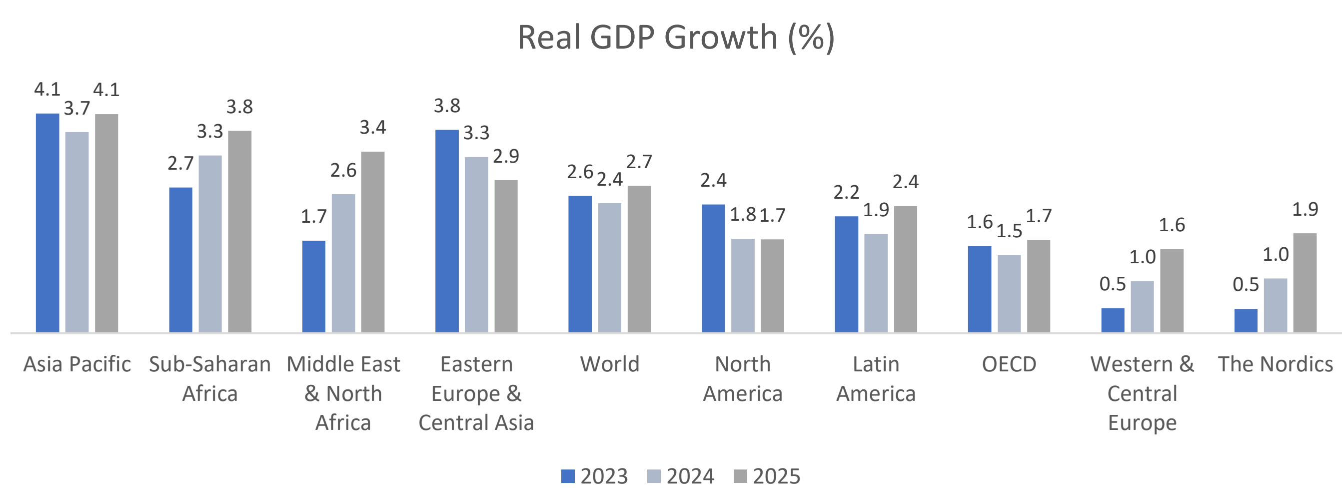
Global Economic Outlook – September 2024

Global policy mix gradually shifting as confidence grows, suggesting that inflation has been tamed

"The global policy mix is gradually shifting. Monetary policymakers are becoming more confident that they will soon have inflation under control and that interest rates have been sufficiently high for long enough and most have achieved this while avoiding deep recessions. Fiscal stimulus has played its part – particularly in developed economies where debt levels are very high – and fiscal consolidation will likely now take place. Although we don't expect activity around the world to be as strong in H2 2024 as in H1, we do expect the global economy to get a boost from a flurry of activity at the U.S. Federal Reserve at the tail end of this year. Looking ahead to 2025, even though the extent of fiscal stimulus and the timing of monetary policy support are unclear, conditions are likely to be increasingly favorable for global growth to accelerate, led by emerging economies."
Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet.



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

Global Economic Outlook

Despite ongoing geopolitical tensions in some parts of the world and still-high global interest rates, the global economy remains resilient. The latest output data reveals that Q2 growth was robust at the global level but varied by region. Growth in the U.S. was strong, accelerating from Q1, driven by consumer spending. The Eurozone posted modest growth, led by France, Spain, and Italy, together offsetting a disappointing quarter for Germany. The Netherlands returned to growth in Q2, with GDP expanding at the fastest rate in two years. We expect growth momentum in developed economies to soften as we move into Q4. In the U.S., a cooling labor market, still-high interest rates, and political uncertainty will likely mean growth eases, though we still expect a soft landing as the most likely outcome. Economic output generally expanded more quickly in emerging economies, with strong growth in the Philippines, Malaysia, and Thailand. Outside of Southeast Asia, the Chinese Mainland's economic growth decelerated in Q2 but remains healthy, while Brazil's economy held up well.

Inflation has continued to ease across developed economies in H2, but consumers are still likely to feel the effects of higher price levels and higher (but falling) interest rates for some time. Similarly, inflation has been declining in emerging economies, aside from Argentina and Türkiye. Amid signs of easing economic growth and as inflation rates move increasingly closer to central bank targets, an increasing number of central banks will feel confident about potentially lowering their policy rates. Monetary easing has begun in the Eurozone and the U.K., and it is highly likely to soon take place in the U.S., given the softening consumer outlook, which will likely translate into weaker demand pressures. We have penciled in two or three 25 bps rate cuts by the U.S. Federal Reserve this year, and cuts of close to 1 pp in 2025.

