

25 April 2025

Glimmers of hope amid economic clouds

- Markets remain volatile due to US policy changes, with hopes pinned on de-escalation of US-China tensions
- Flash PMIs indicate potential impacts of Trump tariffs, showing weakening US and European activity at the start of Q2
- The US labour market expected to stay reasonably strong for now, despite a sharp slowdown in Q1 GDP growth
- Eurozone forecast to have ongoing modest growth in Q1 before tariffs take effect; inflation is projected to fall further

This report provides a summary of key economic indicators, important events and financial market trends over the past week and looks ahead to the coming week.

US policy shifts fuel market volatility

US policy unpredictability with continued sudden reversals is driving significant volatility in financial markets. Risk appetite improved after President Trump reconsidered dismissing Federal Reserve Chair Powell, a move that would have raised questions about central bank independence. Additionally, remarks suggesting a de-escalation in tensions with China helped alleviate some fears, though the future remains uncertain and potentially turbulent.

The GBP/USD briefly reached 1.34, nearing last September's highs, before retreating, while the EUR/USD also pulled back after peaking near 1.16. The trade-weighted dollar stabilised this week but has shown limited upside and remains high from a longer-term perspective. US Treasuries have shown resilience, with 10-year yields falling below 4.30%. UK 10-year gilt yields have edged lower from recent highs.

Weaker growth momentum

The uncertainty since 'liberation day' just over three weeks ago has impacted economic confidence and forecasts. The April 'flash' PMIs signalled weaker growth momentum at the start of Q2, with softer expansion in the US, stagnation in the Eurozone and contraction in the UK. Consumer confidence in the UK also fell in April, indicating softer spending after a strong first quarter for retail sales. The International Monetary Fund revised down its global growth forecasts, with the biggest downgrade for the US among advanced economies. It now projects the US economy to expand by 1.8% this year, down from 2.7% in January. For the UK, it forecasts growth of 1.1%, lower than its previous 1.6% projection.

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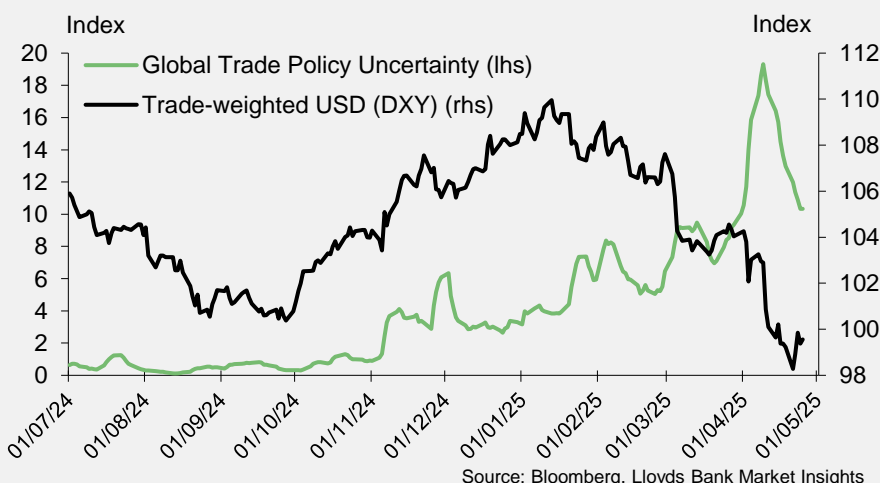
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Chart 1: Trade uncertainty eases, dollar upside limited



Data previews

- Eurozone GDP – Wednesday 30 April (10:00 BST)
- US GDP – Wednesday 30 April (13:30 BST)
- Eurozone Flash CPI – Friday 2 May (10:00 BST)
- US labour market report – Friday 2 May (13:30 BST)

Investors eye US-China relations and key data

Financial markets remain wary of further US policy changes as President Trump nears the end of his first 100 days in office. Investors are hopeful for US-China de-escalation and a swift trade deal, though this outcome and that of other agreements remains to be seen. Canada will hold federal elections on Monday, with the Liberal party, led by former Bank of England Governor Carney, narrowly leading in the polls. Local and mayoral elections will also take place in parts of England. Earnings updates include Meta, Microsoft, Amazon and Apple.

