

Needing a confidence boost

- ◆ Uncertainty around US tariffs continues...
- ◆ ...creating both growth and inflation risks...
- ◆ ...with survey data heading in the wrong direction across the board

Global sentiment, both on the consumer and business fronts, has taken a hit in recent weeks, with uncertainty around tariffs, geopolitics and price spikes starting to show up in the data.

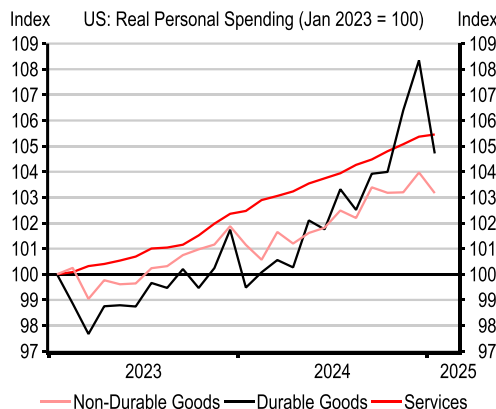
Subdued data

The post election run up in US survey data, risk asset prices and broader optimism has come off the boil in recent weeks. Almost every survey reading that we follow has dipped, some sharply, and the limited hard data we've had since the start of the year **point to a US economy that may be slowing sharply.**

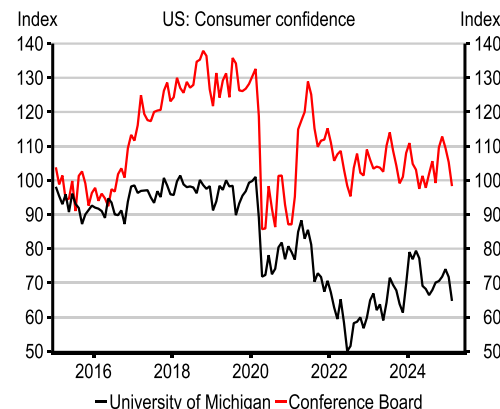
US spending and confidence has dropped

Of course, **tariffs are a key part of this**, and trade-related uncertainties continue to dominate news headlines, with tariffs on Canada and Mexico¹ and further tariffs on Chinese goods coming into force, as well as plans for a much wider set of tariffs on a variety of goods and economies. The early-April decision on reciprocal tariffs for economies with import taxes on US goods looms large for many across the world.

1. Is the US consumer paring back some spending...



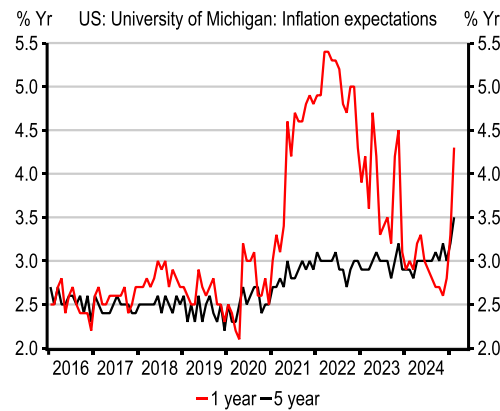
2. ...as consumer confidence turns back down?



But equally, for American consumers, some are worried about their job prospects from the cuts across government (and the spillovers to private contracts), while others are getting more nervous about inflation – with **expectations rising sharply** in the latest surveys. How much of that is tariffs, and how much is egg prices remains to be seen.

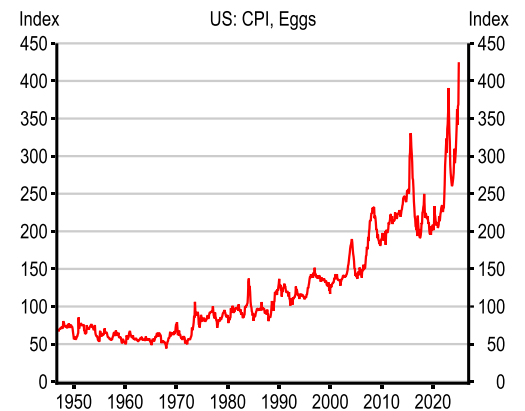
¹ Goods covered by the North American trade agreement (USMCA) have been granted a temporary tariff exemption, until 2nd April

3. Inflation expectations have shot up in the US...



Source: Macrobond

4. ...but how much of that is just egg prices?



