Macro Month Ahead
April 2025

Looking for early impacts of President Trump on the global economy

Did you know that President Donald Trump had to postpone Liberation Day by 24 hours to avoid looking like a fool? Today is April 1st, known as April Fools' Day, and you may have to be careful when reading the news. Jokes and hoaxes will surely be hidden in your favourite newspapers and pieces of research. However, things get serious again as soon as the following day, when President Trump is set to announce reciprocal tariffs on nations that impose duties on US goods.

Adrien Pichoud,
Chief Economist

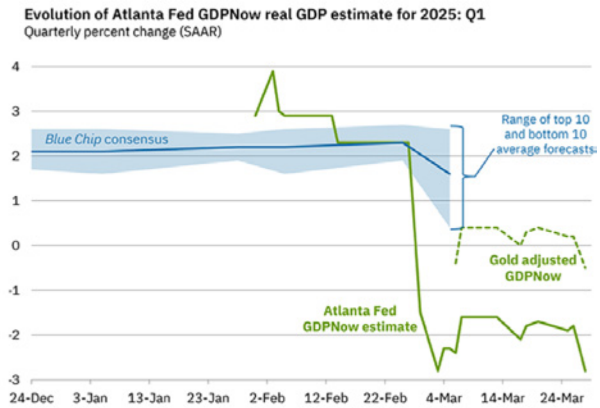
PRIVATE BANKING

This so-called “Liberation Day” **(2/04)** has been publicised as a major milestone in the US President’s strategy to address what he sees as global trade imbalances detrimental to the US economy. Trade tensions and tariffs have already been raised with Canada, Mexico, and China in the past two months, but this is likely to be expanded to a broader range of countries and goods. European economies will be included this time, the EU being the other major trade partner of the United States along with the three above-mentioned. Unpredictability is a defining feature of President Trump’s approach to international relations, and it is virtually impossible to anticipate the details of the tariffs to be announced, nor for how long they will remain in place. However, targeted economies are already readying their response to this unilateral change in the terms of trade. The risk of an escalation in tensions and of a global trade war cannot be ignored. Trade policies, but also political tensions with the United States will be central to the snap election held in Canada at the end of the month **(28/04)**. The new Prime Minister Mark Carney is seeking a clear mandate for addressing the unprecedented challenges faced by the world’s ninth economy. April will also see the release of a flurry of economic data, including the first estimate of Q1 GDP growth for major economies. With growing concerns around the global growth outlook and uncertainties around the impact of trade tensions on activity and inflation, macro releases will be closely scrutinised during the month ahead. In parallel, US companies will start to release their Q1 results, with the large banks opening the earnings season before the Easter weekend, followed by five of the “Magnificent 7” in the later part of the month. With the level of uncertainty having significantly increased recently, April is set to be decisive in helping to assess the outlook for the global economy and for financial markets.

Assessing the risk of a US economic downturn after worrying developments in the recent months

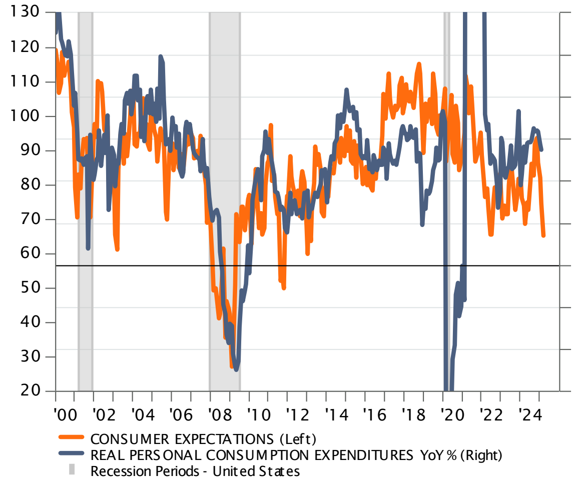
This is one of the main surprises of the beginning of the year from a macroeconomic standpoint: for the first weeks of his mandate, President Donald Trump and his administration have raised uncertainties and fears around the US economic outlook, pouring cold water on the optimism born from the November election. Fears of an inflationary impact from tariffs along with some specific factors such as the surge in US imports of gold bars have led to a pronounced deterioration in “real-time” gauges of US economic growth (cf. chart below). US GDP projections have been revised lower by the Fed and most forecasters, and the perception of a recession risk for the US has increased.

