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Global Macro Outlook: Global growth slowdown underway, policy uncertainty adds risks

May 2025

Today's speakers

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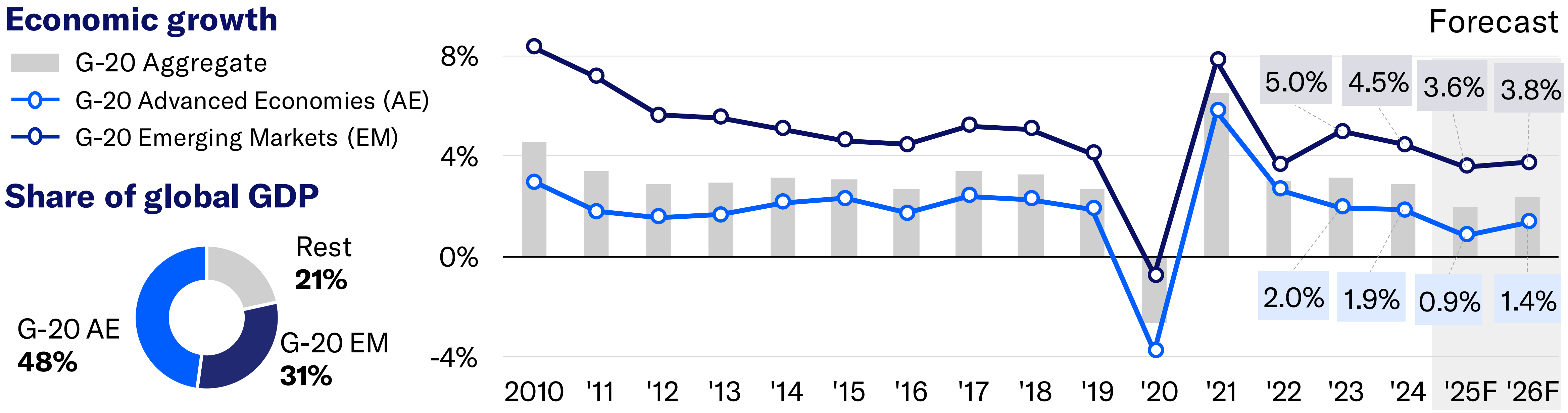
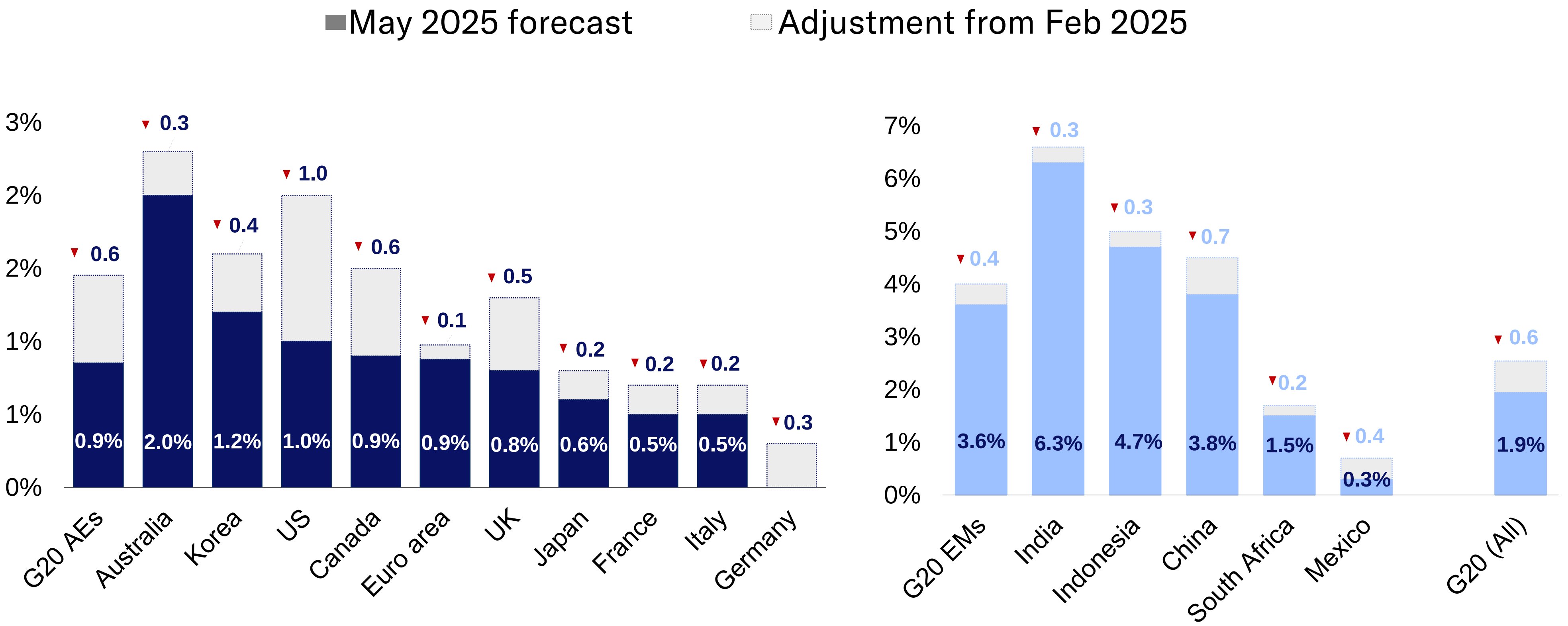
Agenda

