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Misplaced fears of a US recession

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Economics

Not the first recession concern

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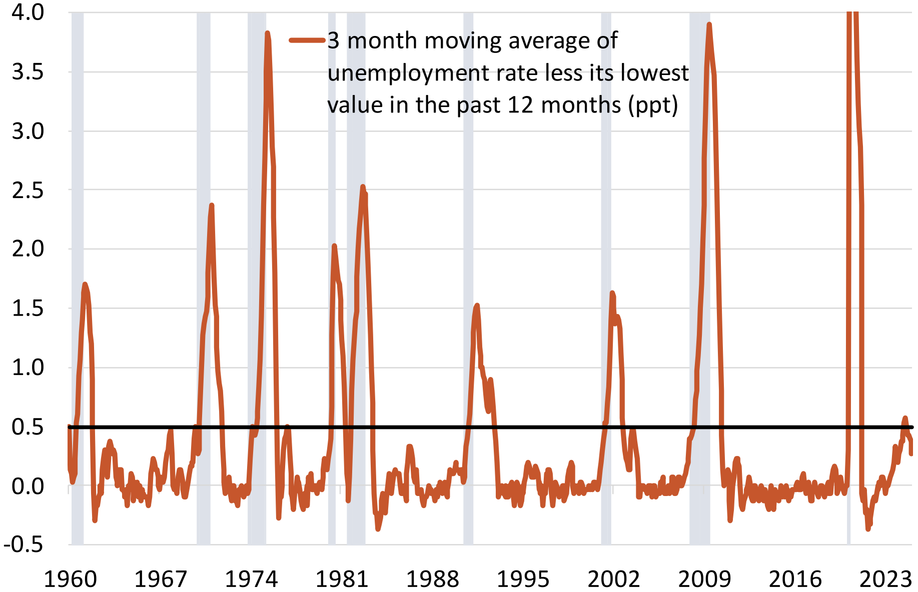
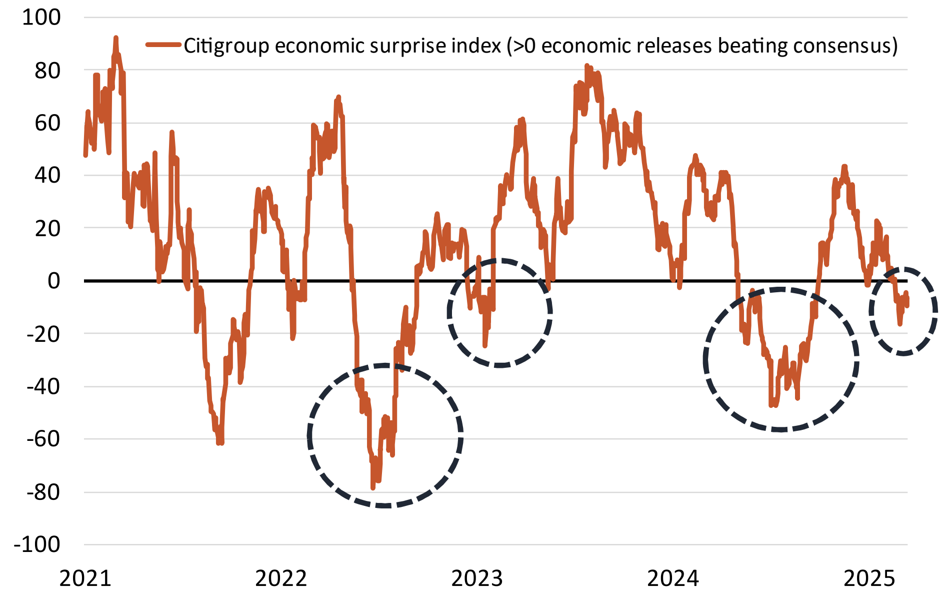
Remember the Sahm rule?



The Sahm rule recession indicator calls for a recession when the above indicator crosses above 0.5 (the black line). Shading indicates recession. Source: BLS, Haver Analytics

Nothing we have not seen before



A positive reading = economic releases have on balance beating consensus. Sources: Citigroup, Haver Analytics, Berenberg

- The recent downside misses in macroeconomic data are nothing new. The US economy has continued to prove its resilience after many predicted a recession when the tightening cycle began in March 2022.
- At first, recession predictions were based on a “too restrictive” monetary policy. Then, it was the inverted yield curve, leading indicators, commercial real estate, the regional banking crisis, and the rising unemployment rate, which crossed the magical Sahm rule last summer. This time, the consensus has another reason to forecast a recession: uncertainty and tariffs.

Little-to-no recession probability

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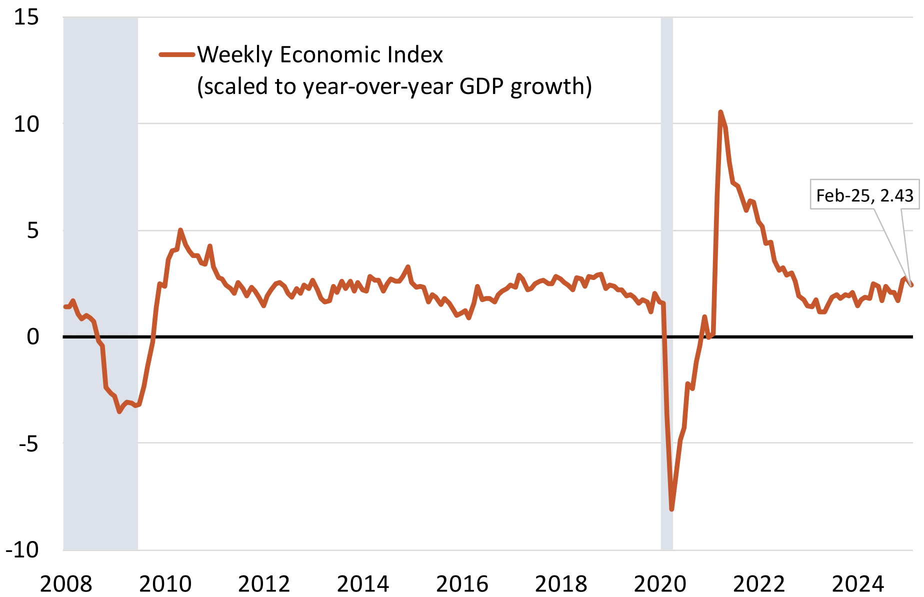
US economic growth is set to continue



The Weekly Economic Index is the first principal component of ten weekly series focused on consumption and employment. Source: Dallas Fed, Haver Analytics.

NBER recession indicators	Latest value (yoy %)
Real personal income less transfer payments	1.46
Employment (establishment survey)	1.24
Real personal consumption expenditures	2.98
Real manufacturing & trade sales	2.52
Employment (household survey)	1.42
Industrial production	1.97

- The past two years have taught us that the post-pandemic economy is more resilient than many had expected. We expect the economy to grow above trend in 2025, with the labour market remaining healthy despite slower employment growth.
- The NBER, the ultimate arbiter of US business cycles, focuses on the depth, duration, and diffusion of six indicators, as listed in the table above. Recession indicators suggest that the US economy remains exceptionally strong.

Equity market decline and policy uncertainty as risks

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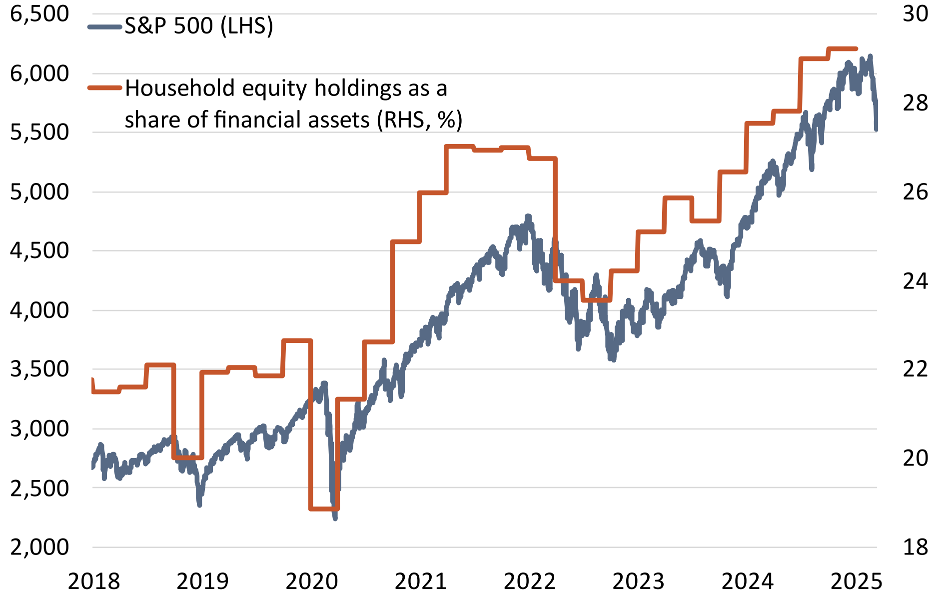
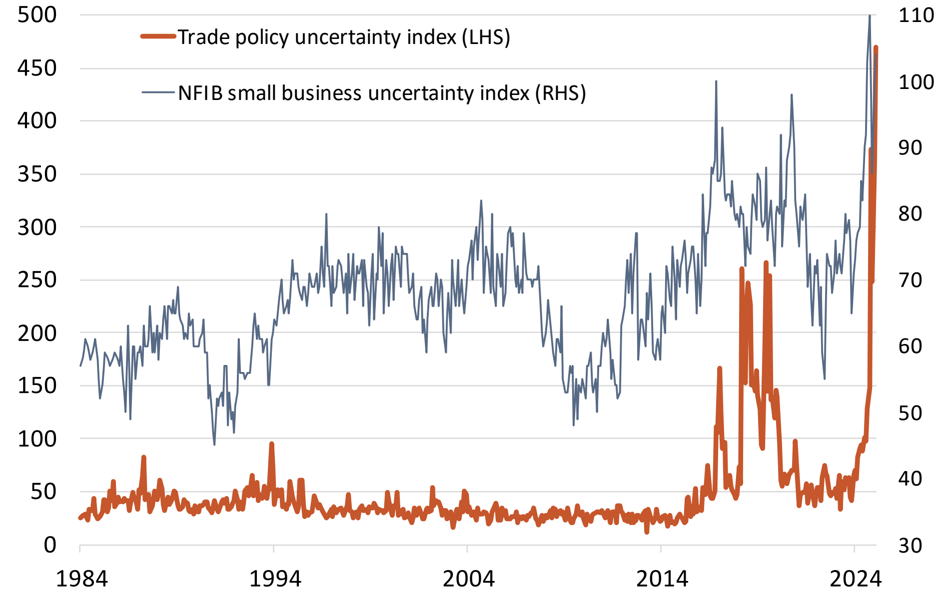
Consumers are highly exposed to the equity market



Source: Federal Reserve, Haver Analytics

More uncertainty than Trump 1.0



Source: NFIB, Matteo Iacoviello, Haver Analytics

- While a major reversal in the equity market may eventually weigh on consumer spending, this will not happen immediately, as the wealth effect (i.e., increased spending due to rising wealth) operates with a lag.
- If elevated uncertainty persists throughout the year, the equity market continues to decline, and Trump becomes more aggressive with tariffs while trading partners retaliate, near-term growth could slow more than our forecast, though not to the extent that the economy would enter a recession.

