International synthesis

In Q4 2024, activity in the Eurozone was sluggish (+0.2% after +0.4% in Q3), marking a loss of momentum in the recovery outlined at the start of the year. Over the whole of 2024, activity in the Eurozone grew by 0.8%, after 0.5% in 2023. However, this slight acceleration masks some significant disparities between countries. Germany recorded a second consecutive year of recession. In the United Kingdom too, activity stagnated at the end of the year: +0.1% in the autumn, bringing annual growth to +0.9%. Conversely, growth did not weaken in the United States (+0.6% at the end of the year and +2.8% over the whole year), driven by solid domestic demand. In China, the slowdown was confirmed in 2024 despite a resurgence at the end of the year: annual growth of 5% is the lowest recorded since the 1990s, excluding the period of the health crisis.

In the advanced economies, the inflationary period is over, but two groups of countries are emerging: in the United States, the United Kingdom, Spain and Germany, the wage push is maintaining core inflation at above 3%. Conversely, it is much more moderate in France and Italy, where wages have not yet recovered from the losses suffered during the inflationary episode.

As a result of the growth gap between the two sides of the Atlantic, monetary policies are starting to diverge in 2025. The Federal Reserve lowered its rates again in December 2024, but then seemed to call a halt. The ECB, on the other hand, introduced further easing in late January 2025 then early March and is expected to continue through until June. This monetary easing is transmitted to the financing costs of non-financial corporations in France, but to a lesser extent than the base interest rates (**►Focus** on the transmission of base interest rate cuts to corporate lending rates). It is thwarted by the recent rise in German (and Eurozone) sovereign yields, in a context where an increase in defence spending can be expected.

This monetary easing is bolstering a tentative recovery in residential investment but is spreading more slowly for companies, with contrasting national dynamics. In Germany, investment fell by 2.6% over the year: this poor performance concerns both construction and equipment investment. There is also an evident decline in France (-1.5% after +0.7%) concerning both businesses (-1.6% after +3.1%) and households (-6.0% after -8.2%). In Italy, it remained at a standstill in 2024 (0.0% after +9.2%), reflecting the end of the boom in construction investment (+1.0% after +16.0%) supported by government aid until 2023. Within the Eurozone, Spain is the exception: investment there increased by 2.3% in 2024 (after +2.1% until 2023). In the United Kingdom, total investment remained solid over the year (+1.3%) but shows signs of slowing: it fell by 0.9% in the autumn, hampered by non-residential investment (-3.2%), while the residential sector began to recover. A similar trend could be seen in the United States: investment was vigorous throughout the year (+3.7%), but its non-residential component came to a standstill at the end of the year, with aeronautical deliveries having been penalised by strikes in the autumn, and meanwhile residential real estate is getting a reboot.

In Q4 2024, private consumption in the United States increased by 1.0%, bringing its annual growth to +2.8%. It was supported by gains in purchasing power, driven both by strong job creations and dynamic nominal wages, in a context of disinflation, but also a slight trend towards dissaving. In the Eurozone, however, purchasing power bounced back significantly (+2.2% after +1.2%) but consumption did not follow suit (+1.0% after +0.6%), and thus the savings ratio increased (**►Focus** on the savings ratio in Eurozone, *Economic outlook,* december 2024). The United Kingdom experienced a situation similar to that of the continent: the significant gains in purchasing power over the year (+3.6%) are far from being used in spending (consumption grew by +0.7% in 2024) and the savings ratio rose.

