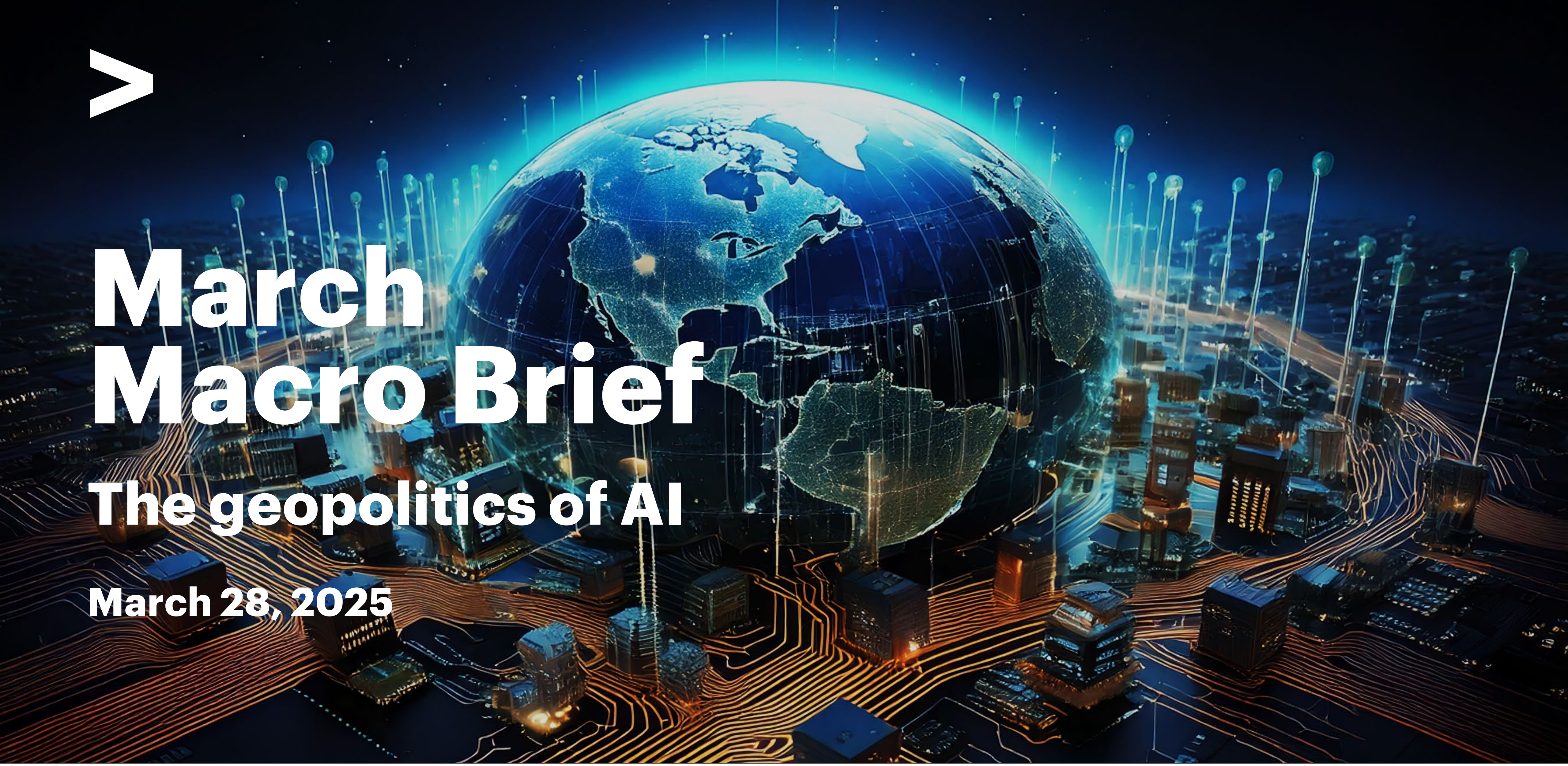

March Macro Brief

The geopolitics of AI

March 28, 2025

accenturestrategy

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 **March 26, 2025**.

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

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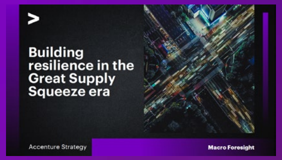

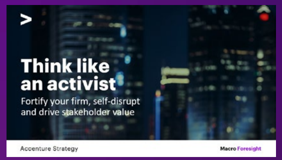

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Year-end 2024: The specter of tariffs

October: Energy supply pressures

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Contents

Executive Summary

March 2025

Executive Summary

Global themes

- **The escalation of the US trade war throughout March has rattled markets globally, cast doubts on US exceptionalism narratives, and reinforced key economic trends that have been unfolding over the past year—deceleration, divergence, and rising geopolitical and policy uncertainty:**
  - The US has seen a dramatic drop in consumer sentiment and spending intentions, deteriorating business confidence, and renewed inflationary pressures as tariff impacts begin to materialize
  - In Europe, economic activity remains soft but sentiment has benefitted from announcement of ReArm Plan and Germany's fiscal expansion
  - APAC is in flux as the region awaits further tariff impacts and continues to be weighed down by China's ongoing growth struggles
- **AI lies at the intersection of these economic shifts and the intensification of global geopolitical competition and fragmentation:**
  - **US-China rivalry:** both countries view global AI leadership as part of national strategic competitiveness and are enacting policies to build resilience across the supply chain, promote investment and innovation, and maintain an edge in the AI race
  - **Supply chain bottlenecks:** AI-related energy needs are straining US infrastructure, driving demand for expanded data centers, power grids, and critical minerals. However, much of the critical minerals supply chain (particularly refining) is controlled by China.
  - **Wider geoeconomic fragmentation:** isolationist policies and economic decoupling efforts by major powers risk fragmenting global technology supply chains, which may lead to reduced availability, rising costs, and delayed expansion of essential AI infrastructure.

Regional highlights

Americas

- In the **US,** AI investment initiatives aim to combat geopolitical risk by building domestic data centers to beat out foreign competition
- However, US reliance on China-controlled critical mineral supply chains threatens to constrain data center expansion and power grid supply chains if tensions escalate

Europe, Middle East and Africa

- In **Europe,** AI investment is increasing as new AI factories aim to create a robust ecosystem that is less concentrated in only the major markets
- **Saudi Arabia** is rapidly scaling data center capacity, leveraging its cheap energy, but US chip restrictions limit its role in high-end AI

Asia-Pacific

- Uneven resource access due to the US AI Diffusion Framework is reshaping the **APAC** AI landscape, pushing some nations toward domestic innovation and strategic policy shifts
- In **China,** VC and state-led investment in AI has grown notably despite tech sector crackdowns

Key considerations and priorities for clients

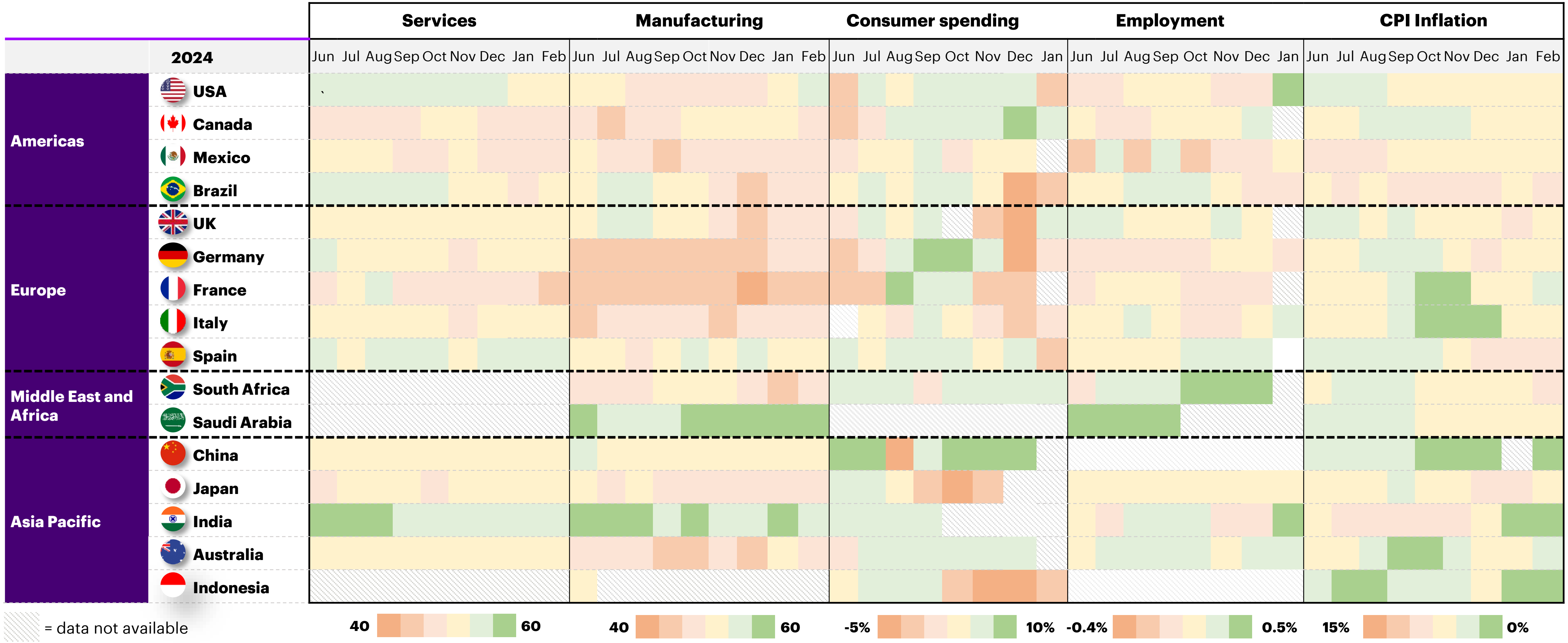
- **Companies must navigate the AI landscape with careful strategic planning as geopolitical uncertainty remains elevated.** Managing diverging policies and compliance risks may require strategic realignment, investment shifts, and supply chain adjustments.
- **As the AI ecosystem evolves, firms will need to build in optionality and adjust investments.** With AI hardware demand fluctuating, companies should build cash buffers to ensure operational flexibility, especially in long-lead-time industries like semiconductor manufacturing and data center construction.

Sources: Accenture Strategy analysis

Economic momentum continues to soften, with slowing services, still-weak manufacturing, and subdued consumer spending as uncertainty remains elevated

Country economic momentum snapshot

AS OF MARCH 26



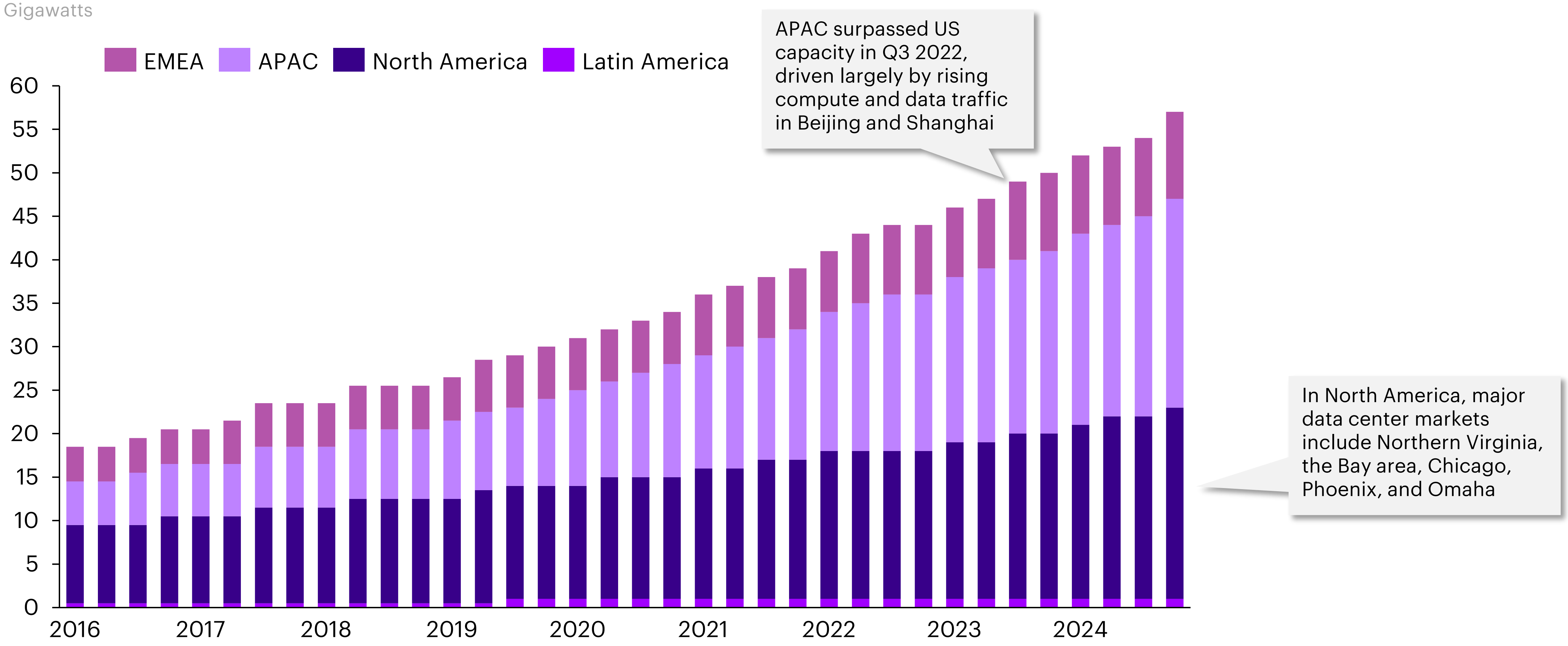
Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary “flash” figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services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

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

The global AI race is becoming increasingly intertwined with national strategic competitiveness as both public and private sectors rush to invest in AI infrastructure

Global AI infrastructure capex and capacity

Data center capacity by region



Sources: Goldman Sachs Research, Accenture Strategy Analysis

Global mineral dispersion is fostering sovereign AI initiatives and a restructuring of trade blocs, though China remains in control of refining

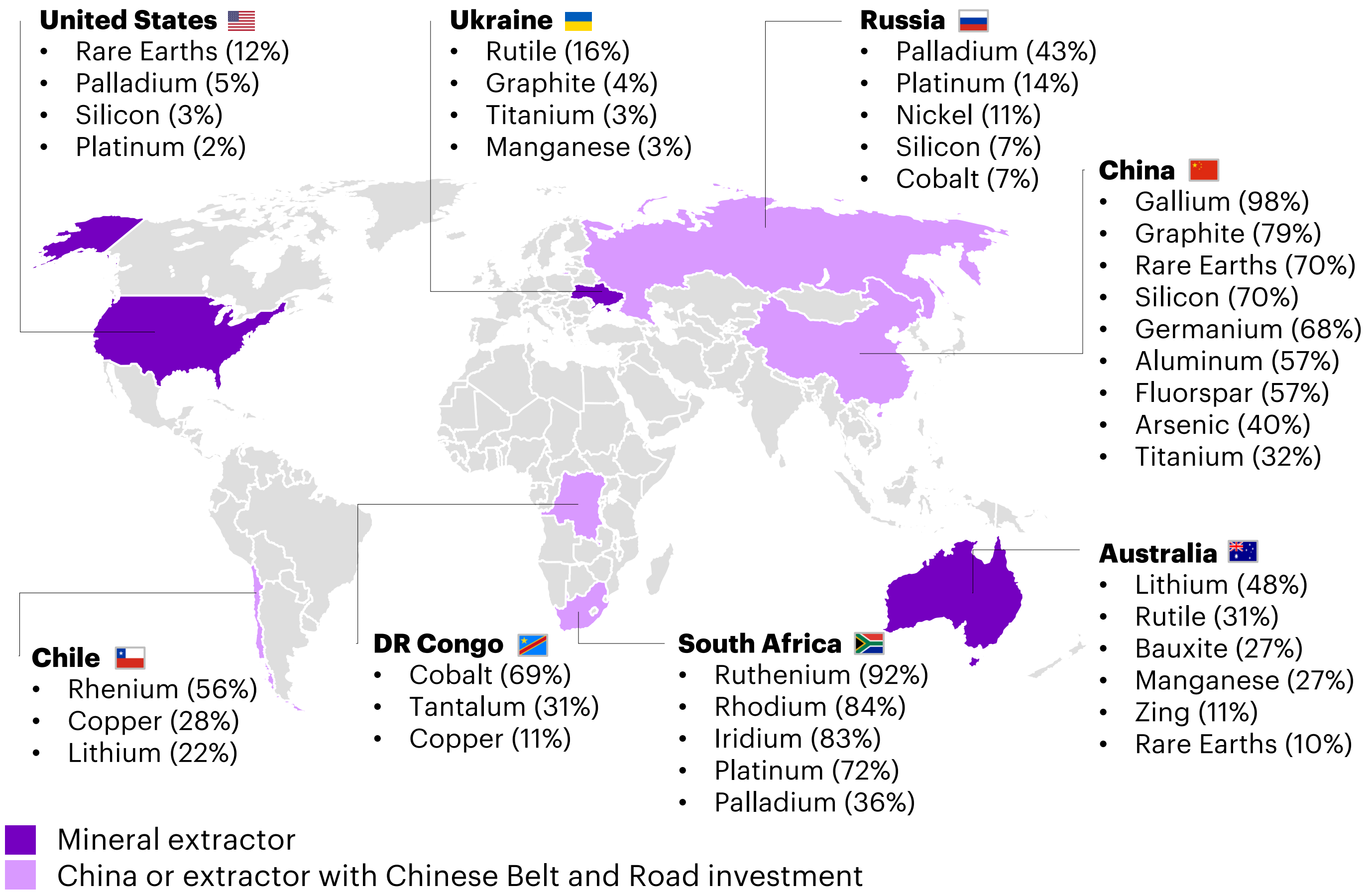
Sovereign AI agendas

How nations are positioning themselves in the global AI race

Region	Strategic priorities
US	• USD 500 billion public-private "Stargate" infrastructure investment • Incentivizing on-shore US chip manufacturing e.g., TSMC USD 100 billion plan investment
China	• Bank of China's USD 140 billion 5-year R&D investment plan • Policy framework driven by strategies like "Made in China 2025," Xi Jinping's "New Productive Forces" focus, and the "Next Generation AI Development Plan"
EU	• InvestAI initiative, where the European Commission aims to mobilize a total of EUR 200 for AI investments across Europe • R&D support through "Horizon Europe" and "Digital Europe"
Russia	• National Strategy for AI Development allocates USD 6.1 billion to leverage AI for military and economic modernization • Focus on deepening Sino-Russian tech partnership
Ukraine	• AI Development Concept allocates USD 100 million to AI for economic recovery, defense, cybersecurity applications • Focus on US minerals deal for access to capital, JVs, and continued military assistance

Critical minerals by country

Percent of global extraction, 2024



Sources: US Geological Survey, Accenture Strategy analysis

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

Latest near-term economic outlooks: Americas and Europe

		Key recent datapoints	Base case outlook	What to watch for
Americas 	US	• Real consumer spending declined in early 2025, dragged down by weaker spending on goods • Consumer confidence dropped sharply in March due to a weaker outlook on jobs and inflation • CPI inflation edged down slightly in Feb but remains elevated (headline at 2.8%, core at 3.1%)	• Expectations for moderate growth near-trend (~2%) as consumer spending softens • Supply-side cost pressures and tariff increases keep inflation above target at 3-4% while the Fed dials back the pace of rate cuts	• A downshift in consumer spending due to depleted savings, cost of living pressures, and elevated rates • US policy volatility as it relates to trade/tariffs, immigration, and fiscal
	Canada	• Headline CPI jumped to 2.6% in Feb from 1.9% in Jan, while core CPI increased to 2.9% • The Bank of Canada cut rates by 25bp due to US tariff risks and the risk to inflation	• Escalating tensions with the US and structural issues will challenge growth, including cost-of-living, weak productivity, weak business investment, and housing undersupply	• US tariff threats materializing could weigh on growth • The upcoming federal election will have material implications for policy
	Brazil	• Inflation rose to 5.1% YoY in Feb, with the central bank signaling further tightening ahead • Real retail sales declined in March for the third month in a row as confidence remains subdued	• Likely growth deceleration in 2025 amidst resurgent inflation and interest rate hikes • Possibility of a record agricultural harvest could provide an offsetting tailwind to growth	• Brazilian Real depreciation alongside higher inflation and interest rate hikes • Global trade conflict could weigh on commodity exports
Europe 	UK	• Headline CPI moderated in Feb to 2.8% YoY while core CPI fell to 3.5% • The manufacturing PMI dropped in March to 44.6, its lowest level in nearly two years	• Growth remains the top priority for government policy but the outlook is challenging • Business investment could remain weak given upcoming tax increases	• The BoE's policy path is complicated by sticky inflation and sluggish growth • The impact of budget tax measures on business confidence and public investment
	Germany	• CPI held steady at 2.3% YoY in Feb, as falling energy prices offset higher food & service costs • €500bn spending plan triggered sharpest jump in 10Y Bund yields since `90s, up 40bps to ~2.8%	• 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	• New government formation, stimulus details, ECB signals, and April's US tariff risks with EU retaliation measures will be key for sentiment and investment
	France	• CPI in Feb fell to 0.8%, dropping below the 1% mark for the first time since Feb 2021 • Economic activity remains in contraction, with the composite PMI at 47 in March	• Economic recovery is expected to be gradual, with tighter fiscal policy and global uncertainty dampening investment	• US tariffs may hurt exports, confidence, and investment, while rising interest rates, driven by Germany's fiscal policy, could curb investment

Sources: Accenture Strategy analysis

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

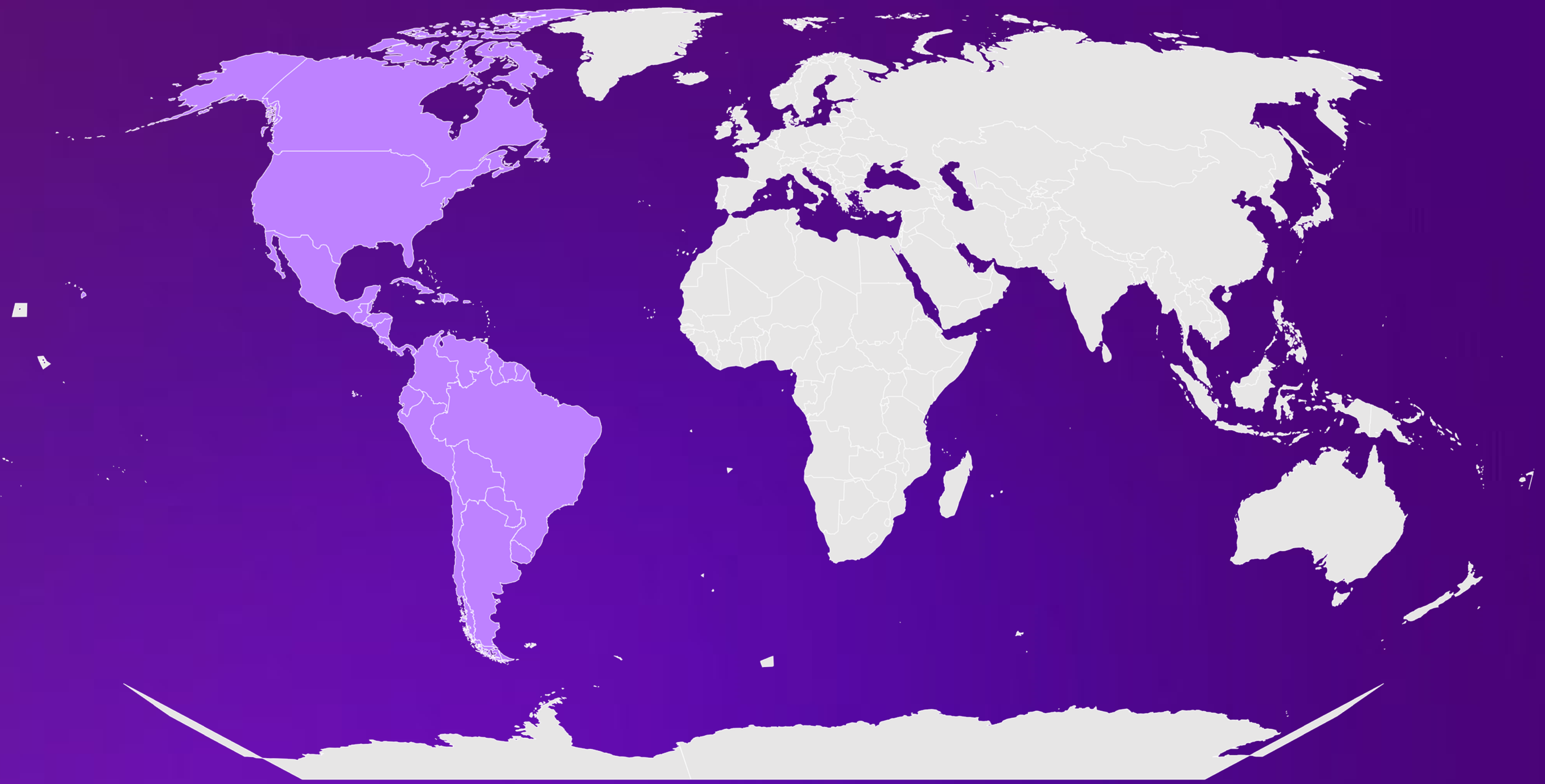
Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific	China	• CPI slipped back into deflationary territory in Feb (-0.7% YoY) for first time since early 2024 • The PBoC left policy rates unchanged again in March in an attempt to stem further depreciation of the yuan	• Growth decelerates modestly (to 4-5%) as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts • Subdued consumer confidence and ongoing precautionary savings limiting domestic demand	• Additional policy stimulus could be announced if growth undershoots targets • Retaliatory policies in response to US tariff imposition
	Japan	• Core inflation fell to 3.0% in Feb (vs. 3.2% in Jan), while headline inflation eased from 4% to 3.7% • The BoJ kept rates unchanged at 0.5% as it awaits potential US tariffs in April, though rate hikes are likely in the coming months	• 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	• Degree of moderation in tourism and auto export growth, especially given the recent yen volatility • Growing optimism from business and consumers on domestic spending, supported by real wage growth
	India	• Inflation fell to 3.6% in Feb, the lowest in seven months and below the RBI’s 4% target, suggesting additional rate cuts on the horizon • India’s PMI remains healthy, with the composite index holding above 58 in March	• Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment • India should remain one of the fastest-growing major economies, propelled by favorable demographics and “friendshoring” FDI	• Resilience in domestic demand despite global headwinds and slowing growth • Extent of policy response if US tariffs reignite domestic inflationary pressure • Signs of manufacturers or other companies shifting supply chains
	Australia	• Manufacturing activity accelerated in March, with PMI rising to 52.6 (highest since Sept 2022) • Headline CPI fell to 2.4% in Feb, while core CPI fell to 2.7%, holding within the RBA’s target range	• Growth is likely to remain subdued, owing to Australia’s export exposure to a China slowdown and ongoing pressures on consumers, though sentiment may improve as the central bank enters a rate cutting cycle	• Degree to which the labor market loosens and reduces pressure on prices • Extent of imported inflation as the Australian dollar continues to weaken
	Indonesia	• Bank Indonesia kept rates unchanged in March but signaled plans for currency stabilization • Manufacturing activity continued to strengthen, with the PMI hitting its highest level in 12 months	• Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures • Headwinds remain from slowing external demand and geopolitical tensions	• Further monetary policy easing in 2025 as inflation stabilizes • Reallocation of government spending, including cuts to existing projects

Sources: Accenture Strategy analysis

Spotlight developments

Americas



US-China competition for strategic technology has intensified during the past two US administrations, with risks of potential further escalation on the horizon

US-China AI competition

Trump administration | Biden administration | Trump administration

US

2014

June 2014
China releases the Guidelines to Promote National Integrated Circuit Industry Development with the **objective of establishing itself across the semiconductor value chain** by 2030.

