



June Macro Brief

Immigration at a crossroads

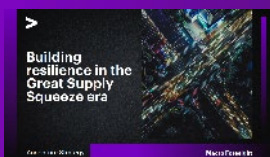
June 30, 2025

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 **June 28, 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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March: The geopolitics of AI

February: Capex takes center stage

January: 2025 outlook and top 10 trends

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Executive Summary

June 2025

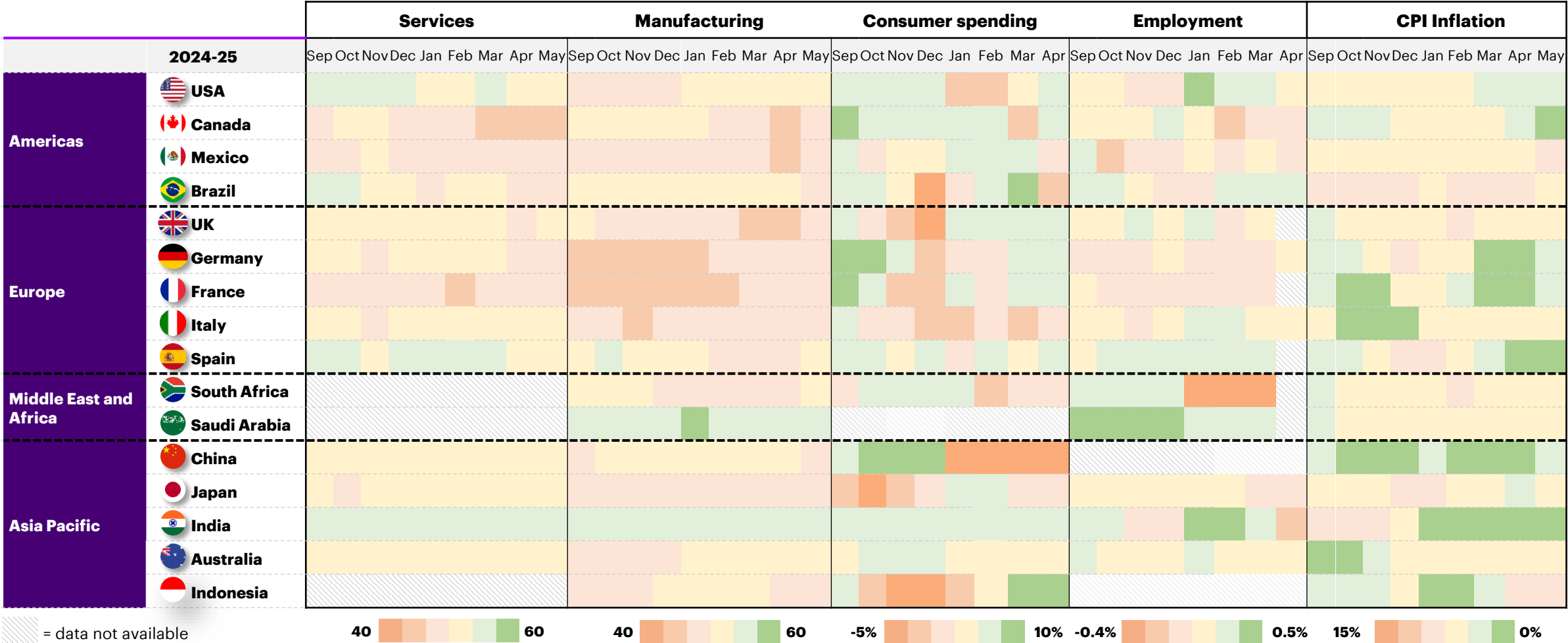
Executive Summary

Global themes	<ul style="list-style-type: none">• Global economic growth has been increasingly volatile throughout the first half of 2025 as elevated policy uncertainty, persistent inflationary pressures, and softening consumer demand have weighed on long-term expectations. The end of the 90-day US reciprocal tariff pause in July will likely exacerbate these trends, setting the stage for a prolonged uncertainty and weaker growth in the second half of the year.<ul style="list-style-type: none">– In the US, recent weakness in consumer spending reflects a “demand hangover” from front-loaded purchases ahead of tariffs, while businesses continue to face squeezed margins from higher input costs– European growth remains modest, and inflation has eased considerably despite tense tariff negotiations with the US; while the UK has reached a trade deal, inflation remains elevated and business and consumer sentiment remain subdued– Momentum in APAC is heavily dependent on US-China tensions and tariff outcomes, with regional business investment in flux; China continues to face a downshift in economic growth, while India remains resilient• Immigration has historically been an important factor in economic performance globally—generally a tailwind for consumer spending and labor markets in regions that favored less restrictive immigration policies. The US is now facing downside risk to the consumer base if net immigration flows continue to decline, as well as the prospect of renewed labor cost pressures. In contrast, the EU and some APAC economies are tilting towards more open immigration policies in an effort to counteract structural headwinds such as aging populations and persistent labor shortages.		
Regional highlights	<div>Americas</div> <ul style="list-style-type: none">• In the US, non-citizen immigrants have been a driver of recent US consumer resilience—accounting for 15% of all spending growth from 2021-2024—and key to labor market rebalancing• A scenario where policy restrictions curb both unauthorized and authorized immigration could reduce total US consumer spending by 0.7% by 2028, while pushing up labor costs by 1%	<div>Europe, Middle East and Africa</div> <ul style="list-style-type: none">• Immigration policies in the UK and EU are diverging, with the UK shifting towards restriction while the EU is focused on managing and harmonizing migration flows• Foreign labor remains vital to addressing labor shortages across Europe, particularly for key occupations such as healthcare, software, and construction	<div>Asia-Pacific</div> <ul style="list-style-type: none">• Japan and South Korea are increasingly relying on foreign workers to fill shortages in domestic labor markets, supported by policies to streamline visas for skilled workers• Policy changes in Australia and NZ have slowed overall immigration and begun to tilt it towards skilled workers
Key considerations and priorities for clients	<ul style="list-style-type: none">• Companies should pressure test their demand forecasts, pricing, and product-market fit under scenarios where net immigration slows, particularly in states and metro areas with large immigrant communities that are key to both local workforce supply and consumer spending.• Firms may also need to plan for renewed labor market tightness due to diminished supply of foreign workers, though the impact is likely to vary across regions and sectors. Companies will need to explore more flexible staffing models and accelerate the adoption of AI and other automation and process innovation to sustain margins as stricter immigration policies are likely to drive up labor costs.		

Economic momentum remains subdued globally; while inflation is easing in many regions, manufacturing activity and consumer spending continue to deliver mixed signals

Country economic momentum snapshot

AS OF JUNE 27











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

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A tariff-driven growth slowdown 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	<ul style="list-style-type: none"> Real retail sales declined 0.9% in May, the steepest drop on 4 months and 2nd consecutive monthly decline, mainly driven by autos The Fed held interest rate steady in June, citing elevated risks from inflation and unemployment Headline CPI edged up slightly in May to 2.4%, but core held steady at 2.8% 	<ul style="list-style-type: none"> Aggressive tariffs will likely lead to below-trend growth as business investment and consumer spending soften Supply-side cost pressures and tariff increases keep inflation above target at 3-4% while the Fed dials back the pace of rate cuts 	<ul style="list-style-type: none"> Reinstatement of higher reciprocal tariffs on some countries after the end of the 90-day pause Reversal of tariff-related demand frontloading leading to pronounced slowdown in consumer and business spending in H2 2025
	 Canada	<ul style="list-style-type: none"> Headline CPI held steady at 1.7% in May The Bank of Canada held interest rates steady at 2.75%, following several previous cuts 	<ul style="list-style-type: none"> Trade tensions with the US will exacerbate existing growth challenges, including cost-of-living pressures, weak productivity, weak business investment, and housing undersupply 	<ul style="list-style-type: none"> Potential for tariff de-escalation as precondition to USMCA renegotiation Newly-elected PM Mark Carney will have material implications for policy
	 Brazil	<ul style="list-style-type: none"> Retail sales declined 0.4% in April, the biggest decline since June 2024 Headline CPI slowed to 5.32% in May 	<ul style="list-style-type: none"> Growth deceleration is likely in 2025 amidst resurgent inflation and interest rate hikes Possibility of a record agricultural harvest could provide an offsetting tailwind to growth 	<ul style="list-style-type: none"> Brazilian Real depreciation alongside higher inflation and interest rate hikes Global trade conflict could weigh on commodity exports
Europe 	 UK	<ul style="list-style-type: none"> Real retail sales fell sharply by 2.7% in May, the largest monthly drop since Dec 2023 Consumer confidence saw a slight improvement in June but remained in negative territory Headline CPI edged down slightly to 3.4% in May 	<ul style="list-style-type: none"> Growth remains the top priority for government policy but the outlook is challenging Business investment could remain weak given the new tax increases 	<ul style="list-style-type: none"> Higher energy costs from flare-ups in Middle East could dampen consumer confidence and retail sales, risking stagnation or recession if energy supplies are disrupted
	 Germany	<ul style="list-style-type: none"> Headline inflation remained near 2% in May, as higher services prices offset falling energy prices Consumer confidence fell further into negative territory July 	<ul style="list-style-type: none"> New fiscal stimulus (EUR 500bn) marks a major policy shift in support of economic growth, but near-term impact is limited amid weak sentiment and low private investment 	<ul style="list-style-type: none"> New government formation, stimulus details, ECB signals Potential EU retaliation to US tariffs Dumping of Chinese industrial exports
	 France	<ul style="list-style-type: none"> Real retail sales in May decreased by 0.3% CPI rises to 0.8% in June, driven by stronger services inflation 	<ul style="list-style-type: none"> Economic growth is expected to be subdued, with tighter fiscal policy and global uncertainty dampening investment 	<ul style="list-style-type: none"> US tariffs may hurt exports, confidence, and investment, while rising interest rates could curb investment



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

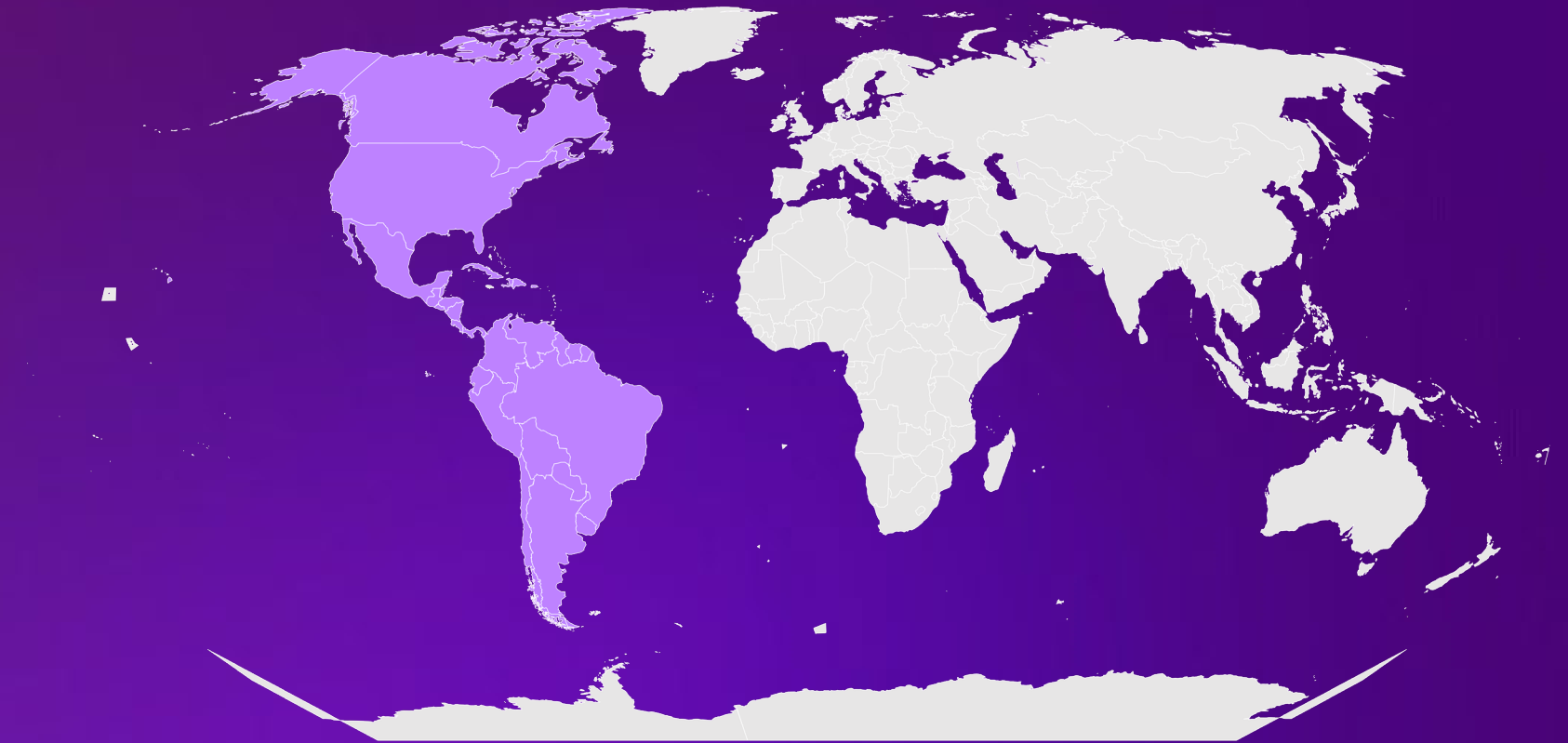
Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific 	 China	<ul style="list-style-type: none"> The yuan continues to strengthen against the USD, holding near a 6-month high in June CPI fell to -0.1% YoY in May, marking the 4th straight month in deflationary territory, while core CPI held steady at 0.6% YoY 	<ul style="list-style-type: none"> Growth is expected to decelerate as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts Weak consumer confidence and precautionary savings will limit domestic demand 	<ul style="list-style-type: none"> Resilience of Chinese exports (incl. through re-routing) amidst US tariff pressures Additional policy stimulus if growth undershoots targets
	 Japan	<ul style="list-style-type: none"> International tourism to Japan continued its strong recent rebound in May and has been an important source of demand Core CPI rose to 3.7% in May, hitting a 2-year high, as food inflation remains persistent 	<ul style="list-style-type: none"> Modest recovery in GDP growth in 2025 as wage gains balance against continued inflationary pressures Risks persist amid continued consumer pessimism, an uncertain external environment, and cautious monetary policy normalization 	<ul style="list-style-type: none"> Impact of potential disruptions to energy supplies from Middle East on trade balance and inflation, which could complicate BoJ policy due to Japan's high reliance on Middle Eastern oil imports (~88%)
	 India	<ul style="list-style-type: none"> CPI slowed in May to 2.8% YoY from 3.1% in April, marking the 7th straight monthly decline, while food inflation eased to 1.0% YoY The Reserve Bank of India cut its policy rate by 50bp from 6.0% to 5.5% in June, the lowest level in nearly 3 years 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Resilience in domestic demand despite global headwinds Extent of policy response if US tariffs reignite domestic inflationary pressure Signs of manufacturers or other companies shifting supply chains
	 Australia	<ul style="list-style-type: none"> Headline CPI held steady at 2.1% YoY in May for the 4th consecutive month, while core CPI eased to 2.1% Real GDP growth in Q1 2025 slowed to 0.2% (from 0.6% in Q4), reflecting impact of extreme weather events and weaker govt. spending 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Degree to which the labor market loosens and reduces pressure on prices Extent of imported inflation as the Australian dollar continues to weaken
	 Indonesia	<ul style="list-style-type: none"> Bank Indonesia kept interest rates at 5.5% due to concerns over the weakening rupiah The manufacturing PMI edged up slightly in May (from 46.7 to 47.4) but has been in contractionary territory since March 	<ul style="list-style-type: none"> Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures Increasing headwinds from slowing external demand and tariff tensions 	<ul style="list-style-type: none"> Further monetary policy easing in 2025 as inflation stabilizes Reallocation of government spending, including cuts to existing projects



Spotlight developments

Americas

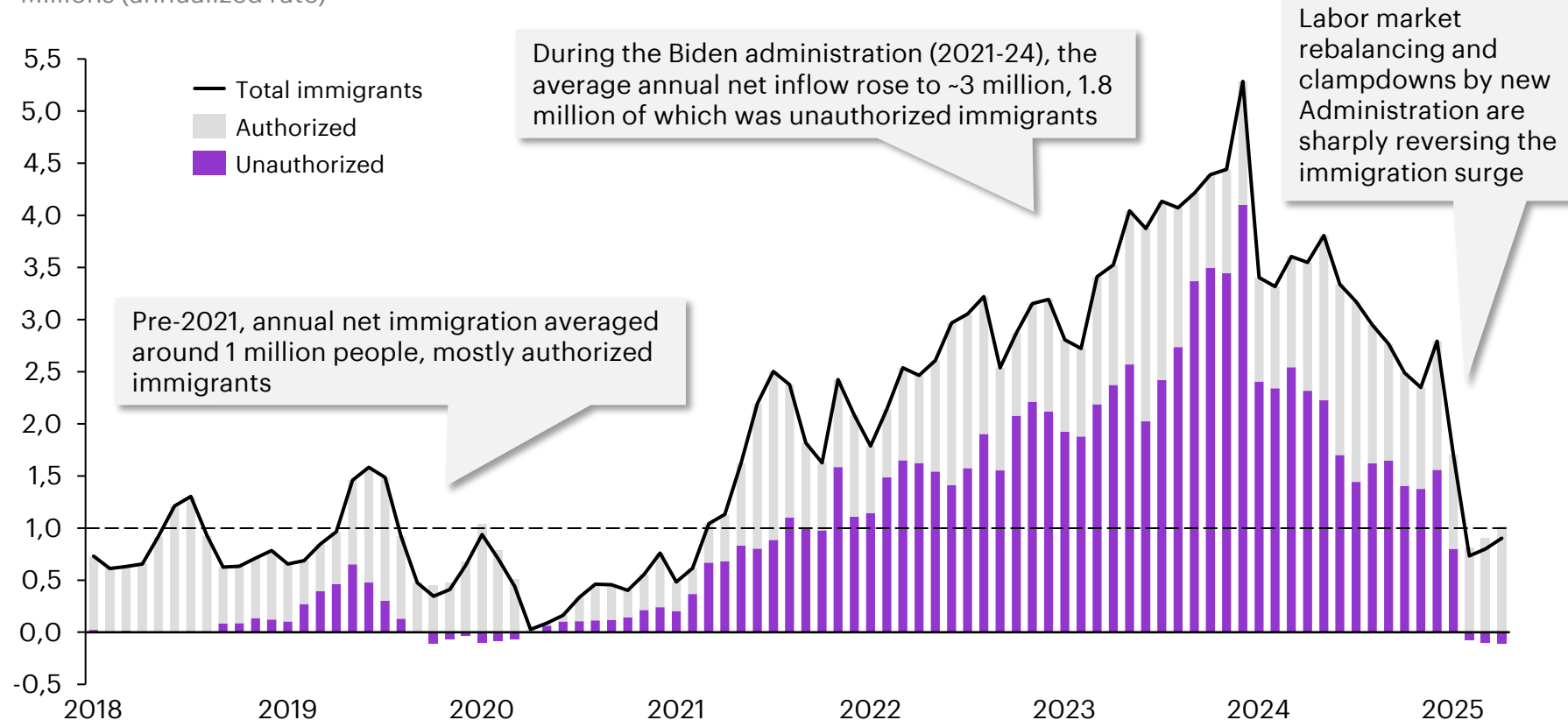


The 2022-2023 immigration surge has begun to reverse sharply over the past year amidst a cooling labor market and more stringent immigration policies

Net immigration flows to the US

Estimated monthly net immigration by category

Millions (annualized rate)



Implications for corporates

- Net inflows of unauthorized immigrants have stalled in 2025 thus far, pointing to longer-lasting impacts in the labor market as a quick recovery seems unlikely
- Labor shortages stemming from immigration policy are likely to be felt the most in industries with the largest share of undocumented workers, especially construction and agriculture
- Companies competing for a reduced number of available workers may need to offer higher wages and more attractive benefits, exerting upward pressure on wages, particularly in low margin and labor-intensive industries

Note(s): Authorized immigrants include students, temporary workers, and lawful permanent residents. Unauthorized immigrants include asylum seekers, parolees, and others entering under various humanitarian programs, as well as “gotaways” (those being detected as crossing the border but not apprehended by authorities).

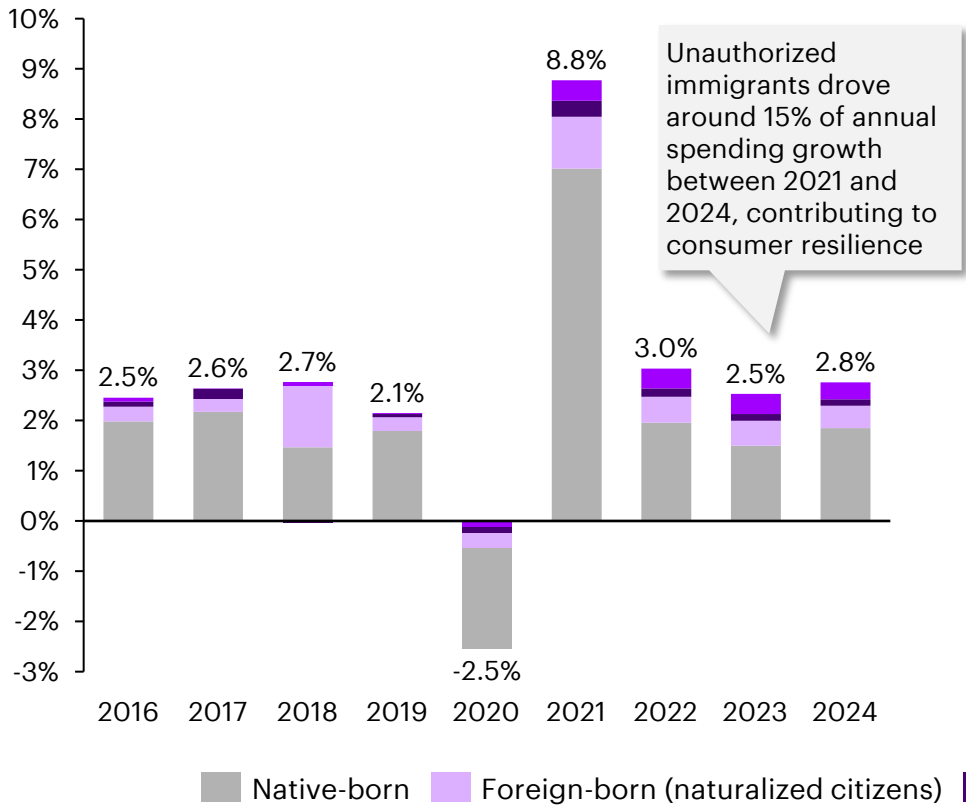
Sources: US Department of Homeland Security, US Citizenship and Immigration Services, US Department of State, TRAC, CBO, Accenture Strategy analysis

Non-citizen immigrants have been key source of recent US consumer resilience, accounting for 15% of spending growth between 2022-2024 and 7% of the total value of spending

Immigration and consumer spending

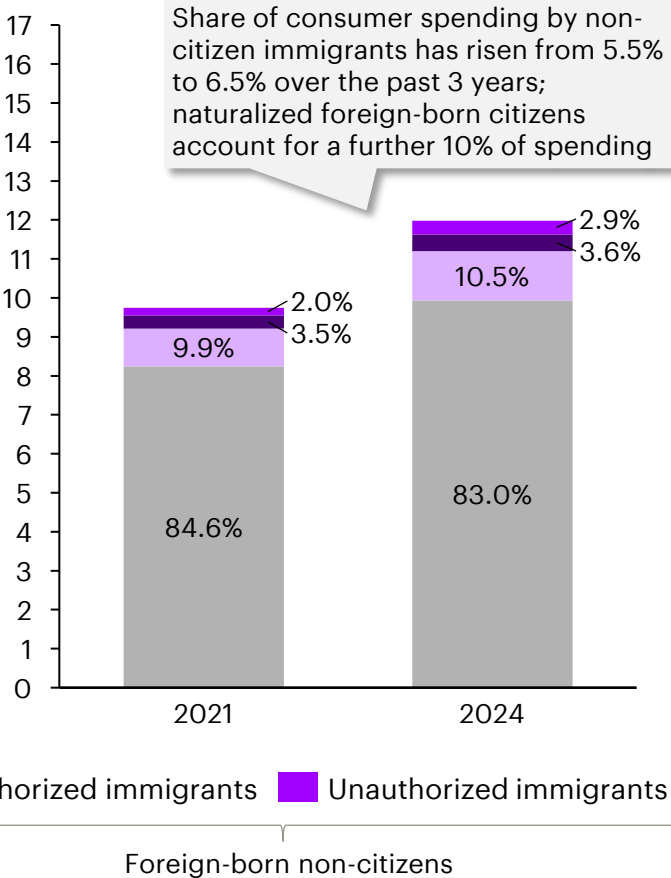
Contributions to real consumer spending growth

Total PCE growth (%) and contributions from segments



Total nominal value of spending

USD trillion and percentages of total



Implications for corporates

- The 2022-2023 influx of immigrants has been a key driver of ongoing consumer spending resilience
- During this same period, native-born spending as a share of total consumption declined slightly, highlighting the important contribution of immigration to overall economic growth
- Companies will need to more carefully analyze their exposure to the immigrant consumer base and the role that this segment has played in recent sales performance