Global growth slowdown, already underway, will accelerate as tariffs bite



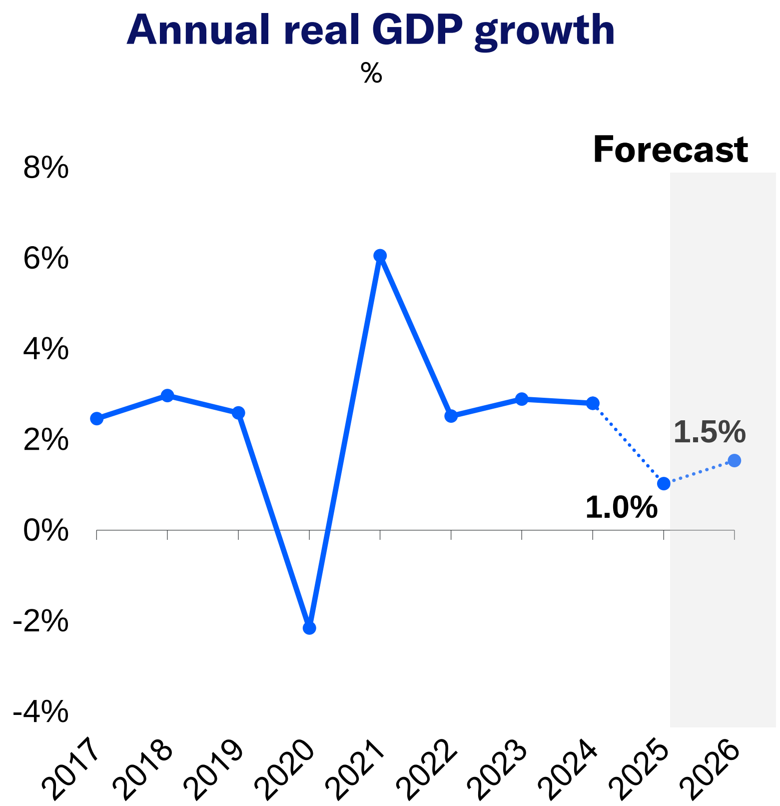
Source: Moody's Ratings

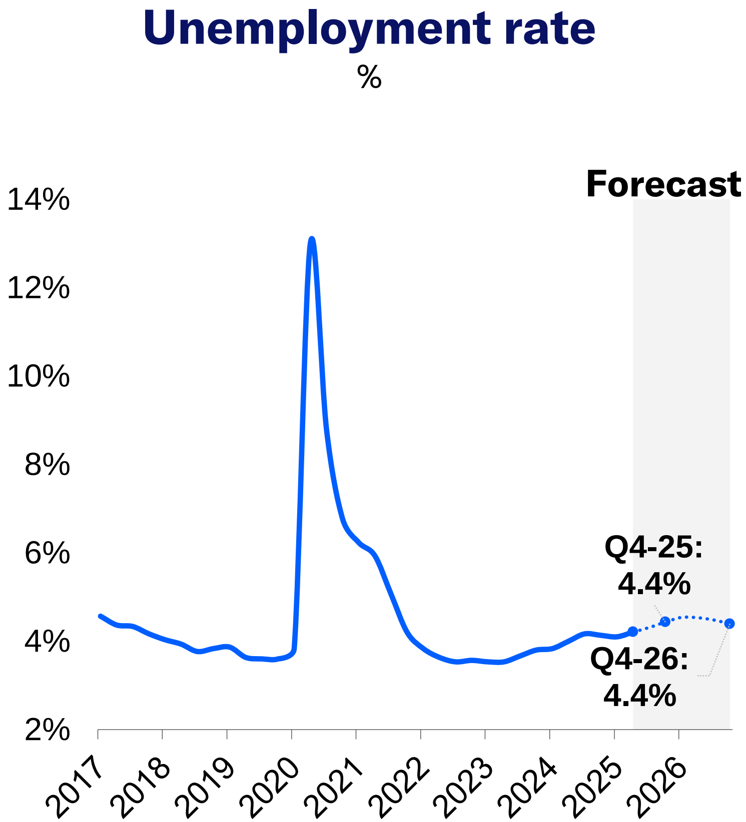
Material downward revisions to G-20 growth forecasts since our last update in February



