

FROST & SULLIVAN

The Global Economic Journey

2024 to 2025





OUR FOCUS

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How will your supply chains adapt to the shift caused by a 10% blanket tariff from the US?

As we step into 2025, the global economy stands at a critical juncture, navigating a landscape shaped by geopolitical tensions, trade, and inflationary factors. Growth momentum is moderating, with the global economy likely to grow by 3.2% in 2024 and 3.1% in 2025. While major advanced economies face mounting challenges, the resilience of emerging markets offers a glimmer of hope amidst uncertainty.

HOW PREPARED IS YOUR BUSINESS TO HANDLE FALLING INFLATION AND INTEREST RATE VOLATILITY?

2024 Economic Highlights and the Road Ahead

The world began 2024 with cautious optimism; however, major economies—barring the US—grew less than expected during the year. Despite this, supply chain reorientation and global trade adjustments gained momentum, reflecting the economy’s adaptability to shifting circumstances.





2024 Economic Highlights		
Key Global January 2024 Forecast	January 2024 Forecast	Revised December 2024 Forecast
Global growth will slow down mildly from 3% in 2023 to 2.6% in 2024 as key economies lose growth momentum.	GDP: 2.6%	The global economy will outperform expectations and grow by 3.2% in 2024, driven by strong US growth and emerging Asian markets' resilience.
Headline inflation will continue to decline, with an H2 2024 shift toward rate cuts for advanced economies.	CPI: 5.8%	Global inflation will fall to 5.7%; sporadic upticks in price pressures continue as services inflation remains elevated.
Rate cuts will cap upside USD gains in H2, weak regional growth will weigh on the EUR, and EM currencies will grow from Q3 2024 onward.	Euro/\$: 1.10	The unexpectedly strong US economy will buoy the USD, dim regional growth will hurt the EUR, and EM currencies will remain volatile.
Unemployment will see a moderate uptick and positive expectations over market sentiment will drive labor hoarding.	4.7%¹	Wage growth will outpace inflation in key countries while cyclical upticks will likely push up the unemployment rate to 4.9%. ¹
Given Q1 2024 OPEC+ oil production cuts, Brent prices will average \$83 to \$85 per barrel.	Brent: \$83-\$85/ barrel	The OPEC+ oil production cuts will extend to Q1 2025, and the 2024 Brent crude oil will average \$81 per barrel.
In North America, the economy will slow down amid discretionary spending pullback and elevated interest rates.	GDP: 0.4%²	Stronger-than-expected US consumer spending and a favorable labor market will propel North American growth to 2.6%.
In Western Europe, growth will pick up moderately, as inflation headwinds ease gradually and rebuilding fiscal buffers will take precedence.	GDP: 0.7%²	Economic growth will remain subdued at 0.9%, despite easing inflation and interest rates, while the German economic downturn continues.
In the Middle East, non-oil growth, thanks to economic diversification, will limit the pullback from the slowdown in global oil markets.	GDP: 2.7%²	The non-oil economy will be the key driver; however, regional conflicts and oil production cuts will cap GDP growth at 2.0% in the Middle East.
Emerging economies will drive growth momentum in Asia, and fiscal measures will help Chinese economic recovery.	GDP: 4.0%²	Strong consumer demand and rising industrial productivity will drive growth to 4.6%, with India and Vietnam remaining the regional bright spots.

EM = Emerging Markets

1. Advanced economy unemployment rate;
2. Regional GDP

Source: Frost & Sullivan



Economic Transformations in 2025

Looking ahead, 2025 presents a moderate growth trajectory, heavily influenced by geopolitical tensions, trade reshaping, and inflationary trends.

01 Global Growth:

- ▶ Global growth is projected at 3.1%, a slight decline from 2024.
- ▶ Economic challenges are driven by ongoing geopolitical uncertainties and China's economic slowdown.
- ▶ **Recommendation for Businesses:** Focus on resilience by diversifying operations in emerging markets and exploring sectors with steady growth potential.

02 Trade Dynamics:

- ▶ The US-China trade war continues to reshape global trade networks.
- ▶ Emerging manufacturing hubs such as Mexico, Vietnam, and India are experiencing rapid growth.
- ▶ **Recommendation for Businesses:** Reevaluate supply chain strategies to leverage opportunities in these emerging markets.

03 Oil Prices:

- ▶ Oil prices are expected to stabilize around \$75–\$76 per barrel, influenced by phased OPEC+ production adjustments and geopolitical factors.
- ▶ **Recommendation for Businesses:** Plan for stable energy costs but maintain contingency strategies to address potential volatility.





04 Inflation:

- ▶ Core inflation remains persistent in advanced economies, though headline inflation is trending downward globally.
- ▶ **Recommendation for Businesses:** Revisit pricing strategies and explore cost-efficiency measures to navigate inflationary pressures.

05 Central Bank Policies:

- ▶ Interest rate cuts are anticipated in regions like the US, Canada, and the Eurozone as central banks' balance inflation control with economic recovery.
- ▶ **Recommendation for Businesses:** Assess financing strategies to capitalize on lower interest rates and prioritize investments that drive growth.

