The Macroscope.

November 2025

CANDRIAM

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Marketing communication for
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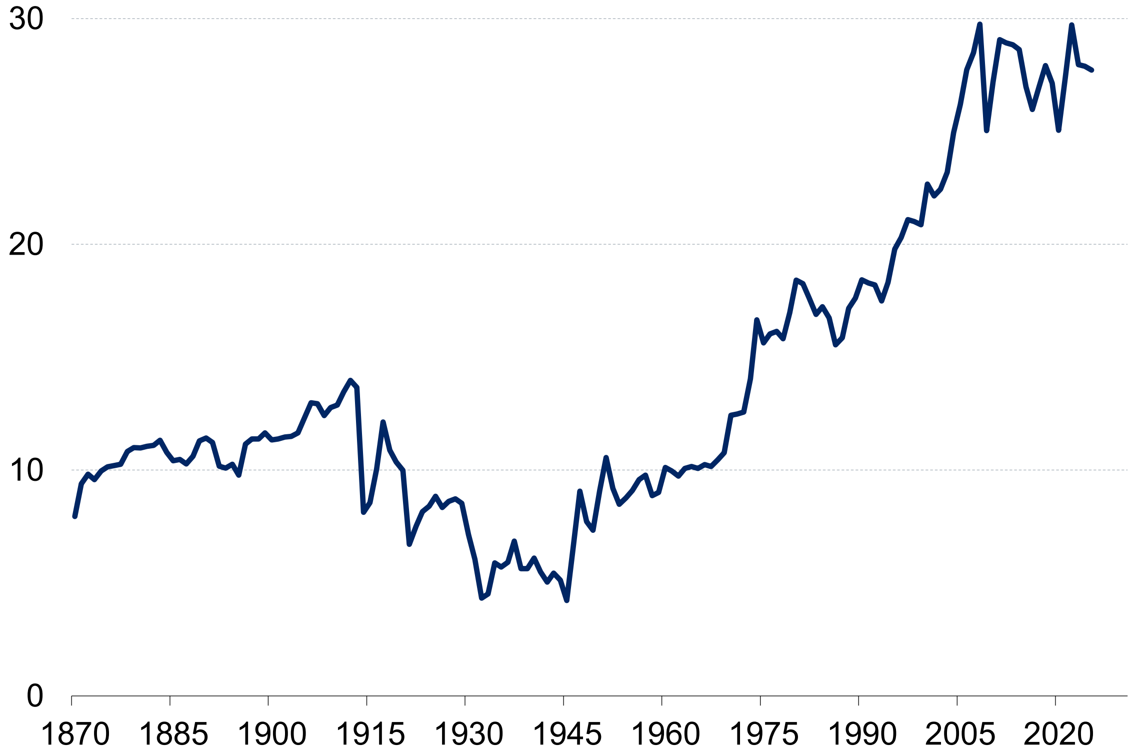
1 Global economy

US tariffs: much ado about nothing… for now!

The US tariffs increases occurred in a highly globalized world with complex supply chains…

Trade globalization
(average of world exports and imports of goods and services as a % of GDP)

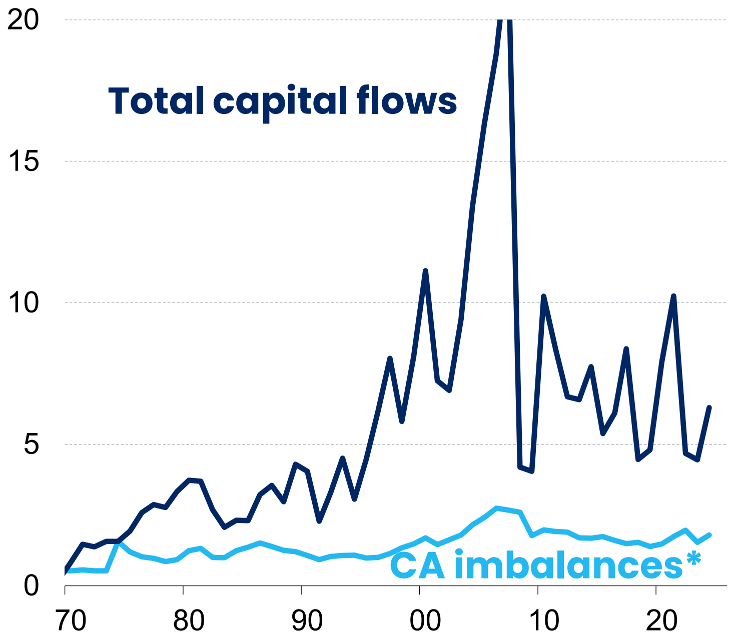


Sources: Our World in Data, IMF, Candriam

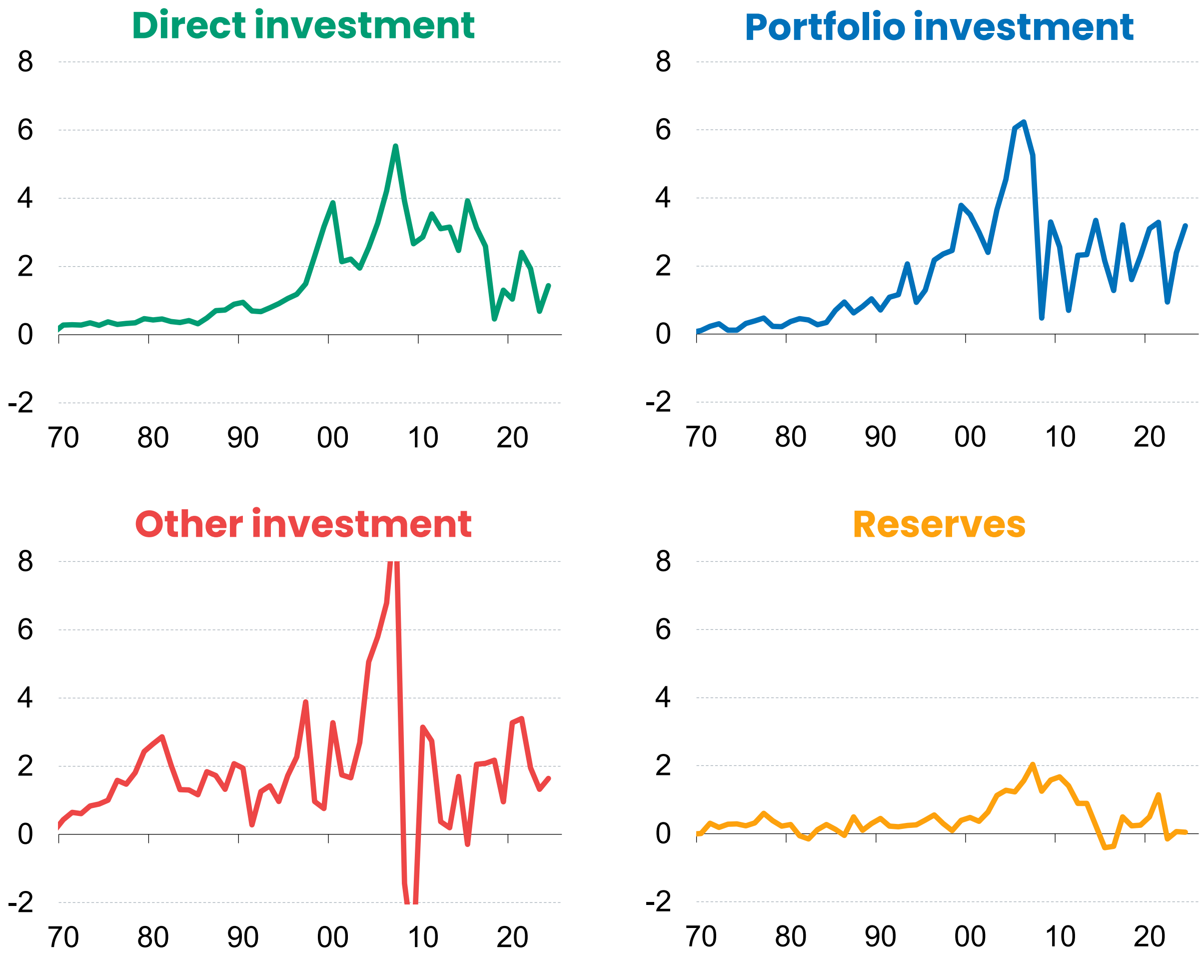
… and large international capital flows

Global capital flows

(half-sum of the absolute values of net acquisition of assets
and of the absolute values of net increase in liabilities, % of world GDP)

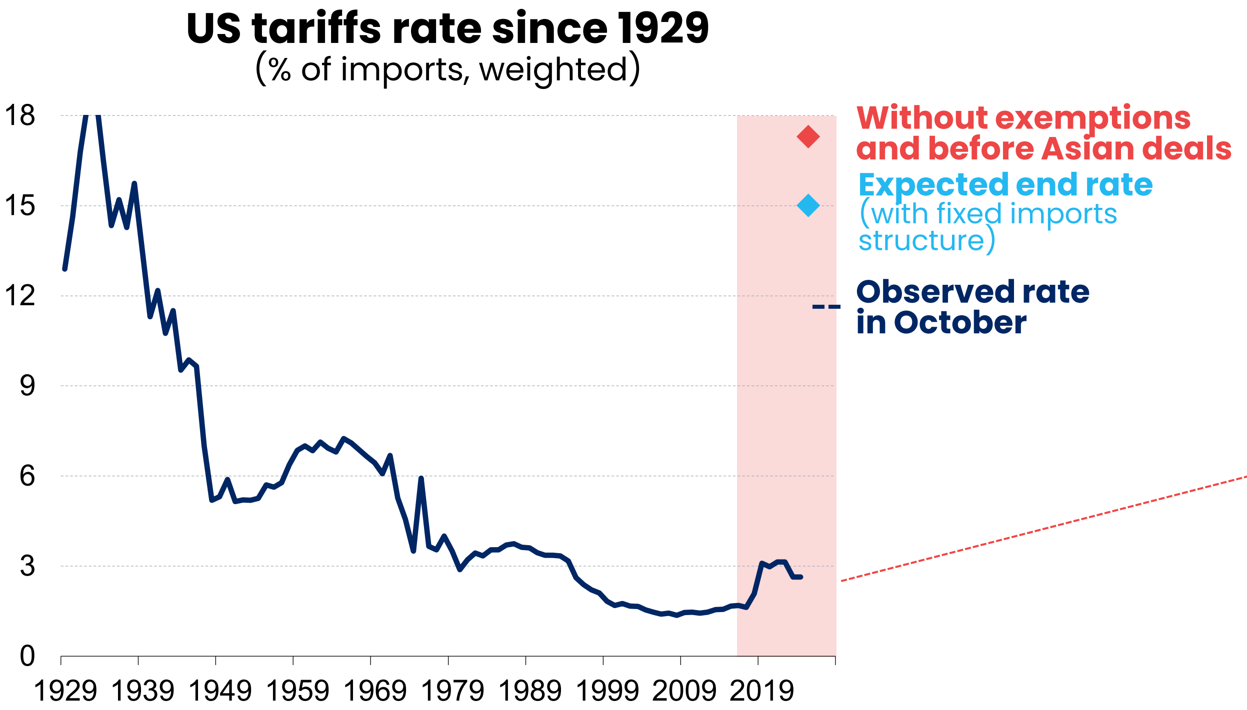


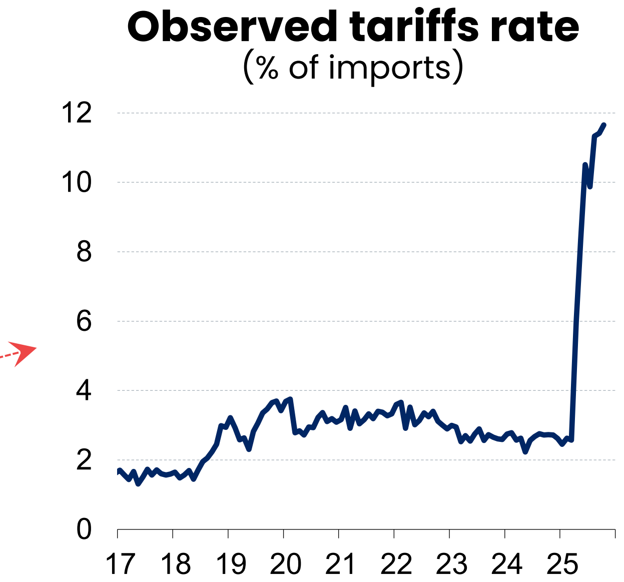
(*) Half-sum of the absolute values of current account balances



Sources: IMF, World Bank, Candriam

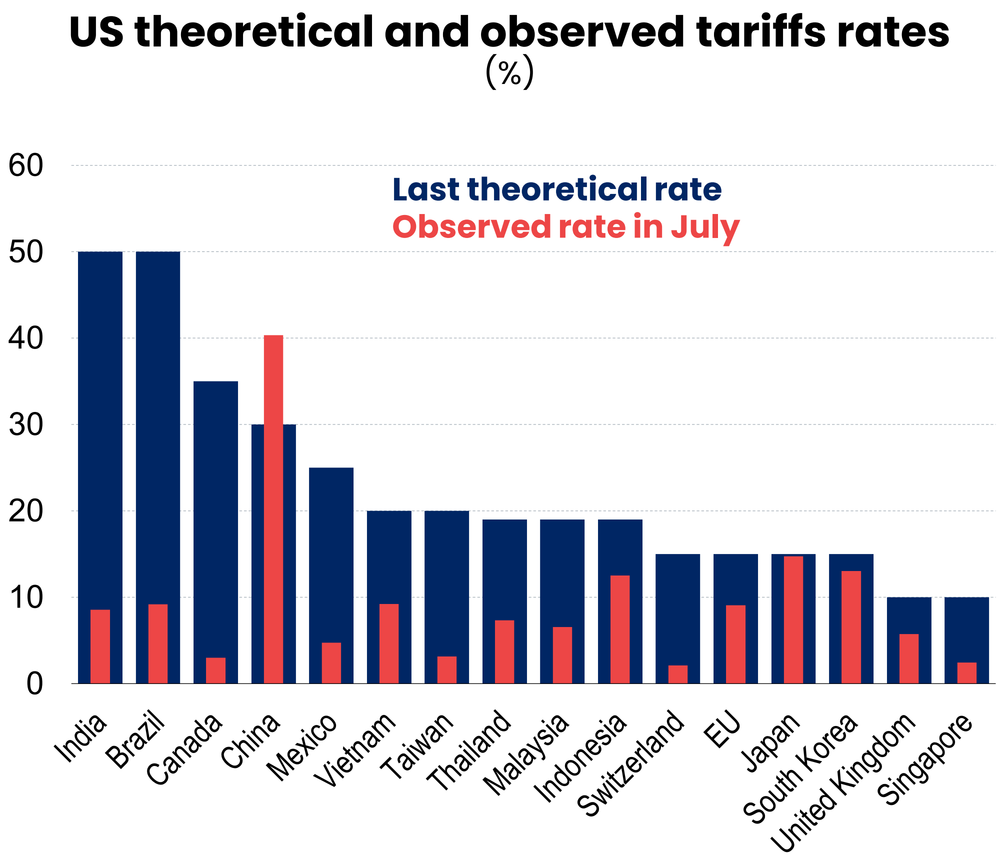
While significant, the increase in the average US tariffs rate is lower than feared a couple of months ago…

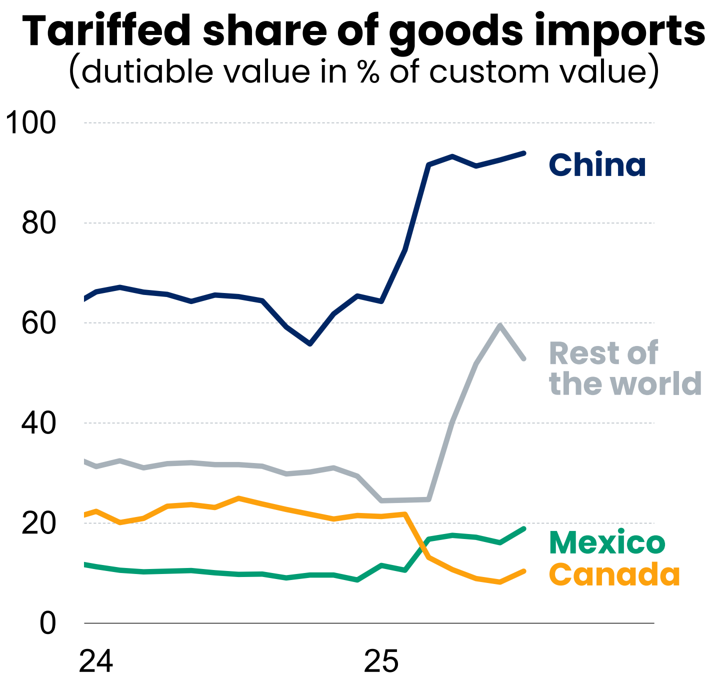




Sources: Census Bureau, US Treasury, Candriam

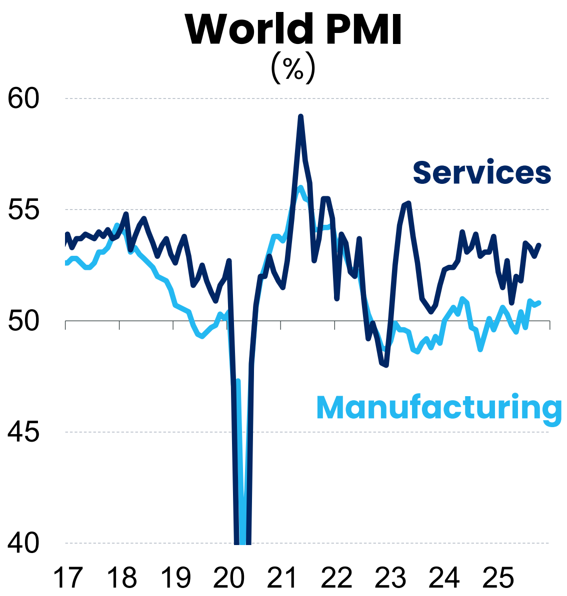
… as the US Administration has struck deals, granted many exemptions and de-escalated with China



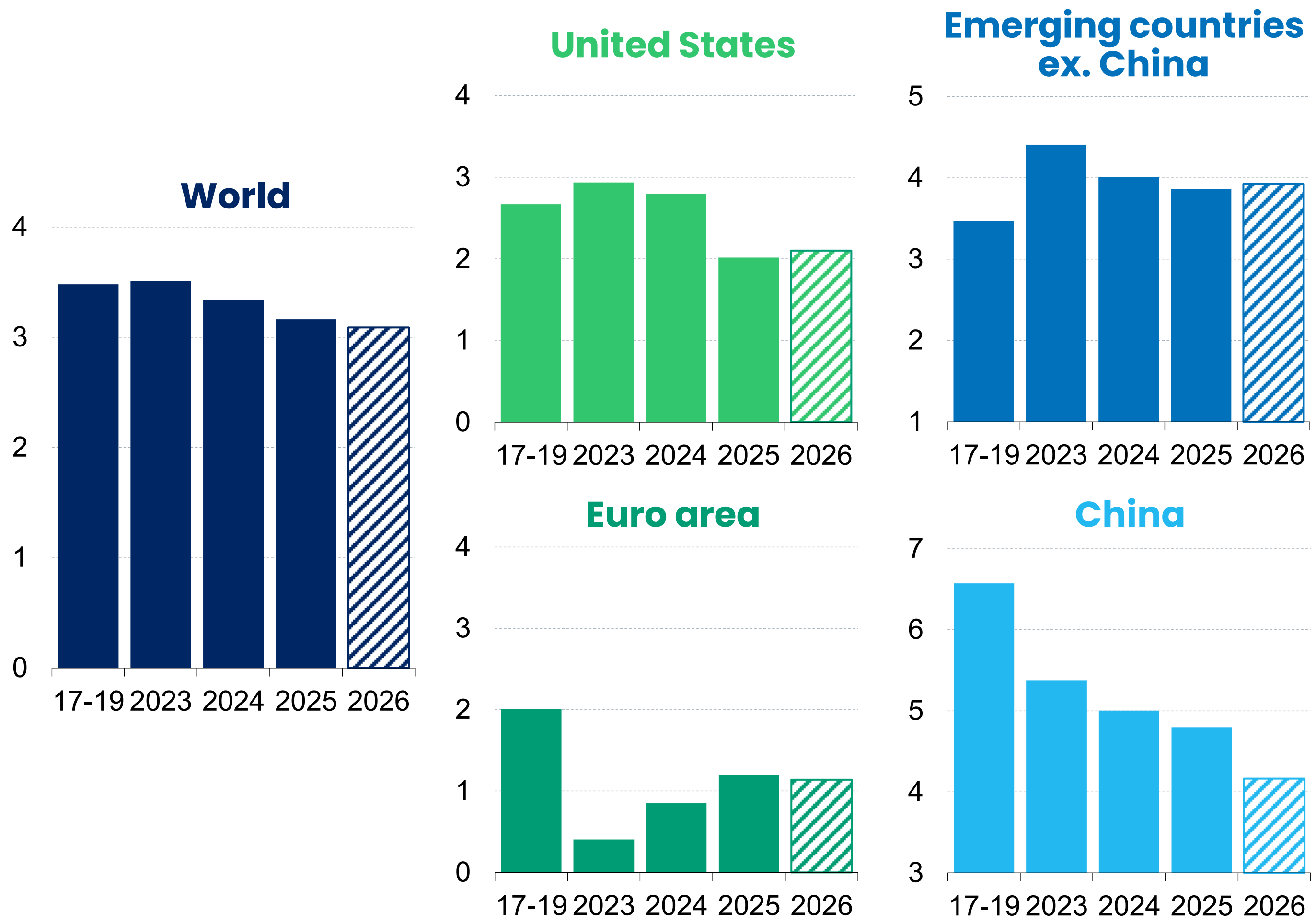


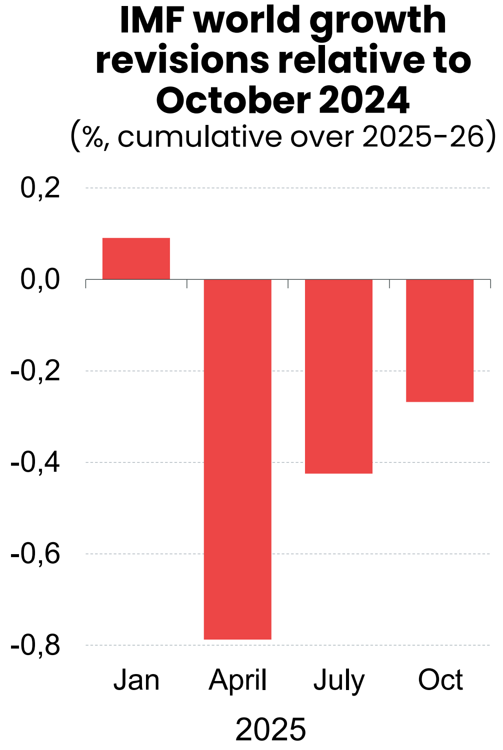
Sources: Census Bureau, USITC, US Treasury, Candriam

With most countries having refrained to retaliate, activity at the world level has been resilient



IMF GDP growth forecasts
(% annual rate, October 2025)