2017

September 2020
Trump issues Executive Order 13953, stating that **U.S. dependence on China for critical minerals constitutes a national security threat**.

2021

February 2021
Biden issues Executive Order 14017, launching a **100-day review of vulnerabilities in key U.S. supply chains**.

August 2022
The **CHIPS** and Science Act is signed.

October 2022
The U.S. Department of Commerce's Bureau of Industry and Security imposes **trade restrictions to cap China's access to advanced semiconductors**.

March 2023
China spearheads a technology initiative led by Huawei and SMIC that **produces new 7-nanometer chips** for the Mate60.

July 2023
China announces restrictions on the export of gallium and germanium on national security grounds.

October 2023
The United States tightens restrictions on semiconductor exports to China.

October 2023
China **expands export restrictions to include graphite**, used in semiconductors and EVs.

May 2024
The U.S. Department of Commerce revokes export licenses allowing companies to sell chips to Huawei.

December 2024
China's imports of lithography machines increase by 450%.

2025

Potential risks on the horizon

- **Tariffs**
- **Sanctions and additions to the Entity List**
- **Inbound and outbound investment restrictions**
- **Export restrictions on critical technologies and minerals**
- **Volatility and uncertainty; impacts inflation, rates, and capex outlays**
- **Potential conflict**

China

PRC

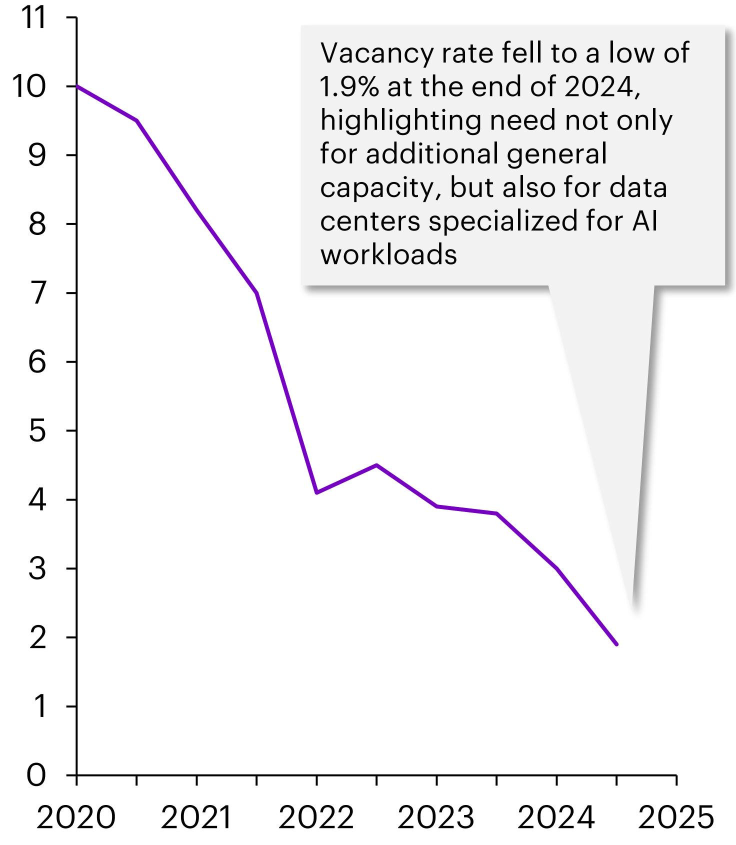
Sources: CSIS, Accenture Strategy analysis

Data center capacity in US is strained and will require domestic expansion in addition to strategic cooperation with geopolitically-aligned partners to maintain edge in AI

US data center capacity and expansion plans

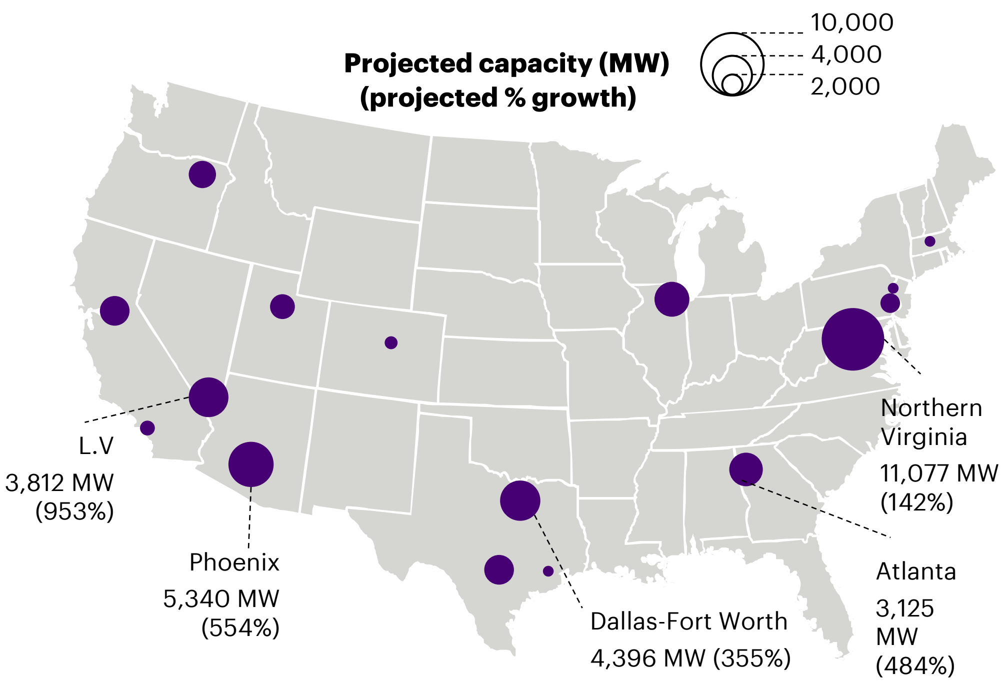
US data center vacancy rate

%



Projected US data center cluster capacity by 2030

Includes existing, in-construction and planned inventory



Implications for corporates

- Businesses should anticipate further investment in domestic AI infrastructure, creating direct opportunities for companies involved in cloud computing, semiconductor manufacturing, and AI-driven services
- As planned inventory comes online, US data center capacity will more than double (2.3x) by 2030, delivering widespread gains for key industries locally and nationally
- Utilities companies will need to carefully balance this near-term expansion with long-term sustainability to ensure that they don't overinvest in infrastructure that may be underutilized if AI demand declines

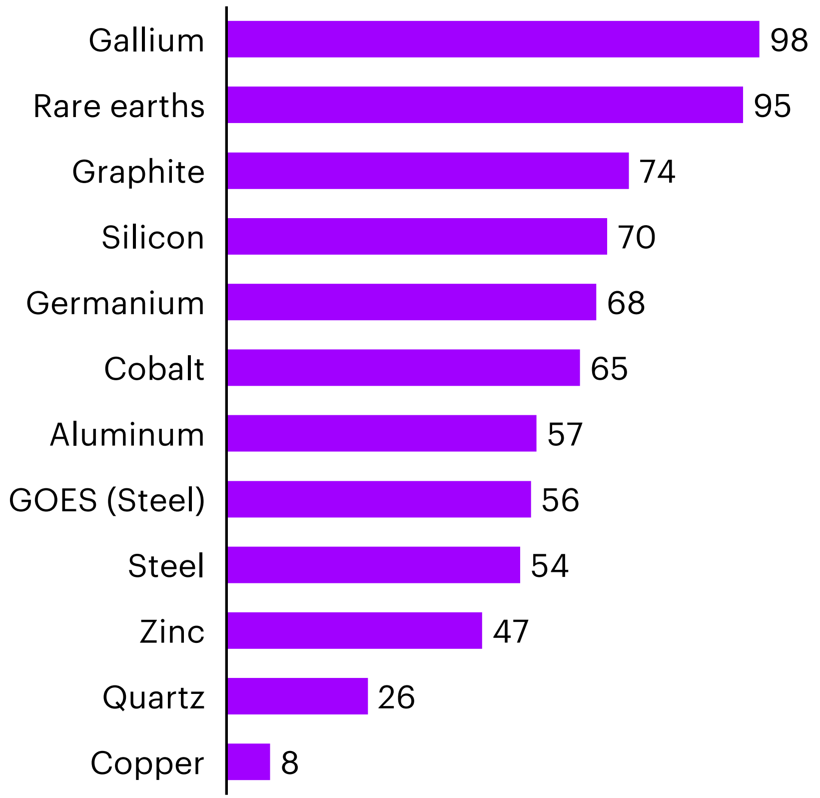
Sources: CBRE, EIA, Accenture Strategy Analysis

However, US reliance on China-controlled critical mineral supply chains threatens to constrain data center expansion and power grid supply chains if tensions escalate

Critical mineral dependence on China and industry exposure

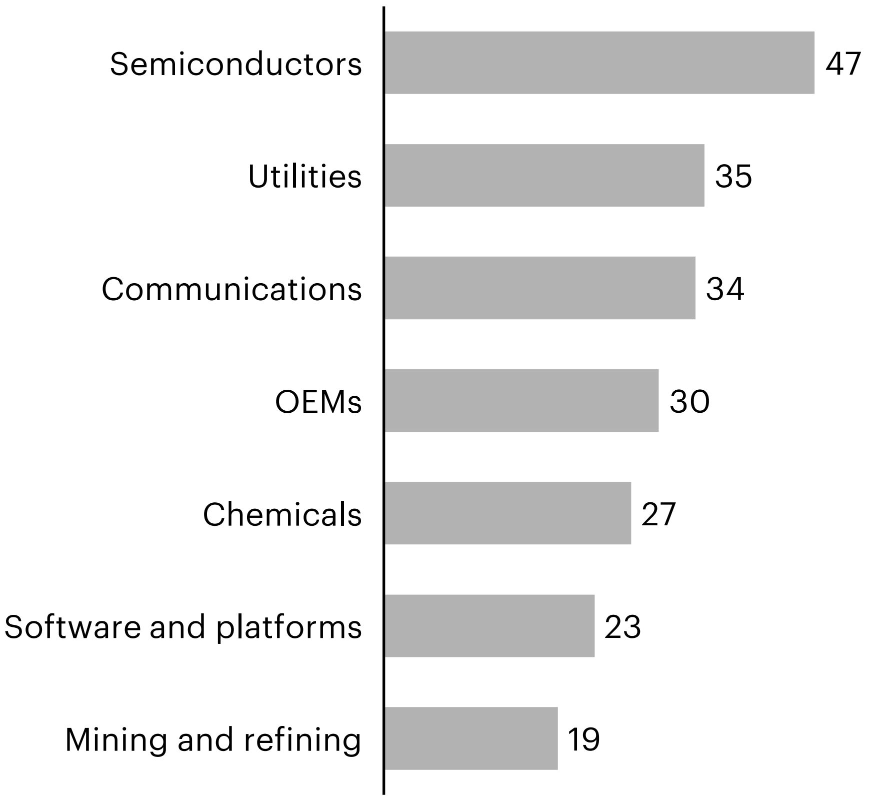
Exposed materials for data centers and utilities

% of total global refining controlled by China



US industry exposure

China share of foreign intermediate inputs, % of total

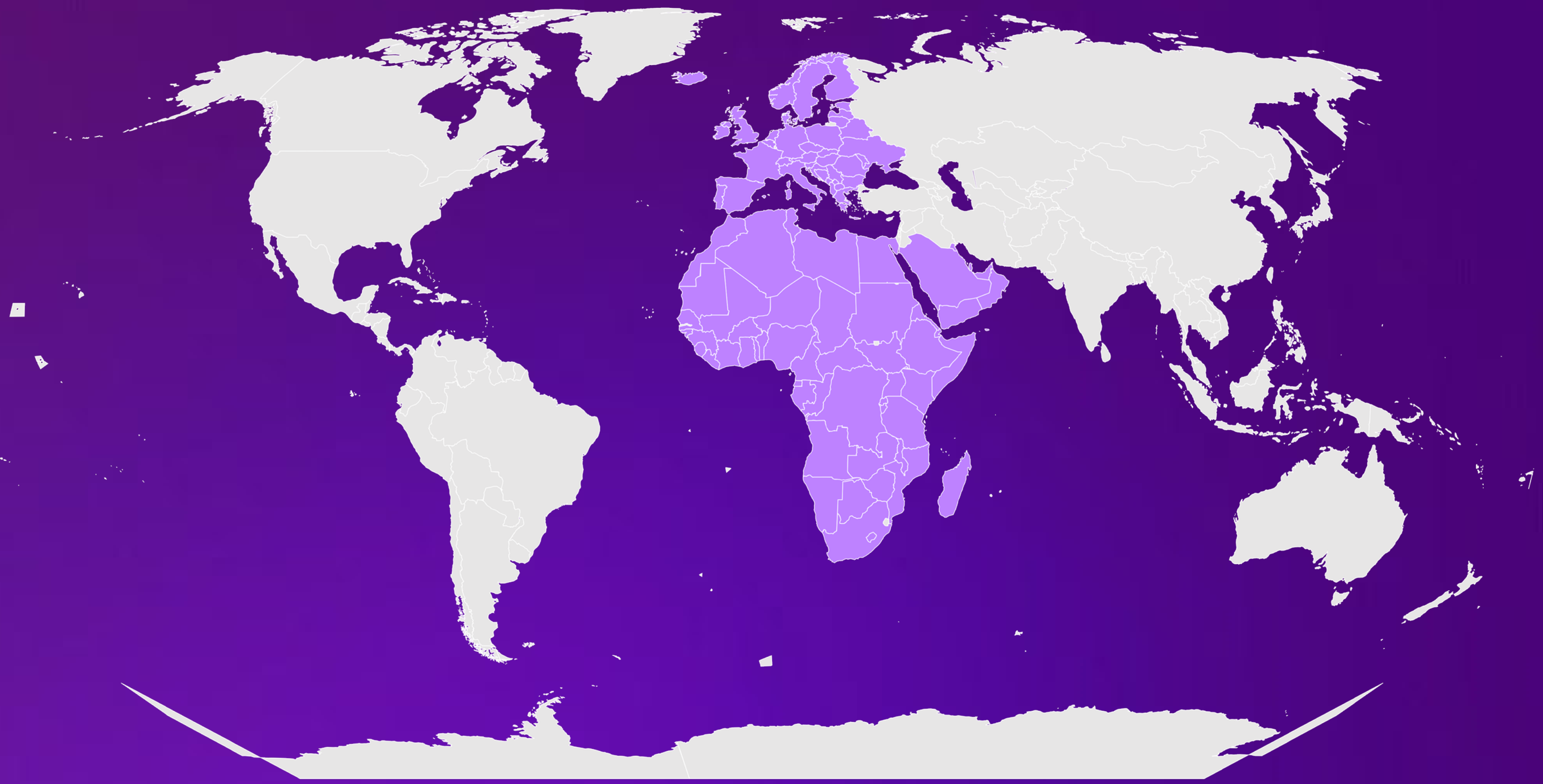


Implications for corporates

- With a focus on reducing reliance on foreign AI infrastructure, businesses may need to reassess supply chains and data dependencies
- Firms should evaluate the resilience of their AI operations and consider partnerships that align with national security interests, with opportunities to diversify energy imports and invest in emerging solutions like small modular reactors
- There is significant need for utilities to reassess dependency given that many upstream materials and parts still come from Asia, with limited substitutes
- President Trump's Executive Order on increasing American mineral production will help expand extraction but does not solve the issue of refining being primarily controlled by China

Sources: USGS, Brookings, Bank of England, ERMA, RHG, Accenture Strategy Analysis

Europe, Middle East and Africa

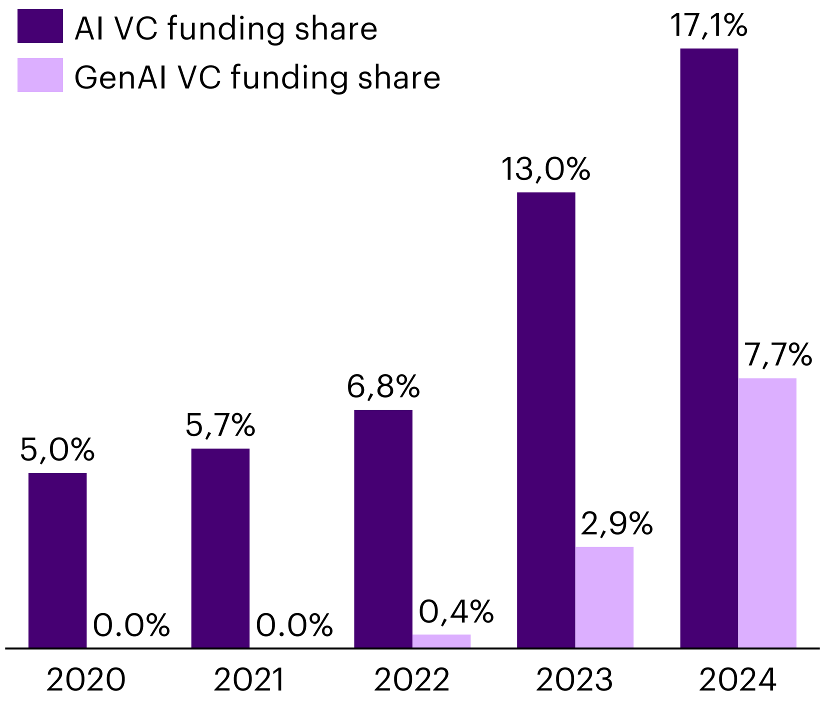


AI investment is increasing across Europe as new AI factories aim to create a robust AI ecosystem that is less concentrated in only the major markets

Europe AI VC funding

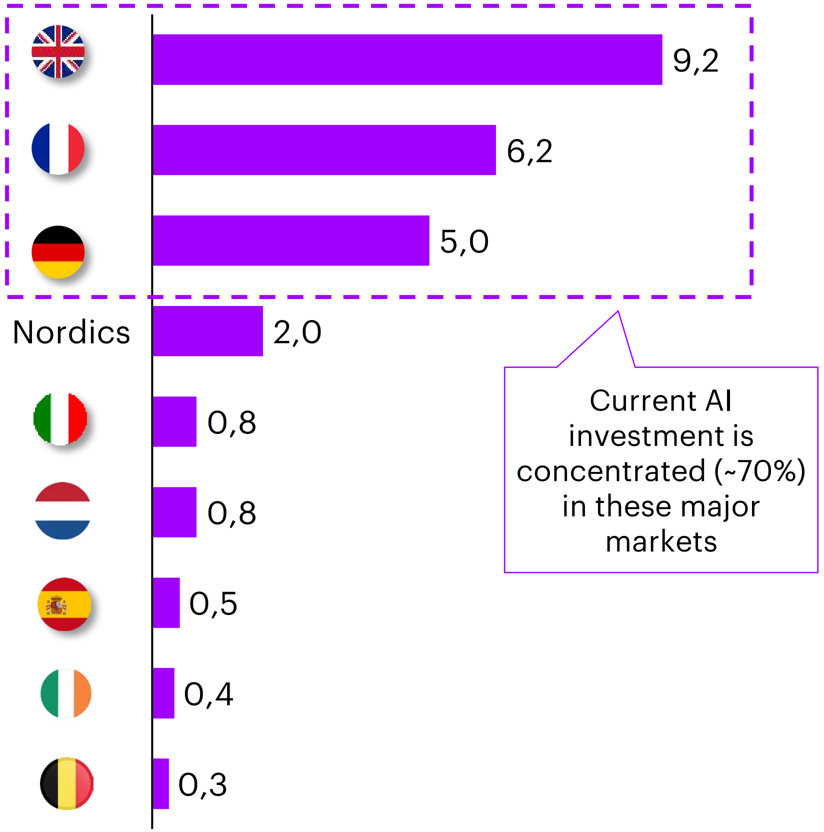
AI share of total VC funding is rising in Europe…

% of total VC investment



… but varies significantly across countries

USD billion, 2020- 2024



Implications for corporates

- The demand for AI expertise is soaring, making it essential to attract, retain, or upskill employees in AI-related fields
- Outside of these top AI hubs, businesses may struggle to access AI expertise, funding, and cutting-edge innovations
- Planned AI factories have been announced in recent months, spanning across the region and bringing attention to smaller markets such as Austria, Bulgaria, Poland, Slovenia, and Greece

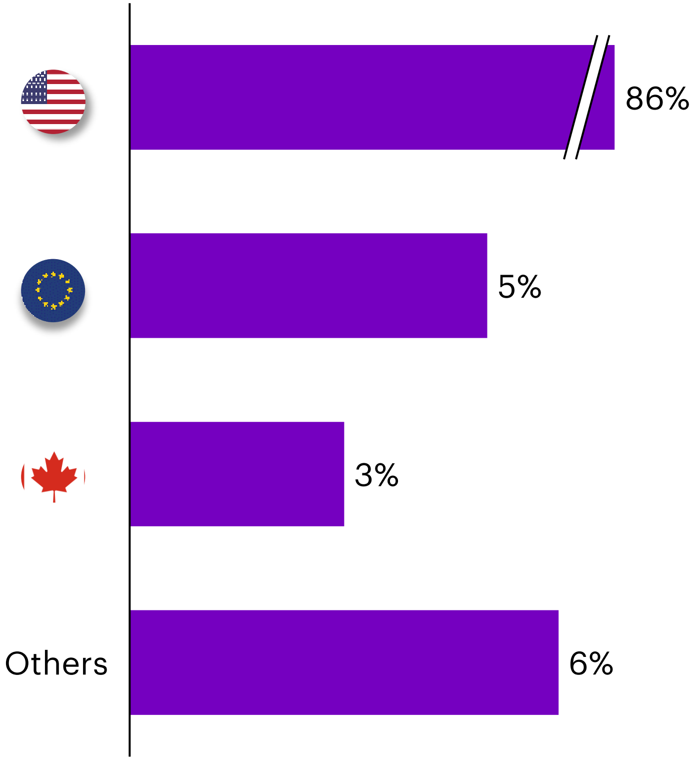
Notes 1) Nordics include Sweden, Norway, Denmark Finland and Iceland
Sources: Pitchbook, Dealroom, Revaia Analysis, Accenture Strategy analysis

However, the EU continues to struggle in elevating its global AI market position compared to the US, while also facing significant supply chain vulnerabilities

EU AI challenges

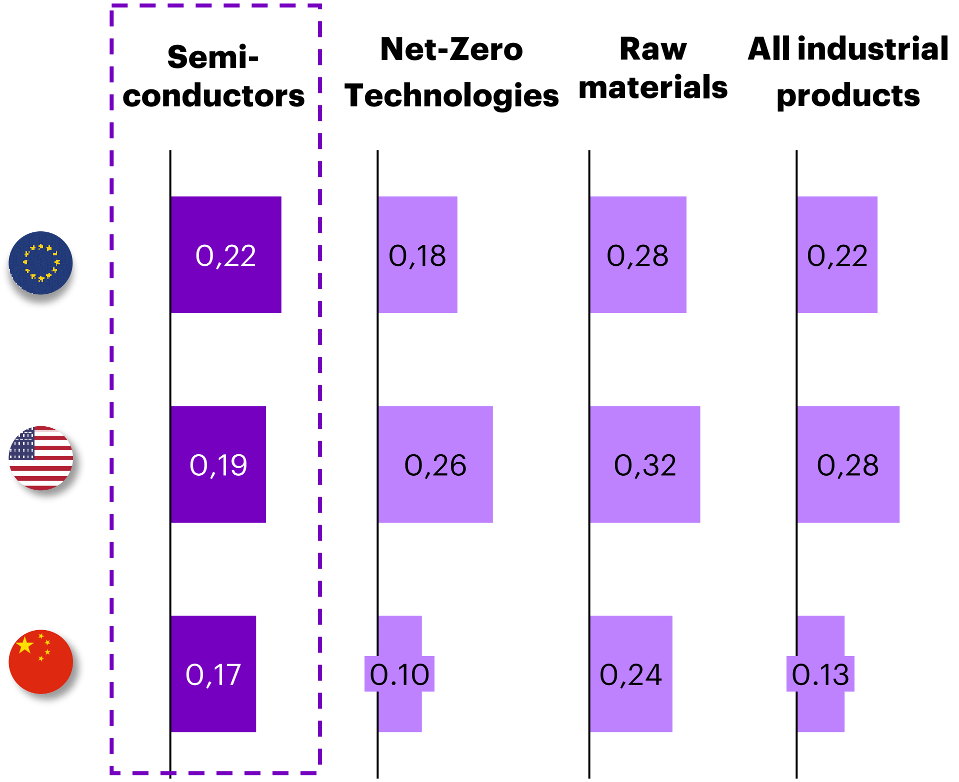
European firms lag substantially behind US competitiors in GenAI development…

Market share of LLM models, 2024



…while the EU is also particularly vulnerable in semiconductor supply chains

External Vulnerability Index[1] (EXVI) across strategic supply chains



Implications for corporates

- There is a lack of a functioning and deep European Capital Market Union (CMU), hindering cross-border investment particularly in tech/AI
- Recent announcements of various AI projects (e.g., Macron's €109 bn AI investment plan) could help mobilize private capital, partially offsetting the challenges
- Potential US tariffs on semiconductors (e.g., TSMC chips made outside of the US) could further weaken Europe's position in the semiconductor value chain as companies are forced to increase manufacturing in the US

Notes 1) EXVI evaluates the vulnerability of products, sectors, and economies within the global trade system, analysing trade dependencies and competitive positions, and quantifying economic exposure to external shocks. It draws on highly granular data (HS6 product codes) and is anchored on a simple scoring system that ranges from 0 (lowest vulnerability) to 1 (highest vulnerability)

