Investec
Investec Bank plc (UK)

Global Economic Overview

31 March 2025

‘Liberation Day’ will not free markets from uncertainty

Global

After a bruising period of uncertainty, businesses and financial markets are braced for the US administration’s planned announcement of extra tariffs on 2 April. Behind the scenes, negotiations are underway to limit the damage to trade from ‘Liberation Day’, as Trump has dubbed it. The scope for this is unclear: if tariff rises are to raise meaningful funding towards tax cuts they will need to be both large and durable. But it is not just US actions that will impact economies; countermeasures will too. Conversely though, the planned big step up in European defence spending is a tailwind to counter at least some of the headwinds from US policy shifts, which in any case will not fall evenly across countries. Uncertainty looks almost certain to persist beyond 2 April, leaving scope for markets, and us, to reassess the outlook in future.

United States

Our forecasts centre on the expectation that President Trump’s policy agenda will, on net, be inflationary and constrain economic growth. The extent to which this occurs, however, largely depends on the evolution of policy not just over the next few days, but also beyond. Financial markets are also weighing the risks to inflation and the economy but seem to be more concerned about the latter, with recession fears contributing to a sell-off in US equities and weighing on US Treasury yields. In contrast, we expect the US economy to slow but escape a recession (our GDP forecasts remain unchanged at 1.9% and 1.6%, this year and next), while the inflationary impact of Trump’s policy will prevent the Fed from cutting rates as much as markets expect. We still pencil in just one 25bp rate cut this year, in December.

Eurozone

Whereas the threats of escalating tariffs skew near-term growth risks to the downside, medium-term prospects have been boosted by seismic changes in Europe’s approach to defence spending. This is especially true in Germany, where we have lifted our 2026 GDP forecast to 1.7%; as a consequence, our EU20 GDP has been raised to 1.6% too. But 2025 remains unchanged at 1.0%. This has implications for inflation, as do tariff developments. Nonetheless we remain of the view that inflation remains on a path to the 2% target, allowing for a further easing in ECB policy, albeit more cautiously. We now see the Deposit rate reaching 2% in September and holding there. We have hence revised our €:$ forecasts, no longer envisaging parity being reached. Instead we have pushed up our end-year targets to $1.08 (‘25) and $1.15 (‘26).

United Kingdom

We have not yet factored in effects from any ‘Liberation Day’ tariffs. For now, our 2025 GDP forecast remains little changed at 1.1%. At the Spring Statement, Chancellor Reeves’ tightening of fiscal policy restored £14.0bn against her ‘stability rule’ compared with what would otherwise have been a £4.1bn miss. On inflation, we judge that lower wholesale gas prices and a firmer pound will limit the peak in inflation to 3.3% from 2.8% now and compared with a Bank of England forecast of 3.7%. Coupled with slightly tighter fiscal policy and (perhaps) some questions over whether productivity trends are as weak as official figures show, the MPC should sleep easier over inflation prospects. Accordingly we stand by our call that it will bring the Bank rate down by 25bps to 4.25% in May and to 3.75% by year-end. We have pushed our cable forecast up to $1.28 for the end of this year and to $1.32 by end-2026.

	2025	2026
GDP growth (%)		
Global	3.2	3.2
US	1.9	1.6
China	5.0	4.2
UK	1.1	1.7
EU20	1.0	1.6
Key official interest rates (%, end-year)		
US Fed funds	4.00-4.25	3.25-3.50
ECB Deposit rate	2.00	2.00
UK Bank rate	3.75	3.00
FX rates (end-year)		
€:$	1.08	1.15
€:£	0.84	0.87
£:$	1.28	1.32
$:¥	150	140
AUD:$	0.64	0.67
€:CHF	0.96	0.98

Please click here for a summary of our economic and market forecasts

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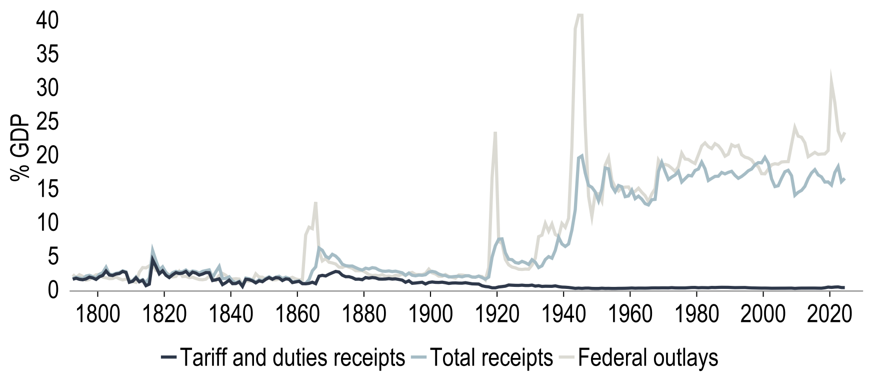
Global

US tariff changes remain a key focal point for financial markets. Ahead of 2 April – dubbed 'Liberation Day' by President Trump – when new 'reciprocal' US tariffs are to be unveiled, possibly along with other 'secondary' tariffs, many bilateral talks with US officials are underway as other countries attempt to stave off tariff rises on their exports to the US. Yet it remains unclear how much room for negotiation there is. There may very well be some: it will be impossible in practice to revert to a pre-1860 world where tariffs covered the lion's share of US federal outlays, as the size of federal spending is over twelve times larger now relative to GDP than it was then (Chart 1). But if tax cuts are to be funded from higher tariffs, then tariff rises must be both large and durable.

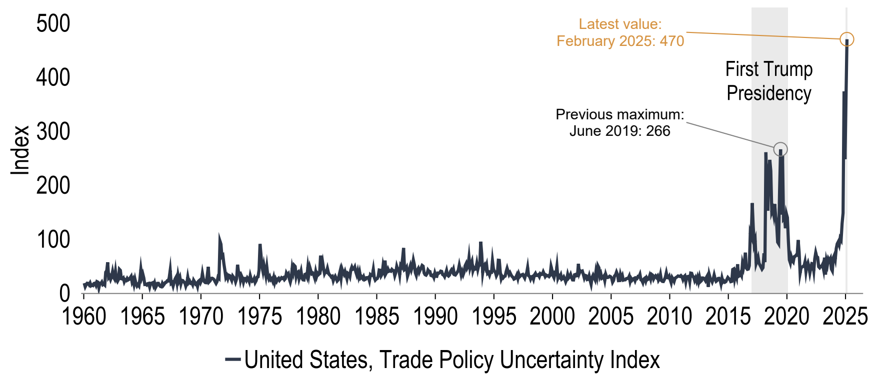
Chart 1: It will be impossible to raise enough tariff revenue to fund the federal government now



Source: US Treasury, BEA, Macrobond, Investec Economics

It is little wonder then that an index measuring uncertainty over US trade policy is currently off the charts relative to its history, which stretches back to 1960 (Chart 2). 2 April can, in this sense, not come soon enough. But those hoping for certainty then may be disappointed. The economic impact of the US's tariff changes will depend not just on US actions but also the reactions by others, which might take time to unfold – even if the US then stays clear of any subsequent changes to trade policy. That itself seems unlikely, especially if US tariffs really are 'reciprocal' in nature rather than just in name. Still, we await some more clarity if not certainty before making major adjustments to our global GDP forecasts, to which larger tariff rises, and associated uncertainty, pose downside risks.