Central banks will remain cautious through the remainder of 2024 and into 2025, wary that acting too soon may stimulate underlying demand and cause prices to rise. Though there has been strong activity in some regions so far this year, later-than-expected loosening of monetary policy, particularly in developed economies, has led us to lower our global GDP growth forecasts for 2024 and 2025.

In 2025, the policy mix should become more supportive of growth even though the extent of fiscal policy (given already-elevated levels of debt) and the timing of monetary policy support are unclear. We expect developed economy growth to be boosted by gradually looser monetary policy and income growth, but to be constrained by tight fiscal policy. In emerging economies, growth in India and parts of the Middle East and Latin America will likely offset the structural 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. Expectations of Fed rate cuts will provide more support for emerging economies.

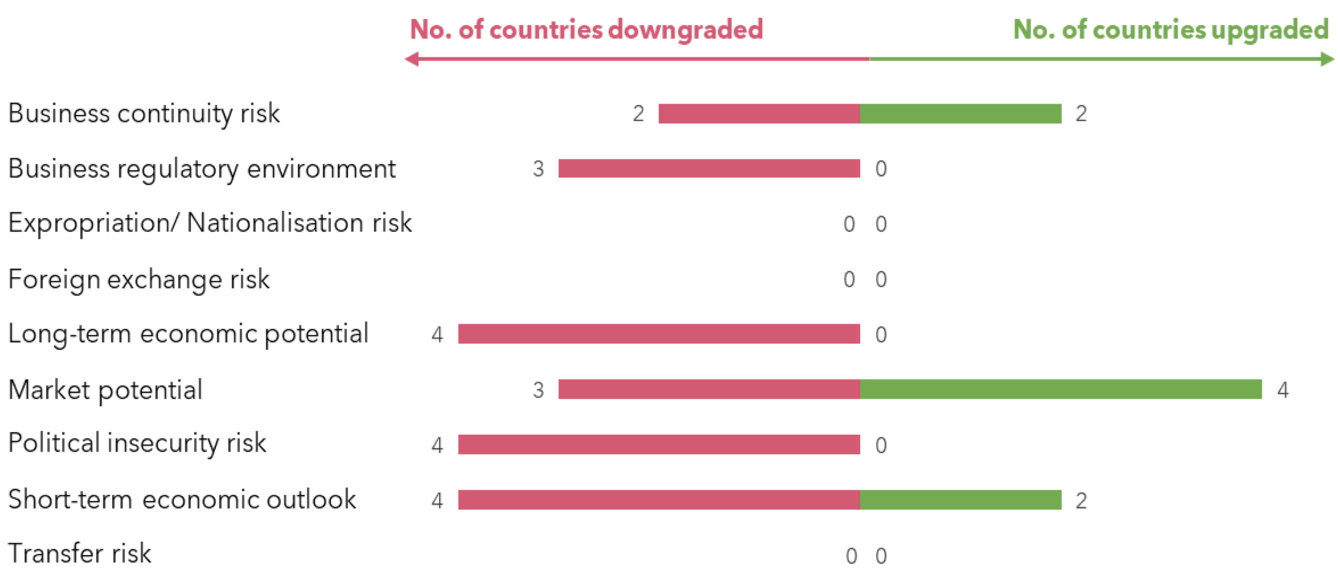
Although risks seem to be becoming better balanced, significant headwinds are holding back recoveries in some economies. Momentum on global disinflation continues but appears to be slowing, with risks to the inflation outlook remaining on the upside. Inflation paths may reverse direction on the back of periods of higher demand. Central banks are likely to continue to act cautiously through the remainder of this year and into 2025, signaling that the path ahead for policymakers – and in turn, for businesses – may be challenging. Elections that have taken place this year have yielded few material impacts to our outlooks and have in general panned out as expected. According to polls, the November U.S. presidential election remains on a knife's edge as it enters the next crucial phase of campaigning.

Movement in Country Rating & Environment Risks

Country Rating	Environment Risks: Credit	Environment Risks: Market	Environment Risks: Supply	Environment Risks: Political
Belarus Malaysia South Africa Sri Lanka Bangladesh Germany	South Africa Bulgaria Germany Chinese Mainland Saudi Arabia	Belarus Malaysia Sri Lanka Finland Germany	Trinidad & Tobago Australia Bangladesh Bulgaria	Bangladesh

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

Movement in Risk Dimensions



Source: *Dun & Bradstreet*

Rating Changes

▲ (Upgrade)

Mauritius: We have upgraded the credit environment rating for Mauritius by 50 bps as the country converges with its pre-pandemic growth levels. This upgrade is driven by the buoyant tourism sector, progress in social housing projects, rising demand for residential properties, and the robust performance of transport and financial services, alongside proactive fiscal measures that support growth.

