International Commentary — January 27, 2025

International Economic Outlook: January 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 modest upward revisions to our 2025 global GDP forecast, and now expect global growth of 2.7%. The U.S. and Chinese economies both finished last year with a reasonable degree of momentum, and as a result, we expect both countries to experience a more gradual growth slowdown this year relative to our prior forecast. That said, we still expect overall global GDP to slow from an estimated 3.1% growth in 2024 as higher tariffs along with prior monetary tightening act as restraints on activity.
- Our monetary policy outlook has somewhat changed since our last major international forecast update. We now believe the Fed will cut interest rates less aggressively, while the Bank of Canada and Swiss National Bank can ease quicker. We also now believe the Bank of Japan will deliver multiple rate hikes over the coming quarters. And in the emerging markets, despite having limited policy space for easing, we believe Banxico will pick up the pace of rate cuts, while Chile's central bank is now likely to pursue tightening in H2-2025.
- In aggregate, we have not made major changes to our U.S. dollar outlook this month, and we continue to forecast broad U.S. dollar strength over the medium term. We expect more Canadian dollar weakness than previously, and see downside risk to our outlook for the euro. Among the emerging currencies, our outlook for depreciation in the Chinese renminbi and Mexican peso is unchanged, while we continue to believe the Brazilian real can experience sharp depreciation over the course of this year.

Key Themes

- While the exact path of U.S. tariff policy remains uncertain for now, the outlook remains for a global GDP growth slowdown this year. We still expect higher U.S. tariffs to go into effect by the second half of this year, while overall restrictive monetary policy across the advanced economies should also be a restraining factor for economic activity. We also expect a degree of U.S. economic outperformance to persist, with the impact of higher tariffs likely contributing to sluggish growth trends from key advanced and emerging economies.
- We see an increasingly divergent outlook for global monetary policy during 2025. We expect the Federal Reserve to lower interest rates cautiously, while the Bank of Japan should raise interest rates further. In contrast, we expect relatively aggressive easing from the European Central Bank, Bank of Canada and Reserve Bank of New Zealand. In emerging markets, limited policy space should limit Colombian central bank rate cuts, and contribute to rate hikes from Brazil and Chile. However, we expect China's central bank to ease monetary policy further.
- Our outlook remains for U.S. dollar strength through most of 2025 and 2026. U.S. economic outperformance and a less dovish Fed should support the greenback against most G10 currencies. Higher U.S. yields, tariff-related uncertainties, and softening sentiment toward China are all factors that should contribute to depreciation pressures on emerging currencies. The Mexican peso, Chilean peso and Brazilian real are among the currencies we expect to weaken against the greenback.

New Year, New Dawn

Our most recent comprehensive outlook and forecast update was our 2025 International Economic Outlook, published in early December—just weeks after President Trump's election victory. Not only did President Trump secure the White House, Republicans gained control of both the Senate and House of Representatives. In our 2025 Outlook we offered an initial assessment of the policies we thought President Trump would pursue, and how those policies might affect the global economic and financial markets landscape. From a Trump administration policy perspective, we expect:

- higher U.S. tariff rates, with a 5% universal tariff and a 30% tariff on China going into effect in H2-2025
- an extension—and modest expansion—of expiring U.S. tax cuts (TCJA)
- immigration policy that reduces U.S. labor force growth rather materially

As far as the economic and markets impact of those assumed policies, we believe:

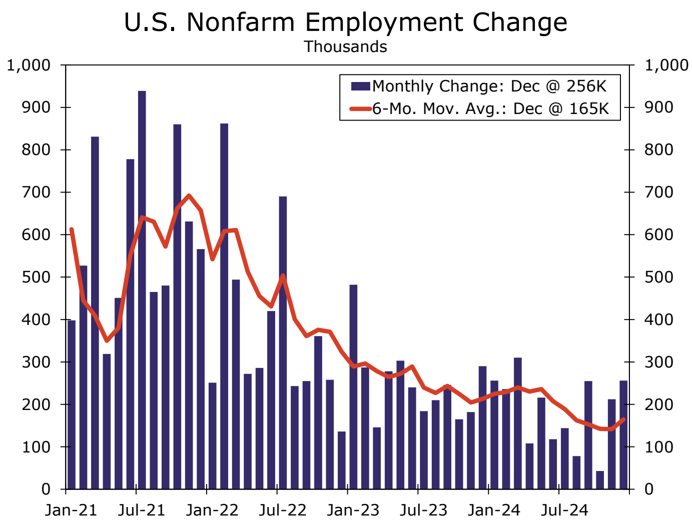
- slower U.S. growth, higher inflation, and more gradual Fed easing will materialize in 2025. With that said, we continue to anticipate a soft landing for the U.S. economy.
- foreign economies will be negatively affected by U.S. tariff policy, although trade exposure to tariffs will determine the extent of economic damage.
- international central banks will take diverging paths on monetary policy. Many G10 central banks are likely to ease monetary policy more quickly, while emerging market policymakers are set to become more cautious.
- a less-dovish Fed relative to more-dovish G10 central banks, along with a more uncertain and unsettled global environment, can reinforce U.S. dollar strength.

