WELLS FARGO

International Commentary — February 24, 2025

International Economic Outlook: February 2025

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

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Summary

Forecast Changes

- We have made adjustments to the tariff assumptions underlying our global economic and FX outlook. We now believe the 10% China tariff will remain in place through the end of Q1-2025 before ramping up to a 25% rate. China is likely to retaliate with a 25% tariff of its own, and we expect the U.S. tariff and retaliatory tariff to remain in place through the end of 2026. President Trump is also likely to impose tariffs on other trade partners, although select countries and goods may be excluded. To account for that uncertainty, we now assume an average U.S. tariff rate of 5% that goes into effect in Q3-2025, followed by matching retaliatory foreign tariffs.
- Tariffs can be disruptive to real economies; however, market participants seem less reactionary to tariff headlines in recent weeks. We believe this is a shift in tariff sentiment, and we now believe "tariff fatigue" is emanating across global financial markets. With market participants less focused on tariff headlines, and maybe only tariff policy implementation, the U.S. dollar can see less support from safe-haven capital flows. While we still forecast dollar strength into mid-2026, we see less dollar strength relative to last month's forecast.
- Some growth resilience and lingering inflation should now lead to a less aggressive Bank of Canada easing cycle. We have not made changes to our Bank of England or European Central Bank forecasts, while we continue to expect an aggressive Bank of Japan tightening cycle. While central banks globally are trending in a less dovish direction, we now believe the Central Bank of Mexico can move ahead with a deeper easing cycle. And finally, Germany's election was in focus recently; however, the outcome means any structural changes to the "debt brake" remain uncertain, and we maintain our bearish outlook on the euro and Eurozone economy going forward.

Key Themes

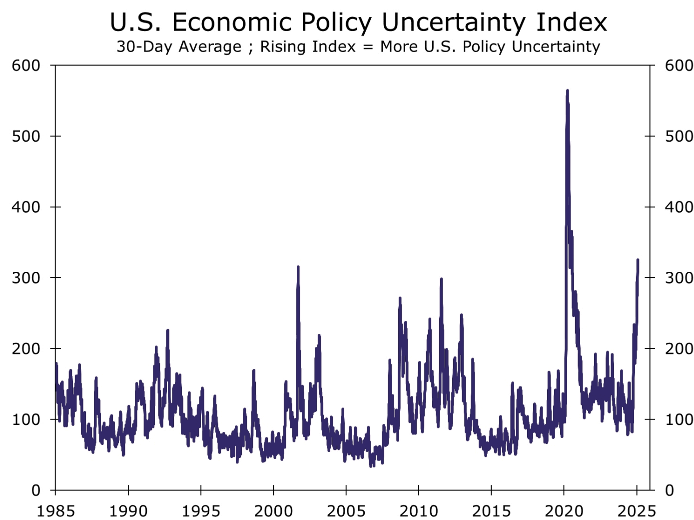
- President Trump's tariff agenda is starting to take form. While tariffs have been implemented and threats administered, we are taking the view that not all tariff rhetoric will necessarily become trade policy. China appears to still be the primary target of tariffs and broader trade restrictions, although other U.S. trading partners are also likely to be affected by tariffs over the course of this year.
- Despite the likely impositions of tariffs going forward, we are also of the view that financial markets are becoming more resilient to changes in U.S. trade policy. In our view, a degree of "tariff fatigue" has set in, evidenced by volatility across financial markets declining despite tariff talk from the Trump administration not dissipating. While we acknowledge markets may also be too complacent, we now believe the U.S. dollar will see less safe-haven support going forward relative to out prior forecast.
- Tariff fatigue means FX market participants can start to refocus on underlying economic fundamentals and central bank monetary policy. In that sense, we still believe the U.S. dollar can strengthen as the Fed shifts less dovish at a time when foreign central banks are lowering interest rates. Also, U.S. economic growth continues to outpace foreign economy growth, and growth divergences should also be a pillar of support for the greenback over the medium term.

Updating Our Tariff Assumptions

Over the course of the first month of his administration, President Trump's trade policies are starting to take shape. As we noted in our 2025 International Economic Outlook, the U.S. president has a significant amount of unilateral authority to adjust U.S. trade policy. Over the past 30 or so days, President Trump has exercised this decision-making ability by imposing a 10% tariff on all Chinese exports to the United States and a 25% tariff on imported steel and aluminum from every U.S. trading partner, with the steel and aluminum tariffs set to go into effect on March 12. Tariff threats have also been administered. Most notably, Canada and Mexico have been threatened with 25% tariffs on all exports to the U.S. unless border and drug control measures are implemented. For now, the actual implementation of tariffs on Canada and Mexico have been delayed until early March, but the uncertainty of whether another delay will be delivered, a cancellation or full imposition lingers. President Trump has also floated reciprocal tariffs on countries with tariffs imposed on the U.S., with those tariffs, for now, set to be imposed in April. In our view, incorporating all the announced trade policy changes into our forecasts may not be prudent at this point. As the delayed tariffs on Canada and Mexico and a tariff threat on Colombia show, levies may just be a negotiating tool. Tariffs may not be fully implemented and/or in the timeframe initially specified by President Trump, while some countries and/or products may be exempted from reciprocal tariffs, unilateral tariffs or a possible universal levy.

