January Macro Brief

Special edition: 2025 outlook and Top 10 macro trends

January 17, 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 **January 17, 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.

Read our latest point of view:

The Great Supply Squeeze

After decades of cheap liquidity combined with low and stable inflation, the global economy is moving into a new era where supply scarcity is set to become the main driver of economic outcomes.

See our recent monthly macro briefs:

Year-end: The specter of tariffs
October: Energy supply pressures
September: The cost-of-living squeeze
July: Normalizing labor markets

For more information about Macro Foresight, visit www.accenture.com/macroforesight.

Contents

A note to our readers:

"As we look forward on 2025, it is useful to first reflect on what we predicted for 2024 and experienced in the past year.

Last January, we wrote that 2024 would be bumpy and characterized by see-sawing momentum and sentiment as the global economy transitioned from its post-pandemic normalization cycle to a new structural regime characterized by a Global Supply Squeeze (including geoeconomic fragmentation), higher long-term interest rates, and geopolitical instability.

As the year unfolded, a few major themes stood out. First, inflation rates fell in many countries, but the "last mile" of inflation has continued to prove challenging as core inflation in many countries remains sticky. Second, the US economy—buoyed by consumer resilience and a strong technology sector—outperformed our initial expectations. Third, the rapid rise of Gen AI proved to be a bright spot to global growth and helped offset many cyclical economic headwinds at play. Finally, geopolitics and trade tensions moved to the forefront of most conversations, reflecting events such as the conflict in the Middle East and the re-election of Donald Trump.

As we shift to 2025, we believe global economic performance will be less globally synchronized and driven by four themes: increasing divergence, elevated tariff and trade policy uncertainty, centrality of US and China policies to global economic performance, and the growing role of capital investment as a growth engine and differentiator—underpinned by the continued wave of AI, energy, and manufacturing reshoring investments. On balance, we advise companies to plan for further softening of growth and divergent regional and sectoral outlooks.

As we reflect on the longer-term outlook, we believe the structural thesis we laid out in 2024—of a macro regime shift characterized by a global supply squeeze, higher interest rates and geopolitical risk, and fiscal reckoning—holds true now more than ever. The next 5 years will present a fundamentally different business environment than in the 2000s and 2010s.

Shifting to strategic planning, our advice to executive teams is four-fold as they navigate this year:
- *Don't lose sight of your "growth" mindset (there will be plenty of opportunity across regions and sectors)*
- *Find ways to proactively manage geopolitical risk*
- *Continue to strengthen resilience (being mindful this comes at a cost)*
- *Plan for further pressure on margins*

As a whole, the best-performing executive teams will have a true north star in their strategy, be able to make decisions with confidence despite the high degree of uncertainty at play, and drive their organizations to execute at pace.

Finally, we wanted to thank all of our clients for continuing to read our Macro Briefs in 2024, as well as providing valuable feedback and perspectives. We look forward to working with you all in 2025."

Chris Tomsovic
Global Lead
Macro Foresight

Nick Kojucharov
North America Lead
Macro Foresight

Executive Summary

Geopolitics and structural supply headwinds will continue to challenge growth in 2025 and drive increased regional divergence

Executive Summary (1/2)

Global economic outlook for 2025

- **2024 was a transition year for the global economy as countries navigated the last phase of their post-pandemic normalization and had their policy trajectories reshaped by elections.** As expected, it was a bumpy process, with recurring swings in market and consumer sentiment and several geopolitical flare ups, notably in the Middle East. Despite this, the direction of economic travel was still relatively uniform globally—moderating growth, receding inflation, and normalizing supply chains and labor markets, all of which enabled central banks to pivot to rate cuts.
- **In 2025, however, economic momentum promises to be less globally synchronized. The outlook will be driven less by cyclical impulses and more by how post-election national and international policy shifts unfold, and how effectively countries confront structural headwinds and capture investment opportunities.** In this context, the near-term economic landscape is likely to be characterized by:
  - **Increasing divergence.** With the loss of common tailwinds from post-pandemic normalization, countries' economic trajectories are set to increasingly diverge depending on (among other things) their reliance on trade, room for fiscal stimulus, and industrial competitiveness.
  - **Elevated tariff and trade policy uncertainty.** The wide range of potential outcomes for the scope, magnitude, and timing of protectionist US trade policies, as well as how affected countries retaliate, could shift the economic outlook in materially different directions.
  - **Centrality of US and China policies to global performance.** Europe's structural stagnation is amplifying the role of US and China as the leading engines of global growth. As economic blocs increasingly form around these two geopolitical rivals, members will see their economies increasingly geared to US and China. This makes the risk of spillovers from an intensifying US-China trade war particularly high.
  - **Investment as the growth differentiator.** With cost-of-living pressures still elevated, and geopolitical frictions escalating, consumer spending and global trade are unlikely to be prominent growth drivers in 2025. Instead, domestic investment will become the key incremental growth lever for countries that effectively mobilize capital for Gen AI, energy infrastructure, and reshoring of manufacturing.
- **Key structural forces that began to re-shape the global economy in 2024 are also set to persist and likely strengthen in 2025, including:**
  - **The global supply squeeze** on essential production inputs, including labor (due to demographic decline), energy and commodities (particularly critical minerals), compounded by growing constraints on their access as geoeconomic fragmentation increases.
  - **Higher long-term interest rates,** driven by the unwinding of decade-long central bank QE programs, rising term premia, and large public and private investment needs related to net zero transitions, technology adoption, and supply chain resilience.
  - **A new normal of geopolitical instability** that fuels increased supply, policy, and physical and cybersecurity uncertainty.
  - **Fiscal reckoning** as weakened government finances constrain fiscal stimulus and force cutbacks to pro-growth public spending.
- **Overall, companies should expect further softening of growth relative to 2024 and slowing disinflation.** A rapidly escalating global trade war and renewed supply chains disruptions from geopolitical conflict are the key downside risks. Potential sources of upside include quicker-than-expected passage of tax cuts in the US, more aggressive policy stimulus in China, and accelerated realization of AI benefits.

Source: Accenture Strategy analysis

2025 will be characterized by a growing divergence in regional outlooks; companies should continue to strengthen resilience without losing sight of growth

Executive Summary (2/2)

Regional highlights

- The **US** economy is expected to decelerate slightly as consumers' resilience is challenged by the still-high cost of living, renewed inflation pressure from tariffs and immigration restrictions, and headwinds to exports as certain tariff-affected trading partners retaliate.
- **Europe's** growth struggles are set to persist in 2025 amidst ongoing industrial competitiveness challenges, fiscal tightening and mounting trade tensions with the US and China. Southern European economies such as Spain and Greece will be relative bright spots, however, outperforming on the back of their services sector strength, greater immigration, and less exposure to competitive pressures from China.
- **In China,** recent policy stimulus could give the economy a temporary lift during H1, before headwinds from US tariffs and ongoing structural challenges—property sector fallout, local government deleveraging, and demographic headwinds—pull growth back down to the decelerating trajectory it has been on in recent years.
- In broader APAC:
  - **Japan**, after uneven growth throughout 2024, is on track for a modest recovery as inflation pressures ease and positive real income growth supports consumer spending.
  - **Australia's** growth outlook remains subdued owing to its export exposure to a China slowdown, and ongoing pressures on consumers from sticky inflation, high interest rates and a housing affordability crisis.
  - **India** is expected to remain one of the world's fastest-growing economies, propelled by favorable demographics and "friendshoring" FDI, though growth in near term may decelerate slightly due to tightening consumer credit conditions and moderating public capex.
- Among the major LATAM economies, **Brazil's** economy (after surprising to the upside in 2024) is likely to slow amidst resurgent inflation and renewed interest rate hikes, while **Mexico's** outlook will be clouded by tariff uncertainty and its drag on business confidence and investment.

Considerations and priorities for companies

- **The key challenge for companies in 2025 will be to minimize risk (driven by geopolitical tensions) without foregoing significant opportunity (e.g., from domestic investment).** It will be important for executive teams to:
  - **Keep a focus on growth:** There will be strong pockets of growth in 2025 even as the global economy decelerates and post-pandemic cyclical impulses dissipate. Key opportunities will be in the US, India, and southern Europe, as well as domestic investments in AI.
  - **Proactively manage geopolitical risk:** Uncertainty and volatility will weigh on business decision-making throughout 2025. Companies will need to keep firmwide taskforces running through 2025 and proactively identify ways to build resilience across their business.
  - **Strengthen resilience:** Growing geopolitical and climate risks increase the need for resilience. Companies will need to continue to find ways to strengthen resilience where it makes sense given the associated investment costs.
  - **Be prepared for margin pressure:** Three key headwinds—inflation progress reversing, a weakened consumer, and costs to build resilience— could put additional pressure on margins. Companies need to think about new waves of productivity agendas in 2025.

Source: Accenture Strategy analysis

The issues executives continue to ask about heading into 2025 sit at the intersection of geopolitical, macroeconomic, and societal uncertainty

Top of mind issues among clients

"Europe must get its act together and have a coherent industrial strategy given the new US administration."

Norwegian asset mgmt. firm

"We're most concerned about tariffs to Mexico given we have spent a lot of time and effort moving our operations from China to there."

CSCO of a High Tech company

"What tariff scenarios are most likely? Is this all bluster, or something that will actually happen?"

European Pharma company

"What is the impact of tariffs on our sourcing and manufacturing strategy?"

CPO of an Auto company

"We're focused on growing in India given its positive outlook and the changing outlook we see in China."

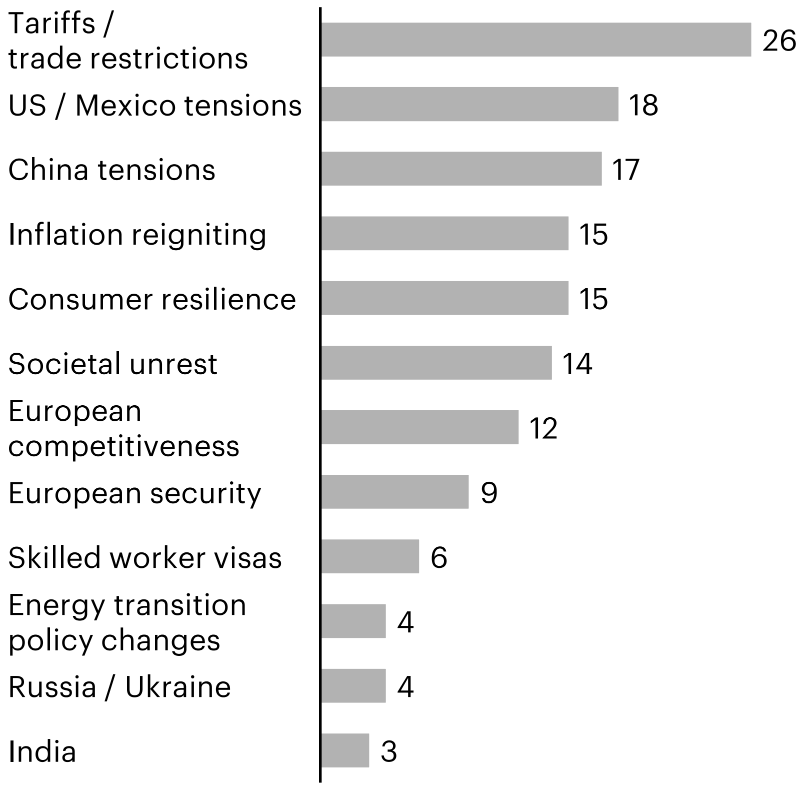
CSO of a European Pharma company

"What is the risk that inflation resurfaces due to the tariffs? We are past the price hike cycle and the consumer cannot bear additional prices hikes."

US Retail company

What we're hearing from executives

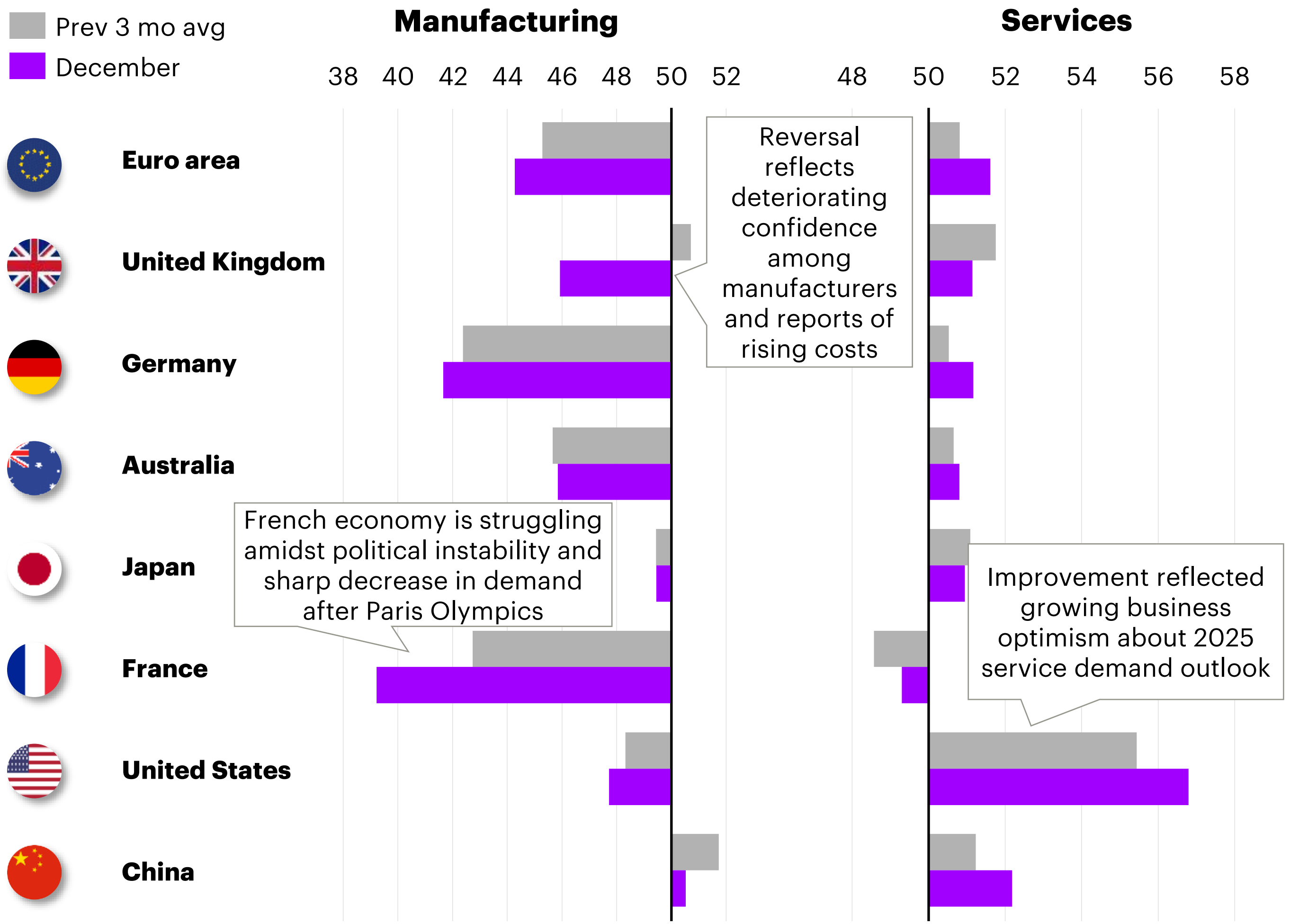
Based on notes from 35 executive team interactions in Q4

