

Trade war muddies growth figures

Growth figures for the first quarter of 2025 for major economies show a marked effect of the US trade war. Indeed, US GDP contracted due to very strong growth in imports, as households and businesses accelerated their purchases of imported goods to avoid the new customs duties. This anticipation is also reflected in consumption data, which have remained resilient but whose outlook is clearly deteriorating. On the other hand, GDP growth in Europe and China exceeded expectations with very strong increases in exports to the United States.

A contraction in US GDP due to imports. While GDP had ended 2024 at a growth rate close to 3%, activity contracted by 0.3% in Q1 25 on an annualised basis (+2% year-on-year). This contraction reflects above all the very strong growth in imports of goods, at 51% Q/Q annualised and 15% year-on-year. This increase is also reflected in a greater widening of the trade deficit in goods, to 5% of GDP. The increase in imports reflects an increase in purchases of goods by households and businesses in anticipation of the implementation of generalized customs duties. Thus, private domestic demand grew by 3% Q/Q annualised, supported by a 22% Q/Q annualised growth in capital goods investment. The effects of the trade war are also visible on surveys of businesses and households. Indeed, while the recent activity and outlook components remain resilient, activity and price expectations are very badly oriented, predicting less dynamic domestic demand for the coming quarter.

Upside surprises in euro area and Asia driven by exports.

In contrast to the US GDP figure, the euro zone and Asian economies posted stronger-than-expected GDP growth. In the eurozone, GDP growth surprised the consensus upside in Q1 25, with an increase of 0.4% Q/Q (1.2% year-on-year). While the components of GDP have not yet been released, country-specific data suggest that exports contributed to this growth surprise. Indeed, Ireland and Belgium posted very strong quarterly growth (3.2% and 0.4% respectively Q/Q), yet these countries are the main exporters of pharmaceutical goods to the United States. Outside these countries, growth in the euro zone amounted to 0.3%, and excluding exports, activity is said to have remained moderate in the main economies of the euro zone (0% in France over the quarter). This same phenomenon is visible in Asia. China posted growth of 5.4% in Q1-25 with a strong contribution from industrial production and exports. Finally, as in the United States, while past data show a resilience of activity, surveys are less positive, with, among other things, estimates of new orders falling

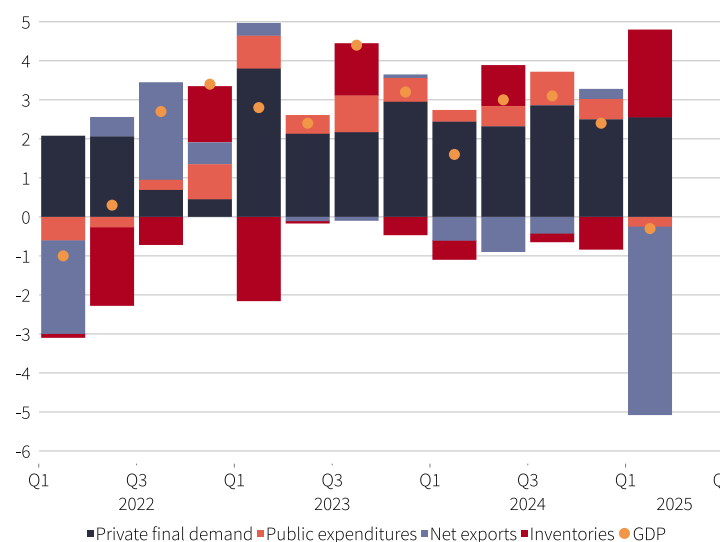
This uncertainty will continue to increase the volatility of activity.

It is likely that uncertainties about US trade policy will continue to weigh on the behaviour of households and businesses and therefore on activity data. Indeed, the generalized tariffs came into force in April and the U.S. government continues to maintain uncertainty about the coverage of these tariffs and the rate actually applied. In this environment, it is likely that households and businesses will delay their plans for major spending until they have more visibility on the outcome of trade negotiations. Overall, these uncertainties are expected to weigh on US demand, increasing the risk of stagflation for the current year.

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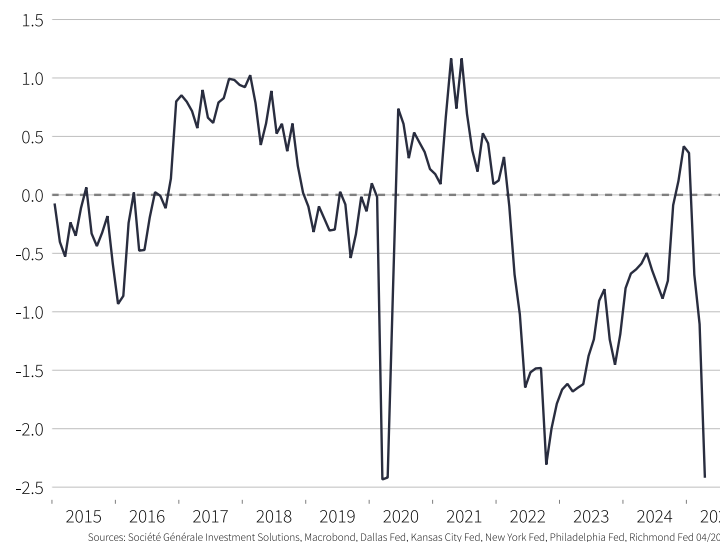
US: GDP GROWTH AND CONTRIBUTIONS

QoQ, annualised rates



US: MANUFACTURING NEW ORDERS

Average of the Z-score of regional Fed surveys



Sources: Société Générale Investment Solutions, Macrobond, Dallas Fed, Kansas City Fed, New York Fed, Philadelphia Fed, Richmond Fed 04/2025

OUR MACRO COMMENTS

Events of the week

Inflation continues to trend down in euro area

Inflation continues at its gradual slowing pace. Indeed, headline inflation rose to 2.1% in April year-on-year while core inflation rose to 2.7%, up from April. This figure, above expectations, is mainly explained by the acceleration of services inflation (3.9%), supported in part by seasonal effects linked to the Easter period. Goods inflation remains very moderate, with an increase of 0.6%.

