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Charts of the Week: Still shining in the West

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Link to online commentary: <https://haverproducts.com/charts-of-the-week/>

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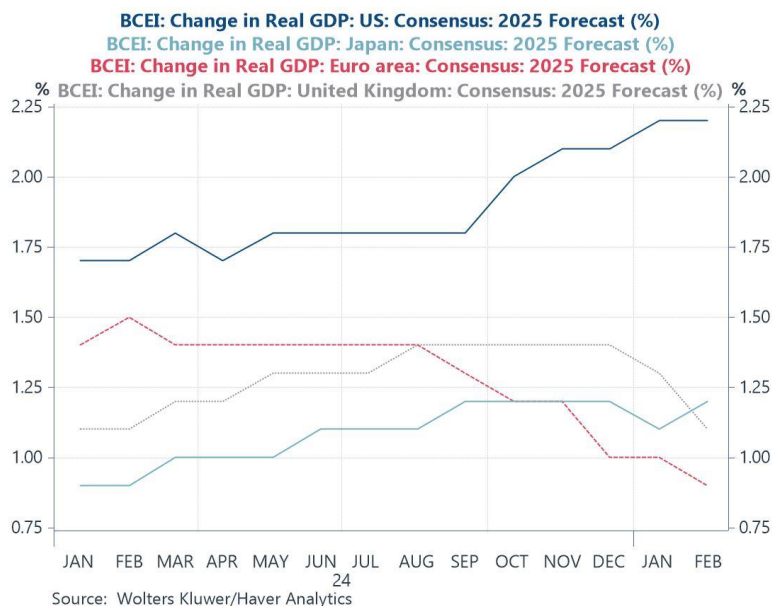
Recent weeks have brought significant shifts in financial market sentiment, reflecting changes in consensus views about the global economy. The latest Blue Chip Economic Indicators survey highlights the United States as a standout performer, with forecasters maintaining resilient growth forecasts compared to the rest of the world (chart 1). However, escalating concerns over US trade policy have led to sharp downward revisions in growth expectations for large open economies such as South Korea in recent months (chart 2). Inflation pressures also remain a key concern, which may have been amplified by the firmer-than-expected January US CPI data that were published this week (chart 3). CPI forecasts for most major economies, for example, have generally been climbing in recent months (chart 4). A notable exception is China, where inflation forecasts have continued to decline, and to worryingly low levels. Meanwhile, with Fed Chair Powell also signalling this week that the US central bank is in no hurry to cut interest rates, interest rate differentials remain a delicate balancing act for policymakers in many economies, particularly in Asia (chart 6). Recent financial market volatility certainly underscores the fine line central banks must tread as they navigate global economic uncertainties, including protectionist US trade policies and the ripple effects of shifting US monetary policy.

The growth consensus for 2025

The trends in chart 1 below highlight a world economy that is anything but synchronized. The US appears to be thriving in relative terms, while the euro area and the UK are caught in the doldrums. Japan remains a study in stagnation, offering stability but little dynamism. These divergent trajectories underscore a complex interplay of domestic factors—policy, demographics, and energy dependencies—against a backdrop of global

challenges. For now, the US appears to be basking in the sun, but for others, the clouds may not just be lingering—they may be gathering.