Of course, Trump 2.0 is in its early days with President Trump having just been inaugurated earlier this month. That said, the flow of commentary and proposed policies has not deviated substantially from our initial assessment of potential policies set to be pursued by the administration. Yes, President Trump has floated a 25% tariff on both Canada and Mexico set to be imposed on Feb. 1. Trump has also floated the possibility of a 10% China tariff, or maybe even no China tariffs, and observed a large U.S. trade deficit with the European Union, while a universal tariff has not been mentioned all that much. Overall, headline volatility around tariffs is likely to persist, and until proposals become actual policy, we remain comfortable with our tariff assumptions, at least for the time being. Should actual tariff policy be different from what we are assuming, we will respond accordingly and adjust our economic, central bank and FX forecasts as necessary. On that basis, we have also not observed economic news or data that would force us to change how we are thinking about the outlook for global economic growth, policy or FX markets. The themes mentioned earlier, in our view, remain largely intact. To that point, we are making only modest adjustments to our outlook at this time. We have lifted our 2025 global GDP growth forecast to 2.7% (from 2.5% previously), in part reflecting resilience in economic activity in the United States and China at the end of last year. 2.7% global growth still represents a slowdown from estimated global GDP growth of 3.1% in 2024. And for now, the outlook remains consistent with U.S. growth and Fed monetary policy on a different trajectory relative to major international economies, with that divergence still set to be supportive of U.S. dollar strength over time.

U.S. Still the Only Game in Town

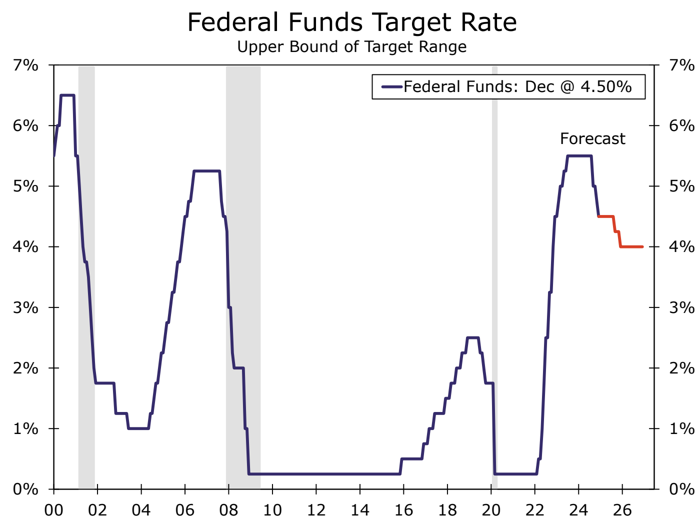
In the wake of the U.S. elections and given prospective policy changes, much of the attention over the past several weeks has been on the U.S. economy and markets. During that time, incoming economic news and data have been consistent with resilient U.S. activity and remain reflective of a soft landing. While inflation remains persistent and the Fed is turning decidedly less dovish, the U.S. economy remains in expansion mode. Economic activity appeared to hold up particularly well in December, with nonfarm payrolls jumping by 256,000 (Figure 1), the ISM services index rising to 54.1, and retail sales and manufacturing output both rising. On the price front, data have been more mixed. The ISM surveys point to increased price pressures, but the small increase in the December core CPI offered modest relief. That said, disinflation has largely stalled over the past several months—even before any new tariffs are imposed. With inflation also expected to decelerate only very gradually over the coming year, Federal Reserve policymakers have also indicated a more cautious approach to easing monetary policy in recent weeks. Against this backdrop, we have also adjusted our outlook for U.S. monetary policy, and see the Fed lowering interest rates later, and by less, than previously envisaged. We now expect the Federal Reserve to hold rates steady through the first half of 2025, before lowering its policy rate by 25 bps in both Q3 and Q4 as growth and inflation eventually slow. That would see the target range for the fed funds rate trough at 3.75%-4.00% by the end of this year (Figure 2). Despite the Fed maintaining a more restrictive monetary policy stance and disinflation stalling, strong economic momentum has led us to forecast a more gradual U.S. economic slowdown than previously, and we now see U.S. GDP growth of 2.1% in 2025.

