This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Investec Economics

Investec
Investec Bank plc (UK)

Global Economic Overview

24 September 2024

To neutral but not necessarily beyond

Global

Now that most major Western central banks have started easing monetary policy, the question is: what will the path downward look like? With labour markets loosening and growth starting to disappoint in some economies, central banks may want to ease restrictiveness faster in order to avoid a 'hard landing'. But although we acknowledge some cracks are starting to appear, our global growth forecasts are little changed at 3.2% for this year and 3.1% for 2025, so a major weakening in the labour market does not seem on the cards. Therefore we consider current market pricing for rates a tad aggressive, perhaps overstating the read across from the Fed's bumper 50bp cut this month. That said, we do expect the outlook for US rates to continue to be a key driver of market sentiment over the coming months.

United States

The key development since our last *Global* is the apparent shift in the Fed's thinking in its plans to loosen monetary policy. With greater risks now surrounding the employment side of the dual mandate, a quick return to neutral seems to be the preferred path, relative to a slow and steady approach. This was signalled by the 'jumbo-size' 50bp cut at the latest meeting and the accompanying 'dot plot', where the median view was for 150bp worth of policy loosening by end-2025. We broadly concur. Given our prediction of modest GDP growth around the turn of the year, we expect the reductions to be frontloaded, via six back-to-back 25bp cuts from here. This would take the Federal funds target range to 3.25-3.50% by end-2025.

Eurozone

The ECB has now cut interest rates twice this year, bringing the Deposit rate to 3.50%. We anticipate a further gradual easing of policy over the coming year, our end-2025 forecast standing at 2.00%. However we judge that the balance of risks is skewed towards a faster pace of easing and the possibility that the ECB may need to take interest rates below 'neutral'. This is due to what we perceive to be growing downside risks to the growth outlook. Manufacturing continues to languish in a recession, with few if any signs of a near-term recovery. At the same time the service sector, which has been the engine of growth over H1, is beginning to show signs of slowing levels of activity. Even so, trends within the EU20 differ. In aggregate we have only made small adjustments to our GDP growth forecasts this month, pushing both 2024 and 2025 down by 0.1%pts to 0.7% and 1.4%, respectively.

United Kingdom

Despite GDP growth having stalled on a month-on-month basis in three of the past four reports, at least on the current vintage of data, we see the underlying picture as more positive than that, not least given business surveys. Much focus has been on the tax rises the government has flagged will come as part of the 30 Oct Budget. We doubt though that this will be the sole means to plug the fiscal 'black hole', as this would jeopardise investment and hence productivity growth prospects that are so crucial to the long-term sustainability of public finances. We therefore maintain our GDP growth forecast at 1.2% for '24 and 1.9% for '25. Correspondingly we foresee only gradual rate cuts, to 4.75% by end-'24 and 3.75% by end-'25. That would leave room for GBP appreciation against USD with its fading rate advantage.

	2024	2025
GDP growth (%)		
Global	3.2	3.1
US	2.5	1.5
China	4.7	4.1
UK	1.2	1.9
EU20	0.7	1.4
Key official interest rates (%, end-year)		
US Fed funds	4.25-4.50	3.25-3.50
ECB Deposit rate	3.25	2.00
UK Bank rate	4.75	3.75
FX rates (end-year)		
€:$	1.11	1.15
€:£	0.83	0.84
£:$	1.33	1.37
$:¥	142	135
AUD:$	0.68	0.70
€:CHF	0.96	1.00

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

Philip Shaw
+44 (0) 20 7597 4302
philip.shaw@investec.co.uk

Ryan Djajasaputra
+44 (0) 20 7597 4039
ryan.djajasaputra@investec.co.uk

Ellie Henderson
+44 (0) 20 7597 6714
ellie.henderson@investec.co.uk

Sandra Horsfield
+44 (0) 20 7597 5882
sandra.horsfield@investec.co.uk

Lottie Gosling
+44 (0) 20 7597 4774
lottie.gosling@investec.co.uk

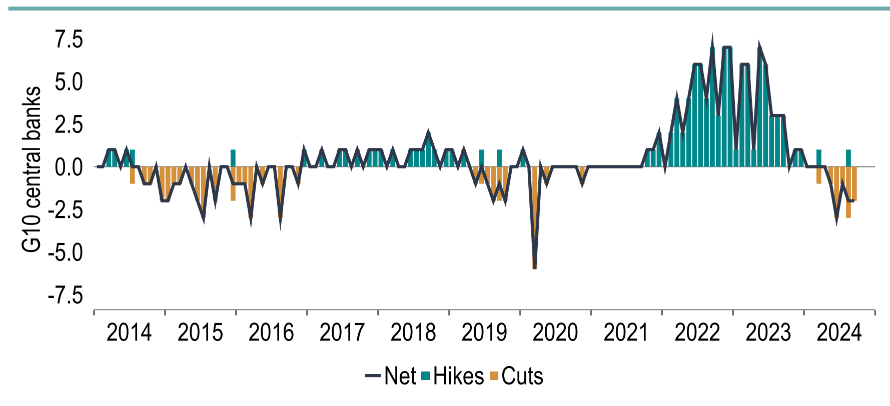
Readers in all geographies please refer to important disclosures and disclaimers at the back of the report

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Global

As the tide has turned in favour of an easing bias across the Western world, the Fed became the latest to join the group of major central banks already loosening policy. Indeed, the question now is how quickly policymakers will want to dial back restrictiveness. We note that economic growth has started to disappoint in some major economies and that weighed down by high interest rates, both the BoC and Riksbank have already signalled potentially more and bigger cuts to come – somewhat more aggressive than expected just a few months ago. But how far will they and others have to go? Will simply getting to a neutral level of rates more quickly be sufficient, or will policy need to be loosened to such an extent as to have a stimulating effect on the economy?

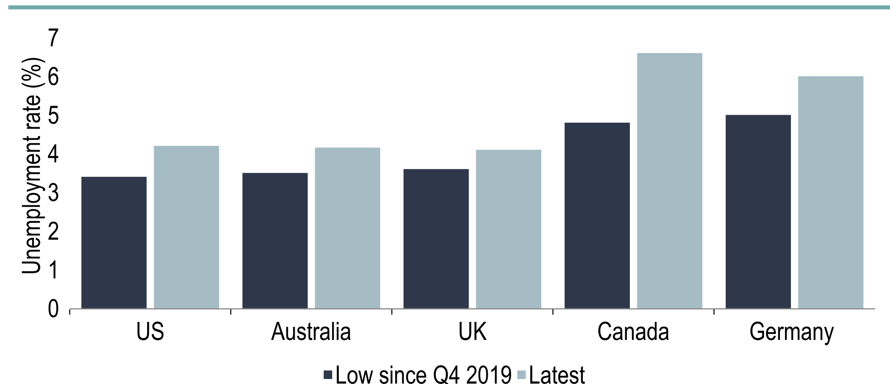
Chart 1: The pivot towards monetary easing is well underway in the G10



Source: Macrobond, Investec Economics

Some answers to that can be found in the macroeconomic data. Clearly there has been a softening in labour markets across the board, with unemployment rates creeping up. But labour markets have not collapsed, and neither has economic growth. Our global growth forecasts are broadly unchanged at 3.2% in 2024 and 3.1% in 2025, suggesting that current market pricing for policy rates may be too aggressive given the growth backdrop. But we do acknowledge that some cracks to the 'soft landing' scenario are starting to appear. We've made subtle downgrades to the Eurozone as Germany continues to be a drag, and also see China and the US posting slightly weaker growth in 2025 of 4.1% and 1.5%, respectively.