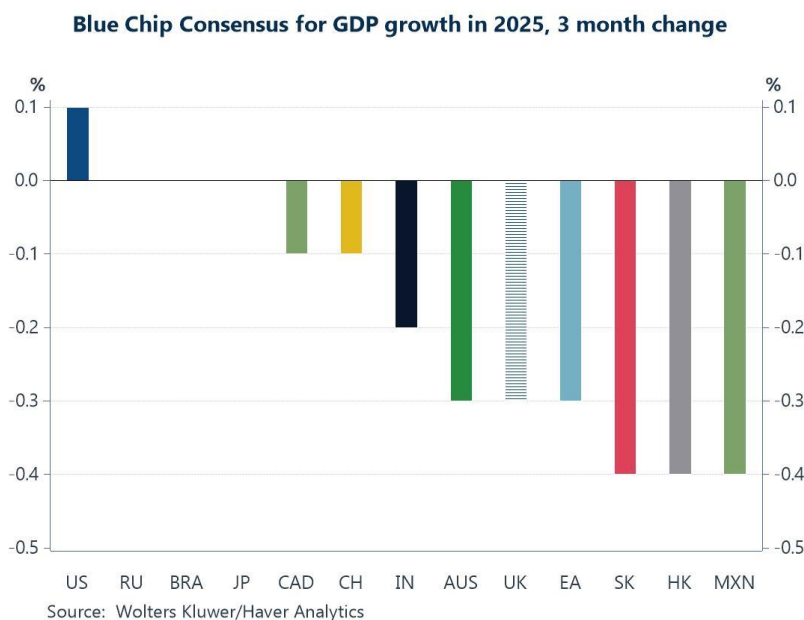
Chart 1: The evolution of consensus GDP forecasts for 2025 in major advanced economies



The global growth consensus – the US versus the RoW

Chart 2 below also underscores the global economy's uneven path, where US optimism contrasts starkly with widespread pessimism elsewhere. Notable downward revisions to growth forecasts for 2025 be seen across most major economies over the past 3 months, with the most significant adjustments hitting South Korea (SK), Hong Kong (HK), and Mexico (MXN). These sharp downgrades are indicative of broader challenges faced by trade-reliant economies, including slowing global demand and persistent inflationary pressures.

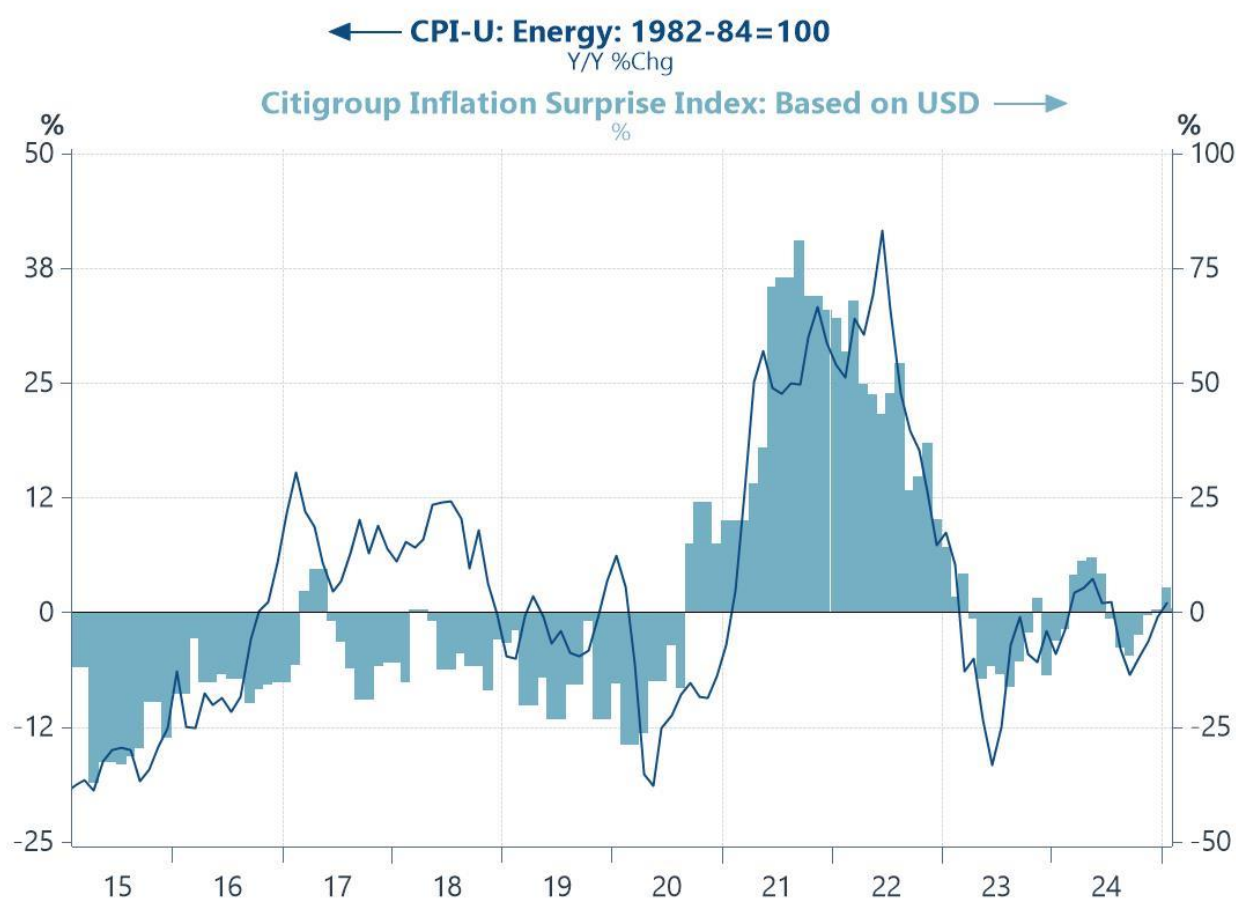
Chart 2: Blue Chip consensus growth forecasts for 2025, 3 month changes



