February Macro Brief

Capex takes center stage

February 27, 2025

accenture strategy

Macro Foresight

About this document

The monthly brief is intended to inform executive teams, boards and investors on the state of the economy. It has been prepared based on data as of **February 26, 2025**.

Each brief includes a summary of global business-relevant macroeconomic developments, and a set of indicators that track the overall health of the economy, business activity and consumers.

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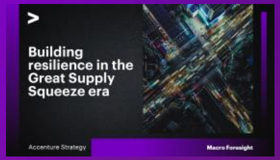

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Executive Summary

Global themes

- **The beginning of 2025 has seen a downshift in economic momentum and some anticipated risks beginning to materialize in the data:**
  - In the US, consumer confidence and retail sales dropped sharply, while inflation expectations spiked as the reality of tariffs starts to set in
  - Europe is also seeing some renewed inflation pressures, alongside subdued growth and weak business and consumer spend and sentiment
  - China's business activity decelerated further in Jan/Feb amidst ongoing domestic economic struggles, though India's growth remains robust
- **Despite this softer economic data, there is renewed momentum in domestic investment as the key incremental growth driver, particularly in sectors related to gen AI, energy, and reshoring of manufacturing.** The push for technology innovation is fueling significant capex plans in most regions as investment priorities shift toward data centers, energy needs, and domestic supply security.
- **Executing this investment will not be without its challenges, however.** Growing cost pressures from tariffs, supply constraints from geopolitical conflict and trade restrictions, as well as higher-for-longer interest rates will force companies to be disciplined and strategic in capital planning.
- **Upside risks to capital spending and overall growth trajectories include quicker-than-expected passage of tax cuts in the US, more aggressive policy stimulus in China, and accelerated realization of AI benefits.**

Regional highlights

Americas

- In the **US,** business sentiment is on the rise and capex plans are accelerating, particularly in AI and energy as the market shifts toward future waves of GenAI adoption and integration
- The boom in data centers and related infrastructure will require significant utility-focused capex to meet US power demands, alongside a revival of nuclear energy investment

Europe, Middle East and Africa

- **European** capex growth faces more of a challenge as firms prioritize replacement over expansion, constrained by financing, economic uncertainty, and regulation
- Some investment opportunities are arising as the use of European recovery funds and the InvestAI initiative shift capital expenditure plans toward tech-related strategies

Asia-Pacific

- In **China,** capex in the 'New Three' sectors is adding competitive pressure to companies operating in these sectors
- Public and private capex in **India** is rising on the back of government initiatives to transform the manufacturing sector, providing opportunity for foreign firms to diversify supply chains

Key considerations and priorities for clients

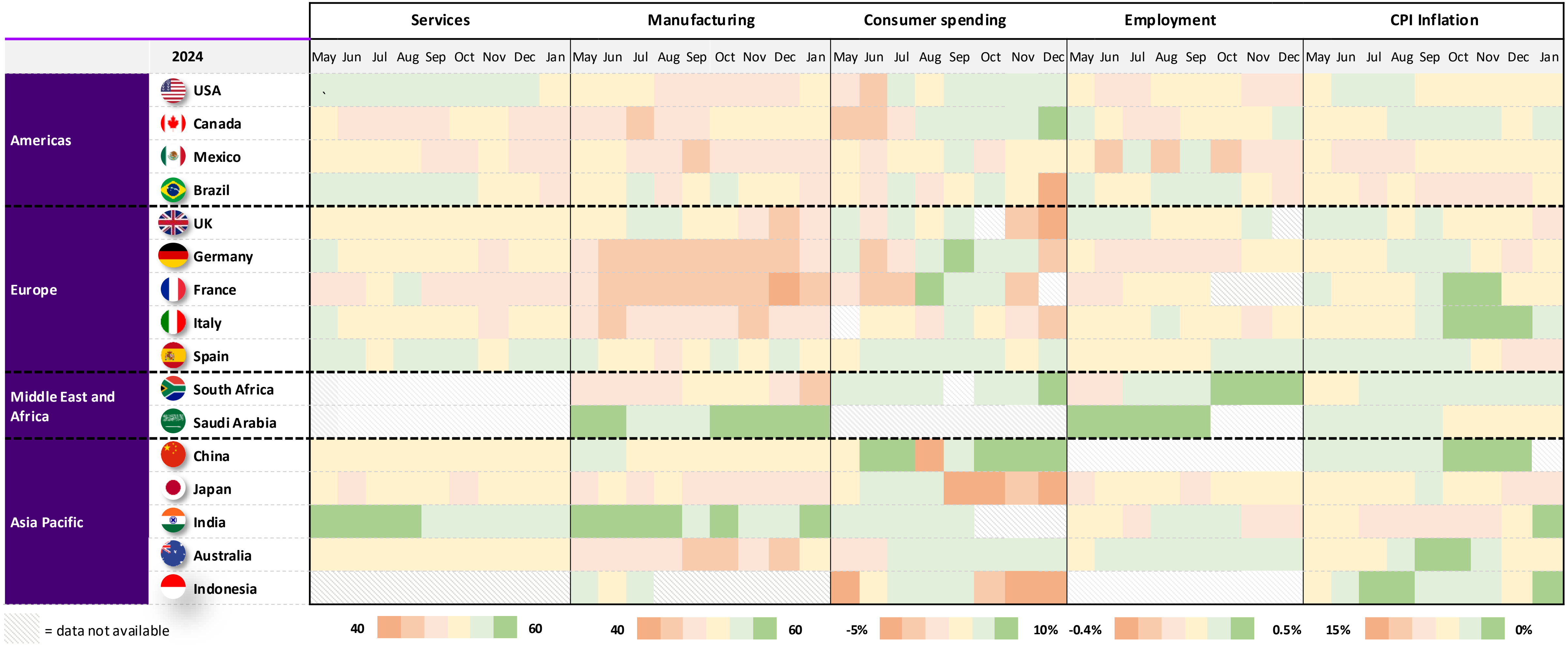
- **To capitalize on domestic investment opportunities in an environment of still-high borrowing costs, companies must be creative with financing and make the necessary operational adjustments to support greater capital intensiveness.**
  - **On the financing front:** carefully managing debt-financed capex to avoid over-leverage, and seeking out government partnerships, subsidies, or alternative financing options.
  - **On the operational front:** adopting technology-driven efficiencies, including automation, AI, and data analytics and pivoting toward producing goods and services that support AI and energy infrastructure growth

Sources: Accenture Strategy analysis

Recent data show moderating services growth in most regions, still-sluggish manufacturing activity, mixed consumer spending trends, and loss of disinflation momentum

Country economic momentum snapshot

AS OF FEBRUARY 26



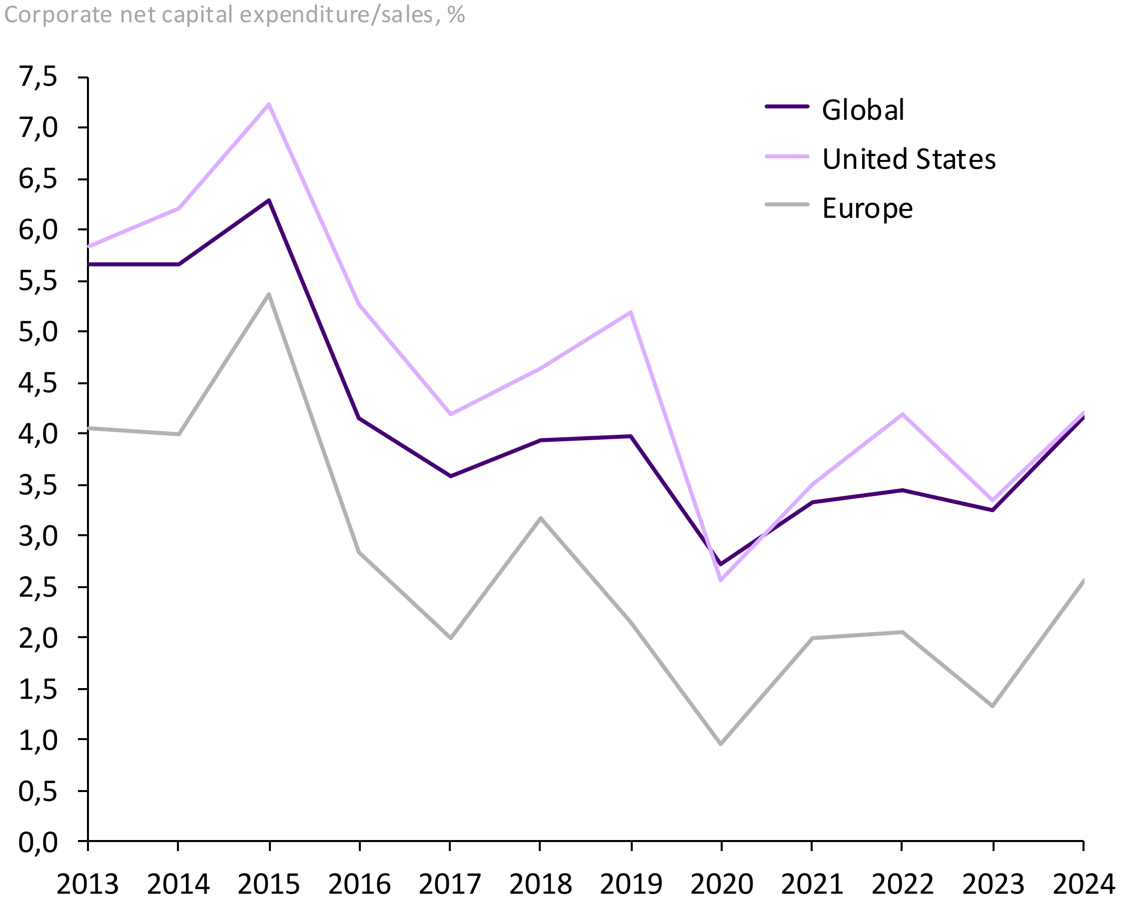
Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary "flash" figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services refers to Business Climate Index: Non-mfg. Consumer spending shading based on real retail sales growth 3MMA percent change except for Australia which is based on Q/Q % change and India which is based on 3MMA of Y/Y% change. Employment growth is derived from employment figures as provided by government authorities. CPI uses harmonized figures for Euro Area countries.

Sources: S&P Global, Haver Analytics, Accenture Strategy analysis

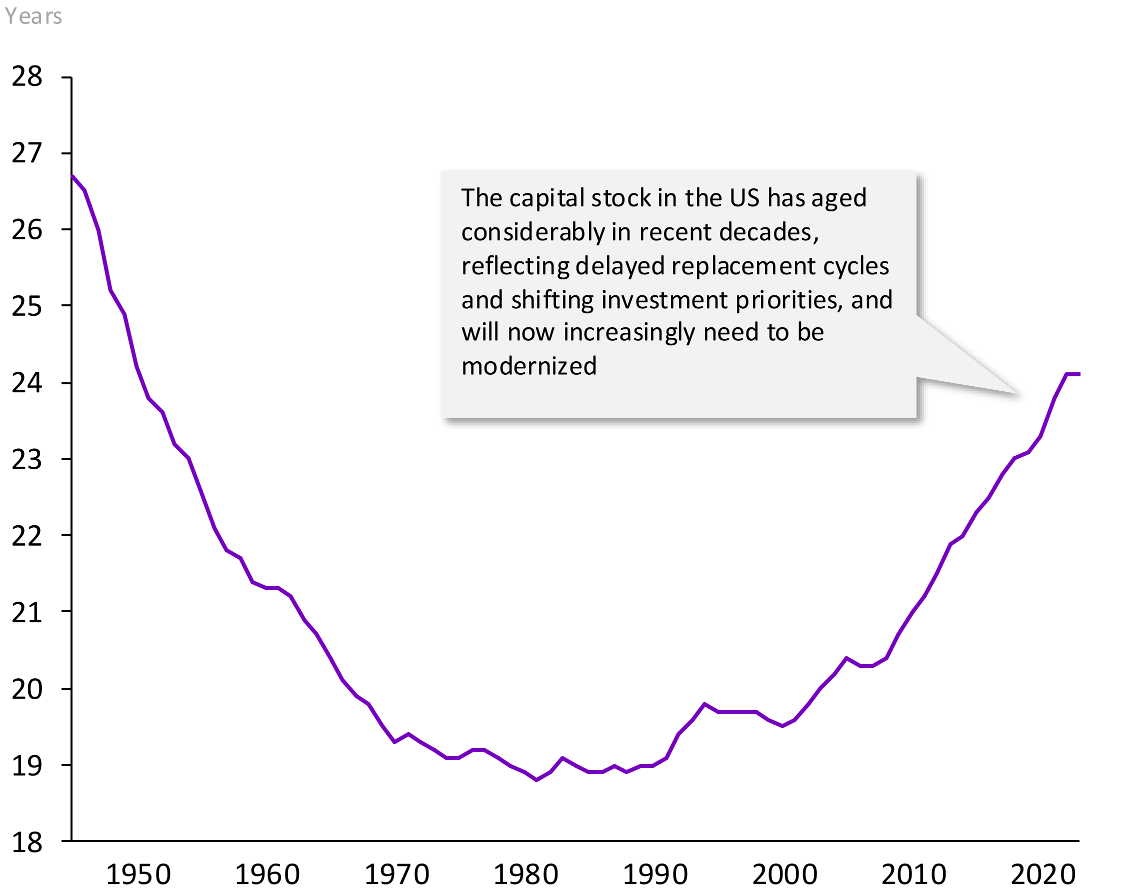
Corporate capex is re-emerging as a primary engine of global growth after years of underinvestment as businesses look to modernize assets and capitalize on macro shifts

Tailwinds to capital expenditure growth

Corporate capex has been falling over past decade, but showing rebound



Average age of private fixed assets in the US



Note: Net capital expenditure is the difference between capital expenditure and depreciation
Sources: World Bank, Bureau of Economic Analysis, Haver, Accenture Strategy analysis

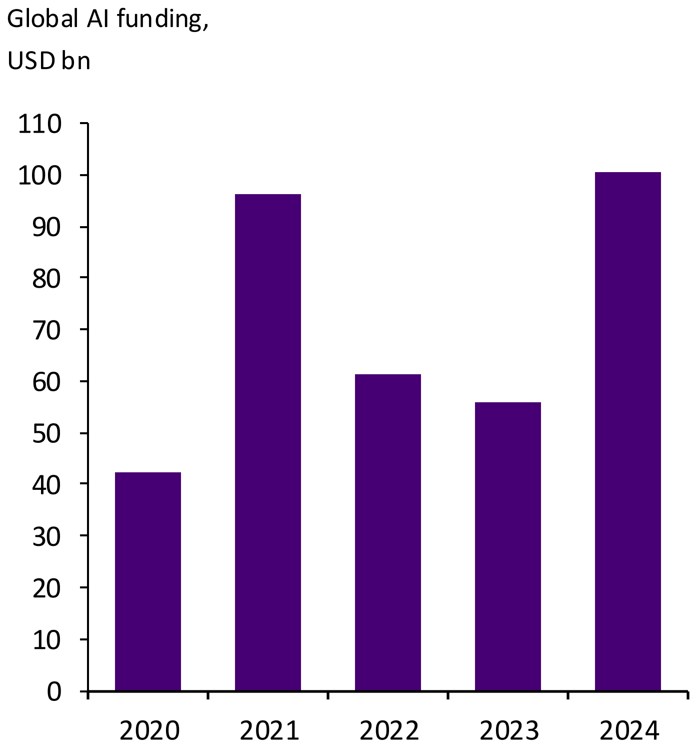
Domestic investment will be the key incremental growth lever for countries that effectively mobilize capital for Gen AI, energy infrastructure, and reshoring of manufacturing

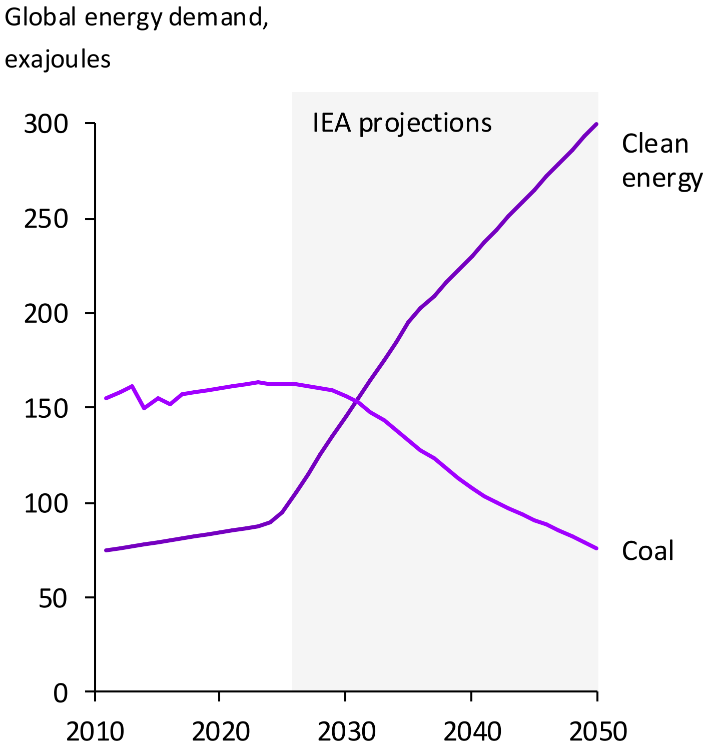
Key areas of investment opportunity

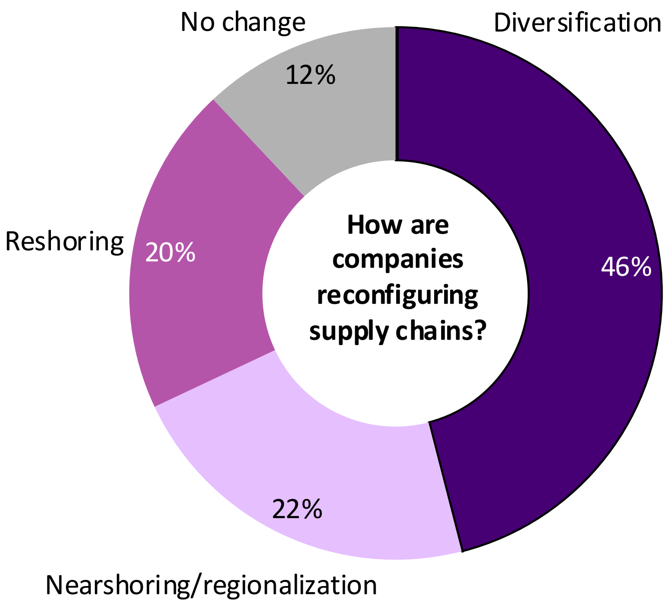
AI ecosystem buildout presents significant opportunities for capex across industries and regions

Global energy capex is adjusting to shifts toward renewables, AI energy requirements, grid modernization, and energy security

Reshoring initiatives are driving capex in domestic production facilities and automation







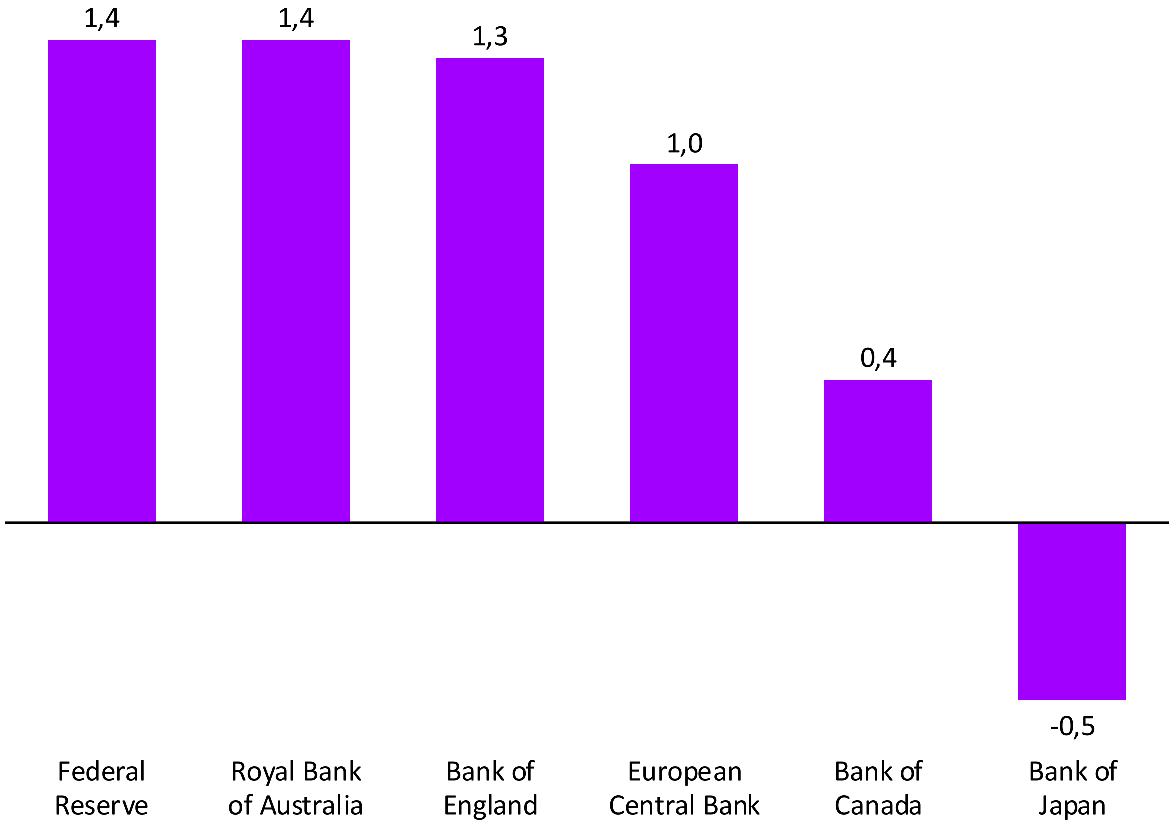
Sources: CB Insights, IEA, WEF, Accenture Strategy analysis

This investment will need to happen in an environment of still-elevated borrowing costs and shifting trade policies, underscoring the importance of effective capital planning

Challenges to capital expenditure growth

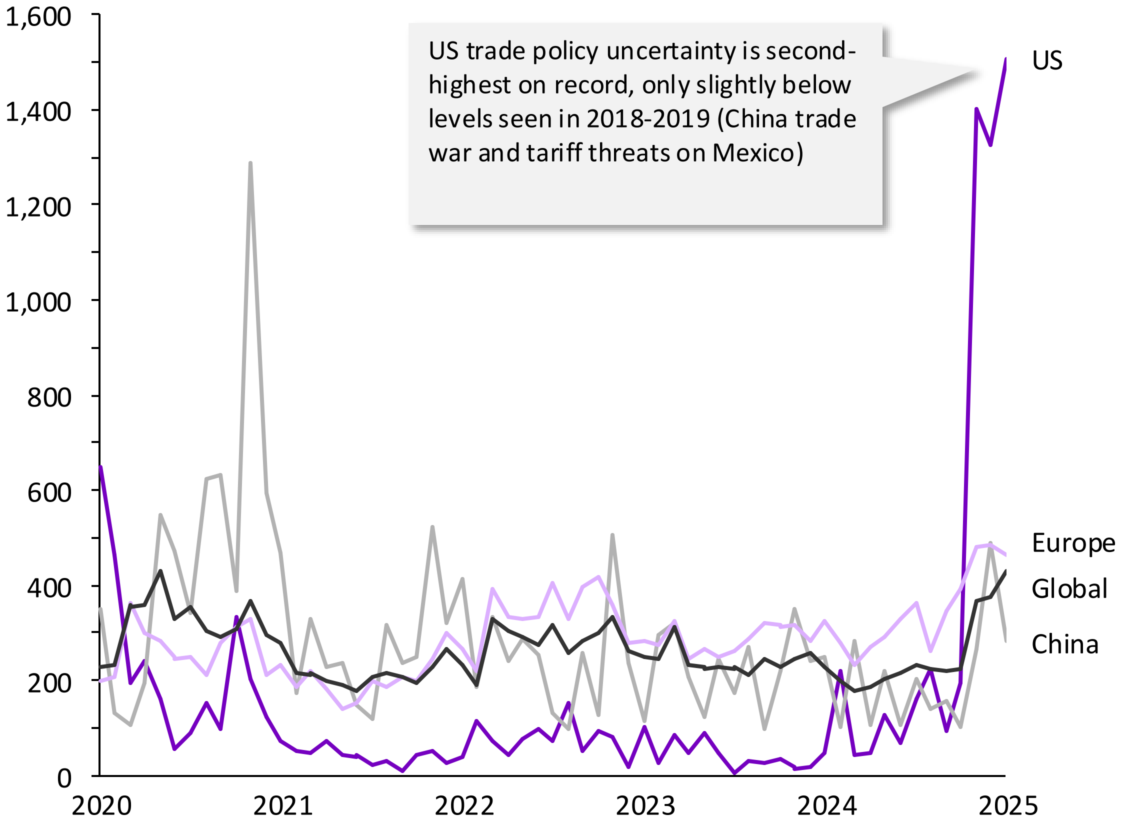
Central bank policy rates remain elevated in most major economies

Difference from estimated neutral rate, percentage points



Trade policy uncertainty in the US has skyrocketed in recent months

Index, 1985=100



Sources: Fed, RBA, BoE, ECB, BoC, BoJ, Economic Policy Uncertainty, Accenture Strategy analysis

Continued growth moderation and above-target inflation are the base case for the US, with continued stagnation or mild recessions most likely throughout Europe

Latest near-term economic outlooks: Americas and Europe

		Key recent datapoints	Base case outlook	What to watch for
Americas	US	• Real GDP growth slowed to 2.3% in Q4 2024 • CPI inflation ticked up in Jan, with headline CPI at 3.0% YoY and core at 3.3% • Job growth slowed slightly in Jan, with nonfarm payrolls up 143K compared to 307K in Dec	• Expectations for moderate growth near-trend (~2%) as consumer spending softens • Supply-side cost pressures and tariff increases keep inflation above target at 3-4% while the Fed dials back the pace of rate cuts	• A possible downshift in consumer spending due to depleted savings, cost of living pressures, and elevated rates • US fiscal policy volatility as it relates to trade/tariffs, immigration, and debt
	Canada	• Real GDP increased 0.4% QoQ in Q4 2024 • Headline CPI rose to 1.9% YoY in Jan vs 1.7% while core CPI held steady at 2.2%	• Structural issues will challenge growth, including cost-of-living, weak productivity, weak business investment, and housing undersupply	• US tariff threats materializing could weigh on growth • The upcoming federal election will have material implications for policy
	Brazil	• Inflation rose to 5.0% YoY in Jan, the highest since Oct 2023, largely driven by housing costs • The central bank raised rates by 100bp in Jan, signaling another similar hike in March	• Likely growth deceleration in 2025 amidst resurgent inflation and interest rate hikes • Possibility of a record agricultural harvest could provide an offsetting tailwind to growth	• Brazilian real depreciation alongside higher inflation and interest rate hikes • Global trade conflict could weigh on commodity exports
Europe	UK	• Headline CPI rose to 3.0% YoY in Jan while core CPI jumped to 3.7% • BoE cut the policy rate to 4.5% in Feb, with a cautious approach ahead as inflation reignites	• Growth remains the top priority for government policy but the outlook is challenging • Business investment could remain weak given upcoming tax increases	• The BoE's policy path is complicated by sticky inflation and sluggish growth • The impact of budget tax measures on business confidence and public investment
	Germany	• CPI inflation decreased to 2.3% in Jan from 2.6% in Dec driven by lower energy prices • Retail sales declined 1.6% MoM in Dec after stagnating in Nov as uncertainty and high energy costs hurt consumer spending	• Easing inflation and potential ECB cuts may support growth, but weak exports, high energy costs and policy uncertainty weigh on recovery, leading to subdued growth expectations	• All eyes are on the new government formation and its negotiations on issues such as debt, investment programs, and defense
	France	• Real GDP growth slowed to 0.7% YoY in Q4 2024, the weakest pace in four years • CPI in Jan jumped to 1.7% YoY from 1.3% in Dec	• Ongoing political instability, more restrictive fiscal policy, and a challenging international environment are projected to significantly hamper GDP growth in 2025	• Political instability persists, with a significant risk of a confidence vote and implications for budget negotiations

