



Year-end Macro Brief

The specter of tariffs

December 12, 2024

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 **December 12, 2024**.

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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September: The cost of living squeeze

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Executive Summary



December 2024

Executive Summary

Global themes

- **As 2024 draws to a close, economies globally are increasingly diverging in their growth trajectories:**
 - The US remains the key global outperformer, buoyed by moderating but still resilient consumer spending and job growth
 - Economic momentum in Europe continues to deteriorate rapidly, led by struggles in Germany and France amidst recent political turmoil
 - APAC economies are seeing softening growth as they wrestle with both structural headwinds (China) and weaker external demand
- **The prospect of rising tariffs and trade restrictions loom large over the global economy going into 2025.** Already, hawkish tariff signals from the incoming US administration are prompting pre-emptive responses by China, which further restricted critical minerals exports to the US. Uncertainty around the scope, magnitude, and timing/phasing of this trade war escalation will weigh on business and consumer confidence in coming quarters.
- **Tariffs will have wide-ranging implications. The most immediate is inflation, the risk of which will vary by country/region, depending in part on:**
 - differences in starting conditions—i.e. recent domestic inflation trends, labor market tightness and growth momentum
 - degree of potential imported inflation due to retaliatory tariffs and local currency depreciation pressures
 - extent of domestic supply-side response and import substitution of tariff-affected goods

Regional highlights

Americas	Europe, Middle East and Africa	Asia-Pacific
<ul style="list-style-type: none"> • In the US, Trump’s tariff proposals could raise CPI inflation by more than 1 p.p. if they are sweeping in nature, and risk second-round wage pressures if paired with immigration restrictions • Tariffs on Canada (US’s top foreign supplier of oil and gas) risk driving up US energy prices in the short term, though Trump’s pro-drilling policies may help offset some of this pressure 	<ul style="list-style-type: none"> • Risk of tariff-driven inflation appears lower in Europe given sluggish economic activity, a still-large manufacturing inventory overhang, and the limited range of products likely to be targeted by US tariffs • Saudi Arabia’s risk of imported inflation from the US remains relatively low, though USD appreciation could be a headwind to exports 	<ul style="list-style-type: none"> • In China, where domestic demand and price pressures remain subdued, US tariffs are more likely to hurt exports than to cause inflation • Other APAC countries with significant goods imports from US and recent currency depreciation (e.g. Malaysia) may face greater tariff-related inflation risks

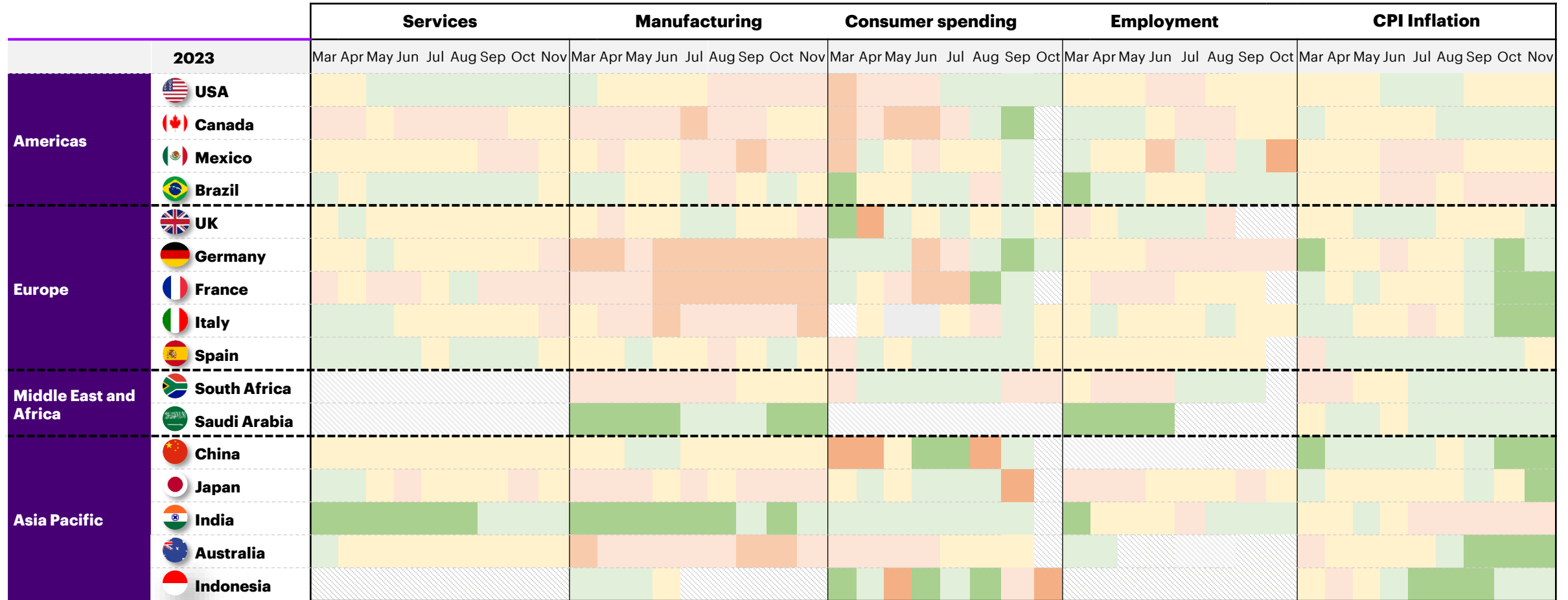
Key considerations and priorities for clients

- **The price impacts of tariffs will not be uniform across regions, industries or products, and it will be important for companies to assess their potential exposure and adjust their supply chains, if necessary.** Given the high uncertainty around how tariff policies may evolve, supply chain visibility (n-tier analytics) and scenario planning will be key to inform network redesign and trade cost re-optimization efforts.
- **Tariffs and trade restrictions will also have implications for broader areas within companies’ value chain footprint:**
 - Evaluating whether products and distribution channels need to be redesigned to adapt to input availability and cost
 - Assessing impact on growth strategy, competitive environment, pricing, and financial plans
 - Adjusting M&A/portfolio strategy based on evolving competitive environment and availability of key inputs

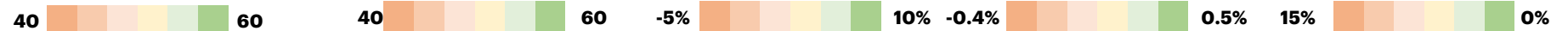
Recent data shows moderate services growth in most regions, still-sluggish manufacturing activity, healthy consumer spending, and continued disinflation

Country economic momentum snapshot

AS OF DECEMBER 12



Hatched pattern = data not available



Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary “flash” figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services refers to Business Climate Index: Non-mfg. Consumer spending shading based on real retail sales growth 3MMA percent change except for Australia which is based on Q/Q % change and India which is based on 3MMA of Y/Y% change. Employment growth is derived from employment figures as provided by government authorities. CPI uses harmonized figures for Euro Area countries.

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

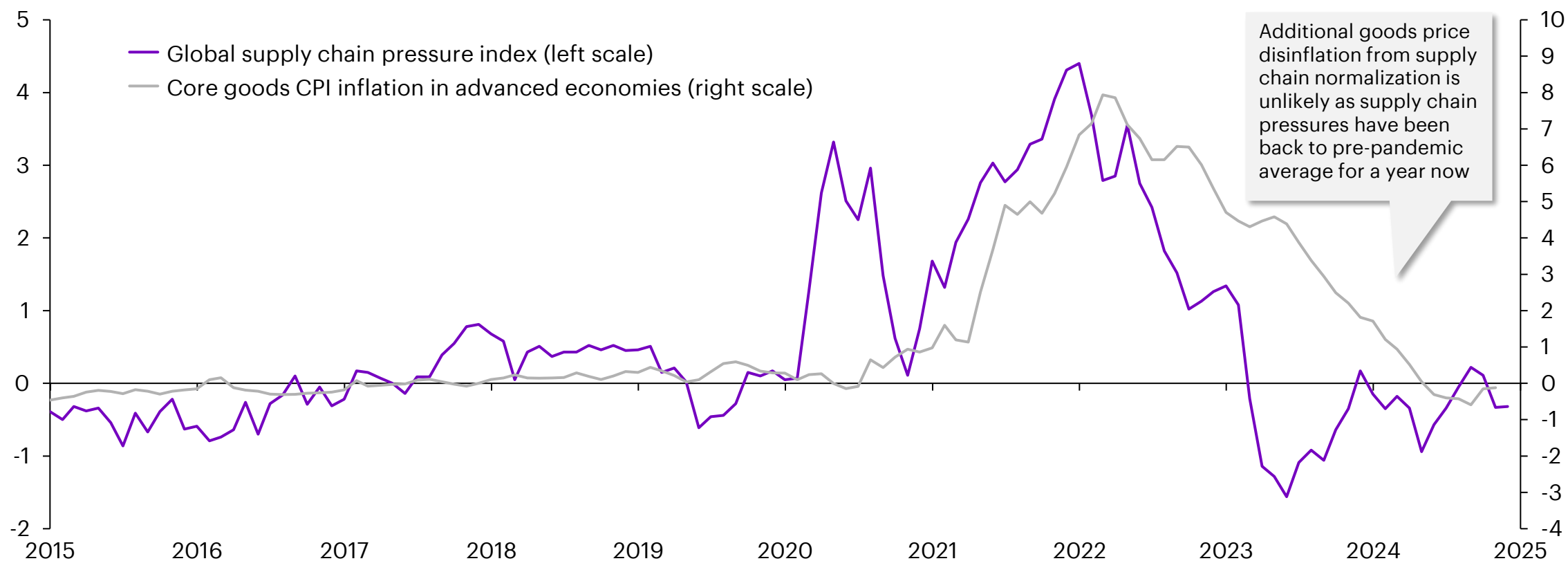
A fading disinflationary tailwind from post-pandemic supply chain healing suggests a higher risk that tariffs re-stoke goods price inflation

Global goods price disinflation from supply chain normalization

Supply chain pressure index vs. core goods CPI inflation

Index (standard deviation points monthly. 0 = average value)

Year-on-year inflation (percent)



Note (1): GDP weighted average across US, UK and the Euro area. Inflation measure looks at core goods inflation (overall inflation less food, energy and services. Also known as non-energy industrial goods inflation).

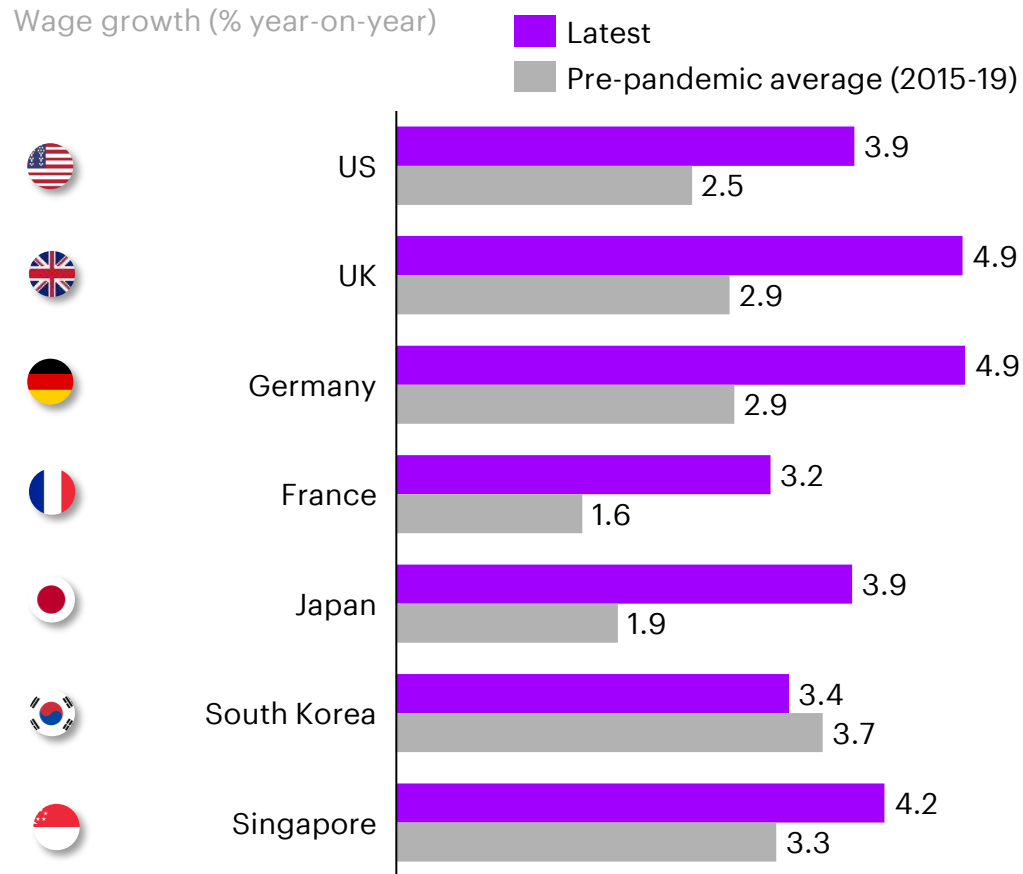
Sources: Federal Reserve Bank of New York, Haver Analytics, Accenture Strategy analysis

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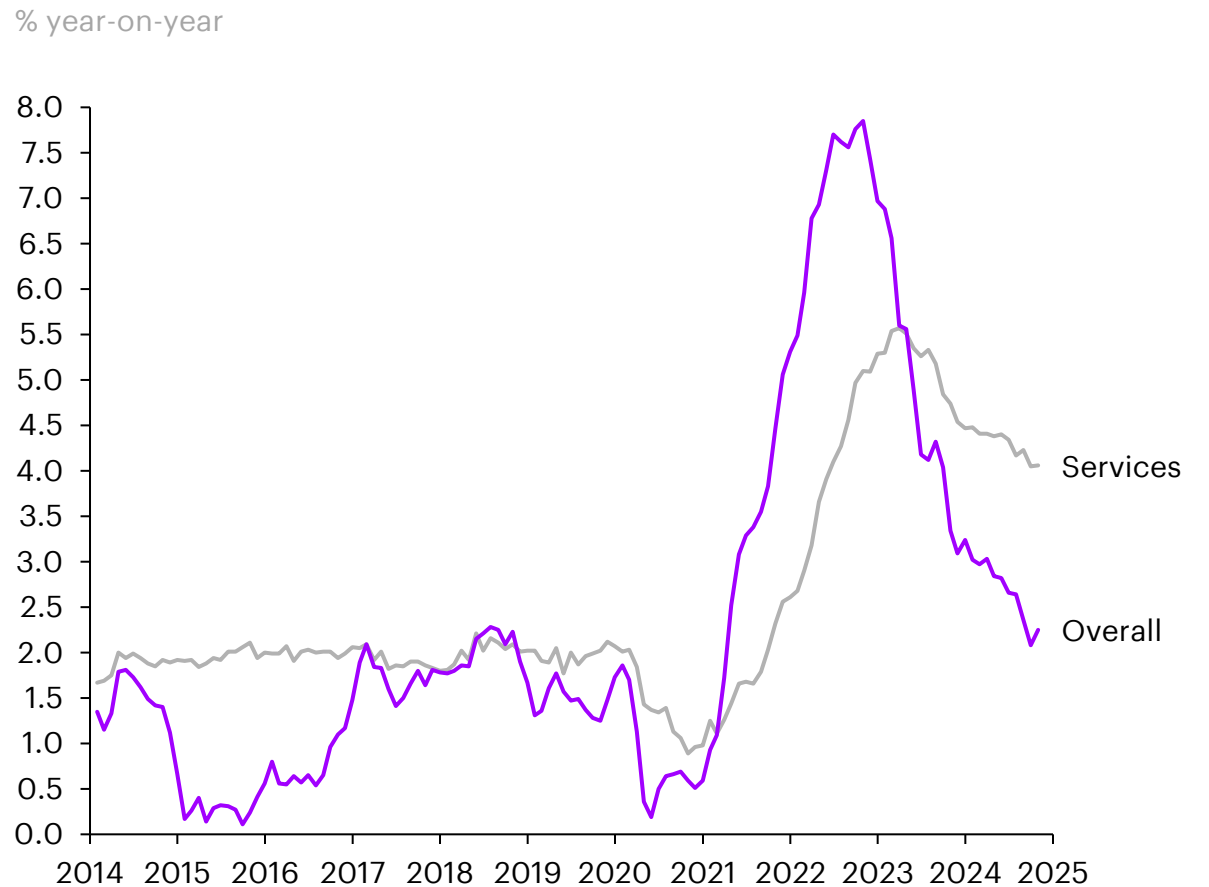
Residual wage pressures and sticky services inflation in major economies also raise likelihood that tariffs (which are a one-off price increase) could have second-round effects

Lingering wage and services inflation

Wage inflation



Average CPI inflation in advanced economies



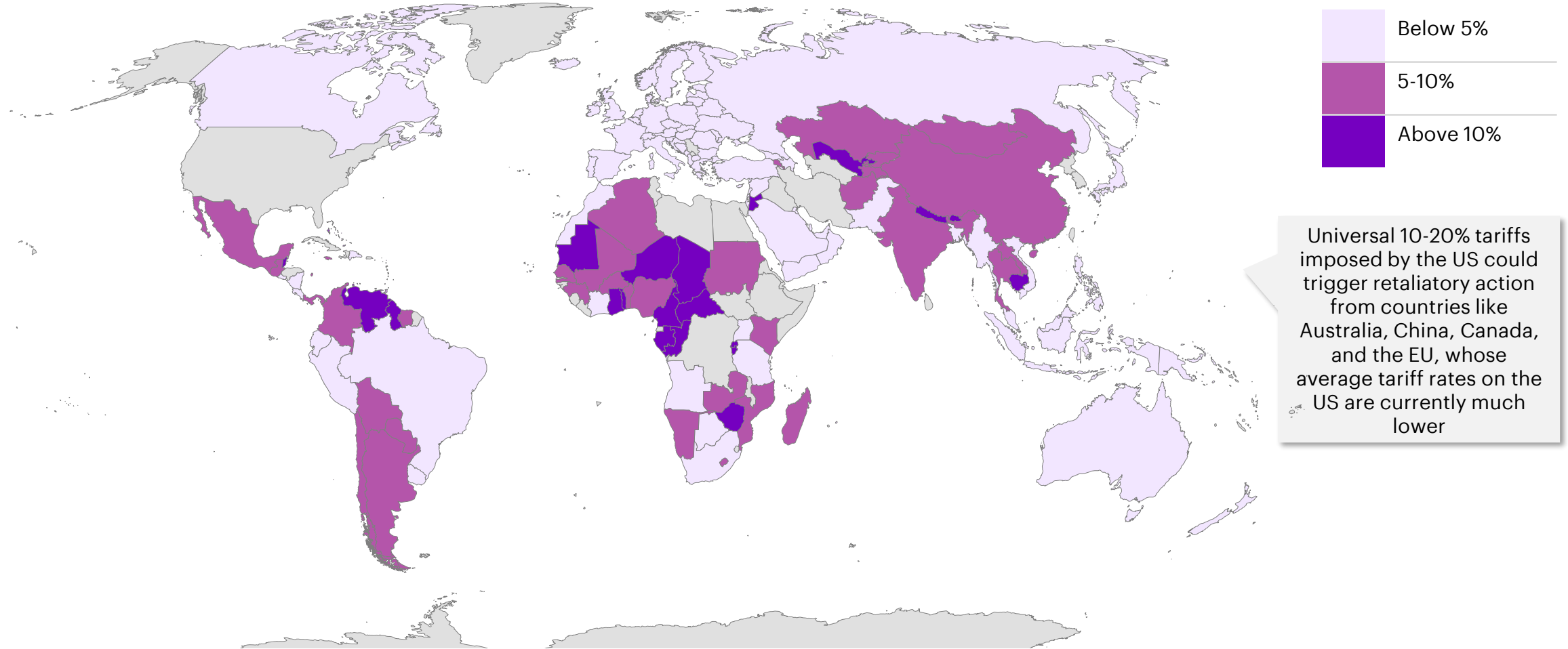
Note: Wage inflation data series cited are as follows—Employment cost index for US; average weekly earnings (private sector ex. bonuses) for UK; hourly labor costs (business economy) for Germany and France; nominal wage income of employees for Japan; average monthly wages for South Korea; average monthly earnings for Singapore.

Sources: Haver Analytics, Accenture Strategy analysis

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Retaliation by countries subjected to higher US tariffs could further broaden geographic scope of new inflation pressures

Weighted average tariff rates¹ imposed by select countries on US imports











Notes: (1) Effectively applied tariffs based on average harmonized system (AHS). Data as of 2022 for most countries barring exceptions.

