Investec Economics

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Investec Bank plc (UK)

Global Economic Overview

28 January 2025

President Trump's first eight days (second time around)

Global

The inauguration of Donald Trump as the 47th president of the US has ushered in a new period of economic policy uncertainty, especially concerning tariffs. There is lots of noise over universal tariffs and perhaps their phased introduction, but although the US administration's exact plans are not yet clear, the direction of travel is obvious. For now we maintain our assumption of a 10% universal tariff, which we will revise as and when appropriate. We maintain our end-year 10y Treasury yield target of 5.0% and that the US dollar will see further near-term strength, although market rates will of course ebb and flow with the news on tariffs. Our global growth forecasts are 3.2% for this year and 3.1% for next, lacklustre compared with longer-term benchmarks but in the same territory as the IMF's recent updated projections.

United States

Mr Trump has been handed an economy that defied expectations in 2024, expanding at a robust pace, despite interest rates being in restrictive territory. But this has also coincided with inflation remaining stuck above the 2% target, increasing speculation that the Fed will pause or even reverse its easing cycle. Supporting this case further is the expectation by some – including us – that Mr Trump's policy agenda will on net be inflationary. As such we think that the Fed will deem it appropriate to pause its easing cycle after one cut this year, possibly in March, before resuming a gradual pace of interest rate reductions in early 2026. But this is based on a series of policy assumptions – including a 10% universal tariff and Fed independence – which could prove to be incorrect. For GDP, we look for 1.9% growth this year and 1.5% next. However, as White House policy evolves, so will our forecasts.

Eurozone

The Euro area looks to have recorded subdued growth in '24 (0.7%), with momentum weakening through H2. We expect that many of the headwinds that restrained growth last year will be present this year too, but with the added uncertainty stemming from White House trade policy. Our GDP forecasts are 1.1% for 2025 and 1.2% for 2026, but risks are clearly skewed to the downside. Consequently, we judge that the ECB will likely need to take policy into accommodative territory, our Q4-25 Deposit rate forecast standing at 1.50%. Taking such a path should be aided by some indications that wage growth is easing, reinforcing the ECB's view that the 2% inflation target will be sustainably met this year. As for the Euro, we remain bearish on its near-term prospects given weak fundamentals, a divergent monetary policy trajectory with the US as well as political and fiscal risks. As such we see €:$ hitting parity this quarter.

United Kingdom

UK economic activity has disappointed. It would not take much to tip into a technical recession, although the more accurate description is that output has flatlined since last spring. As a result, spare capacity has built up. Employer NICs rises look unlikely to trigger significant price hikes in this environment. That should make it easier for the Bank of England to look through a near-term rise in inflation and deliver more rate cuts than currently priced in, to 3.75% by end-'25 and 3.00% by end-'26. On our assumption of no material retaliation to the above US policy shifts we expect the UK economy to overcome weak momentum and headwinds from weaker US exports: investment looks set to benefit from planning reform and rate cuts, and consumption should benefit from rising real incomes. Our GDP growth forecasts are 0.8% for '25 and 1.7% for '26.

	2025	2026
GDP growth (%)		
Global	3.2	3.1
US	1.9	1.5
China	4.9	4.2
UK	0.8	1.7
EU20	1.1	1.2
Key official interest rates (%, end-year)		
US Fed funds	4.00-4.25	3.25-3.50
ECB Deposit rate	1.50	2.00
UK Bank rate	3.75	3.00
FX rates (end-year)		
€:$	1.03	1.10
€:£	0.82	0.85
£:$	1.25	1.30
$:¥	155	140
AUD:$	0.64	0.67
€:CHF	0.90	0.93

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

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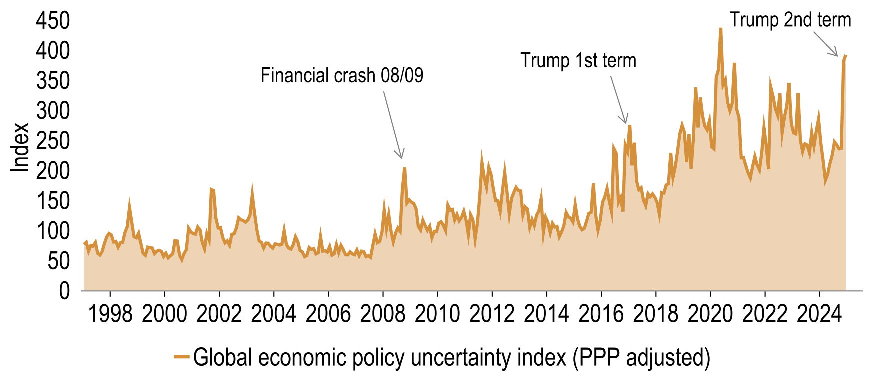
Global

The inauguration of Donald Trump as the 47th president of the US has ushered in a fresh era of economic uncertainty. According to the Global Economic Policy Uncertainty index, barring the pandemic, uncertainty over economic policy is the highest ever (Chart 1). At the forefront of questions posed by global financial markets has been what the new president has in store for tariff policy. This is not yet clear (see US section), but the theoretical impact of tariffs is well documented. Indeed academics have had enough time to mull this over, given that the first tariffs were imposed in 300 BC! Former US CEA* Chair Gregory Mankiw summarises that tariffs result in economic welfare gains for domestic producers and governments (via tariff collection), but these are outweighed by consumer losses, resulting in lower welfare overall.

Chart 1: Global economic policy uncertainty has been heightened since Trump's inauguration

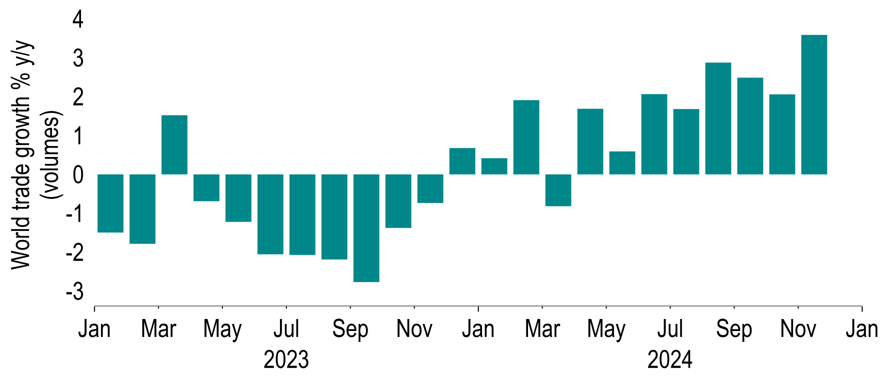


*Council of Economic Advisers

Source: Global Policy Uncertainty, Macrobond, Investec Economics

This of course spreads if the exporting countries that face tariffs take retaliatory action, either via raising tariffs themselves or using non-tariff boundaries such as quotas. Here world trade would decline and greater regionalisation appears in the global economy as economic efficiencies gained through countries' '*comparative advantage*' begin to fade. In 2024, world trade growth recovered from a lacklustre 2023 to show positive annual growth almost throughout the year (Chart 2), helping to ease fears of de-globalisation. Our baseline view is that although Trump is serious about imposing tariffs, his prime motivation for their use is a bargaining tool to achieve other ends and as a result the increases fail to match his worst threats (see US section), limiting the global economic damage.

