Global Outlook

April 2025

April Macro/Market Outlook: key messages

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- The 90-day pause in U.S. tariffs has eased short-term fears of a trade/financial shock but has not eliminated recession risks. A contraction in activity later this year remains plausible, as uncertainty continues to weigh on corporate investment decisions and consumer sentiment.
- Despite the pause, the U.S. maintains a complex tariff structure: 10% baseline tariff on most imports, 25% tariffs on steel, aluminum, and vehicles, 25% tariffs on Canadian and Mexican goods not compliant with USMCA, Tariffs on Chinese goods raised to 125%, with no active negotiations in place.
- The environment reinforces global trade fragmentation and adds volatility to supply chain strategies. US inflation is still likely to increase around summer.
- Should the recession scenario materialize, Fed rate cuts remain on the table but may be delayed until end-2025, as the central bank assesses the growth and inflation impact of current trade tensions. A gradual path toward 3.5-3.0% is still expected by mid-2026.
- Volatility is expected to persist within wide ranges, but structural factors — including above-target inflation, Fed credibility concerns, higher term premium, and elevated risk premium — argue in favor of structurally higher long-term yields.

Tariffs implications on global outlook

Trump's 2025 Tariff Action: Structure, Rationale, and Timeline

- Strategic Rationale Executive Order (April 2, 2025) declares a national emergency due to persistent, asymmetric U.S. goods trade deficits (>$1.2 trillion in 2024).
- Objective: Re-establish reciprocity in global trade relations under Presidential authority (IEEPA).
- Baseline 10% tariff remains on most imports (with exemptions) for 90 days, excluding China (125%).

Measure	Description	Start Date
Baseline tariff	+10% ad valorem on all import	April 5, 2025
Reciprocal tariff	Country-specific ad-valorem rates (up to 50%) based on estimated imbalances	Pause for 90 days excluding China (125%)

Trump's 2025 Tariff Action: Detailed Exemptions to the 2025 Tariff Regime

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1. **Legally protected categories (50 U.S.C. §1702(b))** Exempted by statute under IEEPA, including: personal remittances and humanitarian aid, informational materials (books, films, software, news), donations of food, medicine, and medical supplies

2. **Goods already covered by Section 232 national security tariffs:** To avoid duplication, existing duties remain in place:
   - Steel: 25%
   - Aluminum: 10%
   - Derivatives of steel/aluminum: 25% / 10%
   - Automobiles and parts: 25%

3. **Strategic products explicitly excluded.** To preserve essential supply chains and inputs: Pharmaceuticals, Semiconductors, Copper and lumber articles, Critical minerals and energy not sufficiently available in the U.S.

4. **Precious metals in bulk form** (e.g. gold, silver bars) to protect financial and monetary stability

5. **Future Section 232 categories.** Products under national security review (e.g. chemicals, solar panels) are pre-exempted if later included under Section 232

6. **USMCA treatment** (Canada & Mexico): USMCA-compliant goods" are those that meet the agreement's rules of origin and qualify for tariff-free treatment under the U.S.–Mexico–Canada Agreement
   - USMCA-compliant goods: 0%
   - Non-compliant goods: 25%
   - Non-compliant energy and potash: 10%

7. **China:** Tariffs have increased to 125%, reinforcing Washington's confrontational stance amid ongoing retaliatory

Trump's 2025 Tariff Action: China focus

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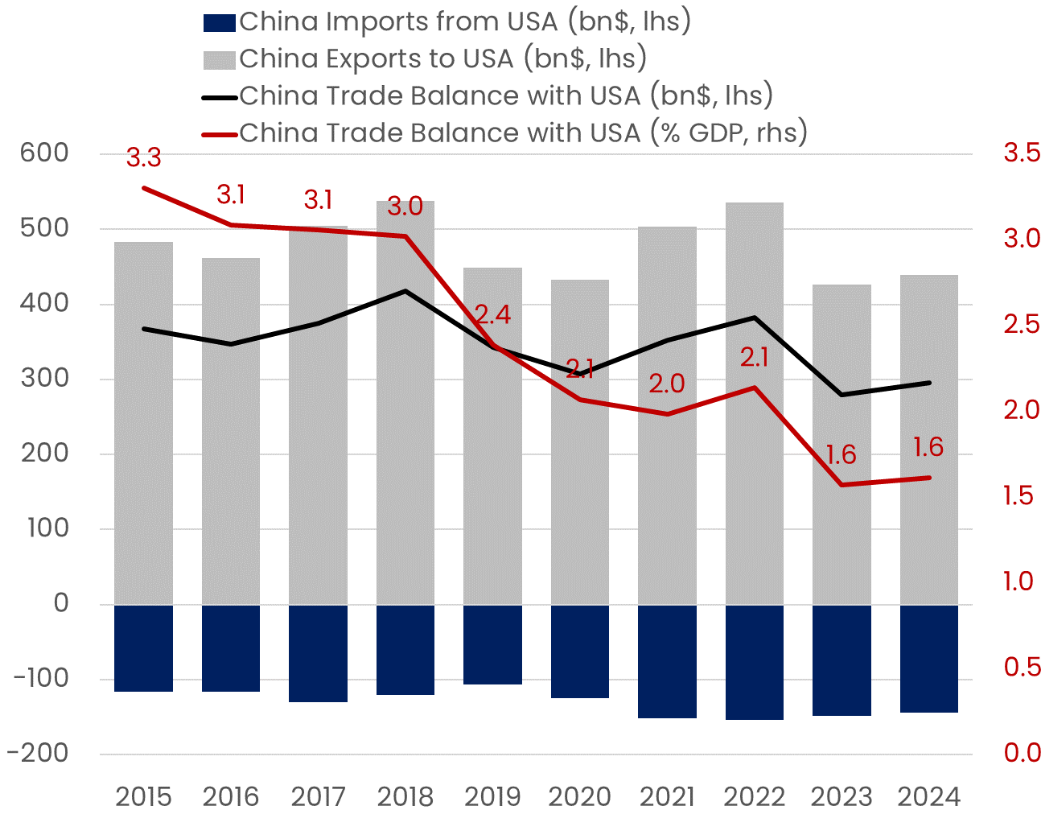
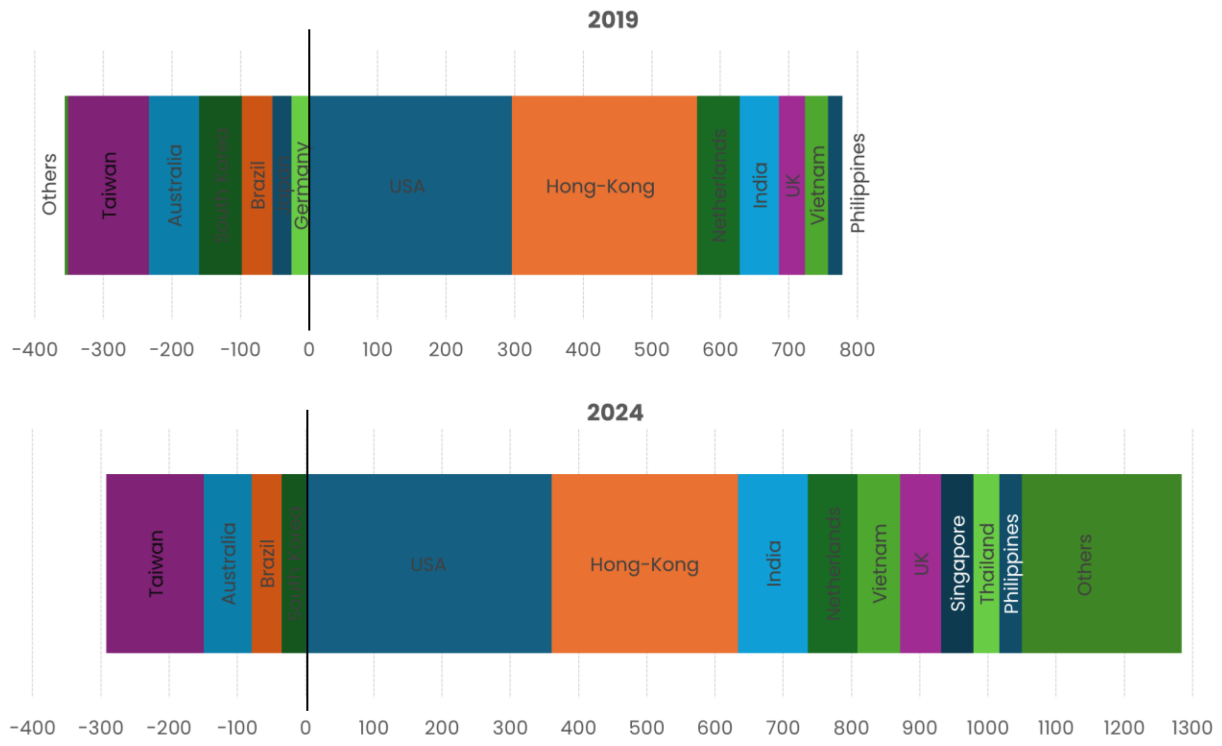
China Trade Balance with USA



