Investec Economics

Investec
Investec Bank plc (UK)

Global Economic Overview

21 August 2024

An abrupt end to the summer lull

Global

Market panic at the start of August shattered the summer lull as investors focused on US recession risks following some soft data. Stocks fell sharply, bonds rallied, whilst swaps even priced in the possibility an emergency Fed cut. These moves look to have been overdone given the fundamentals with indicators globally continuing to point to a modest expansion. Our own forecasts for world GDP are unchanged at 3.2% for both 2024 and 2025. We also expect further progress on inflation returning to target, a fact that should enable major central banks (excluding the BoJ) to gradually ease policy. However we do judge that central banks are becoming more wary over the restrictiveness of policy and the pressures on growth. This could lead to a more aggressive pace of easing should activity begin to disappoint.

United States

The recent market volatility was sparked by fears of imminent US recession and fanned speculation of an emergency FOMC rate cut. The latter always seemed to be a shot in the dark – the bar for intermeeting rate moves is much higher – while Sahm Rule or not, we doubt whether the US is presently on the cusp of a downturn. Even so, downside risks to our base case of a gentle slowdown seem to be gathering pace and markets may shift the narrative from an expectation of the Fed steering rates towards neutral and instead begin to consider the prospect of accommodative Fed policy. For now though our central case remains that from a starting point of 5.25%-5.50%, the FOMC will lower the Fed funds target range twice by 25bps this year and three times in 2025.

Eurozone

Surveys have cast doubt on German GDP growth momentum, and in France, it is still unclear how a stable government will be formed. Yet we expect neither to dent Eurozone Q3 GDP growth visibly, thanks to boosts from Euro 2024 and the Olympics, respectively. Accurately gauging onsets of recessions real-time in macro data is hard, but we note that consumers' expectations of future unemployment have not risen to a worrying level. Our EU20 GDP growth forecasts for this year and next are little changed, at +0.8% and +1.5%, respectively. As regards prices, we still expect on-target inflation to be reached in H2 '25. As such, we continue to predict gradual 25bp per quarter cuts in the ECB's Deposit rate over the coming two years. In terms of the single currency we have upgraded our €:$ targets to $1.10 (Q4'24) and $1.15 (Q4'25), this predominantly due to our view of a weaker dollar driven by prospects of a slower US economy and lower rates.

United Kingdom

Although Keir Starmer's first few weeks as PM have not all been clear sailing, the new government has managed to navigate the choppy waters with relatively few blunders. Challenges may arise at the time of the Autumn Budget on 30 October though as Chancellor Reeves attempts to fill the reported £22bn 'black hole' in the public finances. But broadly, optimism over the UK's prospects remain high, with robust activity data supporting the 'buy UK' theme. This should support sterling, with our end-25 cable forecast lifted from $1.35 to $1.37. An expectation of a modest recovery in the dollarover the remainder of this year does push our end-24 forecast lower though, to $1.30 (prior: $1.32).

	2024	2025
GDP growth (%)		
Global	3.2	3.2
US	2.5	1.7
China	4.8	4.2
UK	1.2	1.9
EU20	0.8	1.5
Key official interest rates (%, end-year)		
US Fed funds	4.75-5.00	4.00-4.25
ECB Deposit rate	3.25	2.25
UK Bank rate	4.75	3.75
FX rates (end-year)		
€:$	1.10	1.15
€:£	0.85	0.84
£:$	1.30	1.37
$:¥	145	140
AUD:$	0.65	0.69
€:CHF	0.96	1.00

Please click here for a summary of our economic and market forecasts

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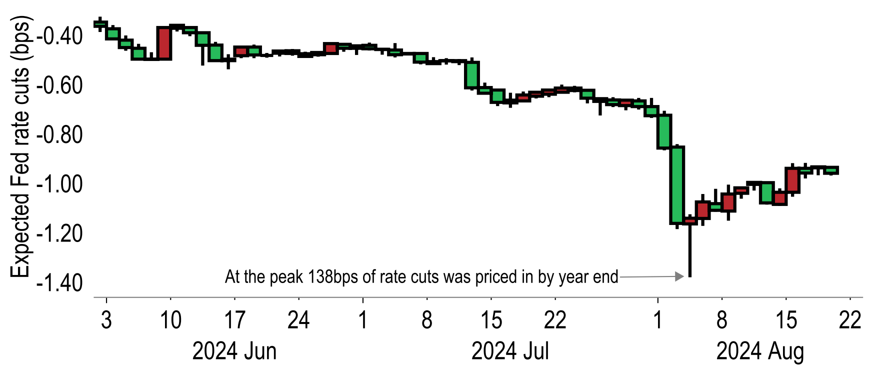
Global

The start of August was marked by a sharp rise in global market volatility, triggered by US recession fears following soft ISM and jobs data. The S&P 500 fell 6% in 3 days (at the close), the VIX jumped to 60, its highest level since the start of COVID and swaps at one point priced in the possibility of an emergency Fed rate cut and 138bps of easing this year. Reassuring US data published subsequently has led to some reversal. Nonetheless the question over whether the US economy is heading towards a material slowdown is pertinent. Our baseline view is and has been one of a gradual slowdown, a view supported by current data, with few indications of an impending recession (see US section). Market gyrations were not limited to the US…

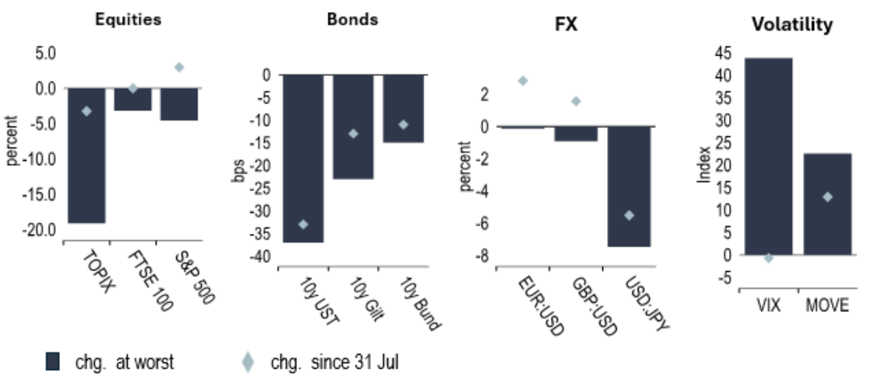
Chart 1: Markets materially repriced US rate cut prospects: Expected moves by end-2024 (bps)



Source: Macrobond, Investec Economics

...but were global and across asset classes, raising questions over the rationale behind the extent of these moves. A possible factor which has been warned about by central banks is that risk is underpriced. The recent turn in market sentiment consequently led to large scale derisking and the unwinding of many popular and crowded trades, such as those in tech and the Yen carry. But as with the US, we do not believe indicators are flashing red for the world economy. For example, the global composite PMI is comfortably in expansionary territory (52.9), whilst data from the UK and EU20 point to an ongoing recovery from 2023's stagnation. Our baseline view for global growth is still 3.2% in both 2024 and 2025.

