Think Ahead

2025 GLOBAL ECONOMIC OUTLOOK – A HIGHLY UNCERTAIN WORLD

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Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

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Introduction

This is our second annual economic outlook publication. We hope it will help you and your stakeholders navigate the many challenges, risks and opportunities in the global economy in the year ahead.

In **Section 1**, we discuss the prospects for the global economy and key countries in 2025, as well as some of the major risks. In **Section 2**, we interview distinguished economist Charles Goodhart about his views on the outlook for the global economy. In **Section 3**, we highlight and discuss the key events to watch in 2025. In **Section 4**, we highlight three key trends we will be following closely in the coming year: i) developments with artificial intelligence (AI); ii) rising geoeconomic fragmentation; and iii) further retreating by governments from policies intended to achieve the green transition. Finally, in **Section 5**, we publish summaries of interviews with seven chief financial officers (CFOs) from across the world. They provided their bottom-up perspectives from the corporate level on the prospects for the world and their regions and countries in 2025.

Executive summary

The global economy should continue to grow at a reasonable, but not particularly exciting pace in 2025. But it is a world marked by significant uncertainty.

The risks are predominantly on the downside, particularly if changes in US trade policy result in large, sustained rises in tariffs that are much less targeted than during President Trump's first term, and lead to retaliation by trading partners. Other downside risks come from the challenging geopolitical backdrop, heightened political uncertainty and rising government bond yields. The world is not without plausible upside scenarios, particularly if President Trump is more cautious in his less-business-friendly policies.

Once again, the US economy looks set to be the strongest performer in the developed world in 2025, aided by a strong consumer, although growth could be slightly slower than last year. Growth is expected to be positive, but quite slow in both the euro area and UK economies. The Chinese authorities are set to step up their policy easing further this year, although growth is generally expected to be slower than in 2024, albeit still above the global average. Despite some slowing in growth in India, it is still set to be the fastest-growing major global economy again in 2025.

We interviewed distinguished economist Charles Goodhart about his views on the prospects for the global economy. While not having a great deal of confidence in how the near-term future will transpire, given the enormous amount of uncertainty, he suggests that the US economy will probably do very well in 2025, but Europe and the UK will do relatively badly. He remains generally optimistic on India's prospects, arguing that it will be a beneficiary as services are produced more internationally. As regards inflation, he thinks it could fall in the short-run but will likely rebound in 2026 and 2027, where upwards pressure may become quite considerable in the US. He also suggests that the worsening of the US fiscal position could begin to cause problems in 2026 and 2027. Lastly, he does not see AI as a panacea for the poor productivity performance of many countries but argues that it will reduce inequality within countries.

After a very busy political year in 2024, we will pay close attention to the policy changes of the new governments around the world, with global investors likely to pay particularly close attention to developments in the US. Key on the political front this year is the federal election in Germany, while elections in Canada and Australia will also be watched closely, as will political developments in France and South Korea.

In addition to closely monitoring the usual ebb and flow of economic and financial markets data throughout the year, we will also be paying particularly close attention to three key trends in 2025: i) developments with AI; ii) rising geoeconomic fragmentation; and iii) further retreating by governments from policies intended to achieve the green transition. We will be keeping an eye on improvements in the application-level success with AI, amid a move away from chatbots and towards applications that leverage a variety of techniques. As new regulations come into force and adoption continues to grow, governance should also become an active consideration alongside potential sustainability implications. The last two trends are likely to be heavily influenced by political and policy developments throughout the year.

To support our economic analysis, we also interviewed seven CFOs from across the globe in various sectors, to gain a bottom-up perspective on how business leaders see the year ahead. In general, while interviewees did not appear to be expecting a notable slowing in global growth in 2025, there was some caution given the significant global uncertainty, including that related to the policies of the incoming US president. Technology, particularly AI, continues to be a priority, with businesses recognising both its potential and disruptive challenges. A wide range of risks were highlighted, including inflation (and changes in the price of important commodities), policy changes in large economies, cybersecurity, exchange rate movements, supply chains, climate change, social tensions, geopolitics, and fast-changing consumer habits. The latter two were also cited as opportunities. A recurring theme among CFOs is the need for agility, innovation, and resilience in navigating an uncertain economic landscape.

Section 1:
Prospects for the global economy in 2025

The global economy proved quite resilient in 2024, and financial markets performed well, but that provided little succour for incumbent politicians.

The global economy proved quite resilient in 2024, despite heightened geopolitical tensions and significant political uncertainty amid elections across much of the globe. The World Bank estimates that the global economy grew by 3.2% (see Table 1), higher than its 2.9% forecast made in January 2024 (World Bank Group 2024), and the same pace of expansion as in 2023. Similarly, the International Monetary Fund (IMF) expects growth of 3.2% (IMF 2025), slightly higher than its forecasts of 3.1% and 2.9% from January 2024 and October 2023 (IMF 2023; 2024a). Nevertheless, while reasonable, the pace of global growth was meaningfully lower than the 3.7% average in the two decades before the global pandemic (IMF 2024b).

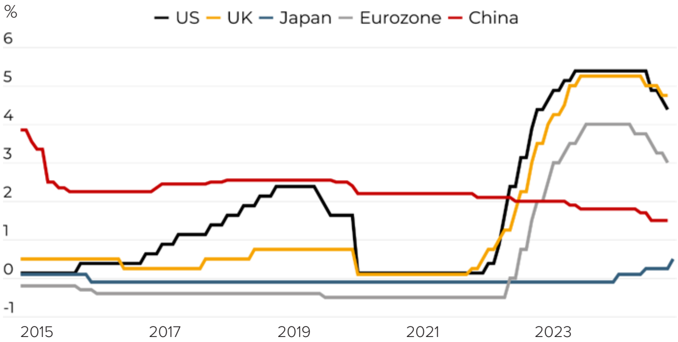
The continued improvement in the inflation picture clearly helped by boosting household real incomes and allowing central banks across much of the world to begin reducing the restrictiveness of their monetary policies (see **Chart 1**). The US Federal Reserve's pivot towards monetary policy easing towards the end of 2023 was particularly important, fuelling a material improvement in global financial conditions. Strikingly, the globally important US S&P 500 stock market index increased by almost a quarter in 2024, following a large gain in 2023 (see **Chart 2**) – far in excess of most analysts' expectations (Semenova and Jaisinghani 2024). Optimism about the prospects for AI also provided a major boost to the market, with the 'Magnificent Seven' technology stocks[1] surging. Stock market gains in other countries were typically positive, but less robust. Improving risk appetite among investors was also evident in the decline in corporate bond spreads over the year.

However, the globally important US 10-year Treasury yield began to move materially higher from September (see **Chart 2**), rising from around 3.5% to around 4.6% at the time of writing. This reflected the strength of the US economy and lingering fears about inflation, which led investors to significantly reduce their expectations of the magnitude of interest rate cuts by the Federal Reserve in 2025, as well as concerns about the country's fiscal position and uncertainty about the policies of the new administration. This has pushed up government bond yields across the world, raising borrowing costs for the private sector and governments, while the renewed US dollar strength is an additional headwind, particularly for emerging and developing economies.

This is occurring at a time when the foundations of global growth are not looking especially robust, with the US economy being the only major engine that is performing strongly. It is likely to have grown by around 3% in 2024, which is much stronger than the 1.7% forecast of the Survey of Professional Forecasters (SPF) from November 2023 (Federal Reserve Bank of Philadelphia 2023) and our own general expectations. The resilience of the all-important consumer remains a key support for the economy. Elsewhere, the recovery in China has been rather sluggish, although there has been a decisive pivot to more aggressive policy easing since the end of September, and the economy still grew by 5% in 2024. In Europe, recoveries in the euro area and UK economies have showed signs of flagging, while Indian growth slowed by much more than expected in the July–September quarter. Meanwhile, global growth remains heavily dependent on the services sector, with growth still weak in manufacturing (J.P. Morgan 2025).

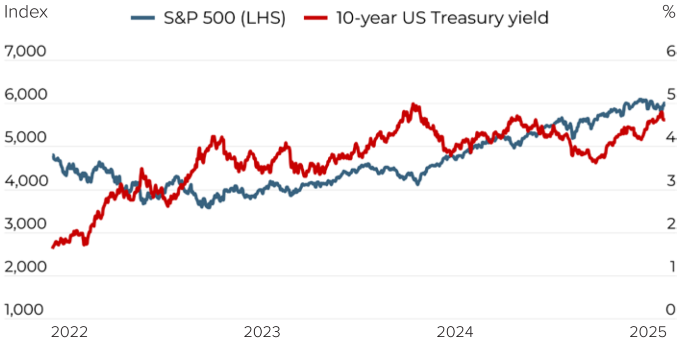
> **THE CONTINUED IMPROVEMENT IN THE INFLATION PICTURE CLEARLY HELPED BY BOOSTING HOUSEHOLD REAL INCOMES AND ALLOWING CENTRAL BANKS ACROSS MUCH OF THE WORLD TO BEGIN REDUCING THE RESTRICTIVENESS OF THEIR MONETARY POLICIES.**

CHART 1: Central bank interest rates



Source: ASR Ltd. / LSEG Datastream (2025)

CHART 2: US S&P 500 and 10-year Treasury yields



Source: ASR Ltd. / LSEG Datastream (2025)