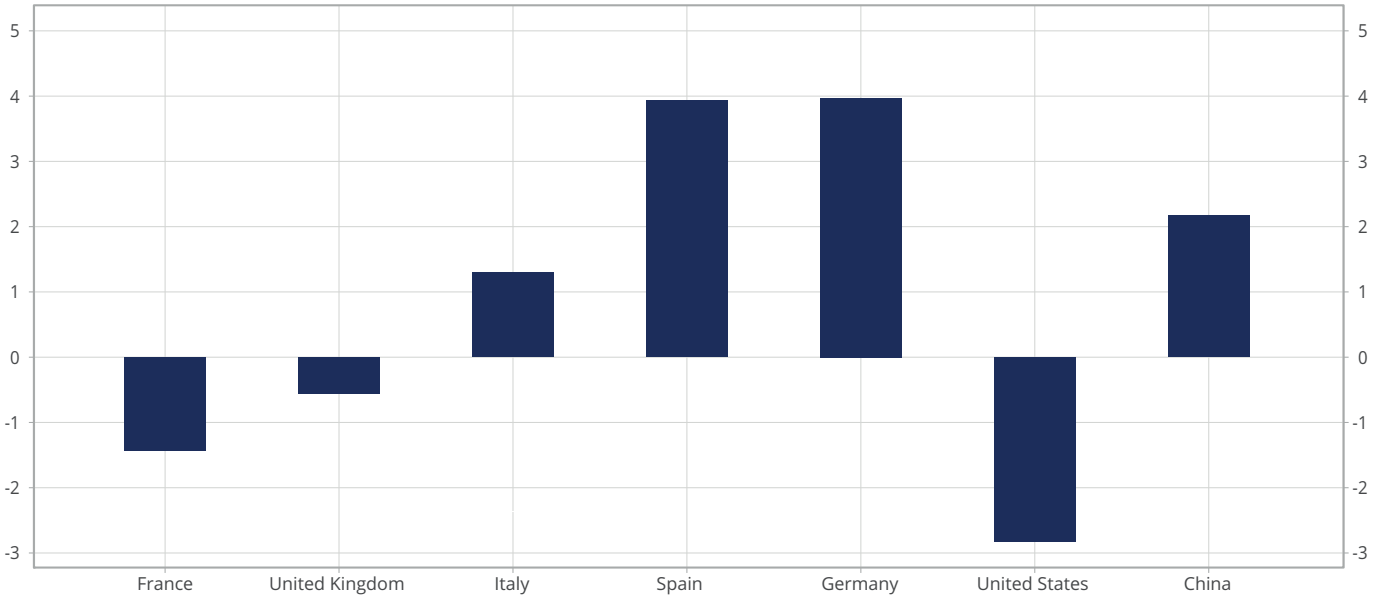
World trade in goods and services slowed slightly in Q4 (+0.4%) but accelerated over the year as a whole (+2.4% in 2024 after +0.8% in 2023): according to CPB data especially, trade in goods rebounded significantly (+1.8% after -1.2% in 2023). In the United States, exports stabilised at the end of the year, affected in particular by the downturn in aeronautics. Over the whole of 2024, the contribution of foreign trade to growth remained negative, reflecting the cyclical shift in favour of the US economy. Historically, the United States has a structurally negative trade balance with the rest of the world, as have France and the United Kingdom (**►Figure 1**), while Italy, Germany and China, conversely, have recorded surpluses due to their industrial capacity and Spain through tourism (**►Focus** on the spanish economic dynamism, *Economic outlook,* december 2024). However, the mechanism stalled in Germany in 2024, where foreign trade hampered growth, with a decline in exports (-1.0%). In Italy, trade sustained activity, but only as a result of a stronger contraction in imports than in exports. Chinese exports improved significantly in 2024 (+12% over the year, +4% in Q4), with falling prices allowing for major gains in market share, and manufacturers establishing themselves in emerging markets such as electric vehicles (**►Focus** on imports of electric vehicles).

International economic outlook

For Q1 2025, despite the uncertainty surrounding the new US administration's decisions, advance indicators available up to February (customs data and PMI surveys on export orders) are favourable and suggest that world trade will remain at a similar pace to that of 2024, at around +0.7% per quarter (▶ **Figure 5**). However, the tariff increases decided by the United States and the probable retaliation from its trading partners are likely to disrupt this momentum. The scale and pace of this negative effect are particularly uncertain: on the basis of existing simulations, this *Economic outlook* assumes a long-term impact of around -4 points on world trade, including -0.1 points from Q1 2025 and an additional -0.4 points in Q2 (▶ **Box** on US customs tariffs). World trade is thus expected to slow significantly thereafter (+0.6% in Q1 then +0.3% in Q2).

