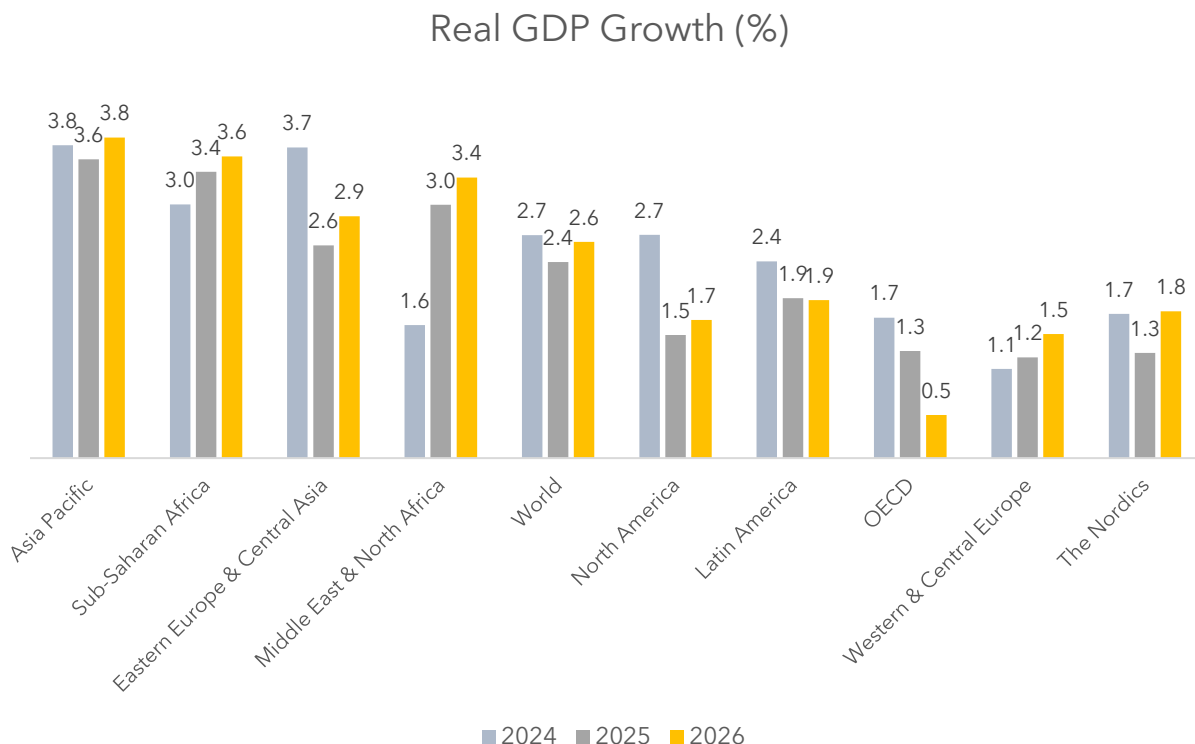


Quarterly Global Economic Outlook – Q3 2025

Balancing Act: The Global Economy's Tightrope Walk into H2 2025

"The global economy is navigating a complex and increasingly fragmented landscape. After a resilient but uneven recovery in the post-pandemic years, global growth has decelerated markedly. This reflects a confluence of tightening credit conditions, persistently elevated inflation in key regions, and a new trade order, all of which are reshaping global supply chains and investor confidence. Looking ahead, downside risks dominate our forecasts and country risk ratings. These include the possibility of further trade fragmentation, a sharp repricing in asset markets (should inflation reaccelerate), growing fiscal strains, and divergent monetary policies. The global economy walks a tightrope. It is resilient now but increasingly vulnerable to external shocks and policy missteps." **Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet.**

Regional growth trends: balancing resilience and slowdown



Sources: Haver Analytics, Dun & Bradstreet.

Global Overview

The U.S.'s ongoing signaling that there will be a significant ramp up of tariffs continues to trigger market volatility and increase business uncertainty. Simultaneously, Washington is engaging in bilateral trade negotiations and temporary framework deals toward formal agreements.

On July 7, the U.S. extended its previously announced July 9 deadline for negotiating trade deals and issued guidance on new higher tariff rates for countries with which it is unable to come to an agreement by the new deadline of August 1.

Most newly announced tariffs set to come into effect after the new deadline are broadly in line with those first disclosed as part of the April 2 wide-reaching tariff announcement that affected almost all U.S. trade partners. Following country-specific tariff announcements, the U.S. has declared it will impose sector-specific import duties on copper of 50% and floated the introduction of tariffs of up to 200% on pharmaceuticals. However, it stated that these would not come into immediate effect.

Beyond trade policy, the growing use of tariffs is also intertwined with a broader rise in geopolitical friction. Escalating geopolitical tensions in the Middle East – currently most acutely felt along the Iran-Israel axis – are increasingly shaping the global economic outlook. The tentative standoff and occasional ongoing conflict flashpoints have deepened uncertainty for businesses already grappling with shifting global trade policies. Heightened instability has amplified the risk of rising oil prices and potential supply chain disruptions, particularly in the strategically critical Strait of Hormuz.

These developments have further complicated the global inflation picture. In June, global inflationary pressures – which had shown signs of easing earlier in the year – were reignited by a surge in energy prices and renewed volatility in shipping costs. The confluence of trade policy shifts and geopolitical stressors has not only delayed disinflation in several economies, but also introduced fresh risk to central banks' efforts to maintain price stability without stifling growth.

The evolving inflation dynamics present a significant challenge for major central banks. For the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BoE), the renewed upward pressure on energy and input costs could stall or even reverse the disinflationary processes that had supported discussions of rate cuts earlier in the year. In June, the Fed played down the risk of persistent inflationary pressures but was equally adamant that the impact of tariffs on consumer prices would be seen in June and July's inflation readings. The U.S. central bank also said that moderately restrictive rates were appropriate for now, but that the market could expect further monetary easing later in the year.

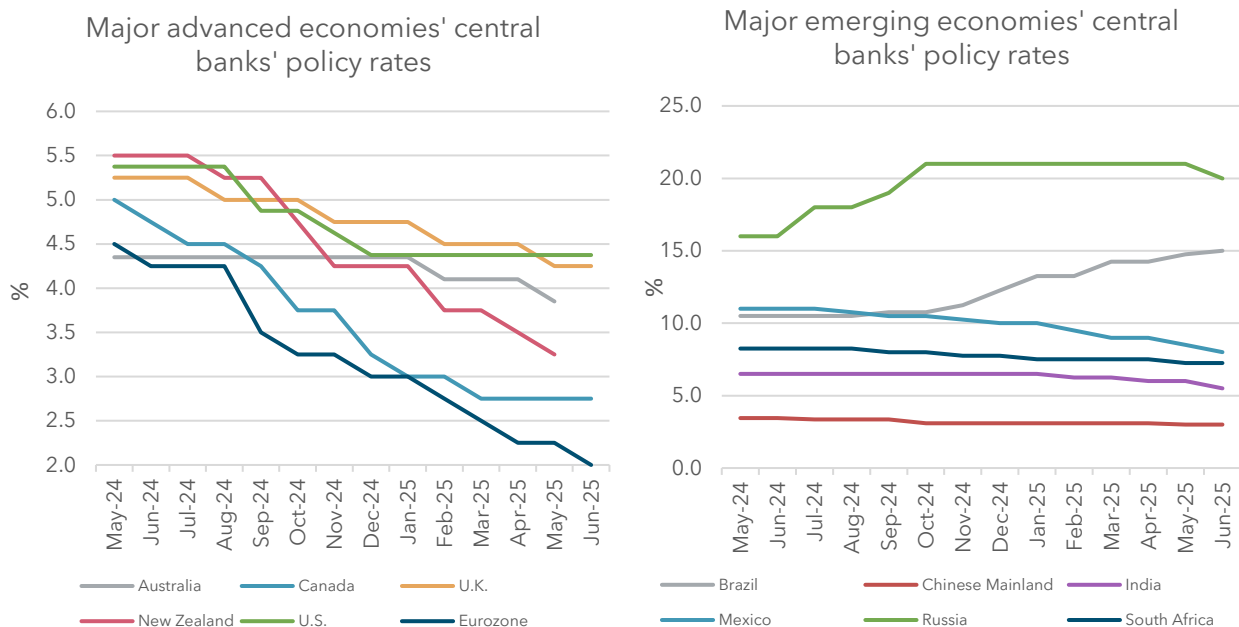
Policymakers face a delicate balancing act, and global policy divergence across central banks in advanced and emerging economies is likely to widen in the months ahead. Central banks in advanced economies may begin to adopt a more cautious stance, pausing or slowing the pace of easing cycles, preferring to await greater clarity on inflation pass-through from energy and trade shocks. In contrast, some emerging economies' central banks – especially those with relatively strong external balances or those which started their tightening cycles earlier – may continue to make selective, very gradual rate cuts to support domestic growth. The upshot may be another period of currency and capital market volatility as investors recalibrate expectations.

