

Macro Monthly

Economics
GLOBAL

Tariff deadlines in focus

- ◆ The reciprocal tariff discussions are keeping markets on their toes...
- ◆ ...with the recent economic data proving messy making it hard for policymakers to get a clear steer on the economy
- ◆ We recently raised our 2025 global GDP growth forecast to 2.5%, with notable upgrades in India and Brazil

Ahead of the revised 1 August deadline for additional reciprocal tariffs, tariff-related news has come to the forefront again. At the time of writing, it remains unclear what this means for multiple economies in terms of final tariff rates going forwards, but the door is open to more bilateral deals, or new tariff rates on economies with which the US is unlikely to reach an agreement.

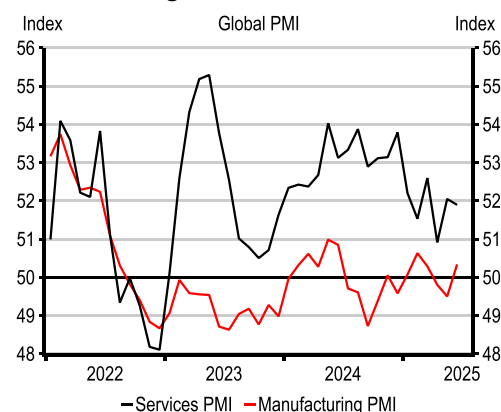
Trade talks ongoing

Vietnam is an economy exposed to tariff uncertainty and has moved towards a deal that would see a 20% tariff on all US imports from Vietnam and 40% tariff on transhipped imports. Earlier agreed trade deals with the UK and mainland China are also in effect.

For the UK, sector tariffs on autos and aerospace have been relaxed, but steel tariff rates remain uncertain, while China agreed to approve export licenses for critical minerals. In return, the US will lift recent export controls on Chinese goods (Fortune, 27 June). **Trade talks with key trading partners are ongoing**, though their outcomes remain uncertain.

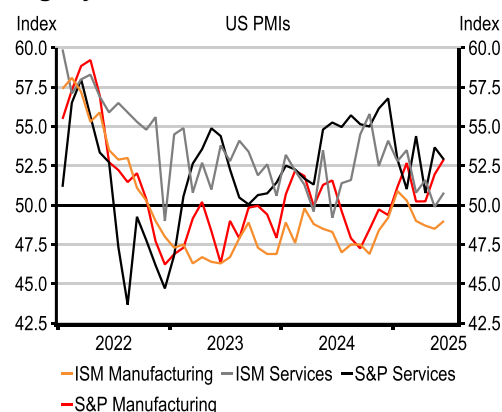
Uncertain outlook for US trade policies

1. Global PMIs saw an uptick in the manufacturing data...



Source: Macrobond

2. ...and the service sector recovered slightly in the US



Source: Macrobond

Survey data have picked up but point to inflation ahead
Improving survey data...

Amid all these uncertainties, the macroeconomic outlook remains very hard to read. In addition, big legislative changes in the US following the passage of the Big Beautiful Bill will have fiscal consequences. **Various survey data have improved from the April lows** but still don't show any clear signs of momentum and could be heavily influenced by frontloading effects (charts 1 and 2).

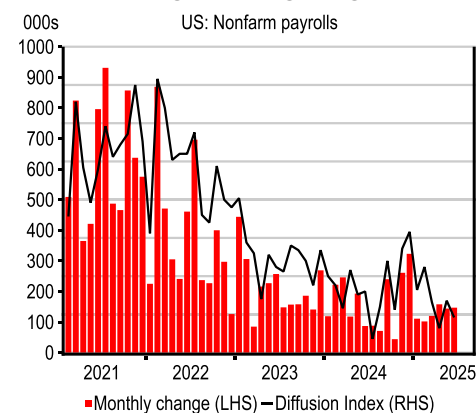
In the US, business surveys fared better in June, but we are seeing signs of stockpiling of raw materials and rises in input costs. While CPI and PPI inflation are yet to reflect the impact of tariffs, we can see a lot of **tariff-led inflation in the pipeline** within the survey data.

...and consumer outlook

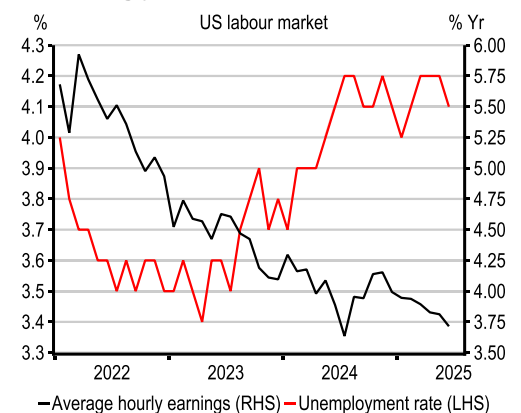
Lower interest rates helping the consumer outlook

Meanwhile, **the US unemployment rate fell slightly**, as nonfarm payrolls surprised on the upside in June (charts 3 and 4). However, questions about the **quality and reliability of data** keep building – meaning that it's getting even harder for central bankers to make informed decisions about the best path for policy. Data outside the US could be being propped up by the frontloading impacts, or, in mainland China's case, domestic stimulus measures.