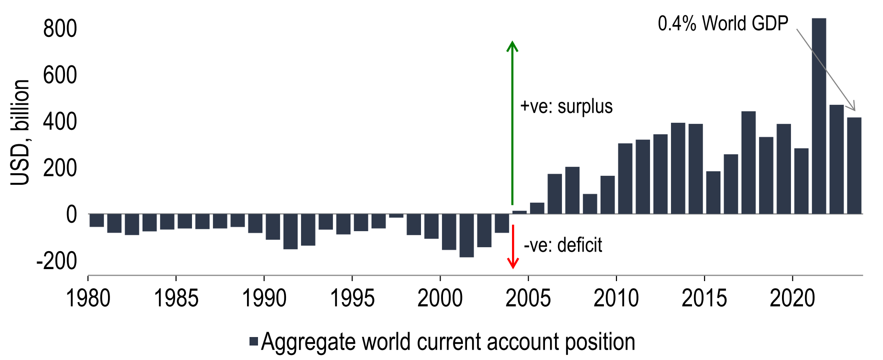
Chart 2: At a time when world trade had been recovering, tariff threats are a concern



Source: CBP, Macrobond, Investec Economics

Mr Trump's intentions to reduce incoming illegal migrants and the quantity of fentanyl crossing the US border has made frequent headlines. He has also made a point stating that he wants to take action against those economies that treat the US unfairly, which he often defines as those entities that run a trade surplus with America. As well as doubting the definition of unfair, we would also question the wisdom of putting too much faith in trade statistics. A few *Globals* ago we discussed how UK ONS data show Britain running a trade surplus with the US, but American data record it as a deficit. Similarly using IMF statistics, the world supposedly now runs a current account surplus with itself having run a deficit before 2004 (Chart 3)!

Chart 3: IMF trade data show the world runs a curr. account surplus with itself!!! Caveat emptor…

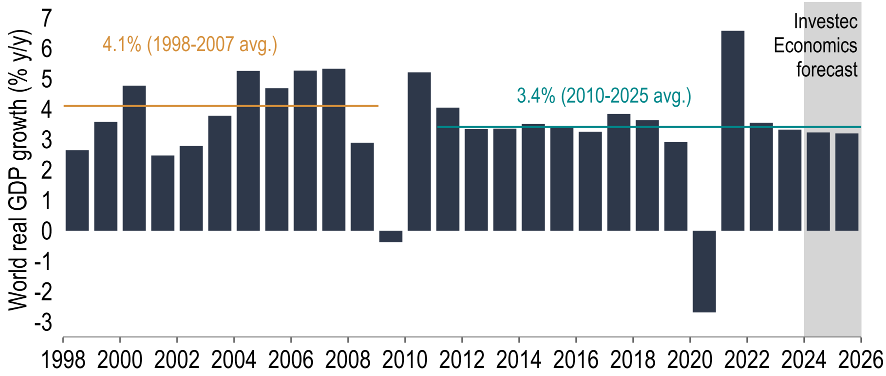


Source: IMF, Macrobond, Investec Economics

Investec

Where does this leave global growth? Our vision of the next couple of years has altered little in recent months. The estimated outturn for 2024 is that the world economy grew by 3.2%, with China just about ('conveniently') scraping its 5% growth target. For 2025 we expect global expansion of 3.2% (up a touch from 3.1% in November), thanks to upgrades to forecasts for China and the US, while our call for 2026 is 3.1%. But risks seem predominantly tilted to the downside. There is much commentary on how trend economic growth in the UK and other parts of Europe has deteriorated since the GFC, with little sign of growth kickstarting back to rates seen pre-2008. To an extent this could apply equally to the wider global economy, as Chart 4 illustrates.

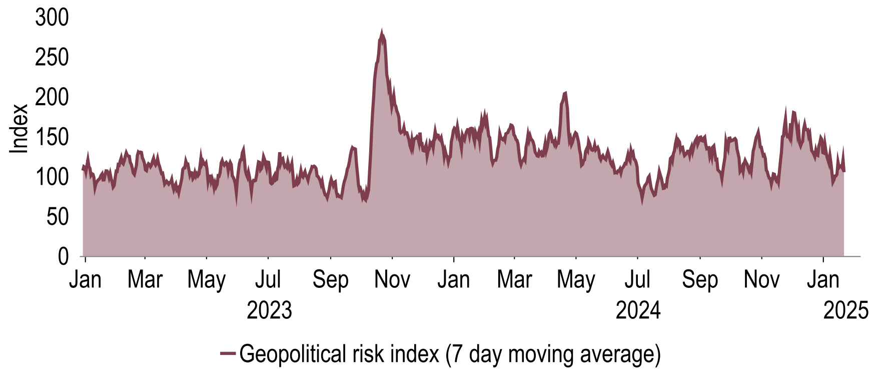
Chart 4: Global GDP growth has trended lower since the GFC



Source: IMF, Macrobond, Investec Economics

Tariffs aside, in terms of downside risks, we should consider geopolitical risks. Sadly these have been ever present for the past couple of of years, but the scope of possible trouble spots has widened out after comments from President Trump, who has spoken about reclaiming the Panama Canal and taking possession of Greenland. He has also asserted that Canada should become the 51st state of the USA, although at least he did rule out using military pressure to bring this about (there was no such dismissal with the other two). But on the other side, a ceasefire has taken place in Gaza, while Trump is putting considerable pressure on Vladimir Putin to strike a peace deal with Ukraine. Perhaps the best way to second guess the US President's intentions is to take him seriously, but not literally.

