

CONFERENCE ANNUELLE DE CONJONCTURE ECONOMIQUE



Avec Isabelle Mateos y Lago Group chief economist BNP Paribas



Partenaires financiers des Places Tertiaires,
le pôle des experts et des décideurs en Hauts-de-France





Grégory Sanson

PRESIDENT DE LILLE PLACE FINANCIERE



BNP PARIBAS

Isabelle Mateos y Lago

Group chief economist BNP Paribas

Perspectives 2025 : le temps des turbulences.

Quels enjeux pour l'économie et la finance en France, en Europe et dans le monde

Isabelle MATEOS y
LAGO
Group Chief Economist

GLOBAL ECONOMIC OUTLOOK: Cloudy with Silver Linings

Nuageux avec des chances d'éclaircies

AGENDA

SUMMARY

01

Global Outlook - 2025

Cautiously Constructive

02

Risks

Two-sided – but tilted to the downside

03


Longer-term outlook

Gathering Clouds Need Urgent Action



BNP PARIBAS

ECONOMIC RESEARCH



1. CENTRAL SCENARIO 2025 : CAUTIOUSLY CONSTRUCTIVE



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Weather bulletin : 2024-2025

1. Central scenario

1.1 Recap

1.2 Growth / Inflation

1.3 Policy rates

1.4 Yields / Spreads

1.5 Currencies



2. Risks to the scenario

2.1 Trumponomics

2.2 Euro Area

2.3 China

2.4 Emerging Markets

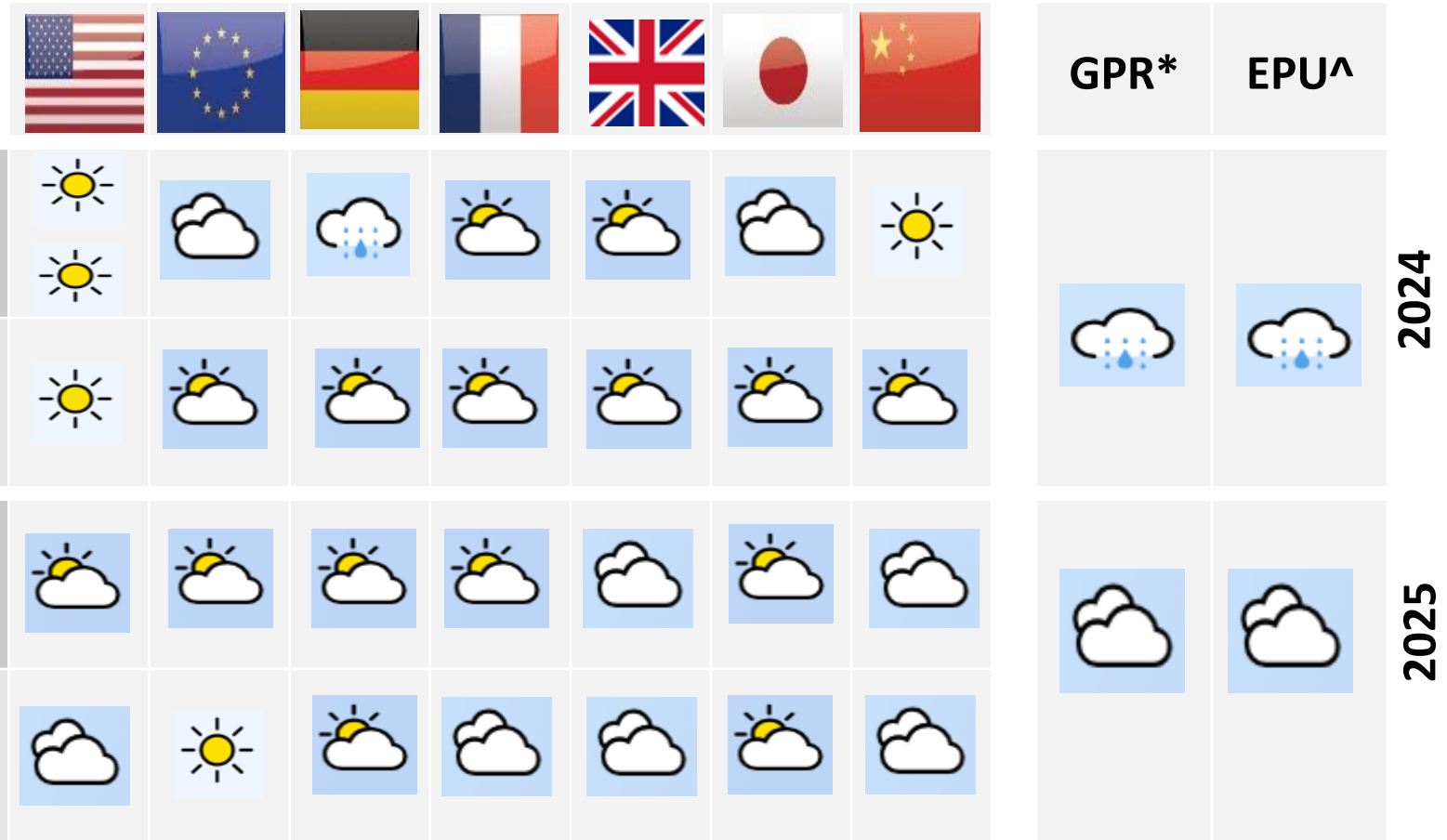


3. Longer Term

3.1 Spending pressure

3.2 Productivity

4. Conclusion



*GPR=Geopolitical Risk

^EPU=Economic Policy Uncertainty

➔ On the surface no radical change – but this is deceptive.



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH 7



Economic aftershocks of the pandemic are largely behind us (i)

1. Central scenario

1.1 Recap

- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets

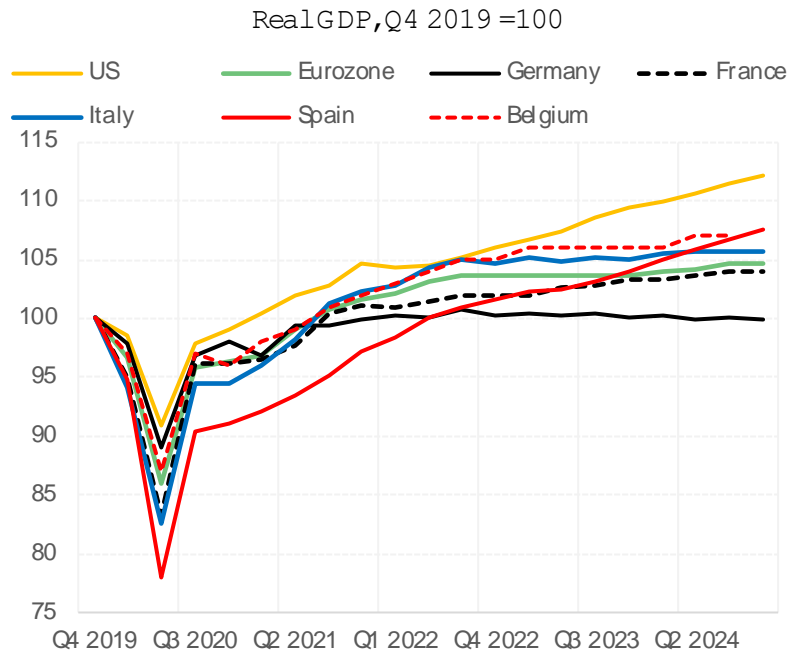


3. Longer Term

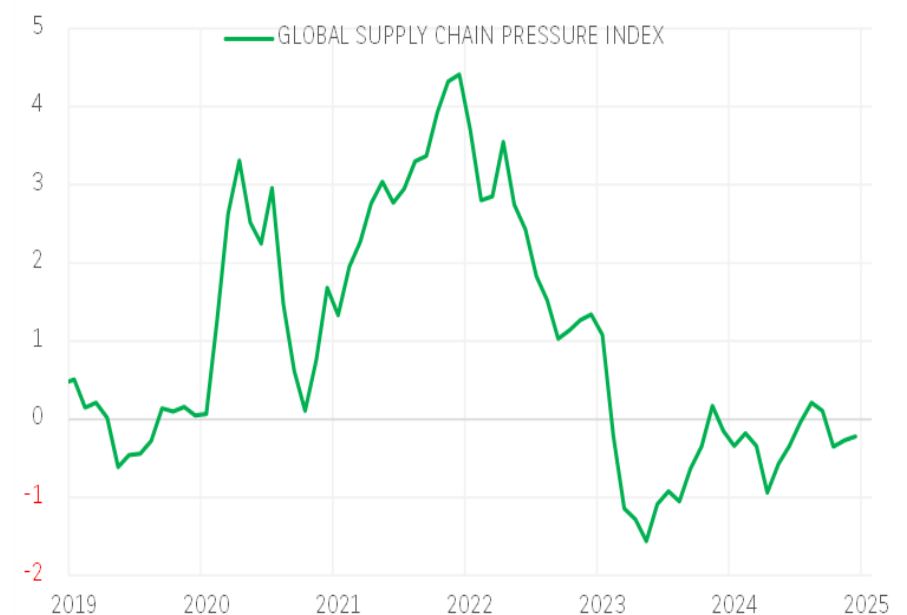
- 3.1 Spending pressure
- 3.2 Productivity

4. Conclusion

Activity has recovered and supply chain pressures dissipated



Source : LSEG, BNP Paribas



Source : Fed NY, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

Economic aftershocks of the pandemic are largely behind us (ii)

1. Central scenario

1.1 Recap

- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



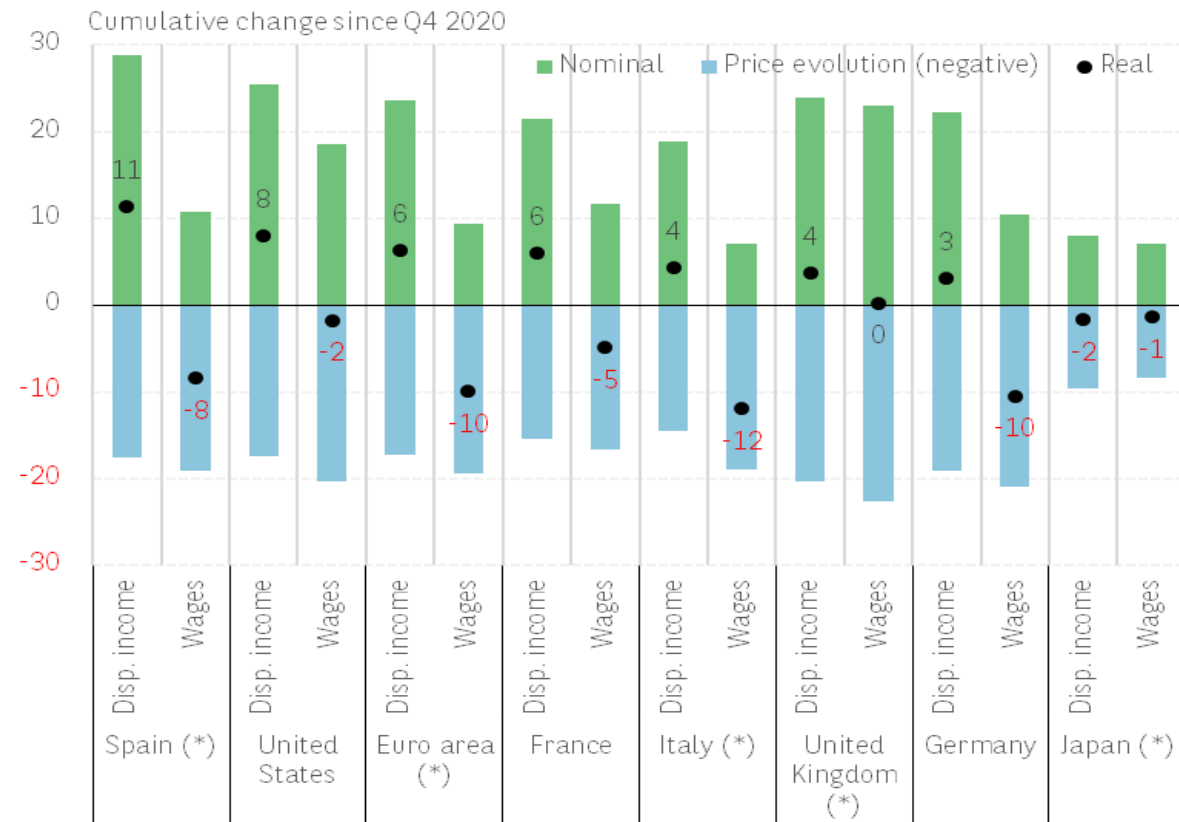
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

Purchasing power impact of the pandemic is subsiding

Losses in purchasing power, as measured by real wages, more pronounced in Europe vs. the rest (US, UK, Japan)



Source : Eurostat, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



1. Central scenario

1.1 Recap

- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



3. Longer Term

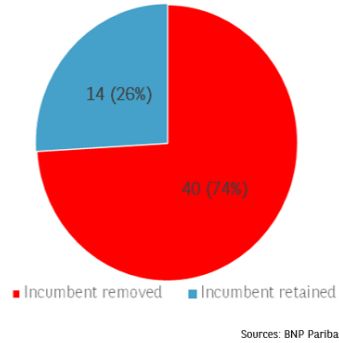
- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

