The Macroscope.

November 2025

CANDRIAM
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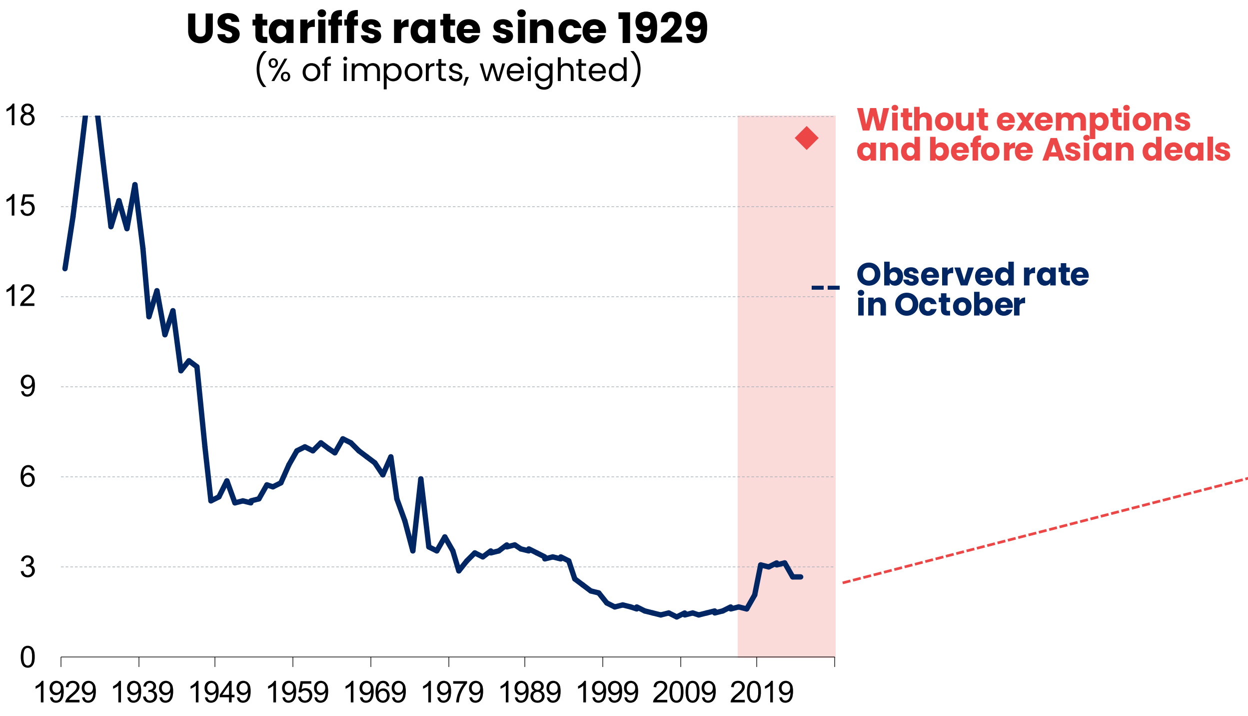
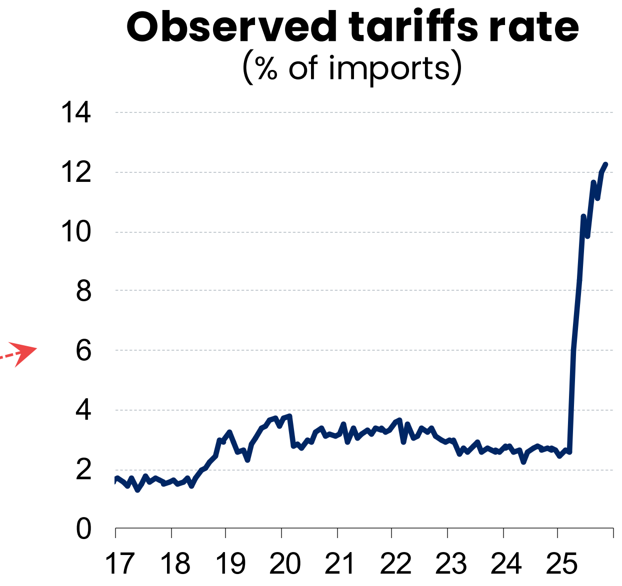
Marketing communication for
Professional & Qualified Investors.

1 Global economy

US tariffs: much ado about nothing... for now!

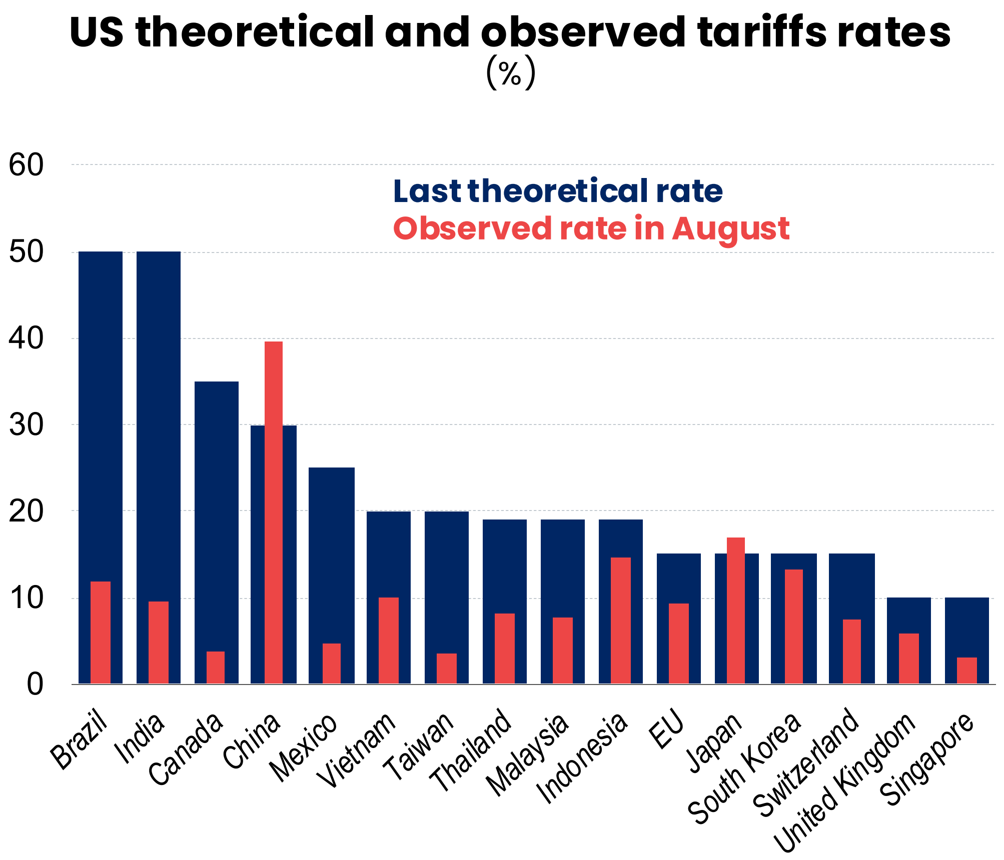
While significant, the increase in the average US tariffs rate is lower than feared a couple of months ago

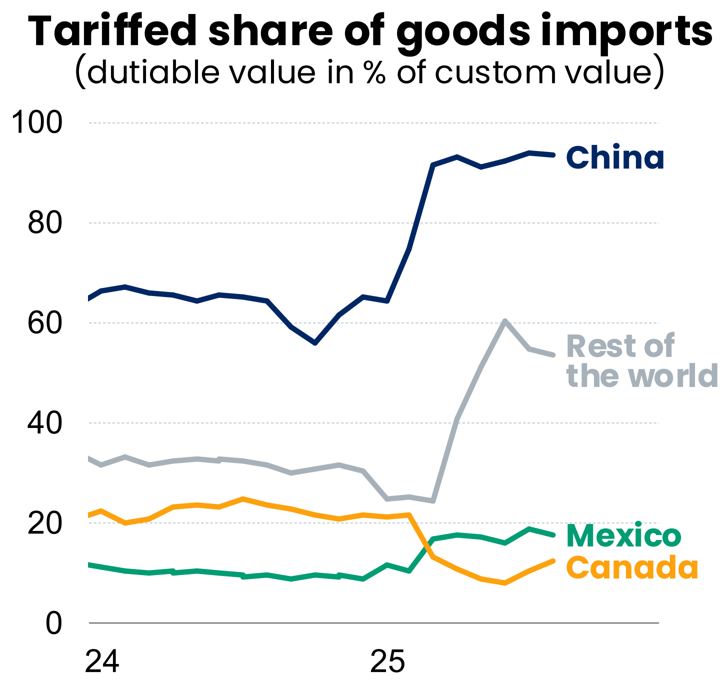




Sources: Census Bureau, US Treasury, Candriam

The US Administration has struck deals, granted many exemptions and de-escalated with China

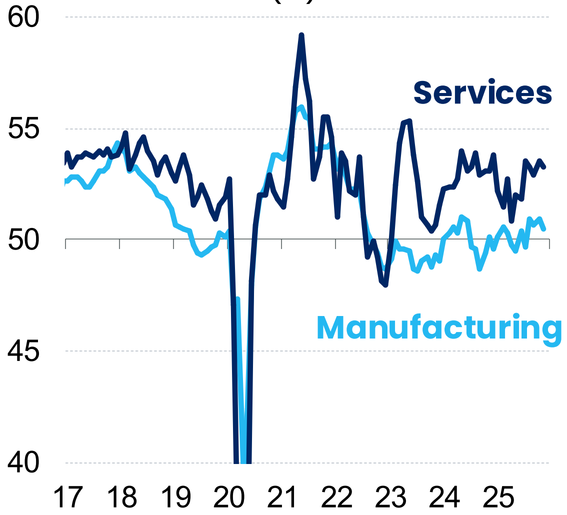




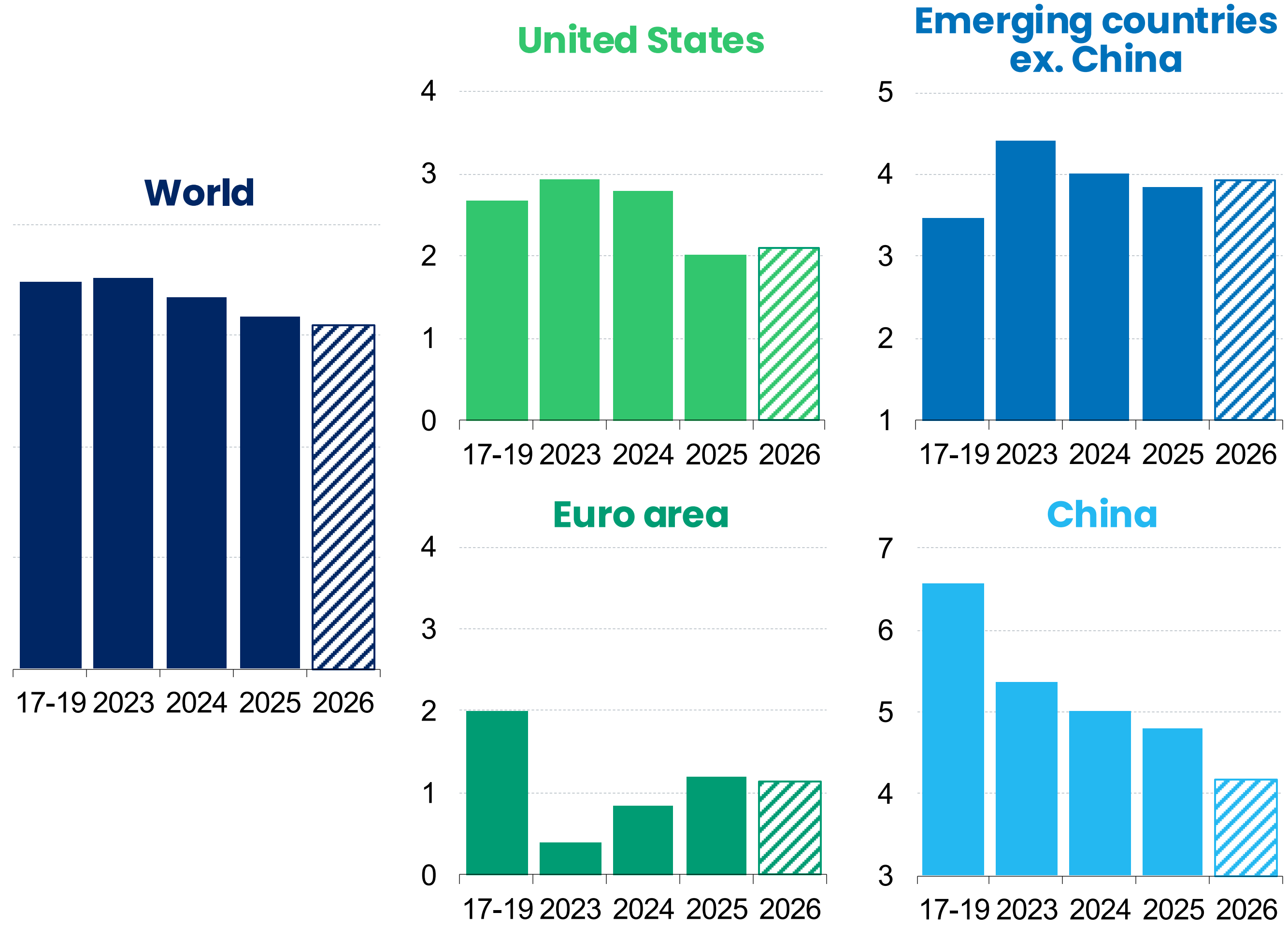
Sources: Census Bureau, USITC, US Treasury, Candriam

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

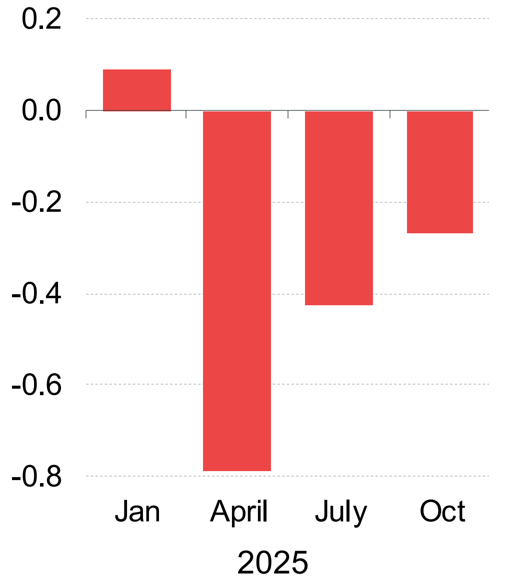
World PMI
(%)



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



IMF world growth revisions relative to October 2024
(%, cumulative over 2025-26)



Sources: Bloomberg, IMF, Candriam

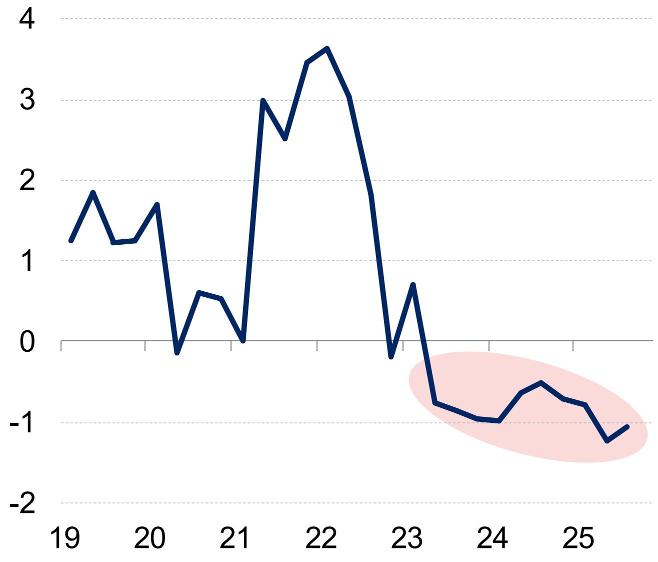
2 China

A trade truce amidst growing rivalry

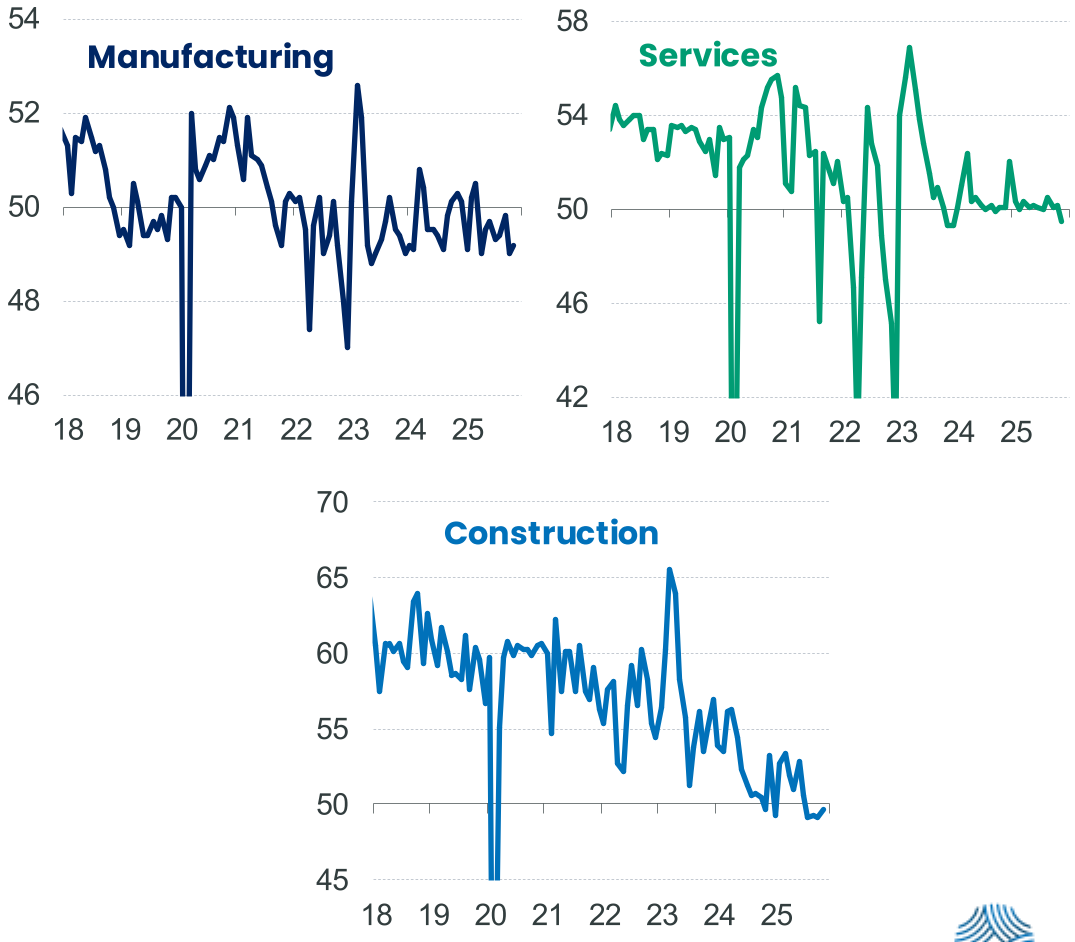
While GDP growth was still solid in Q3, deflation is well alive