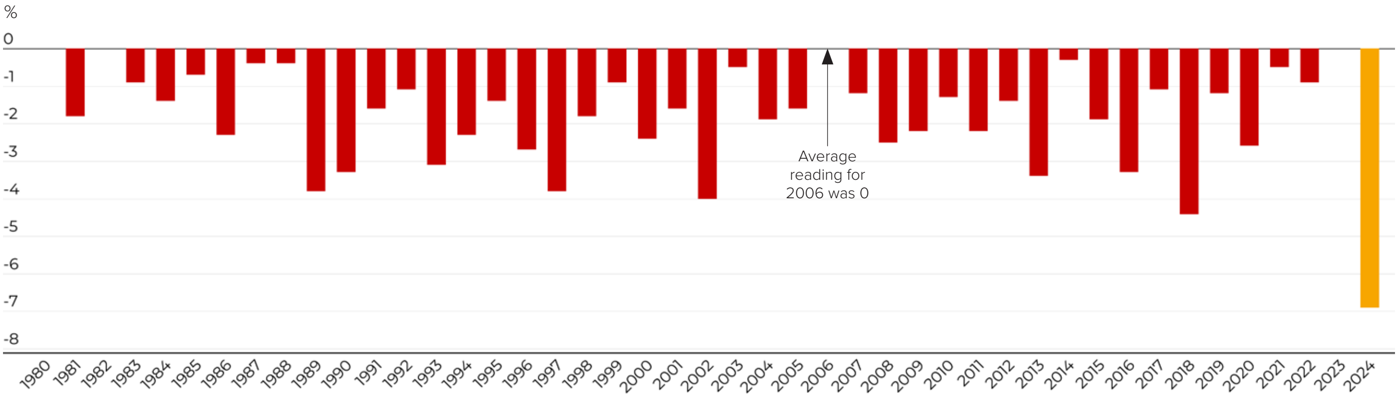
1 Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla.

Despite the general resilience of the global economy and gains in stock markets, incumbents typically performed very poorly in elections in 2024, with a record average vote share loss for governing parties in developed economies (see **Chart 3**), and gains for populist parties on the right (Burn-Murdoch 2024). The past surge in inflation, high house prices and concerns about excessive immigration have proved a potent mix acting against incumbents. It is likely that the splintering of the political centre and rise of populist parties will make it even more difficult for countries to make the reforms and other difficult decisions necessary to improve economic performance and put high government debt levels on a more sustainable trajectory at a time when government borrowing costs have risen significantly. Interestingly, however, last year incumbents in developing countries typically fared much better on the electoral front than their developed-country peers (Sharma 2025).

Uncertainty is the order of the day in 2025, with all eyes on the White House

Last year, by far the most consequential event for the 2025 global economy was the election of President Trump for a second term as US president. In his election campaign, among other things, he called for increased deregulation and various tax reductions, including corporate tax rates and taxes on tips, overtime and social security payments. He also called for much tighter immigration policies and for the deportation of undocumented workers. As regards climate policies, he has vowed to increase fossil fuel production, and in his first day in office withdrew the US from the Paris Climate Agreement and halted the disbursement of new funding from the Biden administration's Inflation Reduction Act (IRA) (Chu and Smyth 2025).

CHART 3: Average rise/fall of vote share for governing parties in national elections in developed countries*

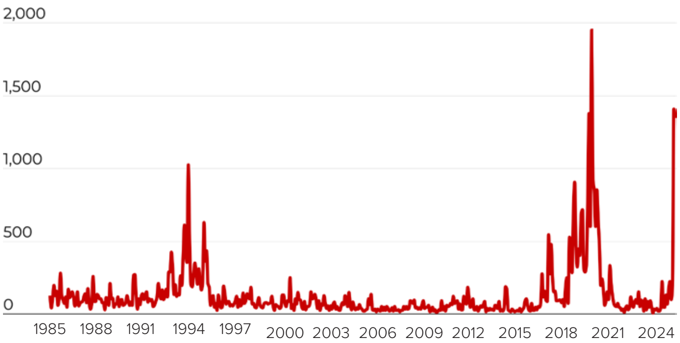


*Excludes years when fewer than five countries had elections (1980, 1982 and 2023). Note: the original chart showed data for elections going back to 1906 and included individual country results.

Source: ParlGov, FT research, see Burn-Murdoch (2024)

Meanwhile, his potential trade and foreign policies have received significant attention internationally. He has called for tariffs of between 10% and 20% on imports from the rest of the world, reciprocal tariff rates between countries, and tariffs of 60% on imports from China. Before inauguration, he threatened tariffs on imports from Canada, Mexico and China, and since taking office he has renewed those threats and also suggested that he may enact tariffs on imports from other countries. The uncertainty on his trade policies is highlighted by the surge in measures of trade policy uncertainty (see **Chart 4**), although they are not as high as the previous peak during his first term. On the foreign policy front, he has promised to end the war in Ukraine and has refused to rule out using military force to take control of Greenland and the Panama Canal. His past statements have also raised concerns about his commitment to the NATO alliance.

CHART 4: US Trade Policy Uncertainty Index*



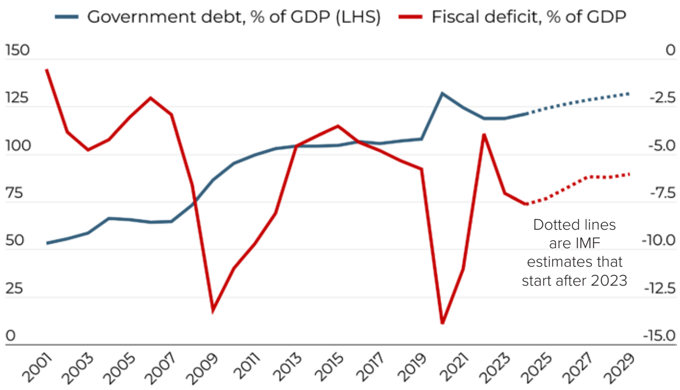
*Reflects the frequency of articles in US newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy.

Source: *Measuring Economic Policy Uncertainty* by Scott Baker, Nicholas Bloom and Steven J. Davis at www.PolicyUncertainty.com

Key for the US and global economies is clearly the timing and extent to which President Trump follows through on his campaign promises and rhetoric, particularly the less business friendly ones such as tariffs and tighter immigration policies. It has typically been suggested that President Trump should be taken seriously but not literally, hence it seems broadly reasonable to assume that some of his rhetoric represents bargaining strategies and starting points in negotiations, where he will be open to reaching deals and compromises, as in his first term.

Moreover, he is not without constraints on his actions, amid their potential negative impacts on financial markets and the economy. In his first term, he typically viewed the stock market as a good benchmark of his own and the economy's performance. Hence, he will likely be careful that his policies are not so disruptive that they fuel material falls in equity prices, while any such declines could also persuade him to temper his positions and seek compromises. Similarly, inflation is much less quiescent than in his first term, and the fiscal deficit and government debt are very high as a share of GDP (see **Chart 5**), at a time when US treasury yields are already elevated. Hence, he needs to tread carefully, and his advisers will also be aware that his policies could trigger tighter policy from the Federal Reserve. At the same time, the Republican majority in the House of Representatives is tiny, and that in the Senate is not enormous, hence, there also could be some political constraints on his actions in certain areas.

CHART 5: US government debt and fiscal deficit



Source: IMF World Economic Outlook database, October 2024

Clearly, trying to forecast accurately what President Trump will do is fraught with difficulty. This is why, alongside elevated geopolitical tensions and political uncertainty in the key European economies of Germany and France, not to mention countries such as South Korea and Canada, the eminent economist, Charles Goodhart, comments in his interview with ACCA (see **Section 2**) that *'I doubt if it has ever been more difficult to forecast the near-term future…'.*

As a central scenario, it is broadly sensible to assume that, as in recent years, the global economy will continue to grow at a reasonable but not particularly exciting pace in 2025. The World Bank forecasts an expansion of 3.2% in 2025 (see **Table 1**) (World Bank Group 2025), while the IMF forecasts a modestly faster gain of 3.3% (IMF 2025).

TABLE 1: World Bank economic forecasts

	2023	2024e	2025f
World*	3.2	3.2	**3.2**
AEs	1.7	1.7	**1.7**
EMs	4.2	4.1	**4.1**
EMXC	3.5	3.5	**3.8**
China	5.2	4.9	**4.5**
US	2.9	2.8	**2.3**
Euro area	0.4	0.7	**1.0**
India**	8.2	6.5	**6.7**

Source: World Bank Group (2025).

*'World' is GDP growth based on Purchasing Power Parity calculation methodology.

AEs = Advanced economies, EMs = Emerging market and developing economies, EMXC = EMs excluding China.

e = estimate, f = forecast.

**The Indian numbers are based on fiscal years.

But the risks to this view are on the downside, particularly if changes in trade policy by President Trump result in large, sustained rises in tariffs that are much less targeted and selective than during his first term, and lead to retaliation by trading partners. This could weigh quite heavily on business confidence, push up inflation and be very disruptive for global financial markets. According to the World Bank Group (2025), an across-the-board 10 percentage point (pp) increase in US tariffs would reduce global GDP growth by 0.2pp in 2025, and 0.3pp if other countries retaliated, and it suggests that the negative impacts would be even larger if there were a rise in policy uncertainty. Estimates also suggest that very aggressive deportations of undocumented workers could have a damaging effect on the US economy (McKibbin et al. 2024), whose impact would be amplified if it occurred at the same time as aggressive increases in import tariffs.

