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Charts of the Week: Calm before the storm?

A Haver Analytics® podcast and publication

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

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Written by [Andy Cates](#), Senior Economist

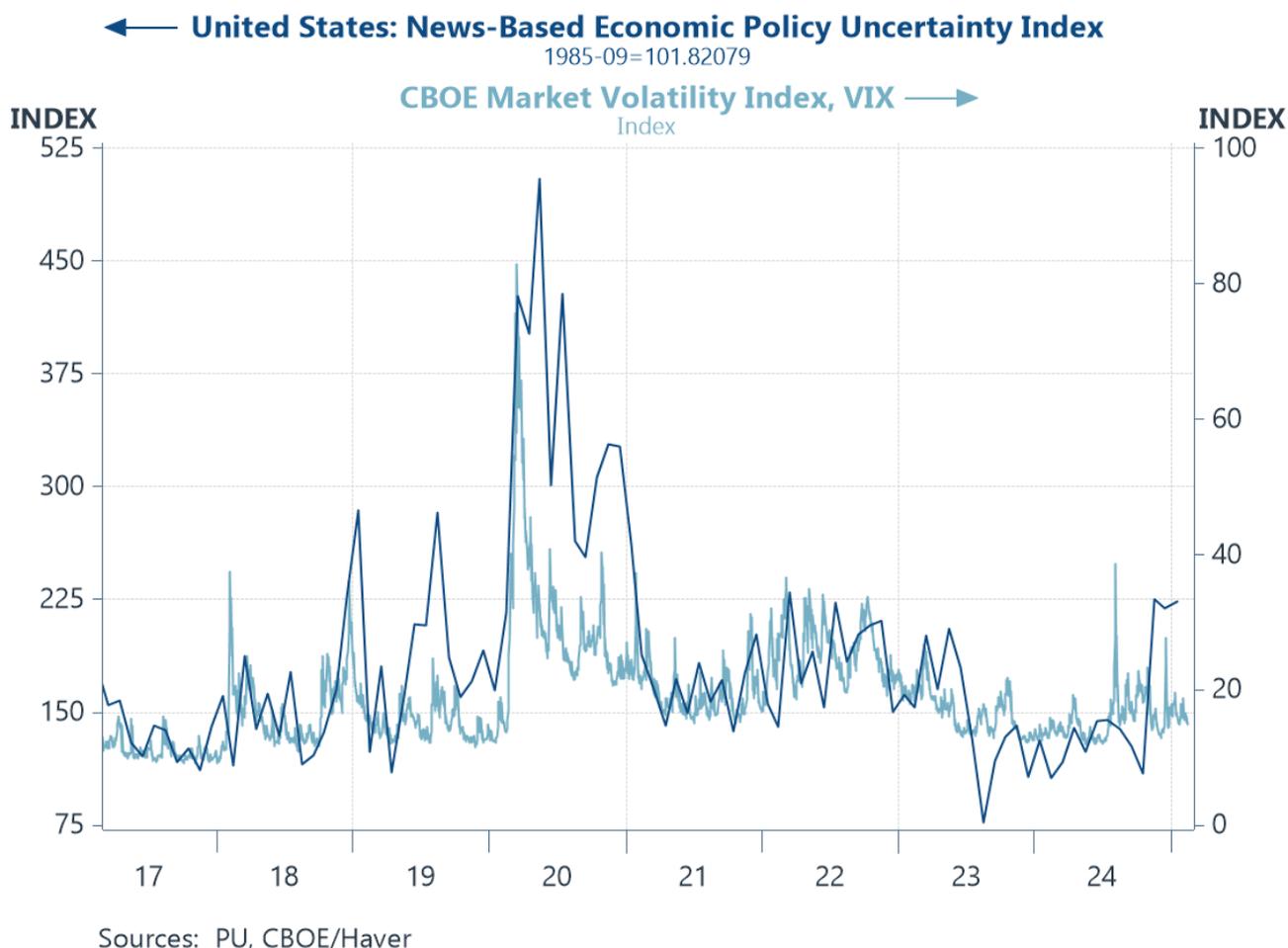
Financial markets have remained relatively calm in recent days despite potentially disruptive US trade policy shifts (charts 1 and 2) and incoming data indicating that inflationary pressures have been lingering (chart 3). Investor sentiment suggests a wait-and-see approach, with markets appearing confident that central banks can navigate inflation risks without triggering sharp economic slowdowns. The muted market reaction may also indicate that the potential effects of recent tariff policies have already been priced in, with businesses and investors either viewing them as a bargaining tool or a long-term structural shift rather than an immediate shock. Additionally, the easing of geopolitical tensions in the Middle East and Ukraine has likely contributed to market stability, alleviating near-term risks to global supply chains and energy prices. However, vulnerabilities remain, particularly in Europe, where growth at the end of last year was notably weak, and high electricity costs continued to weigh on competitiveness, especially in the UK and Germany (charts 4 and 5). This energy disadvantage stands in notable contrast to the US, where lower prices have provided a relative economic edge. Meanwhile, Japan has shown signs of a cyclical rebound, supported by a recovery in exports and stronger capital expenditure, though consumer spending remains subdued (chart 6). Whether the global economy can maintain this fragile stability will depend on the interplay between trade policies, inflation trends, and central bank actions in the period ahead.

