Weekly — April 25, 2025

Weekly Economic & Financial Commentary

United States: **Holding the Line**

- Hard economic data broadly remain resilient and continue to hold the line, even as sentiment and survey data show trade-policy-induced uncertainty is a foremost concern. Regional purchasing manager indexes and the Beige Book were weighed down by the uncertain outlook, while durable goods orders came in stronger than expected.
- Next week: Q1 GDP (Wed.), ISM Manufacturing Index (Thu.), Employment (Fri.)

International: **European Sentiment Underwhelms Amid Heightened Uncertainty**

- Compared to recent weeks' headlines and market turbulence, this was somewhat of a lighter week in terms of international economic data. To start, we got the April Eurozone PMIs this week, and the results were generally underwhelming, contributing at the margin to our view that the risks are tilted toward more European Central Bank easing than we currently forecast. The United Kingdom PMIs were notably soft, possibly signaling lackluster growth prospects for the economy.
- Next week: China PMIs (Wed.), Eurozone PMIs (Wed.), Bank of Japan Policy Rate (Thu.)

Interest Rate Watch: **Fed Remains in a Holding Pattern**

- The tone from this week's Fedspeak maintained the majority opinion the FOMC held at its March meeting—a desire to hold rates steady on account of above-target inflation and elevated uncertainty. It appears most officials are comfortable waiting to assess the comprehensive impact of pending policy shifts before making further adjustments to the federal funds rate.

Topic of the Week: **Déjà Vu**

- President Trump suggested that tariffs on China may be reduced if the two nations reach a fair deal. Although it's hard to know exactly what such a deal might look like, U.S.-China Phase One and Phase Two trade agreement negotiations during the president's first term offer some insight. Our expectation is that U.S. tariffs on China will be brought down from their current extraordinary levels but will remain elevated above historical norms.

Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual		Forecast	
	2024				2025							
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024	2025	2026
Real Gross Domestic Product [1]	1.6	3.0	3.1	2.4	0.1	2.1	-1.0	-1.2	2.9	2.8	1.3	1.5
Personal Consumption	1.9	2.8	3.7	4.0	1.2	2.1	-1.2	-0.3	2.5	2.8	1.8	1.5
Consumer Price Index [2]	3.2	3.2	2.7	2.7	2.7	2.6	2.9	3.0	4.1	3.0	2.8	2.9
"Core" Consumer Price Index [2]	3.8	3.4	3.3	3.3	3.1	3.3	3.7	3.8	4.8	3.4	3.5	3.2
Quarter-End Interest Rates [3]												
Federal Funds Target Rate [4]	5.50	5.50	5.00	4.50	4.50	4.25	3.75	3.25	5.23	5.27	3.94	3.25
Conventional Mortgage Rate	6.82	6.92	6.18	6.72	6.65	6.35	6.15	6.00	6.80	6.72	6.29	6.19
10 Year Note	4.20	4.36	3.81	4.58	4.23	4.00	3.85	3.75	3.96	4.21	3.96	4.05

Forecast as of: April 25, 2025
[1] Compound Annual Growth Rate Quarter-over-Quarter
[2] Year-over-Year Percentage Change
[3] Quarterly Data - Period End; Annual Data - Annual Averages
[4] Upper Bound of the Federal Funds Target Range

Source: U.S. Dept. of Commerce, U.S. Dept. of Labor, Federal Reserve Board and Wells Fargo Economics

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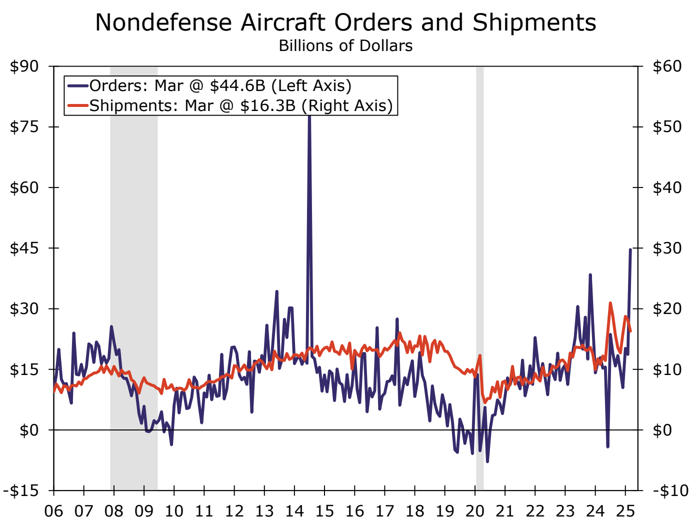
U.S. Review