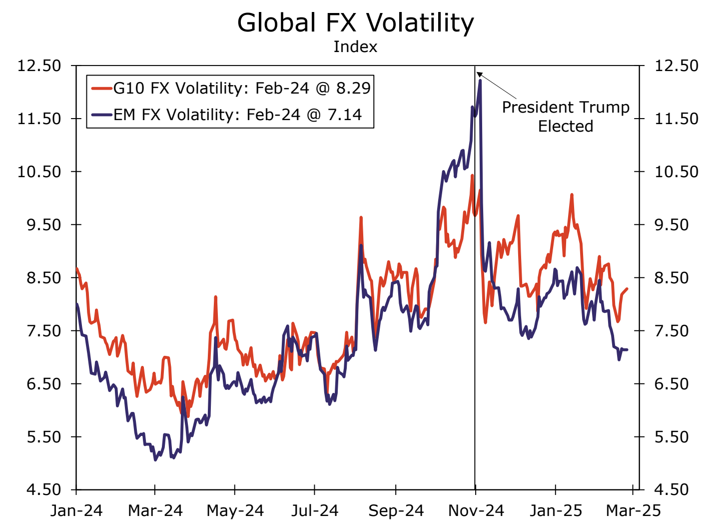
That said, we made working assumptions about the degree and timing of any tariff hikes. As a presidential candidate, Trump proposed a 10% universal tariff in combination with a 60% levy applied to China. In our immediate post-election forecast, we assumed roughly half of those proposed levies would be enacted starting in H2-2025. Given the announcements over the past few weeks, we have made modest tweaks to our tariff assumptions. As noted, President Trump has placed an additional 10% tariff on China and has provided little indication he intends to remove this levy anytime soon. In that sense, we assume the 10% China tariff remains in place over the course of Q1. At the same time, we believe trade tensions between the U.S. and China will increase in the coming quarters. Accordingly, we now assume U.S. tariffs on China rise to 25% starting in Q2-2025 and remain in place through the end of our forecast horizon. We are also now assuming China will retaliate with its own 25% tariff on U.S. goods exports, and for China's retaliatory tariff to remain in place through the end of 2026. In addition to China tariffs, we are assuming that, starting in Q3-2025, U.S. tariffs on other trading partners will average 5% and that these tariffs remain in place through the end of 2026. Given early retaliation rhetoric, we are also assuming foreign trading partners will retaliate with a 5% tariff on U.S. goods. For full transparency, we acknowledge President Trump has not threatened 5% tariffs on any trading partner; however, an effective tariff rate of 5% allows for some countries and/or products to be exempted. We note, however, that significant variability and uncertainty exists around these assumptions consistent with the rise in the U.S. economic policy uncertainty index (Figure 1).

Figure 1



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

Figure 2



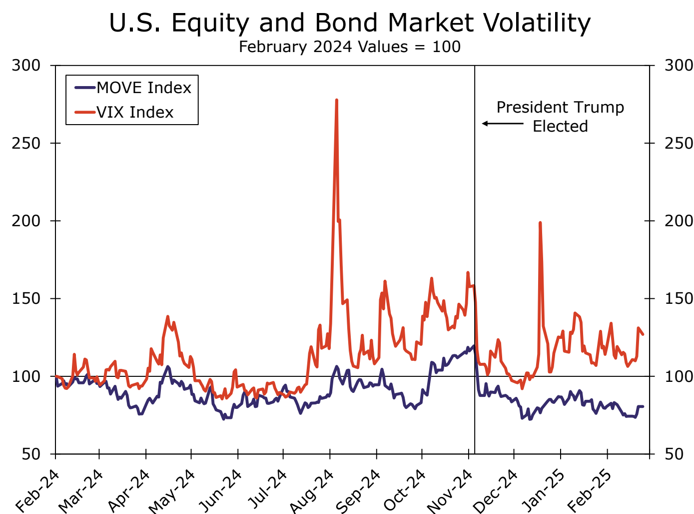
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Is "Tariff Fatigue" Taking Hold of FX Markets?

Despite our new tariff assumptions and the uncertainty that lingers over U.S. policy, we are seeing tentative signs that market participants may be experiencing a degree of “tariff fatigue.” That is, markets may be reaching a stage where there are too many tariff headlines, especially with those tariff headlines not necessarily translating to tariff policy changes. Without real policy change, market participants may be paying less attention to tariff rhetoric, and financial markets are becoming more resilient to tariff-related headlines. As far as evidence of tariff fatigue, despite sporadic bouts of volatility—most notably right after inauguration day when Trump threatened Canada and Mexico with tariffs—additional tariff threats have not generated much FX volatility. In fact, emerging markets FX volatility is currently at post-election lows and G10 FX volatility is lower, even though U.S. policy uncertainty has spiked higher (Figure 2). The S&P 500 equity index is up year-to-date, while the VIX equity volatility index is down from its post-election high (Figure 3). Bond markets have also not been particularly volatile with the MOVE index trending lower since U.S. elections. Point being, tariff headlines have not induced FX volatility, and lower volatility has also extended across financial markets. Tariff fatigue? Looks like it. A counterargument is that low volatility could also mean that financial markets are not priced for tariffs and are overly complacent. Certainly a possibility; however, we tend to side with the idea that markets, at least for the time being, are worn out from being warned about future tariff plans, especially when the transactional nature of tariff threats is becoming more apparent as a negotiating tactic under Trump.

