

Atradius Economic Outlook

Trade war



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Summary

Global growth is expected to remain subdued at 2.4% in both 2025 and 2026, representing a downward growth revision for all major markets. In the first few months of the new US administration, trade tariffs followed each other in rapid succession, with 'Liberation Day' on April 2 as the provisional highlight. Since then, there have been many policy changes and uncertainties that have led to financial volatility, less confidence in American institutions, and poorer prospects for global trade.

- **The inflationary impact of trade tariffs has been limited so far, even for the United States.** According to textbook analysis, trade tariffs drive up inflation for the country that implements them, through higher import prices that will eventually be passed on to consumers. However, the impact thus far has been limited for several reasons, including that the current US tariff structure is still limited in size and scope. Another reason is that trade tariffs weigh on economic activity directly, while also injecting uncertainty in the economy that drags on demand, offsetting some price pressures. It also simply takes time for the price effects to come into practice. We expect inflation to pick up in the US in the remainder of the year.
- **We predict that trade growth will slow significantly this year, to around 1%, as a result of the tariff escalation and policy uncertainty.** Although global trade still showed robust growth in Q1 of 2025 as a result of the frontloading of export orders, we expect a contraction in the remainder of this year. Trade growth will be particularly weak in the United States, Canada and Mexico, and to a lesser extent Europe and China. We expect slightly higher trade growth in 2026 of around 2% as the global economy adjusts to the tariff shock.
- **Advanced economies are expected to grow at a meagre pace of 1.3% in both 2025 and 2026.** This is a downward revision from our earlier estimate, especially for 2026, because we no longer expect a significant recovery in the US. Volatile trade and domestic policies have undermined confidence in the US economy, leading to significant revisions for both 2025 and 2026. The eurozone economy faces relatively minor downward growth revisions due to the tariff escalation. Sentiment indicators point to a slow, but steady expansion, driven mostly by domestic spending. Debt sustainability is a concern across many advanced markets, with high debt levels in the US, Japan and several eurozone economies, as well as still elevated deficits and cost of borrowing.
- **The outlook for emerging market economies (EMEs) is on average stronger than that for advanced economies, but it remains weak by historical standards.** We expect 3.8% growth across EMEs in 2025 and 3.6% in 2026. Many EMEs, especially those with close trade relations with the US, such as Mexico and China, are directly exposed to US trade volatility. Indirectly, EMEs are also impacted by higher borrowing costs, financial volatility and currency depreciations. The global uncertainty also undermines international investment flows.
- **A re-escalation of the trade war to levels similar to April would bring the global economy nearly to a standstill in 2026.** The economic forecasts presented in this Outlook assume a limited trade war between the US and other countries. We also considered a downside scenario where the US increases tariffs further, triggering greater retaliation from trading partners and significant supply-chain disruptions. In this scenario of trade war escalation, the GDP impact for the US is much more severe. The effect on the retaliating countries, including China and the EU, becomes much more similar to that on the US in the baseline scenario.



1. Global macroeconomic environment



1.1 An unprecedented policy shock

Dubbed “Liberation Day” by the US president, 2 April 2025 was the day the US was to unshackle the fetters from other nations, friends as well as foes. This was to put a stop to what was said to be ripping off the United States. Indeed, Executive Order 14257, signed by President Trump at the event held in the Rose Garden of the White House, was meant to correct by so-called reciprocal tariffs, what were deemed decades of unfair trading relationships.¹

Initially, the tariffs were no idle threat. For 57 countries, Trump announced a minimum rate of 10% on exports to the US, effective 5 April. China was hit by 125%, other Asian countries such as Thailand, Vietnam and Cambodia by 36%, 46% and 49% respectively. The European Union faced 20%. Even Mexico and Canada, the closest trading partners, were included with a tariff of 25%. Apart from this, 25% levies on automobiles, steel and aluminium from all countries were imposed.

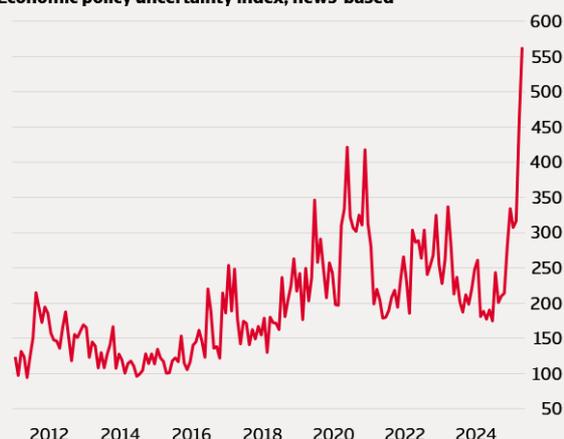
The announcements prompted retaliation from trading partners and a triggered a stock market crash. GDP growth forecasts were quickly adjusted significantly downward and the OECD and even the Federal Reserve (Fed) warned of a recession. The situation proved to be unsustainable. On 9 April, the US announced that all reciprocal tariffs for countries were to be paused for 90 days, except those for China. Negotiations for trade deals with the US got underway. On 12 May, there was another inevitable step. The US and China agreed to suspend the reciprocal tariffs by 90 days. The world could take a breather from an unprecedented policy shock.

1.2 Financial market turbulence imposes discipline

The above US policy rollercoaster has obviously not left the world, let alone the US economy, untouched. Let us take stock of the damage done so far, using high frequency metrics.

True, the effective tariff of imports into the US has swung up from 2.5% to 17.8%.^{2, 3} That has had a major impact on the economy in the US and globally, which we will explain below. The effect is negative, no doubt. Arguably more important at this stage is the uncertainty about US trade policy, which is paramount. The Economic Policy Uncertainty Index, which documents this, has risen to levels even far above those during the pandemic (figure 1.1).

Figure 1.1 Policy uncertainty through the roof
Economic policy uncertainty index, news-based



Source: Macrobond

This uncertainty, concerning change for better or worse in trade policy that could happening at any moment, means that firms and households become very reluctant to spend. This has a negative effect on investments and consumption, especially of durables and services such as those provided by hotels and restaurants. Firms and households become cautious and take a wait-and-see attitude - exactly the opposite of economic activity.

Financial markets reacted quite strongly to the developments as well. US equity prices took a hit, with the S&P 500 falling 17.1% between 17 February and the day the trade war was

¹ Tariffs are reciprocal because the US now "...does to them what they did to us..." according to the US president.

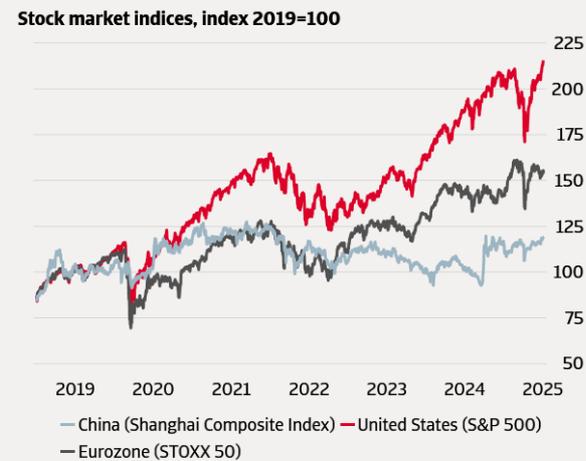
² [Trump takes America's trade policies back to the 19th century. The Economist. April 3, 2025.](#)

³ The effective tariff is an import weighted average of country specific tariffs into the US (or any country for that matter).



paused, 9 April. Shares in technology firms were particularly affected, with ripple effects visible in the eurozone and China (figure 1.2). The high level of policy uncertainty, a potentially recessionary environment and profit compression due to higher input costs from tariffs were underlying the crash. Now, with important tariff exemptions for tech firms in place and the 9 April pause, equity markets have regained confidence in the trade war ending for the better.

Figure 1.2 Equity prices recover relatively quickly

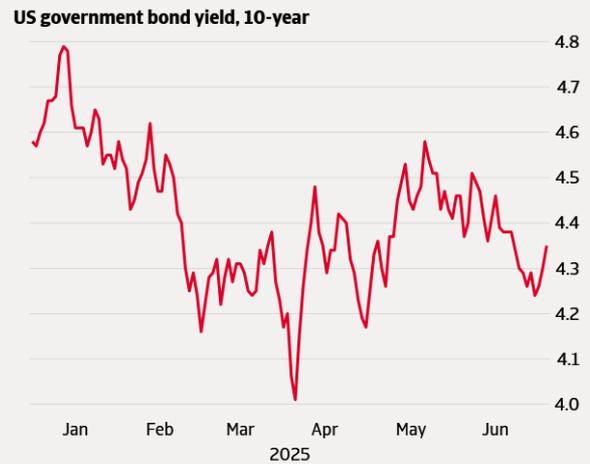


Source: Macrobond, Atradius

Perhaps even more important than the equity market reaction was the rise of US long-term bond yields. Around Liberation Day, these moved up from 4% to 4.5%, reflecting concerns about the large government deficit in combination with the high debt level amid a trade war that could cause a recession (figure 1.3). Reportedly, it was precisely this yield rise that induced Scott Bessent, the US Treasury Secretary, to remain in the room with the President until he had pressed the pause button in the trade war.

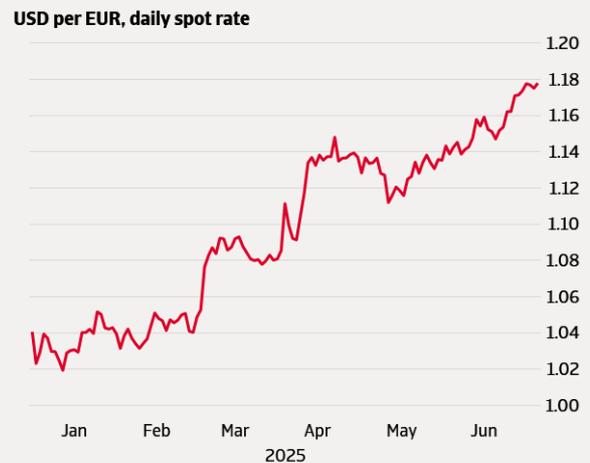
In the shadow of turbulence in the equity and bond markets, there was another remarkable development - in the foreign exchange market. Since the Trump inauguration the greenback had started to lose value (figure 1.4). That process was given an impulse on Liberation Day. This was unusual, because the erection of a trade wall normally implies an appreciation of the currency. That is because the trade deficit is supposed to shrink. The dollar depreciating signalled something more fundamental. Foreign investors started to lose confidence in US government bonds. That process had been ongoing for some time and it received an impulse on Liberation Day. Even to the extent that it outweighed the appreciative force of tariffs.

Figure 1.3 Bond market disciplines Trump



Source: Macrobond, Atradius

Figure 1.4 Greenback loses value



Source: Macrobond, Atradius

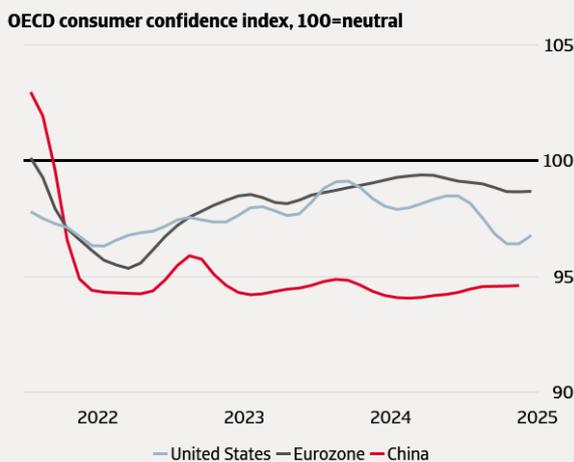


1.3 Global GDP forecast dragged down by the US

All this turbulence in the financial markets about chaotic US trade policy shifts was compounded by price falls in the commodity markets (see below). It would have been a surprise if that had left confidence untouched. It has not. Consumer confidence in all major economic blocs has already been below the 100 threshold of growth for a number of years, signalling spending reluctance (figure 1.5). This has now taken a turn for the worse, with the US consumer index in particular, indicating a rapid decline in confidence.

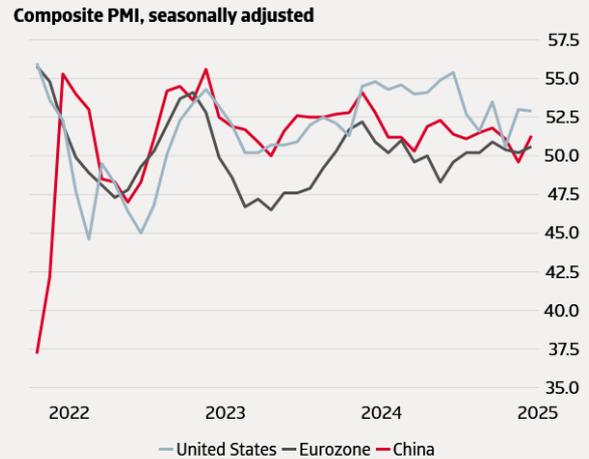
The overall picture for business confidence still signals growth, meaning that the composite PMI is still above 50 (figure 1.6). We see a decline in all blocs, again with the US hardest hit. The blow is most prominent in the services PMI, where the impact of reluctance to spend on non-necessities such as hotels and restaurants is already palpable. Services PMIs are still signalling growth for the US and China. PMIs remain above 50 though for the US and China, and not so much for the eurozone. On the other hand, the manufacturing PMIs are improving somewhat in the US and the eurozone, while the Chinese PMI is taking a nosedive. That picture is arguably in line with the US policy objective of bringing back manufacturing back to the US to “Make America Great Again”, at the expense of China.

Figure 1.5 US consumer loses confidence



Source: OECD, Macrobond

Figure 1.6 Business confidence in the US stays put



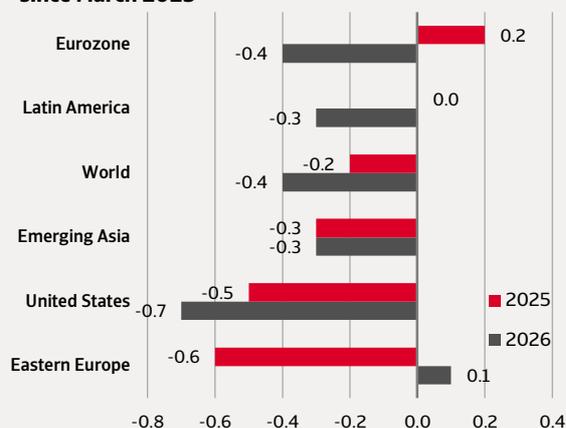
Source: S&P Global, Macrobond

GDP forecasts are taking a hit. All regions are projected to lose. Global average GDP growth is down 0.2 percentage points (ppt) in 2025 and 0.4ppt in 2026, compared to our March 2025 Economic Outlook (figure 1.7). The US is facing the most significant drop: 0.5ppt and 0.7 ppt growth is shaved off due to the toxic combination of supply and demand shock from trade policy uncertainty that we will explain below. Emerging Asia loses 0.3ppt of growth forecast in both years, with China only limitedly affected by 0.3ppt, also for both years. The latter may be surprisingly low. The country owes this softer landing to stimulus measures which we expect to be put in place by the Chinese authorities as well as the possibility to divert exports. Apart from the US, Latin America is also significantly affected, with Mexico taking a 0.6ppt hit in 2025 and 0.4ppt in 2026. Eurozone GDP will largely suffer from the lower demand due to the trade war, resulting in a 0.4ppt drop in 2026, similar to the 0.3ppt hit in 2026 for Latin America. Both regions' 2025 outlook is less negatively impacted due to tariff exemptions or relief since March, but their outlooks are still much worse than at the start of the year.



Figure 1.7 Growth outlook grows dimmer

Percentage point change in real GDP growth forecast since March 2025



Source: Oxford Economics, Atradius

This leaves us with a GDP growth picture which comes out at 2.4% for both 2025 and 2026 (table 1.1). Rather bleak figures. US growth is now significantly below the global average at 1.5% and 1.8%. Still, these figures forecast for the US are markedly above those for the eurozone. Core countries such as Germany, France and Italy continue to struggle (see chapter 2), especially with loss of competitiveness in manufacturing. Emerging Asia continues to be the global growth engine with GDP growth far above the global average at 4.6% and 4.4%. The impact of the trade war on economic powerhouses China and, especially, India is rather limited.

