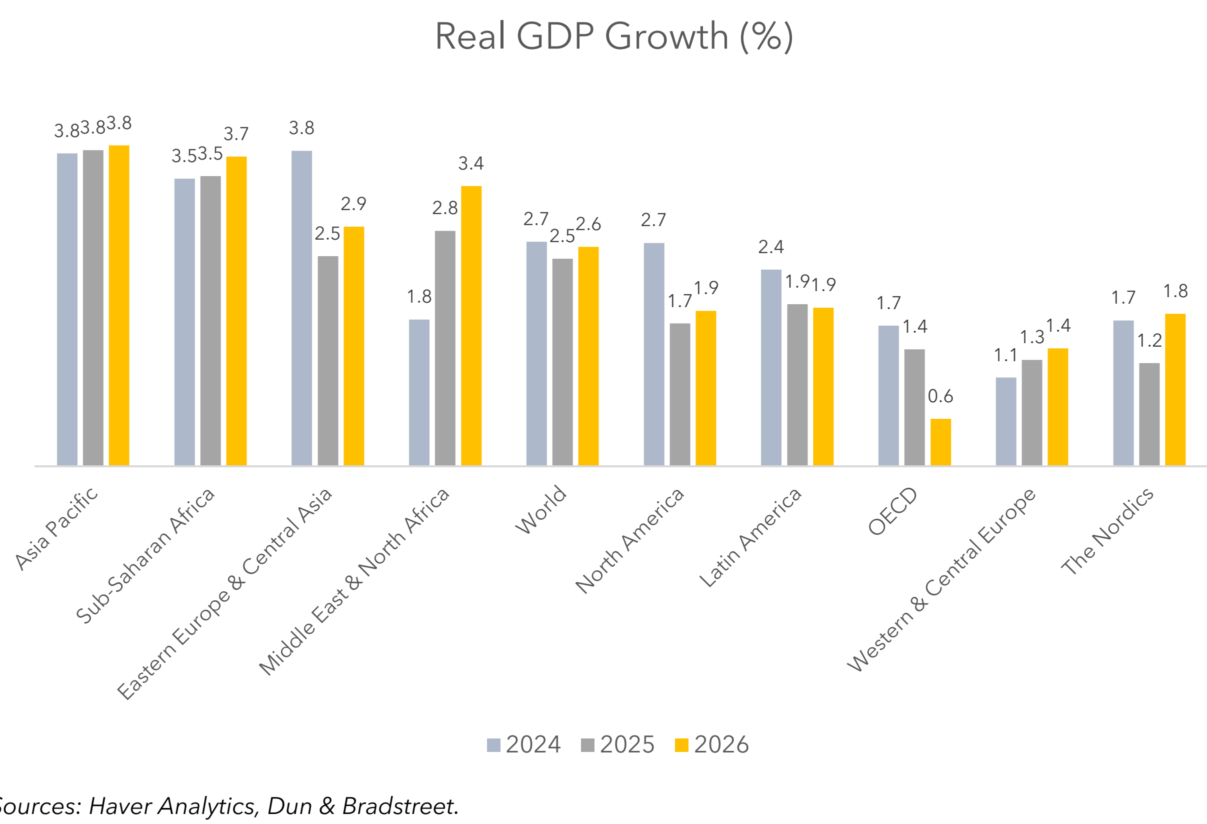
Quarterly Global Economic Outlook – Q4 2025

Dealing with Uncertainty: Navigating a Nascent Global Transition

"The global economy is entering a transitional phase marked by resilience amid persistent uncertainty. While inflation dynamics and policy divergence continue to shape the outlook, a notable shift is happening, with abrupt trade shocks and unpredictable tariff escalation gradually and subtly giving way to a more managed rules-based environment. Negotiation, recalibration, and clearer policy signals are beginning to replace disruption as the dominant themes – creating conditions that will progressively make for more confident long-term planning.

For businesses, this shift demands a strategic pivot. With trade frameworks, supply chains, and policy trajectories becoming better understood, firms should move beyond short-term contingency planning and focus on building durable competitiveness. That means investing in supply chain resilience, diversifying market exposure, deepening engagement in jurisdictions with stable regulatory and trade regimes, and embedding scenario planning into decision-making." ***Dr. Arun Singh, Global Chief Economist, Dun & Bradstreet***.

Regional Growth Trends: Shifting Growth Dynamics Across Key Regions



Sources: Haver Analytics, Dun & Bradstreet.

Global Overview

Nascent Transition: Living with Uncertainty

The global economy is tentatively entering a transitional phase marked by resilience amid uncertainty. Growth remains broadly positive but uneven across regions, reflecting shifting dynamics in consumer demand, trade policy, and monetary and fiscal conditions. In advanced economies, household consumption and services continue to underpin activity, while manufacturing and export-oriented sectors struggle with a softer external environment.

The U.S. economy posted robust growth in Q2 2025 and will likely be buoyed by lower interest rates from September. Australia also recorded a solid performance, whereas Europe is grappling with stagnation. The Canadian economy is slowing, and the German industrial sector remains under pressure; Japan, however, is showing signs of a modest recovery. Among emerging economies, the Chinese Mainland continues to grow steadily, underpinned by fiscal and credit stimulus, while India is gaining further momentum on the back of strong domestic demand and investment inflows. Elsewhere, Southeast Asian economies, such as Indonesia and Thailand, which are seen as attractive for natural resources and semiconductors, are showing resilience amid supply chain diversification, and several Latin American markets, such as Chile, which recently raised copper price forecasts, are benefiting from improved commodity terms of trade.

Globally, businesses are adjusting their corporate strategies as the pace of economic growth across regions is varied and even the underlying macro conditions keep shifting. Many multinational companies are rebalancing their geographic exposure – prioritizing markets with stronger domestic demand, stable policy settings, and clearer regulatory environments – while reassessing operations in slower-growing or more volatile economies. Supply chain diversification – once a defensive response to trade tensions – is increasingly viewed as a structural business strategy, enabling companies to tap into new consumer bases and reduce exposure to single-market shocks. At the same time, investment flows are being redirected toward regions offering greater certainty around trade rules, access to critical inputs, and proximity to end-markets. For example, Mexico has seen a strong increase in FDI, both because of its proximity to the U.S. market and because of trade policy clarity.

A subtle shift in the global narrative appears to be underway: while uncertainty and risks persist, businesses are starting to re-anchor planning on the assumption that trade disruptions and tariff shocks may increasingly be managed through negotiation and gradual recalibration rather than abrupt escalation. For instance, recent U.S.-Vietnam and EU-Indonesia trade dialogues have focused on phased tariff adjustments and cooperative frameworks rather than punitive measures. This shift – tentative but meaningful – suggests that the high-volatility environment that has defined much of this year may steadily be giving way to a more predictable, data-contingent regime.

Inflation Dynamics: Disinflation Interrupted

The interplay of new tariffs, elevated shipping costs, and intermittent energy risk premiums has complicated this year's disinflation narrative. Consequently, central banks, which began the year broadly synchronized in their easing bias, are now diverging in their policy stances.

In mid-September, the U.S. Federal Reserve (the Fed) cut interest rates for the first time this year, citing growing risks in labor markets and inflation dynamics. In contrast, the European Central Bank (ECB) and the Bank of England (BoE) held policy rates steady, reflecting caution amid mixed signals in the eurozone and stagflationary pressures in the U.K.

In emerging economies, central banks are balancing easing with vigilance. The Fed's move has eased global funding conditions, giving policymakers in emerging economies more room to maneuver. Inflation in these economies has edged lower but remains volatile, influenced by currency dynamics, food prices, and global supply chain disruptions.

The result is a widening dispersion in policy paths. Major central banks share concerns about growth, employment, and the risk of renewed inflation surges, but their priorities differ. At the Fed, labor market risks now outweigh inflation concerns – a notable pivot from the previous tightening cycle – while signaling that further cuts could follow if data warrants. The ECB has signaled that its rate cutting cycle is likely over, or at least very constrained, and provided a more balanced risk assessment as "in a good place" appeared frequently in its communications

Meanwhile the BoE, with room to cut rates further, is first assessing that delayed easing does not excessively choke economic growth, putting lower rates off the table in the very near term.