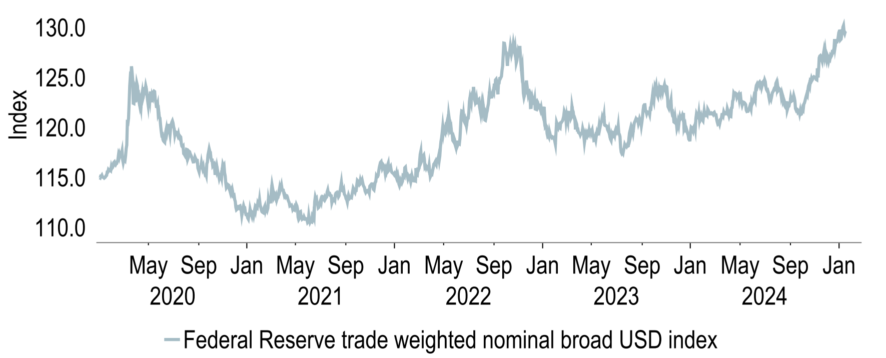
Chart 5: It is difficult to determine if geopolitical risk is higher since Trump took office



Source: Macrobond, Investec Economics

It is not surprising to see the dollar having performed well since Donald Trump's re-election – the Fed's broad, nominal trade weighted index (which we consider the best overall gauge of the greenback's performance) has appreciated by 3.7% since early November. For now however, other markets such as bond and short-term interest rates outside America, have remained more or less in lockstep with US trends. With US GDP growth remaining relatively robust and, in any case, much stronger than most European economies, we would expect a degree of decoupling in rate and bond markets. We also continue to see a degree of downside risk for the USD stemming from America's worsening fiscal metrics. But in terms of currency markets, at least, that is not currently the primary focus.

Chart 6: The dollar has been king in FX markets since Trump's election win

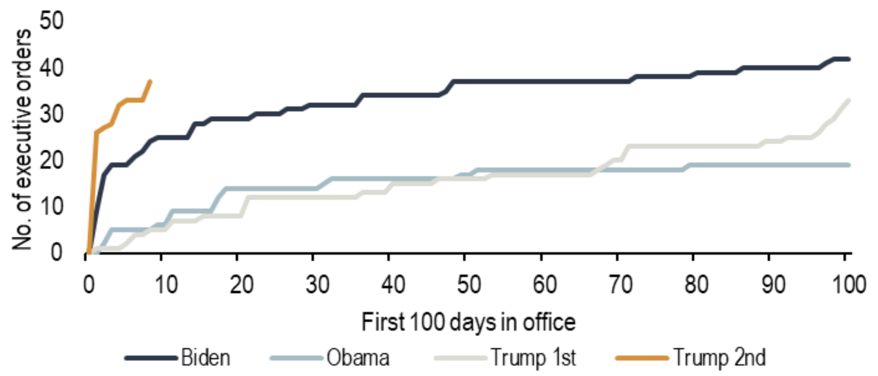


Source: Federal Reserve, Macrobond, Investec Economics

United States

After months of uncertainty over what Trump 2.0 may look like, speculation is turning into reality. Trump has promised that his second term will include 'the most extraordinary first hundred days of any president' and indeed by the end of inauguration day up to 200 executive orders, memoranda and proclamations were signed. As well as reversing 67 of Biden's executive orders, the sweep of announcements covered a range of policy areas, including declaring a border emergency, pulling the US out of the Paris Climate Accord and World Health Organisation, and pardoning nearly 1,600 January 6 rioters. However, not all executive orders are guaranteed to come into force, with Trump's attempt to end birthright citizenship being sued by 22 states.

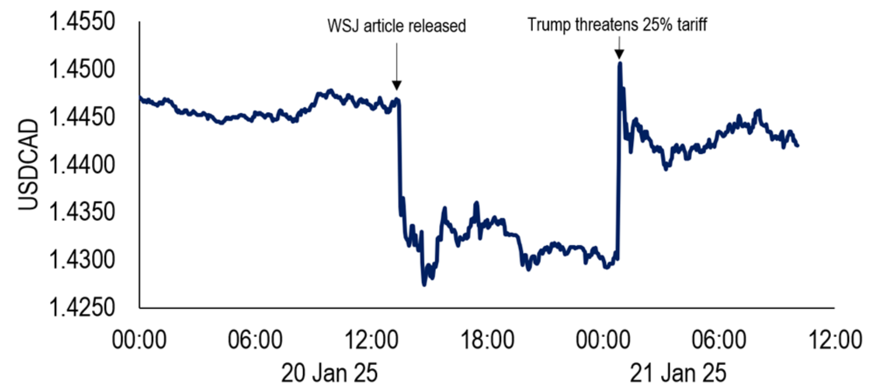
Chart 7: President Trump is not holding back in getting the job done



Source: The Economist, Investec Economics

One element of Trump's policy suite that was notably absent from his tsunami of day one executive orders regards trade policy. This was signalled by a WSJ article earlier that day, which led to speculation as to whether trade policy had drifted down the President's priority list, resulting in a bounce in the currencies of its key trading partners, such as CAD. However, this optimism was short-lived, with the President threatening to place a 25% tariff on Canada and Mexico from 1 February, resulting in the CAD giving back those gains around twelve hours later (Chart 8). This demonstrates the unpredictable nature of Trump policy and how all forecasts will have to be reactive to policy changes. For now, however, we continue to assume a 10% universal tariff.

Chart 8: The unpredictable nature of US policy means all forecasts are subject to change

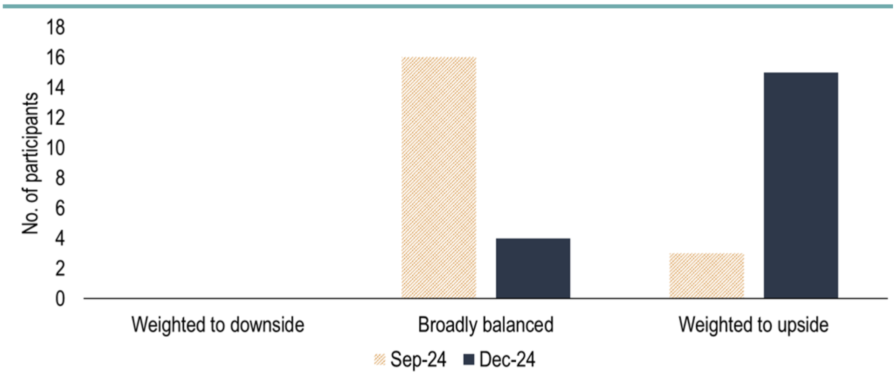


Times are in GMT

Source: Bloomberg, Investec Economics

This could of course turn out to be a simplified version of actual affairs; on top of Canadian and Mexican tariffs the President has suggested increases of up to 100% on China depending on the TikTok deal, while the EU could be reprieved from tariffs if they buy more energy from the US. In Trump's first week it seems as if tariffs could first be used as a punitive tool, to then broaden out thereafter. Ultimately we expect tariffs and Trump's wider policy agenda to be inflationary in the US, at least on first instance, as explained in our recent note. What the Fed thinks about Trump's agenda and the path for rates is less clear, however. Recent comments suggest disagreement on the Fed Gov. Waller for example has said 3/4 cuts this year could be appropriate, while Gov. Bowman has advocated a policy pause. Where there does seem to be an agreement is that inflation risks are skewed to the upside to forecasts.