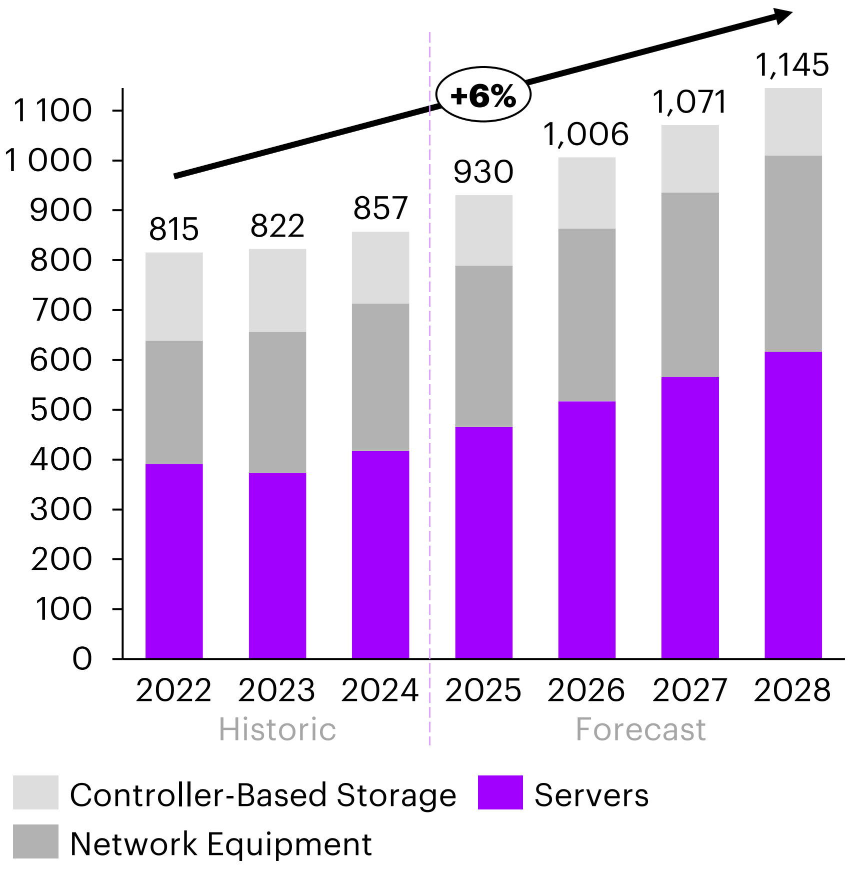
Sources: The European Commission; Accenture Strategy analysis

Saudi Arabia is rapidly scaling data center capacity on cheap energy, but US chip restrictions limit its role in high-end AI and might drive deeper alignment with Eastern tech ecosystems

Data center build-out in KSA

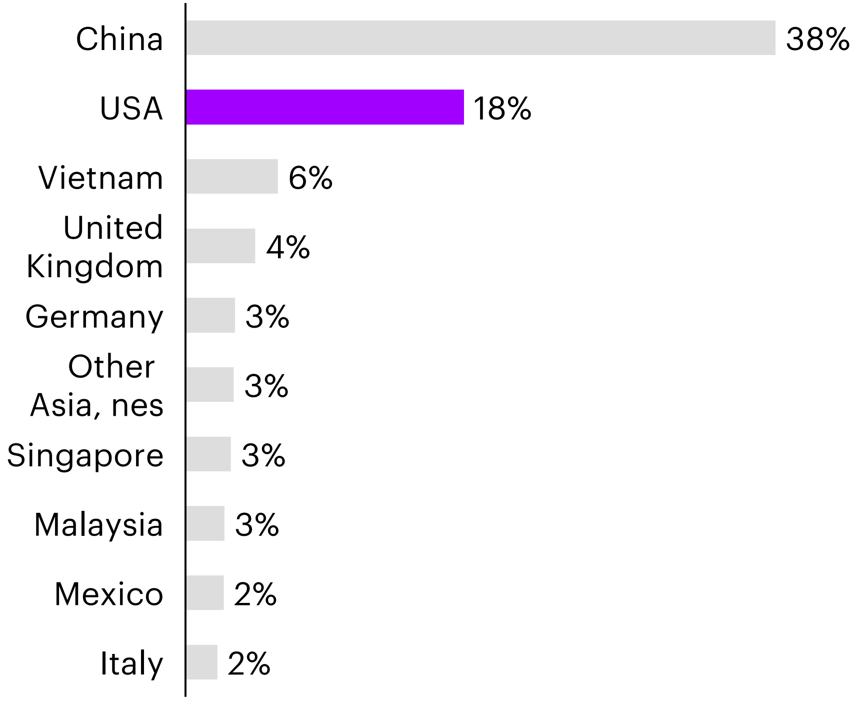
Investment on data centers in KSA

USD millions, 2024



KSA`s top import origins of chips and servers

Percent of total, 2023

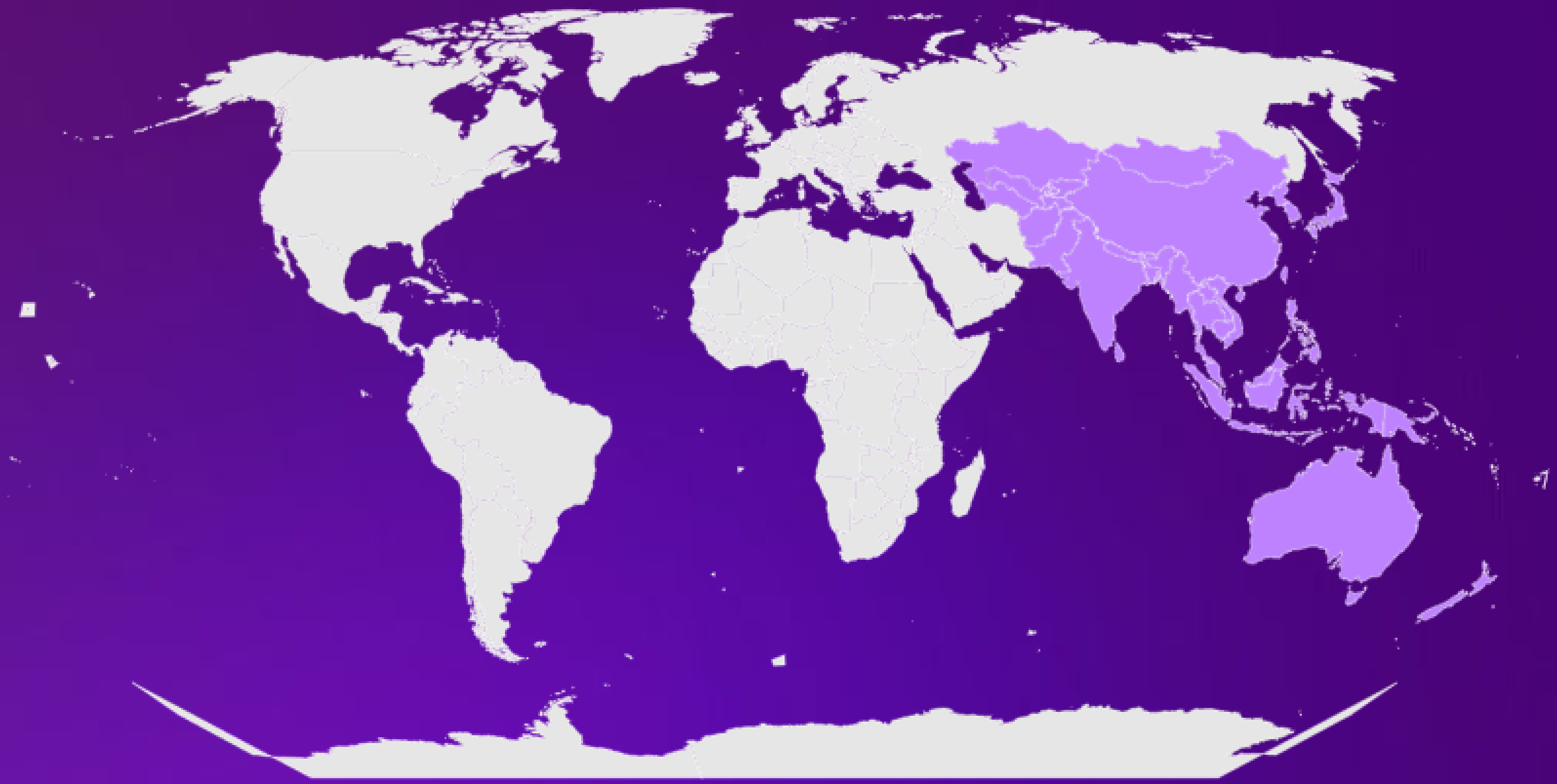


Implications for corporates

- Saudi Arabia leads MENA in enterprise and large-scale data centers and annual investment, but still trails US, EU, and APAC on a per capita basis
- GCC's Tier 2 status under US AI diffusion rule restricts access to advanced chips, so despite low energy costs and rising data center investment, competitiveness in high-end Data and AI industry remains constrained
- Corporates must assess whether to align with Tier 2-compliant use cases, invest in the US to maintain import access, or deepen ties with alternative ecosystems (e.g., China) to bypass restrictions

Sources: UN Comtrade, Gartner, Accenture Strategy analysis

Asia Pacific

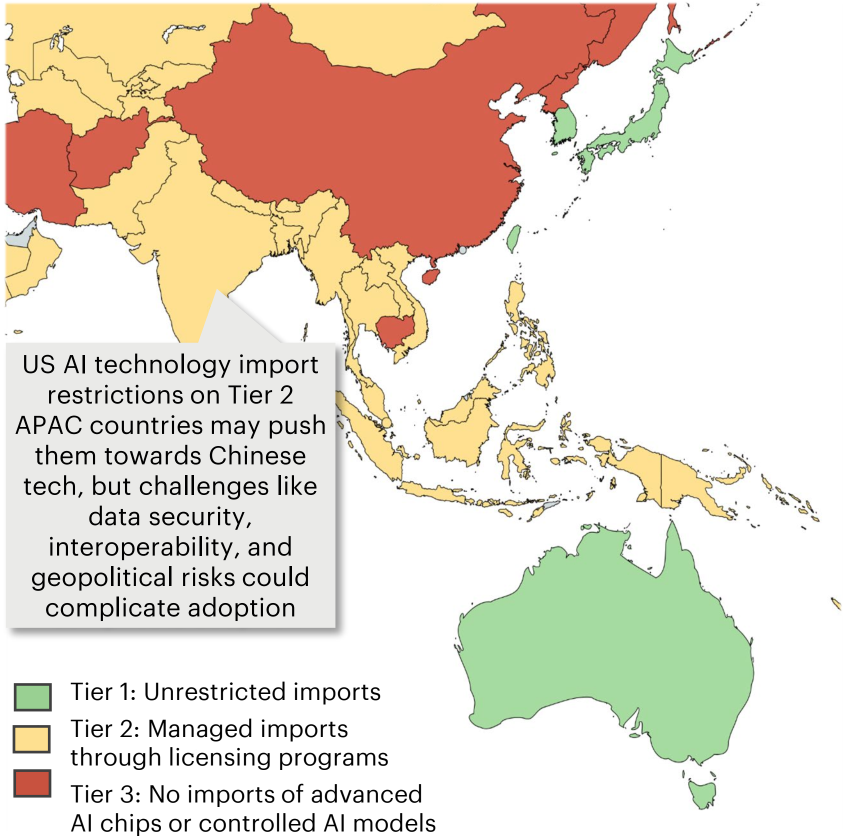


Uneven resource access due to the US AI Diffusion Framework is reshaping the APAC AI landscape, pushing some nations toward domestic innovation & strategic policy shifts

APAC AI readiness and risks

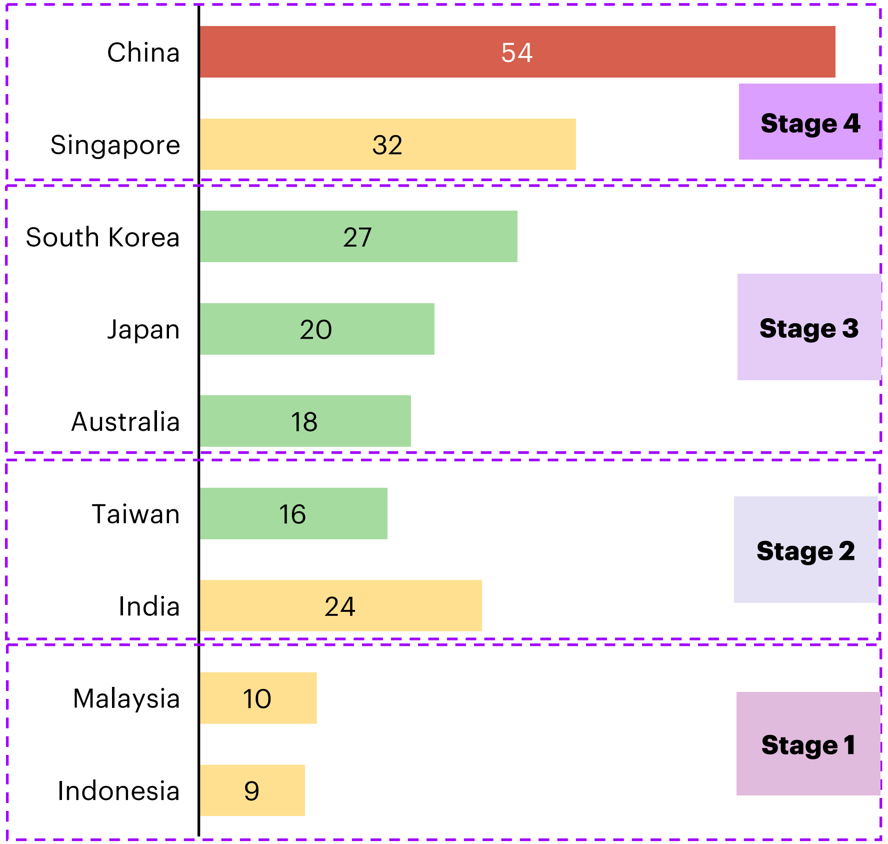
AI Diffusion Framework Tiers in APAC

US AI Diffusion Framework



APAC AI Readiness Snapshot

AI Scores out of 100 and AI Maturity Stage[1]



Implications for corporates

- Tier 1 nations like Japan and Australia, with unrestricted access to advanced AI chips and models, are well-positioned to drive sustained AI innovation and integration across industries
- Tier 2 'explorers' such as India and Indonesia may face challenges in accessing cutting-edge AI technologies, potentially impacting their AI advancements
- Restrictions can incentivize Tier 2 and 3 nations to invest in domestic technology
  - India has ramped up investments in its semiconductor industry to reduce reliance on U.S. chips, while China (Tier 3) is advancing localized AI models such as DeepSeek

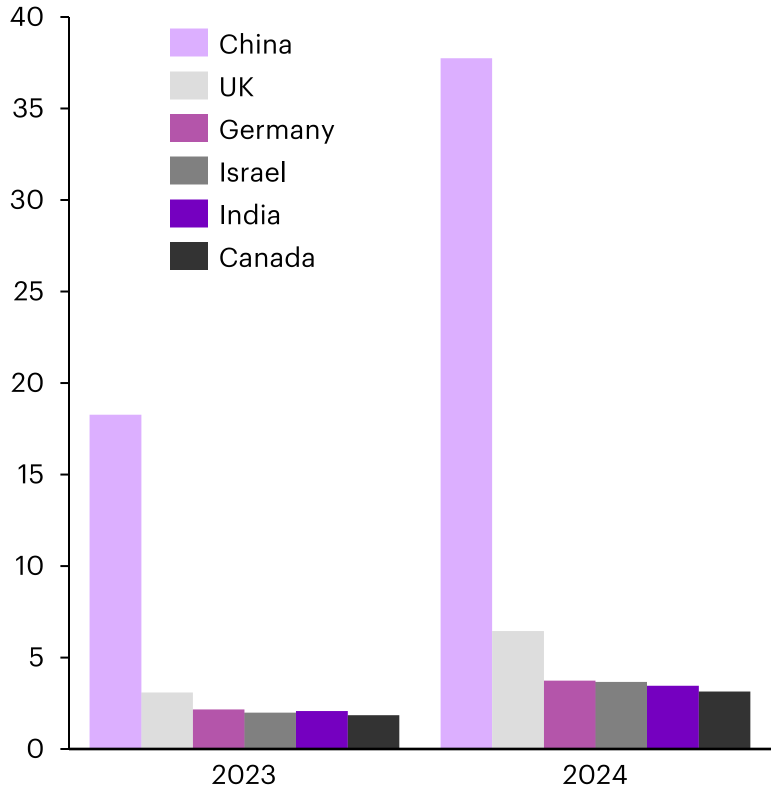
Notes: 1) Stage 1 (explorer) – early-stage adoption; Stage 2 (practitioner) – tactical adoption and some successful use cases; Stage 3 (innovator) – structured AI initiatives with strong infrastructure and strategy; Stage 4 (leader) – advanced adoption with data-driven culture
Source: Rand, Tortoise Global AI Index , IDC APAC AI Maturity Study 2024

Chinese VC and state-led investment in AI has grown notably, despite tech sector crackdowns, and have produced significant outcomes comparable with the US

State led AI investment and performance comparison of DeepSeek

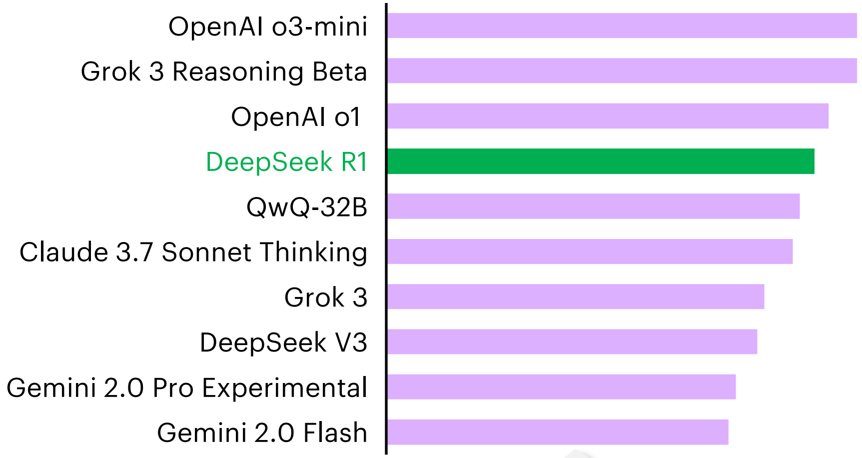
VC investments in China on a steady rise

Overall VC investments in AI (USD billion)



Performance Comparison of AI Models

Artificial Analysis Intelligence Index



In terms of developer pricing, DeepSeek-R1 ranked 8th globally, while OpenAI's GPT-4.5 and o1 emerged as the highest-cost models

Chinese AI models are rapidly catching up with Western competitors in performance while driving a price war by keeping costs significantly lower

Implications for corporates

- China's AI push could challenge global AI leadership, increasing the need for corporate strategies and compliance with rapidly changing IP regulations
- MNCs operating in China will face pressure to adopt and develop AI-driven solutions to maintain their competitiveness against local Chinese companies
- For Chinese tech companies, rising demand for AI products creates growth opportunities, but comes with risks of regulatory constraints on foreign AI service providers and IP theft
- Manufacturing companies are likely to have more opportunities to modernize and automate operations, and optimize production and supply chain with AI solutions

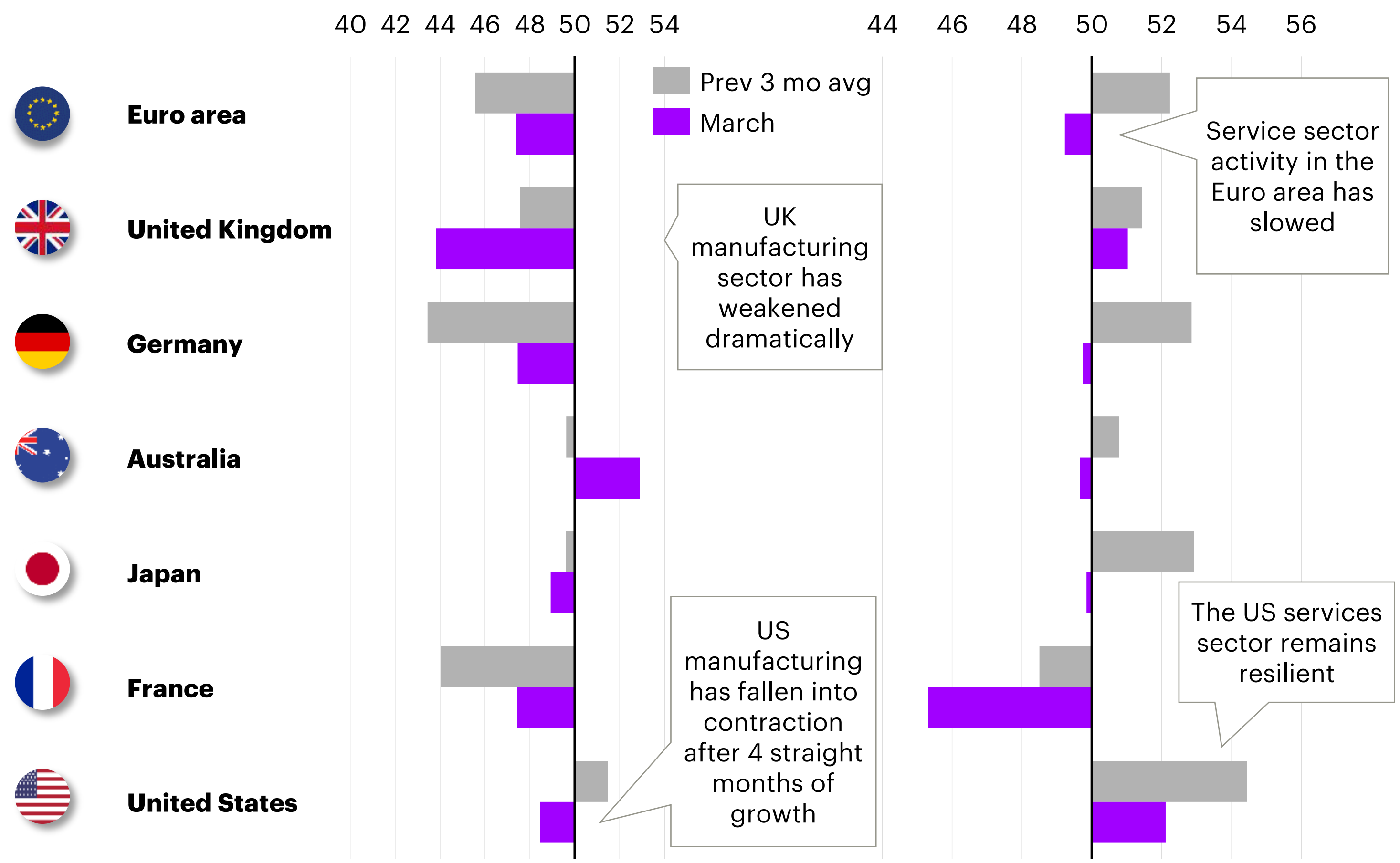
Notes: The Intelligence Index measures performance across seven key areas, including reasoning, knowledge, mathematics, and coding
Sources: Artificial Analysis, AIPRM, Accenture Strategy analysis

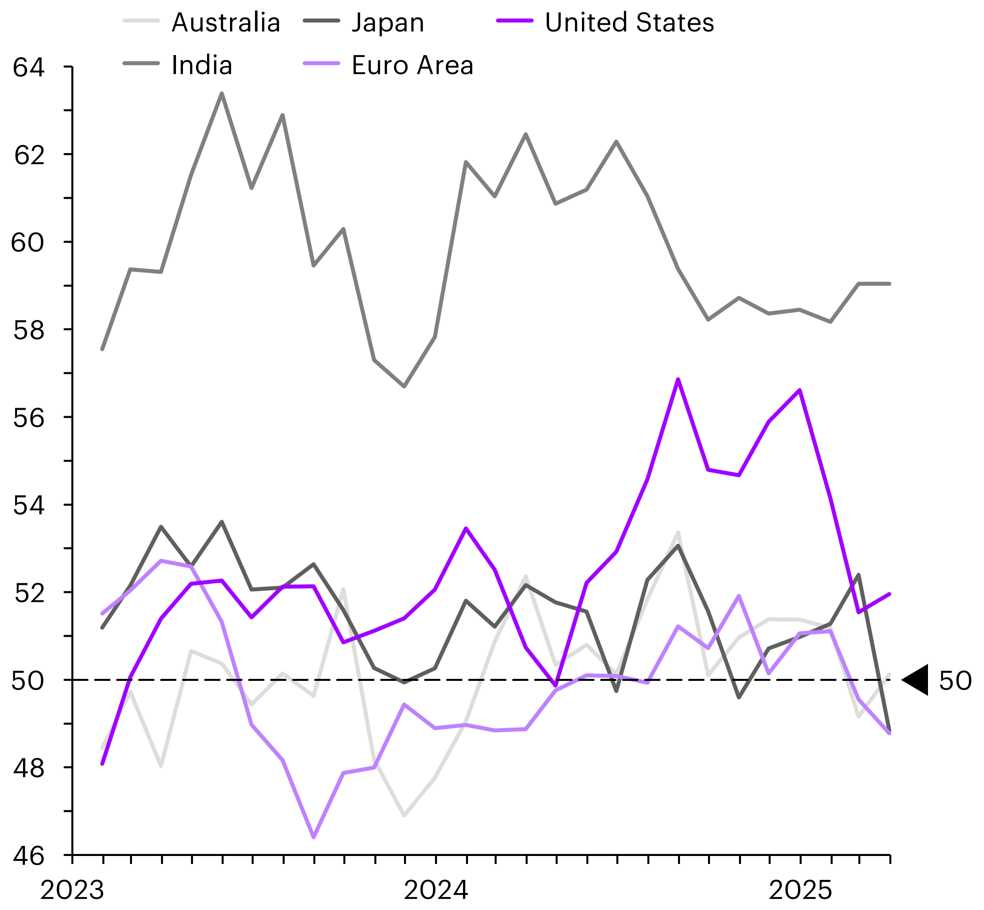
Economic indicator chart pack

Regional and industry activity

Manufacturing activity is struggling to regain consistent momentum across major economies, while the services sector has slowed notably outside of the UK and the US

March 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 remains weak despite rising new orders as demand uncertainty remains elevated, weighing on optimism for the year ahead

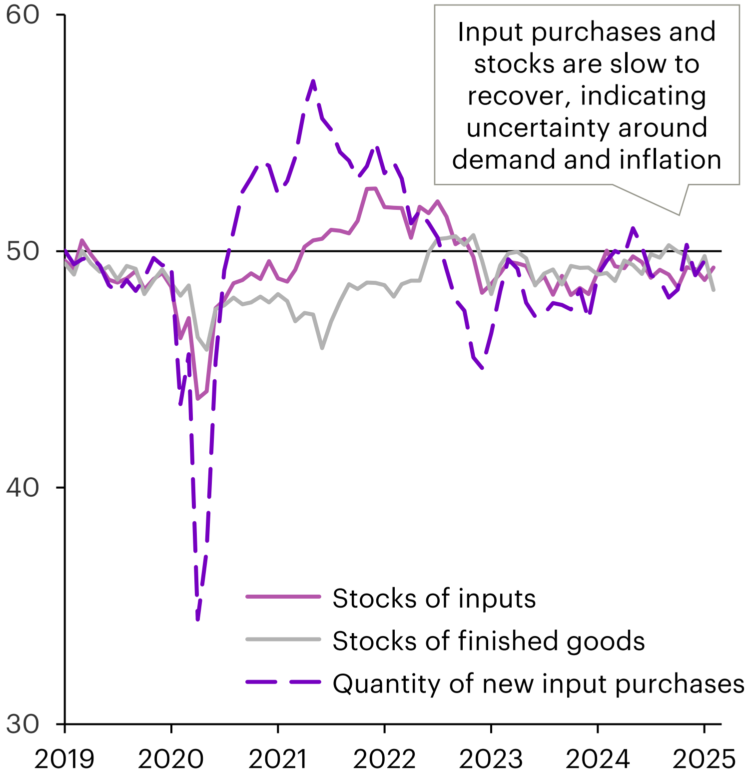
Leading indicators of global manufacturing momentum

Rising new orders growth...