Source: Moody's Ratings

Expansion at risk: Persistent policy uncertainty erodes resilience





Sources: US Bureau of Labor Statistics and Moody's Ratings

Global inflation capped by weaker growth and labor market softening

Persistent uncertainty will raise fragility and put expansion at risk

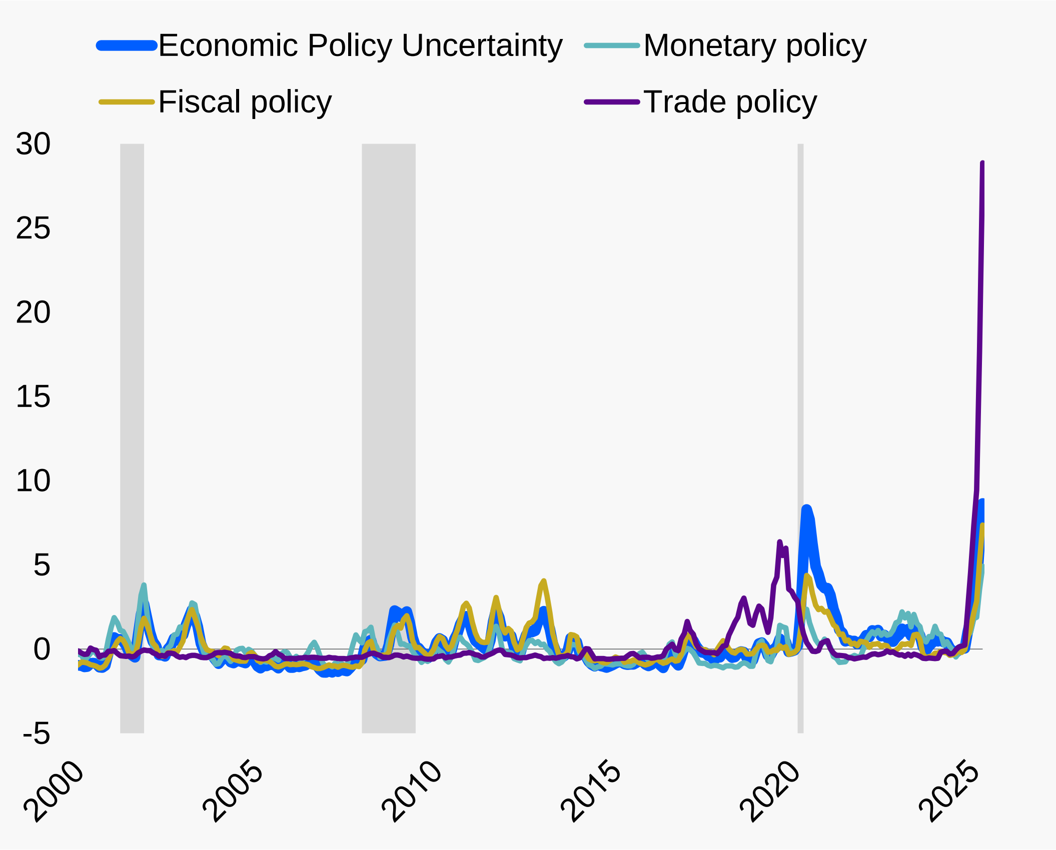
G-20 Economies	Real GDP Growth [1] Annual average, %							Inflation YoY, %			Unemployment Annual average, %		
	2023	24		25F		26F	2025 Target[2]	24	25F	26F	24	25F	26F
G-20 AE	2.0	1.9	▼	0.9	--	1.4							
US	2.9	2.8	▼	1.0	▼	1.5	2.0%	2.9	3.2	2.7	4.0	4.3	4.5
Euro area	0.5	0.8	--	0.9	--	1.4	2.0%						
Japan	1.5	0.1	--	0.6	▲	0.8	2.0%	2.7	2.8	2.0	2.5	2.5	2.5
Germany	-0.3	-0.2	▼	0.0	--	1.4	--	2.5	2.1	2.0	3.4	3.7	3.6
UK	0.4	1.1	▼	0.8	▼	1.3	2.0%	2.5	3.0	2.4	4.3	4.7	4.5
France	1.1	1.1	--	0.5	--	1.2	--	2.3	1.4	1.7	7.4	7.5	7.5
Italy	0.7	0.7	--	0.5	--	0.8	--	1.1	1.9	2.0	6.6	6.0	6.0
Canada	1.5	1.5	▼	0.9	▼	0.8	2.0% (+/-1.0%)	2.4	2.4	2.1	6.4	7.2	7.0
Australia	2.1	1.0	▼	2.0	--	2.3	2.0% - 3.0%	3.2	2.6	2.5	4.0	4.2	4.5
Korea	1.4	2.0	▼	1.2	--	1.8	2.0%	2.3	2.0	2.0	2.8	3.0	3.0
G-20 EM	5.0	4.5	▼	3.6	--	3.8							
China	5.2	5.0	▼	3.8	--	3.9	around 3%	0.2	0.0	0.7	--	--	--
India	8.8	6.7	▼	6.3	--	6.5	4.0% (+/-2.0%)	4.9	4.0	4.3	--	--	--
Brazil	3.2	2.9	--	2.0	▼	2.0	3.0% (+/-1.5%)	4.4	5.0	4.5	--	--	--
Russia	4.1	4.3	--	1.8	--	1.2	4.0%	8.4	8.3	5.0	--	--	--
Mexico	3.3	1.5	▼	0.3	--	1.7	3.0% (+/-1.0%)	4.7	3.8	3.8	--	--	--
Indonesia	5.0	5.0	▼	4.7	▼	4.7	2.5% (+/-1.0%)	2.3	1.6	2.5	--	--	--
Turkiye	5.1	3.2	--	2.2	▼	3.2	5.0% (+/-2.0%)	58.5	35.0	22.0	--	--	--
Saudi Arabia	0.5	1.8	--	3.5	▼	4.5	USD Peg [3]	1.7	1.9	2.0	--	--	--
Argentina	-1.6	-1.7	--	4.0	--	1.8	-- [4]	219.9	73.9	25.0	--	--	--
South Africa	0.7	0.6	--	1.5	--	1.6	3.0% - 6.0%	4.4	4.0	4.5	--	--	--
All	3.1	2.9	▼	1.9	--	2.3							

Growth forecast adjustment from the previous report
▲ Upward ≥ 0.25 pp -- No adjustment ▼ Downward ≥ 0.25 pp