Figure 1



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

Figure 2

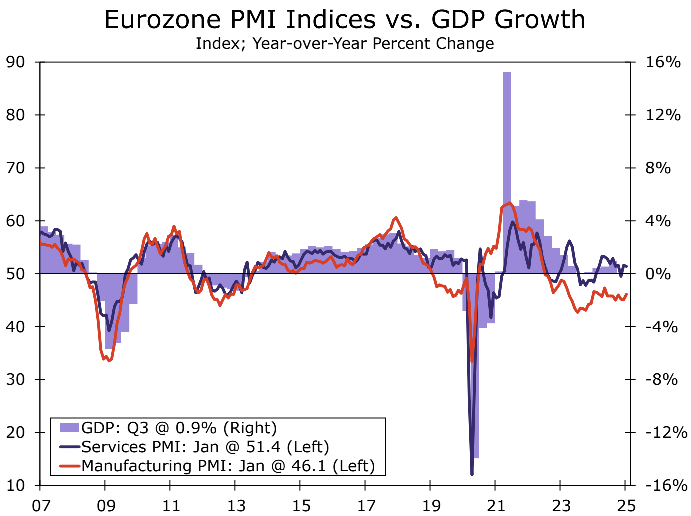


Source: Federal Reserve Board and Wells Fargo Economics

In contrast to U.S. economic resilience, sentiment surrounding the Eurozone remains subdued. While Eurozone GDP grew 0.4% quarter-over-quarter in Q3-2024—including a 0.7% gain in consumer spending—there are reasons to believe growth momentum might be difficult to sustain going forward. While growth in Q3 real household disposable income was respectable at 2.3% year-over-year, the household saving rate remains elevated at 15.3% of income. The European Central Bank (ECB) has argued that household savings could remain high as households aim to rebuild their "real" net worth, and with the possibility of slower job growth ahead, consumer spending could also slow. On the corporate side, declining profitability and falling capacity utilization, along with U.S. tariff-related risks and political uncertainty in France and Germany, could see investment spending decline further. Eurozone sentiment surveys have been up and down since late last year, but remain at levels historically consistent with only modestly positive growth at best (Figure 3). Given this backdrop, we see downside risk to our moderate Eurozone 2025 GDP growth forecast of 0.9%. Even with some lingering inflation pressures, the modest growth backdrop means ECB policymakers continue to signal easier monetary policy ahead. Our outlook for ECB policy rates is unchanged, with 25 bps rate cuts expected at the January, March, April and June meetings, along with a final 25 bps rate cut in September, for a terminal ECB policy rate of 1.75%.

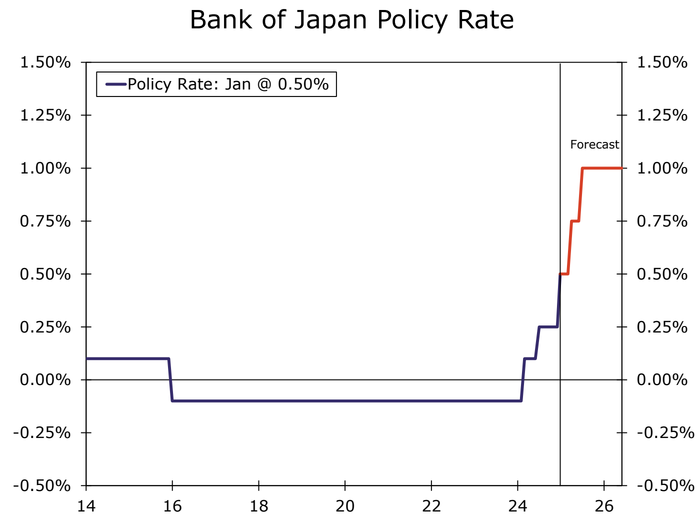
A theme of soft growth and inflation is also starting to emerge in the United Kingdom. November GDP edged up just 0.1% month-over-month, while December retail sales unexpectedly fell 0.3%. More notably, U.K. December inflation also slowed more than forecast, with previously persistent services inflation in particular slowing to 4.4% year-over-year. For now, our base case remains for the Bank of England (BoE) to lower its policy rate at a 25 bps-per-quarter pace this year. While that cumulative 100 bps of rate cuts is already more than expected by market participants, we would not rule out more frequent easing from the BoE during 2025. Another major economy where the outlook remains subpar is Canada. The outlook for the consumer is reasonable, given growth in household disposable incomes and ongoing employment gains. However, the corporate outlook remains mixed, with corporate profits declining, while there has been some improvement in subdued business sentiment. Still, Prime Minister Trudeau's recent resignation will lead to at least a temporary period of uncertainty during a transition to a new government, while the threat of tariffs from the United States are a prominent risk that could stall the nascent improvement in business sentiment, given that some three quarters of Canadian exports are destined for the United States. We expect another sluggish year of economic growth in Canada and, with headline inflation already below the Bank of Canada's 2% target and core inflation only moderately above, forecast further monetary easing through the first half of this year. We expect 25 bps rate cuts in January, March, April and June, which would see the policy rate reach 2.25% (the lower end of the perceived neutral policy rate range) by mid-2025.