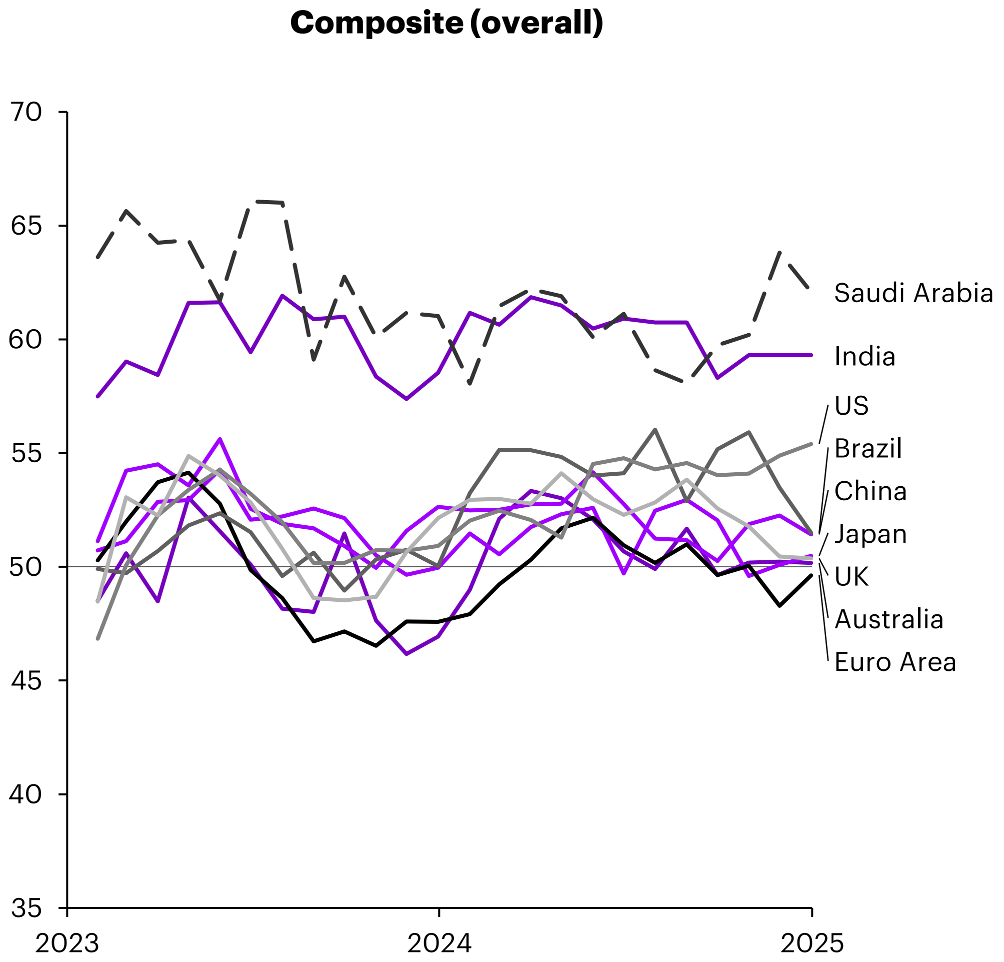


2025 Economic Outlook

Most major economies closed out 2024 with sluggish manufacturing momentum and relative stability in services activity, with the US remaining the key outperformer overall

PMI survey country snapshot



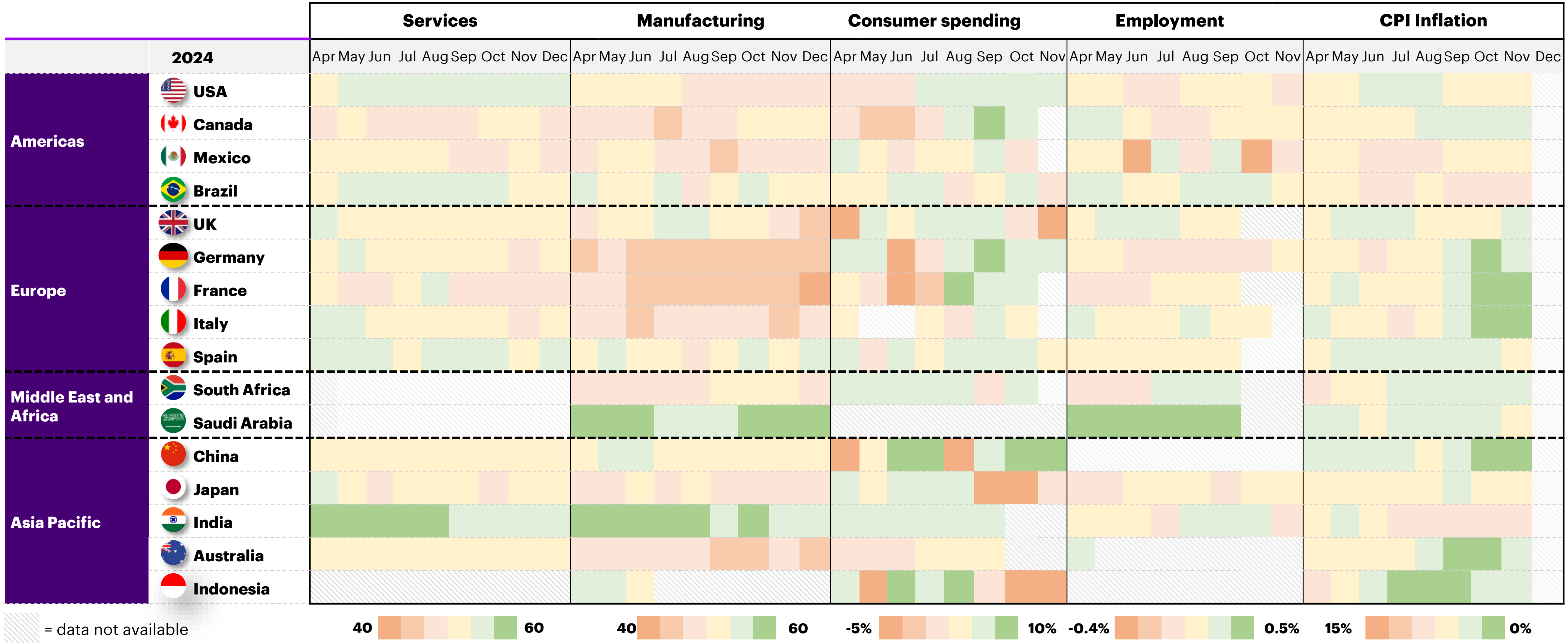


Note(s): A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures
Source(s): S&P Global, Accenture Strategy analysis

Recent data shows strong services growth in most India, still-sluggish manufacturing activity in Europe, mixed consumer spending momentum, and continued disinflation

Country economic momentum snapshot

AS OF JAN 17



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

Looking ahead, the outlook will be driven less by post-pandemic normalization impulses and more by trade policies, US and China dynamics, and domestic capital investments

Key features of near-term economic outlook

NOT EXHAUSTIVE

Increasing divergence

- With the loss of common tailwinds from post-pandemic normalization, countries' economic trajectories are set to increasingly diverge depending, in part, on their relative:
  - reliance on trade and exposure to US tariffs
  - room for fiscal stimulus
  - industrial competitiveness
  - energy supply security
  - progress on disinflation

Tariff and trade policy uncertainty

- Wide range of potential outcomes for the scope, magnitude, and timing of US trade protectionist policies, as well as how affected countries retaliate, could shift the economic outlook in different directions, with material implications for:
  - growth
  - inflation
  - supply chain costs
  - currency movements and cross-border capital flows
  - business and consumer confidence

Centrality of US and China to global outlook

- Europe's structural stagnation is increasing the role of US and China as the main growth engines for global economy
- Emerging economic blocs and alliances around these two geopolitical rivals further reinforce the gearing of member countries' outlooks to the US and China
- As a result, risk of spillovers from US and China's policy decisions (and their economic impacts) over the next 12 months is historically high

Capital investment as growth differentiator

- With cost-of-living pressures still elevated, and geopolitical frictions escalating, consumer spending and global trade are unlikely to be prominent growth drivers in 2025
- Domestic investment will become the key incremental growth lever for countries that effectively mobilize capital for strategic investments, e.g.
  - gen AI
  - energy infrastructure
  - reshoring of manufacturing

Source: Accenture Strategy analysis

As 2025 progresses, structural forces that began to re-shape the global economy in 2024 will also persist and likely strengthen, weighing on growth and renewing cost pressures

Structural forces shaping the "new normal"

NOT EXHAUSTIVE

Forces	What we said in 2024	Why we still think this is important in 2025
Great supply squeeze 	• Tightening global supply of essential production inputs, including labor, energy and commodities	• Tightening global supply of essential production inputs continues, including: – labor (due to declining and aging populations in many major economies) – critical minerals (geographically-concentrated extraction and refining capacity) – Agri. commodities (climate change and more frequent disruptive climate events) • Heightened focus on China Plus One strategy and reshoring efforts as geoeconomic fragmentation intensifies
Higher long-term interest rates 	• Even if central banks start to ease short-term rates, longer-term interest rates will nonetheless face structural upward pressures	• The cumulative effects of sustained high rates are starting to significantly weaken consumer demand, especially for durable goods and real estate • Emerging markets with high debt burdens face rising risks of defaults and financial instability, particularly as external borrowing becomes costlier • Businesses are delaying capital-intensive projects, reducing productivity and innovation, which could constrain growth over the medium term
A new normal of geopolitical instability 	• Geopolitical warfare is increasingly becoming the norm rather than the exception	• Rising defense expenditures across nations divert resources from economic development • More evidence of armed confrontations, proxy conflicts, weaponization of resources and technologies, and economic statecraft such as sanctions and trade barriers seen in 2024 • Major risks for 2025 include military tensions in South China Sea, prolongation of Russia-Ukraine war and wider Middle East conflict.
Fiscal reckoning 	• Public debt levels are at record highs in many countries after successive waves of pandemic-related spending	• Rising interest payments on government debt are crowding out productive spending on infrastructure, education, and healthcare • Limited fiscal space hampers governments' ability to respond effectively to new crises, whether economic, environmental, or geopolitical

Source: Accenture Strategy analysis

The base case for US economy is continued growth moderation alongside above-target inflation, with two-sided risks to this outlook depending on severity of protectionist policies

US near-term economic outlook and key scenarios

Economic scenario	Mild recession	Moderate growth	Continued US exceptionalism
Description	• Greater-than expected growth drag and inflation pressures from tariffs and immigration restrictions tip the economy into a mild recession • Acceleration of Fed rate cuts, particularly if growth decline occurs alongside financial stress	• Further moderation to near-trend (~2%) growth as consumer spending softens • Supply-side cost pressures and tariff increases keep inflation above target, at 3-4% • Fed dials back pace of rate cuts to guard against inflation uptick	• Growth remains above trend despite trade policy uncertainty and inflation returns to target • Strong consumer spending, innovation-driven productivity gains, and a robust labor market underpin continued growth
Key scenario drivers and assumptions	• Universal tariffs enacted, with significant retaliation and hit to US exports • Geopolitical conflict(s) trigger renewed supply chain disruptions • Credit stress episode • No further tax cuts	• Tariff increases are limited and targeted, with some retaliation • Renewed inflationary pressures from tariffs and immigration limits • Cost of living pressures and depleted savings dampen consumption	• Little to no tariff increases enacted • Significant economic benefits from reshoring, tax cuts and deregulation materialize • Larger and faster-than expected boost to productivity from GenAI
Corporate implications	• Rising bankruptcies denting B2B demand and household finances	• Further margin erosion from cost pressures and weaker pricing power	• Stabilizing margins • Tighter labor and financing conditions

Most likely

What to watch for

- **Resilience of US consumer:** Possible downshift in consumer spending given depleted savings, ongoing cost of living pressures, and still-high interest rates
- **Economic effects of trade policies:** The impact of prior and new trade policies will continue to unfold, influencing supply chains, prices, and international relations, with 2nd round tariff spillover effects materializing in manufacturing and tech sectors
- **Immigration restrictions:** mass deportations and a severe clamp down on new immigration could squeeze labor supply and renew talent shortages and wage pressures, especially for lower-skill services
- **US fiscal policy:** Trump has promised expansionary fiscal policy (e.g., tax cuts), but policymakers face a balancing act between growth and fiscal prudence, and it is uncertain if firms will reinvest tax savings
- **Strength of the US dollar:** The USD (in real trade-weighted terms) is at multi-decade highs. Trump's focus on boosting domestic manufacturing, increasing tariffs and deregulating industries could fuel further USD appreciation, which would be disinflationary but weigh on US exports

Source: Accenture Strategy analysis

Continued stagnation or mild recessions are most likely throughout Europe, with the more energy-intensive and manufacturing-led economies at higher risk of worse outcomes

Europe near-term economic outlook and key scenarios

Economic scenario	Recession	Stagnation	Swift recovery
Description	• Adverse cocktail of elevated inflation, weak external demand and escalation of trade war with US and China drives growth negative • Substantial central bank rate cuts, particularly if growth decline occurs alongside spike in financial sector stress	• Continued below-trend growth, with more pronounced stagnation in energy- and manufacturing-intensive economies and/or those with strong competitive pressures from China • Supply-side cost pressures hinder "last mile" of disinflation	• Faster disinflation than expected and rebounding consumption and investment lift economies out of recent stagnation • ECB, BoE and other central banks support recovery with rate cuts, some more aggressively
Key scenario drivers and assumptions	• Trump tariffs hit export-oriented countries hard • Geopolitical conflict(s) disrupt supply chains • Political instability sees fiscal restraint and declining investment	• Minimal US tariffs and European retaliation • Ongoing weak productivity growth • Governments follow through with signaled fiscal consolidation plans	• Recovery in Chinese and external demand • Credible, front-loaded policies to address structural challenges • Shift from Ukraine war to reconstruction
Corporate implications	• Rising bankruptcies • Strong USD/weak EUR raises import costs	• Further margin erosion • Strong M&A on the back of attractive valuations	• Stabilizing growth and recovering investment • Easing financing costs

Most likely

What to watch for

- **Trade policies:** Prior and new trade policies under Trump administration, and EU's stance on tariffs, post-Brexit UK and regulatory alignment will determine trade dynamics
- **Recovery of private consumption:** While inflationary pressures have moderated, still-high energy costs and dampened wage growth may continue weigh on consumer spending and confidence
- **Constraint of fiscal policy**: While fiscal policies diverge across countries (e.g., debt break in Germany, France's tax cut and UK's tax increase), fiscal austerity in some budget-constrained countries could weigh on growth and policy options
- **Manufacturing slump:** Recent manufacturing struggles may be prolonged, especially in Germany, if pressure from weak global demand and high energy costs persists and the US raises tariffs on Europe
- **Persistence of high energy prices:** EU's structural dependence on imported energy and slow ramp-up of renewable energy capacity still remain a challenge

Source: Accenture Strategy analysis

Deceleration towards a new, lower structural growth rate remains base case for China, though recent policy stimulus in 2024 could provide some short-term uplift

China near-term economic outlook and key scenarios

Economic scenario	Deflationary stagnation	Structural deceleration	Stimulus-induced growth surge
Description	• Significant downshift in growth and renewed deflation amidst eroding consumer confidence, ineffective policy stimulus, tariffs and financial and property sector spillovers	• Growth decelerates modestly (to 4-5%) as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts	• Aggressive policy stimulus counteracts structural headwinds and supports stable growth of around 5% in near term, powered by "New Productive Forces"
Key scenario drivers and assumptions	• Trade restrictions targeted at China significantly reduce exports • Falling consumer spending • Surge in real estate-related defaults • Significant deterioration of external demand and glut of domestic manufactured goods	• Low tariffs imposed on Chinese export goods • Subdued consumer confidence and ongoing precautionary savings • Weak external demand keeping manufacturing spare capacity high • Cautious and measured policy stimulus • Slow burn of property sector retrenchment	• Undeterred by tariffs, continued surge in exports driven by auto and renewables • Improving consumer confidence • More aggressive fiscal stimulus and monetary policy loosening • Rebound of property market after stimulus measures
Corporate implications	• Potential contagion from property sector • Rising corporate default	• Prolonged lower growth and investment • Margin squeeze	• Rebound in spending and export growth • Easing financing costs

Most likely

What to watch for

- **Property market slowdown:** The fallout in the property sector seems to have stabilized with fiscal stimulus, but prospects for a rebound are still far off, and the sector is likely to remain a drag on consumer confidence and spending in the near term.
- **Additional policy stimulus:** An array of government stimulus and expansionary monetary policies targeting financial markets, property sector and consumption were announced in 2024, and could be further expanded if growth undershoots targets
- **Tariffs and export resilience:** China's export growth accelerated significantly in Q4 2024, but tariffs imposed by Trump administration could materially slow this growth in 2025, depending on their severity
- **Local government financing stress:** Though local governments' fiscal situation has been helped by the recently announced 10 trillion yuan debt resolution plan, underlying structural problems remain
- **Consumer sentiment:** Consumers remain cautious amidst the property sector crisis and high youth unemployment, maintaining high savings rates

