



May Macro Brief

Consumer spending in flux

May 28, 2025

About this document

The monthly brief is intended to inform executive teams, boards and investors on the state of the economy. It has been prepared based on data as of **May 28, 2025**.

Each brief includes a summary of global business-relevant macroeconomic developments, and a set of indicators that track the overall health of the economy, business activity and consumers.

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Year-end 2024: The specter of tariffs

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Executive Summary

May 2025

Executive Summary

Global themes

- **The global economy continues to muddle through elevated tariff uncertainty, with the hard data on activity and spending showing a mix of demand frontloading and “wait-and-see” caution, while forward-looking business and consumer sentiment broadly deteriorate:**
 - In the US, consumer spending and employment growth are softening but remain near pre-pandemic norms, while tariff pass-through to inflation has yet to show up in earnest; surveys, however, suggests consumers and companies expect brunt of impact to be forthcoming
 - Activity in Europe remains sluggish, though the UK has bucked the trend with stronger-than-expected consumer spending; the EU faces growing pressure as the US has threatened 50% reciprocal tariffs if negotiations fail by July
 - In APAC, China-exposed economies are bearing brunt of trade headwinds, while India remains outperformer due to strong domestic demand
- **Despite some positive recent developments—a US-UK trade deal and US-China tariff level reset—policy volatility is persistent, and legal uncertainty has also entered the equation:**
 - A U.S. court recently ruled certain US tariffs (under IEEPA statute) to be illegal, though they remain in place until appeals process plays out
- **Against this backdrop, the consumer outlook is likely to deteriorate further in the coming months, reflecting both:**
 - Demand-side pressures as tariff-frontloaded spending reverses and rising inflation erodes consumer purchasing power
 - Renewed risks of tariff-related supply chain disruptions, which could amplify price volatility and lead to inventory shortages

Regional highlights

Americas	Europe, Middle East and Africa	Asia-Pacific
<ul style="list-style-type: none">• In the US, consumers’ purchasing power is increasingly under pressure as labor market conditions soften and balance sheets normalize• This is evidenced by rising consumer price sensitivity and tendency to trade down, as well as some emerging financial pressures for higher-income households (which have been key to consumer resilience over past 1-2 years)	<ul style="list-style-type: none">• Across Europe, consumer spending momentum varies considerably, but falling consumer sentiment is a consistent trend as high inflation and trade tensions persist• European consumers indicate strong willingness to shift away from US products if the EU imposes retaliatory tariffs—driven more by solidarity than price sensitivity	<ul style="list-style-type: none">• In China, trade tensions are halting recent improvements in consumer sentiment and are likely to keep domestic demand subdued despite import frontloading• Weakening APAC consumer sentiment suggests an impending tariff-driven slowdown in retail sales growth, as consumers remain cautious

Key considerations and priorities for clients

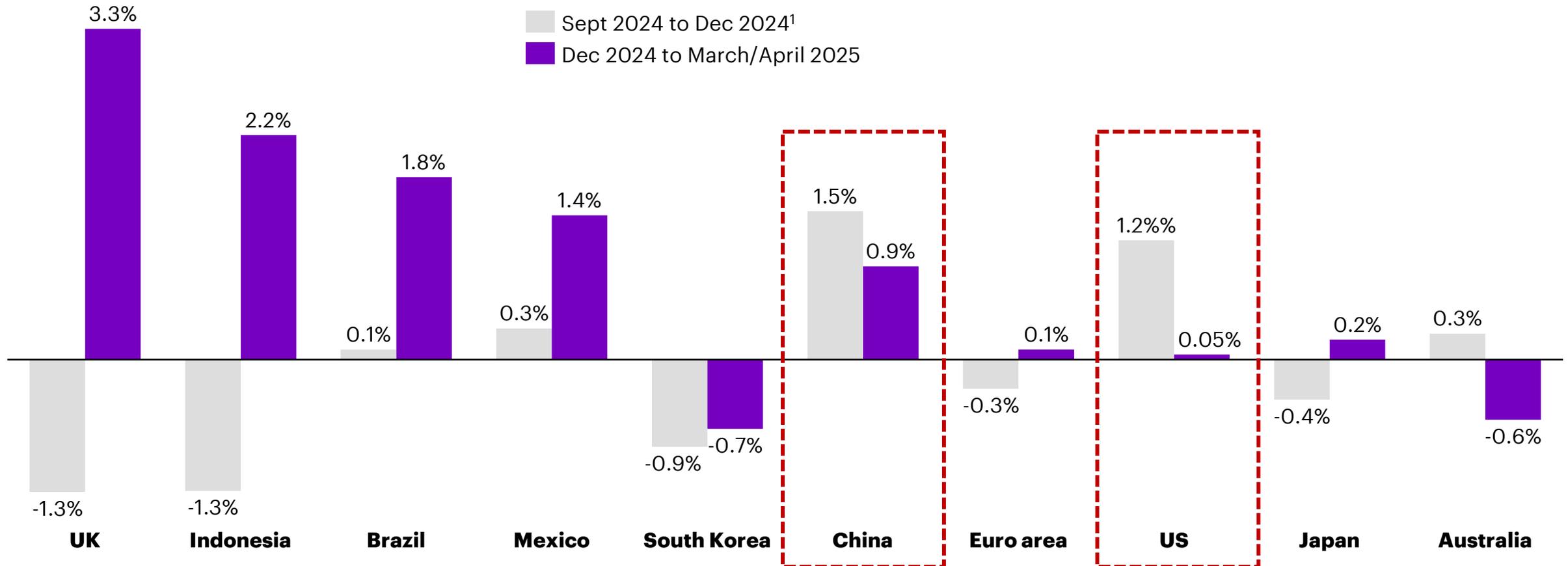
- **Companies should plan for increasingly price-sensitive demand, particularly across different geographic markets and consumer demographics.** Firms should consider dynamic pricing, personalized promotions, and bundling to maximize value without eroding profitability.
- **Shifting consumer confidence can lead to unpredictable demand patterns.** Companies must closely monitor economic data and adjust strategies in real time, with an emphasis on stress-testing pricing, marketing, and product designs under different economic scenarios.
- **As the global trade situation evolves, firms will need to be agile in supply chain and inventory networks.** Fluctuating demand increases the risk of excess inventories, fueling the need for just-in-time inventory models where feasible.

The slowdown in global consumer spending does not yet appear widespread, but rather concentrated in US and China, where tariff developments have been most impactful

Global retail sales

Change in real retail sales since Dec 2024

Percent change

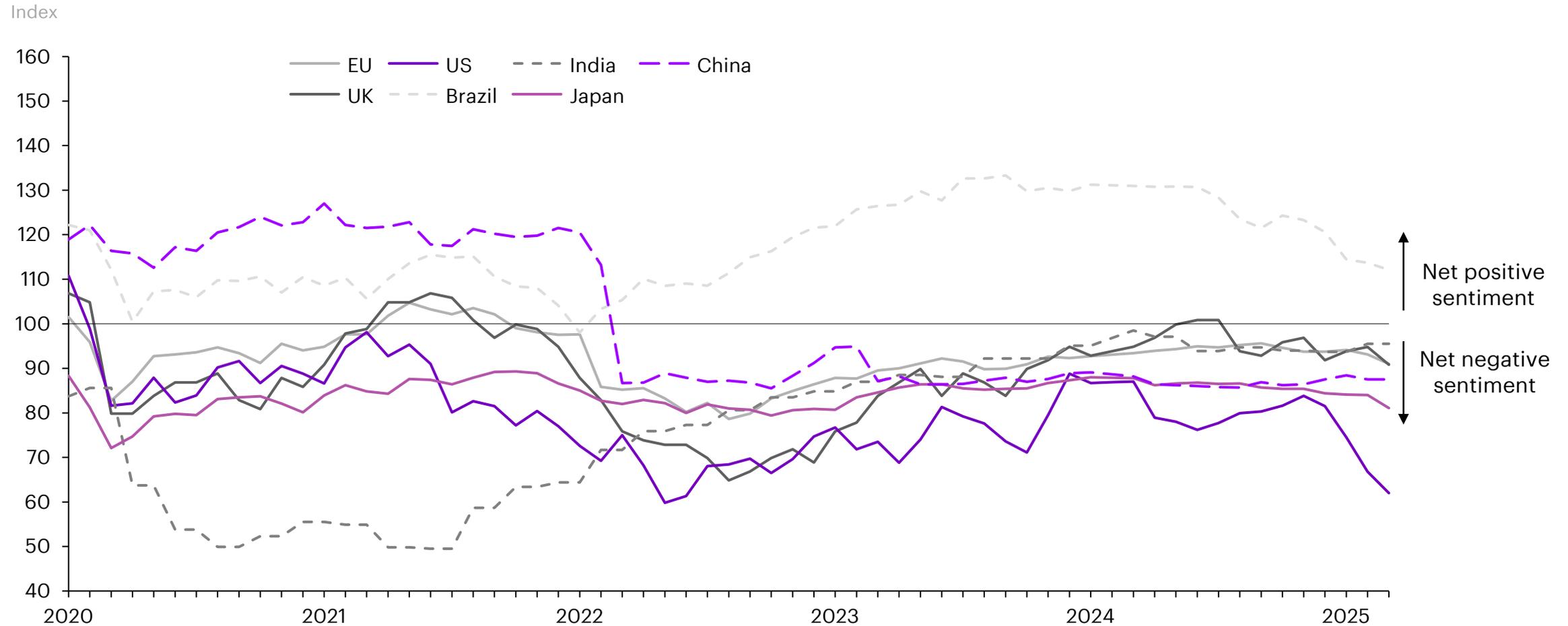


Note: 1) April data reported for all except the EU, Mexico, and Brazil
Sources: Haver analytics, Accenture Strategy analysis

Consumer confidence, however, continues to take a hit from heightened economic and geopolitical uncertainty, suggesting further moderation in spending is on the horizon

Consumer sentiment across major economies

Indicators of overall consumer sentiment



Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey. Sources: EC Consumer Surveys, GfK Survey, University of Michigan Survey, Feacomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

A tariff-driven growth slowdown and above-target inflation are the base case for the US, with continued stagnation or mild recessions most likely throughout Europe

Latest near-term economic outlooks: Americas and Europe

		Key recent datapoints	Base case outlook	What to watch for
Americas 	 US	<ul style="list-style-type: none"> Real retail sales declined 0.2% in April following a 1.7% jump in pre-tariff sales in March Consumer sentiment declined for the 5th straight month in May, holding near two-year lows Headline CPI edged down slightly in April to 2.3%, but core held steady 2.8% 	<ul style="list-style-type: none"> Aggressive tariffs will likely lead to below-trend growth as business investment and consumer spending soften Supply-side cost pressures and tariff increases keep inflation above target at 3-4% while the Fed dials back the pace of rate cuts 	<ul style="list-style-type: none"> The end of the 90-day pause and re-instatement of some reciprocal tariffs A downshift in consumer spending due to depleted savings, cost of living pressures, and elevated policy uncertainty
	 Canada	<ul style="list-style-type: none"> Headline CPI dropped sharply in April, from 2.3% to 1.7%, on account of a decline in gas prices The flash estimate for April retail sales showed a 0.5% increase, following a 0.7% jump in March 	<ul style="list-style-type: none"> Escalating tensions with the US will exacerbate existing growth challenges, including cost-of-living pressures, weak productivity, weak business investment, and housing undersupply 	<ul style="list-style-type: none"> US tariff threats materializing will weigh on growth Newly-elected PM Mark Carney will have material implications for policy
	 Brazil	<ul style="list-style-type: none"> Headline inflation rose to 5.6% YoY in April, the highest since Jan 2023 with core at 5.3% The central bank raised interest rates by 50bp in May to 14.75%, the highest since August 2006 	<ul style="list-style-type: none"> Growth deceleration is likely in 2025 amidst resurgent inflation and interest rate hikes Possibility of a record agricultural harvest could provide an offsetting tailwind to growth 	<ul style="list-style-type: none"> Brazilian Real depreciation alongside higher inflation and interest rate hikes Global trade conflict could weigh on commodity exports
Europe 	 UK	<ul style="list-style-type: none"> Real retail sales were strong in April, up 1.2% from March, driven by a 3.9% jump in food sales Headline CPI jumped to 3.5% YoY in April, from 2.6% in March, while core rose to 3.8% 	<ul style="list-style-type: none"> Growth remains the top priority for government policy but the outlook is challenging Business investment could remain weak given the new tax increases 	<ul style="list-style-type: none"> The BoE's policy path is complicated by sticky inflation and sluggish growth The impact of budget tax measures on business confidence and public investment
	 Germany	<ul style="list-style-type: none"> Headline inflation eased to 2.2% YoY in April, from 2.3% in March, while core jumped to 2.9% Consumer confidence increased for the 3rd straight month in May, though remains negative 	<ul style="list-style-type: none"> New fiscal stimulus (EUR 500bn) marks a major policy shift in support of economic growth, but near-term impact is limited amid weak sentiment and low private investment 	<ul style="list-style-type: none"> New government formation, stimulus details, ECB signals, and US tariff risks with EU retaliation measures will be key for sentiment and investment
	 France	<ul style="list-style-type: none"> Real retail sales in April increased 0.3% from March, the strongest monthly pace in six months CPI declined 0.1% in May to 0.7% YoY, the slowest inflationary rate since Feb 2021 	<ul style="list-style-type: none"> Economic growth is expected to be subdued, with tighter fiscal policy and global uncertainty dampening investment 	<ul style="list-style-type: none"> US tariffs may hurt exports, confidence, and investment, while rising interest rates could curb investment

Deceleration towards a lower structural growth rate remains base case for China, while Japan's economy is expected to recover modestly and India to remain an outperformer

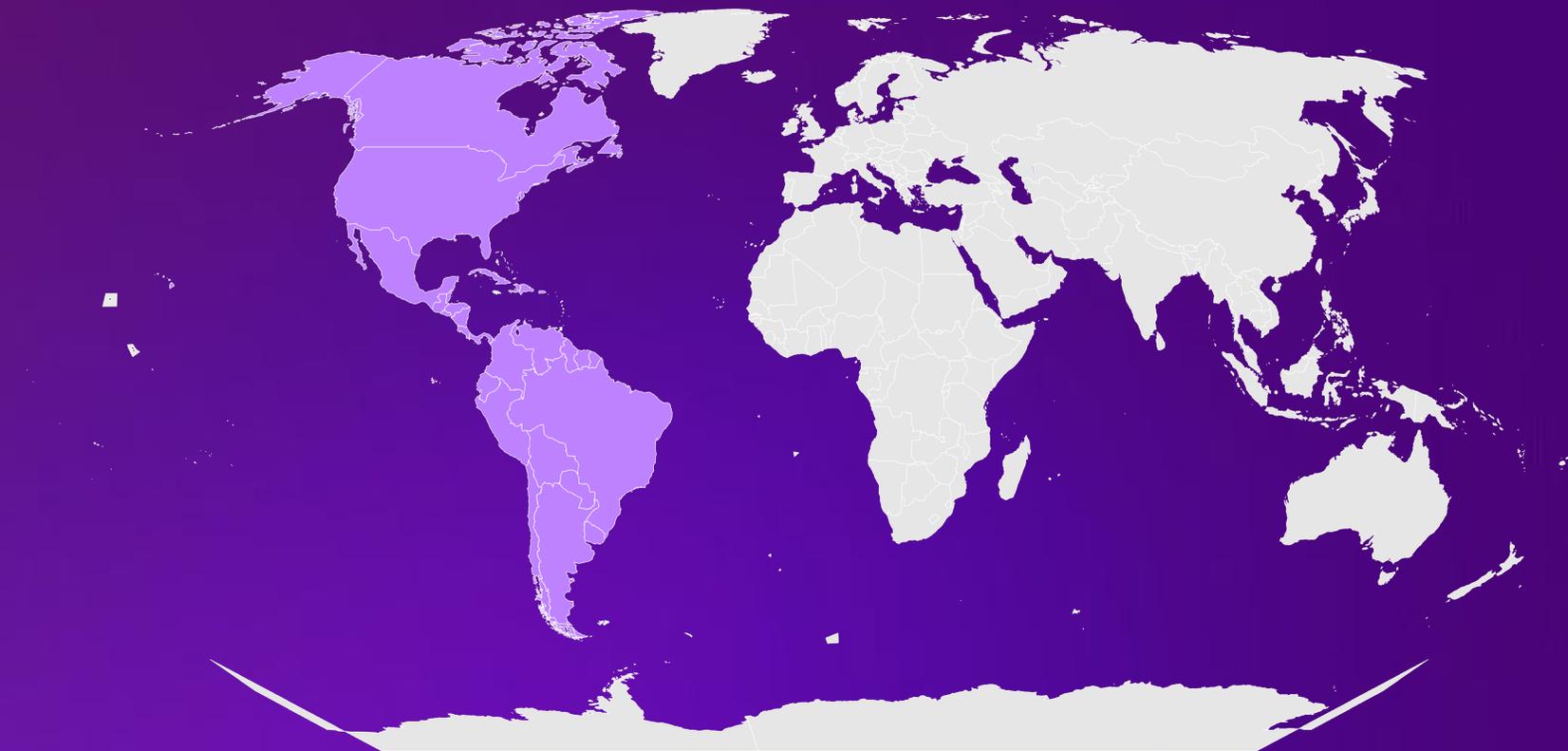
Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific 	 China	<ul style="list-style-type: none"> The yuan continues to strengthen against the USD, holding near a 6-month high in May CPI fell to -0.1% YoY in April, marking the 3rd straight month in deflationary territory, while core CPI held steady at 0.3% YoY 	<ul style="list-style-type: none"> Growth is expected to decelerate as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts Weak consumer confidence and precautionary savings will limit domestic demand 	<ul style="list-style-type: none"> Additional policy stimulus could be announced if growth undershoots targets Retaliatory policies in response to US tariff imposition
	 Japan	<ul style="list-style-type: none"> Real GDP declined 0.7% in Q1 2025 after 3 straight quarters of positive growth, reflecting the impact of tariffs on export growth and consumer confidence Core CPI rose to 3.5% in April from 3.2% in March due to increasing food costs 	<ul style="list-style-type: none"> Modest recovery in GDP growth in 2025 as wage gains balance against continued inflationary pressures Risks persist amid continued consumer pessimism, an uncertain external environment, and cautious monetary policy normalization 	<ul style="list-style-type: none"> Degree of moderation in tourism and auto export growth, especially given the recent yen volatility Growing optimism from business and consumers on domestic spending, supported by real wage growth
	 India	<ul style="list-style-type: none"> CPI slowed in April to 3.1% YoY from 3.3% in March, marking the 6th straight monthly decline, while food inflation dropped to 1.8% YoY Retail sales increased 4% YoY in April, down from the 6% gain seen in March 	<ul style="list-style-type: none"> Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment India should remain one of the fastest-growing major economies, propelled by favorable demographics and "friendshoring" FDI 	<ul style="list-style-type: none"> Resilience in domestic demand despite global headwinds Extent of policy response if US tariffs reignite domestic inflationary pressure Signs of manufacturers or other companies shifting supply chains
	 Australia	<ul style="list-style-type: none"> Headline CPI held steady at 2.4% YoY in April for the 3rd consecutive month, while core CPI jumped to 2.8% The central bank cut interest rates by 25bp in May to a two-year low of 3.85% 	<ul style="list-style-type: none"> Growth is likely to remain subdued, owing to Australia's export exposure to a China slowdown and ongoing pressures on consumers, though sentiment may improve as the central bank enters a rate cutting cycle 	<ul style="list-style-type: none"> Degree to which the labor market loosens and reduces pressure on prices Extent of imported inflation as the Australian dollar continues to weaken
	 Indonesia	<ul style="list-style-type: none"> Bank Indonesia cut interest rates by 25bp in May due to easing pressure on the rupiah The manufacturing PMI dropped to 46.7 in April, falling below 50 for the first time in 5 months 	<ul style="list-style-type: none"> Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures Increasing headwinds from slowing external demand and tariff tensions 	<ul style="list-style-type: none"> Further monetary policy easing in 2025 as inflation stabilizes Reallocation of government spending, including cuts to existing projects



Spotlight developments

Americas

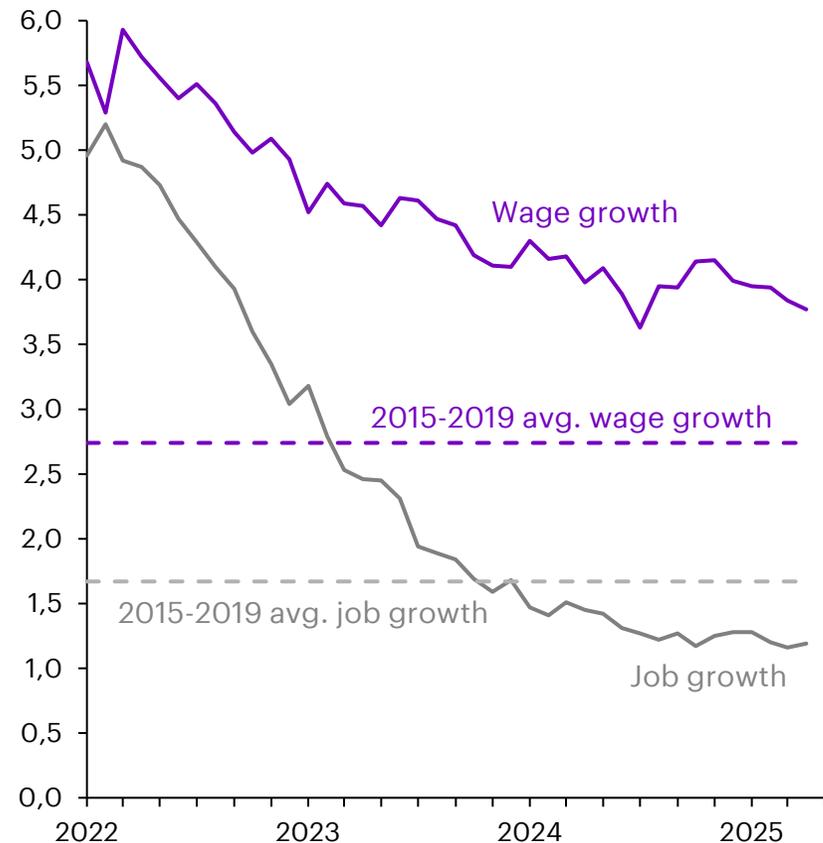


US consumers are increasingly under pressure as labor market conditions soften and balance sheets normalize, constraining purchasing power in the coming months

