

FTI CONSULTING – STRATEGIC COMMUNICATIONS – PUBLISHED JANUARY 2025

What Major Financial Institutions Expect For 2025



Foreword

Clarity in plurality. Don't just trust one opinion, dare to trust many.

For the third year running, the Government Relations, Public and Regulatory Affairs and Investor Relations teams at FTI Consulting Paris have read and summarised the major macroeconomic and investment outlooks published by financial and research institutions each year.

As we look ahead to 2025, the global economic landscape remains dynamic and full of complexity. A year ago, political uncertainty took centre stage in market and investment outlooks, driven by elections worldwide. Today, while the political backdrop continues to influence sentiment, the focus has shifted toward policy-driven factors. Central to this change is the re-election of President Donald Trump, whose policies on trade, taxation and immigration are expected to have significant and far-reaching implications beyond the United States.

While the global economy has shown remarkable resilience in the face of mounting challenges there is a growing sense of cautious optimism. The U.S. economy stands poised to lead growth in 2025, buoyed by fiscal support, technological advancements and a strong labour market. However, uncertainty looms large in other regions, particularly Europe and Asia, which face a unique set of risks ranging from trade disruptions to slower recoveries.

The outlook for inflation remains one of the most debated topics in economic circles, with experts divided on whether recent disinflationary trends will continue. AI continues to be a hot topic and gold continues to shine bright. Observers remain optimistic on India, and less so on China.

As we continue to navigate an increasingly interconnected and volatile world, these reports serve as vital tools for investors, policymakers and analysts alike.



GREGORY GRELLET

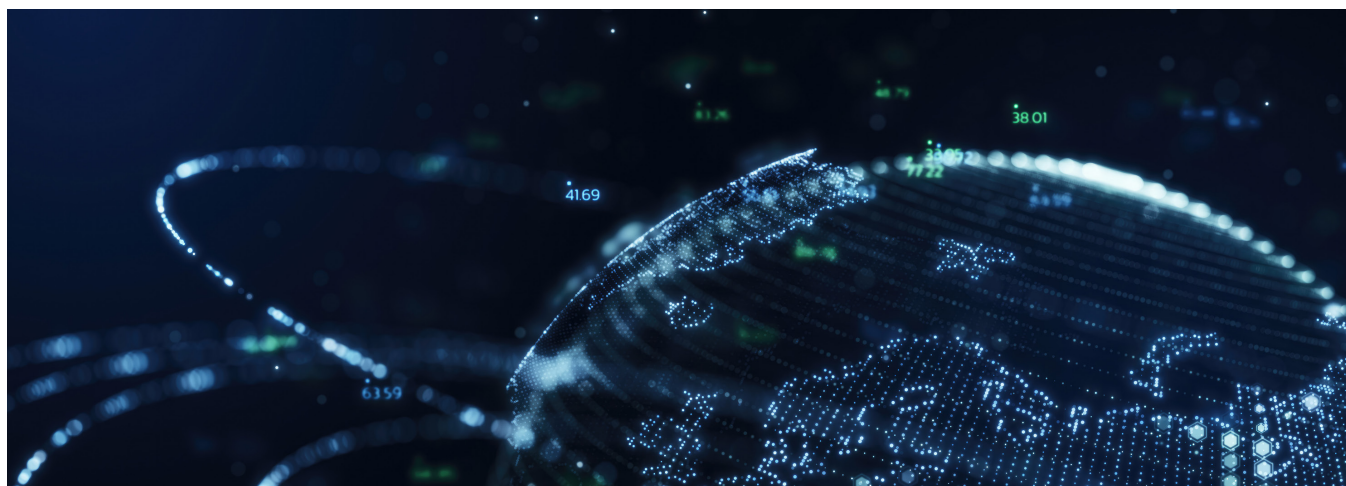
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Methodology

FTI Consulting has reviewed the outlook for 2025 of the major financial institutions and summarised the key topics for the coming months. The scope of analysis includes the publications of the following institutions: Apollo, Barclays, BlackRock, BNP Paribas, BNY Mellon, Bank of China, Citi, DBS Bank, Deutsche Bank, Fidelity, Goldman Sachs, HSBC, ING, Janus Henderson, Jeffries, J.P. Morgan, Lazard, Macquarie, Morgan Stanley, Natixis, NatWest, Nomura, S&P Global, Santander, Société Générale, UBS, UniCredit and Wells Fargo.