US inflation surprises and energy prices

Persistent inflationary pressures were a key takeaway from January's US CPI report. Positive surprises in both headline and core CPI, alongside sticky service sector inflation and stronger-than-expected wage growth from last week's employment report, present a challenging scenario for the Fed. One notable aspect, however, is energy prices. After six consecutive months of negative energy inflation—typically coinciding with downside inflation surprises—energy prices have risen in more recent weeks, pushing annual energy inflation to 1.0% y/y in January. Historically, rising energy inflation has aligned with positive inflation surprises. With global energy prices easing in February, this could influence future inflation trends and market expectations.

Chart 3: US consumer energy prices versus Citigroup's US inflation surprise index

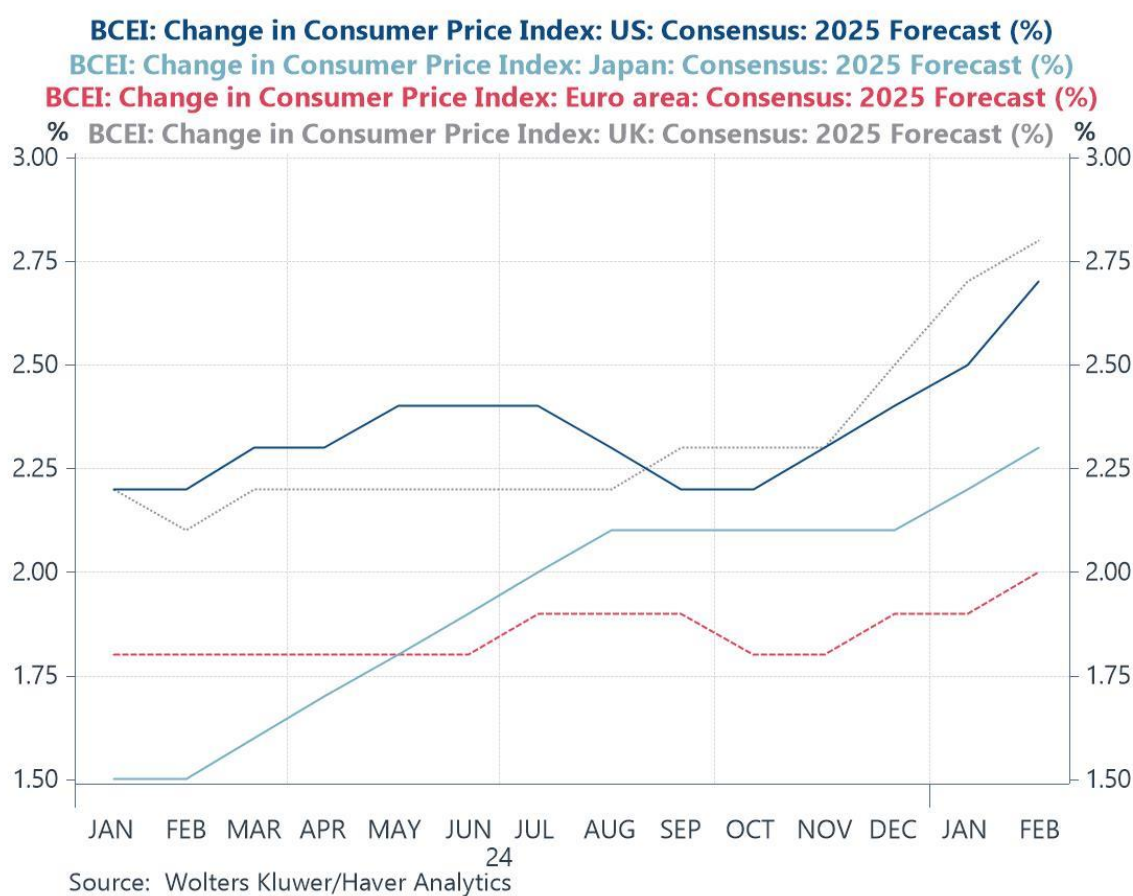


Sources: Bureau of Labor Statistics, Citigroup/Haver Analytics

The global inflation consensus

Still as chart 4 below underscores, inflation issues, while no longer out of control, still remain a persistent thorn in the side of many policymakers. The US and UK have seen forecasters' inflation expectations for 2025 steadily climb in recent months and to levels that are well above their respective central banks' target levels. Japan too has seen inflation expectations shift higher but that is arguably a more welcome development following several years in which deflationary pressures had been more in vogue.

Chart 4: The evolution of consensus CPI forecasts for 2025 in major advanced economies



China's disinflation journey

Deflationary pressures are in fact now far more of a thorn in the side of China's policymakers compared with Japan. Chart 4 below illustrates a marked decline in consensus CPI forecasts for both 2024 and 2025 through the course of the past two years. What was once modest inflation is now edging perilously close to outright deflation in an economy clearly plagued by excess capacity and debt-related stress.