Sources: World Integrated Trade Solution, Accenture Strategy analysis

Elevated policy uncertainty and modest growth are the base case for the US economy; continued stagnation or sluggish recoveries are most likely throughout Europe







Latest economic outlooks: Americas and Europe

		Key recent datapoints	Base case outlook	What to watch for
Americas 	 US	<ul style="list-style-type: none"> Real consumer spending rose a modest 0.1% in Oct, reflecting a slowdown in goods spending Headline CPI accelerated slightly to 2.7% in Nov, while core CPI held steady at 3.3% Nonfarm payrolls increased 227K in Nov, while the unemployment rate ticked up to 4.2% 	<ul style="list-style-type: none"> Expectations for moderate growth, a cooling labor market, and above-target inflation, alongside an uncertain backdrop of significant shifts in policy ahead 	<ul style="list-style-type: none"> Uncertainty related to the incoming Trump administration and the potential inflationary impact of proposed tariffs The future pace of Fed rate cuts will remain data dependent
	 Canada	<ul style="list-style-type: none"> The Bank of Canada announced another 50bp rate cut in Dec, marking the 5th cut since June CPI inflation rose to 2% YoY in Oct vs 1.7% in Sep but remained within the BoC's target 	<ul style="list-style-type: none"> Below-trend growth due to weak business investment and subdued consumer spending despite supportive monetary policy 	<ul style="list-style-type: none"> Elevated uncertainty related to proposed Trump tariffs Changes in immigration policies could have a notable impact on growth
	 Brazil	<ul style="list-style-type: none"> Inflation accelerated to 4.9% YoY in Nov, the highest in a year, driven by higher food, housing, and utilities prices 	<ul style="list-style-type: none"> Resilient growth marked by strong domestic demand despite above-target inflation and external factors such as severe droughts 	<ul style="list-style-type: none"> Additional policy tightening as the central bank targets high inflation Ongoing uncertainty regarding planned tax reforms and overall fiscal trajectory
Europe 	 UK	<ul style="list-style-type: none"> Retail sales declined 0.7% in Oct due to low consumer confidence and budget policies Inflation rose to 2.3% in Oct from 1.7% YoY in Sept, driven by housing, electricity and gas 	<ul style="list-style-type: none"> Growth will be supported by ebbing inflationary pressures and a boost to consumption. Business investment could remain weak given upcoming tax increases (per the Autumn budget). 	<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"> CPI inflation rose to 2.2% in Nov from 2.0% in Oct led by services inflation Retail sales declined 1.5% MoM in Oct compared to +1.6% in Sep due to weak discretionary spend amidst job uncertainty 	<ul style="list-style-type: none"> Low inflation and rising real wages should support private consumption, though policy uncertainty will continue to hamper investor confidence, keeping overall growth muted in the near term 	<ul style="list-style-type: none"> Budget talks for 2025 after the collapse of Germany's ruling coalition and trade policy reactions after Trump's victory A potential debt brake reform for infrastructure and green investments
	 France	<ul style="list-style-type: none"> Sovereign borrowing costs hit a 12-year high of 3.05% in November Business activity deteriorated significantly in November, with the services PMI dropping to a one-year low of 47 	<ul style="list-style-type: none"> Political turmoil, lack of a government budget, weak demand, and limited potential for further interest rate cuts are expected to continue suppressing business investment and household consumption 	<ul style="list-style-type: none"> The formation of a new government, coupled with more restrictive fiscal policies and public spending cuts, may further weaken both domestic and external demand

APAC economies are expected to continue to diverge as India and Indonesia expand but Australia and others face sluggish demand and inflationary pressures

Latest economic outlooks: Asia-Pacific

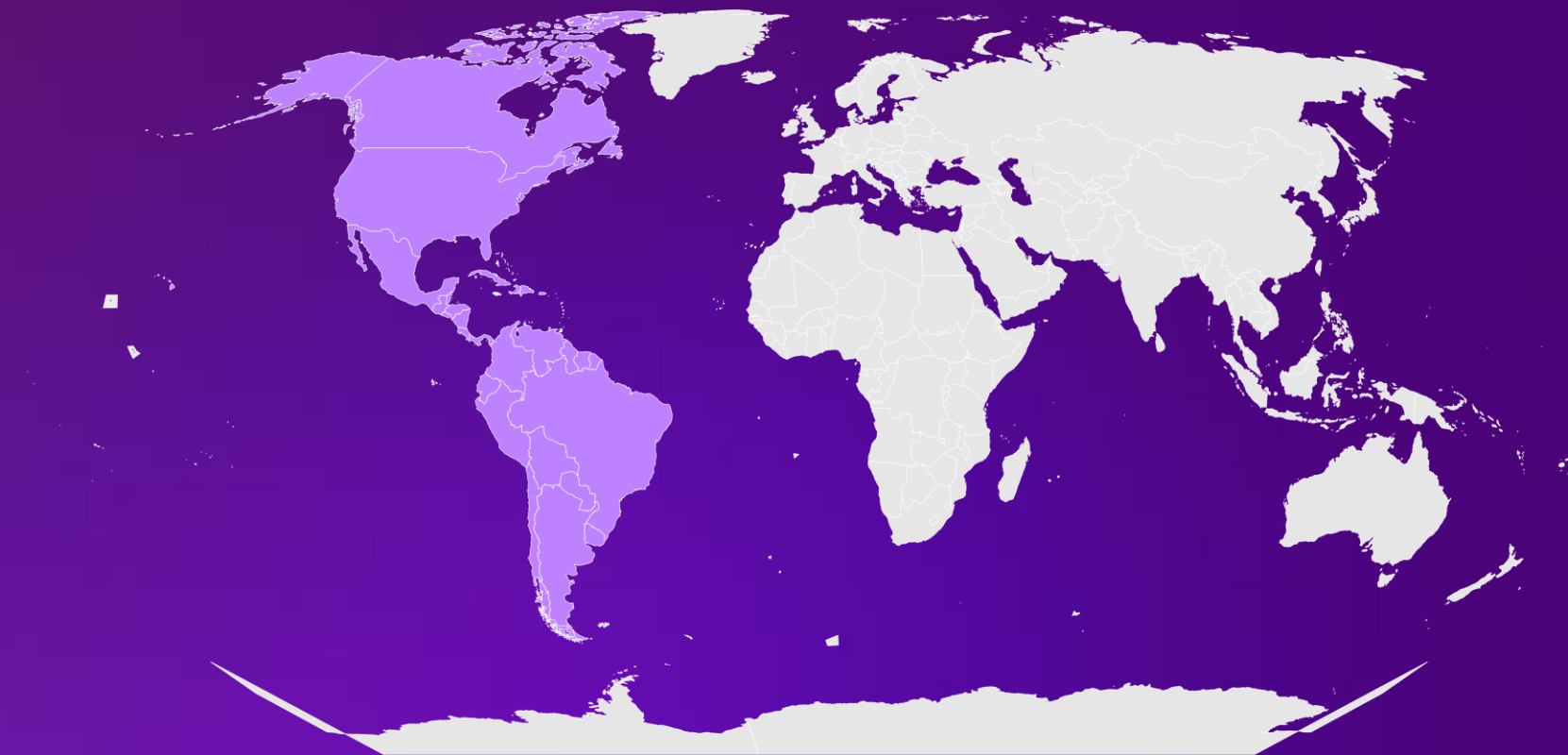
AS OF DECEMBER 12

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific 	 China	<ul style="list-style-type: none"> NPC Standing Committee announced RMB10T (USD 1.4T) local government debt swap in Nov Onshore yuan fell to lowest intra-day point in more than year, to 7.2996 against the USD The yield on China's 10-year government bond fell below 2% for the first time in Dec 	<ul style="list-style-type: none"> Growth continues to trend down towards a slower potential pace (3-4%) due to structural challenges and potential trade tensions in 2025 Uncertainty regarding the impact of stimulus measures amid subdued consumer confidence and property sector challenges 	<ul style="list-style-type: none"> Extent of government policy intervention (monetary and fiscal) to support the distressed property sector and prop up flagging growth Retaliatory policies in response to US tariff imposition
	 Japan	<ul style="list-style-type: none"> Core inflation accelerated in Nov to 2.2%, staying above the BoJ's 2% target The services PMI rebounded above 50 in Nov after dipping below this level in Oct The yen rebounded to near 150 with BOJ talk of a rate hike and expectations of a Fed rate cut 	<ul style="list-style-type: none"> Modest recovery in GDP growth in 2025 as inflation pressures ease and real wage growth potentially boosts household consumption Risks persist amid slowing external demand 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 consumer on domestic spending, supported by real wage growth
	 India	<ul style="list-style-type: none"> India's services PMI held at 58 in Nov, while manufacturing decreased slightly to 56.5 RBI revised its GDP growth forecast from 7.2% to 6.6%, while holding interest rates at 6.5% and cutting the cash reserve ratio by 50bp 	<ul style="list-style-type: none"> Moderation in growth amidst slowing domestic demand and continued inflationary pressure Still, India should remain one of the fastest-growing major economies going into 2025 	<ul style="list-style-type: none"> Resilience in domestic demand despite global headwinds Extent of policy response as inflationary pressure remains elevated
	 Australia	<ul style="list-style-type: none"> Nov manufacturing PMI recovered slightly to 49, while the services PMI held steady at 50.5 in Nov, remaining above 50 for the 10th straight month RBA held its policy rate steady at 4.35% in Dec 	<ul style="list-style-type: none"> Growth is likely to recover in 2025, though uncertainty remains as external demand slows and tight labor markets continue to drive higher inflation and interest rates 	<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 (BI) held its interest rate steady at 6.00% in Nov after cutting by 25 bp in Sept Inflation slowed to 1.55% in Nov from 1.71% in Oct, staying within BI's target range (1.5-3.5%) 	<ul style="list-style-type: none"> Growth is expected to remain steady in 2025, supported by easing inflationary pressure at the end of 2024 and robust consumer spending and demand for key exports Headwinds remain from slowing external demand and geopolitical tensions 	<ul style="list-style-type: none"> Economic policy measures from President Prabowo which target higher growth but potentially impact inflation Changes in sectors and projects targeted for government investment



Spotlight developments

Americas

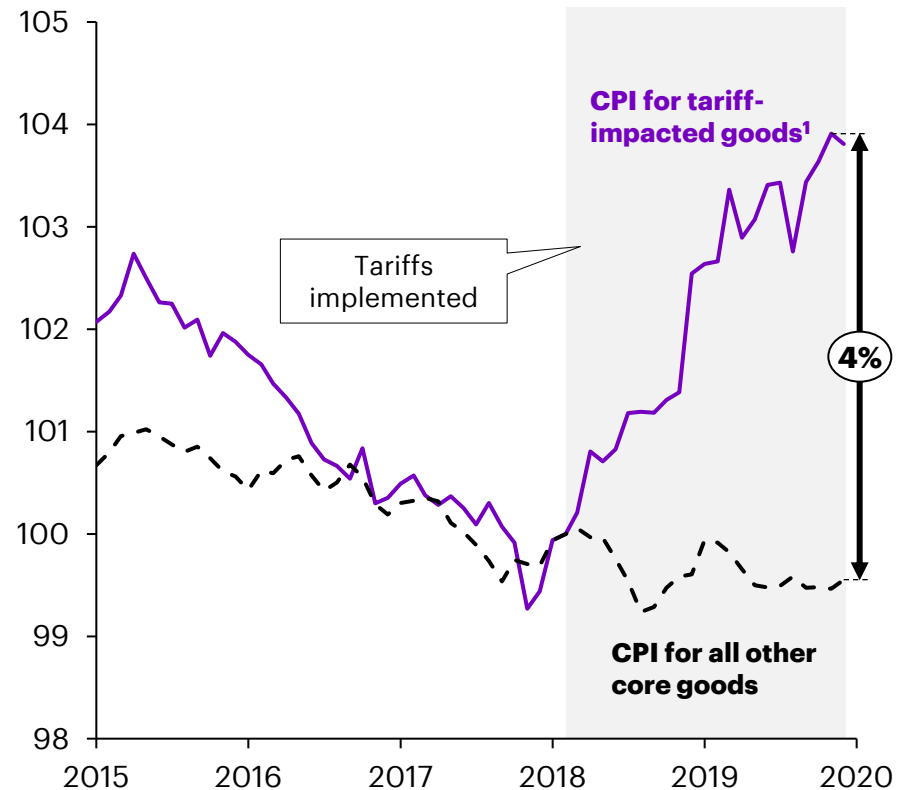


Trump's proposed tariffs risk re-igniting inflationary pressures in the US; every 1 p.p. increase in the effective tariff rate could raise CPI inflation by 0.1%

Impact of tariffs on US inflation

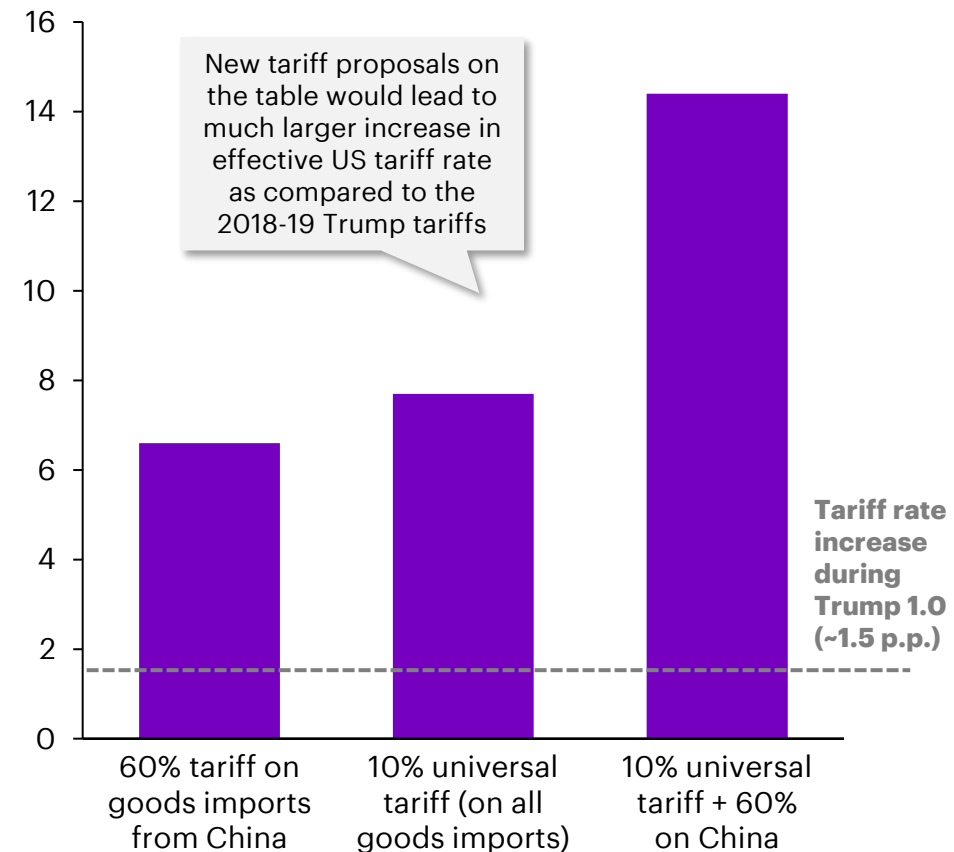
2018-19 Trump tariff impacts on US consumer prices

Consumer price index (Feb 2018=100)



Estimated impact of potential Trump tariff policies on effective US tariff rate*

Incremental percentage point increase



Implications for corporates

- Consistent with the 2018-19 tariff experience, Trump's proposed new tariffs are likely to increase firms' costs linked to imported inputs, pressuring them to pass these higher costs onto customers
- Firms may need to adapt their supply chain strategy to identify and invest in domestic suppliers or diversify their foreign suppliers
- Firms should also consider cost optimization through:
 - Product redesign
 - Zero-based budgeting
 - Contract renegotiations

* Effective tariff rate is the weighted average tariff across all goods imported into the US.

Sources: US Energy Information Administration, Goldman Sachs Economic Research, Accenture Strategy analysis

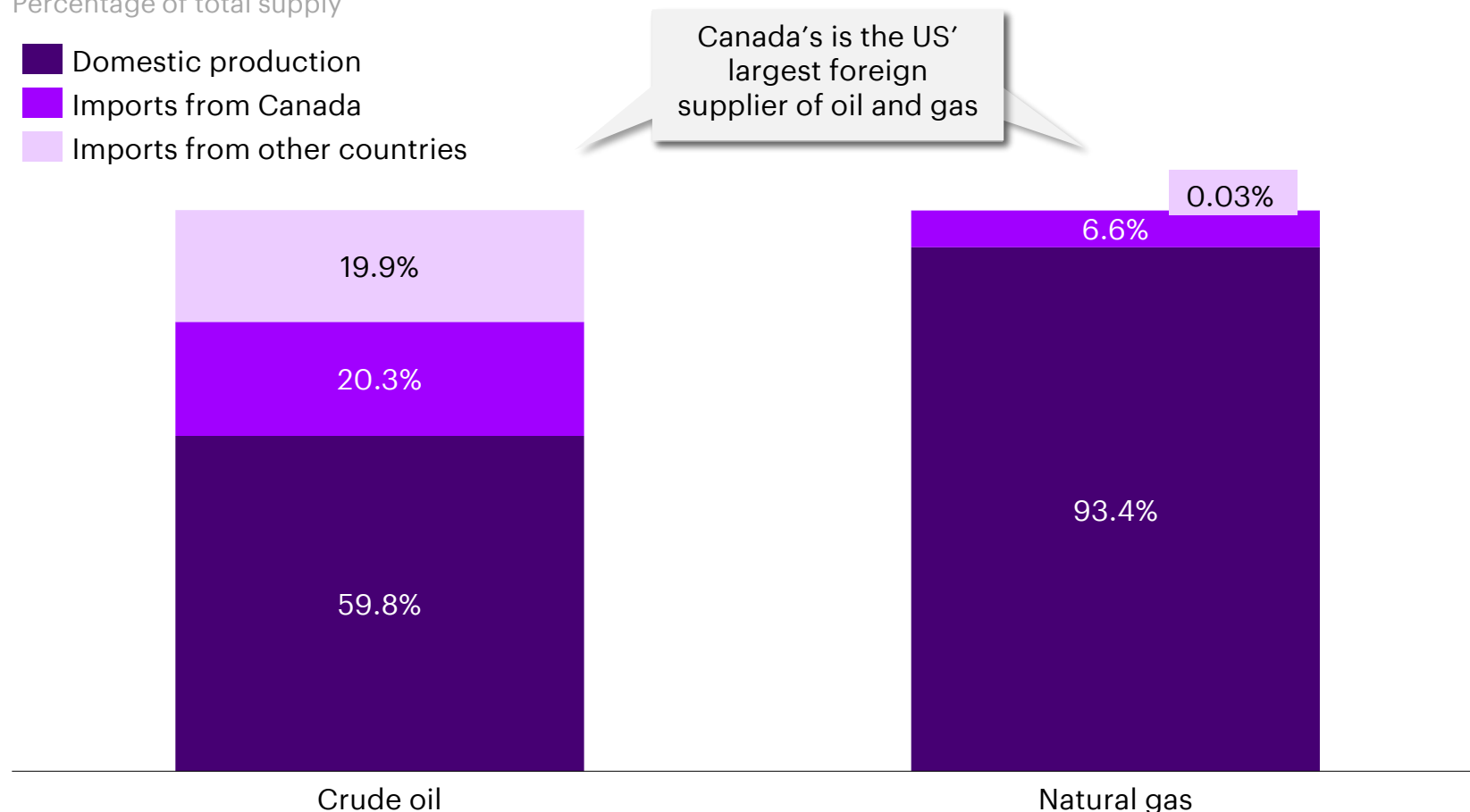
Though Trump's pro-oil and gas drilling policies are likely to further improve US energy independence, tariffs on Canada could drive up domestic energy prices in the near term

Canada's contribution to US energy supply

Sources of US crude oil and natural gas supply (2023)

Percentage of total supply

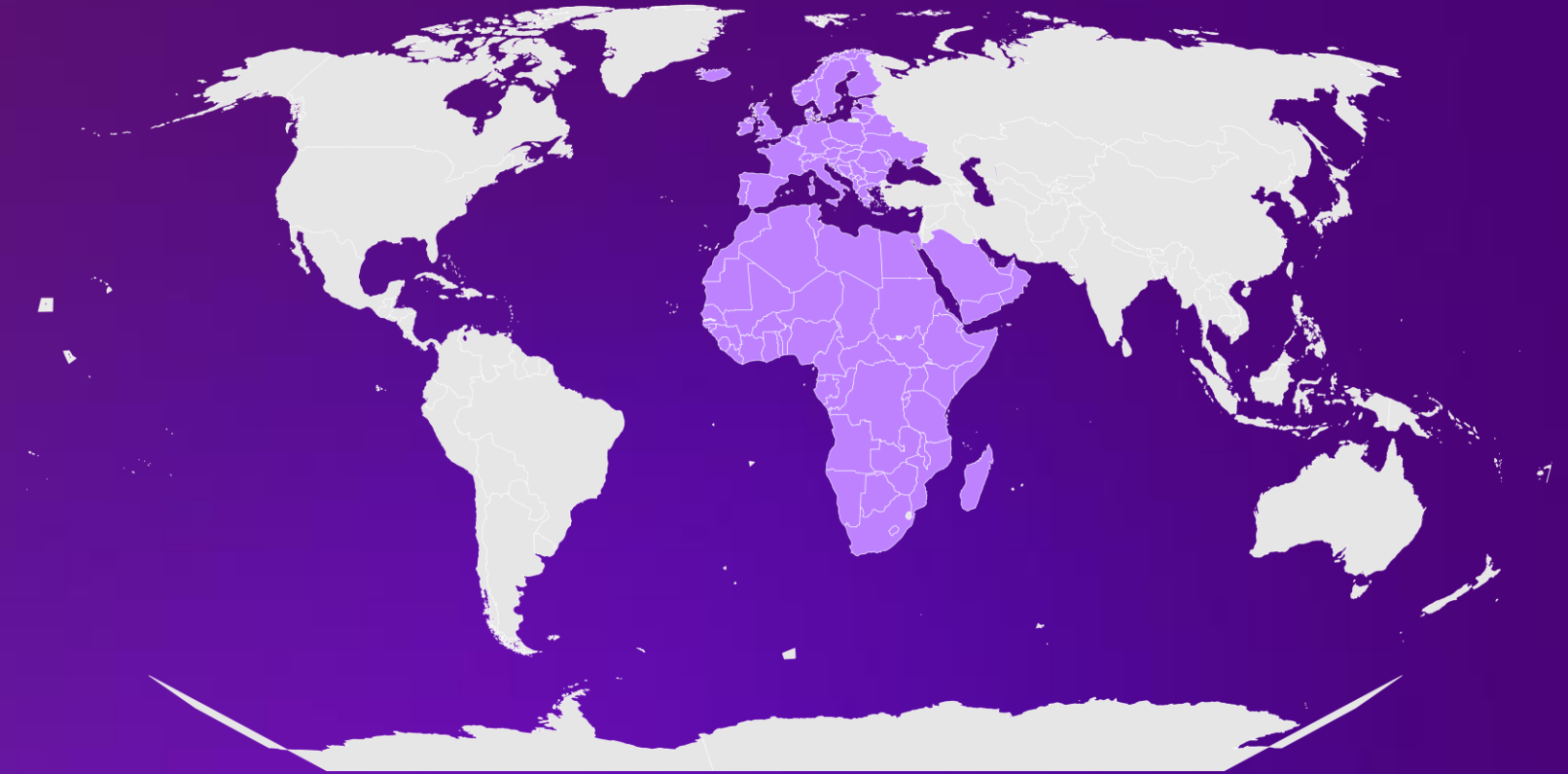
- Domestic production
- Imports from Canada
- Imports from other countries



Implications for corporates

- President-elect Trump has proposed 25% tariffs on all imports from Canada (and Mexico)
- If implemented, these tariffs could raise the price of imported natural gas and crude oil from Canada, translating to higher energy costs for households and companies
- US refineries in the Midwest are more exposed given their reliance on Canadian oil imports
- Trump's policies to boost domestic oil and production may help offset some of this imported energy inflation pressure, but likely only in the medium term given the lead times for new supply to come online

