ISSN: 2241-4851

Eurobank Research

EUROBANK

GLOBAL & REGIONAL MONTHLY

The US administration's imposition of large tariffs on imports has created a challenging environment for the world economy. Global trade policy uncertainty, unpredictable and often back-and-forth announcements, fears of further trade escalation and concerns over growth prospects translate into softer business and consumer spending. This uncertainty is unlikely to dissolve soon, despite a temporary 90-day pause in the higher rates of "reciprocal" tariffs. The threat also looms of additional sector-specific levies, and negotiations are likely to be fraught. In response, monetary policy easing is expected to continue, to partially offset the drag on growth. However, the pace of that easing is likely to differ across central banks, depending on how much tension they face over the need to balance support for growth against medium-term price stability.

Macro Picture

USA: GDP contracted in Q1 on imports surge; private domestic final purchases still solid

EA: sentiment surveys point to growth moderating in Q2 amid high trade policy uncertainty

China: trade tit-for-tat and lingering domestic challenges cloud the outlook

Japan: country put to front of queue in trade negotiations with US, but sides remain far apart

CESEE: first flash GDP estimates point to some loss of steam in Q1 in the region

Markets

FX: monetary divergence, trade tensions, EU fiscal stimulus, speculative positioning boost EUR

Rates: EU rates saw volatile but range-bound trading; US rates rose despite macro uncertainty

EM: roller coaster in spreads due to US tariff announcement; uncertainty persists

Credit: fixed-income underperformed equities on both sides of Atlantic

Policy Outlook

USA: Fed in no rush to adjust rates amid heightened uncertainty about the economic outlook

EA: ECB emphasises "readiness" and "agility" to adjust policy in the face of elevated uncertainty

Japan: BoJ turns more dovish, seeing downside risks to 2% inflation target

CESEE: tilt toward easing by central banks, amid, inter alia, decreasing inflationary risk

Key Downside Risks

DM & EM: escalating trade tensions leads to stagflation; uncertainty remains high for long, hurting investment; further tightening in financial conditions; intensifying geopolitical tensions; inflation persists or regains momentum; major CBs keep rates in restrictive territory for longer; new sources of geopolitical risk (India-Kashmir); increasing political uncertainty in the CESEE region amid already heightened geopolitical upheaval

Contributing Authors:

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr

Maria Kasola
Research Economist
mkasola@eurobank.gr

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurbank.gr

Michail Vassileiadis
Research Economist
mvassileiadis@eurobank.gr

Special thanks to the Global Markets team (Global_Markets_Trading@eurobank.gr).

May 2025

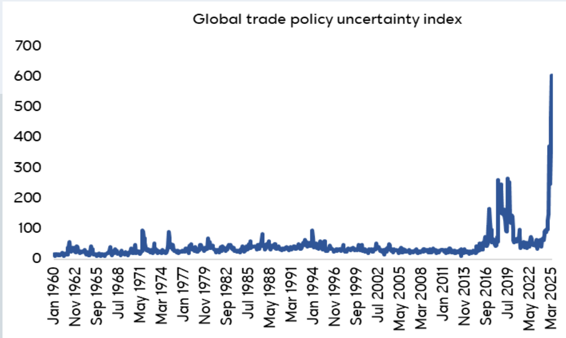
Contents

Macro Views

Global economic headwinds from US tariffs; further monetary easing expected to help offset the negative impact on growth

The US administration's protectionist trade policy has created a particularly challenging environment for the global economy. Global trade policy uncertainty, fuelled by a series of unpredictable and often back-and-forth tariff announcements as well as fears of further trade escalation and concerns about growth prospects, has reached unprecedented levels, translating into softer business and consumer spending. The temporary 90-day pause on sharply higher-than-expected reciprocal tariffs (ranging from 10% to 50%) has reduced the immediate downside growth risks. However, it prolongs uncertainty which is unlikely to subside any time soon. US tariffs – ostensibly a strategic tool aimed at narrowing the widening US goods trade deficit, shielding key domestic industries from foreign competition, generating revenue to support fiscal initiatives and leveraging trade measures to extract concessions from trading partners – remain significantly higher than at the start of the year as a 10% baseline tariff on all US imports has been in effect since 5 April. The threat of additional sector-specific tariffs also looms, as the US administration pursues separate sectoral trade investigations, targeting a broad range of industries, including energy, semiconductors, pharmaceuticals, agriculture, copper and lumber. The final outcome of ongoing tariff negotiations is highly uncertain, both in terms of the scale and the sectors affected. US President Donald Trump has indicated that he is unlikely to reduce the baseline tariff below 10% and the risk of a further escalation in trade tensions remains high.

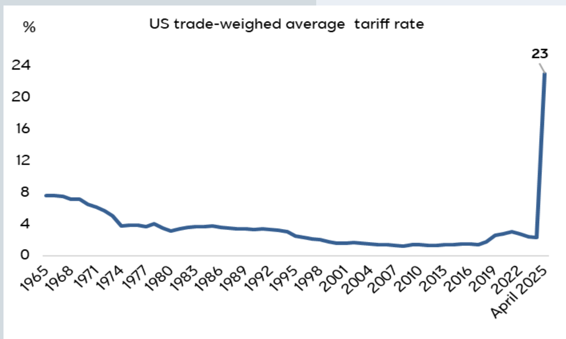
Figure 1: Global trade policy uncertainty has spiked to historical highs



Source: Caldara, D M. Iacoviello, P. Molligo, Andrea Prestipino & A. Raffo, Eurobank Research

China has reportedly warned that it may take retaliatory action against third countries if US trade agreements come at the expense of Chinese exports, specifically if the US demands that Asian economies impose tariffs on Chinese imports. Even with the pause, the 145% tariff on Chinese goods has driven the US trade-weighted average tariff on all goods to approximately 23%, its highest level since the early 1900s and nearly ten times the 2.3% rate recorded at the end of 2024. This figure also includes tariffs related to border security and fentanyl-related concerns involving Mexico and Canada (which fall outside the scope of the USMCA free trade agreement), as well as the 25% duties on

Figure 2: US trade-weighted average tariff rate has reached its highest level since early 1900s



Source: Bloomberg, Eurobank Research

steel, aluminium and automobiles. By comparison, the average US tariff rose by only 1.4ppts during Trump's first term in 2018-2019. Tariffs are impacting the global economy not only directly through trade disruptions and supply-side constraints but also indirectly via potential retaliatory measures from affected nations, negative wealth effects and the potential for financial stress. Reflecting these risks, the IMF revised its global growth projection for 2025 downward by 0.5ppts to 2.8% in its mid-April update of its World Economic Outlook. Most major economies experienced downgraded forecasts, with the US and China seeing notable downward revisions of 0.9 and 1.3ppts respectively, bringing their 2025 growth projections to 1.4% and 4.0%. For 2026, the IMF expects only a modest rebound in global growth to 3.0%, down from its January forecast of 3.3%, as the impact of tariffs should continue to filter through the global economy. Along similar lines, the market consensus (as reported by Bloomberg) now projects GDP growth of 2.6% for 2025 and 2.8% for 2026, down by 0.4 and 0.2ppts respectively from earlier in the year. However, if policy uncertainty persists, it will pose further downside risks to the global growth outlook. The IMF highlighted increasing downside risks related to escalating trade tensons and heightened uncertainty, noting that the probability of a global downturn has increased from about 17% in October 2024 to around 30% now.

Against this backdrop, monetary policy easing is expected to continue in the coming months to help offset the negative impact of higher tariffs on growth, particularly if trade negotiations fail to produce tariff reductions. This outlook assumes that inflation expectations remain well anchored, and that inflation is either steadily moving toward target levels or any renewed upward pressure is viewed as temporary. However, the pace of further easing is likely to differ across central banks, depending largely on their need to balance supporting economic growth, with the objective of ensuring medium-term price stability.

Developed Economies

US: The economy contracted by 0.3%QoQ saar in Q1, according to the advance estimate, the first decline in output since Q1 2022. The primary contributor to the downturn was net exports, which subtracted 4.8ppts from GDP. Exports grew by just 1.8%, while imports surged 41.3%, as businesses rushed to bring forward planned capital purchases in anticipation of US tariffs. Despite weak Q1 GDP growth, final sales to private domestic purchases (PDFP) which include consumer spending and private fixed investment, remained solid, rising by 3.0%. Given the strength in PDFP, the Fed is unlikely to rush into rate cuts. Instead, it will likely wait for additional data, which could reveal the expected softening in fixed investment due to elevated policy uncertainty and a potential slowdown in consumer spending as household fundamentals weaken, and consumer sentiment deteriorates. Supporting this view, the labour market remains strong, with non-farm payrolls up by 117k in April and the unemployment rate holding steady at 4.2%. Additionally, inflation remains sticky, with core PCE growing 3.5%YoY in Q1, well above the Fed's 2% target, up from 2.6% in Q4.