Belarus: Belarus's overall country risk rating has been upgraded due to continued economic resilience despite global sanctions. We have also upgraded the market environment and market potential – though these remain high-risk areas for investors – due to a high volume of trade with Russia and increasing outreach to countries that have not followed the U.S. and EU in putting sanctions on Belarus.

Malaysia: Malaysia's policy reforms, data center investments, and infrastructure developments are progressing rapidly, supporting our upgraded risk rating for the country. In late May, Google announced a USD2bn investment to build a data center in Malaysia, just weeks after Microsoft made a similar announcement.

South Africa: We have upgraded the credit environment rating by 25bps on the back of currency strength, and the overall rating by 25bps due to improved sentiment that the domestic economy is starting to gain momentum. Due to improvements at the state power utility, Eskom, there have not been power cuts for five months. Progress made in lowering inflation means that the South Africa Reserve Bank (the central bank) may consider cutting interest rates.

Sri Lanka: Growth-oriented reforms and rapid disinflation have spurred early signs of recovery in Sri Lanka, prompting an upgrade in the overall country risk rating, though political and social challenges remain. We have also upgraded the credit and market environment outlooks.

Trinidad & Tobago: We have upgraded Trinidad & Tobago's credit, market and supply environment ratings and the overall country risk rating. The labor market continues to improve as inflationary pressures ease. Over the medium term, energy production could increase due to two upcoming gas field ventures: the Dragon project and Shell's Manatee project. Under the National Digital Transformation Plan for 2024–27, the government is establishing a developers' hub, devising a National E-commerce Strategy 2024-29 to help local businesses, and promoting the safe adoption of financial technologies.

▼ (Downgrade)

Bulgaria: We have downgraded Bulgaria's credit, supply, and market environment ratings due to the extended political uncertainty caused by yet another fractured mandate and the high prospects of another election. The inability to form a stable government is causing policy uncertainty and damaging the prospects of economic recovery.

Bangladesh: Following a violent student uprising that resulted in the overthrew of the Bangladeshi government, we have downgraded the country risk rating.

Chinese Mainland: Export growth accelerated in July, driven by a favorable base effect; however, this alone won't significantly lift GDP growth due to weak domestic spending. Additionally, several countries have either launched anti-dumping investigations or raised tariffs on Chinese exports. We have downgraded the credit environment risk rating by 25bps.

Saudi Arabia: Saudi Arabia increased the price of its flagship crude oil for Asia for the first time in three months, but the hike was smaller than expected. The modest increase was likely influenced by weak refining margins in Asia and the ongoing negotiations for annual term supply contracts.

Germany: We have downgraded Germany's overall risk rating due to recessionary pressures and as the economy struggles to maintain growth momentum. With uncertainties around the ECB's policy action and persistently high interest rates anticipated for an extended period, Germany's credit and market environments are being challenged by higher insolvencies and bleak corporate profitability prospects. Concerns about a delayed revival of growth are affecting the short-term economic outlook, and structural issues are affecting the economy's competitiveness and long-term economic prospects.

Finland: We have downgraded Finland's credit environment rating due to rising public debt, slippage in deficit targets, and high corporate insolvencies. Rising unemployment and concerns about a protracted slowdown have led us to downgrade the short-term economic outlook rating. The government is trying to rein in the fiscal deficit by hiking VAT rates. Rising taxes and high energy costs are likely to increase logistics and shipping costs for firms, which is a negative for the country's supply environment.

Key Market Updates

United Kingdom: In August, the Bank of England cut interest rates, having held them at 5.25% since September 2023. Though inflation has been moderating, the decision was a close call and future decision-making will be tough to predict. The Chancellor has set 30 October for the Autumn Statement; the new government's first fiscal announcement that will set out spending priorities. Rioting took place in parts of the UK in August and though economic output is unlikely to have been materially impacted, the political and social costs may have longer-lasting effects.

Canada: The Trans Mountain oil pipeline has begun commercial operations. In July and August, the pipeline transported 890,000 barrels/day, compared with around 300,000 b/d prior to the expansion. The U.S. has imported record volumes of Canadian crude. Recent surveys by the Bank of Canada have found growing anxiety among businesses about rising taxes and excessive regulations.

Ireland: The government has outlined a set of potential tax cuts in its 2025 budget, which will be published in October, ahead of a probable election. It is thought that the government might raise the threshold at which the higher 40% income tax applies, from EUR42,000 a year to EUR50,000. The government has also proposed a cut in inheritance tax and a cut in the rate of VAT on internet connections.

Israel: Israel's increasing skirmishes with non-state factions in Yemen and Lebanon suggest an avoidance of direct confrontation with Iran but have heightened risks of a broader regional conflict. Meanwhile, Prime Minister Benjamin Netanyahu is facing domestic criticism for failing to secure a deal after the bodies of six hostages held by Hamas in Gaza were recovered.