International Commentary — June 18, 2025

2025 Mid-Year International Economic Outlook

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Summary

Forecast Changes

- We revised our global GDP forecast higher and now forecast the global economy to grow 2.7% in 2025, up from 2.3% last month. Improved prospects for global growth stem from reduced trade tensions, particularly between the U.S. and China, although a still-resilient U.S. consumer also plays a role in our global GDP revision. Of note, a 0.40 percentage point increase in our global GDP forecast in one month represents a very significant change in such a short period of time.
- Our U.S. economists believe the American economy is also on a steadier foundation, and we now forecast the U.S. economy to grow ~1.5% this year. Recession risks have not totally diminished; however, a stronger U.S. economy also leads us to believe the Fed will adopt a more cautious approach to easing monetary policy. We now believe the Fed will resume the easing cycle with a 25 bps rate cut in September, and settle on a terminal fed funds range of 3.50%-3.75% by the end of this year.
- Aside from our Federal Reserve forecast change, we have not made material adjustments to our foreign central bank forecasts. With that said, renewed geopolitical tensions in the Middle East represent an upside risk to our policy rate forecasts. Oil prices have jumped over the last week amid military confrontation between Israel and Iran, and if energy prices remain elevated, easing cycles could be disrupted, especially for central banks in emerging markets.
- Depreciation pressure has been applied to the U.S. dollar over the first half of this year, and as we head into H2, we expect dollar depreciation to persist. A Fed cutting rates quicker than most G10 peers, subdued U.S. economic trends and reduced trade tensions should all contribute to a weaker dollar in the next few quarters. However, we continue to believe the dollar can reverse course and strengthen in 2026 as monetary policy and growth trends favor the United States.

Key Themes

- Financial market developments were in focus over the first half of this year. However, we believe economic trends will take center stage in H2-2025 as the full impact of tariffs has yet to be realized. To that point, we expect the U.S. economy to experience little growth in Q3 and Q4, and for international economies to experience subdued growth in the second half of this year as tariffs bite. Rather than focusing on financial markets, attention is now likely to shift toward the health of the global economy and individual economies.
- With economic trends to be top of mind, central bank activity should also become paramount from here. In our view, the Fed is likely to cut rates 75 bps in H2-2025, while most G10 policymakers are nearing the end of their respective easing cycles. Policymakers in emerging markets are likely to remain comfortable lowering interest rates which, in aggregate, is a dynamic that places the Fed, G10 and EM central banks adjusting rates at different speeds, and in select cases, directions.
- We forecast a weaker dollar through the end of this year; however, we continue to hold an unwavering view that the U.S. dollar will be the world's reserve currency for the foreseeable future. Dollar depreciation is not synonymous with de-dollarization. In 2026, we continue to believe the dollar can strengthen against most currencies as interest rate and economic growth trends move in favor of the greenback.

A Mid-Year in Review

The first half of 2025 has been a period of considerable disruption in the global economy and global financial markets. As we mentioned in our 2025 Outlook publication, the global economy—and particularly the U.S. economy—have transitioned to a new era of leadership and policy. For the last six months, tariffs and a broader overhaul of U.S. trade policy have been the most prominent source of disruption. President Trump acted on his tariff promises almost immediately, causing unprecedented levels of policy uncertainty and extreme volatility across financial markets. Uncertainty and volatility peaked in early April as the new administration unleashed harsh “Liberation Day” tariffs, and as the U.S. and China volleyed additional tariffs that took levies on U.S. imports from China briefly to a peak of 145%. Tariffs and broader policy-making uncertainty are rewiring global trade patterns and resulting in a less-interconnected global economy. Concerns around the viability and stability of international supply chains remain top of mind for countries as well as companies around the world. With that said, peak tariff uncertainty may be in the past. The U.S. and China have eased trade tensions with an agreement to lower trade barriers between the two nations, while the U.S. and U.K. signed a trade deal at the G7 meeting in June. While the remapping of global trade is still in motion, signs of easing trade tensions could offer modest relief to affected business and consumers alike.

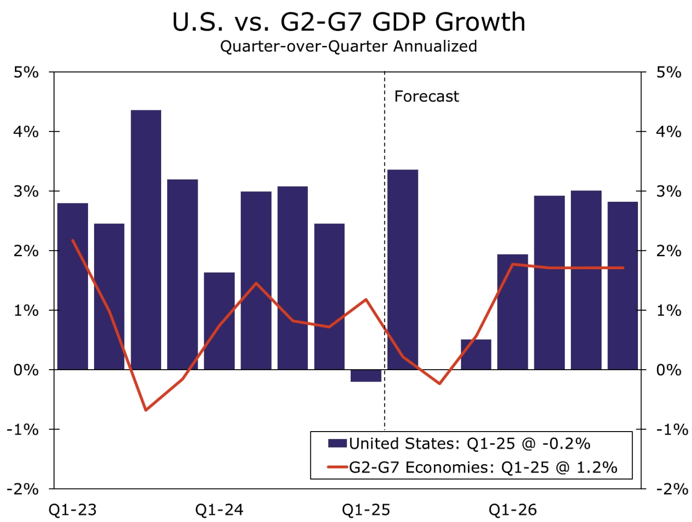
Trade turbulence also thrust global financial market moves into the spotlight. Following "Liberation Day", the S&P 500 fell over 15%, the VIX index experienced a notable spike, and volatility in the U.S. Treasury market also raised worries for investors and market participants. Even the U.S. dollar, typically a symbol of stability during global uncertainty, has not played its usual safe haven role this year. Instead, the dollar index is down 10% as a lack of U.S. policy predictability has weighed on confidence in the greenback and has even had market participants questioning its status as the world's reserve currency. Currencies across the emerging markets have shown surprising resilience, despite an environment defined by uncertainty and volatility. Emerging market currency strength may be less about improved underlying economic and political fundamentals, and more about the dollar’s decline. Regardless, risk-sensitive currencies performing well in an elevated risk backdrop is notable. More recently, renewed geopolitical tensions in the Middle East have sent oil prices sharply higher. Israel and Iran are again engaged in direct military conflict with each other, with this round of fighting seemingly more contentious and hostile relative to prior periods of confrontation. Higher oil prices also have the ability to disrupt the global economy as well as how central banks think about adjustments to monetary policy, particularly the Federal Reserve.