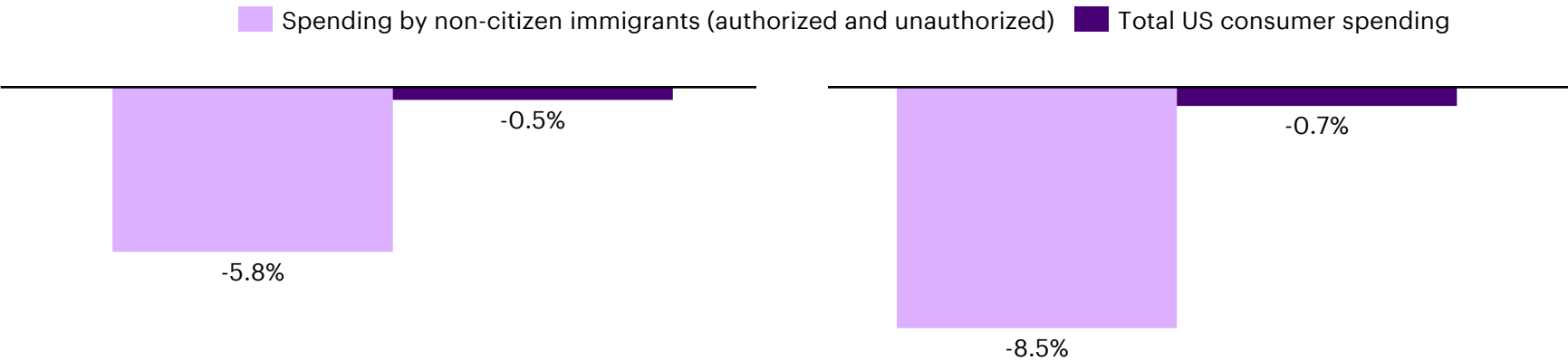
In a severe clampdown scenario where both authorized and unauthorized immigration are restricted, total US consumer spending could be 0.7% lower by 2028

Impact of immigration restriction on consumer spending

ROUGH ESTIMATES

Impact on foreign-born personal consumption expenditures from immigration restrictions

Percent change in real consumer spending (cumulative from 2025 to 2028)



Scenario #1: Stricter stance only on unauthorized immigration

- Restrictions focused on unauthorized immigrants, pushing their net annual inflow to negative territory (-400k), below long-term average of roughly +130k per year
- Reduction reflects a combination of:
 - stricter border controls and asylum policies that discourage new attempted border crossings
 - suspension of status for immigrants who previously entered under humanitarian program (e.g. TPS)
 - increased internal deportations

Scenario #2: Stricter stance on both unauthorized and unauthorized net immigration

- Addition of restrictions on authorized immigration of temporary workers and students
- Scenario assumes a 30% annual reduction in net authorized immigration, resulting from:
 - a decline in visa issuance for new students and temporary workers (e.g. H-1B)
 - increased outflow/emigration rate of students and temporary workers due to fewer renewals of existing visas

Implications for corporates

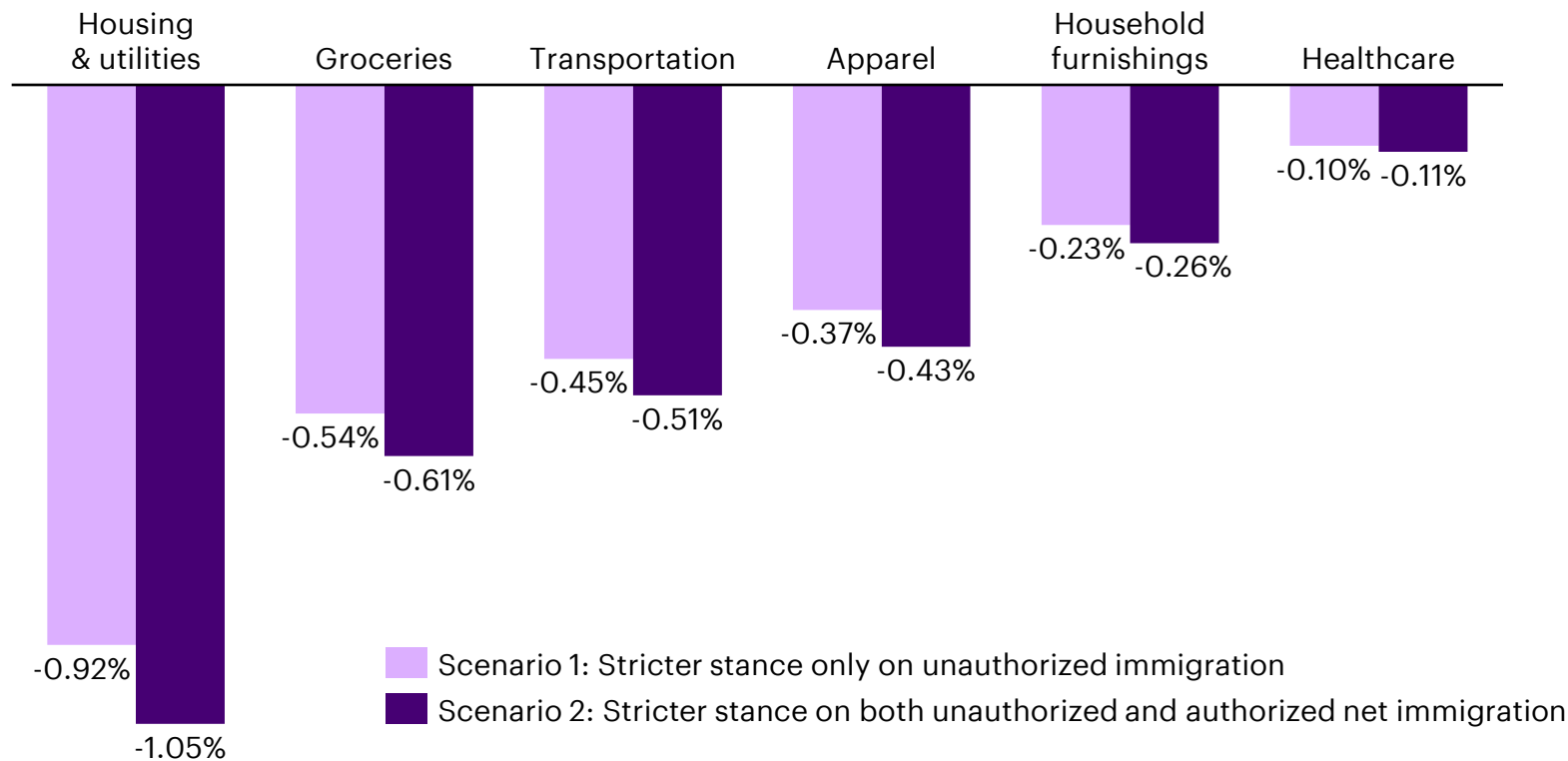
- While policy details remain to be seen, particularly with respect to authorized immigrants, the Administration has generally emphasized a more restrictive stance on immigration, suggesting a further slowdown in net immigration flows even in milder scenario
- Reduced net inflows of both authorized and unauthorized immigrants would materially impact total foreign-born consumption over the coming years, creating a drag on overall US GDP growth
- Companies should re-examine demand-side assumptions, expansion plans, and product-market fit in a slower spending environment with shifting consumer demographics

Housing and utilities sectors stand to lose the most from a drop in immigrant spending, followed by groceries and transportation

Impact of immigration restrictions on category spend

Potential loss in category consumption from immigration restrictions

Percent decline in total category spend



Implications for corporates

- Foreign-born non-citizens in the US tend to have a slightly different share of wallet allocation compared to native-born spenders:
 - Immigrants tend to spend a higher share of income on housing and utilities, groceries, and transportation
 - Unauthorized immigrants, in particular, tend to avoid taking on debt due to legal status or lack of access
 - Monthly expenses also include remittances, accounting for upwards of 15% of wallet share
- Industries related to the above categories of spend may see sales growth at risk, thus necessitating a need to rethink customer targeting strategies and revalue the overall demand base to account for lost immigrant spending



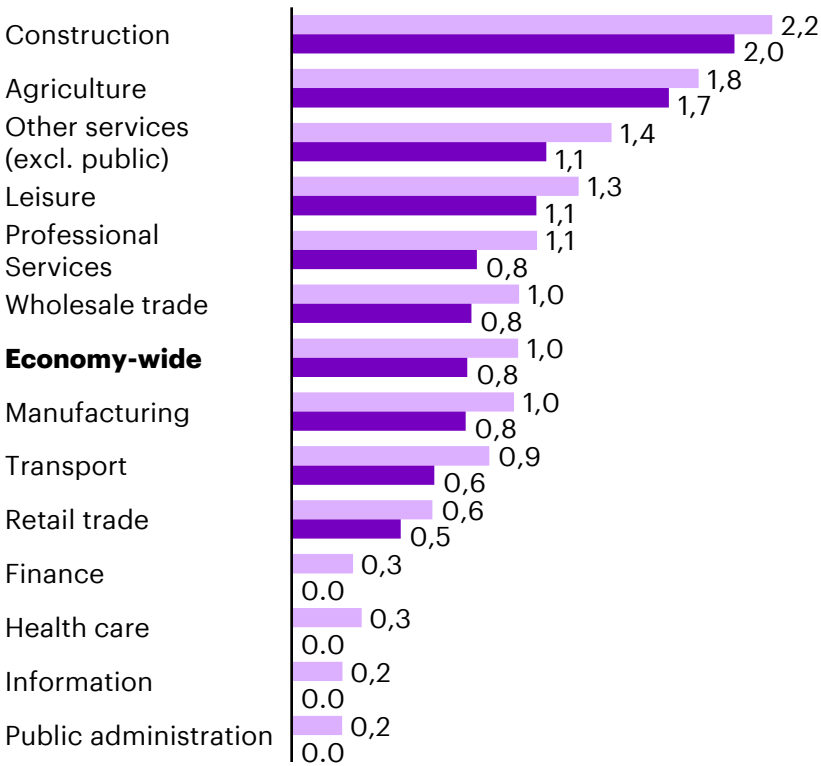
Immigration restrictions will also renew labor cost pressures for construction, agriculture, and other services, many of which are also facing structural worker shortages

Impact of immigration restriction on industry labor costs

ROUGH ESTIMATES

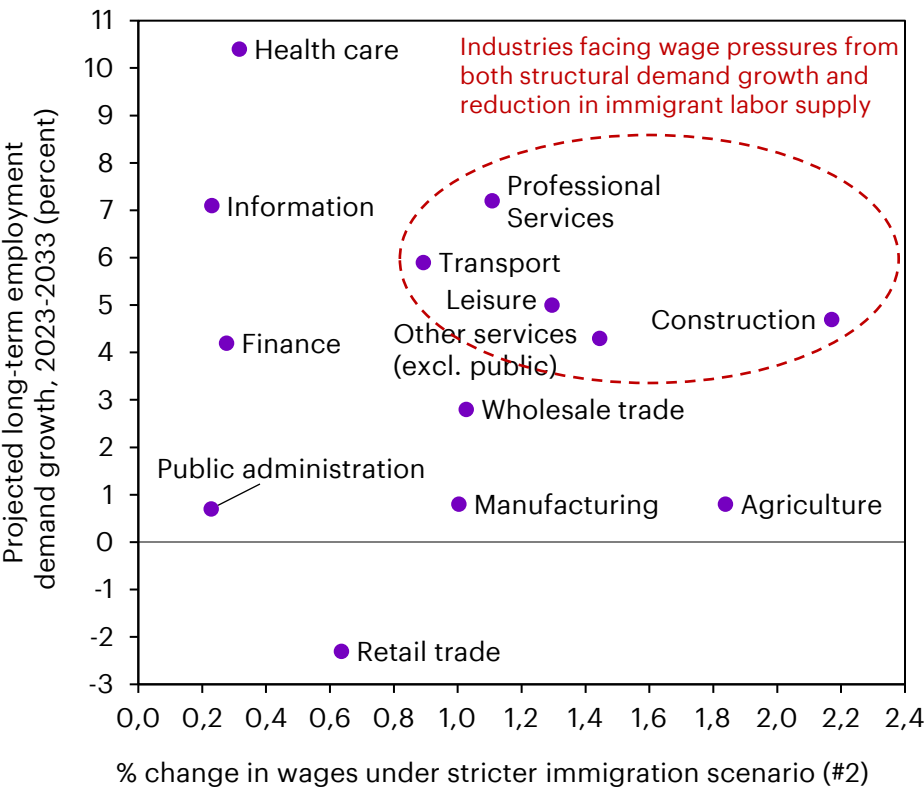
Impact on wages from immigration restrictions

Percent change in wage level (cumulative 2025-2028)



Scenario 2: Stricter stance on both unauthorized and authorized immigration
Scenario 1: Stricter stance on unauthorized immigration

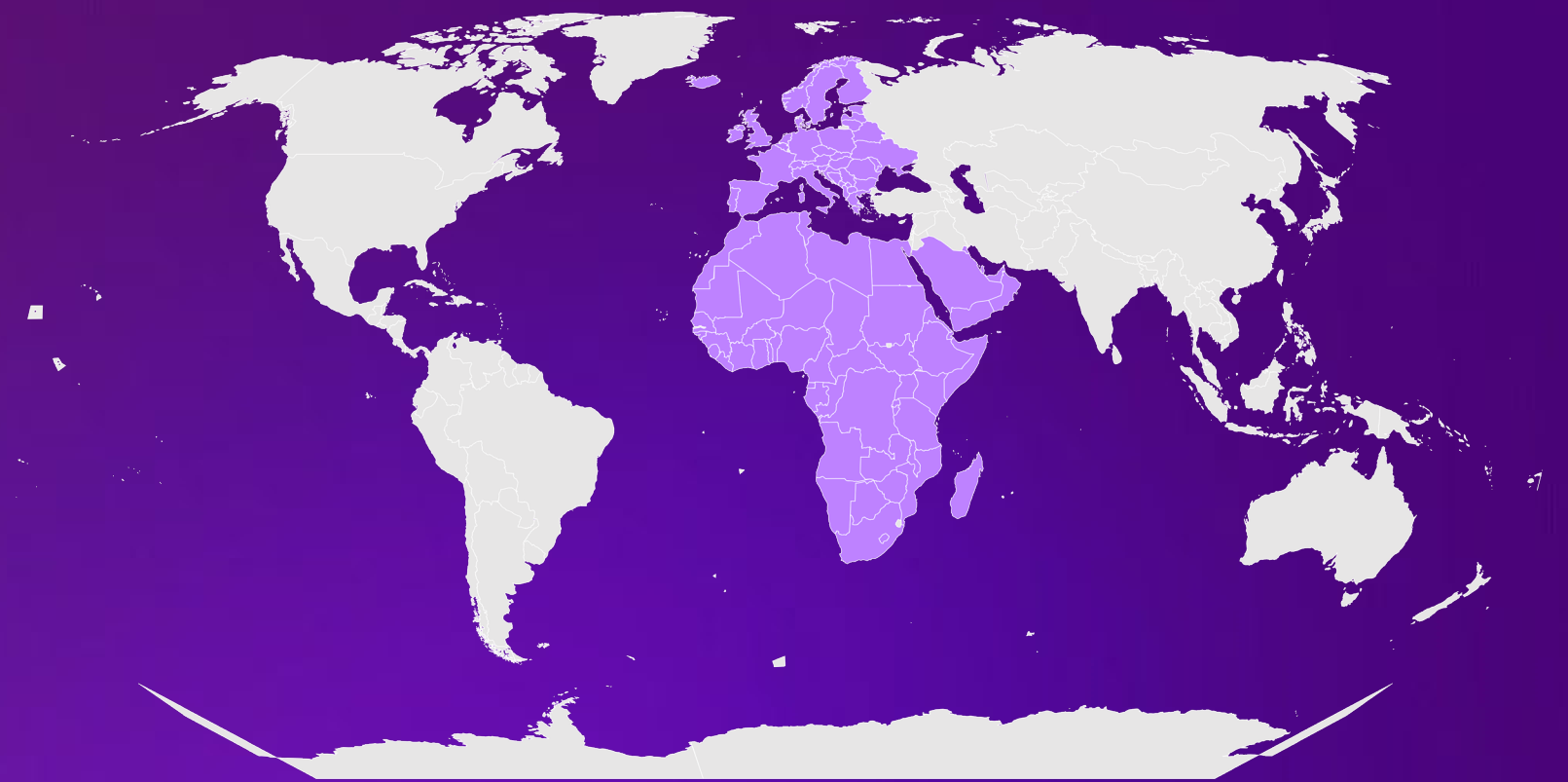
Amplification of wage pressures from demand growth



Implications for corporates

- Immigration restrictions will further exacerbate the ongoing recruitment challenges in sectors that are already facing labor shortages due to the nature of the work (e.g., low wages, physically-demanding)
- Rising labor costs are unlikely to be fully passed on to consumers, especially in price-sensitive markets such as grocery, leading to profit margin erosion for business (already operating on thin margins)
- Companies will need to re-evaluate their workforce model and consider investments in automation, process re-design and flexible staffing models

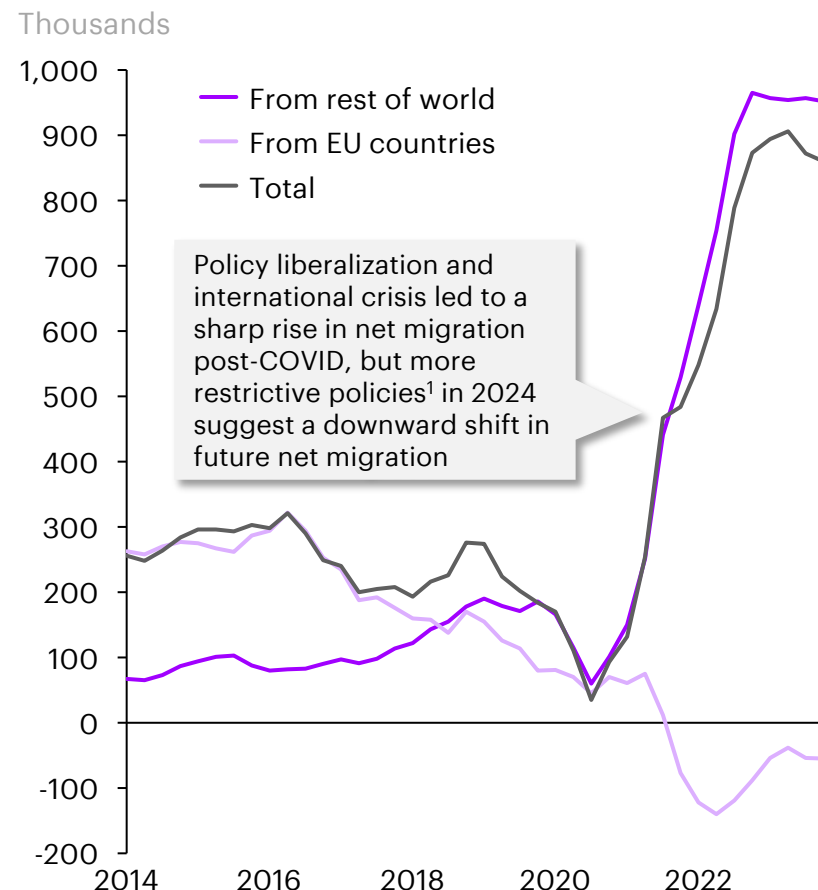
Europe, Middle East and Africa



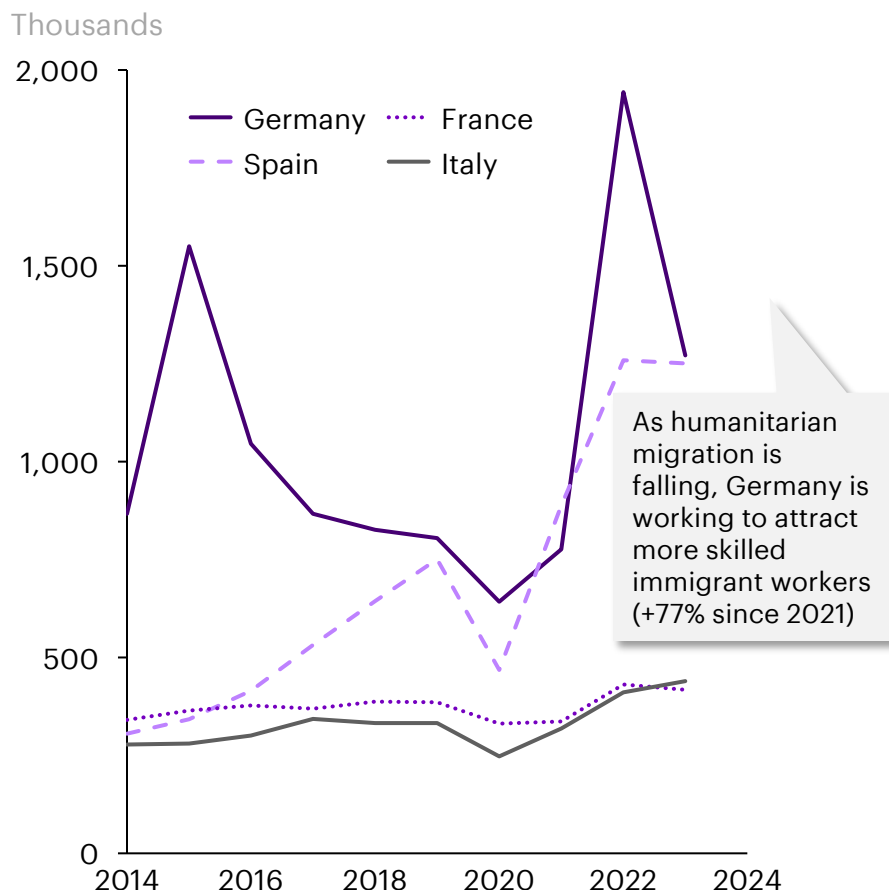
Immigration policies in the UK and EU are diverging—the UK is shifting towards restriction and selectivity while the EU is focused on managing and harmonizing migration flows

Immigration in the UK and Europe

Net immigration to the UK



Immigration in Europe



Implications for corporates

- While the UK has tightened immigration, the EU has adopted a set of measures (the EU Skills and Talent Mobility Package) to make it more attractive to global talent and address critical labor shortages in member states
- Still, the growing divergence in policies across Europe will necessitate a dual playbook:
 - Invest in domestic talent development and consider automation for roles that are harder to fill
 - Build an option portfolio of hubs in talent-friendly jurisdictions—i.e., companies with European operations may need to re-consider where to base certain functions, depending on access to talent

Note(s): 1) In 2024, the UK gov introduced a suite of policies aimed at reducing immigration including higher salary thresholds and restrictions on student and care worker routes.

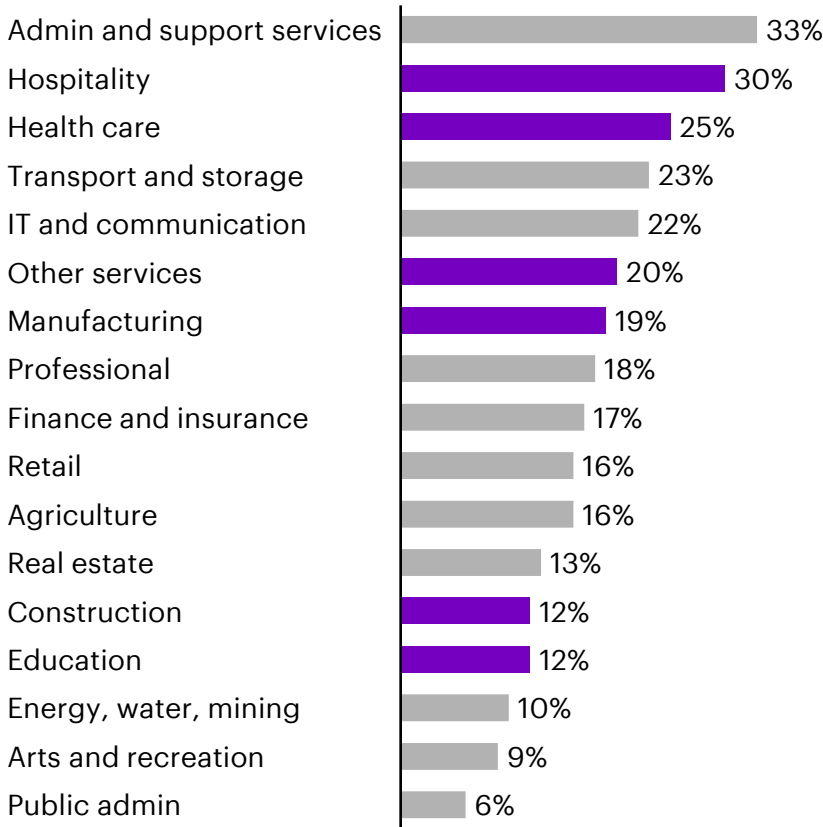
Sources: UK Home Office, ONS, Germany Federal Ministry of the Interior, Eurostat, Accenture Strategy analysis

Foreign labor remains vital to addressing labor shortages in key sectors across the UK and EU and improving Europe’s languishing economic competitiveness

Immigrant workforce in Europe

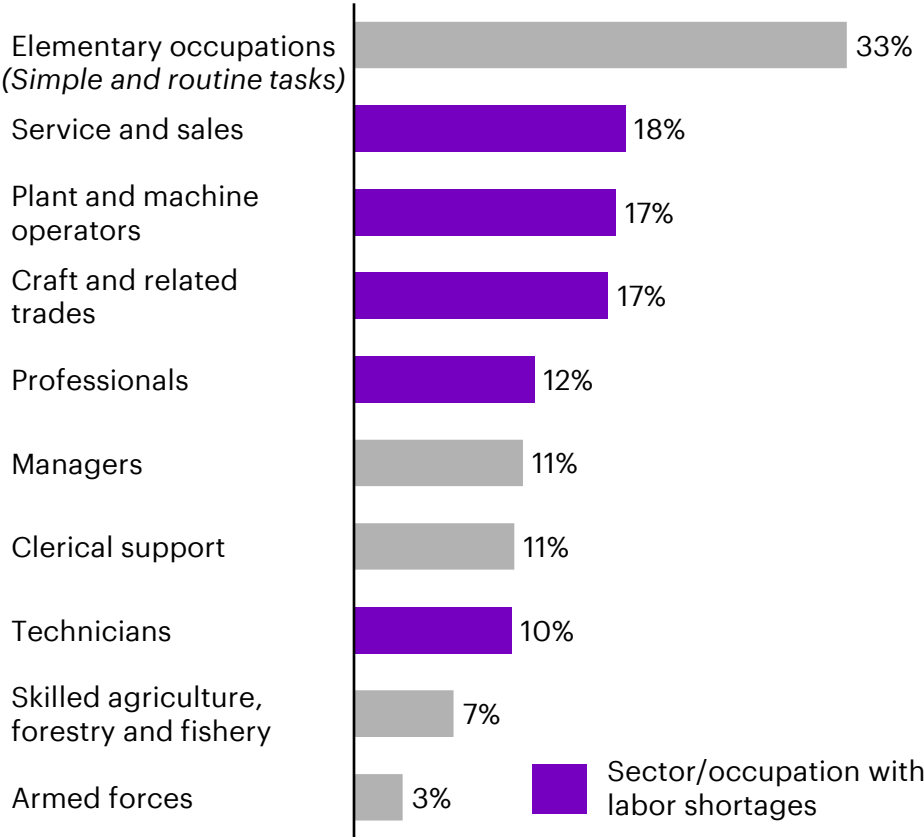
Jobs held by foreign born employees in the UK

Non-UK share, by sector (as of December 2024)¹



Jobs held by foreign born employees in EU

Share of foreign born, by occupation, 2024



Implications for corporates

- Key occupations experiencing labor shortages include healthcare, software, construction, metal and machinery, and electrical workers
- Tightening and diverging policies can exacerbate labor shortages in key sectors leading to
 - Cost pressures through higher wages, recruitment and compliance costs
 - Operational disruption, i.e., labor shortages in one region may lead to supply chain roadblocks
 - Talent access
- This requires companies to seek new ways to attract and retain critical talent (e.g., using digital nomad visas)

Note(s): (1) Data do not include self-employed jobs, and a person can hold multiple employee jobs at one time. Non-UK refers to employees born outside of the UK.