China: Trade Balance by country

USB bn (above 20 USD bn)



Source: TAC ECONOMICS, US Census, China NBS

Tariffs on trade, support to domestic demand: where from now?

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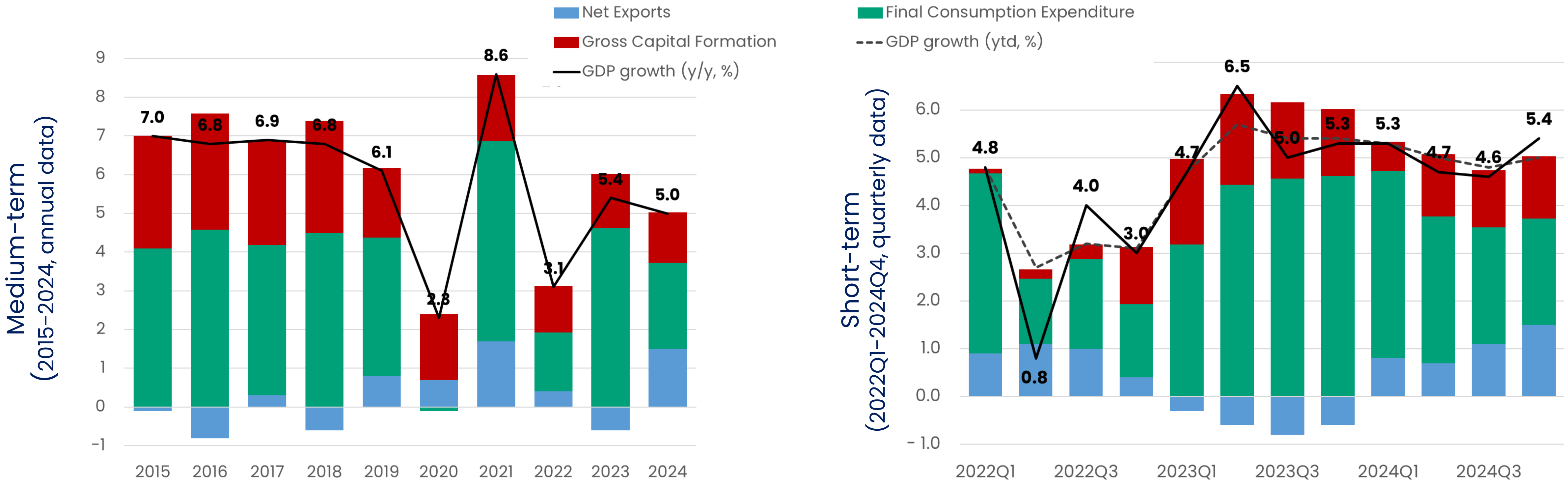
Major headwinds from a trade perspective, a result of the incipient trade war between the US and China and the perceived risk of China's export swamping non-US markets… But stronger domestic policies to support demand and growth have been the central feature of the past Two Sessions in March.

China: contribution of demand components to y/y GDP growth (% points)



Key points from China's Two Sessions

- Overall, the authorities aim at reviving domestic growth through government-backed urban redevelopment projects (while improving living conditions in most informal/dilapidated urban areas) and a more business- / private sector-friendly environment to boost confidence and facilitate innovation.

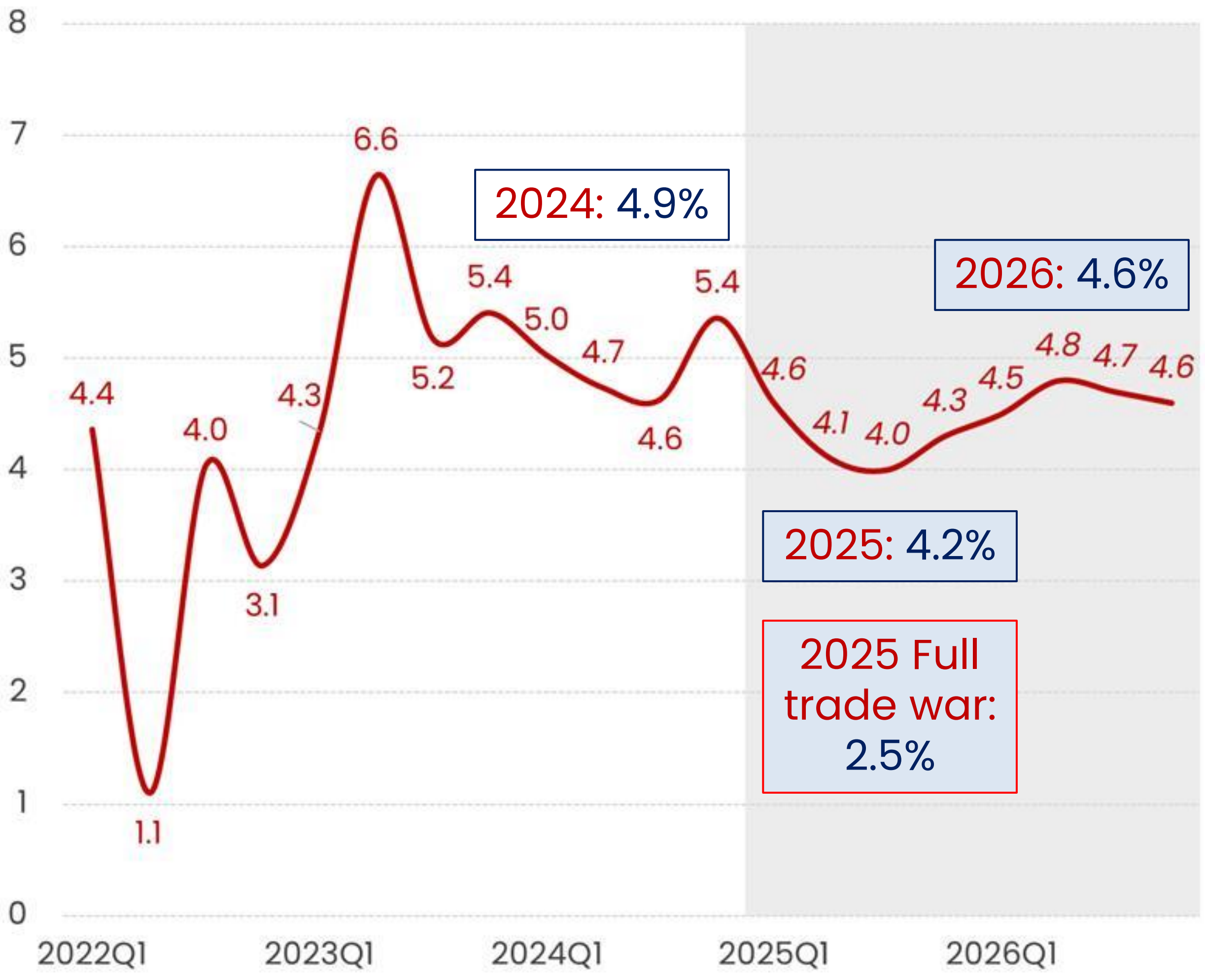
- Highlight on technological development, with a large range of measures to support ongoing technology innovation and adoption, including broader capital market and financing support.