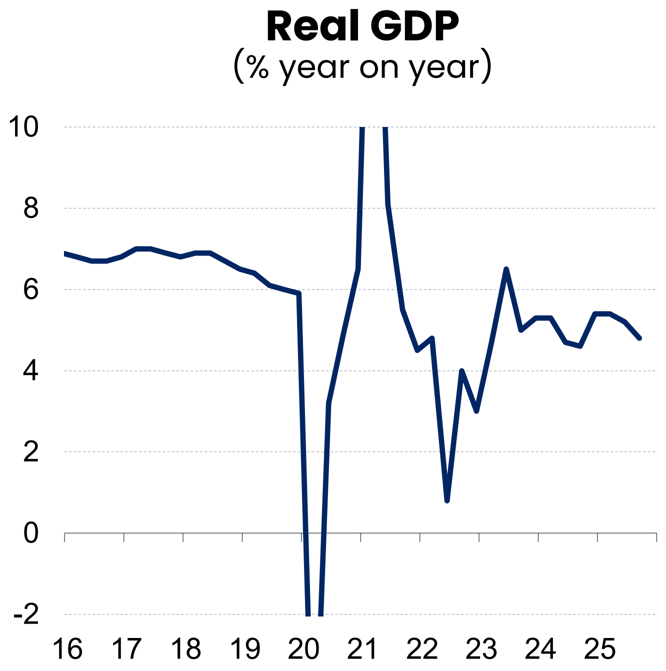


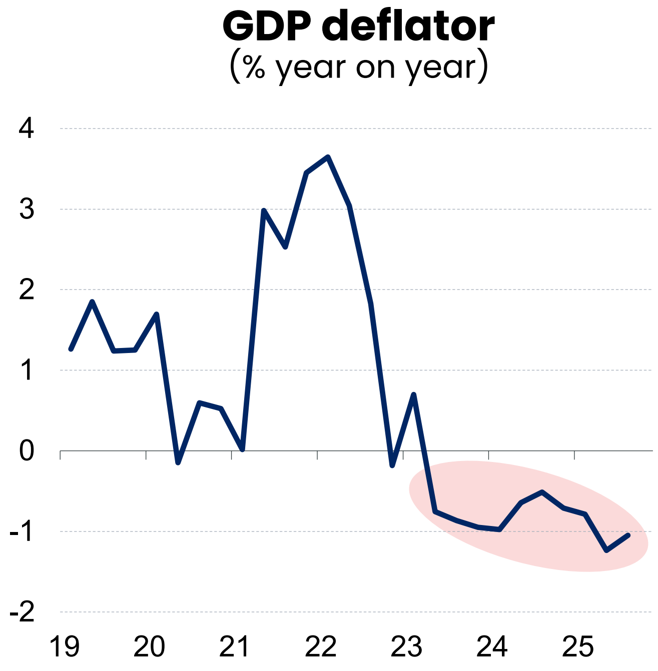
Sources: Bloomberg, IMF, Candriam

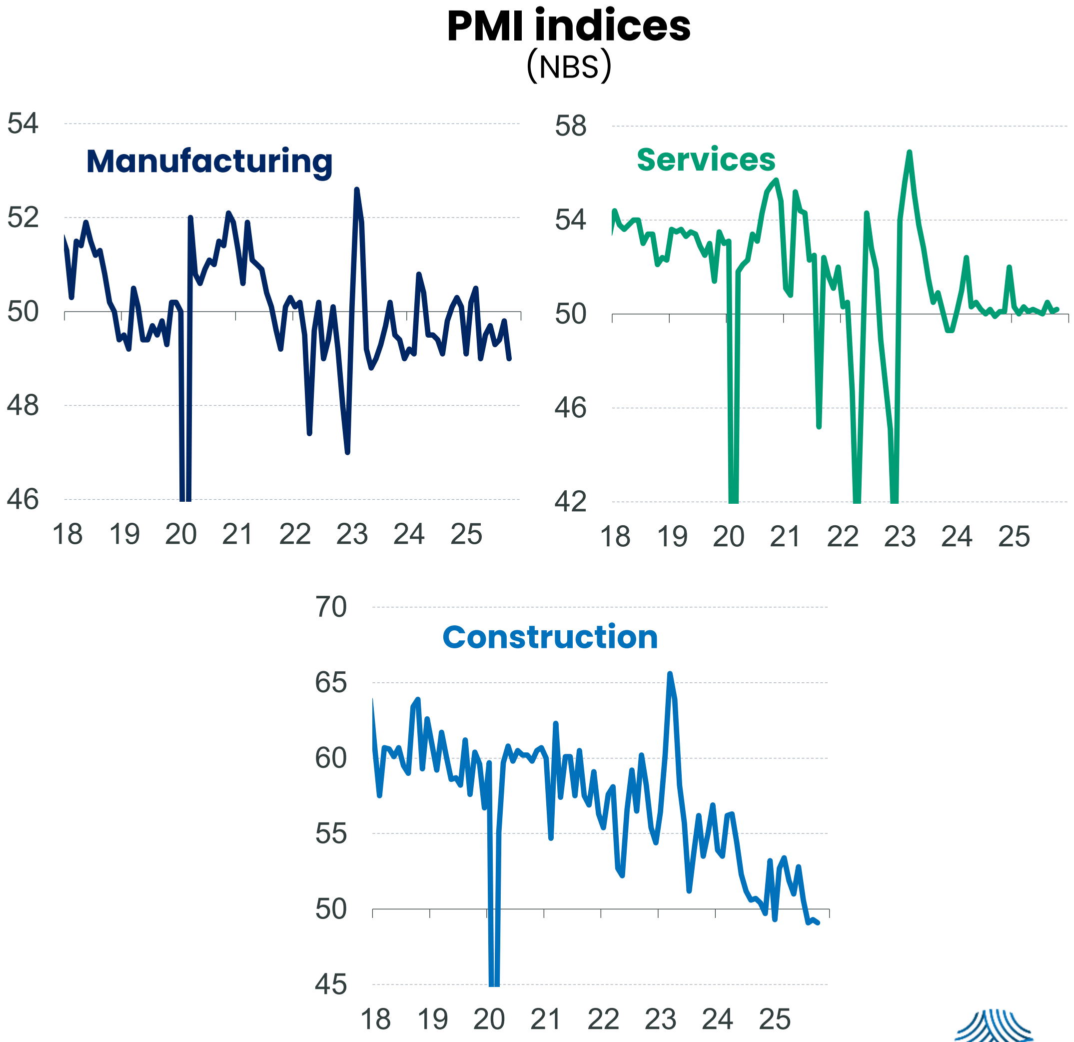
2 China

A trade truce amidst growing rivalry

While GDP growth was still solid in Q3, deflation is well alive



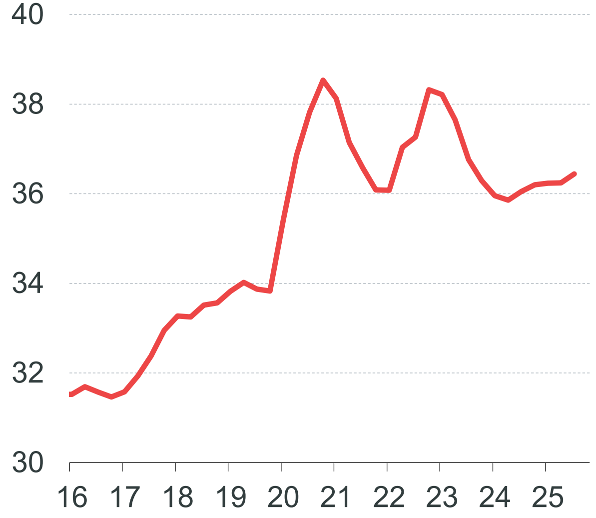




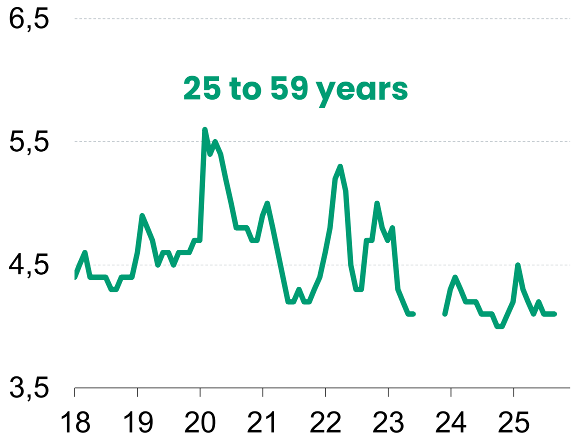
Sources: LSEG Datastream, Haver Analytics, Candriam

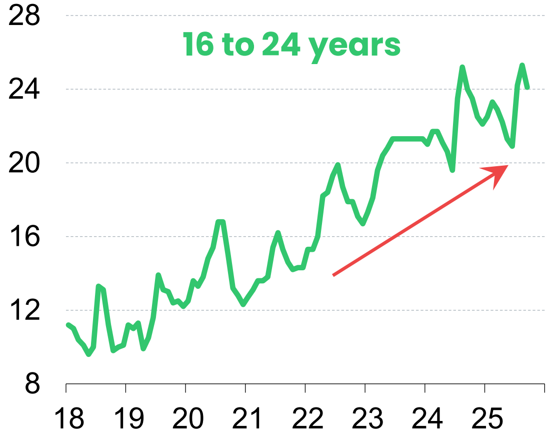
China is still suffering from a saving glut

Household saving rate
(%, urban households)



Unemployment rate
(%)



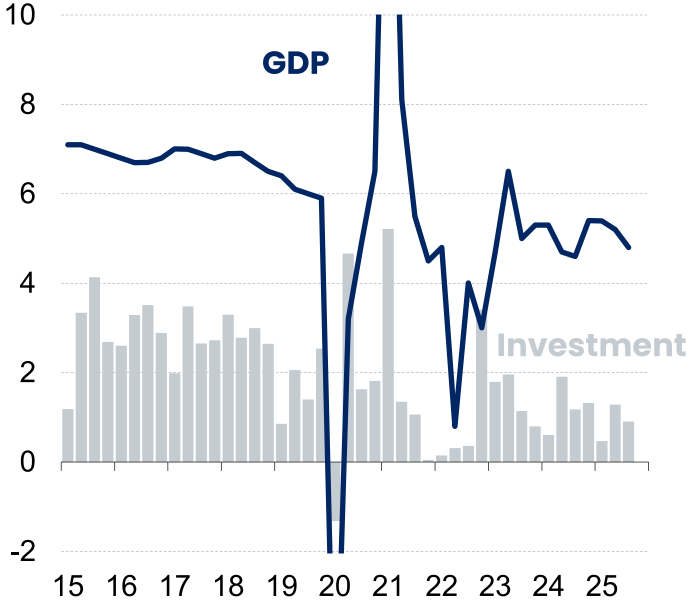


Consumer confidence

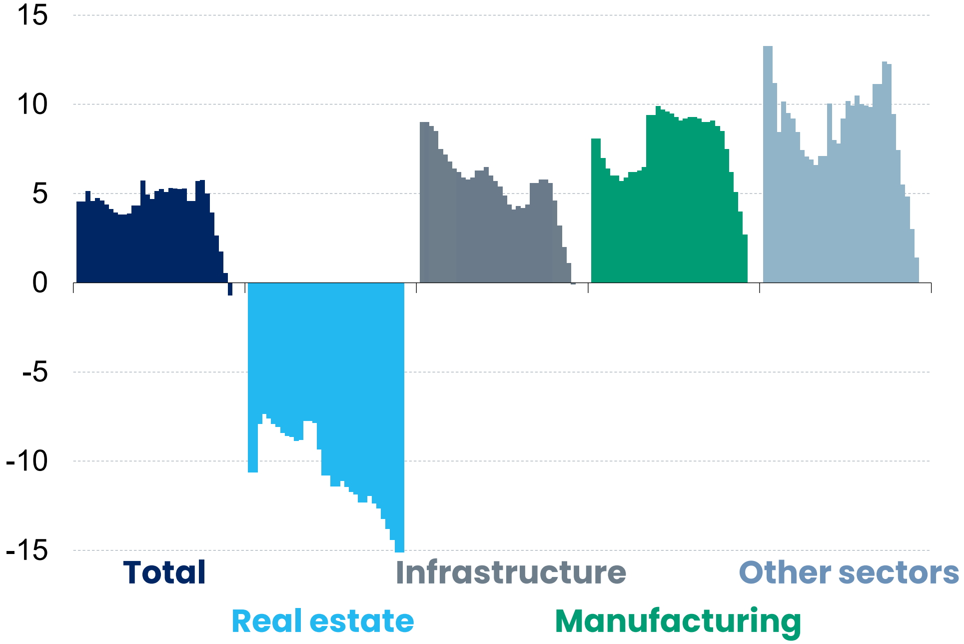
Sources: LSEG Datastream, Bloomberg, Candriam

Business investment has recently weakened…

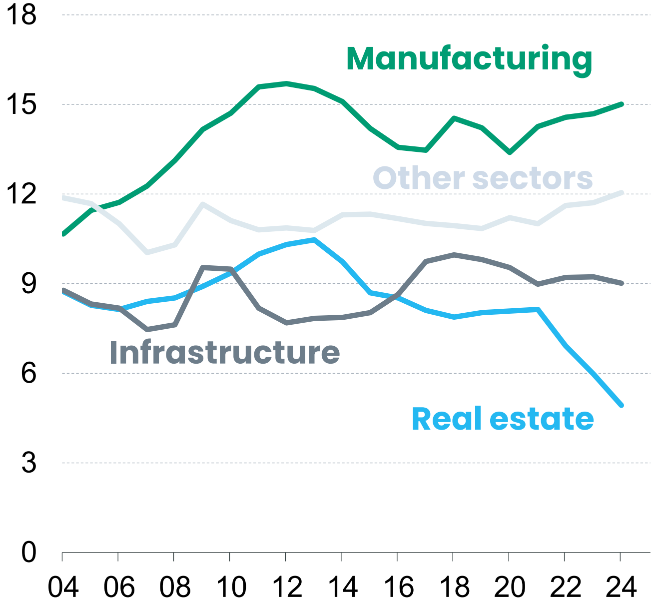
Contribution to real GDP growth
(% year on year)



Fixed asset investment by industry
(% year on year growth of investment cumulated since the start of the calendar year, January 2023 – October 2025)



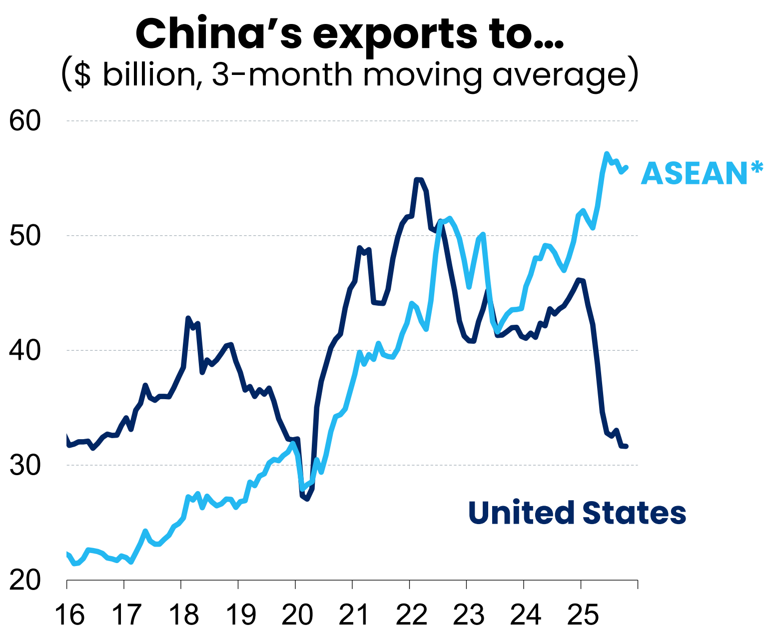
Investment share by sector
(% of GDP)



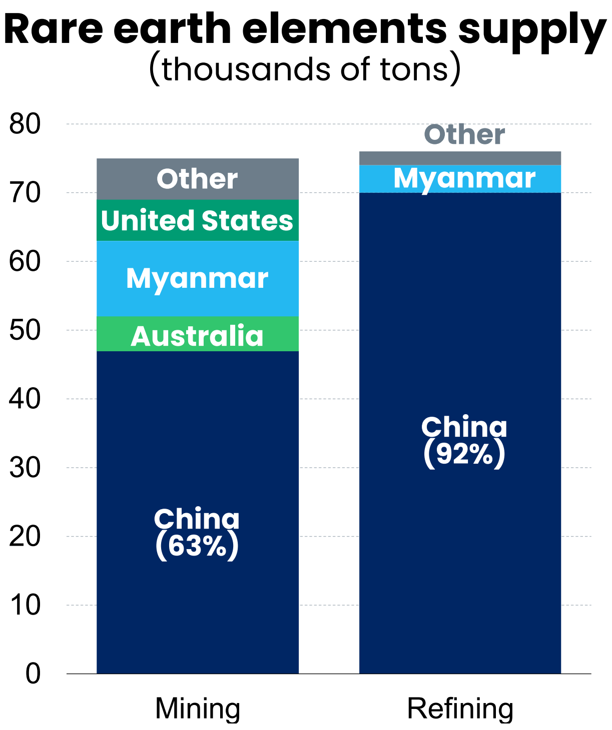
The launch of several mega-projects – notably **the mega-dam project, the construction of railway connecting Xinjiang and Tibet…** – could boost infrastructure investment and support GDP by 0.2-0.3% over the coming year.

Sources: LSEG Datastream, Haver Analytics, Bloomberg, Candriam

Having learned to escalate and retaliate, China has – at least temporarily – won the trade war, keeping relatively easy access to restricted technology



(*) Indonesia, Vietnam, Laos, Brunei, Thailand, Myanmar, the Philippines, Cambodia, Singapore and Malaysia



The trade truce was extended for one year in the Kuala Lumpur agreement

Fentanyl tariff: The US will remove the 10% fentanyl tariff. Based on previous tit-for-tat measures, China is likely to remove the 10-15% retaliatory tariff on US farm goods.

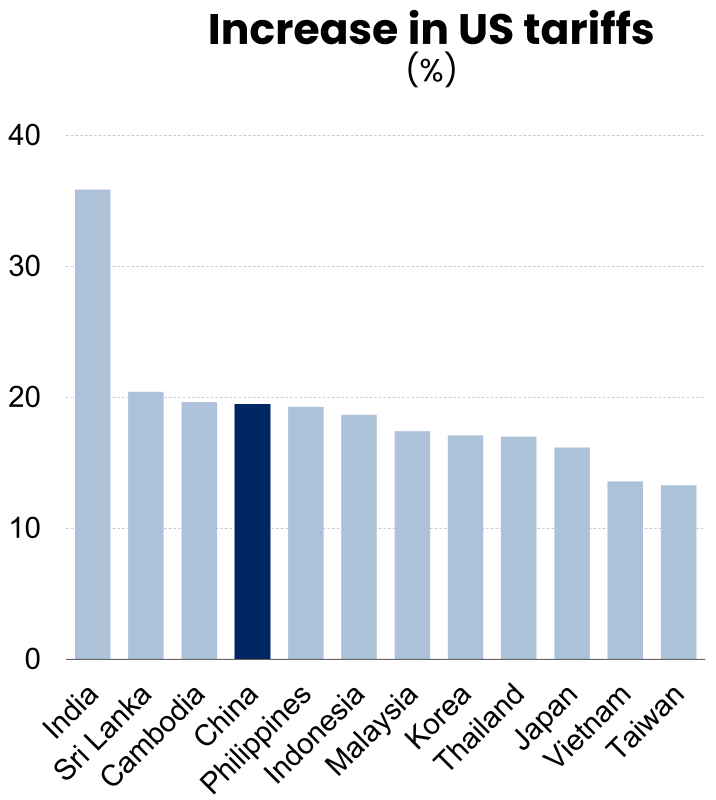
Reciprocal tariff: The 90-day pause on 24% (out of 34%) reciprocal tariff will be extended by one year.

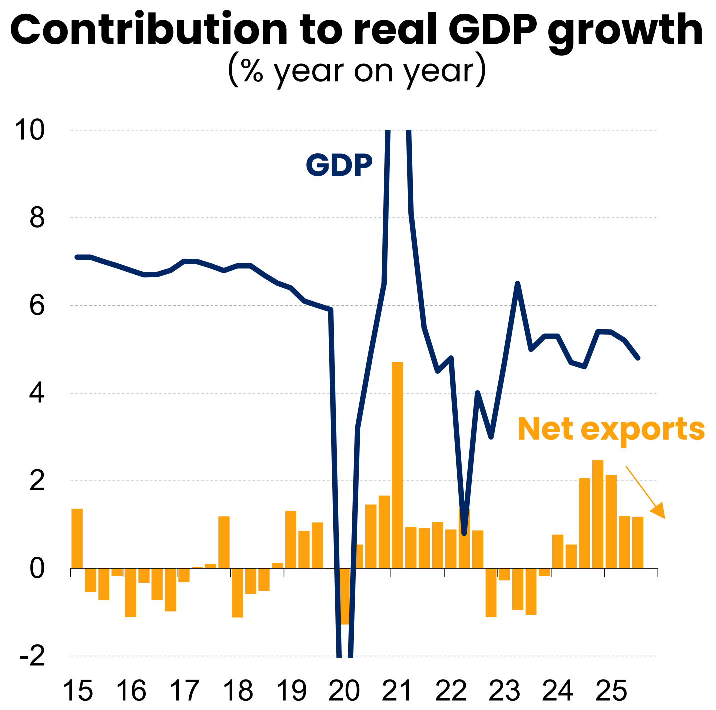
Export controls: The US will suspend the implementation of its "50% affiliate rule" for one year*. In return, China will suspend the implementation of related export controls announced on October 9 for one year.

(*) By applying the Affiliates Rule, more than 20,000 Chinese subsidiaries and indirectly owned entities (as against 1,300 today) would have fallen under the same export control restrictions as their listed parent companies.