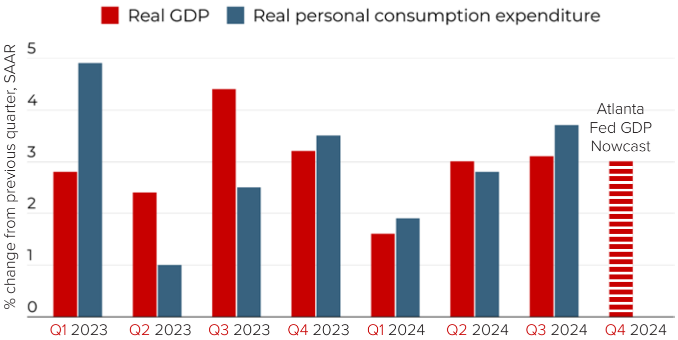
Other downside risks come from the challenging geopolitical backdrop – JPMorganChase CEO Jamie Dimon recently suggested that '*… geopolitical conditions remain the most dangerous and complicated since World War II*' (JPMorganChase 2025) – and from rising populism and heightened political uncertainty in key countries such as Germany, France and South Korea. Meanwhile, further material increases in US government bond yields and the US dollar, for example due to robust growth and sticky inflation, would put increasing stress on the less robust parts of the global economy, and could reduce the room for manoeuvre for other central banks to cut interest rates to support their economies. They could also put pressure on other asset classes, such as equities and corporate bonds. Similarly, stickier-than-expected inflation could reduce the potential scope for monetary easing by central banks around the world. It could also force some to tighten policy again.

The world is not without plausible upside scenarios. Aided by a boost to 'animal spirits' from the prospect of deregulation and easier fiscal policy, US economic growth could be very robust, particularly if the president is more cautious in his less-business-friendly policies, while the ongoing improvement in productivity performance could help keep inflationary pressures in check. At the same time, more aggressive policy stimulus by the authorities in China could put the recovery on a much firmer footing. The new president could perhaps also have some success on the foreign policy front, with some observers seeing the likelihood of a ceasefire between Russia and Ukraine in 2025.

According to our Q4 2024 ***Global Economic Conditions Survey (GECS)*** (ACCA/IMA 2025), economic risks remain in first place for global accountants (see **Chart 6**), although they are now very closely followed in second place by talent scarcity and then by regulatory risks. By sector, economic risks are well out in front for those working in the Corporate sector, but regulatory risks were in first place for those in Financial Services, very closely followed by economic risks. For the 'public sector and not-for-profits' and 'small or medium-sized practices', talent scarcity was the most widely cited risk, but economic risks were a close second for the latter.

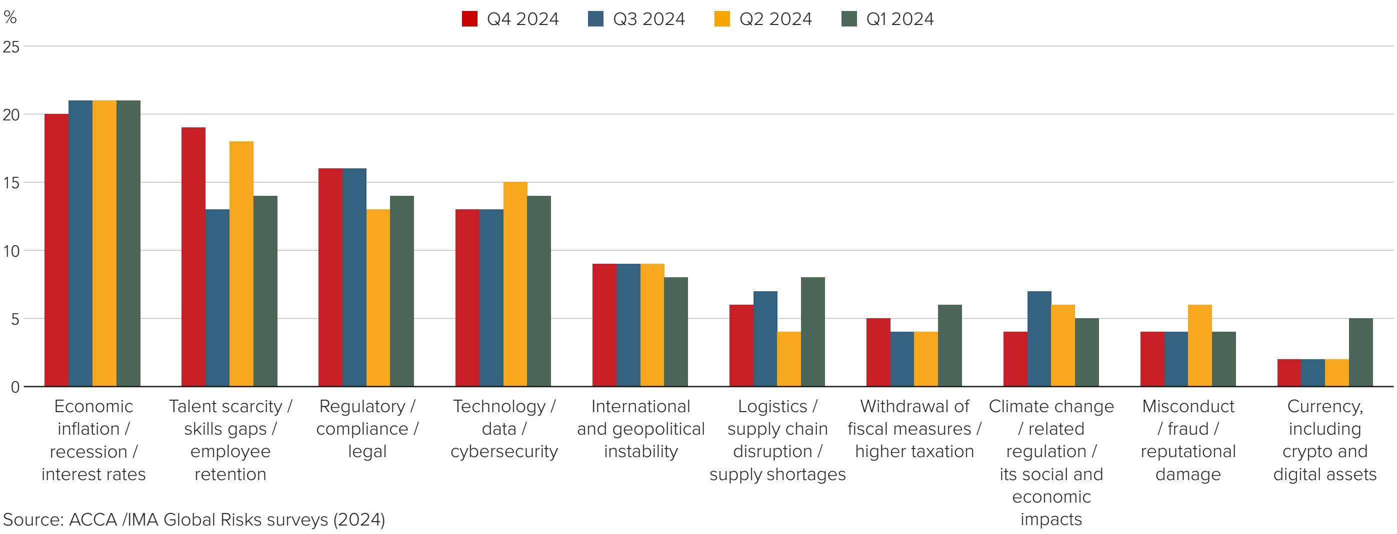
Looking at specific countries, the US should remain the top performer in the developed world. The economy looks set for solid growth again in 2025, albeit slightly slower than last year. The SPF expects an expansion of 2.2% (Federal Reserve Bank of Philadelphia 2024), while the World Bank (2025) and IMF (2025) expect growth of 2.3% and 2.7% respectively. Gains in consumer spending (see **Chart 7**) should remain well supported by a healthy labour market and positive real income growth, as well as the large wealth increases from past gains in stock markets and house prices. In addition, the prospects for deregulation and tax cuts bode well for increases in business investment, as does robust spending in areas such as AI. The economy also currently appears to be enjoying a revival in its productivity performance,

CHART 7: US GDP and consumption



Source: Bureau of Economic Analysis, Federal Reserve Bank of St. Louis FRED

CHART 6: Top-ranked risk priorities – change over the past year, according to accountancy and financial professionals

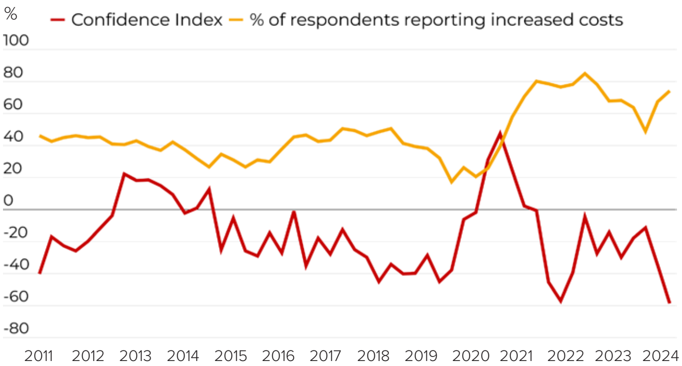


Source: ACCA /IMA Global Risks surveys (2024) which, if it continues, could help keep inflationary pressures relatively contained. Developments with the less business-friendly aspects of the new administration's policies, eg the deportation of undocumented workers and imposition of tariffs, remain key downside risks in 2025.

In the euro area, the economic recovery is weak and has shown signs of flagging. The German economy contracted for the second consecutive year in 2024, as its business model faces major challenges from the rise in energy prices since Russia invaded Ukraine and growing competition to its car industry from the ascendant Chinese electrical vehicle industry. By contrast, the peripheral countries such as Spain are performing much better. The European Central Bank (ECB) should continue to cut interest rates through the summer, while fiscal policy looks as though it won't be particularly contractionary, unlike that in 2024. Consumer spending should also be aided by a very low unemployment rate and positive real income growth. Overall, a slow expansion seems likely in 2025. According to the ECB's latest SPF (ECB 2025), economists expect an expansion of 1.2% in 2025 after a rise of around 0.7% in 2024, while the World Bank Group (2025) and IMF (2025) both expect growth of 1.0%. Downside risks could come from developments with US trade policy and political uncertainty in Germany and France (see **Section 3**).

In the UK, growth has flagged in the second half of 2024, increasing by just 0.1% in Q3, while the Bank of England (BoE) forecasts zero growth in Q4 (BoE 2024). After October's Budget, fiscal policy in 2025 is likely to be less contractionary than previously assumed, while solid positive real income growth should support gains in consumer spending, as should some modest further reductions in central bank interest rates. That said, the large rise in National Insurance contributions for employers, and other policy changes, appear to have had a chilling impact on business sentiment. Confidence among UK companies fell to its lowest on record in the **Q4 GECS** (see **Chart 8**) (ACCA/IMA 2025), and the proportion of firms reporting increased operating costs is very high by historical standards. Meanwhile, weak growth and the rise in government bond yields, raise the risk that the Chancellor may have to tighten fiscal policy later in the year. This is at a time when growth in the euro area is weak, and there is significant uncertainty about the policies of the new US President. At the October Budget, the Office for Budget Responsibility (OBR) forecast GDP growth of 2.0% in 2025 (OBR 2024), while the IMF forecasts an expansion of 1.6% (IMF 2025). Both look a little optimistic, and HM Treasury's average of independent forecasts in January was at 1.3% (Gov.uk 2024).

