Zum wahren Nutzen.

Economic Adviser

Macro Research

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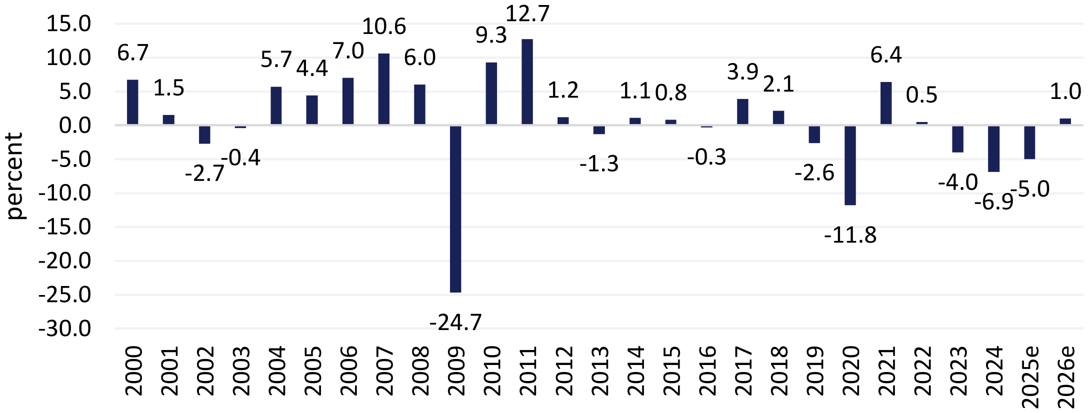
Special: Key industry battles tariff deals and weak order intake – but sees glimmer of hope for 2026

Analyst: Thomas Wybierek

Germany's mechanical engineering sector bucks the downward trend

Germany's mechanical and plant engineering sector has now been in crisis mode for the third consecutive year, yet remains mildly optimistic despite persistent uncertainties. After a 6.9 percent drop in output in 2024, a further decline of 5 percent is expected this year, with several factors pointing in that direction. Order intake in September registered year-on-year contraction of 19 percent, though this development was largely driven by base effects, as September 2024 had included several major foreign orders for large-scale plant. Taken together, orders in Q3/2025 were thus down 6 percent. This translates into a 1-percent decline for the first nine months of 2025. Developments vary across the sector's 27 specialist branches, however. Segments linked to the struggling automotive industry are suffering from investment hesitancy among their customers. Others, such as woodworking and construction machinery, see light at the end of the tunnel. The robotics and automation segment is also guardedly optimistic. While its automotive-related business has also declined sharply, the number of industrial robots being installed has remained steady over years. Also worthy of note in this context is the fact that the U.S. lacks a homegrown robotics industry, making it reliant on imports to expand production capabilities. The Association of German Mechanical and Plant Engineering (VDMA) currently anticipates modest production growth of 1 percent for 2026 – an assessment based on slightly improved global and domestic economic forecasts, as well as the hope for initial positive effects from Germany's infrastructure program.

Chart: German machinery production (real change compared to previous year)



Sources: VDMA, NORD/LB Research

Risks abound, but there are opportunities too

Geopolitical upheavals, combined with protectionist measures, will continue to weigh on global trade, even beyond the turn of the year. However, there are signs of some easing (U.S.-China rapprochement, Mercosur agreement in the ratification phase). The digitalization trend remains firmly intact. The use of artificial intelligence (AI) presents new opportunities extending far beyond established domains like 'digital twins' and 'predictive maintenance'. Additional applications arise in production environments, such as quality assurance and logistics. The industry possesses a vast trove of data, which simply needs to be harnessed over the long term. Despite the sluggish energy transition, the ongoing transformation continues to support the use of environmentally friendly and resource-efficient technologies.

In contrast, the persistent weakness of the U.S. dollar against the euro is weighing on price competitiveness. While recent capacity issues have pushed the issue of skilled labour shortages somewhat into the background, the number of people employed in the sector has nevertheless declined slightly over the year (-2.1 percent to a headcount of approximately 1.003 million). It remains difficult to predict the immediate effects of the special funds approved by the German parliament. Much in the coming months depends on whether the planned measures (e.g. for areas like infrastructure and defence) and corrections in areas such as regulation and bureaucracy are actually implemented. Meanwhile, the trend to deglobalization, affecting supply chains (for raw materials, semiconductors, etc.) and markets (China's role shift from importer to competitor), is set to continue. It is therefore all the more crucial to safeguard expertise and innovation capabilities for the future.

U.S. tariffs currently the biggest source of concern

The deal agreed between the EU and the USA has been in effect since August, introducing uniform U.S. tariffs of 15 percent on various EU goods. Enthusiasm has been muted, however, as tariffs of 50 percent remain on steel and aluminium products, as well as on the steel and aluminium content of downstream products (derivatives). This is based on Section 232 of the deal, which refers to provisions in the 1962 (!) U.S. Trade Expansion Act, allowing for the imposition of additional import tariffs if justified by "national security concerns." Compounding the issue, the list of affected goods can be adjusted several times a year. In addition to motors and generators, the classification as derivatives also includes a broader range of machines, equipment, tools, and spare parts. Consequently, the mechanical and plant engineering sector is particularly affected, seeing as the USA, alongside China, is its primary export market. The VDMA considers it possible that as early as December, a further 200 mechanical engineering products could be added to the U.S. Section 232 list. Up to 56 percent of the sector's exports to the USA could then be impacted. Furthermore, the industry association complains of the burdensome documentation obligations facing the companies involved, which run counter to the general desire for scaled-back bureaucracy. Incorrect reporting could, in a worst-case scenario, even trigger a 200-percent punitive tariff. Thus, as the VDMA sees it, there is a substantial need for renegotiation at this point.

Mechanical and plant engineering remains a vital industry in Germany

The sector continues to be a mainstay of the German economy and one of its most significant employers and is often described as the backbone of the country's industry. A key asset lies in its diversity, evident in its wide range of application fields – the VDMA lists 27 specialist branches, ranging from general air technology and power systems (turbines) to machine tools – as well as in its corporate structures, which span from SMEs to global players. Accordingly, the sector is not primarily dependent on the fortunes of the automotive industry. With its heavy export orientation (around 83 percent in 2024), the sector makes a significant contribution to economic growth and safeguarding prosperity, but it is also highly vulnerable to disruptions in the global trading system – as is currently evident. The enormous long-term challenges in areas such as energy and resource efficiency, mobility and infrastructure, as well as various sustainability issues – alongside new challenges like those from the defence sector – can only be met with the help of an innovative mechanical engineering industry. This requires preventing and avoiding the offshoring of production facilities and expertise. Given its multifaceted nature, the sector itself certainly possesses sufficient inherent potential to do so. The task now is to set the course for an economic turnaround. This can only be achieved through collaboration between the private sector and the state.