Some “real-time” measures of US growth point to stagnation or even GDP contraction in the first quarter of 2025



In this context, the month of April will provide key insights to gauge the dynamic of US growth drivers and the extent of Trump’s short-term impact on the economy. The first estimate of Q1 GDP will be released at the end of the month **(30/04)** and is likely to be heavily influenced by the release of Trade balance data for February **(3/04)**. Indeed, the surge in gold imports caused the largest US trade deficit ever recorded in January and was largely behind the collapse of GDP growth estimates mentioned above. Whether the trend has continued or moderated in February could lead to adjustments in expectations around the GDP growth dynamic for the past quarter.
The other driver of the deterioration in Q1 growth estimates has been the drop in consumer sentiment, with gauges of current assessment and expectations falling with fears of higher tariff-driven inflation ahead. While those surveys usually are good leading indicators of spending behaviours, they haven’t yet been matched this time by a drop in actual consumption (cf. chart below). And it must be kept in mind that the main driver of household’s consumption is the labour market, that has so far been quite resilient.

Consumer sentiment and expectations have dropped over Q1, but actual spendings have been resilient so far

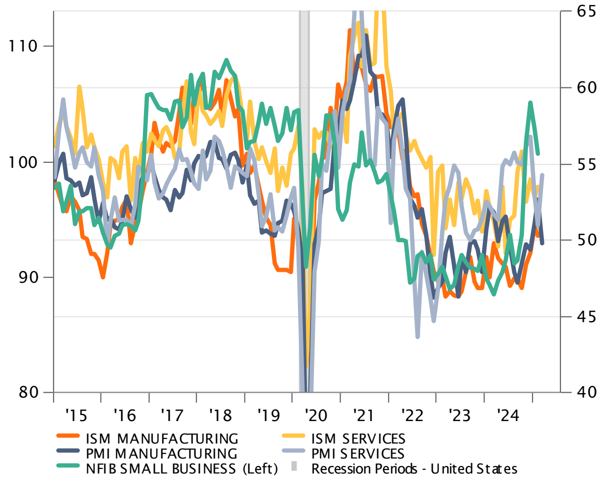


In such context, every data related to the evolution of the job market will be closely scrutinised as a deterioration would raise the risk of a truly worsening outlook for household’s consumption, the US economy’s main growth driver, while steady job creations and unemployment rate would provide reassurance on that front. The March Employment Report **(4/04)**, as well as other surveys such as the ADP report on private employment **(2/04)**, Challenger Job Cut Announcements **(3/04)**, and the JOLTS report **(29/04)**, will all be dissected for hints on a potential downshift in labour market dynamics.

Retail sales **(16/04)** and Personal Income and Spending data **(30/04)** will provide a fresh insight on actual spending behaviours, while consumer sentiment surveys and gauges of inflation expectations will be closely watched after the deterioration observed over Q1: University of Michigan survey **11/04,** NY Fed inflation expectations **14/04**, Conference Board consumer confidence **29/04**. All of these releases can assess whether US consumers, especially Democrat voters, simply faced a confidence shock in Q1 resulting in a temporary soft patch, or if this was the early signs of a broader and more worrying downward economic trend.
In the same vein, business activity and sentiment indicators will be closely looked at for hints on the short-term dynamic of the US economy. There are times when those survey data can

prove to be dull if stable or in line with expectations. But in the current context, even a "no change/no bad surprise" could have an impact by reassuring the resilience of the economy. The usual ISM & PMI Manufacturing (1/04), ISM & PMI Services **(3/04)** for March, the preliminary PMI release for April **(23/04)**, the NFIB index of small business optimism **(8/04)**, regional indicators such as the Empire Manufacturing **(15/04)**, the Philadelphia Fed index **(17/04)** or the Chicago PMI **(30/04)** will all have the potential to either reassure on the resilience of the economy, or fuel fears of an actual deterioration in growth dynamics extending into Q2. So far, those indicators have generally held up at level still consistent with decent, even if not spectacular, GDP growth (cf. chart below).

