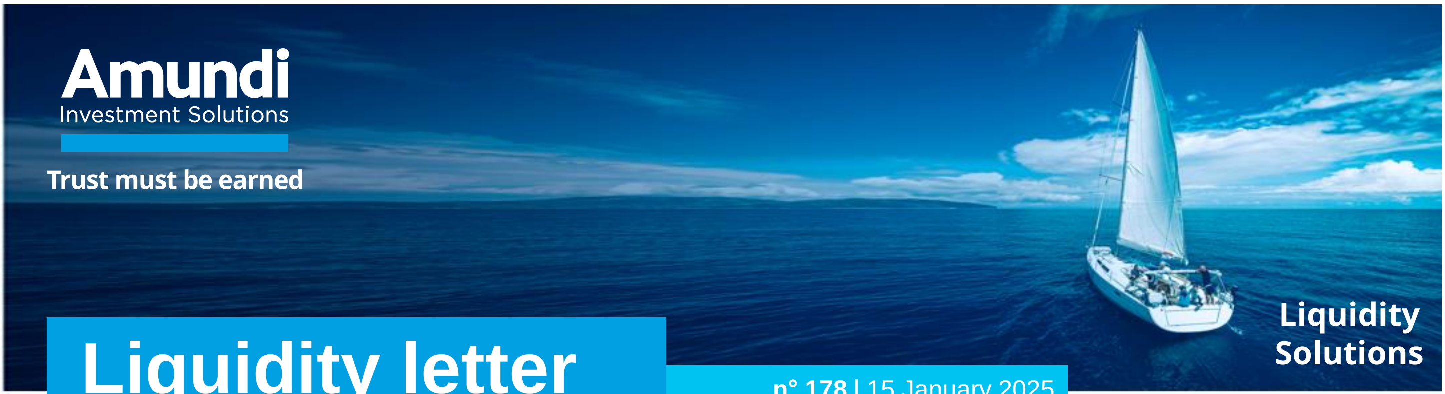



# Liquidity letter

n° 178 I 15 January 2025

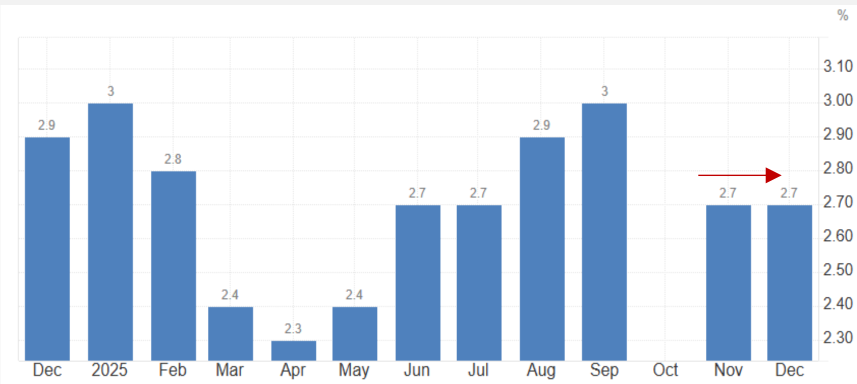
# Inflation stabilizes in the United States

## Markets are expecting two more rate cuts for the Fed

### In the euro zone, inflation is considered to be at a good level

- **US inflation** Annual inflation in the US remained stable at 2.7% in December 2025, with an easing of energy pressures; Annual core inflation is at 2.6%, its lowest since 2021 and below expectations.
- **FED** according to Tom Barkin (Richmond Fed), companies are gradually passing on tariff increases, maintaining inflationary pressure. Inflation figures are encouraging but remain above target, with unemployment rising slightly.
- **Louis de Guindos** Eurozone inflation "remains at a good level" and is expected to stabilise at around 2% over the medium term, with strong wage growth pushing the core but expected to slow, while domestic demand (investment and public spending) will support activity despite global uncertainty.
- **Bank of England** Alan Taylor believes that trade divergence, with China reorienting its exports in the face of US tariffs, is easing British inflation to 3.2%, which is expected to fall to 2% by mid-2026 and remain below thanks to slowing wages.

### Inflation developments in the United States




Source: US Bureau of Labor Statistics 18/12/25

The annual inflation rate in the United States remained at 2.7% in December 2025, the same level as in November and in line with market expectations. Price pressures eased markedly in the energy sector, where prices rose at a much slower pace on lower gasoline prices while natural gas prices rose more sharply.
At the same time, the annualised core inflation rate was unchanged at 2.6%, its lowest level since 2021, below expectations of a rise of 2.7%. On a monthly basis, the CPI edged up 0.3%, in line with forecasts. The core rate was 0.2%, below expectations of 0.3%.

## Figure of the week

**2,7%**

This is the inflation rate in the US at the end of December

## Luis de Guindos

European Central Bank Vice President Luis de Guindos said inflation in the euro zone "remains at a good level," even as global uncertainty weighs on the economy.

"Our latest assessment confirms that inflation is expected to stabilise at the 2% target over the medium term," Guindos said in a speech in Madrid on Wednesday.

According to Mr. Guindos, "strong wage growth continues to push core inflation higher. However, more forward-looking indicators point to a slowdown in wage growth in the coming quarters, before stabilizing towards the end of 2026.

Economic activity has shown resilience. Given the difficult context for global trade, domestic demand is considered to be the main driver of growth in the coming quarters.
Business investment and substantial public spending on infrastructure and defence should increasingly support the economy."

