United States

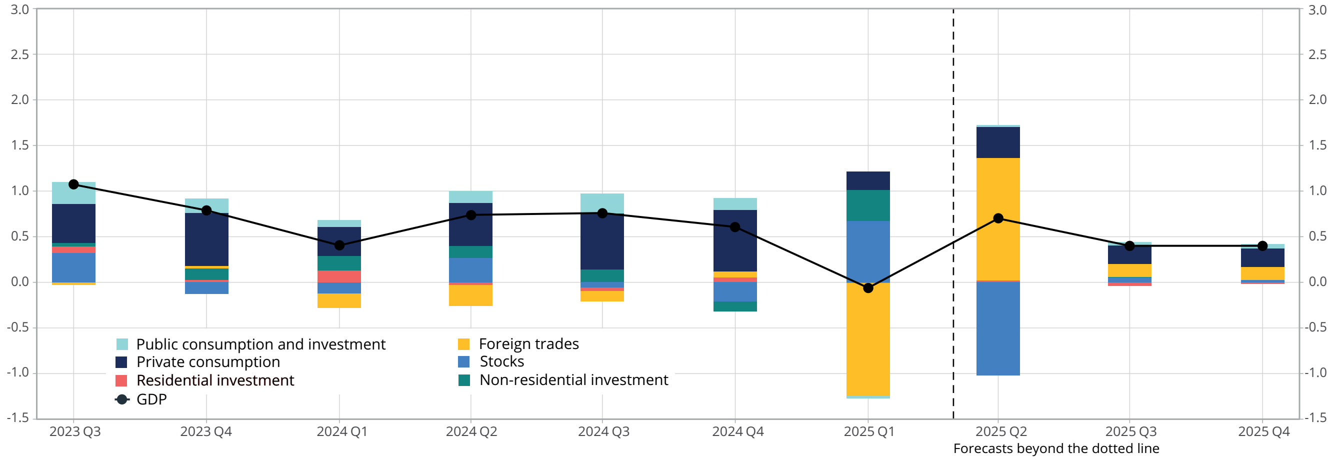
The US economy contracted in Q1 2025 (-0.1%, after +0.6% in Q4 2024; ►Figure 1), for the first time since early 2022. However, this downturn appears to be partly technical, as private domestic demand remained robust, for both household consumption (+0.3%) and private investment (+1.9%, including +2.5% for non-residential investment). This contraction was mainly due to a surge in imports (+9.3%), particularly of consumer goods and technological equipment, as US importers chose to bring forward their foreign orders before the tariffs introduced by the new administration came into force. Despite a slight rise in exports (+0.6%), the contribution of foreign trade was very negative (-1.2 points). This was not offset by changes in inventories (+0.7 points). Public spending, particularly federal defence spending, fell by 0.2%.

By the end of the year, however, private domestic demand is set to slow considerably. Household confidence, as measured by both the University of Michigan and the Conference Board, fell sharply until April, in a context of growing concerns about anticipated price rises due to tariffs. Despite a rebound in May in the Conference Board indicator, household confidence remains well below its level at the end of 2024 (►Figure 2). Although inflation continued to fall in the spring (+2.4% in May), thanks in particular to the fall in energy prices (-3.5% year on year), food prices are already accelerating (+2.9%), boosted in particular by persisting bird flu-related tensions affecting certain commodities.

Companies also seem to be anticipating a deterioration in business conditions. In industry, the ISM index was in contraction territory at 48.5 in May, with a sharp fall in the production sub-index as companies reported a sharp rise in input costs. The services sector is also weakening: the ISM services index, like the S&P index, is at a lower level than at the start of the year, even though they began to rise in May amid a relative easing of Sino-American tensions.