Monetary policy is not restrictive for economic growth

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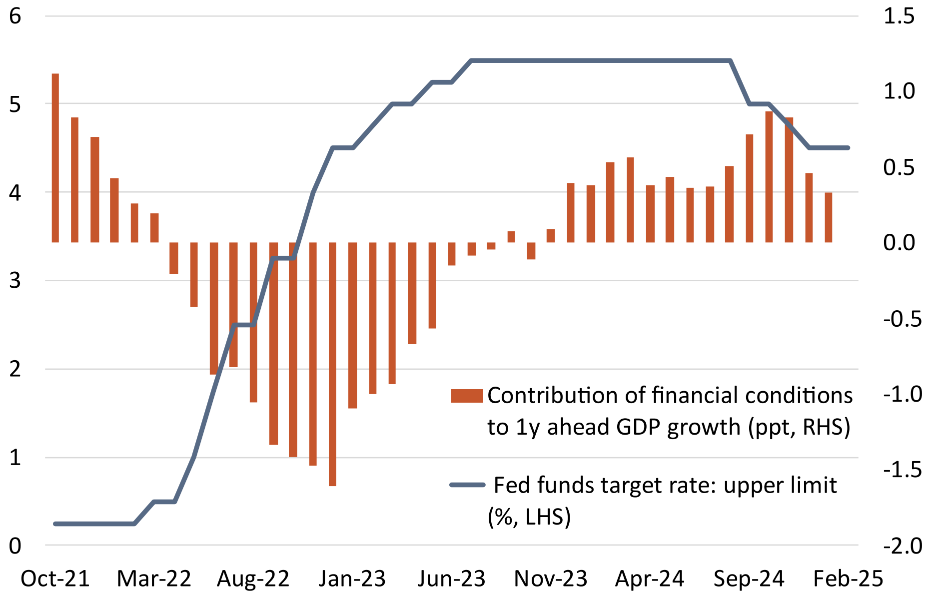
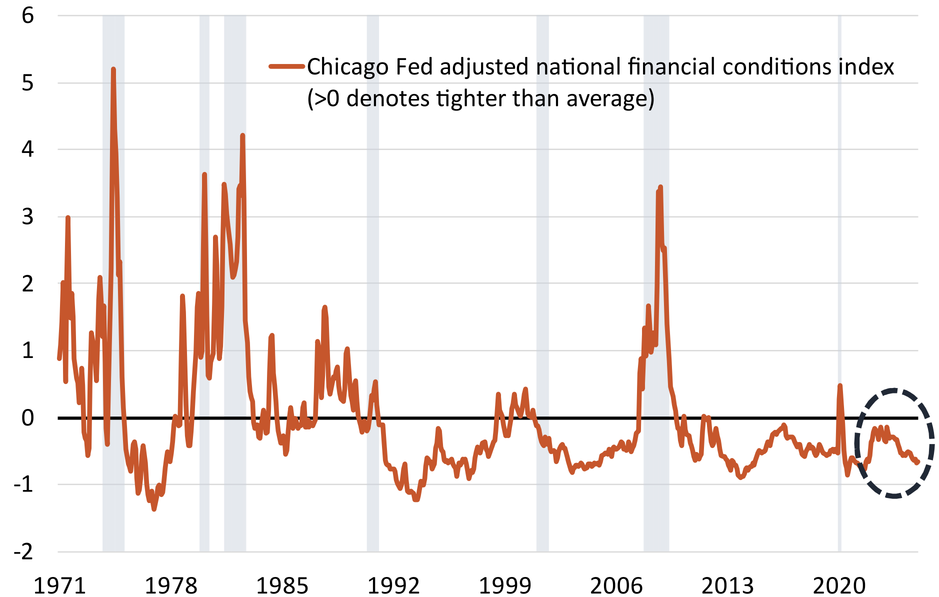
Financial conditions serve as tailwinds to growth



The percentage point contribution of financial conditions to GDP growth is based on the 1-year lookback model from Ajello et al. 2023. Sources: Federal Reserve, Haver Analytics

This time is in fact different



Shading indicates recession. Sources: Chicago Fed, Haver Analytics

- Interest rates affect the economy through various channels. What matters for economic growth is the impact of policy rates on financial conditions. These conditions include the Federal Funds rate, the 10-year Treasury yield, the mortgage rate, the BBB corporate bond yield, the stock market, house prices, and the US dollar.
- Unlike previous Fed rate hike cycles, financial conditions have remained accommodative. Despite the recent drawdown in the equity market, tight credit spreads prevent a tightening in financial conditions.

Animal spirits > uncertainty

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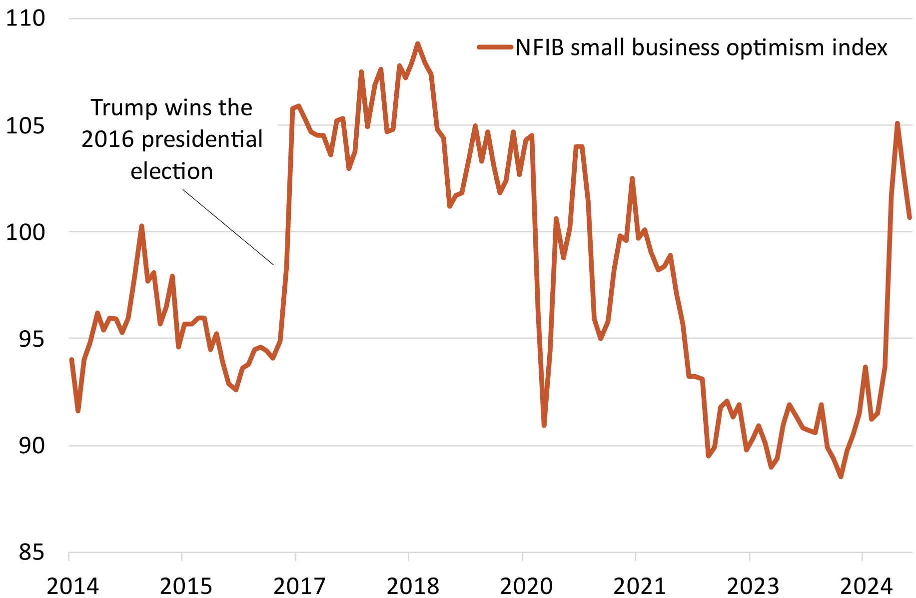
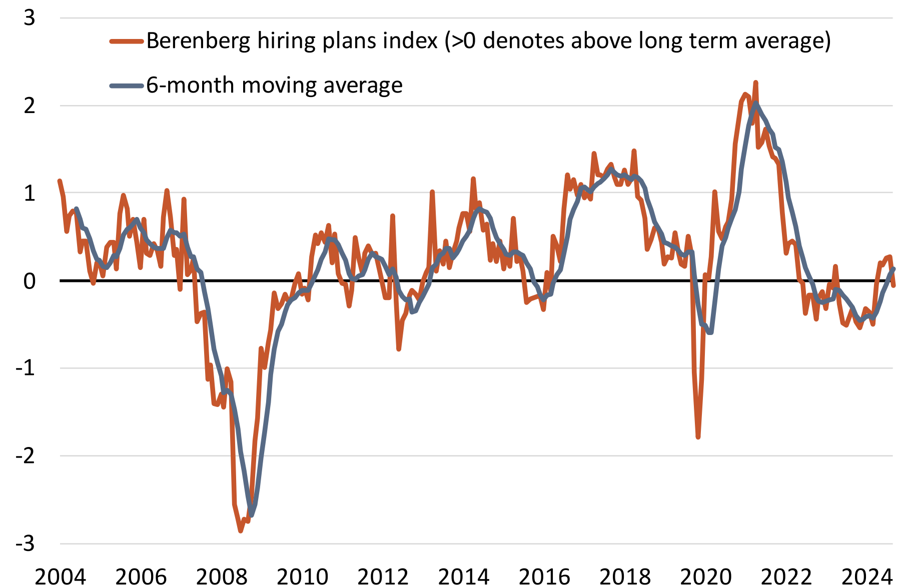
Business optimism remains still elevated



Sources: NFIB, Haver Analytics

Businesses' hiring plans well above last year's



Average of z-scores of businesses' hiring plans. Source: Census Bureau, Challenger, Gray & Christmas, Dallas Fed, Kansas City Fed, New York Fed, Philadelphia Fed, Richmond Fed, NFIB, Haver Analytics

- Post-election animal spirits seem to more than offset the elevated levels of uncertainty.
- Policy uncertainty does not appear to affect businesses' hiring plans, which remain elevated compared to last year.
- Rising optimism will lead to higher business investment and strong employment growth. However, tariff concerns are now beginning to weigh on confidence.

Tariffs' growth impact: overhyped

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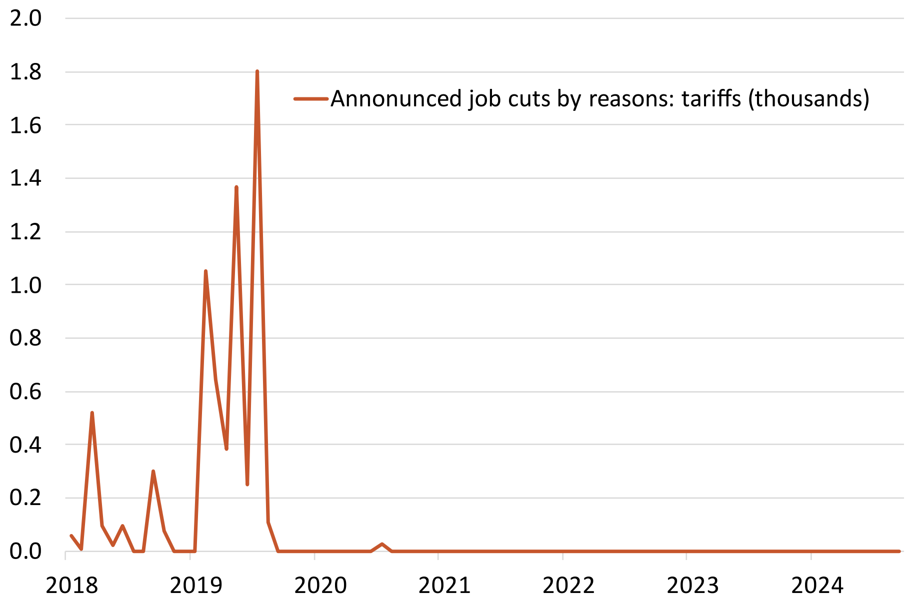
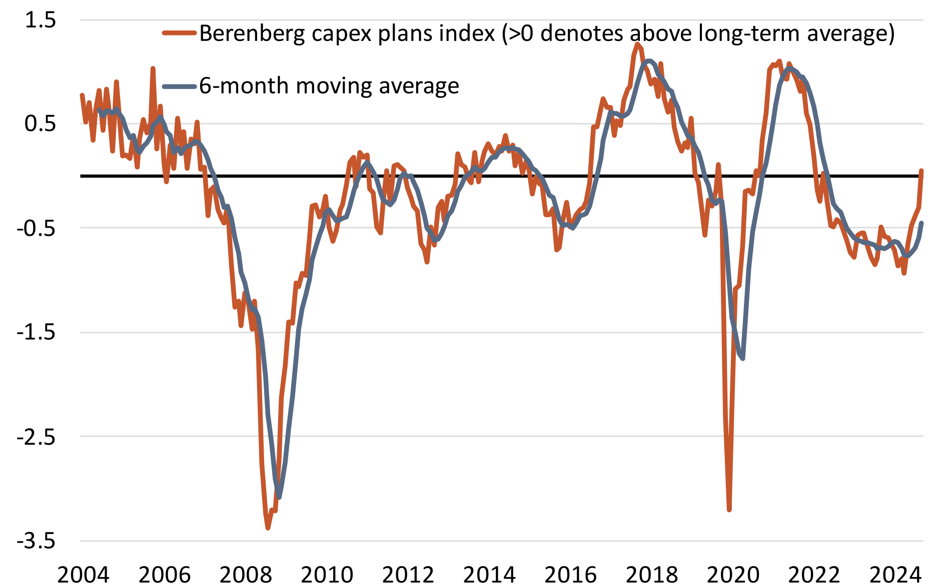
No mention of job cuts due to tariffs in February



Source: Challenger, Gray & Christmas Survey, Haver Analytics

Business' capex plans higher than last year's



Average of z-scores of businesses' capex plans. Source: NABE, NAM, Business Roundtable, Chicago Fed, Dallas Fed, Kansas City Fed, New York Fed, Philadelphia Fed, Richmond Fed, NFIB, Haver Analytics

- While tariffs and rising uncertainty undoubtedly negatively affect economic growth, they are likely to impact trend growth more than short-term economic activity, especially considering the resilient consumer demand driven by strong real income growth.
- The February Challenger survey revealed that not a single business mentioned tariffs as a reason for their job-cut announcements, while hiring plans increased over the month.
- Business capex plans are well above where they were last year, despite tariff threats.