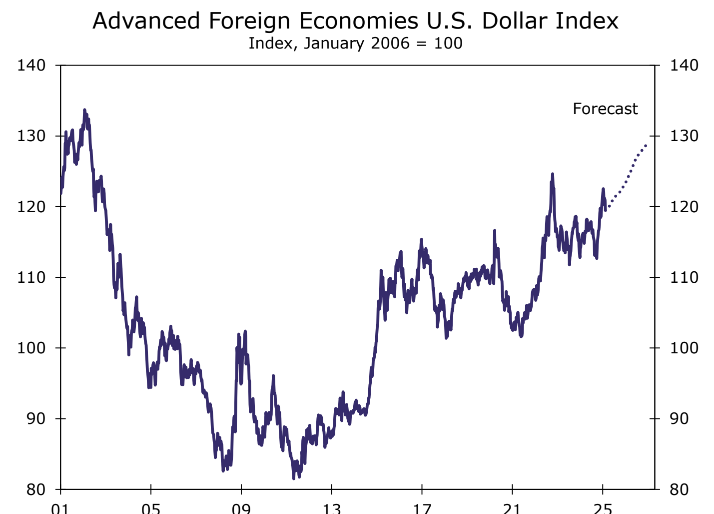
We flagged tariff fatigue as a possibility after the first few weeks of Trump's administration. In that article, we highlighted how tariff exhaustion would not completely disrupt our view for a stronger dollar in 2025, but could create a dynamic where the dollar does not rally as much as we initially expected. With a growing suspicion that tariff fatigue is indeed setting in, we have adjusted our U.S. dollar outlook to reflect less greenback strength. We still forecast broad U.S. dollar strength against G10 and emerging currencies, although we now believe foreign currencies can be more resilient and less prone to tariff rhetoric. Rather than the dollar index approaching levels last seen in 2002, we now believe the climb in the dollar index will be less rapid. With that said, we still believe risks to our dollar outlook are tilted to the upside. We cannot rule out tariff complacency with any type of high conviction, and if tariffs are imposed, complacent positioning could still result in pronounced U.S. dollar gains. This possibility keeps the balance of risk tilted toward a stronger dollar. Also, monetary policy dynamics remain supportive of the dollar for the time being. The Fed has decidedly shifted in a less dovish direction, and while we retained our view for additional Fed rate cuts toward the end of this year, there is a rising possibility that the Fed does not ease at all in 2025. Markets are priced for one 25 bps cut, and if the Fed opts to keep monetary policy settings on hold, the dollar could see more upside relative to our forecasts. As of now, we forecast the dollar index to climb a little over 3% by the end of 2025, slightly less than our previous formal dollar projections (Figure 4).