Real GDP
(% year on year)

GDP deflator
(% year on year)

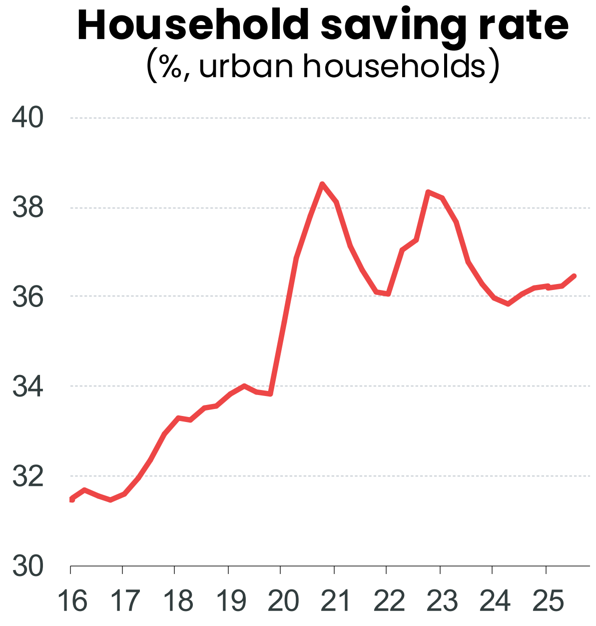


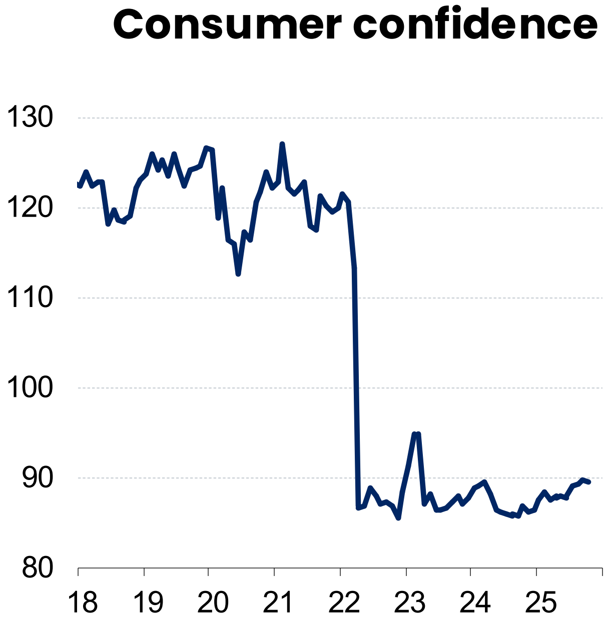
PMI indices
(NBS)



Sources: LSEG Datastream, Haver Analytics, Candriam

China is still suffering from a saving glut

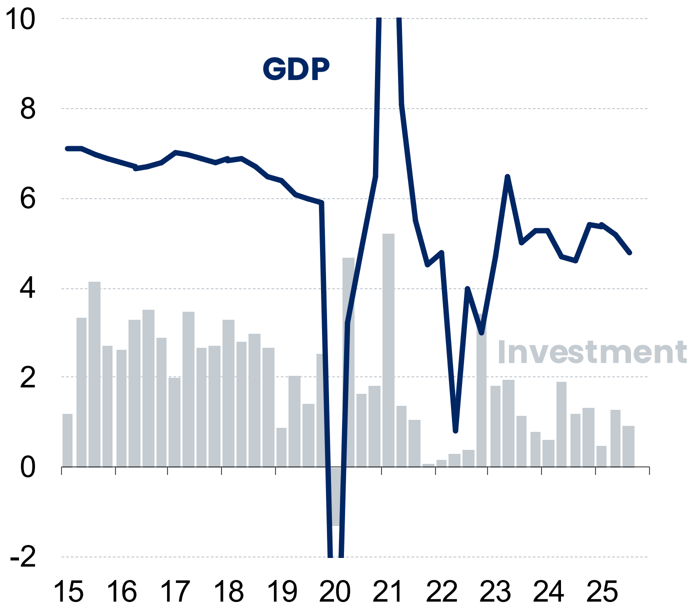




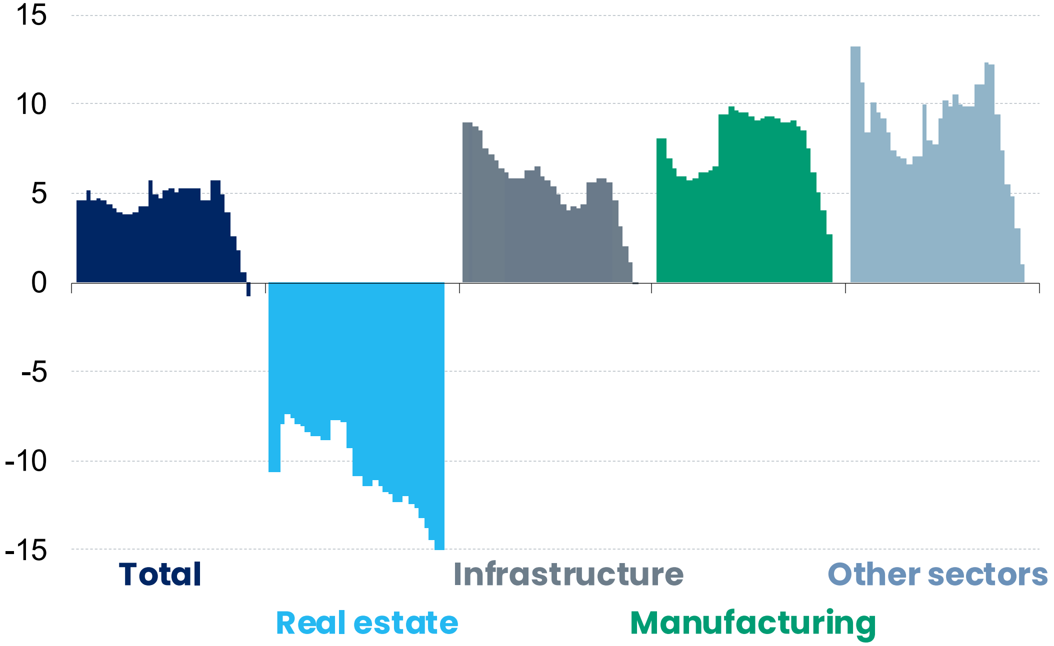
Sources: LSEG Datastream, Bloomberg, Candriam

The *Neijuan** policy is now holding back business investment…

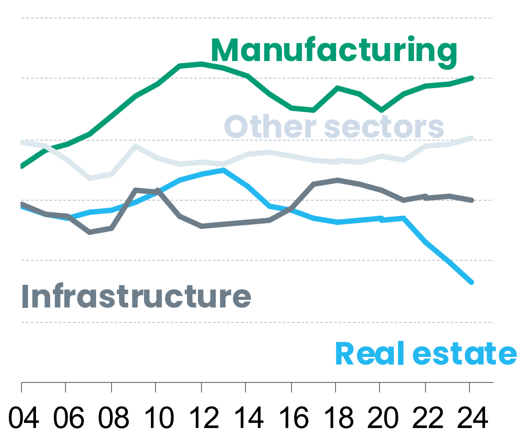
Contribution to real GDP growth
(% year on year)



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)

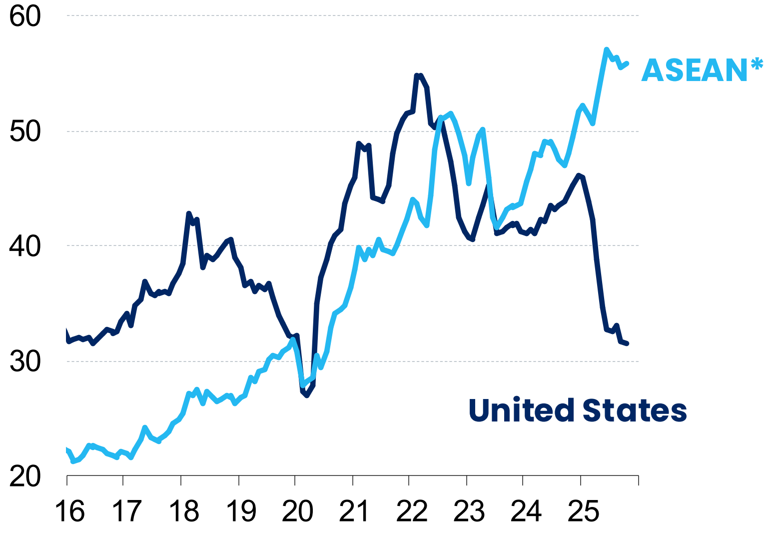


(*) Neijuan is the Chinese term for "involution", a concept from sociology that refers to a society that can no longer evolve, no matter how hard it tries. Applied to the individual, it means that no matter how hard someone works, progress is impossible.

Sources: LSEG Datastream, Haver Analytics, Bloomberg, Candriam

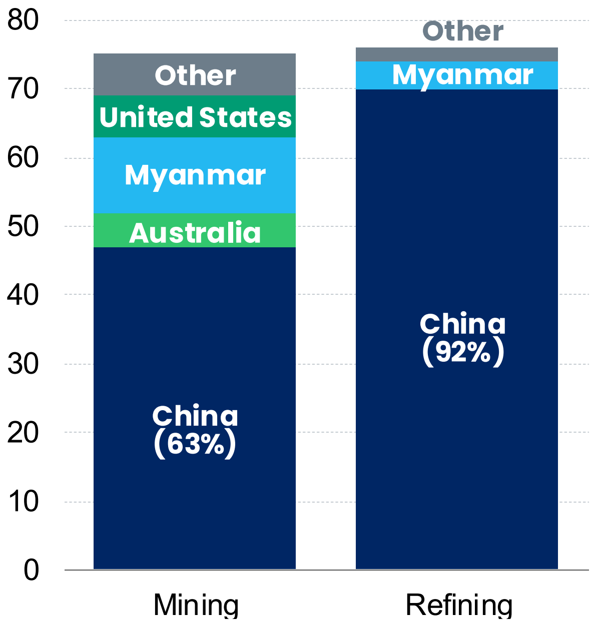
Having learned to escalate and retaliate, China has – at least temporarily – won the trade war, keeping relatively easy access to restricted technology

China's exports to...
($ billion, 3-month moving average)



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

Rare earth elements supply
(thousands of tons)



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

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

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

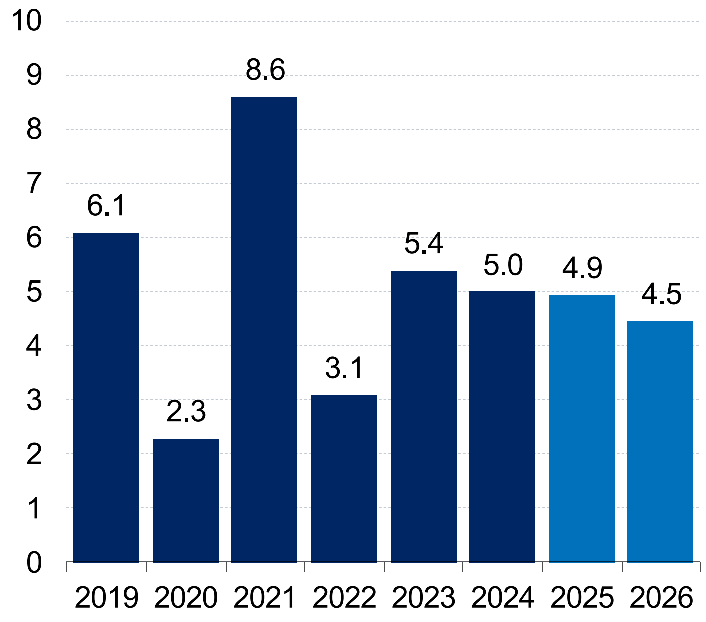
Export controls: The US suspend the implementation of its "50% affiliate rule" for one year*. In return, China suspends the implementation of related export controls announced on October 9 for one year.

(*) 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.

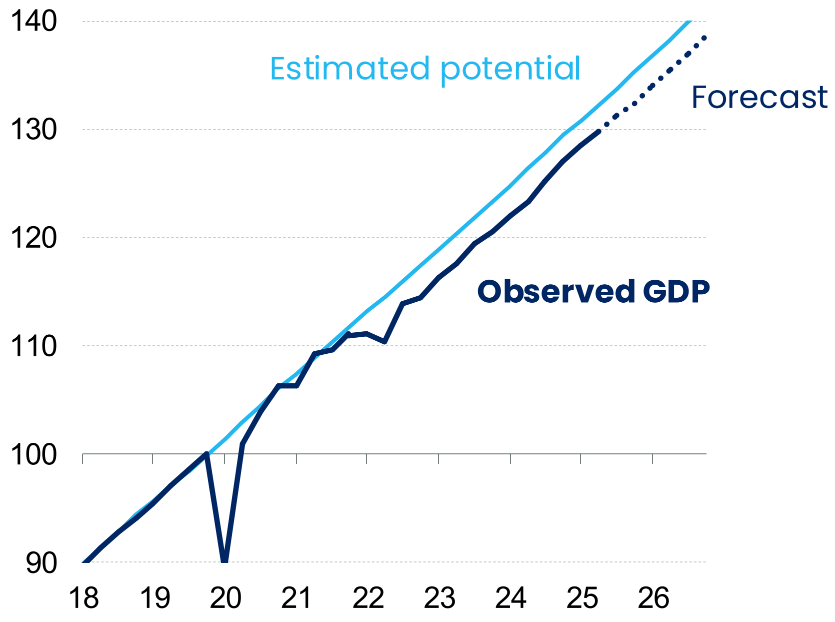
Sources: Census Bureau, IEA, Candriam

… in order to maintain GDP growth close to their target

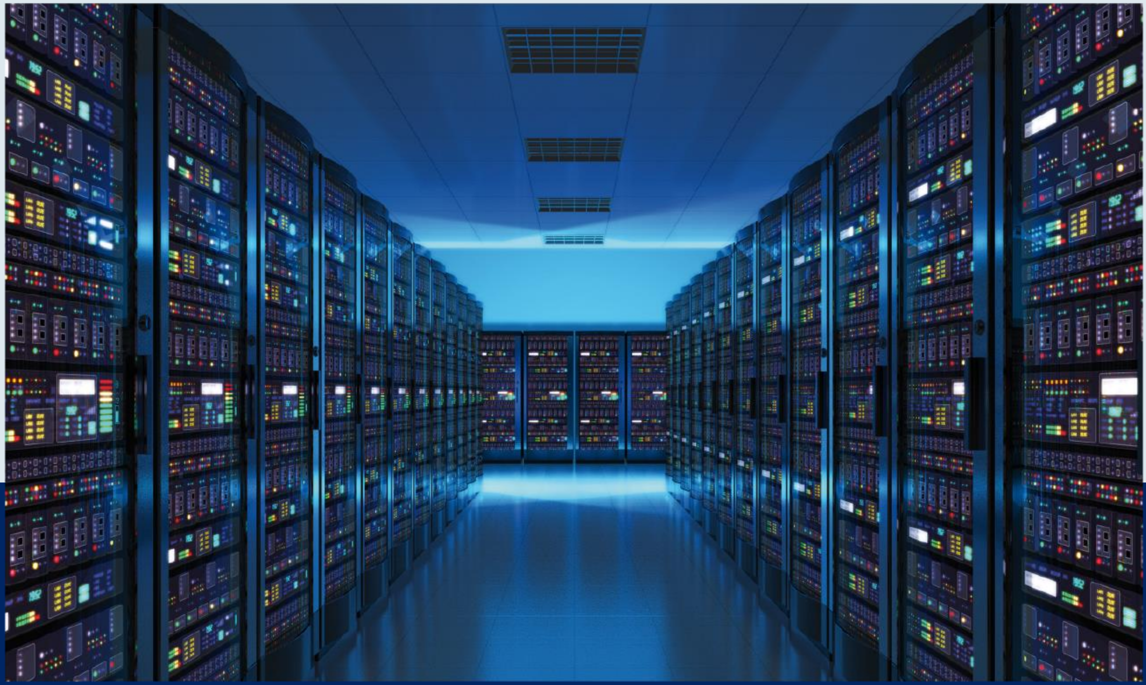
Real GDP growth
(%, annual average)



Real GDP
(2019 Q4 = 100)



Sources: LSEG Datastream, Candriam



3 United States

A tale of two economies...