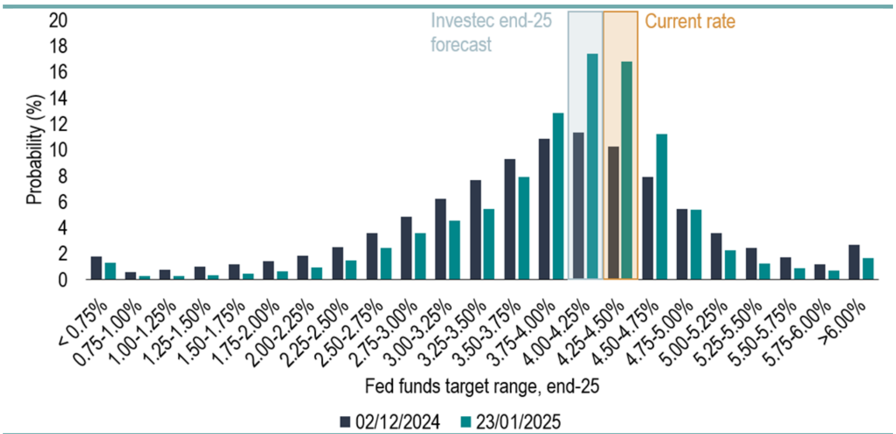
Chart 9: For the majority on the FOMC, inflation risks are weighted to the upside. Ours are too.



Source: Macrobond, Federal Reserve, Investec Economics

We think that the backdrop warrants just one cut this year, most likely in March, before policy easing resumes at a cautious pace in 2026. But it is possible that FOMC instead opts to hold rates at current levels for the year. Some traders are even pricing in the chance of a *hike* by end-year (Chart 10). Although this is not our base case, we would be hesitant to dismiss it. If Trump's policy agenda results in longer-lasting inflationary pressures, either through a trade war or sustained wage growth due to deportations, then the Fed might feel compelled to raise rates to offset this. Of course, this is all dependent on the Fed retaining independence. Recent comments by the President suggest that this is not guaranteed. How this potential institutional friction plays out over the coming years will be crucial for financial markets.

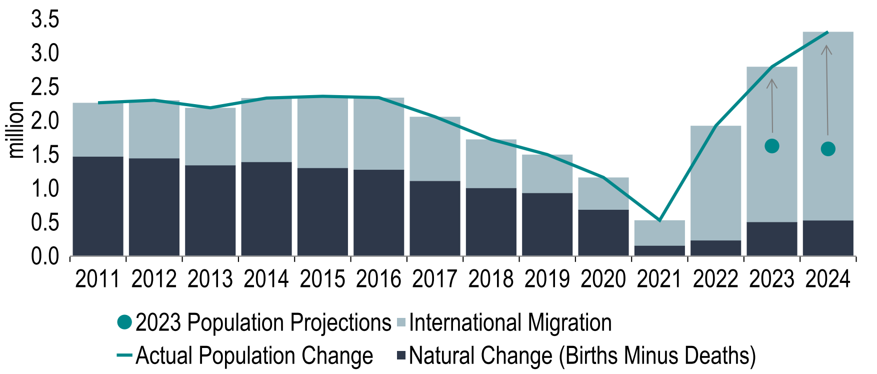
Chart 10: Debate is no longer over whether the Fed will cut, but also whether it might hike



Source: Atlanta Fed, Investec Economics

But taking a step back, with all the talk about what Trump 2.0 could look like, it is easy to disregard the state of the economy he is being handed and how this alone could impact Fed policy. The FOMC minutes from the Dec meeting for example noted the possibility that the disinflation process may have stalled. This is against a backdrop of a strong economy and improving labour market data. Indeed, the US economy has outperformed its partners in recent years. Part of that appears to be linked to generous fiscal stimulus, but also higher labour supply: population estimates have consistently been revised up. However, moving forward one of Mr Trump's key policy points is to reverse illegal immigration, and thus we expect labour supply growth to stall, if not reverse, acting as a drag on GDP growth.

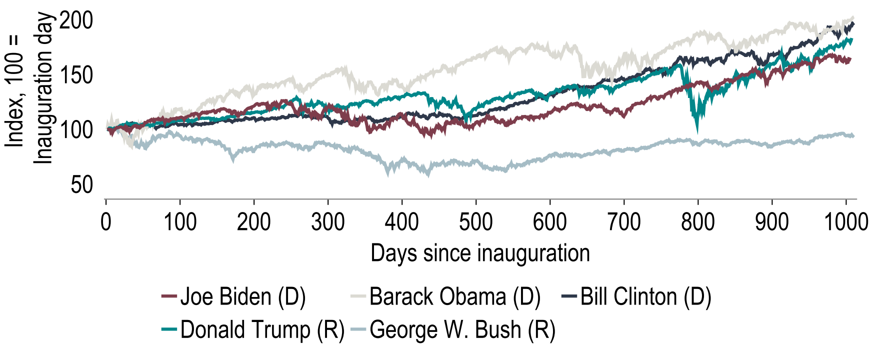
Chart 11: A larger US population could explain some of the US economy's recent strength



Source: Macrobond, US Census Bureau, Investec Economics

Our US GDP forecasts are for 1.9% this year (prior: 1.6%) and 1.5% next. There are various push and pulls on the economy that are factored into these forecasts. Supporting growth is the strong base (which accounts for our upward revision this year), Trump's tax cuts and a deregulation push. Weighing on growth are the proposed tariffs and deportations. On net, we think Trump's policies will be negative for the US economy and with it, weigh on the USD after a period of initial inflation led strength. One way we could be wrong is if Mr Trump boosts US productivity further, allowing him to deliver stronger GDP, higher equity market returns, and lower inflation, with fewer people. The US seems to have had a good recent record here, in contrast with other economies such as the UK.