Diffusion indexes (SA, 50+=Expansion)

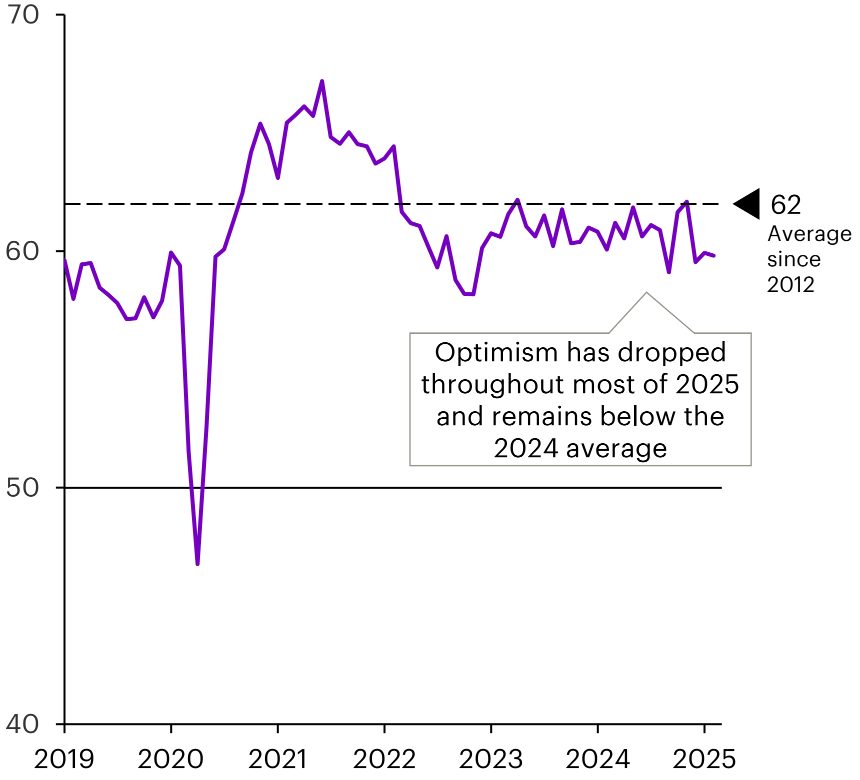
...but subdued input purchases ...

Diffusion indexes (SA, 50+=Expansion)



...has led to less optimism in the 12m outlook

Manufacturing future output (NSA, 50+=Expansion)



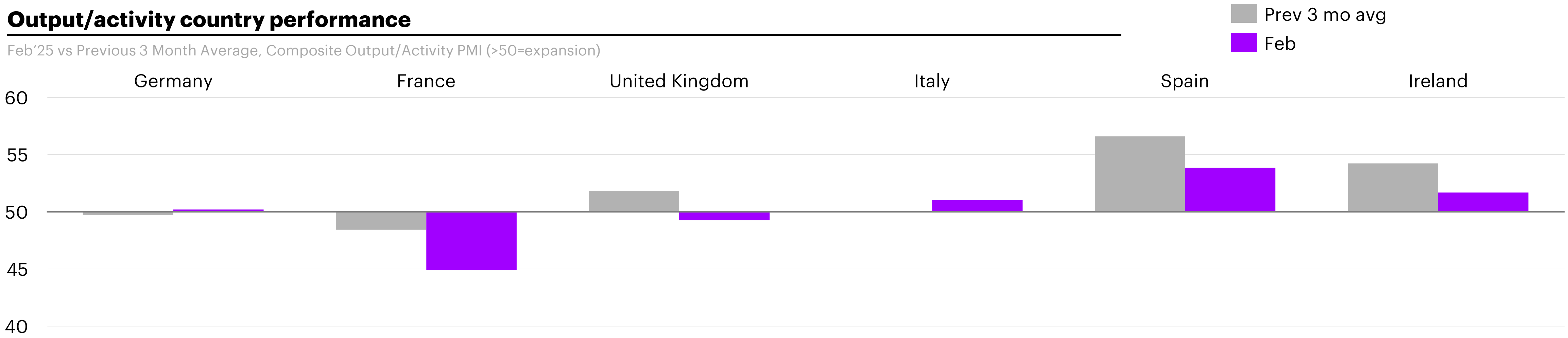
Notes:
(1) Data reflects global diffusion indexes, which are GDP-weighted averages in over 40 countries incl. US (21.6%), China (12.7%), Japan (7.7%), Germany (3.6%), UK (3.5%), and India (3.3%), among others. Annual weights are based on Gross Value Added (GVA) in the manufacturing sector in constant 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 Spain and Ireland expanding solidly while France remains a key laggard amid weak new orders

Regional performance: Europe

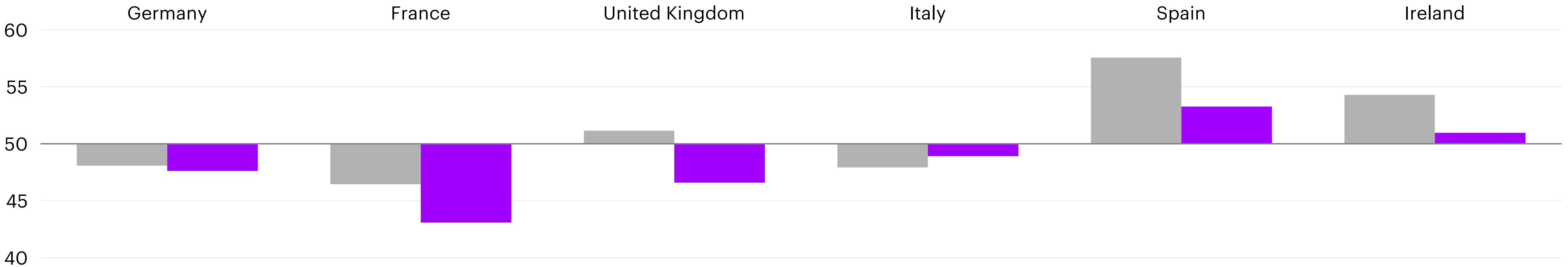
Output/activity country performance

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



New Orders Index

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



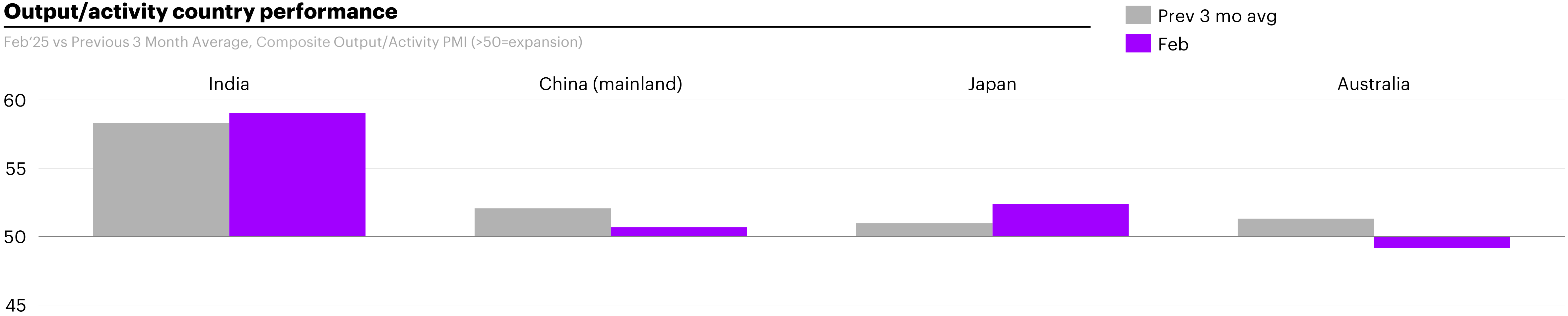
Sources: S&P Global, Accenture Strategy analysis

Asia-Pacific activity has seen steady momentum, with India maintaining strong growth while China and Australia experience some deceleration in activity

Regional performance: Asia-Pacific

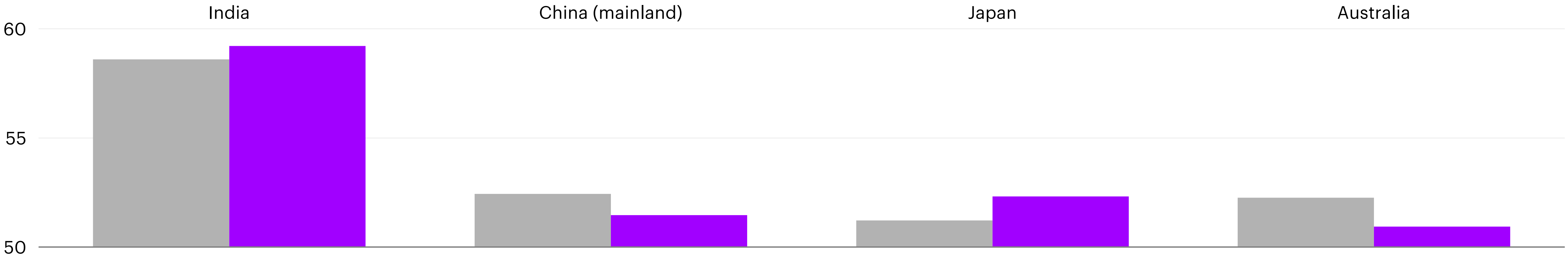
Output/activity country performance

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



New Orders Index

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



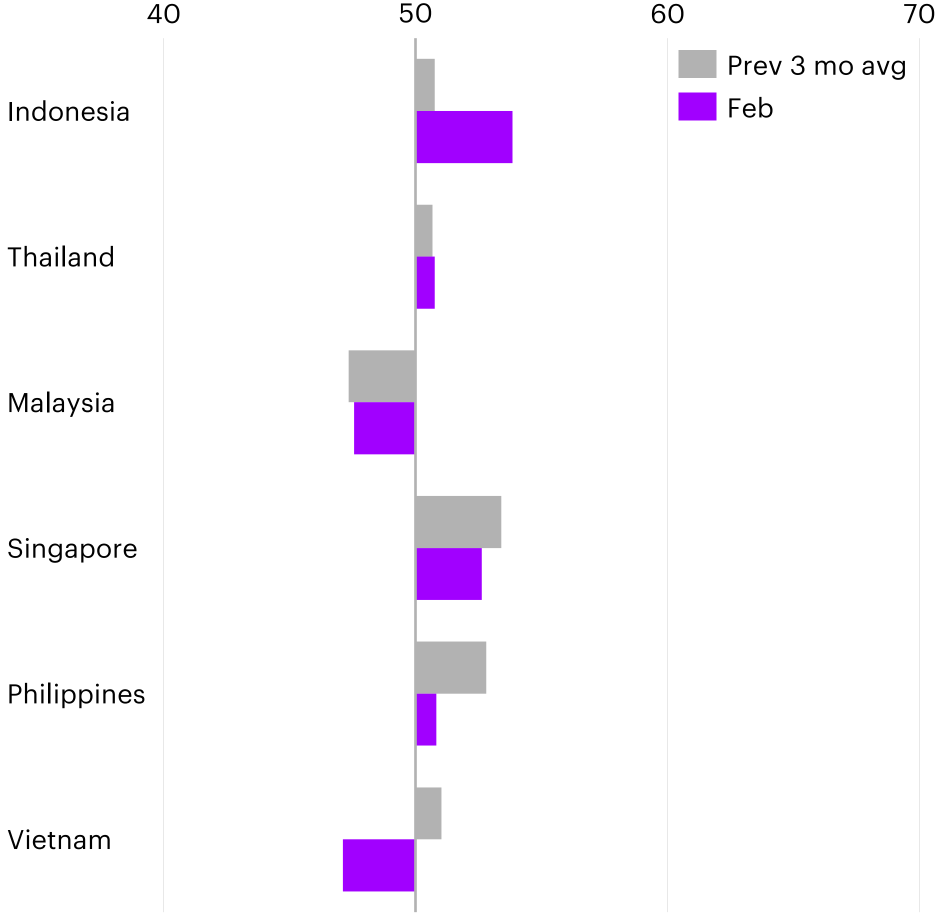
Sources: S&P Global, Accenture Strategy analysis

Manufacturing momentum in Southeast Asia remains mixed, with Indonesia and Singapore seeing strong new orders, while Vietnam and Malaysia face increasing headwinds

Regional performance: Southeast Asia

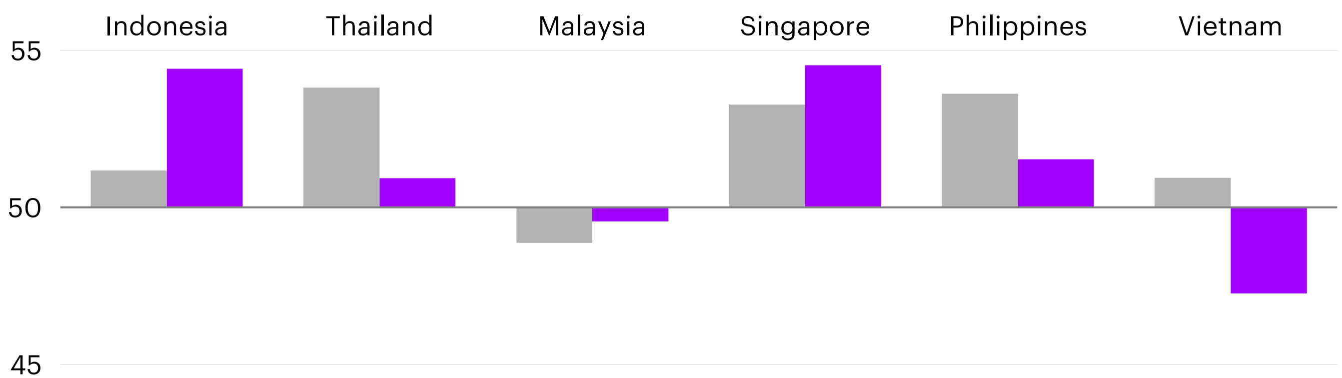
Manufacturing Performance

Feb'25 vs Previous 3 Month Average, Manufacturing Output



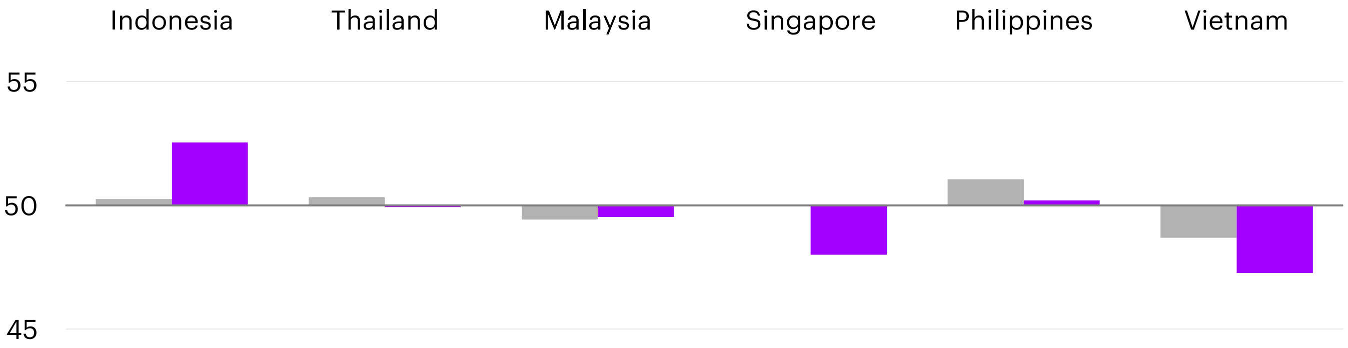
Manufacturing New Orders

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



Manufacturing Employment

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



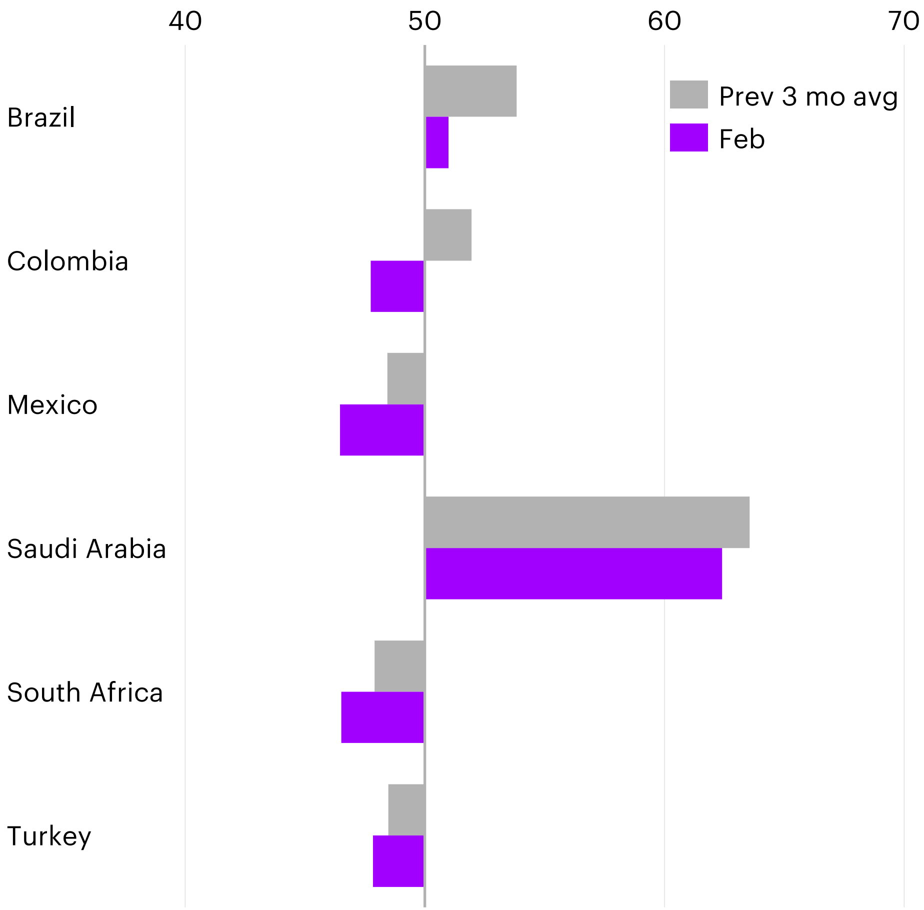
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Saudi Arabia continues to lead emerging markets with strong manufacturing, new orders, and employment growth, while Brazil also shows notable gains in employment

Regional performance: Other emerging markets

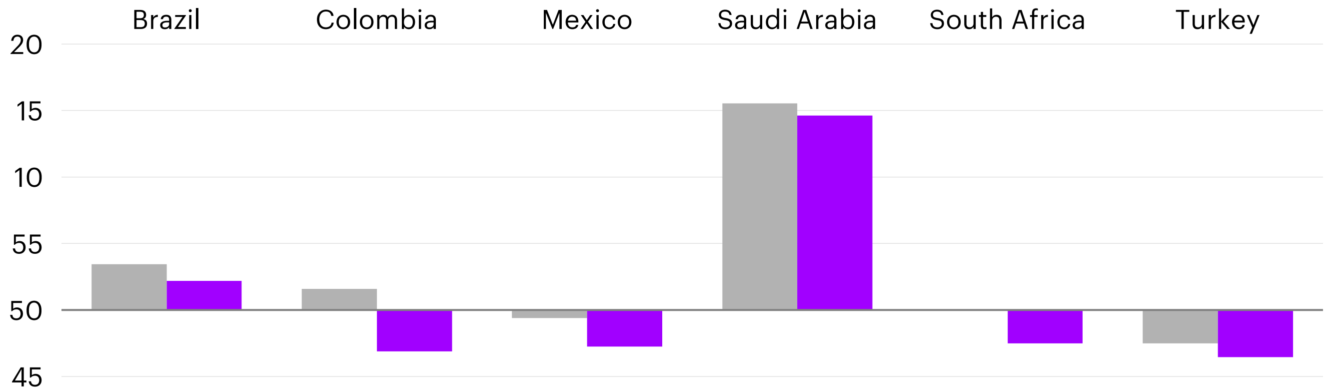
Manufacturing Performance

Feb'25 vs Previous 3 Month Average, Manufacturing Output



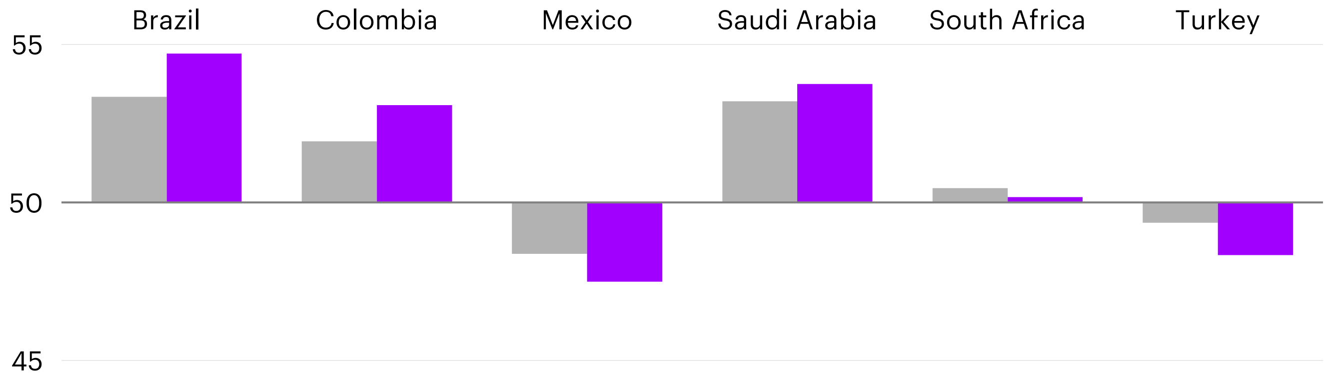
Manufacturing New Orders

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



Manufacturing Employment

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



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

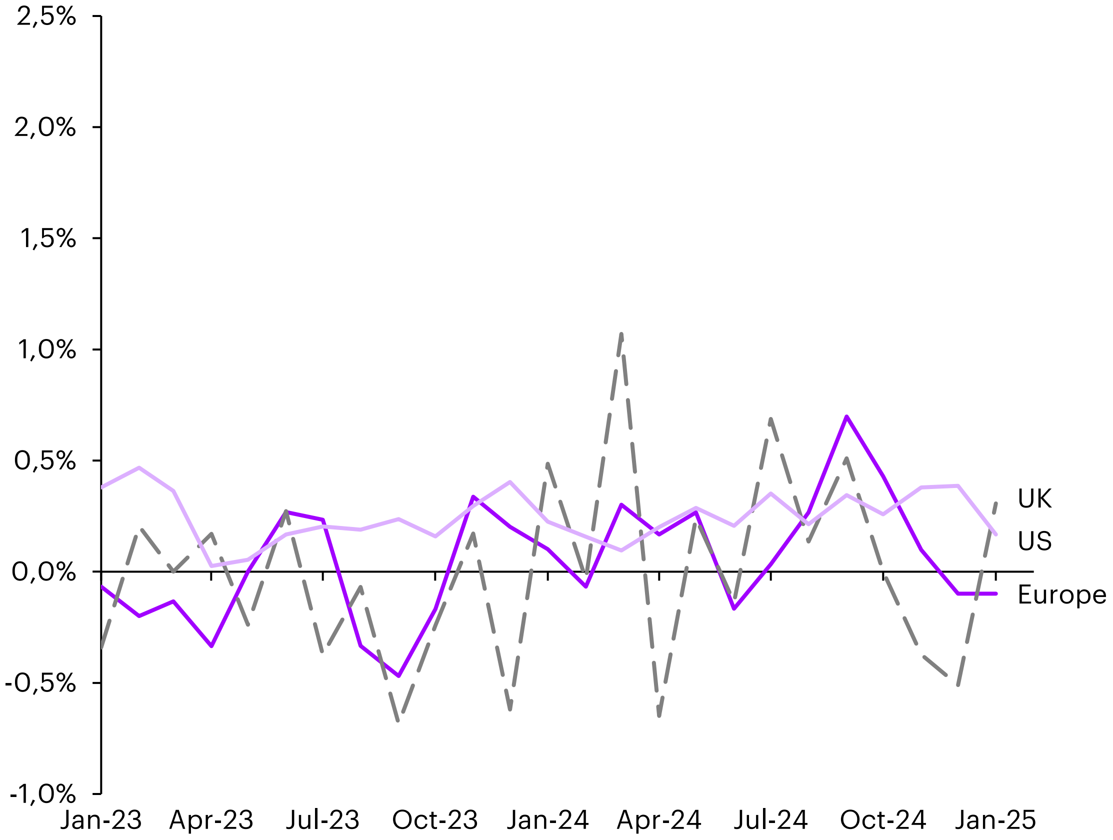
Consumer spending

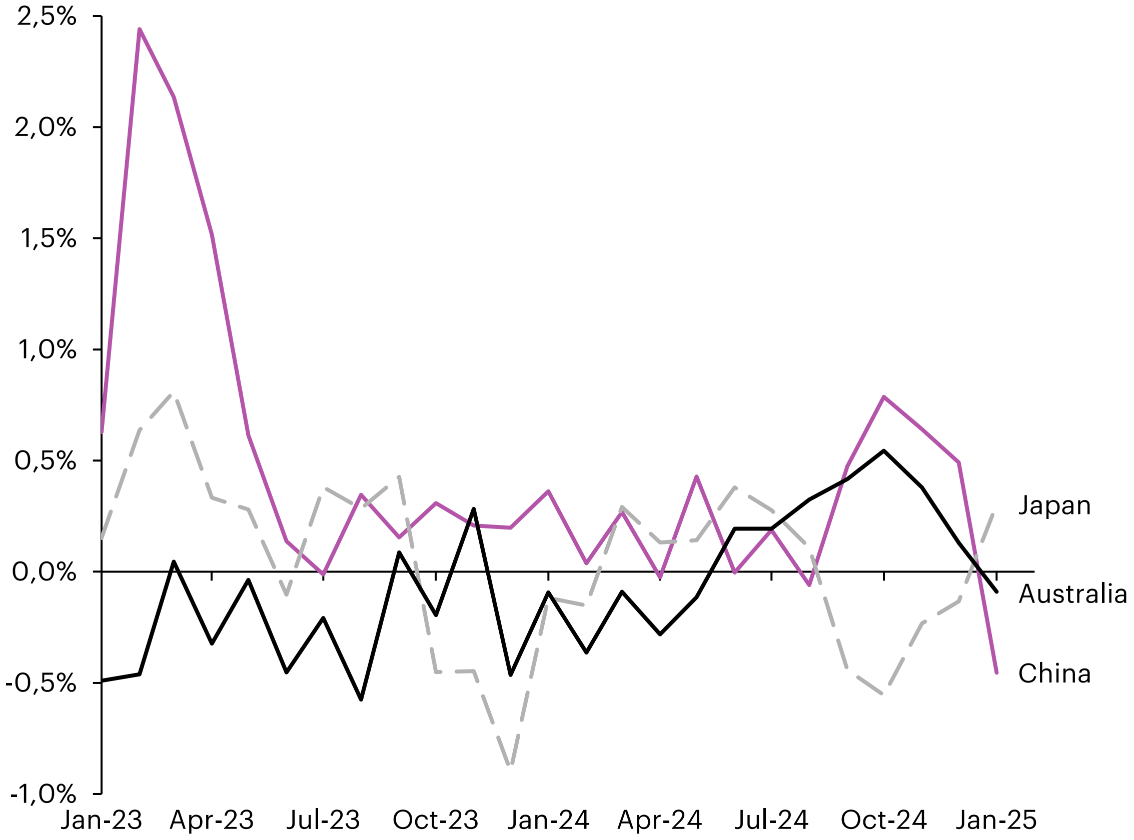
Consumer spending continued to soften throughout most regions, with some markets falling into negative growth territory as economic uncertainty rises