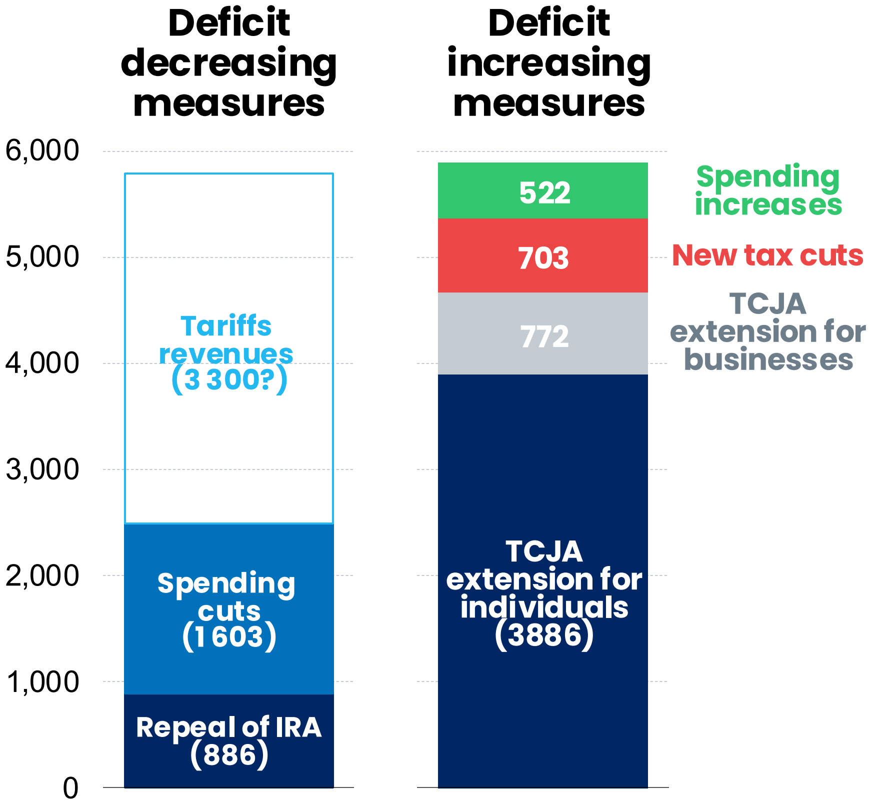
D. Trump has delivered on its agenda

Higher tariffs

Observed tariffs rate
(% of imports)

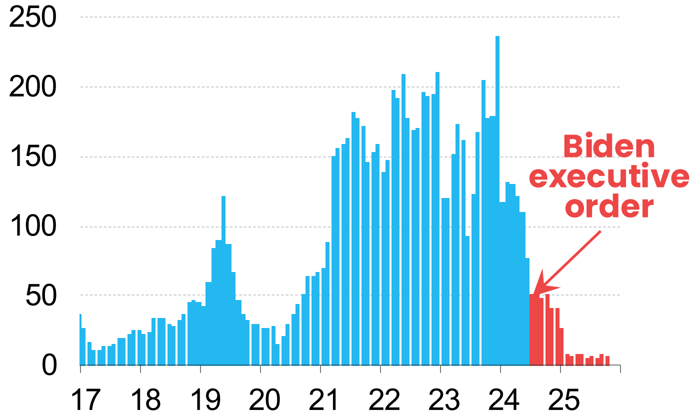
No tax on tips…

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

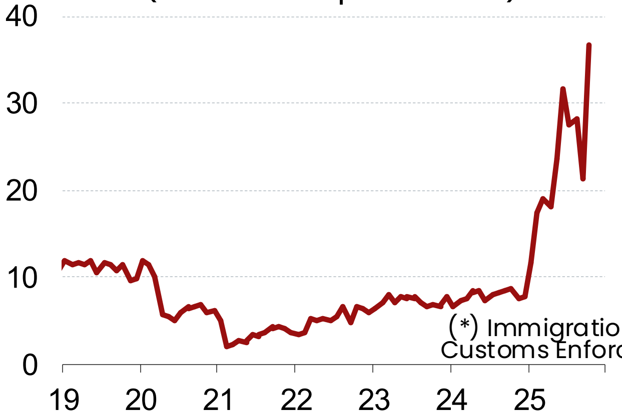


Deport undocumented immigrants

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



ICE* arrests
(thousands per month)

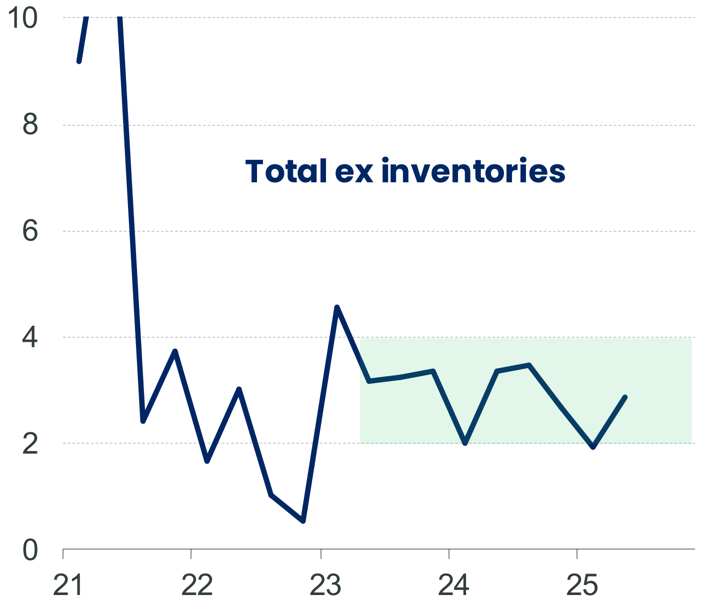


(*) Immigration and Customs Enforcement

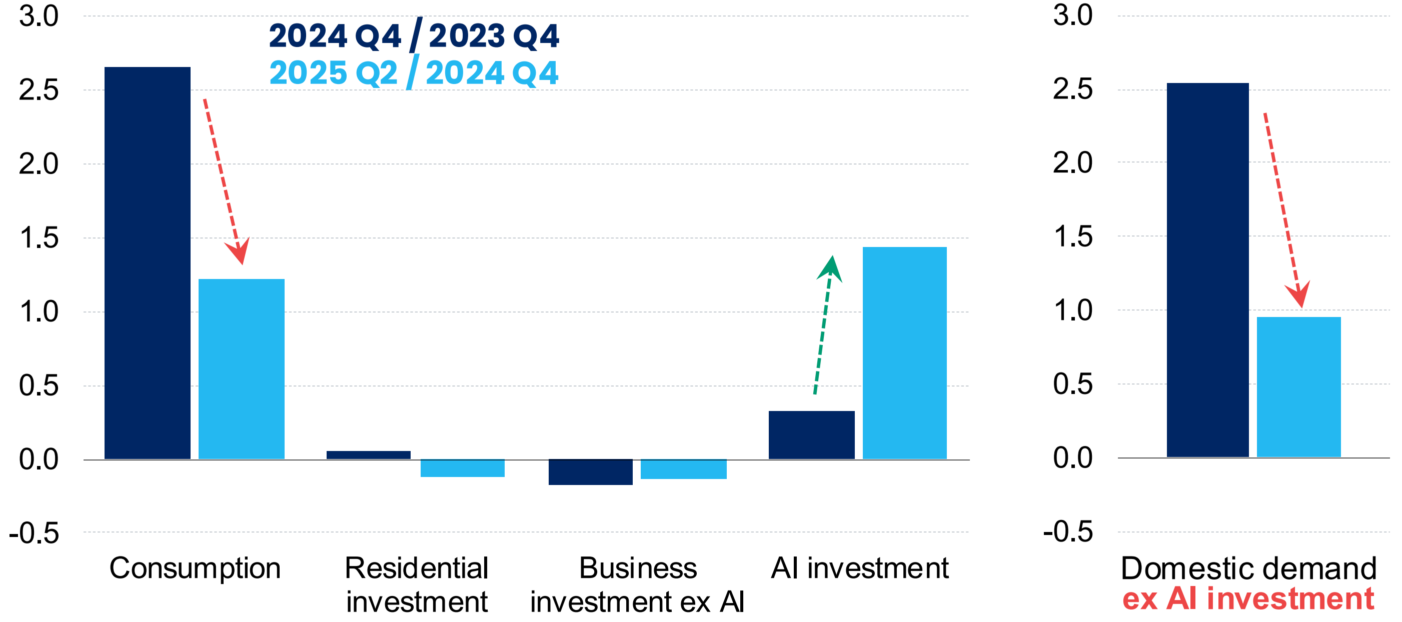
Sources: US Treasury, CRFB, Customs and Border Protection, TRAC Immigration, Candriam

Private domestic demand has remained resilient in H1 2025… but its drivers have changed!

Private domestic demand
(% quarter on quarter, annual rate)



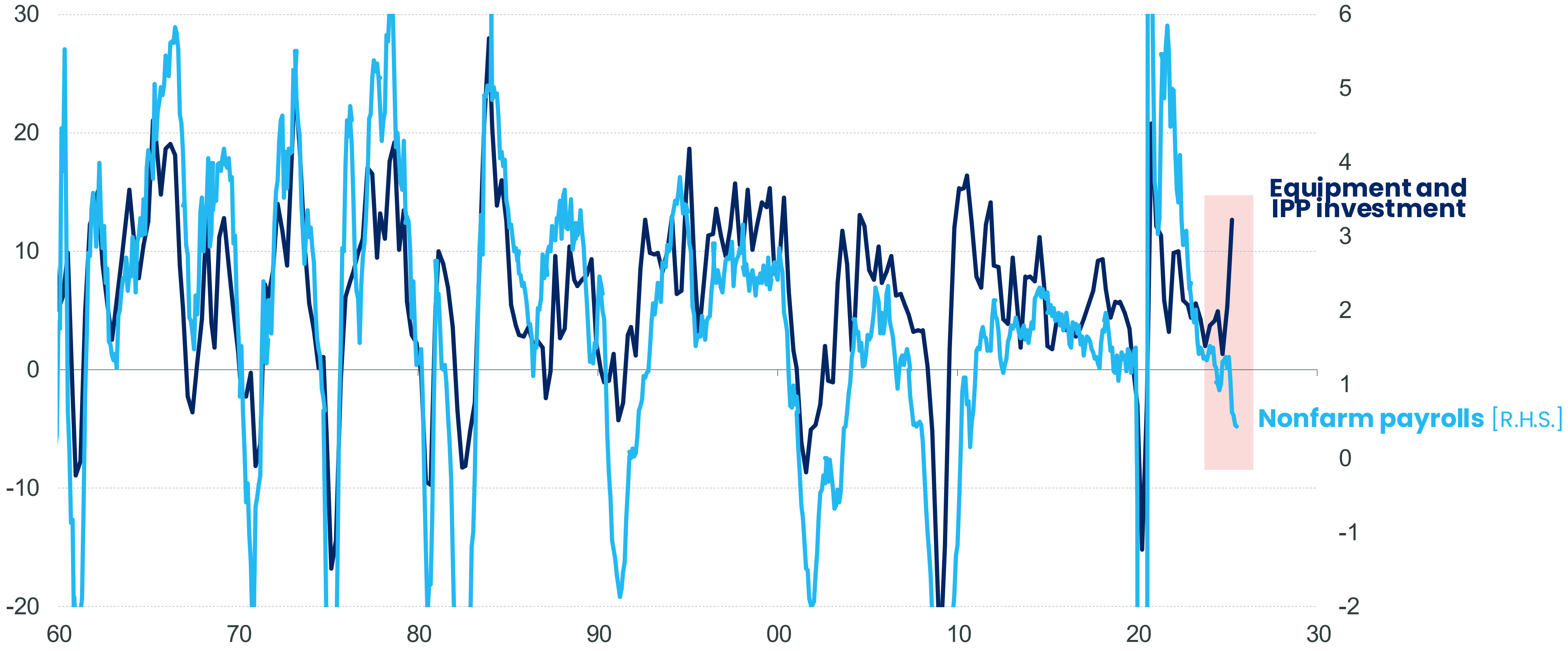
Contribution to private domestic demand growth
(%, annual rate, ex inventories)



Sources: LSEG Datastream, BEA, Candriam

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

Business investment and employment
(% change over 2 quarters, annual rate)

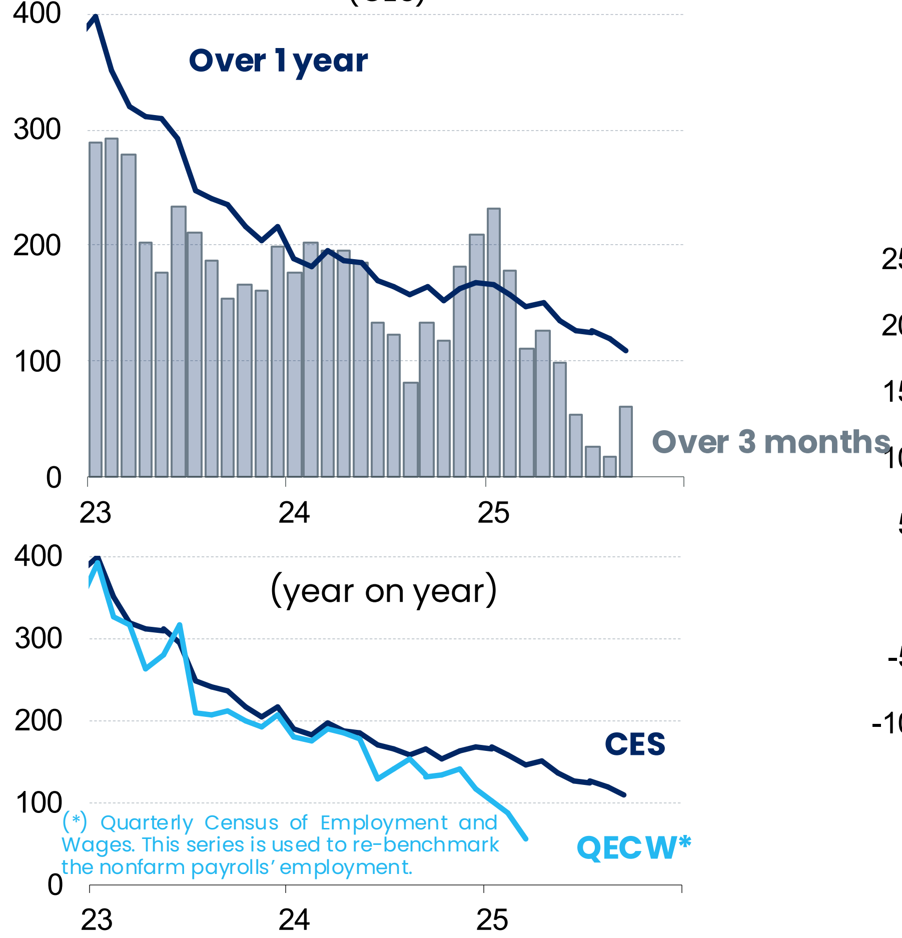


Sources: LSEG Datastream, Candriam

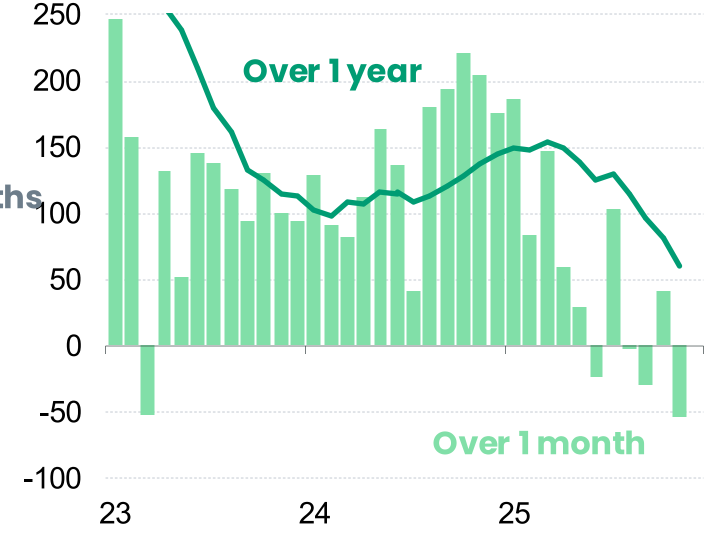
Job creations have clearly softened, and the unemployment rate is creeping up

Job creations
(thousands, monthly rate)

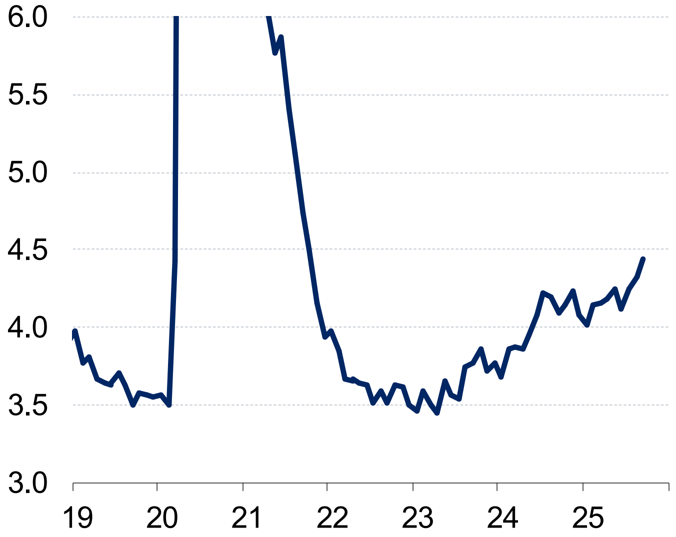
Current Employment Survey
(CES)