Figure 3



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

Figure 4

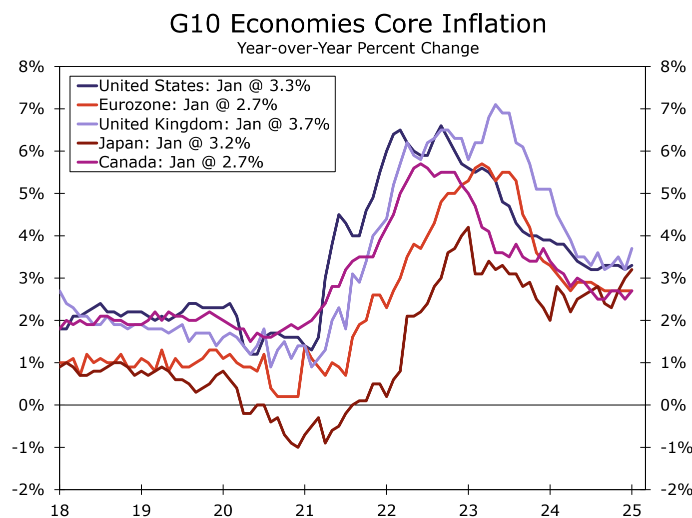


Source: Bloomberg Finance L.P. and Wells Fargo Economics

Tariff Fatigue Can Also Refocus Markets on Fundamentals

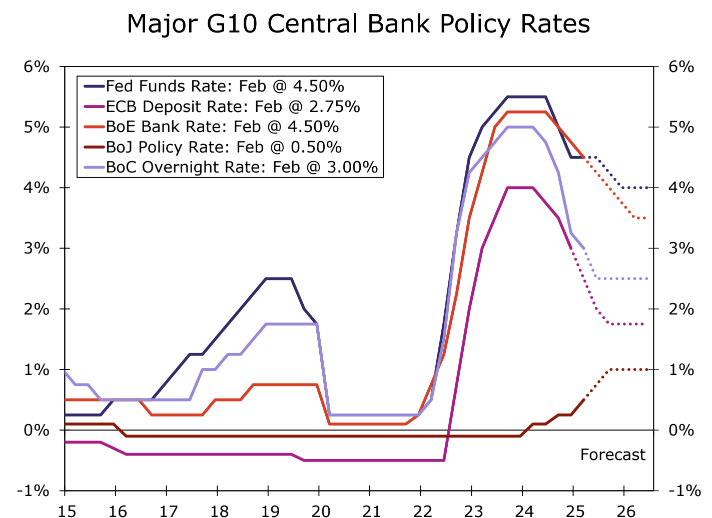
With tariffs potentially not as big a market mover, we believe market participants may refocus attention on underlying economic fundamentals and monetary policy trends. On the growth front, the U.S. economy remains a clear outperformer in terms of overall activity. Q4 GDP growth was solid, and while the labor market has softened, the U.S. economy still added an average of 178,000 jobs per month over the past six months. Recession risks in the United States are low, while recession risks remain more present in advanced economies such as the Eurozone, United Kingdom and Canada. Diverging growth prospects can act as a pillar of support for the U.S. dollar and contribute to foreign currency depreciation pressures, especially in economies showing signs of more subdued activity. This growth divergence dynamic also exists in the emerging markets. Economies associated with sluggish growth—such as Mexico—can see their respective currencies come under pressure from the perspective of economic underperformance. Economic growth and a resilient U.S. economy is one of the most important inputs in our view for U.S. dollar strength in 2025. Solid U.S. economic performance also filters through to Fed monetary policy, another factor that supports our outlook for a stronger greenback. As mentioned, the Fed is turning less dovish, and the minutes of the FOMC's January meeting confirmed policymakers are in no rush to make further downward adjustments to rates. A steady Fed, for now, can keep policy rates at levels that still attract capital flows to the U.S. dollar. More so when considering the direction of monetary policy likely to be pursued by foreign central banks. In our view, most G10 central banks are likely to lower interest rates during their next few meetings, further pushing rate differentials in favor of the greenback.

Figure 5



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

Figure 6



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

While we believe divergence between U.S. and foreign economy growth will support the U.S. dollar, developments in foreign monetary policy are also consistent with less dollar strength than we previously forecast. Even as economic growth across the advanced foreign economies has been moderate, inflation pressures have tipped the outlook for G10 monetary policy in a less dovish direction (Figure 5). In certain instances, that has contributed to a shift in our base case for foreign central bank policy, while in other instances it has contributed to a shift in the balance of risk (Figure 6). Among the most noteworthy changes since our most recent forecast update is our outlook for a less dovish Bank of Canada. Canada's January CPI report showed residual inflation pressures, as average core inflation moved higher even as a federal sales tax holiday kept headline inflation in check. Over the past six months, average core inflation has risen at an annualized 3.1% pace, still well above the central bank's 2% inflation target, and suggesting the disinflation process has stalled to some extent. Even though the Canadian growth outlook remains challenging, employment, retail sales and economic activity have shown resilience this year. Against this backdrop we now expect a pause in the Bank of Canada's rate cut cycle at its March announcement, before it delivers 25 bps rate cuts in April and June. That path would see the Bank of Canada's policy rate reach a low of 2.50%, compared to our

prior forecast for a trough of 2.25%. Of course, we acknowledge the outlook for Canadian growth and monetary policy remains fluid, and still dependent on any tariffs imposed by the United States.

Across Europe, the shifts in the monetary policy outlook in recent weeks have been less pronounced, though arguably have also leaned less dovish. In the United Kingdom, wage growth rebounded in December, while headline inflation, and to a lesser extent core and services inflation, rebounded in January. U.K. GDP growth was also a bit firmer than expected in Q4, though mainly reflecting firmer activity in the public sector rather than the private sector. Altogether, we view ongoing wage and price pressures as consistent with the Bank of England (BoE) remaining firmly on a gradual 25-bps-per-quarter rate cut path. Recent developments mean we see less chance of accelerated back-to-back BoE rate reductions. Indeed, should wage and price pressures remain stubbornly persistent, the risks could even be tilted toward a slower pace of easing than our base case BoE forecast. The one major central bank where we have not adjusted our outlook or balance of risk assessment is the European Central Bank. To be sure, the January CPI revealed inflationary pressures linger across the region, although the slight deceleration in services inflation was a welcome development. However, the broader economic backdrop remains consistent with further disinflation ahead. Eurozone GDP barely grew in the fourth quarter, while the region's two largest economies—Germany and France—both shrank. Sentiment surveys suggest Eurozone economic growth will be modestly positive in the best case scenario this year. Meanwhile, both the ECB's Wage Tracker and the flash estimate of Eurozone Q4 labor costs are consistent with slower wage growth, and ultimately softer underlying inflation pressures ahead. Given the relatively muted economic environment, we continue to expect European Central Bank rate cuts at the March, April, June and September meetings, which would see the ECB's Deposit Rate reach a low 1.75% by late this year. That relatively aggressive easing from the ECB, especially in comparison to the Fed, is likely to see the euro remain under pressure against the U.S. dollar.