- Cyclical policy to support consumption with an ambitious ~5% target for GDP growth: extension of consumer goods trade-in programme, raise in minimum wages, expansion of social security coverage, childcare subsidies, etc.

- Challenge revealed on adjusting capacities as excessive supply keep deflationary pressures and raised firms' profitability: decommissioning of outdated and inefficient production capacities (higher standards, window guidance for firms).

What can our models say on short-term growth in China?

- Using different models (linear, non-linear) to capture the quarterly dynamics of China's GDP growth and using "complementary techniques to simulate shocks.
- The highest uncertainties relate to…
  - Trade development between China and non-US markets,
  - Transmission of trade tensions to other areas (access to technology, corporate presence and activities…)
  - Confidence within China, in-between economic downturn and the balance between structural trends, political objectives and saving behavior.



IMF WEO April 2025 Update

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- The IMF's April 2025 baseline outlines a coherent global outlook, but it increasingly feels misaligned with market realities and political developments.
- It excludes recent US tariffs and assumes a soft landing in the US with limited fallout from trade fragmentation — a view that appears overly optimistic.
- Hard data, especially on payrolls and investment, suggest weakening momentum.
- Inflation risks are also likely underappreciated, particularly in the US, where strong demand could amplify tariff pass-through. In contrast, Europe may face persistent imported pressures despite softer domestic inflation.
- Crucially, the IMF's own downside scenarios highlight much steeper risks — including a 20% GDP drop for China and 6% for the US in the event of sudden decoupling. These extremes, however, are absent from the central forecast.
- Ultimately, the baseline offers policy guidance, but likely understates both economic fragility and the cost of deepening global fragmentation.

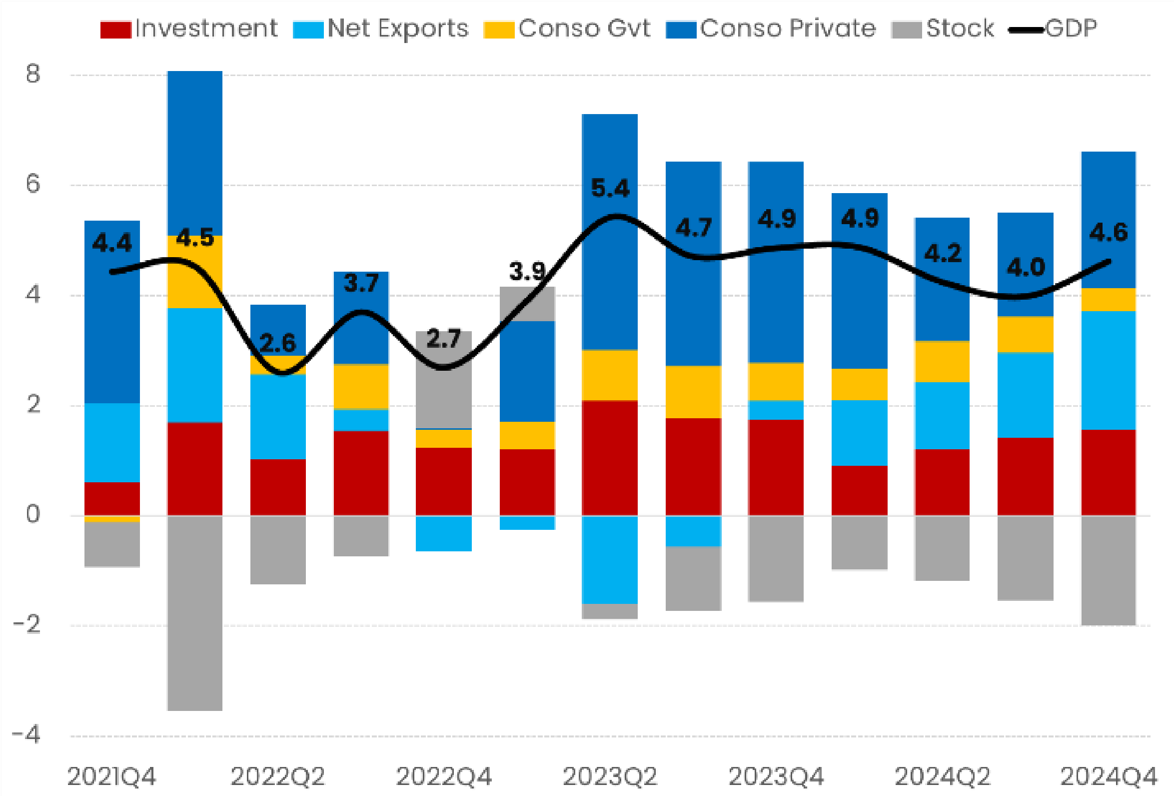
Scenario	Global Growth 2025	Global Inflation 2025	Key Assumptions
Baseline	2.80%	4.30%	Tariffs pre-Apr 5 only
			Gradual disinflation
			Managed China slowdown"
Adverse	~2.2% (-0.6 pt)	~4.4% (+0.1 pt)	Full tariff retaliation
			Persistent uncertainty
			Tighter global financing"
Upside	~3.2% (-0.4 pt)	~4.1% (+0.2 pt)	US fiscal consolidation
			EU stimulus
			Coordinated China recovery"

Region	Adverse Scenario (Growth)	Adverse Scenario (Inflation)	Upside Scenario (Growth)	Upside Scenario (Inflation)
USA	-0.8 pt	+0.5 pt	+0.4 pt	-0.2 pt
Euro Area	-0.5 pt	+0.2 pt	+0.3 pt	-0.1 pt
China	-1.0 pt	stable or ↓	+0.5 pt	mild ↑