Figure 3



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

Figure 4



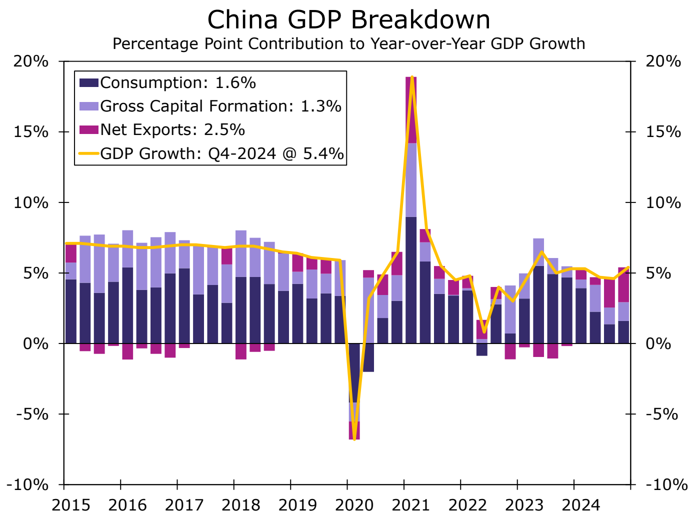
Source: Bloomberg Finance L.P. and Wells Fargo Economics

The most noteworthy exception to the dovish G10 monetary policy trend is the Bank of Japan (BoJ). After a lengthy pause during the latter part of 2024, the BoJ resumed its monetary policy normalization this month, raising its policy rate by 25 bps to 0.50%. In large part, the central bank's policy pause was driven by market volatility, including large swings in the yen, as well as an unsettled local political environment as the ruling coalition lost its majority in lower house elections. However, the case for monetary policy normalization continues to remain intact. November labor cash earnings rose 3.0% year-over-year, pointing to firmer wage trends, and the early signals from the spring wage negotiations suggest another large increase could be secured this year. December CPI-ex fresh food inflation also quickened to 3.0% year-over-year, while sentiment surveys are consistent with steadier economic growth ahead. In addition to raising interest rates, the BoJ also raised its medium-term inflation forecasts, and signaled the likelihood of further tightening ahead. Given these trends, we now expect the BoJ to deliver another 25 bps rate hike in April, and move forward with a final 25 bps hike in July. We now forecast a BoJ peak policy rate of 1.00% (Figure 4).

Despite China's Solid 2024 Finish, Emerging Markets Are Still Vulnerable

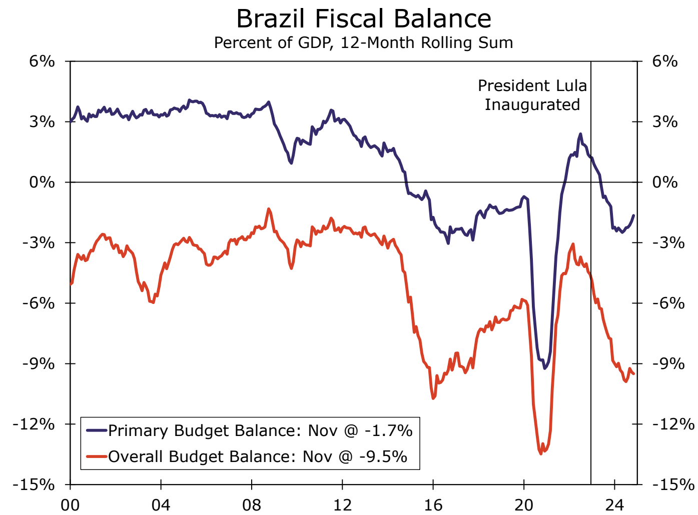
In contrast to the generally slow growth environment and dovish monetary policy approach across the advanced economies, recent developments across the emerging economies have been mixed. In China, the economy ended 2024 on a respectable note as Q4 GDP rose 1.6% quarter-over-quarter. Combined with upward revisions to prior quarters, that saw Q4 growth quicken more than expected to 5.4% year-over-year. Several factors contributed to the strong showing, including reductions to benchmark interest rates and the Reserve Requirement Ratio, property support measures from the government and limited fiscal stimulus measures. However, the key driver of China's economy in Q4—and for most of last year—was a robust export sector. At least in Q4, there is strong evidence to suggest Chinese exports were supported by importers front-loading purchases to get ahead of potential Trump tariffs. In Q4, about half of China's economic growth came from exports, while other parts of the economy, consumption in particular, remained sluggish (Figure 5). Going forward, we view this reliance on exports to drive growth as a problem for China. Not only because we expect tariffs to disrupt exports, but because China at a broader level is being replaced in the global supply chain. Without a domestic consumption engine for growth, China's economy is at risk the longer it depends on exports. Even if authorities accommodate some weakening in the renminbi to maintain trade competitiveness, and also lower interest rates and ease liquidity conditions, we doubt these policy interventions would fully offset the drag on growth from softening external demand. Moreover, the lack of a domestic growth engine could also weigh on China's growth prospects this year. Unless the government announces large-scale fiscal stimulus aimed at directly supporting the household sector, we doubt any upswing in consumer spending and services activity can materialize. Given these challenges, we still forecast China's GDP growth to slow to 4.5% in 2025, down from 5% in 2024.