The shifting economic landscape is also accelerating a broader reevaluation of supply chains. The reimposition of tariffs by major economies, including the U.S. and the Chinese Mainland,

alongside renewed tension in the Middle East, has underscored the fragility of globally integrated businesses. Overreliance on politically sensitive suppliers and trade routes, especially for critically important goods such as energy, semiconductors, and rare earth minerals has again become the focus of considerable business concern.

Dun & Bradstreet's Q3 2025 [Global Business Optimism Insights report](#) reveals a drop in global business sentiment, with financial and investment confidence falling sharply amid persistent macroeconomic uncertainty and with stimulus measures (such as lower policy rates) yet to translate into easier financial conditions.

Central banks in advanced economies are much more active in easing monetary policy



Sources: Bank of International Settlements, Dun & Bradstreet

Spotlight on: Tariffs

Global tariffs are quickly rising, reshaping trade dynamics and adding strain to the fragile economic recovery. U.S. tariffs are being rolled out for countries ranging from Canada to Brazil and India, and the EU bloc, and on sectors such as metals and autos. Many U.S. trading partners are actively negotiating in the pursuit of better terms. This rising tariff tide is unsettling markets, and trade policy remains at the forefront of economic and business risk.

Western Europe

In early May, the U.K. agreed the earliest trade deal with the U.S., the U.S.-U.K. Economic Prosperity Deal (EPD). This will keep in place the 10% tariff rate outlined in the U.S.'s original proposed tariff regime, but introduce some beneficial terms for exports of cars, steel, and aerospace products to the U.S. In return, the U.K. has made allowances for ethanol and beef imports from the U.S. The EPD states both sides will look for a 'preferential outcome' of the U.S. Section 232 investigation into pharmaceutical imports; as [previously highlighted](#), pharmaceutical products, although currently mostly exempt from tariffs, are vulnerable to U.S. tariffs because of high dependency on the U.S. market and competition from drug manufacturers. As of July 14, the EU was still in negotiations to secure a reduction to a threatened 30% tariff rate on exports to the U.S. If agreed, the EU expects any deal to be temporary, giving time to agree a full-scale trade agreement in the coming months. Any future deal is likely to be complicated, given the scale of EU legislation and the coordination required from members across the bloc. If a deal collapses, the EU has prepared a package of tariffs on roughly EUR90bn-worth of goods imported from the U.S.; tensions could escalate further with the use of the EU Anti-Coercion Instrument to target US services sectors. Higher automobile tariffs will have a significant impact on Germany; in 2024, 12.5% of vehicles and parts exports were destined for the U.S. market and the sector contributed 5% to Germany's GDP in 2022. This will place significant pressure on businesses at a time when corporate bankruptcies across the region are very high.

Asia Pacific

The Asia Pacific region stands to be among the hardest hit as renewed external pressure mounts, with the U.S. about to introduce sweeping tariffs of 25-40% on major regional exporters – including Malaysia, Thailand, Indonesia, Cambodia, Laos, South Korea, and Japan –from August 1. These measures also target alleged transshipment of Chinese goods, which is already disrupting investor sentiment and forcing exporters to reassess cost structures and supply chain strategies. Export-reliant economies such as Vietnam, Taiwan Region, and South Korea are especially vulnerable, given their deep integration with U.S. markets and dependence on Chinese intermediates. Although domestic demand-led economies such as India and the Philippines may remain relatively insulated, the broader region risks a slowdown in manufacturing investment and capital inflows. Equity markets across Asia have wobbled and regional policymakers are under pressure to secure exemptions, as seen with Singapore's latest push on semiconductor and pharmaceutical tariffs. The regional growth outlook has dimmed modestly, with multilateral banks revising 2025 GDP forecasts down 0.2-0.3 percentage points on average, citing policy uncertainty and rising trade friction. Even if negotiated outcomes prevent worst-case scenarios, the proposed new tariffs have already heightened the risk to business investment and the need to invest in origin-traceability systems and diversify sourcing away from politically exposed hubs.

Middle East and North Africa

This region is increasingly exposed to Washington's expanding tariff regime. New baseline duties have been announced for Gulf states and steeper rates – of up to 41% – on economies such as Iraq, Tunisia, and Syria. Although oil and gas remain exempt from tariffs, important non-energy exports such as chemicals, fertilizers, and textiles face direct cost pressures. The impact on the Gulf is muted for now, with economies in the region cushioned by hydrocarbons and fiscal surpluses, but exporters such as Jordan and Tunisia could be at risk of trade disruption amid weaker domestic buffers. Regional policymakers are lobbying for carve-outs, but the new tariff architecture signals a shift in U.S. trade posture even toward strategic partners, forcing a rethink of supply chain exposure and diversification plans.

Latin America

The new tariff regime, particularly the substantial 50% levy on Brazilian exports, is expected to significantly reduce export revenues and could potentially provoke retaliatory measures. However, such retaliation remains highly unlikely. Mexico, whose economy is deeply intertwined with that of the U.S. (80% of Mexico's goods exports are destined for the U.S.), is especially vulnerable to an intensification in trade negotiations that threaten the U.S.-Mexico-Canada Agreement. Tariffs are likely to dampen economic activity and weaken investor confidence across the region. They could also lead to higher import costs, contributing to inflationary pressures, particularly in countries heavily reliant on U.S. imports or affected by supply chain reconfigurations. The economic slowdown and reduced export earnings will exacerbate fiscal vulnerabilities and could increase credit risk for businesses and sovereign borrowers. Moreover, trade tensions and persistent policy uncertainty are expected to heighten exchange rate volatility, with currencies such as the Mexican peso and Brazilian real particularly at risk. These combined factors threaten to undermine macroeconomic stability and delay recovery prospects in the region.