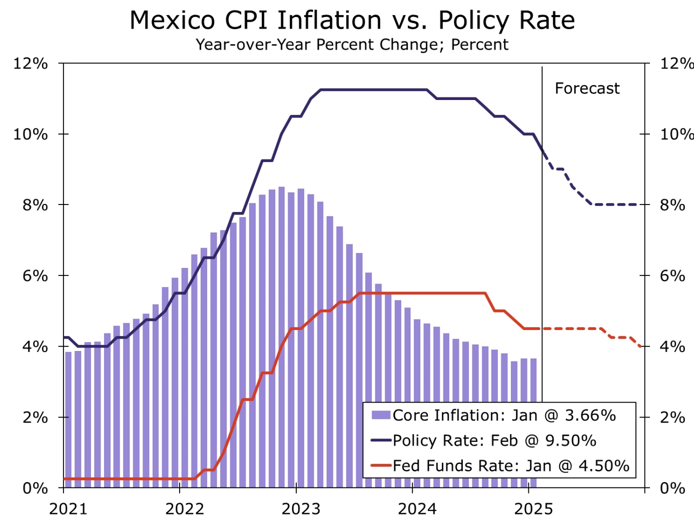
For some other G10 central banks, we believe the balance of risk is shifting in a less dovish, or in some cases a more hawkish, direction. Recent developments from Japan have reinforced our view for further Bank of Japan (BoJ) tightening. Q4 GDP grew 2.8% quarter-over-quarter annualized with gains in both consumer and investment spending. CPI inflation remains elevated above the 2% target, while a record-high percentage of firms said their plan is to raise pay at this year's wage negotiations. We remain comfortable with our view of 25 bps BoJ rate hikes in May and July, a more hawkish outlook than currently priced by market participants. BoJ tightening is also a factor that could support the yen against the greenback going forward. We also believe the risks around our Reserve Bank of Australia (RBA) monetary policy forecast are tilted toward a less dovish central bank. The RBA delivered an initial 25 bps rate cut to 4.10% this month, although that easing appeared to be a tentative first step along its monetary easing path. The RBA acknowledged the disinflation progress so far, but also said employment has been unexpectedly strong, while also highlighting an upward revision to its underlying inflation forecasts. Indeed, regarding policy guidance, RBA policymakers indicated that if monetary policy is eased too much too soon, disinflation could stall and inflation could settle above the midpoint of its target range. At a minimum, we view the RBA's less-dovish-than-expected rate cut as consistent with only a gradual pace of monetary easing, that is, no more than 25 bps per quarter. While our base case remains for further 25 bps rate cuts in May, August and November to a policy rate low of 3.35%, if growth and inflation soften, that final rate November rate cut is most at risk. In New Zealand, the Reserve Bank of New Zealand delivered a 50 bps rate cut this month for the third meeting in a row, but now looks likely to step down to 25 bps rate cuts at upcoming announcements.

Mexico and China Have Room for Rate Cuts

For the most part, emerging market central banks are also turning less dovish. With uncertainty elevated, and risks of local currency depreciation and imported inflation gathering, policymakers across the developing world have opted for currency stability when considering adjustments to monetary policy settings. This has been true for most central banks across Latin America and Asia. Notably absent from this trend, at least up to this point and likely going forward, have been the Central Bank of Mexico (Banxico) and the People's Bank of China (PBoC). As far as Mexico, Banxico picked up the pace of easing and lowered interest rates 50 bps at the February meeting. Forward guidance from February as well as subsequent commentary suggests a similar magnitude of easing is set to be delivered at least at the March meeting. In our view, with inflation trending lower and inflation expectations anchored alongside relative FX stability and rising recession risks, Banxico will achieve a lower terminal rate than we previously forecast. While we forecast a 50 bps cut in March, we now believe Banxico will also deliver 50 bps of easing in May before downshifting to 25 bps cuts through August (Figure 7). In that sense, our Banxico terminal rate forecast is lower, and we now believe the overnight rate will fall

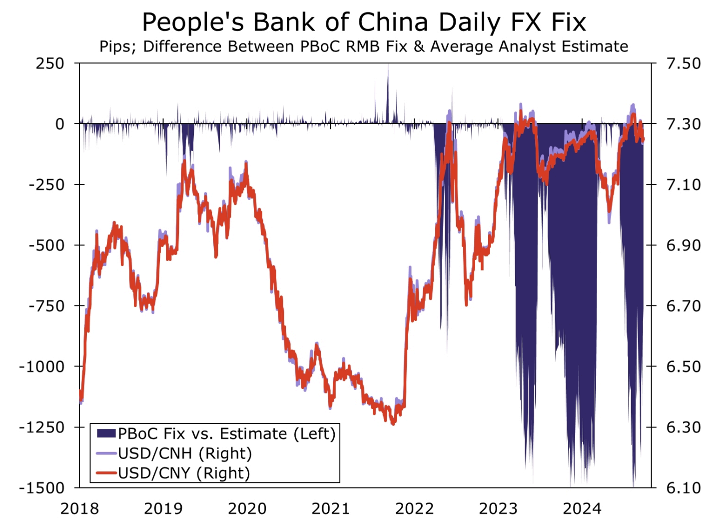
to 8.00% by Q3-2025. For now, risks to our Mexican central bank forecast are balanced. On one hand, a "deal" that avoids tariffs could lead policymakers to ease more rapidly. On the other hand, if tariffs are imposed and the peso comes under pressure, policymakers are likely to drift in a more cautious direction. Our base case forecast for Banxico splits that risk. We may have more clarity in the coming weeks as the March tariff timeline approaches—for now, we continue to assume the 25% tariff threat is a negotiating tactic, but will make appropriate changes if that assumption proves to miss the mark.

