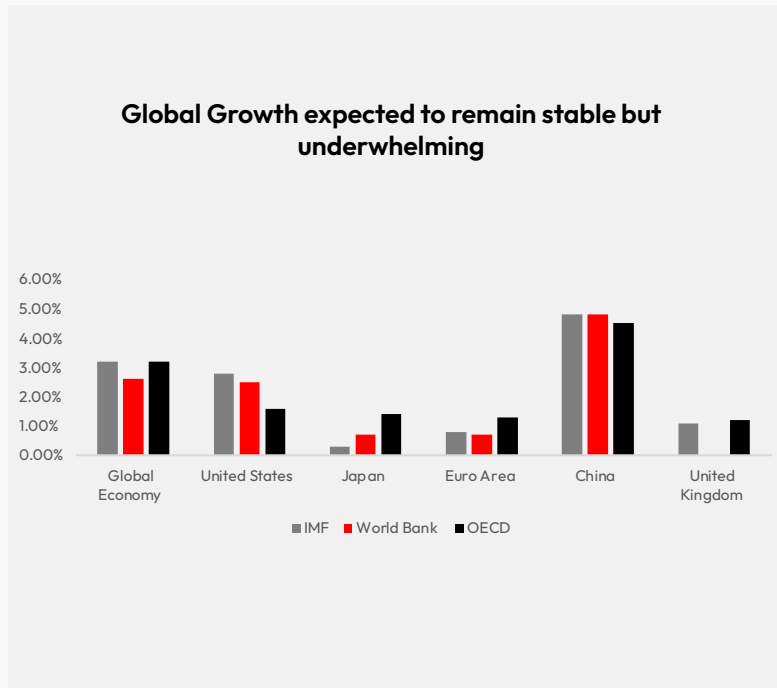




2025 OUTLOOK: GLOBAL ECONOMY

GLOBAL FORECASTS: GLOBAL GROWTH TO REMAIN STABLE BUT SLIGHTLY UNDERWHELMING



- Global output will moderate slightly to 3.20% in 2024 and 2025 compared to 3.30% in 2023.
- This is due to the concerns that continued geopolitical uncertainties, particularly around trade relations, energy supplies, and geopolitical risks in Eastern Europe and the Middle East, may hinder global trade flows and investor confidence, limiting overall output growth.
- Many countries are winding down the fiscal support measures that were implemented during the pandemic and global energy crisis. As these supports phase out, public spending will contribute less to GDP growth, particularly in developed economies.
- Trump's tariff policies will reduce global GDP as global trade and investments may be affected due to uncertainties, cut down in trade volumes, and restructured supply chain.
- Japan's aging population, China's demographic shifts, and Europe's energy transition are structural issues that may limit the potential for rapid growth in these economies, affecting global output as a result.
- While inflation has started to moderate in many countries, it remains elevated in some regions and sectors, particularly in services. This persistent inflation could lead to tighter monetary policies and higher interest rates in some regions, which can dampen economic activity.

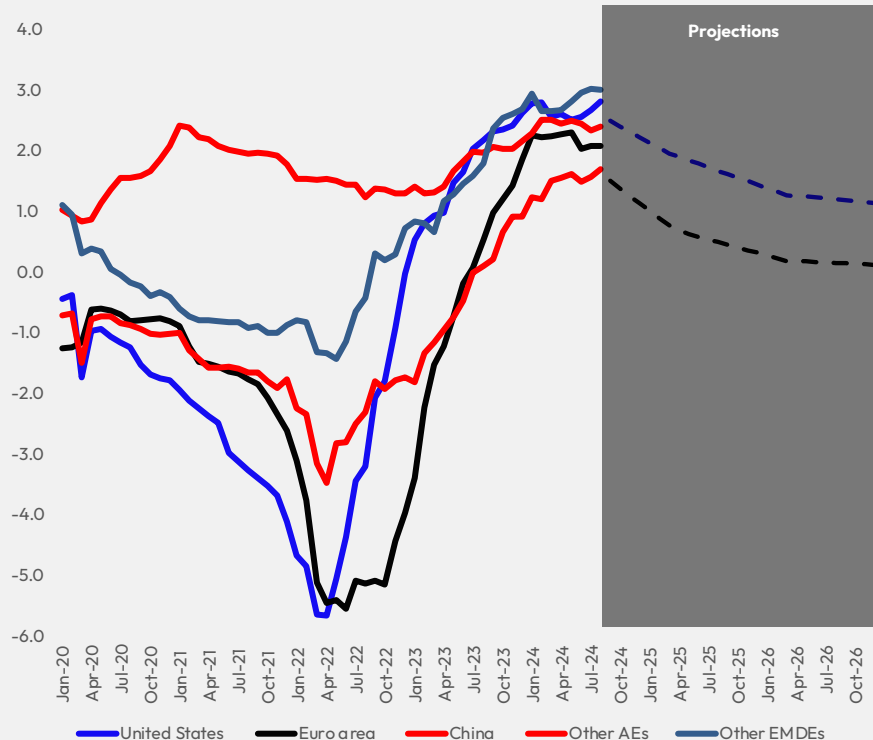
Economic Outlook of Advanced Economies

	2023 (%)	2024 (%)	2025 (%)
World Output	3.3	3.2	3.2
Advanced Economies	1.7	1.8	1.8
United States	2.9	2.8	2.2
Euro Area	0.4	0.8	1.2
Germany	-0.3	0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
United Kingdom	0.3	1.1	1.5
Canada	1.2	1.3	2.4
*Other Advanced Economies	1.8	2.1	2.2

* 2024 forecasts

GLOBAL FORECASTS: POLICYMAKERS FACE INFLATION-GROWTH TRADE-OFF

Monetary Transmission: Real Policy Rate Paths
in major economies (Percent)

