Economics

WELLS FARGO

International Commentary — April 25, 2025

# International Economic Outlook: April 2025

## Summary


### Forecast Changes

- The initial "Liberation Day" tariffs were more severe than expected, and despite a temporary rollback of most tariffs (ex-China), global growth prospects have once again diminished. New tariffs, particularly elevated tariffs on China, will apply downward pressure on global economic activity. We now forecast the global economy to grow just 2.3% this year. Risks to our global growth forecast remain tilted to the downside, and the possibility of technical global recession remains elevated.
- Economies particularly exposed to tariffs should underperform. In that sense, we now believe Canada's economy will enter technical recession this year. We continue to believe Mexico's economy will enter recession this year, and revised our GDP outlook to reflect our view that Mexico's economy will contract on an annual basis in 2025. We also made a notable forecast revision to China, and believe tariffs and other structural imbalances will result in China's economy growing just over 4% this year.
- Central banks, particularly in the G10, are likely to turn more dovish in response to tariffs. We believe dovish tilts will materialize from the European Central Bank and Bank of Canada and that the Bank of Japan will become less hawkish. Emerging market central banks will likely be more cautious; however, FX strength, lower energy prices and subdued growth prospects may create monetary policy space for institutions in the developing world to also pursue more easing, or initiate easing cycles.
- We expect the U.S. dollar to rebound in the immediate period ahead, given our view that recent dollar depreciation is tactical and not a structural wholesale shift away from dollar-denominated assets. Over the second half of 2025, we expect the dollar to move sideways as the Fed cuts rates and the U.S. economy softens; however, over the course of 2026 we expect trend dollar strength to reappear.

### Key Themes

- Tariffs and trade-related developments remain top of mind. Liberation Day prompted extreme market volatility, atypical moves across U.S. financial markets, and will likely generate new downward pressure on global economic activity. Tariff policy remains extremely fluid, and while we expect "trade deals" to be made going forward, the global economy will likely remain close to entering technical recession in 2025 and 2026.
- Central banks are in a difficult position as a result of tariffs, particularly the Fed. Tariffs are likely to be inflationary but also push U.S. growth prospects lower. With the Fed's mandated goals in tension, we believe the FOMC will opt to support the labor market and defend against recession by cutting interest rates 125 bps by the end of this year. G10 central banks are likely to ease as well, although emerging market policymakers may choose a more cautious path for monetary policy.
- Tariffs and the subsequent market volatility have placed depreciation pressure on the U.S. dollar. While the dollar has performed unusually for an environment defined by global policy uncertainty and financial market volatility, we believe recent moves in U.S. financial markets are temporary. The U.S. dollar will remain the world's reserve currency for the foreseeable future, in our view, and we expect the dollar to regain traction going forward and strengthen on trend into 2026.



Economist(s)

**Nick Bennenbroek**
International Economist | Wells Fargo Economics
Nicholas.Bennenbroek@wellsfargo.com | 212-214-5636

**Brendan McKenna**
International Economist | Wells Fargo Economics
Brendan.McKenna@wellsfargo.com | 212-214-5637

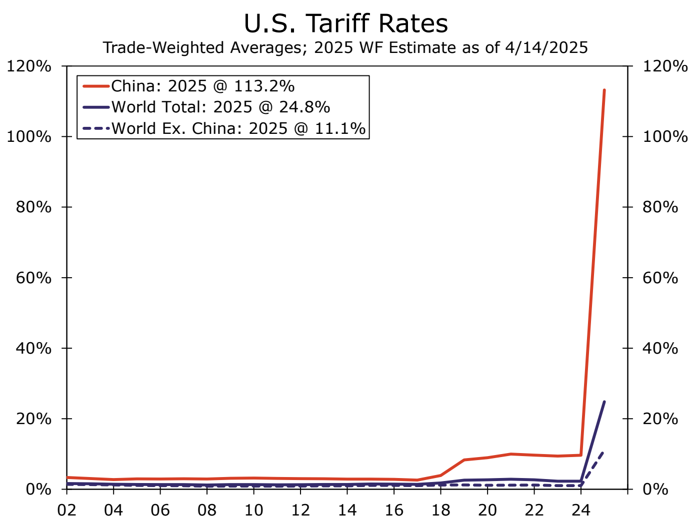
**Anna Stein**
Economic Analyst | Wells Fargo Economics
Anna.H.Stein@wellsfargo.com | 212-214-1063