Fundamental factors impacting consumer purchasing power

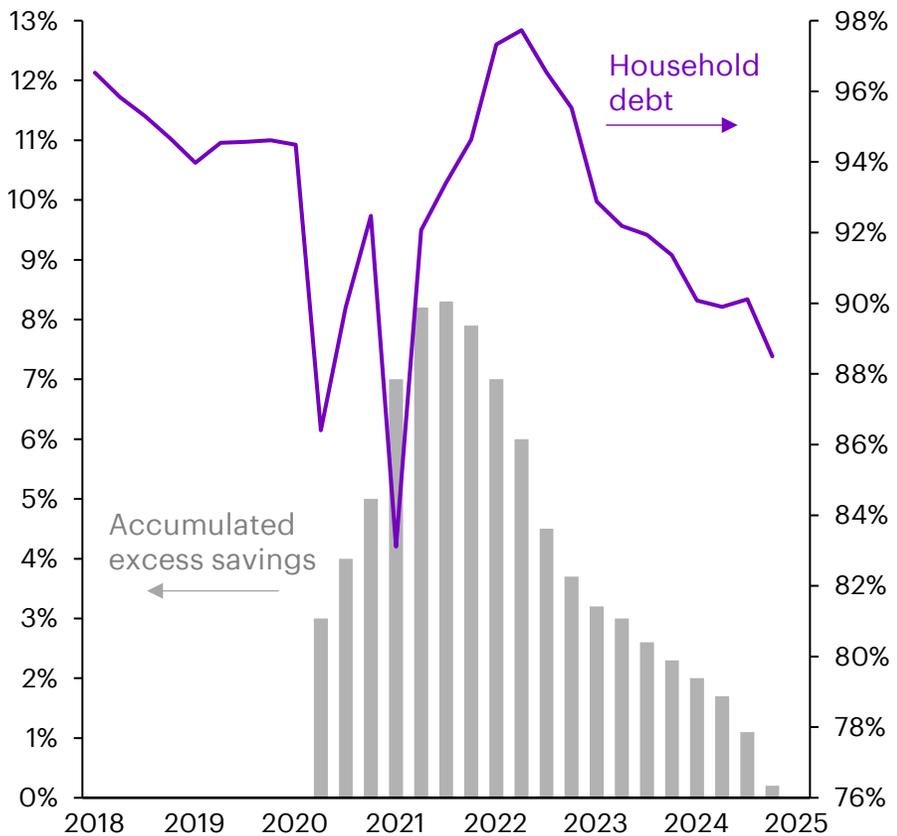
Wage and employment growth in the US

YoY % change



US household debt and accumulated excess savings

Percent of disposable personal income



Implications for corporates

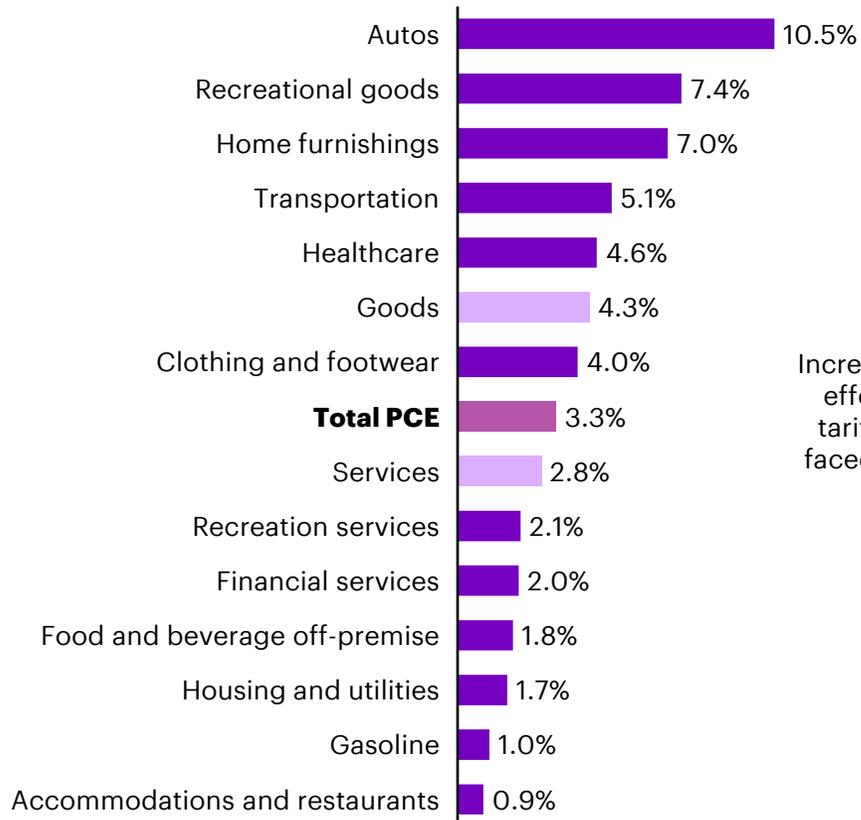
- US household balance sheets are still relatively healthy and returning to pre-pandemic norms, yet the financial buffers that fueled spending resilience in recent years have been depleted
- Going forward, consumers will thus rely more heavily on incomes to drive spending, putting more pressure on businesses to properly market and price goods and services
- As consumer demand becomes more constrained, brand loyalty and trust could be a key differentiator for companies, and firms should emphasize corporate values, reliability, and customer-centric philosophies in line with changing consumer preferences

Recent data suggest an uptick in consumer spending due to anticipatory purchases ahead of tariff implementations, particularly for goods that could see higher price pressures

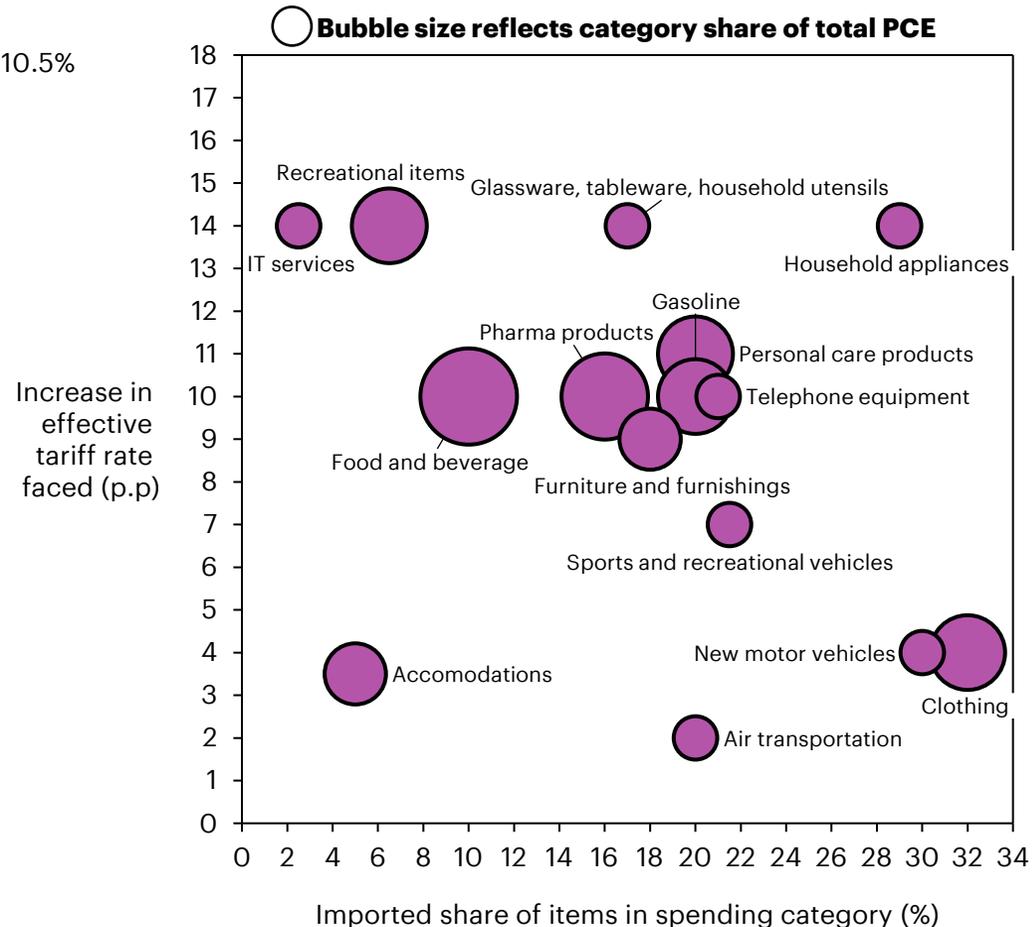
US real consumer spending and prices

Real consumer spending (PCE) by category

Year-over-year % change, March 2025



Spending categories' exposure to tariffs



Implications for corporates

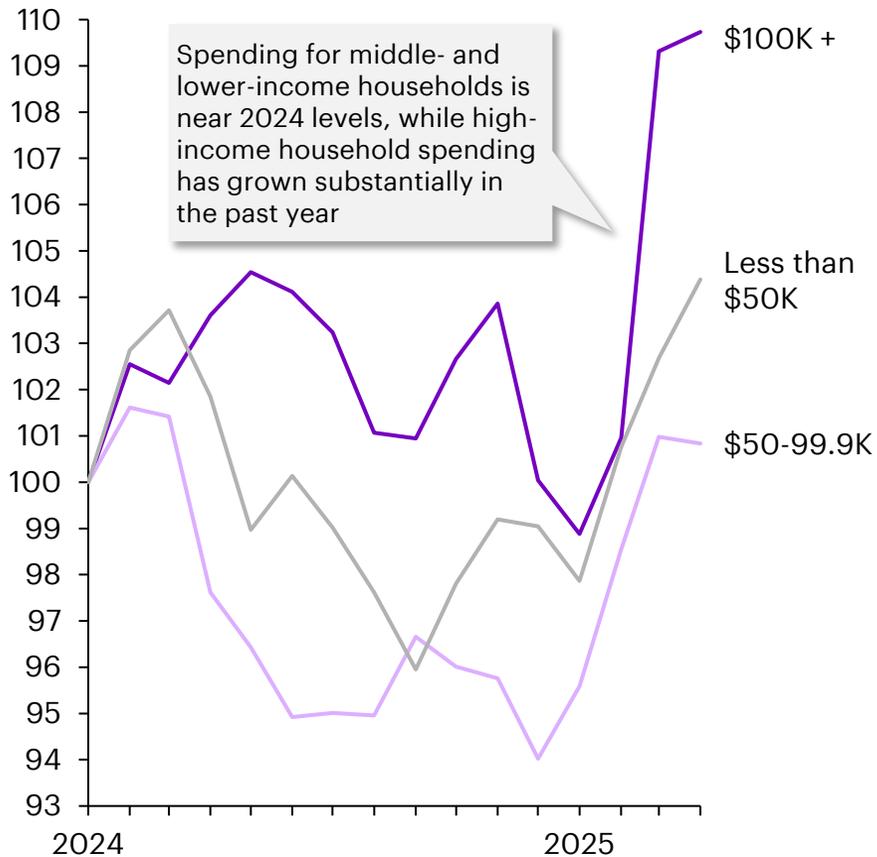
- Consumer spending in the US was mostly positive throughout Q1 2025 due to frontloading for goods most likely to be hit by tariffs, such as autos; the flip side of this will likely be weaker spending in the coming months
- Many consumers have shifted away from some discretionary spend, most notably travel and dining out, particularly as prices are expected to increase for essential household items
- Consumer-facing companies should focus on retaining existing customers, even as they face growing margin pressure and diminished ability to pass on costs to end consumers

Higher-income households have been key to consumer resilience over past 1-2 years, but pressures are also beginning to emerge for these wealthier consumers

Diverging trends across household income groups

Real consumer spending by annual income

Average monthly spend, index Jan 2024=100



Household finance debt delinquency expectations

Percent of respondents, by household income



Implications for corporates

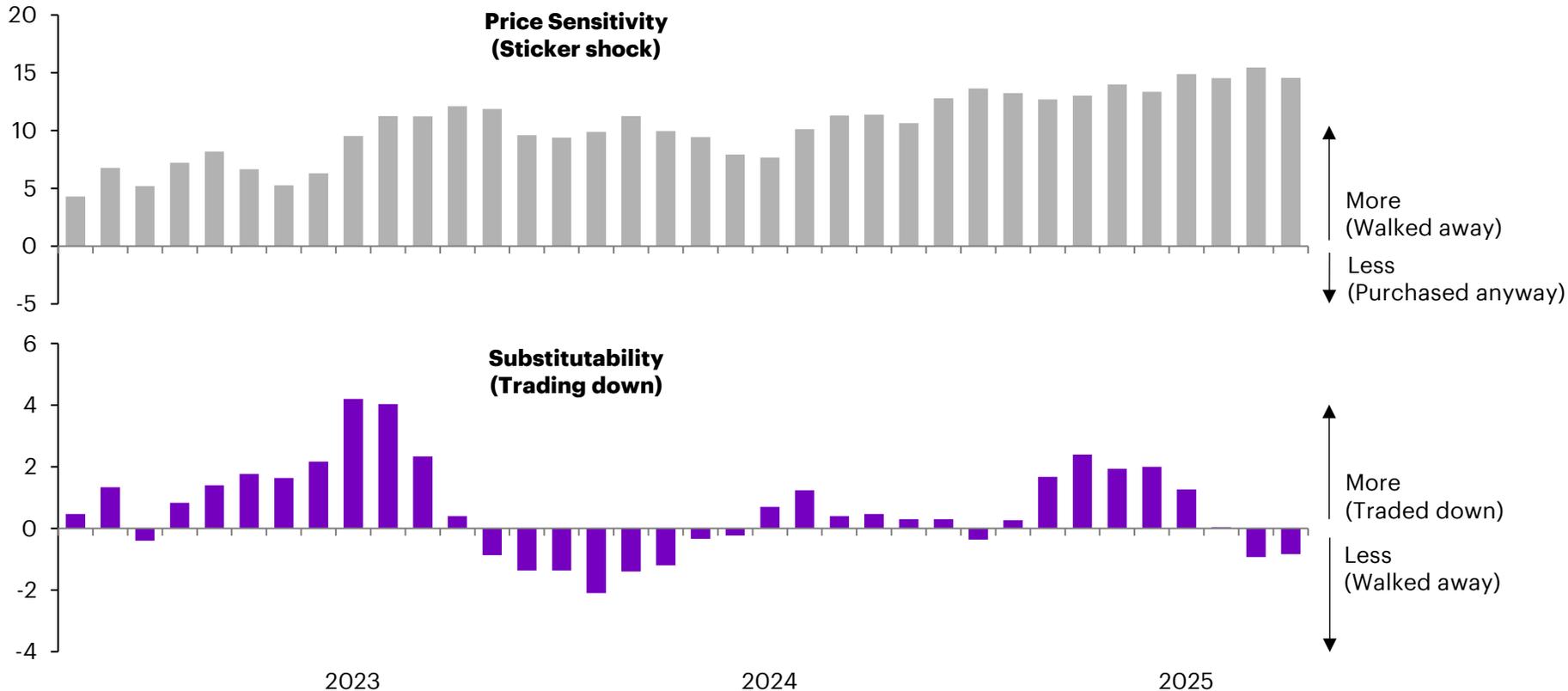
- Consumer spending and expectations continue to diverge across income groups, though recent data suggest that higher-income households are becoming more cautious on discretionary purchases
- Businesses should continue to be agile in adapting their marketing and pricing strategies to the diverging spending power of different customer segments
- Companies should plan for further upticks in debt defaults as customers' financial vulnerability increases; this spans beyond credit card companies to utilities, telecoms, and other sectors where consumers pay monthly bills

US consumers continue to report price sensitivity and a high tendency to walk away from purchases, while trading down remains an increasingly attractive option

US consumer behaviors in the face of inflationary pressures

Survey-based measures of US consumers' price sensitivity and tendency to trade down

Index score, 3-month moving average



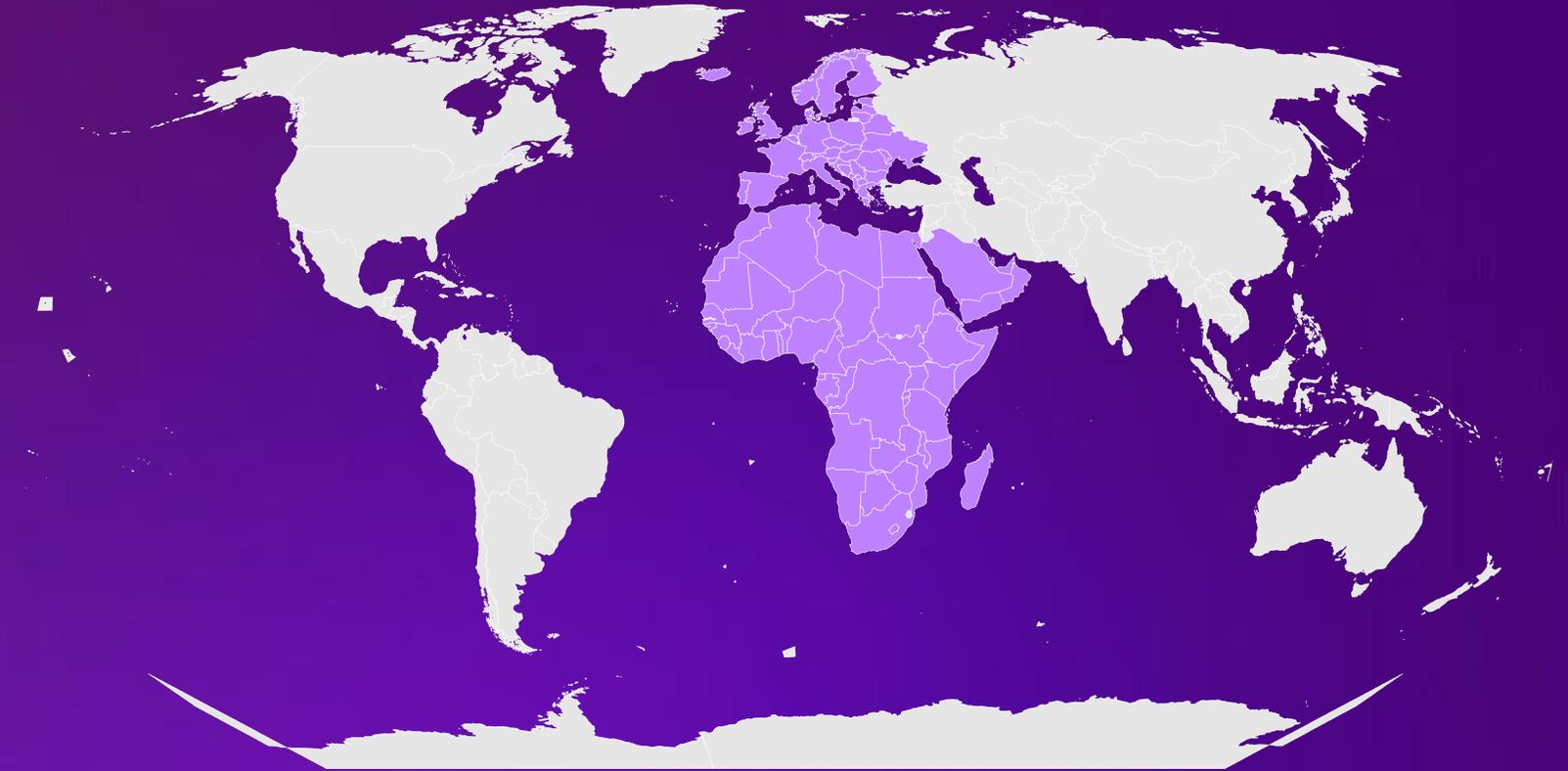
Note(s): Morning Consult's "Price Sensitivity" index is based on survey responses of US consumers, where it reflects net balance of respondents who did not make a purchase because price was too high minus ones who purchased for higher-than-expected price; and "Substitutability" index reflects balance of respondents who purchased lower-priced alternative products minus those who did not make the purchase due to high price.

Source(s): Morning Consult, Accenture Strategy analysis

Implications for corporates

- Amidst elevated price sensitivity, businesses need to carefully monitor and understand how much cost they can pass on to consumers, particularly as the current frontloading of demand (to get ahead of tariff impacts) may give misleading impression of consumer resilience
- Scenario planning and stress testing for different demand elasticities will be key to understanding potential financial impacts, and could help businesses identify quick wins or long-term investment to protect margins

Europe, Middle East and Africa

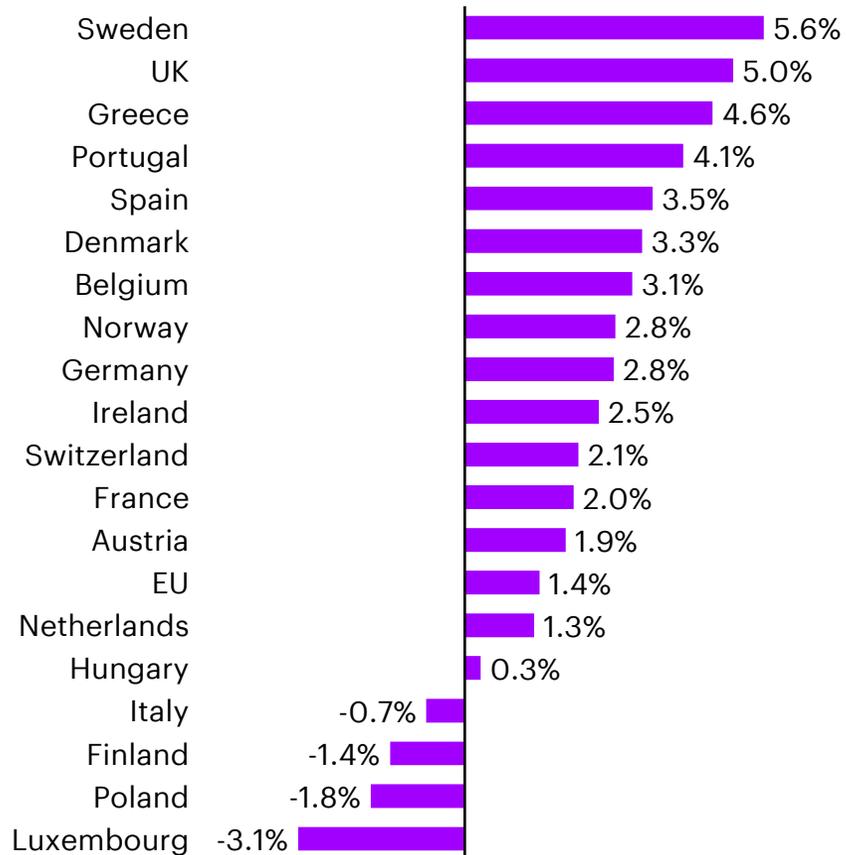


Consumer spending momentum across Europe varies widely, though falling consumer sentiment is a consistent trend as high inflation and trade tensions persist

Retail sales and consumer expectations

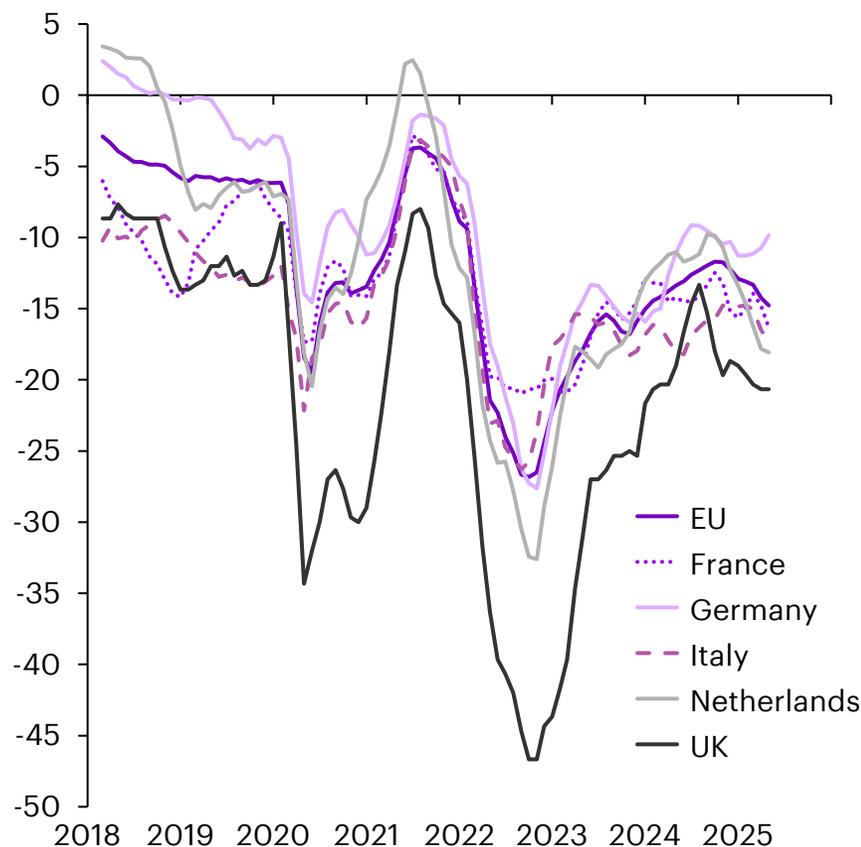
Real retail sales across Europe

Year-over-year % change, March 2025



Consumer expectations over the next 12 months

Percent balance, 3-month moving average



Implications for corporates

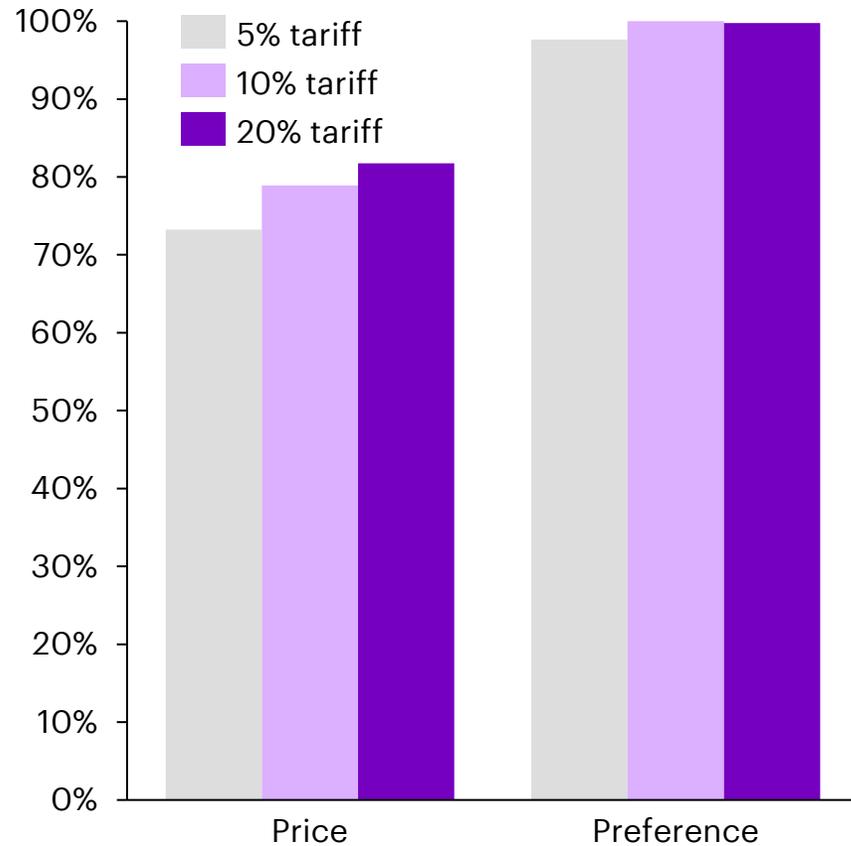
- Consumer demand varies widely throughout Europe, and it is crucial for firms to understand the economic disparities and shifting consumer preferences that may impact bottom lines in different markets
- Corporates should revisit sales forecasts and optimize inventory strategies to reflect a weakening spending outlook
- Businesses may need to tailor product offerings and marketing for travel, leisure, and durables, as these discretionary and bigger-ticket categories may see a more pronounced drop-off in demand
- Emphasizing affordability and value will be key to capturing consumer demand amid shifting purchasing power

