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Pressestelle

DZ BANK Research – Outlook for 2025: Trump drives up US inflation / tariff shock deals heavy blow to German economy / Fed maintains restrictive monetary course – ECB resumes expansionary policy / DAX at 21,500 points despite fluctuations

Stormier waters lie ahead for the global economy. The main factor here is US President-elect Donald Trump, whose protectionist measures will hamper trade. The export-driven German economy will be particularly hard hit. DZ BANK analysts expect growth of only 0.3 per cent in 2025. The experts are much more positive about the US, particularly in the short-term, predicting GDP growth of 2.2 per cent in 2025. However, inflation could surge from the middle of next year, partly because trade tariffs will make American imports more expensive. The US central bank will therefore maintain a restrictive course, which will drive up bond yields. There should be some positive surprises in the stock market under these conditions. Analysts predict 21,500 points for the DAX and 6,900 points for the S&P 500 – once again growth rates of more than ten per cent. However, the growth is again likely to be driven by a few positive sectors and companies.

The USA will continue to strongly outperform the Eurozone. Since the end of the Covid pandemic, the USA has been reporting growth rates in excess of two per cent – much stronger than in most countries on this side of the Atlantic. In the third quarter alone, US GDP increased by 2.8 per cent compared to the previous quarter.

US economic boom thanks to Trump, but possibly short-lived

The USA should continue to grow strongly in the first half of 2025 under the new government. Initial election concessions shortly after Trump takes office, such as tax cuts on tips, are likely to stimulate consumption. The prospect of a further cut in corporate tax rates, deregulation measures and likely tariff increases will also make investment in the world's largest economy attractive. "However, the growth could be short-lived. Trade tariffs usually lead to retaliatory action. This will drive up inflation and unsettle consumers", says Chief Economist Michael Holstein. DZ BANK Research therefore expects inflation to rise sharply from the middle of next year. Analysts are forecasting an inflation rate of 2.8 per cent and GDP growth of 2.2 per cent, in each case over the full year.

Inflation, which will also be driven up by expansionary fiscal policy, will alarm the US central bank. After two interest rate cuts in September and November, analysts expect another two reductions of 100 basis points – but ending with a base rate of 3.75 per cent next year. Monetary policy will thus remain restrictive.

Tariffs weigh on large Euro countries – only Spain relatively unaffected
The Eurozone is struggling with growth – the last time the one per cent threshold was crossed was in 2022. After probable GDP growth of 0.6 per cent this year, the DZ BANK economists expect growth of 0.9 per cent in 2025. Those countries which are dependent on global exports will feel the most pain. As well as Germany, these include Italy, which sends nearly eleven per cent of its imports to the USA. Conversely, Spain, already a star performer this year with a growth rate of nearly three per cent, and which is more heavily dependent on European rather than transatlantic trade, could achieve growth of 1.8 per cent. Analysts expect a Eurozone inflation rate of 2.2 per cent, which is close to the ECB’s target.

Trade barriers, leadership crisis, structural problems – Germany at a standstill
Michael Holstein explains that “Germany has already been experiencing structural problems for several years. The situation will soon be aggravated by new tariffs imposed by our most important trading partner, and Germany does not have a functioning government. We expect a combination of these factors to result in growth of only 0.3 per cent”. However: due to anticipatory effects, analysts still expect modest growth in the first two quarters. “From the second half, when the tariff shock will be felt, economic output will fall sharply” according to Holstein. Since Germany faces the potential risk of political gridlock lasting for months, analysts expect less investment and a delay in the revival of private consumption. “However, if a new government takes office in the summer, it could prevent anything worse. Investment funds could then be released”, says the Chief Economist. According to Holstein, a new government should provide rapid relief for companies in terms of fiscal and bureaucratic red tape. An adjustment of the welfare state will also be needed to kickstart the economy.