Europe, Middle East and Africa

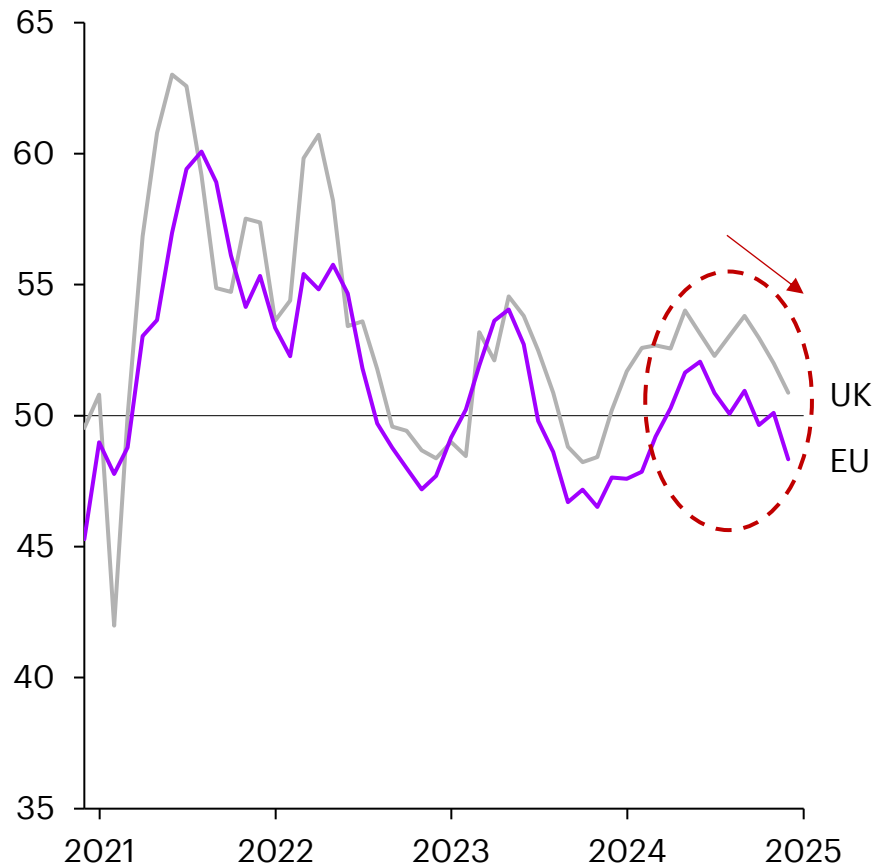


The recent slowdown in European activity and still-high inventory levels are likely to drive continued disinflation and be a counterweight to tariff-related price pressures

Europe activity

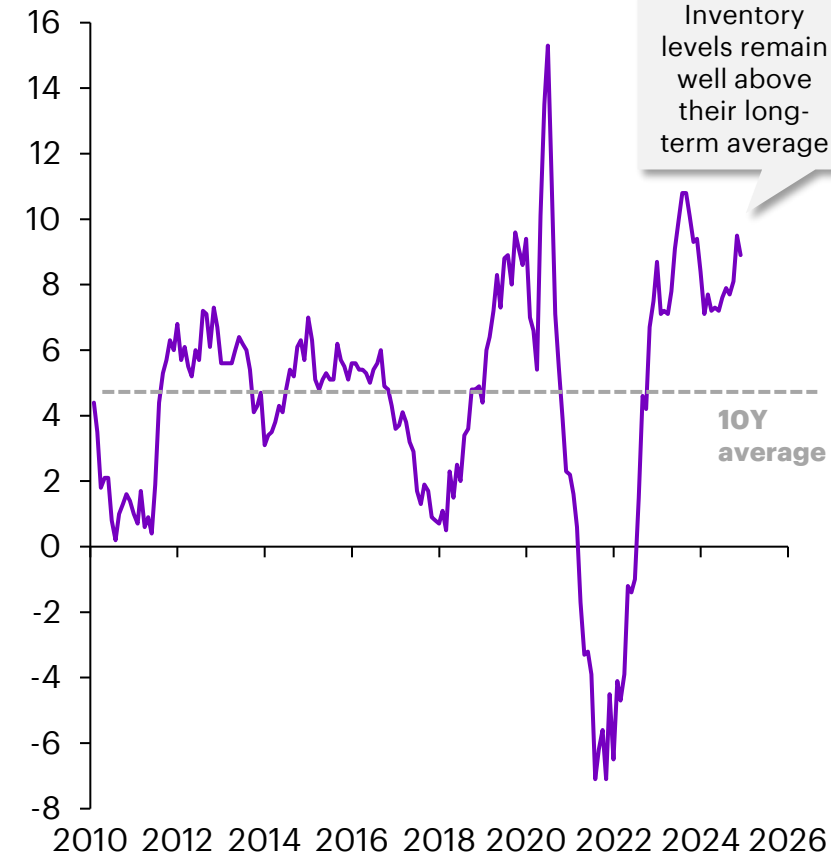
Composite PMI

Index. 50+ = expansion



EU manufacturing sector inventory levels

Stocks of finished products, percentage balance



Implications for corporates

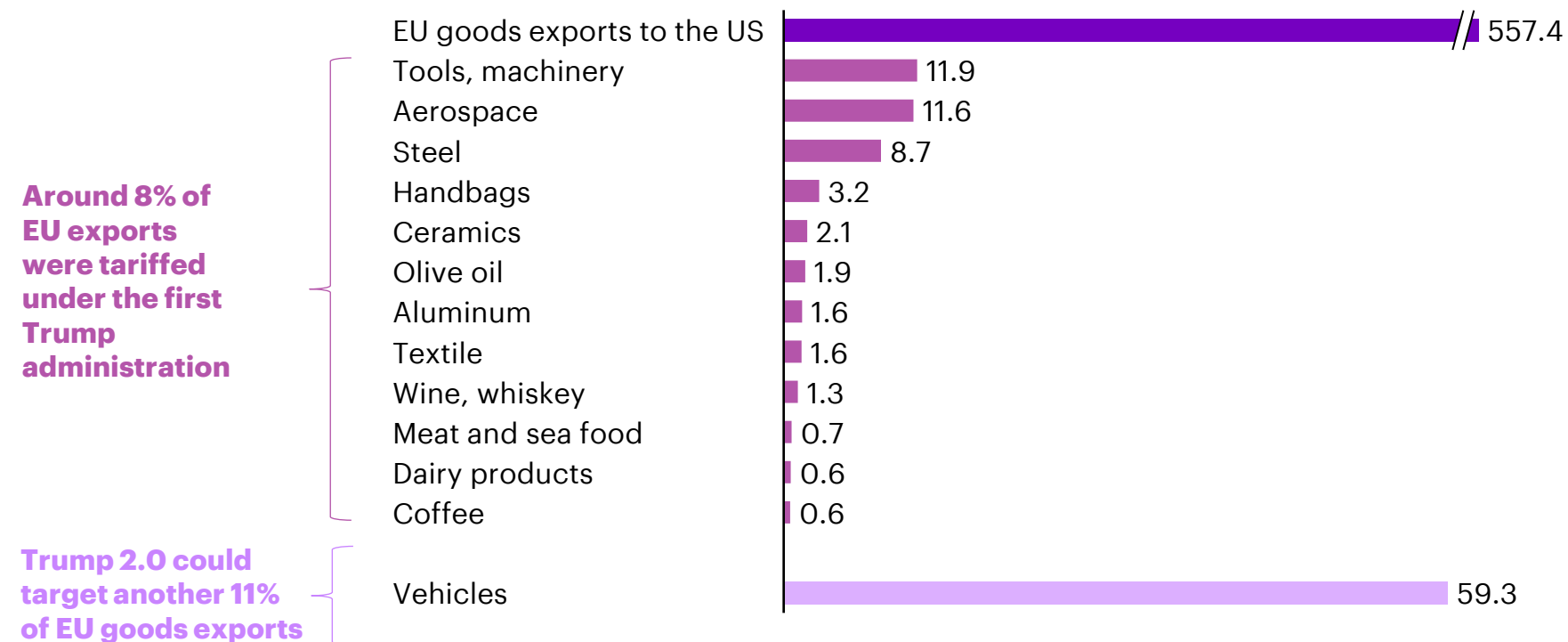
- Manufacturing firms are maintaining relatively higher inventories built during times of high demand and supply chain disruptions
- This suggests limited scope for increases in goods inflation even if tariffs are implemented
- Transport and defense equipment sectors are reporting inventory drawdowns, led by rising new orders and indicating some signs of recovery
- Amidst ongoing weak demand, companies should focus on building customer relationships through loyalty programs and higher engagement

A smaller range of European products—mainly autos—could be targeted under Trump 2.0, impacting an additional 11% of the region’s exports to the US

Tariff action on European goods exports to the US

EU exports to the US by products tarified

USD billion (data as of 2023, except for ceramics, which is for 2022)



Around 8% of EU exports were tarified under the first Trump administration

Trump 2.0 could target another 11% of EU goods exports

Note: Alcoholic beverages used as proxies for Wine and Whiskey. Aircraft and associated equipment, spacecraft used as proxies for Aerospace. Non-electrical machinery, tools and mechanical apparatus, hand machine tools among others used as proxies for Tools, Machinery. Iron and steel used as proxies for Steel. Fixed vegetable fats and oils, "soft", crude, refined or fractionated; Fixed vegetable fats and oils, crude, refined or fractionated, other than "soft" used as proxy for olive oil. Motor cars and other motor vehicles principally designed for the transport of persons, including station-wagons and racing cars, trailers and semi-trailers; other vehicles used a proxies for Vehicles; Trunks, suitcases, vanity cases, executive cases, briefcases, school satchels, spectacle cases, binocular cases, among others used as proxies for handbags.

Sources: Eurostat, Haver Analytics, Morningstar, Accenture Strategy analysis

Implications for corporates

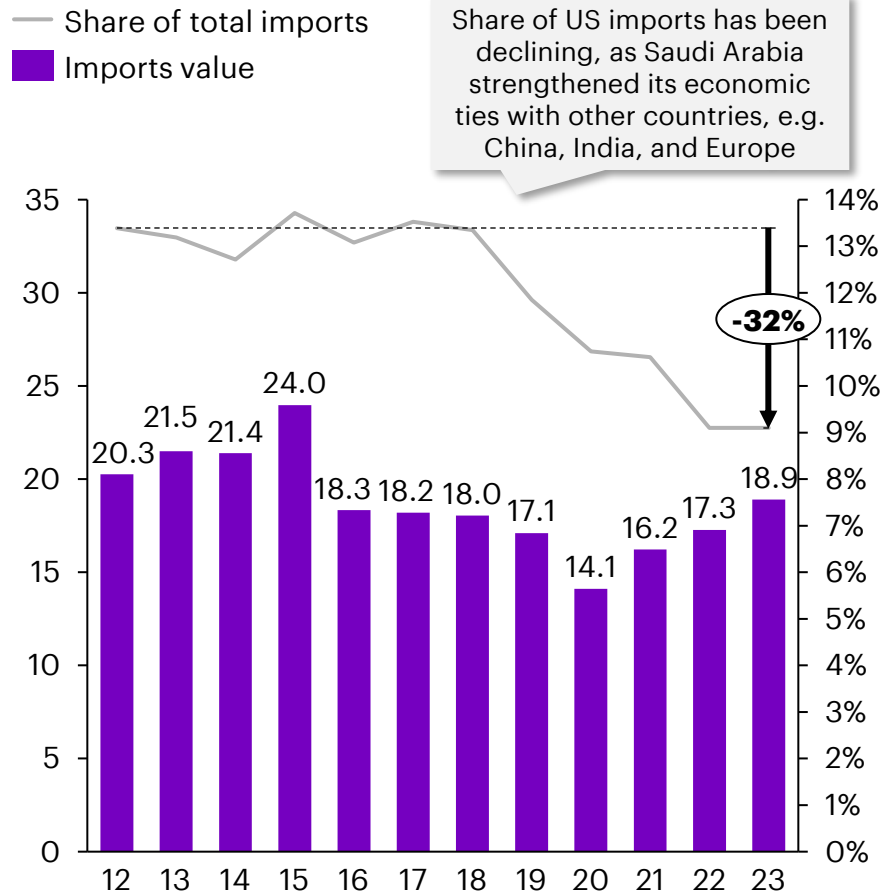
- Although Trump has threatened to impose a 10% tariff on imports from all countries, the probability is low due to limited support from congressional Republicans and business groups
- Targeted tariffs are more likely including:
 - Re-introduction of hikes on previously targeted goods
 - New tariffs on automakers given the US’ substantial trade deficit with the EU
- Tariffs could hurt European companies’ competitiveness and topline in the US
- Companies should implement tariff scenario planning to understand their exposure to Trump tariffs and how the risks could be mitigated

In Saudi Arabia, the risk of imported inflation from the US remains relatively low, yet USD appreciation driven by tariffs could hurt Saudi Arabia's exports to major trading partners

Saudi Arabia imports

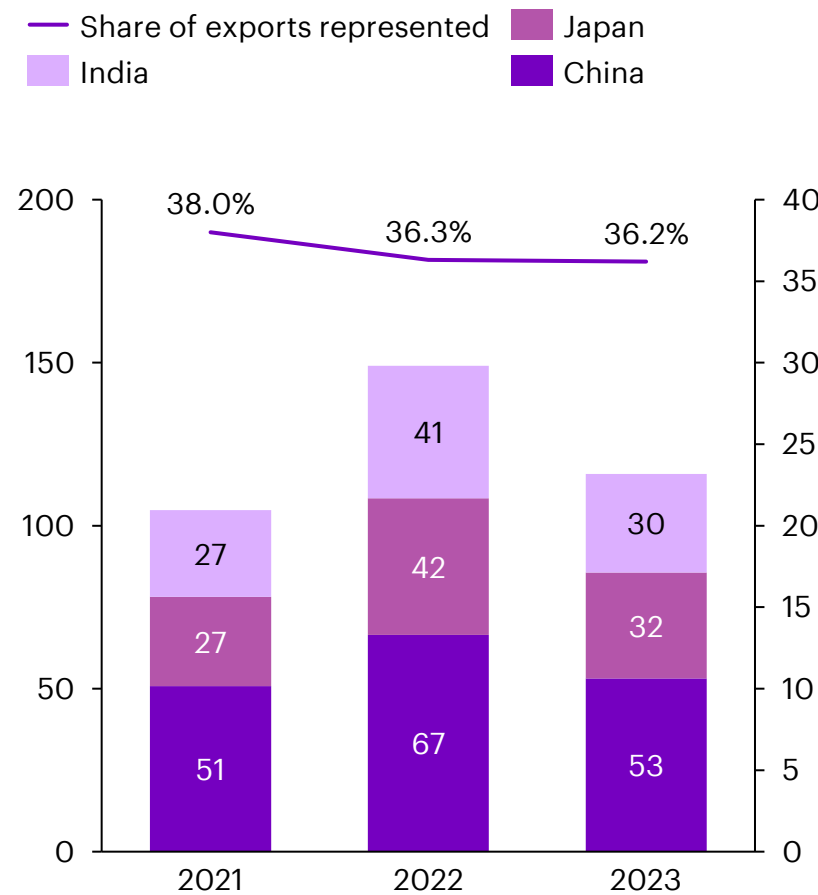
Saudi Arabia goods imports from US

Value (USD billion, LHS), Share of total imports (% , RHS)



Saudi Arabia's top 3 export destinations

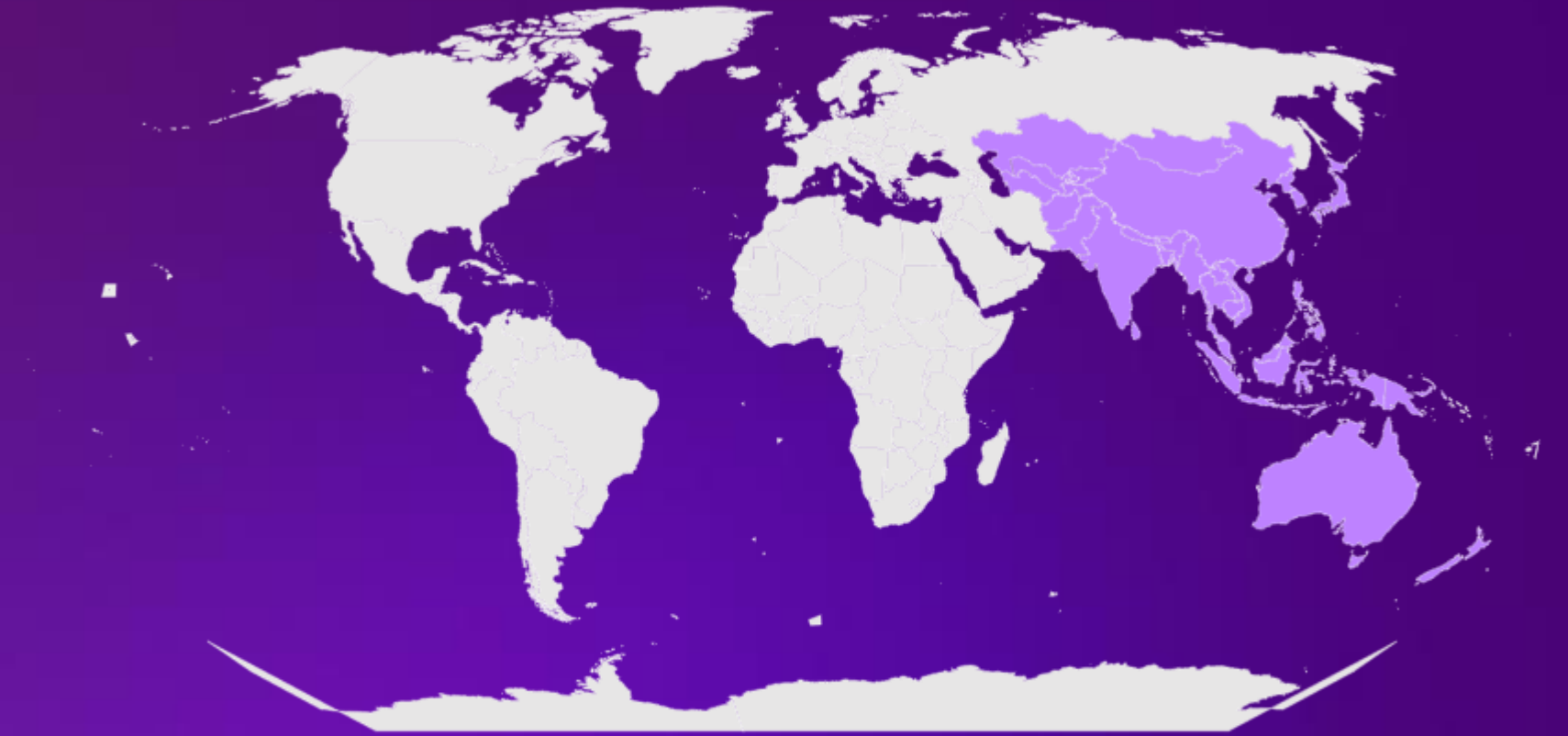
Value (USD billion, LHS), Share of total exports (% , RHS)



Implications for corporates

- Saudi Arabia's reduced reliance on U.S. imports limits its need for potential retaliatory measures and the risk of tariff-related imported inflation
- USD appreciation resulting from US tariff policies could, however, reduce Saudi Arabia's oil exports (which are USD-invoiced) to markets where currencies are weakening against the USD
 - A stronger USD could also make investments in Saudi Arabia less attractive to foreign investors, as the cost of doing business may increase

Asia Pacific

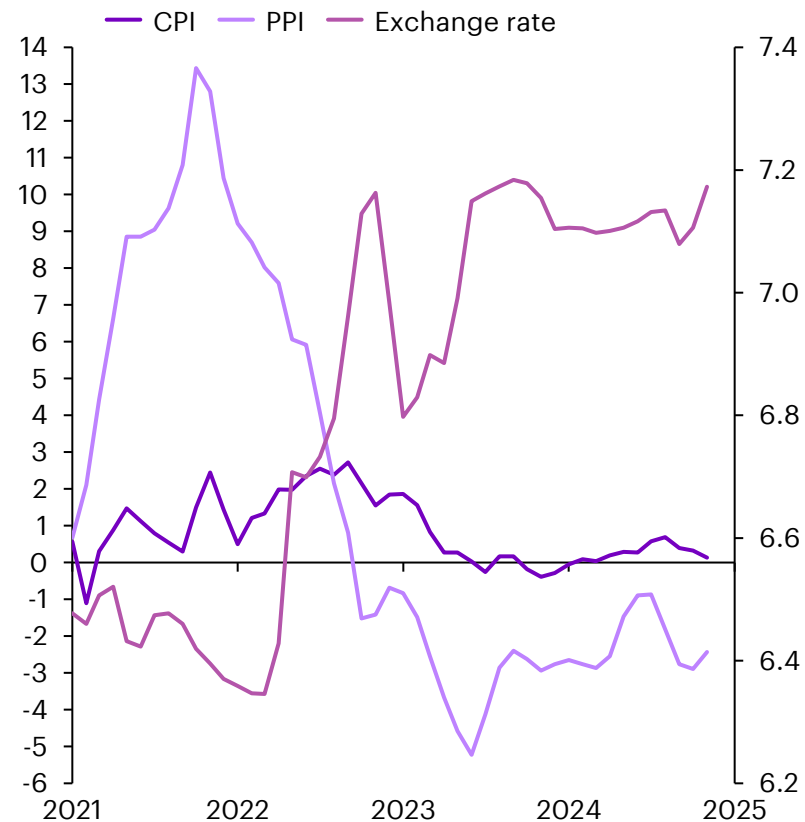


China is facing disinflation induced by weak domestic demand; US tariffs are more likely to slow growth by hurting exports than to cause inflation

