

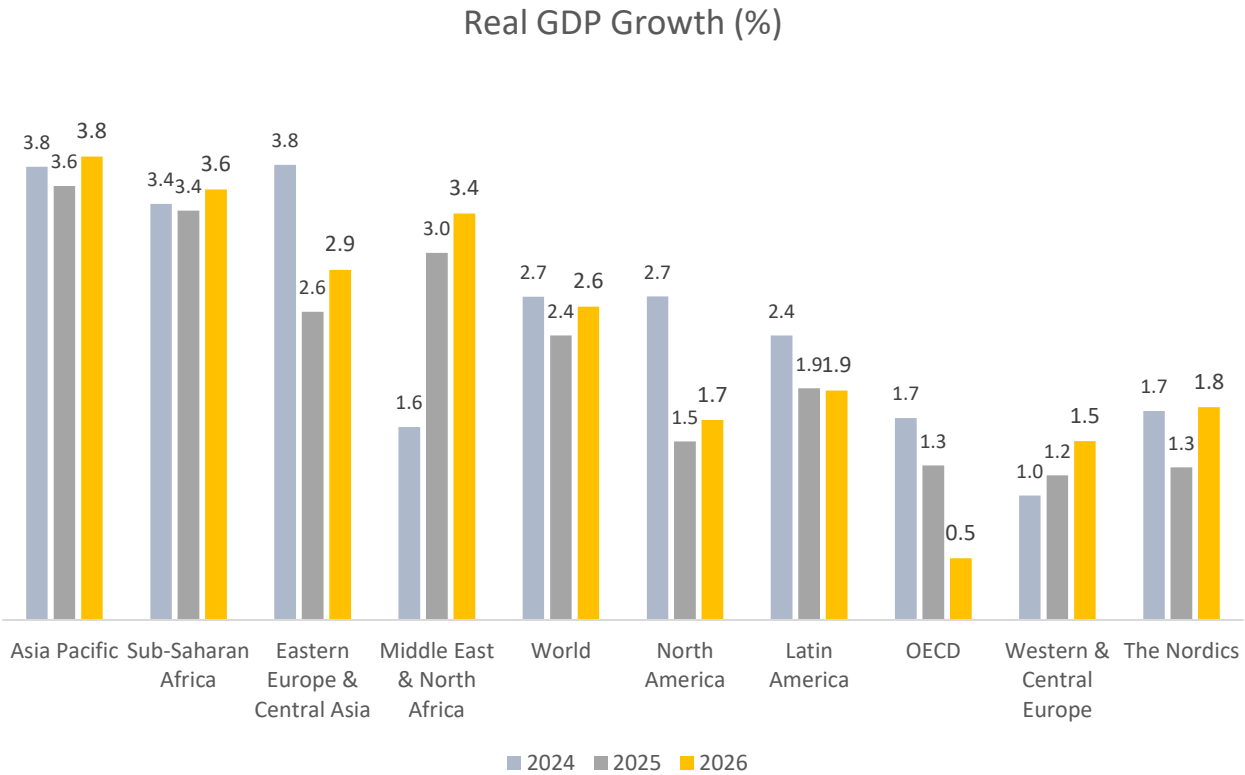
Global Economic Outlook – August 2025

Trade realignment and policy divergence likely to shape the rest of 2025

"The global macroeconomic environment remains shaped by divergent regional trends and continued geopolitical and policymaking uncertainties. A wave of new U.S. tariffs, mostly effective from August 7, has shaken markets and raised costs for global trade. Recent U.S. trade deals with the EU, Japan, and others have been accompanied by commitments to invest in the U.S. The second half of 2025 may prove pivotal, as new trade policies begin to reshape global commerce and test the resilience of multinational business models.

Businesses face a more complex environment in H2 2025, characterized by rising operational costs and realigning trade conditions. Resilience is key; businesses that can adapt strategically and stay agile will be best positioned to manage uncertainty in a fluid global landscape."

Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet.