Importantly, recent central bank discussions (such as at the Fed, the ECB, and the Reserve Bank of Australia) have placed less emphasis on tariff-related inflation and more on the complex trade-offs between employment, growth, and fiscal sustainability. The balance of risks is shifting – inflation remains a key concern, but it is now part of a broader macroeconomic recalibration.

Trade Policy: From Shock to Strategy

Trade tensions continue to weigh on global growth, especially for export-dependent economies. However, there are indications that the period of elevated trade policy upheaval is entering a relatively more managed phase. Recent product-specific tariffs, while headline-grabbing, have been scoped and calibrated, and only then tend to be if the manufacturer is not investing in the U.S. The effective average U.S. tariff rate has edged lower over the course of 2025 to around 17%, from 28% at the peak in April (according to The Budget Lab at Yale).

This reflects two key developments:

1. **A wave of new trade deal announcements in September that have facilitated a concessional reduction in tariffs from the U.S.**, for example, the establishment of the 'US-EU Framework on an Agreement on Reciprocal, Fair, and Balanced Trade', the U.S.-Japan trade framework, and a 'Technology Prosperity Deal' memorandum of understanding signed with the U.K.
2. **Recalibration by the U.S. of the products subject to tariffs** as referred to in Annex II. In early September, the U.S. adjusted its trade framework, linking tariff exemptions more explicitly to security partnerships. Critical minerals were added to Annex II, granting them exemption from tariffs, while materials such as silicone and aluminum hydroxide lost exemption status. A new mechanism allows zero tariffs for countries signing both trade and security agreements with the U.S.

Businesses look increasingly willing to accept that tariffs are unlikely to be rolled back quickly. Instead, they are adapting their strategies – from diversifying sourcing to reconfiguring supply chains – to absorb, manage, or negotiate the impact of tariffs. We expect businesses operating in jurisdictions with clear trade frameworks and supportive domestic policies to begin showing stronger sentiment and investment intentions than those in more uncertain environments. Businesses are increasingly relying on domestic demand to counter tariff-driven export challenges. For Q4 2025, almost 68% of respondents to our Global Business Optimism Insights (GBOI) survey reported that they were optimistic about domestic orders, while close to 70% said they were optimistic about domestic economic conditions.

Navigating a Shifting Landscape

The global macroeconomic environment remains challenging, but it is evolving. The era of acute uncertainty that stifled investment and planning may be giving way to a more navigable regime. Growth is resilient though uneven, inflation risks are persistent but better understood, and policy pivots are gradually reshaping the strategic landscape. The Country Insight Group's Country Risk Outlooks – forward-looking indicators that cover 132 economies and signal the direction in which we expect Country Risk Ratings to move in future – have improved at the global level after a challenging start to Q2 2025.

The "first phase" of U.S. tariff escalation, culminating in the August implementation of measures targeting non-aligned trade partners, now appears to be behind us. The U.S. is demonstrating greater willingness to negotiate and recalibrate, especially where tariffs have had unintended domestic consequences such as higher food prices. "Peak" U.S. tariffs – particularly of the unilateral variety – may have passed (the effective average U.S. tariff rate implies this), even if sector-specific measures persist, including tariffs placed on branded pharmaceuticals (though now paused indefinitely), furniture, and heavy trucks. Meanwhile, U.S. trade partners are actively diversifying their trade relationships and deepening regional partnerships.

While tariffs remain a material downside risk, the macro conversation is shifting from shock to adaptation. Businesses are responding by strengthening domestic demand bases, adopting dual-sourcing strategies, building inventory buffers, and exploring near-shoring opportunities. The strategic imperative is evolving from emergency response to long-term resilience. In the Dun & Bradstreet Q4 2025 GBOI survey, businesses said they were making deliberate changes by focusing more on domestic markets and reducing exposure to unstable supply routes.

Ultimately, the story of this nascent transition is not one of risk elimination but risk management. The world is learning to live with uncertainty, and businesses that invest in resilience, scenario planning, and strategic agility will be best placed to thrive in the next phase of the global cycle.

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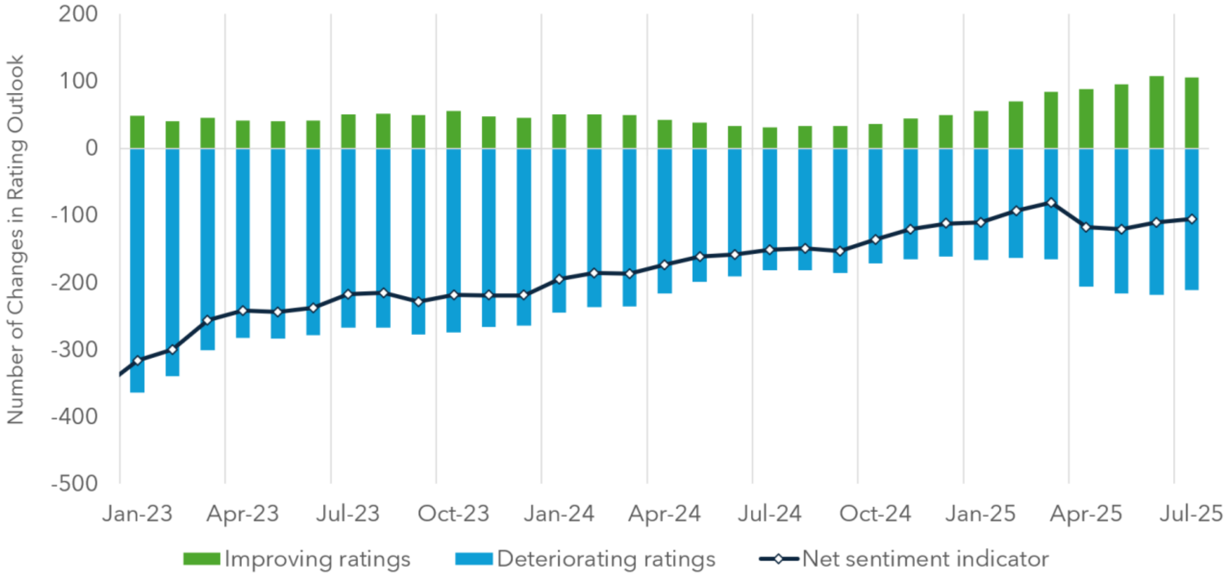
Dun & Bradstreet's Global Risk Outlooks Signal Improvement From Early Q2

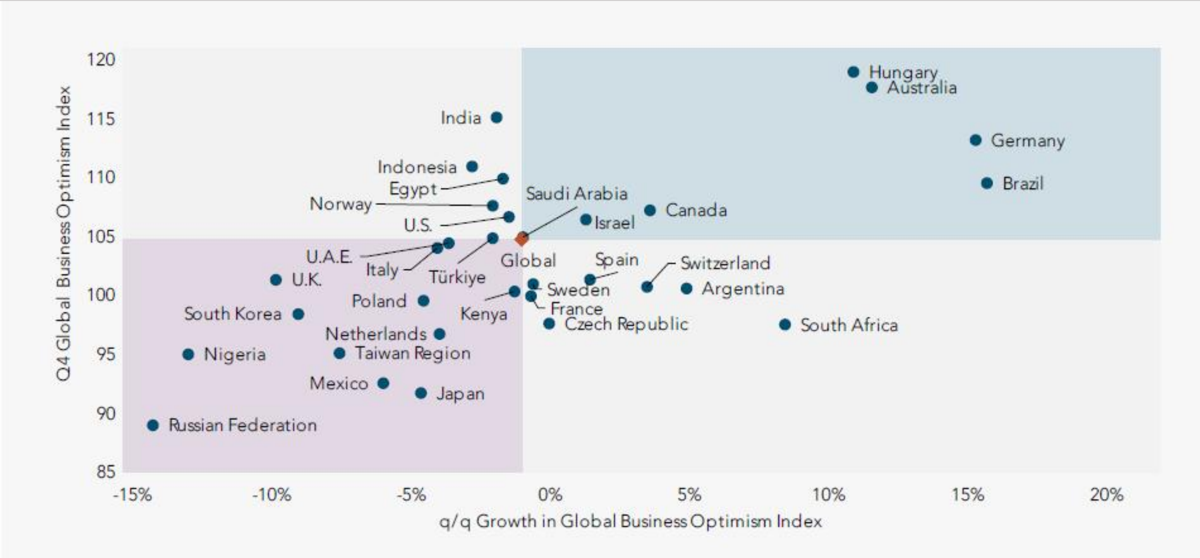


Source: Dun & Bradstreet.