Prices, exchange rate and select components of GDP growth

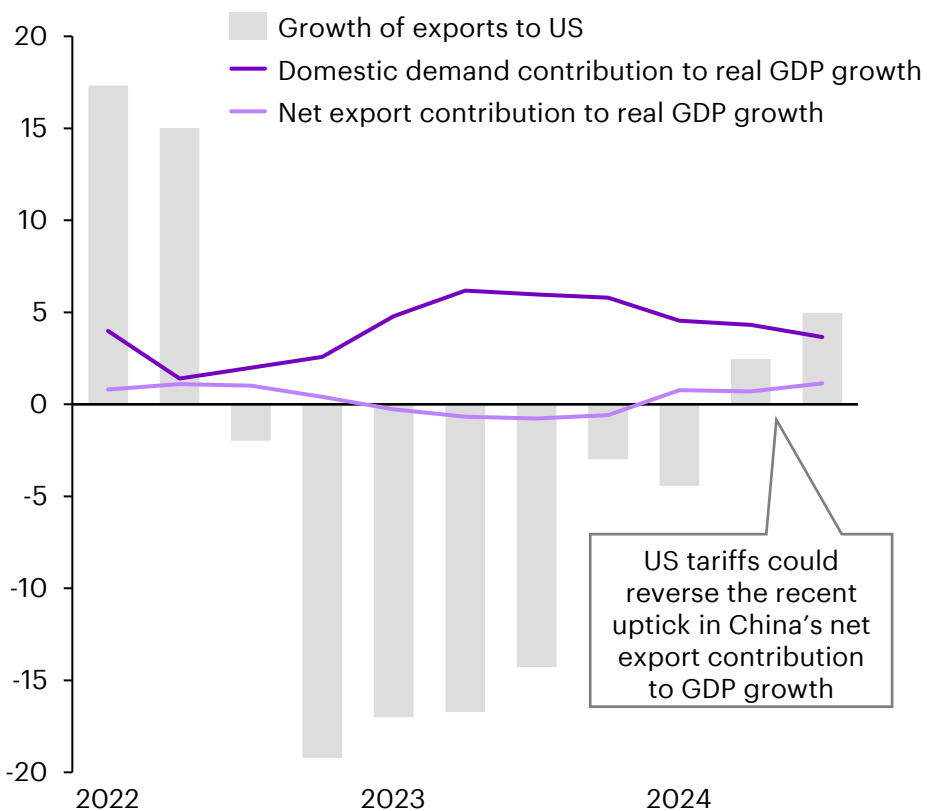
China's CPI & PPI point to potential deflation

Annual growth rate (%; LHS); Exchange rate (Yuan/USD, RHS)



China's net exports could be impacted by tariffs

Domestic demand and net exports contribution to China's GDP growth (%); annual growth rate of exports to the USA (%)



Implications for corporates

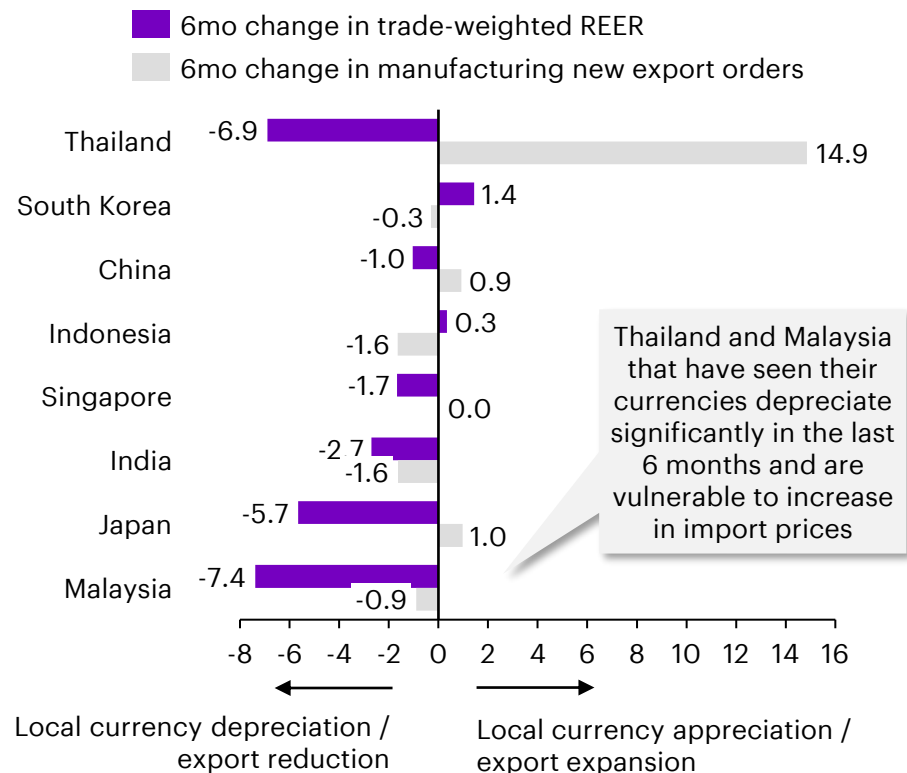
- US tariffs are likely to negatively impact export-oriented businesses, with or without retaliation from China
- Disinflation and deflationary environment in China may lead to squeeze on profit margins for MNCs operating in China
- A weaker Yuan is likely to:
 - increase future price of imported goods
 - further depreciate by imposition of tariffs
- Imported inflation due to weaker Yuan inflation could alleviate disinflation in China, but at the same time may further dampen consumer spending and sentiment in China

APAC countries that heavily rely on US imports may resort to tariff retaliation, potentially driving up inflation along with currency depreciation

Currency and trade divergence in APAC

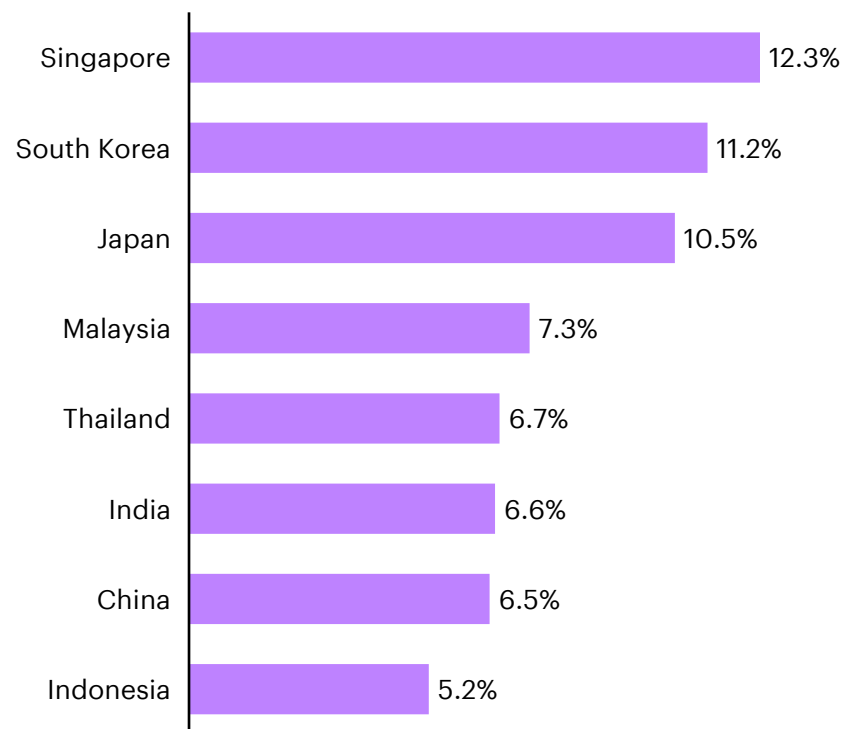
APAC currency performance, export momentum

6-month % change in trade-weighted real effective exchange rate (PPI-basis, Apr'24 = 100 for Japan and Thailand and May'24 = 100 for the rest), change in manufacturing new export orders PMI (index points, >0 = expansion)



APAC countries' goods imports from the US

Percent of total goods imports



Implications for corporates

- Countries like Malaysia and South Korea—with a strong dependence on US imports and/or weakened currencies—may experience inflationary pressure from retaliatory tariffs
- Companies that rely heavily on US imports might seek alternative suppliers or adjust supply chains, which may incur additional costs and time delays
- Companies based in APAC countries with large exposure to currency depreciation might need robust foreign exchange risk management strategies, such as currency hedging, to stabilize cash flows and protect margins in volatile market

Notes: 6-month REER for Japan and Thailand is from Apr'24 to Sep'24 and May'24 to Oct'24 for rest of the countries

Sources: Haver, CEIC, Accenture Strategy analysis



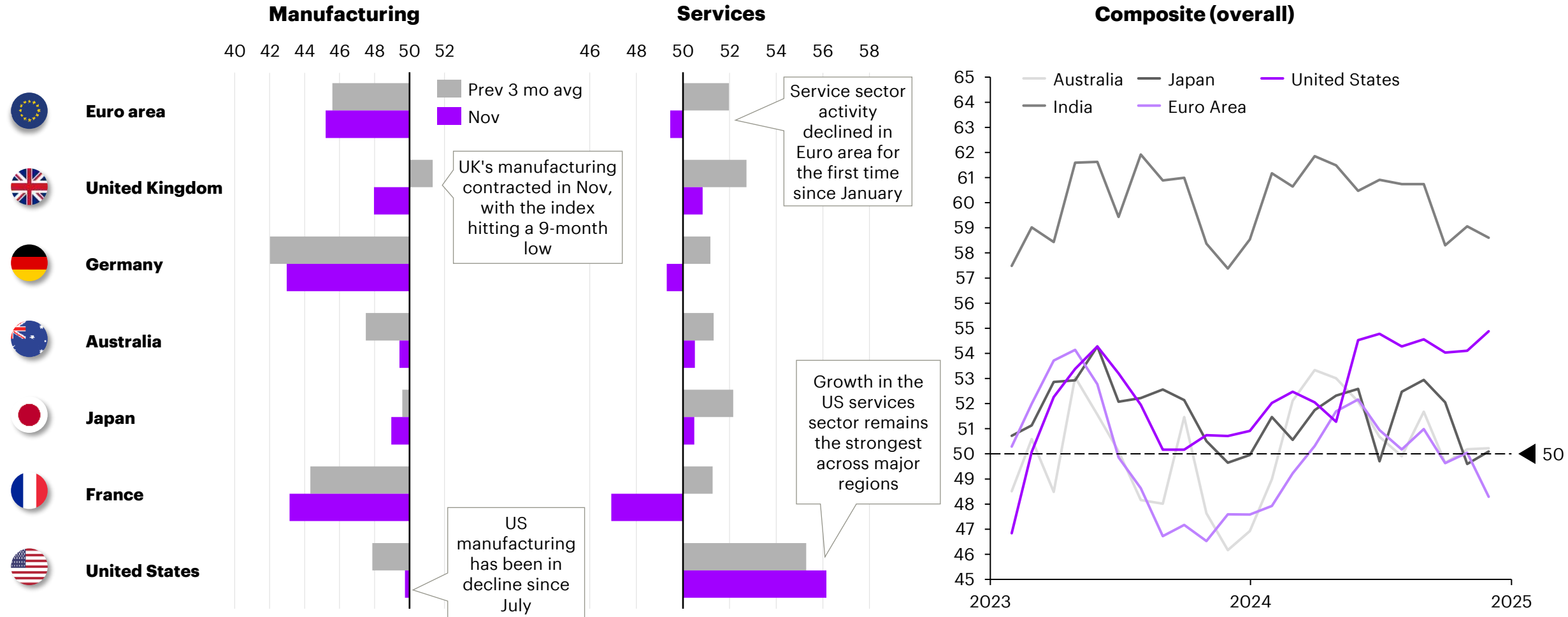
Economic indicator chart pack

Regional and industry activity



Manufacturing activity in November remained in contraction in most regions, while the services sector continued to gain momentum, primarily in the US

November Final 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

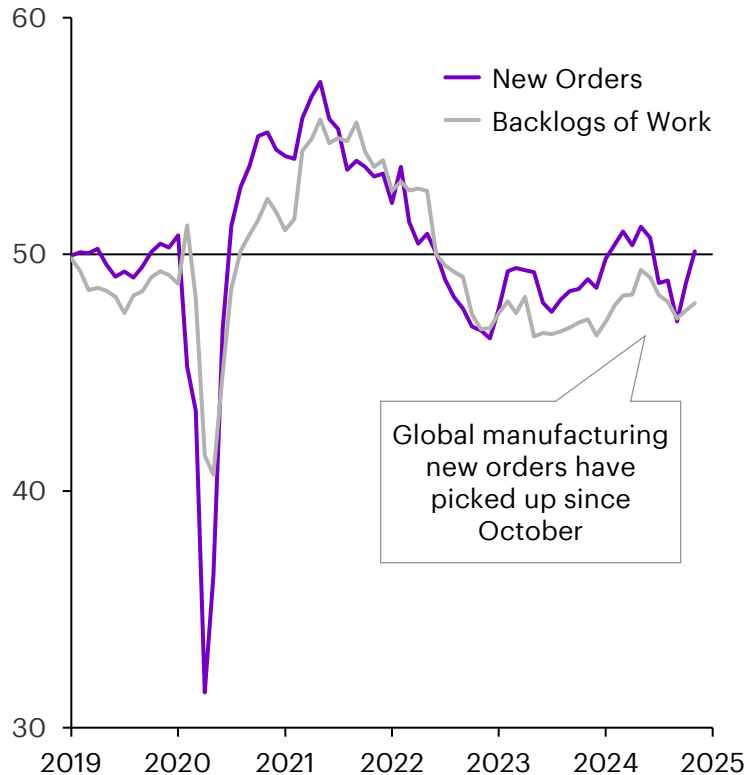
Sources: S&P Global, Accenture Strategy analysis

Forward-looking indicators suggest potential recovery in global manufacturing despite uncertain demand in the coming months

Leading indicators of global manufacturing momentum

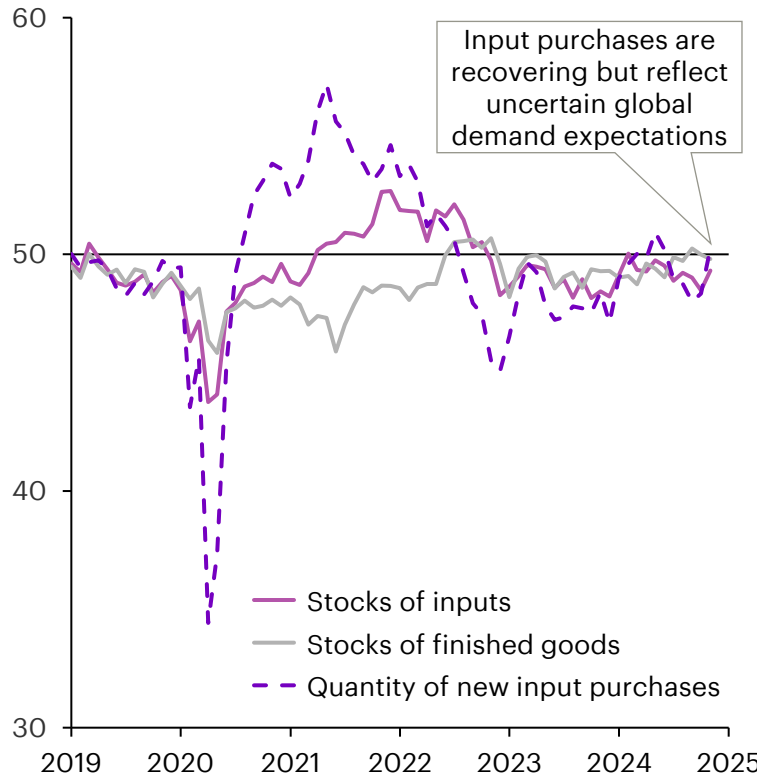
Rising new orders growth...

Diffusion indexes (SA, 50+=Expansion)



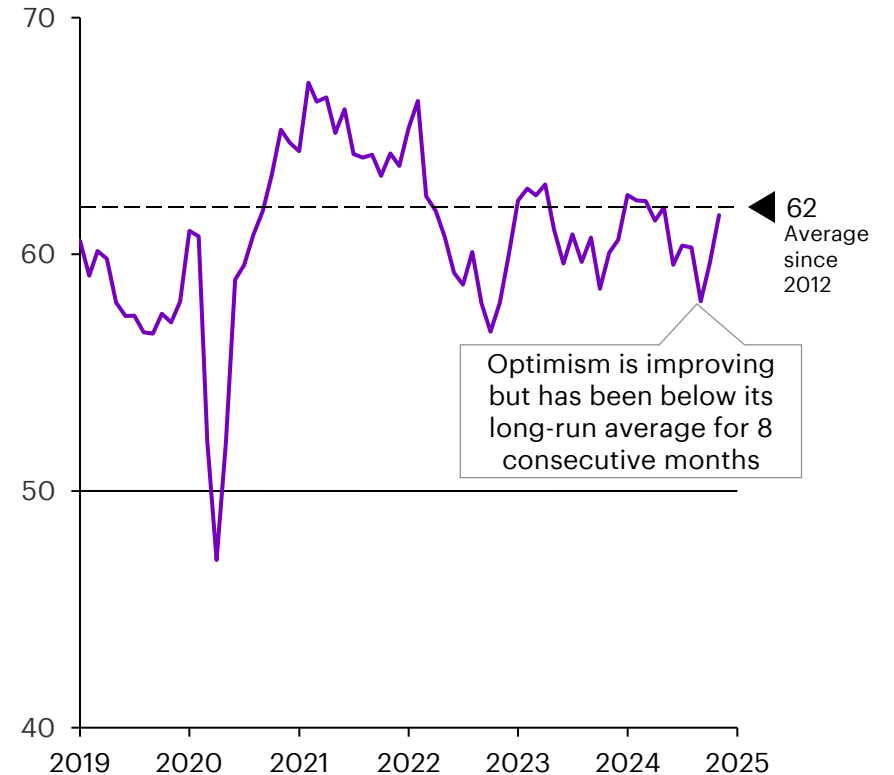
...with robust input purchases ...

Diffusion indexes (SA, 50+=Expansion)



...bolstering optimism for 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 US\$ 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.

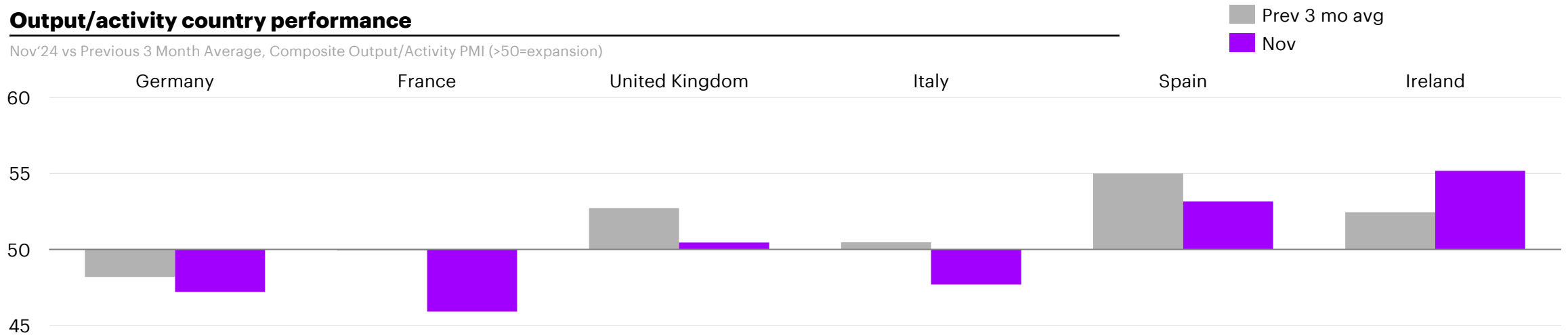
Sources: Haver Analytics, S&P Global, Accenture Strategy analysis

Across Europe, economic activity has been mostly subdued, although output and demand continues to grow in the UK, Spain, and Ireland

Regional performance: Europe

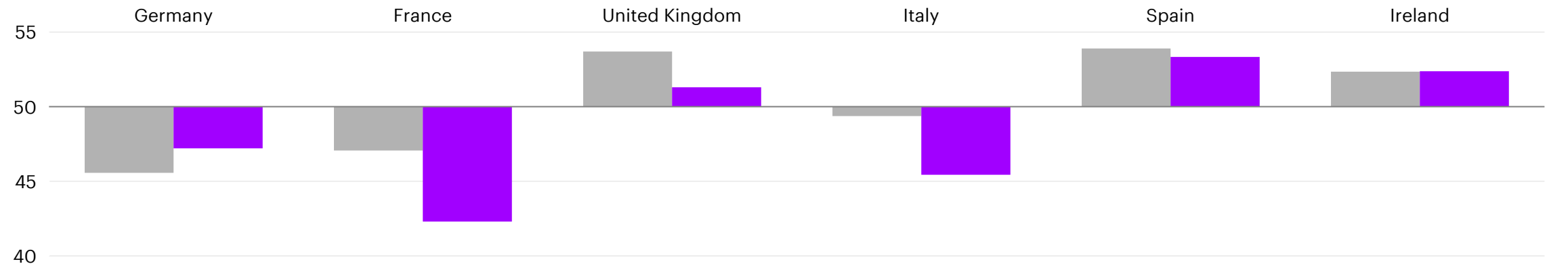
Output/activity country performance

Nov'24 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

Nov'24 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)

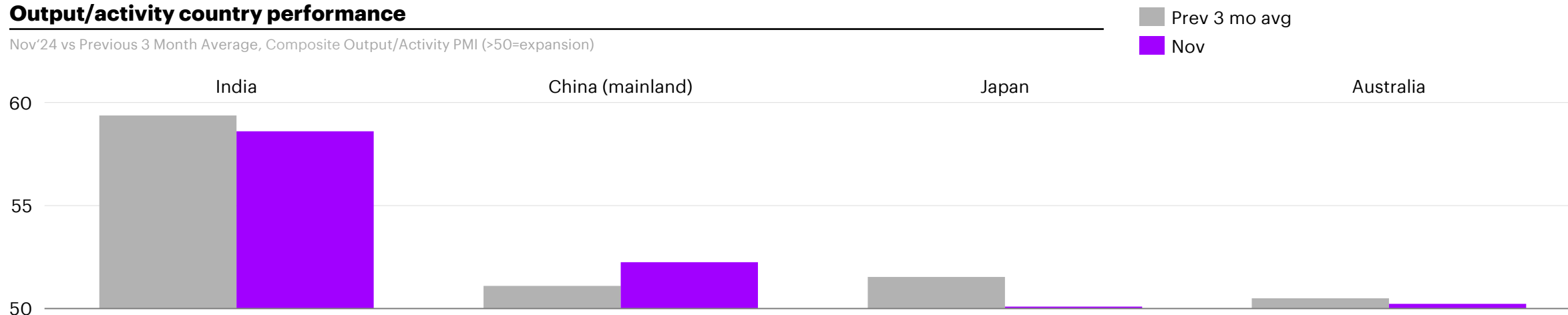


In the Asia-Pacific region, most economies continue to experience modest growth, with India remaining the clear outperformer