**Azhin Abdulkarim**
Economic Analyst | Wells Fargo Economics
Azhin.Abdulkarim@wellsfargo.com | 212-214-5154

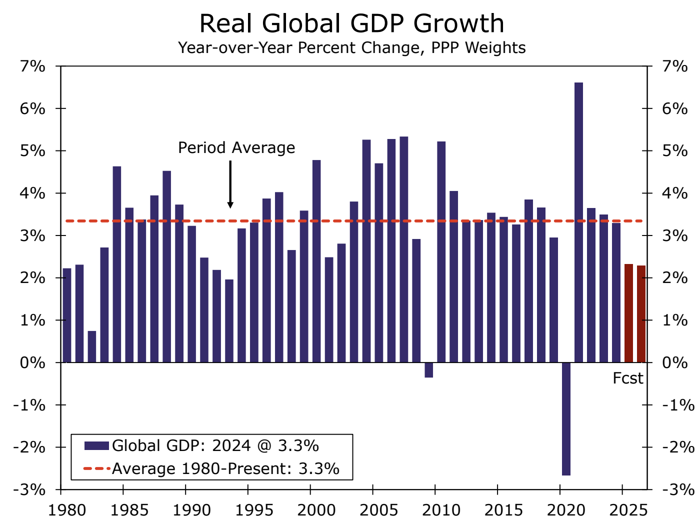

### Table of Contents

## Global Growth Prospects Hurt by Liberation Day

In the words of President Trump, "Liberation Day has come." Liberation Day was top of mind before April 2, on April 2, and the fallout has kept Liberation Day top of mind ever since. April 2 marked an inflection point. Not only for tariffs and President Trump's assault on global trade, but for global financial markets and the global economy. Since President Trump held up a poster highlighting tariff rates applied to trading partners around the world, global growth prospects have dwindled. And while most reciprocal tariff rates have been lowered, the damage to global growth, at least in the short term, is likely done. Tariff headlines remain volatile. So just to take stock of where Trade War 2.0 currently stands, the U.S. effective tariff rate is a little under 25%, up from ~8% prior to Liberation Day. The overwhelming contributor to the 25% U.S. effective tariff rate are levies imposed on China. China has been the primary retaliator to Liberation Day, opting to raise tariff rates on the United States and erect other non-tariff barriers to trade. The result: a full-blown tit-for-tat battle with U.S. effective tariff rates specifically imposed on Chinese exports to the U.S. reaching 113%. A severed U.S.-China trade relationship along with other bilateral trade disruptions involving the United States should place notable downward pressure on global growth. Putting numbers to that, we now forecast the global economy to grow just 2.3% in 2025. Prior to Liberation Day, we forecast the global economy to expand 2.7% in 2025. While 2.7% growth is far from an inspiring expansion, the downgrade of our global GDP forecast by 0.4 percentage points in a month reflects how disruptive reciprocal tariffs are likely to be. We would also note that risks to global growth remain tilted to the downside. The rollback of levies on trading partners other than China is, in theory, temporary, and the original rates could be restored. Also, we are assuming trade deals are made with select partners, which lowers the overall effective tariff rate. It's very possible trade deals take longer to come to fruition, or do not materialize at all. Downside risks keep global recession—defined as global growth of 2% or slower—a very real possibility.




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




Source: International Monetary Fund and Wells Fargo Economics

Tariffs are likely to result in broad-based slowdowns across economies. In the advanced world, we expect the Eurozone, United Kingdom and Canada to experience acute decelerations given trade linkages to the United States, as well as indirect effects via sentiment and confidence. For the Eurozone, fiscal stimulus could offset a piece of the tariff-induced slowdown, but not its entirety. In the U.K., tariffs should compound already sluggish growth prospects, and Canada's outsized sensitivity to U.S. demand should lead to the Canadian economy entering technical recession this year. Emerging market nations—especially those with open, trade-dependent economies—should be most impacted. In that sense, Mexico is particularly exposed. Prior to Liberation Day, we forecast Mexico's economy to enter recession this year, but we now forecast a deeper recession and for Mexico's economy to contract on an annual basis in 2025. Trade-dependent economies in Asia and Africa should also come under pressure, while select countries with closed economies in Latin America, such as Brazil, may be more insulated. We did, however, make material adjustments to our China growth forecasts. All but severing trade relations with the U.S. is likely to result in an even slower growth profile for China going forward. China is still very much an export-driven economy that is dependent on trade. While

China is likely to strengthen trade relations with other nations around the world and still circumvent tariffs through proxy nations, losing the U.S. as a trade partner will put a dent in growth prospects. China is also not a self-reliant economy—domestic demand and consumer spending do not contribute as much to growth as in the advanced major economies. Without a strong consumer to fall back on, combined with a real estate sector still in correction, we now believe China's economy can grow only a little over 4% this year.

For China, the economic impact of tariffs is material, but China is also likely to deliver a policy response that can still support growth. Monetary easing is likely to be gradual, but lower lending rates are likely to emerge and support activity. But perhaps more influential is a greater degree of fiscal stimulus which we expect Chinese authorities to move forward with. Historically, Chinese fiscal stimulus has been directed at manufacturing and real estate sectors, and not so much toward consumer spending. While manufacturing and real estate are once again likely to be recipients of fiscal support this time around, we also believe households will benefit as well. Not enough to materially alter China's economic model or boost growth to the government's growth target, but tariffs are likely to be the inflection point for how China approaches fiscal policy. A policy response that we do not think will materialize is a devaluation of the renminbi by China's central bank. The idea of devaluation to maintain competitiveness has come up repeatedly over the last four months, and more so since Liberation Day, but we remain steadfast in our view that the People's Bank of China (PBoC) will prioritize currency stability over currency depreciation. On the margin, modest accommodation of renminbi weakness is, in our view, likely, but we doubt the PBoC will risk broader capital flight from China with an FX devaluation. Severe capital outflows materialized after China's currency devaluation in 2015, and with China's economy on a less sturdy foundation a decade later, we believe authorities would not opt for FX policy that generates similar volatility and policy uncertainty.