Table 1.1 Global GDP growth shifts to a lower gear

Real GDP growth, % y-o-y

	2024	2025*	2026*
Eurozone	0.8	1.1	0.8
United States	2.8	1.5	1.8
Emerging Asia	5.2	4.6	4.4
Latin America	1.79	1.9	1.79
Eastern Europe	3.4	2.3	2.1
World	2.8	2.4	2.4

Source: Oxford Economics, Atradius (* forecast)

1.4 A self-inflicted wound

One may question why the hit to the US is so large relative to other countries that are also affected by the trade war. There are essentially two reasons for this.

First, with the US at the epicentre of the trade war, it is not surprising that its negative impact is largest there. The main effect, as we have seen, is the extreme uncertainty which restrains firms and consumers from spending. On top of uncertainty, with import levies being put in place, input prices for firms go up. These costs will be passed on to consumers, potentially immediately, but in any case, over time. Thus, the reduced spending is understandable. Where input prices cannot be passed on, company profits will be compressed - further lowering investments. To the extent input price rises can be passed on, these eat into the purchasing power of consumers, further lowering consumption. Or, in the case of an exporting firm, dampening foreign consumption or demand more generally.

Second, the above impact, on investment and consumption, is specifically a demand shock. The supply element of the shock relates to the fact that China is the world's factory. It is there that so many goods are being produced for the rest of the world, including the US. Decoupling these economies means certain goods will no longer be available in the US. We saw during the pandemic that supply chain disruptions can lead to inflation. Other regions such as the EU are not facing such a shock, simply because they will not apply levies of this level to imports from China. These regions therefore predominantly face the demand shock, especially as a result of lower global economic activity and trade. By not imposing or increasing tariffs, this shock can be more limited. That is why the US is so badly hit by its own policies.

One may argue that this analysis overlooks an important consideration. This is the fact that the US government, by levying tariffs, also generates income. This income could be spent on supporting the economy. While this is true the economy would still be worse off.

First, the plough-back of tariff income should be done in a manner that does not distort the economic process. This is a heroic assumption. Any additional layer brought into the economy will incur costs - consider the administrative costs alone. Furthermore, it is highly unlikely that there will be no distortion when the money is ploughed back using tax breaks, lower taxes, etc.

Second, and more importantly, the levy as such will lower GDP as we have argued. It means that, even if there was a non-distortionary plough-back without cost, the economy would be smaller. The underlying idea of the Trump administration to bring back manufacturing to the US is largely a fantasy, certainly in the short run. It means that work in Chinese



factories will have to be done in the US. Apart from the time it would take to build those factories, during which economic activity takes a hit, the idea runs counter to the fact that China simply has an advantage over the US in manufacturing certain goods. Think of the Chinese workers that come from rural areas trying their luck in large cities, working long hours for relatively low wages. American workers are unlikely to be able to compete with them, and with immigration into the US being discouraged, there will simply be insufficient labour force for manufacturing.⁴

1.5 Trade war assumptions

As in previous Outlooks, the forecast that we present is predicated on a number of assumptions. The most critical, understandably, are related to the unfolding of the trade war. At the same time, it will be clear from the developments of recent months that those are also the assumptions that are subject to the highest level of uncertainty. Let us discuss the key assumptions (table 1.2).

First, it is assumed the following list of trade restrictions will hold, painting a picture of accelerated fragmentation.⁵ This manifests in a lower share of global trade in GDP. For the US and China, it is assumed that the agreement of 2 May will be upheld after the pause. On the US side, this means a tariff of 38%, applied on goods except for smartphones, electronics and computers. China applies a tariff of 29% on US imports. For the US and Canada, we assume a 25% tariff on steel and aluminium on the US side, 25% on the non-US content of USMCA-compliant automobiles,^{6, 7} 10% on non-USMCA compliant energy and potash, and 25% on all other non-USMCA goods. Canada paused its retaliation measures on 17 April. Versus Mexico, the US applies a similar set of tariffs as for Canada which means an effective tariff of 16% is applied. Mexico has opted not to retaliate. It is assumed that most tariffs will be removed by Q3 2026, as the USMCA will be

renegotiated, although a smaller 10% will remain between the US and Canada. The rest of the world faces a tariff of 10% on all imports into the US, and 25% on autos, while steel and aluminium are hit by 50%. Most countries are expected not to retaliate; the EU will respond if no deal is reached.

Second, whereas we assume that, if the overall picture on trade policy stands up, economic policy uncertainty will be reduced as well, this does not hold for geopolitical uncertainty. We expect uncertainty, albeit typically not game-changing, to persist. This adds to volatility and uncertainty in financial markets and thus to financing costs. Moreover, supply shocks, such as the energy crisis related to the Russian invasion in Ukraine or the conflict in the Middle East, are more likely to occur. This arguably gives rise to an augmented tail risk.

Third, the process of decreasing inflation - disinflation - will, continue. Headline inflation in some economies will fall back to target levels. It is assumed core inflation, which excludes food and energy costs, will ease more slowly, as services inflation remains somewhat sticky. For the US, a temporary bump in inflation due to the trade war cannot be avoided. At the same time, we do not see the trade war setting a vicious cycle of higher prices and higher wages in motion.

Fourth, in line with the inflation and lower GDP forecasts, we think there will be room for the central banks to lower policy rates - as has already occurred in the eurozone. They are expected to tread carefully however, to avoid misjudgement of inflationary tendencies like those that took place during the pandemic. This holds especially for the Fed, which by virtue of its mandate must weigh US inflation against developments in the economy more generally (as expressed by the labour market). In this context, it should be realised that in the US a temporary surge in inflation can be expected because of the trade war.

Table 1.2 Tariff assumptions

Bilateral tariffs	US tariff	Retaliation	Start date
US and China	Effective tariff 40%, not smartphones, computers, electronics	30% on all US imports	April 2025
US and Canada*	25% all imports, Canadian content, 10% on energy	25% on 43% of goods imports, metals, woods, food, agriculture and others	April 2025
US and Mexico*	25% all imports, Mexican content	No retaliation	April 2025
US and ROW	Blanket tariff of 10% on all imports; 25% autos; 50% steel & aluminium	Most countries not to retaliate; EU targeted measures after 90 days pause	April 2025

Source: Oxford Economics, Atradius (* hikes to be reversed mid-2026 after renegotiated USMCA trade deal)

⁴ The only proper argument for tariffs that we can find in the current geopolitical setting is that the US wants to restrain the global threat to its hegemony, economically and strategically. For that a targeted set of tariffs aimed at reducing dissemination of critical technology is sufficient.

⁵ We do not believe in deglobalisation, which is a much stronger concept whereby supply chain benefits are given up. The current highly integrated global economy

is very difficult to dismantle, and even the US administration has got that message after the US treasuries sell-off early April.

⁶ USMCA is the trade agreement between the US, Mexico and Canada.

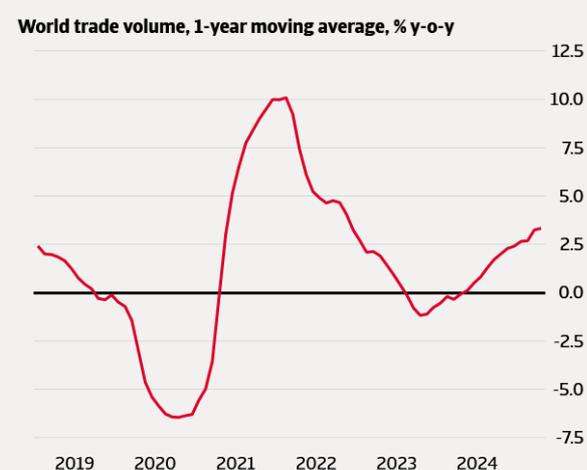
⁷ The term non-US content is critical because in its absence, auto intermediary goods that pass then border several times would be hit by an accumulation of tariffs. That would make trade prohibitively expensive.



1.6 Trade shifts

Global goods trade was bound for further recovery this year, signalled by the weak rebound in 2024 (1.8%) after the contraction of 2023. We estimated 2.5%-3% growth for 2025 and 2026 in our March Interim Outlook. This was supported by the global trade recovery that we observed since late 2023 (figure 1.8) as well as the positive development in new export orders.

Figure 1.8 Trade war not in global data yet



Source: CPB, Macrobond

Of course, in the current global environment such forecasts need to be scaled back. We now estimate global trade growth at around 1% for 2025 and with some recovery in 2026, to 2%. Reflecting this gloomy picture, new export orders have shifted back into negative territory (figure 1.9). As we will argue below, trade will also shift significantly, away from North America, and the US in particular.

Whilst an adjustment seems obvious, its size, 1.5ppt in 2025 while GDP is adjusted by only 0.5ppt, is arguably large and requires some discussion. Moreover, because global trade clearly continued to grow in Q1, it means in the remainder of the year global trade will have to shrink.

Figure 1.9 Short-lived new export orders revival



Source: S&P Global

To address the latter point first, there is anecdotal evidence that firms frontloaded their trade ahead of the tariffs that had been hanging over the global economy for some time. The picture of trade developments in Q1 2025 can be interpreted as reinforcing this suggestion. Compared to the previous quarter, the volume of trade with the US rose by 12%, exceptional in comparison with the previous quarters (figure 1.10). Trade from China hardly moved, but trade in the rest of Emerging Asia (1.8%), and especially Latin America (5.6%) increased significantly. The interpretation for the latter is that exports from Mexico were frontloaded ahead of tariffs. If this is confirmed by incoming data,⁸ we can expect a downward correction in Q2. That would be the first step in underpinning our forecast.

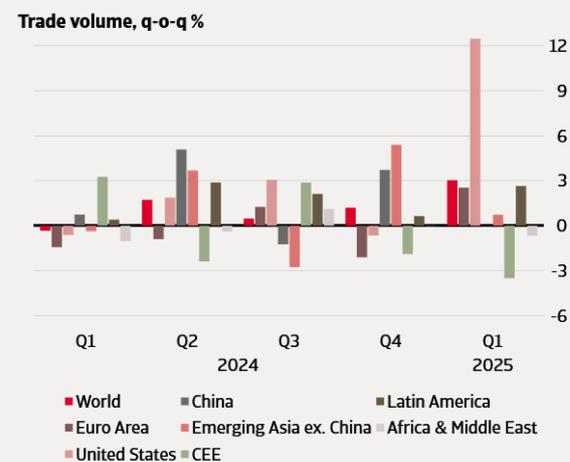
The next step is more fundamental. It relates to the likelihood that, where the global economy is still growing at around 2.5%, trade growth is expected to be 1% and to only marginally improve. The regular reader of our Outlooks may point to the fact that we have often referred to a 1:1 relationship between trade growth and GDP growth, at a global level. That is now being violated, it seems. What is going on, or better: expected to be going on? In essence, two effects are at work.

⁸ So far the Container Throughput Index of major international ports, a point in time measure of international trade, is defying the erratic US trade war policy, at

least until April. The index has risen from 134 in January to 137.2 in April <https://www.isl.org/en/services/rwiisl-containerumschlag-index-0425>.



Figure 1.10 US trade growth momentum



Source: CPB, Macrobond

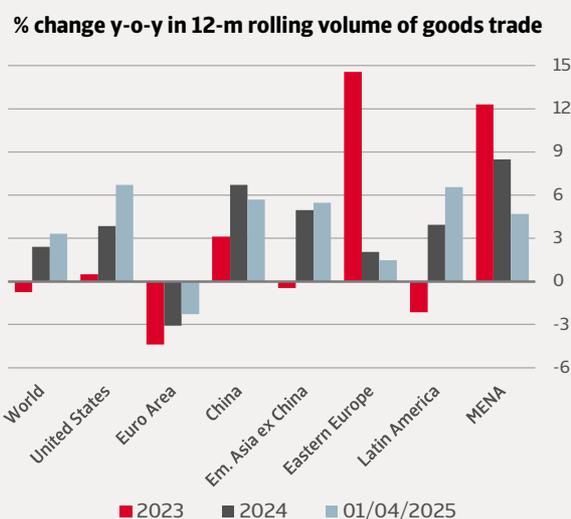
First, it's the impact of the tariff levy as such. Tariffs work to rebalance economic activity in the tariff levying country towards the domestic sector of the economy. Import prices rise with the tariff, reducing imports as goods get more expensive. If the importers also export, their profits will shrink. This is because these firms will most likely be unable to pass on all cost rises, if any, to foreign clients. If domestic prices do rise, firms will switch to the domestic market. That reduces exports as well. The point now is that the reduction in trade, exports plus imports, is to some extent compensated by domestic production. This is because domestic firms can increase their prices and their profits, triggering more investment in that sector. Such effects can be reinforced if the government uses the tariff income to stimulate domestic investment. The overall impact on GDP is likely negative though, as production is moved from the competitive and thus efficient international sector to the less efficient domestic sector. That means then that the same amount of capital and labour produces less. That is one effect.

More importantly, trade simply takes a larger hit than economic activity. This is because what we see is a growing domestic production while GDP growth is shrinking. With GDP growth coming increasingly from the domestic sector, the international sector bears the brunt. It necessarily must shrink more than GDP. That is the fundamental argument why, with tariffs, trade growth shrinks more than GDP growth. The argument holds for any country that is levying tariffs, and retaliation reinforces this effect. Secondly, in the current situation the uncertainty that surrounds the trade policy measures by the United States government is damaging. Not only for the economy, but again more acutely for trade. The point is that, with confidence under pressure because of policy uncertainty, it is the consumption of consumer durables and investments that is mostly affected. Consumers will be

inclined to postpone the decision of spending on durables, rather than on necessities such as food and shelter, if confidence falls. It is consumer durables which are trade intensive. Firms will take a wait-and-see approach and postpone investments, which are relatively trade intensive, and will as forgo entering new export markets. Again, this effect obtains not only for trade war initiator United States, but also for all countries that are involved in the trade war.

With this global picture in mind, we now zoom in on regional developments. First consider what has happened over the past year (figure 1.11). This picture is one of heterogeneity and confirms the above developments in the momentum. Global trade, as measured by the annual growth in the 12-month rolling average, whilst growing at 3.3%, continues to be dragged down by the developments in Europe. Trade with and within the eurozone is still shrinking (-2.3%), albeit to a lesser extent now that manufacturing is somewhat improving with lower interest rates, and consumer purchasing power has improved with inflation coming down. Trade with the United States (6.7%) China (5.7%) and the rest of Emerging Asia (5.5%) is growing much faster than the global average. Latin American trade is also increasing, above the global average.

Figure 1.11 Heterogeneity in global trade



Source: CPB, Atradius

Then, with this picture of pre-Liberation Day trade, the question is how this regional scenario may evolve for the rest of the year and into 2026. In view of our above analysis, it may not come as a surprise that countries most directly involved in the trade war will be most affected. With the epicentre of the trade war in the US, Canada, Mexico and China, these countries are set to take a significant hit, to both economic activity and, even more markedly as we have argued, trade. For the US and China, a trade embargo may be off the cards given the recent



developments; the remaining mutual tariffs are significantly higher than before. Whilst US imports will shrink, the corresponding Chinese exports will at least partially land elsewhere, including in Europe. For China the impact on trade will therefore be less severe. This is reinforced by the stimulus package that China is expected to put in place to keep up its GDP growth at around 4%, triggering additional trade. US trade with Canada and Mexico will clearly take a hit, especially with Canada, as that country is putting retaliatory measures in place. The situation will improve in 2026 as over that year, a new USMCA agreement will be put in place. For Europe, which is less affected by the tariffs, the situation is different. It will face the prospect of China diverting trade into its territory. Moreover, the underlying improvement in trade, given the manufacturing recovery (albeit weak) and higher consumer spending, will continue. In short, what we see is global trade now being dragged down by North America. China trade is much less affected and European trade may get a boost, although via the import side. This marks a fundamental shift in trade patterns.

1.7 Commodity prices take a hit

As was the case with, the Liberation Day trade shock has also impacted commodity prices. Indeed, prices plunged, after which volatility took over. Between 2 April and 8 April the price of Brent oil declined by more than USD 12 per barrel, the 11th worst decline over such a period since 1990. This more than 16% decline may have been exacerbated by the OPEC+ announcement of production expansion by 2.2 million barrels per day (mb/d) in early April. Still, during the same period copper prices fell by 11% as well. Subsequently, volatility in both benchmark commodities' prices rose, from a level that was already at its highest since the 1970s. In our benchmark forecast, we expect this downward pressure on prices for energy and metals to continue in 2025, but to weaken in 2026.⁹

Aggregate demand fall dominates

The question is where such price plunges precisely come from. Two effects are at work. The first comes from overall economic activity that is expected to weaken due to the tariffs as such and the uncertainty that surrounds these. Demand for commodities, especially industrial commodities such as energy and base metals, lessens with weaker economic activity. This is the aggregate effect, with a clear downward impact on commodity prices.