Chart 2: Some loosening in global labour markets is starting to materialise



Source: Macrobond, Investec Economics

But the softening economic growth backdrop is not all due to restrictive monetary policy. The expected recovery in the manufacturing sector has not yet materialised, particularly in the Eurozone, where PMIs have been soft (below 50, indicating a contraction in output compared to the previous month) for over a year now, with the recent performance of the global manufacturing PMI suggesting that the bottoming out in the sector may be faltering, and the sub-indices suggesting further weakness ahead too. Pockets of supply chain pressures continue to have some dampening effect, but a large part of why manufacturing remains in the doldrums can be attributed to the economic woes in China, where domestic demand is yet to pick up.

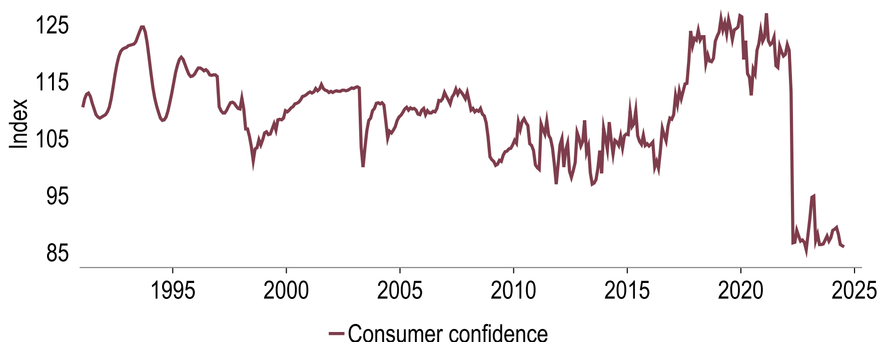
Chart 3: What recovery? Manufacturing remains in the doldrums

Source: Macrobond, S&P Global, Investec Economics:

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Macro data for August brought more bad news for China's property sector whilst consumer confidence and consumption momentum continued to falter. As such, with the 5% annual growth target looking more challenging, the PBoC have unleashed a wave of stimulus, including a 20bp cut to its main policy rate, the 7-day reverse repo rate, and a 50bp cut to the reserve requirement ratio. Government funding to boost the stock market and support for homebuyers were also announced. However, we are sceptical as to whether this is enough to revive the economy. Indeed, whilst these measures have provided a short-term boost to stock markets, they fail to address one of the main areas of economic weakness, the reluctance of Chinese consumer to spend.

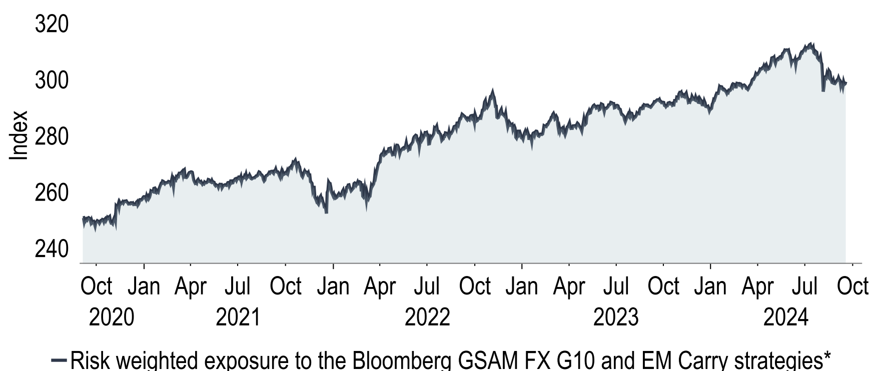
Chart 4: Will the PBoC's stimulus measures be enough to revive consumer confidence?



Source: Macrobond, Investec Economics

Swimming against the tide of central banks easing policy continues to be the Bank of Japan (BoJ). Although opting to keep rates on hold this month, further hikes look to be in play if prices rise as the BoJ expects. Coupled with an easing in Fed policy, the high interest rate differential between the two countries should narrow. Indeed we have already seen the anticipation of this driving the Yen higher. $:¥ briefly traded below ¥140 this month for the first time in over a year, and although perhaps most of the immediate disruption was played out in August, the Yen carry trade has further room to unwind. Various estimates put the trade at around 50% unwound, which could point to more volatility and strength in JPY ahead.

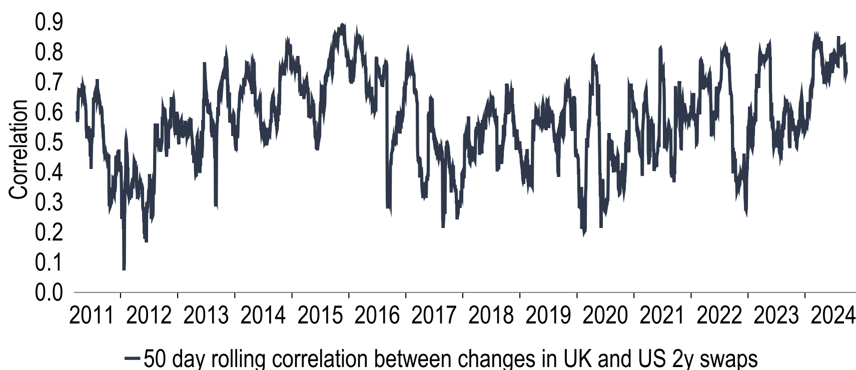
Chart 5: The unwinding of the carry trade still has a long way to go



*The strategies rank the currencies using an avg. of recent implied USD interest rates as a carry measure
Source: Bloomberg, Macrobond, Investec Economics

Indeed, markets and sentiment look set to remain driven by the outlook for interest rates, particularly US rates, over the medium term. Global equity markets have rallied on the bumper 50bp cut from the Fed as hopes that the US economy will be guided to a soft landing have been bolstered. Indeed, with global markets so closely following developments in the US, positive sentiment has spread, which should contribute to a loosening in financial conditions globally, despite a comparatively slower pace of easing expected from the BoE and ECB. An ongoing risk though relates to events in the Middle East. Although not yet an all-out war, threats of further escalation from both sides risks greater humanitarian catastrophe as well as adding volatility to markets.

Chart 6: The BoE may be more cautious than the Fed, but rate markets remain correlated



Source: Macrobond, ICAP, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

United States

At its latest meeting the FOMC surprised the majority of economists (financial markets had been pricing in a higher chance of a larger move) with a 'jumbo' 50bp rate cut, taking the Federal funds target range to 4.75-5.00%. In his press conference Chair Powell cited the downward revisions to payrolls and the anecdotal evidence from the Beige Book as reasons for the outsized interest rate cut. He tried to convey the message that the half-point move was not due to panic over the strength of the economy and should be viewed as a 'recalibration of policy' in light of shifting risks. The FOMC's updated economic projections suggested much the same, with the economy expanding above the long-run pace and the unemployment rate falling over the forecast horizon in the baseline scenario.