Sharp drop in oil prices in April.

Compared to April 1, Brent is down 17%. This decline is explained by trade tensions between China and the United States. These raise fears of a drop in activity, which would mechanically reduce demand for oil. At the same time, the past and planned increase in its oil production by OPEC also plays in favor of the decline.

United States: a still resilient labour market

The labour market remains generally resilient both in terms of job creation and the unemployment rate in April. Indeed, the number of net job creations amounted to 177 thousand, above market expectations and in line with the average number of job creations before the covid crisis. By sector, health remains the most dynamic sector, with 58 thousand net jobs created in the month. It should be noted that net job creation in the federal government sector contracted by 9 thousand positions, in the context of the DOGE framework. The unemployment rate for April rose to 4.2%, slightly higher than at the beginning of the year. These figures are in line with a US economy that is slowing from a very strong level in 2024. However, this market remains generally resilient, in a context of high uncertainty, which should lead the Federal Reserve to keep its interest rate at 4.5% next Wednesday.

EVENTS OVER THE NEXT FEW MONTHS

7 May: Fed monetary policy meeting

8 May: BoE monetary policy meeting

5 June: ECB monetary policy meeting

18 June: Fed monetary policy meeting

Early July: End of the suspension of US tariffs

EVENTS AND KEY FIGURES TO COME

Monday

United States ISM Services PM

Tuesday

Canada Trade balance and Ivey PMI

Wednesday

United States Fed monetary policy decision

Thursday

United Kingdom Monetary policy decision

Germany Trade balance

Friday

China Trade balance

Canada Unemployment rate (April)

MARKET PERFORMANCES

Interbank rates

%	29/04/2025	02/04/2025	31/01/2025	01/01/2025	02/05/2024
US SOFR	4,350	4,33	4,32	4,53	5,33
Euro area €ster	2,167	2,42	2,91	2,91	3,91
UK SONIA	4,459	4,45	4,70	4,70	5,20
Switzerland SARON	0,204	0,21	0,43	0,45	1,44
Japan TONAR	0,476	0,48	0,48	0,23	0,08

10Y Government rates

%	30/04/2025	02/04/2025	31/01/2025	01/01/2025	02/05/2024
US Treasuries	4,17	4,20	4,58	4,58	4,58
France OAT	3,17	3,42	3,19	3,18	3,05
Germany Bund	2,45	2,66	2,45	2,36	2,55
Italy BTP	3,58	3,81	3,55	3,52	3,87
Spain Bonos	3,12	3,34	3,11	3,06	3,33
Switzerland	0,33	0,47	0,38	0,32	0,71
UK Gilts	4,44	4,62	4,52	4,55	4,29
Japan JGB	1,32	1,51	1,24	1,08	0,90

Credit

%	01/05/2025	02/04/2025	31/01/2025	01/01/2025	02/05/2024
United States IG	5,22	5,13	5,30	5,33	5,60
United States HY	7,81	7,62	7,20	7,49	8,01
Europe IG	3,39	3,54	3,39	3,44	4,08
Europe HY	6,07	5,92	5,62	5,70	6,75
Emerging FX	6,29	6,23	6,28	6,40	7,08

Equity indices

01/05/2025 vs	-1w	-1m	-3m	01/01/2025	-1y
World	1,32	-0,954	-4,374	-2,304	10,192
United States	1,39	-1,273	-7,008	-4,882	11,985
Euro area	0,92	-0,483	2,188	8,083	9,632
France	0,94	-2,314	-2,070	4,093	-0,841
Germany	1,03	1,318	5,867	13,417	24,254
United Kingdom	1,26	-0,456	0,425	5,014	7,885
Japan	2,04	1,163	-0,508	-2,844	0,061
Emerging	0,66	-1,071	1,842	1,473	8,391
China USD	0,39	-4,776	9,475	9,970	25,972
India USD	1,90	4,669	5,681	-0,988	4,262
Latin America USD	-0,23	5,282	10,311	21,011	-3,886

Foreign exchange rates

	01/05/2025	02/04/2025	31/01/2025	01/01/2025	02/05/2024
EUR/USD	1,13	1,09	1,04	1,04	1,07
GBP/USD	1,33	1,30	1,24	1,25	1,25
EUR/CHF	0,94	0,96	0,94	0,94	0,98
USD/JPY	145,26	149,85	154,86	157,00	154,03
USD/CNY	7,27	7,27	7,19	7,30	7,24

Commodity prices

	01/05/2025	02/04/2025	31/01/2025	01/01/2025	02/05/2024
Brent, USD/BL	62	73	76	75	84
Copper, USD/Metric ton	9 195	9 646	8 950	8 706	9 660
Gold, USD/Troy oz	3 237	3 133	2 800	2 606	2 303
Silver, USD/Troy oz	32	34	32	29	26
Palladium, USD/Troy oz	948	984	994	909	933
Platinum, USD/Troy oz	966	980	975	913	948

Source : Bloomberg on 2 May 2025, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded.

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