Sources: Accenture Strategy analysis

Deceleration towards a new, lower structural growth rate remains base case for China, while Japan's economy is expected to recover modestly and India remains an outperformer

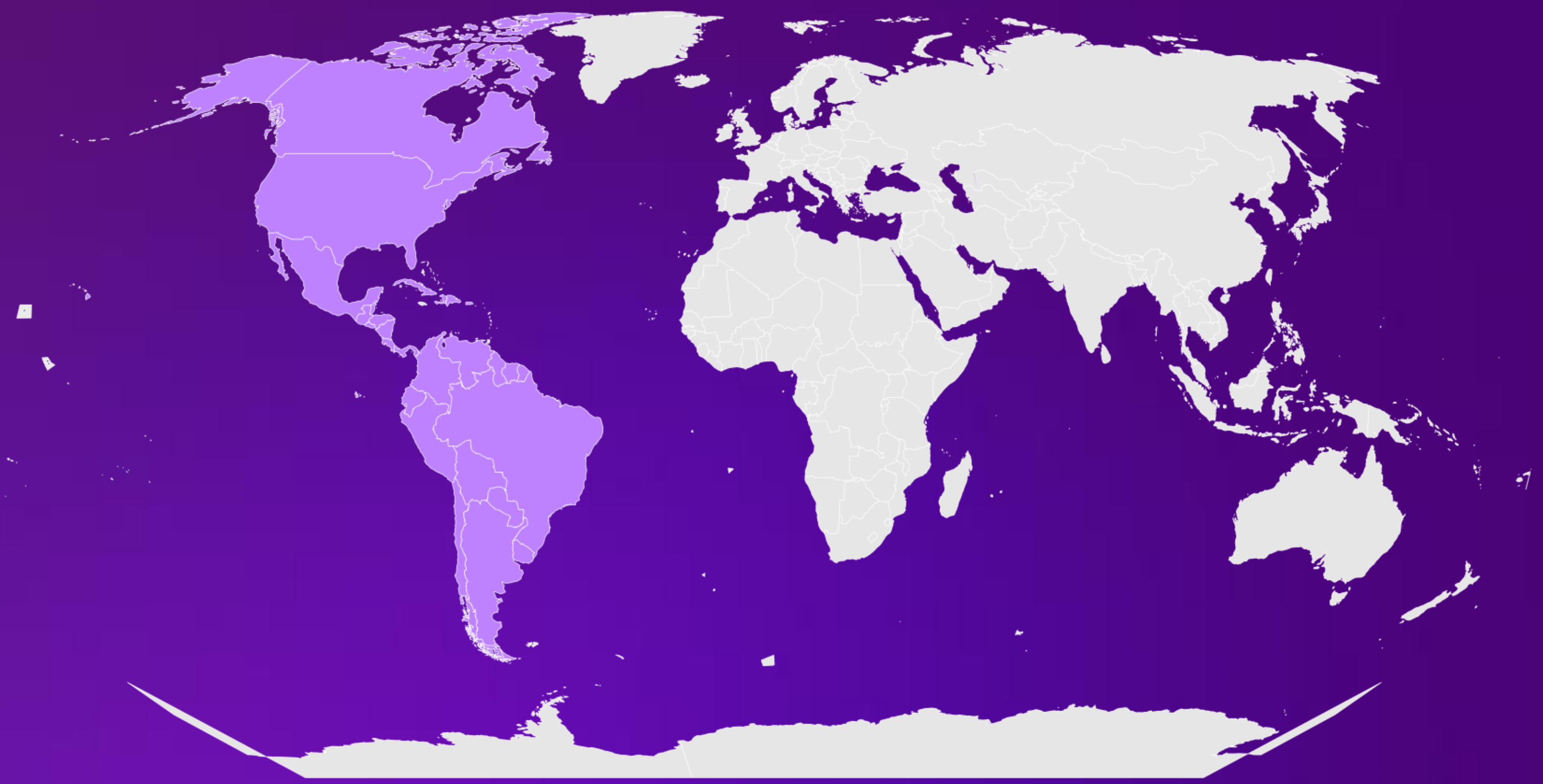
Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific	China	• Inflation rose 0.5% YoY in Jan, the fastest pace in five months, fueled by lunar new year demand • The PBoC left policy rates unchanged in Feb but signaled a potential cut next month, as consumer prices rose at the fastest pace in 5 months in Jan (0.5% YoY), boosted by Lunar New Year spending	• Growth decelerates modestly (to 4-5%) as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts • Subdued consumer confidence and ongoing precautionary savings limiting domestic demand	• Additional policy stimulus could be announced if growth undershoots targets • Retaliatory policies in response to US tariff imposition
	Japan	• Feb services PMI remained robust at 53.1 as lunar new year travel boosted demand • Headline inflation continued to rise to 4.0% in Jan (vs. 3.6% in Dec), as fresh food prices surged • The yen hit a 2-month high of 149 to the dollar, amid expectations of a BOJ rate hike	• Modest recovery in GDP growth in 2025 as real wage gains balance against continued inflationary pressures • Risks persist amid continued consumer pessimism, an uncertain external environment and cautious monetary policy normalization	• Degree of moderation in tourism and auto export growth, especially given the recent yen volatility • Growing optimism from business and consumers on domestic spending, supported by real wage growth
	India	• India raised income tax exemption limits, making earnings of up to 1.2m rupees ($14k) tax free • Falling to 93.7 in Jan, consumer sentiment has cooled significantly from 2024 highs of 98.5 • For the first time in 5 years, RBI lowered interest rates by 0.25bp to 6.25%, as Jan headline inflation eased to 4.3% YoY from 5.2 in Dec	• Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment • India should remain one of the fastest-growing major economies, propelled by favorable demographics and "friendshoring" FDI	• Resilience in domestic demand despite global headwinds and slowing growth • Extent of policy response as inflationary pressure remains elevated • Signs of manufacturers or other companies shifting supply chains
	Australia	• Jan manufacturing PMI remained mildly expansionary, driven by new orders (PMI 52.0) and helping raise composite output to 52.0 • RBA cut its policy rate steady by 25bp to 4.10% in Feb, marking the first cut in four years	• Growth is likely to remain subdued, owing to Australia's export exposure to a China slowdown and ongoing pressures on consumers, though sentiment may improve as the central bank enters a rate cutting cycle	• Degree to which the labor market loosens and reduces pressure on prices • Extent of imported inflation as the Australian dollar continues to weaken
	Indonesia	• Bank Indonesia (BI) cut its interest rate 25bp in Jan to 5.75%, surprising some analysts • Manufacturing PMI continued to rise in Jan, hitting 52.3 with resilient New Orders PMI at 51.9	• Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures • Headwinds remain from slowing external demand and geopolitical tensions	• Further monetary policy easing in 2025 as inflation stabilizes • Reallocation of government spending, including cuts to existing projects

Sources: Accenture Strategy analysis

Spotlight developments

Americas



Capex plans in the US are gaining traction as business leaders report optimism related to technology innovations and a friendlier corporate tax and regulatory environment

US capex intentions are on the rise

Business plans to increase capital expenditures in the next 6 months

% of respondents reporting a planned increase

Implications for corporates

- Strong domestic capex opportunities are emerging for companies of all sizes
  - Small firms, in particular, are focusing on equipment spend and should align investments with local growth sectors where possible
- Achieving technology-driven efficiencies—including through automation, AI, and data analytics—will be essential to staying competitive in an increasingly capex-intensive environment
- Corporates need to be creative with financing given still-elevated borrowing costs, opening the door for government subsidies, partnerships, and other mechanisms to finance their projects

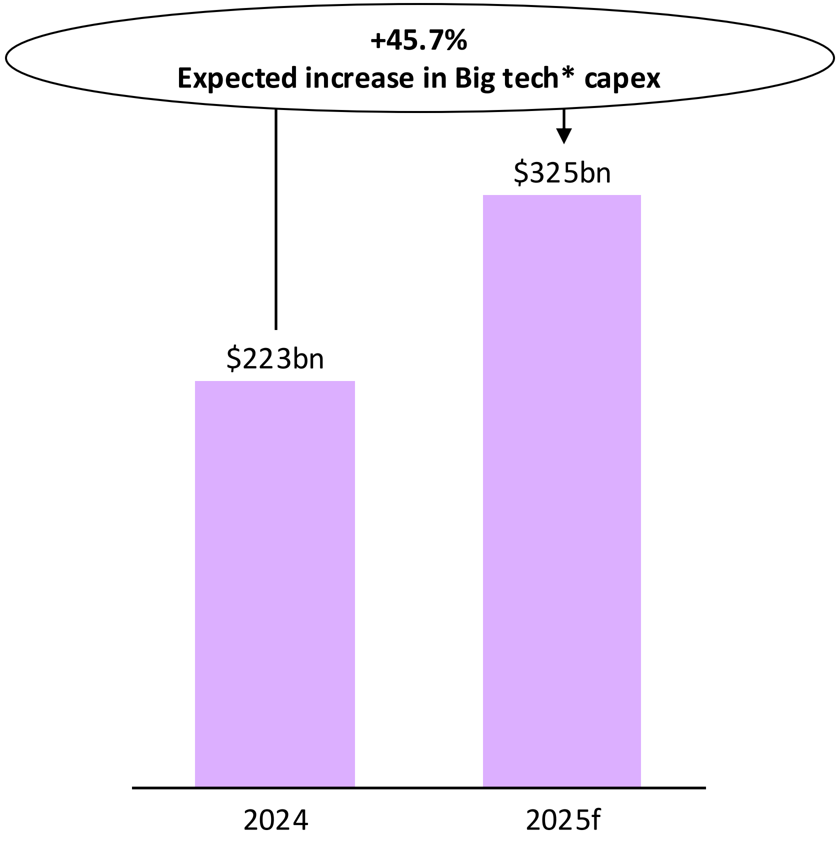
Sources: NFIB, Business Roundtable, Regional Federal Reserves, Accenture Strategy analysis

Capex momentum in US is underpinned by AI and emerging tech opportunities, particularly as the market shifts toward future waves of GenAI adoption and integration

AI and tech innovation is a primary driver of capex

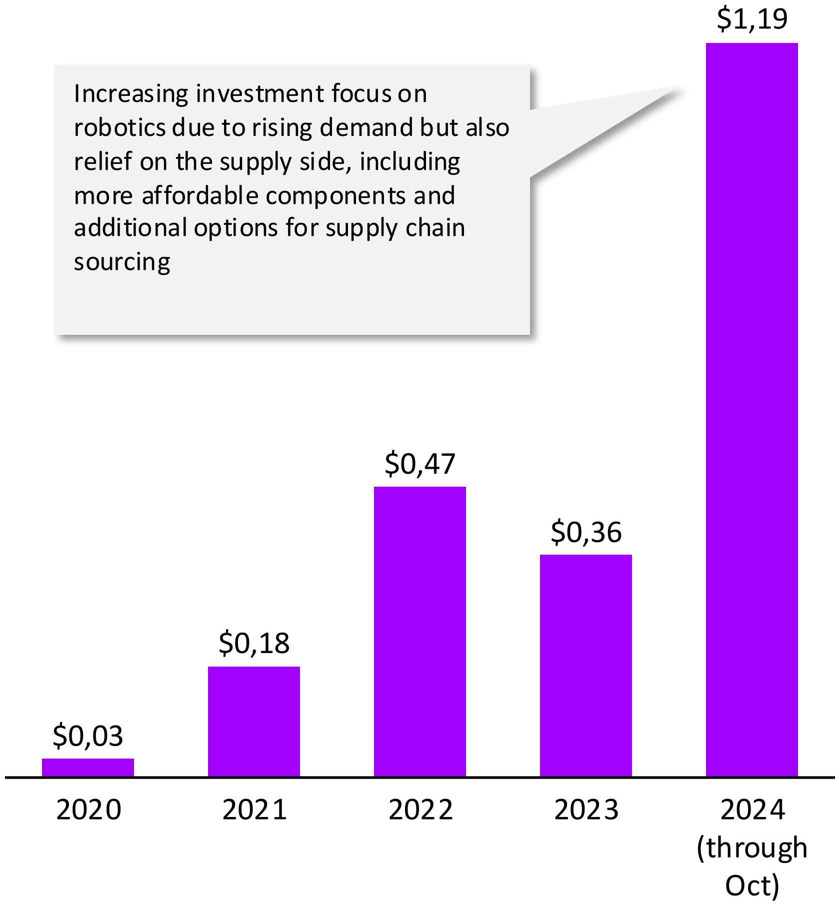
Capital expenditures among hyperscalers[1]

% share of firms



Investment in humanoid robotics

Total funding, USD billion



Implications for corporates

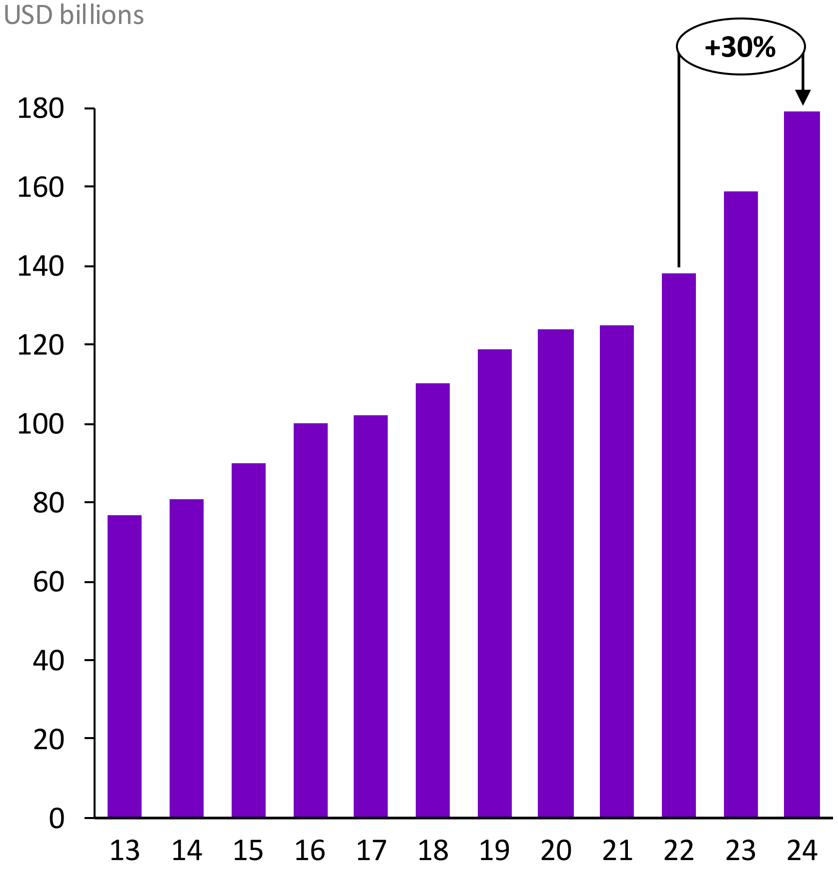
- Firms will need a clear AI investment strategy as adoption accelerates and they face intensified competition
- This will require rapid innovation and investment in AI-skilled talent to fully leverage emerging technologies and maintain a market edge
- It will be important for corporates to closely monitor emerging AI trends and assess jumping off points in workforce, tech capabilities and integration, and perceived business value
- Certain industries will have a faster path to monetizable use cases where AI drives increased revenue, with particular focus on software and services (financial, cyber, legal)

Notes: 1) Big tech refers to Microsoft, Google, Meta, and Amazon
Sources: Bloomberg, CB Insights, Accenture Research, Accenture Strategy analysis

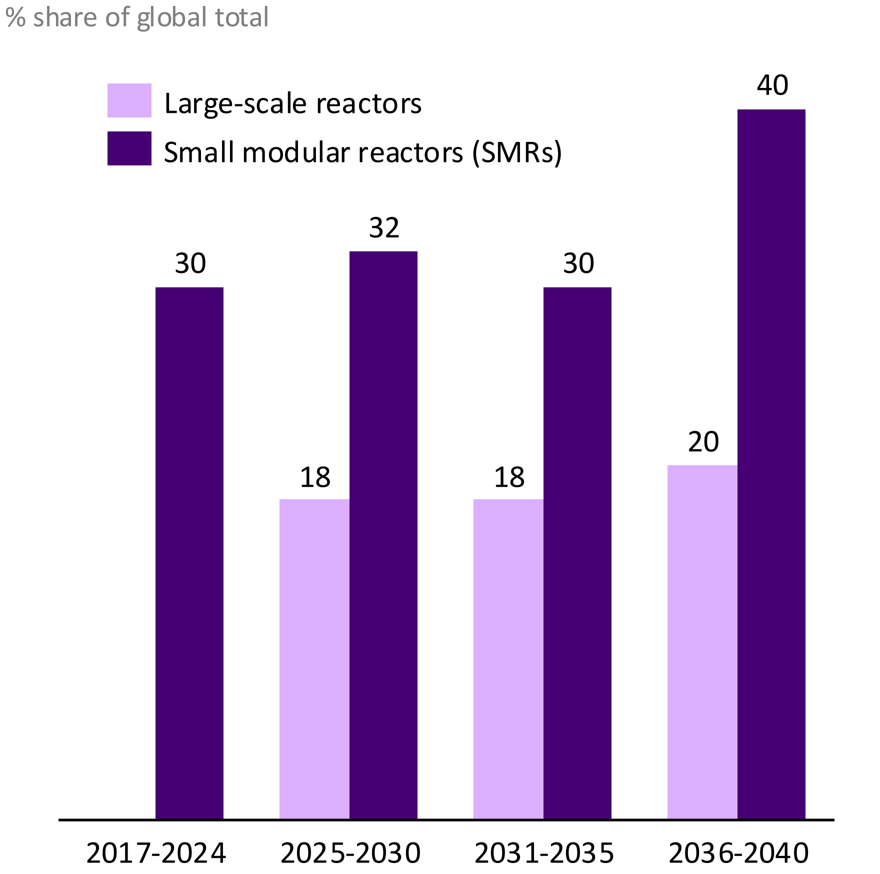
The boom in data centers and related infrastructure will require significant utility-focused capex to meet US power demands, alongside a revival of nuclear energy investment

Increasing capex among US utilities and O&G firms

Utilities sector[1] capital expenditures in the US



Planned nuclear power construction starts in the US

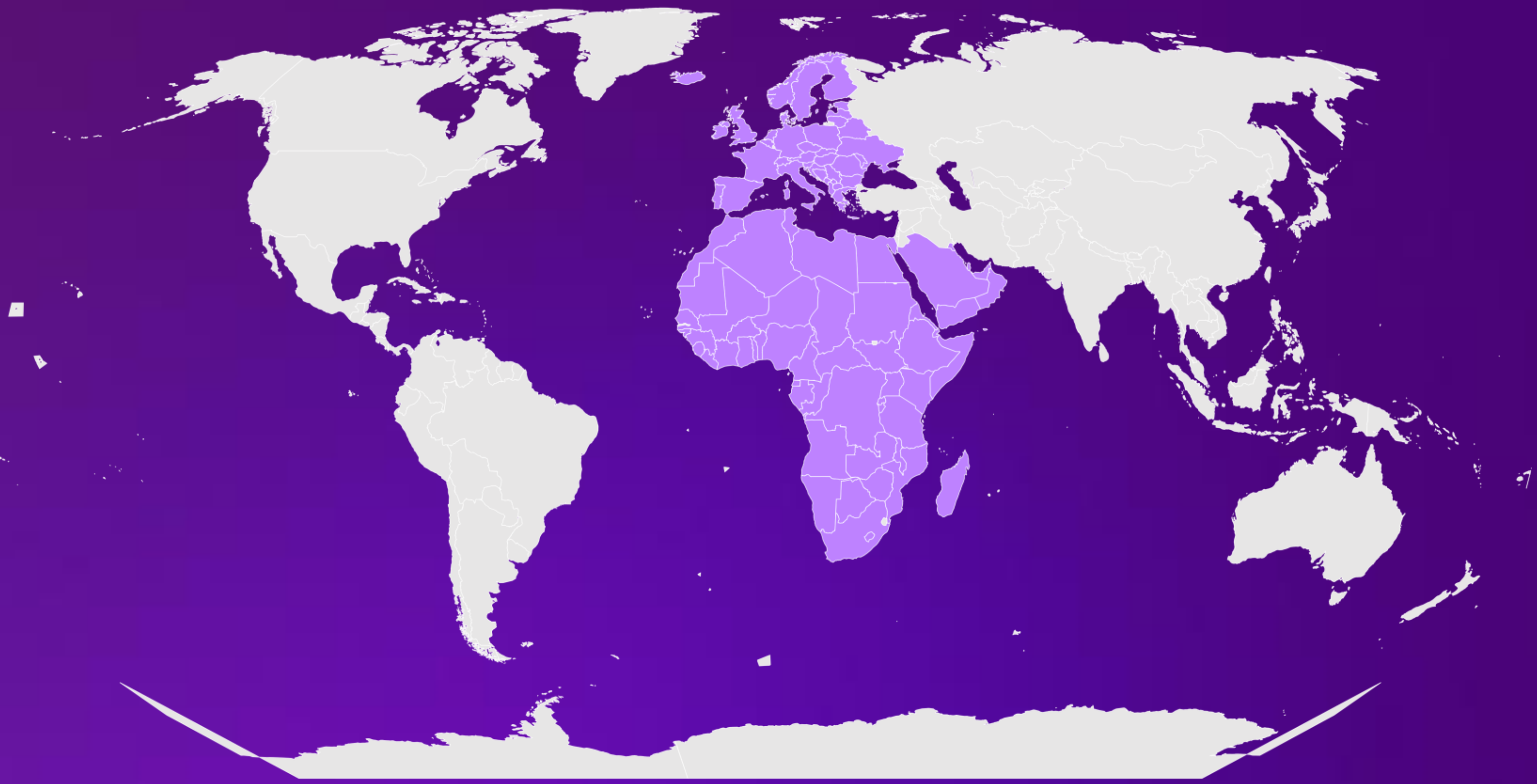


Implications for corporates

- Firms specializing in smart grid technologies, energy storage, cybersecurity, and energy efficiency solutions will find expanding opportunities as capex ramps up in the utilities space
- Corporates relying on large-scale AI or cloud computing operations may need to invest in energy-efficient technologies or renewable energy sources to mitigate long-term costs
- Collaborations between energy providers and tech companies may emerge to develop sustainable power solutions tailored to data-intensive industries

Notes: 1) reflects the capital expenditures for the 37 largest electric and multi-utilities (electric and gas) companies in the US
Sources: S&P Global, IEA World Energy Outlook, Accenture Strategy Analysis

Europe, Middle East and Africa

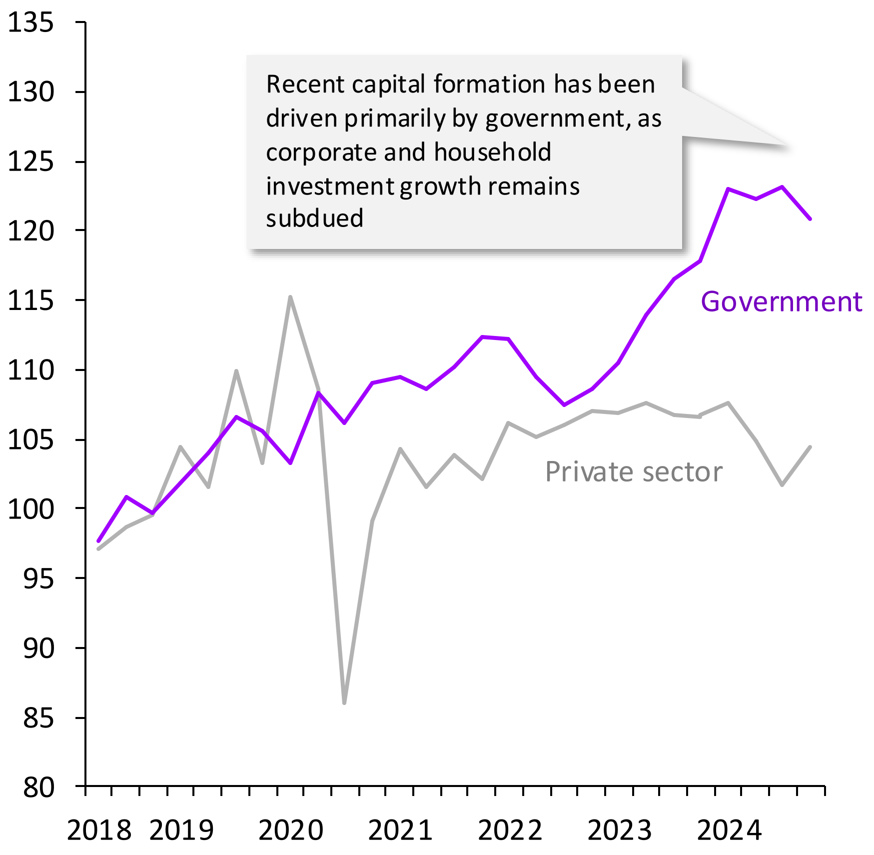


European capex growth faces more of a challenge as firms prioritize replacement over expansion, constrained by financing costs, economic uncertainty, and regulatory hurdles

