expected to reaccelerate, but to fall below target in the eurozone. All of this is likely to drive a divergence in Fed & ECB policy, with slower and fewer Fed rate cuts, and the ECB deposit rate ultimately falling to 1%. This is expected to push the euro towards parity against the dollar in the course of 2025.

Macro	Central Banks & Markets
Eurozone – The eurozone recovery is set to continue in early 2025, helped by rate cuts feeding through and real income gains supporting private consumption. Our tariff scenario has significant repercussions for the eurozone outlook. Initially in the first half of 2025 frontloading effects actually boost quarterly growth. Afterwards, we see growth and inflation negatively impacted by the gradual implementation of US import tariffs from 25Q3 onwards. In 2026 inflation will undershoot the target. Growth is expected to average 0.8% in 2024 and rise to 1.2% in 2025 to slow down to 0.8% in 2026.	**ECB** – We expect the ECB to continue cutting rates in December as well as throughout 25Q1. We see the ECB pausing at in April as uncertainty over tariffs as well as policy rates approaching the ECB's assessment of neutral are reason to adopt a wait-and-see approach. As the impact of tariffs on growth and inflation feed through we see the ECB resume their easing cycle at the June meeting and cut rates by more than markets currently price until the deposit rate reaches 1% in early 2026. This means, a year from now the ECB will have moved from restrictive to an accommodative policy stance
The Netherlands – In 2024, the economy has performed robustly. Q1 was still meagre, but Q2 and Q3 showed solid growth with GDP expanding by 1.1% and 0.8% respectively. Risks on the external side are tilted to the downside particularly because of the implementation of US import tariffs. Growth will be domestically driven and will average 0.9% this year, 1.5% next year, and 0.8% in 2026. 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, driven by still high wage growth.	**Fed** – After another rate cut, the Fed's upper bound on fed funds rate stands at 4.75%. We expect one more 25bps cut this year. The Fed will remain attentive to upside risks to inflation and downside risks to, in particular, the labour market. Greater fiscal policy uncertainty and a new impulse to inflation slow down the Fed in 2025 to 25 bps per quarter. The upper bound of the policy rate reaches 3.50% at the end of the year, where it will stay for an extended time until tariff-induced inflation wanes.
UK – In November, the government announced a fiscal expansion amounting to c1% of GDP. This, alongside rising real incomes, is likely to keep the economy on a solid recovery path for now, though structural challenges remain. New US trade tariffs pose downside risks to growth in H2 25, but the UK is less vulnerable than the eurozone as it is less export dependent. 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 lowered Bank Rate to 5.00% in November, in line with our expectations. Incoming data suggests stubbornly high underlying inflationary pressure, and sticky wage growth. At the November Budget, the government announced a combination of tax rises to fund regular spending, and additional debt to fund growth enhancing public investment. This poses upside risks to medium-term inflation, and is likely to keep rate cuts at a more gradual pace than for the ECB. We expect three 25bp rate cuts each in 2025 and 2026, taking Bank Rate to 3.25% by end-2026.
US – Growth and consumption remain strong, while the labor market cools. Growth in labour demand is slowing, and is outpaced by increases in labor supply, but demand has not yet contracted. Upcoming stimulative policy notwithstanding, a weakening labour market and pockets of financial stress among households are likely to contribute to a slowdown in growth into 2025. Tariffs will start to impact growth and inflation in the course of next year. We have raised our 2025 growth forecast to 2.0% on the back of still strong momentum, while the tariff impact raises our 2025 inflation forecast to 2.4%.	**Bond yields** – We expect monetary policy and rates divergence between the US and eurozone in 2025. On the one hand, we see US Treasury yields staying elevated due to an earlier end to rate cuts. Additionally, we expect a higher term premium in the US due to the growing fiscal deficit and debt outlook for the upcoming years. On the other hand, we expect Tump's policy to prompt the ECB to lower the deposit rate to as low as 1% by early 2026. Consequently, European bond yields are expected to decline significantly as we approach H2 2025, given the gap between our view and market pricing.
China – Just as growth momentum is picking up as 2024 ends, an expected rise in US tariffs under Trump 2.0 will create more drags in 2025. We assume a bigger tariff shock compared to 2018-19, with a build-up to an average rate of 45%. Still, China is now less dependent on the US, has developed a playbook to react, and will use CNY depreciation and stimulus to offset tariff risks. We cut our 2025 annual growth forecast to 4.3% (from 4.5%) and expect annual growth to drop to 4.2% in 2026. But risks surrounding these forecasts have risen following the US elections, and are tilted to the downside.	**FX** – We recently downgraded our EUR/USD forecasts to 1.05 (was 1.10) for end 2024, and to 1.0 for end 2025 (was 1.15). We have for end 2026 1.05. These new forecasts reflect the outcome of the US elections, the possible impact of US tariffs, more ECB easing to come and widening rate spreads in favour of the US. Indeed, we expect more rate cuts for the Fed and the ECB in 2025-26 than markets currently price, though the gap with market pricing is larger for the ECB, especially towards the end of 2025.

