

Navigating uncertainty

- ◆ As we step into 2025, the short-term outlook remains uncertain...
- ◆ ...in terms of trade, inflation, growth, and policy choices...
- ◆ ...and so we highlight the key data to track as the year progresses

Despite a myriad of challenges, the global economy performed better than we may have expected in 2024 – a year marked by multiple elections, elevated interest rates and geopolitical uncertainty. Inflation moderated at a decent pace over the year – sufficiently to allow most central banks to begin their easing cycles.

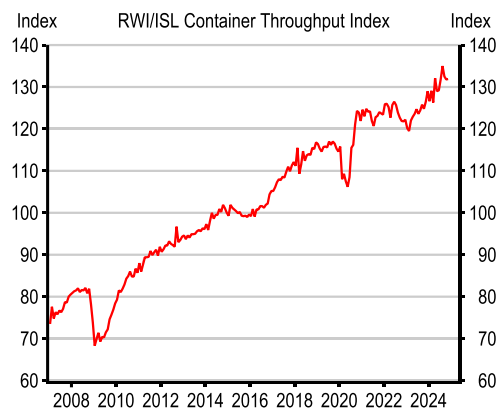
2025 looks set to be a year of enormous uncertainty again. This time, surrounding president-elect Trump’s second term and the path of US policy that could **influence so many corners of the global economy**, from the strength of US demand and global trade flows to how much more easing is delivered by the Federal Reserve.

Trade risks

Trade policy will be key. There is clearly a lot of uncertainty around how Trump’s tariff announcements will translate to policy – especially around what rates will actually be levied, how and the timing. The question is whether trade can continue to be an engine of growth for key economies around the world. Global goods trade seems to be holding up for now, but the **risks are firmly tilted to the downside**.

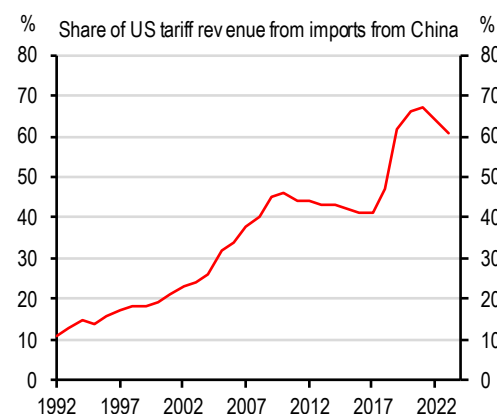
Trade is holding up but risks are to the downside

1. Can global trade continue its gradual uptrend?



Source: Macrobond

2. How much higher will US tariffs on Chinese imports go?



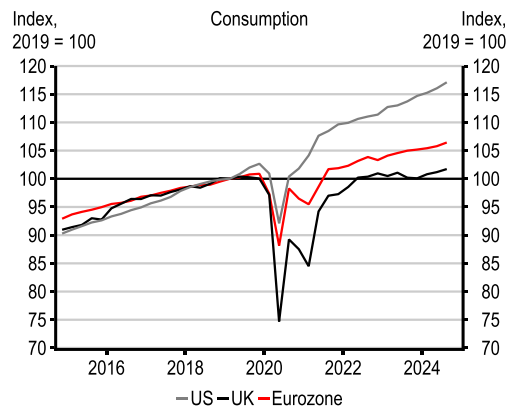
Source: Peterson Institute for International Economics (PIIE)

We expect looser European monetary policy

Europe's growth challenges

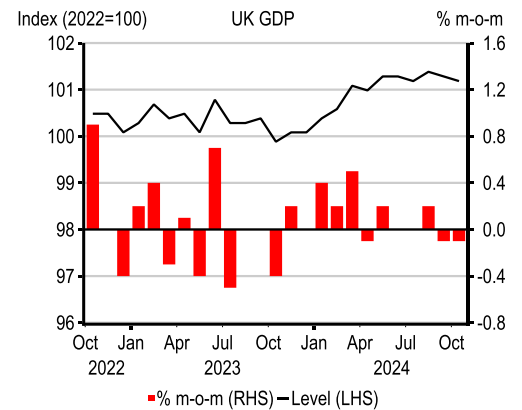
Another question mark hangs over Europe after a year of political change and weak growth. Indeed, the region's composite PMI remained in contraction in December, highlighting continued weakness in manufacturing, particularly in France and Germany, however services returned to growth. We expect the European Central Bank to **continue their gradual pace of easing** this year, with another three 25bp cuts at the January, March and April meetings.