Capital investment trends among European firms

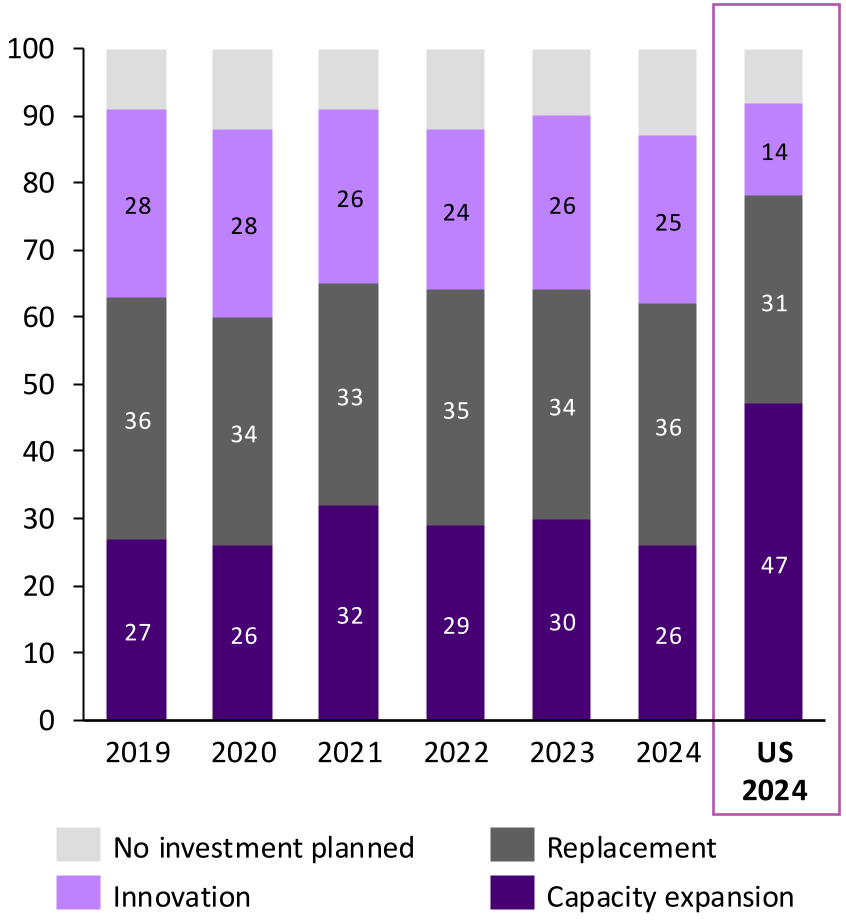
Real gross fixed capital formation in the Euro area

Index (2018=100)



EU firms' next 3-year investment priorities vs. US

Percent of respondents



Implications for corporates

- Unlike in the US, domestic capex opportunities in Europe may be less widespread across industries, with prioritization of cost-efficient upgrades over large-scale expansions
- EU firms face stricter financing conditions and regulatory hurdles compared to global competitors, making it harder to scale AI and adopt new technologies
- Business leaders in Europe may feel competitive pressure to accelerate innovation alongside the US and China, increasing the need for public-private partnerships in key industries such as AI, clean energy, and advanced manufacturing

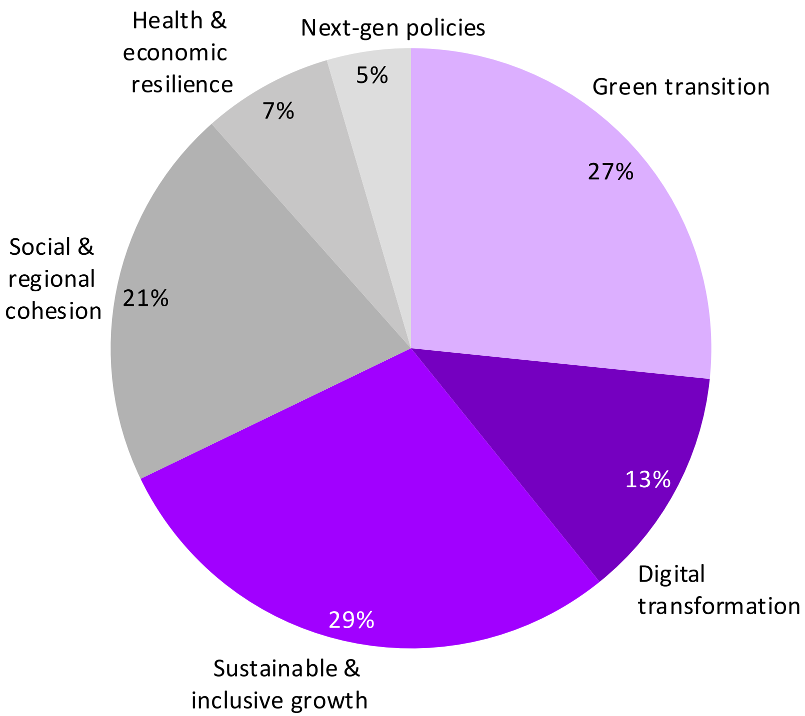
Sources: EIB, Eurostat, Accenture Strategy analysis

Some investment opportunities are arising as the use of European recovery funds and the InvestAI initiative shift capital expenditure plans toward tech-related strategies

Shifting focus of EU investment incentives

EU Recovery and Resilience Facility (RRF) funding allocation by policy pillar

Percentage, 2024



“Together with the EU Commission, the EIB Group is stepping up support for Artificial Intelligence, a key driver of innovation and productivity in Europe.”

Nadia Calvino, President of the European Investment Bank

“Together with our Member States and with our partners, we will mobilize unprecedented capital through InvestAI for European AI gigafactories.”

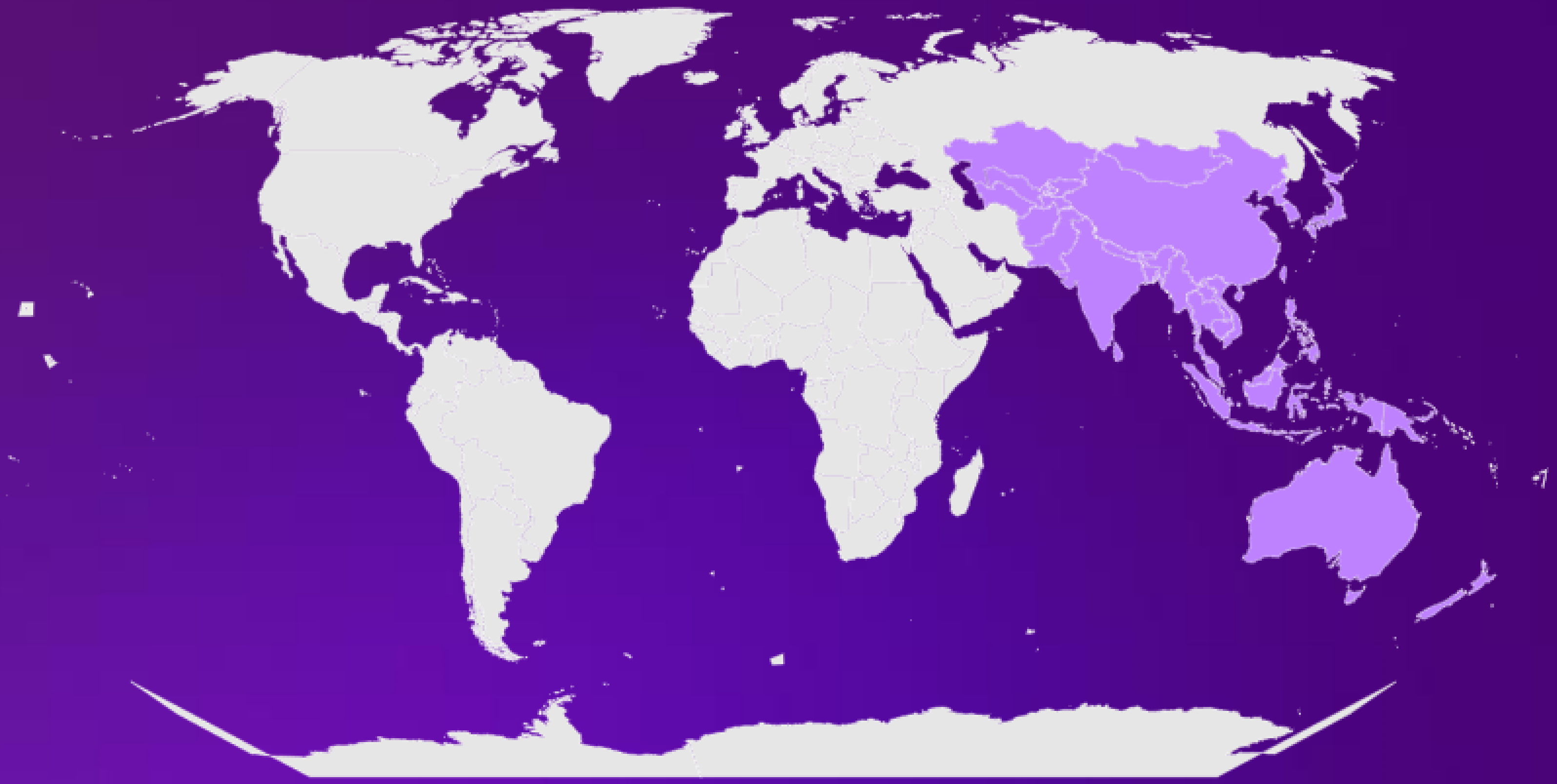
Ursula von der Leyen, President of the European Commission

Implications for corporates

- The EU’s InvestAI Initiative was announced in Feb 2025 to dedicate EUR 200 billion for AI-related investments, with EUR 20 billion intended for gigafactories
- This will build on momentum from the existing Recovery and Resilience Facility funds and tend to favor the largest user regions of these funds—Southern and Eastern European countries
  - These funds will continue to fuel capex opportunities in these areas as they are less exposed to external competitive pressures
  - Furthermore, InvestAI is likely to strengthen AI infrastructure with Slovenia and Greece as AI Factories, creating new business opportunities

Sources: EC, EIB, Accenture Strategy analysis

Asia Pacific

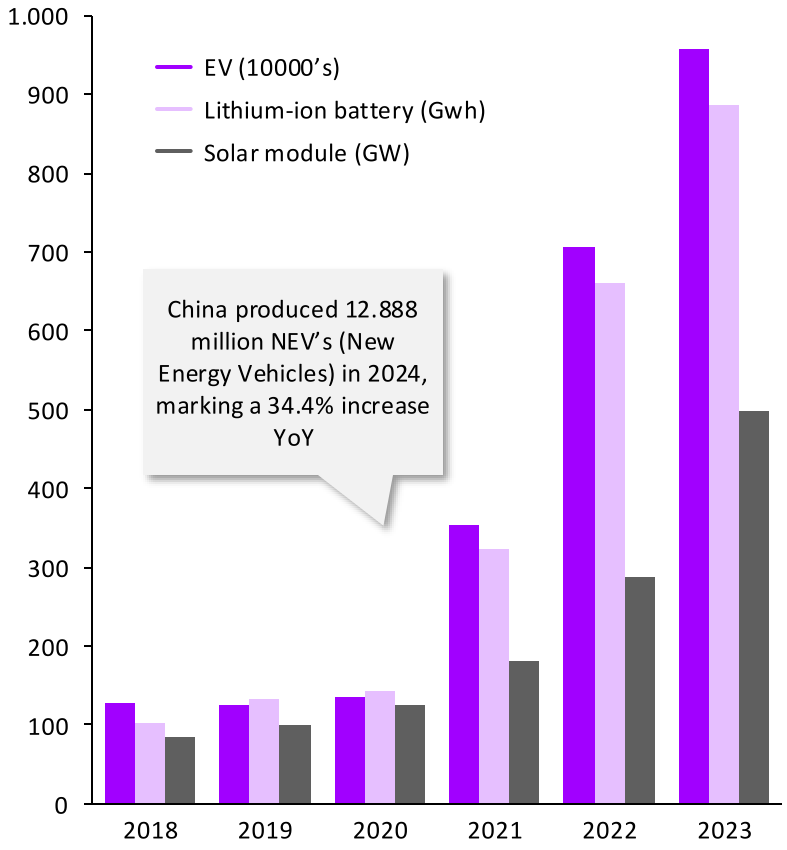


China's accelerated capex in the 'New Three' sectors is adding competitive pressure to companies operating globally in these sectors

China's New Three sectors: production and exports

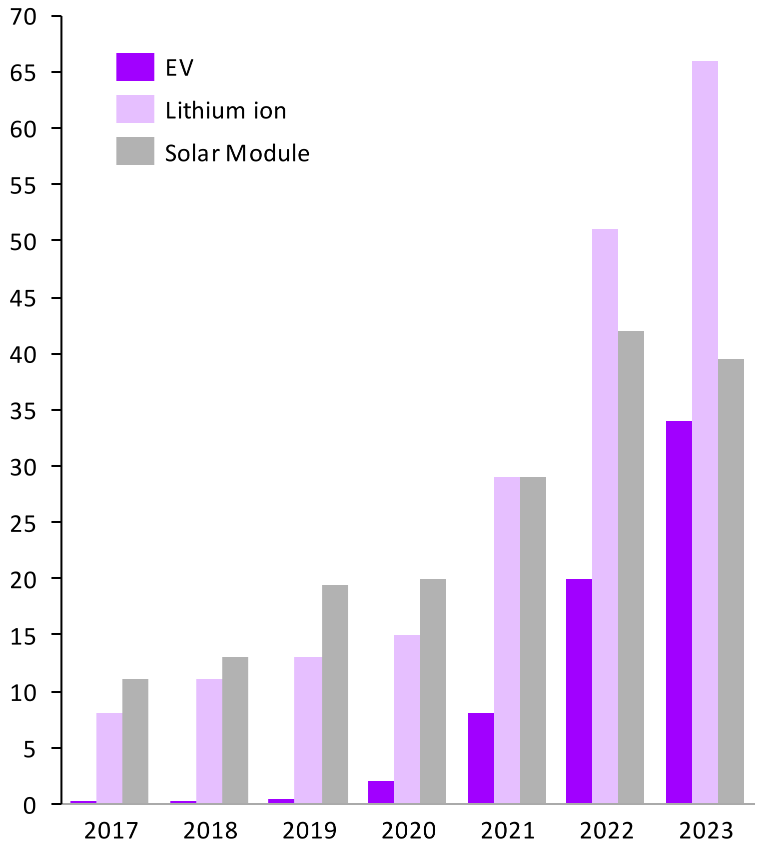
China 'New Three' production

EV: 10,000 units; Li-ion battery: Gwh; Solar Module: GW



China 'New Three' exports by value

USD billion



Implications for corporates

- China's dominance in the 'New Three' sectors may force and incentivize technological innovations in Western firms toward next-gen batteries, renewables, or alternative energy solutions to compete against Chinese firms
- Increased capex spending by Chinese companies and government resulted in overcapacity and overproduction in some industries, leading to price competition
- Companies reliant on supply chain and production in China will likely need to hedge geopolitical and sourcing risks, and prepare for oversupply in certain industries

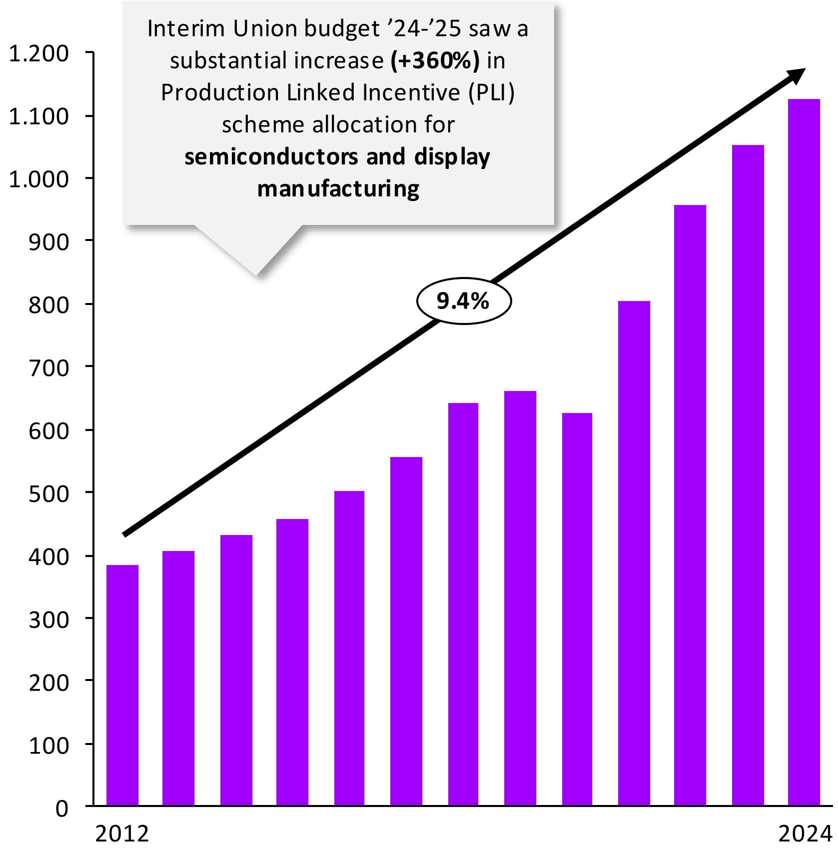
Sources: China Association of Automobile Manufacturers (CAAM), Griffith Institute, Accenture Strategy analysis

Public and private capex in India is rising on the back of government initiatives to transform the manufacturing sector, providing opportunity for foreign firms to diversify supply chains

Fixed capital formation and sectoral FDI inflows

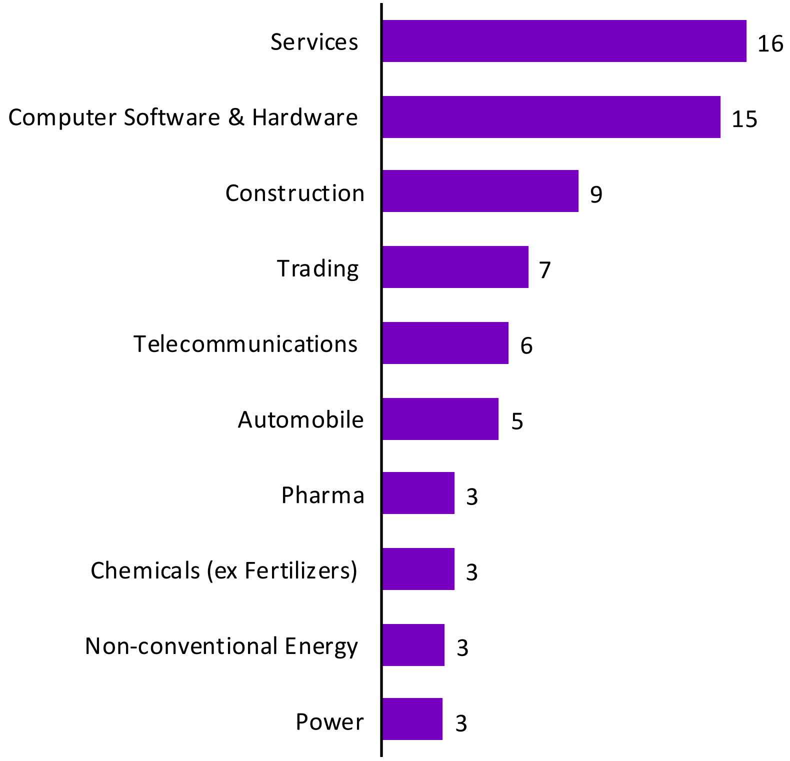
Gross fixed capital formation in India

USD billion



Composition of India FDI inflows, by sector

Apr 2000 – Sep 2024, % of total FDI equity inflow, USD



Implications for corporates

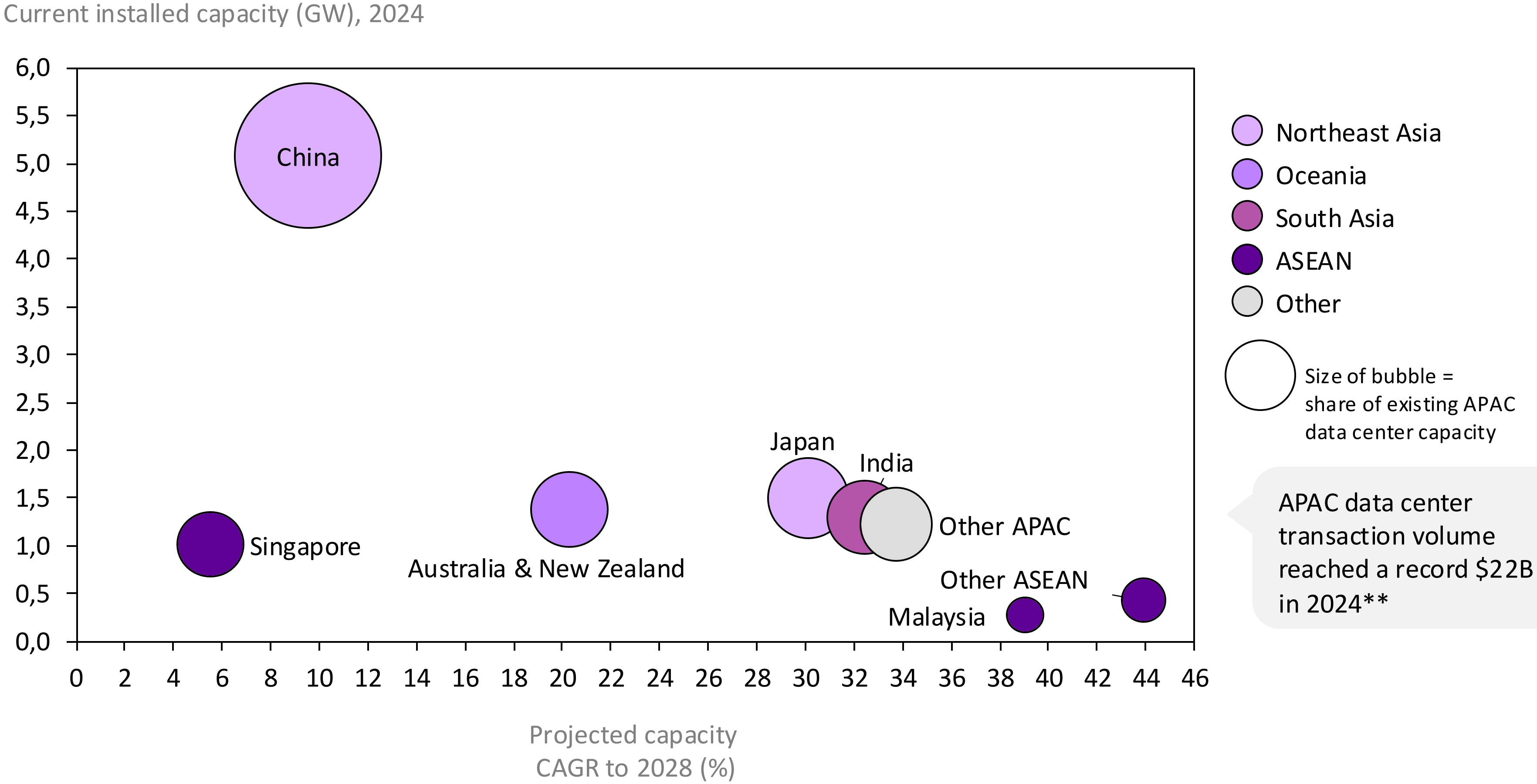
- India's FDI inflow has been on a broad upward trajectory since 2010s, except from 2021 to 2023 when FDI dipped in line with global downturn
- India's capex boom creates business opportunities for foreign investment in the form of partnerships in high-tech sectors (e.g., semiconductor fabrication) via joint venture collaboration
- India's semiconductor market also presents opportunities for semiconductor MNCs looking to diversify supply chains away from East Asia, where geopolitical risks are more pronounced

Sources: Dept. for Promotion of Industry and Internal Trade India, IBEF, World Bank, Haver Analytics, Accenture Strategy analysis

While China currently holds over 40% of current data center capacity in APAC, future capacity growth is expected to be driven by Japan, India, and ASEAN countries

Data center growth in APAC

APAC data center capacity buildout



APAC data center transaction volume reached a record $22B in 2024**

Implications for corporates

- Data center growth could drive demand for adjacent industries such as energy/utilities, semiconductor and electronics manufacturing, and real estate
- Financial services may also stand to benefit, as data center players require access to capital for capacity buildout and other solutions such as REIT-formation to manage mature data center portfolios
- Despite ongoing momentum in the region, data center expansion could be impacted by geopolitical tensions, which restrict access to AI (demand driver) or chips (supply driver)

*Project capacity growth is based on under-construction plus planned capacity to 2028, or total committed capacity where data is not available.

**Excluding a single transaction valued at >$16B, APAC data center transaction volume in 2024 still exceeded all prior years except 2021.

