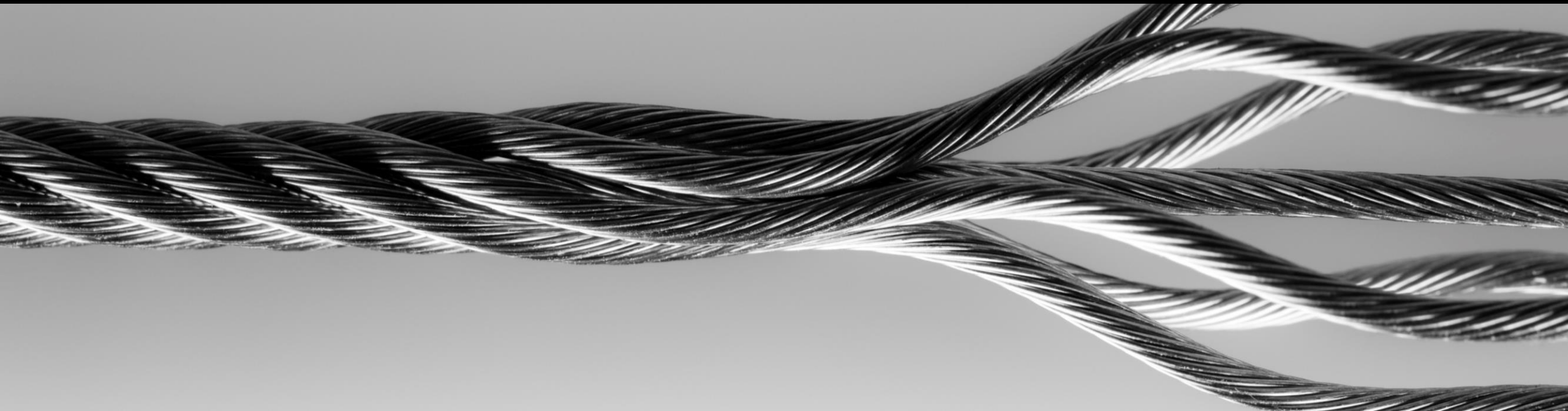


Outlook 2025

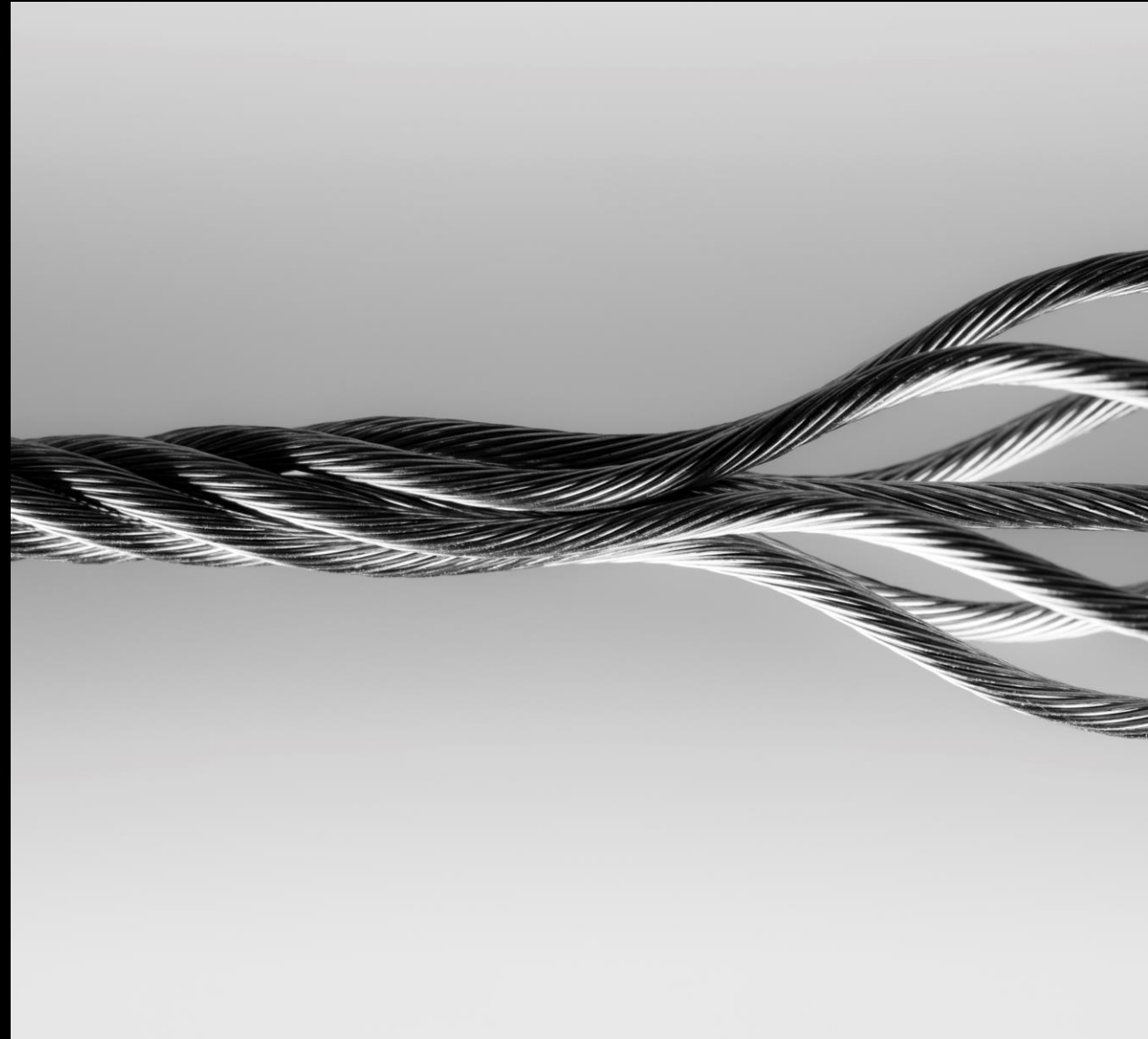
Power plays

Global Insight

April 2025

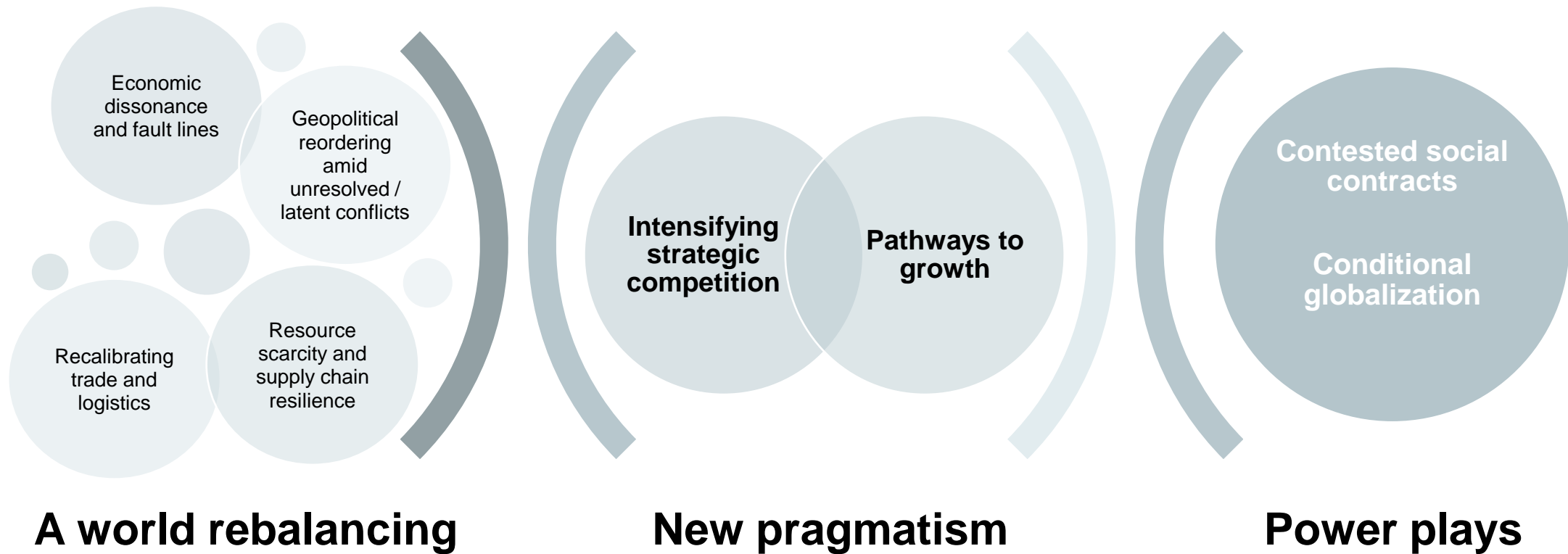


Navigating Power Plays



2025 Global Outlook

Shaped by power plays as actors operate with a renewed pragmatism in pursuit of strategic advantages and greater influence in a world rebalancing



2025 Global Outlook

Cross-cutting challenges will not develop in isolation, instead they will influence and amplify one another

Economic angst

- Fiscal fragility
- Monetary policy limitations
- Next-level growth
- Economic X factors

Trade troubles

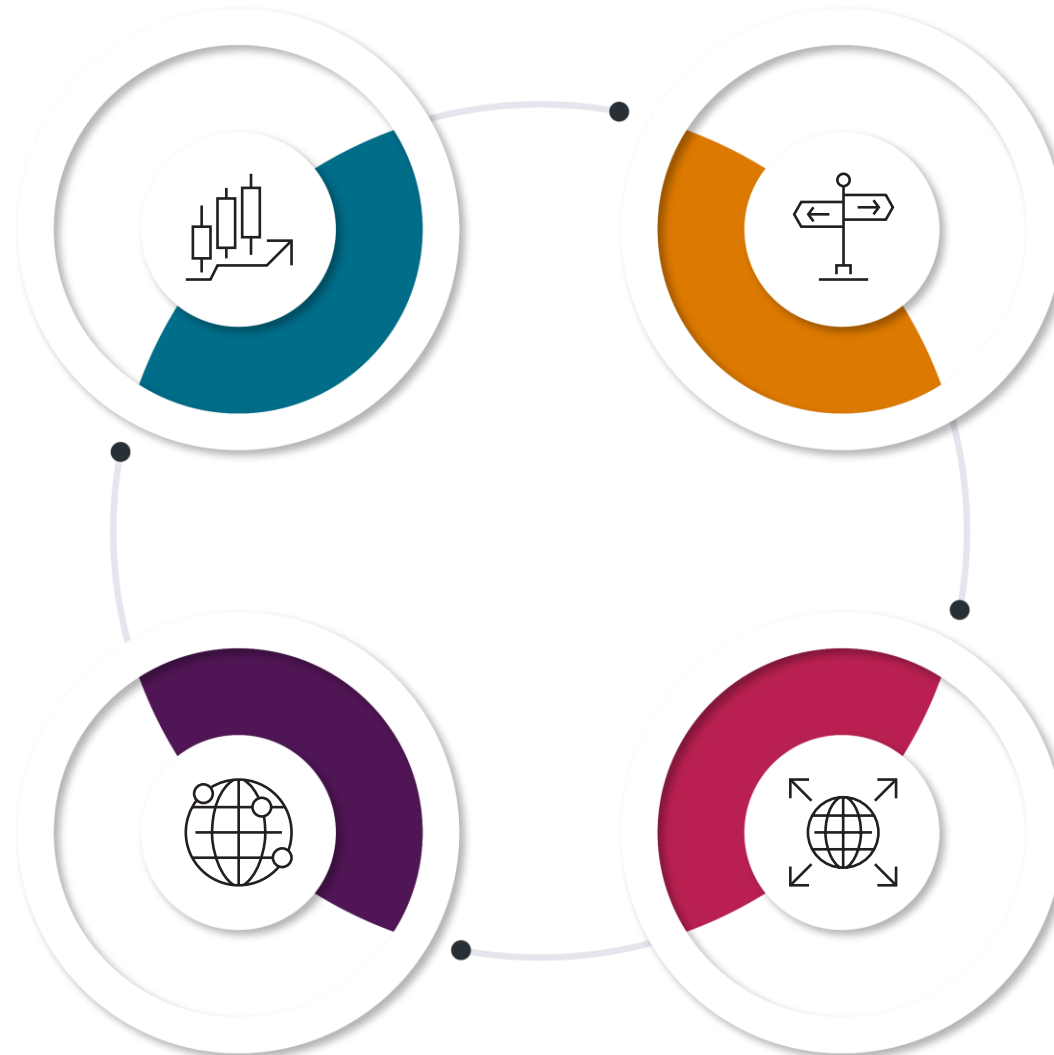
- Supply chain reconfiguration
- Protectionism on the rise
- Manufacturing reallocation
- Supplying the energy transition