Chart 2: Market stress at the start of August has largely been reversed

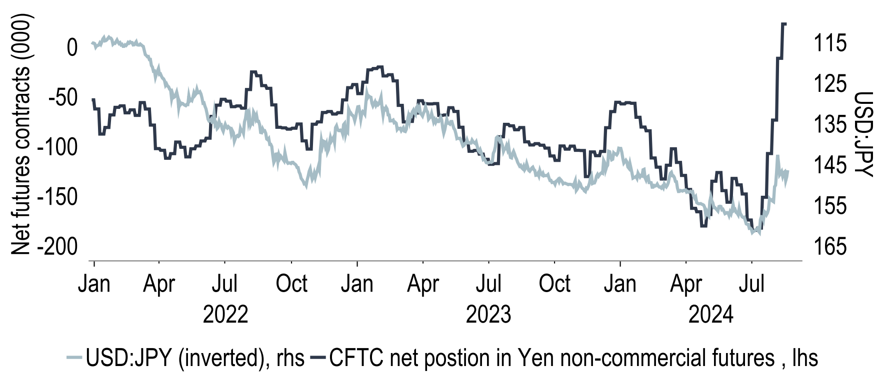


ICE BofA Move Index- implied US Treasury volatility

Source: Macrobond, Investec Economics

One of the most visible aspects of August's volatility was the Yen carry trade, which at the start of the month experienced a significant unwind given the BoJ's second interest rate increase this year and signalling over further hikes, contrasting with the sharp repricing for US interest rate cuts. $:¥ at one point hit 141.7, a 6% Yen strengthening from its level on 31-Jul. Meanwhile the TOPIX fell 12% on 5-Aug, its biggest one day fall since 1987's Black Monday. Measuring the size of the carry trade is difficult and imprecise, but using BIS cross-border Yen lending data as a proxy suggests that it has grown ¥27trn* since 2021 thanks to the diverging monetary policy stances of the BoJ and the Fed. Real time monitoring is more challenging still, but CFTC futures data provides some insight into the swing in the trade, with net futures positions turning positive for the first time since 2021.

Chart 3: An unwinding Yen carry trade contributed to August's volatility

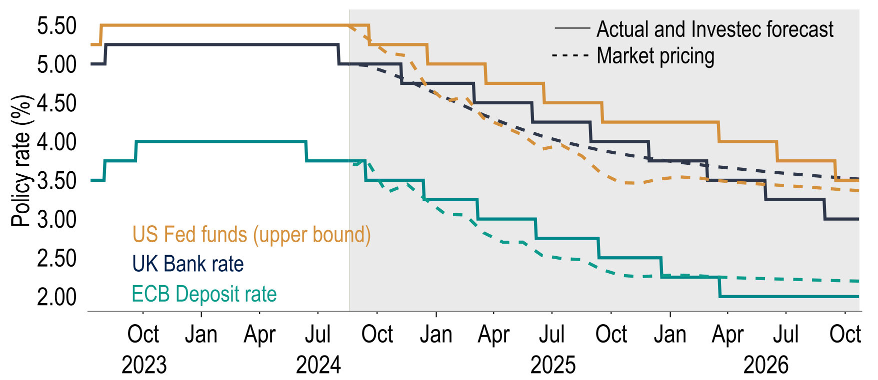


*BIS Locational Banking Statistics: Global cross-border Yen claims of Japanese banks, Q1 24 the stock stood at ¥157trn

Source: Macrobond, Investec Economics, CFTC Commitment of Traders report

Whilst markets may have calmed, sentiment and direction will continue to depend on the outlook for growth and rates. Our baseline view remains one of gradual policy easing by the major central banks (the BoJ being the exception). This is driven by inflation progressing towards targets, albeit still with upside risks: freight costs remain high and services inflation remains relatively sticky. Whilst we do not believe that any of the data in the last month has materially changed the outlook for rates, we would judge that sentiment among central banks is becoming more wary over the restrictiveness of policy and the pressures on growth. This could lead to a more aggressive pace of easing should activity begin to disappoint.

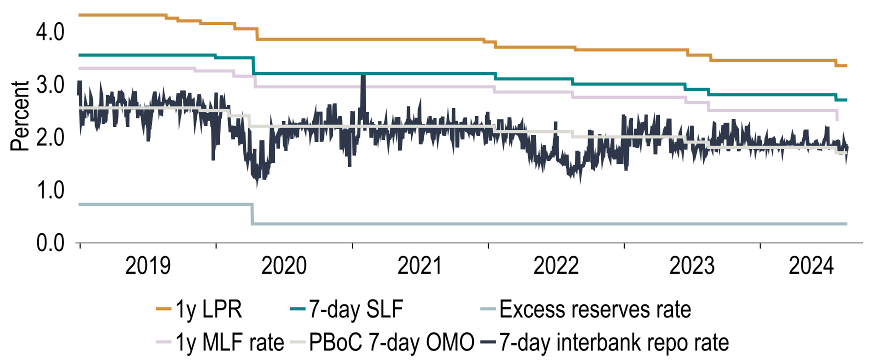
Chart 4: Investec and market expectations for central bank policy



Source: Macrobond, Investec Economics

An area of the global economy that does face a risk of disappointment is China. Whilst our forecasts for 2024 and 2025 are unchanged at 4.8% and 4.2%, we do acknowledge recent data as having been less than stellar. Lacklustre consumer demand remains a focus, with July retail sales registering growth of just 2.7% (y/y). Given the government's 2024 growth target of 5%, speculation is rising over possible stimulus. This includes reports that the government may be about to step in with cash handouts to consumers. Meanwhile the PBoC has undertaken limited action thus far cutting the LPR and MLF rates by just 10bps and 20bps in the last month. However given a new policy framework it is now the 7-day reverse repo rate which represents the benchmark. This too has been cut by 10bps, but further easing remains a possibility.