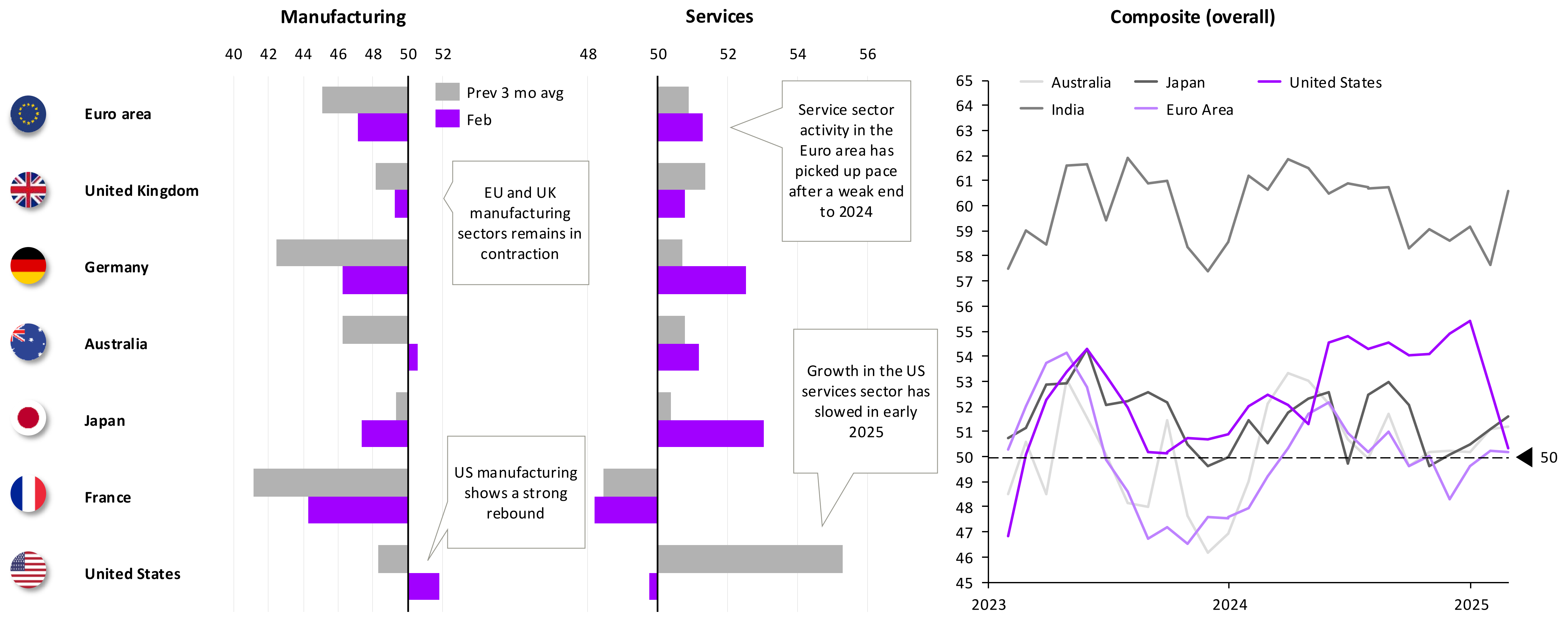
Sources: AlphaSense, Cushman & Wakefield, Maybank Research, DC Byte, Savills, Accenture Strategy analysis

Economic indicator chart pack

Regional and industry activity

Manufacturing remains sluggish across most major economies, while services sector shows resilience outside of a sudden slowdown in the US

February Flash PMI survey



Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures

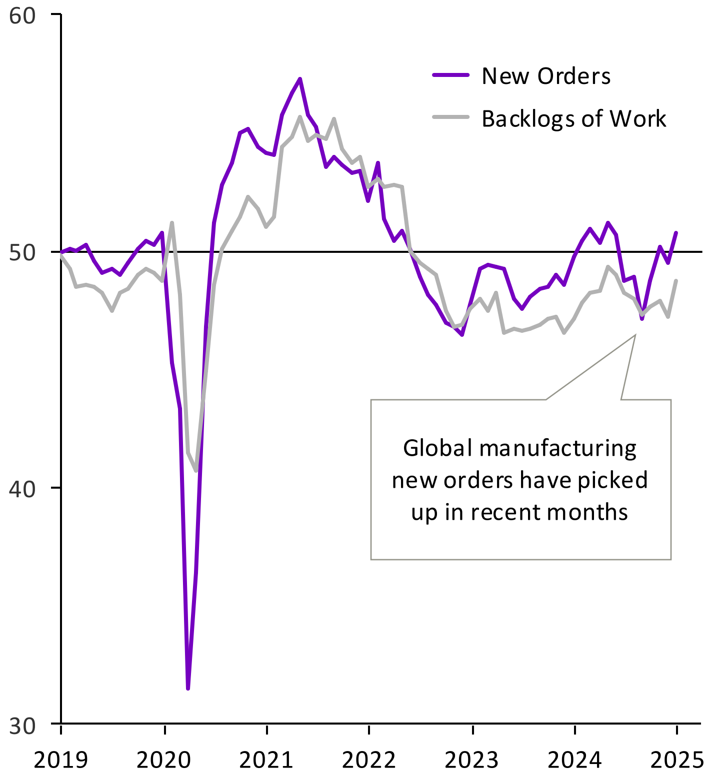
Sources: S&P Global, Accenture Strategy analysis

Global manufacturing shows tentative signs of recovery, but demand uncertainties and rising inflation pose challenges for the near-term outlook

Leading indicators of global manufacturing momentum

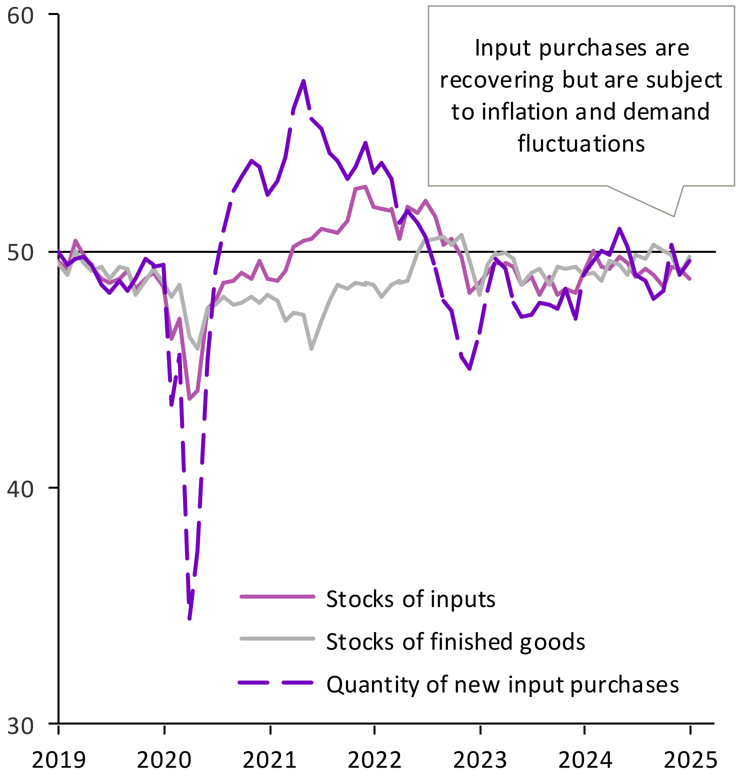
Rising new orders growth…

Diffusion indexes (SA, 50+=Expansion)



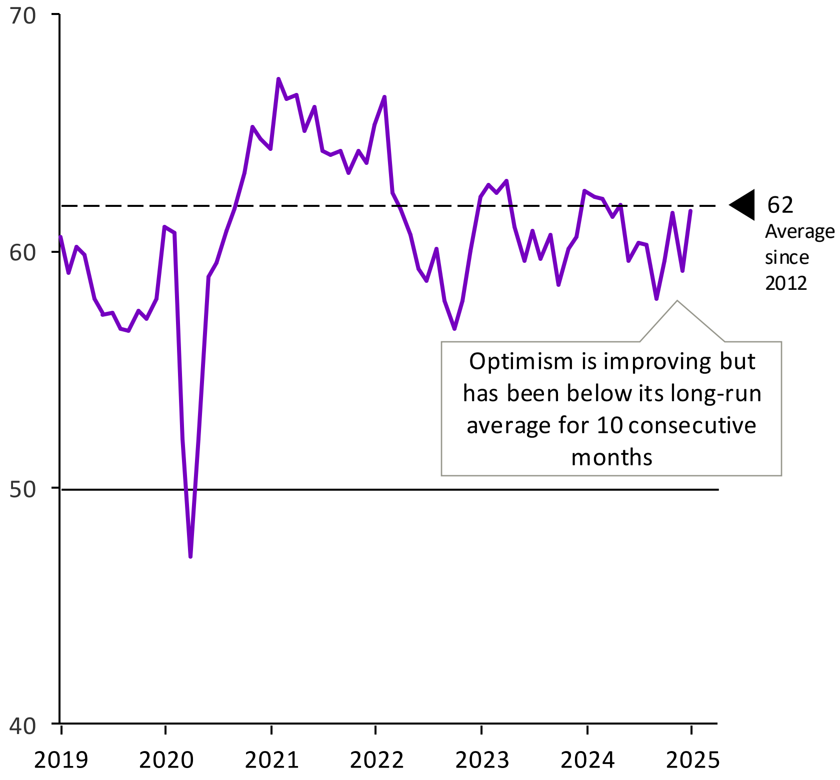
…with robust input purchases …

Diffusion indexes (SA, 50+=Expansion)



…bolstering optimism for the 12m outlook

Manufacturing future output (NSA, 50+=Expansion)



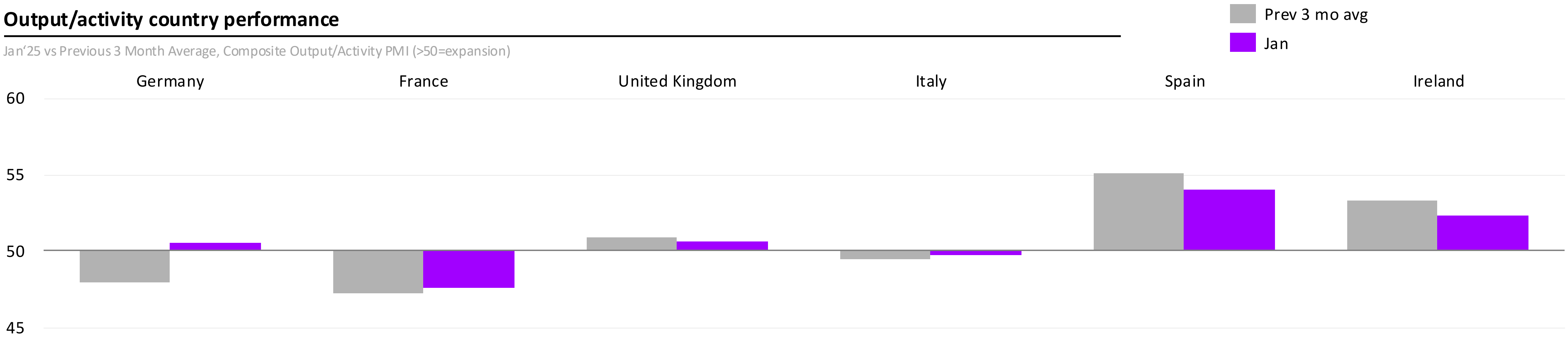
Notes:
(1) Data reflects global diffusion indexes, which are GDP-weighted averages in over 40 countries incl. US (21.6%), China (12.7%), Japan (7.7%), Germany (3.6%), UK (3.5%), and India (3.3%), among others. Annual weights are based on Gross Value Added (GVA) in the manufacturing sector in constant US$ from the World Bank. The select countries account for 98% of global manufacturing value added. (2) Global manufacturing PMI indices are compiled by S&P Global from responses to monthly questionnaires sent to purchasing managers in survey panels totaling around 13,500 companies.
Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Economic activity across Europe remains largely muted, with Spain and Ireland emerging as notable exceptions, showing strong growth in output and demand

Regional performance: Europe

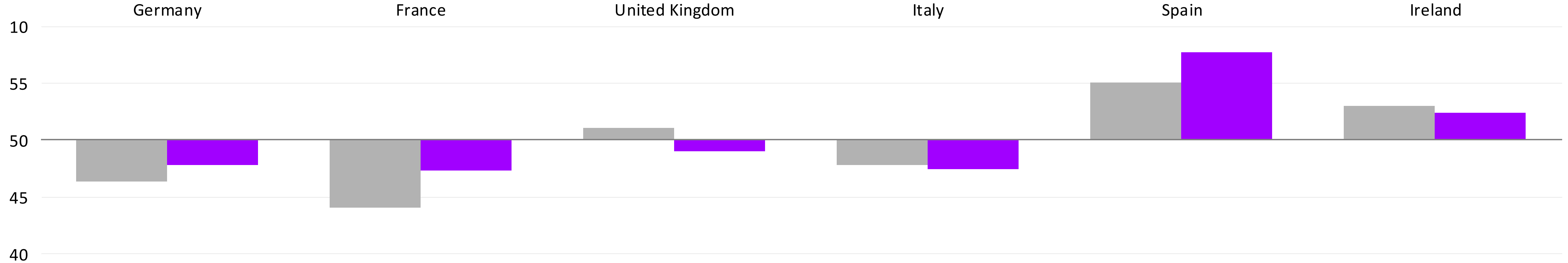
Output/activity country performance

Jan'25 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

Jan'25 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)



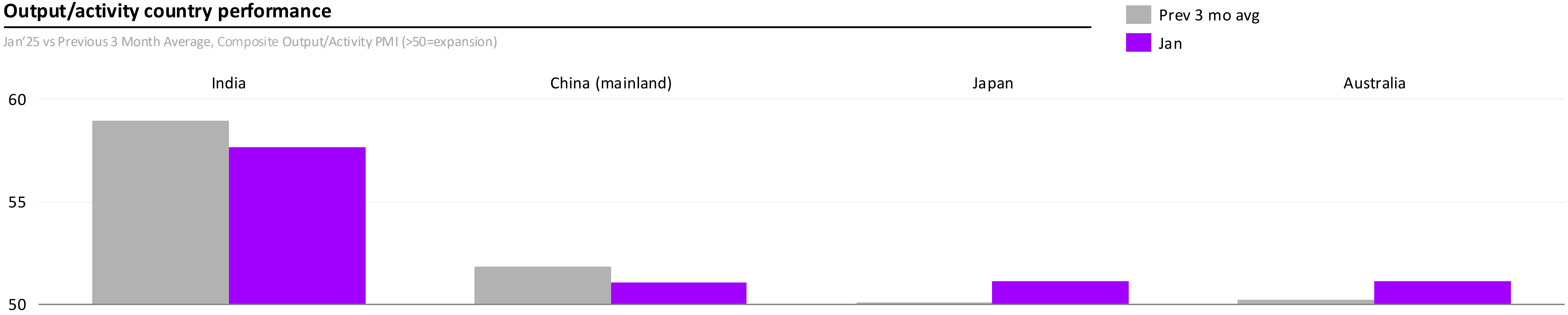
Sources: S&P Global, Accenture Strategy analysis

APAC economies maintain a trajectory of modest growth at start of 2025, with India remaining the clear outperformer

Regional performance: Asia-Pacific

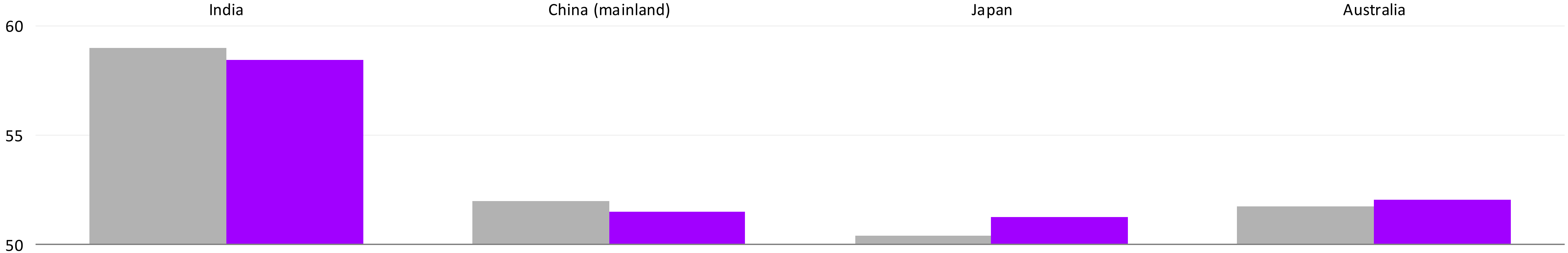
Output/activity country performance

Jan'25 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

Jan'25 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)



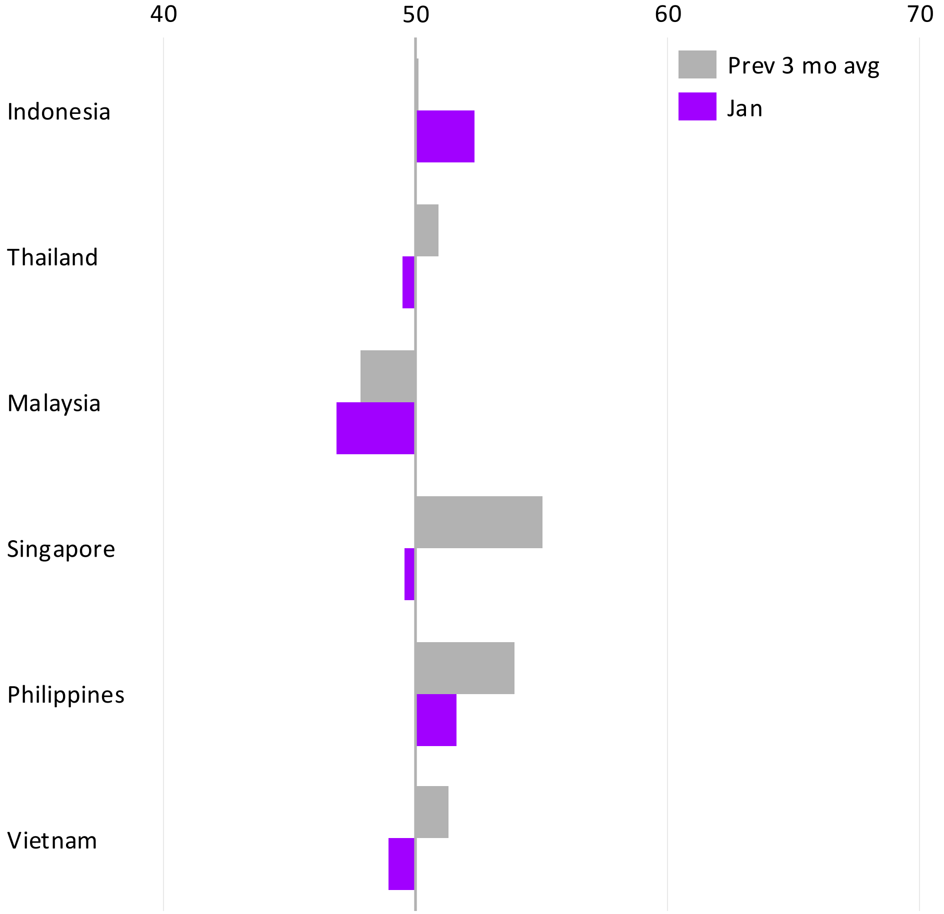
Sources: S&P Global, Accenture Strategy analysis

Manufacturing activity in Southeast Asia shows resilience in Indonesia and the Philippines, while other countries saw deterioration in new orders and employment in January

Regional performance: Southeast Asia

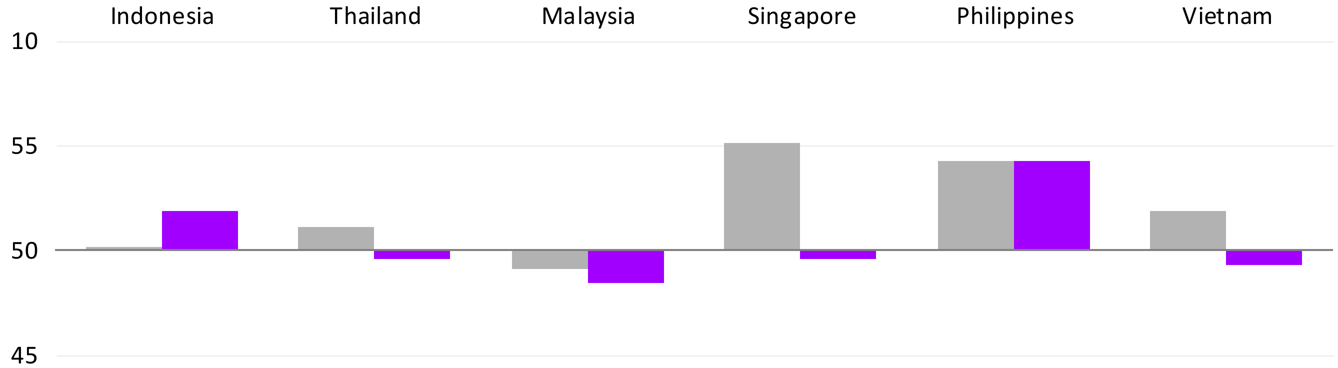
Manufacturing Performance

Jan'25 vs Previous 3 Month Average, Manufacturing Output



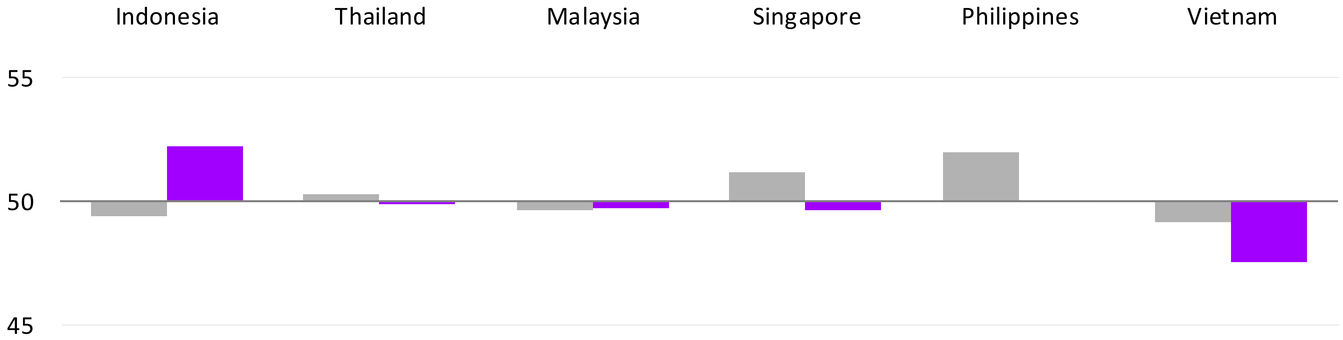
Manufacturing New Orders

Jan'25 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Jan'25 vs Previous 3 Month Average, Manufacturing Employment PMI



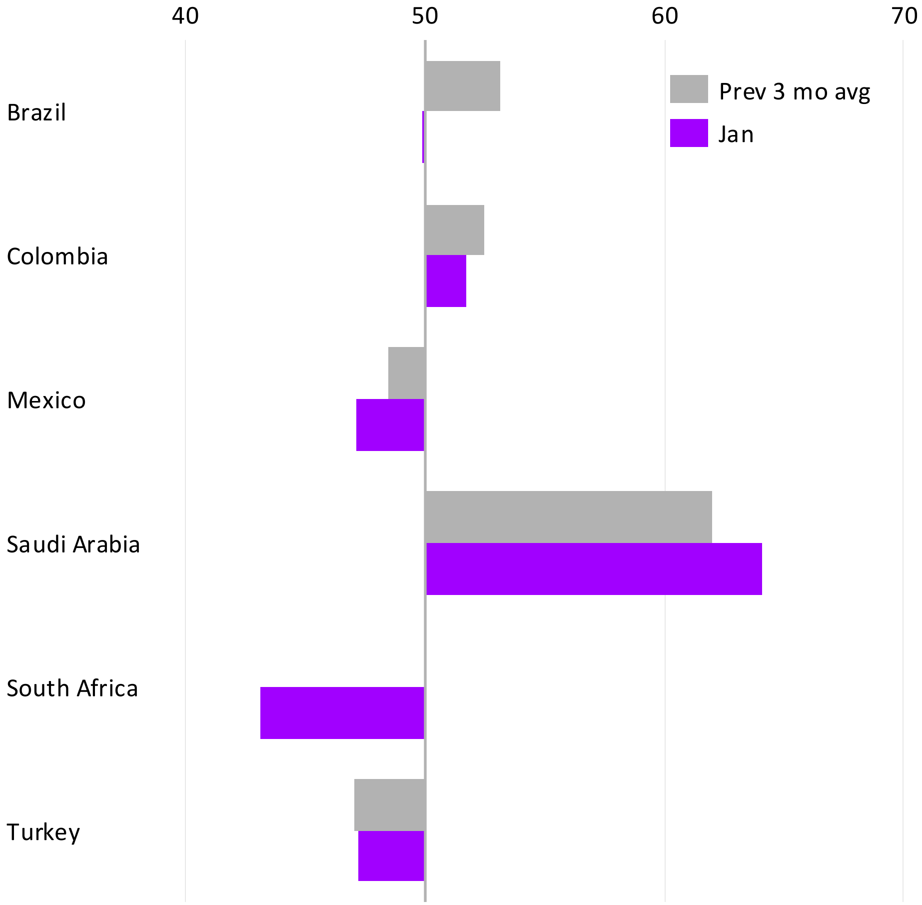
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Among other emerging markets, Saudi Arabia's manufacturing sector continues to lead the charge, while Colombia sees strong gains in new orders and employment

Regional performance: Other emerging markets

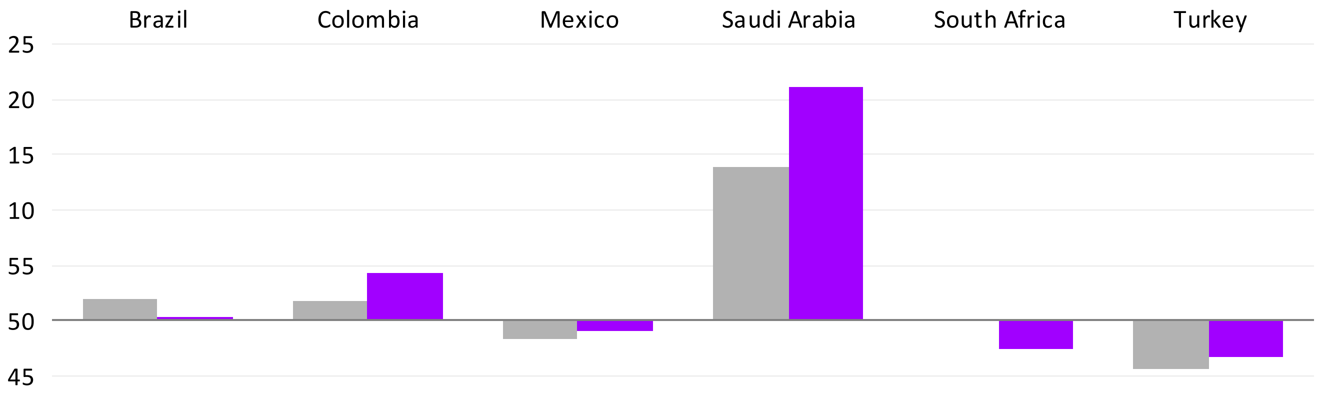
Manufacturing Performance

Jan'25 vs Previous 3 Month Average, Manufacturing Output



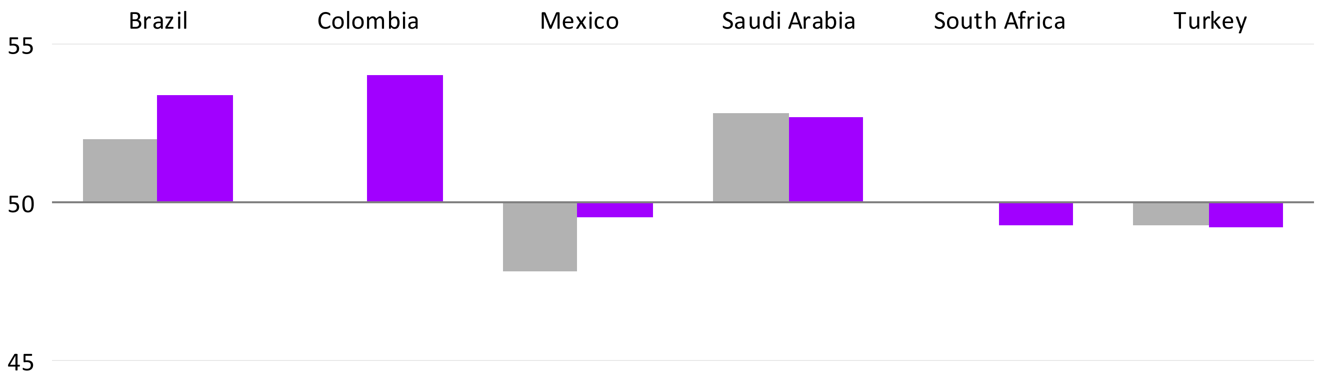
Manufacturing New Orders

Jan'25 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Jan'25 vs Previous 3 Month Average, Manufacturing Employment PMI



Notes: South Africa and Saudi Arabia PMI is for the whole economy
Sources: S&P Global, Accenture Strategy analysis