Figure 7



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

Figure 8



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

For China, PBoC policymakers have not eased monetary policy this year or at the very end of 2024. Economic activity remains suppressed and is not likely to improve much under the weight of new U.S. tariffs. In our view, policymakers are likely to ease monetary policy to support activity, and we expect China's Reserve Requirement Ratio for banks to be lowered in the near future. Perhaps more impactful for supporting China's economy and export sector is our view that authorities will accommodate renminbi depreciation to offset U.S. tariffs. PBoC policymakers have opted for currency stability in the midst of President Trump imposing a 10% tariff on all of China's exports to the United States (Figure 8); however, stepped-up tariff rate increases in the coming quarters should prompt less official intervention attempts and a weaker renminbi. Accommodating FX depreciation combined with easier monetary policy should push the renminbi weaker over the course of this year, to the point where the USD/CNH exchange rate climbs toward CNH7.50 by year-end. As far as risks surrounding our Chinese currency forecasts, risks are tilted toward less depreciation than we forecast last month. Tariff fatigue may support the Chinese currency, while authorities, up to this point, have been rather steadfast in their defense of the renminbi. Currency defense has been mainly through the use of the overnight FX fix, which Chinese central bank authorities have set in such a manner as to maintain a stable currency and prevent further depreciation. Also, while we are assuming tariff retaliation over time, Chinese authorities have opted for a rather muted form of retaliation in response to President Trump's 10% tariff. If retaliatory tariffs continue to be less aggressive, the Chinese currency could experience a greater degree of stability than we currently expect.

Germany's Election Outcome Is Not a Game Changer

The initial results from Germany's federal election show the CDU/CSU center-right alliance, led by Friedrich Merz, winning around 29% of the vote. In second place, Alternative for Germany (AfD), with a far right policy platform that somewhat concerned financial markets, won around 21% of votes, a significant increase from the prior federal election. Chancellor Olaf Scholz's Social Democrats secured just 16% of the vote, the party's worst result since World War II, while the Greens were fourth with around 12%. The unofficial tally puts Merz in pole position to replace Scholz as Germany's chancellor. Perhaps more important, the election results appear to be the more favorable outcome for financial markets. Two smaller political parties, the Free Democrats and the far-left BSW, fell short of the 5% support threshold needed to secure parliamentary representation. With the Free Democrats and BSW unable to secure parliamentary representation, the CDU/CSU need just one other party to form a

governing coalition. That one other party would be Social Democrats. According to Merz, he intends to form a governing coalition by Easter. Wrapping up coalition negotiations in less than two months seems ambitious, especially when considering the standards of recent coalition negotiations.

One of the most important potential reforms of the new government would be an adjustment of Germany's "debt brake," a federal spending law that allows for a maximum structural budget deficit of 0.35% of GDP. Some changes to the debt brake—such as the design of the cyclical component to allow for a greater fiscal response during periods of economic downturn—do not require constitutional change, but rather can be achieved with a simple majority of support in parliament, hence the importance of being able to achieve a simple governing coalition/majority. More structural changes to the debt brake—for example, excluding some forms of spending such as defense or investment spending—require two-thirds parliamentary support. A CDU/CSU-Social Democrats alliance, even with the support of the Greens, falls just short of that two-thirds majority, making more structural and fundamental changes to the debt brake more challenging to achieve. Overall however, we still think Germany's election outcome potentially increases the chances of more expansive and growth-supportive fiscal policy over the medium term. However, we do not view the election outcome as a panacea for Germany nor the broader European Union. While Merz appears open to fiscal reforms, he has not signaled any rush to make big changes to the debt brake. And even if coalition negotiations take place quickly, forming a governing body still comes at a time when Germany is facing the threat of tariffs from the United States, not to mention evolving developments in the Russia-Ukraine conflict and tentative peace discussion. In our view, the election outcome reduces the likelihood of a significant downturn in the German and Eurozone economy. But at the same time, the election outcome is not enough to prompt us to revise our Eurozone GDP growth forecast higher, nor enough for us to change our view of a weaker euro against the U.S. dollar.