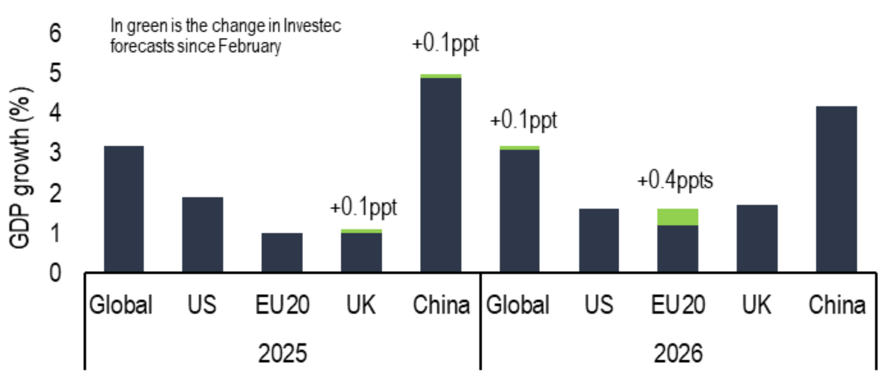
Chart 2: US trade policy uncertainty is currently sky high



Source: Iacoviello, Macrobond, Investec Economics

Yet tariffs are not the only dimension where US policy is shifting sharply and triggering large reactions. The geopolitical situation is in flux, with the Gaza truce broken. Most attention lately has been on Europe though. Negotiating a peace deal in Ukraine is proving harder than the US administration had hoped. Relatedly, the acrimonious meeting between Trump and Ukrainian President Zelenskyy in the Oval Office on 28 Feb has convinced the EU to announce a plan for an extra €800bn of defence spending and Germany to effectively relax its constitutional debt brake for defence spending alongside an extra €500bn of infrastructure investment. This has led us to lift our EU20 growth forecast for 2026 even in light of the extra uncertainty (Chart 3).

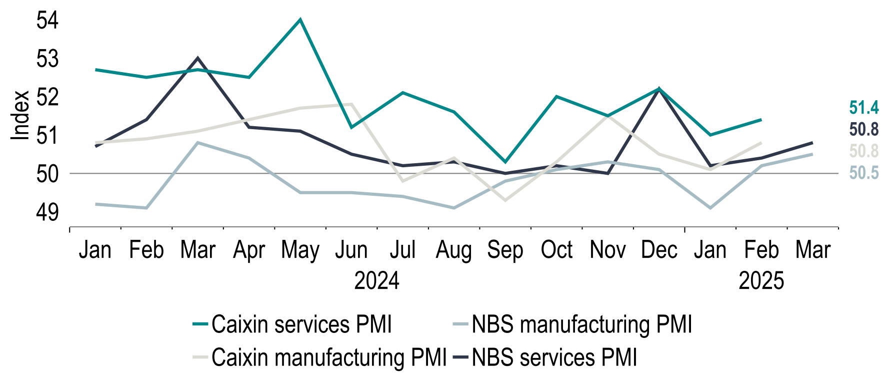
Chart 3: We forecast stronger growth in the Eurozone next year, given fiscal stimulus



Source: Macrobond, Investec Economics

We have also slightly upgraded our forecast for Chinese GDP growth this year, by 0.1%pt to 5.0%. At the 'Two Sessions', the Chinese authorities underlined their determination to meet the same growth target as last year (c. 5%) and stepped up their commitment to provide both fiscal and monetary support to boost domestic demand. On the fiscal side, the trade-in scheme for consumer products is to be expanded, funded by a RMB 300bn increase in ultra-long term bond issuance. The central budget for investment has also been raised by 5%. RRR# cuts may form part of the promised 'moderate loosening' in the monetary stance. We also note the relatively positive recent data (Chart 4) that suggest the economy is entering the headwinds of the Trump administration's tariffs from a somewhat stronger starting place.

Chart 4: China's PMIs hint at a slightly improved starting point to tariff headwinds

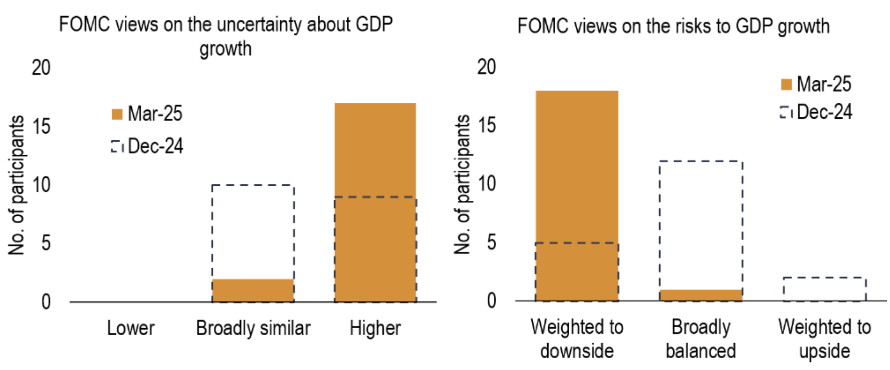


Reserve Requirement Ratio

Source: China Federation of Logistics & Purchasing, S&P Global, Macrobond, Investec Economics

This leaves our baseline global growth forecast for this year unchanged at 3.2% and our 2026 forecast 0.1%pt higher than last month, now also at 3.2%. That said, we acknowledge mounting downside risks to the outlook – much in the same way as the FOMC has indicated for the US (Chart 5). Yet we doubt a sustained global downturn lies in store. The starting point for the US economy is a strong one, and in the event of a sharp weakening, the Trump administration could reverse course and/or the Fed cut rates. Meanwhile, the cat is out of the bag on European defence spending: even a sudden U-turn to a more pro-Nato stance by Trump would be unlikely to stop Europe from taking out more self-insurance now; Russia's threat is too real and US backing too uncertain. This tailwind for growth looks here to stay.