Business sentiment and activity surveys have continued to point to decent GDP growth so far this year



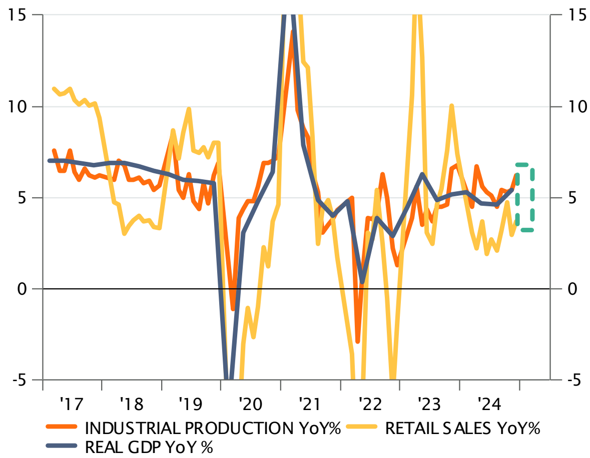
Source: FactSet Research Systems, Banque Syz

As the deterioration in consumer sentiment has essentially been driven by fears of higher tariff-related inflation, the monthly update on CPI inflation **(10/04)**, PPI inflation **(11/04)**, import prices **(15/04)** and on the Fed's favourite gauge of inflationary pressures, the PCE deflator **(30/04)** will also be closely looked at by investors and by the Fed. Slowing inflation would indeed give room for manoeuvre to the Central Bank for easing its monetary policy and support economic activity in the later part of the year. Conversely, a pickup in inflation dynamics would put the Fed in an uncomfortable position of having to choose which part of its dual mandate it gives priority to: economic growth and employment, or inflation? The Fed's next meeting is scheduled in May, but the minutes of its March meeting **(9/04)** will provide some granularity on Fed members' views, while the Beige Book release **(23/04)** will give an update on regional dynamics within the US economy. Last but not least, the Federal Budget Balance for March **(10/04)** will show whether DOGE initiatives already have an impact on the US deficit dynamic, that remain so far on a strong upward trend: five months into the fiscal year of 2025, the US federal deficit has been widening at its fastest rate ever recorded.

How does China fare in the middle of external headwinds and ramping up domestic support?

The Chinese economy is another major piece of global economic dynamics, and it will face rising headwinds from a more assertive US trade policy approach. Several measures have already been implemented since the fall and economic activity appears to have stabilised since then, likely helped by some frontloading of manufacturing shipments toward the US ahead of tariff increases. In the meantime, the authorities are gradually introducing policies to support domestic demand and try to balance the impact of lower export growth going forward. Data released in April will shed some light on the results of this delicate balancing act, with the release of the Q1 GDP data due on **16/04**. For reference, the Chinese government has reiterated a 5% target for GDP growth this year.

Will April data show that China's economy remains on track for the targeted 5% GDP growth this year?



Source: FactSet Research Systems, Banque Syz

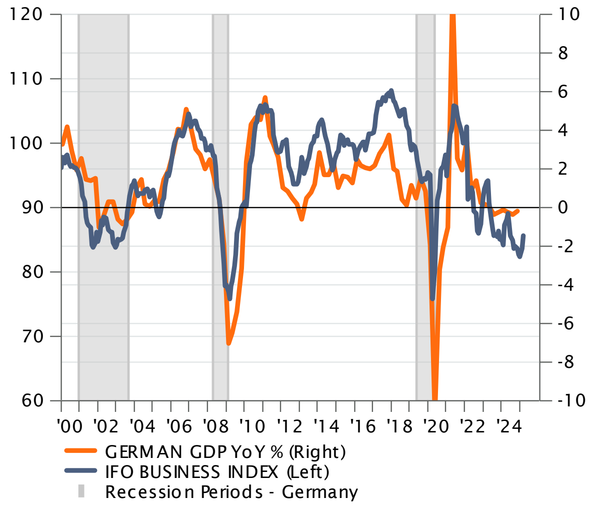
The monthly Caixin PMI surveys on manufacturing **(1/04)** and service sector activity **(3/04)**, or the official PMI surveys for April **(30/04)** will give fresh insight on business dynamics amid all the uncertainties faced by Chinese businesses. The monthly update on retail sales, industrial production and real estate prices **(16/04)** will also help assess ongoing trends, while export and trade balance data **(14/04)** could start to reflect some impact of the imposition of higher US tariffs. And as CPI and PPI inflation data **(10/04)** are likely to confirm a persisting weakness in domestic demand and inflation dynamics, policy rate announcements will be watched for potential monetary policy easing (1y & 5y Loan Prime rate **21/04**, 1y medium term lending facility rate **24/04**).