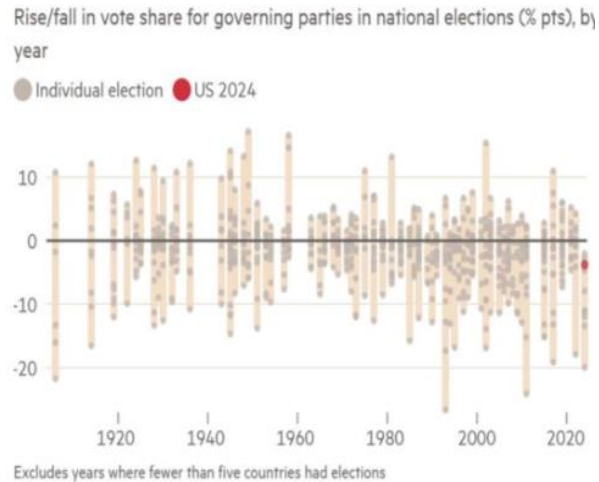
Political aftershocks endure

Serial incumbent ousting

Election results in democracies since 2020

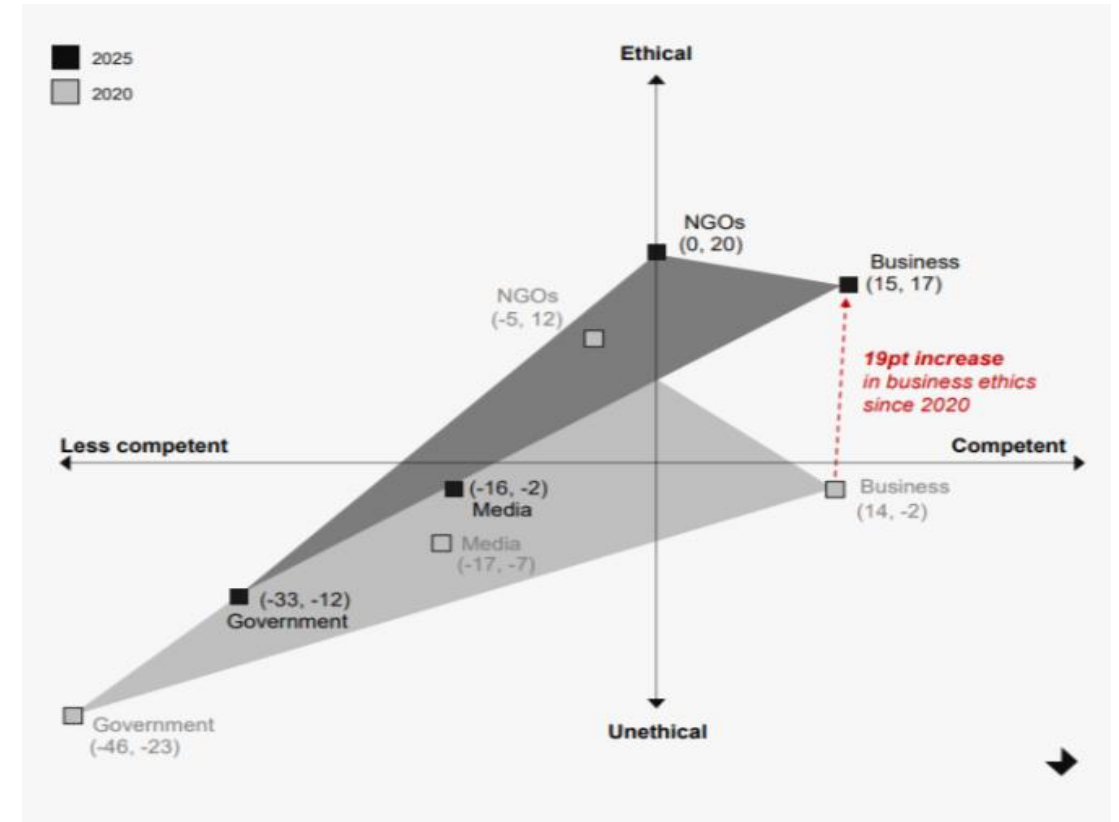


Governing party facing election in a developed country lost vote share, the first time this has ever happened



Trust gap in institutions.

Only Business seen as both Competent and Ethical



Source : Edelman Trust Barometer



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Forecasts 2025 : Growth reverting to Trend, Inflation Less So

1. Central scenario

1.1 Recap

1.2 Growth / Inflation

1.3 Policy rates

1.4 Yields / Spreads

1.5 Currencies



2. Risks to the scenario

2.1 Trumponomics

2.2 Euro Area

2.3 China

2.4 Emerging Markets



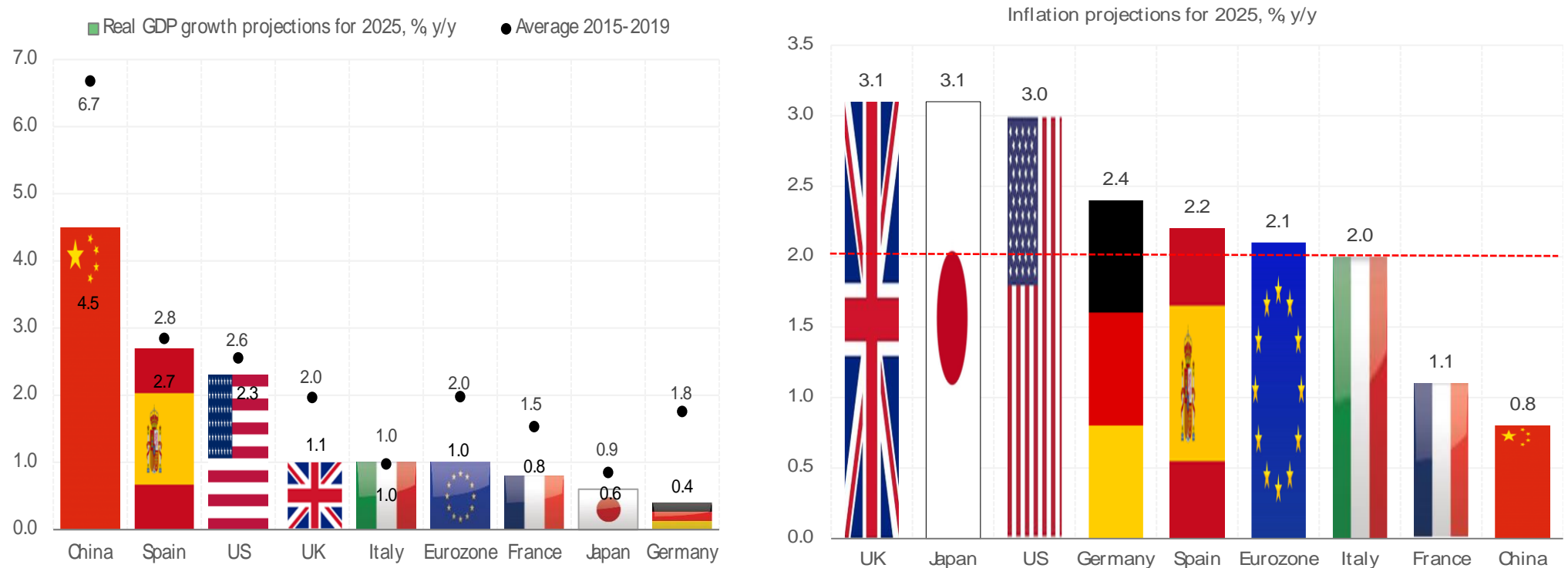
3. Longer Term

3.1 Spending pressures

3.2 Lower growth

4. Conclusion

The US will continue to outperform the G7 on growth and underperform on inflation ; other will get by



Source : LSEG, BNP Paribas (27/01/2025)



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Services Inflation is a Sticky Concern

1. Central scenario

1.1 Recap

1.2 Growth / Inflation

1.3 Policy rates

1.4 Yields / Spreads

1.5 Currencies



2. Risks to the scenario

2.1 Trumponomics

2.2 Euro Area

2.3 China

2.4 Emerging Markets



3. Longer Term

3.1 Spending pressures

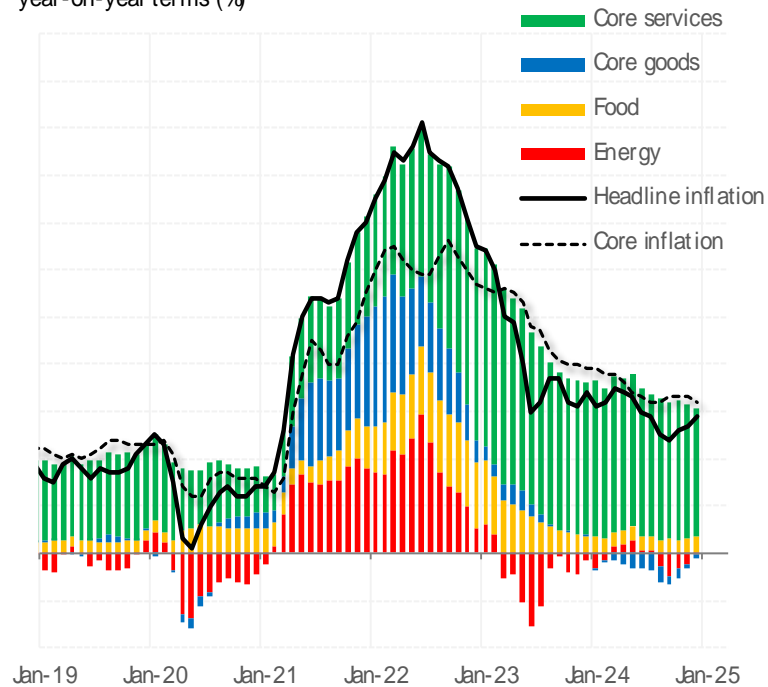
3.2 Lower growth

4. Conclusion

US : still strong stickiness of services inflation

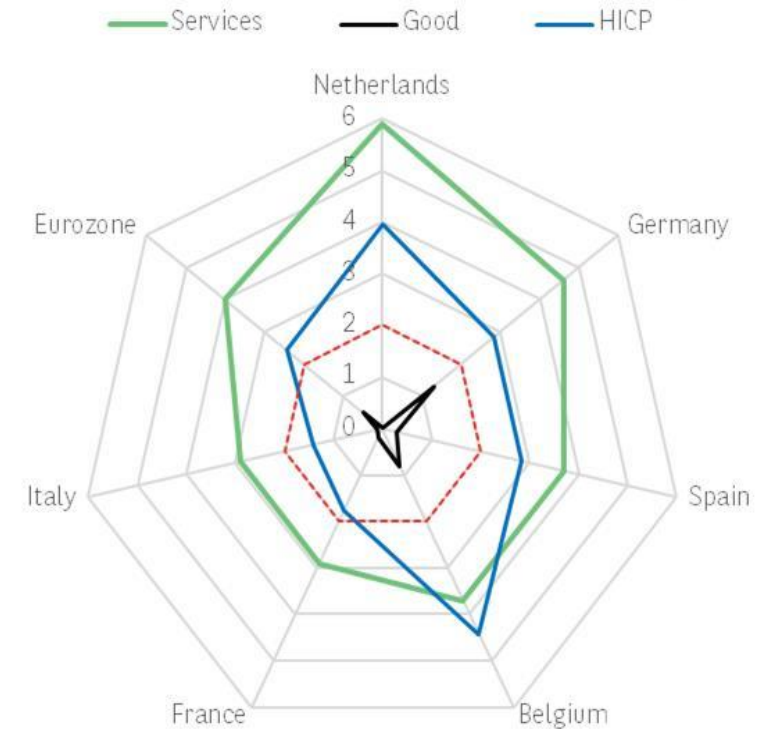
United States

Contributions of main CPI items in %points and headline inflation in year-on-year terms (%)



Divergent inflation profile within the Eurozone

HICP items and Headline HICP at Dec. 2024, y/y, %



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Forecasts 2025 : policy rates

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates**
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



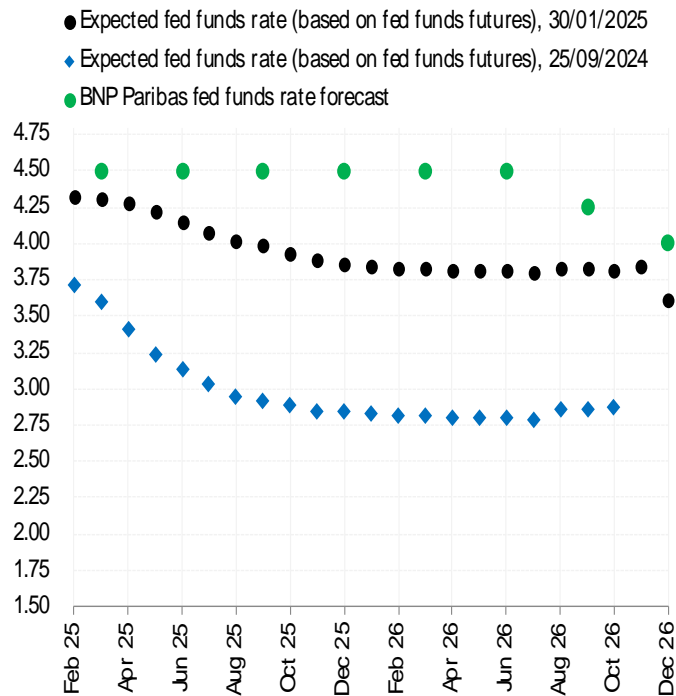
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