Chart 12: S&P 500 total returns (i.e. including dividends) over first term of Presidency

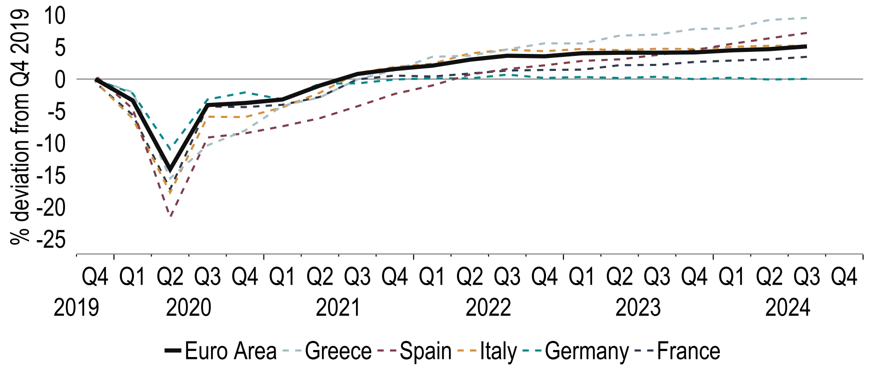


Source: Macrobond, S&P, Investec Economics

Eurozone

Signs of waning economic momentum were evident over the latter half of 2024, especially in Germany, where Q4 GDP contracted by 0.1%. Factors that restrained growth included the weakness in manufacturing and household spending, which are unlikely to have abated at the start of this year. The environment is likely to remain challenging for some time, not least due to the uncertainties surrounding US trade policies. Our baseline view continues to envisage modest Euro area growth. But performance is set to vary, with core countries such as Germany likely to continue their underperformance. We do not foresee recessions in the major EU20 countries, but aggressive tariff action from the US would represent a key risk for goods exporters such as Germany. Meanwhile the outperformance from Southern European countries such as Greece and Spain is likely to continue.

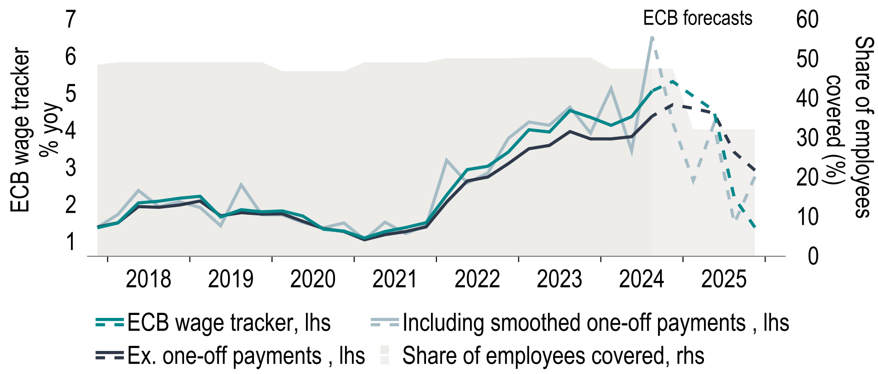
Chart 13: Southern European countries' GDP has outperformed the Euro area average



Source: Macrobond, Investec Economics

Against this backdrop the labour market has remained resilient, with unemployment holding at a record low (6.3%). However there are some signs of loosening conditions; for example, the vacancy rate has fallen 0.8%pts from its peak to 2.5% and the PMI employment component is at a joint four-year low. From the ECB's perspective its baseline projections envisage only a minor and short-lived rise in unemployment. Even so, the ECB's December projections signal expectations of easing wage growth: the forecast for Q4 '25 compensation per employee growth was revised down by 0.4%pts to 2.9%. This is further complemented by the indications coming from the ECB's wage tracker, with the forward-looking element also signalling an easing in wage pressures…

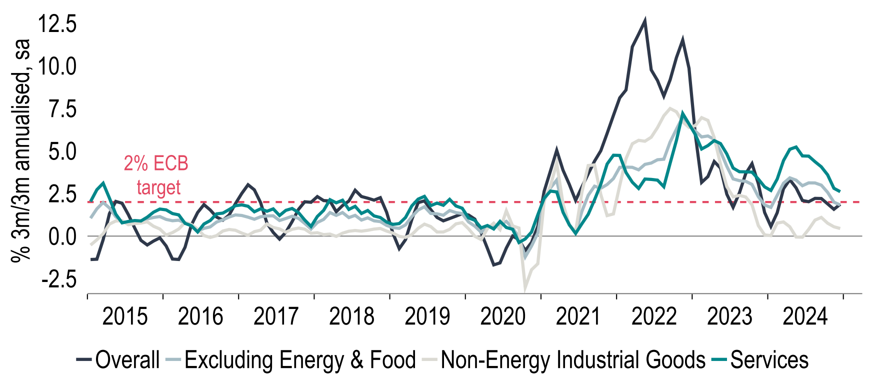
Chart 14: ECB wage tracker points to easing wage pressures over 2025



Source: Macrobond, Investec Economics

…through 2025 (Chart 14). This estimate needs to be taken with some caution given its coverage of active agreements falls to 32% of employees. Nonetheless directionally the signal is telling and should feed through into more modest services inflation, which to date has proven to be a stickier area of price pressures. Some comfort can also be taken from the ECB's preferred measure of inflation momentum# which has pointed to the possibility that price growth may be softening. That said inflation risks are two-sided at present. Some at the ECB have expressed concern over the risk of an inflation undershoot given downside growth risks. But that is countered by the potential upside risks were the policy actions of the US administration to trigger a trade war.

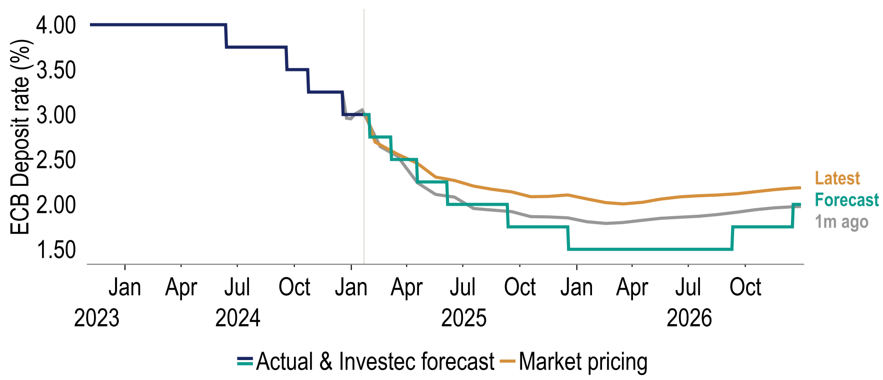
Chart 15: Inflation momentum hints at a possible softening of services price pressures



Uses the ECB calculated seasonally adjusted index, 3m/3m annualised Source: Macrobond, Investec Economics

Our baseline view is that the ECB will continue to ease policy over the course of this year. Indeed we suspect that the weak growth backdrop alongside the ECB's growing confidence that the 2% inflation target will be met, possibly as soon as mid-year, will allow for a more aggressive pace of interest rate reductions than the curve is currently pricing in. The strip is expecting c.100bps of easing this year, but we suspect that there are ripple effects from US markets distorting the curve upwards. Instead we predict that the ECB will opt for 150bps of cuts, taking the Deposit rate to 1.50% by end-2025, a level which we would deem to be stimulative. Beyond that we see policy remaining accommodative throughout H1 2026 before the Deposit rate being brought back up to 2.00% by the end of the year.

