July Macro Brief

Fiscal power plays

July 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 **July 25, 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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July 2025

Executive Summary

Global themes

- **The global economy is entering 2H 2025 with weakened momentum, reflecting ongoing tariff uncertainty, softening consumer demand, and significant fiscal policy reform across regions**
  - In the US, the nascent manufacturing rebound of recent months has stalled (though services remain resilient) and consumer spending continues to moderate. The passage of the One Big Beautiful Bill reduces some fiscal uncertainty, but the large budget deficit remain an ongoing concern.
  - European growth remains subdued, characterized by weak manufacturing activity and consumer demand amidst trade tensions and tariff uncertainties. However, fiscal expansion in the region is expected to offset some of these headwinds, particularly in Germany.
  - Momentum in APAC remains resilient, building upon recent trade deals with the US that have reduced some uncertainty. However, the outlook is fragile as China struggles to regain growth momentum and others in the region feel the spillover effects.
- **Fiscal activism is on the rise globally, with governments implementing measures focused on boosting growth, stability and security.**
  - In the near term, this provides some policy certainty and unlocks private opportunities in defence, infrastructure, energy, and digital sectors.
  - However, the associated deficits and debt accumulation could lead to higher sovereign risk premia and capital flow volatility and force future policy reversals—e.g. tax hikes, subsidy cuts, and regulatory shifts. The prospect of such a fiscal reckoning may discourage/delay some big-ticket corporate capital spending or raise required ROI, particularly in sectors reliant on state support and co-financing (e.g. energy, utilities, telecom).

Regional highlights

Americas

- The new **US** fiscal bill is unlikely to broadly boost consumer spending, as it mainly benefits top earners, but may spur manufacturing reshoring and investment in oil, gas, and nuclear energy
- **Canada**'s public spending ramp up creates private opportunities in construction, defence, and digital services, but its budget neutrality remains to be seen and could drive higher borrowing costs

Europe, Middle East and Africa

- The fiscal landscape in Europe is shifting as the **EU** and **Germany** pursue large-scale public investment in defense, infrastructure, and green tech
- In the **UK**, labor tax increases are driving up business costs, slowing hiring, and forcing companies to reassess workforce and investment strategies

Asia-Pacific

- **China** is scaling up its fiscal stimulus—prioritizing advanced manufacturing and green energy—to support both near-term growth and long-term resilience
- **South Korea** is taking advantage of its fiscal space to ramp up public spending, but broader government and SOE debt obligations may force future moderation

Key considerations and priorities for clients

- **Anchor near-term bets to government priorities:** With fiscal activism unlocking targeted sectoral opportunities, firms should align capital allocation and partnerships to national spending trends—especially in reshoring, advanced manufacturing, and green tech.
- **Stress-test long-term investments for policy risk:** Rising deficits and the risk of fiscal reversals (e.g. tax hikes, subsidy cuts) may impact ROI and regulatory predictability—especially in state-reliant sectors like energy, telecom, and utilities.
- **Adapt strategy to regional divergence:** Companies should stay agile across geographies—leaning into U.S. and APAC resilience and sector-specific fiscal tailwinds, while managing exposure in regions facing weaker demand and/or rising tax burdens (e.g. UK, Europe).

Sources: Accenture Strategy analysis

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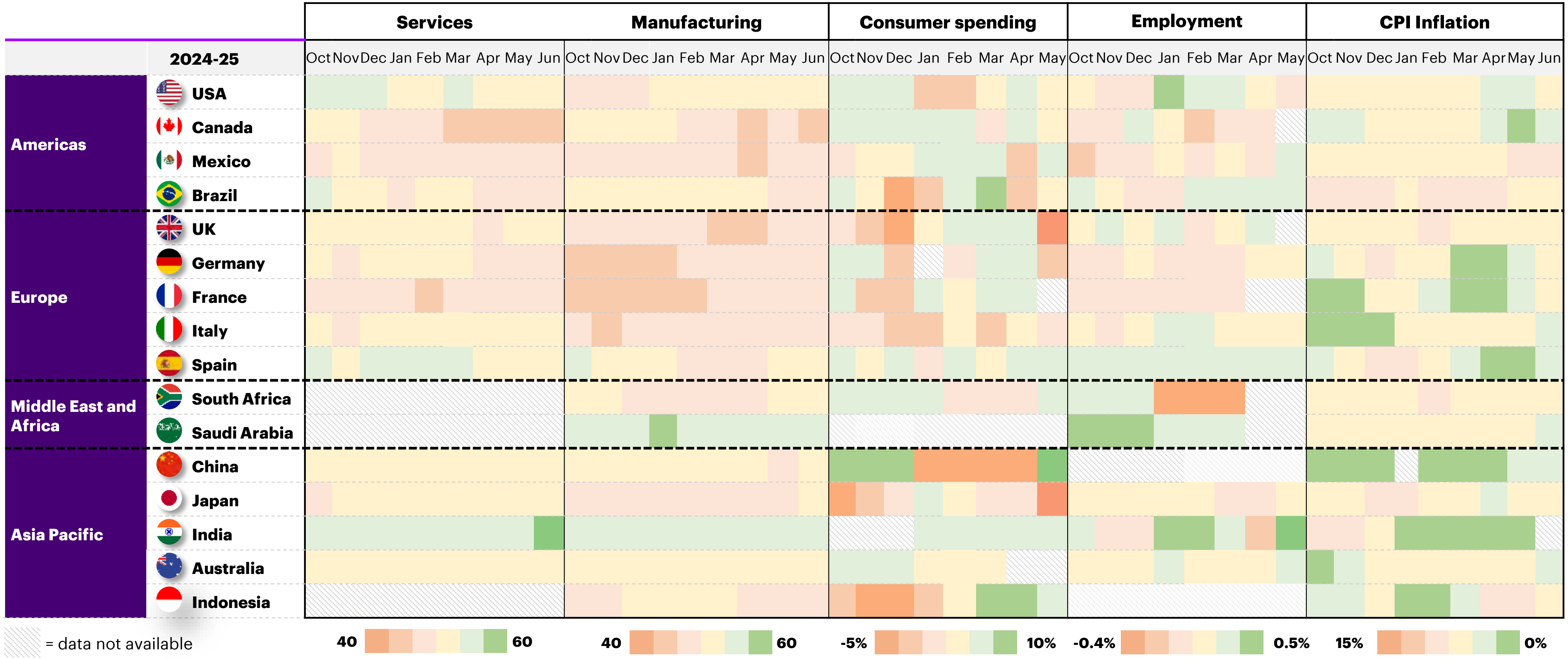
Economic momentum remains services-driven; inflation ticked up in the US and Europe while manufacturing activity and consumer spending continue to send mixed signals

Country economic momentum snapshot

AS OF JULY 25



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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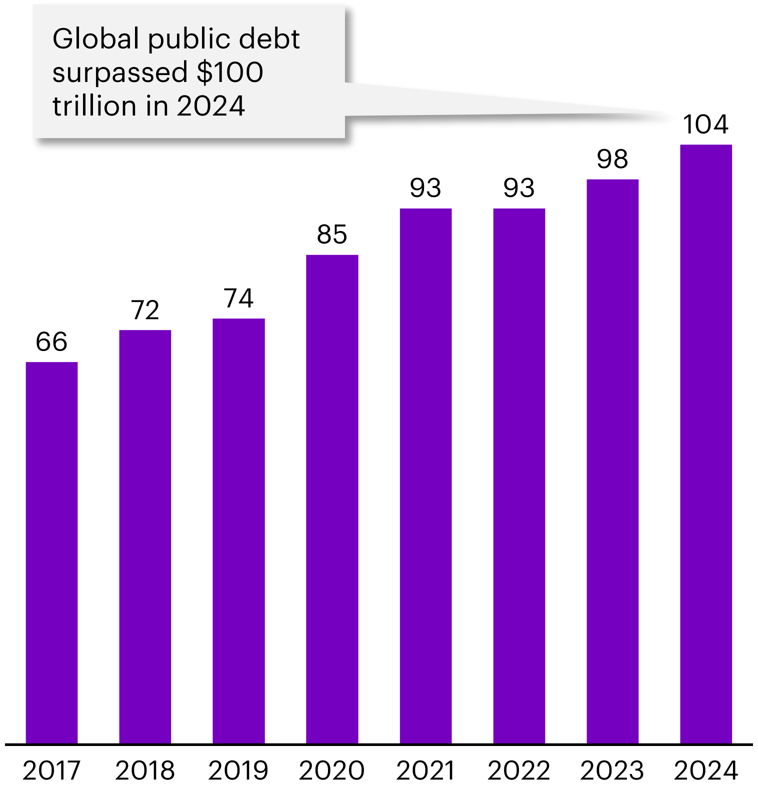
Governments globally are embracing fiscal activism to address structural economic challenges, enhance national security and pursue strategic investments

Global public debt developments

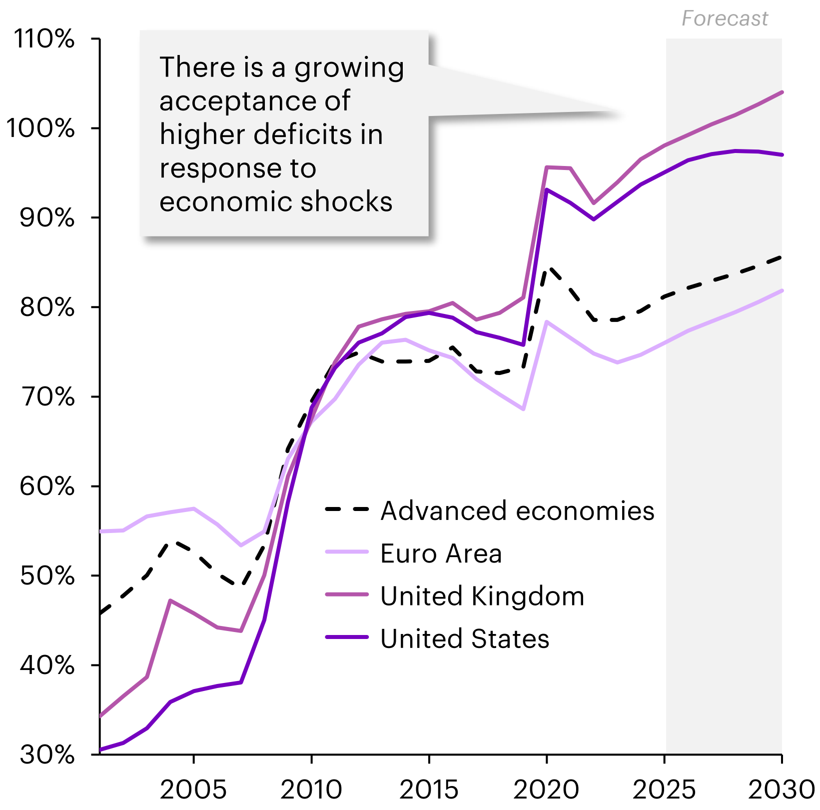
Global public debt

USD trillion



Net debt as a % of GDP

Net debt as a % of GDP for Advanced Economies



Implications for corporates

- Recent fiscal announcements reflect shared fiscal priorities across countries, focused on:
  - growth, through infrastructure and industry support
  - stability, via social spending and subsidies
  - defence/security, through increased military budgets and resilience funding
- For businesses, higher public spending leads to more public-private opportunities, especially in defence, infrastructure, energy, and digital sectors
- Increased geopolitical alignment in fiscal outlays means firms must also align operations with national strategic goals to access funding and contracts
- Greater state intervention may mean tighter regulatory scrutiny or protectionism especially in sectors seen as "strategic"

Note: Advanced Economies include G7, Euro Area, Andorra, Israel, San Marino, Australia, Korea, Singapore, Czech Republic, Macao SAR, Sweden, Denmark, New Zealand, Switzerland, Hong Kong SAR, Norway, Iceland.
Sources: UNCTAD, IMF, Accenture Strategy analysis

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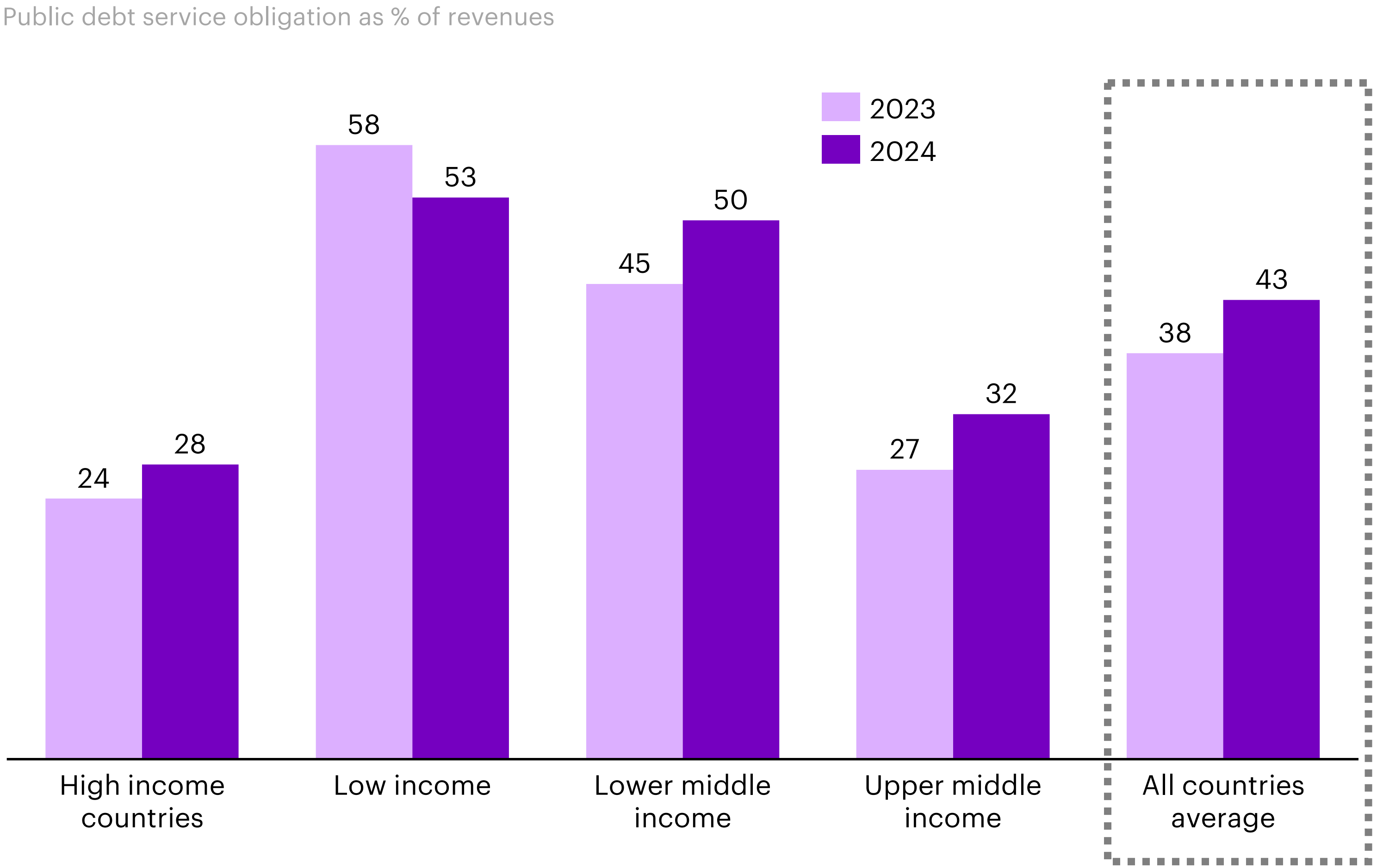
However, rising debt burdens may force some future policy reversal in the form of higher taxes, spending cuts, and regulatory shifts

Debt service pressures

Debt service burdens (by country income tiers)



Implications for corporates

- Massive fiscal deficits and rising debt service burdens limit flexibility in responding to new shocks, pressuring governments to implement more strict fiscal changes
- Elevated borrowing needs may trigger higher sovereign risk premiums or capital flow volatility, increasing market sensitivity
- For businesses, this creates policy volatility risks:
  - Regulatory frameworks may shift as governments rebalance budgets or respond to market pressures
  - For sectors benefiting or relying on current fiscal support, e.g., energy, infrastructure, there is a risk of future tax increases or subsidy cuts
- Reduced public investment capacity could slow infrastructure pipelines and weaken demand in historically state-supported sectors (e.g. utilities, energy, telecom)

Sources: Development Finance International, 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	• Real retail sales grew 0.6% in June, driven by a rebound in auto sales, strong performance in non-store retail, and food services • Consumer sentiment improved for the second consecutive month in July • Headline CPI increased to 2.7% YoY with core inflation moving to 2.9%	• 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	• Reinstatement of higher reciprocal tariffs on some countries after the end of the tariff deadline on August 1st • Reversal of tariff-related demand frontloading leading to a pronounced slowdown in consumer and business spending in H2 2025
	Canada	• Headline CPI rose slightly to 1.9% in June, driven by higher vehicle and clothing prices • The Bank of Canada held interest rates steady at 2.75%, following several previous cuts	• Trade tensions with the US will exacerbate existing growth challenges, including cost-of-living pressures, weak productivity, weak business investment, and housing undersupply	• Potential for tariff de-escalation as a precondition to USMCA renegotiation • Newly-elected PM Mark Carney will have material implications for policy
	Brazil	• Retail sales continues to decline, registering a 0.2% decrease in May from April • Headline CPI rose slightly to 5.35% in May, driven by transport, housing and clothing	• 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	• Brazilian Real depreciation alongside higher inflation and interest rate hikes • Global trade conflict could weigh on commodity exports
Europe 	UK	• Consumer confidence saw a slight improvement in June but remained in negative territory • Inflation rose to 3.6% in June from 3.4% driven by higher food prices, which rose for the third consecutive month	• Growth remains the top priority for government policy, but the outlook is challenging • Business investment could remain weak given the new tax increases	• Higher energy costs from flare-ups in the Middle East could dampen consumer confidence and retail sales, risking stagnation or recession if energy supplies are disrupted
	Germany	• Headline inflation stood at 2% in June, marking the lowest rate since October 2024 • Consumer confidence continued to fall in July, down to -20.3 marking the lowest since April	• 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 • Potential EU retaliation to US tariffs • Dumping of Chinese industrial exports
	France	• Real retail sales in May decreased by 0.3% due to a decline in sales of non-food goods • CPI rose by 0.4% MoM in June 2025 due to services and energy price rebounds	• Economic growth is expected to be subdued, with tighter fiscal policy and global uncertainty dampening investment	• US tariffs may hurt exports, confidence, and investment, while rising interest rates could curb investment

Sources: Accenture Strategy analysis

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

Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific	China	• The yuan continues to strengthen against the USD, holding near a 6-month high in June • Inflation in June returned to positive territory for the first time since January as CPI rose by 0.1% • Exports rose 5.8% in June as the US trade deal fell into place	• 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	• Resilience of Chinese exports (incl. through re-routing) amidst US tariff pressures • Additional policy stimulus if growth undershoots targets
	Japan	• Tourism remains strong as international arrivals increased 7.6% YoY to a record high in June • Core inflation eased to 3.3% in June from a 29-month high as rice inflation showed signs of cooling	• 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	• Impact of potential Middle-East disruptions to energy supplies on trade balance and inflation • The impact of a potential consumption tax cut on business/consumer spending and overall growth prospects
	India	• Inflation cooled for the eight consecutive month, registering a lower than expected 2.1% in June • 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	• 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 • Potential trade deal with US • Signs of manufacturers or other companies shifting supply chains
	Australia	• The Reserve Bank of Australia left the policy rate unchanged at 3.85% in July • Real GDP growth in Q1 2025 slowed to 0.2% (from 0.6% in Q4), reflecting the impact of extreme weather events and weaker government spending	• 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 cut interest rates to 5.25% in June as an attempt to further support economic growth • The manufacturing PMI declined in June (from 47.4 to 46.8), marking the third consecutive month in contraction	• Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures • Easing tariff tensions due to a US trade deal will provide a more stable macro environment to spur economic growth	• Further monetary policy easing in 2025 as inflation stabilizes • Reallocation of government spending, including cuts to existing projects

Sources: Accenture Strategy analysis

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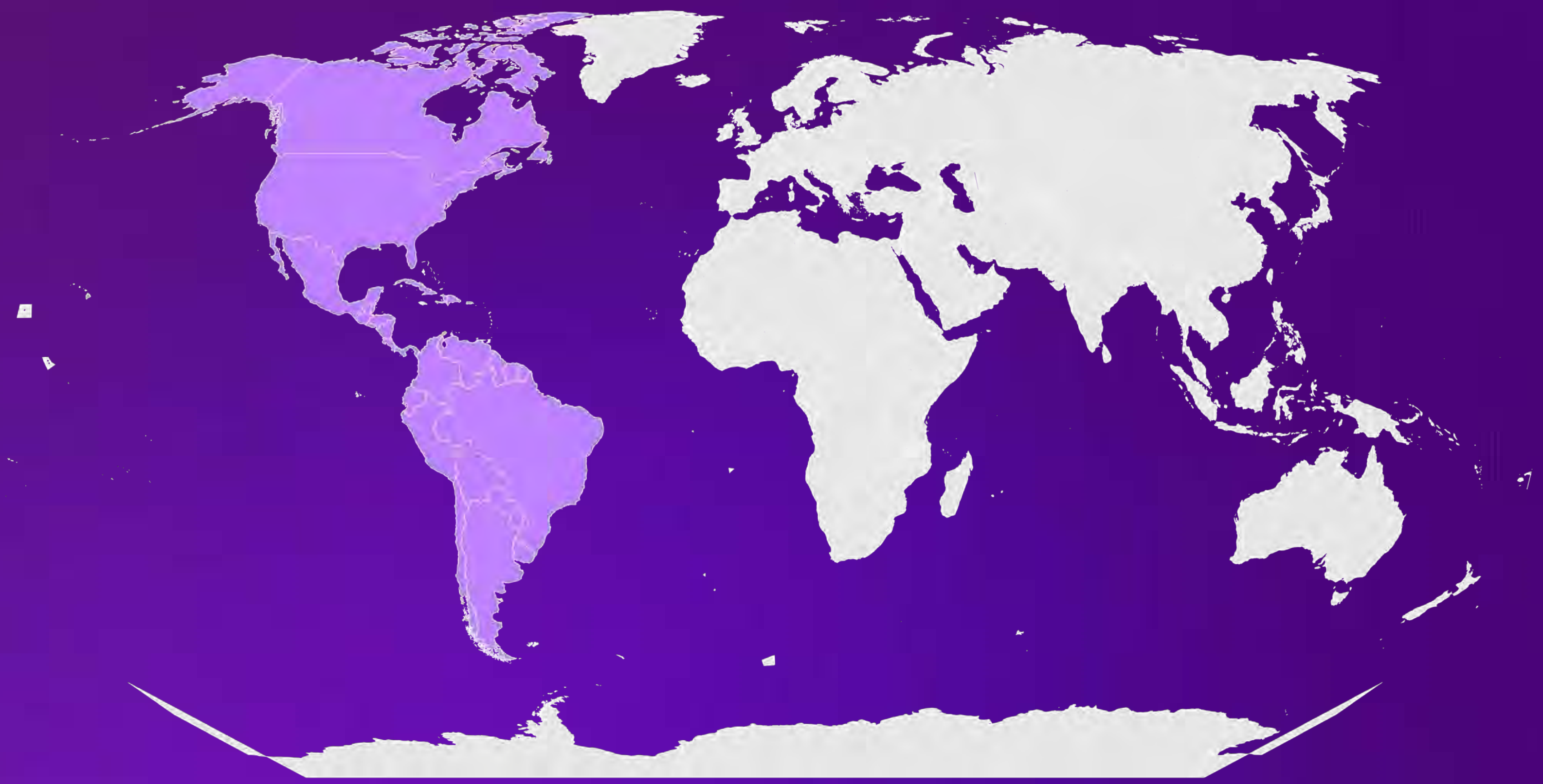
Spotlight developments