Domestic discontent

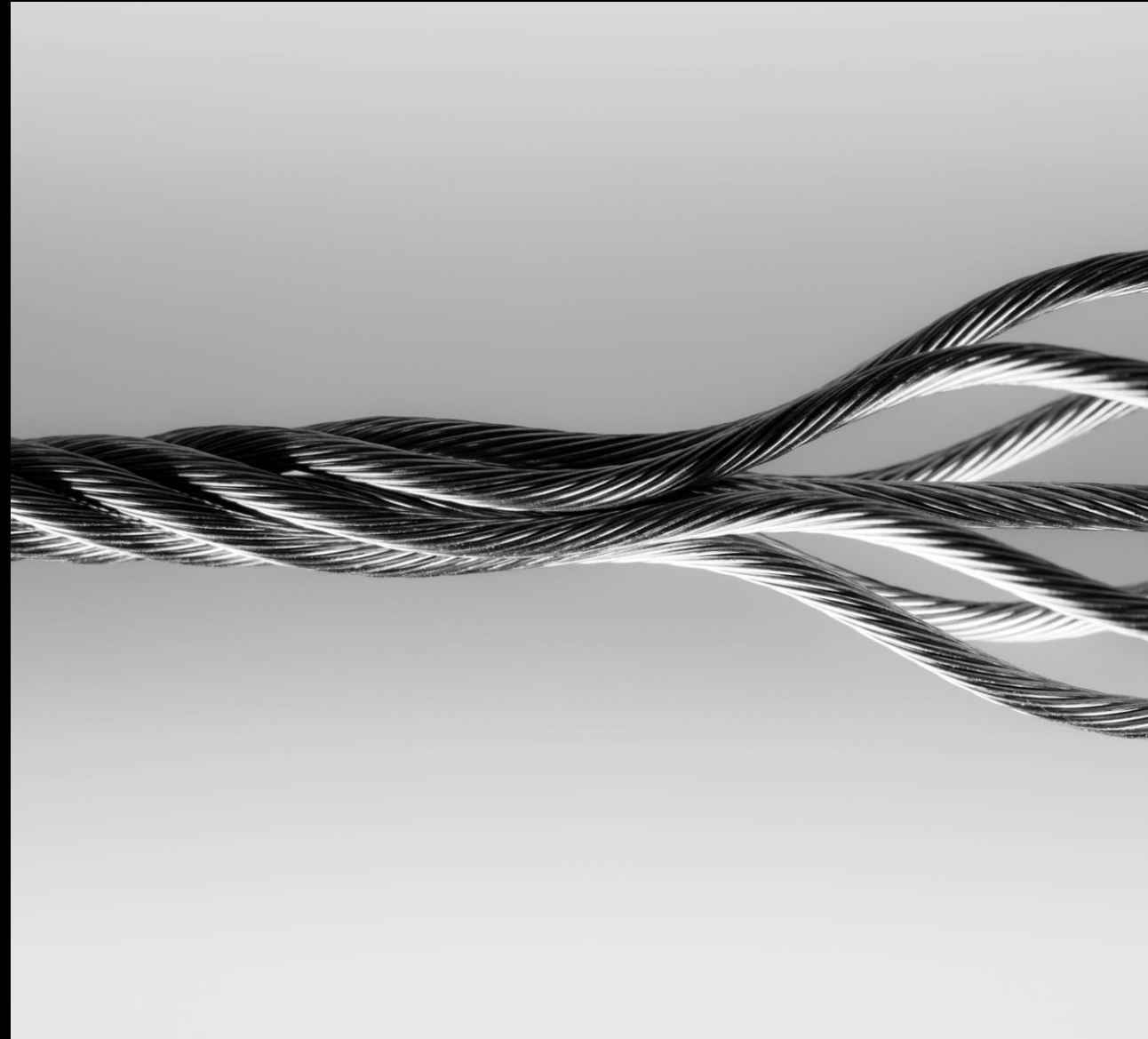
- Shaky coalitions
- 2025 elections
- Social unrest
- Labor relations

Elusive alliances

- Dual-use relationships
- Flexible and fluid dynamics
- Global insecurity
- Economic nationalism



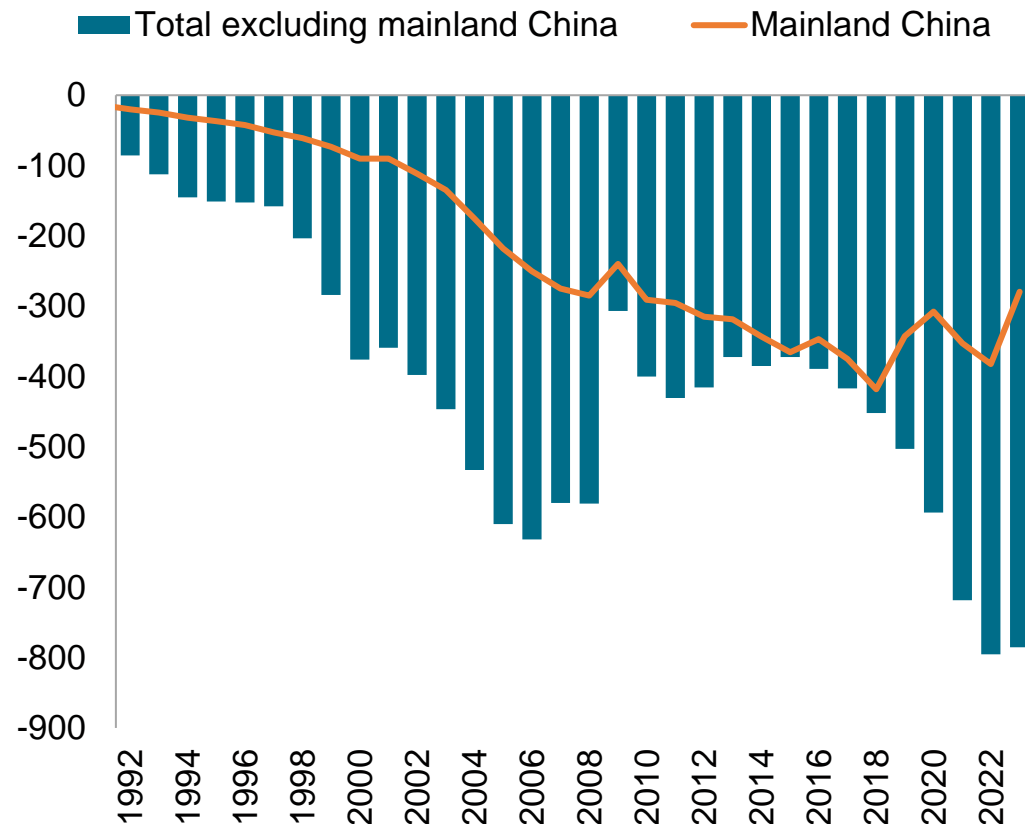
Trade Troubles



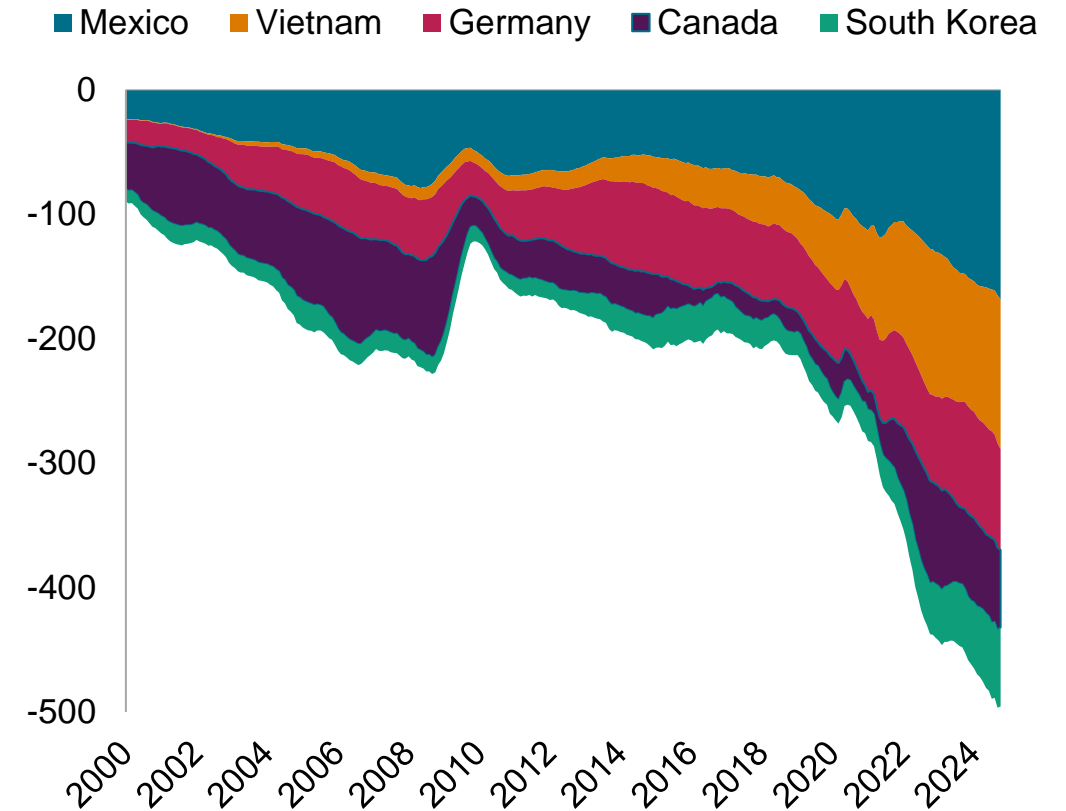
Signs of reshoring? Change in composition of US trade deficits since 2018

US deficit with mainland China has fallen since 2018, but deficits with other key trading partners have risen.

