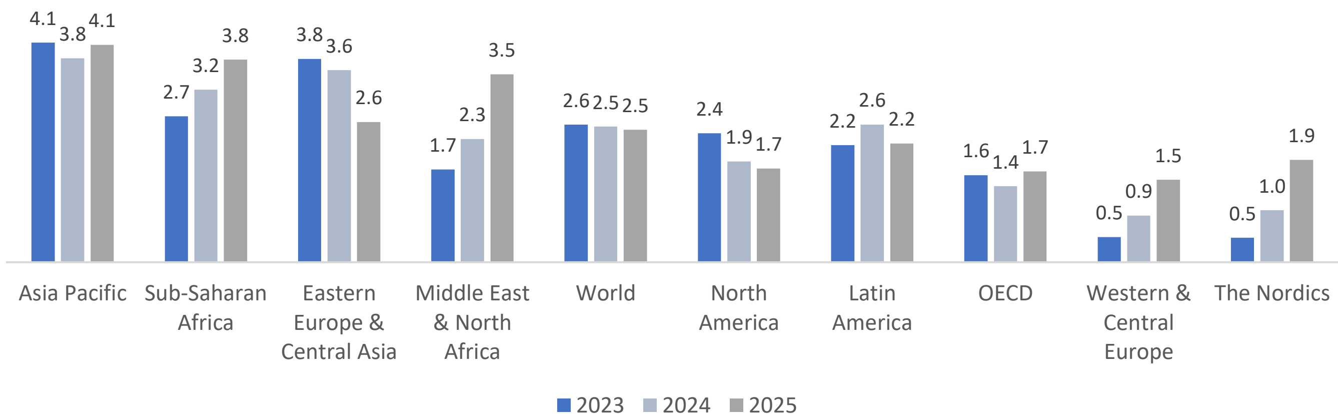
Global Economic Outlook – November 2024

Republican victory in U.S. Presidential election may usher in profound changes for businesses globally

"The global economy performed well in Q3, with growth in developed economies led by considerable continued economic strength in the U.S., which we expect to achieve a soft landing, and in emerging economies by India and the Chinese Mainland. Aggregate measures of inflation continue to trend lower, and the global policy mix continues to gradually pivot towards the recalibration of more accommodative monetary policy with further rate cuts by major central banks. Accommodative fiscal policy appears unsustainable, at least at pre-pandemic levels, given public debt levels and higher interest payments. Some retrenchment of fiscal positions seems likely.

At the start of this year, we flagged political insecurity uncertainty as a key risk, particularly to business investment, and it has been one of our most dynamic risk ratings over the course of the year. The Republicans seem likely to have won a decisive victory in the U.S. Presidential election, meaning that incoming President Donald Trump will be able to pass legislation more easily. But it's not clear the extent to which, and how quickly, his policy priorities could be realized. A greater role for tariffs seems probable and the impact on specific business segments could be far-reaching. Global policy uncertainty in the immediate post-election period is a sizeable downside risk to our outlook and we will be closely monitoring how global policymakers and businesses respond. Looking ahead to 2025, even though the extent of fiscal stimulus and the timing of monetary policy support are unclear, the economic environment will provide both risks and opportunities for growth."

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



Source: *Haver Analytics; forecasts from Dun & Bradstreet*

Global Economic Outlook

Republican candidate Donald Trump won the November 5, 2024 U.S. Presidential election with a decisive victory, giving him a huge mandate for change. He will likely seek to push through the most ambitious parts of his policy agenda. However, it remains ambiguous at this early stage how much of, and the extent to which, President-elect Trump will enact the policies announced as part of his election campaign, or the degree to which they will be growth-enhancing. It seems likely that he will move forward with some combination of a bigger role for tariffs, tighter immigration rules, lower taxes, and an easing of regulation. Should he push for much of his announced program, the likely economic impact will include larger budget deficits and be generally inflationary, implying that the U.S. Federal Reserve may scale back interest rate cuts in 2025. A bigger role for protective measures in the U.S. will have implications for businesses globally, affecting pricing mechanisms, trade, supply chains, and labor markets.