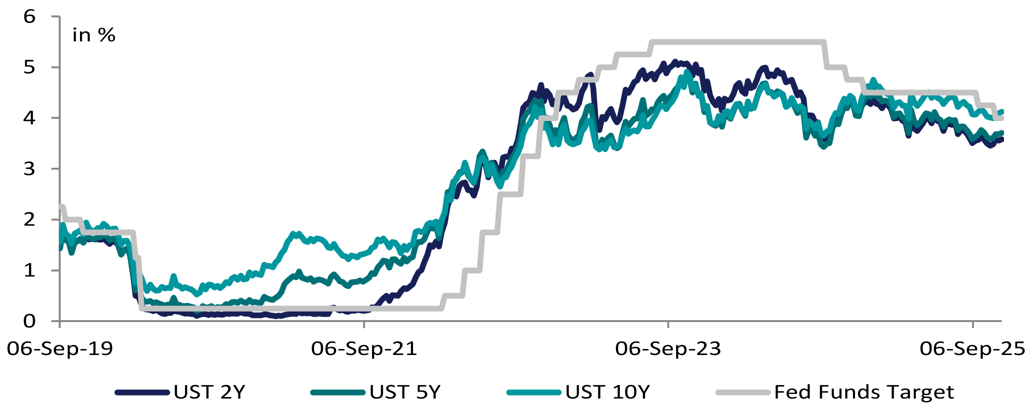
USA: Waiting for December

Analysts: Tobias Basse // Constantin Lüer

After the shutdown

The government shutdown per se ought to have weighed to some extent on economic growth in the land of unlimited opportunity. That said, many observers of the U.S. economy appear to have underestimated the momentum in the sphere of artificial intelligence. We, too, have had to revise our already not particularly pessimistic U.S. GDP forecast slightly upwards. Q4 is expected to show a slight dip due to the shutdown, however. Overall, the outlook for the U.S. economy is nonetheless far from unfriendly!

Chart: Interest rate trend in the USA



Sources: Macrobond, NORD/LB Macro Research

Waiting for December

U.S. key rates are likely to fall quite substantially, with conditions in the labour market expected to prompt action from the Federal Open Market Committee (FOMC). The U.S. economy is now heavily reliant on the artificial intelligence sector, even as other segments show weakness. AI's impact on the employment situation is likely a mixed blessing, both creating and displacing jobs. Against this background we expect an initial, cautious rate cut in December and, for the upper bound of the Fed Funds target range in the second half of 2026, ultimately a terminal rate of around 3.00 percent. Should the Fed delay its initial moves in 2025 – a scenario that is far from certain – it could simply compensate with more rapid cuts beginning around May 2026. In addition, the central bank could begin to explore more creative monetary policy solutions. Additional easing measures do not necessarily have to hurt the U.S. currency. The forex market had previously feared more severe scenarios, such as a coordinated devaluation akin to a "Plaza Accord 2.0."

Real estate market with focus on long-term interest rates

The financing conditions in terms of interest rates for the real estate sector have developed quite favourably of late, though the mortgage "lock-in" effect continues to play a role. Although capital market players took a negative view of Powell's initially subdued outlook for the Fed's December meeting and, for example, the rate of interest on 10-year Treasuries rose again during and after the press conference (as if the FOMC's rate cut had not happened at all), the average 30-year mortgage interest rates moved downwards somewhat more sustainably (towards the psychologically important 6-percent threshold). This key metric for private real estate financing thus appeared less reactive to the news flow. Efforts to make the financing situation of prospective property buyers more attractive and take some of the burden off their shoulders have sparked louder debate over introducing 50-year mortgages. While truly sustainable solutions have yet to emerge, the 'affordability' problem has been recognised, and intensified efforts are now in progress towards developing solutions to it. The NAHB Housing Market Index, one of the sector's key indicators and a bellwether for the broader economy, has recently risen on a more positive outlook, even though it remained deep in negative territory at 37 points. This shift in sentiment is partially, if unevenly, reflected in the details, however. While the willingness to sell a home today has barely increased, the outlook for a sale in six months is markedly different, with the "Single Family Sales: Next 6 Months" sub-index rising from 45 to 54 points. This suggests that potential sellers are likely operating on the assumption that achievable prices will move in their favour over the next six months, given the greater negotiating leverage they would have if financing costs were expected to fall. Consequently, a shortage of listings is unlikely. At any rate, we expect housing demand to see a sustained increase by the second half of 2026, injecting fresh momentum into the data – a development that would ultimately benefit the broader U.S. economy as well.

Fundamental forecasts, USA

	2024	**2025**	**2026**
GDP	2.8	1.9	2.0
Private consumption	2.9	2.2	2.0
Govt. consumption	3.8	1.2	1.0
Fixed investment	3.0	2.7	2.3
Exports	3.6	0.8	1.5
Imports	5.8	2.8	-0.4
Inflation	3.0	2.9	2.8
Unemployment rate[1]	4.0	4.3	4.4
Budget balance[2]	-6.9	-6.3	-6.2
Current acct. balance[2]	-4.1	-4.4	-3.7

Change vs previous year as percentage; [1] as percentage of the labour force; [2] as percentage of GDP

Sources: Macrobond, NORD/LB Macro Research

Quarterly forecasts, USA

	I/25	**II/25**	**III/25**	**IV/25**	**I/26**
GDP qoq ann.	-0.5	3.8	2.6	0.8	1.8
GDP yoy	2.0	2.1	1.9	1.6	2.3
Inflation yoy	2.7	2.5	2.9	3.4	3.1

Change as percentage

Sources: Macrobond, NORD/LB Macro Research

Interest and exchange rates, USA

	13.11.	**3M**	**6M**	**12M**
Fed funds target rate	4.00	3.75	3.50	3.00
3M rate	3.85	3.60	3.35	2.95
10Y Treasuries	4.12	4.00	3.80	3.70
Spread 10Y Bund	143	130	110	80
EUR in USD	1.16	1.15	1.13	1.10