Regional performance: Asia-Pacific

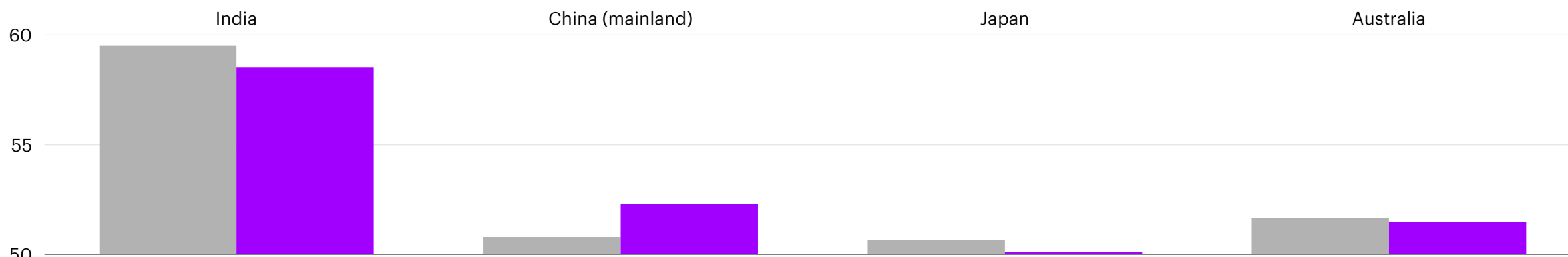
Output/activity country performance

Nov'24 vs Previous 3 Month Average, Composite Output/Activity PMI (>50=expansion)



New Orders Index

Nov'24 vs Previous 3 Month Average, Composite New Orders PMI (>50=expansion)

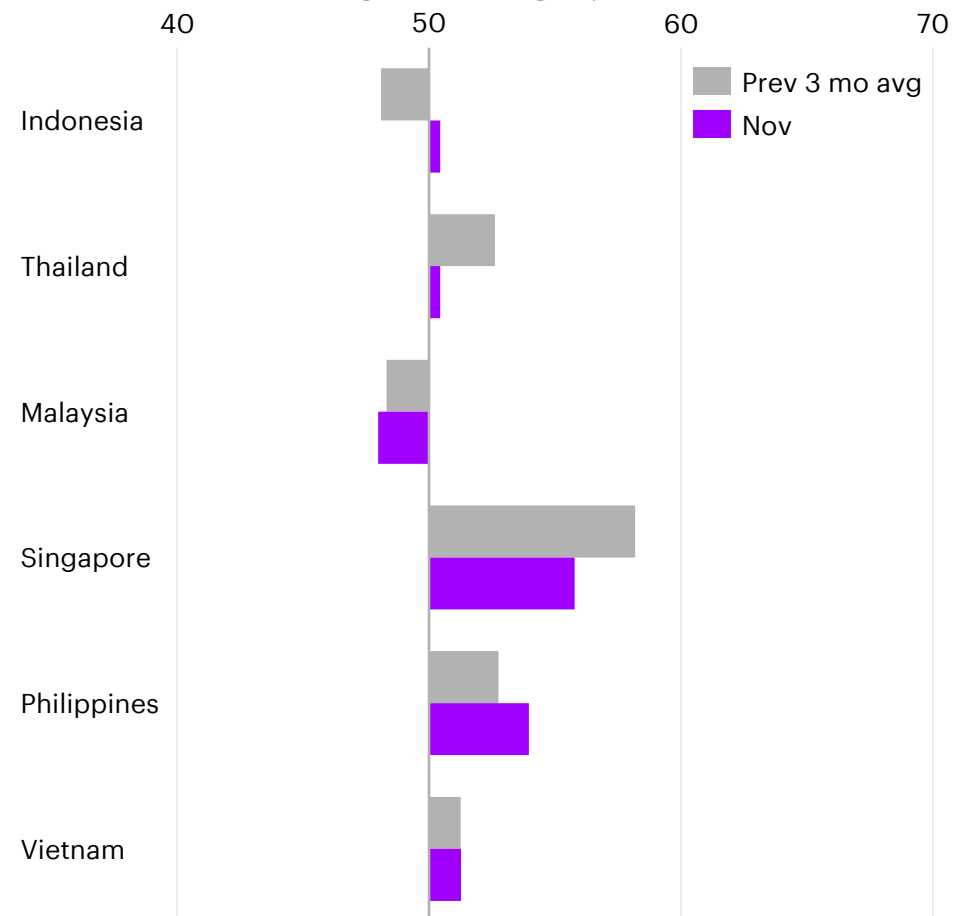


In Southeast Asia, manufacturing activity has held strong in Singapore and the Philippines, while other countries have experienced declines in new orders and employment

Regional performance: Southeast Asia

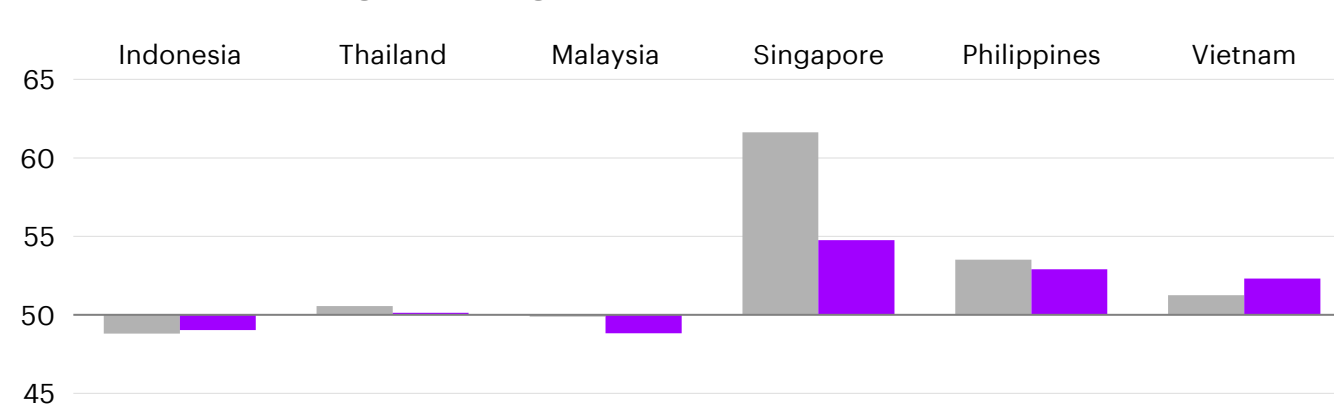
Manufacturing Performance

Nov'24 vs Previous 3 Month Average, Manufacturing Output



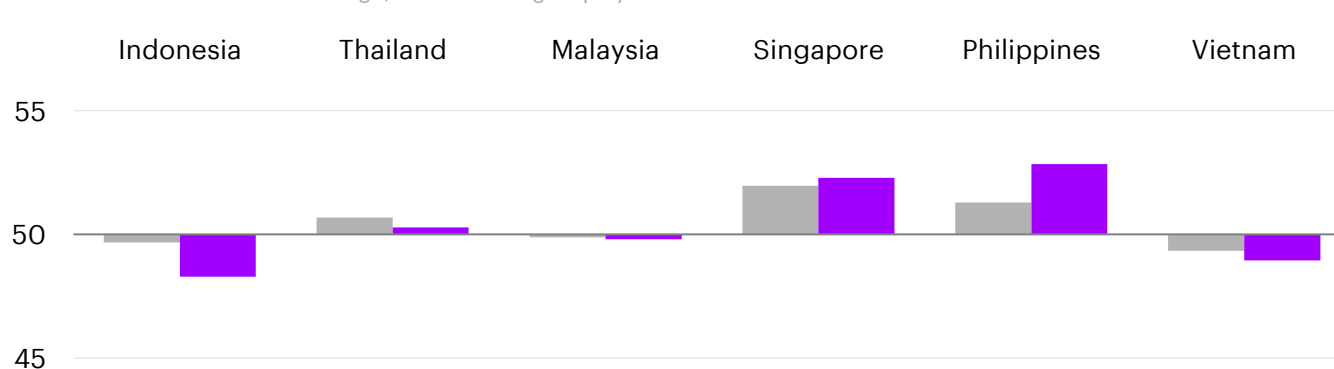
Manufacturing New Orders

Nov'24 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Nov'24 vs Previous 3 Month Average, Manufacturing Employment PMI



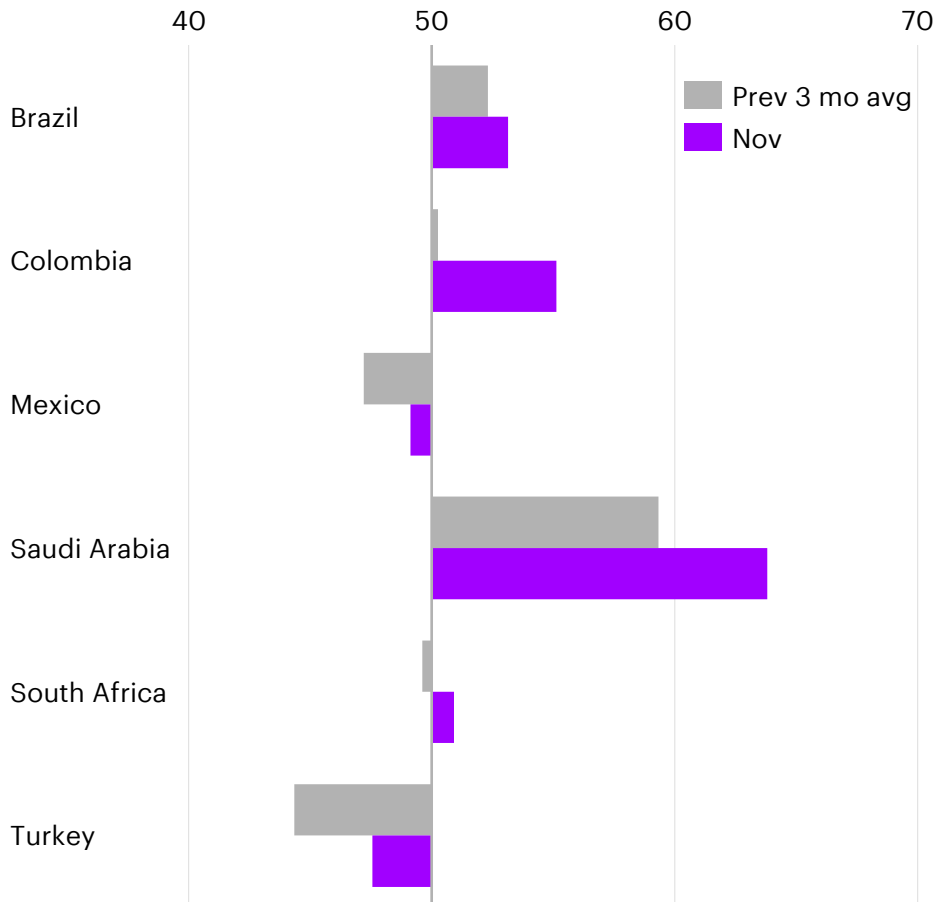
Notes: Performance for Singapore covers the whole economy
Sources: S&P Global, Accenture Strategy analysis

Among other emerging markets, Saudi Arabia's manufacturing sector continues to lead the charge, while Brazil has seen robust gains in new orders and employment

Regional performance: Other emerging markets

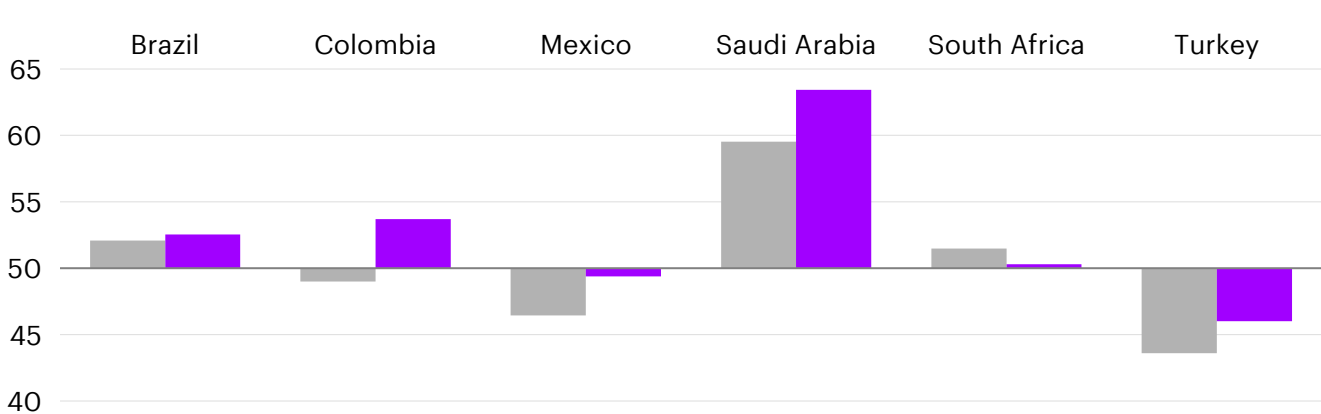
Manufacturing Performance

Nov'24 vs Previous 3 Month Average, Manufacturing Output



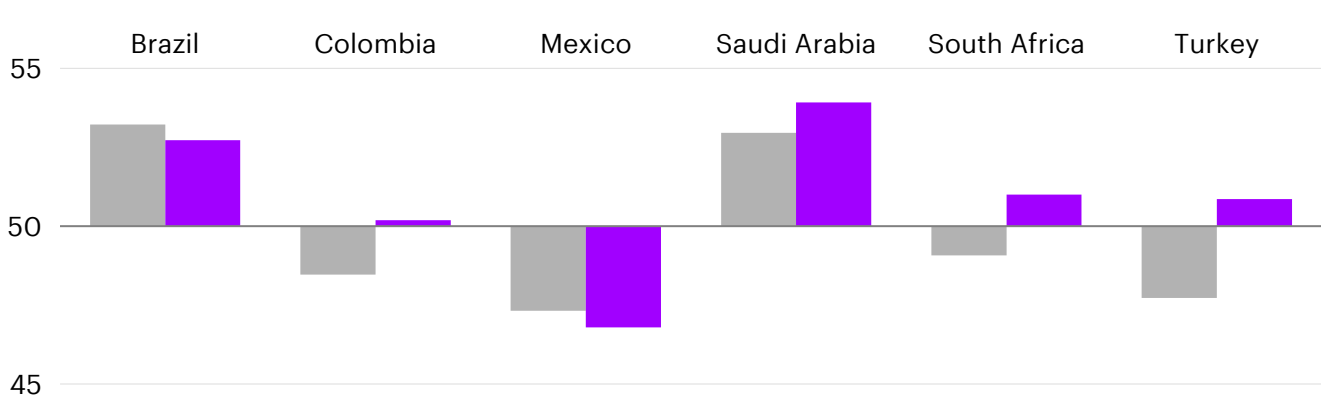
Manufacturing New Orders

Nov'24 vs Previous 3 Month Average, Manufacturing New Orders PMI



Manufacturing Employment

Nov'24 vs Previous 3 Month Average, Manufacturing Employment PMI



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

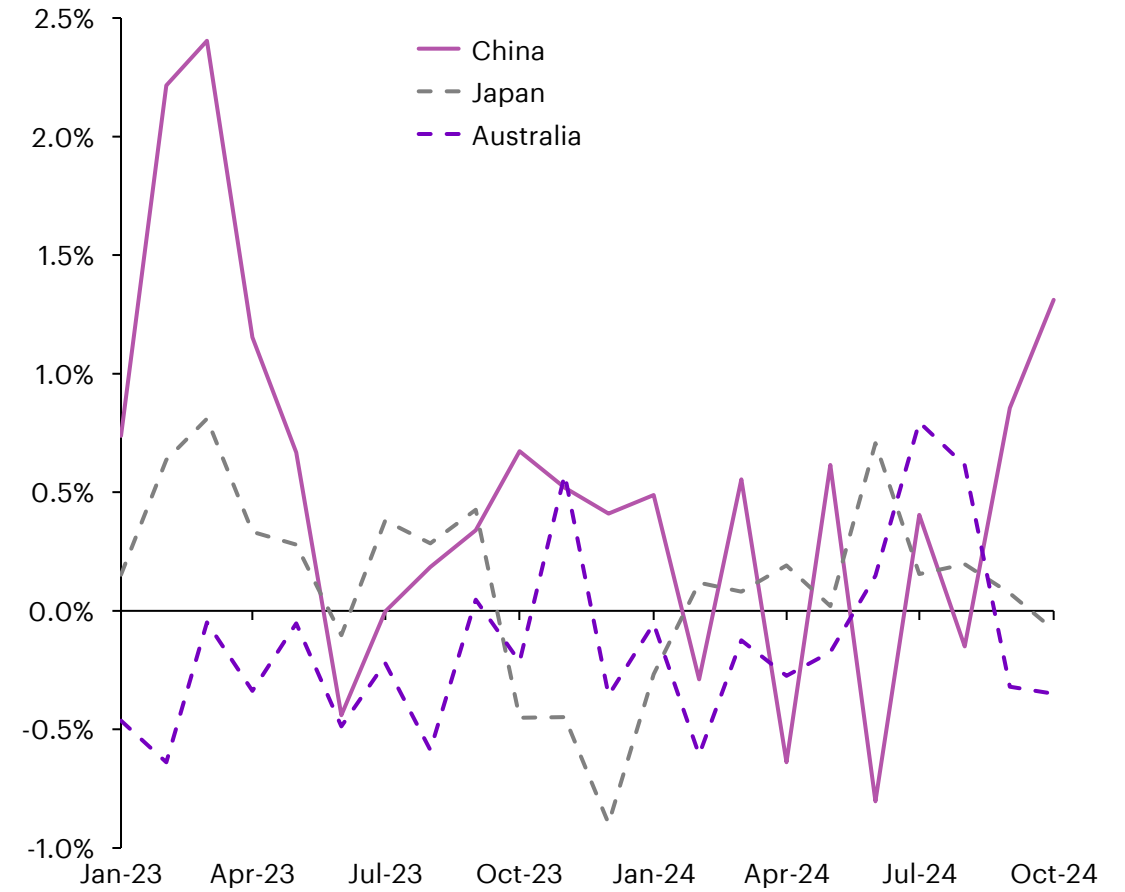
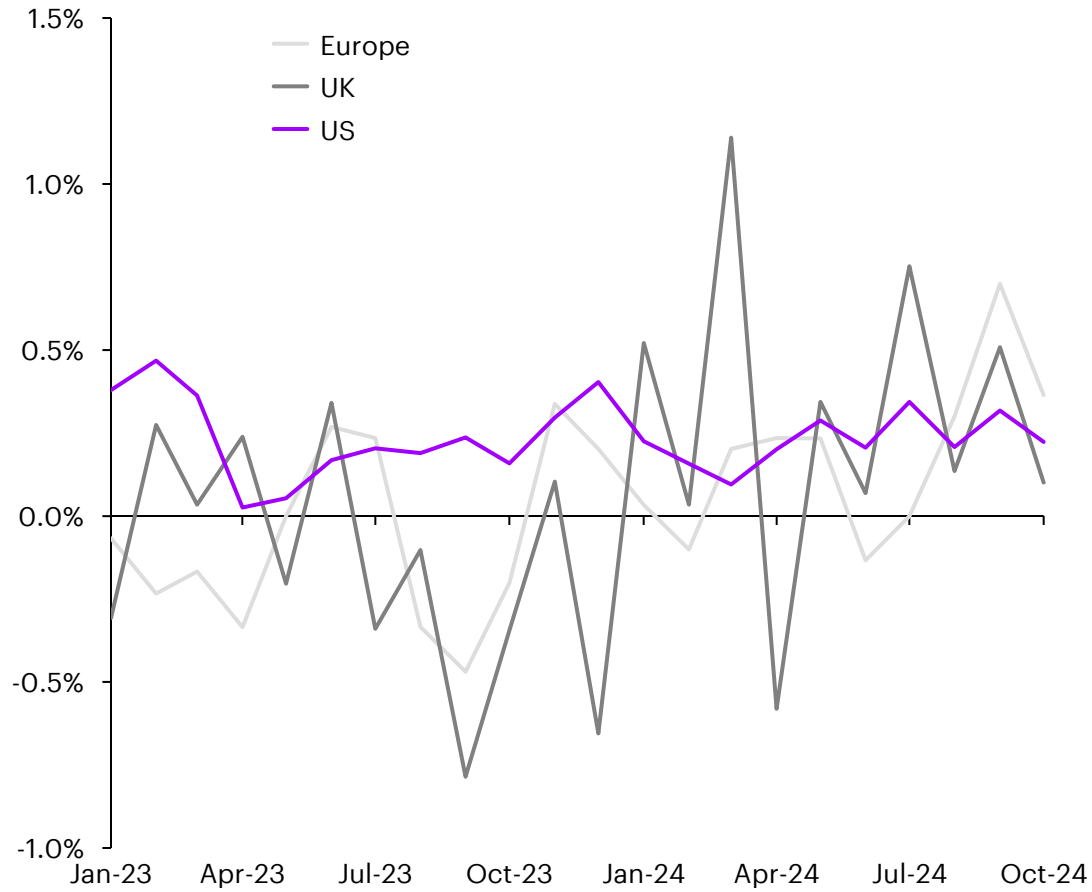
Consumer spending



Consumer spending decelerated in most major economies at the start of Q4, though China experienced a significant uptick in consumer activity

Consumer spending trends

Real (inflation-adjusted) consumer spending, 3 month moving avg. % change



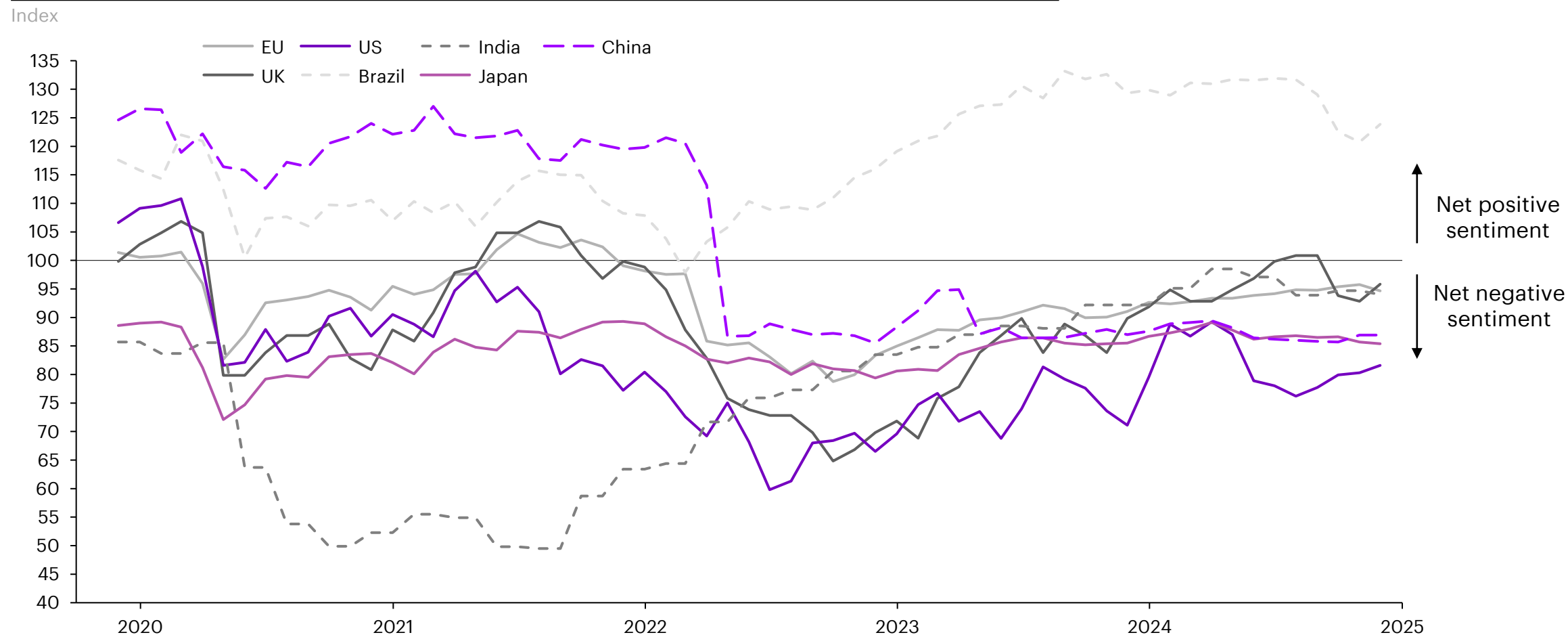
Notes: Consumer spending series for US is personal consumption expenditures (PCE); for Euro Area, UK, Canada, Japan, Australia, and China series data is retail sales.