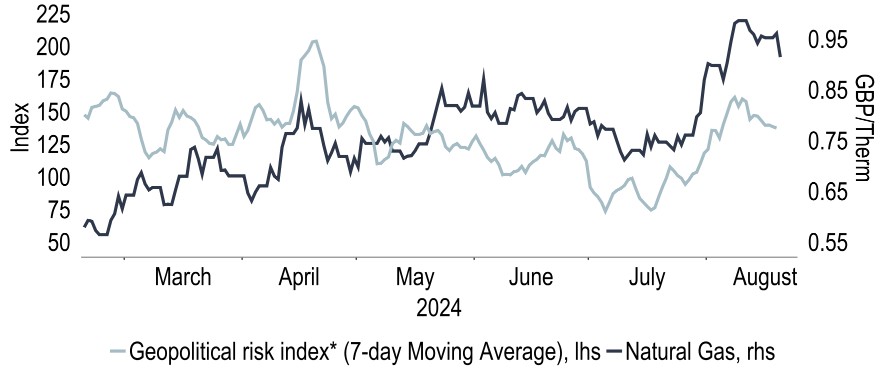
Chart 5: The PBoC has only made minor adjustments to rates - deeper cuts a possibility?



Source: Macrobond, Investec Economics

Another source of market volatility, particularly in commodities, has come from geopolitical developments. Tensions in the Middle East heightened after the alleged Israeli killing of a Hamas leader in Tehran led to expectations of retaliation by Iran and Hezbollah, raising fears of a regional war. None such attack has materialised yet, but Iran warns that the risk remains. In a race to diffuse tensions, the US continues to push for a ceasefire between Hamas and Israel, but no agreement yet has been struck. Meanwhile natural gas prices have been rising too (chart 6) as Ukraine continues its incursion into Russia's Kursk region, taking control of the last remaining major gas supply pipeline from Russia into Europe.

Chart 6: Geopolitical risks continue to bubble away



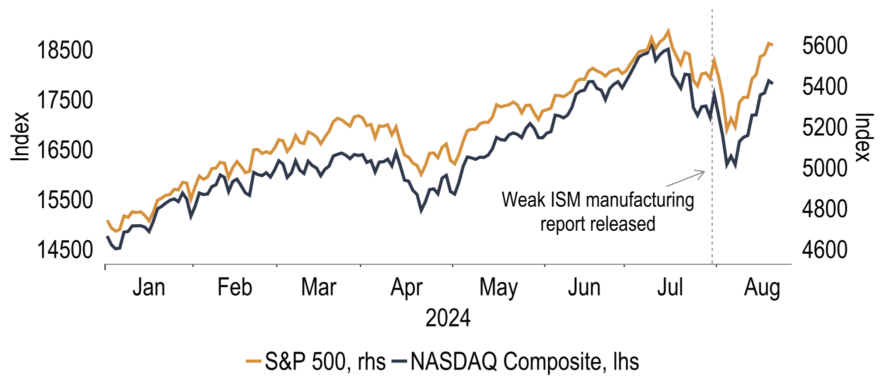
*Geopolitical risk index constructed by Matteo Iacoviello and Dario Caldera based on a tally of newspaper articles covering geopolitical tensions

Source: Macrobond, Investec Economics

United States

Markets panicked earlier this month, fearing that the US economy was in a sudden descent towards recession. Perhaps oddly, the catalyst was a subpar manufacturing ISM index (manufacturing makes up just 10% of US GDP). Subsequently negative sentiment was reinforced by a soft payroll outturn of 114k, plus a rise in the U3 unemployment rate to 4.3% from 4.1%, the highest rate since October 2021. The S&P 500 fell by 8% intraday within the space of three sessions, while at the height of concerns, the NASDAQ closed 13% below its peak, thereby entering 'correction' territory (a drop of 10% of more). As calm returned, risk asset markets rallied and at the time of writing both indices were above their pre-sell off levels.

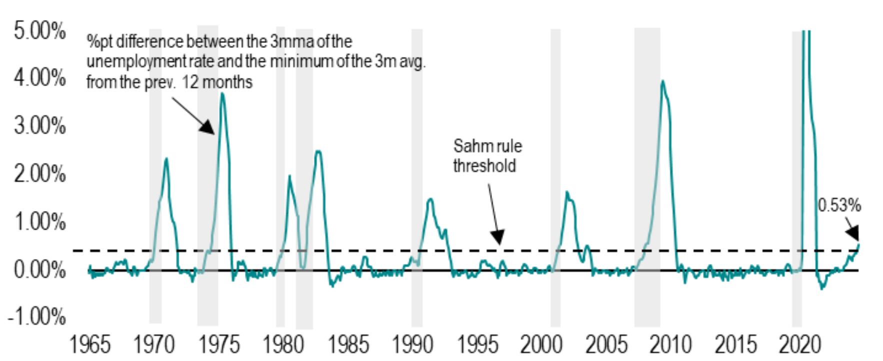
Chart 7: US equity markets have recovered losses during the recent turbulence



Source: Bloomberg, Macrobond, Investec Economics

July's rise in unemployment triggered the 'Sahm rule' (see notes on Chart 8), which has been a good indicator of recession in the past, though of course it need not be an accurate pointer this time. Another reason for markets' reaction was corporate evidence, for example from Amazon and McDonalds (among others) suggesting a slowdown in consumer demand. But this is not a one-way street. Walmart for example, guided towards a buoyant Q3. Other key economic indicators have also been less downbeat. A rebound in July's non-manufacturing ISM (to 51.4 from 48.8) helped to ease fears of a sudden recession, while subsequently, firm retail sales figures and lower jobless claims data have also provided reassurance.

Chart 8: July's employment data triggered the Sahm Rule, a good guide to recessions in the past

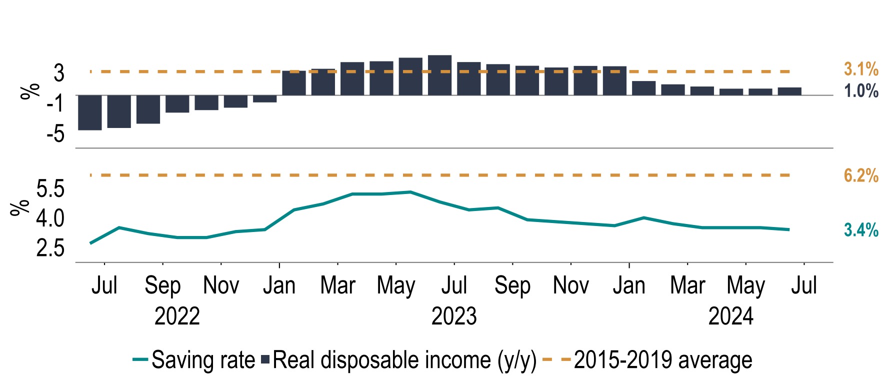


Shaded areas indicate a US recession

Source: BLS, Macrobond, Investec Economics

While a recession looks unlikely at this point, we are still forecasting a slowdown over H2 after H1's surprising resilience. There is also a legitimate question over the *extent* to which the economy cools and the downside risks. Real disposable personal income growth is now running at an annual rate of 1.0%, compared with a peak above 5.0% last year, while the sector's saving rate has dropped to 3.4%, compared with a pre-Covid average of 6.2%. We have broadly held our GDP forecasts steady, at 2.5% and 1.7% for this year and next, but the economy is vulnerable to risks of a sharper consumer-led slowdown. Interestingly while the Atlanta Fed's GDPNow tracker still indicates solid growth in Q3, it has slipped from a peak of 2.9% (saar) a week or two ago, to 2.0% currently.