Chart 7: Updated Fed projections do not point to a deep downturn, or much of a downturn at all

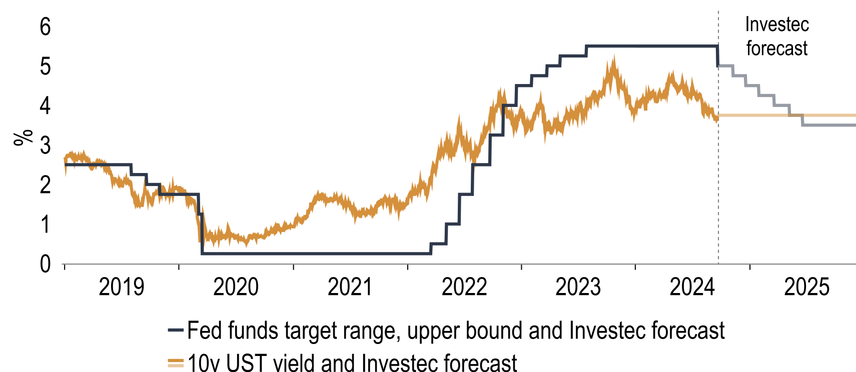
Median view of FOMC members

	2024	2025	2026	2027	Longer run
Change in real GDP (Q4 y/y)	2.0	2.0	2.0	2.0	1.8
June projection	*2.1*	*2.0*	*2.0*		*1.8*
Unemployment rate	4.4	4.4	4.3	4.2	4.2
June projection	*4.0*	*4.2*	*4.1*		*4.2*
PCE inflation (Q4 y/y)	2.3	2.1	2.0	2.0	2.0
June projection	*2.6*	*2.3*	*2.0*		*2.0*
Core PCE inflation (Q4 y/y)	2.6	2.2	2.0	2.0	
June projection	*2.8*	*2.3*	*2.0*		
Fed funds rate	4.4	3.4	2.9	2.9	2.9
June projection	*5.1*	*4.1*	*3.1*		*2.8*

Source: Federal Reserve, Investec Economics

What was most striking from the forecasts though was that not one member (as displayed by the range) expected inflation to undershoot the 2% target at any point over the forecast horizon. Instead, the FOMC seems to have opted for the larger move solely to counter greater upside risks to unemployment – suggesting a change in the Fed's reaction function. This likely explains why Chair Powell failed to convince financial markets that this would not necessarily be followed by further 50's. To us the 50bp cut signalled the Fed's commitment to reach 'neutral' at a faster pace than we previously had assumed. As such we have updated our own forecasts, now expecting six back-to-back 25bp cuts from here, leaving the end-'25 Federal funds target range at 3.25-3.50%.

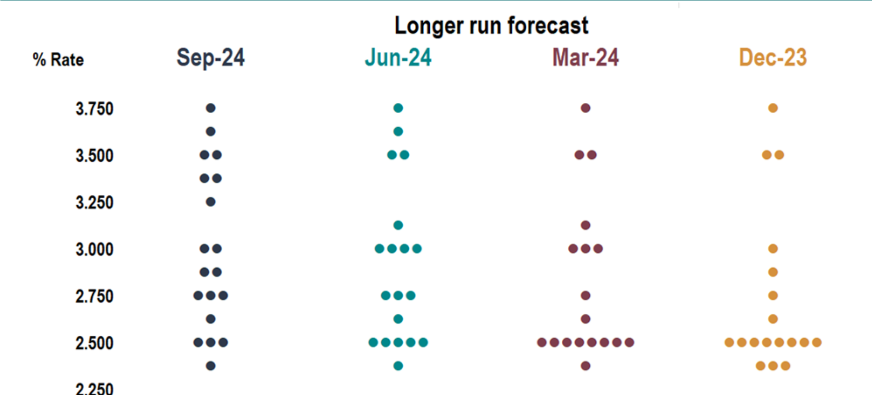
Chart 8: We expect back-to-back 25bp cuts by the FOMC over the next six meetings



Source: Macrobond, Investec Economics

But this is based on our own estimate of where the neutral rate might now lie, which is higher than the Fed's 'longer run' forecast. It is very hard to be sure where this rate might be until we get there though, as demonstrated by the large, and rising, dispersion of views on the committee (Chart 9). Our forecasts encompass the assumption that it will not be necessary for the Fed to move rates below neutral, i.e. to accommodative territory. Although employment metrics are slowing, the economy is still expanding at a robust pace. Indeed, the Atlanta Fed GDP tracker is pointing to 2.9% (saar) growth in Q3. Should the economy turn sharply and unemployment rise rapidly though, the FOMC could well switch to an accommodative rather than simply a neutral gear.

Chart 9: The Fed has to feel its way to 'neutral', it is becoming less sure where it lies

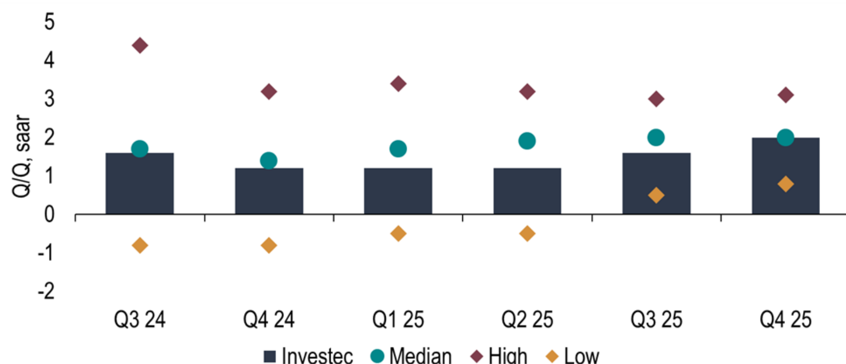


Source: Federal Reserve, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

That is not to say that we do not think the US economy will cool though, that has been embedded in our forecasts for some time. Considering the deteriorating health of the consumer balance sheet, we do not imagine that the economy will be able to sustain the current strong pace of growth. Indeed, the saving rate is historically low, real household income growth is slowing and credit card debt is rising. Furthermore, if we assume that higher migration and therefore higher labour supply had been supporting the economy, the slowing of that (as suggested by border encounters data) should have the opposite effect. We think this is playing out already in the data. As such we have nudged down our 2025 GDP forecast to 1.5% from 1.7%.