Sources: Census Bureau, IEA, Candriam

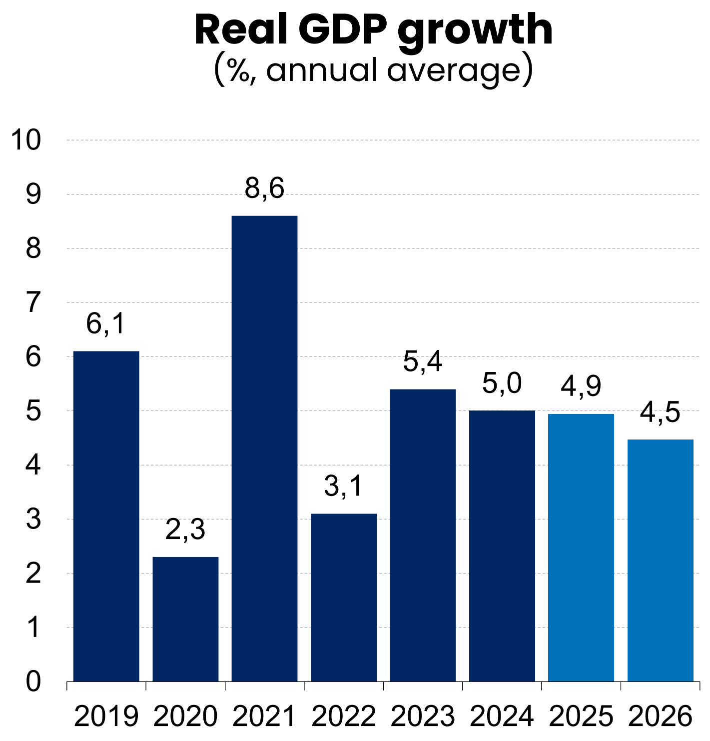
While the increase in tariffs for China is not way above its Asian competitors, net exports contribution is likely to continue to decrease

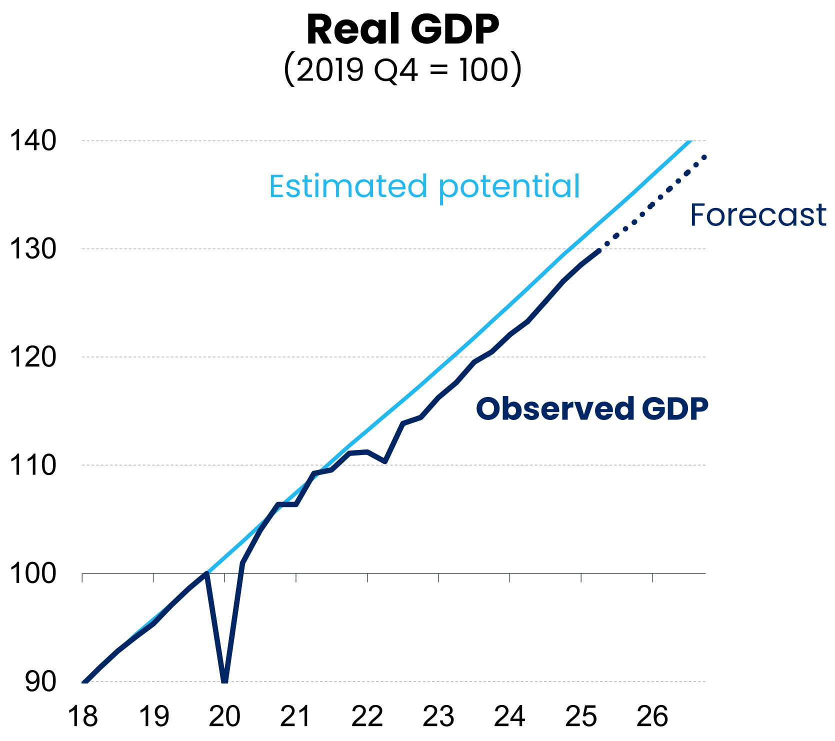




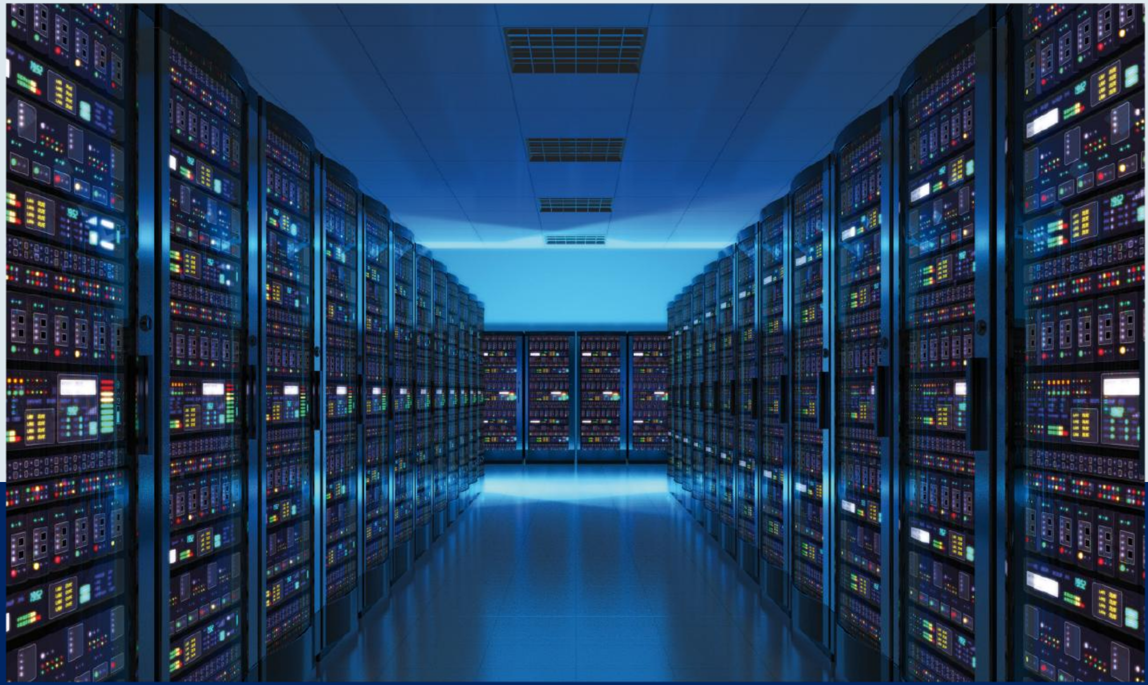
Sources: USITC, LSEG Datastream, Bloomberg, Candriam

… in order to maintain GDP growth close to their target





Sources: LSEG Datastream, Candriam



3 United States

A tale of two economies...

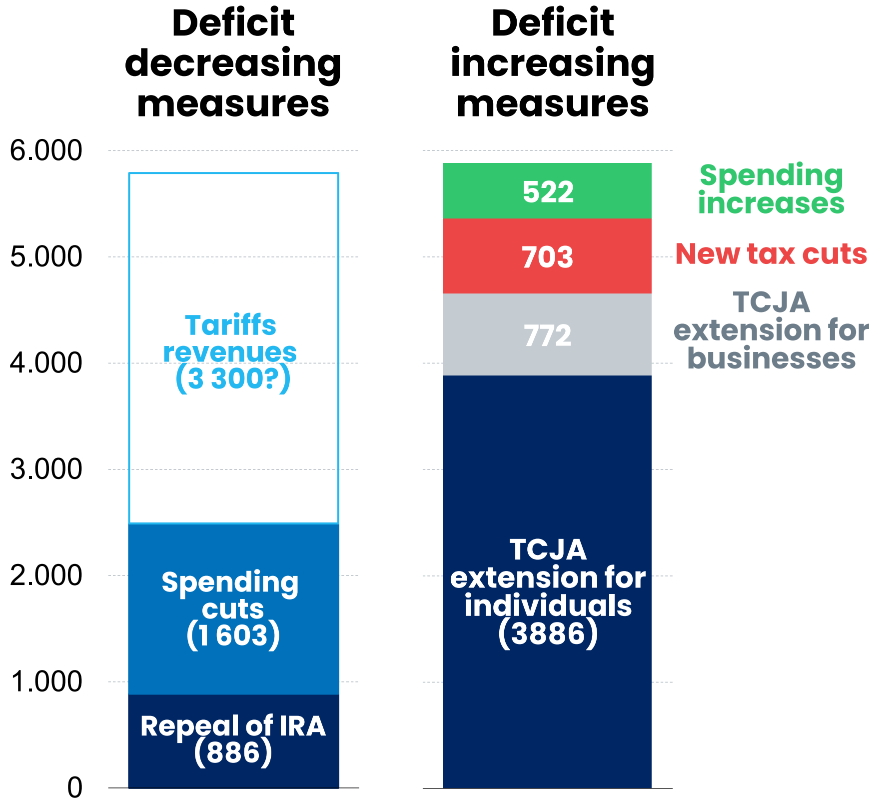
D. Trump has delivered on its agenda

Higher tariffs

Observed tariffs rate
(% of imports)

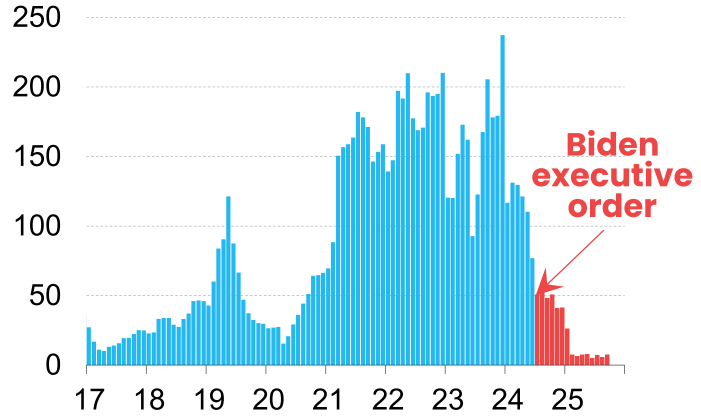
No tax on tips…

"One Big Beautiful Bill Act"
($ billion, over 2025-34)

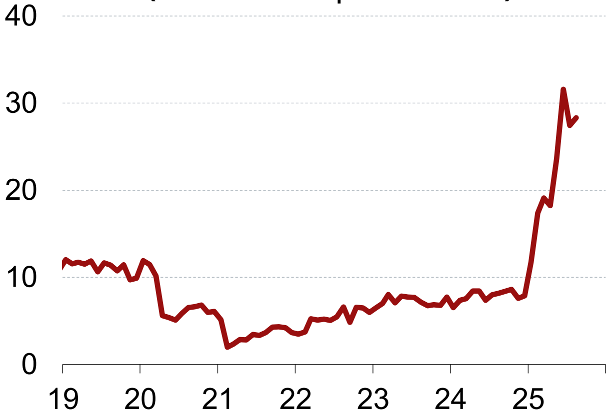


Deport undocumented immigrants

Southwest land border encounters between ports of entry
(thousands per month, adults only)

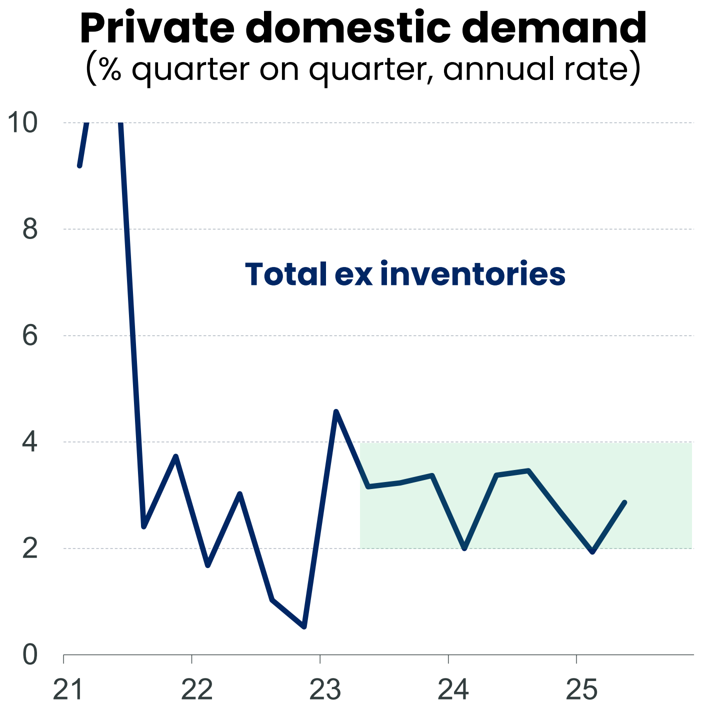


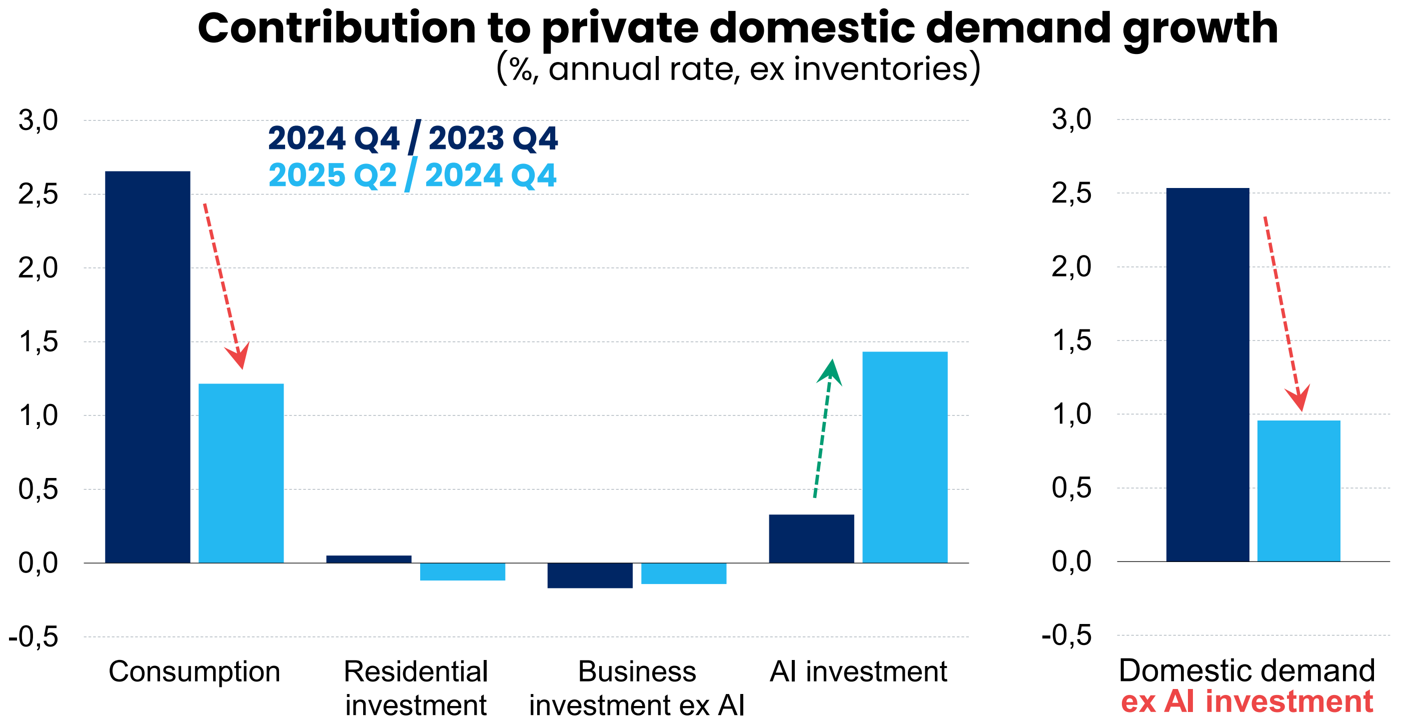
ICE arrests
(thousands per month)



Sources: US Treasury, CRFB, Customs and Border Protection, TRAC Immigration, Candriam

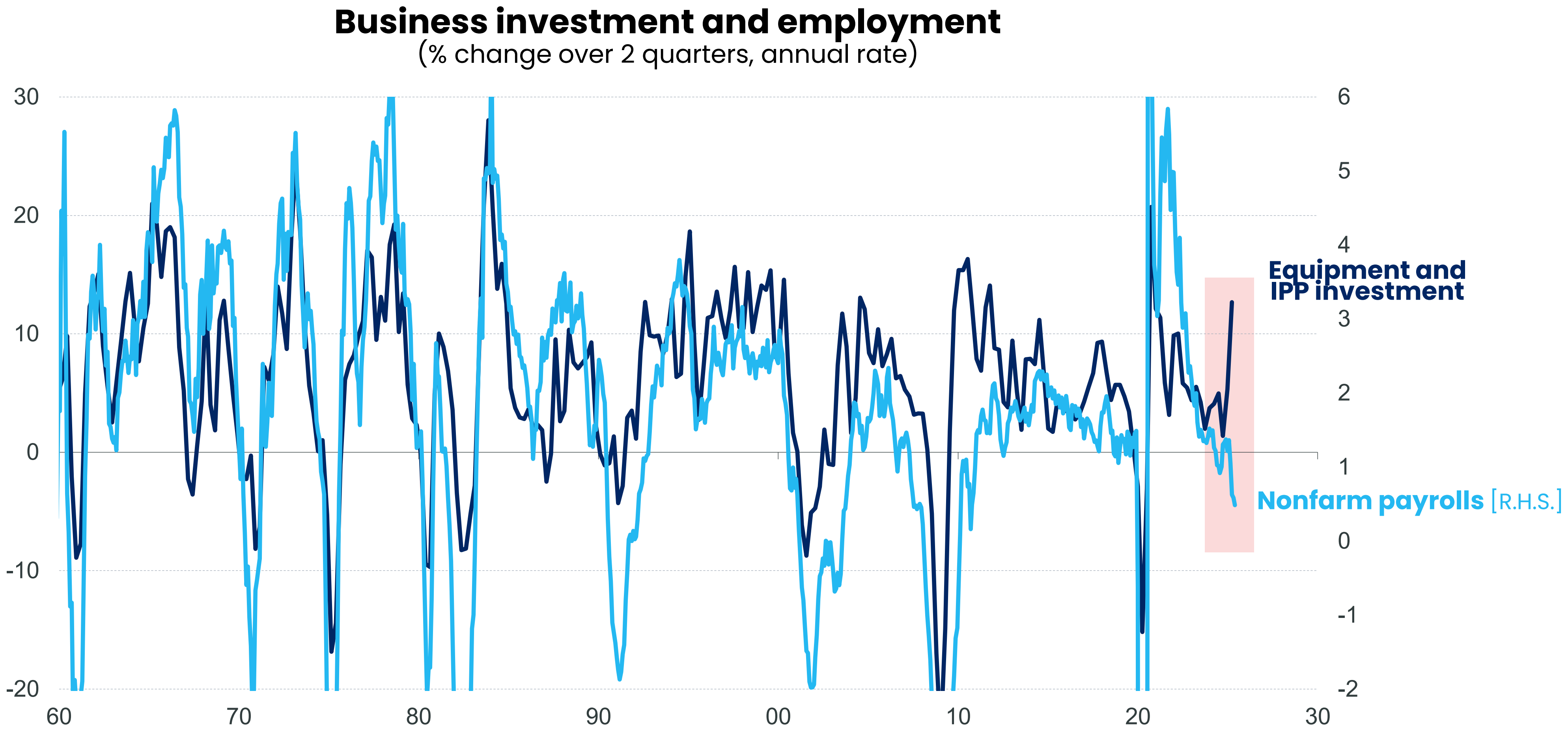
Private domestic demand has remained resilient in H1 2025





Sources: LSEG Datastream, BEA, Candriam

The current juxtaposition of strong investment spending and weak hiring is rather unusual

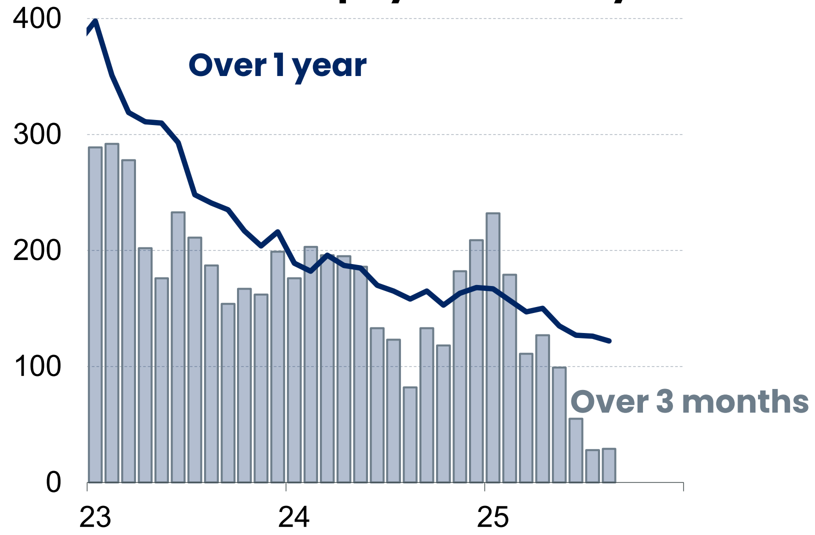


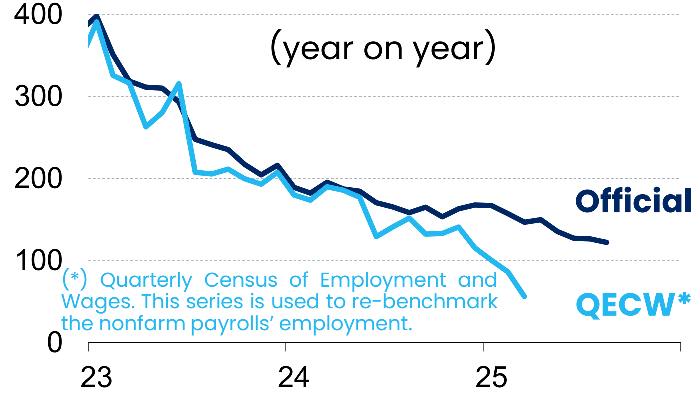
Sources: LSEG Datastream, Candriam

Job creations have softened, and the unemployment rate is creeping up

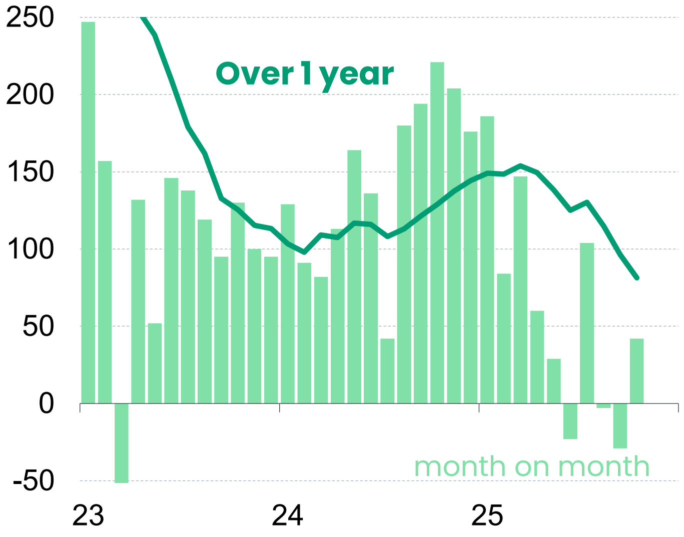
Job creations
(thousands, monthly rate)

Nonfarm payrolls survey

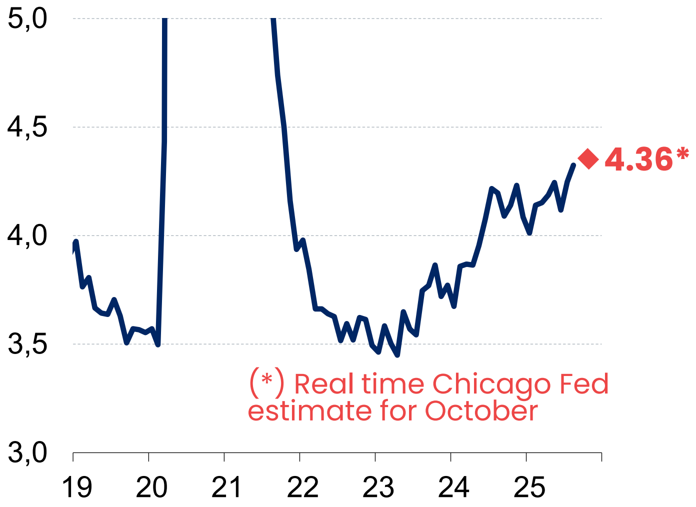




ADP survey



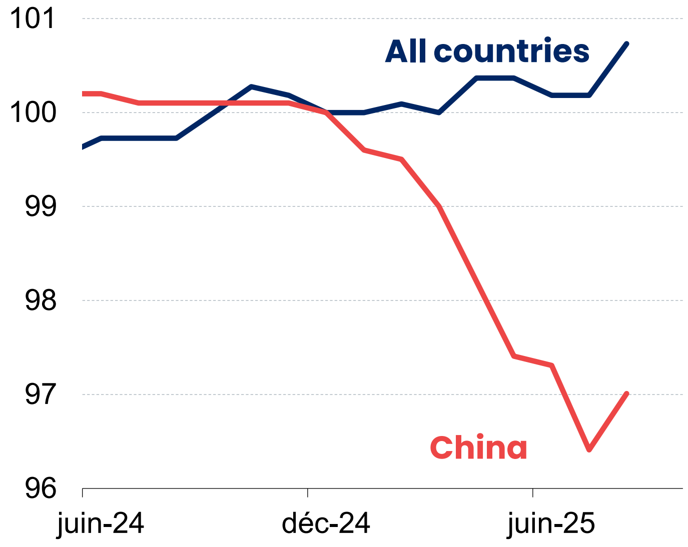
Unemployment rate
(%)



Sources: LSEG Datastream, Chicago Fed, Candriam

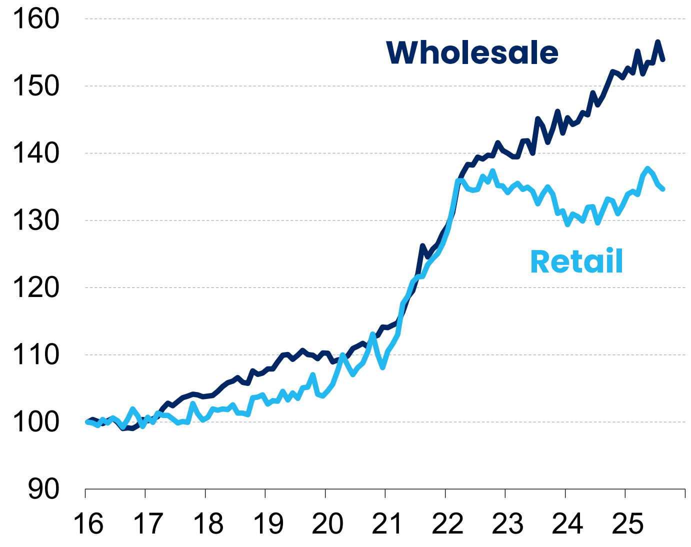
Households will bear the brunt of the cost of tariffs (I)

Import prices*
(December 2024 = 100)



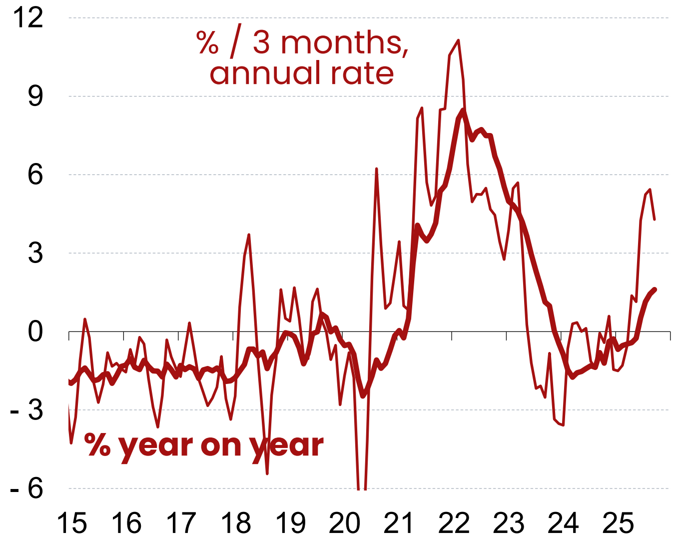
(*) Tariffs are excluded from import prices.