Americas

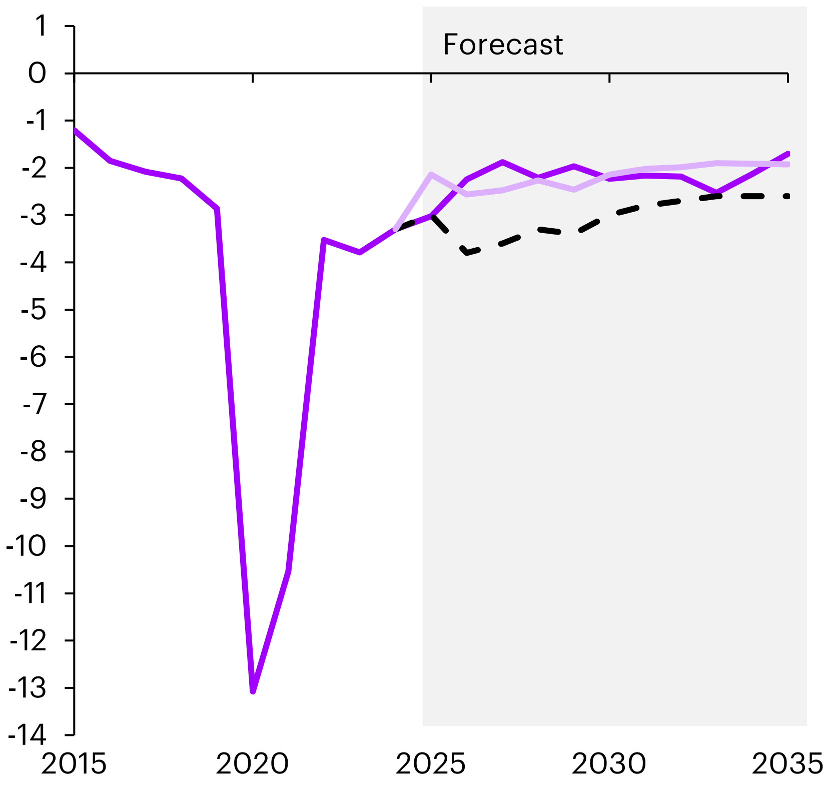


The latest US fiscal bill (even when factoring in potential tariff revenue) fails to put public debt on a more sustainable path and will reinforce upward interest rate pressures

Implications of the One Big Beautiful Bill (OBBB)

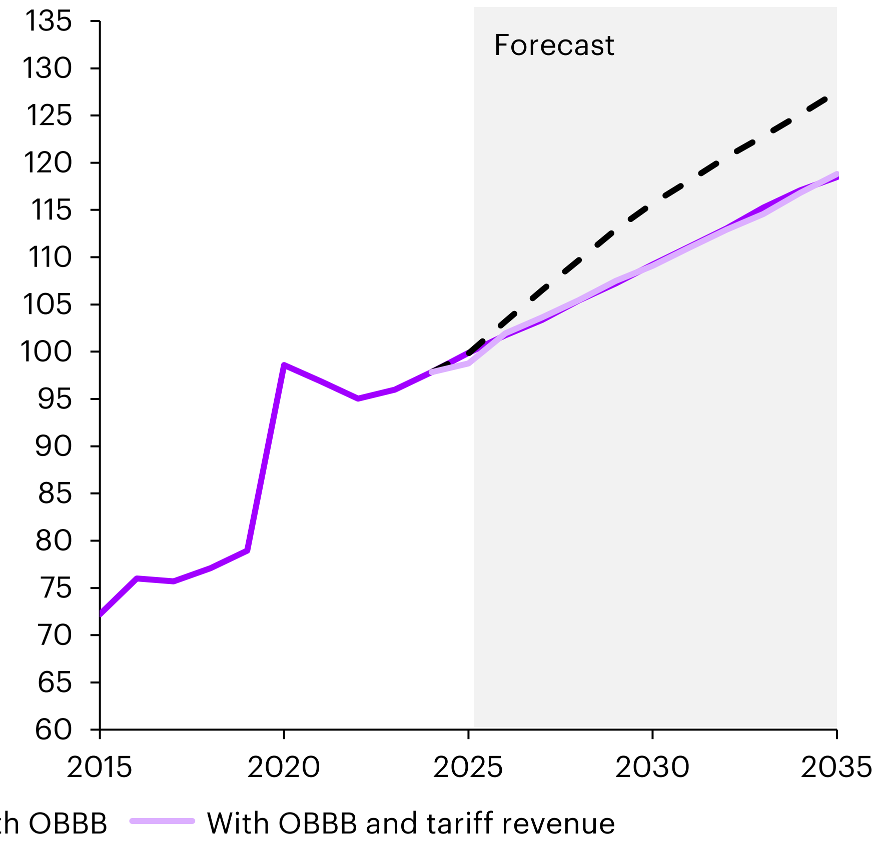
US primary budget balance

Percent of GDP (negative = deficit)



US federal government debt

Percent of GDP



Implications for corporates

- The One Big Beautiful Bill (OBBB) is set to increase the US federal primary deficit over the next 10 years (relative to a no policy change baseline) due to an expansion of tax cuts and incentives that outweigh spending decreases
- Potential tariff revenues could offset some of this fiscal deterioration, but only enough to bring the deficit and debt back closer to pre-OBBB trajectories, rather than putting finances on a more sustainable path
- This persistence of large fiscal deficits and increases in public debt will contribute to higher-for-longer interest rates
- As cost of capital financing increases, companies will face pressures to:
  - Delay highly-leveraged projects with high cost of capital
  - Prioritize projects eligible for tax credits or co-funding

Note: Tariff revenues are not included in standard assessments of the fiscal impact of the OBBB, as they are not legislated by Congress as part of the budget process but rather imposed under temporary Executive Branch authorities. Tariff projections are based on the assumed continuation of tariff measures in place as of end-June 2025.
Source(s): CBO, Yale Budget Lab, Penn Wharton Budget Model, Accenture Strategy analysis.

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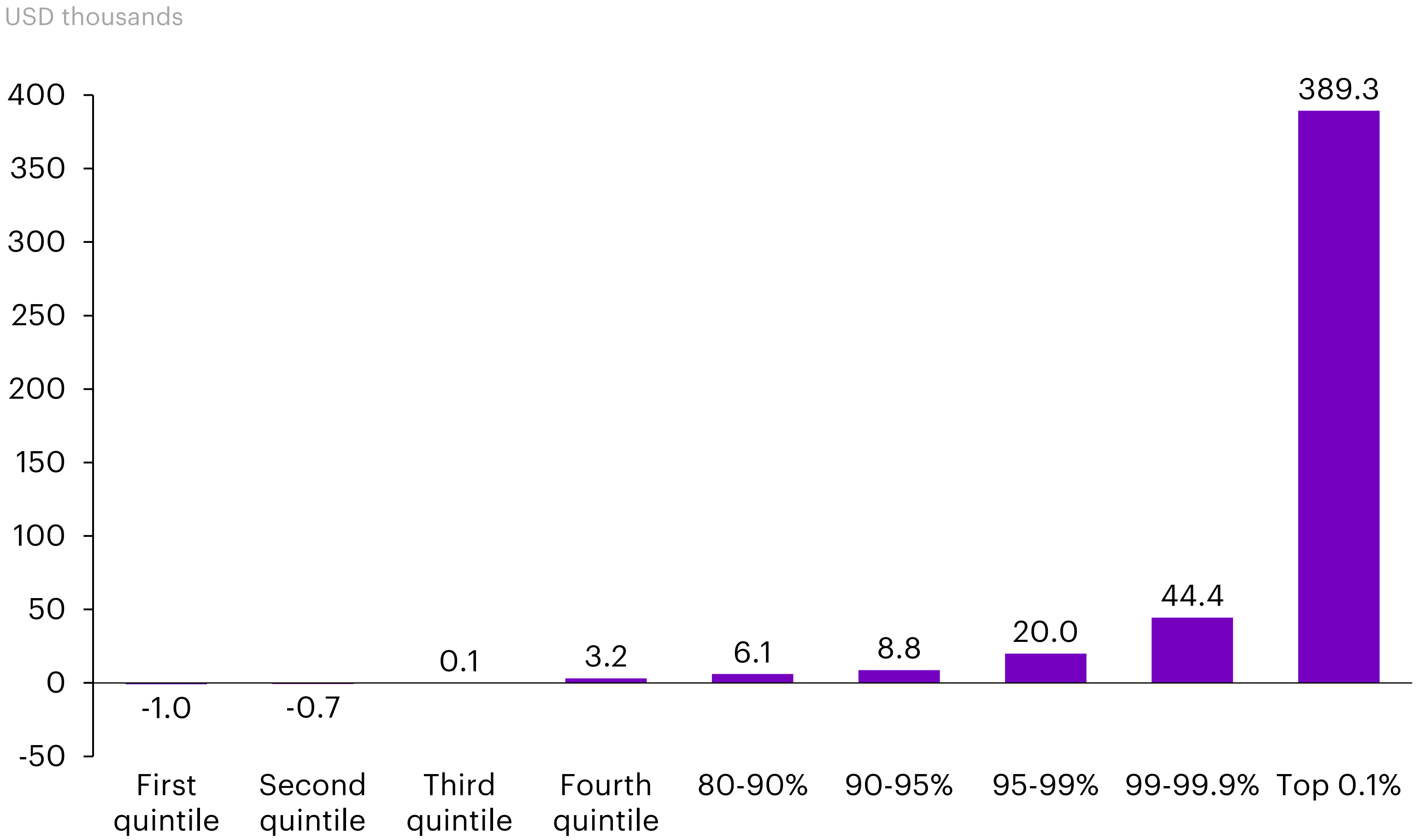
The fiscal bill is also expected to disproportionally benefit top earners, whereas recent spending softness has been concentrated among lower-income consumers

OBBB implications for consumer spending

Expected change in aggregate after-tax income in 2026 due to OBBB tax cuts



Implications for corporates

- The OBBB tax cuts skew more in favor of higher-income households, and thus unlikely to meaningful uplift the purchasing power of lower-income consumers, which is already being squeezed by tariffs
- In this context, companies should:
  - Segment product portfolio and marketing more distinctly by income tier
  - Invest in higher-end offerings where disposable income is growing (e.g., luxury brands or wealth management)
- Reduced public spending and regressive tax effects could weaken sectors reliant on discretionary consumer goods and federal programs, such as travel and education, with an opportunity for companies to reallocate capital toward sectors benefitting from new tax treatments or regulatory support

Source(s): Penn Wharton Budget Model, Accenture Strategy analysis

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Corporate tax provisions provide a tailwind for manufacturing reshoring while scaling back support for green energy in favor of nuclear and oil and gas

OBBB investment incentives and implications

Key OBBB investment incentives

Summary of corporate tax incentives

100 percent bonus depreciation for short-lived property

Immediate expensing for domestic research and development (R&D)

Business net interest deduction based on EBITDA

100 percent bonus depreciation allowance for certain structures

Shifting fiscal support of energy technologies

Industry facing headwinds
Industry supported by tailwinds

Technology	IRA incentives (2022–2025)	OBBBA policy changes (2025 onward)
Solar & Wind	• 48E and 45Y credits available until 2033	• Phased out after 2027[1]; sourcing rules tightened (FEOC)
Green Hydrogen	• 45V credit available until 2033	• Phased out by 2028
Electric Vehicles	• 30D, 25E, and 45W credits for EVs; 30C for charging infrastructure	• Phased out by 2026 (30D/25E/45W by Oct 2025, 30C by Jul 2026)
Manufacturing	• 45X and 28C credits support clean tech supply chain	• 45X phased out after 2027 (wind) and 2028 (solar/storage) • 48C compromised by sourcing rules
Carbon Capture	• 45Q credit available until 2033	• Preserved; EOR provisions enhanced
Energy Storage	• 48E credit available until 2033	• Preserved in full
Biofuels	• 45Z credit available until 2027	• Extended to 2029; feedstock sourcing rules tightened; capped SAF
Geothermal	• 48E and 45Y credits available until 2033	• Preserved in full
Nuclear	• ITC/PTC for new, 45U for existing plants available until 2033	• Preserved in full; fuel sourcing rules apply after 2028
Oil & Gas	• No support	• Gains tax breaks, public land access, and regulatory rollbacks

Implications for corporates

- While upfront incentives ease the capital burden of domestic manufacturing, high labor and tariff-inflated input costs challenge long-term competitiveness
  - This will require careful evaluation of reshoring economics
- For energy-intensive sectors like AI, nuclear offers a potential clean energy backbone, but firms must navigate tough unit economics, regulatory delays, and long build timelines
- Shifting tax credits, phasedown schedules, and expiring provisions require companies to reassess ROI models to optimize portfolio value

Note(s): (1) Construction by 4 July 2026 = 4 years to completion, after = in service before 2028
Source(s): Congress, One Big Beautiful Bill Act (2025); DOE, Inflation Reduction Act (2022); Norton Rose Fulbright, Effects of "One Big Beautiful Bill" On Projects (2025); CKI Analysis (2025, Columbia Business School Climate Knowledge Initiative, Tax Foundation, Accenture Strategy analysis

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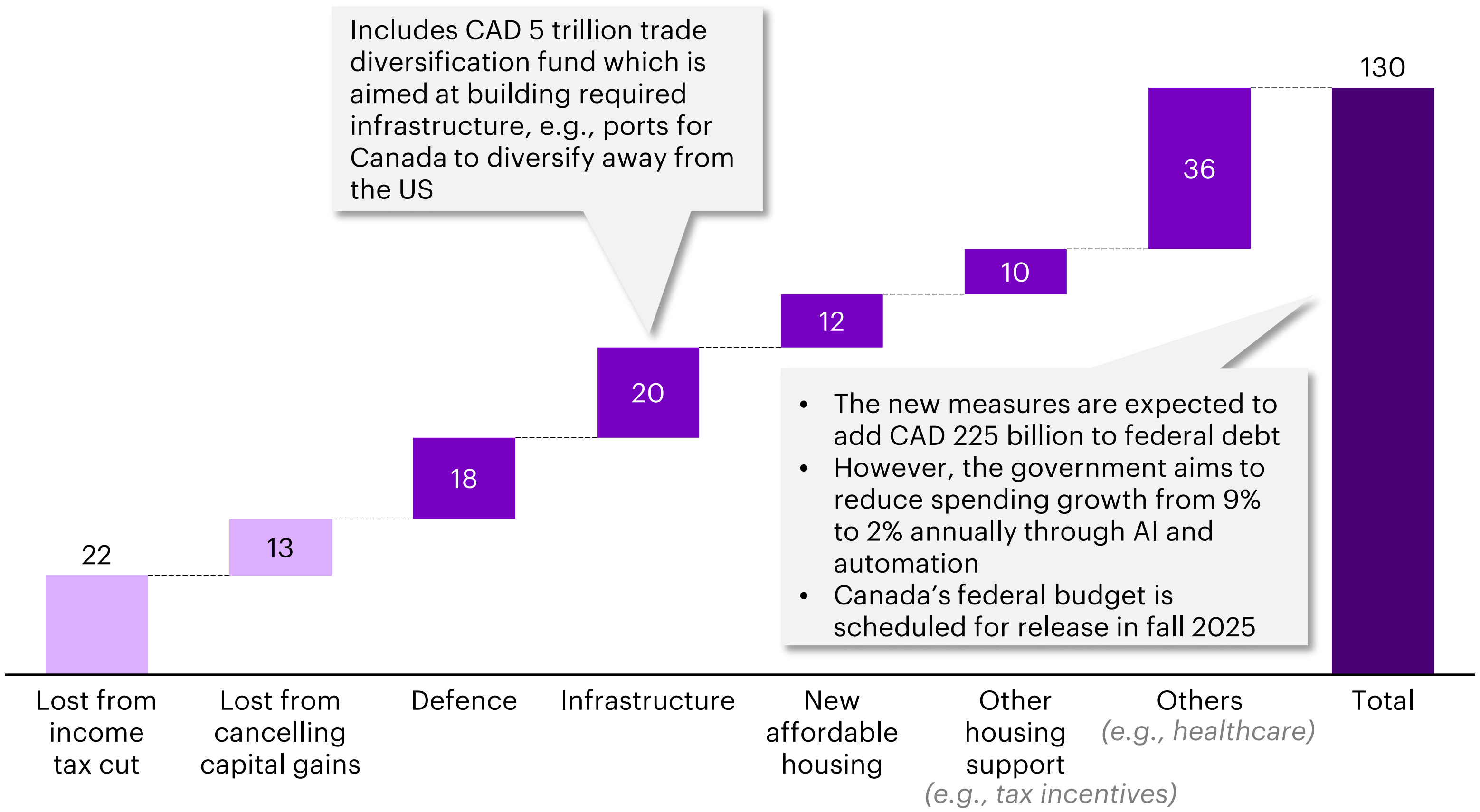
Canada's strategic public spending ramp up creates potential corporate opportunities in infrastructure, housing, and technology services

Canada fiscal expansion

Breakdown of planned CAD 130 billion new fiscal measures

CAD billions, allocated over 4 years



Implications for corporates

- Canada's fiscal strategy is centered around targeted tax cuts, stimulus in strategic sectors—e.g., defense and trade/ supply chains—greater housing availability, and streamlined public services. This creates business opportunities in:
  - Infrastructure and construction, rail, ports, housing and trade corridor expansion
  - Defense and aerospace
  - Technology, due to the need for digital modernization and efficiency platforms
  - Professional services, with opportunities for increased outsourcing of specific technical roles and digital transformation projects
- However, rising deficits may increase market yields, leading to higher corporate financing costs and refinancing burdens

Sources: Finance Canada, Office of the Parliamentary Budget Officer, Accenture Strategy analysis

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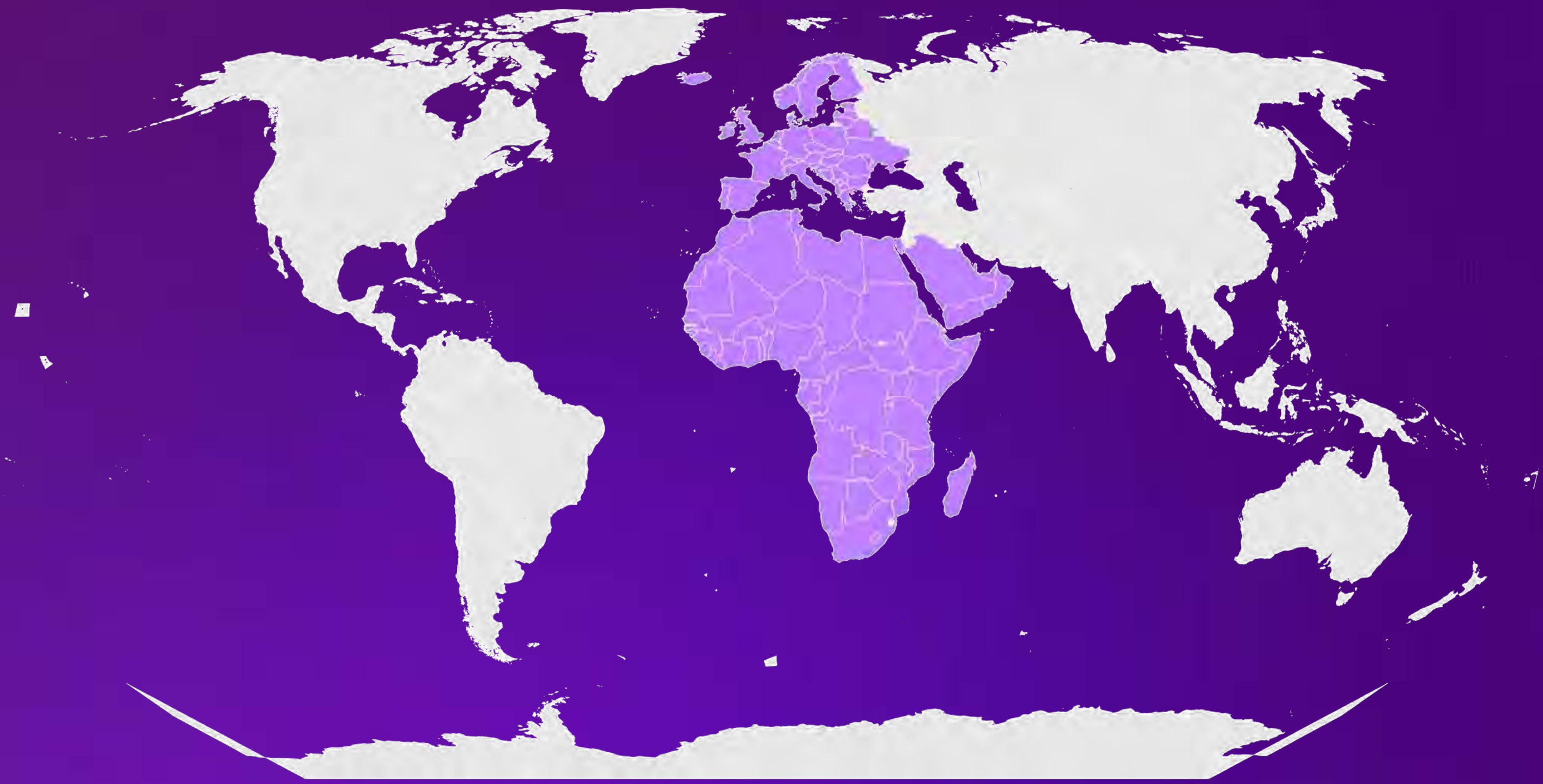
Europe, Middle East and Africa

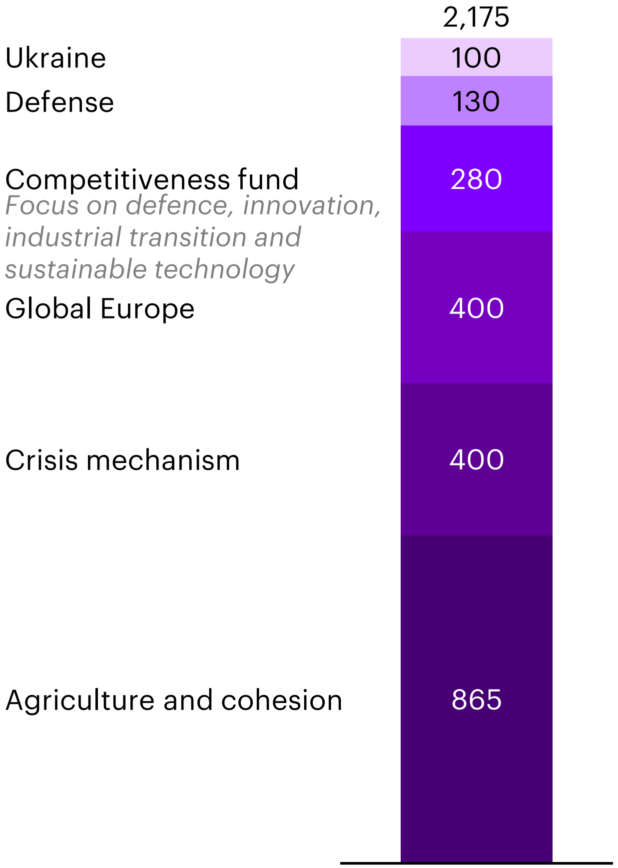


The EU's proposed EUR 2 trillion budget aims to boost defense and innovation spending but faces political frictions and funding gaps, increasing fiscal uncertainty

EU budget proposal

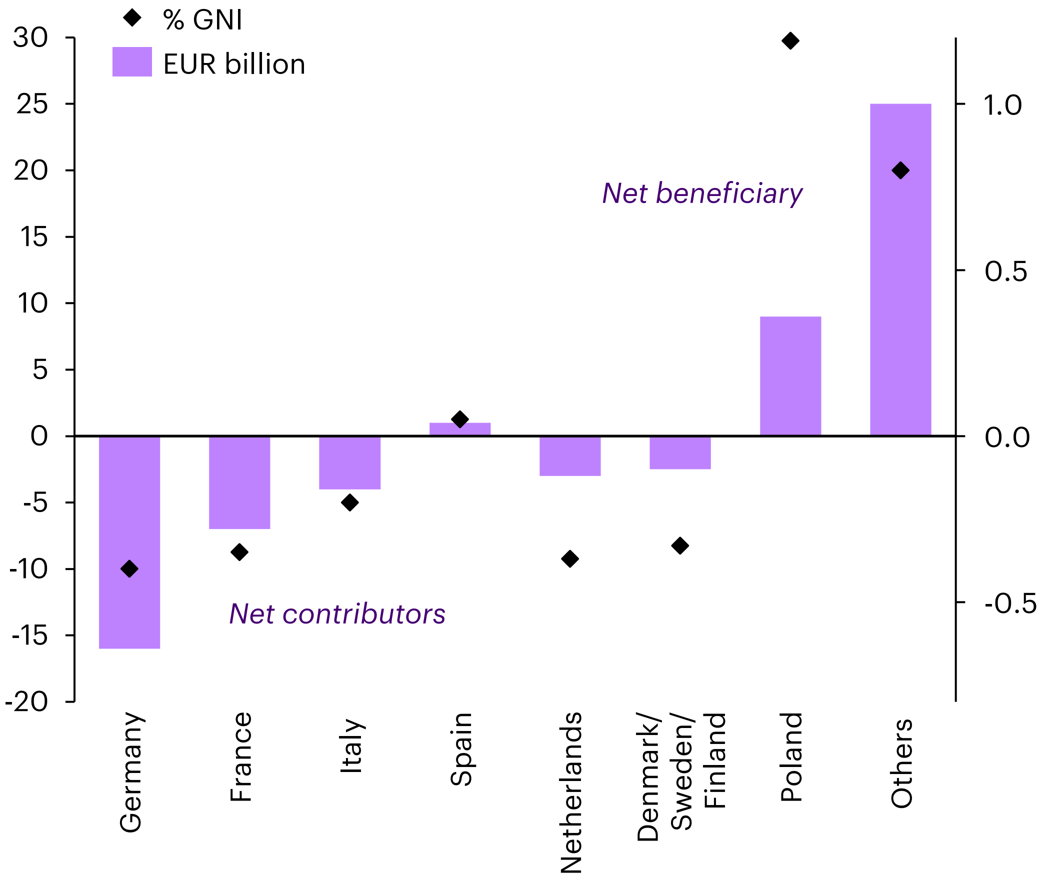
EU proposed budget

EUR billion, 2028 to 2034



EU budget country breakdown

Net balances in EUR billion, 2023



Implications for corporates

- The EU plans to fund the EUR 2T budget through "new revenues" including:
  - Corporate levy on companies with turnover >EUR 100M
  - Levies on e-waste, tobacco and ETS/CBAM (carbon border adjustment mechanism)
- However, the proposed budget may face pushback from member states due to concerns that the large budget size will increase fiscal burdens on net contributor countries as well as the corporate levy hampering regional competitiveness
- Potential delays and rising political tensions will continue as budget elements are negotiated, leading to higher fiscal and regulatory uncertainty for corporates