3. Is there any chance of European consumers opening their wallets more?



Source: Macrobond

4. Will the UK break out of stagnation?



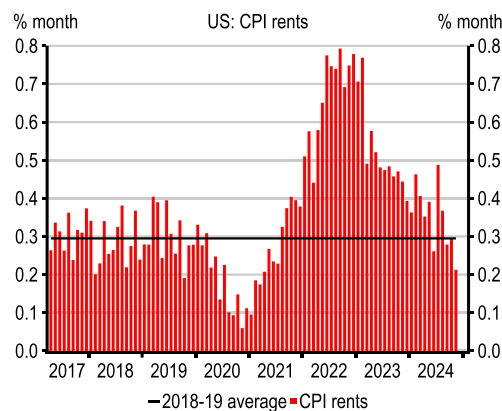
Source: Macrobond

Inflationary battles

Rental inflation in the US remains elevated

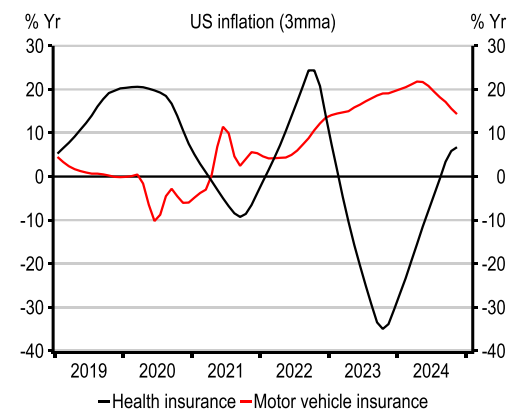
On the inflation front, despite the progress in 2024, the war against inflation isn't quite over. There are **pockets of price pressures in different parts of the world, such as US rental inflation**, that are hanging around making some central bankers nervous about their easing plans. However, with some core goods and food prices rising again we could see strains in terms of household incomes that hold back consumer demand.

5. Will US rental inflation continue easing?



Source: Macrobond

6. Will key categories still have such a big impact on inflation?



Source: Macrobond

Finally, there are plenty of questions over the direction of policy across the world (not just in the US) in a year following big electoral change. Will governments be able to deliver their promises to voters in a world of elevated debt and growing bills to pay? All in all, it looks set to be another highly unpredictable year, and tracking the right data will be crucial to guide us all through it.

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
16 Dec	Mainland China	Retail sales, % y-o-y	Nov	3.0	5.0	4.8	↓
16 Dec	Eurozone	HCOB manufacturing PMI	Dec, flash	45.2	45.3	45.2	↓
16 Dec	Eurozone	HCOB services PMI	Dec, flash	51.4	49.5	49.5	↑
16 Dec	UK	S&P Global manufacturing PMI	Dec, flash	47.3	48.5	48.0	↓
16 Dec	UK	S&P Global services PMI	Dec, flash	51.4	51.0	50.8	↑
16 Dec	US	S&P Global manufacturing PMI	Dec, flash	48.3	49.5	49.7	↓
16 Dec	US	S&P Global services PMI	Dec, flash	58.5	55.8	56.1	↑
17 Dec	US	Retail sales advance, % m-o-m	Nov	0.7	0.6	0.5	↑
18 Dec	US	FOMC rate decision, %	-	4.25-4.50	4.25-4.50	4.50-4.75	→
20 Dec	UK	Retail sales, % y-o-y	Nov	0.5	1.0	2.0	↓

Source: Bloomberg, HSBC

↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
13 Jan	Mainland China	Exports / Imports	Dec
15 Jan	UK	CPI	Dec
15 Jan	US	CPI	Dec
16 Jan	UK	GDP	Nov
16 Jan	US	Retail sales	Dec
17 Jan	Mainland China	Retail sales / GDP	Dec / Q4
17 Jan	UK	Retail sales	Dec
20 Jan	Mainland China	People's Bank of China interest rate announcement	-
24 Jan	EU / UK / US	PMIs	Jan
27 Jan	Mainland China	NBS Manufacturing PMI	Jan
30 Jan	US	Federal Reserve interest rate announcement	-
30 Jan	Eurozone	GDP	Q4
30 Jan	Eurozone	European Central Bank interest rate announcement	-
30 Jan	US	GDP	Q4

Source: Refinitiv Eikon, HSBC

Disclosure appendix

Important disclosures

Additional disclosures

- 1 This report is dated as at 08 January 2025.
- 2 All market data included in this report are dated as at close 06 January 2025, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument or of an investment fund.