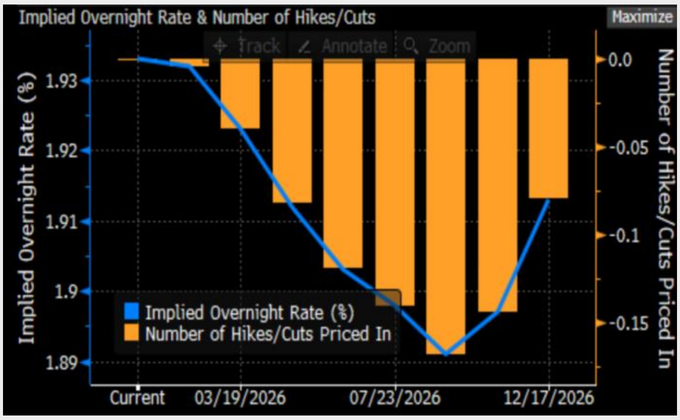
## T.Barkin (FED): Tariffs continue to exert inflationary pressure

Businesses continue to pass on tariff-related price increases to consumers, according to Richmond Fed President Tom Barkin.
"Those whose margins are still under pressure still have the priority of passing on these increases. Many do this gradually so as not to elicit a negative reaction from customers. So I think there is still some pressure on costs, and therefore inflationary pressure going forward.
We have received the level of inflation this week. I would say that it is encouraging but certainly a little lower than people expected.
It is still difficult for me to base myself on a single report and believe that we have reached perfection. Inflation is above our target, but does not seem to be accelerating.

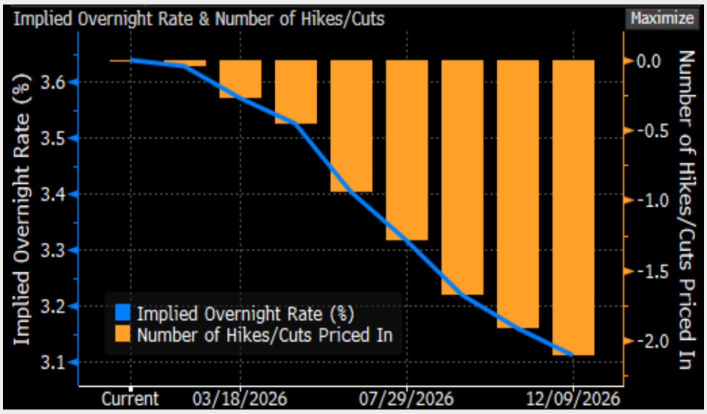
Unemployment has risen slightly, but it does not seem to be out of control. Countries with independent central banks perform better economically. And the reason is quite simple. »

> *Inflation in the euro area remains at a good level*
>
> *Luis de Guindos, January 14, 2025*

**ECB**




**FED**




Source: Bloomberg 15/01/25

Depending on market expectations for the evolution of interest rates in the euro area, the monetary policy easing cycle may have ended with a deposit rate at 2% after reaching a maximum of 4%.

These forecasts, which have remained stable for several weeks, have been confirmed during several public interventions by various members of the European Central Bank.

However, given the ECB's data-dependent approach, future data available to the central bank could change this scenario.

On the US side, the Fed's monetary policy easing cycle is not yet over.

Markets are pricing in at least two more rate cuts by September 2026, which would mean a terminal rate below 3.2% for the central bank by September 2026.

The first of these two cuts is expected at the Federal Reserve's meeting in June, while the second could come in September.


### THE GERMAN ECONOMY IS EXPERIENCING ITS FIRST GROWTH SINCE 2022

Germany's economy has seen its first year of growth since 2022, thanks to a wave of government spending that has helped the country overcome its long-running industrial crisis.
GDP grew by 0.2% in 2025 after two consecutive annual contractions.
The fourth quarter saw a similar increase.
Europe's largest economy has been rocked in recent years by an energy crisis, restricted access to key productive factors and the disruption to global trade caused by President Donald Trump, all of which have hit its industrial heartland particularly hard.
While it is hoped that Chancellor Friedrich Merz's plan to invest hundreds of millions of euros in strengthening the army and modernising dilapidated infrastructure can trigger a recovery, questions remain about the sustainability of such a recovery.

## Taylor (BoE) advocates a rate cut

Alan Taylor, a member of the Bank of England's monetary policy committee, said there were signs of a "significant trade divergence" that was driving down inflation in the UK, as new data confirmed that China was shifting its exports to the rest of the world in response to U.S. President Donald Trump's trade war.

Taylor said that UK inflation, currently at 3.2%, is on track to fall to the 2% target by mid-2026 and remain there sustainably, given the slowdown in wage growth.

In a speech in Singapore on Wednesday, Taylor argued that price pressures in the U.K. were easing as punitive U.S. tariffs on Chinese goods forced Beijing to seek other markets.

He said this was one of the factors behind his judgement that "UK inflation would end up being lower than our central projection".

Alan Taylor, BoE

***"I think we are seeing signs of a substantial diversion of trade to the UK and also to the EU, our largest trading partner, the latter of which is most clearly evident in some of the policy measures taken in response to the sharp increase in imports in certain sectors."***

## News

**United Kingdom** | Annualized GDP at the end of November rises to 1.4% above forecasts. It was at 1.1% the previous month

**Italy** | Industrial production is back on the rise increase at the end of November (+1.5%) above the expectations (+0.5%)

## Agenda

**20 January** l Publication of the index rate ZEW on economic sentiment in Germany

**23 January** l Interest rate decision Bank of Japan

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