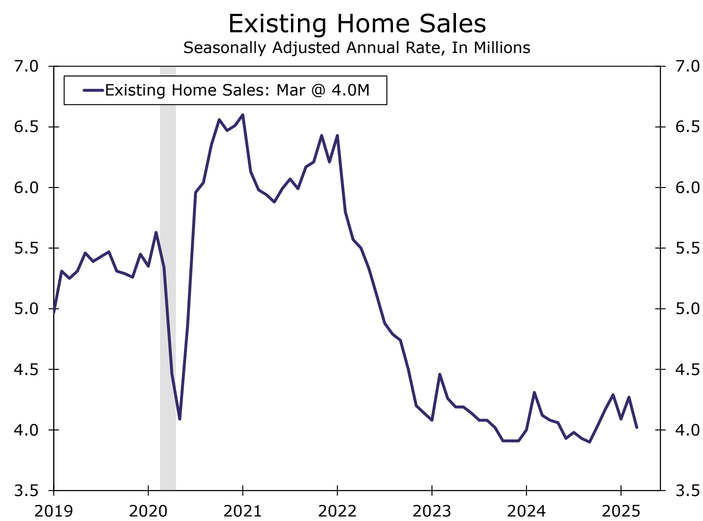
Holding the Line

Hard economic data broadly remain resilient and continue to hold the line, even as sentiment and survey data continue to show trade-policy-induced uncertainty is a foremost concern. The Federal Reserve's latest Beige Book demonstrated this dynamic. The survey noted economic activity was little changed across the districts, but that uncertainty around international trade policy was weighing on firms' ability to plan. Five districts experienced slight growth in economic activity, while three saw little change and four experienced slight to modest declines in activity. The labor markets across the districts were little changed from the prior report, but it was noted that the most significant declines in headcount were in government roles. Furthermore, firms in several districts reported they were taking a "wait-and-see" approach to hiring as they await clarity on trade policy. Prices generally increased across the districts, and firms were reporting the addition of tariff surcharges to account for tariff uncertainty. Overall, tariff-related concerns pessimistically weighed on the outlook across the districts.

Regional purchasing manager indexes were consistent with the Beige Book's downbeat mood. The Richmond Fed Manufacturing Index fell to -13 in April from -4 in March, as shipments, local business activity and capital expenditures all dipped sharply. The Kansas City Fed Manufacturing Activity survey similarly dropped, falling to -4 in April from -2 in March. This softening echoes data from last week that reported manufacturing conditions were broadly deteriorating across the New York and Philadelphia Federal Reserve districts.



Source: U.S. Department of Commerce and Wells Fargo Economics



Source: NAR and Wells Fargo Economics

Sentiment is weak, but hard economic data are holding on. Durable goods orders were stronger than expected in March, as new orders rose a stark 9.2%. The unexpected strength came from nondefense aircraft orders rising an incredible 139%, in line with similarly strong orders data from Boeing released earlier in the month (chart). Motor vehicle orders were another area of strength in the report, up 2.3% in March after an even stronger 5.1% pop the month prior. Yet, after excluding transportation, new orders were flat and the report offered little evidence of companies pulling forward in demand to get ahead of tariffs. Core capital goods orders (nondefense orders excluding aircraft) rose a muted 0.1%. While growth in new demand has softened, production has held its ground. Shipments of core capital goods, which flow into the calculations for equipment spending in GDP accounting, rose 0.3%. That is a moderation from February, yet the strength in shipments at the beginning of the year suggests a strong quarter for capex. Our forecast calls for 16% annualized growth in equipment spending when Q1 GDP data are released next week.

Residential investment is unlikely to match the rise in equipment outlays. The housing market continues to be constrained, with March data demonstrating a slow start to the spring selling season. Existing home sales dropped 5.9% in March to a 4.02M-unit pace, the slowest since January 2024 (chart). Still-high mortgage rates and broad uncertainty in the economy have led to a softening in the resale market. Affordability challenges for buyers are also being pressured by rising home prices, creating a significant obstacle in the market. The pace of resales remains stuck 23% below the pre-pandemic rate in March 2019. By comparison, new home sales were a bright spot in March, jumping 7.4% to a 724K-unit pace, the highest level in six months. However, strength in the new homes market is heavily concentrated in the South, and the pace of activity has moved lower over the year in the Northeast, Midwest and West. Looking ahead, the recent bounce in mortgage rates, uncertainty regarding trade policy and dimming economic growth prospects stand to be formidable headwinds. Overall, continued uncertainty remains a theme across the economy at large, but it has yet to significantly affect much of the hard economic data thus far.

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U.S. Outlook

Weekly Indicator Forecasts

Domestic

Date	Indicator	Period	Consensus	Wells Fargo	Prior
29-Apr	Consumer Confidence	Apr	87.0	87.3	92.9
30-Apr	GDP Annualized (QoQ)	Q1	0.3%	0.1%	2.4%
30-Apr	Personal Consumption (QoQ)	Q1	–	1.2%	4.0%
30-Apr	Employment Cost Index (QoQ)	Q1	0.9%	1.0%	0.9%
30-Apr	Personal Income (MoM)	Mar	0.4%	0.4%	0.8%
30-Apr	Personal Spending (MoM)	Mar	0.6%	0.5%	0.4%
30-Apr	PCE Price Index (MoM)	Mar	0.0%	0.0%	0.3%
30-Apr	PCE Price Index (YoY)	Mar	2.2%	2.3%	2.5%
30-Apr	Core PCE Price Index (MoM)	Mar	0.1%	0.1%	0.4%
30-Apr	Core PCE Price Index (YoY)	Mar	2.6%	2.6%	2.8%
1-May	ISM Manufacturing Index	Apr	48.0	47.7	49.0
1-May	Construction Spending (MoM)	Mar	0.3%	0.2%	0.7%
1-May	Total Vehicle Sales	Apr	16.95M	16.00M	17.77M
2-May	Nonfarm Payrolls	Apr	125K	150K	228K
2-May	Unemployment Rate	Apr	4.2%	4.2%	4.2%
2-May	Average Hourly Earnings (MoM)	Apr	0.3%	0.3%	0.3%
2-May	Factory Orders (MoM)	Mar	4.4%	4.8%	0.6%