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Global Outlook



Economic growth: The United States will continue to grow, with the effect of tariffs on the rest of the world unclear despite cautious optimism

- Elections all over the world in 2024 meant that one year ago, political uncertainty featured heavily in market and investment outlooks. Now that the polls have given their verdicts, uncertainty **has shifted from being political in nature, to being policy-based.**
- It is no surprise that the **re-election of President Donald Trump** is a central theme for most observers. The consensus is that his trade and tax policies are expected to **drive growth in the United States, but their impact on the rest of the world is unclear.** Institutions also show concern over the inflationary potential of immigration policies announced recently, as well as its possible impact on the labour market.
- Goldman Sachs¹ sums it up by saying that “*the global economy is forecast to grow solidly in 2025 despite trade uncertainty*”, reflecting the mood of investors from America to Asia. DBS Bank² agrees, saying that “*in a remarkable display of resilience, global growth has held up despite a couple of years of monetary tightening... momentum looks favourable for early 2025*”.
- **Several trends that had started picking up at the end of 2023 are set to last into 2025.** Like last year, institutions are still in slight disbelief at the resiliency of the global economy and the realistic possibility of securing a soft landing despite reliable recession signals and geopolitical tensions.
- Citi³ says the economy has “*broken the rules*” but believes that “*growth will be sustained globally in 2025 and 2026*”, while Deutsche Bank⁴ thinks that the outlook is “*positive for the US while rather negative for Europe.*”
- Overall, despite betting on moderate global growth, the streak of **caution is obvious in many forecasts.** Société Générale⁵ acknowledges a period of moderation could be ahead, but instead of the three decades of macroeconomic stability that preceded the financial crisis, known as *The Great Moderation*, they believe the road ahead is trap-ridden, and so predict a *Minor Moderation*.



Recession: Fears diminish as global economy shows resilience and United States leads growth momentum

- **Global recession fears have eased**, as the economy continues to demonstrate resilience despite ongoing challenges, including aggressive monetary tightening and geopolitical tensions.
- **The United States stands out as a key driver of growth**, supported by strong fiscal policies, technological innovation and a reduced sensitivity to higher interest rates. As HSBC highlights, “*resilient US economic growth has alleviated recession fears. Lower inflation expectations allow most central banks to continue cutting rates.*”⁶
- **Loan defaults and bankruptcies are on the decline, while corporate profits have remained steady – an encouraging sign, as these metrics typically show weakness well before a recession begins.**
- **Global GDP is projected to grow at 2.9% in 2025,**⁷ with the United States expected to lead the way, thanks to its economic strength and steady domestic demand. In contrast, Europe and Asia face heightened risks, including potential trade tariffs and slower recoveries, which could weigh on their growth prospects.
- **Most outlooks anticipate rate cuts in 2025, though uncertainties remain, as noted by Citi:** “*The global economic expansion has defied recessionary signals in recent years.*”⁸
- **The number of institutions expecting a recession in 2025 has fallen from 51% to 30%,**⁹ reflecting a growing sense of confidence in the prospects for moderate global growth and the continued strength of the U.S. economy.