Fiscal policy is still expansionary

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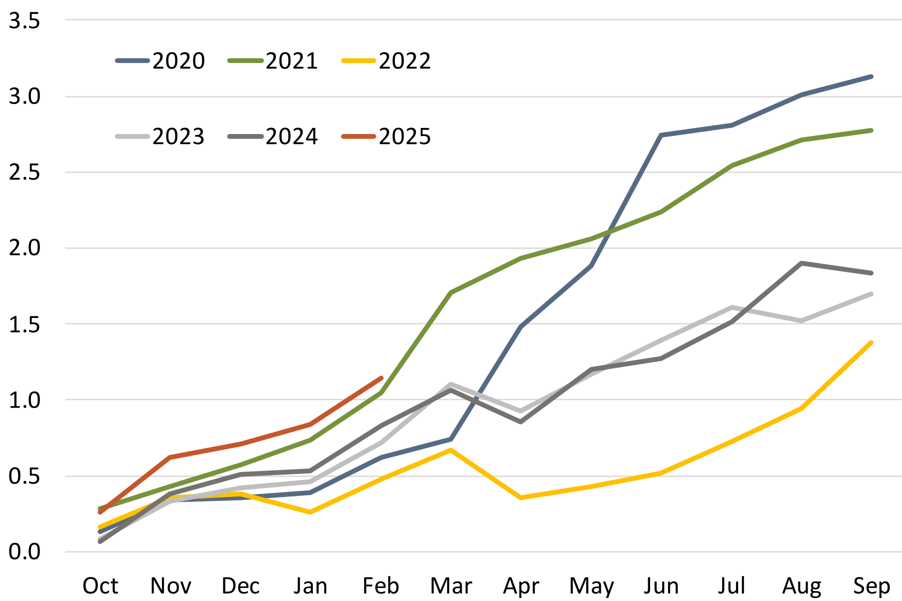
Federal deficit ($ trillions, Fiscal YTD)



Source: US Treasury, Haver Analytics

Tax cuts incoming, deregulation underway

Trump's tax cut plan
No taxes on overtime income
No taxes on social security benefits
No taxes on tip income
Reduce corporate tax rate from 21% to 15% for domestic manufacturers
Restore full deduction for State and Local taxes (SALT)
Create an itemized deduction for auto loan interest
Deregulation efforts
10-to-1 deregulation initiative
Easier access to energy resources

Source: Brookings, White House, Haver Analytics

- While the headlines around federal spending cuts make the rounds, the US government continues to run massive deficits. The federal deficit for 2025 is on track to be larger than the previous fiscal year.
- The House took the first step toward tax cuts by passing a budget resolution in February. However, it remains unclear which tax cuts will be implemented and whether the TCJA will be permanently extended.
- Deregulation incentives are positive for businesses in the near term.

No need to concern about the recent miss in soft data

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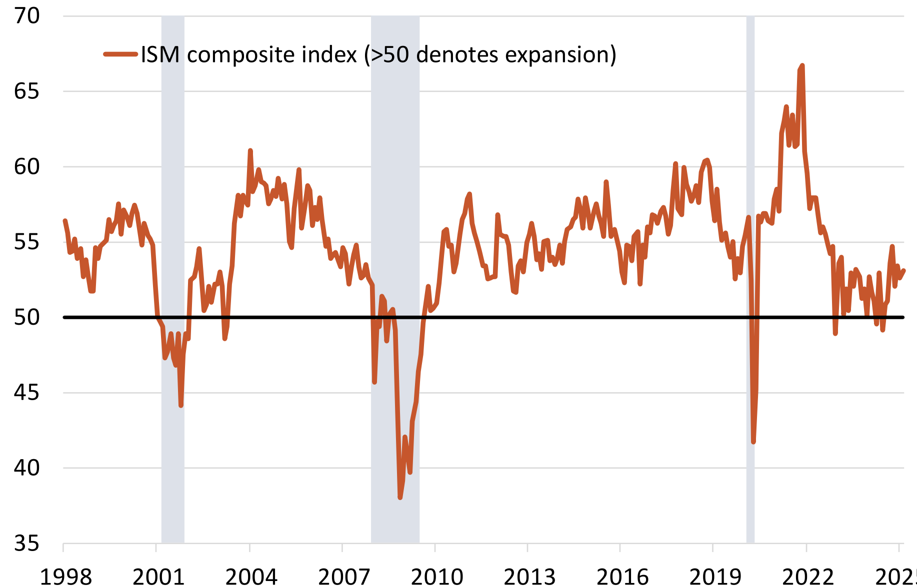
Nothing alarming in Challenger layoffs

Sources: Challenger, Gray & Christmas Survey, Haver Analytics

ISM composite index in expansionary territory



Weighted- average of ISM manufacturing and services indexes. Shading indicates recession. Sources: Institute for Supply Management, Haver Analytics

- The announced job cuts in the Challenger survey are mainly due to DOGE-related layoffs and a one-off rise in retailer bankruptcies, which pose no concern for the labour market outlook.
- The growth scares started on February 21 when the S&P Global US services PMI came in at 49.7 for February (down from 52.95 in January), missing the consensus expectation of 53.0. Not only was this later revised to 51.0 to show expansion, but the ISM composite PMI (a better indicator of economic activity) for February stands at 53.1—well above the 50 threshold.

Atlanta Fed GDP nowcast is drunk

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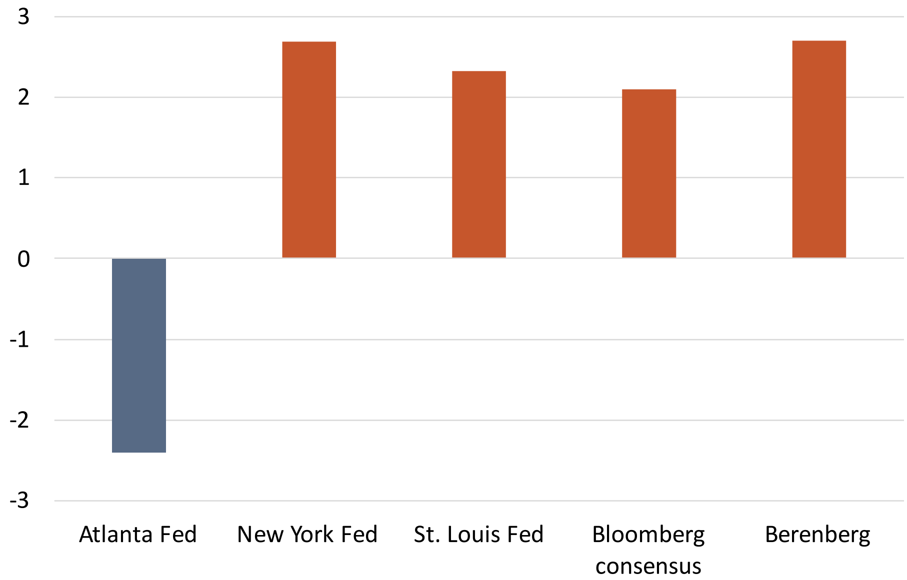
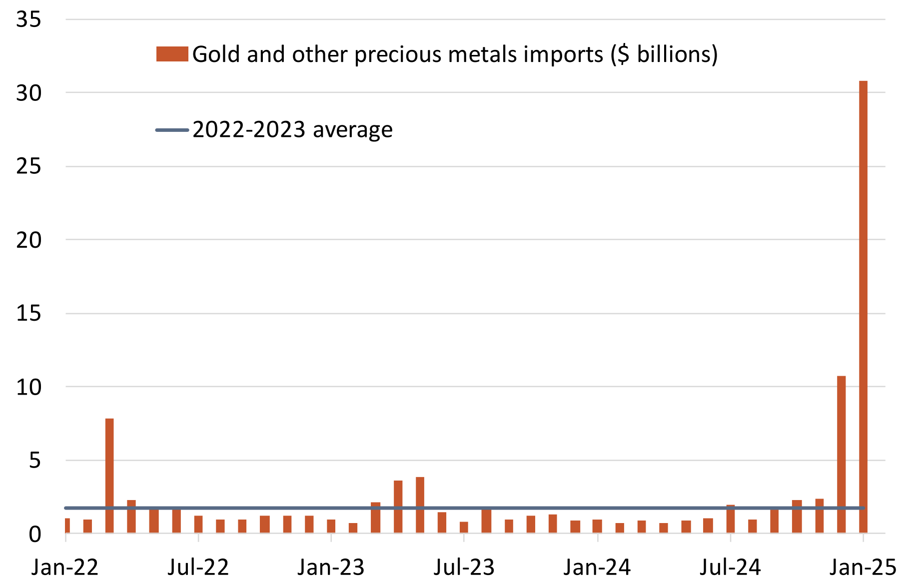
2025Q1 real GDP growth estimates (QoQ % annualized)



Sources: Atlanta Fed, New York Fed, St. Louis Fed, Bloomberg, Haver Analytics, Berenberg.

Gold imports surge in January



Sources: Bloomberg, Census Bureau USA Trade Online

- The -2.4% Atlanta Fed figure is a temporary drag caused by a massive rise in imports in January (businesses frontloading to avoid tariffs), with 60% of the rise due to an increase in gold imports, which are excluded from GDP calculations.
- The decline in real spending in January (-0.5% mom) also played a major role in the Atlanta Fed's weak real GDP forecast for Q1. However, the January decline is most likely due to the seasonal adjustment not capturing the atypical weather— the coldest January since 1988—just like in January 2024. And we all know how consumers performed after that.