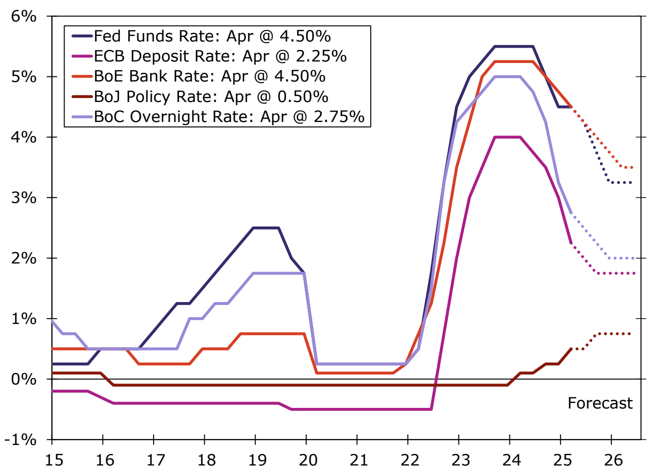
As for where U.S.-China tensions go from here, we believe tariff rates have probably peaked. That is not to say that relations are set to improve going forward. In fact, likely the opposite. Rather than new tariffs, both the U.S. and China are likely to find non-tariff barriers to trade with each other. Export restrictions, targeting corporates operating in each country, sanctions etc. are all likely to be imposed. Trade between the two nations is likely to diminish, and fragmentation is likely to gather momentum. Is a “deal” between the U.S. and China possible? Sure. Are we holding our breath in anticipation? No. Recent comments from Treasury Secretary Scott Bessent and President Trump at least suggest a deal with China is preferred. But China has been relatively quiet on the negotiation front with the most public response being that China is willing to “fight to the end” in a second trade war and will not tolerate policy action that goes against its strategic interests. If a deal were to be made, the details would obviously matter most. A trade deal probably does not solve all, or possibly any, of the issues between the U.S. and China, but may at least put a floor underneath global growth and lift some uncertainty lingering over the global economy.

## Cautious Cuts to Come from Central Banks

The escalation in trade and tariff tensions also has significant implications for our monetary policy outlook. Perhaps most notably, we now expect the Federal Reserve to deliver 125 bps of policy rate cuts this year, a more aggressive pace of easing relative to our previous forecast. In our view, the Fed's easing cycle is likely to start at its June meeting and go through the end of this year. That said, the Fed faces perhaps the most complex economic outlook among the G10 economies. Broad-based tariffs are likely to push growth lower while simultaneously generating inflationary pressures. Thus, even as growth slows, tariff-related inflationary concerns means a more gradual pace of Federal Reserve easing cannot be ruled out. For most other G10 central banks, the monetary policy implications from escalating trade tensions are more straightforward and lean dovish. In our view, the negative implications for economic growth are more significant than any inflationary consequences for international economies. For the European Central Bank (ECB), the most immediate and relevant influence is the negative near-term impact on growth. With core and services inflation slowing in recent months, we now forecast more ECB easing than previously. The ECB delivered a 25 bps rate cut this month, and our base case is for a further 50 bps of easing to a terminal policy rate of 1.75%. However, if growth and inflation prove especially weak, we would not rule out the ECB's policy rate falling as low as 1.50%.

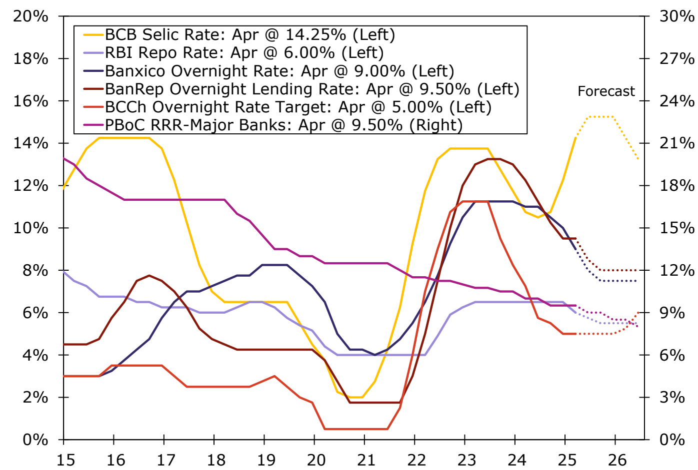
As mentioned, the significant trade linkages between Canada and the United States now suggest Canada will experience a mild technical recession in the second half of this year. Some incipient signs of slowdown are already apparent, including softer business sentiment in Q1 and a drop in employment in March. In response, we believe the Bank of Canada (BoC) is another central bank that will turn more dovish. To that point, we now see an additional 75 bps of rate cuts from the BoC with the policy rate expected to reach 2.00% by the end of this year. The softer growth outlook is the driving force of our BoC forecast revision in a more dovish direction, despite lingering concerns around underlying inflation trends and inflation expectations. Inflation worries likely mean BoC easing will continue to be gradual in nature. Among our other central bank forecast changes, we have also adopted a less-hawkish outlook for Bank of Japan (BoJ) monetary policy. Steadier economic growth, significant wage increases agreed to at this year's spring wage talks and still-elevated inflation means that we still view further Bank of Japan tightening as likely. At the same time, the significant strengthening of the yen, a softer growth trend in monthly labor earnings, and concerns of how tariffs might negatively affect growth have, in our view, lessened the urgency for BoJ tightening. We think Japan's central bank might await further clarity on trade policy before acting further, and now see just one more 25 bps policy rate hike, to 0.75%, at the Bank of Japan's July policy announcement.