Chart 5: The evolution of China's CPI inflation forecasts for 2024 and 2025

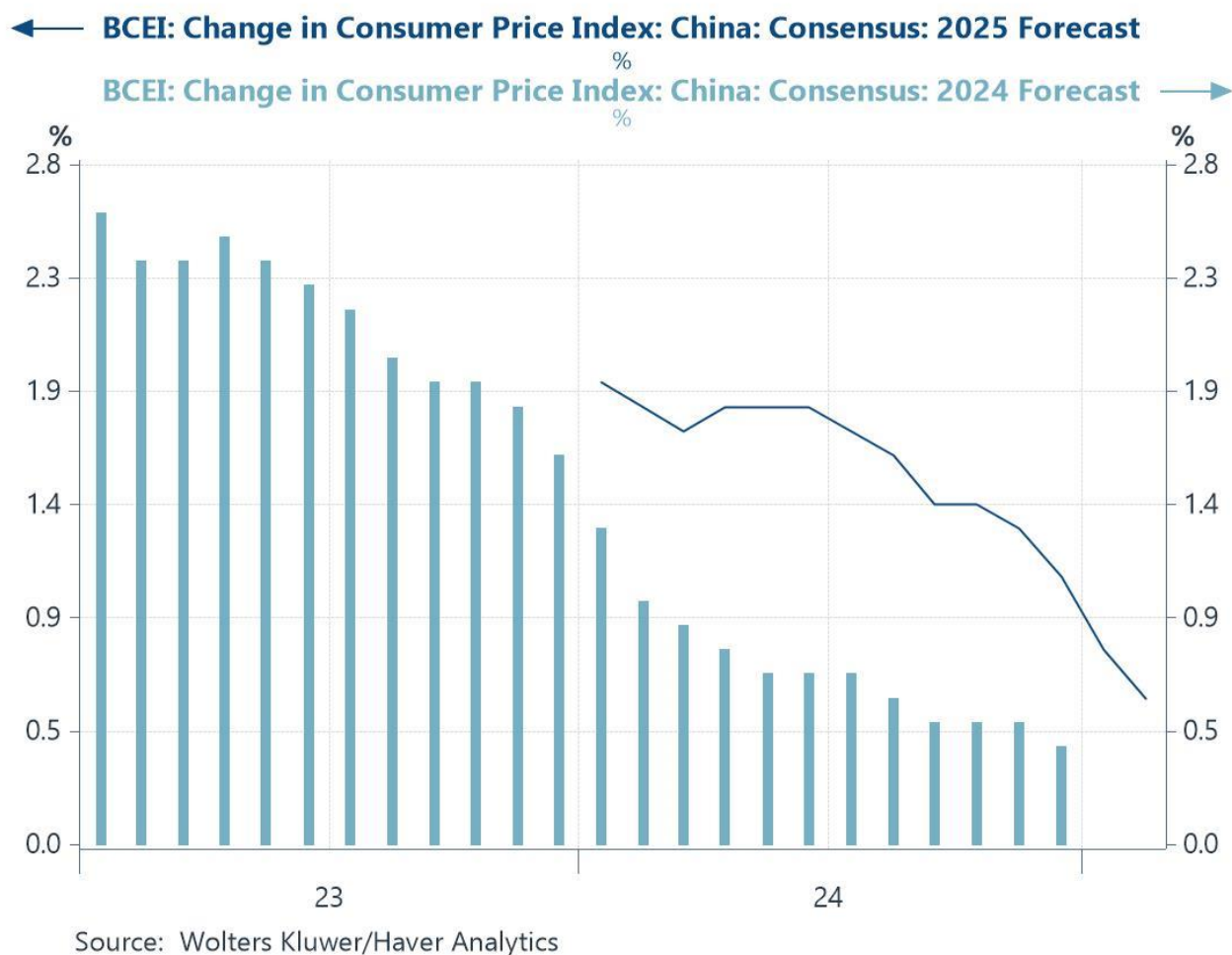
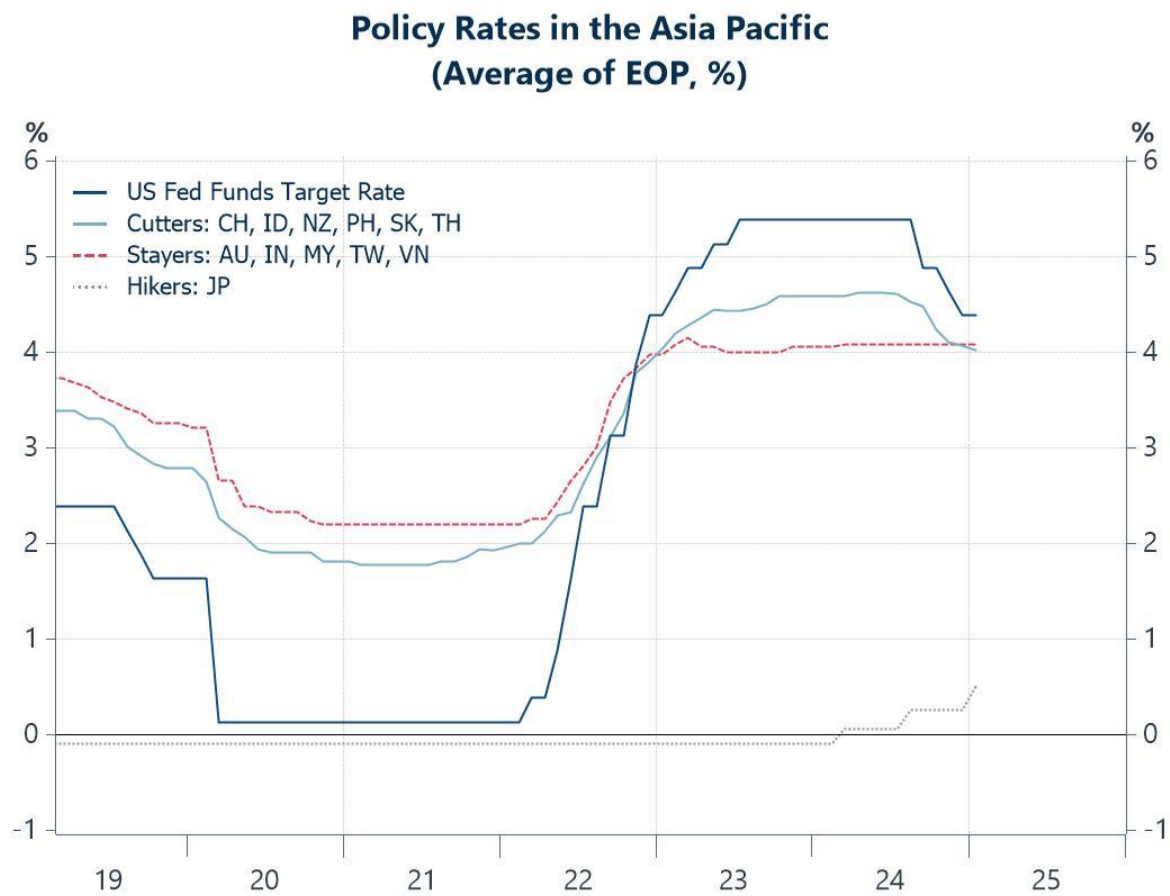