Uncertainty and markets

A recent rise in the US Economic Policy Uncertainty (EPU) Index suggests heightened concerns over recent policy decisions and macroeconomic stability. That said the CBOE Market Volatility Index (the VIX)

typically moves in tandem with the EPU, but its recent response has been muted (chart 1). This suggests that financial markets have either priced in these risks or expect stabilizing measures.

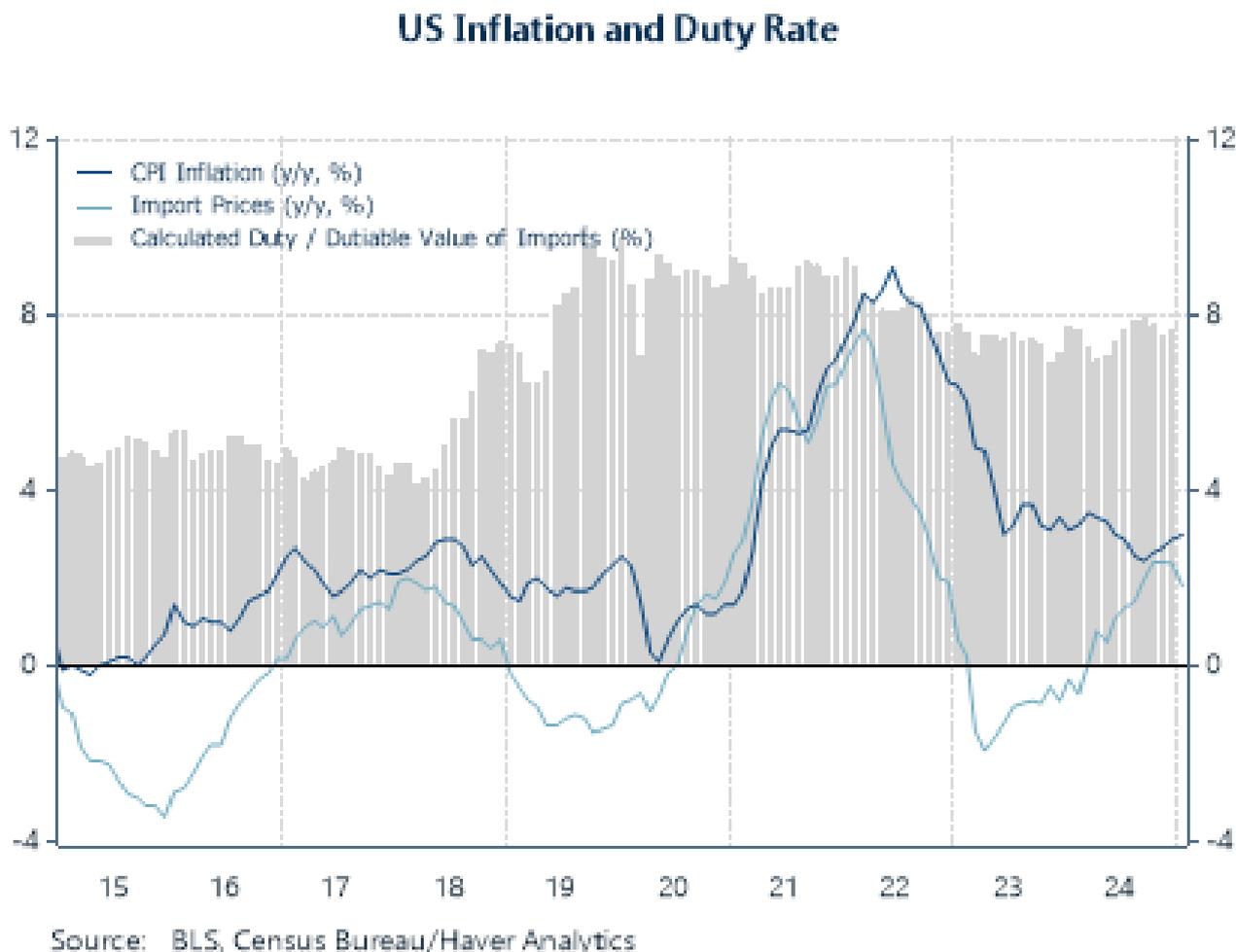
Chart 1: US economic policy uncertainty versus the VIX