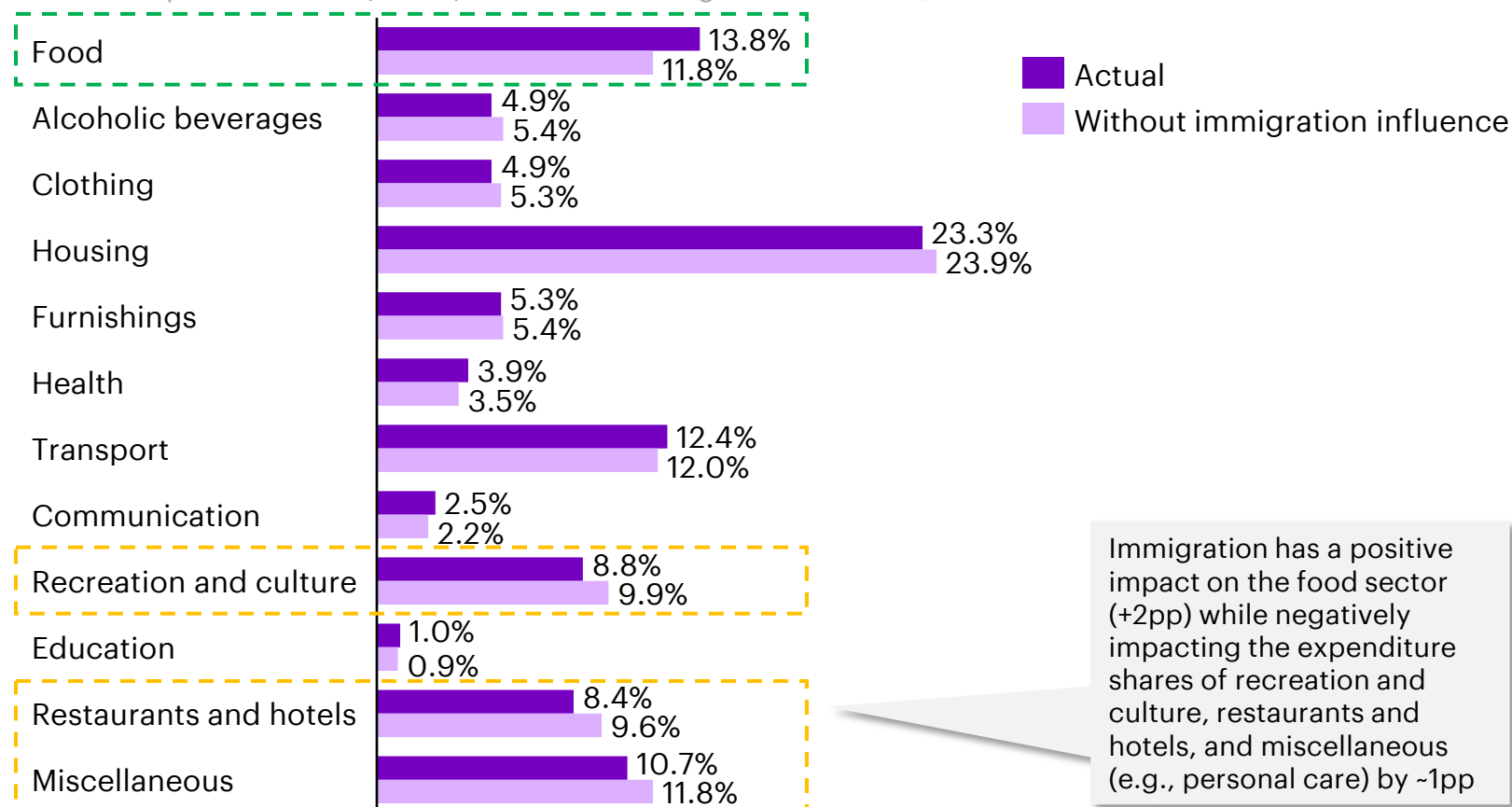
Sources: Migration Observatory analysis of HMRC payrolled employments in the UK by nationality, region and industrial sector, from July 2014 to December 2024, ONS, Eurostat, European Labor Authority, Accenture Strategy analysis

Across the EU, changes in immigration patterns have implications for consumption, which will have knock on impacts for sectoral demand, labor allocation, and business strategy

Immigration impact on EU consumer spending

Spending by category in the EU

Share of expenditure with (actual) and without immigration influence, 2017

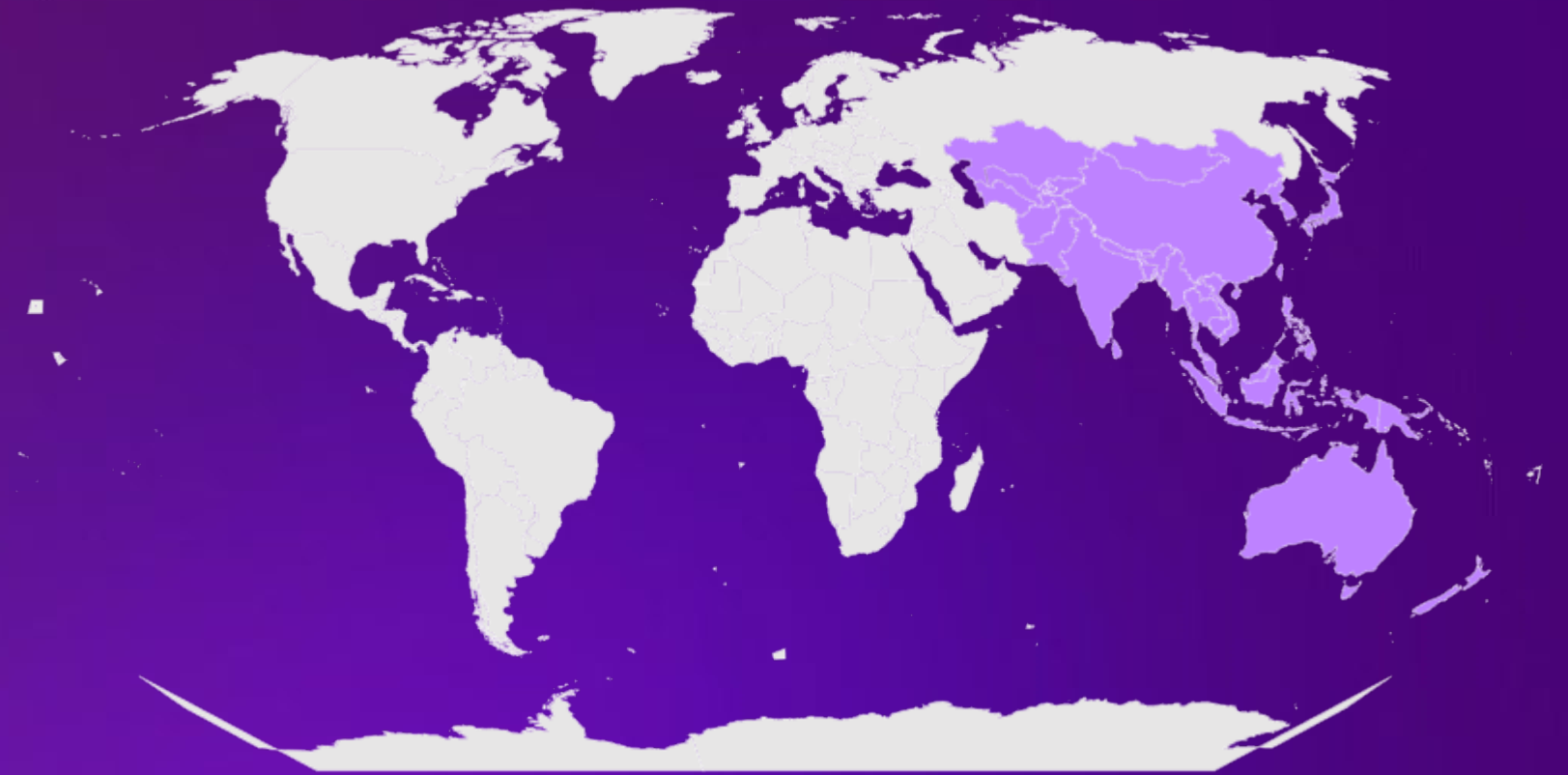


Implications for corporates

- As consumption shifts, sectors experiencing increased demand will require an increased labor force
- Businesses will need to anticipate and plan for changes in labor demand, investing in training and recruitment to address emerging skill gaps
- Businesses will need to adjust their supply chains and production processes to align with evolving consumption patterns

Immigration has a positive impact on the food sector (+2pp) while negatively impacting the expenditure shares of recreation and culture, restaurants and hotels, and miscellaneous (e.g., personal care) by ~1pp

Asia Pacific

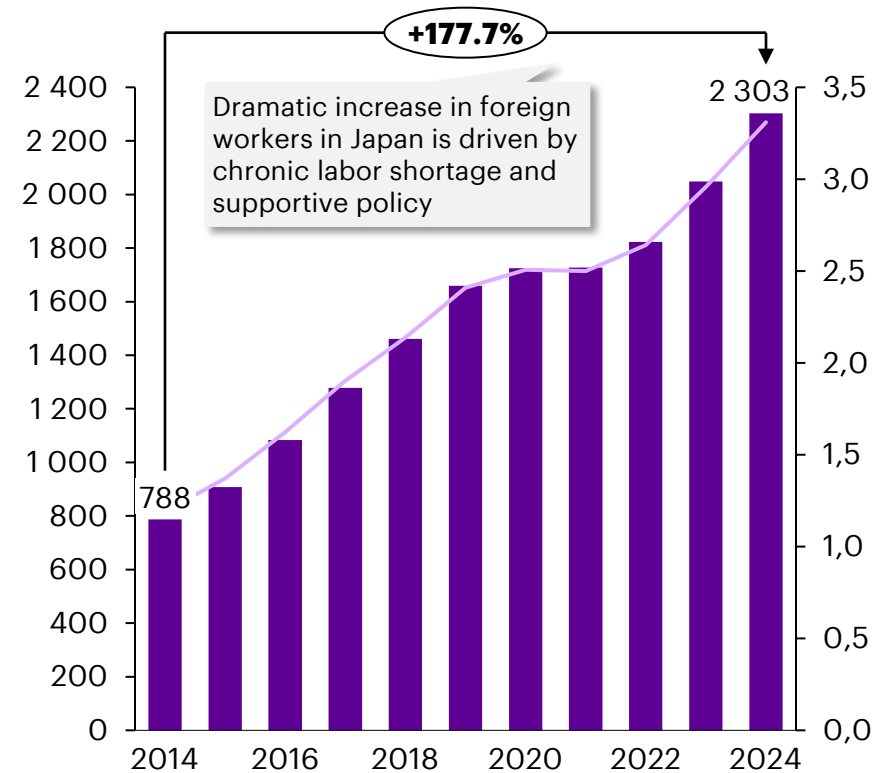


Japan and South Korea are increasingly relying on foreign workers to fill shortages in domestic labor markets, supported by policies to streamline visas for skilled workers

Foreign workers in Japan and South Korea

Number of foreign workers in Japan

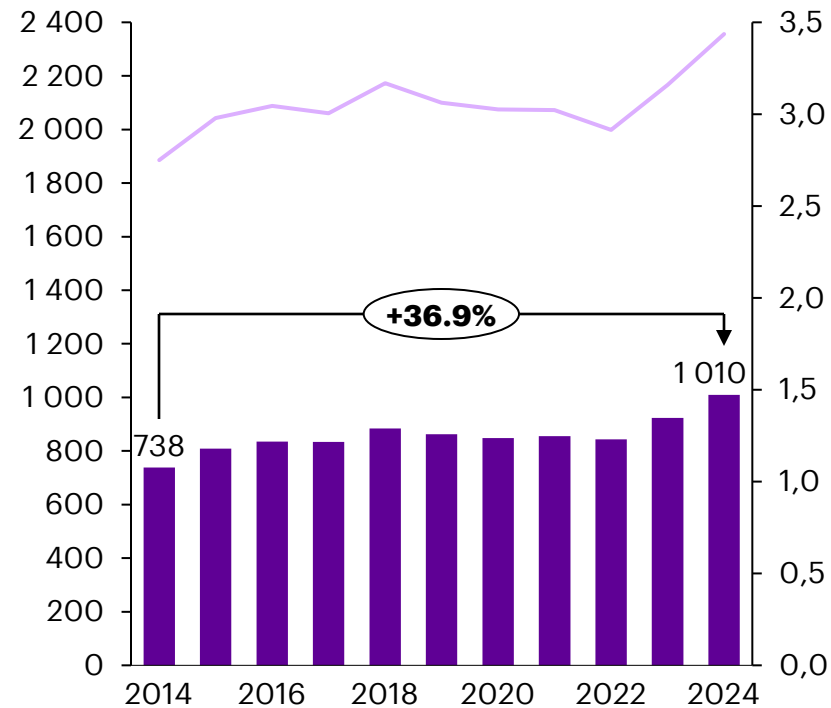
LHS: Thousand persons, RHS: share of total workforce (%)



— Foreigner % of workforce ■ Number of foreign worker

Number of foreign workers in South Korea

LHS: Thousand persons, RHS: share of total workforce (%)



Implications for corporates

- Foreign workers help stabilize operations in sectors suffering from chronic labor shortages, such as construction, but at the expense of increasing risk of policy change and labor supply disruptions
- While local companies can secure immigrant labor at relatively cheaper costs, they are increasingly exposed to geopolitical risks (e.g., bilateral migration agreement) and retention risk (i.e., high turnover and legal status risks)
- Both Japan and South Korea have moved towards more open immigration policies, including
 - Specified Skilled Worker (SSW) visa program in Japan
 - Employment Permit System (EPS) and streamlining processes for skilled worker visas like the E-7 in South Korea

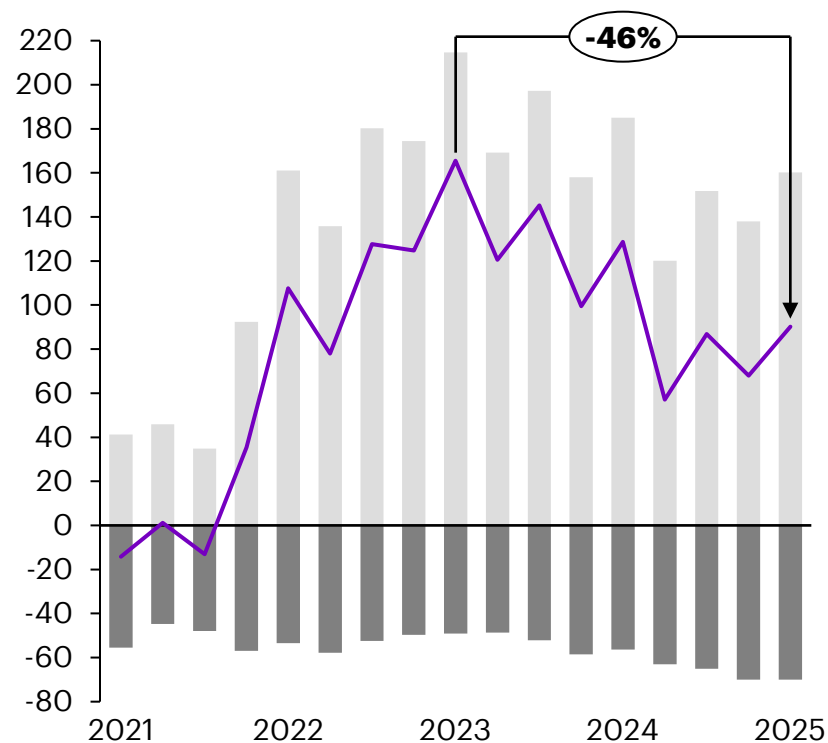


Australia and New Zealand saw net immigration peak in 2023, but policy changes have slowed inflows in recent quarters, shifting in favor of skilled or wealthy migrants

Slowing net immigration into Australia and New Zealand

Net immigration to Australia

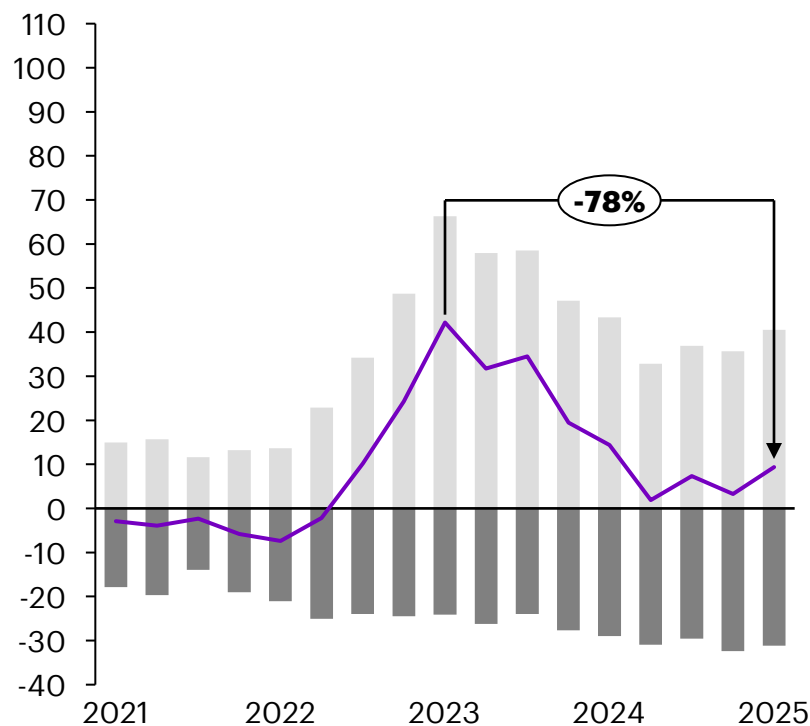
Thousands of people, quarterly (NSA)



■ Departures — Net immigration ■ Arrivals

Net immigration to New Zealand

Thousands of people, quarterly (NSA)



Implications for corporates

- Reduced immigration to Australia and New Zealand is likely to drive continued labor market tightness, which may have mixed effects:
 - Labor cost pressures, especially for unskilled occupations
 - Real wage growth for the overall labor market
 - Increased use of AI to drive productivity and reduce cost
- Wealth and investment flows may shift from Australia to New Zealand as Australia closed its "golden visa" scheme in March while New Zealand loosened its own requirements in February

Notes: Net migration figures represent the estimated net flows of permanent and long-term migrants, where >0 indicates net inbound flows and <0 net outbound flows. Q1'2025 figures for Australia are estimated based on FY2024-2025 Budget forecast overseas net migration.

Sources: Australian Bureau of Statistics, Haver Analytics, Accenture Strategy analysis



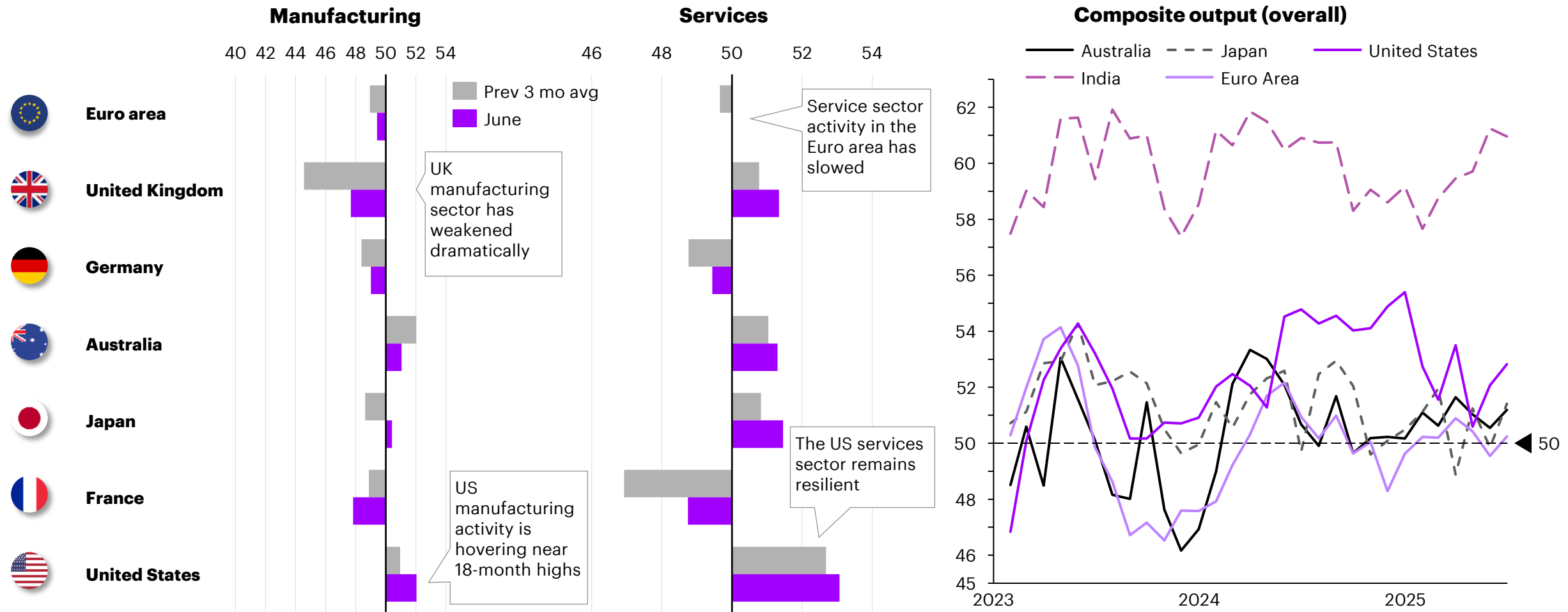
Economic indicator chart pack

Regional and industry activity



Latest manufacturing and services momentum in major economies is mixed, but generally slightly improved from the March-April period when tariff escalation was most acute