Chart 6: Policy rates in Asia



Sources: Central Banks, Statistical Offices, Authorities/Haver Analytics

About the author



Haver Analytics is pleased to bring [Andy Cates's](#) commentaries on the state of the global economy to its clients. Andy has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units. He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Series info:

Chart 1: The evolution of consensus GDP forecasts for 2025 in major advanced economies

Series 1: AAAD25@BLUECHIP

AAAD25@BLUECHIP [BCEI: US Real GDP: 2025 Forecasts: Consensus (Y/Y %Chg)]

Series 2: AJPD25@BLUECHIP

AJPD25@BLUECHIP [BCEI: Change in Real GDP: Japan: Consensus: 2025 Forecast (%)]

Series 3: AEZD25@BLUECHIP

AEZD25@BLUECHIP [BCEI: Change in Real GDP: Euro area: Consensus: 2025 Forecast (%)]

Series 4: AGBD25@BLUECHIP

AGBD25@BLUECHIP [BCEI: Change in Real GDP: United Kingdom: Consensus: 2025 Forecast (%)]

Chart 2: Blue Chip consensus growth forecasts for 2025, 3 month changes

Series 1: diff(AAAD25@BLUECHIP,3)

AAAD25@BLUECHIP [BCEI: US Real GDP: 2025 Forecasts: Consensus (Y/Y %Chg)]

Series 2: diff(ARUD25@BLUECHIP,3)

ARUD25@BLUECHIP [BCEI: Change in Real GDP: Russia: Consensus: 2025 Forecast (%)]

Series 3: diff(ABRD25@BLUECHIP,3)

ABRD25@BLUECHIP [BCEI: Change in Real GDP: Brazil: Consensus: 2025 Forecast (%)]

Series 4: diff(AJPD25@BLUECHIP,3)

AJPD25@BLUECHIP [BCEI: Change in Real GDP: Japan: Consensus: 2025 Forecast (%)]

Series 5: diff(ACAD25@BLUECHIP,3)

ACAD25@BLUECHIP [BCEI: Change in Real GDP: Canada: Consensus: 2025 Forecast (%)]

Series 6: diff(ACND25@BLUECHIP,3)

ACND25@BLUECHIP [BCEI: Change in Real GDP: China: Consensus: 2025 Forecast (%)]

Series 7: diff(AIND25@BLUECHIP,3)

AIND25@BLUECHIP [BCEI: Change in Real GDP: India: Consensus: 2025 Forecast (%)]

Series 8: diff(AAUD25@BLUECHIP,3)

AAUD25@BLUECHIP [BCEI: Change in Real GDP: Australia: Consensus: 2025 Forecast (%)]

Series 9: diff(AGBD25@BLUECHIP,3)

AGBD25@BLUECHIP [BCEI: Change in Real GDP: United Kingdom: Consensus: 2025 Forecast (%)]

Series 10: diff(AEZD25@BLUECHIP,3)

AEZD25@BLUECHIP [BCEI: Change in Real GDP: Euro area: Consensus: 2025 Forecast (%)]