Source: Moody's Ratings

Tariff hikes and policy uncertainty will stall economic activity

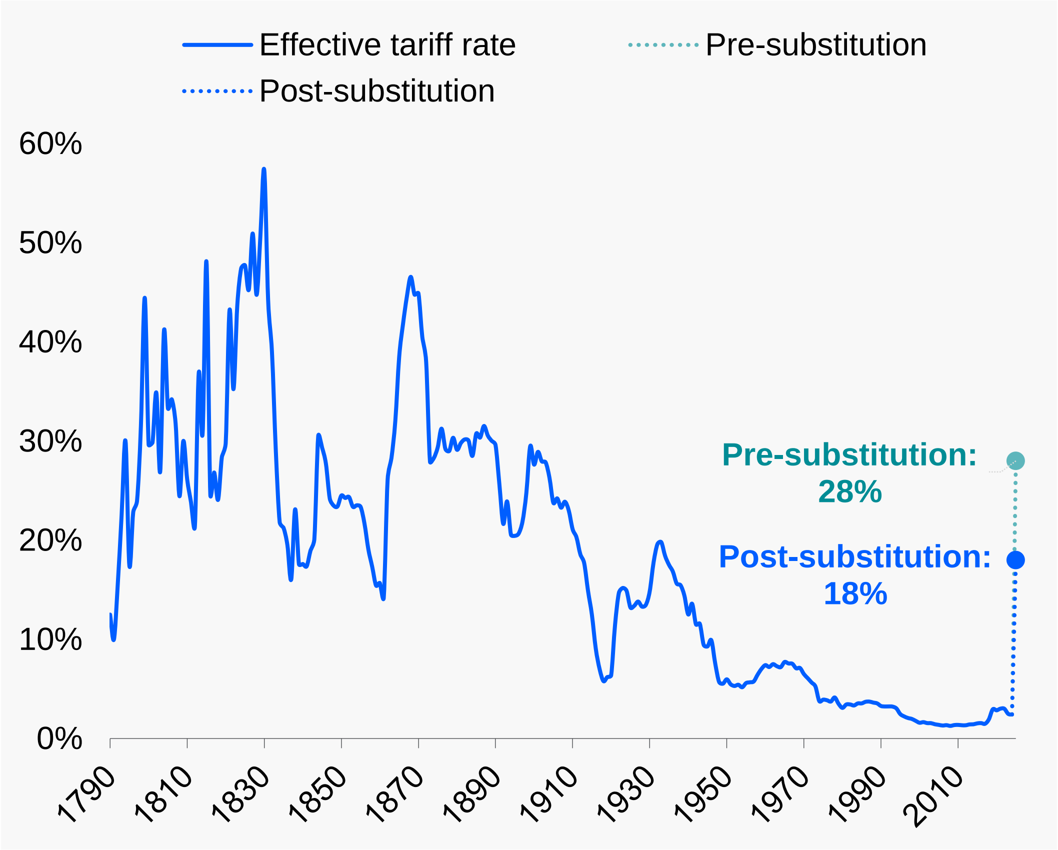
US Economic Policy Uncertainty Index and selected components, standard deviations from 1985-2020 avg



Shading indicates recession. Standard deviations are three-month moving averages. Tariffs data as of 15 April.

Sources: Measuring Economic Policy Uncertainty by Baker et. al (2016), Yale Budget Lab and Moody's Ratings

US average effective tariff rate before and after substitution effects, %



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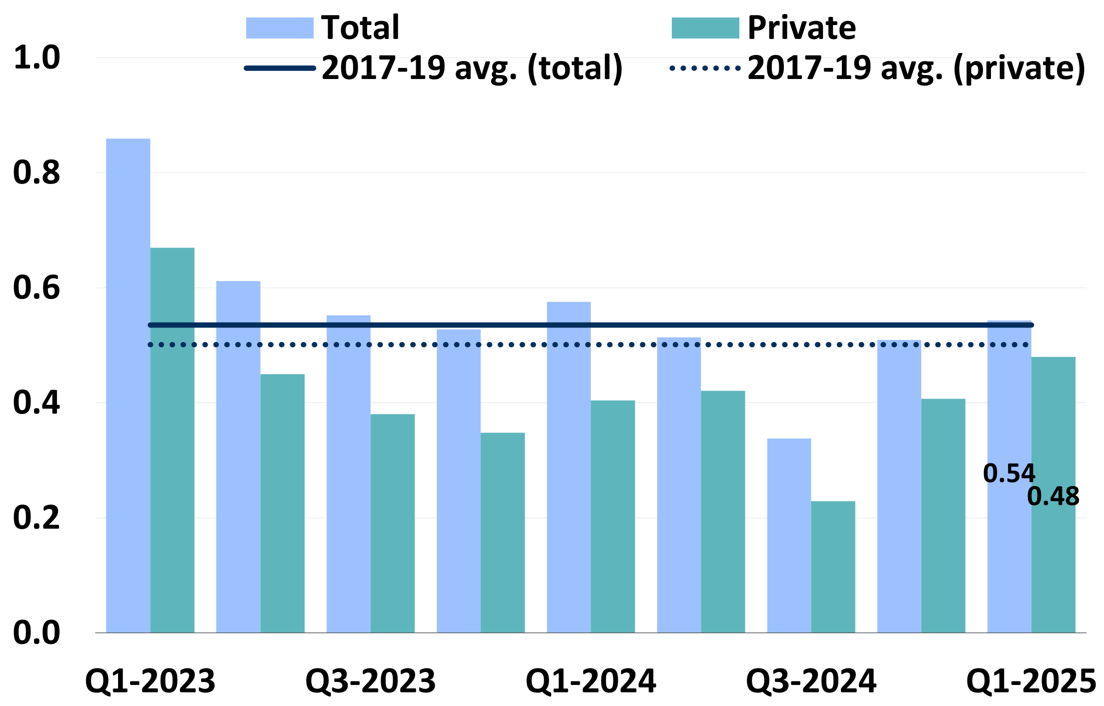
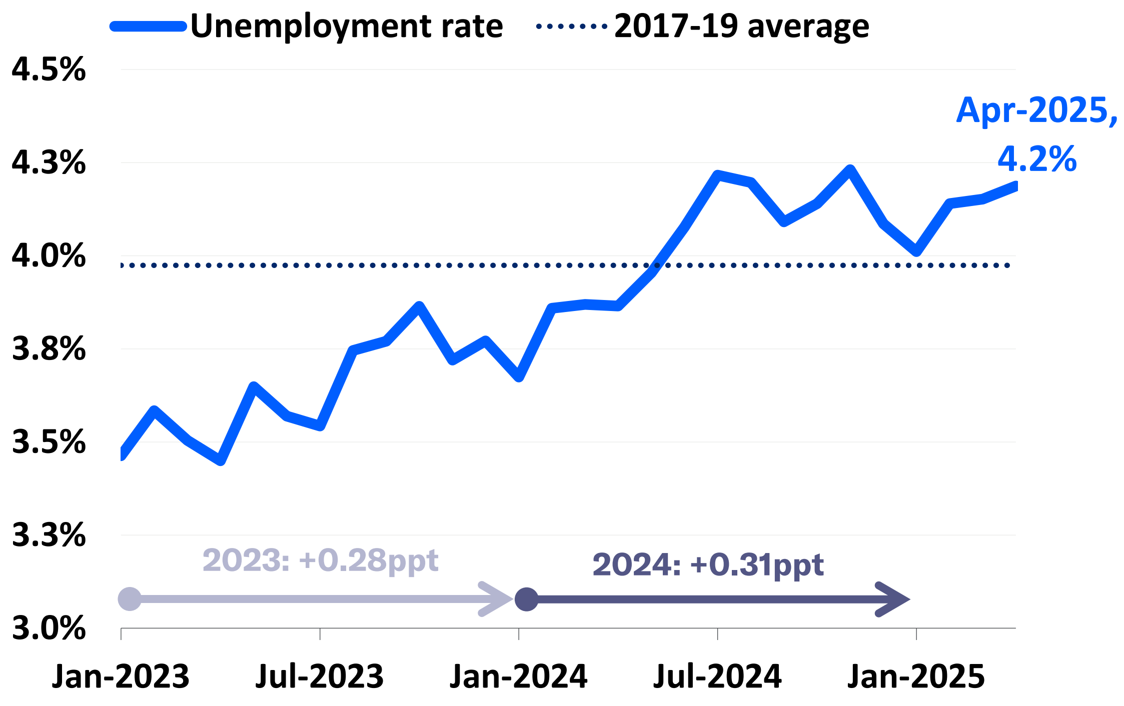
Controlled cooling in the labor market will modestly accelerate amid federal policy shocks