Source: Macrobond

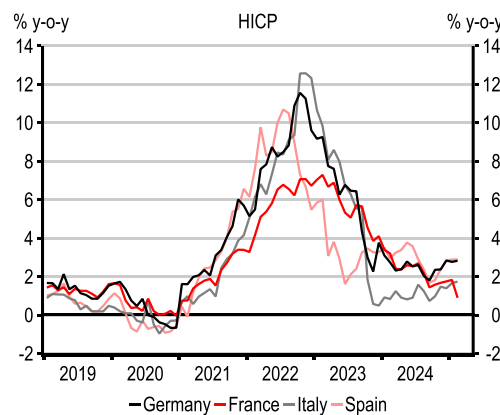
Eurozone growth has been sluggish

Confidence remains soft

In Europe, where confidence has been subdued for some time, rising energy and food prices threaten the progress made on inflation. Adding the risk of tariffs in the coming months and uncertainty about the geopolitical situation in Ukraine, it's no surprise that **growth in the region has been sluggish**. The hope is that the increased spending from Germany helps to turn this around, and that is being reflected in the strong moves in European equities in recent weeks.

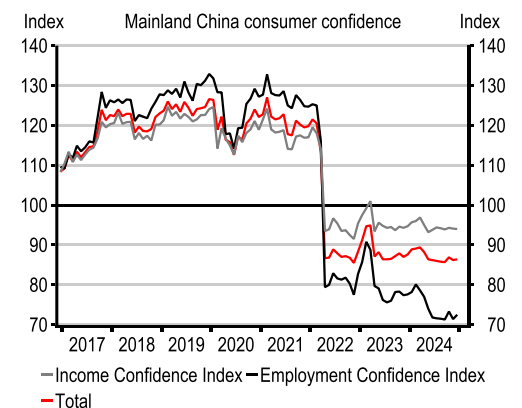
In Asia, much will depend on the **success of Chinese stimulus measures**. Faced with the impact of tariffs from the US, policy has focused on the domestic economy, and the National People's Congress saw the growth target for 2025 set at 5.0% and more fiscal stimulus measures announced.

5. Eurozone inflation edged up in January



Source: Macrobond

6. Chinese consumer confidence remains weak



Source: Macrobond

Central banks likely to act with caution

There is also a question of how much of any resilience seen in the manufacturing data in early 2025 is just front-loading. US imports surged in January and surveys have picked up. But if the decline in shipping rates post the Lunar New Year are anything to go by, **it looks like we may be seeing a pay back in demand** – suggesting further downside risks.

Policy-related uncertainties aren't likely to go away in the coming months. That makes for a very uncertain world for policymakers, and **we expect central banks to be cautious**, even if rate cuts are likely to continue. The world, however, needs the confidence to improve.

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
3 Mar	Eurozone	HICP (% y-o-y)	Feb, flash	2.4	2.3	2.5	↑
3 Mar	US	ISM manufacturing (Index)	Feb	50.3	50.7	50.9	↓
5 Mar	Mainland China	Caixin services PMI (Index)	Feb	51.4	50.7	51.0	↑
5 Mar	US	ISM services (Index)	Feb	53.5	52.5	52.8	↑
6 Mar	Eurozone	ECB main refinancing rate (%)	-	2.65	2.65	2.90	→
7 Mar	Mainland China	Exports ytd (% y-o-y)	Feb	2.3	5.9	-	↓
7 Mar	Mainland China	Imports ytd (% y-o-y)	Feb	-8.4	1.0	-	↓
7 Mar	US	Nonfarm payrolls, monthly change (000s)	Feb	151	160	125	↓
9 Mar	Mainland China	CPI (% y-o-y)	Feb	-0.7%	-0.4%	0.5%	↓

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
14 Mar	UK	GDP	Jan
17 Mar	Mainland China	Retail Sales	Feb
20 Mar	Mainland China	People's Bank of China interest rate announcement	-
20 Mar	UK	Bank of England interest rate announcement	-
24 Mar	EU / UK / US	PMIs	Mar
26 Mar	UK	CPI	Feb
28 Mar	UK	Retail Sales / GDP	Feb / Q4
31 Mar	Mainland China	NBS Manufacturing PMI	Mar
1 Apr	Eurozone	HICP	Mar
4 Apr	US	Non-Farm Payrolls	Mar

Source: LSEG Eikon, HSBC

Disclosure appendix

Important disclosures

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