European consumers indicate strong willingness to shift away from US products if the EU imposes retaliatory tariffs—driven more by preference/solidarity than price sensitivity

European consumers

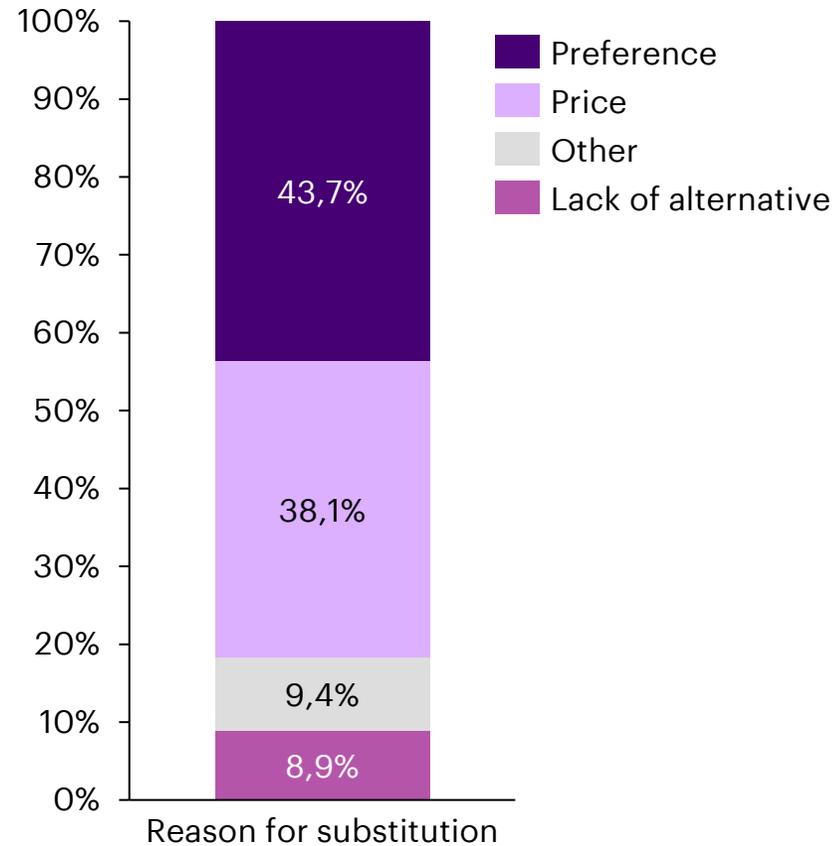
Willingness to substitute US products by reason and hypothetical EU retaliatory tariff on the US

By reason and hypothetical tariff size, percent



Reason for substitution of US products under hypothetical EU retaliatory tariffs on the US

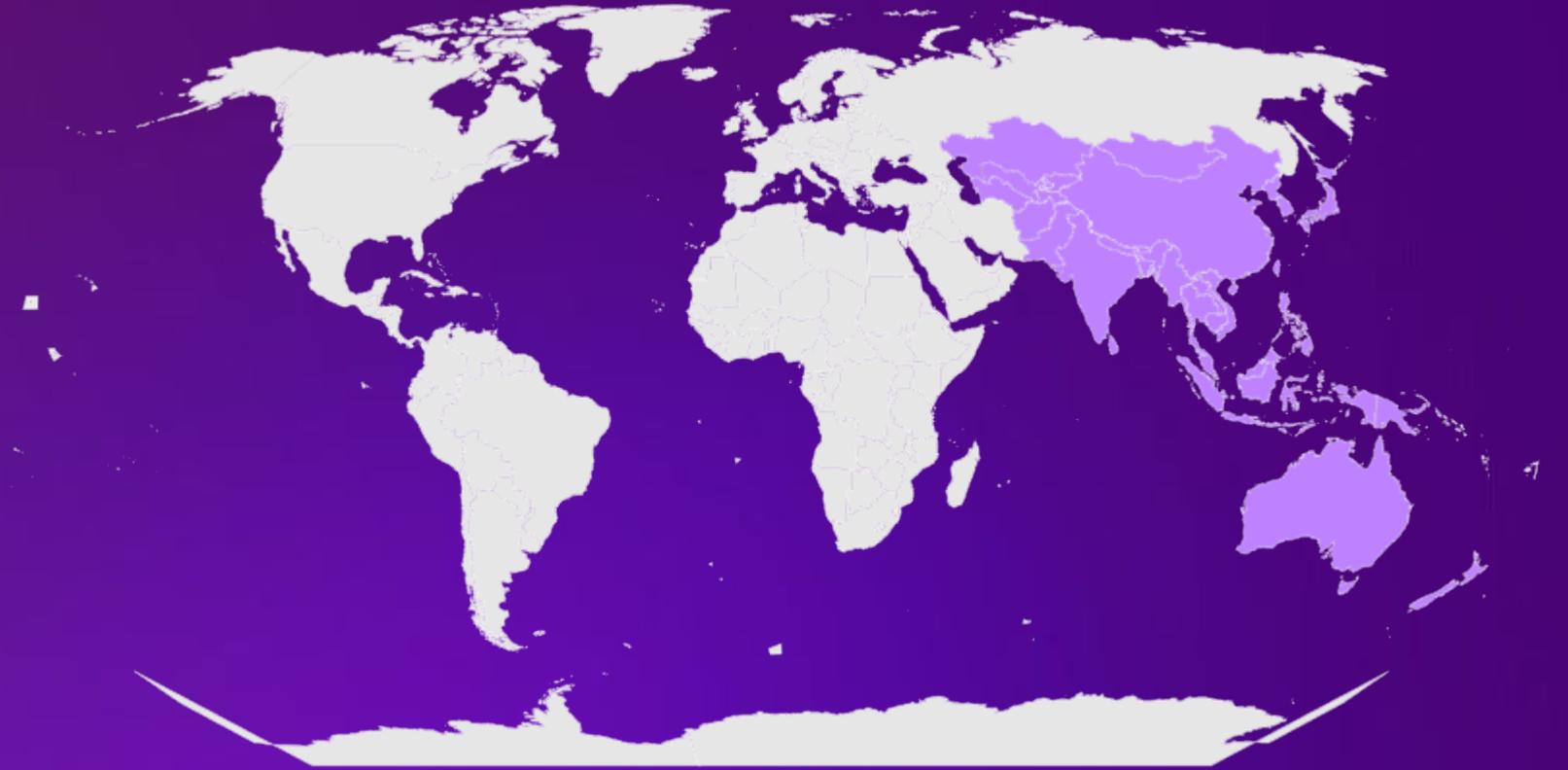
Percentage of respondents



Implications for corporates

- US companies should reassess pricing strategies in European market, recognizing that the primary challenge appears to be reputational, with preference-driven substitution undermining American brand loyalty in key European segments
- To respond, US brands need to localize marketing, adjust messaging, and reconsider “Made in America” positioning, particularly for higher-income consumers who are leading the shift
- European companies may benefit from this dynamic by offering differentiated alternatives that align with local values, sustainability, and geopolitical sentiment

Asia Pacific

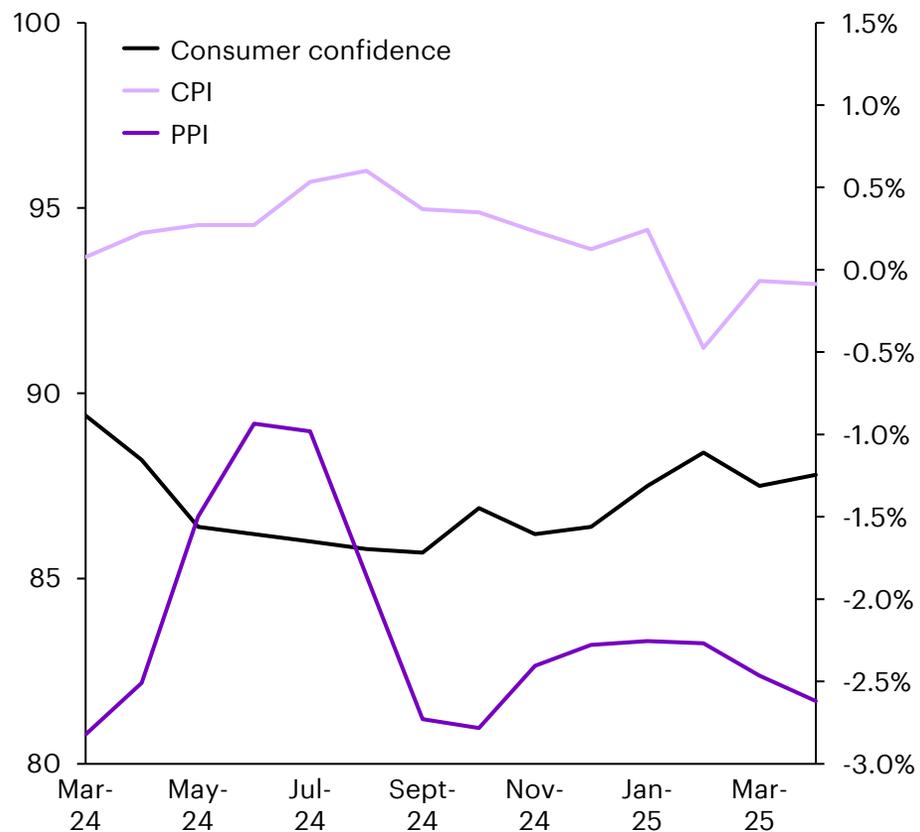


Recent trade tensions have halted the improvement in Chinese consumer sentiment in late 2024, and will likely keep domestic demand subdued despite some frontloading of imports

China's consumer confidence, deflation pressures and trade momentum

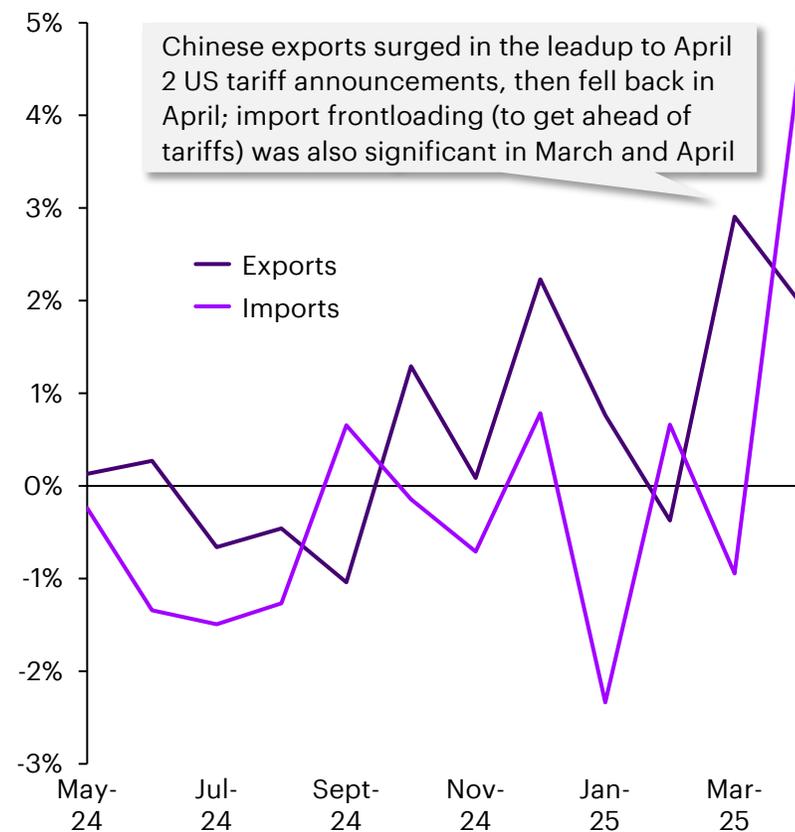
China indicators of domestic demand

LHS: Consumer confidence, above 100 indicates positive sentiment and below 100 negative; RHS: CPI, PPI (% YoY)



China goods exports and imports

Percent change (3-month moving average)



Implications for corporates

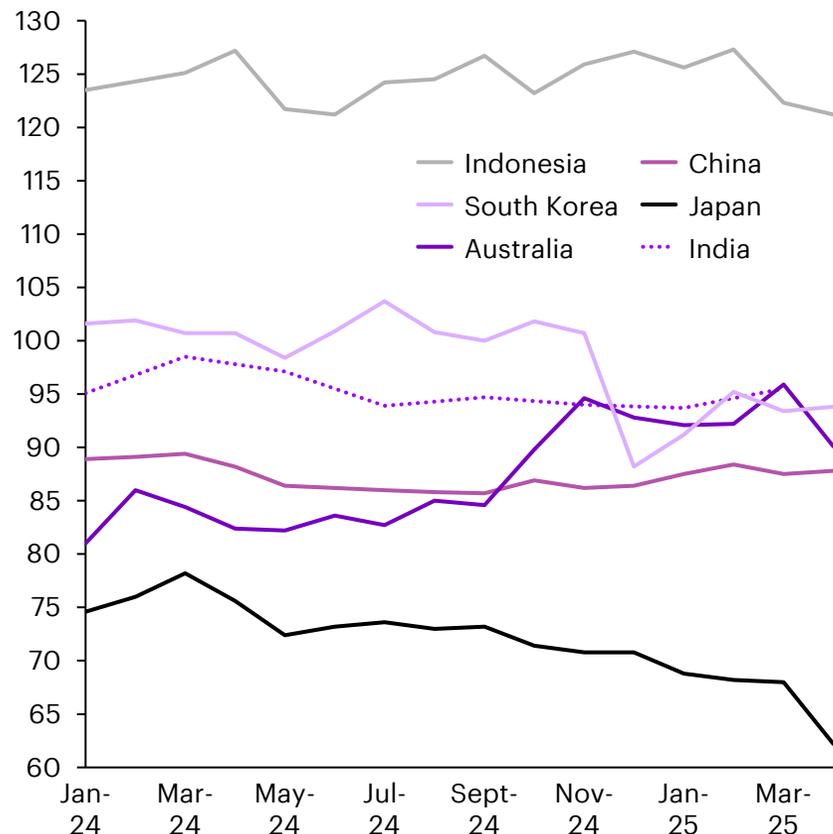
- Weakening consumer sentiment will limit companies' ability to pass on tariff-driven cost increases, squeezing margins and eroding competitiveness
- Deflationary pressures in China could lead to lower export prices, offering some potential relief to importing countries

Weakening APAC consumer sentiment suggests an impending tariff-driven slowdown in retail sales growth, as consumers remain cautious amid uncertainty and trade tensions

APAC's retail sales and confidence

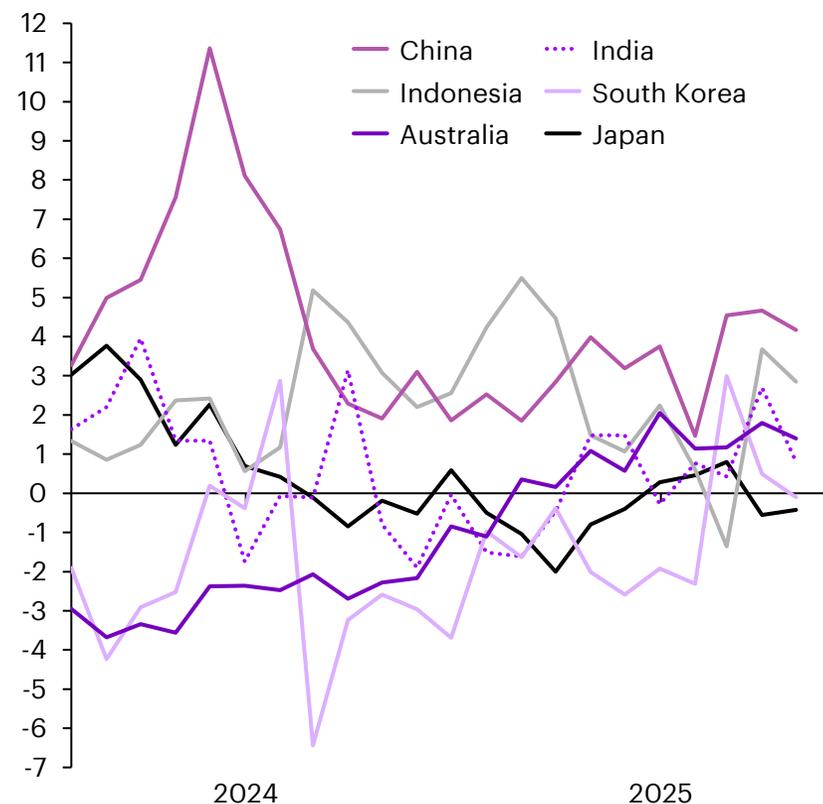
Consumer confidence in APAC

Index, baseline = 100, above 100 indicates positive sentiment while below 100 indicates negative sentiment



Real retail sales for select countries in APAC

Year-over-year % change



Implications for corporates

- Companies with anticipated declining sales may likely pause, delay or cancel CAPEX plans—especially store openings, or facility upgrades
- High-end and mid-tier brands may lose share to value-oriented alternatives or low-end brands, as price sensitivity of consumers increases in the future
- Companies may need to reduce production orders, recalibrate inventory procurement, and run preemptive demand management to brace for a potential downturn

Notes: Retail sales for Indonesia, South Korea and Australia are seasonally adjusted. All other countries displayed are not seasonally adjusted.

Vehicle Sales for India has been used as an indicator for Retail sales

Sources: national statistical agencies, Haver Analytics, Accenture Strategy analysis



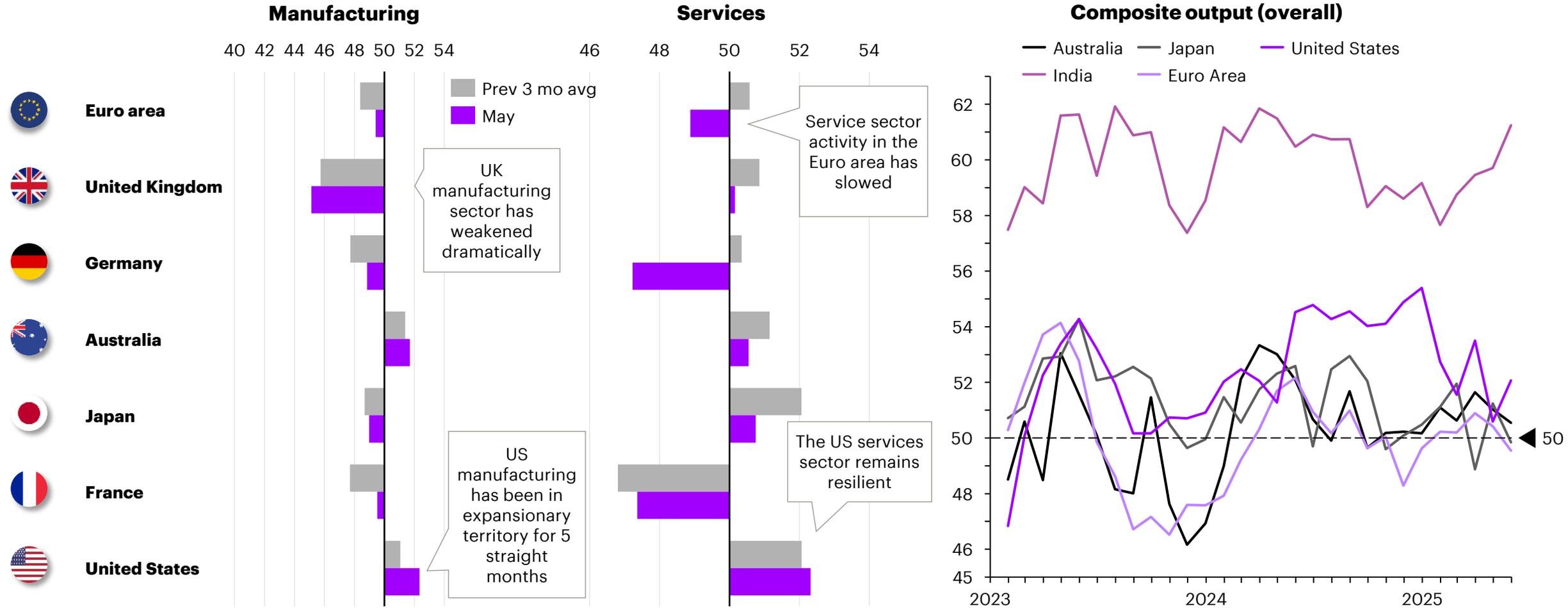
Economic indicator chart pack

Regional and industry activity



Manufacturing activity has surprised to the upside in the US (though it remains subdued elsewhere), while the services sector has slowed notably in Germany and France

May Flash PMI survey



Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures

Sources: S&P Global, Accenture Strategy analysis

Global manufacturing contracted in April as demand uncertainty remains elevated, weighing on optimism for the year ahead

Leading indicators of global manufacturing momentum

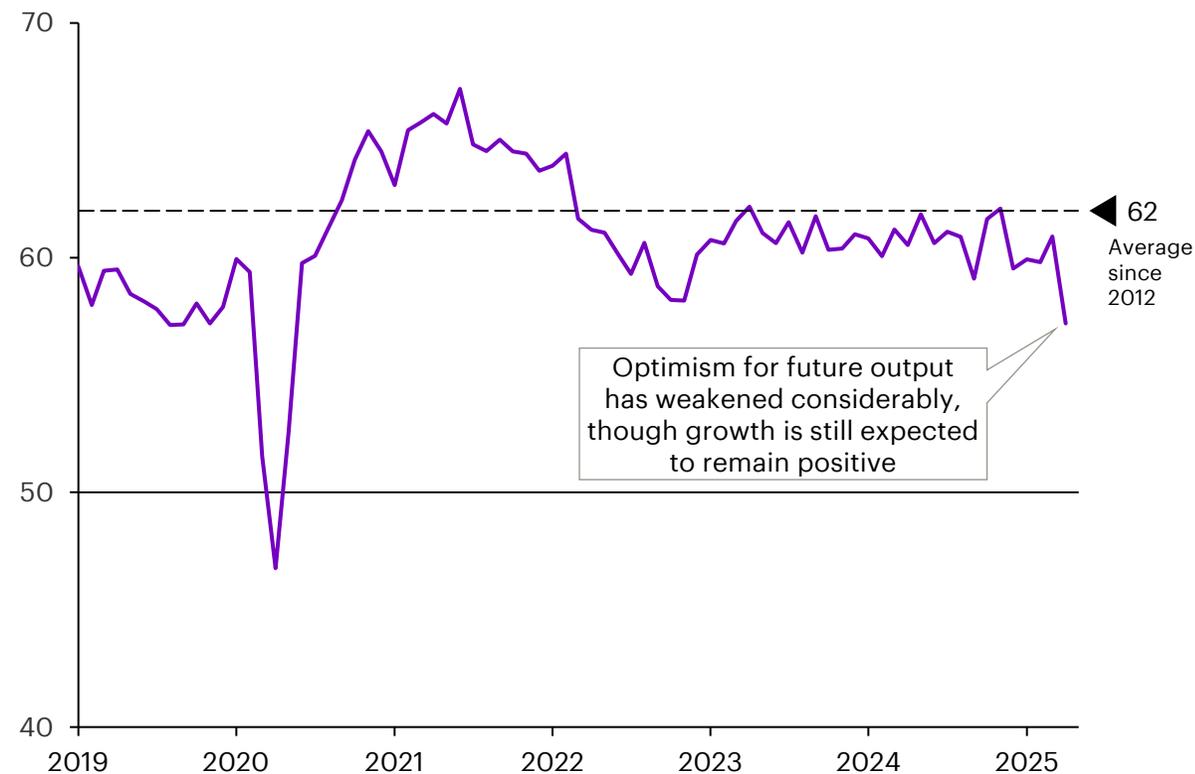
Contracting new orders growth...