Inflation: Expectations influenced by geopolitical uncertainty, restrictive trade policies and the incoming measures of the Trump administration

- **Views on inflation are not fully aligned** among market actors, though there seems to be a general consensus on reduced inflation compared to the last few years. This is summed up well by Macquarie, which believes that the outlook for inflation in 2025 is uncertain, with persistent structural pressures such as deglobalisation, aging populations and weakened productivity **counteracting recent disinflationary trends**.¹⁰
- **Rate cuts are likely to be pursued in developed economies**, as inflation “*will continue to decline toward central bank targets*”¹¹ according to Santander.
- These **cuts could however lead to inflation resurgence** if they are too aggressive, a view expressed by Apollo, which believes that achieving a soft landing requires carefully calibrated rate adjustments to avoid overheating the economy while sustaining progress on inflation.¹² This opinion is shared by BlackRock, which argues that 2025 will see “*persistent U.S. inflation pressures, from rising geopolitical fragmentation plus big spending on the AI buildout and the low-carbon transition*”¹³ meaning that “**the Fed won’t have room to cut much past 4%,¹⁴ leaving rates well above pre-pandemic levels.**”
- **However, some hold more optimistic views**, with J.P. Morgan stating that “*2025 will be the year of the global easing cycle... **Falling policy rates will support trend-like economic growth in the United States and the Eurozone, but not boost demand so much that it reignites inflation.***”¹⁵
- **Restrictive trade policy will lead to inflationary pressures.** Wells Fargo argues that “*tariff increases of Trump’s threatened magnitude would lead to a marked increase in inflation next year*”.¹⁶ This view is shared by UniCredit, which expects “*US inflation to pick up somewhat as a result of the trade, fiscal and immigration policies of the Trump administration.*”¹⁷ UBS also acknowledges that tariffs might cause inflation but is less certain about their impact, stating that “*although tariffs could temporarily increase inflation, we believe the Federal Reserve will continue its path of rate cuts toward achieving a neutral policy stance; we anticipate 100bps of rate cuts in 2025*”.¹⁸



Labor market: Resilient amid moderate growth, policy shifts and demographic challenges

- Employment levels are expected to **remain historically strong**, even as job growth moderates across regions. Analysts highlight the **importance of labour market resilience in sustaining economic growth**, with robust conditions observed even in economies facing growth weaknesses. As Société Générale emphasises, “*most notable has been the resilience of labour markets, even in economies that experienced pronounced weak spots in the ongoing GDP recovery.*”¹⁹
- Labour markets worldwide have recovered to **pre-pandemic conditions**, with unemployment and other indicators showing balanced dynamics. This stability underpins broader economic recovery and **reduces the risk of labour shortages**.
- In the Eurozone, **companies have kept layoffs at bay** despite slowing profit growth. According to UniCredit, “*new hiring is likely to weaken*”²⁰ whilst demographic trends are likely to discourage large-scale job cuts.
- Government policies, including expansive fiscal measures, are shaping labour market trends by **boosting growth and maintaining tight conditions**. These policies, combined with resilient consumer demand, are helping sustain wages and employment.
- Some reports state **aging populations and tighter immigration policies** are expected to constrain labour supply, creating **upward pressure on wages and inflation**. This trend may **imit workforce growth while supporting employment in the short term**. UBS notes that “*limits on migration introduced in mid-2024... are likely to mean slower labour supply growth*”²¹ signalling **potential challenges to economic expansion unless countered by productivity gains**.



Equity versus debt market: Equity gains driven by AI and rate cuts whilst debt market strengthens

Equity

- Despite geopolitical risks, the **equity environment remains favourable** on a macro scale in 2025, driven by lower interest rates and AI advancements. Goldman Sachs notes that *“baseline forecasts still justify higher equity prices”*²², as interest rates ease and economic growth continues.
- Capital markets issuance is recovering, **with strong growth in IPOs**. However, equity issuance remains modest in the United States and Europe. *“The pace of capital markets’ recovery is tied to central bank rate reductions”*²³ as policy easing drives optimism for 2025, according to S&P Global, which also believes that the IPO outlook in India, Japan and the Middle East is promising with *“sizable”* issuance.²⁴
- Lower interest rates are also expected to reignite deal activity in the equity market, with **GP-led secondary deals becoming more prominent**. *“Opportunities in the private equity secondary market remain interesting”*²⁵ states Apollo, as traditional exits like IPOs and M&As slow down and enhance market liquidity.
- Hybrid equity strategies, such as **mezzanine debt and convertible preferred equity**, are gaining traction by offering equity-like upside with better downside protection. These strategies meet the demand for flexible capital solutions in sectors like energy and infrastructure.