Diverging interest rate policy weakens the Euro
The ECB and the Federal Reserve have both cut interest rates again recently. However, interest rate policy on the two sides of the Atlantic is likely to diverge significantly from now on: “The announced tariff increases do not augur well for a long-term easing of US monetary policy. Conversely, the inflation trend in the Eurozone is slightly less pronounced, partly due to meagre growth, giving the ECB more scope to relax interest rates”, explains Christoph Kutt, Head of Fixed Income Research. Analysts forecast a deposit rate of 1.75 per cent in Europe over the year. According to Kutt, “The ECB is therefore moving back into expansionary territory”. The stronger growth in the USA and the Fed’s necessarily restrictive monetary policy are likely to boost the US dollar, leaving the Euro in the shade. The experts anticipate euro-dollar parity as early as mid-2025.

Five per cent yield on ten-year US Treasuries – yield curve normalising

The era of the inverse yield curve will end in 2025. Over the year, long government bonds will then lose more yield than their short-term counterparts. DZ BANK Research expects a five per cent yield on ten-year US Treasuries at the end of 2025. The three-month reference interest rate in the USA should then be just over four per cent. Based on weak economic growth in Germany and a more expansionary ECB policy, analysts expect a ten-year Bund yield of 2.75% at the same time. In general, German government securities could become less attractive to investors. Christoph Kutt stresses that "The end of reinvestment under the PEPP programme means there is no longer any shortage of bonds. Given the major challenges – from crumbling infrastructure to defence – many market participants are even worried about a flood of government bonds".

Like the global economy, the trend in corporate bonds will also be heavily dependent on US policy in 2025. Kutt says that "Companies which are incorporated in the USA or which are exempt from tariffs due to their unique characteristics are likely to be safer than firms with a strong focus on China. The situation will have to be monitored very carefully". According to the experts, investment grade securities will achieve yields of up to three per cent next year.

Banks, industry and Big Tech: US stocks will benefit from Trump

Apart from Bitcoin, gold is the only established asset class which has outperformed stocks this year. The S&P 500 has risen by more than 20 per cent since January – while the DAX has gained around 15 per cent in value. Sören Hettler, Head of Investment Strategy and Private Clients, expects many indices to continue to achieve double-digit growth rates next year. "The profit expectations of large companies are reasonable despite the mediocre economic outlook. Growth in earnings per share in the S&P 500 is expected to exceed ten per cent per year by 2026", says Hettler.

The so-called "Trump Trade" will play a crucial role here. This is based on the assumption that the return of the Republicans to the White House will lead to deregulation of climate protection and the financial industry. Lower taxes and import duty will also play a key role. "Listed companies may benefit from the new orientation of the White House. This will also apply in 2025 to traditional energy and financial stocks as well as the defence sector" explains Sören Hettler. On the other hand, companies in the renewable energies sector could face problems. The outlook is also gloomier for US companies which are very heavily dependent on imported input products.

The financial market expert does not believe that Big Tech will be reined in or even dismantled by Donald Trump: "These companies are too important." In fact, the megatrend of Artificial Intelligence is likely to create further upward potential. "The products and services of US American tech giants are in demand worldwide and are now virtually indispensable for the everyday needs of consumers. AI leads to even greater efficiency and lower costs", says Hettler.

Despite new tariff barriers, European stocks will also gain ground in 2025. "On the one hand, DAX companies generate around 30 per cent of their sales in the USA and could benefit from lower taxes. European companies could also benefit if Chinese products become even more expensive, thus boosting the market shares of competitors from the European Union. The USA is unlikely to be able to replace all imports from its own production" explains the analyst. He sees potential for European banks as a result of steeper yield curves and because hedging transactions should grow in response to the volatile economy. The large insurance companies have also proved very robust. Industrial companies which are directly or indirectly dependent on the defence sector could also see growing demand for their products.

DZ BANK forecasts

GDP growth Germany[1]	**0.3 %**
GDP growth EMU[1]	**0.9 %**
Inflation Germany[1]	**2.3 %**
Inflation Eurozone[1]	**2.2 %**
Oil[2]	**USD 75/barrel (Brent)**
Gold[2]	**USD 3,100/ounce**
ECB main refinancing rate[2]	**1.90 %**
ECB deposit rate[2]	**1.75 %**
USA key interest rates (Fed Funds Target Rate)[2]	**3.75 %**
Exchange rate USD/EUR[2]	**1.0**
DAX[2]	**21,500 points**
EURO STOXX 50[2]	**5,200 points**
S&P 500	**6,900 points**

[1]Changes compared to previous year; [2] Points forecast for end of 2025

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