Major G10 Central Bank Policy Rates




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

EM Central Bank Policy Rates



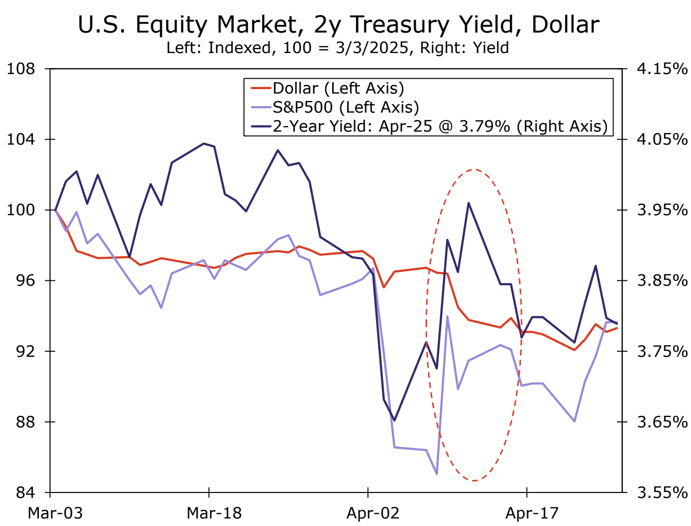

Source: Bloomberg Finance L.P. and Wells Fargo Economics

On the other hand, and on balance, we believe central banks in the emerging markets will operate with more caution. Emerging economies are more sensitive to tariffs and trade disruptions, which also makes them more vulnerable to rises in inflation and financial market instability. The risk of renewed inflation and FX depreciation should keep a good amount of developing market institutions from easing monetary policy, or for the central banks that are likely to ease, at least from lowering interest rates forcefully. In Latin America, we continue to believe Brazil's central bank will raise interest rates in the near term and not pivot to easing until 2026. By then, the initial tariff shock may have worn off and policymakers are likely to feel more comfortable shifting to more accommodative monetary policy settings. In Chile, while we now believe Chilean Central Bank policymakers will keep rates on hold for a more extended period of time, we remain of the view that easing may not materialize this year due to elevated inflation and FX volatility. Central banks such as the South African Reserve Bank (SARB), Central Bank of Turkey (CBRT), Bank of Israel (BOI) and Bank Indonesia (BI) may also choose to operate with caution on the interest rate front as well. Select central banks do still seem committed to easier monetary policy irrespective of tariffs and tariff threats. Of particular note is Banxico—Mexico's central bank—which has communicated a preference to lower interest rates rather quickly over the next few meetings. Banxico's communications along with softening inflation and an elevated likelihood of recession give us high conviction that Mexican policymakers will continue to ease forcefully over the course of 2025. Also, Colombia's central bank (BanRep) is likely to resume its easing cycle in force at its next meeting. While policymakers held rates steady at their last meeting, a sizable amount of members preferred a 50 bps rate cut. We believe BanRep will deliver multiple 50 bps rate cuts over the coming months.

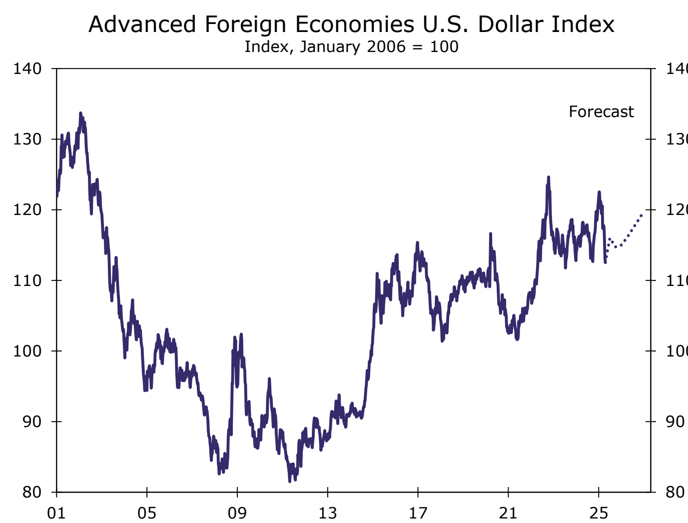
With that said, emerging market central banks may have gotten more space to ease monetary policy as local currencies have strengthened over the course of this year. Currencies across Latin America, Asia and EMEA are stronger against the U.S. dollar year-to-date, which may help absorb some tariff-related inflation and also give policymakers breathing room to cut rates as local financial markets are stable. FX strength could lead to deeper easing cycles in certain cases where easing cycles have already started or prompt interest rate cuts from central banks that have been ultra-cautious up to this point. In certain cases, such as with the Reserve Bank of India (RBI), policymakers may feel more emboldened to lower policy rates as the rupee is relatively stable. Lower oil prices should also be a disinflation force for India, which combined with a stable currency, should allow for more aggressive RBI rate cuts. We now believe the RBI will extend its easing cycle and cut rates into Q4-2025. Other central banks, institutions in Asia in particular, may also start to feel more comfortable lowering interest rates should financial stability persist and energy prices remain subdued. While not our base case scenario for the time being, central banks in Thailand, South Korea and Indonesia may also pivot to cuts in H2-2025. In Latin America, financial stability may also spillover into Chile. While we expect an extended pause, softening inflation and a stronger Chilean peso may allow policymakers to resume the easing cycle in the back half of 2025. However, even if policymakers do find rationale for rate cuts, we do feel aggressive rate cuts (with select exceptions) would be unlikely.