Next week's data focus is mostly on the US and Eurozone. US releases include the April labour market report and Q1 GDP, while the Eurozone will also see Q1 GDP and flash April CPI inflation. The UK calendar is quieter, featuring the Lloyds Business Barometer and BoE credit data. The Bank of Japan is expected to maintain rates next week. With policy updates from the Fed and BoE the following week, no monetary policy comments are anticipated from these central banks.

Weak US labour market yet to emerge

Expectations for US Fed rate cuts continue to fluctuate. With tariffs expected to push inflation higher, policymakers are cautious about further easing. A rate cut at the next meeting on May 6-7 is unlikely, though signs are emerging that some Fed officials are open to a cut in June if evidence of economic weakness builds.

Considerable uncertainty surrounds the impact of anticipated tariff changes on the US economy in Q1. Evidence of frontloading purchases suggests higher imports, which will subtract from growth. We expect US Q1 GDP to show a sharp slowdown to 0.3% (annualised), much lower than the 2.4% growth in Q4.

Despite concerns, the US labour market remains reasonably strong for now. For April, we expect employment to rise by 145k, lower than 228k in March, with the unemployment rate at 4.0% and wage growth at 0.3%. Other key US data releases include the PCE deflator (the Fed's preferred inflation gauge), the ISM manufacturing survey and the Q1 employment cost index.

Eurozone GDP growth steady ahead of tariff impact

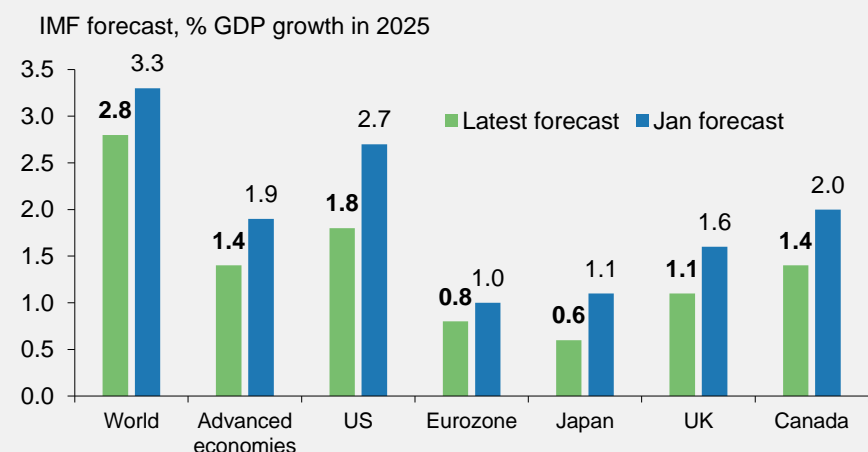
In the UK, the Lloyds Business Barometer survey has been more positive than other surveys recently. However, the April reading, due on Wednesday, will be watched for the impact of US tariffs on confidence, especially in light of the decline in this week's flash PMI report.

On the Continent, we expect Eurozone GDP growth to remain at 0.2% in Q1. US tariffs are anticipated to impact activity starting in Q2. The April flash CPI is forecast to decrease to 2.1%, while core CPI is expected to hold at 2.4% but resume its downtrend in May.

Markets hope for US-China trade relief but remain cautious of impending weak economic data.