Sources: Bloomberg, NORD/LB Macro Research

Euroland: Economy shows unexpected resilience

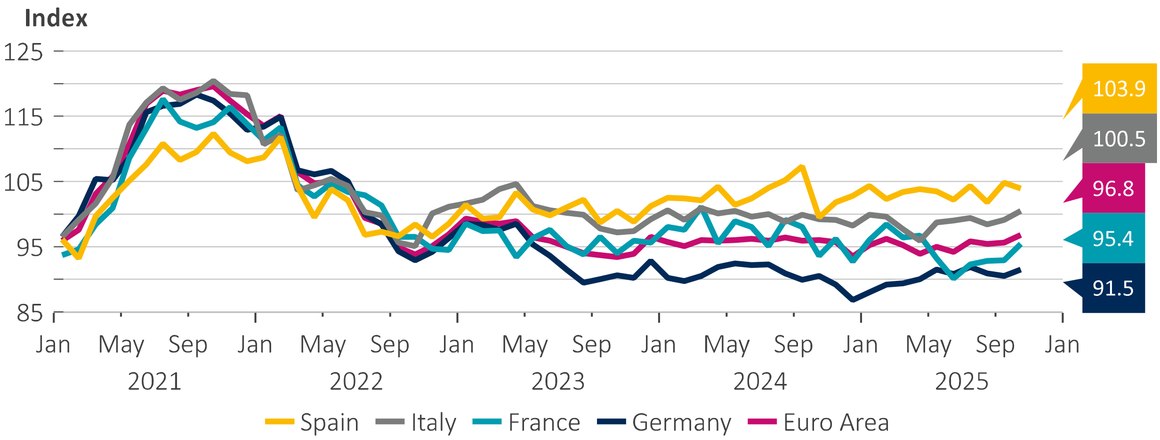
Analysts: Christian Lips, Chief Economist // Valentin Jansen

European economy shows unexpected resilience

The eurozone economy developed better than expected over the summer. Real GDP increased by 0.2 percent quarter-on-quarter in Q3, highlighting the European economy's resilience despite significant headwinds. Among the major economies, Spain once again registered the strongest growth momentum with a quarter-on-quarter figure of +0.6 percent. The biggest surprise came from France, posting growth of +0.5 percent qoq despite ongoing political turmoil, marking the French economy's highest quarterly expansion in over two years. By contrast, the industrial and export powerhouses Germany and Italy were hit harder by the headwinds in the summer as well, managing no more than stagnation. Irish GDP (-0.1 percent qoq) also stagnated for the second consecutive quarter, though continuing to register double-digit growth rates year-on-year.

Geopolitics, trade disputes and heightened uncertainty have weighed on growth in recent months. Looking ahead, however, Germany's markedly more expansionary fiscal policy is increasingly coming into focus, with experts expecting it to deliver a stimulus for the European economy. Moreover, monetary policy is no longer restrictive. Against this backdrop, the leading indicators are taking a more positive course. Economic sentiment jumped to 96.8 points in October (see chart), and the PMIs have recently sent similarly positive signals. In addition, the deal between Trump and Xi has made at least a temporary pause in global trade tensions more likely, reducing the near-term risk of new supply chain disruptions. Economic momentum appears set to pick up slightly in Q4.

Chart: Economic sentiment markedly improved in October



Sources: Macrobond, NORD/LB Macro Research

Unemployment rate remains close to historic low

The labour market remains remarkably resilient. The seasonally adjusted ILO unemployment rate in the eurozone stood at 6.3 percent in September 2025, unchanged for the third consecutive month and close to the record low registered at year-end 2024. Significant disparities persist within the currency bloc, however. While Germany's jobless rate has risen over the past year from 3.1 to 3.9 percent, Italy's figure has fallen from 7.7 to 6.1 percent. Unemployment in Spain, despite a significant decline, remains elevated at 10.5 percent while France registered an increase from 7.4 to 7.6 percent. These divergences reflect differing economic trends. In Germany and France, weak industrial performance is weighing on growth, while Southern Europe is benefiting from tourism and earlier reforms. Overall, the labour market remains remarkably resilient to political uncertainties. Demographic ageing and widespread skilled labour shortages are providing additional support for employment. The phenomenon of "labour hoarding" – where businesses hold on to workers despite economic headwinds – remains relevant, particularly in sectors experiencing bottlenecks. Next year, the eurozone labour market is likely to benefit from a modest tailwind again from more expansionary fiscal policy, and we expect a slight decline in the average unemployment rate to 6.2 percent in 2026.

ECB votes unanimously to continue its steady-hand policy

The European Central Bank left its key interest rates unchanged in October, as widely expected. The Governing Council's members voted with "absolute unanimity" for a continuation of its steady-hand policy. The central bankers have for some time demonstratively signalled their satisfaction with the current level of interest rates, a stance supported by the most recently published economic data. Inflation has been hovering near the 2-percent mark for some time, even as the core rate and the upward pace of prices in the services sector remain elevated. Medium-term inflation expectations are firmly anchored, and the central bankers do not currently expect any sustained deviations from the ECB's price stability target.

Currently, there is little in the data to suggest this assessment will change in December when new projections are released. However, it remains to be seen to what extent the planned postponement of the ETS II launch, originally scheduled for 2027, will impact the inflation outlook for 2027 and 2028. As long as the economic data remain as resilient as they have been to date, the ECB is unlikely to pursue further interest rate cuts. It would probably take fresh adverse developments to prompt the central bankers to rethink their stance in the coming months. While a non-negligible probability of such a shift exists, our base case scenario anticipates an extended phase of unchanged key interest rates.

Fundamental forecasts, Euroland

	2024	2025	2026
GDP	0.8	1.4	1.2
Private consumption	1.2	1.3	1.5
Govt. consumption	2.2	1.6	2.4
Fixed investment	-2.1	2.4	4.0
Net exports[1]	0.3	-0.6	-1.1
Inflation	2.4	2.1	1.8
Unemployment rate[2]	6.4	6.3	6.2
Budget balance[3]	-3.1	-3.3	-3.4
Current account balance[3]	2.7	2.0	2.0

Change vs previous year as percentage, [1] as contribution to GDP growth; [2] as percentage of the labour force; [3] as percentage of GDP

Sources: Macrobond, NORD/LB Macro Research

Quarterly forecasts, Euroland

	I/25	II/25	III/25	IV/25	I/26
GDP sa qoq	0.6	0.1	0.2	0.2	0.3
GDP sa yoy	1.6	1.5	1.4	1.2	0.9
Inflation yoy	2.3	2.0	2.1	2.0	1.7