Source: European Commission, HSBC, Accenture Strategy analysis

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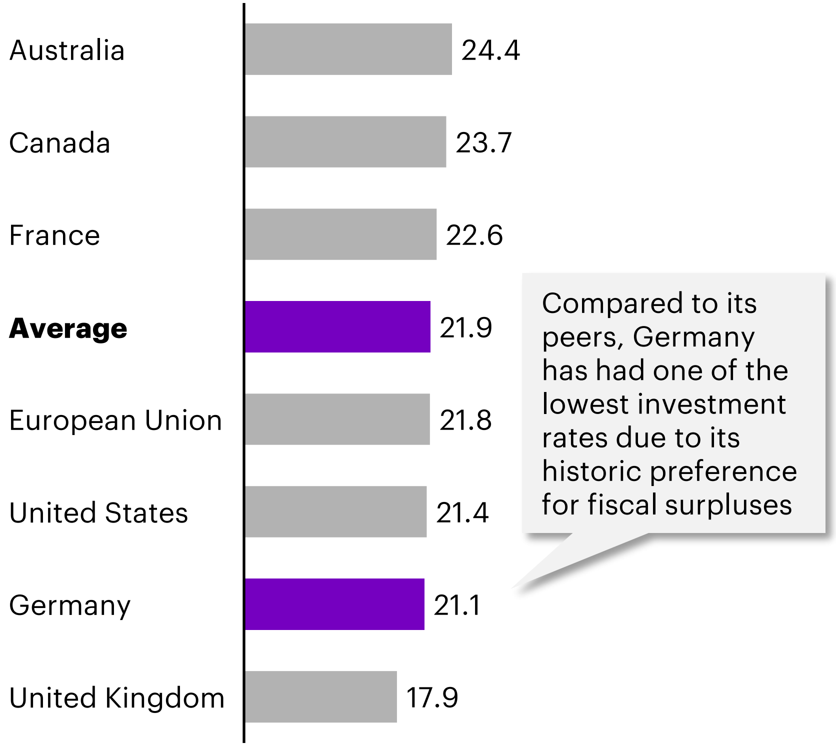
Germany's historic shift from fiscal restraint to investment-led stimulus is creating opportunities for firms in infrastructure, green transition, and digitization

Germany fiscal reform

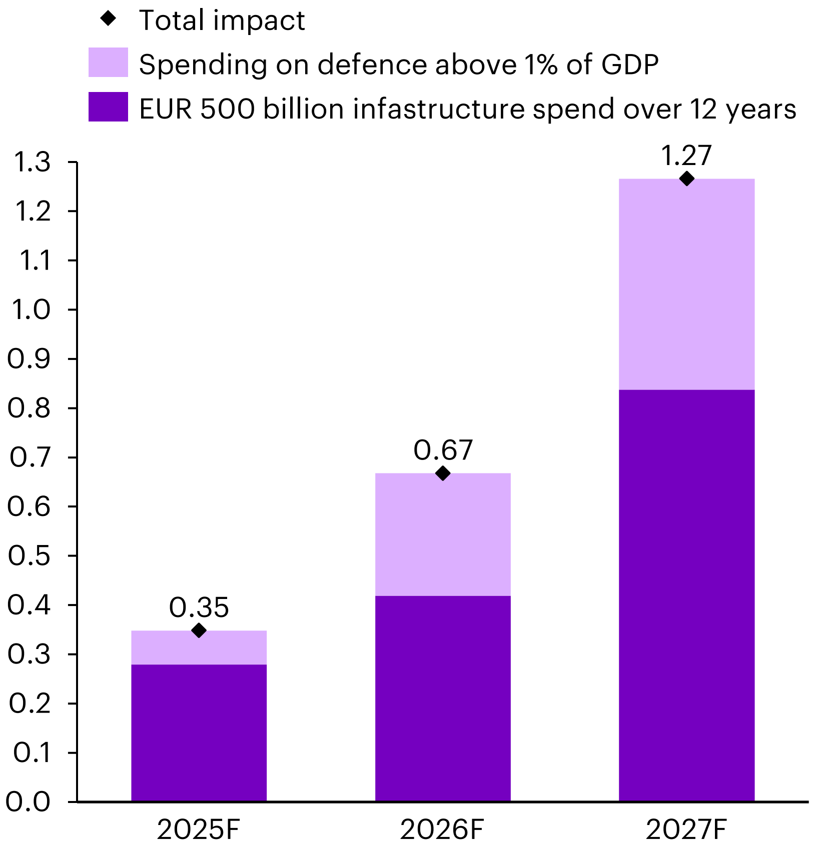
Investment as % of GDP

Gross capital formation as % of GDP, 2014 - 2024



Estimated impact to Germany's GDP

Incremental percentage point to real GDP



Implications for corporates

- Germany's fiscal expansion is expected to add ~0.35 pp to GDP growth, with stronger gains post-2026 as capital flows into the real economy
- Public investment in transport, housing, energy, and defence will drive demand across construction, engineering, and industrial supply chains, boosting competition as new entrants seek to capitalise on public contracts
- Bottlenecks such as labour shortages (particularly in construction and technical fields), regulatory delays, and supply chain pressures could limit the potential economic impact
- Greater public borrowing could also increase interest rates and debt servicing costs for businesses
- In the medium to long term, businesses should also prepare for possible future tax increases or spending cuts as part of eventual fiscal consolidation efforts

Sources: World Bank, Haver Analytics, Accenture Strategy analysis

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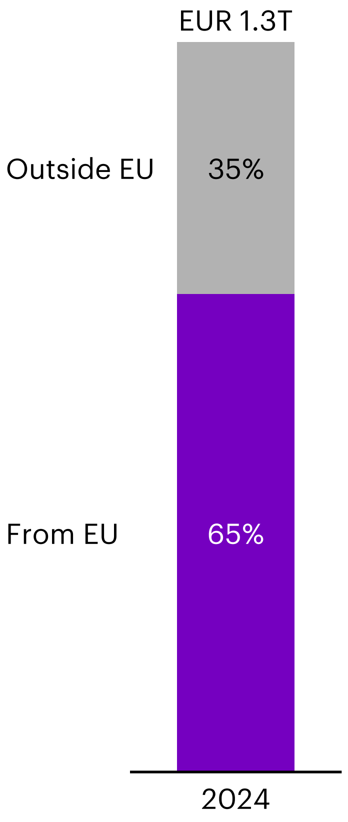
Germany’s fiscal expansion is expected to boost demand, confidence, and trade across the EU, particularly for export-oriented companies

EU beneficiaries of German fiscal ramp-up

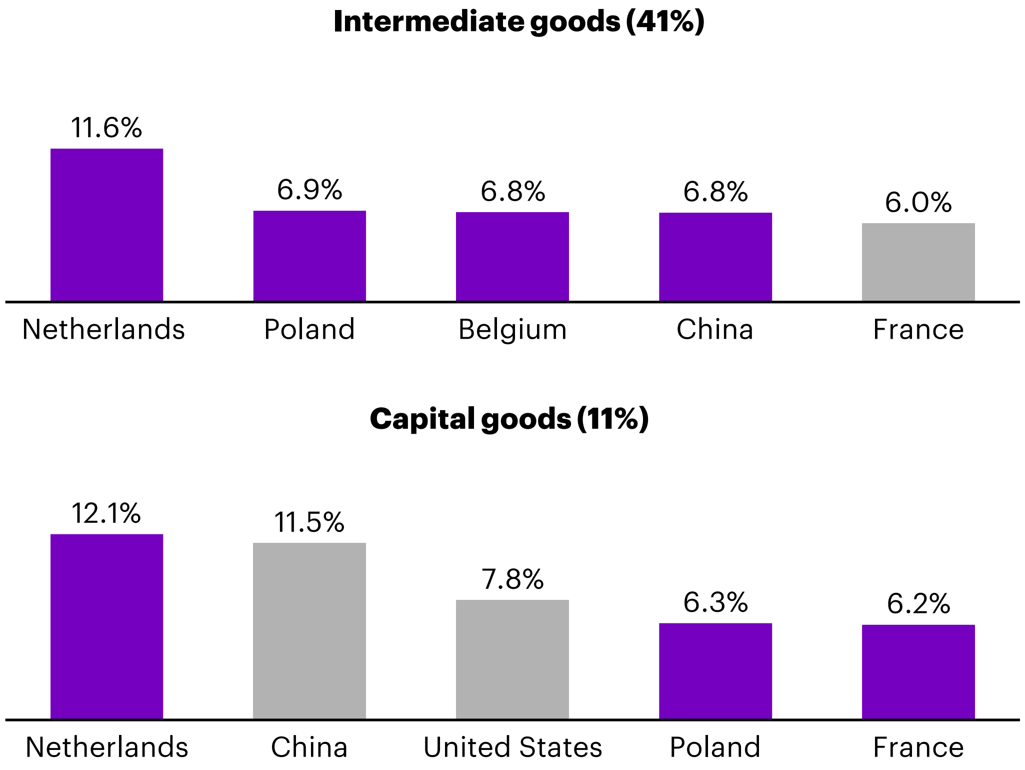
German imports by region

2024



Germany’s top 5 import partners by product category

Share of imports in %, 2024



Implications for corporates

- Germany’s manufacturing sector is deeply integrated with European supply chains, amplifying cross-border impacts
  - Intermediate and capital goods comprise half of total imports and most are sourced from other EU countries
  - Increased German investment activity promises to benefit exporters in key trading partner countries such as the Netherlands, Poland, and France
  - Gains will depend on countries' capacity to scale output and labour market flexibility
- Strong German demand for skilled labour may intensify wage competition, and countries with existing labor shortages or rigid labor markets may struggle to fully benefit
- The surge in German demand may also absorb regional production capacity, pushing up material and transport costs for neighboring firms

Sources: Eurostat, Accenture Strategy analysis

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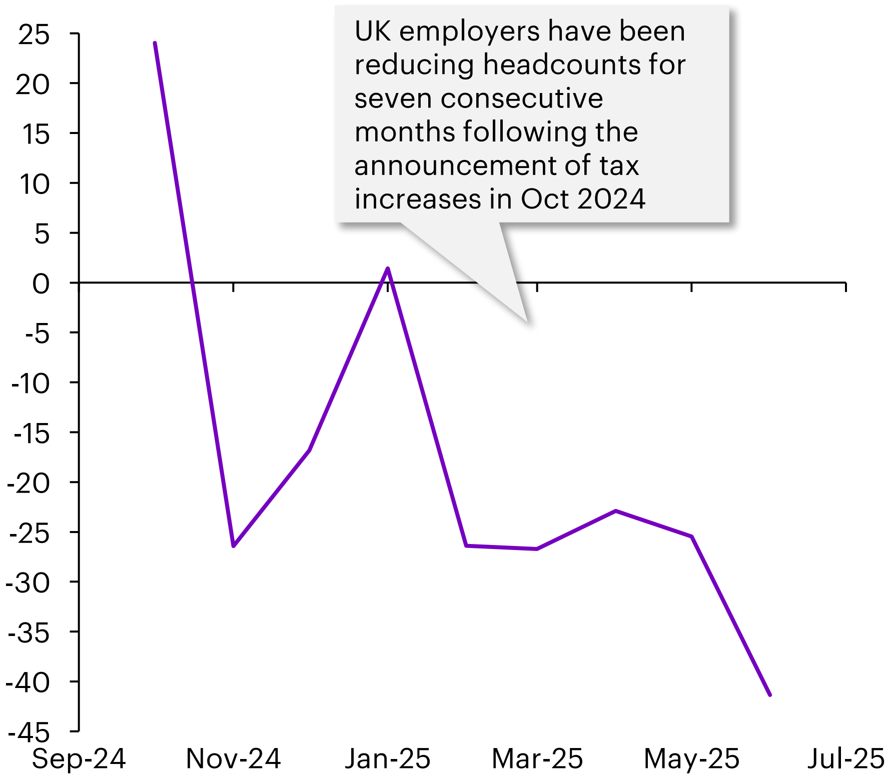
In the UK, recent tax increases are raising costs for local businesses, contributing to slower job creation and exerting a modest drag on economic growth

UK increase in Employer National Insurance Contribution (NIC)

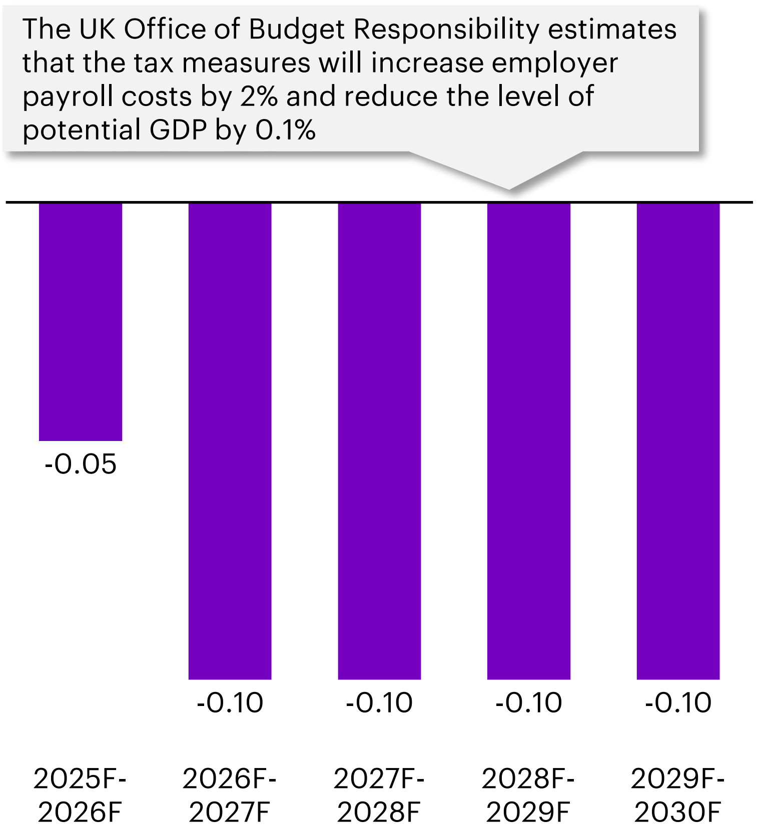
Change in UK payroll employment

Monthly change (thousands)



Projected impact of tax increases on real GDP

Cumulative change in level of potential output (percent)



Implications for corporates

- The UK increased employer NIC rates by 1.2pp to 15% in April 2025, fueling the ongoing reduction in job creation in recent months, reflecting firm's strategy to reduce hiring and offset higher costs
- Labor-intensive sectors where payroll is a large part of operating cost are most impacted, e.g., retail and hospitality, and these sectors may see higher inflationary impacts for end consumers and/or reduction in employment opportunities
- In the medium term, rising employment costs may constrain growth plans
  - Companies may need to adjust their staffing strategies, e.g., shifting toward freelance and/or contractor models where employer NICs are less of a burden

Source: ONS, Office for Budget Responsibility, Accenture Strategy analysis

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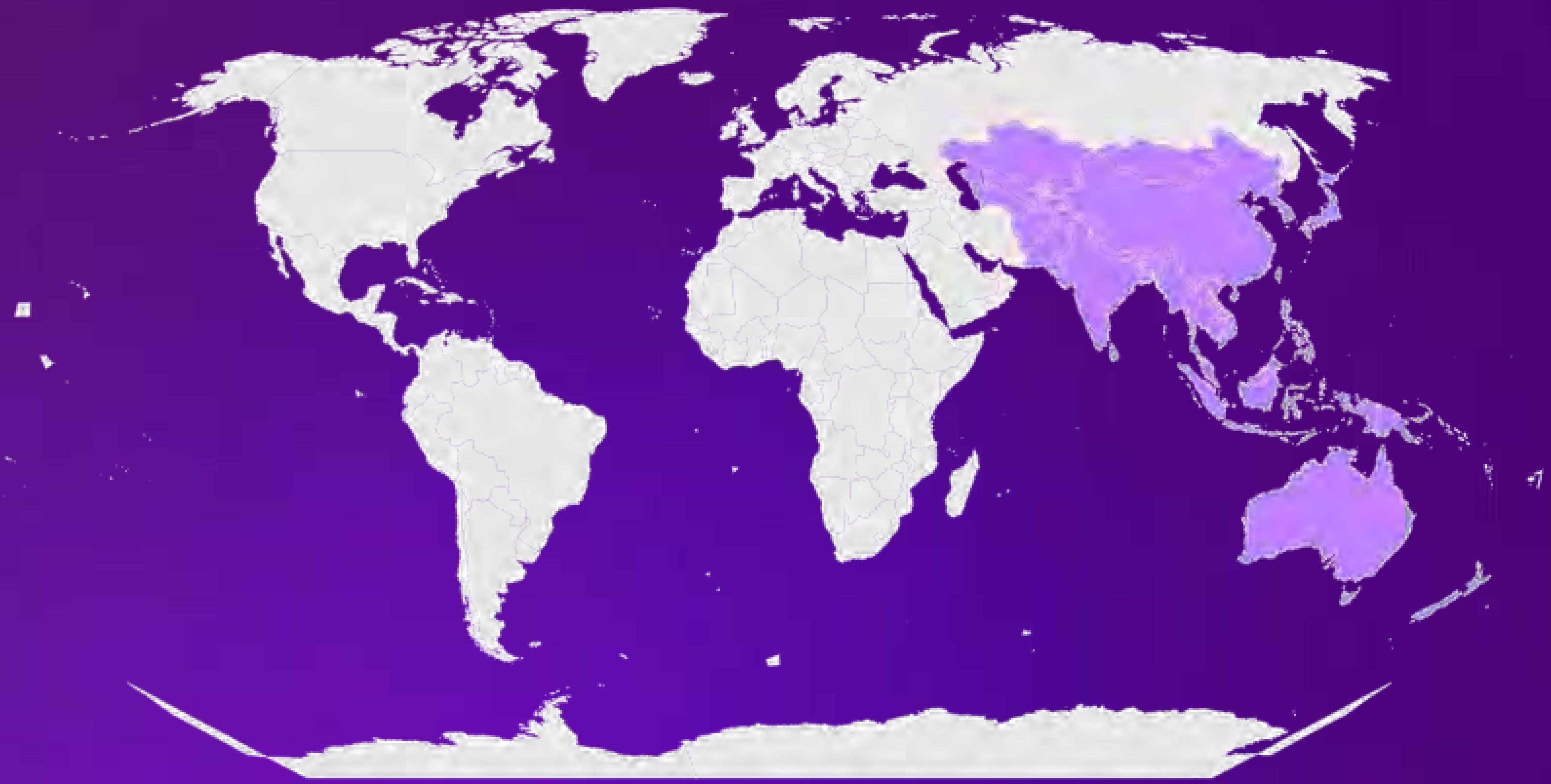
Asia Pacific

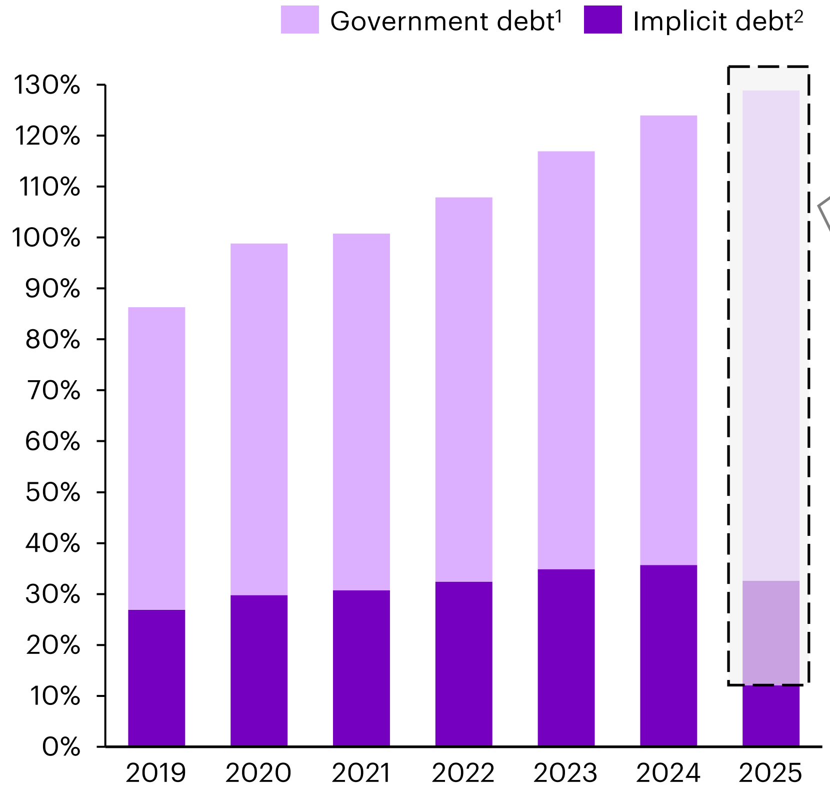


China raised its fiscal deficit target from 3 to 4% of GDP and plans to issue RMB1.3 trillion (USD180 billion) in special treasury bonds in 2025, targeting strategic growth priorities

China's special bond issuance

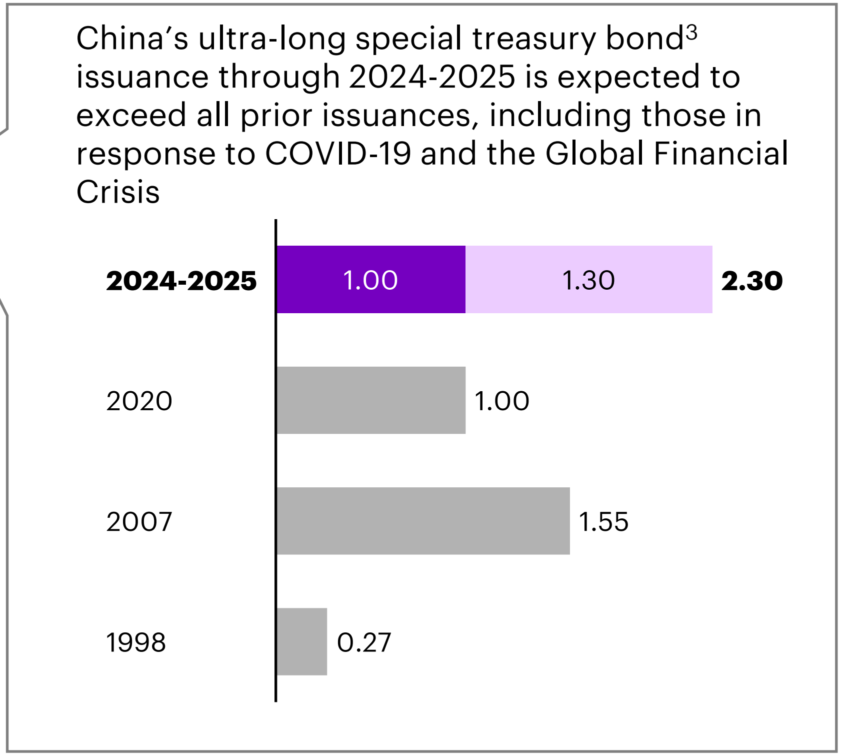
China's debt as a percent of GDP

Percent



Comparison of special treasury bond issuance

RMB, trillion



Implications for corporates

- China is likely to use the 2025 funds for priorities similar to that in 2024, benefitting corporates in:
  - Infrastructure and strategic projects (e.g., high-speed rail)
  - Domestic consumer goods via trade-in programs e.g., EVs
  - Industrial modernization and automation e.g., robotics
- The Chinese government's fiscal policies are designed to primarily stabilize short-term growth and address weak consumer confidence, the struggling property sector and high youth unemployment
- Some of the fiscal resources are also directed toward long-term strategic growth areas, including:
  - Advanced manufacturing and high tech, such as AI
  - Green renewable projects