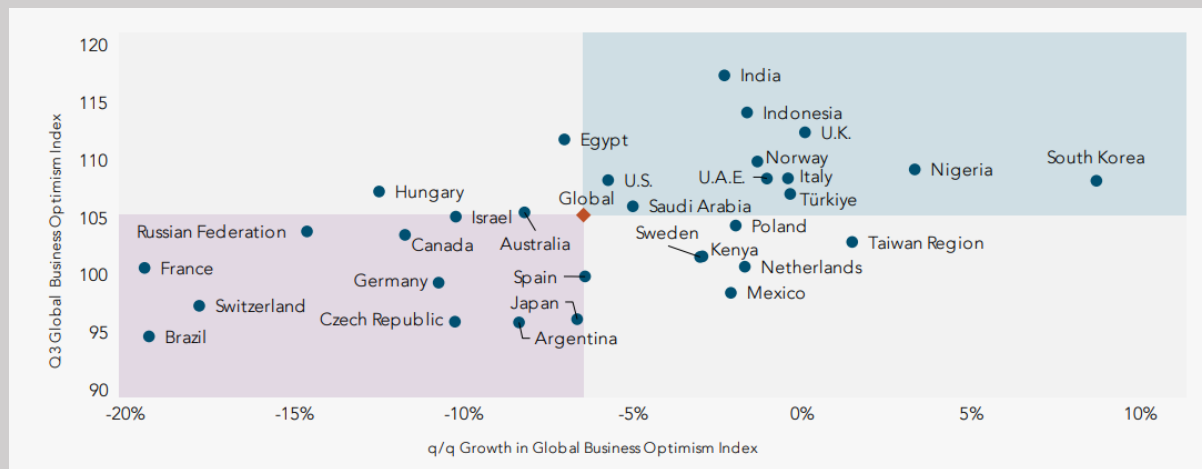
Sub-Saharan Africa

The imposition of tariffs and the potential failure to re-negotiate the African Growth and Opportunity Act (AGOA) will likely result in higher export costs for eligible African nations exporting to the U.S. Exports of textiles, apparel, semi-precious stones, and automobiles, which previously enjoyed tariff-free status under the AGOA, will be significantly impacted. The tariffs charged for countries in sub-Saharan Africa are in the 11-50% range, with Lesotho facing the highest tariffs in the region. The impact on Lesotho and South Africa will be particularly severe as textile exports constitute 75% of Lesotho's total exports to the U.S., while automobiles account for 95% of South Africa's exports under the AGOA.

The uncertainty surrounding U.S. tariffs is encouraging a push for increased intra-regional trade, including through groupings such as the African Continental Free Trade Area (AfCFTA), which currently represents less than 15% of the region's total trade.

Q3 2025 Global Business Optimism Insights

The Global Business Optimism Index declined 6.5% q/q for Q3 2025, amid slowing trade, tariff uncertainty, and softening sales. Emerging economies showed stronger domestic confidence than advanced economies, while sectors tied to U.S. trade, such as metals and automotives, saw steep declines. Businesses are pivoting to local markets or diversifying away from the U.S., though tariff-exempt partners such as Mexico and Canada remain resilient amid escalating trade tensions.



The Global Business Supply Chain Continuity Index saw a 9.7% q/q decline for Q3 2025. This drop nullified the marginal 0.7% improvement observed for Q2 and marked a continuation of the negative trend initiated by the 10.4% decline for Q1. The widespread nature of this downturn suggests that underlying systemic issues are persistently challenging global supply chain stability. Both advanced economies (-9.7%) and advanced economies (-9.8%) registered substantial declines.

The Global Business Financial Confidence Index deteriorated 3.4% q/q for Q3 2025, reflecting a worsening macroeconomic environment as intensifying trade policy uncertainty, persistent inflation, and weakening global growth strain business viability. Of the economies surveyed, 60.0% indicated a fall in financial confidence, with the largest declines in France and Germany, while the U.K. registered the biggest improvement on the back of strong GDP growth and easing trade tension following negotiations with the U.S.

The **Global Business Investment Confidence Index** fell 13.1% q/q for Q3 2025, the sharpest decline since the survey started in 2023. Businesses cite the disruption to supply chains caused by tariffs, rather than the threat to trade itself, as the key factor determining their investment over the next quarter. Further, the rolling back of investment plans appears to be becoming more entrenched, with almost half of businesses expecting not to raise long-term funding during Q3 2025.

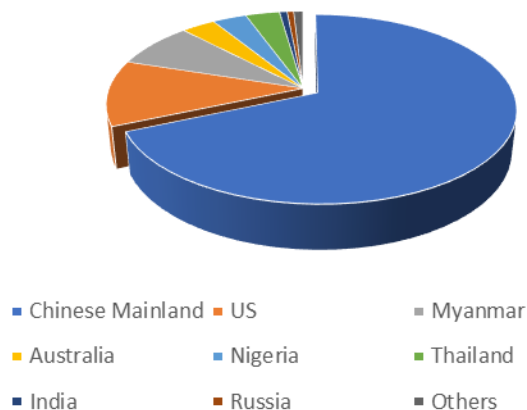
The **Global Business ESG Index** held steady in Q2 2025, but sharp contrasts emerged. Medium-sized businesses, particularly in emerging economies, posted strong ESG gains, while large businesses in advanced economies saw declines – likely reflecting compliance strain and evolving disclosure mandates. With trade-linked ESG scrutiny rising, adaptability is emerging as a key differentiator in global sustainability performance.

A Geopolitical Magnet: Export Controls Reshaping Global Supply Chains

Since April 2025, the Chinese Mainland has tightened export controls on rare earth permanent magnets, which are essential to electric vehicles (EVs), consumer electronics, and defense systems. As part of a broader review of 'classified technologies', these measures have sharply reduced exports. According to Beijing's General Administration of Customs, rare earth magnet exports were down 74% y/y in May, with shipments to the U.S. falling over 93%. This sharp drop has exposed critical vulnerabilities in global supply chains that had come to rely heavily on Chinese processing and manufacturing. The Chinese Mainland controls more than 90% of the global rare earth magnet supply chain. The latest restrictions come amid renewed tensions with the U.S. over semiconductor technology and export bans. According to a July 2025 Reuters report, some companies applying for export licenses have been asked to provide detailed technical schematics and end-use information as part of the approval process. These procedural requirements have added complexity to the licensing system and may reflect the heightened sensitivity around technology transfers.

The Chinese Mainland has a near-monopoly on production

Estimated mine production 2024, thousand tonnes



Sources: US Geological Survey, Mineral Commodity Summaries (January 2025), Dun & Bradstreet.

Immediate Pressures, Long-Term Risk

The effects are already visible. Auto manufacturers in India and Southeast Asia – regions that have rapidly scaled production of electric two- and three-wheelers – are reporting magnet inventories that cover just two to four weeks of output. Companies such as Ola Electric and Ather Energy have indicated that sustained shortages could lead to production rescheduling, and industry groups estimate input cost increases of 5-8% in the near term. Some original equipment manufacturers (OEMs) are already considering price hikes to protect margins. Globally, firms are being forced to reallocate scarce magnet stock to components in internal combustion vehicles, such as electric power steering systems or heating, ventilation, and air

conditioning (HVAC) blowers, where alternatives are limited, and delays could halt assembly lines.

The deeper concern, however, is not just short-term disruption, but systemic exposure. The lack of alternate suppliers for finished rare earth magnets means that even large OEMs face constraints in securing diversified sources. Setting up new capacity requires years of investment in refining, environmental clearances, and downstream integration. In the meantime, companies are left navigating opaque export processes and escalating procurement costs.

These supply-side pressures risk spilling over into broader economic outcomes. In price-sensitive markets such as India, where electric two-wheelers account for a large share of EV sales, cost pass-throughs could soften demand. In advanced economies, tight supply in defense and high-precision manufacturing could introduce delays in strategic programs and raise costs. If constraints persist, they could start showing up in inflation readings through durable goods categories.

Beyond the immediate disruption, supply reliability could become contingent on evolving diplomatic negotiations. The notion that magnet access may be influenced by unrelated trade issues – such as semiconductor policy or visa access – raises questions about long-term planning and strategic autonomy.