US inflation and tariffs

While analysts and financial participants are concerned about the potential inflationary effects of US President Trump's latest tariff actions, a look back at his trade policies during his first term might offer reasons for relief. As chart 2 below suggests, while the US duty rate on imports surged following Trump's tariffs starting in 2018, consumer price inflation decelerated in the months that followed. This suggests that tariff rates alone are not a critical determinant of the future path of inflation. Other factors (e.g. energy prices and the stance of economic policy) are arguably more important. In fact, an additional trend that emerged after the 2018 tariffs were enacted was a fall in import prices excluding duties. Still, whether this drop in import prices resulted from US importers and other producers absorbing the tariff burden or from broader market forces remains unclear.

Chart 2: US CPI inflation, import prices and import duties

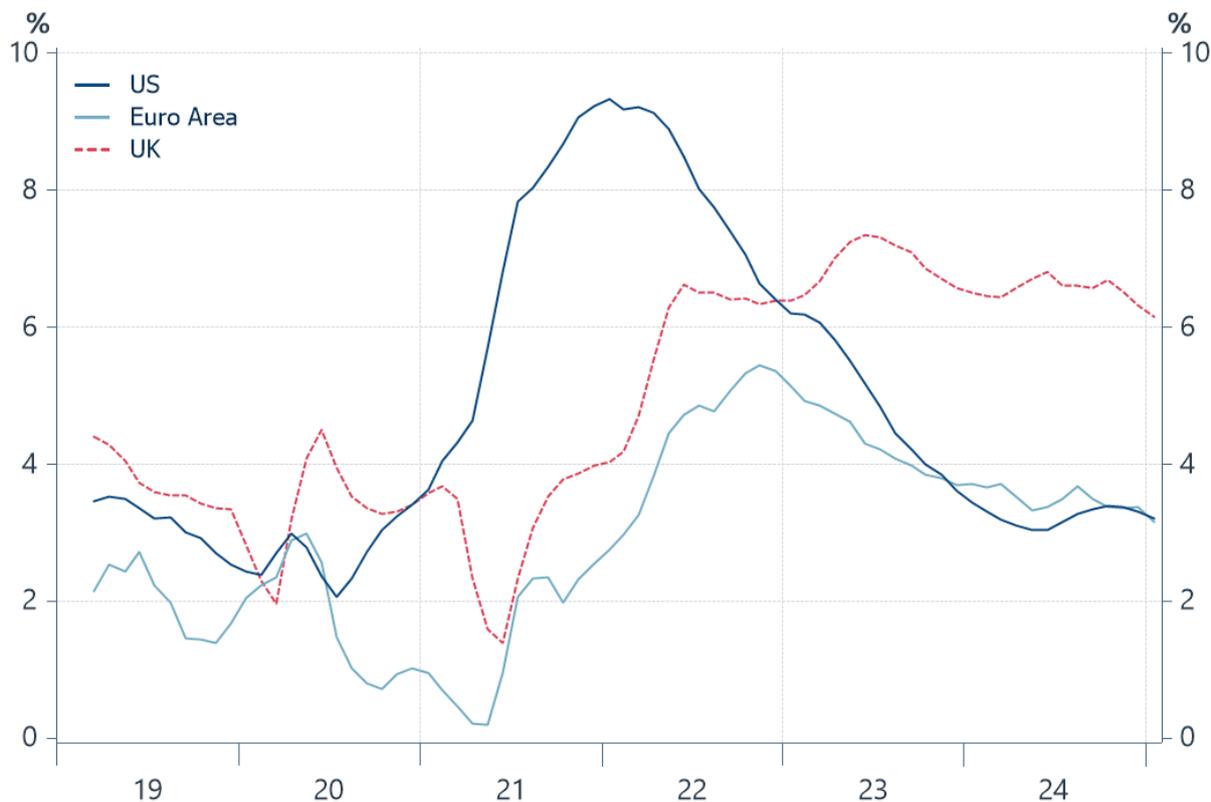


Wage growth in the US and Europe

The past few days have seen incoming inflation data from the US, Canada, and the UK surprise forecasters' expectations on the upside. Underlying details, moreover, suggest that service sector inflation has remained sticky. One reason for this is that all three economies have continued to experience tight labour markets and persistent nominal wage pressures. That said, the latest wage trackers from the Indeed Hiring group suggest some room for optimism for the outlook ahead. Wage growth has eased from post-pandemic highs in the US and euro area as demand has softened. Still, the UK remains an outlier, with wage growth still elevated at around 6 percent due to ongoing labour shortages and structural rigidities.

Chart 3: Indeed Wage Trackers for the US, euro area and UK

Indeed Wage Tracker: Posted Wage Growth: 3 Month MA (NSA, Y/Y% Chg)