In this gloomy and uncertain economic context, US activity is expected to slow markedly in 2025 (+1.8% after +2.8% in 2024). Although GDP is set to rebound automatically in the spring (+0.7%), due to the expected fall in imports as a result of orders brought forward at the start of the year, the pace of growth will probably slow thereafter (+0.4% per quarter). Private consumption is likely to remain moderately buoyant in the spring (+0.5%), then to grow at a slower pace thereafter (+0.3% per quarter). Despite the support provided by lower energy prices, purchasing power is expected to slow over the year, hit by higher prices for imported products. Private investment is likely to be affected by the rise in input costs and uncertainty linked to trade tensions, and will slow sharply. In the public sector, spending will probably remain sluggish as the effects of federal budget cuts (albeit of uncertain magnitude) materialise. Imports are expected to fall sharply in Q2 (-8.0%), before continuing to fall in H2 as a result of the tariff hikes (-1.8% per quarter): by the end of 2025, imports are therefore expected to fall by 3% year on year, i.e. by around one-third of the expected long-term effect of the tariff hikes. Exports should continue to increase in Q2 (+1.0%), before decreasing in H2 as a result of certain retaliatory measures and the reorganisation of value chains (-1.0% per quarter in H2). Due to the decline in imports, foreign trade should make a positive contribution to growth between now and the end of the year: this contribution should be particularly high in Q2, symmetrically to what was seen over the winter. Conversely, changes in inventories are likely to make a negative contribution in Q2, before becoming neutral in H2. ●

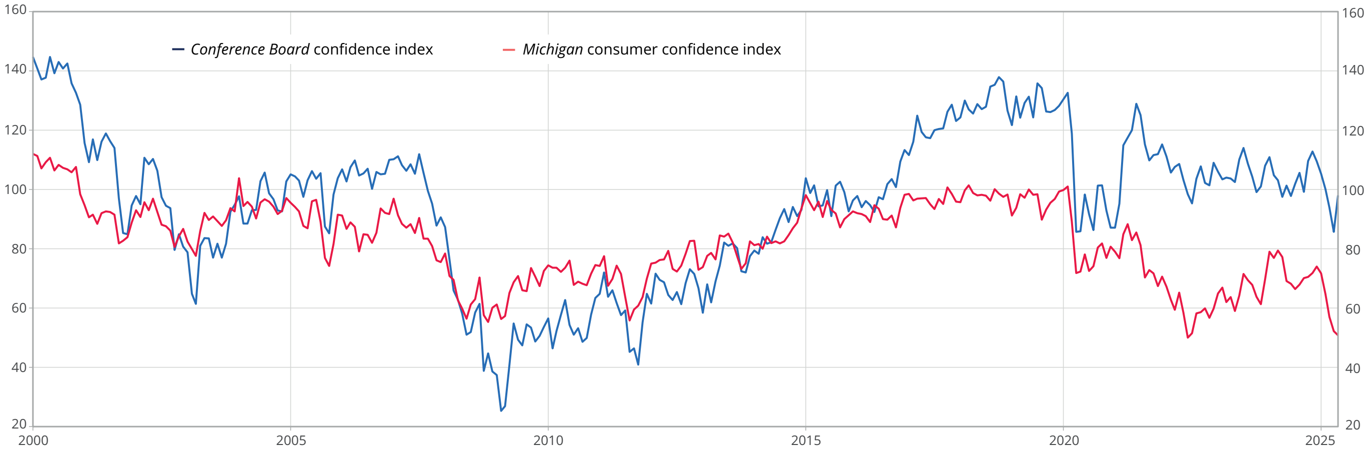
►1. The contribution of foreign trade is likely to turn strongly positive in the spring
(quarterly change in GDP in %, contributions in percentage points)



How to read it: in Q1 2025, GDP contracted by 0.1% and the contribution of foreign trade was -1.2 points.
Source: Bureau of Economic Analysis, INSEE forecast.

►2. Consumer confidence continues to fall

(level for indices, University of Michigan 100 = Q1 1966, Conference Board 100 = average 1985)



Last point: May 2025.
How to read it: in May 2025, the University of Michigan's consumer confidence index stood at 51 and the Conference Board's index at 98.
Source: University of Michigan, Conference Board.