Don't read too much into weak consumer sentiment

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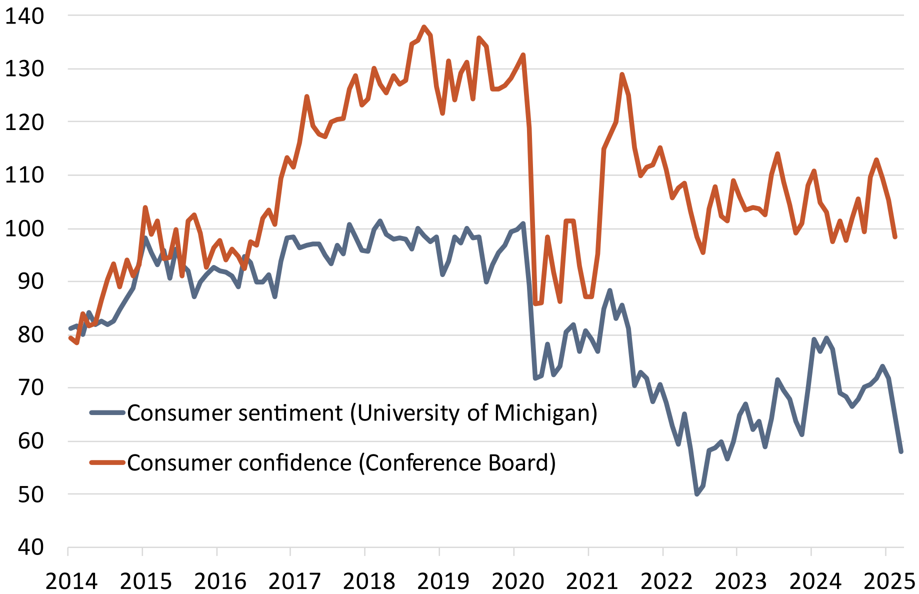
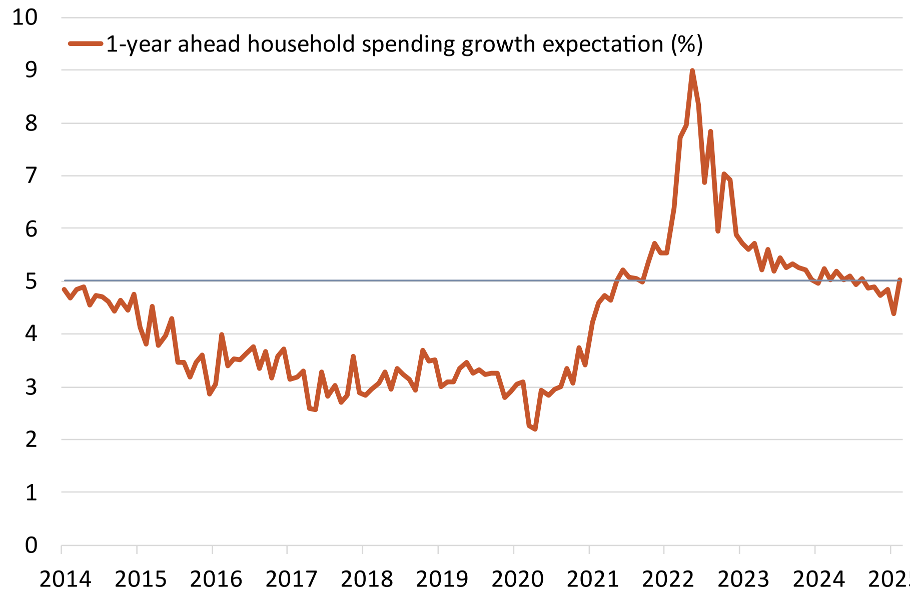
Consumer sentiment back to where it was in late 2023



Sources: University of Michigan, Conference Board, Haver Analytics

Household spending expectation highest since August

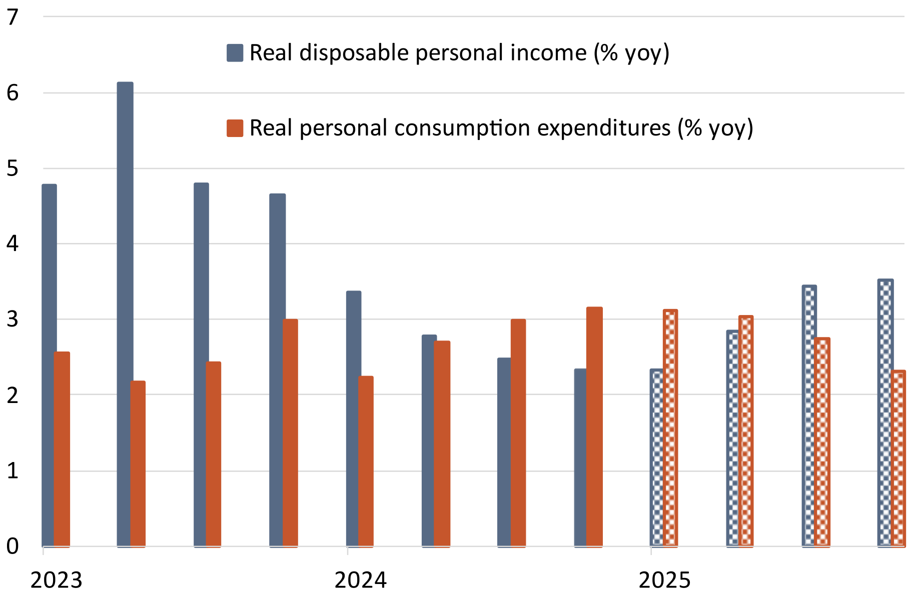


Source: New York Fed, Haver Analytics

- Consumer sentiment is not a reliable predictor of economic growth in the post-pandemic economy. Both the Conference Board and University of Michigan consumer confidence indices have returned to their late-2023 levels, after which the economy grew by 2.8% YoY in 2024—double the rate of consensus expectations.
- Households expect to increase their spending by more than 5% in the year ahead as of February—the highest since August of last year.

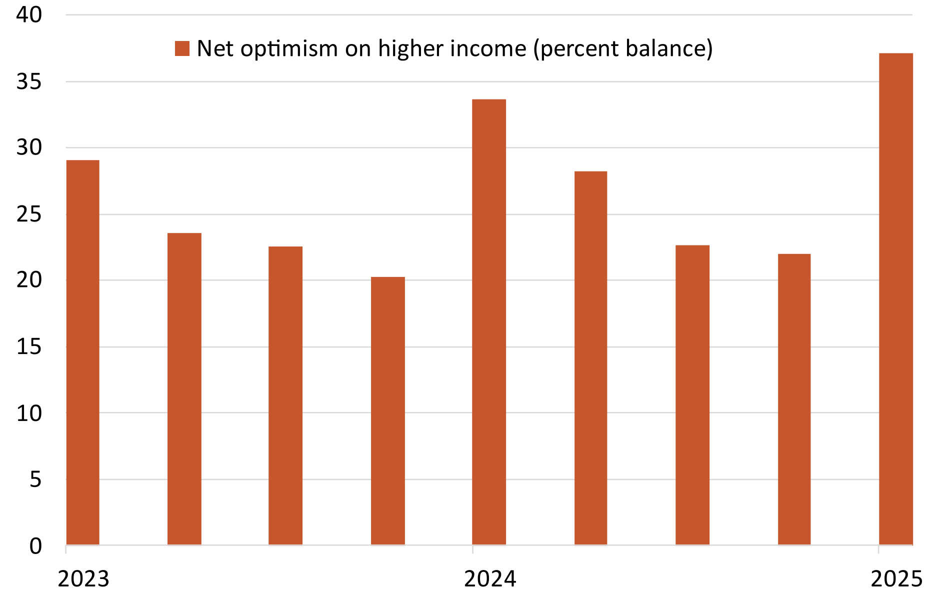
Income-driven consumer spending growth

Higher incomes, higher consumption



Dashed lines and bars indicate Berenberg projections. Source: BEA, Haver Analytics, Berenberg

Income growth expectations highest in 3 years



Source: Philly Fed, Haver Analytics

- Solid income growth will enable households to increase their consumption without relying on credit. In addition, as income-driven consumer spending growth is less sensitive to interest rates than credit-driven growth, consumer demand can remain robust even if the Fed keeps its policy rate on hold.
- Households' optimism about their income growth is the highest in three years.
- Real personal incomes rose 2.7% qoq annualised in Q4 of last year and by 0.6% mom in January.

Consumer power

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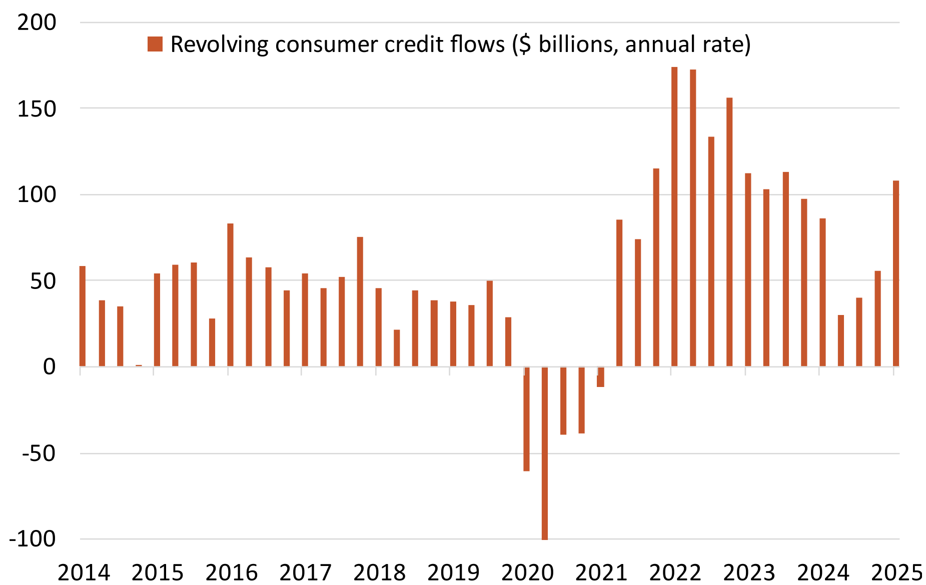
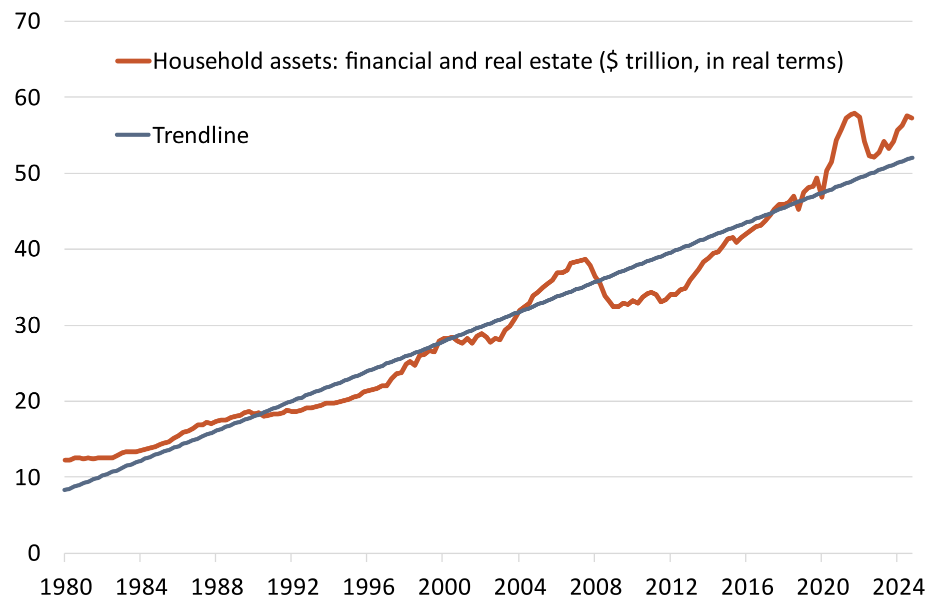
Modest expansion in revolving consumer credit



Aggregated quarterly except for the last bar which is for January 2025. Source: Federal Reserve, Haver Analytics

Largen-than-usual buffer to weather economic shocks



Source: Federal Reserve, BLS, Haver Analytics

- The solid growth in revolving consumer credit suggests robust consumption ahead. Credit flows should continue to increase, as banks are, on average, willing to lend to consumers, according to the latest SLOOS.
- Households' assets remain well above pre-pandemic levels, even after adjusting for inflation, providing a cushion in the event of economic shocks.
- Redbook retail sales, on a year-over-year basis, are up around 6% in February and March.
- The restaurant performance index shows consumer traffic in expansion.