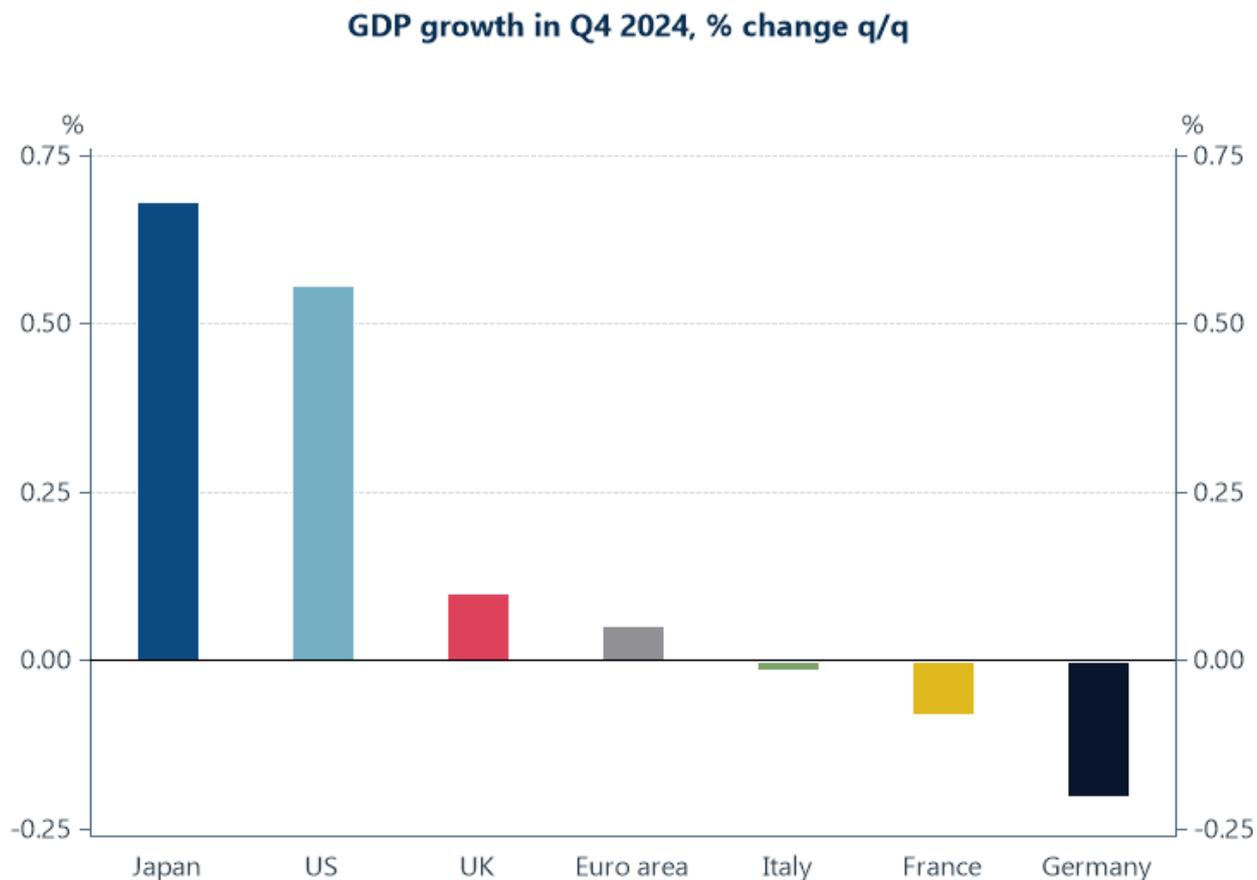


Source: Indeed Hiring Lab/Haver Analytics

Global growth

Another concerning aspect of the current global economic landscape is the uneven pace of growth across major economies. Chart 4 highlights a significant divergence in GDP performance in Q4 2024, with Japan and the US posting relatively strong expansions, while much of Europe continued to struggle. Within the euro area, key economies such as Italy and France experienced a small decline in output, while Germany saw a more pronounced contraction, deepening concerns over the region's economic resilience. With sluggish demand and persistent structural challenges, the euro area remains precariously close to slipping into another recession.

Chart 4: GDP growth in Q4 2024 in selected major economies

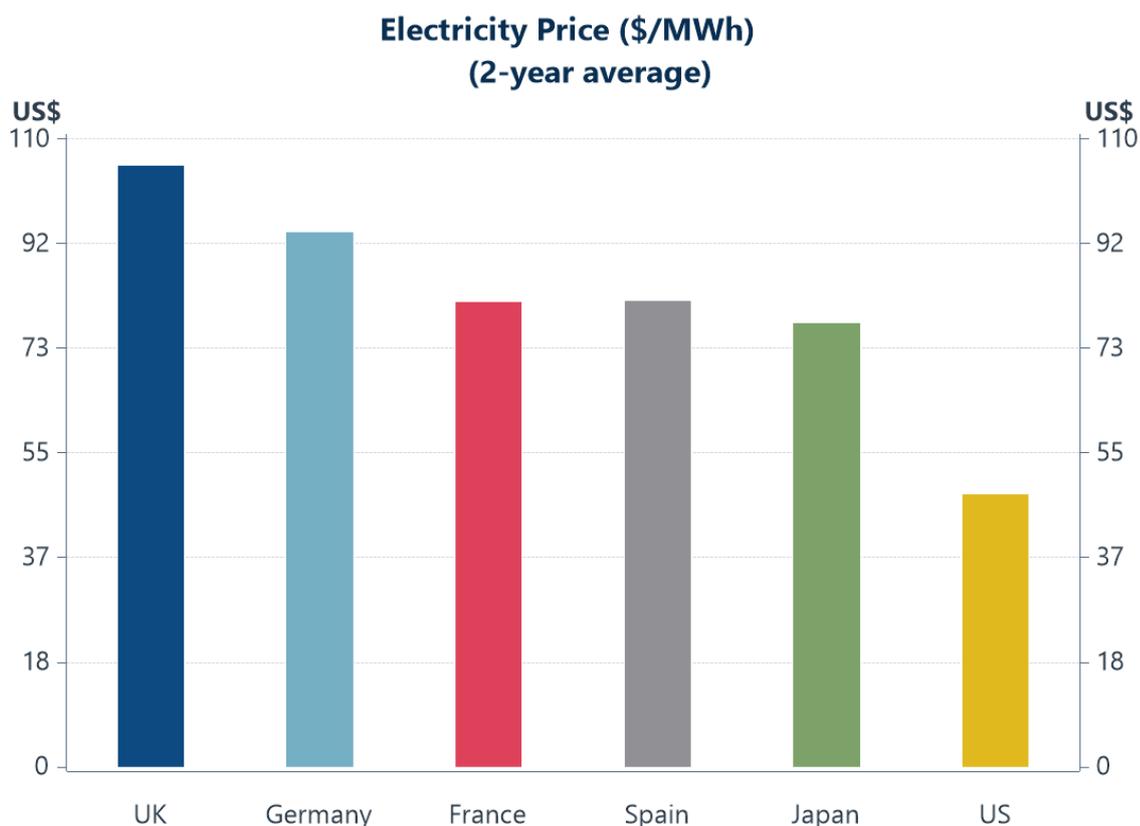


Sources: CAO, BEA, ONS, EUROSTAT, ISTAT, INSEE, Bbk/Haver

Electricity price variations

A key driver of the euro area’s underperformance concerns the price of energy. Chart 5 below highlights variations in electricity prices across major economies (a two-year average), and shows that the UK and Germany have experienced the highest costs. In the UK, elevated prices have been driven by high wholesale energy costs, heavy reliance on natural gas, renewable subsidies, and grid infrastructure expenses. Germany’s prices are similarly high due to its transition away from nuclear energy, dependence on imported gas, and renewable energy surcharges. The United States has the lowest electricity prices, supported by abundant domestic energy resources, particularly natural gas and renewables, as well as a more decentralized energy market.