▶1. Balance of trade in goods and services in 2023

(in % of GDP in value)



How to read it: the balance of trade in goods and services in the United States represented -2.8% of GDP in 2023.
Source: World Bank.

▶2. Summary of the international scenario

(levels, quarterly and annual variations - for the last three columns - in %)

	2023				2024				2025		2023	2024	2025 (ovgh)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Euro-dollar exchange rate	1.07	1.09	1.09	1.08	1.09	1.08	1.10	1.07	1.05	1.07	1.08	1.08	1.06
Barrel of Brent (in dollars)	81.2	78.1	86.6	84.0	82.9	84.7	80.0	74.6	75.0	70.0	82.5	80.5	72.5
Barrel of Brent (in euros)	75.6	71.7	79.5	78.1	76.3	78.6	72.9	69.8	71.6	65.4	76.2	74.4	68.0
World trade (variations)	-0.6	0.5	0.1	0.4	0.3	1.6	0.5	0.4	0.6	0.3	0.8	2.4	1.7
Imports by advanced economies	-0.5	-0.6	-0.6	0.3	0.3	1.5	0.8	0.1	0.5	0.1	-0.9	1.6	1.5
Imports by emerging economies	-0.8	3.2	2.1	0.8	0.4	2.2	-0.4	1.2	0.7	0.6	5.2	4.5	2.4
World demand for French products (variations)	-0.5	0.1	-0.9	0.0	0.4	1.4	0.3	0.5	0.5	0.3	-0.4	1.3	1.6

Forecast.

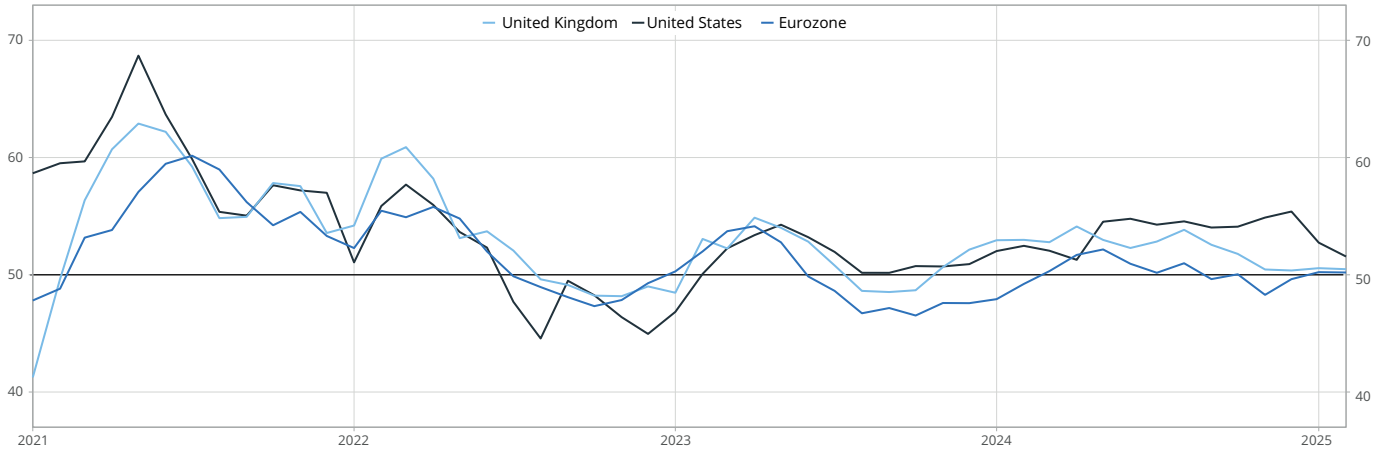
Source : Commodity Research Bureau, IHS Markit, Balanced trade statistics (OECD), CHELEM - International trade (CEPII), INSEE calculations.