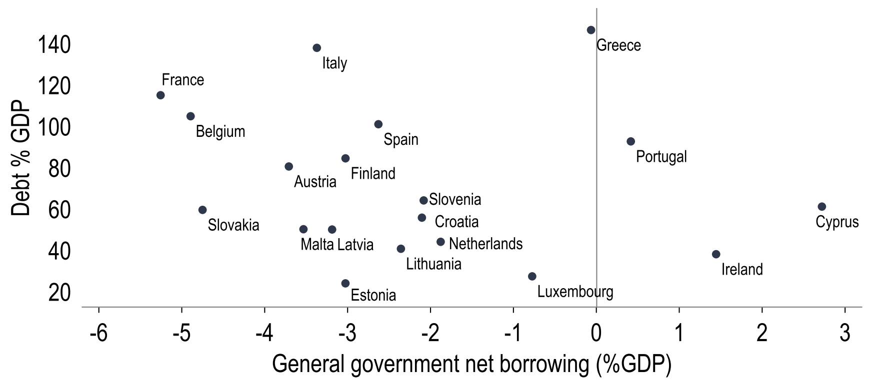
Chart 16: Weak growth and inflation's return to target may allow an accommodative ECB stance



Source: Macrobond, Investec Economics

This accommodative stance should support activity, and so we forecast the economy to grow by 1.1% this year and 1.2% in 2026. But this is subject to external downside risks from a trade war, which would likely have a pronounced impact on the EU20 given the openness of its economy. But there are internal risks too with politics, particularly in France an issue. The end of 2024 saw Michel Barnier ousted as PM and replaced with François Bayrou, who has already faced a no confidence vote. He survived, and whilst it is not impossible that he carries on at the head of a minority government – others such as Spain have managed such a feat in recent years – large challenges lie ahead. The 2025 Budget for example is yet to be agreed and with it difficult fiscal questions that need answering given France's estimated 5.3% deficit in 2025.

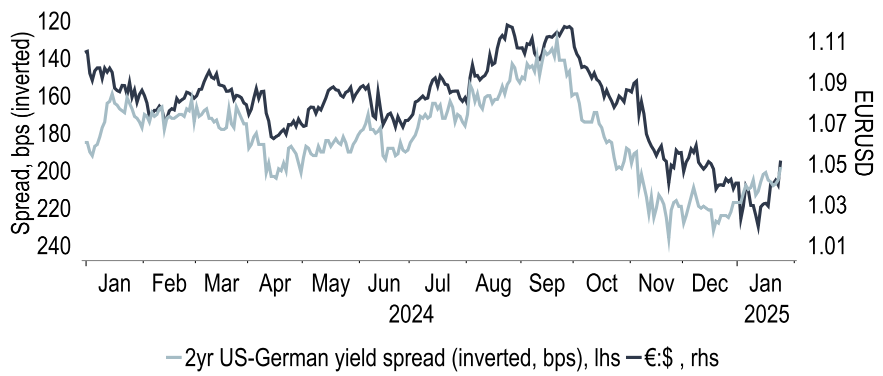
Chart 17: France faces difficult fiscal and political challenges (EC 2025 fiscal forecasts)



Source: Macrobond, European Commission, Investec Economics

France, as well as the other countries currently under EDP*, including Belgium and Italy, will need to tread a careful path this year given the bond market's increasing sensitivity to fiscal fragilities. Certainly, any further negative news on this front raises the risk of a repricing in Euro assets including the currency. In fact we see downside risks to €:$ from a number of directions, not just fiscal. This includes the relative growth outlook and diverging Fed-ECB policy. Aggressive tariff action from the US administration, if it were to materialise, would also likely hit the Euro. Politics remains a point of wider uncertainty too, not just in France, but also in Germany given elections next month (23-Feb). As such we maintain our view that €:$ will fall to parity this quarter and possibly below.

Chart 18: More aggressive ECB rate reductions are just one factor likely to undermine the EUR



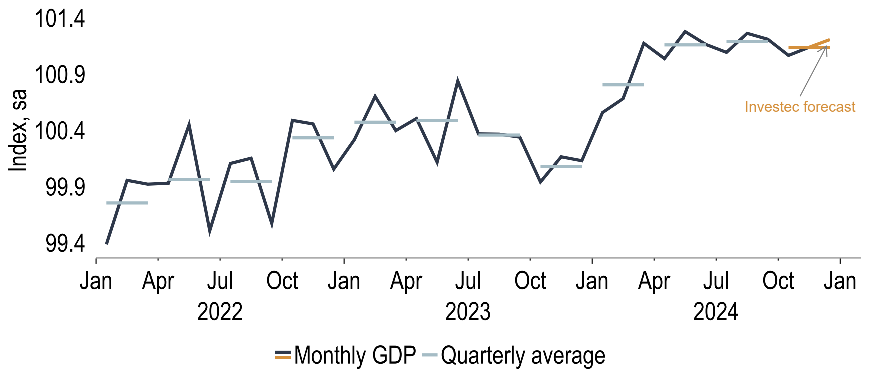
* EDP- Excessive Deficit Procedure

Source: Macrobond, Investec Economics

United Kingdom

Recent news on activity has disappointed. In fact, the economy has been perilously close to a technical recession: Q3 GDP growth was +0.03% q/q, and it would take only a minor downward revision to that to result in two consecutive negative quarters of GDP growth considering that we pencil in -0.1% for Q4. Still, that is splitting hairs. A better description of the trend in the latest vintage of data is that output has essentially flatlined since last spring (Chart 19). To 'nowcast' how the economy has performed since the end point of GDP data, economists often turn to surveys. These have trended down in recent months, and although they do have to be taken with a pinch of salt, official data coming through tell a similar story. In particular, the timely services PMI gives an…