The other specific effect concerns commodities that are directly hit by tariffs, such as steel and aluminium. Here the impact is more ambiguous. If in highly integrated global commodity markets, imports subject to new tariffs can be substituted easily by domestic sources or imports from non-tariff countries, the impact may be limited. Trade will be rerouted, becoming less efficient and thus more costly. But supply and demand will not be fundamentally affected and neither will prices. This will not apply if trade diversion opportunity does not exist. This is especially the case if commodity flows between tariff-hit countries are large. In these cases, demand and supply concerning a commodity will be significantly affected, as will most likely the price. An example comprises soya bean exports from the US, which have been hit by Chinese tariffs. As alternative (non-tariff hit) suppliers were difficult to find, especially in the short term, prices were pushed up. These alternative suppliers could become impossible to source if the tariff on commodity imports is applied universally, as in the case of steel and aluminium in the US. We wish to highlight the fact that the aggregate and disaggregate effects run against each other, with the former pushing down prices and the latter pushing them up. Given the reaction of the commodity markets around Liberation Day, the former effect has dominated so far. This is not surprising if one considers that it is uncertainty around the tariffs rather than the tariffs themselves that has prevailed so far.

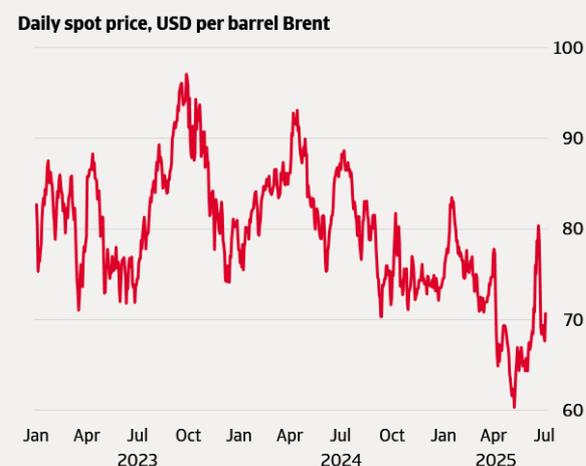
OPEC+ under pressure

The most recent spate of tensions in the Middle East involving the Israeli attack on Iran, supported by US bombers, has pushed up oil prices again to USD 80 per barrel Brent at the time of writing (figure 1.12). This reflects a typical reaction seen in the case of surge in geopolitical tension, especially in the Middle East region. It just interrupts an underlying downward trend in the oil price that we see unfolding in 2025 and 2026, towards USD 60 per barrel, barring a continuation of current tensions. This trend is the result of mutually reinforcing developments on the supply and demand side.

⁹ This part of the Outlook draws on the World Bank's Commodity Markets Outlook, April 2025.



Figure 1.12 Oil price geopolitical sensitivity



Source: Macrobond

Let us start with the supply side. Since November 2023, OPEC+ has an agreement in place of voluntary supply cuts of 2.2 mb/d to put a floor under the oil price. The spare capacity that came with this allowed for a cap in the price as well, only to be breached in the case of heightened geopolitical tensions. Nonetheless, the cartel proved unstable as some members, including Kazakhstan, overshot their production quota. To re-establish cohesion in the group, it was agreed to up the previously agreed monthly incremental production of 135,000 barrels per month to 400,000 in early May.

Meanwhile the oil supply had gone up by 0.2 mb/d in Q4 2024 and 1.3 mb/d in Q1 2025 y-o-y. OPEC+ supply fell by 0.8 mb/d in Q1 2025, with supply in Latin America and the Middle East and Africa increasing. Russian production was stable, as exports to China, India and Turkey continued. For 2025, the oil supply is expected to expand by about 1.2 mb/d towards 104 mb/d. OPEC+ is expected to regain market share, while the US supply growth will remain far below the 0.7 mb/d in 2024 as the current oil price is challenging for new drilling projects. Significant expansion is expected in Canada, Guyana and Brazil, adding 0.4 mb/d in 2025.

Oil consumption increased 1.2 mb/d y-o-y in Q1 2025, a slight acceleration of growth in Q4 2024. China's demand growth accelerated in both quarters, while demand from the advanced economies also increased. Over 2024, growth of China's oil demand decelerated, as was the case in Europe and Central Asia. A significant part of the China deceleration is due to the increased penetration of electric vehicles which has meanwhile reduced oil consumption by 0.45 mb/d.

For 2025, global oil demand is set to rise by only 0.7 mb/d. This relatively low growth is due to weakened global economic activity arising from the trade war, especially in India,

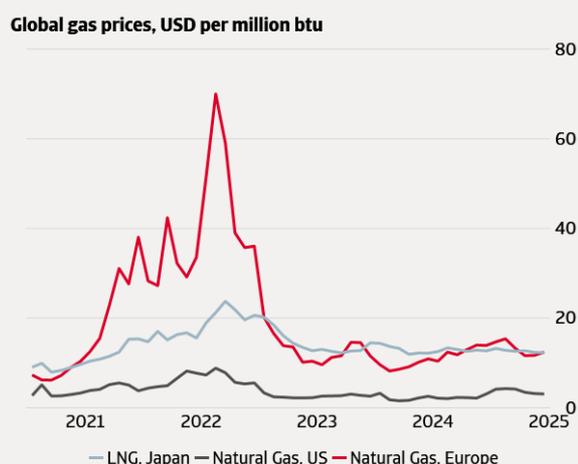
Indonesia and Vietnam. An underlying longer-term deceleration of the oil intensity of economic growth accompanying the energy transition is also at play. In 2026 consumption is expected to grow weakly in China and to fall somewhat in the advanced economies; other emerging economies are expected to show solid consumption growth.

The balance between supply and demand was especially helped by OPEC+ supply management, reducing the supply surplus to 0.2mb/d in 2024. In Q1 the surplus rose to 0.7 mb/d, a picture that is expected to be sustained during the year. OECD stocks declined in Q4 2024, continuing into February this year. The refilling of the US Strategic Petroleum Reserve, used by the US administration to manage rising oil prices, bounced back in March after a brief interruption a month earlier. It is still at a relatively low level.

Gas prices going up

Natural gas prices went up in Q4 2024, with the World Bank index 66% higher than at the beginning of the year. The US Henry Hub rose 70% q-o-q in Q1 2025 reflecting strong demand both domestically and externally, partly due to a cold winter that also temporarily affected US production. Over the same period the European benchmark rose by a much smaller 6%, with pressure from lower inventories outweighing less competition from East Asia for LNG supplies. The benchmark LNG for Asia remained steady as demand was soft thanks to mild weather (figure 1.13).

Figure 1.13 Natural gas prices converge



Source: IMF, Macrobond

The Liberation Day announcement caused prices to fall, with the Henry Hub dropping by 15% in a couple of days amid concerns of weaker demand due to lower economic activity. Despite this the price of natural gas is expected to rise in 2025 on the back of the strong Q1 data already posted. The US



benchmark is expected to climb by 51% y-o-y, followed by a modest rise in 2026. For European gas a modest rise in 2025 and a decline in 2026 is forecast, as more LNG will come to the market and the refilling of East Asia inventories stops in 2025. A similar pattern as for the European gas price is expected for Asian LNG, with the level of the latter somewhat higher.

Supply rose in 2024 by 1.2%, mainly driven by Russia. The Russian production level is now back to that of 2020, with LNG compensating for the loss of pipeline gas. US production was stable last year despite low prices, helped by rising oil output that drove an associated gas production. The US remained the world's largest LNG exporter, with 50% going to the EU, up 10ppt from 2023. China imports of LNG were strong as well. During 2025 and 2026, supply will further increase, divided almost evenly over the production regions in the Middle East, US, Eurasia and Asia Pacific. A major expansion is expected in Qatar during 2026, covering almost half the forecast production increase.

Consumption went up by 2.7% in 2024, a tripling of 2023 growth. Asia Pacific and Russia accounted for almost two-thirds of the pickup as demand from their power and industrial sectors went up. Lower prices supported North American consumption (1.8%), while demand in the Middle East grew as power generation and industrial activity rose. European demand was stable after two years of decline following the Russian invasion of Ukraine. The rise in demand is expected to continue in 2025, albeit at a somewhat lower pace. In 2026, further growth can be expected, especially in Asia Pacific and the Middle East, while Europe and North America are likely to see a decline.

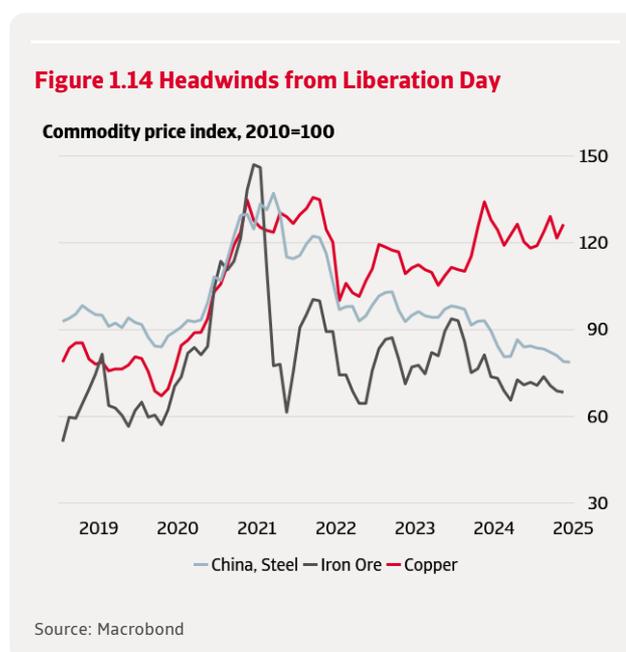
Gradually phasing out coal

The price of Australian coal fell by 5% in the four days after Liberation Day. This came on top of the decline in Q1 2025 after demand from China and India slowed. The coal price is forecast to fall significantly in 2025 and further in 2026, reflecting lower economic activity, while the demand for power in EMEs leads to a higher demand from that source. The result is that consumption is set to rise over the forecast horizon. At the same time, production is expected to come down. India is the only country where production is expected to rise. In the US, Australia and Indonesia production is forecast to come down, while in China a plateau will be reached. All this points to a gradual, though still slow, phasing out of coal.

US steel prices surge

For steel and aluminium imports into the US, tariffs of 25% were imposed in March, with no exemptions. In early June, the figure was doubled to 50%. Copper imports were investigated by the US in late 2024 but no tariffs above the 10% standard levy have been imposed so far. That also holds for other base metals, such as iron ore.

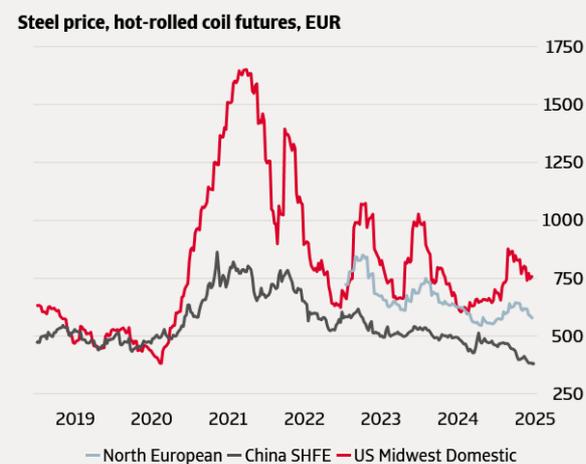
Based on what we have discussed in the Introduction these markets will face headwinds from lower demand, reducing prices as from Liberation Day (figure 1.14). While there's upward pressure on steel and aluminium prices in the US market from the tariffs, in other markets there's additional downward pressure on prices as steel mills divert trade, for example to Europe.



What we then observe for steel price prices is indeed a significant increase in the US, with prices now about 40% higher (figure 1.15). In China prices are trending down, whereas in Europe they are stable for now. Apart from the tariffs and uncertainty coming with the trade war there is a structural overcapacity in the steel market, especially in China. In that country, moreover, demand is weak because of the slump in the property and construction sectors. In the EU, demand is weak as activity in manufacturing and investment, both steel intensive, is muted. We expect this pattern of relatively high, tariff supported, US prices, weak EU prices and gradually declining steel prices in China to continue. For sustained price recovery, a reduction of overcapacity is needed.



Figure 1.15 Make US steel prices high again



Source: Macrobond

Iron ore is a major input for steel production. Prices of the commodity were largely unchanged in Q1 2025 on average, initially rising in conjunction with US steel prices and then falling back as China prices fell on weak demand. The same reason as for China steel price weakness holds for iron ore: property and construction weakness. This keeps demand for iron ore subdued over the forecast period. Then, with mines in Brazil and Australia gearing up supplies, along with additional supplies from West Africa, prices are set to drop: 13% in 2025 and a further 7% in 2026.

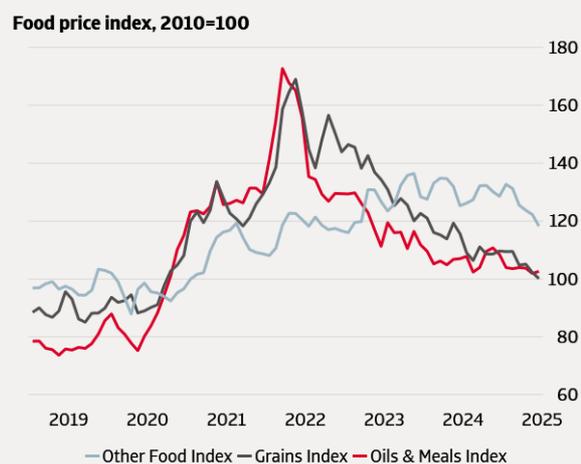
Copper prices rose in Q1 2025 before the Liberation Day hit. In March concerns over tariffs, originating in the investigation into US copper imports, lifted prices by 9% since the end of 2024. Traders in the US were building inventories in anticipation of tariffs. After that, and specifically after Liberation Day, lower global growth expectations and trade tensions started to dominate, and prices fell back. This picture is not expected to change a lot. Consumption of copper is expected to grow at a subdued pace, also because of the continued weakness in the property and construction sector in China. On a more positive note, the use of copper in renewable energy, including EVs, power grids and datacentres, is offsetting this demand pressure. Despite this, prices will fall in 2025, by around 10% and then marginally in 2026. This is supported by additional output that will come on stream from Africa, East Asia, Russia and South America.

Declining food prices continue

Given that food is a necessity, the reduced global activity from the trade war is expected to have a more limited impact on prices. This is indeed what is being observed, with prices marginally down in Q1 2025 q-o-q, supported by better growing conditions in South America (figure 1.16). Due to

ample supply conditions food prices are forecast to decline significantly in 2025 and then stabilise in 2026.

Figure 1.16 Food prices continue to slide



Source: Macrobond

Let us take a brief look at the underlying indices. As to the grains, prices dropped for wheat and maize in Q1 2025 due to demand sluggishness and better growing conditions in Argentina and Brazil. For rice, the price slumped by 29% y-o-y as weather conditions improved and India lifted export restrictions, with Vietnam expected to have a promising harvest as well. This development leads to a significant price decline in 2025, after which stability is expected to kick in. Oils and meals faced substitution towards lower priced (crude) oil from biofuel feedstock demand and trade barriers imposed by China on US soya shipments, along with additional supply. Soya prices dropped 21% y-o-y in Q1 2025, much steeper than the 7% decline of the index. Overall, more favourable food oil supplies will also help lower the price forecast for 2025 of 7% decline, with stability in 2026. Other food, including sugar, meat and fruits, remained broadly stable in Q1 2025 as lower sugar prices continue to offset price rises in meat. The index is forecast to decline by 5% in 2025 and remain stable in 2026.