CHART 8: UK Global Economic Conditions Survey



Source: ACCA/IMA (2025)

China's recovery was quite sluggish in 2024, amid continued weakness in the housing market and depressed consumer confidence, and subdued inflation has raised fears about the potential risks of deflation. Since late September, however, there has been a pivot towards more aggressive policy easing, and there are some signs that it is beginning to work, and the government still hit its growth target for the year of 'around 5%'. Importantly, the key policy meetings in December pointed to further material monetary policy easing in 2025, and more robust fiscal policy support, as the government aims to strengthen domestic demand, including household consumption. The World Bank Group (2025) and IMF (2025) forecast growth of 4.5% and 4.6% respectively in 2025. This would represent some slowing from the 5% expansion in 2024 but would be still faster than the global average. A major downside risk is the trade policy of the new US administration, although a sharp rise in tariffs would probably prompt the authorities to enact even more aggressive policy support.

The Indian economy slowed by much more than expected in the July–September quarter, and the National Statistics Office has downgraded its forecast of estimated growth to 6.4% in 2024[2]. This would represent a clear slowing from the 8.2% expansion in 2023. The World Bank Group (2025) and IMF (2025) are forecasting expansions of 6.7% and 6.5% in 2025, which would still make India the fastest-growing major economy. The economy should continue to benefit from fast growth in its services sector, aided by exports, strong investment in infrastructure by the government, and the international diversification of supply chains, while the likely beginning of monetary easing this year should also provide a boost to growth. The international environment, including US trade policy and developments with oil prices, remains a key risk though, as do changes in domestic food prices.

CONFIDENCE AMONG UK COMPANIES FELL TO ITS LOWEST ON RECORD IN THE Q4 GECS SURVEY, AND THE PROPORTION OF FIRMS REPORTING INCREASED OPERATING COSTS IS VERY HIGH BY HISTORICAL STANDARDS.

2 Note: forecasts for the Indian economy are usually made on a fiscal year basis. For example, an annual forecast for calendar year 2024, will be based on the fiscal year 2024/25. This will run from the beginning of April 2024 to the end of March 2025.

Section 2:
Interview with Charles Goodhart

In this section, ACCA Chief Economist Jonathan Ashworth asks distinguished economist Charles Goodhart about his thoughts on the prospects for the global economy.

Charles Goodhart, CBE, FBA, was the Norman Sosnow Professor of Banking and Finance at the London School of Economics until 2002; he is now an Emeritus Professor in the Financial Markets Group there. Before joining the London School of Economics in 1985, he worked at the Bank of England for 17 years as a Monetary Adviser, becoming a Chief Adviser in 1980. In 1997, he was appointed one of the outside independent members of the Bank of England's new Monetary Policy Committee until May 2000.

What are your thoughts on the prospects for the global economy in 2025?

I doubt if it has ever been more difficult to forecast the near-term future, amid the uncertainty about President Trump's policies, and given the many other global issues. Europe is experiencing major problems. There is significant uncertainty within the French political system and economy and there is an upcoming election in Germany, whose economy is struggling. In short, there is huge uncertainty, which is of course bad for the economy.

My guess, on which I would not place a great deal of weight, is that the US economy will do very well in 2025. Both Europe and the UK will do relatively badly. Not only will higher US import tariffs be a problem for Europe, but higher US tariffs on imports from China will probably mean that China will want to export more of its goods to Europe, at a time when Germany's business model is already under extreme stress. As regards the UK, I was very disappointed by Chancellor Reeves's first budget. The increase in National Insurance contributions for employers is not a very good way to proceed. It will tend to lower employment and raise inflation at the same time. I had hoped she would shift taxation much more onto land and property, and away from income and profits, which she did not do. As regards India, it is one of the few countries about which I remain generally optimistic. The current issues with global trade relate to tariffs on goods, but nobody is talking about raising barriers to trade in services. Services are going to be produced more internationally and India will be a beneficiary.

Looking at inflation, it seems to be coming down close to central bank targets in a number of countries, although services inflation still remains elevated. In your opinion, can central banks declare victory in their battles against inflation or is there a risk that it will come back in 2025?

I think inflation could come back quite easily. The decline in inflation occurred very largely because the increase in energy prices was very short-lived and has returned to normal. I both think and hope that President Trump will succeed in bringing about an end of warfare in Ukraine, although there are uncertainties over how he will achieve that and whether peace will be permanent. When the conflict ceases, Russia, which has been under great pressure, will need to try to increase its fossil fuel exports quite sharply. Hence, energy prices could come down. In addition, expected US tariff increases will mean that Chinese exporters will seek out other markets, pushing down goods prices for countries other than the US. Hence, if anything, in the short-run inflation could come down.

SO, MY EXPECTATION IS A SHORT-RUN DECREASE IN INFLATION DUE TO THE END OF THE UKRAINE WAR AND REDUCTIONS IN CHINESE EXPORT PRICES. BUT, GIVEN THE DECLINE IN THE SUPPLY OF LABOUR AMID FALLING WORKING-AGE POPULATIONS AND REDUCTIONS IN IMMIGRATION, I THINK INFLATION WILL REBOUND EVENTUALLY. PERHAPS NOT IN 2025, BUT IN 2026 AND 2027.

Even so, at the same time, much tighter immigration policies under President Trump, which may also be adopted in other countries, mean there will be increasing restrictions on immigration worldwide that will worsen the problem of the shortage of the supply of labour. So, my expectation is a short-run decrease in inflation due to the end of the Ukraine war and reductions in Chinese export prices. But, given the decline in the supply of labour amid falling working-age populations and reductions in immigration, I think inflation will rebound eventually. Perhaps not in 2025, but in 2026 and 2027.

That may mean central banks may need to reverse course again and raise interest rates?

If they are allowed to: 2025 may seem a very successful year for President Trump. The US economy could grow quite sharply, fossil fuel prices may come down with the end of the Ukraine war, and I wouldn't be surprised if the US dollar appreciated, further reducing inflation. But then things will start going wrong because of the increase in import tariffs, the reductions in immigration, and the increase in the US fiscal deficit. The upwards pressure on inflation in the US in 2026 and 2027 may become quite considerable. The Federal Reserve would want to raise interest rates, but President Trump would be very concerned to avoid that, and by then, Jay Powell's period as Federal Reserve Chair might be at an end. President Trump may appoint somebody who is much closer to himself and it maybe that in 2026 and 2027 the Federal Reserve won't raise interest rates at a time when inflation is rising, and that could cause problems. I also think that things will seem so relatively good in the US in 2025, that they won't be prepared for the worsening of the fiscal position that could come to cause problems in 2026 and 2027.

In general, the fiscal positions are terrible everywhere, aren't they?

The most severe issues are in France, where the situation is serious. It is not clear how it will be resolved, if it is going to be resolved. Taxes are already quite high in France, so they need to cut their expenditures, which is politically extraordinarily difficult. America has got such power, its exorbitant privilege, that it will be another year or two before people start questioning the sustainability of its government debt.

Amid the poor productivity growth performances of many countries over the past decade or so, is AI the 'get out of jail free' card?

No, I very much doubt it, but what it will do is change the inequality within countries. Most of the technological developments that we had over the last 40 or 50 years have replaced human muscular power – robots, automated production etc.– and that, together with the growth in manufacturing in the low-wage economies of China and Eastern Europe, has meant that the unskilled workers in the advanced economies have fared pretty poorly, while those who have human and financial capital have done extraordinarily well – the increase in asset prices has been huge. Now, AI doesn't substitute for physical labour, it substitutes for mental capacity, so it is going to substitute for relatively skilled workers and that is going to mean that the lower 30% to 40% of the income distribution will do relatively better, and the top 50% will do relatively worse. Hence, income inequality within countries which has worsened a lot over the last 30 years is going to improve.

Do you see the US dollar being replaced as the global reserve currency anytime soon?

Not replaced but being reduced in its importance. The tendency for the US dollar to dominate over recent decades is going to disappear, but on the other hand I don't see any other currency emerging as a leader. I think technology will mean that we have no leading currency, but everybody will be able to trade easily against each other.

AMID THE POOR PRODUCTIVITY GROWTH PERFORMANCES... IS AI THE 'GET OUT OF JAIL FREE' CARD?

NO, I VERY MUCH DOUBT IT, BUT WHAT IT WILL DO IS CHANGE THE INEQUALITY WITHIN COUNTRIES.

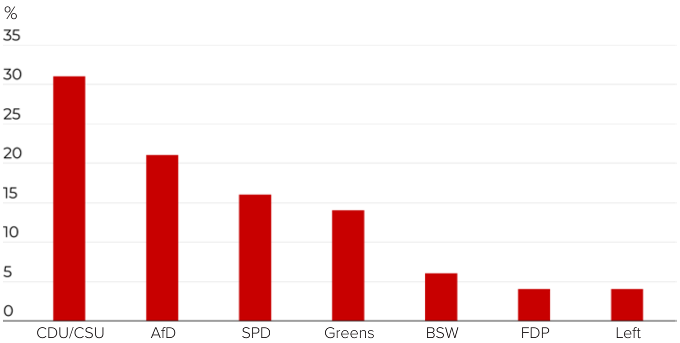
Section 3: Key events in 2025

In this section, we highlight some of the key events to watch over the coming year.

Following a year in which around half of the world's population went to the polls, 2025 clearly seems like something of an anti-climax politically. That said, observers will carefully monitor the political and policy implications of last year's elections, which saw many incumbent parties defeated, and further gains for populists, particularly on the right (Burn-Murdoch 2024). Key focus for global businesses and investors, will be the policies of the new US President Donald Trump, particularly his trade and foreign policies.

