

# Global Macro Trends

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Οι πρόσφατες γεωπολιτικές εξελίξεις στη Μέση Ανατολή εγκυμονούν πρόσθετη αστάθεια στο παγκόσμιο μακροοικονομικό περιβάλλον

## Διεθνείς Μακροοικονομικές Τάσεις

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- ▶ Η πολεμική, πλέον, σύρραξη Ισραήλ-Ιράν, με αλληπάλληλα εκατέρωθεν πλήγματα που οδηγούν καθημερινά σε περαιτέρω κλιμάκωση, σε συνδυασμό με τις προγενέστερες εξελίξεις στη Μέση Ανατολή πιθανότατα οδηγούν σε επανασχεδιασμό της γεωστρατηγικής εικόνας στην ευρύτερη περιοχή. Ως αποτέλεσμα, η αβεβαιότητα στις διεθνείς αγορές βρίσκεται σε πολύ υψηλό επίπεδο καθώς ενδεχόμενα σοβαρά πλήγματα σε πετρελαϊκές εγκαταστάσεις ή/και το κλείσιμο των Στενών του Ορμούζ από το Ιράν θα οδηγήσουν σε μεγάλη αύξηση των τιμών του πετρελαίου, ωθώντας έντονα ανοδικά τον πληθωρισμό.
- ▶ Στις ΗΠΑ, η προσωρινή αναστολή των υψηλών δασμών με σκοπό το κλείσιμο διμερών εμπορικών συμφωνιών μέσω διαπραγματεύσεων και ιδίως η διαφαινόμενη συμφωνία με την Κίνα έχουν περιορίσει σημαντικά την ανησυχία των καταναλωτών για έντονη άνοδο του πληθωρισμού. Τα τελευταία στοιχεία επιβεβαιώνουν ότι ο πληθωρισμός παραμένει πολύ κοντά στον στόχο του 2% της Fed χωρίς να εμφανίζει τάση αξιολογής ενίσχυσης. Οι συνθήκες στην αγορά εργασίας, αλλά και γενικότερα τα πιο πρόσφατα οικονομικά στοιχεία παραμένουν θετικά, αν και λιγότερο ευνοϊκά σε σχέση με τα τέλη του 2024. Ωστόσο, σε συνδυασμό με την εξέλιξη των πρόδρομων δεικτών και την υψηλή αβεβαιότητα, η οικονομία συνεχίζει μεν να αναπτύσσεται αλλά με σημαντικά χαμηλότερο ρυθμό, ενώ και η Fed δεν φαίνεται έτοιμη να προχωρήσει άμεσα σε μείωση του βασικού επιτοκίου της. Παράλληλα, οι επενδυτές τονίζουν την ανάγκη διαμόρφωσης κατάλληλης στρατηγικής για την αντιμετώπιση του υψηλού δημοσιονομικού χρέους.
- ▶ Στην Ευρωζώνη, η σημαντικά υψηλότερη ανάπτυξη κατά το Α΄ Τρίμηνο από ό,τι είχε προηγουμένως εκτιμηθεί (0,6% έναντι 0,3%) εξέπληξε μεν θετικά, ωστόσο δεν μεταβάλλει την προοπτική για το επόμενο διάστημα. Η περιορισμένη εσωτερική ζήτηση, η έλλειψη εμπορικής συμφωνίας με τις ΗΠΑ, η πιθανή ανακατεύθυνση στην ευρωπαϊκή αγορά μέρους των «χαμένων» στις ΗΠΑ εξαγωγών τρίτων χωρών (που εντείνει τον ανταγωνισμό και περιορίζει τα περιθώρια κέρδους ή κάνοντάς τα και αρνητικά για τις εγχώριες εταιρείες) αποτελούν μερικούς από τους παράγοντες που δρουν ανασταλτικά στην ανάπτυξη. Από την άλλη, οι συνεχείς μειώσεις των βασικών επιτοκίων της ΕΚΤ, η επίτευξη του στόχου του 2% για τον πληθωρισμό, η απόφαση αύξησης των αμυντικών δαπανών σε βάθος χρόνου και το ιστορικά χαμηλό ποσοστό ανεργίας επηρεάζουν θετικά.
- ▶ Στην Κίνα, η ισχυρή ανάπτυξη φαίνεται να συνεχίζεται και κατά το Β΄ Τρίμηνο, αν και με ελαφρά πιο συγκρατημένο ρυθμό. Ωστόσο, η περιορισμένη δυνατότητα της εσωτερικής ζήτησης να αποτελέσει τον βασικό μοχλό ανάπτυξης στο προβλεπτό μέλλον καθιστά τις εξαγωγές κρίσιμης σημασίας παράγοντα για τη διατήρηση μεσοπρόθεσμα ενός υψηλού ρυθμού ανάπτυξης. Οπότε, η σύναψη μιας αμοιβαία επωφελούς εμπορικής συμφωνίας με τις ΗΠΑ θα αποτελέσει ιδιαίτερα θετική εξέλιξη.

## Global macro trends

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- ▶ The escalating conflict between Israel and Iran, marked by ongoing strikes from both sides resulting in daily escalation, alongside previous developments in the Middle East, may reshape the region's geopolitical landscape. Consequently, uncertainty in international markets remains elevated. Potential impacts on oil facilities or the possible closure of the Strait of Hormuz by Iran could lead to a sharp increase in oil prices, contributing to higher inflation.
- ▶ In the US, the temporary suspension of high tariffs aimed at concluding bilateral trade agreements through negotiations—particularly the anticipated agreement with China—has significantly alleviated consumer concerns about a sharp rise in inflation. Recent data confirms that inflation remains close to the Federal Reserve's 2% target without showing signs of notable acceleration. Labor market conditions and broader recent economic indicators remain positive, albeit less favorable compared to late 2024. Despite the trends of leading indicators and heightened uncertainty, the economy is still experiencing growth, albeit at a notably slower rate. At the same time, the Federal Reserve does not seem poised to reduce its benchmark interest rate immediately. Moreover, investors are underscoring the importance of formulating an effective strategy to manage the high levels of public debt.
- ▶ In the Eurozone, the higher growth in the first quarter compared to previous estimates (0.6% versus 0.3%) was notable; however, it does not change the outlook for the upcoming period. Limited domestic demand, the absence of a trade agreement with the United States, and the potential redirection of exports from third countries—originally intended for the U.S.—to the European market (which intensifies competition and reduces profit margins or even renders them negative for domestic companies) are some of the factors hindering growth. Conversely, continuous reductions in the European Central Bank's key interest rates, the achievement of the 2% inflation target, the decision to increase defense spending over the long term, and historically low unemployment rates have a positive impact.
- ▶ In China, robust growth appears to be continuing into the second quarter, albeit at a slightly more moderate pace. However, the limited capacity of domestic demand to act as the primary driver of growth in the foreseeable future makes exports a critical factor for sustaining a high growth rate in the medium term. Thus, the conclusion of a mutually beneficial trade agreement with the United States would represent a particularly favorable development.

# Main Macroeconomic Indicators – Market Consensus

US											
	Actual				Estimates				% Y/Y avg		
	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2024	2025	2026
Real GDP Q/Q % SAAR	3.0	3.1	2.4	-0.2	1.4	0.8	1.2	1.5	2.8	1.4	1.6
Headline PCE PI % Y/Y	2.6	2.3	2.5	2.5	2.5	3.0	3.1	2.9	2.5	2.8	2.7
Core PCE % Y/Y	2.7	2.7	2.8	2.8	2.8	3.2	3.3	3.1	2.8	3.0	2.7
Unemployment Rate	4.0	4.2	4.1	4.1	4.3	4.4	4.5	4.5	4.0	4.4	4.4
Fed Policy Rate (Upper Bound)	5.50	5.00	4.50	4.50	4.50	4.30	4.05	3.85	4.50	4.05	3.45
EA											
	Actual				Estimates				% Y/Y avg		
	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2024	2025	2026
Real GDP Q/Q %	0.2	0.4	0.3	0.6	0.0	0.1	0.2	0.3	0.9	0.9	1.1
CPI % Y/Y	2.5	2.2	2.2	2.3	2.0	1.9	1.9	1.7	2.4	2.0	1.9
Unemployment Rate	6.4	6.3	6.2	6.3	6.3	6.3	6.4	6.4	6.4	6.3	6.3
ECB Policy Rate (Main Refin Rate)	4.25	3.65	3.15	2.65	2.15	1.90	1.90	1.90	3.15	1.90	1.90
	Emerging Markets		Brazil			China		India			
	Real GDP	Inflation	Real GDP	Inflation	Key Rate	Real GDP	Inflation	Real GDP	Inflation	Key Rate	
2022	3.9	6.4	3.0	9.3	13.75	3.1	2.0	9.7	6.7	6.25	
2023	4.4	5.7	3.3	4.6	11.75	5.4	0.2	7.6	5.7	6.50	
2024e	4.8	6.7	3.4	4.4	12.25	5.0	0.2	9.2	5.0	6.50	
2025f	4.1	3.3	2.1	5.3	14.75	4.5	0.3	6.3	4.6	5.45	
2026f	4.0	2.9	1.6	4.3	12.38	4.2	1.0	6.3	3.8	5.40	

Market Consensus 16.06.2025

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Bird's Eye View

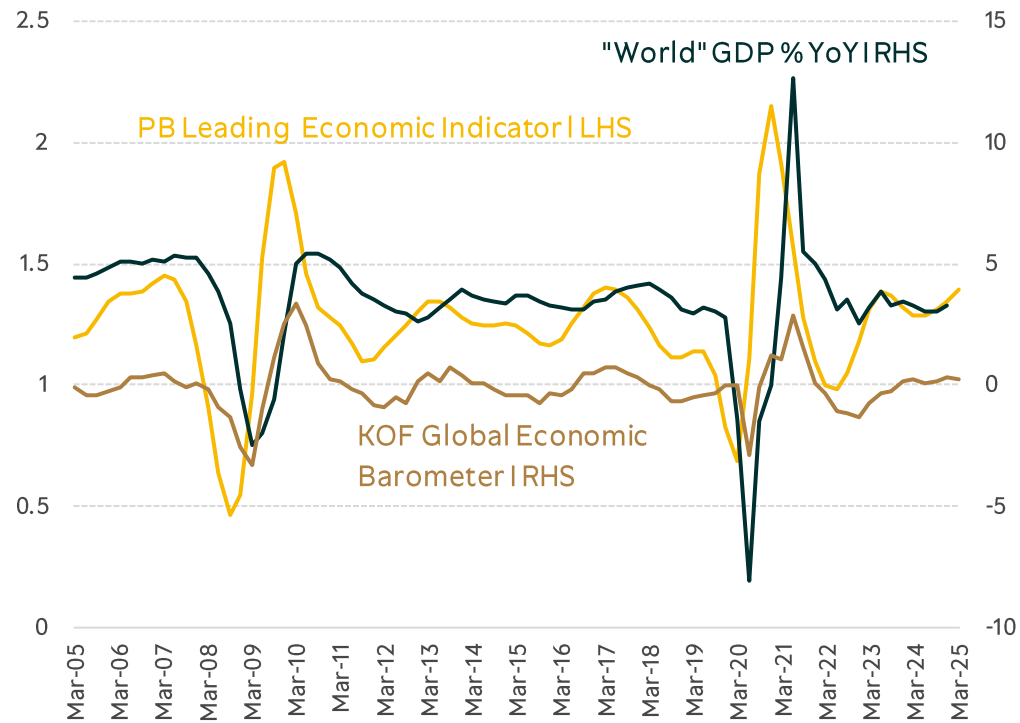
US Economy

EA Economy

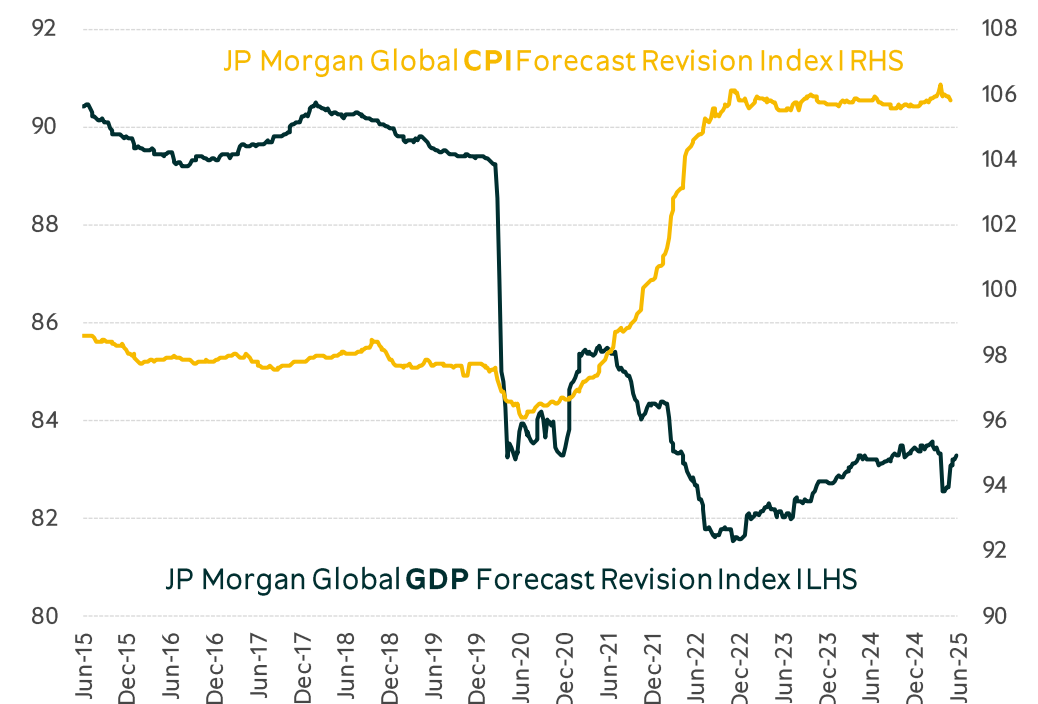
China Economy

# The Global Bird's-Eye View | The de-escalation of the trade war has halted the decline in global GDP forecasts; however, concerns regarding the long-term outlook persist with the deadlines for trade agreements nearing ...

Piraeus Bank "World" Leading Economic Indicator & Economic Growth

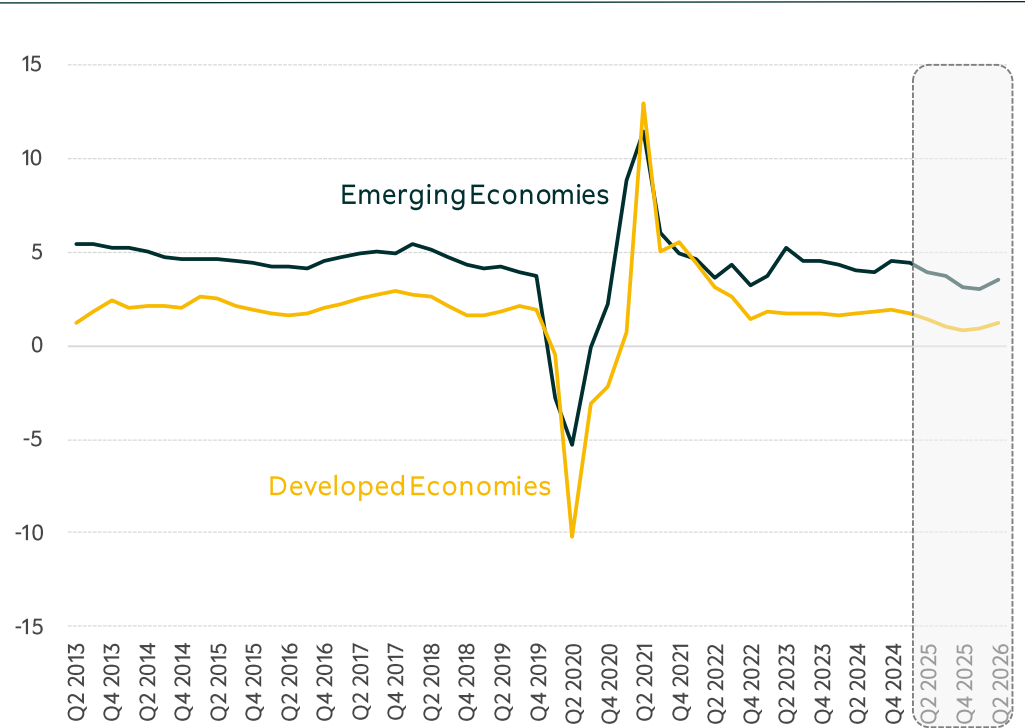


JP Morgan Global Forecast Revision Indices

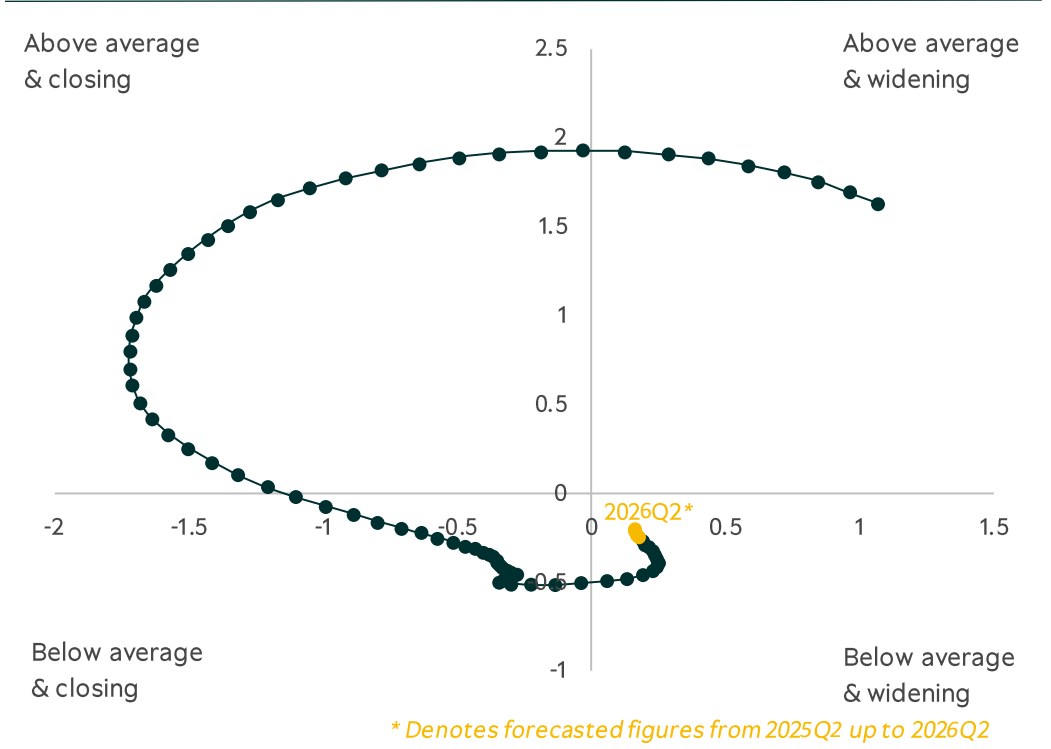


# The Global Bird's-Eye View | The growth differential between emerging markets and developed markets is expected to remain at below average levels for 2025

Real GDP Growth % YoY

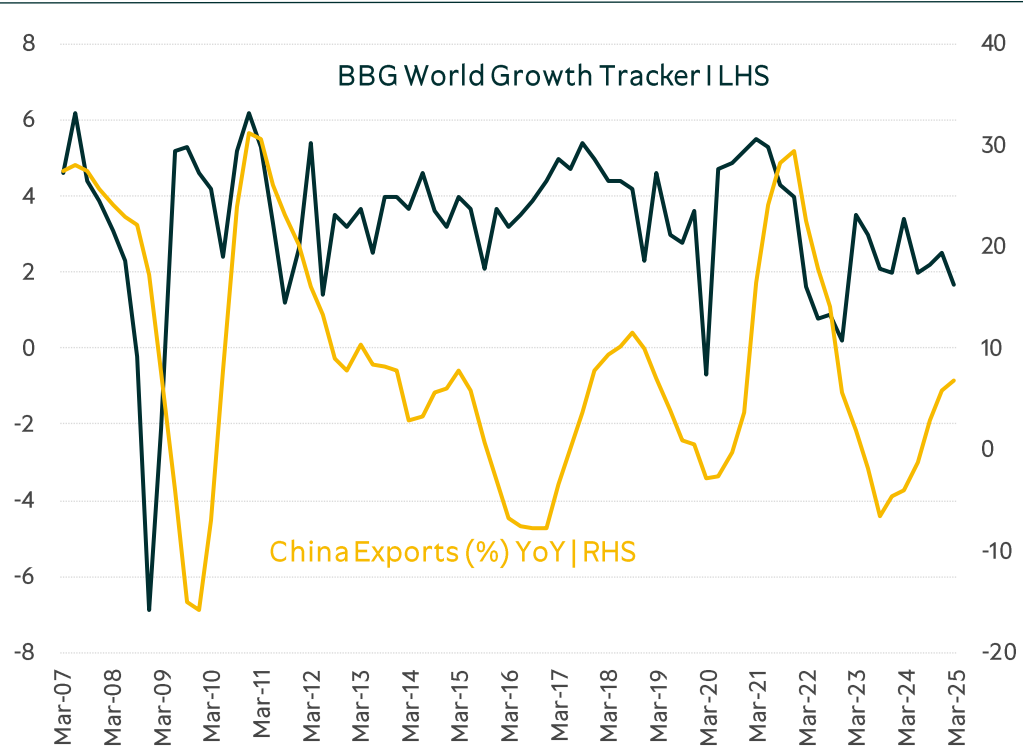


EM – DM Growth Differential

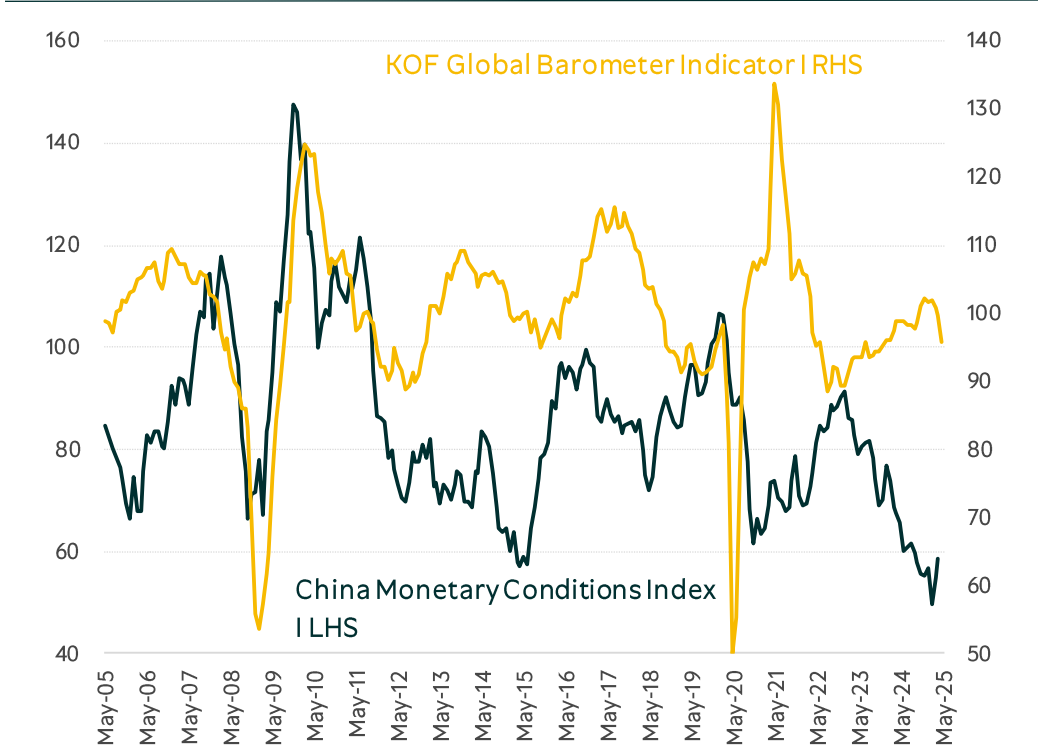


# Global Economic Activity | China's exports saw a steady increase in the first quarter of 2025 (front-running inventory buildup) however, future growth will depend on final tariff rates & trade agreements

BBG World Growth Tracker & China Exports



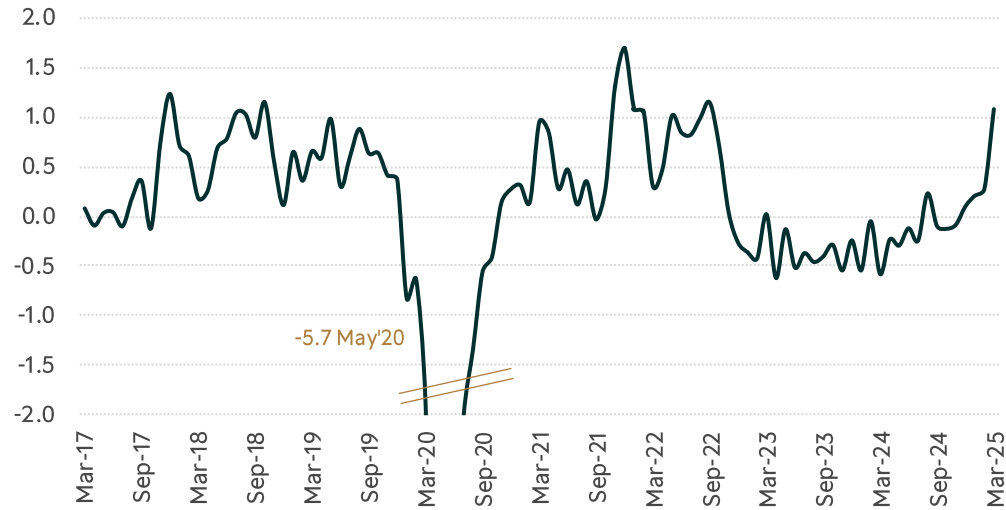
KOF Global Barometer Indicator & China Monetary Conditions



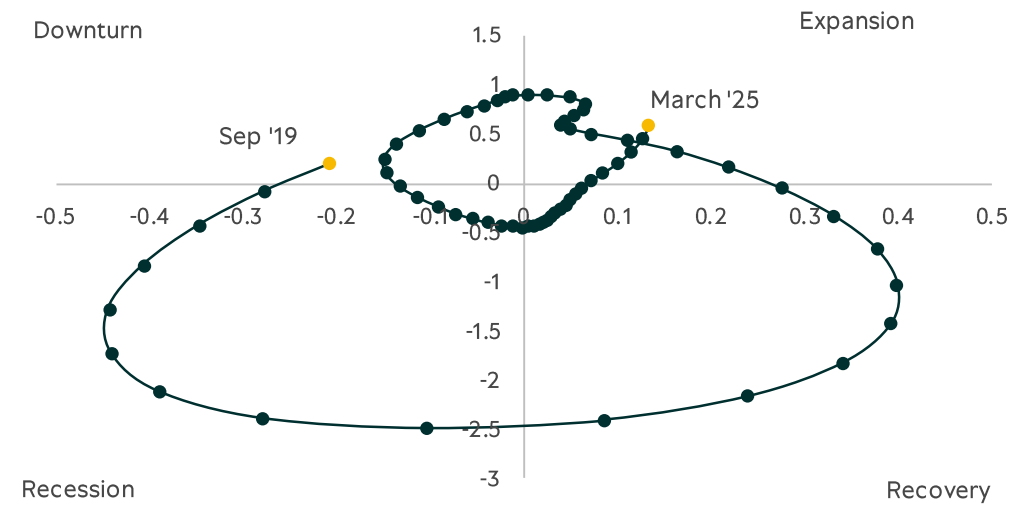


# Global Trade | World Trade Tracer for EM transitioned into the expansion phase of the cycle in anticipation of high reciprocal tariff announcements

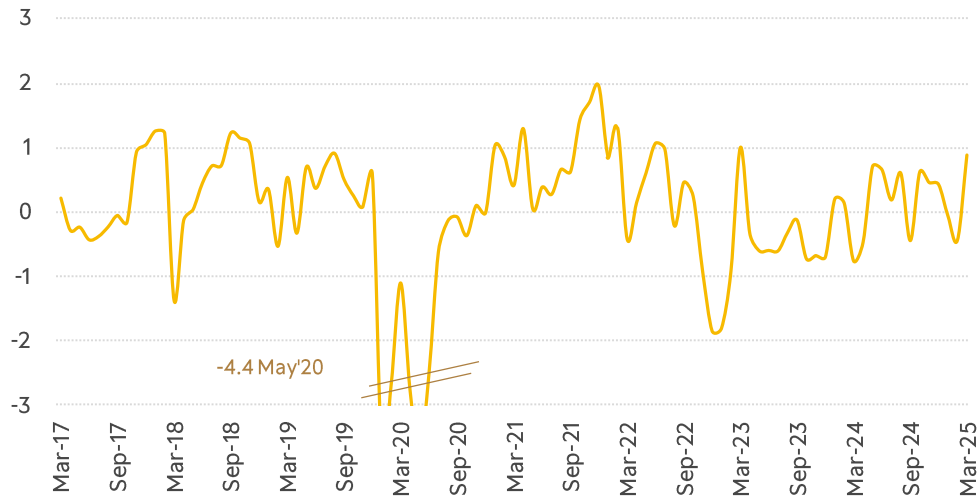
World Trade



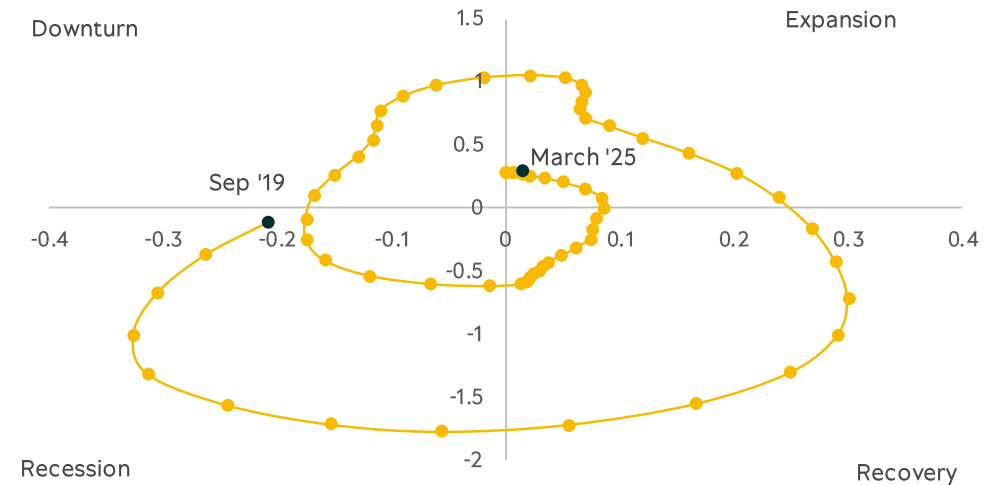
World Trade Tracer



World Exports | EM

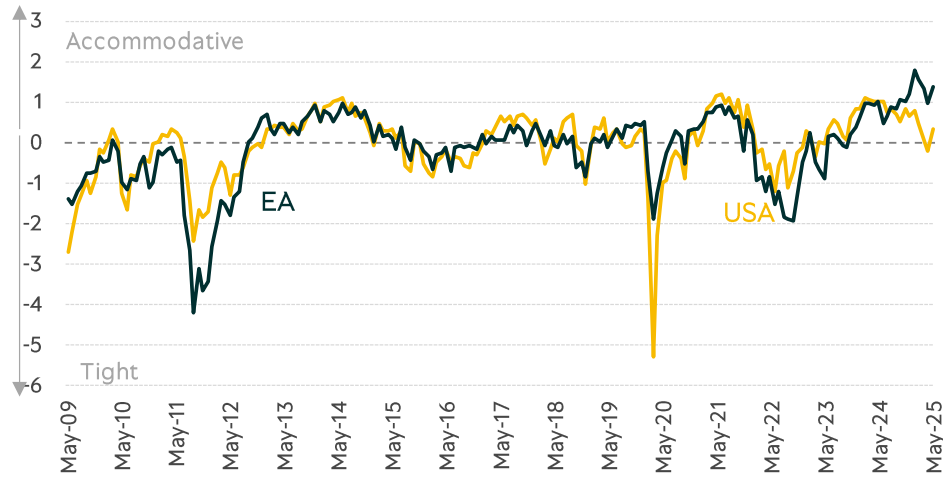


World Exports Tracer | EM

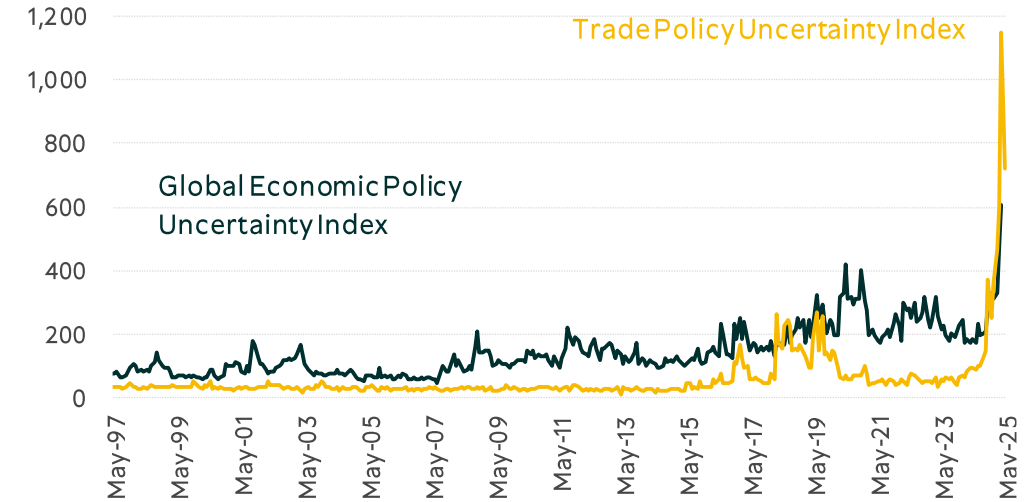


# Global Trends | Trade and Economic Policy Uncertainty expected to remain elevated due to the frequently changing policy landscape. US Financial Conditions became more accommodative in May.

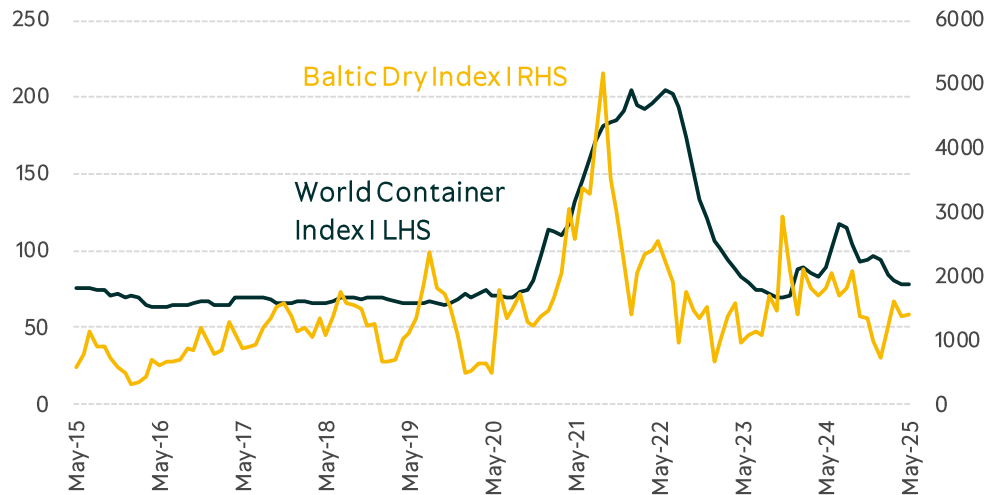
Bloomberg Financial Conditions Indices



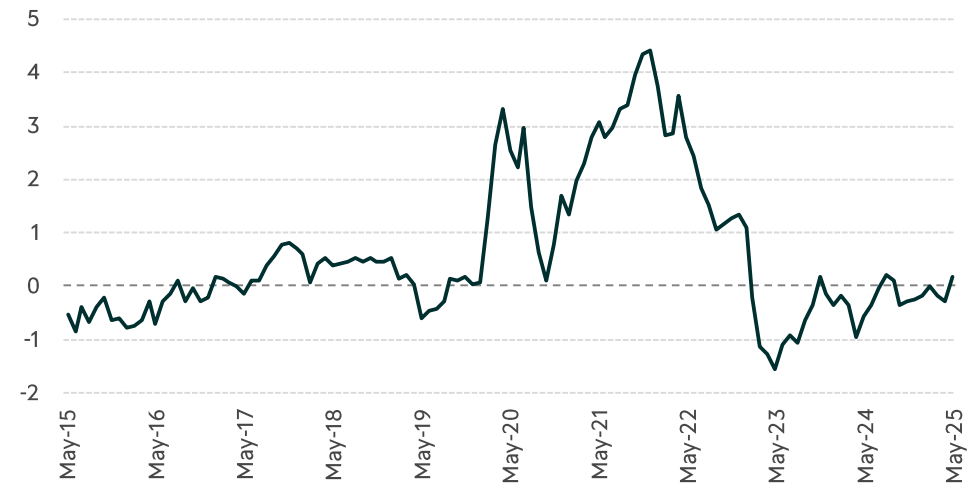
Global Economic & Trade Policy Uncertainty (Caldara & Iacoviello)



World Container and Baltic Dry Indices

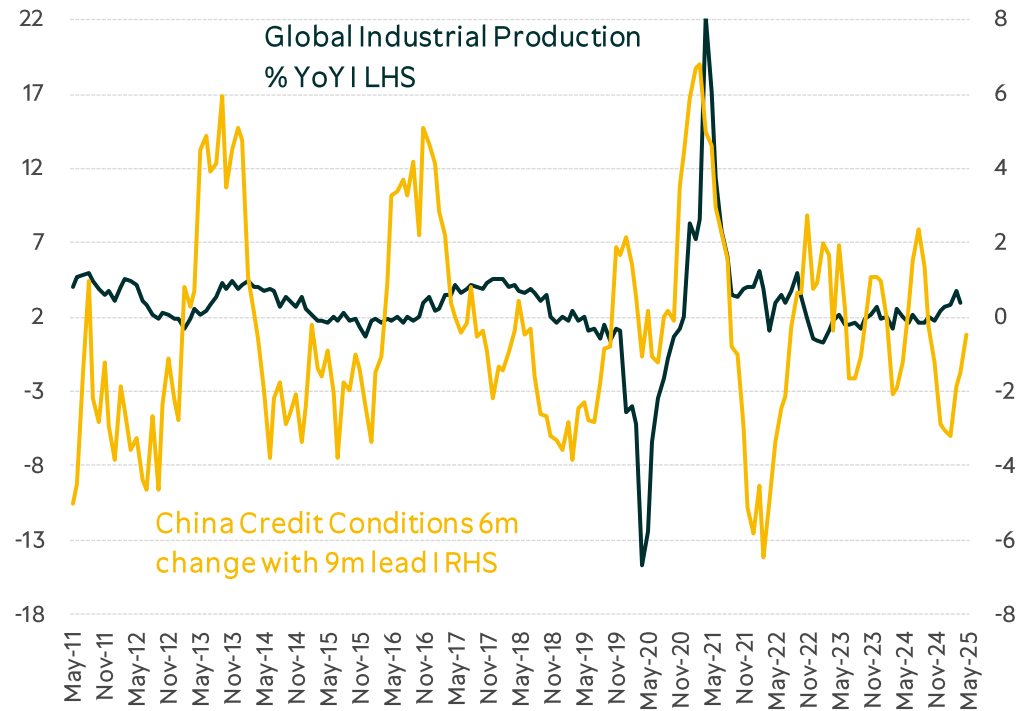


NY Fed | Global Supply Chain Pressure

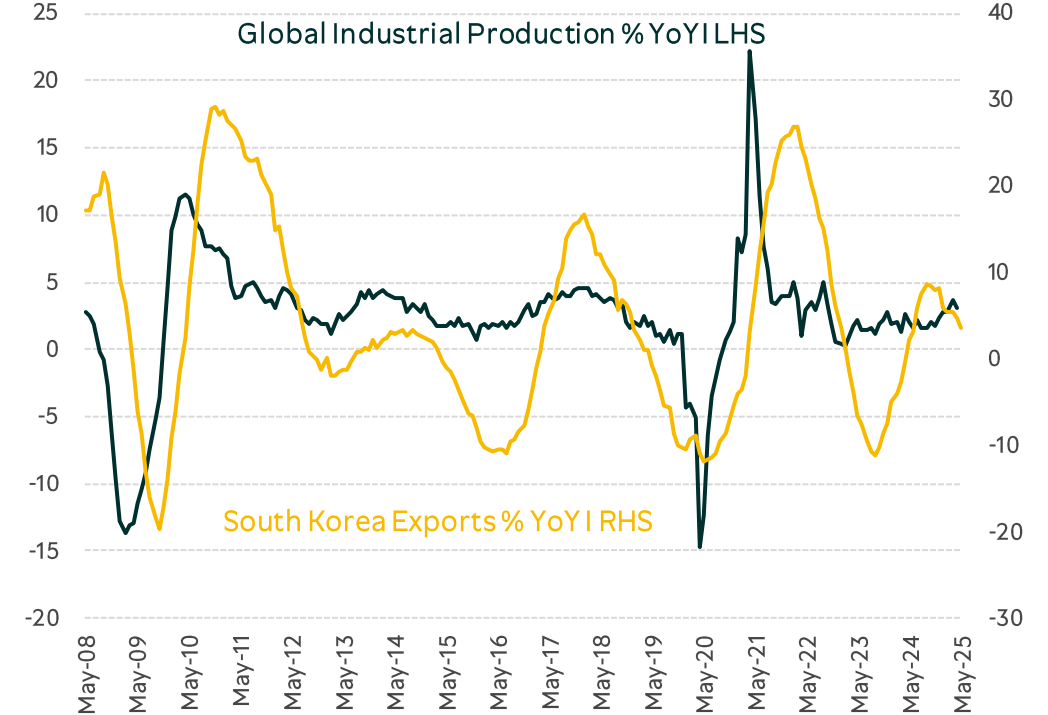


# Global Trends | China's credit conditions have improved in the past months, but South Korea's exports indicate a deceleration in global industrial production and growth prospects

China Credit Impulse (9m lead) & Global industrial production

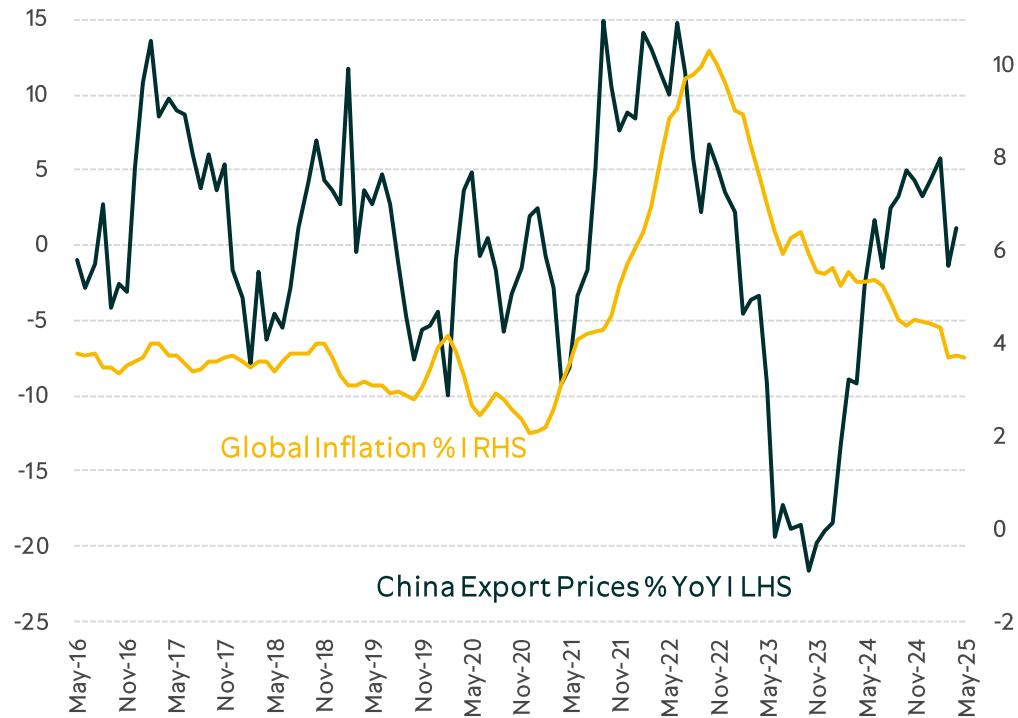


South Korean Exports & Global Industrial Production

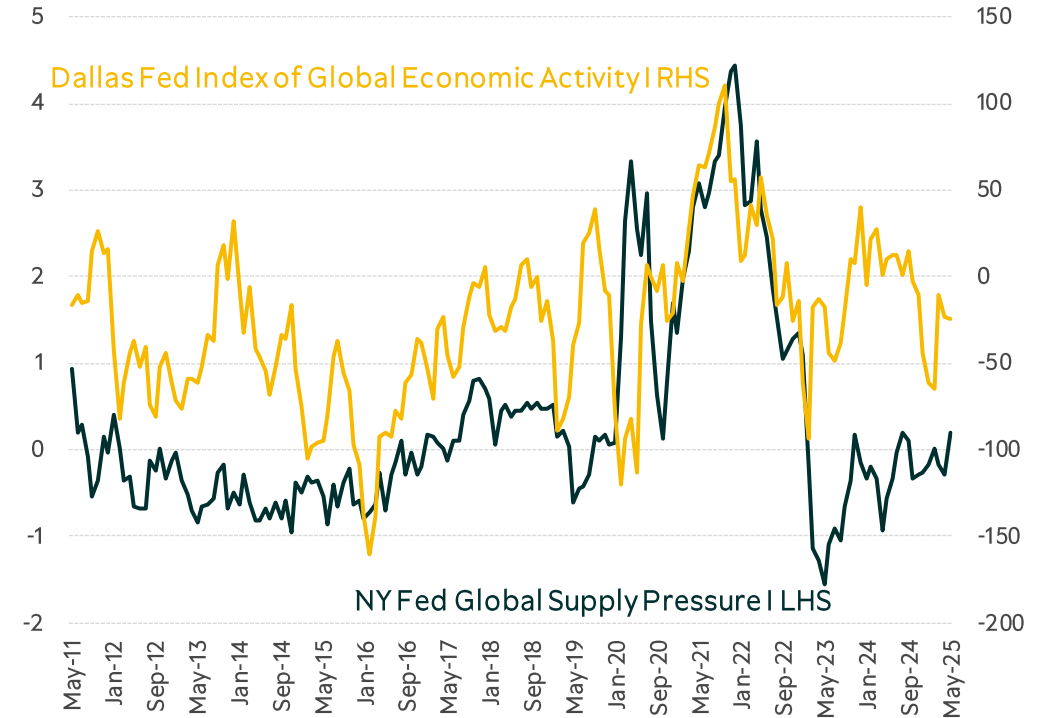


# Global Trends | China's export prices marginally picked up in April following a significant decline in March (negative annual growth rate). Global economic activity indicators are giving mixed signals

China Export Prices & Global Inflation

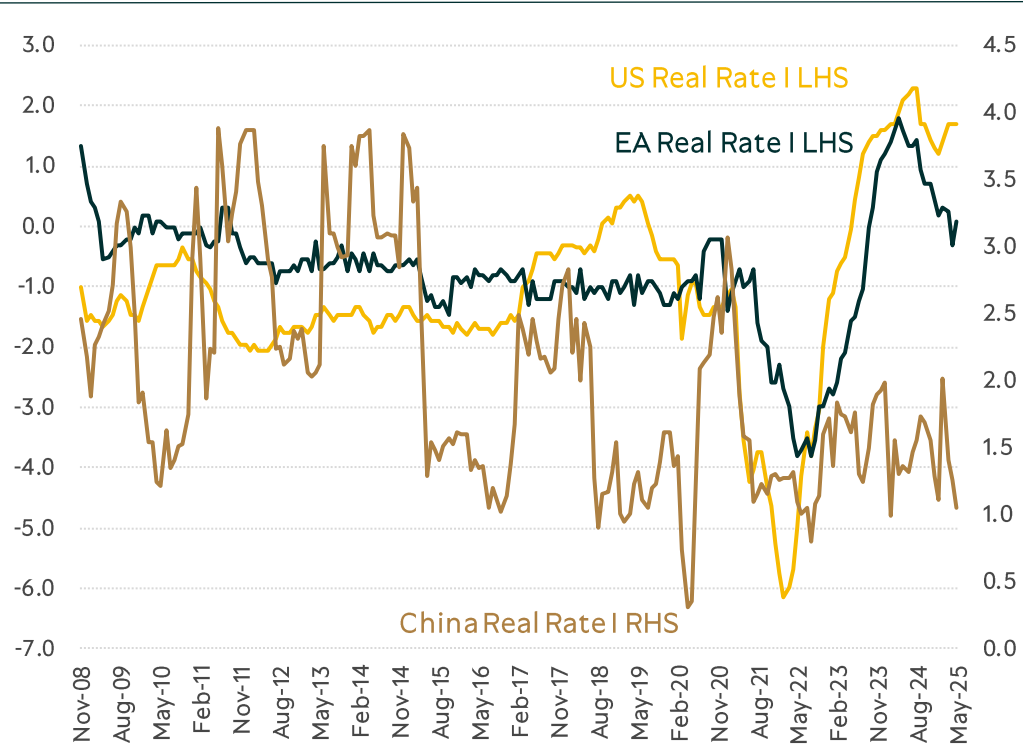


Global Economic Activity vs Global Supply Pressure

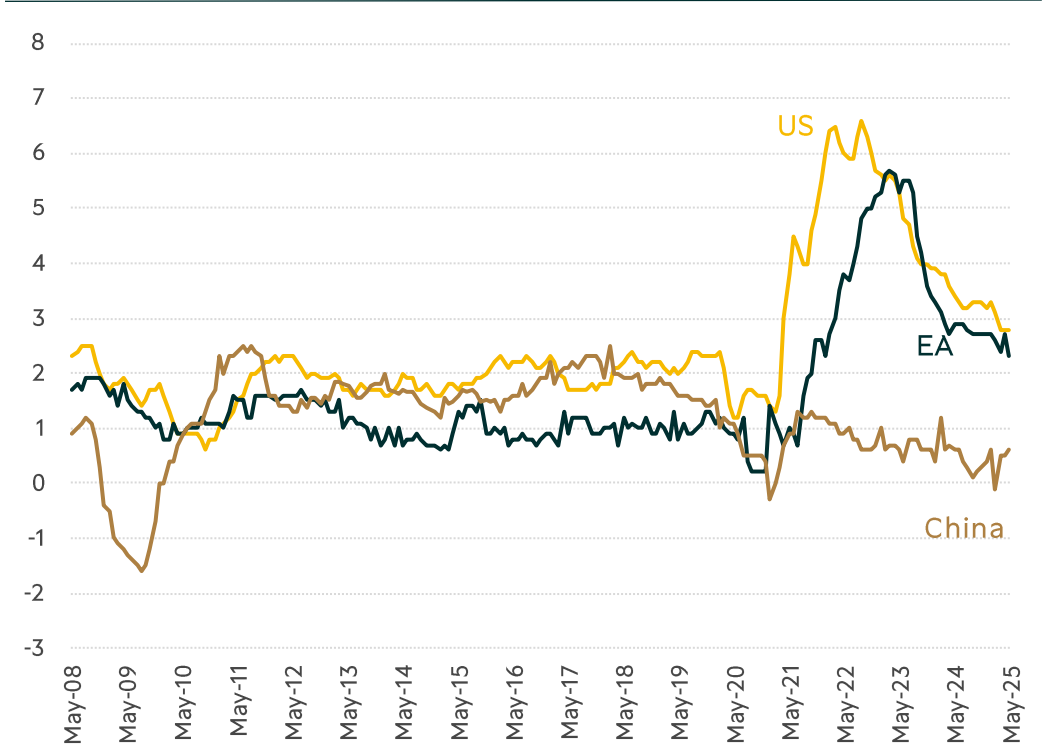


Global Trends | The US real policy rate has remained stable over the past three months; China's has been decreasing while the EA's fluctuated around 0%. China's core CPI back at 0.6% in May from 0.5% in April.