EM Outlook

Resilience of real economic performances up to Q12025

GDP growth contributions
y/y, 10 Key EM



Manufacturing Purchasing Manager Index

Resilience of real economic performances up to Q12025

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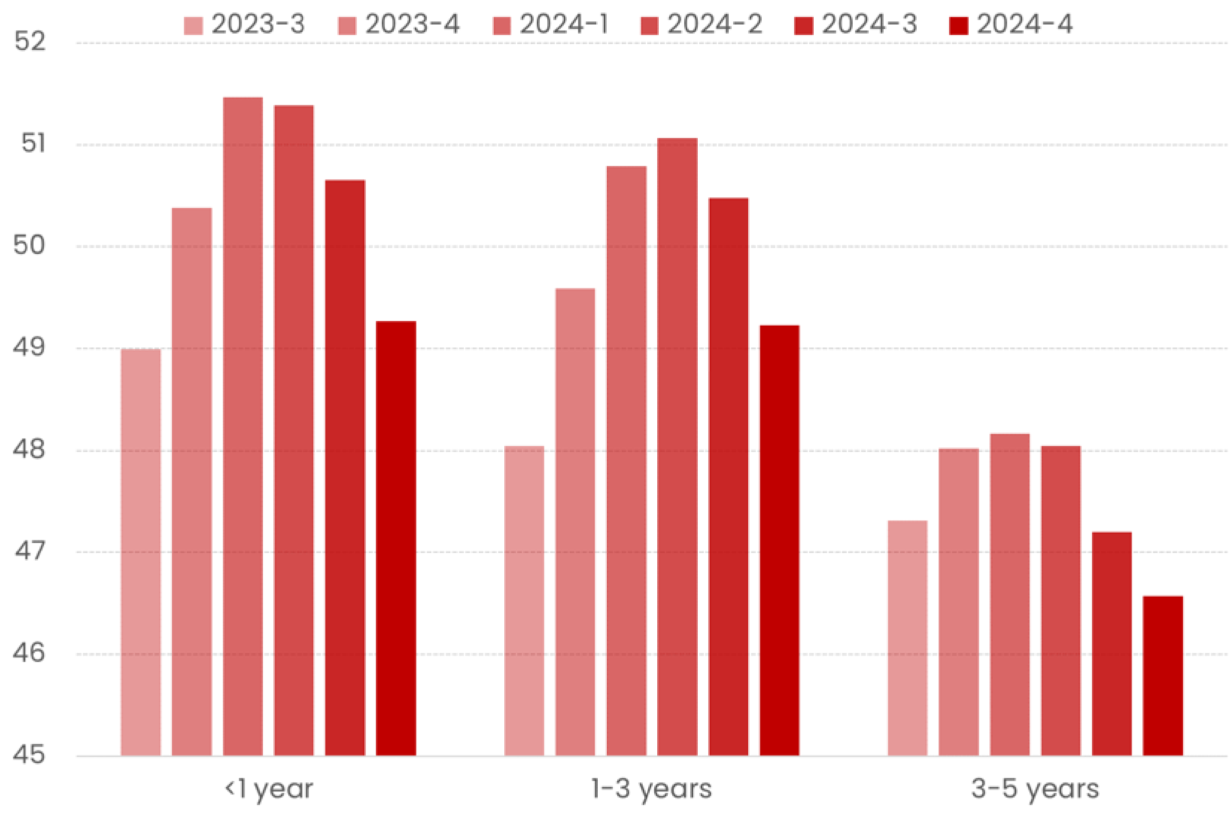
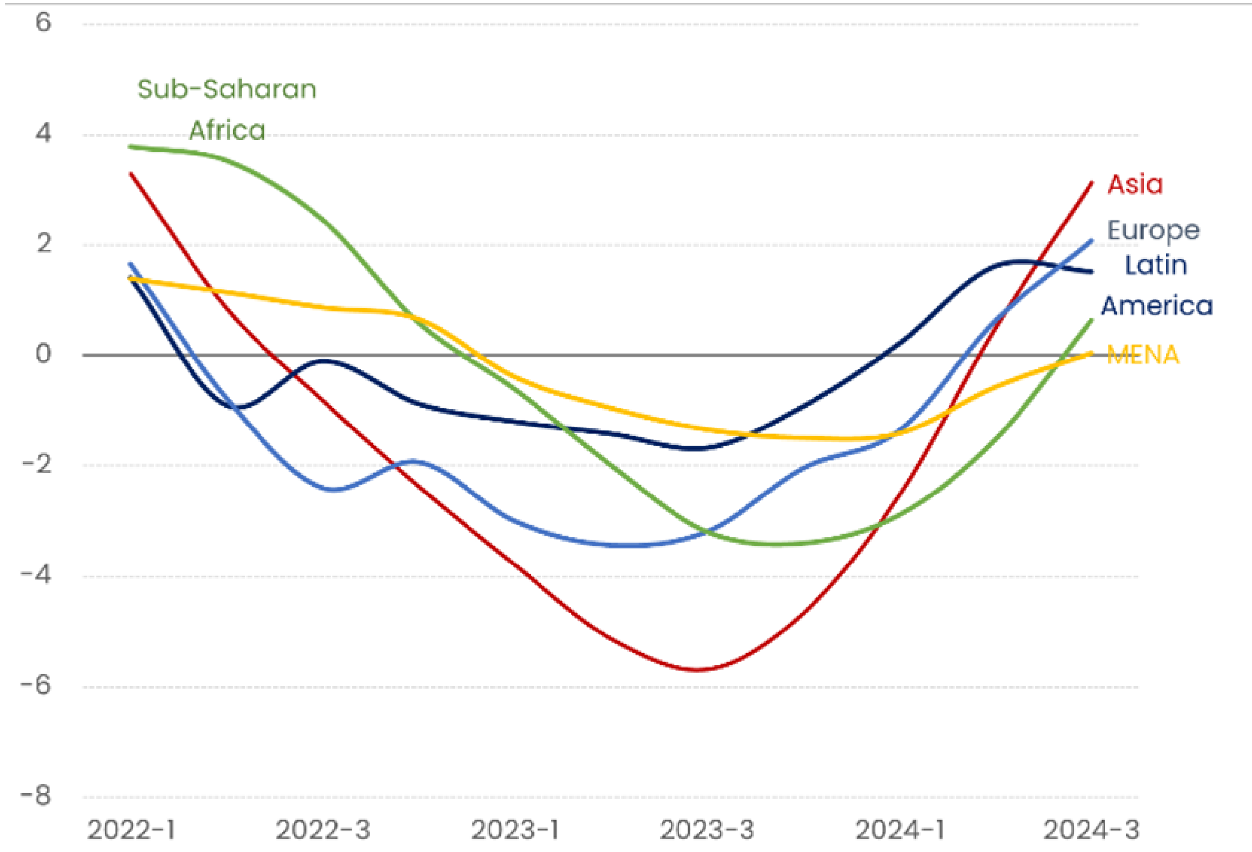
RiskMonitor –Average Activity Risk ratings per horizon
from 0 (lowest risk) to 100 (highest risk)



RiskMonitor – *real economic pressure*
(leading indicator of momentum of domestic demand)