Wholesale and retail trade margins**
(January 2016 = 100)



(**) Producer price index for the trade sector is calculated as selling price less acquisition price of products.

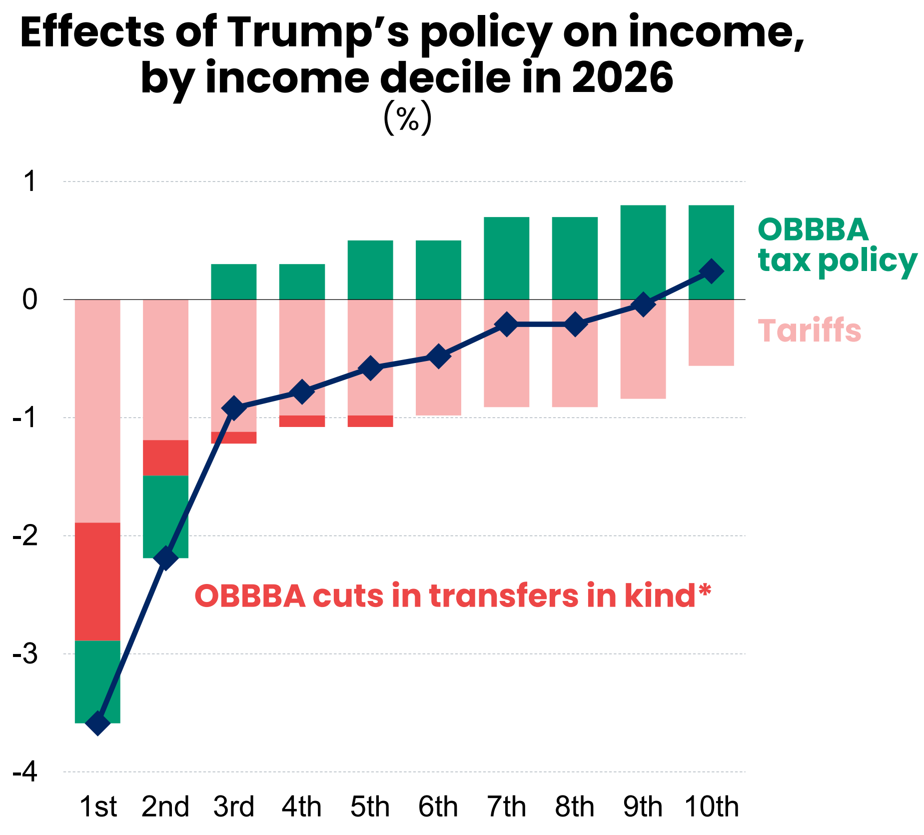
Prices of import sensitive goods
(CPI, ex food and energy)



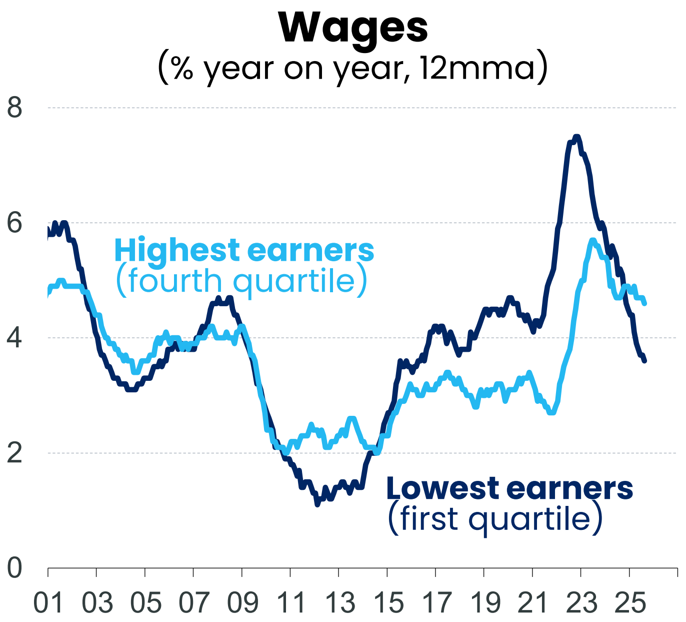
Import price sensitive goods have added 0.5% to annualized inflation over the past 3 months.

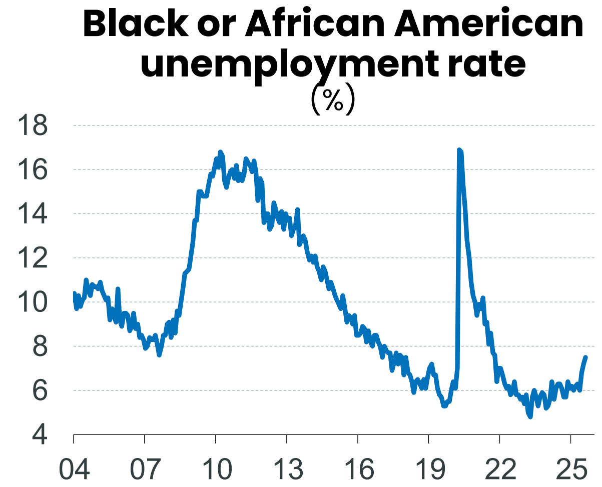
Sources: BLS, LSEG Datastream, Candriam

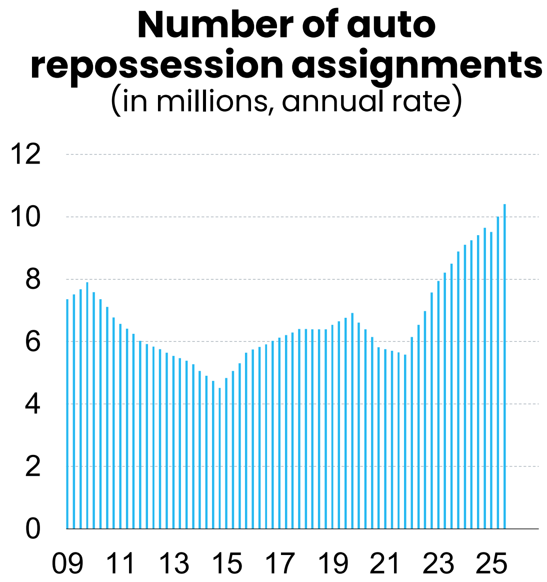
Lower and middle-income households are facing mounting financial strains



(*) Mainly SNAP (food stamps)



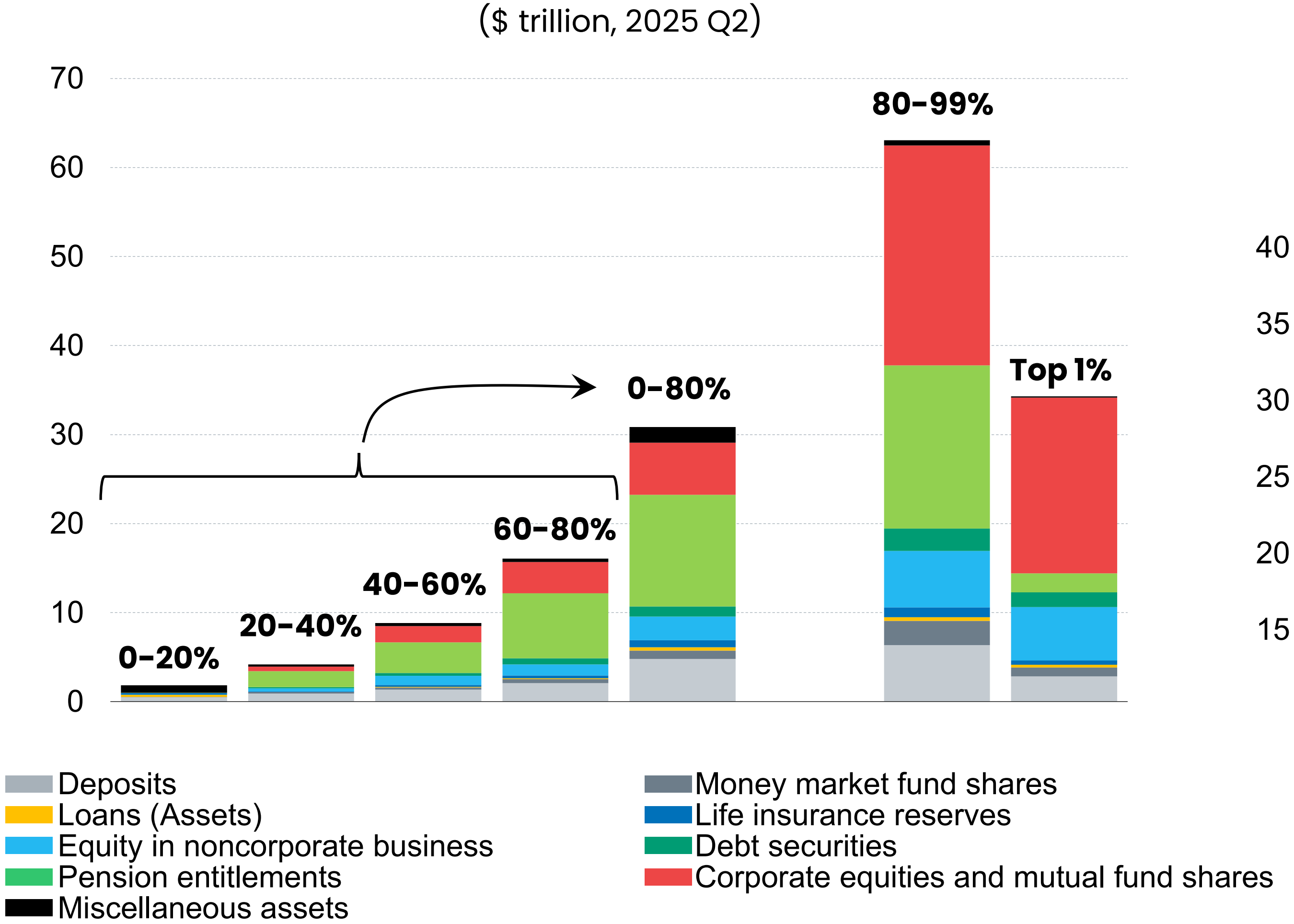


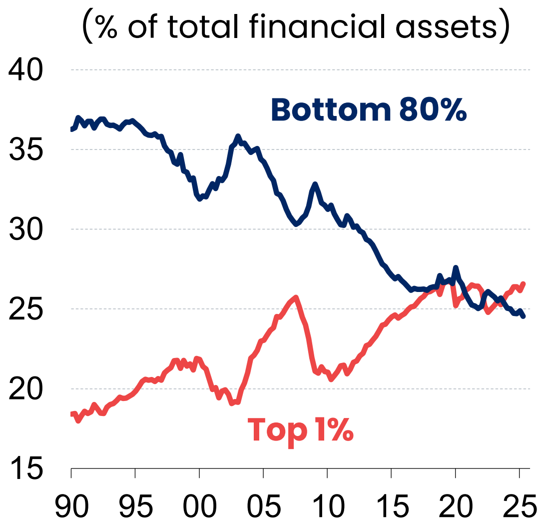


Sources: JCT, LSEG Datastream, Recovery Database Network, Candriam

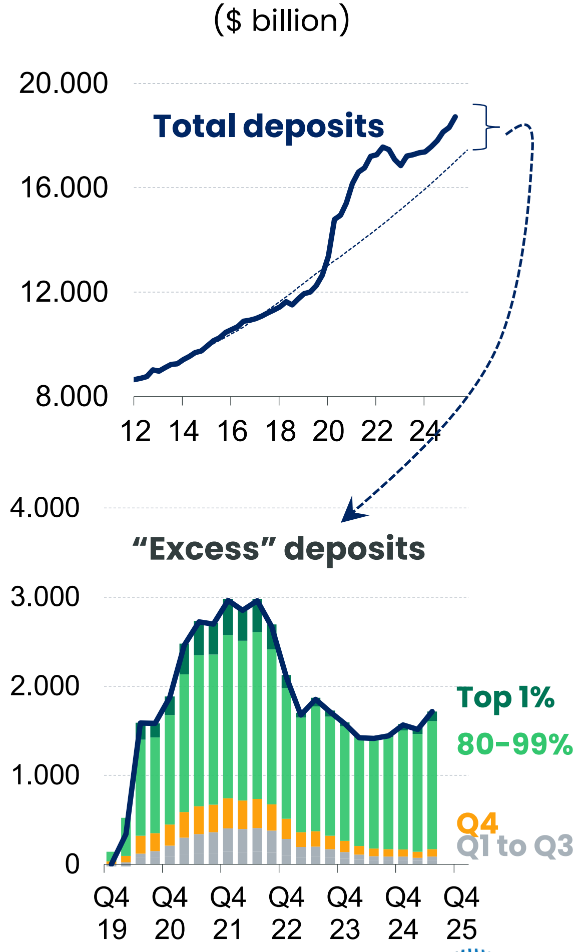
Higher-income households are however benefiting from solid wage growth and asset price appreciation

Household financial assets by income quintile



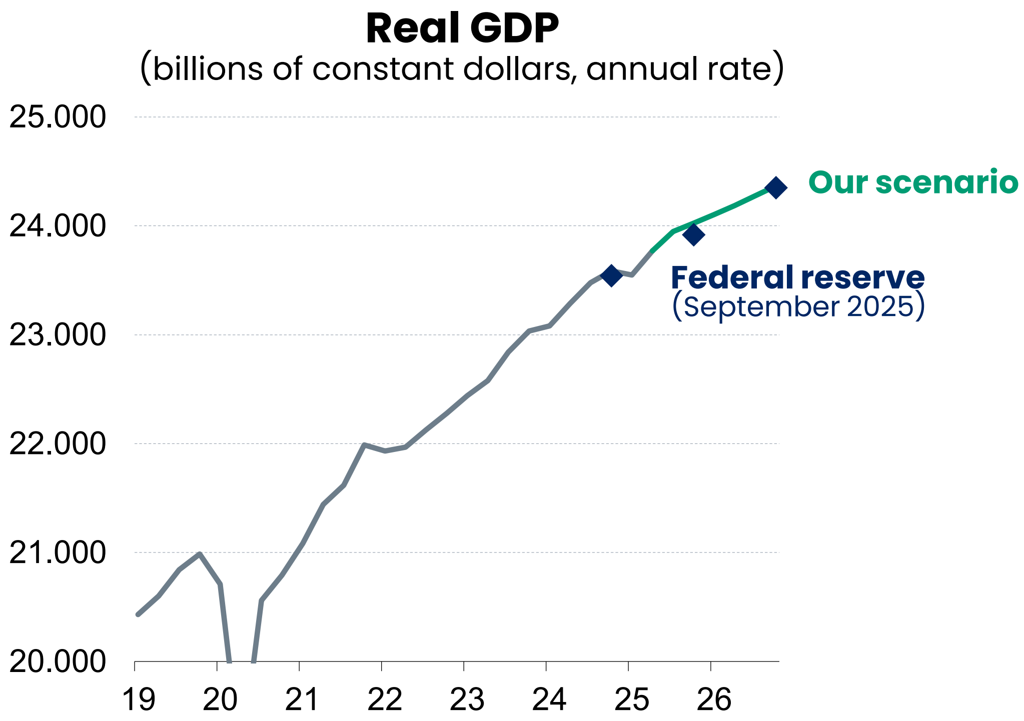


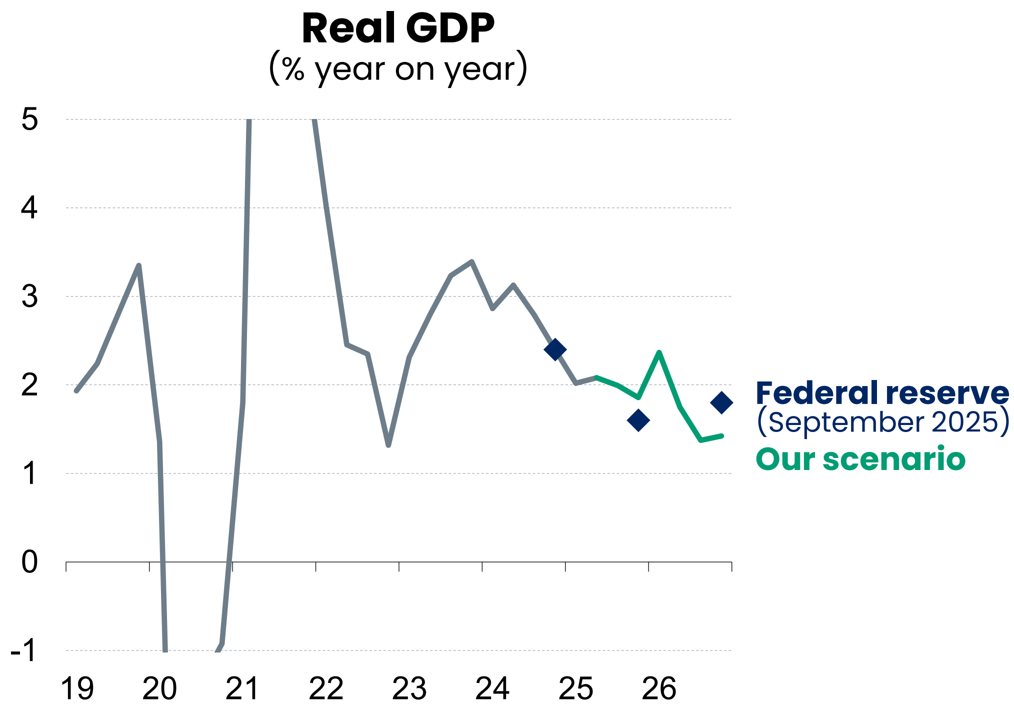
Household holdings of deposits and money market funds shares



Sources: Federal Reserve, Candriam

We continue to expect growth to slow, but a recession should be avoided



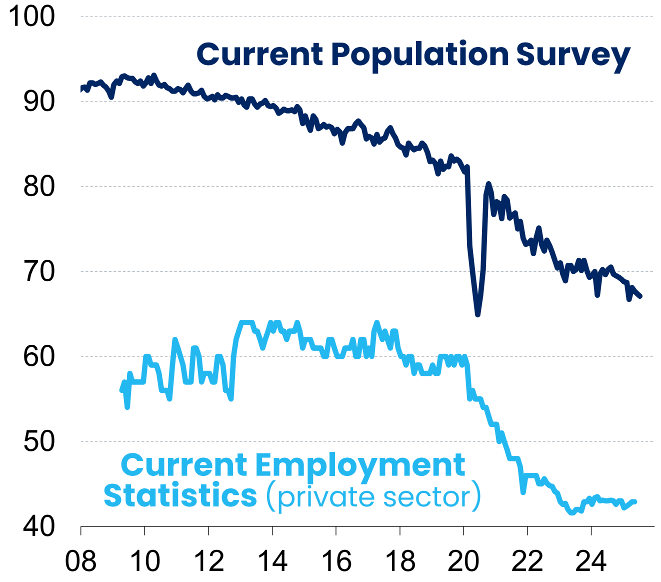


Sources: LSEG Datastream, Federal Reserve, Candriam

The task of the Fed is far from easy

Data quality

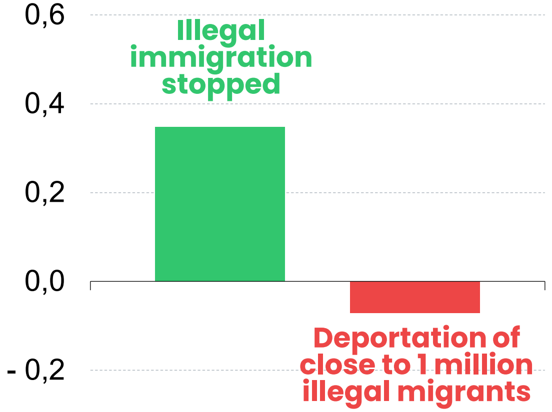
Employment surveys response rate
(%)



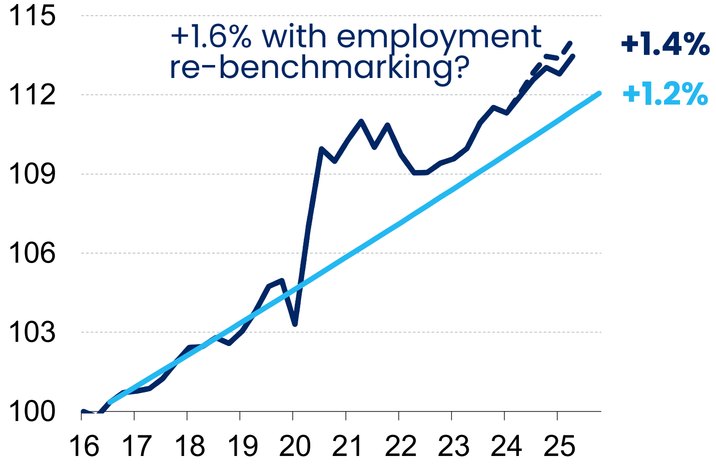
Sources: BLS, LSEG Datastream, Candriam

Speed limit

Labor force growth in 2026 depending on immigration policy
(%, annual rate)

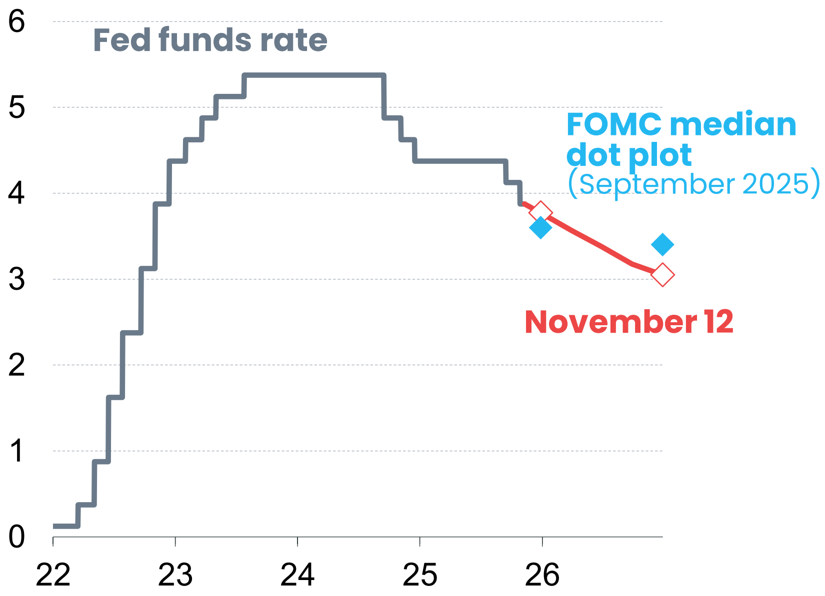


Real GDP per employee
(2016 Q1 = 100)



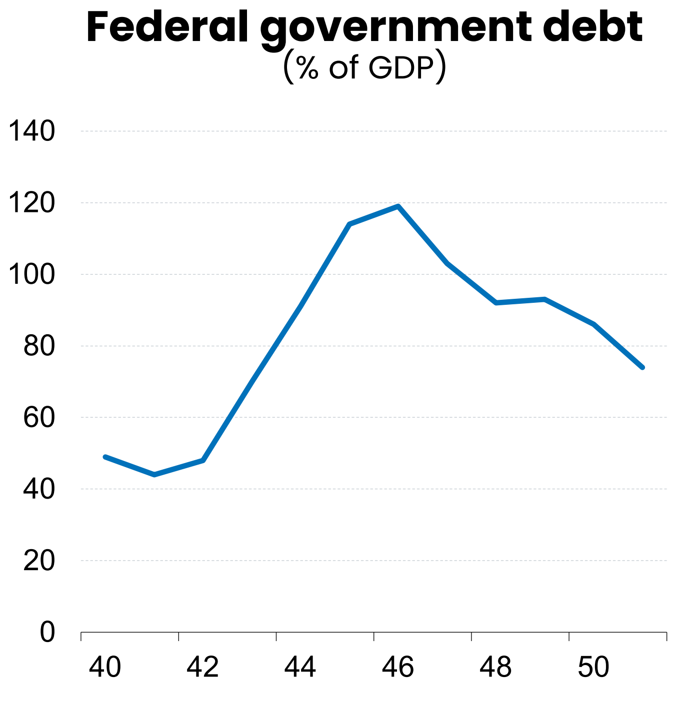
Political pressure?