Source: Haver Analytics; Forecasts from Dun & Bradstreet

Recent Developments

Global

- On August 1, the U.S. announced higher tariff rates for countries from which it imports goods, with most of the rates effective from August 7. A 15% rate will act as a baseline floor for countries with which the U.S. has a trade deficit; a 10% rate applies for those with which the U.S. has a trade surplus. However, there are some countries that are subject to higher U.S. tariffs.
- In July, the International Monetary Fund (IMF) released its interim World Economic Outlook update. [Like Dun & Bradstreet](#), the IMF has signaled that risks are tilted to the downside. According to the report, uncertainty has been elevated since April even though lower-than-expected U.S. effective tariff rates and an improvement in financial conditions led to a slight upward revision to global growth.
- The U.S. Federal Reserve kept interest rates on hold in July; most of the market expects two rate cuts by the end of 2025. The European Central Bank (ECB) also kept rates unchanged in July, as did the Bank of England (BoE) in June.
- On July 27, the U.S. and the EU finalized a broad trade deal, agreeing on 15% U.S. tariffs on goods such as autos and semiconductors.
- The German and Italian economies both shrank 0.1% in Q2 2025. Spain grew 0.7%, and France expanded 0.3%, leaving overall Eurozone GDP growth at just 0.1%.
- A fragile and tentative truce holds following Cambodia-Thailand clashes in July.
- Unrest and political volatility have gripped the Democratic Republic of the Congo (DRC) and Kenya. The DRC continues to face clashes even after the signing of a truce deal on July 19 with the M23 rebel group, while Kenya is dealing with violent anti-government protests over issues such as youth unemployment and corruption.
- In early July, Bulgaria completed the process to become the 21st member of the Eurozone, taking effect January 1, 2026.
- In July, we improved the Environment Risk Ratings across several economies, including Zambia, El Salvador, and South Korea. Full explanations are provided in our [Country Insights Reports and Snapshots](#).

Movement in Environment Risks

Environment Risks			
Credit	Market	Supply	Political
Zambia	El Salvador	Zambia	Romania South Korea United States

Note: Colors indicate *rating upgrade/improvement in outlook*, *rating downgrade/deterioration in outlook*

North America

- The latest U.S. tariffs came into force on August 7. The country is still conducting trade negotiations with many nations and has said it will introduce sector-specific levies (such as on copper and pharmaceuticals).
- The U.S. also struck trade deals with the EU, Indonesia, and Japan; the latter included commitments from Japan to invest USD550bn in the US and buy 100 Boeing airplanes.
- Trade negotiations between the U.S. and Canada have stalled despite Canada rescinding the Digital Services Tax. The U.S. imposed 35% tariffs on non-exempt Canadian goods effective August 1.
- In late June, Canada enacted Bill C-5, which seeks to streamline approvals for infrastructure projects.
- Federal and provincial leaders in Canada are developing plans to remove internal trade barriers within the country. Ontario and Alberta have signed a memorandum of understanding to build a critical-mineral rail link and energy pipelines to improve interstate and interprovince connectivity.
- At its July meeting, the Fed kept interest rates on hold in the range 4.25-4.50%, citing that the effects of U.S. import tariffs are likely soon to be felt in inflation.

Western and Central Europe

- In July, the U.S. agreed to a 15% tariff on most imports from the EU, while a zero-tariff rate will apply in the other direction. This certainty will allow EU companies to restart hiring and investment planning, but the full details will need to be ironed out over the next few months.
- The EU has provisionally agreed to purchase USD750bn of energy and invest USD600bn in the US, including in armaments. The wording of this commitment is different on each side, and it is unclear how the European Commission plans to mandate that private companies and national governments make these purchases; though the Commission can coordinate energy purchases, as demonstrated by the AggregateEU initiative that has been ongoing since 2022.
- The EU has moved a step forward towards a Free Trade Agreement (FTA) with Indonesia, and the deal may be finalized in September at the next round of talks. The European Free Trade Association (EFTA) states – Iceland, Liechtenstein, Norway, and Switzerland – have concluded negotiations with Mercosur on an FTA, improving market access for 97% of exports.
- Euro area Q2 2025 GDP growth recorded a sharp q/q slowdown, as output contracted in Germany and Italy.
- The UK, France, and Germany have said they will restart negotiations with Iran over the nuclear deal.
- In July, the EU approved its 18th sanctions package against Russia, which includes a lowering of the oil price cap. Hungary and Slovakia had held up progress on

finalizing the package to secure concessions in a separate ongoing proposal for a complete phase out of Russian oil and gas by 2027.