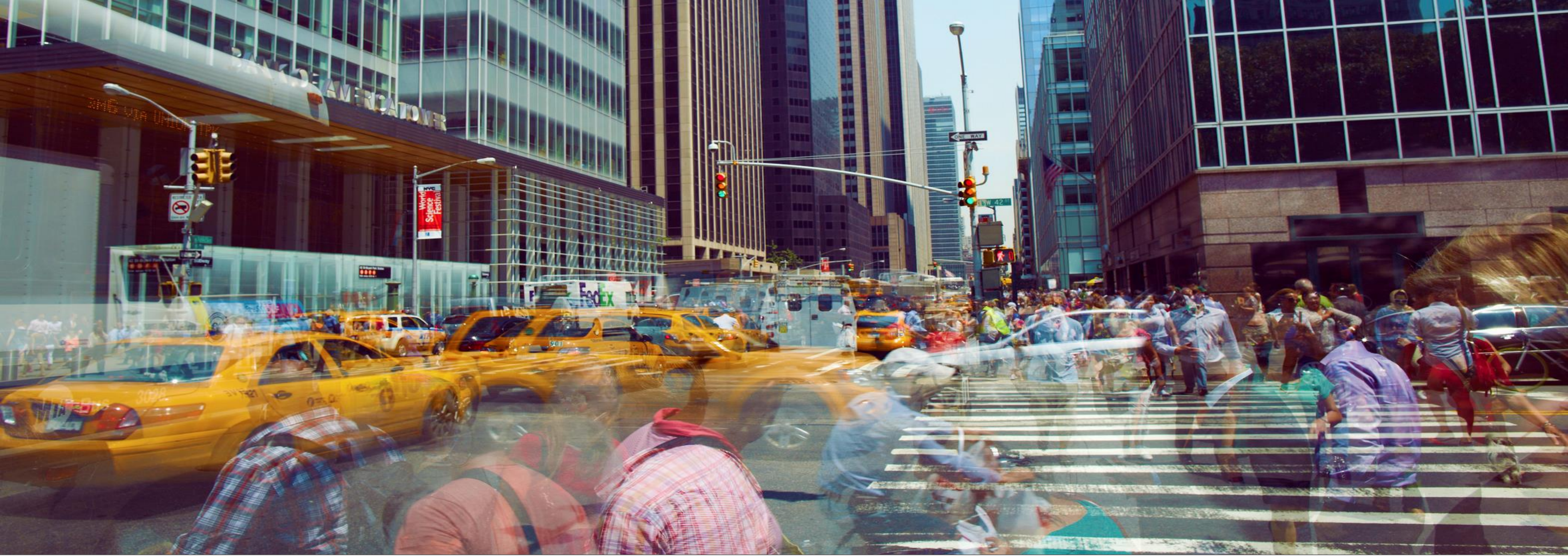
Source: Accenture Strategy analysis

Japan's economy is expected to recover modestly in 2025 and India to remain a global outperformer; Brazil's economy will likely slow amidst prospect of further rate hikes

Other key country outlooks

Region	Country	Base case outlook	What to watch for
Americas 	Canada	• Inflation to remain below 2% driving interest rate cuts, but structural issues will challenge growth, including cost-of-living, weak productivity growth, a lack of business investment, and housing undersupply	• US tariff threats materializing could weigh on growth • The upcoming federal election will have material implications for immigration, regulation, housing and US relations
	Brazil	• Likely growth deceleration in 2025 amidst resurgent inflation and renewed interest rate hikes (+100bps in December and more likely in the pipeline) • Possibility of a record agricultural harvest season could provide an offsetting tailwind to growth	• Brazilian real depreciation from US trade policies driving higher inflation and a stronger dollar, fuelling inflationary pressures and forcing central bank rate hikes • Global trade conflict could weigh on commodity exports
Asia Pacific 	Japan	• Modest recovery in GDP growth in 2025 as inflation pressures ease and real wage growth potentially boosts household consumption • Risks persist amid slowing external demand 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 consumer on domestic spending, supported by real wage growth • Speed and extent of Japan's monetary policy normalization
	India	• Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment • Still, India should remain one of the fastest-growing major economies, propelled by favorable demographics and "friendshoring" FDI	• Resilience in domestic demand despite global headwinds • Extent of policy response as inflationary pressure remains elevated • Signs of manufacturers or other companies shifting supply chains to India
	Australia	• Growth is likely to remain subdued, owing to Australia's export exposure to a China slowdown, and ongoing pressures on consumers from sticky inflation, high interest rates and a housing affordability crisis	• Degree to which the labor market loosens and reduces pressure on prices • Extent of imported inflation as the Australian dollar continues to weaken

Source: Accenture Strategy analysis



Top **10** macro trends for companies

Rising geopolitical risk, tariffs threats, cost of living pressures, and the next wave of Gen AI are among the key macro trends impacting the business environment this year

Executive Summary: Top 10 trends for 2025

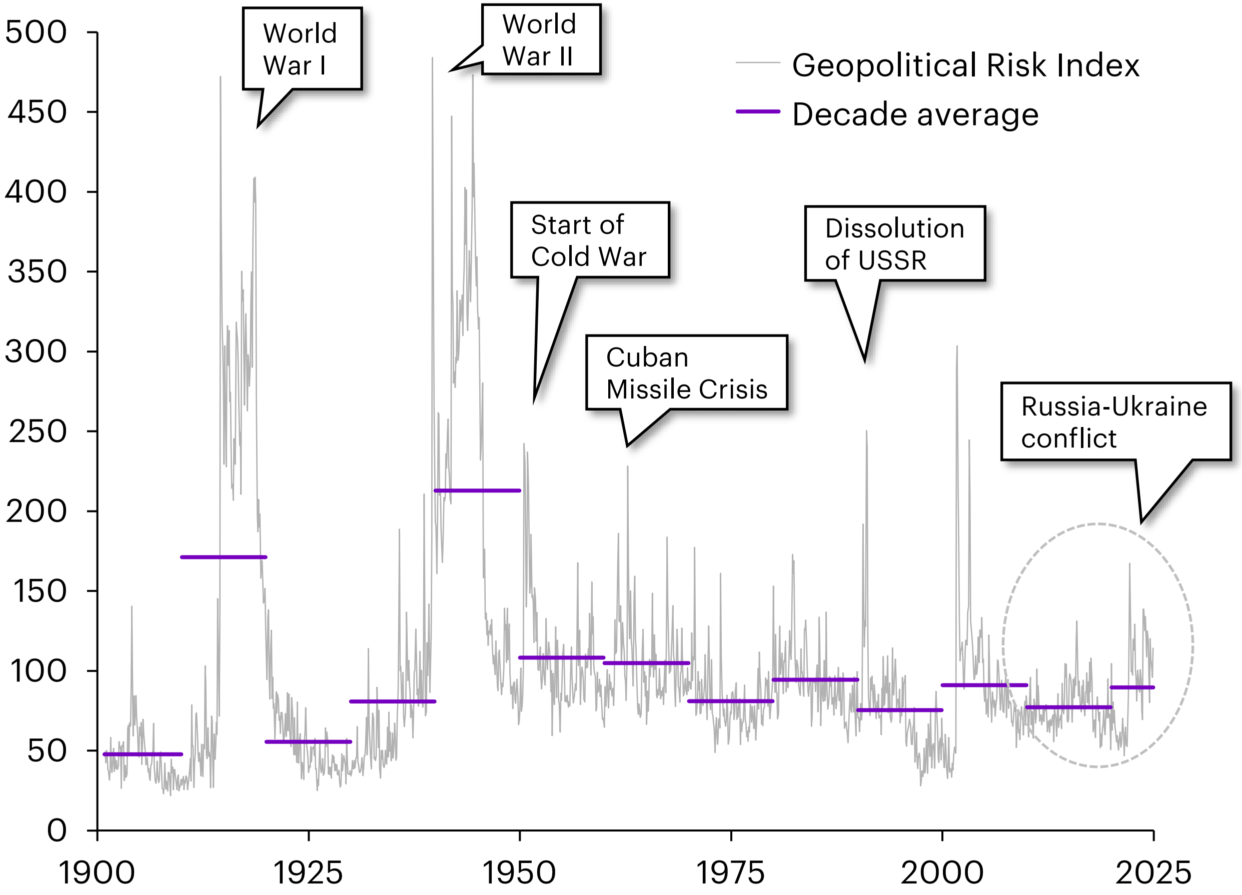
1.	**Geopolitical tensions and their economic spillover risks ratchet up**	• The world enters 2025 with geopolitical uncertainty on the rise, with a multitude of potential flashpoints in 2025, and heightened spillover risks to growth, inflation, and financial stability
2.	**Tariffs and trade retaliation consume the airwaves of executive teams**	• Tariffs are a key part of the new Trump administration policy agenda; however, there remains high degrees of uncertainty regarding the extent of tariffs, retaliations, and economic impacts
3.	**Higher rates persist amidst fiscal deficits, investment needs and inflation risks**	• Inflationary risks from tariffs renew the imperative for higher-for-longer interest rates, which are further reinforced by large fiscal deficits globally and high corporate investment needs
4.	**Consumer resilience is tested by still prevalent cost-of-living pressures**	• Global cost-of-living pressures have not abated and will continue to be a headwind to global consumer spending, endangering US consumer resilience and spending recoveries elsewhere
5.	**A confluence of macro tailwinds accelerates India's rise globally**	• Strong economic fundamentals and shifting geopolitics prompt Western companies to prioritize India, both as a base of manufacturing and as an end-market to sell into
6.	**China's growth slows as exports are prioritized over structural domestic reforms**	• China leans on exports as short-term growth lever, leaving the economy exposed to tariffs and geopolitical risks, while unaddressed structural challenges continue to weigh on domestic demand
7.	**Europe's growth struggles continue given geopolitics and structural challenges**	• European calls for a comprehensive competitiveness agenda grow but structural reforms do not happen quickly enough this year to fundamentally change the continent's growth trajectory
8.	**The Gen AI wave expands past Big Tech to data, security, and services companies**	• A broader set of companies—notably in areas adjacent to and downstream from infrastructure—are set to benefit as Gen AI roll-out progresses and the industry specificity of models increases
9.	**The energy transition recalibrates from big bets towards affordable interim solutions**	• A new US administration, coupled with global policy shifts towards security and defense, prompt more cost-conscious approaches to energy transition and prioritization of dispatchable sources
10.	**Domestic capital investment accelerates on the back of supply and demand tailwinds**	• Domestic CAPEX is set to accelerate amidst supply constraints, reshoring imperatives, and AI and energy transition opportunities

Source(s): Accenture Strategy analysis

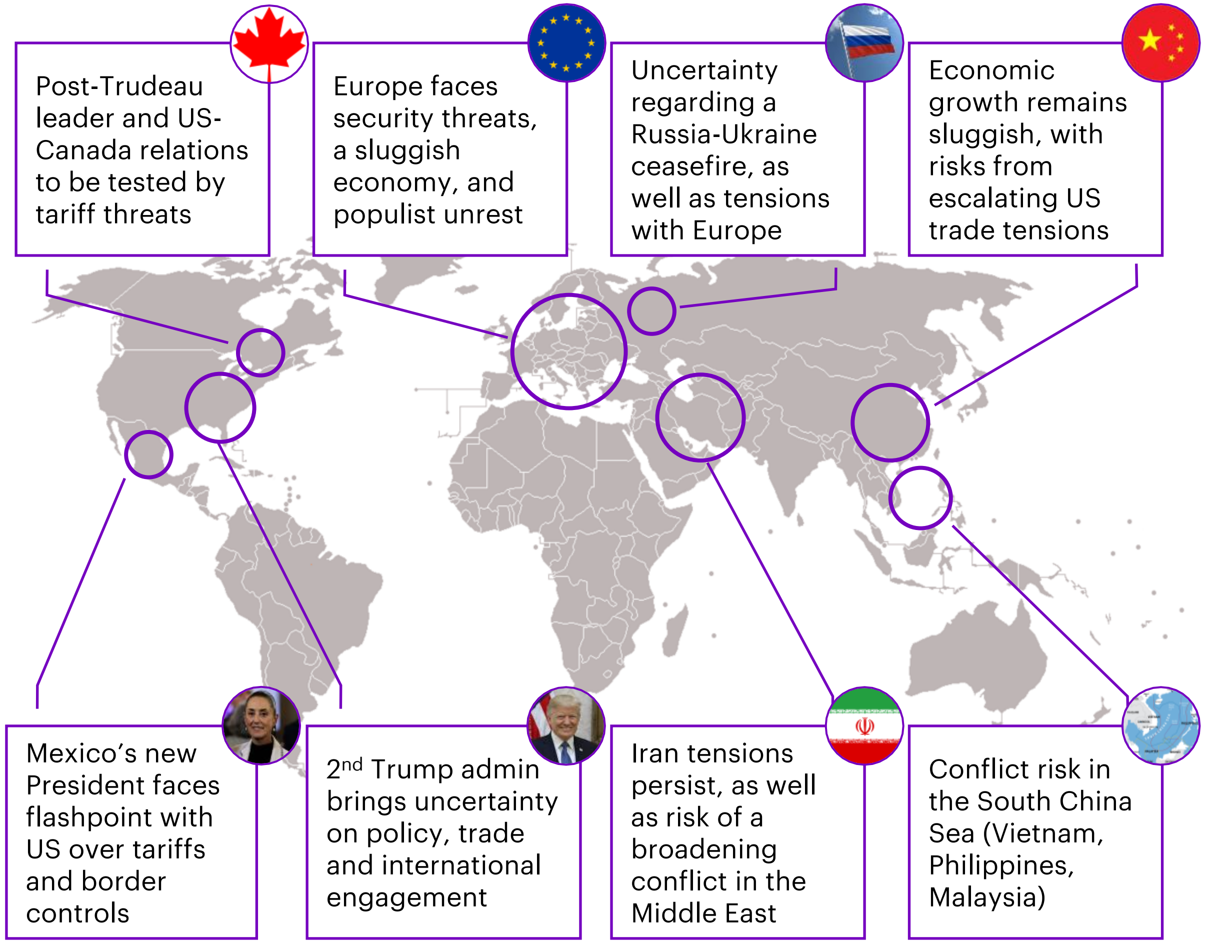
Global geopolitical tensions are likely to increase in 2025 along with their associated economic and financial spillover risks

1. Geopolitical uncertainty to intensify

Timeline of global geopolitical risk



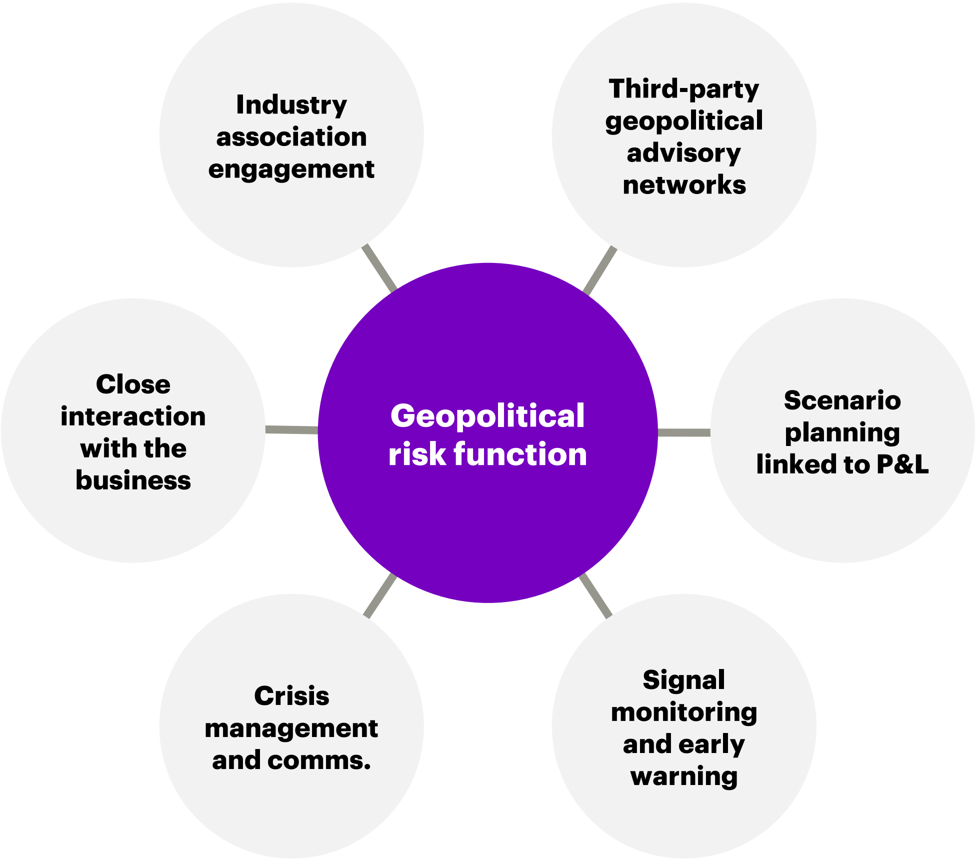
Potential geopolitical flashpoints in 2025