Diffusion indexes (SA, 50+=Expansion)



...has led to less optimism in the 12m outlook

Manufacturing future output (NSA, 50+=Expansion)



Notes:

(1) Data reflects global diffusion indexes, which are GDP-weighted averages in over 40 countries incl. US (21.6%), China (12.7%), Japan (7.7%), Germany (3.6%), UK (3.5%), and India (3.3%), among others. Annual weights are based on Gross Value Added (GVA) in the manufacturing sector in constant USD from the World Bank. The select countries account for 98% of global manufacturing value added. (2) Global manufacturing PMI indices are compiled by S&P Global from responses to monthly questionnaires sent to purchasing managers in survey panels totaling around 13,500 companies.

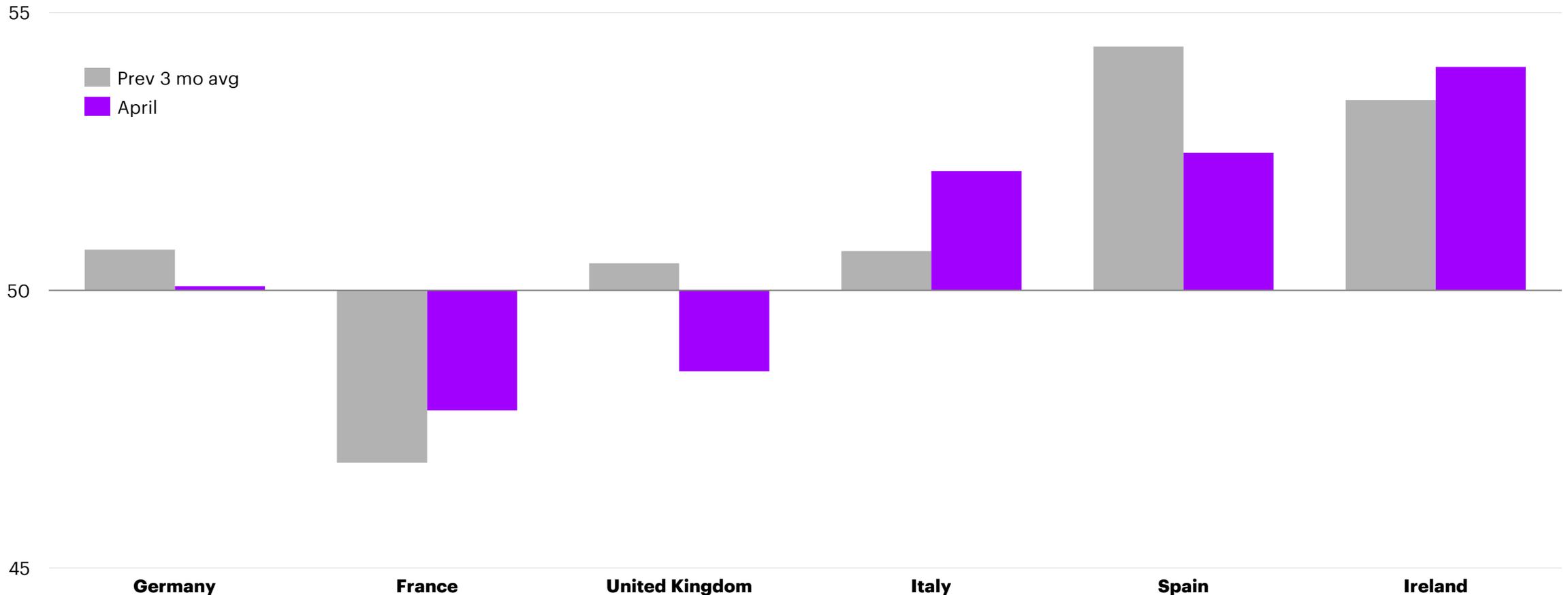
Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Europe's overall performance shows mixed signals, with Spain and Ireland expanding solidly while France remains a key laggard and UK sees a drastic slowdown in April

Regional performance: Europe

Output/activity country performance

April'25 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)

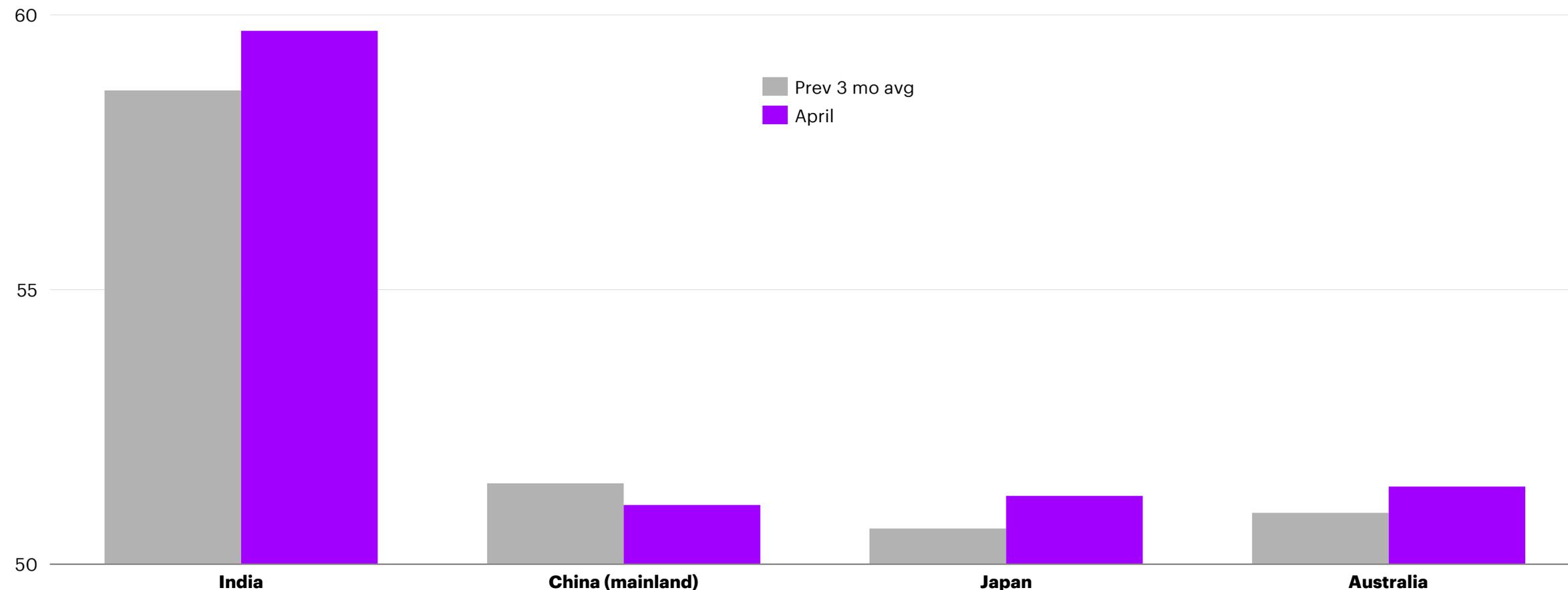


Asia-Pacific activity has seen steady momentum, with India maintaining the strongest growth while China experiences some deceleration in activity

Regional performance: Asia-Pacific

Output/activity country performance

April'25 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)

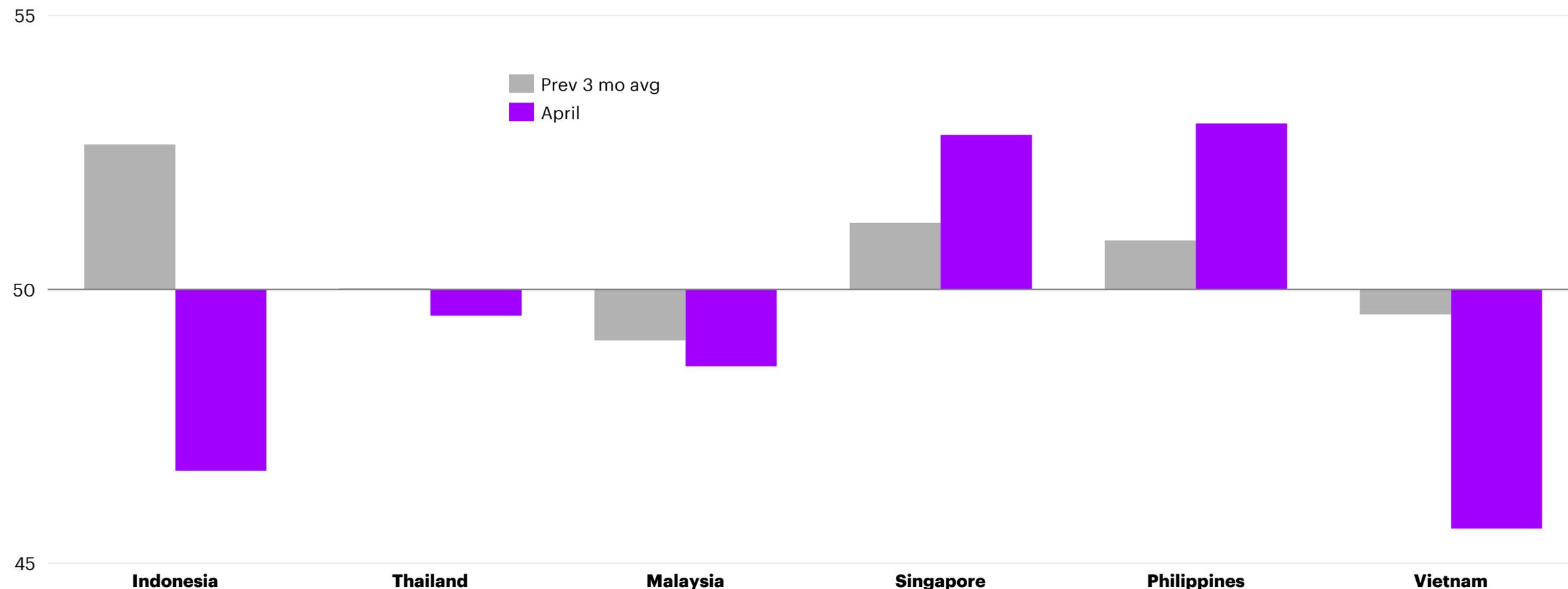


Manufacturing momentum in Southeast Asia remains mixed, with growth in Singapore and Philippines, and a decline in Indonesia for the first time in 5 months

Regional performance: Southeast Asia

Manufacturing Performance

April '25 vs Previous 3 Month Average, Manufacturing Output



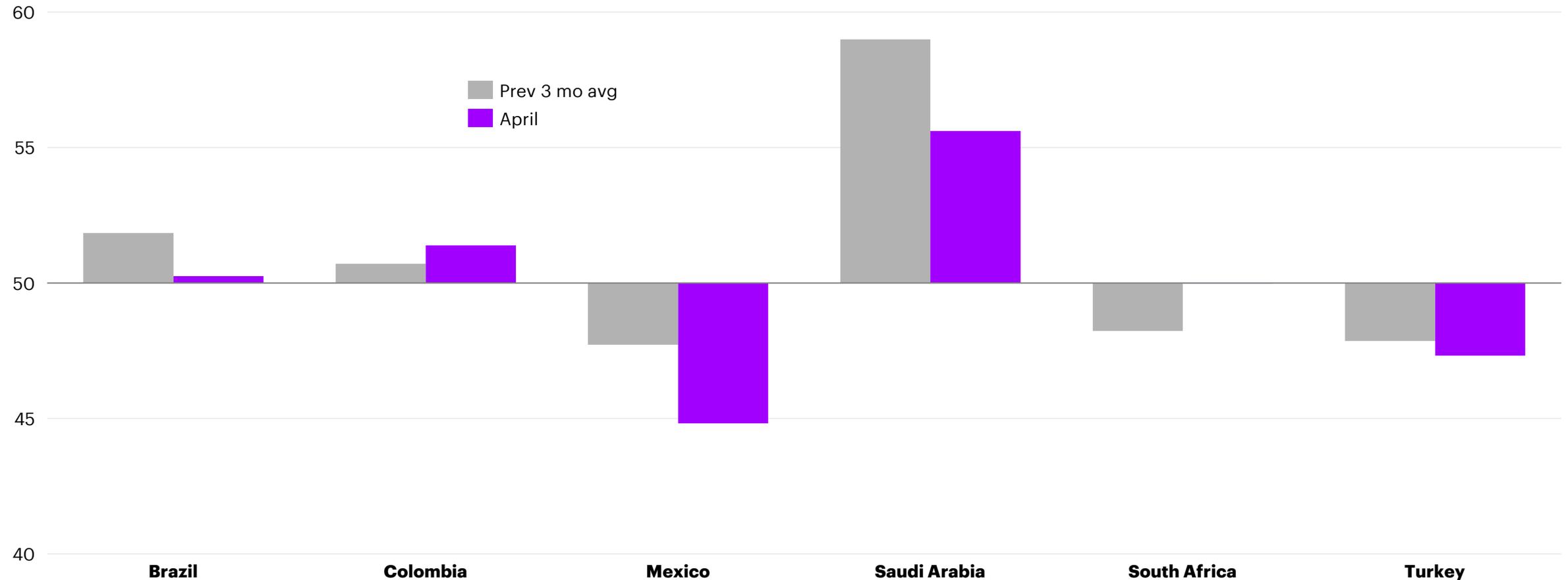
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Saudi Arabia continues to lead emerging markets with strong economic activity, while Brazil has seen a sharp deceleration and Mexico and Turkey remain in contraction

Regional performance: Other emerging markets

Manufacturing Performance

April '25 vs Previous 3 Month Average, Manufacturing Output



Notes: South Africa and Saudi Arabia PMI is for the whole economy
Sources: S&P Global, Accenture Strategy analysis

Consumer spending

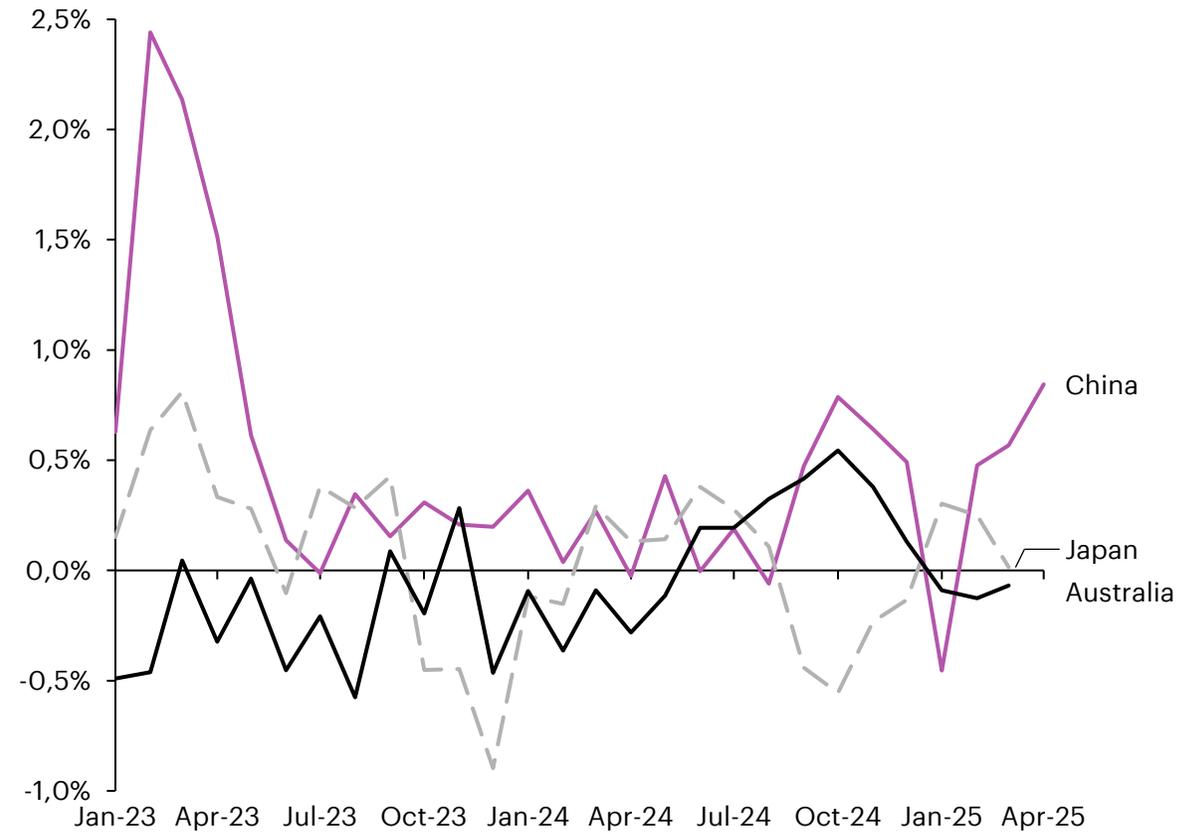
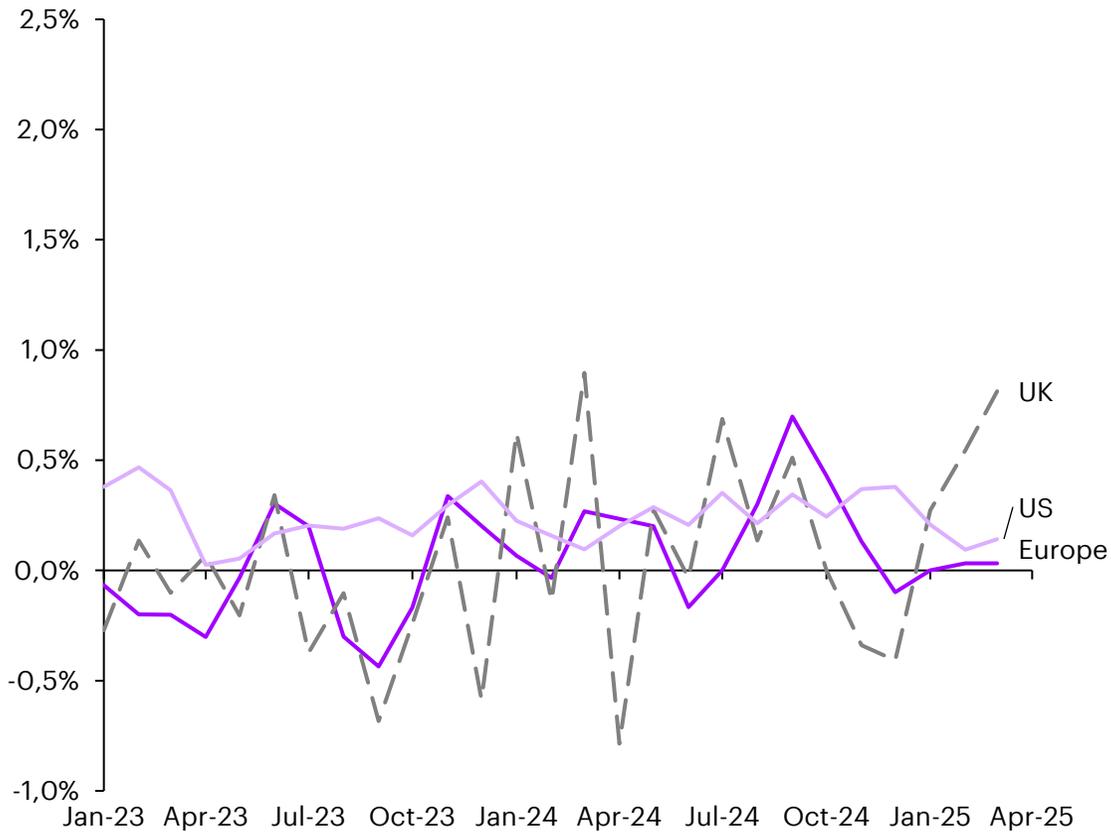


Consumer spending globally remains fragile, particularly in the EU, though there has been some strengthening in the UK and China

Consumer spending trends

Real consumer spending across major economies

3-month moving average % change



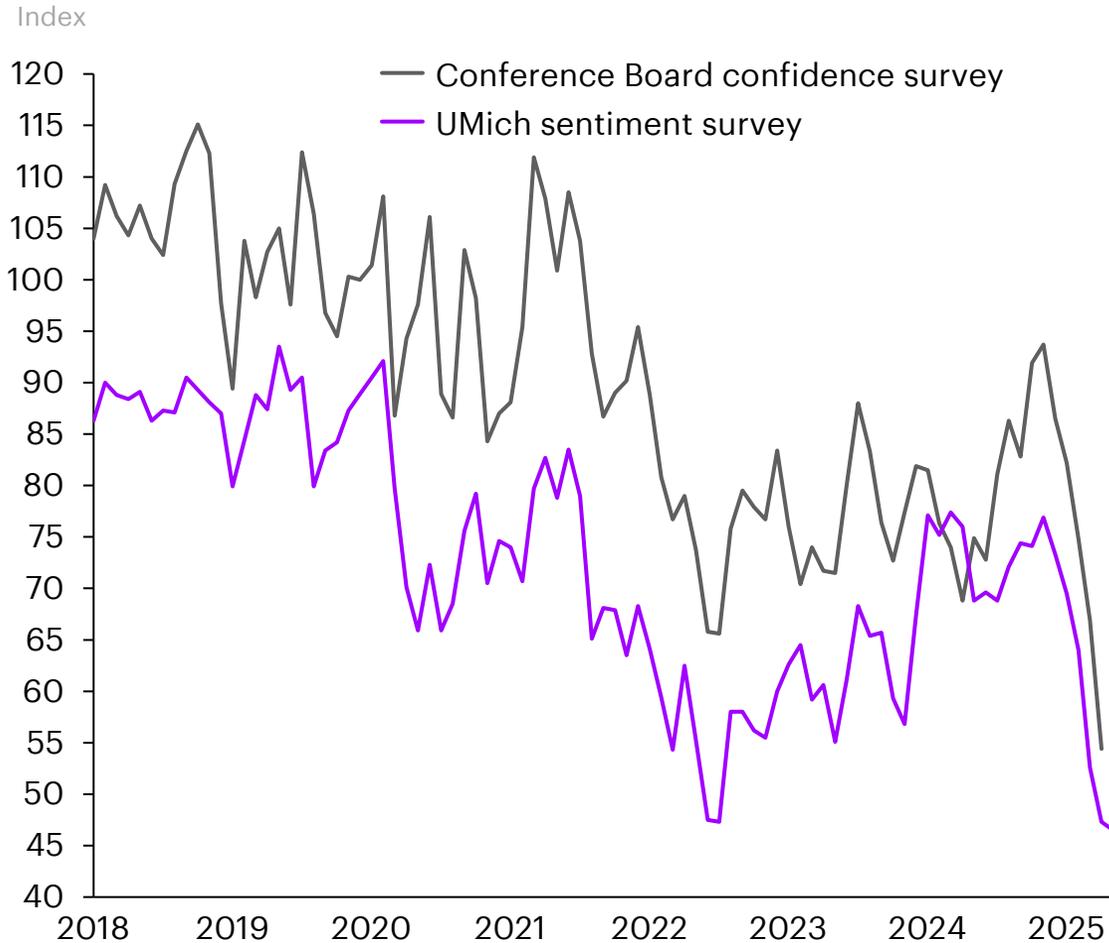
Notes: Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area, UK, Canada, Japan, Australia, and China series data is retail sales. Charts updated till latest available March '25 data. Data for China is updated till April '25.