In the United States, household confidence is sagging and businesses anticipate growing inflationary pressures due to the customs measures: thus, activity is expected to slow significantly to +0.4% then to +0.3% in the first two quarters. In the United Kingdom, growth is likely to remain sluggish, mired in high inflation fuelled by the increase in social security contributions. In the Eurozone, growth is expected to remain weak (+0.2% in Q1, then +0.1%): household and general government consumption should ensure that activity is able to hold out, but investment would remain depressed. The disparity between the major Eurozone economies is likely to remain pronounced, between the Spanish rocket and the German stagnation. In China, activity is expected to grow moderately in H1 (+1.0% per quarter), boosted by targeted recovery measures, but these are unlikely to be sufficient to initiate a more robust recovery. The major exporting countries (Germany, Italy, China) will probably also suffer greatly from the tightening of the US tariff situation. The 2025 mid-year growth overhang is expected to be +1.6% in the United States, +0.7% for the Eurozone and +0.5% for the United Kingdom.

In Europe, earlier wage gains are expected to enable private consumption to hold up: in Germany and Italy, it should increase slightly (+0.1% in Q1, +0.2% in Q2), while in Spain it should remain solid. In the United States, the resurgence of inflation and the collapse in household confidence are likely to hinder consumption, which is expected to show a marked slowdown (+0.2% per quarter). In most countries, residential investment is expected to stop its decline or continue to recover, except in Italy where the fiscal support that had sustained it so far has now run out. However, productive investment is likely to develop in different ways: it is expected to be fairly robust in the United States and dynamic in Spain, after a one-off setback at the beginning of the year, but it will not yet be able to bring the rest of Europe out of its lethargy.

►3. The business climate is weakening in the United States

(index in level)



Last point: February 2025.
How to read it: the composite PMI stood at 51.6 in the United States in February 2025, compared to 50.5 for the United Kingdom and 50.2 for the Eurozone.
Source: S&P.

►4. Past and forecast GDP growth in the main western economies

(quarterly and annual variations - for the last three columns - in %)

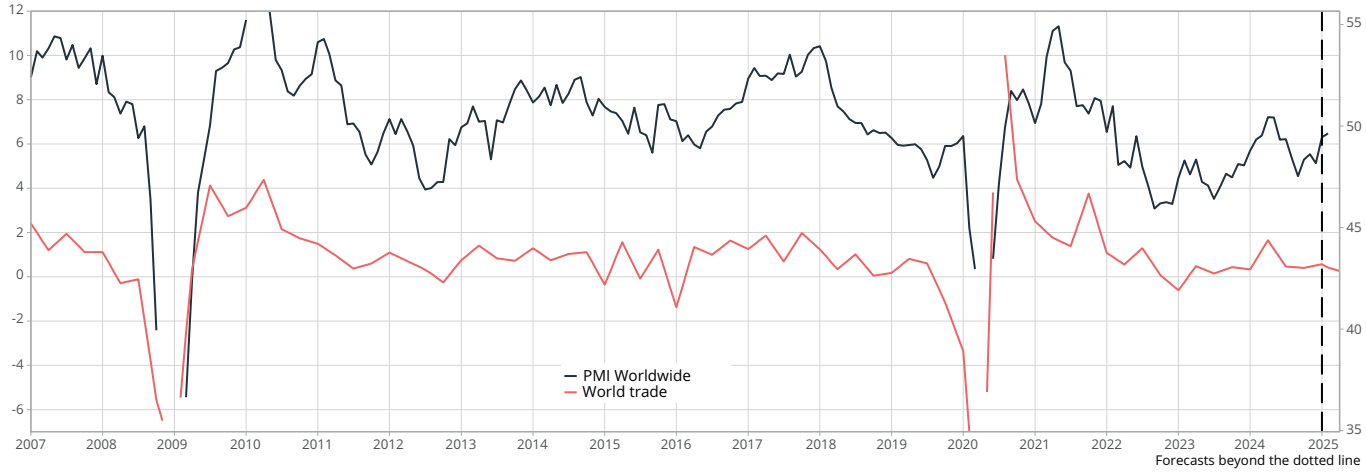
	2023				2024				2025		2023	2024	2025 (ovgh)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
France	-0.1	0.7	0.1	0.5	0.1	0.3	0.4	-0.1	0.1	0.2	1.1	1.1	0.4
Germany	0.1	-0.2	0.2	-0.4	0.2	-0.3	0.1	-0.2	0.1	0.0	-0.1	-0.2	-0.1
Italy	0.6	-0.3	0.0	0.2	0.3	0.1	0.0	0.1	0.1	0.0	0.8	0.5	0.2
Spain	0.7	0.2	0.7	0.7	1.0	0.8	0.8	0.8	0.7	0.6	2.7	3.2	2.3
United Kingdom	0.1	0.0	-0.1	-0.3	0.8	0.4	0.0	0.1	0.1	0.2	0.4	0.9	0.5
United-States	0.7	0.6	1.1	0.8	0.4	0.7	0.8	0.6	0.4	0.3	2.9	2.8	1.6
China	1.7	1.2	1.5	0.9	1.5	0.9	1.3	1.6	1.0	1.0	5.2	5.0	3.9
Eurozone	0.0	0.1	0.0	0.1	0.3	0.2	0.4	0.2	0.2	0.1	0.5	0.8	0.7