Debt

- In 2025, the debt markets are poised for continued strength, especially in private credit, where **gap between public and private credit spreads presents significant opportunities**. Santander notes that *“private credit returns have benefited from the high-rate environment”*²⁶ and are expected to remain attractive as businesses with stable cash flows and data centres continue to thrive.
- Corporate bond issuance is expected to remain strong, driven by **global economic growth and solid corporate balance sheets**. *“Persistent strength in the US labor*

*market, coinciding with cooling inflation”*²⁷ has fuelled a surge in U.S. corporate bond issuance according to S&P Global, which will likely continue into 2025 – keeping credit spreads narrow and supporting high demand.

- Credit markets will face more favourable conditions, though risks remain. *“We favor those strategies with downside protection”* says Santander, with an emphasis on **high-quality credit and European bonds**, as **geopolitical concerns and potential rate volatility** will require careful selection and active management.



Cash: Decreasing attractiveness in a context of falling interest rates

- Major **central banks have begun cutting rates**, making cash less attractive for investors. BNY Mellon points out that while *“cash yields have been rewarding over the past several years, times are changing”*²⁸ encouraging investors to move excess cash into higher-return opportunities.
- HSBC similarly highlights that *“with interest rates coming down, there’s a need to shift from cash to something more productive”*²⁹ while UBS warns that secular trends like deglobalisation and decarbonisation will erode cash’s after-inflation returns, making it one of the worst-performing asset classes.³⁰
- Barclays notes that portfolios are reducing allocations to short-duration bonds as yields decline, **signalling a shift towards credit markets**.³¹ Santander underscores this trend, emphasising the steady returns offered by corporate bonds, supported by strong fundamentals, low default rates and attractive yields.³²



Trade: Geopolitical uncertainty and Trump’s re-election to affect trade volumes

- Financial institutions **expect geopolitical risks and so-called “Trump tariffs” to reignite trade tensions**, fragmenting global trade and disrupting supply chains. This is well summarised in UniCredit’s report, which claims that rising trade barriers, the dynamic between the United States and China and geopolitical fragmentation are set to weigh on global trade and manufacturing.³³

- **Geopolitical uncertainty and conflicts**, particularly the wars in Ukraine and the Middle East, are set to impact trade in both the short and long term. Many see an increase in trade fragmentation, with BlackRock stating that *“new trading blocs and protectionist policies could reconfigure how economies operate, potentially reducing trade efficiency.”*³⁴
- **The return of trade restrictive policy** is set to have a major impact on the economy, with J.P. Morgan stating that *“tariff policy presents perhaps the biggest risk to global growth”*.³⁵ Similarly, Wells Fargo believes that *“trade policy represents one of the most important potential changes starting next year.”*³⁶ This view is also shared by UBS, who states that *“tariffs – particularly the mooted blanket 60% on Chinese imports and 10% on others – pose the most significant global economic risk”*³⁷ although they do not believe that they would *“derail US growth”*³⁸ and instead mostly impact the European and Chinese markets.
- The **protectionist agenda** of the incoming U.S. presidential administration is noted, with Citi expecting it to *“pursue some version of the swiftly imposed 60% or-higher tariffs on imports from China that he promised in his election campaign”*,³⁹ adding that it is *“skeptical that much will be achieved other than a shift in production and trade between countries”*.⁴⁰