More companies will strengthen their geopolitical risk functions (which have often been strongest in energy and banking) and this has operating model/capability considerations

1. Business considerations

Key capabilities a geopolitical risk function needs



Guiding principles to consider

1. Leverage an extensive range of 3rd party advisors with knowledge tailored to region(s) and industry
2. Organize time and effort around a set of BAU activities, while also leaving enough capacity to drive ad hoc taskforces
3. The function should have strong interlinks with business units and should be engaged early, rather than after a risk has unfolded
4. Signal monitoring and scenario planning efforts should be firmly rooted in data and integrated with economics teams given the link between geopolitics and economics
5. “Geopolitical Risk Officers” are a growing community and leaders should engage with such peers to share lessons learned

Source(s): Accenture Strategy analysis

The new Trump administration has made tariffs and trade restrictions a key part of its policy agenda, with some of the more severe measures directed towards China

2. Tariffs and trade restrictions

Trump administration tariff proposals

The Trump administration has floated a variety of tariff proposals, and there is still significant uncertainty over which ones will be implemented (and when), as well as what retaliation from affected trading partners could look like

Tariff action	Scope
Universal tariffs of 10% or 20% on all imports, regardless of country of origin	
A 60% tariff on all imports from China, and an additional 10% tariff "above any additional tariffs"	
A 25% tariff on all imports from Mexico and Canada	
A 100% tariff on EVs made in Mexico by Chinese-owned firms	
A 200% tariff on imports of US firms who move production abroad	

Key variables that could drive tariff scenarios

Trade restrictions

- Effective tariff rate
- Goods / services targeted
- Countries targeted
- Policy measures used (e.g., Section 301)
- How the business community is consulted beforehand (to give forward-planning)

Country response

- Retaliatory trade restrictions by countries
- The impact on global value chains (i.e., certain exports are critical to multiple global value chains)
- Targeting of individual companies (e.g., Entity Lists)

Top-line considerations

- How competitors and the industry responds (i.e., does verticalization happen, are certain Chinese players restricted from the market)
- The inflationary impact on consumers

Supply chain

- The maturity and depth of Tier 1, 2, 3 suppliers domestically
- The amount of global inventory build-ups
- Domestic government policy to ramp up new capacity

Source(s): MSNBC, CNN, Washington Post, Accenture Strategy analysis

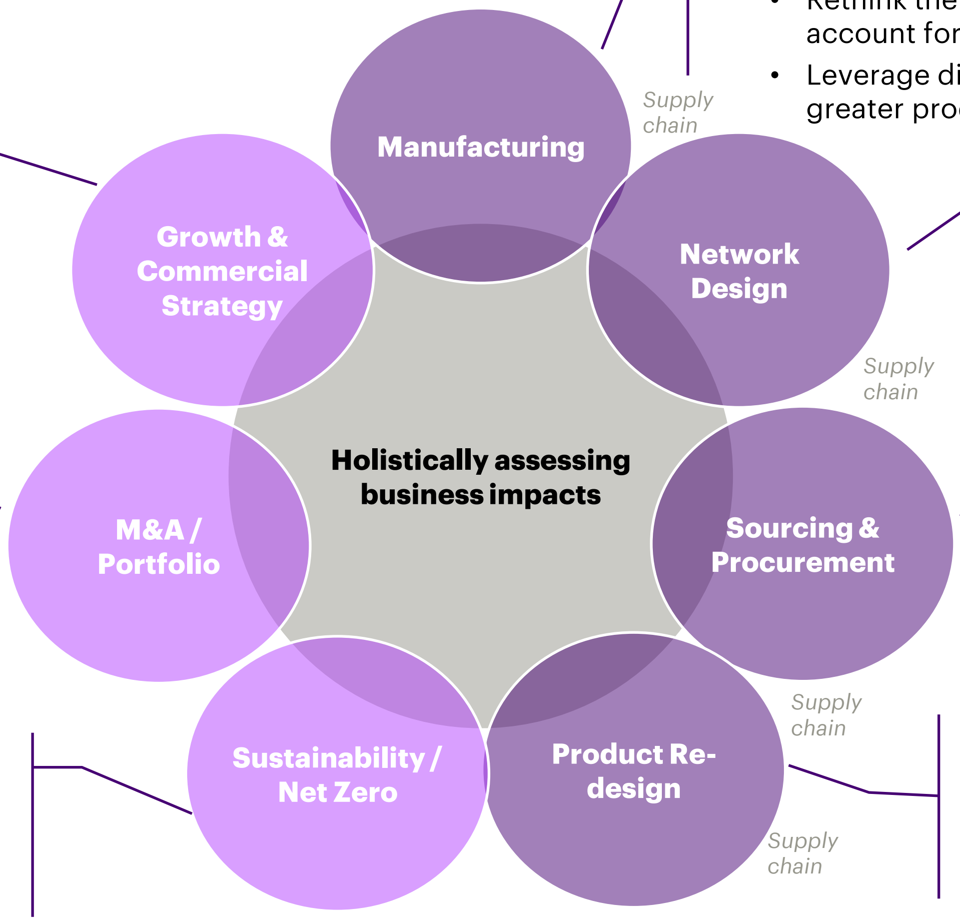
Firms need to think holistically about tariffs and consider 2nd and 3rd order effects on commercial strategy, sustainability, and competitive dynamics

2. Business considerations

- Assess impacts on the overall strategy, competitive environment, pricing, and financial plan
- Country strategy may need to be re-evaluated

- M&A / JV impacts based on a changing supplier landscape and competitive environments
- Tighter trade restrictions may force companies to verticalize

- Shifting supply chains will impact Scope 1, 2 footprints
- Assess trade impacts on regulation (e.g., CBAM) and overall decarbonization roadmap



- Rethink the overall manufacturing strategy to account for new geographic focus
- Leverage digital manufacturing principles to drive greater productivity in operations

- Re-think the overall network to build greater resiliency in the supply chain against different scenarios

- Assess how sourcing and procurement will need to change across N-tier suppliers
- Assess counter-party risk across suppliers in high-risk geographies

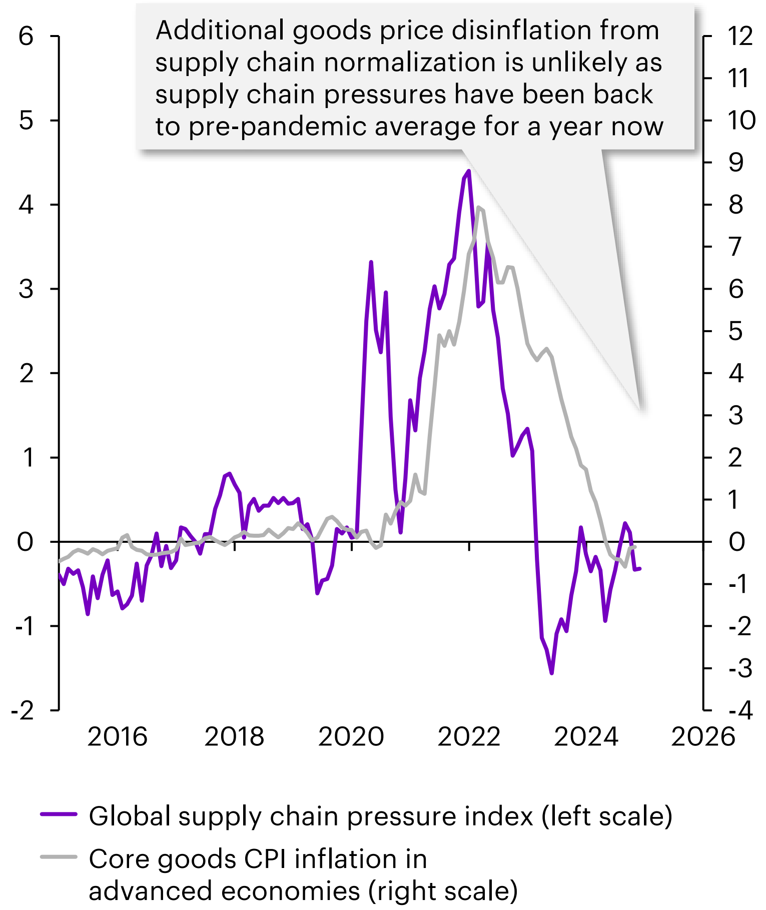
- Evaluate if products need to be re-designed to accommodate the new trade regime

Tariffs could stoke goods inflation pressures globally, while wage-driven services inflation remains sticky; large fiscal deficits create further pressure for interest rates to remain high

3. Persistence of high interest rates

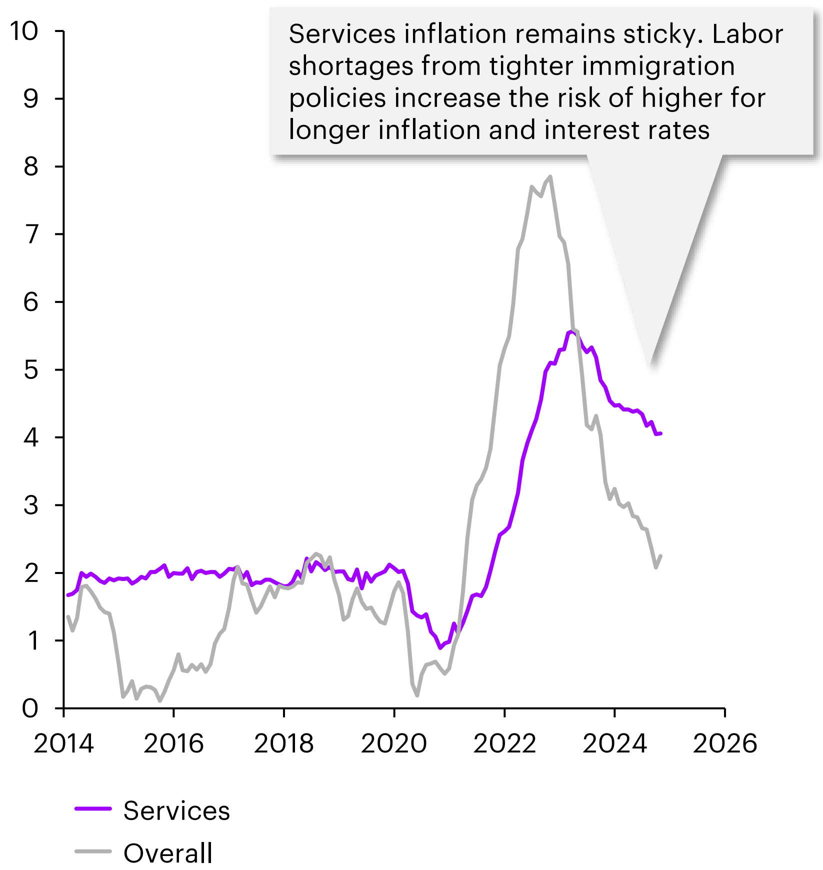
Supply chain pressure vs. core goods inflation

Index (SD points monthly. 0 = average value)



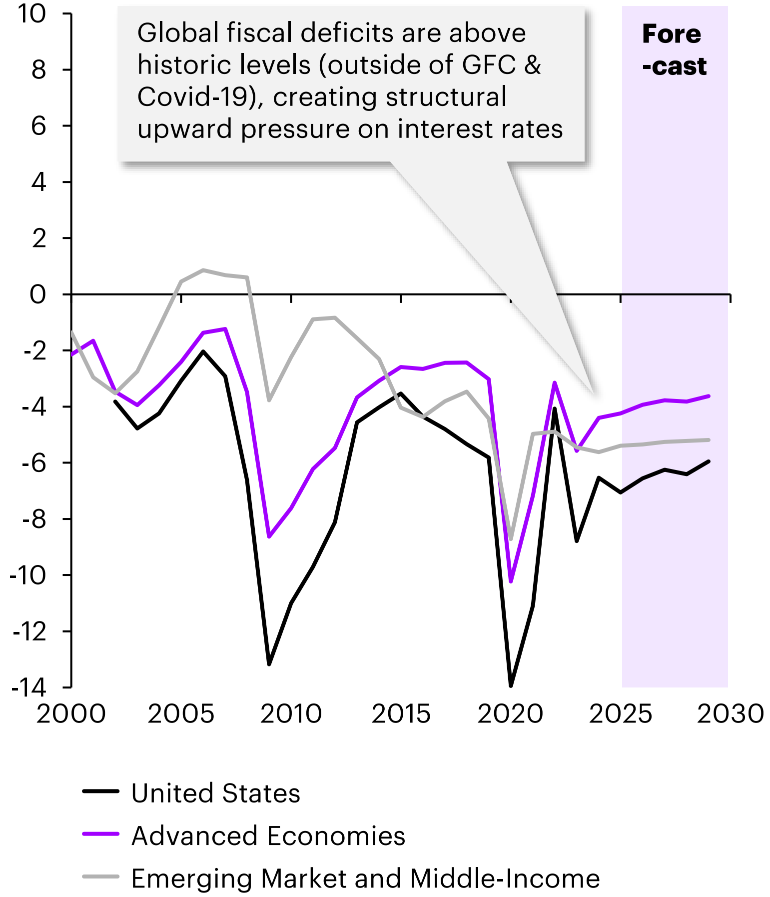
Average CPI inflation in advanced economies

Percentage year on year



Government fiscal deficits

% of GDP



Source(s): Haver Analytics, International Monetary Fund, Accenture Strategy analysis

To build resilience against a resurgence of inflation and high rates, CFOs should focus on strengthening balance sheets and unlocking cash flow through operational discipline

3. Business implications

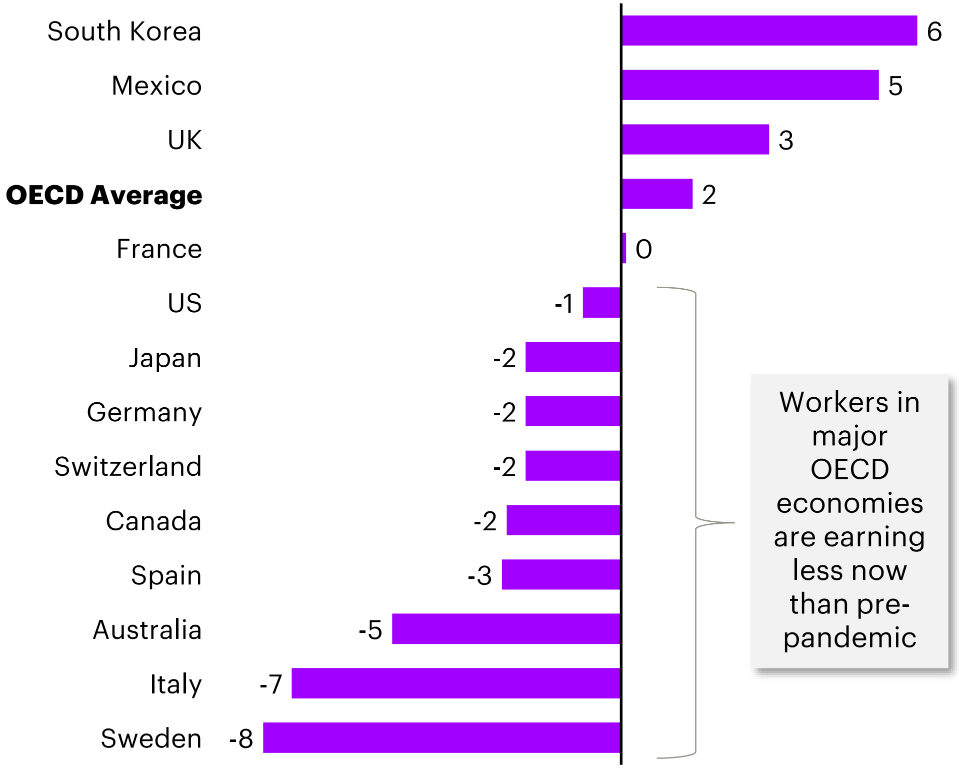
<table>
<tr><th></th><th rowspan="2">Industries</th><th colspan="2">Business considerations</th></tr>
<tr><th></th><th>Finance / CFO</th><th>Operations</th></tr>
<tr><td>Most exposed industries (industries with >USD 100 billion debt outstanding at lowest rating levels, "B-" and below)</td><td>• Healthcare
• Communications, Media and Technology (incl. High Tech)
• Consumer Goods</td><td>• Re-engineer balance sheet to improve financial position, e.g., debt-to-equity swaps
• Incorporate debt-related metrics and covenant thresholds into scenario planning exercises
• Consider divestment of non-core assets and unprofitable/underperforming businesses and assets</td><td rowspan="2">• Control expenses
– Reduce overheads, staff incentives etc.
– Streamline operations
– Automate certain processes
• Consider value- or risk-based deals with 3rd parties to reduce overall cost base
• Improve cash flow management, e.g.,
– Negotiate longer vendor terms
– Eliminate obsolete inventory
– Optimize collection/receivables strategy, e.g., increase payment channels, automating payments etc.
• Stringent portfolio management, with ability to quickly dial up/dial down existing change management investments
• Improve and invest in tools used for forecasting and cash reporting</td></tr>
<tr><td>Industries with growing debt</td><td>• Materials
• Retail
• Financial Services
• Auto</td><td>• Utilize short term financing, e.g., overdrafts to manage seasonal gaps in working capital and cash flows
• Negotiate with creditors to restructure debt
• Consolidate debt into one loan to reduce overall interest expense
• Incorporate debt-related metrics into planning exercises, e.g.,
– Identify areas that can be converted into variable expenses that can be reduced if top line suffers
• Sell non-core assets</td></tr>
</table>