Forecast.

Source : INSEE, Destatis, Istat, INE, ONS, BEA, NBSC.

►5. Change in world trade and Global PMI New Export Orders

(global PMI: monthly level; world trade: quarterly change in %)



Last point: Q2 2025 (forecast from Q1 2025) for world trade, February 2025 for Global PMI.
Note: the extreme points have been removed for more clarity.
How to read it: world trade increased by 0.4% in Q4 2024 and the Global PMI New Export Orders index was 49.6 in February 2025.
Source: S&P, Balanced Trade Statistics (OECD), CHELEM - International Trade (CEPII), INSEE Forecast.

What impact will the new US tariffs have on world trade?

Raphaële Adjerad

Since his inauguration, President Donald Trump has introduced and announced a series of tariffs targeting certain products and countries. Starting on 4 February 2025, an additional 10% of duty was applied to imports from China, to be increased by a further 10% from 4 March. In addition, a 25% increase in tariffs on imports from Mexico and Canada was implemented on this same date, although some products, like automobile components, are temporarily exempt. On 6 March, this implementation was put back to 2 April for products compliant with the trade agreement between the United States, Mexico and Canada (USMCA). In addition, 25% tariffs came into force on steel and aluminium for all countries on 12 March. Finally, on 26 February, Donald Trump announced that the European Union would soon be affected by 25% tariffs on products entering the United States and confirmed during his speech to Congress the implementation of reciprocal tariffs with the rest of the world from 2 April.

Several studies have assessed the impact of a tariff increase by simulating different scenarios. Some *ex ante* studies, in particular those by **►CEPII (2024)**, the **►LSE (2024)**, the **►CPB (2024)** and the **►IW (2024)**, hypothesise a 60% increase in tariffs on imports from China and 10% on all other trading partners, which is consistent with the programme announced by Donald Trump in 2024.

Conversely, other studies favour a more targeted scenario, centred on the application of additional 10% tariffs on Chinese imports and 25% on imports from Mexico and Canada, in accordance with the US President's declarations in January 2025. These hypotheses are explored in more recent analyses by **►PIIE (2025)** and **Oxford Economics (2025)**. Studies by **►IFW (2025)** focus more specifically on the impact of the introduction of additional duties of 25% on European imports.

The scale of trade retaliation in the face of tariff increases remains uncertain. Some of the economic literature incorporates retaliatory measures into their scenarios (e.g.**►CEPII, (2024)**). In fact, in early February, China imposed tariffs in response to the US measures on a range of goods originating from the United States totalling $14 billion. These measures target, for example, the energy sectors, with taxes applied to gas, coal and oil.

