

The Statue of Liberty is shown in a blue-tinted, semi-transparent overlay on the right side of the page. It is holding a torch in its right hand and a tablet in its left. The background is a clear blue sky.

3 April 2025

Charts of the Week

Trade shocks

HAVER ANALYTICS®

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For some further views on the impact on the world economy of recent US tariff policies [please see this piece](#) in our ‘Research’ section on haverproducts.com or on [Haver.com](https://haver.com) under ‘Viewpoints’.

The return of protectionist trade policies under the new US administration had already added a significant layer of uncertainty to an already fragile global landscape. And this has now been dramatically amplified following the decision by the US administration to announce a sweeping package of tariffs on a broad range of imports from key trading partners—including the EU, China, and several emerging markets. These measures were more expansive in both scope and scale than markets had anticipated, and they carry the potential for significant global economic disruption—particularly if targeted trading partners respond with retaliatory countermeasures, escalating the risk of a full-scale trade conflict.

The announcement has sent a fresh wave of volatility through financial markets. Equities in export-dependent economies have sold off sharply, while European capital goods manufacturers and global logistics firms saw their valuations marked down in anticipation of disrupted supply chains and rising input costs. Treasury yields have also declined on expectations of weaker investment and slower growth, while emerging market currencies came under pressure amid renewed concerns over capital outflows and global trade fragmentation.

The impact on business sentiment and investment planning could be immediate. Firms with international exposure are likely reassessing capex plans and supply chain configurations, while some have accelerated domestic sourcing strategies in anticipation of longer-term decoupling. Early survey data suggest that capital expenditure intentions, particularly in globally integrated sectors, are already weakening—a signal that could weigh heavily on productivity and future potential output.

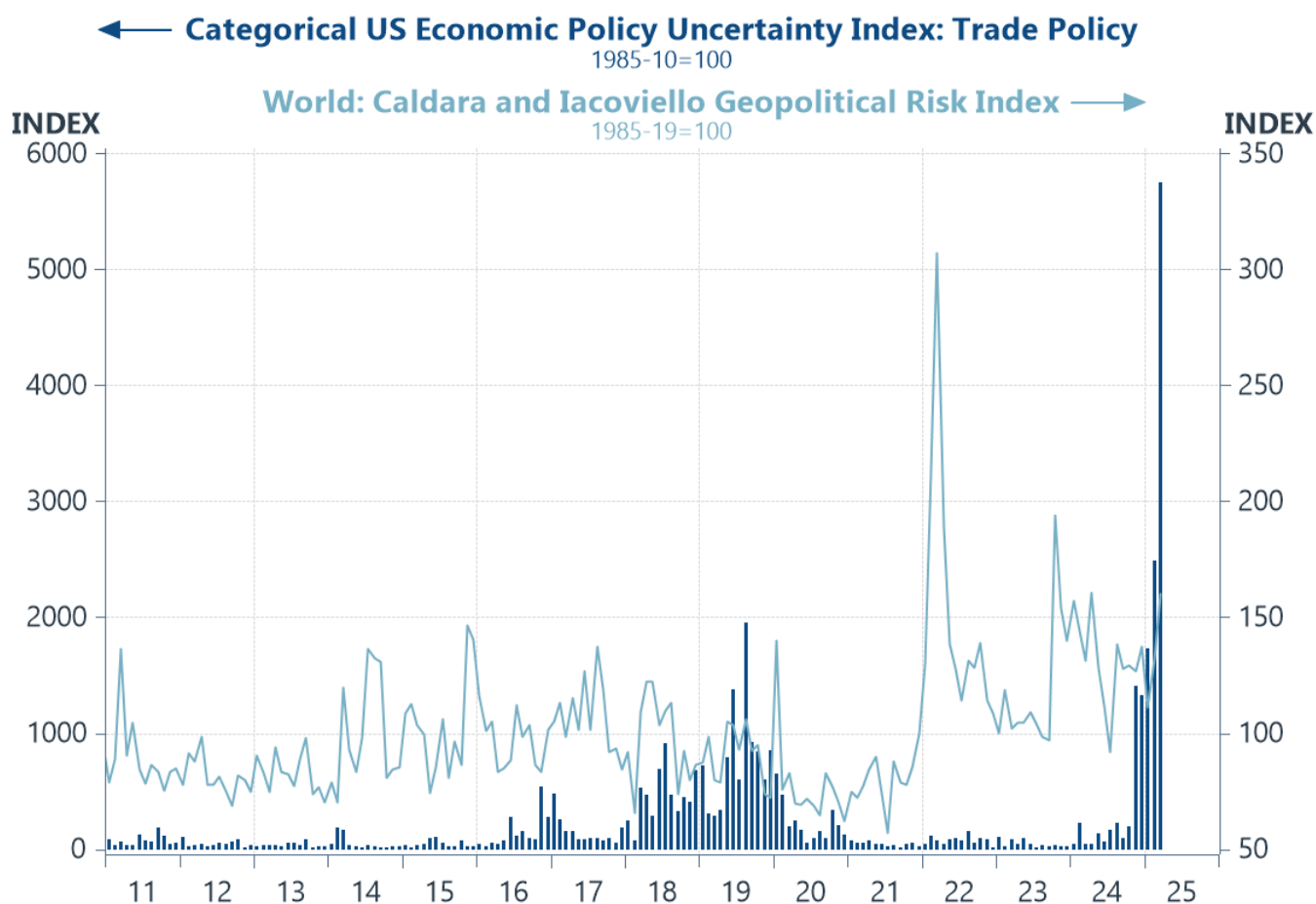
Against this backdrop, central banks face a challenging policy recalibration. While disappointing US growth data had already tilted expectations toward monetary easing, the scale of trade disruption now adds an additional layer of urgency (charts 1 and 2). Economic forecasters broadly anticipate that most major central banks will lean further into rate cuts in the coming months to offset downside risks (chart 3). That view has gained further traction in Europe, where softer inflation prints (chart 4) have reinforced expectations of imminent ECB action. Meanwhile, more activist fiscal policies in Europe and China (chart 5) provide some offset to the gloom, though these too now face bigger headwinds in an increasingly fragmented trade landscape.