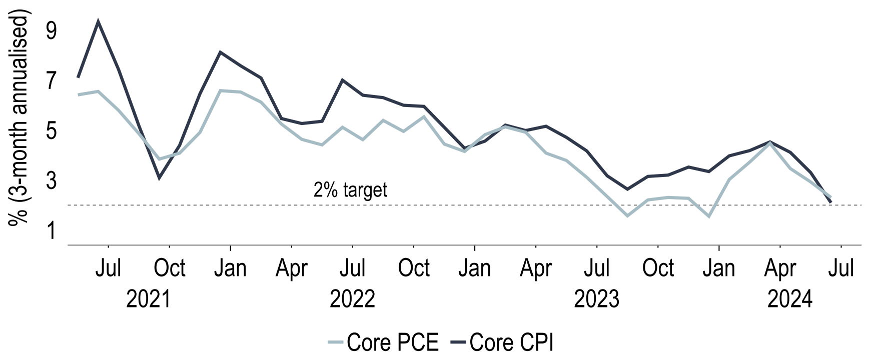
Chart 9: What now drives consumption? Income growth has slowed and the saving rate is low…



Source: BEA, Macrobond, Investec Economics

The FOMC is set to bring rates down on 18 September. Recent CPI prints have been benign, with the core measure running at or below consensus for the past four months. Also in absolute terms, the 3-month annualised rates of both the core CPI and PCE measures have eased back (Chart 10), doubtless contributing to the Fed's greater confidence that inflation is heading sustainably towards its 2.0% objective. Our base case is still for two 25bp reductions this year, taking the Fed funds target range to 4.75%-5.00% by end-year and a further three 25bp moves in 2025. But in common with other major central banks, the Fed is in 'data dependent' mode and it is feasible to see a 50bp cut next month if, for example, payrolls disappoint again.

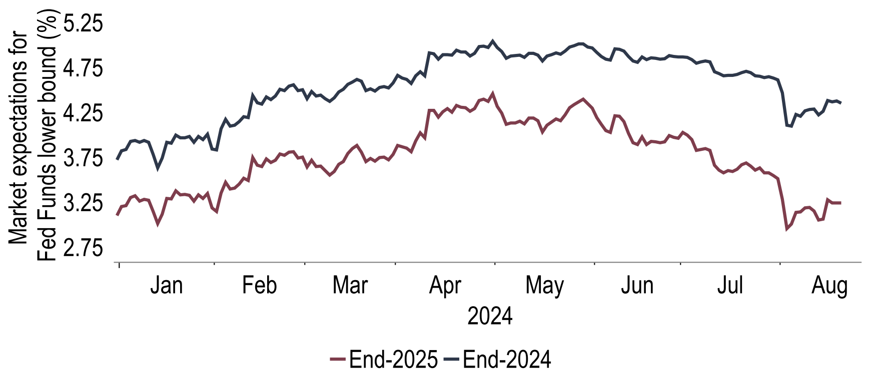
Chart 10: Recent inflation outturns have been consistent with reaching 2% (3m annualised data)



Source: BLS, Macrobond, Investec Economics

At one stage this month, the yield curve was pricing in more than five 25bp cuts this year. It is now 'only' factoring in 3-4, but short-term rate markets have steadily been factoring in more easing since mid-year. Much of the narrative over the past couple of years has involved central banks moving to a neutral policy setting once inflation is no longer an active threat. In US terms we judge that this equates to a Fed funds rate of around 3.50% (the FOMC's median estimate of the 'longer-run' funds target is 2.8%). But markets (and arguably central banks too) are increasingly coming to terms with the fact that were the US economy to slow sharply, accommodative and not neutral policy would be appropriate, implying more aggressive cuts in rates.

Chart 11: Policy rate expectations have been easing since the middle of the year*

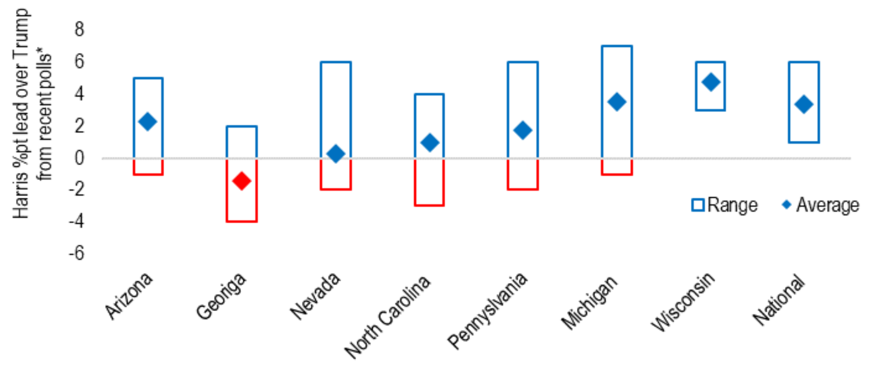


*Based on CME Fed funds futures

Source: Bloomberg, Macrobond, Investec Economics

Kamala Harris, with her running mate Tim Walz, has enjoyed positive momentum in the opinion polls and now holds a national lead on average of 2.8% over Donald Trump. Bear in mind that US-wide polls are not necessarily a good guide to the Electoral College (EC) outturn, which is what determines the result, especially in close run races - Hillary Clinton in 2016 and Al Gore in 2000 both won a plurality nationally but lost the EC vote. The Democratic contender though is also winning in six of the seven leading 'swing states', which would very probably give her the 270 EC votes to take her into the White House. But the margins are mostly narrow and within the margin of statistical error. With more than two months left until 5 November, the race remains wide open.