June Flash PMI survey



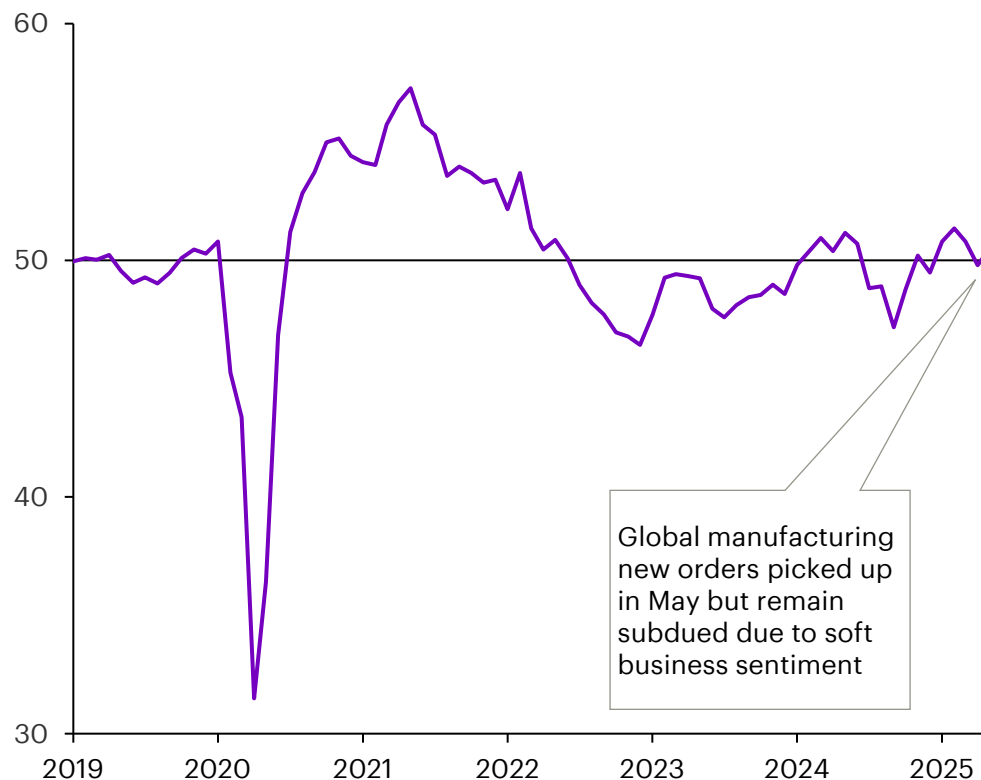
Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures
 Sources: S&P Global, Accenture Strategy analysis

Global manufacturing rebounded in May alongside an uptick in future expectations, though this may be short-lived as demand uncertainty remains elevated

Leading indicators of global manufacturing momentum

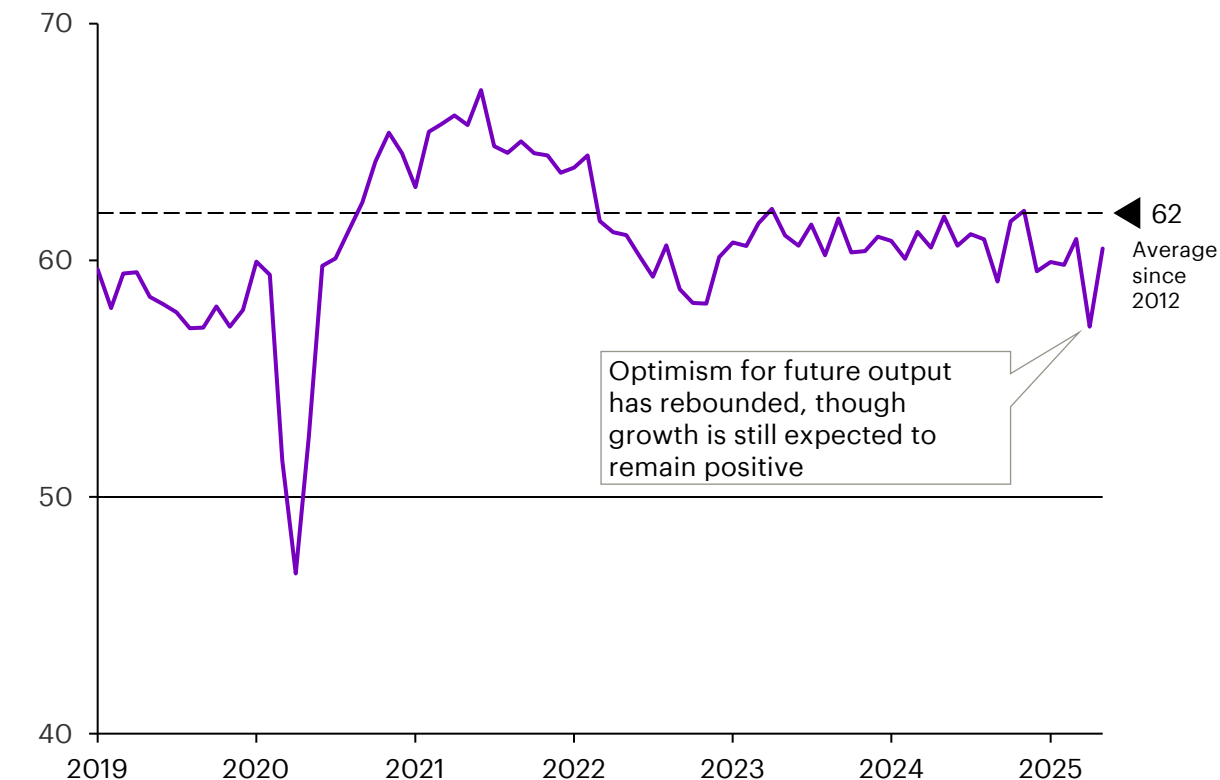
New orders rebounded

Diffusion indexes (SA, 50+=Expansion)



...leading to growth in optimism

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 USD 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.

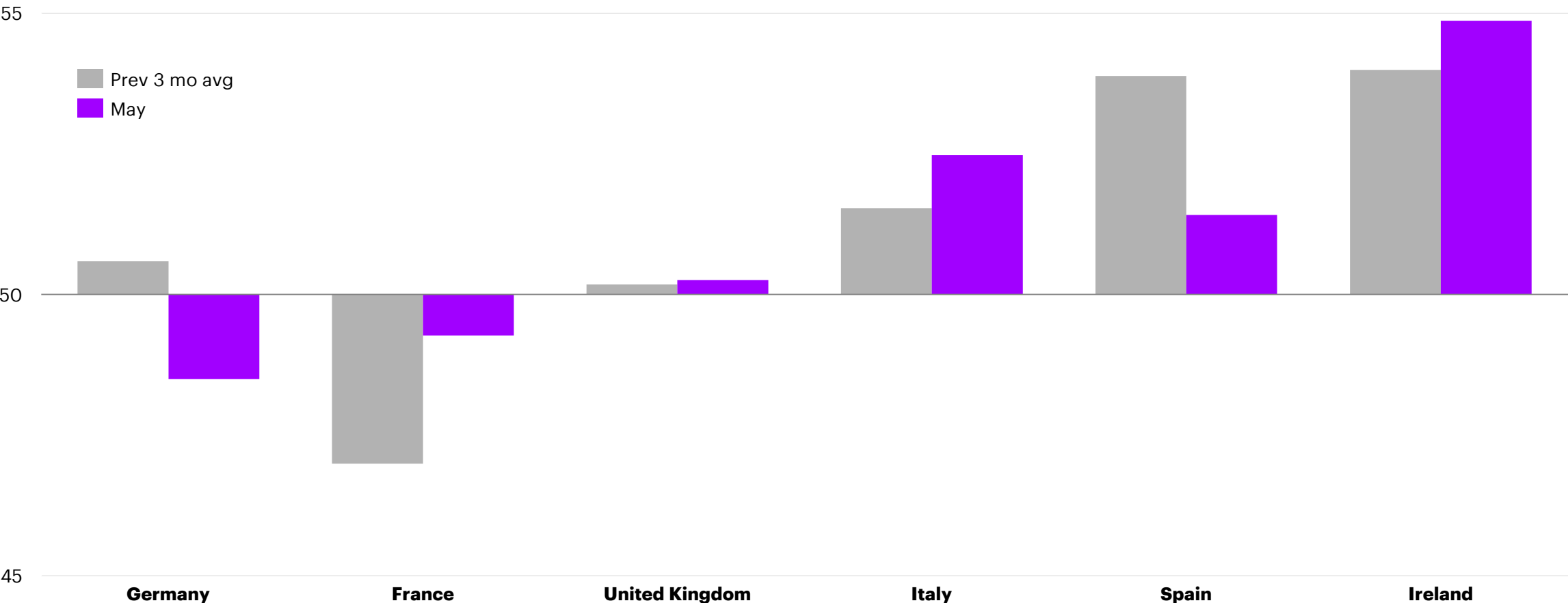
Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Europe's overall performance shows mixed signals, with Italy and Ireland accelerating in May while Germany and France remain weak spots

Regional performance: Europe

Output/activity country performance

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

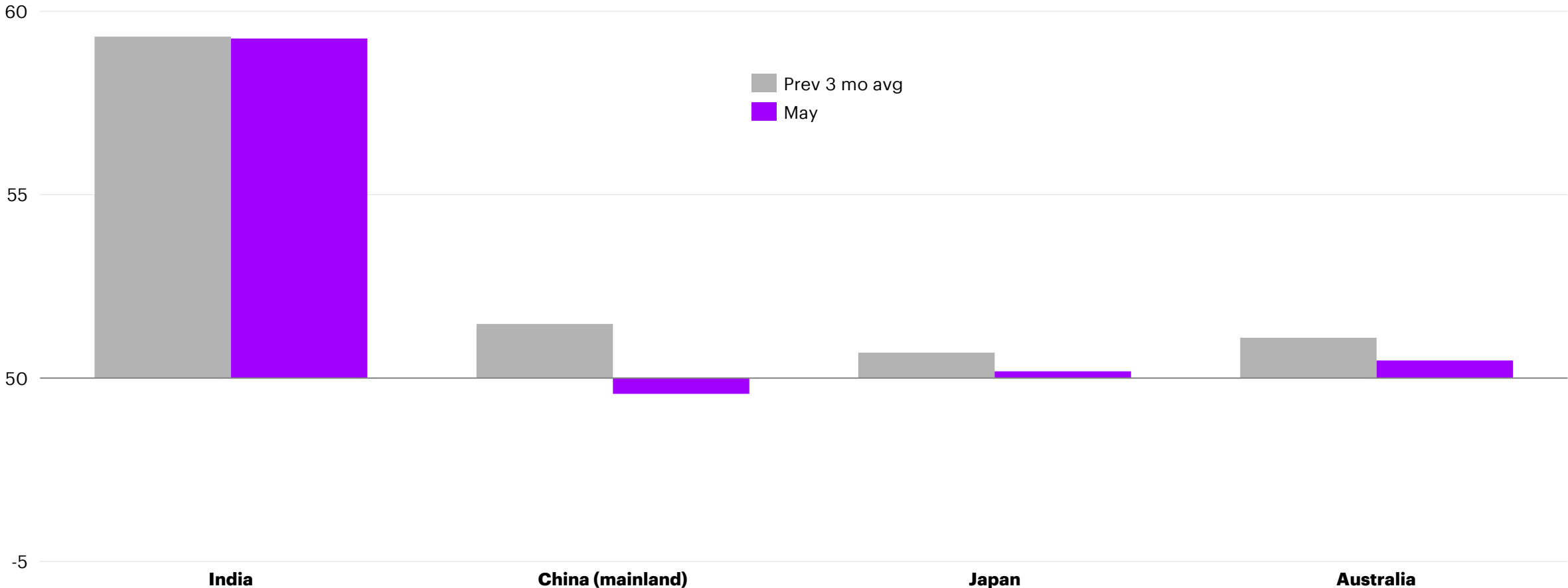


Business activity decelerated in most Asia Pacific economies, except for India where the economy remains buoyant

Regional performance: Asia-Pacific

Output/activity country performance

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

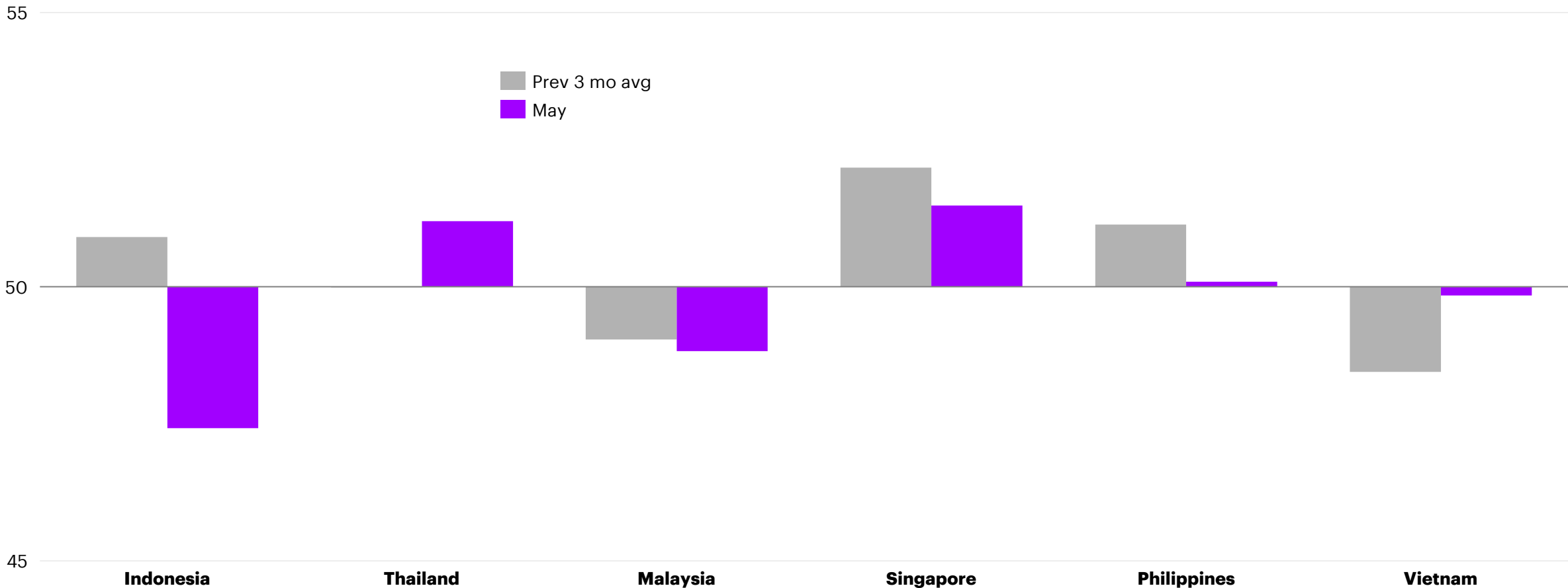


Manufacturing momentum in Southeast Asia remains mixed, with steady growth in Singapore, a notable rebound in Thailand, but a large decline in Indonesia

Regional performance: Southeast Asia

Manufacturing performance

May'25 vs Previous 3 Month Average, Manufacturing Output



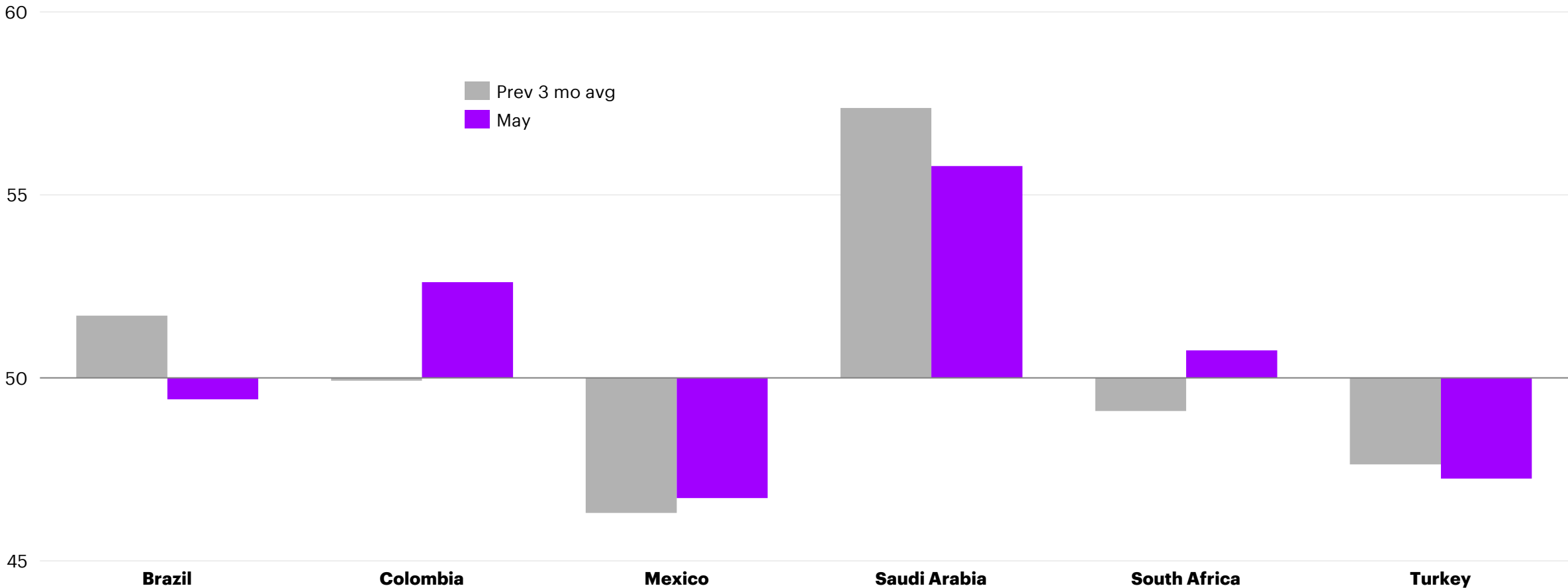
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Saudi Arabia continues to lead emerging markets with strong economic activity, while Brazil has slipped into slight contraction

Regional performance: Other emerging markets

Manufacturing performance

May'25 vs Previous 3 Month Average, Manufacturing Output



Consumer spending

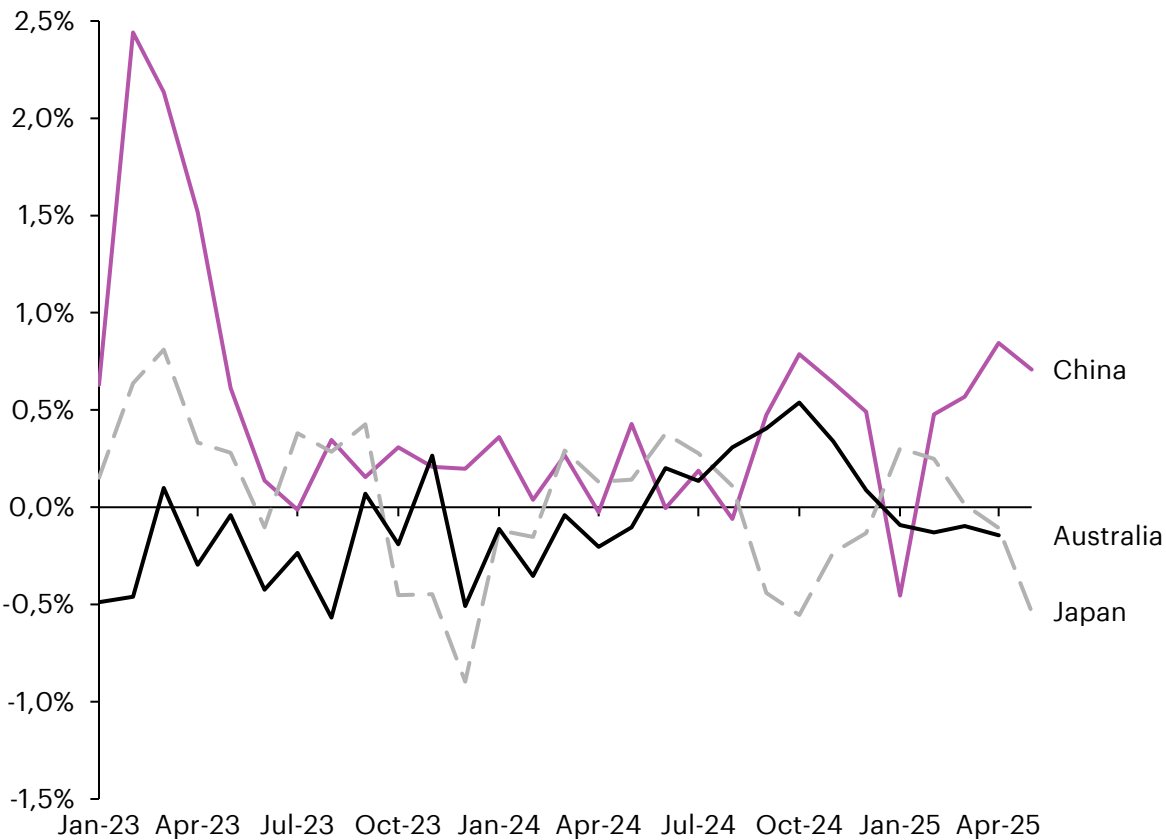
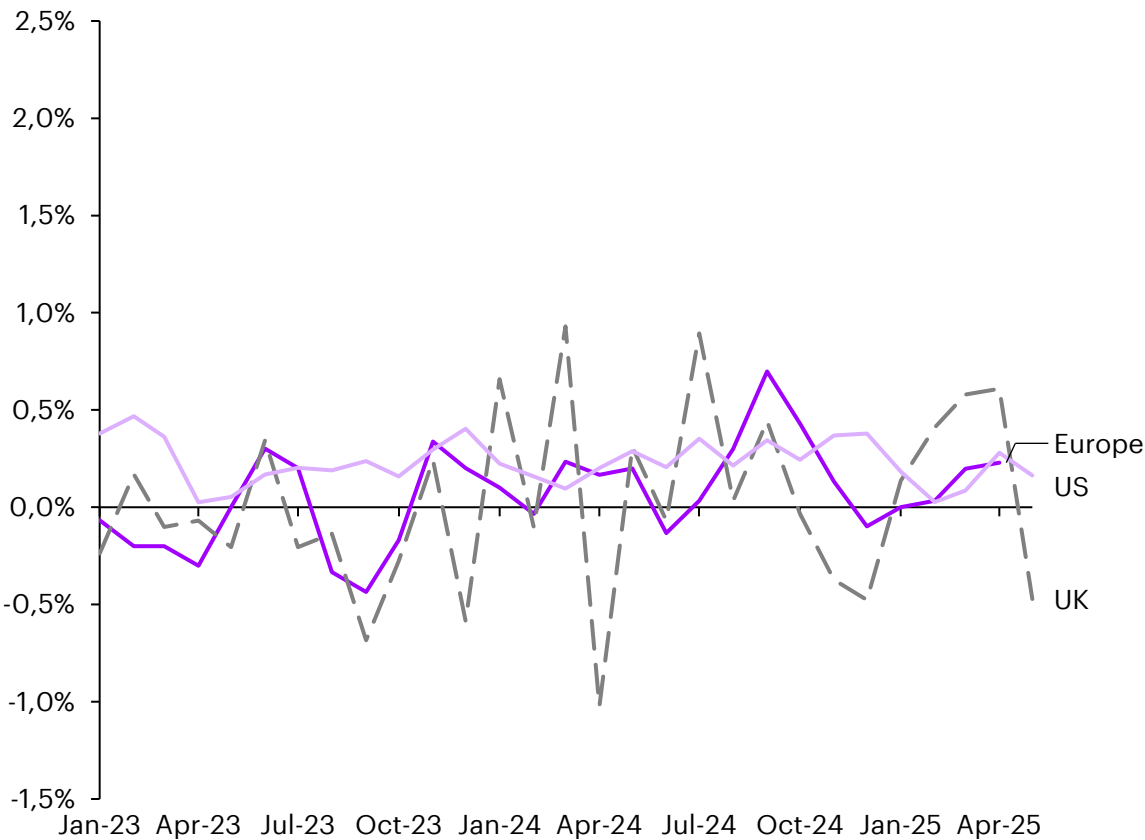


Muted consumer spending persists across all major economies, while the UK and Japan registering sharp declines in May

Consumer spending trends

Real consumer spending across major economies

3-month moving average % change



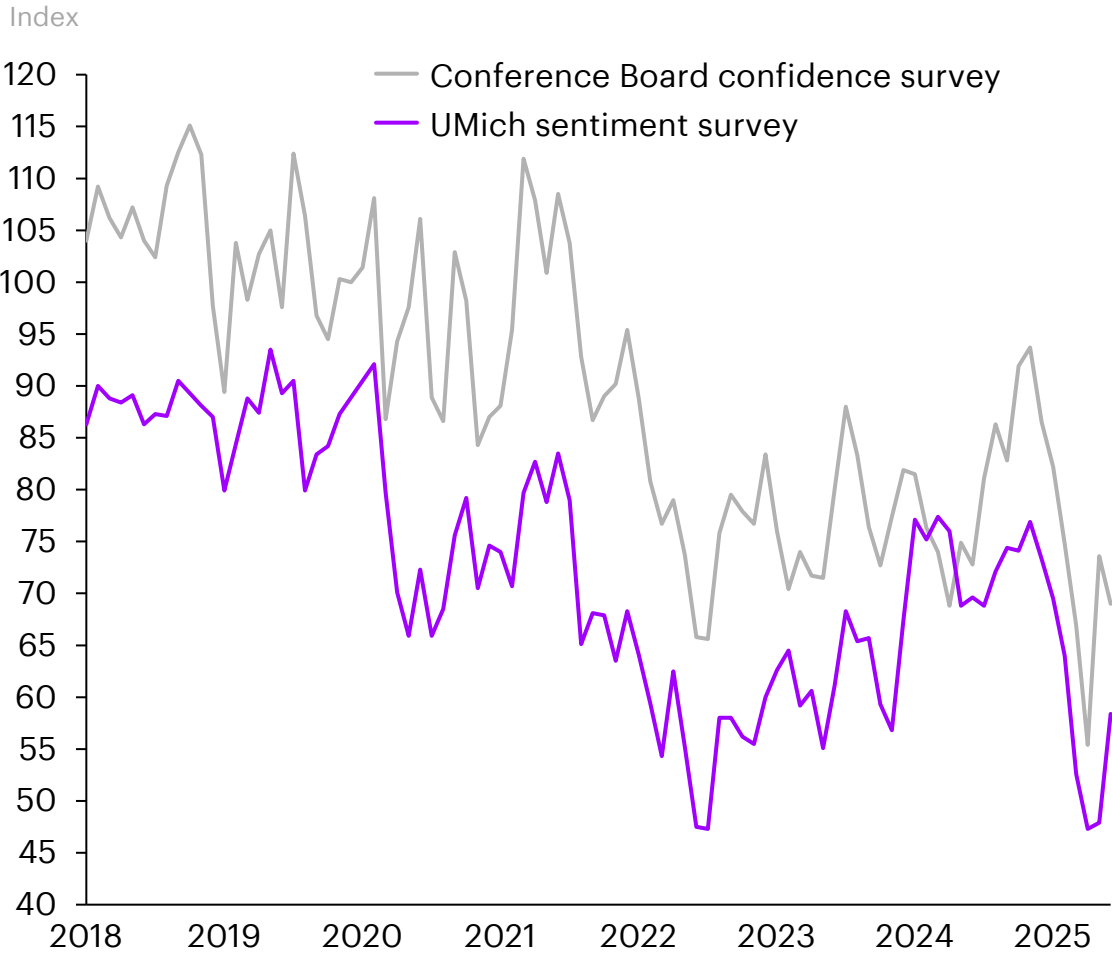
Notes: Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area, UK, Canada, Japan, Australia, and China series data is retail sales. Charts updated till latest available April '25 data.