Forecast as of April 25, 2025

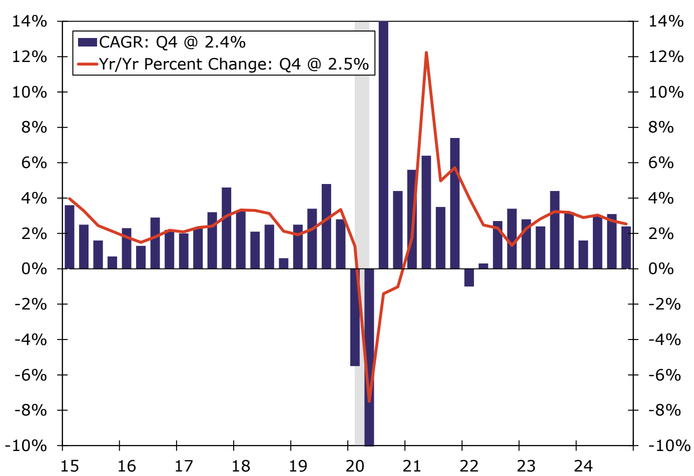
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Q1 GDP • Wednesday

The U.S. economy entered the year with momentum. Real GDP rose at a 2.4% annualized rate in Q4, propelled by robust consumer spending. On the whole, output expanded 2.8% in 2024, just a touch softer than 2023 (2.9%) and stronger than the past business cycle's 2.4% average growth.

Much has changed since the calendar flipped to 2025. Anticipation of tariff hikes led to a historic import surge that will punish GDP growth in Q1. That said, some of these goods will end up in inventories, which will somewhat offset the bite from net exports. Consumers were quiet in the first few months of the year but perked up in March with better weather and some tariff front-running purchases, especially of vehicles. Business fixed investment is poised to bounce back from a weak Q4, yet most of the strength will stem from aircraft—capital expenditures outside transportation equipment have been sluggish as businesses wait for more clarity on the outlook. Meantime, continued affordability challenges and elevated new home inventories point to modest growth in residential investment. Altogether, we look for real GDP to rise at a scant 0.1% annualized rate in Q1, which if realized, will be the weakest since 2022.

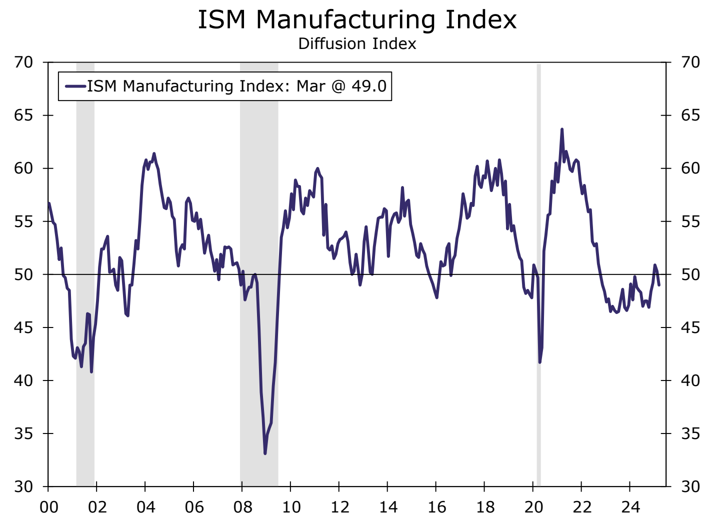
U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics

ISM Manufacturing Index • Thursday

Manufacturers have been through the wringer. Elevated interest rates and soft durable goods demand have restrained activity over the past few years, and just as a normalization seemed on the horizon, tariffs hit the wires. The ISM Manufacturing Index slipped back into contraction territory in March, and we look for the index to slide further to 47.7 in April. Regional Federal Reserve Bank purchasing manager surveys point to weaker activity across the New York, Philadelphia and Richmond districts amid a pullback in new orders and a rise in input prices during the month. Continued uncertainty on the path of tariffs has weighed on demand, and a rush for imported inputs, as well as new tariffs on steel, aluminum and non-USMCA compliant goods, have lifted prices paid by producers. The squeeze from weaker demand and higher costs is likely to keep a lid on capital expenditures and hiring plans in the coming months. Once uncertainty subsides, we expect manufacturing activity is apt for a recovery after seeing low levels of growth in recent years. Yet in the near term, we expect activity to soften further and look for the ISM Manufacturing Index to follow.