Ultimately, the burden of adjustment is now falling most heavily on trade-dependent economies (chart 6). With the global system inching closer to bifurcation, the downside risks to growth, investment, and policy coordination are rising sharply. The next few months will test not only the resilience of the global economy but also the credibility of the policy frameworks designed to support it.

Trade policy uncertainty and geopolitical stress

Our first chart this week illustrates the sharp escalation in US trade policy uncertainty that has unfolded over the past few months. The US Economic Policy Uncertainty Index for trade policy has specifically surged to multi-decade highs, reflecting heightened concern about the direction and credibility of US trade actions under the new administration. This jump unfolded ahead of the major policy announcement from the US administration on April 2nd. Simultaneously, the Caldara and Iacoviello Global Geopolitical Risk Index has also moved sharply higher in recent weeks, indicating growing unease over multiple flashpoints, including tensions in the Middle East, Eastern Europe, and US-China relations. Together, these indicators highlight the growing complexity and fragility of the global economic environment. They also underscore why financial markets are finding it increasingly difficult to anchor expectations—caught between shifting trade alignments and mounting geopolitical stress.

Chart 1: US trade policy uncertainty versus an index of geopolitical risk

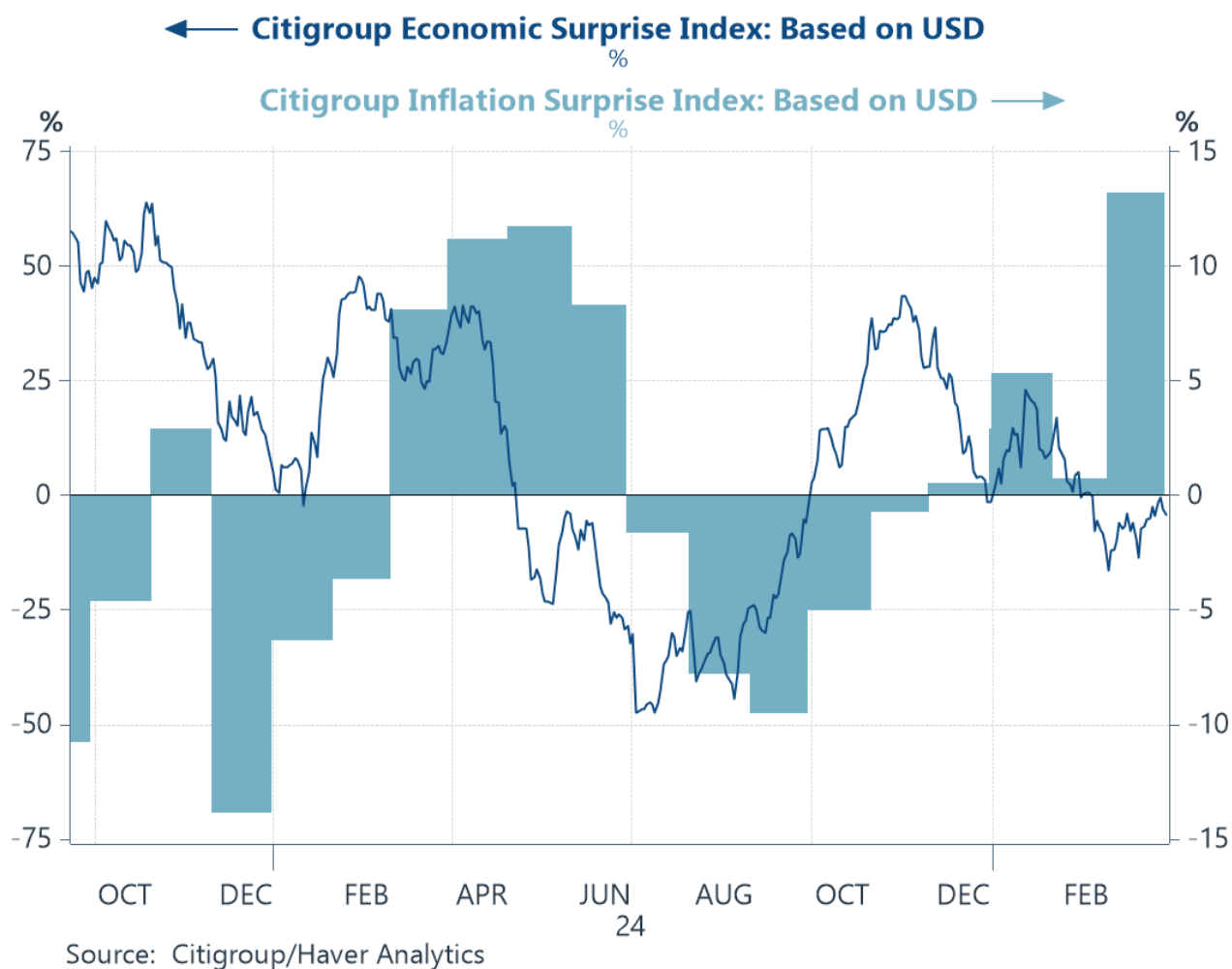


Sources: PolicyUncertainty.com, Caldara and Iacoviello/Haver Analytics

US data surprises and stagflation

Chart 2 below highlights the recent divergence between economic and inflation surprises in the United States. The Citigroup US Economic Surprise Index has fallen sharply and into negative territory in recent weeks, reflecting a consistent pattern of weaker-than-expected growth data. At the same time, the Inflation Surprise Index has been climbing, indicating that inflation readings are coming in above consensus expectations. This combination—disappointing growth alongside stubborn price pressures—reflects a stagflation-lite scenario, and one that could now worsen in the immediate months ahead.