Sources: Reuters, BEA, BLS, Eurostat, ONS, Haver analytics, Accenture Strategy analysis

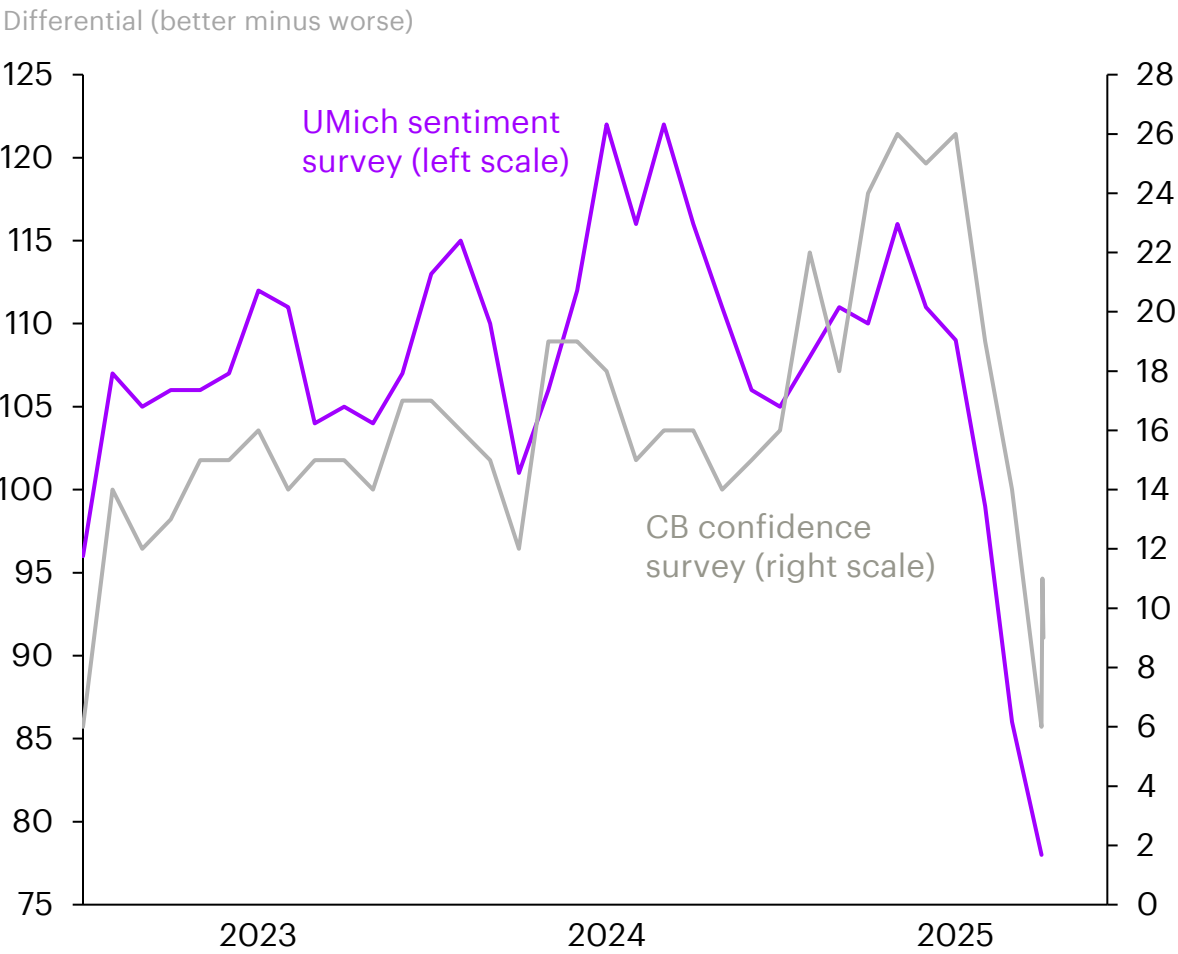
US consumer sentiment has rebounded slightly after a precipitous drop during the first 5 months of the year, but expectations for household finances remain near multi-year lows

Consumer expectations

Consumer expectations of economic conditions







Expected change in household financial situation 6-12 months ahead



Consumer spending remains uneven across Europe and the US, with volatility in discretionary goods and a modest uptick in select services spending

Consumer spending trends by goods and services category

		 <div>US</div>		 <div>UK</div>		 <div>Germany</div>		 <div>France</div>	
		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	0,8%	0.3%	-0,3%	4.7%	-0,1%	1.1%	1,4%	-0.1%
	Motor vehicles	5,2%	-0.6%	1,7%	-20.3%	0,0%	1.1%	-1,5%	0.6%
	Furniture	2,3%	-0.2%	4,3%	-0.3%	-1,7%	-0.6%	-1,4%	0.2%
	Electronics	3,0%	-2.4%	0,9%	-8.5%	-0,2%	-1.6%	2,8%	3.4%
	Footwear & apparel	2,3%	-0.6%	-1,7%	-2.2%	2,5%	9.1%	-0,2%	2.2%
	Fuel	0,6%	2.2%	-0,6%	0.8%	1,6%	0.4%	2,3%	0.4%
Services	Transportation	1,3%	-0.1%	0,7%	0.3%	-0,1%	-2.5%	2,4%	0.2%
	Entertainment	1,5%	0.8%	-0,8%	-0.9%	N/A		0,4%	-3.1%
	Dining out and hotels	0,8%	0.5%	-0,2%	0.3%	-0,6%	-0.9%	1,5%	-0.6%
	Information services	3,8%	0.2%	2,4%	-1.4%	2,5%	0.0%	1,1%	1.7%
	Telecom	3,8%	0.0%	-0,2%	0.7%	-0,3%	0.3%	1,4%	1.6%

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 for US &UK is updated till April (6) Data for Germany & France are updated till March

Sources: BEA, BLS, ONS, National Institute of Statistics and Economic Studies, Federal Statistical Office, Accenture Strategy analysis

Labor markets

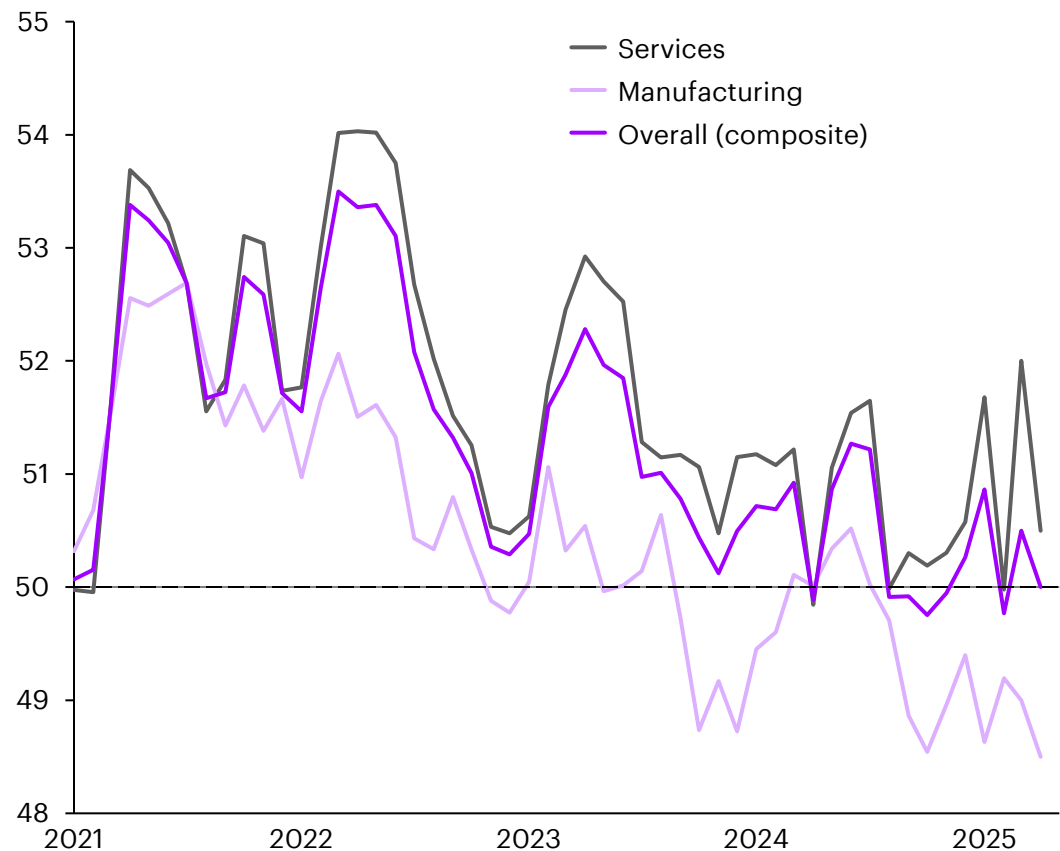


Global employment growth has slowed notably in the services sector and remained in contraction for manufacturing, with the UK showing particularly weak job growth

Global PMI employment growth

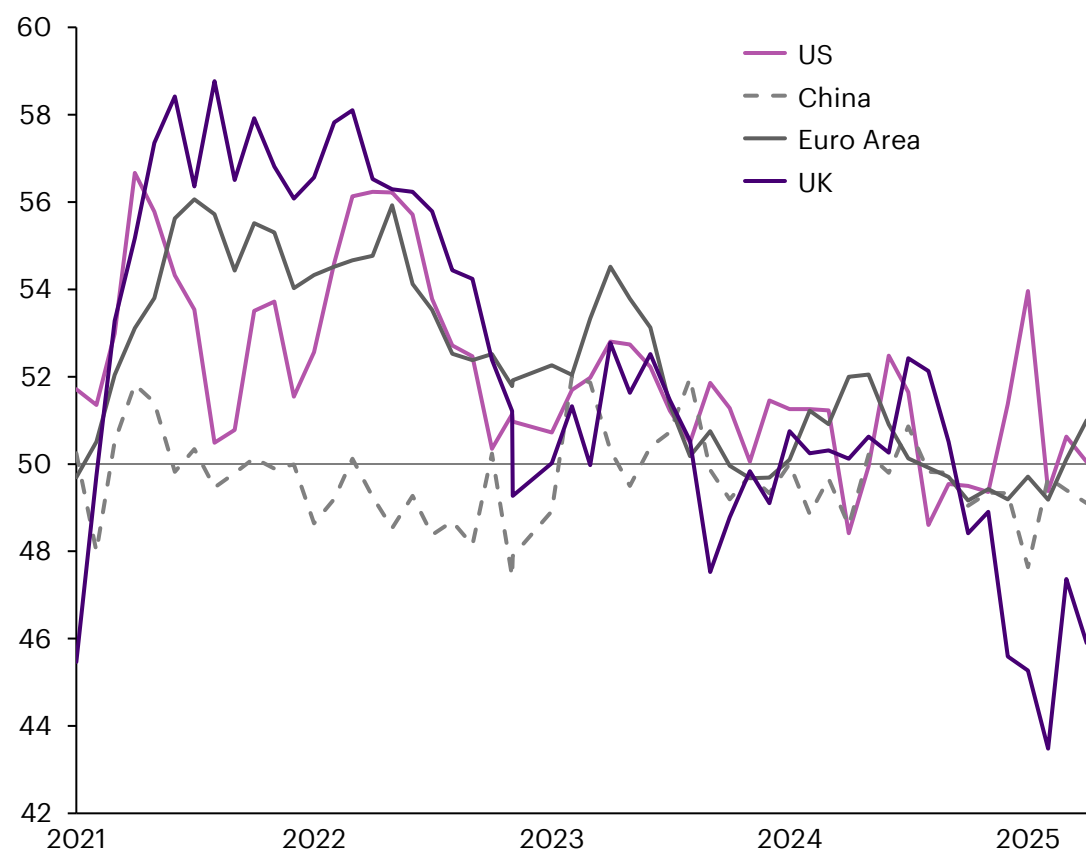
Global PMI Employment Index

Index (>50=expanding employment)



Regional Composite PMI Employment Index

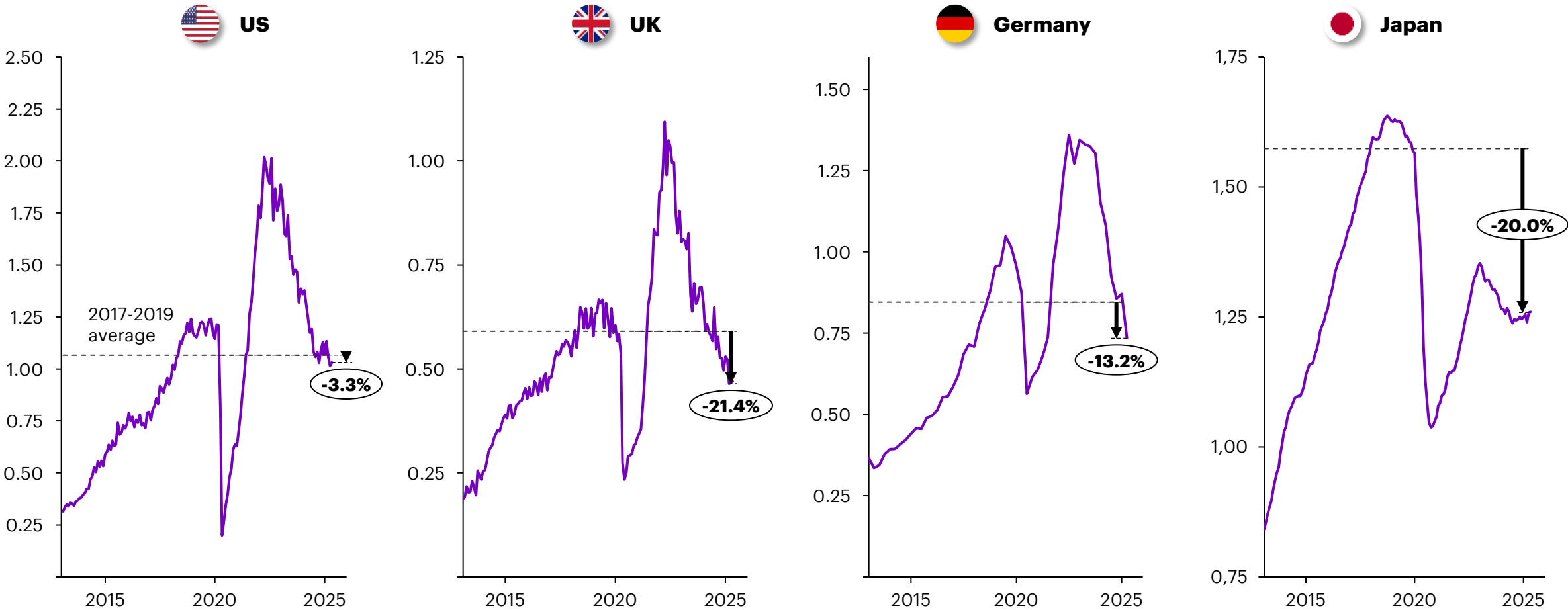
Index (>50=expanding employment)



Labor market tightness continues to ease across major economies—back near pre-pandemic levels in the US, and significantly below in the UK, Germany, and Japan

Labor market tightness

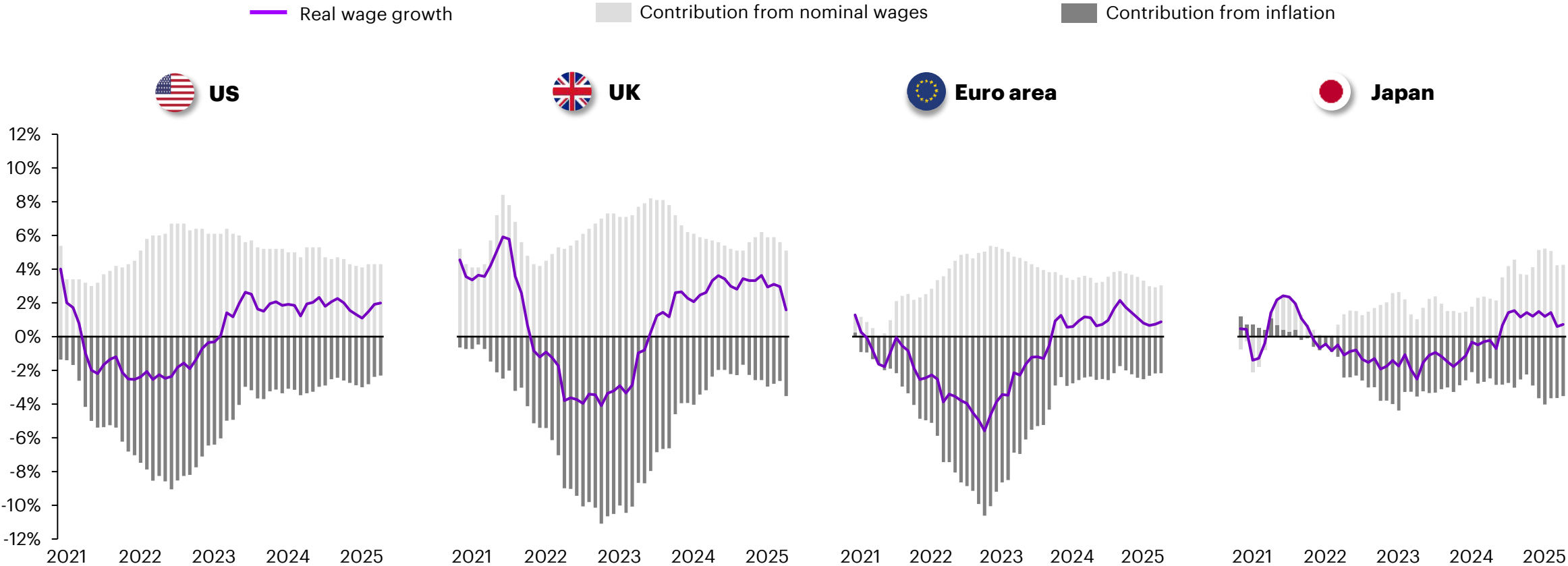
Job vacancies per unemployed person



Real wage growth remains steady across major economies, driven by easing inflation and consistent nominal wage gains—except the UK, which saw a sharp deceleration

Wage growth developments

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
















Inflation



Inflation eased slightly in May across major economies, with China remaining in outright (albeit slight) deflation

CPI inflation rates and trends

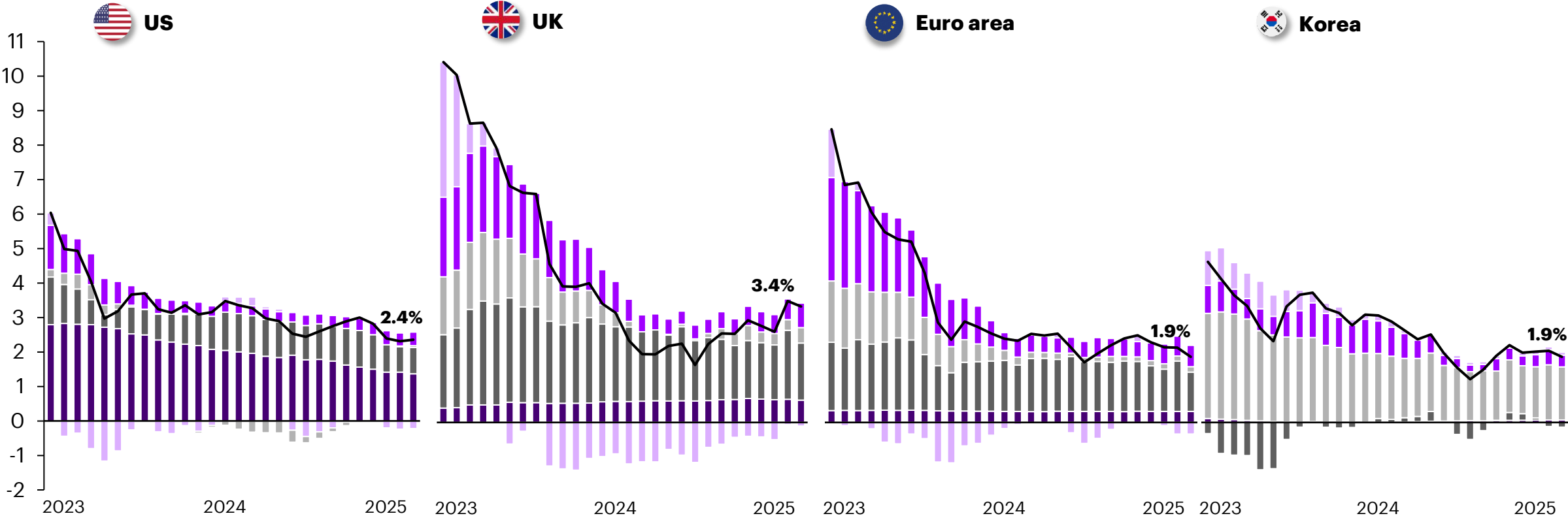
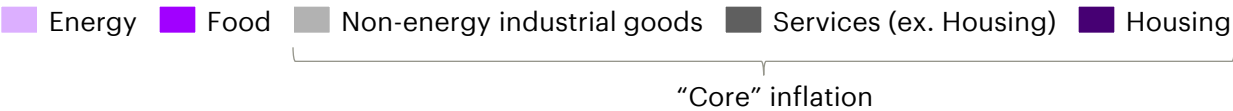
Year over year change to CPI and point change from prior month

Country		YoY Inflation Rate May 2025	Change from previous month's rate (percentage points)	Country		YoY Inflation Rate May 2025	Change from previous month's rate (percentage points)
	United States	2,4%	0.1% ↑		China	-0,1%	0.0% -
	United Kingdom	3,4%	-0.2% ↓		Japan	3,5%	-0.1% ↓
	Canada	1,8%	0.0% -		Brazil	5,3%	-0.2% ↓
	Germany	2,1%	-0.1% ↓		India	2,8%	-0.3% ↓
	France	0,6%	-0.3% ↓		Singapore	0,8%	-0.1% ↓
	Italy	1,7%	-0.2% ↓		Korea	1,9%	-0.2% ↓
	Spain	2,0%	-0.1% ↓				

Lower energy prices drove most of the disinflation, whereas core inflation remains fairly sticky across countries

Drivers of recent CPI inflation

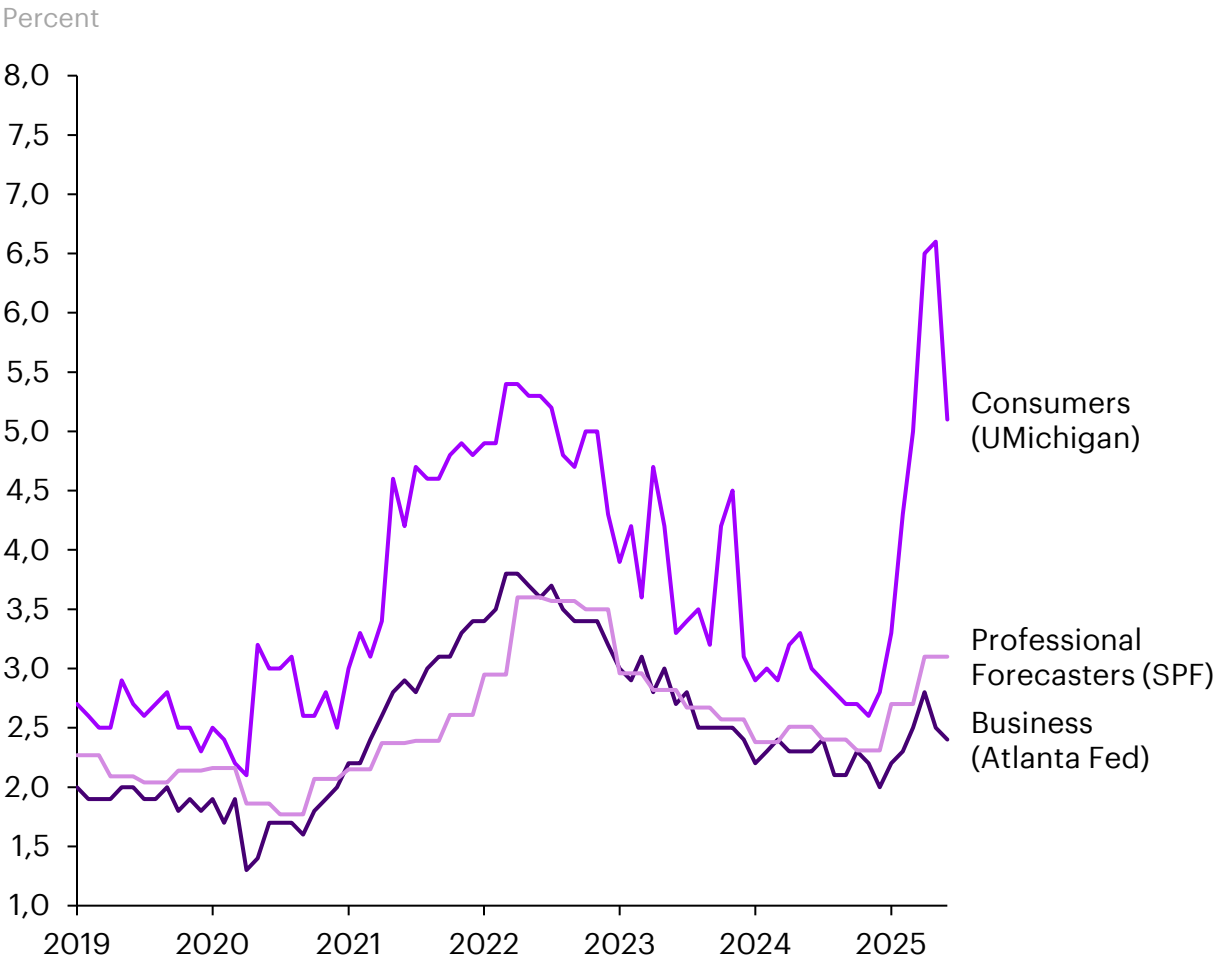
Year-on-year % change and percentage point contributions from major goods and services categories