Figure 5



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

Figure 6



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

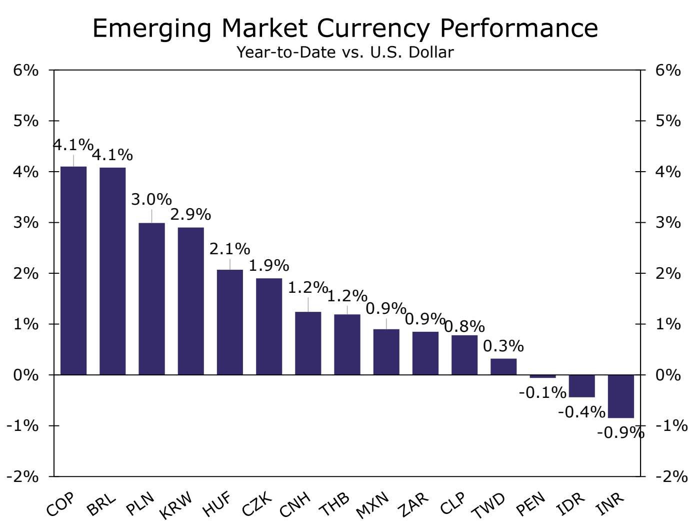
As far as other emerging nations (and to an extent China falls into this theme as well), many developing market policymakers have vulnerabilities due to a lack of policy space to support economic activity. In that sense, persistent inflation and currency depreciation pressures limit how much emerging market central banks can lower interest rates. In theory, policymakers could ease monetary policy, although they would risk more significant FX depreciation and higher inflation, possibly making lower policy rates counterproductive for their respective economies. A lack of monetary policy space leaves the burden of policy support on fiscal authorities; however, challenges exist there as well. To that point, fiscal deficits are wider today than they were in 2019, and the same dynamic exists for government debt burdens. In addition, tighter monetary policy over the past few years has left debt service costs quite elevated, while select governments have large bond repayment schedules to cover over the course of this year. That combination limits governments' ability to pursue fiscal stimulus, and if fiscal support is deployed, these governments are also risking financial instability. Point being, many of the larger emerging countries that are major contributors to overall developing economy GDP growth lack policy options to support activity. If President Trump does impose the tariffs that we expect, or potentially higher tariff rates, the emerging market nations are likely to experience below-trend growth rates. At the individual economy level, we continue to believe Mexico is on pace to enter recession this year, while other Latin and Central American economies could also be at risk of recessionary conditions as a result of tariffs and softer external demand. We performed a deeper dive into monetary and fiscal policy space in recent notes (see Monetary Policy Space and Fiscal Policy Space), offering additional guidance to economies that may be at risk due to limited policy response options.

At least for monetary policy, we have made certain changes to our policy rate forecasts to reflect the lack of monetary policy space at select central banks. To that point, in Chile, a weaker currency and policy interest rates that have already converged close to inflation means we think the central bank's rate cut cycle has come to an end. Moreover, we now believe Chile's central bank will pursue tighter monetary policy in the second half of this year. Given Chile's sensitivity to copper prices and Chinese demand, that more restrictive monetary policy stance could compromise an already-underwhelming growth outlook. In Colombia, currency volatility is also a factor behind our more cautious outlook for monetary easing. We now see just a further 75 bps of cumulative policy rate cuts this year, and BanRep policymakers reaching a terminal rate of 8.75%. Combined with an uncertain local policy and political environment, less BanRep easing could also restrain Colombia's growth prospects. Of course, exceptions to the general trend of less aggressive monetary easing exist. In Mexico, we now expect Banxico to pick up the pace of easing starting at the February meeting. Rather than a 25 bps cut, we now expect policymakers to lower the Overnight Rate by 50 bps next month and deliver another 50 bps cut in March. This degree of Banxico easing, in our view, would be excessive and puts the Mexican peso at risk. Combined with tariff uncertainties, more aggressive monetary easing should contribute to a weaker peso over our entire forecast horizon. And in Brazil, while the currency has stabilized since its mini crisis in late 2023, we continue to believe the fiscal dominance story will unfold in the lead up to the 2026 elections (Figure 6). Persistently wide fiscal deficits under President Lula should continue to result in Brazilian real currency depreciation, in our view.