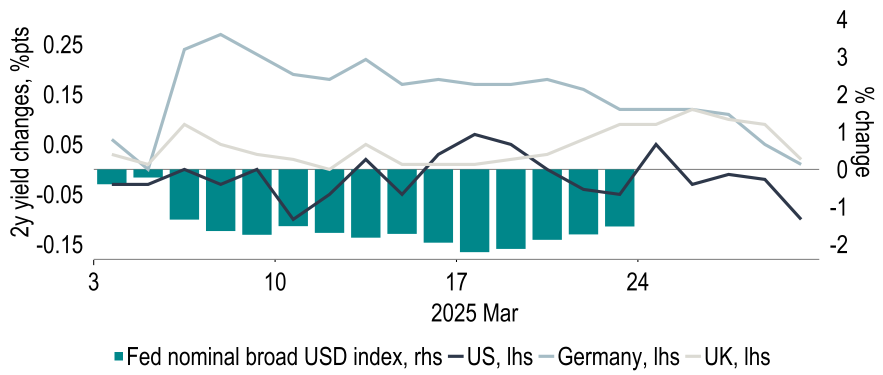
Chart 5: The FOMC is more uncertain about growth and sees more downside risks – we agree



Source: Federal Reserve, Macrobond, Investec Economics

Financial markets have reacted to all these moving parts. The S&P500 has extended its year-to-date underperformance vis-à-vis the main indices in Europe and Asia, at one point falling into 'correction' territory (down 10% from its peak). Since then, it has recovered, but only partially. Meanwhile, judging by 2yr yields, rate expectations in the US, the EU20 and the UK, and differentials between them, are not far from where they started March, but USD is weaker (Chart 6). Uncertainty and mounting downside risks centred on the US are a factor, but the prospects of a significant fiscal boost in the EU20 have also pulled up EUR in its own right, with sterling a partial beneficiary too. The scope for further volatility over the coming weeks though seems high to us, across markets.

Chart 6: Month-to-date, USD has weakened visibly, but yield differential changes are modest

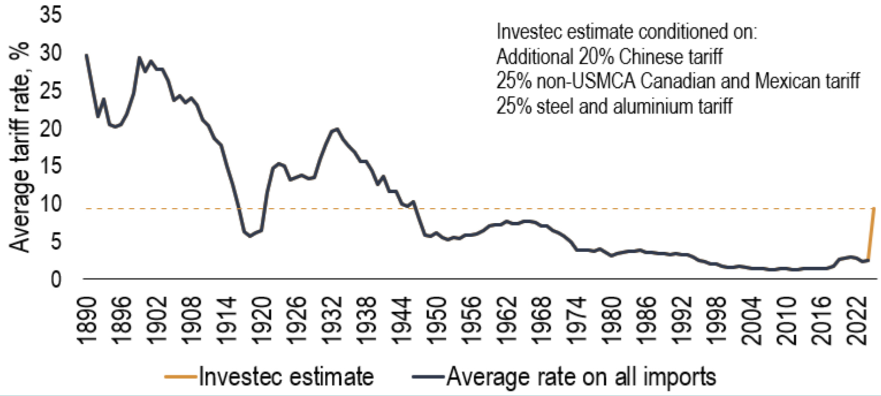


Source: Federal Reserve, US Treasury, Macrobond, Investec Economics

United States

Tariff policy was a key plank of Mr Trump's Presidential campaign and thus far it appears as if the President is following through with his campaign pledges. At the time of writing Mr Trump has imposed an additional 20% tariff on Chinese imports, a global 25% steel and aluminium tariff as well as a 25% tariff on non-USMCA compliant goods imports from key trading partners Mexico and Canada. On our calculations, this has increased the average tariff rate the US charges to close to 10%, the highest since the 1940s and could result in an additional 0.8%pts of imported price pressures. We would be naïve to think this is where it ends though, with 2 April gearing up to be 'world tariff day' in which the President has threatened to impose global reciprocal tariffs.

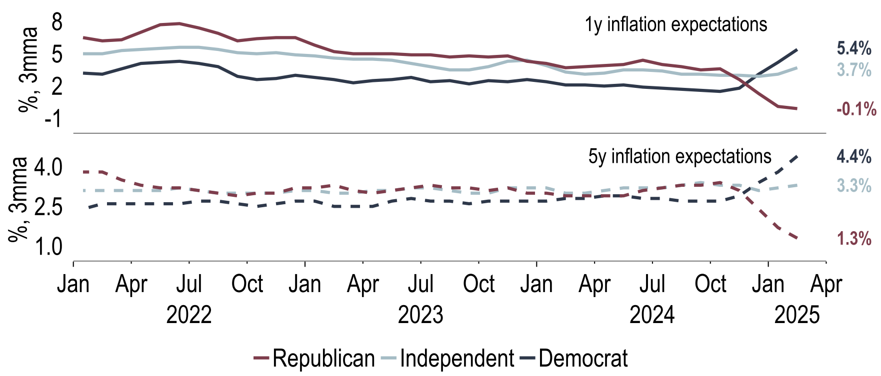
Chart 7: US average import tariff highest since the 1940s



Source: Tax foundation, US census bureau, Investec Economics

The impact on the economy of such actions of course depends on the severity and longevity of the tariffs. But as we have explained previously, it is not just the imposition of tariffs that can impact economic activity, but also the anticipation of such, which creates an uncertain operating environment for businesses and households. On the inflation impact, the Fed's March Beige Book reported that some firms are already pre-emptively increasing their prices. Meanwhile, inflation expectations have been rising. The UoM measure is the starkest example of this, although interestingly opinion is very much divided by party lines (Chart 8). At the latest meeting Fed Chair Powell did dismiss the rise in the 5y UoM measure, suggesting it was an outlier. We are not as convinced.

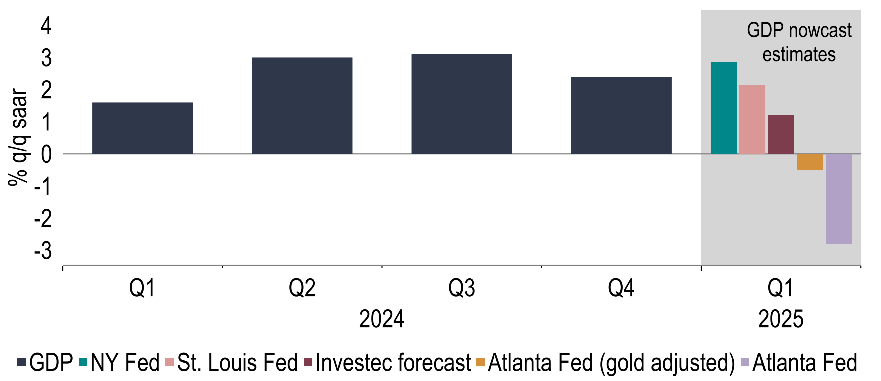
Chart 8: University of Michigan (UoM) inflation expectations divided down party lines



Source: Macrobond, University of Michigan, Investec Economics

Ensuring that inflation expectations remain well anchored, particularly at the longer end, is crucial to the Fed as they are a determinant as to whether Mr Trump's trade policy results in a one-time increase in prices or a longer-lasting inflation surge. The former is the Fed's base case, with Chair Powell bravely using the word 'transitory' at his last press conference. Powell was also keen to stress that White House policy should be assessed as a collective. Indeed, immigration policy will also alter the economic outlook. On this, recent data suggest that although deportations are not sharply higher, border crossings have nosedived, reducing the flow of labour into the US, one factor weighing on our 2025 GDP forecasts. For Q1 we look for growth of 1.6% (q/q saar). This is notably above the headline Atlanta Fed 'nowcast' of -2.8%, but in the same ballpark as other estimates.