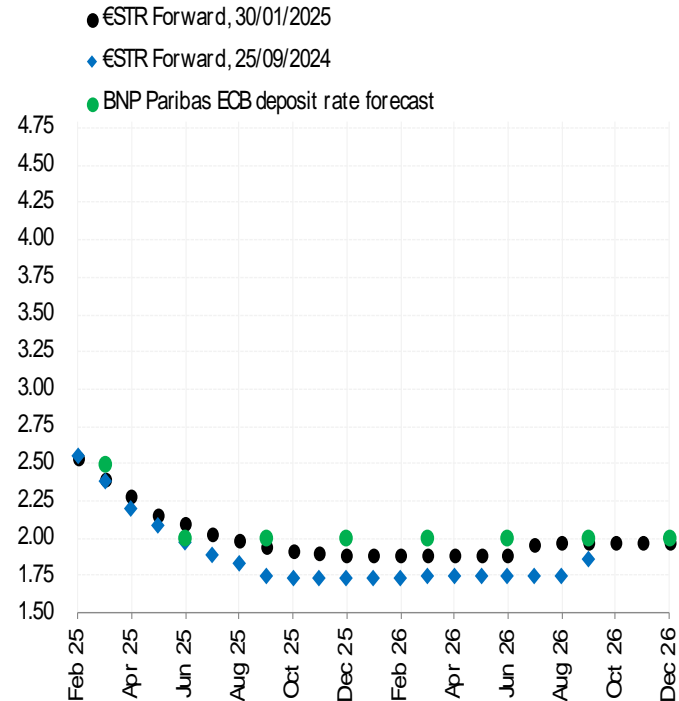
Only European central banks (ECB + BOE) will be able to cut

US



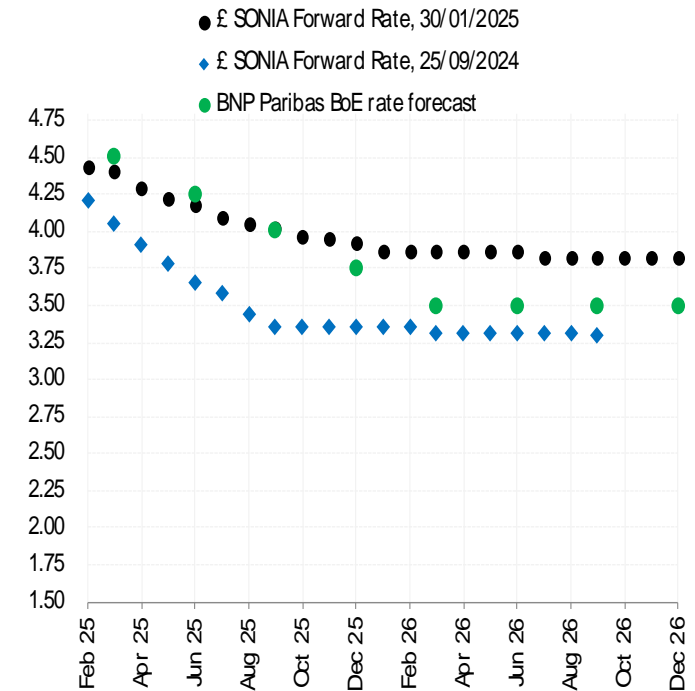
Source: Refinitiv, BNP Paribas

Eurozone



Source: Bloomberg, BNP Paribas

UK



Source: Bloomberg, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

LT Yields : a lot already priced in.. further upside will be limited in the central scenario



1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets

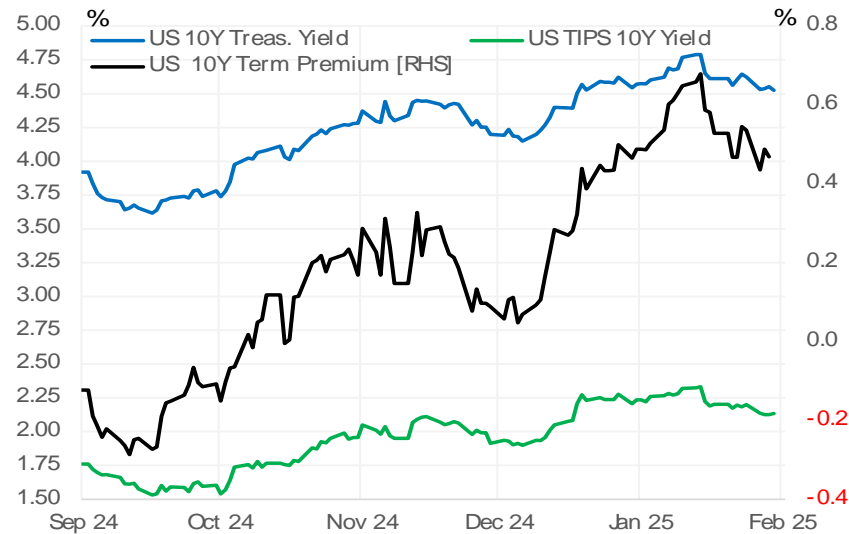


3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

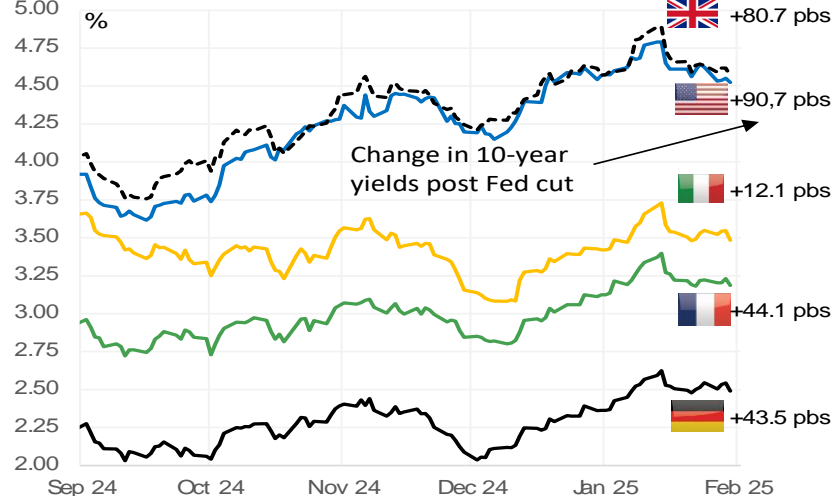
US : 10-year treasury yield, nominal, real



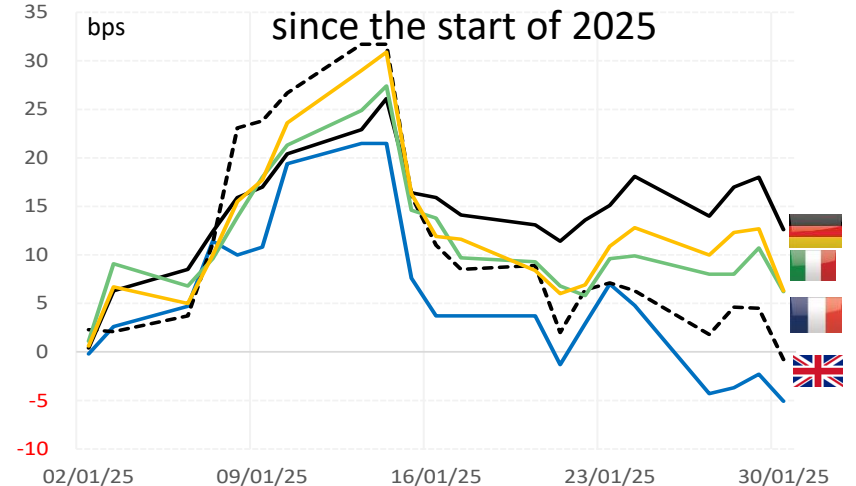
Market participants' expectations for average



10-year government bond yields since Fed



Change in 10-year government bond yields



Source : LSEG,
Bloomberg, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



USD's bullish narrative likely to persist but with diminishing momentum

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



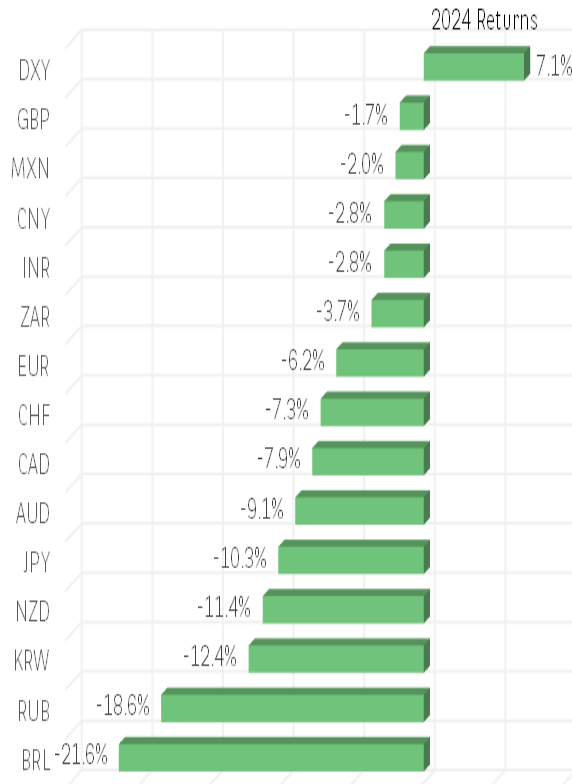
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

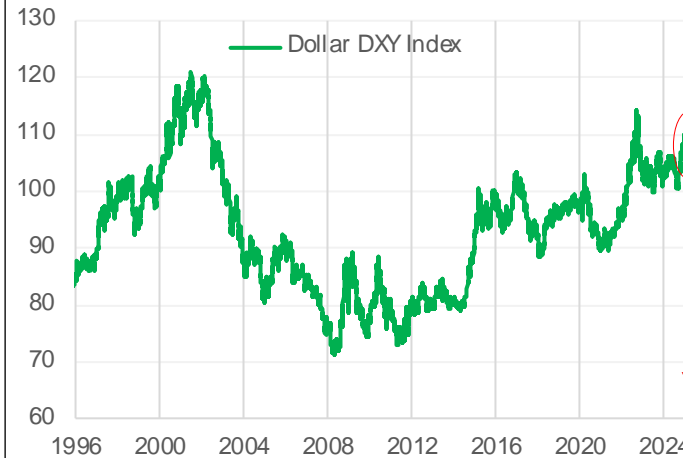
2024 : USD strength

Major Currencies, Returns in 2024 vs, USD

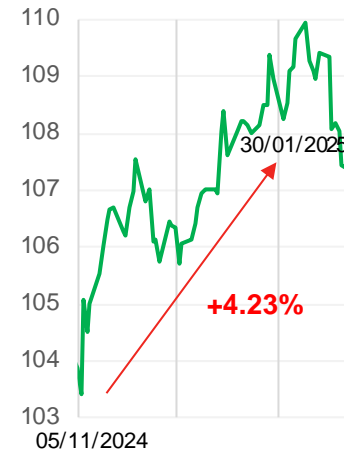


Source : Bloomberg, BNP Paribas

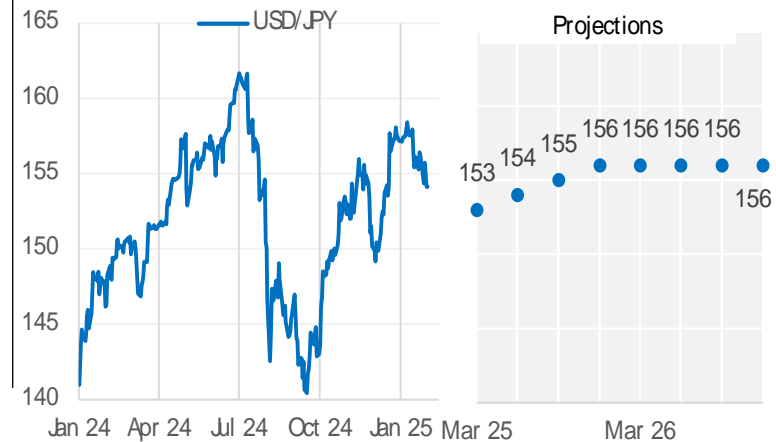
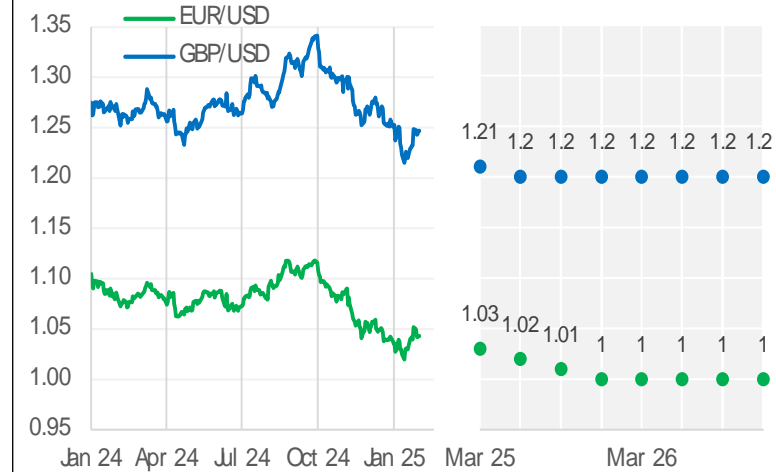
Putting it in perspective : USD at its most expensive level in a generation...