Sources: Reuters, BEA, BLS, Eurostat, ONS, Haver analytics, Accenture Strategy analysis

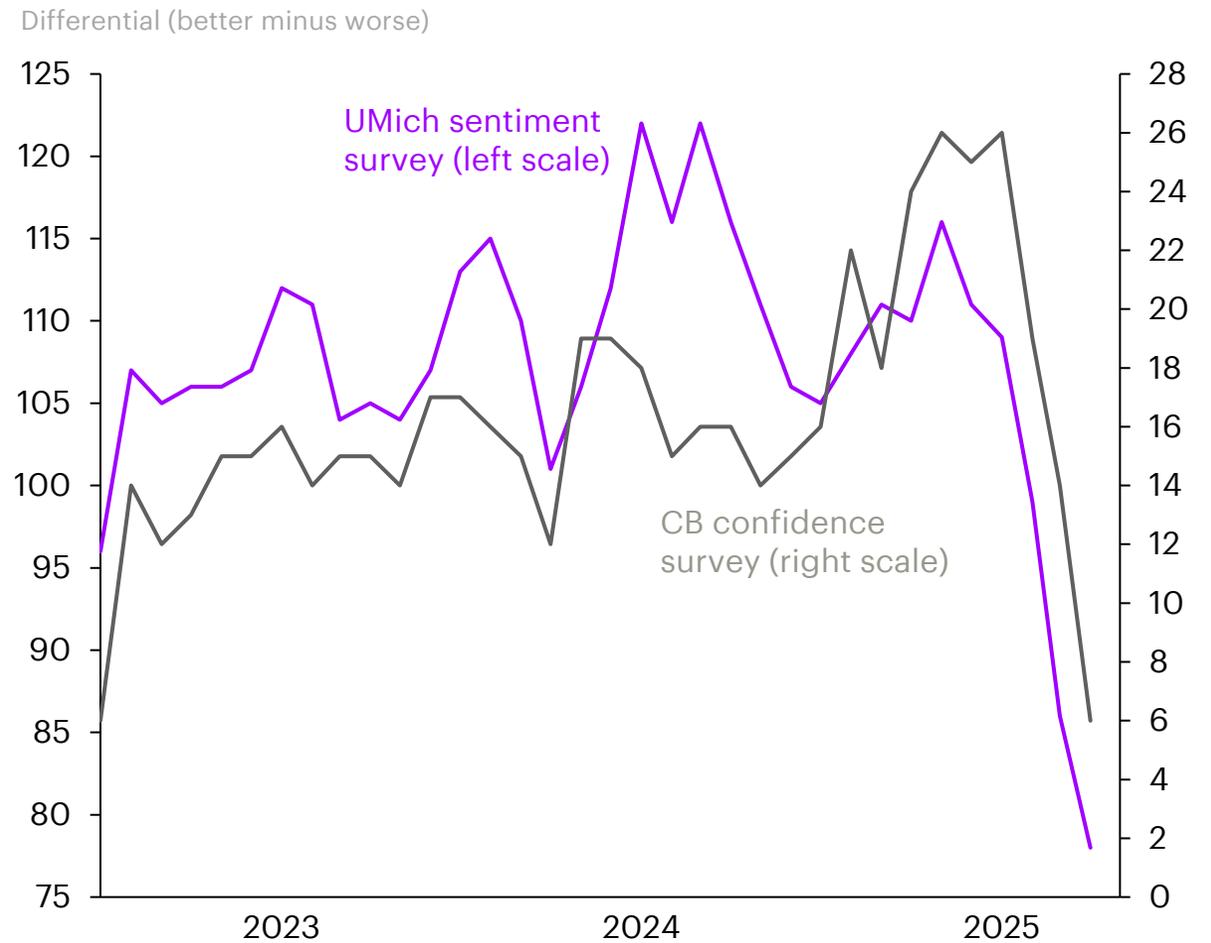
In the US, consumer sentiment has deteriorated drastically in recent months as households report concerns about policy uncertainty leading to weaker financial conditions

Consumer expectations

Consumer expectations of economic conditions



Expected change in household financial situation 6-12 months ahead



Consumer spending in the US has slowed considerably across-the-board (except some frontloading of car purchases), while recent spending trends in Europe are a mixed bag

Consumer spending trends by goods and services category

		 US		 UK		 Germany		 France	
		Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change	Prior 6 months	Latest monthly change
Goods	Groceries	1,1%	-0.2%	-0,7%	-2.1%	-0,4%	-0.8%	1,4%	1.1%
	Motor vehicles	4,2%	8.1%	3,7%	2.9%	0,2%	2.8%	2,3%	3.2%
	Furniture	2,7%	0.8%	4,1%	-3.1%	-6,1%	4.0%	-4,6%	0.4%
	Electronics	4,4%	0.5%	6,9%	7.1%	0,5%	0.4%	3,9%	-0.3%
	Footwear & apparel	2,3%	0.3%	-1,4%	2.7%	-0,8%	-0.8%	0,0%	1.1%
	Fuel	0,5%	-0.9%	0,8%	-1.0%	0,9%	-0.6%	1,2%	-0.6%
Services	Transportation	1,0%	0.5%	0,1%	0.8%	-3,8%	3.6%	1,1%	-3.1%
	Entertainment	1,7%	0.2%	-2,0%	2.1%		N/A	0,5%	-0.3%
	Dining out and hotels	0,6%	1.2%	-0,9%	1.5%	-1,0%	1.1%	3,0%	1.8%
	Information services	4,1%	0.2%	1,9%	1.3%	1,7%	2.2%	1,4%	0.6%
	Telecom	3,3%	0.1%	0,0%	-0.8%	2,0%	4.3%	2,0%	2.8%

Notes: (1) UK's previous 6-Months includes a stronger than normal holiday season. (2) Spending figures are inflation-adjusted. (3) Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area and UK, series data is retail sales, motor vehicles sales/registrations, and services turnover.

(4) Some European services data may include B2B spending. (5) Data for US & UK is updated till March (6) Data for Germany & France are updated till Feb

Sources: BEA, BLS, ONS, National Institute of Statistics and Economic Studies, Federal Statistical Office, Accenture Strategy analysis

Labor markets

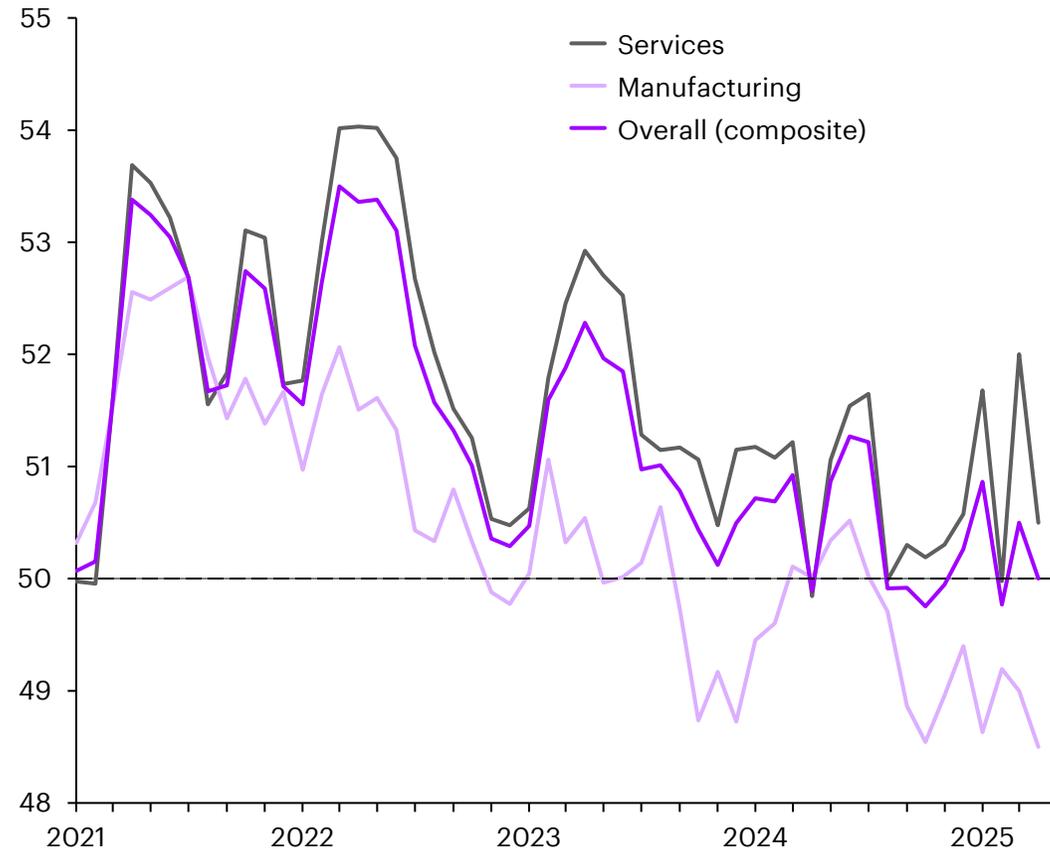


Global employment growth has slowed notably in the services sector and remained in contraction for manufacturing, with the UK showing particularly weak job growth

Global PMI employment growth

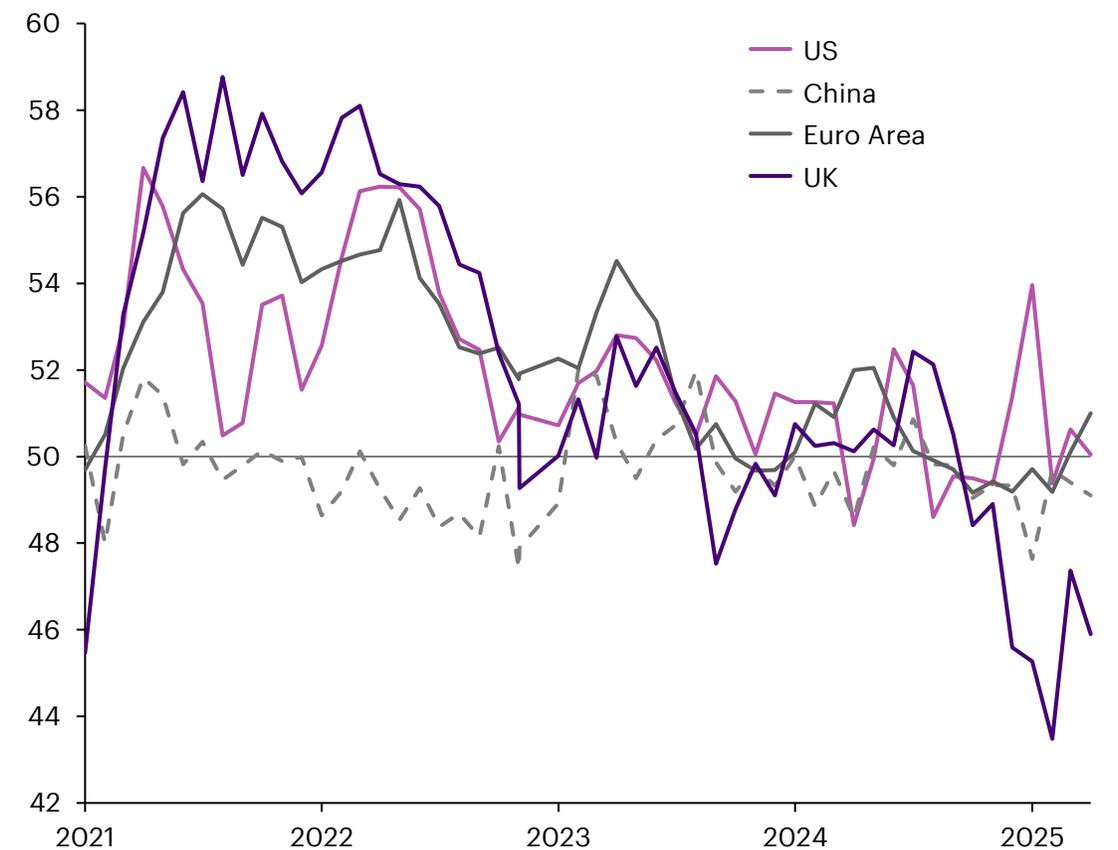
Global PMI Employment Index

Index (>50=expanding employment)



Regional Composite PMI Employment Index

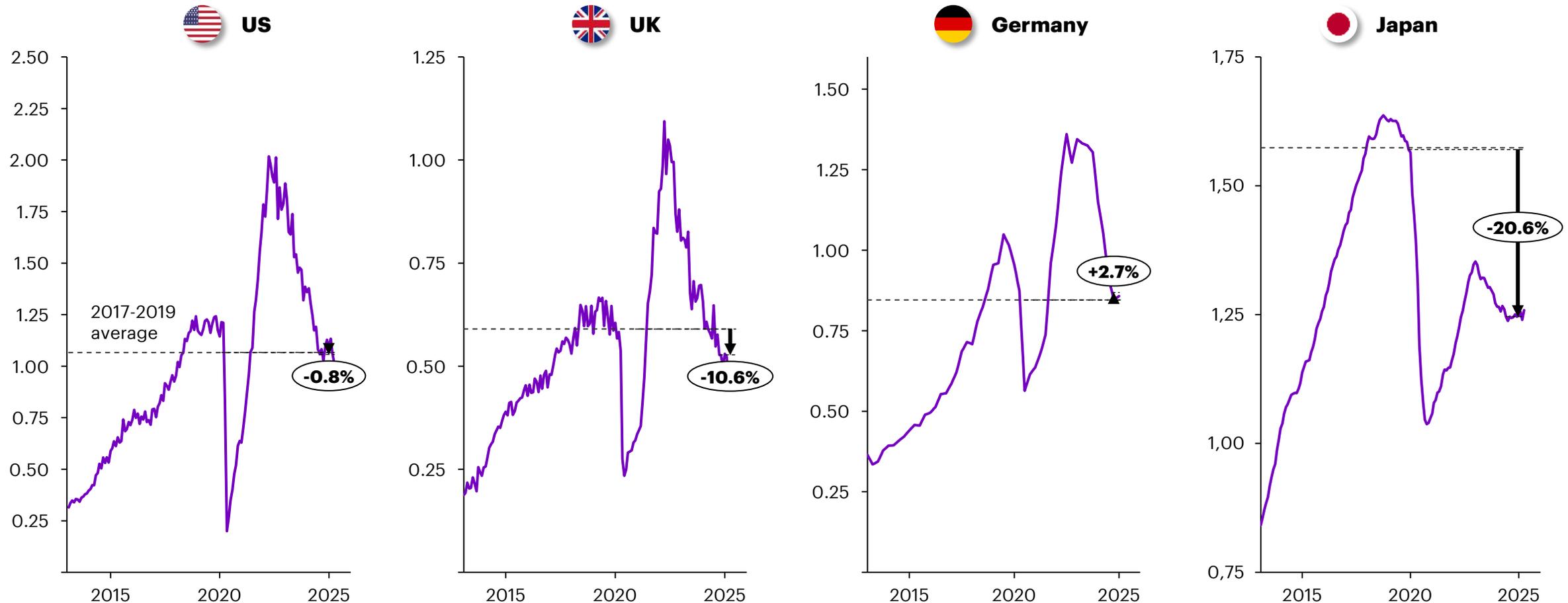
Index (>50=expanding employment)



Labor market tightness continues to ease across major economies, and is now back its to pre-pandemic average in the US, and comfortably below it in the UK and Japan

Labor market tightness

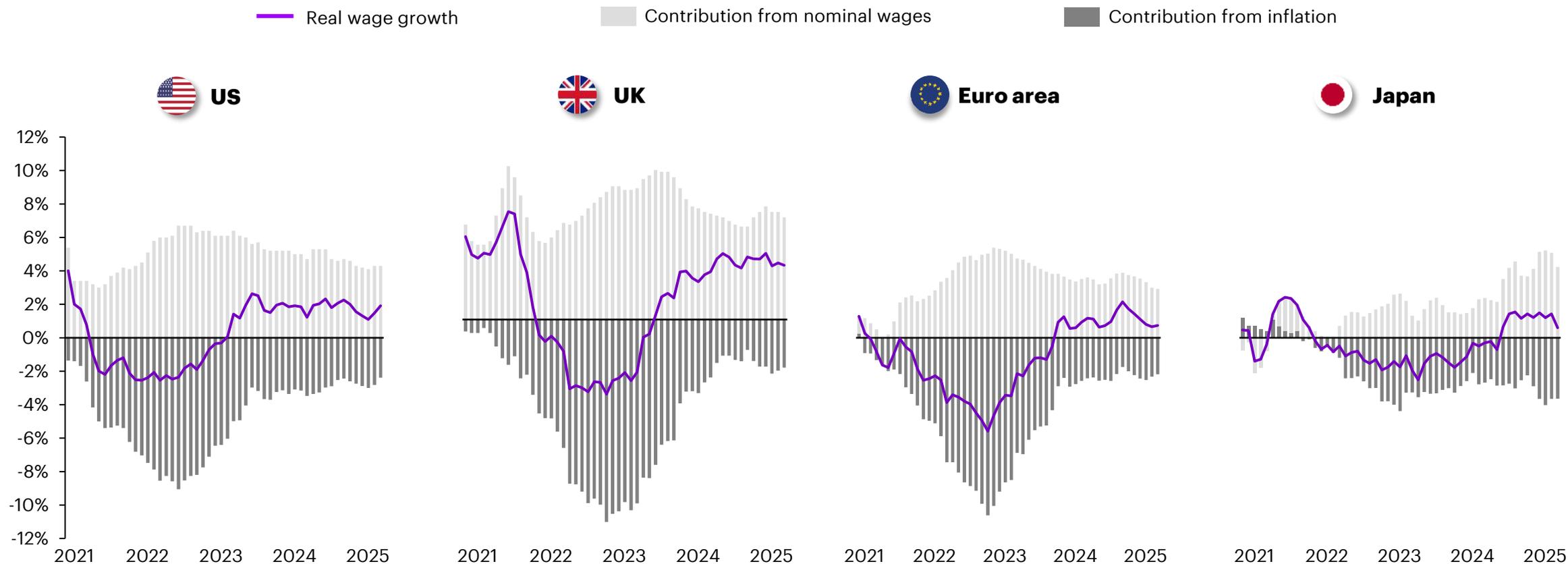
Job vacancies per unemployed person



Real wage recoveries have lost steam in recent months, owing both to slowing nominal wage growth and sticky inflation

Wage growth developments

YoY % change in real wages and contributions to change (percentage points) from nominal wage growth and inflation



Inflation



Inflation has moderated in the US and across most of Europe (though UK inflation ticked up) and remains broadly stable in APAC

CPI inflation rates and trends

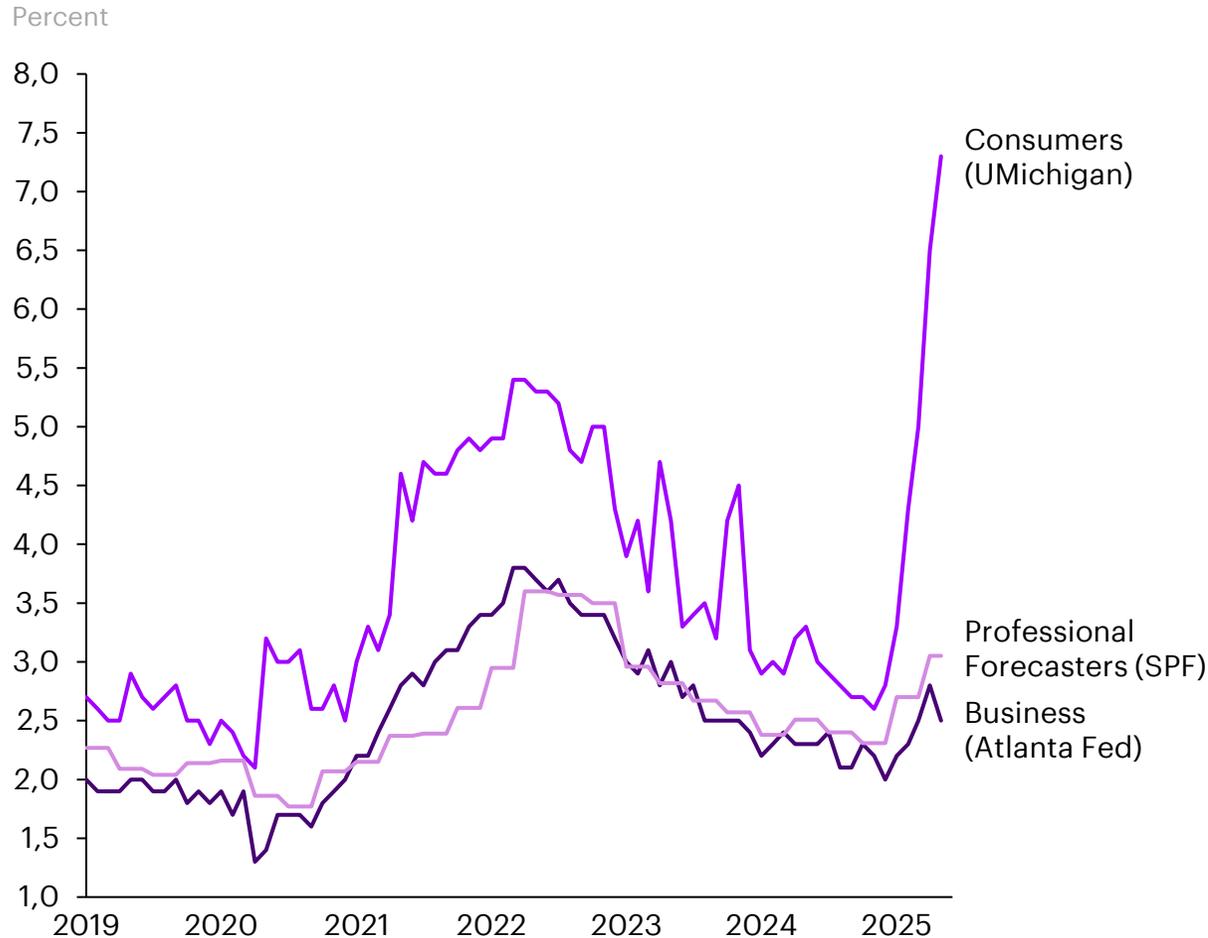
Year over year change to CPI and point change from prior month

Country	YoY Inflation Rate	Change from previous month's rate (percentage points)		Country	YoY Inflation Rate	Change from previous month's rate (percentage points)	
 United States	2,3%	-0.1%	↓	 China	-0,1%	0.0%	-
 United Kingdom	3,5%	0.9%	↑	 Japan	3,6%	0.0%	-
 Canada	1,8%	-0.4%	↓	 Brazil	5,5%	0.1%	↑
 Germany	2,2%	-0.2%	↓	 India	3,2%	-0.2%	↓
 France	0,9%	0.0%	↑	 Singapore	0,9%	0.0%	↓
 Italy	2,0%	-0.2%	↓	 Korea	2,1%	0.0%	↑
 Spain	2,1%	-0.3%	↓				

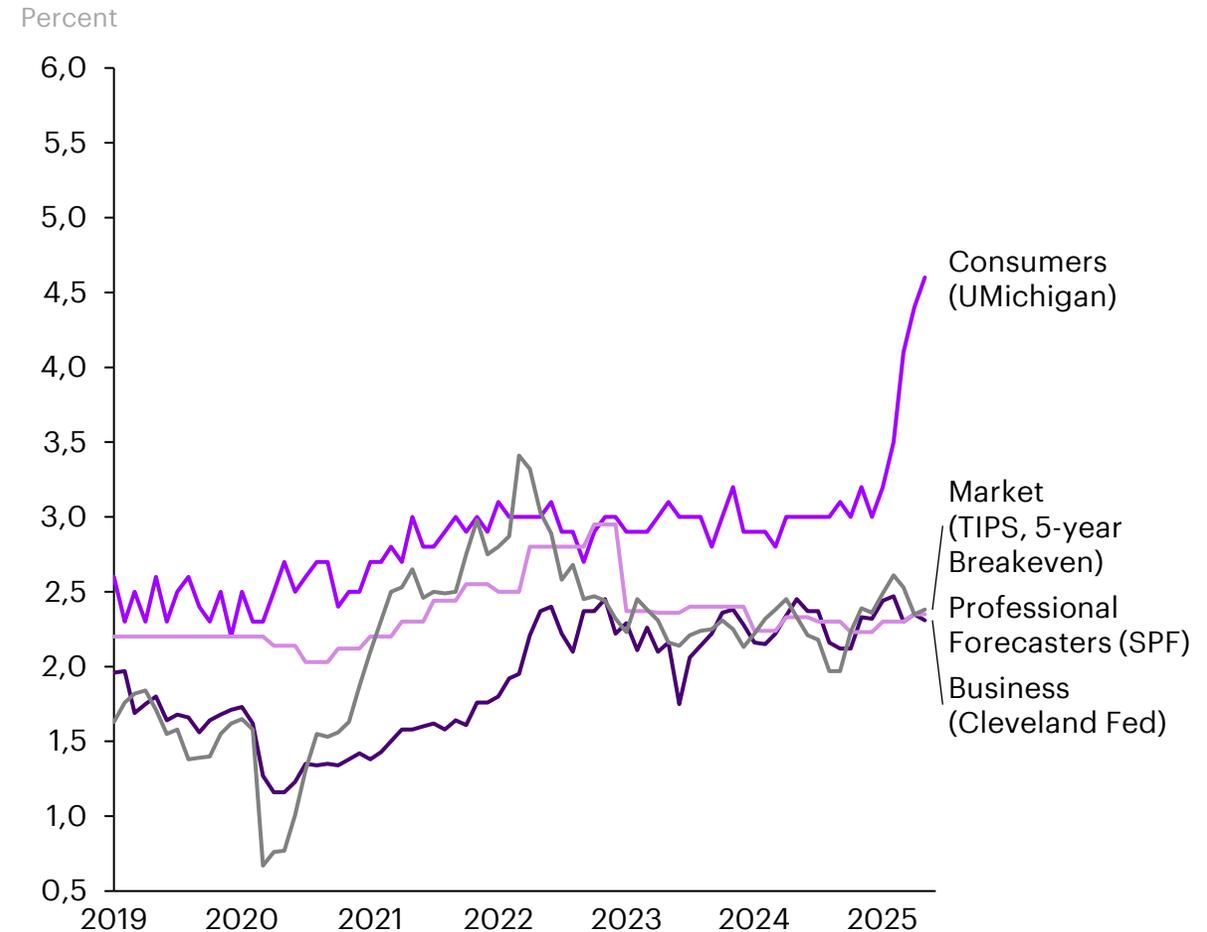
US inflation expectations among consumers have surged since January, though expectations among companies remain fairly anchored for the time being