Asia Pacific

- By August 7, the U.S. had announced increased tariffs of 15-50% on Asian economies, with most rates around 20%. Although these tariffs are lower than the levels announced in April, they remain higher than those applied to most Western counterparts, impacting exporters such as Taiwan Region (20%) and India (25%, with the U.S. saying this could rise to 50% at the end of August).
- Since July 24, border clashes have taken place between Thailand and Cambodia over disputed areas near the Ta Moan Thom and Ta Krabei temples, causing casualties and displacement. A Malaysia-brokered ceasefire, supported by the U.S. and the Chinese Mainland, has been in place since July 29, though each side has reported minor violations.
- The Chinese Mainland's economy grew 5.3% y/y in H1, surpassing its annual target. Retail sales growth of 6.4% y/y in May reflected targeted fiscal measures such as consumer replacement incentives. The 'Two Sessions' in July reaffirmed a focus on high-quality growth and strategic sectoral development over headline GDP expansion.

Eastern Europe and Central Asia

- Ukrainian and Russian negotiators concluded the third round of ceasefire talks in Istanbul on July 23. They have agreed to another round of prisoner swaps but made little progress on ceasefire terms or a potential presidential summit.
- On July 22, Ukraine's parliament passed a law that weakened the independence of key anti-corruption agencies, sparking nationwide protests and international backlash. In response, President Volodymyr Zelenskyy submitted a new bill to restore agency autonomy, amid pressure from the EU and civil society.
- Kazakhstan has approved a 2025-40 strategy to boost its oil processing sector's competitiveness, modernize infrastructure, and increase exports to the Chinese Mainland, India, and Central Asia. Export-oriented strategy projects are expected to account for 30% of total production by 2040.
- In July, Uzbekistan and Russia held 'Hamkorlik-2025' joint military exercise near the Afghan border, simulating counterinsurgency operations. The drills reflect Uzbekistan's growing defense ties with Moscow, even though it remains outside formal Russia-led security blocs such as the Collective Security Treaty Organization (CSTO).
- Bulgaria has been officially approved to adopt the euro on January 1, 2026, becoming the 21st member of the Eurozone.
- Kazakhstan has launched four upgraded border checkpoints with the Chinese Mainland and Uzbekistan as part of an effort to boost transit capacity and streamline trade.

Latin America

- Global trade tensions and the ongoing impact of U.S. tariffs continue to affect Latin America.
- Bolivia faces slowing growth, high inflation, sizeable fiscal deficits, FX shortages, looming default risk, and policy uncertainty before elections on August 17.
- U.S. tariffs are expected to significantly reduce export revenues in Latin America, particularly the substantial 50% tariff levied on Brazilian exports to the U.S.
- Mexico's GDP growth for 2025 has been revised down to 0.3% due to the 25% tariff on non-USMCA-compliant imports to the U.S.

Middle East and North Africa

- As of August 1, U.S. tariffs on MENA economies range from 15% to 41%, with Syria, Iraq, Algeria, Libya, and Tunisia facing some of the highest rates, putting added pressure on exports and diversification efforts.
- At the end of July, the U.S. imposed its largest Iran-related sanctions package since 2018, targeting 115+ individuals, vessels, and entities, exerting further pressure on Tehran even as it demands U.S. compensation before resuming nuclear talks.
- OPEC+ began phasing out production cuts from April 2025; the output is rising in Saudi Arabia, the UAE, and Algeria, but softer global demand risks pushing prices lower despite a brief conflict-driven spike.
- In June, Saudi Arabia issued 83 new industrial licenses, attracting USD253.3m in investment and creating 1,188 jobs, while 58 newly licensed factories added USD506.6m worth of investment and 2,007 jobs – signaling tangible progress in its Vision 2030.
- Gulf states (such as Saudi Arabia and the UAE) significantly ramped up investment in non-oil sectors in Q1 2025: venture capital funding surged 58% y/y to USD678m, and major private equity/data-center deals were announced.