Consumer spending trends

Real consumer spending across major economies

3-month moving average % change



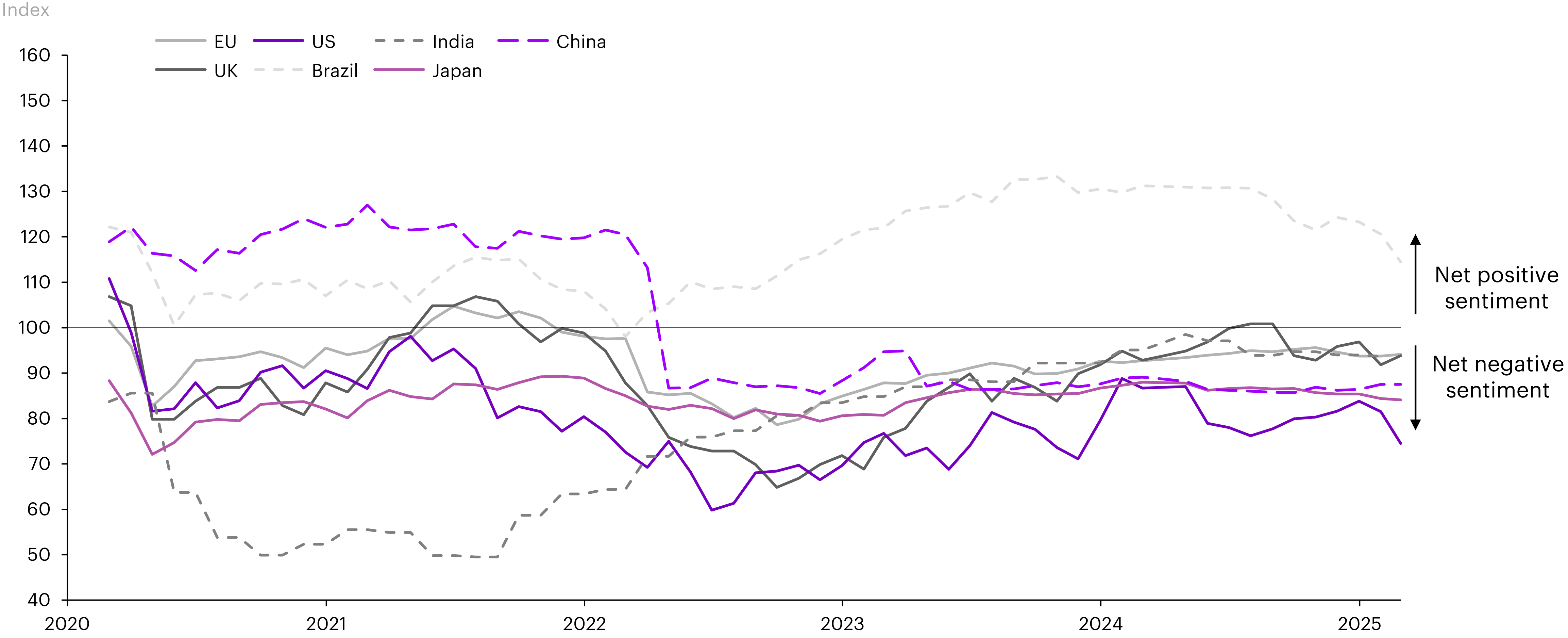


Notes: Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area, UK, Canada, Japan, Australia, and China series data is retail sales.
Sources: Reuters, BEA, BLS, Eurostat, ONS, Haver analytics, Accenture Strategy analysis

Global consumer sentiment remains weak, with fresh pessimism emerging in the US amid policy uncertainty and concerns on renewed inflation

Consumer sentiment across major economies

Indicators of overall consumer sentiment

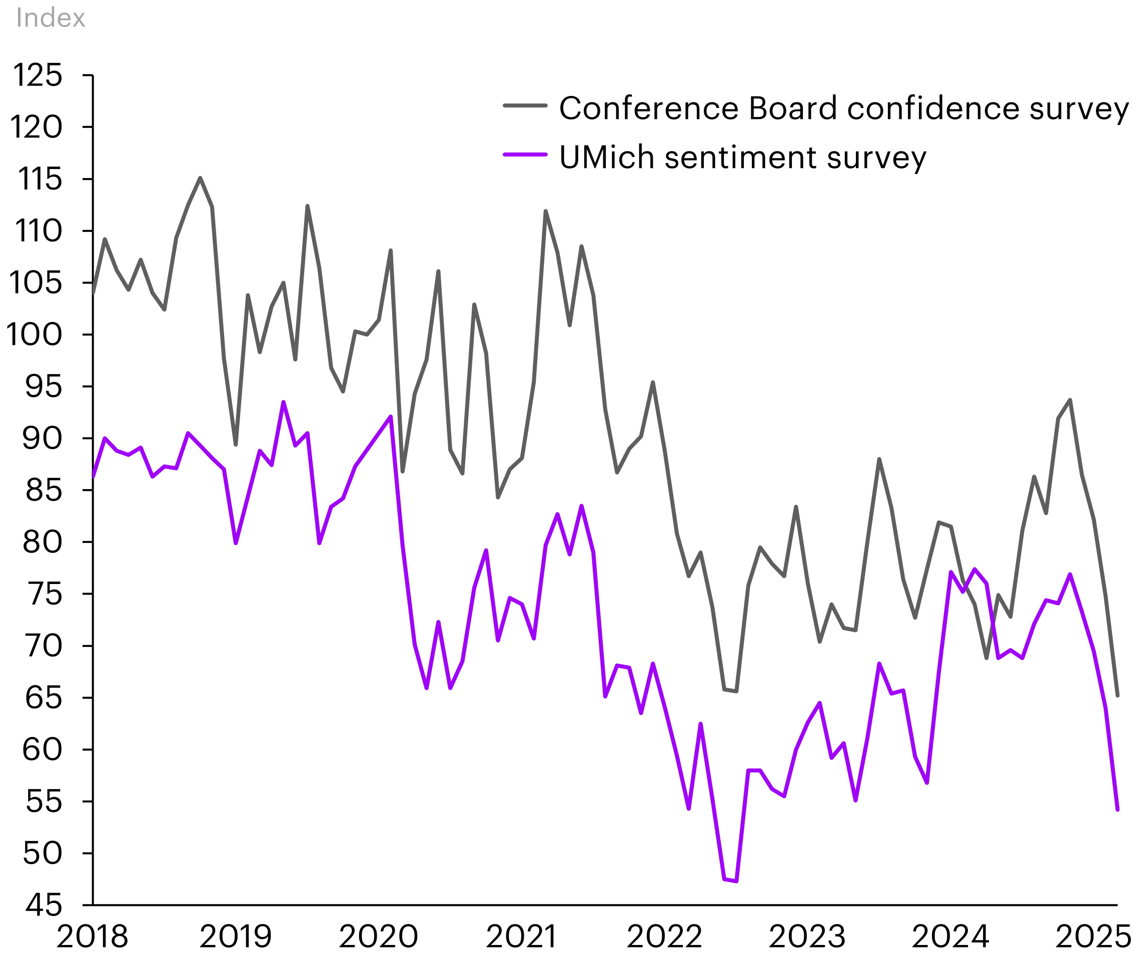


Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey
Sources: EC Consumer Surveys, GfK Survey, University of Michigan Survey, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

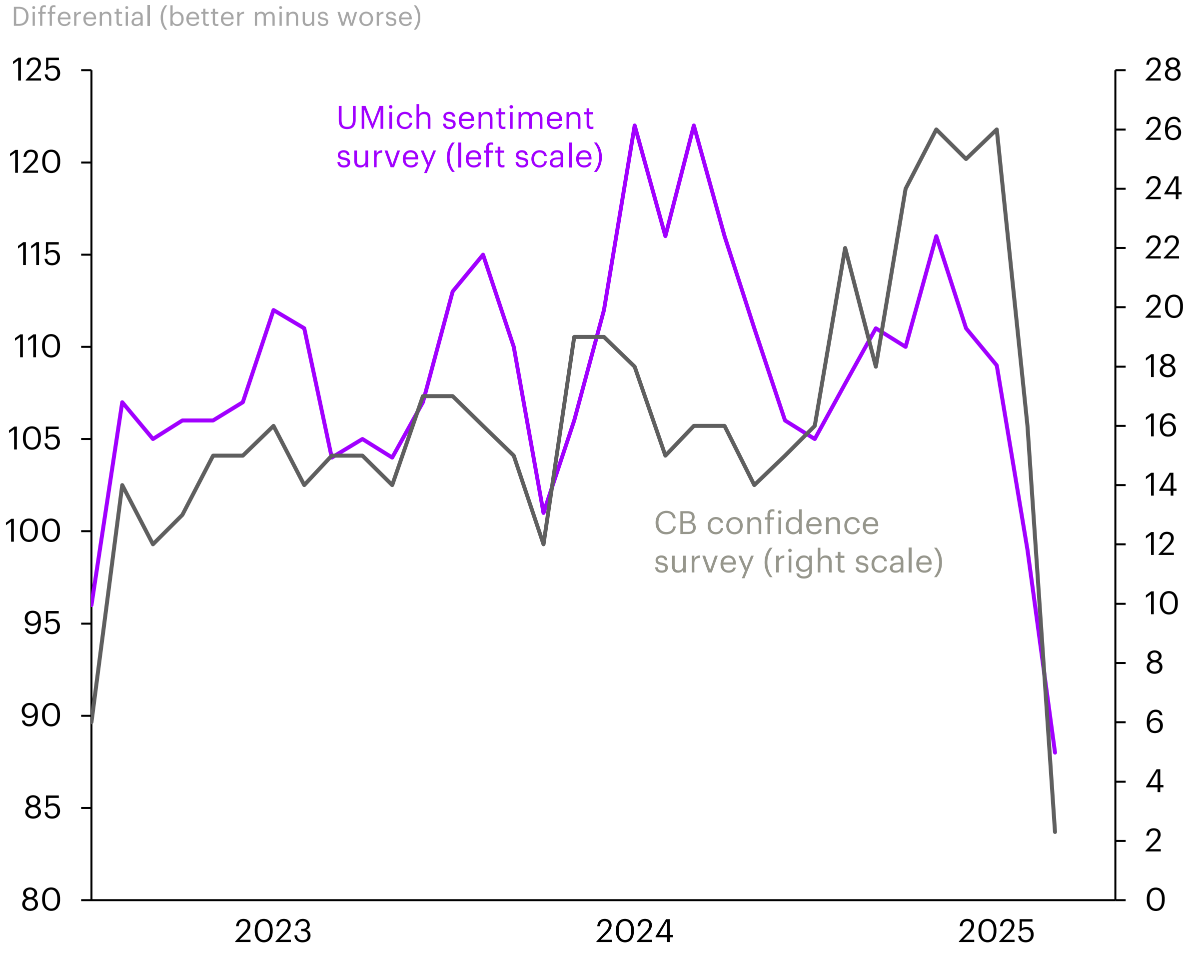
In the US, the consumer outlook has deteriorated drastically in recent months as households report policy concerns and uncertainty leading to weaker financial conditions

Consumer expectations

Consumer expectations of economic conditions



Expected change in household financial situation 6-12 months ahead



Sources: Univ of Michigan, Conference Board, Accenture Strategy analysis

Consumer spending on services in the US remains resilient, despite a slowdown in goods spending, while spending in Europe is retrenching across most categories

Consumer spending trends by goods and services category

AS OF MARCH 24

		US		UK		Germany		France	
		Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change
Goods	Groceries	1,0%	-0.6%	-0,3%	5.6	0.0%	-2.1%	1,4%	0.0%
	Motor vehicles	4,3%	-6.0%	2,1%	0.4%	-2,9%	-2.8%	-1,8%	0.1%
	Furniture	3,5%	-1.5%	0,5%	0.7%	-1,1%	-1.2%	-3,4%	-0.4%
	Electronics	4,4%	-2.7%	7,1%	11.6%	2,8%	-1.5%	0,7%	-1.0%
	Footwear & apparel	1,0%	0.3%	-0,5%	-2.7%	-2,4%	-10.8%	1,3%	-1.1%
	Fuel	1,1%	0.6%	1,2%	-1.2%	1,1%	-1.4%	-0,4%	-1.5%
Services	Transportation	0,5%	0.3%	-1,1%	0.2%	-0,4%	-2.6%	3,6%	5.2%
	Entertainment	0,8%	-0.5%	-4,7%	-2.4%		n/a	-1,0%	-0.4%
	Dining out and hotels	1,0%	0.5%	0,1%	-2.5%	-2,0%	-1.6%	0,8%	-0.2%
	Information services	2,6%	0.3%	0,5%	-0.5%	2,4%	3.8%	0,8%	-0.9%
	Telecom	1,4%	0.3%	-0,7%	-3.6%	3,0%	2.1%	1,1%	1.1%

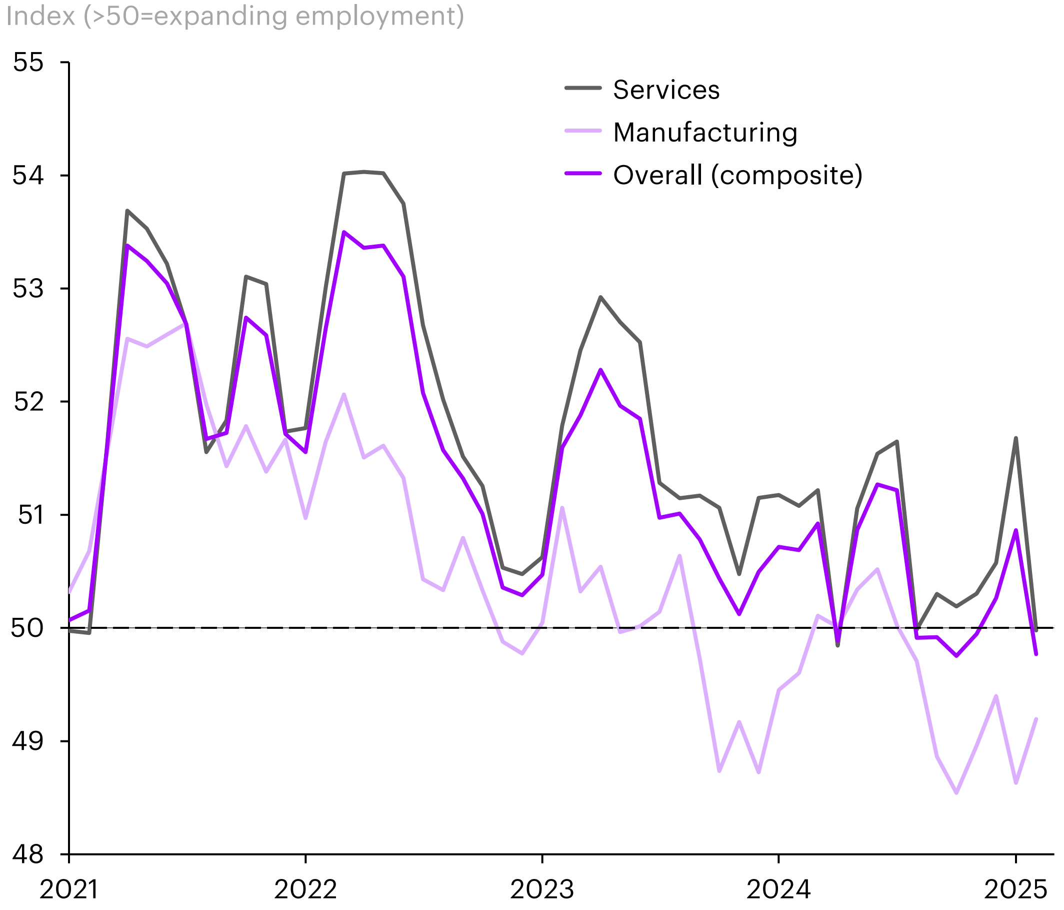
Notes: (1) UK's previous 6-Months includes a stronger than normal holiday season. (2) Spending figures are inflation-adjusted. (3) Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area and UK, series data is retail sales, motor vehicles sales/registrations, and services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

Labor markets

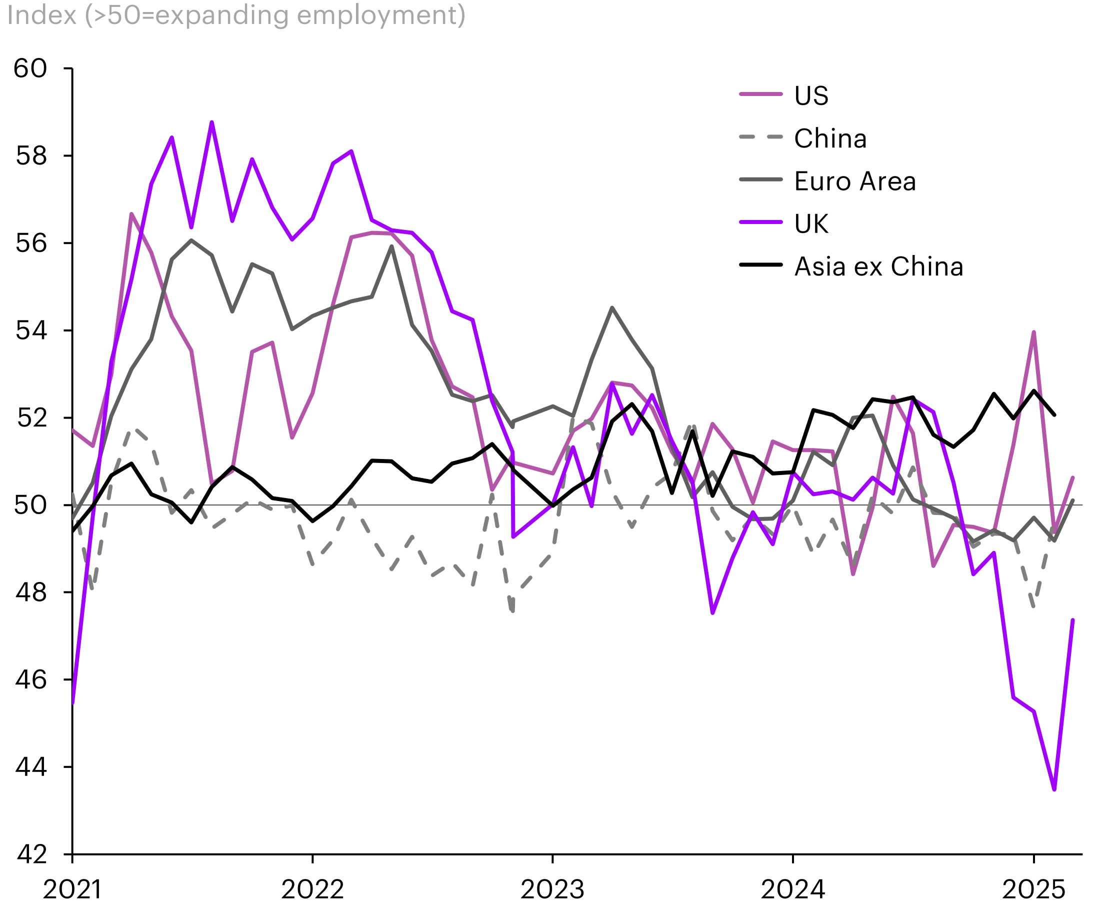
Global employment growth has slowed notably in the services sector and remained in contraction for manufacturing, with particular weakness in the UK and China

Global PMI employment growth

Global PMI Employment Index



Regional Composite PMI Employment Index

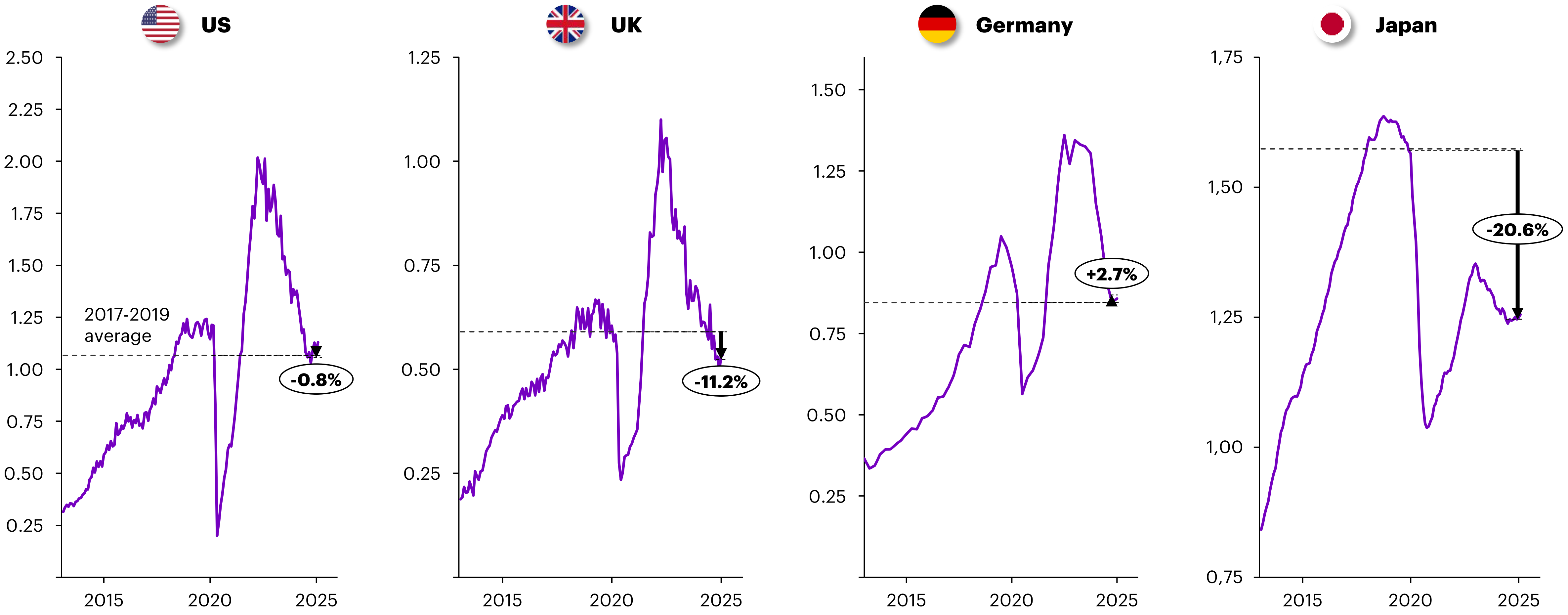


Sources: S&P Global, Accenture Strategy analysis

Labor market tightness continues to ease across major economies, and is now back its to pre-pandemic average in the US, and comfortably below it in the UK and Japan

Labor market tightness

Job vacancies per unemployed person

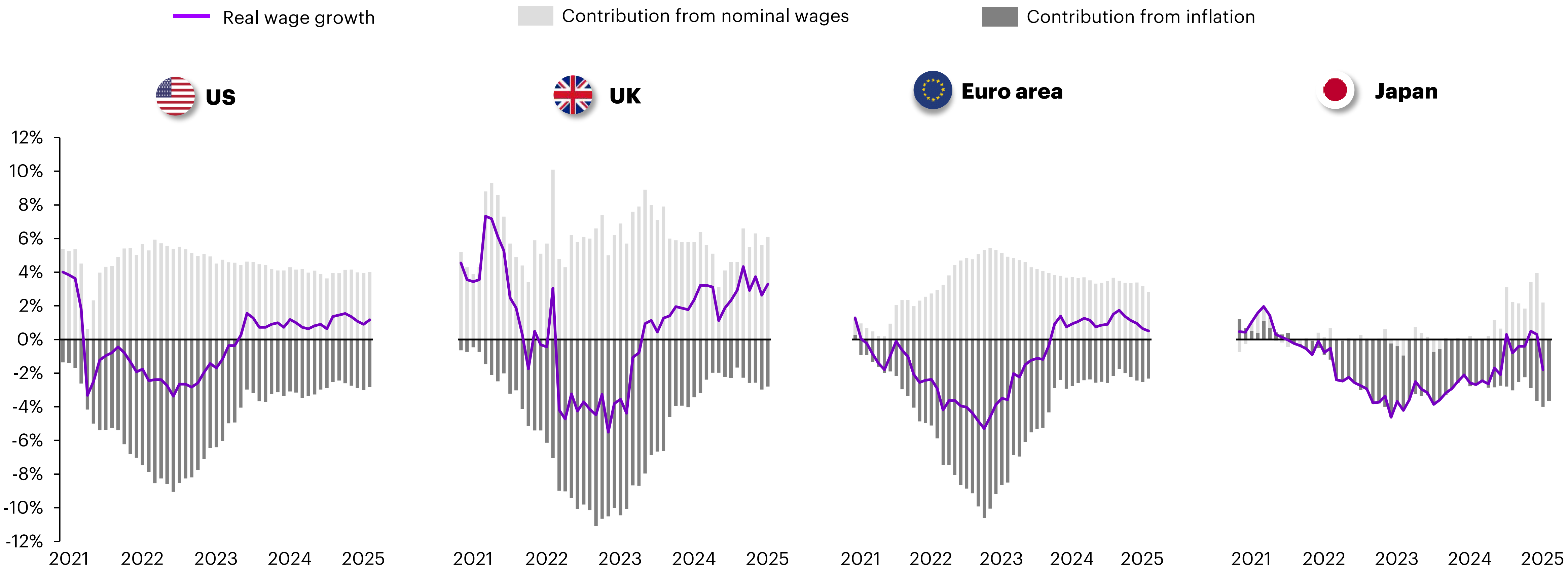


Sources: BLS, ONS, Eurostat, Euronews, Accenture Strategy analysis

Real wage growth remains tenuous as inflationary pressures persist, falling most notably in the Euro area while holding strong in the UK