## Dollar Selloff Is Atypical and Likely Temporary

Caught in the crossfire of tariffs and elevated U.S. policy uncertainty is the U.S. dollar. Typically, during periods of high policy uncertainty and elevated financial market volatility, the U.S. dollar broadly strengthens. This comes from the notion that the U.S. dollar is a safe-haven currency, and U.S. Treasuries are a risk-free asset. However, at times this year, and particularly after Liberation Day, the safe-haven status of the dollar and the risk-free qualities of U.S. Treasuries have come into question. With the source of policy uncertainty and volatility emanating out of the United States, market participants have sold U.S. dollar-denominated assets and moved away from Treasuries. As a result, dollar depreciation has followed, with the U.S. dollar index (DXY) ~8% lower year-to-date. While acknowledging the source of uncertainty and volatility is coming out of the United States, these types of moves in U.S. assets are still very atypical, and even during prior periods of stress that originated in the U.S. (e.g., 2008-2009 Global Financial Crisis, U.S. credit rating downgrade), U.S. asset prices performed well. We certainly understand why financial markets may be interested in reallocating away from U.S. assets at this particular time, but we ultimately think this shift is tactical rather than a fundamental reassessment of U.S. assets. Tactical in the sense that recent market moves are a positioning adjustment that will ultimately prove to be a transitory phenomenon. To that point, at the beginning of this year market participants were overwhelmingly bullish on the U.S. dollar, U.S. Treasuries and U.S. equities. Positioning was stretched in U.S. assets as the new administration entered the White House, while economic challenges were more present internationally than domestically. Now that challenges are building in the U.S. and U.S. exceptionalism is fading, markets may be scaling back on the bullish optimism and the dollar is suffering as a result.




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




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

In our view, the tactical adjustment is nearer its end, and the dollar can regain its footing in the period ahead. In fact, we believe the greenback can experience a noticeable recovery against most foreign currencies during Q2-2025. This dollar rebound is likely to be driven by markets beginning to re-engage with dollar-denominated assets for similar tactical reasons. First, markets may be starting to digest tariffs, especially as recent signals from the Trump administration are leaning in a less hostile direction. The administration has floated the possibility of new trade deals that reduce the extent of tariffs materializing in the near term, as well as certain sectors—in particular the auto industry—being exempt from some tariffs. Any trade deals or sectoral carve outs could reduce uncertainty, increase policy predictability, and be supportive of the dollar. Second, the sharp drop in dollar-denominated assets may also generate a “buy the dip” mentality, while foreign currency strength may result in a “sell the rally” mindset. Valuations may play a role in the dollar recovering ground in Q2. And third, while we believe the Federal Reserve will ultimately deliver aggressive easing, we believe that easing is unlikely to start until June. Major foreign central banks are likely to be easing in the near term, meaning rate differentials can also work in favor of the greenback over the next few months. In the second half of 2025, the dollar index may move sideways as the Fed pivots to easing. In our view, the Fed is likely to cut rates quicker than most major foreign counterparts. Technicals may support the dollar a bit, but interest rate differentials are likely to lean against the greenback over the second half of this year and keep the dollar index flat in Q3-2025 and Q4-2025. Longer term (i.e., 2026), once the Fed has concluded its easing cycle, we expect the dollar index to once again trend higher and foreign currencies to weaken. Overall, we remain positive on balance on the prospects for the U.S. dollar, albeit to a lesser degree relative to last month.

In terms of performance for select G10 currencies in the context of our overall U.S. dollar outlook, we still anticipate the Canadian dollar will be a relative underperformer. A mild Canadian recession, further Bank of Canada rate cuts, and a challenging global growth environment that should weigh on commodity prices are all factors that we view as negative for the Canadian currency over time. We expect the USD/CAD exchange rate to approach CAD1.48 by late 2026. The Australian and New Zealand dollars are also expected to underperform. Each respective central bank is set to lower interest rates further, while Australia's currency may suffer some negative spillovers from softer sentiment regarding China's economy. Similar to the Canadian dollar, both AUD and NZD are commodity-sensitive currencies and are likely to underperform in a weak global growth environment. By late 2026, we target the AUD/USD exchange rate at $0.60 and the NZD/USD exchange rate at $0.55. Finally, our view remains that the Japanese yen could be among the most resilient currencies among the G10. An expected Bank of Japan rate hike provides a significant contrast to the Federal Reserve easing we expect over the second half of this year. A broader reduction in trade uncertainty, or more specifically a trade deal that leads to lower U.S. tariffs on Japan, would also be yen-supportive to the extent that it underpins Japan's economic growth and supports BoJ tightening. We do, however, eventually expect some softening in the yen through 2026, as U.S. growth enjoys a moderate rebound, and as the Fed easing comes to an end.