Source: Institute for Supply Management and Wells Fargo Economics

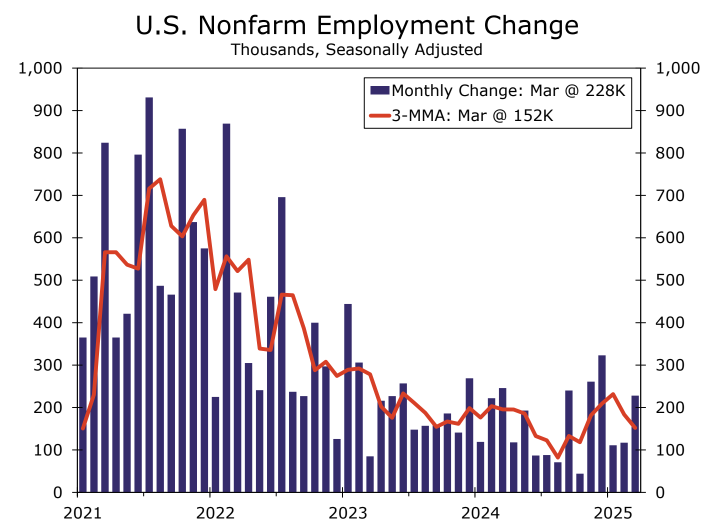
Employment • Friday

The labor market continues to tread water. We forecast nonfarm payrolls rose 150K in April, essentially in line with its three-month average of 152K. While trade policy abruptly changed throughout the month, we suspect employers resorted to wait-and-see mode.

Elevated uncertainty has suppressed labor demand. Job postings on Indeed have been declining since November, the net share of small businesses looking to hire has retreated to its lowest in a year, and regional Fed PMIs for the service sector are flirting with contraction territory. The whipsaw in tariff rates has been a key factor, but federal funding freezes have also played a role and weighed on industries reliant on government funds.

While demand for new workers has become tepid, firms largely remain reluctant to let go of existing workers. Initial claims for unemployment insurance were essentially unchanged through the first three weeks of April, suggesting layoffs have not materially picked up. Ongoing efforts to reduce the federal workforce are likely to drive another decline in federal government payrolls, yet outside government and its supporting industries, layoff announcements have been quiet.

With involuntary separations remaining low, we expect the unemployment rate held steady at 4.2% in April. Slower labor force growth amid thinning immigration flows points to a lower "breakeven" rate than in years past, which will keep the unemployment rate near its current level in the next few months. The historically low rate underscores that the pool of available workers remains tight, supportive of another solid 0.3% rise in average hourly earnings in April. We suspect the separately reported Employment Cost Index—the Federal Reserve's preferred measure of labor compensation—will echo the trend and rise 1.0% in the first quarter.



Source: U.S. Department of Labor and Wells Fargo Economics

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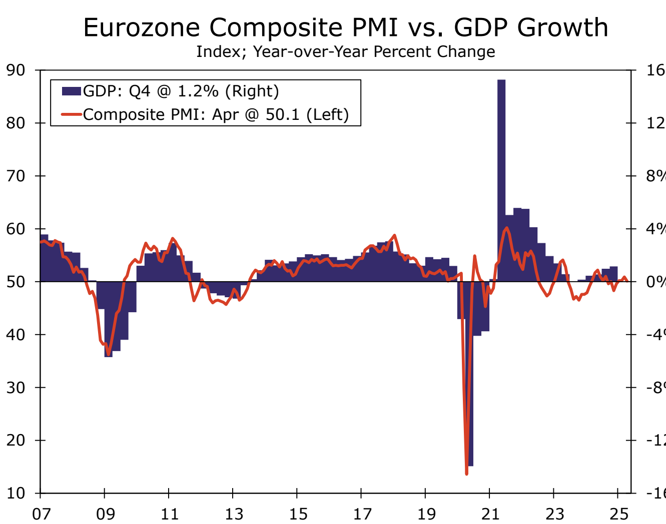
International Review

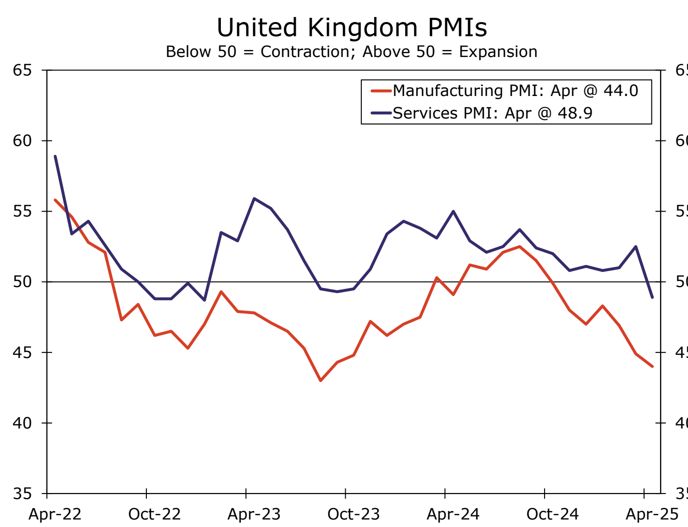
European Sentiment Underwhelms Amid Heightened Uncertainty

Compared to recent weeks' headlines and market turbulence, this was somewhat of a lighter week in terms of international economic data. To start, we got the April Eurozone PMIs this week, and the results were generally underwhelming. While the Manufacturing PMI rose by a tick to 48.7, it is still in contraction territory (below 50), and the services PMI fell by much more than expected to 49.7. Accordingly, the composite PMI dropped to a four-month low of 50.1. This pattern—of sub-50 Manufacturing PMI readings and worse-than-expected Services PMI readings—can be seen in the figures for the region's two largest economies, Germany and France, as well. Looking into the details of the Eurozone report, while business activity was stable, new orders fell noticeably and business confidence dropped sharply. Employment was generally unchanged, with a reduction in manufacturing employment somewhat offset by a modest increase in service jobs. As for price pressures, input costs increased at only a slow pace, while the rate of output price growth came in at a five-month low. All told, we see this slate of data as consistent with our outlook for the ECB to deliver another 25 bps rate cut at its upcoming June meeting. While our current forecast sees a once-per-quarter pace of rate cuts to reach a low of 1.75% by this fall, if the GDP and CPI inflation data we get next week also show softness, we would view the risks as increasingly tilted toward a more consistent rate cut pace that could perhaps take the Deposit Rate to a low of 1.50%.