Healthy balance sheets

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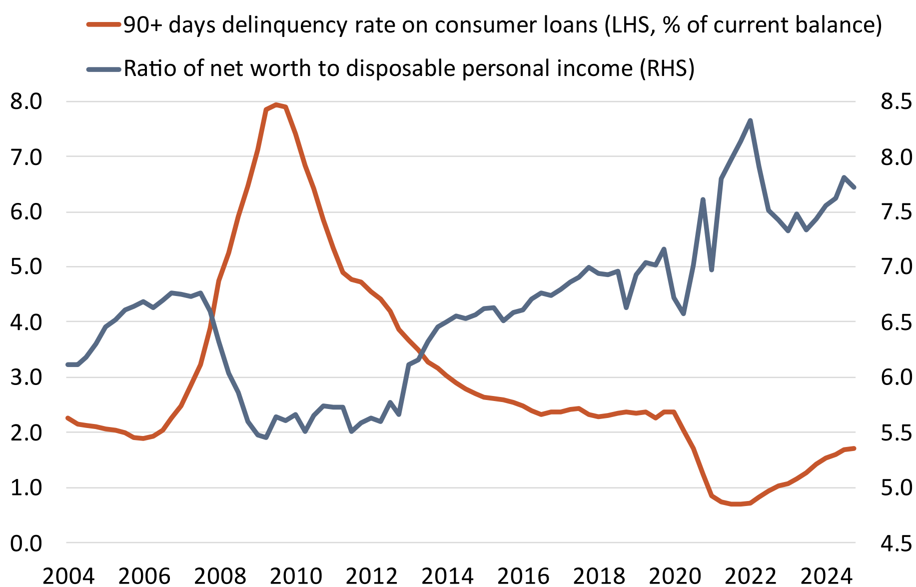
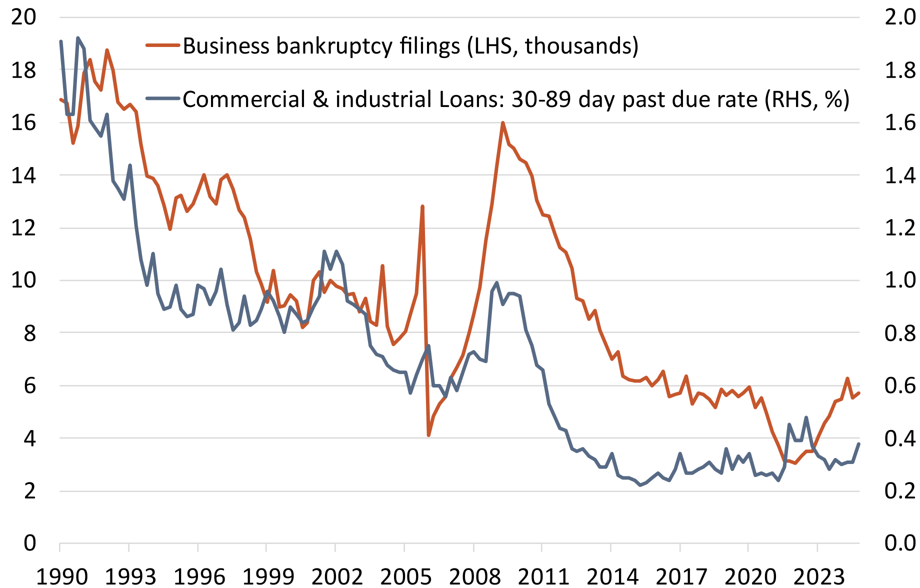
No signs of stress in consumer balance sheets



Source: NY Fed, BEA, Haver Analytics

Bankruptcies and delinquencies remain low

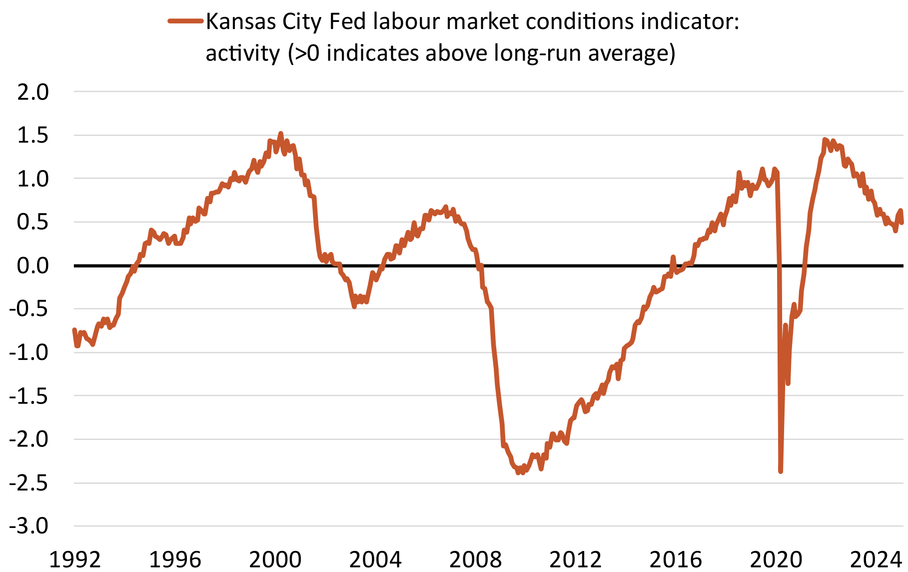


Source: FDIC, Administrative office of the US courts, BEA, Haver Analytics

- Household balance sheets are in excellent shape. The delinquency rate on total consumer loans remains at historically low levels.
- Businesses remain healthy. Bankruptcy filings are at pre-pandemic levels, despite a much higher number of businesses. Delinquency rates for commercial and industrial loans are low by historical standards.

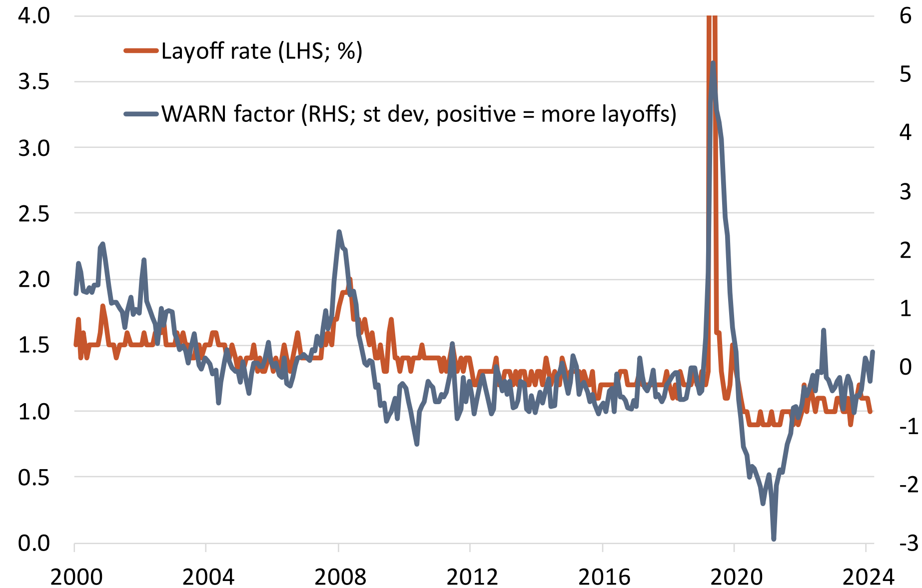
US labour market: as healthy as it gets

Fed to focus on the bigger labour market picture



The Kansas City Fed labour market conditions indicator measures labour market conditions based on 24 indicators. A reading greater than zero implies that level of activity in labour market is above the long-run average. Sources: Kansas City Fed, Haver Analytics

Layoff rate remains historically low



Source: Cleveland Fed, BLS, Haver Analytics

- From Powell's speech on March 7: *"Many indicators show that the labour market is solid and broadly in balance."*
- The US labour market data is extensive, allowing for the construction of both ultra-bullish and ultra-bearish views by focusing on specific indicators. To filter through the noise, the Fed will continue to rely on key metrics (in addition to nonfarm payrolls and the household survey), such as the Kansas City Fed's labour market conditions indicator, which shows a very healthy labour market.
- The layoff rate remains historically low and is expected to stay that way.

US labour market: no signs of weakening

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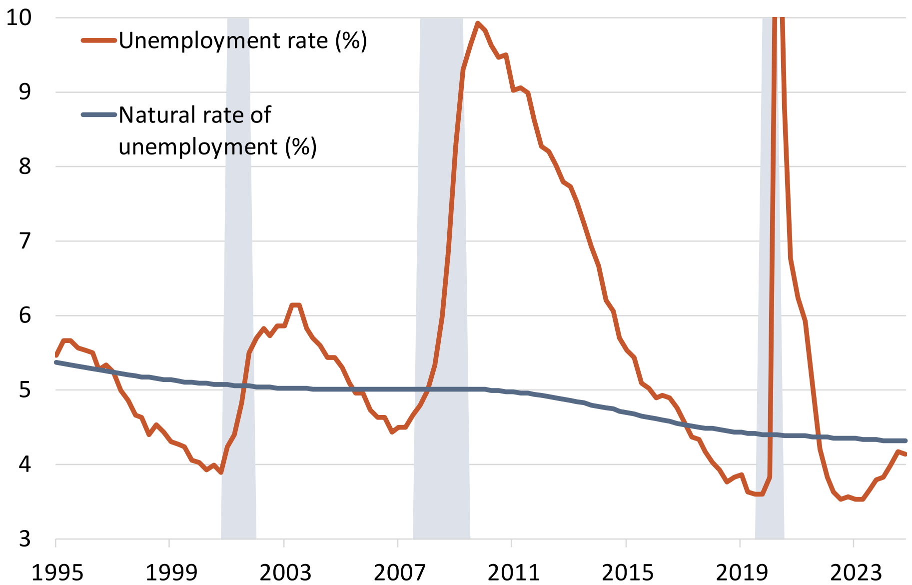
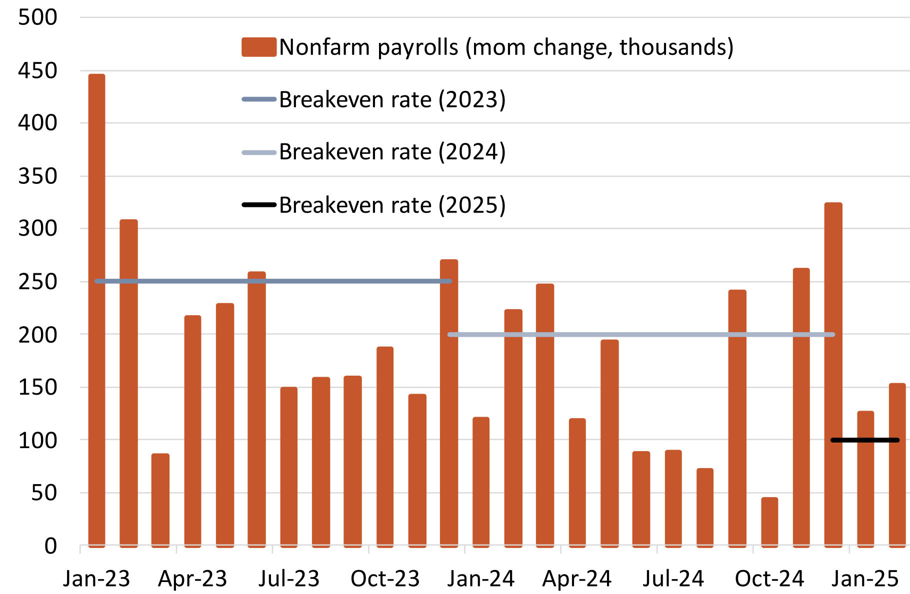
Unemployment rate below its natural rate



Sources: BLS, CBO, Haver Analytics

Solid employment growth



The breakeven rate is the monthly employment gains required to keep the unemployment rate steady. Sources: BLS, Haver Analytics

- The labour market remains solid and continues to drive economic growth. From the January Fed meeting minutes: *"Participants judged that labour market conditions had remained solid and that those conditions were broadly consistent with the Committee's goal of maximum employment."*
- The breakeven rate (the monthly employment gains required to keep the unemployment rate steady) is likely just above 100k this year, compared to around 200k last year. This is due to slower labour force growth in 2025, driven by a slowdown in immigration, the key source of labour supply in the US. Therefore, a figure around 100k this year should not be interpreted as a "weak" labour market, but rather one that is "in balance."