ADP survey
(private sector)



Unemployment rate
(%)

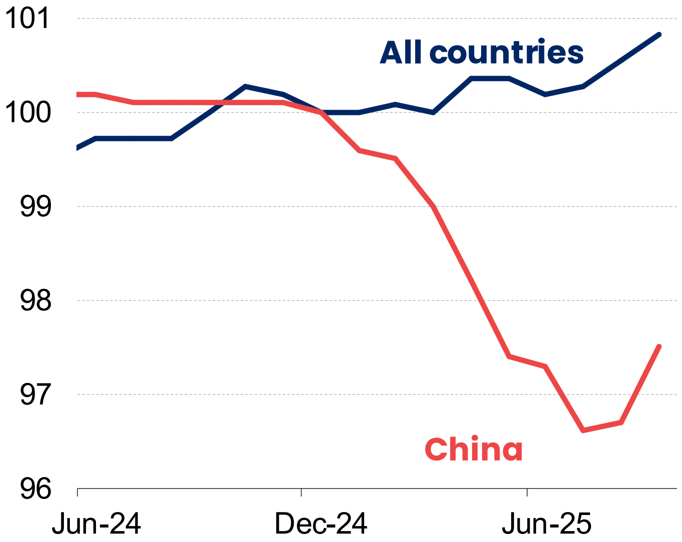


Sources: LSEG Datastream, Chicago Fed, Candriam

December 2025

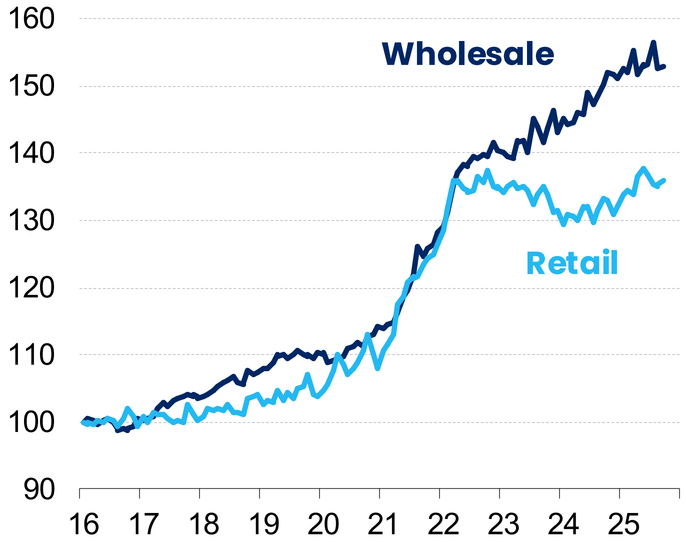
Households will bear the brunt of the cost of tariffs (I)

Import prices*
(December 2024 = 100)



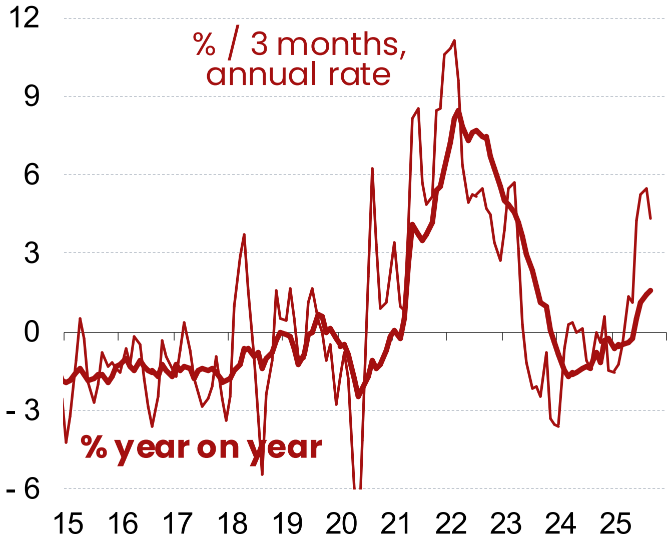
(*) Tariffs are excluded from import prices.

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)

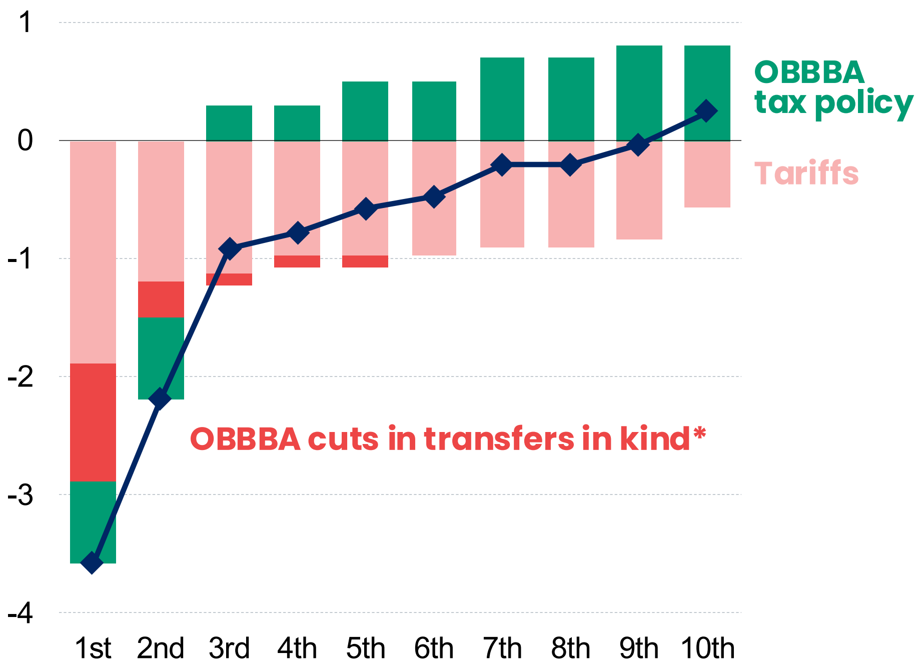


Import price sensitive goods have added 0.5% to annualized inflation over the past 3 months.

Sources: BLS, LSEG Datastream, Candriam

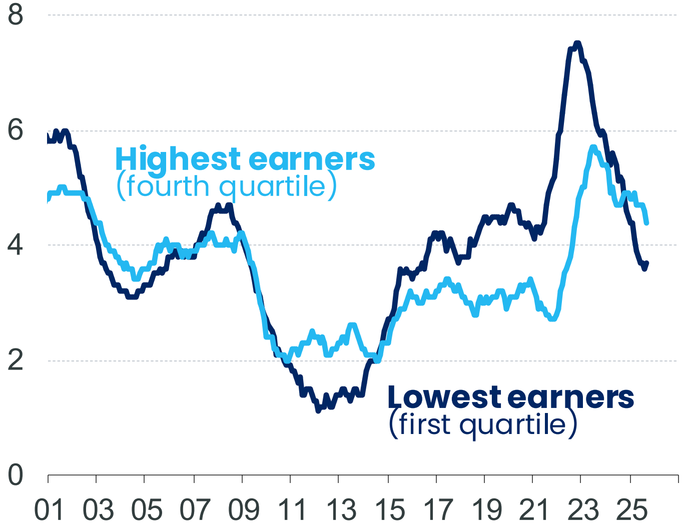
Lower and middle-income households are facing mounting financial strains

Effects of Trump's policy on income, by income decile in 2026
(%)



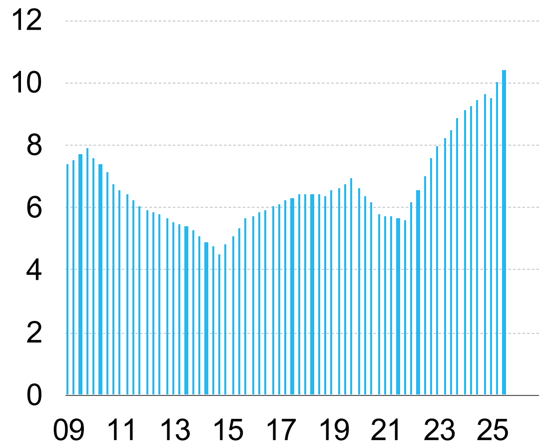
(*) Mainly SNAP (food stamps)

Wages
(% year on year, 12mma)



Black or African American unemployment rate
(%)

Number of auto repossession assignments
(millions, annual rate)

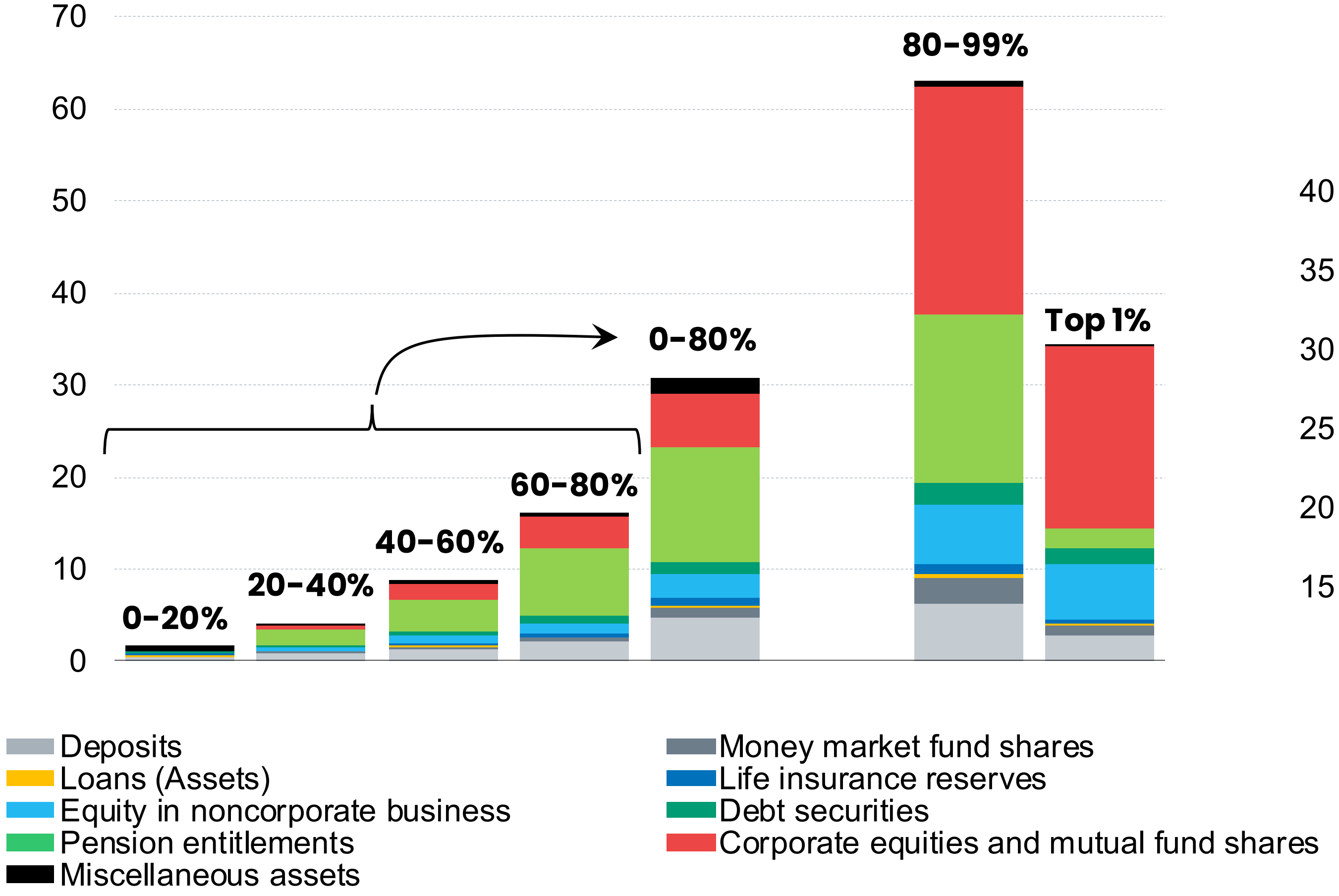


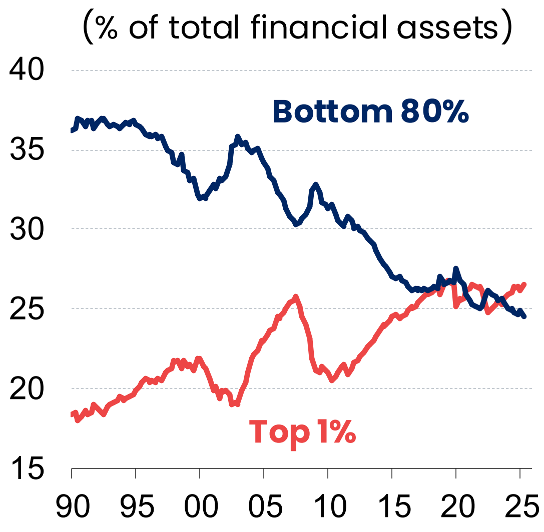
Sources: JCT, LSEG Datastream, Recovery Database Network, Candriam

For high-income households, wealth effects have been very favorable over the last years

Household financial assets by income quintile

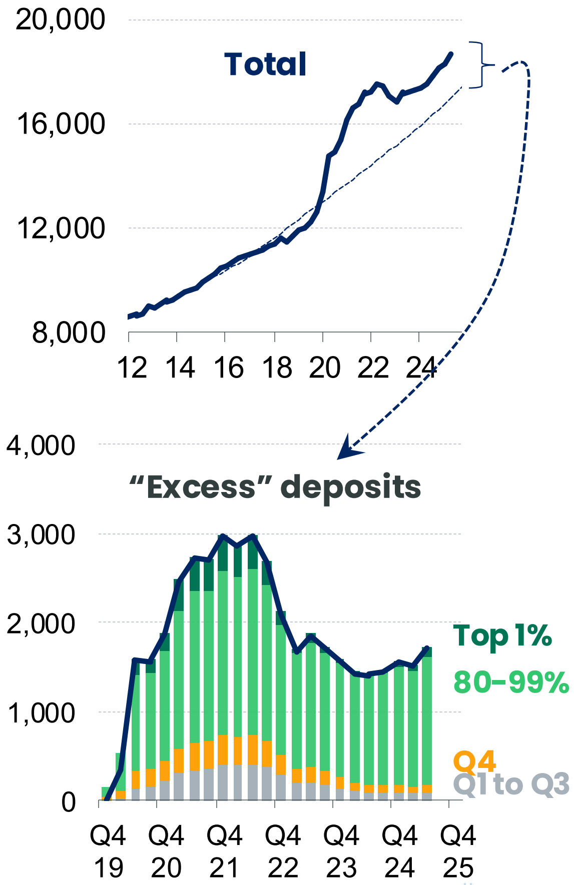
($ trillion, 2025 Q2)





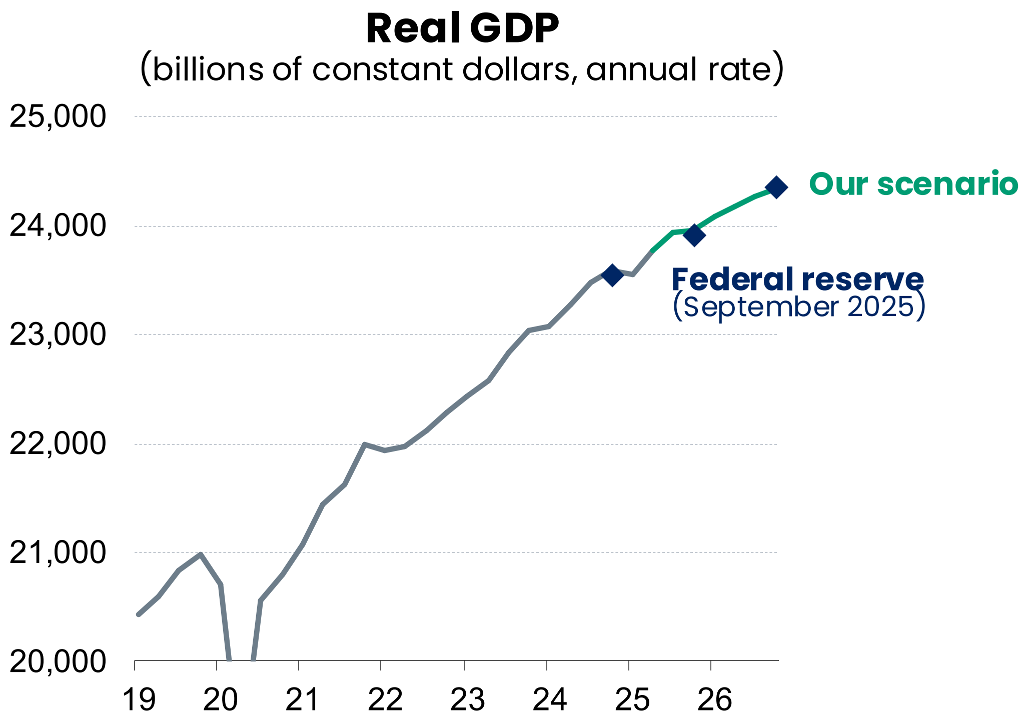
Household holdings of deposits and money market funds shares