Chart 12: Harris has a narrow lead nationally, but crucially in the swing states as well

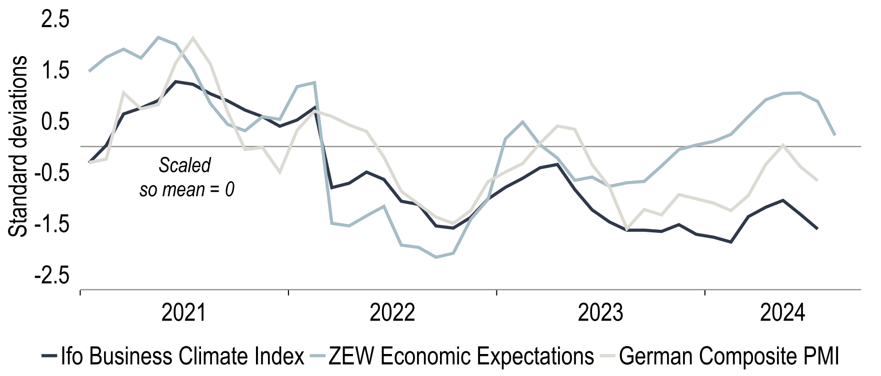


*polls from 13th Aug to latest (Times/Sienna. Economist/Yougov, Morning Consult, Yougov/CBS, Ipsos/ABC, Redfield/Telegraph, Focaldata, Insider Advantage, Cook Political Report, Emerson College, SoCal Strategies)
Source: Investec Economics

Eurozone

As per various surveys, sentiment regarding the German economy has taken a clear turn for the worse lately (Chart 13). In contrast to 14 out of the other 15 EU20 countries for which data are currently available, GDP slipped in Q2 (albeit by a marginal 0.1%). Although the most energy-intensive branches of industry are recovering now that energy prices have retreated, others are still stuttering, partly on hesitant Chinese demand: indeed, the US has overtaken China as Germany's largest trading partner in 2024 so far. Construction has suffered too, and unemployment has crept up, albeit from extremely low levels. Yet we feel some of the gloom is overdone. Euro 2024 will have been a boon in Q3, and more fundamentally, lower financing costs along with solid household...

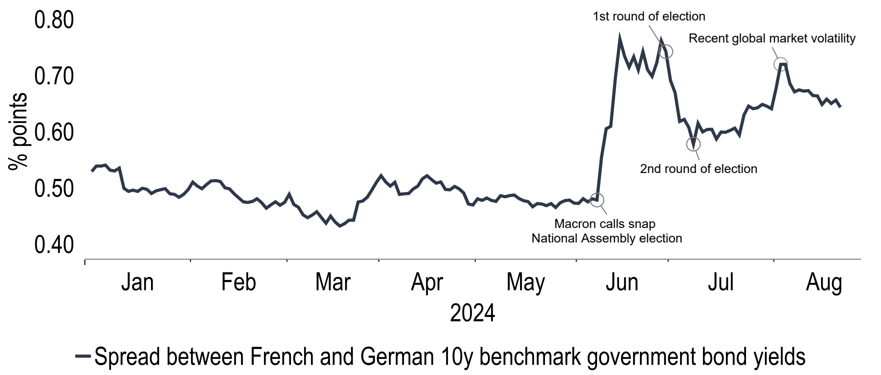
Chart 13: (Standardised) German survey indicators have taken a turn for the worse



Source: ifo, ZEW, S&P Global, Macrobond and Investec Economics

…income growth could lift growth from H2. In a similar vein, France is likely to see an Olympic boost to Q3 GDP. Now though attention returns to the difficult task of forming a stable government, which had been parked during the Games. French bond spreads versus Germany, still high if not quite at their recent peak, are a reminder that this matters. We suspect this is currently weighing on investment in France, counteracting the Olympic boost. Our forecasts assume some deal will be struck in the end that incorporates enough of a centrist element to comply with EU rules that require fiscal consolidation. If so – and it remains an 'if' – France too could see stronger growth next year (after a weak Q4 as Olympic effects unwind).

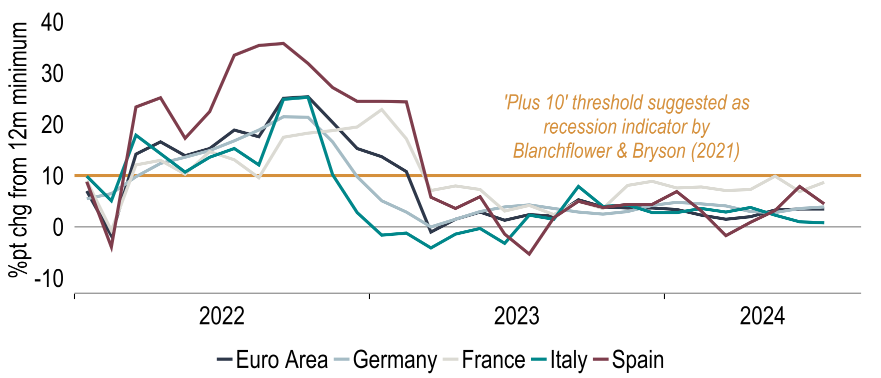
Chart 14: French bond spreads are no longer at their peak but still fairly elevated



Source: Bloomberg, Macrobond, Investec Economics

Our GDP forecasts for the Eurozone in aggregate therefore are little changed from last month (2024 and 2025 now 0.8% & 1.5%, vs 0.7% & 1.6%). That said, the turmoil in financial markets earlier this month serves as reminder to monitor downside risks. Spotting recessions in real time is far harder than ex post, as many macro data are revised with further figures. [Research](#) co-authored by ex-MPC member Blanchflower found, though, consumer surveys on future unemployment – crucially, these are not revised – have given a helpful steer in the past when they have risen by 10pts+ from the previous year's low. This recession indicator – suggested to outperform the 'Sahm rule' in Europe – suggests recession risks still look fairly slim (Chart 15). Of course, rapid geopolitical shifts could turn that and do need to be watched.

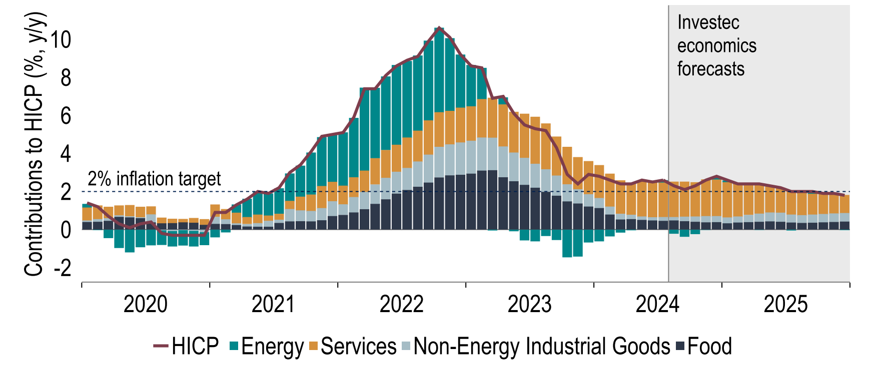
Chart 15: Consumers' expectation of unemployment have not crossed the recession threshold