Looking ahead to the second half of 2025, we believe focus will shift from how financial markets are behaving and performing to the broader economic consequences of policy shifts, namely tariffs. Geopolitical developments can also play a role in how economic trends form; however, we tend to believe the implications of tariffs will take center stage. In our view, the second half of this year will likely be defined by slow economic growth. Not only in the United States, but internationally as well. Meaning, global activity for the remainder of this year is likely to be subdued. Recent deescalations in trade tensions suggest global growth may be stronger than we originally envisaged; however, the global economy is still far from outperforming. At the same time, we would not be surprised to see inflationary pressures linger as tariffs get passed on to consumers. Slow growth with high inflation is a difficult landscape for central banks to operate in, especially central banks with a dual mandate to support growth but contain inflation. While H2-2025 may not be defined by similar levels of financial market uncertainty, a subdued growth environment will keep policy making and overall conditions difficult to navigate. As always, we will provide updates on the outlook for the global economy, interest rates and FX markets as conditions evolve.

Global Growth Prospects Improving as Trade Tensions Ease

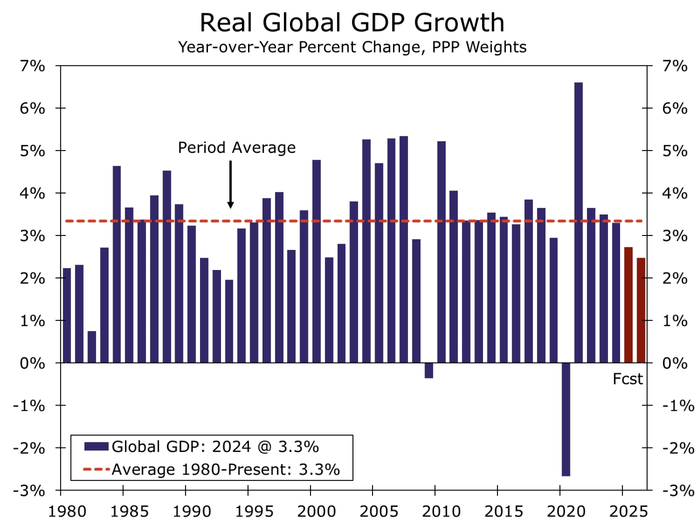
With economic activity likely to be top of mind over the second half of this year, we feel compelled to discuss the health of the global economy (more so than usual). In our view, the global economy has yet to feel the full impact of tariffs. The first few months of this year have been defined by an acceleration in trade activity to get ahead of tariffs, especially "Liberation Day" levies. Front-loading of imports, at least in the United States, contributed to a quarterly annualized economic contraction in Q1 as the net export component of GDP subtracted sharply from overall growth. Q2 is likely to be defined by inventory drawdown and a pullback in imports. The same net export component of GDP that pushed the U.S. economy into contraction over the first three months of this year is likely to reverse course in a big way during Q2. In fact, our U.S. economists expect a large rebound in U.S. GDP as the net export position improves. These distortions in import and export activity are present in the United States but also internationally, and arguably mask the true global economic impact of tariffs. For now, tariffs have mostly manifested in extreme volatility in global financial markets. The first half of the year has seen episodes of sharply higher volatility across equity, fixed income and FX markets, and while consumers and corporates report feeling more uneasy about making spending and investment decisions, we have yet to see a clear, broad-based slowdown in either. With that said, we believe consumer and business uncertainty will result in softer global economic activity over the course of H2-2025. Consumer spending patterns are likely to turn more cautious and tilt away from discretionary purchases. Uncertainty is also likely to result in corporate reluctance to commit to fixed investment and other capital-intensive projects, as well as a possible re-calibration of staffing and hiring plans. As these dynamics unfold, global economic activity is likely to soften noticeably in the coming quarters. And rather than financial market volatility capturing headlines, market participants may see uncertainty materialize in little, to possibly no, economic growth across the advanced economies during the second half of 2025 (Figure 1).