Change as percentage

Sources: Macrobond, NORD/LB Macro Research

Interest rates, Euroland

	13.11.	3M	6M	12M
Repo rate ECB	2.00	2.00	2.00	2.00
3M rate	2.06	2.00	2.00	2.00
10Y Bund	2.69	2.70	2.70	2.90

Sources: Bloomberg, NORD/LB Macro Research

Germany: Economic output stagnated over the summer

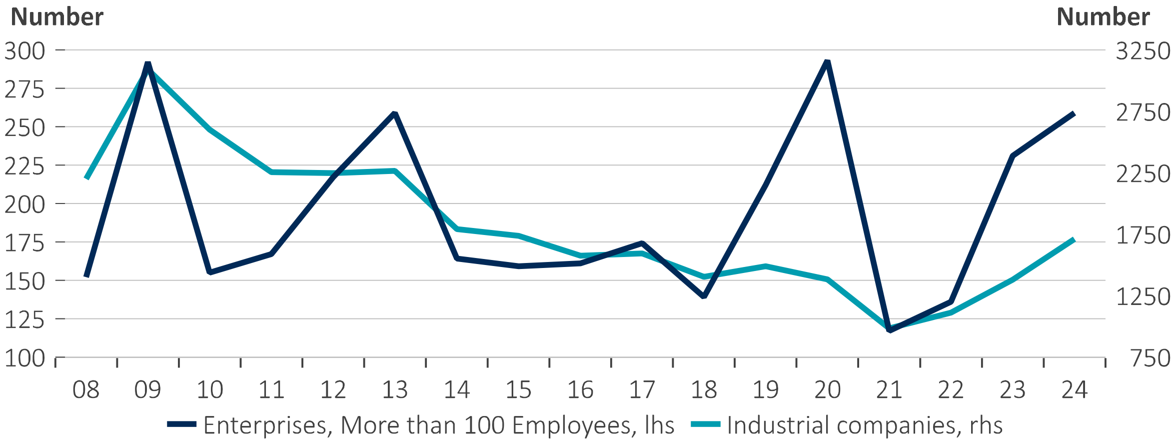
Analysts: Christian Lips, Chief Economist // Christian Reuter

Economic weakness persists in Q3 – investment gradually picking up

The German economy failed to return to growth mode over the summer. Q3 saw real GDP stagnate at the level of the previous quarter, after adjustments for seasonal and calendar effects. While an economic rebound has yet to materialize, the country avoided a relapse into a technical recession. The year-on-year rate stands in positive territory at 0.3 percent yoy.

Following a spring quarter in which, according to revised data, the economic contraction was slightly less severe, the German economy remained burdened by a challenging environment in the third quarter as well. Exports declined and foreign trade dragged on growth, developments that were, however, compensated for by domestic economic activity. Notably, investment in machinery and equipment picked up, which was not necessarily expected given the prevailing headwinds and persistent uncertainties. It should be borne in mind, however, that the German economy had to operate in an extremely challenging environment during the summer months. For instance, the tariff agreement with the United States proved disappointing for numerous companies, especially as it failed to make for any tangible downtrend in uncertainty. Moreover, industrial output came under significant pressure in August. While this was largely due to temporary special effects in the automotive sector – plant holiday shutdowns and production adjustments – and was partially offset in September, the outlook for the third quarter remained far from rosy. Against this background, stagnation was the most that could have been expected for the summer months.

Chart: Number of insolvencies in Germany



Sources: Destatis, Macrobond, NORD/LB Macro Research

Number of insolvencies continues to rise – level not dramatic in historical comparison

The persistent stagnation of the German economy is also leaving its mark on corporate insolvencies. The statistics are still affected by distortions from the COVID pandemic, during which government policy suppressed a wave of bankruptcies, some of which have since materialized after all. However, the current insolvency trend is now likely driven again by 'normal' economic effects. In the previous year, the number of industrial company insolvencies rose to 1,700, returning to a level last seen in 2015. This year's figures are expected to be higher still, with data through July already indicating a level 12 percent above that of the same period last year. The trend among larger companies (with more than 100 employees) is cyclical but shows no long-term trajectory. The number of insolvencies in this category peaked in 2009, 2013, and 2020. The 2024 figure of 260 was roughly on par with those previous crisis levels; no further increase is currently projected for 2025.

While the situation is unwelcome, a look at the long-term trend suggests it is not yet dramatic either. The leading indicator published by the Halle Institute for Economic Research (IWH), which incorporates data through October and has a lead time of roughly two months, at any rate signals that insolvency activity is not currently escalating further and could even ease slightly by year's end.

Prospects for economic recovery look positive
The upward trend in plant and equipment investment during the third quarter is an encouraging signal. However, this is also urgently needed and, given both cyclical and structural weaknesses, can only represent an initial, modest step. A sustained rise in investment activity – especially private investment – is crucial for reviving the economy and improving long-term growth potential. We maintain our expectation that the investment climate will brighten over time as the measures from the government's special fund and additional investment incentives are successively implemented. Aside from isolated fluctuations, economic and business expectations for the coming year have been trending upwards for some time. The undeniable near-term headwinds are offset by the prospect of a marked pickup in economic activity driven by the government's fiscal package and increased investment. Accordingly, business and economic expectations are already showing signs of improvement. In October, the purchasing managers' indexes and the ifo business climate index, in particular, surprised on the upside. The latter was driven by markedly more optimistic business expectations, which rose to 91.6 points – the highest level since Russia's invasion of Ukraine in early 2022.
Survey participants continue to assess the current situation as poor, however. We anticipate a return to modest growth as early as Q4 this year, a trend likely to become more consistent over the course of the next year. Overall, however, the German economy is forecast to more or less stagnate again in 2025, with projected growth of just 0.2 percent. Nevertheless, we expect GDP growth of around 1 percent in 2026 despite ongoing difficulties in global trade.

