

20 March 2025

Charts of the Week

Reversal of fortunes

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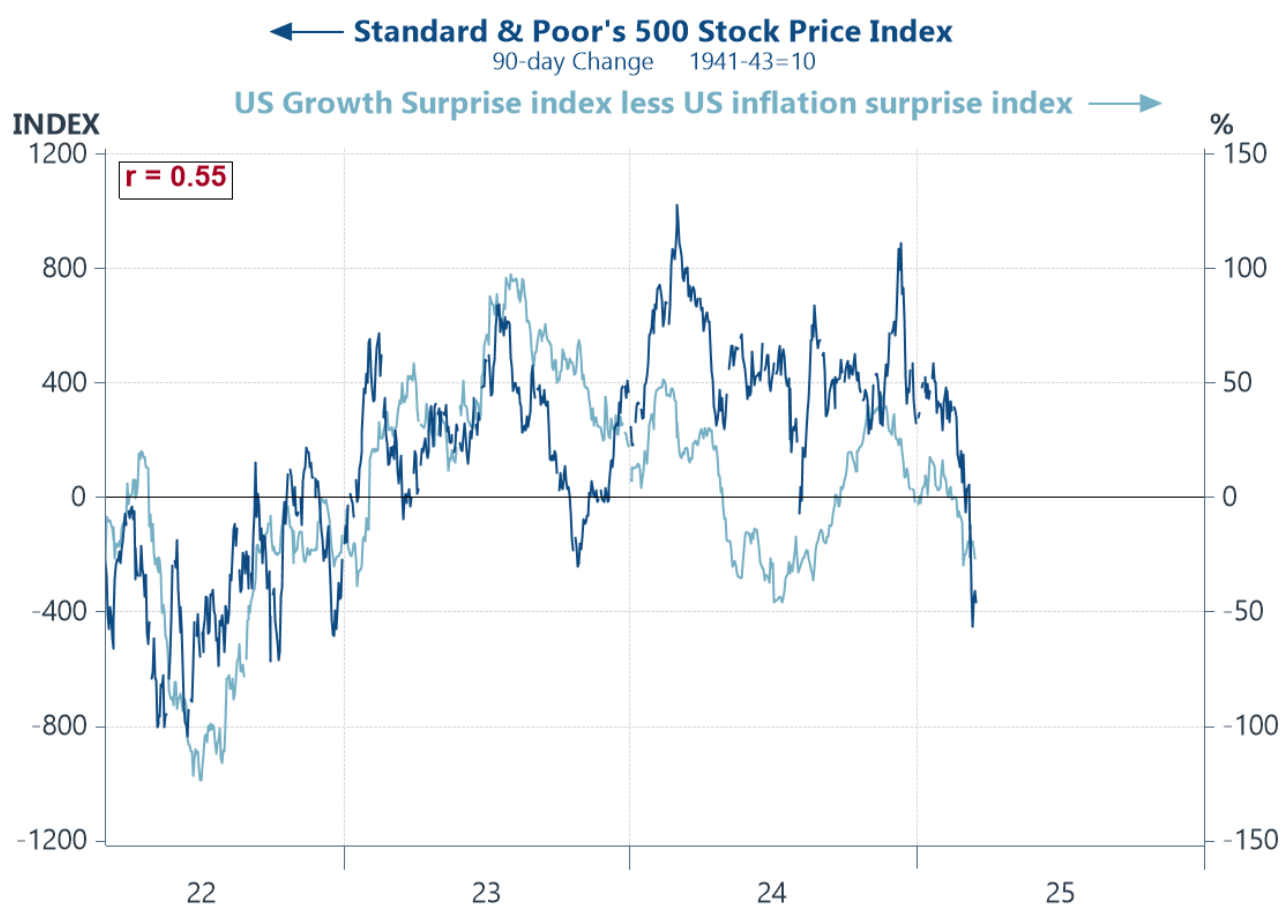
Link to online commentary: <https://haverproducts.com/charts-of-the-week/>
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US equity markets have underperformed relative to global peers in recent weeks, as investor sentiment has deteriorated in response to weaker-than-expected growth data and growing concerns about the Trump administration's economic policies (chart 1). The administration's renewed push for tariffs, alongside fiscal expansion and tighter immigration policies, has fuelled stagflation fears, compounding the uncertainty surrounding the Fed's next steps. This week, the Fed opted to keep its policy rate on hold but acknowledged rising downside risks by revising its GDP growth forecast lower, signalling caution about the economic outlook despite lingering inflation concerns. Foreign capital flows into US assets and their impact on the strong dollar are also showing signs of softening, as trade tensions and policy unpredictability raise questions about long-term US economic stability (chart 2). Meanwhile, global imbalances remain entrenched—China and Germany continue to run high savings rates, while the US remains structurally dependent on external capital to finance its deficits (chart 3). Trump's efforts to rebalance trade through protectionist measures may struggle to overcome these deeper economic realities, particularly as demographic trends reinforce the service-oriented nature of the US economy and constrain China's transition to a consumption-driven model (chart 4). Other central banks are also caught in this evolving landscape—wage growth is slowing in Europe, but lingering inflation risks suggest that rate-cutting cycles could remain uneven (chart 5). For China, where the property market downturn has been a major drag on growth, recent policy measures have offered signs of stabilization, but the road to recovery also remains uncertain (chart 6). With the US economy at risk of slowing more sharply than anticipated, central bank policies finely balanced, and China's long-term growth trajectory still in question, the coming months could prove pivotal in determining whether global financial markets find their footing or remain mired in volatility.