1.8 No worries about inflation revival

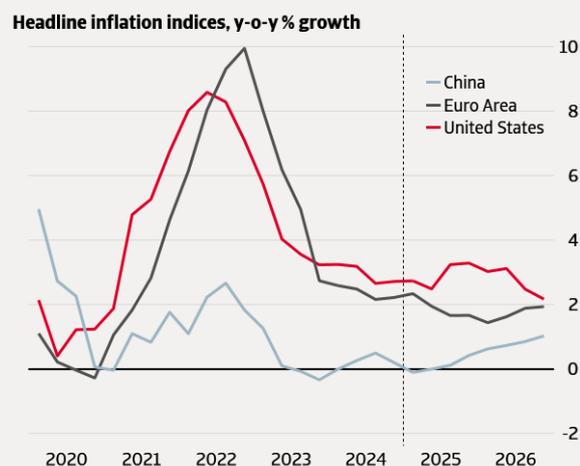
We have already argued that tariffs will drive up inflation for the country that hikes the tariffs. This is simply because import prices go up, which will have to be passed on, ultimately to consumers, raising the price level in the whole economy. Any country, the US as well as the retaliating countries, will face this effect, which is softened if the currency of the hiking country appreciates with the expected lower trade balance deficit. The inflationary impulse may be a one-off, or may set in motion an inflationary price spiral if wages start to rise as well, creating further momentum..

We do not think, however, that this textbook impact analysis will play out this time around, even though the US dollar has depreciated, contrary to what we would expect. Several reasons support our view.

First, the current US tariff structure has a base rate of 10%, which has an impact but is not exceptional. Second, the tariffs contain quite a few exemptions (see table 1.1), softening the impact on crucial durable consumer products such as smart phones, electronics and computers imported from China. Third, with the current tariff structure we consider supply chain issues of lesser relevance. This would be the case if the US and Chinese economies completely decouple by using effectively trade embargo tariff rates of 125%-145% on imports – which we do not expect. Fourth, and perhaps most importantly, the uncertainty that US trade policy injects into the economy as well as the impact of tariffs as such reduces demand for investments and consumer durables, or more generally, spending. The brakes are put on economic activity, bringing it below capacity. This will generate downward pressure on prices and wages, taking away the fear of a wage price spiral. Fifth, except for some commodities such as steel in the US, the previous section has shown that commodity prices, including crucially, oil, are on a downward trend. A repeat of the energy crisis in combination with a rise in food prices after the Russian invasion in Ukraine is, barring an escalation of the Middle East tensions, not on the cards.

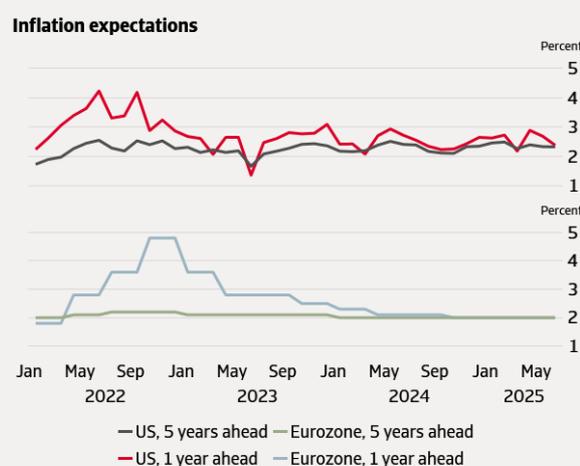
Therefore, whereas some impact on inflation in the US from the tariffs can be expected, it will be temporary. For the eurozone, where very limited tariff hikes are expected and the currency has also appreciated, the impact would even be more limited. For China, with its deflationary environment, the inflationary impact of its tariffs is not an issue at all (figure 1.17). With rates moving at or slightly above central bank targets, inflation will not be a major concern over the forecast period. Inflation expectations in the US and eurozone support this view (figure 1.18).

Figure 1.17 Temporary inflation boost in US



Source: Macrobond

Figure 1.18 Inflation no major worry



Source: Federal Reserve, ECB, Macrobond



1.9 Monetary policy difference unsustainable

With the above picture of inflation control in mind, one might think monetary policy for the three main economic blocs is straightforward. Rates can be lowered, or more broadly, monetary policy can be eased, now that inflation is under control, in the eurozone and to some extent in the US as well. In China a much stronger intervention is needed.

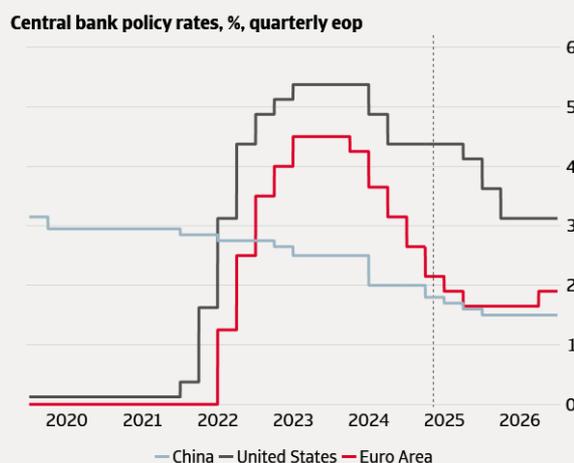
This is too simple a representation of reality, especially for the US. First, we have fiscal policy to consider as well, the subject of the next section. If it's expansionary, which is the case in the US, a dose of monetary easing, by way of interest rate cuts, may provide too much stimulus. It would push up inflation, precisely a metric the Fed in this case is supposed to control. Second, and more importantly, our view on inflation outlined above is one founded on our baseline assumptions. These need to hold, which is also what the Fed has to consider. That is a big question mark with current US trade policy as we have seen, as it's highly uncertain and can move in all directions. This includes a scenario where, with a strong injection of fiscal stimulus accompanied by a worse-than-expected outcome of the trade war, inflation flares up. Alternatively, a worse-than-expected trade war may depress economic growth, pushing the US into recession while inflation hardly budges. The Fed is therefore on a wait-and-see line of policy. Or, as they phrase it, policy steps are incoming-data driven, arguably more than ever. Indeed, since the election of the new US president, the Fed has not moved the main policy rate an inch, keeping it at 4.5%.

In our baseline scenario this is unsustainable. This is not because the Fed is supposed to bow to White House demands of lower rates. Rather, incoming data, as we expect, will show an inflation level that only gets a temporary boost and then moves back to its Fed target trajectory. At the same time, economic growth gets a severe hit as we have seen, which will become visible in the course of 2025. That very decline of GDP growth, and accompanying labour market loosening, will trigger rate cuts. The process will continue in 2026 (figure 1.19). It will move the policy rate below what we have earlier calculated to be the neutral rate of interest of 3.5%, which is a (estimated) fixed rate of interest of 1.5% plus inflation (expectation). That would indeed stimulate the US economy.

Meanwhile, the ECB has already taken several steps to ease monetary policy, cutting the policy rate by 1ppt to just above 2% since the Trump election. The eurozone is in a much more comfortable position than the Fed. GDP growth was (much) weaker than the US before the trade war started, with inflation lower. The trade war, moreover, also triggered the inflation reducing impact of a euro appreciation versus the USD, helping mitigate the inflationary impact of tariffs it may levy in retaliation, if any. For the eurozone, we assume a neutral rate

of 1.75%, the (estimated) fixed rate of -0.25% plus inflation (expectation). This signals that the monetary stance is still somewhat restrictive so there may be more room for rate future cuts (see next chapter). This is reinforced now that the growth recovery over the forecast horizon that we previously expected is stalled.

Figure 1.19 Interest rate convergence ahead



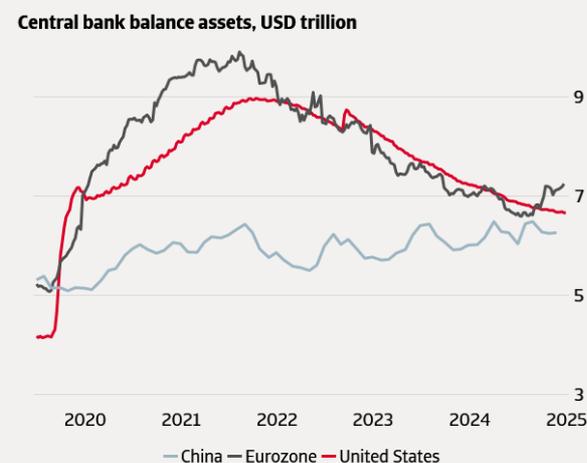
Source: Oxford Economics

As to China, the interest rate cut that has been implemented since the trade war is almost negligible, although we do expect more cuts in small steps. We note that the room for rate cuts from the current level of 2% seems limited, although the deflationary stance the Chinese economy is in may warrant a more aggressive approach. The neutral rate of interest is about 1.6%, suggesting the rate is restrictive, lending further support to this. For now, we expect the Chinese authorities to rely on fiscal measures to support the economy.

As a currently more or less autonomous process, the balance sheets of the various central banks continue to shrink (figure 1.20). The pace of this process, in fact monetary tightening (QT), seems relatively slow, with the US reducing the size by USD 200 billion to USD 6.67 trillion. The balance sheet of the ECB has even increased in USD-terms, rising by USD 400 billion to USD 7.13 trillion. Make no mistake, this reflects the EUR appreciation versus the USD, rather than a review of QT. The Chinese central bank size does not reflect any use of QT, or QE for that matter. It has remained stable since late 2020.



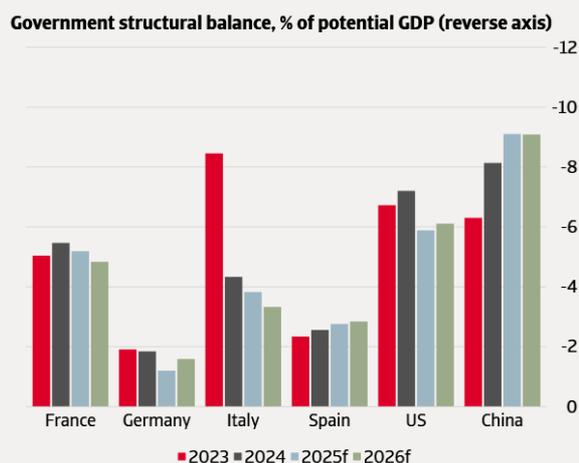
Figure 1.20 Further balance sheet reduction



Source: Macrobond

The trade war, in short, is a shock to public finances. The question is now if this shock raises sustainability issues, for the US and perhaps other countries. To answer this question we take stock of the situation in the major economies (figures 1.21 and 1.22).

Figure 1.21 Stimulus being contained



Source: Oxford Economics, Macrobond

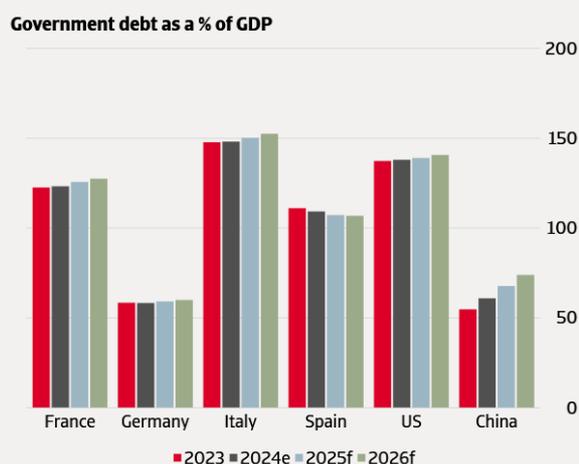
1.10 Public finance concerns worsen

The trade war is also having a significant impact on public finances. We have seen that, especially in the country that initiated the trade war, the US, economic activity is taking a hit. This is caused by uncertainty, dampening spending by consumers and firms, as well as by the impact of lower purchasing power that comes with rising prices. Less economic activity means lower tax revenues. This is unlikely to be outweighed by higher revenues from the levies of tariffs on imports, if only because tariffed imports will shrink.

Furthermore, for the US in particular, borrowing costs have risen, implying that the government will have to pay more interest to service its debt. The Fed cannot come to the rescue as we have seen, at least in the short term. The effect of higher borrowing costs is aggravated by the weakened US dollar, which leaves foreign investors with lower local currency income, leading them to demand higher USD interest rates. The impact can be very substantial, even curbing the war as such (figure 1.3).

Countries that do not levy tariffs in response to the US levies, face lower exports, and economic uncertainty. The impact however will be much less as we have argued before. Inflation will not be affected, or may even be lower due to the currency appreciation. Borrowing costs are hardly affected, and there may even be an upside, due to the appreciated currency.

Figure 1.22 High debt ratios in US, France and Italy



Source: Oxford Economics, Macrobond



US debt pile continues to increase, but remains sustainable

In 2024 the structural government deficit (which is corrected for the business cycle) in the US edged up to 7.2% of GDP (6.7%), suggesting stimulus to the US economy. Whereas spending without interest costs and revenues has edged back to pre-pandemic levels (as % of GDP), interest costs rose 1.4% point of GDP. That and the size of the deficit highlights the question of debt sustainability. This is underscored by the debt-to-GDP ratio, which stood at an estimated 138% (137%) at year-end.

The latter figure looks high if one considers the gross benchmark of 85% that the IMF uses for advanced economies. It is high, even taking into account the what is called the 'exorbitant privilege' benefiting the US due to the reserve currency status of the USD. Markets are able to absorb this debt level, as long as the US economy thrives. That, as we saw above, was called into question when the trade war escalated on Liberation Day.

Our current view is that the debt-to-GDP ratio is expected to marginally edge up, remaining sustainable over the forecast horizon. This is because economic growth still looks positive over the forecast horizon, barring trade war escalation. The federal deficit will remain high (above 6% and moving towards 7% in 2026). The One Big and Beautiful Bill (see section US) signed into law on 4 July is not a gamechanger.

China's public finances allow room for stimulus

China's debt-to-GDP ratio is at a completely different, and more sustainable, level compared to that of the US. That said, public debt has increased relatively rapidly to 60% of GDP currently, from 54% in 2023. This is in part due to a substantial increase in government stimulus, moving from 6% to 8% of GDP in 2024. The Chinese authorities have the room and the need to do this, given that the economic growth rate is in structural decline and standards of living in need of improvement. The impact of the trade war reinforces this. We indeed expect stimulus to happen, with the structural deficit moving further to 9% of GDP over the forecast horizon. This will consist of a series of measures, including support for tariff-hit companies and households, boosting services consumption and facilitating domestic consumption of foreign bound goods.

Major EU economies show pockets of concern

Debt-to-GDP levels in France, German, Spain and Italy barely budged in 2024, with levels in France and especially Italy high, Spain in between, and low in Germany (even below the 60% EU threshold). France's deficit looks unsustainably high and is hardly declining. Italy's is declining rapidly, whereas the level of Spain is not an issue, let alone that in Germany. The trade war, as it is currently unfolding, is not changing our view for these countries.

What will be of greater impact is that the geopolitical situation requires gearing up defence spending in Europe. Moreover, with the removal of the debt brake 'Schuldenbremse' in Germany, constitutional restraints to increasing government spending have been lifted. This will not immediately translate into a spending spree by the German government. But it is clear that the German deficit will gradually increase, certainly beyond the forecast horizon, that helps the ailing German growth figures. For France, further containment of public finances is inevitable, if a correction by the financial markets is to be avoided.

1.11 Trade war escalation

The above forecasts are predicated on the current stance of the trade war effectively becoming permanent after the pause periods meant for negotiations have expired. The forecasts also depend on an agreement between the three parties in the USMCA in the course of 2026. This set of assumptions is surrounded by an exceptional level of uncertainty. Matters could end up better, but also much worse. In a downside scenario, the impact for the US is more severe, whereas the effect for the countries that retaliate, including China and the EU, is now much more similar to that for the US alone in the baseline.

Let us assume, the US proceeds with the country-specific 'reciprocal' tariffs announced on Liberation Day as from 9 July. And that it also removes key exceptions such as those for pharmaceuticals, while USMCA negotiations fail. This triggers retaliation from the EU, Canada and Asian countries, while a further round of US tariffs is avoided. The effective average tariff goes up to 32%, from 7.8% in the baseline and stays in place over the forecast horizon.

Second, consumer and business confidence takes a further hit in the US and weighs on demand as the spending delay among consumers and firms deepens on durables and investments. The result is a confidence shock of about one quarter of that seen during the Great Financial Crisis of 2008-2009.

Third, investor sentiment weakens as well, causing the stock market to fall, pushing US equities 30% below the baseline. Treasury yields in the US climb 0.25% above the baseline, with the USD further depreciating around 5% against major currencies of other advanced economies. This creates adverse wealth effects and reinforces the consumer confidence hit. Likewise, it raises the cost of capital, an additional hit to investments.