Global economic growth in Q3 2024 was largely stronger than expected and we have nudged up our forecast for global activity this year. Consumer spending continues to power the U.S. economy, while growth in the U.K., the Eurozone, and Canada outperformed projections. Spain took the reins driving regional economic growth, with relatively softer outturns from larger bloc partners Germany and France, and there was no growth in Italy. Global aggregate measures of inflation have continued to decelerate on trend, with many readings edging closer to, or already within, central bank targets. Domestic and services disinflation is continuing, albeit more slowly as wage growth loses speed.

With inflation continuing to lose pace, central banks in developed markets maintained their easing bias at the end of Q3 2024 and into early Q4 2024. In September and October, the Bank of Canada cut rates, while the U.S. Fed lowered rates in September and November; the European Central Bank (ECB) trimmed interest rates for the third time this year in October. The developed market rate cutting cycle is likely to continue through the remainder of this year and into 2025.

Climbing unemployment rates in many advanced economies are coming into focus as labor markets are showing signs of cooling. While unemployment rates have risen gradually, entering a period of looser monetary policy implies a pick-up in consumption and investment and therefore stronger domestic demand support, alleviating recession concerns. Notably, looking collectively at output, inflation, and employment, it is tempting to determine that policymakers have kept the inflation surge under control without significantly affecting growth and jobs. However, this will only truly become clear as further data becomes available. We are tentatively optimistic that global resilience will continue during the remainder of this year and into 2025.

In 2025, the policy mix should become more supportive of growth, but the type and scale of support varies by region. We expect major developed economy growth to be boosted by gradually looser monetary policy and supported by fiscal policy to varying extents. Fiscal policy is likely to be relatively looser in the U.S., and the International Monetary Fund (IMF) expects U.S. public debt to rise over the next five years. The Fund also expects Eurozone public debt to stabilize rather than expand further. Fiscal policy has been loosened in the Chinese Mainland, but this is likely to avert downside risks to growth rather than provide substantive additional growth.

Commercial in Confidence

Lower interest rates in major economies will ease pressure on emerging economies. Local currencies should strengthen against the U.S. dollar, which would ease imported inflation and allow central banks in emerging economies to focus on domestic price pressures. Growth in India and parts of the Middle East and Latin America will likely offset the underlying slowdown in the Chinese Mainland. The Indian government's structural initiatives are expected to enhance growth, boost foreign investment, and strengthen market potential. Key emerging economies' central banks, such as those of Brazil and the Chinese Mainland, began easing their monetary policies this year ahead of their developed economy counterparts.

Risks are generally better balanced than at the start of the year, but the path of global disinflation and the corresponding pace of monetary policy easing still loom large. Central banks are likely to continue to act cautiously, easing their policy only when satisfied that inflation is at an acceptable level and further policy easing would be unlikely to stoke demand to the extent of causing inflation to reignite. Tension in the Middle East remains elevated following Israeli retaliatory strikes on military sites in Iran. Geopolitical risks in the Middle East carry a systemic regional, not global, risk and the impact of wider price disruption is contained. Political/insecurity risk was one of our most downgraded risk factors in October, indicating the elevated levels of internal and cross-border security uncertainty.