Global Real Policy Rates US, EA, CN



US, EA, CN Core Inflation



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Bird's Eye View

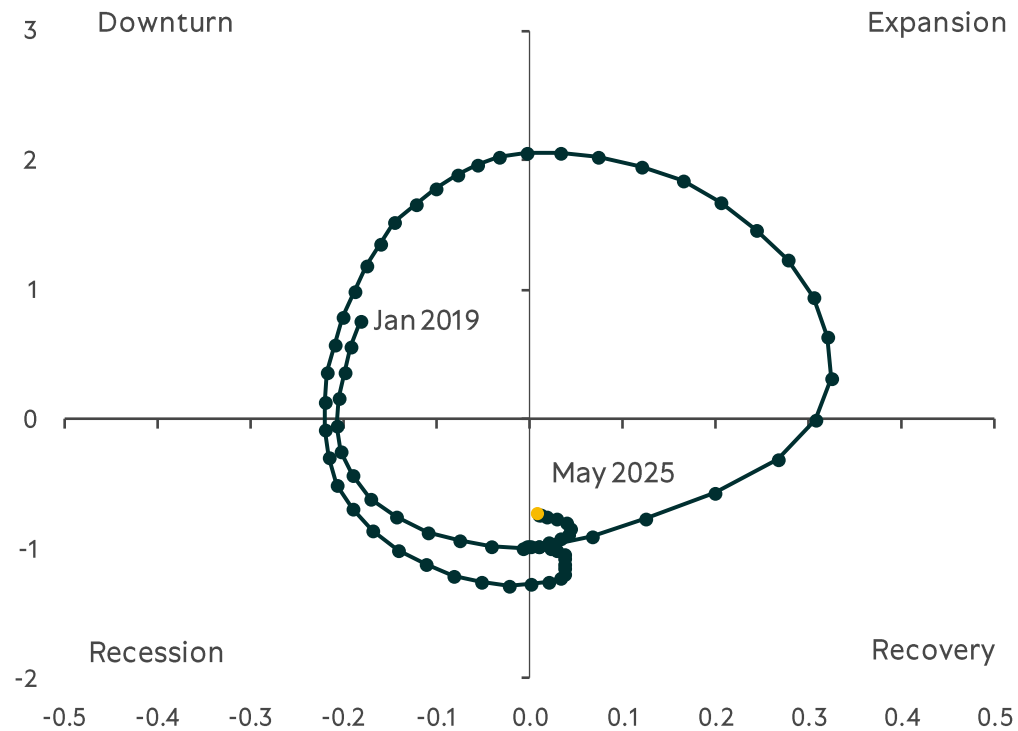
US Economy

EA Economy

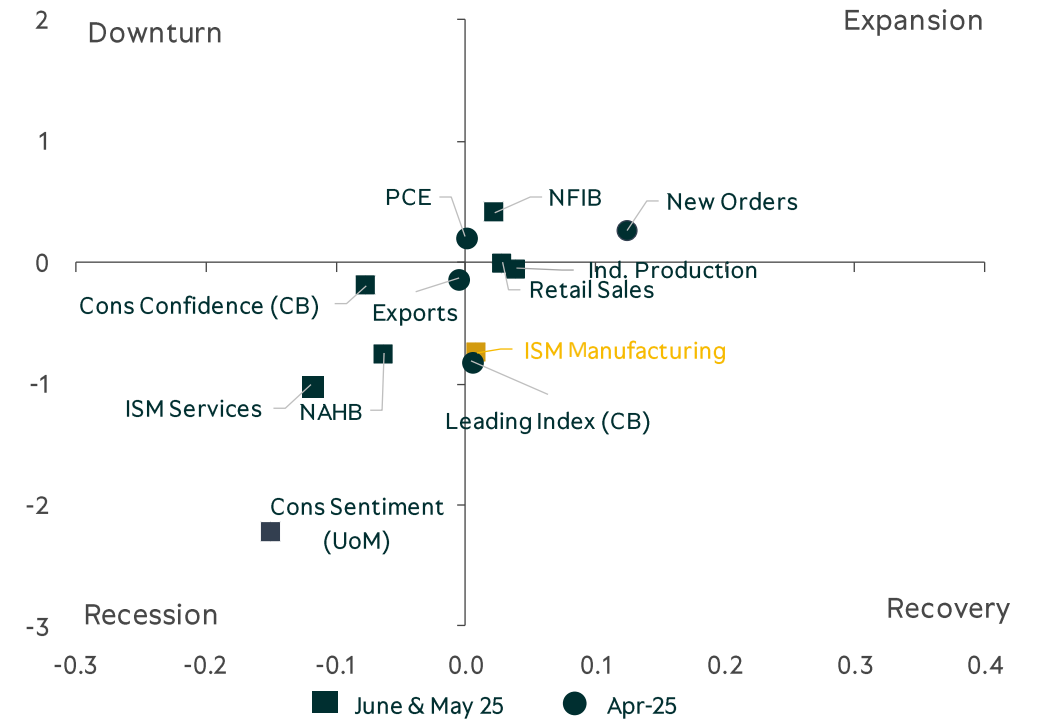
China Economy

# US Business Cycle | Soft survey data remains weak (though consumer surveys improved somewhat). Hard data is softening.

US Business Cycle | Based on ISM Manufacturing Indicator

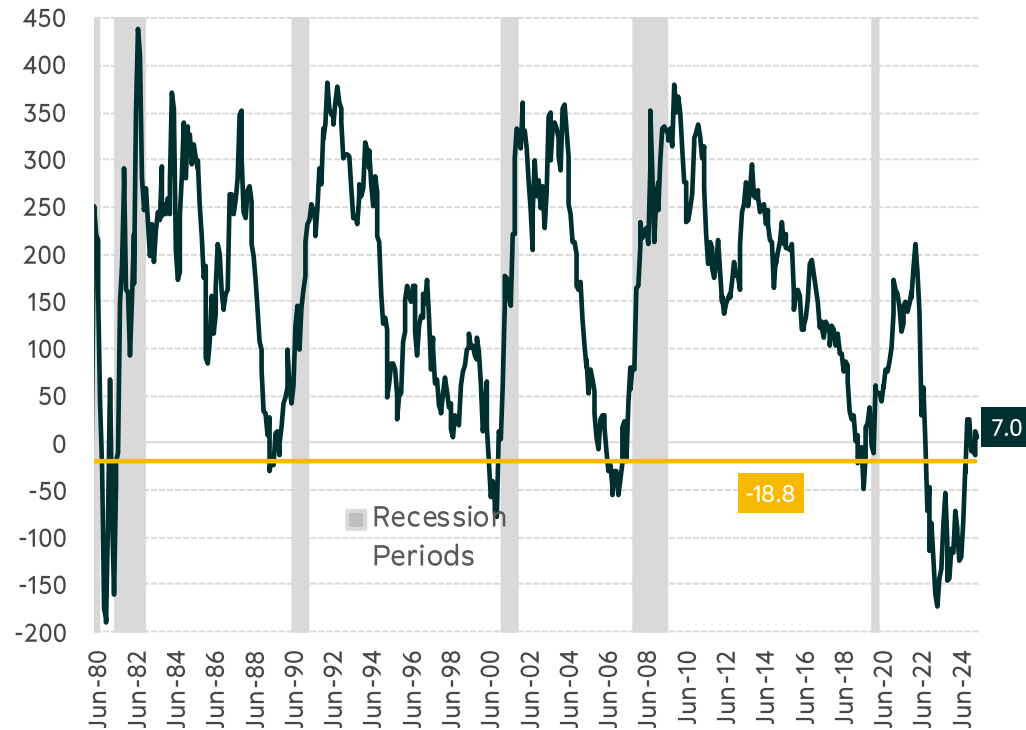


US Business Cycle | Based on Major US Economic Variables

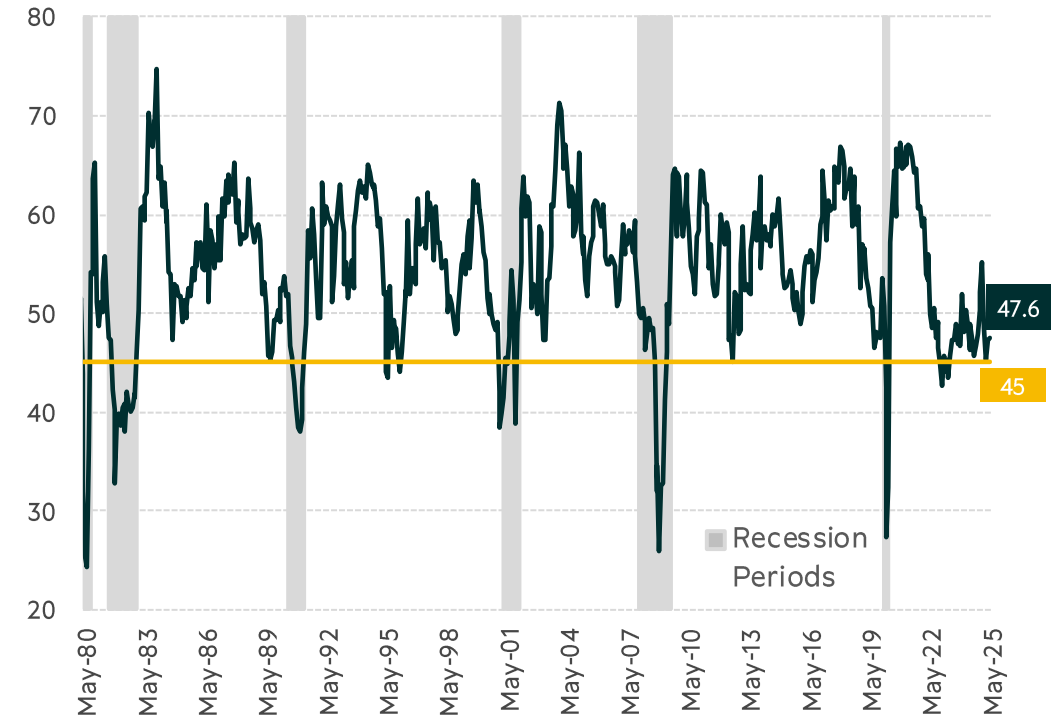


# US Recession Indicators | The 10YR3M spread is no longer negative and the ISM New Order Index remains above the threshold level consistent with recession periods

### 10 Year and 3M US Treasury Yields Spread



### ISM Manufacturing New Order Index



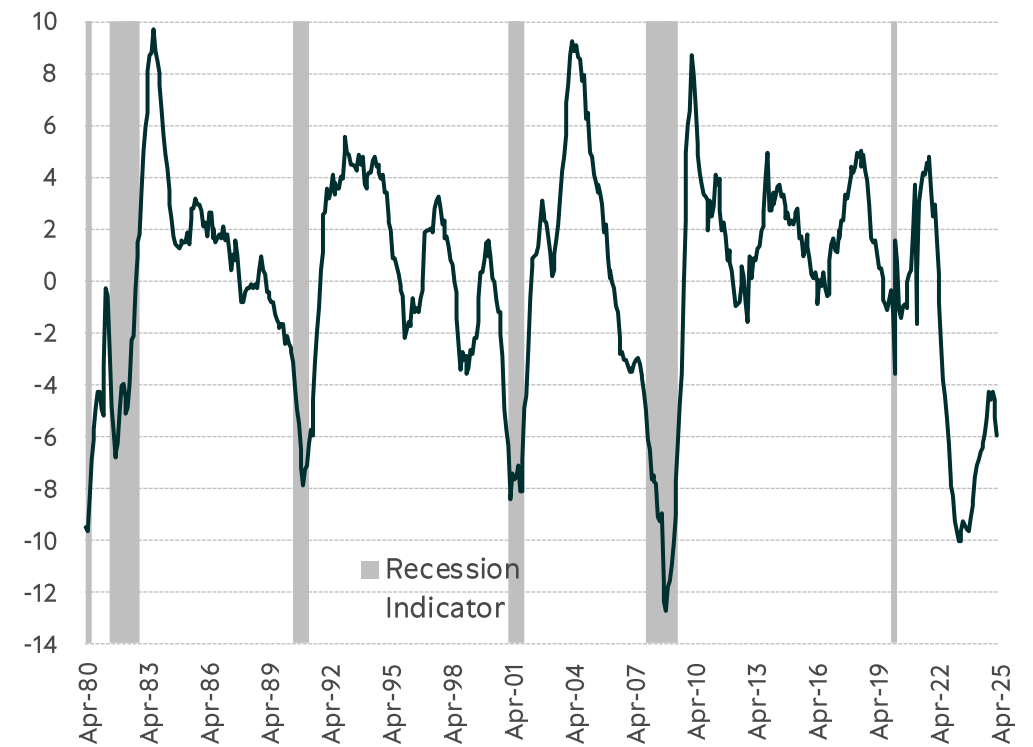


# Conference Board Survey | Consumer confidence rose significantly in May following the 90-day delay of higher reciprocal tariffs & the US and China trade war de-escalation. CB's Leading Indicator fell further in April.

### Difference between Consumer Expectations and Current Situation Indicators (Conference Board)

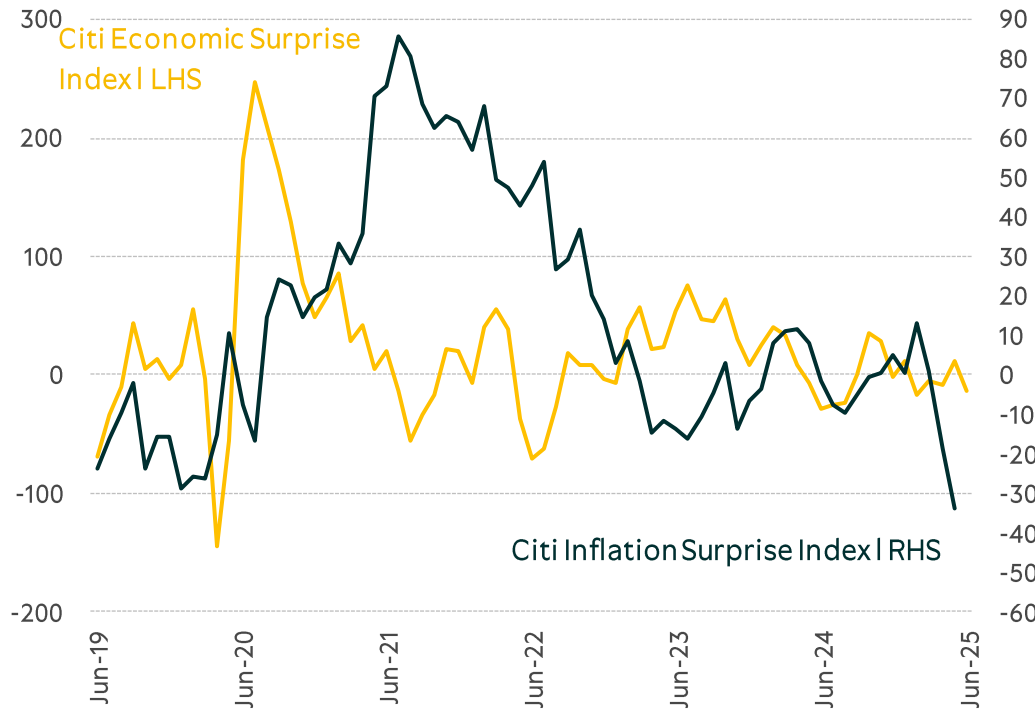


### Difference between Leading & Coincident Indicators (Conference Board)

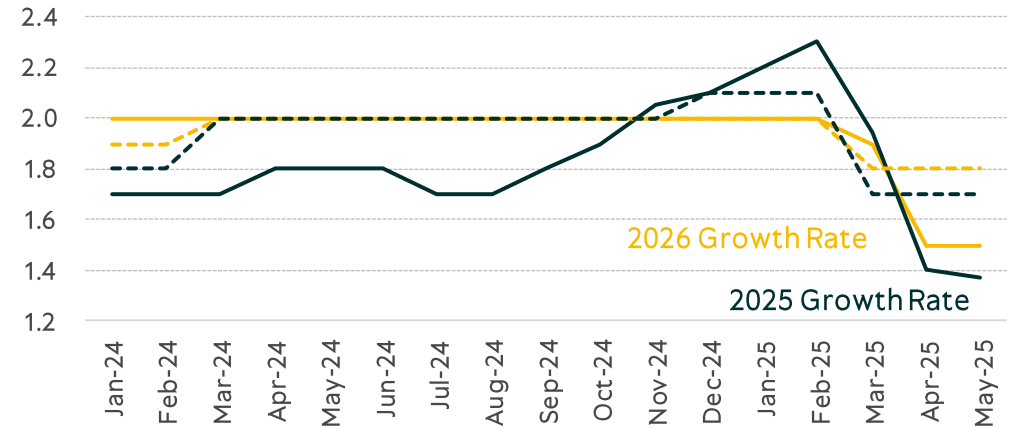


# US Macro Expectations | The consensus expects a “Stagflationary” US Economy despite the large negative inflation surprises of the past couple of months.

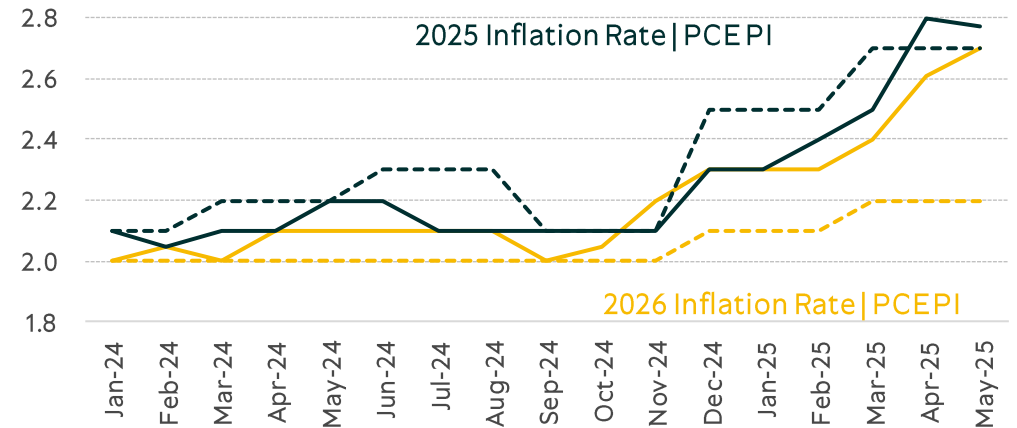
Economic & Inflation Surprises



Growth Rate Expectations\*



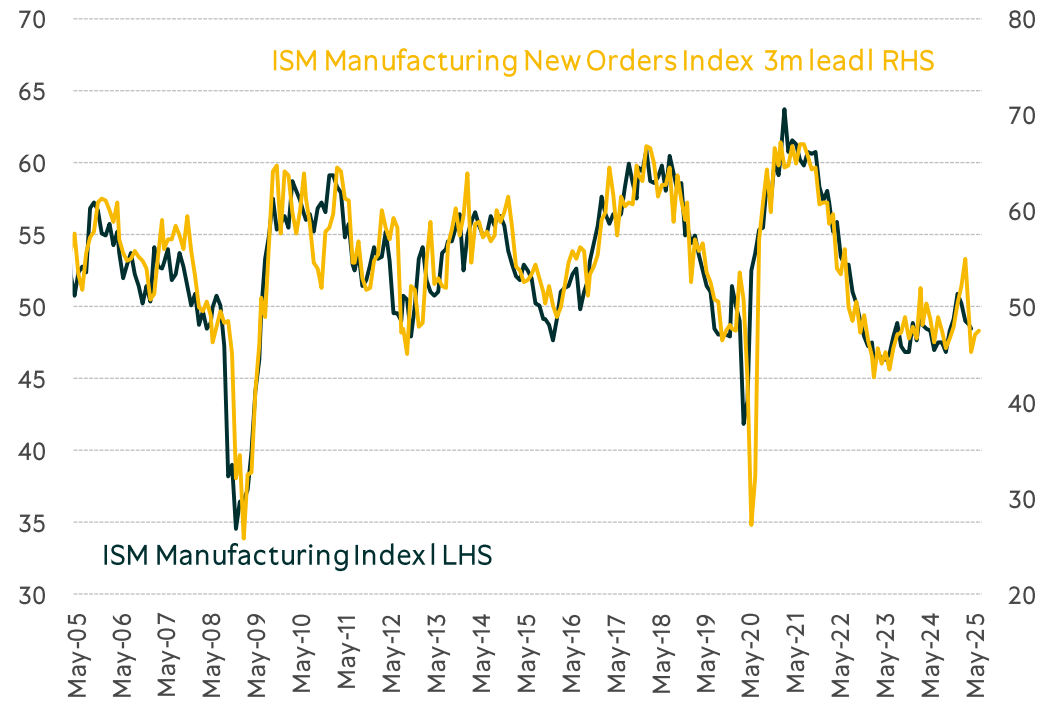
Inflation Rate Expectations\*



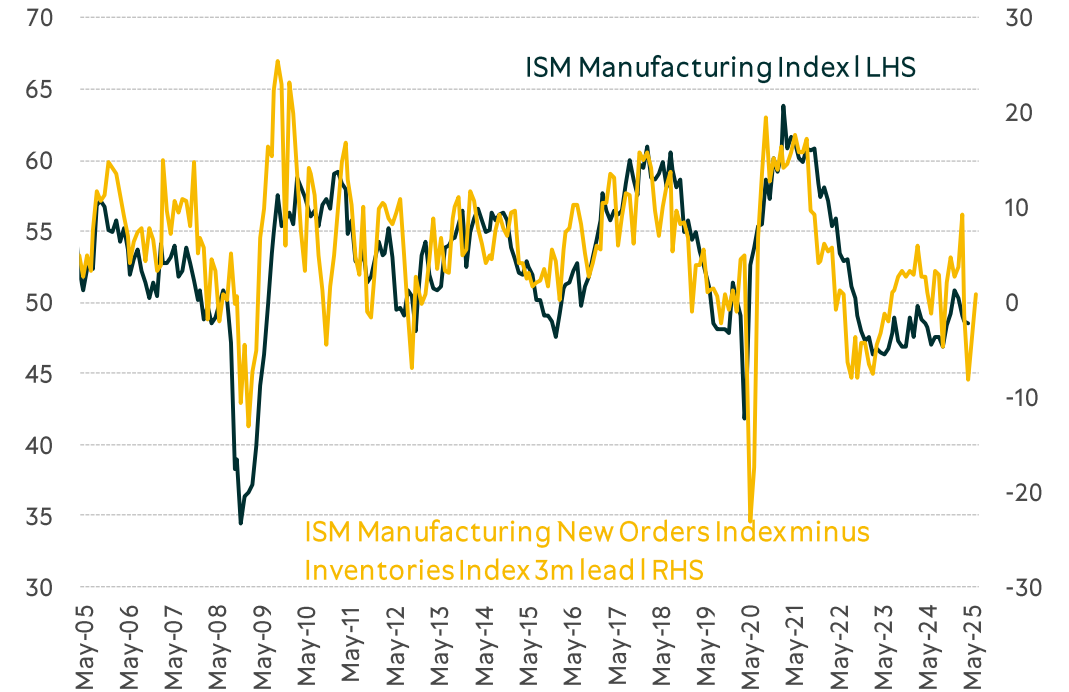
\*Solid line: Consensus; Dotted line: Fed projections

# US Leading Indicators | ISM Manufacturing contracted in May for the third consecutive month. Small improvement in the New Orders component to 47.6 from 47.2.

ISM Manufacturing & New Orders Indices

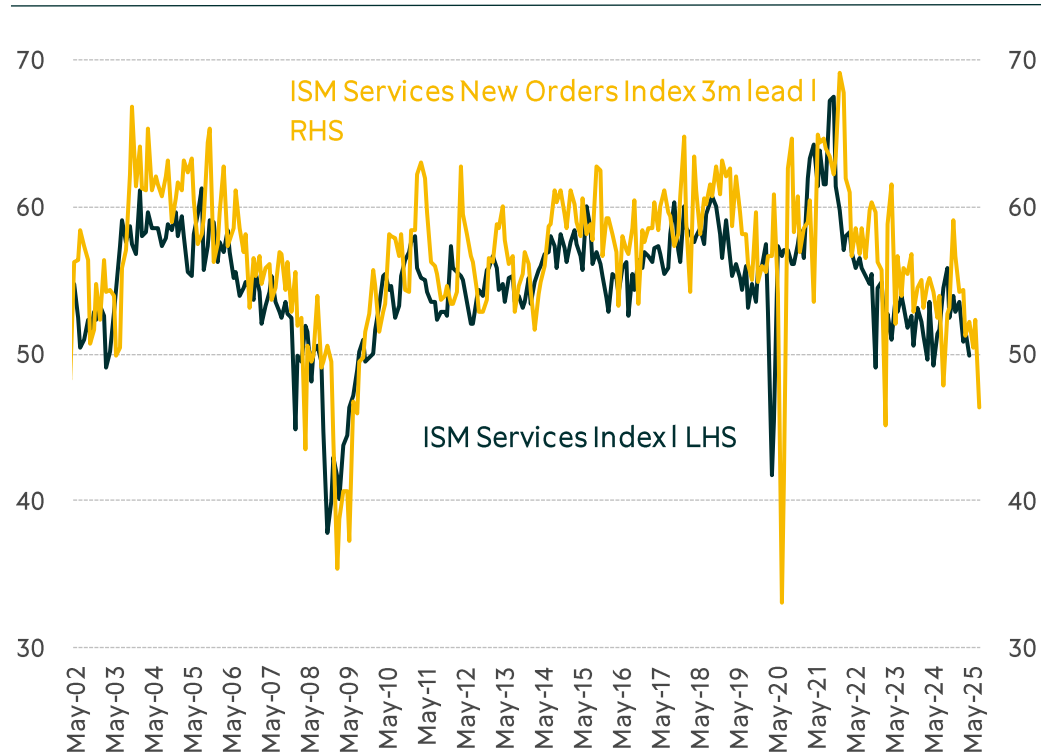


ISM Manufacturing & New Orders Index Minus Inventories Index

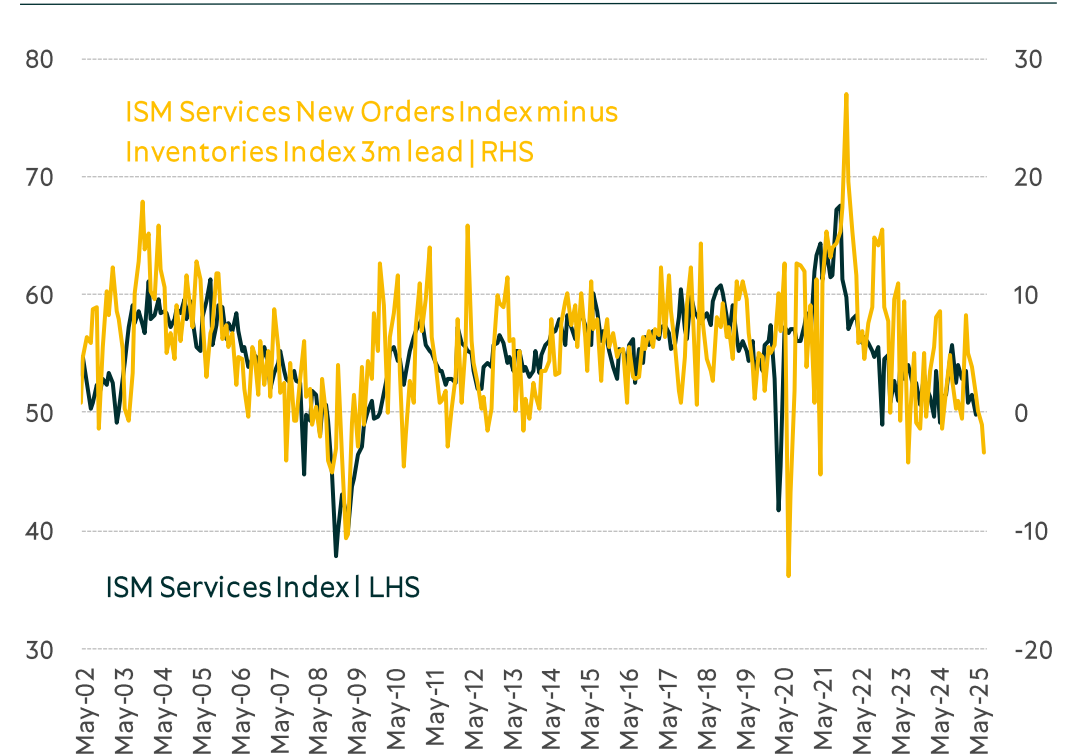


# US Leading Indicators | ISM Services fell marginally below 50 in May (for the first time in nearly a year) mainly reflecting deterioration in the New Orders and Business Activity components

ISM Services & New Orders Indices

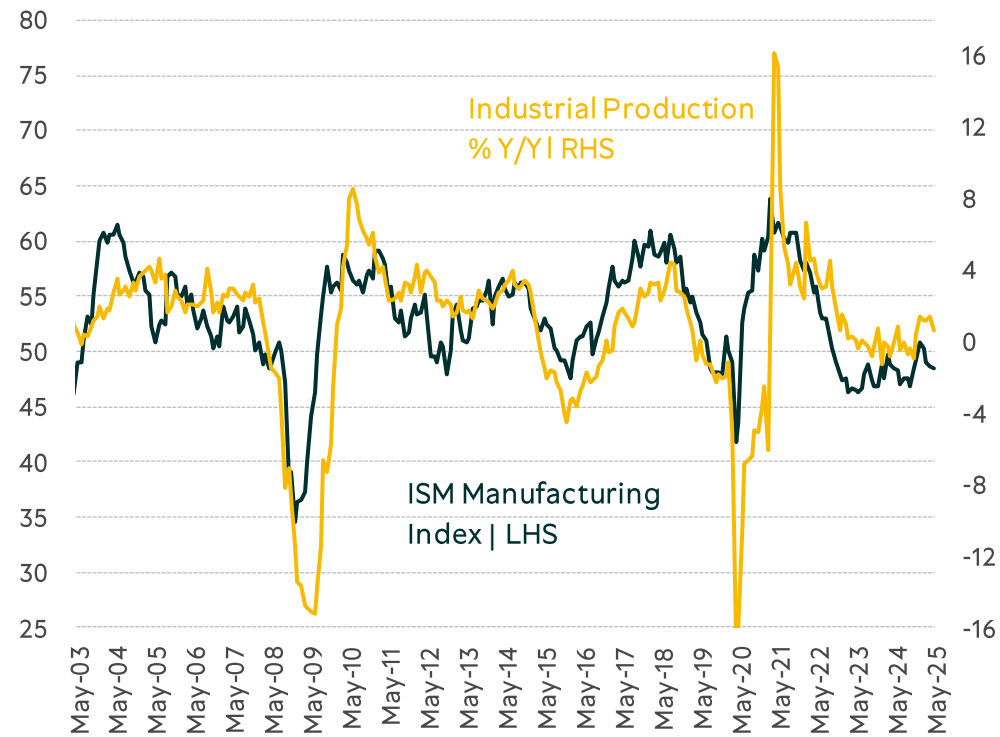


ISM Services & New Orders Index Minus Inventories Index

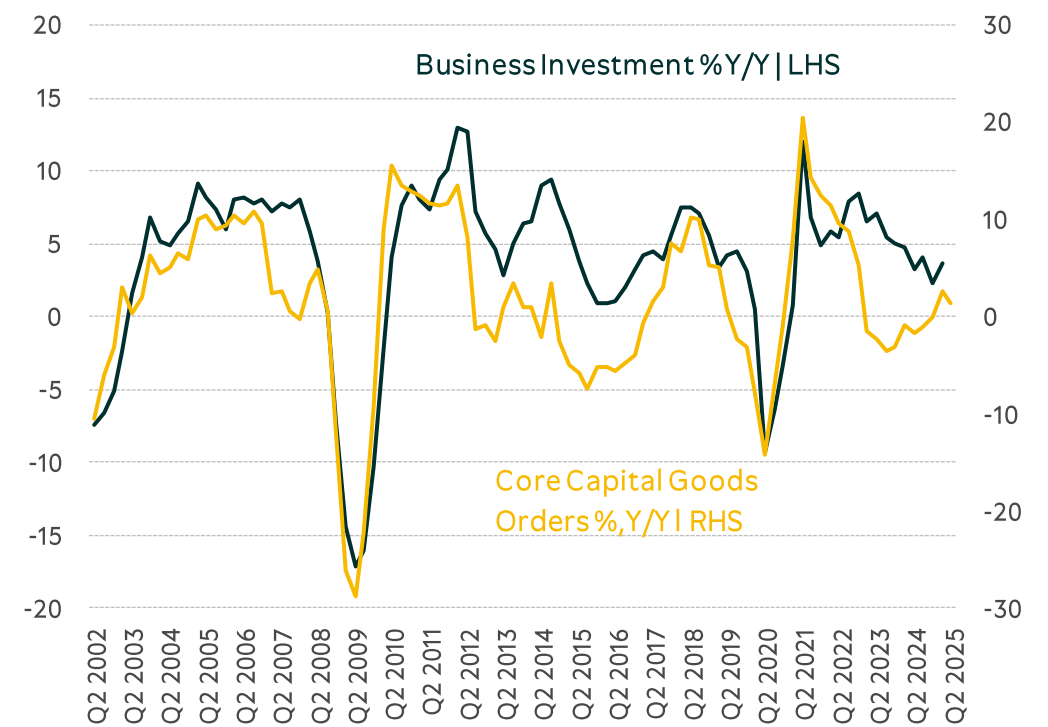


# US | Industrial Production fell in May as evolving trade policy clouds the short-term outlook. Business investments rose in Q1 but capital goods fell by the most in six months in April amid mounting uncertainty

Industrial Production YoY & ISM Manufacturing

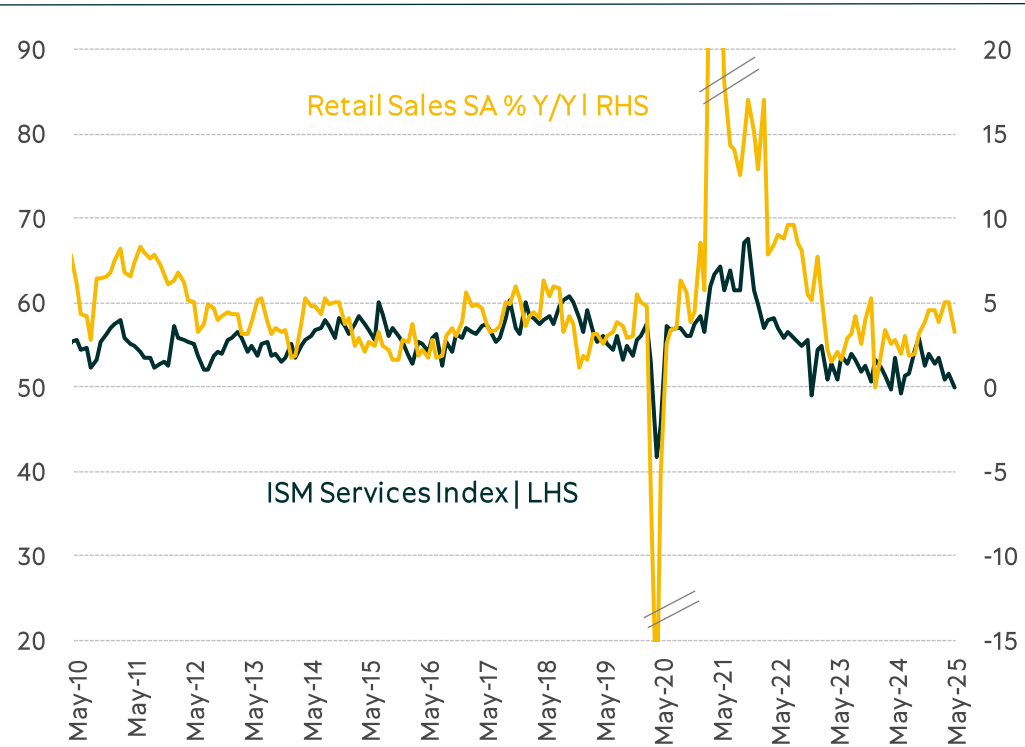


Core Capital Goods Orders & Business Investment

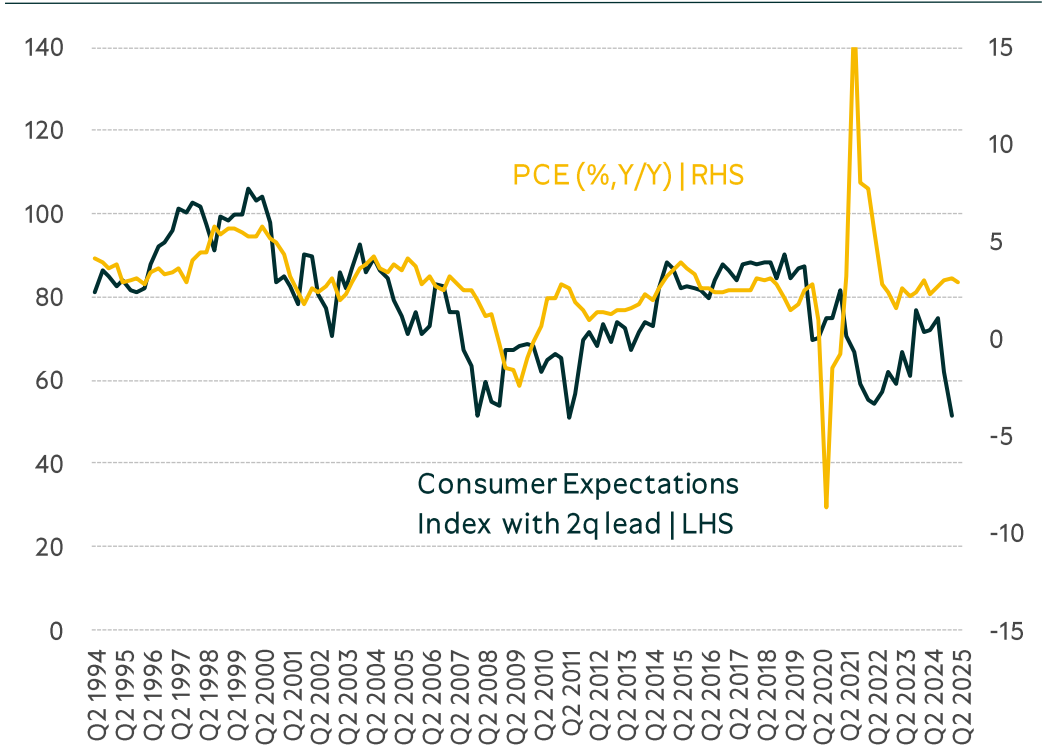


# US | The US consumer had been the main “growth driver” so far. Retail sales after April’s marginal drop fell significantly in May. Large downward adjustment to consumer expectations points to lower consumption ahead

Retail Sales YoY & ISM Services

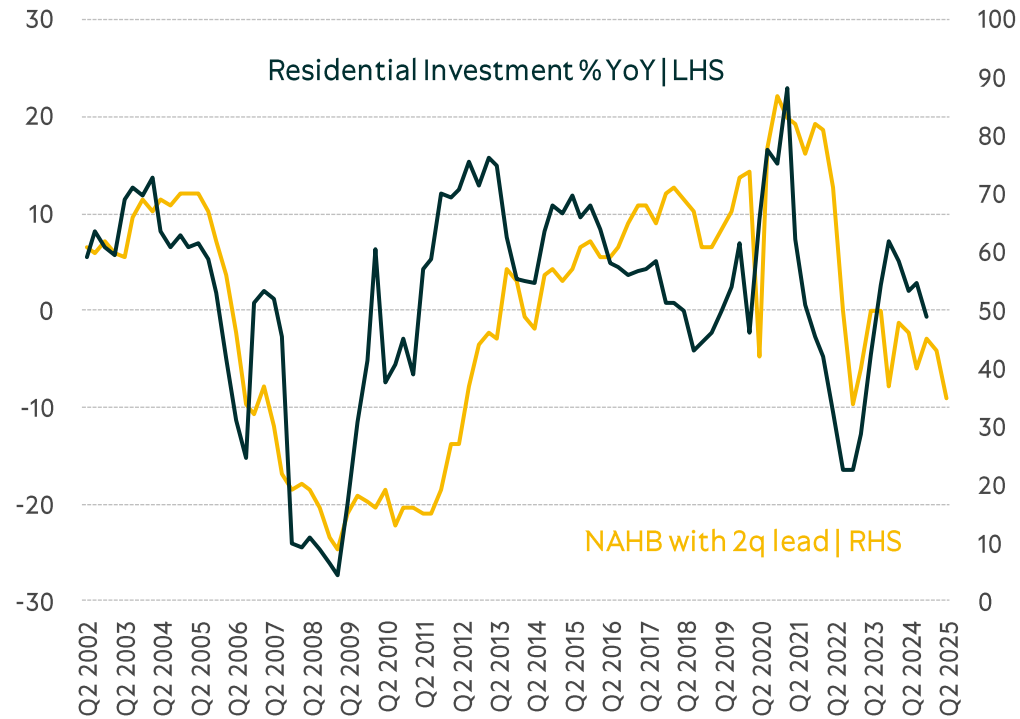


PCE & University of Michigan Consumer Expectations Index

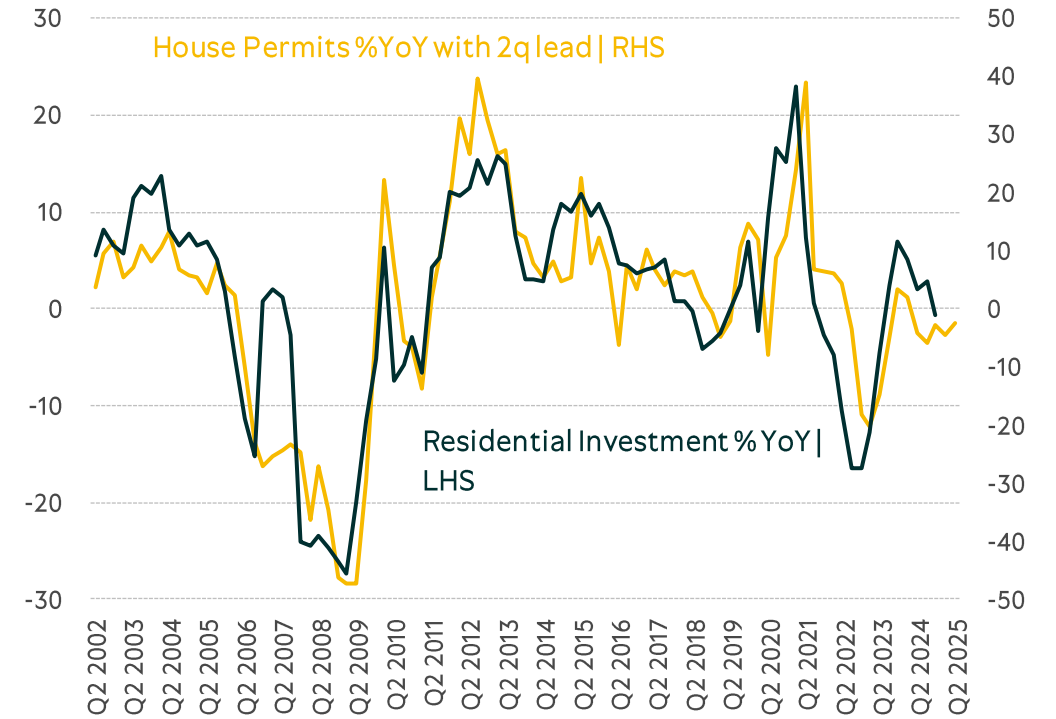


# Housing Market | Residential investment declined in Q1. Policy uncertainty is having a negative impact on home builders' expectations

Residential Investment & NAHB Index

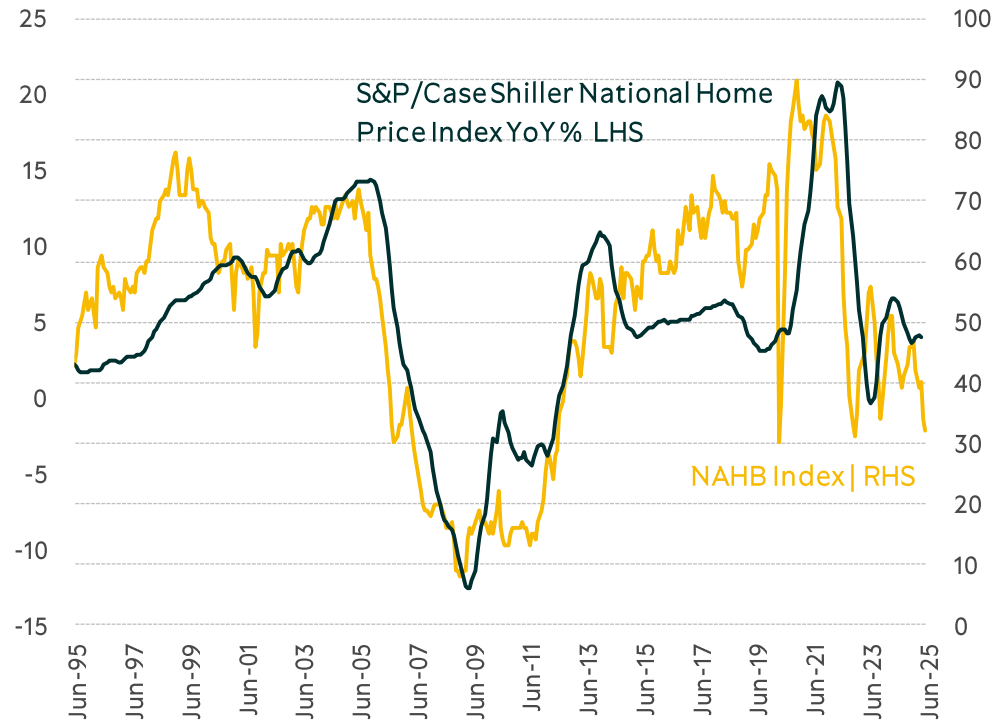


Residential Investment & House Permits

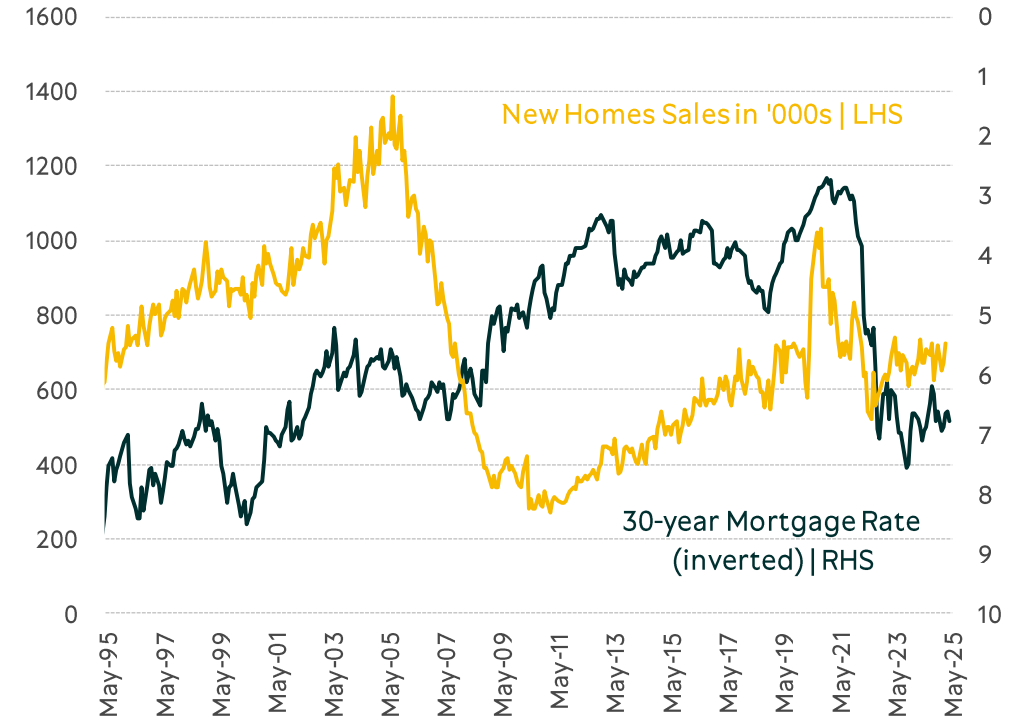


# Housing Market | Homebuilder confidence fell significantly in May & June amid a small increase in 30-year mortgage rates.