US equity markets

Chart 1 below highlights how the US equity market has historically responded well to positive economic surprises but faltered when growth data disappointed, a trend that has resurfaced in early 2025. Investor concerns have intensified as the Trump administration's policies have raised fears of supply-side constraints and stagflation. The latest downturn in growth surprises suggests the US is losing momentum faster than anticipated, fuelling recession speculation just as policy uncertainty and still-tight monetary conditions weigh on corporate earnings.

Chart 1: Global equity markets have been responding to heightened US recession concerns



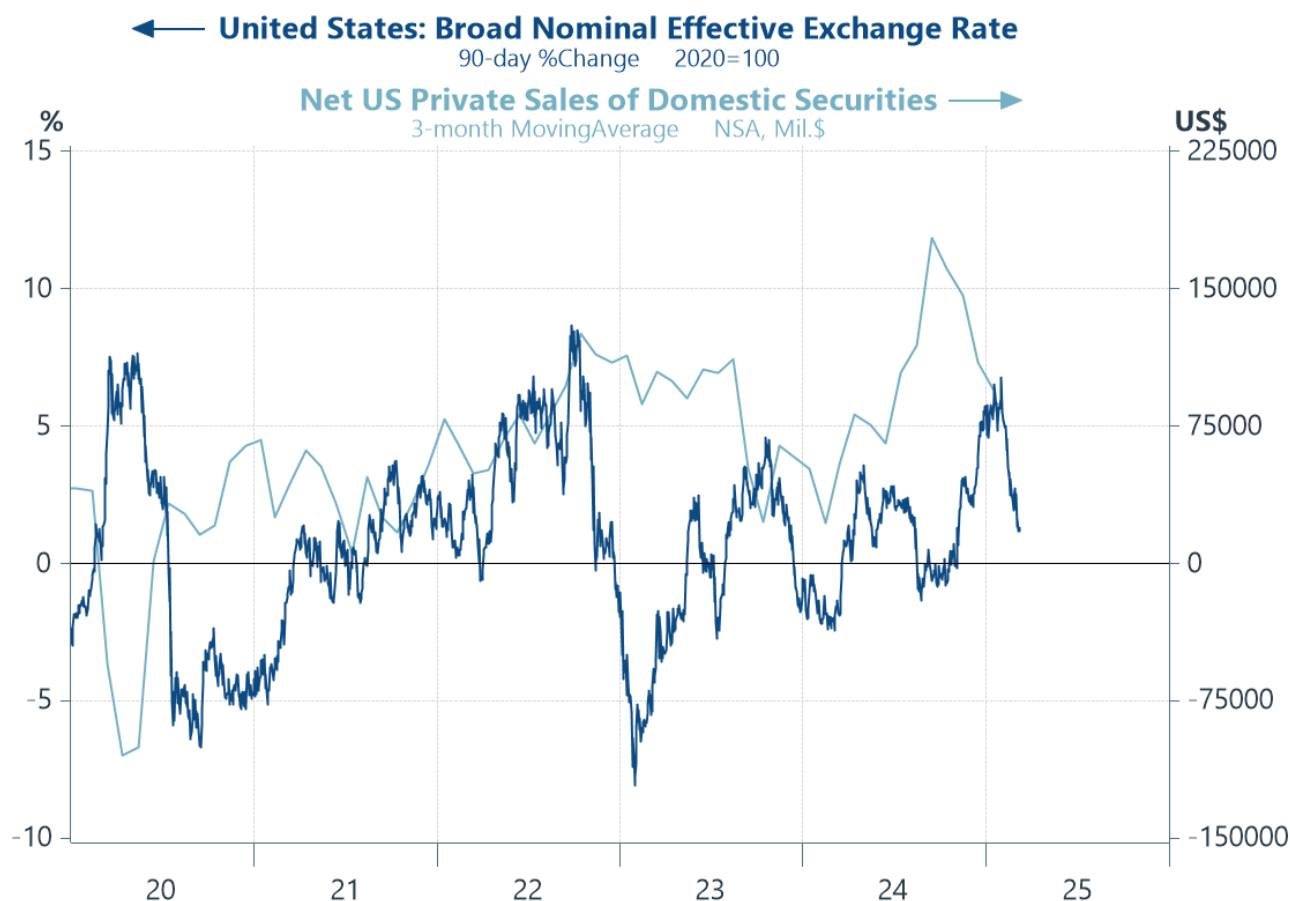
Source: Standard & Poor's/Haver Analytics