...further boosted by Trump's win



2025 - Forecasts



Source : LSEG, Bloomberg, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



2. RISKS : TWO-SIDED BUT TILTED TO THE DOWNSIDE



BNP PARIBAS

The bank for a changing world

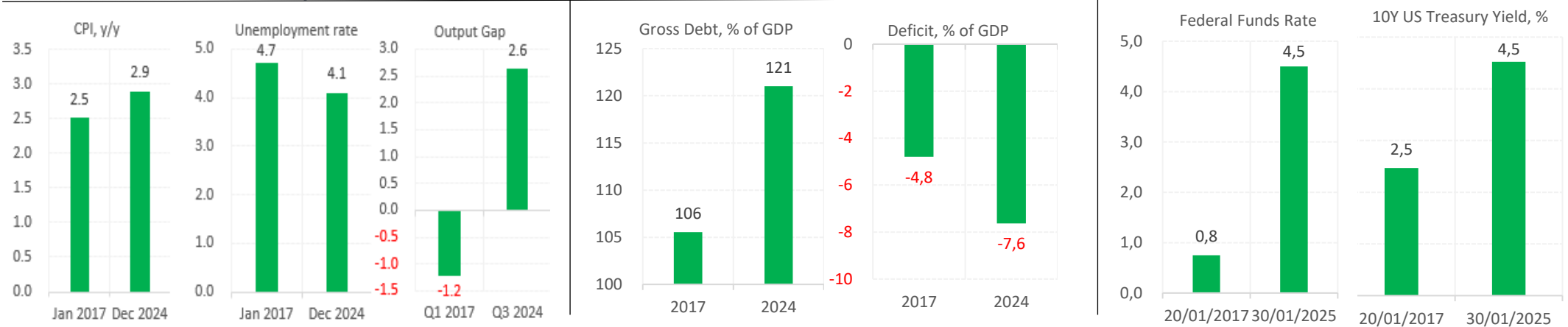
ECONOMIC RESEARCH



Risks from Trumponomics

➔ Different initial conditions

1. The economy is hotter..... 2. The fiscal position is much weaker.... 3. Interest rates are higher

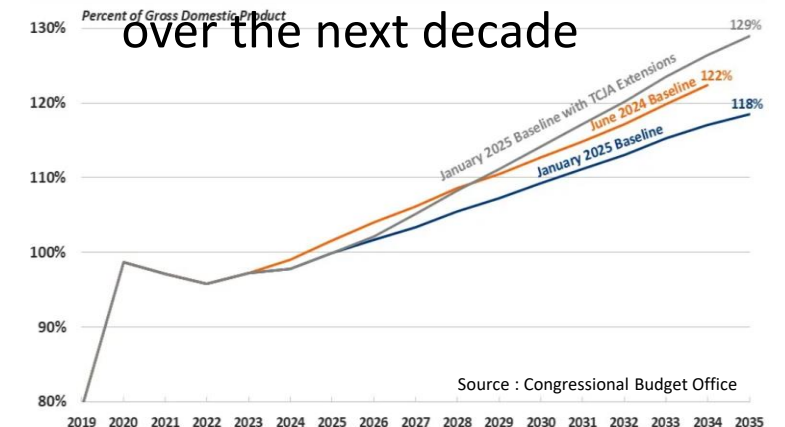


Source : IMF, BLS, BEA, LSEG, BNP Paribas

➔ Expected macroeconomic impact of

Policy thrust	Inflation	Growth	Deficit
Tariffs	↑	↓	↓
Tax cuts	↑	↑	↑
Tight immigration	↑	↓	
Deregulation	↓	↑	
Net impact	↑	?	↑

➔ CBO projects debt to rise significantly over the next decade



Source : Congressional Budget Office



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH 17



What have we learned since President Trump's inauguration?

"A common sense revolution" ?

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

2.1 Trumponomics

- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

1. Tariffs:

- • Early Executive orders imposing sweeping tariffs (25%) on Can and Mex and smaller ones (10%) on China, on national security and safety grounds.
- • Ordered a complete review of the USA's trade deficits and relationship with counterparts meant to lead to policy recommendations by early April.
- • Threatened EU but without figure or timetable.

2. Taxes:

- • Reiteration of intent to bring down corporate tax to 15% "for corporates that produce in the US".
- • Memo pulling the US out of the OCDE minimum corporate tax treaty on multinationals.

3. Immigration:

- + • Swift action to tighten border controls and initiate deportation of illegals
- + • Change of tone on legal immigration ("I like it; we need the arms")

4. Deregulation:

- =/+ • New regulation freeze until new political appointees are in place.
- =/+ • Request to all federal dept heads to cut regulation that contribute to high cost of living.
- =/+ • Cancellation of various DEI mandates and policies applied in hiring for the Federal govt

5. Oil.

- = • National energy emergency declared to open door to reopening of permitting for oil and gas drilling on federal land
- = • Call on OPEC to raise production to lower oil prices.

6. Climate:

- = • Green subsidies halted.
- = • Permits for offshore wind farms cancelled.
- = • End of [green] car mandates announced
- = • Exit Paris agreement (again)

Relative to baseline scenario : + upside risk = in line - downside risk



BNP PARIBAS

The bank for a changing world

ECOnOMIC RESEARCH



Confidence is low, uncertainty is high; turnaround time ?

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

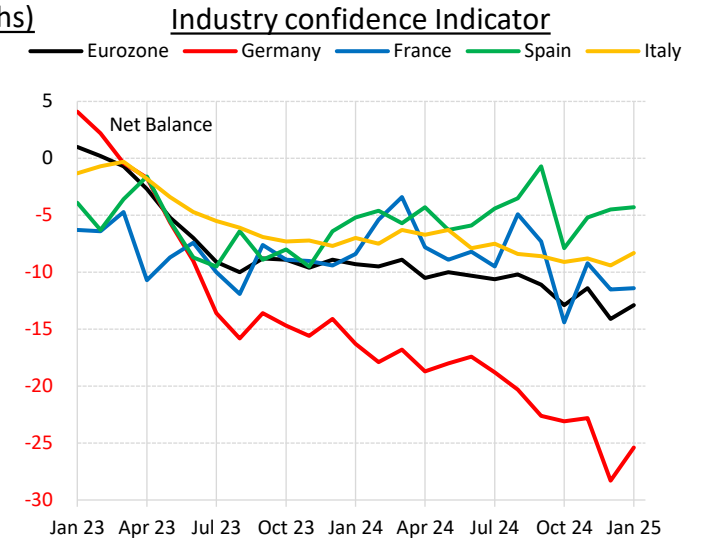
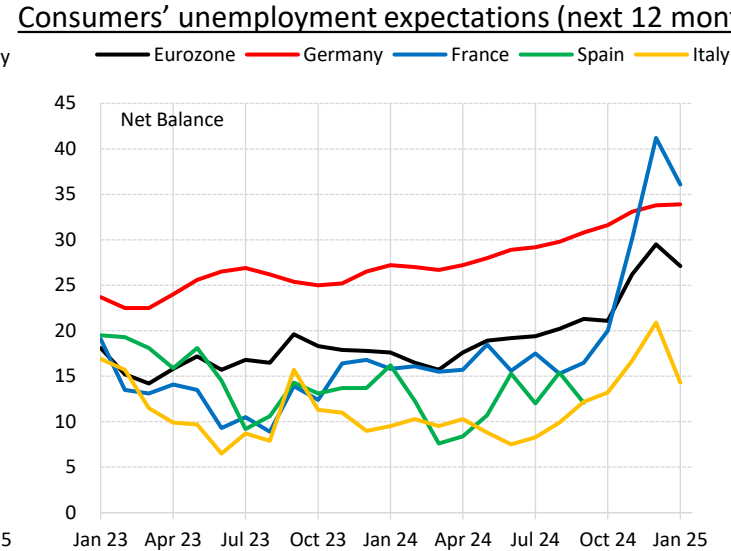
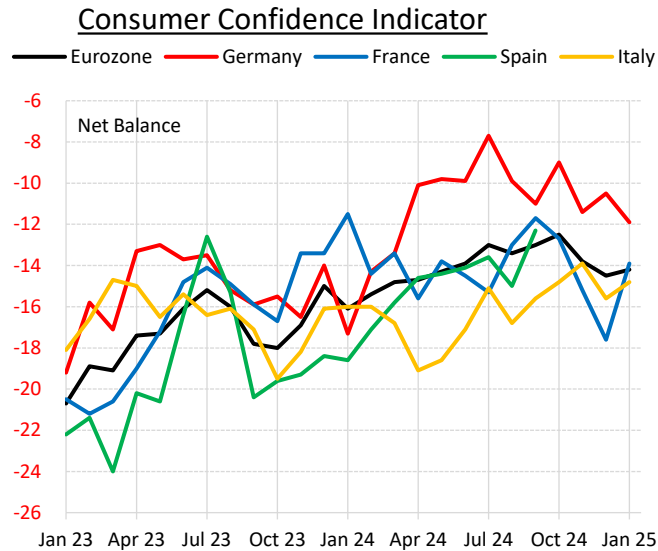
- 2.1 Trumponomics
- 2.2 Euro Area**
- 2.3 China
- 2.4 Emerging Markets



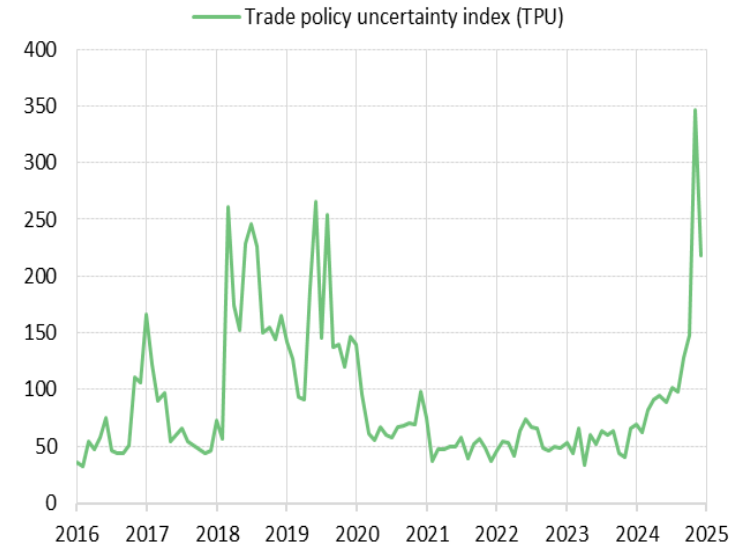
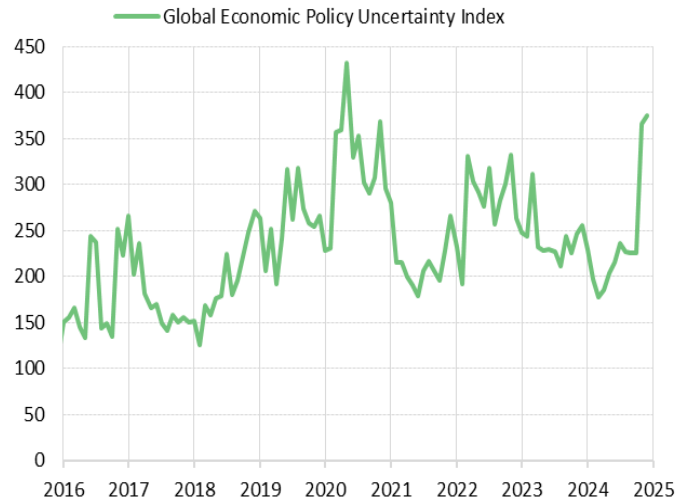
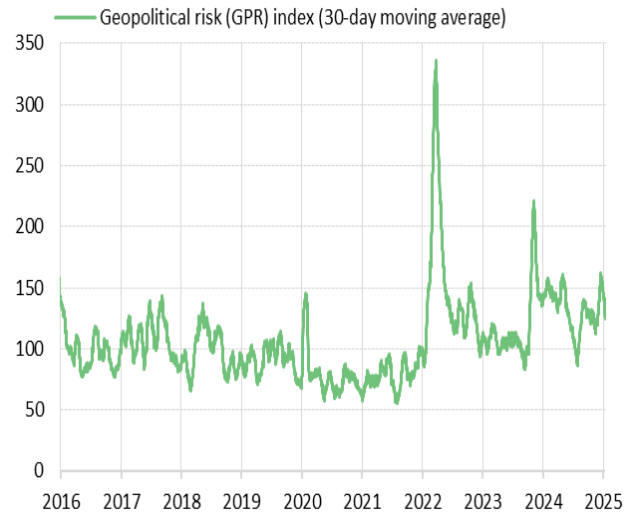
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion



Source : European Commission, BNP Paribas



Source : Matteo Iacoviello, EPU, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Eurozone : some signs of turnaround

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area**
- 2.3 China
- 2.4 Emerging Markets