Chart 2: Citigroup US growth surprise index versus inflation surprise index

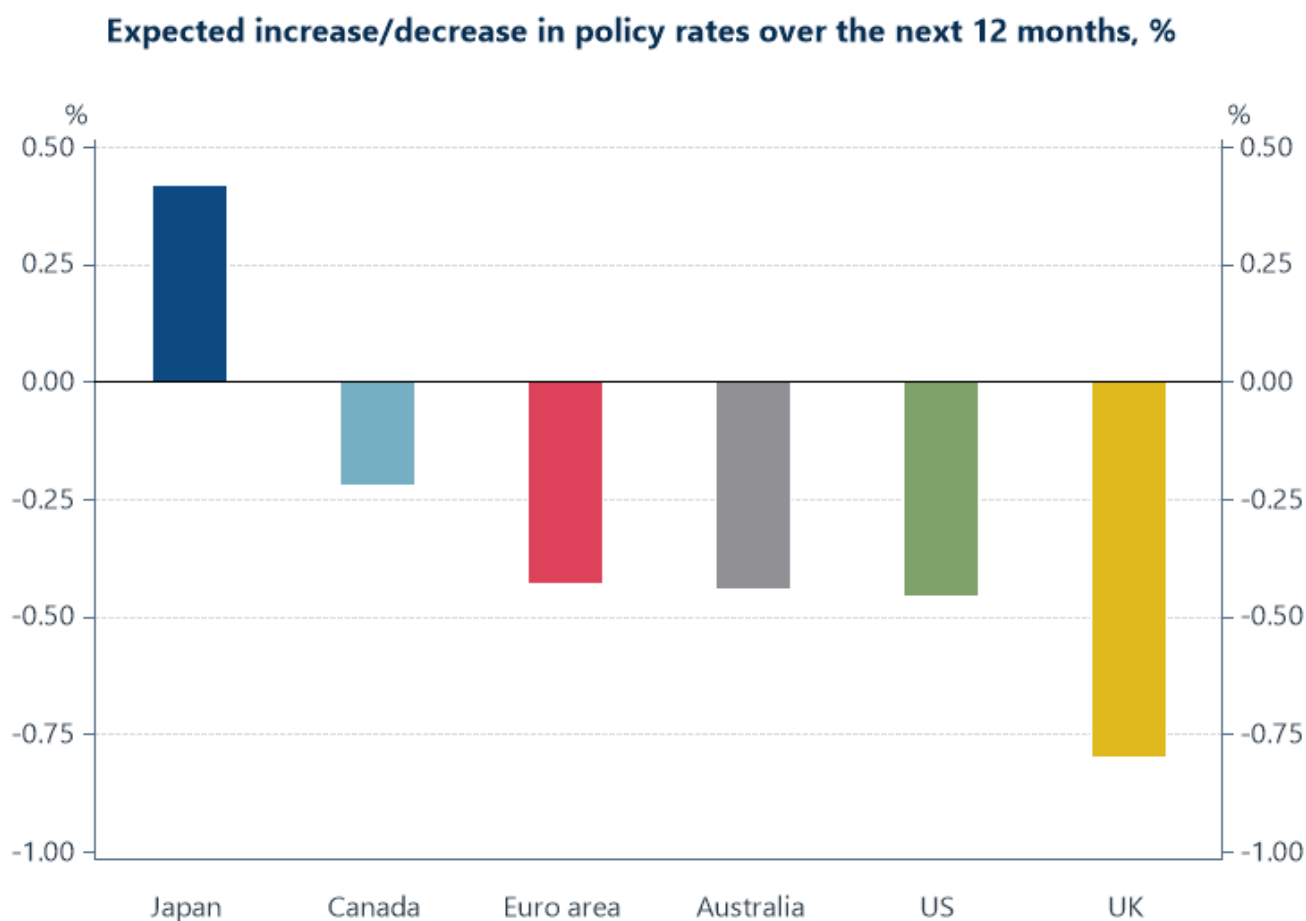


Consensus expectations for Central Bank policy

This next chart illustrates the latest consensus expectations from Blue Chip Financial Forecasters panel for policy rates across major economies over the next 12 months. These were pulled together before this week's US announcement so may now be a little dated. Still, the consensus had already been pointing firmly toward an easing bias, particularly in the UK, Euro area, and United States. And this reflects growing concern about weakening economic momentum and the need for monetary policy to counteract downside risks. The UK, where rate cuts are most aggressive, is facing one of the sharpest growth slowdowns among developed economies, while the Eurozone's dovish pivot has been supported by softer-than-expected inflation data, as we discuss below. In contrast, Japan stands out as the only major economy where modest rate hikes are still

anticipated, driven by nascent signs of inflation persistence and the Bank of Japan’s desire to normalize policy.

Chart 3: Blue Chip Financial Forecasts: Expectations for policy rates over the next 12 months