Note: The Dun & Bradstreet Country Insight Global Risk Outlook Indicator captures the forward-looking judgement of Dun & Bradstreet's team of economists across nine economic, political, and business factors for 132 economies. The net sentiment indicator is calculated as the difference between the number of risk rating outlooks marked 'improving' and those marked 'deteriorating.' A positive value indicates a generally improving risk outlook.

Q4 2025 Global Business Optimism Insights

The Global Business Optimism Index slipped 1.0% q/q for Q4 2025, with emerging economies dragging the index down (-2.2%) and advanced economies registering only a marginal dip (-0.6%). Businesses globally seem to be pivoting toward domestic markets to compensate for the loss in export orders stemming from elevated tariffs.



The Global Business Supply Chain Continuity Index declined 0.5% q/q for Q4 2025, following a sharp 9.7% drop for Q3. Advanced economies registered a marginal 0.1% dip for Q4, extending the prior quarter's steep fall of 9.7%, while emerging economies fell 1.6%, in continuation from the 9.8% decline for Q3. Despite the moderation in headline decline, the 19.0% y/y decrease in the index value underscores a broad-based erosion of continuity and confirms that global supply chains are far from stability.

The Global Business Financial Confidence Index deteriorated 2.3% q/q for Q4 2025, because of high interest rates due to persistent inflation, weaker global demand, and policy uncertainty. Emerging economies recorded a larger drop (-3.7%) in confidence than advanced economies (-1.8%), where there were significant improvements in sentiment, such as in Germany and Australia. Although globally, large and medium-sized businesses are signaling slightly more favorable views of expected operated margins, liquidity concerns continue to be a major factor impeding financial confidence among small businesses.

The **Global Business Investment Confidence Index** fell a further 2.5% q/q for Q4 2025, albeit this was a less sharp decline than the 13.1% fall recorded for Q3. At a y/y level, confidence is very low in the Russian Federation, Japan, and Nigeria. However, some bright spots are appearing, such as in Germany and Australia, where businesses reported an increase in the amount of planned capital expenditure for Q4 2025.

The **Global Business ESG Index** contracted sharply by 5% in Q3 2025, after rising by a marginal 0.1% in Q2 2025. Businesses recorded a reduced appetite toward participation in and integration of environmental, social, and governance (ESG) practices into decision-making, across advanced and emerging economies. The perceived business value of ESG activities, especially environmental aspects, declined, particularly across emerging economies.

North America

Economics

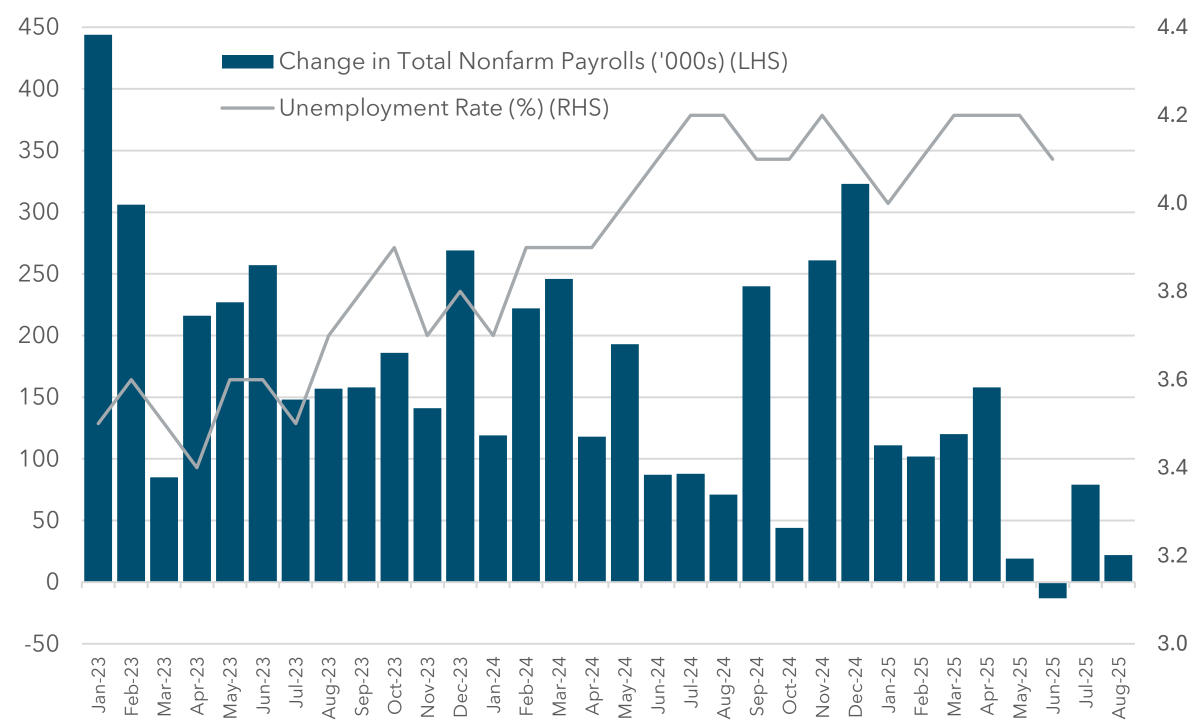
The U.S. and Canadian central banks lowered interest rates in September, the first cuts in nine and six months, respectively, reflecting the cautious approach taken this year. Markets expect rates to move lower this year, though the Fed voting panel was significantly divided. Concerns about the gradually weakening U.S. jobs market, which has seen several large downward revisions in recent months (May and June payroll numbers were revised lower by a combined 258,000), are becoming of increasing significance at the Fed.

Effective September 1, Canada removed many tariffs on U.S. goods imports that are compliant under the U.S.-Mexico-Canada Agreement (USMCA). Bilateral tariffs on autos, aluminum, and steel remain in place, though they are subject to ongoing discussions. The Canadian government has shown willingness to support sectors under pressure from the U.S., providing CAD1.2bn in loans and guarantees to the softwood and lumber industry (currently facing 32.5% U.S. tariffs).

Politics

In late September, the U.S. government signed an executive order designating the so-called 'antifa' (the left-wing anti-fascist movement) as a domestic terror organization. Meanwhile, the U.S. Congress has been addressing the budget standoff, with the government having directed federal agencies to prepare to make staffing cuts given the partial government shutdown that began October 1. In Canada, the government has unveiled a sweeping industrial and trade agenda to address tariff spillover effects.

Decline in U.S. Jobs Growth Does Not Imply Demand Weakness



Sources: Bureau of Labor Statistics, Dun & Bradstreet.