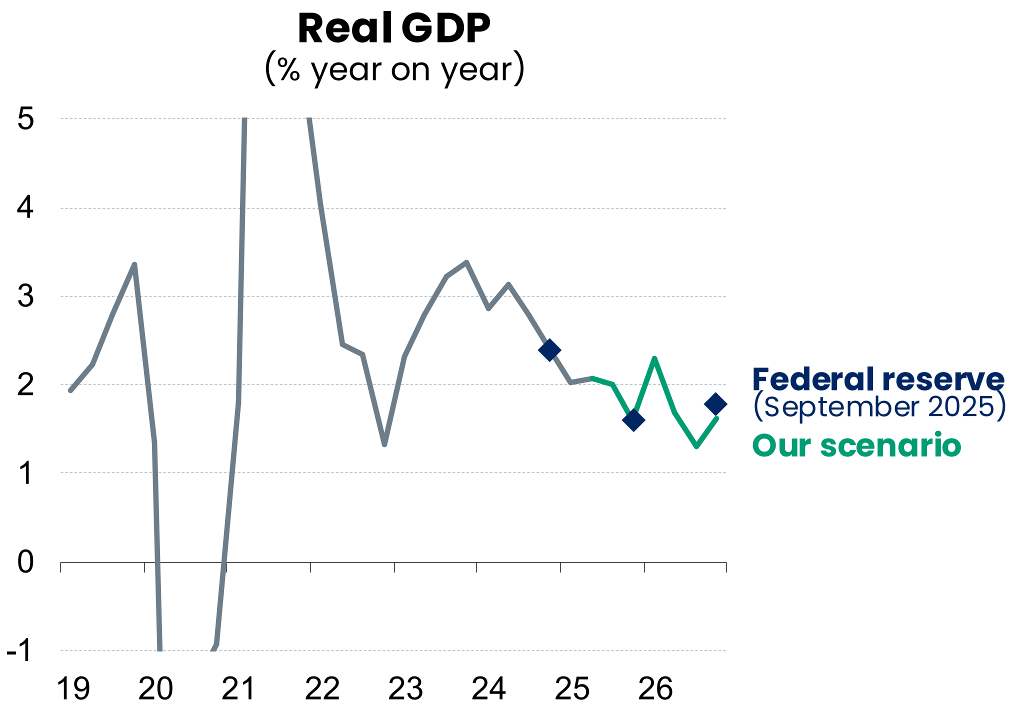
($ billion)



Sources: Federal Reserve, Candriam

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



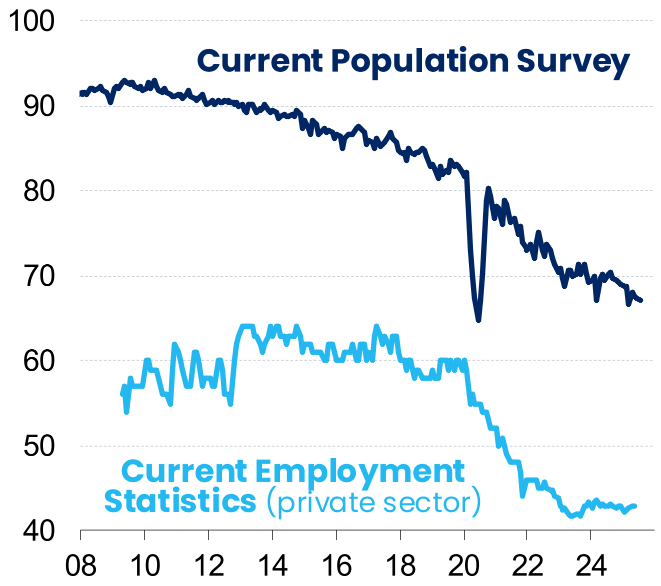


Sources: LSEG Datastream, Federal Reserve, Candriam

The task of the Fed is far from easy

Data quality

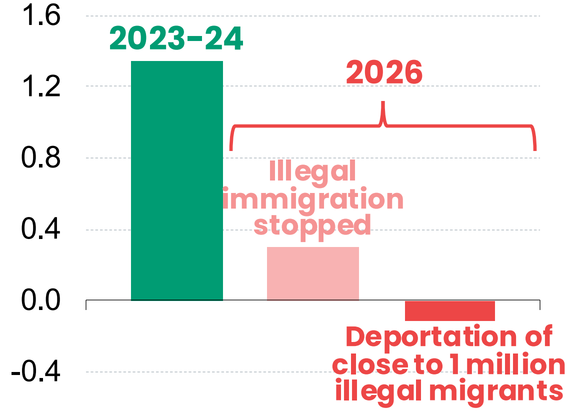
Employment surveys response rate
(%)



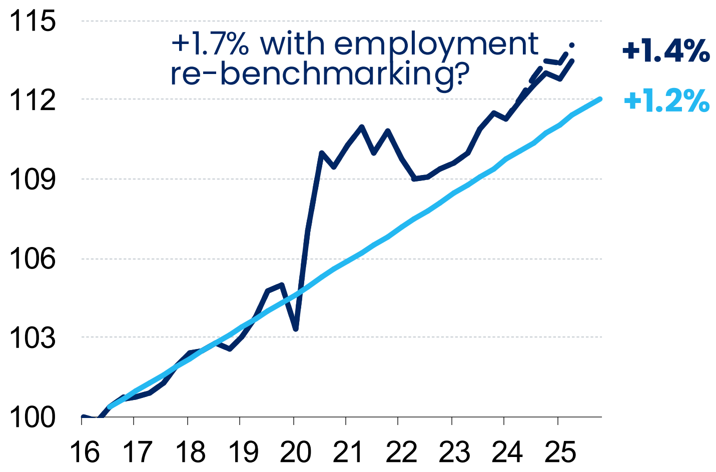
Sources: BLS, LSEG Datastream, Candriam

Speed limit

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

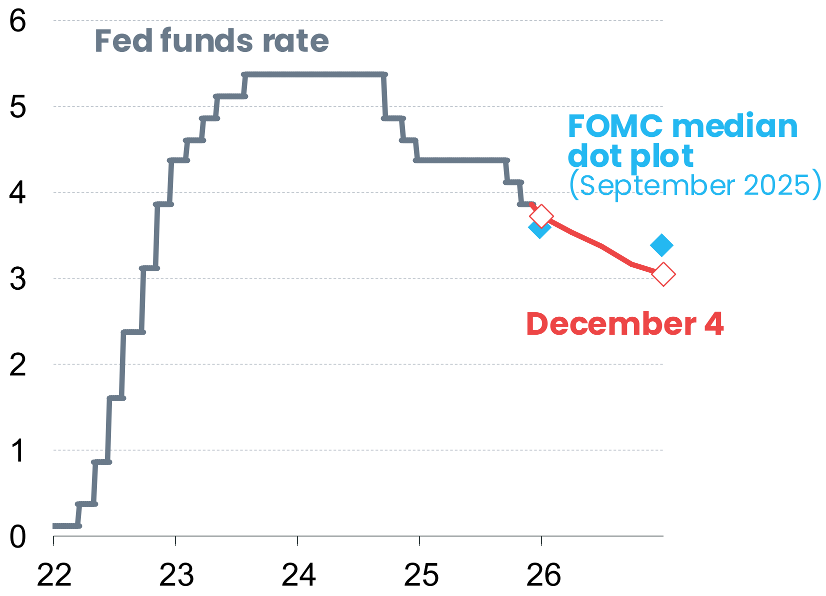


Real GDP per employee
(2016 Q1 = 100)



Political pressure

Fed funds rate and expectations
(%)

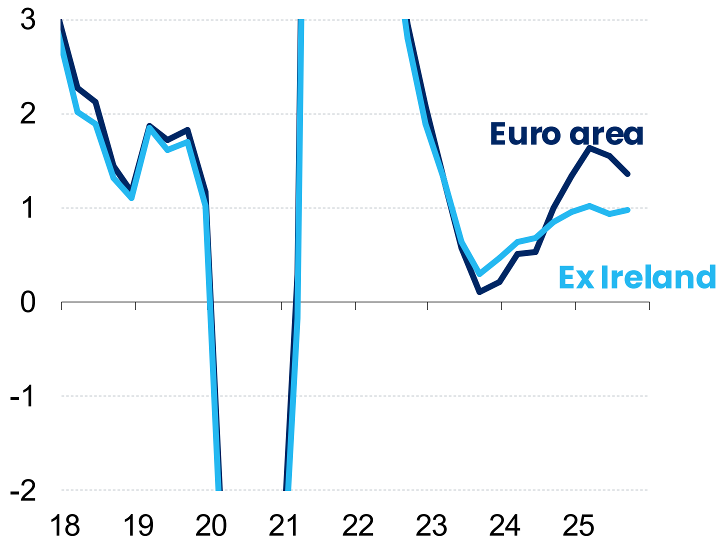


4 Euro area

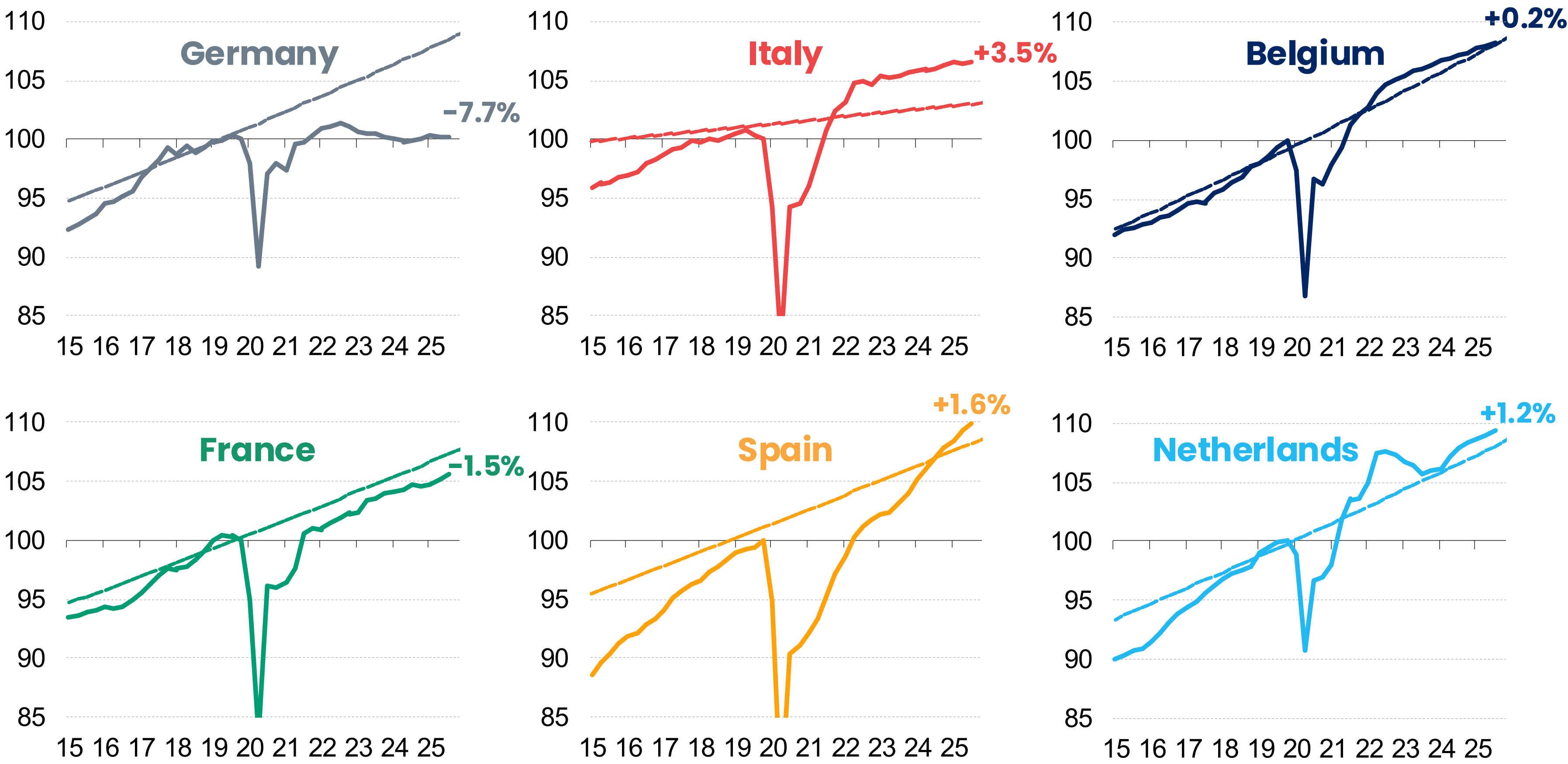
Between the United States and China…

Since the beginning of 2025, GDP grew moderately in the euro area

Real GDP growth
(% year on year)



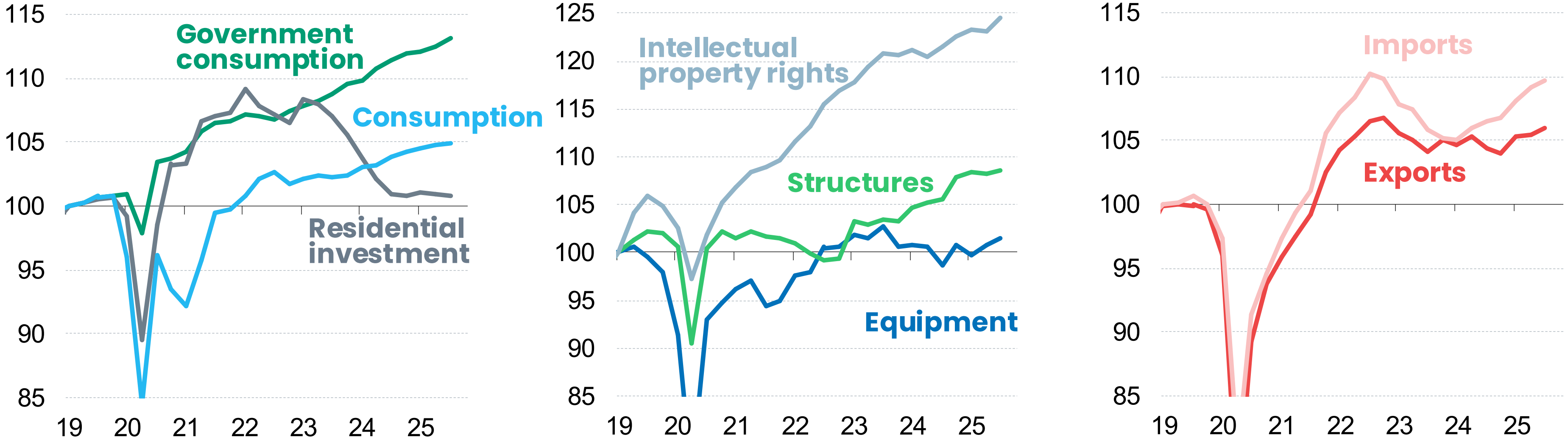
Real GDP
(compared to 2004-2019 trend, 2019 Q4 = 100)



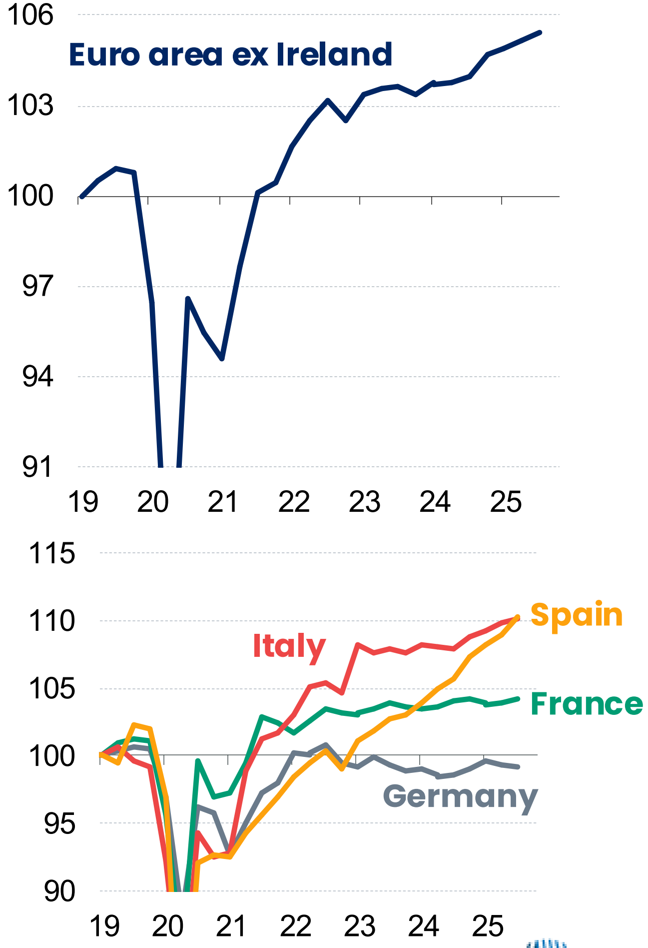
Sources: LSEG Datastream, Candriam

Domestic demand has barely accelerated… except in Spain

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



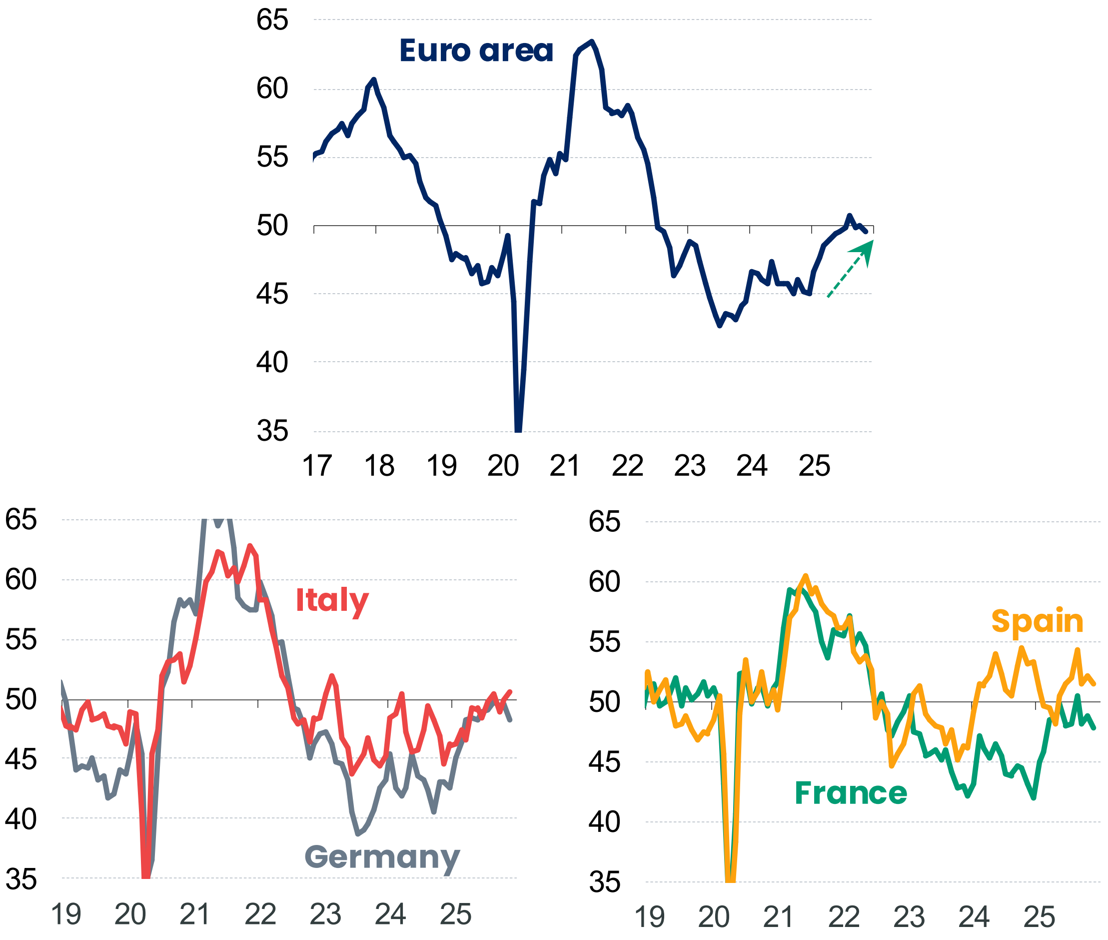
Domestic demand
(ex inventories and government consumption, 2019 Q1 = 100)