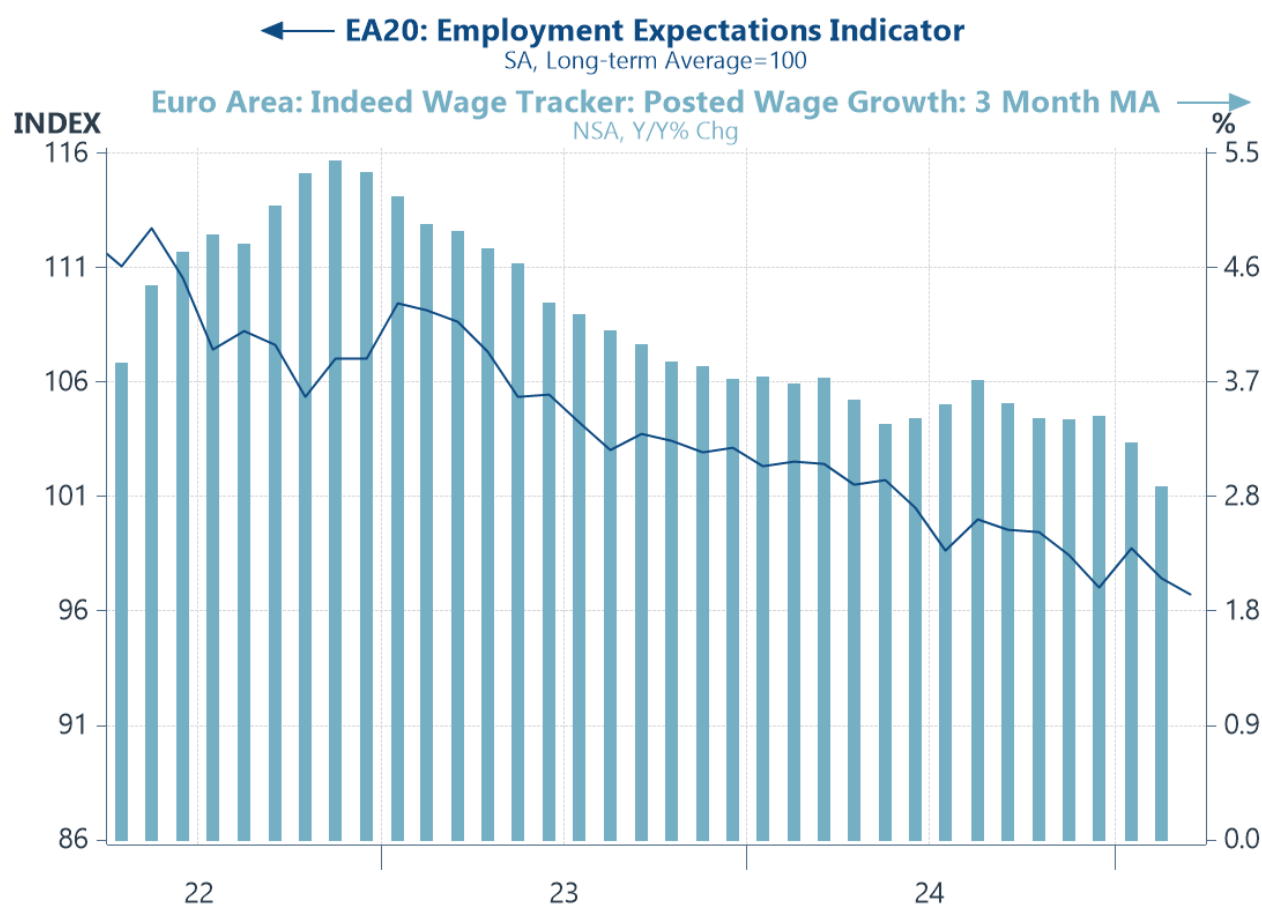
Source: Haver Analytics

The euro area labour market

This next chart shows two important indicators of labour market dynamics in the Euro Area: employment expectations (from the EC survey) and posted wage growth based on Indeed job ads (line). Both series have been trending lower, suggesting that the euro area labour market is cooling. The decline in employment expectations signals increasing caution among employers about future hiring plans—likely a response to slower growth, tighter financial conditions and, more recently, US trade policy uncertainty. At the same time, wage growth has eased steadily over the past year, reinforcing the view that second-round inflation pressures from the labour market are subsiding. This softening in labour indicators has given the European

Central Bank additional room to begin discussing further interest rate cuts, particularly as headline inflation readings have also surprised to the downside.

Chart 4: Euro Area: Employment expectations and Indeed's wage tracker



Sources: European Commission, Indeed Hiring Lab/Haver Analytics

China's economy

Chart 5 below illustrates the Yicai High Frequency Economic Activity Index (YHEI), which tracks real-time fluctuations in China's economy based on a range of mobility, transport, and consumption indicators. After several quarters of sluggish activity, the index has recently rebounded to its highest levels in over a year. This upswing suggests a tentative revival in domestic economic momentum, supported by targeted fiscal stimulus, easing credit conditions, and a modest improvement in consumer sentiment. The rebound clearly comes at a critical moment for China, as policymakers seek to offset US tariff policies and persistent weaknesses in the property sector. These imply that the sustainability of this pickup remains uncertain, but

they have reinforced the narrative that China is leaning more heavily on proactive fiscal and quasi-fiscal tools to stabilise growth in 2025.