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	1.2	0.8	5.5	2.4	2.0	1.5	4.00	3.00	1.25	1.00
Netherlands	0.1	0.9	1.5	0.8	4.1	3.2	2.9	2.4				
Germany	-0.1	-0.1	0.7	0.8								
UK	0.3	0.9	1.4	1.3	7.4	2.6	3.0	2.5	5.25	4.75	3.50	3.25
US	2.9	2.8	2.0	1.7	3.8	2.5	2.4	3.0	5.50	4.50	3.50	3.50
China	5.3	4.9	4.3	4.2	0.2	0.4	1.5	1.9	3.45	3.10	2.80	2.60

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

	2024	20/11/2024	Q1 25	2025	2026	Energy	2024	20/11/2024	Q1 25	2025	2026
US Treasury	4.35	4.41	4.35	4.20	4.00						
German Bund	1.90	2.34	2.05	1.45	1.55	Brent - USD/bbl*	73	72.81	70	62	60
EUR/USD	1.05	1.05	1.04	1.00	1.05	WTI - USD/bbl*	68	68.87	65	58	55
USD/CNY	7.30	7.25	7.50	7.80	7.60	TTF Gas - EUR/MWh*	43	44.44	37	40	30
GBP/USD	1.26	1.27	1.27	1.28	1.24						

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

	2024				2025				2026			
GDP (qoq)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	0.3	0.2	0.4	0.2	0.4	0.4	0.1	0.2	0.1	0.2	0.2	0.3
Netherlands	-0.3	1.1	0.8	0.2	0.3	0.3	0.2	0.1	0.1	0.2	0.3	0.2
US (saar)	1.6	3.0	2.8	2.2	1.7	1.3	1.9	2.0	1.8	1.4	1.3	1.4
China (yoy)	5.3	4.7	4.6	4.9	4.6	4.7	4.5	3.5	3.5	4.1	4.5	4.5
Inflation	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	2.6	2.5	2.2	2.2	2.1	2.1	2.0	1.9	1.8	1.5	1.4	1.5
Netherlands	3.0	2.9	3.3	3.7	3.4	3.1	3.0	2.3	2.8	2.5	2.1	2.1
US (PCE)	2.7	2.6	2.3	2.5	2.2	2.2	2.6	2.8	3.1	3.1	3.0	2.7
China	0.0	0.3	0.5	0.8	1.6	1.5	1.4	1.3	1.5	1.8	2.0	2.2
Unemployment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	6.5	6.4	6.3	6.3	6.4	6.5	6.7	6.9	6.9	6.9	6.7	6.6
Netherlands	3.6	3.6	3.7	3.8	3.9	3.9	3.9	3.9	4.0	4.2	4.3	4.3
US	3.8	4.0	4.1	4.3	4.4	4.5	4.6	4.5	4.5	4.4	4.4	4.4
Policy rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Eurozone	4.00	3.75	3.50	3.00	2.50	2.25	1.75	1.25	1.00	1.00	1.00	1.00
US	5.50	5.50	5.00	4.50	4.25	4.00	3.75	3.50	3.50	3.50	3.50	3.50
UK	5.25	5.25	5.00	4.75	4.50	4.50	4.25	4.00	3.75	3.50	3.25	3.25
China	3.45	3.45	3.35	3.10	3.00	3.00	2.90	2.80	2.70	2.60	2.60	2.60

Source: LSEG, Bloomberg, ABN AMRO Group Economics

(saar = season adjusted annual rate)

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