Euro area: Economic activity grew at a solid rate of 0.4%QoQ in Q1, according to the preliminary estimate. However, looking ahead to Q2, sentiment surveys suggest a potential growth slowdown. Global trade policy uncertainty has reached unprecedented levels following the April 2 "Liberation Day". Despite tariff exemptions and the 90-day pause, US tariffs remain higher than at the beginning of the year, the risk of additional sector-specific tariffs looms, and the outcome of ongoing trade negotiations remains unclear, affecting business investment plans and dampening consumer spending intentions. In light of these downside risks to the growth outlook, the ECB cut rates further at its April meeting and left the door open for additional easing, probably due to the perception that the impact of US tariffs is likely to be mildly deflationary thanks to lower energy prices and the EUR's appreciation. Given the constraints on production capacity and fiscal policy, any significant impact on the Eurozone's growth outlook from the ReArm European plan, which calls for a surge in defence spending, and Germany's infrastructure investment plan will take time to show.

Emerging Economies

EM: April and early May have proven pivotal for emerging markets, marked by significant geopolitical and policy developments. A landmark agreement between the US and Ukraine grants American firms preferential access to Ukrainian strategic assets—including aluminium, lithium, titanium, graphite, oil, and natural gas—highlighting Kyiv's efforts to maintain US alignment as President Trump signals an intent to wind down the conflict. Meanwhile, South Asia faces a marked escalation in geopolitical tensions. A deadly militant attack in Pahalgam (April 22) triggered India's launch of Operation Sindoor (May 7), a precision cross-border strike targeting nine sites in Pakistan and Pakistan-administered Jammu & Kashmir (PoJK). While full-scale war remains an outlier, the likelihood of sustained tactical engagements has risen, increasing the region's geopolitical risk premium and posing potential headwinds to capital flows and energy supply chain security. In developing Europe, Romania's first-round presidential election produced an unexpectedly strong result for the far-right, suggesting a voter realignment with implications for the broader EU political balance. On the macro front, the IMF and World Bank have revised down 2025–26 EM growth forecasts, with the Fund now projecting 3.7% and 3.9%, respectively—down from 4.2% and 4.3% in January—citing trade friction and deteriorating external conditions. China saw one of the sharpest downgrades. Reinforcing this downbeat trajectory, half of South Asian economies are currently under IMF-supported reform programs focused on fiscal tightening and reserve accumulation.

CESEE: The primary developments this month stem from Romania's political stage, where the first round of the court-mandated presidential election rerun was held on May 4. This election rerun follows the annulment of the initial first-round result from November 2024, in which ultranationalist candidate Călin Georgescu had claimed victory. In the latest vote, far-right leader George Simion, head of the nationalist Alliance for the Union of Romanians (AUR), emerged as the frontrunner, securing approximately 41% of the vote. He is set to face Nicușor Dan, the centrist and pro-European mayor of Bucharest, in the second round on May 18, after Dan placed second with roughly 21% of the vote. Simion's robust performance underscores widespread public discontent with the political establishment. Meanwhile, Poland also heads to the polls on May 18 in a presidential contest that, while less volatile than Romania's, is putting significant pressure on domestic institutions. On an economic note, both the National Bank of Poland and the Czech National Bank opted to cut policy rates by 25bps in their respective monetary policy council meetings this week, highlighting a region-wide tilt toward easing, amid recent decreases in overall inflationary risk and worries that risks to growth are tilted to the downside due to trade and geopolitical jitters.

Markets View

Foreign Exchange

EUR/USD: extended gains, approaching the 1.1600 area in mid-April as investors considered diverging monetary paths and renewed trade concerns, before losing some momentum and retreats to levels just below 1.1300. Despite the ECB's dovish tone and the latest 25bps rate cut, speculative interest in the EUR remains strong, with net long positions hitting multi-month highs. A sustained break above the recent high of 1.1573 could pave the way for a potential upward push towards 1.1621. ahead of 1.1663 and 1.1721. Support levels include 1.1125, 1.1068 and 1.1012. One-month, six-month and nine-month implied volatility was at 9.6775%, 9.3925% and 8.8475% respectively.

JPY: reversed early losses, supported by safe-haven demand amid ongoing uncertainty over US trade policy and rising geopolitical tensions. Expectations for further BoJ rate hikes in 2025, despite last week's dovish pause, also help underpin the currency. **USD/JPY** support levels include 139.1742, 138.4713 and 137.7684 and resistance levels include 147.1267, 147.8551 and 148.5834. One-month, six-month and nine-month implied volatility was at 12.725%, 12.295% and 11.545% respectively.

Rates

EU: European rates markets were marked by high volatility and significant curve reshaping throughout April. The ECB delivered a widely anticipated 25bps rate cut, reinforcing a dovish stance. Earlier in the month, curve steepening dominated amid risk-off flows and sharp moves in swap spreads, especially in the short end. As the month progressed, volatility moderated and ASW normalization began following heavy short squeezes. Long-end demand remained firm, particularly in ultra-long maturities, helped by LDI activity and Dutch pension reform flows. Inflation surprises toward month-end triggered a modest selloff in yields, but the ECB is expected to look through these seasonal effects. The curve bias has shifted towards gradual steepening, with terminal rate pricing stabilizing around 1.50%-1.75%. By month-end, the 10yr EUR swap rate settled at 2.43%, with intramonth highs and lows between 2.42% and 2.71%. The yield curve steepened further, with the 5s30s segment closing 8bps higher at 0.31%, extending its upward momentum.

US: rates saw wild swings as macro uncertainty, erratic policy headlines and mixed data drove prices. The month began with sharp steepening driven by bear moves and stop-outs, especially in long-end spreads, before consolidating. Swap spreads were volatile, collapsing mid-month due to weak auctions and liquidity strains, only to rebound later as sentiment improved. Front-end and belly sectors became focal points for positioning, with the Fed expected to stay on hold in the near term but cut later this year. Strong April payrolls reinforced this outlook, lifting Treasury yields. Despite improved sentiment and a return to risk-on positioning late in the month, underlying growth and policy concerns persist, keeping conviction light. The US-EU 10yr spread remained volatile but broadly settled around 1.45%. By month-end, the 10yr SOFR swap rate settled at 3.63%. The yield curve steepened, with the 5s30s segment closing 31bps higher at 0.46%.

Emerging Markets Sovereign Credit

Sovereign spreads experienced a roller coaster ride, initially widening sharply following the Trump administration's unexpectedly severe reciprocal tariff announcement but then recovering most of the losses after the US government postponed implementation for 90 days to allow time for negotiations. The EMBI Global Index widened by approximately 8bps, reaching 324bps as of May 6. In Central Europe, Poland continued trading in a very strong tone with the 10yr EUR spread over swaps further tightening by 6bps. By contrast, Romanian EUR bonds suffered a significant widening of approximately 50bps, especially after the May 4 first round of presidential elections and the increased probability of a win in the run-off election on May 18 by the far-right candidate. In LATAM, Mexican 10yr USD bond spreads widened by approximately 10bps to 221bps, while the Chilean spread remained largely unchanged. In Asia, the 5yr USD Indonesian CDS ended flat over the observation period, despite having widened by nearly 40bps in the first days of April.

Corporate Credit

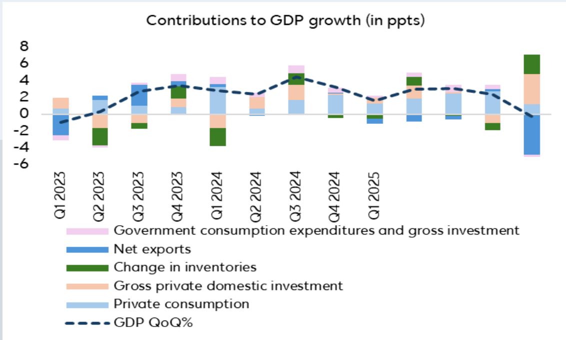
April was a seismic month in financial markets, as the announcement of US reciprocal tariffs led to a huge sell-off across global markets. Straight after the US "Liberation Day" announcements on April 2, the S&P 500 posted one of its worst two-day declines in history. The volatility index VIX closed above the 50 mark, something we've only seen at the height of major crises. Calm returned to markets after the US announced a 90-day extension to the reciprocal tariffs and officials began deliberations with other countries. In the end, the S&P 500 registered gains of +1.3% from the end of March to May 5 and tech mega caps advanced +4.8% in the US. In Europe, Stoxx 600 ended the period flattish (+0.5%), while DAX continued to outperform (+4.2%) in view of a fiscal regime shift towards higher defence spending. Safe-haven assets outperformed, with gold +3.9%, while Brent crude oil prices fell back to $60/bbl, marking their worst monthly performance in three years in April. Brent crude fell 2% at the start of May to register a total 18% decline since the end of March, after OPEC+ announced accelerated oil output hikes for a second straight month.