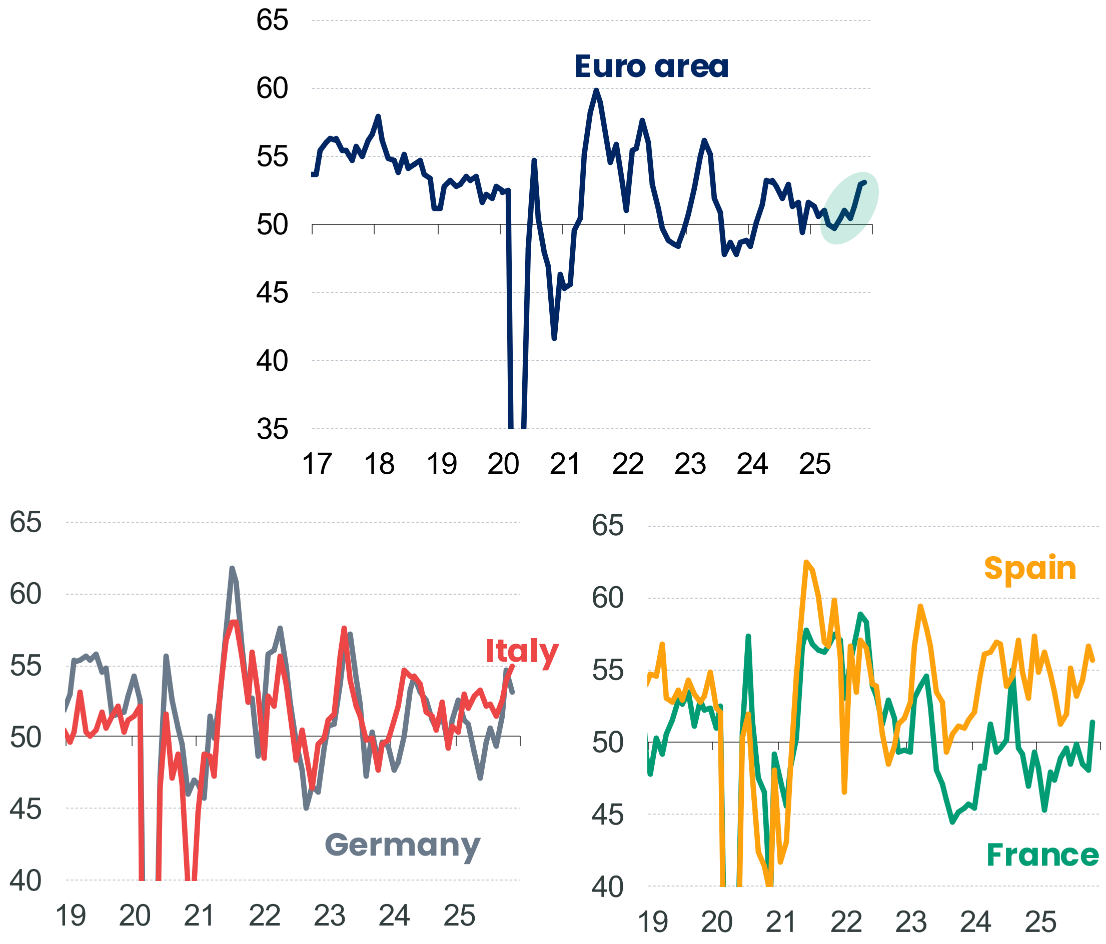
Sources: LSEG Datastream, Candriam

PMI indices are better oriented…

Manufacturing PMIs



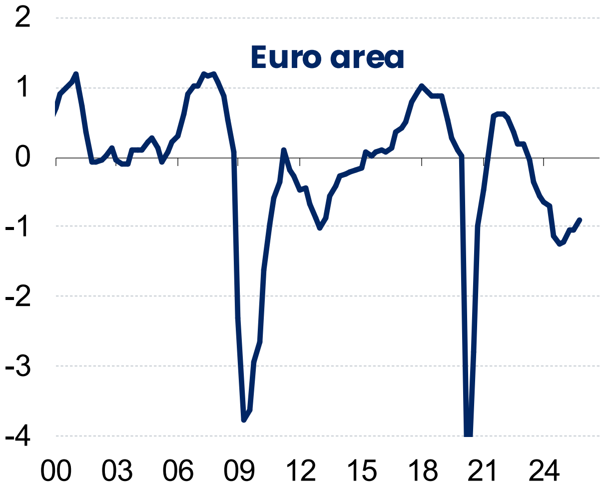
Services PMIs

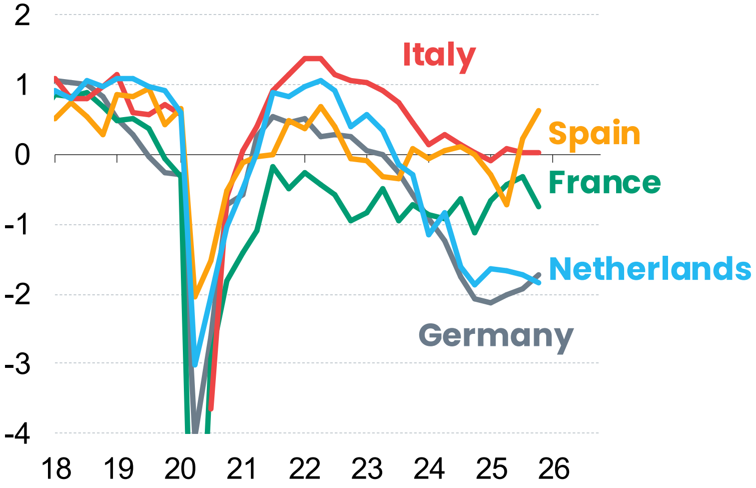


Sources: Bloomberg, Candriam

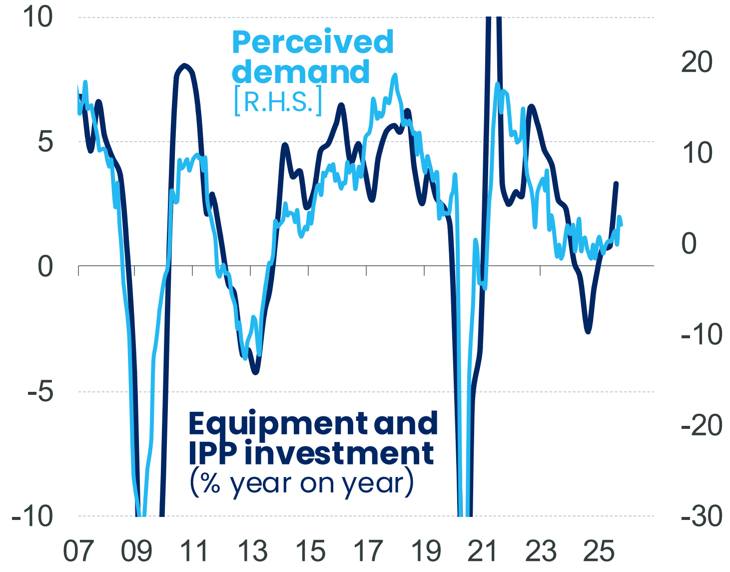
Still, business investment has little reasons to gain momentum (I)

Capacity utilization rate
(Z-scores)





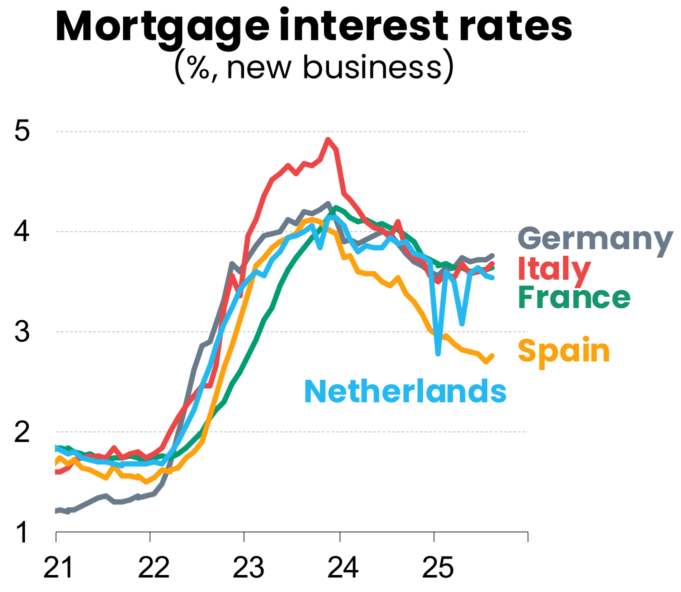
Equipment and IPP* investment versus perceived demand in the euro area**

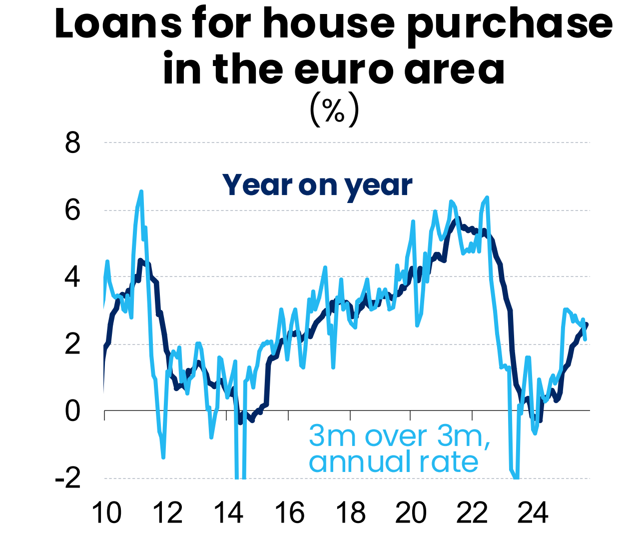


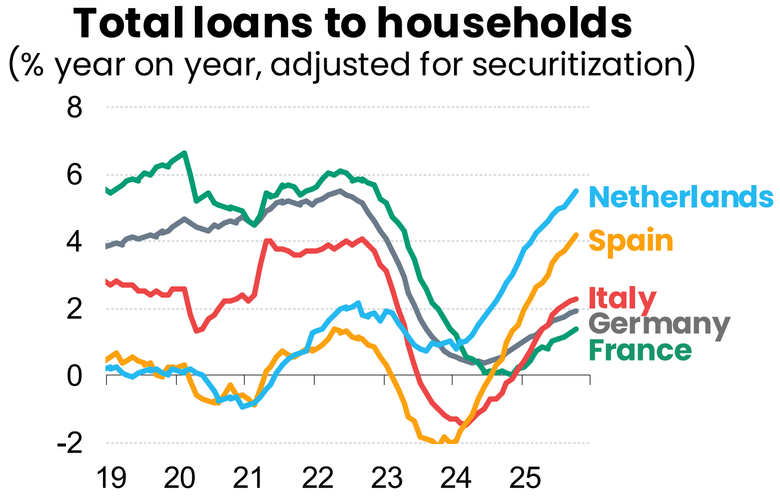
(*) Investment in intellectual property products
(**) Germany, France, Italy and Spain