Emerging market currencies have been impressively resilient over the past four months, and while the overall outlook is more positive this month relative to prior forecast cycles, we continue to believe developing market currencies can reverse course going forward. Currencies across Latin America, Asia and EMEA are likely to weaken in the period ahead as the dollar rebounds, while longer term, as the Fed eases and the U.S. economy gets a tailwind from tax cuts, the U.S. dollar may benefit once again from some return of U.S. exceptionalism. Currencies where underlying fundamentals are weak and politics are volatile can be underperformers, with the notable candidates to be found in Brazil and Colombia. On the other hand, countries associated with stronger fundamentals and an idiosyncratic story can be more resilient, with the majority of these currencies likely to be found across Asia. In emerging markets, this month was also a notable one for Argentina as the government lifted capital controls as part of a new IMF agreement to further progress President Milei's reform agenda. The peso will now operate as a “dirty float” arrangement—a floating currency, albeit one that will be prone to persistent central bank intervention—as part of a set of conditions to receive future disbursements. The lifting of restrictions means the Argentine peso will be a more volatile currency going forward, one subject to large daily swings, especially as some of the FX-related distortions unravel after years of restrictions. Going forward, we expect the Argentine peso to trend weaker; however, risks around our forecast are tilted toward more depreciation. With local and congressional elections coming up in Argentina, any indication that support for Milei and his policy agenda is slipping could result in large peso depreciations, especially as the currency is no longer subject to controls. We laid out our initial thoughts on the peso in a recent standalone report, and will provide a political analysis later this year, although we will certainly be paying closer attention to the Argentine peso going forward now that the currency is more liquid and more tradable.

## Wells Fargo International Economic Forecast

| | GDP | | | | CPI | | | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2026 | 2023 | 2024 | 2025 | 2026 |
| Global (PPP Weights) | 3.3% | 3.1% | 2.3% | 2.3% | 6.7% | 3.9% | 3.9% | 3.6% |
| Advanced Economies[1] | 1.7% | 1.9% | 1.2% | 1.6% | 4.6% | 2.8% | 2.7% | 2.4% |
| United States | 2.9% | 2.8% | 1.3% | 1.5% | 4.1% | 3.0% | 2.8% | 2.9% |
| Eurozone | 0.4% | 0.8% | 0.6% | 1.3% | 5.4% | 2.4% | 2.2% | 1.8% |
| United Kingdom | 0.4% | 1.1% | 0.7% | 1.5% | 7.3% | 2.5% | 3.0% | 2.2% |
| Japan | 1.5% | 0.1% | 1.2% | 0.9% | 3.3% | 2.7% | 2.8% | 1.9% |
| Canada | 1.5% | 1.5% | 0.9% | 1.0% | 3.9% | 2.4% | 2.1% | 2.4% |
| Switzerland | 0.7% | 1.3% | 1.1% | 1.2% | 2.1% | 1.1% | 0.5% | 0.7% |
| Australia | 2.1% | 1.0% | 1.8% | 2.0% | 5.6% | 3.2% | 2.6% | 2.6% |
| New Zealand | 1.8% | -0.5% | 1.1% | 2.2% | 5.7% | 2.9% | 2.2% | 2.0% |
| Sweden | 0.0% | 0.9% | 1.9% | 1.8% | 6.1% | 1.9% | 2.4% | 2.0% |
| Norway | 0.6% | 0.6% | 1.1% | 1.5% | 5.5% | 3.2% | 2.6% | 2.1% |
| Developing Economies[1] | 4.4% | 4.0% | 3.1% | 2.8% | 8.1% | 4.8% | 4.7% | 4.4% |
| China | 5.4% | 5.0% | 4.1% | 3.6% | 0.2% | 0.2% | 0.6% | 0.8% |
| India | 7.7% | 6.7% | 6.2% | 6.0% | 5.7% | 4.9% | 4.1% | 3.7% |
| Mexico | 3.3% | 1.2% | -0.1% | 0.7% | 5.5% | 4.7% | 4.2% | 3.2% |
| Brazil | 3.2% | 2.9% | 1.2% | 1.0% | 4.6% | 4.4% | 5.5% | 4.3% |
| Russia | 3.6% | 3.7% | 1.5% | 1.0% | 6.0% | 8.4% | 7.6% | 5.1% |