Western Europe

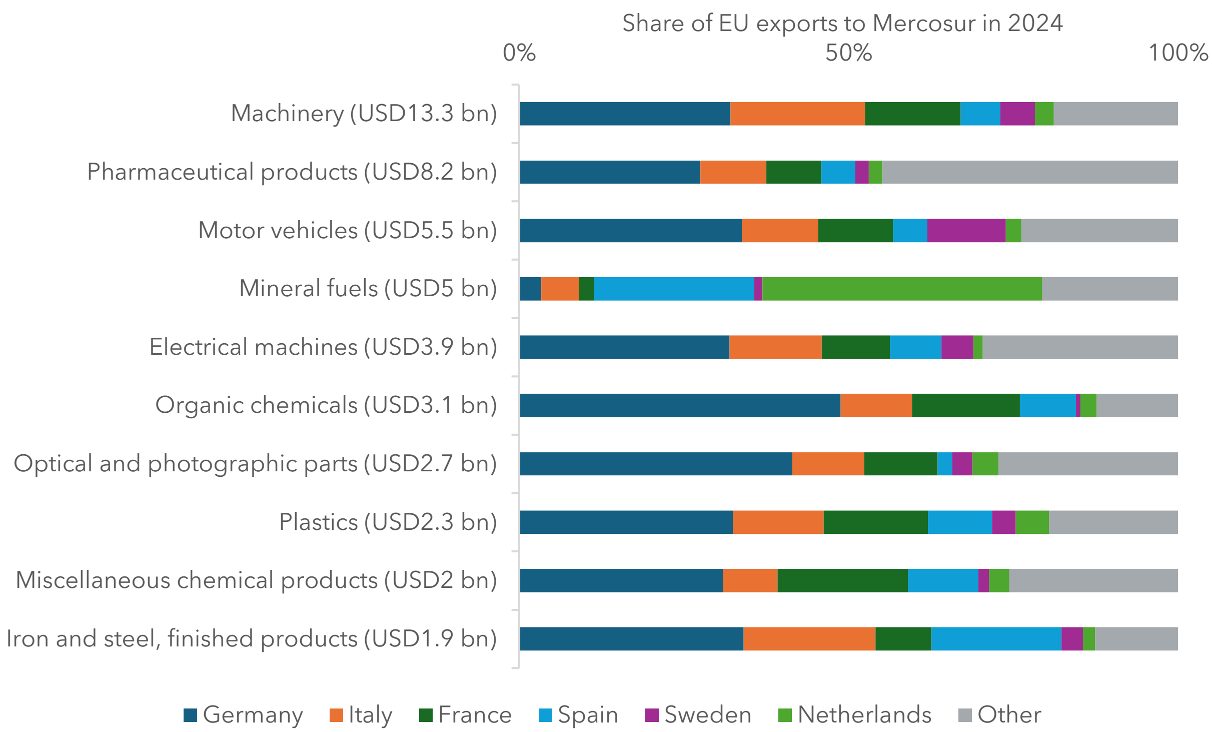
Economics

The EU-Mercosur Partnership Agreement, set for agreement before the end of 2025, would unlock significant trade opportunities between the two blocs. While the aggregate benefit to the EU is likely to be negligible in the short term due to limited existing trade dependency (just 0.9% of EU exports were destined for Mercosur in 2023), the deal should deepen trade and investment relationships in the longer term. Furthermore, while the aggregate impacts may be small, specific industries are likely to benefit significantly; some of the largest tariff reductions by Mercosur will be to cars (currently subject to a 35% tariff rate) and wine and spirits (also 35%). Italy and France both rely on the Mercosur market for over 1% of their respective car exports, the largest share in Western Europe (Sweden and Finland have higher shares and will also benefit due to their EU membership). Germany, the largest EU exporter of cars to Mercosur, relies less on the market, with just 0.6% of car exports destined for the bloc; German car exports are much more reliant on markets such as the U.S., the Chinese Mainland and the U.K.

Politics

In September, the European Commission proposed suspending trade concessions within the EU-Israel Association Agreement. In the same month, the U.K., France, Portugal, and Malta were among those to recognize Palestinian statehood. However, this is unlikely to materially change the course of the ongoing war in Gaza, with other key governments, such as those of Germany and the U.S., unlikely to do the same. In October, a general election will be held in the Netherlands and a presidential election in Northern Cyprus, with the latter raising the risk of political tension across Cyprus.

Mercosur Tariff Cuts Could Boost European Industries



Sources: Haver Analytics, Dun & Bradstreet.

Asia Pacific

Economics

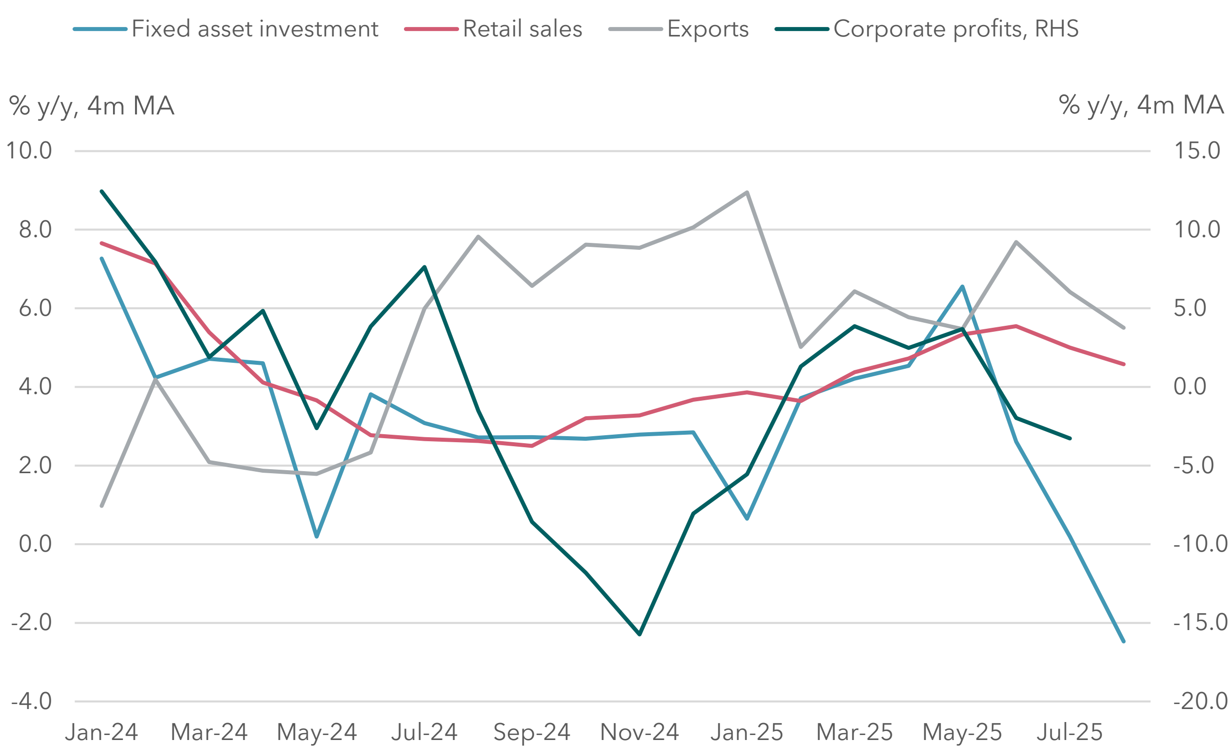
Asia Pacific's outlook for Q4 2025 will be shaped by two dominant themes: slowing Chinese momentum and trade policy. Together, these forces are amplifying risks to growth, currencies, and trade flows across the region. In August, industrial output in the Chinese Mainland rose just 5.2% y/y, the weakest rise since August 2024, while retail sales grew 3.4% y/y, missing forecasts and signaling fading consumer resilience. With deflationary pressures persisting and unemployment edging up, Beijing is expected to roll out incremental easing, but a large-scale stimulus remains unlikely. This cooling in the region's largest economy weighs heavily on commodity exporters and supply chain partners, from Australia to ASEAN economies.

Asia Pacific countries are increasingly diversifying trade partnerships beyond the U.S. Indonesia recently signed a landmark FTA with the EU, which is expected to double bilateral trade and eliminate tariffs on 98% of goods. India has concluded a major trade deal with the U.K. and is in advanced negotiations with the EU.

Politics

Political risk in Asia Pacific is likely to stay high through Q4 2025, driven by two main forces: domestic instability and rising sovereignty disputes. In South Asia, the political situation in Nepal has calmed after its biggest anti-government protests in decades forced the government to dissolve in September. Bangladesh faces renewed protests over electoral reforms, despite the announcement of general elections to be held in February 2026. In the Philippines, mass protests have erupted over a corruption scandal tied to flood-control projects, raising concerns about policy focus during typhoon season.

Slowing Momentum in Chinese Domestic Demand, Exports, and Profit Margins



Sources: NBS, China Customs, Dun & Bradstreet.