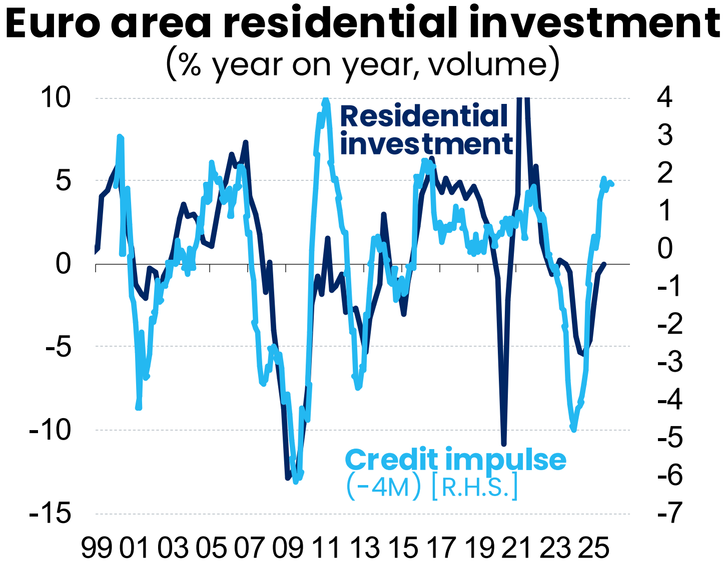
Sources: LSEG Datastream, Candriam

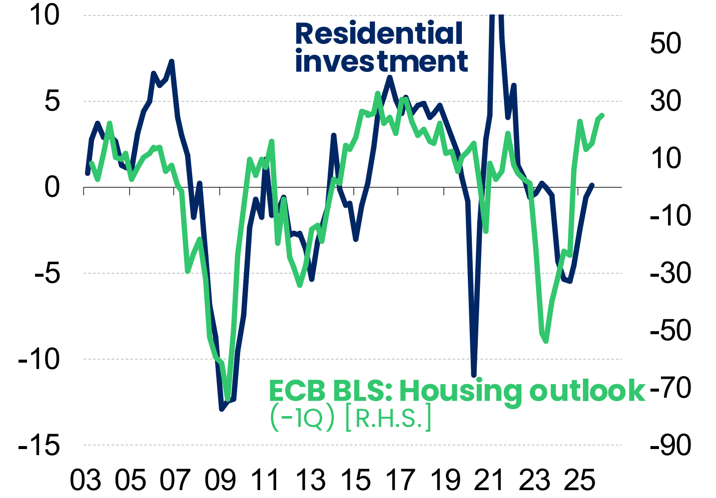
Residential investment should recover







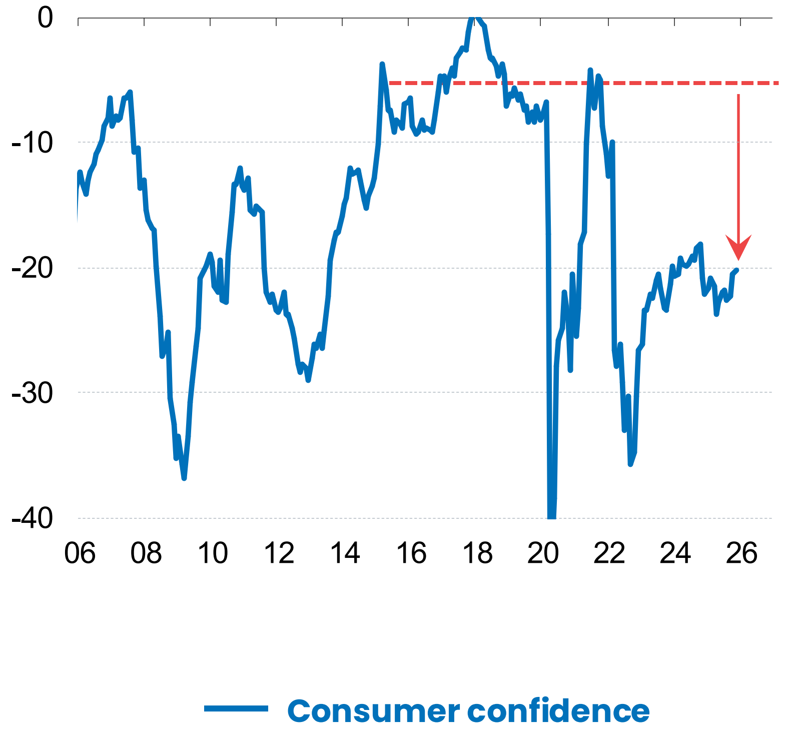


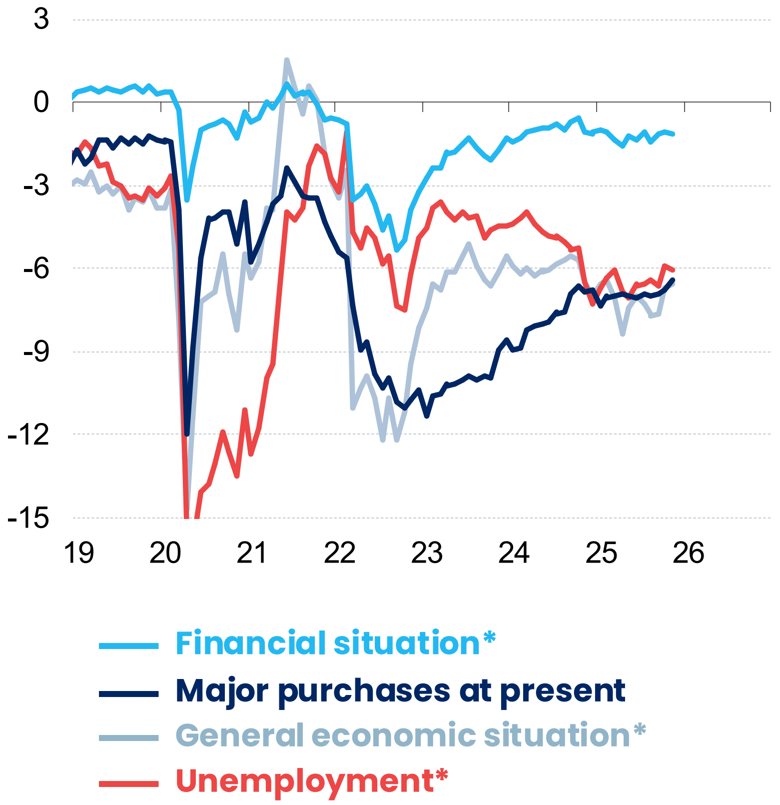


Sources: LSEG Datastream, ECB, Candriam

Household confidence remains weak

Consumer confidence in the euro area

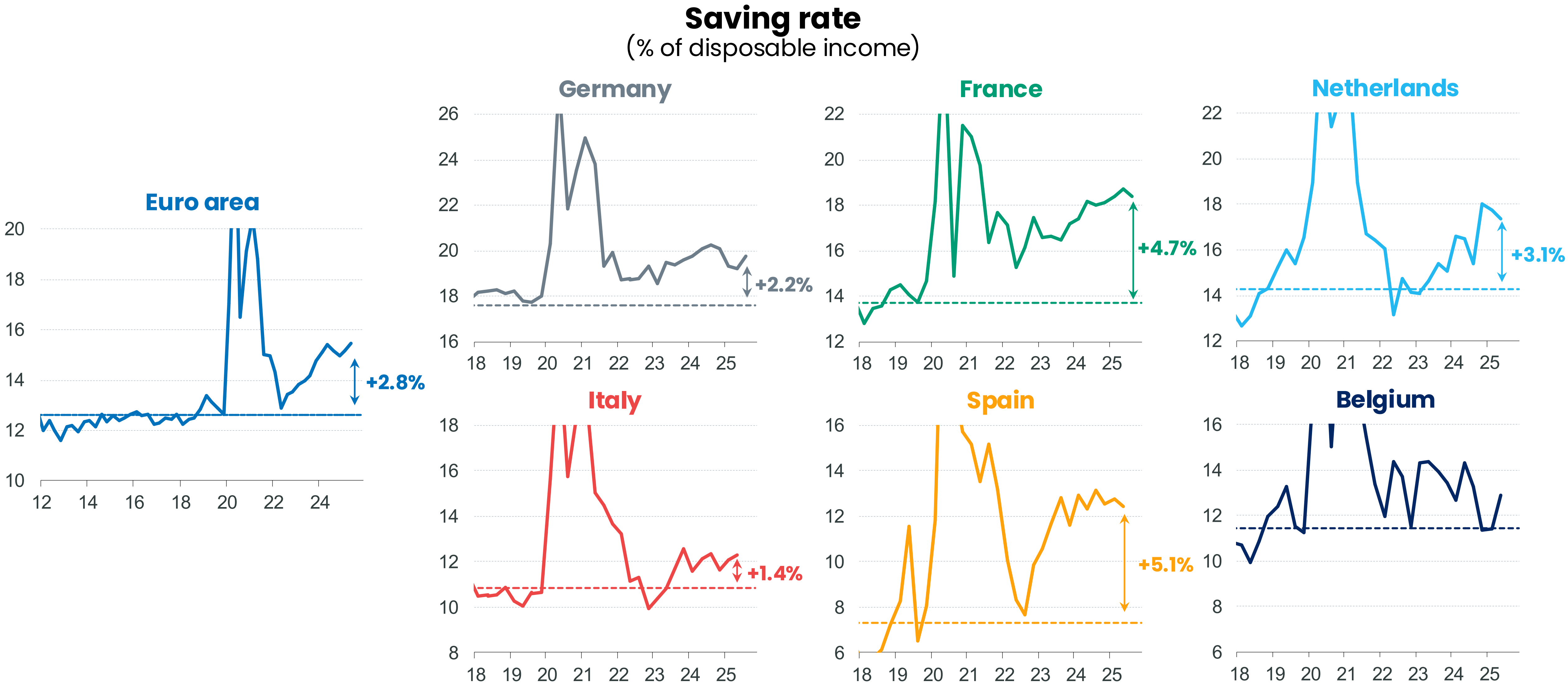




(*) Next 12 months

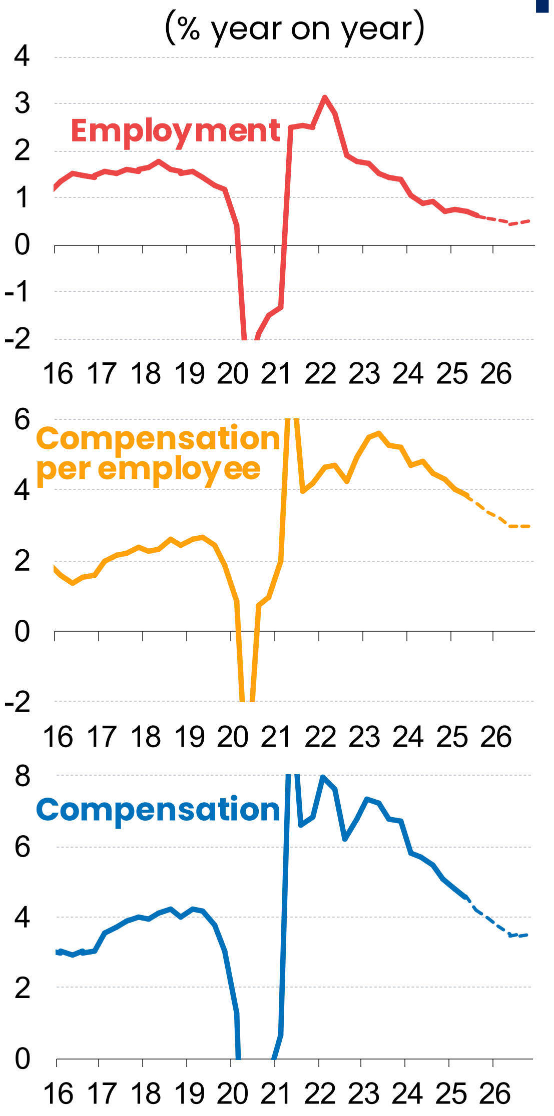
Sources: LSEG Datastream, Candriam

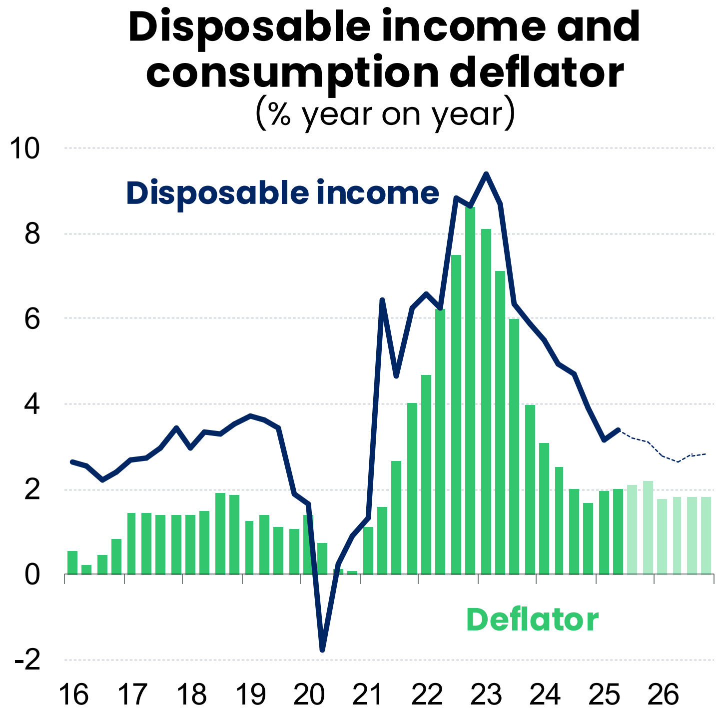
Saving rates stay elevated

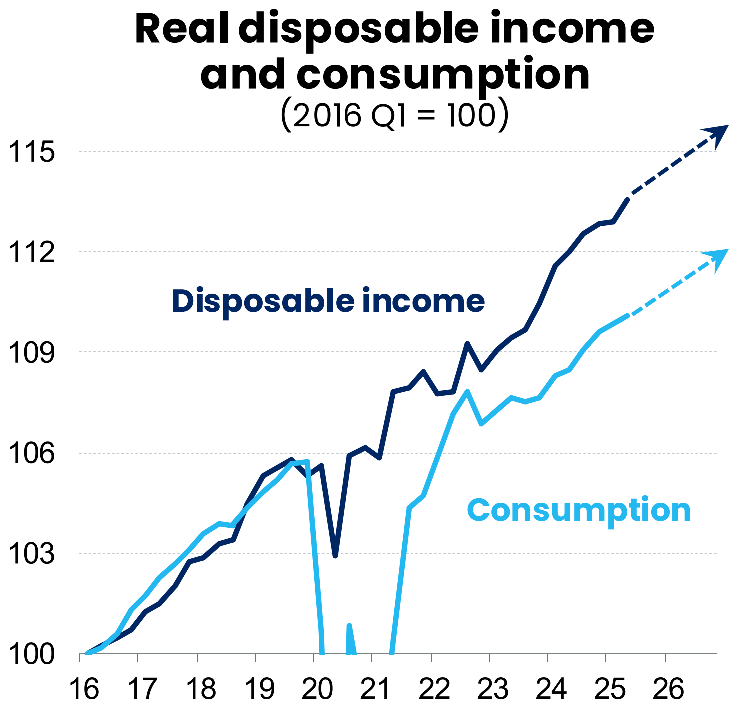


Sources: LSEG Datastream, Candriam

Moderate growth in real income should, however, enable consumption to grow at 1%

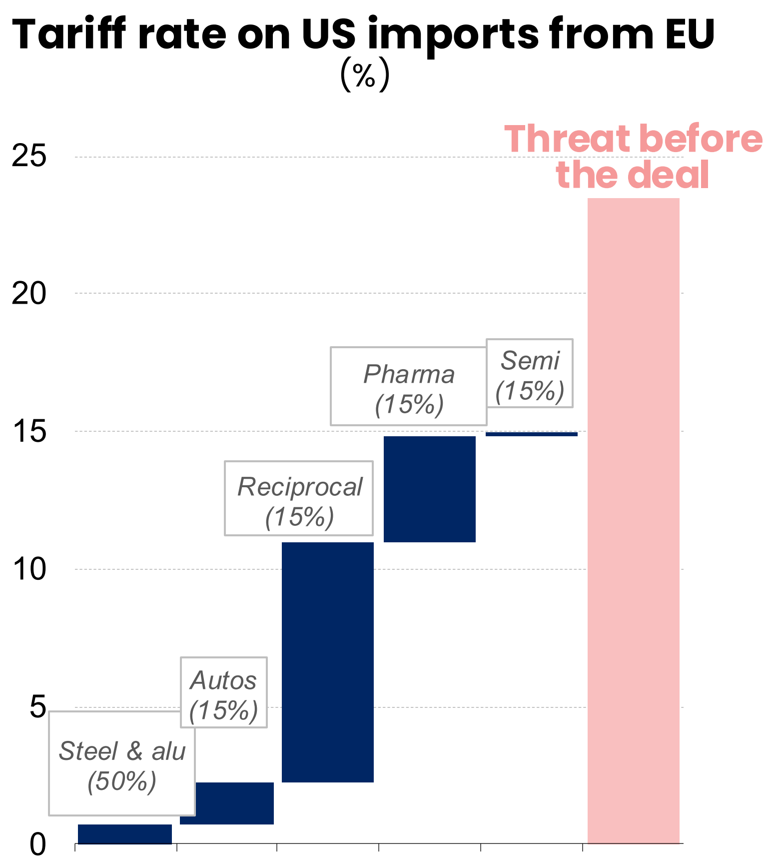


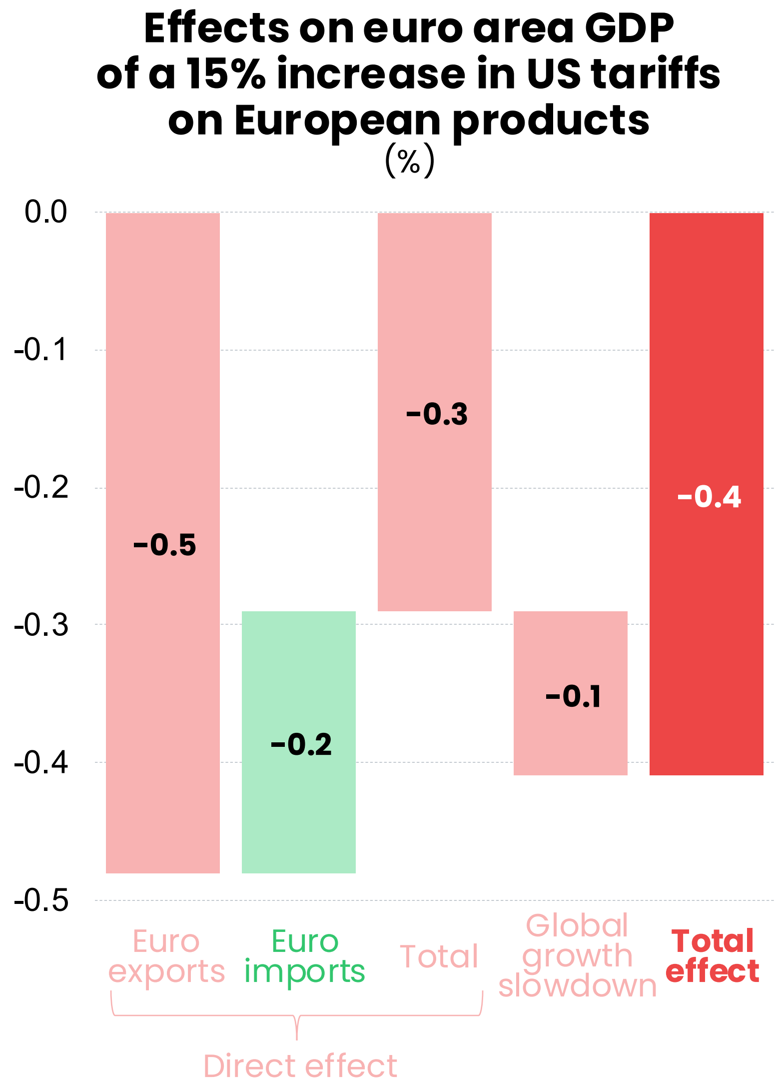




Sources: LSEG Datastream, Candriam

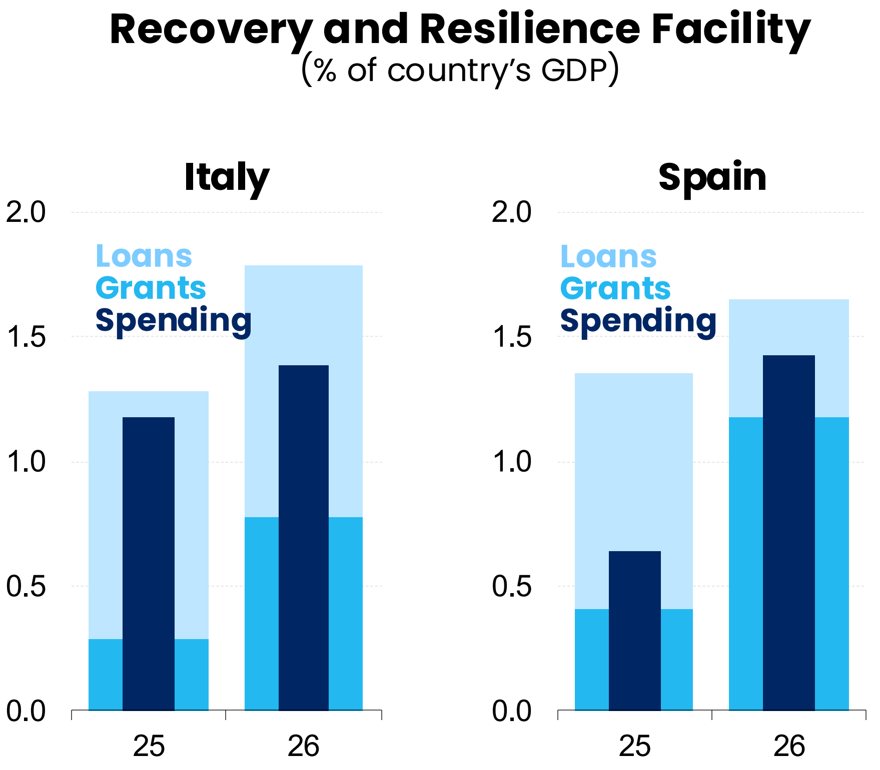
Despite a deal, the rise in US tariffs will weigh on activity