Chart 5: Electricity prices in selected major economies

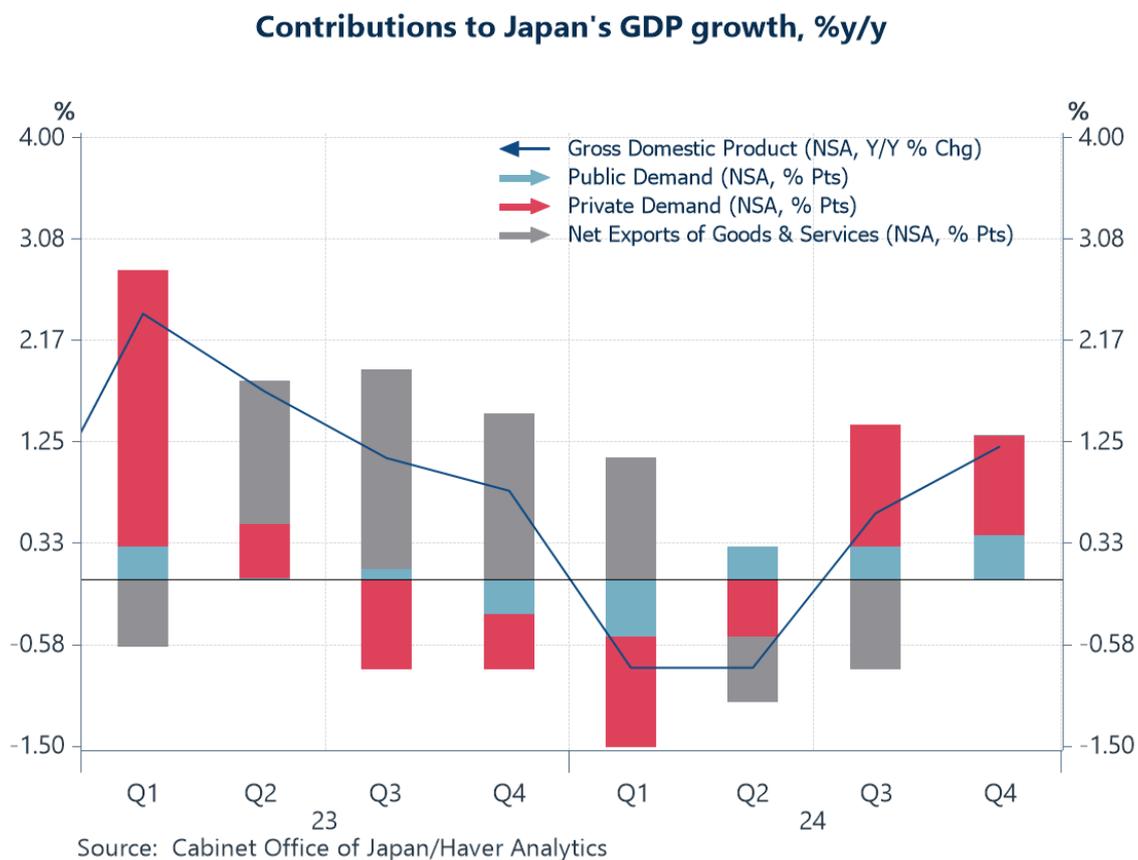


Source: Energy Intelligence/Haver Analytics

Japan's economic momentum

As noted above Japan's GDP growth toward the end of last year was relatively impressive compared with other advanced economy peers. The underlying details too were encouraging with private demand together with public spending playing a larger role in supporting economic activity. However, digging even further into those details reveals lacklustre consumer spending growth at the end of last year. And moving forward, Japan's growth trajectory will hinge on firming real wage growth and the resilience of domestic consumption. A sustained pickup in real wages will certainly be essential in boosting household spending, which has so far lagged behind broader economic improvements.