Note: 1) Government debt refers to official, on-budget liabilities of central and local governments, primarily recognized bonds and direct obligations 2) Implicit debt includes off-balance-sheet LGFV borrowings and other hidden obligations; calculated as augmented (total) debt minus official government debt, both government and augmented debt data sourced from IMF 3) A special treasury bond is a government-issued bond that is not available to the general public but is issued for specific institutional or policy-related purposes

Source: IMF, China Ministry of Finance, PBoC, CSIS, Asia Society, Accenture Strategy analysis

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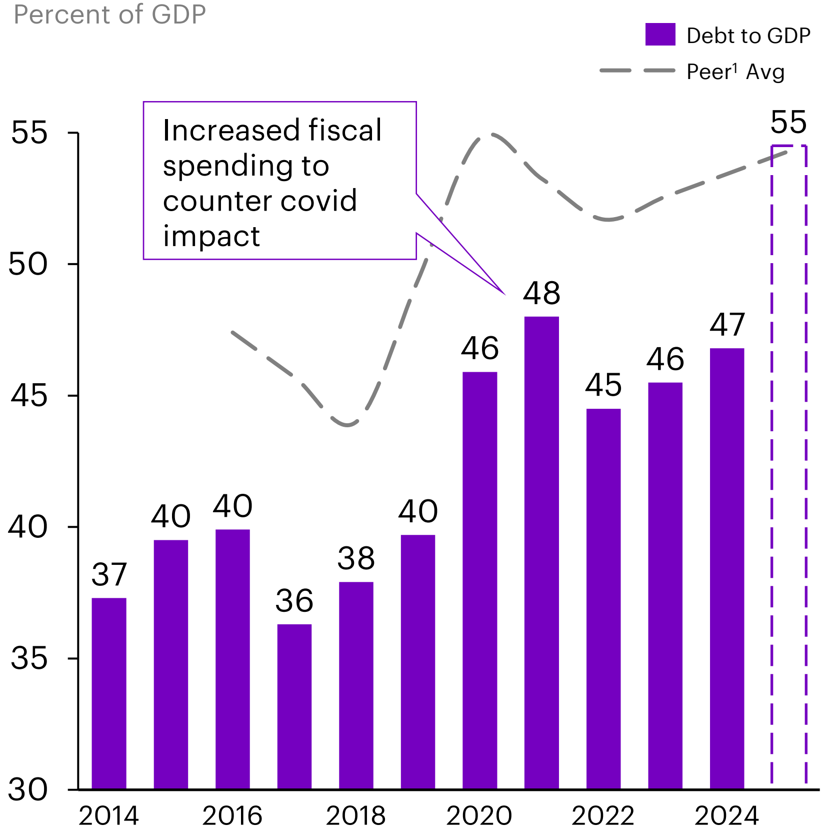
South Korea is taking advantage of its fiscal space to ramp up public spending, but high broader government and SOE debt obligations may force moderation further down the road

South Korea's fiscal situation

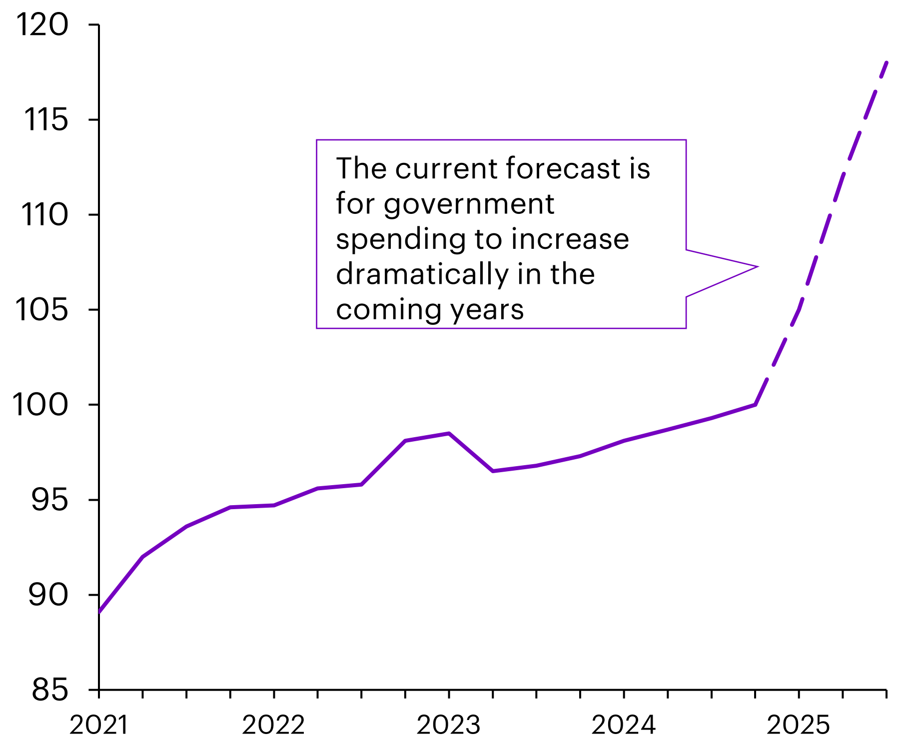
South Korea government debt to GDP

Percent of GDP



South Korea government spending on the rise

'000 KRW Billion



Implications for corporates

- In July 2025, South Korea's newly elected government has announced a record 31.8 trillion won supplementary budget, including cash handouts and vouchers to stimulate immediate spending and local demand
- However, South Korea's debt to GDP (inclusive of insurance, pensions, non-financial public companies' debt) stands at 124% in 2023, and may crowd out fiscal space to provide future support to:
  - Targeted relief for key export sectors, including automobiles, batteries and semiconductors
  - Investments in technology, AI, renewables, and startups

Note: (1) South Korea's fiscal health is compared with that of 11 other advanced non-reserve currency economies – Norway, New Zealand, Denmark, Sweden, Singapore, Iceland, Andorra, Israel, the Czech Republic, and Hong Kong – defined as economies whose currencies are not widely used in international and are not held in significant quantities by foreign central banks as part of their official foreign-exchange reserves. Transactions. (2) D2 include debt securities and loans and D4 include broader debt, such as pension, insurance and non-financial public companies debt, etc.
Sources: Ministry of Strategy and Finance, South Korea, IMF, Hankyung Economy news article, Accenture Strategy analysis

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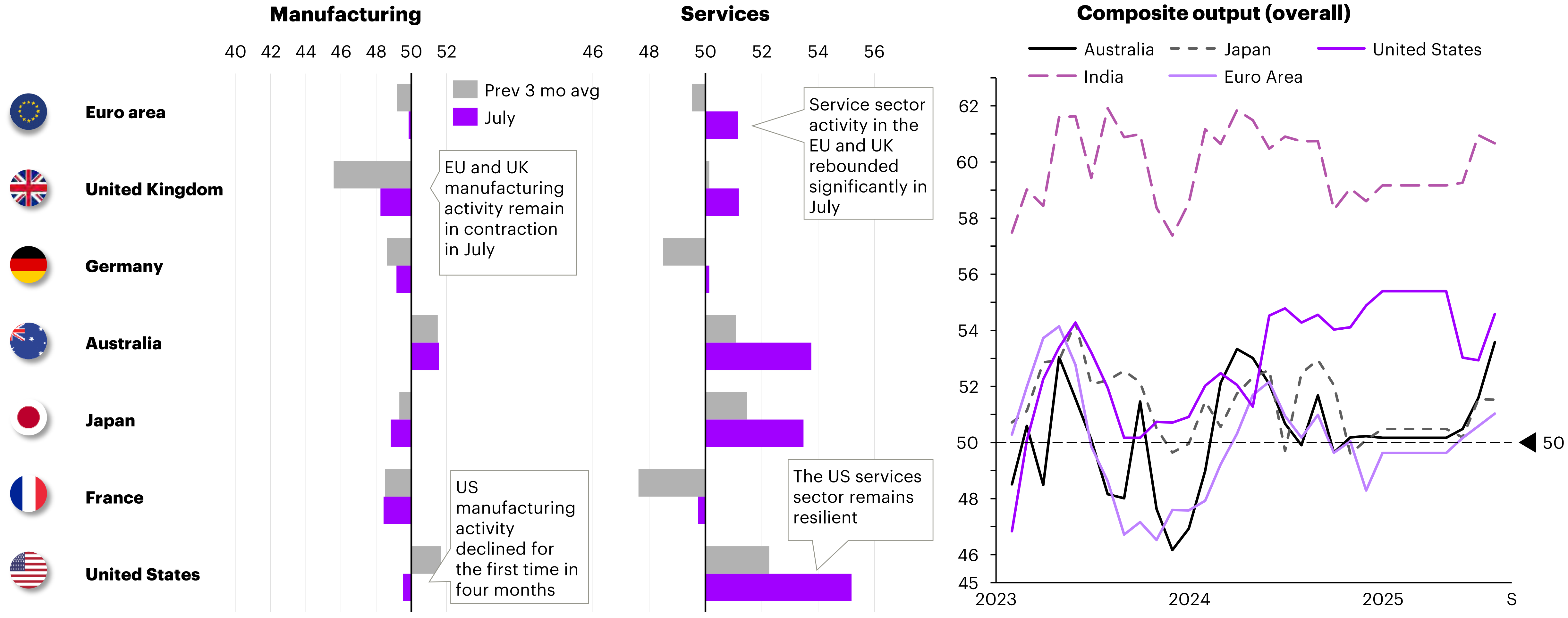
Economic indicator chart pack

Regional and industry activity

Manufacturing activity declined in most major economies in July, except for Australia, while the services sector remains resilient across the board

July 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

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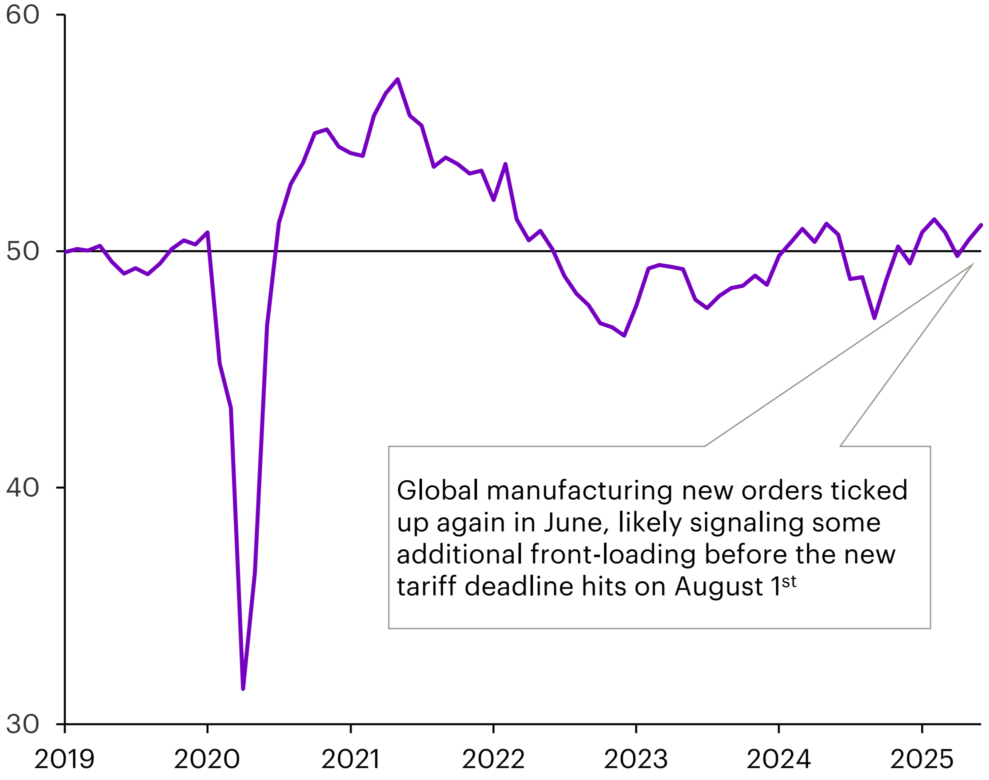
Prolonged tariff-related uncertainty has driven some additional frontloading for global manufacturers, though future expectations have weakened

Leading indicators of global manufacturing momentum

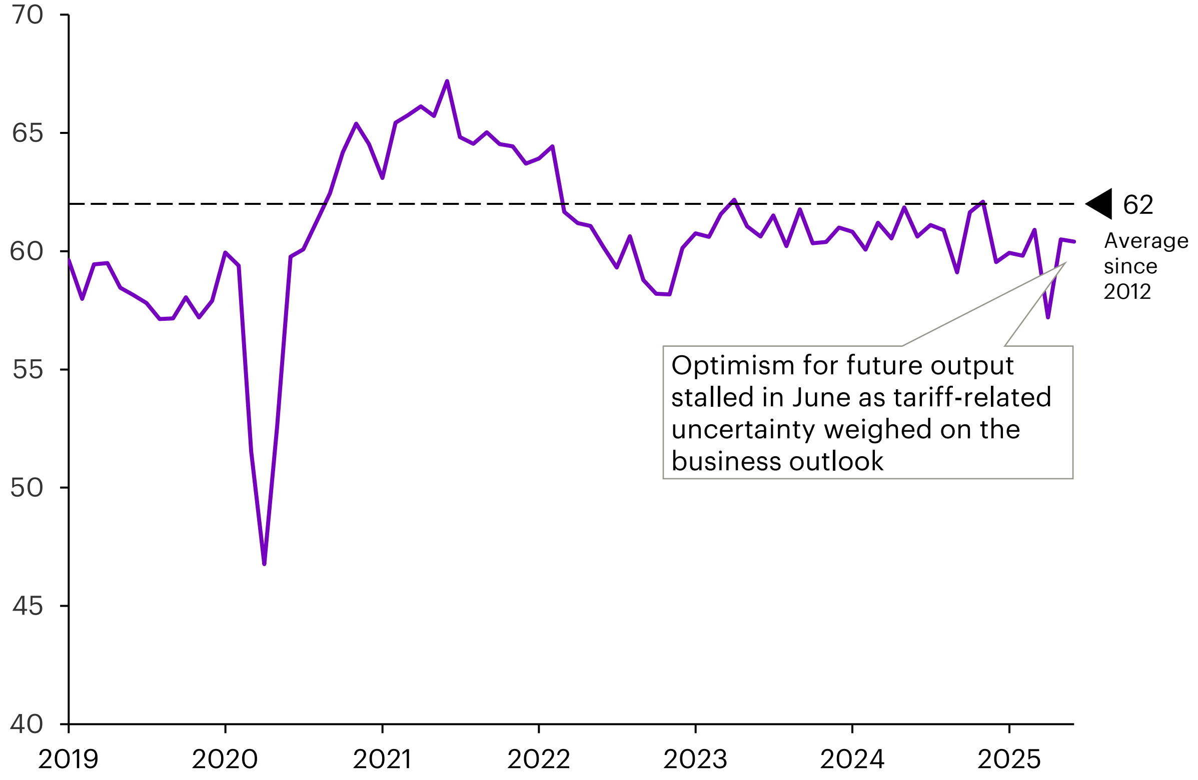
New orders rebounded

Diffusion indexes (SA, 50+=Expansion)



…despite a weakening 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

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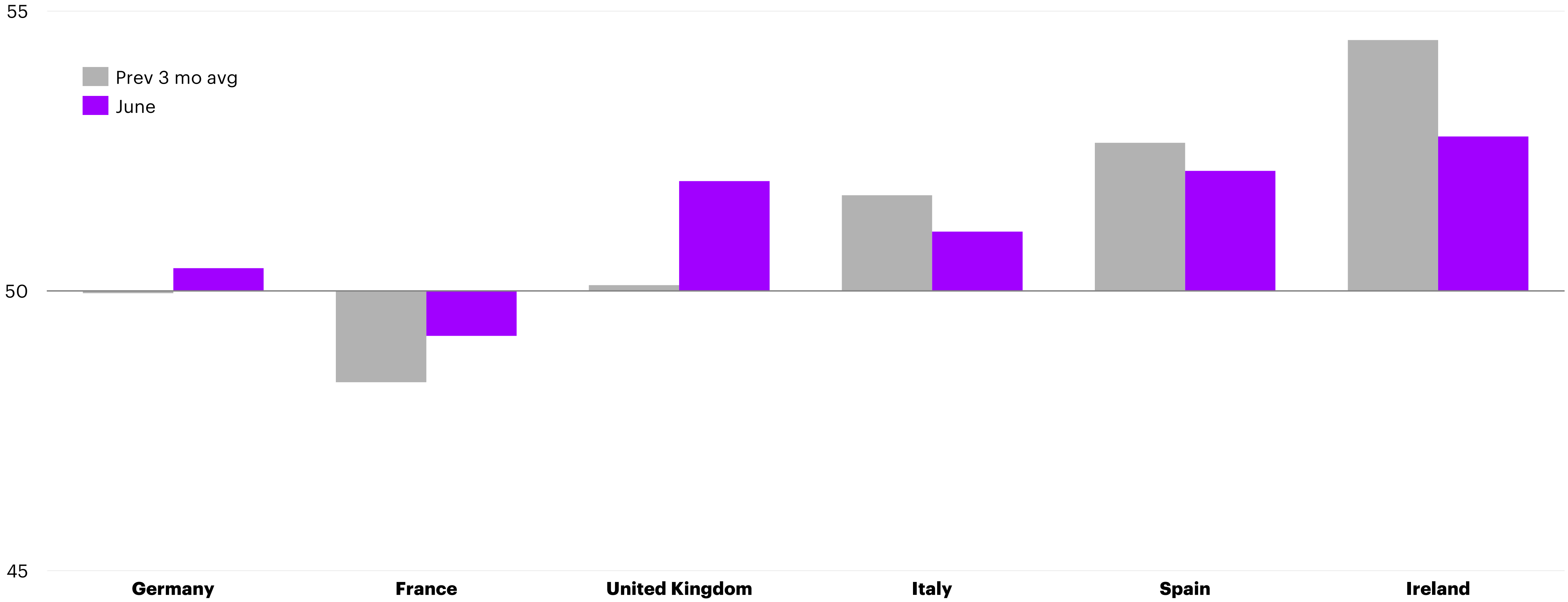
Europe’s overall business activity remained solid in June, even strengthening somewhat in the UK and Germany, but France remains in contraction

Regional performance: Europe

Output/activity country performance

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



Sources: S&P Global, Accenture Strategy analysis

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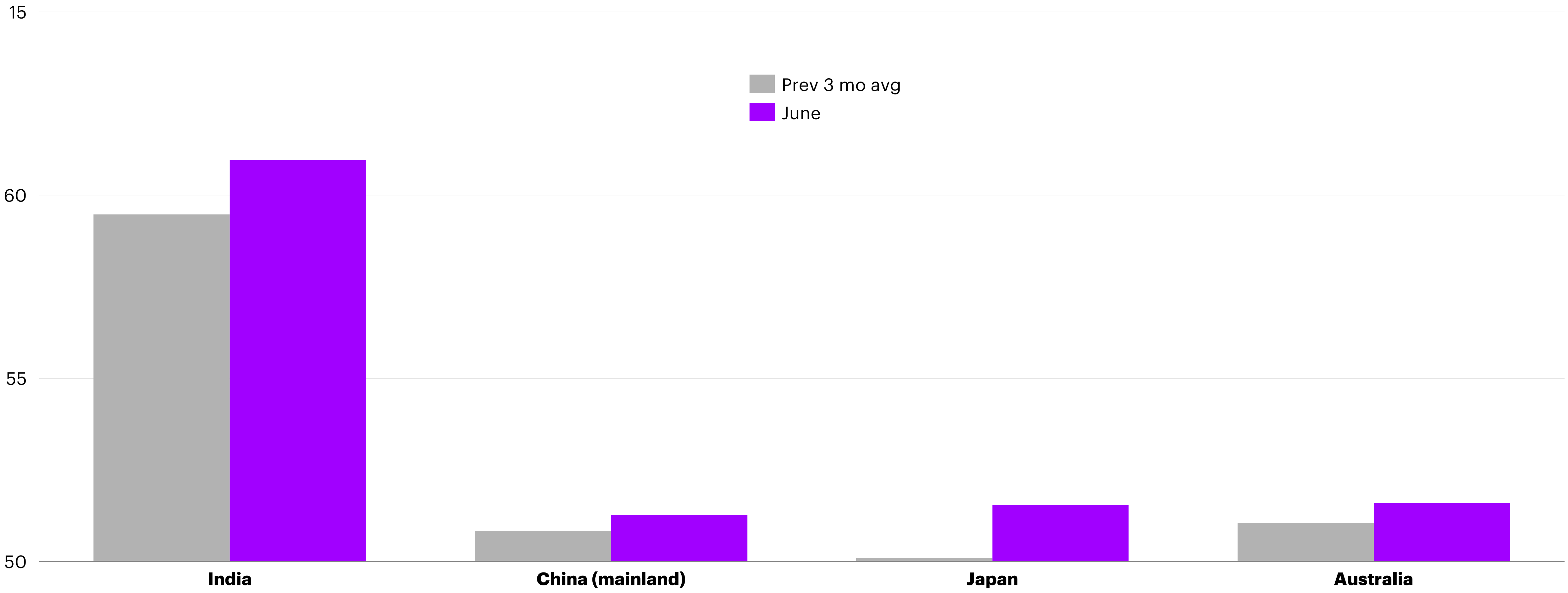
Business activity accelerated in June across most Asia Pacific economies, possibly in anticipation of more concrete US trade deals with the region

Regional performance: Asia-Pacific

Output/activity country performance

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



Sources: S&P Global, Accenture Strategy analysis

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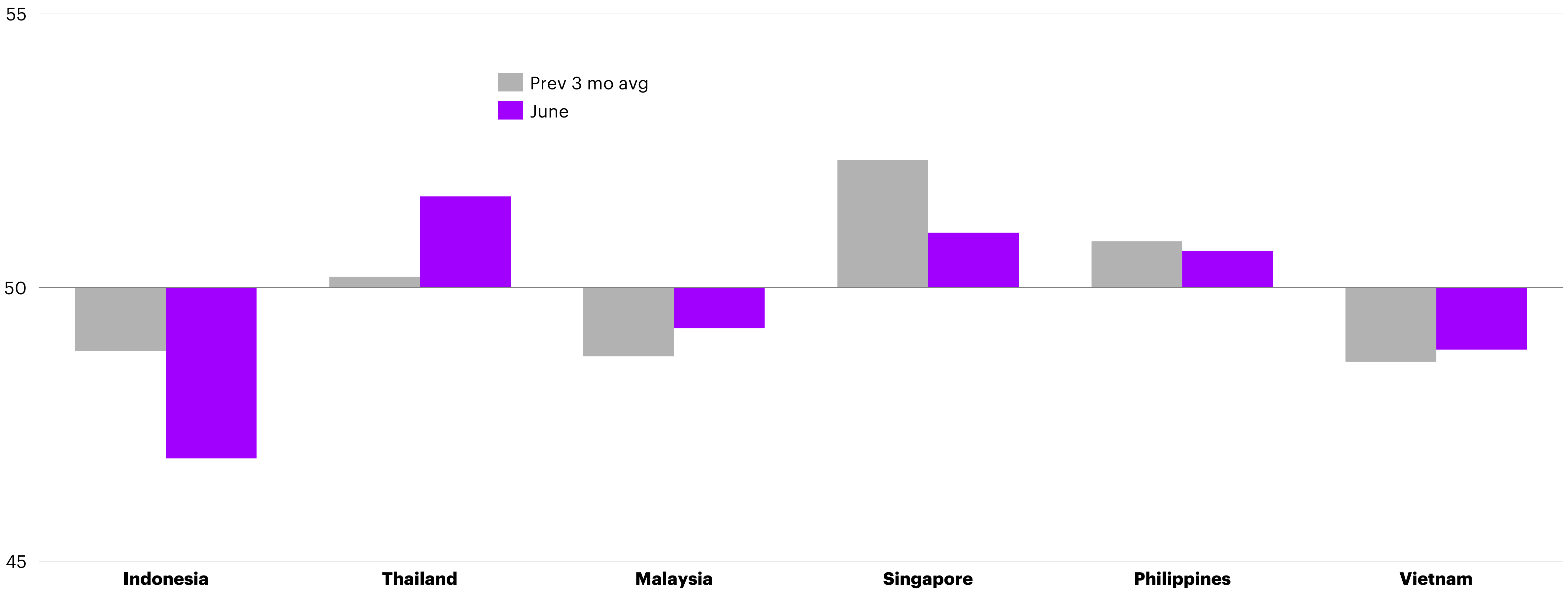
Across Southeast Asia, manufacturing momentum has shifted in favor of Thailand in recent months, while Indonesia and Vietnam remain in contraction