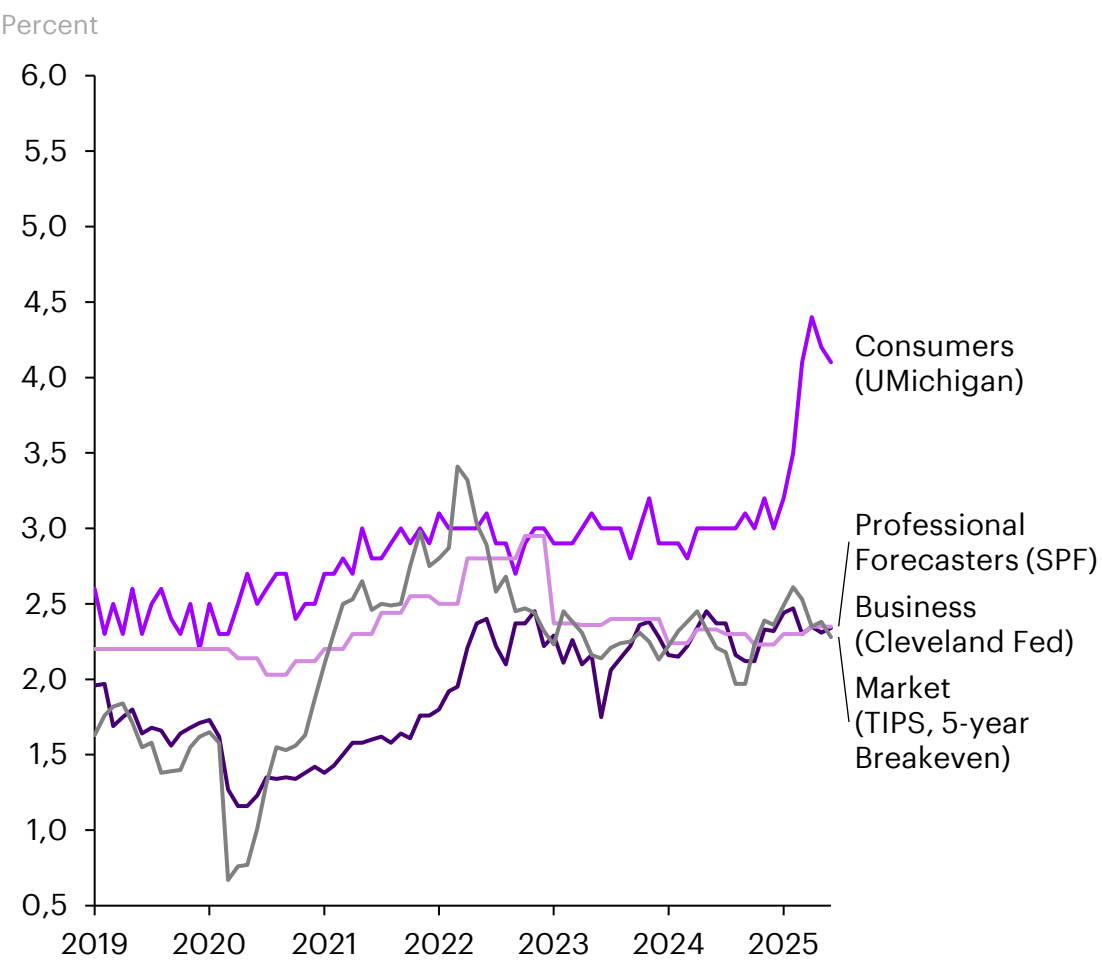
US inflation expectations among consumers have eased amidst recent tariff de-escalation, and expectations among companies remain fairly anchored for the time being

Inflation expectations for next 12 months and longer-term

Inflation expectations of different economic agents: 1 year ahead



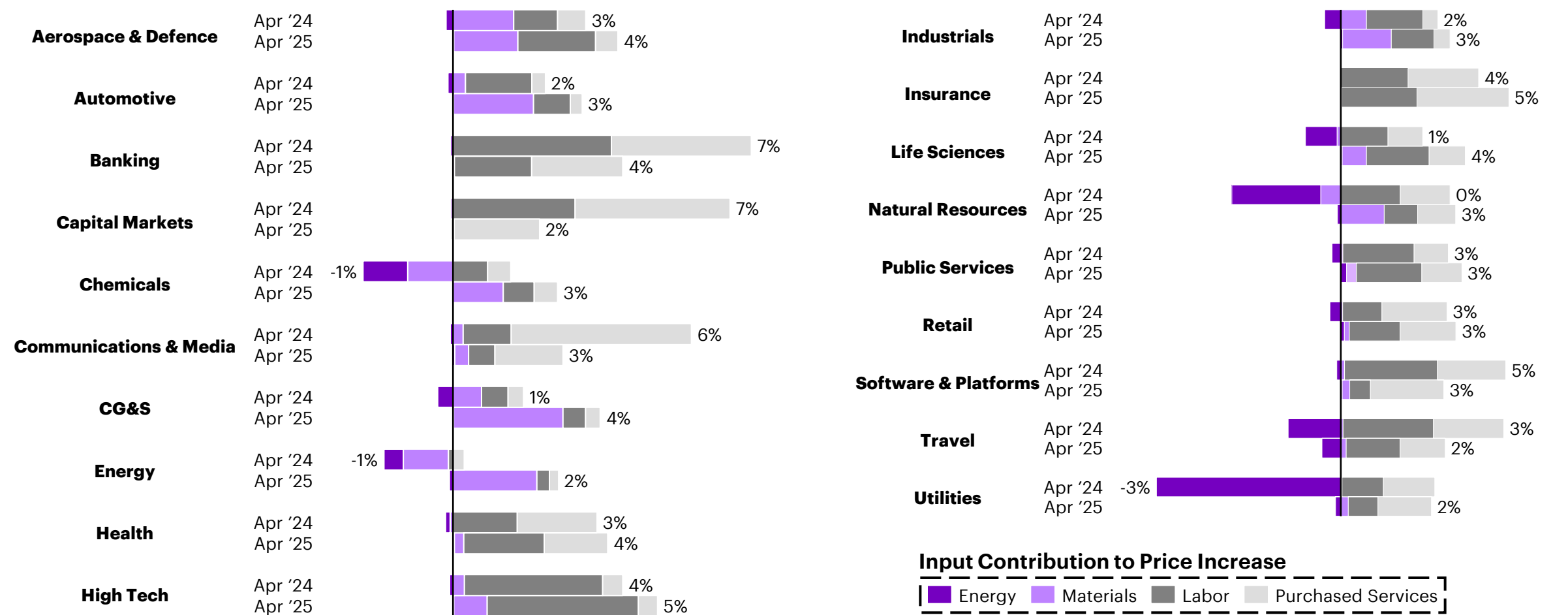
Inflation expectations of different economic agents: 5-10 years



Input cost inflation remains elevated in service-heavy sectors, with labor and purchased services driving price increases across most industries

Recent input cost inflation by industry

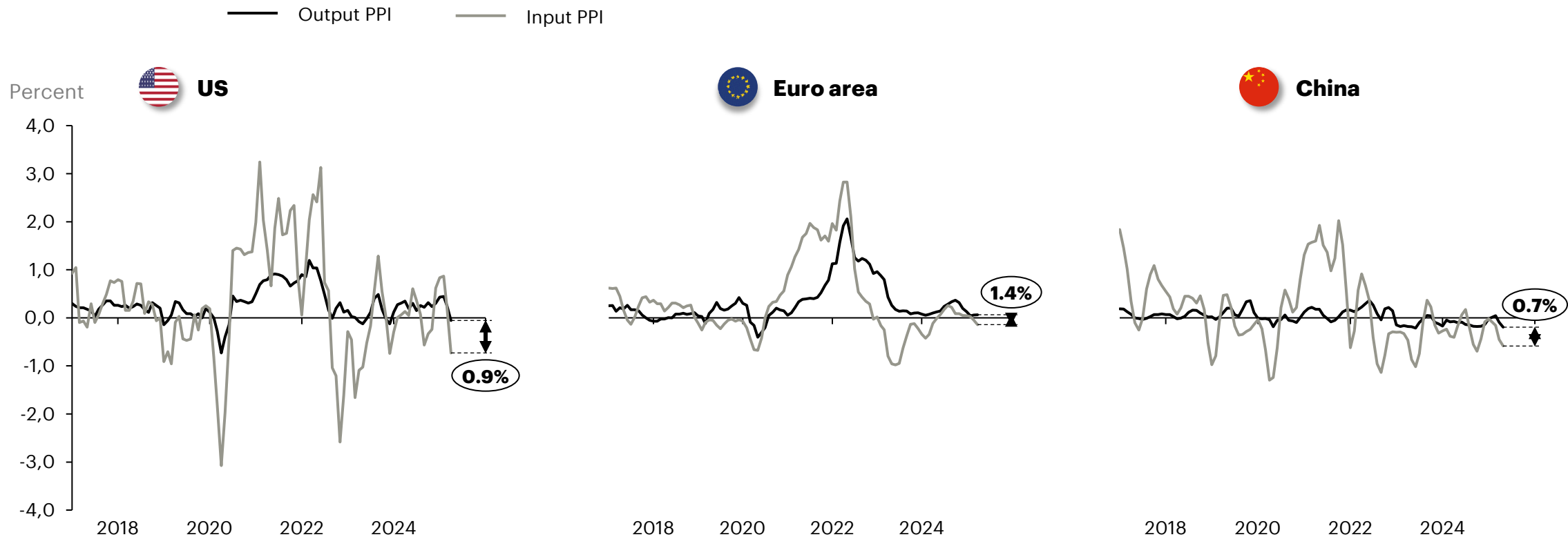
Year-over-year % change in input costs and contributions (percentage points) from key inputs



Firms in the US and Europe continue to be able to pass on most of their cost increases to customers, though this will be increasingly challenged as tariffs weigh down demand

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. (3) UK PPI has been excluded, as the ONS has paused its publication due to data quality issues.

Business investment

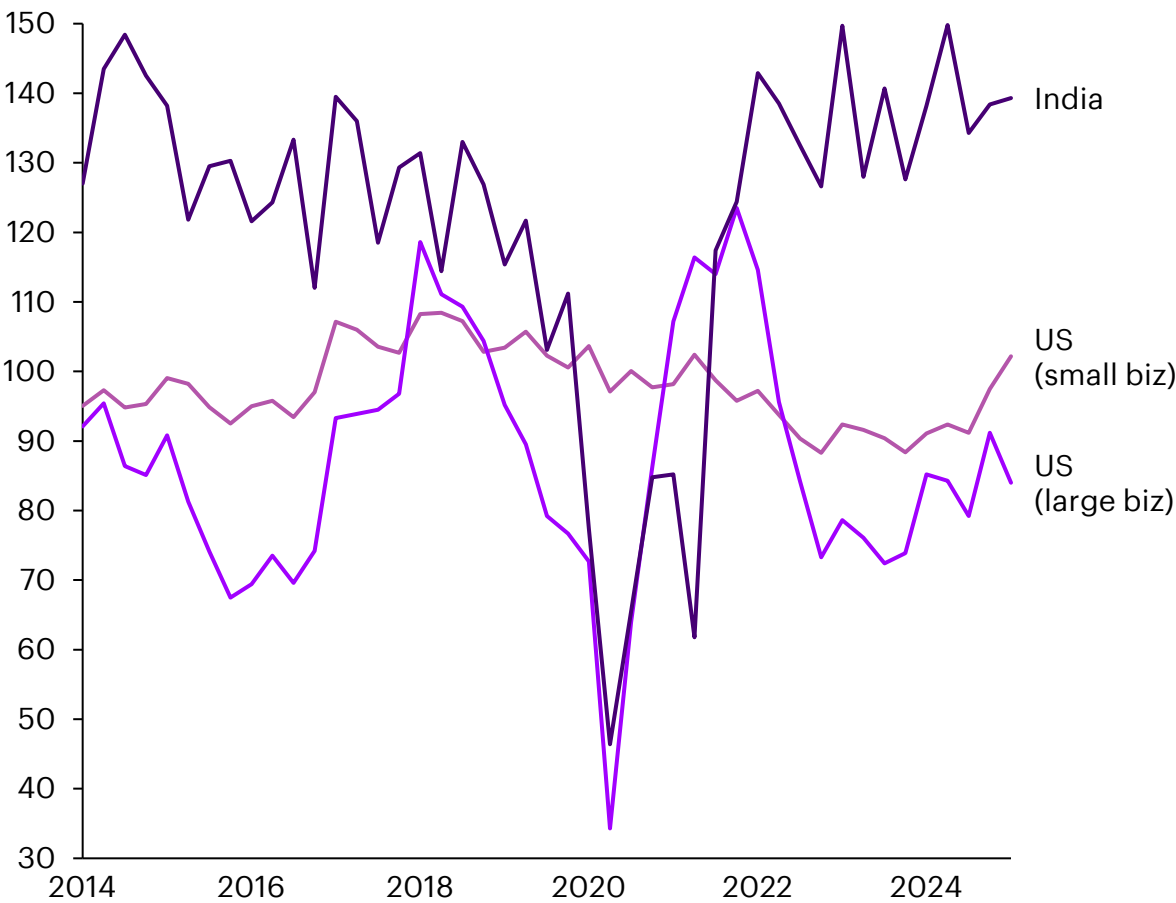


Business confidence remains relatively optimistic in India and Japan, though sentiment remains weak across the US, UK, and EU

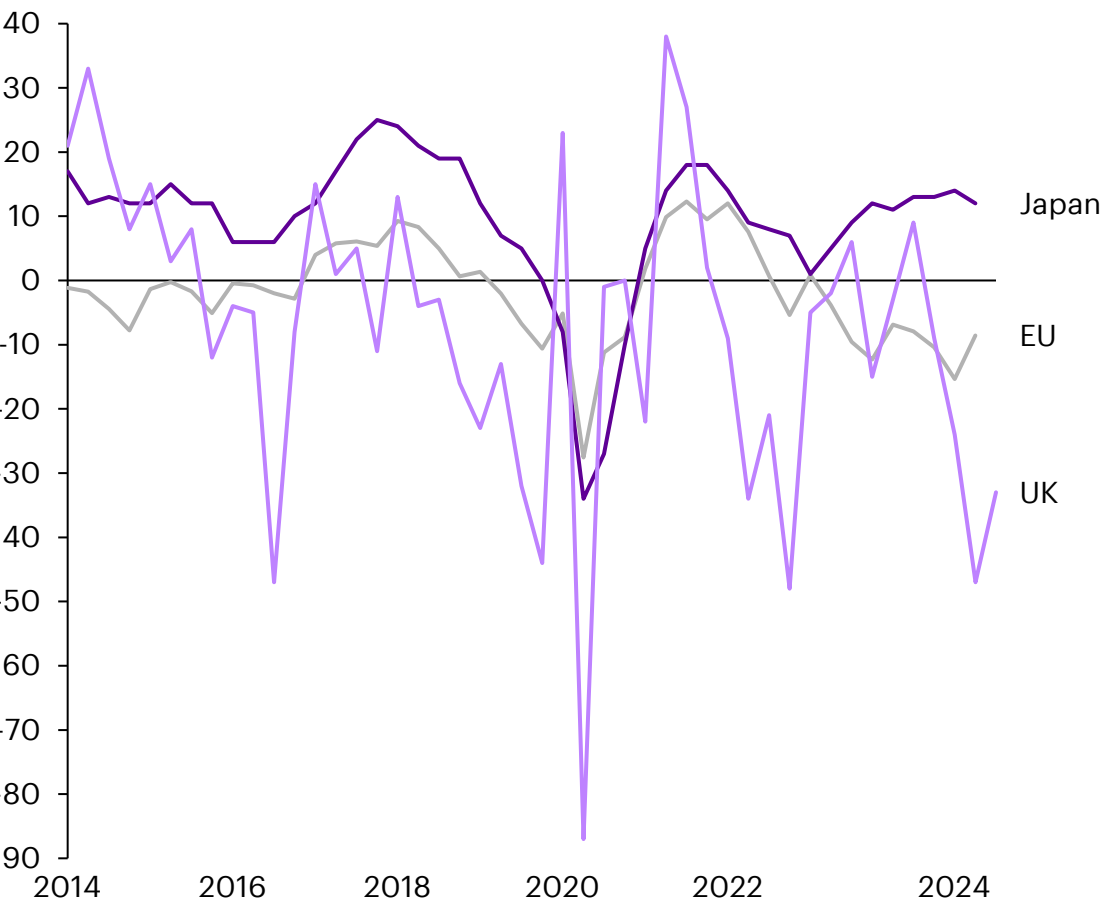
Global business sentiment and capital expenditure outlook

Business confidence indicators

Index (>100 = Optimistic)



Percent balance (>0 = Optimistic)

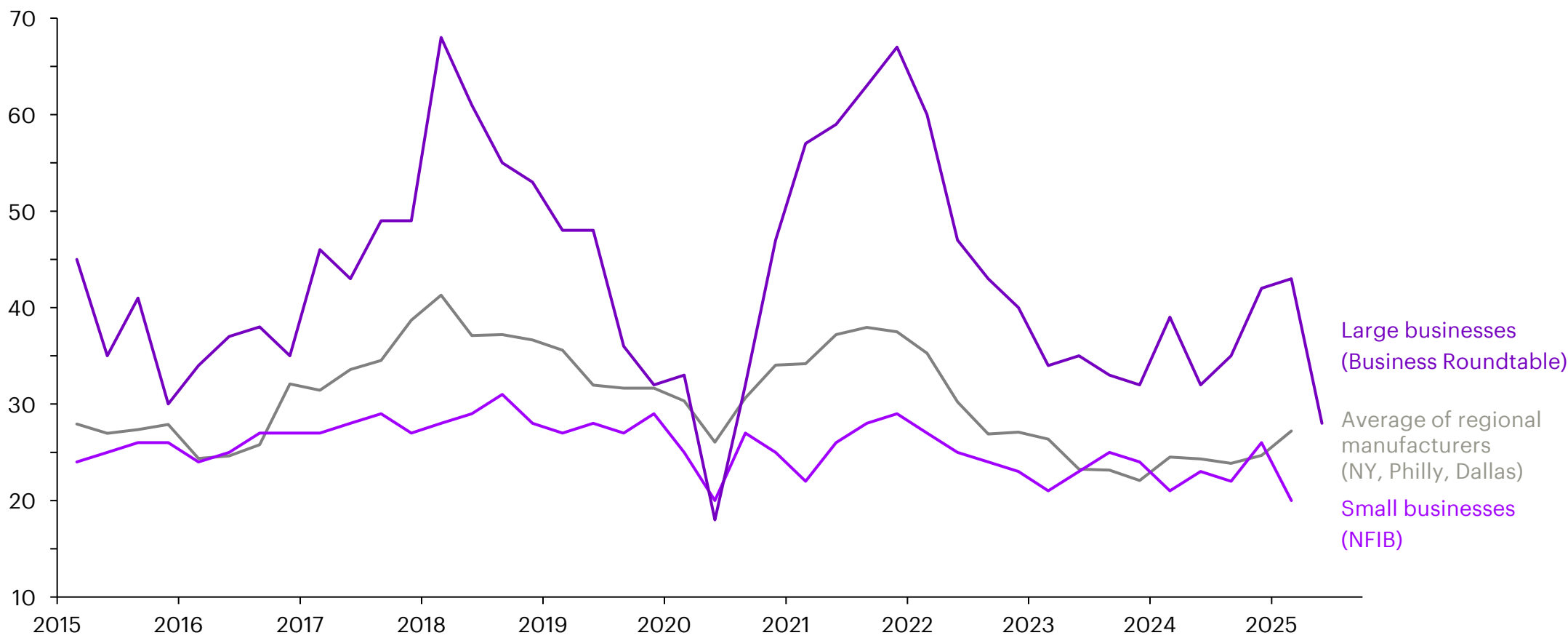


Both large and small businesses in the US are signalling significantly weaker capex intentions for the next 6 months

Capex intentions among US companies

Business plans to increase capital expenditures in the next 6 months

% of respondents reporting a planned increase

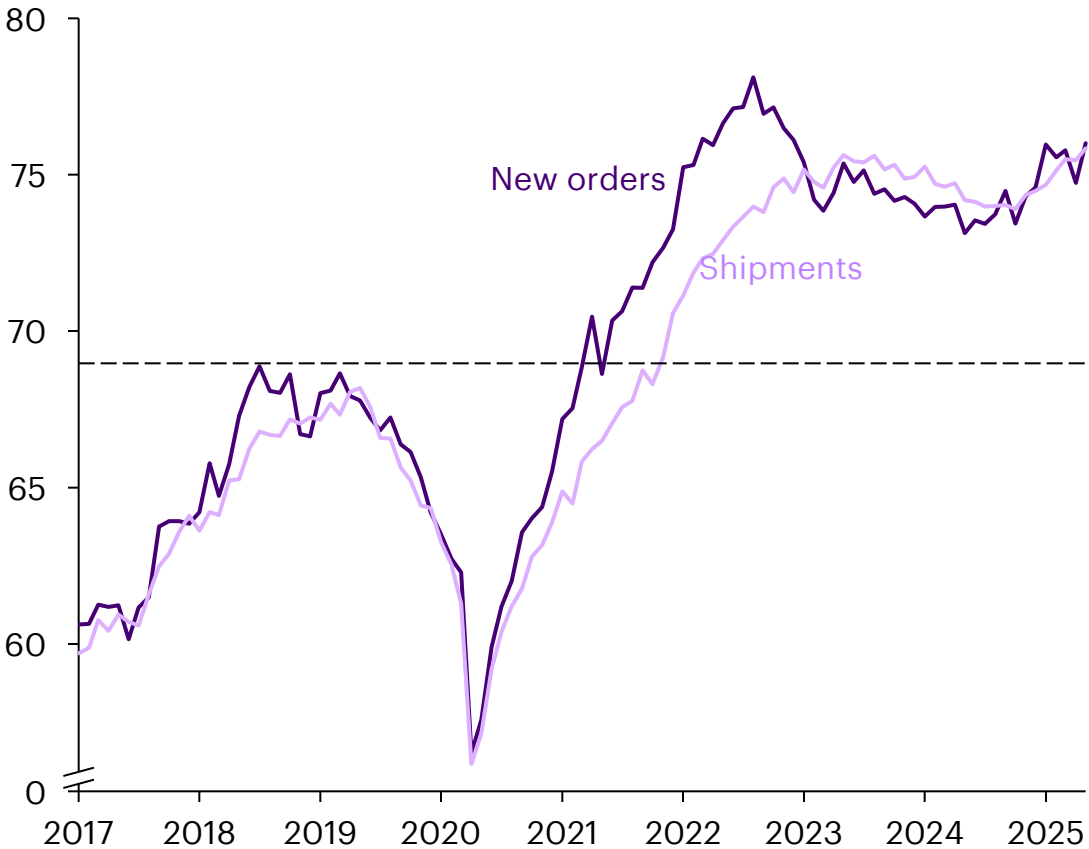


Recent uptick in capital goods orders appears driven by tariff-related demand frontloading and likely to reverse in the coming months