US trade balances (US\$B, annual)



US trade balances (US\$B, 12-month rolling sum)

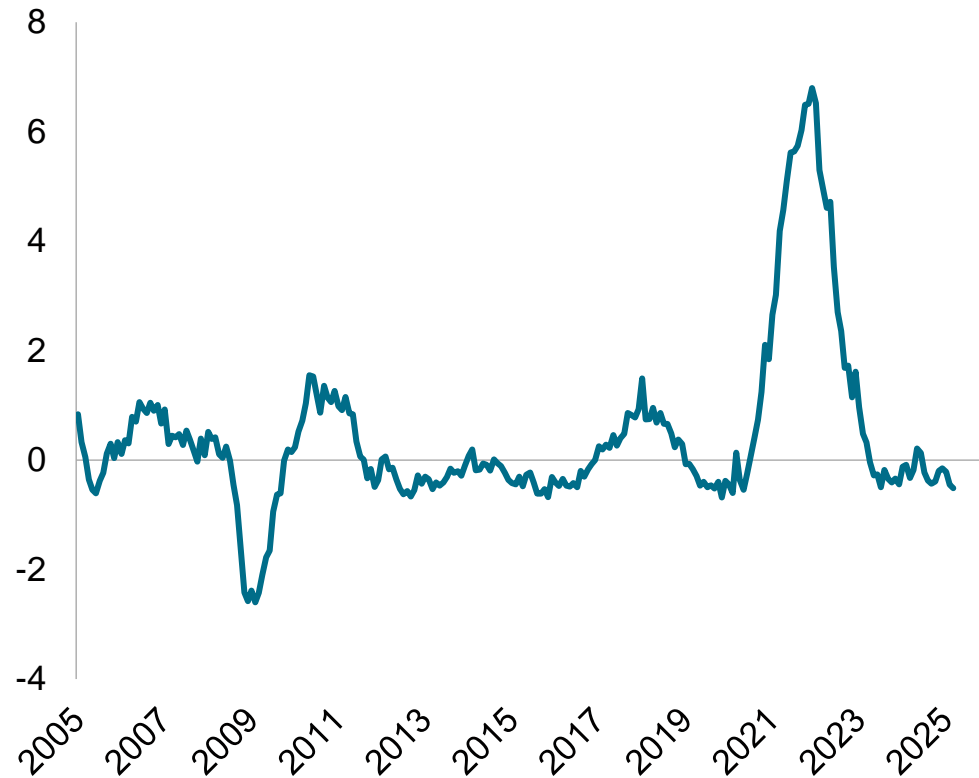


As of March 2025.
Source: IMF.

Goods price pressures evident, despite supply chain stability to date

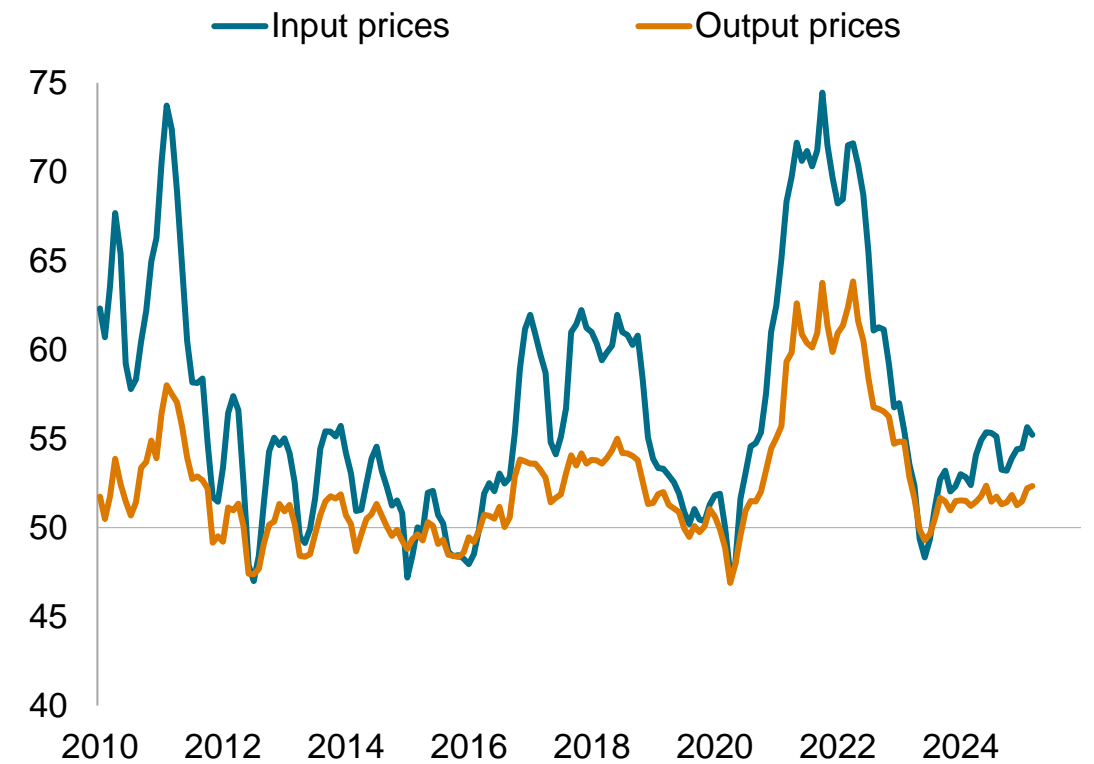
No signs of disruption to supply chains yet

Global supply chain volatility index



Pricing surveys for goods picking up

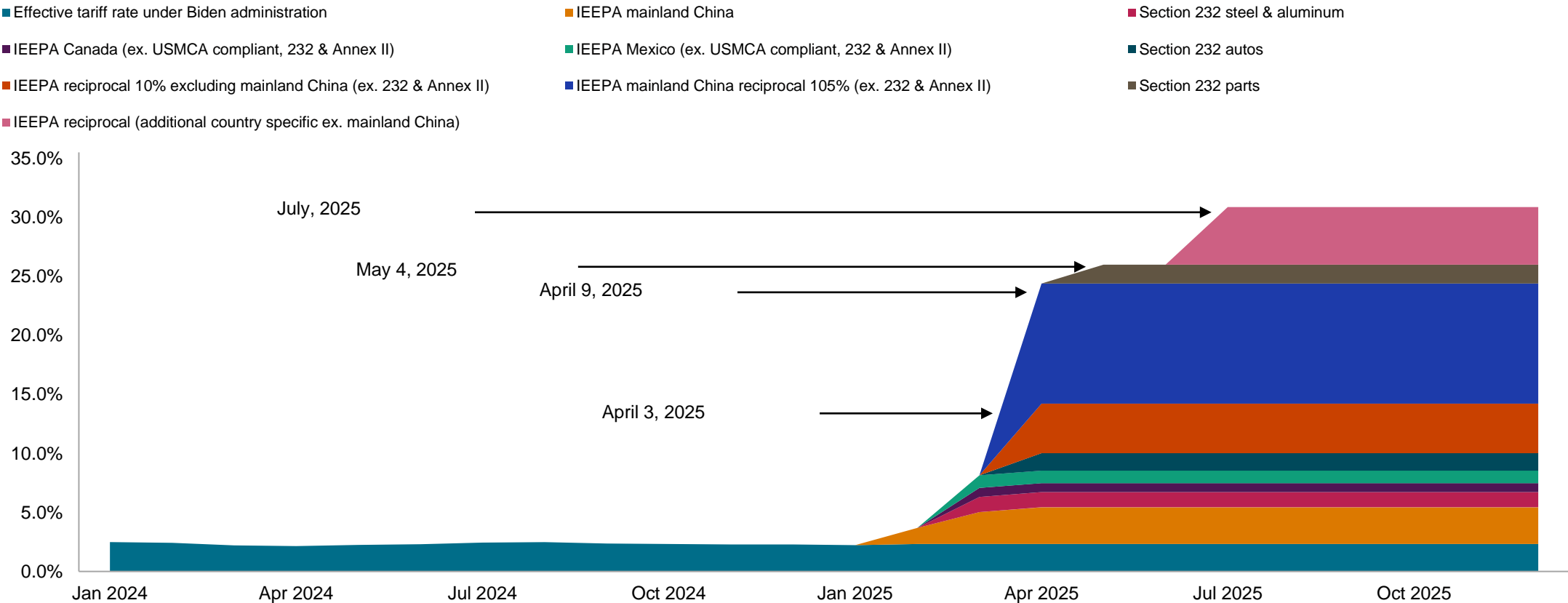
Global manufacturing PMI price indexes



As of April 2025.
Source: S&P Global Market Intelligence.

Bracing for impact from trade wall

US tariff actions create trade wall (based on 2024 trade values)



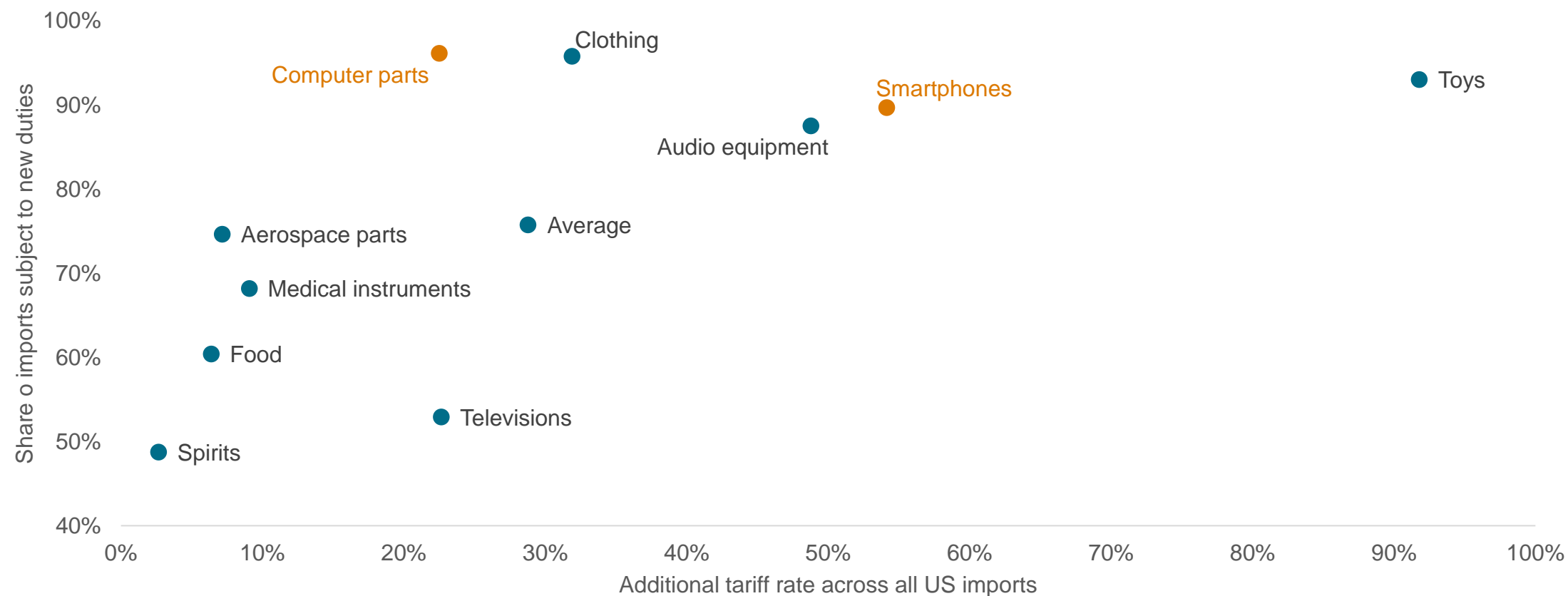
Data compiled April 9, 2025.
Source: S&P Global Market Intelligence.
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Pressure still strong for consumer goods firms

Finished goods the most exposed to higher tariffs, may make inflation the main response