Turning to 2025, key on the political front will be the snap federal election in Germany, the euro area's largest economy, on 23 February. It was called after the recent collapse of the coalition government led by Chancellor Olaf Scholz of the centre-left Social Democratic Party (SPD). The opposition centre-right Christian Democratic Union (CDU) party led by Friedrich Merz has a large lead in the opinion polls (see **Chart 9**) and is likely to emerge as the largest party after the election. That said, it is unlikely to receive enough votes to gain a majority. Hence, it will need to form a coalition, most likely with either the SPD or the Green Party, or perhaps both, who are currently polling in third and fourth place respectively. All major parties have refused to cooperate with the far-right Alternative fur Deutschland (AfD) party, which is currently polling in second place. Coalition negotiations are likely to take time, hence a new government may not be in place until the summer. A key focus of the negotiations for investors will be whether there is agreement to modify Germany's balanced budget rule, which would give the next administration greater leeway to increase defence spending and infrastructure investment to help the struggling economy[3].

CHART 9: German federal election – opinion polls*



*Last surveys as of January 14th
BSW – Alliance Sahra Wagenknecht, FDP – Free Democratic Party

Source: Politico Poll of Polls

Elsewhere in Europe, significant attention will be focused on political events in France, the euro area's second largest economy. President Macron's centrist coalition lost a snap parliamentary election last July, resulting in a hung parliament, and the country is currently on its fourth prime minister since the beginning of 2024. This is at a time when it faces major challenges due to the very poor state of its public finances, with the budget deficit at around 6% of GDP in 2024, in contravention of the European Union's fiscal rules. The lack of a majority in parliament means it could, however, be difficult for current Prime Minister Bayrou to pass a 2025 budget through parliament with tax rises and spending cuts that sufficiently improve the country's fiscal trajectory. As with his predecessor, he could lose a no-confidence vote, and President Macron may have to appoint yet another prime minister. Financial markets would probably react very negatively, pushing up government borrowing costs, further exacerbating the country's debt sustainability problems. New parliamentary elections that could potentially break the political impasse cannot be called until July. Significant attention will also be focused on the 31 March result of a court case involving far-right National Rally leader Marine Le Pen, which could prevent her standing in the 2027 Presidential election[4].

In North America, a key focus will be political developments in Canada. In January Prime Minister Trudeau announced he was standing down as leader of the centre-left Liberal Party, which is set to choose a new leader by 9 March. A federal election needs to be held by October, but an earlier election seems likely (Vieira 2025). The leader of the opposition Conservative Party, Pierre Poilievre, has maintained a commanding lead in recent opinion polls[5]. Gubernatorial elections in the US states of Virginia and New Jersey will also receive attention in November. The margins of victory for the Democrats in the 2024 Presidential election in both states were much lower than in 2020, hence, the results should provide a useful early gauge of how the public is viewing the performance of the new Trump administration.

In Asia, continued attention will be paid to the political crisis in South Korea, the region's fourth-largest economy. The Constitutional Court is set to decide by June on whether the impeachment of President Yoon Suk Yeol, following his decision to enact Martial Law, was constitutional[6]. There will also be elections in Australia by 15 May at the latest and in the Philippines on 12 May. Recent opinion polls in Australia suggest a tight race between centre-left Prime Minister Anthony Albanese and his Conservative challenger Peter Dutton (Westcott 2024). Meanwhile, elections for Japan's Upper House of parliament are due by July. Prime Minister Shigeru Ishiba has also raised the possibility of holding elections for the important Lower House of parliament at the same time, where he currently leads a minority government since losing his majority after elections in October (Japan Times 2024).

3 For more details on the policies of the different parties, see Chassany (2024).

4 For a useful summary of recent political developments in France, see Bourgery-Gonse (2024); see also Jabkhiro (2024).

5 For a helpful discussion of political developments in Canada, see Economist (2025) and Grenier (2025).

6 For more on developments in South Korea, see Shiga and Jaewon (2024).

Aside from elections, an important focus, as always, will be China's annual National People's Congress, which begins on 5 March. The government will provide details of its GDP growth and inflation targets for 2025 and its likely fiscal policy stance, as well as various other policies and priorities. Key policy meetings in December pointed to more aggressive fiscal stimulus in 2025, hence the event will be watched extremely closely by investors. In November, we will watch closely to see whether politicians can make additional progress on policies for achieving the green transition, at COP 30 in Belem, Brazil. The G20 meeting in Johannesburg, South Africa, may also attract significant attention in what could be a turbulent year for the global economy.

CHART 10: Key events in 2025

Source: National/International sources and Wikipedia

Section 4:
Three key trends we are watching in 2025

In addition to closely monitoring the usual ebb and flow of economic and financial markets data throughout the year, we will be paying particularly close attention to three key trends: i) developments with AI; ii) rising geoeconomic fragmentation; and iii) further retreating by governments from policies intended to achieve the green transition.

i) Developments with AI[7]

In the ***2024 Global Economic Outlook*** (ACCA 2024a) we touted two trends based on generative AI models: 1) personalisation and 2) shrinking.

Indeed, AI companions, custom GPTs, project assistants, and more have become an essential experience for many. This trend of personalisation has probably been a major contributor to the rapid consumer adoption of the technology (Bick et al. 2016). And while larger models continue to dominate headlines, 2024 was also a year where smaller models consistently outperformed larger counterparts from the previous year. Smaller and open-source models now offer real efficiency benefits over full-sized, more capable models.

The current economic impact of AI is being driven primarily by hardware, consulting activities, start-up investment, data centre construction and energy use. But to realise the much sought-after productivity benefits, integration will be key. Real economic benefits are unlikely to come from chatbot-style products.

In this regard, and looking ahead to 2025, AI agents are already being touted as the next productivity breakthrough. What distinguishes an agent from a chatbot is that rather than being directed step-by-step on how to achieve a user objective, agents can determine the necessary steps themselves, thus acting more autonomously, calling on additional tools where necessary. This is not simple robotic process automation (RPA). Where RPA is brittle and can falter at minute changes in context or input, agents are flexible; where RPA requires clear and consistent rules, agents can adapt. These advantages come from their basis in probabilistic models, which also remains an Achilles heel. Imagine that an agent needs six steps to achieve its objective. If it can consistently maintain an accuracy of 95% at each step, the accuracy of the final output drops to 73%. Reduce the accuracy to 90% and the final output amounts to the flip of a coin. This may be acceptable for creative tasks, but for most there is work to be done to set constraints that improve consistency and accuracy.

This brings us to three key trends to watch for 2025: hybrid applications, governance, and sustainability.

Agents will deliver a second wind to the AI hype in 2025, but genuine business value may rely on applications that integrate different approaches. The comparison between agents and RPA makes clear that we are not supplanting but adding to our bag of tools: generative AI is not sufficient in isolation, nor are agents. Software providers are exploring how to integrate AI functionality, building on access to advanced models or acquiring developers capable of building smaller models suited to their purpose. Figuring out how to integrate these different tools is where real progress resides. While value has proved elusive thus far, the promise of efficiency has been a strong driver for investment and adoption.

This will bring such practical issues as compliance to the fore, especially with regulations such as the EU's AI Act coming into force. Moreover, divergent international regulations, continued concerns about accuracy and data use, increasing popularity of AI-centred growth policies, and the potential for a renewed approach under a Musk-influenced Trump presidency may well mean that questions of governance become a priority.

As discussed in ***AI Monitor: Unravelling AI's role in sustainability*** (ACCA 2024c), AI can both advance and hinder sustainability goals. While data centres' energy consumption raises concerns and calls for improved efficiency and use of renewable energy sources, organisations must weigh AI's environmental impact against its benefits. Leaders will need to evaluate both AI's environmental costs and investment in sustainable alternatives.

What does any of this mean for realising the economic potential of AI? The current trajectory could suggest that the productivity-related economic benefits, broadly, may be more gradual (and perhaps limited) than speculated in some corners. After all, we are still figuring out how to create application-level success with AI, whereas real economic change comes from systems-level changes.

Nonetheless, even if the more modest estimates proposed by economists such as Daron Acemoglu (2024) prove to be closer to the mark, there is still significant potential to be realised. We will be watching the data closely in 2025, for any incipient signs that AI is beginning to provide a much-needed boost to countries' productivity performance.

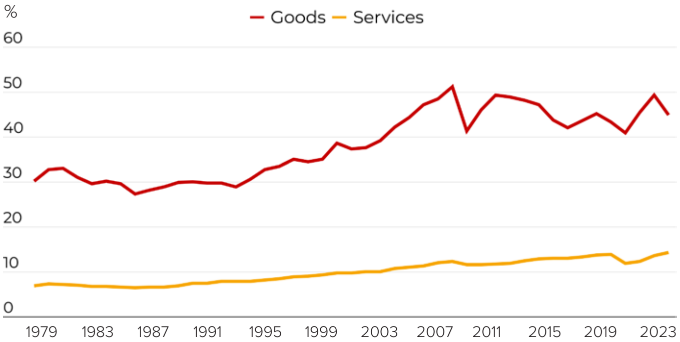
7 This section has been provided by Alistair Brisbourne, Head of Technology at ACCA.

ii) Rising geoeconomic fragmentation

After decades of rising global integration, the world is increasingly facing the risk of fragmentation. The IMF recently coined the term 'geoeconomic fragmentation', describing a policy-driven reversal of global economic integration, which it suggests 'encompasses reversals along any and all of the different channels whereby countries engage with each other economically, including through trade, capital flows, the movement of workers across national boundaries, international payments, and multilateral cooperation to provide global public goods' (Aiyar et al. 2023).