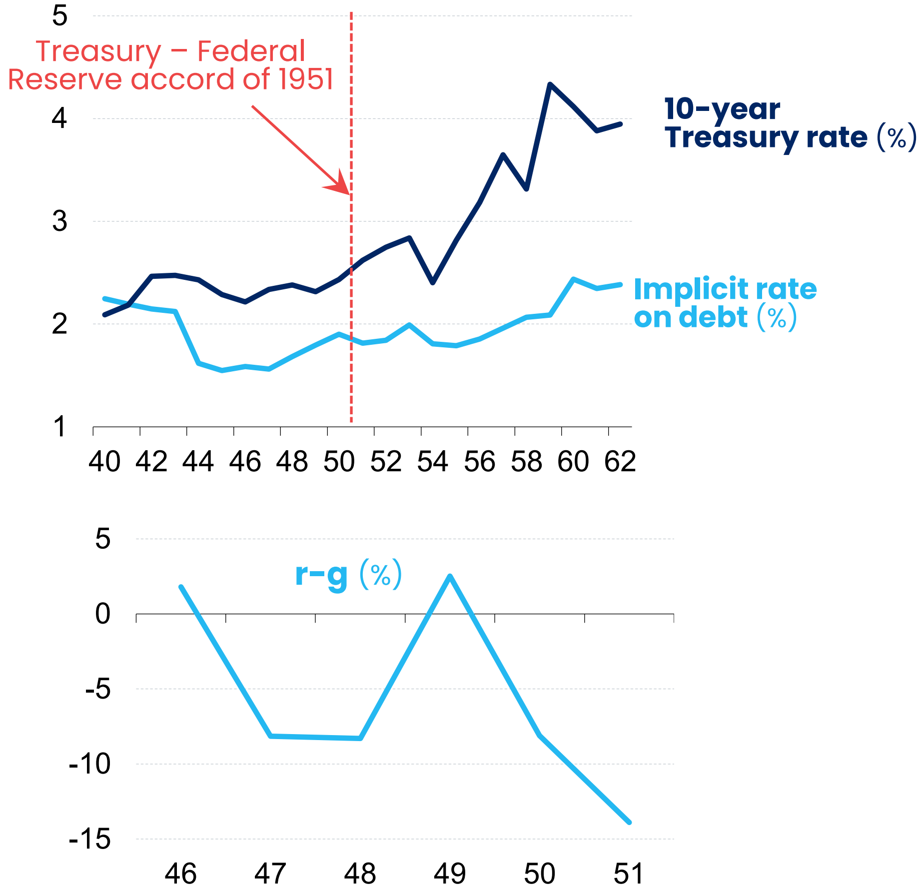
Fed funds rate and expectations
(%)

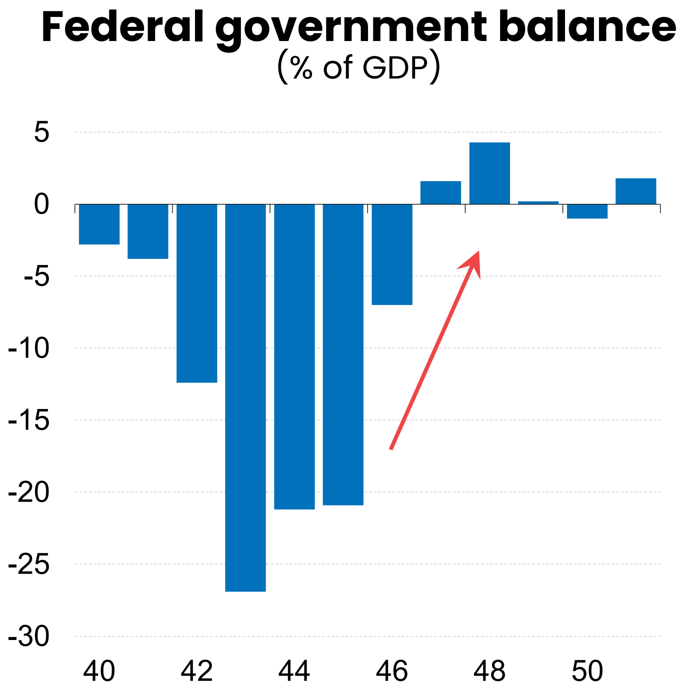


A "yield curve control regime" could help bring down the public debt ratio… but the episode of the 1940s reminds us that the vanishing government deficit contributed significantly!

Yield Curve Control: 1942 to 1951





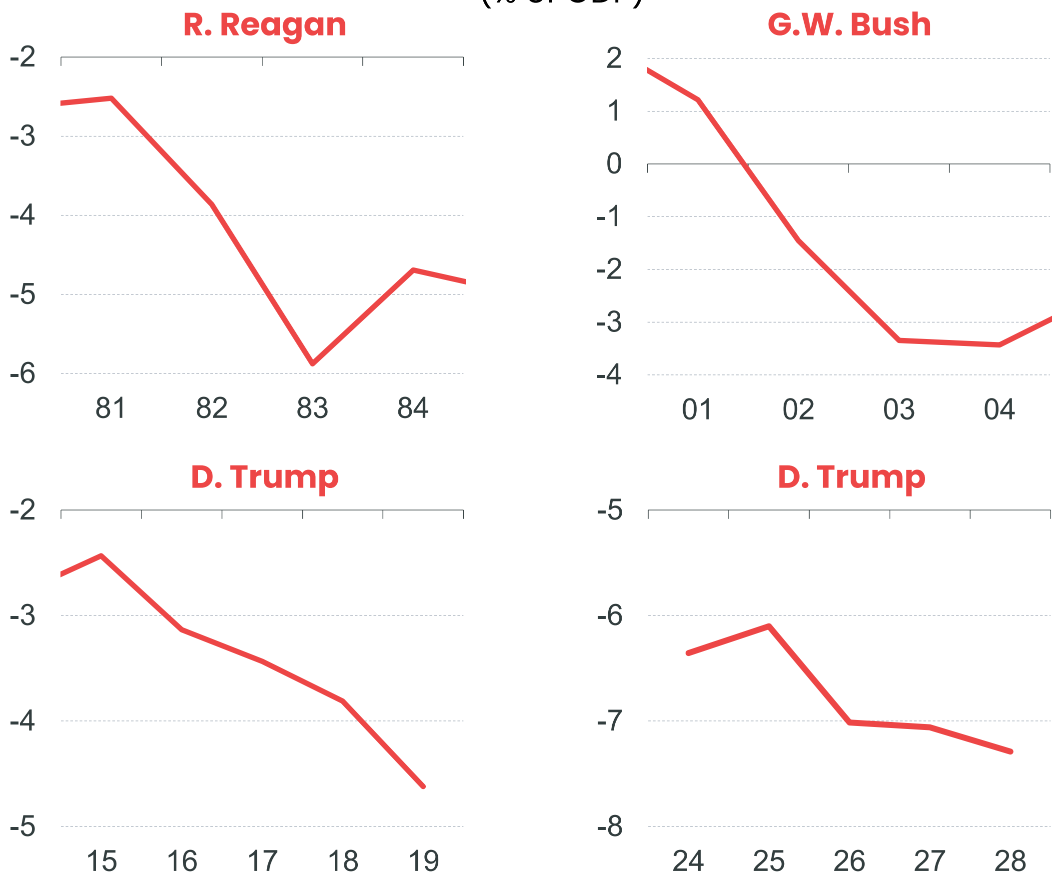


Sources: US Treasury, Candriam

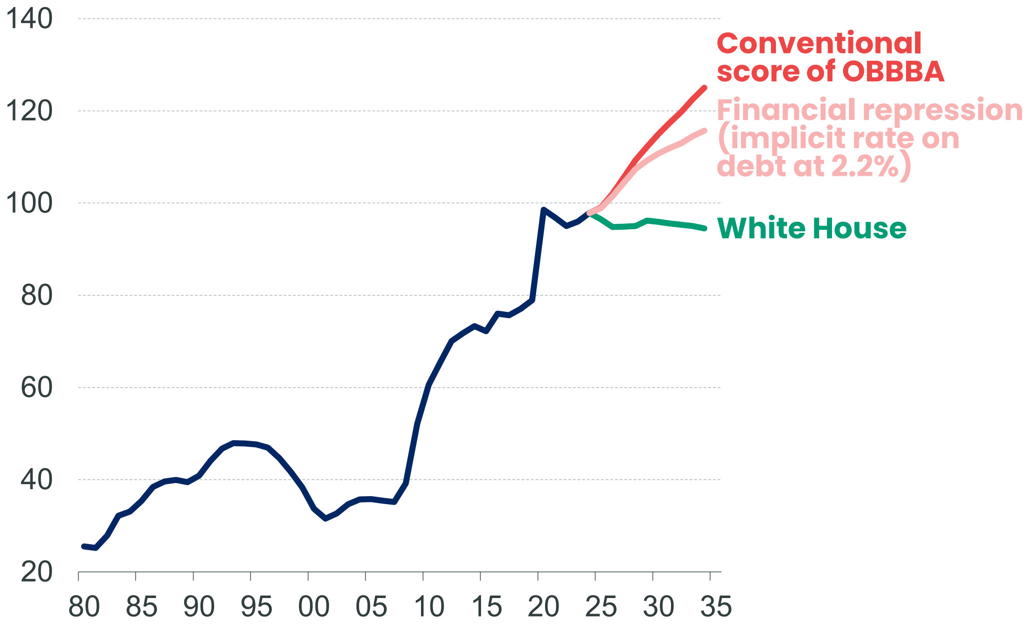
White House economic and fiscal projections are far more optimistic than any credible estimate!

Tax cuts rarely pay for themselves!

Federal government balance in 4 episodes of tax cuts
(% of GDP)



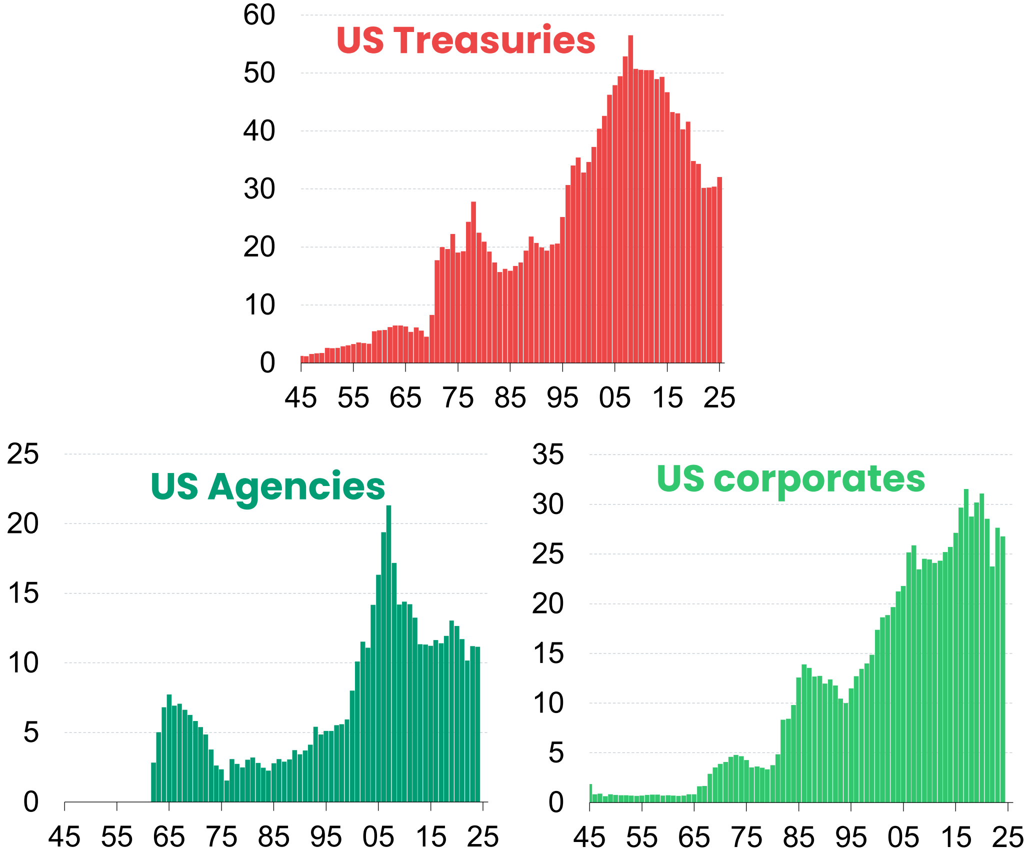
Simulated federal debt trajectories
(% of GDP)



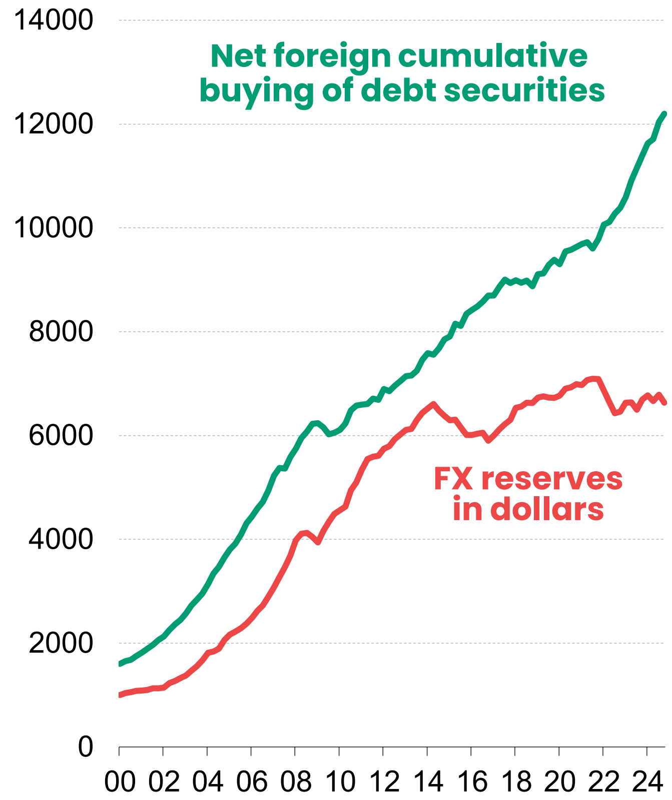
Sources: CBO, Council of Economic Advisers, Candriam

Moreover, in the 1940s, the debt was largely held domestically!

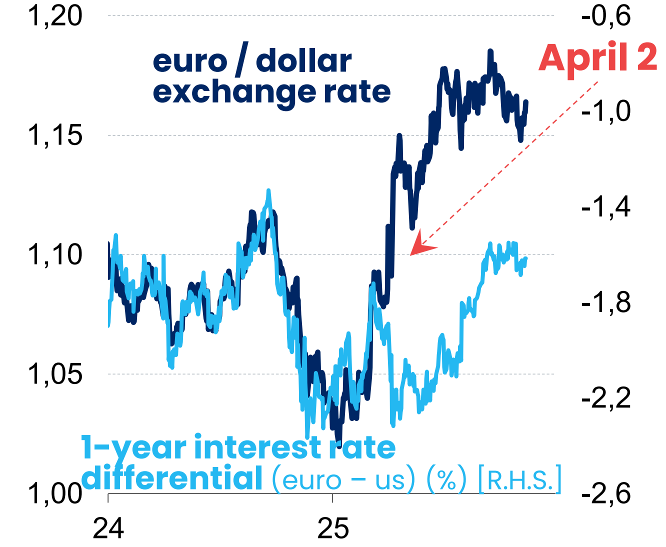
Foreign share of total debt securities outstanding since 1945
(%)



Financing of the US current account deficit and dollar-denominated foreign exchange reserves
($ billion)



Interest rate differential and euro dollar exchange rate



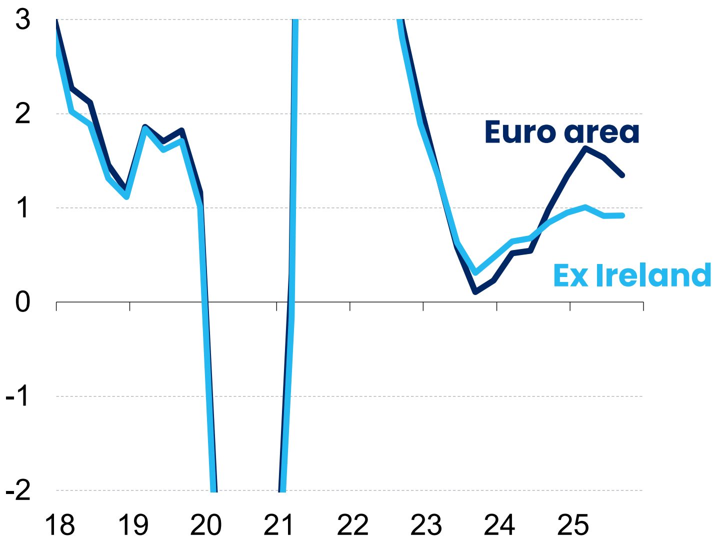
Sources: Federal Reserve, LSEG Datastream, Candriam

4 Euro area

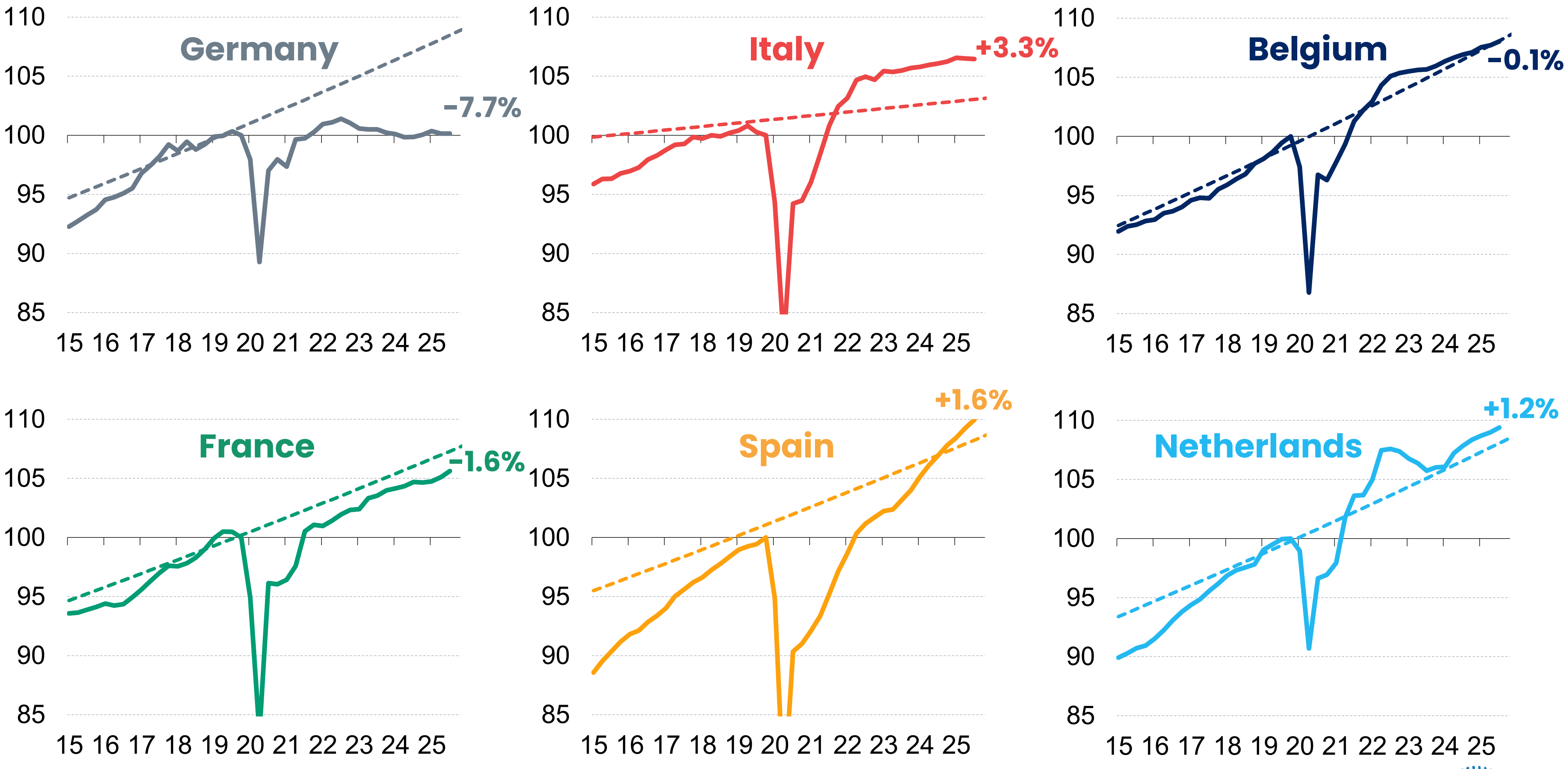
Between the United States and China…

In H1 2025, GDP grew moderately in the euro area and remained well below its pre-covid trend in Germany