International Monetary Fund, October 2024 calculations

Real GDP growth	2024	2025e	Real GDP growth	2024	2025e
World	3.2%	3.2%	Germany	0.0%	0.8%
Eurozone	0.8%	1.2%	France	1.1%	1.1%
US	2.8%	2.2%	Italy	0.7%	0.8%
China	4.8%	4.5%	Spain	2.9%	2.1%
India	7.0%	6.5%	UK	1.1%	1.5%

Source: IMF - World Economic Outlook

Regional Outlook

Europe: Weak growth amidst structural challenges and new U.S. trade policy



Eurozone: The gap with the United States widens

- The consensus is that the Eurozone will see **weaker growth compared to the United States**, with many institutions underlining the clear gap that has only grown since 2022. Apollo⁴¹ sees this as driven mainly by European Central Bank (“ECB”) rate hikes, the absence of an AI boom, difficult fiscal policy and geopolitical risks, with BNP Paribas⁴² underlining **structural headwinds** and the weaknesses of the German economy.
- Goldman Sachs⁴³ however, echoing other institutions, says a **recession will be avoided**. UBS⁴⁴ notes “*Europe’s economic growth to be uneven and subdued, yet stronger than in 2024.*” Santander⁴⁵ and DBS Bank⁴⁶ predicts annual growth of around 1% for 2025.
- Many observers anticipate a **dovish stance from the ECB** and that the Eurozone and the EU more broadly will struggle to confront any new U.S. trade initiatives.



France: Political instability and structural challenges weigh on investor optimism

- The French economy is **projected to grow by 1.1%** in 2025, in line with 2024, as **political instability** hampers consumer spending and business investment. ING highlights that ongoing budget debates and **looming fiscal tightening, driven by a ballooning deficit**, are stifling growth, while international headwinds like tariffs and weak global demand weigh on exports.
- DBS Bank adds that France’s fiscal challenges are emblematic of broader Eurozone struggles, with Fitch assigning the country a negative sovereign rating outlook, further signalling economic fragility.⁴⁷



Germany: A structural stagflation in addition to new political instabilities

- The German economy is **expected to grow by just 0.8% in 2025**, following two years of contraction. Deutsche Bank describes this as “**structural stagnation**”⁴⁸ rather than a cyclical recession, with a meaningful recovery likely delayed until 2026. Fiscal stimuli and supply-side reforms under the next government will be crucial for breaking the cycle of stagnation.
- Germany’s export-reliant economy faces mounting pressure from weak global demand and trade uncertainty, particularly in the auto sector. Fidelity warns that **potential U.S. tariffs could cut growth by up to 0.5%**⁴⁹, while Lazard notes falling business confidence and high-profile challenges.⁵⁰
- Despite these headwinds, ING highlights that **fiscal stimulus is expected after elections**, which could provide a foundation for gradual economic improvement. However, structural reforms remain essential to reinvigorate Germany’s economy and modernise its traditional business model.



United Kingdom: A relatively strong position compared to other European economies

- The UK economy is **expected to experience subdued growth in 2025**. UniCredit states that “*real GDP will grow by 1.2% next year and by 1.4% in 2026.*”⁵¹ Inflation is anticipated to stay **slightly above the 2% target**, rising to 2.9% in 2025 before returning to target levels in 2026, driven by **tax changes and wage hikes**.
- Most institutions, including BlackRock⁵², Lazard⁵³ and Fidelity⁵⁴, expect the Bank of England (“BoE”) to **cut rates further than currently priced by markets**, as inflation pressures ease and the economy remains weak. This could support **both consumer spending and investment**, especially in stocks and bonds.