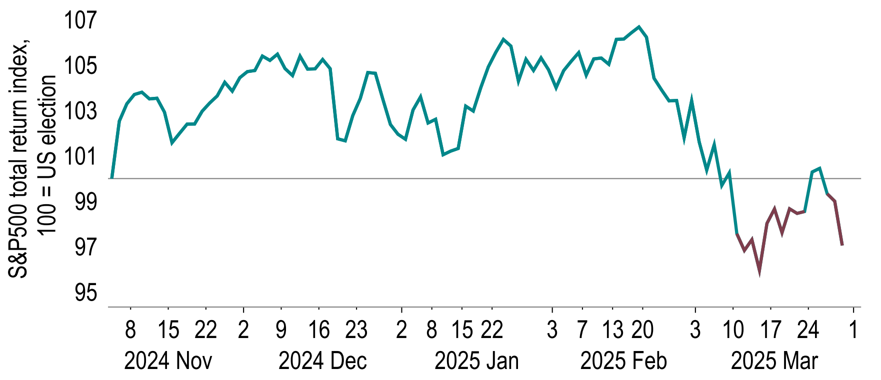
Chart 9: Atlanta Fed Q1 GDP nowcast looks to be an outlier



Source: Macrobond, Atlanta Fed, NY Fed, St Louis Fed, Investec Economics

The sharp turn lower in the Atlanta Fed nowcast should be taken with a pinch of salt. It has been dragged down by weak net trade data as importers stockpiled goods (particularly 'finished metal shapes' but also including non-monetary gold) ahead of tariffs. In response to this the Atlanta Fed published an alternative measure, which excludes trade in gold and is stronger. But the original reading was enough to exacerbate existing financial market fears over a US recession, contributing to a sell-off in equities, after which the S&P500 erased the gains it had made since the election. UST yields have also fallen sharply, along with a weakening in the USD, as markets seemed to focus on the hit to economic growth rather than the inflationary impact of Trump's policies.

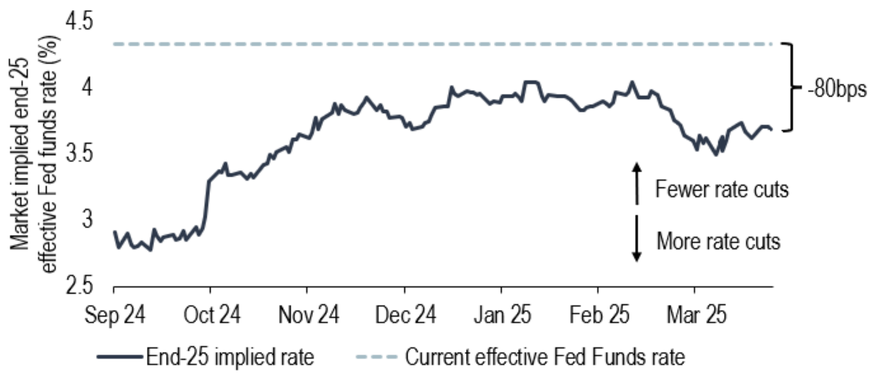
Chart 10: Slowdown fears have wiped out the gains in S&P500 made since the election



Source: Macrobond, S&P500, Investec Economics

Although we also envisage some sort of US economic slowdown, we do not believe that an imminent recession is around the corner. We are more concerned about the inflationary impulse from White House policy. As such, we disagree with current market pricing for 2-3 Fed cuts this year, instead maintaining our forecast of just one cut in Dec. On our forecasts, that leaves room for the USD to appreciate in the short-term and 10y UST yields to rise, possibly to 5% by end-25 (from 4.20% now) if markets reassess rate cut bets. Debt ceiling concerns could also lift yields in the near-term. We concede though that If the economy does begin to head towards a recession, the Fed will doubtless blink first i.e. the FOMC cuts rates to support the economy, rather than President Trump scaling back his policy agenda.

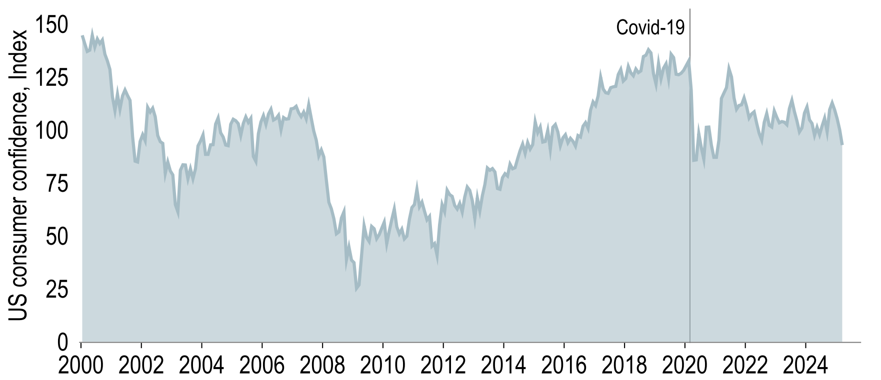
Chart 11: Recession fears driving recent cut bets, but are markets underplaying inflation risk?



Source: Bloomberg, Investec Economics

Ultimately the US outlook largely depends on how White House policy evolves. April 2, the date for reciprocal and sector specific tariffs, will be key in determining how far Trump is willing to go. But even after April 2, tariff policy is unlikely to be static; Secretary of State Rubio has remarked that that the US could still engage in negotiations. Indeed, to gain any insight as to the endgame for US trade policy, one needs to know what Trump's aims are. This is no easy feat given the seemingly erratic policy announcements so far. However Trump has advocated his belief in tariffs since the 1980s, in order to regulate trade imbalances and increase government revenue. If however markets protest, he may be forced to change course (albeit claiming a victory), keeping the situation, and our forecasts, in flux.

Chart 12: Consumer confidence is already falling back to Covid levels, how far will Trump go?