Figure 1



Source: Datastream and Wells Fargo Economics

Figure 2



Source: IMF and Wells Fargo Economics

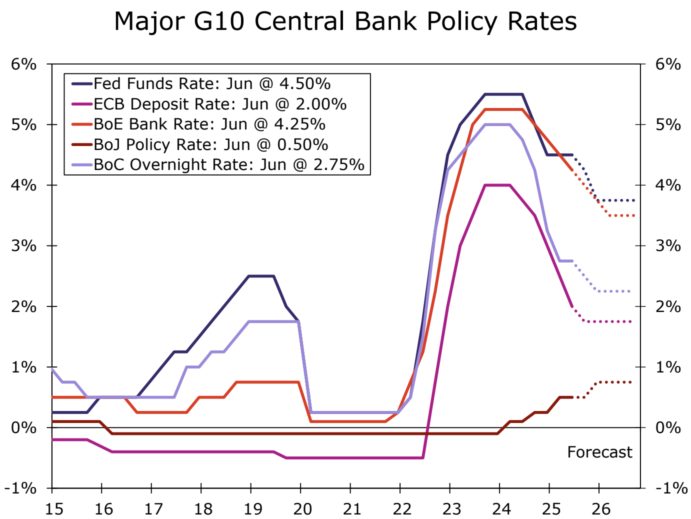
However, and as counterintuitive as this may sound, the outlook for global GDP growth has improved in recent months. An improved global growth outlook is primarily driven by a partial rollback of previously imposed tariffs and a broader easing of global trade tensions, particularly between the U.S. and China. While the Trump administration lowered tariffs on China earlier this year, a further de-escalation in trade tensions between the world's largest economies was achieved this month. China agreed to resume exports of rare earth minerals to the U.S., while the U.S. allowed for exports of certain sensitive technology products to China, at least through the end of this year. Both countries also agreed to keep tariff rates at current levels. A trade truce should take a degree of downward pressure off the U.S. and China, and in turn, the global economy. To that point, we have revised our U.S. and China GDP forecasts higher. In the United States, still-resilient consumer activity, a more supportive net export position and reduced policy uncertainty should result in the U.S. economy moving further away from potential contraction and toward more solid growth. We now forecast the U.S. economy to grow ~1.5% in 2025, up from closer to 1% last month. For China, lower tariff rates should improve demand for local goods and support China's competitiveness and net export position. Given that China still operates an export-driven economic model, lower tariff rates and a broader trade truce should also be supportive of China's growth rate. In that context, we now forecast China's economy to grow 4.7% in 2025, an above-consensus growth forecast and within earshot of the government's ~5% growth target. Post-truce data suggest that China is already benefiting as retail sales beat estimates and industrial production rose quite solidly in May. Combined with upward GDP forecast revisions for India and Brazil, and with other advanced economies benefiting from reduced trade tensions and some reduction in uncertainty, we now forecast the global economy to grow 2.7% this year (Figure 2). 2.7% global growth is below the long-run average run rate, but is nevertheless higher than the 2.3% growth we forecast a month ago. A 0.4 percentage point increase in our global GDP growth forecast in just one month represents a very significant change in such a short period of time, highlighting the degree to which the outlook has improved.

Focus on Growth Also Means a Focus on Monetary Policy

A shift to slower economic activity in the second half of this year, even if more orderly than previously expected, also puts central bank monetary policy adjustments front-and-center. Given our view for a slowdown in U.S. activity in the coming quarters, the path of interest rates for the Federal Reserve should be paramount. To that point, we continue to believe the Fed will lower interest rates multiple times over the second half of this year as the U.S. labor market softens and activity slows, so long as inflation does not show a tariff-induced spike. However, and among the more significant forecast changes this month, we now expect the Federal Reserve to take a more gradual approach to monetary easing as trade tensions have diminished and given a more orderly U.S. growth slowdown than previously expected. While a potential uptick in inflation should prevent the FOMC from easing during the summer months, an eventual slowing in growth and cooling in the labor market should see the Fed restart its easing cycle in September and deliver 75 bps of cumulative easing by the end of this year (Figure 3). In contrast to the Fed, many other G10 central banks have already lowered policy interest rates substantially. Indeed, we believe many of these central banks are now nearing the end of their respective easing cycles, even as they maintain some bias toward lower policy interest rates. Of particular note, the European Central Bank (ECB) lowered its Deposit Rate 25 bps to 2.00% earlier this month and offered some dovish signals, saying underlying inflation metrics suggest inflation will settle around 2% on a sustained basis and forecast core inflation slightly below target over the medium term. At the same time, ECB President Lagarde said the central bank was "getting to the end of a monetary policy cycle," a sentiment that was also echoed by ECB policymaker Schnabel. After some 200 bps of policy rate cuts so far, we see just one final 25 bps ECB rate cut, to 1.75%, in September. We also believe the Bank of Canada is nearing the end of its easing cycle, and we see just two more 25 bps rate cuts in July and October from Canada's central bank. The Swiss National Bank, Reserve Bank of Australia and Reserve Bank of New Zealand are also, in our view, near the end of their respective monetary policy easing cycles. Finally and also worth mentioning, we view the Bank of Japan (BoJ) as near the end of its monetary policy cycle, though in this case a tightening cycle. At its June announcement, the BoJ held its policy rate steady and also said it would slow the pace at which it is reducing its government bond holdings over time. At this time, we expect a final 25 bps rate hike from the BoJ in October, though if Japan's economy disappoints, there is a risk that a final rate hike could be further delayed.