Regional performance: Southeast Asia

Manufacturing performance

June’25 vs Previous 3 Month Average, Manufacturing Output



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

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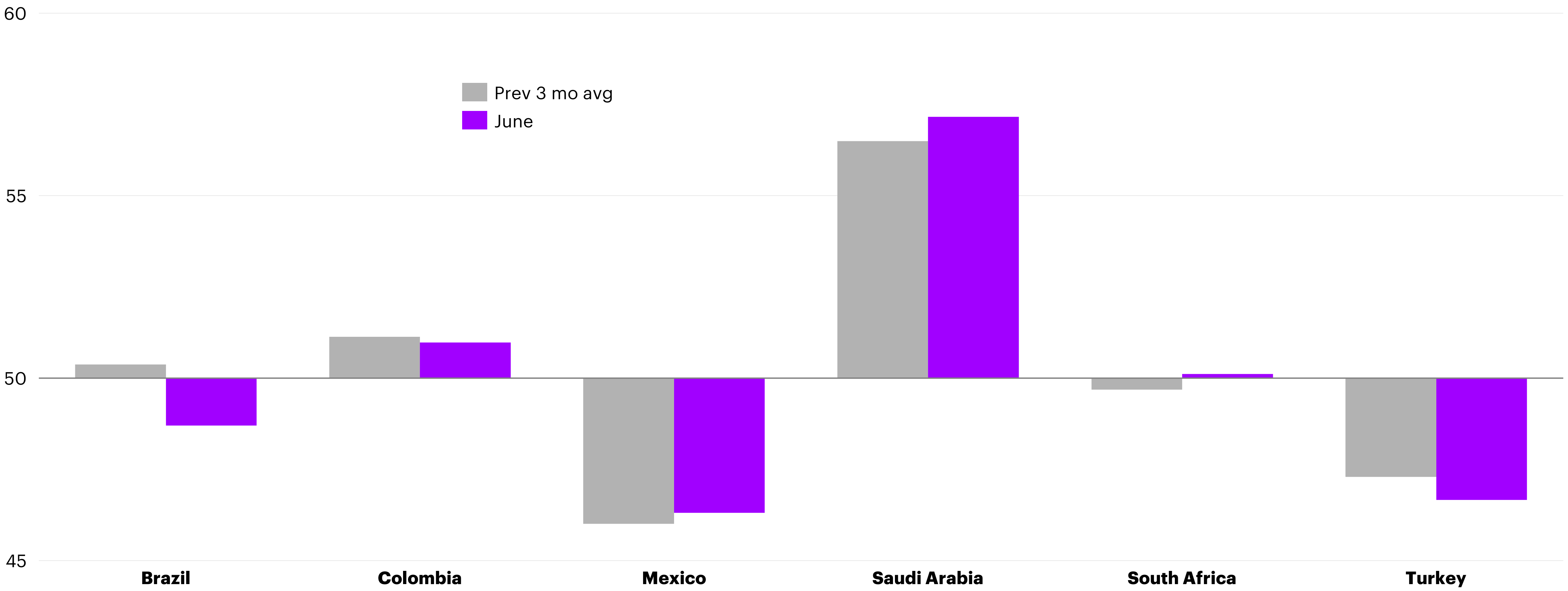
Saudi Arabia continues to lead emerging markets with strong manufacturing momentum, while Brazil, Mexico, and Turkey remain in contraction

Regional performance: Other emerging markets

Manufacturing performance

June'25 vs Previous 3 Month Average, Manufacturing Output



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

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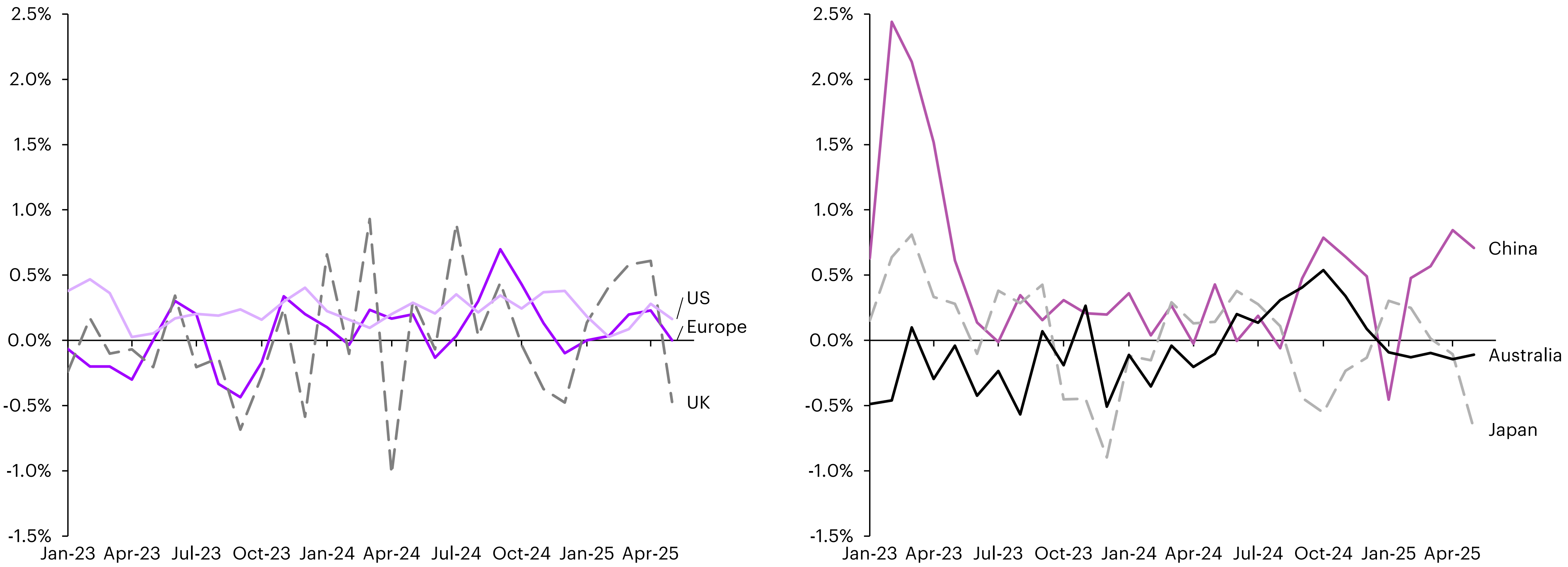
Consumer spending

Consumer spending is softening across most major economies, with particular weakness in the UK, Japan, and Australia

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 lates available May '25 data.
Sources: Reuters, BEA, BLS, Eurostat, ONS, Haver analytics, Accenture Strategy analysis

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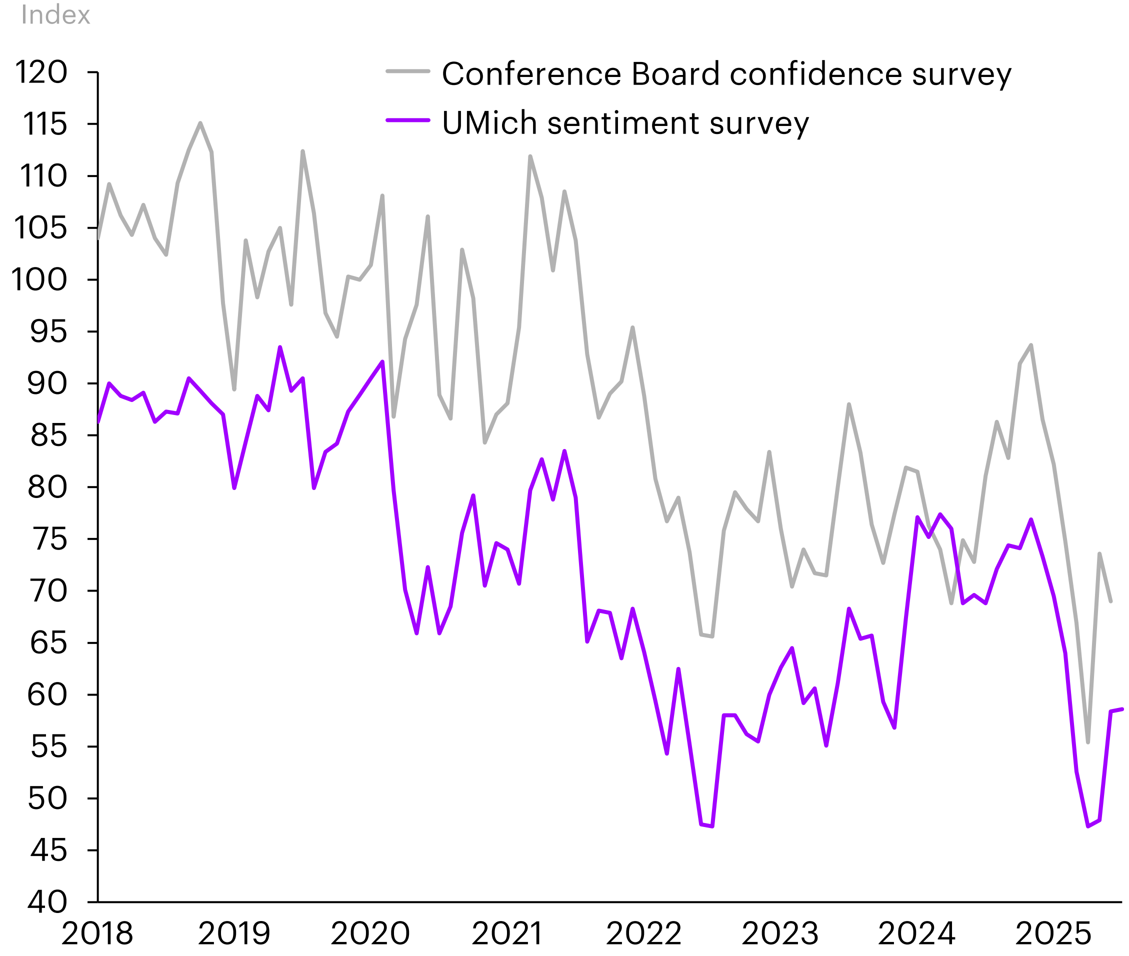
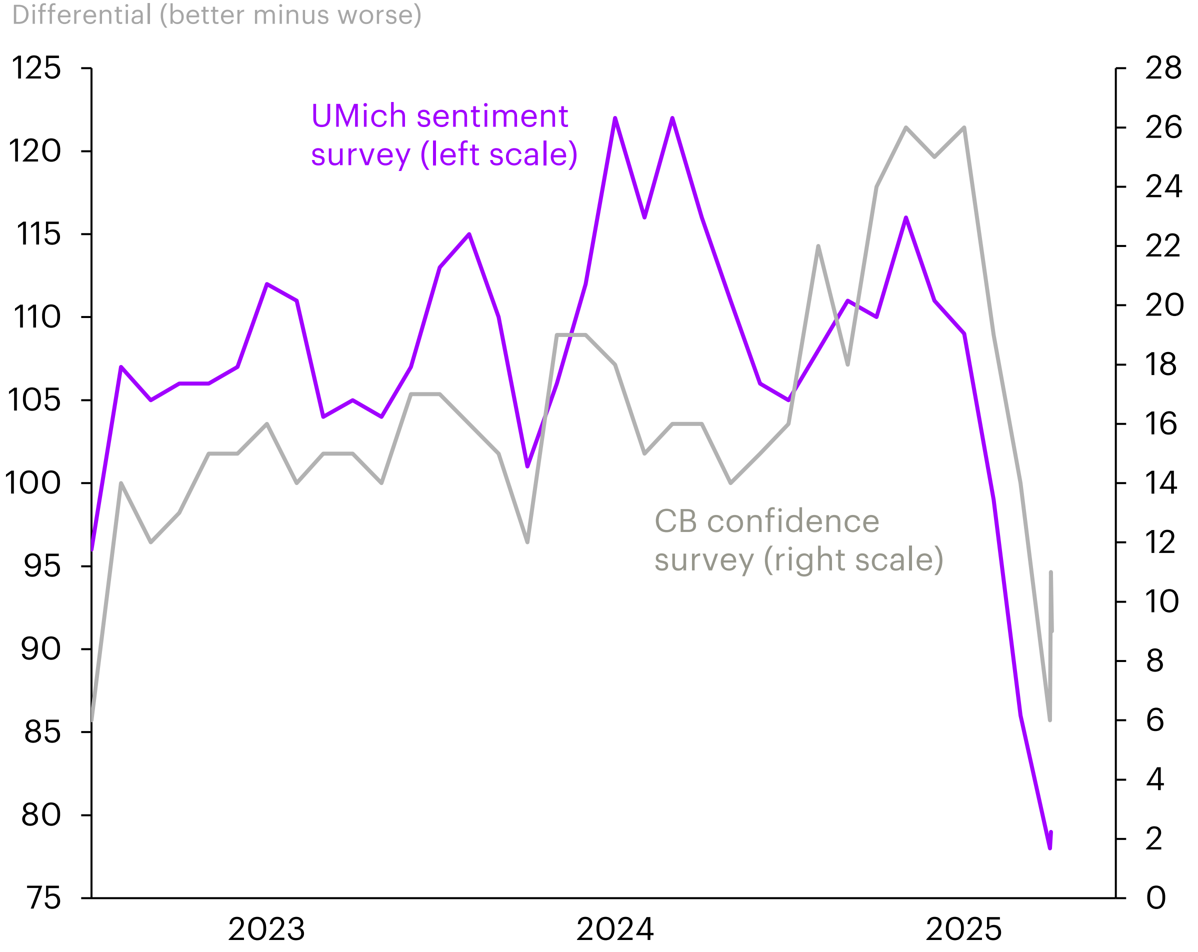
US consumer sentiment has rebounded slightly after a precipitous drop during the first 5 months of the year, but expectations for household finances remain near multi-year lows

Consumer expectations

Consumer expectations of economic conditions



Expected change in household financial situation 6-12 months ahead



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

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Category-level spend shows mixed momentum, with the UK seeing a drop in most consumer goods (ex autos), while weakness in US was driven by decline in autos and gas

Consumer spending trends by goods and services category

		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	0.7%	0.3%	-0.5%	-5.0%	-0.1%	-1.2%	1.3%	0.7%
	Motor vehicles	4.1%	-6.0%	0.3%	7.1%	-0.4%	0.2%	-1.8%	-0.3%
	Furniture	1.9%	-0.3%	4.7%	0.9%	-2.4%	2.2%	-1.3%	-1.2%
	Electronics	2.5%	1%	0.2%	-2.1%	-3.2%	4.1%	2.5%	-0.2%
	Footwear & apparel	2.7%	1.4%	-0.2%	-1.9%	-0.1%	-3.1%	-1.1%	-3.2%
	Fuel	0.6%	-2.6%	-0.7%	-1.6%	0.9%	-3.0%	3.2%	0.9%
Services	Transportation	0.9%	-0.5%	1.4%	0.3%	0.2%	2.9%	3.4%	-0.3%
	Entertainment	-0.1%	0.7%	0.5%	-3.2%		N/A	0.5%	3.2%
	Dining out and hotels	0.1%	-1.0%	0.4%	0.3%	-0.5%	-4.6%	2.9%	2.3%
	Information services	3.5%	0.5%	3.2%	1.9%	2.1%	1.4%	1.2%	-2.1%
	Telecom	3.2%	0.3%	0.3%	0.8%	-0.9%	-0.1%	1.3%	-1.9%

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 May (6) Data for Germany & France are updated till April

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

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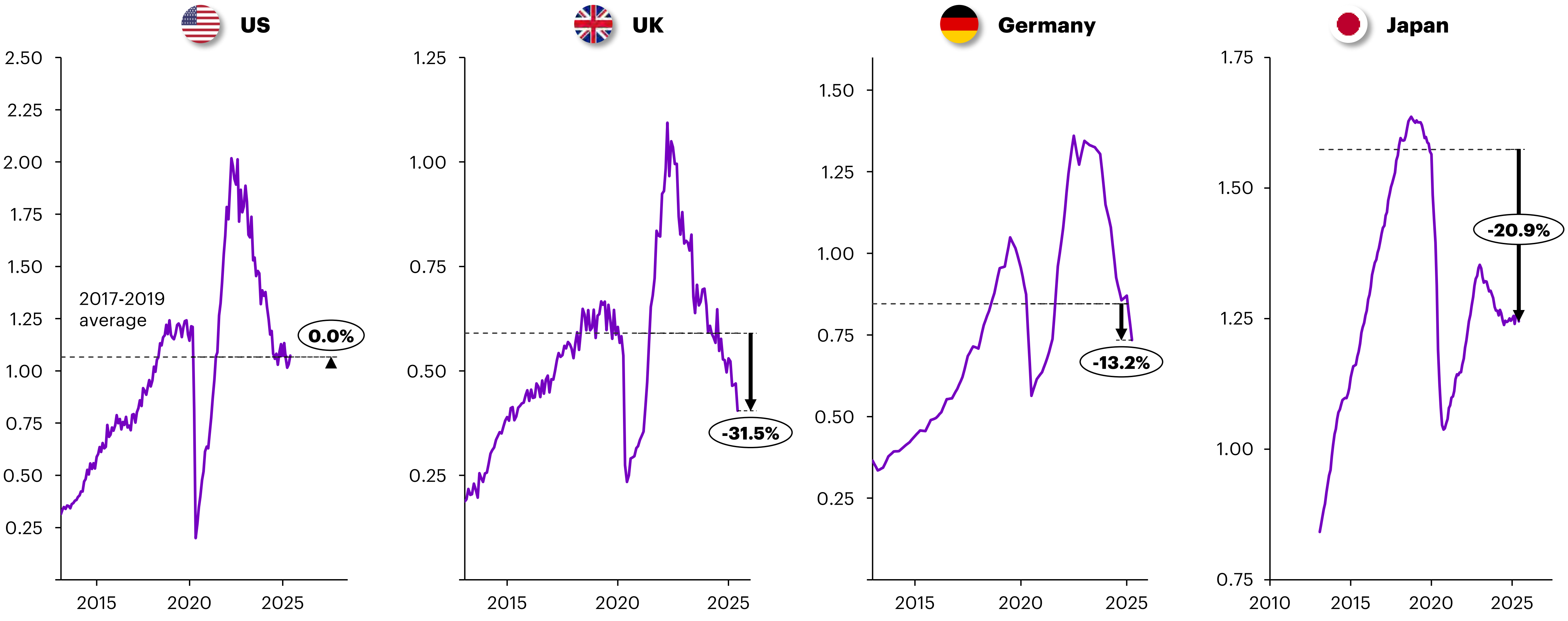
Labor markets

Labor market tightness has eased considerably in many advanced economies, especially the UK, while the US holds steady near pre-pandemic levels

Labor market tightness

Job vacancies per unemployed person



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

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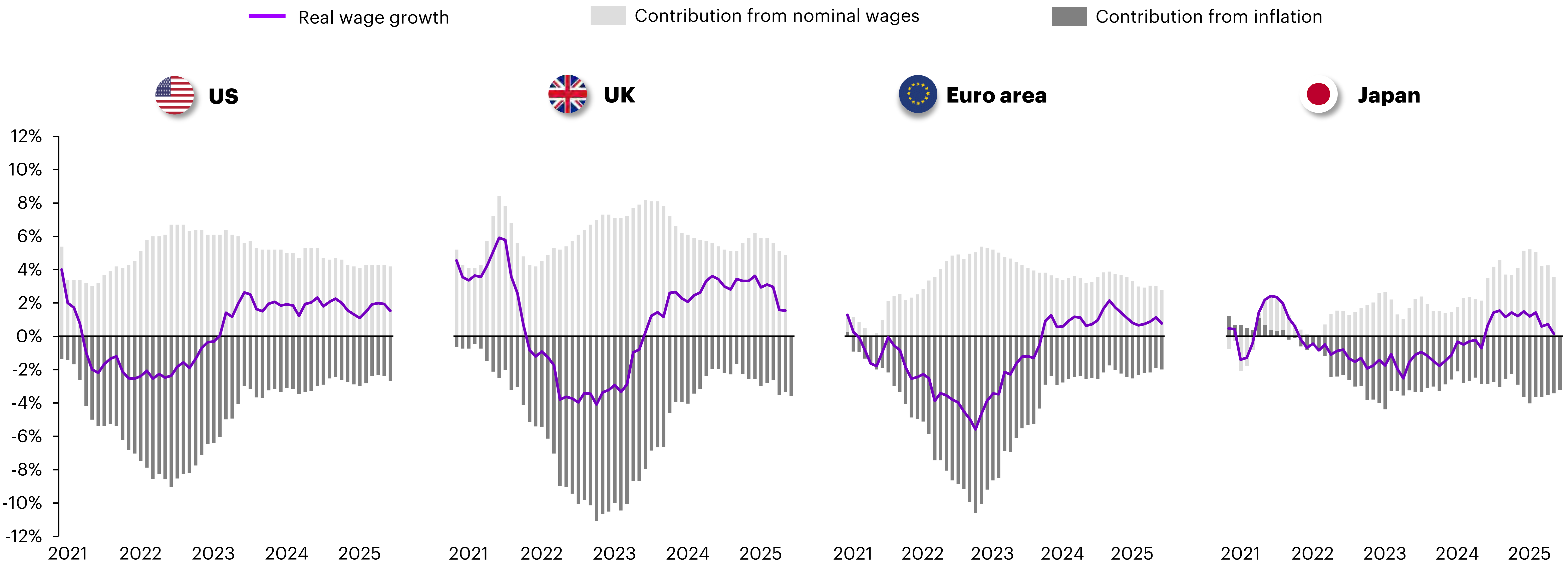
Despite support from recent disinflation, real wage growth is decelerating across major economies as labor demand softens

Wage growth developments

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



Notes: Data for US and Europe updated till Jun'25 and UK and Japan updated till May'25
Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

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Inflation

Inflation edged higher in June across most major markets, showing signs of emerging tariff-related pressures

CPI inflation rates and trends

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

Country	YoY Inflation Rate June 2025	Change from previous month's rate (percentage points)
United States	2.7%	0.3% ↑
United Kingdom	3.6%	0.2% ↑
Canada	1.9%	0.1% ↑
Germany	2.0%	-0.1% ↓
France	0.9%	0.3% ↑
Italy	1.8%	0.1% ↑
Spain	2.3%	0.3% ↑

Country	YoY Inflation Rate June 2025	Change from previous month's rate (percentage points)
China	0.1%	0.2% ↑
Japan	3.3%	-0.2% ↓
Brazil	5.4%	0.0% ↑
India	2.1%	-0.7% ↓
Singapore	0.8%	0.0% ↑
Korea	2.2%	0.3% ↑

Sources: BLS, ONS, Eurostat, Accenture Strategy analysis

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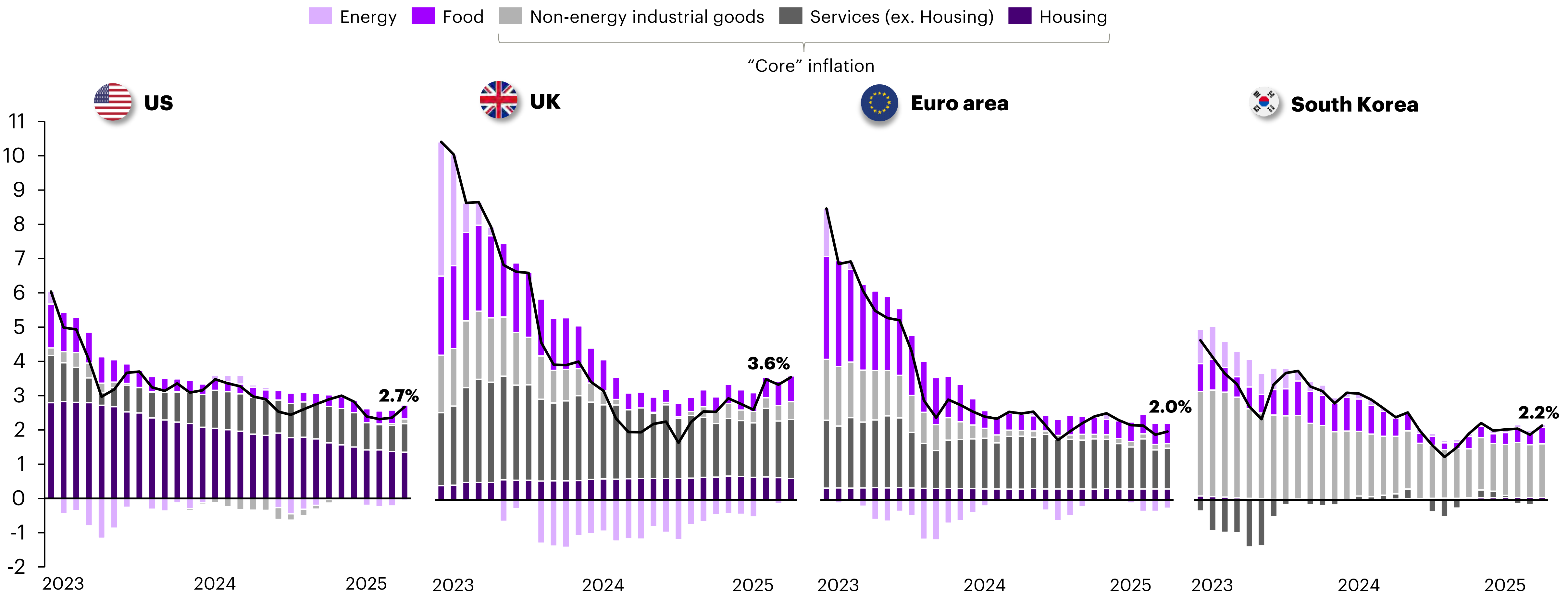
Tariff impacts are beginning to filter through to consumer goods prices, alongside persistent services and housing cost pressures