Source: EU Commission, Macrobond and Investec Economics

As far as inflation is concerned, the EU20 headline rate has made little further progress towards target recently, hovering in a narrow range of 2.4%-2.6% year-on-year in the past six months. Nor has 'core' inflation (ex food, energy, alcohol and tobacco) changed much (6m range: 2.7%-3.1%, latest: 2.9%). But this masks moves in food and energy inflation in opposite directions and a fall in inflation for other goods, counteracted by sticky service price inflation. We see limited scope for a trend improvement until 2025. But by then we expect receding inflation expectations amid moderate growth to pull down wage growth and thereby services inflation, even if goods price inflation rises again (Chart 16). Hence…

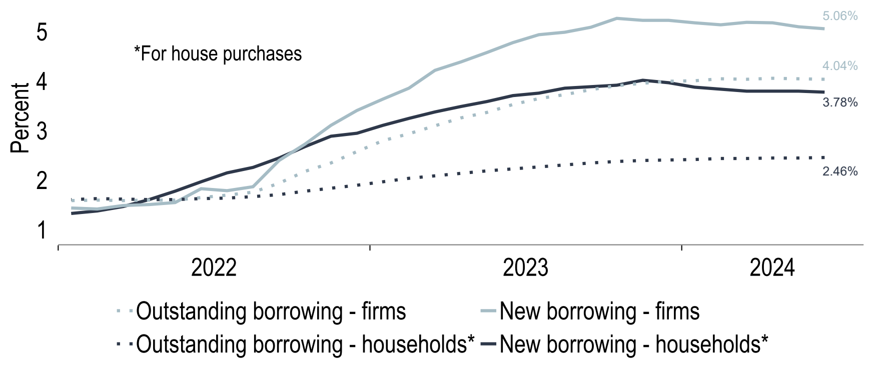
Chart 16: On our forecasts, inflation still overshoots the 2% target slightly until H2 2025



Source: Eurostat, Macrobond and Investec Economics

…we broadly agree with the ECB's assessment that a sustainable return to target inflation looks likely by late 2025, and that this gives scope for further rate cuts. With some lingering inflation risks and no recession in view, we maintain our longstanding rate path forecast for a gradual 25bp-a-quarter pace of cuts in the Deposit rate for the rest of this year and next. (With the pre-announced narrowing in the rate corridor, the Main refi rate and the Marginal lending rate should fall by 60bps each in Sep.) One argument for cutting rates is that the full impact of past policy tightening is yet to filter through to households and firms: borrowing rates available in the market for new loans still exceed average outstanding loan rates, so those refinancing face higher repayments (Chart 17). With rate cuts, this extra drag is reduced as new and outstanding rates converge sooner.

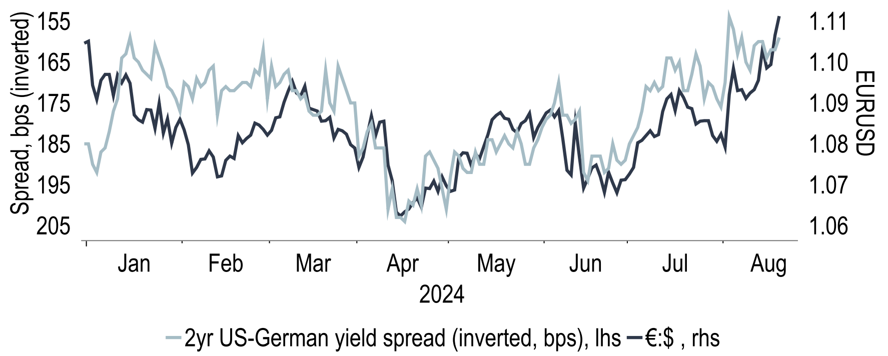
Chart 17: There is still a long way to go before new and outstanding loan rates converge



Source: ECB, Macrobond and Investec Economics

Amid the market turbulence in early Aug that saw US rate cut expectations spiral amongst imminent recession fears and USD fall, EUR was one of the counterparts (Chart 18). At $1.11 €:$ is now at its highest level since Jul-23, but we see some rationale for a near-term retracement as French political issues remerge following the lull during the Olympics and the Fed does not cut rates quite as aggressively as markets expect this year. But that does not detract from the fact we believe that sentiment is turning over what we would judge to be a still overvalued greenback. This is driven by prospects of a slower economy and lower rates in the US. As such we have upgraded our €:$ forecasts to $1.10 in Q4 '24 and $1.15 in Q4 '25 from $1.08 and $1.11.

Chart 18: Expected policy rate differentials have been a key driver of EURUSD

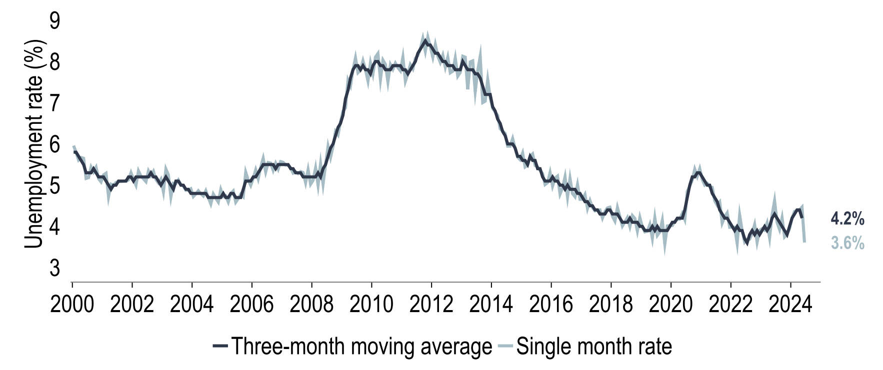


Source: Macrobond and Investec Economics

United Kingdom

At its latest meeting the Bank of England's MPC narrowly decided to reduce the Bank rate for the first time in this cycle by 25bps, in a 5-4 vote. Those advocating a cut noted the normalisation in inflation expectations and the survey evidence that pointed to '*waning wage and price pressures*'. The path ahead continues to be clouded though by the lack of information on the labour market. On paper, the fall in the unemployment rate to 4.2% would support the MPC taking a gradual approach to further easing, due to the threat that a tight labour market increases domestic inflationary pressures. But there are quality concerns with this data, and it was also contradicted by the rise in the claimant count. However, that is no longer an accurate gauge of unemployment either, given recent changes to eligibility rules.