NAHB Index & S&P/Case Shiller Home YoY %



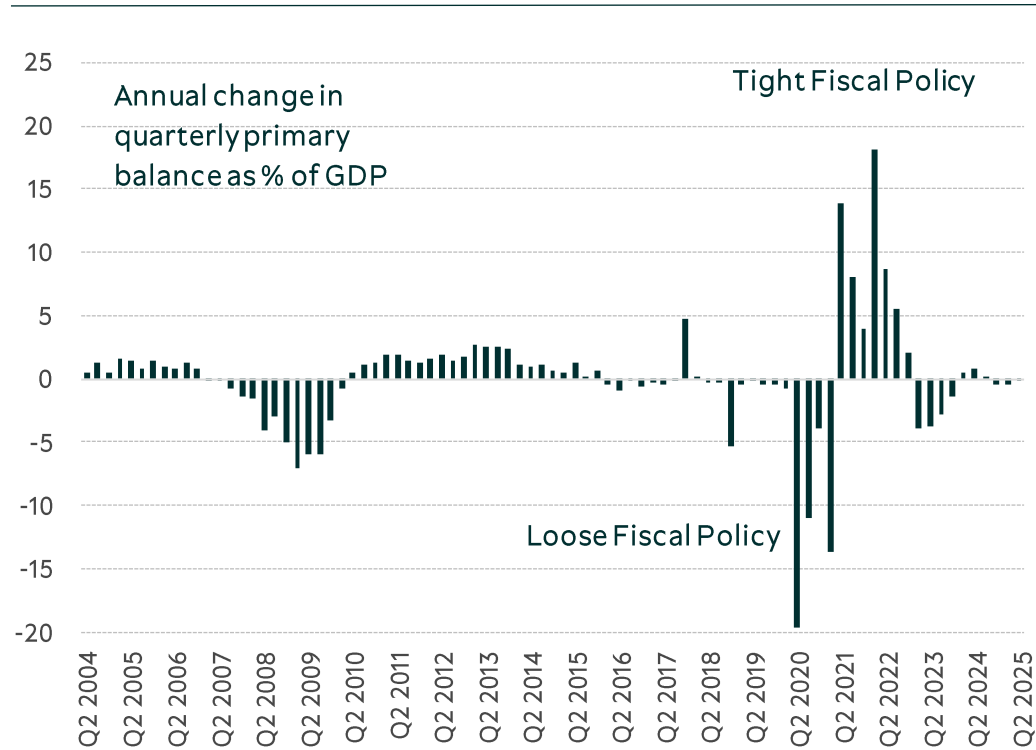
US new home sales and mortgage rates



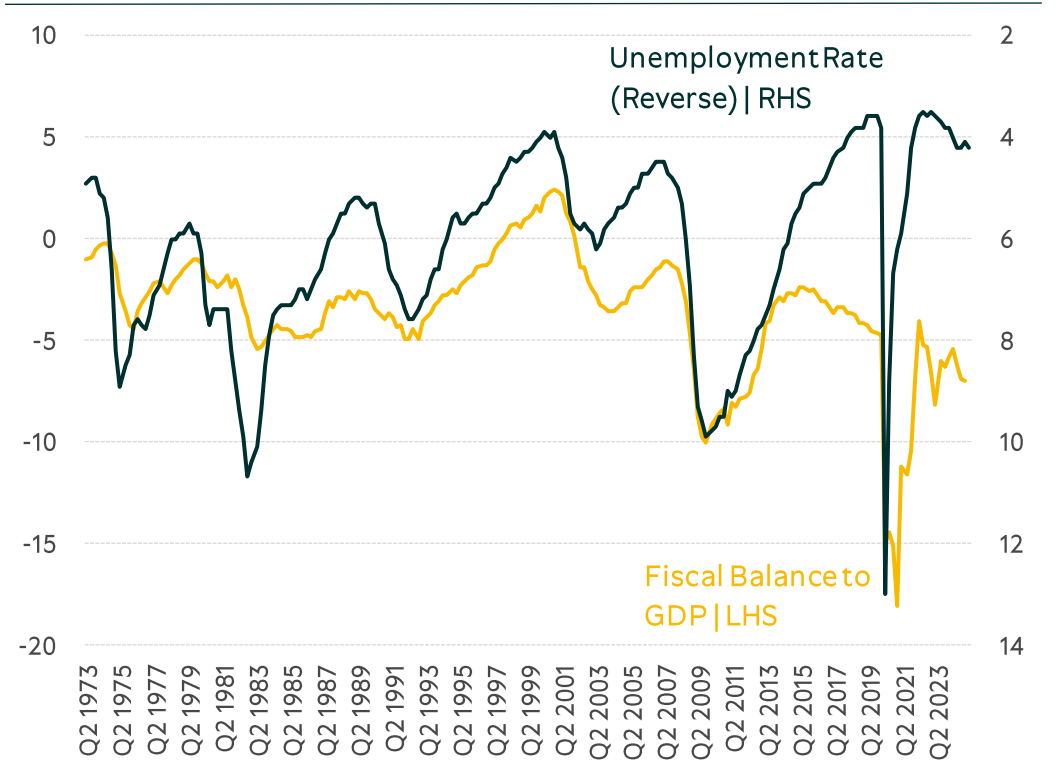


# Fiscal Policy | Still too loose vs unemployment. Fiscal challenges ahead.

Fiscal Thrust

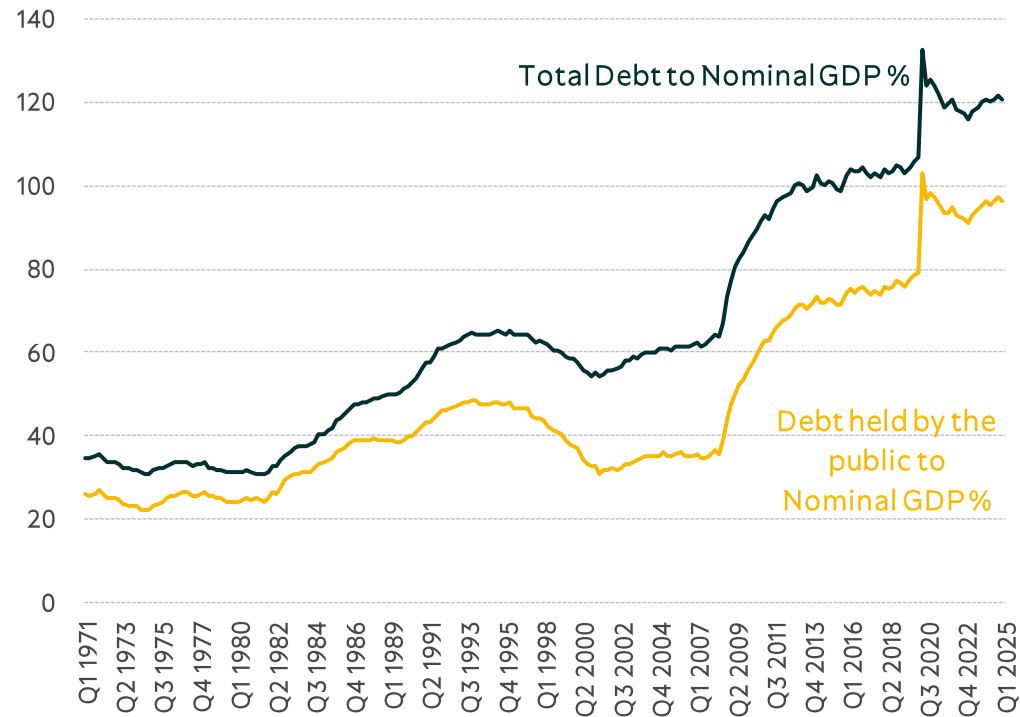


Fiscal Policy vs Unemployment

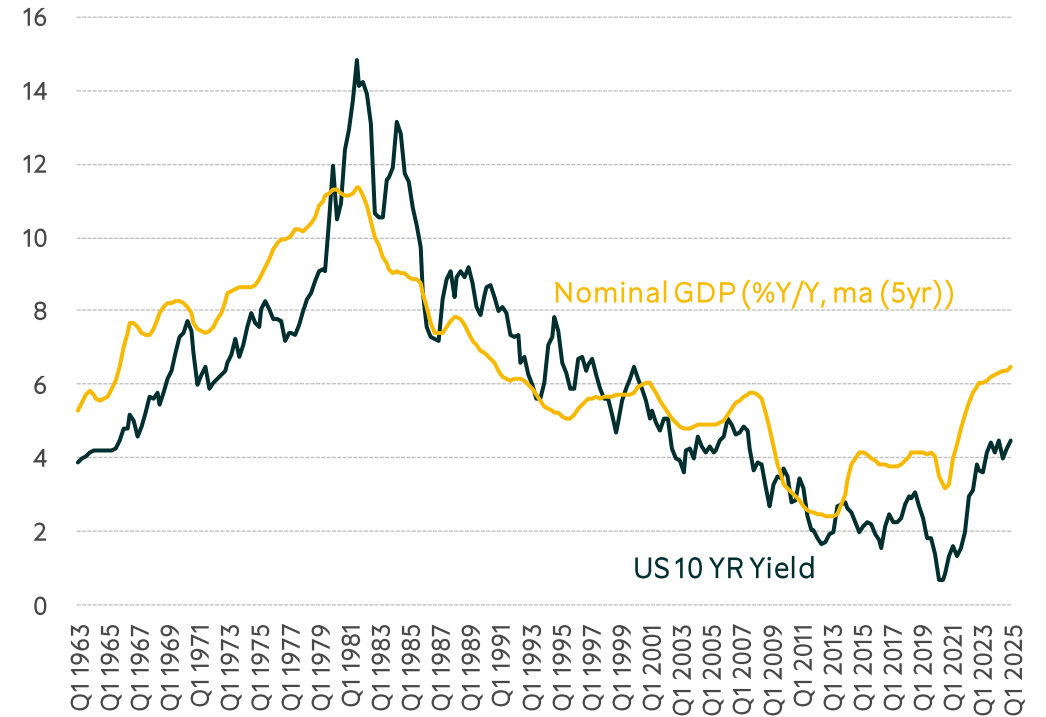


# Fiscal Policy | The nominal growth rate is likely to remain at higher levels than the long-term cost of public financing

Debt / Nominal GDP (quarterly)

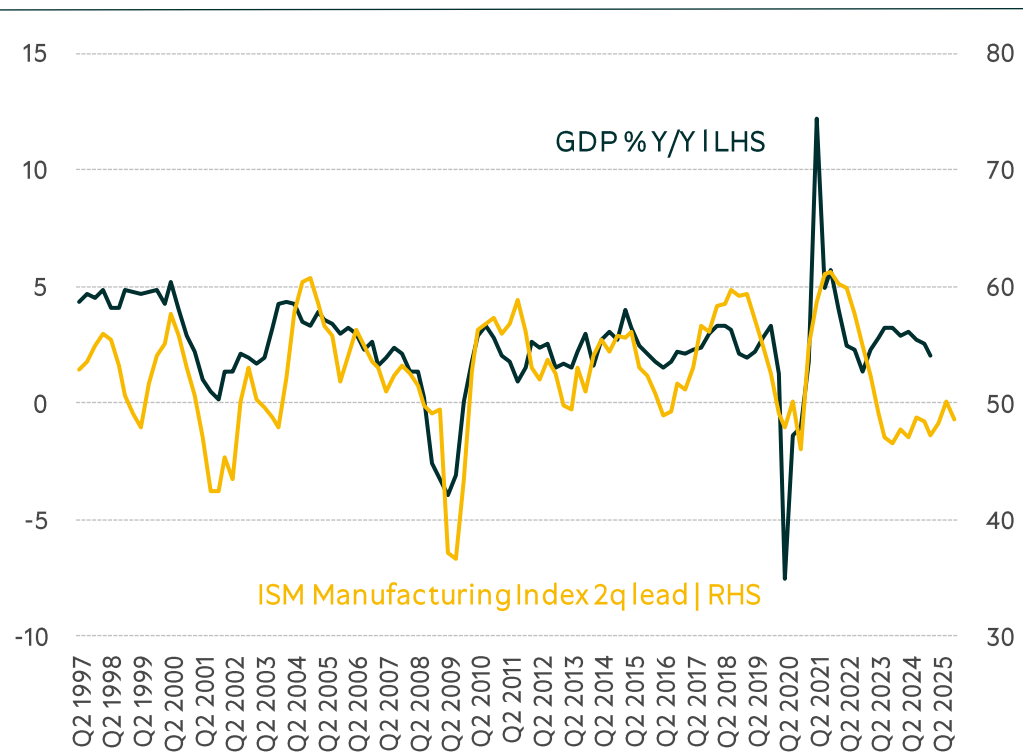


Fiscal Policy Sustainability

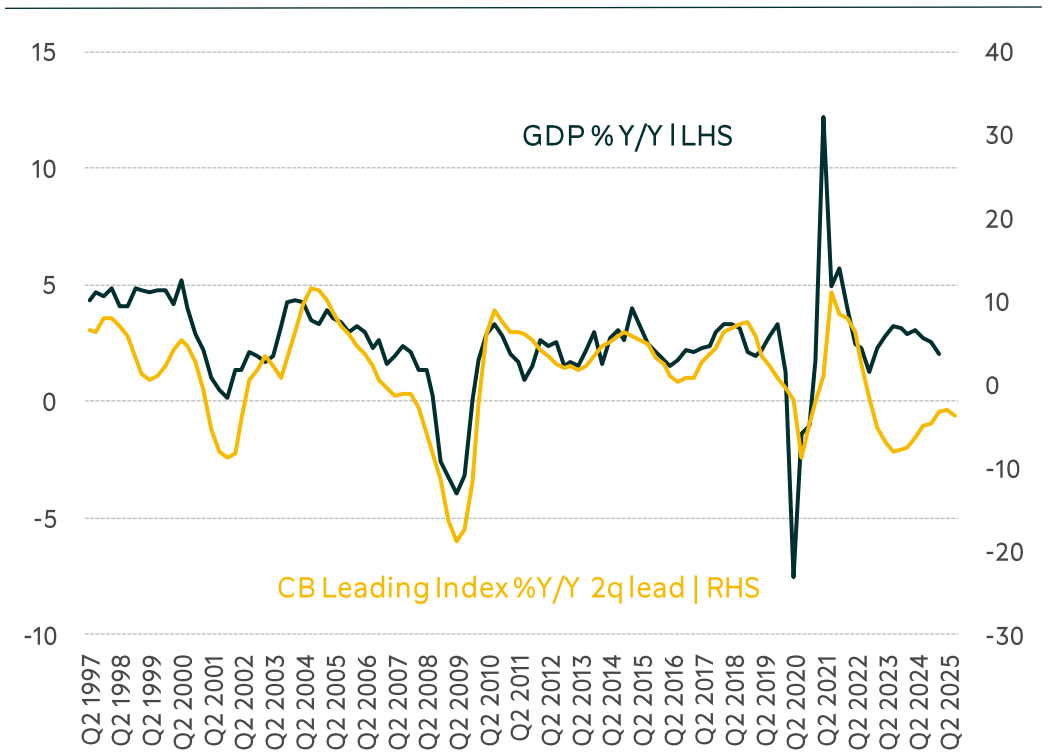


# US GDP Outlook | Leading indicators are suggesting deceleration in real GDP

GDP & ISM Manufacturing Indicator

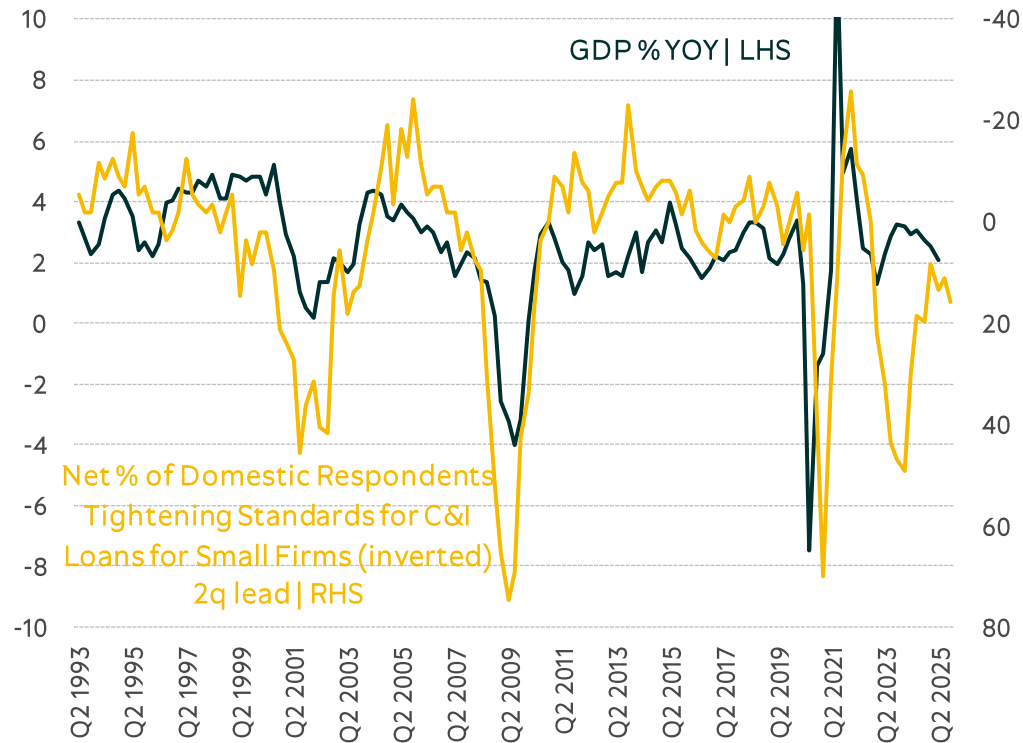


GDP & CB Leading Indicator

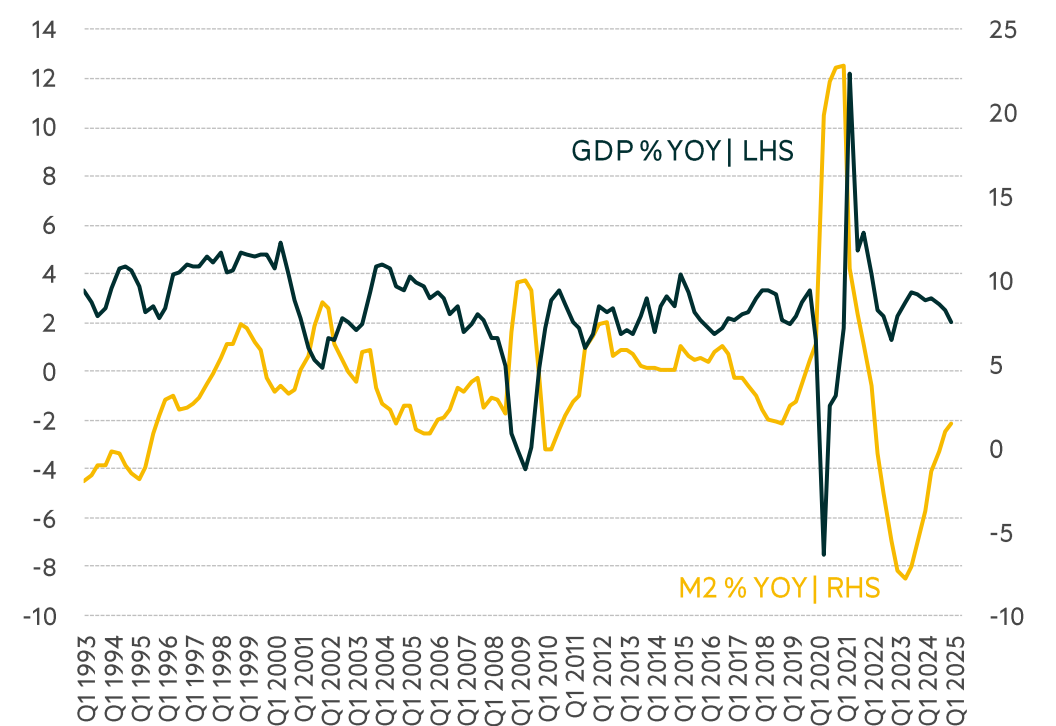


# US GDP Outlook | Small increase in Tightening of Lending Standards & further improvement in M2

Senior Loan Officer Opinion Survey on Bank Lending Practices

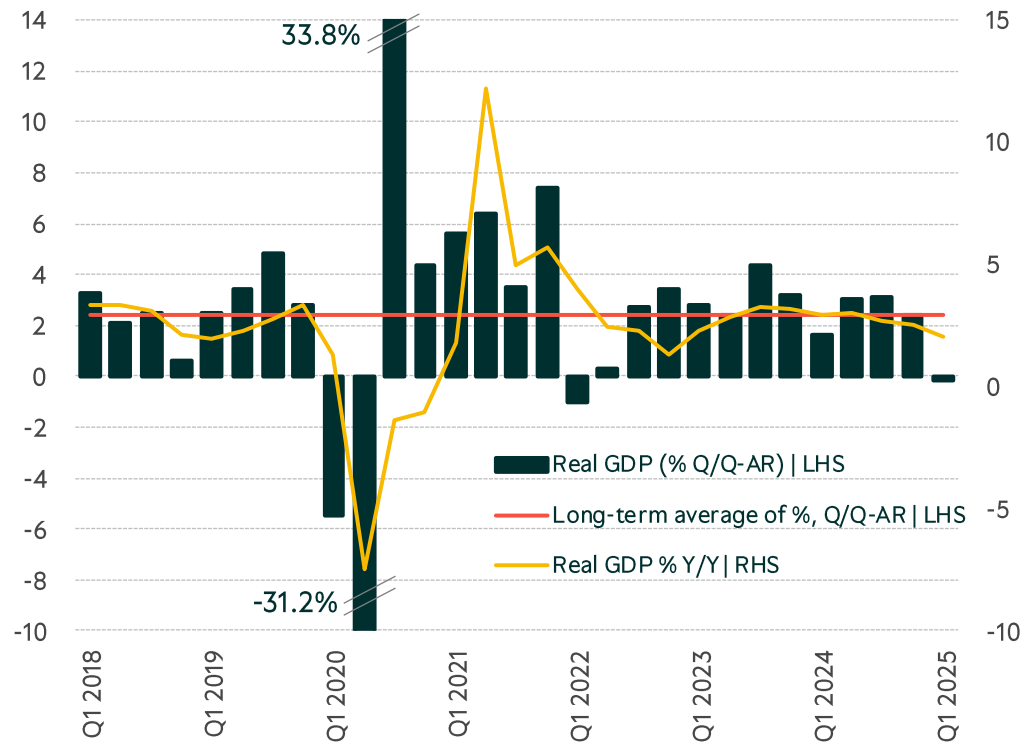


M2 growth vs GDP

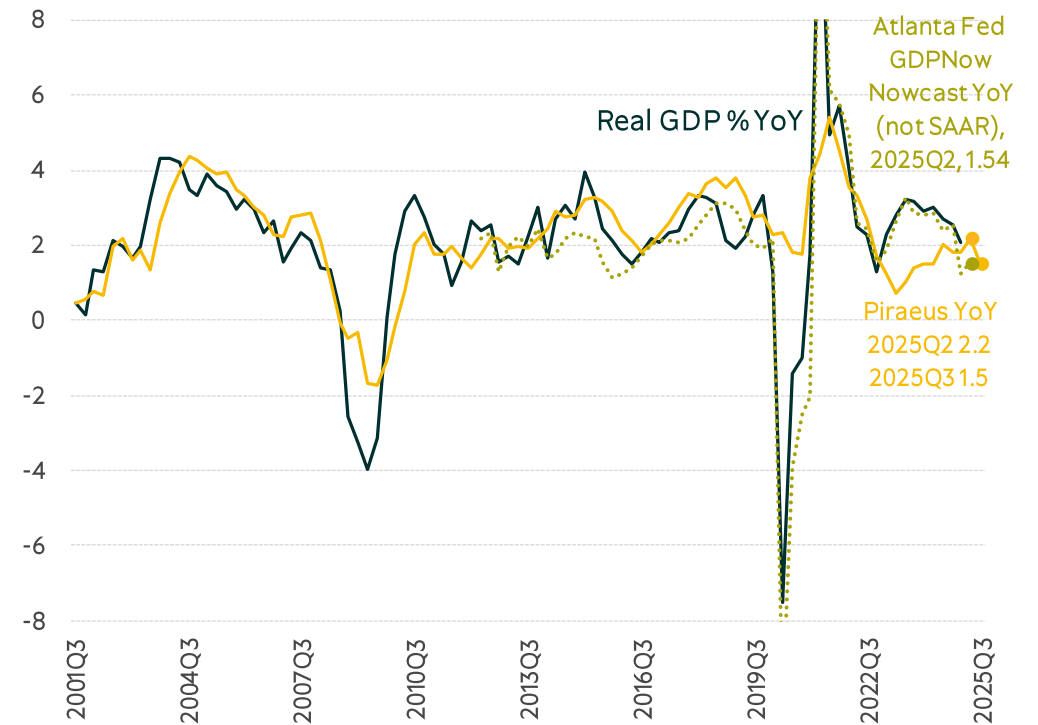


# US GDP Outlook | GDP growth is projected to slow down as elevated uncertainty is likely to weigh on growth

Growth Rate Outlook

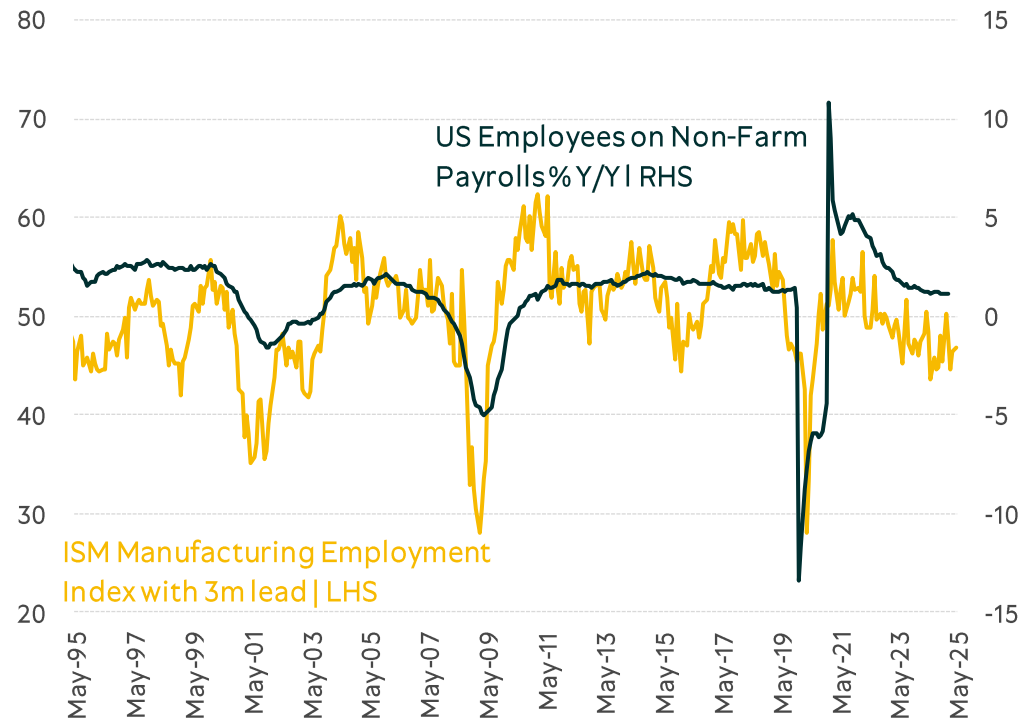


Growth Rate Estimate

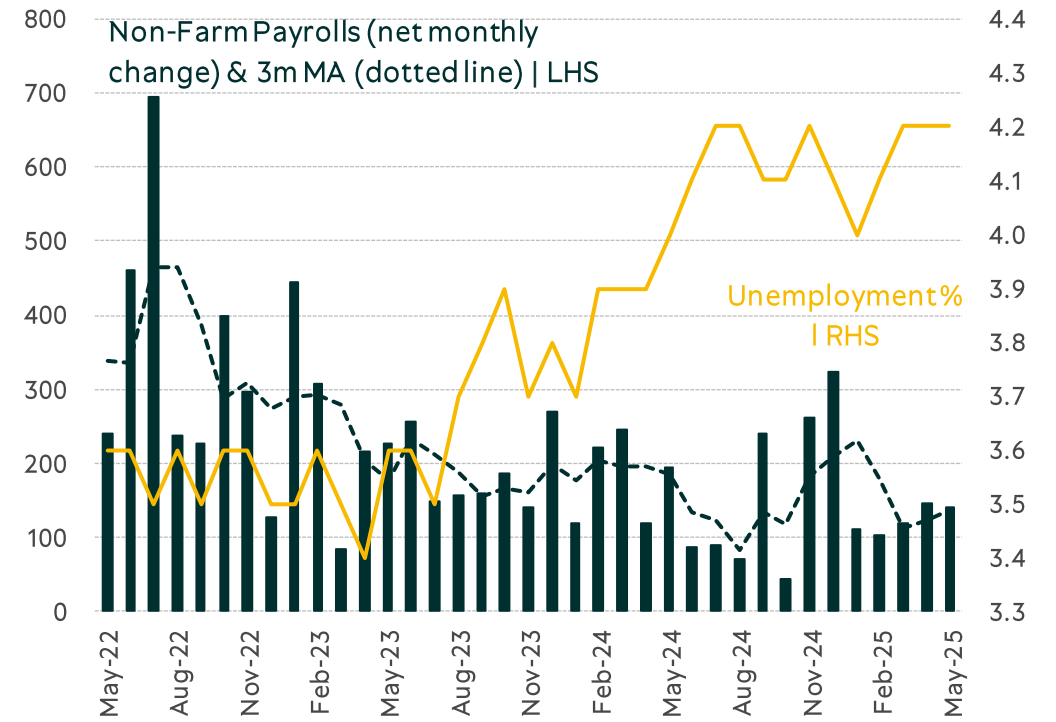


# US Labor Market | Non-Farm Payrolls indicate some gradual slowing while the ISM Employment Index rose to 46.8 from 46.5. The unemployment rate held steady in May at 4.2%.

Employment & Leading Manufacturing Indicator

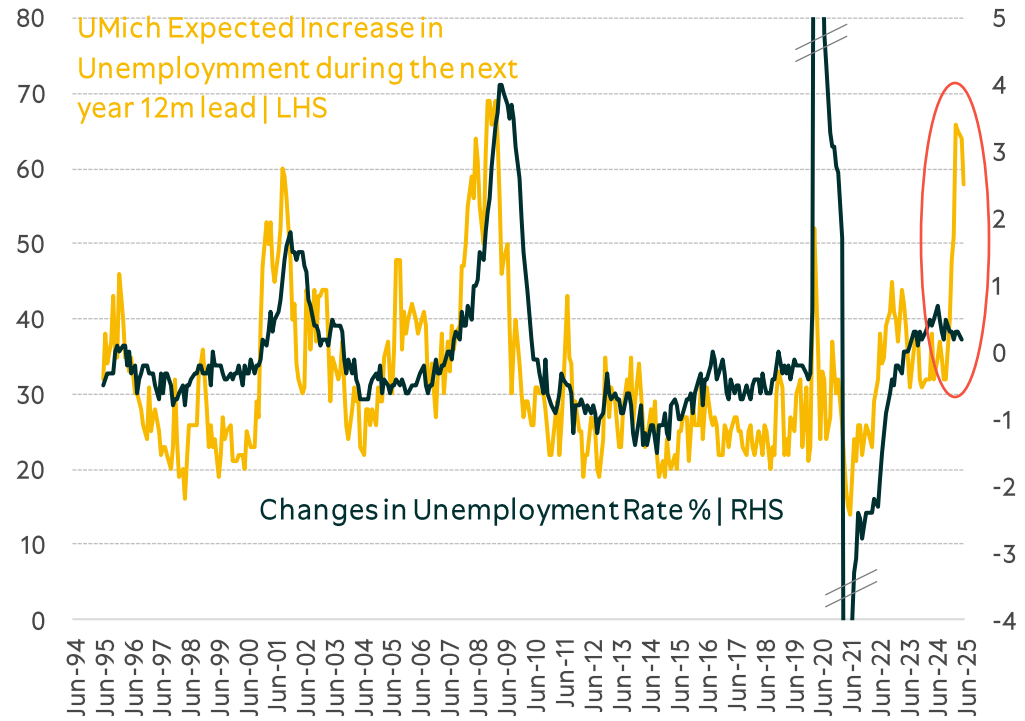


Nonfarm payrolls & Unemployment

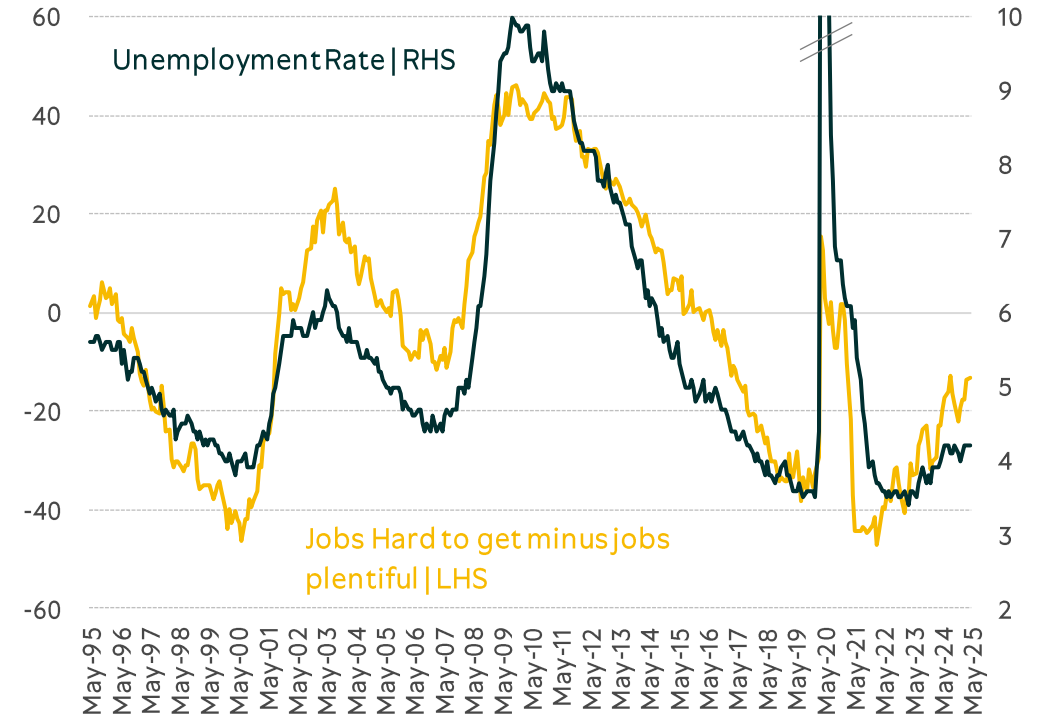


# US Labor Market | Unemployment expectations fell in June, though remain at elevated levels. The gap between those saying jobs were hard to get and jobs were plentiful narrowed in May.

