Rothschild & Co
Asset Management

Monthly Macro Insights — December 2025

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Despite geopolitical tensions and trade frictions, GDP growth in 2025 proved surprisingly resilient, slowing only slightly compared to 2024. However, vulnerabilities remain, as several factors that have supported the global economy thus far may prove to be temporary.

Factors supporting global activity in 2025

Firstly, front-loading of trade and investment played an important role. Anticipating tariff increases, companies accelerated imports at the beginning of the year. This surge temporarily boosted industrial production and trade volumes, mitigating the impact of protectionist measures and providing a vital buffer during the first half of 2025[1].

Secondly, the boom in investment in artificial intelligence (AI) has emerged as a powerful driver of growth. Spending on AI infrastructure – from data centres to semiconductor manufacturing – has accounted for a significant share of US GDP growth and has helped to sustain activity in Asia and Europe. Asian technology exporters benefited from strong demand for advanced chips, while European cloud service providers attracted increased capital inflows. The United States already accounted for 43% of global installed data centre capacity in 2024, compared with 25% in China and 16% in Europe[2]. The recent surge in investment in data centres in the United States is likely due in part to the increased deployment of AI technologies. This wave of investment has not only supported growth, but has also fuelled optimism about the long-term productivity gains associated with AI. In addition, strong stock market momentum – driven largely by gains in the

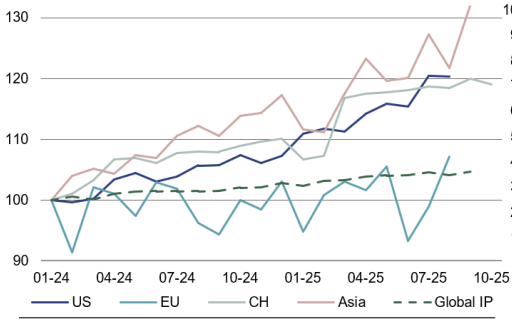
technology sector – has generated positive wealth effects for high-income households, supporting private consumption.

Thirdly, easing financial conditions globally provided support. Although policy rates remained restrictive in many countries, most central banks further loosened monetary policy this year. Limited market volatility, strong equity performance, tight credit spreads and relatively low bond yields have facilitated corporate borrowing and investment. Combined with strong household finances, these factors have supported domestic demand despite some weakness in property markets.

Finally, expansionary fiscal policies provided additional support to activity. For example, China's government programme to repurchase durable goods from households was a significant contributor, helping to offset weaknesses in other parts of the economy.

World - Industrial prod. computer & electronics

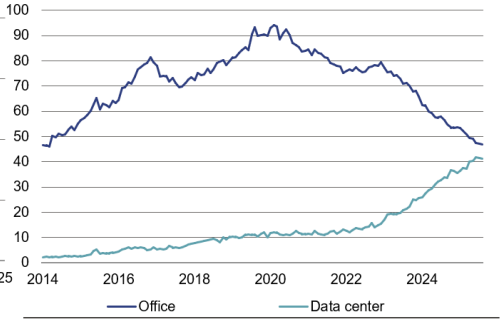
index, Jan. 2024 = 100



Source OECD, Rothschild & Co AM, December 2025

United States - Construction spending

in billion USD



Source OECD, Rothschild & Co AM, December 2025

Vulnerabilities are emerging

Despite this momentum, part of the resilience of growth masks underlying fragilities. Labour demand has shown further signs of moderation this year. Unemployment rates have risen in most advanced economies – although they remain historically low – while the number of job vacancies per unemployed person has generally continued to decline and is now below its 2019 average.

Concerns about an 'AI bubble' are also growing. Although AI is a transformative force, its rapid development poses significant risks, particularly to financial stability. Investor enthusiasm has driven the sector's price-to-earnings ratios to historically high levels, raising fears of asset bubbles. Never before has so much capital been deployed so quickly into a technology that, despite its potential, has yet to prove itself as a stable source of profit. Therefore, if earnings expectations fail to materialise, a correction in AI-related share prices could trigger broader market volatility given the sector's substantial weighting in major indices. With the financialisation of the economy having increased significantly since the early 2000s, the impact of a fall in stock prices today could prove to be much more severe than during the dot-com bubble.

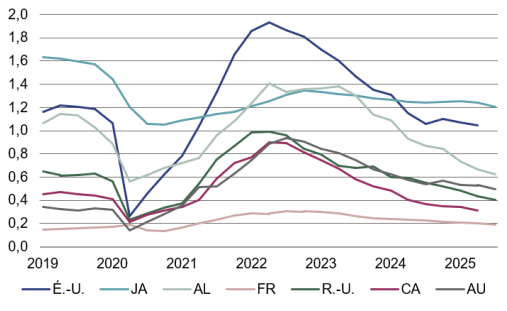
At the same time, the impact of the tariff hike on the US economy has not yet been fully

felt. Indeed, there were lags between the announcement and the imposition of higher tariffs, while companies relied on inventories and large profit margins to absorb the initial shock. The observed average monthly (ex-post) tariff rate – calculated by dividing customs revenue by the value of merchandise imports – has risen sharply but remains below the estimated effective rate, which should imply an increase in tariff collection in the coming months. That said, the decline in U.S. imports of tariffed goods relative to non-tariffed goods suggests that tariffs are weighing on demand and will continue to dampen trade volumes as announced measures take full effect.