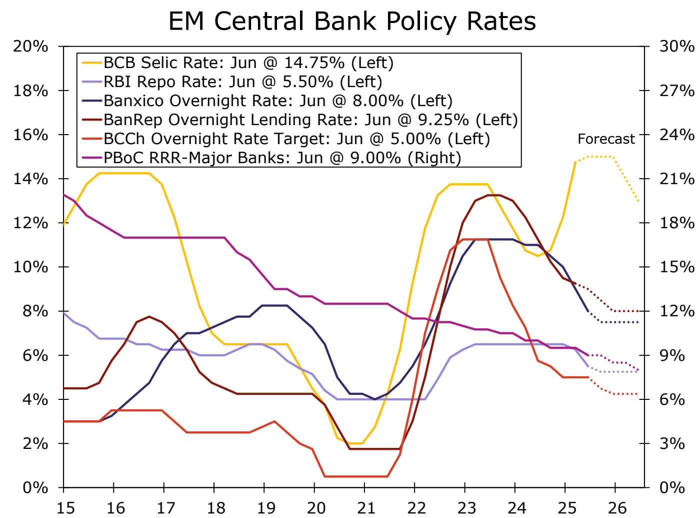
For the G10 central banks, there are a few exceptions where we view the monetary policy easing cycle as still having runway. In these cases, additional rate cuts could match—or even exceed—the rate cuts we expect to be delivered by the Fed. Norway's central bank, the Norges Bank, is the lone G10 central bank (other than the Bank of Japan) that has yet to begin an easing cycle, as Norway's growth has remained resilient and inflation has remained persistent. We expect Norges Bank to lower rates at a steady 25-bps-per-quarter pace, starting in Q3-2025 and ending in Q3-2026, for cumulative easing of 125 bps. Meanwhile, we expect the Bank of England will continue to lower interest rates at a 25-bps-per-quarter pace, delivering a further 75 bps of rate cuts by early next year. Emerging market central banks are also likely to be exceptions in the sense that paths to easier monetary policy still have runway (Figure 4). Rather than institutions across Latin America, Asia and EMEA taking a more conservative approach to rate cuts, most policymakers are likely to remain comfortable lowering interest rates over the second half of this year. Local currencies remain stable, energy prices are lower, albeit volatile, and a U.S.-China trade truce at least offers a window for emerging market central banks to transition toward less restrictive or outright accommodative monetary policy. In that sense, we believe most central banks in Latin America and EMEA will lower policy rates over the next two quarters, and policymakers in emerging Asia may be the most dovish. We continue to forecast rate cuts from Mexico's central bank as well as in Colombia, while the Chilean Central Bank is likely to restart its easing cycle. South Africa's central bank, in our view, has adequate space for additional easing, while Turkey's central bank may also pivot back to easing as local conditions have stabilized following a bout of political uncertainty. In Asia, we expect central banks in the Philippines, Indonesia, Thailand and Korea to all ease, and for the People's Bank of China to lower bank Reserve Requirement Ratios again in the coming quarters.

Figure 3



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

Figure 4



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

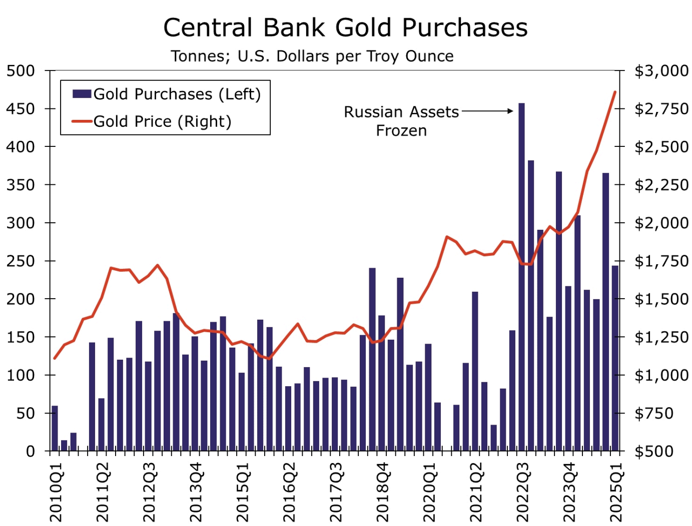
We do, however, acknowledge that recent geopolitical events in the Middle East introduce upside risks to central bank policy rates, especially in the emerging markets. Over the last week or so, Israel and Iran have again engaged in direct military conflict with each other. While June 2025 marks the third direct confrontation between the nations since early last year, the first two were largely interpreted as symbolic and not designed to escalate tensions. However, this military engagement appears to be more substantive and contentious, and less of a face-saving technique by either country. While we will not try and determine the direction of the conflict, we at least wish to flag the possibility that this confrontation may be more prolonged relative to prior periods. Should the conflict indeed mark a new inflection point for hostile relations between Israel and Iran, oil prices could rise rather sharply, either through increased risk premium or through supply disruptions. In the event this scenario unfolds, and oil prices climb, central banks across the emerging markets may choose to act with caution and prudence when considering future monetary easing. Energy costs represent a sizable portion of CPI baskets across Asia, Latin America and EMEA, and we have our doubts policymakers would opt for policy rate cuts with the backdrop of rising inflation via pass-through from higher energy prices. For now, we are not making any adjustments to our central bank interest rate forecasts as a result of renewed tensions in the Middle East. We will be watching the evolution of the conflict closely, and should we feel a sizable risk premium will be embedded into oil prices for an extended period of time or supply disruptions result in a sustained rise in prices, we will indeed shift our central bank forecasts in a less dovish direction. Central banks associated with oil importing nations, mostly in Emerging Asia, could be impacted the most in this scenario, but again, we flag this purely as a new risk surrounding the outlook for monetary policy in the developing world.