Sectors likely to be most impacted:

- Automotives (particularly electric two- and three-wheelers)
- Consumer electronics
- Defense and aerospace
- Industrial automation and robotics

Countries likely to be most impacted:

- India – due to heavy dependence on Chinese imports for EVs and limited domestic magnet capacity
- U.S. – affected by steep drop in direct exports and defense sector exposure
- Germany – high-end auto manufacturing and industrial applications
- Japan and South Korea – significant users of magnets in consumer electronics and EVs

The Way Forward: Managing Exposure and Building Optionality

Although there are tentative signs of a diplomatic thaw – such as a partial easing of export license processing at certain Chinese ports – these shifts are seen as tactical, not structural. They appear tied to concessions in other trade areas, including semiconductor restrictions and student visa rules, and do not bring predictability to supply chains.

To reduce exposure, several countries and companies are accelerating long-term diversification. The U.S. and Australia are investing in rare earth processing capacity, and India is expanding exploration and refining through Indian Rare Earths Limited and other initiatives. Global firms such as Ford and Apple are scaling up recycling programs to recover magnets from used batteries and electronics. Some OEMs are also piloting magnet-free motor designs, though these alternatives come with trade-offs in weight, efficiency, and scale.

The current supply challenge highlights the importance of treating input resilience as a core strategic function. Although many firms have traditionally prioritized cost and efficiency, supply concentration risks are now forcing a rebalancing of priorities. Companies that act early, through technology redesigns, diversified sourcing, or recycling capacity, will be better positioned to absorb future shocks without compromising growth or delivery.

Regional Summaries

North America

Economics

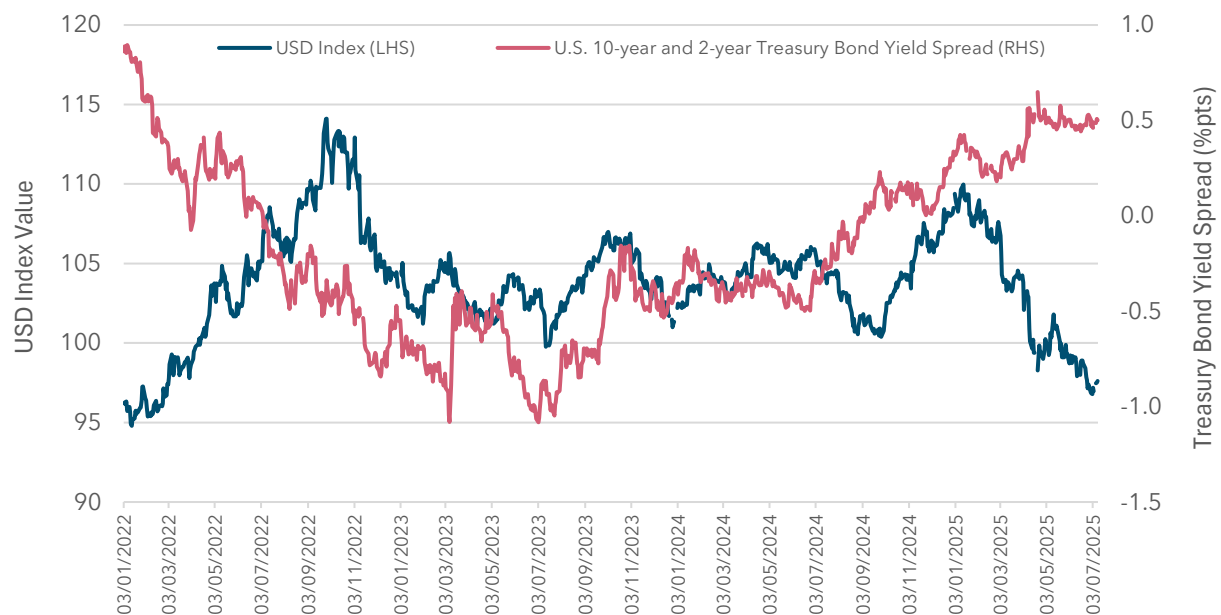
North America has seen growing signs of economic deceleration amid persistent inflationary threats and weakening consumer demand. Uncertainty about policymaking and potential for an escalating trade war continue to weigh on expectations of economic growth in the U.S. In July, the U.S. revealed new tariffs and extended the July 9 deadline for trade deals to August 1. Trade partners that do not reach an agreement by this date will face new higher tariffs. U.S. tariffs on metals and autos are being felt acutely in Canada. The U.S. Senate passed a huge piece of legislation in July containing vast tax reductions, cuts to welfare programs, and increased spending on border security.

The Federal Reserve kept interest rates on hold in June, citing concerns over sticky core inflation and rising unemployment. Canada mirrored these trends, with the central bank pausing rate cuts due to unexpectedly high inflation in food and housing. The value of the U.S. dollar continued to fall into July, having lost around 11% so far this year.

Politics

U.S. political decisions have driven regional tension and policy divergence. Through June and into July, the U.S. continued to enact executive actions, including expanded tariffs and immigration crackdowns. These moves sparked concern in Canada, which responded with announcements of a planned USD81bn increase in defense spending and a stronger push for autonomy. The U.S. government has floated the idea of a federal takeover of Washington D.C. and New York City, while the former head of the Department of Government Efficiency, billionaire Elon Musk, called for the launch of a new political party in the U.S., the America Party.

Steepening U.S. bond yield spread implies markets no longer see imminent rate cuts



Sources: *investing.com*, *Dun & Bradstreet*.