Capital goods orders and technology-related equipment demand

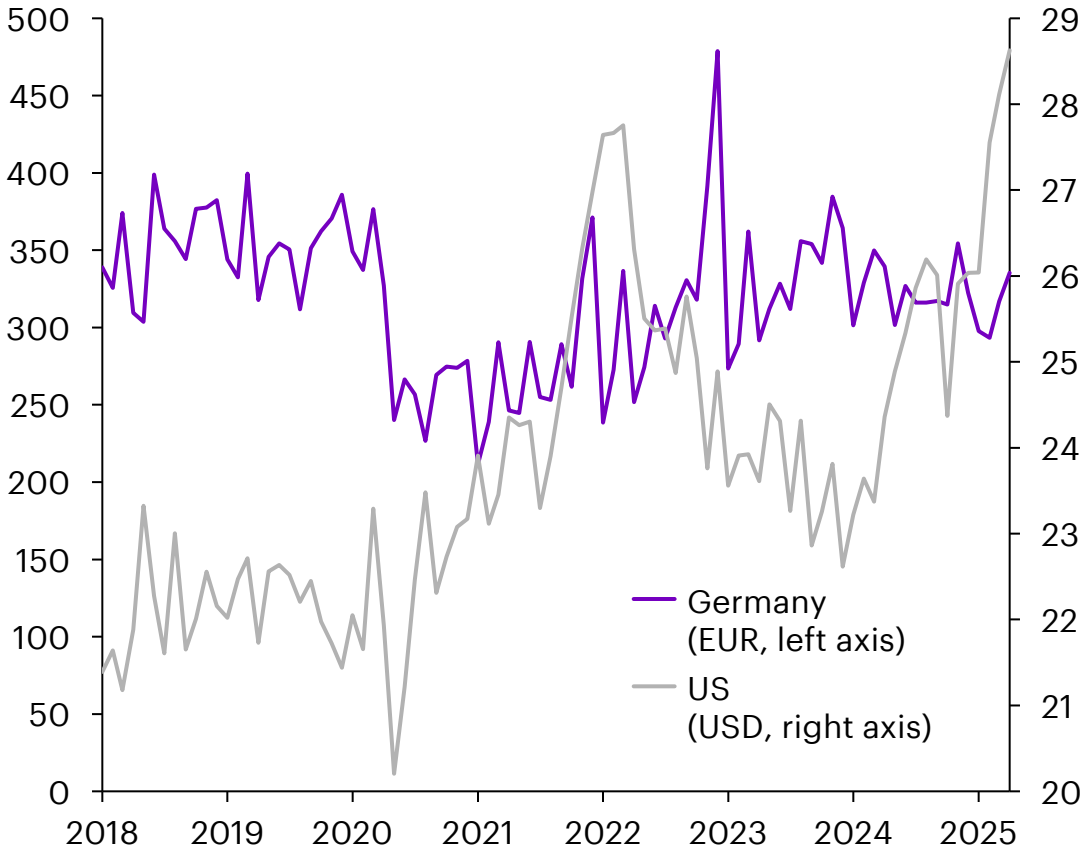
US nondefense capital goods, excluding aircraft

USD millions



Sales of tech-related equipment

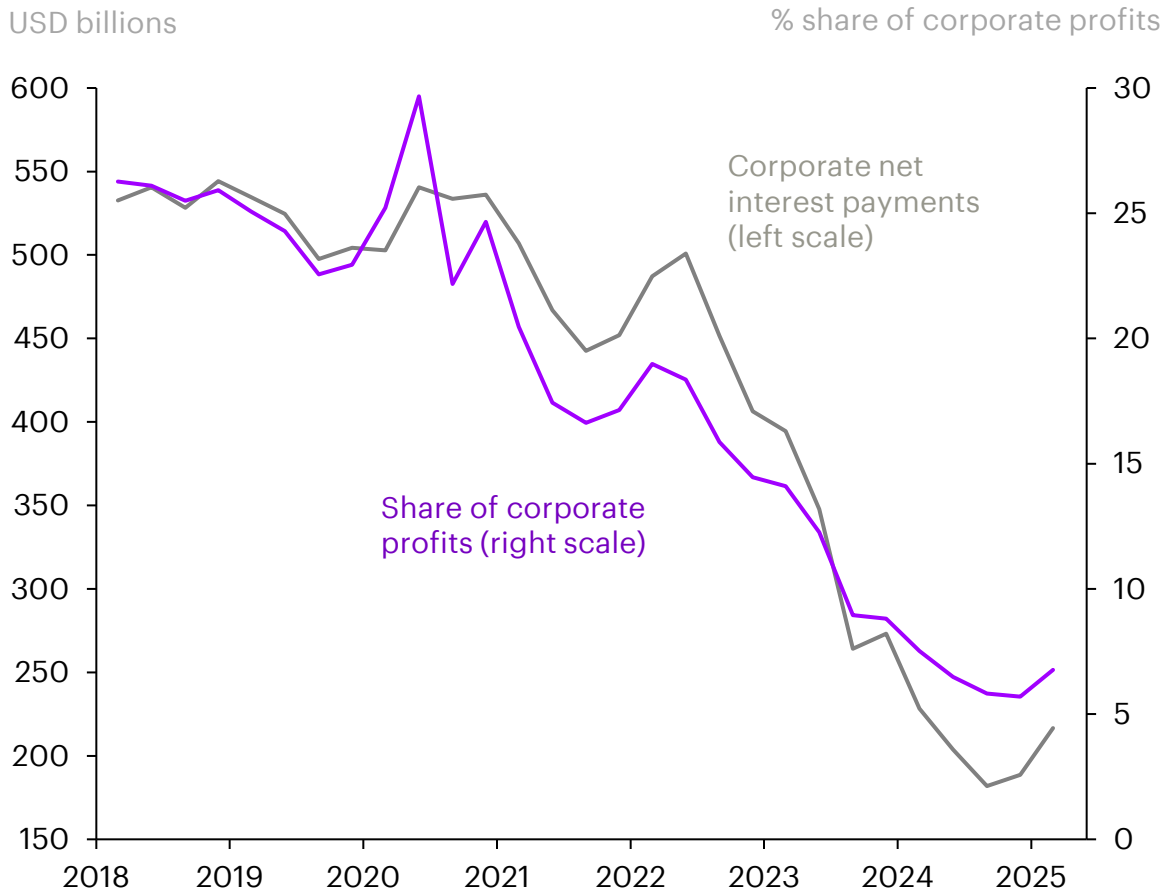
Computers, electronic components and peripheral equipment, SA millions



Businesses' interest payments in the US have ticked up slightly, while lending standards remain tight in the US and Europe due to economic uncertainty and risk aversion

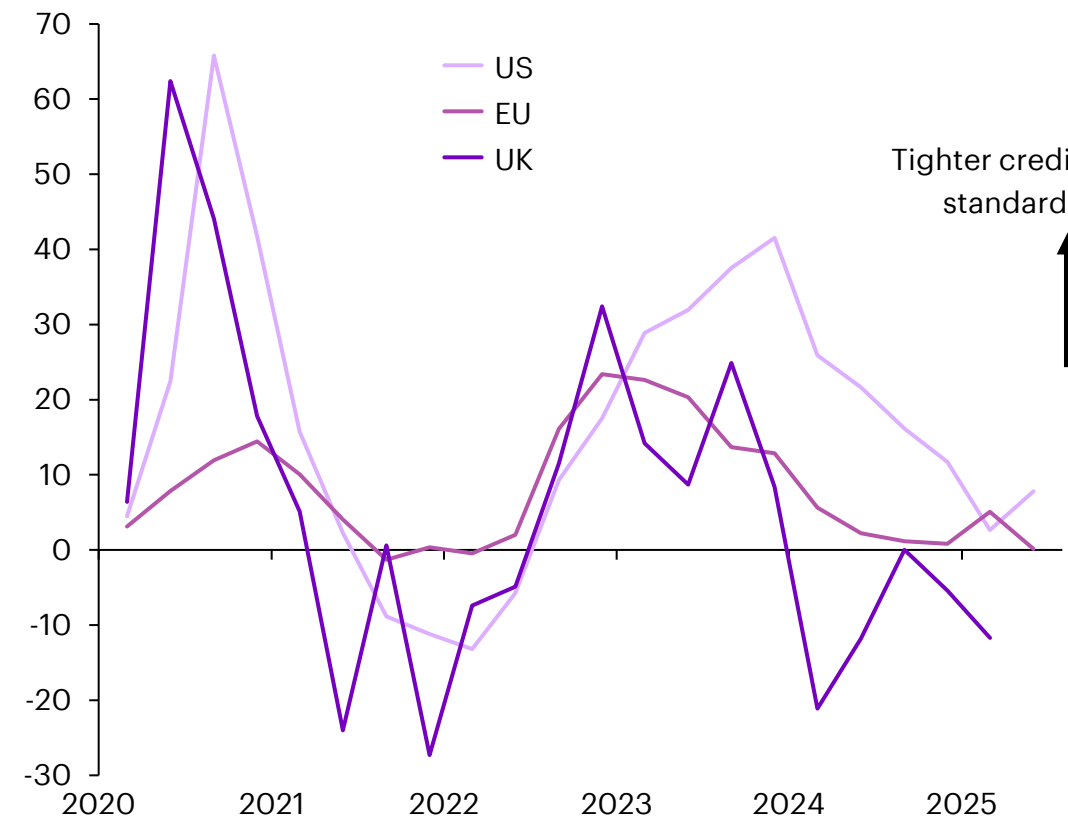
US financial conditions for investment

US corporate net interest payments



Bank lending standards¹

Index of weighted net change in credit standards (tightening standards > 0)



Notes: 1) 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

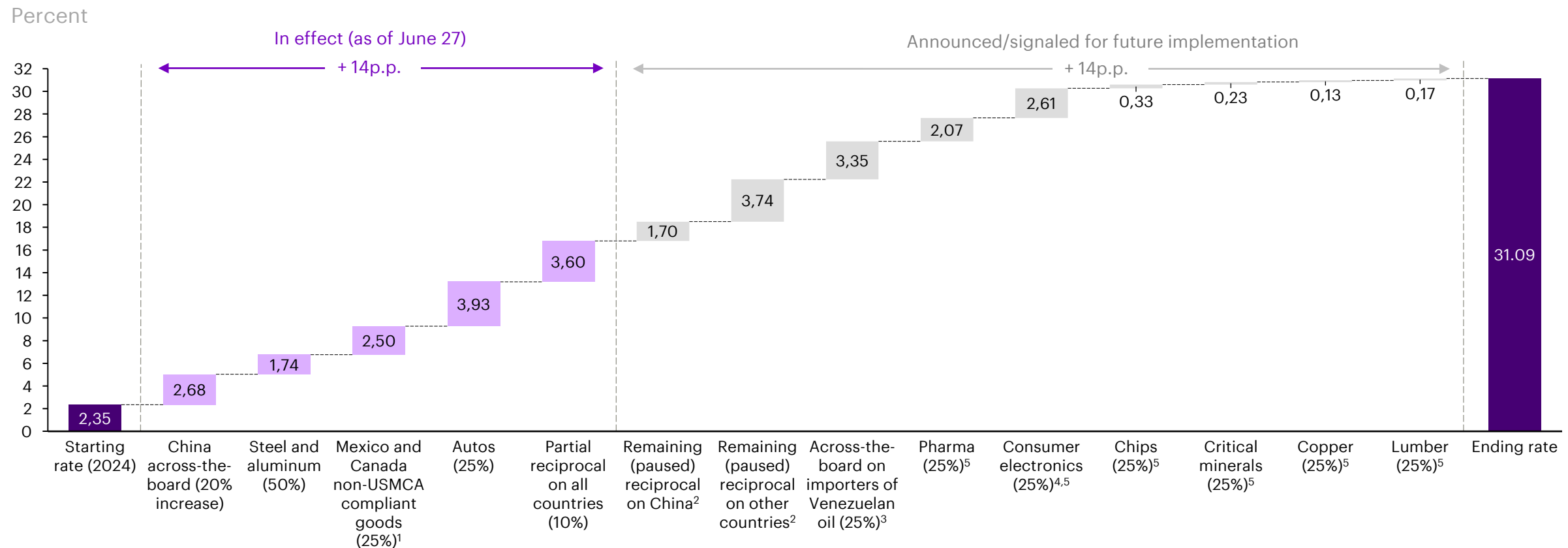


Even with the recent softening in tariff stance, the US' effective tariff rate has increased by 14 p.p., with an additional 14 p.p. still on the horizon

Scale and scope of announced tariff measures

AS OF JUNE 27

Estimated impact of announced measures on overall US effective tariff rate



Note(s): 1/ Except for imports of energy resources (including critical minerals) and potash from Canada, which are subject to a 10% tariff; 2/ Paused for implementation until August 14 for China, and July 8 for all other countries except the UK; 3/ Includes China and Cuba, who are expected to continue importing Venezuelan oil after April 2; 4/ Goods using processed critical minerals as inputs, including smartphones, computers, magnetic drives; 5/ Prospective tariff rates on the products have not yet been signaled but are expected to be in line with the 25% for other products facing Section 232 tariffs.

Source(s): USITC, Haver, Accenture Strategy analysis

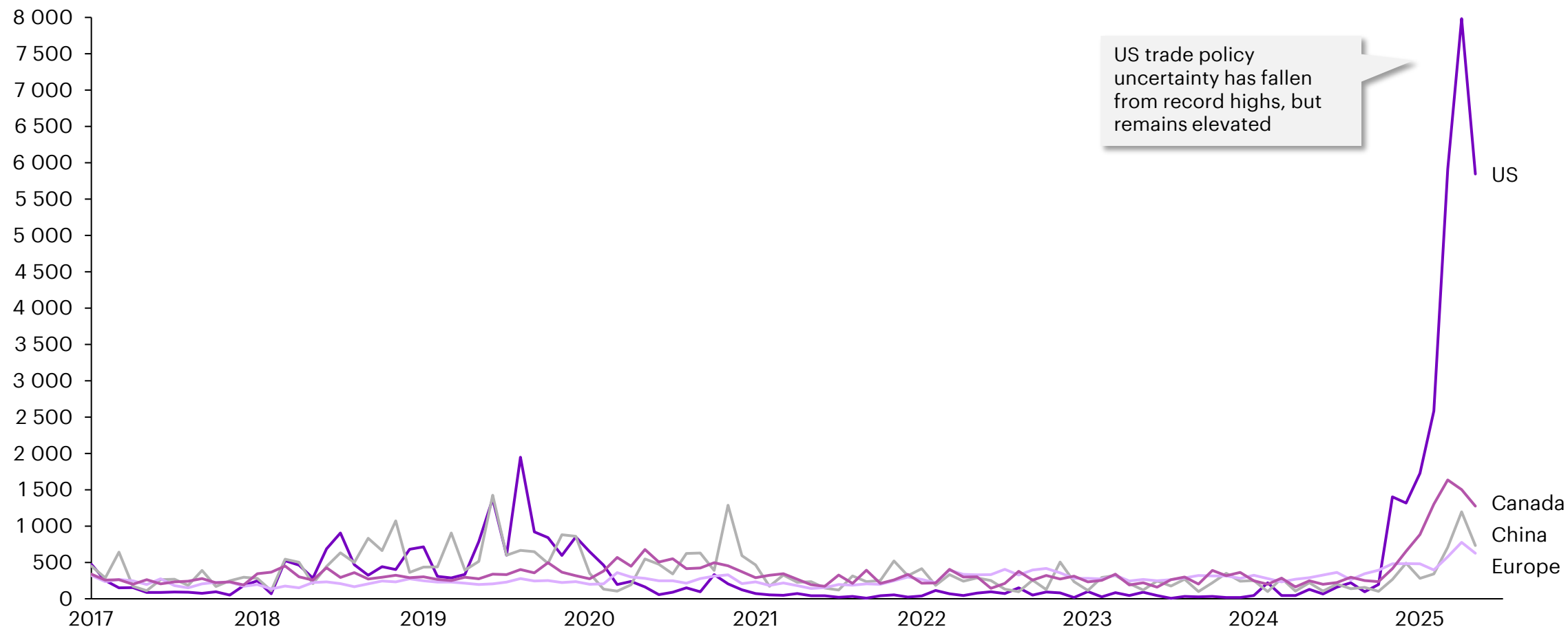
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Tariffs and trade policy tensions have driven economic uncertainty to unprecedented levels in, particularly in US where tariff policies remain most unpredictable

Elevated trade policy uncertainty

Trade policy uncertainty has skyrocketed in recent months but has fallen in the past month

Index, 1985=100

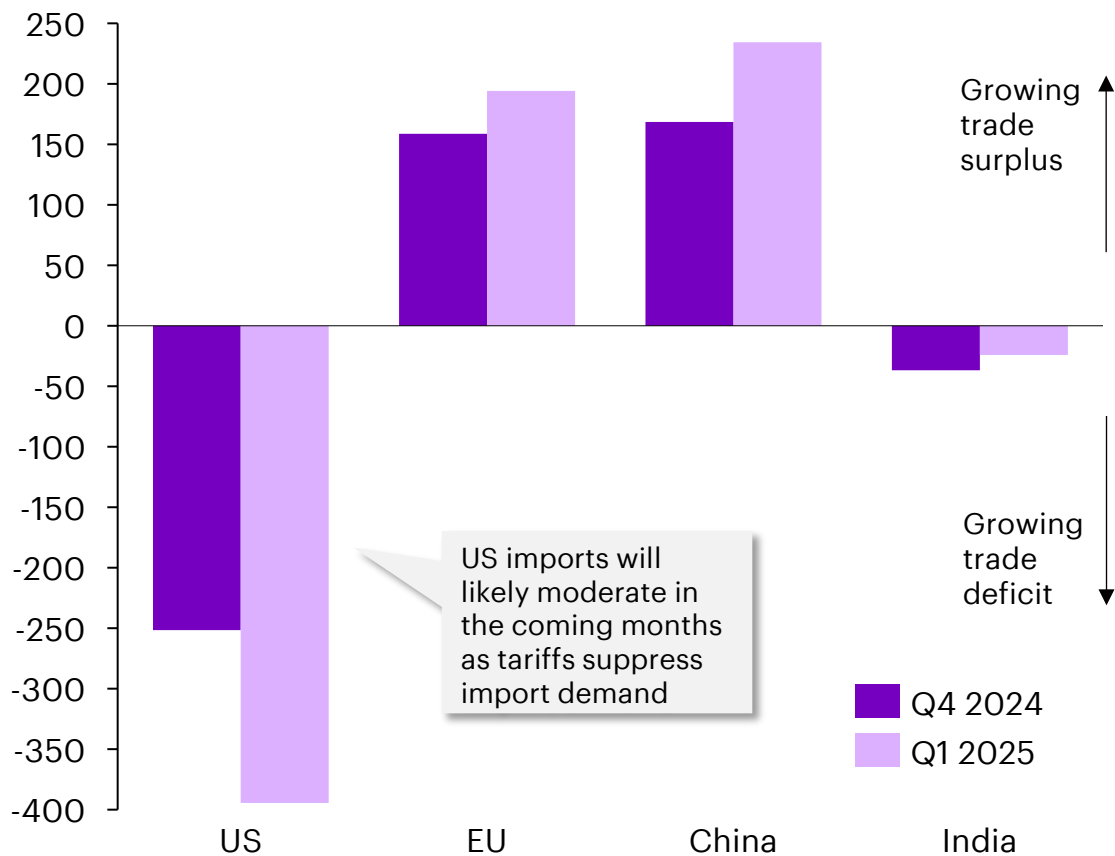


Tariff-related import frontloading in the US during the first few months of 2025 began to unwind sharply in April and May, suggesting the US trade deficit will narrow in Q2

Trade indicators

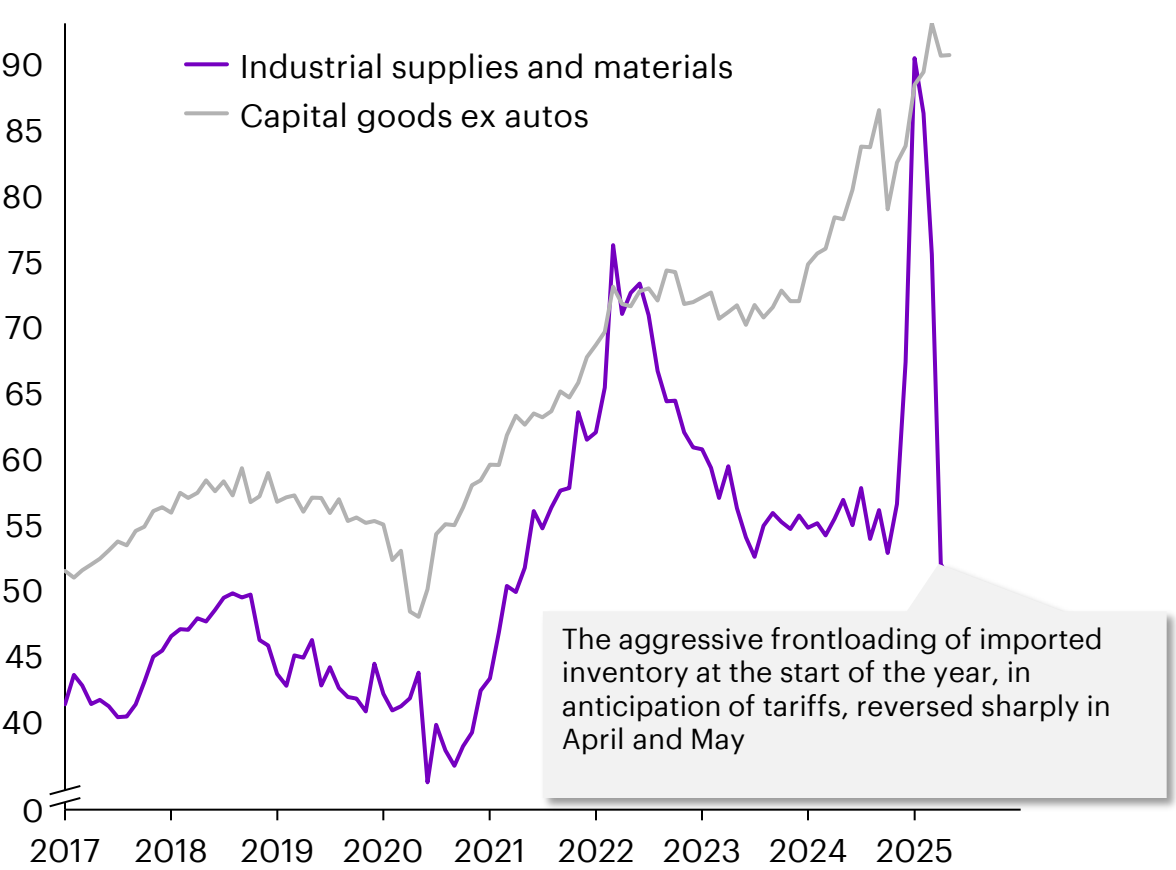
Net trade in goods and services

Exports minus imports (SA, USD billion)



US imports of industrial supplies and equipment

USD billions



Supply chains

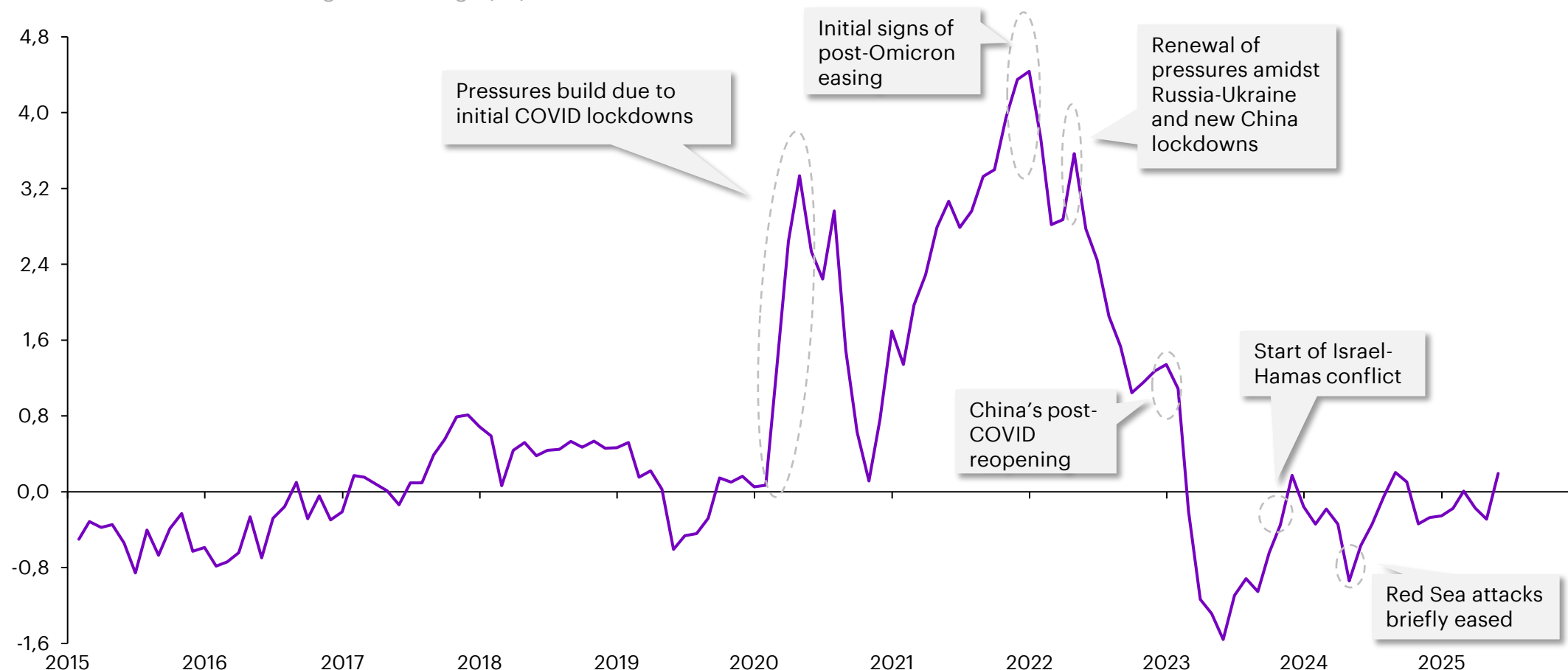


Supply chain pressures edged up in May, signaling re-emerging strains related to geopolitical uncertainty and escalating tensions in the Middle East