Wage growth developments

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



Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

Inflation

Inflation remains elevated in major Western economies, with the US, UK, and Canada seeing renewed price pressures, while APAC shows relative moderation

CPI inflation rates and trends

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

Country	YoY Inflation Rate	Change from previous month's rate (percentage points)	
United States	2,8%	0.2%	↑
United Kingdom	2,8%	0.4%	↑
Canada	2,6%	0.6%	↑
Germany	2,6%	-0.2%	↓
France	0,9%	-0.9%	↓
Italy	1,7%	0.1%	↑
Spain	2,9%	0.0%	↓

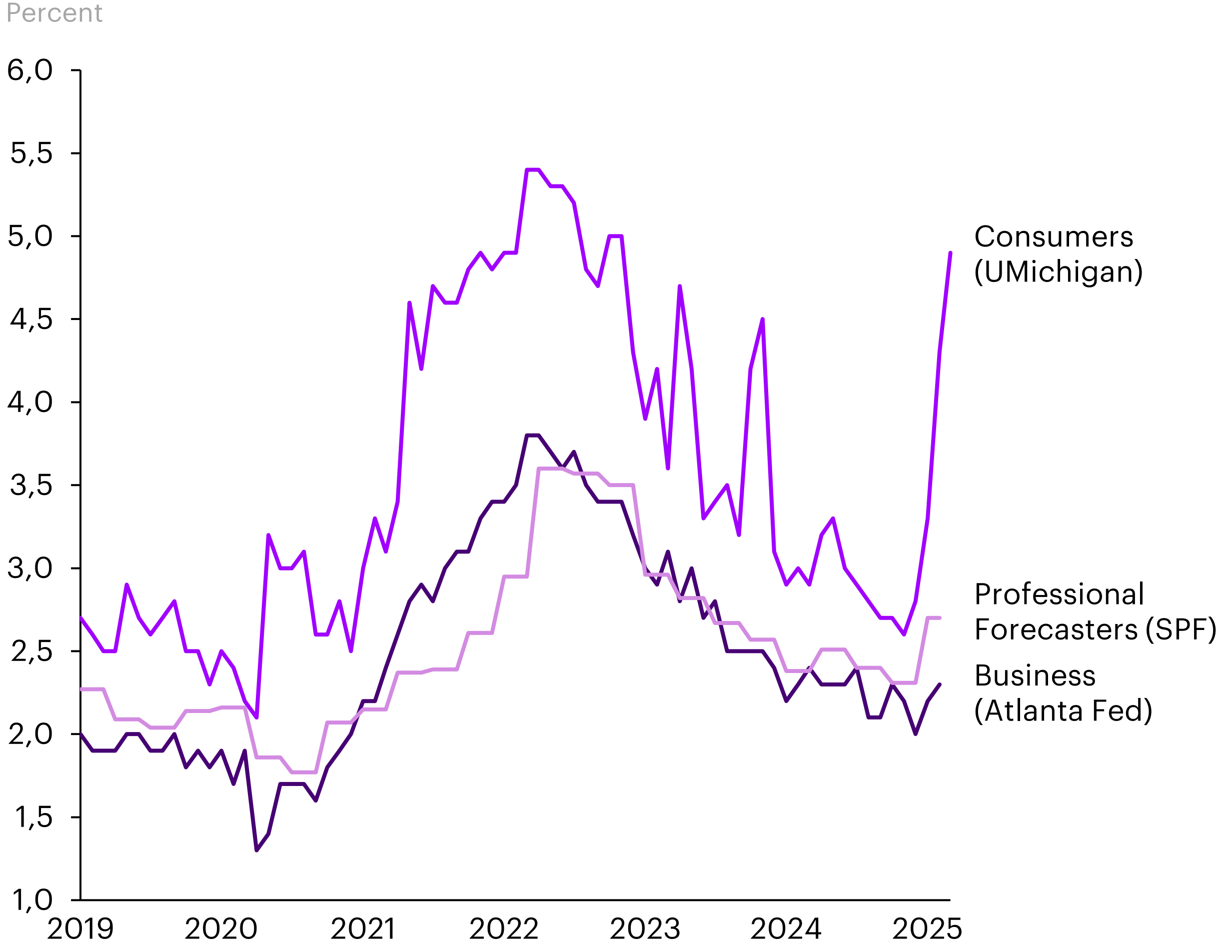
Country	YoY Inflation Rate	Change from previous month's rate (percentage points)	
China	-0,7%	-1.2%	↓
Japan	3,7%	-0.3%	↓
Brazil	5,1%	0.5%	↑
India	3,6%	-0.7%	↓
Singapore	1,1%	0.0%	↑
Korea	2,0%	-0.2%	↓

Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

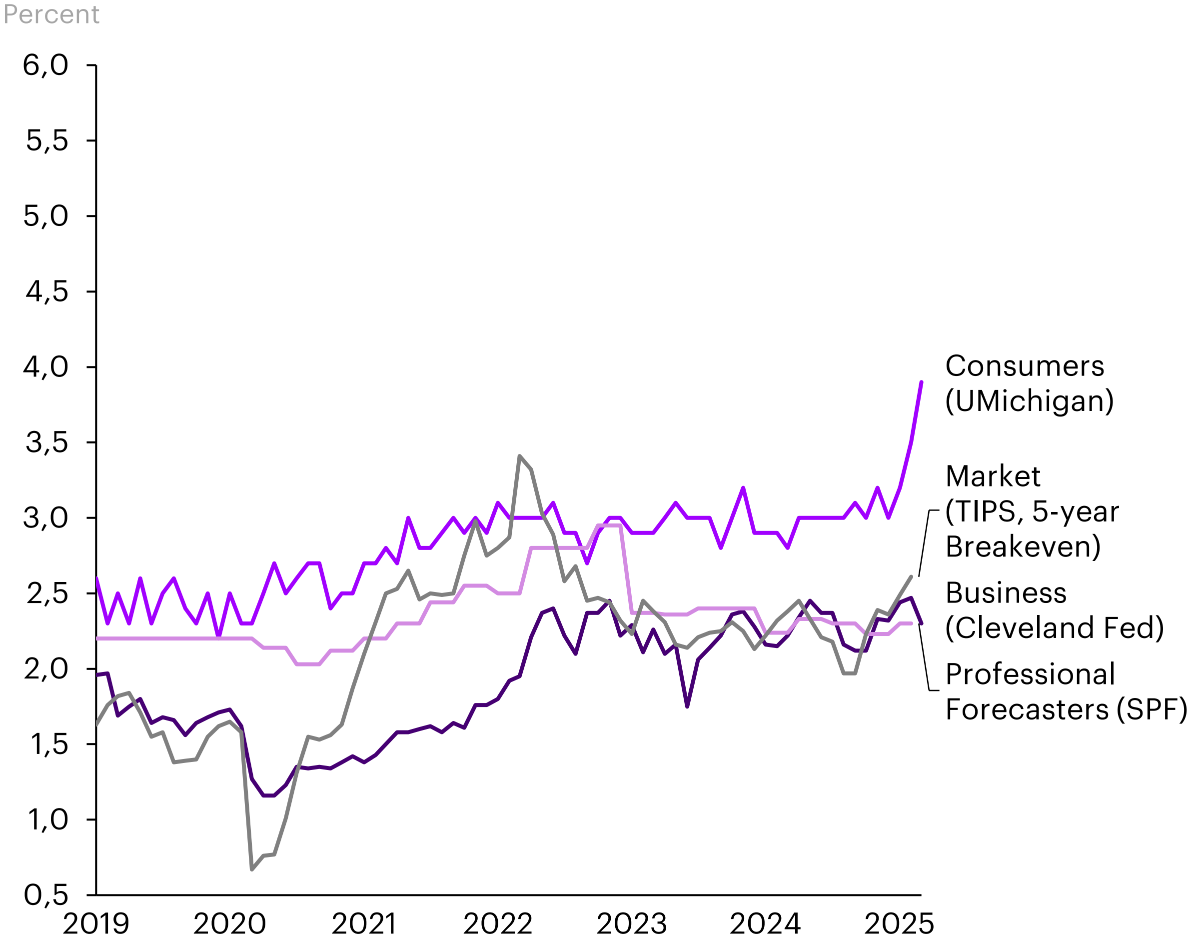
US inflation expectations among consumers have surged since January, though expectations among companies remain fairly anchored for the time being

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 ahead

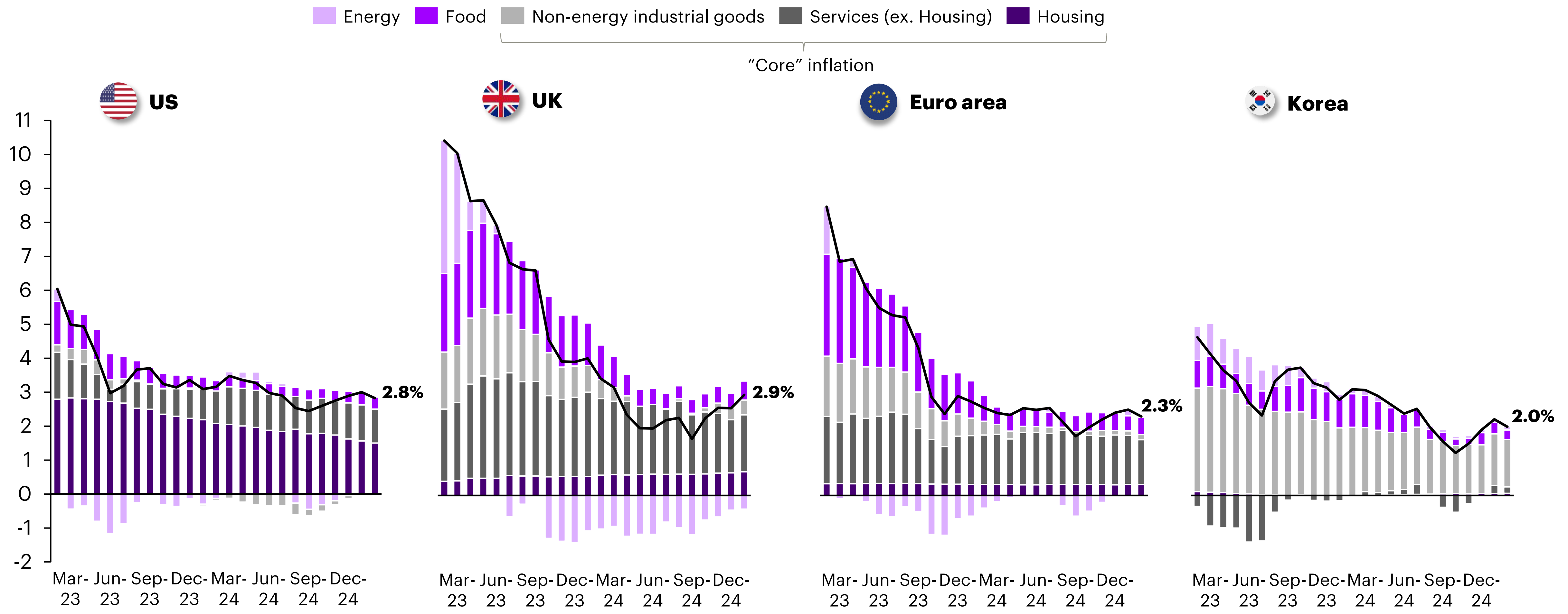


Sources: FRB Atlanta, FRB Cleveland, Univ of Michigan, Survey of Professional Forecasters, Accenture Strategy analysis

Inflation remains elevated in most major markets but has moderated slightly in the US, Euro area, and Korea, while the UK confronts renewed price pressures

Drivers of recent CPI inflation

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

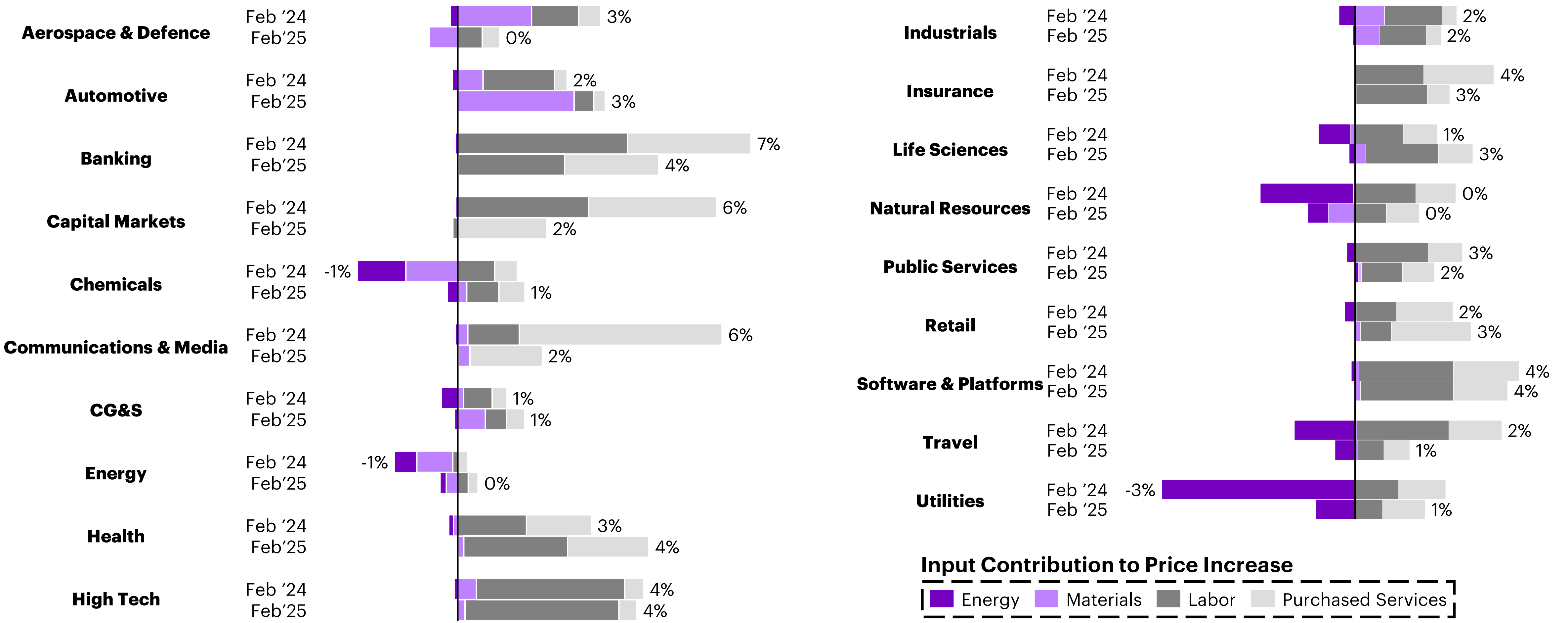


Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

Labor and purchased services continue to drive input cost inflation across industries, while energy and materials price pressures ease in select sectors

Recent input cost inflation by industry

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

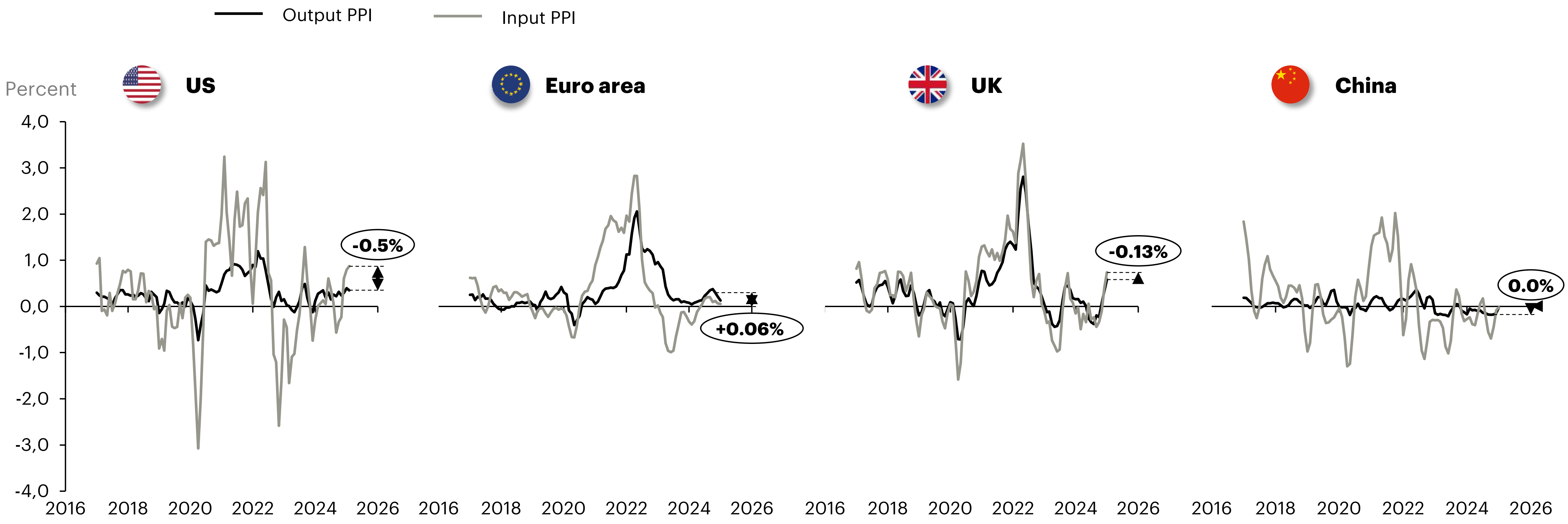


Notes: Wage data as of Jan'25; Energy prices (Natural Gas Prices as of Jan'25, Electricity Prices as of Jan'25 and others as of Jan'25); Materials and Purchased Services PPI price increases as of Jan'25; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

Firms in the US and UK struggle to pass along costs to consumers, while the EU sees marginally better cost absorption, reflecting varied demand and competitive pressures

Company input cost pass-through trends

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



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

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

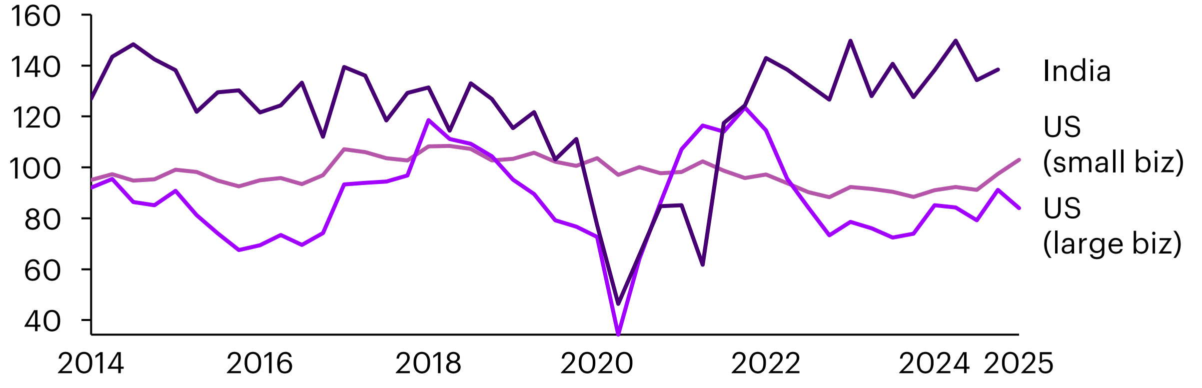
Business investment

Business confidence remains strong in India and steady in the US, supporting capex optimism, while weaker sentiment in the UK weighs on investment outlooks

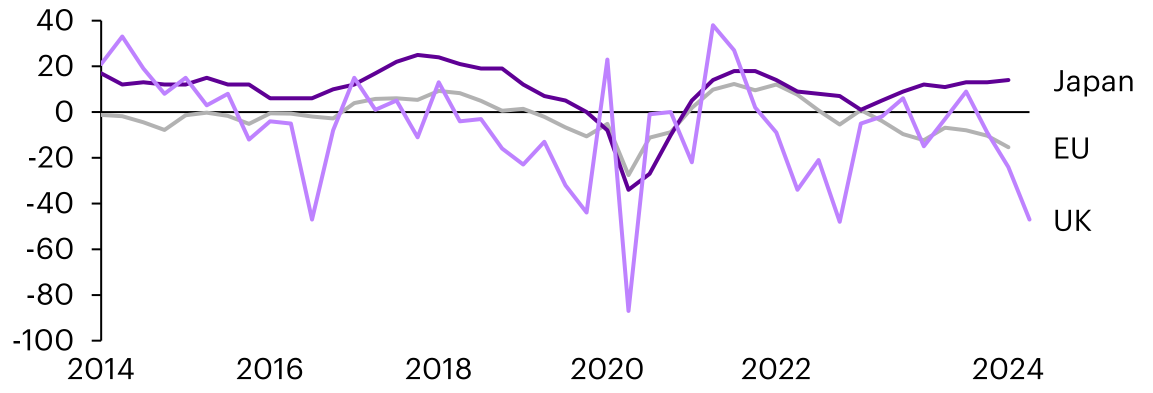
Global business sentiment and capital expenditure outlook

Business Confidence Indicators

NSA, 100+= Optimistic

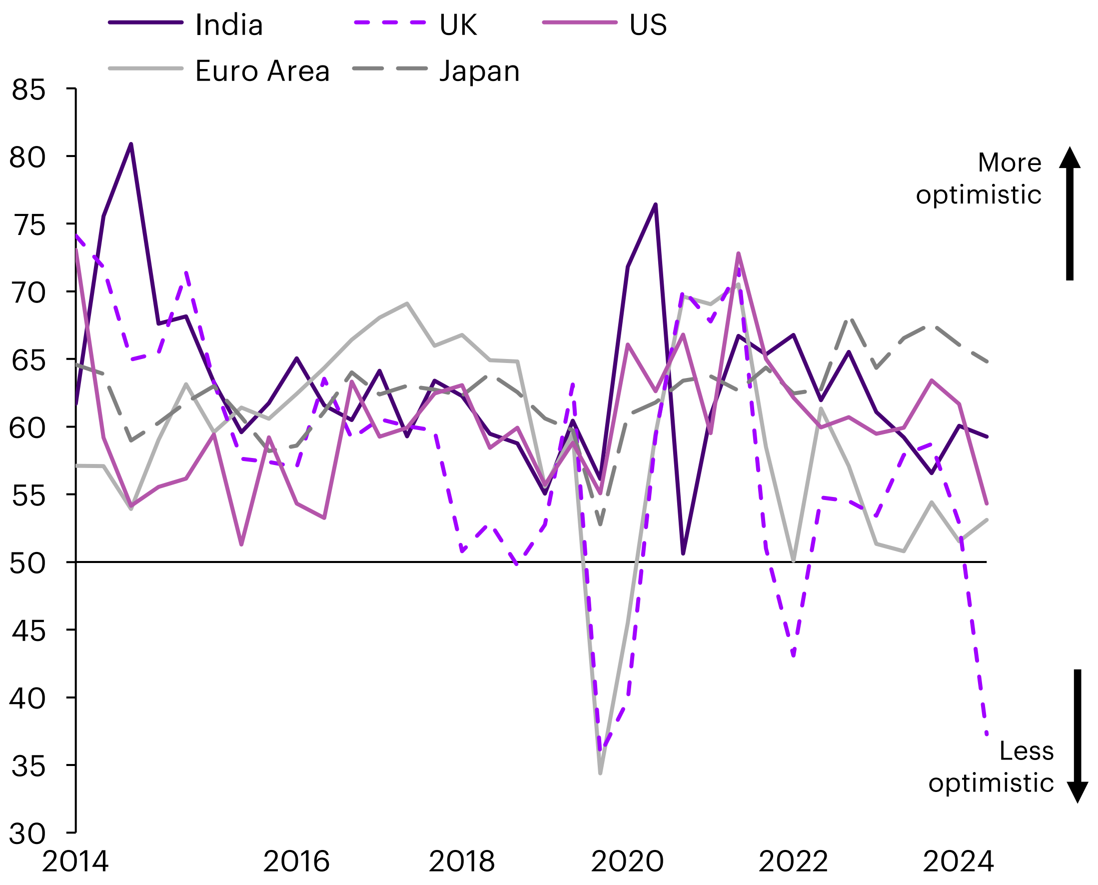


NSA, % balance, 0+= Optimistic



PMI Capital Expenditure Outlook

NSA, 50+=optimistic



Sources: S&P Global, NFIB, Business Roundtable, Accenture Strategy analysis

Large businesses in the US are reporting increased capex intentions for the next 6 months, though small businesses remain less optimistic about capex