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

Global consumer sentiment remains largely pessimistic, especially in US, China and Japan, while optimism in Brazil remains high

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, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

Consumer spending remains resilient across goods and services in the US, while the UK, Germany, and France have seen more modest spending

Consumer spending trends by goods and services category

AS OF DECEMBER 5

		 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	0.9%	0.8%	-0.7%	-2.2%	0.6%	1.3%	0.4%	-1.4%
	Motor vehicles	1.8%	1.7%	-7.0%	3.9%	-2.9%	3.7%	-5.4%	-0.8%
	Furniture	3.1%	0.7%	-5.2%	0.1%	-0.9%	-3.3%	-4.2%	0.8%
	Electronics	2.2%	0.9%	15.7%	32.2%	2.2%	-1.3%	0.1%	-0.6%
	Footwear & apparel	-0.2%	-0.2%	-0.7%	0.3%	-5.1%	-1.9%	1.0%	3.6%
	Fuel	1.1%	0.6%	1.8%	-0.4%	1.1%	-0.5%	-0.3%	-1.0%
Services	Transportation	3.9%	-1.0%	3.6%	-0.2%	0.3%	-4.1%	2.4%	-2.5%
	Entertainment	1.3%	-0.1%	-1.1%	-0.5%	n/a	n/a	3.5%	0.1%
	Dining out and hotels	-0.1%	0.7%	1.7%	0.4%	-1.8%	-1.2%	1.1%	-0.6%
	Information services	0.7%	0.3%	3.1%	-2.0%	-0.2%	0.7%	2.1%	-0.8%
	Telecom	0.0%	-0.3%	-0.2%	-1.1%	3.8%	-0.7%	2.5%	0.2%

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 presented is most recently available data for each geography and category.

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

Labor markets

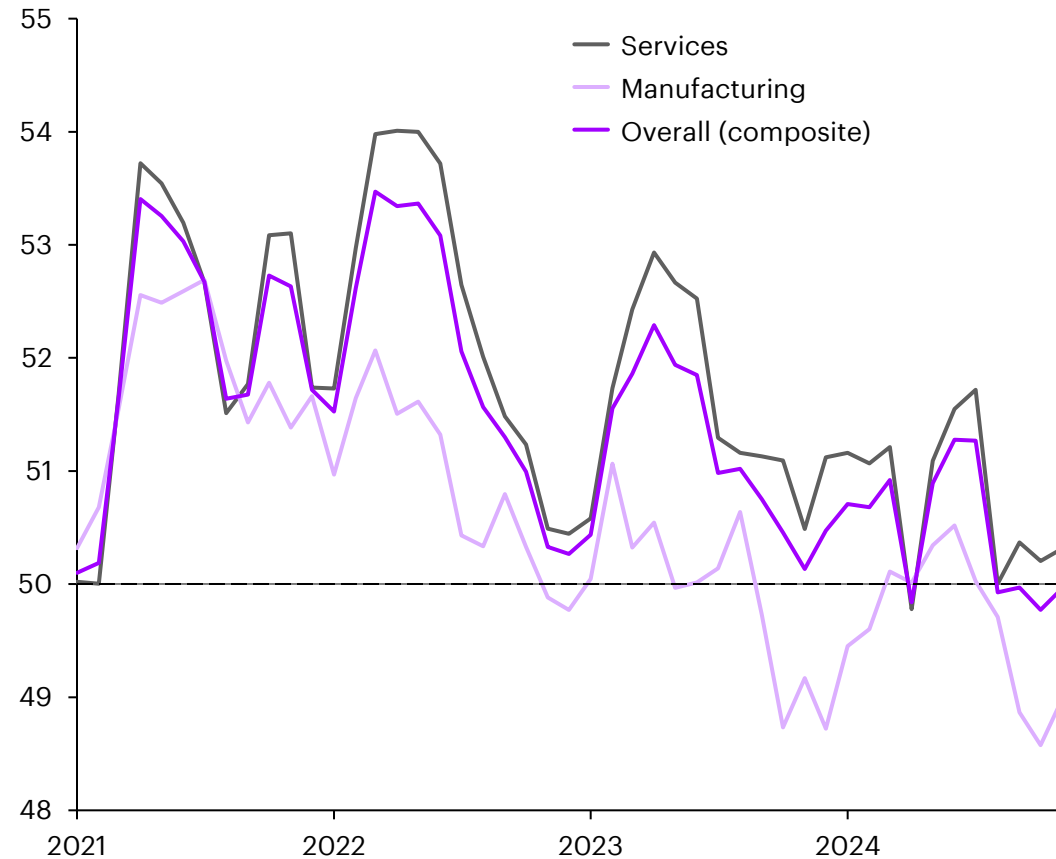


Globally, employment is mostly stable in the services sector but remains in contraction in manufacturing

Global PMI employment growth

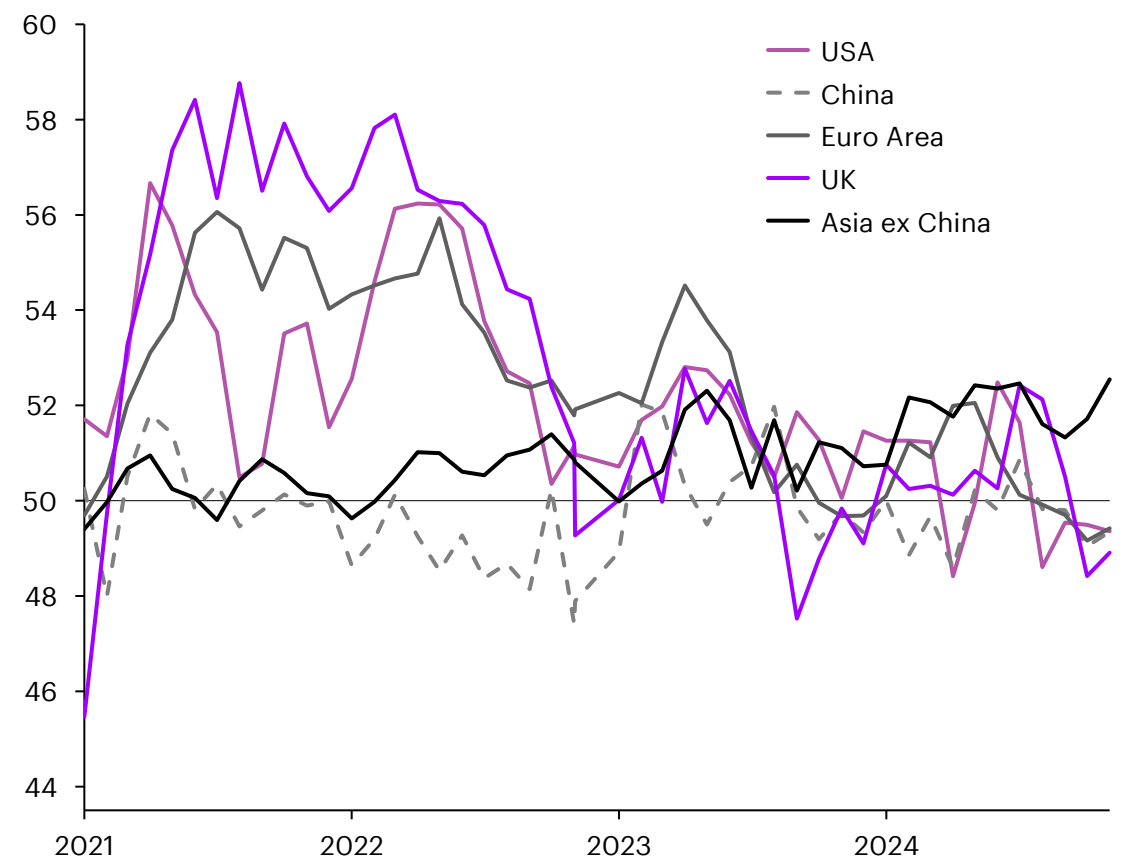
Global PMI Employment Index

Index (>50=expanding employment)



Regional Composite PMI Employment Index

Index (>50=expanding employment)

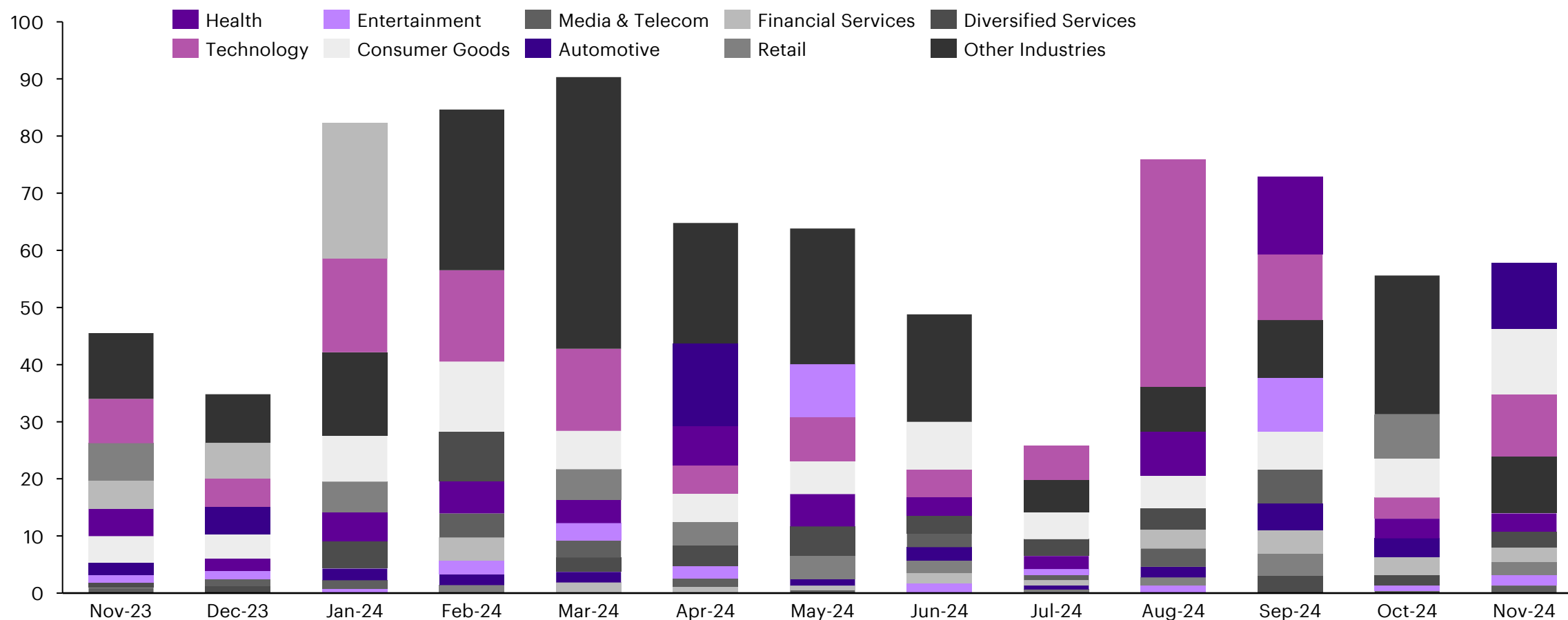


US layoffs saw a slight increase in November compared to the previous month, with the automotive and consumer goods sectors experiencing the most job cuts

US corporate layoff tracker

Announced layoffs by sector

Thousands (not seasonally adjusted)



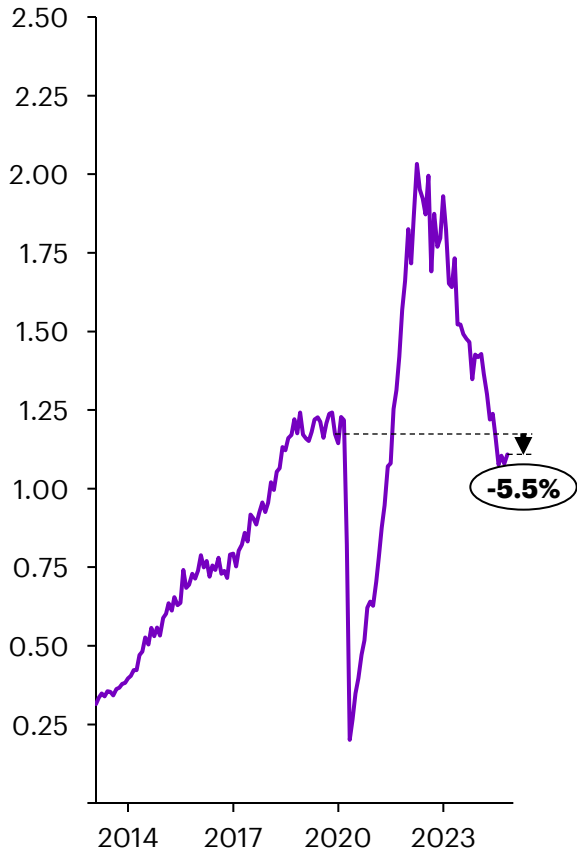
Labor markets continue to soften across major economies, though conditions remain tighter than pre-pandemic in both the UK and Germany

Labor market tightness

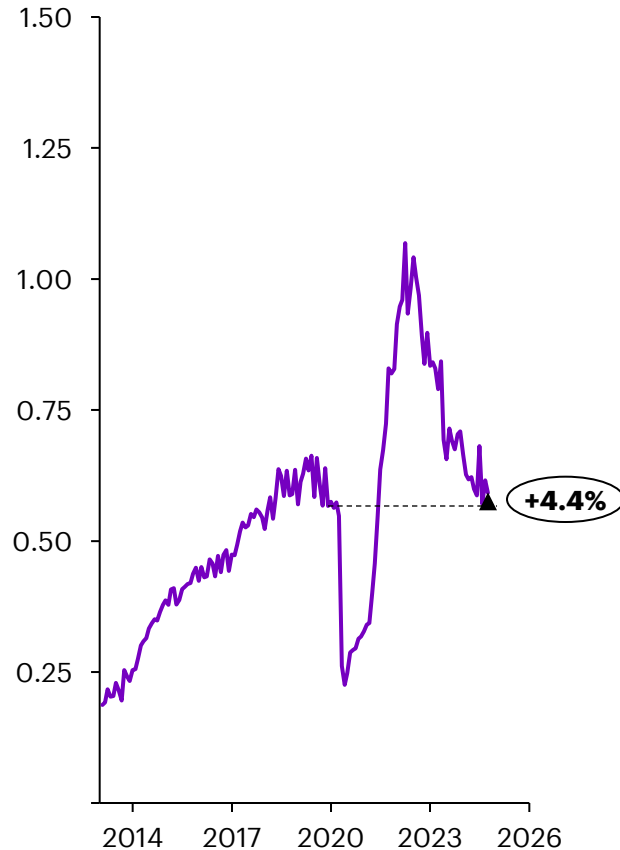
Job vacancies per unemployed person



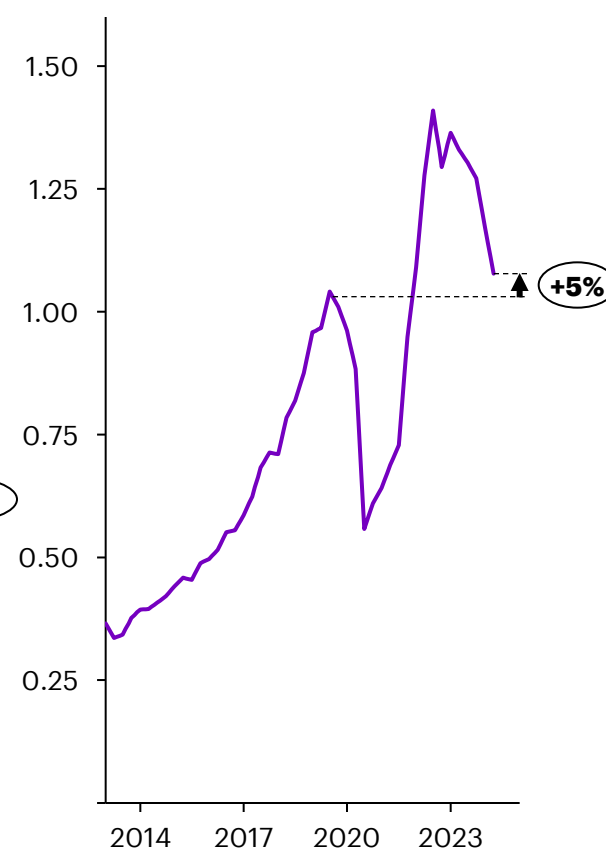
US



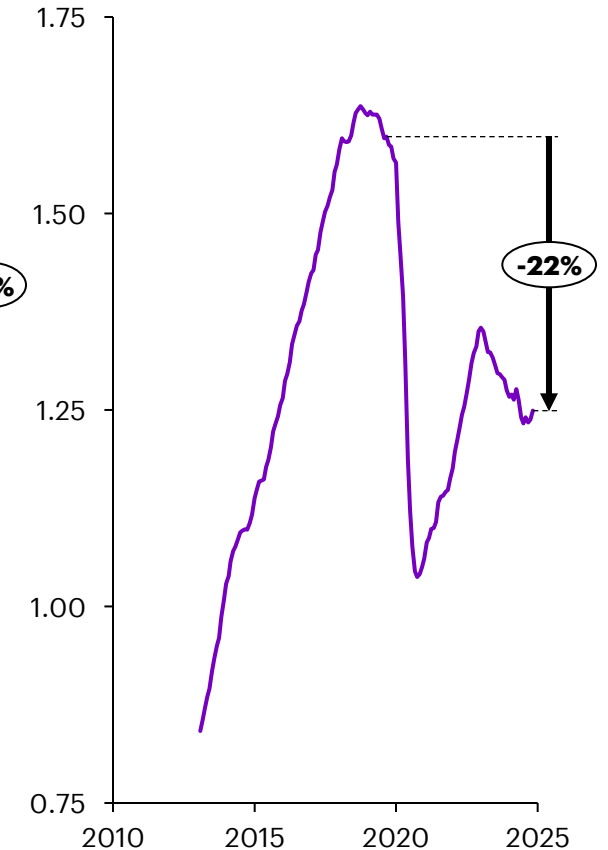
UK



Germany



Japan



Despite moderating nominal incomes, real wage growth remains positive in the US, UK and Euro area and Japan on the back of continued disinflation

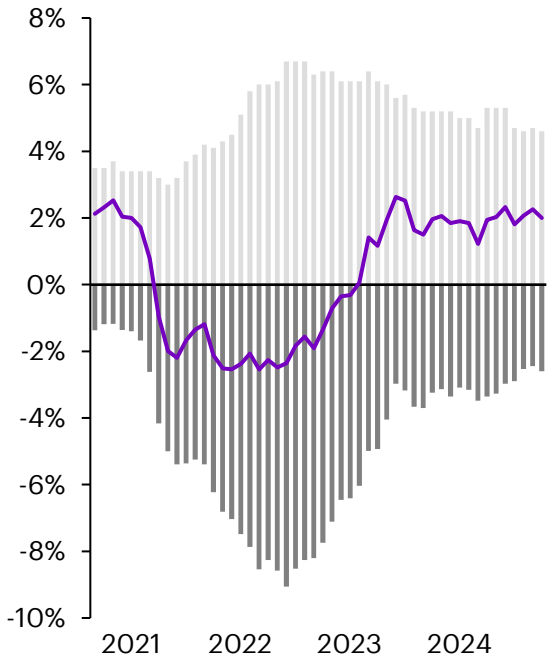
Wage growth developments

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

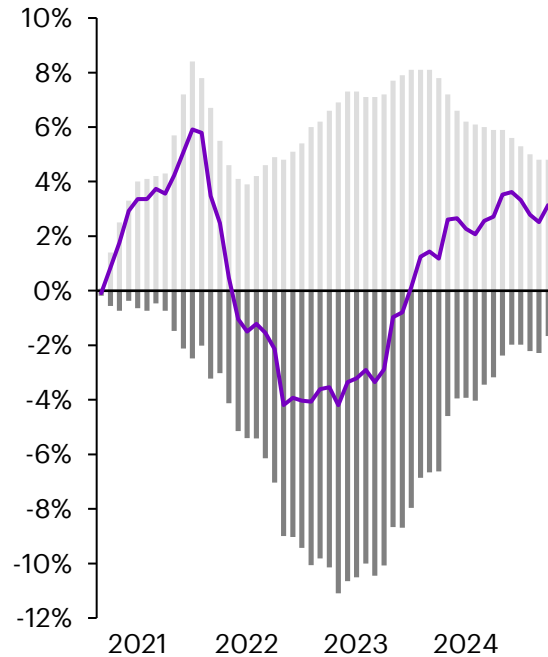
— Real wage growth ■ Contribution from nominal wages ■ Contribution from inflation



