

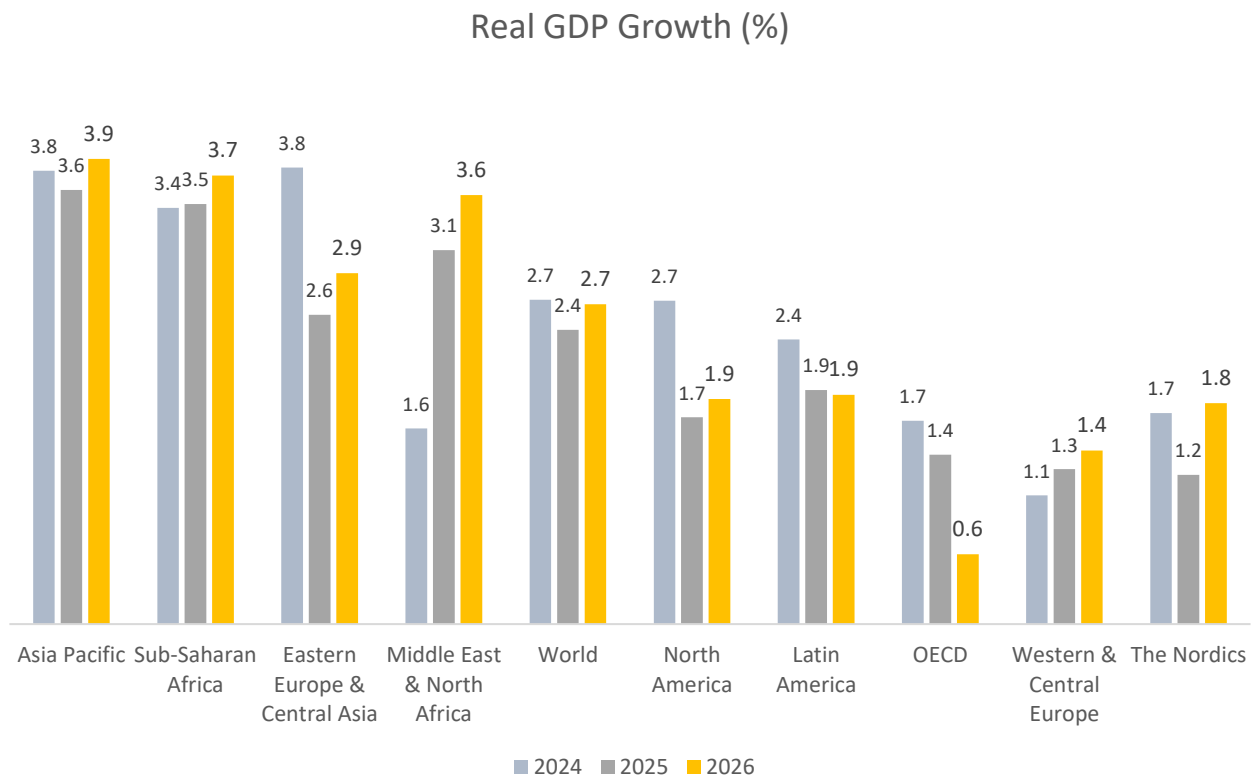
Global Economic Outlook – September 2025

Is uncertainty the new reality for businesses?

“Despite sudden and unexpected policy shifts, global markets have recovered from the tariffs introduced this year better than initially feared. However, global trade tensions remain the dominant source of economic uncertainty for businesses. The most recent developments – a sharp increase in U.S. tariffs on India and structural investigations into the semiconductor and pharmaceutical sectors – have reignited fears of worsening, long-term inflationary pressure and further disrupted global trade flows.

Business confidence has weakened, with many firms pausing investment and expansion plans in response to policy unpredictability. This hesitation is reinforcing supply-side constraints and limiting productivity gains. The operating environment has become more complex, defined by rising costs, realigning trade conditions, and diverging policy paths. A wait-and-see approach is appealing but unsustainable: resilience is crucial, and resilience depends on diversity and agility.”