Cost-of-living challenges remain widespread across the global economy as households face real wage stagnation, reduced personal savings, and still-elevated price levels

4. Cost-of-living pressures will test consumer resilience

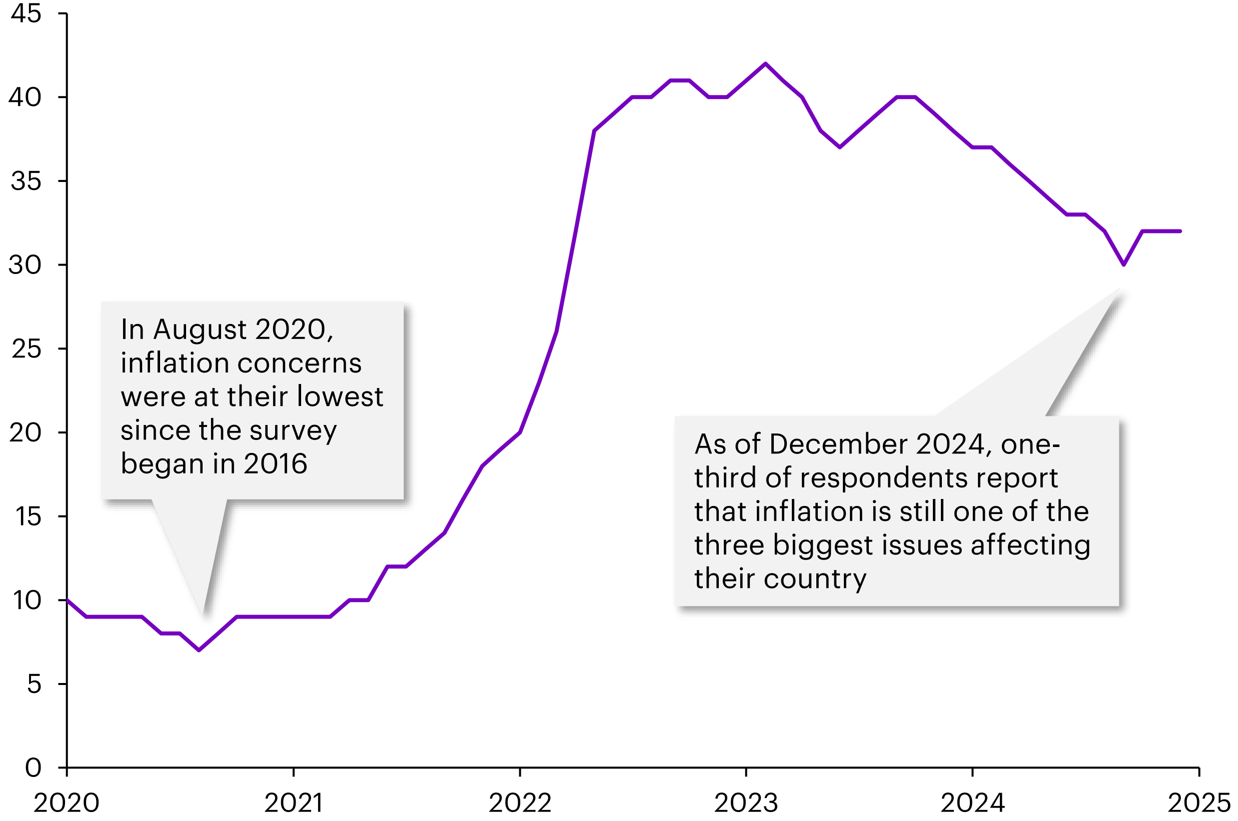
Real wage growth since Q4 2019

Cumulative % change from Q4 2019 to Q3 2024



Inflation remains top worry in global survey

% respondents, most worrisome topic



Notes: The Ipsos "What Worries the World" survey reflects a representative sample of 22,270 adults aged 16-74 in 29 participating countries, 2016 – 2024. Countries include Argentina, Australia, Belgium, Brazil, Canada, Chile, Colombia, France, Germany, UK, Hungary, India, Indonesia, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Peru, Poland, Singapore, South Africa, South Korea, Spain, Sweden, Thailand, Turkey, US

Source(s): OECD, Ipsos Global Survey, Accenture Strategy analysis

A weaker consumer means companies will need to do more to protect gross volumes and get ahead of debt defaults in 2025, particularly as strains move past low-income groups

4. Business considerations

Prepare for less price hike cycles

Tariffs run the risk of reigniting input cost inflation. However, depleted consumer savings suggest consumers are likely to be increasingly cost-conscious and less willing to bear price hikes

Expect debt defaults to rise

Companies should plan for further upticks in debt defaults as vulnerable customer ratios rise. This spans beyond credit card companies to utilities, telecoms, and other sectors where consumers pay monthly bills

Expect more pressure on gross volumes

More consumer goods and retail companies should prepare for further pressure on gross volumes

Prepare for pressure to grow in middle and high-income brackets

Many companies have already seen softening demand among their lower-income consumer segments. However, companies who have benefited from higher income consumer resilience (e.g., luxury) should brace for additional softening in 2025

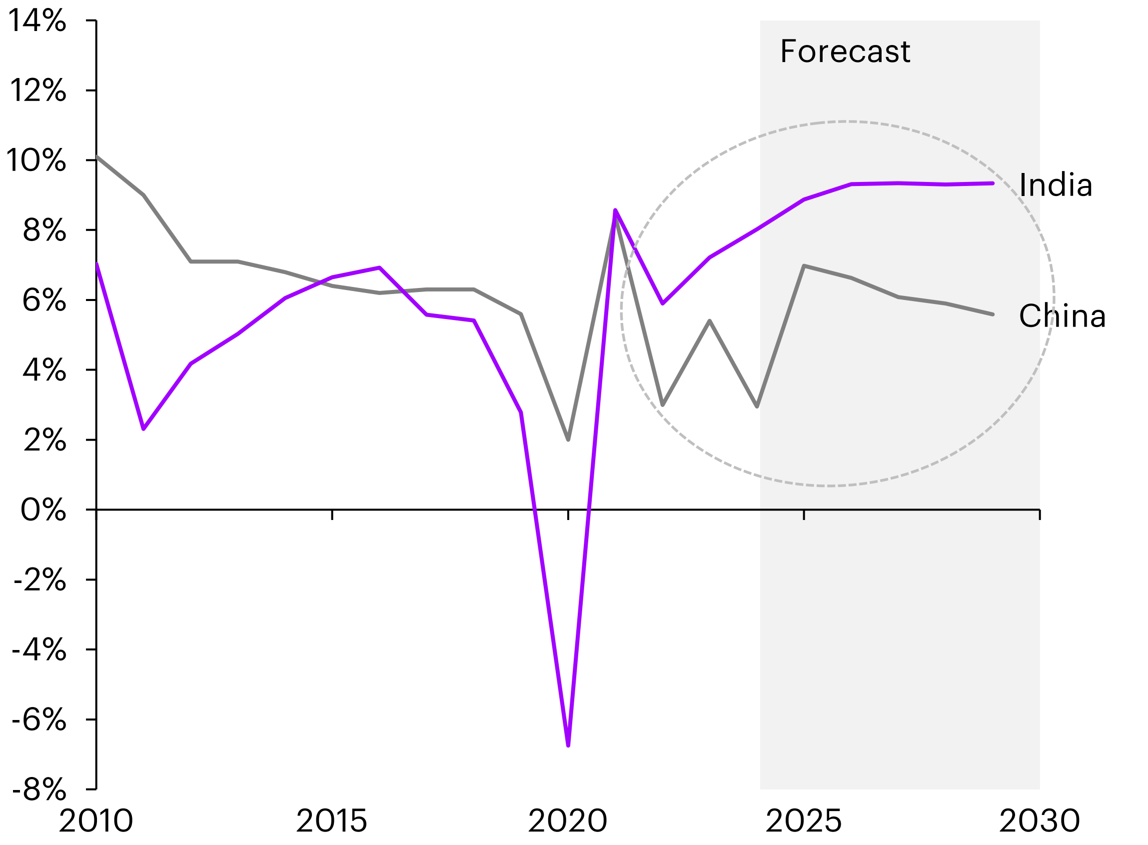
Source(s): Accenture Strategy analysis

India has consistently grown faster than China in recent years, and a recent influx of infrastructure investment could help turbocharge economic development

5. Structural factors propelling India (1/2)

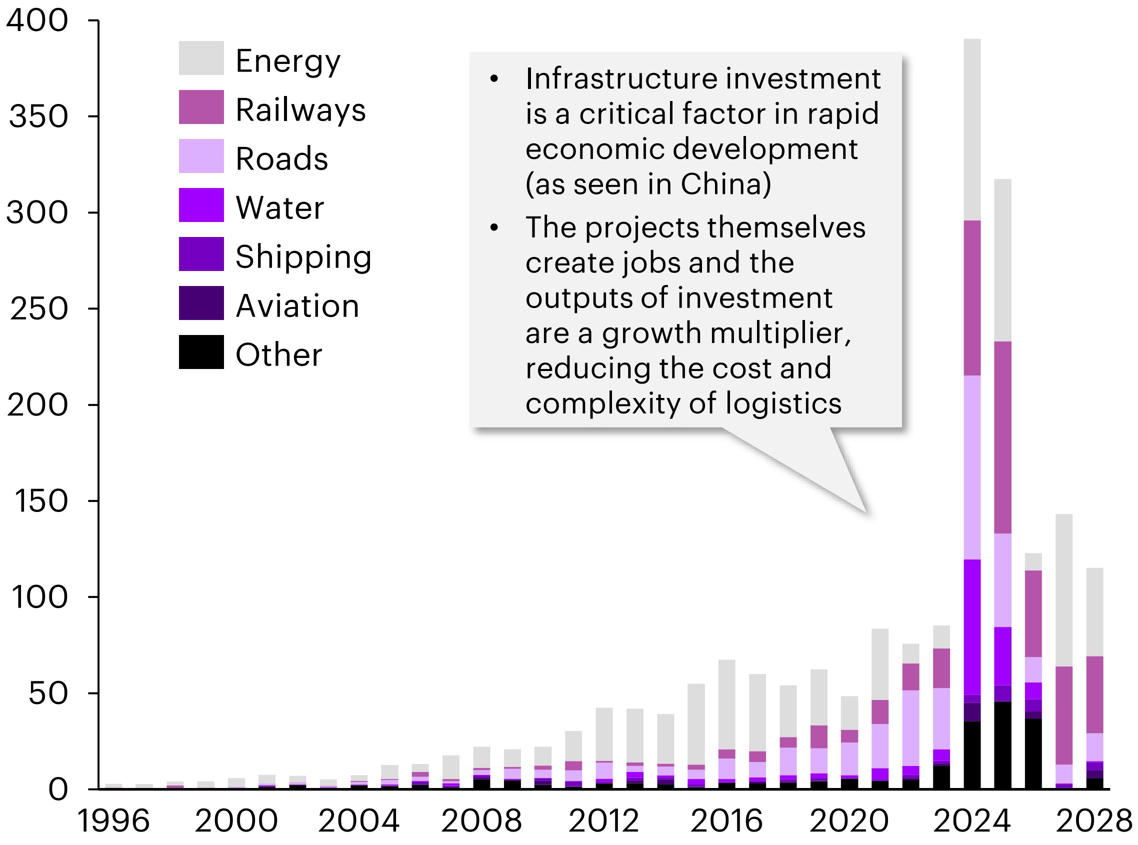
India's growth has outpaced China's since 2022 and likely to continue…

Annual GDP per capita growth rate, %



…as India's infrastructure investment has ramped up significantly

Estimated value of projects completed or due for completion, trillion INR



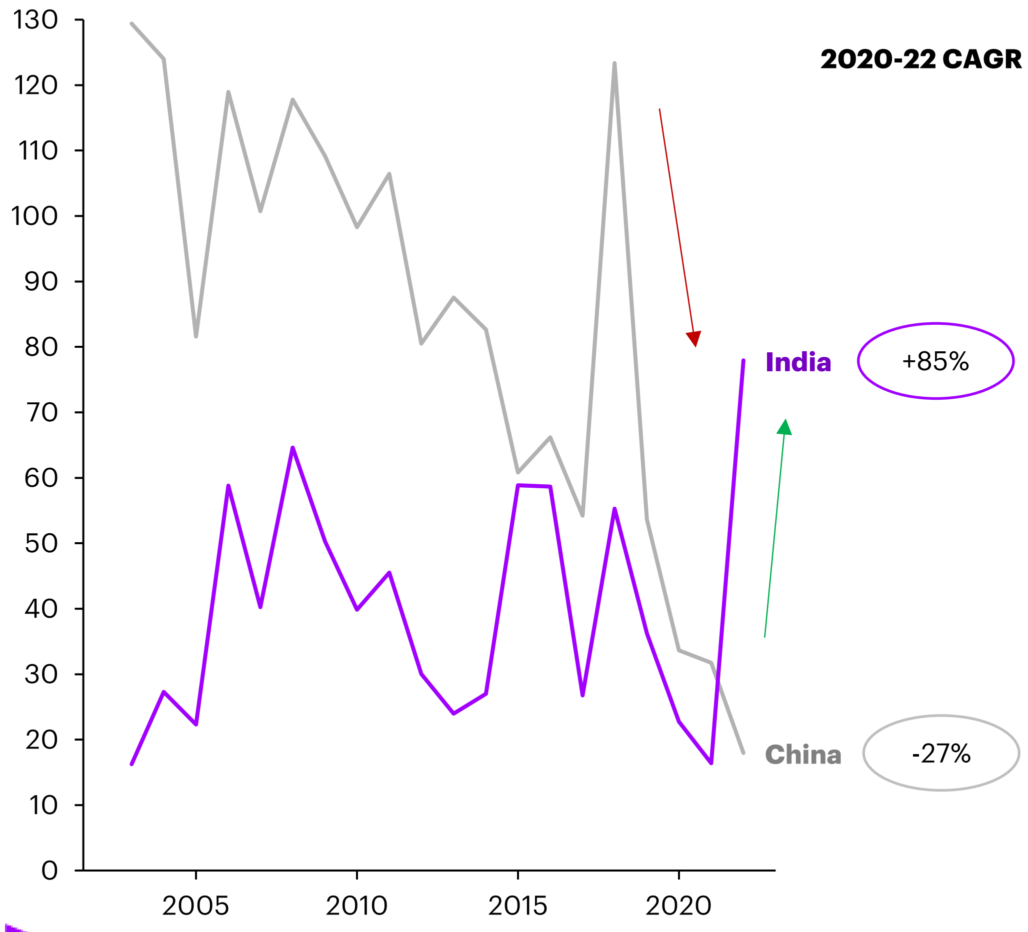
Source(s): IMF World Economic Outlook, Centre for Monitoring Indian Economy's Capex Database, Bloomberg Economics, Accenture Strategy analysis