The Global Financial Crisis of 2008–9 ended a period of rapid globalisation, with the world subsequently switching to what has been commonly referred to as 'Slowbalisation'. Global goods trade as a share of GDP has largely flatlined since 2008 (see **Chart 11**), although services trade has continued to increase gradually.

CHART 11: Global trade as a percentage of GDP



Source: ASR Ltd. / LSEG Datastream (2024)

Global trade relations began to deteriorate significantly during the first Trump administration, with a significant rise in tariffs on imports from China, which was met with retaliation by the Chinese authorities. The Biden administration has largely kept those tariffs in place, and introduced new restrictions, while its key signature policies such as the IRA and the CHIPS and Science Act contained provisions that favour production in the US. Other large economies such as the European Union, China and India have also implemented restrictive trade measures. According to the World Bank Group (2025), 'Globally, the number of new trade-restricting policies introduced in 2024 was five times higher than the 2010–19 average and is close to the record high observed in 2023'.

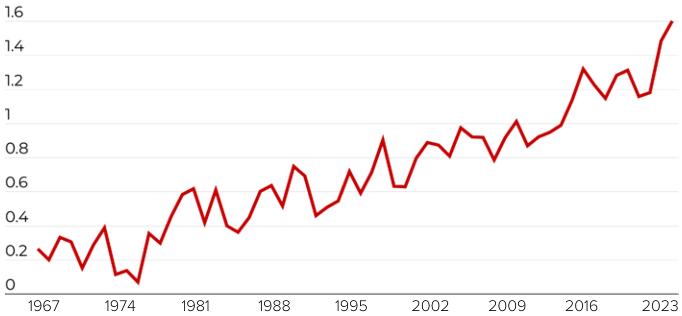
The advent of the Trump administration raises the risk that the period of 'slowbalisation' in goods trade switches to a period of deglobalisation over coming years. More broadly, we will also watch other areas of geoeconomic fragmentation very closely. The rise of populist parties on the right has already led to stricter immigration policies in advanced economies in recent years, and further moves in this direction would seem likely in 2025.

iii) Further retreating by governments from policies intended to achieve the green transition

2024 was the hottest year on record, with the Copernicus Climate Change Service (C3S) suggesting that it was the first calendar year when the average global temperature was more than 1.5°C above pre-industrial levels (see **Chart 12**) (European Commission 2025). The negative impacts of global warming were evident again last year amid extreme weather events across the world, including heatwaves, wildfires, droughts, floods, hurricanes and tornadoes (World Weather Attribution 2024; Climate Council 2024). Meanwhile, on currently enacted national policies or even current policy pledges, the world may find it challenging to hit the climate targets set out in the 2015 Paris Agreement[8].

CHART 12: Global surface temperature increase above pre-industrial period*

Annual averages, °C



*ERA5 data

Source: C3S/ECMWF

Despite this, a number of governments have dialled back policies intended to achieve the green transition in recent years amid rising political pressures arising from weak economic growth and the high cost of living[9]. The inauguration of President Trump in the US, the world's second-largest emitter, clearly raises a significant risk of a further dialling back of policies in 2025 and beyond. He has vowed to increase fossil fuel production and in his first day back in office withdrew the US from the Paris Climate Agreement and halted the disbursement of new funding from the Biden administration's IRA (Chu and Smyth 2025). There is a risk that some ideologically minded governments could perhaps follow in the footsteps of the Trump administration, while others could still feel growing pressure to scale back some of their climate commitments owing to pressures from ascendant populist parties and growing fears about the loss of international competitiveness for their industries (Clark 2024a 2024b). Similarly, given the changing political winds, the risk is that banks will be less willing to step up their financing of the green transition and reduce their funding of fossils fuels[10].

8 For a brief discussion of the issue, see Accounting for the Future (AFF) 2024, 'Global economy 2025: could rising populism put the green transition at risk?' (ACCA 2024b).

9 For an in-depth summary of the issue, see Campanella and Lawrence (2024).

10 A number of large US banks have recently left the net zero banking alliance (Gayle 2025).

Section 5:
How do CFOs see the world in 2025?

In this section, we interview seven CFOs from various industries across the globe, garnering their bottom-up views on how they see the prospects for the global economy and their companies in 2025[11]. We asked them three questions:

i) What are your thoughts on the prospects for the global economy in 2025, as well as your own region?
ii) How will this impact your organisation?
iii) What are the risks and other key challenges facing your organisation in 2025 and beyond?

CFO Interviewee 1: Sachin Bansal, CA

Vice President and CFO of Wipro Consumer Care and Lighting – India Business.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?
I am quite cautious about the global economy. For the US, the key will be the extent to which President Trump follows through on his election campaign promises, such as corporate tax cuts and higher duties on imports. This could be inflationary for the US economy and push up interest rates, and may weigh on growth over the longer term. Turning to China, exports have been supporting its struggling economy. Hence, a trade war with the US would be very negative. Meanwhile, the Eurozone economy is struggling. In India, the latest quarterly growth numbers were much weaker than expected. Rural consumer spending is improving, but urban consumption has moderated amid slow wage growth and high food prices and housing costs. This has weighed on corporate profitability. The general consensus is that things will start improving in the next couple of quarters, and in calendar year 2025 inflation should move into an acceptable zone and growth should be back on track. I remain upbeat on India's longer-term growth prospects.

How will this impact your organisation?
We are in the fast-moving consumer goods (FMCG) sector in India and have products in areas such as personal care, home care, food and lighting. The recent weakness in consumer spending has weighed on our business. Given the stable government and supportive economic policies, private consumption spending is likely to improve over the coming years, which should also enhance corporate pricing power. We believe that in the next couple of years the Indian FMCG sector will return back to the double-digit revenue growth of the pre-COVID years, after the more challenging last three-to-four years. On this assumption, we are investing to increase our capacity. Our biggest current concern is the surge in palm oil prices over the past six months, a major commodity used in our products. This has had a significant negative impact on our profitability, given the difficulty in passing on cost increases to our customers. Further price increases would be difficult for the industry, but the outlook is that palm prices will moderate and stabilise in coming quarters.

What are the risks and other key challenges facing your organisation in 2025 and beyond?
The first risk is inflation related to global developments. The various geopolitical situations and/or potential trade wars could fuel a rise in global inflation, which, if imported into India, will have a negative impact on consumer demand. The second risk is volatile input costs, which again are related to inflation. If consumer incomes are not increasing, it will be hard to pass on price increases. The third risk is fast-changing consumer habits. Agile organisations that can develop and offer new products will benefit, but others will be left behind. This is both an opportunity and a risk. The fourth risk is AI, which is going to be a game changer. Organisations with first-mover advantage will benefit in terms of new product development, advertisement, and entire brand positioning. We have already started using AI in a number of areas, benefiting from the technological expertise of the wider Wipro group. This is, once again, both an opportunity and a risk. ■

11 The views expressed in these interviews are the personal views of the interviewees and do not necessarily reflect the views of the company they represent or ACCA. We are incredibly grateful to the CFOs for providing their time and expertise for the interviews.

CFO Interviewee 2: Rozaini Mohd Sani, CAANZ, MICPA, CA(M)

CFO, Johor Corporation (JCorp), a state-owned investment-holding company based in Johor, Malaysia.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?

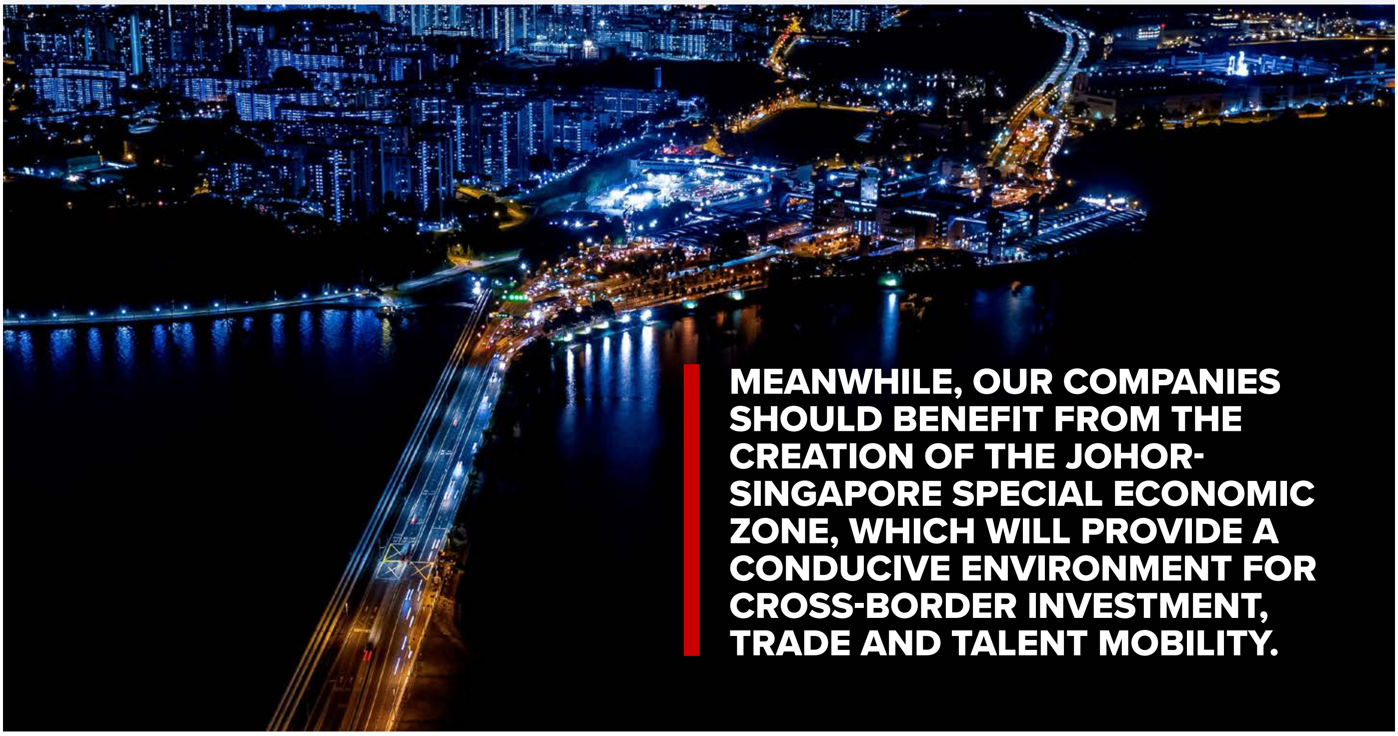
Globally, we expect the economy to maintain a positive outlook, with growth of about 3.2% in 2025. Malaysia is set to grow faster at around 5%–5.5%, supported by strong domestic activity and robust demand across the Asia Pacific region. Inflation, while rising, is expected to remain manageable at around 3.5%, and interest rates should stay stable at 3%, creating a conducive environment for private sector spending. Malaysia continues to benefit from a steady influx of investments in data centres, robotics, advanced electronics and other technology-related areas and should continue to benefit from robust demand in the Asia Pacific region. The forthcoming Trump administration introduces uncertainties concerning tariff policies and their potential impact on the global economy. Nonetheless, Malaysia's neutral stance may allow it to navigate these geopolitical tensions advantageously, fostering trade and cross-border investment opportunities.