Credit underperformed vs. equities on both sides of the Atlantic, while European synthetics outperformed vs. the US. In Europe, Main ended flattish from the end of April to May 5 (+1.3bps) while Xover widened +6.1bps, both standing wider on a year-to-date basis (+7bps and +21bps respectively). In the US, CDX IG was +3bps during this period while CDX HY widened +16bps. European cash saw outflows, with all European IG and HY sectors ending the period wider (IEAC +11bps, IHYG +35ps). Sector-wise, Utilities outperformed in the EUR IG space (+6bps), while Financials underperformed (Snr Fins +10bps, Sub Fins +17bps). In High Yield, Utilities outperformed (-30bps) while Energy and Financials were the main laggards (+57-130bps). Activity in the European primary market remained relatively muted amid the market turmoil, with total issuance at €130bn in April vs. €156bn in the previous month.

US

Solid labour market data, inflation stickiness suggest no urgency for Fed easing

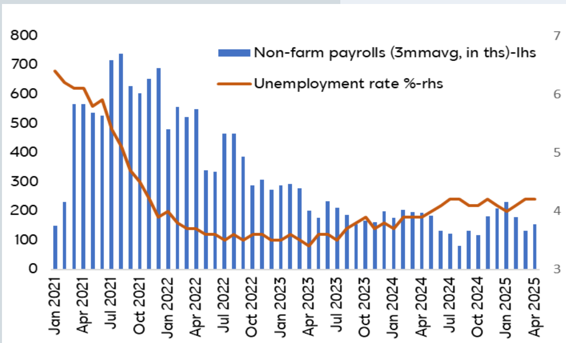
Figure 3: GDP contracted in Q1 for the first time since 2022 on surge in imports



Source: BLS, Eurobank Research

The US economy contracted by 0.3%QoQ saar in Q1, according to the advance estimate, following a 2.4%QoQ saar gain in the previous quarter. This marks the first decline in output since Q1 2022. The primary contributor to the downturn was net exports, which subtracted 4.8ppts from GDP. Exports grew by just 1.8%, while imports surged 41.3%, as businesses rushed to bring forward planned capital purchases in anticipation of US tariffs. This was the highest import growth since Q3 2020 when the economy was recovering from pandemic lockdowns. The surge in imports also aligns with a further widening of the goods trade deficit in March, which reached a new record high of nearly $162bn ahead of April's reciprocal tariff announcement. This also helps explain the significant increase in private inventories, to $140.1bn, the highest since Q1 2022, contributing 2.25ppts to GDP. Government spending also weighed on GDP growth (-0.25ppts), entirely due to a sharp decline in federal spending (-5.1% vs. +4.0% in Q4), reflecting the negative effects of Department of Government Efficiency (DOGE) activities. Despite weak Q1 GDP growth, final sales to private domestic purchases (PDFP) which include consumer spending and private fixed investment, remained solid, rising by 3.0%, slightly up from 2.9% in the previous quarter. Fixed investment saw a 7.8% increase after a 1.1% decline in Q4, driven by non-residential investment (+9.8% vs. -3.0% in Q4), particularly equipment spending (+22.5% vs. -8.7% in Q4) due to front-loading of activity ahead of tariffs. Consumer spending growth slowed, though to a still healthy pace of 1.8%, largely due to a drop in durable goods (-3.4%). Given the strength in PDFP, the Fed is unlikely to rush into rate cuts. Instead, it will likely wait for additional data, which could reveal the expected softening in fixed investment due to elevated policy uncertainty and a potential slowdown in consumer spending as household fundamentals weaken, and consumer sentiment deteriorates amid concerns about job prospects and the likely erosion in spending power from tariff-related price pressures. The labour market remains strong, with non-farm payrolls up by 117k in April and the unemployment rate holding steady at 4.2%. Additionally, inflation remains sticky, with core PCE growing 3.5%YoY in Q1, well above the Fed's 2% target, up from 2.6% in Q4. Markets are currently pricing in about 80bps of rate cuts by the end of 2025.

Figure 4: Labour market conditions remain strong



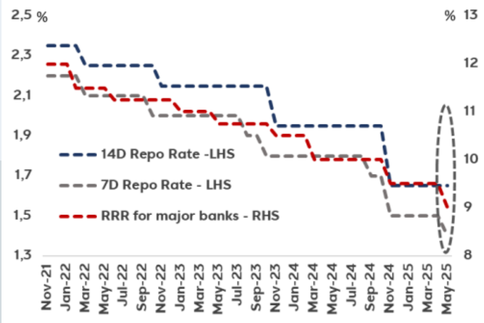
Source: BLS, Eurobank Research

China

Trade tit-for-tat and lingering domestic challenges cloud the outlook

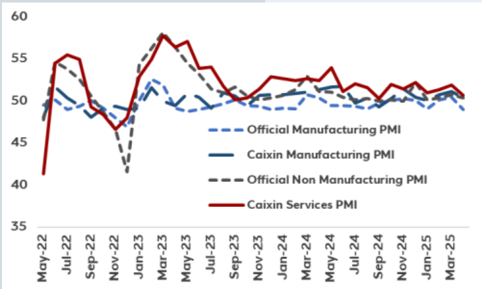
Q1 2025 GDP data released in early April confirmed that the Chinese economy remained largely resilient to the impact of newly imposed tariffs through late March. However, both hard and soft indicators since then have highlighted persistent structural challenges as well as fresh headwinds arising from the ongoing tit-for-tat trade measures. GDP expanded 5.4%YoY in Q1, exceeding both consensus expectations of 5.2% and the full-year 2024 growth rate of 5.0%. While headline growth has remained solid, the near-zero inflation environment over the past two years – underscored by April's CPI rate of -0.1%YoY, compared with -0.7% in March – is symptomatic of weak domestic demand, which may be further strained by intensifying price competition. Exporters affected by tariffs are increasingly redirecting supply to the domestic market, raising the risk of oversupply. If this excess is not effectively absorbed, it could squeeze corporate profit margins, eventually leading to job losses and higher unemployment. For now, exports surged in March as shipments were frontloaded ahead of tariff implementation, but imports failed to mirror this momentum. In fact, imports contracted by -4.3% YoY in March, consistent with the average decline since October 2024, when Donald Trump laid out a more protectionist trade agenda for his second term. These dynamics probably underpinned the across-the-board deterioration in April PMIs, with the official manufacturing index falling to 49 – the weakest reading since December 2023 and below the 50 threshold that signals a contraction. In response, Chinese authorities are pursuing a dual-track strategy to mitigate the fallout. On the domestic policy front, stimulus efforts have intensified: the PBoC recently lowered the 7-day repo rate by 10bps to 1.4% and announced a 50bps RRR cut. Internationally, Beijing is seeking to ease geopolitical tensions and diversify trade relationships. President Xi has stepped up diplomatic engagements with Global South partners including Vietnam, Cambodia and Malaysia. Meetings with Presidents Putin and Lula of Brazil are expected soon. He has also signalled a willingness to strengthen ties with the EU. Most notably, a meeting between Vice Premier He Lifeng and US Treasury Secretary Scott Bessent is scheduled for 9–12 May in Switzerland — potentially marking the first thaw in an otherwise frozen bilateral relationship. While policy responses are underway, their impact will be gradual, likely extending beyond the current calendar year. Accordingly, we are slightly trimming our growth forecast for 2025 to 4.3% from 4.5%.

Figure 5: PBoC proceeds with monetary easing...



Source: Bloomberg, Eurobank Research

Figure 6: ...in an effort to fortify the economy and reverse the retreating sentiment