Quarterly job growth, total vs. private sector, millions



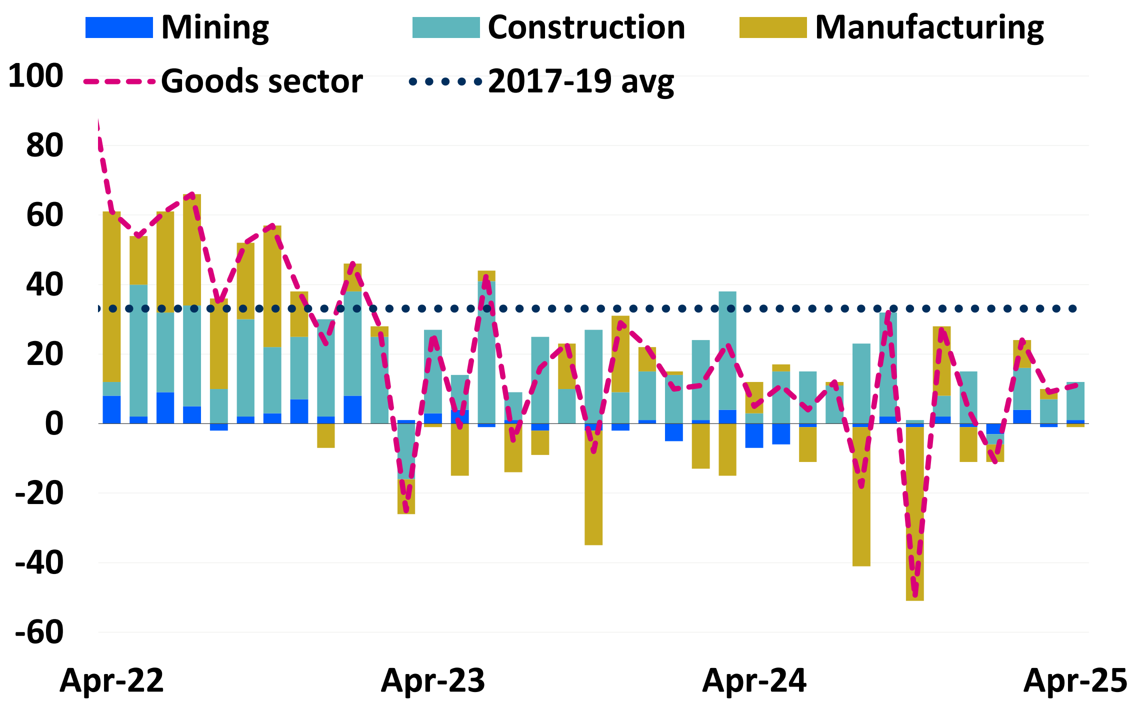
Unemployment rate, %



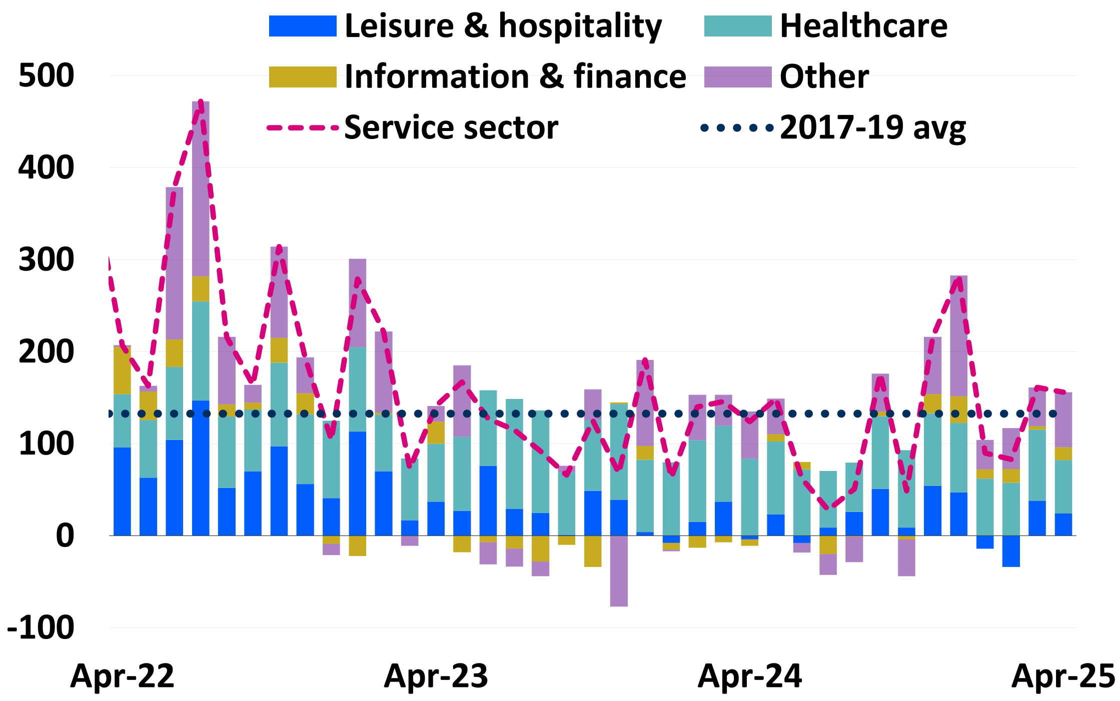
Sources: Bureau of Labor Statistics and Moody's Ratings

Sluggish job growth in interest-rate sensitive goods sector will weaken further amid tariffs; less so in service sector