Supply chain pressures

Global Supply Chain Pressure Index

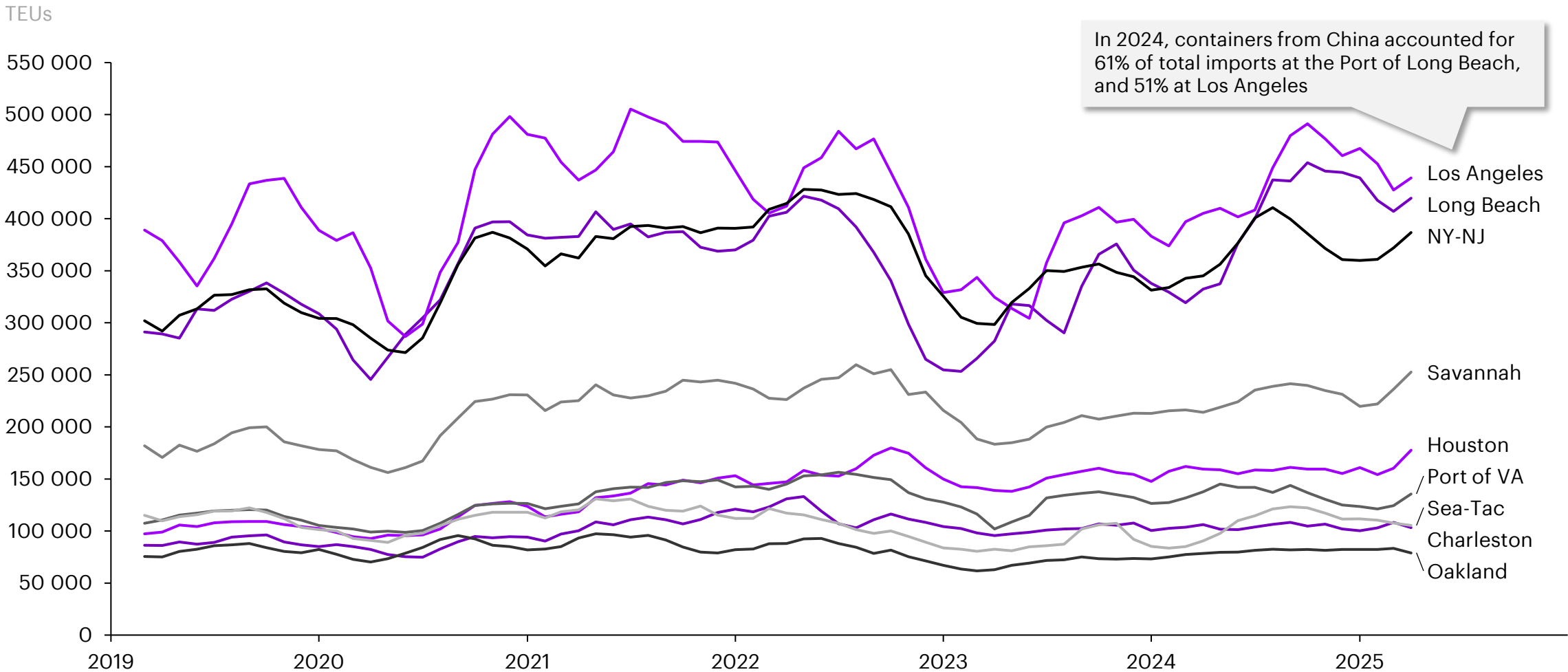
Standard deviations from long-term average (=0)



Seaborne container traffic at major US ports remained resilient in April, with West Coast ports seeing strong import volumes—driven largely by shipments from China

Seaborne container traffic in the US

Loaded import containers at select US ports



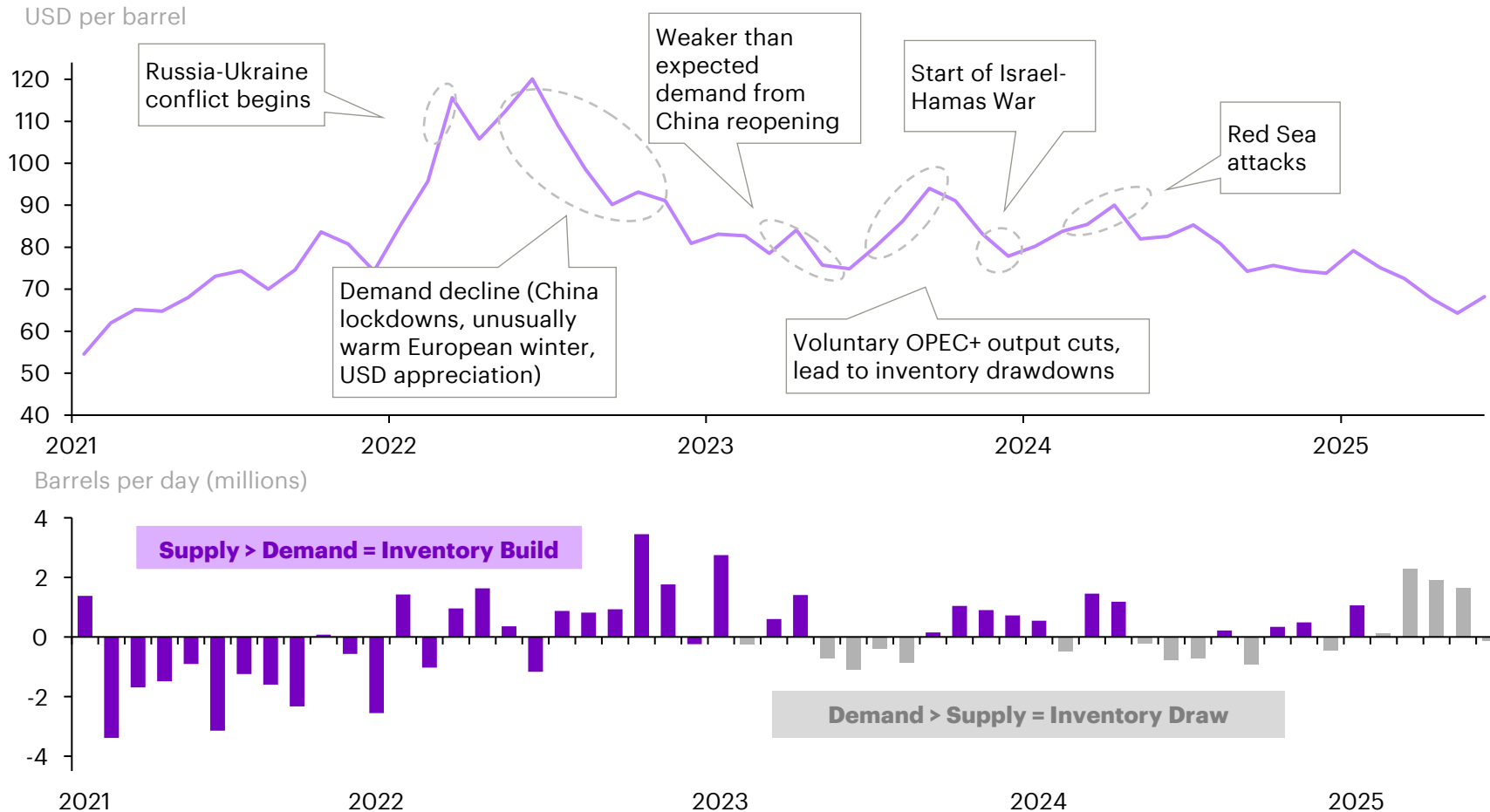
Energy and commodities



Oil prices fluctuated sharply in June amidst the Israel-Iran war, but inventory drawdowns and a ceasefire helped ease prices

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 prices showed increased fluctuation through June:
 - In early to mid June, oil prices surged to multi-month highs amid escalating conflict between Israel and Iran, with Brent crude futures reaching as high as \$79 per barrel
 - This spike was fueled by fears of supply disruptions, particularly from a potential closure of the Strait of Hormuz, a vital route for global oil trade
 - The announcement of a ceasefire agreement between Israel and Iran led to a sharp reversal in oil prices
 - By June 27, crude oil was trading near \$68 per barrel



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

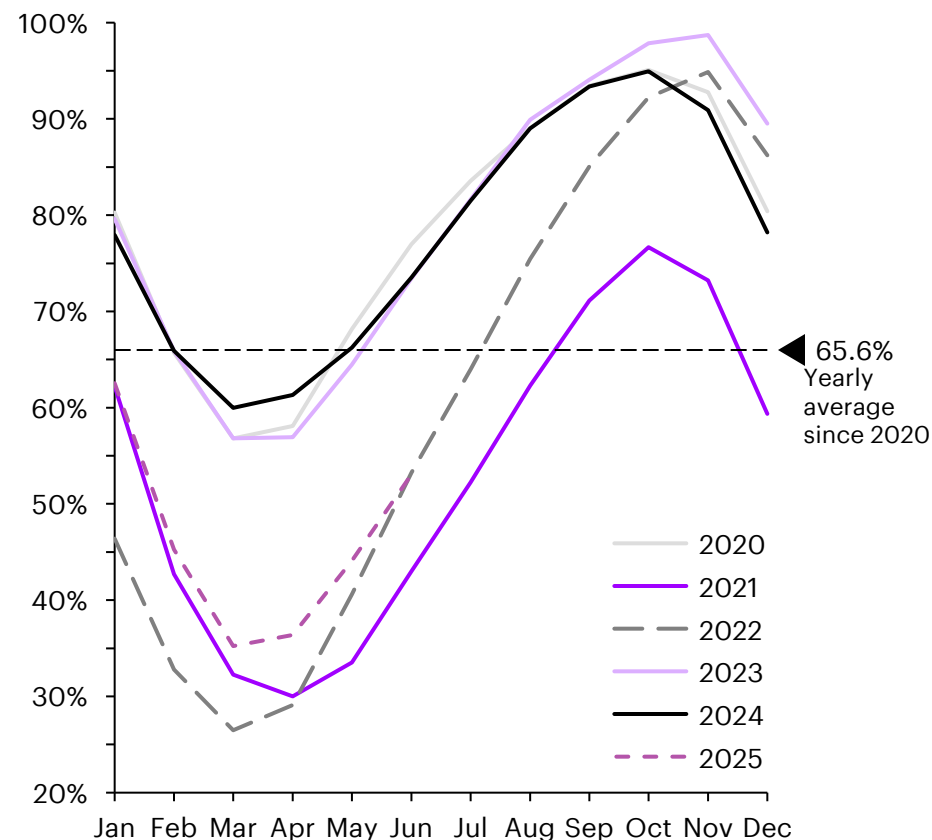
Sources: International Energy Agency, Reuters, Energy Information Agency, World Bank, Bloomberg, Haver Analytics, Accenture Strategy analysis

Below-average EU gas storage in mid-2025 is driving renewed gas price pressure, prompting regulatory flexibility to ease supply concerns ahead of winter

EU natural gas reserves and prices

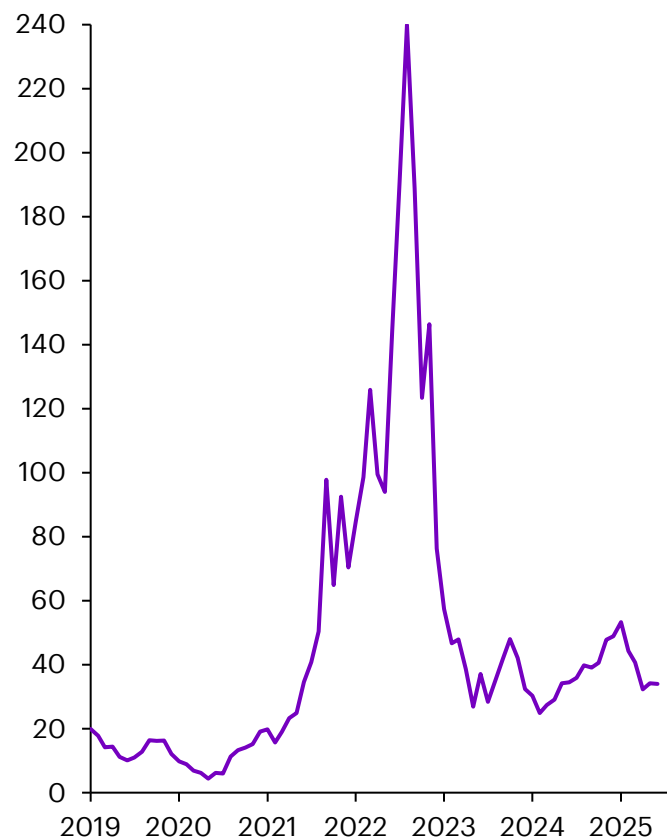
European gas reserves are below-average

% of storage capacity



...putting renewed upward pressure on prices

TTF Gas (EUR per megawatt-hour)



Commentary

- As of late June 2025, EU gas storage sites are filled to approximately 56–57% of capacity, equating to about 642 TWh of gas in stock
- This is significantly lower than the 74.8% fill rate recorded at the same time last year, reflecting a 25% year-on-year deficit in stored volumes
- In response to concerns that strict storage mandates were inflating prices, the EU has agreed to make gas storage rules more flexible
- Member states now have until December 1 (rather than the earlier October 1 deadline) to reach the 90% storage target, with up to a 10-percentage point deviation allowed in challenging market conditions
- This aims to reduce market pressure and avoid price spikes during the summer injection season

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

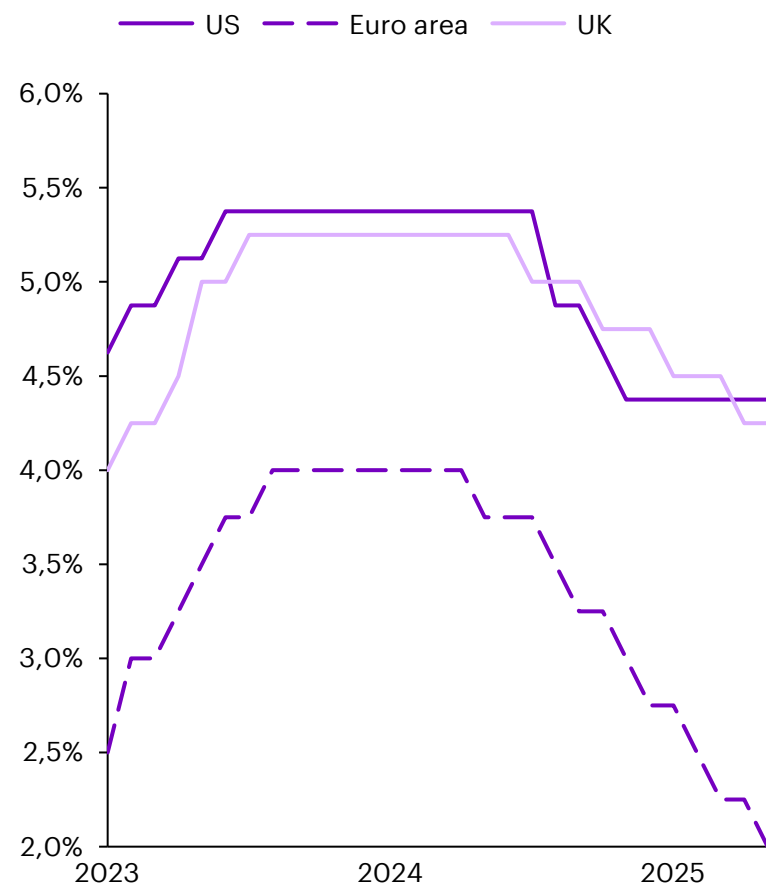
Financial markets



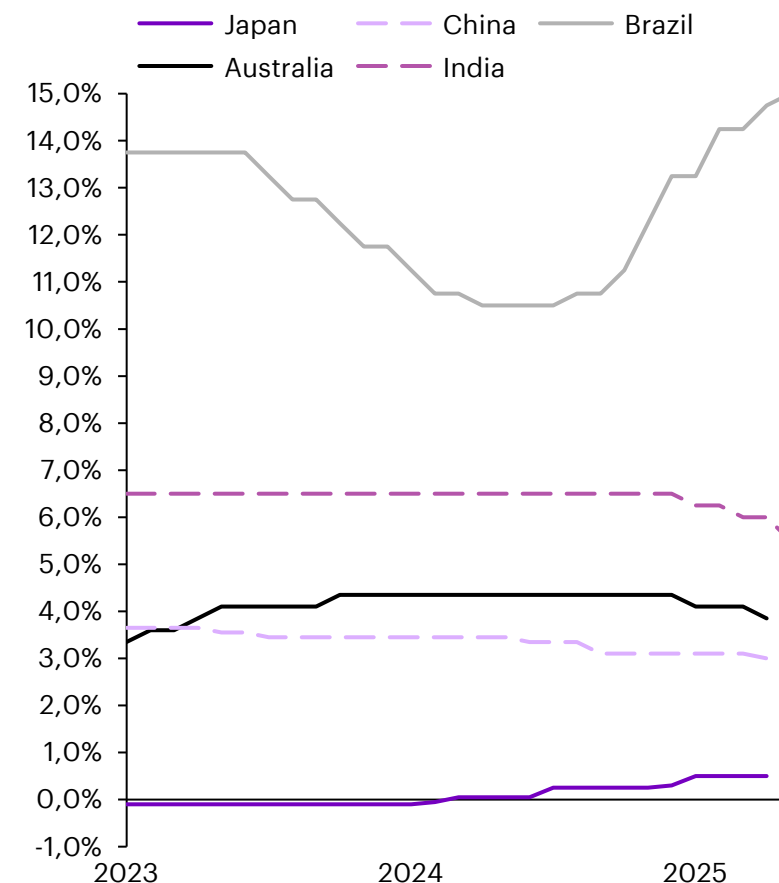
Global policy rates are beginning to diverge, with developed economies easing cautiously while emerging markets take more varied approaches

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



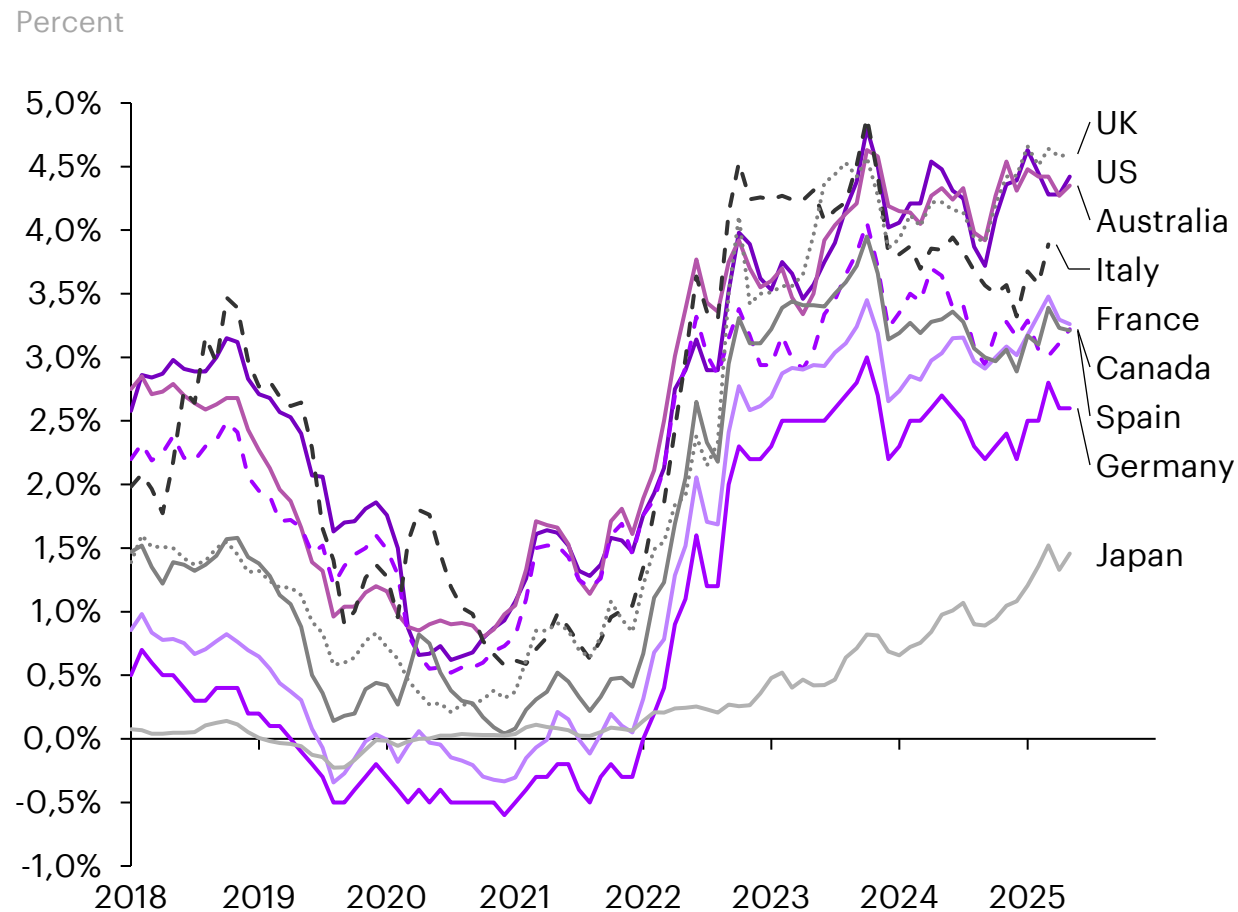
Commentary

- The Fed held rates steady at its June meeting, adopting a cautious wait-and-see stance amid economic and inflation uncertainties
- The Bank of England kept its policy rate unchanged in June, citing caution amidst persistent inflationary pressures and trade policy uncertainty, even as domestic growth weakens
- The ECB cut rates by 25 bps at its June meeting as Euro area inflation fell below target and growth remains subdued
- In May 2025, China implemented a ten-point monetary easing package, cutting key rates and reserve requirements to boost lending and support SMEs and tech firm; these steps are designed to inject liquidity, lower borrowing costs, and support innovation-driven growth amid global uncertainties and domestic restructuring challenges

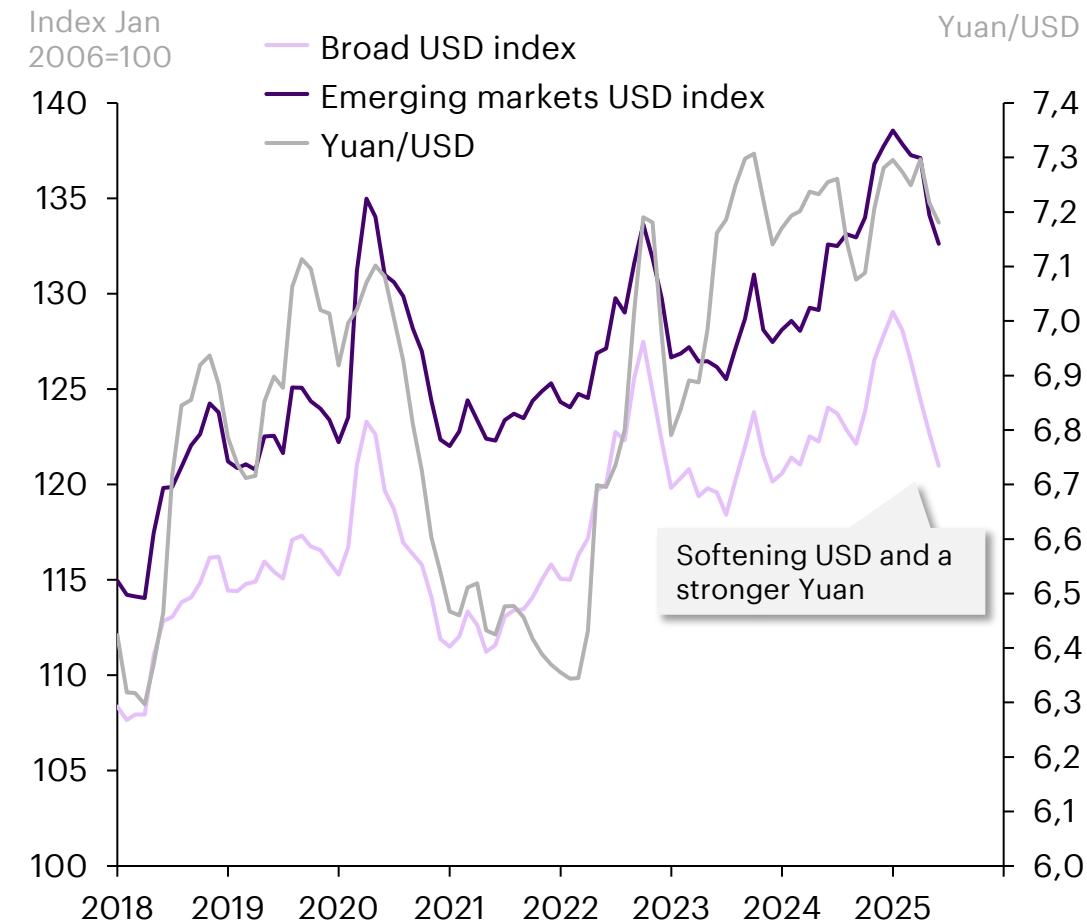
Long-term bond yields remain elevated across major economies, while the USD continues to weaken as the Chinese Yuan strengthens

Long-term yields and exchange rates

Evolution of 10-year government bond yields



Trade-weighted USD index and Yuan/USD



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Accenture Strategy's Macro Foresight capability is focused on helping companies and investors understand major macro shifts in the global economy and what they mean for corporate strategic planning, investment planning and enterprise-wide transformation – helping clients distill complex 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.

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