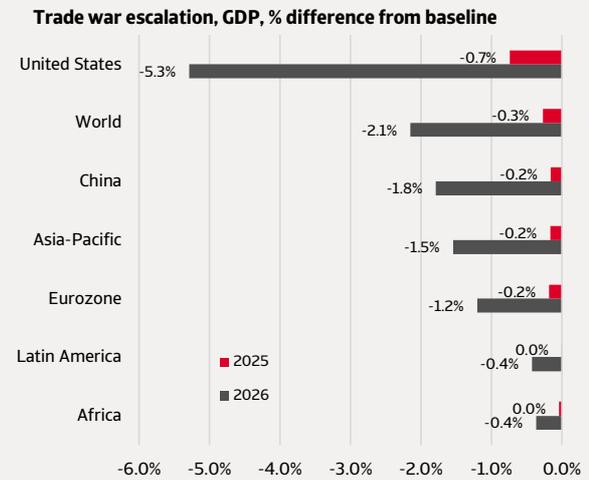
Fourth, trading partners face higher tariffs and weaker domestic US demand. Global trade shrinks, moving 10% below the baseline by the end of the decade. For these countries that comes on top of the weaker sentiment and reduced asset



prices, reinforcing the impact of those effects. Decoupling of various economies from the US implies severe supply-chain disruptions causing cost and price increases on top of those directly related to tariffs. These are comparable to those seen during the pandemic. These price rises are partially offset by lower commodity prices, including those for energy, with the oil price 20% below the baseline in 2026. Overall, the impact is one of further worsening the hit to real incomes and demand.

Fifth, as inflation initially sharply rises, the weak demand then lowers it. The Fed, after an initial delay, moves with sharp rate cuts to support the US recovery. The picture that we see unfolding is one where rate cuts are postponed until 2026 and then move below 1.5% in 2027.

Figure 1.23 US bears the brunt of trade war escalation



Source: Oxford Economics, Atradius



2. Advanced economies



2.1 Trade war drags down growth prospects for advanced economies

Tariffs and elevated geopolitical uncertainty are dragging on economic activity across major advanced economies. As a whole, we foresee the group of advanced economies' real GDP growth shifting down a gear to 1.3% in both 2025 and 2026, from 1.8% in the preceding two years. This forecast is just 0.2ppt lower for 2025 than we estimated in our March Outlook but 0.5ppt lower for 2026. The reason for the sharper 2026 revision is because we no longer expect a significant recovery in the US, fuelled by fiscal stimulus. Instead, the gains from extending tax cuts will be more deeply offset by tariffs and other policy uncertainty, undermining the trade and investment outlook.

Debt sustainability concerns are rising across advanced markets, limiting the toolkit to counter the trade-war-induced slowdown. As discussed in the previous chapter, widening deficits and the higher cost of borrowing in the US are pushing the public debt stock up further as the global appetite for US debt eases. Debt in the eurozone is stabilising but several major economies like France and Italy will see their debt ratios exceed 100% of GDP before the end of 2026. Japan's public debt is now over twice the size of its economy and its bond yields are also reaching levels not seen since 2008. This limits countries' capacity to boost spending to offset some of the negative external consequences of greater trade uncertainty.

Table 2.1 US slowdown drags down AE growth

Real GDP growth, major markets, % y-o-y

	2024	2025*	2026*
Eurozone	0.8	1.1	0.8
United States	2.8	1.5	1.8
Canada	1.6	0.8	0.3
United Kingdom	1.1	1.1	0.9
Japan	0.2	0.8	0.3
Advanced economies	1.8	1.3	1.3

Source: Oxford Economics, Atradius (* forecast)

2.2 Eurozone: subdued growth

Growth in the eurozone is projected to be 1.1% in 2025 and 0.8 in 2026, broadly on a par with the growth rate in 2024. Compared to our March Outlook, the GDP outlook has remained the same for 2025 and was revised down 0.3ppt for 2026. The downward revision is the result of increased tariffs and heightened uncertainty caused by the abrupt changes in US trade policy. We assume that the US will keep the 10% universal tariff on EU member states beyond the 90-day extension, as well as the 25% tariff on autos, steel and aluminium, plus the exemption of products such as copper and pharmaceuticals. But the risks are clearly tilted to the downside. An escalation of trade tensions between the EU and the US could further weigh on growth and renew inflationary pressures. There could also be indirect negative effects on the eurozone from trade tensions between the US and other major trading partners.

In Q1 2025, the eurozone economy grew by 0.6%. Country-level figures also point to a broad-based expansion, with Germany's economy expanding by 0.4%, France by 0.1%, Italy by 0.3% and Spain by 0.6%. Ireland's GDP was up by almost 10% quarter-on-quarter in Q1, primarily due to a surge in pharmaceutical exports in anticipation of US tariffs. The eurozone GDP breakdown by expenditure components shows that the recovery was driven mostly by net exports, due to the frontloading of exports ahead of US tariffs, and by fixed investment.

Recent survey data, which could give an indication of growth in the coming quarters, paint a mixed picture. The Economic Sentiment Indicator (ESI) of the European Commission showed a modest improvement in May, to 94.8, but remains below the neutral level of 100. The Purchasing Managers Index (PMI) declined slightly to 49.5 in May, just below the neutral level of 50. The manufacturing PMI has unexpectedly improved since the start of this year but remains in contractionary territory (49.4). On the other hand, the services PMI shows a deteriorating trend and is now at approximately the same level as the manufacturing PMI. Overall, the survey indicators align closely with our expectation of a slow but steady eurozone expansion.



Table 2.2 Growth in the eurozone remains subdued

Real GDP growth, % y-o-y

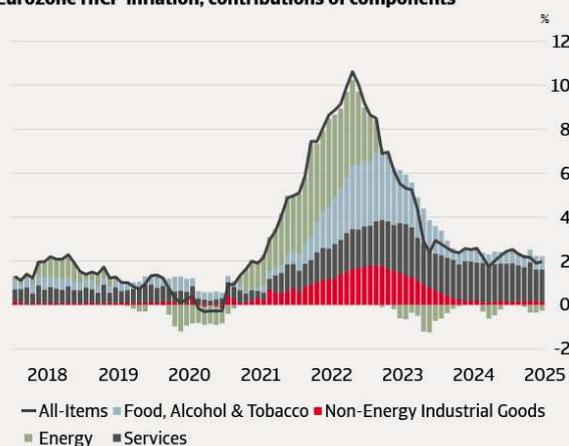
	2024	2025*	2026*
Austria	-1.1	0.1	0.9
Belgium	1.0	1.1	1.4
France	1.1	0.5	0.7
Germany	-0.2	0.2	0.9
Greece	2.3	2.1	2.0
Ireland	1.3	9.0	-4.3
Italy	0.5	0.5	0.4
Netherlands	1.0	1.1	0.8
Portugal	1.9	1.6	2.1
Spain	3.1	2.5	1.7
Eurozone	0.8	1.1	0.8

2.2.1 Inflation continues to normalise

Eurozone inflation continued to decline in the first half of 2025, reaching 1.9% in May. Core inflation (CPI excluding food and energy) has remained somewhat above the headline inflation rate in the past months. Services inflation, which is part of core inflation, remains elevated. However, May's figure points to a long-awaited cooling, primarily due to decelerating wage growth. Subdued oil prices kept the contribution of energy to inflation in negative territory in the past three months. Inflation in non-energy industrial goods is also benign.

Figure 2.1 Inflation closing in on ECB target

Eurozone HICP inflation, contributions of components



Source: Eurostat, Macrobond

In the coming months, inflation is projected to continue its gradual decline. We think the disinflationary effects of the adverse demand shock due to the escalation in trade tensions

will outweigh possible inflationary supply-side shocks. Energy prices are impacted negatively by the heightened trade tensions. Furthermore, as the trade relationship between the US and China is distorted, competitive pressure on non-energy industrial goods in the eurozone will intensify. These forces are partially offset by higher inflation in food and services. We expect the inflation rate to average 2.0% this year, followed by 1.7% in 2026. After 2026, due to increased German defence spending, inflation is projected to temporarily rise above 2%.

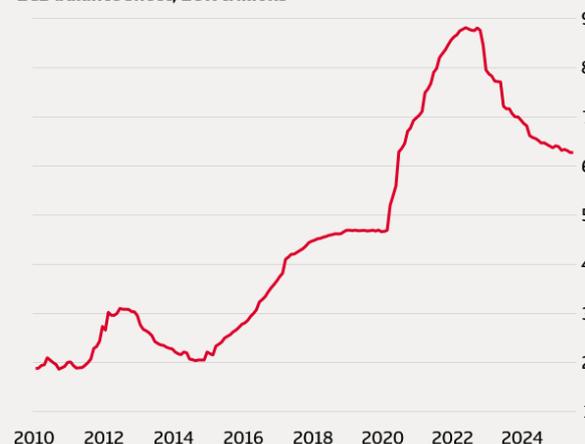
2.2.2 ECB nearing the neutral rate

The ECB delivered an expected rate cut of 25 basis points at the June meeting, bringing the total number of rate cuts since June 2024 to seven. ECB president Lagarde stated the central bank is now well-positioned for the uncertainties of the coming months and that there is no point in discussing the direction of travel for policy. We think that one or two further rate cuts this year could be possible, due to the drag from increased uncertainty on growth and the ECB's own downward revision of inflation forecasts. The ECB cut its headline inflation forecast markedly to 1.6% for next year on the back of lower energy prices and a stronger euro. However, these rate cuts are unlikely to occur before September. We think the ECB will first want greater clarity over the outlook for trade policy before implementing additional easing.

The ECB has ended reinvestment under the Pandemic Emergency Purchase Programme (PEPP) since late 2024, while it continues to reinvest the principal payments under its Asset Purchase Programme (APP). Over the past twelve months, the ECB balance sheet has shrunk by an average of EUR 21 billion per month. At the current rate it would take another six years before the balance sheet size is back at the pre-pandemic level.

Figure 2.2 ECB balance sheet continues to shrink

ECB balance sheet, EUR trillions



Source: ECB, Macrobond



Data on bank lending and credit standards paint a mixed picture. The ECB's Q1 2025 bank lending survey pointed to a small tightening of credit standards on business loans, driven by higher perceived risks related to the economic outlook. Banks reported a moderate easing of credit standards on mortgage lending, while standards on consumer loans tightened. Bank lending growth has been gradually increasing, with household lending rising by 1.9% y-o-y in April 2025, and lending to non-financial corporations growing by 2.6%.

2.2.3 Trade war weighs on exports and investment

Global goods trade recovered steadily in 2024. Towards the end of 2024 and in early 2025 trade growth appears to have benefited from frontloading of imports to the US ahead of the looming tariffs. However, we expect only a very modest 0.6% export growth this year and 0.1% in 2026. This is largely driven by lower global demand for goods and price competitiveness losses on the US market. The appreciation of the euro vis-à-vis other currencies is set to amplify these effects.

After a 2.0% contraction in 2024, we expect modest fixed investment growth in 2025 and 2026. With a growth rate of 0.9% and 0.8%, however, the expected rebound is weaker than we expected six months ago. Depressed capacity utilization and heightened uncertainty are weighing on investment. Moreover, despite ongoing easing of monetary policy, the adverse and volatile market response to trade tensions negatively affects financing conditions. After contracting for two years, residential construction is poised to recover in 2025 and 2026. Changes in credit conditions have been slightly more favourable for households than for corporates.

Figure 2.3 Export order books assessments have worsened



Source: Eurostat, DG ECFIN, Macrobond

2.2.4 Tight labour market begins to cool

The modest GDP growth achieved in 2024 still led to small-scale employment expansion. The job intensity of growth has begun to decline from high levels and is expected to normalise further in the coming two years. Survey indicators also point to muted employment growth expectations. The European Commission's employment expectations indicator was at 97.0 in May, below the neutral level of 100. Sentiment about hiring is positive in construction, neutral in the retail sector, and negative in the industrial and services sectors. The unemployment rate is expected to remain more or less flat in 2025 and to increase modestly to 6.5% in 2026.

Household consumption is forecast to grow by 1.4% in 2025, followed by 1.5% in 2026. Private consumption is still underpinned by modest gains in employment and wage growth, along with decelerating inflation. The tight labour market continues to drive wages upwards. However, wage growth is gradually adjusting to the reality of a lower inflation rate, and we expect nominal wage growth to continue to moderate in 2025. Negotiated wages increased by 2.4% in Q1 2025, down from 4.1% in Q4 2024. A risk for consumption growth is the declining consumer confidence since the start of 2025. Deteriorating confidence suggests that consumption growth might be restrained by precautionary saving.

2.2.5 Higher fiscal spending on defence

We forecast the eurozone structural budget balance to decline from 2.8% in 2024 to 2.7% in 2025 and 2.4% in 2026. This means the fiscal position is improving slightly, after accounting for the economic cycle and temporary measures. The government debt ratio in the eurozone is projected to increase slightly this year and in 2026. This is driven by slowing nominal GDP growth due to falling inflation, while primary budget deficits continue to weigh on debt dynamics. Five eurozone member states are projected to have a debt ratio that exceeds 100% of GDP by the end-2026. These are Belgium, Greece, Spain, France, and Italy.

The coming years are likely to see higher public investment in infrastructure and defence. This is supported by the escape clause in the Stability and Growth Pact, which has already been activated by a majority of member states. The European Commission has proposed to exempt EUR 800 billion in additional borrowing by EU governments from the bloc's rules on debts and deficits. The proposal includes creating a EUR 150 billion fund from which countries can borrow specifically for defence purposes. While economically it could make sense to increase spending on defence, this could trigger a negative market reaction especially for those countries with a high government debt ratio. Following Germany's March announcement to reform its constitutional debt brake for higher defence spending, and anticipating that other countries might follow suit, bond yields of the major European countries spiked. However, this rise was partly reversed by a portfolio



preference for eurozone bonds following the US tariff announcements.

2.3 Trade and fiscal policy uncertainty downgrade US outlook

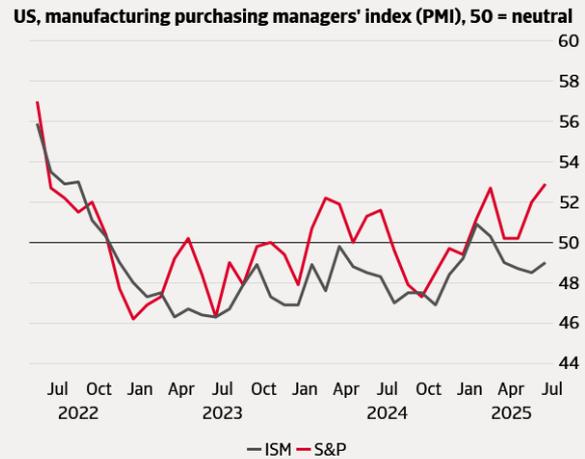
The sharp rise in policy uncertainty has jolted the solid momentum with which the US entered 2025. Volatile trade and domestic policies have all undermined confidence in the world's largest economy, leading to the largest downward revisions to its growth outlook compared to our March 2025 Outlook amongst all major markets. We now forecast 1.5% growth in 2025, nearly half the 2024 rate of 2.8% and 0.5ppt lower than we predicted in March. Next year will be similarly weak with 1.8% growth, 0.7ppt lower than expected last quarter.

2.3.1 Soft data rings the alarm for a slowdown

The first half the year has been testing for the US economy amid rising policy volatility. As policy uncertainty dominates the news cycle, soft data like business and consumer confidence has deteriorated. Consumer confidence, as measured by the OECD's consumer confidence survey, fell over 23 points since the start of the year, the sharpest drop since spring 2020. Now standing at 56.2%, well below the neutral-100, this signals significant pessimism which may result in saving more and spending less in the near term. The University of Michigan's consumer sentiment survey as well as that from the Conference Board shows similar declines, but with some relief in May – following the announcement to ease tariffs.

Business sentiment has also deteriorated so far this year, but less severely. The S&P manufacturing PMI ticked back up in May as well and remains in positive territory, but it is down 0.7 points from the start of the year. The stronger reading is caused by increasing new orders in efforts to front-run tariff increases. The Institute for Supply Management's (ISM) manufacturing PMI on the other hand has remained on a declining trend this year (figure 2.4). That survey highlighted mounting economic uncertainty and cost pressures as reasons for the relative pessimism. The Federal Reserve's latest Beige Book (June 4), a qualitative snapshot of economic conditions across its 12 regional bank districts, was the most pessimistic since the pandemic. The report flagged "widespread reports of contacts expecting costs and prices to rise at a faster rate going forward". Respondents intending to pass on the higher costs through higher prices planned to do so "within three months".