Eastern Europe & Central Asia

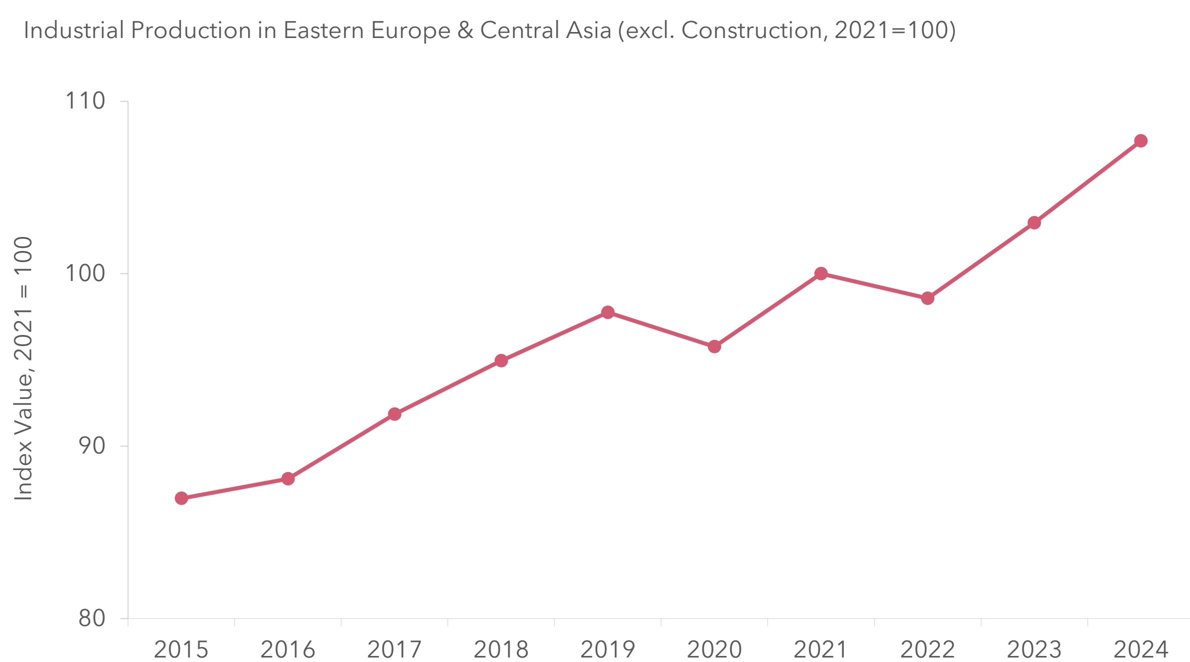
Economics

Eastern Europe enters Q4 2025 navigating a fragile but stabilizing economic environment. Poland and the Baltic states are set for modest growth, buoyed by resilient consumption and easing inflation. Romania remains an outlier, battling the EU's highest inflation rate amid fiscal austerity. Export sectors across the region are subdued due to weak German demand and global trade tensions. Ukraine shows resilience through reconstruction and aid, while Russia and Belarus face slowing growth under sanctions. In Central Asia, Uzbekistan and Kazakhstan continue steady expansion via industrial diversification and regional trade. Kazakhstan's fiscal stance is expansionary, backed by oil revenues and reform plans. The Kyrgyz Republic and Tajikistan lead in growth, driven by remittances and domestic demand, though inflation lingers. Turkmenistan's outlook is muted due to its dependence on hydrocarbon revenues.

Politics

In Eastern Europe, the Trump-Putin summit held in August 2025 has reshaped diplomatic contours, prompting EU-aligned states such as Poland, Latvia, Lithuania, and Estonia to ramp up defense spending. Ukraine continues to grapple with war-related displacement and devastation. In the Caucasus, Georgia and Azerbaijan balance Western partnerships with regional security concerns. Meanwhile, Central Asia is asserting greater autonomy through intra-regional cooperation and pragmatic diplomacy. Kazakhstan and Uzbekistan are emerging as middle powers, while border tensions between the Kyrgyz Republic and Tajikistan are easing despite lingering domestic risks.

Eastern Europe and Central Asia See Rebound in Industrial Output Since 2022



Sources: Haver Analytics, Dun & Bradstreet.

Latin America

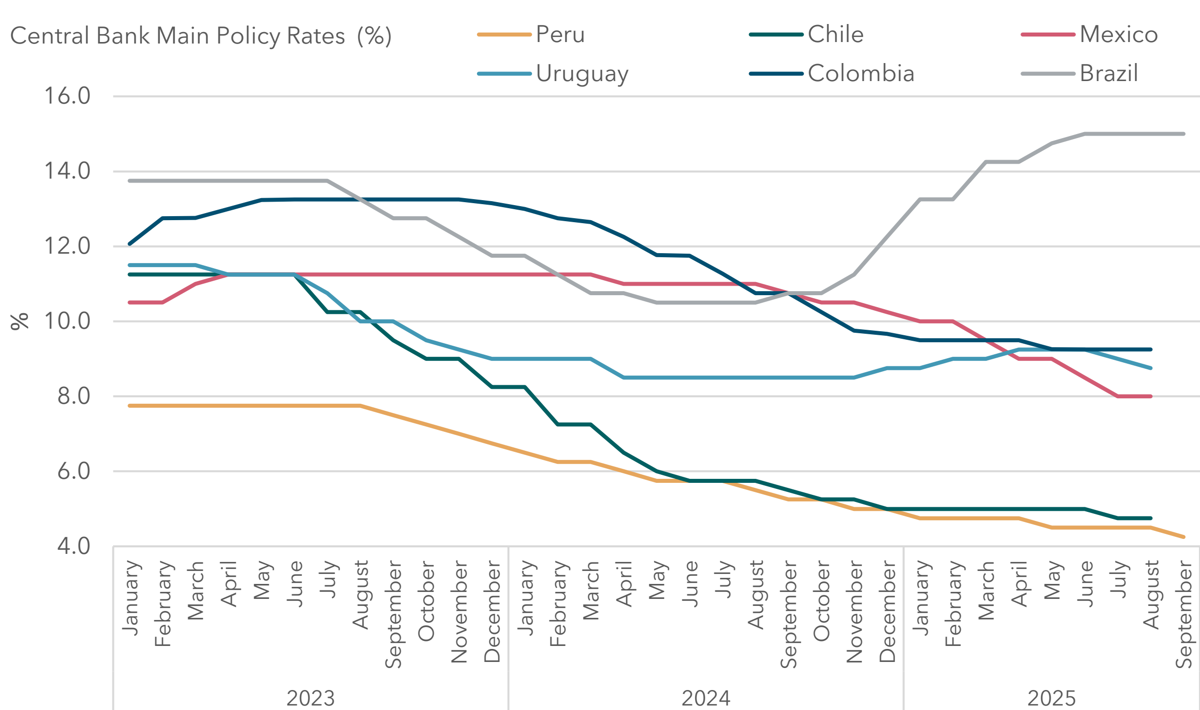
Economics

Growth in major economies such as Brazil and Colombia slowed in Q2, which is likely to continue over the remainder of the year. This is due to slowing demand in key export markets, including the Chinese Mainland, and the waning of an earlier surge in front-loading of goods exports. A return to a cycle of economic recovery for Argentina in part hinges upon financial support from the U.S. Generally low levels of inflation across the region provide impetus for sustained rate cuts over Q4, which will help buoy private consumption. Amid U.S. tariff uncertainty, Latin American countries have accelerated the diversification of their export markets. The Mercosur bloc and the EFTA signed an FTA in September. The EU-Mercosur trade deal and an update to the existing EU-Mexico trade deal were also submitted to the Council of the EU for approval in the same month. India is actively negotiating for FTAs with Peru, Chile, and Mexico, reflecting elevated global appetite for the region's critical mineral and agricultural exports.

Politics

Political volatility will remain high against a backdrop of ongoing anti-government protests in several countries and four upcoming elections, which will weigh on the region's business environment. Deeply entrenched political polarization, dissatisfaction about high crime rates, and proposed mining sector reforms have led to ongoing anti-government 'Gen-Z' protests in Peru. Similarly, since mid-September, Brazil has been rocked by mass protests over a proposed law that could grant former president Jair Bolsonaro amnesty. Argentina is also at a critical juncture as it experiences protests over austerity cuts, while mid-term October legislative polls loom. Elections will also be held in Bolivia and Chile in Q4.