Dollar Depreciation is Not De-dollarization

The dynamics surrounding the U.S. dollar have been remarkably interesting to watch over the first six months of this year. For the last two quarters, we have observed the U.S. dollar behave in patterns that, at least in a historical context, are very unusual. Meaning, as risk-sensitive assets became volatile and as investor sentiment has turned more defensive at times this year, the U.S. dollar has (unusually) sold off against foreign currencies around the world. Prior to this year, times of financial market turbulence typically yielded a stronger dollar as market participants flocked to the perceived safe haven characteristics of the greenback. The breakdown in the "risk-off, dollar strength" correlation is arguably the most captivating FX theme so far this year. U.S. equity volatility being higher year-to-date and the dollar index (DXY) being down 10% was not a combination on our "currency forecasting bingo card" in January, but with the benefit of hindsight, we can at least offer an explanation of what is likely happening to the greenback. Following the U.S. election and the return of President Trump for a second term, financial market participants turned overwhelmingly bullish on the United States and U.S. financial assets. Trump's campaign was centered around deregulation, tax cuts, a business-friendly administration and protectionist policies that, at least according to the Trump campaign, would benefit the U.S. in a big way, especially relative to the rest of the world. Even though Trump promised higher tariffs, financial markets assumed they would not be implemented in full force and U.S. asset prices would rally. In the months following the election but before Trump's inauguration, U.S. assets rallied, including local equities and the U.S. dollar.

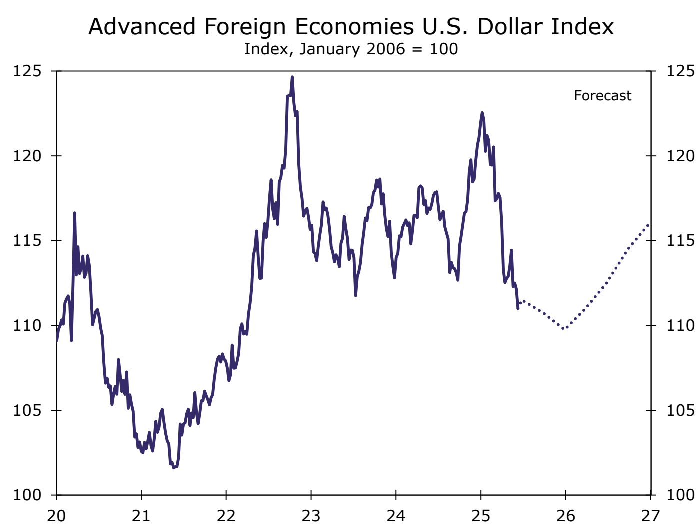
Fast-forward to a few months into Trump 2.0, and tariff policy turned significantly more contentious than expected. Tariffs on Canada, Mexico and China were imposed almost immediately, China tariffs jumped to over 140% on all goods imports, and "Liberation Day" sparked a panic across global financial markets. The same optimism that defined U.S. assets post-election unwound as a shock scenario emanated out of the United States, and by extension, against a backdrop of a lack of U.S. policy predictability, a selloff in U.S. financial markets placed depreciation pressure on the U.S. dollar. The size of the shock and the extent of dollar depreciation also has market participants questioning whether the greenback is still, or can remain, the world's reserve currency. As far as our outlook for the U.S. dollar, we will start with sharing, or rather reinforcing, our view that the dollar will be the preeminent safe-haven and reserve currency for the foreseeable future. Available evidence suggests most central banks have not transitioned to other fiat currencies and away from dollars as FX reserves, and the dollar continues to be the most widely used currency across global payments systems. As encouraging as those dynamics are for the dollar, we also believe there is no viable alternative to the dollar. Challenges exist with just about all other options, whether those issues include capital controls (Chinese renminbi), free convertibility (Chinese renminbi), or being associated with large and liquid sovereign debt markets (Japanese yen). The euro checks all the boxes for a reserve currency; however, euro fragmentation risks exist and, for the euro to overtake the dollar, a massive reallocation of central bank assets and demand for euros would have to materialize. In our view, the euro gathering this kind of momentum does not seem very likely, and certainly not for an extended period of time. So, a long-winded way of saying that the dollar is the only realistic option for the world's reserve currency—and that dollar depreciation is not, and should not be, synonymous with de-dollarization.