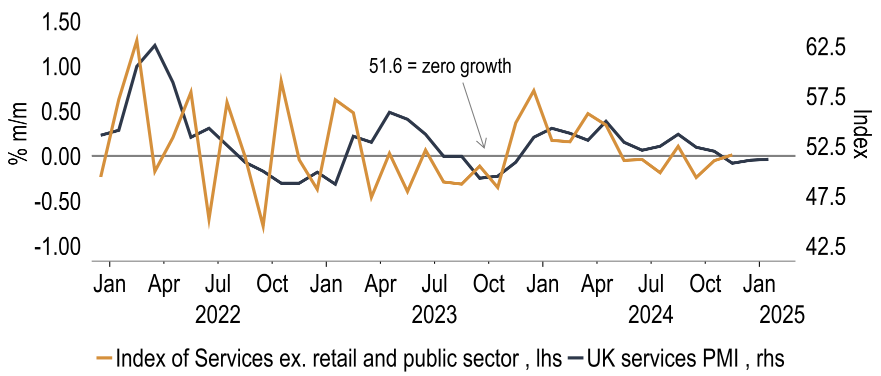
Chart 19: GDP has been flatlining since the spring of 2024



Source: ONS, Macrobond, Investec Economics

… indication of the direction of activity in the index of services* value-added. However, the 50 threshold which is meant to distinguish expansion from contraction is perhaps not to be taken at face value. On our analysis, a PMI level of 51.6 has recently been consistent with zero growth in the service sector. The current level of 51.1 thus suggests subdued activity. Indeed, weak momentum and some headwinds from exports to the US could keep GDP growth at just 0.8% in '25. But we see the foundation for a return to faster expansion as fairly solid. Rate cuts should help lower borrowing costs which, along with planning reforms starting to pay off, stands to boost investment. In addition, household real income gains ought to persist, unless joblessness rises unexpectedly sharply. Our '26 forecast is therefore for 1.7% growth.

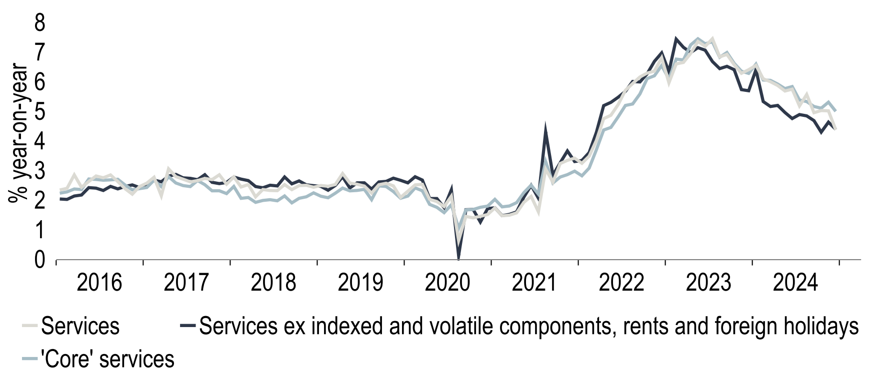
Chart 20: The PMIs give a (limited) indication of momentum in activity



*with retail and public sector stripped out to match the PMI definition Source: ONS, Macrobond, Investec Economics

Enabling more rate cuts is the inflation outlook. December's CPI data was encouraging: not only did total inflation slip to 2.5% y/y and so to the baseline case in the BoE's Nov *Monetary Policy Report* after two months of overshoots, but the services component fell steeply, by 0.6%pts to 4.4%. Partly this was on unusually small airfare rises that look likely to unwind in January's data. But the trend in 'core'* services and in the Bank's recently introduced measure of 'services ex-indexed & volatile components, rents and foreign holidays' is quite reassuring too (Chart 21). We think this will leave the MPC poised to look through a likely temporary rise in inflation in Q2/Q3 above 3% due to energy base effects and focus instead on the medium-term disinflationary impact of rising spare capacity that below-potential growth is bringing about.

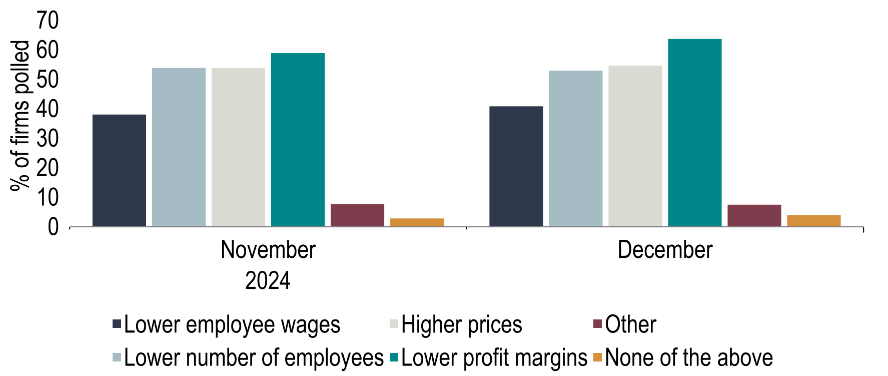
Chart 21: Services inflation, and various core services inflation measures, are easing



* Ex education, airfares & package holidays Source: ONS, Macrobond, Investec Economics

A key question is how firms will respond to the rise in employer National Insurance Contributions from April, where lower earnings thresholds stand to bite more than the higher NIC rate. (Yet with higher employment allowance relief, only half of firms are to be net losers.) Many firms seem to plan price rises, in addition to less hiring and slower wage growth (Chart 22). But amid stagnant demand, we see firms' pricing power as limited and so predict only minor price rises. With that, we expect CPI inflation to average 2.0% in '26. If the MPC's confidence in that sort of inflation outlook grows too, as we think it will, the need for restrictive policy diminishes. We predict four 25bp rate cuts this year, starting in February, and another three 25bp cuts in '26. That would leave the Bank rate at 3.75% at end-'25 and 3.00% at end-'26, so below current market pricing.

Chart 22: As per the DMP*, firms intend to respond to the employer NIC rise in a number of ways

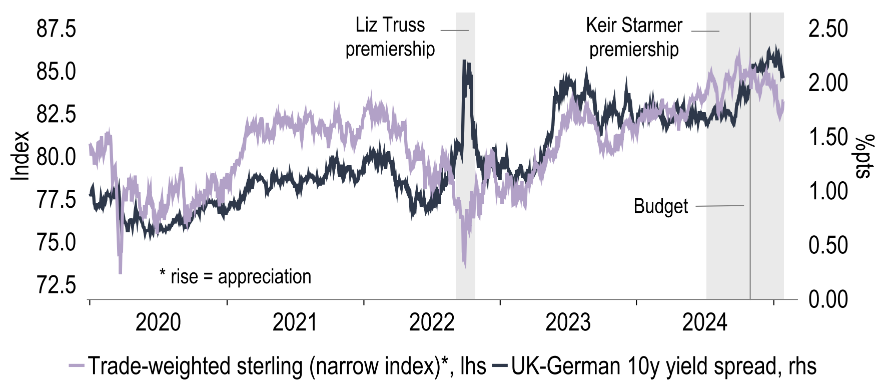


*Decision Maker Panel survey

Source: Bank of England, Macrobond, Investec Economics

The bigger headache is in bond markets. The trend rise in UK yields has exceeded that in many other countries. Not only are yields now higher than during the market turmoil triggered by the 2022 'mini'-Budget but 10y bond spreads against Germany recently exceeded those during that time too. Even more uncomfortably, this has coincided with a period of sterling weakening (Chart 23). This has prompted questions of whether a similar market meltdown may now be occurring. We doubt that. For one, a good part of the latest spread widening in fact preceded the Budget. But we note a pervasive sense of disappointment in the government's performance so far. Higher yields eating away at the little fiscal headroom that Reeves had kept in reserve is not helping.