Overall, trade uncertainty remains a major risk. Persistently high US tariffs and a potential escalation in trade tensions could undermine global trade flows and investment. Falling export prices for Chinese goods could intensify competitive pressures on European and Asian manufacturers, eroding margins and slowing industrial production.

Monde - Offres d'emploi par chômeur

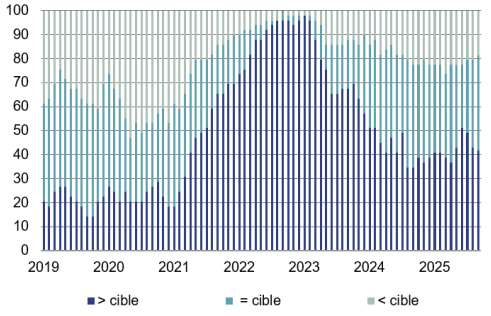
en %



Source : OCDE, Rothschild & Co AM, novembre 2025

Monde - Taux d'inflation par rapport aux cibles

en % du total des pays



Source : OCDE, Rothschild & Co AM, novembre 2025

The dilemma facing central banks

Recent progress in disinflation has been limited as goods inflation has picked up and services inflation remains persistent in many economies. Specifically, a growing proportion of countries now have inflation above their target (or above the top of their target range) compared to the end of 2024, while inflation expectations have risen in some economies.

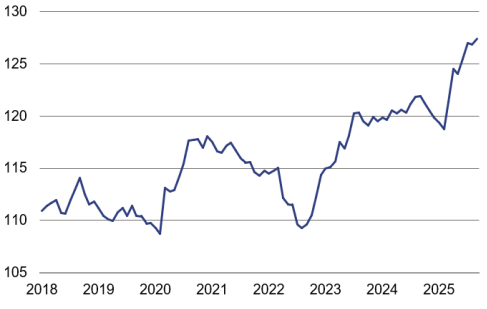
The Fed and the ECB are navigating contrasting but equally complex political landscapes. For the Fed, the challenge is to strike a balance between persistent inflationary pressures and signs of a slowdown in the labour market. Recently, core inflation in the United States has hovered around 3%[2], fuelled in part by tariff-related cost increases and resilient services inflation. While investors anticipate further rate cuts following recent reductions, FOMC[3] members remain divided. Too aggressive rate cuts risk reigniting inflation, while maintaining the status quo could intensify labour market fragilities and weaken confidence. Furthermore, the recent government shutdown has exacerbated uncertainty by limiting access to reliable data, forcing the Fed to operate blindly.

The ECB faces a different dilemma: inflation in the eurozone has broadly converged

towards its 2% target, allowing for a series of rate cuts to a more neutral level to support growth in the face of external headwinds and fiscal uncertainty. On the one hand, underlying price pressures – particularly in services – remain stubborn, favouring the current status quo. On the other hand, disinflationary forces stemming from the appreciation of the euro and increased competition from Chinese imports could exert downward pressure on industrial commodity prices, fuelling hopes of further interest rate cuts. Furthermore, the growth outlook is fragile, hampered by external shocks, sluggish investment and delayed fiscal stimulus measures, particularly from Germany. That said, November's rise in the PMI[4] offers a glimmer of optimism for the outlook for 2026.

Eurozone - Effective exchange rate

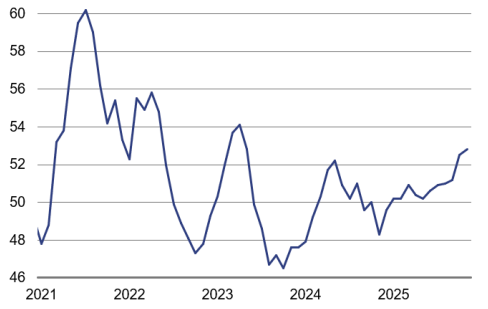
nominal index, 42 countries



Source : Macrobond, Rothschild & Co AM, December 2025

Eurozone - Business confidence

S&P Global composite index



Source : Macrobond, Rothschild & Co AM, December 2025

Performance of the indices and interest rate levels

	Price as of 28/11/2025	1 month % change	2025 % change
Equity markets			
CAC 40	8 123	0.0%	10.1%
Euro Stoxx 50	5 668	0.1%	15.8%
S&P 500	6 849	0.1%	16.4%
Nikkei 225	50 254	-4.1%	26.0%
Currencies			
EUR/USD	1.16	0.5%	12.0%
EUR/JPY	181.16	2.0%	11.3%

Interest rates	Level as of 28/11/2025	1 month change bp(1)	2025 change bp(1)
3 month			
Eurozone	2.03%	-1	-71
United States	3.80%	-1	-52
10 years			
Eurozone	2.69%	6	32
United States	4.01%	-6	-56

(1) Basis point.
Source: Bloomberg. data as of 30/11/2025. Performances in local currency.
Past performance is not a reliable indicator of future performance and is not constant over time. Index's performance is calculated on the basis of net dividend reinvested

Completed on 4 December 2025.

Bekijk dit document op onze website

[1] Strategy of anticipating orders or investments ahead of a period of uncertainty or change in commercial policy.
[2] Source: OECD, November 2025.
[3] Federal Open Market Committee: Fed body responsible for controlling open market operations in the United States.
[4] Purchasing Managers' Index: an indicator reflecting the confidence of purchasing managers in a sector of activity. Above 50, it indicates expansion in activity; below 50, contraction.

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(1) Bron: Rothschild & Co Asset Management, 31/07/2026.

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