US capital flows

Against this backdrop, the US dollar and foreign demand for US financial assets are also in focus. Chart 2 shows a clear (albeit, loose) relationship between movements in Haver's calculation for the broad nominal effective US exchange rate and net private sales of U.S. domestic securities—with periods of dollar strength coinciding with increased foreign purchases of US assets. However, recent volatility suggests that global investors may be reassessing their appetite for US securities. A stronger dollar, often a symptom of risk

aversion, has historically attracted capital inflows, but persistent trade frictions could lead to capital flight if investors begin to question the long-term implications for US economic stability.

Chart 2: Haver's calculations for the US trade weighted exchange rate versus US capital flows



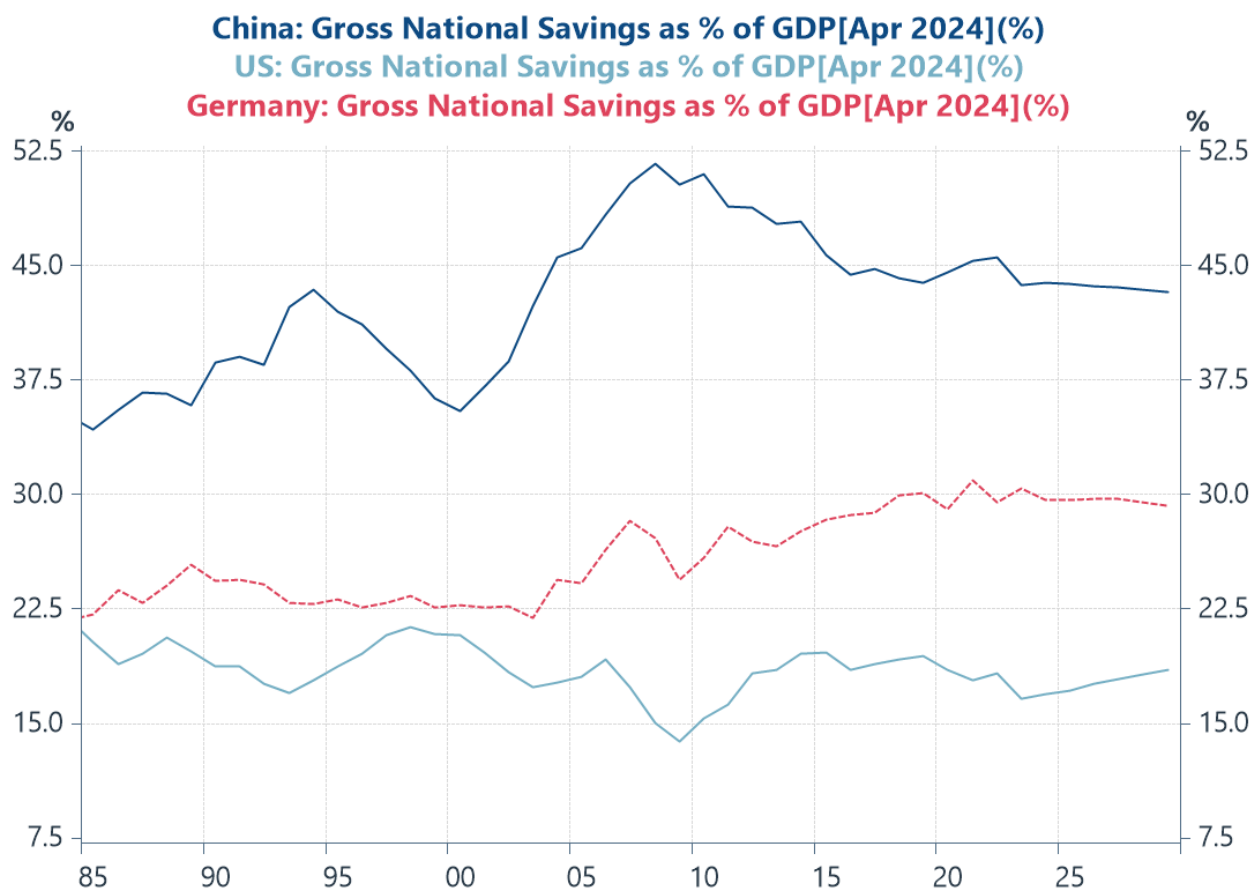
Sources: BIS, TREASURY/Haver

Global re-balancing