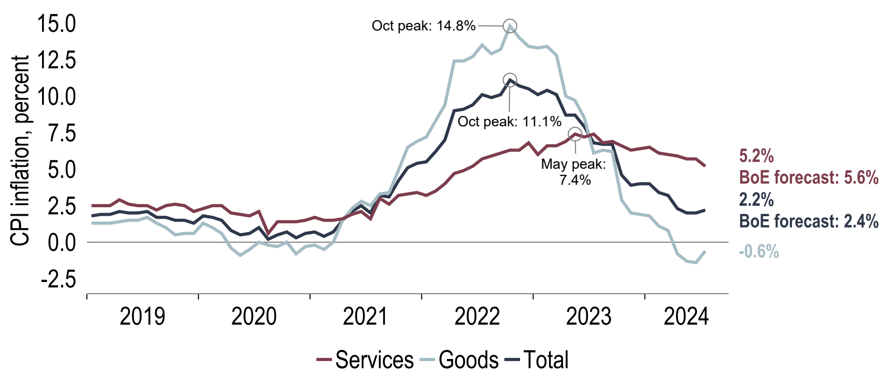
Chart 19: Is the labour market getting looser? It is difficult to tell with the unemployment data



Source: Macrobond, Investec Economics

This is likely a reason why the MPC wants to shift the focus away from individual data points and view the evidence as part of a 'broader framework' instead. It is unlikely that the MPC will look past the latest services inflation print, though. This sharply undershot expectations in July, falling from 5.7% to 5.2%, raising the possibility of a consecutive cut in Sep. But considering the strength of economic momentum, that is not our base case; we still forecast one more 25bp cut this year in Nov. The next meeting is not all about the Bank rate though, there will also be a decision on QT. We expect the BoE to continue to shrink the balance sheet next year, with the pace maintained at £100bn p.a. through both redemptions and active sales.

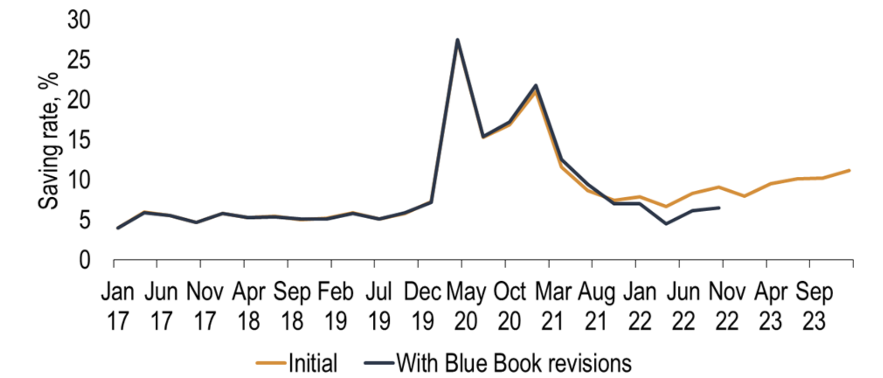
Chart 20: As goods price inflation creeps up, the large fall in services inflation is welcome



Source: Macrobond, Investec Economics

Touching on the strength of economic momentum, the UK economy has had a good start to 2024 after activity stagnated for much of last year. Aided by tax cuts and falling inflation which has boosted real incomes, the economy managed to expand by 0.7% in Q1 and 0.6% in Q2. Although we do not expect this pace of expansion to be sustained into H2, we nonetheless forecast 1.2% growth in 2024, a respectable outturn, and 1.9% next. But that is conditioned on the assumption of no revisions in the Blue Book, published on 30 Sep. The advance estimate revealed a 0.5%pt upward revision to 2022 GDP growth and a significantly lower saving ratio (Chart 21). It is possible that we see sizeable revisions post 2022 also, altering our view of the UK economy.

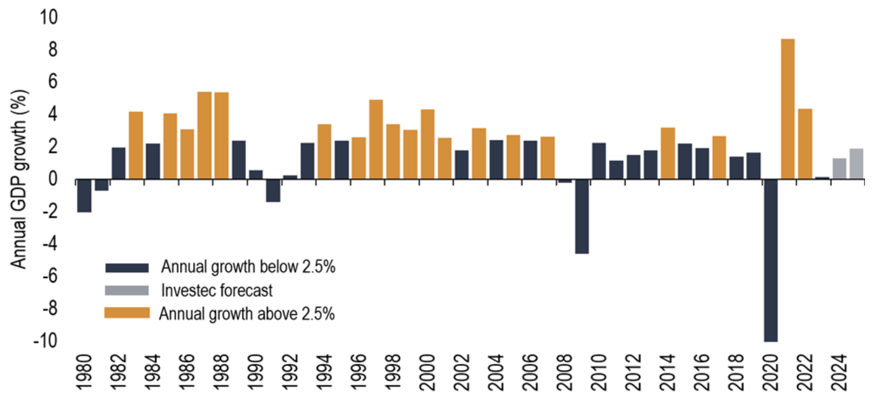
Chart 21: The UK consumer might not be saving as much as first thought



Source: Macrobond, Investec Economics

New PM Keir Starmer is striving to obtain a pace of growth of around 2.5% per annum. Although not impossible, this does seem on the higher sides of estimates and above our base case view. To reach this on a sustainable basis the UK will need to break free of the weak productivity curse, which has been holding back economic growth since the GFC. One way that can be achieved is through the AI boom – the IMF has estimated that productivity gains from AI could range from 0.9% to 1.5% per year. That does rely on efficient and widespread adoption of the technology though, which currently is still very new. But if Starmer can convince the OBR that his plans will bear fruit, it improves the fiscal outlook, giving his Chancellor more room for manoeuvre at the upcoming Budget.

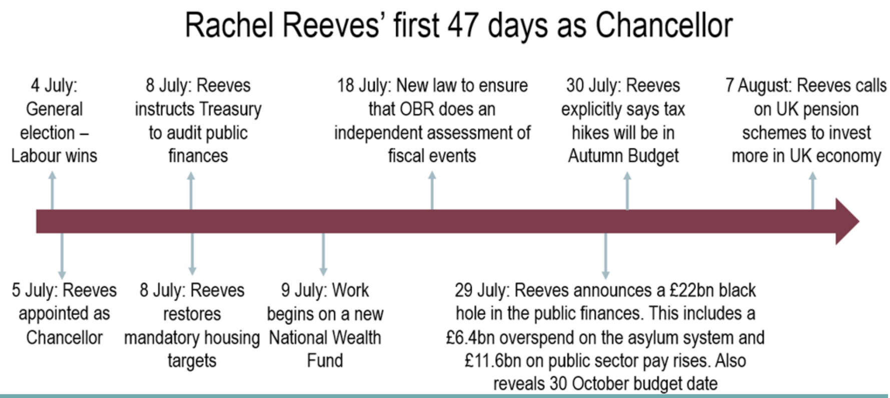
Chart 22: 2.5% growth p.a. is not impossible but has not been seen much in the past decade



Source: Macrobond, Investec Economics

The Autumn Budget is set for 30 October, where Chancellor Reeves has already confirmed that there will be tax rises. This is to help plug a so-called £22bn 'black hole' in the public finances, which Labour blame on their Tory predecessors – a claim the Tories vehemently deny. Part of that black hole includes £11.6bn in pay rises for teachers and some NHS staff, after accepting a pay review body recommendation, which at 5.5% was more than the 2% the Tories budgeted for. But this is only a subset of public sector staff, with more pay demands likely. With so many pressures on the public purse, and booming economic growth unlikely to be the saviour in the short-term, the government will have to find other revenue raising tax measures. Capital gains and Inheritance Tax changes look to be in the firing line.