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

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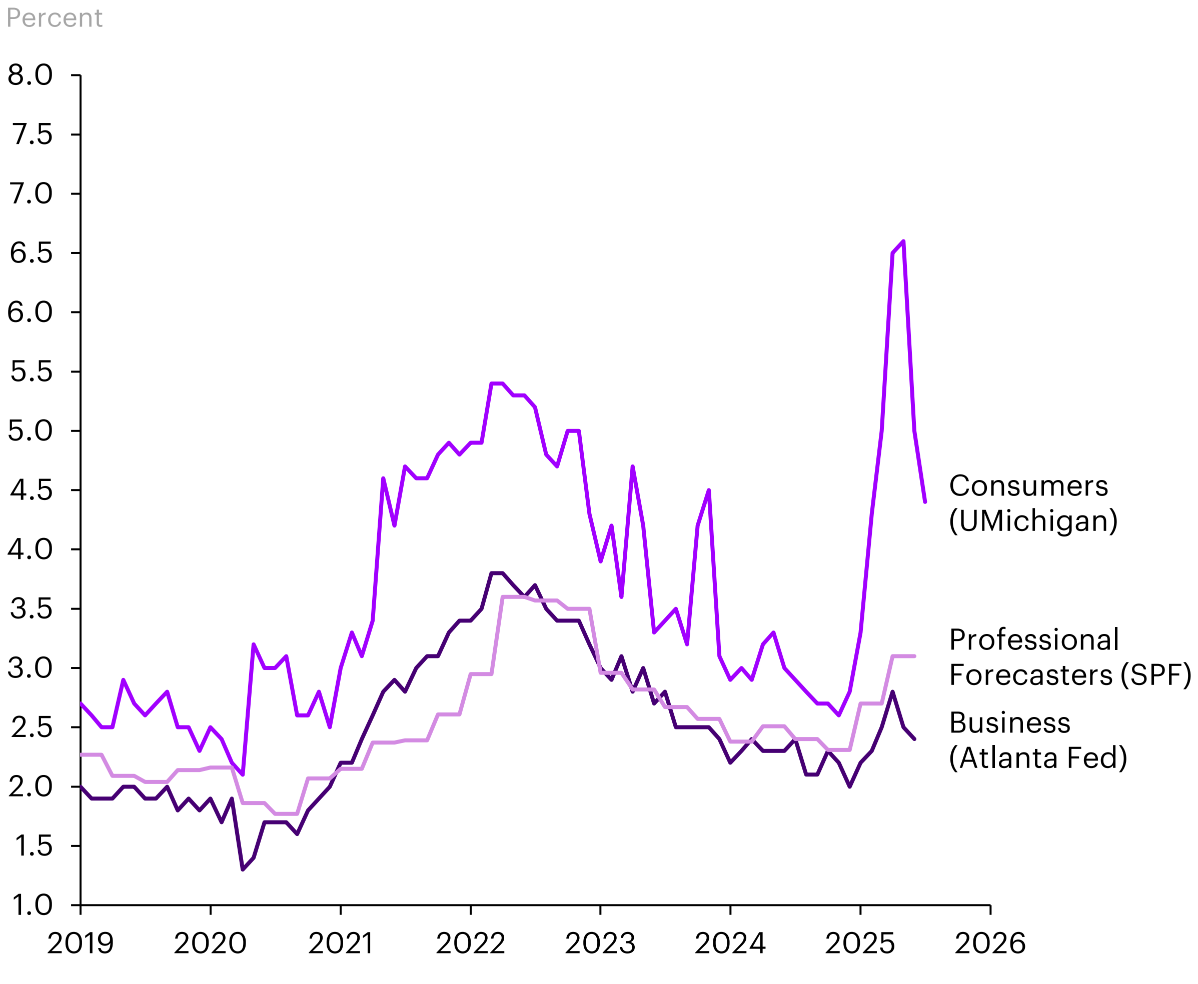
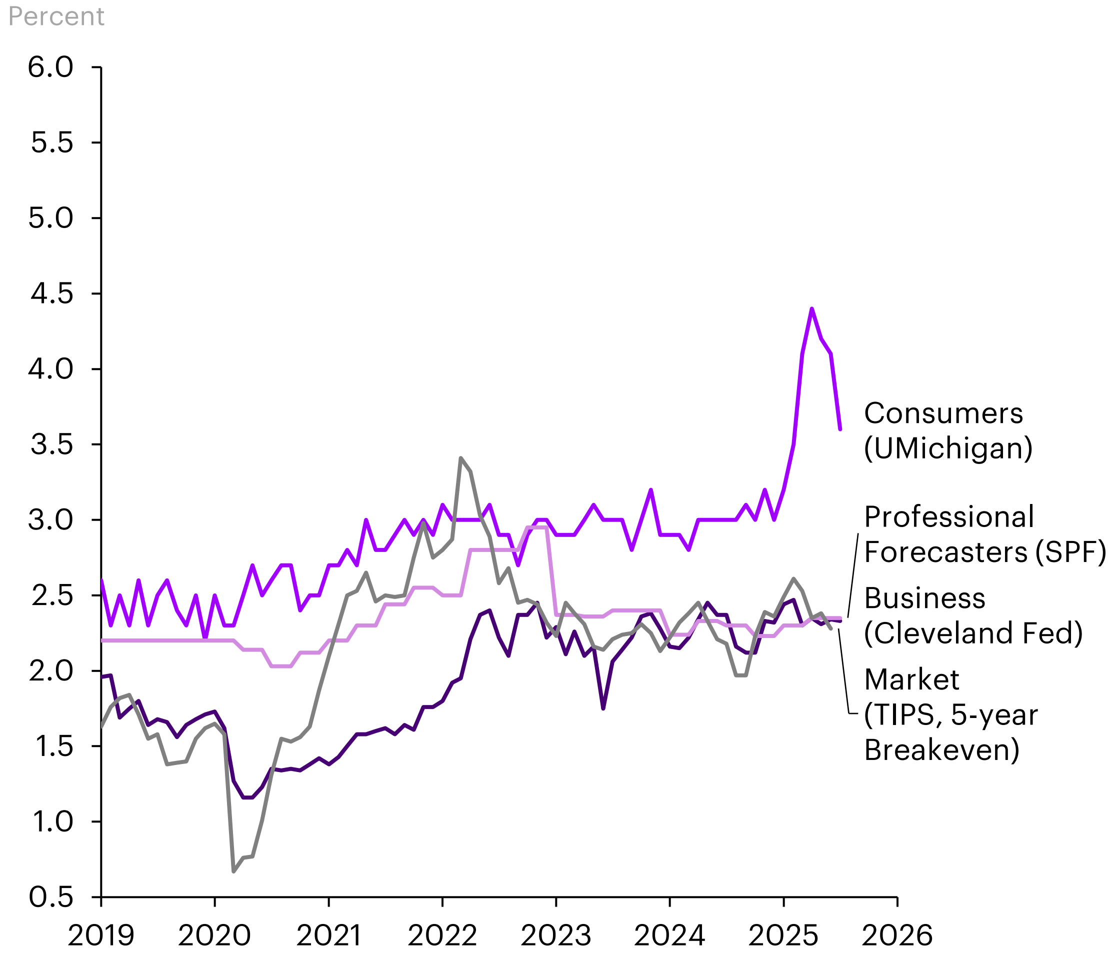
US consumer and business inflation expectations have eased in recent months, although potential ratcheting up of tariffs after August 1 trade deal deadline may reverse this trend

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



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

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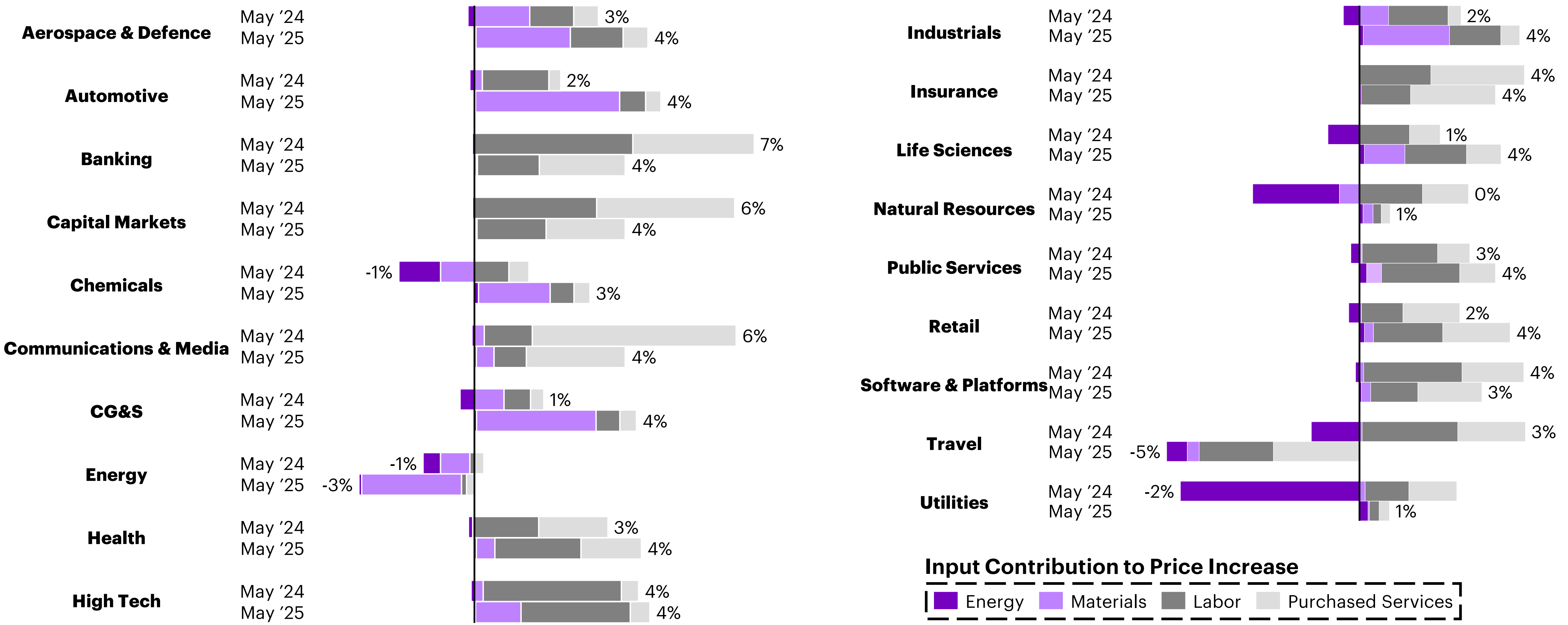
Labor and purchased services are the primary drivers of elevated input cost inflation across most industries, especially service-heavy sectors

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 May’25; Energy prices (Natural Gas Prices as of Apr’25, Electricity Prices as of Apr ’25 and others as of May’25); Materials and Purchased Services PPI price increases as of May’25; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

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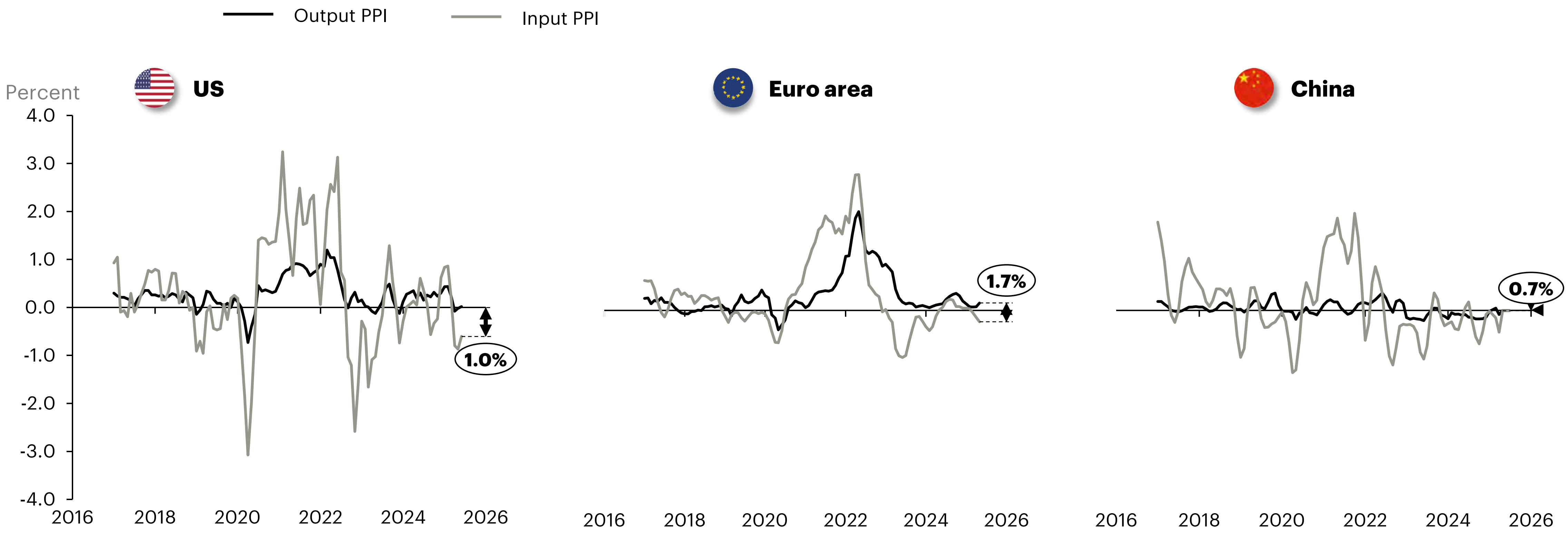
Businesses are feeling the pressure to pass along costs to consumers as tariffs sink in, with Euro area firms maintaining the highest relative margin over their input prices

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.

Sources: BLS, Eurostat, Accenture Strategy analysis

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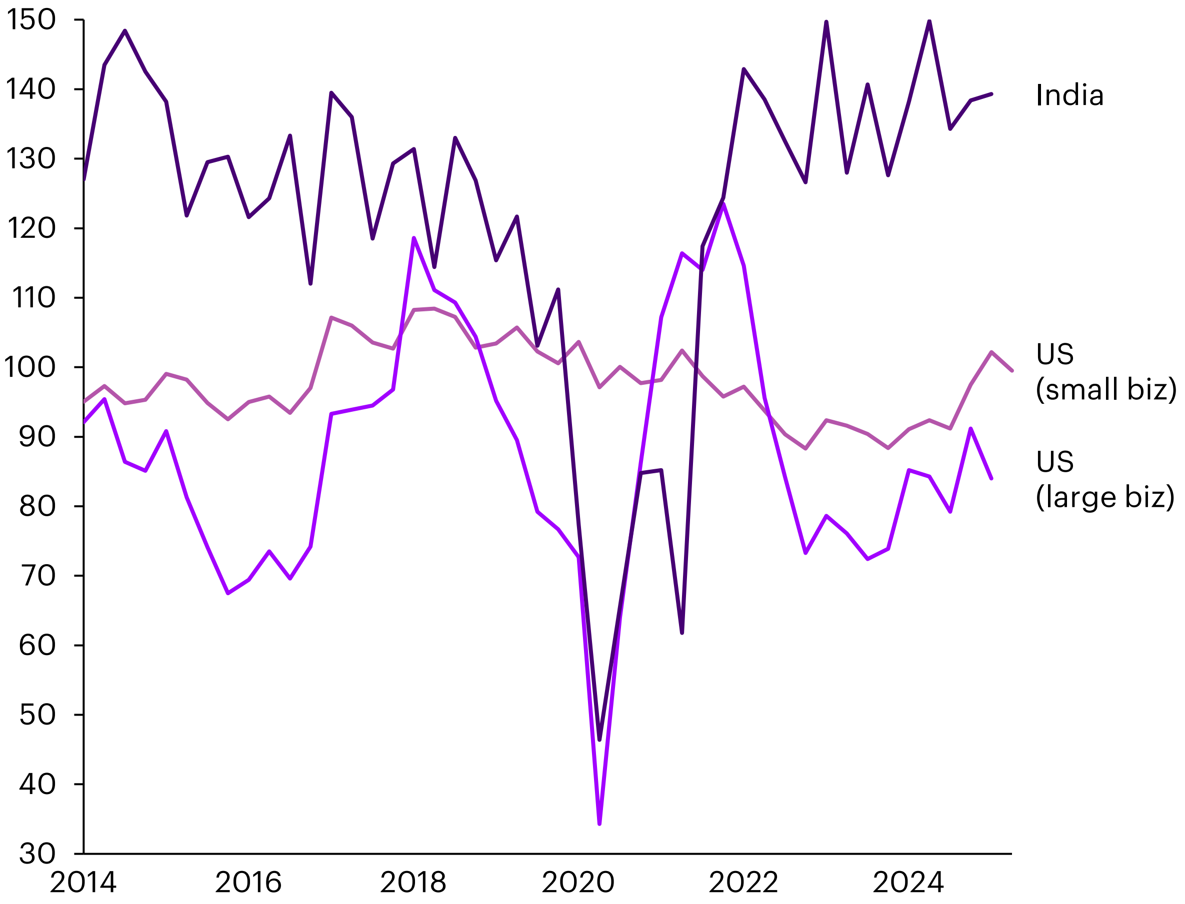
Business investment

Business confidence remains robust in India and Japan and has rebounded somewhat in the US, but has fallen considerably in the EU and UK

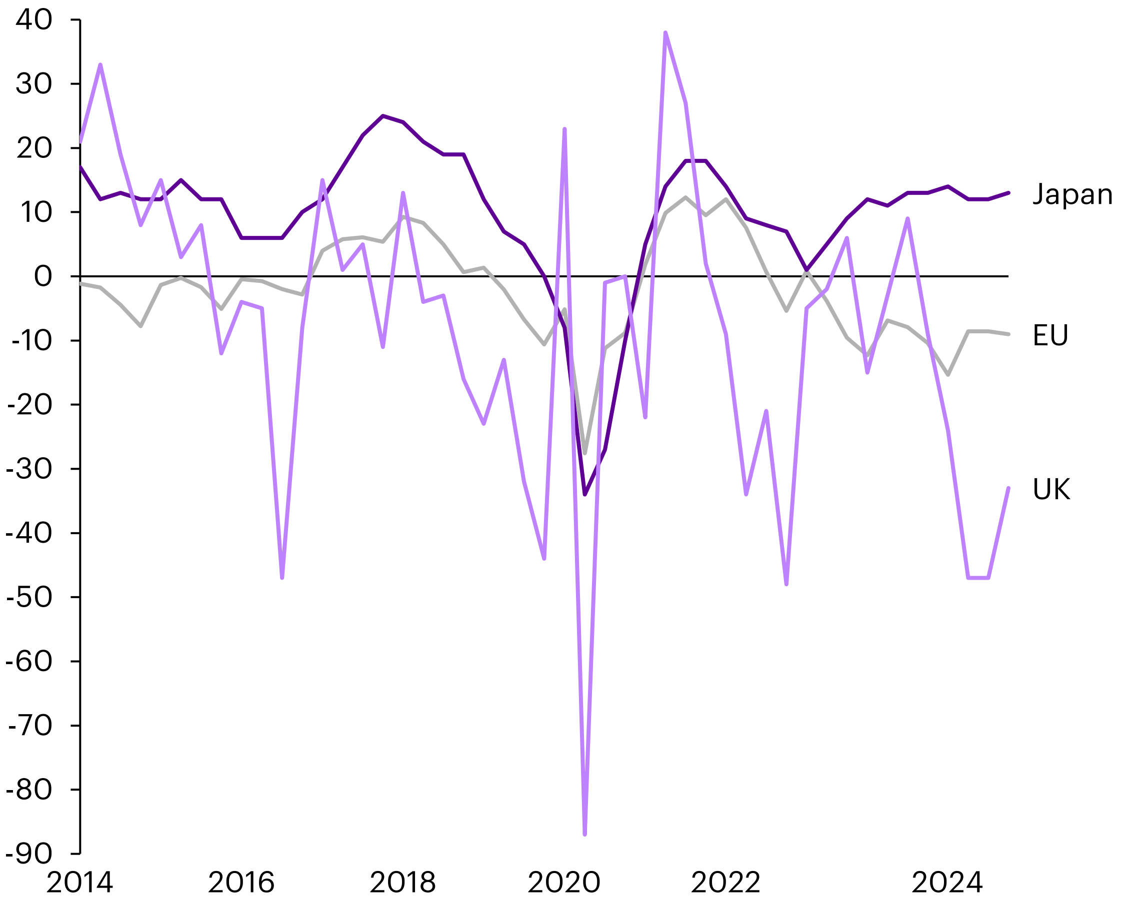
Global business sentiment and capital expenditure outlook

Business confidence indicators

Index (>100 = Optimistic)



Percent balance (>0 = Optimistic)



Sources: NFIB, Business Roundtable, Accenture Strategy analysis

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Capex optimism has weakened considerably in the US since early 2025, particularly for large businesses, due to broad-based economic uncertainty

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

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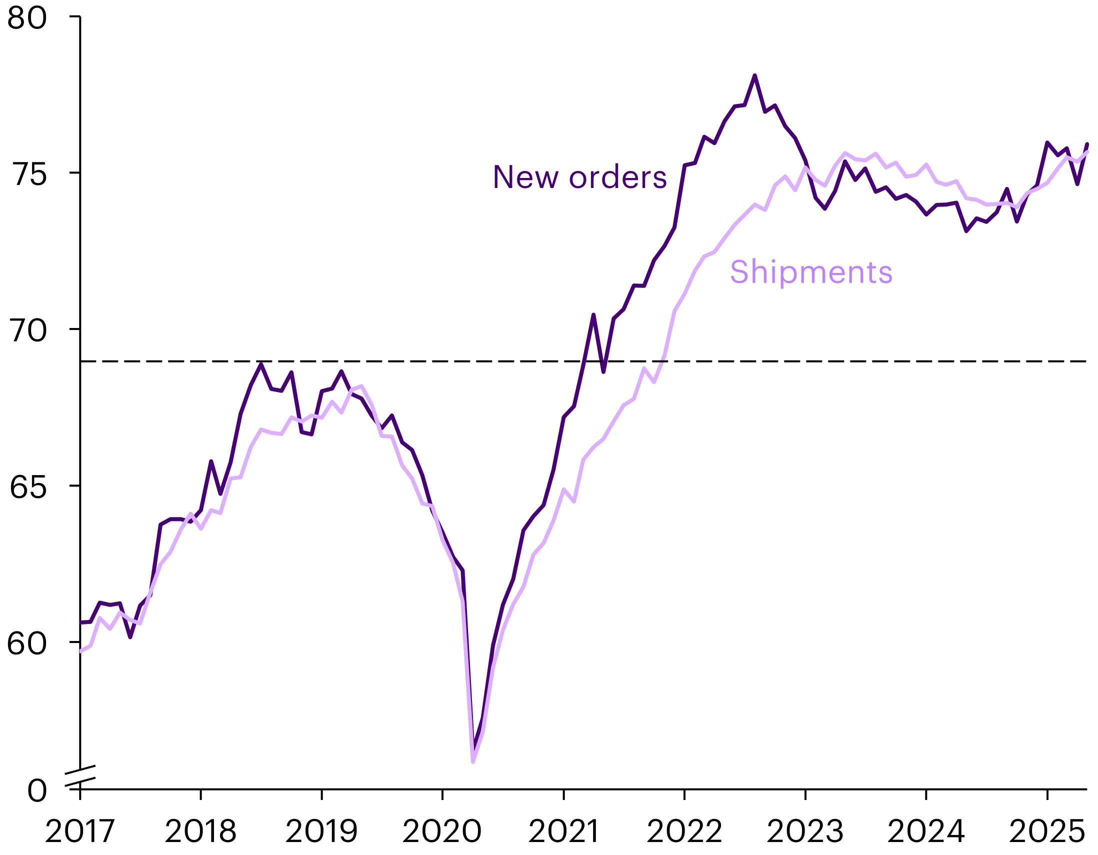
Capital goods orders in the US rebounded slightly in May, likely pointing to some additional frontloading after the extension of the reciprocal tariff implementation deadline