Figure 2.4 US business sentiment split

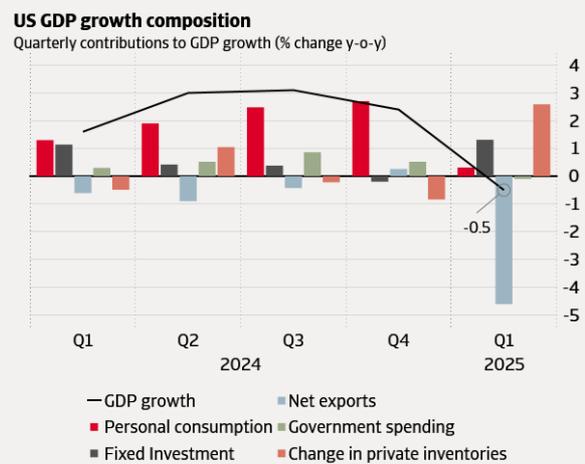


Source: Macrobond

2.3.2 Cracks just starting to show in the hard data

The impact of policy uncertainty isn't as visible yet in the 'hard' data though. While the US economy contracted in Q1 2025 for the first time since 2022, the minor 0.2% decline year-on-year was caused by a surge in imports ahead of trade restrictions (figure 2.5). Imports wiped a whopping 4.9ppt off the headline growth figure whereas domestic demand held up rather steadily.

Figure 2.5 US business sentiment split



Source: US BEA, Macrobond



Import surge skews economic picture

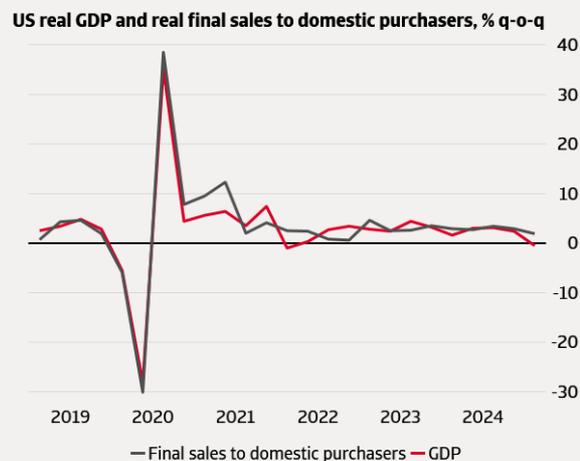
This surge went hand-in-hand with the stronger manufacturing PMIs seen in Q1 (figure 2.4) as many companies rushed orders before the imposition of tariffs. But we believe this is temporary. The manufacturing PMIs are volatile, with the ISM figure falling more deeply into contractionary territory as the cost of importing increases – both due to a weaker USD and higher import duties. The trade deficit, which widened to a record USD 138.3 billion in March narrowed sharply to USD 61.6 billion in April. While this deficit is still much larger than desired by the administration, it's closer to the average deficit in 2023 and supports our view that the import surge was temporary.

These imports also show up positively in GDP accounting through higher fixed investment and stockbuilding which is why the overall growth figure is closer to zero. Business investment increased significantly, more as an effect of frontloading than reflecting optimism. Higher uncertainty is undermining private investment and we expect this component to subtract 0.3ppt off full-year GDP growth. But there are some silver linings here, as some of the largest companies (those who also have the power to withstand some extra uncertainty) have made investment pledges to the US. Goldman Sachs analysts estimate that companies and sovereigns have pledged just over USD 6 trillion, or 20% of GDP, of total greenfield FDI in the coming years. Most of these pledges overlap with prior plans though and have limited impact on the investment and GDP growth outlooks. Moreover, total FDI actually fell 21% year-on-year in Q1 2025 a sign of uncertainty and potential mismatch between pledges and actual investments.

Consumer resilience keeps economy on steady footing

Consumer spending, the engine of the US economy, has actually held up quite strongly so far in 2025. Real final sales to private domestic purchasers, a measure of private consumption, rose 1.9% in the same period as GDP entered the red (figure 2.6). The labour market remains in relatively good shape, helping to sustain private consumption. The unemployment rate stands at 4.2%, steady in the narrow 4.0-4.2% range it's been in since May 2024. 139,000 jobs were added to the private sector in May which is still steady but points to easing momentum off the 168,000 average monthly jobs added in 2024. While hiring slows, layoffs have stayed low. Companies have opted for reducing employee hours and other changes before letting workers go in order to avoid a repeat of the staffing shortages experienced during the pandemic.

Figure 2.6 US consumption still resilient



Source: Oxford Economics

Inflation hardly budges, but Fed still in wait-and-see

Inflation, the primary transmission channel for tariffs to the real economy, has also shown limited impact. Headline CPI inflation rose 2.4% y-o-y in May, down from 3.0% at the start of the year. Core inflation, excluding food and energy, to offer a clearer gauge for domestic price pressures, held steady at 2.8%. This remains well above the 2.0% target but the moderating housing costs and the negative impact of uncertainty on demand for some goods have contributed to the easing. It does take time though for tariffs to feed into higher prices – historically about three months. This delay is caused at least in part by stockpiling inventories ahead of tariffs, allowing firms to lock in lower prices ahead of the imposition of higher levies. With May figures the most recently available, we may only be beginning to see the 10% tariff imposed on Chinese imports in February. The subsequent escalation of tariffs on China and universal 10% tariffs slapped on in April will still take time to show in the data.

In the absence of major change to the current tariff regime, we expect to see prices increase gradually through the second half of the year. This reflects the 3-month impact window for tariffs as the farther-reaching April tariffs begin to be felt. There is further upside risk to inflation in our forecast period due to the extension of tax breaks and the effects of immigration crackdowns. We expect core inflation to peak at 3.9% y-o-y in Q4 and gradually ease in 2026, reaching the 2% target only in 2027.

The Federal Reserve will likely remain in wait-and-see mode as it's still unclear whether its two mandates will come into conflict with each other. With the labour market still relatively strong and inflation still above target, the current stance is still restrictive (see chapter 1). A pre-emptive rate cut to support the labour market would most likely boost inflation further in



the current situation, risking a vicious upward cycle for prices. On the other hand, proactive tightening to reduce the blow to inflation from tariffs (among other policies like the immigration crackdown and tax cuts) would exert unnecessary harm on domestic demand. By acting too quickly in either direction, Fed policy could inadvertently worsen the other mandate. Therefore we expect the Federal Open Market Committee to keep its policy rates on hold at 4.25%-4.50% through the summer. We anticipate just one quarter-point cut now to 4.0%-4.25% by the end of this year as the blow to demand from trade policy (uncertainty) eventually outweighs the price impact.

The gradual monetary loosening path is afforded by the relatively resilient domestic demand, but the outlook remains subject to exceptional uncertainty. While we don't anticipate a recession in 2025 or 2026, we do anticipate a sharp slowdown, highlighted by the pessimistic direction of forward-looking survey data and early signs of losing momentum in the real economy. Stagflation, the combination of stagnating GDP growth and rising inflation, is a very real risk. Tariffs remain the biggest wildcard for the US's economic outlook and broader, unorthodox policymaking poses significant downside risks to the outlook.

2.3.3 Fiscal policy uncertainty beginning to take centre stage

Besides trade policy, fiscal policy is also a major concern and a source of uncertainty for the US outlook. The fact that the US government is highly leveraged isn't new, but the risks to debt sustainability are rising steeply amid unorthodox and pro-cyclical policy steps.

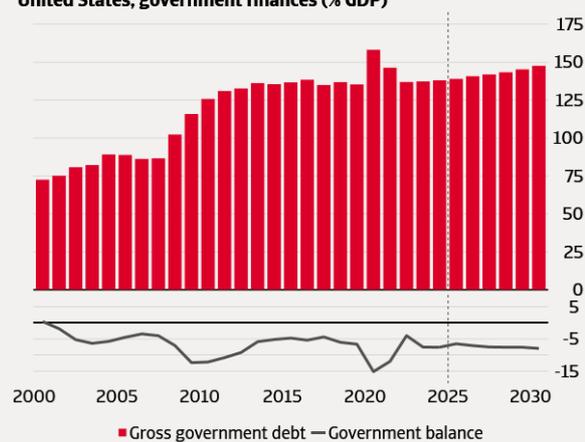
First of all, the federal deficit is very wide and is likely to stay that way. The deficit has averaged 7% of GDP per year since the pandemic, much wider than the (already wide) 5% pre-pandemic deficit (figure 2.7). And this is through a period of healthy, nearly 3% annual GDP growth. While there have been cost-cutting measures by the Department of Government Efficiency (DOGE), including the firing of some of the federal workforce, the savings are not nearly enough to offset spending needs. Federal spending has increased to nearly USD 7 trillion, with Social Security by far the largest pot. Interest spending has become the second largest spending requirement, just above national defence and Medicare now.

The new Republican budget, spelled out in the One Big Beautiful Bill, is expected to cause the federal deficit to continue to widen from 7% of GDP this year and next. While some cuts to Medicaid and welfare are on the table, these will be phased in beyond our forecast window. The budget also scales back much of the government subsidies and incentives for clean energy which were part of the Inflation Reduction Act (IRA). In 2025 and 2026, these savings will be offset by higher defence spending. On the income side, some boost from tariff revenues can be expected, but the amount pales in

comparison to (the lower) income tax revenue. Instead, the outlook for government revenue is weak as major tax cuts from the 2017 Tax Cuts and Jobs Act (TCJA) are extended. Slower GDP growth will also weigh down government revenues.

Figure 2.7 Widening deficit puts US debt on upward trajectory

United States, government finances (% GDP)



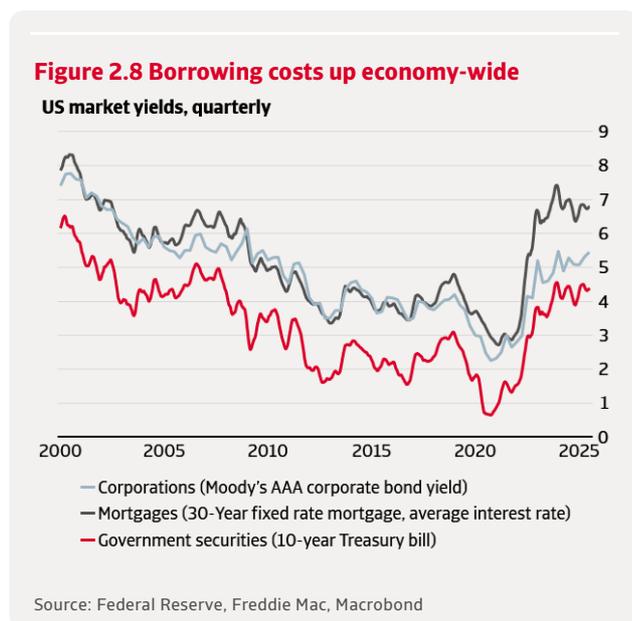
Source: Oxford Economics

Second, and as a result of persistently wide federal deficits, the national debt is continuing to rise. Gross government debt now exceeds 125% of GDP. As discussed in chapter 1, that's not dire in and of itself since the US is the centre of the global financial system and borrows in its own currency. But the high and growing stock of government debt demands rising interest payments. In fact, debt servicing has been the fastest growing part of the federal budget since the pandemic, doubling from 1.5% of GDP in 2021 to 3.0% of GDP in 2024. The more government spending is directed to interest payments, the less value that spending gives to the economy. Moreover, the large increase in government debt issuance means that investor money that otherwise could be going to more productive segments of the economy like corporations or banks is being spent on the government debt.

Third, the cost of borrowing for the US government – as well as businesses and households – has also increased significantly in recent years. The yield on 10-year Treasury bonds stands around 4.4% at time of writing. It's remained above 4.0% through 2025, well above the 2.4% average in the decade preceding the pandemic. This means that the cost of borrowing is significantly higher than 5-10 years ago, further straining the federal purse-strings at a time when deficits have risen significantly. Since US government bonds are considered the safest investment, they serve as a benchmark for other financial instruments. Borrowing costs are up economy-wide: the average 30-year mortgage rate and



corporate bond yields for instance are also elevated, closely following the 10-year Treasury bill's movements (figure 2.8).



It's clear that the financial situation for the US is becoming more difficult, but what's possibly more worrying is how the capital markets and exchange rate have been developing. As presented in chapter 1, US government bond yields have increased and the US dollar has weakened, losing over 10% of its value in trade-weighted terms since the start of the year. The inflationary threat of high tariffs and increasing debt sustainability risk are being compounded by concerns surrounding the rule of law and the integrity of US institutions. These concerns are eroding the safe-haven status of US Treasuries and are putting a premium on long-term interest rates that is not likely to disappear any time soon.

2.4 Canada facing recession induced by trade war

Canada's outlook for 2025 and 2026 was already lacklustre, but the trade war started by its southern neighbour and most significant trade partner is likely to bring on a recession. The Canadian economy is forecast to grow just 0.8% in 2025 and 0.3% in 2026 – much lower than its pre-trade war outlook of 1.5% and 1.7% respectively. The tariffs in place between Canada and the US are not as severe as initially announced but will pose the main drag on Canada's growth outlook. At the same time, the anticipated fiscal stimulus from the Liberal government has been postponed from the spring to the autumn, delaying its potential offsetting effects on growth.

Over 75% of Canada's exports go to the US, so US trade policy significantly impacts Canada's economic prospects. Canadian exports to the US are now subject to the following tariff rates:

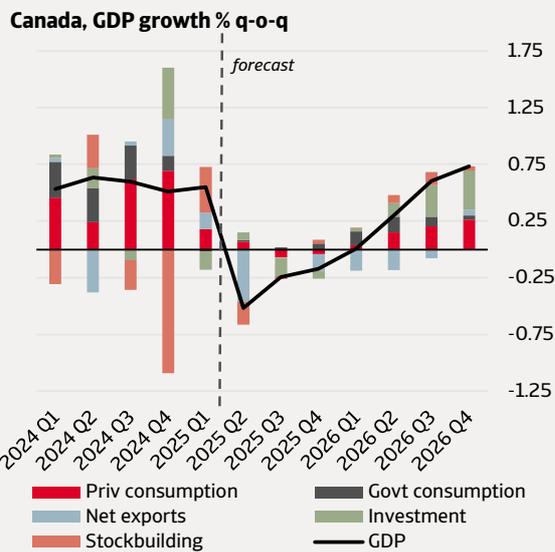
- 50% on steel and aluminium
- 25% on non-US content of USMCA-compliant autos
- 10% on non-USMCA compliant energy and potash
- 25% on all non-USMCA-compliant goods

The exemption of USMCA-compliant auto parts mitigates some of the negative effects of the trade war. But substantial tariffs on Canadian steel, aluminium and non-USMCA-compliant products are set to push the effective US tariff rate on Canada above 14% for the rest of the year, from 0.1% at the end of 2024. Our baseline outlook assumes these tariffs remain in place until mid-2026 when the USMCA trade deal is renegotiated. But 10% tariffs on metals and select agricultural products will remain in place permanently. Canadian counter-tariffs of 25% have been largely put on hold until mid-October which also helps mitigate some of the trade war impact on its economy.

Elevated tariffs and the surrounding uncertainty are still likely to cause a recession in Canada this year (figure 2.9). GDP growth likely contracted in Q2 compared to Q1 due to the negative impact of tariffs on Canadian exports and the unwinding of tariff front-loading. Net exports will likely shave 0.5ppt off Q2 GDP. Domestic demand is also weakening amid weaker trade and high uncertainty. Business investment is the other main drag to the GDP outlook as firms delay or cancel hiring and investment plans, reducing output and straining the labour market. Unemployment has already been ticking up, reaching 7%, the highest level since September 2016 excluding the pandemic.



Figure 2.9 Trade war drags Canada into recession



Source: Oxford Economics, Atradius

The newly re-elected Liberal government plans to implement CAD 77 billion in fiscal stimulus over the next four years, focusing on infrastructure, defence, housing, and tax cuts. This should help offset the negative impacts of the trade war but the timeline for relief has been delayed. The government will not put forward the budget plan until the autumn, so the stimulus will only be experienced by the end of 2025 at the earliest.

Inflation briefly fell below 2% in Q2 2025 thanks to the ending of the consumer carbon tax and lower global oil prices, but is now on an upward trajectory. We expect inflation to peak above 3% by early 2026 once Canadian counter-tariffs are re-imposed. Given the weak economic backdrop, the significant fiscal stimulus will add minimally to inflation. The Bank of Canada is likely to maintain its policy rate in neutral territory at 2.75%, balancing the economic impact of tariffs against inflationary pressures.