Easing Inflation Supports Rate Cuts in Key Latin American Economies, Except Brazil



Sources: Haver Analytics, Dun & Bradstreet.

Middle East & North Africa

Economics

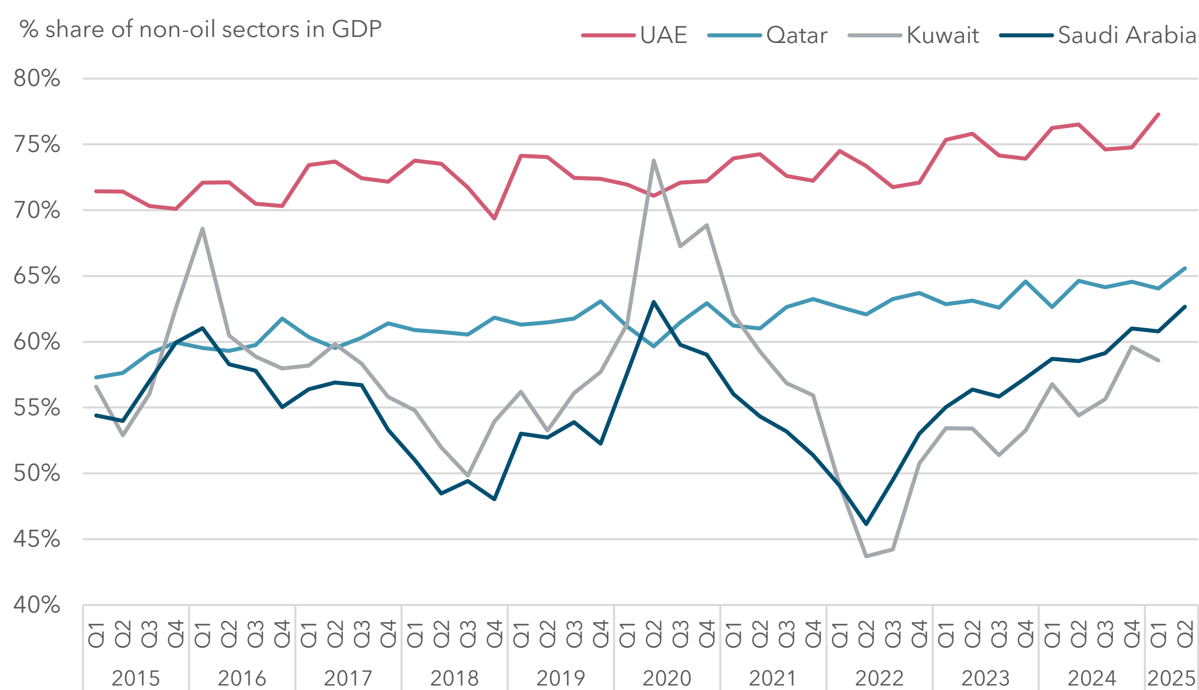
The MENA region enters Q4 2025 with a sense of optimism as continued non-oil sector growth underpins sustainable growth prospects. Increased efforts by governments to support sectors such as technology, tourism, manufacturing, financial services, and renewable energy have helped drive economic diversification. The UAE leads the pack, growing 3.9% y/y in Q1 2025, with contribution by the non-oil sector at a record high of 77%. Egypt has launched its Narrative for Economic Development, a five-year plan focused on development of tourism, information and communication technology, energy and manufacturing.

OPEC+ continues to raise oil production as part of its larger strategy to regain market share; however, supply is expected to dip to 137,000 barrels/day in October. A more cautious approach in October may help firm up crude oil prices, benefiting major oil-exporting countries. However, subdued global demand remains a key downside risk.

Politics

In September, Israel launched air strikes on Qatar, targeting senior Hamas leadership, which Qatar was hosting at the time. This has marked a diplomatic shift in the region. Qatar's role as one of the mediators in the ongoing peace talks between Hamas and Israel will be affected after this escalation. Syria plans to hold its first election since the fall of the Assad regime on October 5; however, the indirect nature of the elections and the president's power to appoint one-third of MPs means that the current government under President Ahmed Al Shah is expected to retain power.

Non-oil Sectors Rise in Importance in the Middle East



Sources: Haver Analytics, Dun & Bradstreet.

Nordics

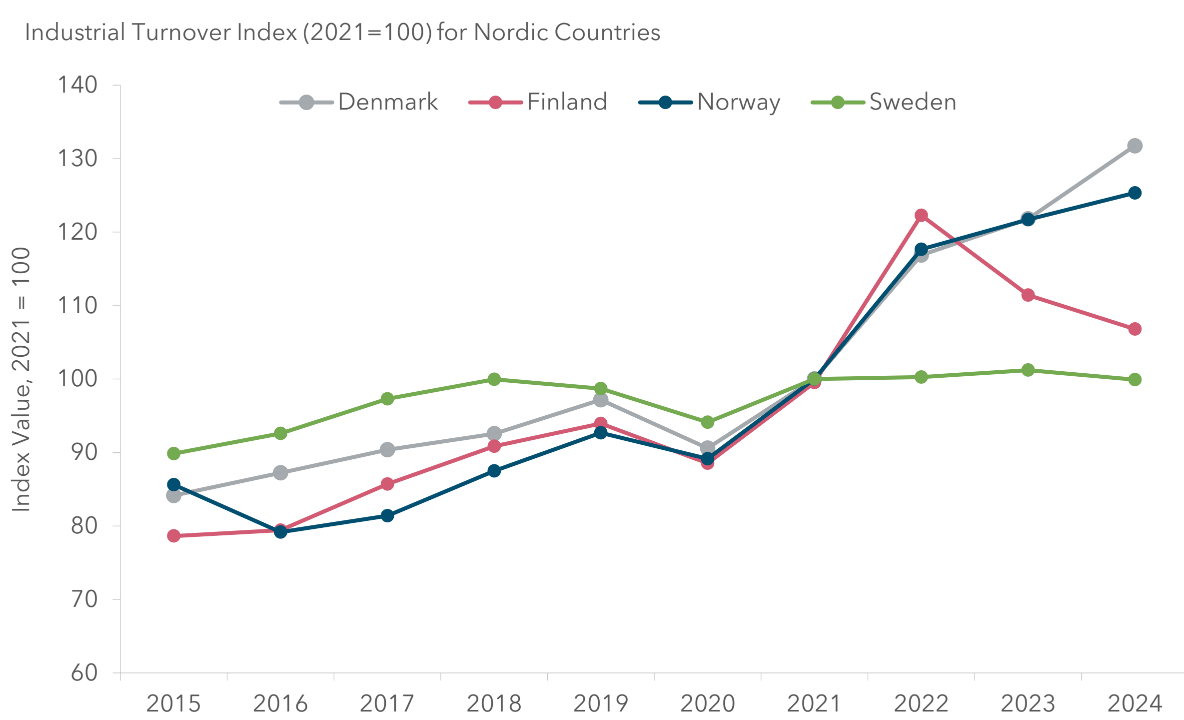
Economics

The Nordic economies are navigating subdued but stable growth. Denmark leads the region with projected GDP growth of 2.1% in 2025, supported by strong manufacturing momentum, robust labor markets, and an expansionary fiscal stance focused on green infrastructure and defense. Sweden is gradually emerging from its inflation cycle, with the CPI easing to 0.9% and the Riksbank cutting rates to 1.75% in September, signaling a shift toward monetary support. However, labor market softness persists, with unemployment at 8.4% in August. Norway faces headwinds from restrictive interest rates and a decline in petroleum investments, alongside a rising unemployment rate, at 4.9% as of August. Borrowing costs in Finland are easing as the three-month Euribor stabilizes at close to 2.0% by September, boosting household purchasing power. Iceland continues to post steady growth, with tourism projected to hit a record 2.3m.