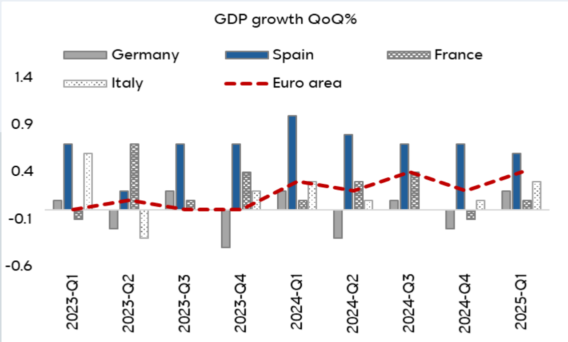
Source: Bloomberg, Eurobank Research

Euro area

Sentiment surveys point to growth moderating in Q2

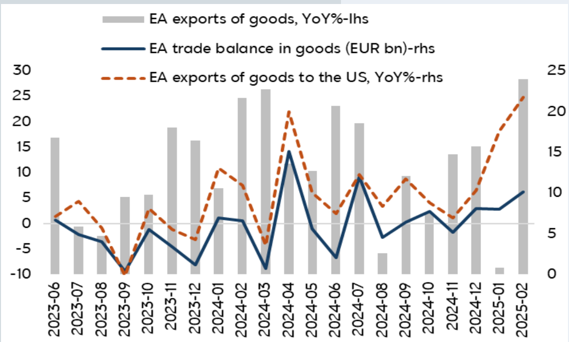
Economic activity grew at a solid rate of 0.4%QoQ in Q1, according to the preliminary estimate. This was probably led by domestic demand, underpinned by rising real wages and lower borrowing costs thanks to the efficient and strong transmission of ECB policy easing (private credit growth up to a two-year high of 2.6%YoY in March). However, looking ahead to Q2, sentiment surveys suggest a potential growth slowdown. Global trade policy uncertainty has reached unprecedented levels following the April 2 "Liberation Day". Despite tariff exemptions and the 90-day pause, US tariffs remain higher than at the beginning of the year, the risk of additional sector-specific tariffs looms, and the outcome of ongoing trade negotiations remains unclear, affecting business investment plans and dampening consumer spending intentions. The composite PMI index fell by 0.5pts to 50.4 in April, just above the 50 threshold that separates contraction from expansion, indicating a quarterly growth rate of around zero to 0.1%. While manufacturing showed some improvement (+0.4pts to 49), supported by lower oil prices and front-loaded goods exports ahead of anticipated US tariff hikes, the PMI for the services sector continued its downward trend (-0.9pts to 50.1). Moreover, the European Commission's economic sentiment indicator fell for the second straight month in April (-1.4pts to 93.6, the lowest since December 2024). This decline in sentiment was widespread across all major sectors, with consumers particularly affected (-2.2pts to a 1½ year low of -16.7), despite rising real incomes, improving credit conditions, a resilient labour market (unemployment rate at a 6.2% in March) and easing price pressures (headline HICP growth flat at 2.2%YoY in March, core up 0.3ppts to 2.7%YoY, but likely driven by a temporary rise in services due to the later timing of Easter this year). In light of these downside risks to the growth outlook, the ECB cut rates further at its April meeting and left the door open for additional easing, probably due to the perception that the impact of US tariffs is likely to be mildly deflationary thanks to lower energy prices and the EUR's appreciation. Given the constraints on production capacity and fiscal policy, any significant impact on the Eurozone's growth outlook from the ReArm European plan, which calls for a surge in defence spending, and Germany's infrastructure investment plan will take time to show.

Figure 7: Eurozone GDP growth surprised to the upside in Q1



Source: Eurostat, Eurobank Research

Figure 8: Exports have benefited from frontloading of US demand ahead of tariff hikes



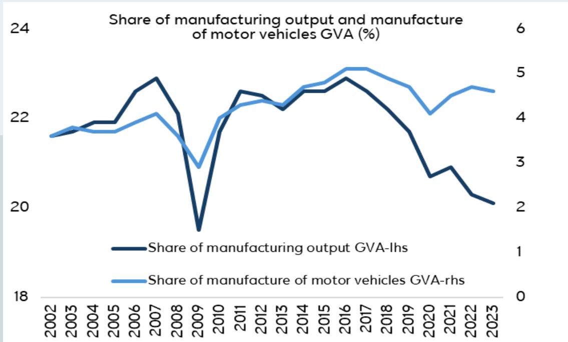
Source: Eurostat, Eurobank Research

Germany

Technical recession avoided but the economy unlikely to escape stagnation

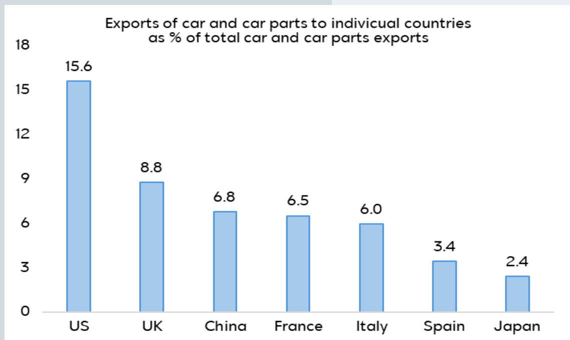
The economy narrowly avoided a technical recession at the start of 2025, as GDP expanded 0.2%QoQ in Q1, according to the flash estimate, following a 0.2%QoQ contraction in the previous quarter (annual rate unchanged at -0.2%). In its press release, the Federal Statistical Office offered limited detail on the drivers of this modest rebound, stating only that private consumption — likely supported by strong wage growth (5.3%YoY in 2024) and gradually easing inflation (April HICP growth at 2.2%YoY) — as well as investment, mainly driven by stronger export demand ahead of anticipated US tariffs, were both higher compared to Q4. Looking ahead, however, the near-term outlook remains fragile, with the economy expected to remain mired in stagnation. The recent surge in global trade policy uncertainty following "Liberation Day", is likely to weigh on corporate sentiment, dampening business fixed investment spending. At the same time, despite the 90-day tariff pause, additional 25% tariffs on cars and car parts have already taken effect, further aggravating existing structural headwinds in the automotive sector, where production remains more than 25% below its pre-pandemic peak. The automotive industry is a key pillar of the economy, accounting for roughly one-fifth of total manufacturing output (Figure 9). In addition, motor vehicles exports account for over 10% of total exports, with the US remaining the single largest export destination (Figure 10). On the consumer front, Gfk sentiment unexpectedly rebounded in June, reaching its highest level since November 2024 (-20.6), likely buoyed by the newly formed coalition government and the massive fiscal stimulus package. However, whether this renewed optimism will translate into strong household spending remains uncertain, especially given the ongoing deterioration in the labour market. April marked the 27th consecutive monthly increase in unemployment, with the rate rising 0.1ppts to 6.3%, its highest level since September 2020). Meanwhile the 2025 budget, crucial for determining the allocation of newly created fiscal space, has yet to be finalised. Against this backdrop, we revised lower our 2025 GDP forecast down to 0.0% from the previous estimate of 0.2%, while in 2026 the economy is seen gaining traction, with growth accelerating to 1.3%, as planned increases in defence and infrastructure spending begin to support broader economic activity.

Figure 9: The automotive industry accounts for around one fifth of manufacturing GVA



Source: Eurostat, Eurobank Research

Figure 10: Most car exports go to the US

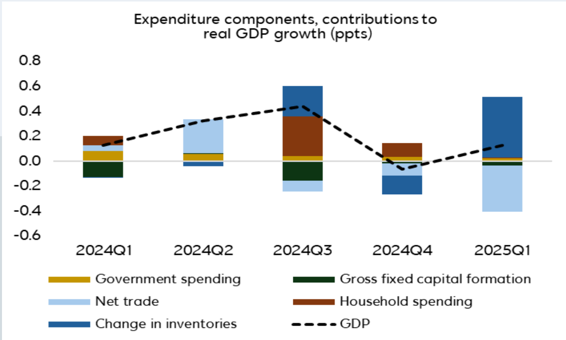


Source: Eurostat, Eurobank Research

France

Stagnation likely to persist throughout the year on heightened global uncertainty

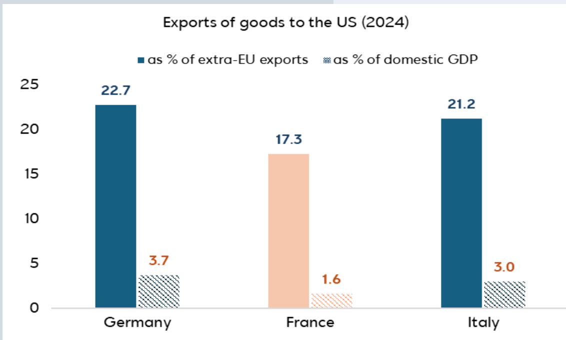
Figure 11: GDP was mainly supported by inventories in Q1



Source: INSEE, Eurobank Research

French GDP edged up slightly in Q1, growing by 0.1%QoQ, according to the flash estimate, following a modest contraction of 0.1%QoQ in the final quarter of 2024. However, despite this minor improvement, the breakdown of aggregate expenditure presents a rather discouraging picture. Consumer spending stagnated (0.0%QoQ vs. +0.2%QoQ in Q4), public consumption decelerated (+0.1%QoQ vs. +0.4%QoQ in Q4) largely due to the delayed adoption of the 2025 budget in February, and investment declined for the third consecutive quarter (-0.2%QoQ vs. -0.1%QoQ in Q4). Overall, final domestic demand (excluding inventories) made zero contribution to GDP growth in Q1, while net trade continued to be a drag for the third consecutive quarter (-0.4ppts), with imports rising (0.4%QoQ) and exports falling sharply (-0.7%QoQ). The only positive contribution came from inventories (0.5ppts) likely reflecting front-loading of activity ahead of expected higher US tariffs, although this is not yet reflected in exports data. Looking ahead, sentiment surveys (e.g., PMI, INSEE) suggest the economy has likely remained close to stagnation in early Q2, reflecting the effects of heightened global trade policy uncertainty due to higher US tariffs. Although France is less reliant on the US than Germany or Italy, its exports still accounted for a substantial 17.3% of extra-EU exports in 2024 (and 1.6% of domestic GDP). Earlier expectations for a modest acceleration in the second half of the year, supported by a sustained recovery in real wage purchasing power (HICP at 0.8%YoY in April), now seem unfounded. Uncertainty remains elevated and is unlikely to subside significantly until the trade shock starts to unwind. Meanwhile, domestic downside risks have increased. The government recently announced an additional €5bn in public spending cuts to meet its deficit target for this year (5.4% of GDP, down from 5.8% in 2024). Furthermore, in the context of preparing the 2026 budget, the finance minister indicted that additional measures worth €40bn may be required to bring the budget deficit down to the 4.6% of GDP target. If this occurs, snap elections in H2 become more likely, with President Macron reportedly considering this option for the autumn. For the full year 2025, we project real GDP to grow 0.7%, a slowdown from the 1.2% expansion recorded in 2024, with risks skewed to the downside.