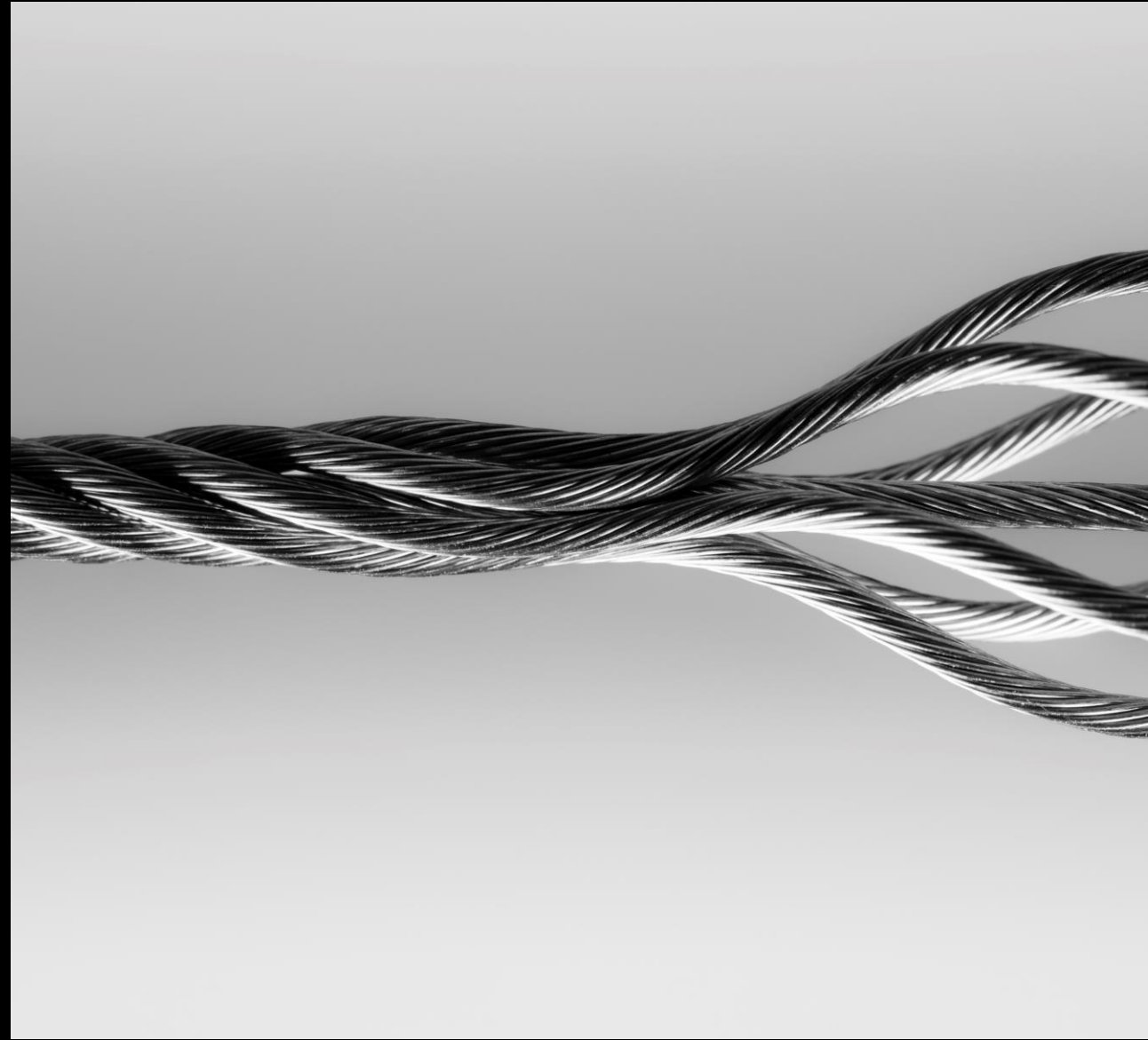
Consumer goods face largest tariff rate increases

Change in average US import duty rates due to reciprocal tariff rates, assumes mainland China at 125%, all others at 10%



Data compiled Apr. 14, 2025.
Source: S&P Global Market Intelligence
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Economic Angst



Uncertainty is not confined to tariffs

Many of the “anchors” of the pre-pandemic period have become more uncertain

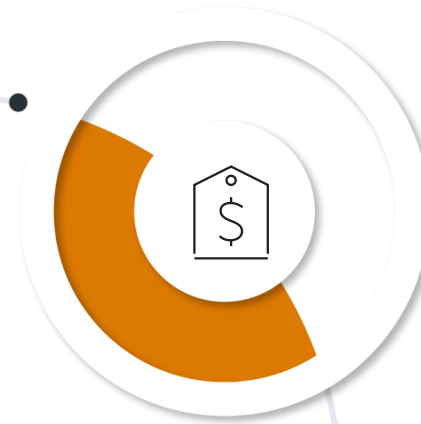
Trade tensions

- Protectionism
- Geopolitical frictions
- Offshoring to reshoring



Return of inflation

- Supply disruptions
- Tariffs
- Sticky services prices



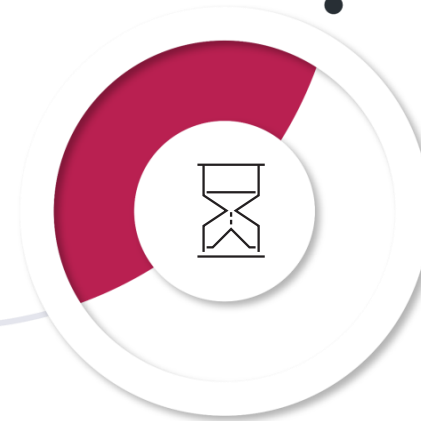
Higher interest rates

- Leaning against inflation
- Rise in neutral policy rates
- Increase in term premium



Fiscal fragilities

- Elevated debt and deficits
- Political instabilities
- Unwinding of quantitative easing

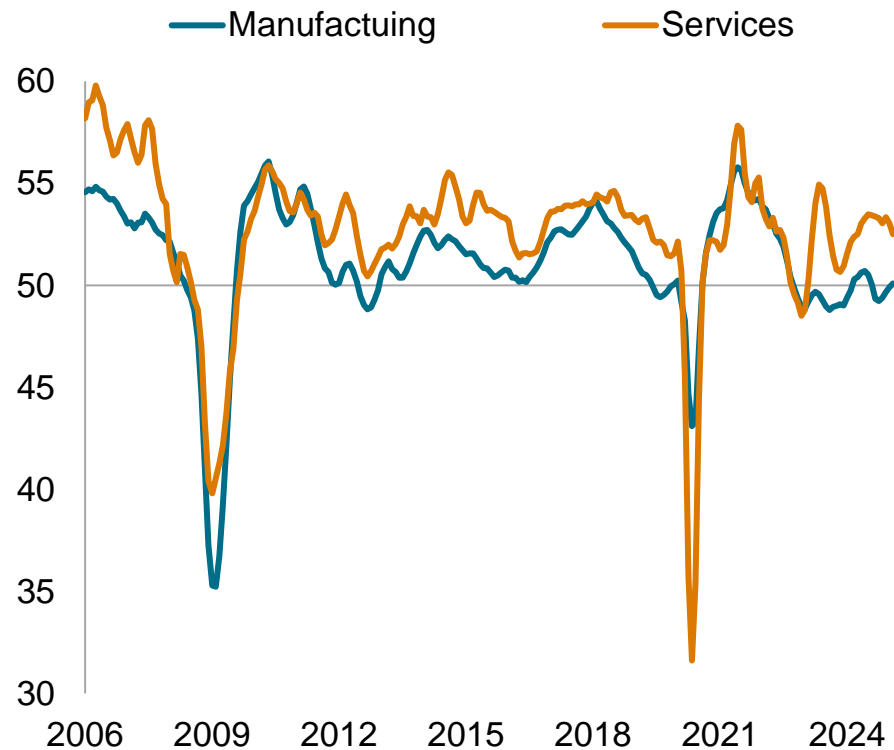


Divergence diminishing, but in direction of lower growth

Manufacturing data likely to be temporarily boosted by front-loading ahead of tariffs

J.P.Morgan Global Output PMI

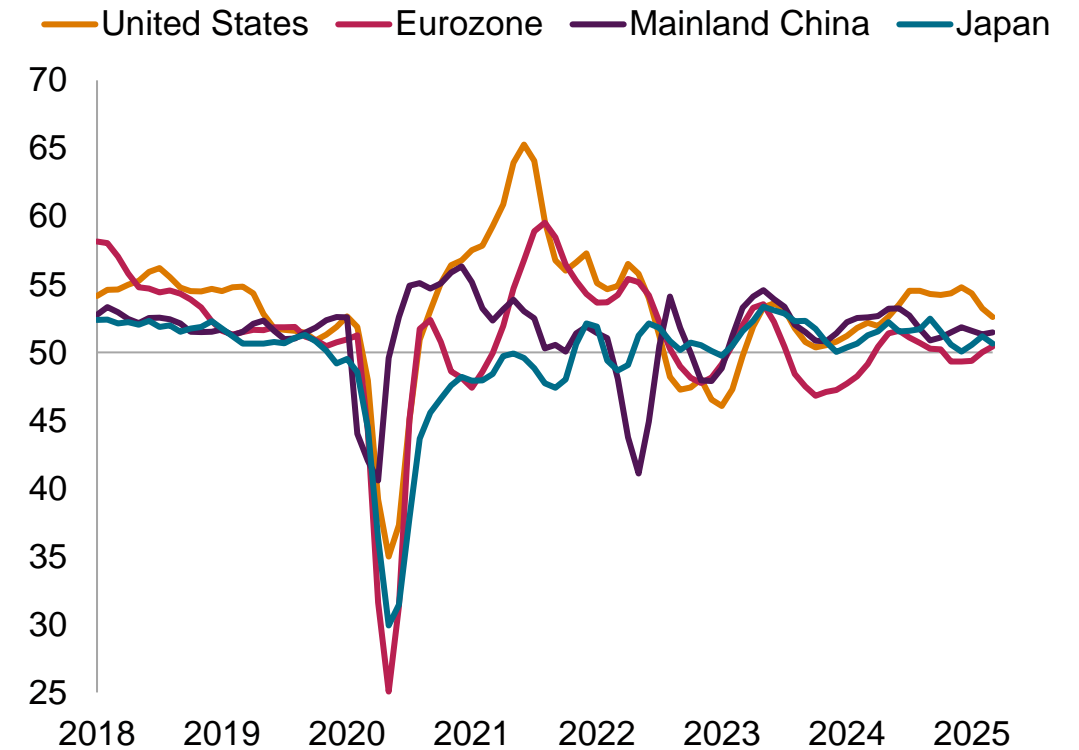
(Index, 3-month moving avg., over 50 signals expansion)



Data compiled April 3, 2025.
Sources: J.P.Morgan; S&P Global Market Intelligence.

S&P Global Composite Output PMI

(Index, 3-month moving avg., over 50 signals expansion)



Data compiled April 3, 2025.
Sources: Caixin; au Jibun Bank; S&P Global Market Intelligence.