Unemployment Rate & UMich expected increase in unemployment 1yr ahead

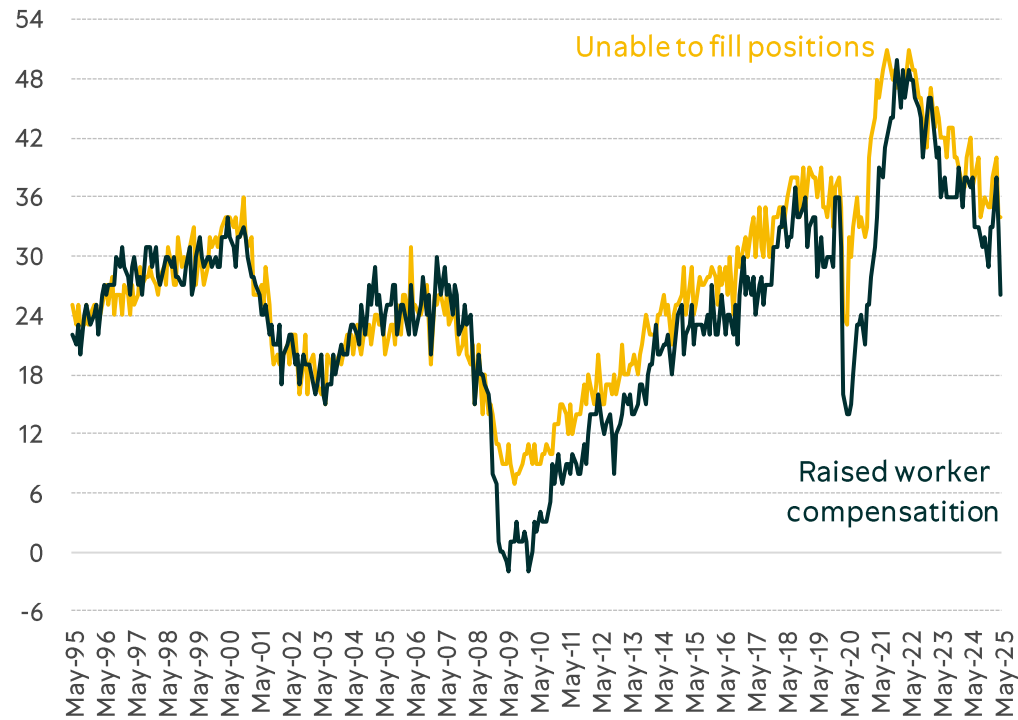


Conference Board Labor market differential & Unemployment rate

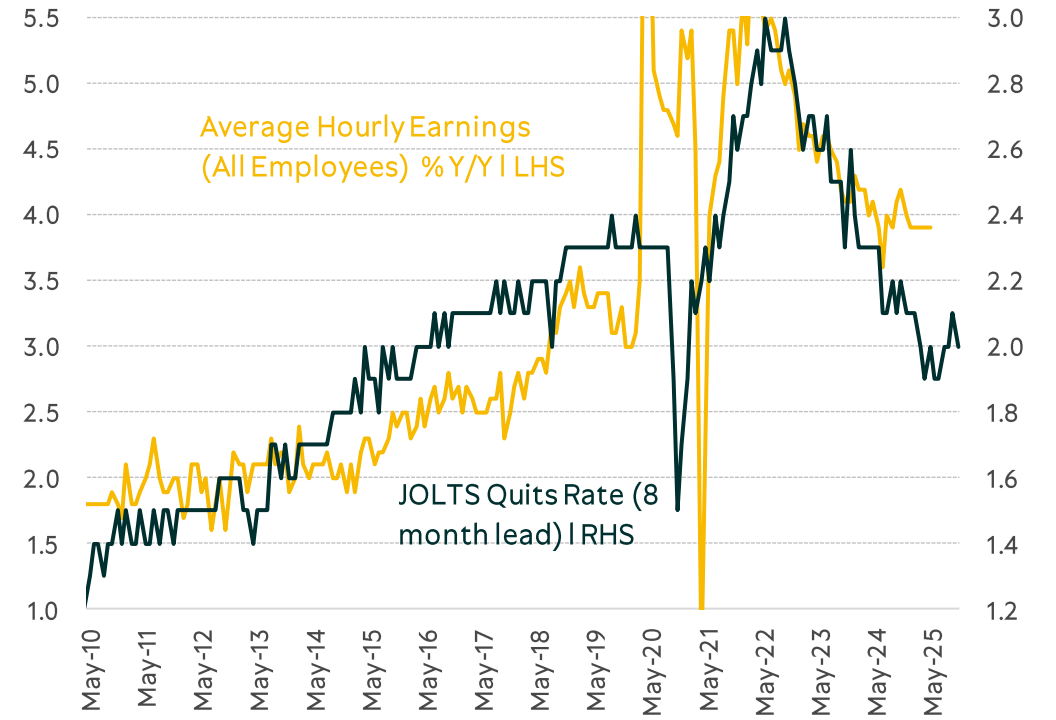


# US Labor Market | NFIB survey points to lower wages while the JOLTS Quits Rate has moved back to 2%

US NFIB small business survey



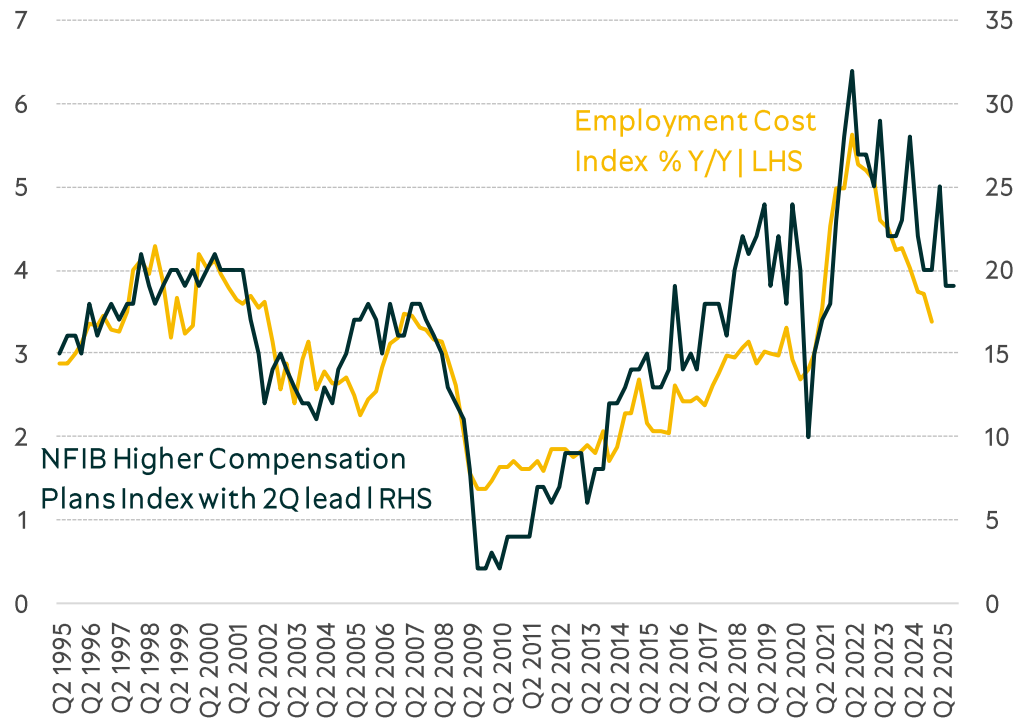
Wages & Quits Rate



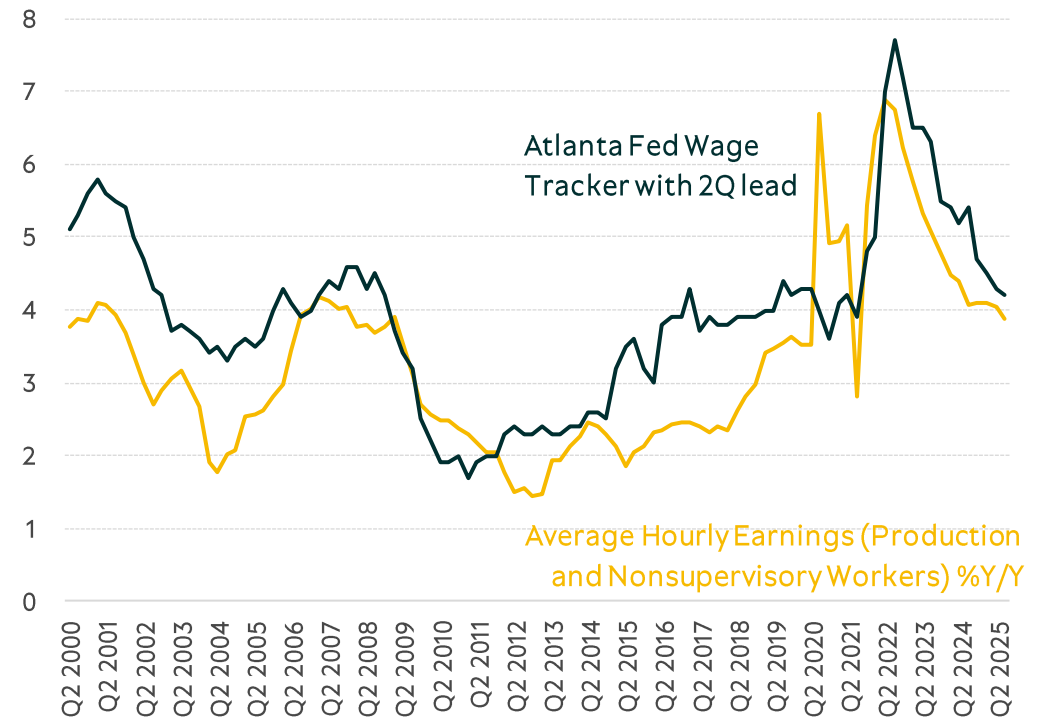


# US Wage Tracker | Leading Indicators point to further wage growth deceleration

Employment Cost & Leading Indicator

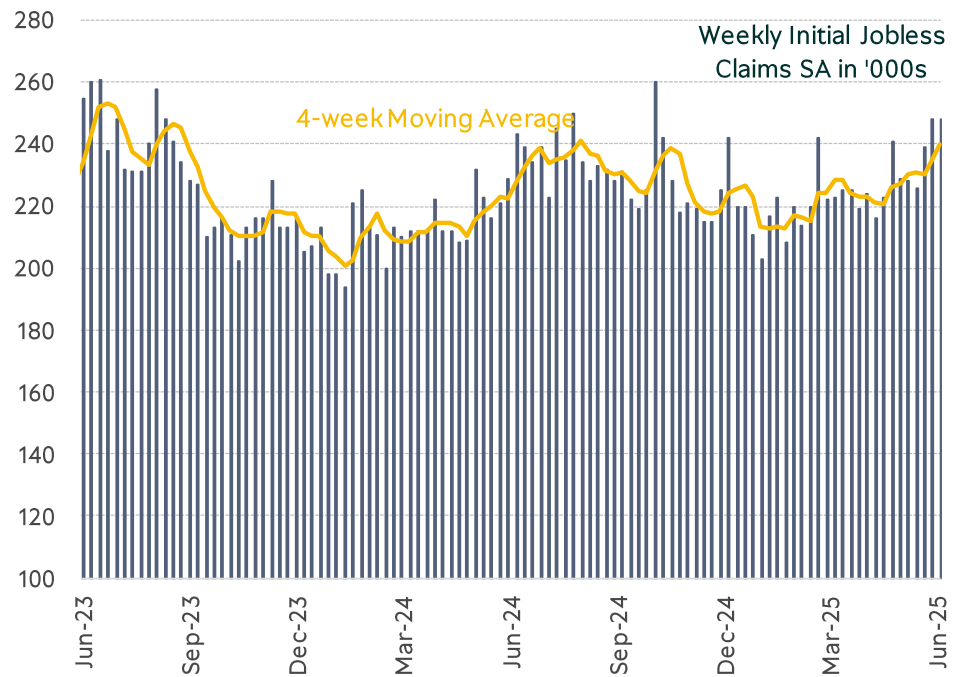


Wages & Leading Indicator

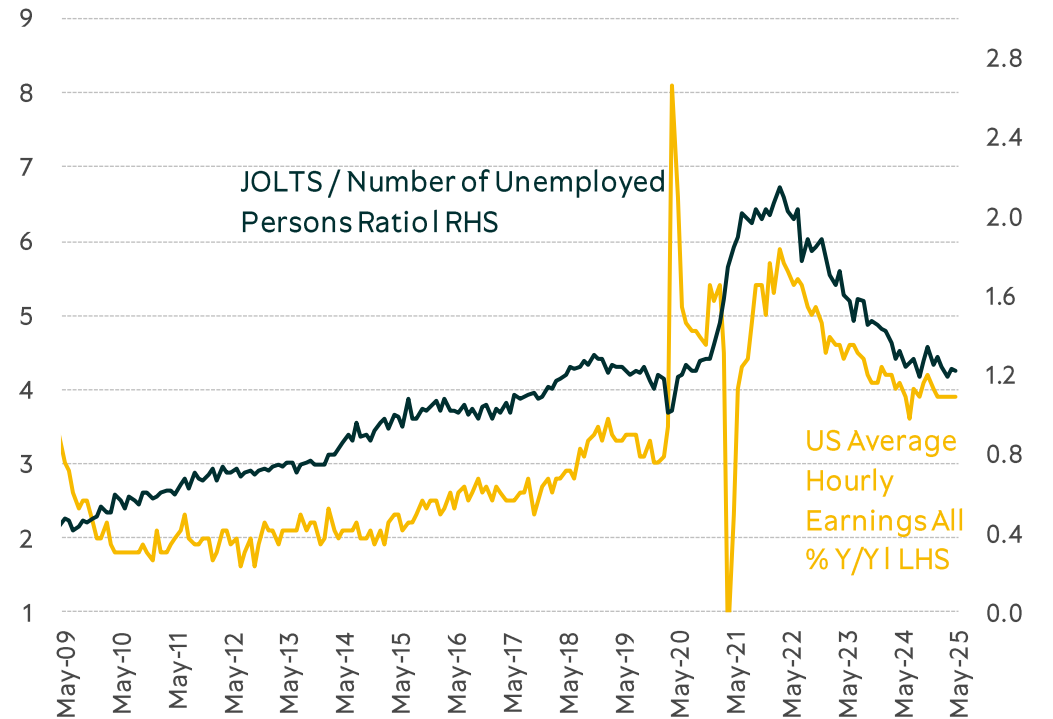


# US Labor Market | Both Weekly Initial Jobless Claims and Continued Claims on the rise

## Weekly Initial Jobless Claims

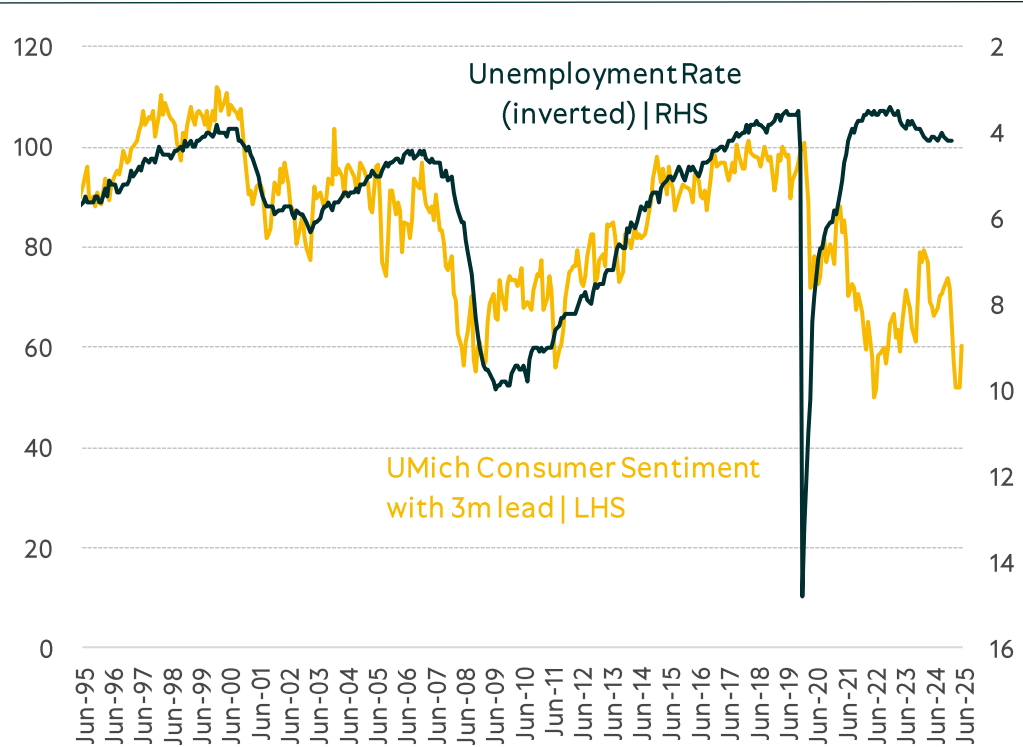


## Demand & Supply in Labour Market

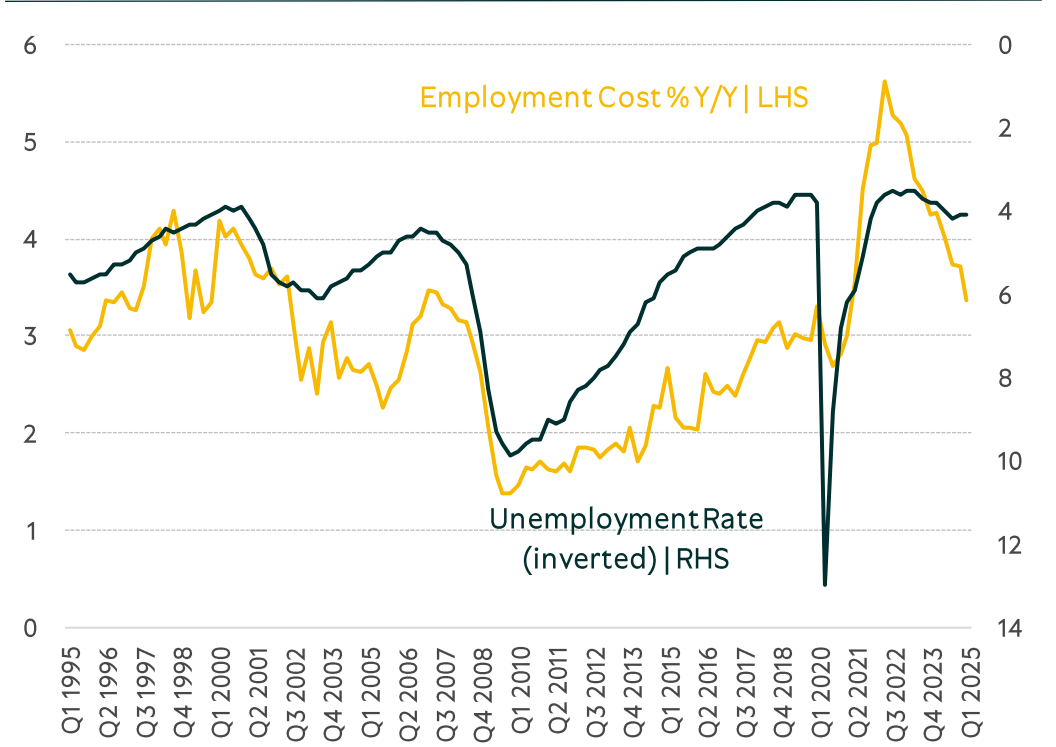


# US Labor Market | Consumer sentiment is slowly recovering, and unemployment remains low. Employment costs continue to gradually cool further

Consumer Sentiment & Unemployment Rate

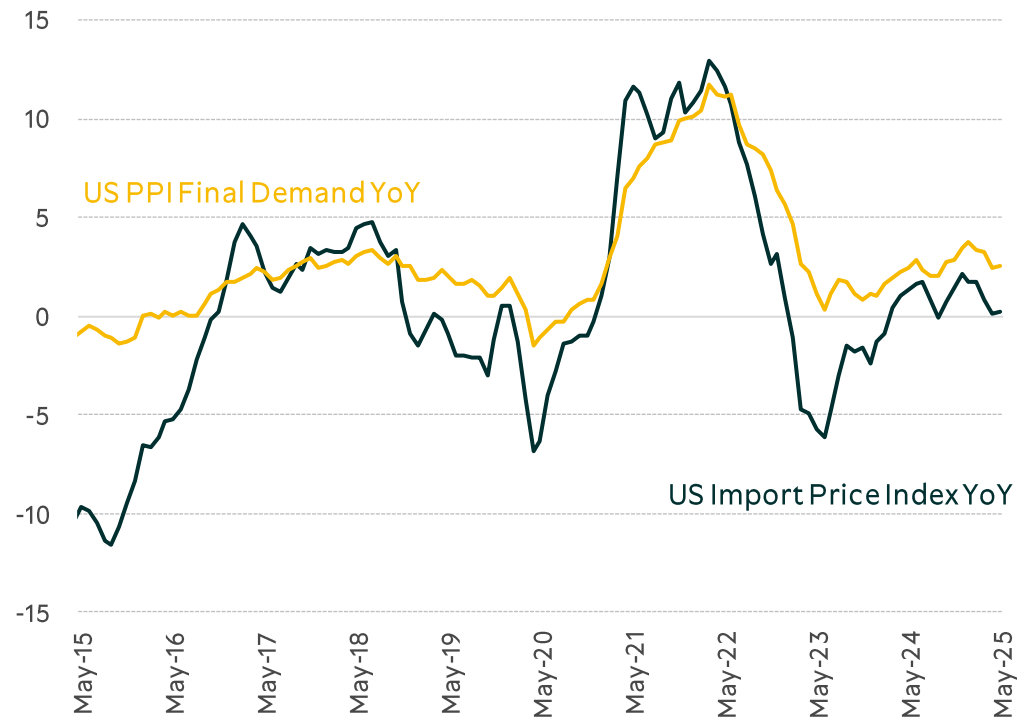


Compensation per Employee & Unemployment Rate

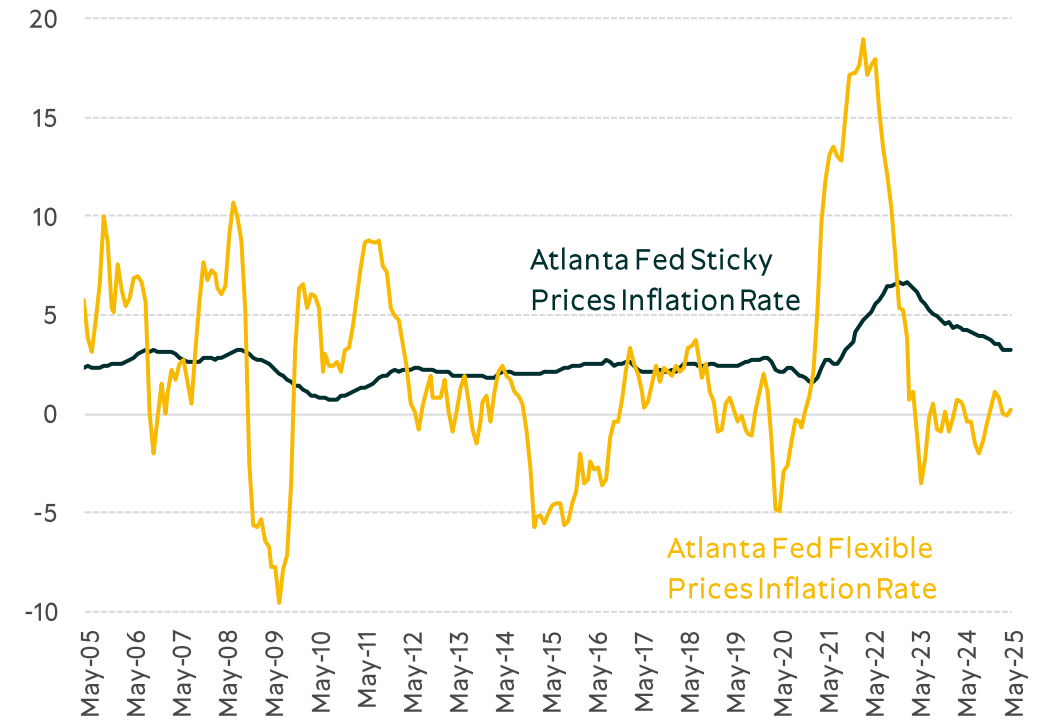


# US Alternative Inflation Metrics | Inflation pressures have been limited to the sticky prices segment. Flexible, Producer and Import prices ticked up in May

### Producers Price Index and Import prices

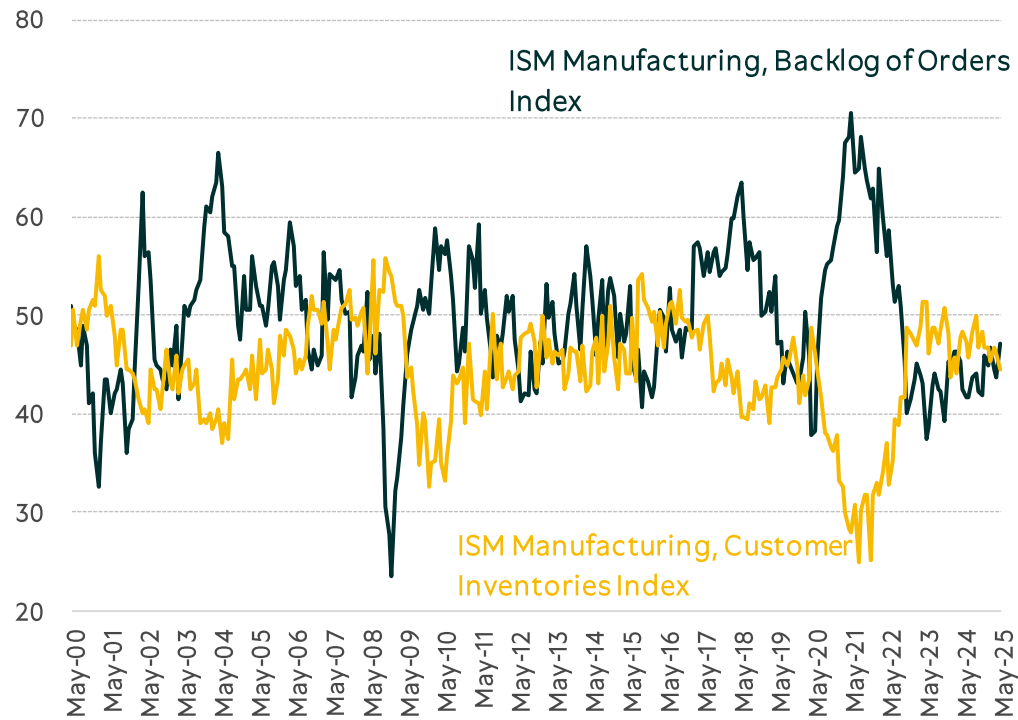


### Sticky & Flexible Prices

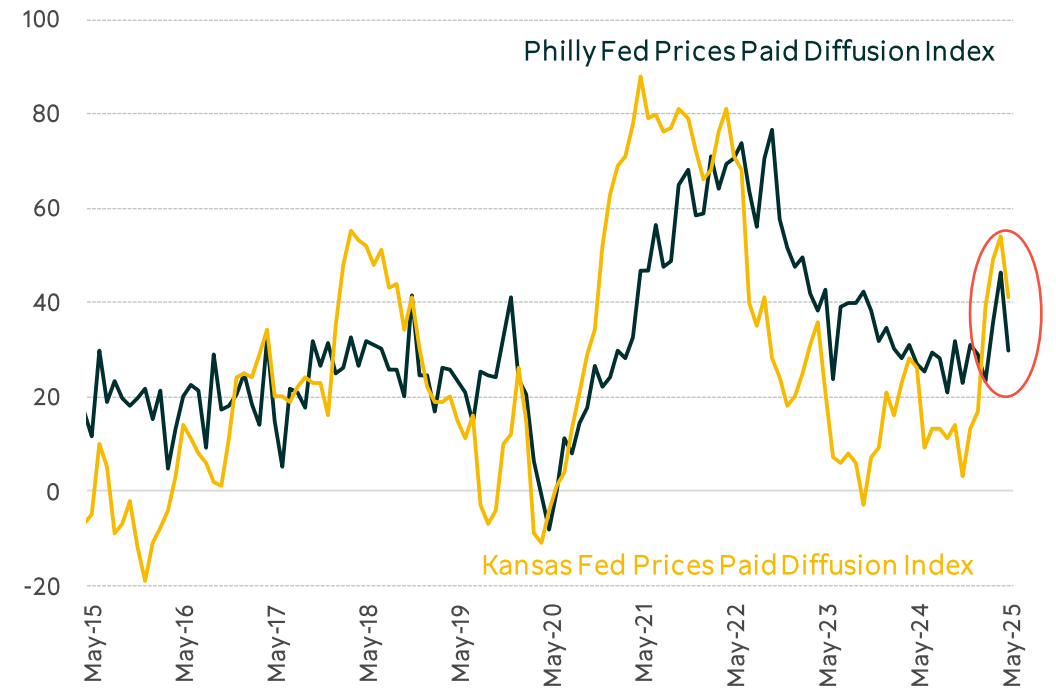


# US Supply & Demand Gap | Customer inventories below Backlog of orders in May; price pressures from regional Feds' surveys receded in May following the temporary trade truce

### Backlog of Orders & Customer Inventories Relation

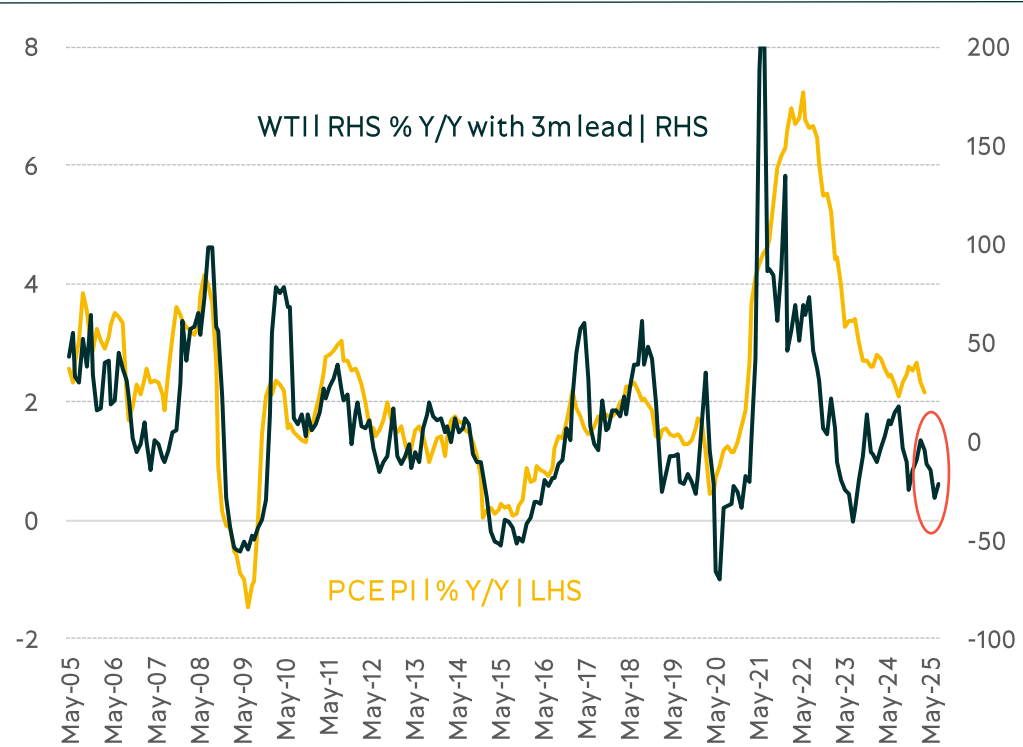


### Leading Prices Indicators

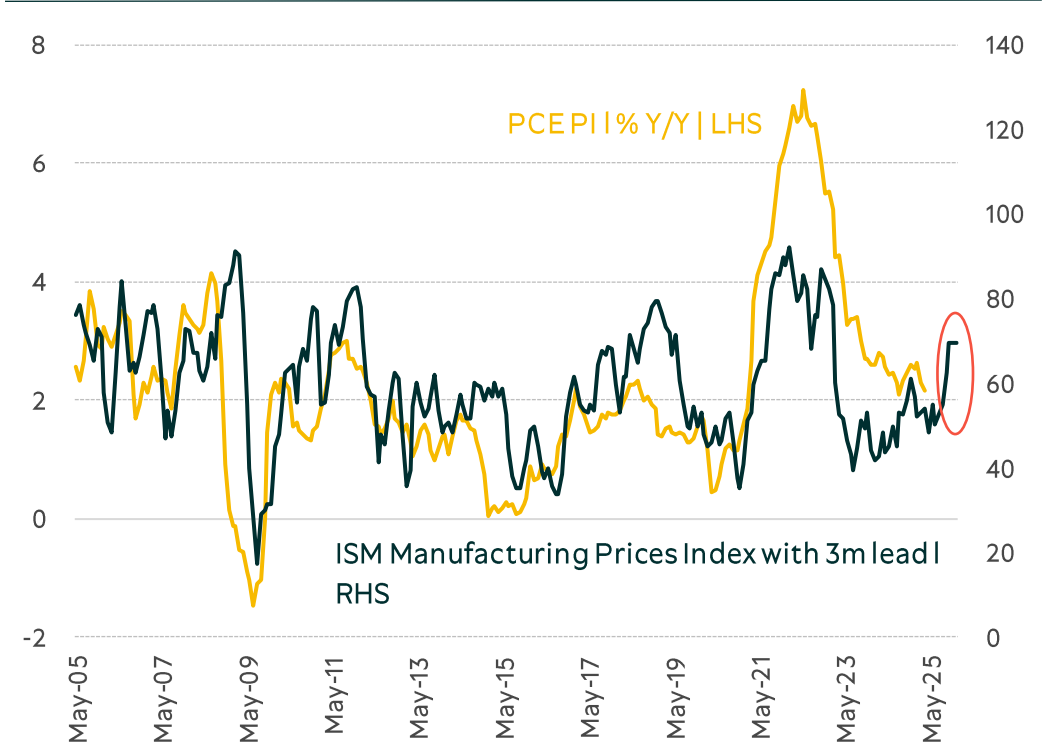


# US Inflation & Energy Prices | Leading price indicators are mixed. Energy has been supportive though recent tensions in the Middle East are a concern. The Manufacturing Price Paid component remains a headwind.

### Inflation Rates & Energy Prices

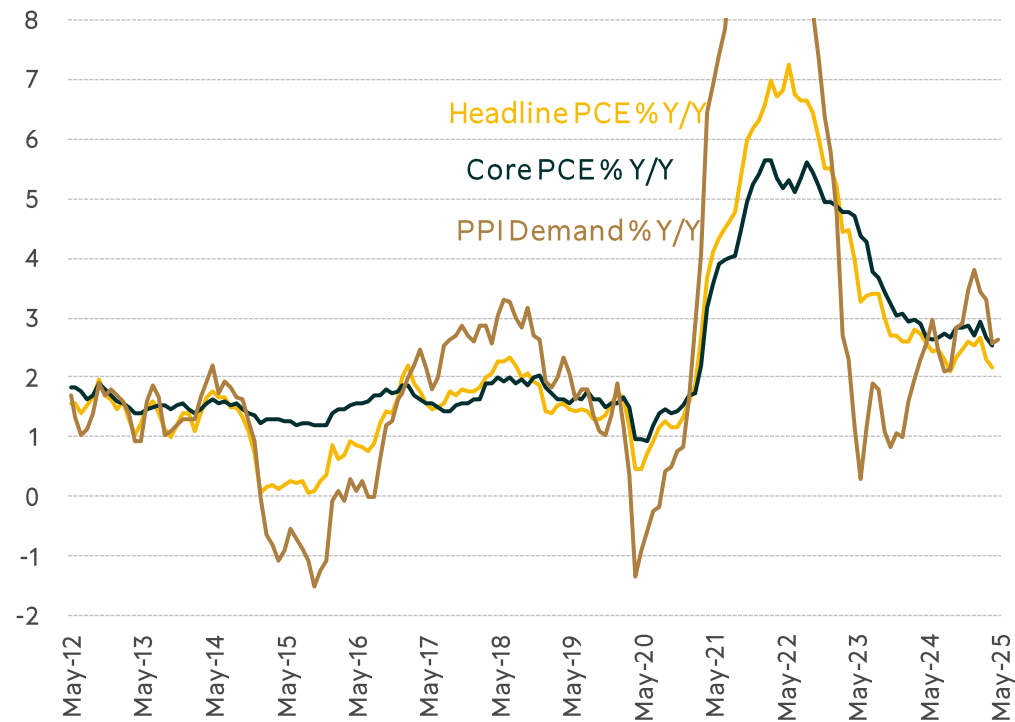


### Inflation Rate & Leading Prices Indicator

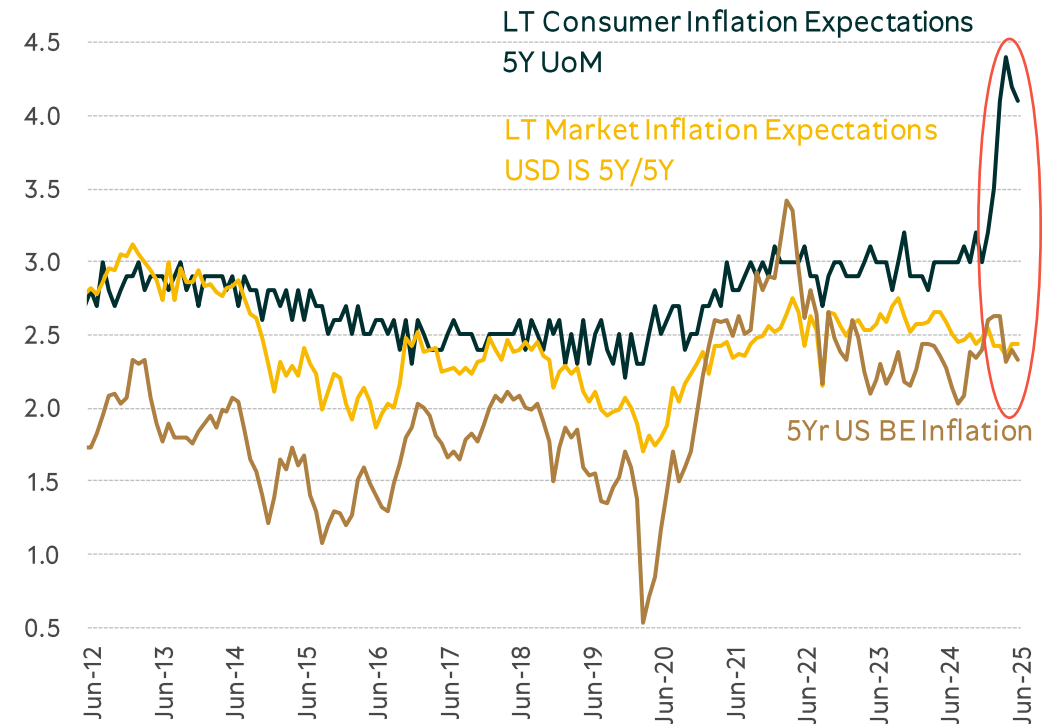


# US Headline & Core Inflation | Inflation pressures eased further with the impact from tariffs remaining relatively small. Consumers' long-term view on inflation remains much higher than market's (4.1% vs 2.4%)

Inflation Rates

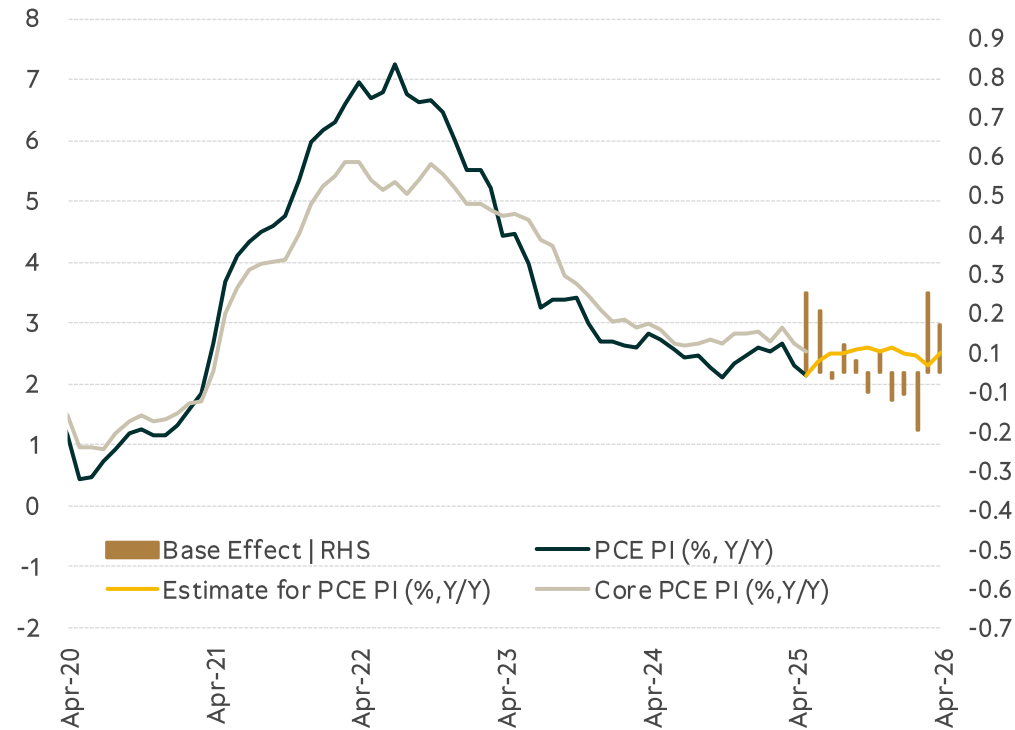


Long-Term Inflation Expectations

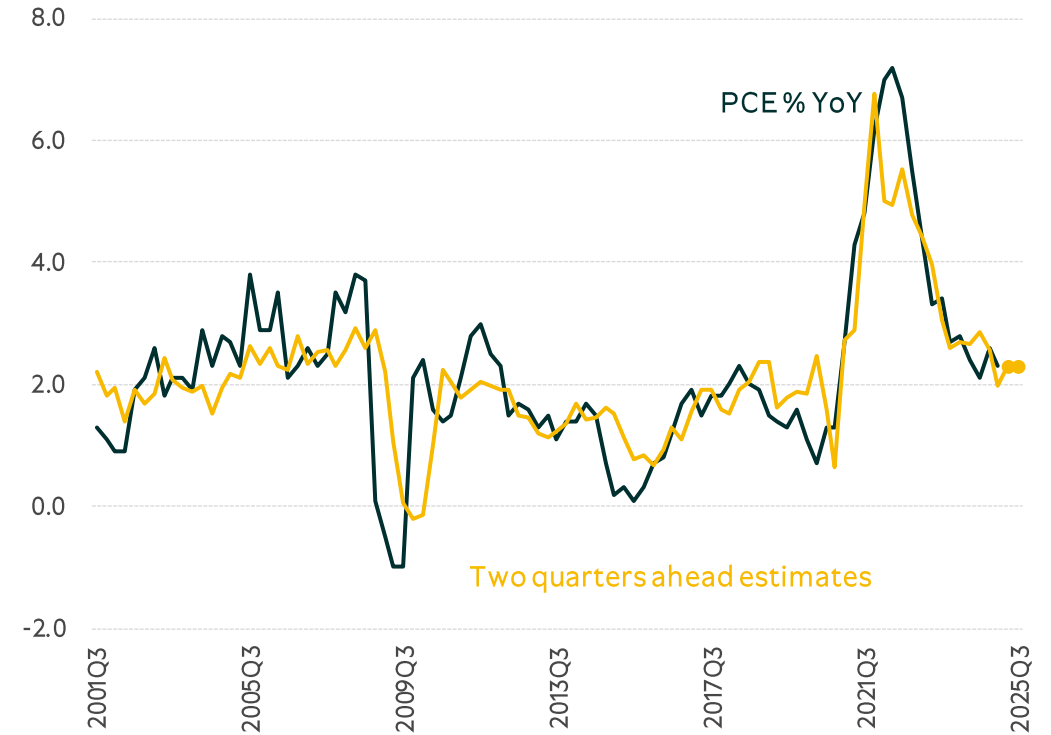


# US Inflation Outlook | Unfavorable base effects are likely for May and June. Both our models still point to inflation above 2.5% for 2025

Inflation Rate Forecast | Statistical Model



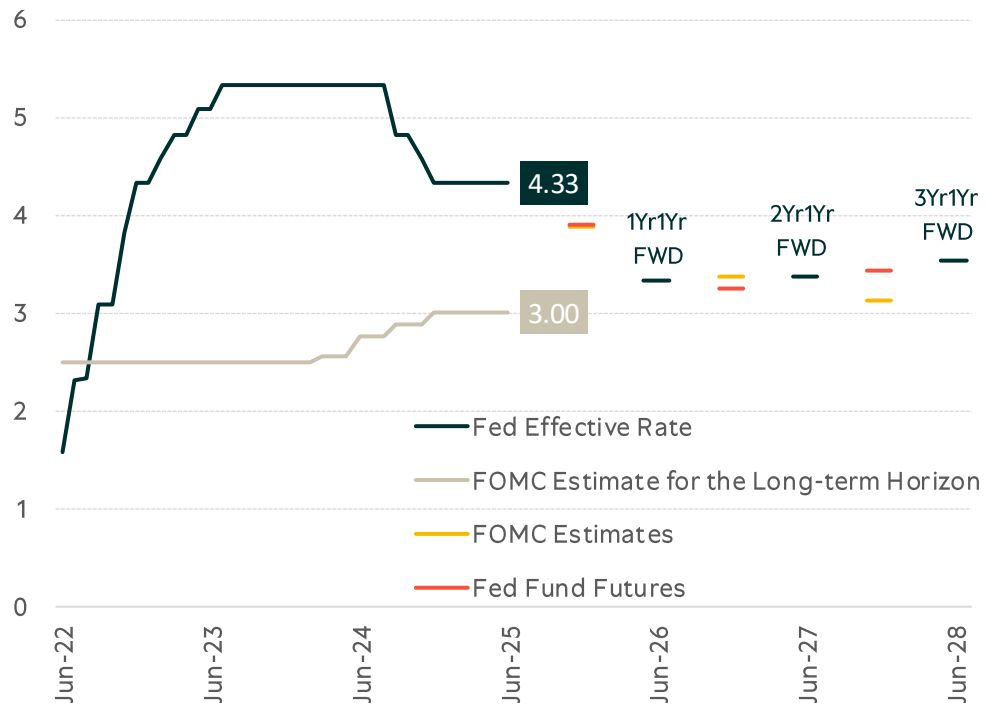
Inflation Rate Forecast | Macro Model



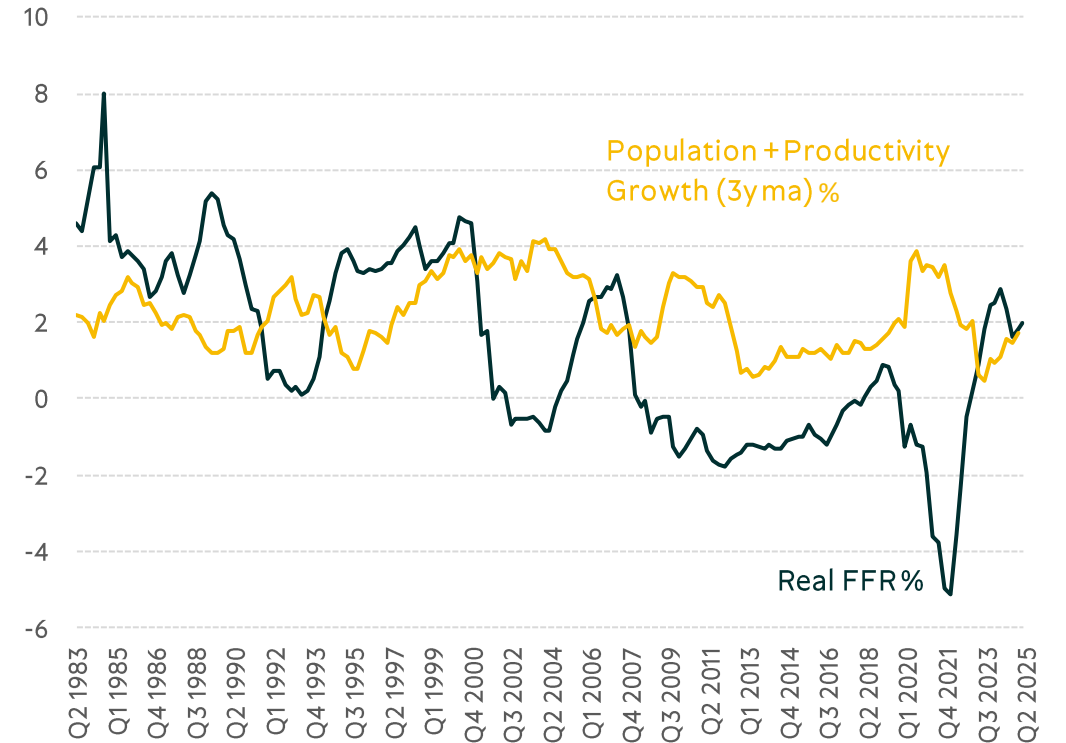


# US Interest Rates | Forward rates are above FOMC's long-term target

Interest Rates | Fed Effective Rate

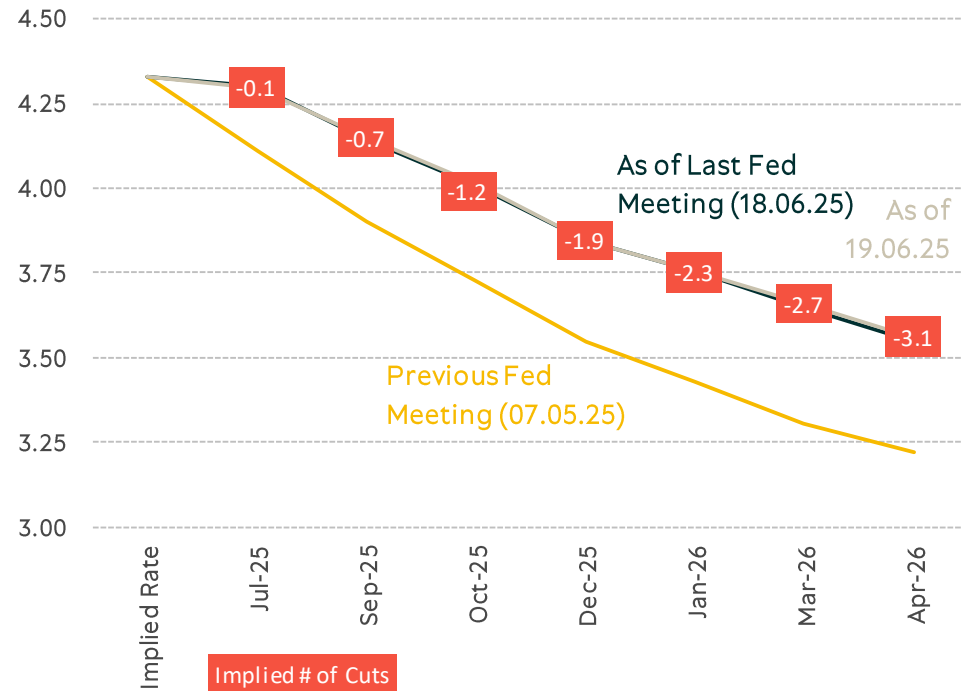


Real FFR (FFR – Core PCE) & Population + Productivity growth (3y ma)

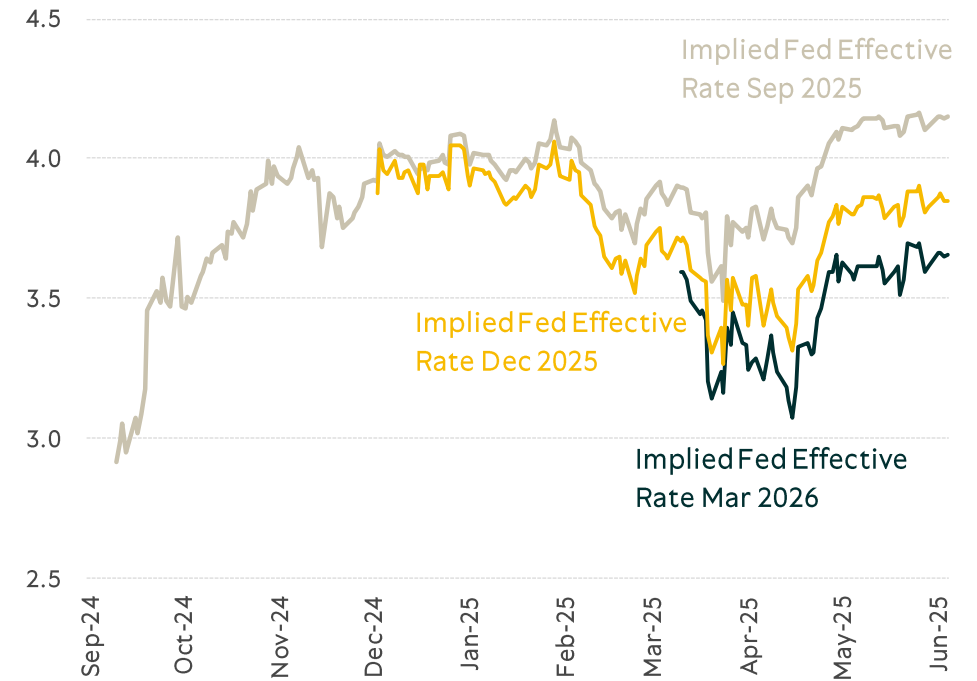


# US Interest Rates | A less aggressive rate cut trajectory is anticipated by the markets compared to a month ago

Implied Overnight Rate based on Overnight Index Swaps

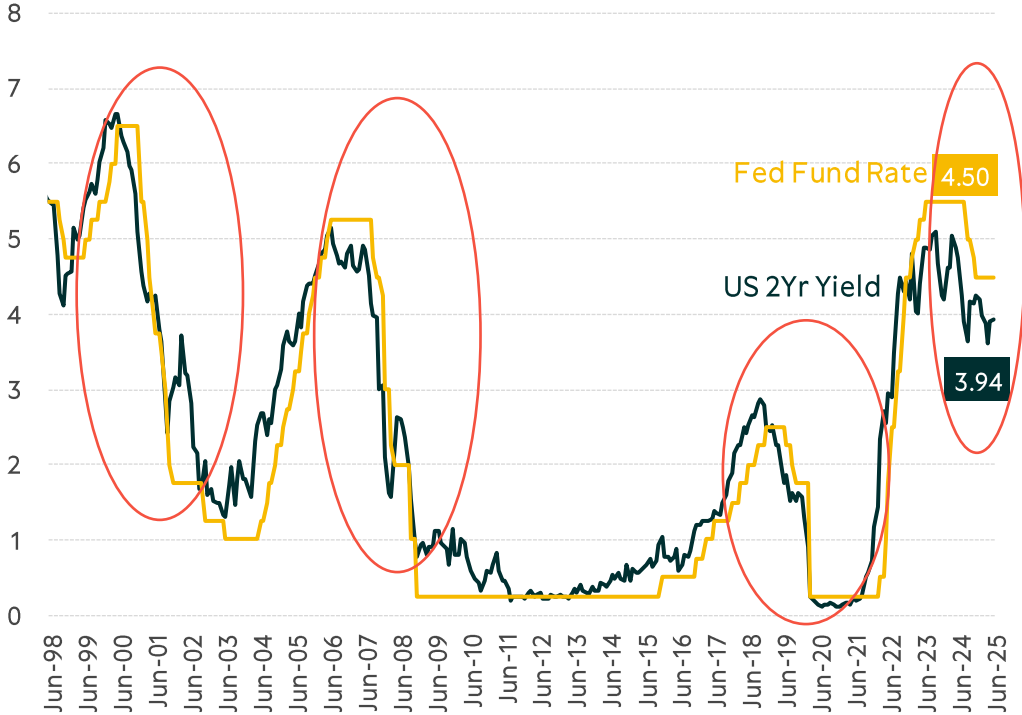


Interest Rates | Implied Fed Effective Rate



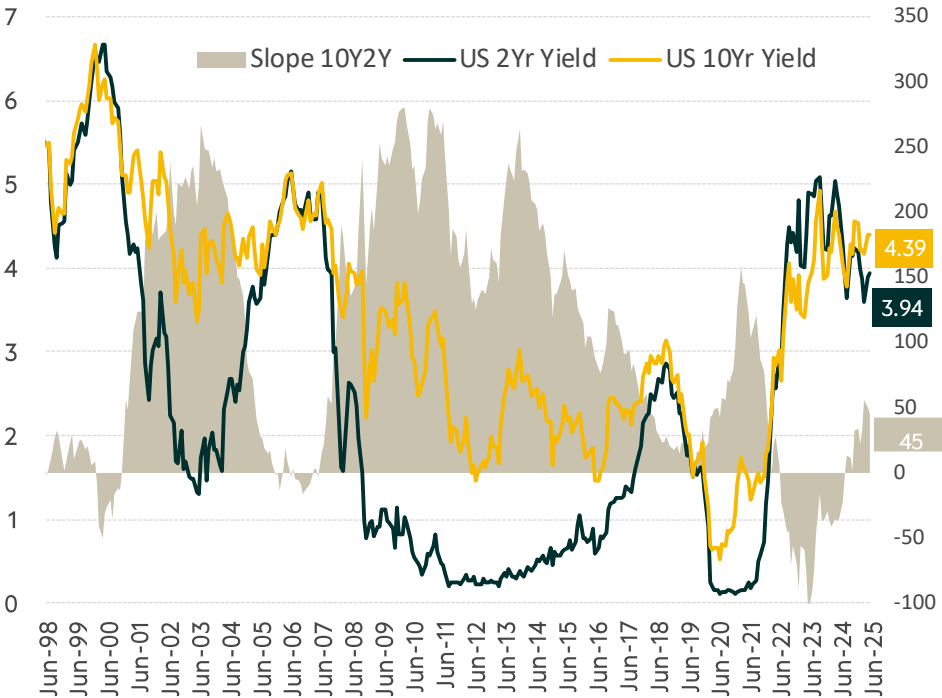
US | In September 2024, the Fed reduced its benchmark interest rate by 50 bps, followed by 25bps cuts in October and in December. On Hold since.