Figure 12: France relies less on exports to the US that Germany or Italy



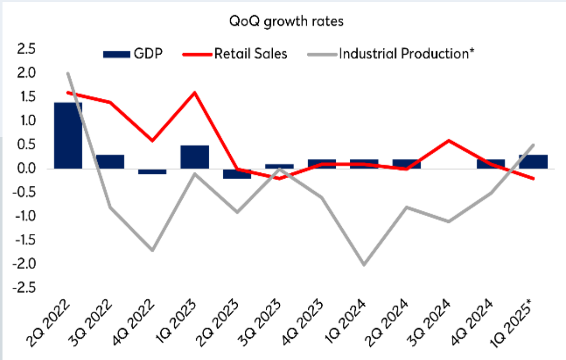
Source: Eurostat, Eurobank Research

Italy

Survey data mixed, though stronger-than-expected Q1 growth probably cooled off

In line with the experiences of several other European countries, the Italian economy grew more than expected in Q1, with later data suggesting a cooling off of activity since then. Gross domestic product expanded 0.3%QoQ after increasing an upwardly revised 0.2%QoQ in Q4 2024. The consensus estimate was that the economy would grow 0.2%QoQ in Q1. Istat's preliminary release does not give a detailed breakdown by components, though in its press release it noted that there was a positive contribution from domestic components and a negative contribution from net exports. On the production side, Istat also noted that there was no growth contribution from the services sector, which fits with the weakness seen in the retail sales data for March. Sales fell 0.5%MoM, contrary to the consensus estimate for a 0.2%MoM increase, and decreased 2.8%YoY, the biggest annual drop since February 2021. March's data meant that for Q1 as a whole, retail sales dropped 0.2%QoQ – the first contraction since Q3 2023 – challenging the idea that consumer spending will be the main driver for growth this year as household real incomes increase. That's unlikely to improve much in April as consumer confidence fell for a third straight month – to 92.7, 1.4pts below the consensus estimate, from 95 in March – in the aftermath of the increased trade uncertainty brought on by the US's April 2 announcement on reciprocal tariffs.

Figure 13: GDP expanded more than expected in Q1 even as retail trade contracted

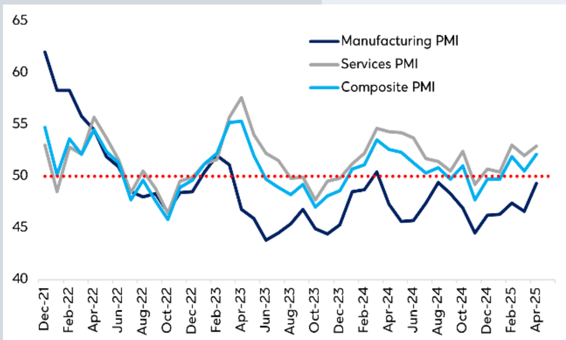


Source: Bloomberg, Eurobank Research

* Q1 2025 industrial production based on January and February data only

Prime Minister Giorgia Meloni on April 17 became the first EU leader to visit the White House since the announcement, but the trip yielded little concrete in terms of any softening of the US stance. The economic sentiment indicator dropped 1.7pts to 92.7 in April, with manufacturing falling 0.3pts to 85.7, below the consensus estimate of 85.9. However, the other major survey data for April complicated the picture as the manufacturing, services and composite PMIs all performed better than consensus expectations. In the case of manufacturing, the 2.7pt increase to 49.3 still left it slightly below the 50 threshold that separates expansion from contraction, but it was better than the consensus forecast of 47, with output nearly stabilising and the contraction in new orders losing momentum despite subdued demand. Meanwhile, the composite PMI's unexpected increase to 52.1 from 50.5 in March marked the strongest expansion in almost a year and was led by the services PMI increasing 0.9pts to 52.9, compared with the consensus expectation for a 0.7pt drop.

Figure14 : PMIs unexpectedly turned upwards in April, confusing the overall picture



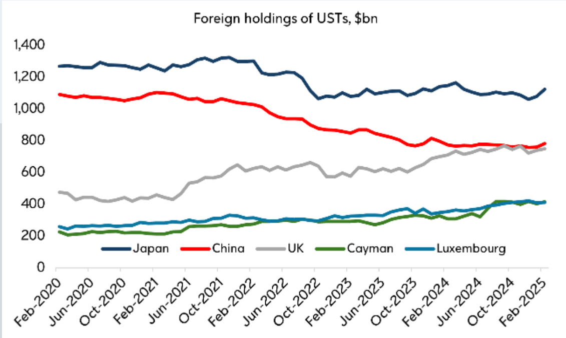
Source: Bloomberg, Eurobank Research

Japan

Country begins trade negotiations with US, but sides remain far apart

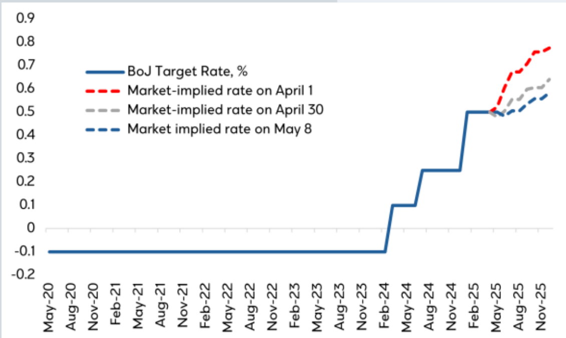
Almost immediately after US President Donald Trump's April 2 announcement of a steep rise in "reciprocal" tariffs, his treasury secretary, Scott Bessent, announced that Japan was at the front of the queue for negotiating a new agreement. That meant the island nation was in focus over the past month as the country is seen as a test case in terms of what others can expect from trade talks. Reports suggest there has been little progress so far, with the two sides still far apart and Prime Minister Shigeru Ishiba determined not to be seen by voters as allowing Japan to be bullied into the position of a US tributary. The auto industry, which accounts for more than a third of the country's exports to the US and is one of the major pillars of US trade grievances, employs about 8% of Japan's workforce. Ishiba said in a TV interview on May 2 that the country could not accept the additional 25% tariffs on cars. Furthermore, farmers in rural areas represent a core part of the ruling LDP's electoral base making agricultural products another difficult area for the government to make concessions on, especially after it lost its overall majority in October elections (Ishiba's position was made even more precarious by a subsequent funding scandal, which was knocked off the front pages by the tariff furore). Nevertheless, Japan wants a comprehensive agreement, and areas where it could find compromises include "non-tariff barriers" such as relaxing safety standards on cars and adjusting EV charging standards, as well as increasing imports of soy, rice, bioethanol and LNG. Following two ministerial level meetings, talks have been set up at working group level, with Japan's lead negotiator claiming that a deal by June is a reasonable assumption. Adding to the stakes, Japan's $1.1trn holdings of USTs makes it the largest overseas holder, with some market observers speculating that last month's spike in yields may have been caused by a concerted sell off. Finance Minister Katsunobu Kato needed to clarify comments interpreted as suggesting the country could use a potential sell down of its holdings as a negotiating tool, stating that this was not something under consideration. Against this backdrop, the Bank of Japan held its policy rate unchanged at its May 1 meeting, as expected, though Governor Kazuo Ueda's comments at the press conference were more dovish than anticipated, pointing to downside risks to achieving the central bank's target of sustained 2% price growth.