Capital goods orders and technology-related equipment demand

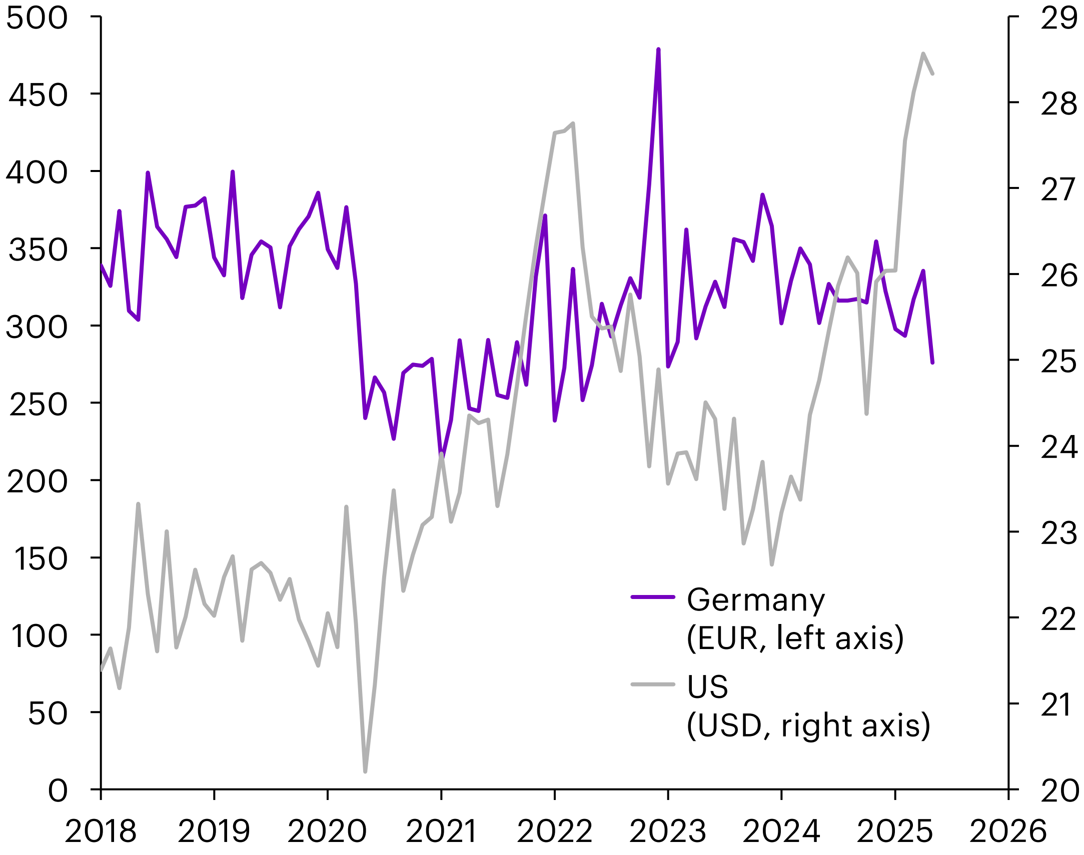
US nondefense capital goods, excluding aircraft

USD millions



Sales of tech-related equipment

Computers, electronic components and peripheral equipment, SA millions



Sources: US Census Bureau, Haver analytics, Accenture Strategy analysis

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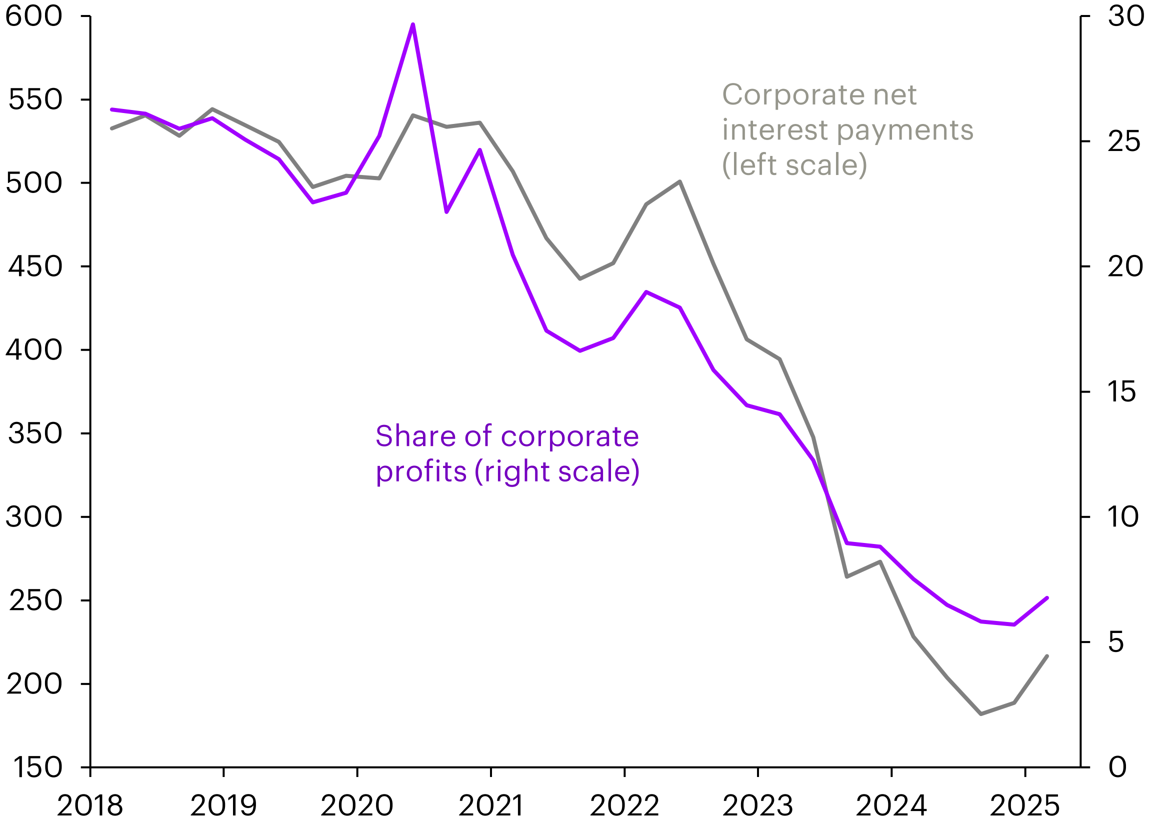
Business interest payments in the US have ticked up slightly, while lending standards remain tight in the US and Europe due to economic uncertainty and risk aversion

US financial conditions for investment

US corporate net interest payments

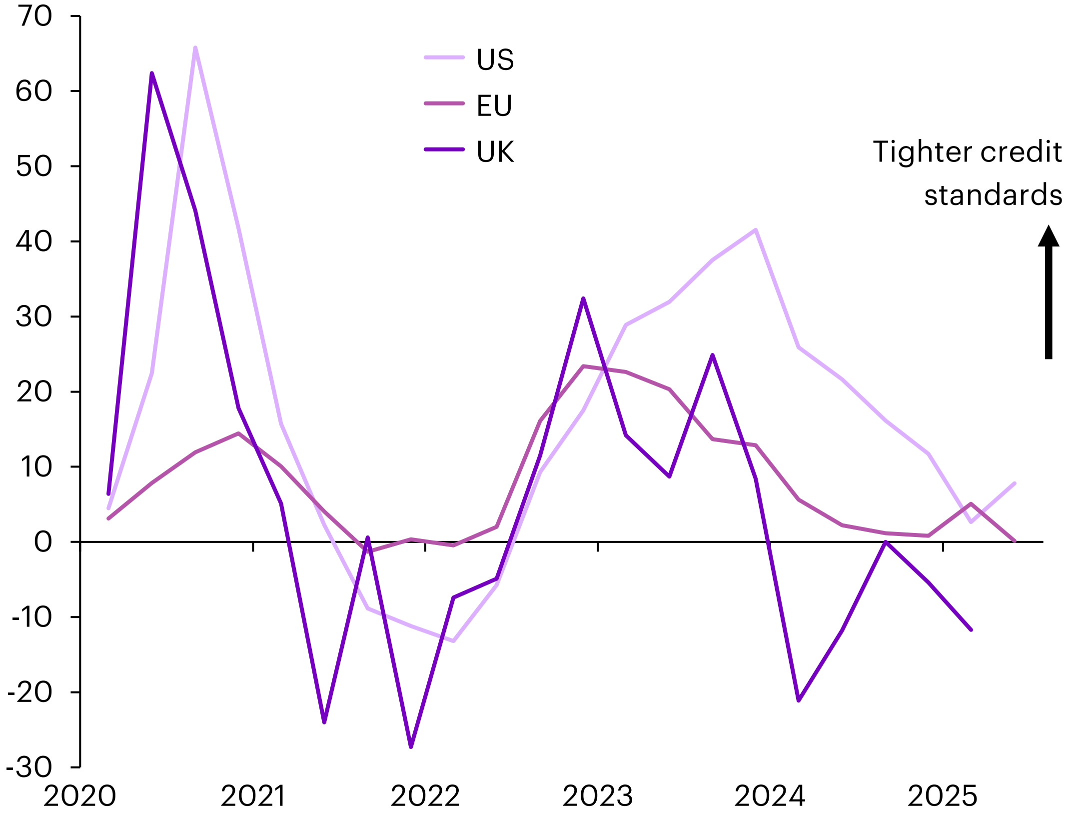
USD billions

% share of corporate profits



Bank lending standards[1]

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

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Trade and tariffs

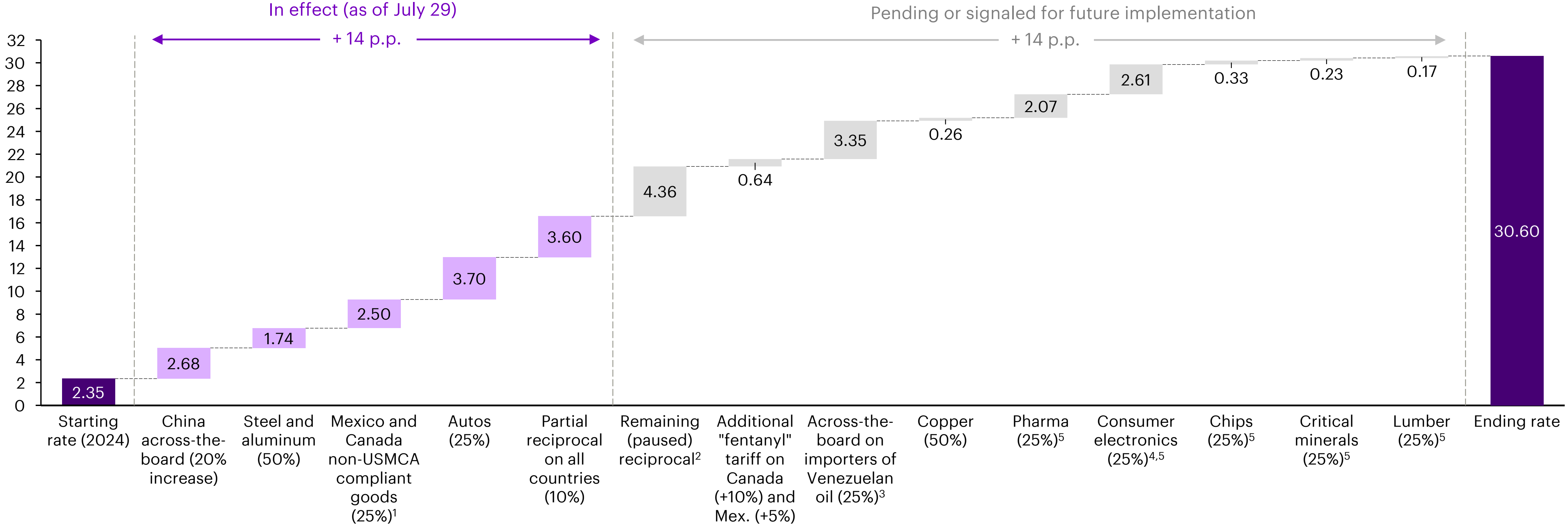
The US' effective tariff rate has increased by 14 p.p. to date, and despite recent trade deals, an additional 14 p.p. increase is still on the horizon

Scale and scope of announced tariff measures

AS OF JULY 29

Estimated impact of announced measures on overall US effective tariff rate

Percent



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 12 for China, and August 1 for all other countries; 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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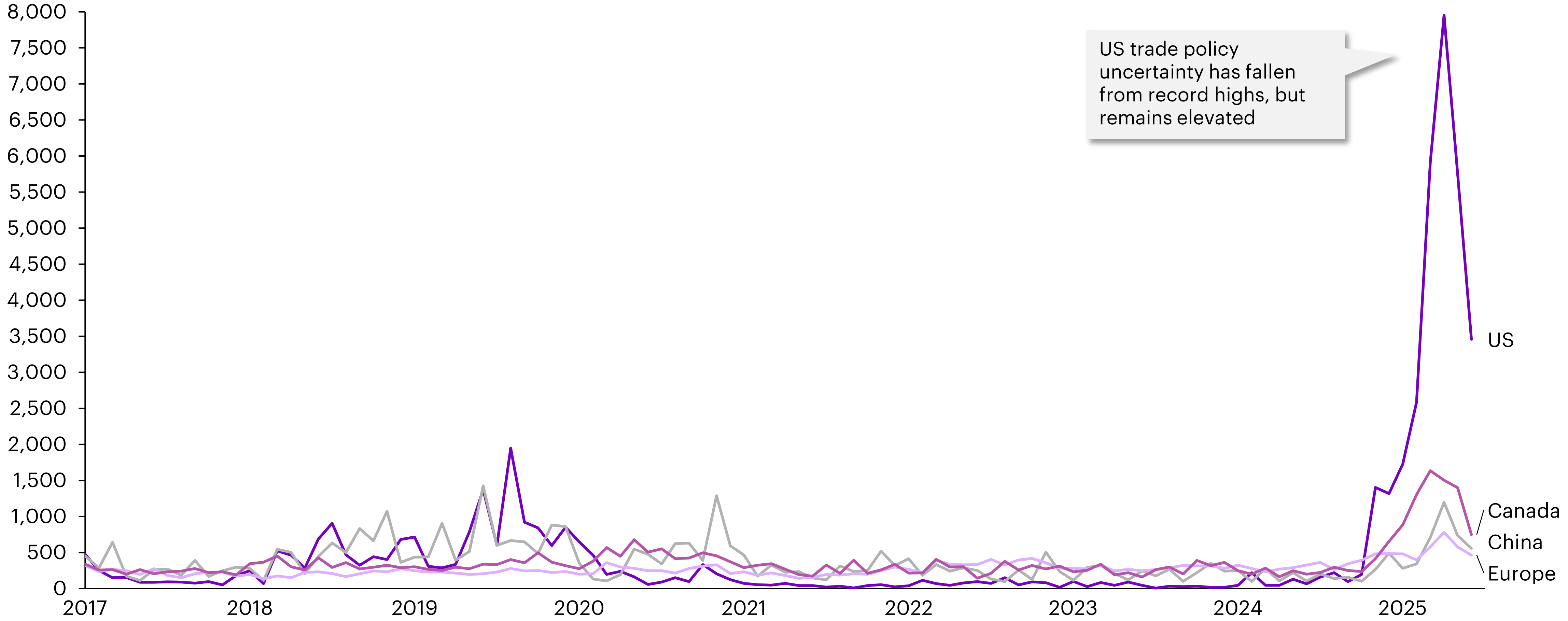
Tariffs and trade policy tensions have driven economic uncertainty to unprecedented levels and could remain elevated even once we pass the trade deal deadline in August

Elevated trade policy uncertainty

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

Index, 1985=100



Sources: Economic Policy Uncertainty, Accenture Strategy analysis

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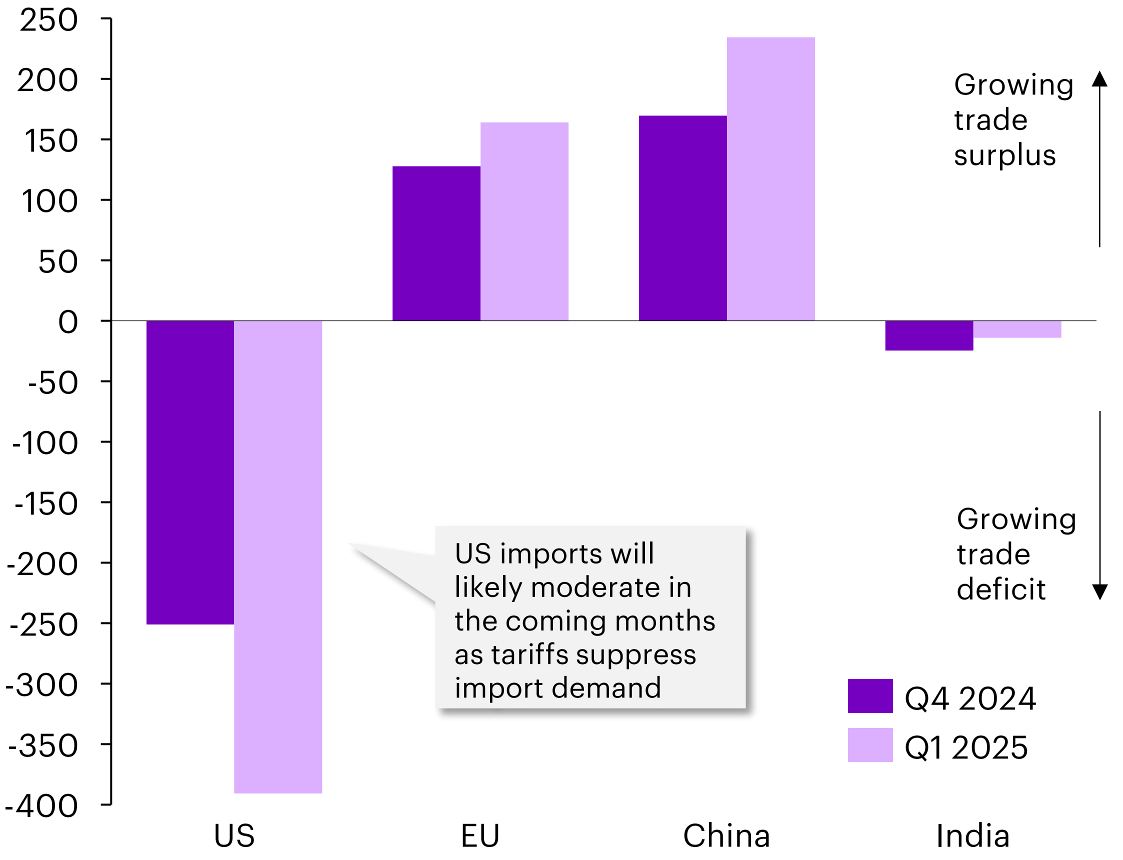
Tariff-related frontloading in the US appears to have decelerated from earlier in the year, although the extended tariff deadline may encourage some additional orders through July

Trade indicators

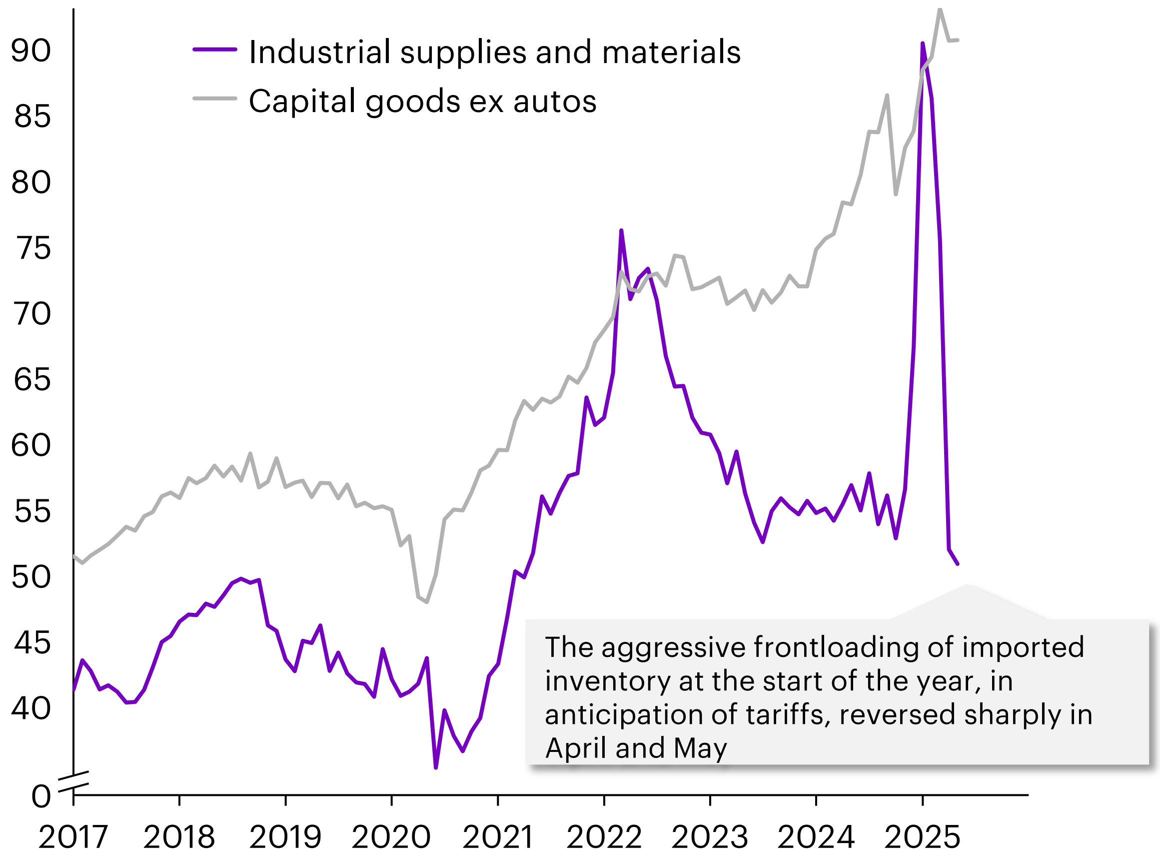
Net trade in goods and services

Exports minus imports (SA, USD billion)



US imports of industrial supplies and equipment

USD billions



Notes: US imports data updated till May'25
Sources: Haver Analytics, Census Bureau, BOJ, RBI, ECB, State Admin of Foreign Exchange, Accenture Strategy analysis

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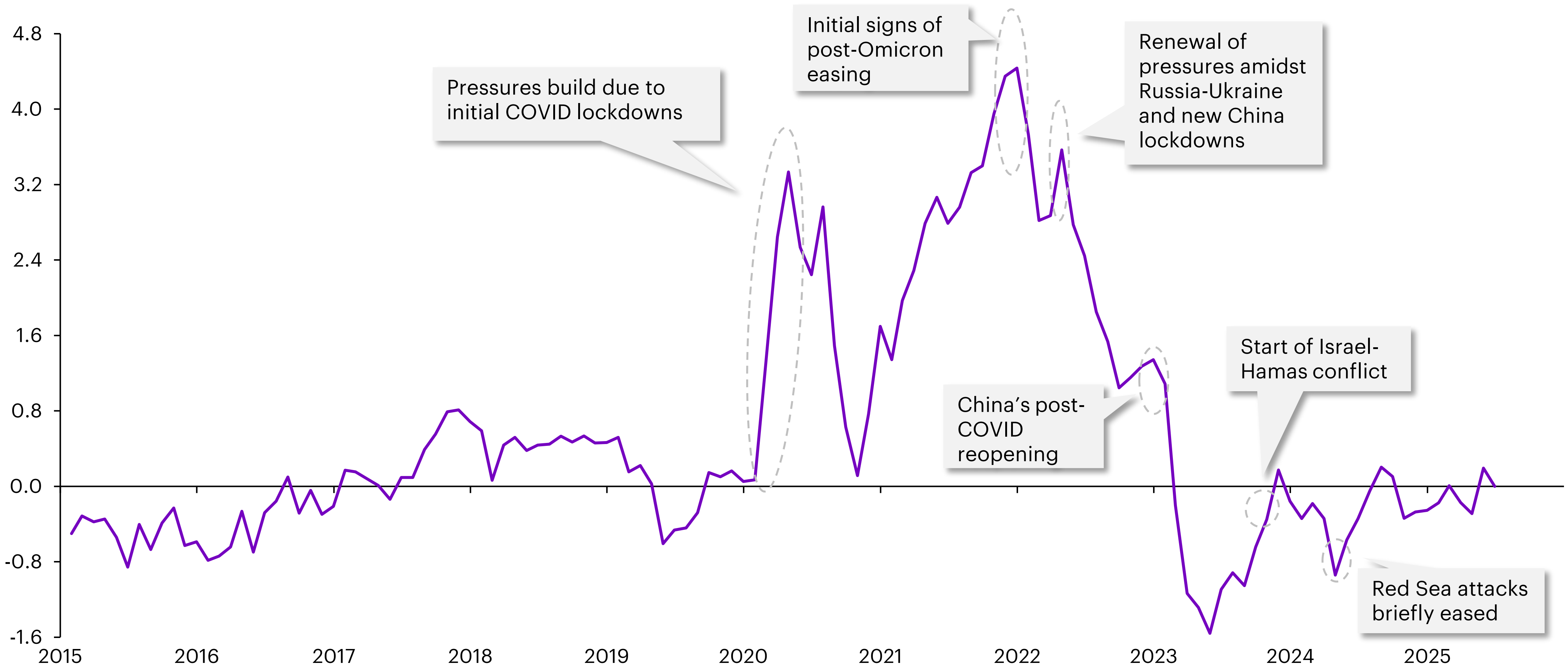
Supply chains