Global Trade Reconfiguration: Emerging Markets Set to Benefit from Fragmentation

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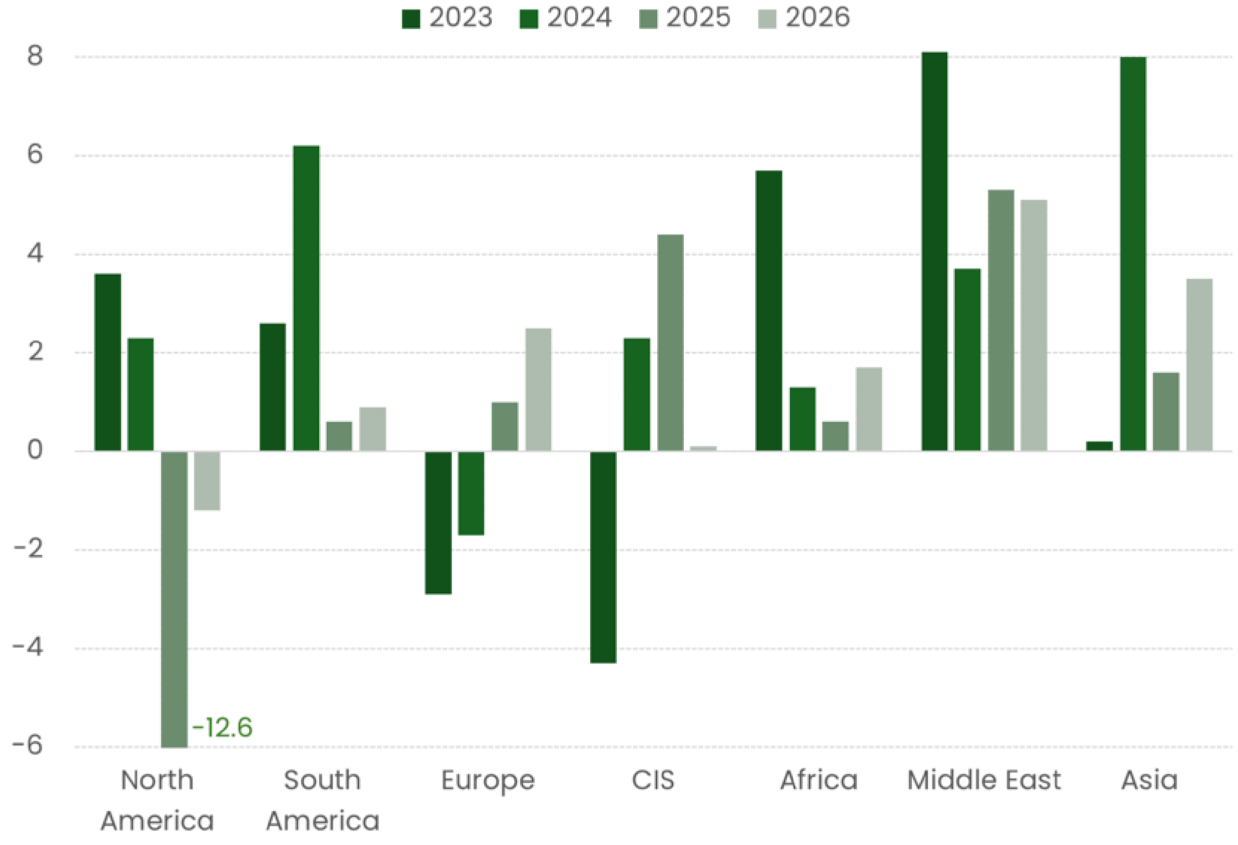
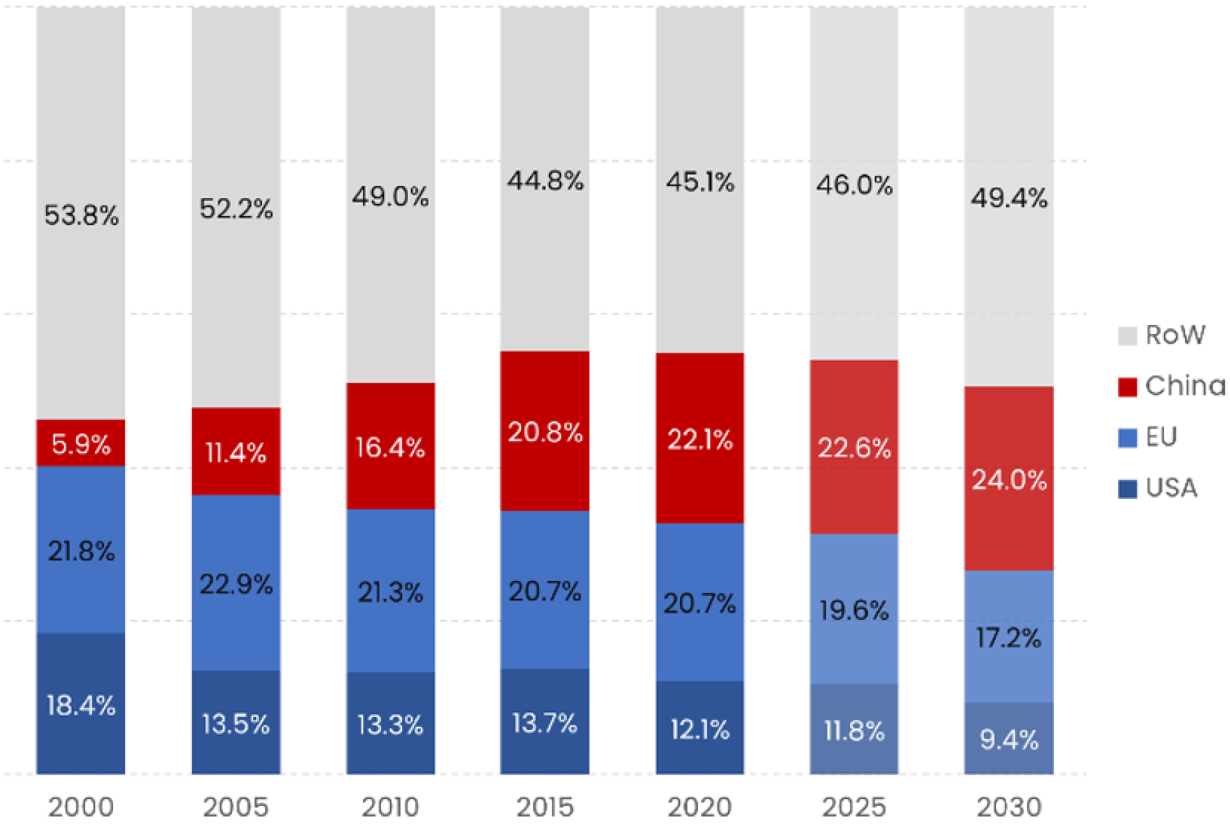
Merchandise export volume per region

Annual change

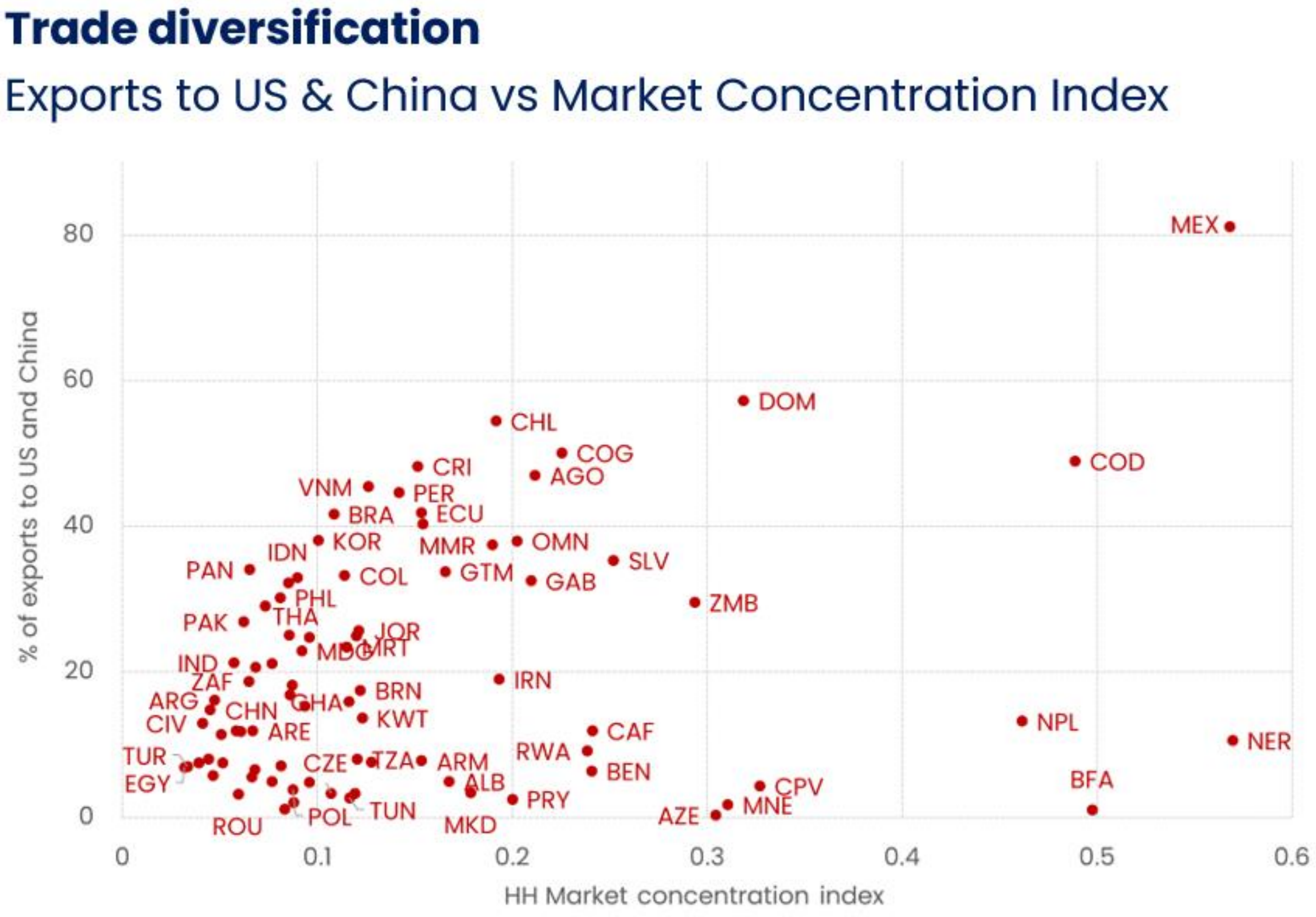


Export market share (TAC International Trade Model)