Movement in Country Rating & Environment Risks

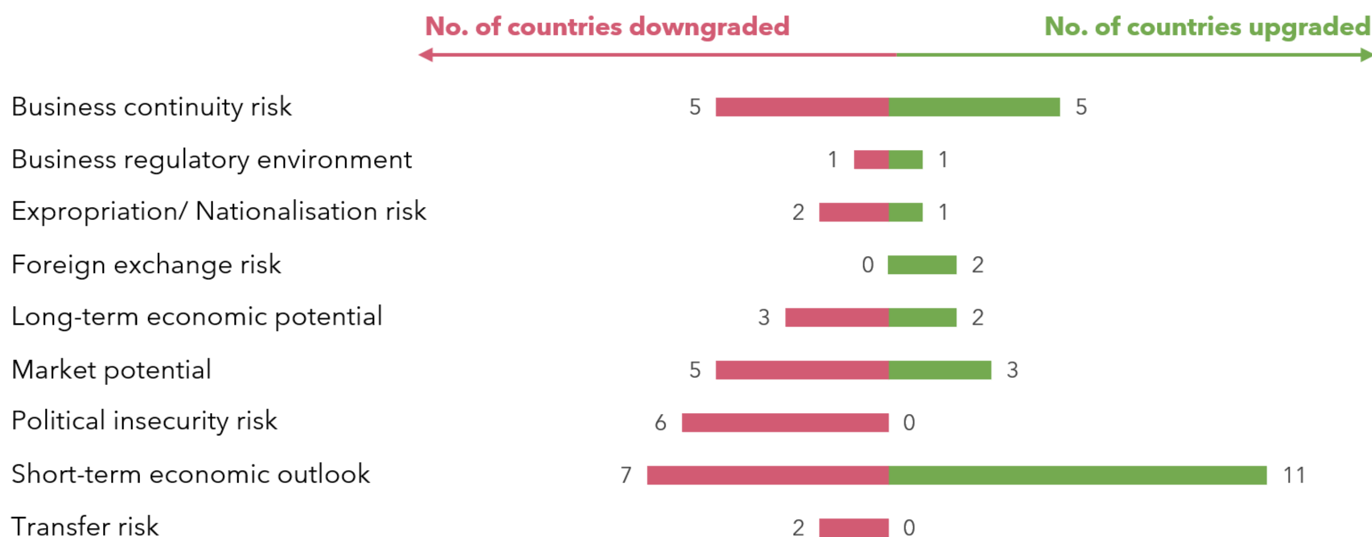
Country Rating	Environment Risks			
	Credit	Market	Supply	Political
South Africa Turkmenistan Botswana	Kyrgyz Republic South Africa Switzerland Iceland Israel Kuwait	Chile Ireland Slovakia South Africa Spain Botswana	United Kingdom Dominican Republic Italy	Iceland Israel Kuwait Latvia

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

Commercial in Confidence

`

Movement in Risk Dimensions



Source: *Dun & Bradstreet*

Rating Changes

▲ (Upgrade)

Chile: We have upgraded Chile's market environment risk rating on the back of trade developments that are expected to expand market potential. In early September, Chile and the U.K. signed a green hydrogen agreement that could potentially unlock more than USD5bn of British export credit support. Also in September, Chile and the U.S. exchanged letters extending their existing free-trade deal by providing formal protection for U.S. cheese exports to Chile.

Ireland: The market environment has improved in Ireland, as the government will use its large 2024 budget surplus to loosen fiscal policy and stimulate growth. Modified domestic demand, the preferred measure of economic activity in the economy, has grown steadily this year.

Kyrgyz Republic: We have upgraded the Kyrgyz Republic's credit and market environment risk ratings, while the political environment and transfer risk environment ratings have been downgraded. Economic growth is strong, led by manufacturing and infrastructure, but rising NPLs and reliance on Russian remittances pose risks. The central bank has lowered rates to 9% as inflation has stabilized. Foreign direct investment (FDI) in H1 2024 rose sharply to USD462.2m, driven by manufacturing and other key sectors. However, business challenges persist amid the Russia-Ukraine conflict and US secondary sanctions, which heighten compliance and trade risks.

South Africa: We have upgraded South Africa's overall country risk rating, together with the credit and market environments. The economic outlook has improved markedly this year alongside a strong mandate for the new government to improve fixed capital investment, structural reform, and fiscal sustainability. Falls in the main refinancing rate are likely to support stronger household spending.

Commercial in Confidence

Spain: We have upgraded Spain's market environment rating, as the economy has outperformed the region through increased investment, strong immigration flows, and a continued rebound in tourism. Spain and the Chinese Mainland have expressed a mutual commitment to deepening ties and jointly advancing high-tech industries, including AI and new energy. Chinese automaker MG, which is owned by SAIC Motor, is considering establishing its first EV battery factory in Galicia to avoid EU tariffs, with production slated for late 2027.

Switzerland: We have upgraded Switzerland's credit environment risk rating, as three successive 25 bps cuts by the Swiss National Bank (SNB) have eased credit conditions for households and businesses. The SNB is committed to maintaining the stability of the Swiss franc and ensuring the banking system has sufficient liquidity. In September, inflation came in at 0.8%, meaning the SNB may continue to cut rates aggressively, which could usher negative policy rates in again.