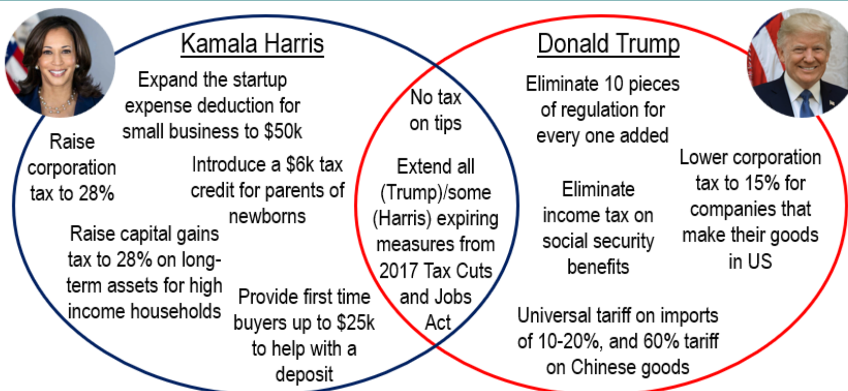
Chart 10: Bloomberg survey shows wide range of expectations for the path of the US economy



Source: Bloomberg, Macrobond, Investec Economics

The strength of the economy is one of voters' biggest concerns, as per polling. As such, with less than fifty days to go until the Presidential election both sides have been scrutinised over their plans for the economy. In contrast with national polling over the ultimate election winner, on the economy specifically Donald Trump looks to have the edge. Indeed, his bold policies, such as on tariffs, seem to have resonated with voters. But where some policies sharply differ (such as on corporation tax) others are very similar (such as eliminating tax on tips). Our concern is that both candidates' agendas are fiscally expansionary, if to varying degrees (Chart 12). The question is how long investors' indifference to rapidly rising debt burdens in the world's largest economy will last.

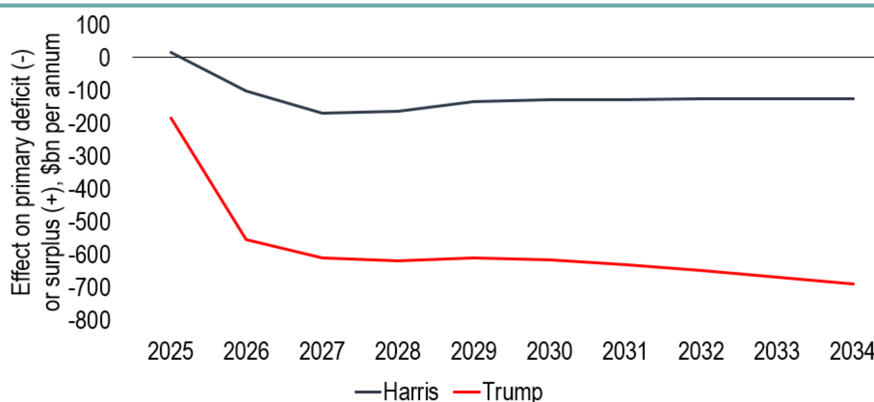
Chart 11: What do the two Presidential candidates propose for the economy?



Source: Various news agencies, Investec Economics (images from the White House)

Financial markets are seemingly unfazed by the contest thus far though, continuing to be driven by expected changes in monetary, rather than fiscal, policy. This is understandable: given how close polling is, we do not factor a change in leadership into our forecasts at this stage either. For now, it is the expectations of a rapid Fed loosening cycle that has weighed on the USD in recent weeks. Indeed, the greenback has weakened by c.0.5% in trade-weighted terms* since the start of the month, as the attractiveness of US rates has started to fade with the punchy start to the easing cycle. We expect the dollar to hover around similar levels for the remainder of the year, but then to weaken further next. We forecast end-'25 cable at $1.37 and EURUSD at $1.15.

Chart 12: Both candidates propose fiscally expansionary policies, one more so than the other



*As per the Fed's nominal broad index

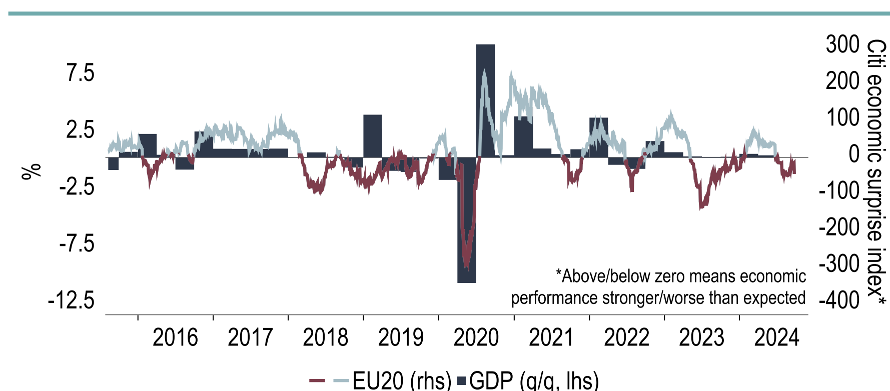
Source: Penn Wharton Budget Model, Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Eurozone

Euro area economic activity has largely performed as expected, GDP growing 0.2% q/q in Q2, only marginally below our 0.3% forecast. However we are mindful that downside risks to the outlook appear to be rising with data outturns having begun to undershoot expectations. Continued weakness in manufacturing, which has been in recession since early 2023 is a factor, especially in Germany where the auto sector remains a drag. Volkswagen's statement that it is considering domestic factory closures for the first time in its history exemplifies this. Weak Chinese demand is a factor too (Chart 14). Given few signs that a manufacturing upturn is on the way it will be the service sector that will continue to have to do the heavy lifting.

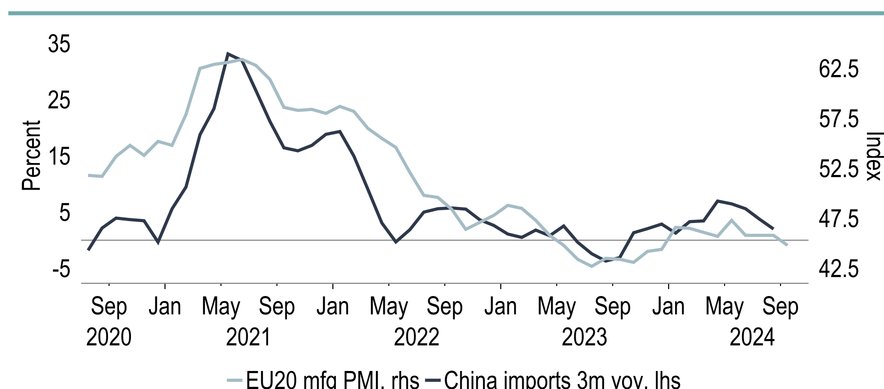
Chart 13: Economic indicators have in recent months missed expectations



Source: Macrobond, Investec Economics

Indicators have continued to point to growth in the service sector, but survey evidence has begun to show some signs of service-sector activity slowing. The Services PMI for example has fallen from 53.3 in April, to a seven-month low, showing near stagnation at 50.5 in September. Clearly should this sector weaken further EU20 growth estimates are at risk of downgrades. But for now we have made only marginal changes to our Euro area GDP forecasts with 2024 and 2025 both revised lower by 0.1%pts to 0.7% and 1.4% respectively. This is mainly on account of revisions to Germany, where we now expect a second consecutive year of negative growth (-0.1% 2024) thanks to a technical recession over the middle of this year.

