

Main and alternative scenarios

Probability 70%

MAIN SCENARIO

Resilient multi-speed growth

Probability 20%

DOWNSIDE SCENARIO

Renewed stagflationary pressure

Probability 10%

UPSIDE SCENARIO

More disinflation with productivity gains



GEOPOLITICS

- Rising tensions and geo-economic fragmentation, including protectionism and sanctions.
- Disruptive trade policies and re-routing of global supply chains as a reaction to tariffs.
- Ukraine-Russia: ongoing fighting, but ceasefire odds increase.
- Middle East: talks and conflicts likely.
- China-US: decline of relations.
- US-Europe relations under pressure.

- Autarchical new alliances challenge advanced economy democracies: new & escalating conflicts.
- Countries forced to choose between US vs China. Global trade begins to decline.

- Geopolitical risk subsides.
- Shifting power dynamic reshapes global trade, fostering balanced growth and prosperity.



INFLATION & POLICY MIX

- Disinflation trend still intact.
- Developed Market central banks reaching their neutral rates in 2025.
- Most EM CBs at peak rates.
- Fiscal divergence: US under scrutiny; EU consolidating; China expansionary.

- Trade protectionism weakens growth outlook, constraining central bank response.
- Elevated fiscal debt keeps the cost of debt high and constrains policy space.

- Stabilisation of inflation around central banks' targets (and inflation expectations remain anchored).



GROWTH PATH

- Back to potential growth.
- Resilient multi-speed growth: subdued recovery in Europe, mild US deceleration.
- Growth gap still favours EM.
- India's growth potential revised up.

- Lower output and sharp reduction in migration into advanced economies lowers labour supply and growth.
- Economic unbalances persist, further lowering potential growth (China, EU,...).

- Growth enhancing reforms lifting medium term growth potential.
- Industrial / trade policies boosting investment and activity.



CLIMATE CHANGE

- Climate change hampers growth and exacerbates stagflationary trends.
- Chinese dominance in processing and supply of critical minerals.

- Further policy delays imply more adverse climate events, hampering economic dynamism.

- From zero to hero in the net zero transition: geo-engineering, globally coordinated policies.

Risks to main scenario



LOW

Probability

HIGH

10%

Central banks quantitative tightening combined with structural shift in US Treasury buyers

15%

Geopolitical crisis with global spill-overs

15%

Market volatility rises sharply to reflect higher geo-economic uncertainty

20%

Reacceleration of DM inflation, due to trade/geopolitical tensions

MARKET IMPACT

Positive for cash and gold.

Positive for DM govies, cash, gold, USD, volatility, defensive assets and oil.

Positive for cash and gold.

Positive for TIPS, gold, commodity FX and real assets.

Negative for govies and expensive equities.

Negative for credit, equities and EM.

Negative for risk assets.

Negative for bonds, equities, DM FX and EM assets.

Source: Amundi Investment Institute as of 3 February 2025. DM: developed markets. EM: emerging markets. CB: central banks. USD: US dollar. TIPS: Treasury inflation-protected securities. FX: foreign exchange markets.

FORECASTS

Macroeconomic forecasts

Macroeconomic forecasts						
Annual averages, %	Real GDP growth, YoY, %			Inflation (CPI), YoY, %		
	2024	2025	2026	2024	2025	2026
Developed countries	1.6	1.5	1.4	2.6	2.3	2.2
United States	2.7	1.9	1.7	2.9	2.6	2.4
Eurozone	0.7	0.8	1.1	2.3	2.0	1.9
<i>Germany</i>	-0.1	0.6	0.9	2.4	1.9	1.9
<i>France</i>	1.1	0.7	0.9	2.3	1.7	1.8
<i>Italy</i>	0.5	0.7	0.9	1.1	1.8	1.7
<i>Spain</i>	3.1	2.2	1.8	2.9	2.4	2.0
United Kingdom	0.8	1.0	1.3	2.5	2.6	2.4
Japan	-0.1	1.3	0.7	2.6	2.3	2.4
Emerging countries	4.2	3.9	3.8	5.3	4.0	3.5
China	5.0	4.1	3.6	0.2	0.2	0.4
India	6.4	6.5	6.3	4.9	5.5	5.9
Indonesia	5.0	5.2	5.0	2.3	2.6	3.8
Brazil	3.1	2.2	2.0	4.4	5.3	4.6
Mexico	1.4	0.8	1.5	4.7	3.8	3.9
Russia	3.7	1.0	1.5	8.4	7.0	5.0
South Africa	0.5	1.2	1.3	4.5	3.8	4.7
Turkey	3.0	2.9	3.4	60.0	30.5	19.3
World	3.2	3.0	2.9	4.2	3.4	3.0

Central Banks' official rates forecasts, %					
	4 February 2025	Amundi	Consensus	Amundi	Consensus
		Q2 2025	Q2 2025	Q4 2025	Q4 2025
United States*	4.50	4.00	4.20	3.75	3.95
Eurozone**	2.75	2.00	2.15	1.75	2.15
United Kingdom	4.75	4.00	4.15	3.75	3.70
Japan	0.50	0.50	0.50	0.75	0.70
China***	1.50	1.00	1.30	1.00	1.20
India	6.50	6.00	5.95	6.00	5.75
Brazil	13.25	14.75	15.00	14.75	15.00
Russia	21.00	19.00	20.30	16.00	16.40

Source: Amundi Investment Institute. Forecasts are as of 24 January 2025. Consensus and current rates are as of 4 February 2024. CPI: consumer price index. *: Upper Fed Funds target range. **: Deposit rate. ***People's Bank of China Reverse Repurchase Notes 7 Day Rate. Q2 2025 indicates end of June 2025; Q4 2025 indicates end of December 2025. Current rates and Consensus are from Bloomberg.

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Amundi Investment Institute

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