Figure 5



Source: World Gold Council and Wells Fargo Economics

Figure 6



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

While we remain confident in the dollar's reserve status, we would also point out that the more likely competitor to the dollar is not, technically, a currency. No, not crypto either. Rather, gold. By definition, gold is a commodity, not technically a currency. However, gold is also seen as a safe haven asset that performs well in times of markets turbulence and uncertainty, and outperforms when inflation is elevated. While central banks around the world are not exactly seeking out alternative currencies to the dollar, we have observed central banks purchasing more gold and holding a larger percentage of their respective reserves in gold (Figure 5). This trend picked up pace after Russia invaded Ukraine, and the United States, along with Western allies, confiscated most of Russia's fiat-currency assets as part of the imposed sanctions regime. In an effort to reduce similar sanctions and confiscation risk, some central banks, especially those not geopolitically aligned with the United States, have opted to allocate more toward gold and to store the precious metal in vaults onshore as opposed to FX within Western banking systems. China in particular took a more active approach to diversifying into gold and away from U.S. dollars in an effort to protect against tensions with the U.S. that could lead to frozen or confiscated FX reserve and sovereign wealth assets. But while gold has become a more viable option, central banks can only allocate so much to gold. In times of market stress, central banks still need foreign exchange to be able to intervene in FX markets and potentially support local currencies. Also, especially for some of the central banks with the largest reserve asset positions—such as China, Saudi Arabia, Qatar and the United Arab Emirates—dollars are essential for exchange rate stability. In China's case, the renminbi is heavily managed and a stockpile of dollars is required to prevent excessive speculation against the renminbi or to potentially sell to stabilize the currency. For the Middle Eastern central banks noted above, all operate an exchange rate that is pegged to the U.S. dollar. In order for the exchange rate regime to function effectively, dollars are a requirement. Allocating too much to gold could put local exchange rate stability at greater risk, a risk we doubt those institutions would take. So, while gold is a competitor to the dollar, limitations also exist for how much of a role gold can play in the financial world order.

As for our directional view on the dollar, we believe that the U.S. dollar can weaken in H2-2025 (Figure 6). In our view, more catalysts for dollar depreciation exist than catalysts for dollar strength. These dollar weakness catalysts center around growth prospects, monetary policy expectations as well as politics/geopolitics. As for growth, as previously noted, we expect the U.S. economy to slow rather rapidly in the second half of this year due to U.S. policy uncertainty and the impact of tariffs. International economies may be more resilient than the U.S., placing growth differentials in the coming quarters in favor of foreign currencies. From an interest rate differential perspective, our theory that the Fed will ease monetary policy quicker than most G10 central banks should also contribute to a weaker greenback through the end of this year as well, despite adjusting our Fed forecast in a less dovish direction. And from a political/geopolitical perspective, we tend to believe the worst of tariffs and trade uncertainty is in the past. Given our view that the dollar is not losing its reserve status and historical market patterns will re-emerge, less uncertainty and less tariff tension should contribute to an overall policy backdrop that is consistent with dollar depreciation. And to be crystal clear, our dollar depreciation view is not tantamount to the dollar losing global reserve currency status or permanently losing its safe haven status. Directionally, we do believe the dollar can recover in 2026. The same growth and interest rate differentials that should contribute to near-term dollar depreciation should flip next year, and the U.S. economy will likely outperform in 2026 on the back of tax cuts and a transition to the post-tariff world. We also believe the Federal Reserve's easing cycle will be over with U.S. interest rates still at relatively elevated levels, and monetary policy dynamics could also work in favor of the greenback over the longer term. In that sense, we forecast dollar strength against many of the world's advanced and emerging market currencies, with only select exceptions.

Even those select exceptions should be rather temporary in nature. Most of the exceptions to 2026 dollar strength come from idiosyncratic local developments, particularly within Latin America. The region will host many elections over the next 18 months, with a few in 2025, but most of the more important votes will occur next year. Colombia, Peru and Brazil will host presidential and congressional elections next year and, in all cases, as of now, we expect market-friendly and right-leaning political platforms to be elected. These administrations should pursue fiscal responsibility that should stabilize local currencies, particularly in Colombia and Brazil. In addition, elections should provide a policy anchor that also creates more certainty in each country, and also region-wide. These developments should result in each currency experiencing a relief rally after each vote, regardless of whether the dollar is broadly strengthening. With that said, the road to financial market and political stability is likely to be rocky. We expect a less fiscally disciplined approach to policymaking to materialize ahead of each election for incumbent administrations to rally support or help their respective political parties perform well in elections. So, while elections may be a longer-term inflection point for Latin America, in the shorter/medium term, financial market volatility may pick up pace. In that sense, currencies could weaken leading into each election, with the Brazilian real experiencing the most volatility of any regional currency associated with an upcoming election. Incumbent president Lula is likely to revert to large fiscal spending and tax exemptions to support his re-election campaign, while the dismissal of market-friendly cabinet members is also something that may materialize and contribute to volatile local asset prices. In the case of Brazil, we expect the currency to sell off rapidly over the course of 2026. Following this period of sharp BRL depreciation, a new government with improved fiscal intentions should be a driver of long-term Brazilian real stability. In addition, improved political risk should also result in improved capital flows to Brazil and be a source of broader stability for the economy.