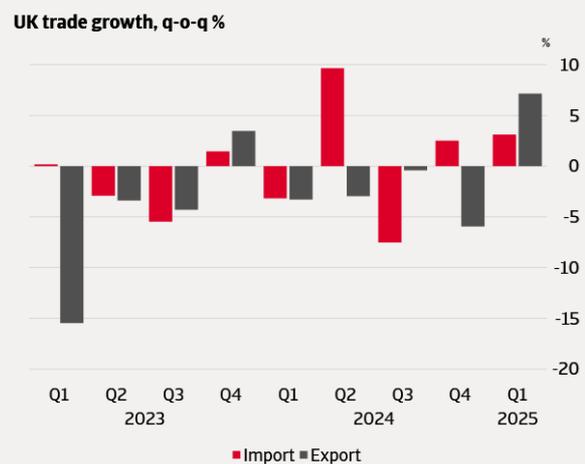
2.5 United Kingdom: trade deals not enough to boost short-term growth

The UK's economic outlook is challenging, with both external and domestic headwinds. We anticipate output to grow by 1.2% in 2025, which is 0.2 percentage points higher than the forecast in March due to an unexpectedly strong first quarter. However, our forecast for 2026 has been revised downward by 0.6 percentage points to 0.9%, owing to structural issues and fiscal tightening.

In the first quarter, the UK outpaced its G-7 peers with a 0.7% quarter-on-quarter growth. This growth spurt was largely a one-off, driven by businesses front-loading export orders ahead of US tariffs and a significant reversal in business investment, partly due to large aircraft imports (figure 2.10). Exports of goods surged 7.3% in Q1 compared to Q4 2024, the strongest growth since the recovery from the pandemic in 2022. Imports grew more mildly, up 2.5% q-o-q. The fact that a large share of this growth was from the aircraft imports contributing to GDP growth through gross capital fixed formation, helped boost the UK's Q1 output.

Moving forward, we do not expect this boost in trade or investment to continue. Instead, we anticipate the UK economy to remain subdued for the remainder of 2025 and into 2026. Consumer confidence is weak, as indicated by the OECD's consumer confidence index, which remains 17% below its long-term average. Wage growth has slowed, and unemployment has risen to a four-year high of 4.6% in April, ahead of the steep rise in payroll taxes and the minimum wage. The increase in employers' national insurance contributions, which took effect in April, is also squeezing corporate profit margins and may lead to higher prices. Business pessimism has dragged the manufacturing PMI down to 46, further exacerbated by weakening demand in both domestic and export markets.

Figure 2.10 UK exports surge in Q1 ahead of tariffs



Source: UK ONS, Macrobond

Externally, the UK, as an open, trade-intensive economy, faces significant headwinds from direct US tariffs and the indirect effects of lower global growth. Despite reaching a trade deal with the US to relieve some tariffs, UK exports are still subject to a 10% blanket tariff from the US and 25% tariffs on steel and aluminium (receiving an exemption from the doubling to 50% announced in early June). Trade negotiators have also recently signed deals with India and the EU. While these



agreements will benefit specific sectors, such as Scottish whisky exporters and British car and steelmakers, their overall impact on growth and inflation will be limited. The EU deal holds the most potential, as the EU is the UK's largest and closest trading partner, but expectations for the forecast period are limited. Additionally, the UK is currently negotiating another trade deal with the Gulf nations.

These trade agreements will not significantly alter the UK's growth and inflation outlook. Headline CPI eased to 2.6% year-on-year in March, but it is likely to peak at 3.5% in the third quarter of 2025 due to rising household energy bills and regulated price adjustments. This has prompted the Monetary Policy Committee to cut the policy rate for the second time this year by 25 basis points to 4.25%. We expect two more quarter-point rate cuts by the end of the year, in line with last quarter's outlook.

2.6 Japan: trade challenges add to domestic woes

Japan's GDP growth decelerated sharply in 2024 to 0.1%. The US government's shift to protectionist trade policy will put a dent in Japan's economy in the coming years, through both the direct hit on Japanese exports and the secondary effects on business and consumer sentiment. Although we expect Japan to eventually reach a trade deal with the US, the average level of the US tariff on Japanese exports is assumed to stay at 16%, up from 2% at the end of 2024. This relatively high tariff results from the universal 10% tariff and higher tariffs for autos and steel. In the light of these changes, we now forecast that Japan's GDP growth will increase by just 0.8% in 2025 and 0.3% in 2026.

The economy entered 2025 on a solid footing with sentiment indicators continuing their recovery from the end of 2024. Sentiment indicators have deteriorated somewhat since the start of the year, however, with the composite PMI remaining just above the threshold for growth. The 0.8% growth projected for 2025 is largely driven by a carry-over from last year. However, we project limited quarterly growth through 2025. Consumption growth is a small bright spot, with some recovery expected in 2025, as supply-side driven inflation eases while wage growth remains robust. The 2025 annual spring wage negotiations resulted in wage increases exceeding 5%, a three-decade record, and reflecting persistent cost-of-living pressures. We do expect to see a moderation in wage growth given the constrained ability of corporations to offer significant raises. The unemployment rate is projected to

remain broadly stable at 2.4% in both 2025 and 2026. Recent migration policy changes may help to somewhat alleviate labour market constraints. In 2019, the country introduced the Specified Skilled Worker (SSW) program, which allows foreign workers to work in certain designated sectors, permitting a pathway to citizenship.

Exports are starting to slow. Nominal goods exports lost momentum in April, growing by 2% year-on-year after a 4% gain in March. High US tariffs and elevated global trade policy uncertainty are likely to weigh on exports and business investment over the forecast horizon. The fiscal deficit is projected to slightly widen to 3.5% of GDP in both 2025 and 2026. Though the incumbent government is shying away from tax cuts, it is looking to establish an additional fiscal package. We expect subsidies for small and medium-sized export companies and household utility bills to be the main components of the supplementary budget. The Bank of Japan (BoJ) has started to increase the policy rate since March 2024, but since January 2025 has not increased the rate beyond the level of 0.5%. We expect the BoJ to keep the policy rate at the current level in the remainder of 2025. There are also concerns about the BoJ's scaling down of bond purchases, US trade tariffs, and the high public debt levels. The yield on 10-year Japanese government bonds in May 2025 increased to levels not seen since the 2008 global financial crisis (figure 2.11). Despite slightly higher interest rates for one and a half years, and headwinds from uncertainty, business investment is projected to remain robust in 2025. Expanding profits and government subsidies, especially for green and digital investment, continue to drive business investment.

Figure 2.11 Japan's bond yield hits record

Japan, yield on 10-year government bond



Source: Macrobond

3. Emerging markets economies





3.1 Global uncertainty undermines EMEs' growth prospects

The outlook for emerging market economies (EMEs) is on average stronger than that for advanced economies, but it remains weak by historical standards. We expect 3.8% growth across EMEs in 2025 and 3.6% in 2026. EMEs in general are exposed to assertive US trade policy directly through tariffs and indirectly through higher borrowing costs, financial volatility and currency depreciations. The global uncertainty also undermines international investment flows. This throws additional sand into the wheels for EMEs' economic outlooks which were already losing momentum, motivating broad-based downward revisions to these markets' GDP outlooks.

Among the major EMEs we present here, Mexico and China are the most directly exposed to US trade volatility. The large trade surpluses these markets have with the US has led to the most direct targeting from the US administration and, in the case of Mexico, overreliance on exports to the US in their total trade portfolio. Other open economies like Turkey and South Africa are indirectly exposed through reduced imports from key trading partners and global trade uncertainty. Real appreciation of many EME currencies, particularly in Latin America and Asia, is also reducing the competitiveness of their exports.

The fiscal space to cope with trade-related shocks varies across markets. China is boosting spending to counter trade disruptions. India has moderate space but is more constrained by high debt levels. Mexico is undergoing fiscal consolidation. Structural deficits, rising debt-servicing costs and political challenges all contribute to less fiscal space in Brazil, South Africa and Turkey. Russia's sanctioned economy is less exposed to the trade war and its fiscal stance will remain stretched on its war in Ukraine.

Table 3.1 EMEs broadly losing steam

Real GDP growth, major markets, % y-o-y

	2024	2025*	2026*
China	5.0	4.3	4.0
India	6.7	6.5	6.6
Brazil	3.4	2.2	1.6
Mexico	1.2	0.1	1.8
Russia	4.3	0.8	0.5
Turkey	3.2	2.7	2.2
South Africa	0.5	0.8	1.4

Source: Oxford Economics, Atradius (* forecast)

3.2 China facing headwinds over trade war

China's economic prospects will face strong headwinds in 2025, although the government's stimulus measures will offset some of the pressure. The recent agreement between the US and China to temporarily reduce tariffs has improved the short-term outlook for the Chinese economy. However, the country still faces a weighted US tariff of about 42%. Moreover, a successful outcome of the negotiations is highly uncertain. The relationship between the two countries remains marked by mistrust and rivalry. China remains vague about restricting exports of critical metals and the US tries to restrict China in high-tech areas through trade deals with other countries.

China's economic growth is projected to slow to 4.3% in 2025 and 4.0% in 2026. There was a sizeable export front-loading in Q1 of 2025, with exports growing by 6.5% year-on-year in volume terms. However, with tariffs exerting a drag on exports in the rest of the year there is likely to be only a negligible growth contribution of net exports in 2025. In 2026, exports are likely to become a drag on growth. China can absorb part of the tariff shock by trade circumvention via other countries in the region but remains exposed to the global trade war.

Private consumption is projected to remain resilient. Household spending is likely to gain momentum in the second half of 2025 due to reinvigorated policy efforts to stabilize jobs, increase wages, and support spending. The government is accelerating its infrastructure spending, particularly on strategic projects that help to bolster China's resilience against natural disasters and geopolitical conflicts. Tariffs and broader economic uncertainty are keeping a lid on private investment growth. Manufacturers are confronted with excess capacity and trade uncertainty, leading them to slash capital expenditure. The housing sector also remains a drag on growth. Coordinated policy efforts to stimulate housing demand seem to have boosted housing transactions in recent months, but a more entrenched recovery will require a reassessment of housing price expectations and a steady turnaround in sentiment towards the sector.

Fiscal policy has become more supportive in 2025 with the official budget deficit planned to increase by 1 percentage point of GDP this year, a move unseen in the recent decade. However, with the US-China agreement to temporarily rollback tariffs, the probability of a more meaningful fiscal stimulus to the economy has waned considerably. More monetary easing is likely due to increase in stimulus financing and the net deflationary impact of announced tariffs. A further decrease of the policy rate, the reserve requirement ratio and possibly other measures of monetary easing is likely this year.



3.3 India close to signing an interim trade deal with the US

India's continues to grow at a robust pace of 6.5% in 2025, the highest among the larger emerging market economies. The country benefits from a large and youthful labour force, a growing domestic market, competitive wage costs, and a stable democratic framework. Growth is projected to remain robust at 6.6% in 2026. The government is likely to adopt a conciliatory and pragmatic approach in response to the US's reciprocal tariff offensive. India is close to signing an interim trade deal with the US, as part of which it aims to secure sector-specific tariff relief, including for its big and politically influential agricultural markets. The Indian economy is less exposed to US tariffs than many other emerging market economies. India may even get a competitive advantage vis-à-vis other EMEs in Asia that in many cases are confronted with higher tariffs.

India's economic growth momentum remained solid at the start of 2025. Real GDP rose 7.4% year-on-year in Q1. Improving investment was the main driver of growth in Q1, boosted by a public capital expenditure push at the end of the fiscal year, which likely won't last. The outlook for private consumption 2025 is favourable, especially in rural areas, due to the early monsoon onset, supporting agricultural output and incomes. Private investment demand will be supported by looser financing conditions after the Reserve Bank of India (RBI) lowered the policy rate, but uncertainties about trade policy and external demand will remain drags.

Public investment picked up following the 2024 general elections. But the boost is unlikely to last as fiscal prudence will shift back into focus. The government is expected to bring the budget deficit down to 4.7% in 2025 and 4.3% in 2026. The fiscal consolidation relies primarily on higher revenues. Despite a planned income tax cut for middle-income households, tax revenues are projected to increase due to tax code simplification and digitalisation on compliance.

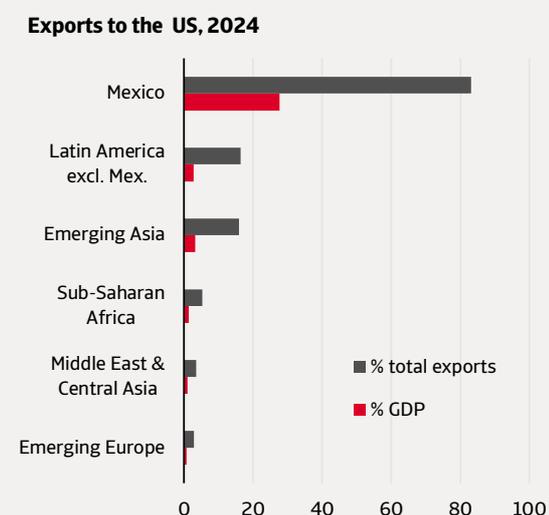
Headline inflation declined to 2.8% in May 2025, the lowest inflation rate in more than six years. The decline was mostly due to a moderation in food inflation. An early onset of what's likely to be an above-normal monsoon should support harvests and limit price pressures. The RBI has relaxed monetary policy amid easing inflationary pressures, delivering a 50 basis points policy rate cut after its meeting in June. We expect that the RBI will keep the policy rate on hold at its August meeting but may deliver another rate cut in Q4 if growth slows more than RBI expects. Inflation is expected to remain within the central bank's target range of 4% ± 2% both this year and in 2026.

3.4 Mexico facing trade war-induced recession

Rising investor uncertainty and the slowdown in the US are bringing Mexican GDP growth to a halt in 2025. While we anticipate a slight recovery in 2026, with growth picking up to 1.8%, this is contingent on several preconditions, most importantly, the completion of USMCA renegotiations in the first half of the year.

Mexico is one of the most exposed countries in the world to the US economy and trade policy. Over 80% of Mexico's goods exports are sent to the US, accounting for 28% of GDP (see figure 3.1). The country faces the same tariffs as Canada: 25% on all non-USMCA compliant goods, 25% on (non-US content of) cars and car parts, and 50% on steel and aluminium. This has raised the effective tariff rate on Mexico's exports to the US from nearly zero at the start of the year to between 12% and 15%. We expect these tariffs to remain in place, at least until mid-2026, which will undermine export competitiveness and the attractiveness of Mexico as a destination for international investment.

Figure 3.1 Mexico is most exposed EME to US trade



Source: IMF, Atradius

The impact of the trade war and surrounding uncertainty compounds Mexico's structural weaknesses, further darkening its economic outlook. Real GDP growth already slowed sharply in 2024 to just 1.2%, starting the year off on a weak note. The completion of major infrastructure projects and uncertainty related to judiciary reforms caused fixed investment to contract. We expect these trends to continue this year, exacerbated by US tariffs, tariff-induced uncertainty and



slower US growth. The fiscal adjustment to lower stimulus now that the October 2024 elections are behind us will also dampen the growth outlook. The unpredictability of the US-Mexico relationship could also pose a threat to the government's fiscal consolidation plans as it may influence spending priorities.

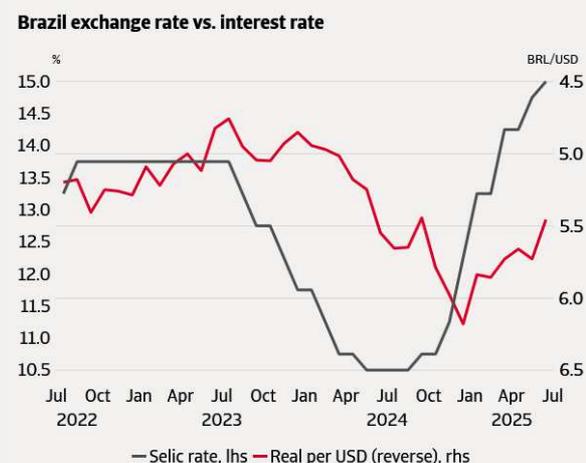
The disinflation process underway since last summer that has allowed the central bank (Banxico) to ease its monetary policy has eased. Inflation has exceeded expectations, reaching 4.4% in May compared to 3.6% at the start of the year. This now exceeds the central bank's 2%-4% target range, but is driven by a surge in food prices resulting from adverse weather conditions across the country. The risks to the inflation outlook are now more balanced, but the relative strength of the peso (up about 9% vis-à-vis the USD since the start of the year) and weak domestic demand outlook suggest inflation will continue gradually easing. We expect it to return to the target range with 3.9% by the end of 2025 and 3.5% by end-2026. This should allow the central bank to continue lowering interest rates. Banxico cut its policy rate by 50 basis points to 8.5% in its May meeting, down from a peak of 11.25%. We expect the pace of cuts to slow and end the year at 7.5%.