How will this impact your organisation?

JCorp invests in four core sectors: Wellness & Healthcare; Agribusiness; Real Estate & Infrastructure; and Food & Restaurants. The diversification of our investments promotes growth and allows us to withstand disruptions. In 2025, we anticipate positive growth in at least three of the sectors. Our Real Estate & Infrastructure business is set to benefit significantly from the inflow of foreign direct investments, particularly in technology and AI. These investments enhance the broader business ecosystem, supporting the digital transformation of our portfolio companies. Meanwhile, our companies should benefit from the creation of The Johor-Singapore Special Economic Zone, which will provide a conducive environment for cross-border investment, trade and talent mobility, especially when coupled with the future completion of the Johor-Singapore Rapid Transit System (RTS). The stable interest rate environment in Malaysia also offers favourable conditions for expanding investments in our Real Estate & Infrastructure, and healthcare services businesses, ensuring sustained growth across these critical sectors.

What are the risks and other key challenges facing your organisation in 2025 and beyond?

Supply chain disruption is a risk. Our Food & Restaurants business was hit by disruptions from the war in Ukraine, hence, we have diversified our supply chains and strengthened local and regional ones. We continue to monitor geopolitical developments closely to anticipate potential impacts. The ongoing conflict in Gaza has also negatively affected consumer sentiment in Malaysia, leading to boycotts of certain brands, including some within our portfolio. Although not specific to us, this highlights the importance of proactive brand and reputation management, alongside deeper community engagement. Inflation poses another macroeconomic risk, particularly the uncertainty arising from the removal of some government subsidies. Higher inflation would have a negative impact on consumer demand, which is important for many of our businesses. Climate change remains a long-term challenge, with some of our companies already experiencing the effects of extreme weather events. In response, we are aligning with the new International Financial Reporting Standards (IFRS) sustainability standards S1 and S2. These frameworks enable us to quantify risks related to climate events and devise strategies to mitigate them, ensuring our organisation remains resilient in the face of environmental uncertainties. ■



CFO Interviewee 3: Ngo Hoang Ha, FCCA

Deputy CEO & CFO, Techcom Securities Joint Stock Company, a fintech company in investment banking and wealth management.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?

Growth in the global economy is generally expected to slow this year compared with 2024. The US economy is still expanding, but will grow by less than last year, while the Chinese economy is likely to grow by 4.5% in 2025 after an expansion of around 4.8% previously. The European economy will recover a bit but won't make up for the slower growth in the US and China. A major uncertainty for Vietnam is the trade policy of the new US government, given its importance as an export market. The exchange rate is also a key risk. The US Federal Reserve is expected to cut interest rates only twice this year, which means that the Vietnamese currency could potentially depreciate further against the US dollar. Nevertheless, the government is determined to increase the economy's growth rate to 8% in 2025, from around 7% in 2024. A key focus is increased public investment in infrastructure, eg roads, airports. The authorities also want to increase the pace of credit growth from around 14.5% in 2024 to 16% this year to boost domestic consumption, and will continue to strive to improve the business climate in the country.

How will this impact your organisation?

We are a securities company, a subsidiary of a big commercial bank. We provide online platforms to help customers manage their wealth, including buying and selling investment products such as stocks, bonds and investment funds. Hence, the performance of our company will be affected by the performance and volume of trading in the stock market. In 2024 foreign investors withdrew around US$3.5bn from our stock market amid fears about potential US policy changes and given the weakness of the exchange rate. There is a risk that currency weakness could weigh on the stock market's performance again this year, with foreign investors withdrawing funds. But we are hoping that FTSE Russell[12] will upgrade Vietnam's classification from a 'frontier' market to an 'emerging' market in September, which would likely lead to an increase in foreign fund inflows to the Vietnamese market[13]. If the Vietnamese economy performs well, that will also be good for the stock market, and cheap valuations could make Vietnamese equities attractive to foreign investors.

In order to mitigate the above risks, we will invest heavily in technology, particularly AI, to remain ahead of our competitors. Our customers can use AI chatbots to learn about relevant topics eg fundamental and technical analysis on the stock they are interested in, and we also use AI to improve internal productivity in areas such as advertising and marketing. We will continue to invest significantly to strengthen our cybersecurity, as the hacking of accounts is a key fear for Vietnamese customers. We will also continue to create new products for customers, eg fixed-income products that provide diversification if the stock market does not perform well.

What are the risks and other key challenges facing your organisation in 2025 and beyond?

As mentioned earlier, US policy changes and domestic exchange rate depreciation are key risks, and failures in cybersecurity remain a major threat. Another key risk is Chinese economic policy. If the Chinese currency were to depreciate, that could hurt the competitiveness of Vietnamese companies, which could have a negative impact on the economy and stock market. Nevertheless, we believe that with our strong foundation, we can turn those risks into an opportunity to increase our market share and grow the business.

12 A global provider of stock market indices <https://www.lseg.com/en/about-us/ftse-russell>.

13 <https://vietnamnews.vn/economy/1664635/vietnamese-stock-market-remains-on-ftse-russell-s-upgrade-watchlist.html>.

CFO Interviewee 4: Steve Nicol, FCCA

Executive President, Operations, and previously Deputy CFO of Wood, a global consulting and engineering company in energy and materials markets.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?
Operating in the energy industry means that geopolitical events can affect our business. The situation in the Middle East for example impacts the supply and demand side of the energy industry. The region has significant reserves and is a likely source for satisfying global energy demands today and in the future. We are keeping a close eye on recent developments within the region but do still anticipate growth for the industry right across the Middle East.

The UK North Sea is a declining basin yet still provides around 60% of UK energy demand. The current UK fiscal policies have made it more difficult for international energy companies to invest and sanction new capital spend in the basin, but we are seeing investment in existing infrastructure and would expect this trend to continue over the short to medium-term.

Developments in the US are also key. With the new Trump administration, it is likely we will see an increase in conventional energy production, however, there are some concerns that renewables projects and investment may be slowed.

At our Capital Markets Day in 2022, we estimated that the addressable market for our oil and gas business was c. US$125bn over a three-year period, and that this will continue to grow at around 6% per year. The renewables market for our organisation is estimated at around US$8bn over the same period, but we anticipate a more rapid compound annual growth rate (CAGR) trajectory of greater than 30%.

How will this impact your organisation?
There are two key facets within the energy industry, energy security and energy transition. The conflict between Russia and Ukraine resulted in governments being far more focused on their own energy security strategy. We anticipate an increase in the Liquefied Natural Gas (LNG) market as exports play a more prominent role to satisfy global energy demand. This is another growth area for Wood and one we have already started making progress in, with contract awards in 2024.

Clients across the globe are investing more to increase the output of their existing oil and gas projects. This investment involves ensuring that current infrastructure is as environmentally friendly as possible. We are delivering a number of decarbonisation scopes for our clients such as electrification, flare gas reduction and gas repurposing projects. There is also a growing market for our business in decommissioning obsolete oil and gas infrastructure that is nearing end of life.

We are being asked to perform a large amount of feasibility reviews in areas such as hydrogen and carbon capture. These projects, have, however, been slower at moving to the next stage of the lifecycle i.e. into detailed engineering and ultimately construction. The pace will need to accelerate if governments are to meet their net zero aspirations.

What are the risks and other key challenges facing your organisation in 2025 and beyond?
The energy transition provides massive opportunities for our industry. The next period could see unprecedented investment into the energy market. Like all service companies, our organisation will only ever be as good as the people we employ. For this reason, we are very focussed on attraction and retention of our employees and supporting staff with the transition from conventional energy into newer energy transition projects.