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



Source: Haver Analytics; Forecasts from Dun & Bradstreet

Recent Developments

Global

- In late August, NATO released data revealing that all 32 members were – for the first time – due to meet the long-standing goal of spending 2% of GDP on defense. Only three members are likely to meet the new goal, agreed in June 2025, of spending 3.5% of GDP.
- In France, Prime Minister Francois Bayrou lost a confidence vote related to planned budget cuts and a debt-reduction package on September 8. Separately, the French finance minister has said that requesting an IMF intervention to address concerns about the growing budget deficit is a distinct possibility.
- Amid continuing conflict, in early September, Russia launched a large-scale drone and missile attack on Ukraine. Residential buildings were damaged, as was the main government building in Kyiv, the first time this has been hit. The ongoing strikes cast doubt on the sustainability of recent efforts to secure peace in the region.
- On August 29, Thai Prime Minister Paetongtarn Shinawatra was dismissed by the Constitutional Court because of an ethics violation. Parliament must now vote on a new prime minister, but there is no time limit on when this vote must take place.
- The Central Bank of Egypt cut interest rates by 200bps in August, following a 25bp cut by the Central Bank of Kenya. South Africa’s monetary policy setters met at the end of July and decided to lower rates with effect from August 1.

Movement in Environment Risks

Country Rating	Environment Risks			
	Credit	Market	Supply	Political
Italy Sri Lanka Denmark	Egypt Nigeria Poland Angola	Egypt Indonesia Malaysia South Africa	Argentina Denmark	Argentina Denmark Thailand

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

North America

- The U.S. economy grew 3.3% in annualized terms in Q2 2025, following a 0.5% contraction in Q1 (because of a surge in imports ahead of the implementation of U.S. tariffs). U.S. corporate profits grew by more than USD65bn, sharply strengthening from a USD91bn decline in Q1.
- Canada's GDP shrank 0.1% in May; preliminary data indicates 0.1% growth in June.
- In early August, the U.S. imposed tariffs on imports of 1kg and 100oz gold bars; at the end of the month, it increased goods import tariffs on India to 50.0% (from 25.0%).
- Effective September 1, Canada has removed its 25% tariff on U.S. goods imports. Affecting more than USD20bn worth of U.S. goods, the move aims to improve bilateral relations so the countries can work towards a trade resolution.
- However, Canada maintains its 25% tariff on U.S. imports of automobiles, steel, and aluminum, and the province of Ontario maintains a provincial ban on U.S. alcohol imports.
- The U.S. government has announced its intention to remove Federal Reserve Governor Lisa Cook from her post. The government continues to apply pressure to the Fed to cut interest rates.
- The trade-weighted U.S. dollar has rallied a little since the beginning of July into September. Despite weaker-than-expected U.S. jobs data for July, the Federal Reserve has remained hawkish in the face of what it sees as potential inflationary risks stemming from tariffs and a dwindling labor supply.

Western and Central Europe

- In August, the EU Civil Protection Mechanism was activated in Greece, Spain, Bulgaria, Montenegro, and Albania in response to severe wildfires across the region. The mechanism has now been activated more times in the first eight months of 2025 than in the whole of 2024. The total area burnt by wildfires so far this year is the highest on record.
- A 15.0% tariff is now in effect on most EU exports to the U.S. To be exempted from higher rates, such as the 27.5% tariff on automobiles, the EU must withdraw its tariffs on U.S. imports. The European Commission is preparing emergency support measures for the steel and aluminum industry in response to higher tariffs and a shortage of scrap.
- The U.S. is considering penalizing EU officials who implement the new Digital Services Act, given a perceived targeting of U.S. tech companies. Postal services across Europe, including in the U.K. and Germany, have postponed deliveries to the U.S. due to the removal of an exemption from U.S. tariffs for low-value packages.
- The U.K., France, and Malta have pledged to recognize Palestinian statehood in September. However, German Chancellor Friedrich Merz has confirmed that Germany will not be joining the initiative, putting his government at odds with

much of the rest of Europe. Spain, Norway, and Ireland officially recognized a Palestinian state last year.

- The EU has responded to new U.S. regulations on stablecoin by promising to accelerate the development of a digital euro. The European Central Bank (ECB) has been investigating alternative payment mechanisms across the bloc to increase banking efficiency and decrease dependency on U.S. private companies to facilitate transactions.
- The Euro's nominal effective rate against a basket of currencies, as measured by the ECB, has gained 6.5% YTD to reach its strongest value since its inception. The pound's effective exchange rate has gained 1.4% YTD. U.S. dollar weakness has contributed to the relative strength of the pound and the euro, and aggressive fiscal spending plans by Germany have further boosted the euro.