US labour market: strong labour demand

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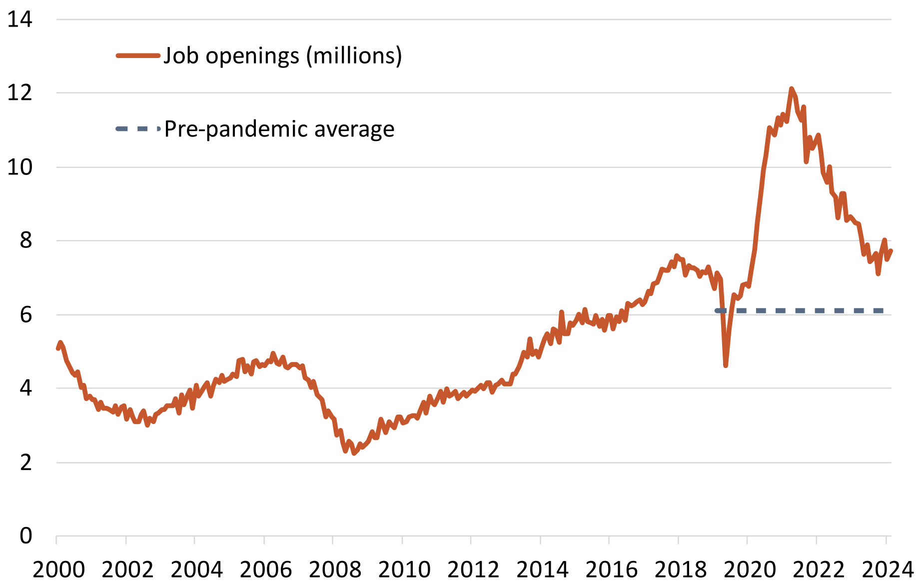
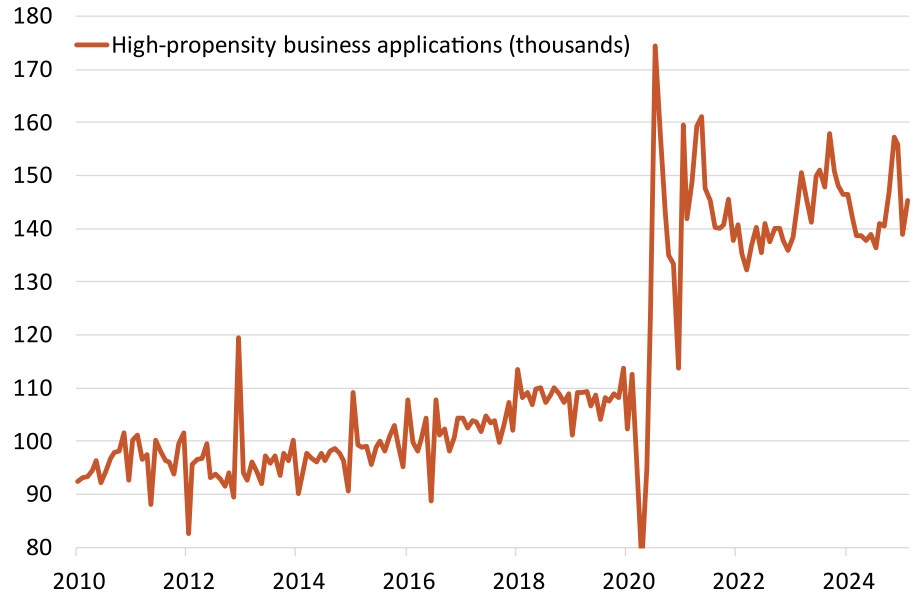
Job vacancies still above the pre-pandemic levels



Sources: BLS, Haver Analytics

Leading indicator for job openings stays elevated



Source: Census Bureau, Haver Analytics

- The ultra-tight labour market in the aftermath of the pandemic is now in the rear-view mirror, as high immigration in recent years has eased most of the excess labour demand. However, job openings remain above pre-pandemic levels, and we expect them to stay that way in 2025.
- Applications to start a business are well above the pre-pandemic norm (good news for productivity) and should lead to higher vacancies, with many employers expecting to hire more than last year.

US labour market: weakening labour supply

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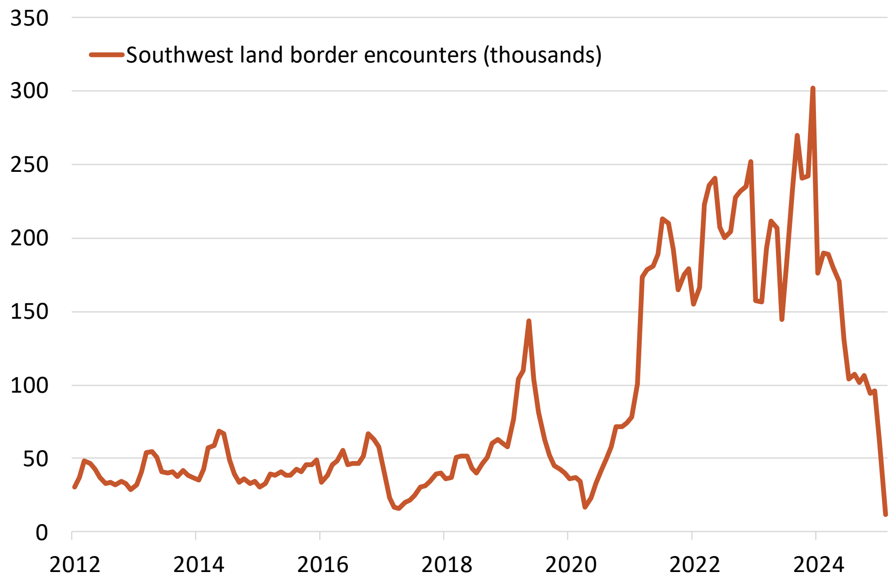
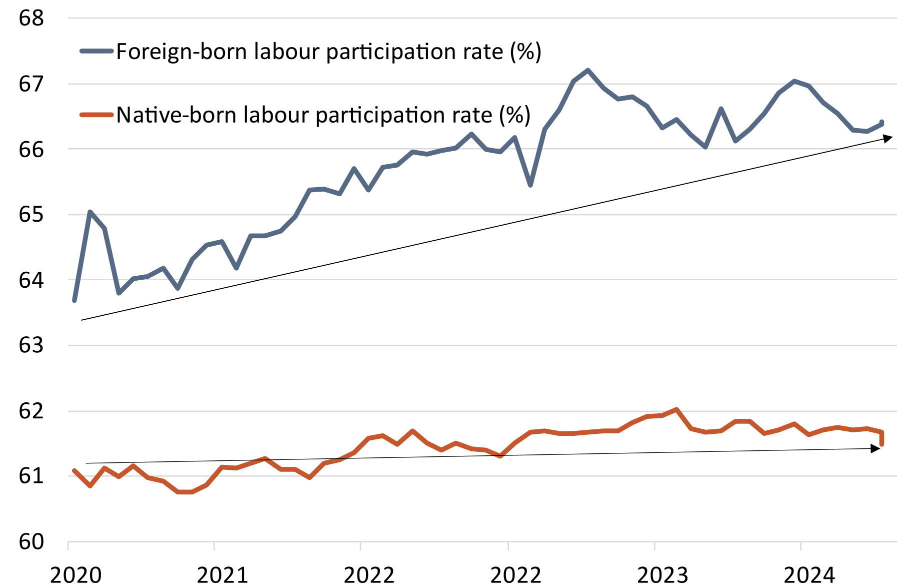
Labour supply is already slowing



Sources: Customs and Border Protection, Haver Analytics

Immigration is key to the US labour market



Source: BLS, Haver Analytics

- The Trump administration plans to implement a highly restrictive immigration policy, mainly targeting illegal immigrants. We project that the yearly net inflow of undocumented immigrants will be close to zero during Trump's second term, compared to 1.8 million under Biden.
- Immigration has been the key source of labour supply in recent years. However, Trump's restrictive immigration policy will lead to a sharp slowdown in immigration, and consequently, labour supply.

Tight labour market = high wage growth

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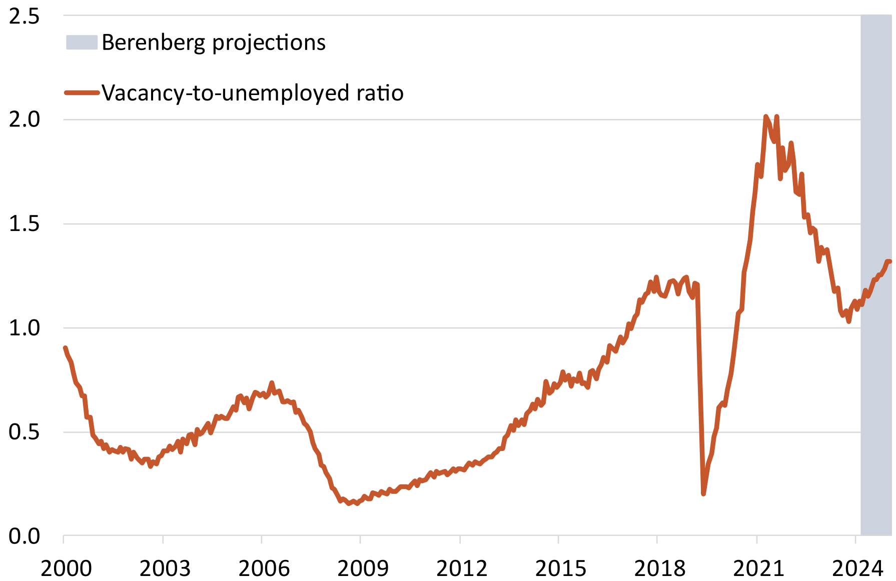
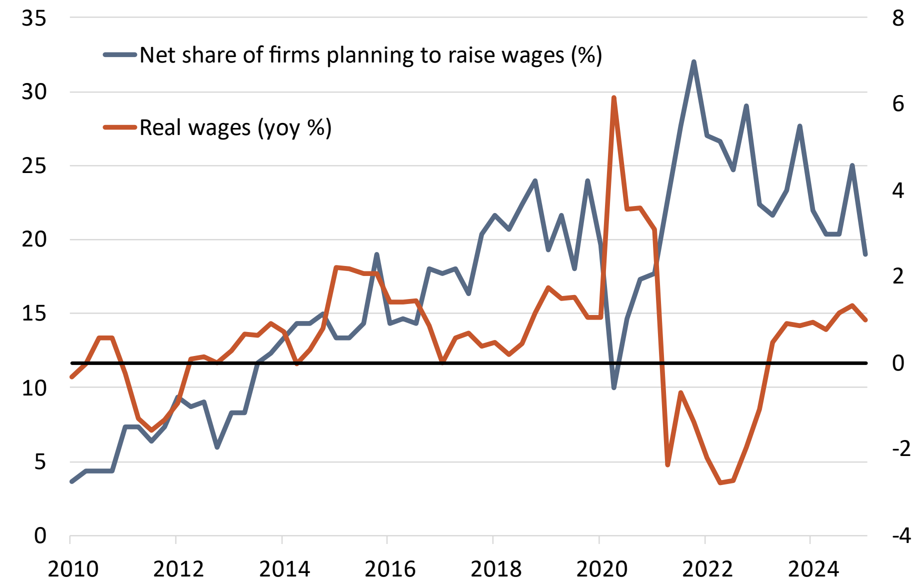
Labour market to retighten