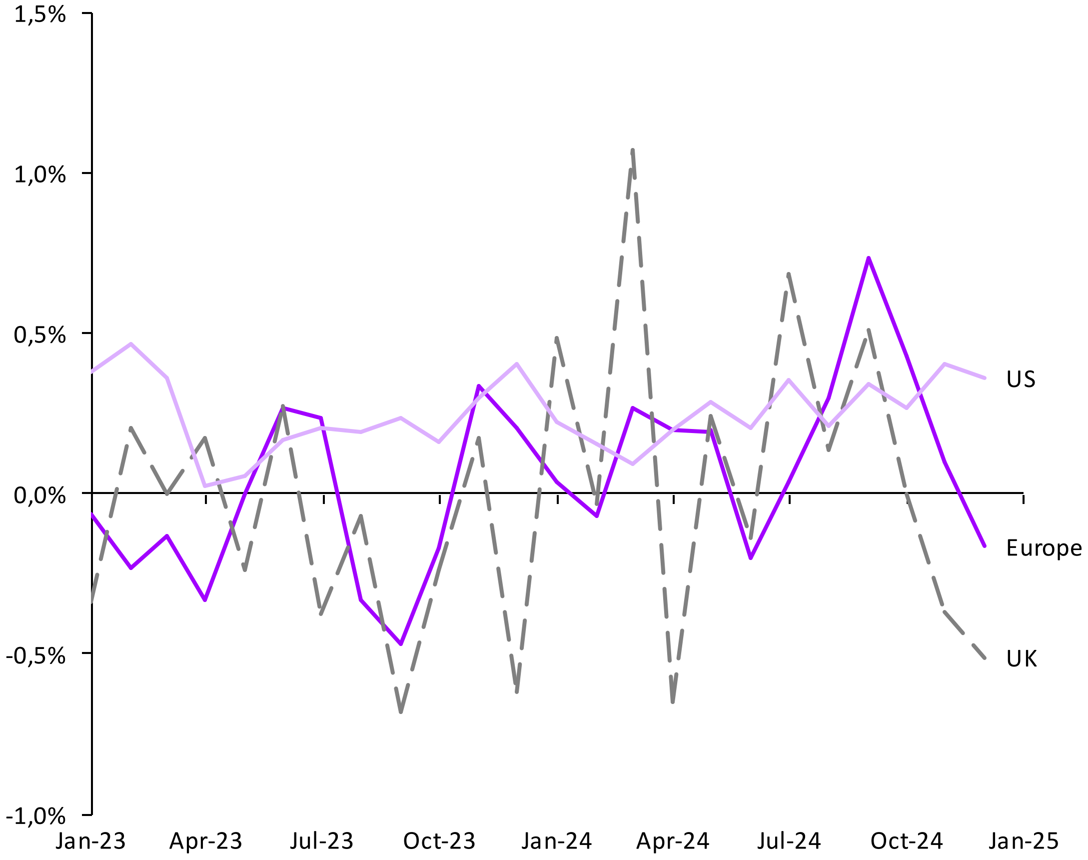
Consumer spending

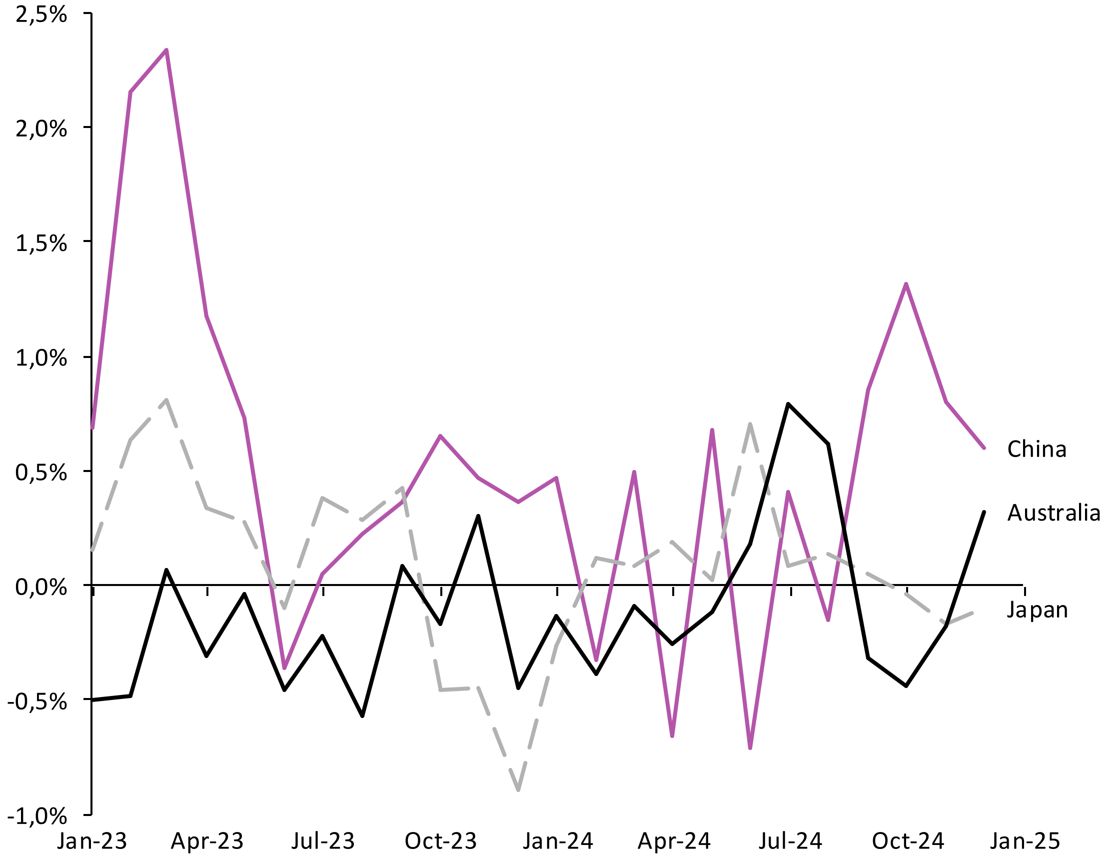
Consumer spending remained steady in the US but declined in Europe and the UK, while Australia saw an uptick driven by increased discretionary spending

Consumer spending trends

Real consumer spending across major economies

3-month moving average % change



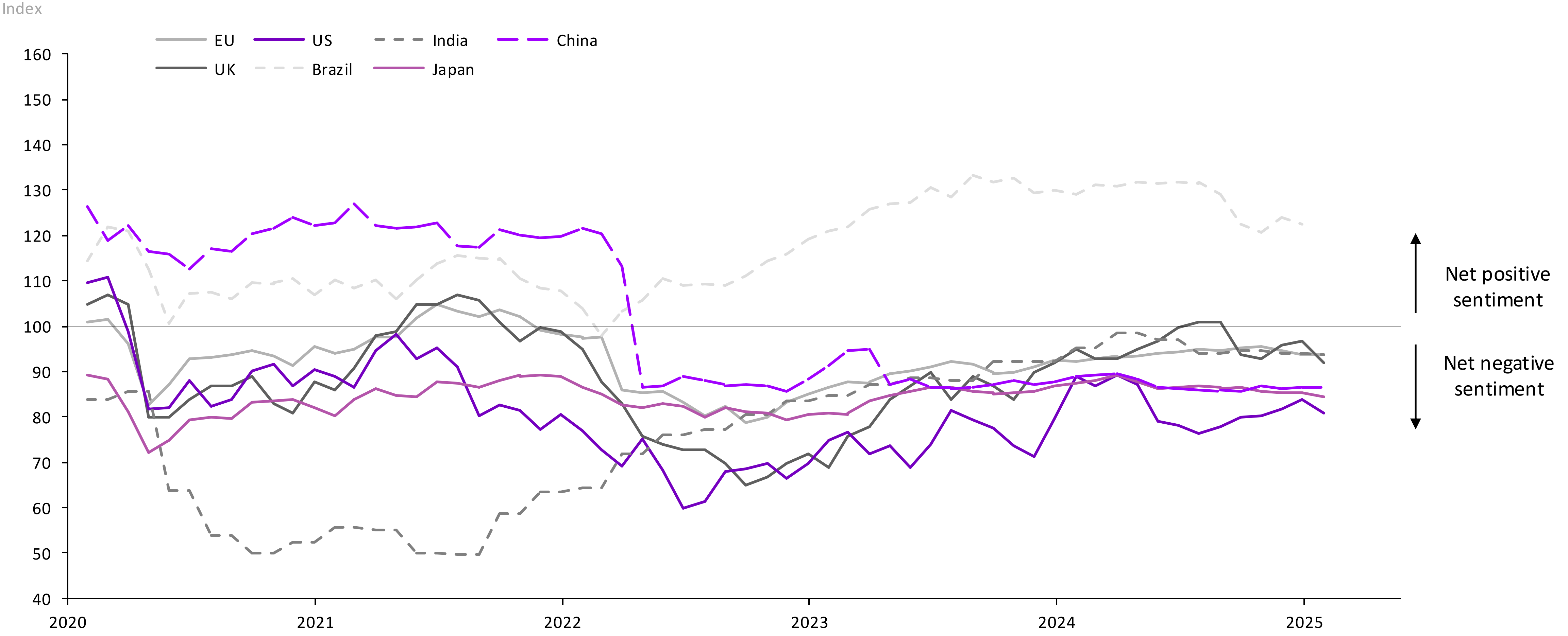


Notes: Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area, UK, Canada, Japan, Australia, and China series data is retail sales.
Sources: Reuters, BEA, BLS, Eurostat, ONS, Haver analytics, Accenture Strategy analysis

Global consumer sentiment remains largely pessimistic, especially in the US, China and Japan, while optimism in Brazil remains high

Consumer sentiment across major economies

Indicators of overall consumer sentiment



Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey

Sources: EC Consumer Surveys, GfK Survey, University of Michigan Survey, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

Consumer spending on services in the US is softening materially, whereas spending weakness across Europe continuous to be concentrated mainly in goods

Consumer spending trends by goods and services category

AS OF FEBRUARY 26

		US		UK		Germany		France	
		Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change
Goods	Groceries	1,3%	0.5%	-1,0%	-2.0%	0,8%	0.4%	1,4%	0.0%
	Motor vehicles	4,7%	0.3%	1,1%	-4.6%	-3,7%	-0.6%	-1,8%	0.1%
	Furniture	4,1%	1.4%	-1,2%	-2.4%	-0,5%	-2.8%	-3,4%	-0.4%
	Electronics	4,4%	2.2%	7,5%	-14.9%	3,9%	2.4%	0,7%	-1.0%
	Footwear & apparel	1,0%	0.4%	-0.1%	3.7%	-4,0%	6.1%	1,3%	-1.1%
	Fuel	1,6%	1.0%	1,0%	1.1%	-0,8%	1.6%	-0,4%	-1.5%
Services	Transportation	1,0%	2.2%	-0,4%	0.6%	-0,4%	-3.0%	3,6%	5.2%
	Entertainment	0,5%	0.1%	-4,9%	2.4%		n/a	-1,0%	-0.4%
	Dining out and hotels	0,6%	-0.2%	0,6%	0.9%	-2,0%	2.7%	0,8%	-0.2%
	Information services	1,8%	0.5%	1,1%	-0.4%	0,1%	-1.4%	0,8%	-0.9%
	Telecom	0,3%	0.3%	-0,7%	-0.5%	3,3%	-2.4%	1,1%	1.1%

Notes: (1) UK's previous 6-Months includes a stronger than normal holiday season. (2) Spending figures are inflation-adjusted. (3) Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area and UK, series data is retail sales, motor vehicles sales/registrations, and services turnover.
(4) Some European services data may include B2B spending. (5) Data presented is most recently available data for each geography and category.
Sources: BEA, BLS, ONS, National Institute of Statistics and Economic Studies, Federal Statistical Office, Accenture Strategy analysis

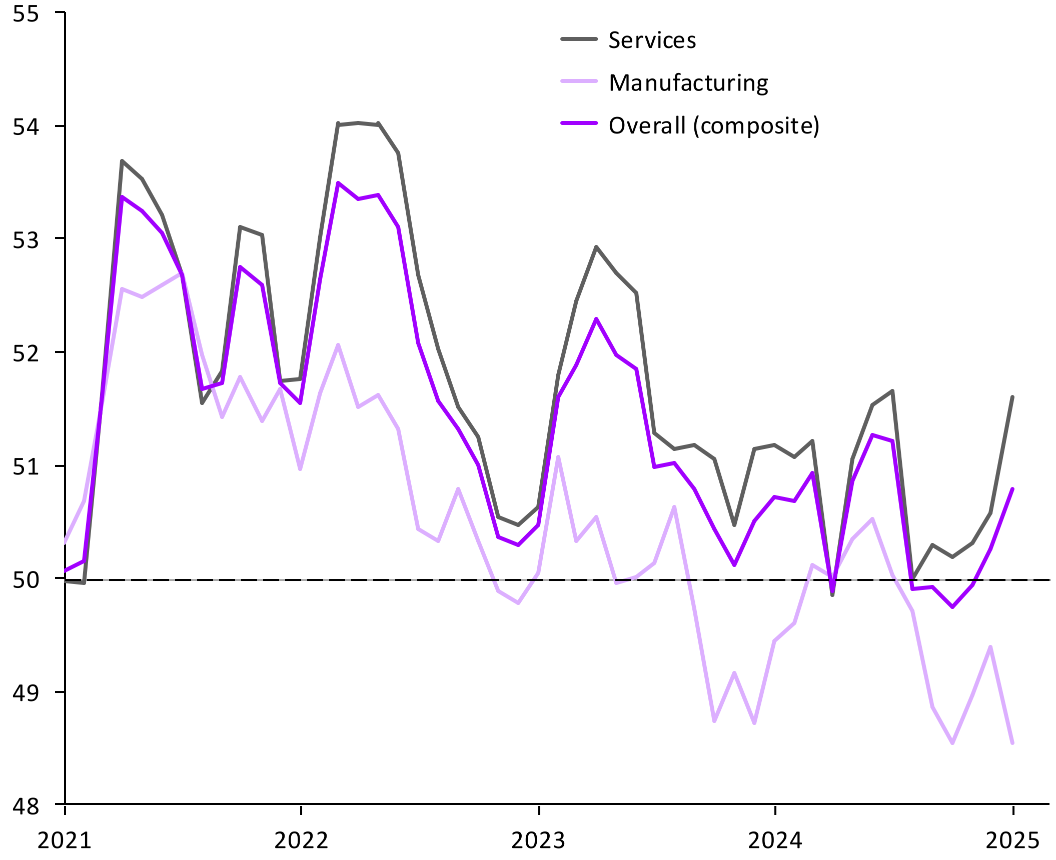
Labor markets

Globally, employment is mostly stable in the services sector but remains in contraction in manufacturing, with regional weakness in UK, Euro area, and China

Global PMI employment growth

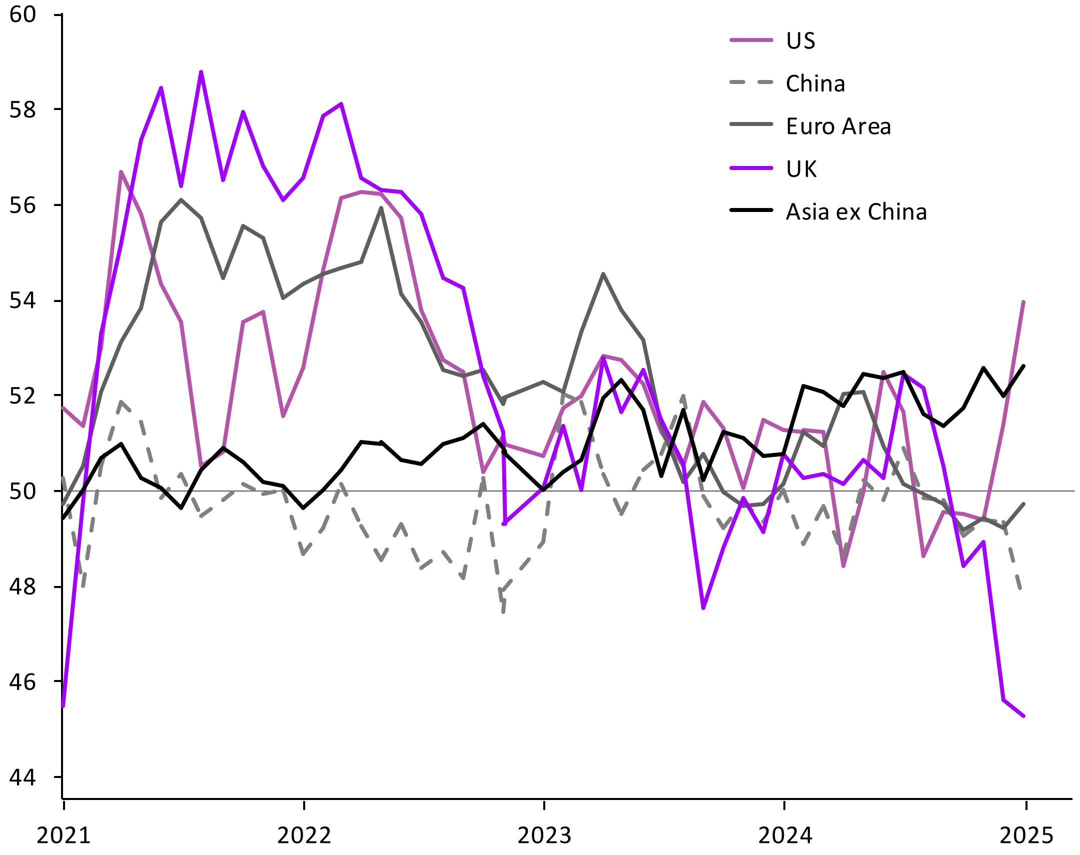
Global PMI Employment Index

Index (>50=expanding employment)



Regional Composite PMI Employment Index

Index (>50=expanding employment)

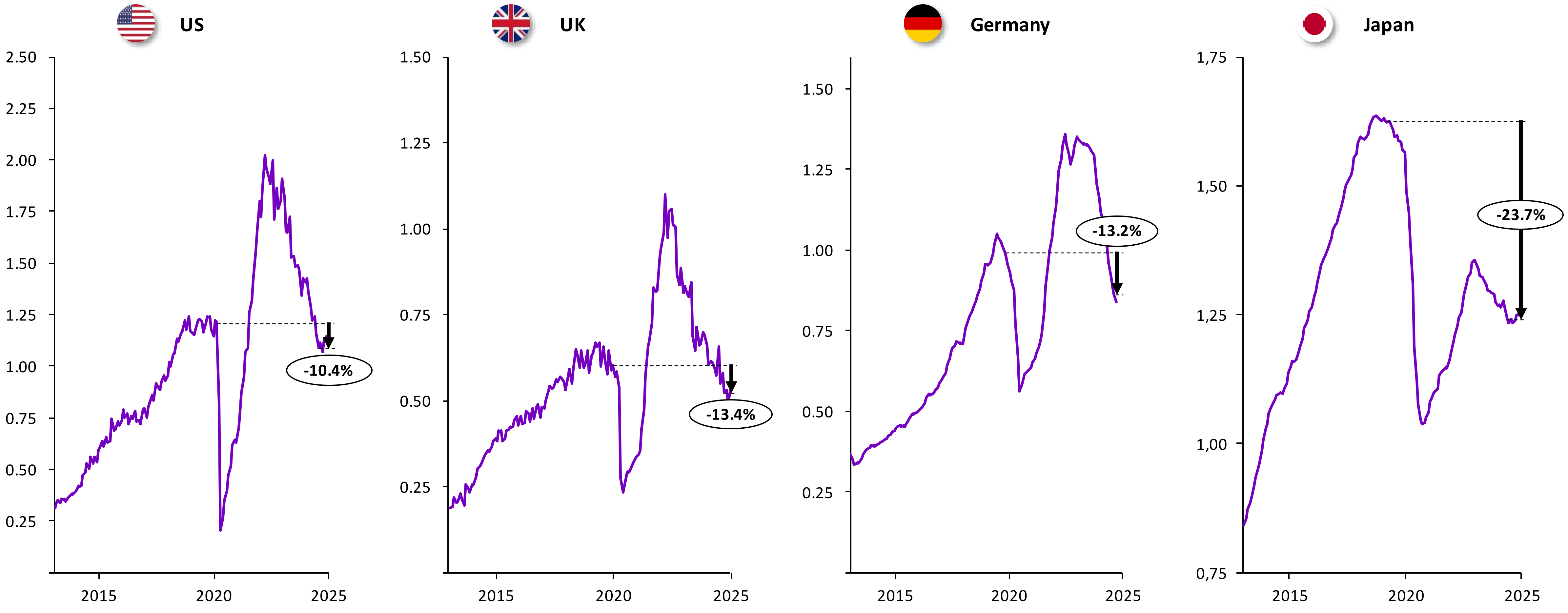


Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Labor market tightness is below pre-pandemic levels in major advanced economies, which should help alleviate wage pressures throughout the coming months

Labor market tightness

Job vacancies per unemployed person

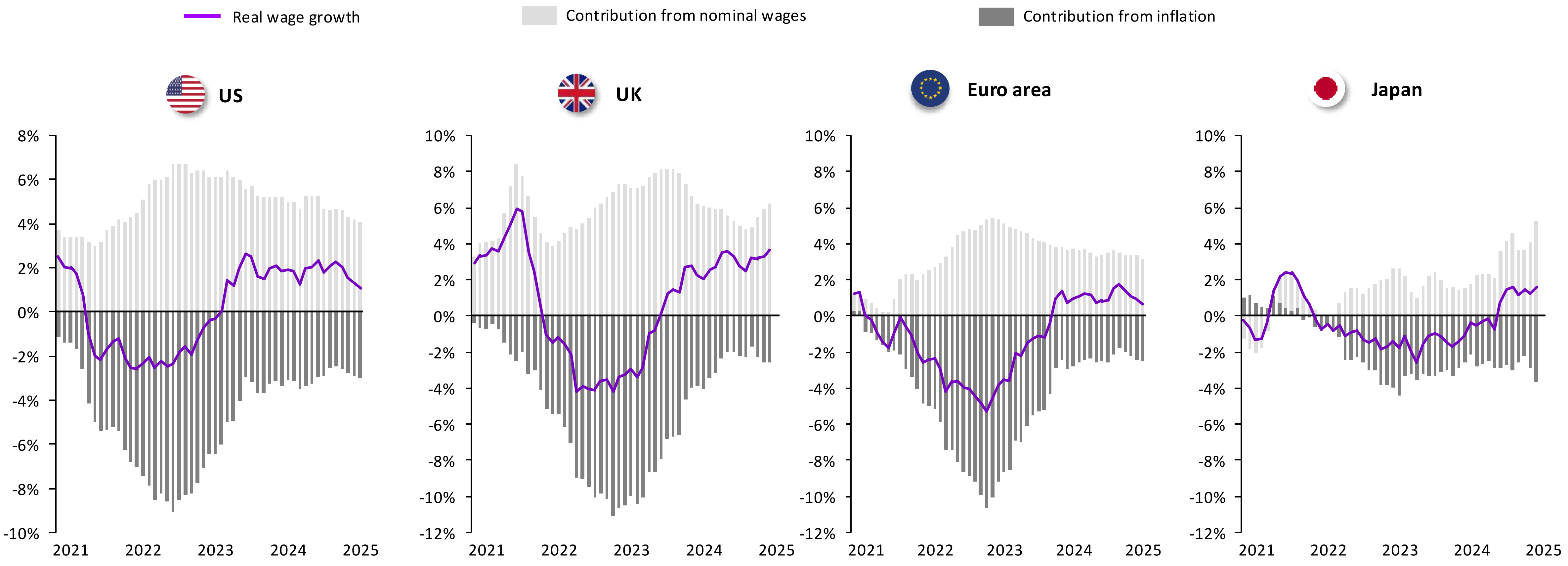


Sources: BLS, ONS, Eurostat, Euronews, Accenture Strategy analysis

Real wage growth trends are diverging in early 2025 as the US and Euro area see deceleration but UK and Japan experience a modest uptick

Wage growth developments

YoY % change in real wages and contributions to change (percentage points) from nominal wage growth and inflation



Sources: BLS, ONS, Indeed, Accenture Strategy analysis

Inflation

Many major economies face persistent inflation, particularly the US and UK, while some in the APAC region are seeing temporary relief

CPI inflation rates and trends

Year over year change to CPI and point change from prior month

Country	YoY Inflation Rate	Change from previous month's rate (percentage points)
United States	3,0%	0.5% ↑
United Kingdom	3,0%	0.4% ↑
Canada	1,9%	0.1% ↑
Germany	2,8%	-0.2% ↓
France	1,9%	0.1% ↑
Italy	1,6%	0.3% ↑
Spain	2,3%	-0.5% ↓

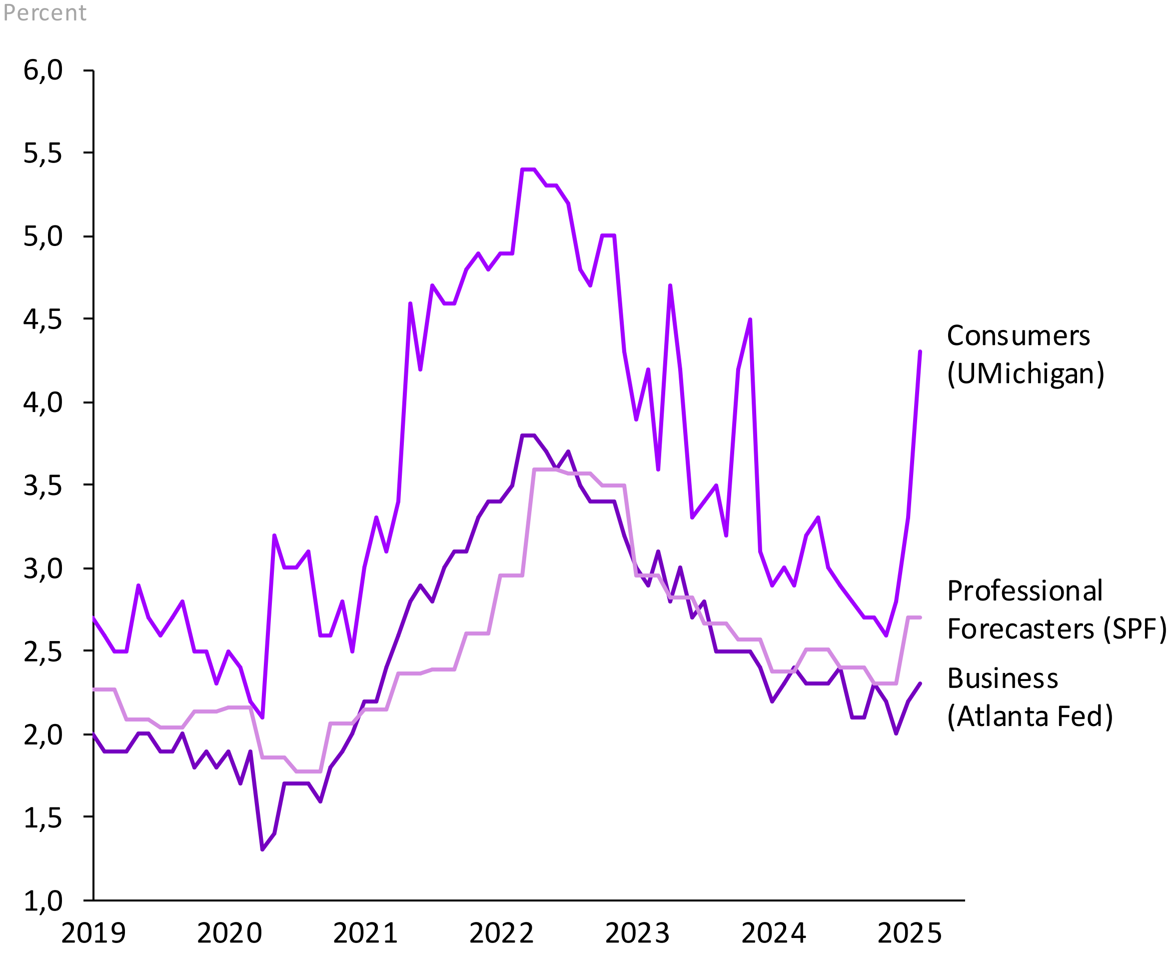
Country	YoY Inflation Rate	Change from previous month's rate (percentage points)
China	0,5%	0.4% ↑
Japan	4,0%	0.4% ↑
Brazil	4,6%	-0.3% ↓
India	4,3%	-0.9% ↓
Singapore	1,0%	-0.4% ↓
Korea	2,2%	0.3% ↑

Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

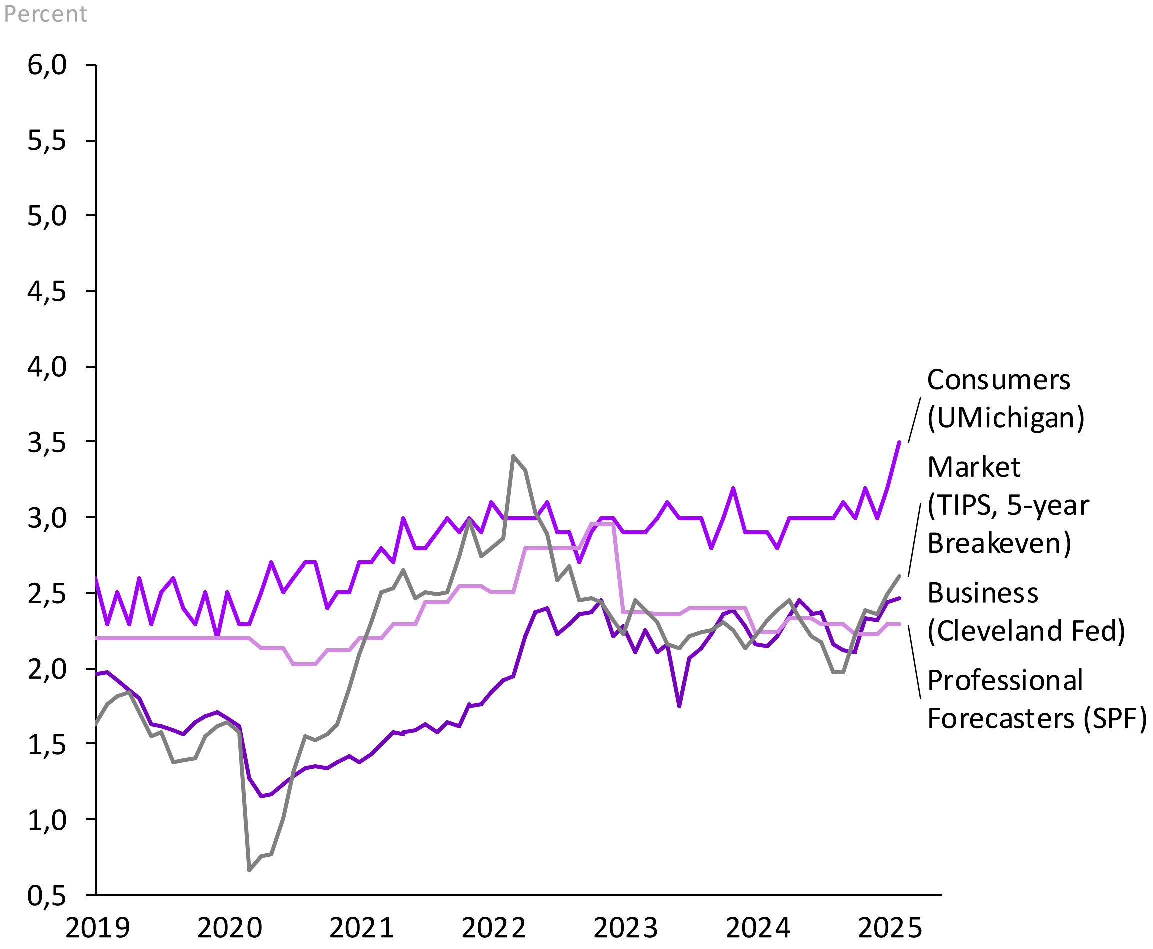
Businesses and consumers expect inflation to rise significantly in the near-term as tariffs and other geopolitical tensions threaten price stability

Inflation expectations for next 12 months and longer-term

Inflation expectations of different economic agents: 1 year ahead



Inflation expectations of different economic agents: 5-10 years ahead

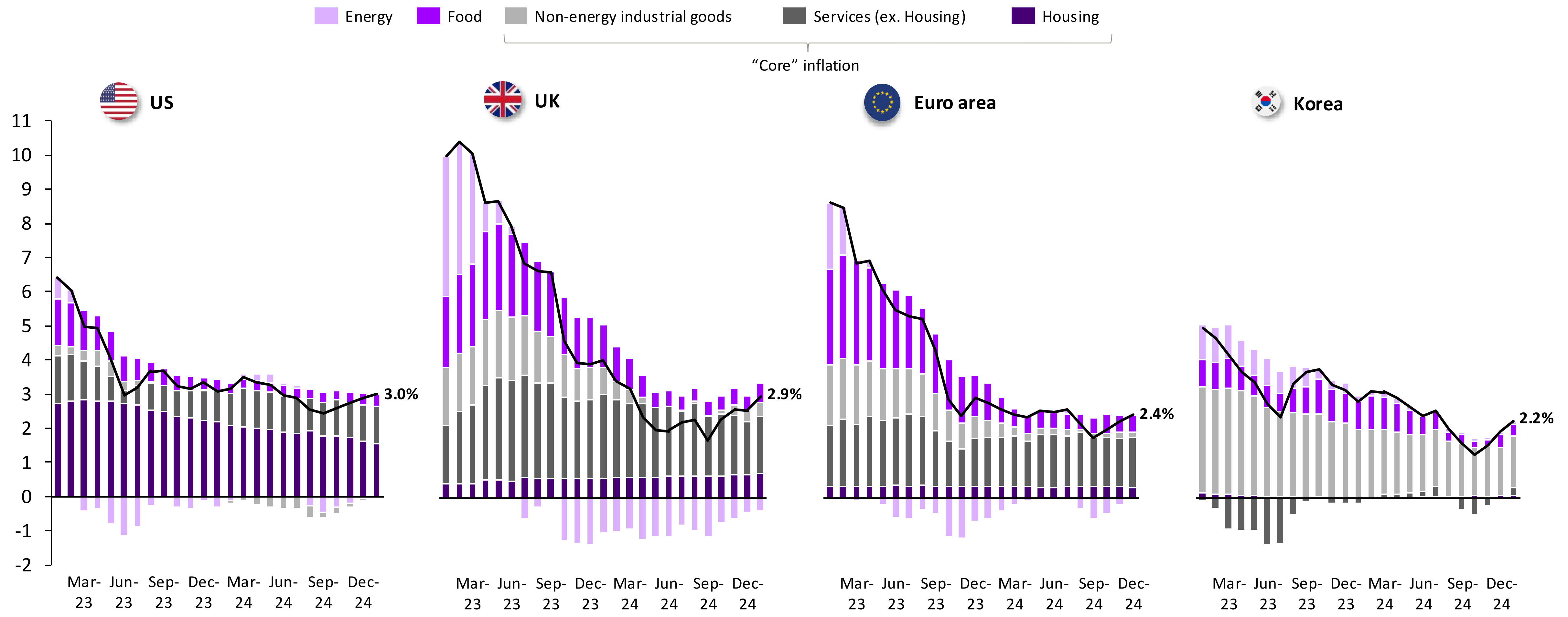


Sources: FRB Atlanta, FRB Cleveland, Univ of Michigan, Survey of Professional Forecasters, Accenture Strategy analysis

Headline inflation pressures persist in the US, UK, and Euro area, while South Korea sees renewed momentum due to an uptick in services inflation

Drivers of recent CPI inflation

Year-on-year % change and percentage point contributions from major goods and services categories

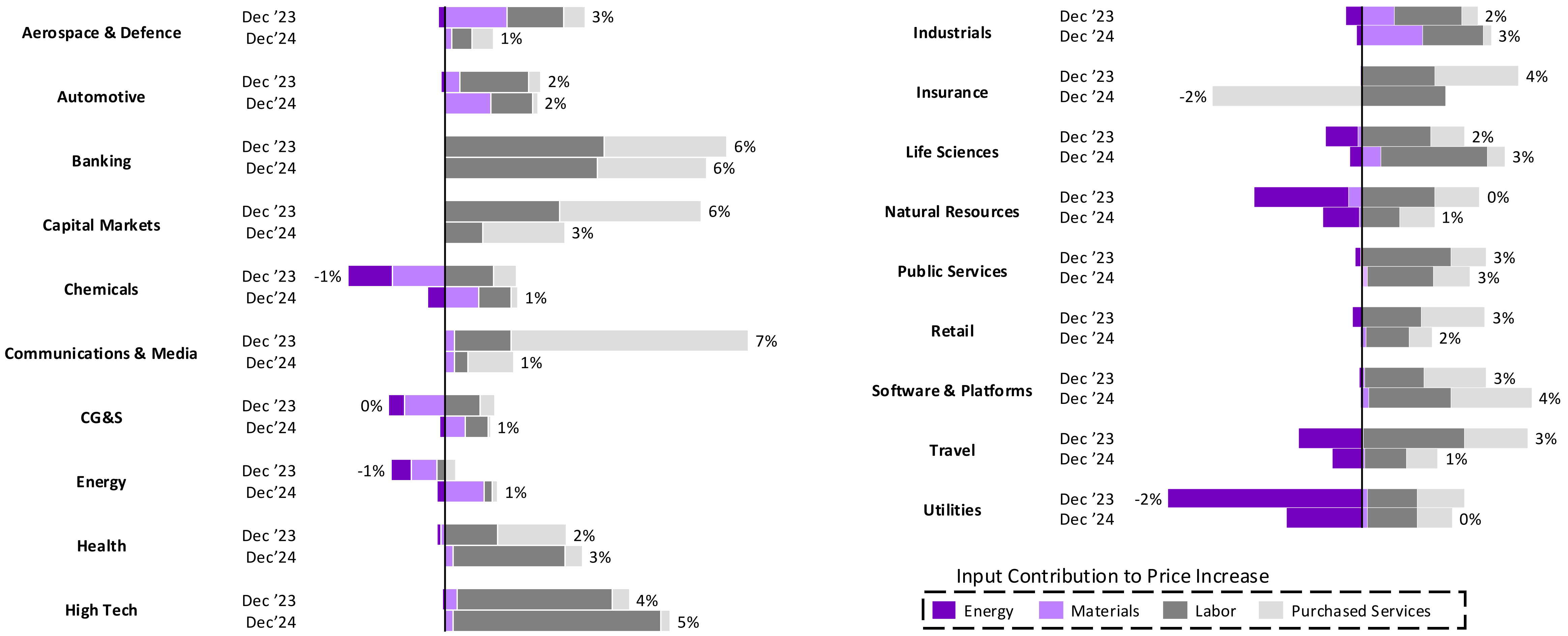


Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

Labor and services costs remain primary drivers of inflation across industries, even as energy and material prices show signs of relief

Recent input cost inflation by industry

Year-over-year % change in input costs and contributions (percentage points) from key inputs

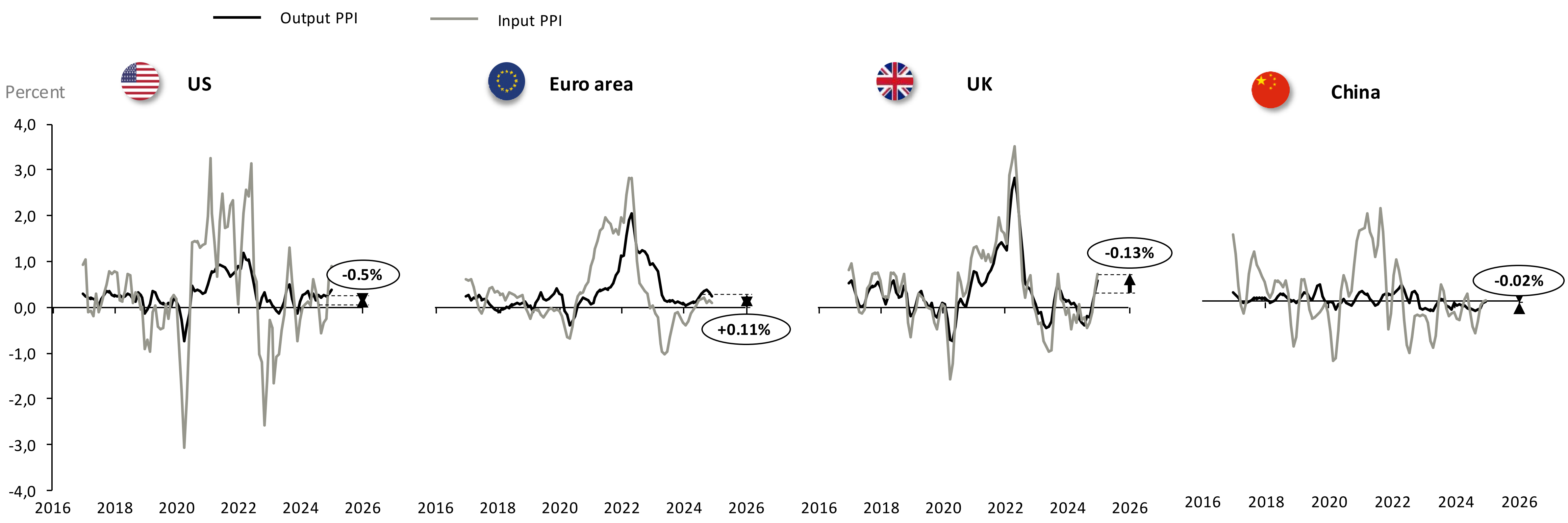


Notes: Wage data as of Dec’24; Energy prices (Natural Gas Prices as of Dec’24, Electricity Prices as of Dec’24 and others as of Dec’24); Materials and Purchased Services PPI price increases as of Dec’24; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

Producers in the US, UK, and China face challenges in passing through costs to consumers costs due to softening demand and competitive pressures

Company input cost pass-through trends

Producer price indices (PPI) for intermediate inputs and final outputs, 3 month moving average % change



Notes: (1) Figures in bold represent absolute percentage point difference between intermediate and final demand PPI YoY % values; higher positive values imply greater pass through to final producer selling prices, while larger negative values imply lower pass through. (2) US data is based on production flow classification for PPI, where Stage 2 intermediate inputs (shown in chart) feed into stage 3 production, stage 3 outputs serve as inputs to stage 4 production, and stage 4 provides inputs to final demand goods/services.

Sources: Whitehouse Statements, BLS, ONS, Eurostat, Accenture Strategy analysis

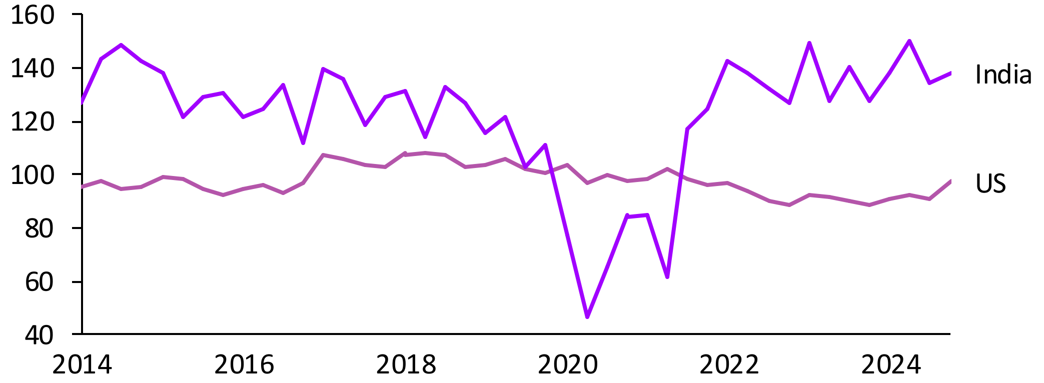
Business investment

Diverging business sentiment is influencing capital expenditures across major economies, with healthy capex expectations in the US, India, and Japan but less so in Europe

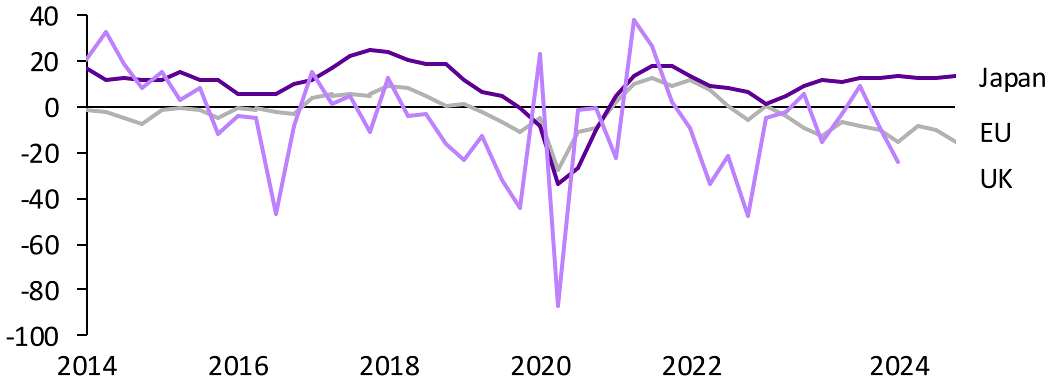
Global business sentiment and capital expenditure outlook

Business Confidence Indicators

NSA, 100+= Optimistic

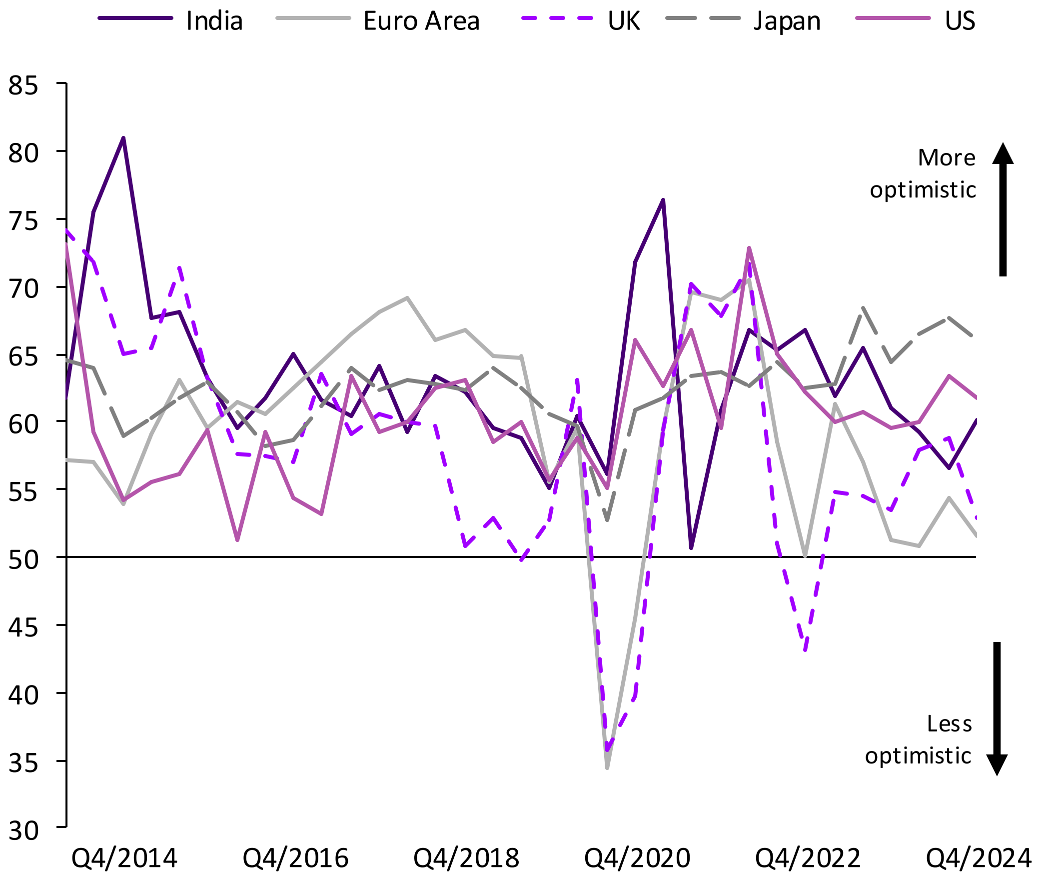


NSA, % balance, 0+= Optimistic



PMI Capital Expenditure Outlook

NSA, 50+=optimistic



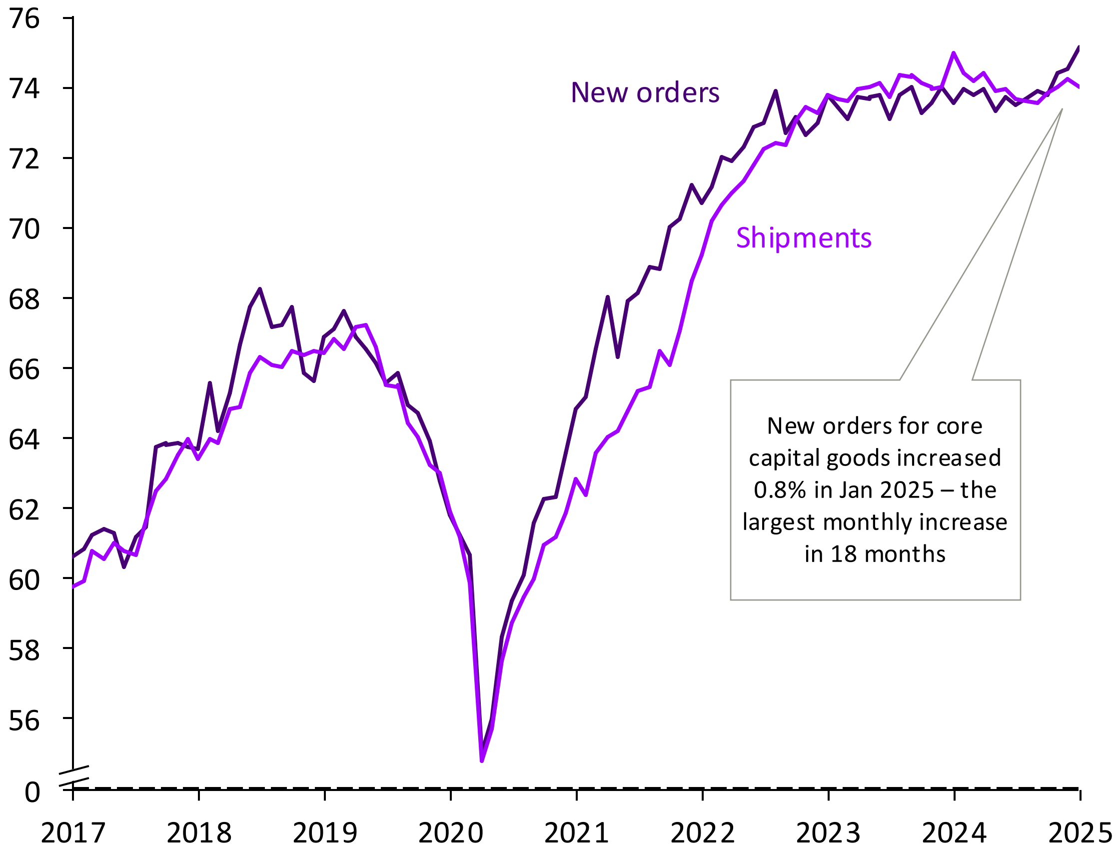
Sources: S&P Global, Haver Analytics, Accenture Strategy analysis

Core capital goods orders in the US are on the rise, with some renewed momentum in demand for tech-focused equipment

Capital goods orders and technology-related equipment demand

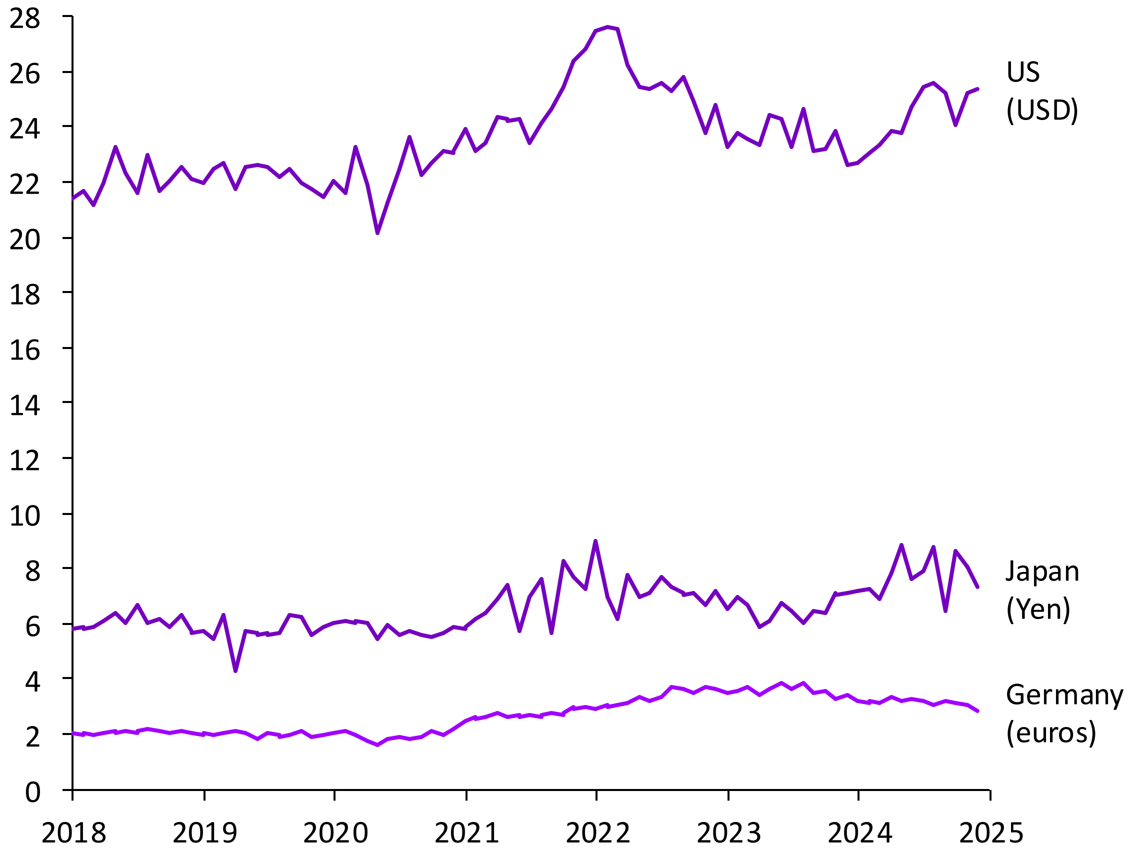
US nondefense capital goods, excluding aircraft