Fundamental forecasts, Germany

	2024	2025	2026
GDP	-0.5	0.2	1.1
Private consumption	0.5	1.2	1.3
Govt. consumption	2.6	2.3	3.2
Fixed investment	-3.3	-0.7	3.4
Exports	-2.1	0.2	1.9
Imports	-0.6	4.3	5.5
Net exports[1]	-0.7	-1.5	-1.3
Inflation[2]	2.5	2.3	2.0
Unemployment rate[3]	6.0	6.3	6.3
Budget balance[4]	-2.7	-2.9	-3.6
Current account balance[4]	5.8	4.6	4.1

Change vs previous year as percentage, [1]as contribution to GDP growth; [2]HICP; [3]as percentage of the civil labour force (Federal Employment Office definition); [4] as percentage of GDP
Sources: Macrobond, NORD/LB Macro Research

Quarterly forecasts, Germany

	I/25	II/25	III/25	IV/25	I/26
GDP sa qoq	0.3	-0.2	0.0	0.3	0.2
GDP nsa yoy	0.0	-0.1	0.3	0.7	0.3
Inflation yoy	2.6	2.1	2.1	2.3	2.0

Change as percentage
Sources: Macrobond, NORD/LB Macro Research

Switzerland: The worst appears to be over

Analyst: Christian Reuter

Recession risk off the table – uptick in sentiment across the board

The Swiss economy is proving more resilient than expected. Revised calculations by the Federal Statistical Office show that growth in 2024 was 0.2 percentage points higher (now 1.2 percent year on year) and in the first half of 2025 0.1 points higher than previously assessed. Growth in Q3/2025 also looks set to allay earlier fears. Foreign trade, it seems, held up better than expected despite the headwinds from U.S. tariffs: real, seasonally adjusted exports fell by just 0.6 percent quarter on quarter. Indeed, more recent data for August and September show exports back in positive territory. The domestic economy appears largely unfazed by the ongoing geopolitical turmoil. Low interest rates boosted the construction industry, while the service and trade sectors benefited from low inflation and falling import prices. The number of unemployed rose by a mere 650 in October, the smallest increase since December 2024. This notable resilience is also reflected in an improved economic sentiment. The KOF economic survey paints a brighter picture of the business situation, along with rising optimism. Not only the domestically oriented sectors but also the manufacturing industry – hit particularly hard by the tariffs – now view their prospects more positively. The KOF Employment Indicator has climbed to its highest level in three years for the current quarter, signalling greater willingness among firms to hire. There has also been encouraging news from Washington: a group of billionaires and CEOs has apparently succeeded in pushing for a reduction of tariffs to 15 percent. A document ready for signature is expected to be on the table by the time the World Economic Forum meets in Davos in January.

SNB's aggressive rhetoric against franc appreciation – "No limits" for its balance sheet

The SNB's watch-and-wait strategy appears to be paying off in light of the economic outlook. There is no need to stimulate the domestic economy with lower interest rates. The central bank remains nervous about inflation and the franc's external value. October's inflation rate came in far lower than analysts had expected, with falling import prices translating into deflationary pressures. Amid the escalation between the U.S. and China, the franc hit a new record high against the euro in October and was the only G10 currency to appreciate against the U.S. dollar, underscoring its safe-haven status. While the situation has since calmed somewhat, the franc began to rise again on news of a likely, less unfavourable tariff deal with the United States. The SNB has responded with aggressive rhetoric, with representatives explaining that the SNB has not set out any limits for the expansion of its balance sheet. Past forex interventions have already pushed the balance sheet to a level of 880 billion Swiss francs, slightly exceeding Switzerland's 2024 GDP. Franc sales are therefore likely, although the currency is expected to remain very strong. On interest rates, the prospect of an agreement with the United States gives the SNB a sound rationale for staying on hold for now.

Fundamental forecasts*, Switzerland

	2024	2025	2026
GDP	1.2	1.6	1.0
Inflation (CPI)	1.1	0.2	0.1
Unemployment rate[1]	2.5	3.0	3.2
Budget balance[2]	0.6	0.6	0.0
Current account bal.[2]	7.5	3.9	6.2

* Change vs previous year as percentage; [1] as percentage of the labour force, [2] as percentage of GDP

Interest and exchange rates, Switzerland

	13.11.	3M	6M	12M
SNB policy rate	0.00	0.00	0.00	0.00
3M rate	-0.05	-0.05	-0.05	0.00
10Y	0.15	0.15	0.20	0.50
Spread 10Y Bund	-254	-255	-250	-240
EUR in CHF	0.92	0.91	0.92	0.93

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Japan: The new prime minister and the central bank

Analyst: Tobias Basse

After the wait for a new prime minister

In Japan, the LDP has, after some to-ing and fro-ing, secured a new coalition partner. Consequently, Sanae Takaichi has since been elected prime minister in Tokyo, and the political turbulence appears to be subsiding as a result. While the new head of government is generally thought to prefer lower interest rates, not least because of her rather ambitious fiscal plans, Japan's current inflation problems are nonetheless likely to necessitate further, very cautious key-rate hikes by the central bank in Tokyo. In this context, it should be borne in mind that the trajectory of food prices in particular is beginning to become a highly significant political issue in the Land of the Rising Sun.

Central bank initially hesitant to take action

As expected, the Bank of Japan made no adjustments to its interest-rate policy at its most recent meeting, holding the key rate at 0.50 percent. Once again, the members of the BoJ's monetary policy committee failed to reach an unanimous consensus, with Hajime Takata and Naoki Tamura reiterating their call for higher interest rates due to their concerns over inflation.

Weak yen

The rate decision in Tokyo was not a major surprise in itself, but some FX market participants had apparently expected clearer signals from Kazuo Ueda pointing to interest-rate hikes in the near term. These have failed to materialize, making for additional pressure on the yen. While Prime Minister Sanae Takaichi is generally thought to favour a weaker yen to improve the price competitiveness of domestic industry, press reports suggest the new head of the finance ministry would prefer a level around 120 to 130 JPY per USD. At any rate, the Japanese currency is currently notably weak, which could also have implications for price developments. A cautious rate hike in December would help.

Fundamental forecasts*, Japan

	2024	2025	2026
GDP	0.1	1.1	0.9
Inflation	2.7	3.0	1.9
Unemployment rate[1]	2.5	2.5	2.4
Budget balance[2]	-2.0	-3.4	-3.2
Current account bal.[2]	4.7	4.6	4.4

* Change vs previous year as percentage;

[1] as percentage of the labour force; [2] as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, Japan

	13.11.	3M	6M	12M
Key rate	0.50	0.75	0.75	1.00
3M rate	0.81	0.80	0.90	1.10
10Y	0.66	1.60	1.60	1.70
Spread 10Y Bund	-203	-110	-110	-120
EUR in JPY	180	171	163	153
USD in JPY	155	149	144	139

China: Concerns about the outlook are growing

Analyst: Valentin Jansen

PMI data had already signalled a challenging closing quarter for China's industrial sector

The October data from the RatingDog China General Manufacturing PMI had already pointed to dampened sentiment in the purchasing departments of export-oriented industrial firms in the Middle Kingdom. Nevertheless, the reading of 50.6 points still signals – in a purely mechanistic interpretation – mild expansion above the 50-point threshold. Accompanying qualitative feedback indicated a broad-based drop in demand. The index's official counterpart, the CFLP Manufacturing PMI, had delivered a similar message, having remained below the key 50-points mark for seven consecutive months. The hard data then indeed confirmed the slowdown, indicating that industrial output contracted in October – falling short of expectations with a year-on-year figure of 4.9 percent after 6.5 percent the previous month. The decline in industrial activity warrants close monitoring, as does the trend in exports, which fell unexpectedly sharply by 1.1 percent year-on-year in October despite an unfavourable base effect. A weakening of these two key growth drivers would pose significant risks to the broader economic outlook, particularly given persistently subdued domestic demand. October's hard economic data will have increased the pressure on Beijing to take action.