Jobs added in goods sector by industry, thousands



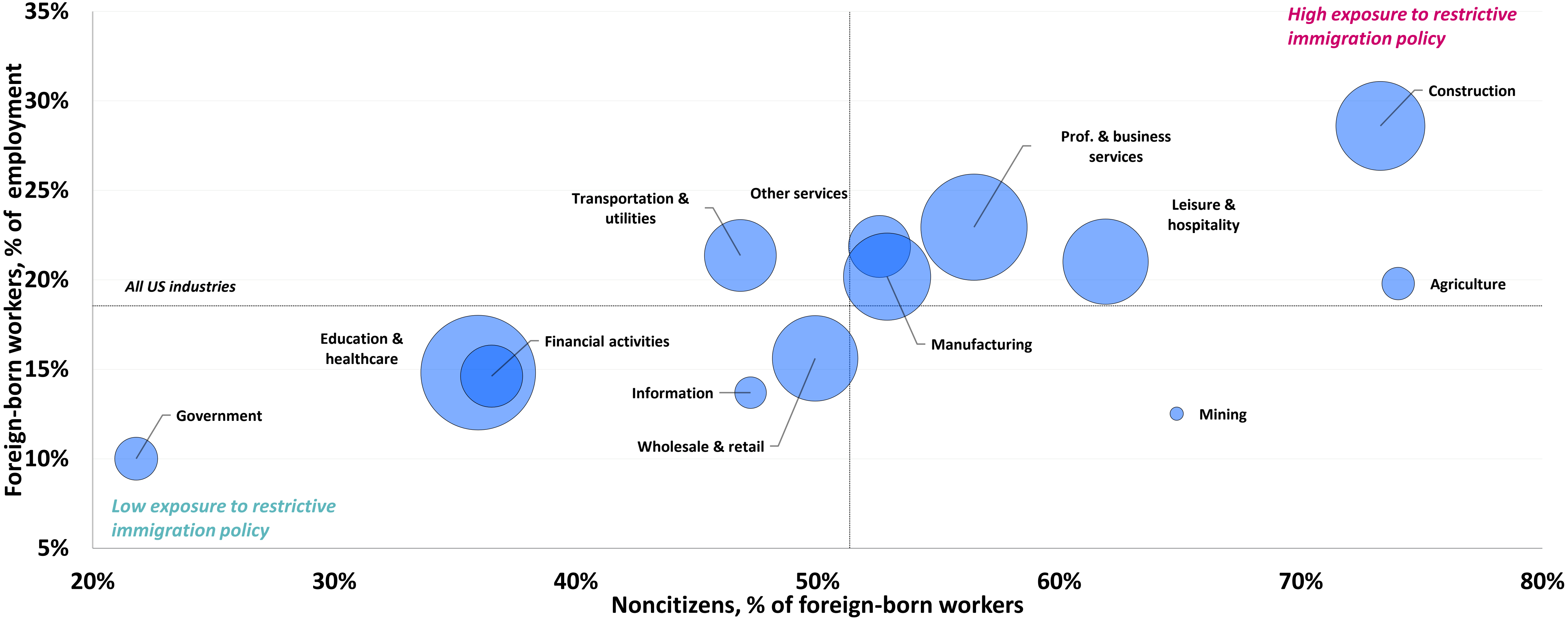
Jobs added in service sector by industry, thousands



Sources: Bureau of Labor Statistics and Moody's Ratings

Construction, agriculture, leisure dependent on immigration

Foreign-born workers (% of industry employment) and noncitizens (% of foreign-born workers) by industry