Western Europe

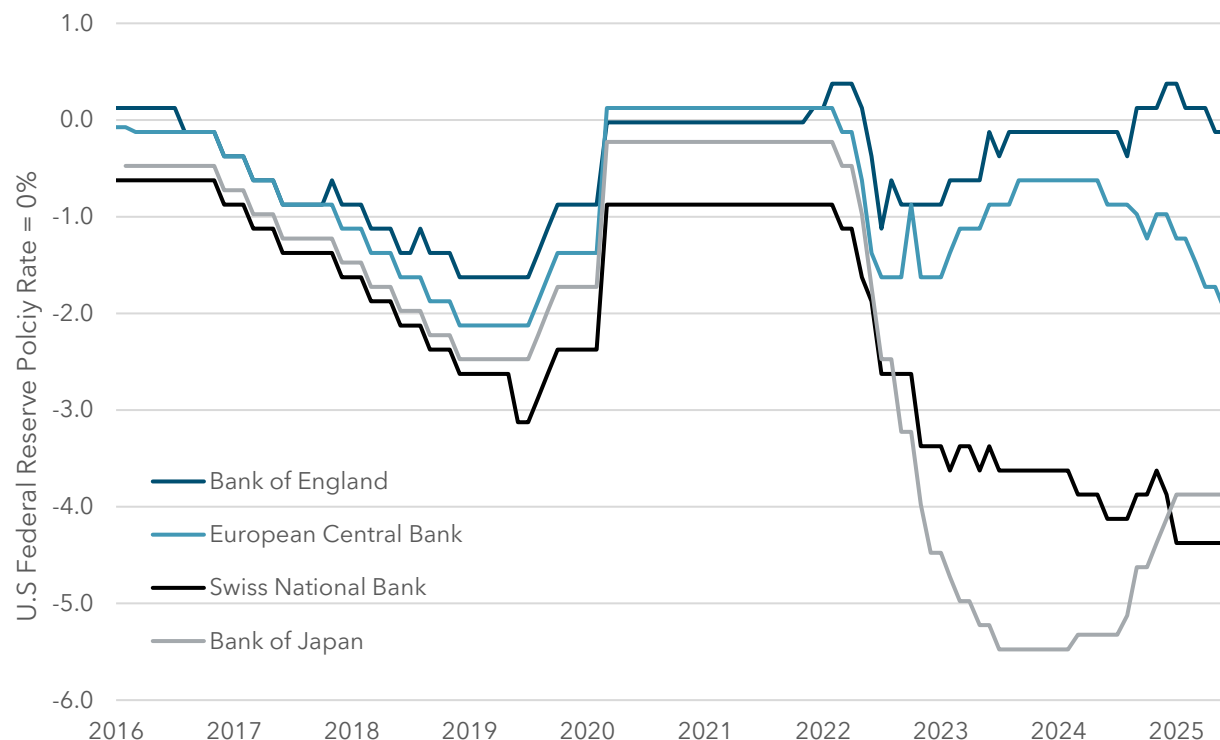
Economics

The economic outlook has worsened for much of the region. Fiscal consolidation is reining in demand in France, political instability has damaged buoyant sentiment in Spain, German businesses await the benefits of promised fiscal spending, and the U.K. is struggling with high inflation and unemployment. This comes amid huge uncertainty over the future of trade policy. The BoE has retained its cautious approach to cutting interest rates, concerned over the inflationary impact of tariffs and conflict in the Middle East. Conversely, the ECB has continued to cut its policy rates to reinvigorate demand across the bloc. Once the uncertainty dissipates, there could be a real opportunity for growth in the EU given ambitious German fiscal policy and significantly lower borrowing costs across the bloc.

Politics

Though political stability has returned to France, Germany, and the U.K., there is instability elsewhere. The Spanish government is facing corruption allegations, which have resulted in protests across Madrid calling for snap elections. Spain also caused NATO a headache by refusing to commit to a defense spending target of 5% of GDP. Portugal's snap election in May again resulted in a minority coalition with Luis Montenegro as prime minister for a second term. General elections in the Netherlands are set for October, as the incumbent government collapsed due to disagreement on immigration policy. The European Commission is aiming to pass an 18th round of sanctions against Russia, including a complete phase out of fossil fuel purchases by 2027; Slovakia and Hungary are trying to secure exemptions.

While BoE rates have echoed the Fed, the ECB has aggressively lowered borrowing costs



Sources: Haver Analytics, Dun & Bradstreet.

Asia Pacific

Economics

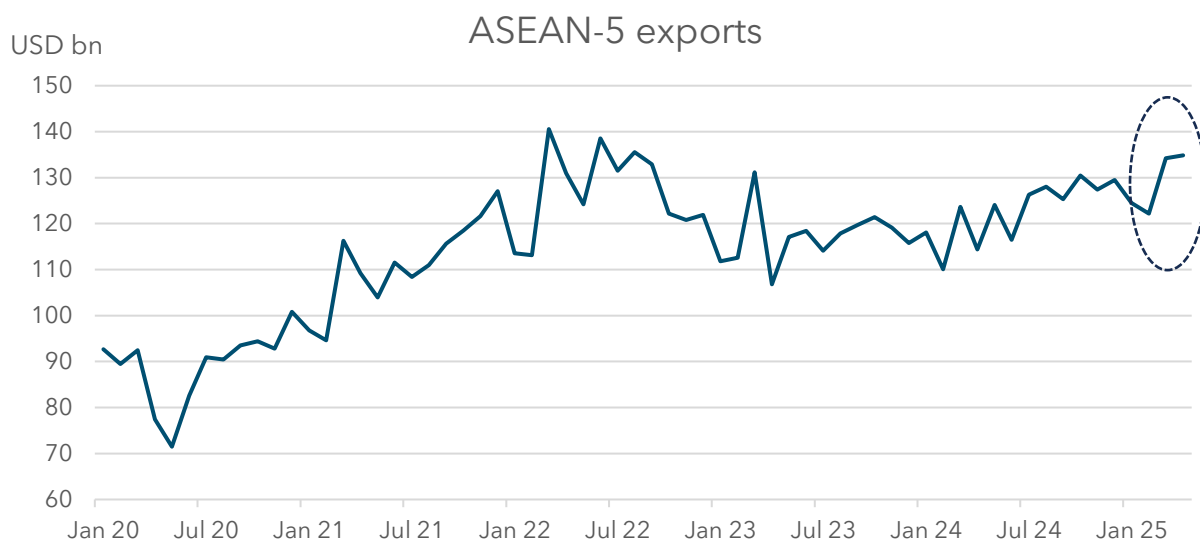
The Q3 2025 outlook for Asia Pacific remains weak, with limited relief from the 90-day pause on higher tariff rates between the U.S. and the Chinese Mainland. Although Beijing has resumed rare earth exports for a six-month period, easing short-term pressure on regional manufacturers, structural risks persist. Tensions have escalated elsewhere, with the U.S. announcing new tariffs on imports from Thailand, Cambodia, and other Southeast Asian hubs effective from August 1, in addition to bringing more items under Article 232.

Central banks across the region – from India and Thailand to Australia and the Philippines – have responded proactively by cutting policy rates to boost economic momentum. Although lower borrowing costs may cushion near-term risks, they are unlikely to materially revive domestic demand until clearer signals emerge on global trade. Exports received a boost in the first half of the year, likely due to importers frontloading orders ahead of the imposition of tariffs – a tailwind that is likely to fade as the year progresses. The second half of the year will be pivotal in determining whether the region can sustain growth through domestic engines or if it will remain overly reliant on fragile external demand.

Politics

In the South China Sea, tensions remain high, as the Chinese Mainland has stepped up maritime patrols and sporadic blockades around Taiwan Region. The Philippines has protested what it calls reckless Chinese maneuvers, particularly near disputed reefs. These episodes have disrupted local shipping and raised the diplomatic temperature but are not expected to spiral into open conflict. Meanwhile, pockets of domestic political strain persist. Thailand's political crisis deepened after a leaked phone call led to the collapse of the ruling coalition and mass protests.

Exports supported growth in H1 2025 but likely to slow



Sources: S&P Global, Dun & Bradstreet. Note: ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Eastern Europe & Central Asia

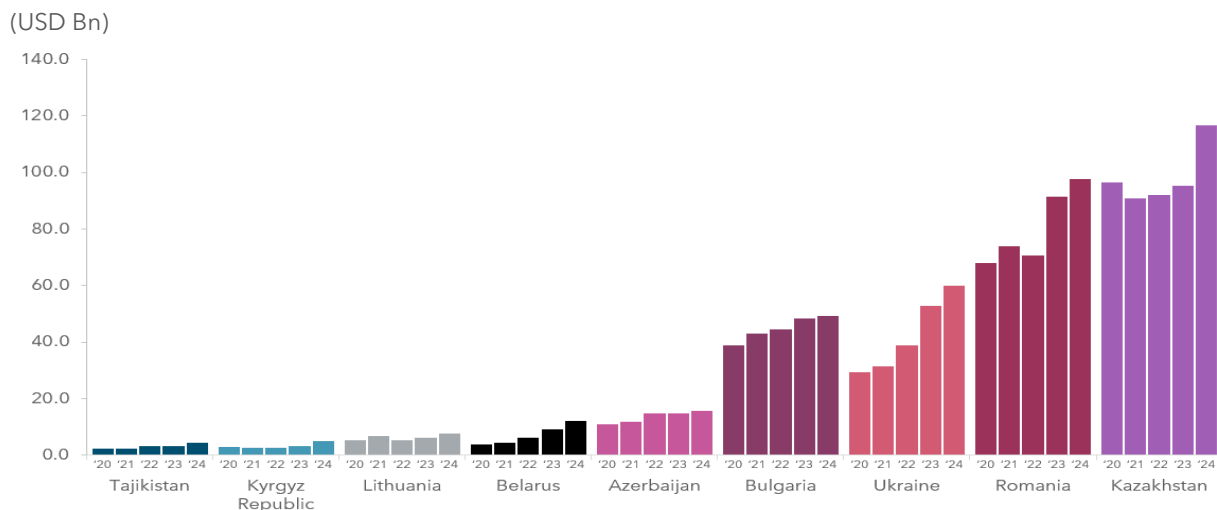
Economics

Economic growth across Eastern Europe and Central Asia is projected to slow to an average of around 3.5% in 2025–26, reflecting weaker external demand, tighter global financial conditions, and a deceleration in Russia. Eastern European industrial exports remain under pressure amid broader uncertainties about global trade policy and market access. Meanwhile, Ukraine has reestablished key Black Sea shipping routes, allowing limited but growing maritime trade through ports such as Odesa and Constanta. In Central Asia, robust growth is expected to continue, albeit slightly lower than previously, with regional growth projected to average 5.8% across 2025–26. These economies continue to deepen cooperation with the EU, Türkiye, and the Chinese Mainland through initiatives such as the Middle Corridor, while modernizing customs, transport, and energy infrastructure to attract diversified investment. Notably, net foreign assets rose steadily across most Eastern European and Central Asian economies from 2020 to 2024, reflecting stronger external positions and improved financial resilience and supporting greater stability against external shocks.