Capex intentions among US companies

Business plans to increase capital expenditures in the next 6 months

% of respondents reporting a planned increase

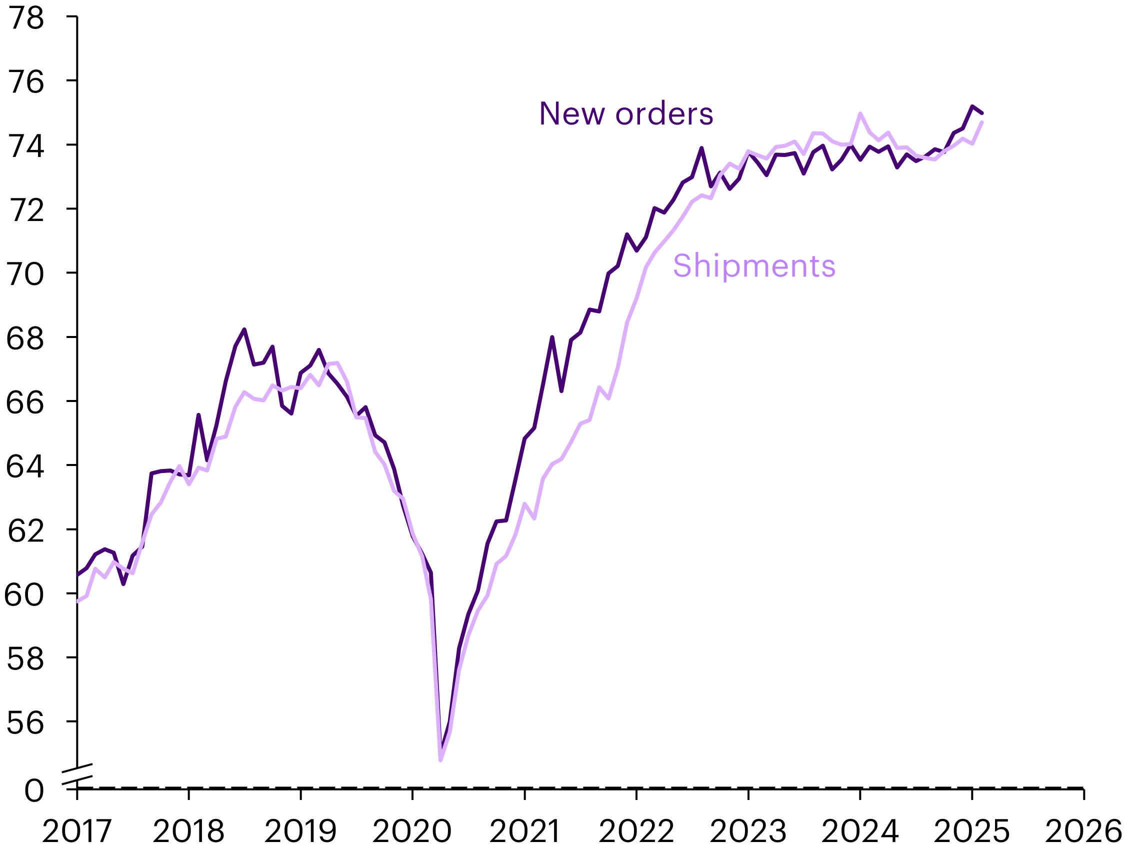
Sources: NFIB, Business Roundtable, Regional Federal Reserves, Accenture Strategy analysis

US core capital goods orders fell slightly in Feb, though still at healthy levels, while tech-related equipment demand remains strong

Capital goods orders and technology-related equipment demand

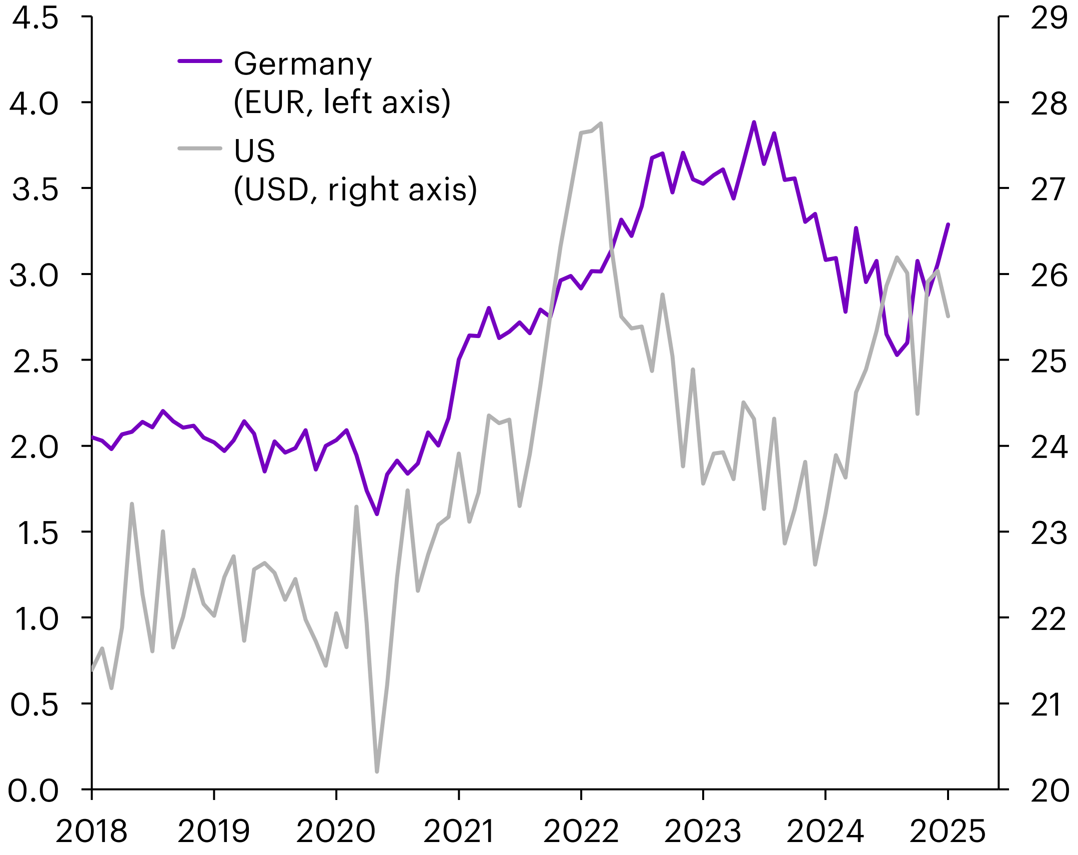
US nondefense capital goods, excluding aircraft

USD millions



Sales of tech-related equipment

Computers, electronic components and peripheral equipment, SA millions

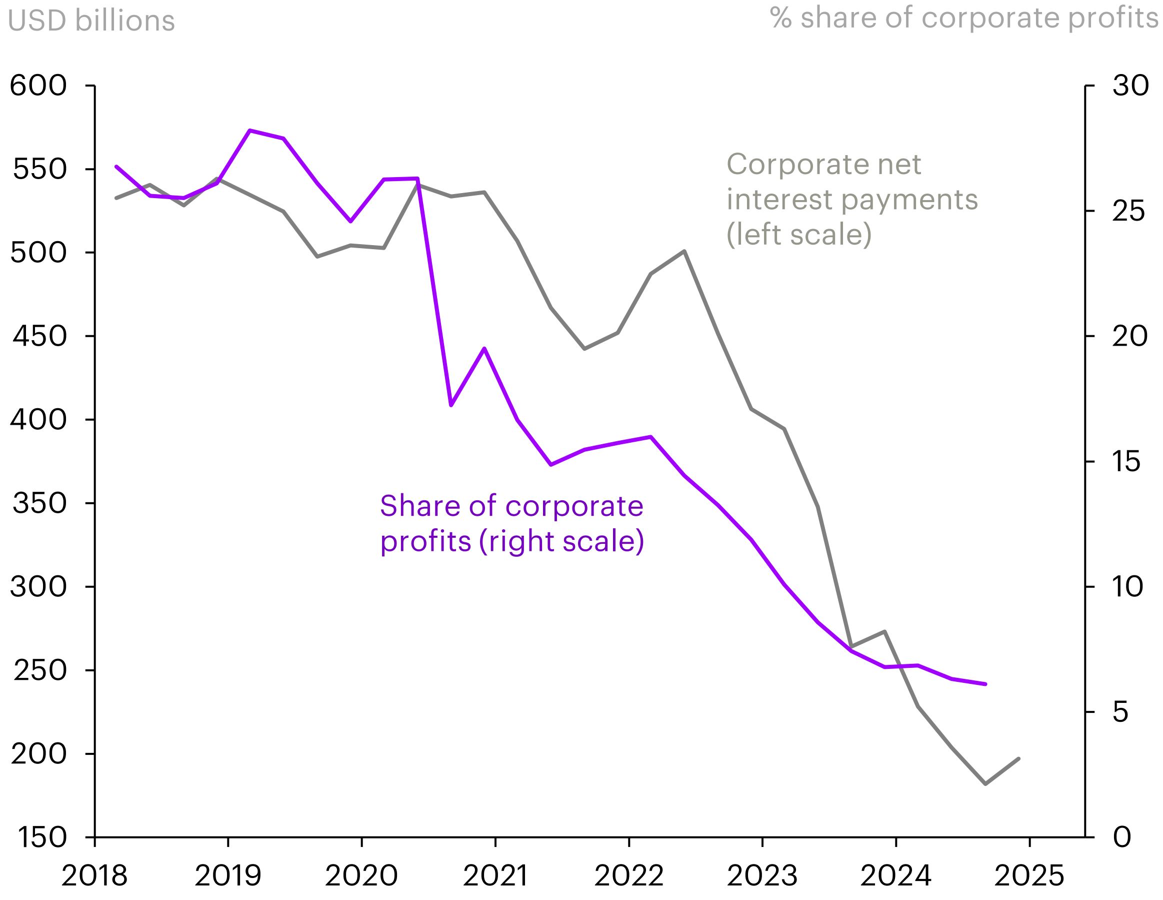


Sources: US Census Bureau, Accenture Strategy analysis

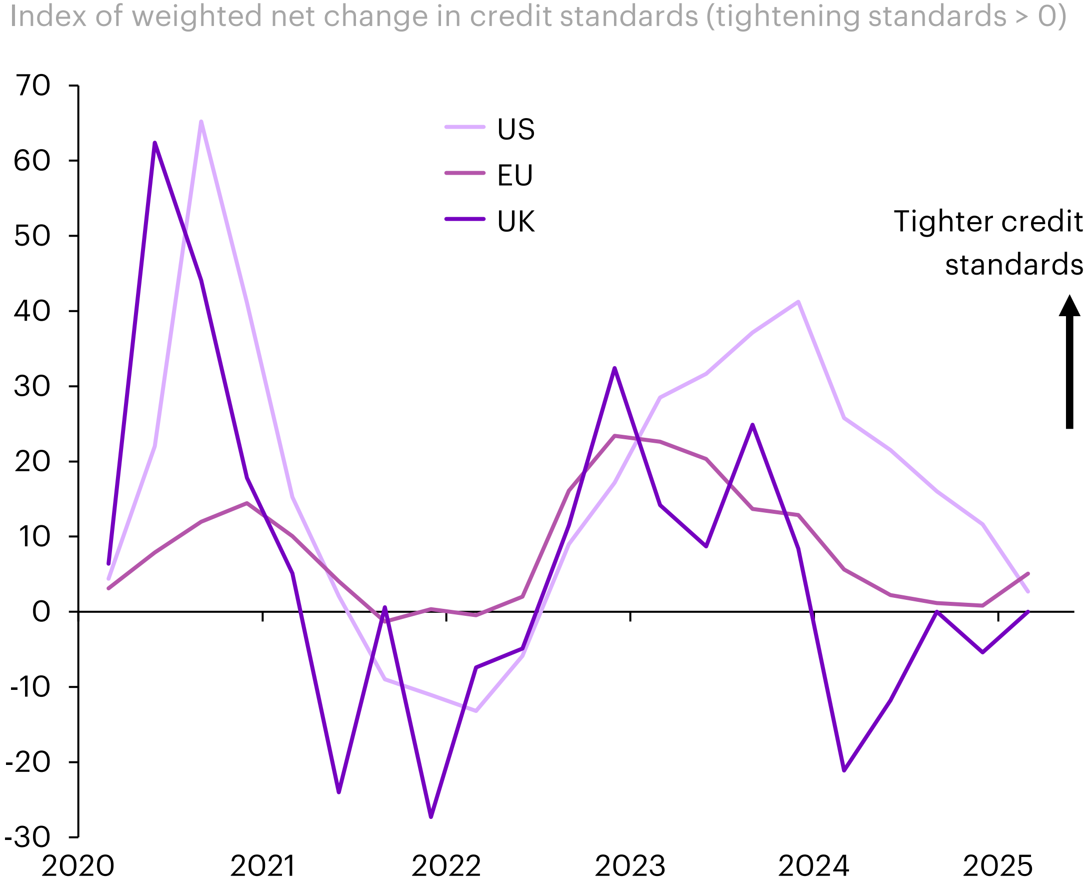
US corporates see relief as net interest payments decline, but still-tight lending standards—though easing—may constrain investment compared to looser conditions in the EU

US financial conditions for investment

US corporate net interest payments



Bank lending standards[1]



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

The US has been rapidly ramping up tariffs on China, Mexico and Canada and product-specific tariffs globally, with more in the pipeline for April and beyond

Tracker of US tariff announcements

Tariff category	Coverage/scope	Value of imports affected (USD bn)	Previous tariff rate[1] (%)	Enacted change	Latest tariff rate (%)	Announced/signalled but not yet enacted	Legal authority
Country-specific	China	430	10.9%	• Additional 20% on all imports (excluding de minimis goods)	30.7%	• End of de minimis tariff exemption (i.e. goods under USD 800 in value)	• IEEPA
	Mexico	504	0.3%	• 25% increase on goods not complying with USMCA[2]	13.5%	• 25% increase on USMCA-covered goods imports (to be reviewed Apr 2)	• IEEPA
	Canada	413	0.1%	• 25% increase on goods not complying with USMCA[2]	13.3%	• 25% increase on USMCA-covered goods[2] (TBC Apr 2)	• IEEPA
	EU	598	1.2%			• 25% tariff on all goods imports	• IEEPA
	Buyers of Venezuelan oil	TBD	TBD			• 25% tariff on all goods imports	• IEEPA
Product or sector-specific	Steel and aluminum (incl. derivative products)	125	4.6%	• 25% tariff rate and removal of country-specific exemptions	25.5%		• Sec. 232
	Vehicles (incl. parts)	306	2.2%			• 25% increase (Apr 2)	• Sec. 232
	Semiconductors	55	0.8%			• "25% or higher" increase	• Sec. 232 or IEEPA
	Pharmaceuticals	217	0%			• "25% or higher" increase	• Sec. 232 or IEEPA
Universal	Reciprocal (country-by-country basis)	TBD	TBD		TBD	• Country or product-level reciprocal tariffs on a case-by-case basis (Apr 2)	• IEEPA, Sec. 338 or Recip. Trade Act

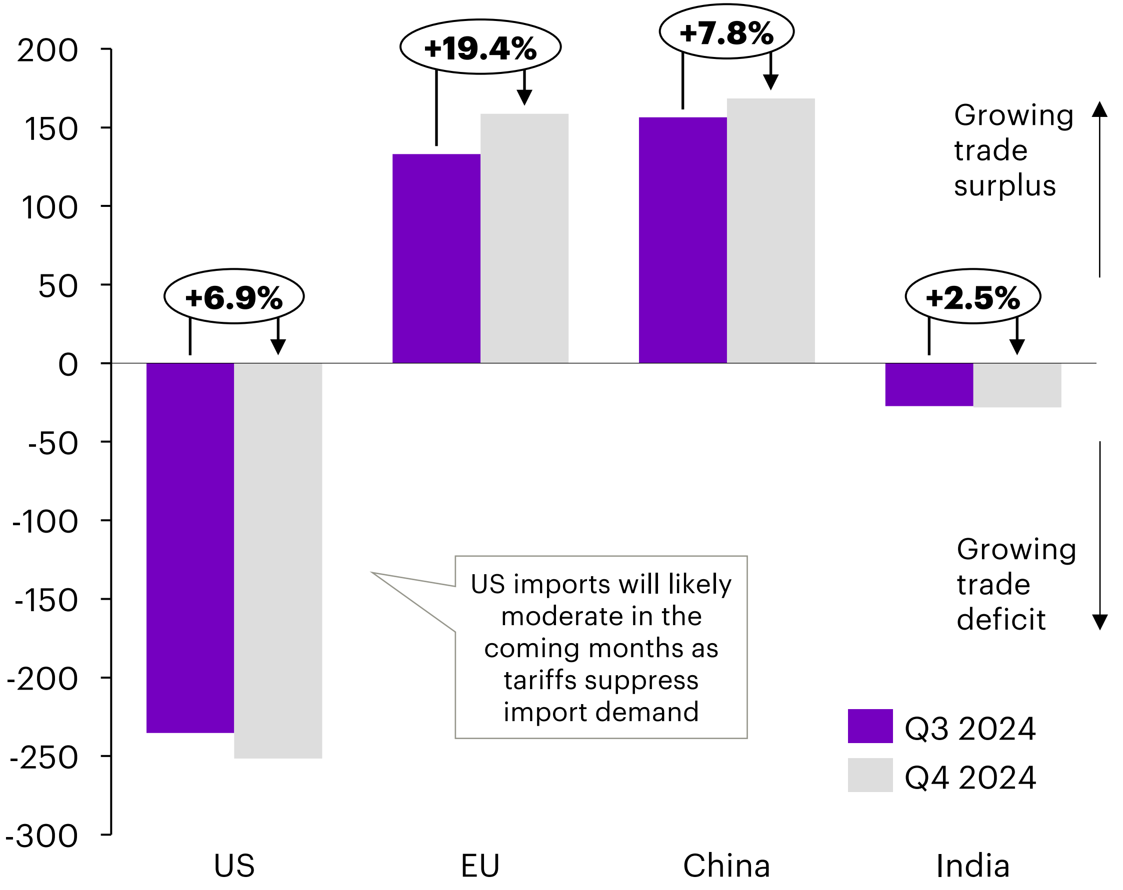
Note(s): 1/ Tariff rate cited is the effective tariff for the given trading partner or category (i.e. custom duties paid on given subset of goods as a share of total imports of those goods) as of 2024. 2/ Goods covered under USMCA account for roughly 50% of imports from Mexico and 38% from Canada; tariff increase on Canadian energy imports (including critical minerals) and potash from both Canada and Mexico is only 10%.
Source(s): White House, US International Trade Commission (USITC), Haver Analytics, Accenture Strategy analysis

US imports have surged in anticipation of trade war escalation, while global trade balances adjust to shifting policy, supply chain risks, and geopolitical uncertainty

Trade indicators

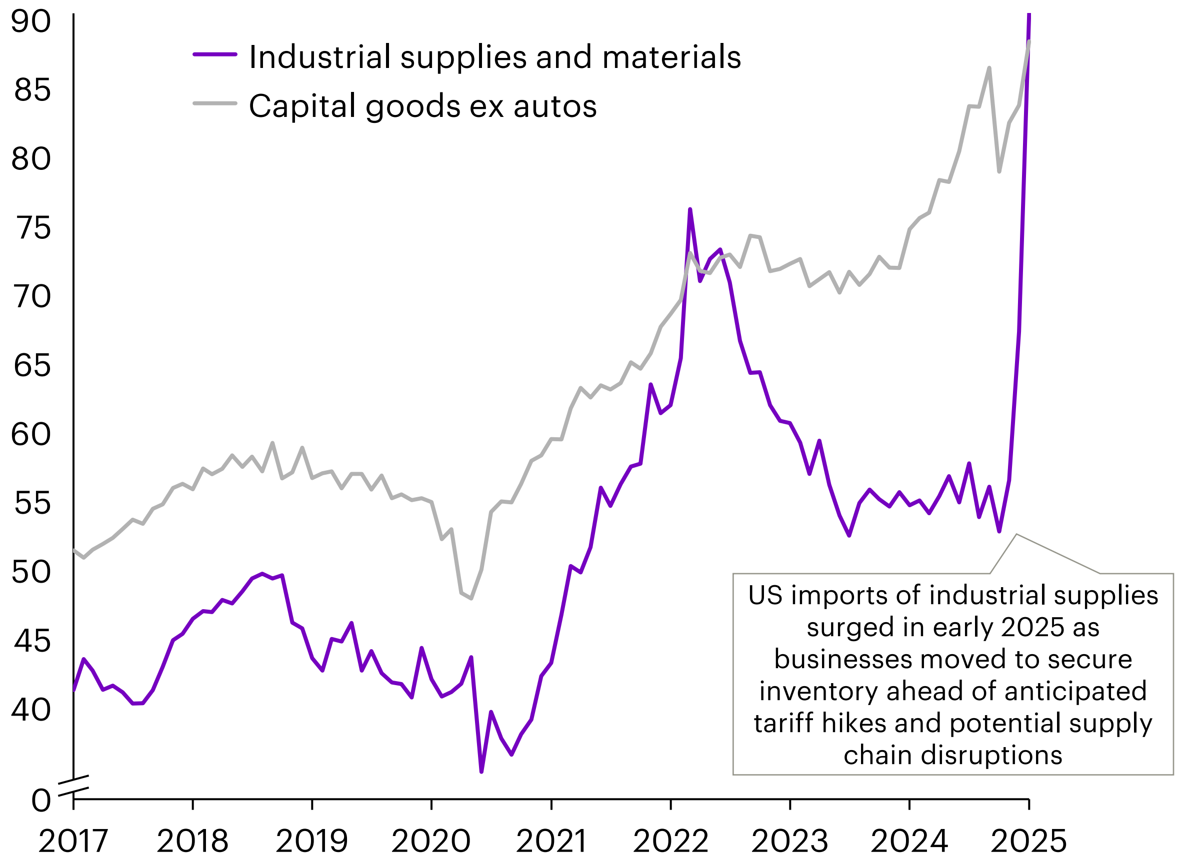
Net trade in goods and services

Exports minus imports (SA, USD billion)



US imports of industrial supplies and equipment

USD billions



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

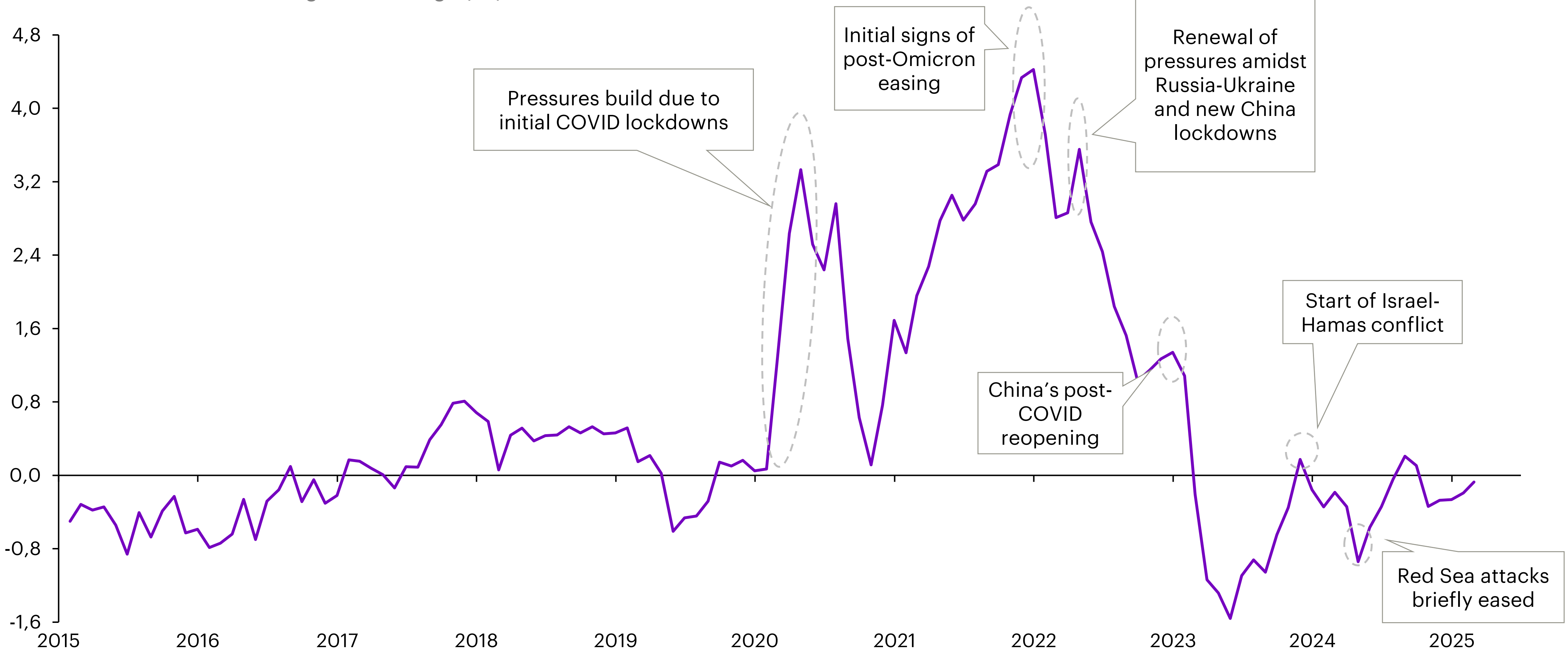
Supply chains

Global trade faces mounting pressures as geopolitical tensions and protectionist policies threaten to trigger renewed supply chain disruptions

Supply chain pressures

Global Supply Chain Pressure Index

Standard deviations from long-term average (=0)

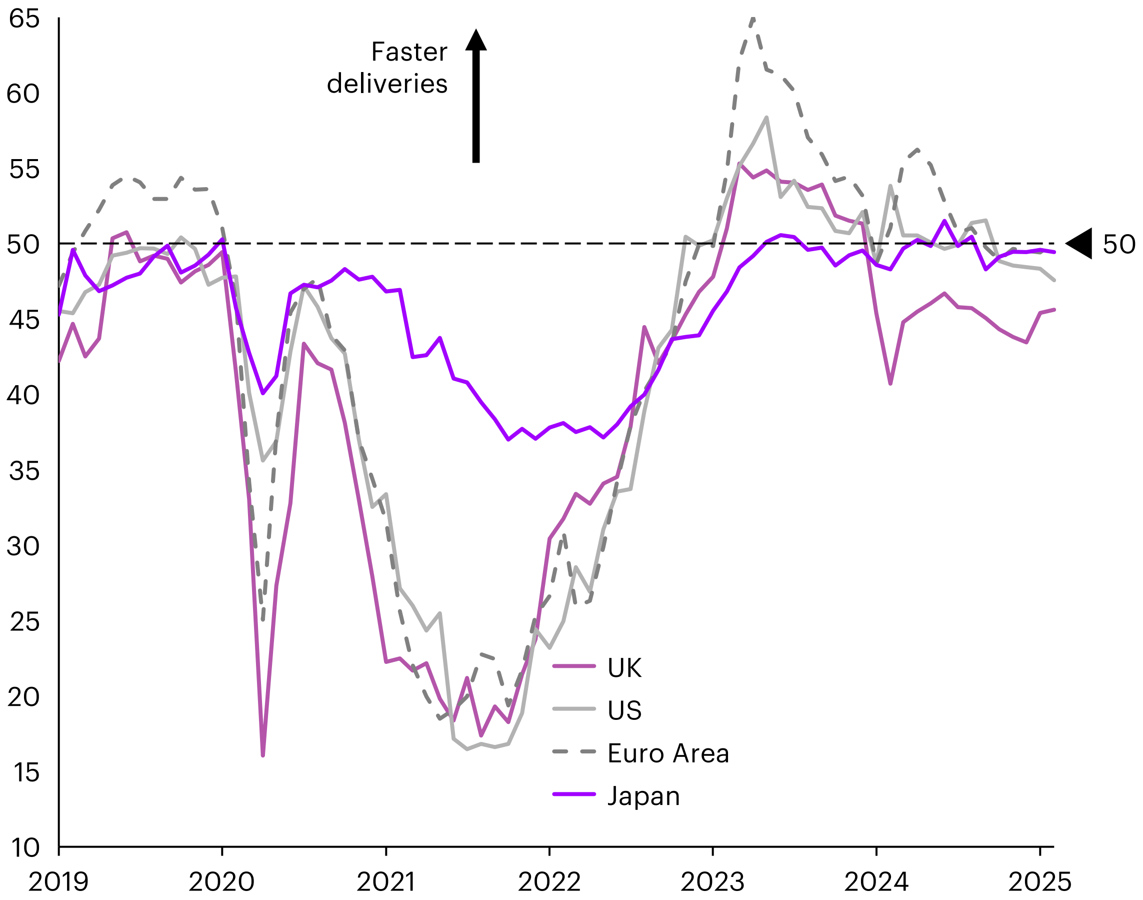


Supplier delivery times have improved, approaching pre-pandemic norms, while clearance of backlogs continues at a moderate but stable pace