USD millions



Sales of tech-related equipment

Computers, electronic components and peripheral equipment, SA

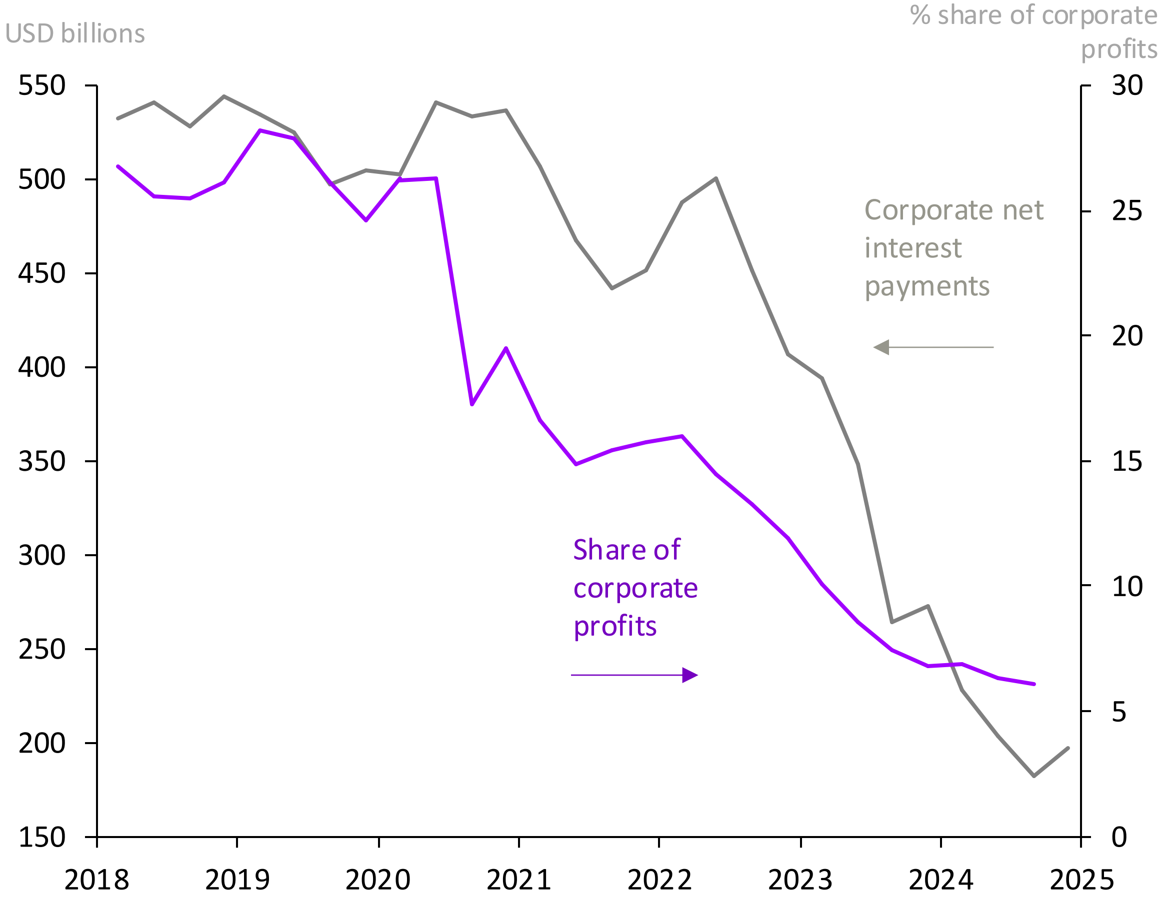


Sources: US Census Bureau, Accenture Strategy analysis

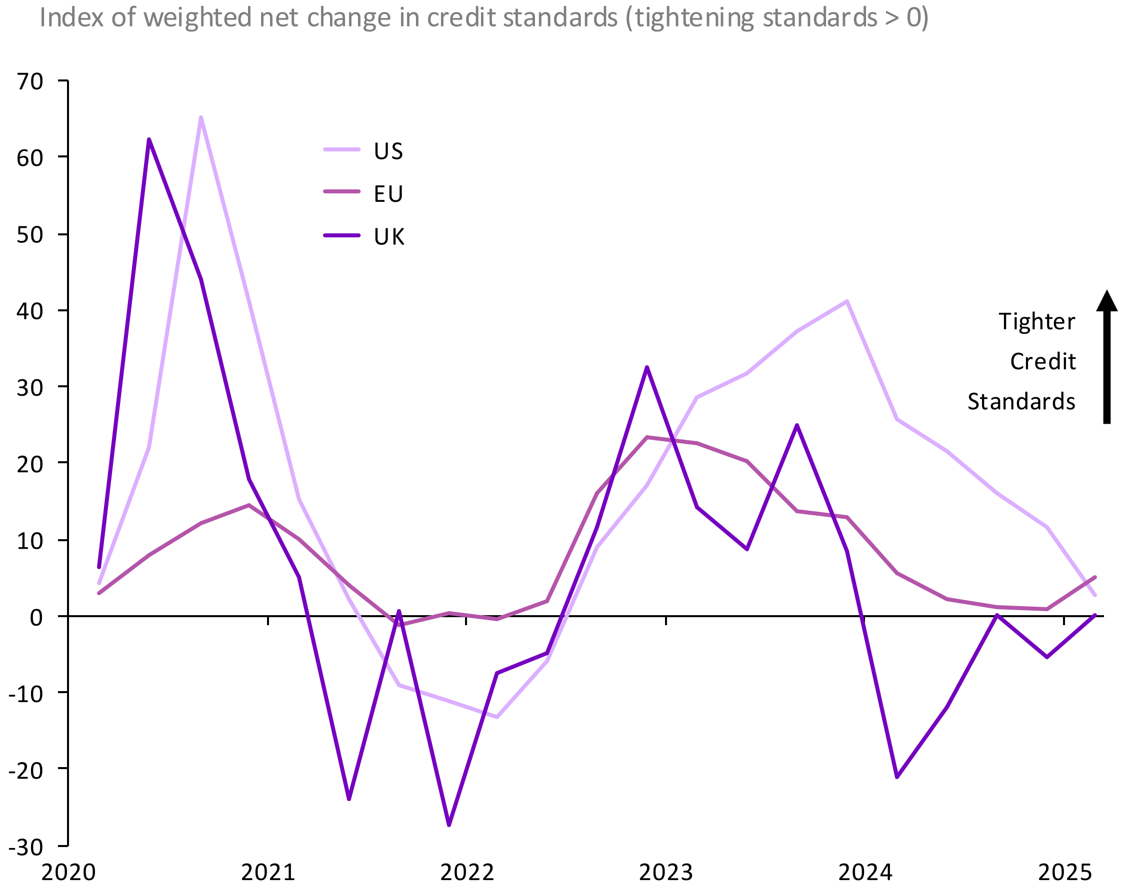
US corporates are benefitting from the Fed's gradual rate cutting cycle as the burden of net interest payments declines, alongside looser lending standards to support growth

US financial conditions for investment

US corporate net interest payments



Bank lending standards



Notes: Notes: The date of each datapoint refers to the quarter in which the bank lending survey was conducted but reports the assessment of credit conditions in the prior quarter. Lending standards for US and EU reflect a weighted index constructed using select survey questions to measure tightening or loosening standards to both households and enterprises. UK lending standards series based on inverted series of use of credit scoring

Sources: BEA, Federal Reserve Board, EU Bank Lending Survey, BoE, Accenture Strategy analysis

Trade and tariffs

Escalating trade tensions see broad US tariffs on China and product-specific tariffs globally, with potential actions on Mexico, Canada, and the EU looming

Tracker of US tariff announcements

Tariff category	Coverage/scope	Value of imports affected (USD bn)	Previous tariff rate[1] (%)	Enacted change	Latest tariff rate (%)	Announced/signalled but not yet enacted	Legal authority
Country-specific	China	430	10.9%	• Additional 10% on all imports (excluding de minimis goods)	20.4%	• Another 10% on goods all imports • End of de minimis tariff exemption	• IEEPA
	Mexico	504	0.3%			• 25% increase (to be reviewed Mar 4)	• IEEPA
	Canada	413	0.1%			• 25% increase (to be reviewed Mar 4)	• IEEPA
	EU	598	1.2%			• 25% tariff on all goods imports	• IEEPA
Product or sector-specific	Steel and aluminum (incl. derivative products)	213	4.4%	• 25% tariff rate and removal of country-specific exemptions	25%	• 25% increase (to be reviewed Mar 4)	• Sec. 232
	Vehicles (incl. parts)	306	2.2%			• 25% increase (TBC on April 2)	• Sec. 232 or IEEPA
	Chips	55	0.8%			• "25% or higher" increase	• Sec. 232 or IEEPA
	Pharmaceuticals	217	0%			• "25% or higher" increase	• Sec. 232 or IEEPA
Universal	Reciprocal (country-by-country basis)	TBD	TBD		TBD	• Country or product-level reciprocal tariffs on a case-by-case basis	• IEEPA, Sec. 338 or Reciprocal Trade Act

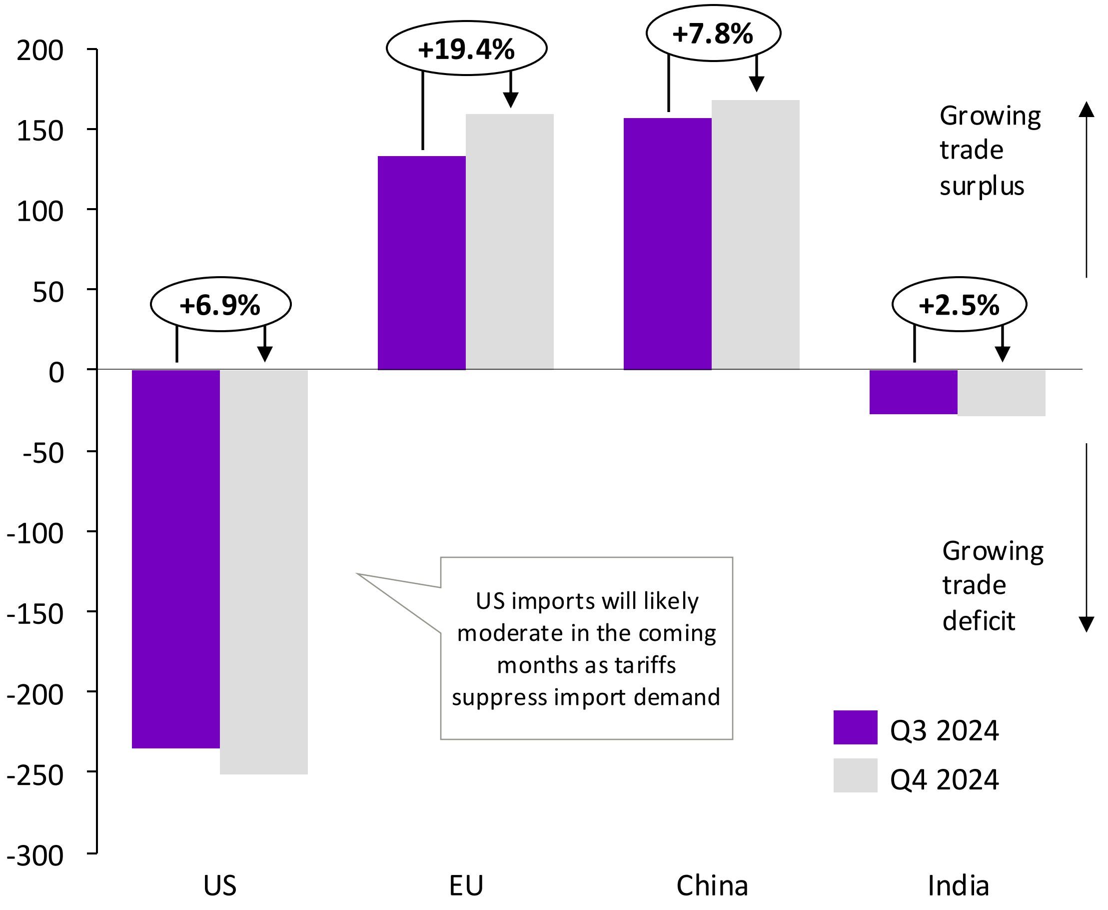
Notes: 1/ Tariff rate cited is the effective tariff for that category (i.e. custom duties paid on given subset of goods as a share of total imports of those goods) as of 2024; 2/ Critical goods could include (but are not limited to) pharmaceuticals, semiconductors, electronic components, and critical minerals.
Sources: White House, USITC, Haver, Goldman Sachs Investment Research, Accenture Strategy Analysis

Global trade momentum diverged across major economies in late 2024, with US firms ramping up imports in anticipation of tariffs

Trade indicators

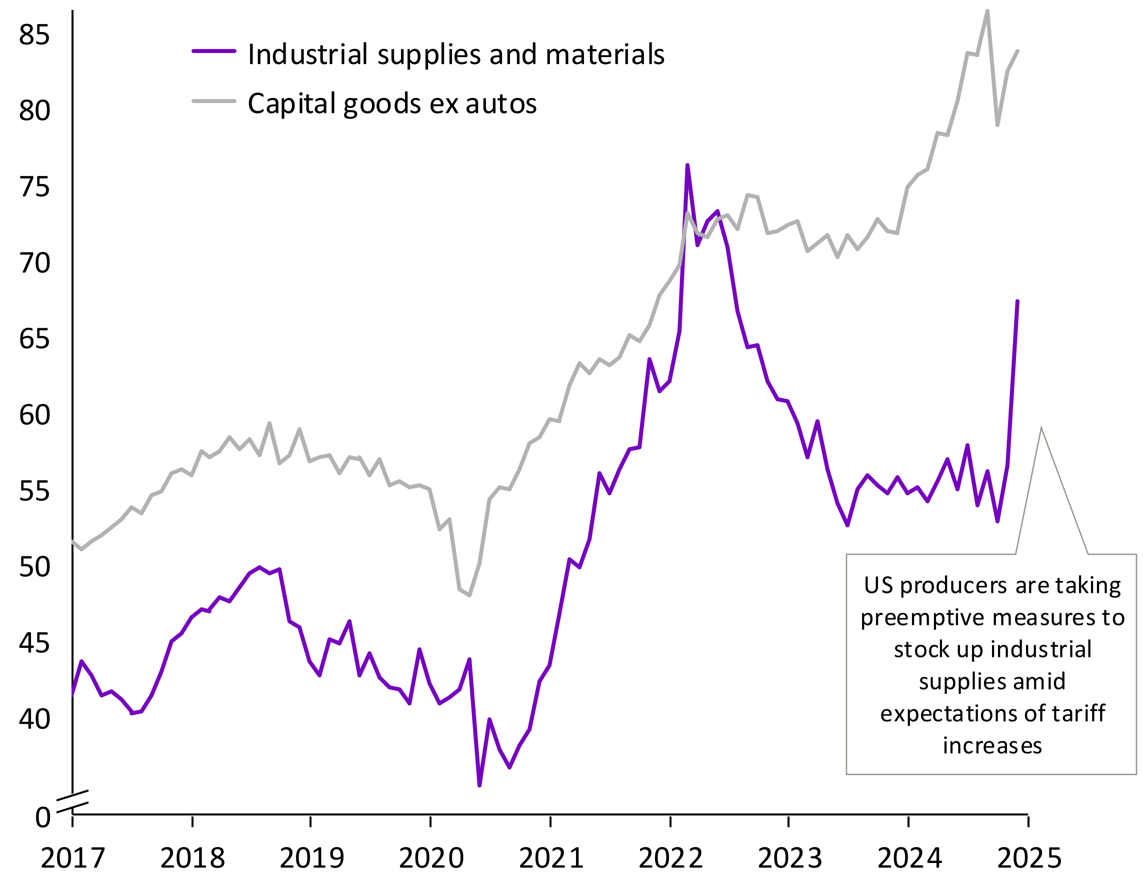
Net trade in goods and services

Exports minus imports (SA, USD billion)



US imports of industrial supplies and equipment

USD billions



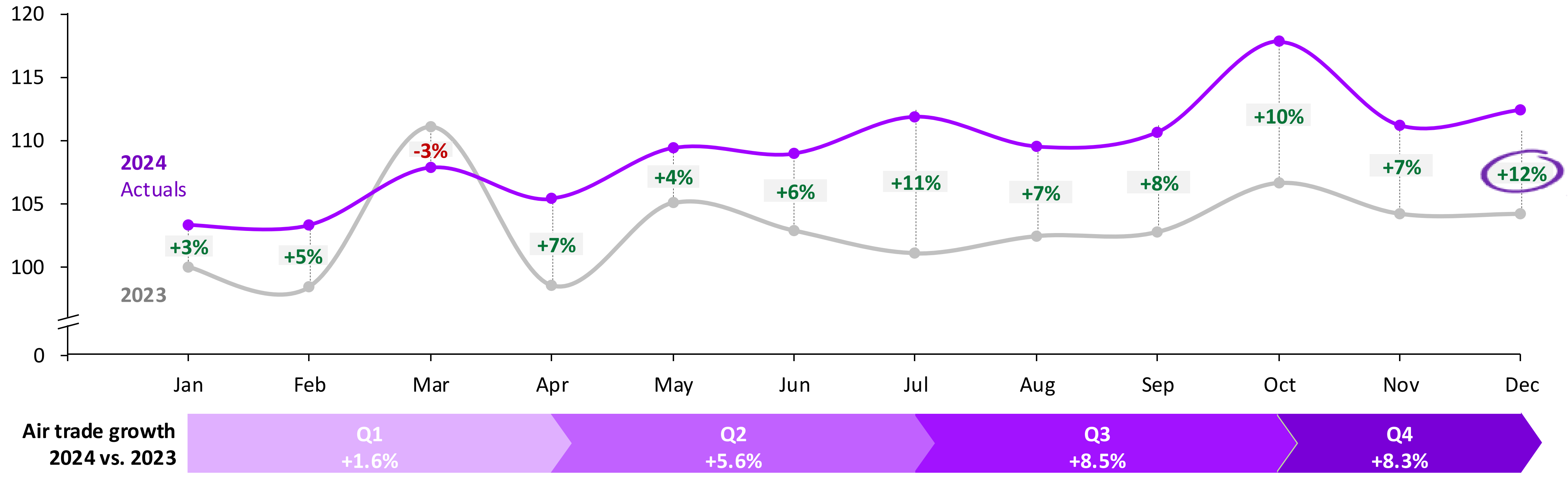
Notes: India data shown for Q2'24 and Q3'24 as Q4 data not in yet
Sources: Haver Analytics, Census Bureau, BOJ, RBI, ECB, State Admin of Foreign Exchange, Accenture Strategy analysis

Global air trade grew substantially throughout 2024, with Q4 likely reflecting preemptive trade flows as tariffs loom and global uncertainties remain elevated

Trends in global air trade

Global air trade growth

Index 100=Jan 2023, year-over-year % change



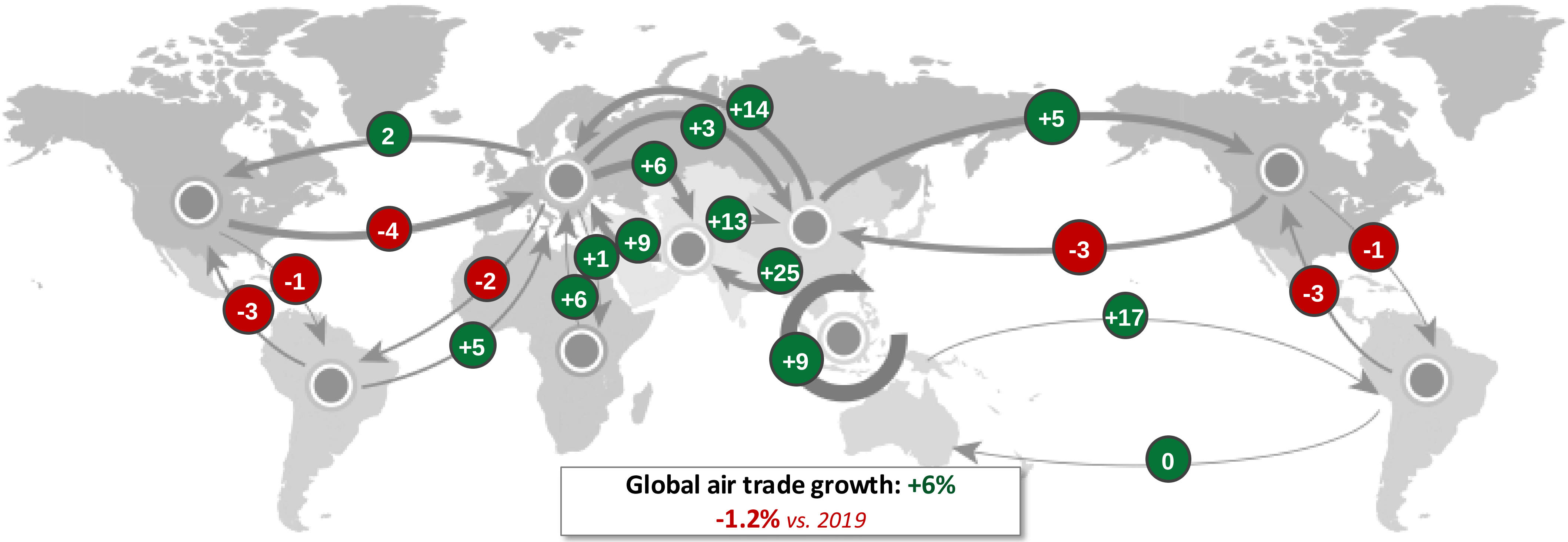
Sources: Accenture Cargo, Accenture Strategy analysis

Air trade along trans-Atlantic and westbound trans-Pacific routes has slowed, however, and further trade patterns shifts are likely to emerge

Global trade flows

Global air trade growth

Year-over-year % change, 2024 vs 2023



International air trade only; All flows indicate region-to-region air trade; Air trade excluding low-value cross-border e-commerce

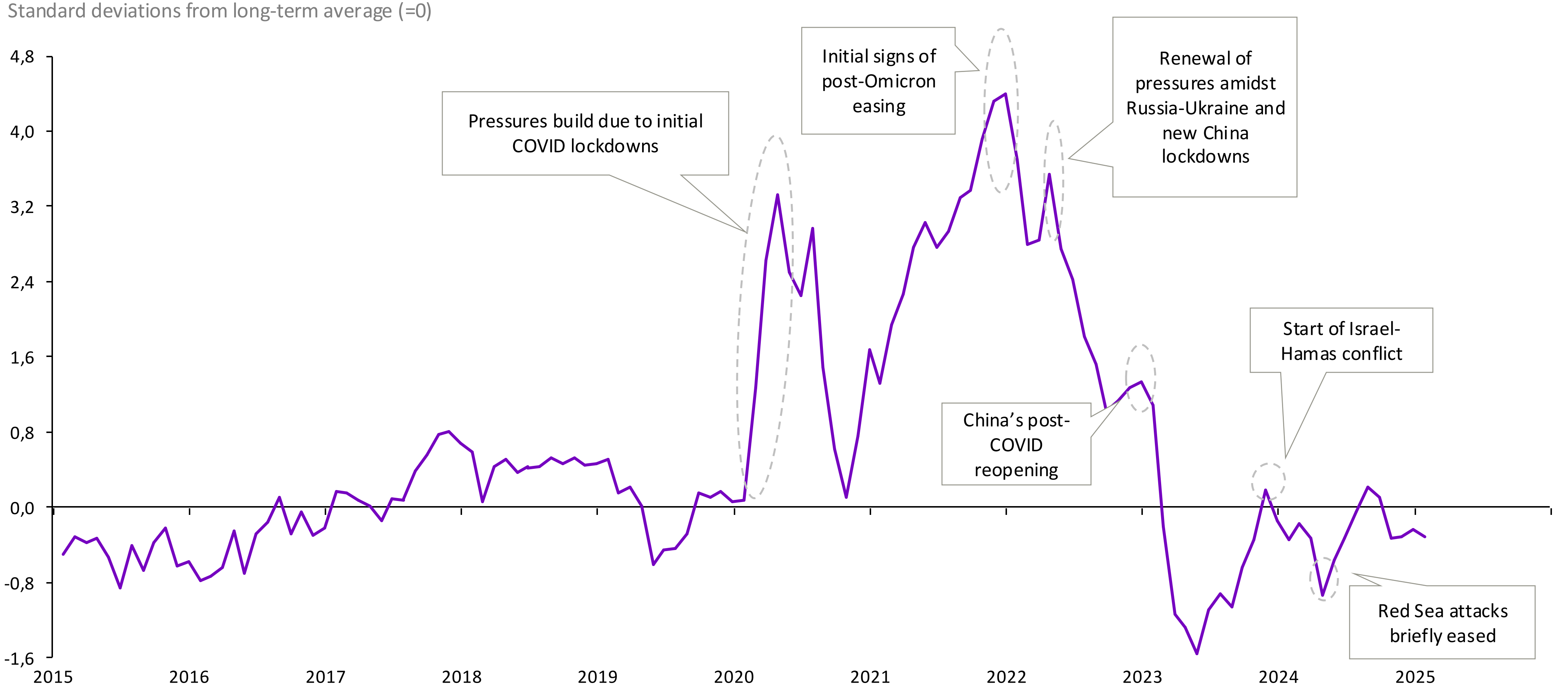
Sources: Accenture Cargo, Accenture Strategy analysis

Supply chains

Global supply chain pressures in early 2025 have not yet been materially affected by escalating tariffs and uncertainties around broader trade restrictions

Supply chain pressures

Global Supply Chain Pressure Index



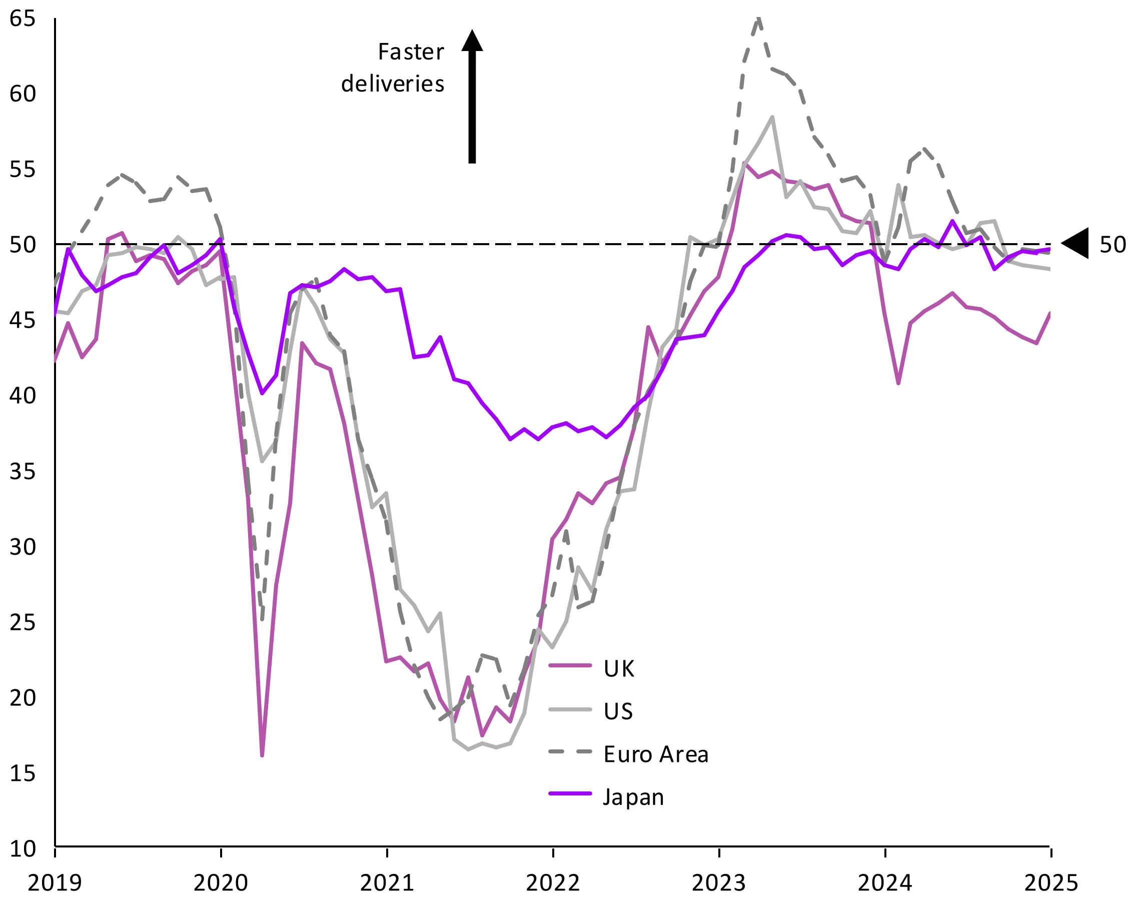
Sources: Federal Reserve Bank of New York, Accenture Strategy analysis