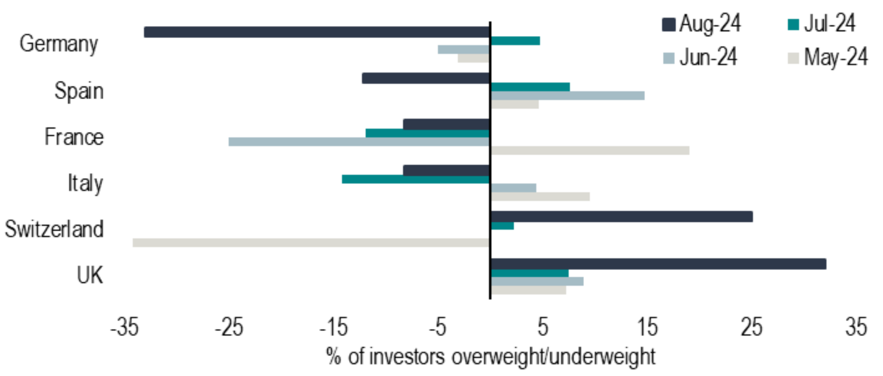
Chart 23:Rachel Reeves hits the ground running, but will she be swallowed up by the black hole?



Source: Investec Economics

But there are reasons to be cheerful about the UK. The macro backdrop is improving, whilst political stability relative to some of the UK's peers and Labour's focus on economic growth, although potentially hard to deliver, offers the prospect of a meaningful boost to the economy. Indeed, in a recent survey from BofA*, the UK emerged as a top choice with, on net, more than 30% of investors overweight on UK equities, surpassing its European peers (Chart 24). Amongst current global uncertainty, the tide is turning in favour of UK assets - a big reversal from 18 months ago when Liz Truss' mini-budget squashed investor sentiment. Due to our general view on the USD, we have upgraded our end-25 cable forecast to $1.37 from $1.35 previously.

Chart 24: Political and macro stability means the attitude towards UK stocks is turning



*Bank of America

Source: BofA European Fund Manager Survey, Investec Economics

Global Forecasts

GDP Growth (%)

	Global	US	Japan	China	UK	EU20	Germany	France	Italy
2019	2.8	2.5	-0.4	6.0	1.6	1.7	1.0	2.1	0.5
2020	-2.7	-2.2	-4.2	2.2	-10.4	-6.2	-4.5	-7.6	-9.0
2021	6.5	5.8	2.8	8.4	8.7	6.0	3.5	6.8	8.3
2022	3.5	1.9	1.1	3.0	4.3	3.5	1.7	2.6	4.1
2023	3.2	2.5	1.7	5.2	0.1	0.5	-0.1	1.1	1.0
2024	3.2	2.5	-0.1	4.8	1.2	0.8	0.1	1.1	0.8
2025	3.2	1.7	1.1	4.2	1.9	1.5	1.3	0.8	1.0

Source: Macrobond, Investec Economics IMF

Key Official Interest rates (%, end quarter):

	US Fed funds	Eurozone refi rate	Eurozone deposit rate	UK Bank rate	Australia cash rate
Current	5.25-5.50	4.25	3.75	5.00	4.35
2024					
Q1	5.25-5.50	4.50	4.00	5.25	4.35
Q2	5.25-5.50	4.25	3.75	5.25	4.35
Q3	5.00-5.25	3.65	3.50	5.00	4.35
Q4	4.75-5.00	3.40	3.25	4.75	4.35
2025					
Q1	4.50-4.75	3.15	3.00	4.50	4.10
Q2	4.25-4.50	2.90	2.75	4.25	3.85
Q3	4.00-4.25	2.65	2.50	4.00	3.35
Q4	4.00-4.25	2.40	2.25	3.75	3.35

Source: Macrobond, Investec Economics

10-year government bond yields (%, end quarter):

	US	Germany	UK
Current	3.79	2.21	3.92
2024			
Q2	4.36	2.50	4.21
Q4	4.00	2.25	4.00
2025			
Q2	4.00	2.25	3.75
Q4	3.75	2.25	3.50

Source: Macrobond, Investec Economics

FX rates (end quarter/ annual averages)

		Current	2024				2025				2023	2024	2025
		21-Aug	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	average	average	average
Euro	€:$	1.112	1.08	1.07	1.09	1.10	1.11	1.13	1.15	1.15	1.08	1.09	1.13
Sterling	€:£	0.852	0.86	0.85	0.85	0.85	0.84	0.84	0.84	0.84	0.87	0.85	0.84
	(£:€)	1.174	1.17	1.18	1.17	1.18	1.19	1.19	1.19	1.19	1.15	1.17	1.19
	£:$	1.306	1.26	1.26	1.28	1.30	1.32	1.35	1.37	1.37	1.24	1.27	1.28
Yen	$	145.8	151	161	148	145	144	143	142	140	141	151	143
	€	162.1	163	172	161	160	160	162	163	161	152	164	161
	£	190.4	191	203	189	189	190	193	194	192	175	193	192
Aussie Dollar	$	0.674	0.65	0.67	0.66	0.65	0.66	0.67	0.68	0.69	0.66	0.66	0.67
	€:AUD	1.650	1.65	1.60	1.65	1.69	1.68	1.69	1.69	1.67	1.63	1.65	1.68
	¥	98.23	98.6	107.5	97.7	94.3	95.0	95.8	96.2	96.6	93.3	99.8	95.6
	£:AUD	1.938	1.94	1.89	1.94	2.00	2.00	2.01	2.01	1.99	1.87	1.93	2.01
Swiss Franc	€	0.949	0.98	0.96	0.95	0.96	0.97	0.98	0.99	1.00	0.97	0.96	0.98
	$	0.854	0.91	0.90	0.87	0.87	0.87	0.87	0.86	0.87	0.90	0.88	0.87
	£	1.115	1.14	1.14	1.12	1.13	1.15	1.17	1.18	1.19	1.12	1.13	1.17

Source: Macrobond, Investec Economics

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