Politics

The Russia-Ukraine conflict continues to shape geopolitical fault lines, though Ukraine has maintained strong institutional performance and reasserted control over its trade corridors in the Black Sea. In Belarus, political isolation persists amid continued international sanctions and constrained civil space. In Georgia, ongoing protests against perceived democratic erosion have revived public debate over the country's Euro-Atlantic aspirations. Meanwhile, Central Asian states such as Kazakhstan and Uzbekistan have stepped up governance reforms and adopted multi-vector diplomacy to balance relations with Russia, the Chinese Mainland, and Western partners. Stability is also improving, marked by a landmark peace agreement in the Fergana Valley between Tajikistan, the Kyrgyz Republic, and Uzbekistan, resolving long-standing border tensions and laying the groundwork for deeper regional cooperation.

Steady growth in net foreign assets signals strengthening external positions in majority of Eastern European and Central Asian economies (2020–24)



Sources: Haver Analytics, Dun & Bradstreet.

Latin America

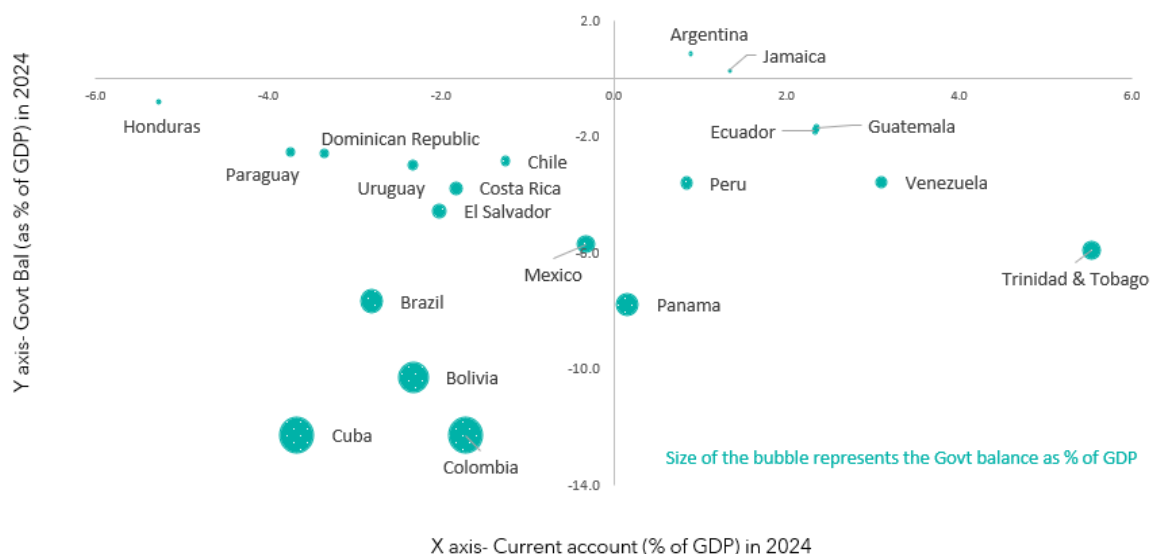
Economics

Growth in Latin America is projected to slow to 1.9% in 2025 from 2.4% in 2024, making the region one of the slowest growing worldwide. Major economies such as Mexico and Brazil have seen significant downward revisions to their growth forecasts due to domestic and external pressures, including rising U.S. trade barriers (Brazilian exports to the U.S. face a 50% tariff and Mexico faces a higher rate) and policy uncertainty, whereas Argentina continues its robust recovery. The Chinese Mainland's slowdown may depress commodity prices, affecting Chile, Peru, and Brazil. These dynamics may prompt central banks to reconsider monetary policies amid new inflationary pressures. Persistent fiscal deficits and high public-debt-to-GDP ratios remain major concerns, further exacerbated by declining commodity revenues in countries such as Colombia, Ecuador, and Mexico.

Politics

Organized crime and political instability, among other issues, continue to hinder economic growth, deter investment, and strain public finances. The new judicial landscape in Mexico – which in June held its first election for members of the judiciary – could lead to uncertainty for businesses and investors, potentially affecting foreign direct investment. Bolivia faced escalating protests in May and June over the ruling that former president Evo Morales could not stand as a candidate in the upcoming election. In the same month, Colombian President Gustavo Petro mobilized citizens to demonstrate in support of a referendum on his stalled labor reform. These events highlight persistent political tensions ahead of upcoming elections in the region, with Bolivia, Chile, and Honduras set to hold presidential elections later this year.

Intensifying fiscal and current-account deficit risks across Latin America



Sources: Haver Analytics, Dun & Bradstreet.

Middle East & North Africa

Economics

Oil prices have slipped back to below USD70/barrel following a brief spike during the Israel-Iran conflict, as OPEC+ raised production for a third consecutive month, adding 411,000 barrels/day (b/d) in July. Combined with subdued global growth, this will continue to weigh on oil revenues for exporters such as Saudi Arabia, the UAE, and Iraq. However, non-oil sectors in the Middle East are showing strong momentum.

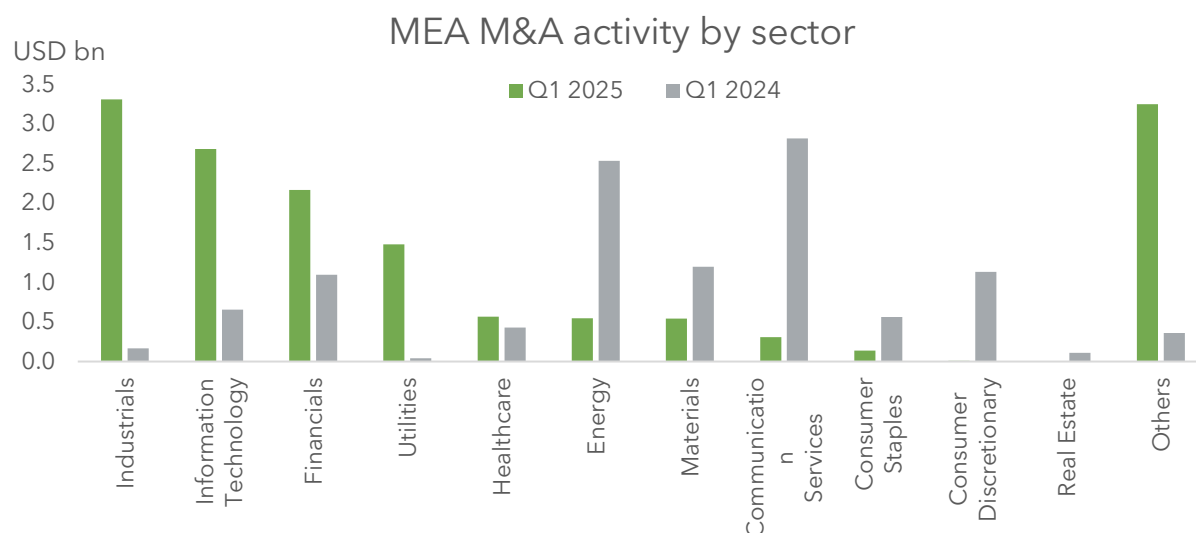
Investment activity across the region is accelerating. Venture capital funding in the Middle East surged 58% y/y in Q1 2025, led by fintech, edtech, and e-commerce, with Saudi and UAE investors dominating deal volumes. This investment push is part of a broader pivot toward sustainable growth, with Saudi Arabia and the Asian Infrastructure Investment Bank jointly launching new infrastructure programs.