Figure 15: Japan's roughly $1.1trn holdings of USTs make it the biggest foreign holder



Source: Bloomberg, Eurobank Research

Figure 16: Tariff uncertainty has prompted a dovish pivot from the Bank of Japan



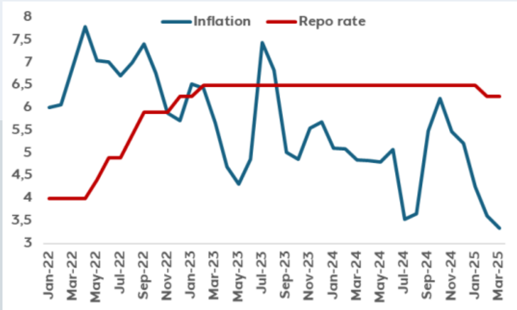
Source: Bloomberg, Eurobank Research

India

Geopolitical tensions and strategic trade progress dominate the outlook

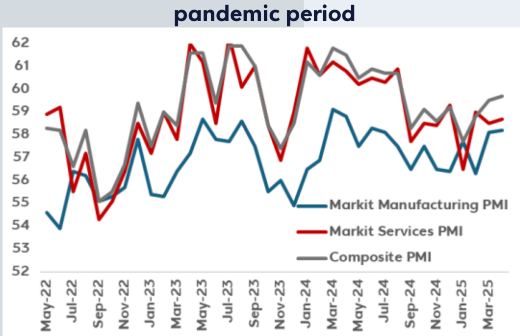
The most consequential developments this month were on the foreign front, where geopolitical tensions and trade diplomacy are unfolding in parallel. The primary focus is on the sharp escalation in hostilities with Pakistan, following a deadly militant attack on April 22 in Pahalgam, Indian-administered Kashmir. The assault was claimed by The Resistance Front (TRF), a group widely believed to be linked to Pakistan-based terrorist networks. India's attribution of responsibility to cross-border elements has rekindled concerns over instability in one of Asia's most enduring and volatile security flashpoints. In a retaliatory move, the Indian government launched Operation Sindoor on May 7 — a targeted cross-border military operation striking nine locations in Pakistan and Pakistan-administered Jammu & Kashmir (PoJK) linked to terrorist infrastructure. This marks one of New Delhi's most assertive military responses since 2019 when PM Narendra Modi's second term brought a more hardline stance on Kashmir. While the probability of full-scale conflict remains low to moderate at present, the risk of sustained tactical engagements is considered moderate to high. In economic developments, India finalised a landmark Free Trade Agreement (FTA) with the United Kingdom on May 6, in what is being touted as the most significant UK trade accord since Brexit. The agreement, under negotiation since January 2022, resolves several contentious issues, including India's longstanding push for increased access for skilled professionals in the UK's services sector, and Britain's demands for tariff reductions on premium exports such as whisky and luxury automobiles. While final details are awaited, the FTA is expected to serve as a cornerstone for deepening UK-India commercial ties in the post-Brexit era. Simultaneously, trade talks with the United States have accelerated, driven by the threat of a 26% "reciprocal" tariff on Indian exports. US Treasury Secretary Scott Bessent confirmed that negotiations are nearing resolution, noting India's favourable trade posture — characterized by low tariffs, limited non-tariff barriers, absence of currency manipulation, and modest subsidy frameworks. Against this backdrop, and in contrast to recent modest downgrades by the IMF and World Bank, we maintain our 2025 GDP growth forecast at 6.5%. India's swift and pragmatic trade policy responses are expected to yield positive spillover effects, supporting medium-term economic momentum during and beyond the current calendar year.

Figure 17: Waning inflation allows for gradual monetary easing....



Source: Bloomberg, Eurobank Research

Figure 18: ...while soft data are bold in the post-pandemic period



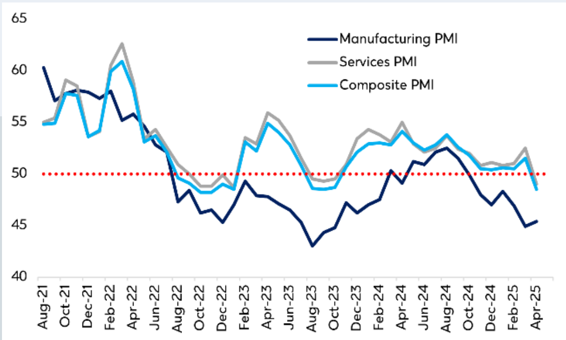
Source: Bloomberg, Eurobank Research

UK

Country strikes trade deals as changing macro landscape shifts BoE stance

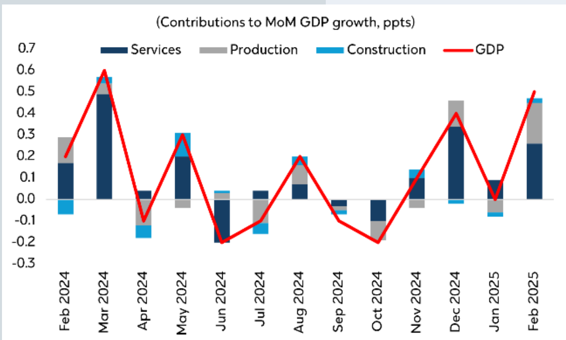
The UK government has moved quickly to adapt to the new international environment, appearing to be the first country to strike some kind of trade agreement with the US. Details had not yet been formally announced at the time of publication on May 8, but previous reports suggested that the US would offer lower-tariff quotas for British car and steel exporters, with the UK in return offering concessions on a digital services tax on technology companies, as well as a reduction in UK tariffs on US cars and agricultural products. It comes in short succession after the UK announced a free trade deal with India on May 6. Meanwhile, the economy is showing signs that output is starting to snap back following a surge in activity that may have been partially driven by firms trying to frontload US tariffs. Sentiment indicators for April have been poor, with the composite PMI falling 5pts to 48.5, which was the first time since October 2023 that it came in below the 50-threshold separating expansion from contraction. Manufacturing remained in deeply contractionary territory, even as it increased 0.5pts to 45.4, while services unexpectedly fell below the threshold, coming in at 49 from 52.5 in March. Separately, the GfK consumer confidence indicator for April fell to -23 from -19, 2pts more than the consensus estimate and the lowest reading since November 2023, showing that the tariff drama is making a dent on household sentiment. It came after retail sales data showed a surge in consumer buying in March, with the index rising 3.3%YoY, compared with 2.2%YoY in February, beating the consensus forecast for a 2%YoY increase. Crucially, the UK's monthly GDP data showed a 0.5%MoM increase in February after stagnating in January. Driving the surge was a 2.2%MoM jump in manufacturing production in February, above the consensus estimate for a 0.2%MoM increase. Meanwhile, the most recent inflation and wage earnings data both came in slightly softer than expected, with headline CPI growth slowing 0.2ppts to 2.6%YoY in March. Easing price pressure and the changing macroeconomic landscape following President Donald Trump's April 2 announcement of reciprocal tariffs means that markets now expect the Bank of England to turn more dovish in an attempt to head off any potential downturn. The central bank's 25bps cut in the policy rate to 4.25% on May 8 was fully priced in.

Figure 19: PMIs came crashing down in April, with services and composite both falling below 50



Source: S&P Global, Bloomberg, Eurobank Research

Figure 20: A ramp up in manufacturing output in February points to strong Q1 growth



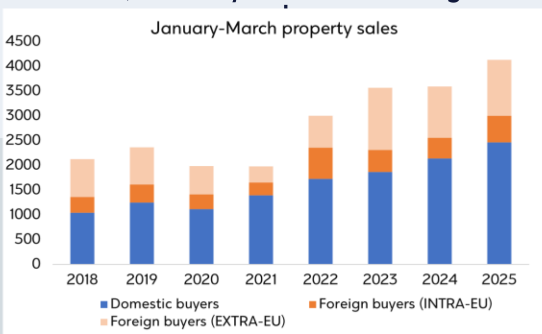
Source: ONS, Eurobank Research

Cyprus

Net exports set to play a decisive role in Q1 2025 GDP growth

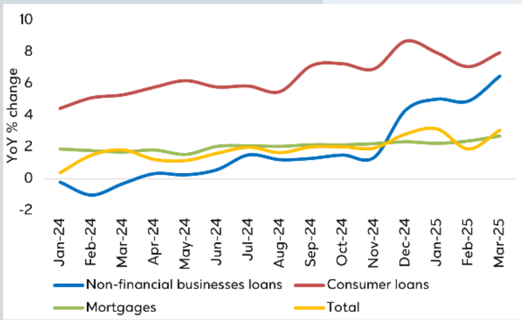
With the preliminary estimate for Q1 2025 GDP due next week, short-term indicators point recently to an upside dynamic across most key components of both domestic and foreign demand. On the household demand side, amid a further slowdown in inflation in March, to 2.1%YoY from 2.3%YoY in February and 2.9%YoY in January, retail trade volume rose 5.6%YoY, up from 4.7%YoY and 2.6%YoY in the two previous months, respectively. As a result, retail volumes rose by an average of 4.3%YoY in Q1, a pace marginally below the 4.8%YoY recorded in Q4 2024 but on par with Q3 2024. The continued acceleration in consumer credit expansion since September 2024, averaging 7.6%YoY through March 2025 and rising to 8.0%YoY in the latest month, is thought to have supported consumer spending and is expected to remain a tailwind for household demand. Inflation risks remain skewed to the downside in the near term. The global decline in energy prices, combined with postponement in the implementation of green taxes, is set to suppress price pressures. The green tax on transport fuels, initially scheduled for May, has been postponed by two to three months, while the respective tax on hotel services has been scrapped altogether for 2025. In the real estate sector, positive momentum gained pace in March, with property sales surging by 18.6%YoY — up sharply from 6.8%YoY in February. This brought Q1 growth in sales to 15.0%YoY, a significant acceleration from the modest 2.8%YoY rise recorded in Q4 2024. The recovery was broad-based, with both foreign and domestic demand contributing almost equally, rising by 15.2%YoY and 14.9%YoY, respectively. On the external side of the economy, the goods trade deficit narrowed by 6.6%YoY, with exports rising much faster than imports. However, the sharp deterioration seen in January meant the trade deficit for the first two months of 2025 widened by 9.0%YoY. In services, although March arrivals dipped by 0.7%YoY due to the earlier timing of Catholic Easter in 2023, the overall trend for Q1 remained solid, with arrivals up 7.5%YoY on average. As to the potential effects of US tariffs, no strong direct implications are expected, as goods exports to the US accounted for 2.1% of total exports of goods in 2015-2024. However, secondary effects, particularly through services exports to the US, which represented 16.6% of total services exports in 2023, and broader trade frictions that may affect Cyprus's maritime and logistics sectors warrant close monitoring.