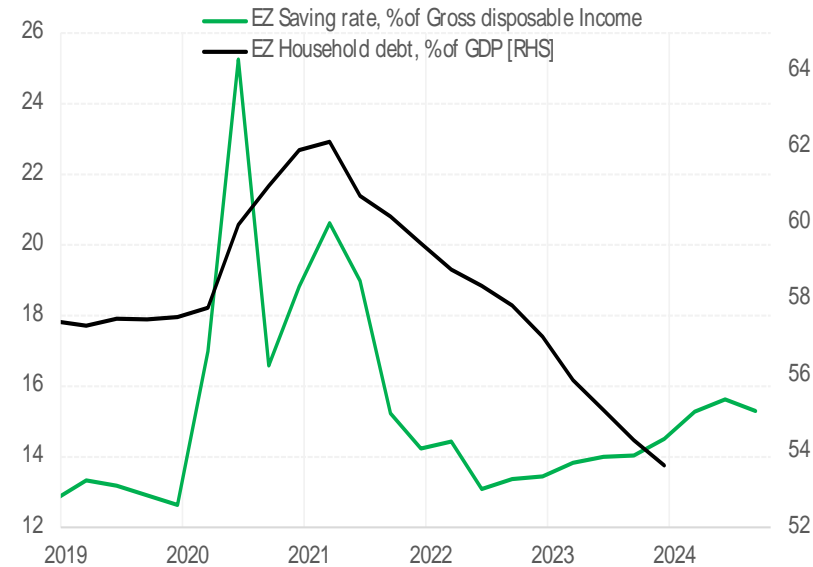


3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

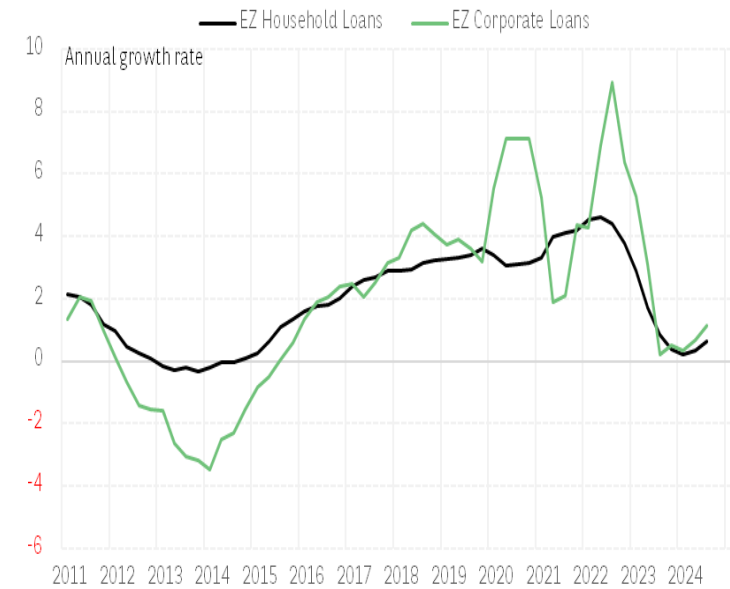
4. Conclusion

Possible support to consumption From low indebtedness and falling savings rate



Source : Banque de France, BNP Paribas

Credit is on the mend



Source : Banque de France, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Europe is exposed to US tariffs but for most economies not that much

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area**
- 2.3 China
- 2.4 Emerging Markets

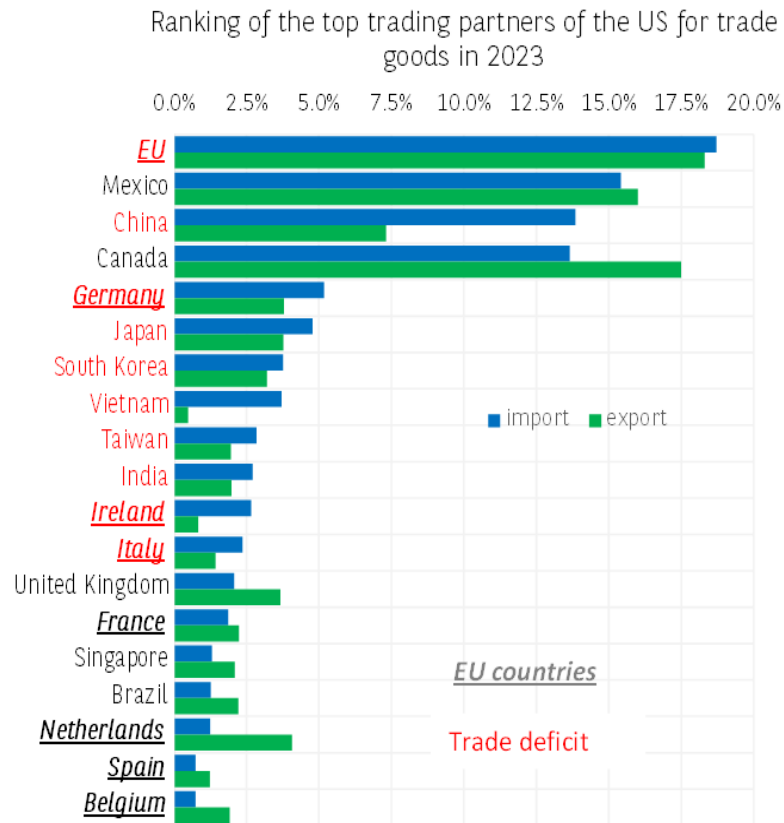


3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

The most vulnerable economies are...



Caveat to benign scenario : material growth impact of a generalized trade war

Simulation results show limited impact on EU

Effects of US Import Tariffs on the European Economy

	scenario 1		scenario 2	
	export	import	export	import
US	-27.2%	-20.2%	-28.7%	-21.3%
EU	-1.5%	-1.5%	-1.7%	-1.7%

Scenario 1: US 10%-import tariffs

Scenario 2 : 10%-import tariffs and the EU retaliates with 10%

Source : IFS, CPB Netherlands Bureau for Economic Policy Analysis, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Upside risk : Europe wakes up

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

Europe's response from Davos

Game plan : *"Do our own homework here in Europe in view of Donald Trump's return to office, rather than sitting like a rabbit in front of a snake"* [F. Merz, Jan 23, 2025]

Highlights from Ursula Von Der Leyen's speech

"Europe is ready for change"

Next week the European Commission is presenting the **Competitiveness Compass**, which will drive the EC's work for the next five years.

The focus will be to **increase productivity by closing the innovation gap**. Foundations underpinning this strategy are:

1. **Savings and investment union.** Europe needs a deep and **liquid capital market**.
2. **Cut red tape.** We must **make business much easier across Europe**. We will launch a far-reaching simplification of our sustainable finance and due diligence rules. We will offer to innovative companies to operate all across our European Union under one single set of rules—a 28th regime. Effort at both EU and national level to help SMEs operate at scale across the EU.
3. **Cheaper energy.** Complete our **energy union**, continue to **diversify our energy supplies**, and expand clean sources of generation from renewables and, in some countries, also from nuclear. **Invest in next-generation clean energy technologies**, like fusion, enhanced geothermal and solid-state batteries. Mobilize **more private capital** to modernize our electricity grids and storage infrastructure.

Alongside these domestically-focused efforts, **engage internationally**.

Work with others to avoid a global race to the bottom.

Europe will keep seeking cooperation and is 'open for business' for those wanting to upgrade clean tech and upscale digital infrastructure.

Look for new opportunities wherever they arise; engage beyond blocs and taboos;

First trip of new commission will be to **India**

Pursue a more balanced relationship with China, in a spirit of fairness and reciprocity. Engage constructively and where possible, even expand our trade and investment ties.

Source : ECB, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Opportunity is Real: lifting intra-EU trade barriers to compensate effect of US tariffs

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area**
- 2.3 China
- 2.4 Emerging Markets



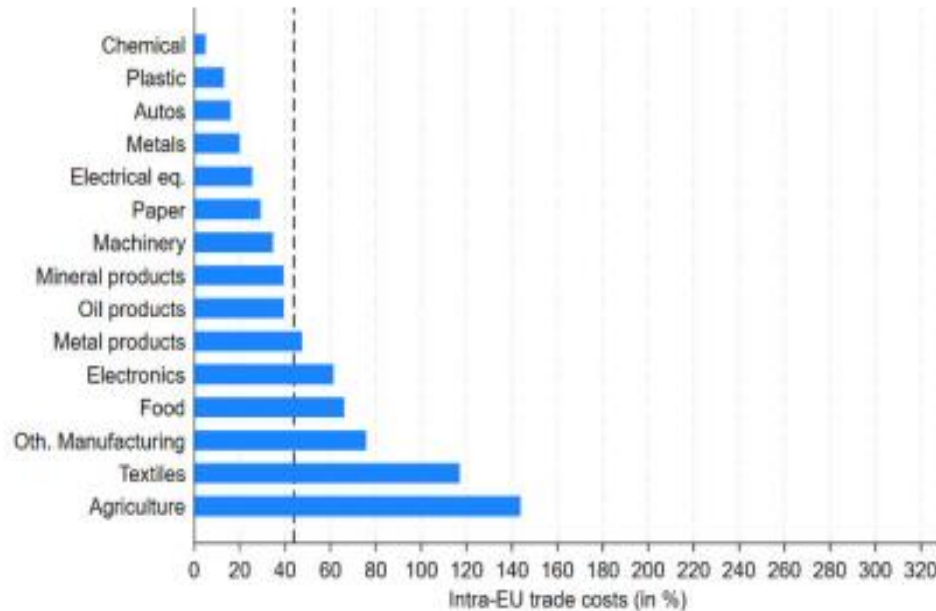
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

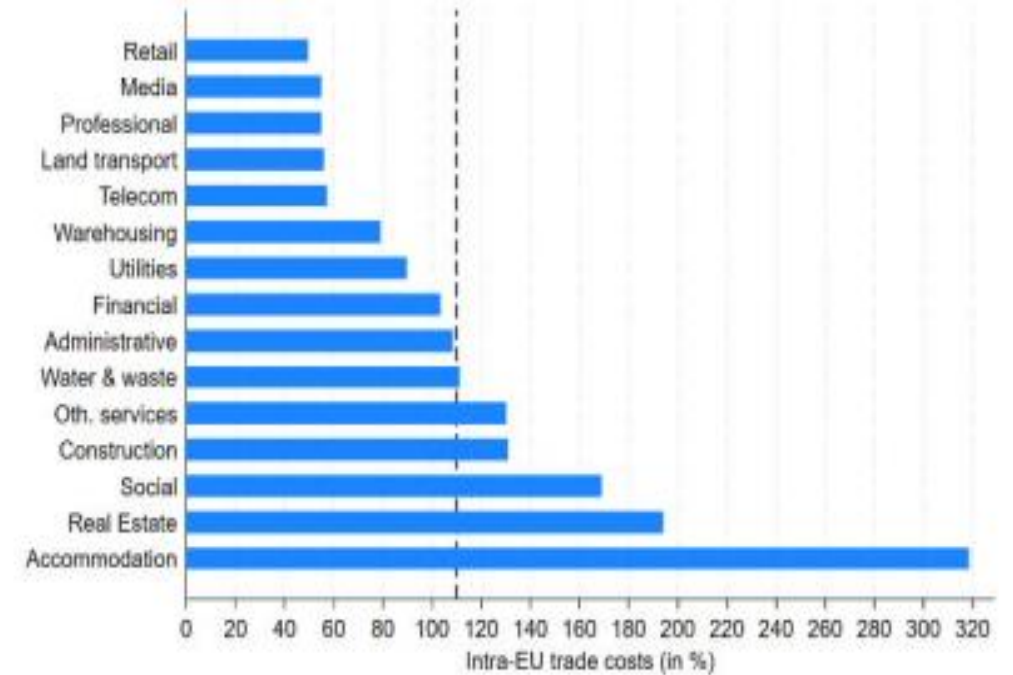
4. Conclusion

Estimates of Intra-UE trade Barriers in 2020

1. Goods



2. Services



Source: IMF, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



A Competitive Compass for the EU

The [European Competitiveness Compass](#) (presented on January 29th 2025) is built on two dimensions, hence the term compass):

VERTICAL

(micro level): strengthening investment and strategic autonomy

Closing the innovation gap

1. Firms scale-up

- EU Start-up and Scale up strategy: better access to risk capital, mobility of skilled workers
- A 28th legal regime with simpler corporate and labour laws, insolvencies procedure.
- European research Act: bring R&D spending to 3% of EU GDP.

2. Harnessing emerging technologies

- AI factories initiative: aggregation of European infrastructure (building on EuroHPC supercomputer programme)
- EU Cloud and AI development Act: build new AI gigafactories to train large AI models
- Data Union strategy: facilitate private/public data sharing
- Quantum Act: align EU and national programmes, develop pan-European quantum computing infrastructure.
- European biotech act
- Advanced materials Act
- Space Act: harmonise safety requirements and national legislations

3. Improve competition policy

- Revise mergers policy
- Review technology transfer framework:
- Wider use of the IPCEIs

Better balance between decarbonation and competitiveness

4. support struggling sectors

- Steel and Metals Action Plan
- Chemical industry package
- Industrial action plan for the automotive sector
- Circular Economy Act: reduce use of virgin materials

Reduce dependencies

5. Strengthen and widen scope of trade agreements.

More partnerships and modernize WTO rulebook.
Trans-Mediterranean partnerships on energy and clean tech

6. Strengthen supply chains

- Creation of a platform for joint purchase of critical raw materials
- Critical Medicines Act: strengthen supply of critical medicines.
- Strengthen European preference in public procurement.

7. Defence industry

- White paper on the future of European defence

HORIZONTAL

(macro level): deepening the functioning of the Single Market and reduce regulatory burdens

Reduce regulatory burdens.