Wells Fargo International Economic Forecast

	GDP				CPI			
	2023	2024	2025	2026	2023	2024	2025	2026
Global (PPP Weights)	3.5%	3.3%	2.7%	2.5%	6.6%	5.7%	3.8%	3.6%
Advanced Economies[1]	1.7%	1.8%	1.5%	1.7%	4.6%	2.6%	2.6%	2.4%
United States	2.9%	2.8%	1.6%	1.9%	4.1%	3.0%	2.7%	2.9%
Eurozone	0.4%	0.9%	1.0%	1.2%	5.4%	2.4%	2.1%	1.8%
United Kingdom	0.4%	1.1%	1.2%	1.6%	7.3%	2.5%	3.2%	2.3%
Japan	1.5%	0.1%	0.9%	0.9%	3.3%	2.7%	2.8%	1.9%
Canada	1.5%	1.5%	1.4%	1.3%	3.9%	2.4%	2.1%	2.4%
Switzerland	0.7%	1.3%	1.5%	1.5%	2.1%	1.1%	0.5%	0.7%
Australia	2.1%	1.0%	1.6%	2.2%	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	-0.1%	1.0%	1.1%	2.0%	5.9%	2.0%	2.4%	2.0%
Norway	1.1%	0.6%	1.5%	1.4%	5.5%	3.1%	2.6%	2.2%
Developing Economies[1]	4.7%	4.3%	3.5%	3.0%	8.0%	7.7%	4.6%	4.4%
China	5.4%	5.0%	4.7%	4.0%	0.2%	0.2%	0.1%	0.8%
India	8.8%	6.7%	6.6%	5.9%	5.4%	4.7%	4.0%	3.7%
Mexico	3.3%	1.5%	-0.4%	0.7%	5.5%	4.7%	4.7%	3.4%
Brazil	3.2%	3.4%	2.2%	1.0%	4.6%	4.4%	5.3%	4.3%
Russia	4.1%	4.3%	1.5%	1.5%	5.9%	8.4%	9.0%	5.5%

Forecast as of: June 18, 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%	4.50%	4.25%	3.75%	3.75%	3.75%	3.75%
Eurozone[1]	2.00%	2.00%	1.75%	1.75%	1.75%	1.75%	1.75%
United Kingdom	4.25%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%
Japan	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%
Canada	2.75%	2.75%	2.50%	2.25%	2.25%	2.25%	2.25%
Switzerland	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Australia	3.85%	3.85%	3.60%	3.35%	3.35%	3.35%	3.35%
New Zealand	3.25%	3.25%	3.00%	2.75%	2.75%	2.75%	2.75%
Sweden	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Norway	4.50%	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%
China[3]	9.00%	9.00%	9.00%	8.50%	8.50%	8.00%	8.00%
India	5.50%	5.50%	5.25%	5.25%	5.25%	5.25%	5.25%
Mexico	8.50%	8.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Brazil	14.75%	15.00%	15.00%	15.00%	14.00%	13.00%	12.00%
Chile	5.00%	5.00%	4.50%	4.25%	4.25%	4.25%	4.25%
Colombia	9.25%	9.00%	8.50%	8.00%	8.00%	8.00%	8.00%
Russia	20.00%	19.00%	18.00%	17.00%	15.50%	14.00%	12.50%

2-Year Note	2025				2026		
	Current	Q2	Q3	Q4	Q1	Q2	Q3
United States	3.94%	3.90%	3.75%	3.70%	3.70%	3.70%	3.75%
Eurozone[2]	1.86%	1.80%	1.70%	1.70%	1.75%	1.80%	1.85%
United Kingdom	3.91%	3.90%	3.75%	3.60%	3.55%	3.55%	3.60%
Japan	0.75%	0.75%	0.75%	0.80%	0.80%	0.85%	0.85%
Canada	2.70%	2.65%	2.55%	2.45%	2.40%	2.45%	2.50%

10-Year Note	2025				2026		
	Current	Q2	Q3	Q4	Q1	Q2	Q3
United States	4.38%	4.40%	4.30%	4.25%	4.25%	4.30%	4.35%
Eurozone[2]	2.52%	2.50%	2.40%	2.30%	2.30%	2.40%	2.45%
United Kingdom	4.53%	4.50%	4.40%	4.30%	4.25%	4.20%	4.25%
Japan	1.46%	1.45%	1.50%	1.60%	1.65%	1.65%	1.60%
Canada	3.36%	3.30%	3.20%	3.10%	3.10%	3.15%	3.20%