Source: BLS, Haver Analytics, Berenberg

Positive real wage growth is set to persist



Source: NFIB, BLS, Haver Analytics, Berenberg

- Reduced immigration and some deportations will create labour shortages, as the number of job vacancies rises while the number of workers seeking a job falls.
- Rising real wages will continue to support household consumption.

Nothing to worry about federal layoffs

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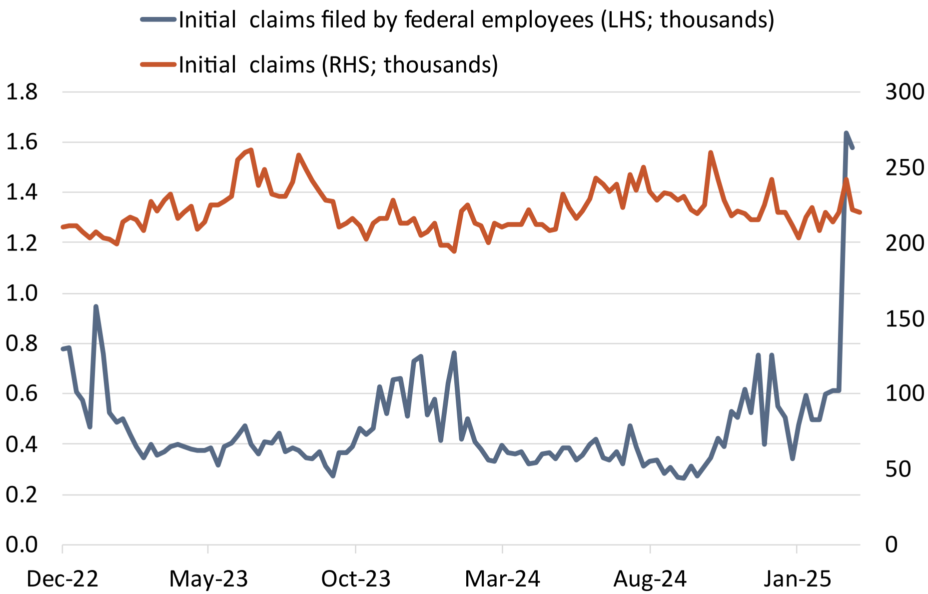
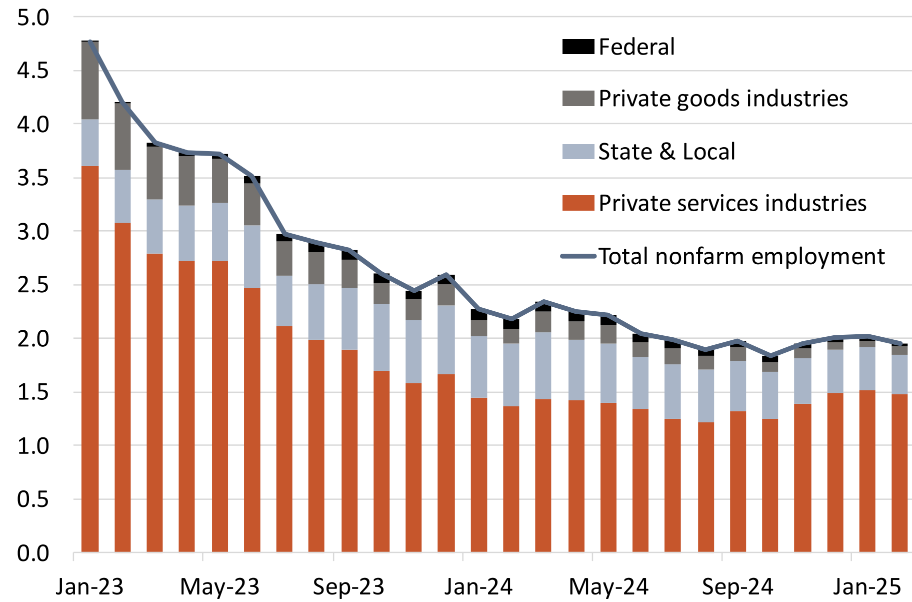
Federal layoffs to marginally impact unemployment rate



Sources: Department of Labor, Haver Analytics.

Negligible impact of federal jobs to nonfarm payrolls



In millions, year-over-year change. Sources: BLS, Haver Analytics

- We expect DOGE-driven layoffs to total a maximum of 300k by year-end, which would reduce nonfarm payrolls by up to 30k per month. This should not significantly impact the US labour market, which added an average of 200k jobs over the past three months. The US labour force is 170 million; therefore, even if 300k suddenly moved to unemployment, it would only increase the unemployment rate by 0.2 percentage points, from 4.1% to 4.3%—just a tad above the Fed's long-term estimate of maximum employment.
- The US labour market is so large that federal layoffs will only cause a marginal increase in labour supply. This will be more than offset by a sharp slowdown in labour supply due to Trump's restrictive immigration policy.

Fed to prioritise inflation over growth

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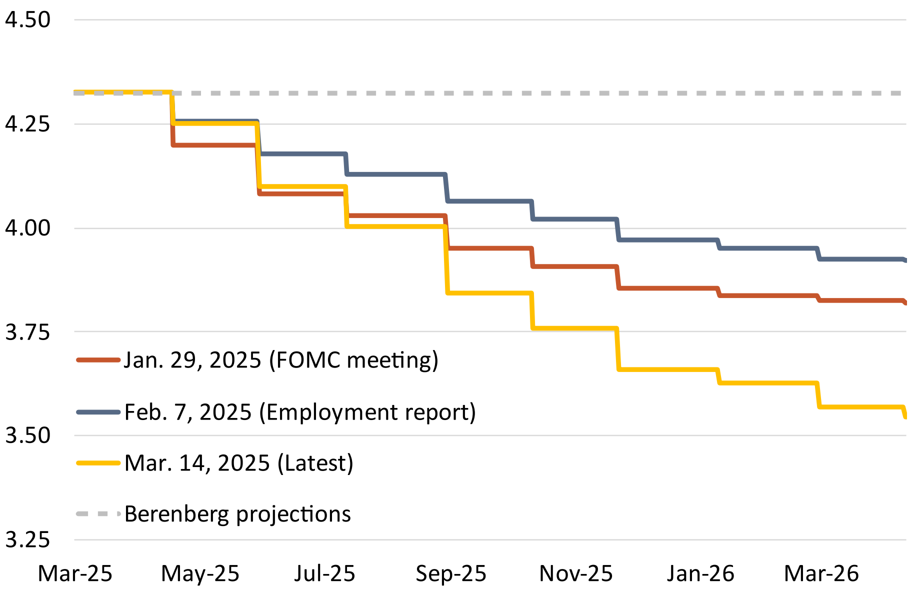
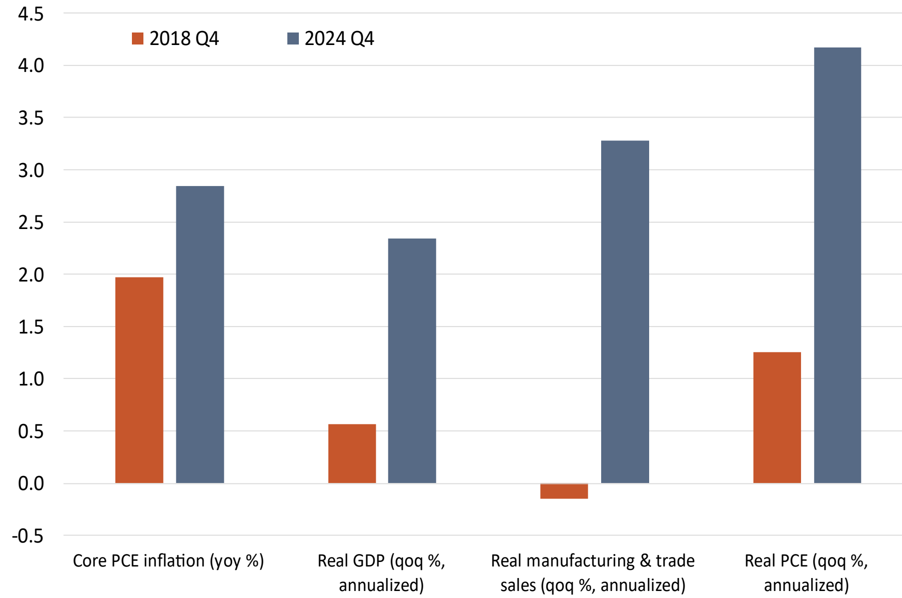
Berenberg vs. markets



The solid lines denote future/swaps market pricing of the Fed funds rate. Sources: Bloomberg, Berenberg

No luxury to look through tariffs



Source: BLS, BEA, Haver Analytics

- We do not expect any Fed rate cuts in the near term, as inflation progress stalls while the labour market remains solid.
- The Fed's easing cycle in 2019 is not a blueprint for its potential response now.
- The Fed's challenge is high inflation, not weak growth.