Trade deal makes for temporary relief, but markets also show signs of scepticism

The next stage in the evolution of trade talks between Washington and Beijing has brought a short-term easing of tensions between the world's two largest economies. The agreement lowers tariffs and postpones export controls by a year, providing a temporary breather for global trade and reducing the immediate risk of further escalation. The headwinds for China's export sector have thus eased slightly in the near term, while its competitiveness has, to some extent, increased. The news briefly drove significant gains on Chinese stock markets as well. The market response was not uniformly positive, however. Many investors remain cautious, as the agreement is vague on many points and, therefore, structural uncertainties are not yet off the table.

PBOC: Deflationary risks could in themselves have justified policy easing

The PBOC held its key interest rates unchanged in October despite persistent economic concerns, even as deflation risks and slowing growth momentum would justify further easing. Pressure on the renminbi has eased noticeably following the U.S. Federal Reserve's recent rate cut. October saw the Chinese currency briefly touch the 7.10 per U.S. dollar mark, its strongest level in about a year. Looking ahead, the prospect of further U.S. rate cuts and the PBOC's cautious stance, underpinned by its unwavering commitment to renminbi stability, are expected to keep the yuan stable to slightly stronger.

Fundamental forecasts*, China

	2024	2025	2026
GDP	5.0	4.7	4.3
Inflation	0.1	0.0	0.8
Unemployment rate[1]	5.1	5.1	5.1
Budget balance[2]	-4.8	-5.5	-5.7
Current account bal.[2]	2.3	2.4	1.7

* Change vs previous year as percentage

[1] as percentage of the labour force, [2] as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, China

	13.11.	3M	6M	12M
Deposit rate	1.50	1.50	1.50	1.50
3M SHIBOR	1.58	1.55	1.53	1.50
10Y	1.81	1.58	1.58	1.58
Spread 10Y Bund	-88	-112	-112	-132
EUR in CNY	8.26	8.17	7.97	7.70
USD in CNY	7.10	7.10	7.05	7.00

Britain: Key autumn budget coming up

Analyst: Constantin Lüer

Rachel Reeves set to deliver fiscal stimulus in the autumn budget

What sounds a bit like a holiday is, in fact, primarily the budgetary planning of His Majesty's Treasury – a process conducted in this way since 2017. The UK's fiscal year traditionally ends on 5 April each year; shifting the planning to the autumn of the preceding year ensures there is ample time for adjustments and implementation. Until 2016, the government's budgetary plans were not presented until March. Accordingly, 26 November will see Chancellor of the Exchequer Rachel Reeves first deliver an assessment of the UK's economic situation before outlining the Starmer government's plans for reforms, taxes, and investments. Ms. Reeves had already given a foretaste, stating in advance that curbing inflation remains her priority, with a particular focus on the excessively high energy prices. Among other things, the measures are meant to lower costs for end consumers, which is likely to entail an overall fiscal tightening – and more besides.

Labour market could force the BoE to intervene

Although the next meeting of the Monetary Policy Committee is some time away, attention ought to remain fixed on the Bank Rate. Following the decision on 6 November to hold the key rate at 4.00 percent, the likelihood of a cut at the next meeting has, in our view, increased. The 5-4 vote was exceptionally close, whereas more consensus had previously been expected. The newly published data on unemployment show an unexpected increase to 5.0 percent, breaching an important psychological threshold. For this reason alone, a cut in the key rate to a probable 3.75 percent on 18 December is a highly likely consequence.

Consumer prices are not the problem at the moment

At the same time, the rate of inflation is unlikely to stand in the way of a rate cut, seeing as price growth likewise surprised – but on the upside. The consumer price index plateaued in September, at just 0.0 percent month-on-month. Even if the headline rate should pick up slightly again in October, the September figure gives many consumers – and not least the central bankers at the Bank of England – some breathing space. At 3.8 percent year-on-year, inflation remains above the price-stability target, but what matters is the current trajectory, and that – unlike in April, when it hit 1.2 percent month-on-month – no longer appears to be a source of major concern at the current time.

Fundamental forecasts*, Britain

	2024	2025	2026
GDP	1.1	1.4	1.2
Inflation (CPI)	2.5	3.3	2.4
Unemployment rate[1]	4.3	4.7	4.8
Budget balance[2]	-5.2	-4.4	-3.7
Current account balance[2]	-2.2	-3.0	-2.7

* Change vs previous year as percentage

[1] as percentage of the labour force as per ILO concept

[2] as percentage of GDP

Sources: Macrobond, Bloomberg, NORD/LB Macro Research

Interest and exchange rates, Britain

	13.11.	3M	6M	12M
Repo rate	4.00	3.75	3.50	3.25
3M rate	3.85	3.55	3.35	3.20
10Y	4.44	4.45	4.30	4.25
Spread 10Y Bund	175	175	160	135
EUR in GBP	0.88	0.88	0.88	0.87
GBP in USD	1.32	1.31	1.28	1.26

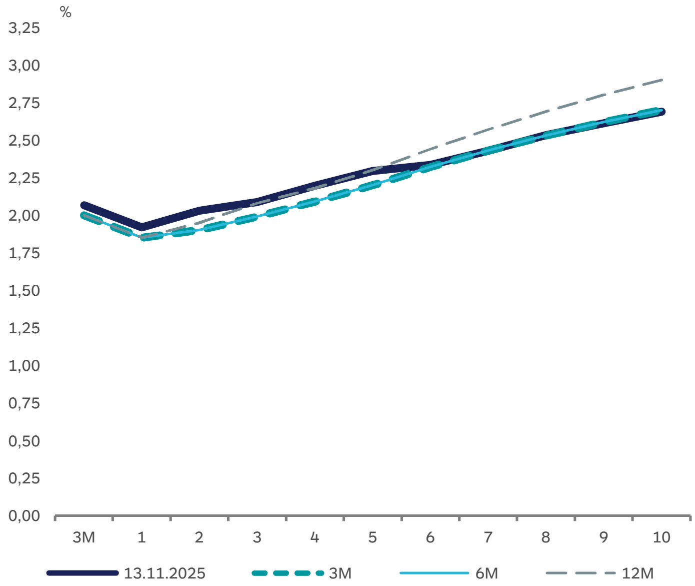
Portfolio strategies
Yield curve, Euroland