Politics

Politically, the region remains stable but increasingly responsive to shifting global dynamics. Sweden and Finland, now full NATO members, are deepening defense integration amid heightened Baltic tensions. Norway continues to balance NATO commitments with Arctic diplomacy and energy interests. Denmark is focused on EU cohesion, climate leadership, and digital sovereignty, while Iceland expands its role in cybersecurity and regional cooperation. Though political consensus remains strong, debates over defense spending, migration, and green transition funding are intensifying.

Denmark Leads Nordic Manufacturing Growth



Sources: Haver Analytics, Dun & Bradstreet.

Sub-Saharan Africa

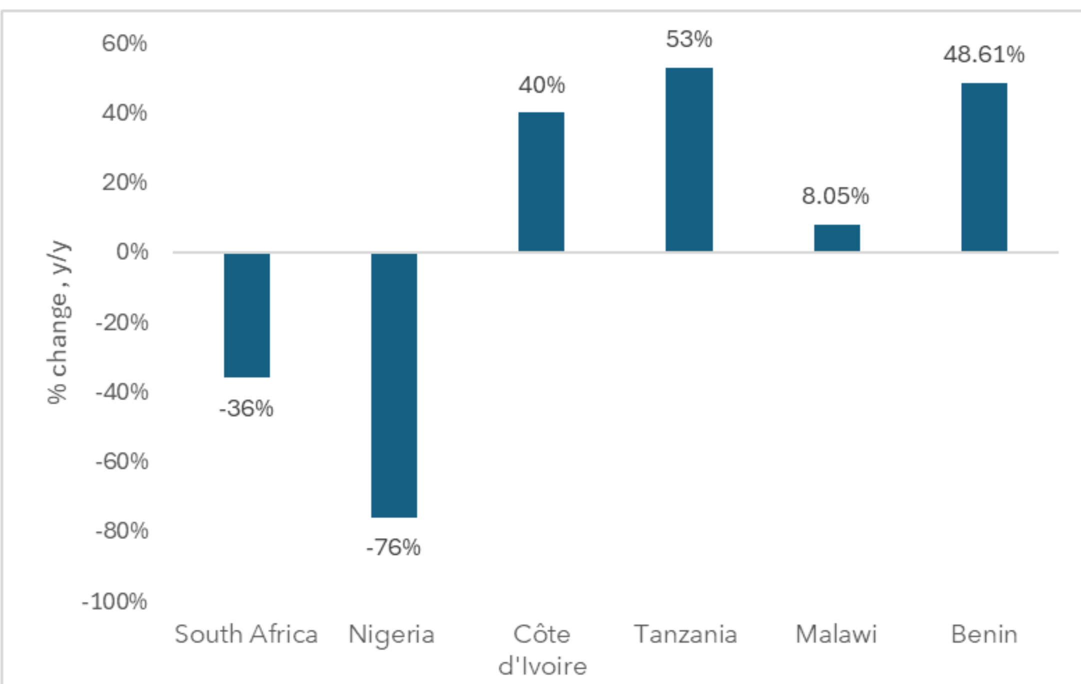
Economics

The renewal of the African Growth and Opportunity Act (AGOA), which lapsed in September, is expected to play a critical role in the future of sub-Saharan Africa's manufacturing sector. If it is not renewed, sectors such as autos, textiles, and agriculture may suffer, pushing countries to seek new export markets and rely more on regional trade blocs. It is anticipated that AGOA will be renewed by December this year. In January-July 2025, countries such as South Africa (-35%) and Nigeria (-76%) experienced a sharp decline in exports to the U.S. under AGOA. In contrast, exports from the Democratic Republic of the Congo (DRC) surged by over 900%, driven by a significant y/y rise in exports of copper and cobalt (notably, there has been a large increase in cathode shipments). This shift aligns with the U.S. strategy to diversify its supply of critical minerals away from the Chinese Mainland. Investments from the Chinese Mainland, primarily focused on renewable energy, are unlikely to offset the short-term growth losses likely to arise if AGOA is not extended.

Politics

The region's political landscape remains fragile, with presidential elections scheduled in Cameroon, Côte d'Ivoire, and Tanzania in October 2025. Restrictions on opposition candidates are likely to trigger short-term instability and dampen investor sentiment in these countries. Meanwhile, exports of copper and tantalum may face disruptions due to the ongoing conflict between the DRC army and M23 rebels. Though a ceasefire deal was signed in July, a peace deal remains elusive.

U.S. Imports Under AGOA, January-July 2025



Source: United States International Trade Commission (USITC).

Global Risks and Opportunities: Five Key Takeaways

The balance of risks for the global economy remains 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. Opportunities come mainly from better-than-expected trade outcomes and policy support.

1. **Trade tensions** continue to dominate global risks and have become more targeted. In late September, the U.S. announced a fresh wave of large, sector-specific tariffs (notably on branded pharmaceuticals, though paused indefinitely, heavy trucks, kitchen cabinets, and furniture), continuing the use of broad executive powers and trade barriers. These most recent measures extend and broaden the U.S.'s earlier tariff approach and reinforce uncertainty about market access, compliance with trade agreements, and legal challenges.

2. **Export-dependent economies face renewed dislocation and possible dumping risks.** With tariffs rising and trade corridors shifting, exporters in Asia and Europe remain exposed. Businesses are re-routing shipments and negotiating new supplier/customer relationships – a process that could increase the risk of temporary "dumping" (goods flowing into markets at depressed prices) and longer-term market dislocation as competitiveness and pricing structures reset.

3. **Geopolitical fragmentation and weakening multilateralism present a growing macroeconomic risk**, continuing to translate into trade and fiscal policies that favor unilateral action over multilateral problem-solving. Multilateral institutions face growing strain and have repeatedly issued warnings about the downside from escalating trade restrictions, while alternative blocs and institutions have accelerated work to support financing and trade arrangements. These developments raise the likelihood of a more fragmented global trade order.

4. **However, there are reasons for optimism. A trade détente and selective de-escalation** could boost global investment amid signs of renewed dialogue among major economies. The U.S. and the Chinese Mainland have reopened trade talks focused on technology cooperation and agricultural market access. The EU and the U.S. have advanced discussions on industrial subsidies and supply chain security. Even partial agreements could bring greater stability to trade policy and restore business confidence.

5. **Monetary policy inflection could help deliver a "soft landing".** Central banks are signaling that the peak of the tightening cycle is behind us, with several major economies now in various stages of policy easing. Should inflation continue to moderate without a sharp rise in unemployment, a "soft landing" (growth stabilizing around trend with inflation converging towards target without materially negative effects) becomes more plausible. Typically, lengthy monetary policy lags mean that the full effects of easier money may take up to 24 months to be reflected in inflation, and so the pass-through of interest rate cuts already made in this cycle may soon be realized in stronger demand.