Suppliers' delivery times and backlogs of work

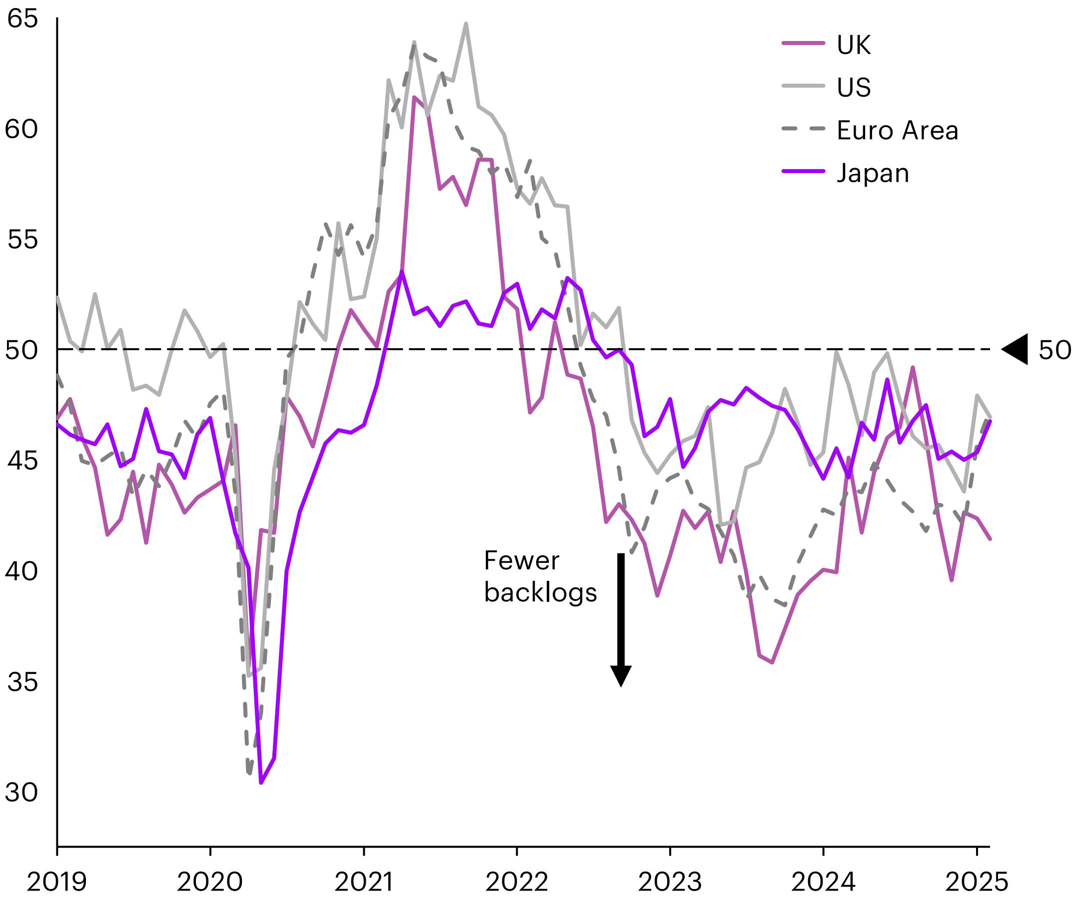
Suppliers' Delivery Times

Seasonally adjusted, 50+ = Increase



Manufacturing Backlogs of Work

Seasonally adjusted, 50+ = Increase



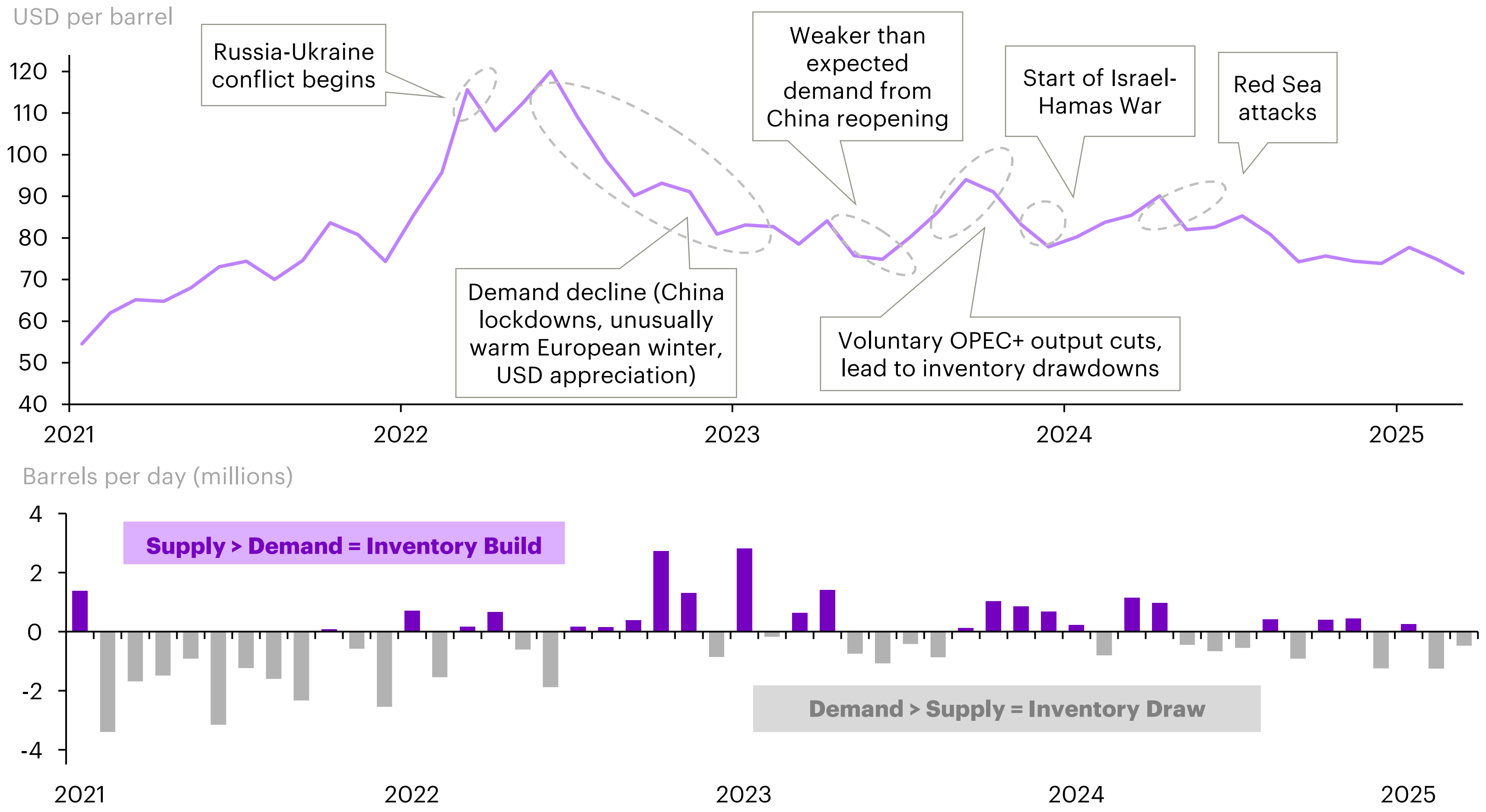
Sources: CIPS/S&P Global, Haver Analytics, Thomson Reuters, Accenture Strategy analysis

Energy and commodities

Oil prices have softened in recent months as easing geopolitical risks and OPEC+ supply adjustments weigh on sentiment and demand

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 continued to decline in March 2025, reflecting geopolitical risk and expectations of increased production and slower demand growth, due to:
  - OPEC+ production strategy, with planned unwinding of voluntary cuts starting in April 2025, increasing supply into the market
  - Geopolitical developments, particularly ceasefire negotiations between Russia and Ukraine, which could lead to higher Russian oil exports
  - Subdued demand outlook amidst deteriorating economic momentum in the US

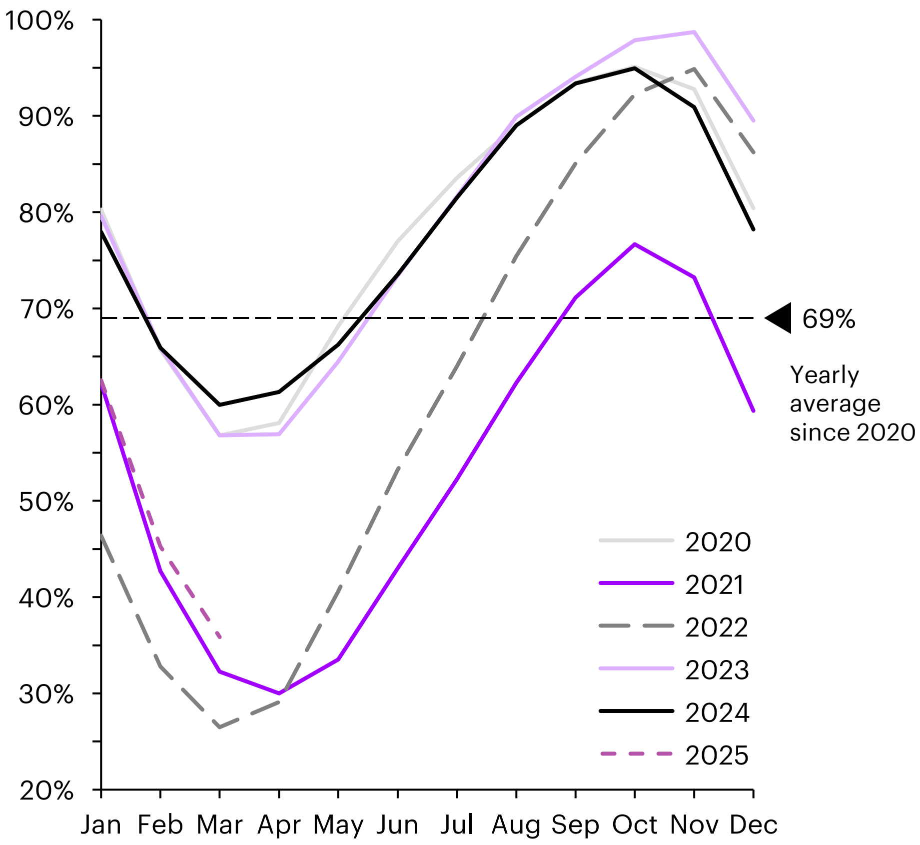
Notes: Monthly average of Brent crude oil price (USD per barrel)
Sources: International Energy Agency, Reuters, Energy Information Agency, World Bank, Bloomberg, Haver Analytics, Accenture Strategy analysis

European natural gas prices eased in March as seasonal demand softened, though storage levels remain below historical averages, keeping supply risks in focus

EU natural gas reserves and prices

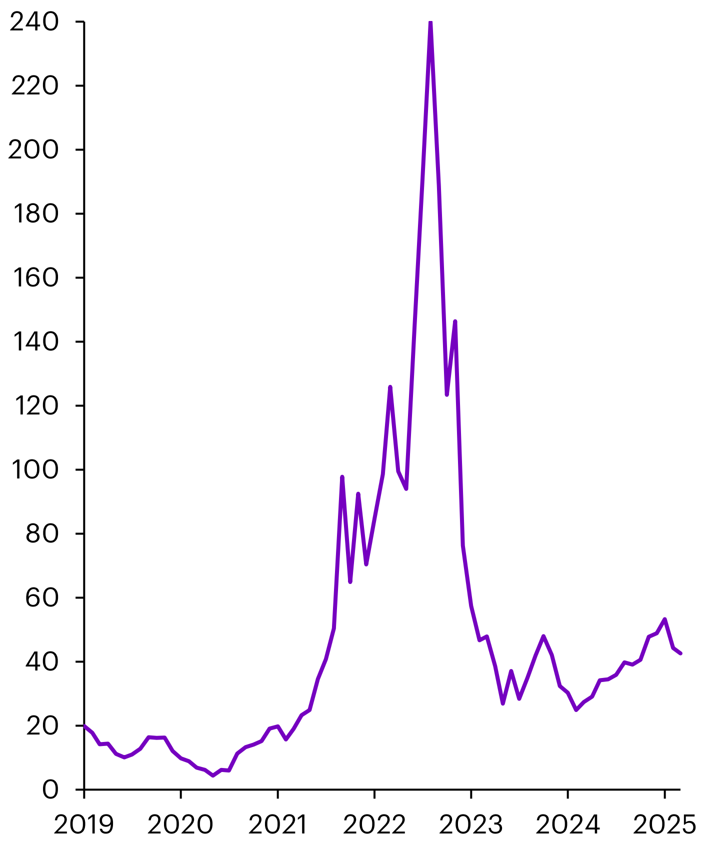
European gas reserves are below-average

% of storage capacity



...putting renewed upward pressure on prices

TTF Gas (EUR per megawatt-hour)



Commentary

- Ongoing geopolitical uncertainties and market volatility have prompted the European Commission to propose extending the Gas Storage Regulation until 2027, reinforcing energy market stability efforts
- Despite these measures, gas prices have eased from early February highs, with weaker seasonal demand likely to weigh on further price movements
- Meanwhile, discussions over a potential resumption of Russian piped gas imports continue, though geopolitical risks remain a key consideration

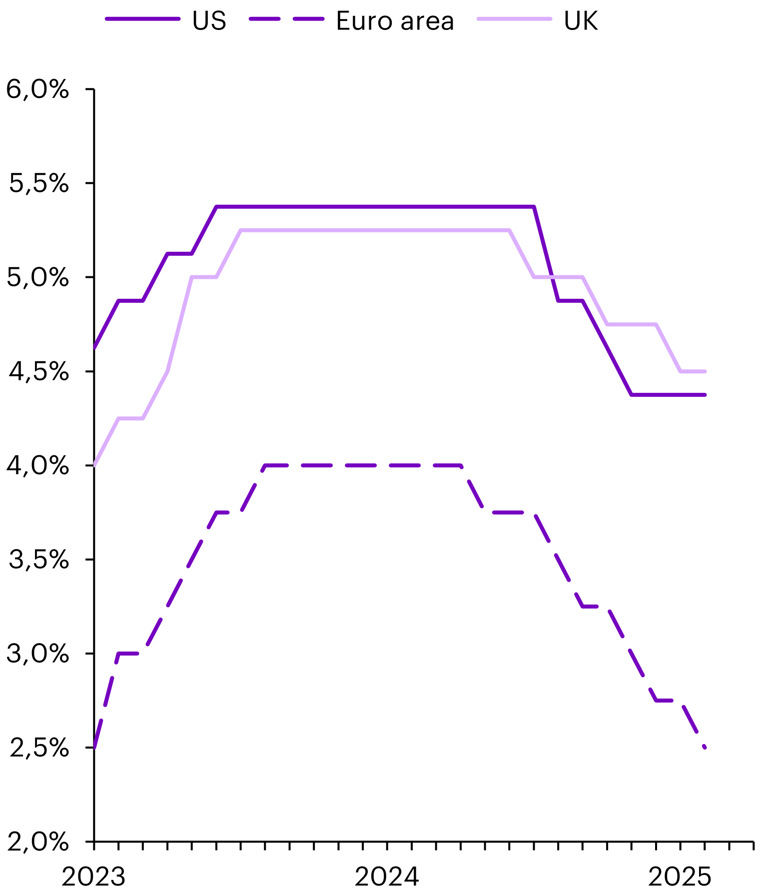
Notes: Dutch TTF Natural Gas Futures front-month contract. TTF stands for Title Transfer Facility, which is a virtual trading hub for natural gas in Europe. TTF prices represent the average monthly price of natural gas traded at this hub and are considered a benchmark for natural gas prices in Europe.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

Financial markets

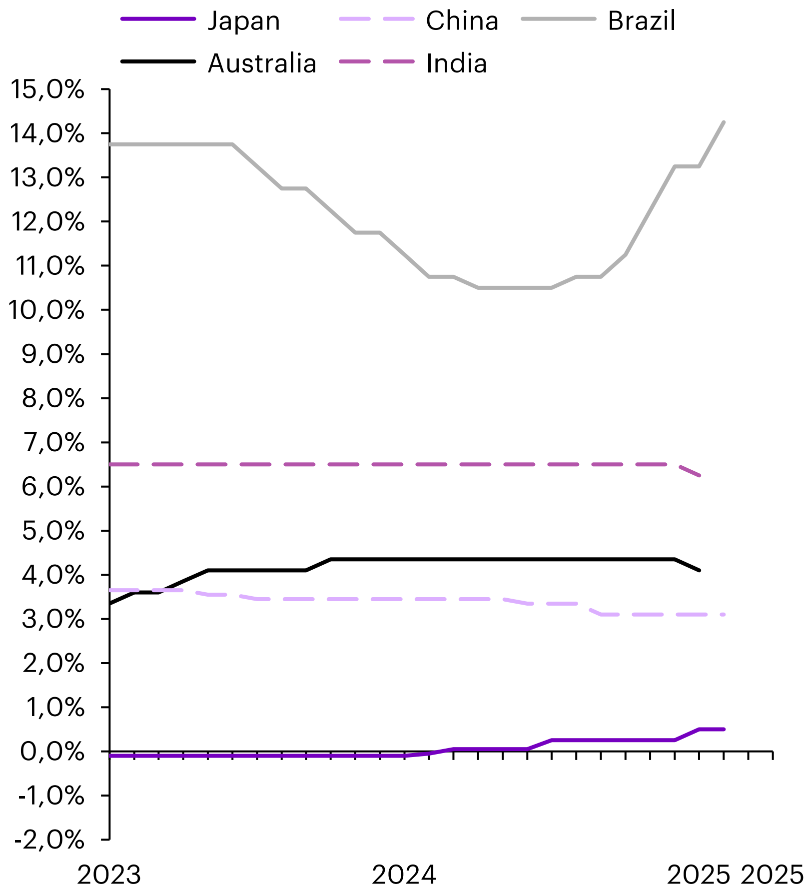
The Fed and BoE have paused rate cuts as inflation pressures re-emerge, while the ECB continues to ease rates in an effort to reinvigorate economic growth

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



Commentary

- The Federal Reserve kept rates unchanged at its March meeting, signaling a cautious stance as it monitors inflation pressures form tariffs and a weakening US growth outlook
- The Bank of England held its Bank Rate steady at 4.5% in March, balancing the need to support growth while remaining vigilant on inflation
- The European Central Bank lowered its key interest rates by 25 basis points in March in an ongoing bid to stimulate economic activity across the Euro area
- The People's Bank of China (PBoC) has kept its key lending rates unchanged, focusing on stabilizing the yuan and supporting domestic markets amid persistent economic pressures

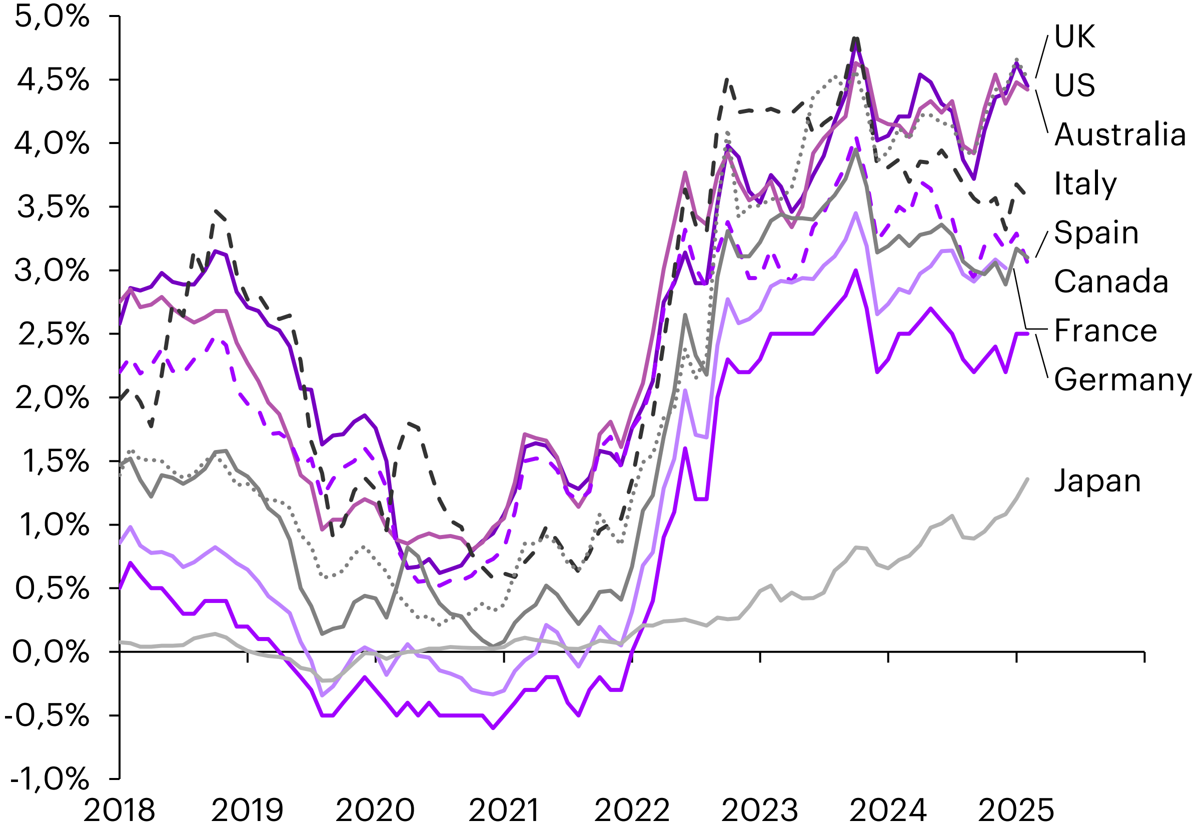
Sources: Haver Analytics, Federal Reserve Bank (US Fed), European Central Bank (ECB), Bank of England, Bank of Japan, Reserve Bank of India, Central Bank of Brazil, Reserve Bank of Australia, People's Bank of China, Reuters, Accenture Strategy analysis

Long-term yields remain elevated amid uncertain monetary policy, while currency fluctuations reflect persistent trade tensions and market uncertainty

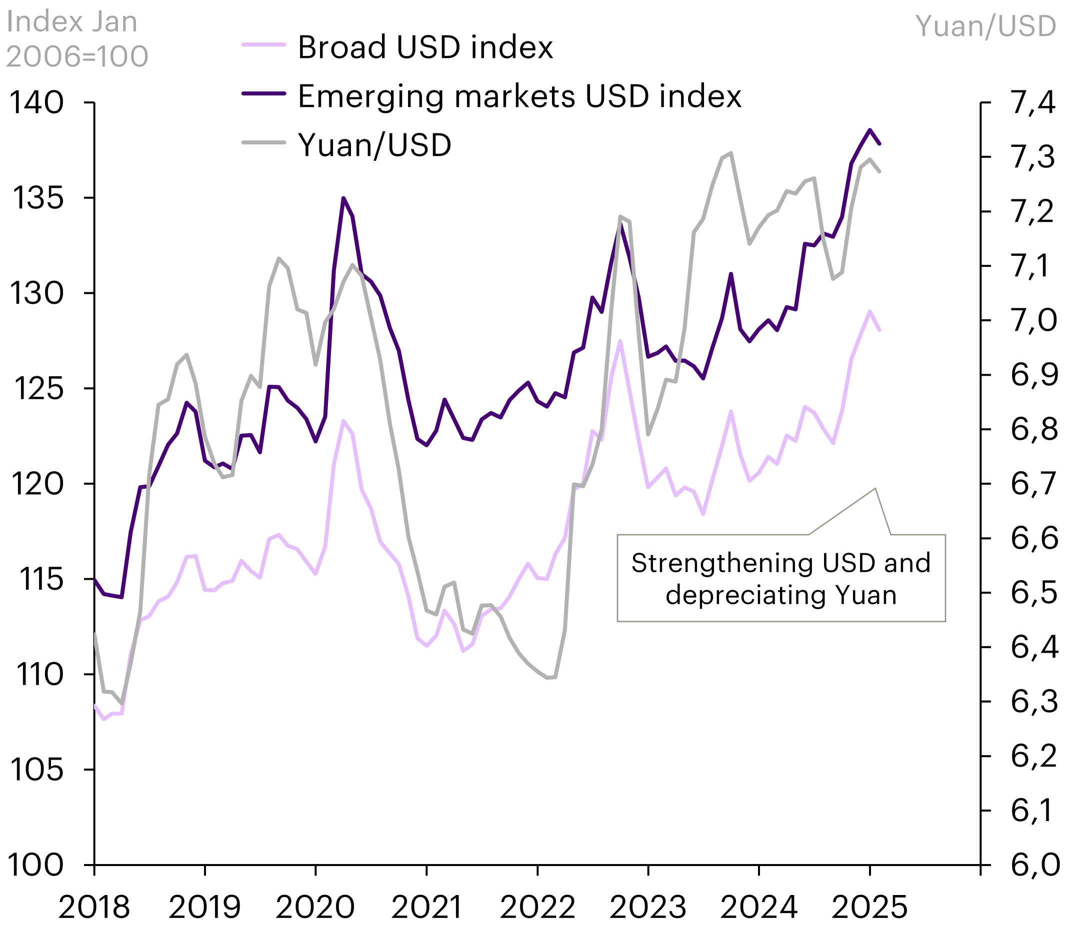
Long-term yields and exchange rates

Evolution of 10-year government bond yields

Percent



Trade-weighted USD index and Yuan/USD



Sources: Bloomberg, National Central Banks, Accenture Strategy analysis

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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.

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