Expect Sustained & Substantial Dollar Appreciation Over Time

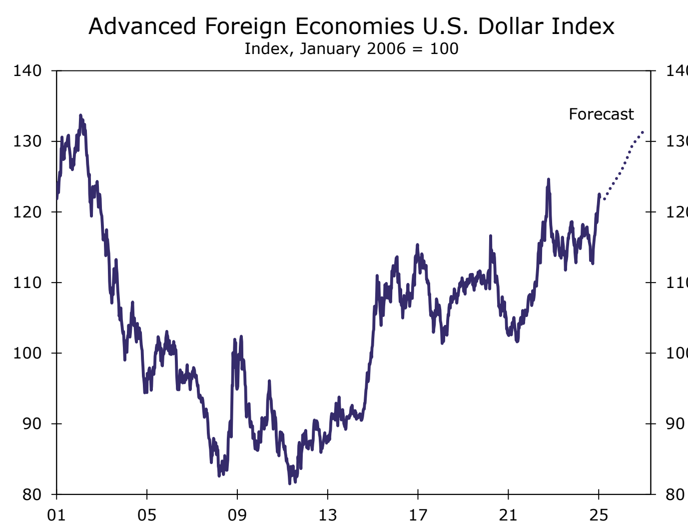
We have taken an increasingly constructive view on the U.S. dollar in recent months, a constructive outlook that was reinforced in the wake of the U.S. election. As of this month, we continue to expect economic and policy trends to remain supportive of the greenback for an extended period, and we maintain our view for the trade-weighted U.S. dollar to strengthen through all of 2025 and into 2026. While our views on the dollar have not changed, we would be remiss not to mention the year-to-date performance of the greenback. Over the first month of this year, the dollar has trended weaker against G10 and emerging currencies, with emerging markets FX performing quite well (Figure 7). We can attribute dollar depreciation perhaps to President Trump not imposing tariffs immediately after being inaugurated. Also, Trump's comments on possibly imposing only a 10% China tariff, or no tariffs at all, could also be supporting EM currencies and weighing on the dollar. Or perhaps financial markets are experiencing a touch of tariff fatigue and ignoring headline rhetoric until real policy changes take effect. In any or all of those scenarios, we do not expect the dollar weakness trend to persist for much longer (Figure 8). In terms of U.S. dollar performance against the G10 currencies, we expect economic factors to be the most important driver of greenback strength. As we highlighted earlier, relatively resilient activity, higher inflation from increased tariffs, and more cautious Federal Reserve easing are among the key trends we expect from the United States this year. Through the first half of 2025, we expect the pace of U.S. economic growth to outpace other G7 economies, while risks to the longer-term international growth outlook are tilted to the downside, potentially widening U.S. economic outperformance. Economic outperformance should lead to the Fed being more cautious, while other G10 central banks turn more dovish. Gains in the U.S. dollar should be reinforced by a Federal Reserve that is on hold through the first half of 2025, while other G10 central banks lower interest rates steadily.

Figure 7



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

Figure 8



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

While we expect most G10 currencies to struggle against the U.S. dollar, we believe the euro and Canadian dollar could be particularly susceptible to weakness over the coming year. We view the European Central Bank and Bank of Canada as among the more dovish of the advanced economy central banks, and we also expect these particular economies to experience subdued growth. Over our forecast horizon through Q2-2026, we expect the euro to weaken below parity to $0.9500, and we believe the USD/CAD exchange rate can reach CAD1.5400 at the end of our forecast horizon. In contrast, and one notable exception to the weaker foreign currency trend, is the Japanese yen, which we believe could show some relative resilience versus the U.S. dollar through much of 2025. Bank of Japan rate hikes through the early part of 2025 and Federal Reserve cuts through the latter part of the year should provide some support to the yen. A more unsettled market environment later in 2025 could be supportive of the greenback, but could also potentially offer some relative resilience for the yen. Perhaps only in 2026, as the U.S. economy improves, do we see sustained and substantial weakness for the yen. Our outlook for the yen is strength through early 2025, stability in late 2025, and weakness next year, targeting a USD/JPY exchange rate of JPY155.00 by the middle of 2026.

We believe an environment of higher U.S. tariffs and higher U.S. yields should contribute to sharp depreciation pressure on many emerging currencies. Moreover, if China's economy worsens as we expect and experiences a renewed softening in 2025, market sentiment toward China could also sour, a deterioration in sentiment that could spillover to emerging currencies. In this context, we expect the high beta developing currencies that maintain tight correlations to China to underperform. Chile is near the top of this list, especially as carry appeal associated with the Chilean peso has lessened over the past few years. For Mexico, while links to China are only modest, we believe the Mexican peso can weaken sharply over the long term. Central bank rate cuts, questionable fiscal responsibility, the risks of tariffs and an unfavorable USMCA renegotiation are all likely to weigh on the Mexican peso going forward. Brazil is sensitive to China, which combined with idiosyncratic issues, is likely to result in renewed stress on Brazil's currency over the course of this year and into 2026. In our view, once Congress is back in session, expenditure cuts will be top of mind and achieving fiscal balance will be a priority. However, Brazil's budget is not very flexible, and we have our doubts Brazilian policymakers and Lula will deliver spending cuts with presidential elections on the horizon. While there is a healthy real interest rate differential associated with the real, we believe fiscal slippage and political risk should outweigh carry. Despite the rebound in the currency, we believe the Brazilian real will come under renewed pressure and ultimately see the USD/BRL exchange rate testing BRL7.00 by early 2026. And finally, we expect spillovers from China to weigh on emerging currencies, but we also expect economic trouble in China to contribute to a weaker renminbi. Part of the depreciation we forecast comes from the People's Bank of China (PBoC) cutting interest rates and not delivering major fiscal stimulus. The other part comes from the PBoC accommodating renminbi depreciation in an effort to maintain trade competitiveness. Back in 2017-2019, under Trump's first term, PBoC policymakers allowed renminbi deprecation to preserve China's exports sector. We would expect a similar response during this tariff cycle, and we believe the renminbi can reach CNH7.75 by middle of 2026.