Fed Fund Rate & US Treasury Yield



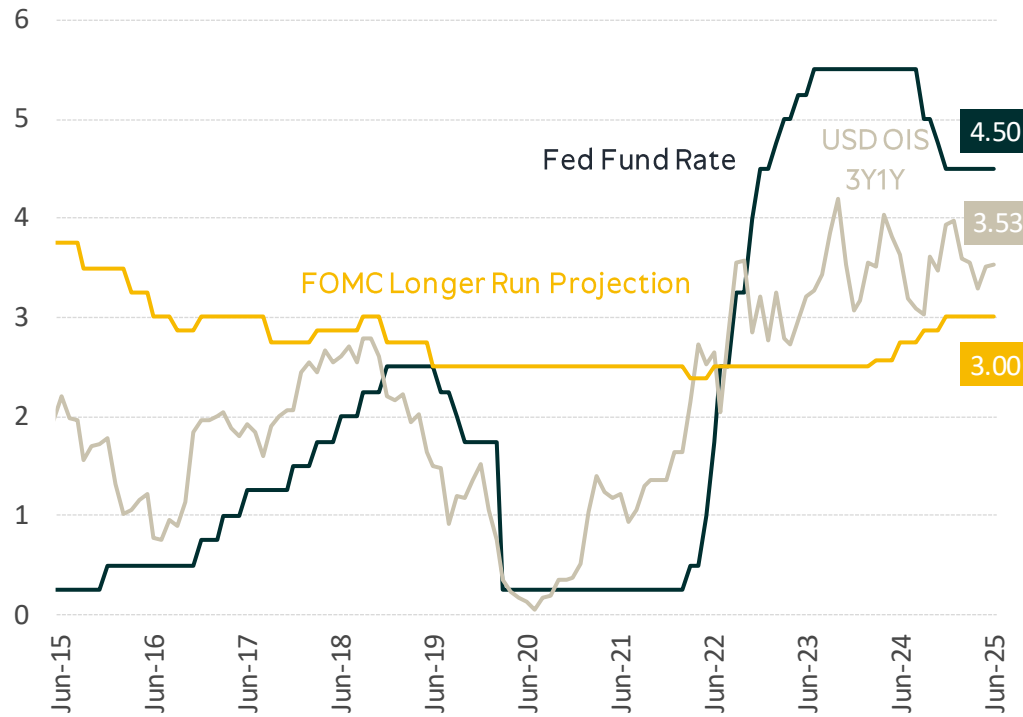
Note: Monthly data apart from the last observation which shows the latest available daily value

US Yield Curve



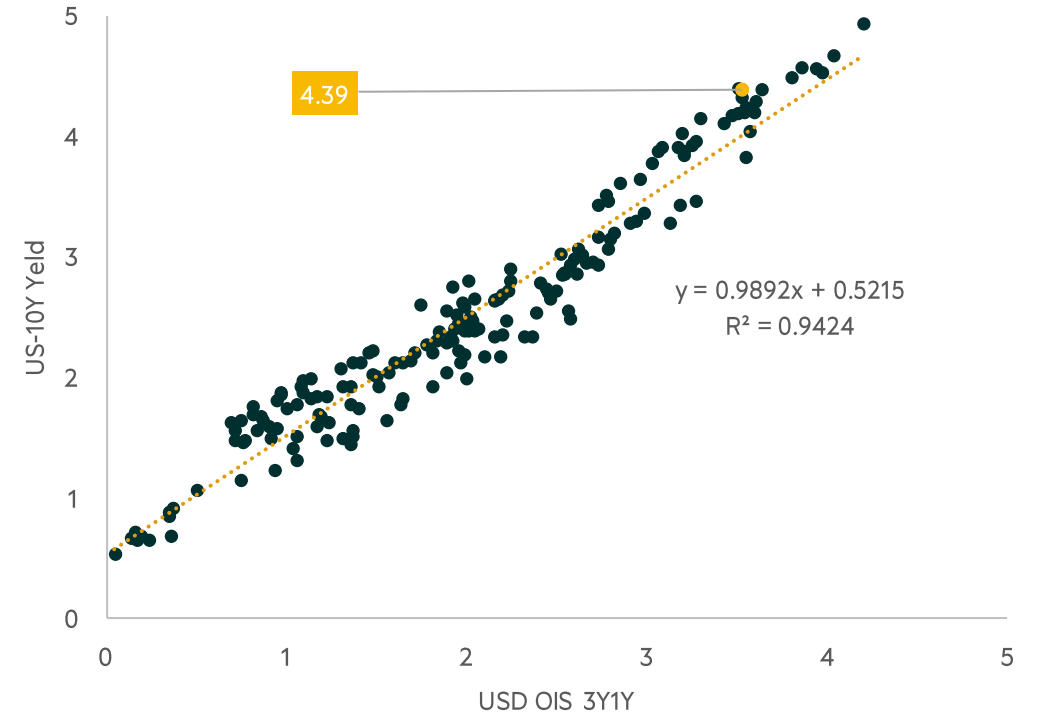
# US Long-Term Rates | Short-term rates 4 years in the future remain above target (3%). 10- year rates above “fair” value given the current level of short-term rates.

LT Interest Rate Expectations



Note: Monthly data apart from the last observation which shows the latest available daily value

US Yield vs Medium-Term Interest Rate Expectations



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Bird's Eye View

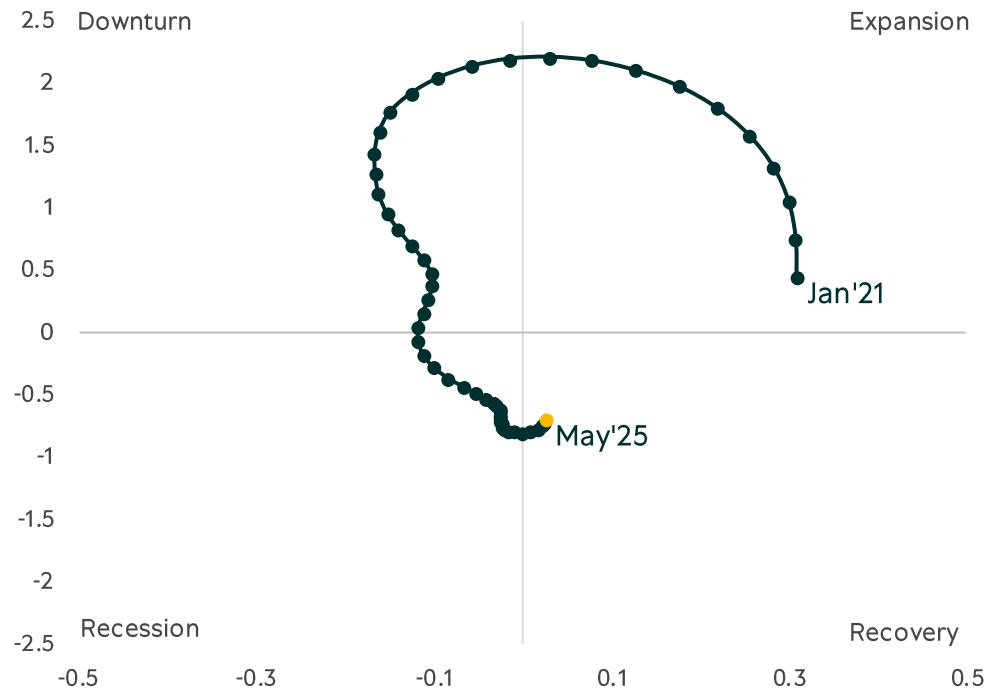
US Economy

EA Economy

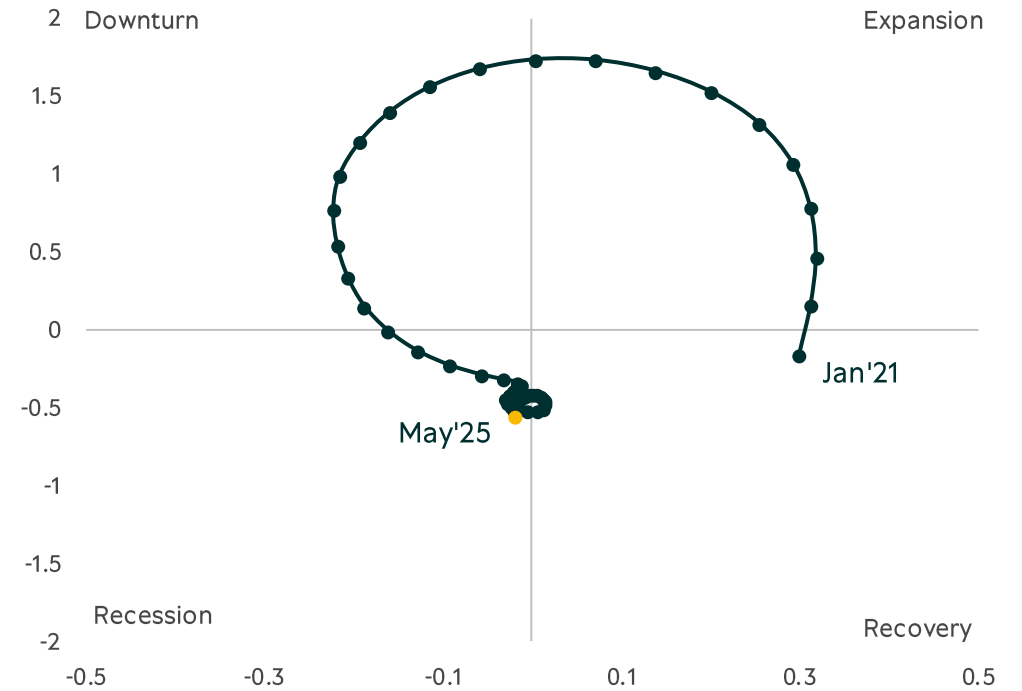
China Economy

# EA Business Cycle Watch | May's economic sentiment stayed in the recession quartile, while manufacturing confidence remained in the recovery phase

EA Business Cycle | Based on Manufacturing Confidence Indicator

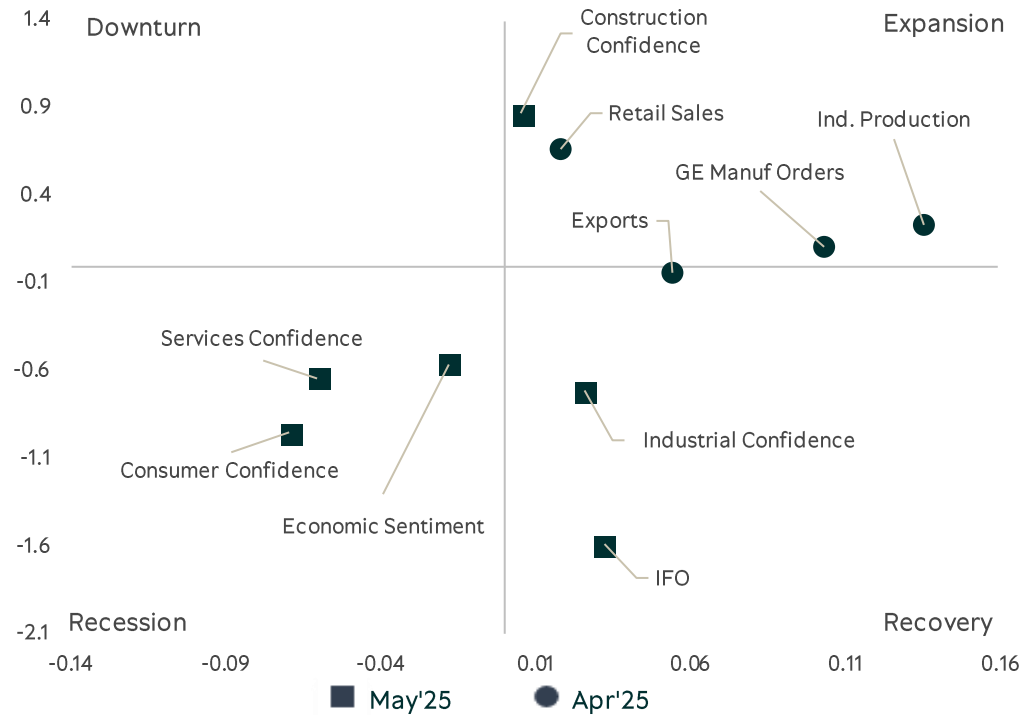


EA Business Cycle | Based on Economic Sentiment Indicator

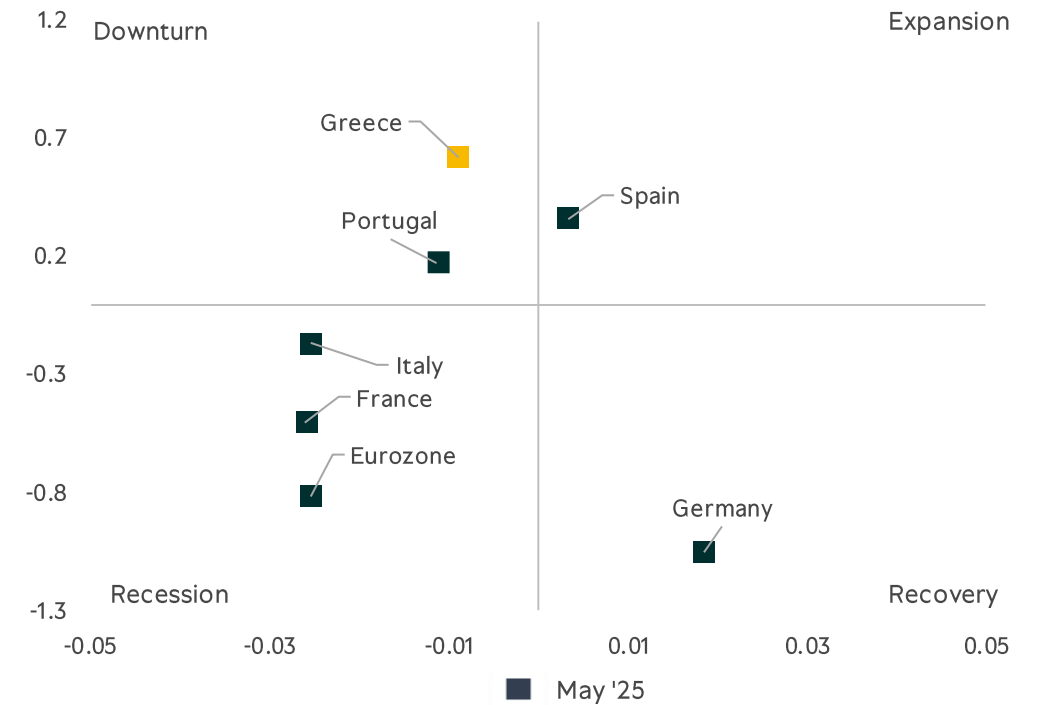


# EA Business Cycle | Mixed signals are observed among the major economic variables but also on country level

EA Business Cycle | Based on Major EA Economic Variables

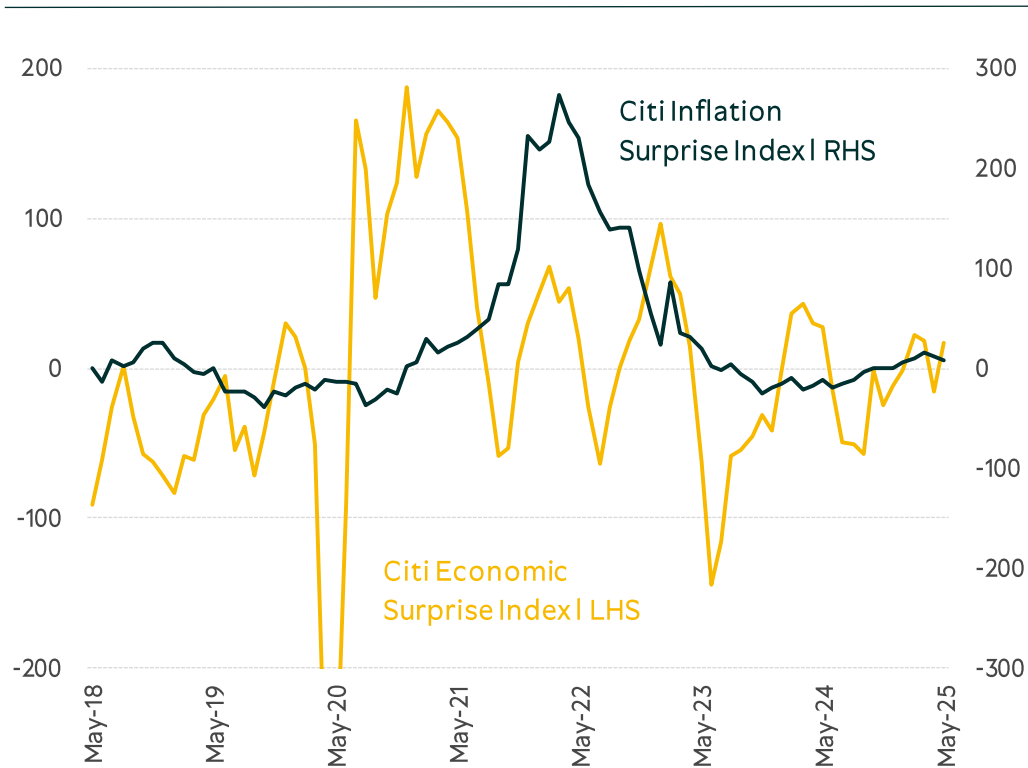


Business Cycle of EA Members | Based on Economic Sentiment Indicator

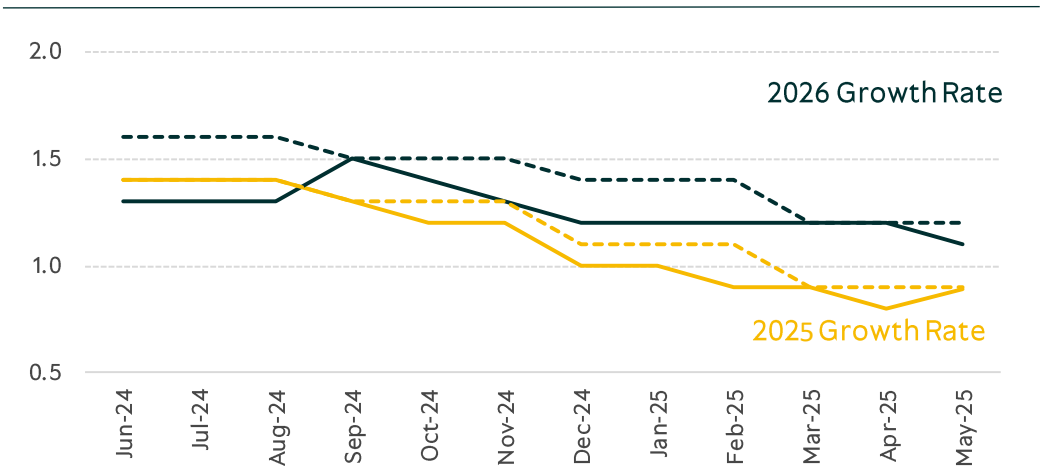


# EA Macro Expectations | Economic surprises turned positive in May; however the consensus continues to expect a “traditional” slowdown in the EA.

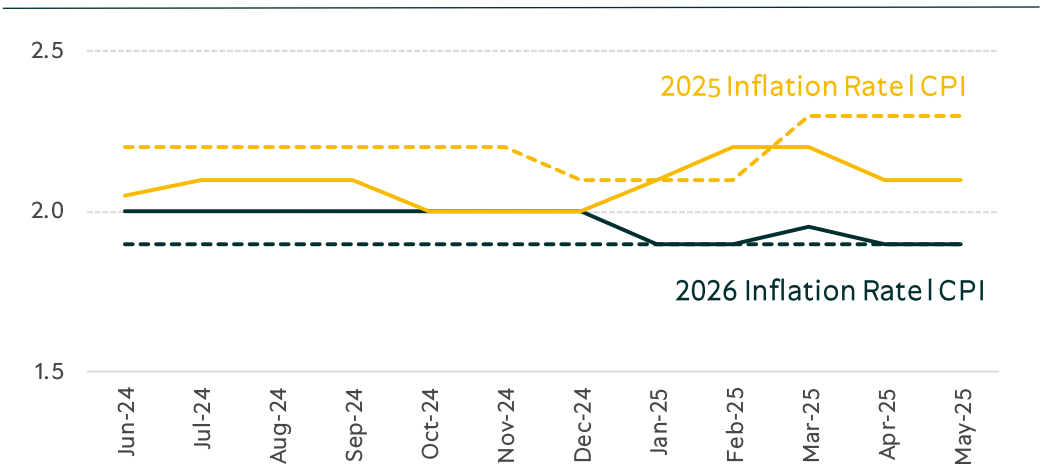
Economic & Inflation Surprises



Growth Rate Expectations\*



Inflation Rate Expectations\*

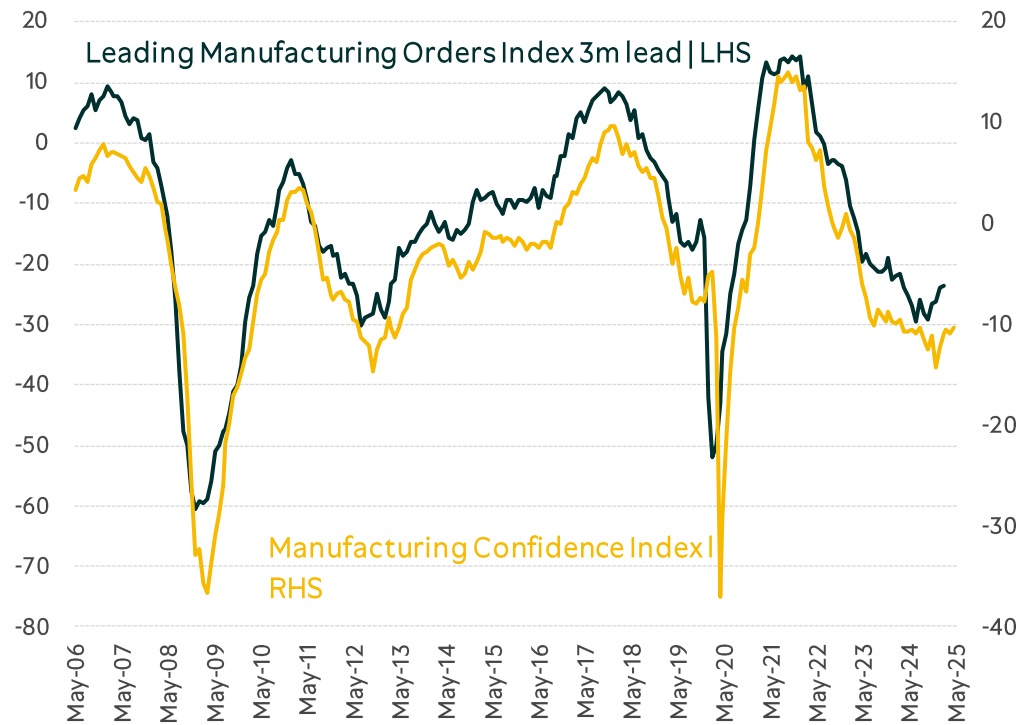


\*Solid line: Consensus; Dotted line: ECB projections

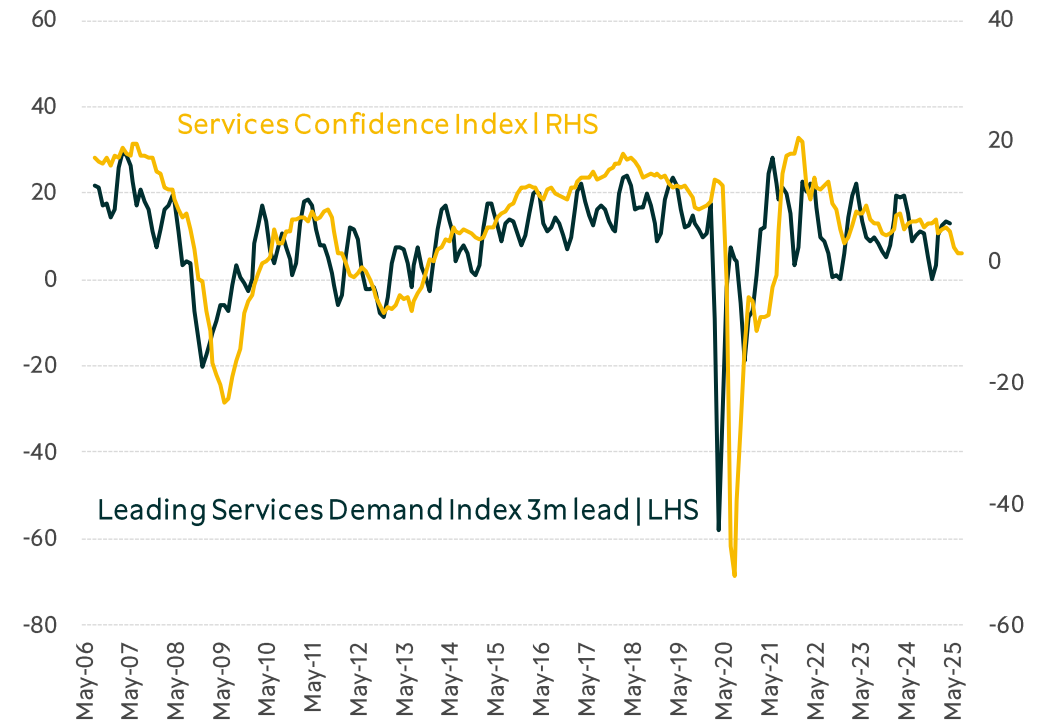


# EA Leading Indicators | Manufacturing indicators in marginal upturn. Demand on Services shows signs of stabilization.

### Manufacturing Confidence Index & Leading Manufacturing Orders

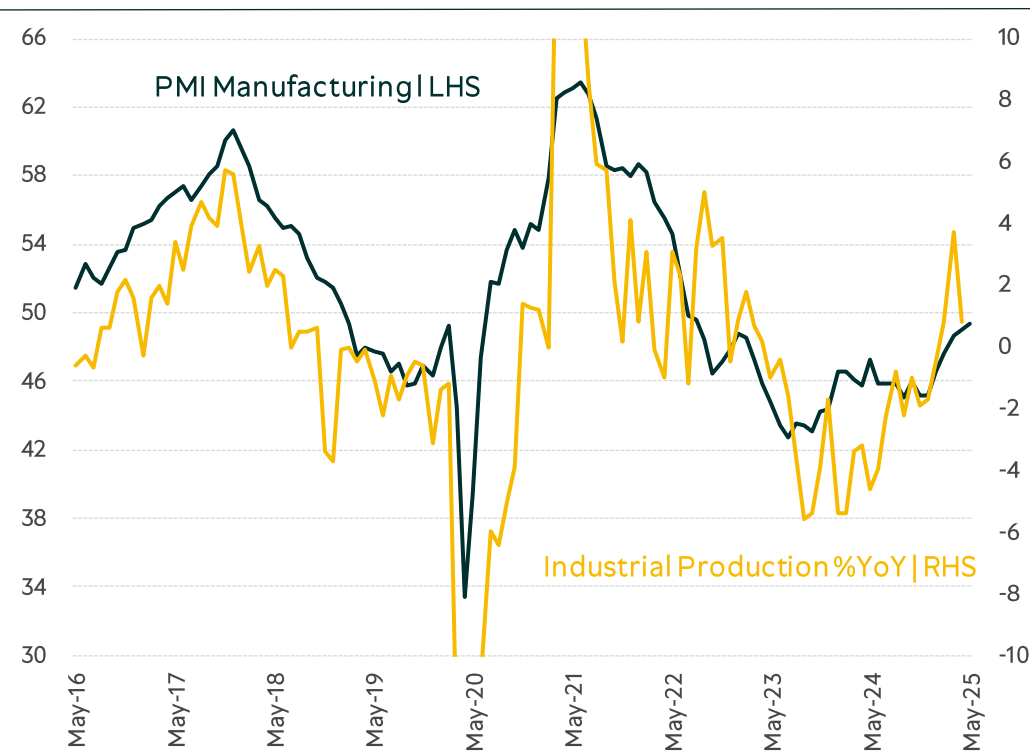


### Services Confidence Index & Leading Services Demand Index

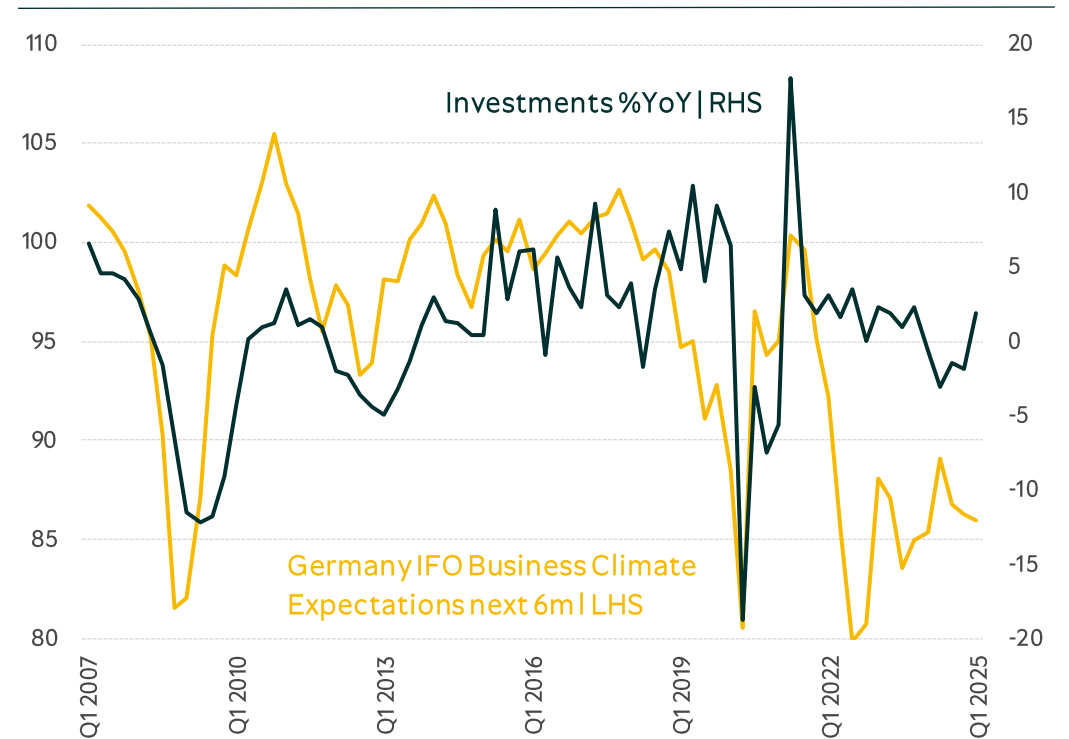


# EA Business Conditions | The Manufacturing Leading indicator improved for the 5<sup>th</sup> consecutive month in May. Investments in Q1 2025 increased 1.9% YoY for the first time after 4 quarters of negative rates.

Industrial Production YoY vs PMI Manufacturing

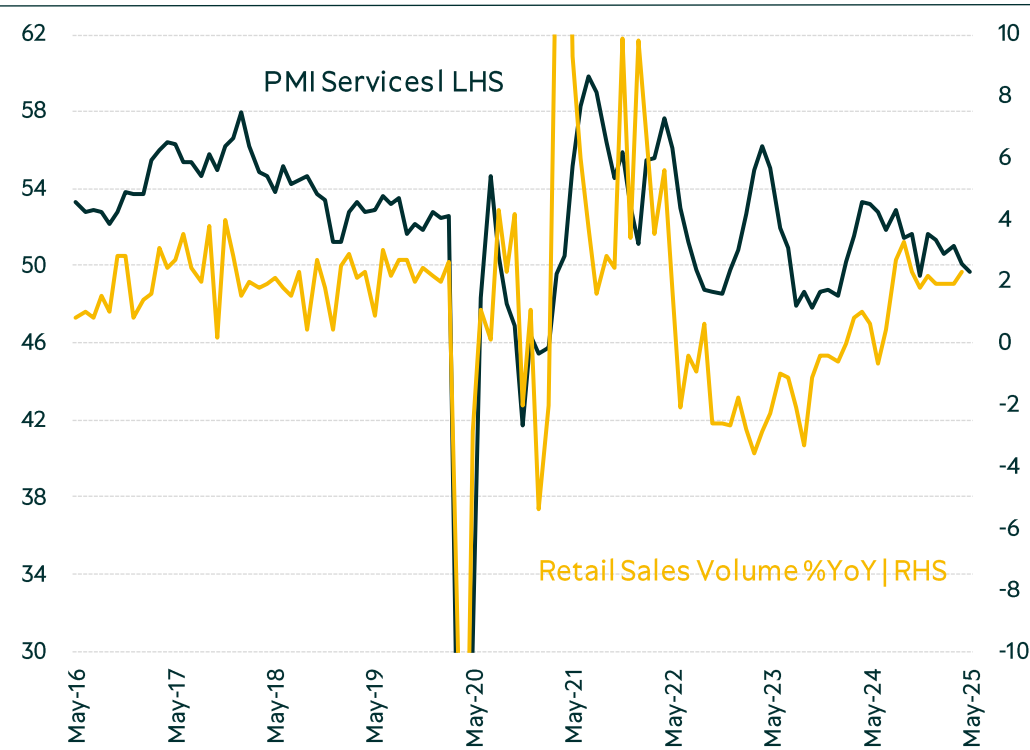


IFO Expectations & Business Investment

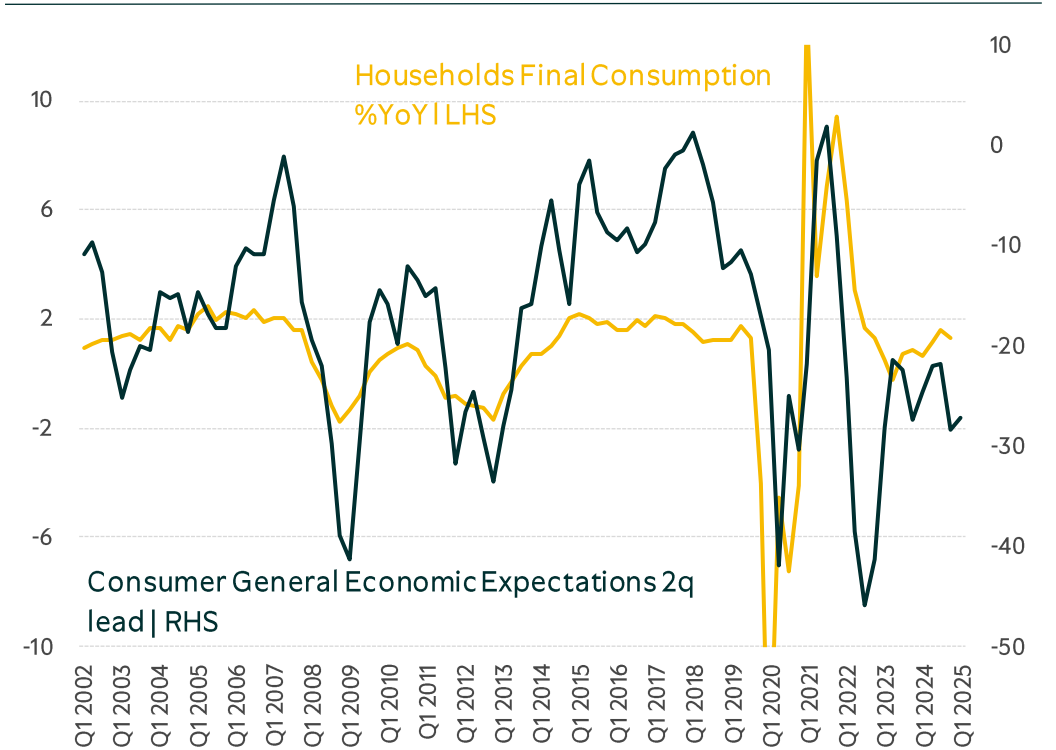


# EA Business Conditions | Households' consumption marginally decelerated in Q1 2025. Retail sales growth accelerated in April and remain a possible tailwind to EA growth

Retail Sales Volume YoY vs PMI Services

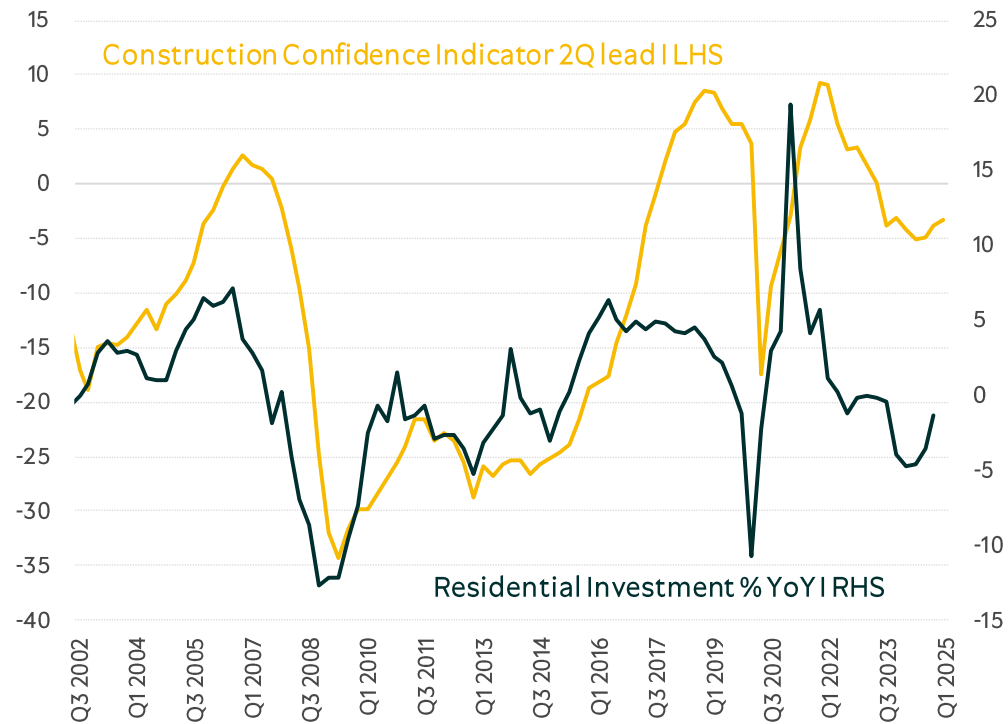


Final Consumption & Consumer Expectations Index

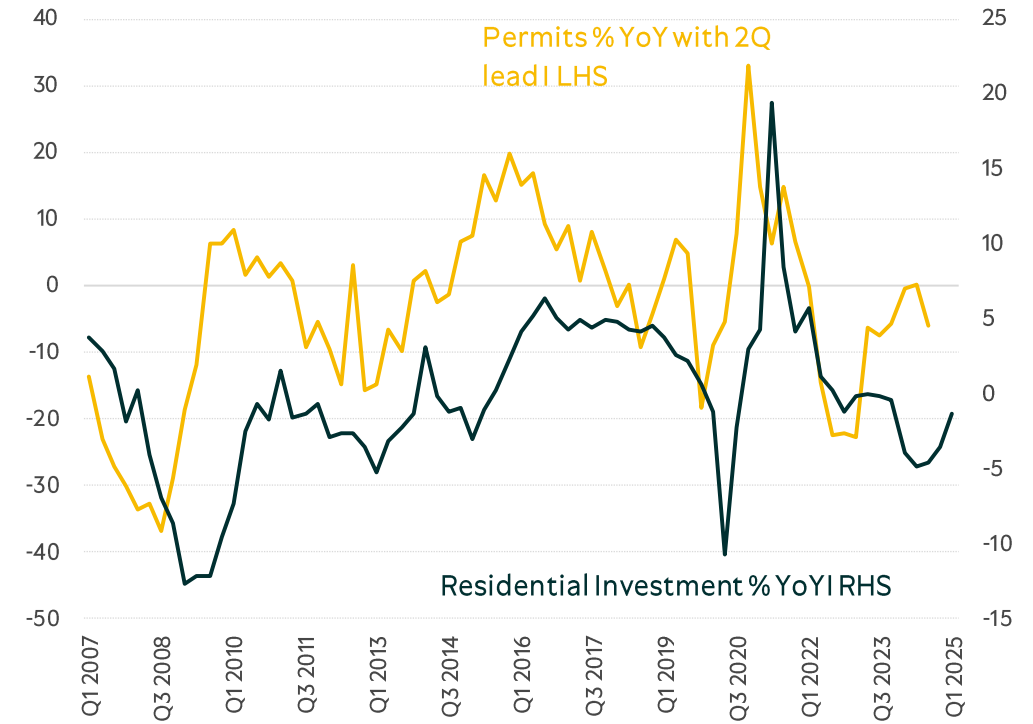


# EA Construction | Residential activity gives positive signals as Construction Confidence is on an upward trend. The latest upticks in residential investments provide a glimmer of hope, though permits fell in Q1.