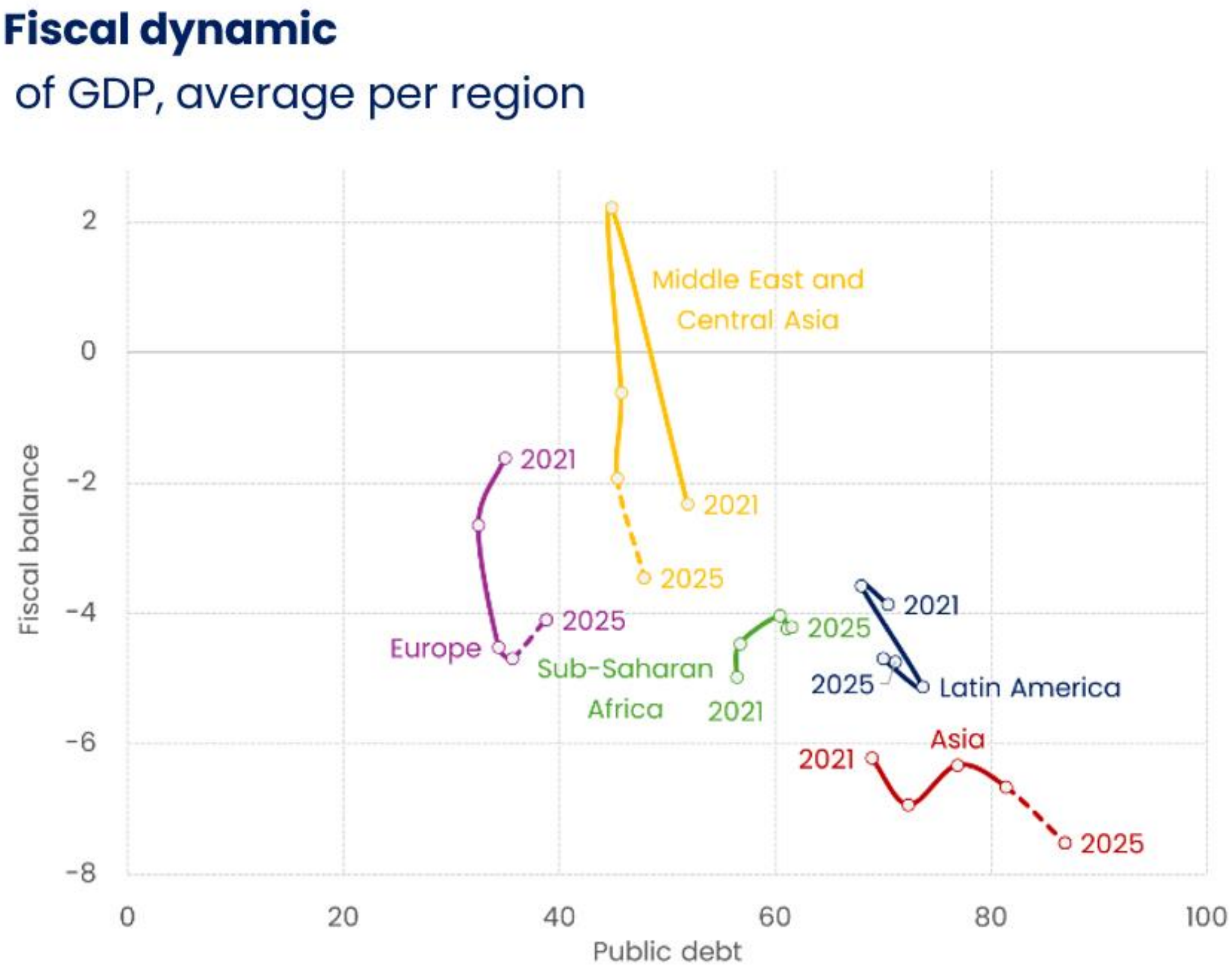
of total



Diversified Trade and Stronger External Buffers Support Resilience



Improved Forex Liquidity Strengthens EM Resilience, but Idiosyncratic Risks Remain



EM Risks and opportunities: Country Risk Premium

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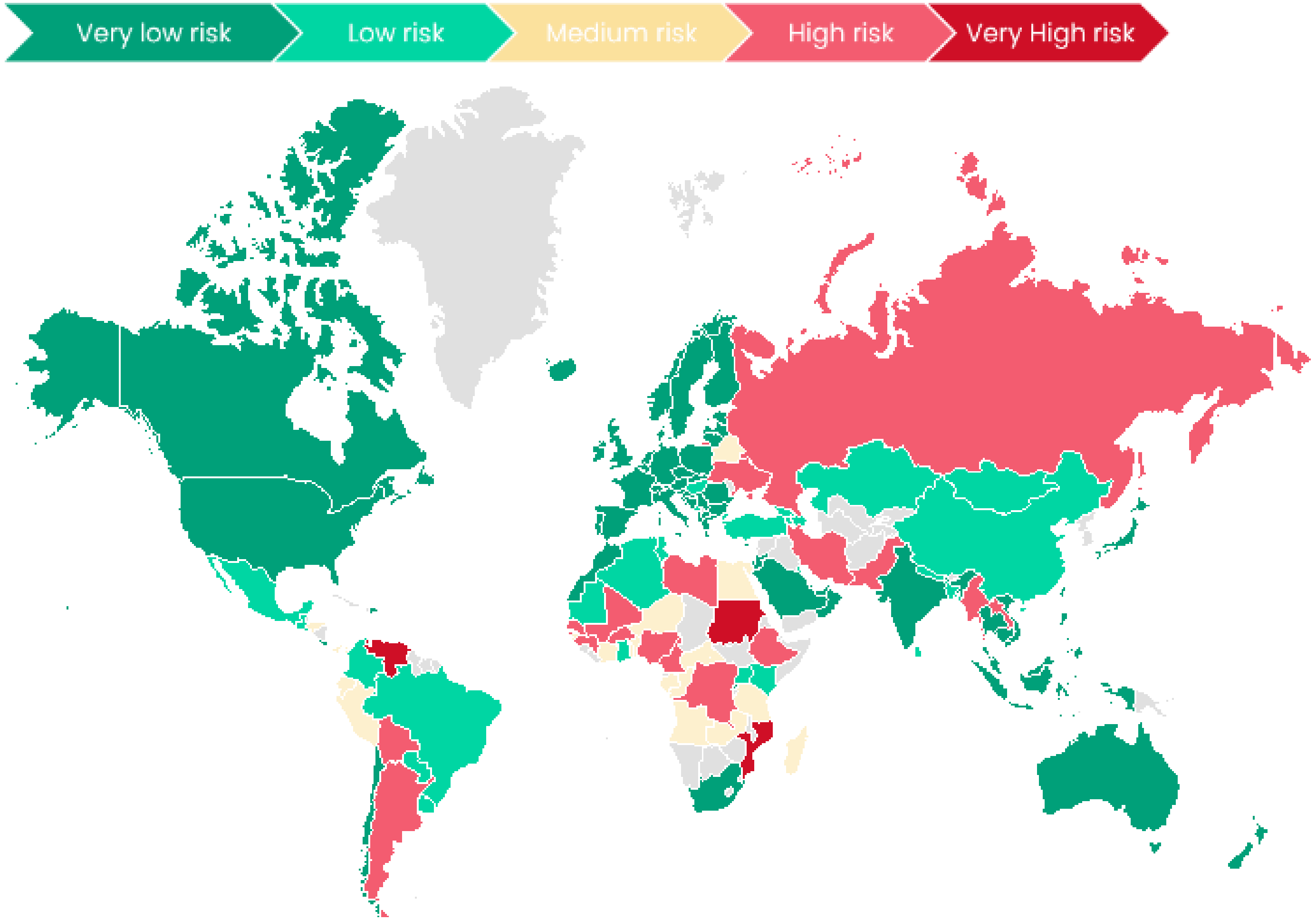
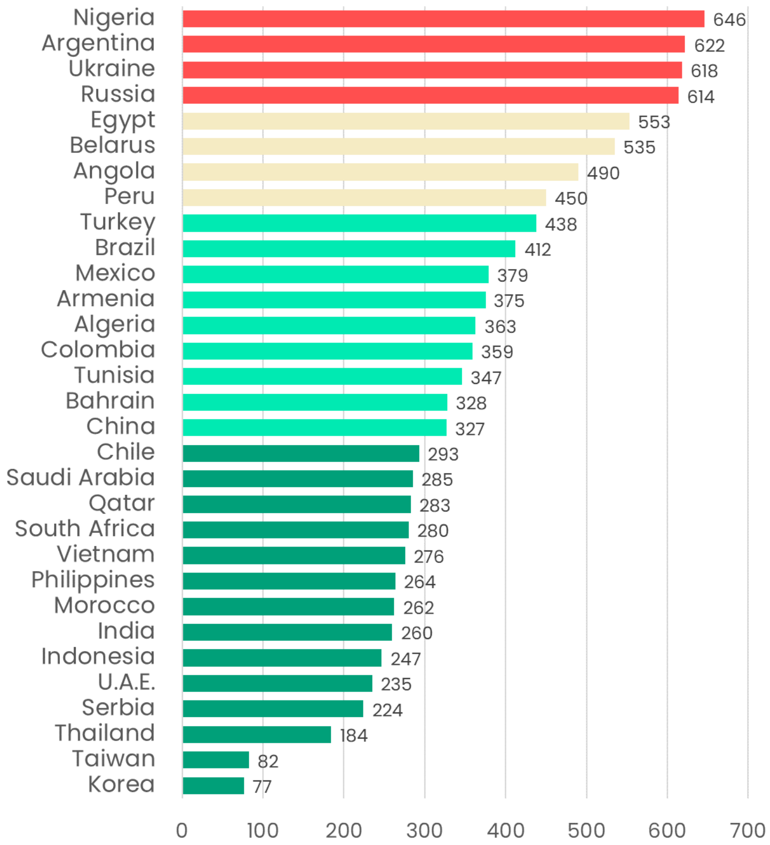
Country Risk Premium (in basis points)