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%	3.9%	3.8%
Advanced Economies[1]	1.7%	1.8%	1.8%	1.9%	4.6%	2.7%	2.5%	2.4%
United States	2.9%	2.8%	2.1%	2.2%	4.1%	3.0%	2.8%	2.7%
Eurozone	0.4%	0.7%	0.9%	1.2%	5.4%	2.4%	2.1%	2.0%
United Kingdom	0.4%	0.8%	1.5%	1.7%	7.3%	2.5%	2.5%	2.2%
Japan	1.5%	-0.2%	1.1%	0.9%	3.3%	2.7%	2.2%	1.9%
Canada	1.5%	1.3%	1.7%	1.7%	3.9%	2.4%	2.0%	2.0%
Switzerland	0.7%	1.4%	1.4%	1.2%	2.1%	1.1%	0.7%	0.9%
Australia	2.1%	1.0%	1.9%	2.1%	5.6%	3.3%	2.9%	2.7%
New Zealand	1.8%	-0.4%	1.4%	2.5%	5.7%	2.9%	2.1%	2.0%
Sweden	0.0%	0.6%	1.8%	2.0%	6.1%	1.9%	1.8%	1.9%
Norway	0.6%	1.0%	1.7%	1.6%	5.5%	3.2%	2.4%	2.1%
Developing Economies[1]	4.4%	3.9%	3.3%	3.1%	8.1%	4.7%	4.8%	4.8%
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%	1.5%	1.1%	1.1%	5.5%	4.7%	3.6%	3.9%
Brazil	3.2%	3.1%	2.0%	1.7%	4.6%	4.4%	4.6%	4.0%

Forecast as of: January 27, 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]	3.00%	2.50%	2.00%	1.75%	1.75%	1.75%	1.75%
United Kingdom	4.75%	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	3.25%	2.75%	2.25%	2.25%	2.25%	2.25%	2.25%
Switzerland	0.50%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Australia	4.35%	4.35%	4.10%	3.85%	3.60%	3.35%	3.35%
New Zealand	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%
Sweden	2.50%	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	6.50%	6.25%	5.75%	5.75%	5.75%	5.75%	5.75%
Mexico	10.00%	9.00%	8.50%	8.50%	8.50%	8.50%	8.50%
Brazil	12.25%	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%	9.00%	8.75%	8.75%	8.75%	8.75%	8.75%

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]	2.25%	2.20%	1.95%	1.85%	1.80%	1.80%	1.85%
United Kingdom	4.30%	4.30%	4.15%	3.95%	3.80%	3.65%	3.60%
Japan	0.70%	0.75%	0.90%	1.05%	1.10%	1.15%	1.15%
Canada	2.88%	2.85%	2.60%	2.50%	2.40%	2.35%	2.40%

10-Year Note		2025				2026	
	Current	Q1	Q2	Q3	Q4	Q1	Q2
United States	4.54%	4.70%	4.55%	4.35%	4.25%	4.30%	4.35%
Eurozone[2]	2.52%	2.50%	2.30%	2.20%	2.10%	2.05%	2.05%
United Kingdom	4.59%	4.60%	4.45%	4.35%	4.25%	4.15%	4.05%
Japan	1.21%	1.30%	1.40%	1.50%	1.55%	1.60%	1.60%
Canada	3.22%	3.25%	3.00%	2.85%	2.75%	2.70%	2.75%