Residential Investment & Construction Confidence

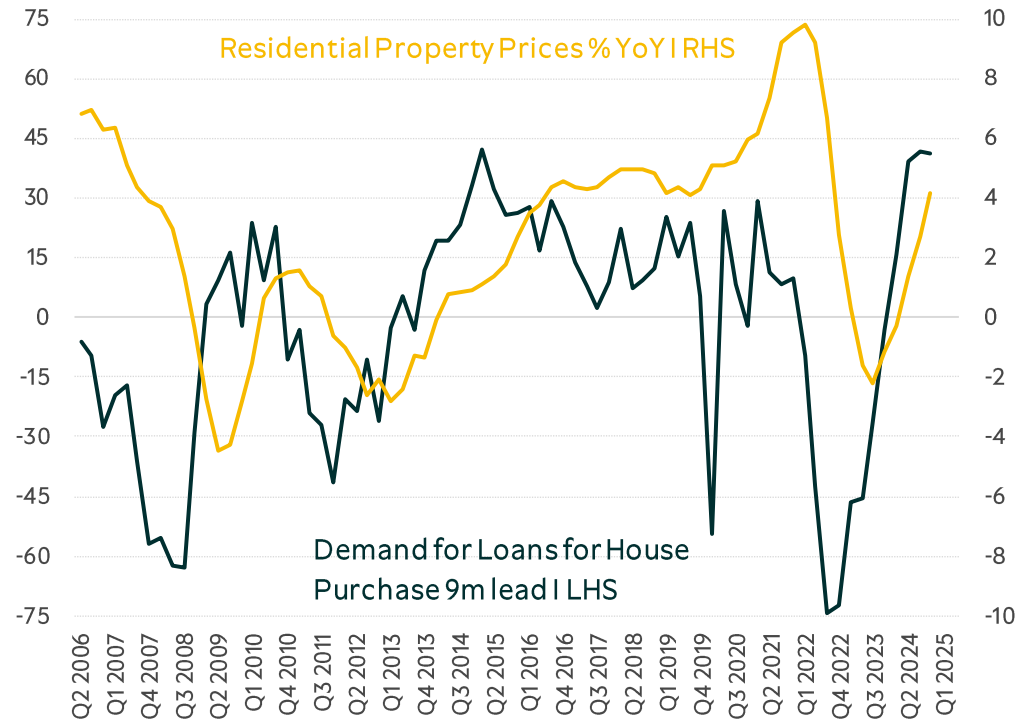


Residential Investment & House Permits

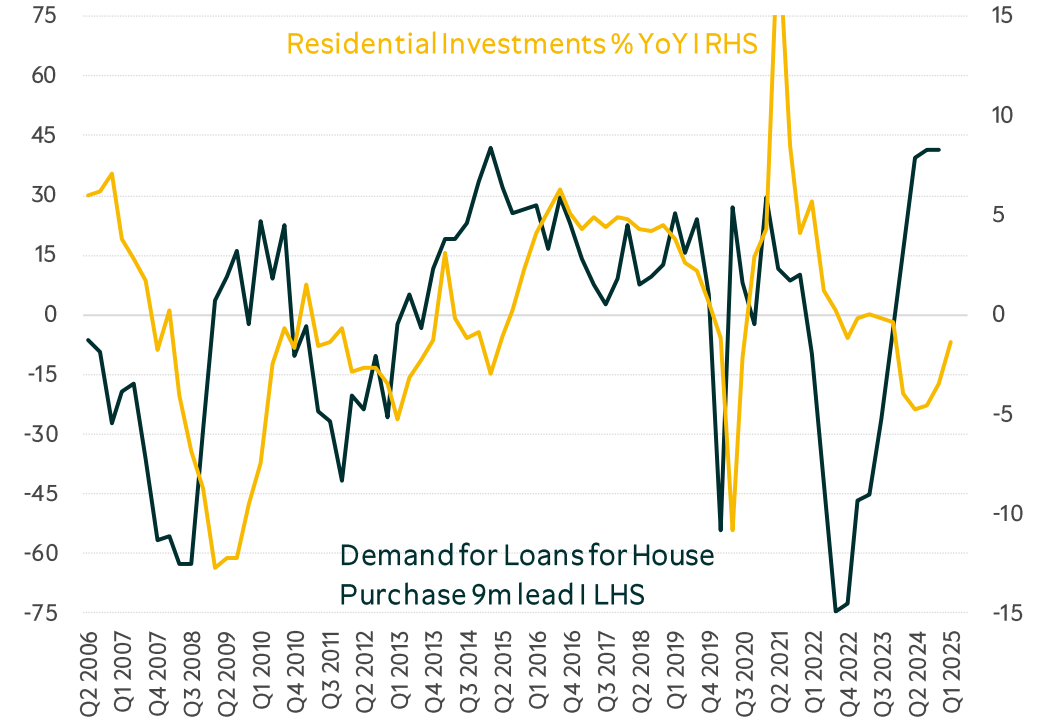


# EA Construction | A pick up in investments and housing loans is expected in the coming months

Residential Property Prices & Demand for loans (9m lead)

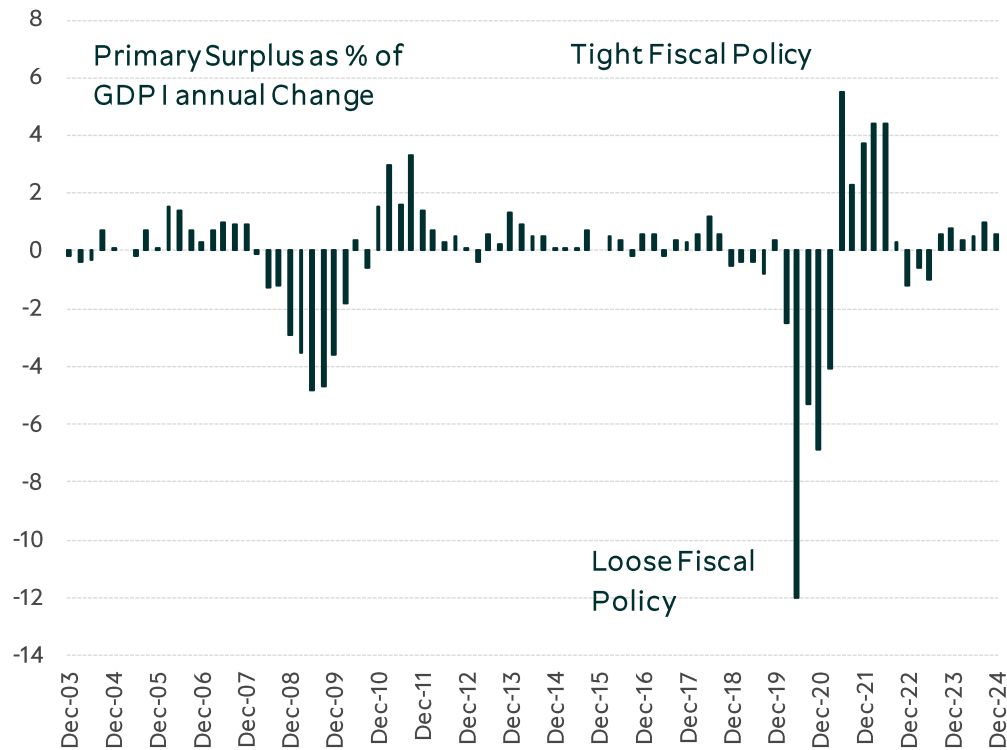


Residential Investments & Demand for loans (9m lead)

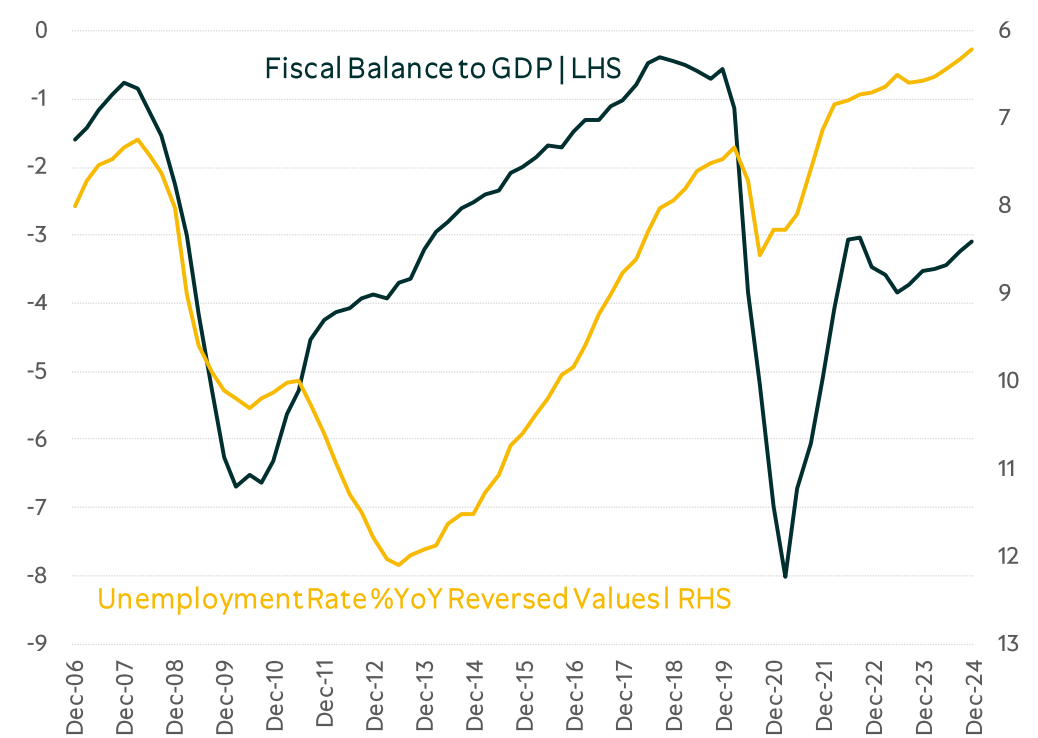


# EA Fiscal Policy | Fiscal Deficit remains at low levels while the Unemployment Rate remains at a historic low

Fiscal Thrust

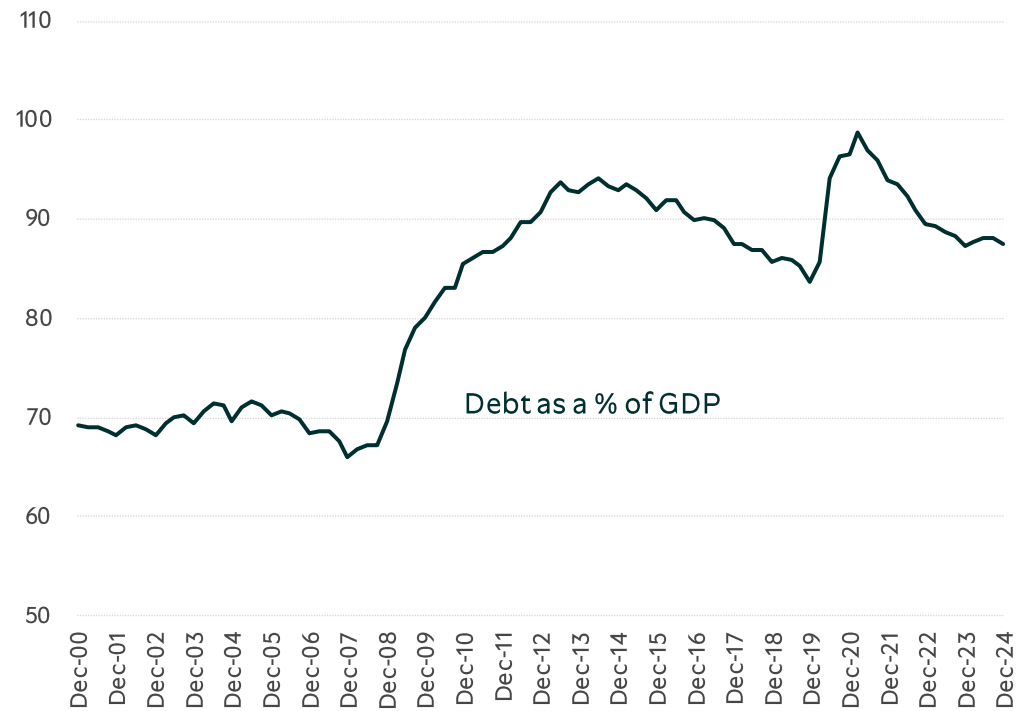


Fiscal Policy & Unemployment Rate

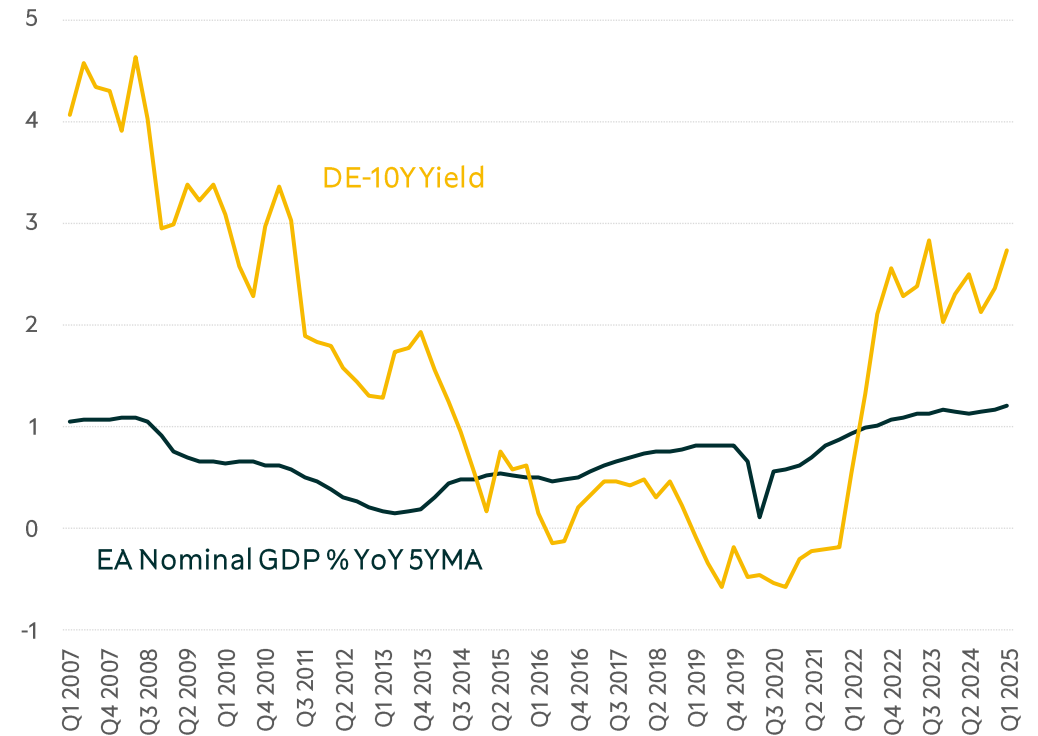


# EA Fiscal Policy | Debt levels have moderated after the pandemic

Debt / GDP

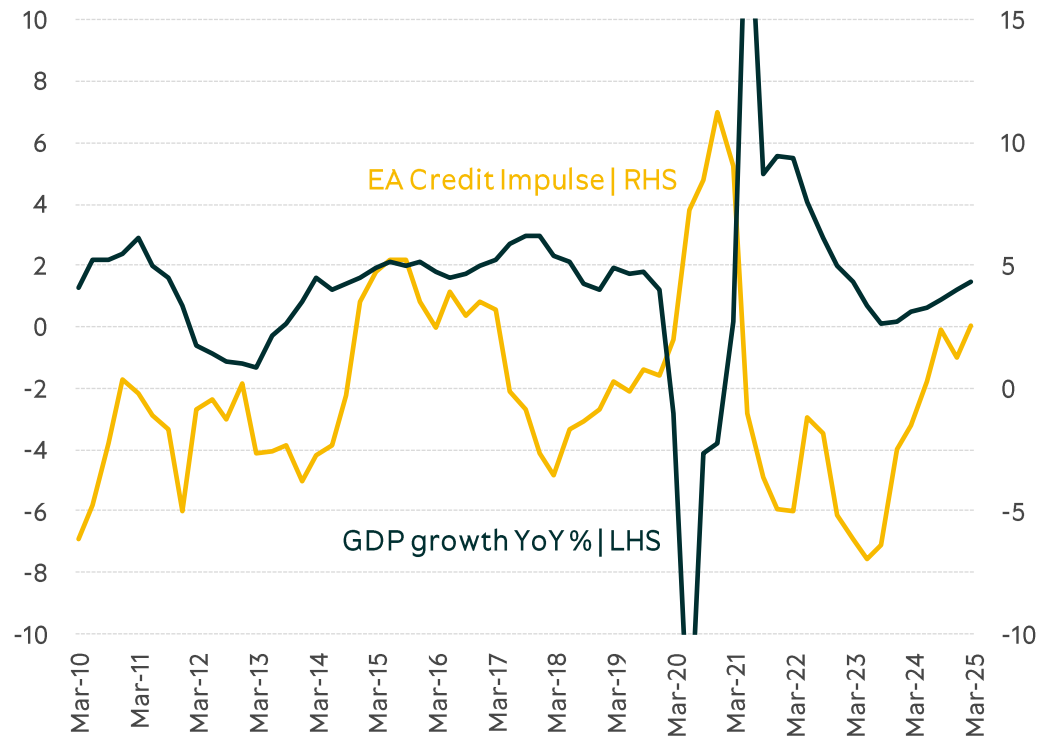


Fiscal Policy Sustainability

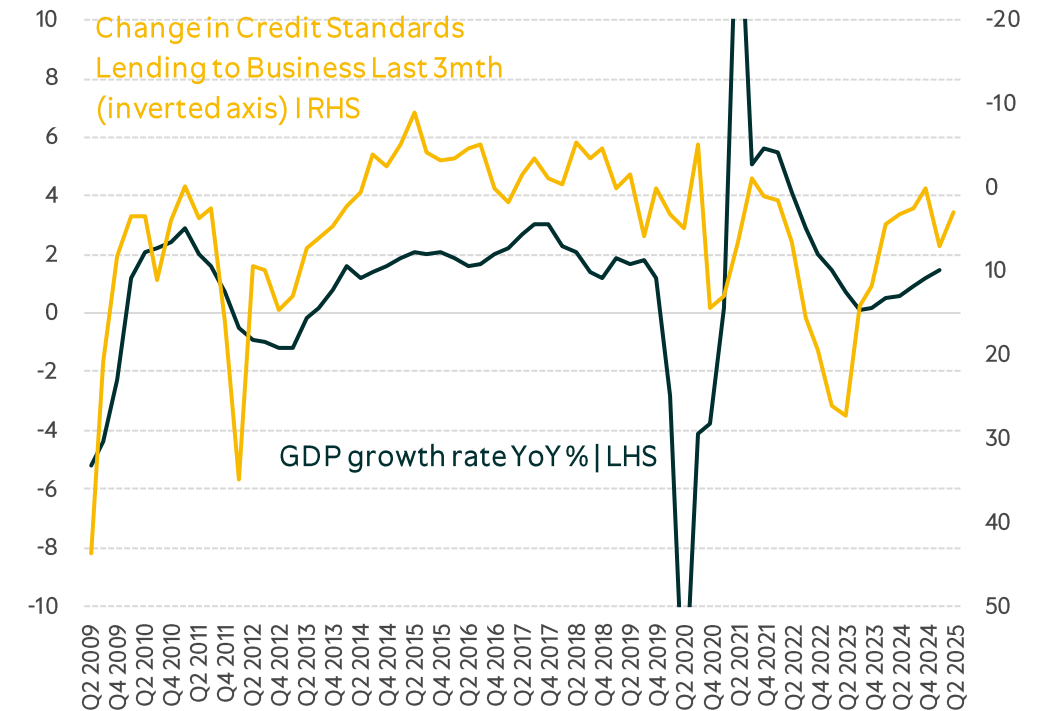


# EA GDP Outlook | Credit impulse continues to recover in Q1. There was a small net tightening of credit standards for loans or credit lines to enterprises in the second quarter of 2025

EA Credit Impulse & GDP growth rate



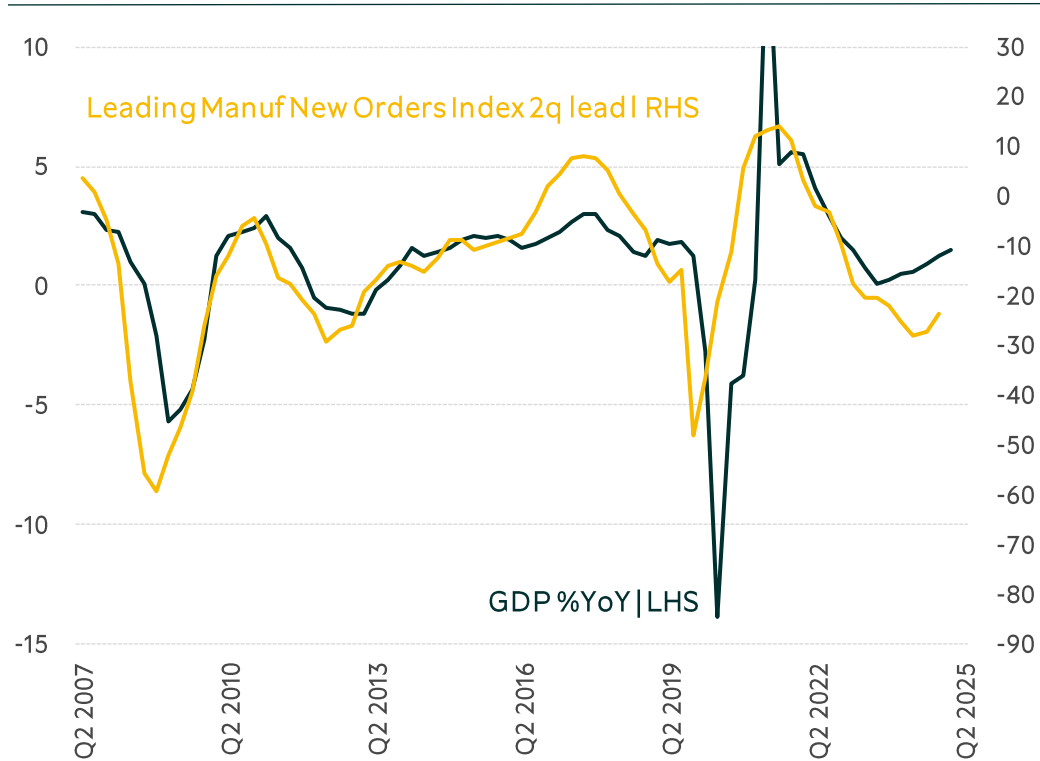
GDP YoY & Bank Lending Standards



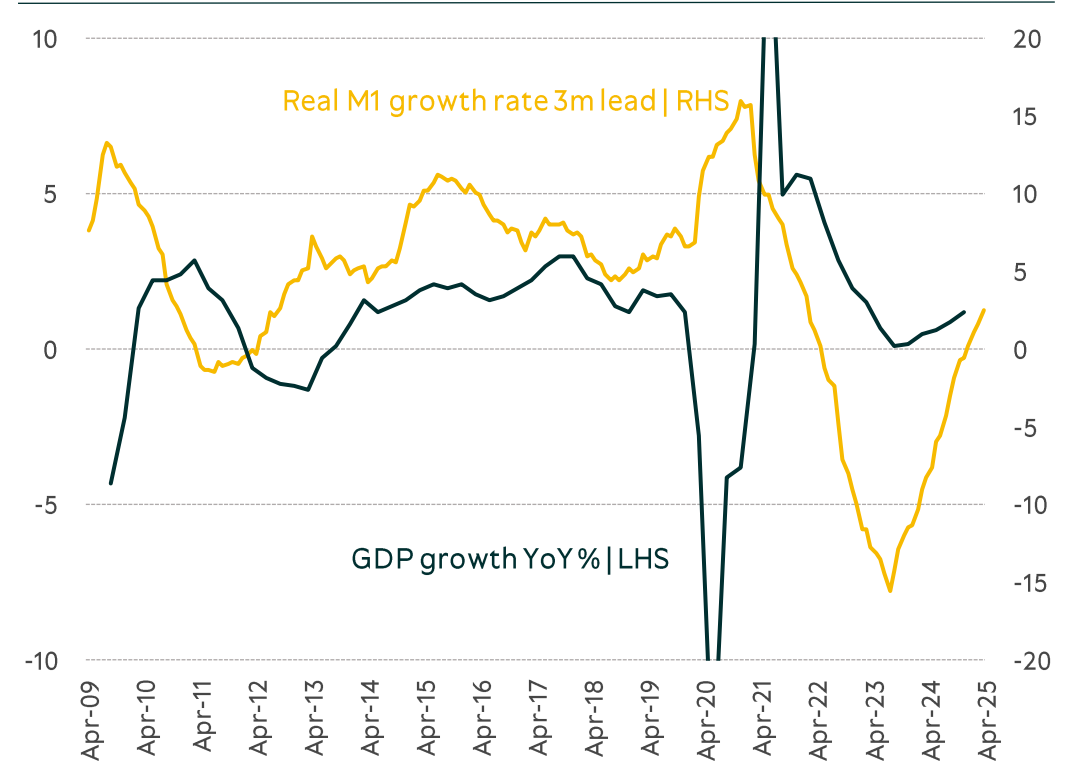


# EA | Manufacturing New Orders on upturn in Q2 2025; Real M1 improvement somewhat reduces concerns about the economic outlook

GDP & New Orders Indices

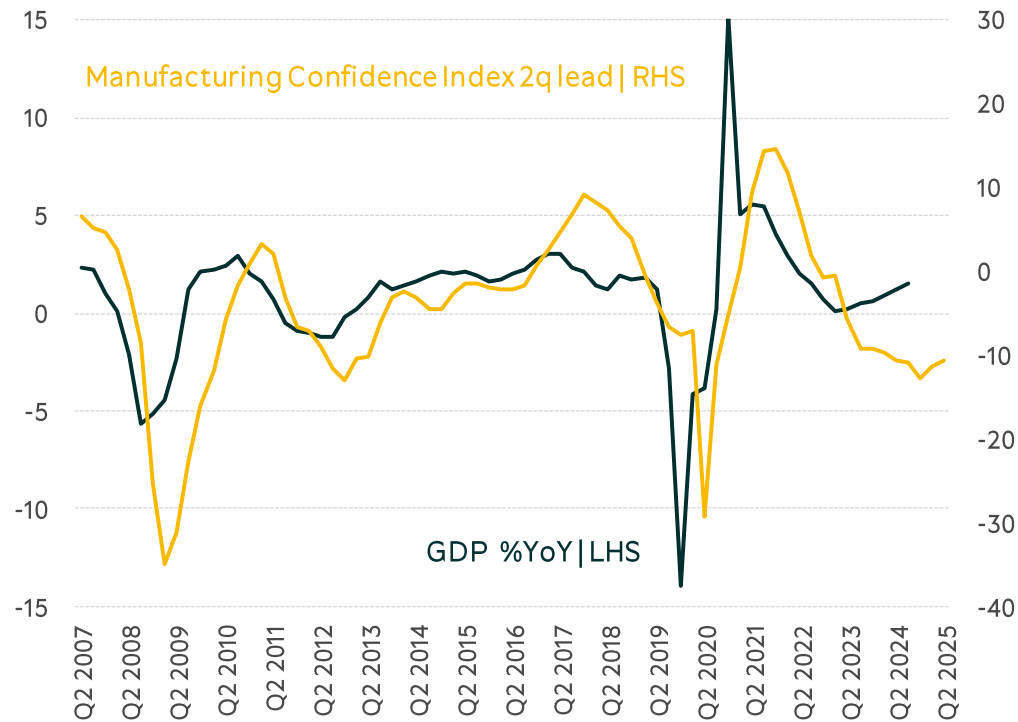


GDP & Real M1 growth rate

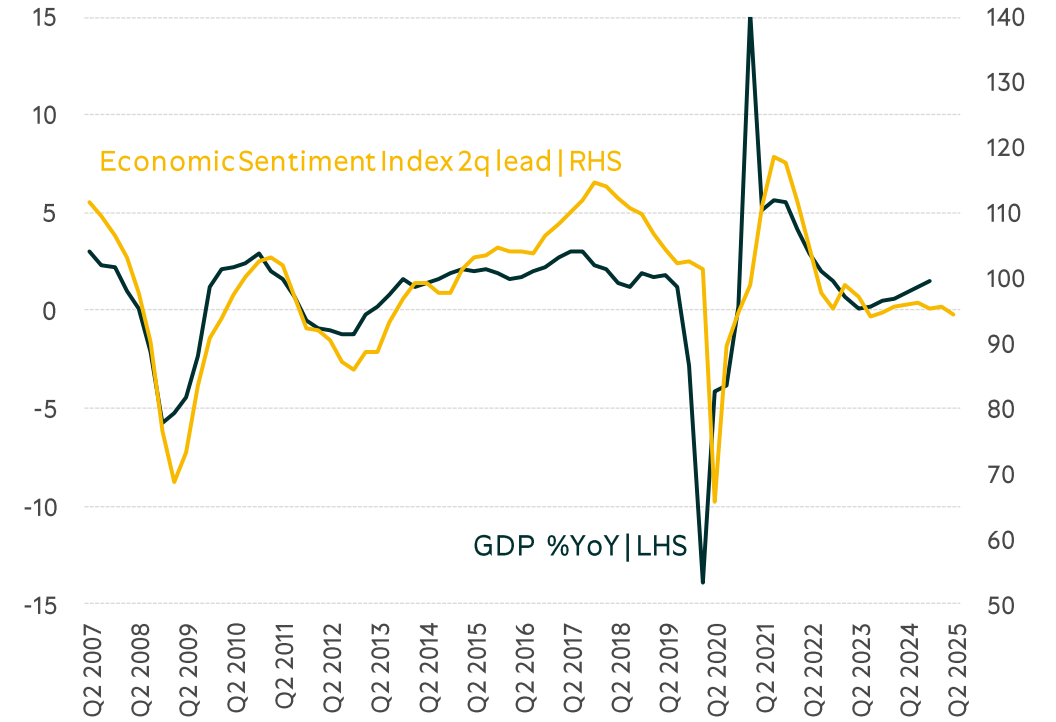


# EA GDP Outlook | Economic sentiment points to a marginal slowdown, while manufacturing picked up providing some green shoots

GDP & Manufacturing Confidence Index

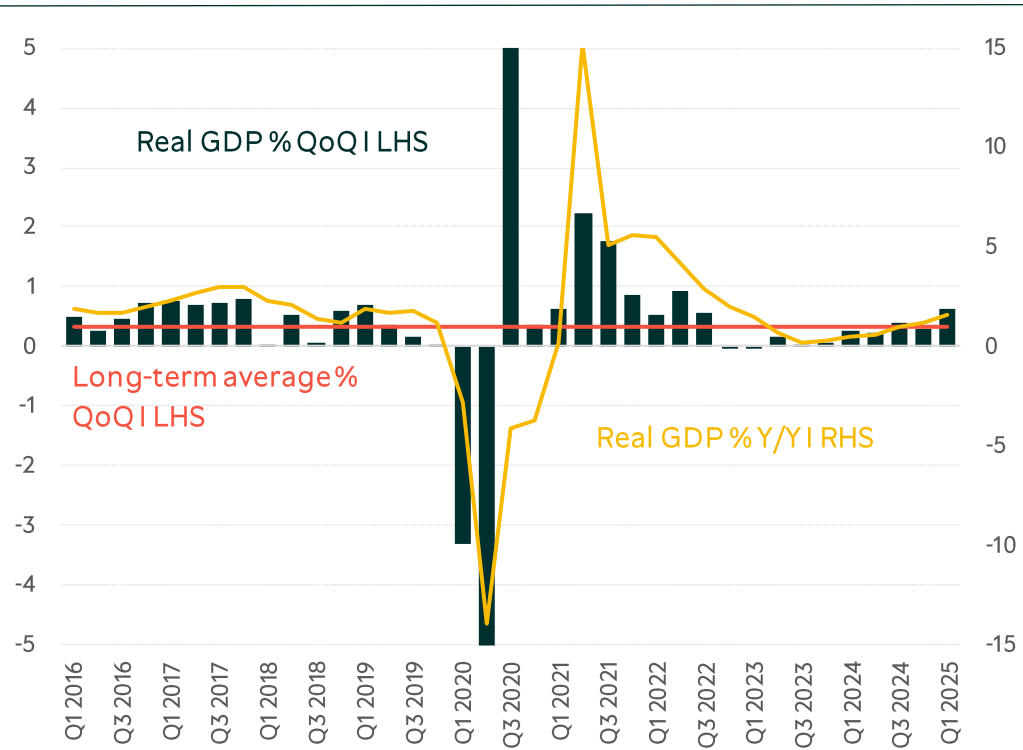


GDP & Economic Sentiment Index

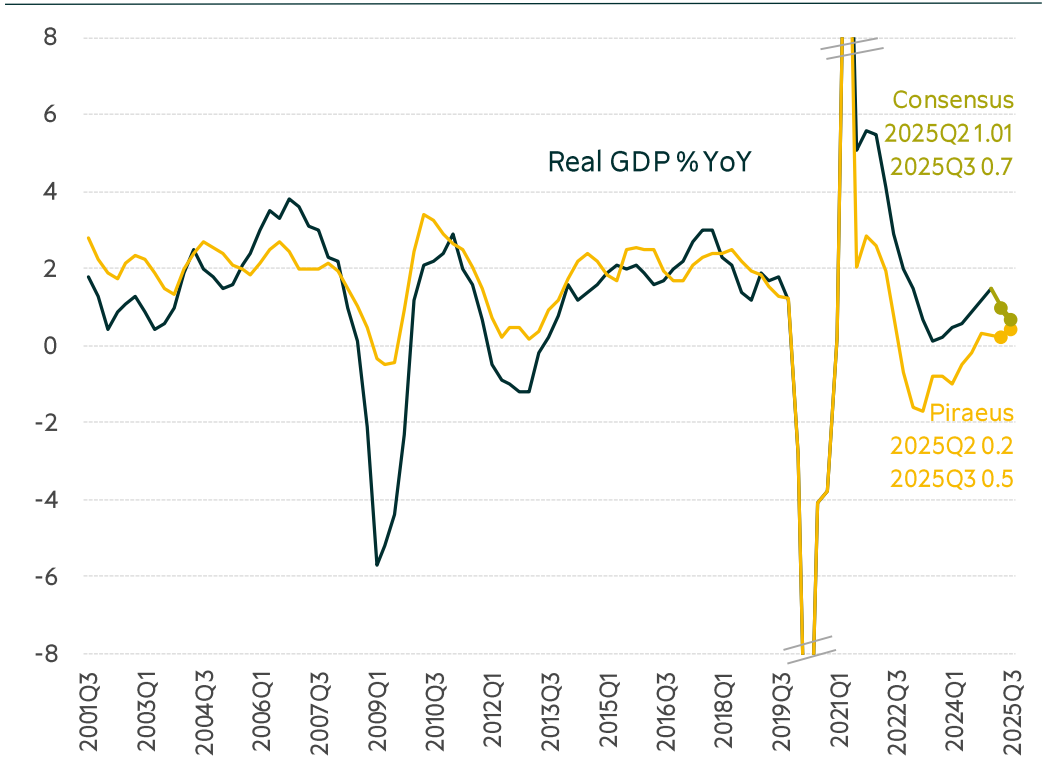


# EA GDP Outlook | Real GDP grew by 1.5% year-on-year in Q1 2025 (0.6% quarter-on-quarter) but is projected to grow at a slower rate.

Growth Rate Outlook



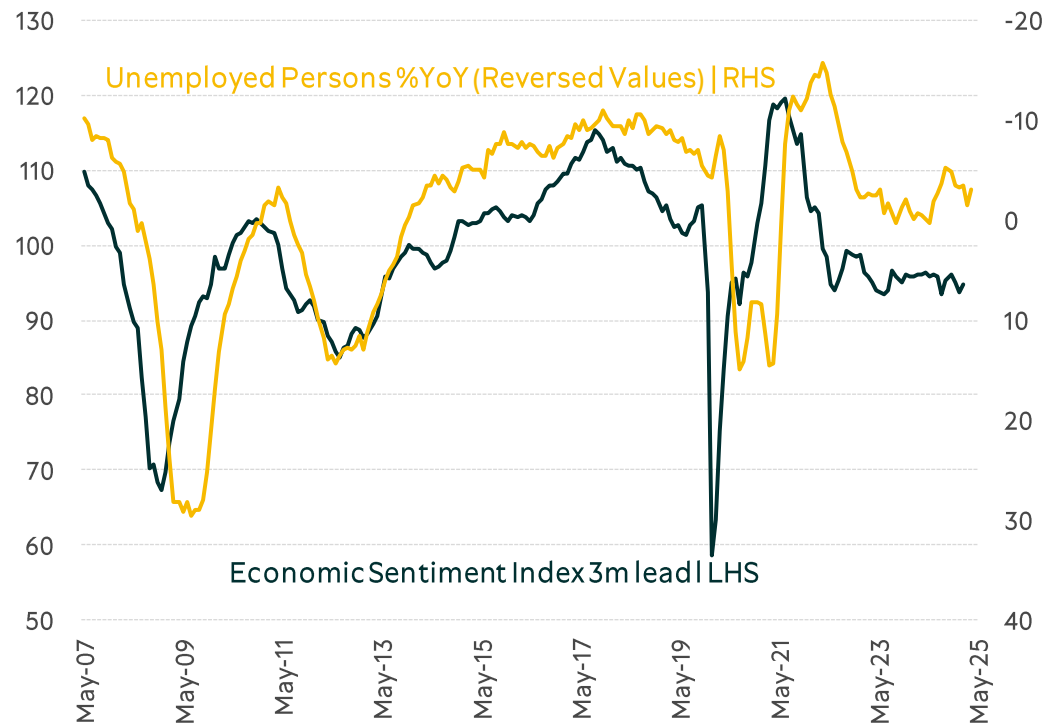
Growth Rate Estimate



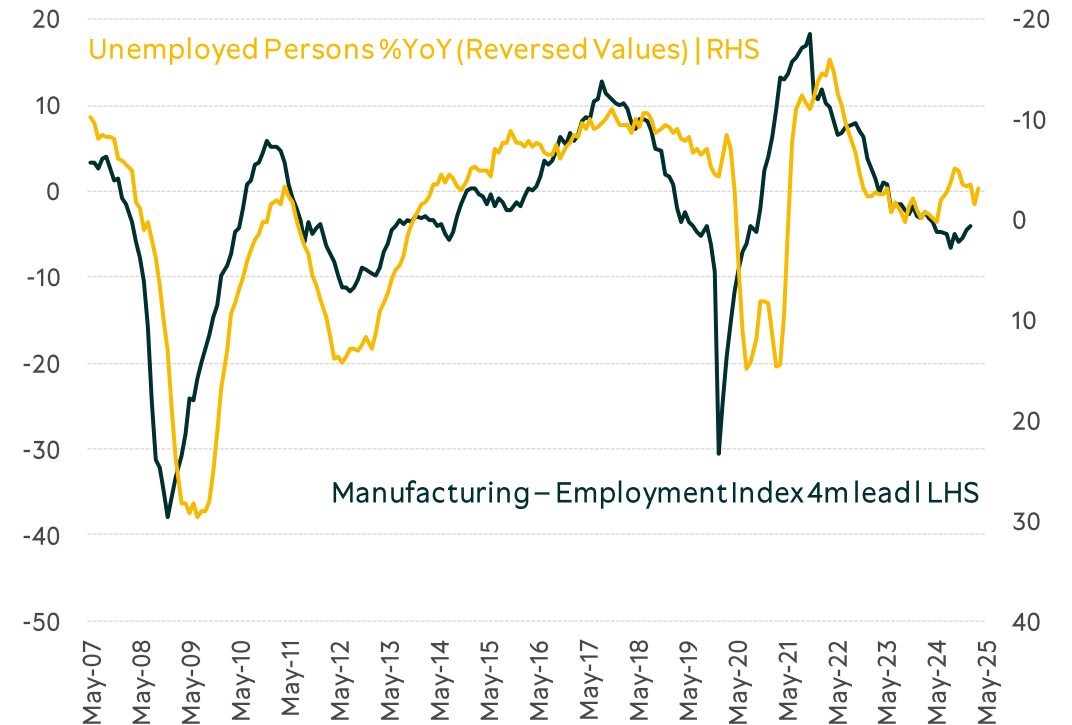
Note: Covid-19 period (Q4 2019 - Q2 2021) is excluded from the estimation

# EA Labour Market | Labour market is still in good shape with some improvement in the Manufacturing sector. Consumers' pessimism on unemployment expectations has risen.

Unemployment & Leading Sentiment Index

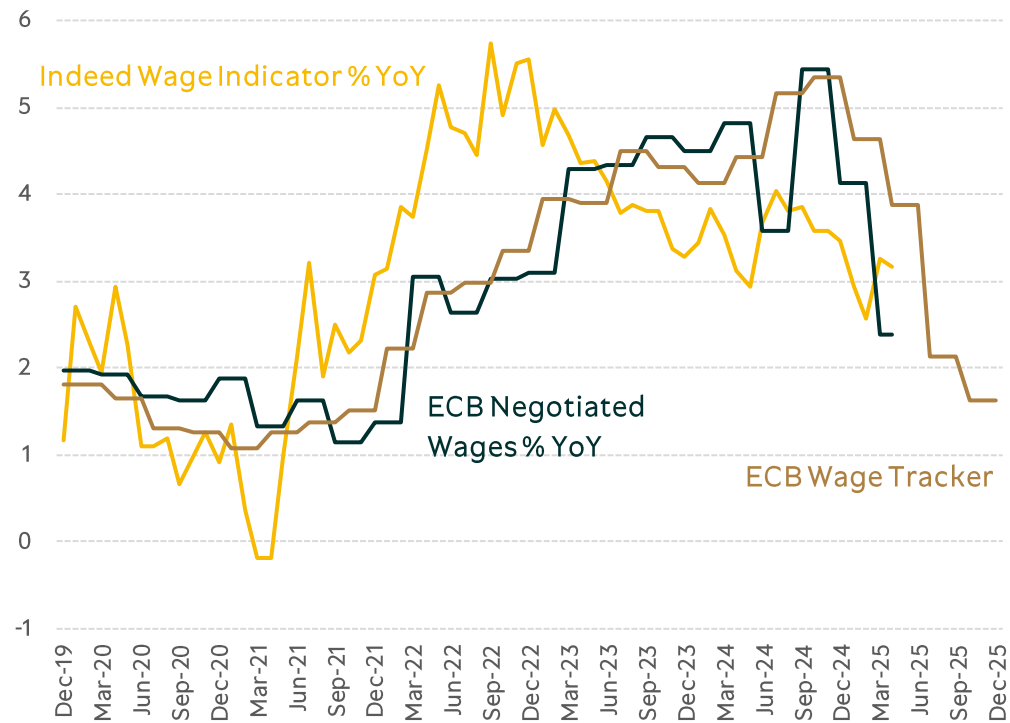


Unemployment & Leading Manufacturing Index

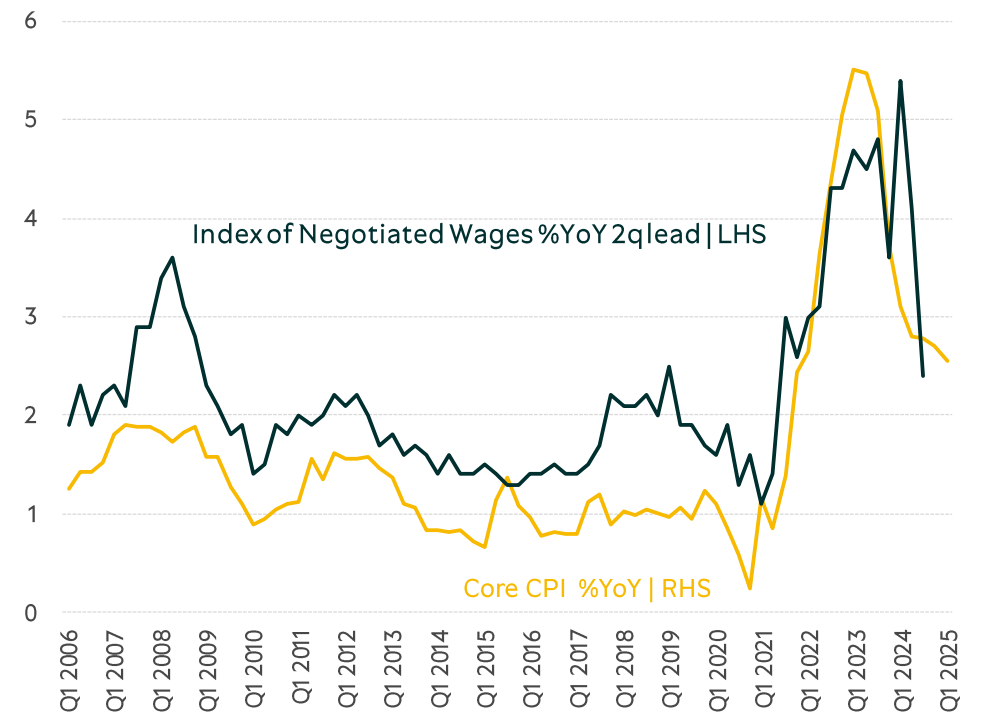


# EA Wage Tracker | ECB's Wage Tracker point to sharp wages slowdown in 2025

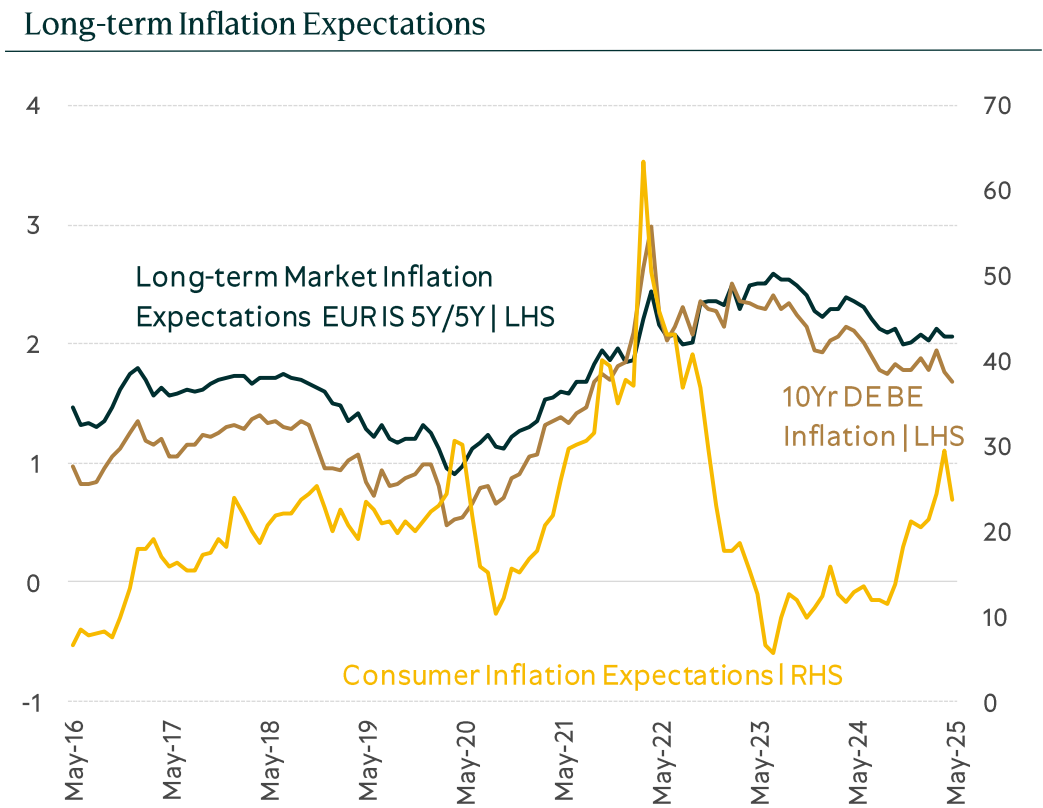
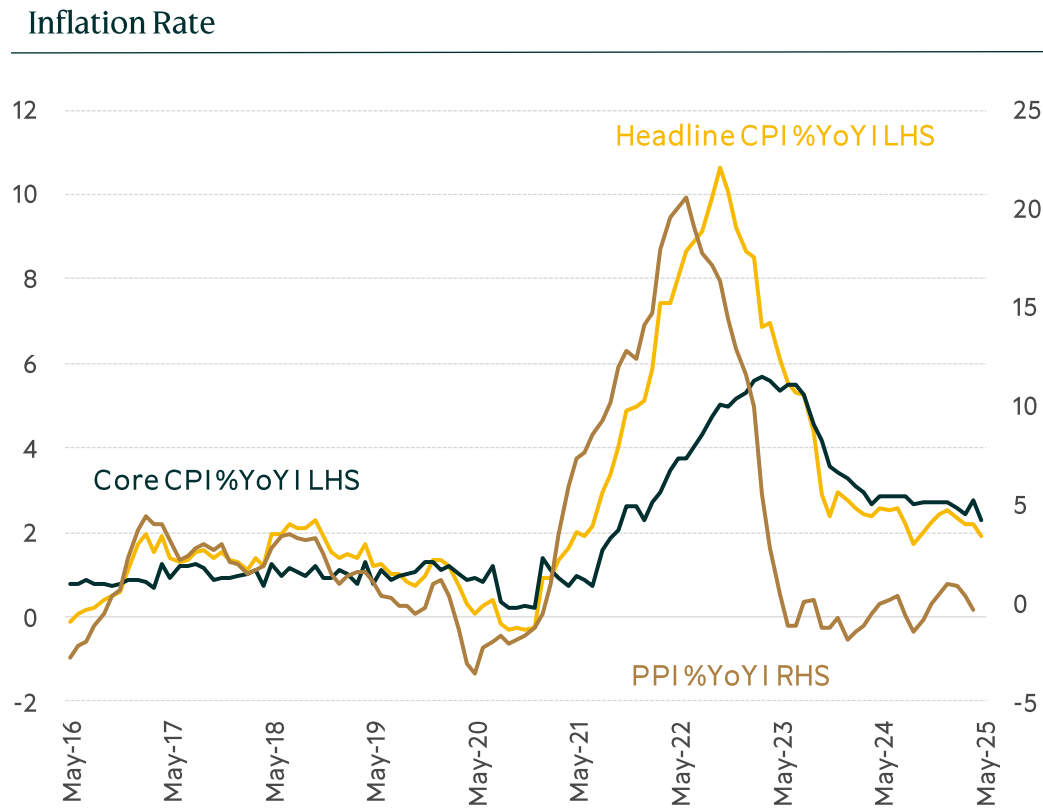
EA Wage Indicators



Core Inflation & Wages

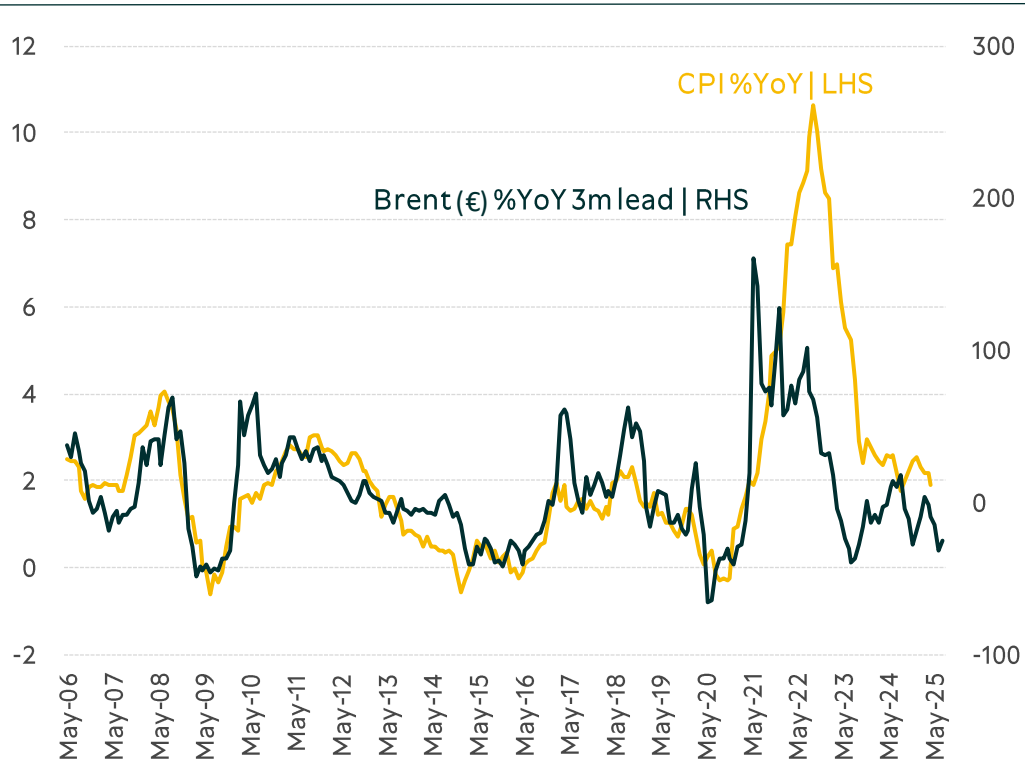


# EA Inflation Pressures | Headline CPI decelerated to 1.9% (from 2.2%) in May and Core CPI to 2.3% (from 2.7% in April). Consumer inflation expectations are declining.