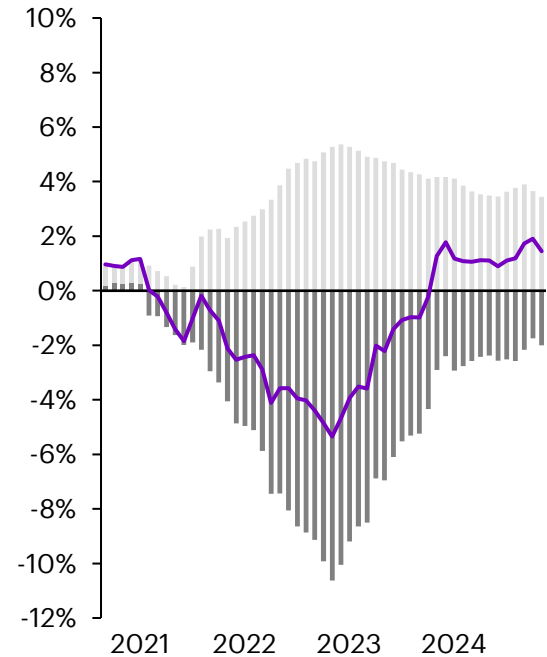
US



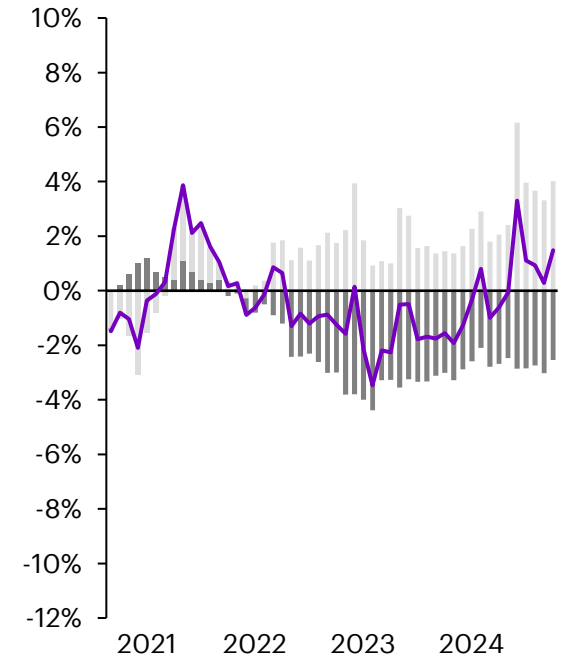
UK



Euro area



Japan
















Inflation



Inflationary pressures persist in the US and Europe, while APAC experiences a mixed situation as China, Japan and Singapore see disinflationary momentum

CPI inflation rates and trends

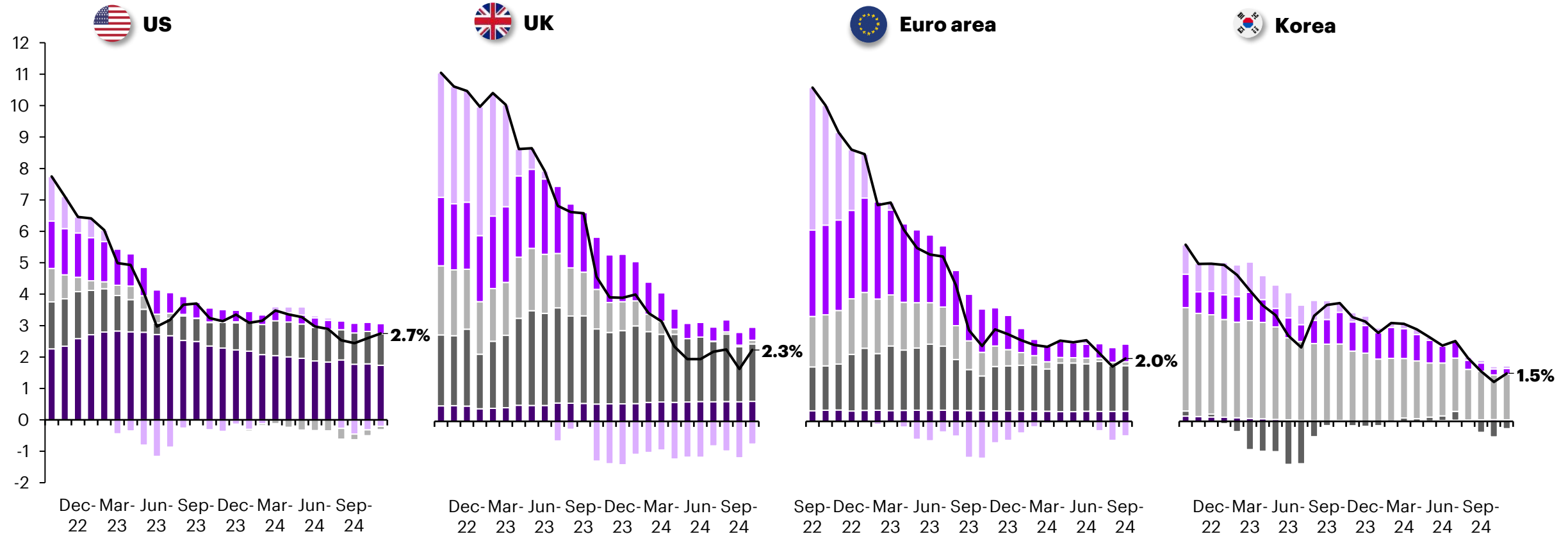
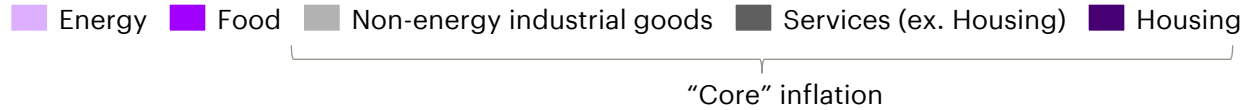
Year over year change to CPI and point change from prior month

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	2.7%	0.1%	↑	 China	0.2%	-0.1%	↓
 United Kingdom	2.3%	0.6%	↑	 Japan	2.3%	-0.2%	↓
 Canada	2.0%	0.3%	↑	 Brazil	4.9%	0.1%	↑
 Germany	2.4%	0.0%	↑	 India	6.2%	0.7%	↑
 France	1.7%	0.1%	↑	 Singapore	1.4%	-0.5%	↓
 Italy	1.6%	0.7%	↑	 Korea	1.5%	0.3%	↑
 Spain	2.4%	0.6%	↑				

Headline inflation increased marginally in the US, UK and Euro area, while core inflation remains sticky in most major economies

Drivers of recent CPI inflation

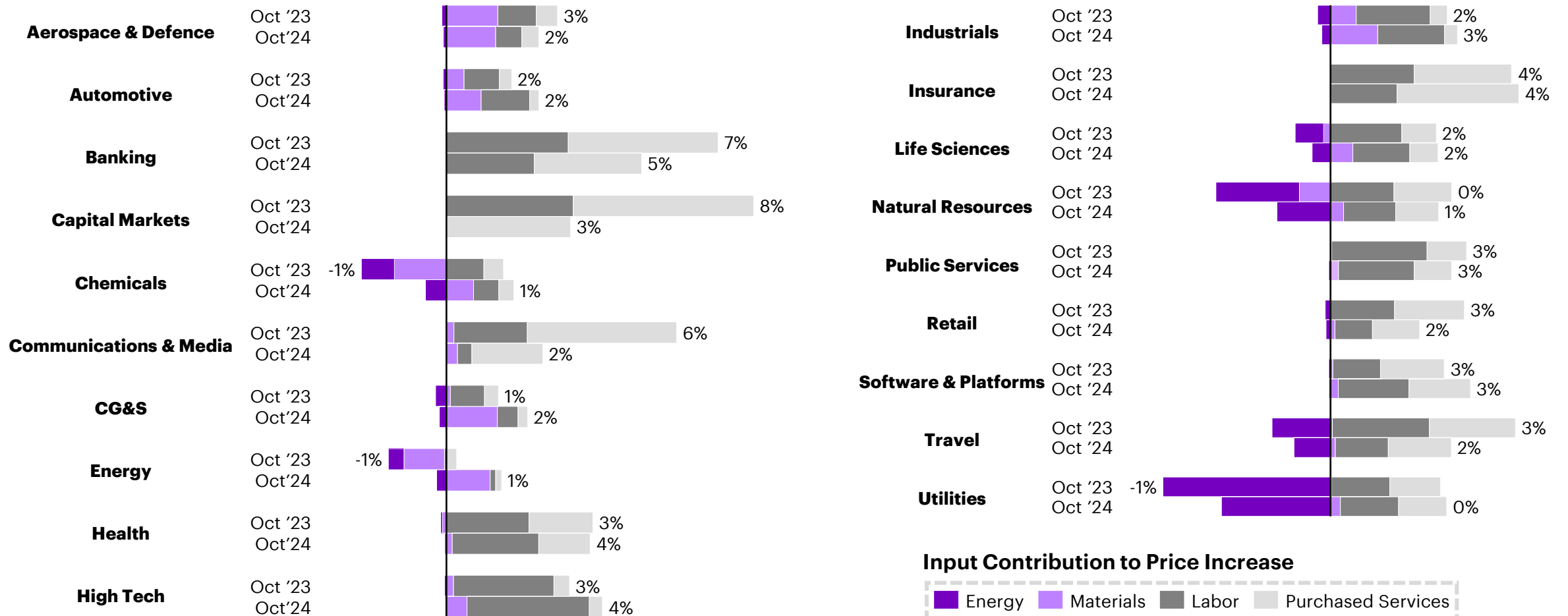
Year-on-year % change and % point contributions from major goods and services categories



Falling energy prices and slowing producer price inflation have eased cost pressures, but labor costs remain high across most industries

Recent input cost inflation by industry

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

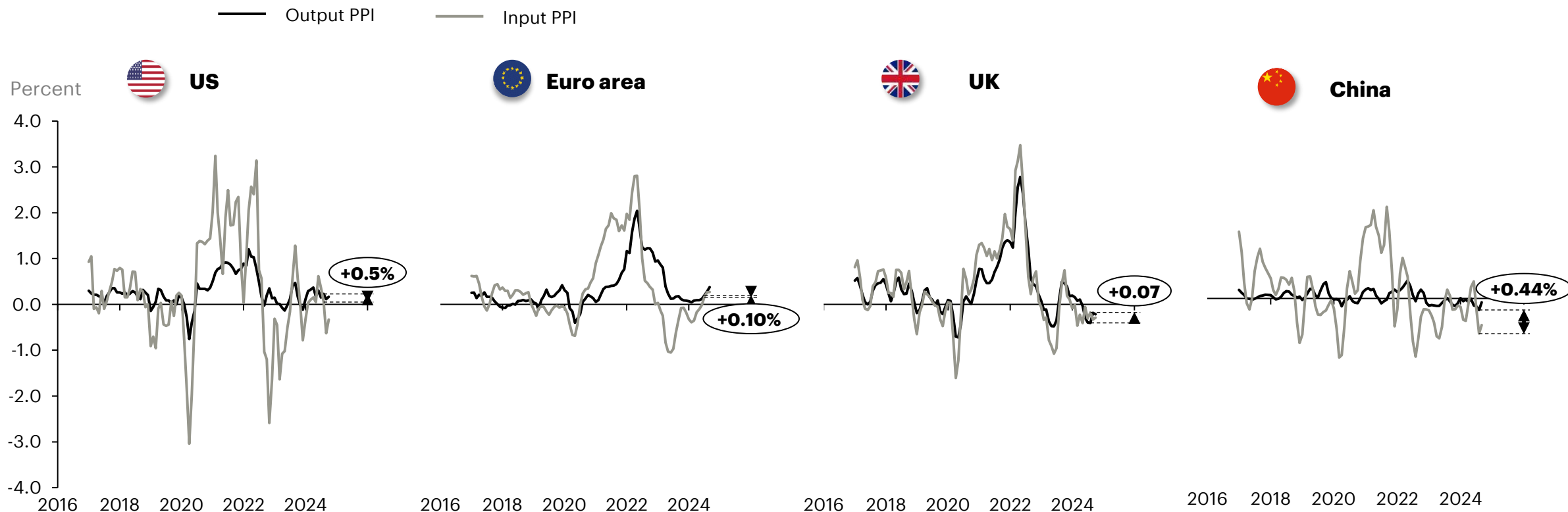


Notes: Wage data as of Oct'24; Energy prices (Natural Gas Prices as of Nov'24, Electricity Prices as of Oct'24 and others as of Nov'24); Materials and Purchased Services PPI price increases as of Oct'24; Sources: BLS, BEA, EIA, EPA, Accenture Strategy analysis

Producers in the US, Europe and China have been moderately successful in passing through input costs to consumers over the past few months

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

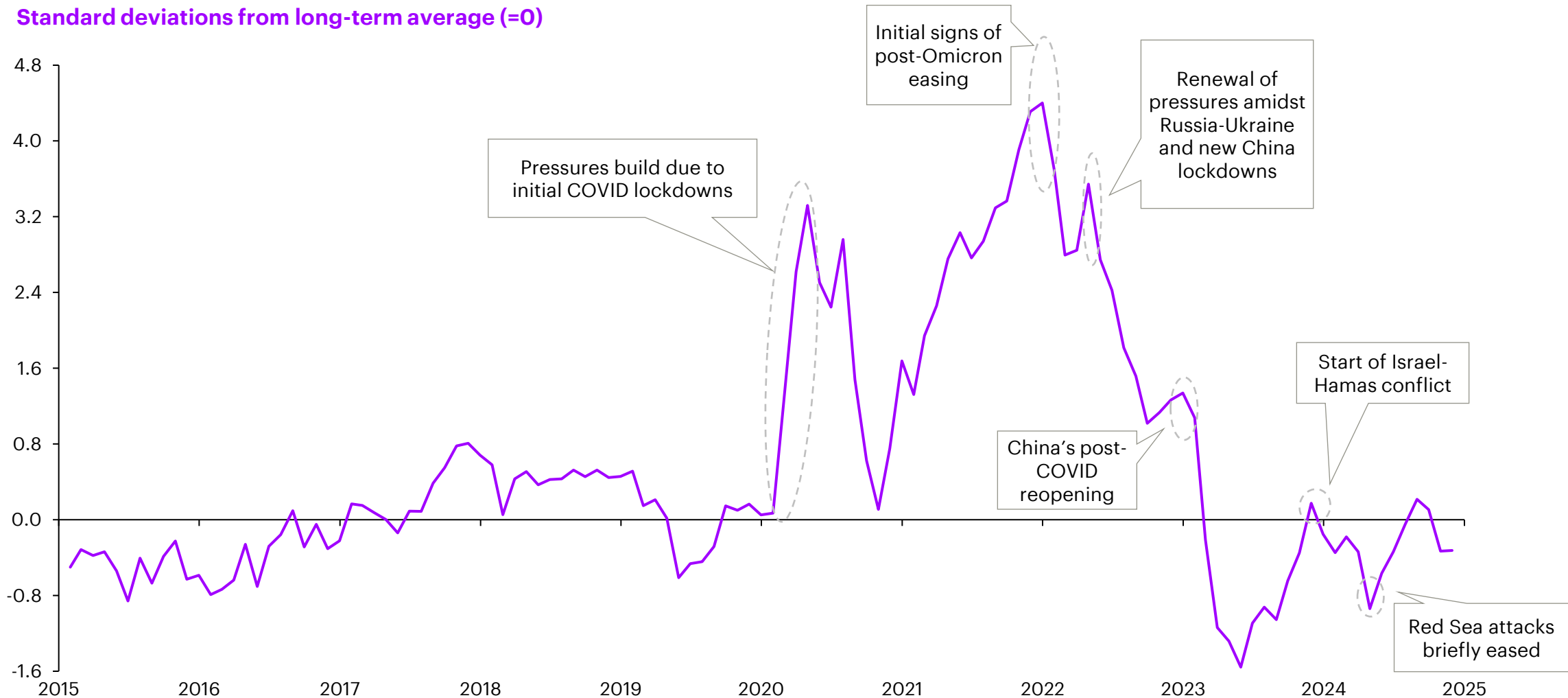
Supply chains



Global supply chain pressures stabilized in November, reflecting the temporary resolution of the US port strike, though looming supply chain risks remain for early 2025

Global Supply Chain Pressure Index

Standard deviations from long-term average (=0)

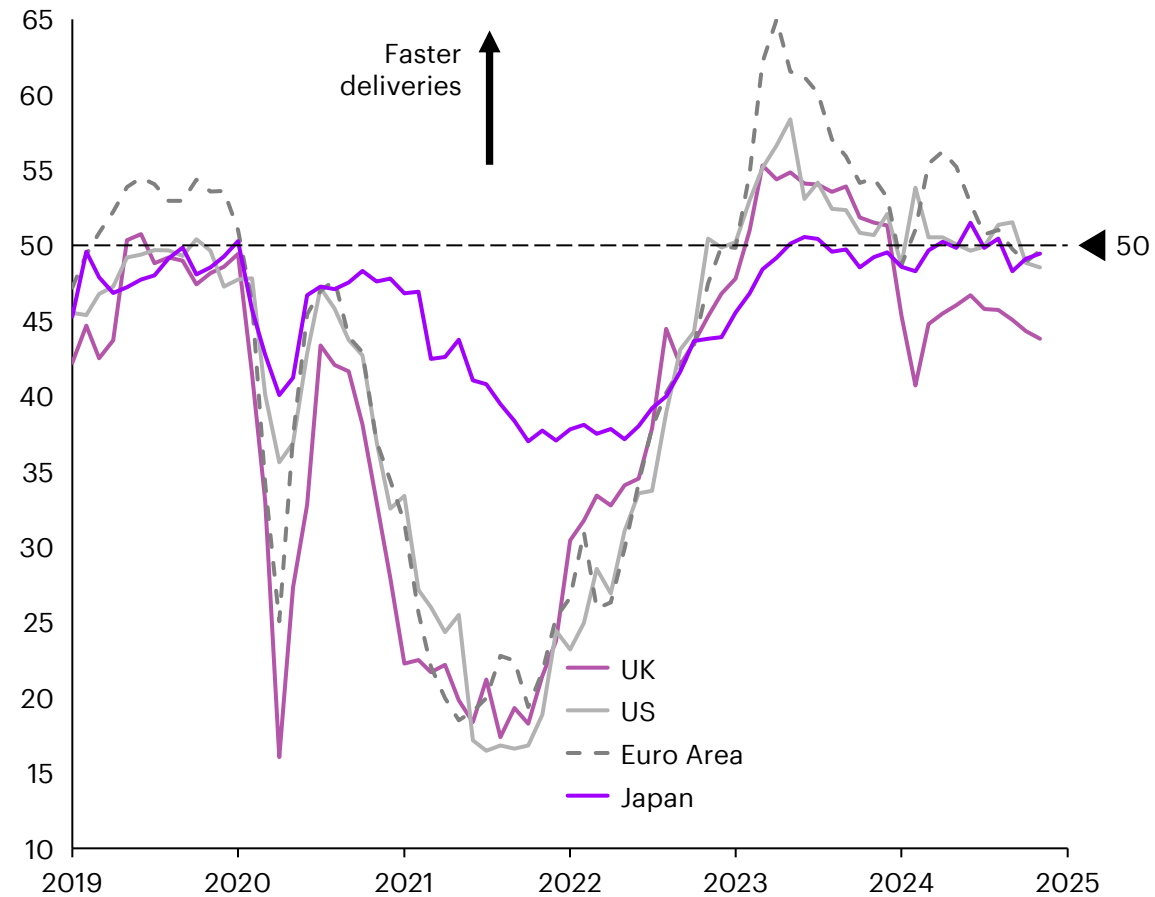


Supplier delivery times remain slow in most economies, although backlogs of work have declined significantly, especially in the UK

