

## Global Economic Outlook – February 2025

### Opening salvo in global trade war offers view of U.S. agenda beyond trade

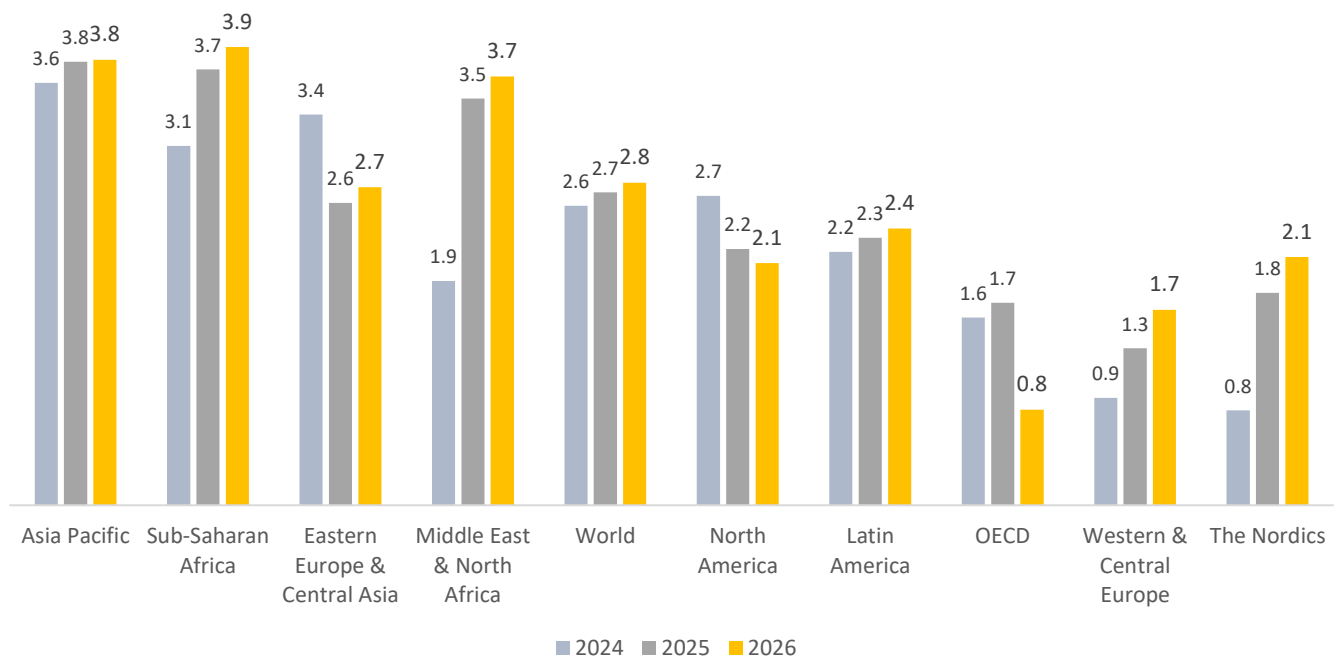
“February saw the first tangible exchanges in the global trade war set to shape 2025. Although planned U.S. tariffs on Canada and Mexico were put on hold for a month – with both countries pledging to deploy additional resources to their borders with the U.S. – new additional levies on imports from the Chinese Mainland were imposed. Beijing responded with retaliatory tariffs on U.S. imports and antitrust investigations into Google, Nvidia, and Intel. Trade disruption between the U.S. and Colombia was averted after the Colombian government agreed to accept deported migrants.

Tariffs are heralded as a direct way to remedy perceived trade imbalances but are often revealed alongside objections that the U.S. government has with other countries on issues such as migration, drug control, and security concerns. The inference is that tariff policies may be framed according to observed misdemeanors and become conditional based on resultant remedial action. This sense of transactional cross-border trade relationships makes for a challenging business environment in economies where President Trump perceives such infringements, such as Europe, where he considers defense spending by NATO countries to be inadequate.