Politics

In early June, Israel launched strikes on Iranian nuclear and military targets, citing national security threats. Tensions escalated across the region, with fears of broader conflict and temporary concerns about security around the Strait of Hormuz. A U.S.-brokered ceasefire on June 24 brought a halt to immediate hostilities, but underlying tensions remain. The risk of isolated flare-ups and cyber or maritime incidents remains elevated.

Geopolitical fault lines in the region will continue to reshape alliances in the foreseeable future. For businesses and investors, the focus should remain on political risk monitoring, contingency planning, and active engagement in stable non-oil growth hubs such as the UAE and Saudi Arabia.

M&A activities in Middle East and Africa (MEA) recorded a 35% y/y growth in Q1 2025



Note: MEA includes all Middle East and Africa. Barring South Africa, the deals are dominated by Saudi Arabia, Israel, the UAE, and Egypt.

Sources: Haver Analytics, Dun & Bradstreet.

Nordics

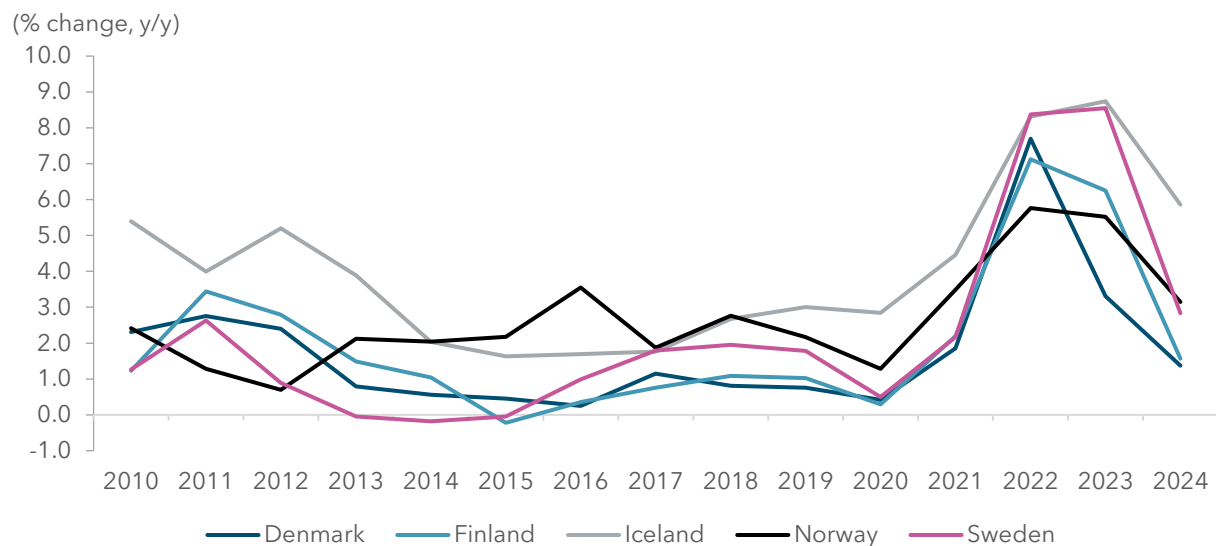
Economics

Moderate recovery is underway in the Nordics, underpinned by stabilizing inflation (as measured by the consumer price index, CPI), improving household consumption, and proactive fiscal support in countries such as Norway and Sweden. Although global trade uncertainty and persistent labor shortages continue to weigh on export sectors, rising investment in green technologies and digital infrastructure is setting the foundation for medium-term competitiveness. Norway remains an important energy anchor for the region, though lower fossil fuel revenues are prompting gradual diversification. Meanwhile, Finland and Iceland are recalibrating industrial strategies to adapt to shifting EU market dynamics and changing demand patterns.

Politics

The political landscape in the Nordics is characterized by strategic alignment, democratic strength, and growing global importance. Sweden and Finland's full integration into NATO has reshaped the region's security posture, with enhanced defense interoperability and Arctic preparedness now core policy pillars. Denmark and Norway continue to play active roles in EU and transatlantic diplomacy, promoting climate action and global development. Iceland, though not a member of many formal alliances, has strengthened its regional cooperation through Nordic Council initiatives focused on resilience and youth engagement. Across the board, demographic changes and integration challenges are prompting renewed national debates.

Easing CPI inflation fuels Nordic recovery, amid push for innovation and sustainable growth



Sources: Haver Analytics, Dun & Bradstreet.

Sub-Saharan Africa

Economics

The economic outlook for the region is cautious. Inflation is converging towards, or is within, the target range of major central banks in the region. Inflation in South Africa (2.8%), Botswana (1.9%), Uganda (3.8%), Mozambique (4%), Gabon (1.2%), and Kenya (3.8%) has fallen below central bank target levels, indicating the success of monetary tightening. Overall, interest rates are higher elsewhere in the region and vary significantly from country to country. However, easing price pressure is at risk in South Africa and Kenya due to levies on fuel and electricity. Moreover, if the U.S. implements its high tariff rates, interest rates are likely to remain elevated or rise further. If oil prices remain below USD70/b, oil exporters such as Angola and Mozambique will be impacted. There is a possibility that Angola will seek additional assistance from the IMF, as its budget was based on the assumption of USD70/b oil prices.

Politics

Although a peace deal between Rwanda and the Democratic Republic of the Congo (DRC) was signed on June 27, and another truce is being negotiated with the M23 militant group in Doha, the potential fallout from the conflict in the DRC, or the resurgence of violence, will be a significant concern for African countries for some time. In light of the U.S.'s new approach to tariffs, many sub-Saharan African countries are uncertain about ongoing U.S. support and are moving towards the Chinese Mainland as a result. Countries are also attempting to increase regional integration and trade through various official groupings.

US tariffs may act as catalyst to encourage intra-regional trade in Sub-Saharan Africa



Sources: <https://www.whitehouse.gov/wp-content/uploads/2025/04/Annex-I.pdf>, Dun & Bradstreet.

Global Risks

The balance of risks for the global economy are tilted to the downside. These disruptions, as found in our latest [Global Business Optimism Insights](#) report, are already exerting pressure on global supply chains and dampening business confidence.