Big picture: Economic outlook and key risks



Base case

- Subdued global expansion dampened by various headwinds, some structural
- Inflation prospects more uncertain, limited scope for monetary and fiscal stimulus
- Slowdowns in US and mainland China; ongoing weakness in industry-sensitive Europe

Downside

- Escalation of protectionism hits via several transmission channels: trade, confidence, markets
- Tight-for-longer financial conditions due to persistent inflation and/or increasing risk aversion
- Concern over debt sustainability drives up yields, requiring procyclical fiscal tightening

Upside

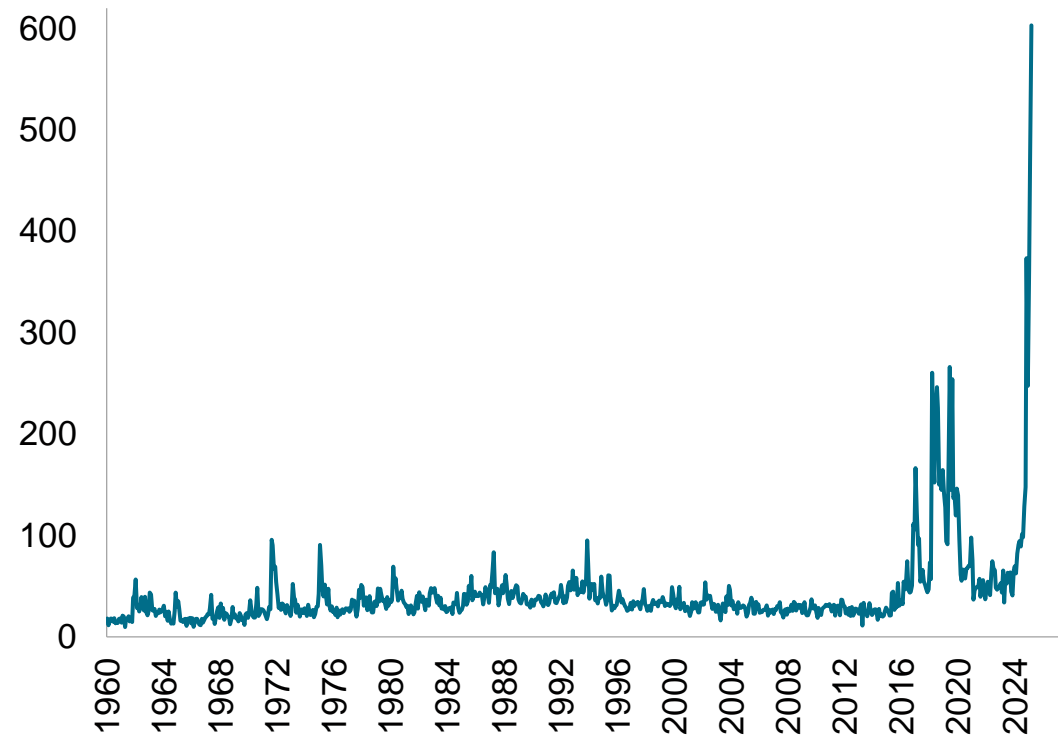
- Proposed US tariff increases yield concessions; policy uncertainty starts to recede.
- Household and corporate tax cuts lift US growth, with external spillovers (trade, confidence, etc.)
- Downward inflation surprises lead to deeper rate cuts; lesser drag from mainland China adjustments.

Policy-related uncertainty is exceptionally elevated

Persistent high uncertainty can reduce propensity to consume and invest

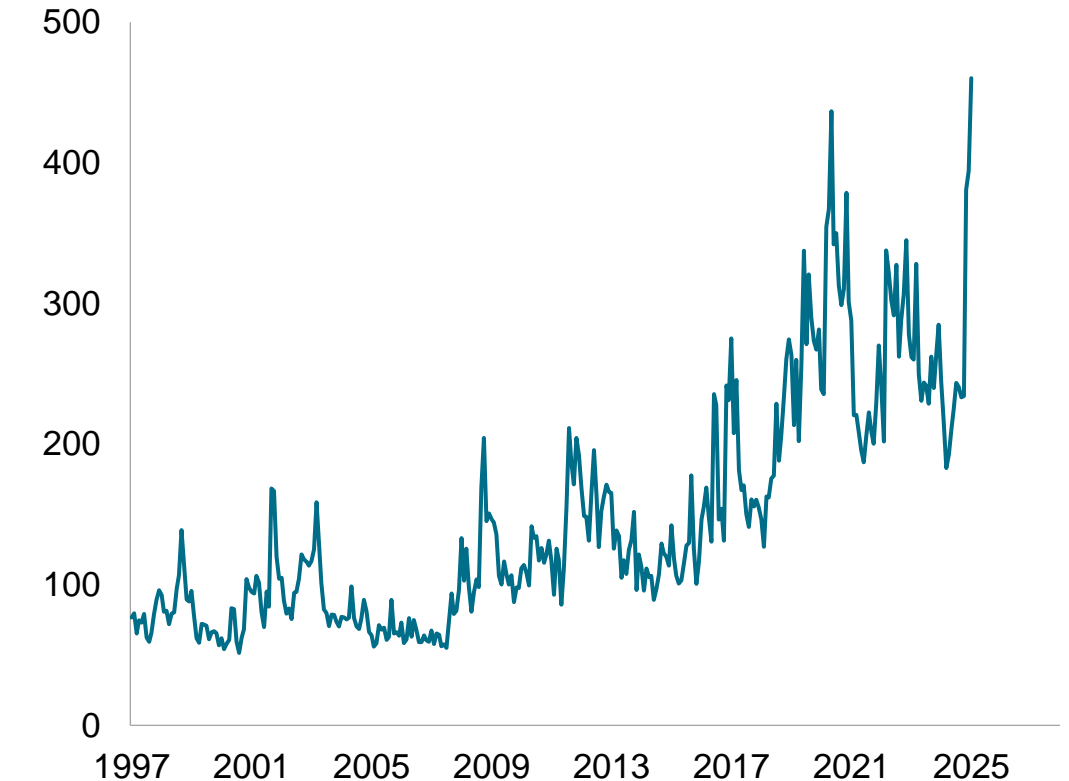
Uncharted waters for US trade uncertainty

US trade policy uncertainty index*



Record high for global policy uncertainty

Global policy uncertainty index*



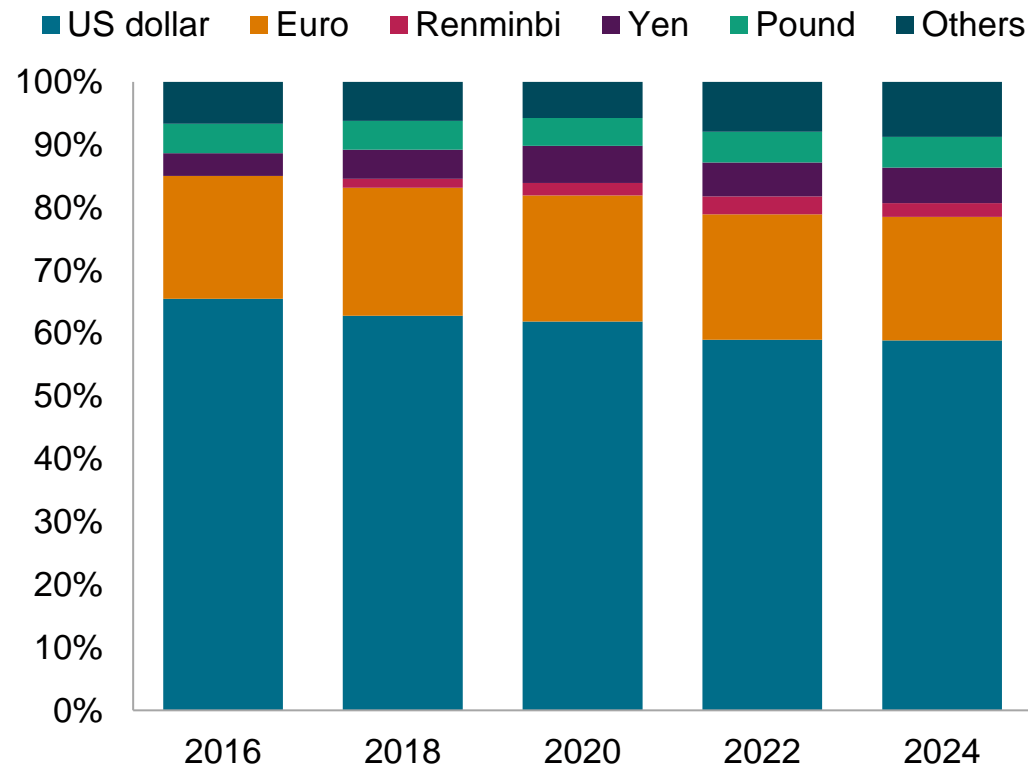
As of April 2025.
100 = 1% of news articles contain references to trade policy uncertainty.
Source: PolicyUncertainty.com.

Shift away from US dollar foreign currency reserves

US share of global reserves has fallen below 60%; renminbi share also declining in recent years

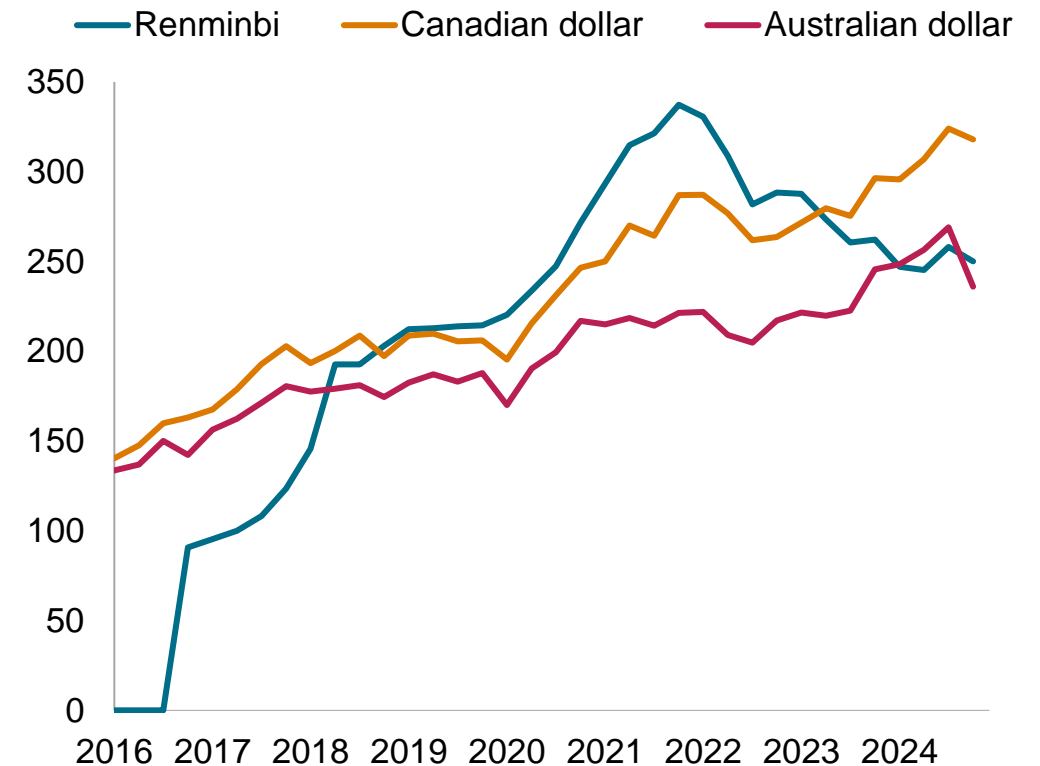
Declining US dollar share of currency reserves

Shared of allocated foreign currency reserves (% of total)



Diverging recent trends in reserve allocation

Allocated foreign currency reserves, US\$B

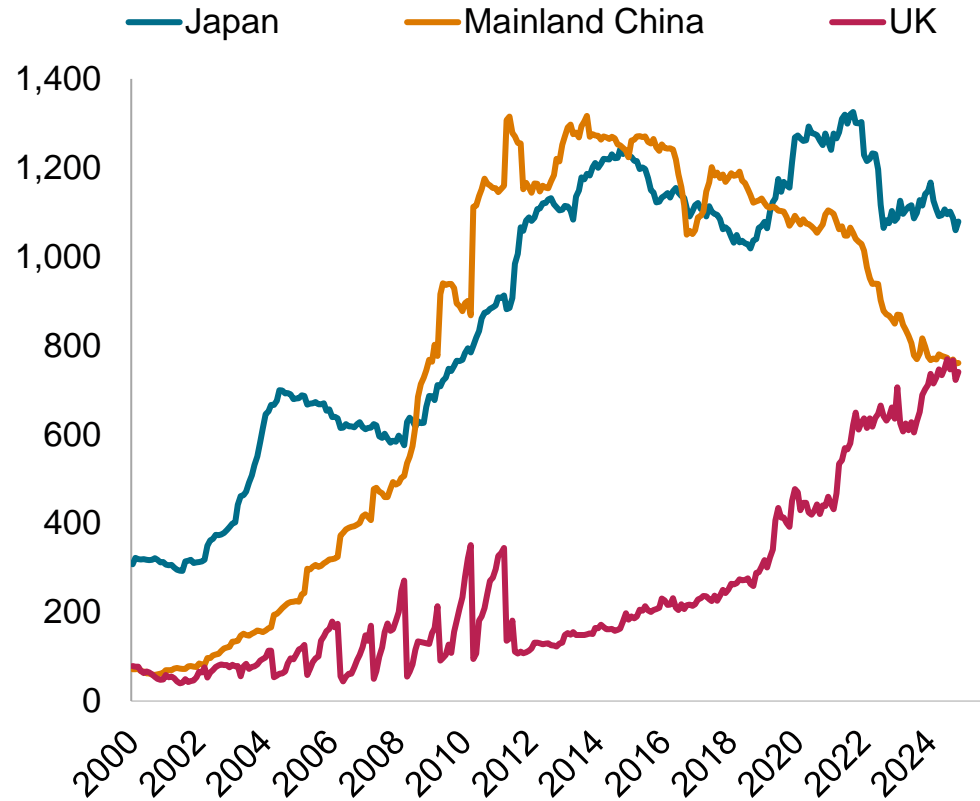


As of April 2025.
Source: International Monetary Fund.