Figure 21: Potential for a new multiyear high in real estate sales, fuelled by domestic and foreign de-



Source: Ministry of Interior, Eurobank Research

Figure 22: Stronger credit expansion since September expected to boost consumption and investment



Source: Central Bank of Cyprus, Eurobank Research

Bulgaria

Political turbulence continues, weighing on economic sentiment

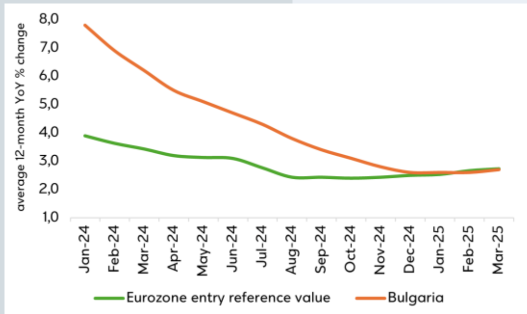
As the European Commission's report on Bulgaria's readiness for eurozone entry approaches in early June, a series of political developments is reigniting political uncertainty. In mid-April, the three-party coalition minority cabinet, consisting of GERB, BSP and ITN, lost its parliamentary ally, APS. The withdrawal of support stemmed from the government's collaboration with the DPS-NN party, e.g., on the ratification of new regulatory body heads in parliament. The APS and DPS-NN parties emerged from a rift within the former DPS party. At present, the DPS-NN supports the government solely in parliament, helping it maintain a majority of 131 seats out of 240.

Figure 23: Economic sentiment indicator at a two-year low as political uncertainty re-escalates

Source: European Commission, Eurobank Research

Despite this shift in support, the cabinet managed to survive two no-confidence votes in April — one focused on its foreign policy and the other targeting its perceived inefficiency in tackling corruption. The resurgence of political uncertainty is reflected in a 2.9-point decline in the economic climate indicator in April, reaching a two-year low. The drop was primarily driven by a deterioration of business expectations in the services sector (-3.3pts), which led the index to a 34-month low, as well as in the industrial sector (-1.8pts). On developments related to EU policies and financing, Bulgaria requested the Commission to revise its Recovery and Resilience Plan (RRP), including the addition of a REPowerEU chapter. As some of the proposed modifications concern pending issues from Bulgaria's second payment request under the Recovery and Resilience Facility (RRF), the country proposed to withdraw it, with a view to resubmit it after the revised plan is approved. Thus, in-vestment funding related to the RRF will be further pushed back. Regarding trends in economic activity, some initial figures concerning Q1 2025 were released. The number of new building permits rose by 7.9%YoY, marking the first increase after three consecutive quarters of decline, and construction launches of new buildings rose for the first time in three quarters (+3.8%YoY). The respective increases in surface area terms were 3.8%YoY and 45.0%YoY, indicating in the case of construction launches the start of some big commercial estate projects. The volume of wholesale-retail trade resumed its decline in February (-2.7%YoY), changing the overall trend in January-February to a small decrease (-0.3%YoY). However, the fall is much smaller than the 5.8%YoY decline in Q4 2024. €873.8mn in Q4 2024. On the external sector front, the January-February goods and services balance shifted from surplus last year to a deficit, primarily due to a 62.5%YoY increase in the goods trade deficit.

Figure 24: 12-month inflation below the Eurozone entry reference value for second consecutive month in March



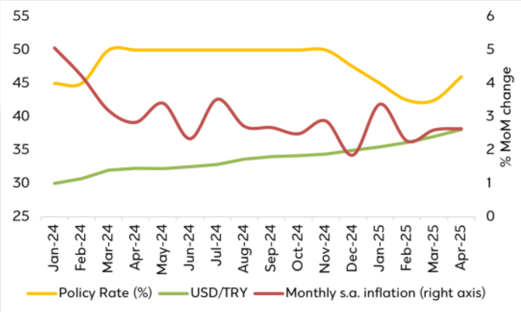
Source: Eurostat, Eurobank Research

Turkey

Monetary tightening resumes as political turmoil weighs on confidence, FX rates

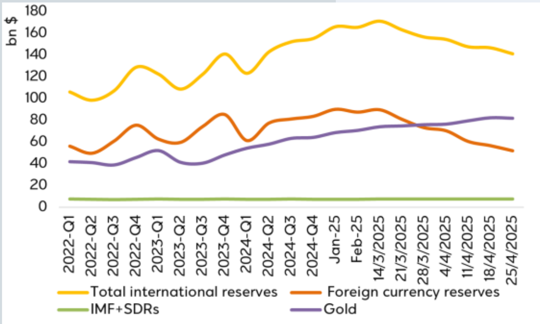
The political turmoil sparked by the mid-March arrest of Istanbul Mayor Ekrem İmamoğlu is beginning to manifest in Turkey's monetary policy stance and economic indicators. To stabilise the lira (TRY), the central bank of the country (TCMB) has drawn down $38.0bn in foreign exchange reserves over six weeks, bringing reserves to their lowest level since June 2023, shortly after the last presidential elections. In response to the ensuing excess liquidity and capital outflows, the TCMB initiated a series of measures, including a hike in the overnight rate from 44% to 46%, issuance of liquidity bills, and the extension of lira deposit auctions to eight-week tenors. Despite these interventions, the TRY depreciated by 4.9% against the US dollar and is down 15.8%YoY. Concurrently, foreign currency deposits held by households and businesses increased by $16.1bn (+9.0%), underscoring the persistent demand for hard currency. In light of these developments, the TCMB reversed its earlier monetary easing from December to early March by raising its policy rate by 350bps to 46% in mid-April. According to the central bank governor, the pass-through from lira depreciation to inflation is expected to reach approximately 35%, a level that appears moderate relative to previous periods of political instability and FX volatility, such as during the 2023 elections. Household demand could also fan inflationary dynamics, bolstered by unemployment falling to a 12.5-year low in Q1 2025 (8.3%). On the other hand, inflationary pressures will be eased by the drop in international energy prices after the escalation of protectionist policies triggered by US President Donald Trump. Amidst these countervailing forces, the headline inflation rate in April decreased to 37.9%YoY from 38.1%YoY in March and 39.1%YoY in February – marking a slowdown in the pace of disinflation. Seasonally adjusted monthly inflation, a key indicator for the central bank in shaping its monetary policy stance, remained unchanged at 2.6%, missing the TCMB's pre-crisis expectation of a decline. On the activity side, signs of political uncertainty filtering into the real economy are evident. The economic climate index declined by 3.3 points in April, marking the second sharpest drop in 22 months. This was mainly driven by weakening sentiment in the services and construction sectors, where expectations indices hit their lowest levels in 46 and 35 months, respectively. Meanwhile, the manufacturing PMI held steady in April but remained below the 50pts threshold that separates expansion from contraction.