The trends in chart 3 below highlight one of the fundamental tensions in the global economy: the persistent gap in savings rates between China, Germany, and the United States, which is one reason (alongside relative investment proclivities) for trade and capital flow imbalances. China's exceptionally high savings rate—consistently above 40% of GDP—reflects its export-driven growth model, where low domestic consumption rates and state-led investment create large external surpluses. Similarly, Germany's high savings rate, hovering around 30% of GDP, stems from policies that have arguably compressed domestic wages and reinforced a structural reliance on exports. In contrast, the US has maintained a much lower savings rate, historically around 15-20%, reflecting its dependence on domestic consumption and foreign capital inflows

to sustain investment. This imbalance has long made the U.S. the "consumer of last resort," absorbing excess savings from surplus economies, a dynamic that President Trump has repeatedly attacked as unfair.

Chart 3: National Savings Rates in the US, China and Germany



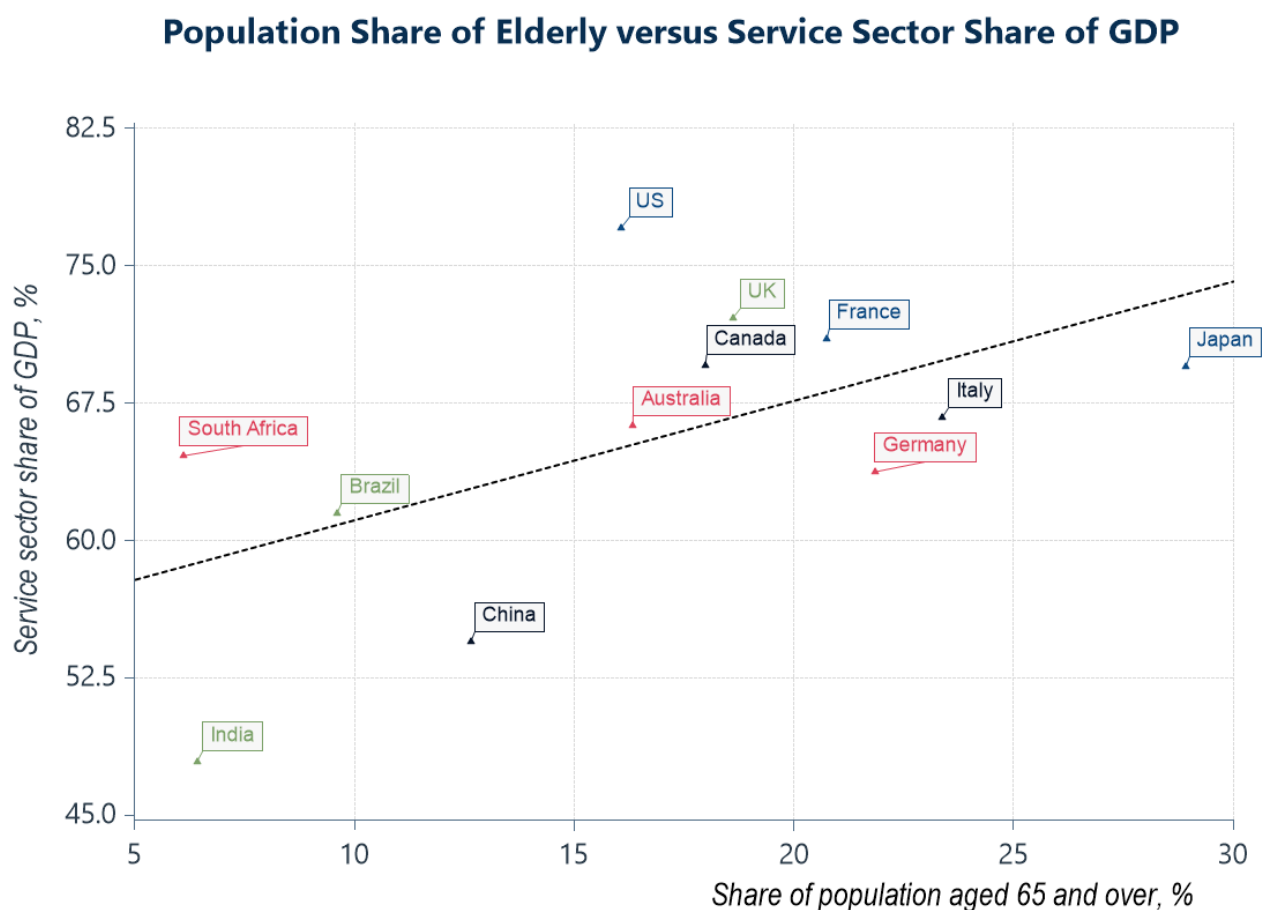
Source: International Monetary Fund/Haver Analytics