Inflation expectations for next 12 months and longer-term

Inflation expectations of different economic agents: 1 year ahead



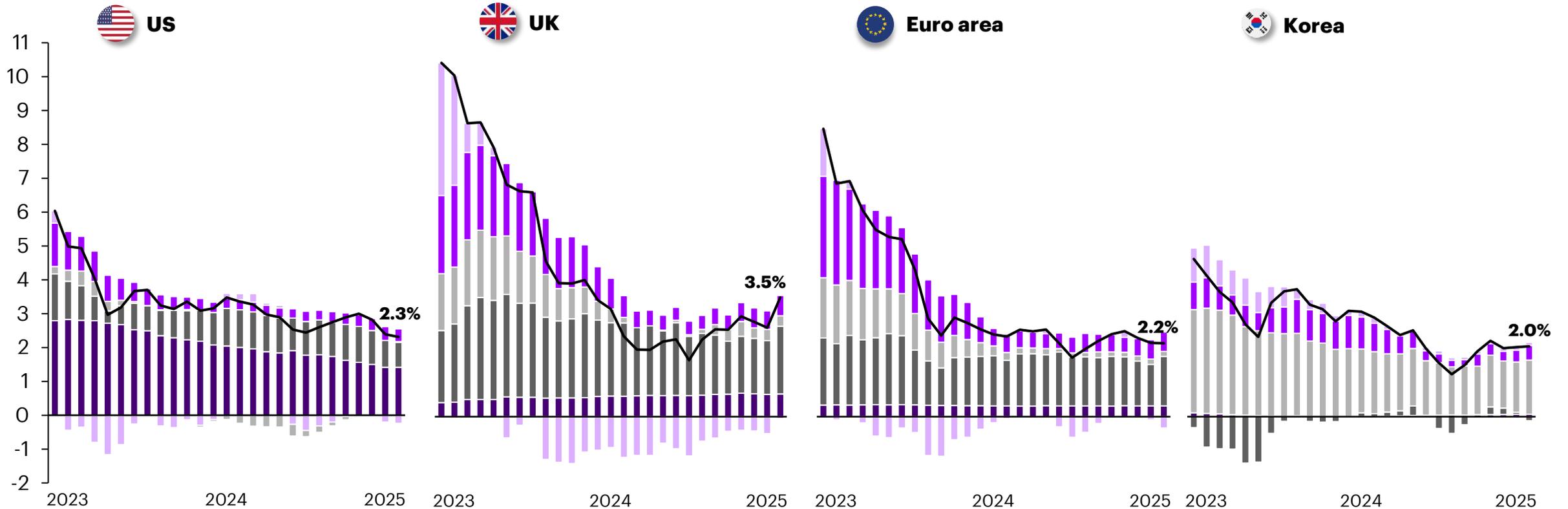
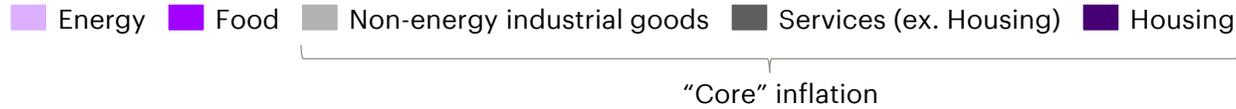
Inflation expectations of different economic agents: 5-10 years ahead



Inflation remains elevated in most major markets but shows easing in the US, Euro area, and Korea, while the UK faces renewed upward momentum

Drivers of recent CPI inflation

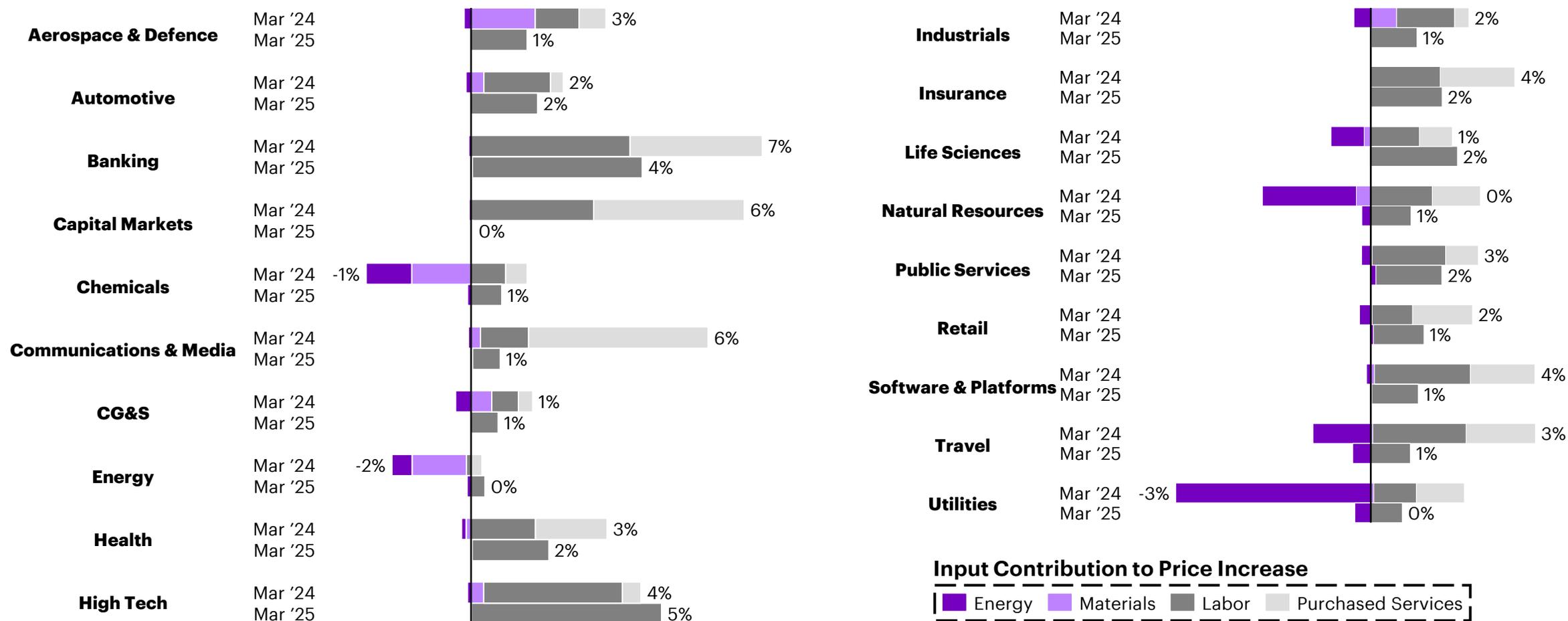
Year-on-year % change and percentage point contributions from major goods and services categories



Labor and purchased services remain key inflation drivers across industries, as energy and materials costs stabilize or decline in sectors like Energy, Utilities, and Chemicals

Recent input cost inflation by industry

Year-over-year % change in input costs and contributions (percentage points) from key inputs

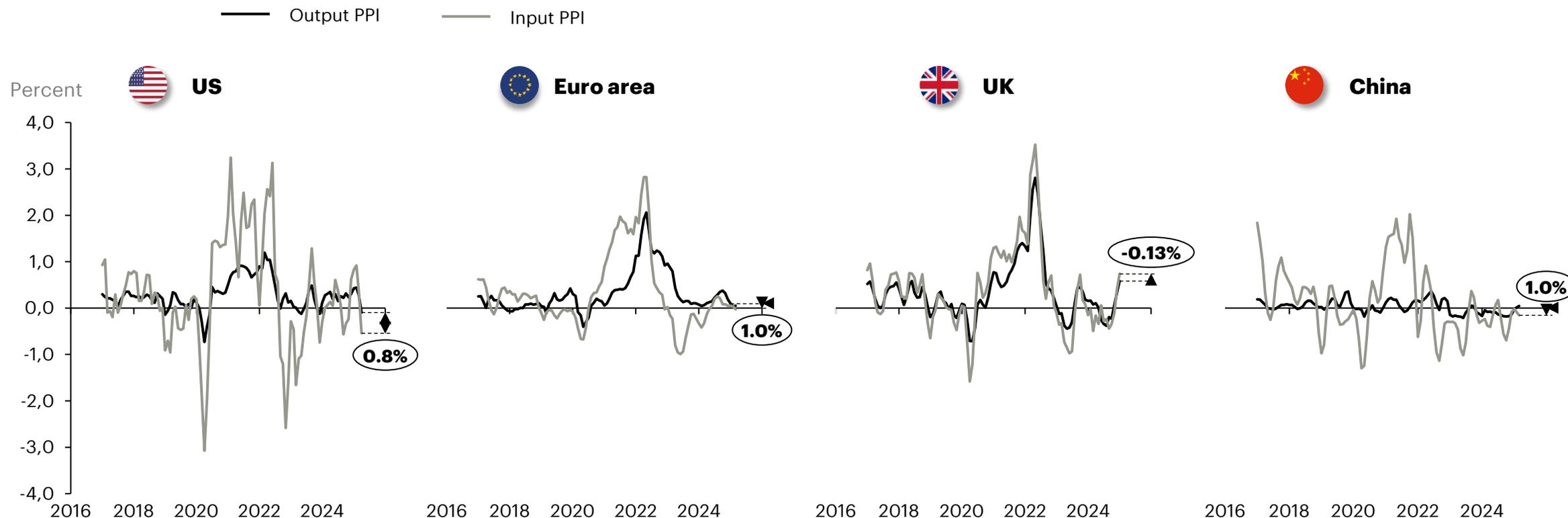


Notes: Wage data as of Mar'25; Energy prices (Natural Gas Prices as of Feb'25, Electricity Prices as of Mar '25 and others as of Mar'25); Materials and Purchased Services PPI price increases as of Mar'25; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

Firms in the UK struggle to pass along costs to consumers, while the US, Euro area, and China show slightly stronger cost absorption amid differing market dynamics

Company input cost pass-through trends

Producer price indices (PPI) for intermediate inputs and final outputs, 3 month moving average % change



Notes: (1) Figures in bold represent absolute percentage point difference between intermediate and final demand PPI YoY % values; higher positive values imply greater pass through to final producer selling prices, while larger negative values imply lower pass through. (2) US data is based on production flow classification for PPI, where Stage 2 intermediate inputs (shown in chart) feed into stage 3 production, stage 3 outputs serve as inputs to stage 4

production, and stage 4 provides inputs to final demand goods/services.

Sources: Whitehouse Statements, BLS, ONS, Eurostat, Accenture Strategy analysis



Business investment

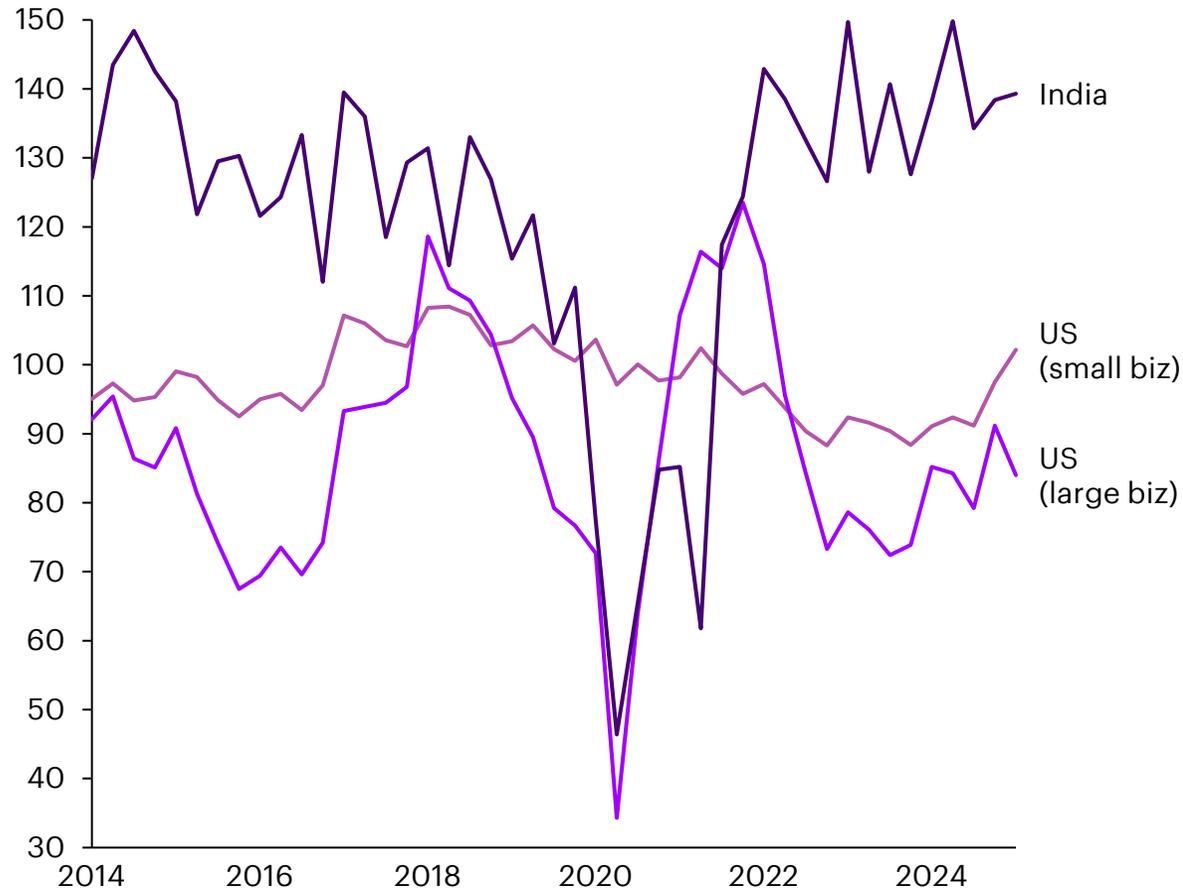


Business confidence remains relatively optimistic in India and Japan, though sentiment is weak across the US, UK, and EU

Global business sentiment and capital expenditure outlook

Business confidence indicators

Index (>100 = Optimistic)



Percent balance (>0 = Optimistic)



Large businesses in the US are showing signs of more cautious capex intentions for the next 6 months, while small business capex plans have fallen sharply since Q4 2024

Capex intentions among US companies

Business plans to increase capital expenditures in the next 6 months

% of respondents reporting a planned increase

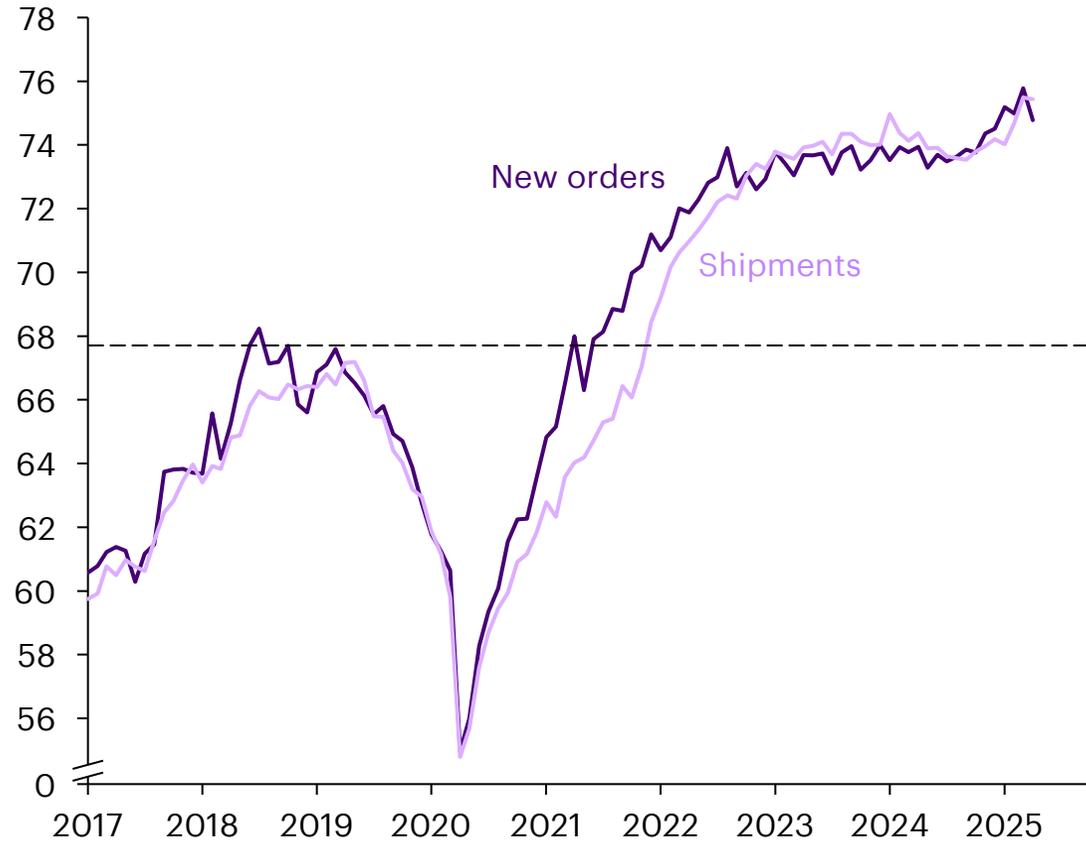


US core capital goods orders remain resilient despite recent dip, while global tech equipment demand stays robust, led by strong US growth

Capital goods orders and technology-related equipment demand

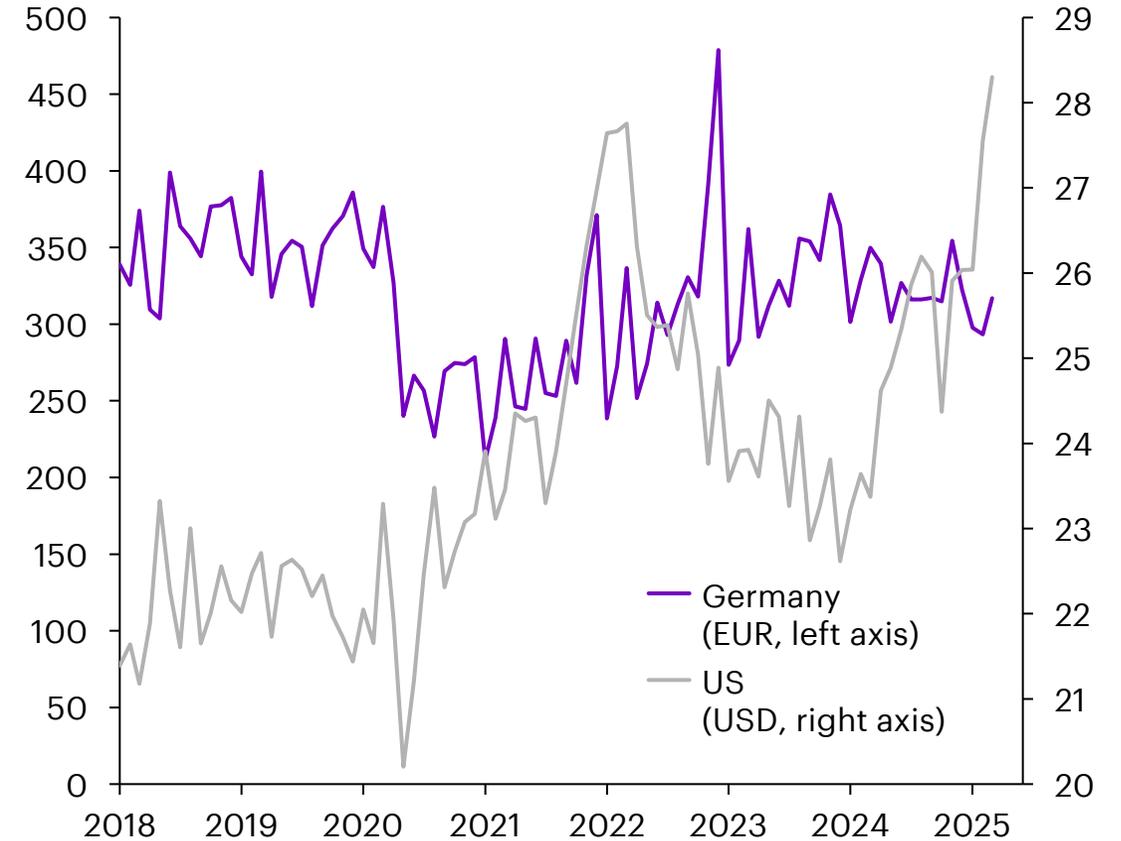
US nondefense capital goods, excluding aircraft

USD millions



Sales of tech-related equipment

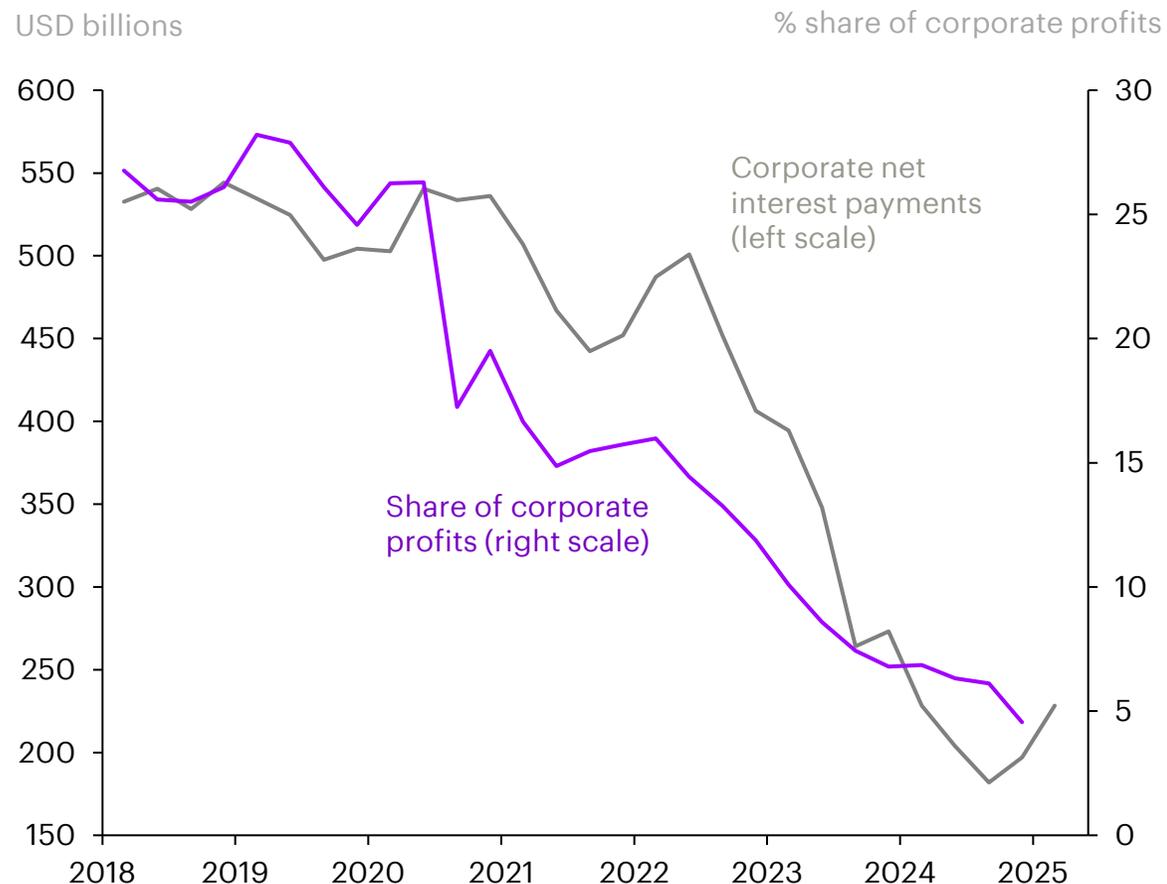
Computers, electronic components and peripheral equipment, SA millions