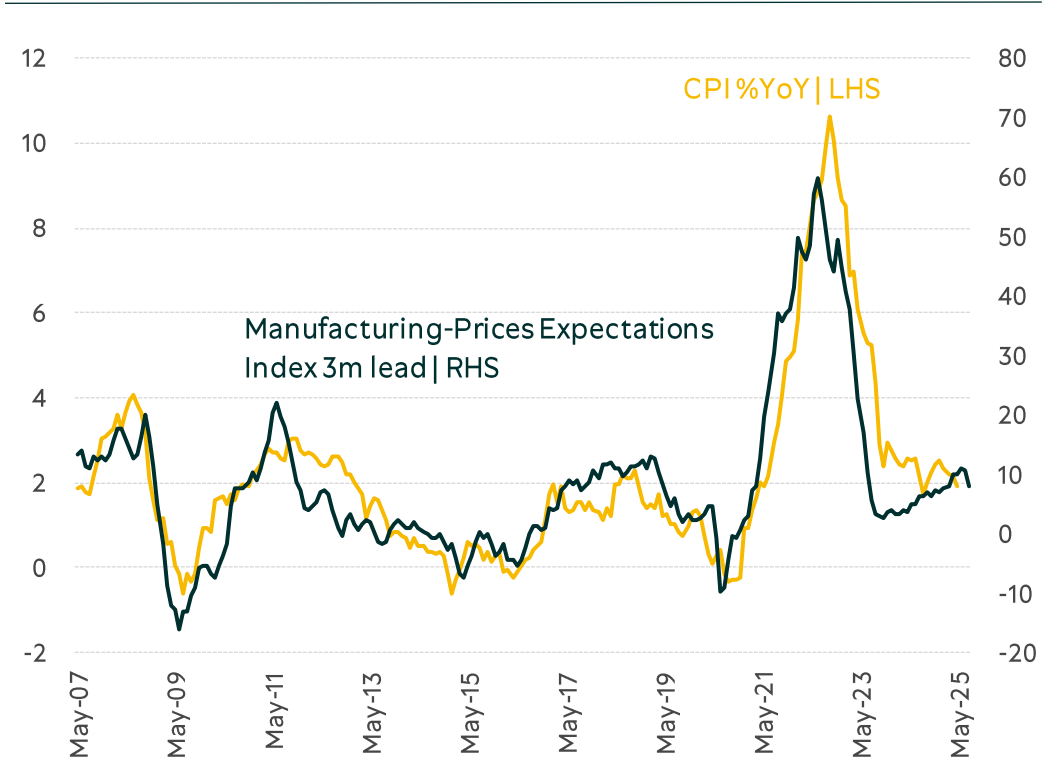


# EA Inflation & Energy Prices | Manufacturing Prices Expectations do not exert pressures on prices, but higher Brent prices due to a prolonged conflict in the Middle East could derail some of the progress so far.

### Inflation Rate & Oil Prices

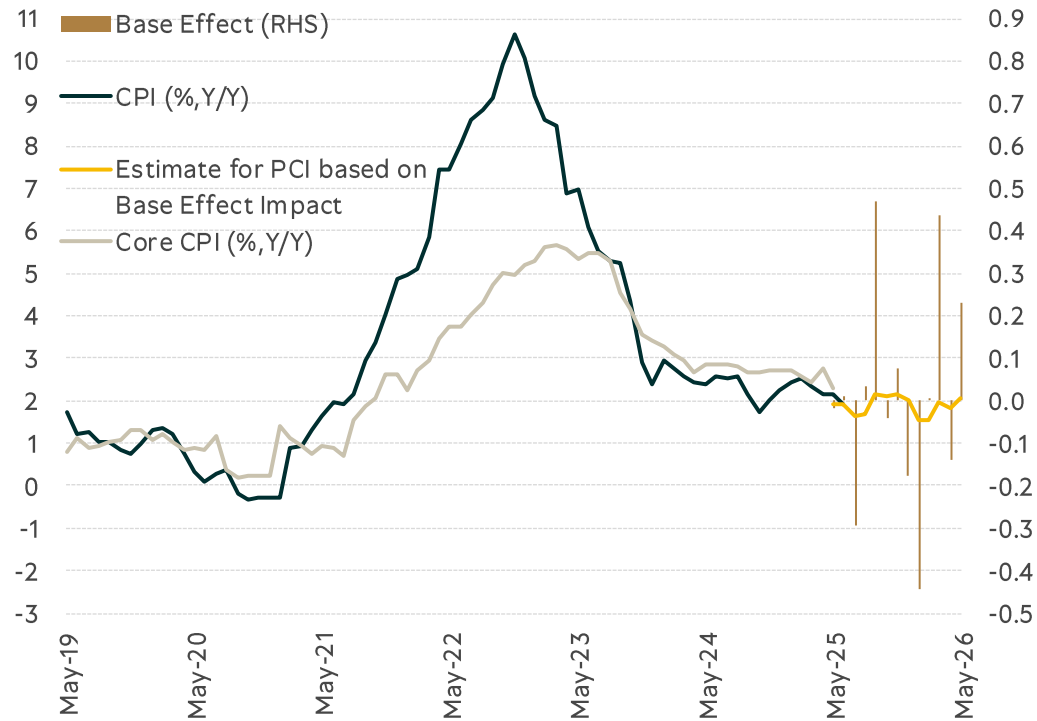


### Inflation Rate & Leading Manufacturing Prices Index

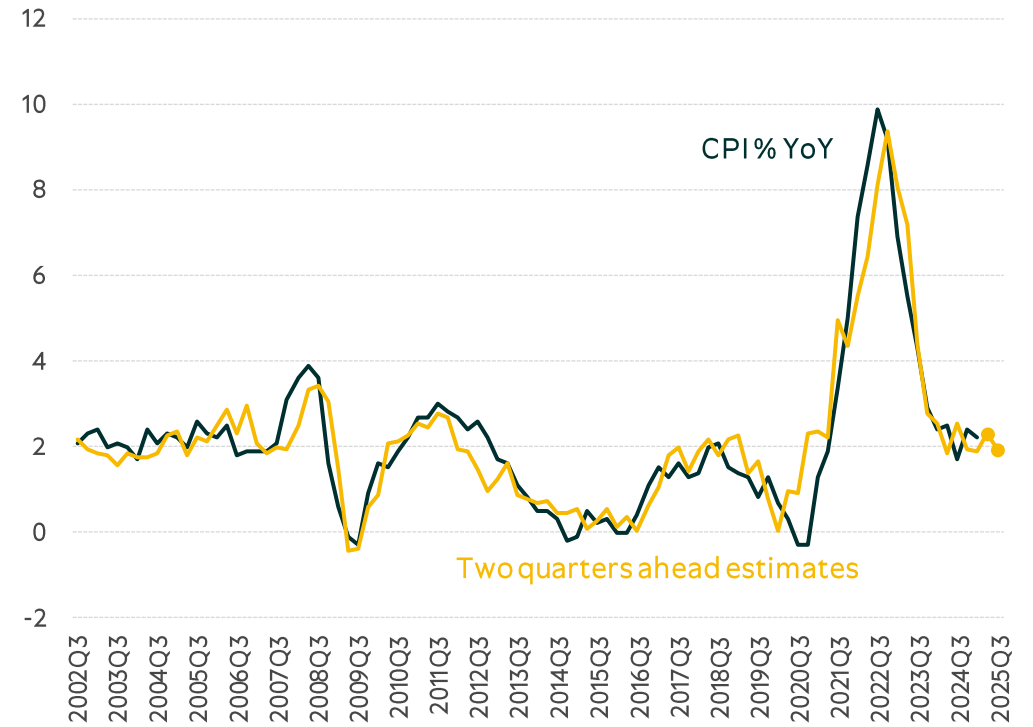


# EA Inflation Outlook | The 2% target is expected to be achieved for the year.

## Inflation Rate Forecast | Statistical Model



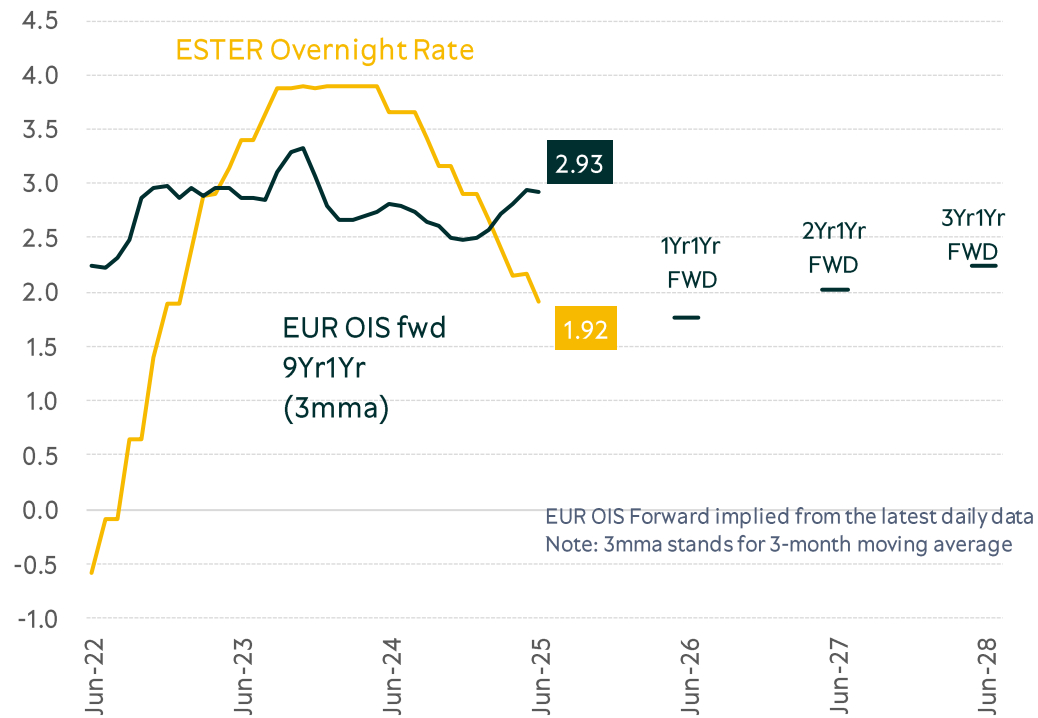
## Inflation Rate Forecast | Macro Model



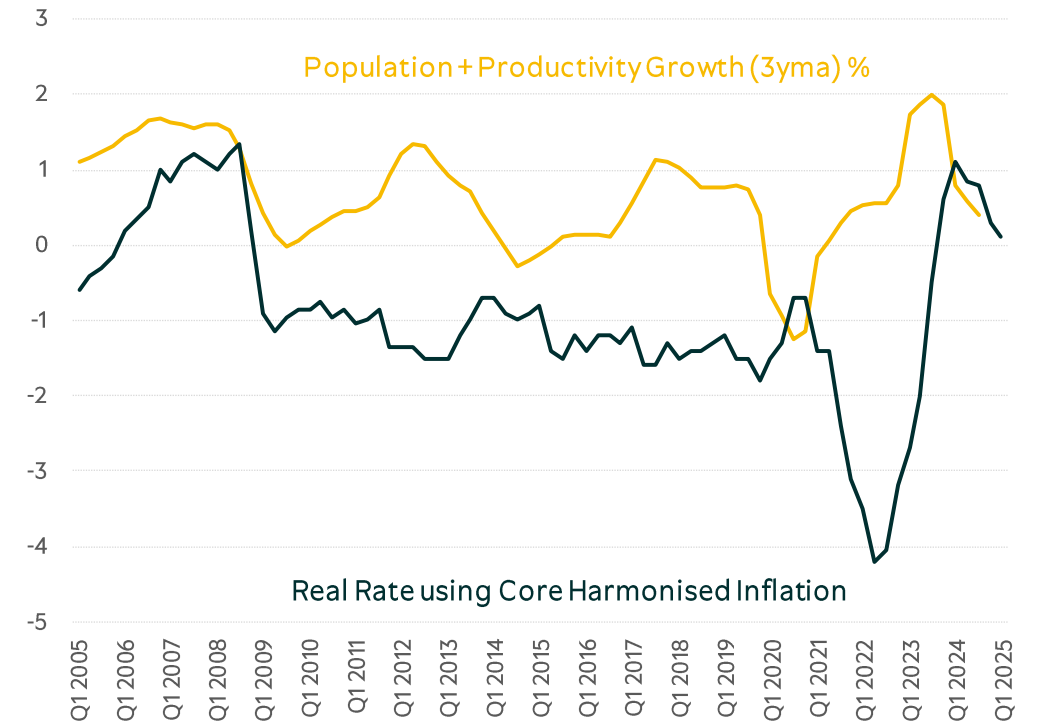


# EA Short-Term Rates | Short term forward rates suggest lower levels of interest rates in the near term

Interest rates | Market Expectations

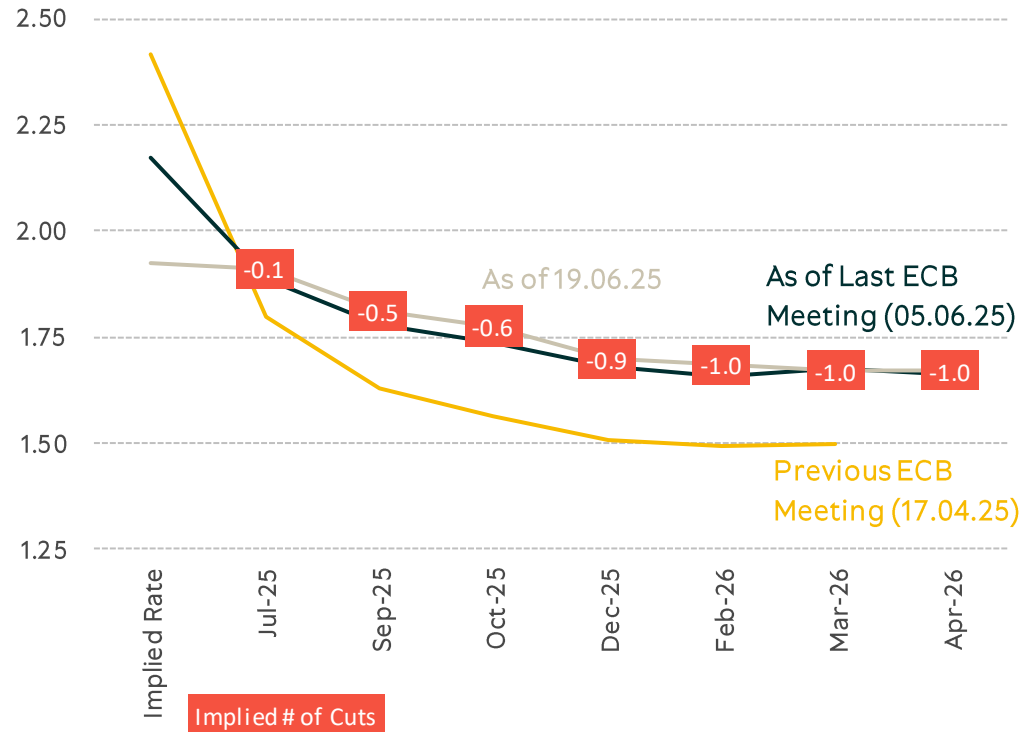


Real Depo Rate (Depo - Core CPI) & Population + Productivity growth (3y ma)