Endogenous country risk measure combining economic, financial and political indicators



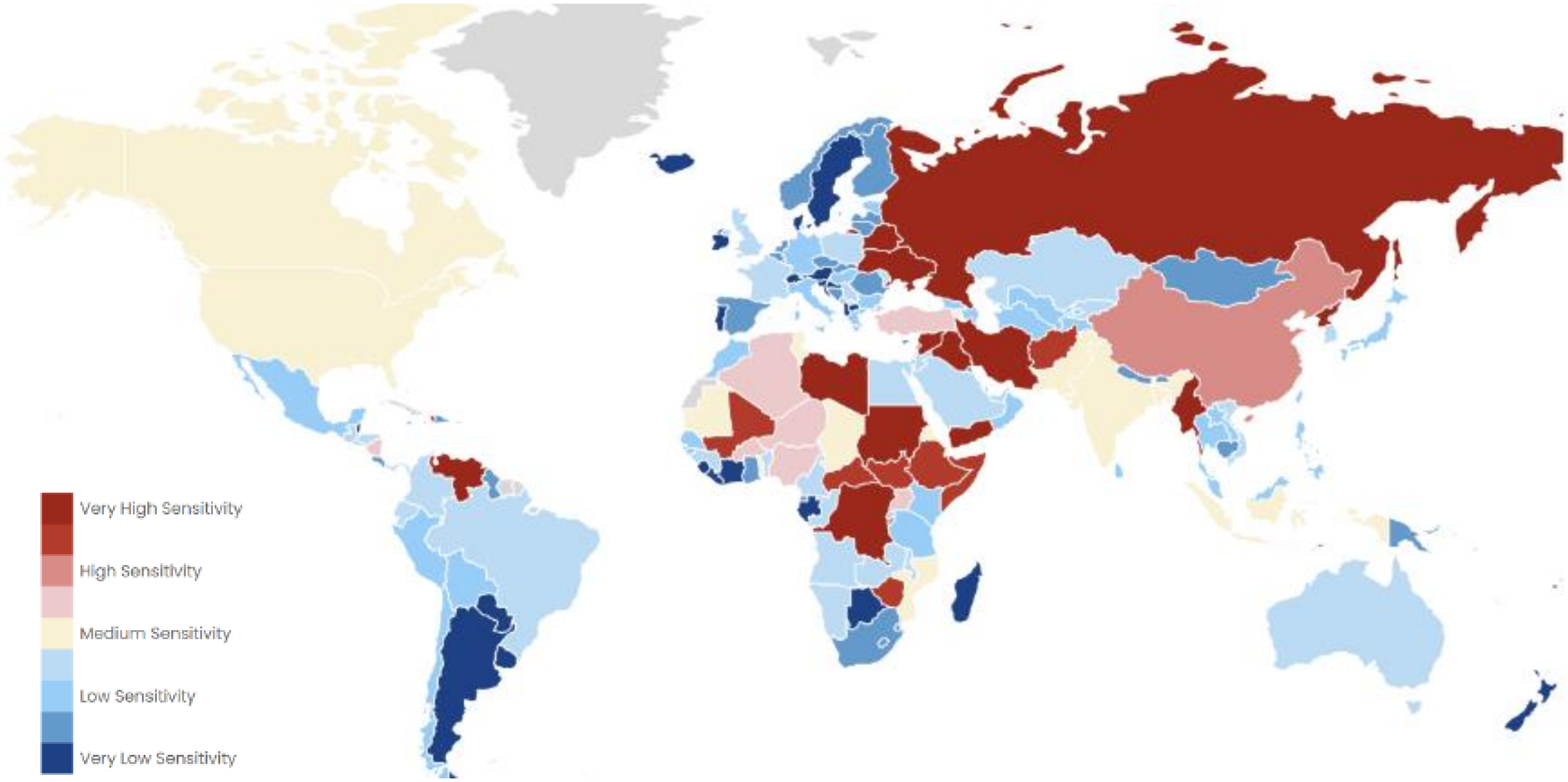


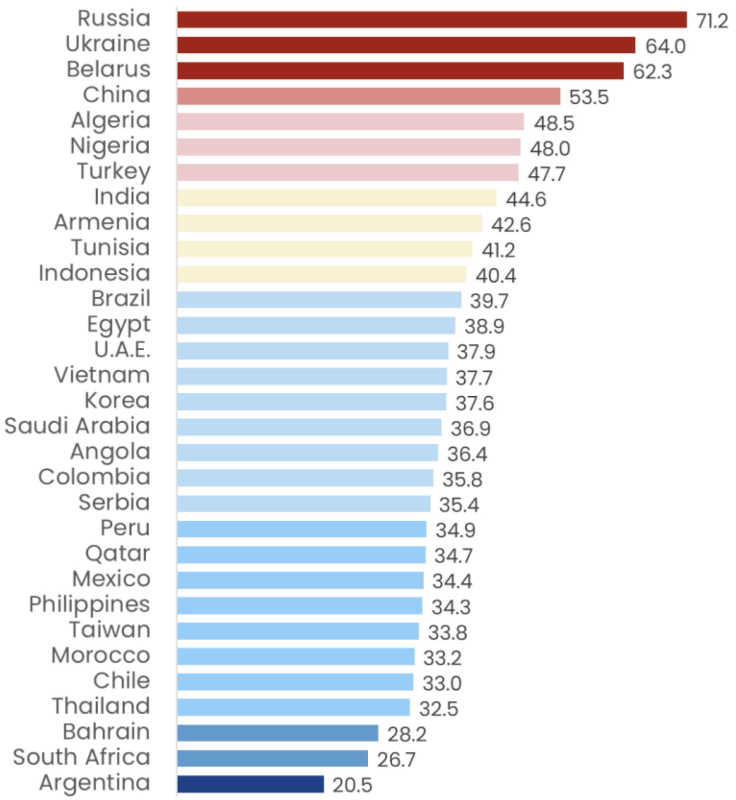
Source: TAC ECONOMICS Datalab

EM Risks and opportunities: Geopolitical Sensitivity

GeoPolitical Sensitivity Index (from 0 low to 100 high)

Country sensitivity to geopolitical risk based on three key dimensions: alliances, current conflicts & sanctions, and critical locks & knots





Source: TAC ECONOMICS Datalab

EM Risks and opportunities: Trump Vulnerability

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Trump Vulnerability Ranking

Measure of country-level exposure to trade, security, and immigration risks under the second Trump presidency.