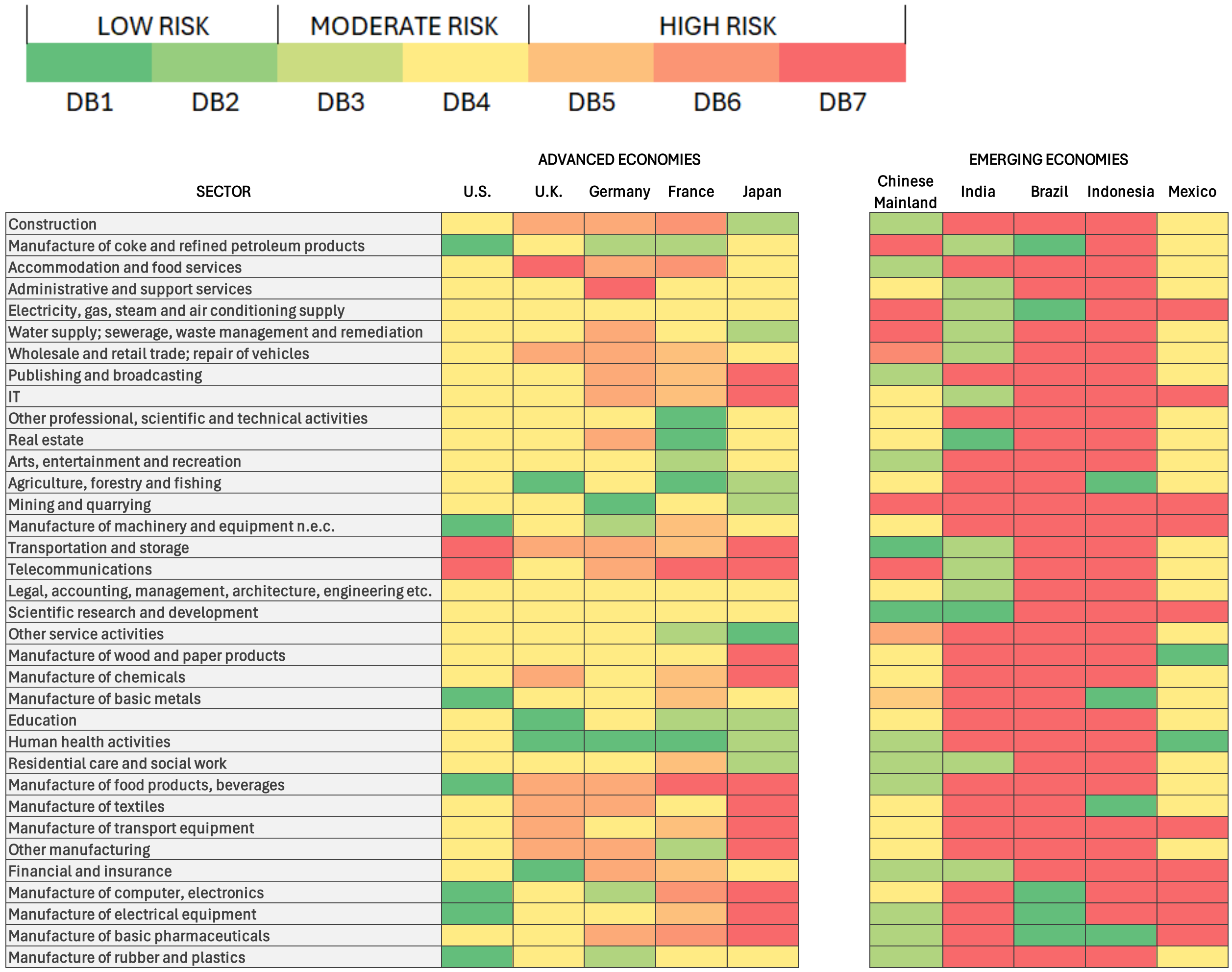
Sectoral Risk Ratings

As the global economy moves into Q4, sectoral risk dynamics are being shaped by a more volatile and fragmented trade environment. Elevated trade tensions, new rounds of targeted tariffs, and widening geopolitical tensions are accelerating shifts in global investment flows and forcing businesses to reassess sourcing strategies. Financial markets are displaying heightened sensitivity to policy signals, with sectoral valuations increasingly driven by expectations of central bank actions rather than traditional growth indicators.

Trade-exposed manufacturing, autos, and industrial sectors are contending with rising trade barriers and compliance burdens that threaten margins and competitiveness. India's export-oriented sectors – particularly pharmaceuticals, and manufacturers of transport equipment and textiles – are facing rising external headwinds from new tariff measures, shifting global supply chains, and more protectionist trade policies. Commodity-linked sectors face sustained volatility amid fluctuating energy prices and supply uncertainties linked to Middle East tensions.

This divergence underscores a broader shift: sectoral outcomes are becoming shaped less by global growth momentum and more by regional policy dynamics, local demand conditions, and geopolitical alignments.

Latest Sectoral Risk Ratings Indicate Elevated Pressures Across Key Sectors



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

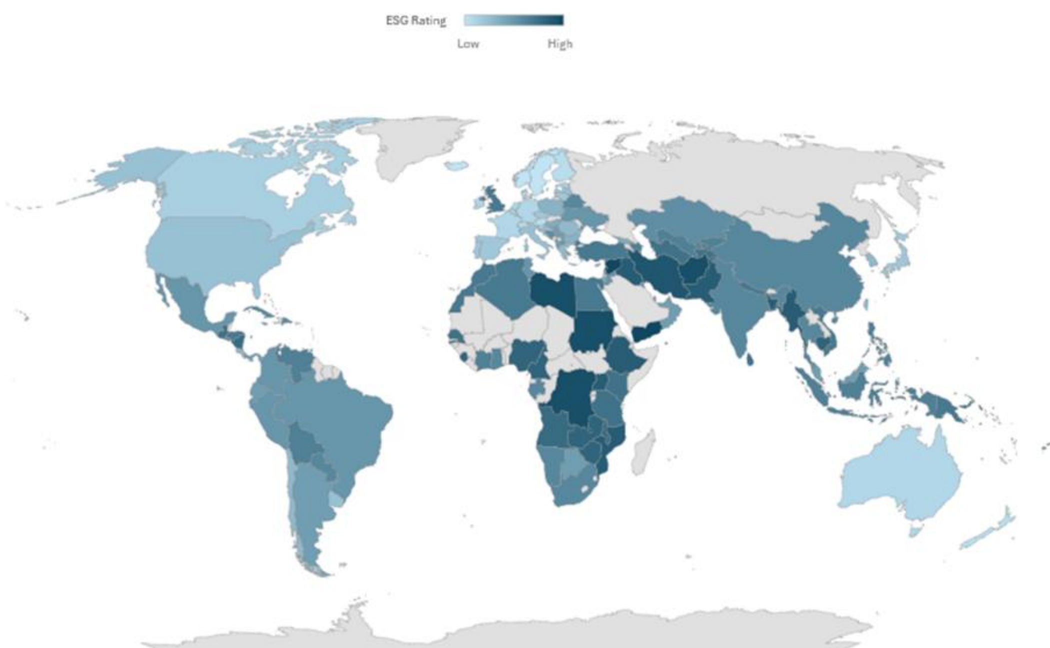
Rating	Risk Category	Rating Description
DB1	Lowest Risk	These risk indicators denote the lowest degree of uncertainty associated with expected returns, such as trade payments, bankruptcy, and business failure.
DB2	Very Low Risk	Low degree of uncertainty associated with expected returns, such as trade 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 a widening divergence in global ESG performance, with the heatmap underscoring persistent high-risk pockets across sub-Saharan Africa, parts of the Middle East, South and Central Asia, and much of Latin America. These regions are grappling with climate vulnerability, governance challenges, and uneven social outcomes, and in several cases, these pressures have intensified over the past quarter. Political instability in parts of West and Central Africa, climate-driven supply disruptions in South Asia, and governance setbacks in Latin America have all contributed to deteriorating risk profiles.

The new heatmap confirms the relative enduring strength of advanced economies, where Western Europe, the U.S., Canada, Japan, and Australia continue to post among the lowest ESG risk scores. The EU's ongoing work on mandatory sustainability reporting and due diligence legislation influences procurement decisions beyond Europe's borders. At the same time, several emerging economies are making incremental progress. India, Indonesia, and Brazil have all announced new policies aimed at renewable energy expansion, corporate disclosure, and biodiversity protection. However, these gains remain uneven and are often partially offset by systemic governance risks, infrastructure gaps, and social pressures that limit their impact on overall ESG scores.

The escalation of tariffs and localization requirements for major companies are forcing businesses to consider ESG compliance alongside trade exposure. According to Dun & Bradstreet's latest GBOI, in Q3 2025, businesses recorded a reduced appetite towards participation in and integration of ESG practices into decision-making across advanced and emerging economies. In emerging economies, the biggest drop was in how firms perceive the business value of environmental initiatives, suggesting that companies may be rethinking their ESG priorities.



Source: Dun & Bradstreet. Notes: The heatmap indicates lower risk with a lighter color and higher risk with a darker color. 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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Dun & Bradstreet's Country Insight solutions deliver country- and region-specific insight and data-driven analysis, helping businesses in various industries and sectors globally minimize current risks. Our solutions allow you to identify emerging challenges and explore opportunities for market expansion and longer-term investment. Our analysis covers economies accounting for 99% of global GDP.

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.

Updated frequently – and monthly for our most requested countries – our data and analysis are presented in a format that facilitates the comparison of economic, political and commercial conditions on a country, regional and global level.

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