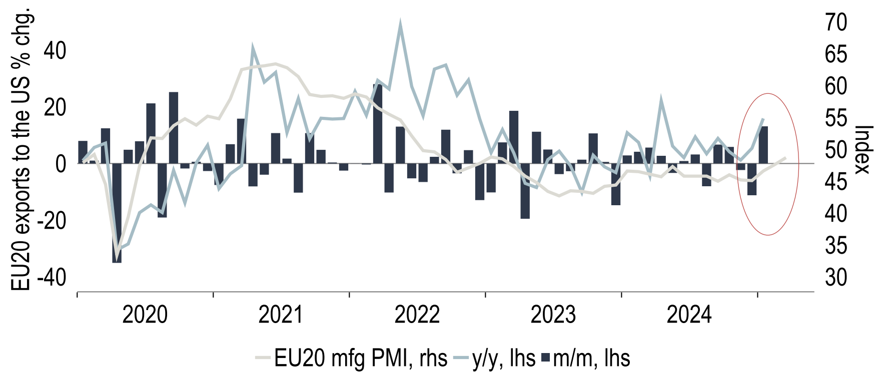


Source: Conference Board, Macrobond, Investec Economics

Eurozone

Q4 GDP enjoyed an upgrade to 0.2% q/q in the latest revision. This is welcome news but belies the fact that momentum has been muted in recent months. Continuing signs of a service-sector slowdown are a concern, the PMI having fallen to 50.4. Retail spending has also been weak, having not registered a monthly rise since September. In contrast manufacturing has shown tentative signs of stabilisation, at least through the lens of the PMIs (Chart 13). Front-running of orders ahead of US tariffs may well be a factor. Exports to the US in January jumped 13% for example, although the numbers are typically volatile. But this may turn out to be a temporary uplift given near-term risks to the downside from US trade policies. Changes to EU defence spending meanwhile look to be a bright point for the medium term.

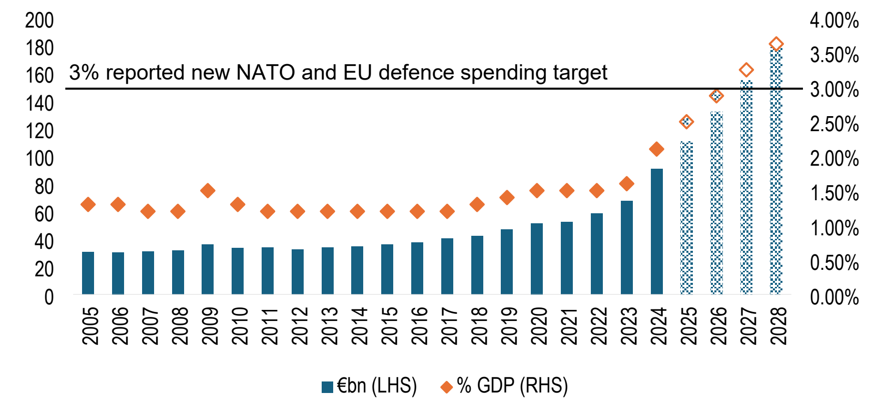
Chart 13: Has the front-running of US tariffs provided a lift to Eurozone manufacturing?



Source: Macrobond, Investec Economics

Germany stands out here having taken historic steps to loosen its fiscal rules. This sees all defence spending of over 1% of GDP exempt from the '*debt brake*' which limits the structural budget deficit to 0.35% of GDP. A €500bn investment fund will also be exempted, effectively providing an extra 1% of GDP p.a. to be spent on infrastructure over the next 12 years. This represents a material change to the economic outlook, although clarity is needed over the start and spending amounts, which will likely not be available until a CDU/CSU-SPD coalition agreement is agreed. Even then it will likely take time before priorities are identified. Nonetheless we would expect spending to begin in Q4 and rise in earnest in 2026. This is reflected in our 2026 German GDP growth forecast, upgraded from 0.9% to 1.7%.

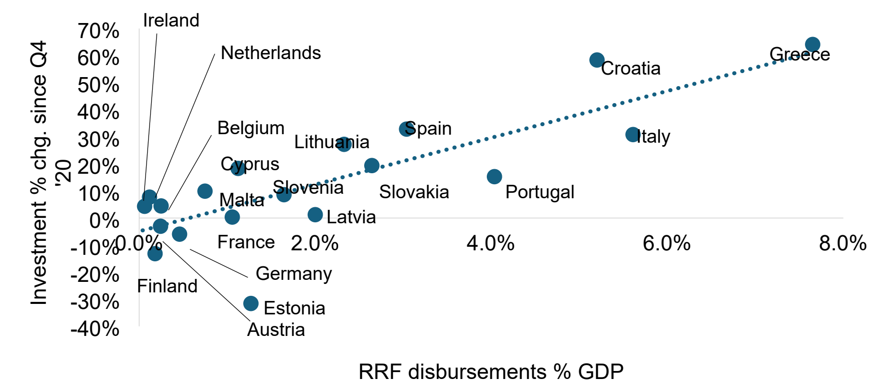
Chart 14: A gamechanger in German defence spending: illustrative linear 1.5%pt rise in spending



Source: Macrobond, Investec Economics

Action has been taken at the EU level too with a €800bn *Readiness 2030* plan to allow for a rapid buildup in defence spending. Of this, an estimated €650bn is to be spent nationally, enabled by an easing of the EU's fiscal rules*. A further €150bn is via a loan facility to provide for joint procurement of EU defence equipment. Ultimately the EU's aim is to boost defence spending from 1.9% of GDP (2024) to c.3%. This should be a boon for the economy given it entails infrastructure and industrial capacity investment. Certainly, manufacturing is looking at a potential revival. The timing and quantum over the economic uplift is however uncertain given the plan is in its early stages. However the EU's response to COVID, the €750bn NextGenEU programme, offers some potential insight. The key part of this was the €650bn…

Chart 15: Recovery and Resilience Facility (RRF) vs investment performance since Q4 2022

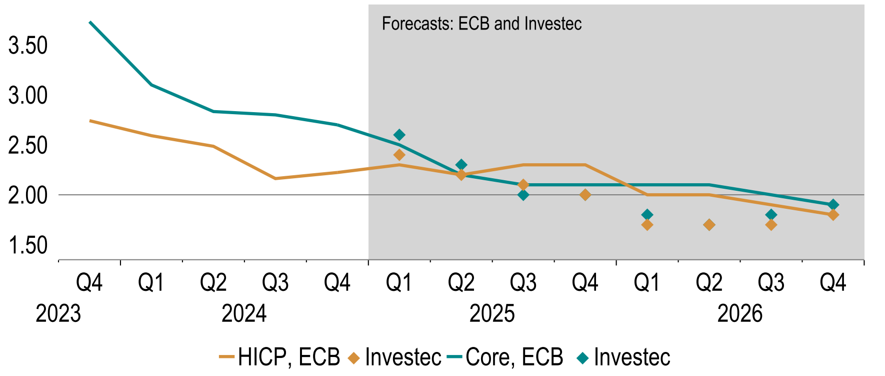


*Activation of national escape clauses allowing for a temporary exemption from EU Stability and Growth rules