Real GDP growth
(% year on year)



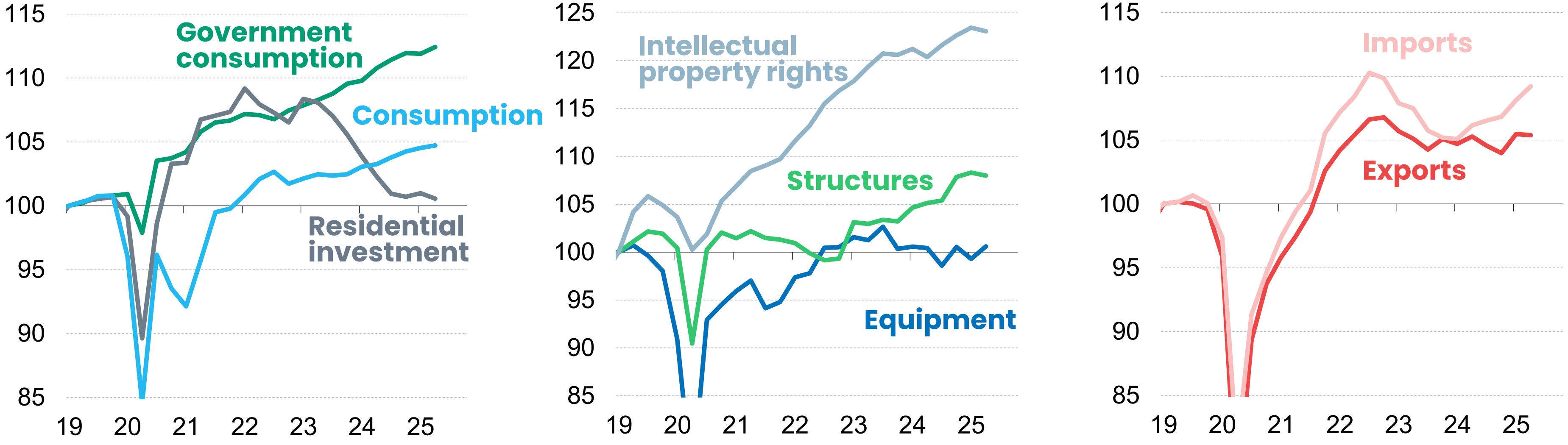
Real GDP
(compared to 2004-2019 trend, 2019 Q4 = 100)



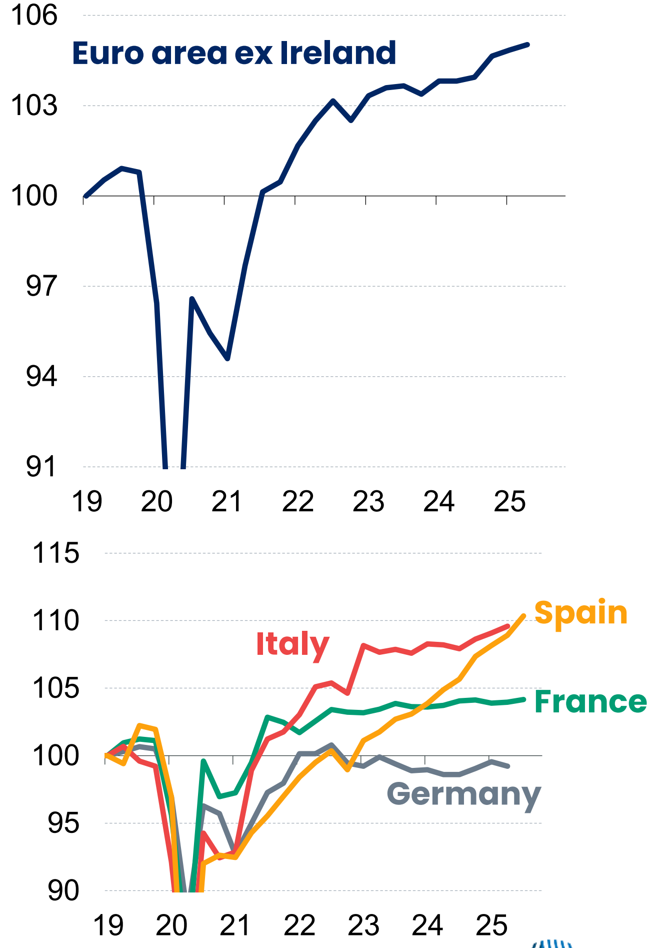
Sources: LSEG Datastream, Candriam

Domestic demand has barely accelerated... except in Spain

Euro area ex Ireland GDP components
(2019 Q1 = 100, volume)



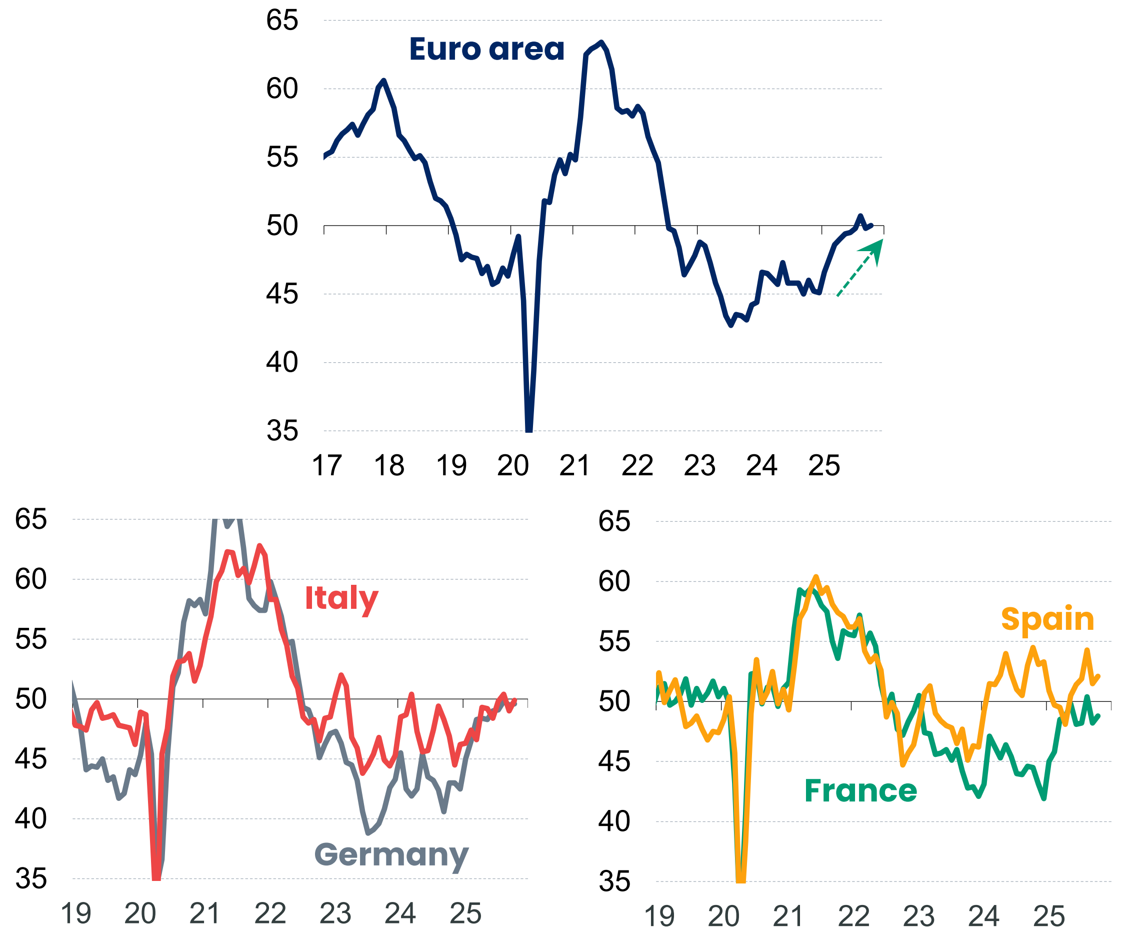
Domestic demand
(ex inventories and government consumption, 2019 Q1 = 100)



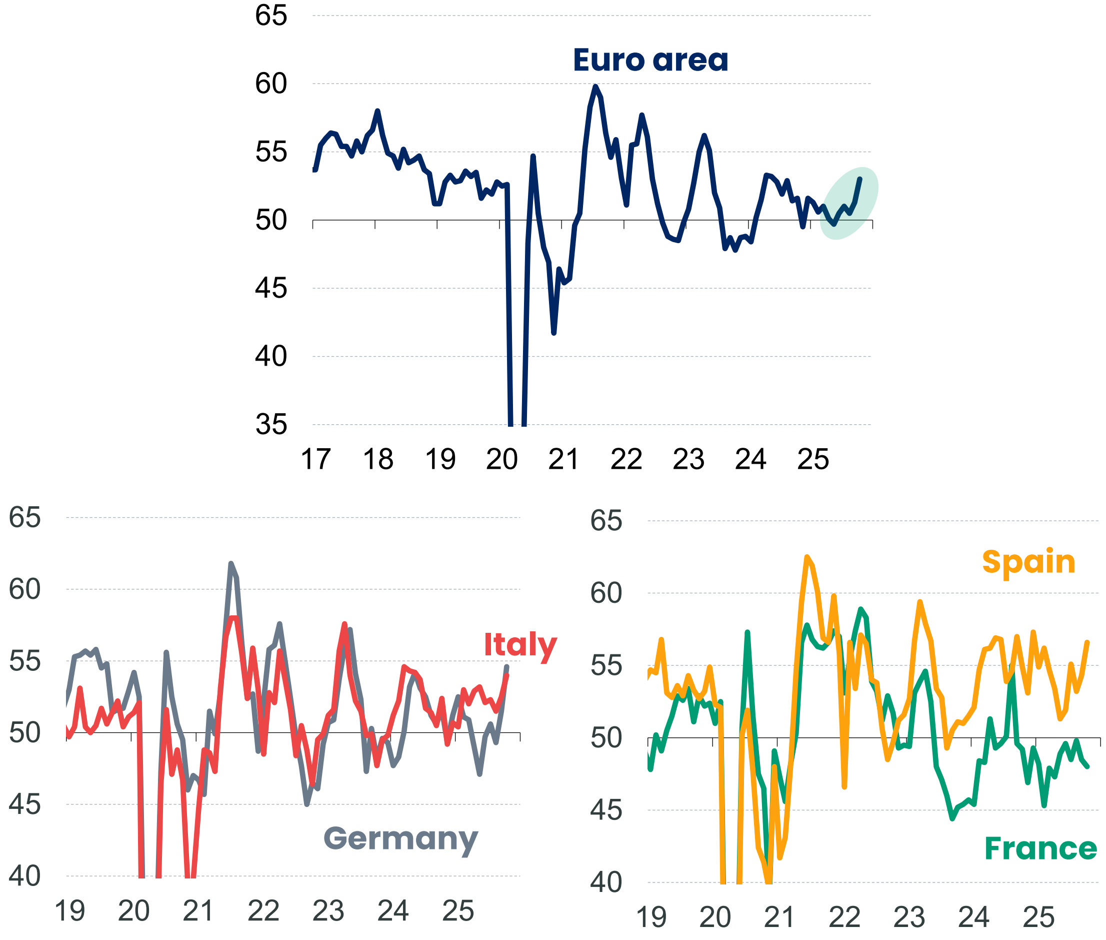
Sources: LSEG Datastream, Candriam

PMI indices stabilized in manufacturing… and improved in services…

Manufacturing PMIs

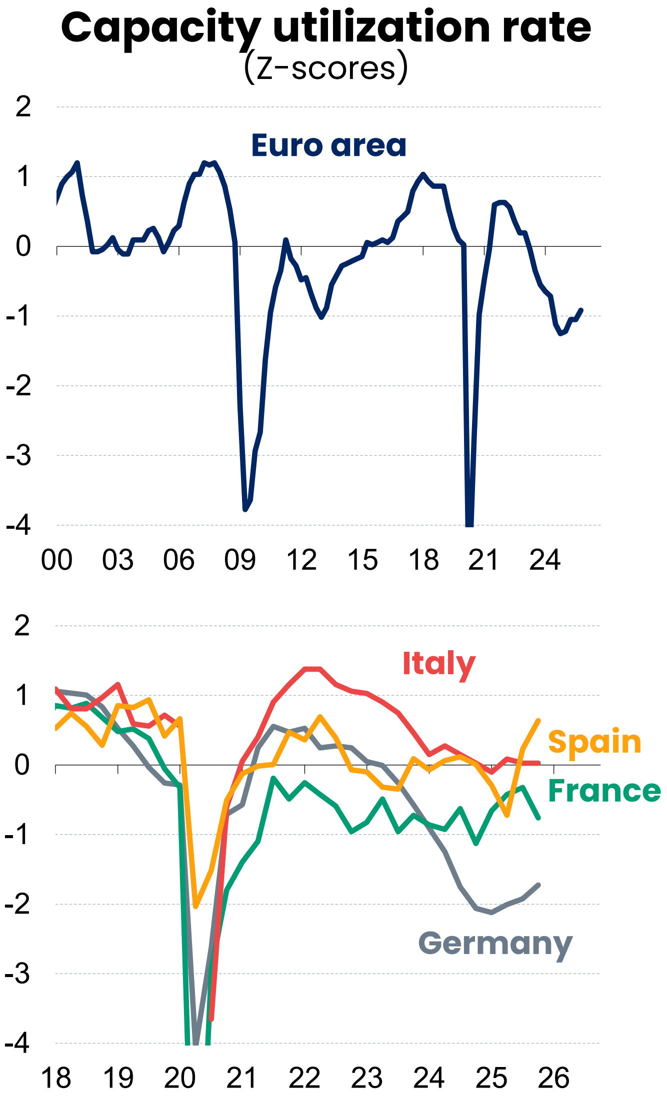


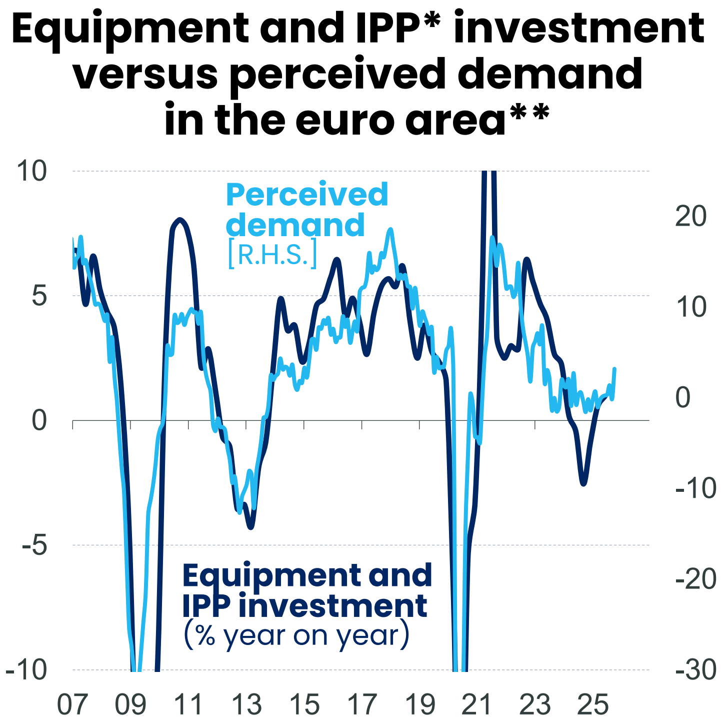
Services PMIs



Sources: Bloomberg, Candriam

Still, business investment has little reasons to gain momentum (I)



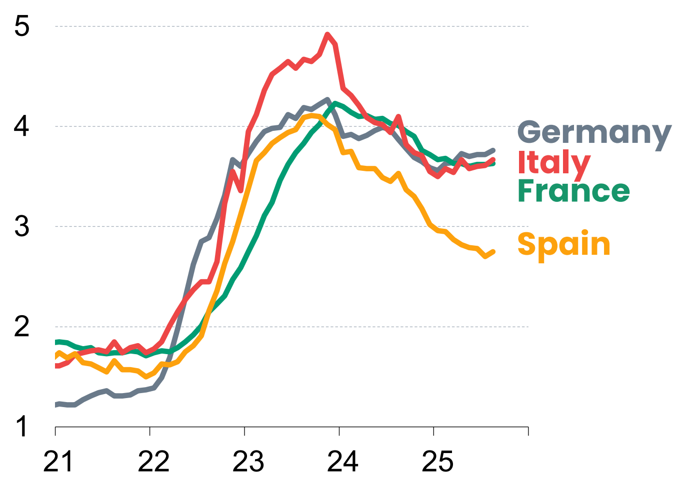


(*) Investment in intellectual property products
(**) Germany, France, Italy and Spain

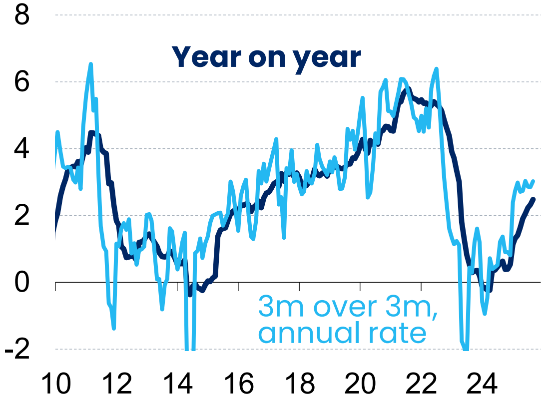
Sources: LSEG Datastream, Candriam

… pointing to some recovery in residential investment

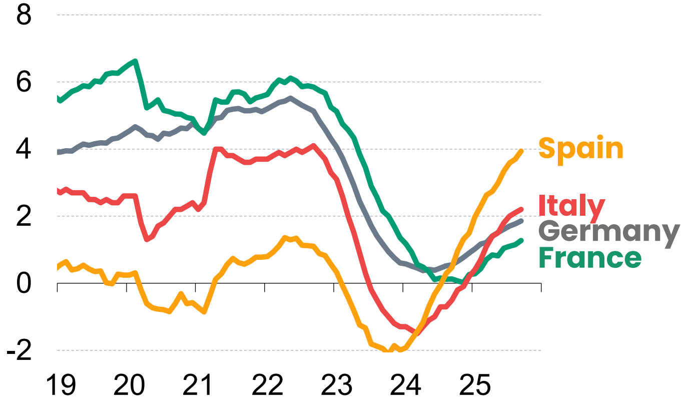
Mortgage interest rates
(%, new business)



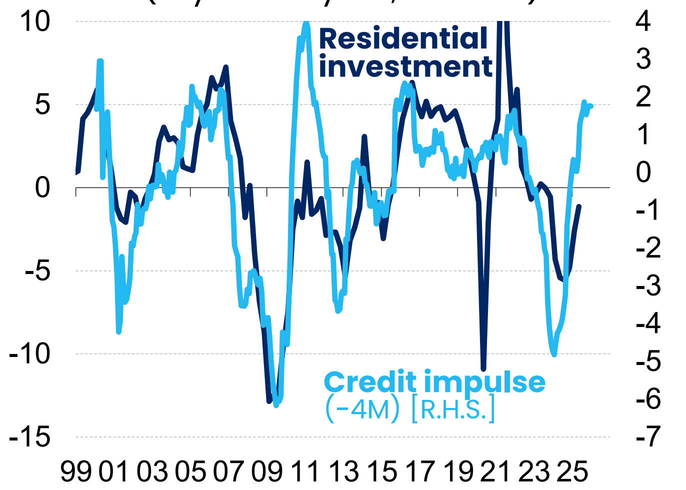
Loans for house purchase in the euro area
(%)

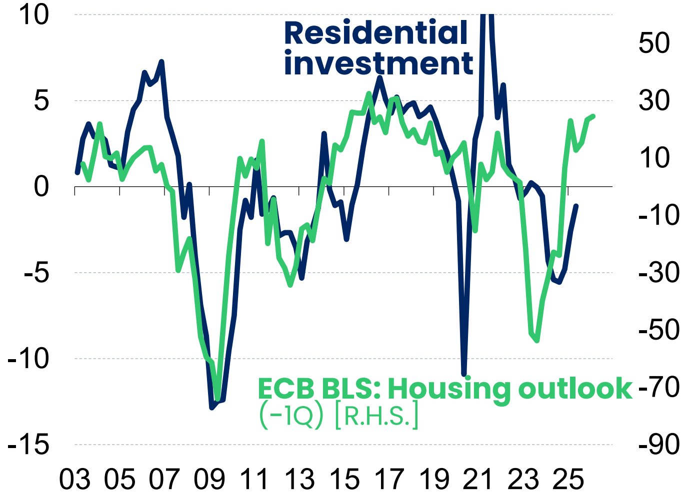


Total loans to households
(% year on year, adjusted for securitization)



Euro area residential investment
(% year on year, volume)