- The UK government's **increased fiscal spending and tax hikes**, while supportive of public sector wages, are predicted to dampen private demand and business investment. Deutsche Bank argues that *"higher taxation, higher inflation, lower employment, and lower wage growth will result in a smaller real disposable income growth uplift than previously anticipated."*⁵⁵ **Political stability under the Labour government** could improve sentiment, but higher taxes may weigh on corporate profit margins.
- Despite modest domestic growth, the UK presents attractive investment opportunities that Barclays summarises aptly, *"whether it's via a cheap, and a largely export-driven equity market, or appealing gilt and credit markets, the UK feasibly has a place in a well-diversified portfolio"* compared to other European economies facing challenges.⁵⁶



United States: Steady growth in 2025, driven by AI investment, fiscal support and consumer resilience amid policy uncertainty

- **The U.S. economy is expected to grow in 2025**, at a 2-2.5%, depending on the forecast, defying earlier concerns of a slowdown and outperforming global peers like Europe. According to Fidelity, this resilience is driven by *"a strong consumer, solid private sector balance sheets, and a labour market,"*⁵⁷ alongside ongoing fiscal support.
- **The U.S. stock market is poised to outperform global peers** due to strong corporate earnings, fiscal support and favourable financial conditions. As HSBC puts it, *"the US stock market remains our main overweight."*⁵⁸ Sectors like **technology, communications, financials and industrials** remain particularly attractive, even as valuations in some areas appear stretched.
- Investment in **AI, technology and data centres remains a key growth engine**, boosting corporate profits and supporting stock valuations.
- The Federal Reserve is expected to **ease monetary policy cautiously**, with ING stating *"we look for it to cut rates by 25bp later this month before pausing in January. In general, we expect to see cuts of 25bp per quarter with a terminal rate of around 3.75%."*⁵⁹ Inflation remains a concern, particularly with **tariff-related price increases**, but easing financial conditions will support growth.

Asia: China to struggle faced with U.S. competition, India to continue shining and Japan looks promising despite political headwinds



China: The economic environment could become more uncertain with potential trade wars and structural challenges to overcome

- **For China, many are expecting a slowdown in economic growth** due to the expectation of renewed trade tensions with the United States. BNY Mellon expects 2025 to be the *"year of the downtrend in China"*⁶⁰ and anticipates that *"China's economic growth will continue to slow, as headwinds, including real estate, demographics and geopolitical uncertainty, persist"*.⁶¹
- One of the main issues facing Chinese growth is **weak consumer demand**, with J.P. Morgan arguing that *"China confronts a crisis of consumer confidence"*⁶² shown by the fact that *"Chinese retail sales are 16% below their pre-pandemic trend."*⁶³ UniCredit shares this view, arguing that Chinese growth will continue to slow due to challenges in exports, weak domestic demand and insufficient consumption-boosting measures, with GDP growth expected to drop to 4.5% in 2025 and 4.2% in 2026.⁶⁴
- Other structural issues, **including the demographic transition and inflation** have led some, including Barclays, to compare the current situation *"to Japan's 'lost decades' after its property bubble burst in the 1990s."*⁶⁵
- Trade restrictions imposed by the Trump administration are also expected to weaken Chinese growth. Lazard argues that *"with new tariffs, the overall economic environment could become more uncertain"*⁶⁶ adding that *"in the event that China chooses to respond with reciprocal tariffs, it would likely damage its own economy more than that of the United States."*⁶⁷



Japan: Recovery of 2024 likely to continue in 2025

- Japan has recently witnessed a **remarkable recovery**, with the **Nikkei 225 up around 18% for the year**, with GDP growth to remain above 1% in 2025.