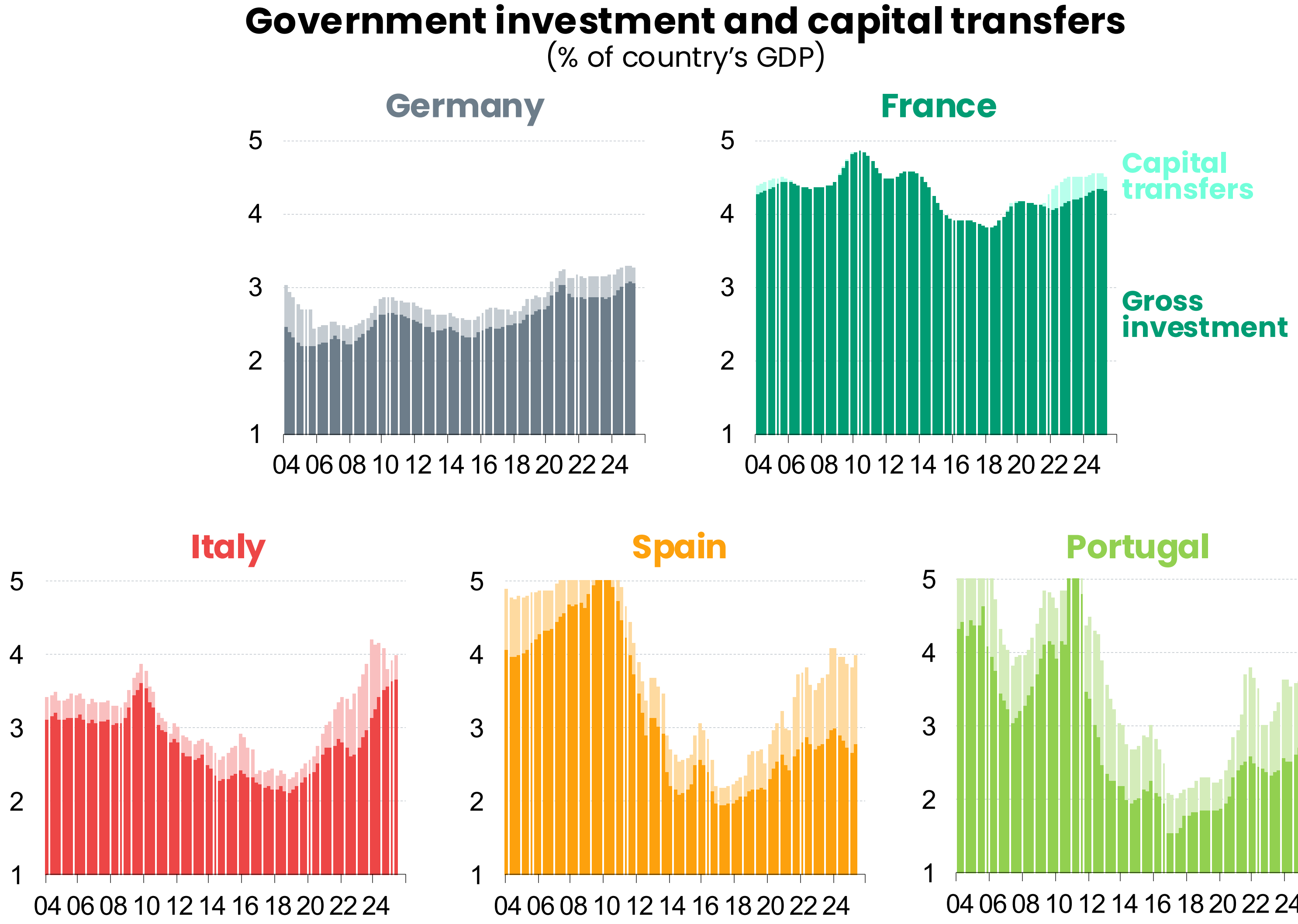




Sources: Census Bureau, Candriam

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

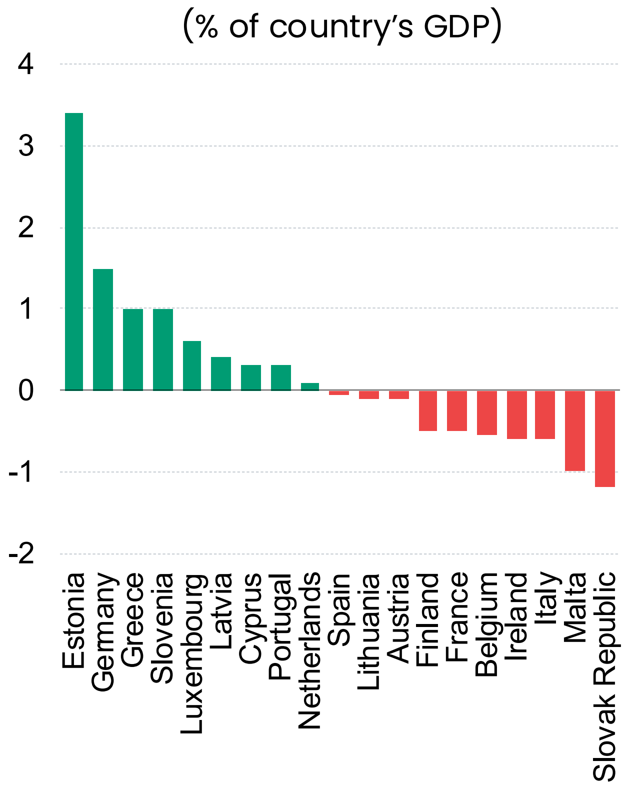


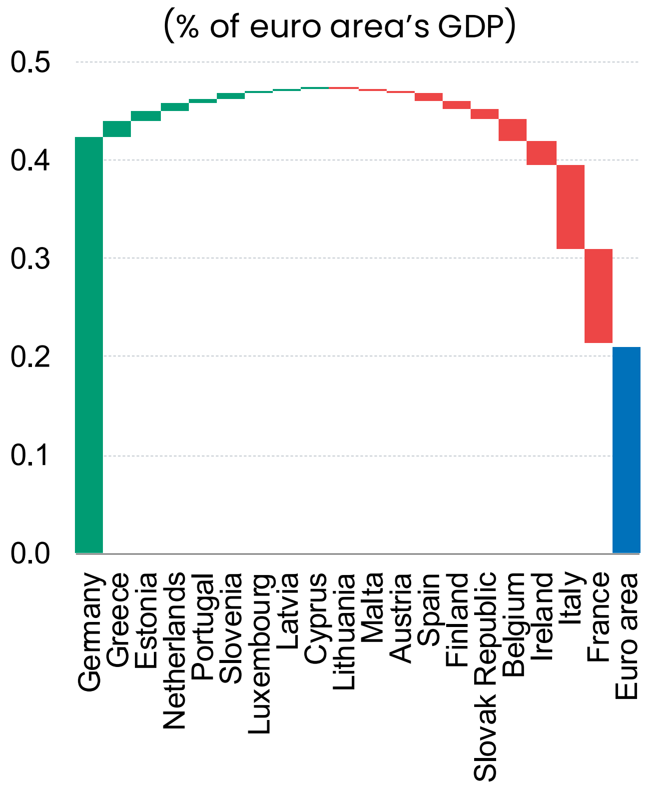


Sources: Goldman Sachs, Eurostat, Candriam

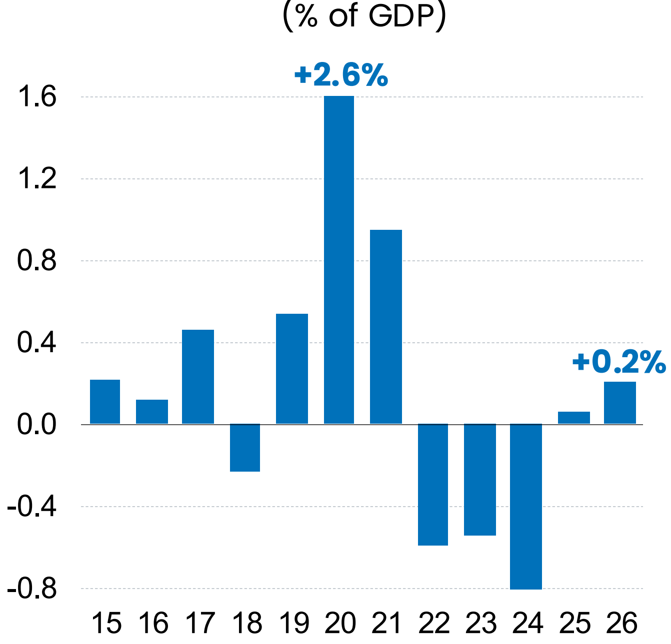
Despite the German plan, fiscal policy is unlikely to be very supportive

Fiscal impulse in 2026



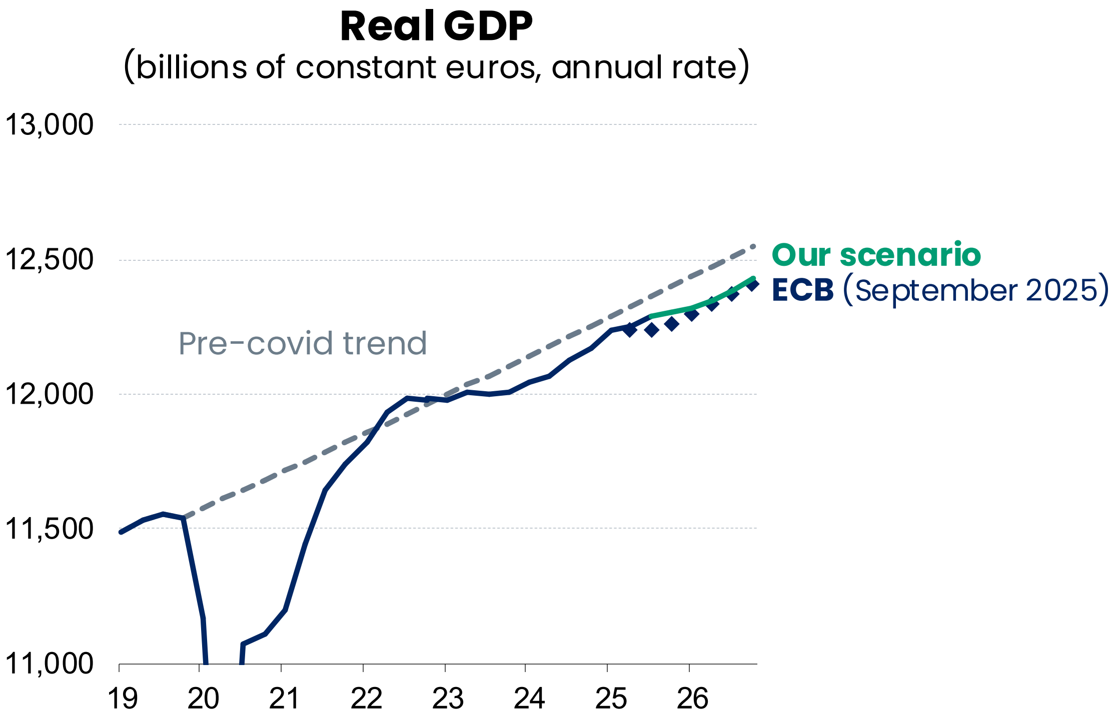


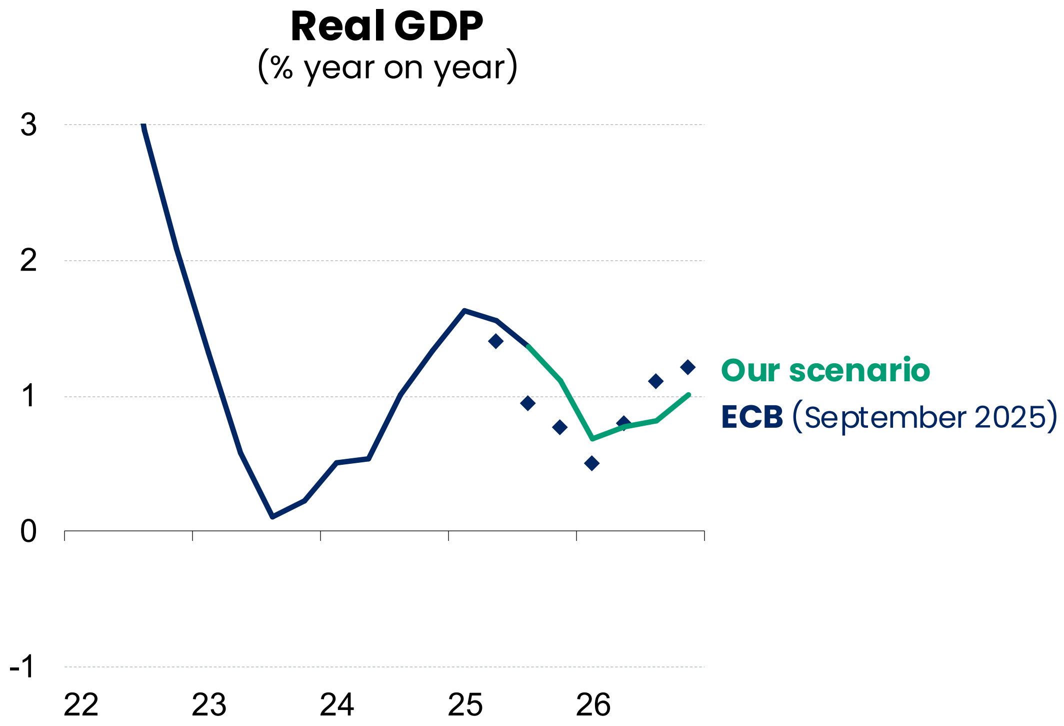
Euro area's fiscal impulse



Sources: European Commission, Candriam

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

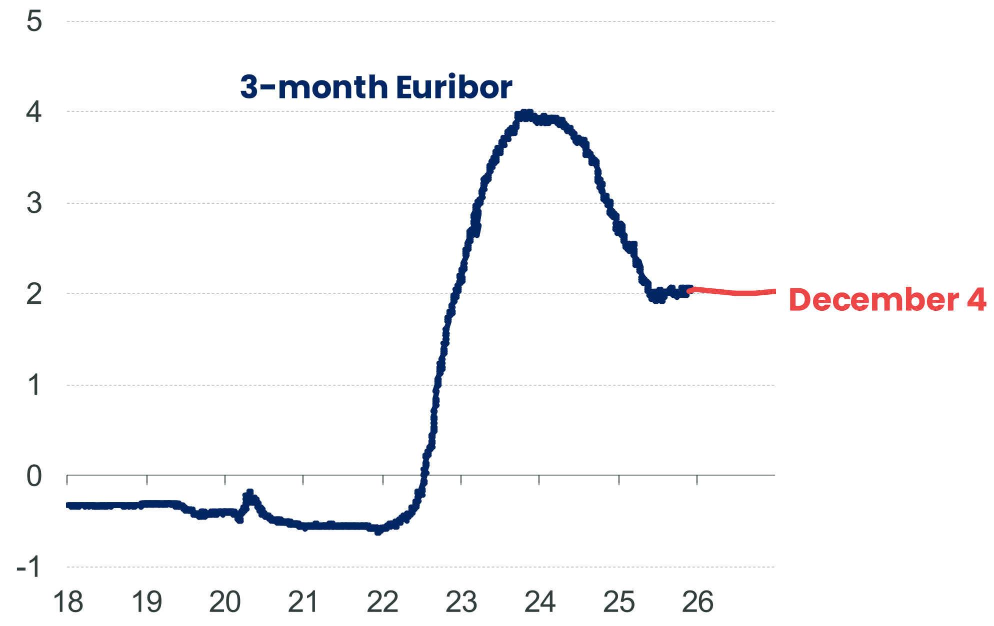




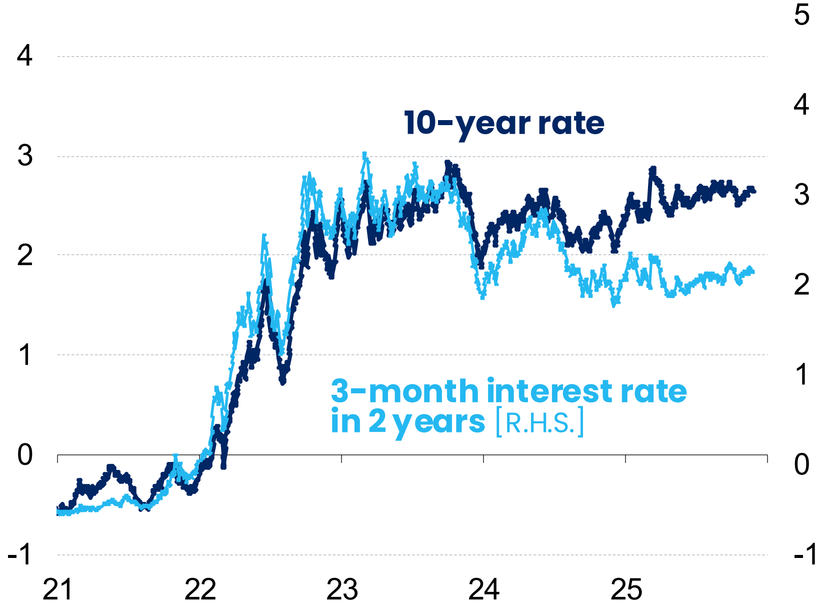
Sources: LSEG Datastream, ECB, Candriam

The ECB has normalized its monetary policy

ECB interest rate expectations
(%)



10-year German sovereign rate and short-term rate expectations
(%)



Sources: LSEG Datastream, Candriam

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- 10 Feb: Social Impact = financial necessity, investment case for real estate

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