Uncertainties in Europe amid higher US tariffs, ECB rate cut and coming fiscal policy support

Europe also find itself at a crossroad after a few weeks during which Trump's shake up of historic transatlantic relationships and the outcome of the German elections are redefining prospects. On the one hand, US tariffs on imports from the EU, US's largest trading partner in aggregate, have the potential to severely impact key sectors of European countries and to undermine an already weak economic growth dynamic. On the other hand, the major shift in Germany's stance on fiscal policy paves the way for significant and sustained fiscal policy support in Europe for the years ahead, a stunning reversal from the prevailing dogma of the past decades. President Trump has sent conflicting messages on the scope and magnitude of the increase in tariffs to come, but their impact will likely be visible rapidly on activity and have a dampening effect on business confidence in the affected sectors. Conversely, the impact of stimulative fiscal policies, and especially of the German infrastructure investment plan, will not be directly visible before next year, but they could help to support sentiment more rapidly if they are perceived as improving Europe's growth prospects.

In this context, surveys of economic confidence and activity will provide useful information of the current situation in Europe. PMI for the manufacturing **(1/04)** and service sectors **(3/04)**, consumer confidence **(22/04)**, business confidence in Germany (Ifo survey **24/04)**, the Economic Sentiment Index for the Eurozone **(29/04)** and the preliminary estimate of PMI activity indices for April **(23/04)** will all be worth paying attention to. Ahead of an ECB meeting when the central might extend further its interest rate cycle **(17/04)**, the ECB survey on lending dynamics **(15/04)** and the release of final CPI inflation data for March **(16/04)** will bring additional food for thought to Madame Lagarde and her colleagues. At the end of the month, the largest economies of the Eurozone will also release their first estimate of Q1 GDP growth (Spain **29/04**, Germany, France and Italy **30/04**).

After a long period of stagnation, the German economy faces short-term headwinds from US tariffs, and long-term potential tailwinds from fiscal policy support. How will business sentiment react in the short run?



Source: FactSet Research Systems, Banque Syz

Finally, after the German fiscal revolution announced in March, Friedrich Merz is expected to finalise the discussions to for a governing coalition between the CDU/CSU and the SPD, and to announce the formation of a new government sometimes during the month. The future Chancellor has pledged to reach an agreement before Easter. This will pave the way to the beginning of the legislative process to implement the fiscal policy changes announced in March, with details on the timing and structure of the mega infrastructure investment program.

The Q1 earnings season starts with US banks and 5 of the (still?) Magnificent 7

US companies will start reporting on the Q1 2025 result this month. As usual, financial institutions will set the ball rolling with JP Morgan, Wells Fargo and BlackRock **(11/04)** followed by Bank of America, Citigroup and Morgan Stanley **(15/04)** and Goldman Sachs **(21/04)**. Consumer bellwethers such as Johnson & Johnson **(15/04)**, American Express **(17/04)**, Visa **(22/04)**, PepsiCo and P&G **(24/04)**, Coca-Cola, McDonald's, Mondelez and Starbucks **(29/04)** will be closely watched after concerns around the US consumer appeared in the recent months. Additionally, five of the seven heavyweights of the US markets will report in the later part of the month on a quarter that has seen them lose their shine on financial markets: Tesla **(22/04)**, Meta Platforms **(23/04)**, Alphabet and Microsoft **(24/04)** and Amazon **(29/04)**.

Welcome to Syzerland®

For further information

Banque Syz SA

Quai des Bergues 1
CH-1201 Geneva
T. +41 58 799 10 00
syzgroup.com

Adrien Pichoud

Chief Economist
adrien.pichoud@syzgroup.com