Turkmenistan: We have upgraded Turkmenistan's overall country risk rating, as well as the credit, market, short-term economic outlook, and business regulatory environment ratings. Economic growth is supported by capital investment and increasing natural gas output, though challenges remain due to a weak private sector and corruption.

United Kingdom: We have upgraded the U.K.'s supply environment risk rating, as new measures are being put in place to accelerate the country's drive towards clean power. A new public body, the National Energy System Operator (NESO), has been established to plan future energy system development and work alongside a planned investment body, the Great British Energy (GBE). In addition, the new National Infrastructure and Service Transformation Authority (NISTA) will have powers to address delays in infrastructure development.

Vietnam: We have upgraded Vietnam's market environment risk rating by 50 bps and the short-term economic outlook risk rating by 25 bps, as in Q3, Vietnam experienced its strongest growth in two years, along with moderating inflation, providing ample room for the central bank to maneuver. The economy remains resilient, bolstered by strong exports, high industrial production, and increased foreign investment. Vietnam continues to benefit from the U.S.-Chinese Mainland decoupling, which has led the U.S. to relocate parts of its supply chain from the Chinese Mainland to Vietnam.

▼ (Downgrade)

Botswana: We have downgraded Botswana's overall country risk rating by 25 bps, alongside a 25-bps downgrade to the market environment risk rating and a 50-bps reduction in the short-term economic outlook rating. These downgrades reflect the contraction in real GDP growth during H1 2024, which may limit annual growth to just 1.2%. Botswana's economic recovery is now likely to be delayed until 2025, as subdued demand in the diamond market persists, with recovery prospects closely linked to potential post-election mining agreements with De Beers.

Dominican Republic: We have downgraded the Dominican Republic's supply environment risk rating because of significant issues with its important trade partner, Haiti, where insecurity remains widespread – despite the deployment of Kenyan police in June 2024 – with inevitable disruption to cross-border trade with the Dominican Republic. Consequently, the Dominican Republic is speeding up border wall construction with its neighbor, further impacting trade. In a normal year, the Dominican Republic sends around USD1bn-worth of goods (equivalent to 10% of its total exports) across the border.

Commercial in Confidence

Iceland: We have downgraded Iceland's credit, supply, market, political, short-term economic outlook, and business continuity risk ratings. Economic growth remains weak, with labor shortages forcing some businesses to decline orders, and high inflation increasing strike risks. A snap election will be held in November following the collapse of the coalition government on October 13; the result will likely lead to new policy reforms. Tensions with Russia remain high due to Iceland's support for Ukraine, heightening risks of cyber or infrastructure attacks. Asylum applications have dropped by over 50% so far this year, easing immigration pressures.

Italy: We have downgraded Italy's supply environment rating as severe flooding has compounded the impact of worker strikes, disrupting transportation and supply chains. Natural disaster risk is elevated, with the country being particularly prone to floods, coastal erosion, and landslides. Furthermore, cyberattacks, targeting both the public and private sectors, have become increasingly common.

Latvia: We have downgraded Latvia's risk ratings across the credit, market, and political environments, as well as the short-term economic outlook and expropriation/nationalization environments. Economic growth is hindered by weak Eurozone performance and domestic demand, while rising lending rates – 5.2% for mortgages and 6.5% for consumer loans – reflect tighter ECB policy. Credit growth has slowed to 3.0%, and demand for consumer loans has dropped by ~12.0%. Geopolitical risks are high as Latvia is a NATO front-line state and therefore faces potential Russian threats, with cybersecurity becoming a top priority amid the risk of cyberattacks.

Key Market Updates

Argentina: Economic contraction bottomed out in Q3, and a recovery is expected in Q4. In 2025, growth will turn positive after contracting by 3.5% in 2024. The rate of inflation was 263.5% y/y in July and 236.7% in August, representing the fourth consecutive month of declining consumer prices. In September, the government cut the tax on imports and freight cargo to 7.5% from 17.5% previously. We expect this tax cut to have an impact on the prices of imported goods and, to a lesser extent, on services that use imported inputs. The effect of monetary easing has begun to materialize. The ratio of non-performing loans to total loans declined to 1.7% in July from 1.8% in June and 3.4% in January. Further declines are likely to occur in 2025 as the central bank eases further.