Disclaimer

This document is prepared by The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document is distributed by HSBC Continental Europe, HBAP, HSBC Bank (Singapore) Limited, HSBC Bank (Taiwan) Limited, HSBC Bank Malaysia Berhad (198401015221 (127776-V))/HSBC Amanah Malaysia Berhad (200801006421 (807705-X)), The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), HSBC Bank Middle East Limited, HSBC UK Bank plc, HSBC Bank plc, Jersey Branch, and HSBC Bank plc, Guernsey Branch, HSBC Private Bank (Suisse) SA, HSBC Private Bank (Suisse) SA DIFC Branch, HSBC Financial Services (Lebanon) SAL, HSBC Private banking (Luxembourg) SA and The Hongkong and Shanghai Banking Corporation Limited (collectively, the "Distributors") to their respective clients. This document is for general circulation and information purposes only. This document is not prepared with any particular customers or purposes in mind and does not take into account any investment objectives, financial situation or personal circumstances or needs of any particular customer. HBAP has prepared this document based on publicly available information at the time of preparation from sources it believes to be reliable but it has not independently verified such information. The contents of this document are subject to change without notice. HBAP and the Distributors are not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. HBAP and the Distributors give no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document. This document is not investment advice or recommendation nor is it intended to sell investments or services or solicit purchases or subscriptions for them. You should not use or rely on this document in making any investment decision. HBAP and the Distributors are not responsible for such use or reliance by you. You should consult your professional advisor in your jurisdiction if you have any questions regarding the contents of this document. You should not reproduce or further distribute the contents of this document to any person or entity, whether in whole or in part, for any purpose. This document may not be distributed to any jurisdiction where its distribution is unlawful.

The following statement is only applicable to HSBC Bank (Taiwan) Limited with regard to how the publication is distributed to its customers: HSBC Bank (Taiwan) Limited ("the Bank") shall fulfill the fiduciary duty act as a reasonable person once in exercising offering/conducting ordinary care in offering trust services/business. However, the Bank disclaims any guaranty on the management or operation performance of the trust business.

The following statement is only applicable to by HSBC Bank Australia with regard to how the publication is distributed to its customers: This document is distributed by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL/ACL 232595 (HBAU). HBAP has a Sydney Branch ARBN 117 925 970 AFSL 301737. The statements contained in this document are general in nature and do not constitute investment research or a recommendation, or a statement of opinion (financial product advice) to buy or sell investments. This document has not taken into account your personal objectives, financial situation and needs. Because of that, before acting on the document you should consider its appropriateness to you, with regard to your objectives, financial situation, and needs.

Important Information about the Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India")

HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. HSBC India is a distributor of mutual funds and referrer of investment products from third party entities registered and regulated in India. HSBC India does not distribute investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or New Zealand or any other jurisdiction where such distribution would be contrary to law or regulation.

Mainland China

In mainland China, this document is distributed by HSBC Bank (China) Company Limited ("HBCN") and HSBC FinTech Services (Shanghai) Company Limited to its customers for general reference only. This document is not, and is not intended to be, for the purpose of providing securities and futures investment advisory services or financial information services, or promoting or selling any wealth management product. This document provides all content and information solely on an "as-is/as-available" basis. You SHOULD consult your own professional adviser if you have any questions regarding this document.

The material contained in this document is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. HSBC India does not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. Investments are subject to market risk, read all investment related documents carefully.

© Copyright 2025. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED.

No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

Important information on sustainable investing

"Sustainable investments" include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors (collectively, "sustainability") to varying degrees. Certain instruments we include within this category may be in the process of changing to deliver sustainability outcomes.

There is no guarantee that sustainable investments will produce returns similar to those which don't consider these factors. Sustainable investments may diverge from traditional market benchmarks.

In addition, there is no standard definition of, or measurement criteria for sustainable investments, or the impact of sustainable investments ("sustainability impact"). Sustainable investment and sustainability impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and/or reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of sustainability impact will be achieved.

Sustainable investing is an evolving area and new regulations may come into effect which may affect how an investment is categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

[1250092]