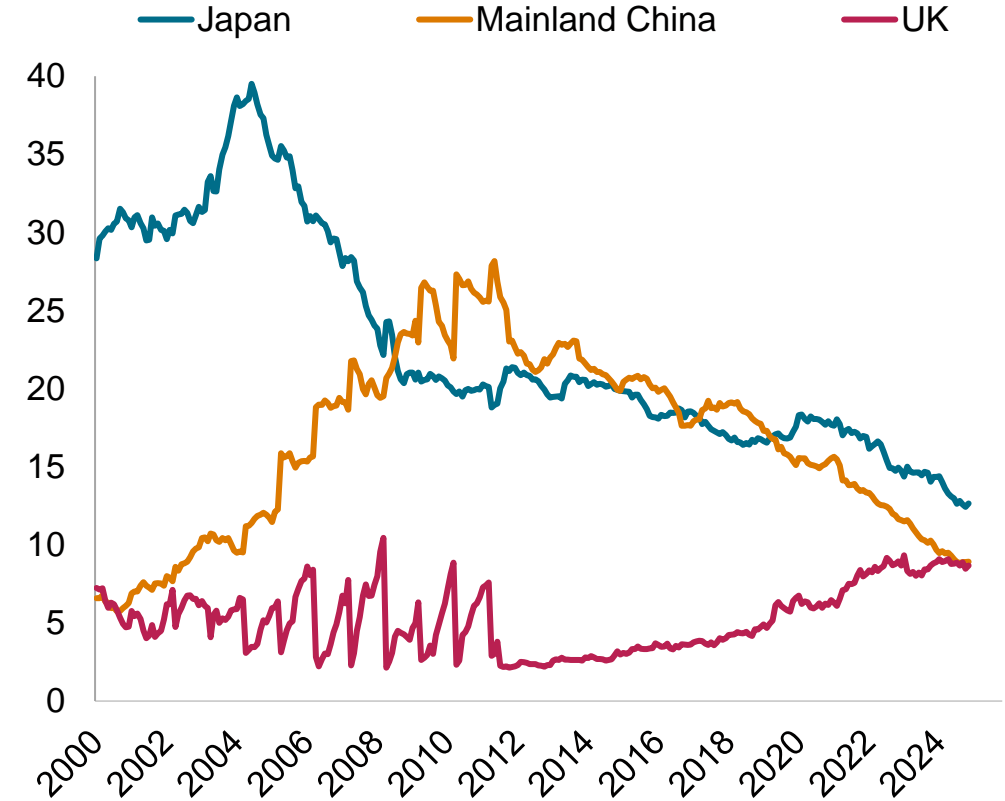
Shifting composition of foreign holdings of US Treasurys

Mainland China's share has been falling since 2011; its holdings are down by about 40% from their peak

Foreign holdings of US Treasurys (US\$B)



Foreign holdings of US Treasurys (% of total)

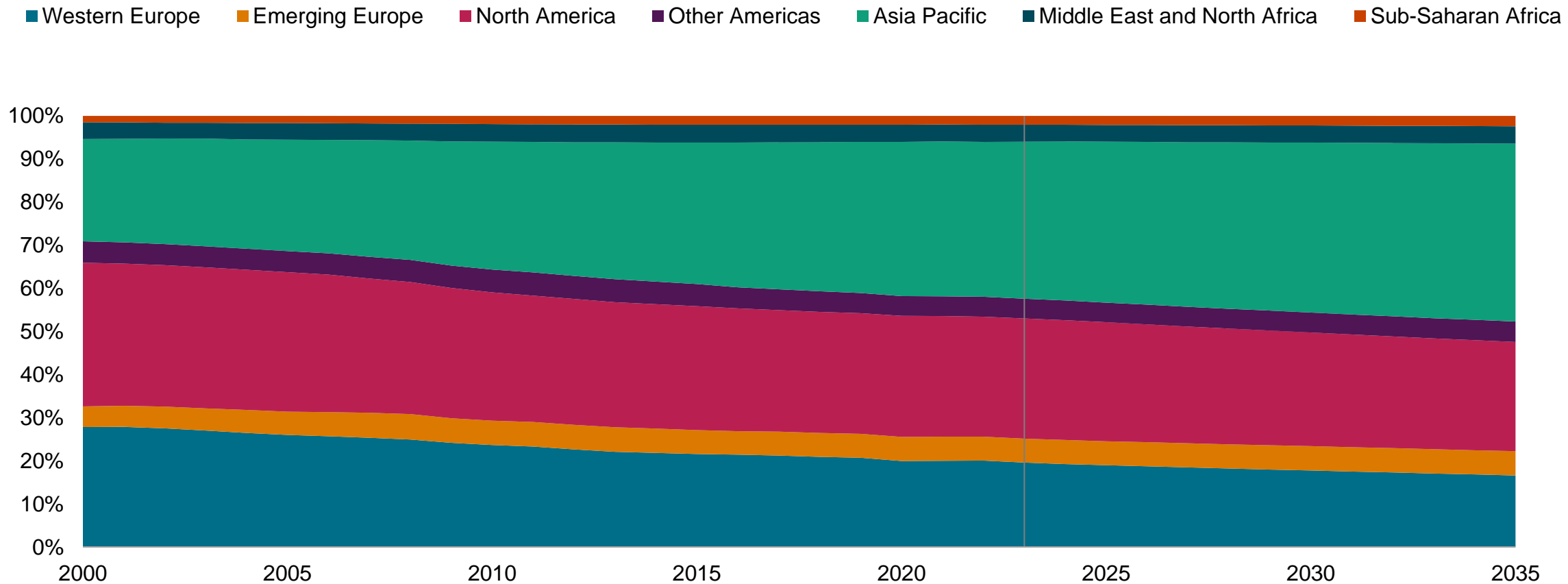


As of April 2025.
Source: US Treasury.

A world rebalancing

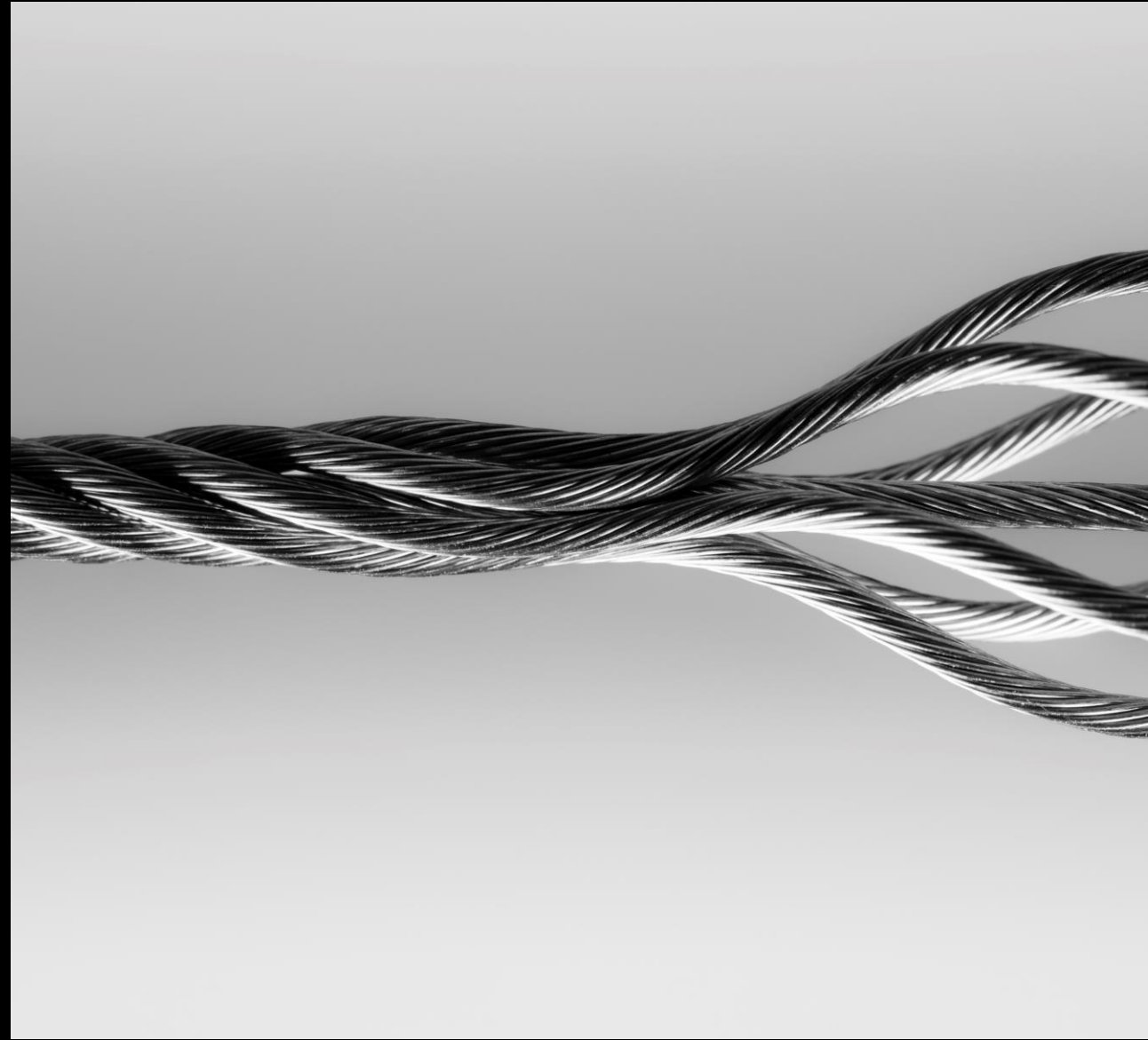
Emerging markets contributing a larger share of global GDP, with APAC especially India being pivotal

Share of world's real GDP, percent



Data compiled October 2024.
Source: S&P Global Market Intelligence

Elusive Alliances:

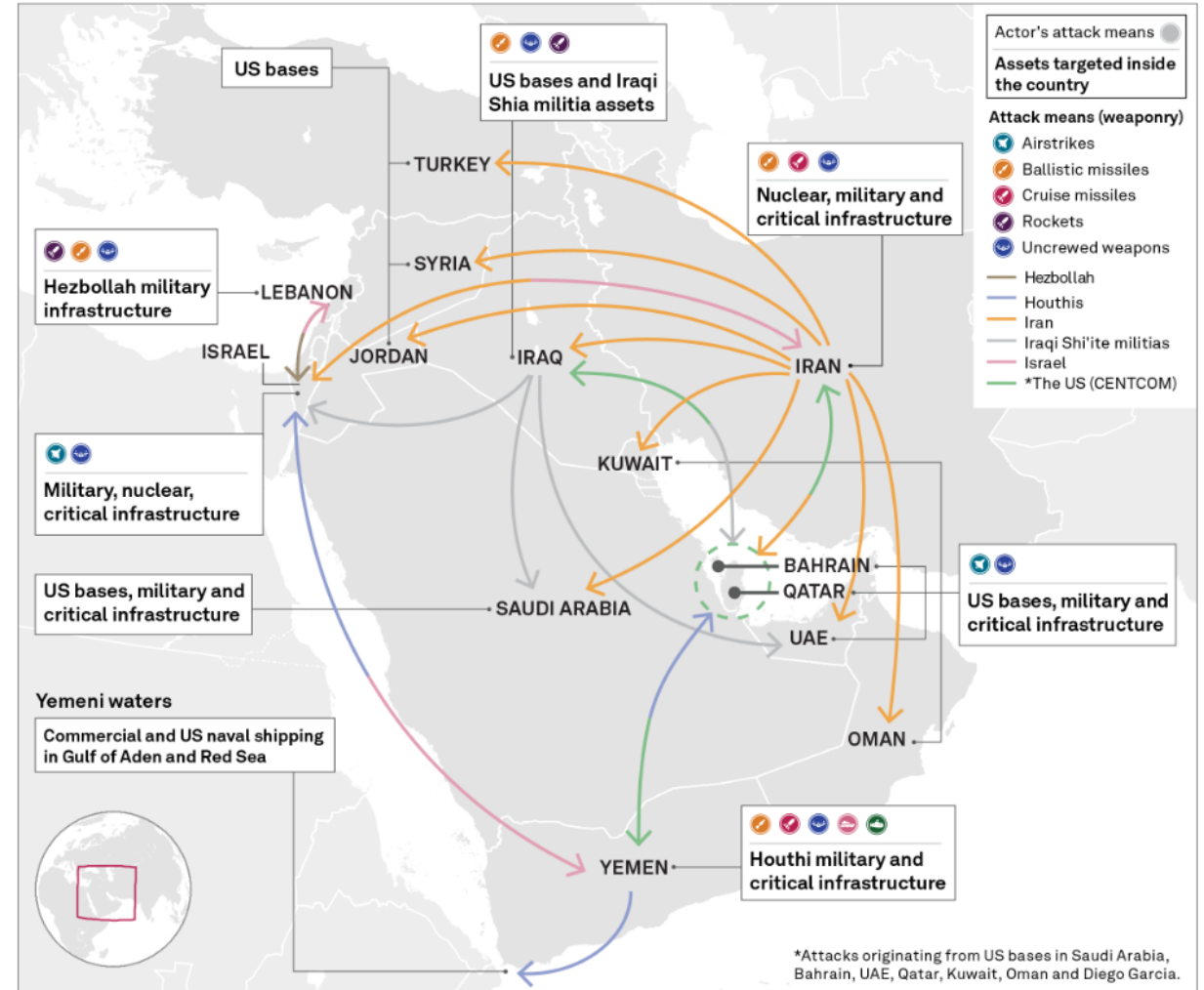


MENA: Regional conflict outlook

Focus on negotiated settlement; any successful deal is likely to be similar to JCPOA with extended provisions

- Iran has probably called off its promised military response against Israel, but severe interstate war risk remains over coming six months given tight timeline and complexity of negotiations for nuclear deal
- Israel would be unlikely to strike Iran's nuclear infrastructure before the US Trump administration attempts negotiations with Iran and believes it has exhausted diplomacy
- Iran's regional proxy groups are significantly weakened in 2025
- 'Maximum Pressure' negotiating strategy increases the likelihood of plausibly deniable attacks resuming in the Gulf if no progress is made

Actors, means and targets in a regional war scenario



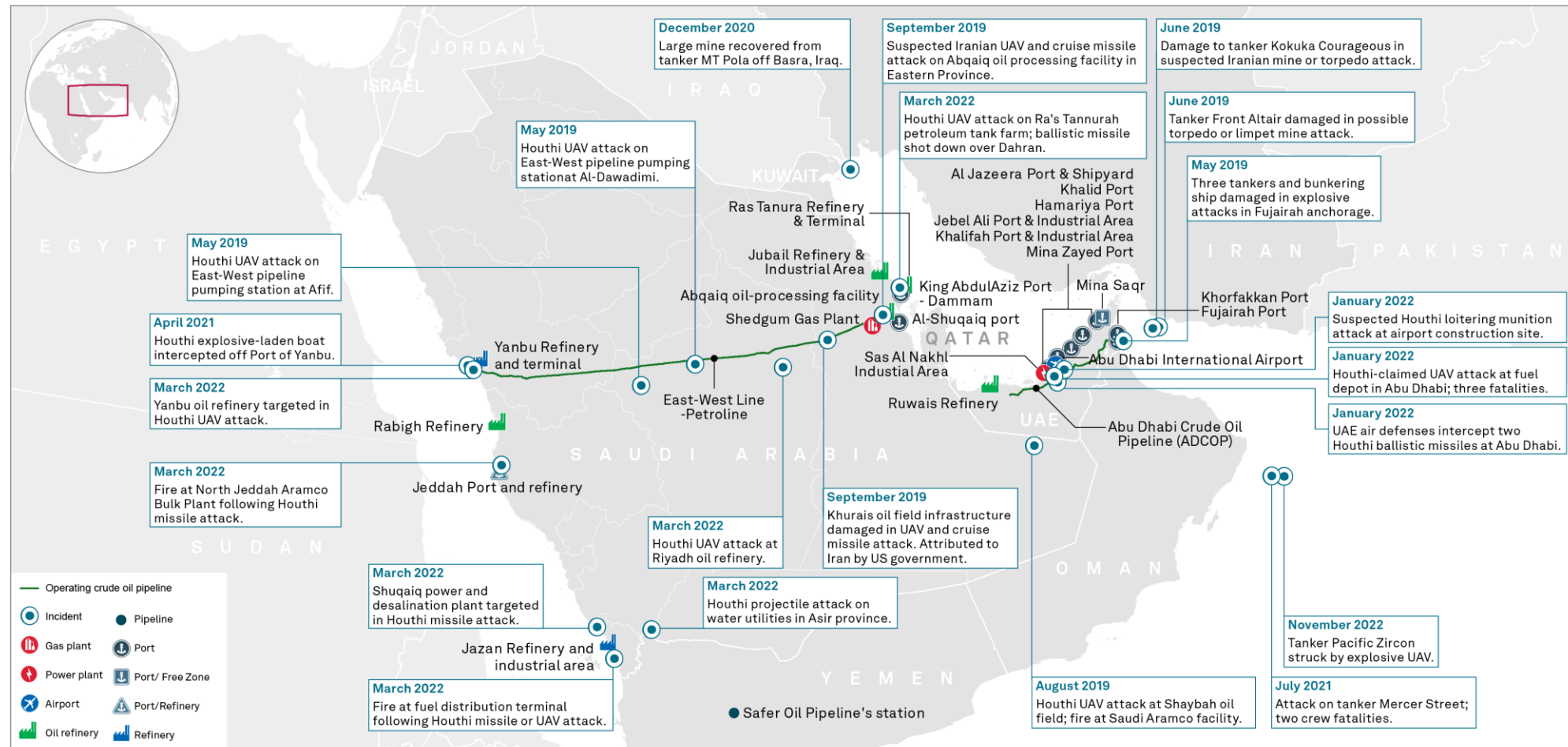
Data compiled April 9, 2025.

Source: S&P Global Market Intelligence: 250722-01.

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US and allied merchant shipping – around Gulf waters – at risk of attempted seizure and attacks in response to oil sanctions enforcement and OPG activity

War risk incidents impacting strategic infrastructure in the Gulf 2019-22, attributed to Iran or the Houthi militant group



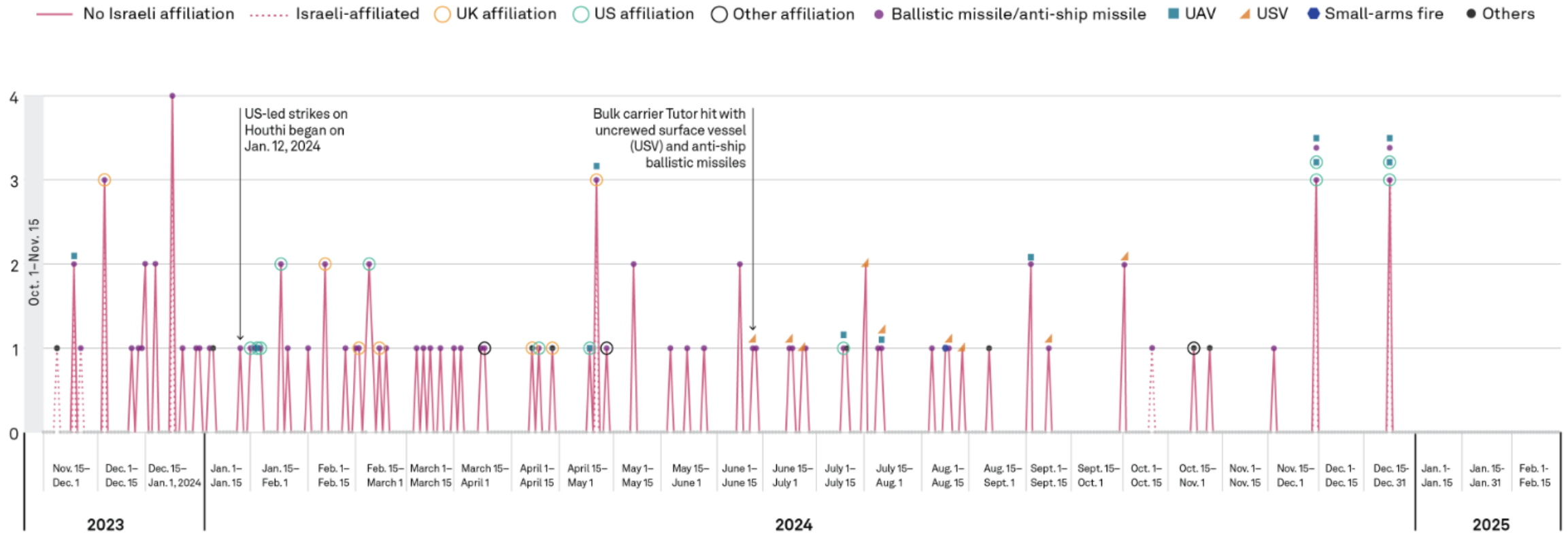
Data compiled June 4, 2024.

Sources: S&P Global Commodity Insights upstream E&P content (EDIN); S&P Global Market Intelligence: 2013364.