Dun & Bradstreet’s Q1 2025 [Global Business Optimism Insights](#) report reveals a growing sense of supplier risk as businesses become increasingly focussed on localizing supply chains. Businesses expect the cost of capital to remain elevated, indicating heightened credit risk for suppliers. Moreover, falling optimism in sales and export orders reflects broader concerns about global economic weakness and trade policy uncertainty. Overall, companies are indicating a more cautious outlook.”

**Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet.**

Real GDP Growth (%)



Source: Haver Analytics; forecasts from Dun & Bradstreet

## Recent Developments

### Global

- U.S. President Donald Trump took office on January 20, 2025, and immediately issued executive orders (which are given to the federal government and do not require congressional approval), including withdrawing the U.S. from the Paris climate accords and the World Health Organization (WHO) and declaring a national border emergency at the southern U.S. border. The country has also been effectively pulled out of a global corporate minimum tax deal.
- The Chinese Mainland's economy grew 5% in 2024, meeting the government's target. Manufacturing surged during the year amid stimulus from the central bank and government infrastructure spending.
- Germany's economy shrank for a second consecutive year in 2024. An immediate recovery is unlikely, as the government collapsed at the end of last year and the country is heading for an early election on February 23.
- In mid-January, a ceasefire was agreed between Israel and Hamas. Hostages held by Hamas in Gaza and Palestinian prisoners held by Israel have started to be exchanged.

### Movement in Country Rating & Environment Risks

Environment Risks		
Credit	Market	Political
El Salvador		Turkiye
Turkiye	Jamaica	Romania
Zambia	Germany	
Germany		

**Note:** Colors indicate *Rating upgrade/Improvement in outlook*, *Rating downgrade/Deterioration in outlook*

## North America

- The U.S. has applied tariffs to the Chinese Mainland, which has responded in kind with tariffs on U.S. imports such as coal, oil, and LNG, but tariffs on Canada and Mexico have been delayed.
- President Trump has suggested that the U.S. may attempt to acquire Greenland and the Panama Canal as part of an economic security agenda. The annexation of Canada was brought up again at the World Economic Forum in January.
- At the end of January, the Bank of Canada (the Canadian central bank) cut interest rates by 25bps. Economic activity and inflation in the country have been slowing, and the threat of trade tensions heightens risks for the economy.
- Mark Carney, the former governor of the Bank of Canada and the Bank of England (the U.K. central bank), has launched a bid to become the next leader of the Liberal Party of Canada, joining former Deputy PM Chrystia Freeland, among others. The leadership vote will take place on March 9 and a general election is expected to be called shortly afterwards.

## West and Central Europe

- Farmer protests have re-emerged in Spain, Austria, France, and Poland, against the proposed EU-Mercosur trade deal. Businesses and consumers in Mercosur are more likely to benefit, due to their higher trade share with the EU.
- The EU's FuelEU Maritime regulation came into effect on January 1, 2025, adding new carbon monitoring and reporting requirements. The Commission Implementing Regulation (EU) 2024/3172, which requires credit institutions to disclose information on ESG risks and their impact on climate change, is also now applicable.
- This year, health ministries across Europe will conduct the latest European Health Interview Survey, the first since the Covid-19 pandemic. The study gives insight into the health and wellbeing of people in each economy, which can help businesses improve employee productivity and corporate social responsibility.
- A court has supported the EU's 2023 decision to ban Russian mobile operator MegaFon as part of a wave of sanctions against Russia following its invasion of Ukraine. While some companies have successfully appealed sanctions against them, sales to MegaFon were deemed to be at risk of supporting Russia's military effort.
- France will host the third edition of the AI Action Summit in February. The first meeting of world leaders was held in the U.K. in 2023 and named the AI Safety Summit, with a priority on AI regulation. The renaming of the summit and subsequent change of tone by governments highlights the shift towards prioritizing accelerating AI progress rather than safety.