- This **momentum is expected to remain in 2025**, as J.P. Morgan⁶⁸ puts it: *“Japanese corporations have in recent years made major strides toward improved corporate governance and more shareholder-friendly practices. Corporate buyback announcements in 2024 doubled the previous record. This trend should benefit private equity investors in Japan as well.”*
- After years of stagnation, the macro environment is changing in Japan, allowing investors to expect more growth for the economy. Lazard⁶⁹ focuses on this point: *“We expect the regulatory reforms of the past year to continue to drive corporate governance improvements, **better capital efficiency, and higher shareholder return**, and we expect the **gradual shift from a deflationary period to an inflationary one to drive a transformation of the Japanese economy.**”*
- Many financial institutions now see India as an **investment opportunity**, with BlackRock⁷⁰ saying *“longer term, we see some emerging markets like India well **positioned to capitalize on mega forces and navigate U.S.-China competition.**”*
- Many sectors are in play for this growth story, as explained by Fidelity⁷¹: *“India will again be a **bright spot for long-term investors.** Although some foreign flows are taking profit after the recent rally, and extreme weather is disrupting agriculture, the **country’s prospects remain solid, underscored by advantageous demographics and investments in infrastructure and manufacturing.** And that’s why domestic investors are still buying.”*



India: In a good position to benefit from a potential trade war

- India has confirmed its position as **one of the fastest growing emerging economies**. This growth is **expected to last** in coming years.



Sector Outlook



Energy: Transition driven by AI and a growing power demand

- Amid geopolitical uncertainties and rising energy needs from artificial intelligence and digital infrastructure, **energy remains a global priority**. The transition to sustainable energy continues, with **investments soaring in renewables and grid modernisation**.
- Apollo estimates \$30 to \$50 trillion will be needed for energy transition over the next decade, as **companies adapt to meet surging power demand**.⁷² BlackRock highlights solar, wind and power grids as key areas for investment, with annual energy spending projected to reach \$3.5 trillion.⁷³
- Barclays sees innovation opportunities amid supply constraints and rising energy demands,⁷⁴ while Citi emphasises **nuclear energy's role alongside renewables**, projecting electricity generation to grow by 30% by 2030.⁷⁵
- Despite strong renewable momentum, fossil fuels remain part of the energy mix. UniCredit expects **Brent prices to stabilise around \$75/bbl in 2025**, with gas markets sensitive to disruption risks.⁷⁶



Tech: AI is still the hot topic

- Artificial intelligence remains a hot topic and **one of the strongest sectors coming into 2025**, with the United States remaining a clear leader in the sector. Unicredit⁷⁷ sums it up eloquently: *"There is no AI bubble - AI is a transformative technology with immense potential and long-term growth"*.
- Apollo⁷⁸ contends that the **United States** is currently **undergoing an AI boom** that sets it apart from other regions such as Europe, Canada, Australia and Japan. This surge in AI investment is a crucial factor supporting the U.S. economy. Major tech companies, known as the *"Magnificent Seven"*, are at the forefront, with their **combined capital expenditures nearing \$50 billion annually**.

- Entering a new year, AI is expected to offer more explosive growth and transformative investment opportunities, which is why it remains **the top pick for many institutions**, including HSBC.⁷⁹
- Many, including BlackRock⁸⁰, believe that *"we are still in AI's buildout phase"*, and that it is a **core component of a larger infrastructure expansion**. This stage requires **significant investment in data centres, advanced semiconductors and energy systems** to support the rapidly increasing size and complexity of AI models. BlackRock also projects that *"spending on this infrastructure could top \$700 billion by 2030, equivalent to 2% of U.S. GDP."*



Semiconductors: Strategic growth amid rising demand and geopolitical tensions

- Semiconductors remain a critical sector in 2025, with **demand driven by AI, data centres and electrification**. Policies like the CHIPS Act and Infrastructure Act have fuelled U.S. investment, creating a boom in semiconductor production and related technologies such as batteries and EVs.
- BlackRock notes intensifying U.S.-China competition, with tariffs and export restrictions **reshaping the global semiconductor supply chain**.⁸¹ The race to dominate advanced technologies, including AI, is accelerating infrastructure development and re-shoring efforts.
- Citi projects global semiconductor market revenue to grow from **\$607.4 billion in 2024 to \$980.8 billion by 2029**, citing strong potential despite risks like supply disruptions and economic downturns.⁸² Meanwhile, J.P. Morgan highlights investment opportunities across the value chain, from chip manufacturers to software innovators.⁸³
- The sector's growth continues to be shaped by innovation, obsolescence and increasing integration of semiconductors in everyday products, **positioning it as a long-term driver of economic and technological advancement**.