Forecast as of: January 27, 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	1.0516	1.0300	1.0100	1.0000	0.9900	0.9700	0.9500
USD/JPY	154.19	152.00	150.00	150.00	151.00	153.00	155.00
GBP/USD	1.2505	1.2400	1.2300	1.2200	1.2100	1.1900	1.1700
USD/CHF	0.8996	0.9125	0.9250	0.9300	0.9350	0.9475	0.9675
USD/CAD	1.4382	1.4600	1.4800	1.5000	1.5200	1.5300	1.5400
AUD/USD	0.6288	0.6300	0.6200	0.6100	0.6000	0.5900	0.5800
NZD/USD	0.5690	0.5600	0.5500	0.5400	0.5300	0.5200	0.5100
USD/NOK	11.2322	11.4575	11.6325	11.7000	11.7675	11.9600	12.1575
USD/SEK	10.9253	11.1650	11.3375	11.4000	11.4650	11.6500	11.8425
Asia							
USD/CNY	7.2444	7.3000	7.3500	7.4000	7.5000	7.6500	7.7500
USD/CNH	7.2433	7.3000	7.3500	7.4000	7.5000	7.6500	7.7500
USD/IDR	16172	16300	16400	16600	16800	16900	17000
USD/INR	86.34	87.00	88.00	89.00	90.00	91.00	92.00
USD/KRW	1433.33	1420.00	1440.00	1470.00	1500.00	1520.00	1540.00
USD/PHP	58.44	59.00	59.50	60.00	60.50	61.00	61.50
USD/SGD	1.3437	1.3500	1.3600	1.3800	1.4000	1.4100	1.4200
USD/TWD	32.68	33.00	33.25	33.50	33.75	34.00	34.25
USD/THB	33.70	34.50	35.00	35.50	36.00	36.50	37.00
Latin America							
USD/BRL	5.9192	6.1000	6.3000	6.5000	6.7500	7.0000	7.1000
USD/CLP	985.40	990.00	1000.00	1020.00	1040.00	1060.00	1080.00
USD/MXN	20.5787	21.0000	21.5000	22.5000	23.5000	24.0000	24.5000
USD/COP	4238.98	4400.00	4450.00	4550.00	4650.00	4700.00	4750.00
USD/ARS	1050.51	1100.00	1200.00	1300.00	1450.00	1500.00	1550.00
USD/PEN	3.7322	3.7300	3.7500	3.7800	3.8000	3.8300	3.8500
Eastern Europe/Middle East/Africa							
USD/CZK	23.86	24.75	25.50	26.00	26.50	27.25	28.25
USD/HUF	388.77	398.00	411.00	420.00	429.25	443.25	458.00
USD/PLN	4.0113	4.1250	4.2575	4.3500	4.4450	4.5875	4.7375
USD/RUB	98.10	100.00	102.00	104.00	106.00	108.00	110.00
USD/ILS	3.6156	3.6500	3.6700	3.7000	3.7300	3.7600	3.7900
USD/ZAR	18.7179	19.0000	19.2500	19.5000	19.7500	20.0000	20.2500
USD/TRY	35.7370	36.5000	37.5000	38.5000	39.5000	40.5000	41.5000
Euro Crosses							
EUR/JPY	162.14	156.50	151.50	150.00	149.50	148.50	147.25
EUR/GBP	0.8409	0.8300	0.8200	0.8200	0.8175	0.8150	0.8125
EUR/CHF	0.9460	0.9400	0.9350	0.9300	0.9250	0.9200	0.9200
EUR/NOK	11.8115	11.8000	11.7500	11.7000	11.6500	11.6000	11.5500
EUR/SEK	11.4885	11.5000	11.4500	11.4000	11.3500	11.3000	11.2500
EUR/CZK	25.09	25.50	25.75	26.00	26.25	26.50	26.75
EUR/HUF	408.81	410.00	415.00	420.00	425.00	430.00	435.00
EUR/PLN	4.2181	4.2500	4.3000	4.3500	4.4000	4.4500	4.5000

Forecast as of: January 27, 2025

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

Currency	Forecasted % Change to Q4-25*	
Trade Weighted Dollar (USD)	2.8%	most bullish
Japanese Yen (JPY)	2.1%	
Peruvian Sol (PEN)	-1.8%	
Israeli Shekel (ILS)	-3.1%	
Taiwan Dollar (TWD)	-3.2%	
British Pound (GBP)	-3.2%	
Philippine Peso (PHP)	-3.4%	
Chinese Renminbi (CNY)	-3.4%	
Chinese Renminbi (CNH)	-3.4%	
Indonesian Rupiah (IDR)	-3.7%	
Swiss Franc (CHF)	-3.8%	
Singapore Dollar (SGD)	-4.0%	
Indian Rupee (INR)	-4.1%	
South Korean Won (KRW)	-4.4%	
Norweigian Krone (NOK)	-4.5%	
Australian Dollar (AUD)	-4.6%	
Swedish Krona (SEK)	-4.7%	
South African Rand (ZAR)	-5.2%	
Chilean Peso (CLP)	-5.3%	
Canadian Dollar (CAD)	-5.4%	
Euro (EUR)	-5.9%	
Thai Baht (THB)	-6.4%	
New Zealand Dollar (NZD)	-6.9%	
Russian Ruble (RUB)	-7.5%	
Colombian Peso (COP)	-8.8%	
Hungarian Forint (HUF)	-9.4%	
Turkish Lira (TRY)	-9.5%	
Polish Zloty (PLN)	-9.8%	
Czech Koruna (CZK)	-9.9%	
Brazilian Real (BRL)	-12.3%	
Mexican Peso (MXN)	-12.4%	most bearish
Argentine Peso (ARS)	-27.6%	

Forecast as of: January 27, 2025
*Percentage Change Against USD, Q4-25 Vs. Current Spot Rate

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

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Economics Group

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

Required Disclosures