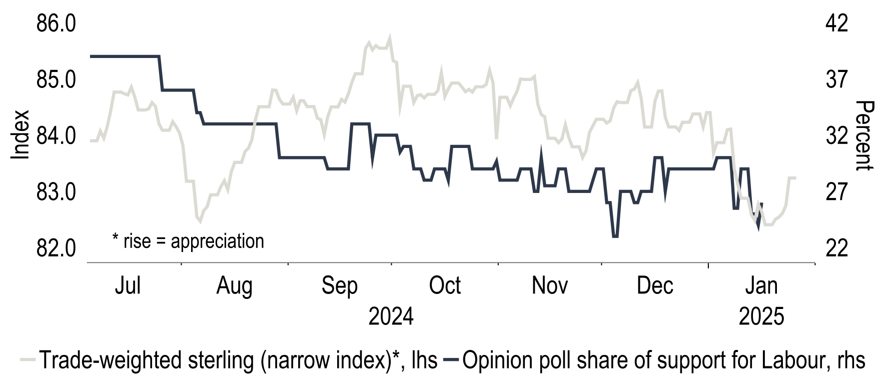
Chart 23: Market moves have been an uncomfortable mix, but they do not add up to a meltdown



Source: Bank of England, Macrobond, Investec Economics

Yet higher bond yields do not translate into higher government debt servicing payments immediately, and we note that recent DMO bond auctions have in fact gone fairly well. Calls to replace Rachel Reeves as Chancellor do seem very premature. We doubt her promise that the government would, if push came to shove, be willing to impose any required fiscal adjustment purely through spending cuts. But we suspect the message not to kill the golden goose through more tax rises on firms has been heard. If nerves in markets therefore ease over time as we expect, we see scope for a recovery in sterling. For end-'25 we pencil in GBPUSD at $1.25 and EURGBP at 82p, with corresponding end-'26 levels of $1.30 and 85p. Whether Labour's poll ratings also recover along with GBP remains to be seen (Chart 24).

Chart 24: We see scope for a rebound in GBP over time – will Labour's poll ratings also improve?



Source: Bank of England, Europe Elects, Macrobond, Investec Economics

Global Forecasts

GDP Growth (%)

	Global	US	Japan	China	UK	EU20	Germany	France	Italy
2020	-2.7	-2.2	-4.2	2.2	-10.3	-6.2	-4.5	-7.6	-9.0
2021	6.6	6.1	2.8	8.4	8.6	6.3	3.6	6.8	8.8
2022	3.6	2.5	0.9	3.0	4.8	3.6	1.4	2.6	4.8
2023	3.3	2.9	1.5	5.2	0.4	0.5	-0.1	1.1	0.8
2024	3.2	2.8	-0.2	5.0	0.7	0.7	-0.2	1.0	0.5
2025	3.2	1.9	1.1	4.9	0.8	1.1	0.5	0.6	0.6
2026	3.1	1.5	0.7	4.2	1.7	1.2	0.9	1.0	0.7

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	4.25-4.50	3.15	3.00	4.75	4.35
2025					
Q1	4.00-4.25	2.65	2.50	4.50	4.35
Q2	4.00-4.25	2.15	2.00	4.25	4.10
Q3	4.00-4.25	1.90	1.75	4.00	3.85
Q4	4.00-4.25	1.65	1.50	3.75	3.85
2026					
Q1	3.75-4.00	1.65	1.50	3.50	3.60
Q2	3.50-3.75	1.65	1.50	3.25	3.35
Q3	3.25-3.50	1.90	1.75	3.00	3.25
Q4	3.25-3.50	2.15	2.00	3.00	3.25

Source: Macrobond, Investec Economics

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

	US	Germany	UK
Current	4.57	2.55	4.60
2025			
Q2	4.75	2.25	4.50
Q4	5.00	2.00	4.50
2026			
Q2	4.75	2.25	4.25
Q4	4.50	2.25	4.00

Source: Macrobond, Investec Economics

FX rates (end quarter/ annual averages)

		Current	2025				2026				2024	2025	2026
		28-Jan	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	average	average	average
Euro	€:$	1.043	1.00	1.00	1.01	1.03	1.04	1.06	1.08	1.10	1.08	1.01	1.06
Sterling	€:£	0.839	0.83	0.83	0.83	0.82	0.83	0.84	0.84	0.85	0.85	0.83	0.84
	(£:€)	1.193	1.20	1.20	1.21	1.21	1.20	1.19	1.19	1.18	1.18	1.20	1.19
	£:$	1.244	1.20	1.20	1.22	1.25	1.25	1.26	1.28	1.30	1.28	1.22	1.27
Yen	$	155.4	155	160	160	155	150	145	145	140	151	158	147
	€	162.0	155	160	162	160	156	154	157	154	164	160	156
	£	193.2	186	192	195	194	188	183	186	182	194	192	186
Aussie Dollar	$	0.625	0.62	0.62	0.63	0.64	0.65	0.66	0.67	0.67	0.66	0.63	0.66
	€:AUD	1.669	1.61	1.61	1.60	1.61	1.60	1.61	1.61	1.64	1.64	1.62	1.61
	¥	97.05	96.1	99.2	100.8	99.2	97.5	95.7	97.2	93.8	99.9	98.6	96.7
	£:AUD	1.991	1.94	1.94	1.94	1.95	1.92	1.91	1.91	1.94	1.94	1.95	1.92
Swiss Franc	€	0.945	0.90	0.90	0.90	0.90	0.91	0.91	0.92	0.93	0.95	0.91	0.91
	$	0.906	0.90	0.90	0.89	0.87	0.88	0.86	0.85	0.85	0.88	0.90	0.86
	£	1.127	1.08	1.08	1.09	1.09	1.09	1.08	1.09	1.10	1.13	1.09	1.09

Source: Macrobond, Investec Economics

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