1. **Trade tensions** continue to dominate global risks and have recently sharply intensified with the U.S. announcing plans for tariffs on BRICS nations, higher tariffs on several trade partners, and new tariffs on copper and pharmaceuticals. Few trade arrangements have been fully agreed so far, and the extended deadline of August 1 to complete deals may extend the period of trade policy uncertainty. Disrupted investment flows, potentially leading to deeper global fragmentation and weaker cross-border integration, threaten to upend supply chains.
2. **Economies reliant on export-driven growth**, especially in Asia and Europe, are particularly vulnerable. The new tariff landscape could raise the risk of dumping - exporting goods at prices below their normal market values or, in the current climate, shifting exports to new markets and away from the now more expensive option of the U.S. - which could lead to longer-term market dislocation, undermining competition and prompting further protectionist measures. The EU has already identified the risk that goods from the Chinese Mainland may find their way into Europe, weakening European industry and exacerbating trade tensions.
3. **The Middle East conflict and energy security** are closely linked risks. In mid-June, Israel conducted airstrikes on Iranian nuclear sites, triggering responses from Iran, including a parliamentary vote to close the Strait of Hormuz. Though the Strait has not yet been shut, the threatened closing of this vital shipping route caused a temporary 10% spike in oil prices and introduces a new risk to energy supplies, supply chains, and economic growth.
4. **Inflation** remains uneven globally but persistently above central bank targets, especially in advanced economies. While some central banks, such as the ECB, have begun to loosen policy, others, including the Fed, remain cautious. This divergence in monetary policy is creating volatility in financial markets, especially currency markets and cross-border capital flows. Emerging economies are particularly exposed, facing both imported inflation and exchange rate pressures. The risk is a global economy locked into a cycle of weak growth and stubborn inflation: stagflation.
5. **Deepening political division**, particularly in major economies such as the U.S., and across parts of Europe, presents a growing macroeconomic risk. Geopolitical instability is not confined to the Middle East, with tensions rising in other regions around the world. Institutional frameworks such as the World Trade Organization (WTO) and the IMF are increasingly sidelined as governments pursue unilateral trade and fiscal strategies. This erosion of shared rulemaking reduces policy predictability, increases the risk of sudden regulatory changes, and weakens business planning.

Source: Dun & Bradstreet. Notes: The heatmap indicates lower risk with a lighter color and higher risk with a darker color. The heatmap shading should be viewed only within the market, rather than across markets. Sector Risk Ratings are multi-dimensional risk ratings of the current economic environment by industry, sitting between the macro-level Country Risk Ratings and the entity-level Dun & Bradstreet analytical scores. Ratings are allocated into seven bands, in line with our Country Risk Ratings. Sector risk is aggregated at three layers for 130 markets: 10 sectors at the highest level of aggregation, 18 at the intermediate level, and 35 at the low level (according to ISIC industry classification). The lowest aggregation level is used here.

Rating Definition

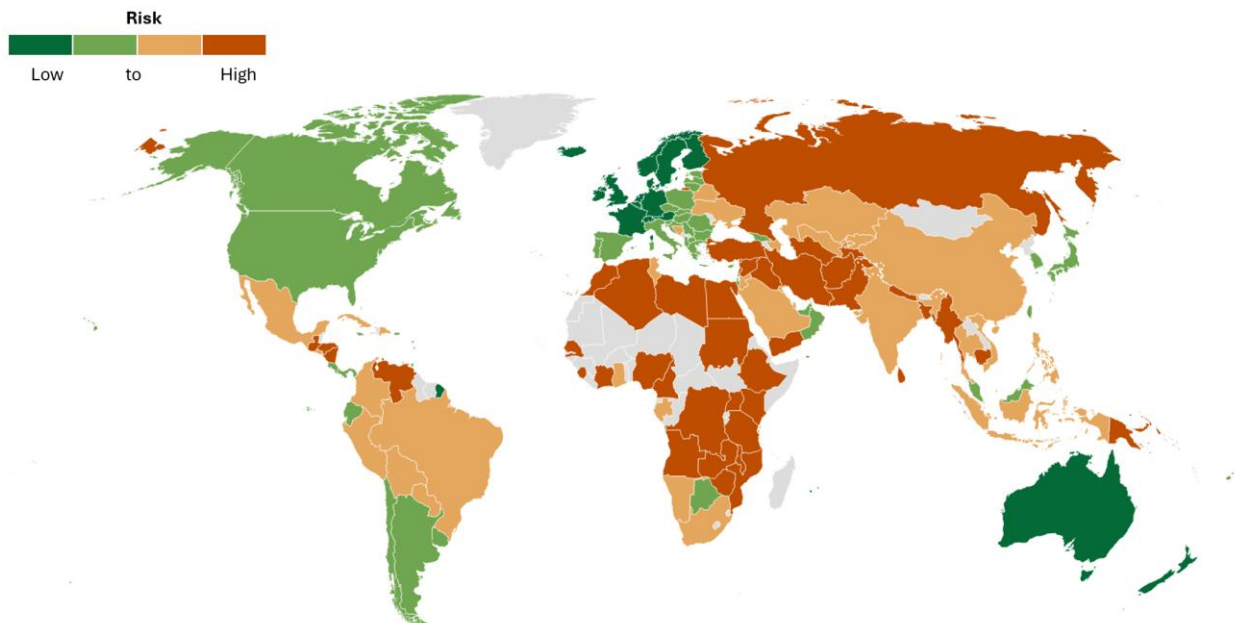
Rating	Risk Category	Rating Description
DB1	Lowest Risk	These risk indicators denote the lowest degree of uncertainty associated with expected returns, such as trade payments, bankruptcy, and business failure.
DB2	Very Low Risk	Low degree of uncertainty associated with expected returns, such as trade payments, bankruptcy, and business failure.
DB3	Low/Slight Risk	Enough degree of uncertainty over expected returns, such as trade payments, bankruptcy, and business failure. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant degree of uncertainty over expected returns, such as trade payments, bankruptcy, and business failure. Customers should actively manage their risk exposures. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable degree of uncertainty over expected returns, such as trade payments, bankruptcy, and business failure. Customers should actively manage their risk exposures. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Large degree of uncertainty over expected returns, such as trade payments, bankruptcy, and business failure. Customers should actively manage their risk exposures. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Extreme uncertainty over expected returns, such as trade payments, bankruptcy, and business failure. Customers should actively manage their risk exposures. Business infrastructure has, in effect, broken down.

Country ESG Ratings

The latest Dun & Bradstreet Country ESG Ratings reveal pockets of high risk in parts of sub-Saharan Africa, emerging Asia, the Middle East, and Latin America. These regions face a considerable degree of uncertainty associated with climate change, quality of governance, and quality of life. We recommend customers to actively manage their exposures to be compliant with ESG regulations imposed by third parties. In large parts of Western Europe, ESG risk ratings are low or the lowest risk.

The U.K., France, Germany, and Australia all have the lowest-level risk ratings, indicating that these countries have the highest degree of accountability in environmental aspects and responsibility toward citizens. According to Dun & Bradstreet's Q3 2025 Global Business Optimism Insights report, in Q2 2025 businesses maintained their focus on environmental priorities. The survey found that more than one in five European businesses on average ranked ESG compliance among their top two criteria when selecting international suppliers, reflecting rising expectations for sustainable sources. Globally, one in six businesses told us that they placed ESG at the core of supplier selection, though it trails more traditional concerns such as cost competitiveness and geopolitical risk profile

Global ESG trends are being reshaped by the sharply intensifying tariff environment – compelling businesses to integrate trade policy into their sustainability strategies. Overall, the developing relationship between tariffs and ESG underlines the need for approaches that balance economic protection, environmental sustainability, and good governance. The alignment between strategies that respond to global market conditions, including tariffs and sustainable development, will likely become an increasingly important component of national competitiveness.



Source: Dun & Bradstreet. Notes: The heatmap indicates lower risk with a lighter color toward green and higher risk with a darker color toward orange. Our Country ESG Ratings use nearly 100 quantitative and qualitative parameters and aggregates them using statistical measures for 132 countries. Ratings are allocated into seven bands, in line with our Country Risk Ratings. The heatmap is not to scale.

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Our experienced country-intelligence specialists use Dun & Bradstreet's proprietary data, supplemented by secondary data from the International Monetary Fund, World Bank and other multilateral organizations, to provide unique analysis to drive sound business decisions.

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