West-China tensions and strengthening US-India relations are also enabling India's rise

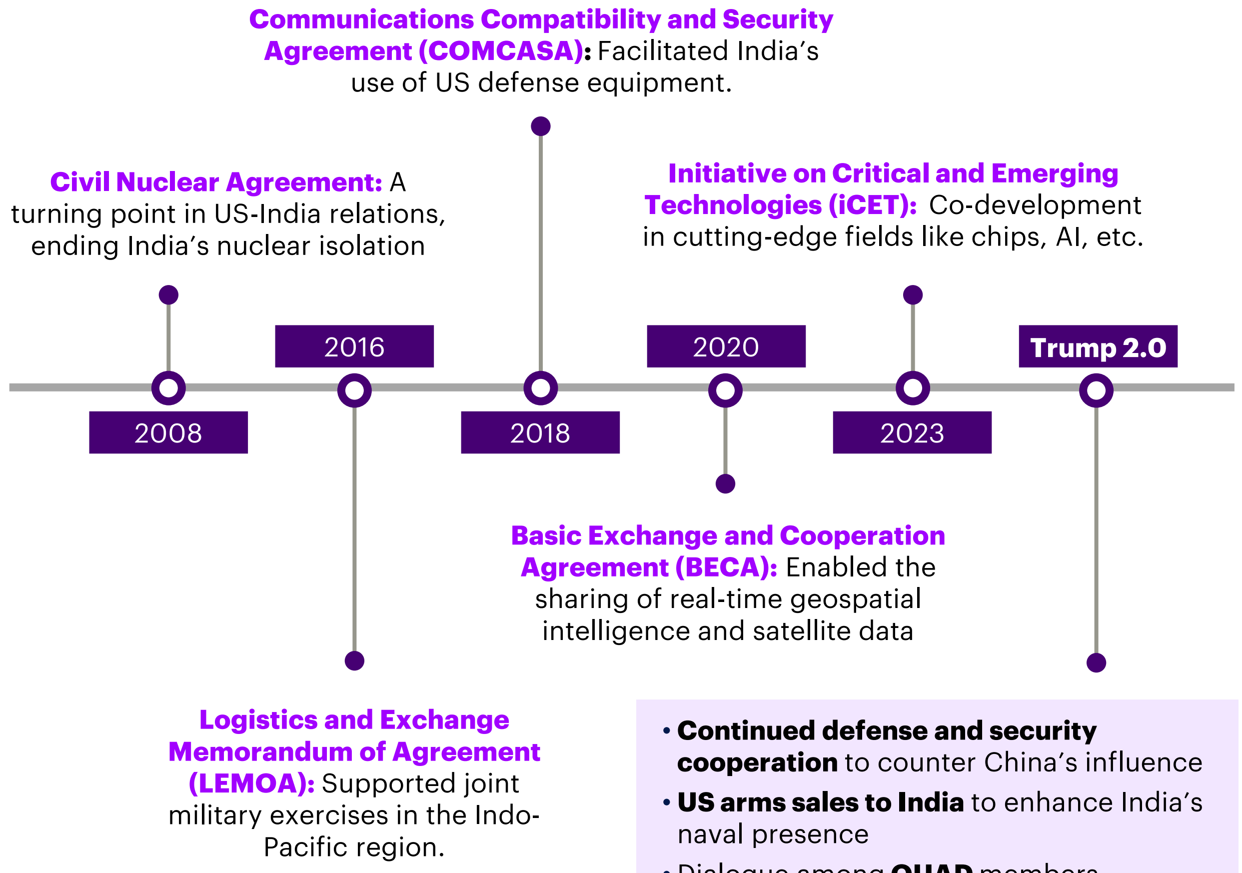
5. Geopolitical tailwinds propelling India (2/2)

Firms' China + 1 strategy is driving FDI towards India

Value of announced greenfield FDI projects, USD billions



US- India relations in Defense and High Tech are strengthening as a counterbalance to China



- **Continued defense and security cooperation** to counter China's influence
- **US arms sales to India** to enhance India's naval presence
- Dialogue among **QUAD** members

Source(s): OECD, CSIS, East Asia Forum, Accenture Strategy analysis

Rapid digitalization, favorable demographics and income growth offer strong investment opportunities in India, though infrastructure, regulation and tariffs pose challenges

5. Business considerations

Digitalization
An aggressive policy push for digital transformation and rising urbanization are driving significant opportunities for investment, including in e-commerce, food delivery and financial services

Premiumization
Favorable demographics and strong income growth have driven a shift towards premium offerings, creating opportunities for luxury players e.g., in jewelry given strong local importance of gold for Indian households

Healthcare
India faces a shortage of hospital beds and demand for healthier lifestyles is rising, creating opportunities in traditional hospital services and digital health

Competition
India faces challenges in its competitiveness for supply chain relocation vs. Vietnam—Vietnam offers low costs, a more favorable tariff regime, and dedicated task forces to support investments

Logistics
Despite progress on technology and infrastructure, there are still challenges with the efficiency and reliability of supply chains in India; regular power outages are a further source of disruption to manufacturing, as are customs bottlenecks

Regulation
Multiple and overlapping regulations across states create a cumbersome environment for companies; despite GST implementation, tax compliance and interstate taxation are still burdensome and difficult to navigate

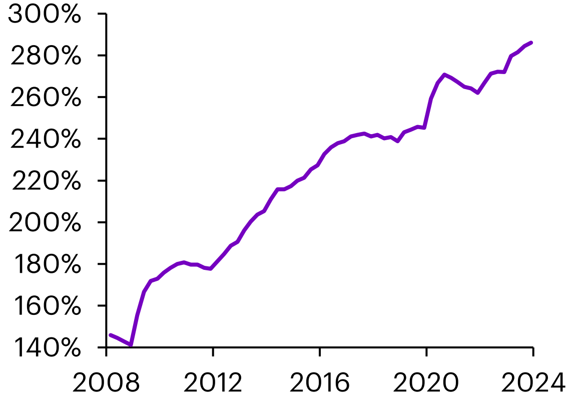
Source(s): Accenture Strategy analysis

China faces structural challenges including its debt, demographics, consumer and FDI. Its economy is increasingly reliant on exports for growth, creating a risk from higher tariffs

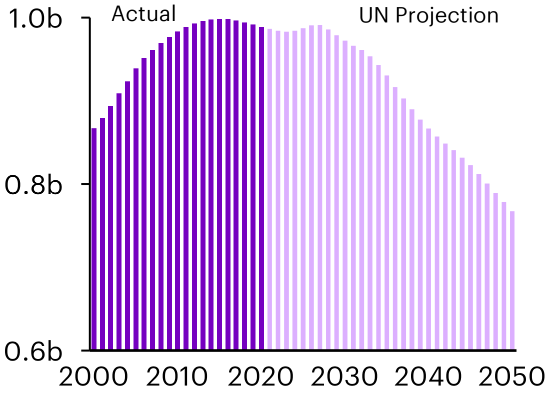
6. China's slowing growth

China's domestic structural challenges

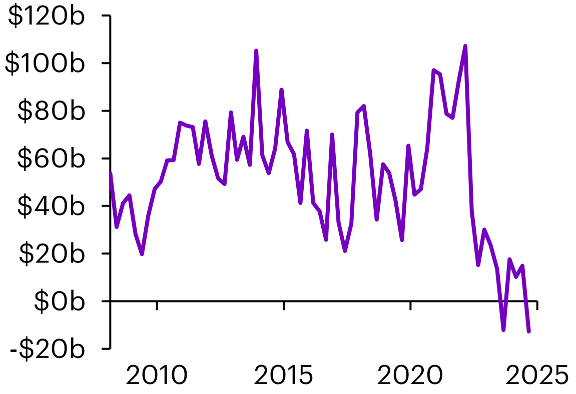
Debt-to-GDP is at an all time high



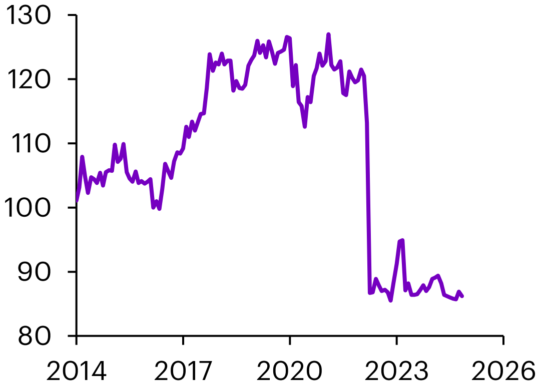
The working age population is in decline



FDI turned negative for 1st time in 25 years

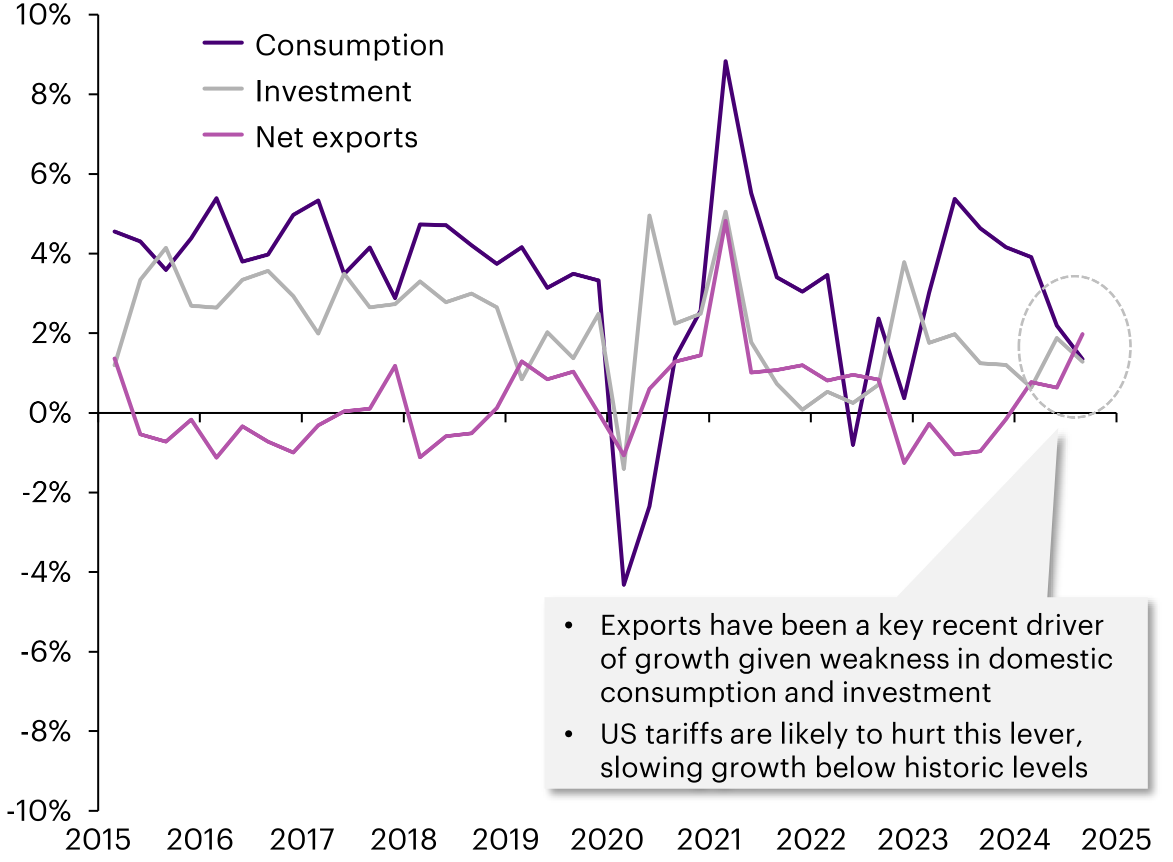


Consumer confidence is near record lows



Drivers of China's GDP real growth rate

Quarterly contributions to YoY real GDP growth, percentage points



Source(s): National Bureau of Statistics of China, National Institution for Finance & Development, Haver Analytics, Accenture Strategy analysis

Companies should adapt to the changing nature of China's maturing economy and hedge against potential sources of risk

6. Business considerations

NON-EXHAUSTIVE

Exposure: High → Low

	Strategy	Description	What would need to be true?	Strategic implications for key business areas: Supply Chain	Technology	Cybersecurity	Legal entity
Stay	**Double down on China**	• Companies maintain or increase their investments in China	• Cooling of geopolitical tensions • Economic rebound and effective addressing of structural issues	• Deepen local supplier and distribution networks	• Partner with local digital players to tailor offering and ensure compliance	• Strengthen cybersecurity protection and assess IP risk	• No change
	China for China	• Companies create independent legal entities: – Isolate and contain risks – Amplify market-specific products and supplier networks	• Intensification of geopolitical tensions • Sluggish but on-target economic growth outlook	• Reformulate contracts with suppliers and localize R&D	• Separate tech stack (e.g., as part of S4 HANA journey)	• Ensure compliance with DSL, PIPL and CSL, migrate China customer data	• Create independent legal entity
	China + 1	• Companies diversifying their supply chains to reduce dependencies and enhance resilience	• No change in geopolitical tensions • Sluggish but on-target economic growth outlook	• Assess competitiveness of new production locations	• Integrate new country nodes into tech stack, move tech talent out of China	• Reconcile data security and privacy practices across entities	• No change
Partial withdrawal	**Re-allocating resources**	• Companies moving parts of their supply chain and business out of China and de-prioritizing investment	• Intensification of geopolitical tensions • Economic growth slows below target	• Assess impact of lower mfg. capacity on local sales	• Seek cost-savings from lower usage in China	• Reconcile data security and privacy practices across entities	• Consider transition to indirect channel strategy
Full withdrawal	**Shut down business**	• Companies pulling out of China from a market and/or production perspective	• Structural issues, coupled with significant geopolitical rupture, drive severe economic downturn	• Transfer local assets to Chinese companies	• Technology stack and IT organisation review	• Assess risk of IP transfer as part of exiting China	• Sell China business unit

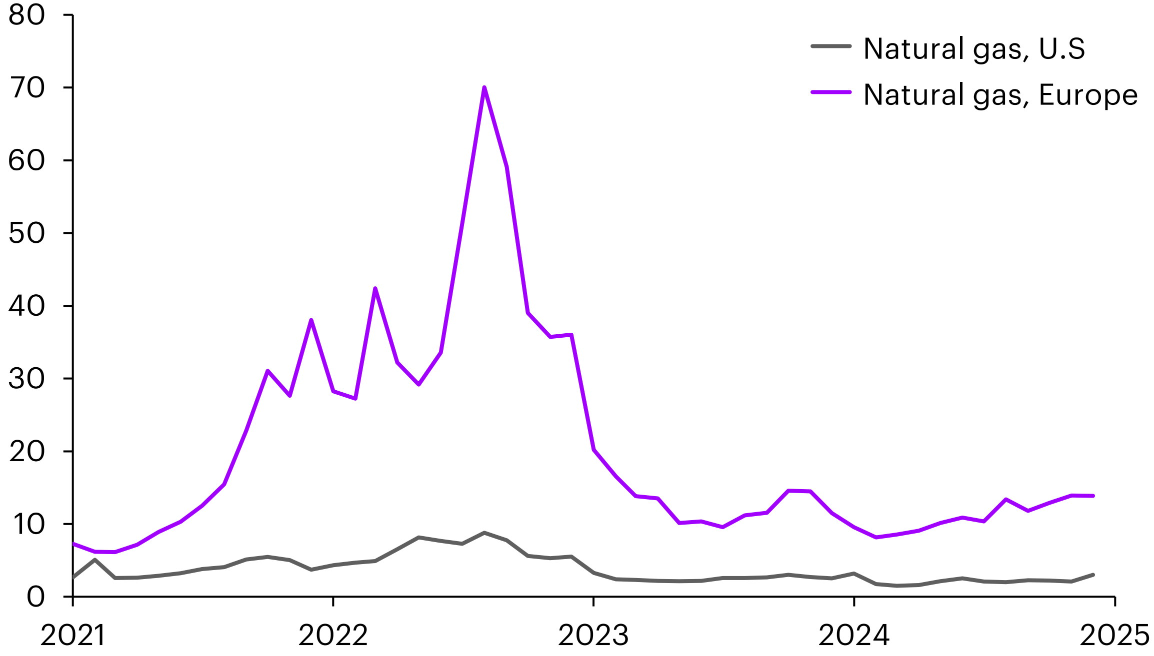
Source(s): World Bank, Morgan Stanley

Europe faces a range of structural and cyclical headwinds, including significantly higher energy costs than the US and weak external demand for exports

7. Europe's growth struggles continue

The EU has structural weaknesses that have hampered competitiveness ...