Forecast as of: April 25, 2025

[1]Aggregated Using PPP Weights

Source: International Monetary Fund and Wells Fargo Economics

## Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

| | Central Bank Key Policy Rate | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2026 | | |
| | Current | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| United States | 4.50% | 4.25% | 3.75% | 3.25% | 3.25% | 3.25% | 3.25% |
| Eurozone[1] | 2.25% | 2.00% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% |
| United Kingdom | 4.50% | 4.25% | 4.00% | 3.75% | 3.50% | 3.50% | 3.50% |
| Japan | 0.50% | 0.50% | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |
| Canada | 2.75% | 2.50% | 2.25% | 2.00% | 2.00% | 2.00% | 2.00% |
| Switzerland | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| Australia | 4.10% | 3.85% | 3.60% | 3.35% | 3.35% | 3.35% | 3.35% |
| New Zealand | 3.50% | 3.25% | 3.00% | 2.75% | 2.75% | 2.75% | 2.75% |
| Sweden | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |
| Norway | 4.50% | 4.25% | 4.00% | 3.75% | 3.50% | 3.25% | 3.25% |
| China[3] | 9.50% | 9.00% | 9.00% | 8.50% | 8.50% | 8.00% | 8.00% |
| India | 6.00% | 5.75% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Mexico | 9.00% | 8.00% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| Brazil | 14.25% | 15.25% | 15.25% | 15.25% | 14.25% | 13.25% | 12.25% |
| Chile | 5.00% | 5.00% | 5.00% | 5.00% | 5.25% | 6.00% | 6.50% |
| Colombia | 9.50% | 8.50% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| Russia | 21.00% | 21.00% | 19.00% | 17.00% | 15.00% | 13.00% | 12.00% |

| | 2-Year Note | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2026 | | |
| | Current | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| United States | 3.78% | 3.50% | 3.30% | 3.25% | 3.45% | 3.60% | 3.65% |
| Eurozone[2] | 1.71% | 1.70% | 1.65% | 1.70% | 1.70% | 1.75% | 1.80% |
| United Kingdom | 3.87% | 3.90% | 3.80% | 3.70% | 3.65% | 3.60% | 3.60% |
| Japan | 0.69% | 0.70% | 0.75% | 0.80% | 0.80% | 0.85% | 0.85% |
| Canada | 2.58% | 2.55% | 2.40% | 2.25% | 2.20% | 2.20% | 2.25% |

| | 10-Year Note | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2025 | | | | 2026 | | |
| | Current | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| United States | 4.27% | 4.00% | 3.85% | 3.75% | 3.90% | 4.05% | 4.10% |
| Eurozone[2] | 2.47% | 2.35% | 2.25% | 2.20% | 2.20% | 2.30% | 2.40% |
| United Kingdom | 4.48% | 4.45% | 4.35% | 4.30% | 4.25% | 4.20% | 4.25% |
| Japan | 1.34% | 1.35% | 1.45% | 1.45% | 1.40% | 1.40% | 1.35% |
| Canada | 3.15% | 3.10% | 2.95% | 2.85% | 2.80% | 2.80% | 2.85% |

Forecast as of: April 25, 2025

[1] ECB Deposit Rate [2] German Government Bond Yield [3] Reserve Requirement Ratio Major Banks