The Nordics

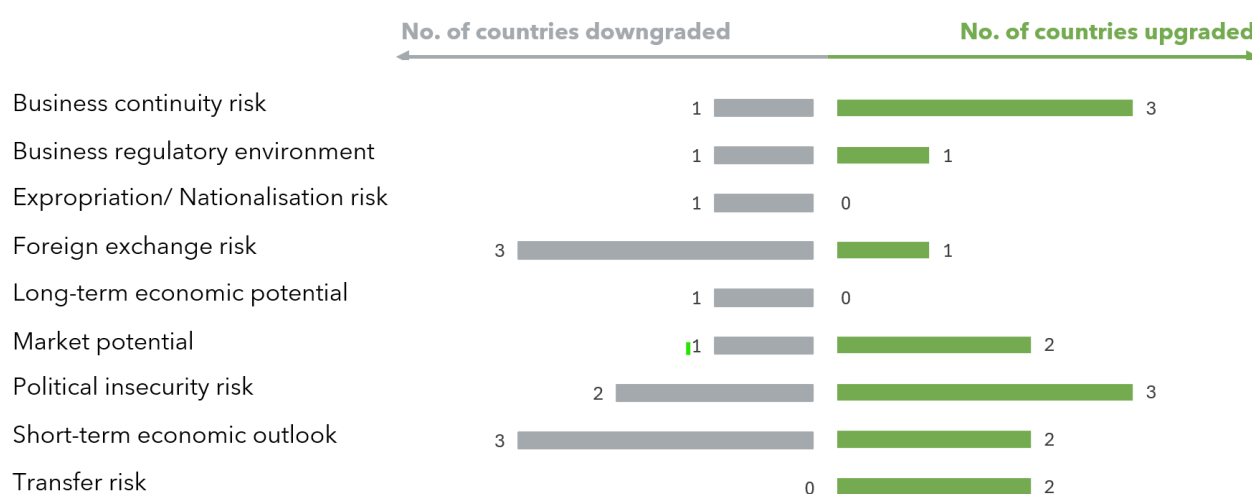
- On July 28, the US imposed a 15% tariff on most EU imports under a new trade agreement, impacting Nordic countries such as Denmark, Finland, and Sweden. Key exemptions include aircraft parts and semiconductor equipment, while steel and aluminum continue to face 50% tariffs.
- Finnish foreign minister Elina Valtonen met with her French counterpart, Jean-Noel Barrot, in Paris at the end of July. The discussions centered on enhancing bilateral relations, reaffirming shared commitment to multilateralism, and expressing support for Finland's 2025 presidency of the Organization for Security and Co-operation in Europe (OSCE).
- Denmark has purchased four U.S.-made drones to strengthen Arctic, North Atlantic, and Baltic Sea surveillance; meanwhile Norway and Germany have agreed to boost surveillance of maritime and airborne threats in the North Atlantic.

- In mid-July, Nordic crypto exchange Safello signed a strategic agreement with Marginalen Bank to offer integrated banking services – full-service payment accounts, bill payments, Swish connection, and debit cards – directly through its platform.
- Sweden's state-owned mining company, LKAB, has announced the discovery of over 1m tonnes of rare earth oxides in the northern area of Kiruna. This is the largest known deposit of rare earth elements in Europe.
- On July 1, Denmark assumed the EU Council Presidency for six months.

Sub-Saharan Africa

- The DRC and the M23 rebels signed a peace deal in Doha on July 19; however, violence has continued even following the truce, with M23 seizing more territory. Negotiations on a comprehensive peace deal must start before August 8.
- The security situation in the DRC has further worsened due to the resurgence of attacks by the Islamist Allied Democratic Forces in mineral-rich Ituri Province.
- Kenyan President William Ruto's government is under threat as violent protests continue in the country due to the increasing cost of living and alleged government corruption.
- In May, Tanzania's tourism sector revenue was USD3.92bn, more than the USD3.83bn generated by the country's gold exports, traditionally one of its largest sectors.
- The U.S. is evaluating whether it should impose sanctions on South African officials over the country's ties with Russia and the Chinese Mainland. On July 22, the U.S.-South Africa Bilateral Relations Review Act was voted to be sent to the House of Representatives.

Movement in Risk Dimensions



Source: Dun & Bradstreet



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