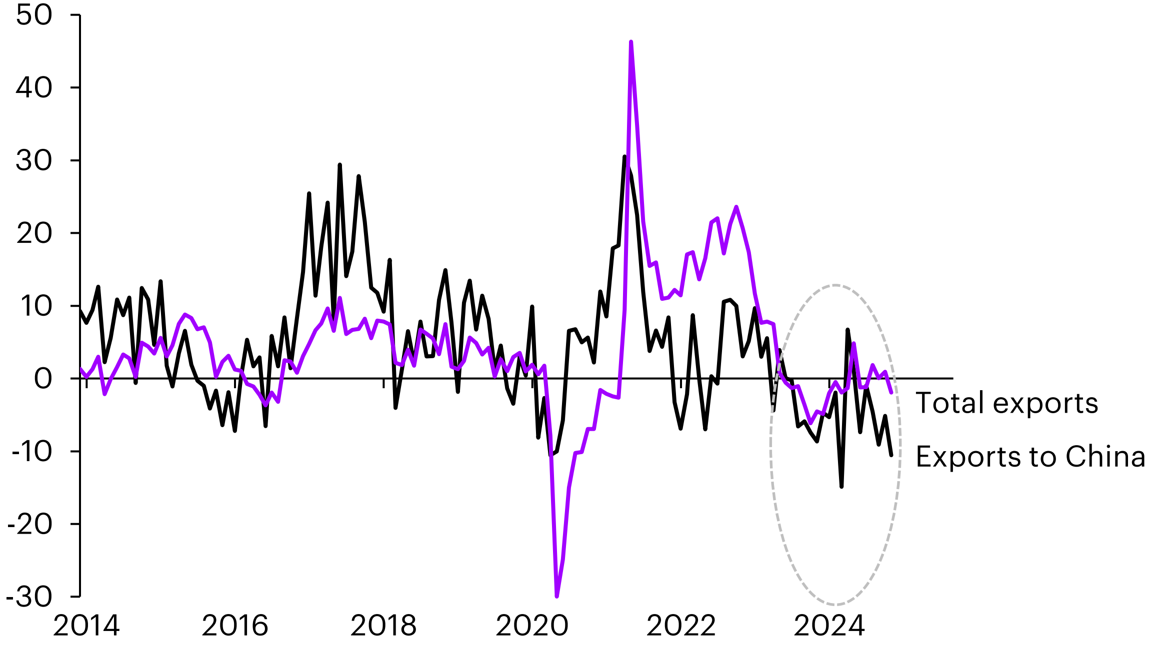
Natural gas prices, USD per mmbtu



- Europe continues to face higher gas prices vs. the US, with the trend set to persist in 2025 amid tight supplies and increased demand
- This has, and will continue to, hamper manufacturing competitiveness and inflict financial pain on the European consumer

... as well as cyclical ones led by weak external demand

Euro Area goods exports, percentage year on year



- Around 20% of Euro area GDP comes from the export of goods
- Europe's exports to China have stalled due to weak Chinese demand and rising competition from local Chinese players in electric vehicles and consumer goods sectors

Source(s): Draghi Report on The Future of European Competitiveness, Haver Analytics, Accenture Strategy analysis

European firms should prioritize growth, productivity, and innovation strategies to improve their margins in a tough economic environment

7. Business considerations

Corporate strategy lever	Why is it important?	Opportunities for businesses
Growth	• Companies must find alternative sources of growth given the structural and cyclical economic headwinds in the region	• Aerospace and Defense to capitalize on rising defense spending by governments and corporations • Products and services catering to demographic changes (e.g., robotic care assistants, wearable health monitors, to cater to the aging population) • Expansion to ex-Europe high growth regions (e.g., emerging markets like India, ASEAN and Africa)
Productivity	Companies must focus on productivity for a few reasons: • A slow growth environment means limited avenues for topline growth. This can be offset by maximizing output with existing resources • Productivity measures are needed to protect market share amidst increasing competition from US and China • These measures can also help offset the challenge of an aging population	• Establish technology capabilities in day-to-day processes using AI, and advanced analytics • Accelerate digital adoption in customer engagement, and supply chain management
Innovation	• European firms, particularly in consumer goods and automotives, are facing tough competition from China given China's local subsidies and incentives • Innovation strategies are critical to differentiate firms' service offer and retain market share	Firms should consider innovating in areas that are critical to Europe's competitiveness and sovereignty, including: • High-end manufacturing • Digitalization and AI • Recycling of critical minerals • Semiconductors
Sustainability	Other strategies like cost-cutting may offer short-term gains but neglect long-term resilience. Sustainability strategies help firms prepare for: • EU's strategic focus • Differentiate themselves in a market where Gen-Z consumers value sustainability • Future resource scarcity	Develop green products or services, especially as US takes a backseat on energy transition

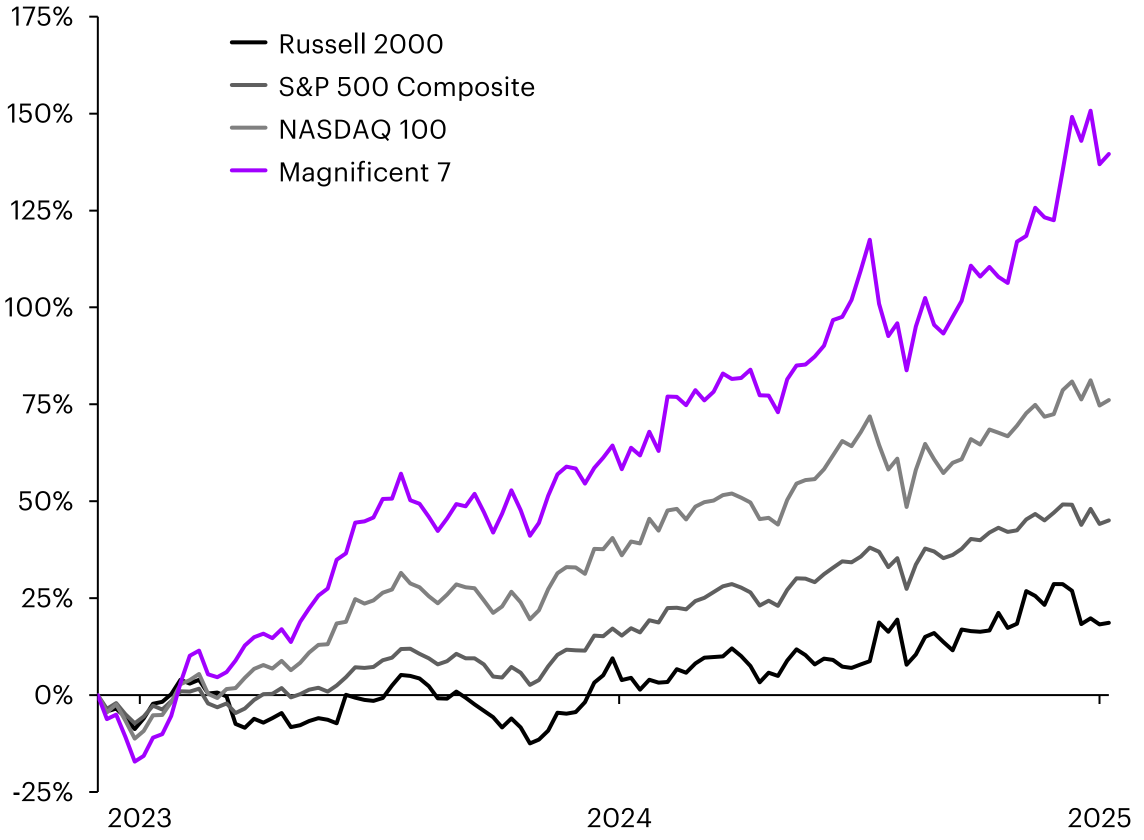
Source(s): Draghi Report on The Future of European Competitiveness, Brand Finance – Food and Drink 2023, Accenture Strategy analysis

The first wave of Gen AI primarily boosted the "Magnificent 7" companies, but a second wave of enterprise adoption could benefit more downstream tech players

8. The next wave of AI

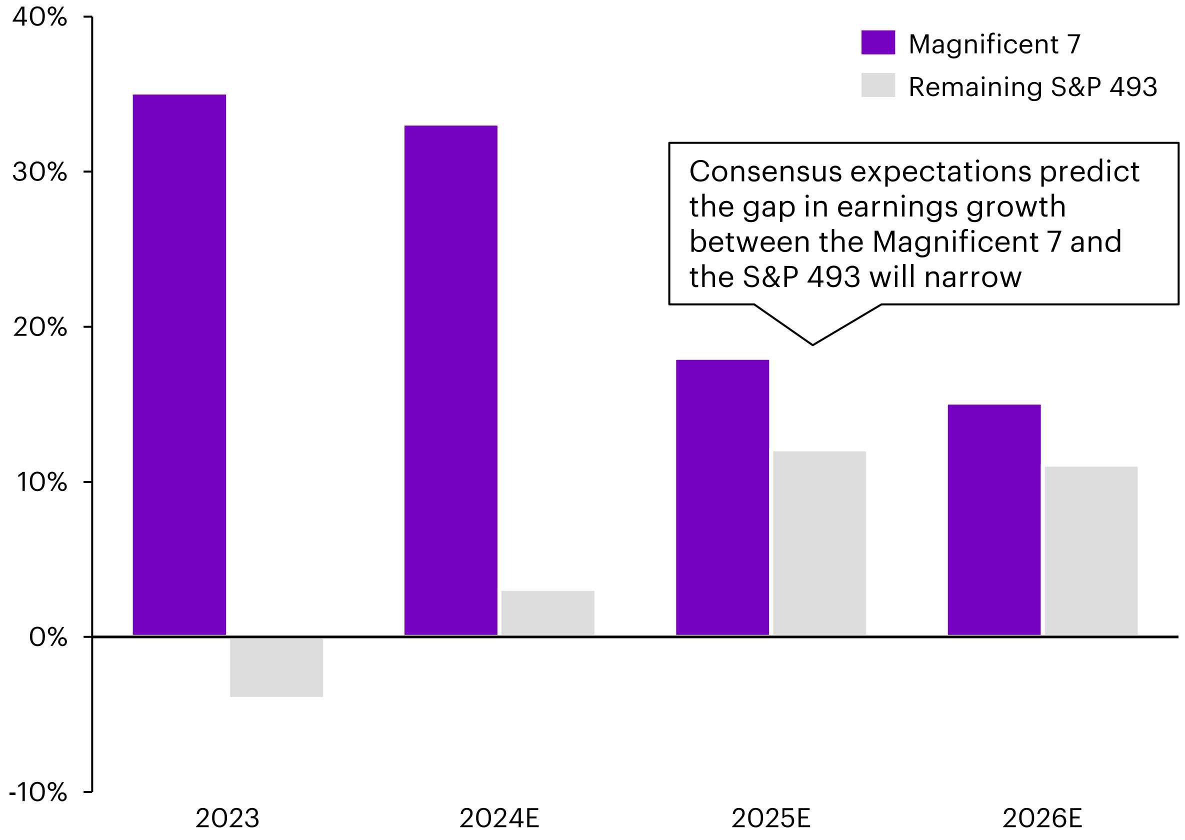
First wave of Gen AI mainly benefitted the "Magnificent 7" companies ...

Change in index since ChatGPT launch 30 November 2022, %



... but 2025 could see a second wave lifting the rest of the S&P 500

Magnificent 7 and S&P 493 earnings growth, percentage points



Note(s): "Magnificent 7" are defined as Meta, Amazon, Apple, Alphabet, Nvidia, Tesla, Microsoft
Source(s): Refinitiv DataStream, Factset, Goldman Sachs, Accenture Strategy

Domain-specific platforms and applications could be beneficiaries of Wave 2, with consolidation at the infrastructure layer and a shift towards smaller, customized models

8. Business considerations

	Wave 1	Wave 2	Wave 3
	Cross-industry productivity	**Domain-specific tasks**	**Complex industry problem solving**
Model size	Largest	Large	Smaller
Differentiation	Table-stakes	Differentiated	Leapfrog
Buy or Build	Buy	Buy or fine tune	Fine tune or build
Examples	Coding assistant Productivity co-pilot Employee support	Asset management Trading assistant Field worker companion	Capital projects design Production optimization AI product discovery

Commentary

Infrastructure consolidation

- Like with cloud infrastructure, the number of companies developing large AI engines will consolidate, and the focus will turn to industry-specificity using proprietary data

Model-agnostic solutions

- Investment and innovation will shift towards the expanded landscape of AI capability beyond just the model—e.g., automation, compliance, user experience and safety

Industry divergence

- 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)

Source(s): Accenture Technology, Accenture Strategy

Countries’ shifting focus towards defense, energy security, and greater domestic industrial competitiveness suggests a move away from “decarbonization at all cost” strategies

9. The energy transition recalibrates (1/2)

Region	Energy transition outlook	Emerging policy priorities
United States 	• President-elect Trump proposed issuing a "National Emergency Declaration" to offer tax breaks and expedite approvals for new drilling on public lands, and for pipelines, refineries, power plants (gas and coal), and reactors • Expected to repeal some tax credits and subsidies towards rooftop solar and EVs under the IRA • However, clean energy tax credits in emerging low-carbon technologies like Biofuels, Hydrogen and Carbon Capture and Storage (CCUS) are likely to continue given their popularity in Republican-led states	• Reduce energy cost • Achieve US energy independence and dominance • Strategic tech. competition with China • Boost industry competitiveness through domestic manufacturing
European Union 	• Europe’s renewable energy policy framework includes the European Green Deal (aimed at reaching climate-neutrality by 2050) and the Renewable Energy Directive (legally binding target of renewables by 2030) • However, Europe faces headwinds to implementing its transition plans, many identified in the Draghi report: – Cost: Cannot continue decarbonizing at any cost given cost-of-living, high rates and tight gov. funds – Reliability: Struggles to replace stable supply of Russian gas via Ukraine pipeline – Stability: Price volatility and negative prices become more prevalent as wind / solar capacity join the grid – Demand: High energy costs are compounded by industrial stagnation as demand wanes	• Boost defense and regional security • Strengthen industrial competitiveness • Lower energy cost and drive energy security
United Kingdom 	• Recently (Dec 2024) set out an ambitious plan in Clean Power 2030, with key elements including: – Major expansions in onshore and offshore wind development, as well as solar – An increase in demand flexibility and grid connected battery storage – Nuclear plant life extensions and new dispatchable power from hydrogen or gas with CCS • The UK needs to overcome slow planning / permitting, constrained grid infrastructure, and a lack of required skills	• Strengthen defense and security • Deliver energy security • Strengthen supply chain resilience • Improve foreign direct investment
China 	• China is a renewables powerhouse, and its 14th 5-year plan on Renewable Energy Development focuses on: – 50% increase in renewable energy generation – Further development of wind and photovoltaic (in Central and Southeast regions), water and solar (in Southwest region) and offshore wind (in Eastern and coastal regions) • Its economy also faces structural and cyclical challenges but this doesn’t appear to have slowed green investment	• Insulate economy from future trade and geopolitical tensions • Strategic tech. competition with US • Ensure energy security • Boost domestic consumption and investment

Gas turbines and nuclear SMR will ramp up in the US given their reliability, cost competitiveness, and vocal support amongst key Trump cabinet appointees

9. The energy transition recalibrates (2/2): US focus

Cost competitiveness vs. true CO_2 intensity by energy technology

Axis | Bottom: LCOTE (c/kWh), Top: True CO_2 intensity (kg/kWh)