Source: Macrobond, Investec Economics

…RRF, which offered grants and loans. To date only €306 (47%) has been used, but as can be seen in Chart 15, there is evidence of uplift to investment from RRF disbursements. We have therefore raised our 2026 GDP growth forecast to 1.6% from 1.2%, on account of extra defence spending and investment. For 2025 our forecast is unchanged at 1.0%, the upgrade to Q4 and associated carry over effect offsetting a downgrade to the near-term profile on account of tariff policy uncertainty. But there remains much uncertainty over the impact on activity and inflation given question marks over the final policies and how long they last. As a guide the ECB estimates a 0.5%pt* uplift to EU20 inflation from a 25% tariff on EU imports and EU retaliation. But so far the only enacted…

Chart 16: Inflation is expected to return to target, but reciprocal tariffs pose upside risks

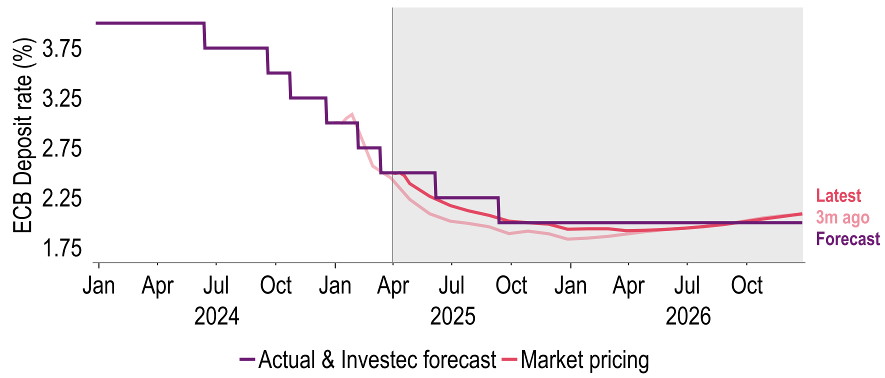


* President Lagarde to European Parliament, 20-Mar

Source: Macrobond, Investec Economics

…measure has been a 25% tariff on steel and aluminium. The scheduled 25% on autos is more serious if implemented on 2-Apr, as would be a 25% tariff on all EU goods as part of reciprocal tariffs as has been threatened. The EU's reaction matters too. A tough response is being discussed, but there remains space for talks, with countermeasures having already been delayed. This all complicates the picture for the ECB. Its March forecasts, which only included initial US tariff announcements*, saw HICP inflation reaching the 2% target in Q1 2026, a quarter later than previously envisaged. But given tariff-related uncertainties over inflation and the expansionary effects of defence and infrastructure spending, and with policy rates now at levels estimated to be nearing neutral, we expect a more cautious approach to easing, with just two more cuts in June and September leaving the DFR at 2.0%.

Chart 17: The ECB's Deposit rate (DFR) is now expected to settle at 2.00%

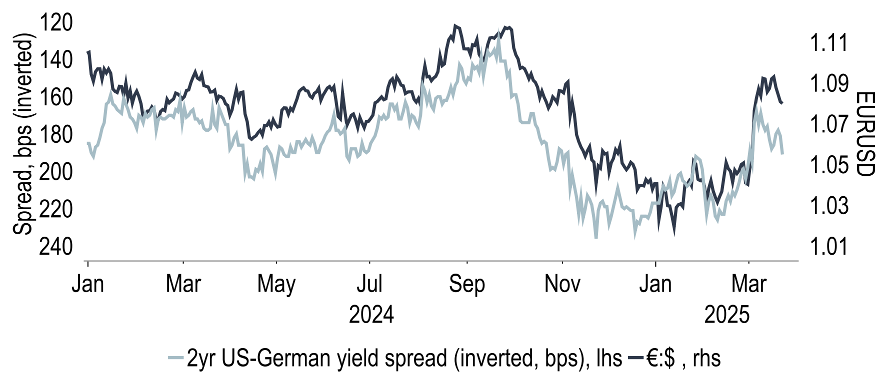


* initial 10% tariff on China only. Steel and aluminium, Canada & Mexico tariffs etc were not in effect by the ECB forecast cut-off date of 19-Feb

Source: Macrobond, Investec Economics

With fears that US policy changes could trigger a downturn, the dollar has lost some shine this month, including against the Euro. The announcement of further EU defence spending has added to the EURUSD rise. With the latter, we now no longer see €:$ reaching parity, but we still do envisage a short-term rebound in USD, pushing €:$ down to $1.06 in Q2 if as we expect the Fed does not cut rates this summer. However, as defence spending filters through to the real economy and the Fed starts easing again, we see the Euro strengthening against the dollar, reaching 1.15 by end-'26. Germany's fiscal bazooka will require more borrowing, which alongside fewer Deposit rate cuts than we previously thought, could push up German 10y Bund yields to around 3%.

Chart 18: Expectations of narrower rate differentials have lifted EUR against USD

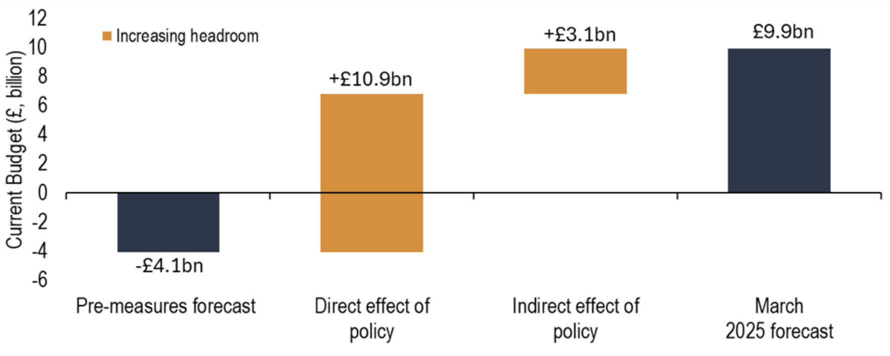


Source: Macrobond, Investec Economics

United Kingdom

Although the recent news suggests that the UK might get caught up in 'Liberation Day' tariffs on 2 April, we are not yet factoring possible effects until the outlook is a little clearer. For now, our 2025 GDP growth outlook remains the same, bar a 'technical' upgrade to 1.1% from 1.0%, partly helped by revisions to GDP history. At the Spring Statement, the OBR halved its previous '25 growth forecast to 1.0%. But it also raised its projections modestly over the subsequent four years, in part thanks to the government loosening planning regulations. These changes contributed positively to the OBR's assessment of the current budget position (i.e. total public borrowing less investment), by £3.1bn in 2029/30. Coupled with £10.9bn of direct policy measures (most notably, welfare cuts), the current budget is forecast to remain in surplus by £9.9bn, the same as at October's Budget.