Wells Fargo International Economic Forecast

	GDP				CPI			
	2023	2024	2025	2026	2023	2024	2025	2026
Global (PPP Weights)	3.3%	3.1%	2.7%	2.6%	6.7%	3.9%	4.0%	3.8%
Advanced Economies[1]	1.7%	1.9%	1.8%	1.9%	4.6%	2.8%	2.7%	2.4%
United States	2.9%	2.8%	2.3%	2.2%	4.1%	3.0%	3.0%	2.7%
Eurozone	0.4%	0.7%	0.8%	1.2%	5.4%	2.4%	2.1%	1.9%
United Kingdom	0.4%	0.9%	1.0%	1.7%	7.3%	2.5%	2.9%	2.3%
Japan	1.5%	0.1%	1.5%	0.9%	3.3%	2.7%	2.6%	1.9%
Canada	1.5%	1.3%	1.7%	1.7%	3.9%	2.4%	2.1%	2.0%
Switzerland	0.7%	1.4%	1.4%	1.3%	2.1%	1.1%	0.6%	0.8%
Australia	2.1%	1.0%	1.9%	2.1%	5.6%	3.2%	2.7%	2.7%
New Zealand	1.8%	-0.4%	1.4%	2.5%	5.7%	2.9%	2.1%	2.1%
Sweden	0.0%	0.5%	1.6%	2.0%	6.1%	1.9%	2.0%	2.0%
Norway	0.6%	0.6%	1.3%	1.6%	5.5%	3.2%	2.5%	2.1%
Developing Economies[1]	4.4%	3.9%	3.3%	3.1%	8.1%	4.8%	4.9%	4.9%
China	5.4%	5.0%	4.5%	4.1%	0.2%	0.2%	1.0%	1.4%
India	7.7%	6.3%	5.9%	6.0%	5.7%	4.9%	4.5%	4.5%
Mexico	3.3%	1.3%	0.2%	1.3%	5.5%	4.7%	3.8%	3.9%
Brazil	3.2%	3.1%	2.0%	1.7%	4.6%	4.4%	4.8%	4.0%
Russia	3.6%	3.7%	1.5%	1.4%	6.0%	8.4%	7.6%	5.1%

Forecast as of: February 24, 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	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.50%	4.50%	4.50%	4.25%	4.00%	4.00%	4.00%
Eurozone[1]	2.75%	2.50%	2.00%	1.75%	1.75%	1.75%	1.75%
United Kingdom	4.50%	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%
Japan	0.50%	0.50%	0.75%	1.00%	1.00%	1.00%	1.00%
Canada	3.00%	3.00%	2.50%	2.50%	2.50%	2.50%	2.50%
Switzerland	0.50%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Australia	4.10%	4.10%	3.85%	3.60%	3.35%	3.35%	3.35%
New Zealand	3.75%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%
Sweden	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%
Norway	4.50%	4.25%	4.00%	3.75%	3.50%	3.25%	3.00%
China[3]	9.50%	9.50%	9.00%	8.50%	8.00%	8.00%	7.50%
India	6.25%	6.25%	5.75%	5.75%	5.75%	5.75%	5.75%
Mexico	9.50%	9.00%	8.25%	8.00%	8.00%	8.00%	8.00%
Brazil	13.25%	14.25%	15.25%	15.25%	15.25%	14.25%	13.25%
Chile	5.00%	5.00%	5.00%	5.50%	6.00%	6.50%	7.00%
Colombia	9.50%	9.25%	9.00%	9.00%	9.00%	9.00%	9.00%
Russia	21.00%	21.00%	20.75%	18.75%	16.75%	14.75%	13.00%

	2-Year Note						
		2025				2026	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.20%	4.35%	4.25%	4.10%	4.00%	4.00%	4.05%
Eurozone[2]	2.08%	2.05%	1.90%	1.80%	1.75%	1.75%	1.80%
United Kingdom	4.23%	4.25%	4.10%	3.95%	3.80%	3.70%	3.65%
Japan	0.82%	0.85%	0.95%	1.05%	1.10%	1.15%	1.15%
Canada	2.75%	2.80%	2.60%	2.55%	2.50%	2.50%	2.55%

	10-Year Note						
		2025				2026	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.41%	4.70%	4.55%	4.35%	4.25%	4.30%	4.35%
Eurozone[2]	2.47%	2.50%	2.30%	2.20%	2.10%	2.05%	2.05%
United Kingdom	4.57%	4.60%	4.45%	4.30%	4.15%	4.00%	3.95%
Japan	1.43%	1.45%	1.55%	1.60%	1.65%	1.65%	1.60%
Canada	3.12%	3.20%	3.05%	2.95%	2.85%	2.90%	2.95%

Forecast as of: February 24, 2025
[1] ECB Deposit Rate [2] German Government Bond Yield [3] Reserve Requirement Ratio Major Banks

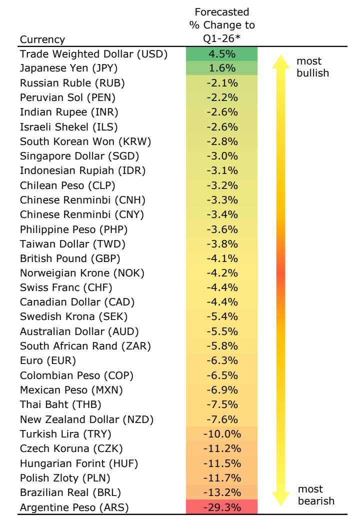
Source: Bloomberg Finance L.P. and Wells Fargo Economics