Yields and forecasts (Bunds/Swap)

Yields (in %)		NORD/LB forecasts for horizons...		
	13.11.2025	**3M**	**6M**	**12M**
3M	2.06	2.00	2.00	2.00
1Y	1.92	1.85	1.85	1.85
2Y	2.03	1.90	1.90	1.95
3Y	2.08	1.99	1.99	2.08
4Y	2.19	2.09	2.09	2.18
5Y	2.29	2.20	2.20	2.30
6Y	2.32	2.32	2.32	2.44
7Y	2.42	2.43	2.43	2.57
8Y	2.52	2.53	2.53	2.69
9Y	2.60	2.62	2.62	2.80
10Y	2.68	2.70	2.70	2.90
2Y (Swap)	2.18	2.05	2.05	2.10
5Y (Swap)	2.41	2.30	2.30	2.40
10Y (Swap)	2.72	2.70	2.70	2.90

Sources: Bloomberg, NORD/LB Macro Research

Yield curve forecasts (Bunds)



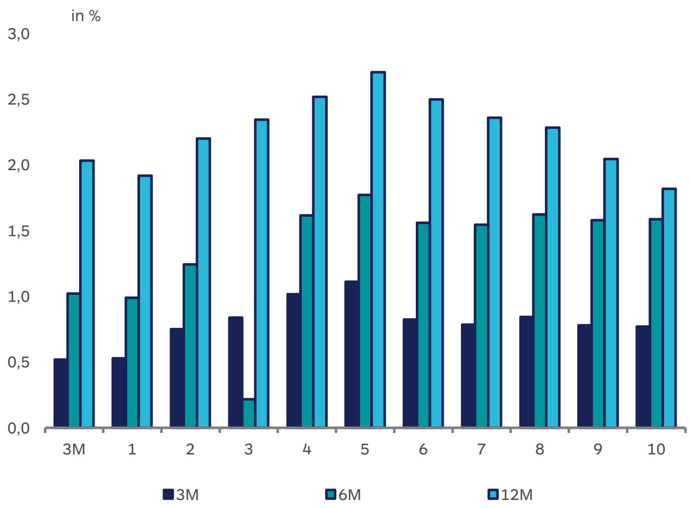
Sources: Bloomberg, NORD/LB Macro Research

Forecasts and total returns

	Total returns (in %) for horizons...		
	3M	**6M**	**12M**
3M	0.52	1.02	2.03
1Y	0.53	0.99	1.92
2Y	0.75	1.24	2.20
3Y	0.84	0.22	2.34
4Y	1.01	1.61	2.52
5Y	1.11	1.77	2.70
6Y	0.82	1.56	2.50
7Y	0.78	1.54	2.36
8Y	0.84	1.62	2.28
9Y	0.78	1.58	2.04
10Y	0.77	1.58	1.82

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns



Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve change.

Portfolio strategies International yield curve: 3-month & 12-month horizons

3-month horizon

Expected total returns (as percentage) in euro					
	EUR	USD	GBP	JPY	CHF
1Y	0.5	2.2	1.2	5.4	1.3
2Y	0.7	2.1	1.4	5.5	1.4
3Y	0.8	2.1	1.3	5.6	1.4
4Y	1.0	2.3	1.4	6.1	1.5
5Y	1.1	2.6	1.2	6.1	1.6
6Y	0.8	4.2	1.6	6.3	1.6
7Y	0.8	2.9	1.2	6.7	1.6
8Y	0.8	2.9	2.4	7.0	1.6
9Y	0.8	2.9	2.4	7.1	1.6
10Y	0.8	3.2	2.1	6.7	1.6

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns (as percentage) in national currencies				
	USD	GBP	JPY	CHF
1Y	1.0	1.0	0.2	0.0
2Y	1.0	1.2	0.4	0.0
3Y	1.0	1.1	0.4	0.0
4Y	1.2	1.1	1.0	0.1
5Y	1.4	1.0	0.9	0.2
6Y	3.0	1.3	1.1	0.3
7Y	1.7	1.0	1.5	0.3
8Y	1.7	2.2	1.8	0.2
9Y	1.8	2.2	1.8	0.2
10Y	2.0	1.9	1.5	0.2

Sources: Bloomberg, NORD/LB Macro Research

12-month horizon

Expected total returns (as percentage) in euro					
	EUR	USD	GBP	JPY	CHF
1Y	1.9	9.6	5.2	18.4	-1.0
2Y	2.2	10.3	5.7	18.6	-1.1
3Y	2.3	11.0	5.8	18.7	-1.3
4Y	2.5	11.6	6.1	19.2	-1.3
5Y	2.7	12.4	6.3	19.5	-1.3
6Y	2.5	15.2	7.2	20.1	-1.3
7Y	2.4	13.8	6.9	20.7	-1.5
8Y	2.3	13.8	8.2	20.7	-1.8
9Y	2.0	14.4	8.4	21.1	-2.2
10Y	1.8	14.9	8.5	20.7	-2.8

Sources: Bloomberg, NORD/LB Macro Research

Expected total returns (as percentage) in national currencies				
	USD	GBP	JPY	CHF
1Y	3.7	3.7	0.7	-0.2
2Y	4.3	4.3	0.9	-0.3
3Y	4.9	4.3	1.0	-0.5
4Y	5.5	4.7	1.4	-0.5
5Y	6.3	4.9	1.7	-0.5
6Y	9.0	5.7	2.2	-0.5
7Y	7.7	5.5	2.7	-0.7
8Y	7.6	6.7	2.7	-0.9
9Y	8.2	6.9	3.0	-1.4
10Y	8.6	7.0	2.7	-2.0

Sources: Bloomberg, NORD/LB Macro Research

A total return is the absolute profit from an investment in the time period under consideration, with account being taken of the pro-rata yields plus the price gains or losses to be anticipated on the basis of the forecast yield curve and exchange rate change.