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Chart 2: IMF still forecastng US growth outperformance despite large downgrade



Data preview:

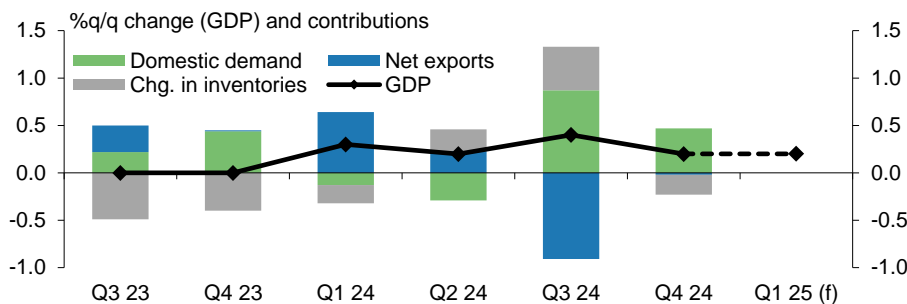
28 April – 2 May 2025

Eurozone GDP (Q1) – Wed 30 April (10:00 BST)

Eurozone economic growth is expected to have remained modestly positive in the first quarter, with a forecast 0.2% increase, matching the prior quarter. Business confidence showed signs of improvement, especially in manufacturing, while consumer spending was likely supported by falling unemployment and higher real incomes. However, this GDP figure might be the peak for the year as US trade tariffs begin to impact from Q2. The April flash PMI survey indicated softer activity and weaker expectations in both manufacturing and services. Future prospects will partly depend on any new trade deal with the US and increased government spending, including on defence. The IMF downgraded its Eurozone GDP growth forecast to 0.8% for this year and 1.2% for 2026, compared to 1.0% and 1.4% in its January prediction.

	Q/Q	Y/Y
Lloyds Forecast	0.2%	1.0%
Consensus	0.2%	1.0%
Previous	0.2%	1.2%

Q1 2025 GDP growth staying positive before tariff impact



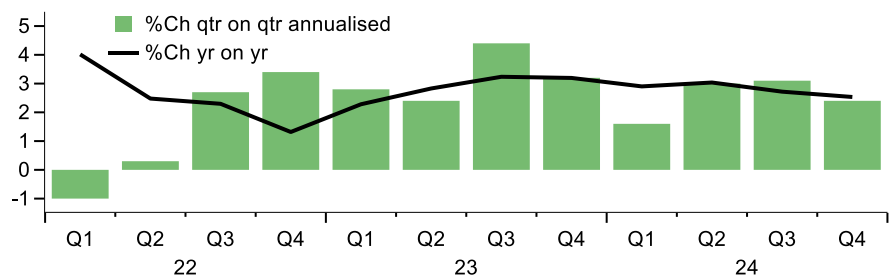
Source: Eurostat, Lloyds Bank Market Insights

US GDP (Q1) – Wed 30 April (13:30 BST)

The upcoming GDP data is expected to confirm that US economic growth slowed sharply in the first quarter of 2025. The Atlanta Federal Reserve's 'GDP nowcast' model currently indicates at least a modest fall in output. In contrast, the consensus among forecasters is less pessimistic, predicting a small rise of 0.2%, while we anticipate a slightly larger increase of 0.3%. However, it seems clear that growth will be significantly slower than the 2.4% recorded in Q4 2024, likely marking the weakest quarterly rise since early 2022. The slowdown appears to be driven by consumer spending rising at its slowest pace in nearly two years. This may be partially offset by an increase in capital spending, but overall private sector final demand seems to have slowed sharply. The data is also expected to show substantial, yet partly offsetting, increases in import growth and inventory accumulation due to front-loaded purchases ahead of anticipated large tariff increases. The development of these trends for the rest of the year remains highly uncertain.

GDP	Q/Q ann	Y/Y
Lloyds Forecast	0.3%	2.2%
Consensus	0.2%	
Previous	2.4%	2.5%

US GDP growth strong in 2024 but now set to falter?



Source: Macrobond, Lloyds Bank Market Insights

Data preview:

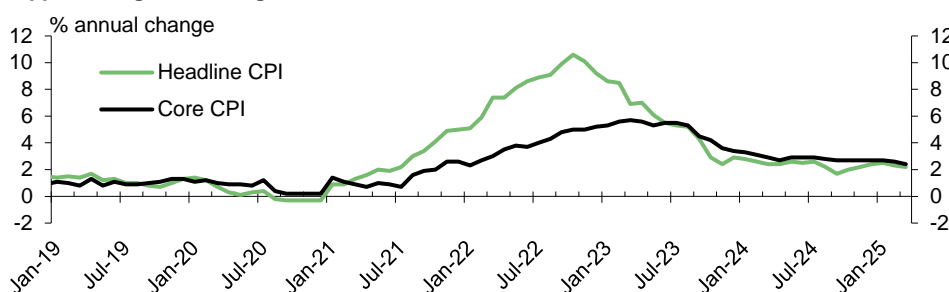
28 April – 2 May 2025

Eurozone flash CPI (Apr) – Fri 2 May (10:00 BST)