Productivity gains are here to stay

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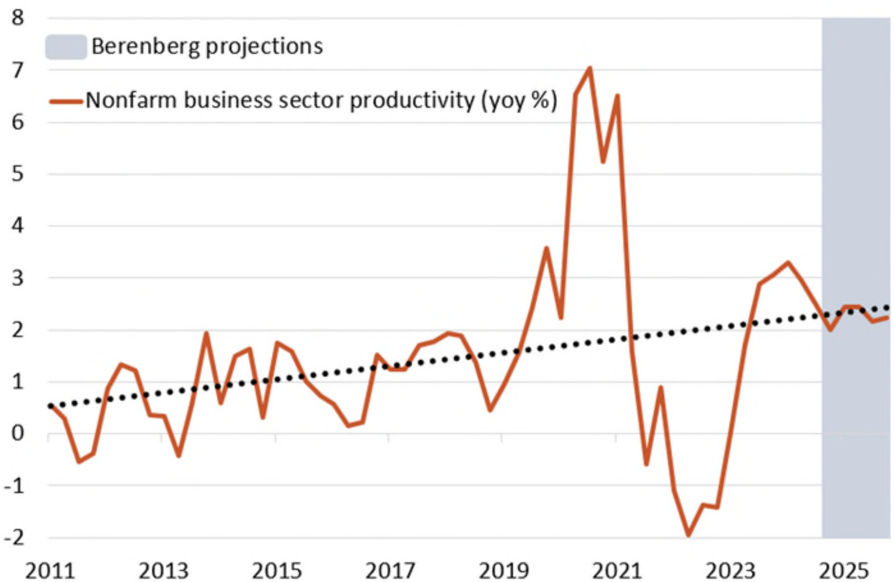
Sustained gains in productivity in 2025



Sources: BLS, Haver Analytics, Berenberg

Job market normalisation to boost productivity

Private nonfarm industries ranked by their productivity (from high to low)	Employment growth from 2022Q4 to 2024Q4 (thousands)	Share of total employment gain from 2022Q4 to 2024Q4 (%)
Utilities	26	1
Information	-165	-5
Mining	2	0
Financial Activities	62	2
Wholesale Trade	117	4
Manufacturing	-129	-4
Total nonfarm private sector	3308	---
Professional & Business Services	-213	-6
Transportation & Warehousing	81	2
Construction	410	12
Retail Trade	13	0
Education and Health Services	2134	65
Other Services	235	7
Leisure & Hospitality	735	22

Sources: BEA, BLS, Haver Analytics

- The recent jump in productivity growth in the US was not a one-off, and we believe these gains will be sustained.
- Nonfarm business productivity rose at an impressive 2.5%-plus annualised rate in the US over the past two years, although the least productive industries accounted for more than 85% of private job gains: i) leisure and hospitality (22%); and education and health services (65%).
- We expect employment gains this year to be more broad-based and less heavily skewed towards low-productivity sectors, which is a major reason we expect sustained productivity gains.

US economic forecasts

		2024	2025	2026	2027	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
GDP	% y/y	2.8	2.6	2.2	1.8	2.9	3.0	2.7	2.5	2.8	2.6	2.5	2.4	2.3	2.2	2.1	2.1
	% q/q					0.4	0.7	0.8	0.6	0.7	0.6	0.6	0.5	0.6	0.5	0.5	0.5
	%q/q ann.					1.6	3.0	3.1	2.3	2.7	2.4	2.3	2.0	2.4	2.2	2.0	1.9
Private Consumption	% y/y	2.8	2.8	2.3	1.8	2.2	2.7	3.0	3.1	3.1	3.0	2.7	2.3	2.5	2.4	2.3	2.1
	% q/q					0.5	0.7	0.9	1.0	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Residential Investment	% y/y	4.2	2.0	3.5	3.4	7.0	5.1	2.1	2.8	0.1	1.5	3.5	3.0	3.3	3.5	3.6	3.6
	% q/q					3.3	-0.7	-1.1	1.3	0.6	0.7	0.8	0.9	0.9	0.9	0.9	0.9
Non-Residential Investment	% y/y	3.6	1.7	2.1	1.7	4.8	3.3	4.1	2.2	1.7	1.5	1.2	2.6	2.5	2.2	1.9	1.7
	% q/q					1.1	1.0	1.0	-0.8	0.6	0.7	0.7	0.6	0.5	0.4	0.4	0.4
Government Purchases	% y/y	3.4	2.1	1.7	2.0	3.5	3.5	3.4	3.2	3.1	2.6	1.6	1.2	1.4	1.6	1.8	2.0
	% q/q					0.4	0.8	1.3	0.7	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.5
Final Dom Demand [1]	% y/y	3.0	2.5	2.2	1.9	3.0	3.0	3.2	3.0	2.8	2.7	2.4	2.2	2.3	2.3	2.2	2.1
	% q/q					0.7	0.7	0.9	0.7	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Exports	% y/y	3.2	2.0	1.9	1.8	2.0	3.5	4.6	2.9	2.7	2.8	0.9	1.5	1.8	1.9	2.0	2.0
	% q/q					0.5	0.3	2.3	-0.1	0.2	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Imports	% y/y	5.4	3.1	2.0	2.0	2.9	5.6	7.1	5.7	5.2	3.6	1.5	2.3	1.8	2.0	2.0	2.0
	% q/q					1.5	1.8	2.6	-0.3	1.0	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Net Exports [1]	% y/y	-0.5	-0.3	-0.1	-0.1	-0.2	-0.5	-0.6	-0.5	-0.5	-0.3	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
	% q/q					-0.2	-0.3	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stockbuilding [1,6]	% y/y	0.0	0.2	0.0	0.0	0.0	0.3	0.0	-0.1	0.3	0.1	0.1	0.3	-0.1	-0.1	-0.1	0.0
	% q/q					-0.1	0.2	-0.1	-0.2	0.3	0.0	0.0	-0.1	0.0	0.0	0.0	0.0
Current Account Balance	USD bn	-1136	-1278	-1304	-1339	-241	-275	-311	-309	-318	-318	-320	-322	-324	-325	-327	-329
	% of GDP	-3.9	-4.2	-4.0	-4.0	-3.4	-3.8	-4.2	-4.2	-4.2	-4.2	-4.1	-4.1	-4.1	-4.1	-4.0	-4.0
Industrial Production [2]	% y/y	-0.3	1.5	1.8	1.8	-0.5	0.0	-0.4	-0.3	1.3	1.0	1.5	2.3	1.7	1.8	2.0	1.9
	% q/q					-0.4	0.6	-0.2	-0.3	1.2	0.3	0.3	0.5	0.6	0.5	0.5	0.5
Unemployment Rate [2]	%	4.0	4.1	3.6	3.3	3.8	4.0	4.2	4.1	4.1	4.2	4.1	4.0	3.9	3.7	3.5	3.5
CPI [2]	% y/y	3.0	2.9	2.6	2.6	3.2	3.2	2.7	2.7	2.9	2.9	3.0	2.7	2.6	2.6	2.6	2.6
Core PCE [2]	% y/y	2.8	2.5	2.6	2.7	3.0	2.7	2.7	2.8	2.6	2.6	2.5	2.4	2.4	2.5	2.7	2.8
Federal deficit [3]	% of GDP	-6.9	-7.0	-6.8	-6.5												
Federal debt held by public [4]	% of GDP	99.1	101.2	102.5	103.6												
Fed Funds Rate [5]	%	4.50	4.50	4.50	4.50	5.50	5.50	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50

[1] Contribution to GDP growth [2] Period averages [3] Treasury data [4] OMB data [5] End of period [6] Annual data refers to yoy change and quarterly data refers to qoq change

Global economic forecasts

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	Weight	GDP growth				Inflation				Unemployment				Fiscal balance			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
World*	100.0	2.6	2.8	2.7	2.4												
US	26.1	2.8	2.6	2.2	1.8	3.0	2.9	2.6	2.6	4.0	4.1	3.6	3.3	-6.9	-7.0	-6.8	-6.5
China	16.9	5.0	5.0	4.3	3.9	0.2	0.6	1.4	1.9	5.1	5.0	4.8	4.8	-7.4	-6.0	-6.0	-6.5
Japan	4.0	0.1	1.1	1.0	1.0	2.7	2.7	1.7	1.7	2.5	2.4	2.3	2.3	-4.3	-3.7	-2.5	-1.3
India	3.4	7.0	6.5	6.5	6.0									-7.8	-7.5	-7.5	-7.0
Latin America	6.3	2.2	2.5	2.5	2.3									-4.5	-4.0	-4.0	-3.5
Europe	24.3	1.1	1.2	1.6	1.5												
Eurozone	14.8	0.8	1.0	1.6	1.5	2.4	2.3	2.3	2.5	6.4	6.3	5.9	5.4	-3.3	-3.4	-3.3	-3.0
Germany	4.3	-0.2	0.2	1.4	1.4	2.5	2.2	2.4	2.5	3.4	3.6	3.4	3.0	-2.8	-3.1	-3.2	-3.2
France	2.9	1.1	0.5	1.0	1.2	2.3	1.1	1.9	2.3	7.4	7.3	7.1	6.8	-6.1	-6.0	-5.4	-4.5
Italy	2.2	0.5	0.8	1.2	0.9	1.1	2.2	2.1	2.4	6.6	6.3	6.1	5.9	-4.5	-3.7	-2.9	-2.4
Spain	1.5	3.2	2.5	2.3	2.4	2.9	2.7	2.2	2.4	11.4	10.1	9.5	8.9	-3.2	-3.0	-2.6	-2.4
Portugal	0.3	1.9	2.5	2.3	2.2	2.7	1.8	2.2	2.4	6.5	6.0	5.6	5.1	-0.1	-0.1	0.0	0.0
Other Western Europe																	
UK	3.2	0.9	0.9	1.4	1.4	2.5	3.7	3.0	2.2	4.3	4.6	4.6	4.6	-5.0	-3.8	-3.3	-2.7
Switzerland	0.8	1.3	1.5	1.5	1.5	1.4	1.3	1.3	1.5	2.2	2.1	2.1	1.7	0.5	0.3	0.3	0.3
Sweden	0.6	0.7	1.6	1.8	2.0	3.0	2.2	2.2	2.5	8.2	8.0	8.0	7.0	-0.7	-0.1	-0.1	-0.1
Eastern Europe																	
Russia	1.9	3.3	1.4	1.4	1.0	8.1	9.0	8.0	7.0	2.9	3.2	3.2	3.4	-1.5	-2.0	-2.0	-2.0
Turkey	1.1	2.9	3.0	3.0	2.5	56.0	28.0	28.0	20.0	10.4	10.0	10.0	9.5	-5.0	-4.0	-4.0	-3.5

Unemployment rate: Harmonised definition (ILO/Eurostat); fiscal balance: general government deficit in % of GDP excluding one-off bank support.
*At market exchange rates, not purchasing power parity. PPP estimates give more weight to fast-growing emerging markets and inflate global GDP.
Weights based on IMF World Economic Outlook 2024 GDP data for 2023. Sources: World Economic Outlook, Berenberg

Key financial forecasts

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	Current[1]	Mid-2025	End-2025	End-2026	End-2027
Central bank rates					
US Fed	4.25-4.50%	4.25-4.50%	4.25-4.50%	4.25-4.50%	4.25-4.50%
ECB refi rate*	2.90%	2.40%	2.40%	2.40%	3.15%
ECB deposit rate*	2.50%	2.25%	2.25%	2.25%	3.00%
BoE	4.50%	4.25%	4.25%	4.00%	4.00%
BoJ	0.50%	0.75%	1.00%	1.00%	1.00%
10-year bond yields					
US	4.31%	4.60%	4.80%	5.00%	5.00%
Germany	2.91%	2.80%	2.80%	3.00%	3.00%
UK	4.70%	4.60%	4.70%	4.70%	4.70%
Currencies					
EUR-USD	1.09	1.09	1.10	1.15	1.20
EUR-GBP	0.84	0.84	0.85	0.86	0.86
GBP-USD	1.29	1.30	1.29	1.34	1.40
USD-JPY	149	145	140	135	130
EUR-JPY	162	158	154	155	156
EUR-CHF	0.96	0.95	0.95	0.95	0.95
USD-CNY	7.24	7.30	7.30	7.30	7.30

*[1] Taken on 14 March at 13:15 UK time. Currency forecasts may not add up due to rounding. *The ECB is using its deposit rate as the main instrument to steer the money market rate*

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