Media Release
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State of Flux: Economic and Market Outlook 2025

- **Diverging global growth: U.S. growth is likely to be bolstered due to expanded fiscal measures, while uncertainty around tariffs and trade dampens sentiment and activity in other regions.**
- **Inflation risks and responses: Persistent inflation pressures in the U.S., potential tariff increases and policy responses from central banks highlight the complex inflation landscape.**
- **Volatile bond yields: Government bond markets are anticipated to remain volatile, driven by geopolitical uncertainties, tariff developments and inflation prospects.**
- **In addition to the global perspective, the Outlook 2025 dives into dynamics and prospects of the key global economies and financial markets.**

Zurich, December 12, 2024 – Zurich Insurance Group (Zurich) has released its Global Economic and Markets Outlook 2025, highlighting significant shifts in the global economic trajectory. The report underscores a period of flux in the macroeconomic backdrop, driven by recent geopolitical developments, fiscal measures and evolving trade policies.

As 2024 draws to a close, the future is uncertain. President-elect Trump's bold agenda and the appointment of loyal hard-liners signal significant change, as the world takes note with some trepidation. Although Congress is likely to be supportive, financial markets may ultimately provide the checks on this ambitious political plan. The global outlook for 2025 is best described as being in a state of flux.

Guy Miller, Group Chief Market Strategist & Economist, author of the Outlook

The global economic landscape is undergoing significant changes, with diverging growth trajectories and persistent inflationary pressures. Navigating these complexities requires a keen understanding of both the risks and opportunities that lie ahead. In a time of heightened volatility and uncertainty, a holistic approach to investment is crucial. Diversifying across asset classes and geographies, while maintaining a focus on long-term objectives, will be key to managing risks and achieving sustainable returns.

Stephan van Vliet, Group Chief Investment Officer

A Shifting Trajectory for the Global Economy

The recent U.S. election has altered the global economic outlook, previously characterized by declining inflation, falling interest rates and steady growth. With President-elect Trump's accelerated fiscal measures, the U.S. is poised for growth, while uncertainty around tariffs and trade dampens sentiment elsewhere, particularly impacting capital expenditure.

Tariffs and Trade

Proposed tariffs on imports are expected to rise but not fully implemented to avoid disruptions. This uncertainty, coupled with geopolitical tensions, may negatively impact business investment and activity, leading to modestly weaker global growth in 2025. However, a global recession is not anticipated due to policy easing in Europe and support measures in China.

Inflation and Growth

While inflation remains near target in most countries, stronger U.S. growth and potential tariffs pose upside risks to U.S. inflation. In contrast, subdued growth in Europe is expected to keep inflation contained. Central banks continue to play a crucial role, exemplified by Brazil's shift from rate cuts to rate hikes in response to rising inflation.

Bond Yields and Market Volatility

Government bond markets experienced significant volatility in 2024, and this is expected to persist due to geopolitical uncertainties, tariff developments and inflation prospects. European and Japanese yields are projected to remain in check, influenced by their respective central bank policies.

European Sovereign Spreads

The outlook for European sovereign spreads is broadly stable through 2025, supported by ECB easing and reasonable fiscal policies, though political instability in France poses some risks.

Conclusion

Zurich Insurance Group's Global Macroeconomic and Financial Markets Outlook 2025 highlights significant economic shifts and uncertainties. While global growth may weaken modestly, strategic navigation and risk management remain crucial in the evolving geopolitical, economic and financial markets.

Further Information

Further information about Global Economic and Markets Outlook 2025, can be found here.

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Reflecting its purpose to 'create a brighter future together,' Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

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