The United Kingdom PMIs for April were noticeably soft. The services PMI fell by several points more than expected, to 48.9, marking an entrance to "contractionary" territory. The Manufacturing PMI declined by as much as expected, to 44.0, the lowest reading in more than a year. Together these outcomes weighed down the economy-wide composite PMI to 48.2. This marks the first month the composite index has been below 50—the line that separates expansion from contraction—in a year and a half. Examining the details of the report, we can see that output in the manufacturing sector and business activity in the service sector both saw their lowest readings in over two years. Confidence has also taken a hit, with respondents having "widely commented on the negative impact of U.S. tariffs and a subsequent slump in confidence." In terms of other comments around the impact of tariffs, many respondents noted that the elevated uncertainty has led firms to adopt a "wait-and-see" approach to spending decisions. In other areas of the survey, employment declined while input and output cost growth accelerated. Taken together, we for now maintain our view that the Bank of England will continue to cut its policy rate, though at a somewhat cautious pace; this would, in our view, help to balance both growth concerns and worries about the ability of inflation to return sustainably to the central bank's 2% target. We see the central bank lowering its policy rate by 25 bps at its next meeting in May before pausing in June.



Source: Datastream and Wells Fargo Economics



Source: Bloomberg Finance L.P. and Wells Fargo Economics

We got a variety of economic data from Japan this week and at the end of last week, covering prices (nationally and in Tokyo) and sentiment. National headline inflation eased slightly, against expectations for steady inflation, in March. Meanwhile underlying inflation—measured as CPI excluding fresh food

—ticked up as expected to 3.2%, from 3.0% previously. Overall goods inflation ticked down from last month, while services inflation picked up slightly. In more recent news, Tokyo April CPI inflation quickened more than expected, suggesting national price pressures could see firmness for the month as well. PMI figures out this week were also generally encouraging; while the manufacturing PMI only ticked up ever so slightly, the services PMI shot up over two points, helping boost the composite, or economy-wide, PMI into "expansionary" territory at 51.1. While we believe that, all else equal, the data releases from Japan this week would bolster the case for further Bank of Japan (BoJ) rate hikes, perhaps in the near term, we have to consider the larger global economic context. Uncertainty is unusually elevated, largely owing to a globally-shared lack of clarify on the future of U.S. tariff policy, and as such, we see the BoJ taking it slow and keeping rates on hold next month. For further reading, please see International Outlook below.

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International Outlook

Weekly International Indicator Forecasts

Date	Indicator	Period	Consensus	Wells Fargo	Prior
30-Apr	China Manufacturing PMI	Apr	49.8	—	50.5
30-Apr	China Non-manufacturing PMI	Apr	50.7	—	50.8
30-Apr	Eurozone GDP (QoQ)	Q1	0.2%	—	0.2%
1-May	Bank of Japan Policy Rate	1-May	0.50%	0.50%	0.50%

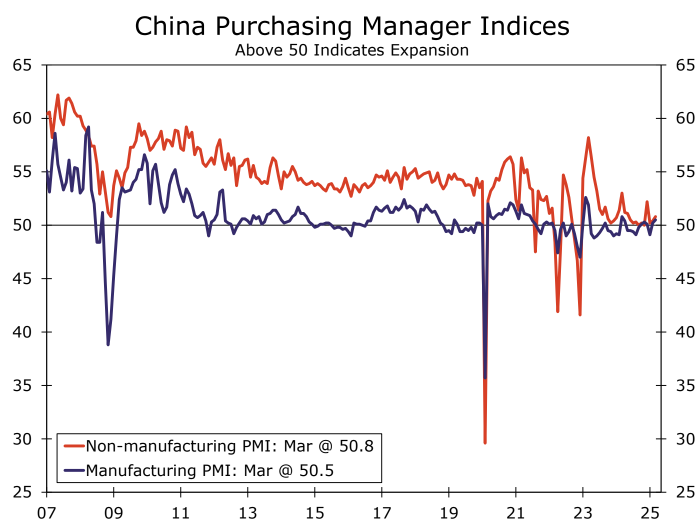
Forecast as of April 25, 2025

Source: Bloomberg Finance L.P and Wells Fargo Economics

China PMIs • Wednesday

Next week, we'll get the official April PMIs from China. The consensus forecast is for the manufacturing PMI to fall to 49.8 and the non-manufacturing PMI to tick down slightly to 50.7.

Economic data from China is always of interest to us as well as other market participants, but especially in this current environment of increasing trade tensions between the world's two largest economies. The United States has imposed what we have estimated as an ~113% effective tariff rate on China, the highest on record. China has retaliated in kind, meaning both countries have imposed tariff rates above 100% on each other. We have long been wary of China's economic growth prospects—due to the economy's primary reliance on trade rather than domestic consumption—and these tariffs arriving at a time when the country has not yet successfully adjusted its growth drivers to be more domestically oriented spells trouble, in our view. While China's economy performed better than expected in the first quarter of 2025, we are skeptical that this momentum can last. As such, we look for the Chinese economy to slow to 4.1% for full-year 2025, compared to 5.0% growth last year.