WHAT NEW TECHNOLOGIES OR INNOVATIONS CAN HELP YOUR ORGANIZATION THRIVE IN UNCERTAIN ECONOMIC CONDITIONS?





Economic Transformations for 2025			
Trend	2024 Estimate	2025 Forecast	Trend Direction
Global growth will soften from 3.2% in 2024 to 3.1% in 2025 due to the moderate slowdown anticipated in key countries, including China, Korea, and the United States.	GDP: 3.2%	GDP: 3.1%	↘
Headline inflation will continue to fall along with further interest rate cuts in the United States, Canada, the Eurozone, India, and Indonesia.	CPI: 5.7%	CPI: 4.4%	↘
The global trade and supply chain reorientation will gather momentum. Punitive tariffs between the United States and China, Mexico, and Vietnam will boost alternative manufacturing locations.	US-China Goods Trade Deficit: \$2.2 Trillion ¹	US-China Goods Trade Deficit: \$1.7 Trillion	↘
US policy uncertainty, lingering geopolitical risks, and strong demand will boost safe-haven for USD and gold, boosting USD strength and gold prices.	Euro/\$ ² : 1.08	Euro/\$ ² : 1.02	↗
OPEC+ oil production cuts will extend until at least Q1 2025 considering non-OPEC production buildup and geopolitical conflicts. Brent prices will average \$75 to \$76 per barrel.	Brent: \$81/barrel	Brent: \$75/barrel ³	↘

1. Based on actuals until September 2024.
 2. Represents how many dollars one Euro can buy.
 3. Trend direction for oil prices are from a producer's perspective;
Note: The analysis stands updated as of 29th November 2024.
Source: US Census Bureau; World Bank; IMF; Frost & Sullivan

The time to act is now. Reevaluate your business strategies, mitigate economic risks, and leverage cutting-edge technologies to stay ahead of the competition in 2025. Tap into growth opportunities in emerging markets and position your business for success.

Discover how we can help your business thrive in 2025. Click [here](#) to get started or email us your requirements at hello@frost.com.



Navigating Risks and Building Resilience

Businesses in 2025 must prepare for volatility driven by geopolitical, trade, and inflationary risks. Key strategies for resilience include:

- ▶ **Embracing Regional Diversification:** As global trade realigns, companies must leverage opportunities in emerging markets such as Southeast Asia, Africa, and Latin America to build resilient supply chains.
- ▶ **Investing in Technology:** Automation, digitalization, and AI-driven decision making will be crucial for enhancing productivity and managing costs in volatile conditions.
- ▶ **Strategic Risk Mitigation:** Insulating against tariffs, enhancing crisis management, and exploring alternative energy sources will gain traction.

Emerging growth regions such as Southeast Asia and Africa hold significant potential for businesses seeking new opportunities in an uncertain global landscape.

Frost & Sullivan Baseline Scenario for 2025

As we navigate 2025, businesses and governments must prepare for three potential scenarios: Baseline, Optimistic, and Pessimistic. Here's an overview of the Baseline Scenario:

- ▶ Geopolitical conflicts will not escalate and a phased pull-back in oil cuts will start in Q2 2025
- ▶ Core inflation will witness sporadic upticks in key economies
- ▶ There will be a cautious decline in interest rates if core inflation remains sticky
- ▶ US tariffs will be approximately 35% on China and 25% on Canada and Mexico

HOW PREPARED ARE YOU FOR THE BASELINE, OPTIMISTIC, AND PESSIMISTIC OUTCOMES IN 2025, AND WHAT STRATEGIES ARE YOU IMPLEMENTING TO ADDRESS THEM?



Scenario planning is no longer optional—it's essential. Assess your readiness for each possible 2025 outcome, and build flexible, adaptive strategies to navigate uncertainty and seize opportunities as they arise. Let us guide you in crafting a winning strategy for 2025.

Click [here](#) to get started or email us your requirements at hello@frost.com

Is 2025 A Balancing Act?

The global economic outlook for 2025 presents a mixed bag of opportunities and challenges. Slower growth in advanced economies is offset by the resilience of emerging markets. While inflation trends downward, geopolitical risks and trade tensions will remain critical influencers of economic stability.

The journey toward 2025 demands a mindset of caution and adaptability. In an increasingly interconnected world, nations and businesses alike must remain agile to navigate the complexities of a shifting global economy.

Foresight and innovation drive resilience. Whether through the adoption of scenario-wise response frameworks, geographic diversification, or risk mitigation through innovation—now is the time to double down on targeted strategies that not only withstand economic volatility but also allow you to thrive in it.


Unlock opportunities for transformative growth. Click [here](#) to get started or email us your requirements at hello@frost.com



YOUR TRANSFORMATIONAL GROWTH JOURNEY STARTS HERE

Frost & Sullivan's Growth Pipeline Engine, comprehensive technology strategies, industry intelligence, and best practice models drive the generation, evaluation, and implementation of powerful growth opportunities across the global **A&D** ecosystem.

Is your company prepared to survive and thrive through the coming transformation?

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