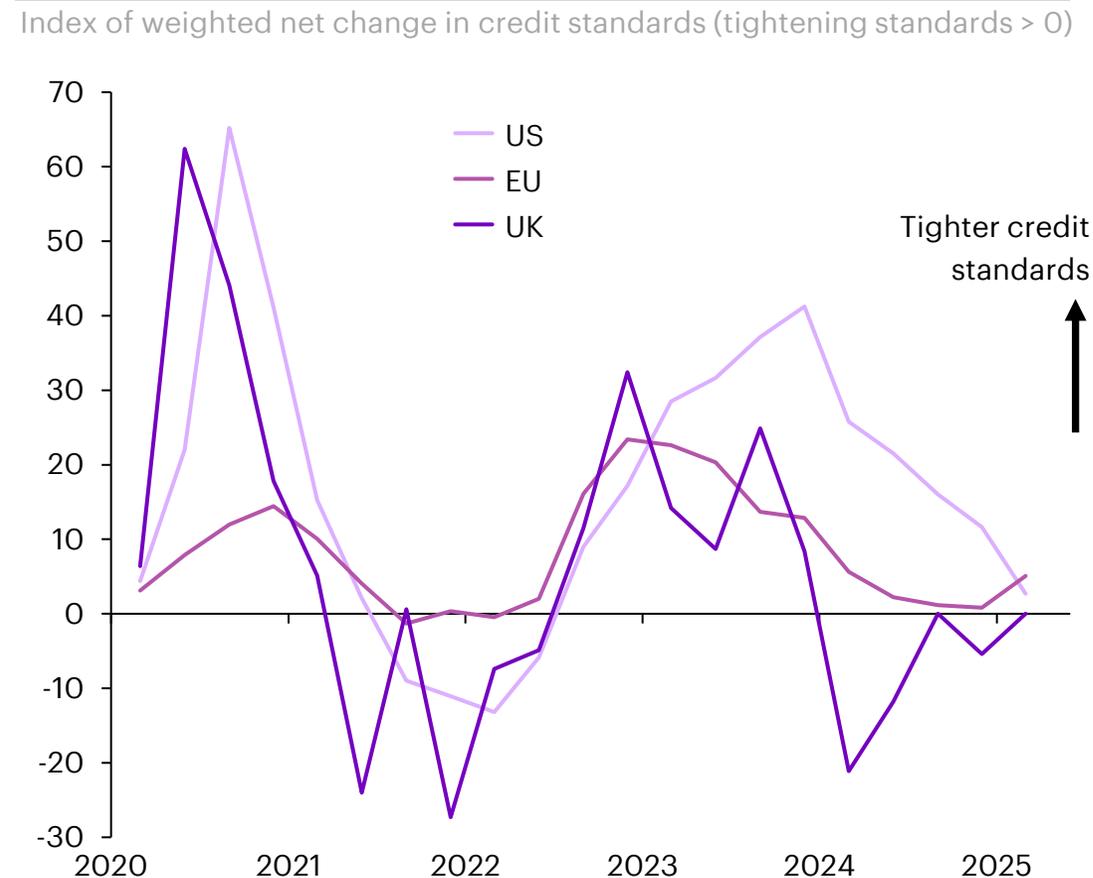
US corporates are benefitting from the Fed's gradual rate cutting cycle as the burden of net interest payments declines, alongside relatively loose lending standards to support growth

US financial conditions for investment

US corporate net interest payments



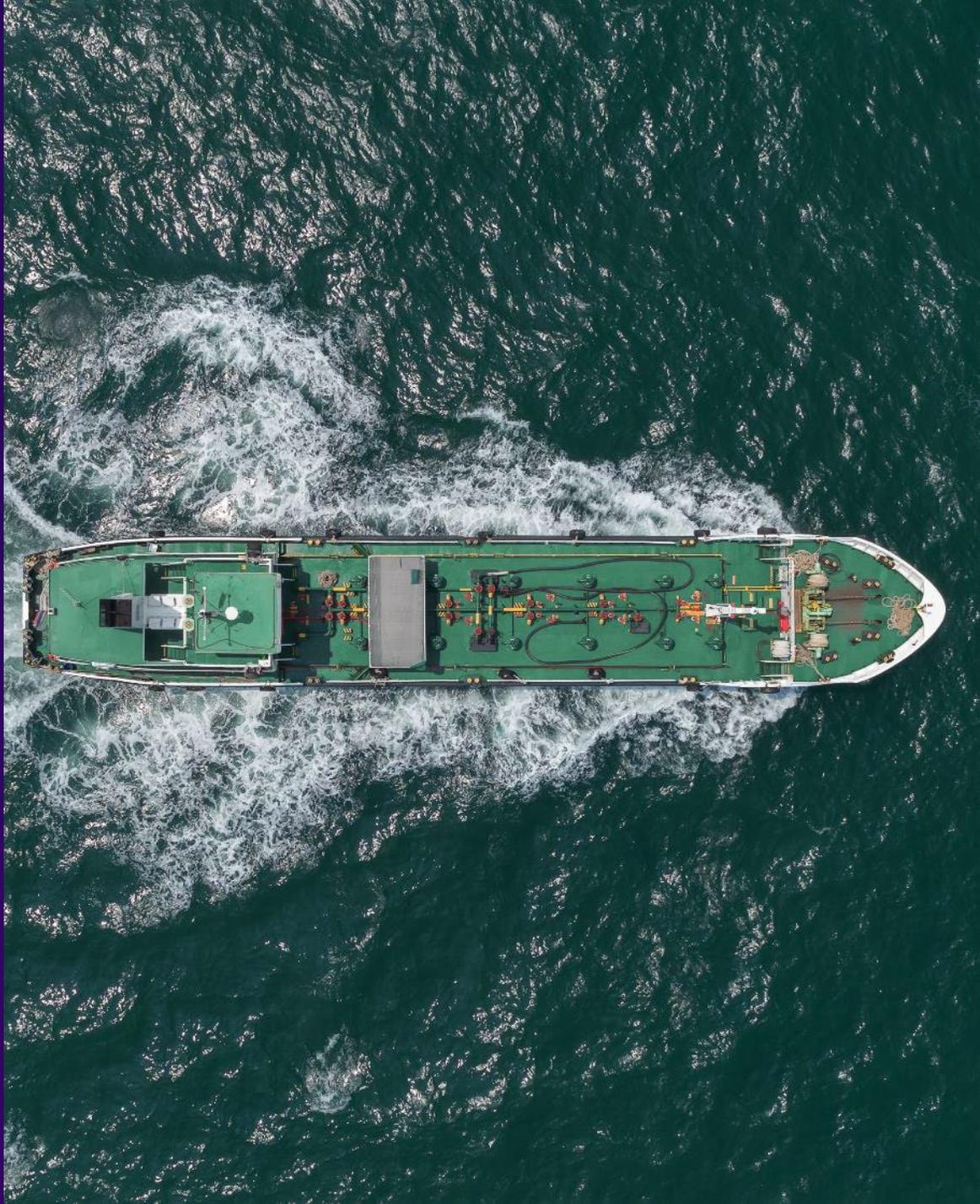
Bank lending standards¹



Notes: 1) The date of each datapoint refers to the quarter in which the bank lending survey was conducted but reports the assessment of credit conditions in the prior quarter. Lending standards for US and EU reflect a weighted index constructed using select survey questions to measure tightening or loosening standards to both households and enterprises. UK lending standards series based on inverted series of use of credit scoring

Sources: BEA, Federal Reserve Board, EU Bank Lending Survey, BoE, Accenture Strategy analysis

Trade and tariffs

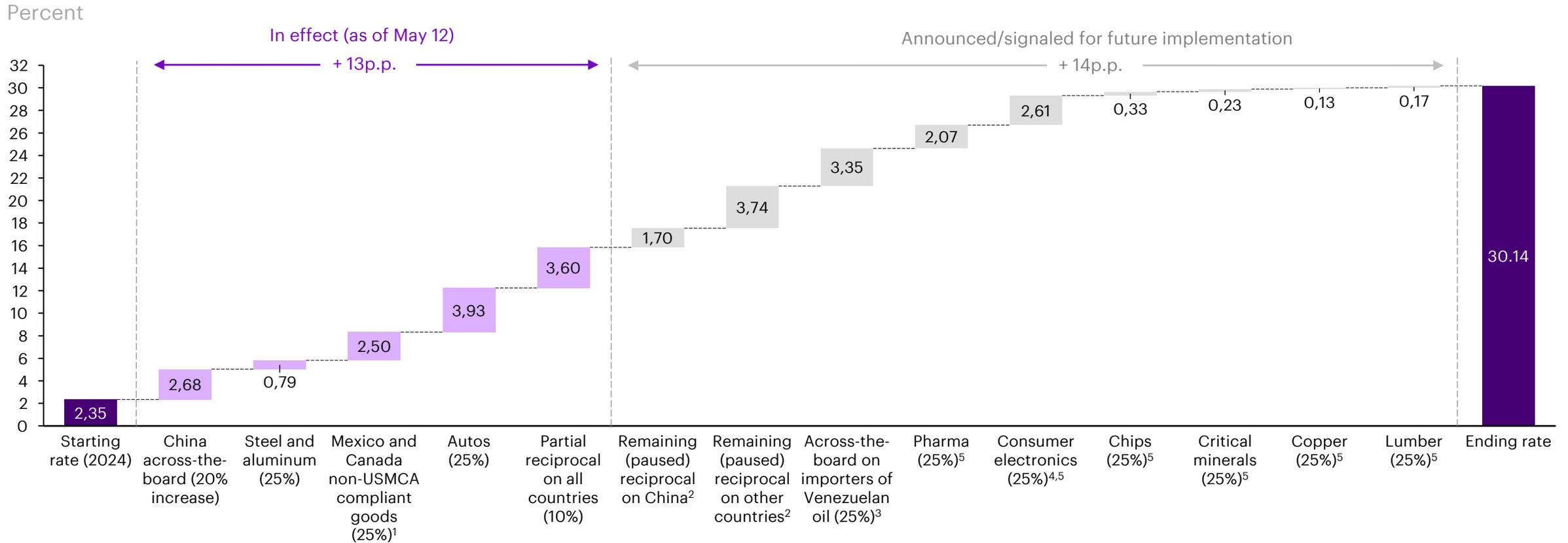


Even with the recent softening in tariff stance, the US' effective tariff rate has increased by 13 p.p., with an additional 14 p.p. still on the horizon

Scale and scope of announced tariff measures

AS OF MAY 27

Estimated impact of announced measures on overall US effective tariff rate



Note(s): 1/ Except for imports of energy resources (including critical minerals) and potash from Canada, which are subject to a 10% tariff; 2/ Paused for implementation until August 14 for China, and July 8 for all other countries except the UK; 3/ Includes China and Cuba, who are expected to continue importing Venezuelan oil after April 2; 4/ Goods using processed critical minerals as inputs, including smartphones, computers, magnetic drives; 5/ Prospective tariff rates on the products have not yet been signaled but are expected to be in line with the 25% for other products facing Section 232 tariffs.

Source(s): USITC, Haver, Accenture Strategy analysis

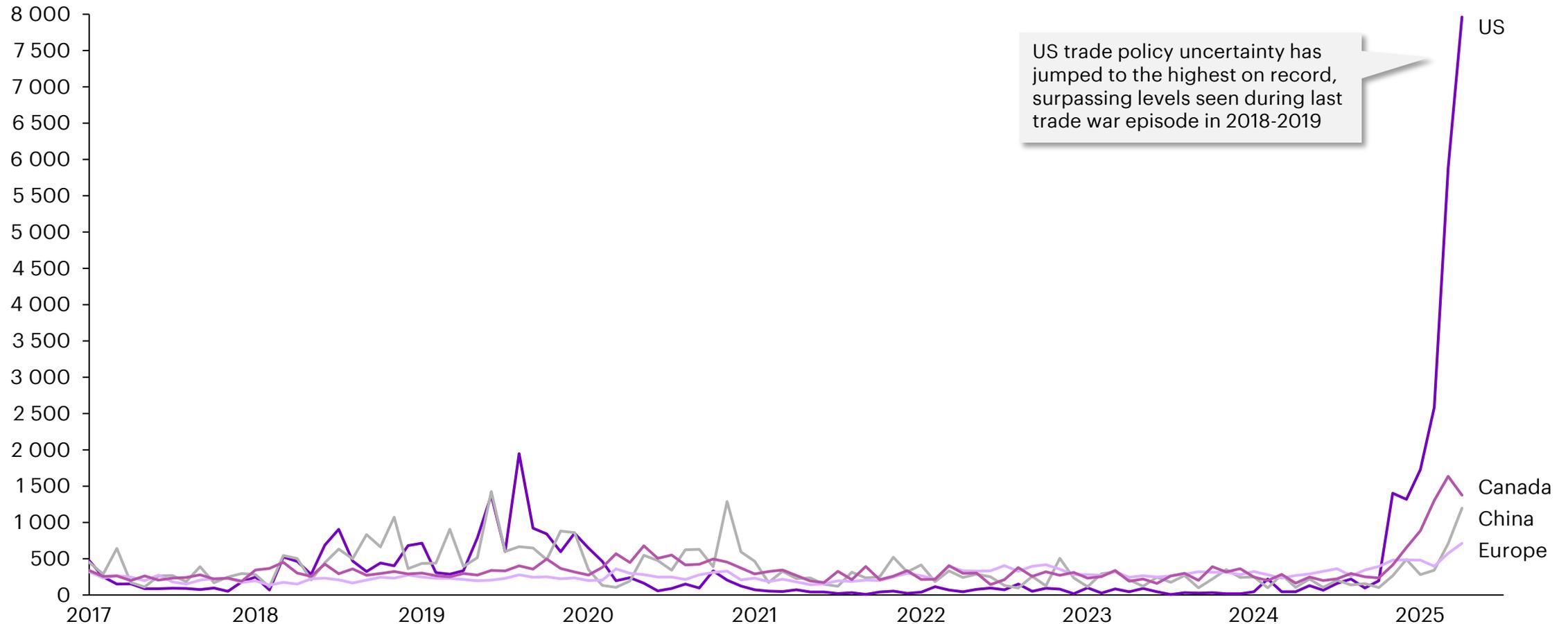
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Tariffs and trade policy tensions have driven economic uncertainty to unprecedented levels in the US as market anxiety reacts to the unpredictable nature of tariff rates

Elevated trade policy uncertainty

Trade policy uncertainty has skyrocketed in recent months

Index, 1985=100



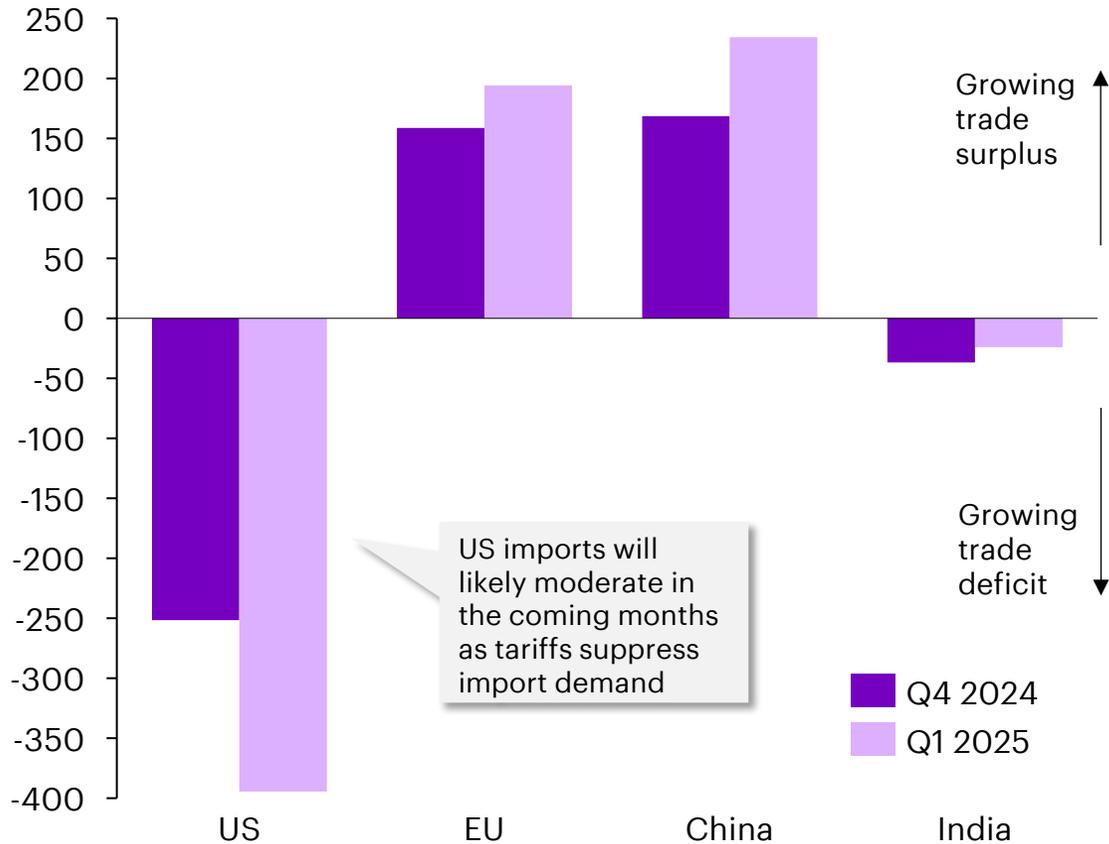
US trade policy uncertainty has jumped to the highest on record, surpassing levels seen during last trade war episode in 2018-2019

US trade deficit widened in Q1 on import surge ahead of tariff hikes, while global trade balances shift amid geopolitical and supply chain uncertainty

Trade indicators

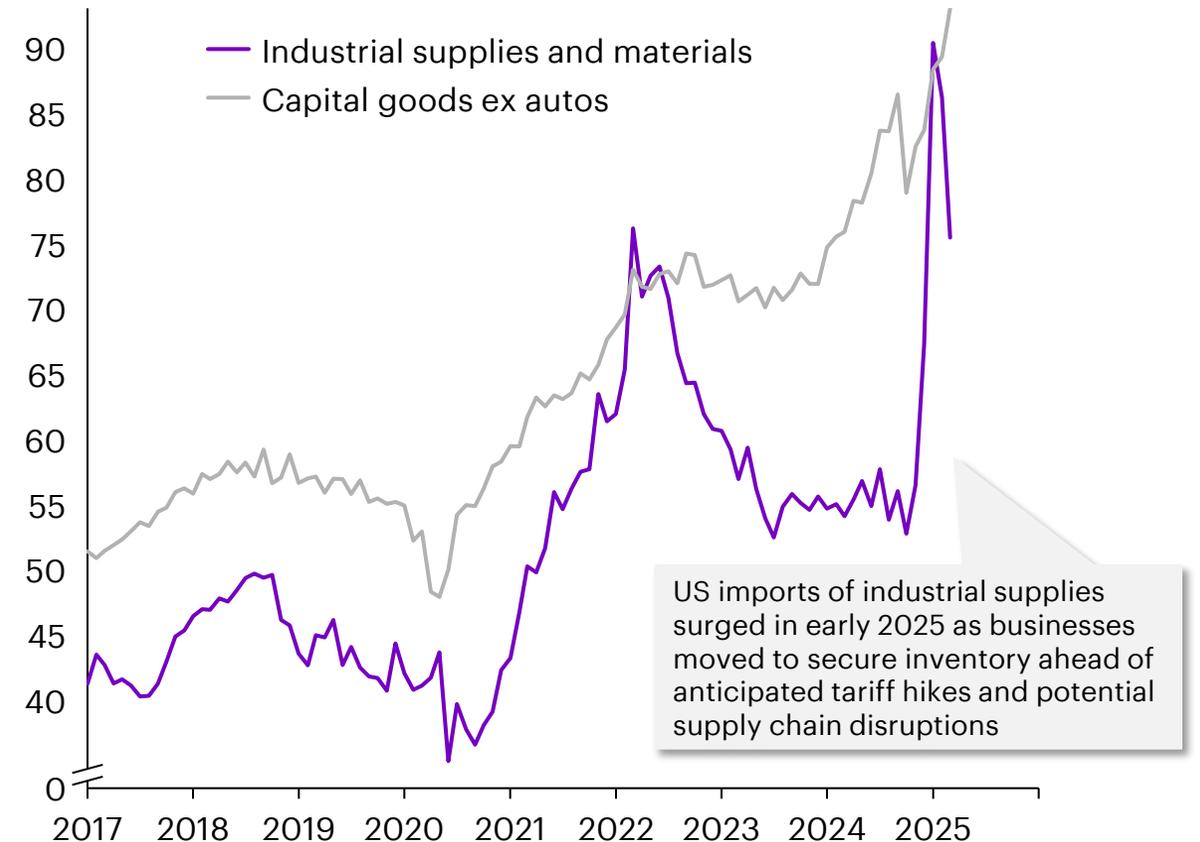
Net trade in goods and services

Exports minus imports (SA, USD billion)



US imports of industrial supplies and equipment

USD billions



Supply chains

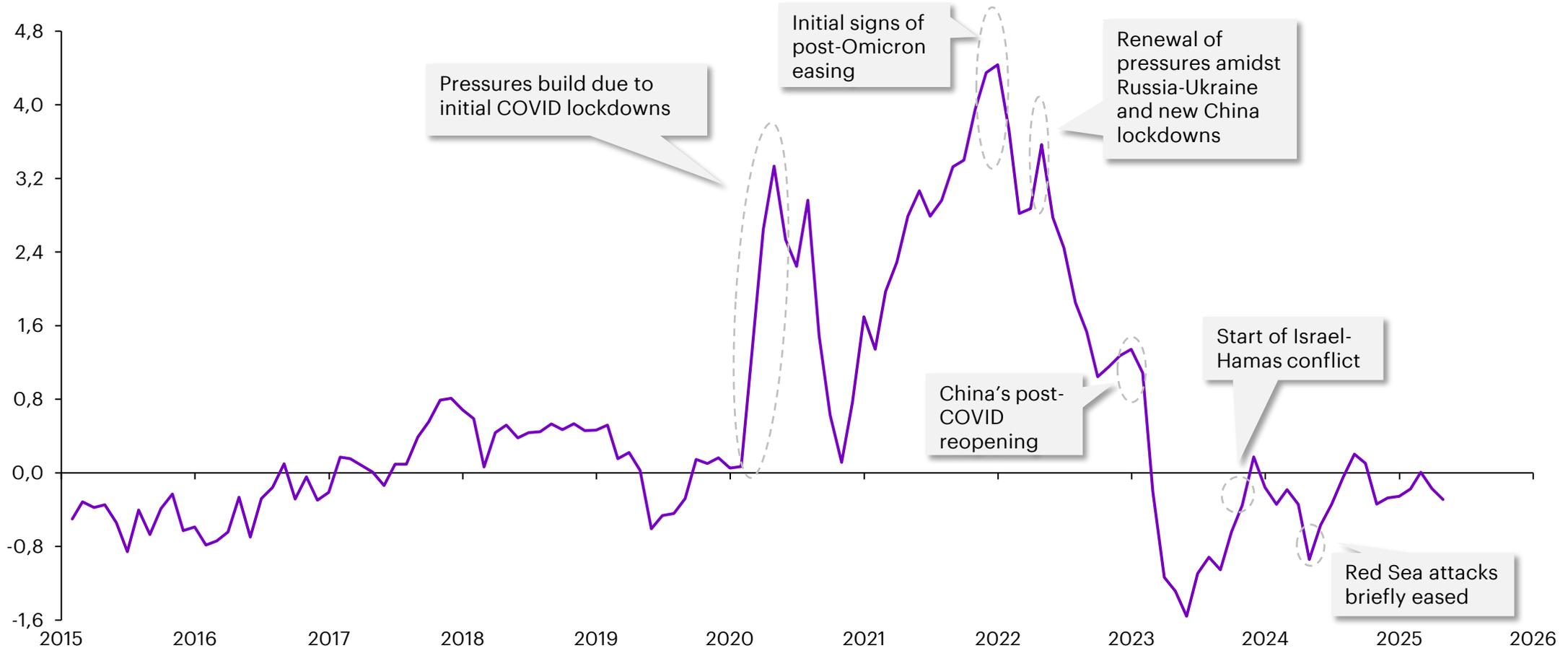


Though global supply chain pressures remain in line with their long-term averages, ongoing geopolitical tensions and rising protectionism pose renewed risks