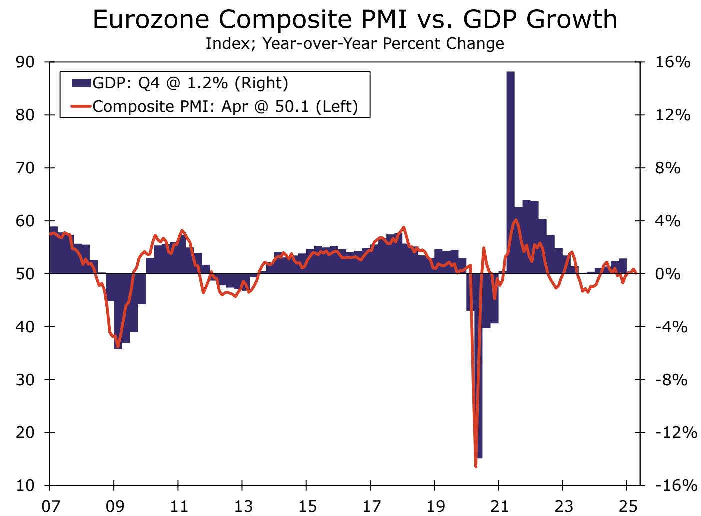


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Eurozone GDP • Wednesday

Market participants will be watching the release of the first quarter Eurozone GDP growth figures around the middle of next week. The consensus view is that the region's economy will have expanded 0.2% quarter-over-quarter, or 1.1% year-over-year. This would be generally in line with the fourth quarter's pace of growth.

Our views around the Eurozone's economic growth prospects have evolved in recent months in response to local policy changes as well as changes to global trade policy. While we were somewhat pessimistic on the growth outlook for the region for quite some time, we saw some reasons for optimism when new plans for increased fiscal spending in Germany were released, and we accordingly upgraded our Eurozone growth outlook for 2026. That, however, came before the whirlwind of U.S. tariff announcements in early April, in which President Trump unveiled steeper tariff rates on many of the U.S.'s trading partners, and then subsequently paused those steeper rates in favor of a 10% levy for 90 days, for all countries other than China. Given this tumultuous backdrop for global trade policy, we have again become somewhat more cautious on the Eurozone's growth prospects. European Central Bank (ECB) policymakers highlighted this sentiment at their policy meeting last week. The announcement noted that rising trade tensions had led to a deterioration in the outlook for growth, and that increased uncertainty can weigh on households and firms. In remarks this week, ECB President Lagarde again noted that there were downside risks to the growth outlook amid tariffs. As such, we recently downgraded our Eurozone growth forecasts for full-year 2025 and 2026 to 0.6% and 1.3%, respectively, from 0.8% and 1.6% previously. If next week's GDP reading ends up being weaker than expected, this could bolster the case for a faster pace of rate cuts. We currently see two more 25 bps cuts this year, to reach a low of 1.75%, but the risks are tilted toward further easing. We also get April CPI inflation next week, and we'll be watching services inflation especially closely. If underlying inflation surprises to the downside, this could also bolster the case for faster rate cuts.



Source: Datastream and Wells Fargo Economics

Bank of Japan Policy Rate • Thursday

Next week, the Bank of Japan (BoJ) will offer its latest monetary policy decision. Our view, as well as the consensus, is for the central bank to hold its policy rate steady at 0.50%.

We see BoJ policymakers staying on the sidelines this month due to a somewhat mixed economic outlook. On the one hand, the latest GDP growth figures—from the fourth quarter of 2024—showed an economy that is holding up reasonably well, and price growth has remained above the Bank of Japan's 2% inflation target for some time now. In fact, neither headline CPI nor ex-fresh food inflation have been below target since early 2022. In the BoJ's summary of opinions from its mid-March meeting, policymakers remarked that the Japanese economy is likely to keep growing at a pace above its potential growth rate, thanks to a "virtuous cycle" between incomes and consumer spending that they see as likely to intensify. As for inflation, policymakers expressed the view that the price stability target is "close to being achieved." At a first glance, these factors would point to further monetary policy normalization, in our view. With all of this being said, though, we can't ignore the elephant in the room: U.S. tariffs. Uncertainties around U.S. trade policy loom large, and have certainly heightened since the last BoJ meeting. The fact that the yen has surged since early April is likely another reason for BoJ policymaker caution. As such, we believe that officials will feel most comfortable keeping the policy rate at 0.50% at next week's meeting. We view a 25 bps rate hike as more likely at the July meeting, as long as some clarity on global trade policy has emerged.

This BoJ meeting will also come with an updated set of economic projections. We will be watching for changes to the inflation and GDP growth forecasts in light of a meaningfully stronger yen and the changes to U.S. trade policy.