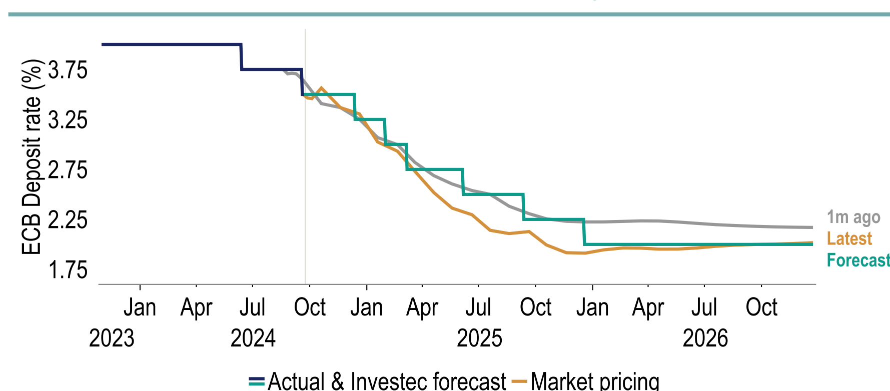
Chart 14: Softening Chinese demand has been a headwind to EU20 manufacturing



Source: Macrobond, Investec Economics

These risks to the growth outlook are beginning to factor into the ECB's thinking, its latest projections seeing downward revisions to GDP. However for now it remains on a gradual path of policy easing. September's 25bp cut in the Deposit rate to 3.50% is the latest step. We judge the next cut will be delivered in December, with the Governing Council having often highlighted the quarterly projection meetings as being the more likely occasions for policy adjustments. Despite some reports having suggested that an October cut could be considered should data undershoot expectations, we would tend to the view that there is a dearth of tier 1 data before the 17 October meeting that would be deemed sufficient to trigger such a move.

Chart 15: The Deposit rate (DFR) is expected to fall to 2% next year

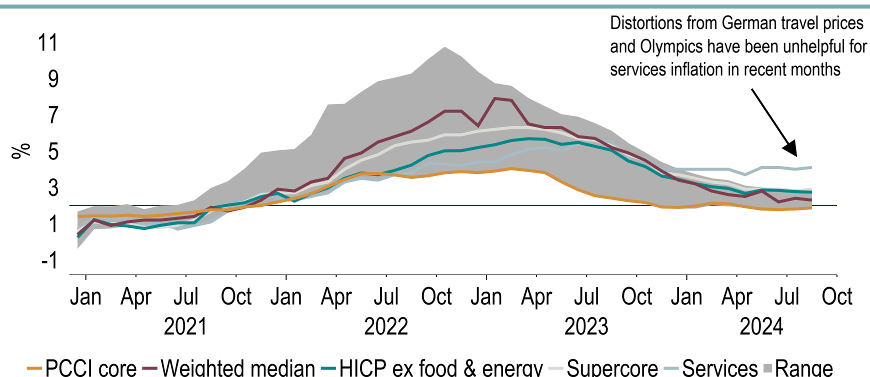


Source: Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

We look for five cuts in 2025, the DFR ending the year at 2%, representing a slightly faster pace of cuts than previously envisaged. Even so we judge the risks as being skewed towards an even faster easing, with the ECB potentially having to lower rates below 2% should growth slow more than expected. Some on the ECB have however argued for caution given still elevated services inflation. Progress here has been slow. But while some recent figures have been unhelpful, there are still reasons to believe the trend is lower. For example, August's rise to 4.2% was likely distorted by a temporary impact from the Paris Olympics: French services inflation jumped 0.5%pts to 3.1%. At the same time a broad swathe of underlying inflation measures has continued lower. The latest…

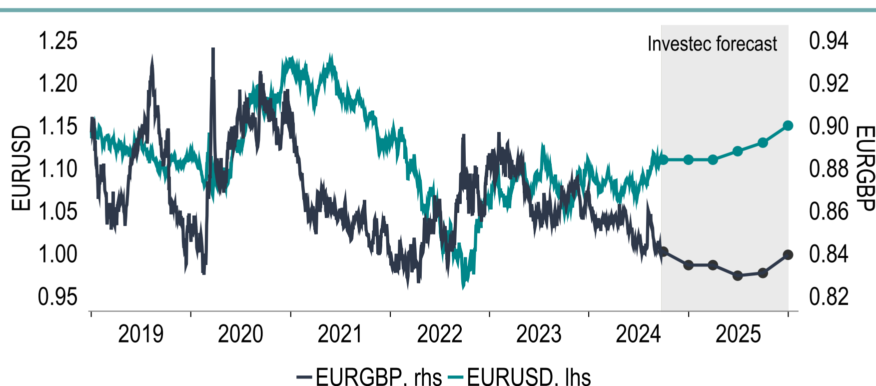
Chart 16: Unhelpful services inflation distortions, but underlying measures remain encouraging



Source: Macrobond, Investec Economics

…compensation* figures have also been encouraging, falling to 4.3% in Q2. How these fundamentals play out will have a bearing on the attractiveness of the Euro. A materialisation of downside risks and more aggressive ECB action would put downward pressure on the single currency. However as a baseline view, we continue to expect €:$ movements to be driven by the dollar where we anticipate that the Fed's easing cycle will prompt a depreciation in the USD. €:$ has already seen some uplift following the Fed's 50bp cut, rising to $1.11. Indeed, the Fed's larger than expected cut has led us to uprate our Q4-24 forecast to 1.11 from 1.10, whilst Q4 2025 is unchanged at 1.15. Politics is also a consideration given the political issues in…

Chart 17: Euro performance: Historic and forecast

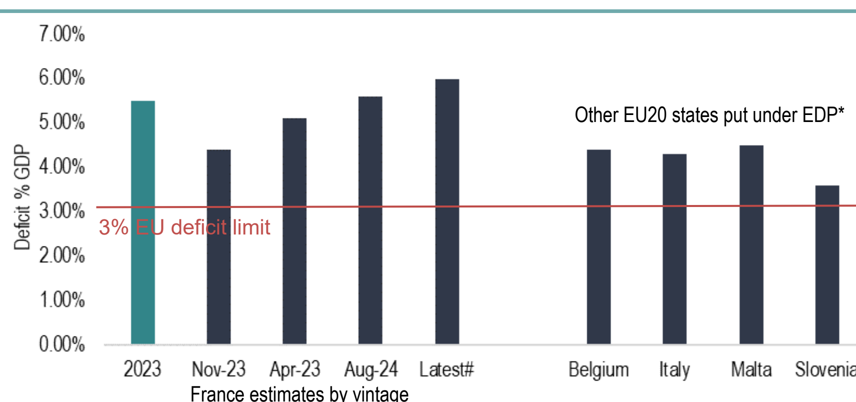


*compensation per employee (y/y)

Source: Macrobond, Investec Economics

…France. New PM Michel Barnier certainly has his work cut out. His newly appointed, right-leaning, cabinet already faces the threat of a no-confidence vote. Meanwhile a draft 2025 Budget needs to be completed by the 1 Oct. This will test the former Brexit negotiator's skills given that he will likely need the support of Marine Le Pen's National Rally to pass a budget bill, but whose policies are at odds with addressing France's fiscal challenges. It recently published its economic agenda which included a cut in corporation tax and the cancellation of income tax for those under 30. Such policies would further worsen France's fiscal position, with reports suggesting that the 2024 deficit estimate could be pushed up to 6%, putting it at odds with the European Commission which placed France in EDP* this year.