Asia Pacific

- On August 11, the U.S.-Chinese Mainland trade truce was extended by 90 days, easing near-term tariff escalation risk but not removing uncertainty. Parallel U.S. agreements with Japan (to invest USD550bn in the U.S.) and South Korea (to invest USD350bn in the U.S.) remain ambiguous on equity vs. loans and profit sharing, leaving terms contested and legal enforceability unclear.
- The Chinese Mainland's real GDP expanded 5.2% y/y in Q2, outperforming expectations, yet there are concerns about overcapacity, price wars, and deflationary pressure in strategic sectors (such as EVs, AI, and computing power), signaling a shift from expansion at all costs to quality and discipline.
- There are signs that India-Chinese Mainland ties are warming, as Beijing has started to relax urea export curbs, allowing shipments of about 300,000 tonnes to India. Despite lingering frictions in the high-tech and electronics sectors, this development suggests pragmatic cooperation on critical inputs.
- On August 18, Japan and Germany launched their first bilateral strategic dialogue in Tokyo, deepening cooperation on defense, supply chain resilience, and cybersecurity. The move underscores increasing Indo-Pacific engagement by European powers and adds another layer to regional security architecture.

Eastern Europe and Central Asia

- On August 25, Polish Prime Minister Donald Tusk and Canadian Prime Minister Mark Carney announced a strengthening of the strategic partnership between the two countries. The enhanced cooperation will focus on trade, defense, and energy security, with investments in key sectors such as clean energy (including nuclear), critical minerals, and advanced technologies.
- The Hungarian Chamber of Commerce and Industry has proposed a new package of tax reductions aimed at supporting SMEs. These include raising the VAT exemption threshold and expanding eligibility for the small business tax (KIVA).
- Turkmenistan hosted a trilateral summit with Uzbekistan and Azerbaijan at the end of August. The three countries' leaders focused on strengthening cooperation in

transport, energy, and trade, including the development of logistics infrastructure at regional ports and the exploration of new energy supply routes.

- Azerbaijan and the U.S. signed a Strategic Partnership Charter in August, marking a new era of bilateral cooperation across the energy, defense, and technology sectors. The agreement includes provisions for mutual investment, AI collaboration, and transport infrastructure development, with U.S. firms gaining expanded access to Azerbaijan's non-oil economy.
- The World Bank has approved the First Competitive and Inclusive Tajikistan Development Policy Operation. The initiative will support reforms to promote private sector growth, enhance public sector efficiency, and improve governance in sectors such as telecoms and civil aviation.
- Starting August 1, Romania implemented sweeping fiscal reforms to curb its 9.3% budget deficit (in 2024). Key changes include a VAT hike to 21.0%, increases in excise duties on fuel and alcohol, and a new healthcare tax on pensions.

Latin America

- Most major regional central banks in Latin America (excluding the Central Bank of Brazil) are in the late stages of their monetary easing cycle, with both Chile and Mexico having cut their main policy rates by 25bps (in end-July and August), to 4.75% and 7.75% respectively.
- In mid-August, Brazilian President Luiz Lula da Silva announced a support package, including a BRL30.0bn (approximately USD5.5bn) credit line for domestic exporters who have been adversely impacted by the 50.0% tariffs imposed by the U.S. The relief measures aim to partly offset the effects of the tariffs on Brazilian exports.
- The parliamentary polls held in Bolivia in August ended the almost two-decade-long rule of the left-wing Movement for Socialism party. The concurrently held presidential poll will now head to a second round on October 19.
- The IMF's executive board has completed its first review of Argentina's USD20bn extended fund facility (in place until 2029), allowing for the immediate disbursement of USD2bn. The Fund's largely positive review signals confidence in the economic reforms and austerity being pursued by President Javier Milei.
- In response to the U.S.'s deployment of warships off the coast of Venezuela as part of anti-narcotics trafficking operations, Venezuelan President Nicolas Maduro has made calls for 4.5m militia members nationwide to be mobilized; political tensions and security risks are elevated.

Middle East and North Africa

- OPEC+ is phasing out production cuts, with Saudi Arabia's output projected to reach ~9.5m barrels/day in 2025; softer global demand and volatility linked to Russia-Ukraine developments are keeping Brent crude below USD70/b.
- Norway's USD2trn sovereign wealth fund exited its holdings in a U.S. company and five Israeli banks in August, citing ethical concerns related to human rights violations and Israel's actions in Gaza, and adding to international pressure calling

for de-escalation in the conflict. The move underscores how humanitarian concerns are reshaping capital flows.

- Israel has expanded its military objectives in Gaza, now indicating intent to occupy the entire territory. It has also announced a conditional commitment to a 'phased reduction' of troop deployments in southern Lebanon, contingent on Hezbollah's disarmament following a U.S.-mediated framework.
- Saudi Arabia hosted back-to-back AI and data summits in late August, underscoring the Gulf's growing ambition to position itself as a regional hub for digital governance and smart infrastructure.