Size of bubble represents 2023 foreign-born employment level

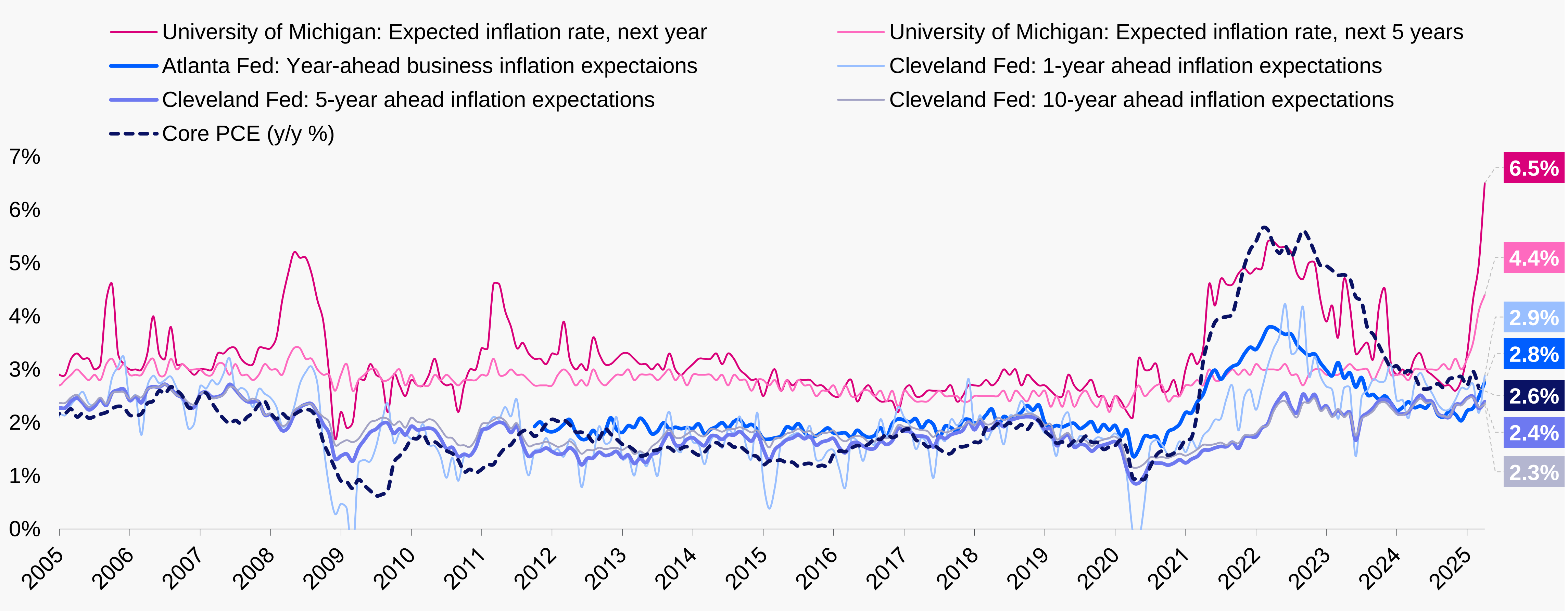
Sources: Bureau of Labor Statistics and Moody's Ratings

US medium-term inflation expectations remain anchored

But consumer survey-based measures have picked up
One-year ahead inflation expectations are becoming less stable

US inflation expectations

%



Sources: US Bureau of Labor Statistics, University of Michigan, Atlanta Fed, Cleveland Fed, Moody's DataBuffet, Haver Analytics and Moody's Ratings

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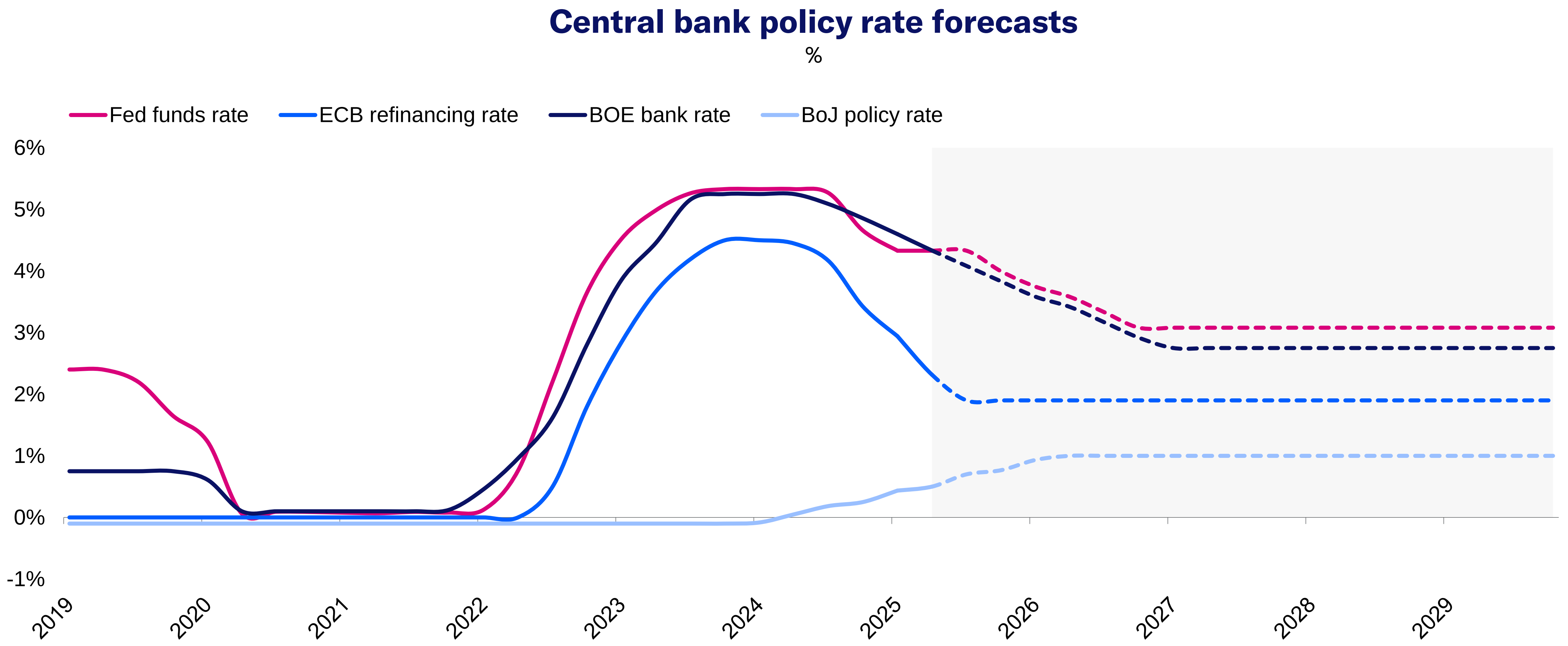
Monetary policy normalization will continue