Mexico's economy is set to recover moderately in 2026 from very weak levels, supported by lower domestic interest rates. Stronger growth in the US and higher public investments will also support the rebound in growth to 1.8%. But risks to this outlook are high given the high uncertainty about US-Mexico relations, US trade policy direction and the renewal of USMCA by July 2026.

3.5 Brazil: less exposure to US but still losing steam

Brazil's economy is cooling off from a resilient 2024. A strong labour market and firm household spending fuelled 3.4% growth in 2024. But we now see growth slowing to 2.2% in 2025 and further to 1.6% in 2026. This mostly reflects the impact of monetary tightening and uncertainty related to the October 2026 general elections that will dampen investment and consumption. The central bank began a tightening cycle in September 2024 and has lifted interest rates from 10.5% to 15% in June. We expect it to hold rates at this level and only begin cutting rates in early 2026 as a slowing economy, lower oil prices and a firming currency reduce inflation (expectations). Like the Mexican peso, the currency has appreciated by over 10% against the USD to date in 2025. This follows a sharp depreciation (almost 22%) in 2024 due to fiscal uncertainty.

Figure 3.2 Monetary tightening and BRL appreciation



Source: Macrobond

Unlike Mexico, Brazil is well positioned to absorb any trade war shock. It is a relatively closed economy and the limited trade with the US that there is accounts for only 2% of GDP. As such, the 10% blanket tariff imposed on Brazilian exports to the US has limited direct or indirect impact on the Brazilian economy. Since Brazil runs a trade deficit with the US, the risk of higher reciprocal tariffs is also minimal. The country is mildly impacted by the sector-specific tariffs for steel and aluminium and cars and car parts but does benefit from the exemptions for energy and minerals. The effective tariff for Brazil lies now between 6.9%-10.6%, from 1.3% in 2024. There is also some upside risk that Brazil might benefit from increased trade diversion away from the US by China and the EU.

Concerns over Brazil's government finances have eased since last year but will likely intensify ahead of the next general elections in October 2026. To improve election prospects, Lula proposed exempting low-income households from income tax – a key campaign promise. While Congress is likely to approve this, it may reject offsetting revenue raising measures, given Brazil's already high tax burden. Fiscal deficits will thus stay high at over 7% of GDP, and government debt is projected to rise from 77% of GDP in 2024 to 82% in 2026. While this remains sustainable, investor confidence will remain lower, dragging on Brazil's growth prospects.



3.6 Türkiye: economy continues to lose steam

GDP is expected to grow by 2.7% in 2025 and 2.2% in 2026. The economy already slowed considerably in 2024 due to a rebalancing towards net exports, largely due to falling imports. Tight financial conditions weighed on domestic demand, causing a sharp growth slowdown in household spending and investment. Growth disappointed in Q1 of 2025 at 1% quarter-on-quarter. The expenditure breakdown for Q1 showed a decline in private consumption and in fixed investment, following strong rises in Q4 2024.

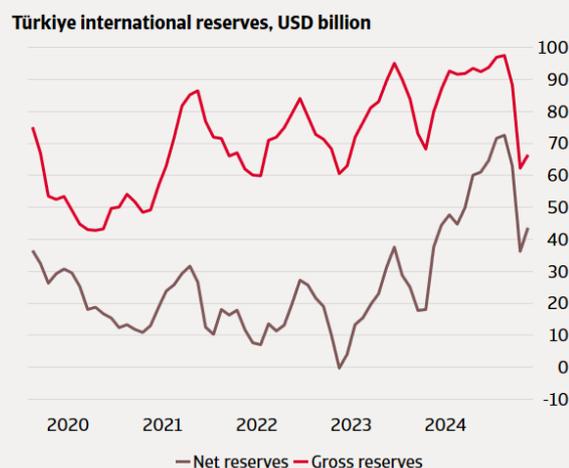
Given the relatively tight monetary and fiscal policy, economic activity is likely to remain subdued at least until the second half of 2025. The labour market remained surprisingly strong despite the moderation of economic activity in 2024. However, job growth is expected to weaken in 2025 and unemployment to increase, before stabilising at a higher level. Household consumption is forecast to grow at a moderate pace. That said, economic activity will be supported by gradually easing inflation and nominal interest rates in the second half of the year.

Türkiye is subject to the baseline 10% US tariff. But it is not heavily reliant on the US for exports, which account for about 6% of Türkiye's total goods exports. We expect the direct impact to the country's economy to be small. However, reduced imports from key trading partners, like Europe, will weigh on exports and growth. Export growth is forecast to remain subdued, suppressed by the real appreciation of the lira and lower external demand.

Domestic political turmoil surrounding the arrest of the mayor of Istanbul triggered market volatility and downward pressure on the lira. In response, the central bank hiked the policy rate again in April, to 46%, after a period of four months of monetary easing. We expect the central bank to restart its policy loosening from mid-2025 when the situation will have stabilised, and in line with the weakening economy and potential political pressure. Due to domestic political unrest, there was pressure on foreign reserves in April, leading net reserves (gross reserves adjusted for FX liabilities) to decline to USD 36 billion, before a partial recovery to USD 44 billion in May.

The fiscal position is expected to remain tight in the near term, with the deficit declining to 3.8% in 2025 and 2.1% in 2026. The administration is also taking steps to cut spending, and from 2025 onwards lower outlays on earthquake reconstruction are also expected to reduce the budget deficit. Public debt is expected to remain relatively low at 25% of GDP on average in 2025-2026.

Figure 3.3 Türkiye feeling the pressure on FX reserves



Source: Macrobond

3.7 Russia: high inflation weighs on consumption growth

After two years of unexpectedly strong growth, the Russian economy is forecast to cool off considerably in 2025 and 2026. GDP growth in Q1 of 2025 collapsed to 1.4% year-on-year from 4.5% in Q4 of 2024. With growth remaining subdued in the rest of 2025, we project 0.8% growth in 2025. For 2026, we forecast 0.5% growth. The oil sector will remain a mainstay of the economy, and we expect Russia to continue to find ways to circumvent sanctions through alternative shipping routes and other mechanisms. Key destinations for Russia's crude exports are India, China and Türkiye. However, expectations of slower global growth have caused Russian oil prices to drop as far as USD 50 per barrel in May.

Western sanctions have contributed to the disruption of several key sectors, such as energy, finance, and technology. In early 2025, clear signs of a slowdown have been emerging. Real wage growth slowed to 3.2% in February, its lowest value in almost two years. High inflation and the protracted high-interest rate environment, with which the central bank has been trying to curb price growth, also hamper private consumption. As a result, we predict the consumption growth to slow to 0.1% in 2025, down from 5.4% in 2024. The labour market remains tight due to reduced net inward migration and increased demand from the military sector. Private investment undertaken by Russian businesses is still high in war-related sectors but subdued in other sectors.



The combination of a much stronger rouble and weakening demand has dampened inflationary pressures. Inflation appears to have finally peaked. It declined to just under 10% in May. The central bank has been maintaining a highly restrictive policy, with its main interest rate raised to a historical high of 21% in October. Declining inflation and a more robust rouble made the Russian central bank to cut the policy rate to 20% in June. More easing could occur in the rest of the year as demand no longer appears overheated and industry may be entering a recession.

Russia's fiscal capacity will remain stretched in 2025. The high costs of the war and sanctions on the economy put pressure on the federal budget. Initial official projections of an annual fiscal deficit of 0.5%, were overly optimistic, and were revised to 1.7% in April, with oil revenue considerably lower than in the original budget. While the government aims to reduce military spending in 2026 and 2027, this is subject to the course of the war in 2025.

3.8 South Africa: new government brings more reform potential

The South African economy is expected to grow by 0.8% in 2025 and 1.4% in 2026. GDP trended sideways at the beginning of this year, growing by only 0.1% from the previous quarter. Unless there is a stronger pickup in economic growth through the remainder of this year, growth will remain stuck below the 1% mark.

The United States has increased tariffs on imports from South Africa to 10%, after initially threatening to impose tariffs of 30%. South Africa sends around 8% of its exports to the United States, and around a third of these exports are critical minerals that are excluded from import tariffs, limiting the impact on GDP. Nevertheless, the uncertainty over global trade policy continues to be felt and is expected to weigh on private sector investment in the near term.

The installation of a government of national unity, consisting of the African National Congress (ANC), the pro-business Democratic Alliance (DA) and several smaller parties, has improved market confidence and increased the likelihood of positive economic reforms, which could provide a boost to growth in the medium term. The government faces a large number of infrastructural and logistics issues, including the return of load-shedding in March 2025 for the first time since April 2024, and persistent bottlenecks affecting ports and freight rail.

High government debt-servicing costs, close to 22% of revenues, are limiting the fiscal space available for social and growth-enhancing policies. The 2025 budget was finally approved at the third attempt. A planned VAT increase was replaced by an increase in fuel levies, which will not raise as much revenue, and, as a result the government ended up abandoning any attempt this year to narrow the deficit. The budget deficit is projected to increase to 5.1% in 2025 and 5.5% in 2026, up from 4.3% in 2024. Government debt is likely to further increase to 81% of GDP by 2026.



Appendix

Table A1 Key macroeconomic forecasts

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
	Australia	1.0	1.5	2.2	3.2	2.2	2.9	0.1	-0.2	0.0	56	56	55	-2.0	-2.4	-2.8	0.9	1.2
Austria	-1.1	0.1	0.9	2.9	2.8	1.4	-4.6	-4.5	-3.4	117	118	118	2.4	1.2	0.5	-3.6	-1.2	0.8
Belgium	1.0	1.1	1.4	3.1	1.8	1.2	-4.5	-3.4	-1.9	110	109	107	-0.8	1.4	1.8	-3.4	-0.9	1.9
Brazil	3.0	2.2	1.6	4.4	5.2	4.3	-6.6	-8.7	-9.9	77	79	83	-2.8	-3.2	-2.6	2.2	1.0	-1.6
Canada	1.6	0.8	0.3	2.4	2.2	2.6	-1.3	-2.1	-3.8	103	103	105	-0.5	-1.4	-2.2	0.6	-2.6	-2.2
China	5.0	4.3	4.0	0.2	0.1	0.8	-8.4	-9.2	-9.1	61	68	74	2.2	2.1	1.0	13.7	-1.6	-4.9
Denmark	3.7	2.0	1.4	1.4	1.6	1.8	4.5	2.2	1.4	37	34	32	12.0	10.4	10.3	7.5	0.8	0.7
Finland	-0.1	0.8	1.1	1.6	1.2	2.0	-4.5	-3.7	-2.4	82	86	86	0.3	1.5	2.4	0.1	-0.4	0.8
France	1.1	0.5	0.7	2.0	0.9	1.8	-5.8	-5.5	-5.5	123	126	127	0.4	0.0	0.3	2.4	-0.9	0.9
Germany	-0.2	0.2	0.9	2.3	2.1	1.7	-2.7	-2.3	-2.6	58	59	60	5.7	5.6	5.1	-1.7	-1.2	-0.5
Greece	2.3	2.1	2.0	2.7	2.2	2.1	1.3	0.8	0.0	195	184	176	-6.4	-6.3	-6.2	1.0	1.9	3.9
Hong Kong	2.5	2.5	1.6	1.7	1.4	1.7	1.9	2.1	2.7	9	6	3	12.9	9.0	5.8	4.8	3.2	-2.9
India	6.7	6.5	6.6	4.9	3.5	4.3	-4.9	-4.7	-4.4	82	80	78	-0.8	-0.1	-0.4	7.4	6.2	5.5
Ireland	1.3	9.0	-4.3	2.1	2.0	1.8	4.5	1.3	0.7	31	26	27	17.3	5.8	6.9	11.9	5.7	-5.3
Italy	0.5	0.5	0.4	1.0	1.6	1.8	-3.5	-3.2	-3.1	148	150	153	1.2	1.7	1.9	-0.3	1.6	1.2
Japan	0.2	0.8	0.3	2.7	2.8	1.6	-4.0	-4.5	-4.3	236	233	235	4.8	4.9	4.8	1.1	1.0	-1.4
Luxembourg	1.0	1.8	2.0	2.1	1.6	1.4	1.1	0.6	0.3	27	25	24	13.8	5.1	5.0	0.3	1.4	2.0
Mexico	1.2	0.1	1.8	4.7	3.9	3.6	-4.9	-3.4	-3.1	53	55	55	-0.2	-0.3	-0.2	2.8	2.3	-2.9
Netherlands	1.0	1.1	0.8	3.3	2.9	2.2	-0.9	-2.0	-2.3	50	50	51	9.9	10.7	9.7	0.1	0.1	0.8
New Zealand	-0.1	0.8	2.1	2.9	2.0	1.3	-3.1	-1.5	-1.1	49	51	50	-6.2	-5.1	-4.6	4.1	7.0	3.3
Norway	2.1	-1.0	0.4	3.1	2.6	1.8	13.0	11.5	9.0	50	49	50	16.7	13.1	8.6	5.3	-2.9	-0.5
Portugal	1.9	1.6	2.1	2.4	2.1	1.9	0.7	0.4	-0.2	102	97	94	2.2	1.1	1.2	3.3	1.4	2.1
Russia	4.3	0.8	0.5	8.4	9.2	5.2	-1.3	-2.5	-2.4	13	15	18	3.0	2.3	3.2	0.1	-5.2	5.1
Singapore	4.4	1.6	1.0	2.4	0.6	1.0	0.3	-0.1	-0.5	173	170	175	17.6	22.1	19.7	5.4	5.0	-0.1
Spain	3.1	2.5	1.7	2.8	2.3	1.8	-3.2	-3.0	-3.0	109	107	107	3.0	2.6	2.8	3.1	1.6	1.4
South Africa	0.5	0.8	1.4	4.4	3.4	4.6	-4.3	-5.1	-5.5	77	78	81	-0.7	-0.3	-0.7	-2.8	-0.1	0.6
South Korea	2.0	0.8	1.6	2.3	2.0	1.8	-1.7	-2.1	-1.3	49	50	49	5.3	5.7	4.6	6.8	0.5	0.5
Sweden	1.0	1.4	2.2	2.8	0.6	1.3	-1.5	-1.9	-1.7	42	43	43	7.5	5.4	5.2	2.0	4.2	0.6
Switzerland	1.4	0.8	1.0	1.1	0.1	0.2	0.0	0.1	0.0	24	24	23	2.5	2.8	3.2	2.3	2.6	0.4
Turkey	3.2	2.7	2.2	58.5	34.7	20.5	-5.1	-3.9	-2.0	21	25	25	-0.9	-2.0	-2.0	0.9	1.3	0.3
United Kingdom	1.1	1.1	0.9	2.5	3.2	2.5	-5.1	-4.3	-3.6	101	102	102	-2.7	-3.1	-2.8	-1.2	1.0	-0.7
United States	2.8	1.5	1.8	3.0	2.9	2.7	-7.6	-6.5	-7.1	138	139	141	-3.9	-4.1	-2.8	3.3	-0.2	-1.2
Eurozone	0.8	1.1	0.8	2.4	1.9	1.7	-3.1	-3.1	-3.1	-	-	-	2.7	2.7	2.5	1.0	0.6	0.1

Source: Oxford Economics, Atradius



Atradius Economic Research



John Lorie

Chief economist

john.lorie@atradius.com

+31 (0)20 553 3079



Dana Bodnar

Economist

dana.bodnar@atradius.com

+31 (0)20 553 3165



Theo Smid

Senior economist

theo.smid@atradius.com

+31 (0)20 553 2169

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Atradius

David Ricardostraat 1
1066 JS Amsterdam
P.O. box 8982
1006 JD Amsterdam
The Netherlands
Phone: +31 (0)20 - 553 91 11

info@atradius.com
www.atradius.com