Portfolio strategies
Stock market strategy; 3-month, 6-month & 12-month horizons

Levels and performance

Index	Level		Status		Performance
	as at			since	
	13.11.2025	Prev. month	Start of year	Prev. month	Start of year
DAX	24,041.62	23,958.30	19,909.14	0.35%	20.76%
MDAX	29,610.57	29,751.62	25,589.06	-0.47%	15.72%
EuroSTOXX50	5,742.79	5,662.04	4,895.98	1.43%	17.30%
STOXX50	4,849.91	4,754.45	4,308.63	2.01%	12.56%
STOXX600	580.67	571.89	507.62	1.54%	14.39%
Dow Jones	47,457.22	47,562.87	42,544.22	1.45%	13.42%
S&P 500	6,737.49	6,840.20	5,881.63	0.16%	16.48%
Nikkei	51,281.83	52,411.34	39,894.54	-2.16%	28.54%

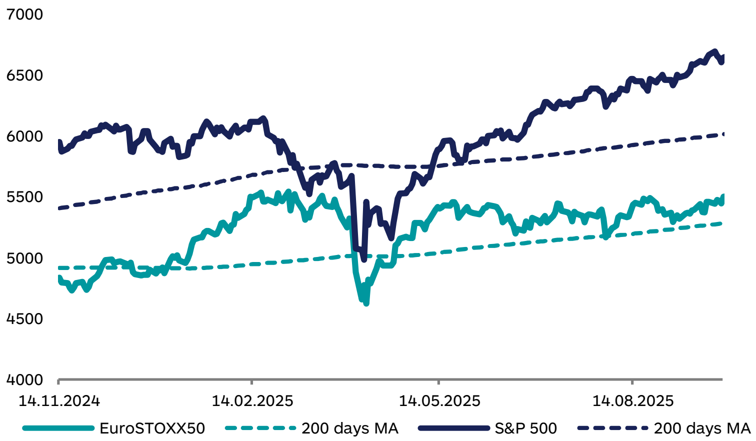
Sources: Bloomberg, NORD/LB Macro Research

Index forecasts

Index	NORD/LB forecast for the horizons ...		
	3M	6M	12M
DAX	24,100	25,500	26,500
MDAX	30,600	32,500	33,800
EuroSTOXX50	5,700	6,050	6,200
STOXX50	4,800	5,100	5,250
STOXX600	575	610	625
Dow Jones	47,500	48,800	49,800
S&P 500	6,750	6,950	7,100
Nikkei	50,500	52,200	55,000

Sources: Bloomberg, NORD/LB Macro Research

EuroSTOXX50 and S&P500



Sources: Bloomberg, NORD/LB Macro Research

Date of going to press for data, forecasts and texts was **Friday, 14 November 2025.**

The next English issue of Economic Adviser is planned for release **around the turn of the year**.

Overview of forecasts

Fundamental forecasts

in %	GDP growth			Rate of inflation			Unemployment rate[1]			Budgetary balance[2]		
	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
USA	2.8	1.9	2.0	3.0	2.9	2.8	4.0	4.3	4.4	-6.9	-6.3	-6.2
Euroland	0.8	1.4	1.2	2.4	2.1	1.8	6.4	6.3	6.2	-3.1	-3.3	-3.4
Germany	-0.5	0.2	1.1	2.5	2.3	2.0	6.0	6.3	6.3	-2.7	-2.9	-3.6
Japan	0.1	1.1	0.9	2.7	3.0	1.9	2.5	2.5	2.4	-2.0	-3.4	-3.2
Britain	1.1	1.4	1.2	2.5	3.3	2.4	4.3	4.7	4.8	-5.2	-4.4	-3.7
Switzerland	1.3	1.6	1.0	2.1	0.2	0.1	2.0	3.0	3.2	0.1	0.6	0.0
China	5.0	4.7	4.3	0.1	0.0	0.8	5.2	5.1	5.1	-4.8	-5.5	-5.7

Change vs previous year as percentage; [1] as percentage of the labour force (Germany: as per Federal Employment Office definition); [2] as percentage of GDP
Sources: Macrobond, NORD/LB Macro Research

Key interest rates

In %	13.11.25	3M	6M	12M
USD	4.00	3.75	3.50	3.00
EUR	2.00	2.00	2.00	2.00
JPY	0.50	0.75	0.75	1.00
GBP	4.00	3.75	3.50	3.25
CHF	0.00	0.00	0.00	0.00
CNY	1.50	1.50	1.50	1.50

Sources: Bloomberg, NORD/LB Macro Research

Exchange rates

EUR in...	13.11.25	3M	6M	12M
USD	1.16	1.15	1.13	1.10
JPY	180	171	163	153
GBP	0.88	0.88	0.88	0.87
CHF	0.92	0.91	0.92	0.93
CNY	8.26	8.17	7.97	7.70

Interest rates (government bonds)

	3M rates				Yields 2Y				Yields 5Y				Yields 10Y			
	13.11.	3M	6M	12M	13.11.	3M	6M	12M	13.11.	3M	6M	12M	13.11.	3M	6M	12M
USD	3.85	3.60	3.35	2.95	3.59	3.55	3.30	2.90	3.71	3.60	3.40	3.00	4.12	4.00	3.80	3.70
EUR	2.06	2.00	2.00	2.00	2.03	1.90	1.90	1.95	2.29	2.20	2.20	2.30	2.69	2.70	2.70	2.90
JPY	0.81	0.80	0.90	1.10	0.06	0.90	0.95	1.00	0.26	1.15	1.15	1.20	0.66	1.60	1.60	1.70
GBP	3.85	3.55	3.35	3.20	3.76	3.70	3.62	3.53	3.90	4.00	3.85	3.75	4.44	4.45	4.30	4.25
CHF	-0.05	-0.05	-0.05	0.00	-0.15	-0.20	-0.10	0.05	-0.01	-0.05	0.05	0.15	0.15	0.15	0.20	0.50

Sources: Bloomberg, NORD/LB Macro Research

Spreads (bp)

	3M EURIBOR				2Y Bund				5Y Bund				10Y Bund			
	13.11.	3M	6M	12M	13.11.	3M	6M	12M	13.11.	3M	6M	12M	13.11.	3M	6M	12M
USD	179	160	135	95	156	165	140	95	141	140	120	70	143	130	110	80
JPY	-125	-120	-110	-90	-197	-100	-95	-95	-204	-105	-105	-110	-203	-110	-110	-120
GBP	179	155	135	120	174	180	172	158	161	180	165	145	175	175	160	135
CHF	-212	-205	-205	-200	-218	-210	-200	-190	-230	-225	-215	-215	-254	-255	-250	-240

Sources: Bloomberg, NORD/LB Macro Research

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