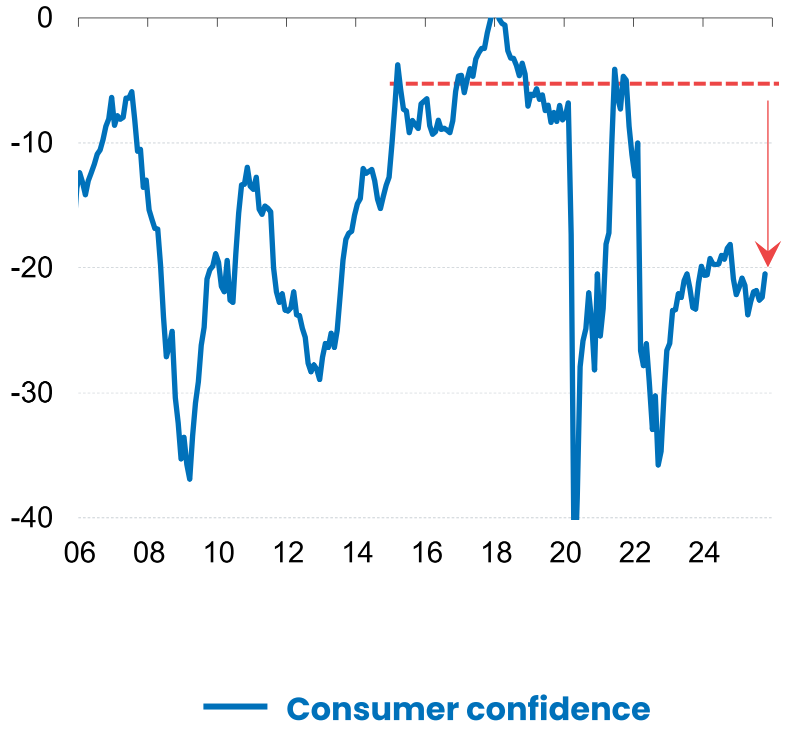


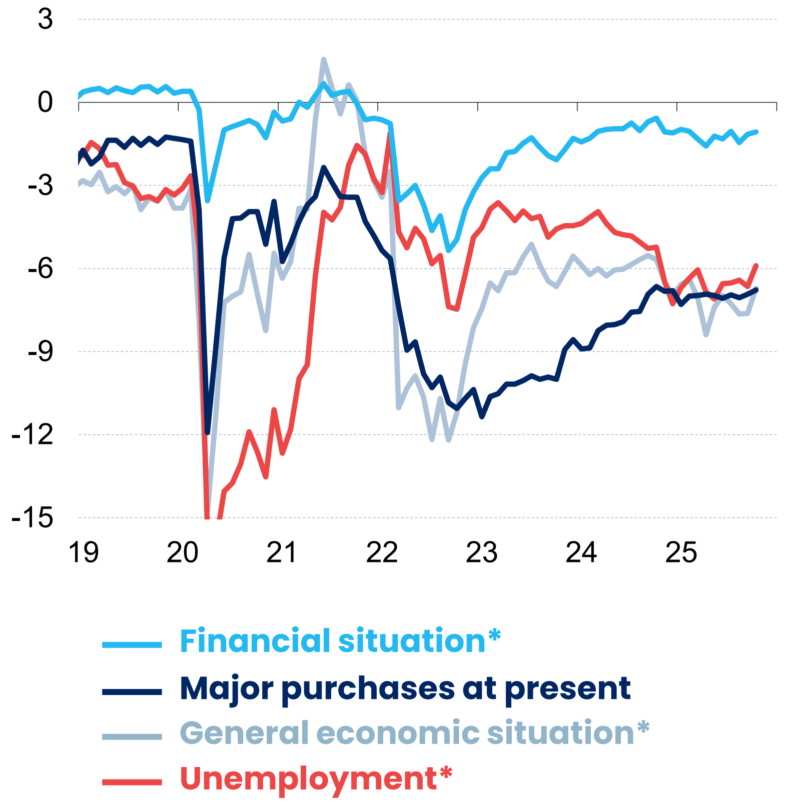


Sources: LSEG Datastream, ECB, Candriam

Household confidence remains subpar

Consumer confidence in the euro area

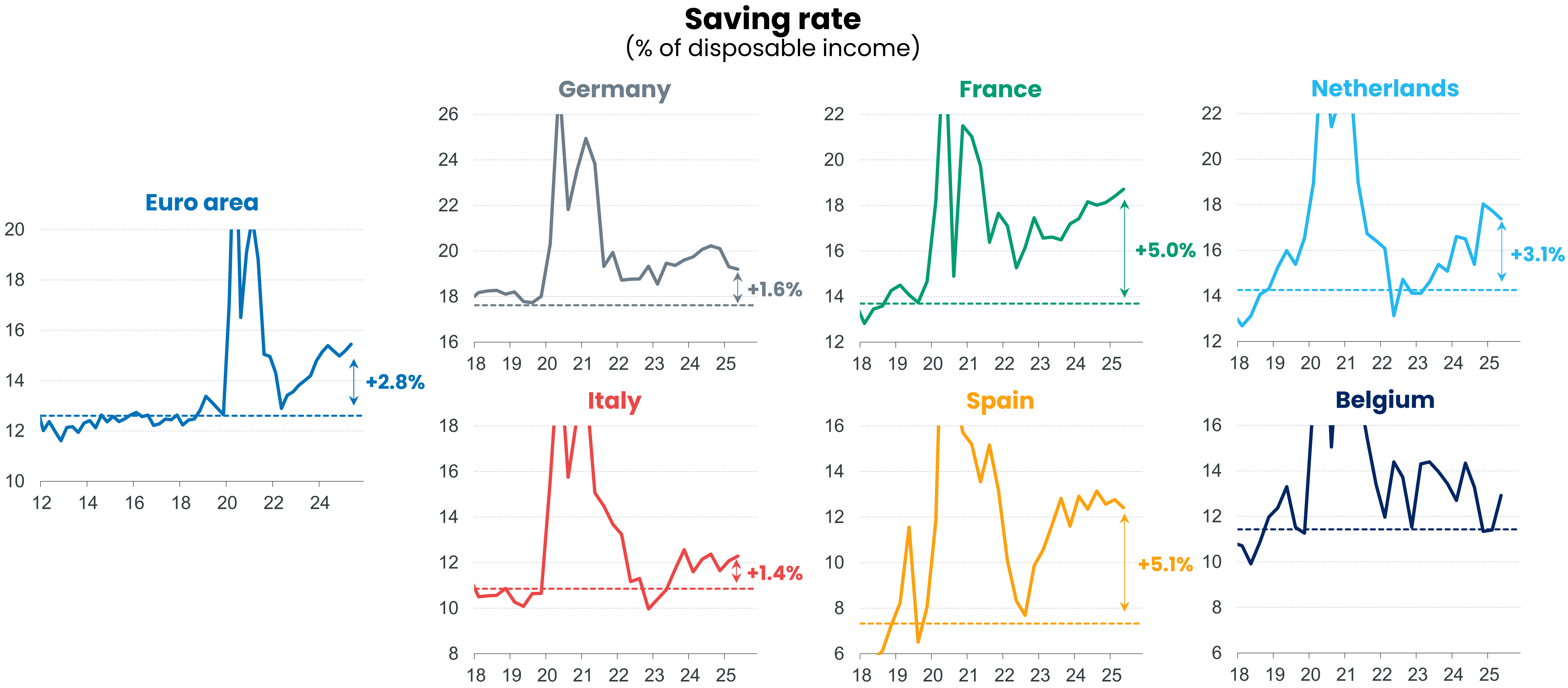




(*) Next 12 months

Sources: LSEG Datastream, Candriam

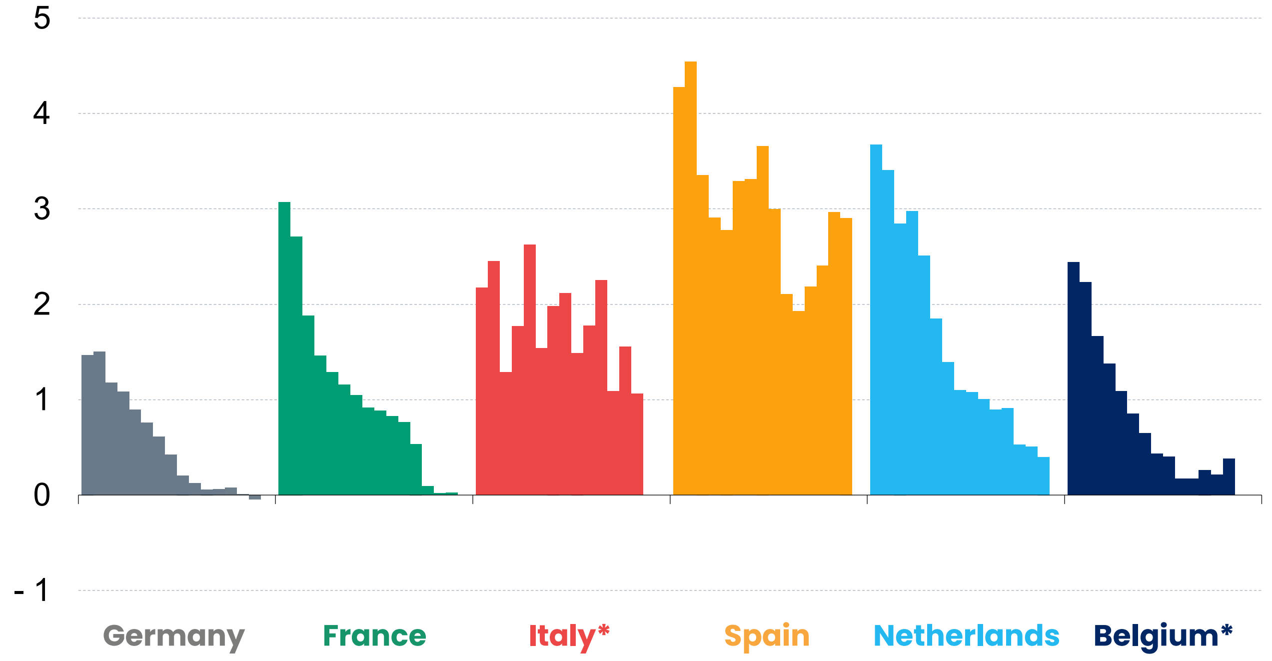
The saving rate has barely declined



Sources: LSEG Datastream, Candriam

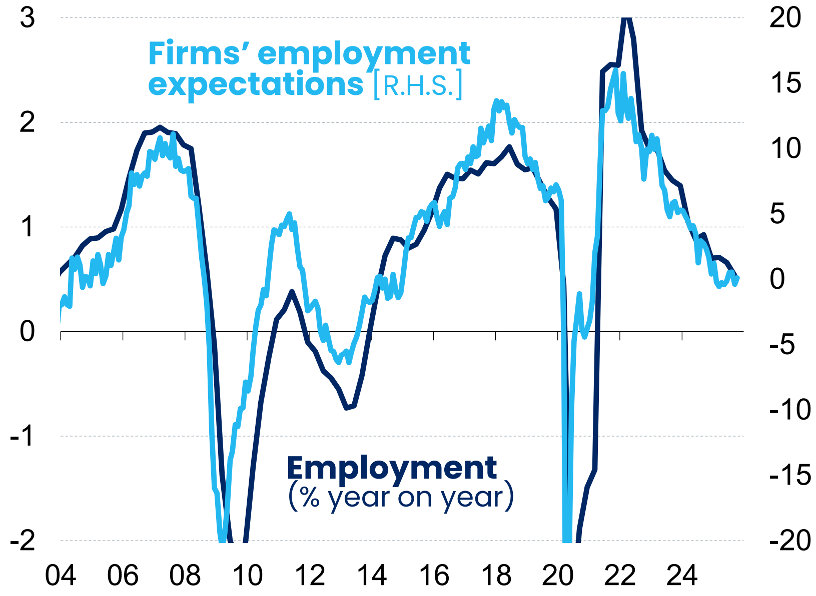
Job creations have continued to slow

Employment growth
(% year on year, 2022 Q1 – 2025 Q3)



(*) Last data: 2025 Q2

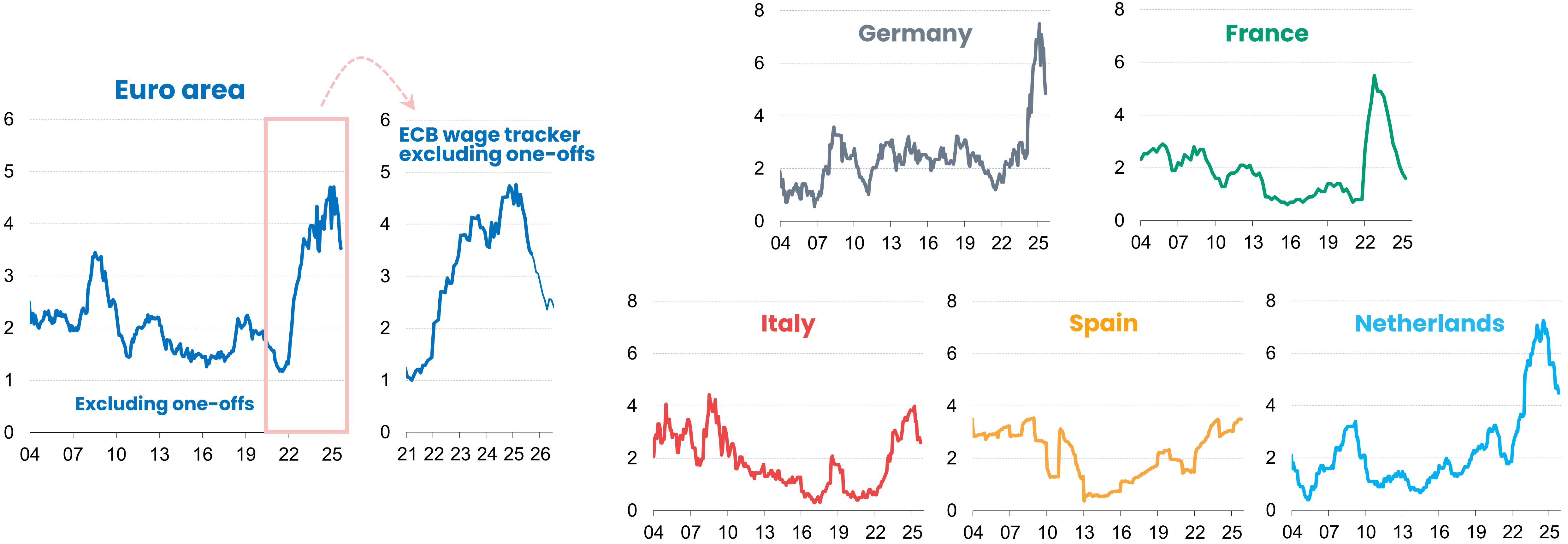
Employment and firms' expectations
(EC survey)



Sources: LSEG Datastream, Candriam

… and negotiated wages point to further slowdown ahead

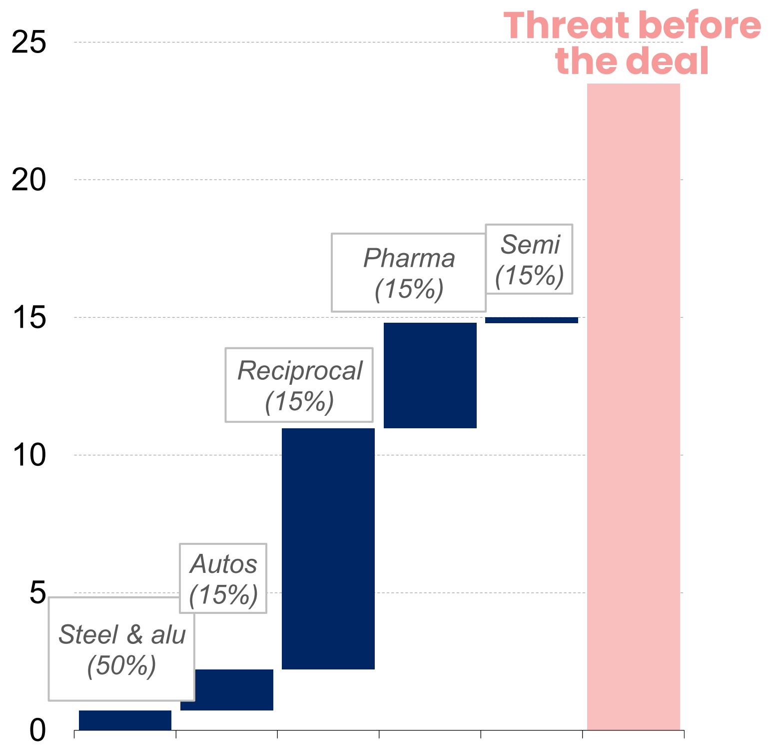
Negotiated wages
(% year on year)



Sources: LSEG Datastream, Candriam

Despite a deal, the rise in US tariffs will weigh on activity

Tariff rate on US imports from EU
(%)

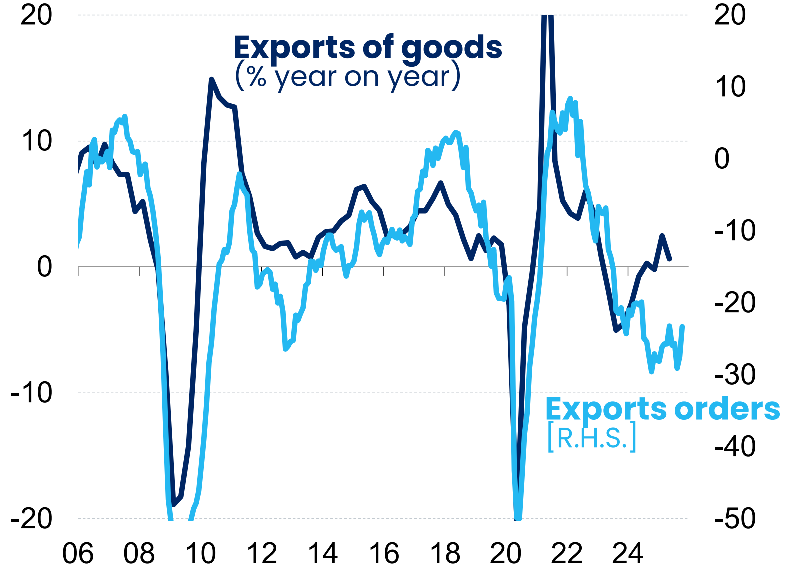


Effects on euro area GDP of a 15% increase in US tariffs on European products
(%)

Sources: Census Bureau, OECD, TiVA, Candriam

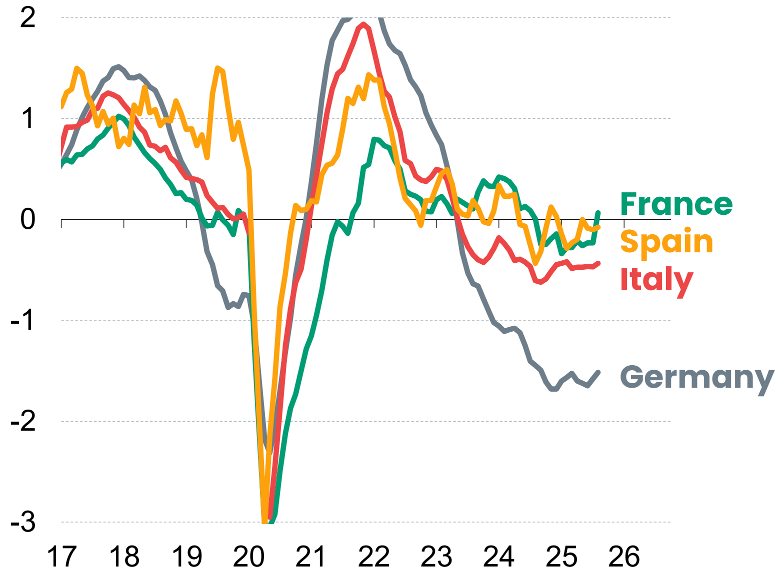
On the external front, headwinds are intensifying

Exports of goods and orders



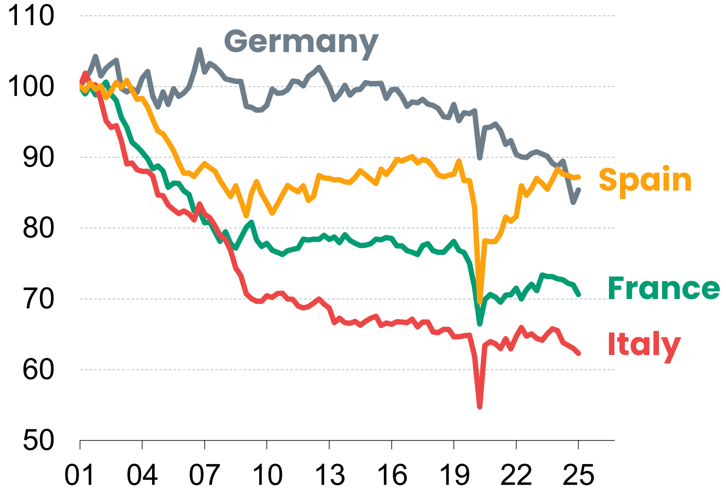
Export orders

(EC survey, Z-scores)



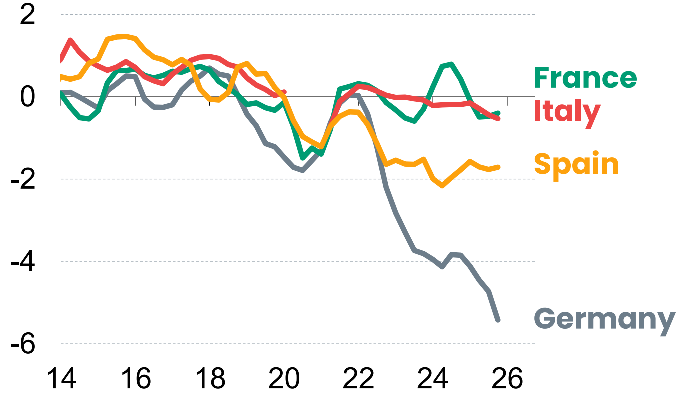
Export market shares index

(2001 Q1 = 100)



Competitive position

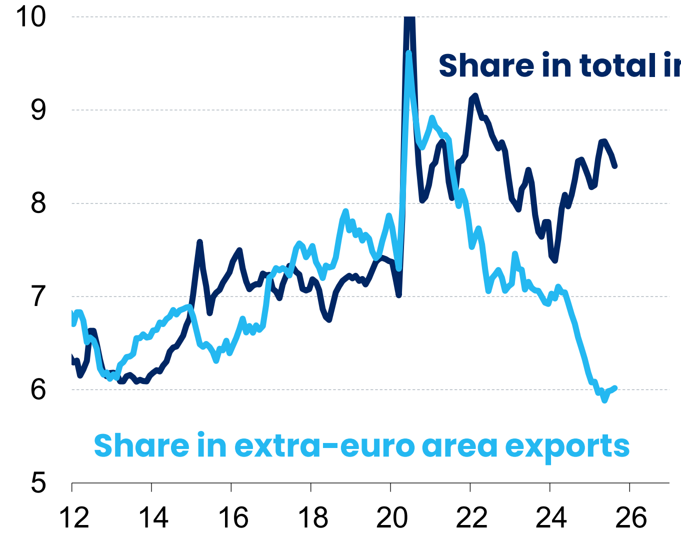
(outside the EU, EC survey, Z-scores)



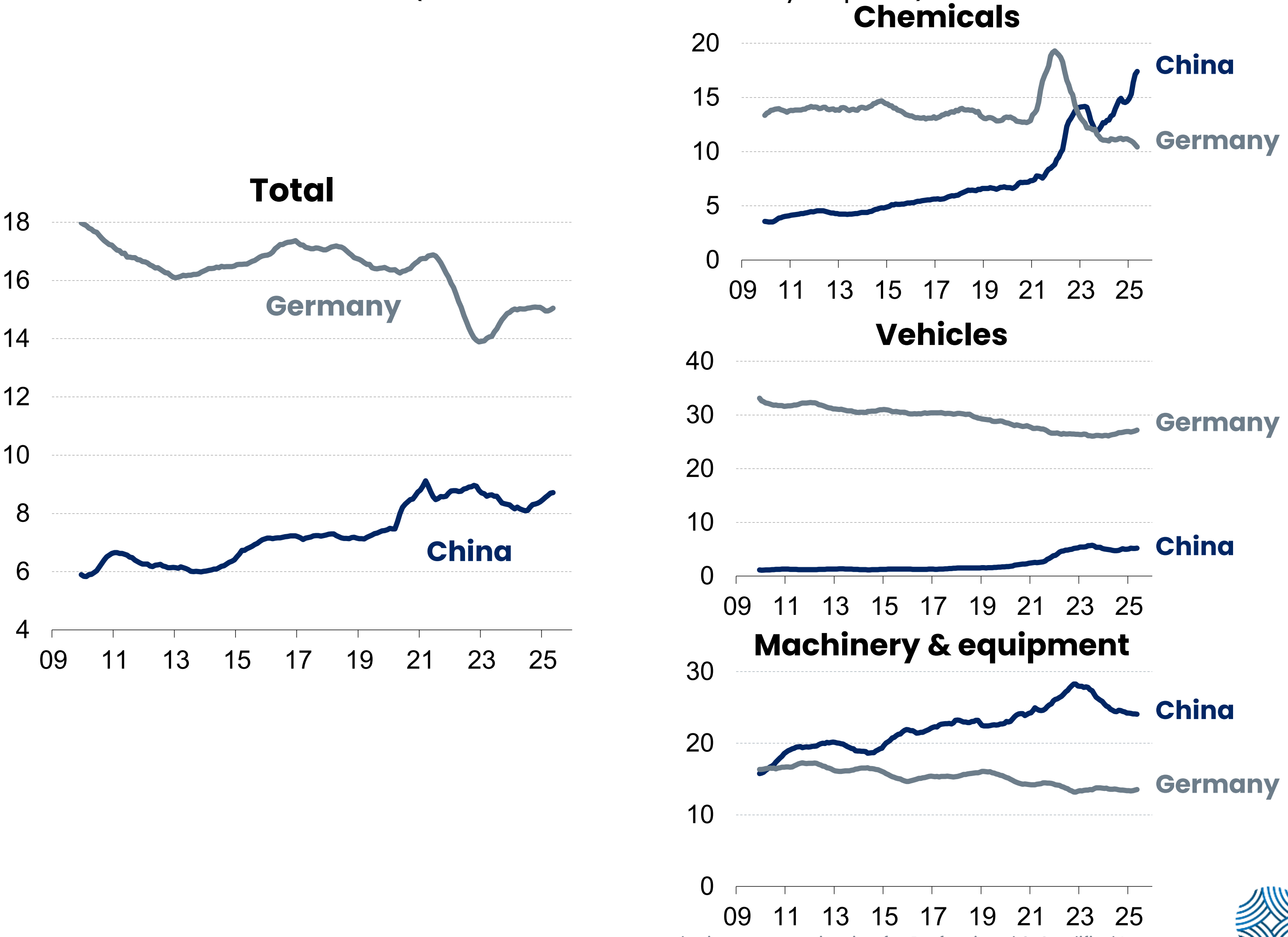
Sources: LSEG Datastream, Candriam

Europe – Germany in particular – suffers from Chinese competition, notably on the European internal market