Chart 18: Estimates for France's 2024 public-sector deficit continue to deteriorate



* Excessive Deficit Procedure, estimates from EC Spring Package June 2024, # latest- French press reports Finance and Economy ministry to forecast deficit could reach 6% without fiscal measures

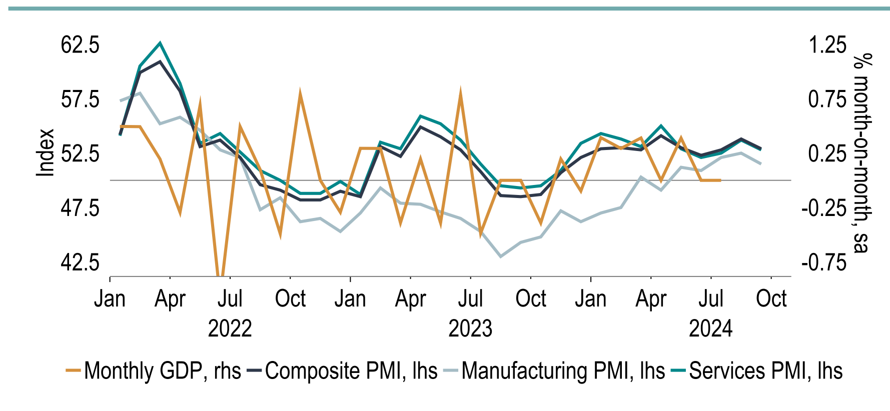
Source: Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

United Kingdom

There have been mixed messages on UK economic activity recently: PMIs have been running consistently above the neutral level of 50 since May; conversely real GDP growth has stalled, with three out of the past four reports' output numbers flat on the month (Chart 19). Such divergence is not uncommon. But it naturally raises doubts over how much weight to place on the latest GDP print. This is all the more so considering that real-time initial GDP figures can be inaccurate around economic turning points. For instance, they failed to pick up both the start and the end of the UK recession during the Global Financial Crisis. For now, our GDP growth forecasts for '24 and '25 remain at 1.2% and 1.9%, respectively.

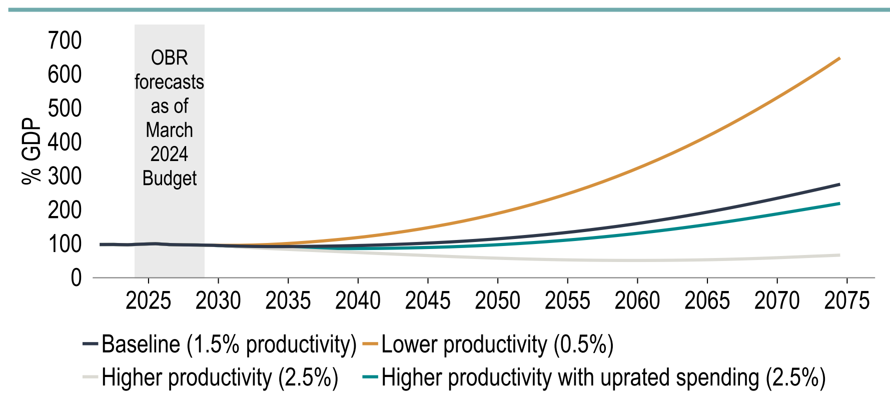
Chart 19: PMIs have been pointing to expansion, but monthly GDP has recently stagnated



Source: S&P Global, ONS, Macrobond, Investec Economics

Although our '24 GDP growth forecast is above the OBR's prediction in March of 0.8%, which should have boosted the tax take relative to expectations, the new government has stated it has found a 'black hole' of £22bn (0.8% of GDP) in the current tax year's funding. PM Starmer has warned this will make for a 'painful' Budget on 30 Oct, and that those with 'the broadest shoulders should bear the heavier burden'. As already confirmed by Chancellor Reeves, tax rises will form part of plugging the gap. We doubt though they will be the sole means: this would jeopardize the target to boost trend GDP growth to 2.5%. Just how crucial growth is not just now but for long-term fiscal prospects is illustrated by new OBR scenarios: net debt in 50 years' time could be nearly 650% of GDP with 0.5% p.a. productivity growth but just 65% with 2.5% productivity growth (Chart 20).

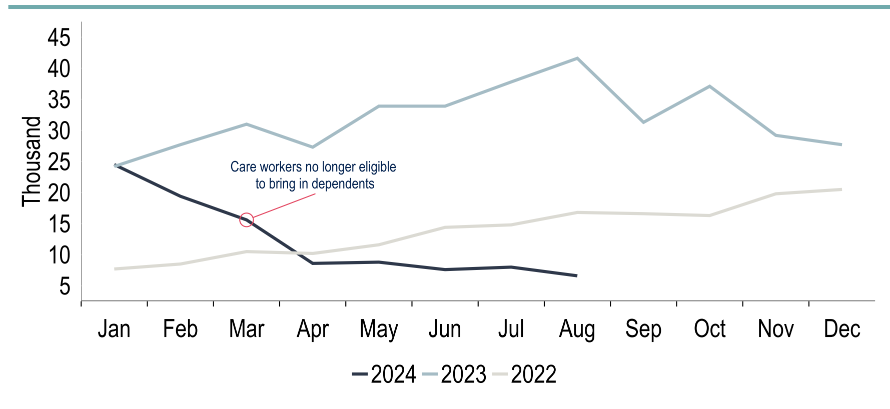
Chart 20: Long-term productivity growth trends are crucial for public debt sustainability



Source: OBR, Macrobond, Investec Economics

Hence we expect spending cuts too (their impact buffered by efficiency gains), tweaks to metrics used to assess fiscal rules and efforts to persuade the OBR that faster growth is indeed achievable. A headwind to the latter though is policy to cut net migration into the UK. Labour has kept in place the Tories' recent tightening of visa eligibility for care workers' and students' dependants and for skilled workers, the former to visible effect (Chart 21). Although politically popular, in the near term this will weigh on the labour force and complicate the discharge of NHS patients post-treatment to care settings, making it harder to cut waiting lists. This will place even more onus on productivity rather than employment gains to lift GDP growth.