Source: Moody's Ratings

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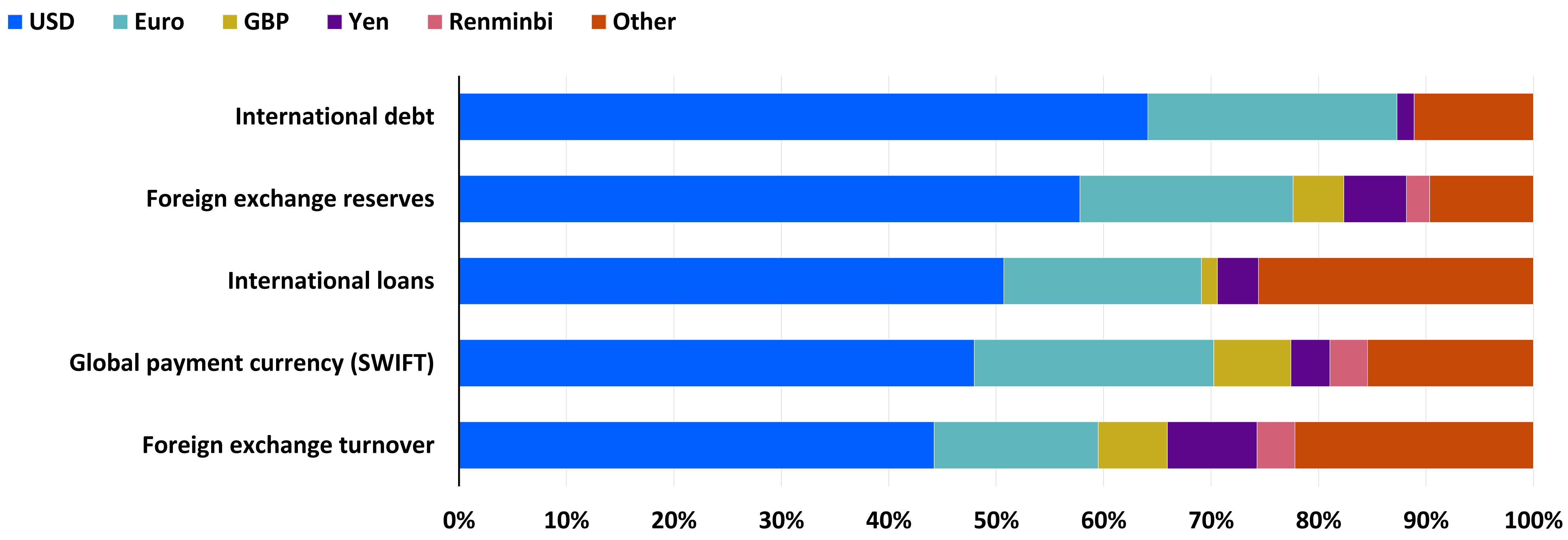
The dollar dominates a wide range of global financial activities

Share of international financial activity by type and currency, %



Notes: Data for foreign exchange reserves and SWIFT are for Q4 2024. International debt and loans data as of Q4 2023. Foreign exchange turnover as of April 2022. International debt corresponds to the European Central Bank's "narrow" measure of international debt securities – defined as securities sold outside the issuing country, excluding debt in the issuer's own currency.

Sources: ECB, IMF, BIS, SWIFT and Moody's Ratings

Risk transmission channels

	Impact for consumers	Impact for business
DIRECT TARIFF IMPACT	→ Increased prices on goods	→ Lower sales / margins
WEAKENING ECONOMIC FUNDAMENTALS	→ Lower confidence → Reduced discretionary spending, bigger decisions postponed	→ Suspend or slow investment decisions → Supply chain disruptions
FINANCIAL MARKETS	→ Negative wealth effect	→ High yield debt more costly → Financial conditions tighten

Appendix

Moody’s Ratings Related Research (TO BE UPDATED WITH GMO)

- Global Macro Outlook 2025-26 (May 2025 update): Global growth slowdown underway, policy uncertainty adds risks, 5 May 2025
- Tariffs – Global: Tariffs and trade turmoil: how we gauge the credit consequences, 14 April 2025
- Macroeconomics – US: US labor market remains stable as federal policy shocks mount, 7 April 2025
- Macroeconomics – Global: Global central banks adopt wait-and-see mode amid swirling policy uncertainty, 24 March 2025
- Macroeconomics – Europe: Higher defence spending will blunt effects of trade tensions on European economy, 21 March 2025
- Macroeconomics – US: Trump administration’s policies will test job market strength, 10 March 2025
- Macroeconomics – US: US immigration crackdown is unlikely to stoke inflation given hurdles and cooling labor market, 7 February 2025
- Macroeconomics – Global: Dollar dominance will persist for decades despite new challenges, 25 May 2023
- Sovereigns – Global: Sovereign default and recovery rates, 1983-2024, 17 April 2025
- Default Trends – Global: March 2025 Default Report, 16 April 2025
- Credit Strategy – Global: Four risks that could derail global credit in 2025, 23 January 2025

Thank you

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