The downtrend in Eurozone inflation is expected to continue in April, with a forecast fall in headline CPI to 2.1% from 2.2%, mainly due to lower energy prices. Services inflation, which has been declining this year, could drop to 3.4% from 3.5%. Core CPI is anticipated to remain at 2.4%, though further declines are likely in May. The net impact of US tariff policy on the inflation outlook is uncertain. However, ECB President Lagarde recently suggested the overall effect might be more disinflationary than inflationary. Weaker demand, trade diversion effects, a stronger euro and lower global energy prices are expected to dampen the inflation profile. The ECB will update its growth and inflation projections at the next policy meeting in early June, when an eighth 0.25% interest rate cut is anticipated.

Headline CPI	M/M	Y/Y
Lloyds Forecast	0.5%	2.1%
Consensus	0.5%	2.1%
Previous	0.6%	2.2%
Core CPI	Y/Y	
Lloyds Forecast	2.4%	
Consensus	2.5%	
Previous	2.4%	

Approaching the 2% target



Source: Eurostat, Lloyds Bank Market Insights

US labour market report (Apr) – Fri 2 May (13:30 BST)

Despite concerns about a weakening labour market, employment rose by a much higher-than-expected 228k in March, marking the largest increase this year. However, the unemployment rate also rose for the second consecutive month to 4.2%, up from 4.1% in February, which appears to be due to increased workforce participation rather than a decline in job creation. These results have not alleviated concerns about the labour market, as weaker private sector activity and public sector reforms are still expected to have an impact. Nevertheless, other indicators such as layoff numbers and unemployment benefit claims suggest the market remains fairly strong for now. Consequently, we anticipate another solid employment rise of 145k for April, which is weaker than March but stronger than the two previous months. The unemployment rate is expected to remain unchanged at 4.0%, with monthly wage growth predicted to rise by another 0.3%.