Series 11: diff(AKRD25@BLUECHIP,3)

AKRD25@BLUECHIP [BCEI: Change in Real GDP: South Korea: Consensus: 2025 Forecast (%)]

Series 12: diff(AHKD25@BLUECHIP,3)

AHKD25@BLUECHIP [BCEI: Change in Real GDP: Hong Kong: Consensus: 2025 Forecast (%)]

Series 13: diff(AMXD25@BLUECHIP,3)

AMXD25@BLUECHIP [BCEI: Change in Real GDP: Mexico: Consensus: 2025 Forecast (%)]

Chart 3: US consumer energy prices versus Citigroup's US inflation surprise index

Series 1: YPCUSE@USECON

YPCUSE@USECON [CPI-U: Energy: 1982-84=100 (Y/Y %Chg)]

Series 2: V111CIS@INTDAILY

V111CIS@INTDAILY [Citigroup Inflation Surprise Index: Based on USD (%)]

Chart 4: The evolution of consensus CPI forecasts for 2025 in major advanced economies

Series 1: DAAD25@BLUECHIP

DAAD25@BLUECHIP [BCEI: US Consumer Price Index: 2025 Forecasts: Consensus (Y/Y %Chg)]

Series 2: DJPD25@BLUECHIP

DJPD25@BLUECHIP [BCEI: Change in Consumer Price Index: Japan: Consensus: 2025 Forecast (%)]

Series 3: DEZD25@BLUECHIP

DEZD25@BLUECHIP [BCEI: Change in Consumer Price Index: Euro area: Consensus: 2025 Forecast (%)]

Series 4: DGBD25@BLUECHIP

DGBD25@BLUECHIP [BCEI: Change in Consumer Price Index: UK: Consensus: 2025 Forecast (%)]

Chart 5: The evolution of China's CPI inflation forecasts for 2024 and 2025

Series 1: DCND25@BLUECHIP

DCND25@BLUECHIP [BCEI: Change in Consumer Price Index: China: Consensus: 2025 Forecast (%)]

Series 2: DCND24@BLUECHIP

DCND24@BLUECHIP [BCEI: Change in Consumer Price Index: China: Consensus: 2024 Forecast (%)]

Chart 6: Policy rates in Asia

Series 1: N111RTAR@G10

N111RTAR@G10 [U.S.: Federal Open Market Committee: Fed Funds Target Rate (EOP, %)]

Series 2: (((((N196RTAR@G10 + N536RTAR@EMERGEPR) + N542RCT@EMERGEPR) + N566RV@EMERGEPR) +

N196RTAR@G10 [New Zealand: Official Cash Rate (EOP, %)]

N536RTAR@EMERGEPR [Indonesia: 7 Day Reverse Repo Rate (EOP, %)]

N542RCT@EMERGEPR [South Korea: Bank of Korea Base Rate (EOP, % p.a.)]

N566RV@EMERGEPR [Philippines: Reverse Repo Rate: Overnight [Borrowing] (EOP, % per annum)]

N578RTAR@EMERGEPR [Thailand: One-Day Repurchase Rate (% , EOP)]

N924RTAR@EMERGEPR [China: Loan Prime Rate: 1 Year (EOP, %)]

6

Series 3: (((((N548RTAR@EMERGEPR + N193RTAR@G10) + N534RP@EMERGEPR) + N528RD@EMERGEPR) + N5

N548RTAR@EMERGEPR [Malaysia: Overnight Policy Rate (EOP, %)]

N193RTAR@G10 [Australia: Official Cash Rate (EOP, %)]

N534RP@EMERGEPR [India: Repo Rate (EOP, % per annum)]

N528RD@EMERGEPR [Taiwan: Central Bank of China Rediscount Rate (EOP, % per annum)]

N582RF@EMERGEPR [Vietnam: Refinancing Rate (% , EOP)]

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Series 4: JPNRTARE@JAPAN

JPNRTARE@JAPAN [Japan: Monetary Policy Rate [Spliced Series] (EOP, % p.a.)]

Get in touch

Drop us a line on sales@haver.com and someone from our team will connect with you to discuss your data needs.