Wells Fargo International FX Forecast

Currency Pair*	Current Rate	Q1-2025	Q2-2025	Q3-2025	Q4-2025	Q1-2026	Q2-2026
G10							
EUR/USD	1.0455	1.0400	1.0200	1.0100	1.0000	0.9800	0.9600
USD/JPY	149.41	149.00	147.00	145.00	145.00	147.00	149.00
GBP/USD	1.2615	1.2600	1.2500	1.2400	1.2300	1.2100	1.1900
USD/CHF	0.8986	0.9050	0.9175	0.9200	0.9250	0.9400	0.9575
USD/CAD	1.4240	1.4200	1.4400	1.4600	1.4800	1.4900	1.5000
AUD/USD	0.6346	0.6400	0.6300	0.6200	0.6100	0.6000	0.5900
NZD/USD	0.5733	0.5700	0.5600	0.5500	0.5400	0.5300	0.5200
USD/NOK	11.1437	11.1550	11.3225	11.3850	11.4500	11.6325	11.8225
USD/SEK	10.6706	10.7200	10.9800	11.0400	11.1000	11.2750	11.4575
Asia							
USD/CNY	7.2483	7.3000	7.3500	7.4000	7.4500	7.5000	7.5500
USD/CNH	7.2545	7.3000	7.3500	7.4000	7.4500	7.5000	7.5500
USD/IDR	16278	16300	16500	16600	16700	16800	16900
USD/INR	86.71	87.00	87.50	88.00	88.50	89.00	89.50
USD/KRW	1428.43	1420.00	1440.00	1450.00	1460.00	1470.00	1480.00
USD/PHP	57.82	58.00	58.50	59.00	59.50	60.00	60.50
USD/SGD	1.3386	1.3400	1.3500	1.3600	1.3700	1.3800	1.3900
USD/TWD	32.71	33.00	33.25	33.50	33.75	34.00	34.25
USD/THB	33.53	34.00	34.75	35.25	35.75	36.25	36.75
Latin America							
USD/BRL	5.7312	5.8000	6.0000	6.2000	6.4000	6.6000	6.8000
USD/CLP	948.75	950.00	960.00	970.00	970.00	980.00	990.00
USD/MXN	20.4890	20.5000	20.7500	21.2500	21.7500	22.0000	22.2500
USD/COP	4112.42	4150.00	4200.00	4300.00	4350.00	4400.00	4450.00
USD/ARS	1060.38	1100.00	1200.00	1300.00	1450.00	1500.00	1550.00
USD/PEN	3.6866	3.7000	3.7000	3.7300	3.7500	3.7700	3.8000
Eastern Europe/Middle East/Africa							
USD/CZK	23.97	24.50	25.25	25.75	26.25	27.00	27.75
USD/HUF	383.94	389.50	402.00	411.00	420.00	433.75	448.00
USD/PLN	3.9639	4.0375	4.1675	4.2575	4.3500	4.4900	4.6350
USD/RUB	88.14	88.00	88.50	89.00	89.50	90.00	90.50
USD/ILS	3.5747	3.5800	3.6000	3.6200	3.6500	3.6700	3.7000
USD/ZAR	18.3731	18.5000	18.7500	19.0000	19.2500	19.5000	19.7500
USD/TRY	36.4314	36.5000	37.5000	38.5000	39.5000	40.5000	41.5000
Euro Crosses							
EUR/JPY	156.21	155.00	150.00	146.50	145.00	144.00	143.00
EUR/GBP	0.8288	0.8250	0.8150	0.8150	0.8125	0.8100	0.8075
EUR/CHF	0.9395	0.9400	0.9350	0.9300	0.9250	0.9200	0.9200
EUR/NOK	11.6506	11.6000	11.5500	11.5000	11.4500	11.4000	11.3500
EUR/SEK	11.1560	11.1500	11.2000	11.1500	11.1000	11.0500	11.0000
EUR/CZK	25.06	25.50	25.75	26.00	26.25	26.50	26.75
EUR/HUF	401.40	405.00	410.00	415.00	420.00	425.00	430.00
EUR/PLN	4.1442	4.2000	4.2500	4.3000	4.3500	4.4000	4.4500

Forecast as of: February 24, 2025

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



Currency	Forecasted % Change to Q1-26*
Trade Weighted Dollar (USD)	4.5%
Japanese Yen (JPY)	1.6%
Russian Ruble (RUB)	-2.1%
Peruvian Sol (PEN)	-2.2%
Indian Rupee (INR)	-2.6%
Israeli Shekel (ILS)	-2.6%
South Korean Won (KRW)	-2.8%
Singapore Dollar (SGD)	-3.0%
Indonesian Rupiah (IDR)	-3.1%
Chilean Peso (CLP)	-3.2%
Chinese Renminbi (CNH)	-3.3%
Chinese Renminbi (CNY)	-3.4%
Philippine Peso (PHP)	-3.6%
Taiwan Dollar (TWD)	-3.8%
British Pound (GBP)	-4.1%
Norweigian Krone (NOK)	-4.2%
Swiss Franc (CHF)	-4.4%
Canadian Dollar (CAD)	-4.4%
Swedish Krona (SEK)	-5.4%
Australian Dollar (AUD)	-5.5%
South African Rand (ZAR)	-5.8%
Euro (EUR)	-6.3%
Colombian Peso (COP)	-6.5%
Mexican Peso (MXN)	-6.9%
Thai Baht (THB)	-7.5%
New Zealand Dollar (NZD)	-7.6%
Turkish Lira (TRY)	-10.0%
Czech Koruna (CZK)	-11.2%
Hungarian Forint (HUF)	-11.5%
Polish Zloty (PLN)	-11.7%
Brazilian Real (BRL)	-13.2%
Argentine Peso (ARS)	-29.3%

Forecast as of: February 24, 2025
*Percentage Change Against USD, Q1-26 Vs. Current Spot Rate

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

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Economics Group

Name	Title	Phone	Email
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
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

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