Supply chain pressures

Global Supply Chain Pressure Index

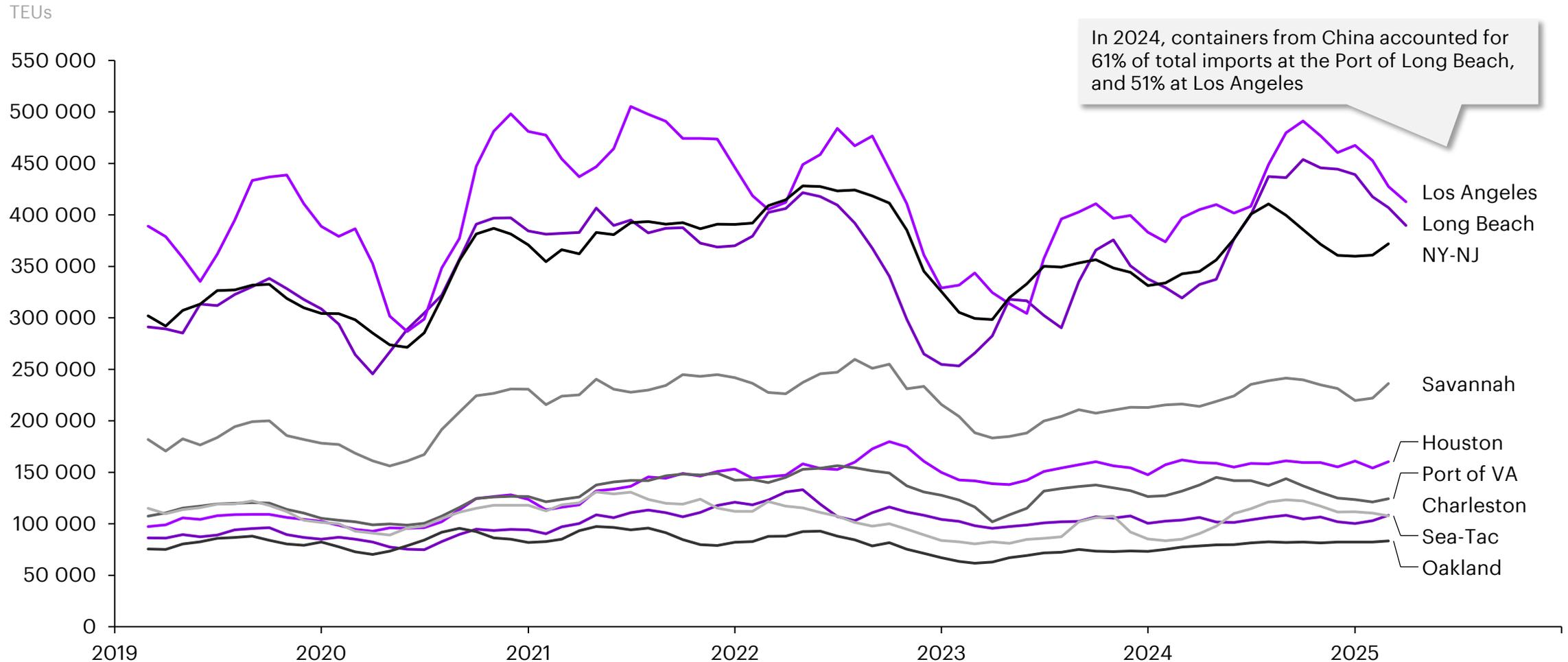
Standard deviations from long-term average (=0)



US shipping ports have seen significant shifts in activity around the April tariff announcements, with declines for West coast ports that import large volumes from China

Seaborne container traffic in the US

Loaded import containers at select US ports



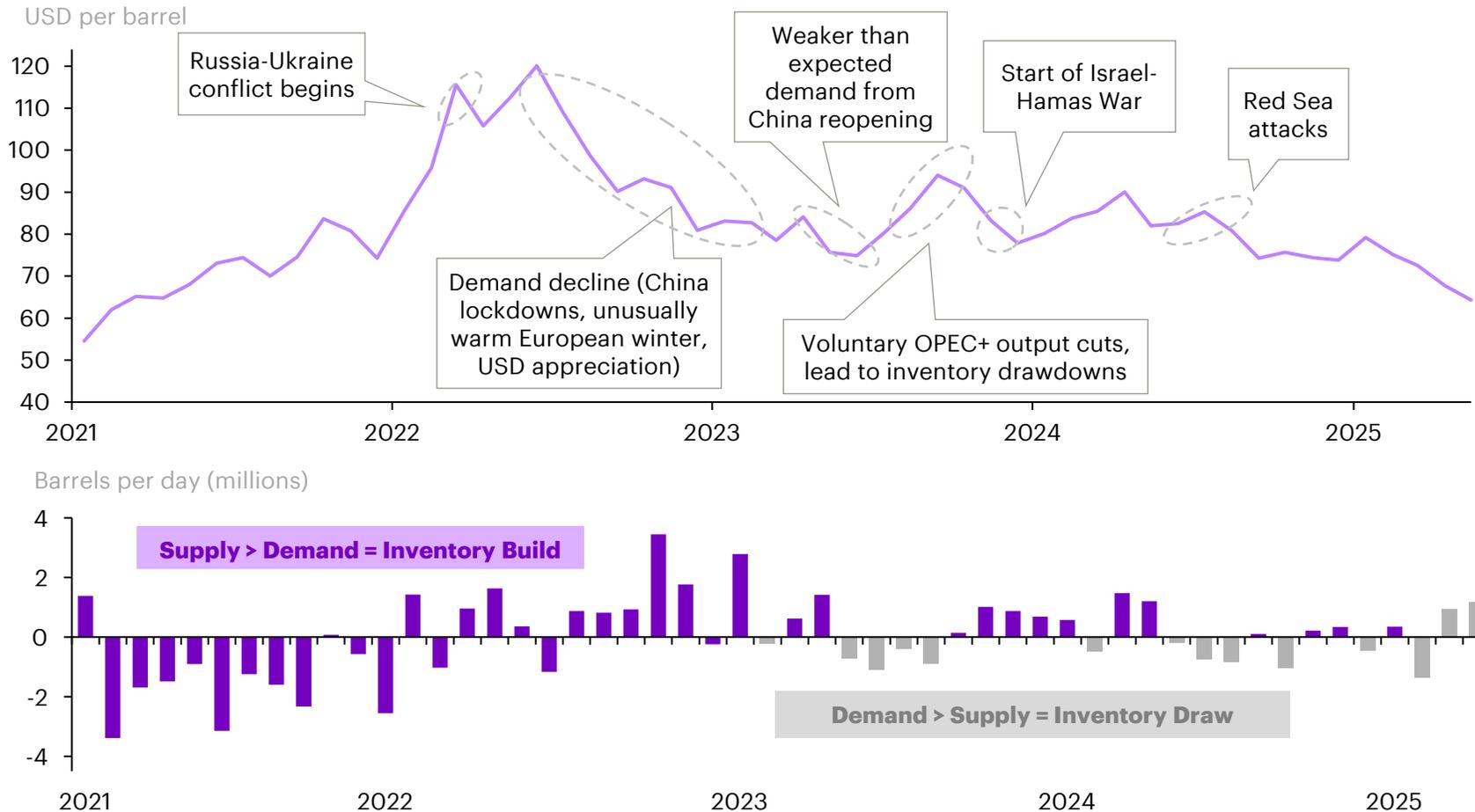
Energy and commodities



Oil prices have steadily declined since the “Liberation Day” tariff announcements, reacting to uncertain global demand expectations and OPEC output hikes on the horizon

Crude oil prices and inventories

Brent crude oil spot prices (upper panel) and global inventory changes (lower panel)



Drivers of energy prices in 2025

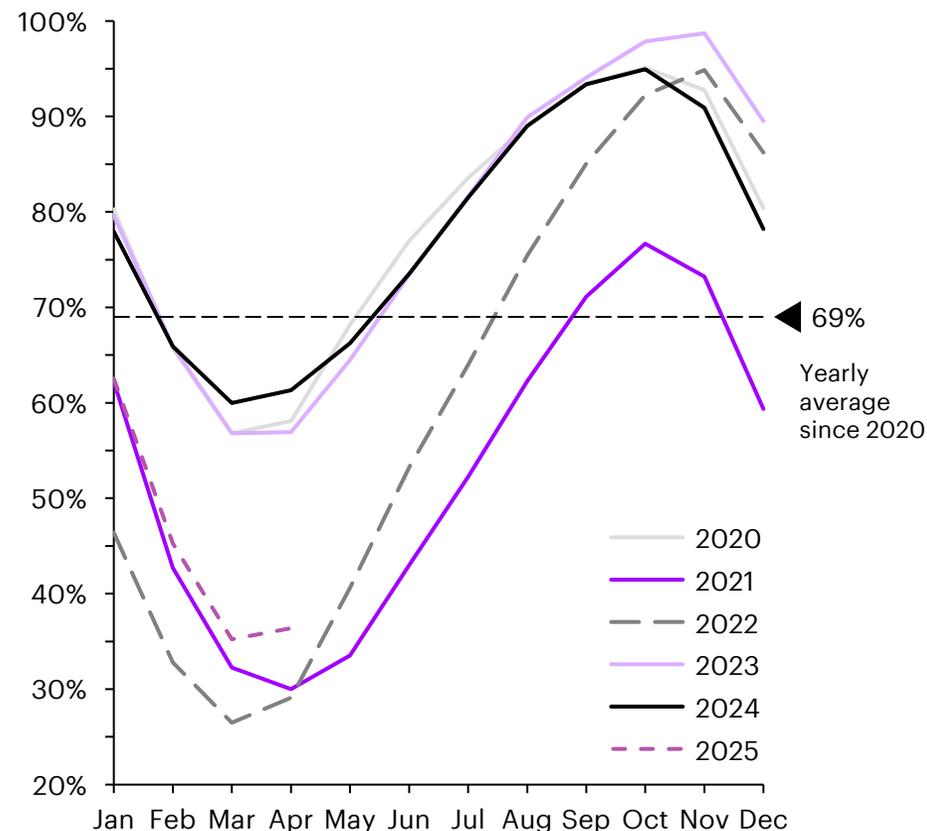
- Oil prices have trended downward in May, reflecting:
 - De-escalation of trade tensions in the form of the US-UK trade deal and re-set of US-China tariff rates to their April 2nd levels
 - signals that OPEC+ could potentially increase crude oil production in July

European natural gas prices eased further in April as seasonal demand declined and storage levels improved (though they are still below historical averages)

EU natural gas reserves and prices

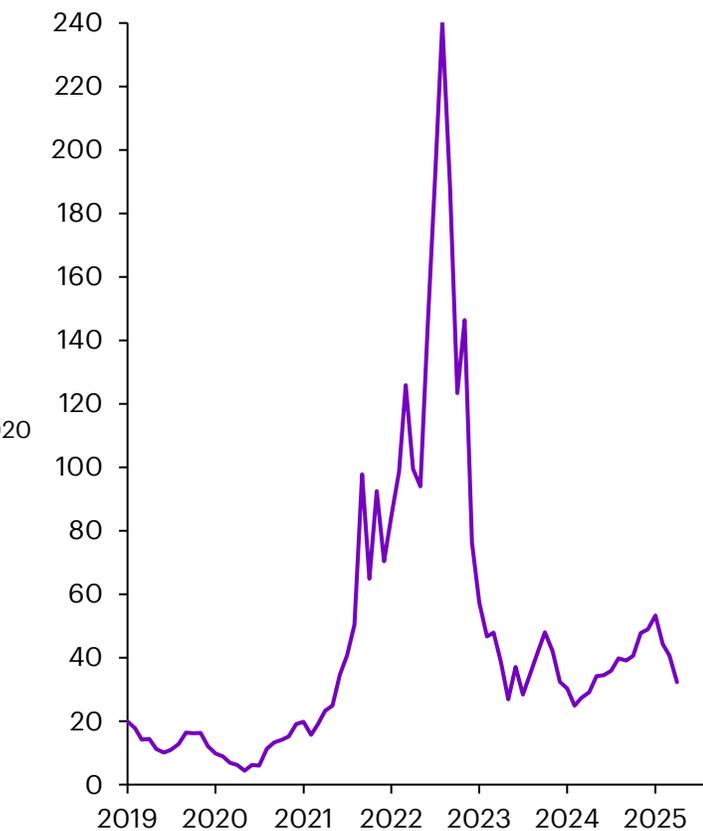
European gas reserves are below-average

% of storage capacity



...putting renewed upward pressure on prices

TTF Gas (EUR per megawatt-hour)



Commentary

- The lower storage levels since early in 2025 stem from a colder-than-average winter, the expiration of the Ukraine-Russia gas transit contract in December 2024, and persistently high gas prices, all of which led to extensive withdrawals from storage facilities during the 2024/25 winter season
- By late April and into May, prices had moderated but remained volatile, with TTF futures trading around €37/MWh—still the highest in over six weeks at that time—due to supply concerns and maintenance at Norwegian gas facilities

Notes: Dutch TTF Natural Gas Futures front-month contract. TTF stands for Title Transfer Facility, which is a virtual trading hub for natural gas in Europe. TTF prices represent the average monthly price of natural gas traded at this hub and are considered a benchmark for natural gas prices in Europe. The most recent TTF monthly data point reflects the average daily prices up to the publication date.

Sources: Gas Infrastructure Europe, Bloomberg, European Council, Reuters, Investing.com, Accenture Strategy analysis

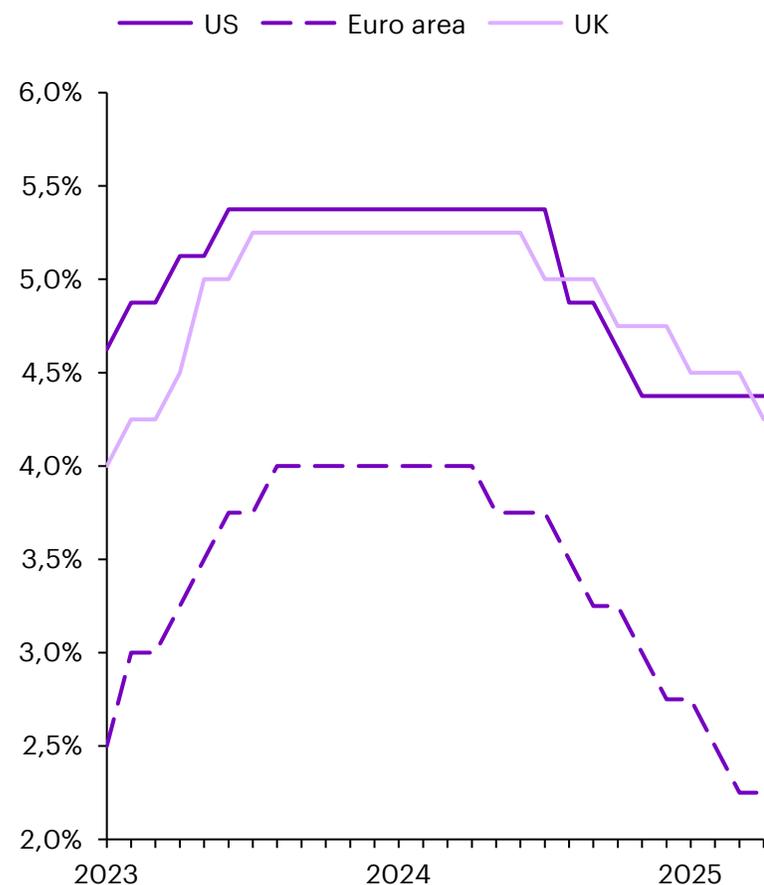
Financial markets



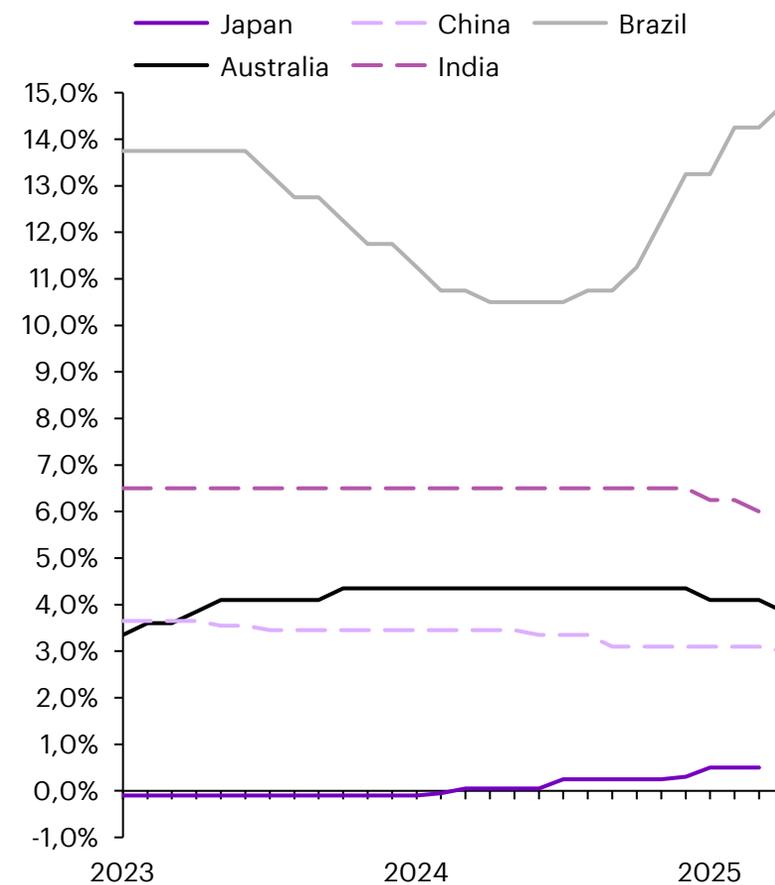
May brought renewed monetary easing in some major economies, with central banks appearing to put more weight on risk of slowing growth versus resurgent inflation

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



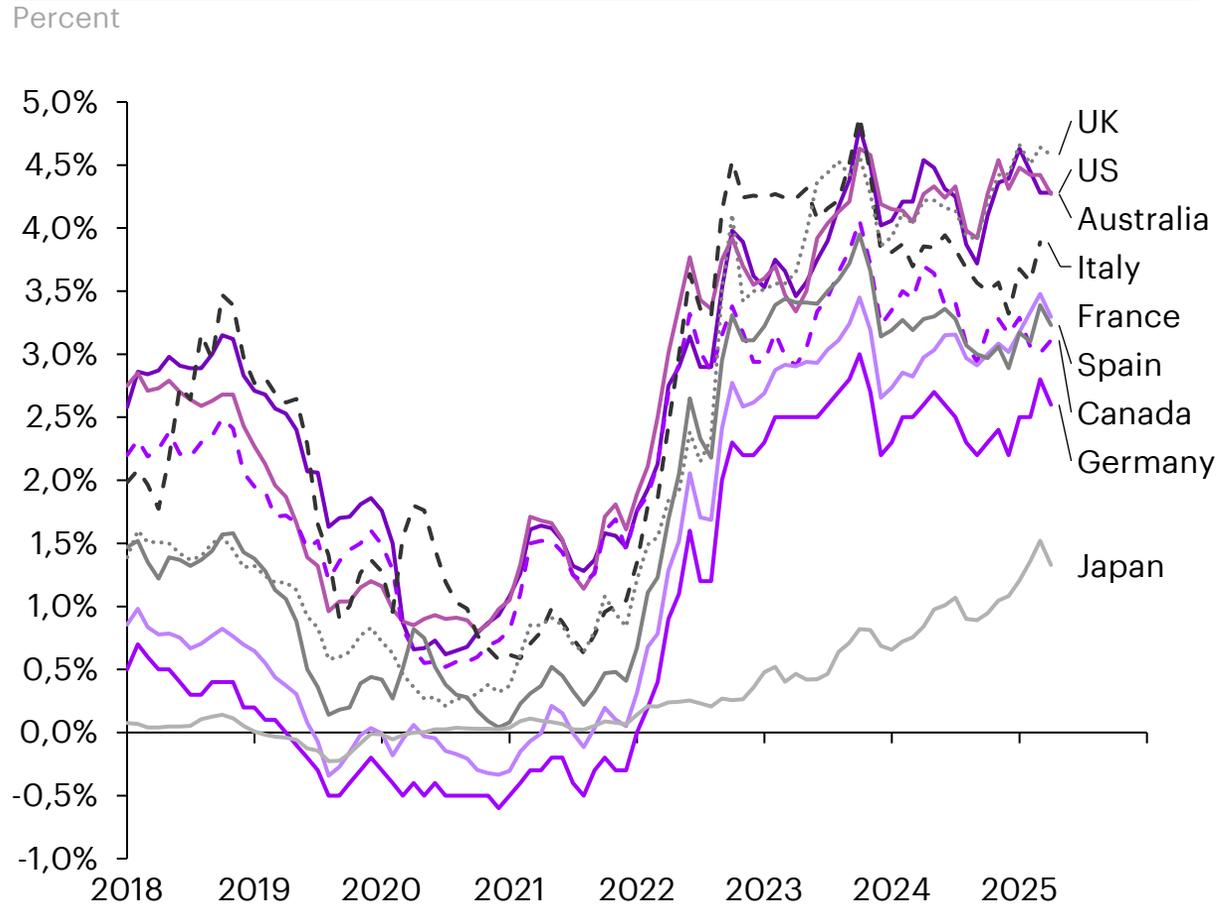
Commentary

- The Fed held interest rates steady in May, citing trade policy uncertainty and rising risks to inflation and employment, with no clear sign of upcoming cuts
- The Bank of England cut rates by 25bp in May amid falling inflation, but a surprise jump in April CPI to 3.5% has clouded the outlook, prompting markets to expect a slower pace of future easing
- The ECB cut all key interest rates by 25bp in April, citing progress on disinflation and slowing wage growth, while stressing a data-dependent approach amid weak growth and rising trade tensions
- The PBOC cut benchmark lending rates and pushed banks to lower deposit rates to boost lending and spending, while signaling a cautious stance amid ongoing US-China trade tensions

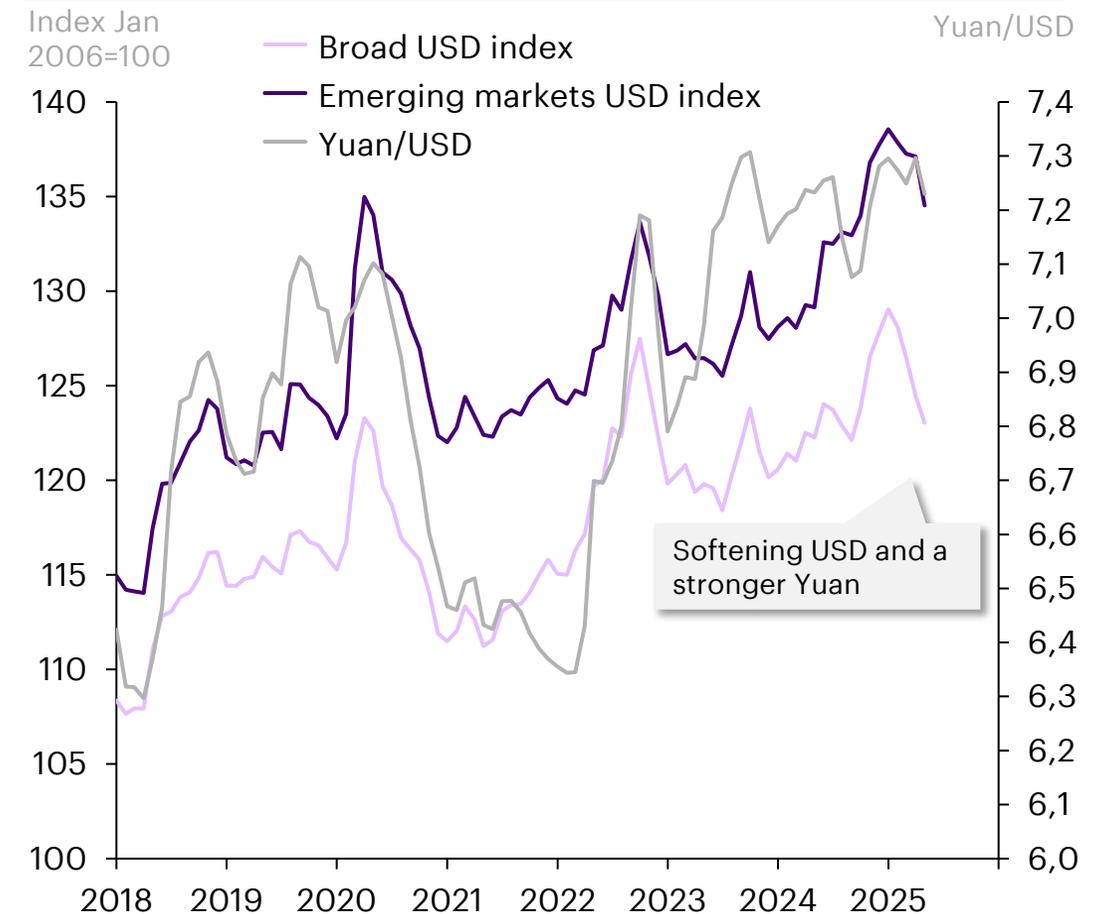
Government bond yields remain elevated for most major economies despite some recent monetary policy easing, while the USD has depreciated considerably since April 2nd

Long-term yields and exchange rates

Evolution of 10-year government bond yields



Trade-weighted USD index and Yuan/USD



About Accenture Macro Foresight

Accenture Strategy's Macro Foresight capability is focused on helping companies and investors understand major macro shifts in the global economy and what they mean for corporate strategic planning, investment planning and enterprise-wide transformation – helping clients distill complex macro trends into simple, pragmatic recommendations which drive value.

The team has hubs in Europe, the United States and Asia, and its members have prior experience working for governments, investment banks, asset managers, multilateral institutions and large corporates to bring a global, multi-disciplinary perspective to problem-solving. Visit us at www.accenture.com/macroforesight.

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Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise. Visit us at www.accenture.com/strategy.

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