Gas investment rises

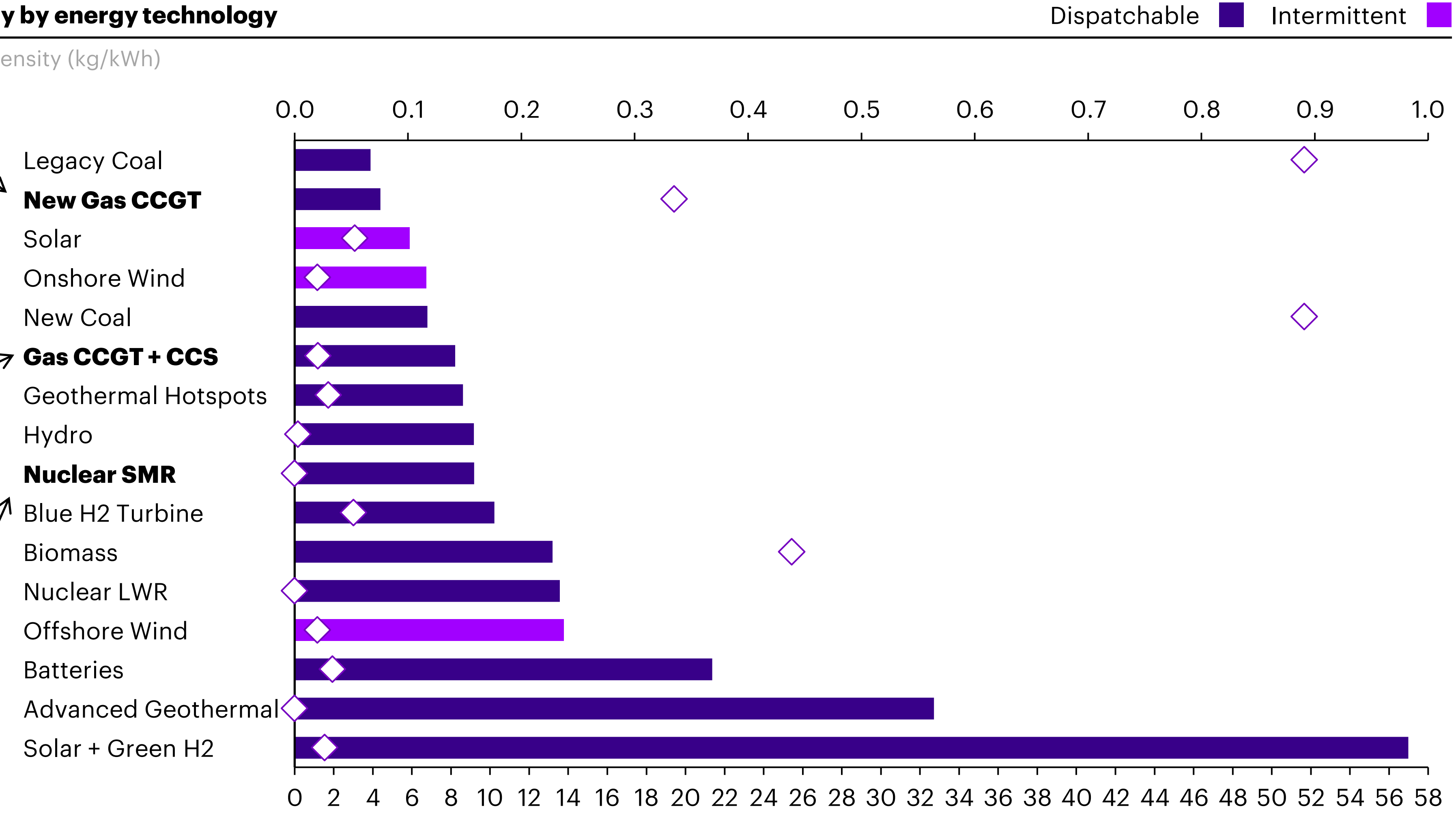
Gas is the obvious option for very low cost and reliable supply, amid rising grid volatility from increased use of intermittent solar and wind

Carbon capture remains

The Interior Secretary nominee is a proponent of carbon capture, which offers a way to decarbonize any additional gas supply

Nuclear SMR emerges

- Massive data center growth will support demand
- The nominee for Energy Secretary has publicly supported nuclear



Source(s): Thunder Said Energy, International Renewable Energy Agency, IPCC, Accenture Strategy analysis

Firms should reconsider the competitiveness of their portfolios, hedge against energy price volatility, assess net zero roadmap impacts, and scenario plan for supply chain disruption

9. Business considerations

Themes	Description	Business implications
Competitiveness evolves	• Economic pressures and shifting policy priorities means a move away from decarbonization at any cost • Funding and offtake will be difficult for technologies deemed uncompetitive by governments and firms • Natural gas and nuclear SMR see higher investment, while solar and wind remain strong given cost competitiveness	• Energy-intensive industries developing in high energy cost locations could face pressure and may see project cancellation—e.g., data centers in high electricity price locations such as the UK • Expect challenges for firms developing or supplying less competitive energy technologies (e.g., green hydrogen) • Companies should reconsider their portfolio and investment roadmap given these dynamics
Energy price volatility persists	• Price volatility will persist due to multiple factors including: – Grid infrastructure constraints given increased additions of intermittent renewable capacity (e.g., solar) – Increased dependence on highly-volatile natural gas prices as efforts to replace are slowed	• As firms contend with volatile energy prices pressuring margins, they should consider: – Heavy industry: closer collaboration with energy suppliers, taking a direct stake in energy supply to de-risk, shifting production to locations with lower energy costs and refining hedging strategies – Light industry: carrying out energy efficiency audits and exploring flexible demand to reduce consumption during peak pricing
Decarbonization targets and carbon pricing evolves	• Governments may relax certain decarbonization plans as they prioritize domestic competitiveness • Carbon pricing mechanisms might evolve to reflect geopolitical considerations rather than pure emissions reductions	• The pace of US grid decarbonization could slow, impacting companies whose net zero plans rely on their grid region adding meaningful renewable capacity • Heavy industries (e.g., chemicals) which are relying on hydrogen scale up may need to revisit their decarbonization plans • Firms will need to scenario plan their net zero journey—e.g., developing carbon price scenarios and assessing exposure to brand value impacts and carbon taxes e.g., EU CBAM
Supply chain resilience becomes more important	• Utilities inputs (e.g., solar panels) could face increased costs and potential disruptions to supply chains amid West-China geopolitical tensions and tariff threats	• Potential to drive higher CAPEX costs for utilities and higher electricity costs for corporates • Restricted access to critical equipment reduces inventory and increases interruptions to electricity supply; use of sub-optimal replacement equipment also increases interruptions • Shifting of supply chains in response to disruptions drives demand for domestic logistics • Firms need to quickly understand their exposure to critical inputs and carry out scenario planning on supply chain disruptions that could unfold (e.g. from tariffs)

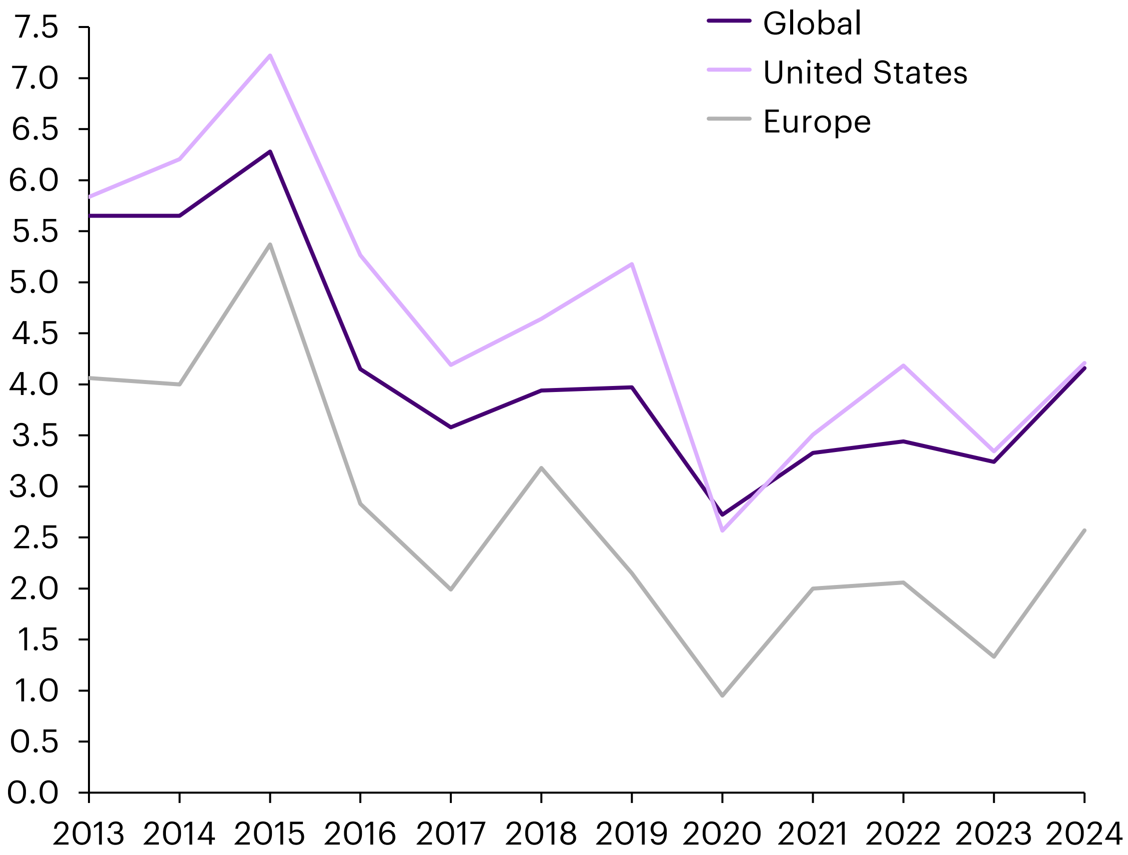
Source(s): Accenture Strategy analysis

Domestic capital investment is set to accelerate amidst supply constraints, reshoring imperatives, and AI and energy transition demand

10. Slowing trade growth and capex boom

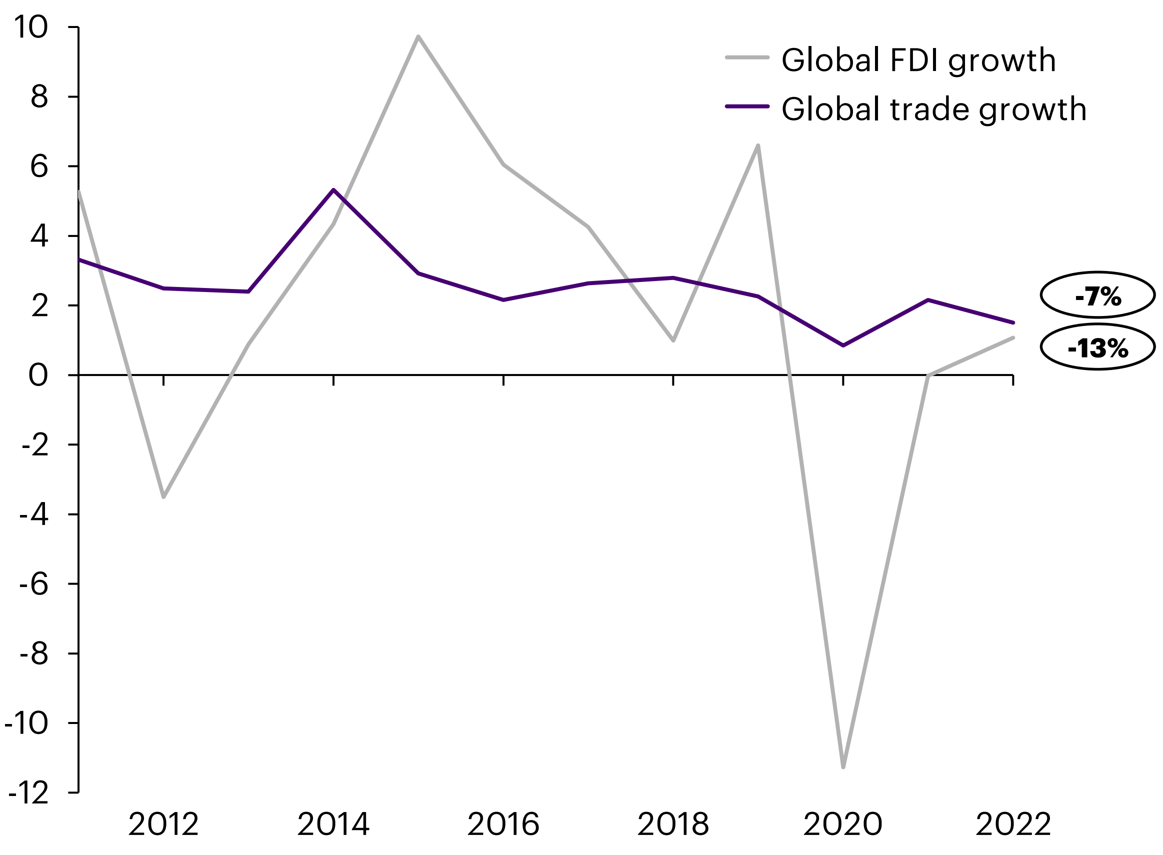
Corporate capex has been falling over past decade, but showing rebound

Corporate net capital expenditure/sales, %



Growth in trade and FDI inflow in the last decade have been plateauing

Line = %, bubbles = 5 year moving average, CAGR



Note: Net capital expenditure is the difference between capital expenditure and depreciation
Source(s): World Bank, WTO, Aswath Damodaran, Accenture Strategy analysis

Companies must explore domestic investment opportunities, be creative with financing, and make the necessary operational adjustments to support greater capital intensiveness

10. Business considerations

Themes	Description	Business implications
Domestic market opportunities	• Trade restrictions and protectionist policies lead companies to focus more on domestic market opportunities	• Focus on tapping into domestic demand by aligning investments with local growth sectors (e.g., renewable energy, data center infrastructure, healthcare) • Consider building stronger brand loyalty, and putting more resources in identifying domestic demand drivers and consumer preferences
Capital planning and prioritization	• Companies face increased investment risk as financing becomes more difficult and big tech companies lead overinvestment in certain areas (e.g., AI and cloud)	• Reprioritize Capex investments based on changing sectoral and regional outlooks • Carefully manage debt-financed Capex to avoid over-leverage in a high-interest-rate environment
Operational adjustment	• Companies now have increasing incentives to re-orient their business model to adjust for a Capex heavy growth environment	• Adopt technology-driven efficiencies, including automation, AI, and data analytics, to stay competitive in a Capex-heavy environment • (For manufacturing firms) pivot towards producing goods that support infrastructure and technology Capex
Financing strategies	• As central banks maintain higher-for-longer interest rates and tighter credit markets persist, securing access to affordable financing capital and capital planning carry more economic and strategic importance	• Actively seek government subsidies, partnerships, or alternative financing options, such as green bonds or private equity in financing their projects

Source(s): Accenture Strategy analysis

About Accenture Macro Foresight

Accenture Strategy's Macro Foresight capability is focused on helping companies and investors understand major macroeconomic and geopolitical shifts in the global economy and what they mean for corporate strategic planning, investment planning, operational resilience, and enterprise-wide transformation – with the goal of helping clients distill complicated macro trends into simple, pragmatic recommendations which drive value.

The team has hubs in Europe, the United States, and Asia and its members have prior experience working for governments, investment banks, asset managers, multilateral institutions and large corporates to bring a global, multi-disciplinary perspective to problem-solving. Visit us at www.accenture.com/macroforesight.

About Accenture Strategy

Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise. Visit us at www.accenture.com/strategy.

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services— creating tangible value at speed and scale. We are a talent and innovation led company with 738,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities. Visit us at www.accenture.com.

Chris Tomsovic
Global Lead, Macro Foresight
Chris.Tomsovic@Accenture.com

Nick Kojucharov
North America Lead, Macro Foresight
Nick.Kojucharov@Accenture.com

Terry Hammond
London, UK
Terry.Hammond@Accenture.com

Jane Xu
Frankfurt, Germany
Jane.Xu@Accenture.com

Pablo Gonzalez Alonso
Washington, USA
P.A.Gonzalez.Alonso@Accenture.com

André de Silva
Singapore
Andre.De.Silva@Accenture.com