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Risks of targeting to shipping via southern Red Sea remain severe

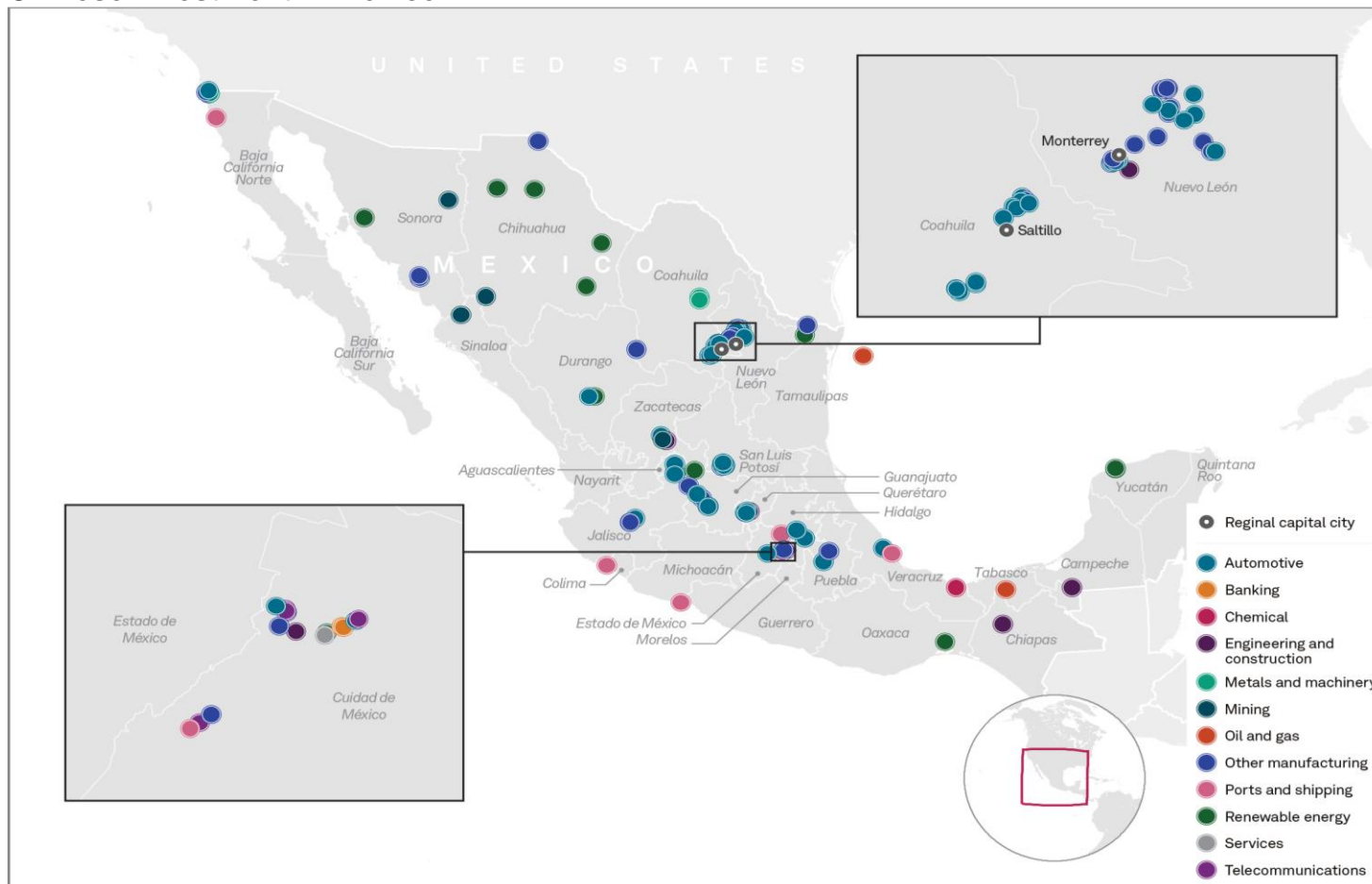
Houthi attack activity against commercial shipping in the Red Sea and Gulf of Aden since Oct. 7, 2023



As of Feb. 17, 2025.
Source: S&P Global Market Intelligence.
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Latin America: Balancing between US and mainland China, with focus on FDI

Chinese investment in Mexico



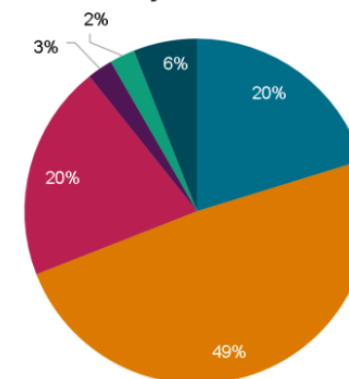
Data compiled Sept. 20, 2024.

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Investment announcements in Latin America by mainland Chinese companies per sector, 2023–24

- Mining and metals
- Automotive
- Manufacturing (other)
- Telecommunications
- Port infrastructure
- Others



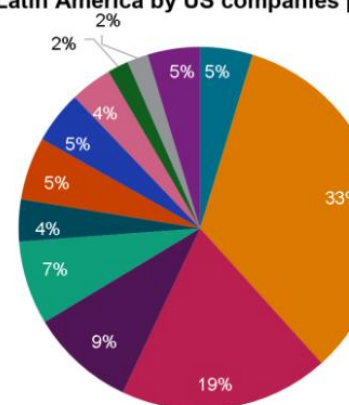
As of Jan. 22, 2025.

Source: S&P Global Market Intelligence.

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Investment announcements in Latin America by US companies per sector, 2023–24

- Mining and metals
- Automotive
- Manufacturing (other)
- Oil and gas
- Food and beverage
- Electricity
- IT/web services
- Retail
- Logistics
- Pharmaceutical
- Renewables
- Others



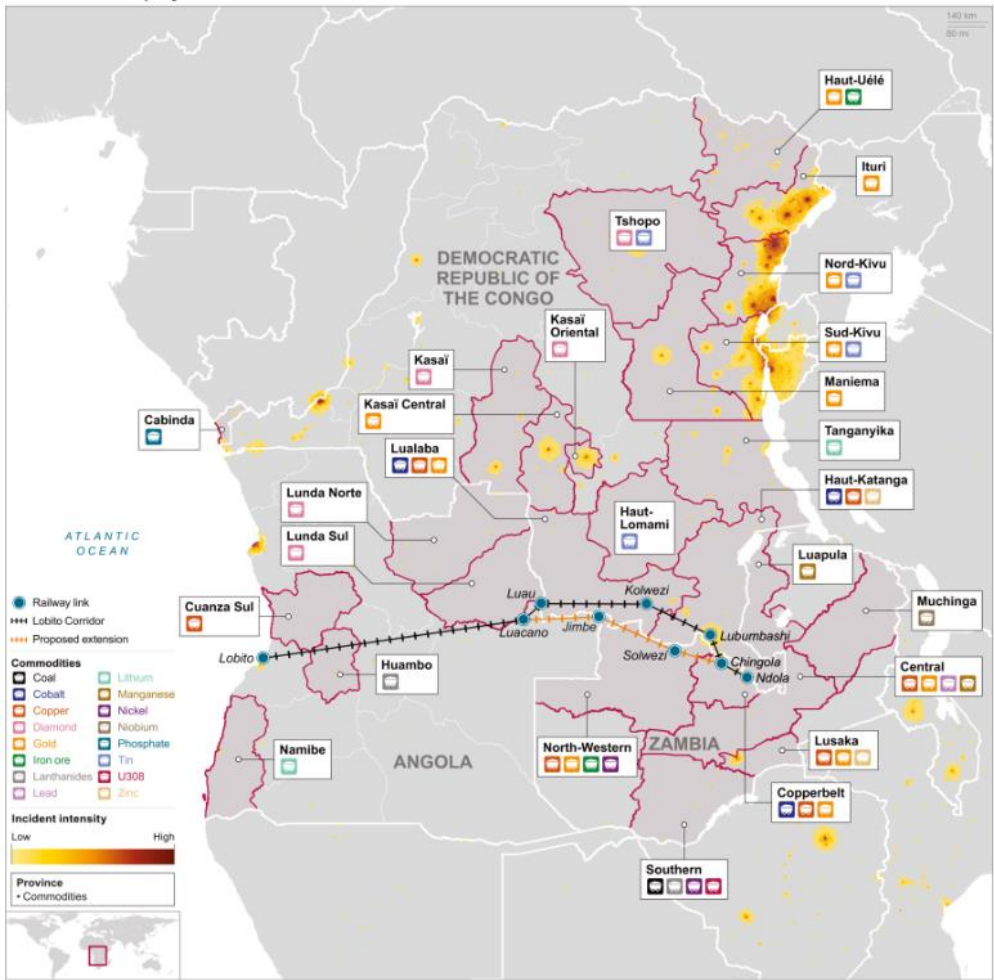
As of Jan. 22, 2025.

Source: S&P Global Market Intelligence.

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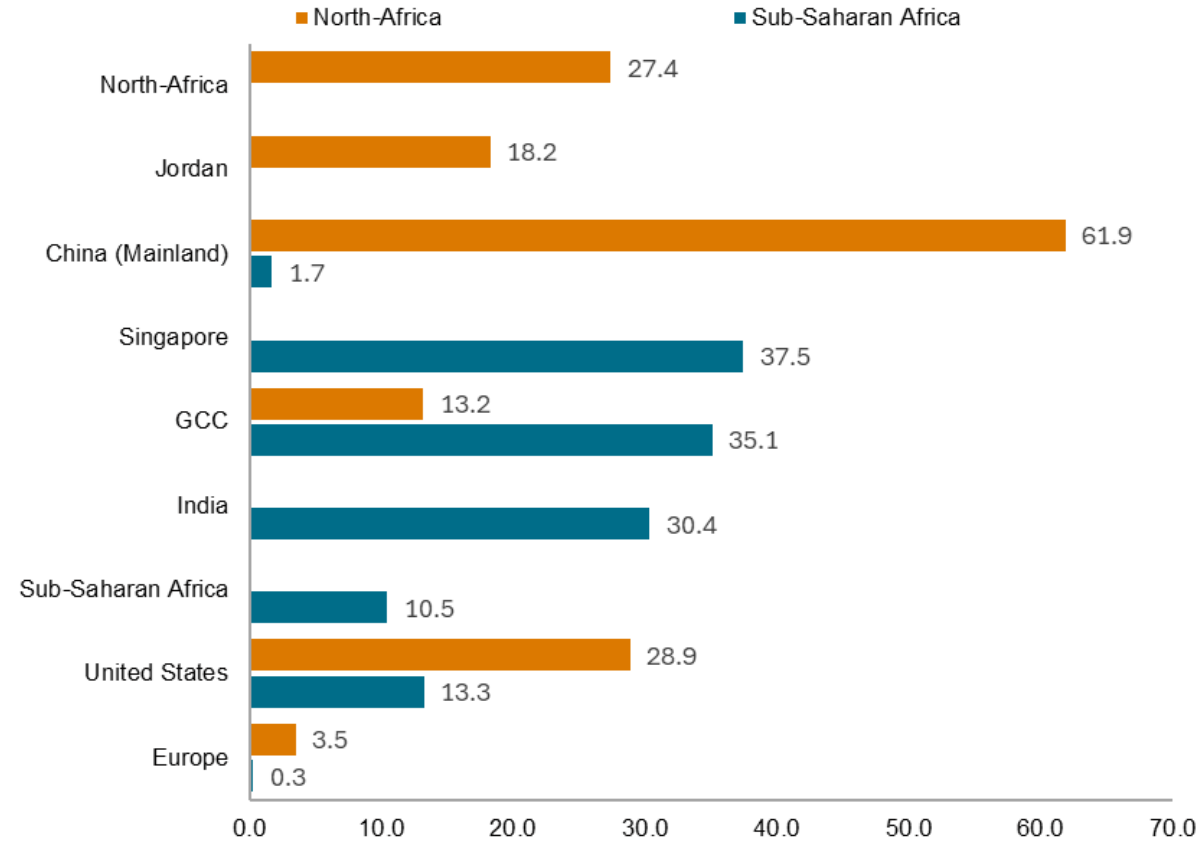
Africa: Seeking trade and investment deals with diversifying pool of partners

Lobito Corridor project



Data compiled Jan. 29, 2024.
Sources: Capital IQ Pro; S&P Global Market Intelligence; 2012/150.
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CAGR of Africa inward direct investment (2010-2023)



As of February 19, 2025.
GCC=Gulf Cooperation Council, CAGR = Compound annual growth rate.
Source: S&P Global Market Intelligence based on IMF Coordinated Direct Investment Survey.
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