Forecast as of: June 18, 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	1.1514	1.1500	1.1600	1.1700	1.1600	1.1400	1.1200
USD/JPY	144.79	145.00	144.00	142.00	143.00	144.00	145.00
GBP/USD	1.3458	1.3500	1.3600	1.3700	1.3500	1.3300	1.3100
USD/CHF	0.8166	0.8175	0.8050	0.7950	0.8100	0.8325	0.8575
USD/CAD	1.3644	1.3600	1.3500	1.3400	1.3600	1.3800	1.4000
AUD/USD	0.6503	0.6500	0.6600	0.6700	0.6600	0.6500	0.6400
NZD/USD	0.6031	0.6000	0.6100	0.6200	0.6100	0.6000	0.5900
USD/NOK	9.9384	9.9125	9.7425	9.6150	9.6550	9.7800	9.9100
USD/SEK	9.5858	9.5225	9.3975	9.2725	9.3100	9.4300	9.5525
Asia							
USD/CNY	7.1883	7.2000	7.1500	7.1500	7.2000	7.2500	7.3000
USD/CNH	7.1905	7.2000	7.1500	7.1500	7.2000	7.2500	7.3000
USD/IDR	16300	16300	16200	16100	16200	16300	16400
USD/INR	86.47	86.50	86.00	85.50	86.00	86.50	87.00
USD/KRW	1374.90	1370.00	1360.00	1350.00	1360.00	1370.00	1380.00
USD/PHP	56.95	57.00	56.50	56.00	56.50	57.00	57.50
USD/SGD	1.2844	1.2900	1.2800	1.2700	1.2800	1.2900	1.3000
USD/TWD	29.53	29.50	29.25	29.00	29.25	29.50	29.75
USD/THB	32.61	32.50	32.25	32.00	32.25	32.50	32.75
Latin America							
USD/BRL	5.4945	5.5000	5.4500	5.4000	5.5000	5.7000	5.9000
USD/CLP	945.30	950.00	940.00	930.00	940.00	950.00	960.00
USD/MXN	18.9565	19.0000	18.7500	18.7500	19.0000	19.2500	19.5000
USD/COP	4099.86	4100.00	4050.00	4000.00	3950.00	4000.00	4050.00
USD/ARS	1162.92	1200.00	1250.00	1300.00	1350.00	1400.00	1450.00
USD/PEN	3.6120	3.6000	3.5500	3.5000	3.4500	3.5000	3.5500
Eastern Europe/Middle East/Africa							
USD/CZK	21.55	21.75	21.50	21.25	21.50	22.25	22.75
USD/HUF	350.50	352.25	344.75	337.50	344.75	355.25	366.00
USD/PLN	3.7116	3.6950	3.6200	3.5475	3.6200	3.7275	3.8400
USD/RUB	78.37	78.00	76.00	74.00	76.00	78.00	80.00
USD/ILS	3.4958	3.5500	3.5000	3.5000	3.5500	3.6000	3.6500
USD/ZAR	18.0724	18.0000	17.7500	17.5000	17.7500	18.0000	18.2500
USD/TRY	39.5401	40.0000	41.0000	42.0000	43.0000	44.0000	45.0000
Euro Crosses							
EUR/JPY	166.72	166.75	167.00	166.25	166.00	164.25	162.50
EUR/GBP	0.8555	0.8525	0.8525	0.8550	0.8600	0.8600	0.8550
EUR/CHF	0.9403	0.9400	0.9350	0.9300	0.9400	0.9500	0.9600
EUR/NOK	11.4435	11.4000	11.3000	11.2500	11.2000	11.1500	11.1000
EUR/SEK	11.0394	10.9500	10.9000	10.8500	10.8000	10.7500	10.7000
EUR/CZK	24.82	25.00	25.00	24.75	25.00	25.25	25.50
EUR/HUF	403.58	405.00	400.00	395.00	400.00	405.00	410.00
EUR/PLN	4.2744	4.2500	4.2000	4.1500	4.2000	4.2500	4.3000

Forecast as of: June 18, 2025

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

Currency	Forecasted % Change to Q2-26*	
Peruvian Sol (PEN)	3.2%	most bullish
Colombian Peso (COP)	2.5%	
Swedish Krona (SEK)	1.7%	
Norweigian Krone (NOK)	1.6%	
Trade Weighted Dollar (USD)	1.4%	
Japanese Yen (JPY)	0.5%	
Russian Ruble (RUB)	0.5%	
South African Rand (ZAR)	0.4%	
South Korean Won (KRW)	0.4%	
Thai Baht (THB)	0.3%	
Taiwan Dollar (TWD)	0.1%	
Indonesian Rupiah (IDR)	0.0%	
Indian Rupee (INR)	0.0%	
Australian Dollar (AUD)	0.0%	
Philippine Peso (PHP)	-0.1%	
Polish Zloty (PLN)	-0.4%	
Singapore Dollar (SGD)	-0.4%	
Chilean Peso (CLP)	-0.5%	
New Zealand Dollar (NZD)	-0.5%	
Chinese Renminbi (CNH)	-0.8%	
Chinese Renminbi (CNY)	-0.9%	
Euro (EUR)	-1.0%	
Canadian Dollar (CAD)	-1.1%	
British Pound (GBP)	-1.2%	
Hungarian Forint (HUF)	-1.3%	
Mexican Peso (MXN)	-1.5%	
Swiss Franc (CHF)	-1.9%	
Israeli Shekel (ILS)	-2.9%	
Czech Koruna (CZK)	-3.1%	
Brazilian Real (BRL)	-3.6%	
Turkish Lira (TRY)	-10.1%	
Argentine Peso (ARS)	-16.9%	most bearish

Forecast as of: June 18, 2025
*Percentage Change Against USD, Q2-26 Vs. Current Spot Rate

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

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