- Decarbonization Accelerator Act: faster permitting to energy-intensive sector
- Simpler procedure for IPCEIs
- Widening scope of administrative burdens from reporting to all administrative burdens (targets: -25% for all companies, -35% for SMEs).
- Simplification Omnibus package (first package to focus on sustainable finance reporting).
- New definition of “small mid-caps” enterprises.
- Revision of the REACH regulation (chemical industry),
- Accelerate authorizations and streamline process for pharmaceutical industry
- Enhance digitalization of reporting: creation of « European Business wallet » for companies to interact with public administrations

Deepening the functioning of the Single Market

- Horizontal Single Market strategy (modernize governance framework, removing intra-EU barriers).
- Financing capabilities (promote EU’s securitization market, harmonization of insolvency frameworks)
- Remove taxation to cross border investment
- Reduce fragmentation of the MFF (build a European Competitiveness Fund)
- Competitiveness Coordination tool (?)
- Skills portability initiative

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



China : Upside risk from growth rebalancing ? How fast ? (i)

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China**
- 2.4 Emerging Markets



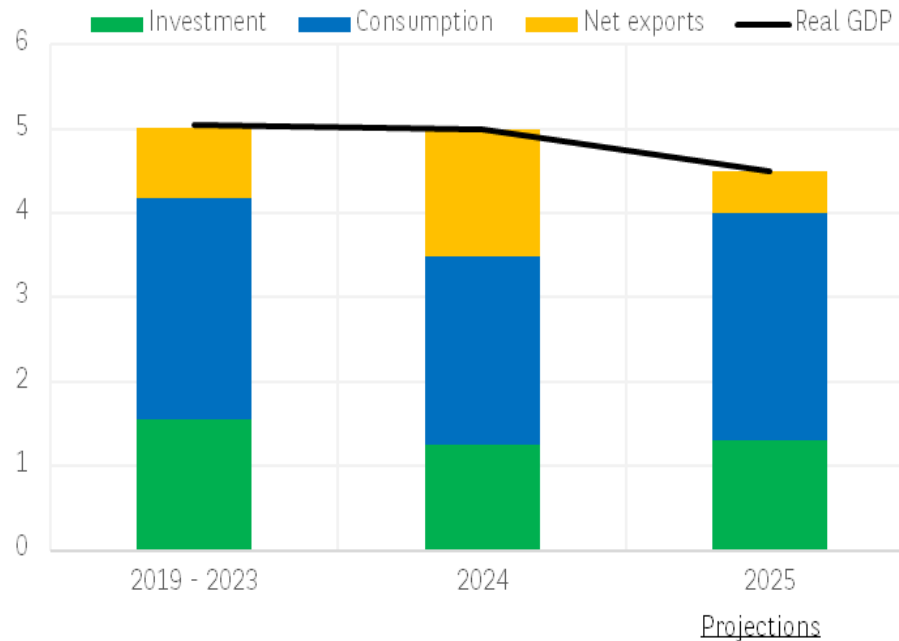
3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

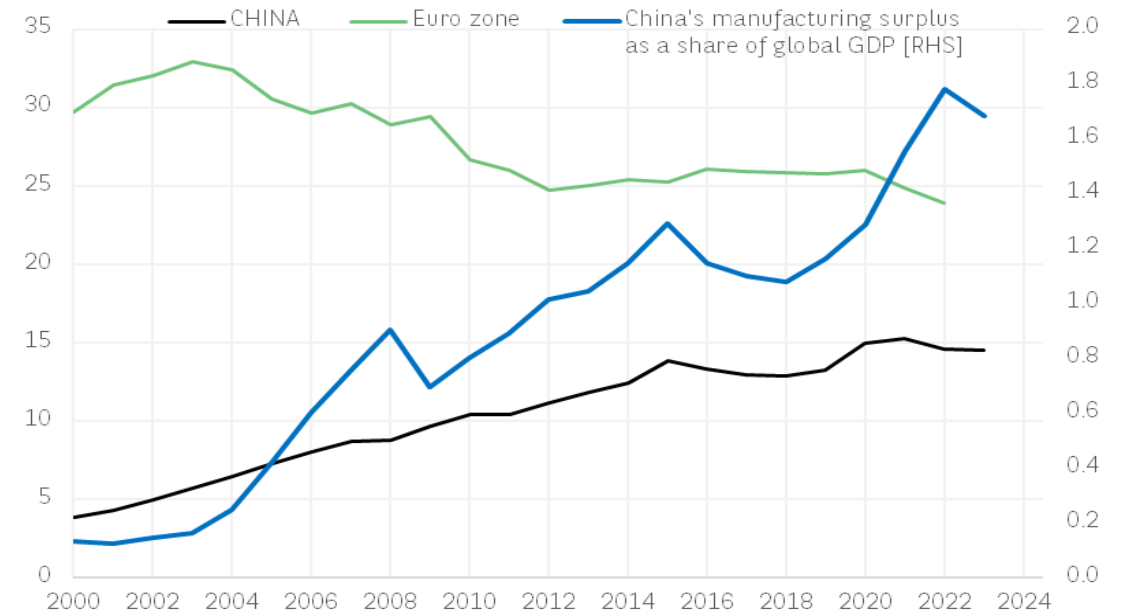
4. Conclusion

China has relied heavily on external demand to keep growth at acceptable levels....

Contribution to real GDP growth, pp



Export market shares (% of world exports)



Source: CIEC, IFS, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



China : Upside risk from growth rebalancing ? How fast ? (ii)

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China**
- 2.4 Emerging Markets

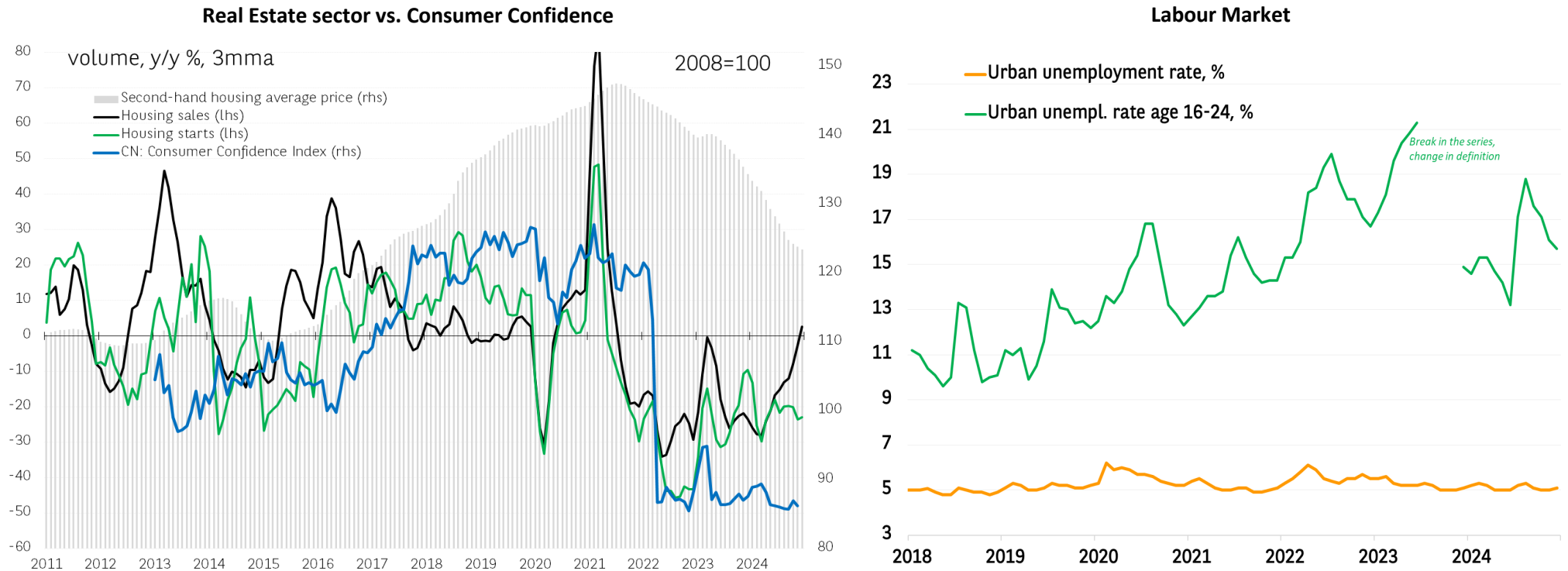


3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

... in large part because a combination of cyclical and structural headwinds have weighed on consumption



Source: CIEC, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

Emerging Markets : By and large resilient to developments in the US

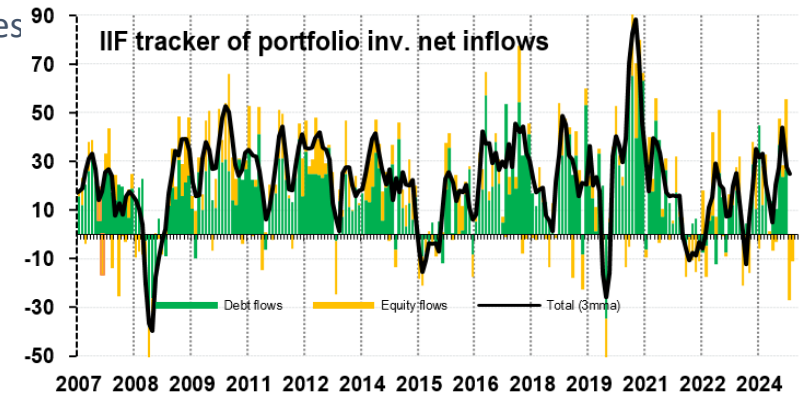
Exposure of EM to the US is most pronounced through financial

1. Dollar strength channels...



JPM EMCI = measures the performance of EM currencies against the USD

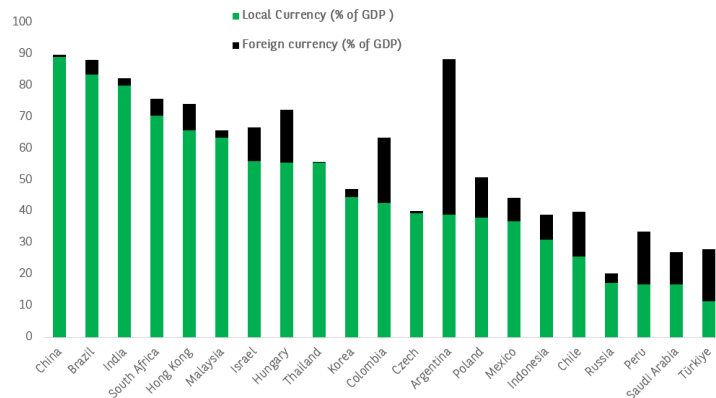
2. Volatility of capital flows in/out of EM in response to changing global credit conditions / changes



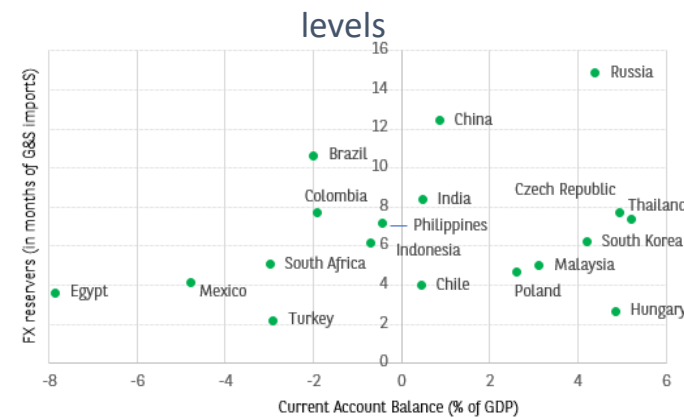
...but EM have a stronger capacity to withstand external

shocks

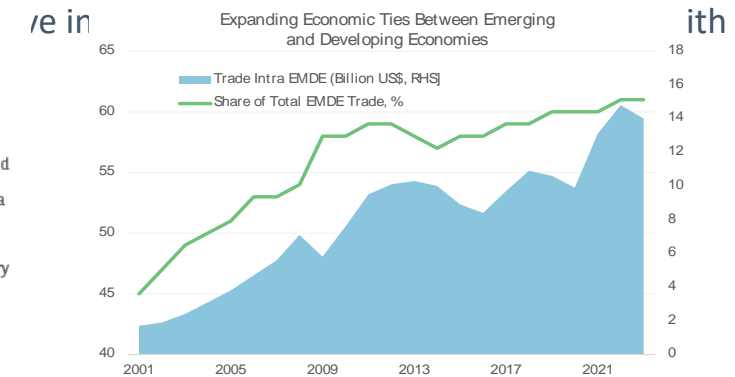
3. Sovereigns in large EM have by and large