Chinese Mainland: The Chinese Mainland's Q3 GDP slightly surpassed expectations, led by manufacturing. In September, industrial production increased 5.4%, driven by the high-tech and shipbuilding sectors, while property investment stayed weak. The Finance Ministry has unveiled a stimulus package that includes a large-scale debt swap for local government bonds and special bonds to purchase land and unsold properties.

Finland: The Finnish economy is recovering from a period of economic malaise. GDP is expected to expand in Q1 2025 once the effect of easing interest rates buoys consumer confidence, with leading indicators for the country's export-oriented manufacturing sector showing signs of improvement for early 2025. Furthermore, the sector is expected to benefit from improved demand in the EU, which accounts for over 70% of Finland's exports; domestically oriented sectors, such as construction, are expected to see a resuscitation in demand driven by easing interest rates.

France: The French economy has shown resilience despite a mixed performance across Europe. GDP expanded 1.2% y/y in H1 2024, led by strong public and household spending, which has benefited from a sharp slowdown in inflation. We expect economic growth to remain stable in 2025, at 1.1%, and we expect growth to be driven by lower borrowing costs stimulating business investment. Moreover, we expect public spending to reduce through fiscal consolidation.

Commercial in Confidence

Germany: We have revised Germany's overall risk and supply environment outlooks to 'deteriorating'. The German economy appears at risk of sliding back into recession, with structural challenges clouding its long-term growth prospects. Its industrial sectors are under pressure from volatile energy prices, high labor costs, a tight labor market, geopolitical uncertainties, and weak Euro area demand. Consequently, we have downgraded the short-term economic outlook and the market potential risk ratings. The German Parliament is expected to address the 2025 federal budget in line with the fiscal constraints imposed by a 2023 constitutional court ruling that limits government spending and could necessitate reforms to existing fiscal policies.

Israel: Israel's Q2 real GDP growth sharply decelerated from Q1, due to the ongoing conflict, prompting the Bank of Israel to downgrade its growth forecasts for 2024 and 2025. The supply side has been significantly affected, with labor shortages – especially in construction – worsened by reserve mobilization and restricted access for Palestinian workers. Persistent high inflation may necessitate prolonged elevated interest rates.

Japan: Typhoon Shanshan struck Japan in late August, likely causing up to USD10bn in economic damage and disrupting factory output. The resulting drop in motor vehicle production and declining demand from the U.S. demand have weakened exports, raising concerns about Japan's economic recovery. Meanwhile, at a snap election in October, the Liberal Democratic Party, which has governed almost continuously since 1955, lost its parliamentary

Panama: Panama will have one of the fastest growing economies in Latin America in 2025, expanding by 3.6%, up from an estimated 2.5% expansion in 2024, due to a recovery in traffic through the Panama Canal as drought conditions continue to improve and shipping capacity rises. In addition, La Niña could bring further rainfall from late 2024, further raising water levels. However, cargo flows are not expected to return to past norms until H2 2025 at the earliest. The government's plans for infrastructure development will boost investment in 2025-26. Inflation is moderating, which will support private consumption. In September, consumer prices declined 0.3% y/y, the first fall since June 2023 and down from a 0.3% y/y rise in August.

Peru: We have changed the credit environment outlook from 'deteriorating' to 'stable', as Peru's economy surged in Q2 with 3.56% growth – the country's strongest growth rate since Q1 2022, signaling ongoing recovery. The acceleration was primarily led by strong growth in private and public consumption. Consumer prices have eased consistently this year, reaching 1.49%y/y (in non-seasonally adjusted terms) in June from 1.68% in May. Inflation will remain within the central bank's 1-3% target range in 2025.

Saudi Arabia: Saudi Arabia's real GDP is projected to slow considerably, according to official estimates. The Ministry of Finance expects the budget to remain in deficit for several years, as it prioritizes Vision 2030's goals. With rising fiscal breakeven oil prices and subdued global prices, Saudi Arabia may abandon its USD100/barrel target, planning instead to boost production and market share, as well as non-oil revenue growth, to support growth.

How Dun & Bradstreet Can Help

Dun & Bradstreet's Country Insight Solutions provide forecasts and business recommendations for 132 economies, allowing businesses to monitor and respond to economic, commercial, and political risks.
To learn more, visit dnb.com/country-insight.

Commercial in Confidence