Ageing and services

Tariffs alone may not achieve the US administration's goals, as they fail to address deeper structural drivers of global trade imbalances. While tariffs make imports more expensive, they do little to alter economic specialization shaped by demographics and domestic structures. The US has a disproportionately large service sector due to its consumption-driven economy, high healthcare spending, and dominant financial services, while China's remains underdeveloped despite an ageing population, reflecting its investment-heavy model and weaker safety nets (chart 4). This divergence fuels trade imbalances, with the US absorbing demand from surplus economies like China, which prioritizes manufacturing over services. Efforts to rebalance trade through reshoring face resistance from these entrenched models—China's shift toward a consumption-led economy will take decades, while the US remains dependent on foreign capital.

Until these imbalances adjust, trade tensions will persist, with policy struggling to override structural economic forces.

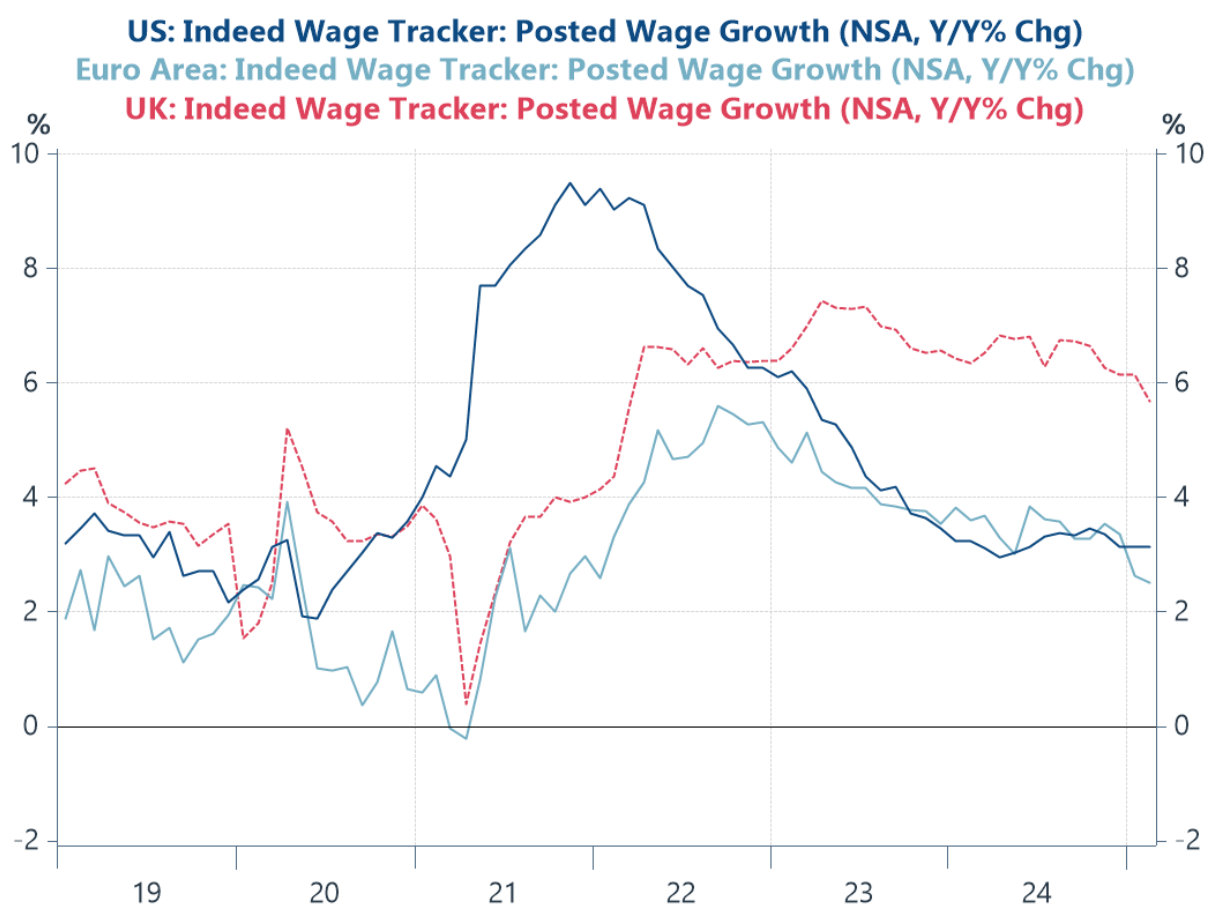
Chart 4: Elderly population shares are linked with an economy's service sector share of GDP



Wage inflation in the US and Europe

According to the latest trackers from the Indeed hiring company wage growth is slowing across major economies, but differences between the US, UK, and Eurozone highlight lingering challenges for central banks and particularly the Bank of England. US wage growth, which peaked at nearly 9% in 2022 amid labour shortages and policy stimulus, has fallen to just around 3%. The Eurozone has followed a similar trend. In contrast, UK wage growth remains close to 6%, thanks to worker shortages, cost-of-living adjustments, and possibly some Brexit frictions, which are posing a greater inflation risk (chart 5).

Chart 5: The Indeed hiring company's latest trackers suggest slowing wage growth in Europe