Suppliers' delivery times and backlogs of work

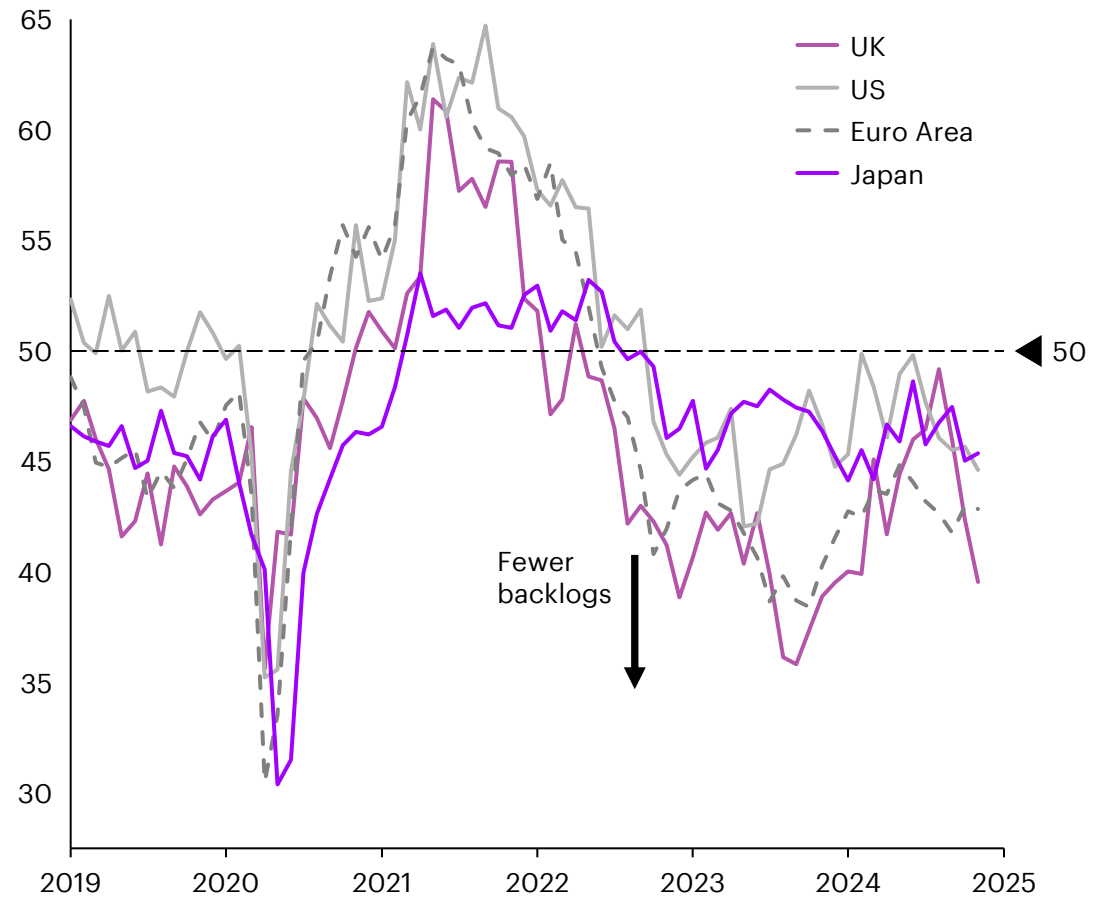
Suppliers' Delivery Times

Seasonally adjusted, 50+ = Increase



Manufacturing Backlogs of Work

Seasonally adjusted, 50+ = Increase



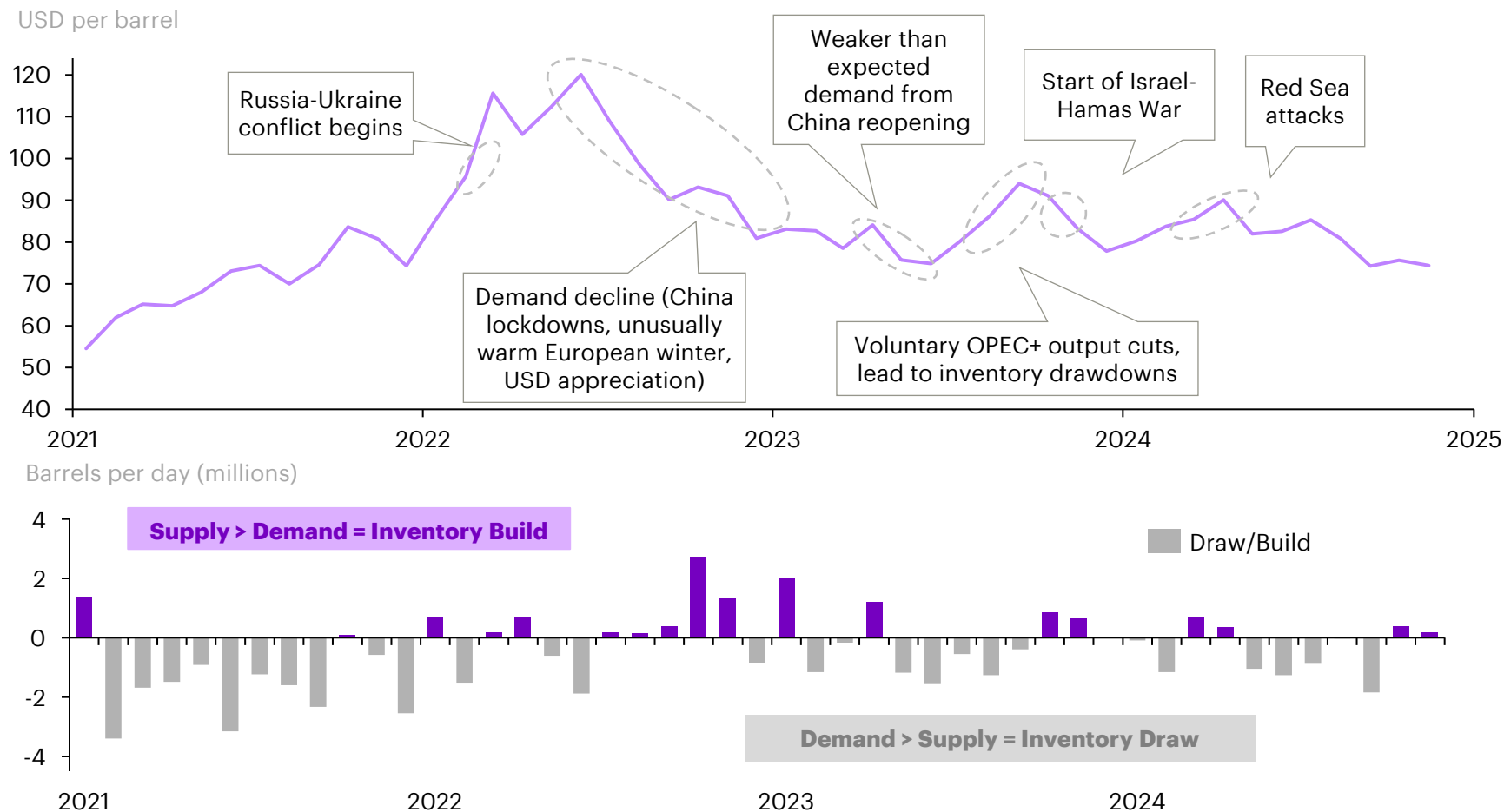
Energy and commodities



Oil prices have held relatively steady in the recent months despite mixed expectations for oil markets under a Trump 2.0 administration

Crude oil prices and inventories

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



Drivers of energy prices

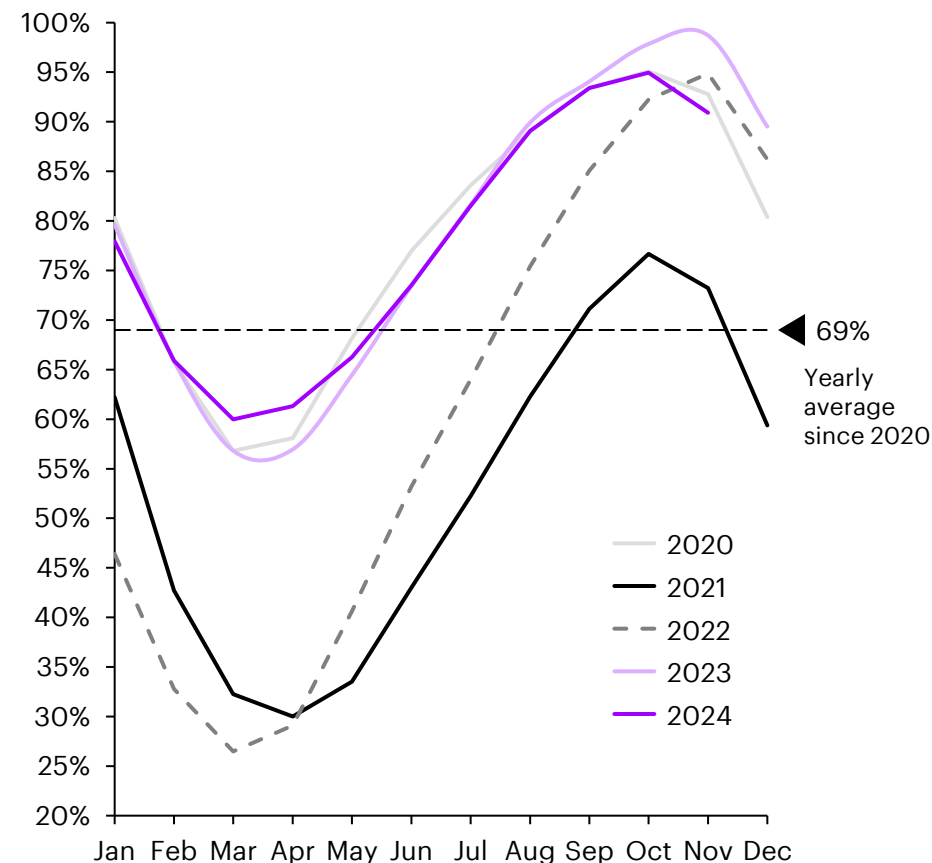
- Brent crude prices held mostly steady in November as global demand remains sluggish, driven by continued weakness across key markets
- Uncertainty has increased following the US election results, driven by expectations of relaxed regulations on crude production alongside heightened concerns over potential trade wars
- Supply and demand fundamentals indicate ongoing downward price pressure, including:
 - OPEC+ decision to delay increase in output until April 2025 and extend deep production cuts to the end of 2026
 - Sluggish global consumption, particularly due to weakened demand from China

Natural gas prices increased across Europe in November with the onset of winter season, reaching the highest level in more than a year

EU natural gas reserves and prices

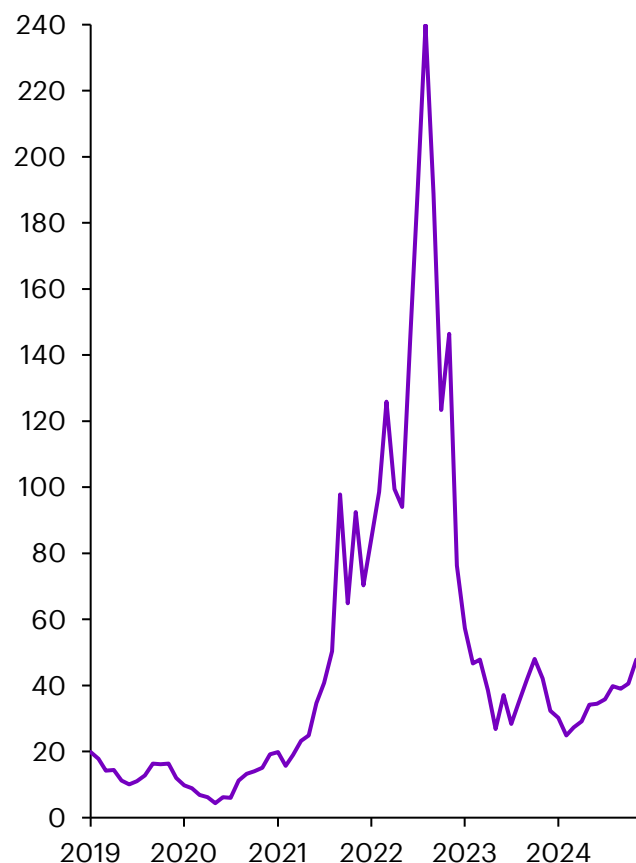
European gas reserves are relatively high at 91%...

% of storage capacity



As prices are rising due declining inventories

TTF Gas (EUR per megawatt-hour)



Commentary

- Natural gas storage in Europe declined in November to 91%, lower than levels during same period in recent years
- Natural gas prices are showing an upward trend, driven by lower-than-expected inventories and expectations for increased demand during the winter season
- LNG supply continues to exhibit tightness, due to expectations of potential loss from conflicts in the Middle East and expiration of the Russia-Ukraine piped-gas transit agreement

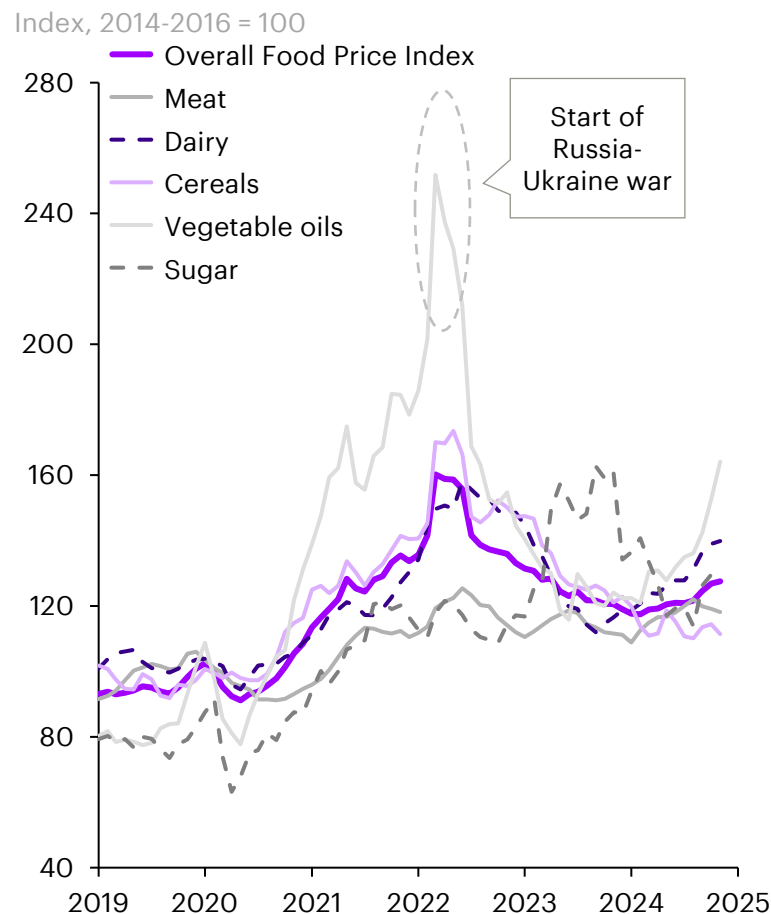
Notes: Dutch TTF Natural Gas Futures front-month contract. TTF stands for Title Transfer Facility, which is a virtual trading hub for natural gas in Europe. TTF prices represent the average monthly price of natural gas traded at this hub and are considered a benchmark for natural gas prices in Europe. 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

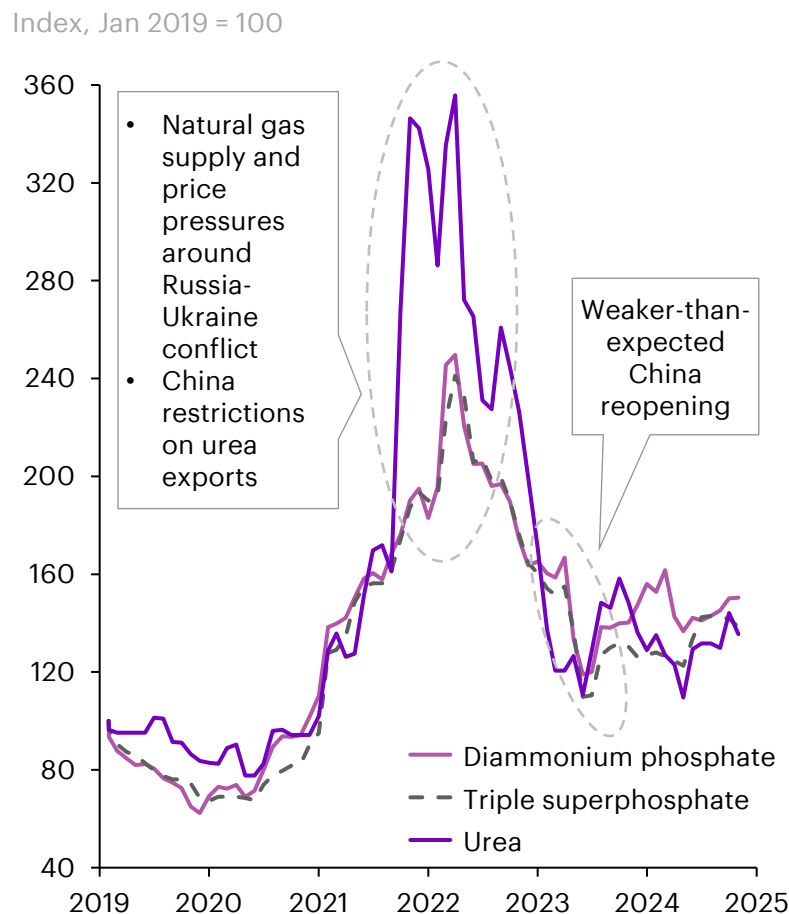
Global food prices rose significantly in November due to weak global production and global supply disruptions, with surging vegetable oil and dairy prices being the key drivers

Food and fertilizer prices

Food prices



Fertilizer prices



Commentary

- In November, prices for food commodities reached the highest levels since April 2023 due to rising vegetable oil and dairy prices
- Vegetable oil prices rose 7.5% from October, hitting the highest since July 2022, driven by concerns over weak global production from heavy Southeast Asian rainfall and anticipated supply shortages
- Dairy prices increased by 0.6% from October and 20.1% year-on-year, driven by seasonal drops in milk production and strong demand with limited supplies of products like butter and cheese
- Cereal prices fell 2.7% from the previous month, stemming from weak global wheat demand, heightened market competition, and currency depreciation in rice markets
- Sugar prices dropped 2.2% from October after two consecutive monthly increases
- Fertilizer prices saw a slight increase in November due to rising input costs

Notes: (1) Food Price Index is a measure of the monthly change in international nominal prices of a basket of food commodities (2) Fertilizers include DAP (diammonium phosphate), TSP (triple superphosphate), and urea.
Sources: World Bank, UN FAO, USDA, Accenture Strategy analysis

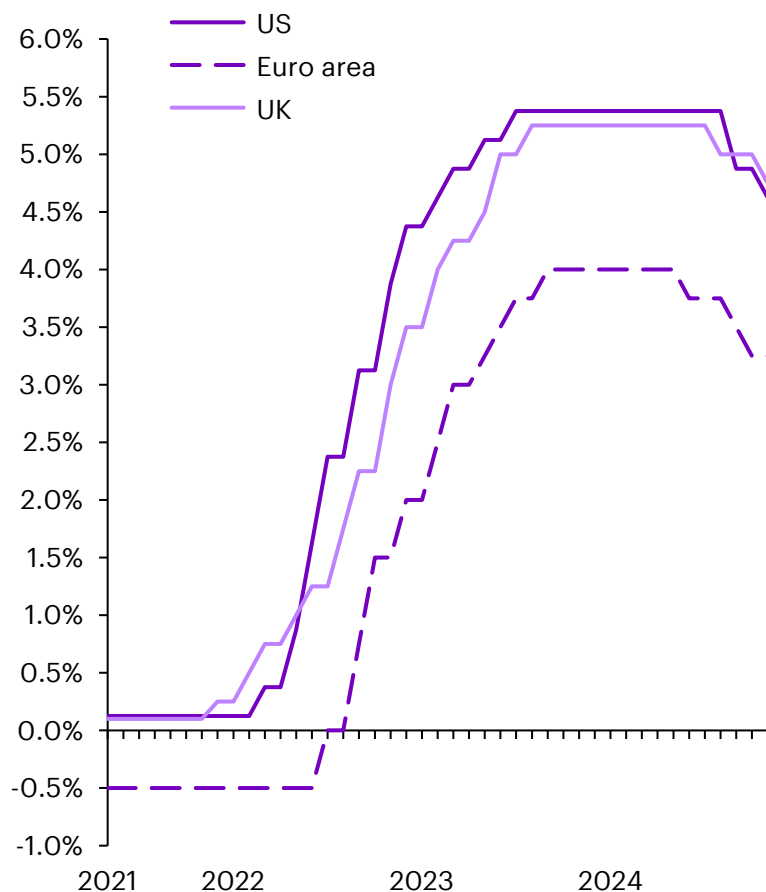
Financial markets



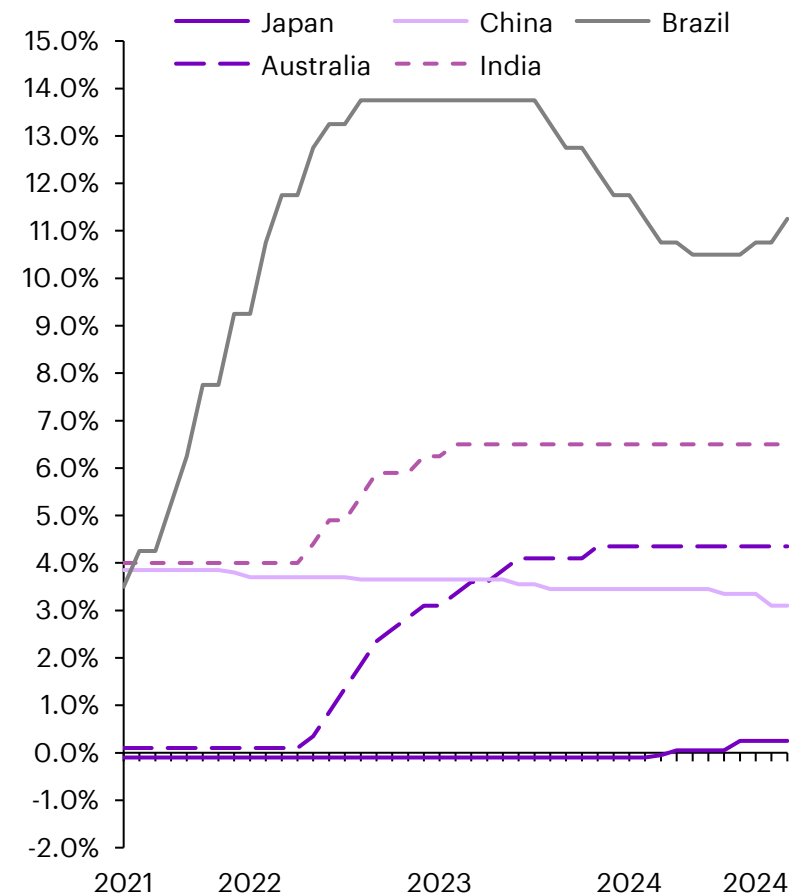
The Federal Reserve, ECB, and BOE continue to cut interest rates to support price stability, while Brazil's central bank is hiking rates again to combat renewed inflationary pressures

Monetary policy across major economies

US, UK and Euro area policy rates



Policy rates for other major economies



Commentary

- The Federal Reserve lowered interest rates by 25 basis points in November in response to a cooling labor market and some progress on inflation
- The Bank of England lowered its policy rate from 5% to 4.75% in November but may pause in December amidst uncertainty over labor market trajectory and impact of recent fiscal measures
- The Central Bank of Brazil raised rates by 50bp again in November, continuing its renewed tightening cycle to address rising inflation and heightened inflation expectations
- The People's Bank of China (PBoC) kept its key lending rates unchanged in November, possibly as a move to stabilize the Yuan which has come under pressure after the US election outcome

The degree of tightening in credit standards is easing in the US and EU, but remains broadly neutral in the UK

Restrictiveness of banks' lending standards

Banks are adjusting their credit standards in tandem with monetary policy

Index of weighted net change in credit standards (tightening standards > 0)



Notes: 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: Haver Analytics, EU Bank Lending Survey, BoE, Board of Governors of the Federal Reserve System, Accenture Strategy analysis

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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.

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