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

## Wells Fargo International FX Forecast

| Currency Pair* | Current Rate | Q2-2025 | Q3-2025 | Q4-2025 | Q1-2026 | Q2-2026 | Q3-2026 |
|---|---|---|---|---|---|---|---|
| **G10** | | | | | | | |
| EUR/USD | 1.1344 | 1.1000 | 1.1100 | 1.1100 | 1.1000 | 1.0900 | 1.0800 |
| USD/JPY | 143.55 | 146.00 | 144.00 | 142.00 | 143.00 | 144.00 | 145.00 |
| GBP/USD | 1.3320 | 1.3000 | 1.3100 | 1.3100 | 1.3000 | 1.2900 | 1.2800 |
| USD/CHF | 0.8307 | 0.8500 | 0.8425 | 0.8475 | 0.8600 | 0.8725 | 0.8850 |
| USD/CAD | 1.3864 | 1.4200 | 1.4100 | 1.4200 | 1.4400 | 1.4600 | 1.4800 |
| AUD/USD | 0.6380 | 0.6200 | 0.6300 | 0.6300 | 0.6200 | 0.6100 | 0.6000 |
| NZD/USD | 0.5956 | 0.5700 | 0.5800 | 0.5800 | 0.5700 | 0.5600 | 0.5500 |
| USD/NOK | 10.4319 | 10.7275 | 10.5850 | 10.5850 | 10.7275 | 10.8725 | 11.0175 |
| USD/SEK | 9.7305 | 9.9950 | 9.8200 | 9.7750 | 9.9100 | 10.0450 | 10.1850 |
| **Asia** | | | | | | | |
| USD/CNY | 7.2884 | 7.3500 | 7.3000 | 7.3000 | 7.3500 | 7.3500 | 7.4000 |
| USD/CNH | 7.2894 | 7.3500 | 7.3000 | 7.3000 | 7.3500 | 7.3500 | 7.4000 |
| USD/IDR | 16830 | 17000 | 16900 | 16900 | 17000 | 17100 | 17200 |
| USD/INR | 85.45 | 86.25 | 85.75 | 85.75 | 86.25 | 86.75 | 87.25 |
| USD/KRW | 1440.16 | 1460.00 | 1450.00 | 1450.00 | 1460.00 | 1470.00 | 1480.00 |
| USD/PHP | 56.25 | 57.00 | 56.50 | 56.50 | 57.00 | 57.50 | 58.00 |
| USD/SGD | 1.3154 | 1.3300 | 1.3200 | 1.3200 | 1.3300 | 1.3400 | 1.3500 |
| USD/TWD | 32.52 | 33.00 | 32.75 | 32.75 | 33.00 | 33.25 | 33.50 |
| USD/THB | 33.62 | 34.25 | 34.00 | 34.00 | 34.25 | 34.50 | 34.75 |
| **Latin America** | | | | | | | |
| USD/BRL | 5.6887 | 5.8000 | 5.7000 | 5.7000 | 5.9000 | 6.2000 | 6.5000 |
| USD/CLP | 940.13 | 950.00 | 940.00 | 940.00 | 950.00 | 960.00 | 970.00 |
| USD/MXN | 19.6052 | 20.0000 | 19.7500 | 19.7500 | 20.0000 | 20.2500 | 20.5000 |
| USD/COP | 4263.59 | 4400.00 | 4400.00 | 4450.00 | 4500.00 | 4550.00 | 4600.00 |
| USD/ARS | 1175.87 | 1200.00 | 1250.00 | 1300.00 | 1350.00 | 1400.00 | 1450.00 |
| USD/PEN | 3.6734 | 3.7000 | 3.6700 | 3.6700 | 3.7000 | 3.7300 | 3.7500 |
| **Eastern Europe/Middle East/Africa** | | | | | | | |
| USD/CZK | 21.98 | 23.00 | 23.00 | 23.25 | 23.75 | 24.00 | 24.50 |
| USD/HUF | 357.86 | 368.25 | 369.25 | 373.75 | 381.75 | 390.00 | 398.25 |
| USD/PLN | 3.7591 | 3.8625 | 3.8750 | 3.9200 | 4.0000 | 4.0825 | 4.1675 |
| USD/RUB | 82.80 | 87.00 | 85.00 | 85.00 | 87.00 | 89.00 | 91.00 |
| USD/ILS | 3.6279 | 3.6500 | 3.6000 | 3.6000 | 3.6500 | 3.7000 | 3.7500 |
| USD/ZAR | 18.8342 | 19.2500 | 18.7500 | 18.7500 | 19.0000 | 19.2500 | 19.5000 |
| USD/TRY | 38.4178 | 39.0000 | 40.0000 | 41.0000 | 42.0000 | 43.0000 | 44.0000 |
| **Euro Crosses** | | | | | | | |
| EUR/JPY | 162.86 | 160.50 | 159.75 | 157.50 | 157.25 | 157.00 | 156.50 |
| EUR/GBP | 0.8517 | 0.8450 | 0.8475 | 0.8475 | 0.8450 | 0.8450 | 0.8450 |
| EUR/CHF | 0.9423 | 0.9350 | 0.9350 | 0.9400 | 0.9450 | 0.9500 | 0.9550 |
| EUR/NOK | 11.8339 | 11.8000 | 11.7500 | 11.7500 | 11.8000 | 11.8500 | 11.9000 |
| EUR/SEK | 11.0387 | 10.9500 | 10.9000 | 10.8500 | 10.9000 | 10.9500 | 11.0000 |
| EUR/CZK | 24.94 | 25.25 | 25.50 | 25.75 | 26.00 | 26.25 | 26.50 |
| EUR/HUF | 405.97 | 405.00 | 410.00 | 415.00 | 420.00 | 425.00 | 430.00 |
| EUR/PLN | 4.2644 | 4.2500 | 4.3000 | 4.3500 | 4.4000 | 4.4500 | 4.5000 |

Forecast as of: April 25, 2025

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

| Currency | Forecasted % Change to Q1-26* | |
|---|---|---|
| Trade Weighted Dollar (USD) | 3.1% | most bullish |
| Japanese Yen (JPY) | 0.4% | |
| Israeli Shekel (ILS) | -0.6% | |
| Peruvian Sol (PEN) | -0.7% | |
| Chinese Renminbi (CNH) | -0.8% | |
| Chinese Renminbi (CNY) | -0.8% | |
| South African Rand (ZAR) | -0.9% | |
| Indian Rupee (INR) | -0.9% | |
| Indonesian Rupiah (IDR) | -1.0% | |
| Chilean Peso (CLP) | -1.0% | |
| Singapore Dollar (SGD) | -1.1% | |
| Philippine Peso (PHP) | -1.3% | |
| South Korean Won (KRW) | -1.4% | |
| Taiwan Dollar (TWD) | -1.5% | |
| Swedish Krona (SEK) | -1.8% | |
| Thai Baht (THB) | -1.9% | |
| Mexican Peso (MXN) | -2.0% | |
| British Pound (GBP) | -2.4% | |
| Norweigian Krone (NOK) | -2.8% | |
| Australian Dollar (AUD) | -2.8% | |
| Euro (EUR) | -3.0% | |
| Swiss Franc (CHF) | -3.4% | |
| Brazilian Real (BRL) | -3.6% | |
| Canadian Dollar (CAD) | -3.7% | |
| New Zealand Dollar (NZD) | -4.3% | |
| Russian Ruble (RUB) | -4.8% | |
| Colombian Peso (COP) | -5.3% | |
| Polish Zloty (PLN) | -6.0% | |
| Hungarian Forint (HUF) | -6.3% | |
| Czech Koruna (CZK) | -7.4% | |
| Turkish Lira (TRY) | -8.5% | |
| Argentine Peso (ARS) | -12.9% | most bearish |

Forecast as of: April 25, 2025
*Percentage Change Against USD, Q1-26 Vs. Current Spot Rate

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

**Subscription Information**

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

**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 |

# Required Disclosures