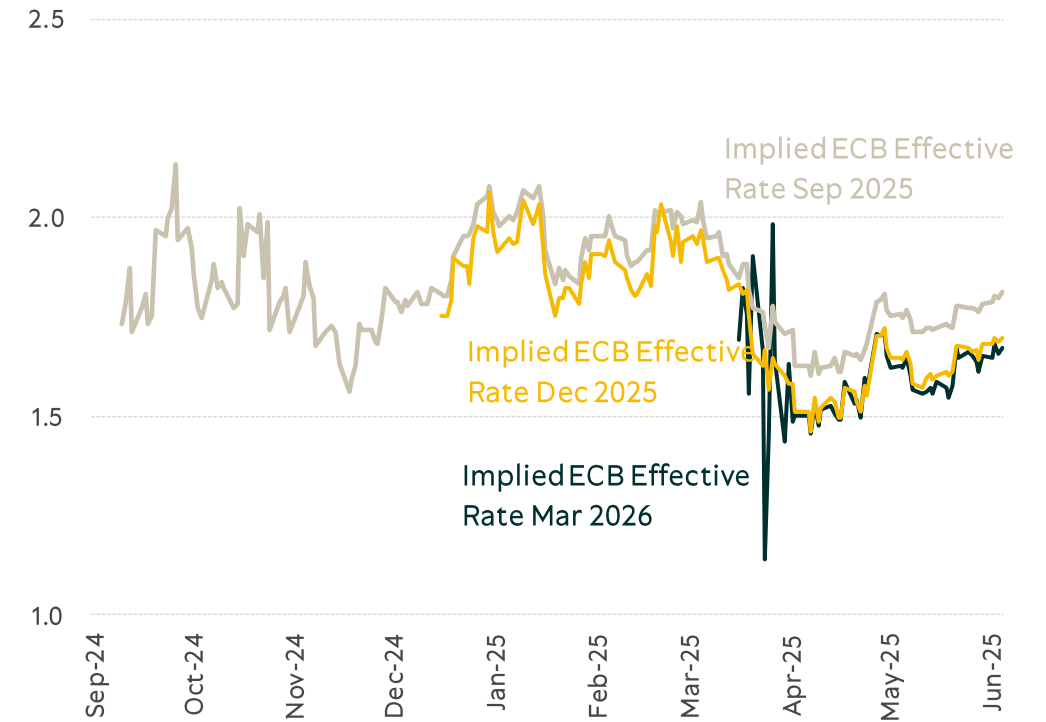


# EA Short-Term Rates | One more cut is anticipated by the markets by year end

Implied Overnight Rate based on Overnight Index Swaps

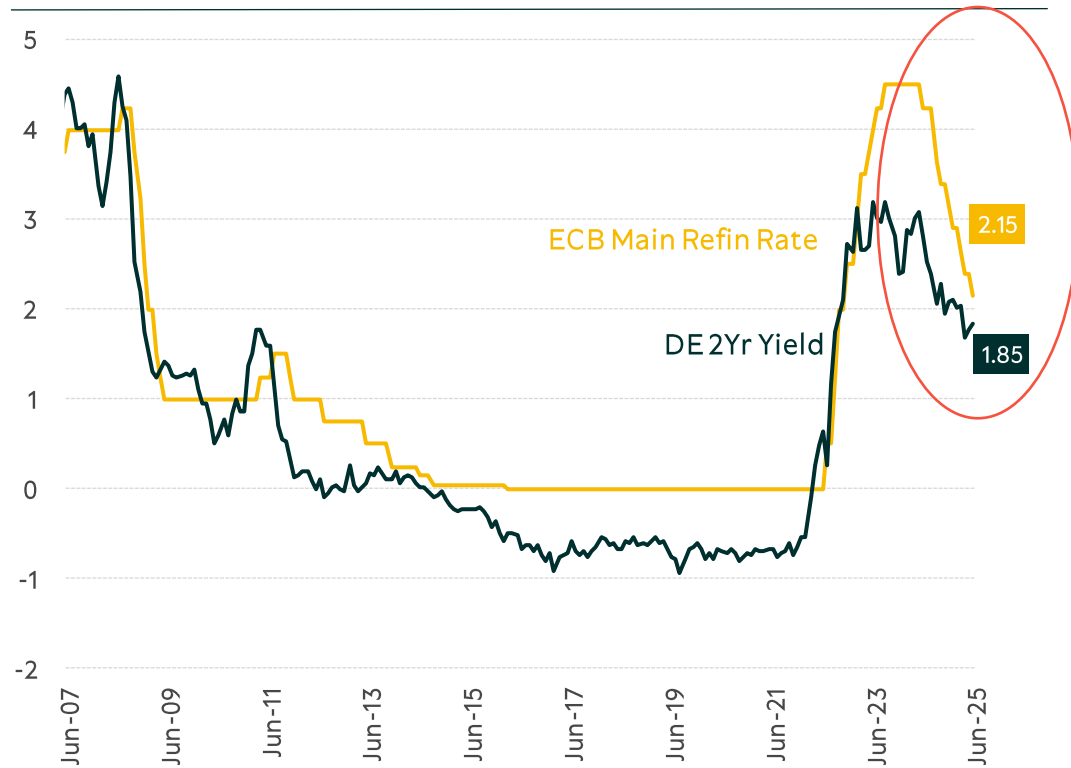


Interest Rates | Implied ECB Effective Rate

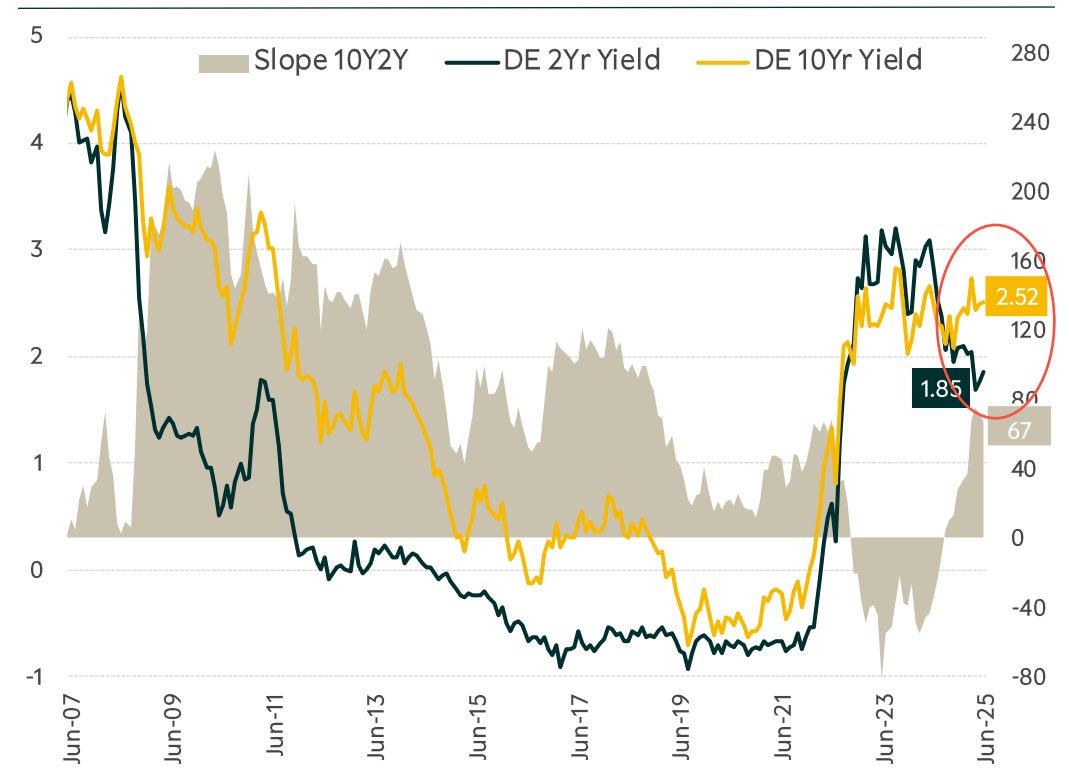


# EA Rates | German 10Y2Y spread turned positive at the end of Q3 2024. Fears of recession have subsided.

### ECB Policy Rate vs German 2Yr Yield

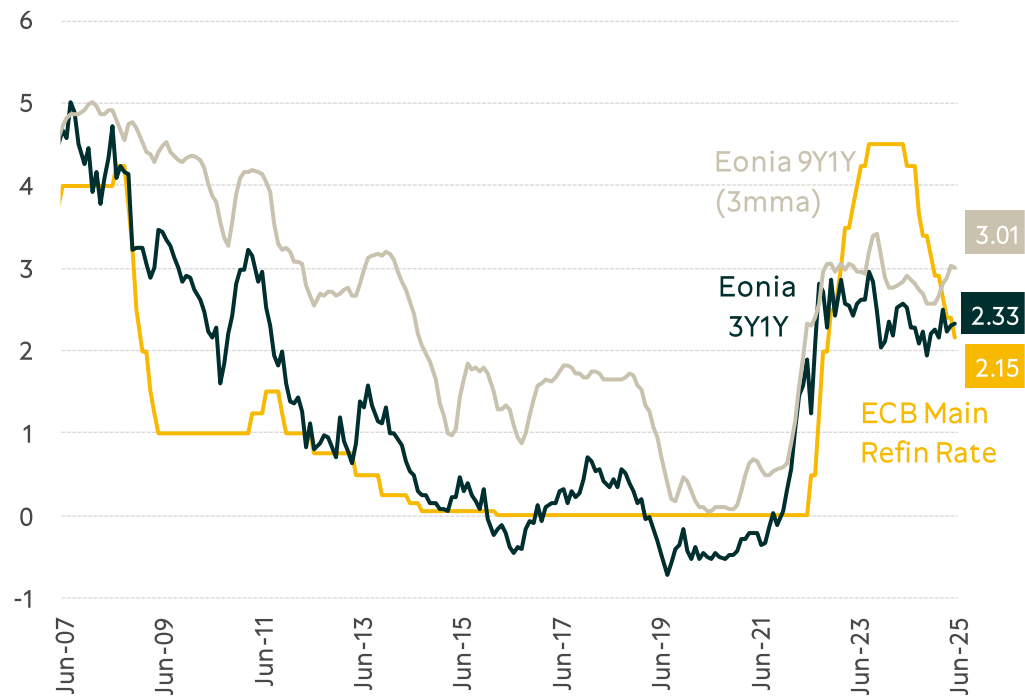


### German Yield Curve

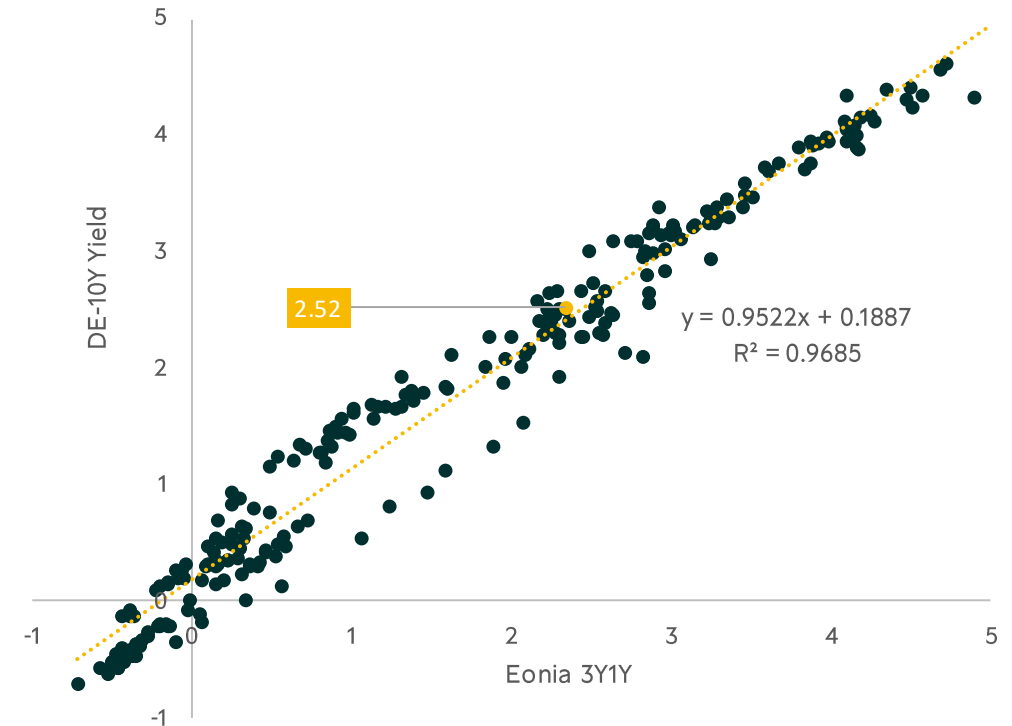


# EA Long-Term Rates | Given the current level of short-term rates, long-term bonds are close to “fair value”

### Long-term Interest Rate Expectations



### DE Yield vs Medium-term Interest Rate Expectations



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Bird's Eye View

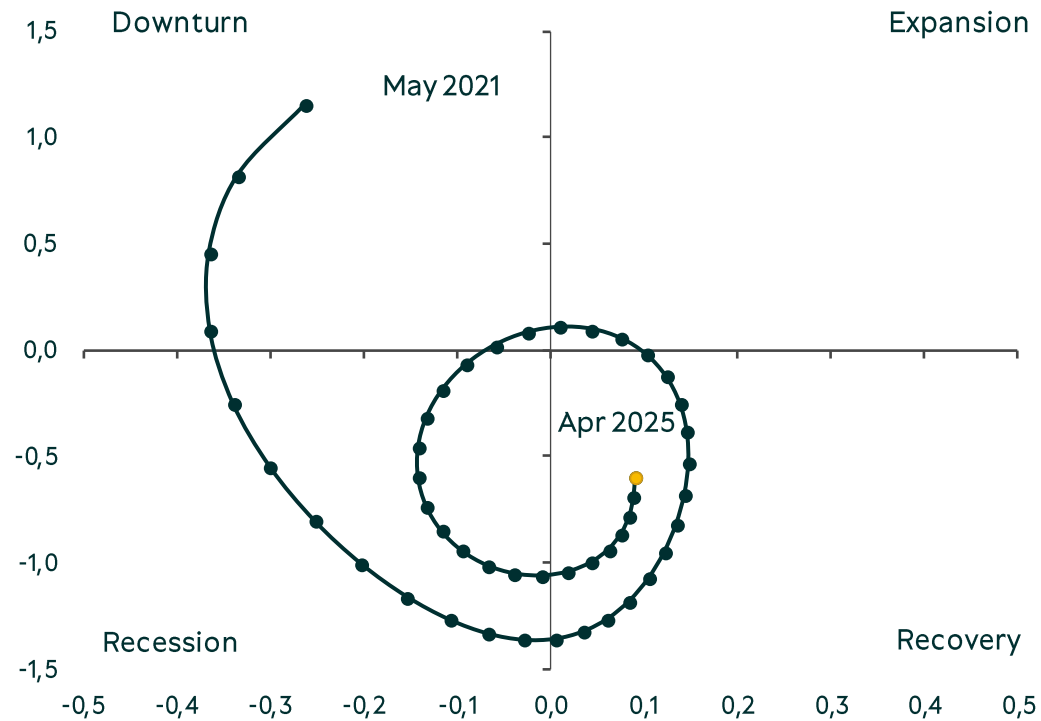
US Economy

EA Economy

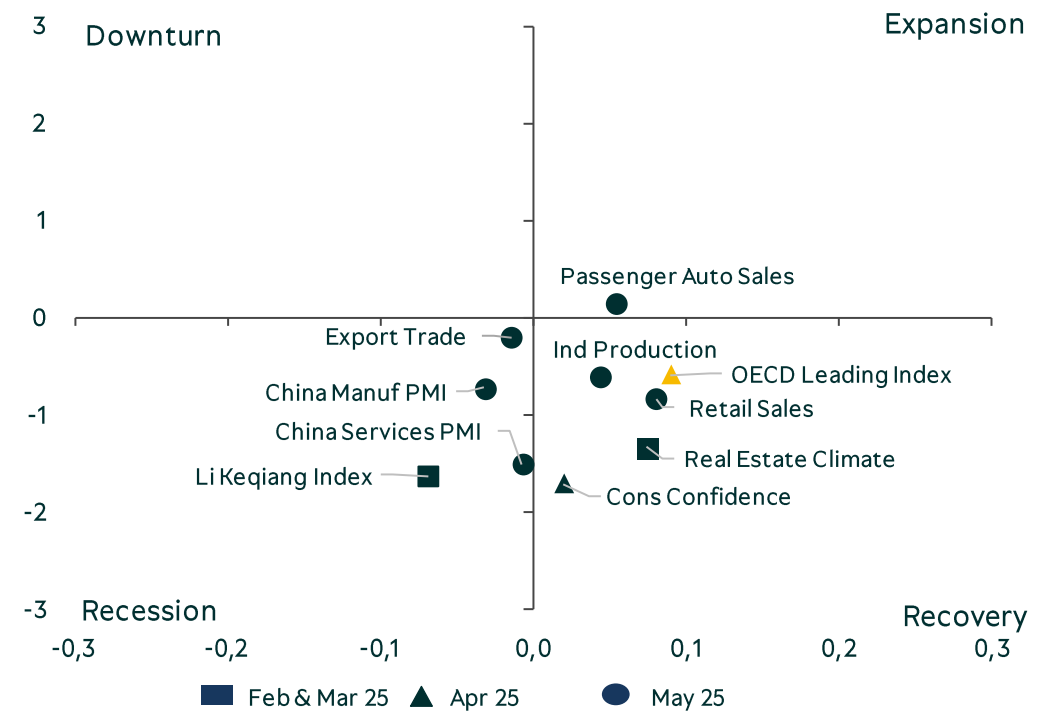
China Economy

# Chinese Business Cycle | Most economic variables are in the recovery phase

CN Business Cycle | Based on China OECD Leading Indicator

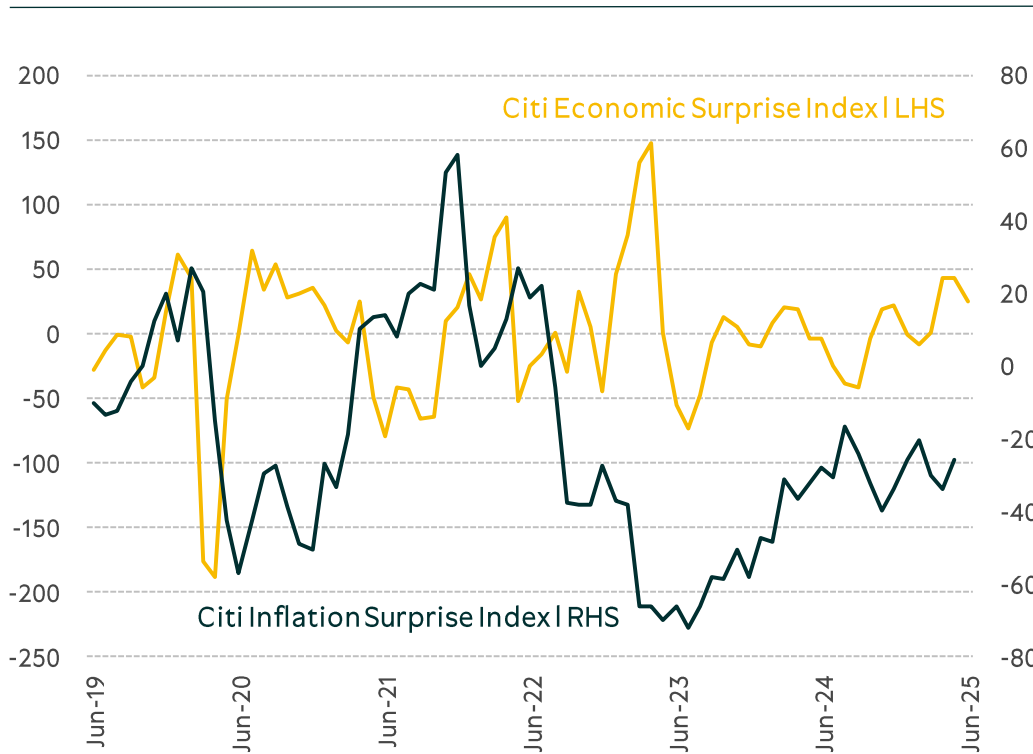


CN Business Cycle | Based on Major CN Economic Variables

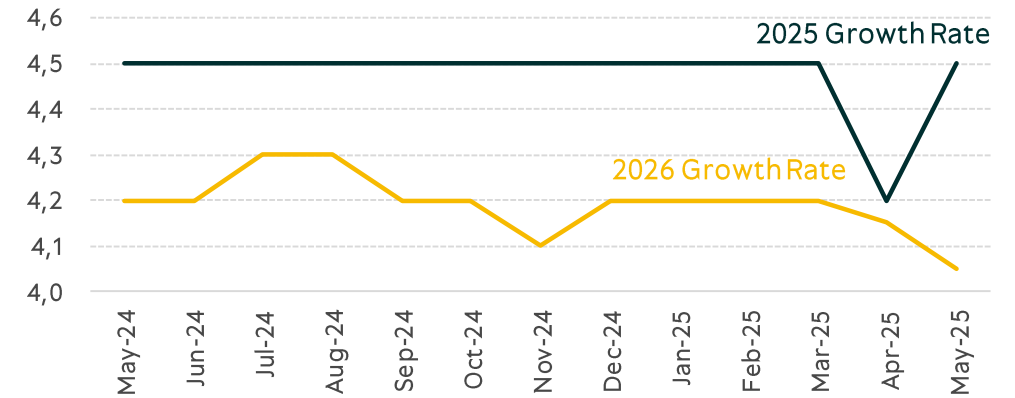


# Chinese Macro Expectations | Sub 5% growth expectations for 2025

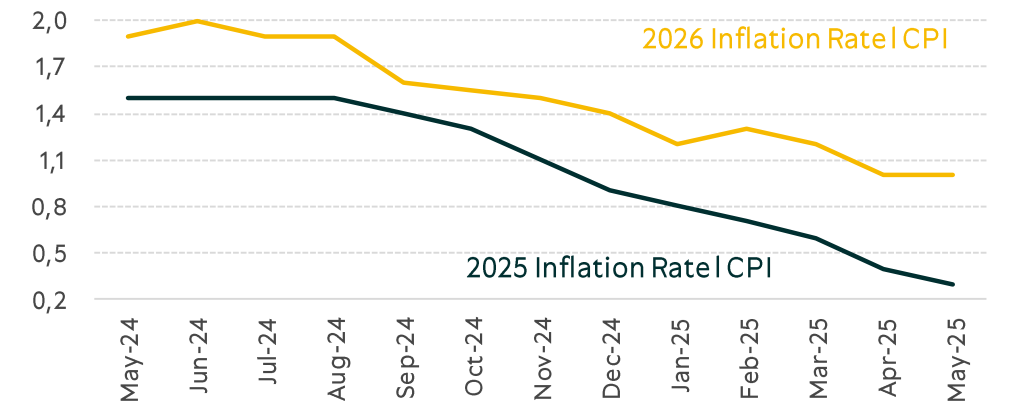
## Economic & Inflation Surprises



## Growth Rate Expectations (Consensus)

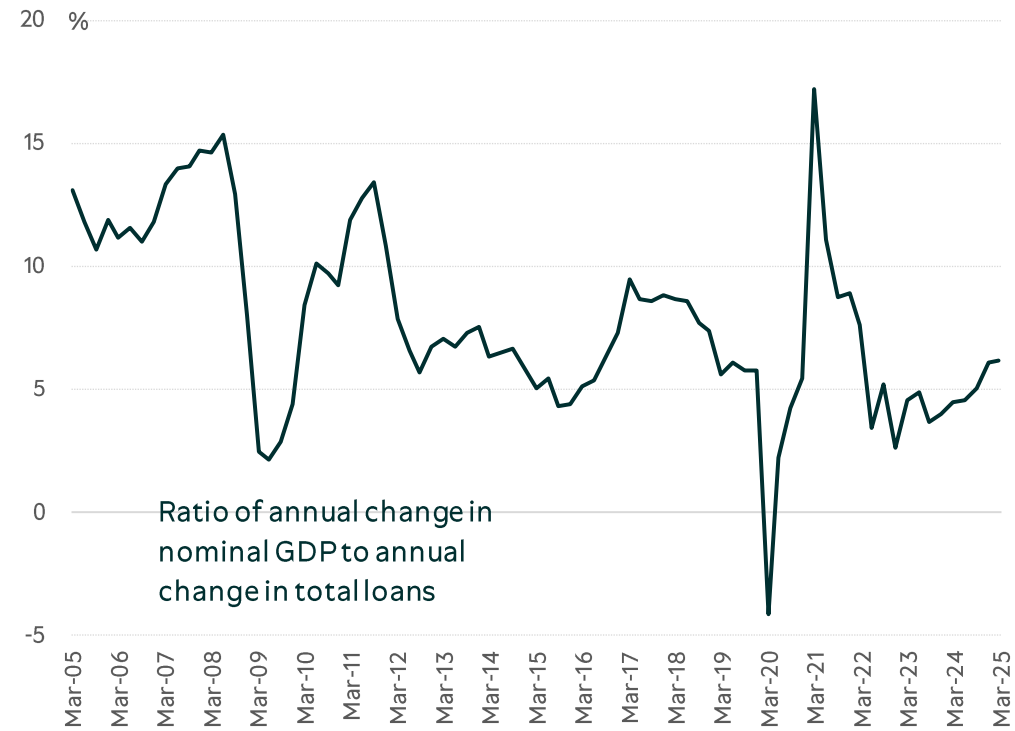


## Inflation Rate Expectations (Consensus)

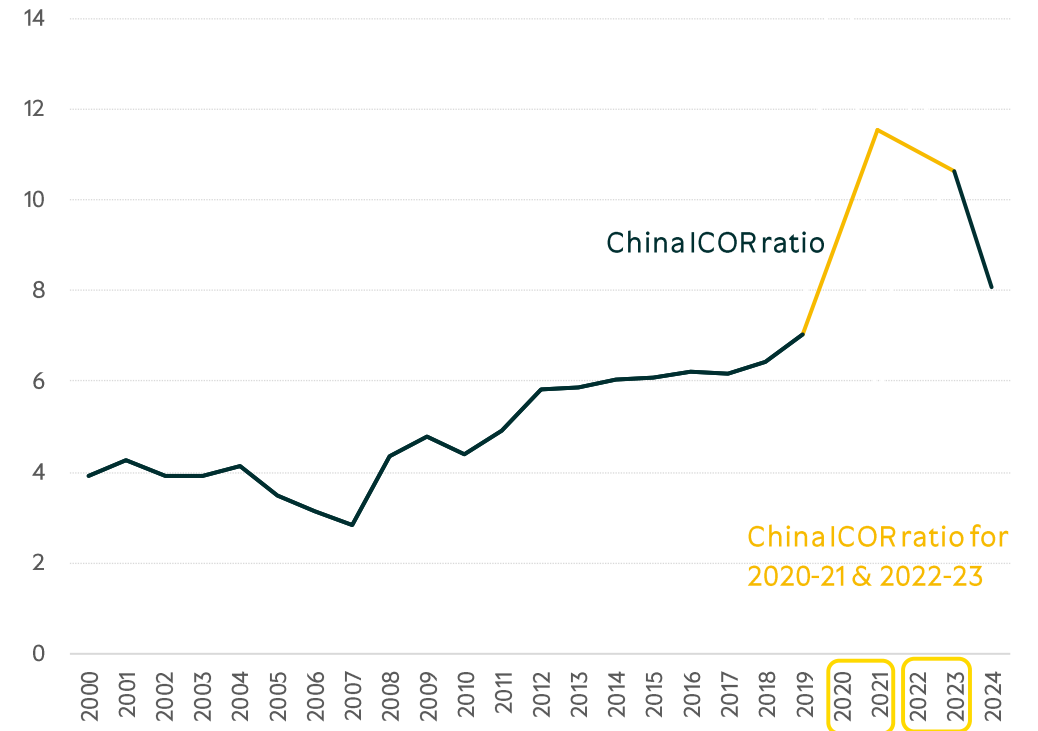


# Chinese Investment Capacity | There is a need for more efficient capital allocation

China credit-efficiency ratio

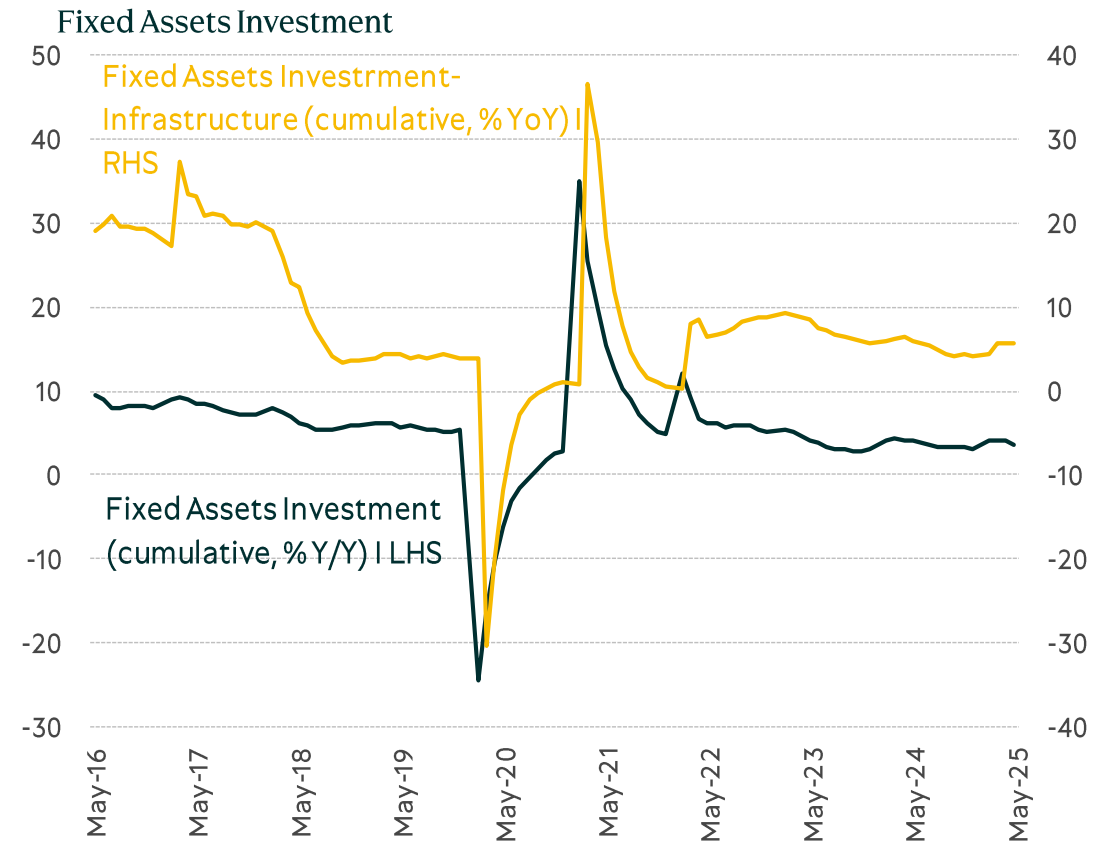
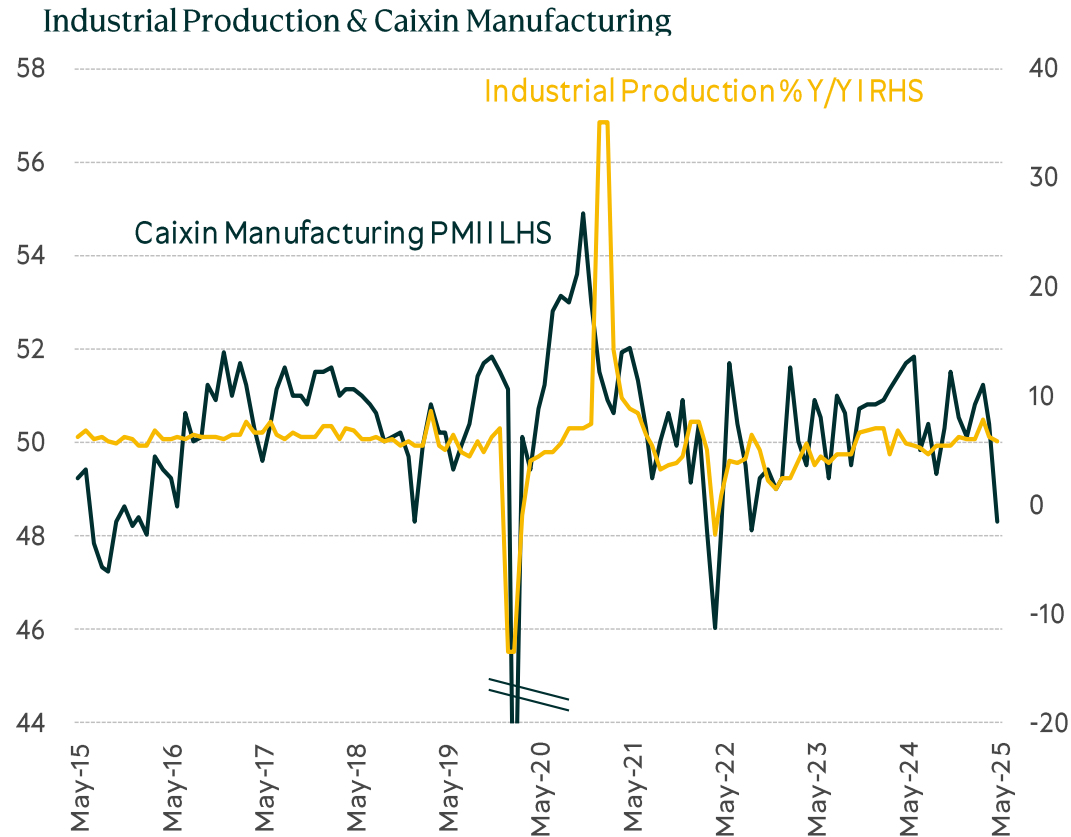


China Incremental Capital Output Ratio



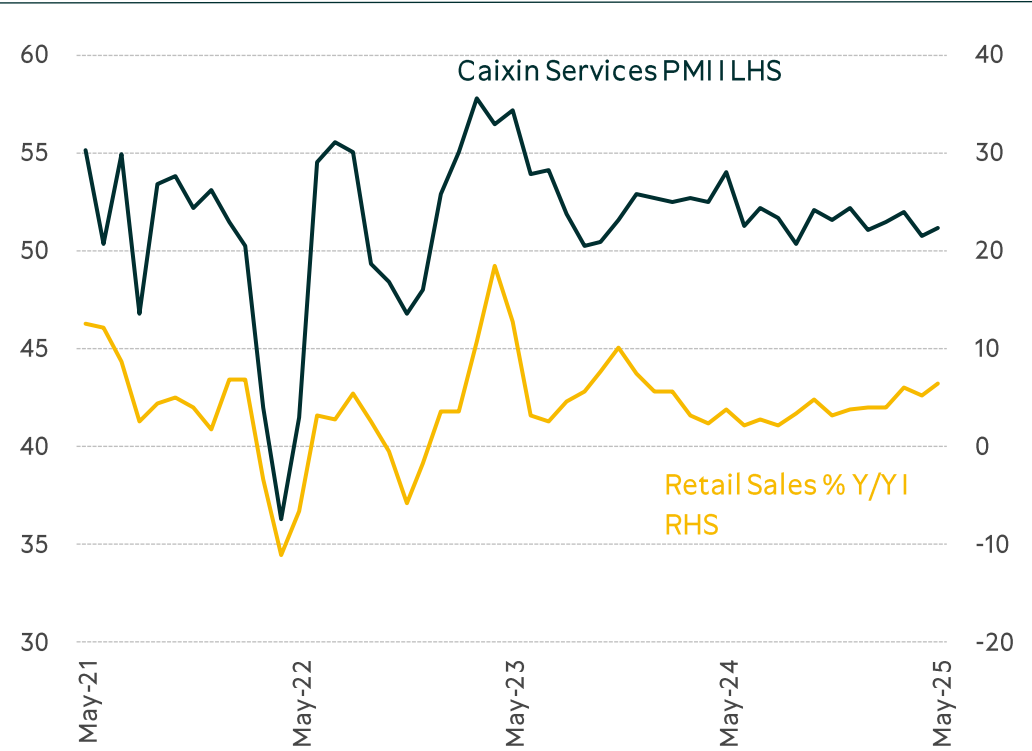


# CN | Caixin Manufacturing PMI declined to 48.3 in May highlighting the importance of a favourable trade agreement with the US for the future of manufacturing and investments.

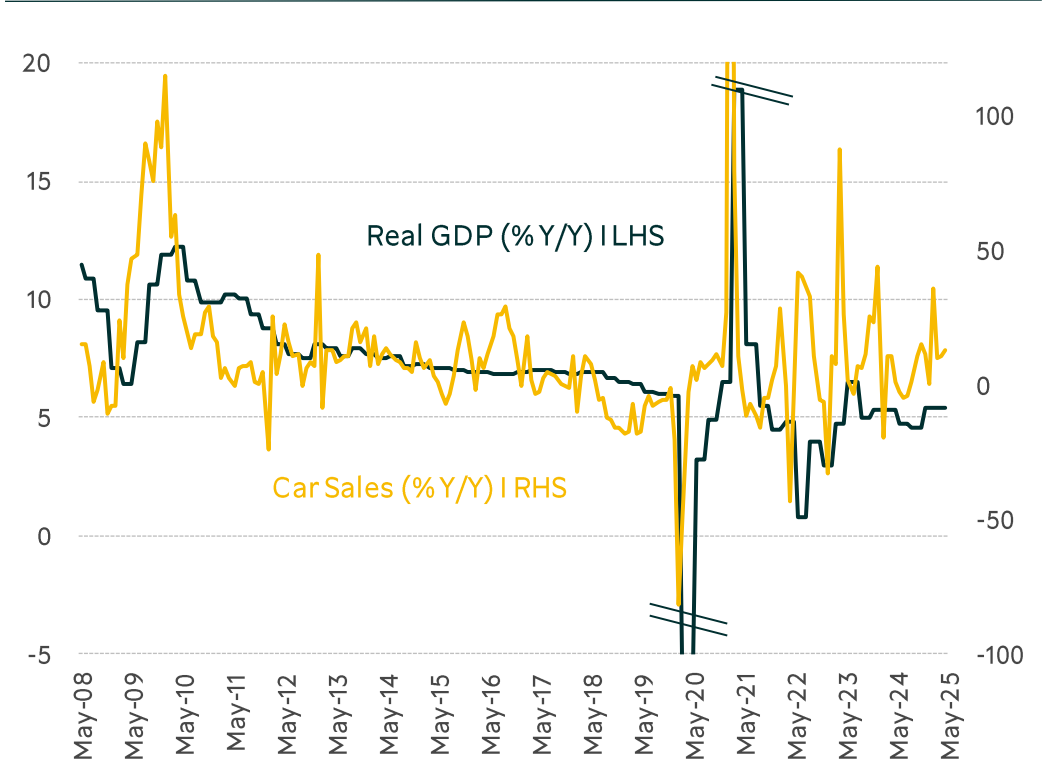


# CN | Retail Sales and Caixin Services PMI exceeded expectations in May

Retail Sales & Caixin Services PMI

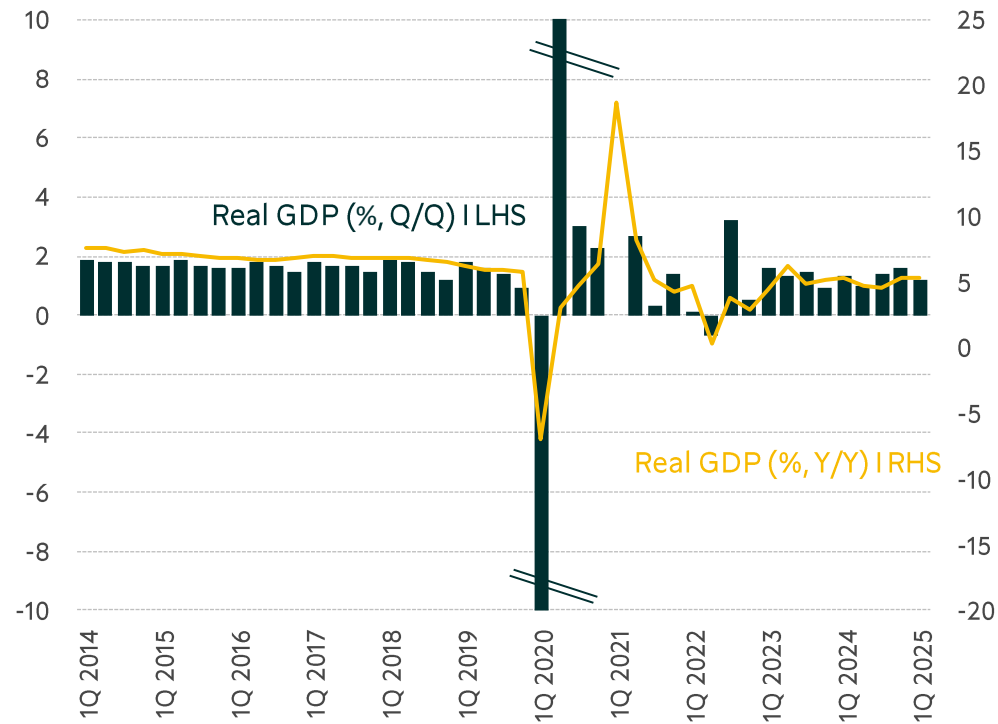


Real GDP & Car Sales

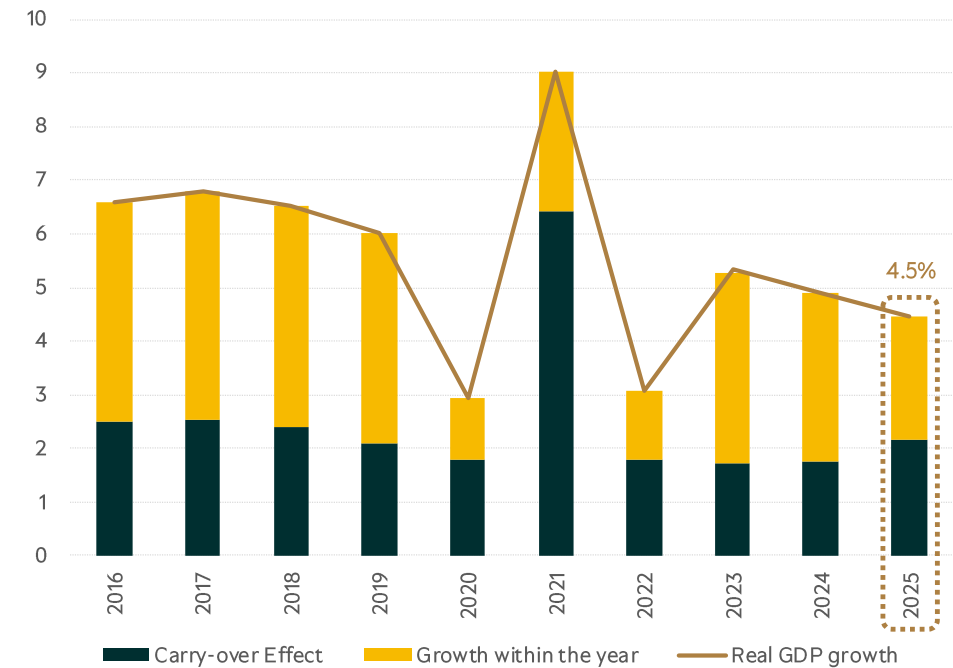


# CN GDP Outlook | The official target of about 5% for 2025 is difficult to be achieved because of USA tariffs

### GDP Growth Rate

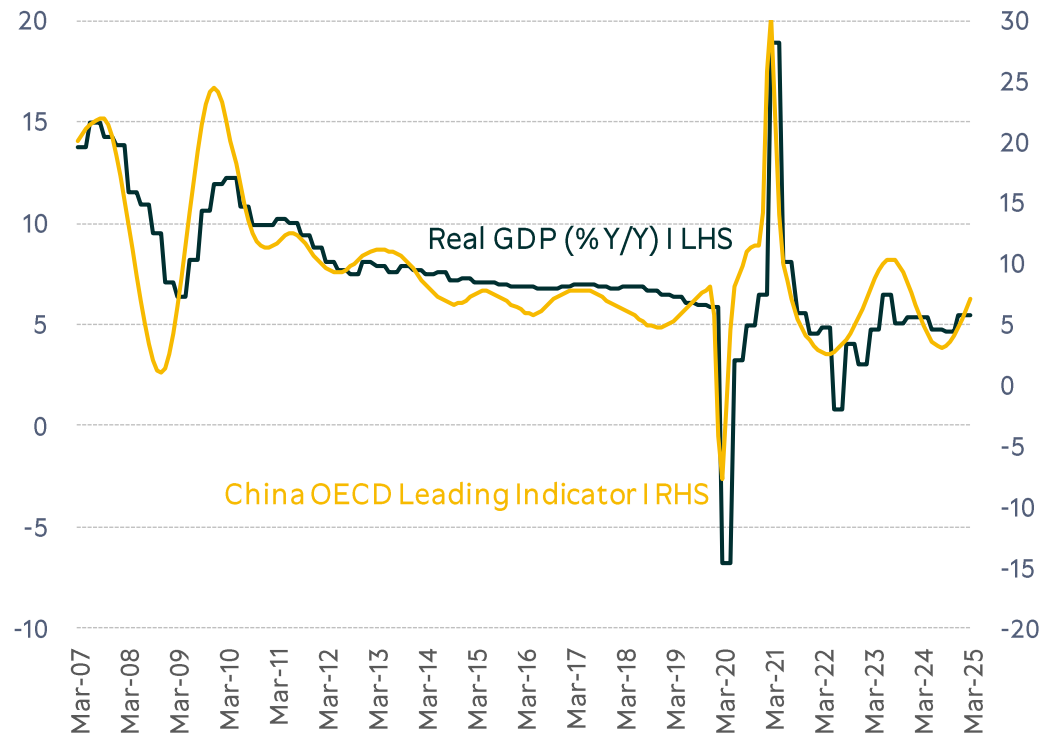


### Carry Over Effect

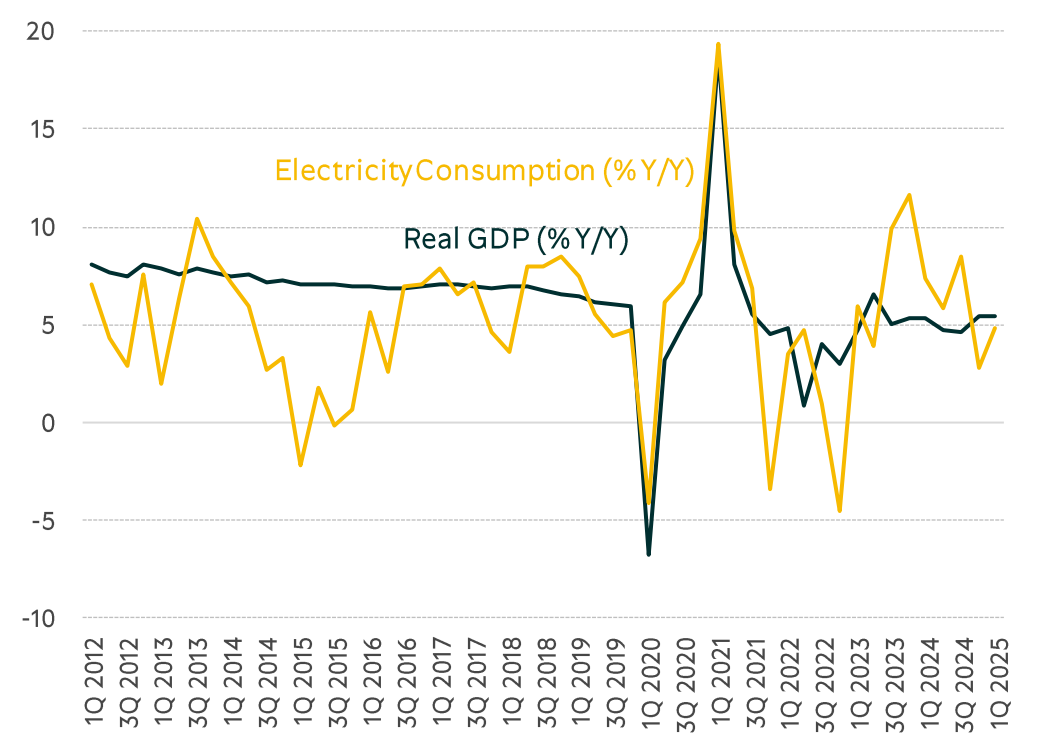


# CN GDP | Electricity consumption and OECD's Leading Indicator are trending upwards

Real GDP & China OECD Leading Indicator

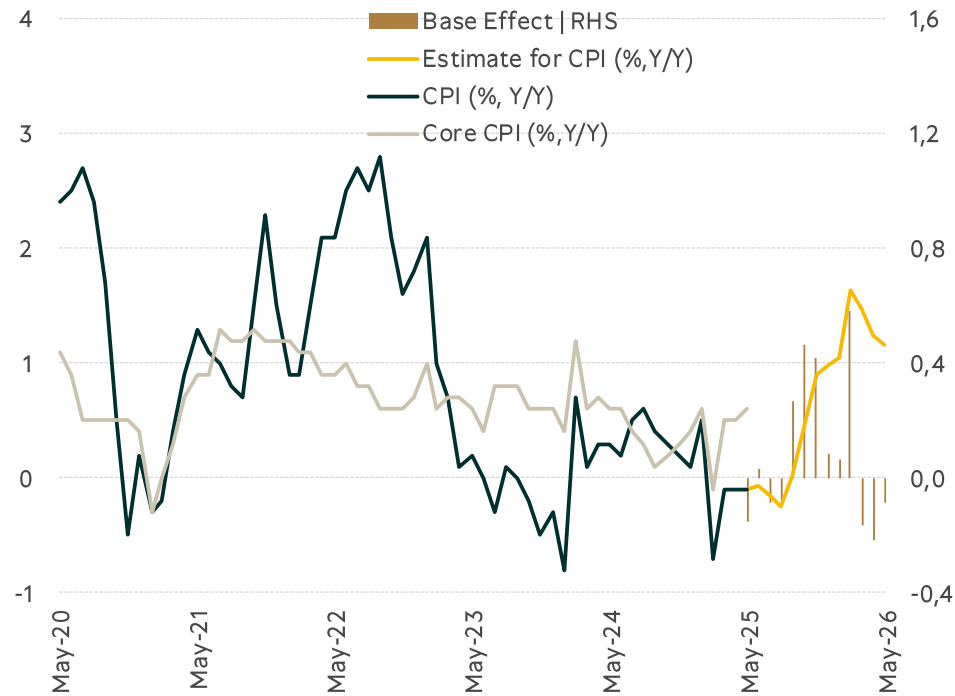


Real GDP & Electricity Consumption

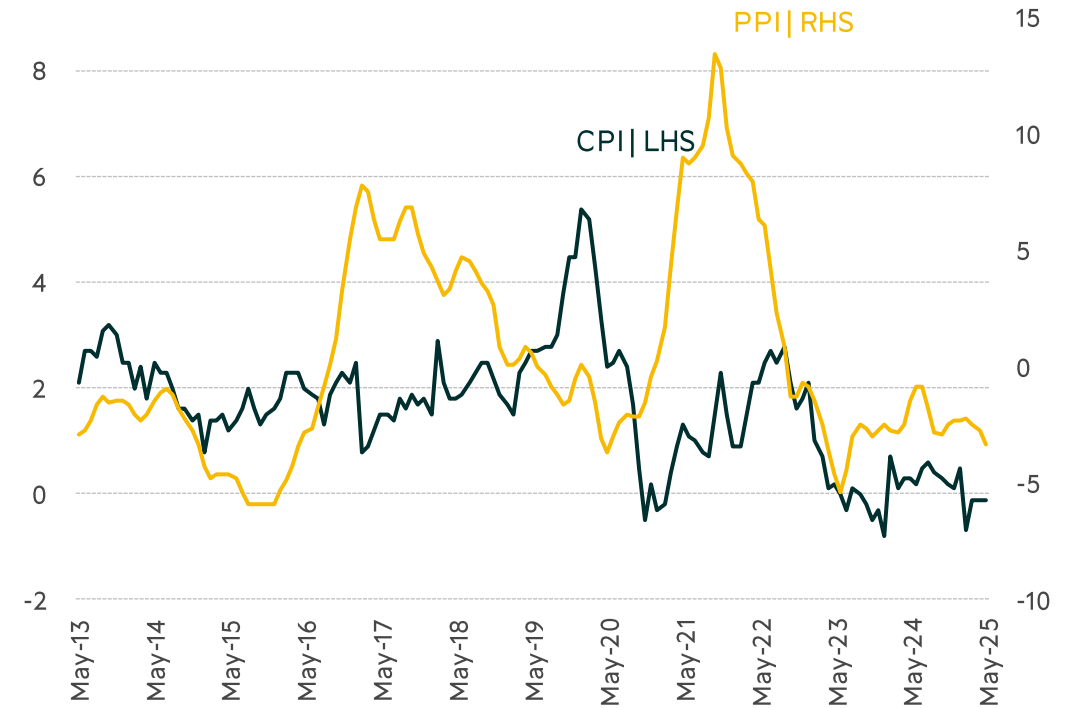


# CN Inflation Outlook | Base effects are pointing to higher inflation in the next 12 months

## Inflation Rate Forecast | Statistical Model

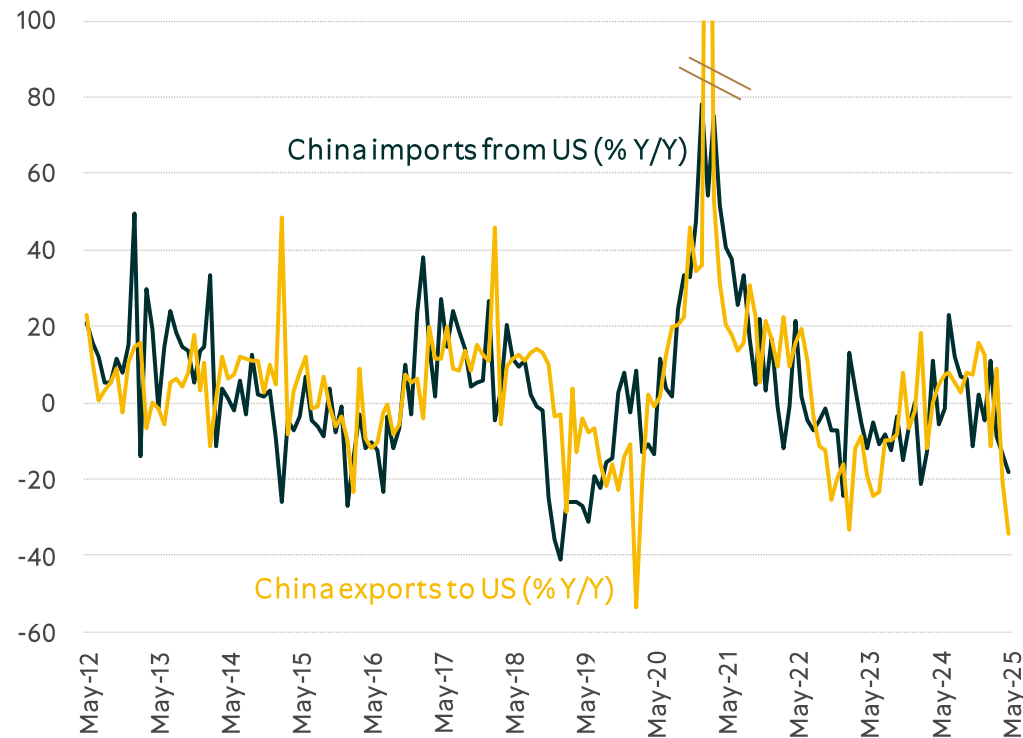


## CPI & PPI

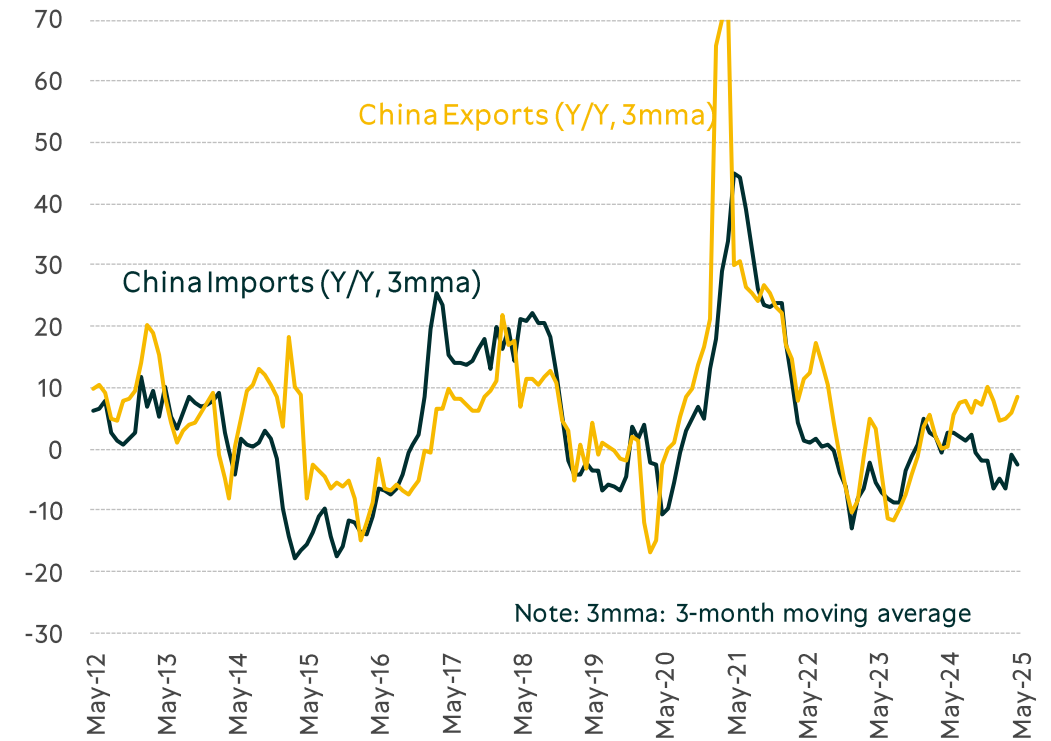


CN Trade | The trade outlook is quite uncertain due to the trade conflict. Exports to the US were sharply down in May (-34.4%) but total exports rose 4.8% YoY.

Trade US – China

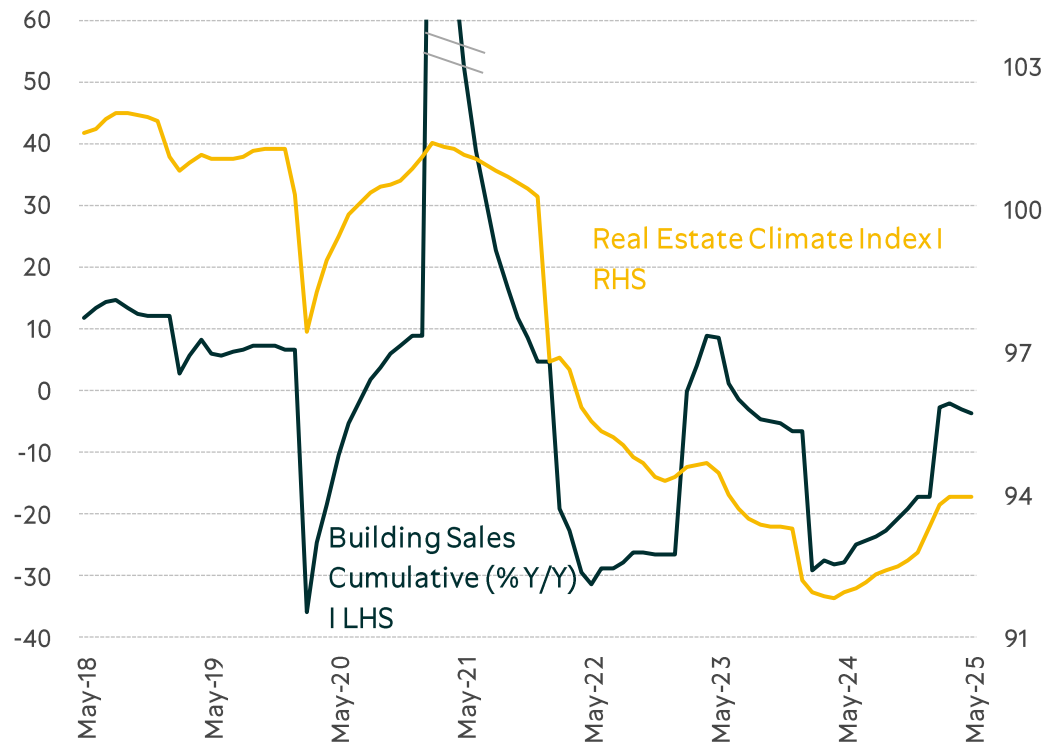


Imports & Exports

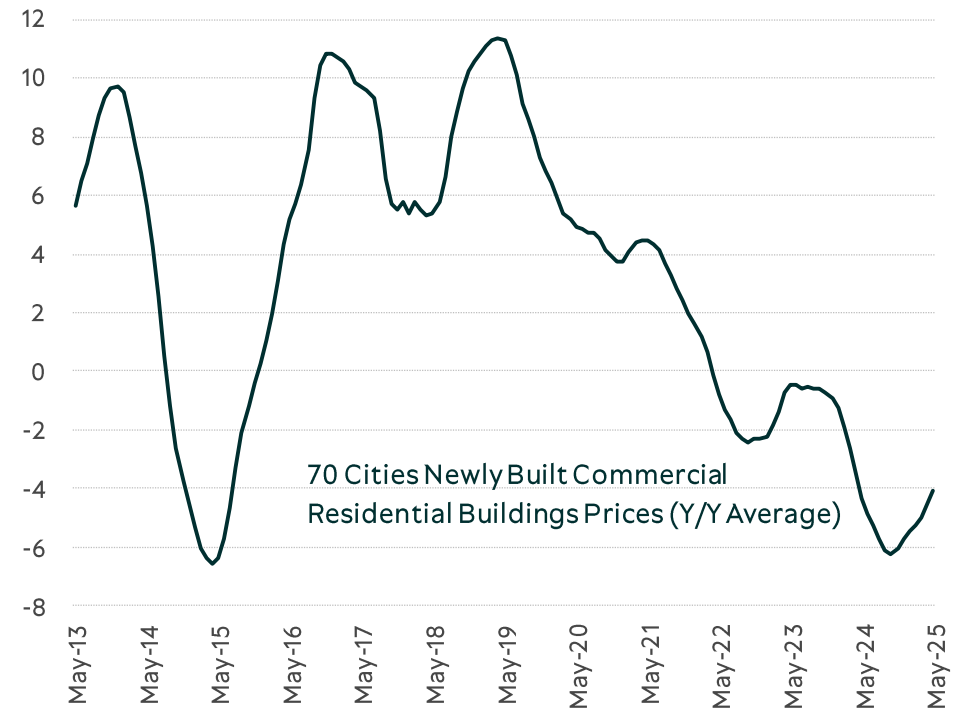


# CN Real Estate | Some improvement in Building sales and Real Estate climate but Prices still very subdued

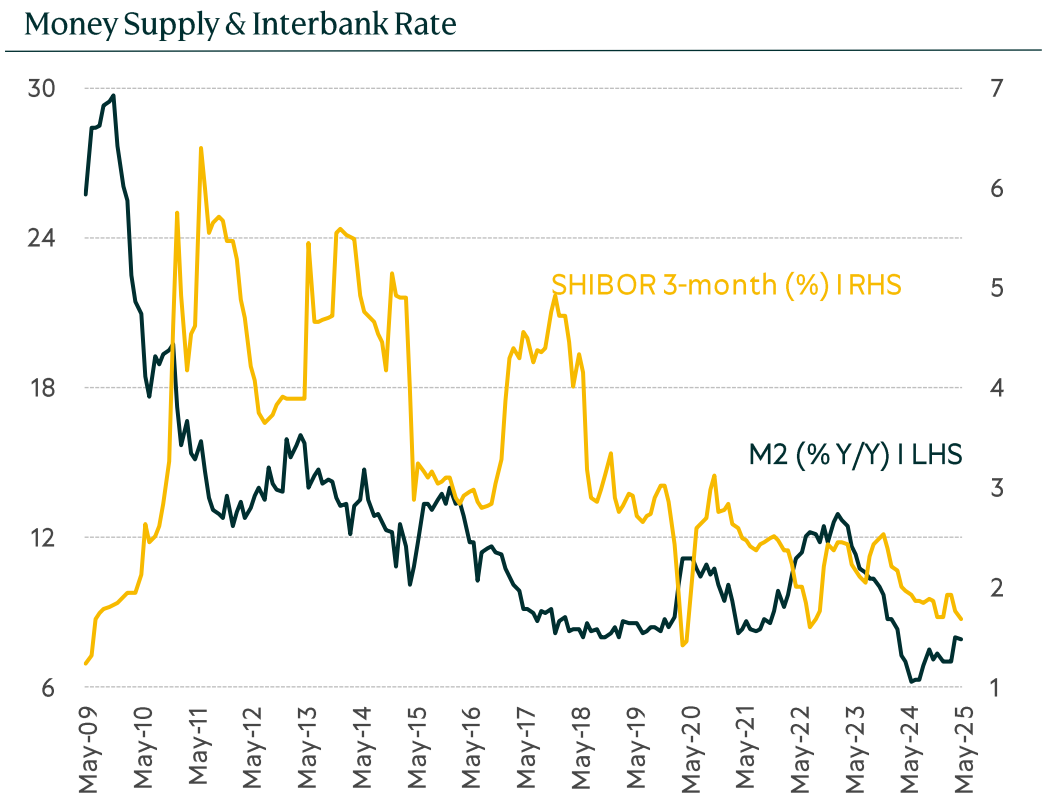
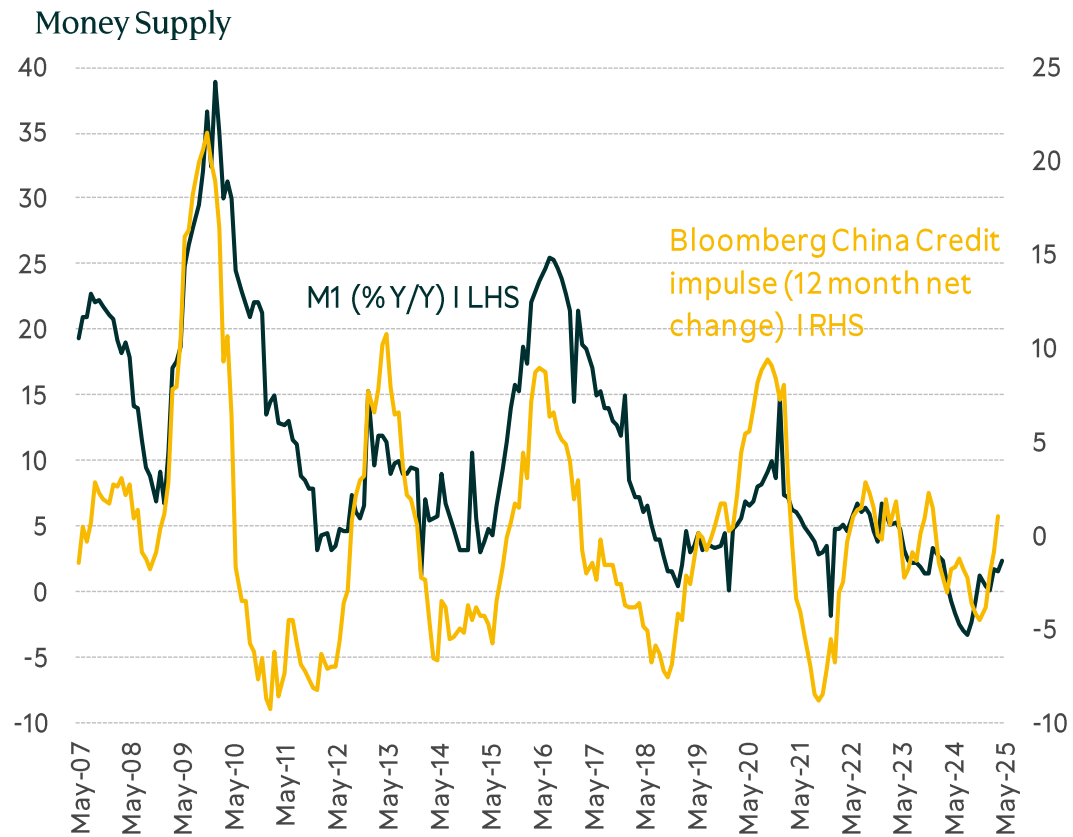
### Real Estate Climate & Building Sales



### Newly Residential Buildings Prices



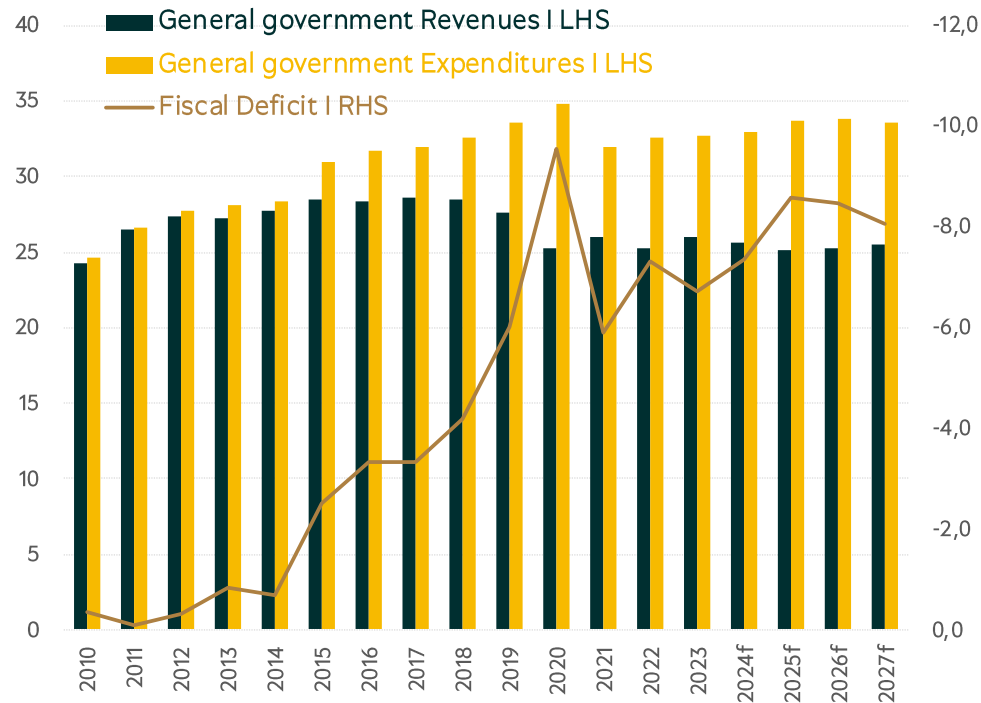
# CN Money Supply | M1 and M2 still a drag to GDP ahead; less than before



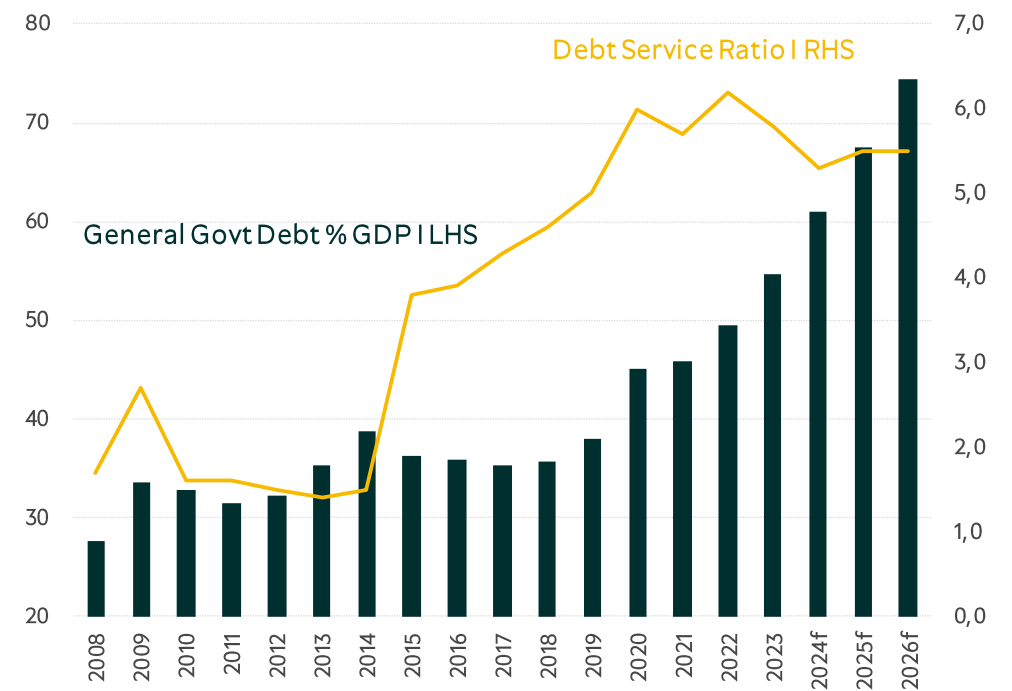


# CN Fiscal | Expansionary Fiscal policy is expected to continue

## Government Balance



## General Government Debt & Debt Service Ratio



$$\text{Debt Service Ratio} = \frac{\text{Interest} + \text{Current-year repayment of principal}}{\text{Current-account receipts}}$$

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