## Asia Pacific

- The emergence of DeepSeek, a Chinese Mainland competitor in the AI space, has sparked a sharp sell-off in the global tech sector and could significantly disrupt the market.
- The Chinese Mainland's economy grew at an annual rate of 5% in 2024. In January 2025, Chinese Mainland manufacturing activity unexpectedly contracted, according to an official survey, to its weakest level since August 2024, intensifying calls for stimulus measures.
- The Reserve Bank of India (the Indian central bank) recently announced a series of measures to inject liquidity into the banking system, including a INR600bn open market operation purchase in three tranches and a variable rate repo auction. At its February meeting, the RBI cut the benchmark repo rate by 25bps to 6.25%. India's FY2025-26 Union Budget was released at the start of February. It prioritizes growth through demand stimulation, investment, and inclusive development. The Bank of Japan (the Japanese central bank) has increased the short-term interest rate to around 0.5%, the highest level in 17 years, citing improving economic activity, wage growth, and inflation.
- In a recent court order, South Korea's impeached President Yoon Suk Yeol has been charged with insurrection; separately, the Constitutional Court has begun deliberations on his formal impeachment.

## East Europe and Central Asia

- After months of negotiations, a coalition government was formed in Bulgaria in January 2025. It consists of the center-right Citizens for European Development of Bulgaria, the pro-Russian Bulgarian Socialist Party and the populist There is Such a People party. The new government's priorities will include adopting the euro and improving the rule of law.
- Romania has warned that the sale of local energy provider E.ON to Hungary's MVM constitutes a national security risk because of Hungary's relationship with Russia.
- In a sign that the EU is strengthening the application of its membership guidelines, the European Commission has withdrawn Hungary's access to EUR1bn because of the country's failure to adhere to EU standards and democratic principles. In Hungary, opposition to Prime Minister Viktor Orbán is growing.
- The presidents of Uzbekistan and the Kyrgyz Republic met at the end of January to discuss regional cooperation and developing joint tourism projects.
- In mid-January, Uzbekistan signed a strategic military partnership with Russia. The agreement will see cooperation on joint military activities until 2030.

## Latin America

- Latin American and Caribbean economies face sluggish growth this year and next, driven primarily by consumer spending rather than investment.
- Fiscal challenges will persist through 2025. Subdued growth will limit revenue increases, while public spending and rising debt burdens are straining fiscal sustainability. Currency volatility is a further risk.
- After peaking at 8.7% in 2022, inflation moderated to 5.5% in 2023 and further to 4.4% in 2024. However, it remains above pre-pandemic levels (it averaged 3.4% in 2018-20).
- Persistent inflationary pressures, fewer expected U.S. Federal Reserve rate cuts in 2025, and weak local currencies mean there will be more gradual adjustments to easing cycles through 2025 in most Latin American economies. Brazil and Uruguay continue to be outliers, having raised interest rates in 2024.

## Middle East and North Africa

- We have upgraded the outlook for the Middle East and North Africa region from 'deteriorating' to 'stable' due to the implementation of ceasefire deals between Israel and Hezbollah (in Lebanon), and Israel and Hamas, despite allegations of breaches from all sides involved.
- While economic growth remains reasonable and oil prices are stable, political and geopolitical risks remain elevated but contained, shaping a neutral outlook for the region in 2025.
- According to the World Bank, Gulf Cooperation Council (GCC) economies are projected to grow 4.2% in 2025, driven by strong non-oil sector performance and ongoing diversification reforms.
- In Israel, 2025 began with significant tax increases and rising utility costs, alongside a series of reforms intended to stabilize prices over the short and medium term. These economic adjustments come amid heightened geopolitical tensions that could further impact economic stability and growth prospects in the region.