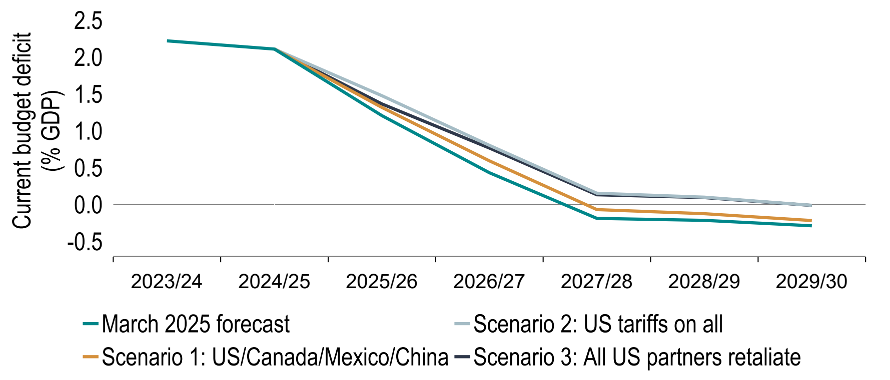
Chart 19: Effects of policy changes restore the £9.9bn of fiscal headroom in 2029/30



Source: OBR, Macrobond, Investec Economics

Without these changes, the Chancellor would have missed her stability rule (current budget in balance in 2029/30) by £4.1bn. The economic outlook, and with it the public finances, is of course subject to numerous risks. Amid current tariff uncertainty, the OBR considered three additional trade scenarios* of varying severity, comparing the effect on the outlook for the current budget deficit. These result in the level of nominal GDP falling below the OBR's baseline forecast by between 0.2% and 1.0% by 2029/30. Moreover in the severest scenario, the £9.9bn of fiscal headroom is within £0.4bn of being eliminated (Chart 20). With other risks facing the economy as well, we cannot rule out further fiscal tightening at the autumn Budget.

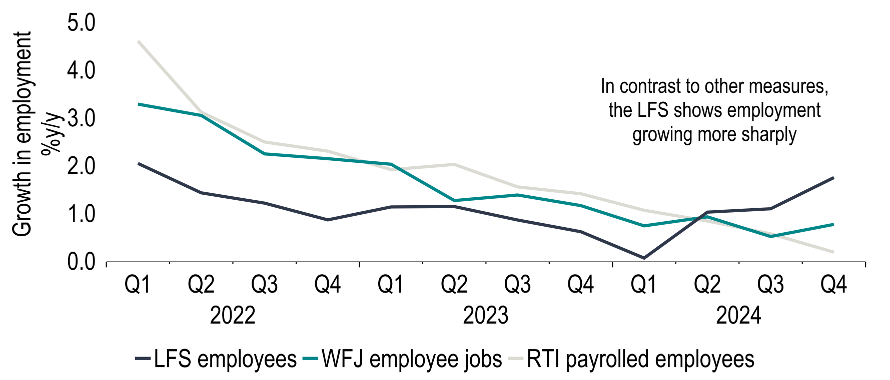
Chart 20: Trade war Scen.3 (20% US tariffs, full global retaliation) almost wipes out the headroom



*Note: Scenario 1 - additional tariffs between the US, China, Canada & Mexico. Scenario 2 - US levies higher tariffs on the rest of the world. Scenario 3 - includes retaliation. Source: OBR, Macrobond, Investec Economics

The OBR assessed productivity scenarios too. This topic is also relevant to monetary policy as the MPC fears that the current soft pace of GDP growth reflects supply limitations as well as weak demand. Such concerns have been heightened by poor recent productivity data - official 'flash' figures for Q4 2024 show output per hour falling by 0.8% on a year earlier. This may be nudged up modestly, thanks to upward GDP revisions, but the bigger picture is that these numbers are based on Labour Force Survey estimates showing employment growth of 1.4% on the year in Q4. These numbers have started to diverge from alternative data from the Workforce Survey and HMRC (Chart 21). If the LFS numbers are faulty (and we suspect they are) latest productivity trends may not be as poor as official figures suggest.

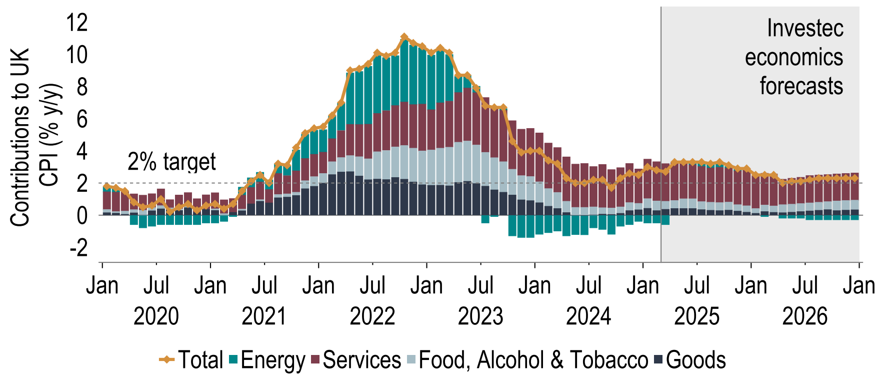
Chart 21: LFS numbers show stronger employment growth than other measures recently



Note: LFS series shown excludes self-employed. Source: ONS, Macrobond, Investec Economics

CPI inflation fell back to 2.8% in February from 3.0% in January, bringing the targeted measure back into line with the BoE's projections in February's Monetary Policy Report. Inflation is highly likely to resume its upward course over the next few months, mainly due to higher administered prices such as water charges. Indeed the BoE forecasts a peak of 3.7% in Q3. By contrast our own forecast is that CPI inflation tops out at a more modest 3.3% in Q2/Q3, before it falls below 3.0% in Q1 2026. This partly reflects wholesale gas prices easing recently, pointing to a fall in the energy price cap in July. Also, sterling has risen in trade weighted terms over the past weeks (limiting imported cost inflation) and we have pushed up our own forecasts too (see below).

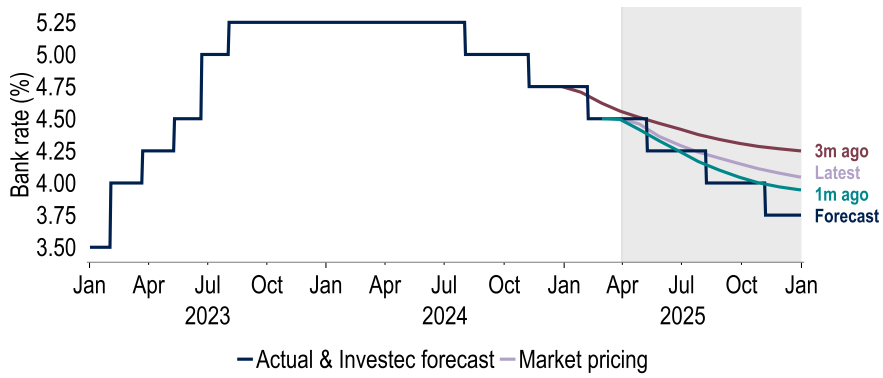
Chart 22: CPI inflation may peak a little lower than BoE forecasts



Source: ONS, Macrobond, Investec Economics

Ahead of its May meeting, the MPC will assess the risks of inflation persistence arising from economic supply limitations and 'second round' effects of higher inflation feeding back into pay awards. Recent events should help to calm the committee's collective mindset. First, the short-term inflation outlook has improved, as described earlier. Second, as we have argued above, we question the legitimacy of the poor productivity data. Last, fiscal policy is slightly tighter after the Spring Statement. These factors should combine to help prospects for lower rates. Accordingly we stand by our view that; i) the MPC will cut the Bank rate by 25bps to 4.25% in May; and ii) rates will fall to 3.75% by end-year. We note that markets are currently pricing in an 82% chance of a May move but still see just one further cut this year (Chart 23).