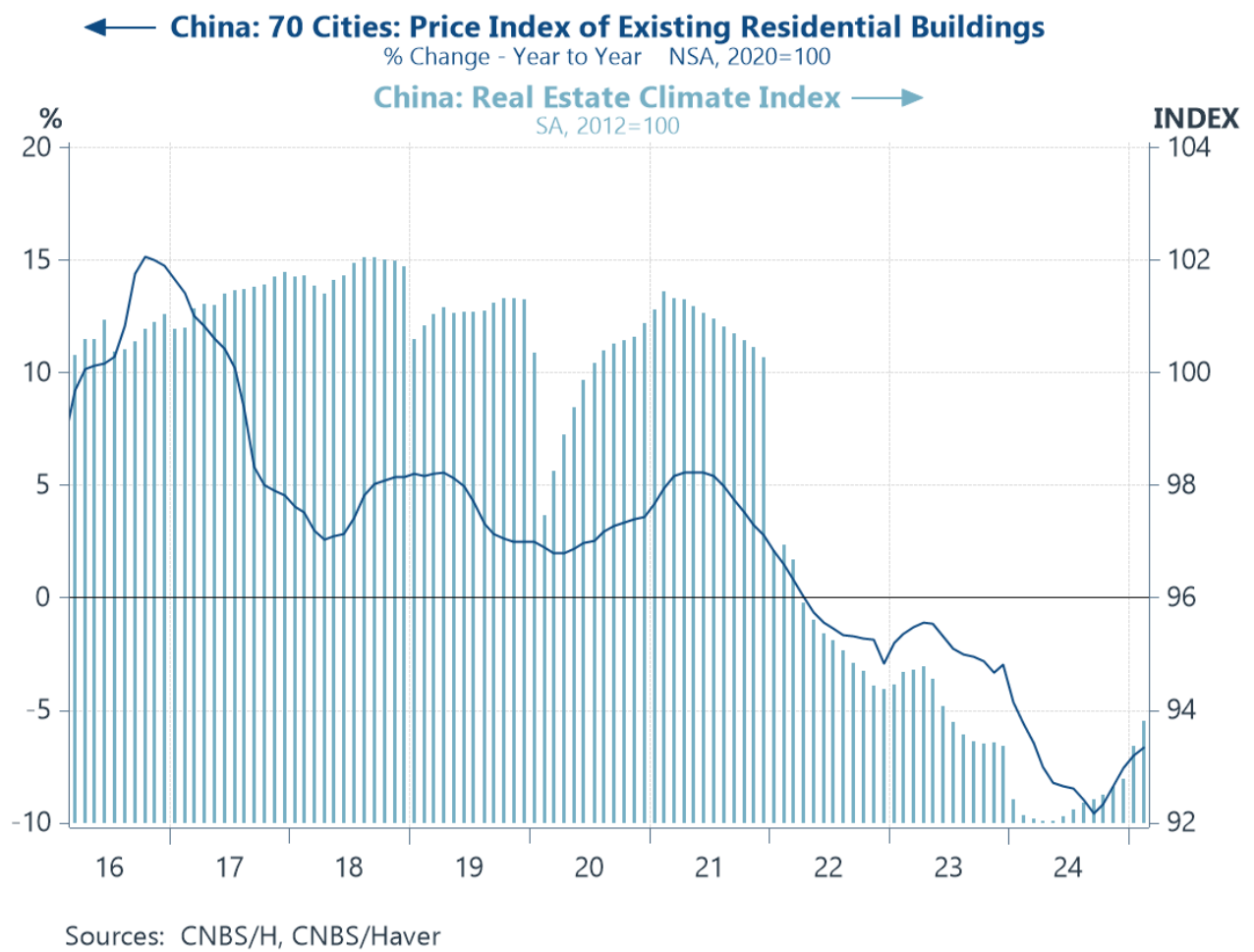


Source: Indeed Hiring Lab/Haver Analytics

China's property market

China's property market is showing early signs of stabilization, with the Real Estate Climate Index beginning to recover and the pace of house price declines slowing. The price index for existing residential buildings across 70 cities, which had been in steady decline since 2021, is now deflating at a much slower rate, suggesting that policy support is gaining traction. The Real Estate Climate Index has also begun to edge higher, indicating a tentative improvement in market sentiment (chart 6). This turnaround follows a series of government interventions, including interest rate cuts, relaxed mortgage rules, and targeted support for developers. While challenges remain, particularly in restoring broader homebuyer confidence and sustaining demand, the latest data suggest that the worst of the downturn could be over. Whether this recovery can gain momentum will depend on the effectiveness of continued policy easing and whether China's broader economic environment supports a sustained rebound in real estate investment.

Chart 6: Signs of a bottoming in China's property market



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: Global equity markets have been responding to heightened US recession concerns

Series 1: [diff\(\\$111SP5@INTDAILY,90\)](#)

\$111SP5@INTDAILY [Standard & Poor's 500 Stock Price Index (1941-43=10)]

Series 2: [\(V111CSI@INTDAILY - V111CIS@INTDAILY\)](#)

V111CSI@INTDAILY [Citigroup Economic Surprise Index: Based on USD (%)]

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

Chart 2: Haver's calculations for the US trade weighted exchange rate versus US capital flows

Series 1: [diff%\(X111DNB@INTDAILY,90\)](#)

X111DNB@INTDAILY [United States: Broad Nominal Effective Exchange Rate (2020=100)]

Series 2: [movv\(LT001DP@USINT,3\)](#)

LT001DP@USINT [Net US Private Sales of Domestic Securities (NSA, Mil.\$)]

Chart 3: National Savings Rates in the US, China and Germany

Series 1: [J924NGSS@IMFWEO](#)

J924NGSS@IMFWEO [China: Gross National Savings as % of GDP[Apr 2024](%)]