Chart 21: Visa applications by care workers and their dependants have plunged this year

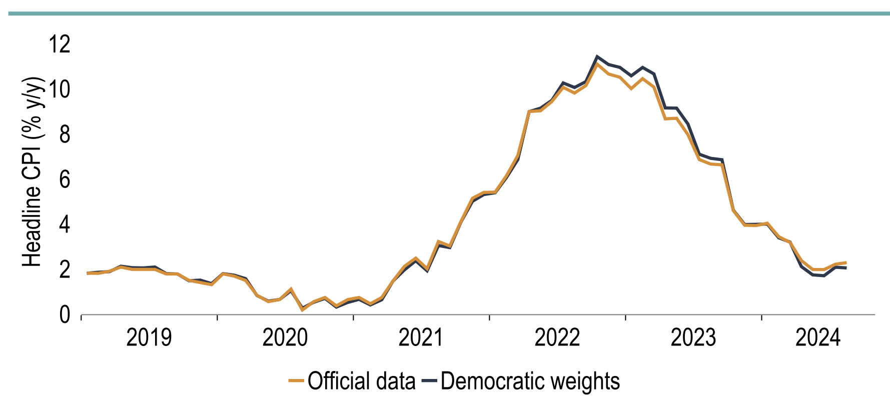


Source: UK Home Office, Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

As regards inflation, the latest news has been fairly encouraging: had it not been for a jump in airfares, CPI inflation would have dropped by 0.2%pts in August, back to target. We note though that the CPI is not designed to reflect the cost of living of the average household. One reason why is that mortgage costs for owner-occupiers are omitted. Another, more subtle, factor is that the CPI uses weights for individual items derived from total household spending. Yet certain items are bought predominantly by higher-income households. This makes the official CPI basket skewed towards a higher income household's spending pattern. Applying 'democratic' weights, i.e. the average income household's weights, instead, we calculate that the mean household experienced higher CPI inflation at its peak, by c½%pt. Recently though, this gap has turned slightly negative (Chart 22).

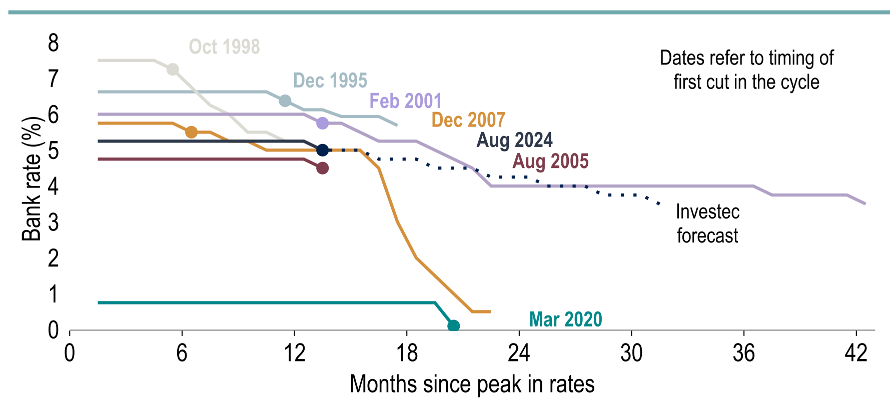
Chart 22: An average income household experienced higher inflation than the CPI suggests



Source: ONS, Macrobond, Investec Economics

At its Sep meeting, the MPC played down the significance of surprises in data outturns relative to its Aug MPR forecast, signalling it plans to pursue 'a gradual approach to removing policy restraint' in the absence of 'material developments'. We agree, predicting a 25bp-per-MPR meeting pace of rate cuts for the rest of this year and next if the economy evolves as we predict. Historically, such easing would be slow but prolonged (Chart 23). The 'known unknowns' to look out for are the Budget and, ahead of that, the Blue Book on 30 Sep. Should large downward revisions to household savings in 2022 have persisted since, this will affect the estimated impact of monetary policy on the economy, and thus the appropriate rate path.

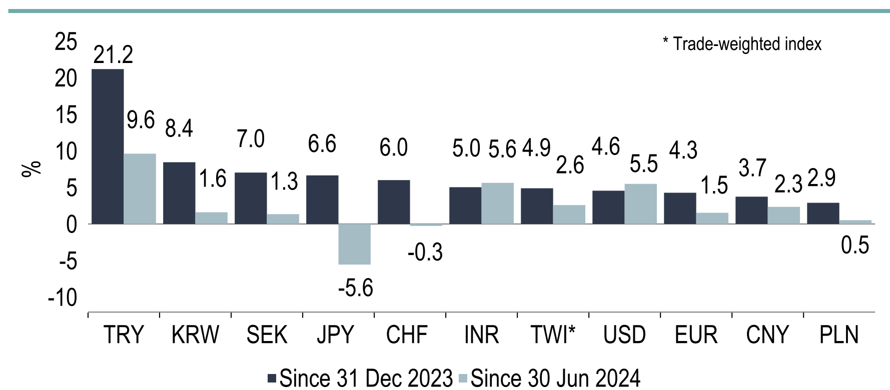
Chart 23: Unless recession hits, we expect a gradual but prolonged easing cycle this time



Omits cut from 0.50% to 0.25% in Aug 2016 after 89m for ease of display Source: Macrobond, Investec Economics

Sterling has appreciated against all its major trading partners since the start of 2024. The picture since the start of Q3 is a little more mixed, thanks primarily to the strengthening yen. Still, it is noteworthy how substantial the move against USD has been (Chart 24). USD has generally lost some of its shine amid mounting expectations of Fed rate cuts. As the Fed appears more minded than others to front-load easing towards 'neutral', there remains scope for some further gains in Cable, in our view; we predict an end-'24 level of \$1.33 and end-'25 level of \$1.37. We see less movement against EUR, especially in the near term: we expect 83p by end-'24 and a small GBP weakening to 84p by end-'25 as EU20 GDP growth recovers.

Chart 24: Sterling has appreciated visibly against all trading partners so far this year



Source: Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Investec

Global Forecasts

GDP Growth (%)

	Global	US	Japan	China	UK	EU20	Germany	France	Italy
2019	2.8	2.5	-0.4	6.0	1.6	1.6	1.0	2.1	0.5
2020	-2.7	-2.2	-4.2	2.2	-10.4	-6.3	-4.5	-7.6	-9.0
2021	6.5	5.8	2.8	8.4	8.7	6.2	3.6	6.8	8.3
2022	3.5	1.9	1.1	3.0	4.3	3.4	1.4	2.6	4.1
2023	3.2	2.5	1.7	5.2	0.1	0.5	-0.1	1.1	1.0
2024	3.2	2.5	-0.2	4.7	1.2	0.7	-0.1	1.0	0.8
2025	3.1	1.5	1.1	4.1	1.9	1.4	1.0	0.8	1.0

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	4.75-5.00	3.65	3.50	5.00	4.35
2024					
Q1	5.25-5.50	4.50	4.00	5.25	4.35
Q2	5.25-5.50	4.25	3.75	5.25	4.35
Q3	4.75-5.00	3.65	3.50	5.00	4.35
Q4	4.25-4.50	3.40	3.25	4.75	4.35
2025					
Q1	3.75-4.00	2.90	2.75	4.50	4.10
Q2	3.25-3.50	2.65	2.50	4.25	3.85
Q3	3.25-3.50	2.40	2.25	4.00	3.35
Q4	3.25-3.50	2.15	2.00	3.75	3.35

Source: Macrobond, Investec Economics

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

	US	Germany	UK
Current	3.79	2.19	3.98
2024			
Q2	4.36	2.50	4.21
Q4	3.75	2.25	3.75
2025			
Q2	3.75	2.25	3.75
Q4	3.75	2.25	3.50

Source: Macrobond, Investec Economics

FX rates (end quarter/ annual averages)