Supplier delivery times have stabilized near pre-pandemic levels across major economies, while the pace of backlog reduction has slowed somewhat

Suppliers' delivery times and backlogs of work

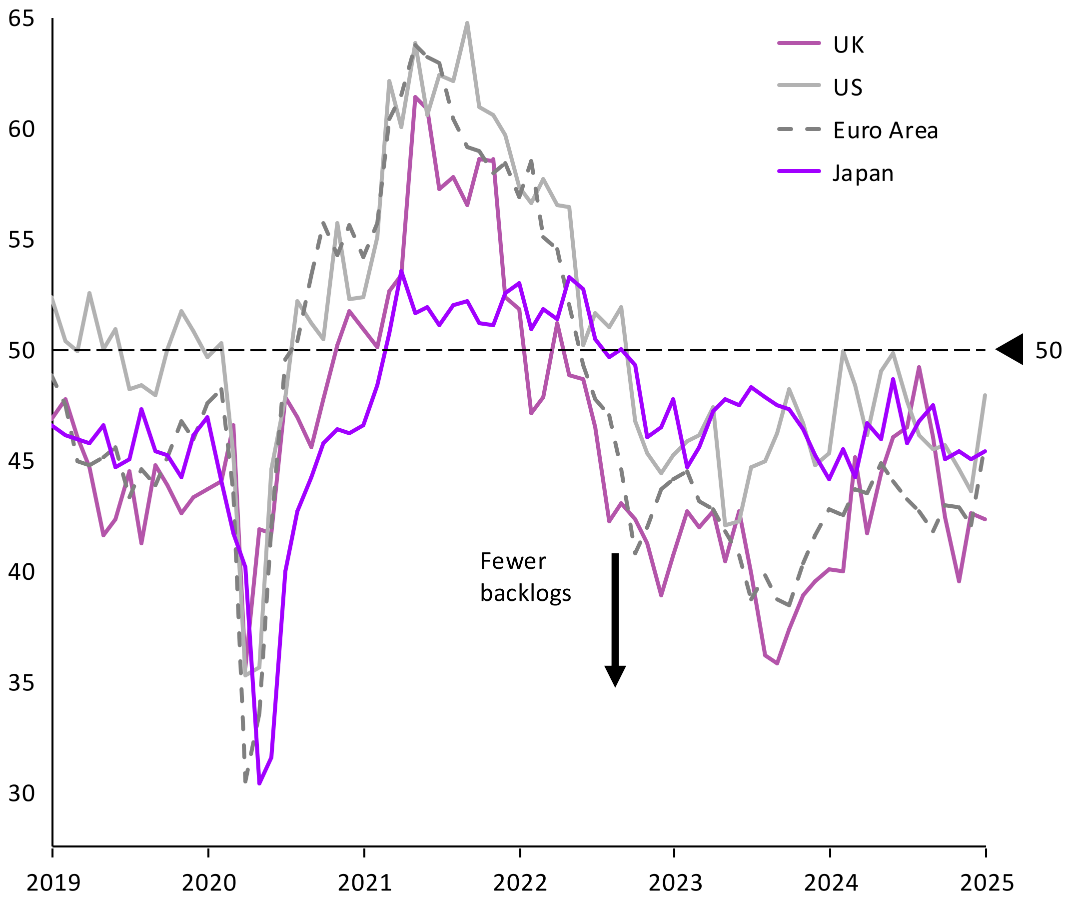
Suppliers' Delivery Times

Seasonally adjusted, 50+ = Increase



Manufacturing Backlogs of Work

Seasonally adjusted, 50+ = Increase



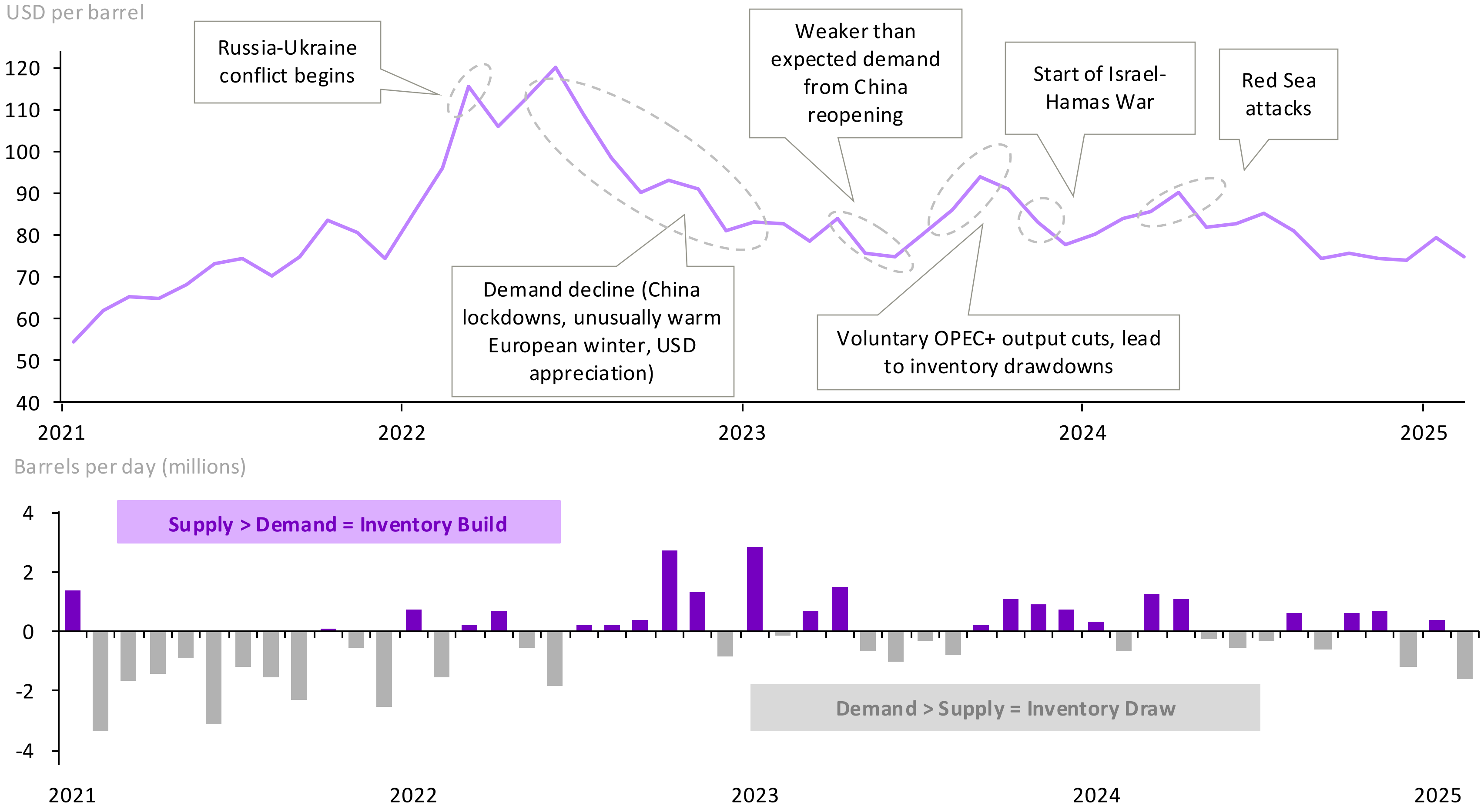
Sources: CIPS/S&P Global, Haver Analytics, Thomson Reuters, Accenture Strategy analysis

Energy and commodities

Oil prices have remained relatively stable to start 2025 despite geopolitical uncertainty and supply tailwinds from new US administration's pro-fossil fuel policies

Crude oil prices and inventories

Brent crude oil spot prices (upper panel) and global inventory changes (lower panel)



Drivers of energy prices in 2025

- Oil pries have not declined significant despite bullish supply signals from new US administration, likely reflecting a lingering risk premium related to uncertainty around trade war escalation and geopolitical tensions
- Supply and demand dynamics suggest downward oil price pressures in the coming months, including:
  - OPEC+ decision to delay increase in output until April 2025 and extend deep production cuts to the end of 2026
  - Sluggish global consumption, particularly due to weakened demand from China

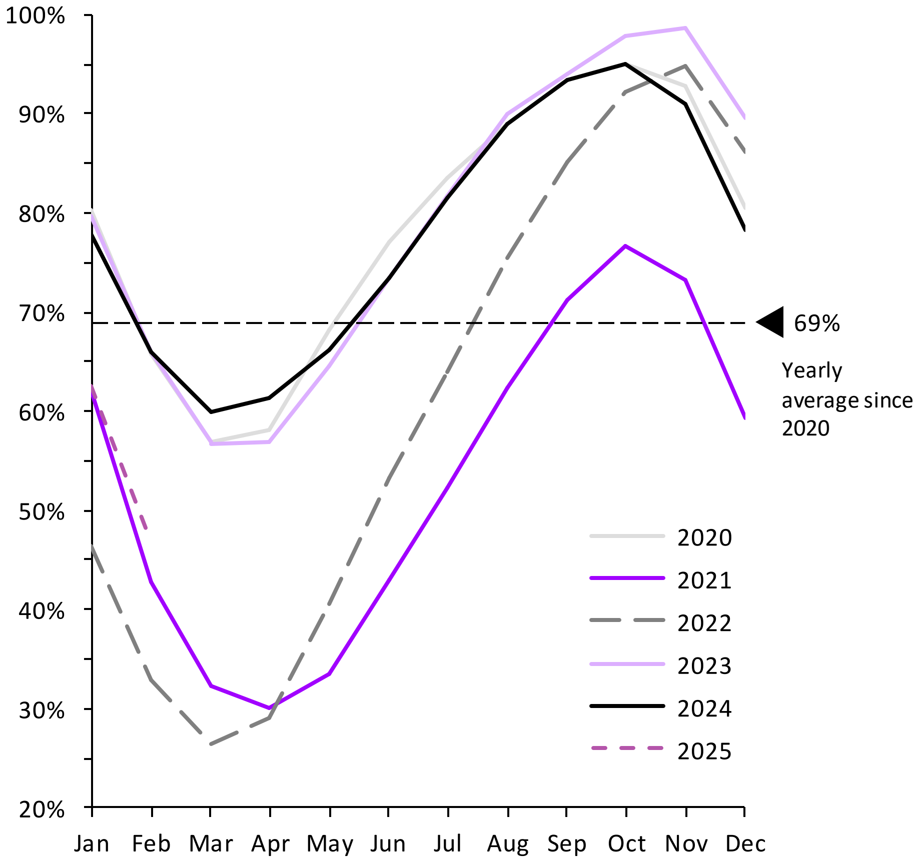
Notes: Monthly average of Brent crude oil price (USD per barrel)

Sources: International Energy Agency, Reuters, Energy Information Agency, World Bank, Bloomberg, Haver Analytics, Accenture Strategy analysis

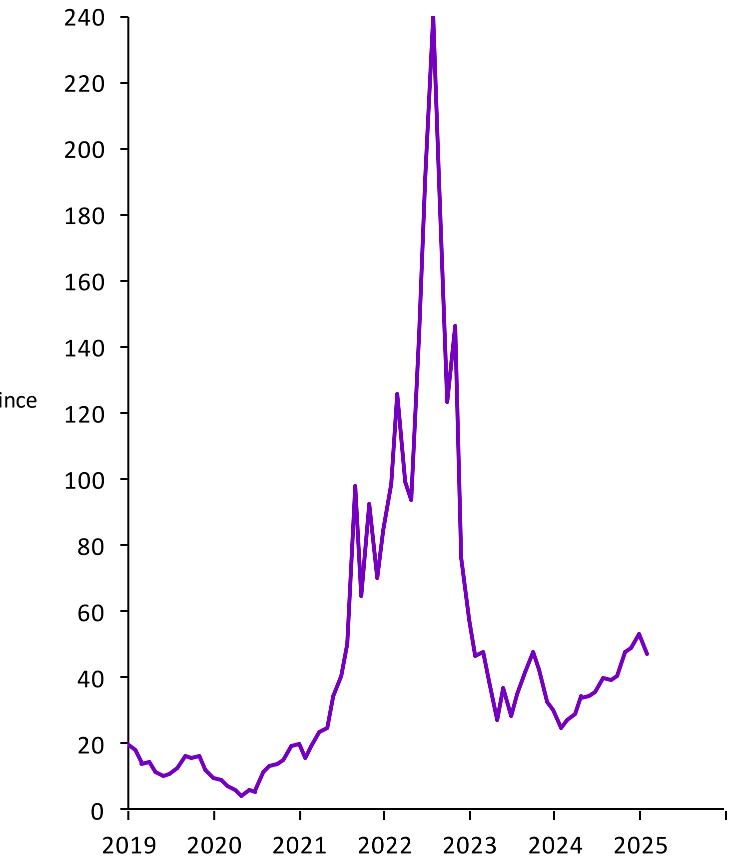
Natural gas prices held near a two-year high in February amid cold weather and reduced Russian flows, though storage levels remain sufficient to avoid immediate supply risks

EU natural gas reserves and prices

European gas reserves are below-average



…putting renewed upward pressure on prices



Commentary

- As of mid-February, Europe's natural gas storage levels have fallen below 50% capacity, a significant decrease from the 67% rate recorded during the same period last year
  - This decline is attributable to increased withdrawal rates amid heightened demand
- The EU's regulatory measures, aimed at ensuring energy security and market stability, may inadvertently contribute to market tightness and elevated prices, especially during periods of high demand

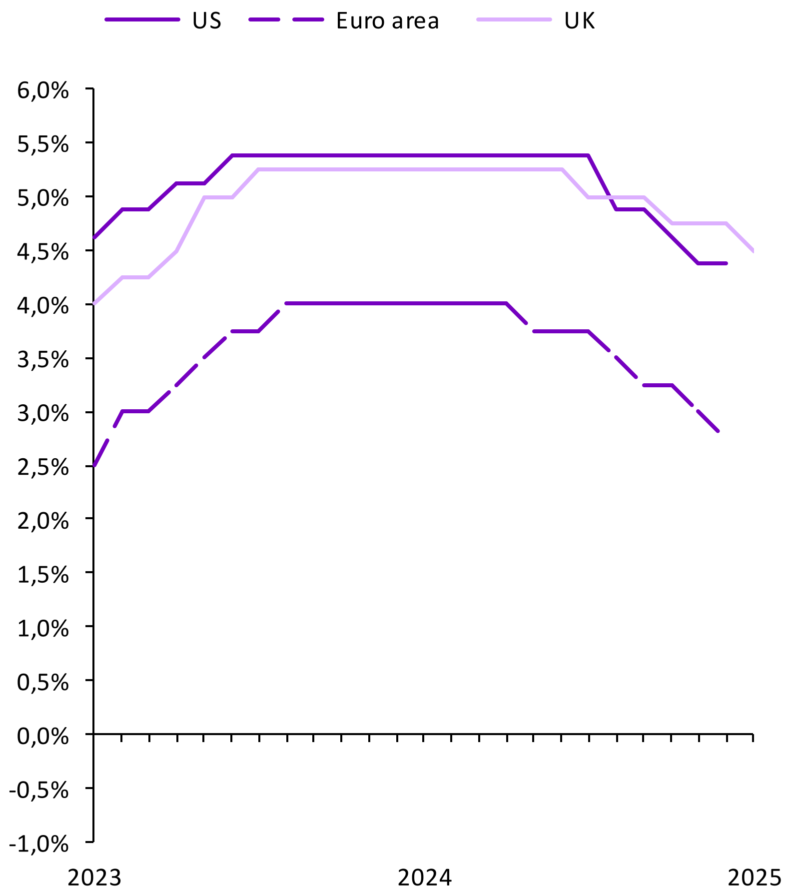
Notes: Dutch TTF Natural Gas Futures front-month contract. TTF stands for Title Transfer Facility, which is a virtual trading hub for natural gas in Europe. TTF prices represent the average monthly price of natural gas traded at this hub and are considered a benchmark for natural gas prices in Europe. The most recent TTF monthly data point reflects the average daily prices up to the publication date.
Sources: Gas Infrastructure Europe, Bloomberg, European Council, Reuters, Investing.com, Accenture Strategy analysis

Financial markets

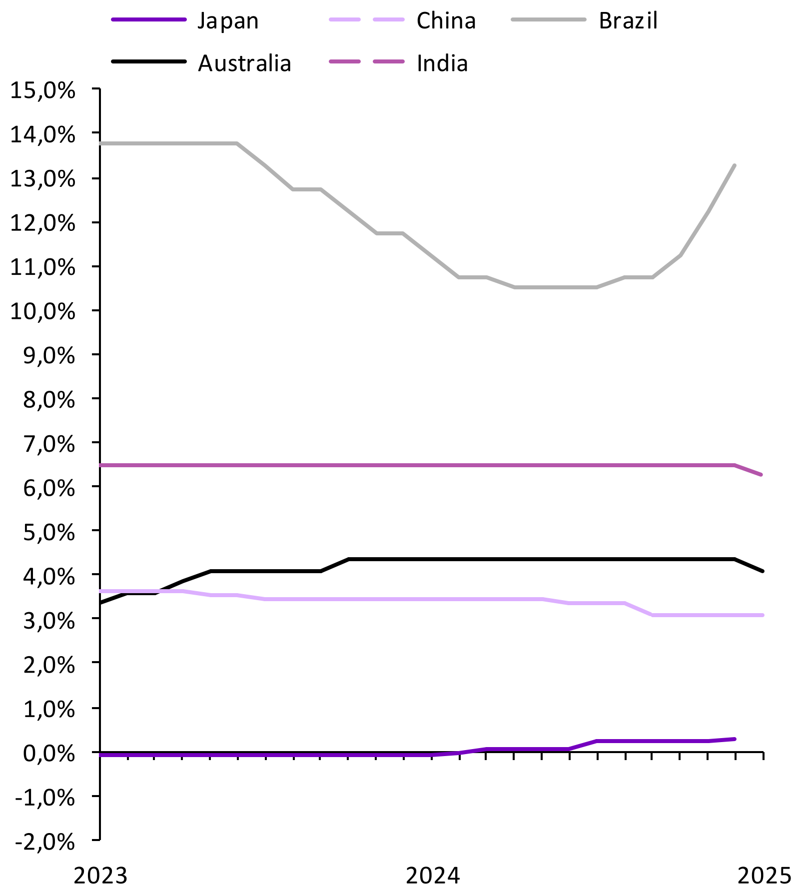
The Federal Reserve, ECB, and BOE are cautiously reducing rates to support growth, while Brazil's central bank tightens policy further to curb rising inflation

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



Commentary

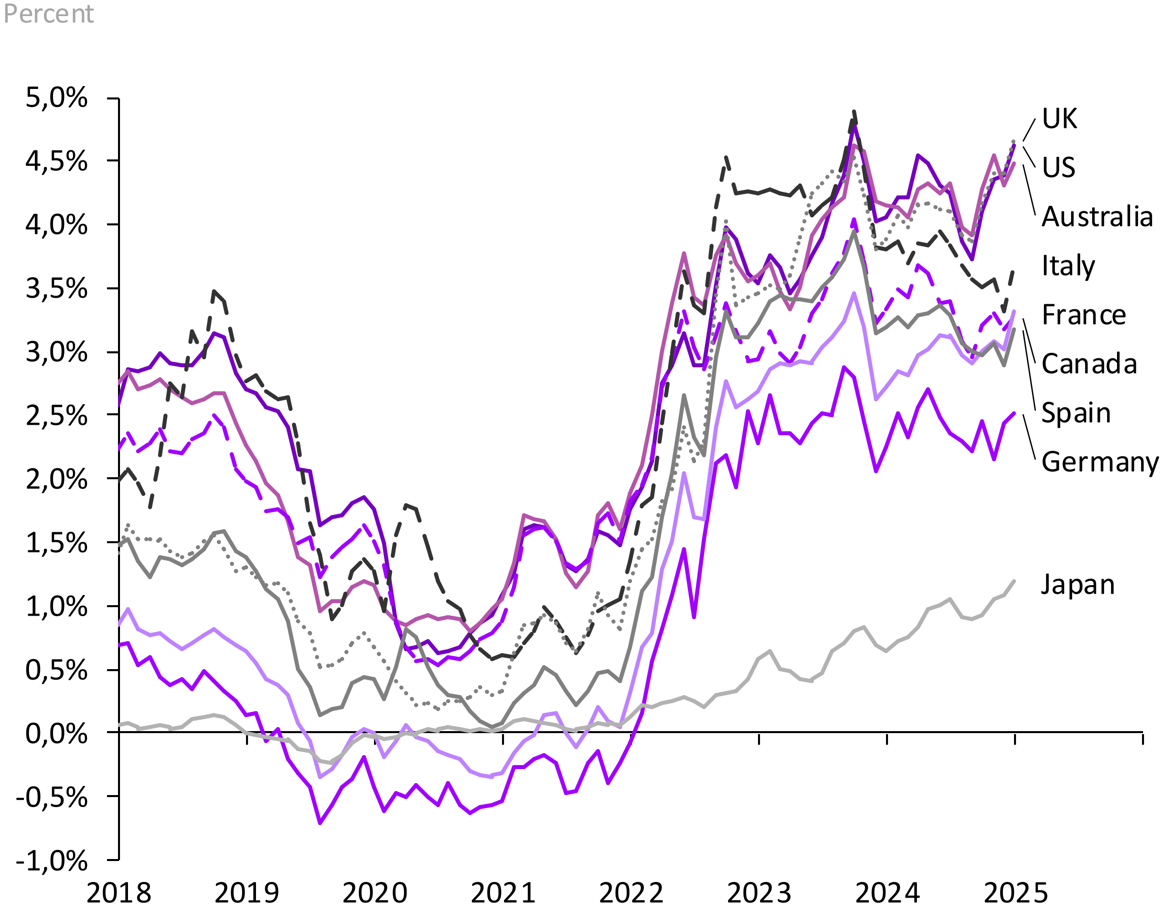
- The Federal Reserve kept the funds rate unchanged at its January meeting, and signaled a suggest a cautious approach to further cuts in the coming months in light sticky inflation and tariff risks
- The Bank of England lowered the Bank Rate by a further 25 basis points in February to 4.5%.
- In January, Brazil's central bank raised the Selic policy rate by 100 basis points to 13.25% in an ongoing effort to combat resurgent inflation
- China’s PBoC is keeping its key lending rates steady for the time being despite domestic economic struggles, likely in a bid to stabilize the yuan in the face of US tariffs

Sources: Haver Analytics, Federal Reserve Bank (US Fed), European Central Bank (ECB), Bank of England, Bank of Japan, Reserve Bank of India, Central Bank of Brazil, Reserve Bank of Australia, People's Bank of China, Reuters, Accenture Strategy analysis

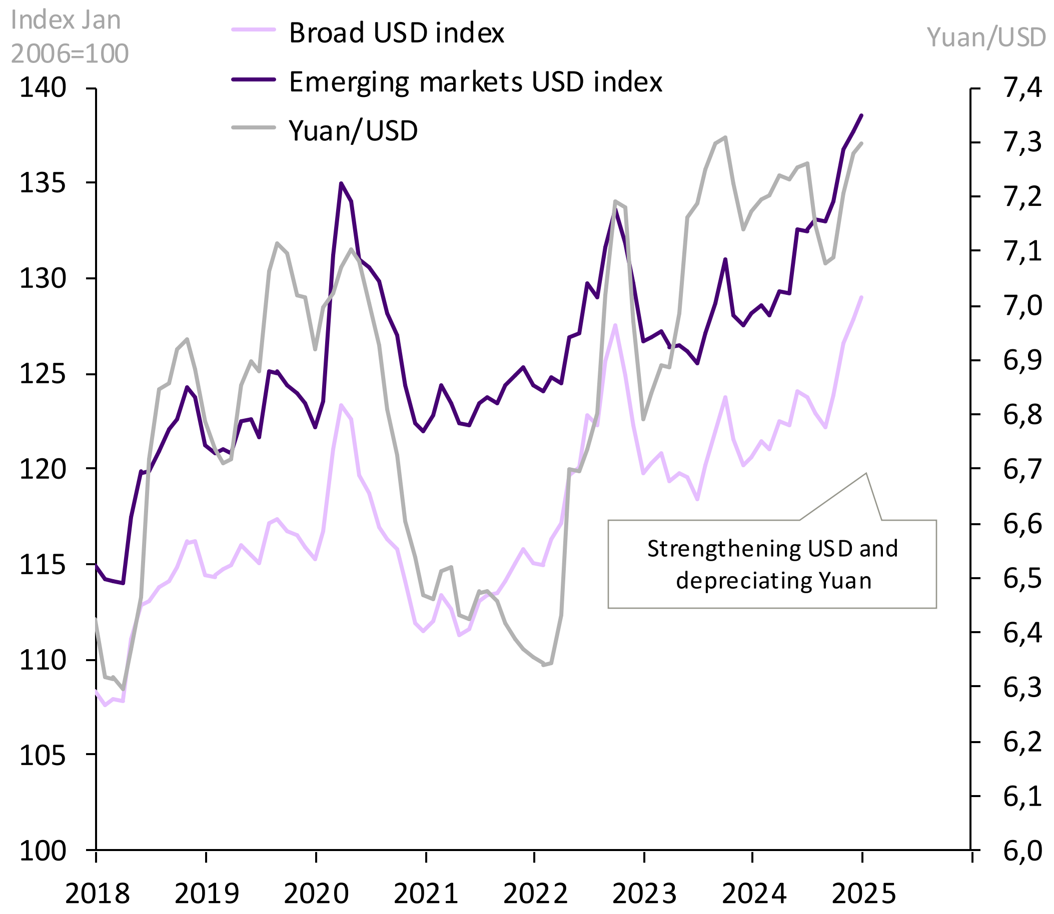
Government bond yields remain elevated for most major economies as global monetary policy easing remains uncertain, while US tariff increases are driving USD appreciation

Long-term yields and exchange rates

Evolution of 10-year government bond yields



Trade-weighted USD index and Yuan/USD



Sources: Bloomberg, National Central Banks, Accenture Strategy analysis

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