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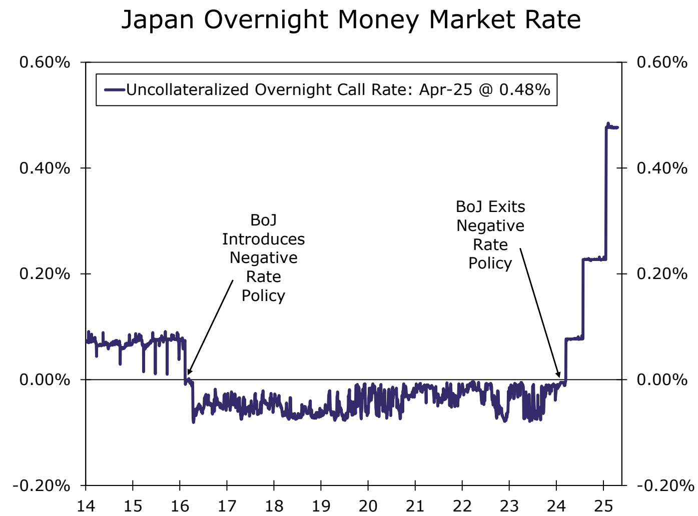


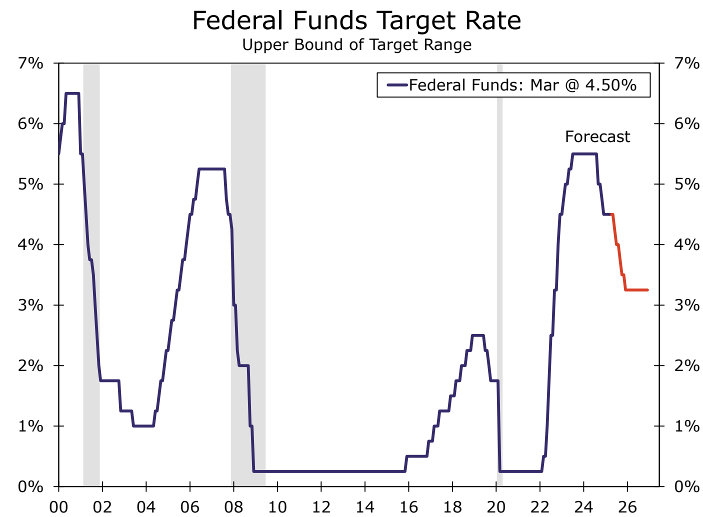
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Interest Rate Watch

FOMC Remains in a Holding Pattern

We are nearing the third Federal Open Market Committee (FOMC) meeting of the year, set for May 6-7. The media blackout period—the nearly two-week stretch ahead of the FOMC meeting where Fed officials do not make any comments on monetary policy—begins this Saturday, thereby enhancing comments from Fed officials this past week about the state of the economy and the appropriate changes, if any, to monetary policy at coming meetings.

On balance, the tone from Fed officials this week maintained the majority opinion the FOMC held at its March meeting—a desire to hold rates steady on account of above-target inflation and elevated uncertainty. Chicago Fed President Goolsbee, who is an FOMC voting member, expressed the view that a "wait-it-out" approach is still appropriate until there is more clarity on the impact from tariffs to the economy. Minneapolis Fed President Kashkari (non-voter) echoed comments from Chair Powell that it is the Fed's job to make sure tariffs do not spur an ongoing inflation problem. Earlier in the month, President Kashkari stated that tariffs "raise the bar" for lowering interest rates, even in the face of a weakening economy and higher unemployment. Richmond Fed President Barkin (non-voter) believes the U.S. economy remains in good shape, but that trouble loomed in the outlook for consumer spending and business investment. Elsewhere, Fed Governor Kugler (voter) stated that tariffs will likely put upward pressure on prices and have a bigger effect on the economy than previously expected. Meanwhile, Cleveland Fed President Hammack (non-voter) said it was too early to know whether there is greater risk of elevated inflation, rising unemployment or both simultaneously. Last, Fed Governor Waller (voter) believes policymakers are likely to have a better sense of the tariffs' impact on the economy in the second half of the year. Governor Waller repeated his view that the inflationary impact of the tariffs would likely be temporary, though he would not be surprised to see more layoffs and an uptick in the unemployment rate if the large-scale tariffs come back on.



Source: Federal Reserve Board and Wells Fargo Economics

With economic growth moderating and inflation proving more persistent, this week's Fedpseak suggests the FOMC remains comfortable waiting to assess the comprehensive impact of pending policy shifts before making further adjustments to the federal funds rate. Rate cuts are expected at some point this year, though Chair Powell has consistently emphasized the Fed's commitment to returning inflation to its 2% target and would not hesitate to raise rates again if inflation pressures reaccelerate. Bottom line, the outlook remains highly fluid with policymakers signaling decisions will hinge on incoming economic data. We expect no change in the fed funds rate at the May meeting; though as growth likely weakens and the unemployment rate moves higher as the year rolls along, we look for the FOMC to restart its easing cycle. Be on the lookout for our Fed Flashlight report next week when we will dive deeper with our latest thoughts on the monetary policy outlook.

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Topic of the Week

Déjà Vu

The shape of trade policy continues to evolve. After walking back "Liberation Day" tariffs on most countries for 90 days to a flat 10% rate, and simultaneously hiking tariffs on China to 145%, President Trump on Wednesday suggested that China tariffs could be "substantially lowered" if the world's two largest economies strike a fair deal. It is hard to know exactly what such a deal might look like. The details of the April 2 tariff order suggest that the administration may seek progress on "disparate tariff and non-tariff barriers" that result in "large and persist annual U.S. goods trade deficits." Noneconomic aims could also be on the table, such as curbing the distribution of fentanyl.