Top20 – Higher Risk

Rank over 164 countries	ISO3	Country	Trade	Security	Immigration	Overall vulnerability	Class Overall
1	**MEX**	**Mexico**	74.9	48.2	63.4	62.1	E
2	JAM	Jamaica	43.2	43.2	66.5	50.9	E
3	**CHN**	**China**	56.1	41.2	50.2	49.2	D
4	**IND**	**India**	37.8	36.4	51.7	41.9	D
5	HTI	Haiti	50.5	30.5	43.2	41.4	D
6	**VNM**	**Vietnam**	51.4	39.8	31.5	40.9	D
7	JPN	Japan	65.0	42.5	4.3	37.3	D
8	SLV	El Salvador	11.2	18.4	80.9	36.8	D
9	HND	Honduras	14.3	26.8	67.1	36.0	D
10	DOM	Dominican Republic	16.9	21.1	68.2	35.4	D
11	**EGY**	**Egypt**	26.6	68.3	9.8	34.9	C
12	**PHL**	**Philippines**	30.6	25.6	46.9	34.3	C
13	SOM	Somalia	26.1	67.9	8.2	34.1	C
14	GTM	Guatemala	10.0	23.8	67.0	33.6	C
15	DEU	Germany	55.0	40.5	4.3	33.3	C
16	GMB	The Gambia	25.2	47.1	27.2	33.2	C
17	BLZ	Belize	30.5	48.8	16.5	31.9	C
18	IRL	Ireland	44.6	49.0	1.4	31.6	C
19	MDA	Moldova	25.5	63.7	4.0	31.0	C
20	NPL	Nepal	28.7	44.4	18.2	30.4	C

Rank over 164 countries	ISO3	Country	Trade	Security	Immigration	Overall vulnerability
41	**ZAF**	**South Africa**	29.5	46.6	3.6	26.6
45	**IDN**	**Indonesia**	30.6	46.7	1.8	26.4
61	**TUR**	**Türkiye**	27.1	40.6	7.0	24.9
69	**UKR**	**Ukraine**	25.5	34.4	13.7	24.5
71	**BRA**	**Brazil**	28.6	19.8	24.4	24.3
72	**TUN**	**Tunisia**	25.9	42.8	3.8	24.1
86	**AGO**	**Angola**	25.7	42.2	0.5	22.8
92	**BLR**	**Belarus**	25.0	39.0	2.4	22.2
102	**THA**	**Thailand**	37.4	20.8	6.1	21.4
105	**ARM**	**Armenia**	25.4	28.9	7.8	20.7
108	**RUS**	**Russia**	26.5	26.0	9.0	20.5
109	**SAU**	**Saudi Arabia**	26.9	31.5	2.8	20.4
111	**SRB**	**Serbia**	25.6	32.8	1.8	20.1
112	**BHR**	**Bahrain**	2.6	56.2	0.2	19.6
115	**QAT**	**Qatar**	25.6	32.6	0.4	19.5
120	**ARE**	**United Arab Emirates**	25.7	29.4	2.0	19.0
123	**DZA**	**Algeria**	27.0	25.4	3.2	18.5
125	**ARG**	**Argentina**	27.6	22.8	4.2	18.2
143	**COL**	**Colombia**	8.9	11.8	24.4	15.0
160	**MAR**	**Morocco**	0.9	29.0	5.5	11.8
161	**PER**	**Peru**	4.7	20.0	9.7	11.5
164	**CHL**	**Chile**	4.7	15.8	1.8	7.4

Source: TAC ECONOMICS Datalab

EM Risks and opportunities

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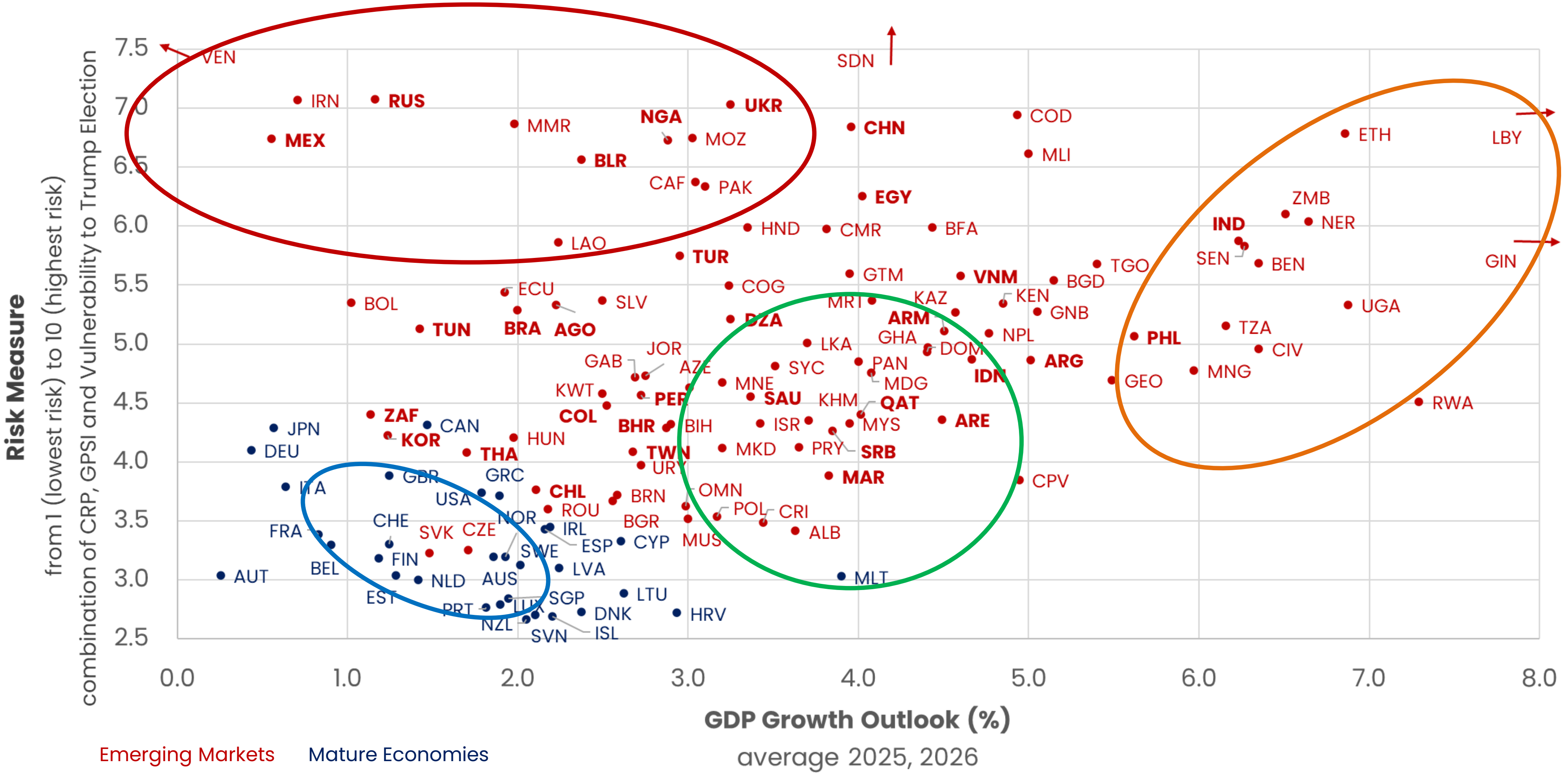
TAC ECONOMICS Risks Measures versus GDP Growth Outlook



Safe Bets
Low growth, low risk
Portugal, Spain, Sweden, Czech Republic,Australia, Singapor
→ Prioritise for reliability.

Rising Stars
High growth, moderate risk
Malaysia, Saudi Arabia, Poland, Morocco
→ High potential for diversification. Invest with selective risk management.

Tailored Investment
High growth, evolving landscape
India, Vietnam, Philippines
→ Promising markets calibrated investment strategies. Close monitoring, supplier mapping, and risk buffers recommended.

Strategic Reassessment
Low growth, high risk
Mexico, Turkey, Nigeria
→ Reconsider exposure. Identify indirect dependencies. Explore reshoring or third-country triangulation.

Source: TAC ECONOMICS Datalab

Contacts

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