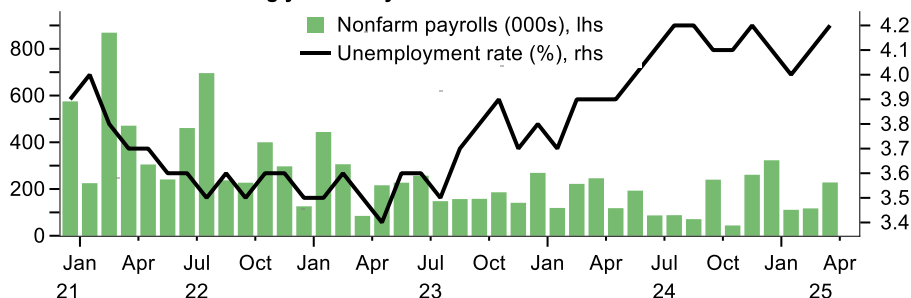
Nonfarm payrolls

Lloyds Forecast	145k
Consensus	130k
Previous	228k

Unemployment rate

Lloyds Forecast	4.2%
Consensus	4.2%
Previous	4.2%

US labour market seemingly still buoyant for now



Source: Macrobond, Lloyds Bank Market Insights

Average hourly earnings	M/M
Lloyds Forecast	0.3%
Consensus	0.3%
Previous	0.3%

Weekly economic calendar

Ctry	Time (BST)	Time (EST)	Release/Event	Period	Consensus	Forecast	Previous
MONDAY 28 APR							
CA			Federal Elections				
UK	11:00	06:00	CBI Retail Sales	Apr	--	--	-41
TUESDAY 29 APR							
UK	00:01	19:01*	BRC Shop Price Index	Apr	--	--	-0.4%
EZ	09:00	04:00	M3 Money Supply	Mar	(4.0%)	(4.0%)	(4.0%)
EZ	10:00	05:00	Economic Confidence	Apr	94.5	94.8	95.2
UK	10:40	05:40	BoE's Ramsden Speaks				
UK	12:00	07:00	BoE's Lombardelli Speaks				
US	13:30	08:30	Advance Goods Trade Balance	Mar	-\$146.0bn	-\$146.3bn	-\$147.9bn
US	15:00	10:00	JOLTS Job Openings	Mar	--	--	7,568k
US	15:00	10:00	Conf. Board Consumer Confidence	Apr	87.0	87.0	92.9
WEDNESDAY 30 APR							
UK	00:01	19:01*	Lloyds Business Barometer	Apr	--	--	49
CH	02:30	21:30*	Manufacturing PMI	Apr	49.8	--	50.5
CH	02:30	21:30*	Non-manufacturing PMI	Apr	50.7	--	50.8
FR	06:30	01:30	GDP	1Q P	0.1% (0.7%)	--	-0.1% (0.6%)
GE	08:55	03:55	Unemployment Change (Rate)	Apr	15k (6.3%)	--	26k (6.3%)
GE	09:00	04:00	GDP	1Q P	0.2% (-0.2%)	--	-0.2% (-0.2%)
EZ	10:00	05:00	GDP	1Q A	0.2% (1.0%)	0.2% (1.0%)	0.2% (1.2%)
GE	13:00	08:00	CPI EU Harmonised	Apr P	0.4% (2.1%)	--	0.4% (2.3%)
US	13:15	08:15	ADP Employment Change	Apr	128k	--	155k
US	13:30	08:30	GDP Annualised	1Q A	0.2%	0.3%	2.4%
US	13:30	08:30	Employment Cost Index	1Q	0.9%	1.0%	0.9%
US	15:00	10:00	PCE Deflator	Mar	0.0% (2.2%)	-0.1% (2.1%)	0.3% (2.5%)
US	15:00	10:00	Core PCE Deflator (excluding food and energy)	Mar	0.1% (2.6%)	0.1% (2.5%)	0.4% (2.8%)
US	15:00	10:00	Personal Spending	Mar	0.6%	0.8%	0.4%
THURSDAY 01 MAY							
UK	09:30	04:30	Manufacturing PMI	Apr F	44.0	44.0	44.0
UK	09:30	04:30	Net Consumer Credit	Mar	£1.2bn	£1.3bn	£1.4bn
UK	09:30	04:30	Mortgage Approvals	Mar	64.9k	63.0k	65.5k
US	13:30	08:30	Initial Jobless Claims	Apr 26	--	220k	222k
US	15:00	10:00	ISM Manufacturing	Apr	48.1	49.5	49.0
US	15:00	10:00	Construction Spending	Mar	0.3%	0.0%	0.7%
FRIDAY 02 MAY							
EZ	09:00	04:00	Manufacturing PMI	Apr F	48.7	48.7	48.7
EZ	10:00	05:00	Flash Harmonised CPI	Apr P	0.5% (2.1%)	0.5% (2.1%)	0.6% (2.2%)
EZ	10:00	05:00	Core CPI	Apr P	(2.5%)	(2.4%)	(2.4%)
EZ	10:00	05:00	Unemployment Rate	Mar	6.1%	6.1%	6.1%
US	13:30	08:30	Change in Nonfarm Payrolls	Apr	130k	145k	228k
US	13:30	08:30	Average Hourly Earnings	Apr	0.3% (3.9%)	0.3% (3.9%)	0.3% (3.8%)
US	13:30	08:30	Unemployment Rate	Apr	4.2%	4.2%	4.2%
US	15:00	10:00	Factory Orders	Mar	4.5%	4.5%	0.6%

Bold text denote those releases/events that are expected to attract most market attention.

Data in brackets denote YoY unless stated otherwise. Market consensus estimates are taken from Bloomberg on the date of publication.

* Released overnight, (r) revised, (p) preliminary, (f) final

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