The Nordics

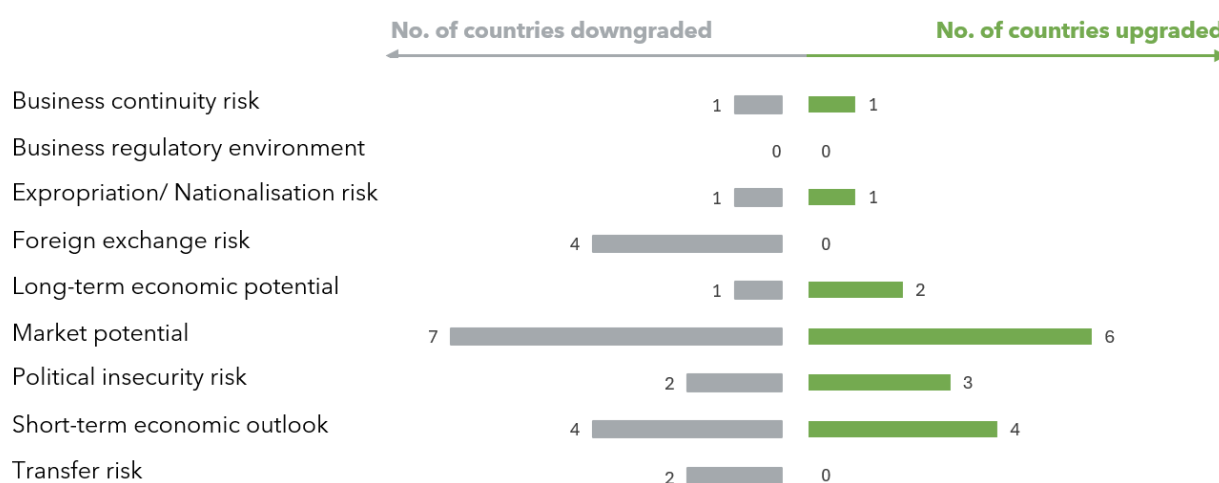
- Central banks across the Nordic region are entering a cautious phase in their monetary policy cycles, holding interest rates steady in August amid signs of easing inflation and fragile recoveries. Sweden's Riksbank maintained its rate at 2.00%, citing stabilizing inflation and improving demand; Iceland's central bank paused at 7.50% after five consecutive cuts; and Norges Bank kept its rate at 4.25%, signaling a restrictive stance.
- In August, the Norwegian government announced a 3% tourist tax on overnight stays and cruise passengers, set to take effect in summer 2026. The measure aims to address overtourism and fund infrastructure improvements in high-traffic destinations such as fjords and Arctic towns.
- Sweden is set to build new nuclear reactors using American or British small modular reactor (SMR) technology, marking its first nuclear expansion in over 40 years. State-owned utility Vattenfall announced in August that it would choose between GE Vernova (U.S.) and Rolls-Royce SMR (U.K.) to deploy reactors at the Ringhals site in southern Sweden.
- The Danish government has said it plans to scrap taxes on chocolate, coffee, and cocoa-based products to ease pressure on households facing high grocery prices.

Sub-Saharan Africa

- Japan has signed a memorandum of understanding with the African Development Bank (AfDB), under which the country will provide USD5.5bn of loans to the private sector in Africa.
- In Q1, South Africa's automobile exports fell 73% in anticipation of high US tariffs (a 25% tariff on cars was introduced in April, and a 30% tariff on South African exports to the US went into effect in August). Despite the tariffs, South African GDP is expected to rise this year due to lower interest rates supporting consumption and a rebound in mining and manufacturing.
- Uganda has become the fourth country to accept deportees from the U.S., after South Sudan, Eswatini, and Rwanda.
- Ethiopia will start trading with the African Continental Free Trade Area (AfCFTA) from September 2025; this should help the country to boost exports of coffee, textiles and leather products.

- Kenya will receive a USD169m Samurai loan credit line facility for developing and upgrading its energy infrastructure and upgrading its vehicle assembly industries.
- The civil war in Sudan has worsened, with the paramilitary Rapid Support Forces (RSF) attacking health infrastructure in Darfur region, further worsening the humanitarian crisis in the country.
- Boko Haram and Islamic State West Africa Province (ISWAP) are continuing to carry out attacks in the north-east of Nigeria and the bordering countries of Cameroon, Chad, and Niger, threatening stability in the region.

Movement in Risk Dimensions



Source: Dun & Bradstreet

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The Point

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