## The Nordics

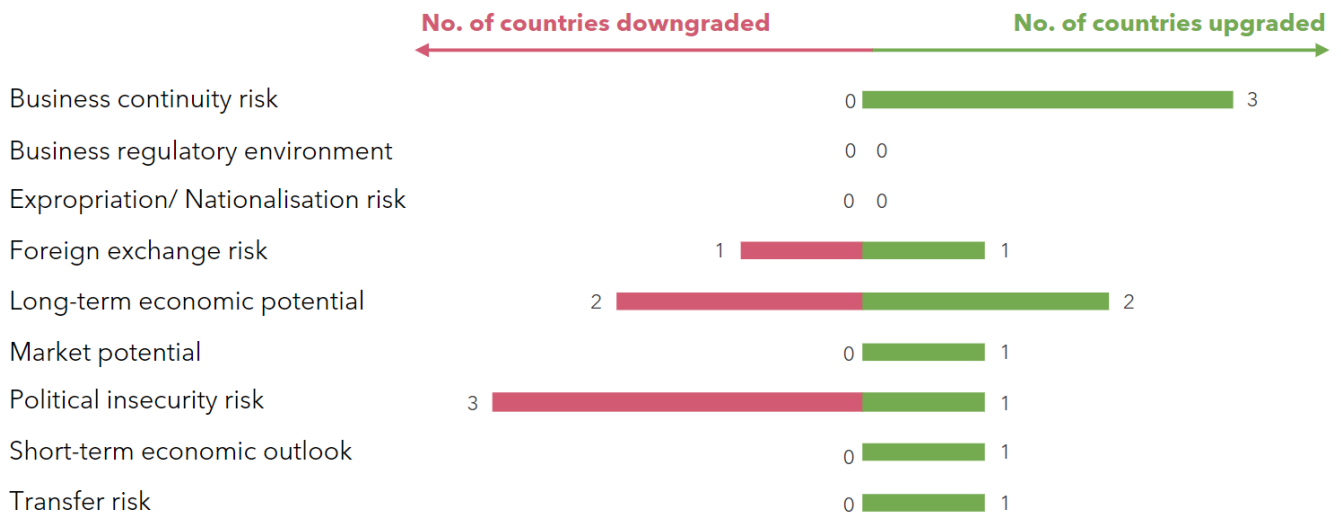
- President Trump has said that the U.S. would like to take control of Greenland, which is part of Denmark, due to its strategic importance in the Arctic. President Trump did not rule out military action. Denmark has revealed plans to spend USD1.5bn on measures to protect Greenland from external interest.
- Norway has downplayed U.S. demands for NATO members to immediately raise defense spending to 5% of GDP. Norway's defense minister said the country would continue to gradually increase this allocation.

- In late January, Swedish authorities took control of a ship suspected of damaging power and telecommunication cables in the Baltic Sea last year; NATO has said that it will raise the monitoring level of ships that do not have clear ownership but are suspected to be of Russian origin.
- Iceland's newly appointed minister of foreign affairs has signaled that a referendum on EU membership is on the cards. A poll by Prosent in early January found that 45% of Icelanders were in favor of joining the bloc.
- In early January, Finland announced it would keep its border with Russia closed.

## Sub-Saharan Africa

- The continuing conflict between the Sudanese Armed Forces and the Rapid Support Forces could potentially lower growth rates in the region as the disruption affects business operations.
- In January, rebels took control of the strategic city of Goma in the Democratic Republic of the Congo (DRC), affecting the mineral trade and increasing the risk of the country being destabilized. The M23 rebels say their aim is to protect the Congolese Tutsi against the DRC government. The group declared a ceasefire in early February.
- Inflation in Nigeria has been increasing on a y/y basis since 2022 and stood at 34.8% y/y in December 2024, the highest level in the region, on the back of the depreciating naira and reduced fuel subsidies.
- Niger, Mali and Burkina Faso have officially withdrawn from the Economic Community of West African States (ECOWAS). This could impact cross-border trade and infrastructure projects, thus affecting growth and prices of some key agricultural commodities.
- Sub-Saharan Africa could see a more transactional relationship with the U.S. under President Trump. The region's considerable oil and uranium ore reserves, which are used in defense-related products, could bring in more U.S. trade, aid and support. Navigating between Russia, the Chinese Mainland, and the U.S. could be a tough balancing act.

**Movement in Risk Dimensions**



**Source:** Dun & Bradstreet

**How Dun & Bradstreet Can Help**

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