Figure 25: Faster lira depreciation and higher inflation drove the new switch in monetary policy



Source: Central Bank of Turkey, Turkstat, Eurobank Research

Figure 26: Foreign currency reserves fell in six weeks from an all-time high to a 3-year low; gold still rising



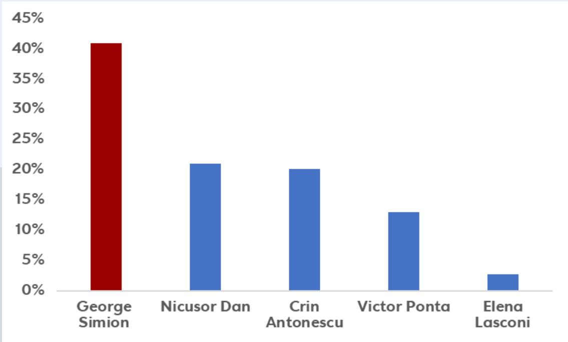
Source: Central Bank of Turkey, Eurobank Research

CESEE

Romania and Poland head towards crucial elections on May 18

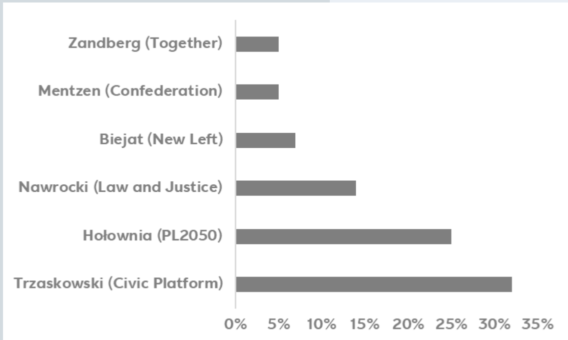
The primary developments this month stem from Romania's political stage, where the first round of the court-mandated presidential election rerun was held on May 4. This election rerun follows the annulment of the initial first-round result from November 2024, in which ultranationalist candidate Călin Georgescu had claimed victory. Romania's Constitutional Court invalidated the result due to credible allegations of Russian interference, subsequently barring Georgescu from standing again. In the latest vote, far-right leader George Simion, head of the nationalist Alliance for the Union of Romanians (AUR), emerged as the frontrunner, securing approximately 41% of the vote. He is set to face Nicușor Dan, the centrist and pro-European mayor of Bucharest, in the second round on May 18, after Dan placed second with roughly 21% of the vote. Simion's robust performance underscores widespread public discontent with the political establishment. The upcoming runoff presents a binary choice between Simion, a populist Eurosceptic critical of Ukraine aid, and Dan, who advocates maintaining Romania's alignment within the EU and NATO. A recent poll projected Simion winning with 54.8% of the vote. The election has intensified Romania's already fragile political environment, amplifying polarization amid eroding trust in institutions. Compounding the uncertainty are pressing macroeconomic concerns as Romania possesses the EU's highest budget deficit, prompting Moody's to revise the country's credit outlook to negative recently, underscoring the need for credible fiscal consolidation. Meanwhile, Poland also heads to the polls on May 18 in a presidential contest that, while less volatile than Romania's, is putting significant pressure on domestic institutions. The race is led by Warsaw Mayor Rafał Trzaskowski (Civic Coalition), polling at 31.7%, followed by Karol Nawrocki (Law and Justice) at 27.6% and far-right candidate Sławomir Mentzen at 11.3%. The campaign period has been marred by allegations of Russian interference, echoing the Romanian precedent. The broader political backdrop includes growing friction between PM Donald Tusk's government and the central bank, particularly regarding accusations of political motivations behind monetary policy decisions. This tension is set against the context of Tusk's third premiership, inaugurated in December 2023. Closing on an economic note, both the National Bank of Poland and the Czech National Bank opted to cut policy rates by 25bps in their respective monetary policy council meetings this week, highlighting a region-wide tilt toward easing, amid recent decreases in overall inflationary risk and worries that risks to growth are tilted to the downside due to trade and geopolitical jitters.

Figure 27: Results from the first round of election in Romania were surprising…



Source: Politico, Eurobank Research

Figure 28: ..and uncertainty is also prevailing for Poland's approaching first round …



Source: Politico, Eurobank Research

Eurobank Macro Forecasts

	Real GDP (YoY%)			CPI YoY%, avg)			Unemployment rate (% of total labor force)			Current Account (% of GDP)			General Budget Balance (% of GDP)		
	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f	2024	2025f	2026f
World	3.3	2.6	2.8	5.7	3.9	3.5									
Advanced Economies															
USA	2.8	1.4	1.5	3.0	3.2	2.8	4.0	4.4	4.5	-3.9	-3.9	-3.6	-6.9	-6.5	-6.7
Eurozone	0.9	0.8	1.2	2.4	2.1	1.9	6.4	6.4	6.4	2.7	2.3	2.3	-3.1	-3.3	-3.
Germany	-0.2	0.1	1.3	2.5	2.3	2.1	6.0	6.4	6.2	5.7	5.1	5.2	-2.8	-2.9	-3.2
France	1.2	0.5	0.9	2.3	1.1	1.6	7.4	7.5	7.6	-0.2	0.0	0.0	-5.8	-5.6	-5.4
Periphery															
Cyprus	3.4	3.1	3.0	2.3	1.4	1.9	4.9	4.5	4.2	-8.3	-9.5	-8.0	4.3	4.1	3.7
Italy	0.7	0.5	0.8	1.1	1.9	1.7	6.6	6.3	6.2	1.1	1.4	1.5	-3.4	-3.3	-3.1
Portugal	1.9	2.2	2.0	2.7	2.1	1.9	6.4	6.3	6.3	2.2	1.7	1.7	0.7	0.3	0.1
Spain	3.2	2.5	1.8	2.9	2.4	1.9	11.4	10.6	10.4	3.0	2.6	2.5	-3.2	-2.9	-2.7
UK	1.1	0.9	1.2	2.5	3.0	2.3	4.3	4.6	4.7	-2.7	-2.6	-2.6	-4.5	-4.1	-3.6
Japan	0.1	1.0	0.8	2.7	2.7	1.9	2.5	2.5	2.4	4.8	4.5	4.3	-3.0	-3.6	-3.5
Emerging Economies															
BRIC															
Brazil	3.2	2.0	1.9	4.4	4.3	3.7	6.9	6.9	7.2	-2.4	-2.4	-2.3	-7.9	-8.3	-7.8
China	5.0	4.3	4.2	0.2	0.8	1.3	5.1	5.1	5.1	1.8	1.3	1.0	-5.0	-5.5	-5.7
India	6.4	6.5	6.8	4.8	4.2	4.0		N/A		-1.1	-1.0	-1.0	-4.8	-4.6	-4.8
Russia	3.7	1.5	1.4	8.3	7.3	4.9	2.6	2.7	3.1	2.9	2.6	2.6	-1.7	-1.2	-1.2
CESEE															
Bulgaria	2.8	3.2	3.4	2.6	3.2	2.1	4.2	3.9	3.7	-1.8	-0.9	0.6	-3.0	-2.9	-2.6
Turkey	3.2	2.8	3.7	58.5	32.2	21.7	8.7	8.3	7.8	-0.8	-1.4	-1.1	-4.9	-4.4	-3.9

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

Eurobank Fixed Income Forecasts

	Current	June 2025	September 2025	December 2025	March 2026
USA					
Fed Funds Rate	4.25-4.5%	4.17-4.4%	3.96-4.2%	3.72-3.95%	3.51-3.75%
3m SOFR	4.3%	4.21%	4.01%	3.77%	3.59%
2yr Notes	3.81%	3.84%	3.73%	3.62%	3.55%
10yr Bonds	4.29%	4.25%	4.18%	4.13%	4.11%
Eurozone					
Refi Rate	2.4%	2.2%	2.1%	2.05%	2.1%
3m Euribor	2.15%	2.04%	2%	2.01%	2.03%
2yr Bunds	1.71%	1.9%	1.87%	1.87%	1.9%
10yr Bunds	2.47%	2.65%	2.63%	2.63%	2.69%
UK					
Repo Rate	4.5%	4.25%	4%	3.75%	3.6%
3m Sonia	4.15%	4.11%	3.81%	3.66%	3.54%
10-yr Gilt	4.46%	4.44%	4.31%	4.18%	4.12%
Switzerland					
3m Saron	-0.02%	0.11%	0.09%	0.09%	0.09%
10-yr Bond	0.20%	0.53%	0.53%	0.55%	0.58%

Source: Bloomberg (market implied forecasts)

EUROBANK

Research Team

Dr. Tasos Anastasatos | Group Chief Economist
tanastasatos@eurobank.gr | + 30 214 40 59 706

Marcus Bensasson
Research Economist
mbensasson@eurobank.gr
+ 30 214 40 65 113

Dr. Stylianos Gogos
Research Economist
sgogos@eurobank.gr
+ 30 214 40 63 456

Maria Kasola
Research Economist
mkasola@eurobank.gr
+ 30 214 40 63 453

Koroli Panagiota
Administration Officer
pkoroli@eurobank.gr
+ 30 214 40 63 430

Dr. Konstantinos Peppas
Research Economist
kpeppas@eurobank.gr
+ 30 214 40 63 520

Paraskevi Petropoulou
Senior Economist
ppetropoulou@eurobank.gr
+ 30 214 40 63 455

Dr. Theodoros Rapanos
Research Economist
trapanos@eurobank.gr
+ 30 214 40 59 711

Dr. Theodoros Stamatiou
Senior Economist
tstamatiou@eurobank.gr
+ 30 214 40 59 708

Michail Vassiliadis
Research Economist
mvassileiadis@eurobank.gr
+ 30 214 40 59 709

More available research at: https://www.eurobank.gr/en/group/economic-research
Subscribe electronically at: https://www.eurobank.gr/el/omilos/oikonomikes-analuseis/forma-ekdilosis-endiaferontos
Follow us on twitter: https://twitter.com/Eurobank_Group
Follow us on LinkedIn: https://www.linkedin.com/company/eurobank