4. External liquidity indicators are at adequate



5. Diversified trade relationship : EM and developing economies



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies

2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China

2.4 Emerging Markets

3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

Emerging Markets Growth : Contrasting Stories with Advanced Economies



1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets

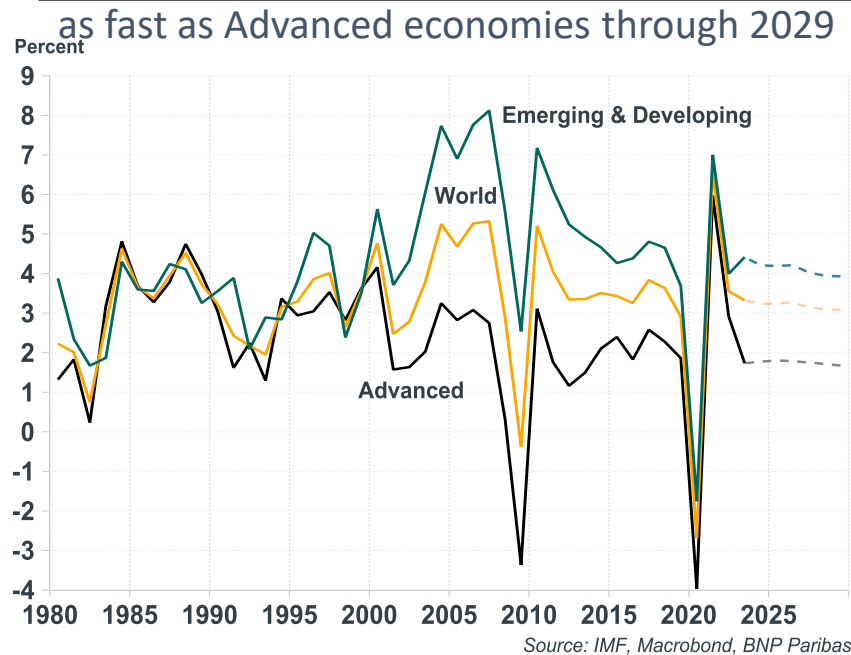


3. Longer Term

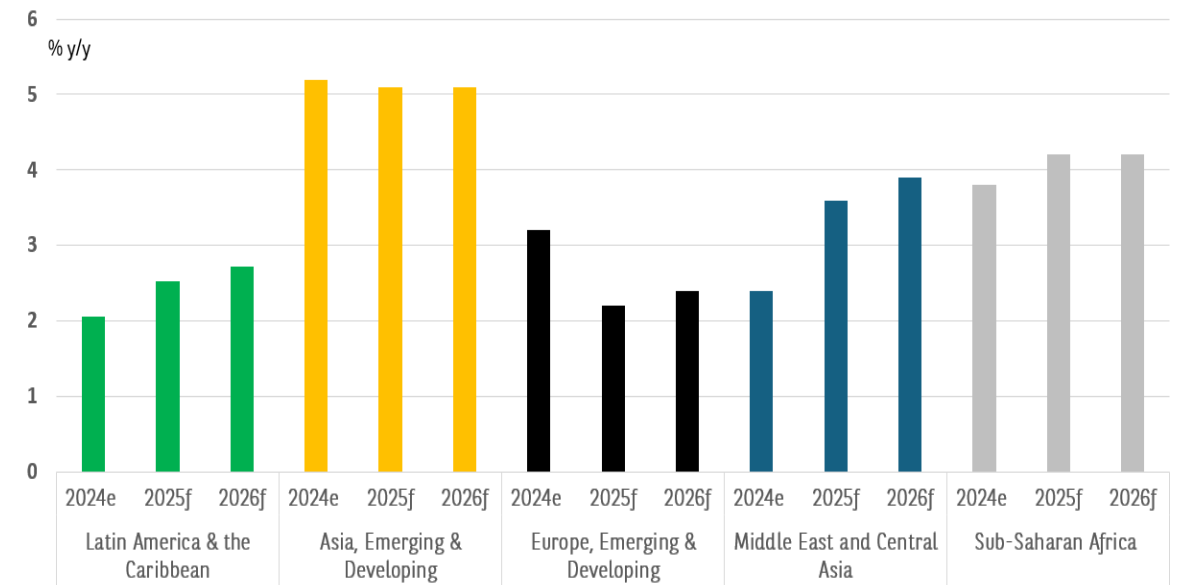
- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

Emerging and Developing countries projected to grow
twice



Emerging Asia leads the pack



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

EM : not to be overlooked by the old world, becoming global trade power houses



1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets

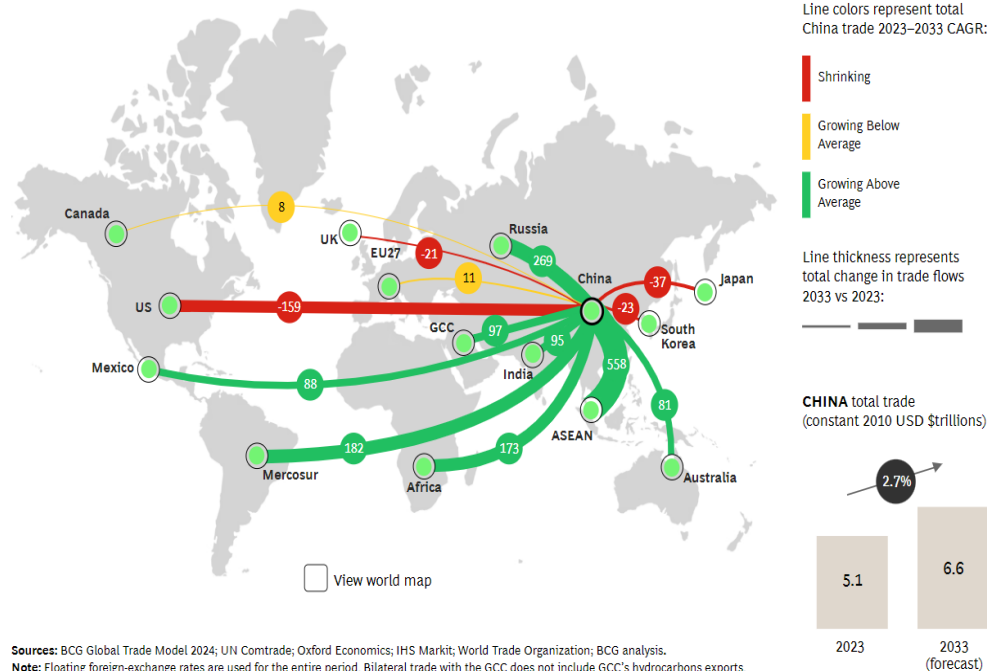


3. Longer Term

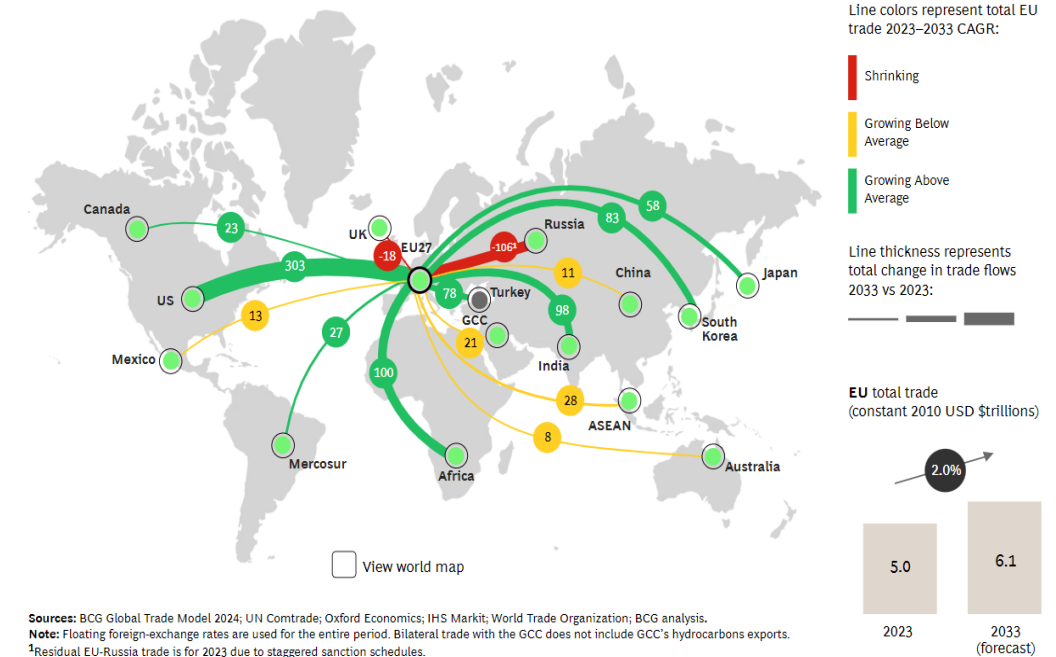
- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion

China change in goods trade 2023 vs. 2033 (constant 2010 USD \$billions)



EU change in goods trade 2023 vs. 2033 (constant 2010 USD \$billions)