China share in euro area exports and imports
(%)



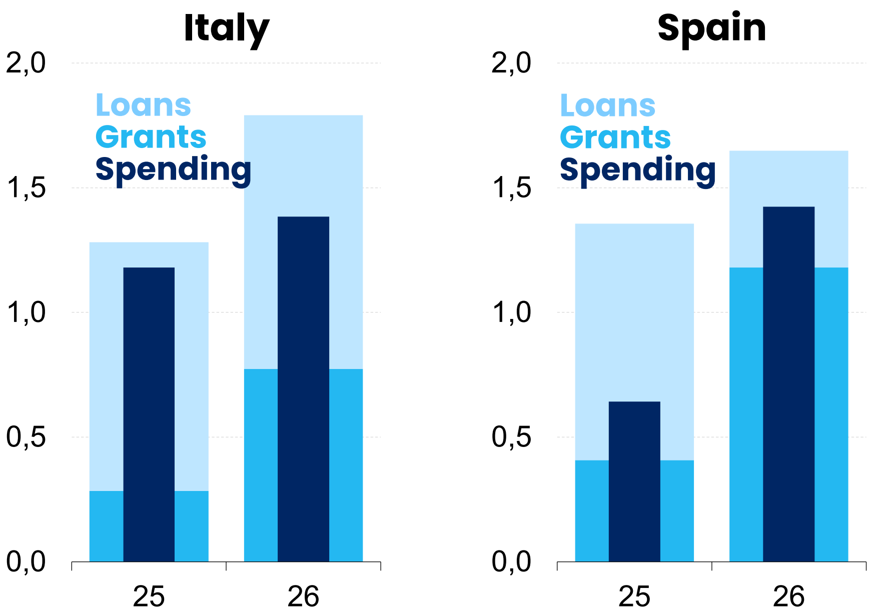
China and Germany share in euro area imports by product
(% of euro area ex Germany imports)



Sources: Eurostat, Candriam

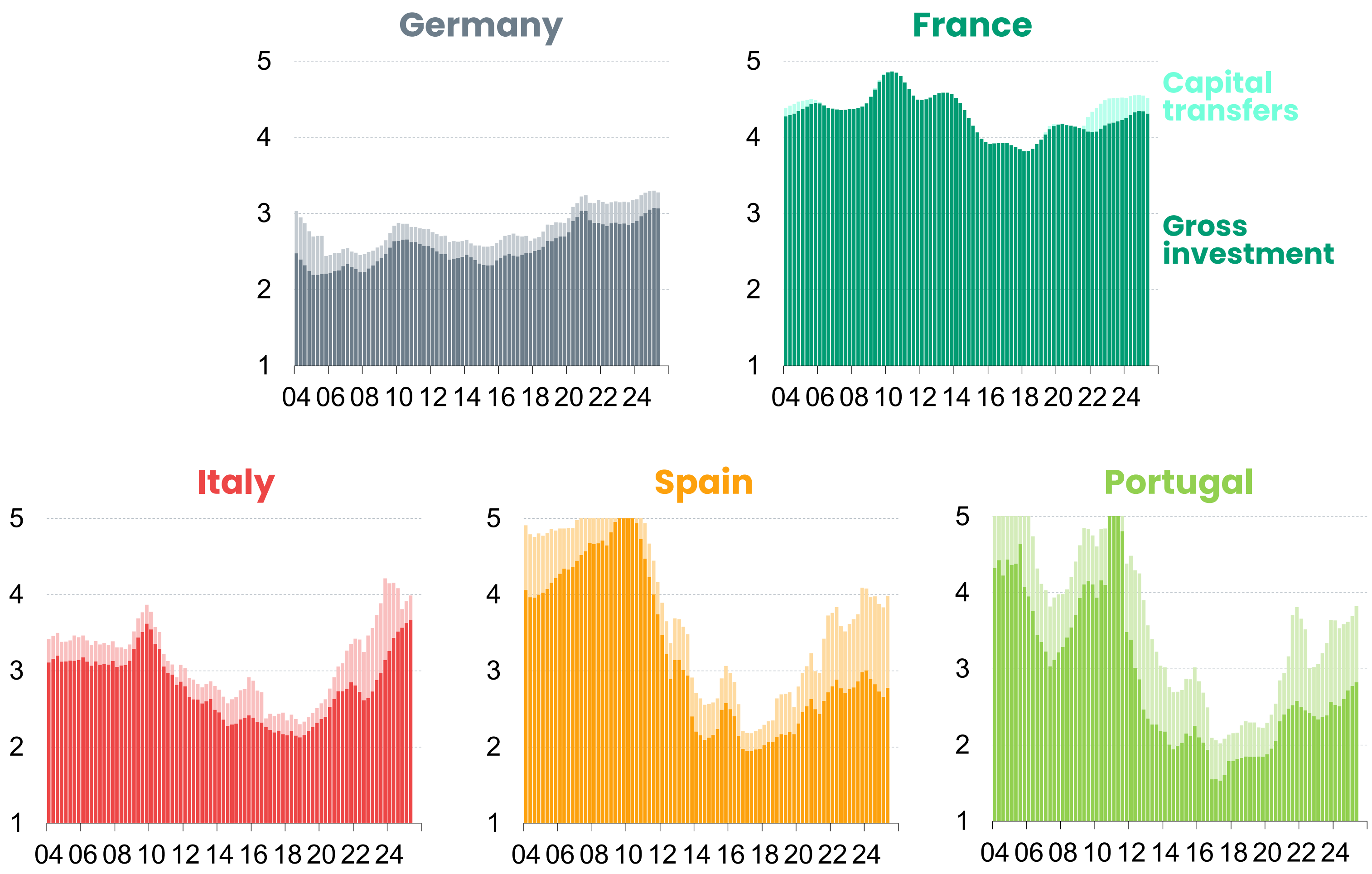
The Recovery and Resilience Facility will however provide some offset in 2026 as governments speed up implementation

Recovery and Resilience Facility
(% of country's GDP)



The EU council is likely to allow a short extension of the program to let countries deploy the full potential of the Recovery Plan.

Government investment and capital transfers
(% of country's GDP)

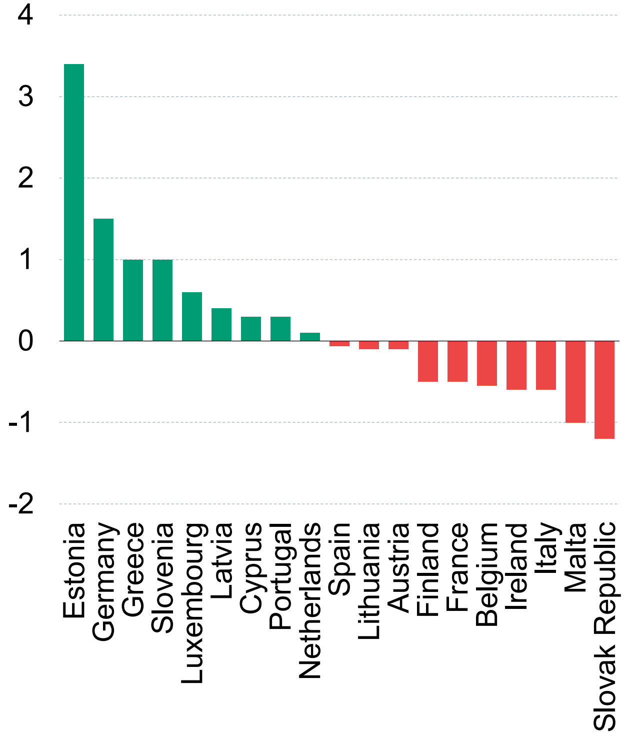


Sources: Goldman Sachs, Eurostat, Candriam

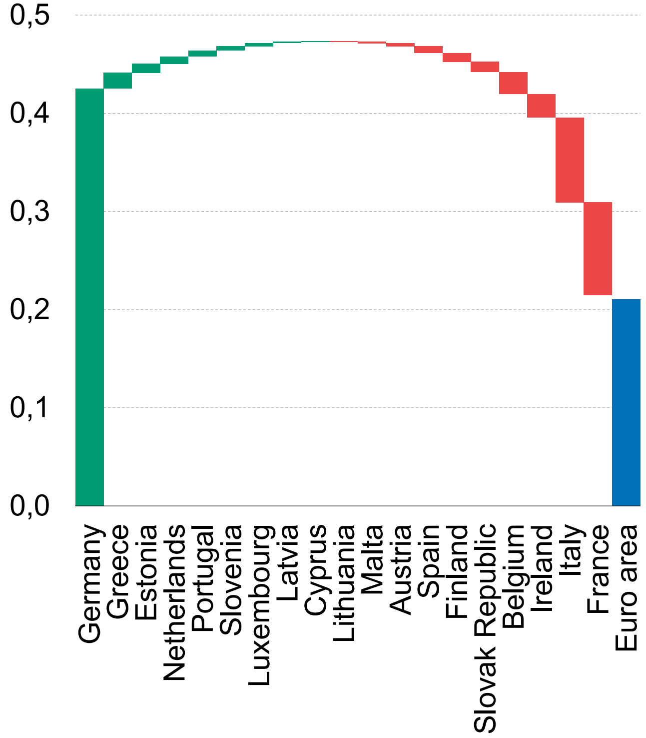
All in all, except in Germany, fiscal policy is unlikely to be very supportive

Fiscal impulse in 2026

(% of country's GDP)

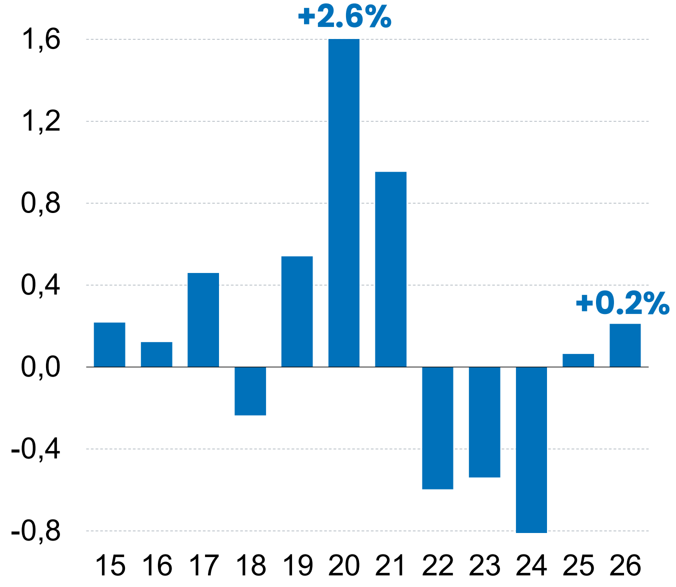


(% of euro area's GDP)



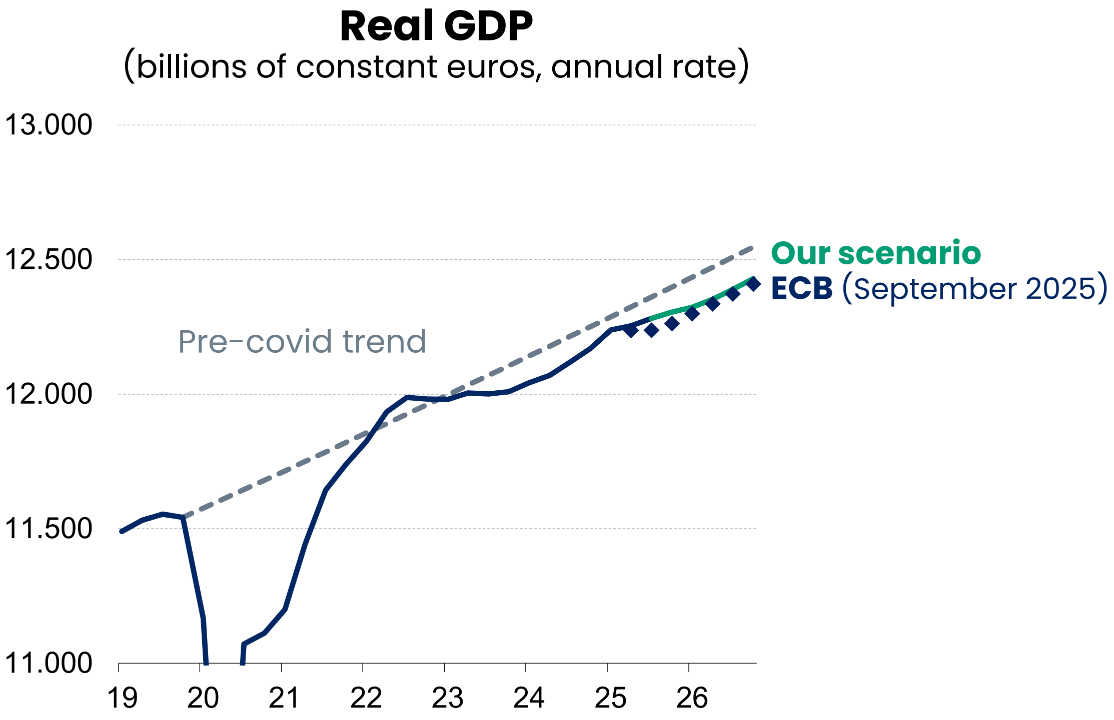
Euro area's fiscal impulse

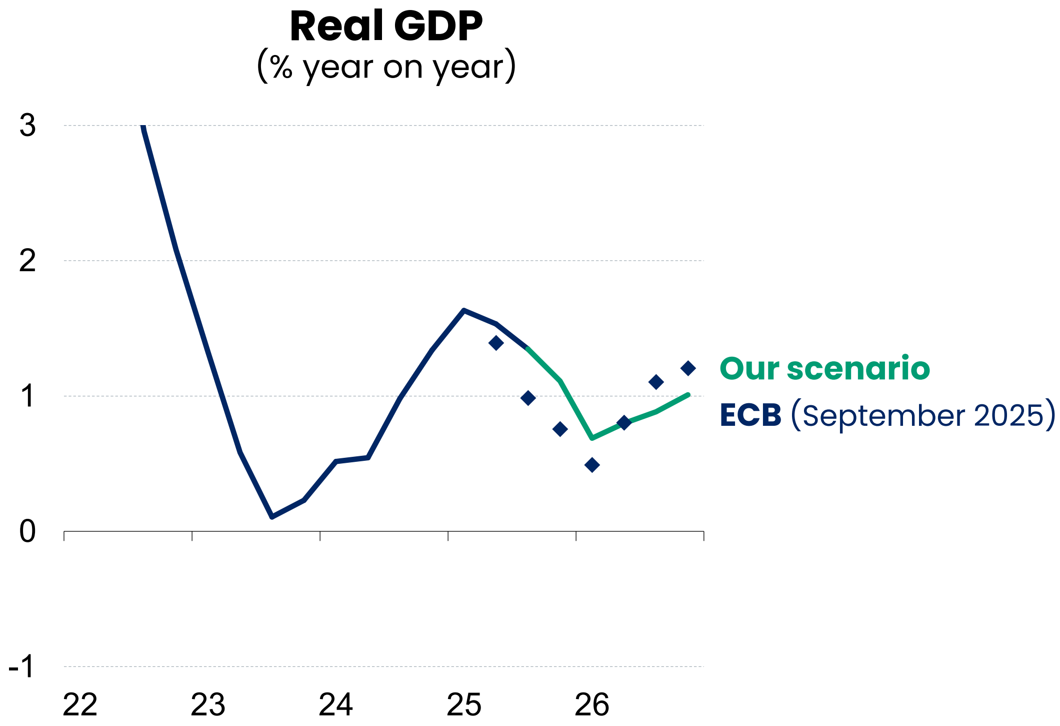
(% of GDP)



Sources: European Commission, Candriam

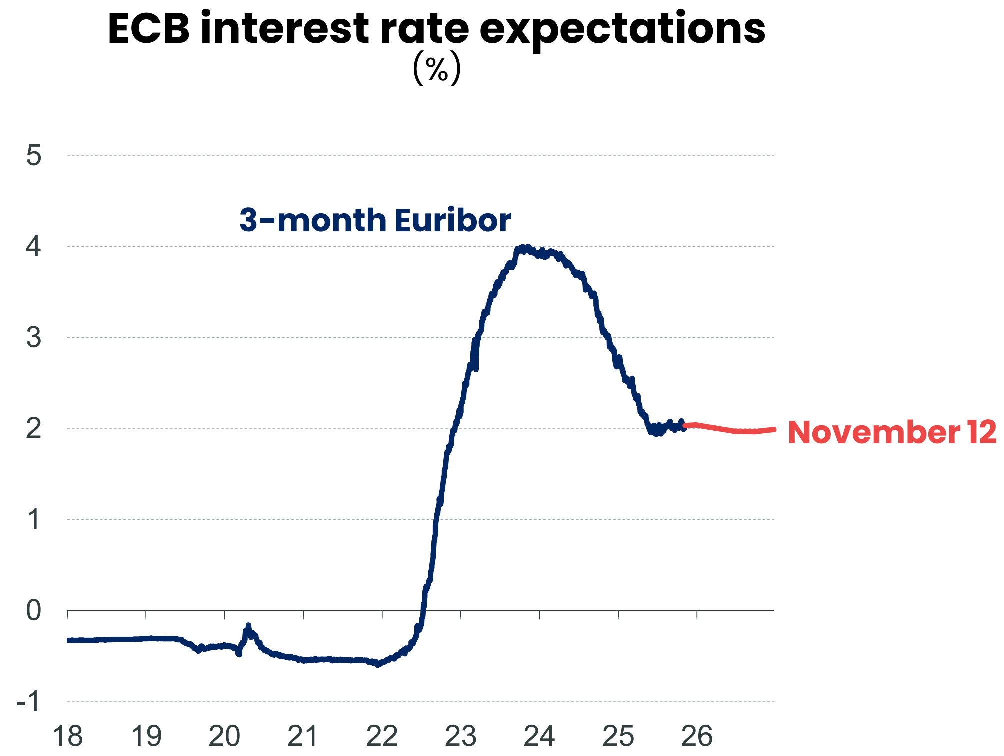
After a slowdown, growth is set to pick up in 2026





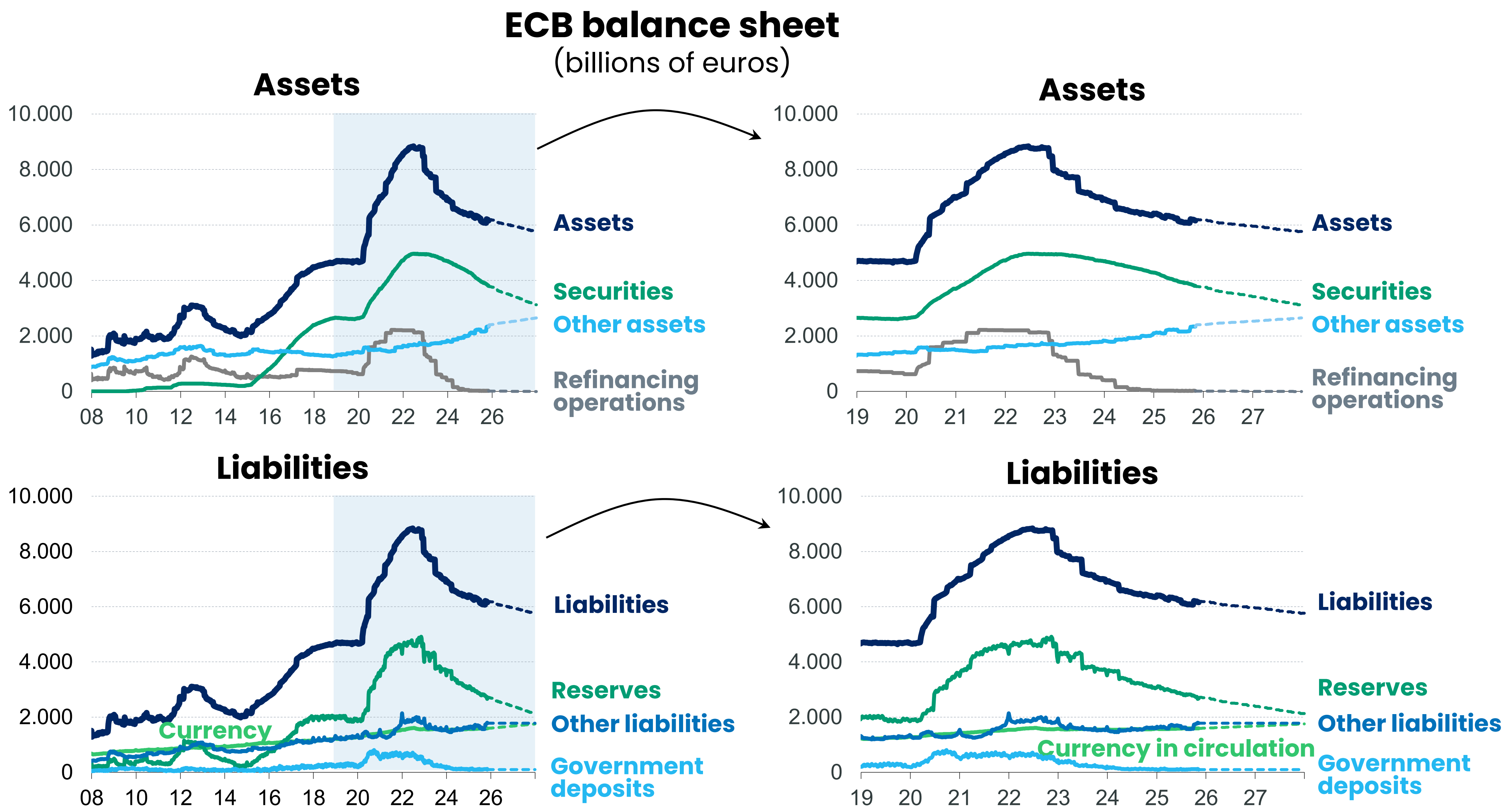
Sources: LSEG Datastream, ECB, Candriam

The ECB has normalized its monetary policy



Sources: LSEG Datastream, Candriam

Memo. ECB balance sheet



Sources: LSEG Datastream, ECB, Candriam

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