Chart 5: China's Yicai High Frequency Economic Activity Indicator



World trade

Our final chart this week combines two leading indicators of world trade: South Korea's merchandise exports and the Global Real Economic Activity Index in Industrial Commodity Markets. Both series have turned decisively lower in recent months, underscoring some persistent weakness in global goods demand. South Korea, often considered a bellwether for global trade due to its exposure to tech and industrial supply chains, has reported multiple months of year-on-year export declines. At the same time, commodity-linked activity—an important proxy for industrial production and construction globally—has also faltered. The high historical correlation between these two series amplifies the signal that global trade is under stress. And with the US

administration unveiling additional trade barriers this week, downside risks to export-dependent economies are becoming much more acute.

Chart 6: Economic activity in commodity markets and South Korea's trade



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 trade policy uncertainty versus an index of geopolitical risk

Series 1: [SEPUCT@USECON](#)

SEPUCT@USECON [Categorical US Economic Policy Uncertainty Index: Trade Policy (1985-10=100)]

Series 2: [DGLGPD@ESG](#)

DGLGPD@ESG [World: Caldara and Iacoviello Geopolitical Risk Index (1985-19=100)]

Chart 2: Citigroup US growth surprise index versus inflation surprise index

Series 1: [V111CSI@INTDAILY](#)

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

Series 2: [V111CIS@INTDAILY](#)

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

Chart 3: Blue Chip Financial Forecasts: Expectations for policy rates over the next 12 months

Series 1: [\(AAYW@BLUECFIN - N158RTAR@G10\)](#)

AAYW@BLUECFIN [BCFF: Japan: Policy-Rate Balance Rate 12-Mo Forecast: Consensus (%)]

N158RTAR@G10 [Japan: Bank of Japan Policy Rate (EOP, %)]

Series 2: [\(AAZF@BLUECFIN - N156RTAR@G10\)](#)

AAZF@BLUECFIN [BCFF: Canada: O/N Money Mkt Financing Rate 12-Mo Forecast: Consensus (%)]

N156RTAR@G10 [Canada: Overnight Money Market Financing Rate [Target] (EOP, %)]

Series 3: [\(AAZL@BLUECFIN - I023DR@EUDATA\)](#)

AAZL@BLUECFIN [BCFF: Euro area: Main Refinancing Rate 12-Mo Forecast: Consensus (%)]

I023DR@EUDATA [Euro Area 11-20: Deposit Rate (EOP, %)]

Series 4: [\(AAZI@BLUECFIN - N193RTAR@G10\)](#)

AAZI@BLUECFIN [BCFF: Australia: Official Cash Rate 12-Mo Forecast: Consensus (%)]

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

Series 5: [\(AAYQ@BLUECFIN - N111RTAR@G10\)](#)

AAYQ@BLUECFIN [BCFF: US: Fed Funds Target Rate 12-Mo Forecast: Consensus (%)]

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

Series 6: [\(AAYZ@BLUECFIN - N112RTAR@G10\)](#)

AAYZ@BLUECFIN [BCFF: UK: Official Bank Rate 12-Mo Forecast: Consensus (%)]

N112RTAR@G10 [U.K.: Official Bank Rate (EOP, %)]

Chart 4: Euro Area: Employment expectations and Indeed's wage tracker

Series 1: [E025EEI@EUDATA](#)

E025EEI@EUDATA [EA20: Employment Expectations Indicator (SA, Long-term Average=100)]

Series 2: [I025YMA@EUDATA](#)

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

Chart 5: China's Yicai High Frequency Economic Activity Indicator

Series 1: [movv\(V924YCI@INTDAILY,7\)](#)

V924YCI@INTDAILY [China: Yicai High Frequency Economic Activity Index [YHEI] (2019=1)]

Chart 6: Economic activity in commodity markets and South Korea's trade

Series 1: [N001GVI@G10](#)

N001GVI@G10 [Global Real Economic Activity Index in Industrial Commodity Markets (NSA, %)]

Series 2: [yrr%\(H542IXD@EMERGEPR\)](#)

H542IXD@EMERGEPR [South Korea: Merchandise Trade: Exports (SA, Mil.US\$)]

Get in touch

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