Source: BCG



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



3. LONG-TERM OUTLOOK : GATHERING CLOUDS NEED URGENT ACTION

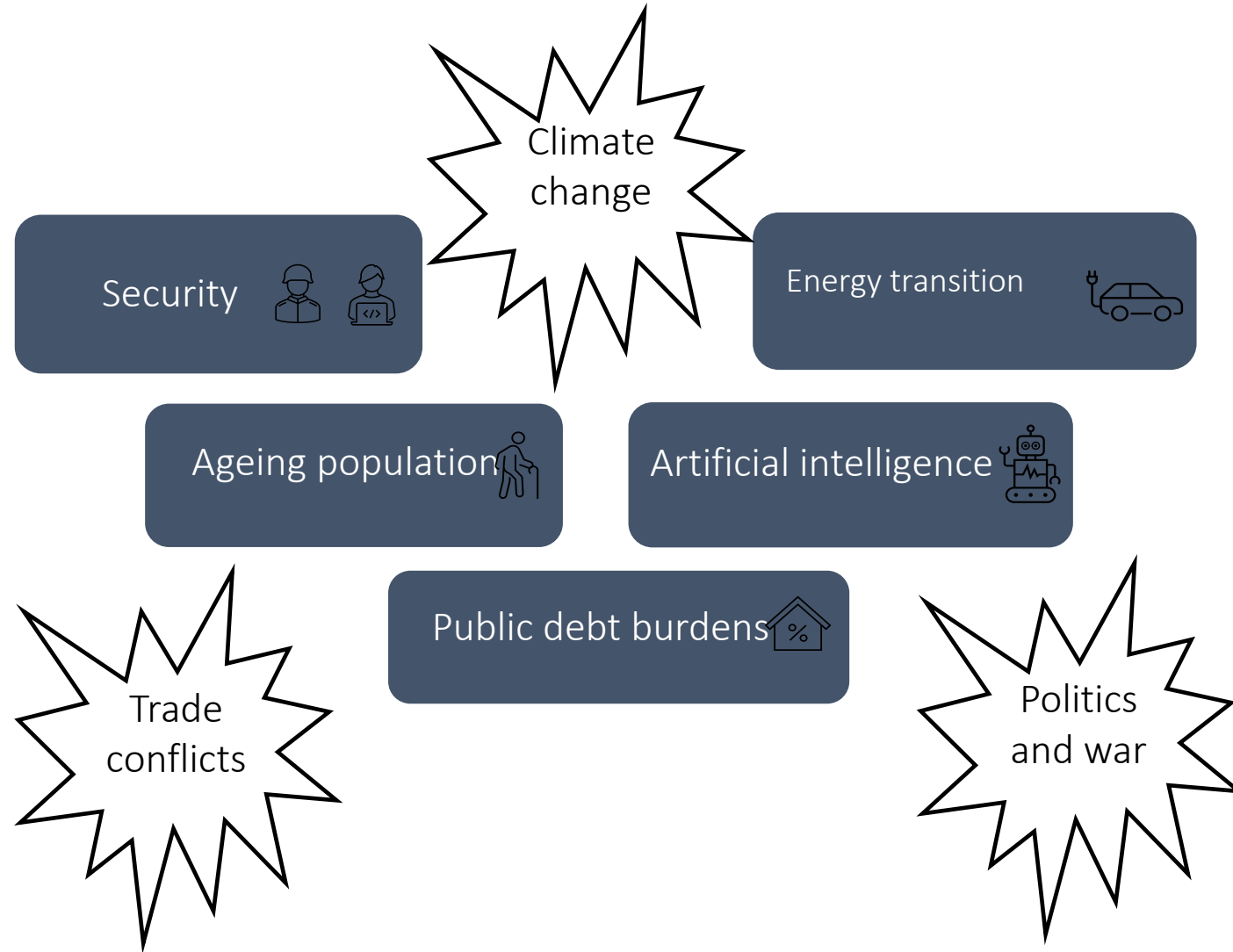


BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH

Longer Term Outlook : Gathering Clouds Need Urgent Action



1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies



2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets



3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion



BNP PARIBAS

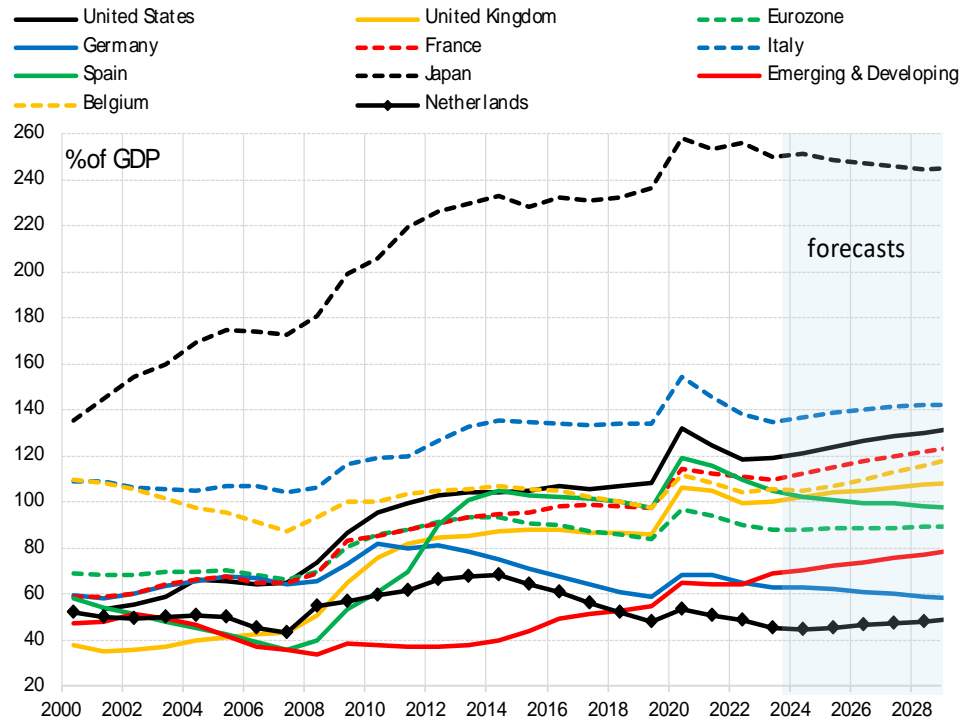
The bank for a changing world

ECONOMIC RESEARCH

Longer Term Outlook : Gathering Clouds Need Urgent Action

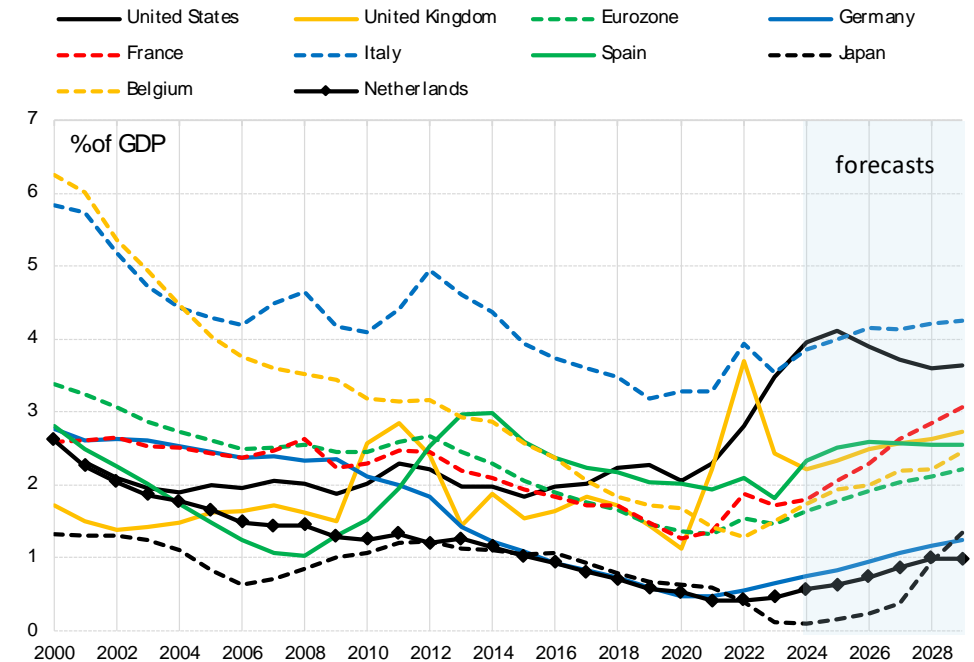
Public debt is already high to begin with

Government debt, % of GDP



Source : IMF, BNP Paribas

General Government interest payments , % of GDP



Source : IMF, BNP Paribas

1. Central scenario

- 1.1 Recap
- 1.2 Growth / Inflation
- 1.3 Policy rates
- 1.4 Yields / Spreads
- 1.5 Currencies

2. Risks to the scenario

- 2.1 Trumponomics
- 2.2 Euro Area
- 2.3 China
- 2.4 Emerging Markets

3. Longer Term

- 3.1 Spending pressures
- 3.2 Lower growth

4. Conclusion



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



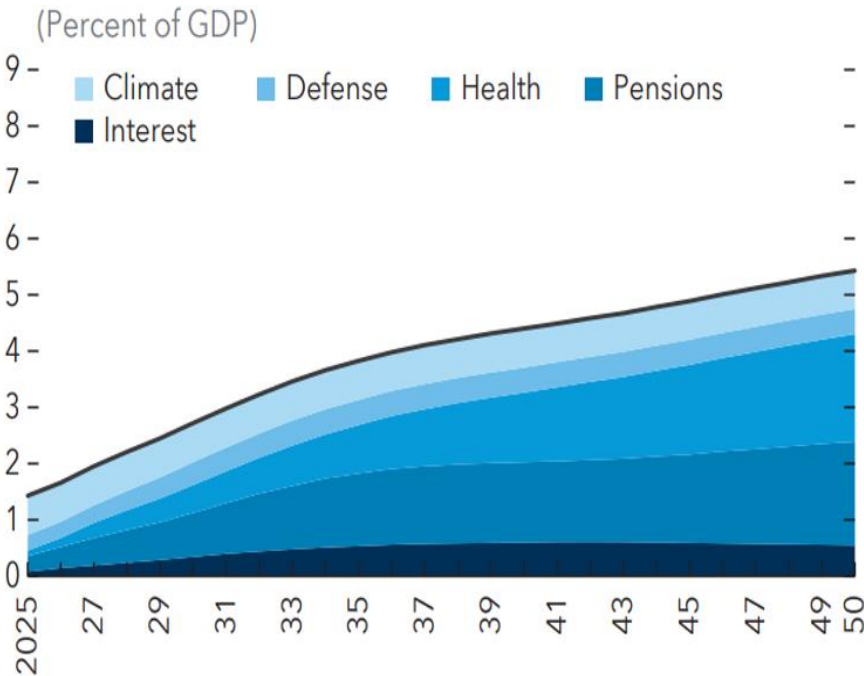
Longer Term Outlook : Gathering Clouds Need Urgent Action

Advanced economies are facing a fiscal conundrum

(i) Spending pressures are growing

(ii) Some countries already face sizeable adjustments in the short-term to stabilize debt ratio

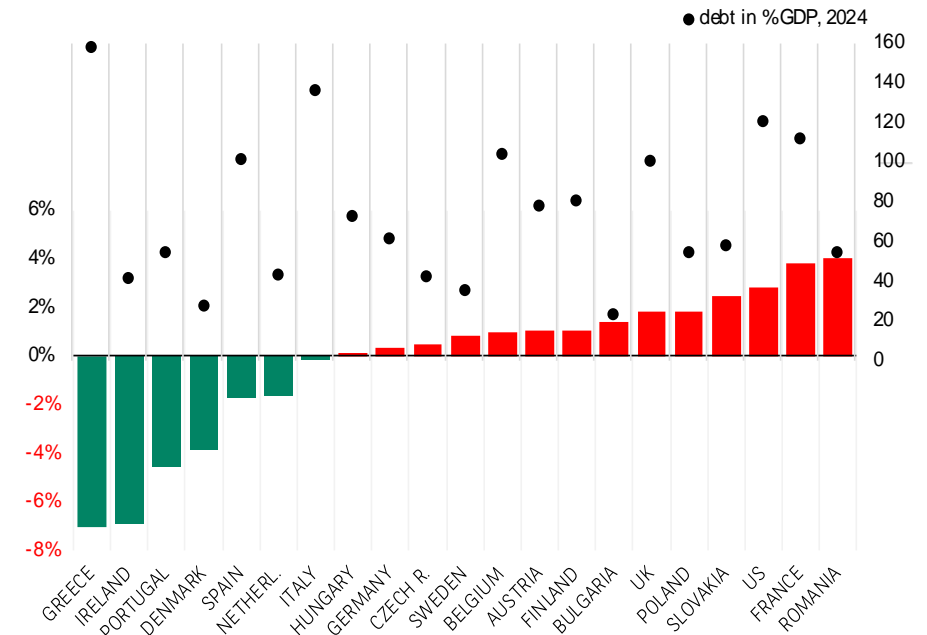
Advanced European Economies* : Additional spending pressures



*Advanced European economies excluding Central, Eastern and Southern-Eastern Europe (CESEE)

Source: IMF (REO Oct 2024)

DEBT STABILIZATION CONDITIONS : DIFFERENCE BETWEEN THE BUDGET BALANCE REQUIRED TO STABILIZE THE PUBLIC DEBT RATIO IN 2025 AND THE BALANCE RECORDED IN 2024 (% OF GDP)



* In France, stabilizing the debt ratio would mean reducing the primary budget balance from -4,1% of GDP in 2024 to -0,2% of GDP in 2025 (using the economic assumptions provided by the European Commission), i.e. an effort of 3.9 points of GDP. This is a theoretical figure which does not apply in an operational framework, as defined by the European Stability Pact, where adjustments are gradual and take longer. Nevertheless, it provides an indication of the importance of the road ahead.



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Longer Term Outlook : Gathering Clouds Need Urgent Action

Advanced economies are facing major growth headwinds

- 1. Central scenario
 - 1.1 Recap
 - 1.2 Growth / Inflation
 - 1.3 Policy rates
 - 1.4 Yields / Spreads
 - 1.5 Currencies



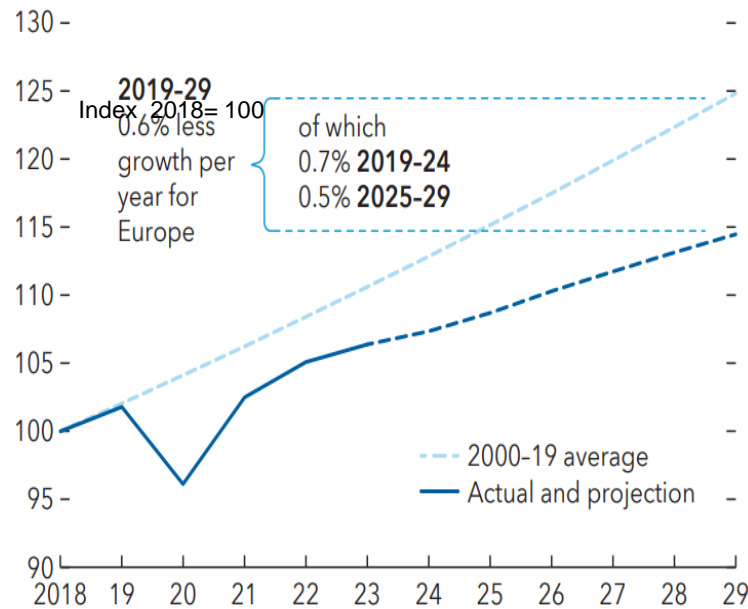
- 2. Risks to the scenario
 - 2.1 Trumponomics
 - 2.2 Euro Area
 - 2.3 China
 - 2.4 Emerging Markets



- 3. Longer Term
 - 3.1 Spending pressures
 - 3.2 Lower growth

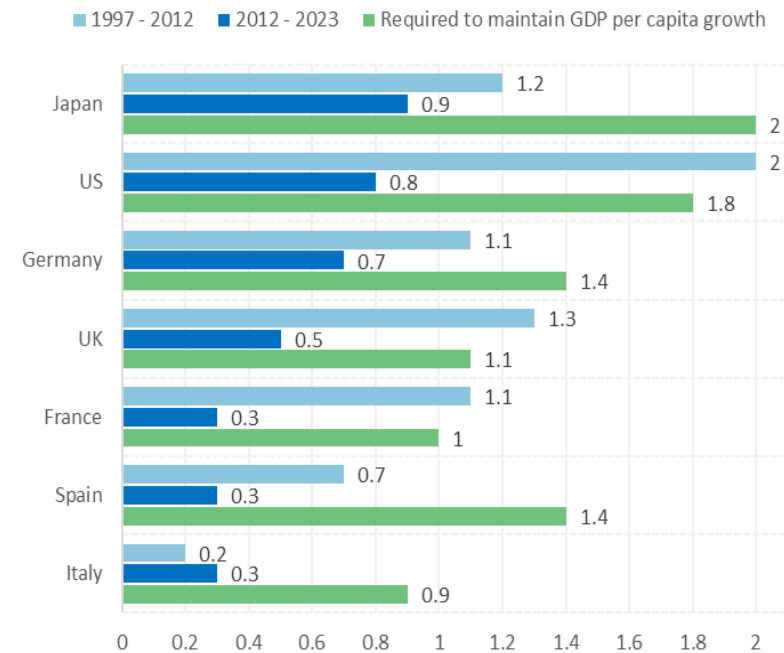
- 4. Conclusion

Europe: Real GDP long-term forecast



Source: IMF (REO Oct 2024)

Productivity growth, %



Source: McKinsey, BNP Paribas



BNP PARIBAS

The bank for a changing world

ECONOMIC RESEARCH



Key Takeaways

- ➔ Underlying central script largely unaltered - but turning the page to a new chapter
 - ➔ We can be cautiously constructive about 2025.
 - ➔ But big challenges loom – and are getting bigger by the day
 - ➔ Can't afford to waste the next 4 years
(It's not enough to get by in 2025 or minimize damage from Trump tariffs.)
- ➔ Opportunity for pivots (EU Draghi-Letta road map , rebalancing in China, Germany's debt brake and industrial model, UK re-connecting with EU ...)

Group Economic Research - Publications

ECOCONJONCTURE

Structural or thematic topics.

ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

ECOFASH

Data releases, major economic events.

ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

ECOCHARTS

Easy-to-read monthly overview of inflation dynamics in the main developed economies.

ECOPULSE

Monthly barometer of key economic indicators of the main OECD countries.

MACROWAVES

Our economic podcast.



ECONOMIC RESEARCH

WEBSITE



ECONOMIC RESEARCH

Subscribe to Economic Research's publications



The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even where advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

© BNP Paribas (2023). All rights reserved.

Prochain événement de Lille Place Financière



6ème édition de **ADOPTÉ UN ALTERNANT**
Job-dating entreprises des Hauts de France / étudiants
de Bac à Master 2 #Finance #Assurance #Gestion #Compta #Data
Matinée du 13 mai 2025
Grand Hall CCI Grand-Lille

Contact et pré-inscriptions : s.leblanc@lesplacestertiaires.fr

Merci à tous !



Partenaires financiers des Places Tertiaires,
le pôle des experts et des décideurs en Hauts-de-France