Supply chain pressures eased slightly in July, but overall conditions remain fragile amid persistent geopolitical risks and economic uncertainty

Supply chain pressures

Global Supply Chain Pressure Index

Standard deviations from long-term average (=0)



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

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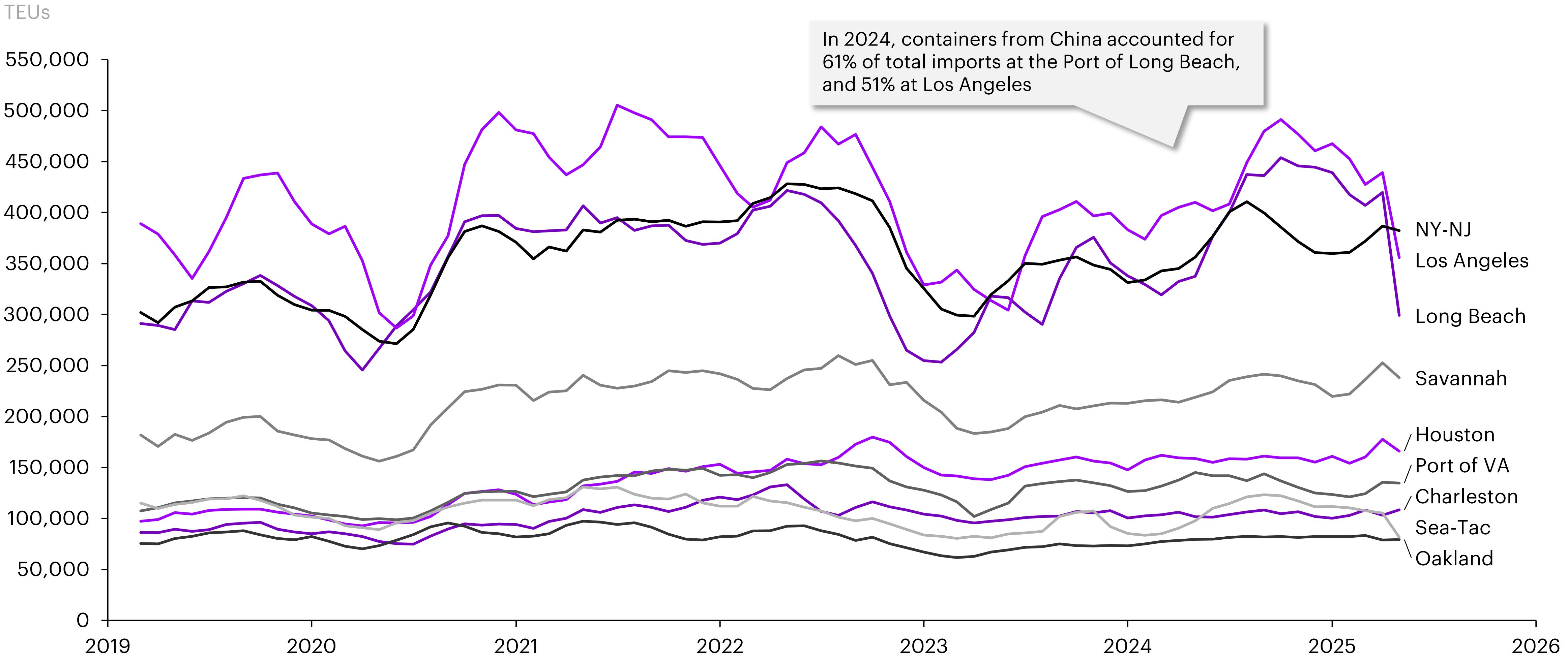
Container volumes fell sharply at major West Coast ports in May, highlighting vulnerability to shifting trade flows and China-linked dependencies

Seaborne container traffic in the US

Loaded import containers at select US ports



Sources: Bureau of Transportation Statistics, Accenture Strategy analysis

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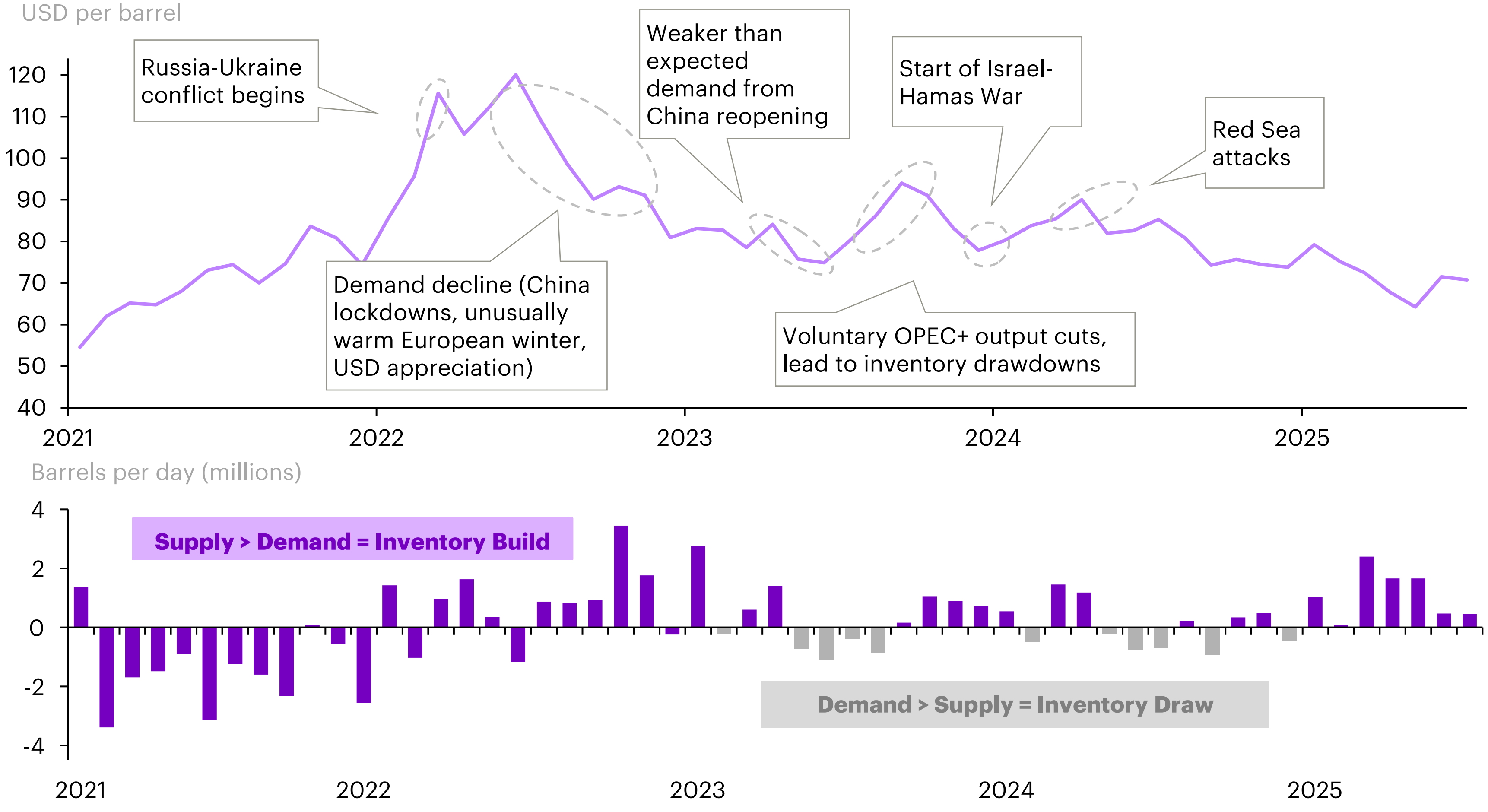
Energy and commodities

Oil prices have held mostly steady throughout July, though with some downward pressures on the horizon due to increased OPEC output and slowing demand

Crude oil prices and inventories

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



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

Drivers of energy prices in 2025

- Global oil supply has been on the rise, with OPEC+ increasing production targets in mid-2025, unwinding most voluntary production cuts earlier than originally planned
- Despite this supply increase, global oil demand remains subdued at the lowest rates since 2009 (outside of the COVID period in 2020), leading to some market inventory surplus and downward pressure on prices
- Military actions, such as Israel's air strikes on Iranian targets in mid-2025, caused temporary spikes in oil prices, illustrating how geopolitical risks continue to cause volatility in energy prices despite overall supply surplus

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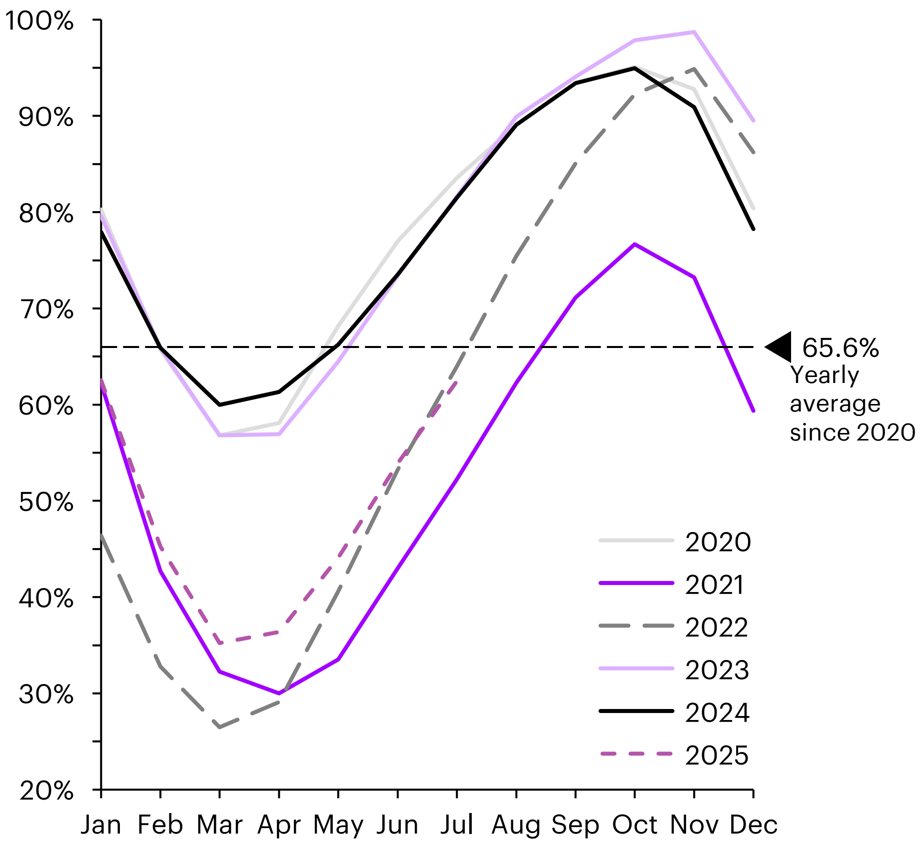
Europe is actively replenishing gas inventories amid subdued storage and strong summer demand, with some relief in price pressures over the past month

EU natural gas reserves and prices

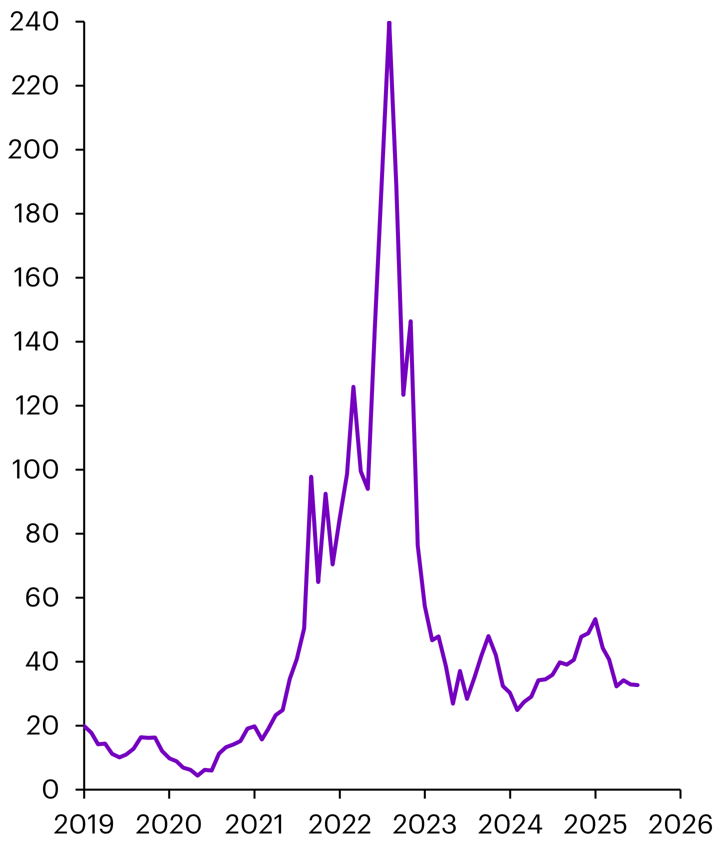
European gas reserves are below-average

% of storage capacity



...putting renewed upward pressure on prices

TTF Gas (EUR per megawatt-hour)



Commentary

- As of July 2025, EU natural gas reserves remain slightly below the historical average, though stockpiling efforts are underway
  - storage facilities are currently filled to about 62% capacity, compared to about 80% at the same time last year, reflecting tighter supply conditions
  - The EU is accelerating natural gas injections into underground storage at highest rate in three years to rebuild inventories ahead of winter, despite total volumes stored being about 25% lower than previous year
- Natural gas prices are hovering around €33/MWh as of late July 2025, down about 7-8% over the past month, with prices easing due to growing supply and flexible storage policies keeping market pressures subdued

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

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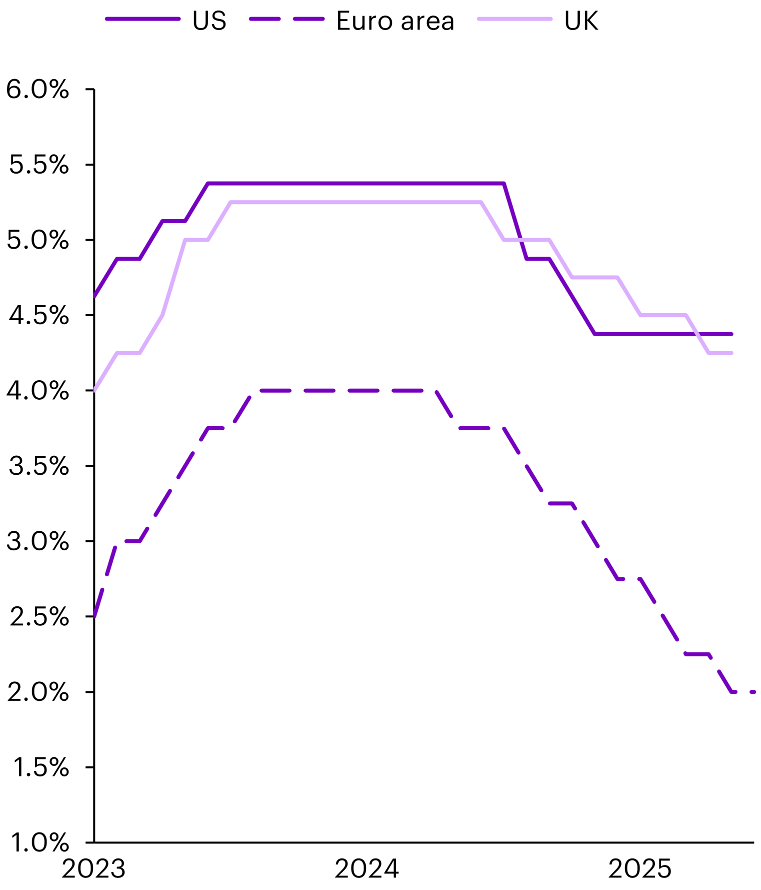
Financial markets

Diverging monetary paths are complicating the global outlook, with rate cuts in the US and Europe on hold for now, while rates in Brazil are rising

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies

Commentary

- The Fed has paused rate cuts as inflation remains above target and tariff-related uncertainty clouds the outlook; officials are divided, with some urging patience and others eyeing potential easing later in 2025
- The BoE is holding rates at 4.25% for now, balancing sticky inflation with a cooling labor market, though markets anticipate a rate cut as early as August amid slowing growth
- After a string of cuts, the ECB is now on hold, awaiting clearer data on inflation and the economic impact of recent trade frictions with the US
- Brazil has resumed rate hikes to defend its currency and control inflation after earlier easing

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

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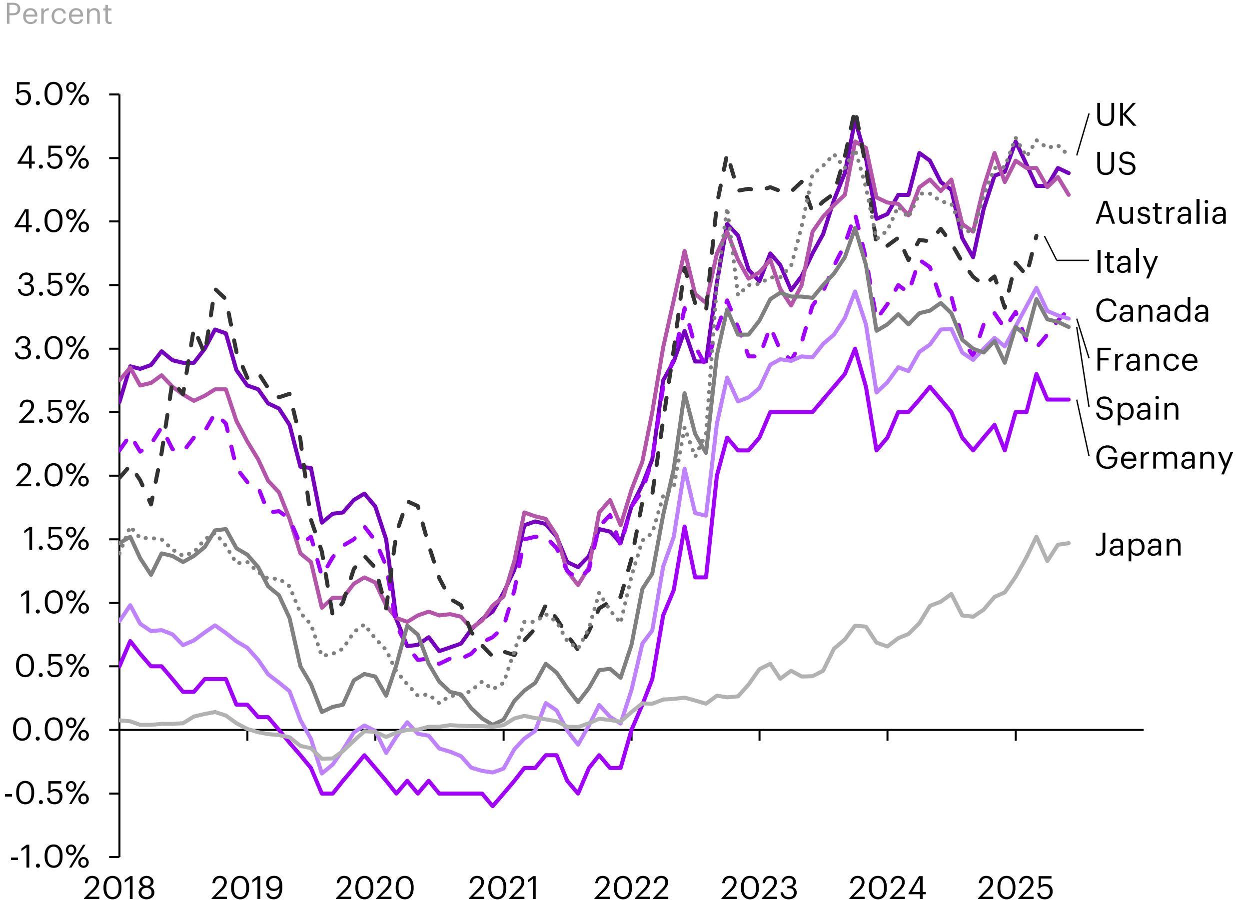
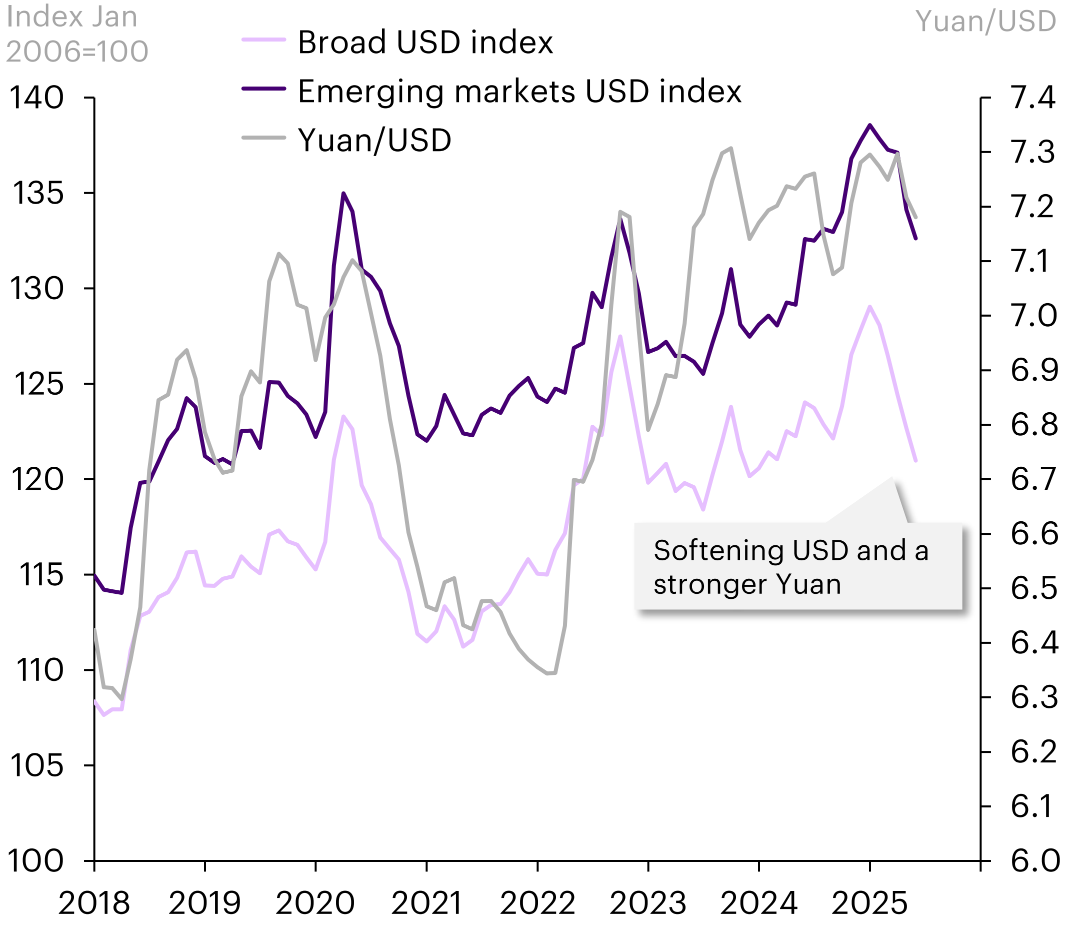
Global bond yields remain elevated, with markets navigating diverging central bank policies, shifting capital flows, and USD weakening due to uncertain economic policy

Long-term yields and exchange rates

Evolution of 10-year government bond yields



Trade-weighted USD index and Yuan/USD



Sources: Bloomberg, National Central Banks, Accenture Strategy analysis

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