Chart 6: Contributions to Japan's GDP growth



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: US economic policy uncertainty versus the VIX

Series 1: N111VIUC@ESG

N111VIUC@ESG [United States: News-Based Economic Policy Uncertainty Index (1985-09=101.82079)]

Series 2: SPVIX@DAILY

SPVIX@DAILY [CBOE Market Volatility Index, VIX (Index)]

Chart 2: US CPI inflation, import prices and import duties

Series 1: PCUY@USECON

PCUY@USECON [CPI-U: All Items, 1982-84=100 (Y/Y %Change)]

Series 2: yyr%(PMEXF@USECON)

PMEXF@USECON [Import Price Index: All Imports Excluding Fuels (NSA, Dec-01=100)]

Series 3: (CD001@USTRAD % DV001@USTRAD)

CD001@USTRAD [US Imports from the World: Calculated Duty (Thous.\$)]

DV001@USTRAD [US Imports from the World: Dutiable Value (Thous.\$)]

Chart 3: Indeed Wage Trackers for the US, euro area and UK

Series 1: LIWTY3@USECON

LIWTY3@USECON [US: Indeed Wage Tracker: Posted Wage Growth: 3 Month MA (NSA, Y/Y% Chg)]

Series 2: I025YMA@EUADATA

I025YMA@EUADATA [Euro Area: Indeed Wage Tracker: Posted Wage Growth: 3 Month MA (NSA, Y/Y% Chg)]

Series 3: UKNVYM@UK

UKNVYM@UK [UK: Indeed Wage Tracker: Posted Wage Growth: 3 Month MA (NSA, Y/Y% Chg)]

Chart 4: GDP growth in Q4 2024 in selected major economies

Series 1: diff%(S158NGPC@G10)

S158NGPC@G10 [Japan: Gross Domestic Product (SA, Bil.Chn.2015.Yen)]

Series 2: diff%(S111NGPC@G10)

S111NGPC@G10 [U.S.: Gross Domestic Product (SA, Bil.Chn.2017\$)]

Series 3: diff%(S112NGPC@G10)

S112NGPC@G10 [U.K.: Gross Domestic Product (SA, Mil.Chained.2022.Pounds)]

Series 4: diff%(S025NGPC@G10)

S025NGPC@G10 [EA 20: Gross Domestic Product (SWDA, Mil.Chn.2020.EUR)]

Series 5: diff%(S136NGPC@G10)

S136NGPC@G10 [Italy: Gross Domestic Product (SWDA, Mil.Chn.2020.EUR)]

Series 6: diff%(S132NGPC@G10)

S132NGPC@G10 [France: Gross Domestic Product (SWDA, Mil.Chn.2020.Euros)]

Series 7: diff%(S134NGPC@G10)

S134NGPC@G10 [Germany: Gross Domestic Product (SWDA, Bil.Chn.2020.Euros)]

Chart 5: Electricity prices in selected major economies

Series 1: movv(GBALAC@NED,104)

GBALAC@NED [United Kingdom [APX]: Electricity Price (\$/MWh)]

Series 2: movv(DEALAC@NED,104)

DEALAC@NED [Germany [EEX]: Electricity Price (\$/MWh)]

Series 3: movv(FRALAC@NED,104)

FRALAC@NED [France [Powernext]: Electricity Price (\$/MWh)]

Series 4: movv(ESALAC@NED,104)

ESALAC@NED [Spain [Omel]: Electricity Price (\$/MWh)]

Series 5: movv(JPALAC@NED,104)

JPALAC@NED [Japan [JPEX]: Electricity Price (\$/MWh)]

Series 6: movv(U3ALAC@NED,104)

U3ALAC@NED [United States New England: Electricity Price (\$/MWh)]

Chart 6: Contributions to Japan's GDP growth

Series 1: JNNGPC@JAPAN

JNNGPC@JAPAN [Japan: Real Gross Domestic Product (NSA, Y/Y % Chg)]

Series 2: JNNDGCT@JAPAN

JNNDGCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Public Demand (NSA, % Pts)]

Series 3: JNNDPCT@JAPAN

JNNDPCT@JAPAN [Japan: Contributions to Chgs in Real GDP: Private Demand (NSA, % Pts)]

Series 4: JNNXNCT@JAPAN

JNNXNCT@JAPAN [Japan: Contrib to Chgs in Real GDP: Net Exports of Goods & Services (NSA, % Pts)]

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.