		Current	2024				2025				2023	2024	2025
		25-Sep	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	average	average	average
Euro	€:$	1.113	1.08	1.07	1.11	1.11	1.11	1.12	1.13	1.15	1.08	1.09	1.12
Sterling	€:£	0.832	0.86	0.85	0.84	0.83	0.83	0.83	0.83	0.84	0.87	0.85	0.83
	(£:€)	1.201	1.17	1.18	1.19	1.20	1.20	1.21	1.20	1.19	1.15	1.18	1.20
	£:$	1.337	1.26	1.26	1.32	1.33	1.33	1.35	1.36	1.37	1.24	1.29	1.30
Yen	$	144.3	151	161	143	142	140	138	136	135	141	150	138
	€	160.6	163	172	159	158	155	155	154	155	152	163	155
	£	192.9	191	203	189	189	186	186	185	185	175	193	186
Aussie Dollar	$	0.684	0.65	0.67	0.68	0.68	0.68	0.69	0.69	0.70	0.66	0.67	0.69
	€:AUD	1.626	1.65	1.60	1.63	1.63	1.63	1.62	1.64	1.64	1.63	1.63	1.63
	¥	98.71	98.6	107.5	97.2	96.6	95.2	95.2	93.8	94.5	93.3	100.0	94.9
	£:AUD	1.954	1.94	1.89	1.94	1.96	1.96	1.96	1.97	1.96	1.87	1.93	1.96
Swiss Franc	€	0.945	0.98	0.96	0.95	0.96	0.97	0.98	0.99	1.00	0.97	0.96	0.98
	$	0.849	0.91	0.90	0.86	0.86	0.87	0.88	0.88	0.87	0.90	0.88	0.87
	£	1.135	1.14	1.14	1.13	1.15	1.16	1.18	1.19	1.19	1.12	1.13	1.18

Source: Macrobond, Investec Economics

This publication and its contents are the property of Investec and are intended solely for the use of Phil Shaw Team All.
None of the content may be altered in any way, transmitted, copied or distributed to any other party without the prior written consent of Investec.

Investec

Disclaimer

For the purposes of this disclaimer, "Investec Equities" shall mean: (i) Investec Bank plc ("IBP"); (ii) Investec Europe Limited; (iii) Investec Bank Limited ("IBL"); (iv) Investec Capital Asia Limited ("ICAL"); (v) Investec Capital Services (India) Private Limited; (vi) Investec Singapore Pte. Ltd ("ISPL") and from time to time, in relation to any of the forgoing entities, the ultimate holding company of that entity, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. "Investec Affiliates" shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec Equities. This document has been issued solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto. This document may have been issued to you by one entity within Investec Equities in the fulfilment of another Investec Equities entity's agreement to do so. In doing so, the entity providing this document is in no way acting as agent of the entity with whom you have any such agreement and in no way is standing as principal or a party to that arrangement.

The information in this document has been compiled by Investec Equities from sources believed to be reliable, but neither Investec Equities nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this document. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this document and the document itself is subject to change without notice. This document as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information: its accuracy cannot be guaranteed. There is no obligation of any kind on Investec Equities or any Investec Affiliates to update this document or any of the information, opinions, forecasts or estimates contained herein. Investec Equities (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec Equities may have issued other documents or reports that are inconsistent with, and reach different conclusions from, the information presented in this document. Those reports and/or documents reflect the different assumptions, views and analytical methods of the analysts who prepared them. This document does not contain advice. Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this document. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed. No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec Equities or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this document and each entity within Investec Equities (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this document generally. This report may contain hyperlinks to independent third-party websites. Investec and its affiliates (including Investec Securities (US) LLC) do not have any influence or control over the content of these third-party sites or any information contained therein. The content contained within these sites is maintained exclusively by independent third-parties.

The distribution of this document in other jurisdictions may be prohibited by rules, regulations and/or laws of such jurisdiction. Any failure to comply with such restrictions may constitute a violation of United States securities laws or the laws of any such other jurisdiction. By accepting this document, you confirm that you are an "institutional investor" and agree to be bound by the foregoing limitations. This publication is confidential for the information of the addressee only and may not be reproduced in whole or in part, copies circulated, or disclosed to another party, without the prior written consent of an entity within Investec Equities. In the event that you contact any representative of Investec Equities in connection with receipt of this document, including any analyst, you should be advised that this disclaimer applies to any conversation or correspondence that occurs as a result, which is also engaged in by Investec Equities and any relevant Investec Affiliate solely for the purposes of providing general information only. Any subsequent business you choose to transact shall be subject to the relevant terms thereof. We may monitor e-mail traffic data and the content of email. Calls may be monitored and recorded. Investec Equities does not allow the redistribution of this document to non-professional investors or persons outside the jurisdictions referred to above and Investec Equities cannot be held responsible in any way for third parties who effect such redistribution or recipients thereof. © 2024

Third party research disclosures

This report has been produced by a non-member affiliate of Investec Securities US (LLC) and is being distributed as third party research by Investec Securities (US) LLC in the United States. In the United States, this report is not intended for use by or distribution to entities that do not meet the definition of a Major US Institutional Investor, as defined under SEC Rule 15a-6, or an Institutional Investor, as defined under FINRA Rule 4512 (c), or for use by or distribution to any individuals who are citizens or residents of the United States. Investec Securities (US) LLC accepts responsibility for the issuance of this report when distributed in the United States to entities who meet the definition of a US Major Institutional Investor or an Institutional Investor.

Investec Equities:

In the United Kingdom refers to Investec Equities a division of Investec Bank plc.

Investec Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

Registered in England No. 489604

Registered Office Address:

30 Gresham Street London EC2V 7QP

In the EEA refers to Investec Europe Limited trading as Investec Europe is regulated by the Central Bank of Ireland. Registration No. 222173

Registered Office Address:

The Harcourt Building, Harcourt Street, Dublin 2, Ireland

In South Africa refers to:

Investec Bank Limited an authorised financial services provider and a member of the JSE Limited.

Registered in South Africa No. 1969/004763/06

Investec Markets (Pty) Limited a member of JSE Limited.

Registered in South Africa No. 2018/243092/07

Registered Office Address:

100 Grayston Drive
Sandown, Sandton
2196, South Africa

In Hong Kong refers to Investec Capital Asia Limited a Securities and Futures Commission licensed corporation (Central Entity Number AFT069).

Registered Office Address:

Suites 3901-08, 39/F, Jardine House
1 Connaught Place, Central, Hong Kong

In India refers to Investec Capital Services (India) Private Limited which is registered with the Securities and Exchange Board of India, the Capital Market regulator in India as a research analyst, Registration number INH000000263.

Registered Office Address:

Parinee Crescenzo, C 38 & 39, "G" Block, 11th flr , B Wing , Unit No 1103 & 1104 Bandra Kurla Complex, Mumbai - 400 051, India

In Singapore refers to Investec Singapore Pte. Ltd. an exempt financial adviser which is regulated by the Monetary Authority of Singapore as a capital markets services licence holder.

Registration No. 201634931E

Registered Office Address:

80 Raffles Place
#36-09, UOB Plaza
Singapore 048624

In the United States refers to Investec Securities (US) LLC.

Registered Office Address:

10 East 53rd Street, 22nd Floor
New York, NY 10022

Further details of Investec office locations, including postal addresses and telephone/fax contact details:
https://www.investec.com/en_gb/welcome-to-investec/contact-us.html