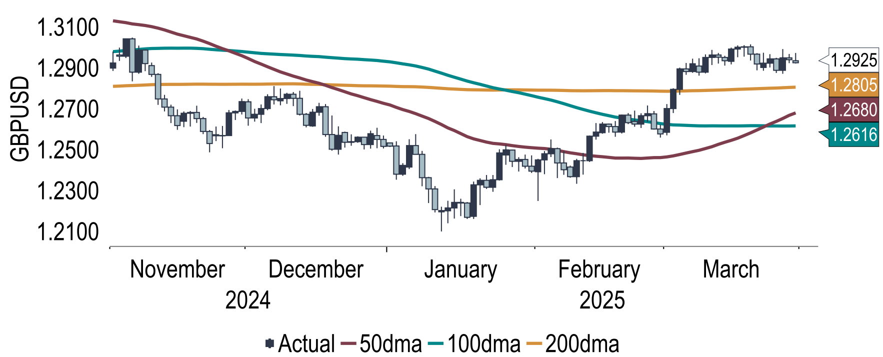
Chart 23: Bank rate prospects – lower but by how much?



Source: Bank of England, Macrobond, Investec Economics

Sterling has continued to gain strength against the dollar over March as US recession fears have fuelled rate cut expectations and weighed on the greenback. Moreover prospects for huge fiscal easing in the Euro area have added to the dollar's woes, boosting cable (but also weakening the pound against the euro). Sterling is now at $1.2950. Near-term we expect cable to ease back as the MPC delivers more cuts than markets expect and the Fed less. But by year-end we see the dollar resuming its weaker path as the inflationary storm from tariffs eases and the US's adverse fiscal position comes into clearer view. Our end-year forecast is now $1.28 (from $1.24) and $1.32 (from $1.30) end-2026. Conversely we now see the pound softer than previously against the euro, with forecasts of 84p and 87p for the end-25 and end-26 (was 82p and 85p).

Chart 24: US recession fears dominate, sending GBPUSD higher



Source: Bloomberg, Macrobond, Investec Economics

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Global Forecasts

GDP Growth (%)

	Global	US	Japan	China	UK	EU20	Germany	France	Italy
2020	-2.7	-2.2	-4.2	2.2	-10.3	-6.2	-4.5	-7.6	-9.0
2021	6.6	6.1	2.8	8.4	8.6	6.3	3.6	6.8	8.8
2022	3.6	2.5	0.9	3.0	4.8	3.6	1.4	2.6	5.0
2023	3.3	2.9	1.5	5.2	0.4	0.5	-0.1	1.1	0.8
2024	3.2	2.8	0.1	5.0	1.1	0.8	-0.2	1.1	0.5
2025	3.2	1.9	1.1	5.0	1.1	1.0	0.2	0.5	0.4
2026	3.2	1.6	0.6	4.2	1.7	1.6	1.7	1.2	0.9

Source: Macrobond, Investec Economics, IMF

Key Official Interest rates (%, end quarter):

	US Fed funds	Eurozone refi rate	Eurozone deposit rate	UK Bank rate	Australia cash rate
Current	4.25-4.50	2.65	2.50	4.50	4.10
2025					
Q1	4.25-4.50	2.65	2.50	4.50	4.10
Q2	4.25-4.50	2.40	2.25	4.25	3.85
Q3	4.25-4.50	2.15	2.00	4.00	3.60
Q4	4.00-4.25	2.15	2.00	3.75	3.35
2026					
Q1	3.75-4.00	2.15	2.00	3.50	3.25
Q2	3.50-3.75	2.15	2.00	3.25	3.25
Q3	3.25-3.50	2.15	2.00	3.00	3.25
Q4	3.25-3.50	2.15	2.00	3.00	3.25

Source: Macrobond, Investec Economics

10-year government bond yields (%, end quarter):

	US	Germany	UK
Current	4.19	2.70	4.66
2025			
Q2	4.75	3.00	4.75
Q4	5.00	3.00	4.50
2026			
Q2	4.75	3.00	4.25
Q4	4.50	3.00	4.00

Source: Macrobond, Investec Economics

FX rates (end quarter/ annual averages)

		Current	2025				2026				2024	2025	2026
		31-Mar	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	average	average	average
Euro	€:$	1.082	1.08	1.06	1.06	1.08	1.10	1.12	1.14	1.15	1.08	1.07	1.12
Sterling	€:£	0.835	0.84	0.85	0.84	0.84	0.85	0.86	0.87	0.87	0.85	0.84	0.86
	(£:€)	1.197	1.20	1.18	1.19	1.19	1.17	1.16	1.15	1.15	1.18	1.19	1.16
	£:$	1.295	1.30	1.25	1.26	1.28	1.29	1.30	1.31	1.32	1.28	1.27	1.30
Yen	$	149.4	149	150	150	150	150	145	145	140	151	151	146
	€	161.6	162	159	159	162	165	162	165	161	164	161	164
	£	193.4	193	188	189	192	194	189	190	185	194	191	190
Aussie Dollar	$	0.625	0.63	0.62	0.63	0.64	0.65	0.66	0.67	0.67	0.66	0.62	0.66
	€:AUD	1.731	1.73	1.72	1.70	1.69	1.69	1.70	1.70	1.72	1.64	1.71	1.70
	¥	93.33	93.4	92.3	93.8	96.0	97.5	95.7	97.2	93.8	99.9	94.0	96.3
	£:AUD	2.073	2.07	2.03	2.02	2.00	1.98	1.97	1.96	1.97	1.94	2.03	1.97
Swiss Franc	€	0.953	0.95	0.95	0.95	0.96	0.96	0.97	0.97	0.98	0.95	0.95	0.97
	$	0.881	0.88	0.90	0.90	0.89	0.87	0.87	0.85	0.85	0.88	0.89	0.87
	£	1.141	1.14	1.12	1.13	1.14	1.13	1.13	1.11	1.12	1.13	1.13	1.12

Source: Macrobond, Investec Economics

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