That said, we are seeing lower inflation and interest rates outside the US **improve the consumer outlook**.

3. Nonfarm payrolls increased further in June, but the gains are getting narrower...


Source: Macrobond

4. ...while the unemployment rate surprisingly fell


Source: Macrobond

Tariffs, tariffs, tariffs

The global growth outlook remains mired in uncertainty. While Middle East tensions appear to have calmed down for now, lowering the risk of a spike in oil prices, the questions over **tariff rates, timings and how trade flows react** are set to keep markets and economists on their toes over the next few months.

Our GDP growth forecasts

We forecast global GDP growth at 2.5% in 2025

Growth outcomes were stronger than expected in many countries in Q1. Still, we see global GDP slowing from 2.8% in 2024 to 2.5% in 2025, despite some notable upgrades to India and Brazil which are less affected by tariffs. A weaker growth picture later this year and early next means our 2026 global GDP forecast is 2.3% in 2026.

Key GDP growth forecasts

% Year	2024		2025 forecast		2026 forecast	
World	2.8	(2.7)	2.5	(2.3)	2.3	(2.3)
US	2.8	(2.8)	1.8	(1.6)	1.3	(1.3)
Mainland China	5.0	(5.0)	4.5	(4.3)	4.1	(4.0)
Japan	0.2	(0.1)	0.6	(0.7)	0.5	(0.4)
India*	6.7	(6.7)	6.7	(6.2)	6.2	(6.0)
ASEAN-6	4.9	(4.9)	3.9	(3.9)	4.2	(4.1)
Eurozone	0.8	(0.8)	0.9	(0.6)	1.3	(1.4)
UK	1.1	(1.1)	1.0	(0.9)	1.0	(1.0)
Brazil	3.4	(3.4)	2.7	(2.1)	2.5	(2.3)
Mexico	1.5	(1.5)	0.2	(0.2)	1.2	(2.0)

Note: *India data is calendar year forecast here for comparability. Previous forecasts are shown in parenthesis and are from the Macro Monthly dated 17 April 2025.
Green indicates an upward revision, red indicates a downward revision.
Source: Bloomberg, HSBC Economics

Key recent releases

Date	Market	Release	Period	Actual	Consensus expectation	Prior	Actual vs. Consensus
17 Jun	US	Retail sales advance (% m-o-m)	May	-0.9	-0.6	-0.1	↓
17 Jun	US	Industrial production (% m-o-m)	May	-0.2	0.00	0.1	↓
18 Jun	UK	CPI (% y-o-y)	May	3.4	3.3	3.5	↑
30 Jun	Mainland China	NBS Manufacturing PMI (Index)	Jun	49.7	49.6	49.5	↑
1 Jul	Mainland China	Caixin manufacturing PMI (Index)	Jun	50.4	49.3	48.3	↑
1 Jul	Eurozone	HICP (% y-o-y)	Jun, flash	2.0	2.0	1.9	→
1 Jul	US	ISM manufacturing (Index)	Jun	49.0	48.8	48.5	↑
3 Jun	Mainland China	Caixin services PMI (Index)	Jun	50.6	50.9	51.1	↓
3 Jun	US	Nonfarm payrolls, monthly change (000s)	Jun	147	106	144	↑

Source: Bloomberg, HSBC

↑ Positive surprise – actual is higher than consensus, ↓ Negative surprise – actual is lower than consensus, → Actual is in line with consensus

Key upcoming events

Date	Market	Release	Period
11 Jul	UK	GDP	May
14 Jul	Mainland China	Exports / Imports	Jun
15 Jul	Mainland China	Retail Sales / GDP	Jun / Q2
15 Jul	US	CPI	Jun
16 Jul	UK	CPI	Jun
17 Jul	US	Retail Sales	Jun
21 Jul	Mainland China	People's Bank of China interest rate announcement	-
24 Jul	Eurozone	European Central Bank interest rate announcement	-
25 Jul	UK	Retail Sales	Jun
30 Jul	Eurozone	GDP	Q2
30 Jul	US	GDP	Q2
31 Jul	US	Federal Reserve interest rate announcement	-
1 Aug	Eurozone	HICP	Jul
1 Aug	US	Non-Farm Payrolls	Jul

Source: Refinitiv Eikon, HSBC

Disclosure appendix

Important disclosures

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