Series 2: [J111NGSS@IMFWEO](#)

J111NGSS@IMFWEO [US: Gross National Savings as % of GDP[Apr 2024](%)]

Series 3: [J134NGSS@IMFWEO](#)

J134NGSS@IMFWEO [Germany: Gross National Savings as % of GDP[Apr 2024](%)]

Chart 4: Elderly population shares are linked with an economy's service sector share of GDP

Series 1: [U111P65@WDI](#)

U111P65@WDI [U.S.: Population Ages 65 and Above (% of Total)]

Series 2: [N111SVP@WDI](#)

N111SVP@WDI [U.S.: Services etc, Value Added (% of GDP)]

Series 3: [U193P65@WDI](#)

U193P65@WDI [Australia: Population Ages 65 and Above (% of Total)]

Series 4: [N193SVP@WDI](#)

N193SVP@WDI [Australia: Services, Etc., Value Added (FY, % of GDP)]

Series 5: U223P65@WDI

U223P65@WDI [Brazil: Population Ages 65 and Above (% of Total)]

Series 6: N223SVP@WDI

N223SVP@WDI [Brazil: Services etc, Value Added (% of GDP)]

Series 7: U924P65@WDI

U924P65@WDI [China: Population Ages 65 and Above (% of Total)]

Series 8: N924SVP@WDI

N924SVP@WDI [China: Services etc, Value Added (% of GDP)]

Series 9: U132P65@WDI

U132P65@WDI [France: Population Ages 65 and Above (% of Total)]

Series 10: N132SVP@WDI

N132SVP@WDI [France: Services etc, Value Added (% of GDP)]

Series 11: U134P65@WDI

U134P65@WDI [Germany: Population Ages 65 and Above (% of Total)]

Series 12: N134SVP@WDI

N134SVP@WDI [Germany: Services etc, Value Added (% of GDP)]

Series 13: U534P65@WDI

U534P65@WDI [India: Population Ages 65 and Above (% of Total)]

Series 14: N534SVP@WDI

N534SVP@WDI [India: Services, Etc., Value Added (FY, % of GDP)]

Series 15: U136P65@WDI

U136P65@WDI [Italy: Population Ages 65 and Above (% of Total)]

Series 16: N136SVP@WDI

N136SVP@WDI [Italy: Services etc, Value Added (% of GDP)]

Series 17: U158P65@WDI

U158P65@WDI [Japan: Population Ages 65 and Above (% of Total)]

Series 18: N158SVP@WDI

N158SVP@WDI [Japan: Services etc, Value Added (% of GDP)]

Series 19: U199P65@WDI

U199P65@WDI [South Africa: Population Ages 65 and Above (% of Total)]

Series 20: N199SVP@WDI

N199SVP@WDI [South Africa: Services etc, Value Added (% of GDP)]

Series 21: U112P65@WDI

U112P65@WDI [UK: Population Ages 65 and Above (% of Total)]

Series 22: N112SVP@WDI

N112SVP@WDI [UK: Services etc, Value Added (% of GDP)]

Series 23: U156P65@WDI

U156P65@WDI [Canada: Population Ages 65 and Above (% of Total)]

Series 24: N156SVP@WDI

N156SVP@WDI [Canada: Services etc, Value Added (% of GDP)]

Chart 5: The Indeed hiring company's latest trackers suggest slowing wage growth in Europe

Series 1: LIWTY@USECON

LIWTY@USECON [US: Indeed Wage Tracker: Posted Wage Growth (NSA, Y/Y% Chg)]

Series 2: I025YOY@EUDATA

I025YOY@EUDATA [Euro Area: Indeed Wage Tracker: Posted Wage Growth (NSA, Y/Y% Chg)]

Series 3: UKNVYY@UK

UKNVYY@UK [UK: Indeed Wage Tracker: Posted Wage Growth (NSA, Y/Y% Chg)]

Chart 6: Signs of a bottoming in China's property market

Series 1: yrry%(N924HK@EMERGEPR)

N924HK@EMERGEPR [China: 70 Cities: Price Index of Existing Residential Buildings (NSA, 2020=100)]

Series 2: N924HIRC@EMERGEPR

N924HIRC@EMERGEPR [China: Real Estate Climate Index (SA, 2012=100)]

Get in touch

Email sales@haver.com and someone from our team will connect with you to discuss your data needs.