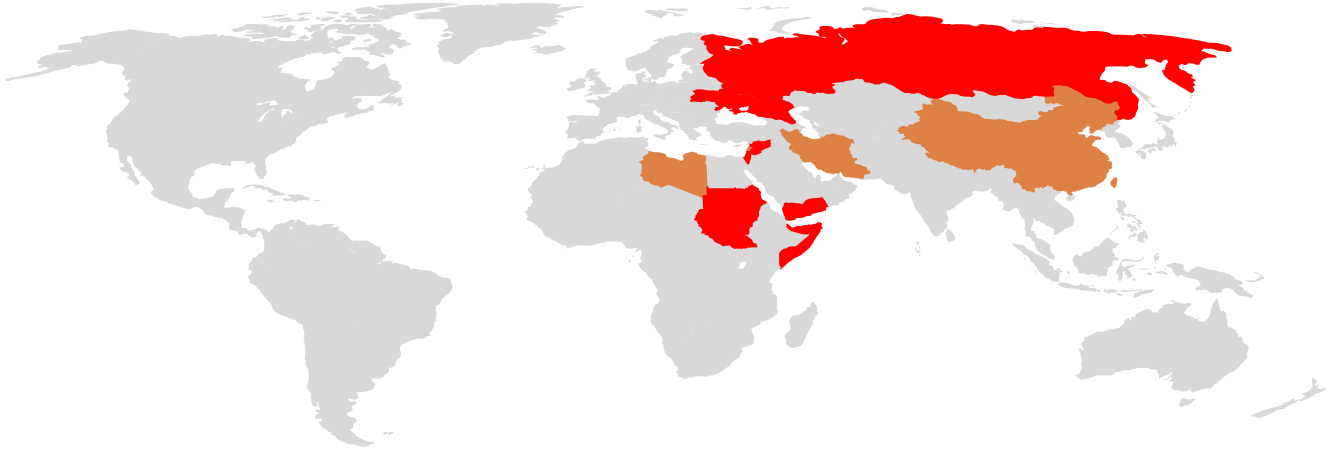


Real Policy Rate forecasts in the US and Euro Zone

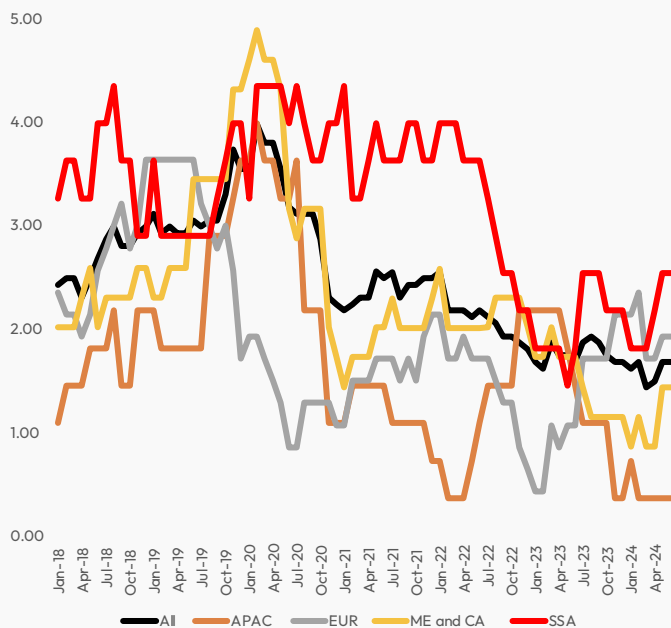
	US - 2024 (Actual) %	US - 2025 Forecast (%)	- (Actual) %	Euro Zone - 2025 Forecast (%)
Jan	2.78	2.13	2.26	1.01
Feb	2.79	2.04	2.23	0.88
Mar	2.55	1.95	2.23	0.76
Apr	2.61	1.90	2.26	0.69
May	2.50	1.84	2.29	0.62
Jun	2.55	1.78	2.03	0.58
Jul	2.66	1.73	2.07	0.53
Aug	2.82	1.67	2.08	0.49
Sep*	2.49	1.61	1.49	0.45
Oct*	2.40	1.55	1.37	0.40
Nov*	2.31	1.50	1.25	0.36
Dec*	2.22	1.44	1.13	0.31

- Policymakers will look to strike a balance between fighting inflation and supporting their fragile economies.
- However, real policy rates are expected to continue in their downward trajectories in major economies like the US (1.44% - December 2025) and the Eurozone area (0.31% December 2025).
- Has inflationary pressures cool in some key economies, central banks will look to cut interest rates to bolster economic activity.

GLOBAL FORECAST: TRUMP TO REPRISE HIS FIRST-TERM FOREIGN POLICY SUCCESSES



Social Unrest Levels
Percent of economies experiencing major social unrest



Will Trump 2.0 have a more decisive impact on geopolitics?

A second Trump administration is expected to reprise his first-term foreign policy successes, such as the Abraham Accords and NATO cost-sharing, but with a more loyal, ideologically aligned team. However, the global context has shifted dramatically, with heightened risks from China, Russia, Iran, and North Korea, as well as a sluggish global economy and disruptive technologies. Trump's "America First" approach, while still assertive and transactional, now faces greater geopolitical challenges.

On China, Trump's tough stance—starting with tariffs—could escalate tensions, potentially sparking a new cold war. In the Middle East, his support for Israel's actions and efforts to expand the Abraham Accords could risk broader conflict, particularly over Iran. In Ukraine, Trump's proposed ceasefire may deepen European divisions, either strengthening or fracturing NATO. With rising global instability, Trump's return could lead to both volatile breakdowns and unlikely breakthroughs, heightening geopolitical risks.