These retaliatory measures come in a context where the United States maintains close trade relations with the countries primarily targeted at the moment, especially Canada, China and Mexico. In fact, these countries are the three main suppliers to the United States. More broadly, the United States runs a structural trade deficit with the rest of the world. This structural deficit reflects the United States' heavy dependence on imported goods to meet its domestic demand, while the country remains in surplus in trade in services.

The increase in tariffs is expected to lead to a contraction in US imports. Estimates from the economic literature (►**PIIE, 2025** ; ►**CEPII, 2024**) suggest a price elasticity of US imports to tariffs of close to 1 in the long term. In this context, the application of 25% customs duties on Mexico and Canada (which account for 30% of US imports, according to the World Bank) and 20% tariffs on China could ultimately result in a drop of around 10% in total US imports. Considering that the introduction of reciprocal flat-rate tariffs on the rest of its trading partners (notably the European Union) would cause an adjustment of imports from these countries on the same scale, total US imports could eventually contract by around 20%. Given the weight of the United States in world trade, the effect of this first-round of tariff increases alone, as set out by the new administration, could therefore ultimately cause a decline of around 2% in world trade.

The contraction of US imports could then hamper the growth of its main trading partners, which would then in turn lead to a decline in their imports. For example, according to estimates by ►**PIIE (2025)**, the Chinese GDP would drop by 0.15 points in 2025, and according to ►**LSE (2024)** that of the European Union would fall back by 0.1 points. Assuming an import elasticity of 2 for GDP due to the short-term over-adjustment of imports to domestic demand (►**Alhenc-Gelas (2014)**), this contraction would result in a downturn in imports by 0.3 points for China and 0.2 points for the European Union. As mentioned above, the increase in tariffs by the United States could result in retaliatory measures on the part of its trading partners, thus amplifying its impact on world trade. All in all, taking into account these dissemination and retaliation effects, the increase in customs duties by the United States would result in a loss of around 4 points in world trade. Within Europe, Germany and Italy are much more affected than France or Spain due to the weight of goods exported to the United States in their economy.

The speed at which these effects on world trade will manifest themselves varies greatly depending on the study. Estimates by ►**PIIE (2025)** suggest that the maximum impact of the shock would be reached in the short term, in 2025 and 2026. Conversely, studies by ►**IW (2024)** indicate a much more gradual dissemination of the shock, the scale of which could extend as far as 2028: the impact in 2025 would then be equal to about one eighth of the long-term effect.

For comparison, according to ►**Oxford Economics**, a 10% increase in customs duties on Chinese imports and a 25% increase on imports from Mexico and Canada would result in a 0.6 points contraction in global GDP in 2025. Given this scenario, the economic impact would extend until 2026, but with no lasting effect as it is assumed that tariffs on Mexico and Canada will be lifted by that date.

Finally, assuming an average dissemination speed from these different studies, the growth of world trade would be reduced by 0.1 points from Q1 2025 then by 0.4 points in Q2, compared to growth without the increase in tariffs imposed by the United States (estimated at +0.7% per quarter). Thus world trade is expected to increase at a slower pace than in 2024 in Q1 2025 (+0.6%) then slow down considerably (+0.3%).

These estimates are surrounded by numerous uncertainties. The first concerns the very nature of the measures that will ultimately be implemented. For example, the measures against Canada and Mexico were initially announced in early February 2025, but were then suspended for a month, before finally being implemented at the beginning of March, and then partially withdrawn again. However, even if the decisions ultimately taken fall short of the initial announcements, the uncertainty created could in itself have a negative effect on world trade. The terms of the implementation of tariffs on imports from other partners, and especially the European Union, are also highly uncertain. Finally, while there is a relative consensus on the price elasticity of US imports (around 1), the scale and speed of adjustment of trade flows to a tariff shock vary greatly depending on the models. ●

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