We are also increasing the use of AI and digital technologies to strengthen our business offering. We now hire and employ data scientists as well as core engineers. The combination of decades worth of experience working on infrastructure added to the use of voluminous amounts of knowledge and data trends we have built over the years is an exciting development.

Being flexible and adaptable to changes in the market is critical to the future success of our business.

CFO Interviewee 5: Bilal Surahyo, FCCA, CPA

North America-based CFO and Chief Information Officer (CIO).

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?

There are complex issues facing the global economy, which present both opportunities and risks. The high cost of living remains a major challenge for most countries, but inflation and central bank interest rates are coming down, which should be helpful for households and businesses. That said, there is significant uncertainty geopolitically and regarding US trade policies, at a time when many countries have new leaders and policy agendas after elections in 2024. Growth in Canada and the US will be moderate in 2025, driven by increases in consumer spending and infrastructure investment. But the push by the US to produce more goods domestically, a policy which other G7 countries will likely follow, will raise prices over the longer term. Meanwhile, I see future opportunities for the Canadian economy in energy production – renewables and nuclear – and with technology, including AI and the digital transformation.

How will this impact organisations?

There are several key themes on which organisations need to focus. First, sustainability: this is clearly important from an ethical perspective, but is also key for performance. Using sustainable products and practices boosts the brand and can allow businesses to charge premium prices. Second, significant investment in technology is crucial. Businesses that get left behind technologically risk becoming obsolete. It is also important to educate finance professionals here, since they are making decisions on investment in technology. Third, the evolution of work is happening against a backdrop of labour shortages in many countries. This will push companies to invest in the reskilling of their employees, and firms will also have to be increasingly flexible in their working models to attract the top talent. There are also two key challenges to highlight. The high cost of borrowing, despite the fact that interest rates are coming down: hence, firms need to try to optimise their cost of finance. The other is the threat of rising trade barriers. This will be a particular challenge for small and medium-sized enterprises (SMEs), but large businesses also need to evaluate the potential impact this will have on their supply chains.

What are the risks and other key challenges facing organisations in 2025 and beyond?

There are five major challenges. First, global uncertainty, given the risk of a rise in global trade barriers, in a world when many leaders appear to be looking inwards. Second, increased regulatory pressures related to data privacy, the environment and international trade. Third, geopolitical risk, which can lead to volatility in the price of commodities and be very disruptive for supply chains. Fourth, the rapid adoption of AI and other technologies. If companies do not adapt, they risk becoming obsolete. Fifth, the impact of climate change amid the extreme weather events the world is experiencing. This is having a negative operational and financial impact on firms. All in all, companies need to balance agility, innovation and sustainability to be better equipped to navigate these many challenges and emerge stronger in a very competitive global economy. ■

CFO Interviewee 6: Emmanuel WAKILI, FCCA

Executive Director and Chief Finance Officer Cameroon, CEMAC and CESA Region, ECOBANK.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?
In Central, Eastern and Southern Africa (CESA), growth is likely to be better in 2025 than in 2024, as economies continue to recover from the negative impacts of the COVID-19 global pandemic and the impact of the Russia-Ukraine crisis on fuel prices and hence on the consumer price index, and food scarcity, amid general political stability. Challenges still exist though, including the lack of access to energy for many people on the continent and climate change – which is a big issue for Southern Africa. Droughts continue to push up inflation amid higher prices for food and potable water. In some countries, growth is likely to be strong, as in the Democratic Republic of Congo, which is benefiting from its significant mineral deposits, and will be relatively steady in Tanzania and Uganda, while economies in the Central African Economic and Monetary Community (CEMAC), which include Cameroon, Chad, Gabon, Congo Brazzaville, Equatorial Guinea and the Central African Republic, will continue to benefit from the stability provided by their common currency. But the lack of adequate fiscal measures to raise funds to finance government projects, after the failure to pass last year's financial law, may delay pockets of strong growth in Kenya, a pivotal economic hub in East Africa. South Sudan and Zimbabwe will continue to struggle amid a lack of economic stability, currency volatility and hyperinflation while political tensions may reduce visible growth in Mozambique. We expect more stability in other countries, such as Gabon, Chad, Burkina Faso, Kenya, Mali and Niger, which will improve the general African business climate during 2025.

How will this impact your organisation?
On this question I may not have the authority to speak about specifics, so I will speak on my view of the general impact on the sector. There are several important themes for the financial sector in the region that are not specific to any financial institution. First, most governments are going digital to improve tax collection and reduce corruption. This provides a major opportunity for the sector and for an institution like ours, which anticipated this digital trend by investing heavily in digital technology. Of course, cybersecurity failures are a major threat to the financial sector, so organisations need to invest significantly in securing their technology platforms. Second, on the governance side, to maintain economic stability, central banks are likely to maintain both tight monetary policy to control inflation and strict regulation and oversight to prevent bank failures. Third, many governments across the continent are reducing fuel subsidies and gradually pushing up fuel prices with a direct impact on inflation. There is a risk that a future jump in global energy prices could fuel social tensions in some countries, with threats of further price increases, so that is something banks need to watch closely as increased volatility will push central banks to beef up capital buffers, putting tension on already-scarce capital. Fourth, with economies improving, there are opportunities to provide new loans, but institutions need to be careful to avoid an increase in non-performing loans. When considering new lending, my advice would be that banks should focus on the cash flow position of customers and their ability to pay back the loans, rather than on the collateral they can provide to secure the bank loans.

What are the risks and other key challenges facing your organisation in 2025 and beyond?
Again, considering the fact that the financial sector is unique and generally has unique regulatory exigencies and compliance requirements, and given my comments above, I will not speak of a single organisation. As regards the financial sector, compliance requirements are being regularly reinforced, hence banks need to stay ahead of the game on this important issue. Banks also need to stay wary about their exposure to non-performing loans as a greater share of lending becomes digital and involves increased lending to small and medium-sized enterprises (SMEs) as governments push for import substitution. You will agree with me that though the future economy is dependent on today's SMEs, banks must develop mechanisms to ensure they can control and secure the cash flows from this volatile segment to avoid the risk of increasing non-performing loans. Supporting them with training and supervising their projects can make a huge difference because this is a key sector that requires support. Similarly, banks need to be careful about overall government exposure, because much of the lending in African countries is either directly to the government or linked to government projects. Hence, banks need to be attentive to the sovereign risks associated with governments and ensure they do adequate KYC to know the ultimate obligor and ultimate beneficiaries as they support their economies to avoid over-concentration of their risks. Lastly, high youth unemployment remains a major challenge for Africa; given that this is a social risk, we need to give useful technical and business training to young people so that we can easily absorb them into employment when they leave school and provide them with opportunities to contribute to the growth of our economies. ■

CFO Interviewee 7: Alice Wong, FCCA, HKICPA

Executive Director, Group CFO and Company Secretary of Hong Kong Technology Venture Company Limited, the largest online shopping marketplace in Hong Kong SAR of China.

What are your thoughts on the prospects for the global economy in 2025, as well as your own region?
Globally, I expect growth to be moderate – not very strong. It is going to be supported by a gradual improvement in consumer spending amid lower interest rates and a more optimistic employment picture (particularly in the US), as well as the digital transformation, which will boost business productivity, and by the post-COVID recovery and stabilisation of supply chains. That said, geopolitical tensions and uncertainty about international trade policy could complicate the picture. In Asia Pacific, the outlook is generally quite positive amid resilient domestic consumption in some countries, intra-regional trade flows, and a speedier recovery in the tourism sector. In Hong Kong SAR, given our strategic position as a gateway to mainland China and as a major finance hub, and with mainland China recently announcing policy stimulus, we are well placed to continue to capitalise on our strengths as long as we maintain regulatory and political stability in the city.

How will this impact your organisation?
We are in the retail sector in Hong Kong SAR, running the largest online shopping marketplace. Hong Kong SAR's total retail sales in the past nine months continued to fall compared with 2023, but the rate of decline has recently eased. The sector has been hit by increased cross-border shopping in mainland China, rising outbound travel, and less spending on luxury items by visitors. Given these trends, the recovery in the sector will be slower than expected, although the outlook is improving due to stimulus measures in mainland China; a possible easing in the Hong Kong dollar due to the commencement of U.S. interest rate cuts; and supportive policies from the Hong Kong SAR government.

Our own business has outperformed the wider retail market in 2024, with our sales growing in the first half compared with 2023. Around 40% to 45% of our sales transactions come from groceries, providing a solid base of recurring business while also driving purchases of other product categories. That said, we always strive to maintain our competitive edge and continue to build the capabilities of our platform through digitalisation and technological advancement, including expanding the product varieties such as wet market fresh produce, extending the sales channel by embedding live shows and video-on-demand in our App, and enhancing the automated fulfilment facilities and consumer offerings. We should also continue to benefit from the current digital transformation, which the government is encouraging, as consumers and businesses continue to shift more of their purchases online. Meanwhile, technology is in our company's DNA, and we continue to use it, including AI, to drive efficiency and explore new opportunities.

What are the risks and other key challenges facing your organisation in 2025 and beyond?
Attempting to address some of the challenges facing the retail sector I highlighted earlier is key. In addition, the demographic composition of Hong Kong SAR is changing, amid the recent rise in emigration and new arrivals. Hence, we have to adjust our product mix to take account of this. Also, competition from physical stores and online platforms in other locations will continue to put competitive pressures on the retail industry. ■

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