Amid talks of a new Trump-Xi deal, it is worth looking back at the first one. The Trump administration launched trade negotiations with China in its first term which culminated in the "Phase One" trade agreement signed on Jan. 15, 2020. In effort to establish fairer trade, the agreement outright banned Chinese forced technology transfer and currency manipulation. It also included provisions reducing Chinese non-tariff barriers against U.S. exports. Perhaps most notably, China agreed to purchase roughly $500 billion of "covered" goods and services from the U.S. in the two-year period of 2020 and 2021, which would necessitate at least a 50% increase over 2017 levels. The range of covered products included agriculture, manufactured and energy goods as well as financial, insurance and other services.

Most of these goals were never met. In a 2024 review, the U.S. Trade Representative (USTR) determined that "China has not eliminated many of its technology transfer-related acts, policies and practices… Instead of pursuing reform, the Government of China has persisted and even become more aggressive." Currency manipulation is still a concern, as was outlined in the most recent April 2 tariff order. Chinese purchases also fell substantially short of the Phase One commitments, in no small part due to the COVID pandemic in 2020. According to a report by the Peterson Institute, "covered" purchases in 2020 and 2021 were 42% less than the agreed upon total. Overall U.S. exports to China totaled $358.5B in those two years combined, not far off from the prior trend. Although there has been some improvement since, total U.S. goods and services exports to China have never broken $200 billion per year.

Source: U.S. Department of Commerce and Wells Fargo Economics

Hopes were high that a Phase Two agreement might be negotiated before the end of president's first term after the successful conclusion of Phase One. The second phase was set to tackle more engrained issues, like Chinese industry subsidies and state-owned enterprises, that the United States viewed as contributing to unfair competition. These issues are more difficult to resolve, however, and the broader pandemic headwinds put a halt to negotiations before they could start.

We've seen this movie before. The question is, are we watching a remake or a sequel? It remains to be seen whether the administration will revisit China's unmet commitments from the Phase One agreement or try to tackle tougher issues that were reserved for Phase Two. Our best guess is that the U.S. and China will reach some kind of understanding that gives the president leeway to reduce tariffs from their current extraordinary levels. But as the president has stated, "it won't be zero."

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Market Data • Mid-Day Friday

U.S. Interest Rates

	Friday 4/25/2025	1 Week Ago	1 Year Ago
SOFR	4.29	4.32	5.31
Effective Fed Funds Rate	4.33	4.33	5.33
3-Month T-Bill	4.29	4.31	5.41
1-Year Treasury	3.85	3.85	5.24
2-Year Treasury	3.78	3.80	5.00
5-Year Treasury	3.90	3.94	4.72
10-Year Treasury	4.28	4.32	4.70
30-Year Treasury	4.73	4.80	4.81
Bond Buyer Index	5.20	5.11	3.79

Foreign Exchange Rates

	Friday 4/25/2025	1 Week Ago	1 Year Ago
Euro ($/€)	1.137	1.139	1.073
British Pound ($/£)	1.331	1.330	1.251
British Pound (£/€)	0.854	0.857	0.857
Japanese Yen (¥/$)	143.880	142.180	155.650
Canadian Dollar (C$/$)	1.386	1.385	1.366
Swiss Franc (CHF/$)	0.829	0.817	0.912
Australian Dollar (US$/A$)	0.639	0.638	0.652
Mexican Peso (MXN/$)	19.564	19.719	17.205
Chinese Yuan (CNY/$)	7.289	7.300	7.240
Indian Rupee (INR/$)	85.449	85.375	83.325
Brazilian Real (BRL/$)	5.682	5.807	5.159
U.S. Dollar Index	99.582	99.376	105.598

Source: Bloomberg Finance L.P. and Wells Fargo Economics

Foreign Interest Rates

	Friday 4/25/2025	1 Week Ago	1 Year Ago
3-Month German Govt Bill Yield	1.82	1.86	3.60
3-Month U.K. Govt Bill Yield	4.33	4.34	5.24
3-Month Canadian Govt Bill Yield	2.65	2.80	4.92
3-Month Japanese Govt Bill Yield	0.38	0.37	0.04
2-Year German Note Yield	1.72	1.69	3.01
2-Year U.K. Note Yield	3.87	3.92	4.48
2-Year Canadian Note Yield	2.60	2.52	4.35
2-Year Japanese Note Yield	0.69	0.65	0.30
10-Year German Bond Yield	2.47	2.47	2.63
10-Year U.K. Bond Yield	4.49	4.57	4.36
10-Year Canadian Bond Yield	3.18	3.14	3.87
10-Year Japanese Bond Yield	1.34	1.29	0.90

Commodity Prices

	Friday 4/25/2025	1 Week Ago	1 Year Ago
WTI Crude ($/Barrel)	62.81	64.68	83.57
Brent Crude ($/Barrel)	66.56	67.96	89.01
Gold ($/Ounce)	3275.88	#N/A N/A	2332.46
Hot-Rolled Steel ($/S.Ton)	944.00	940.00	810.00
Copper (¢/Pound)	480.90	473.90	451.75
Soybeans ($/Bushel)	10.65	10.48	11.72
Natural Gas ($/MMBTU)	2.95	3.25	1.64
Nickel ($/Metric Ton)	15,620	15,345	18,795
CRB Spot Inds.	564.53	553.89	555.91

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Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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