Industry: Restructuring and innovation amid supply chain challenges

- Geopolitical tensions and evolving industrial policies are prompting companies to restructure operations and secure supply chains. Barclays highlights that **industries are near-shoring, friend-shoring or re-shoring** to adapt to risks and capitalise on incentives like the U.S. Inflation Reduction Act or Made in China 2025, requiring new facilities and infrastructure.⁸⁴
- Citi notes that industrial real estate demand remains robust, with vacancy rates at 4.8% in the United States and 3.6% in Europe – near record lows.⁸⁵ The push for re-shoring and the **integration of technologies like robotics-enabled warehousing and AI-powered supply chains are driving the need for modernised logistics and manufacturing facilities.**
- In China, Fidelity observes a pivot toward higher-end manufacturing and domestic consumption as the country seeks more sustainable growth. However, domestic demand remains tepid and industrial growth may stabilise at a lower equilibrium by 2025.⁸⁶



Infrastructure and real estate: Positive outlook driven by rate cuts

- Outlook for Infrastructure and real estate is **by declining interest rates, commercial real estate rise and opportunities in multiple sectors** including logistics, data centres and multifamily housing.
- BlackRock,⁸⁷ which lately has been active in acquisitions within the infrastructure sector, sees that *“infrastructure is at the intersection of mega forces – like AI. The AI buildout is creating a huge and immediate need for data centers. Demand for new-build green infrastructure is skyrocketing as countries and tech companies race to reduce emissions... That’s why we have a relative preference for infrastructure equity.”*
- Infrastructure and real estate are also seen as one of the best ways to offer portfolio diversification, also spurring the sector. As HSBC⁸⁸ puts it: *“We see interesting opportunities in physical infrastructure, such as roads and transportation, as well as renewable energy, utilities and the development of ‘smart cities’.”*

- However, not all forecasts are aligned, notably when it comes to the refinancing risk.



Commodities: Gold keeps shining bright

- Gold has been the star of this sector, continuously reaching **all-time highs in 2024**, and keeping momentum through to the end of the year. J.P. Morgan⁸⁹ sees *“a strong case for a continued gold rush in 2025. This commodity can play an important role in building resilient portfolios. We expect that gold prices will find continued support from central banks, particularly in emerging markets, which have been buying 1,500 tons more gold per year than their pace before Russia invaded Ukraine.”*
- On the other hand, outlook for other commodities is mixed, especially given geopolitical uncertainty such as U.S.-China relations, conflicts in the Middle East and the Russia-Ukraine war. A slowdown in GDP growth across these regions could also have negative effects on commodities such as copper and other minerals.
- **U.S. rate cuts** are also something to watch as an indicator for this sector. Apollo⁹⁰ points out that as of early November, U.S. long rates were disconnecting from Fed expectations and oil prices. Despite a decline in oil prices alongside the market still expecting four Fed cuts over the coming 12 months, long rates have increased. This suggests that **long rates are rising because of emerging worries about fiscal sustainability.**



Healthcare: Structural growth prospects boosted by AI

- Overall, healthcare as a sector is positively entering the new year. AI was mostly seen as a tech-related innovation and it is now becoming clear that it **has a big role to play in the healthcare sector.**
- J.P. Morgan⁹¹ points out that *“in the pharmaceutical and biotech sectors, AI could also potentially improve the quality and quantity of drugs that progress from early-stage trials to market. Right now, only 7% of new drugs make it to market. Just a 5% increase in that success rate could mean 60 new drugs and USD 70 billion in incremental revenue over a 10-year period.”*

- Another growing topic related to healthcare is the **aging population** across different geographies and the effect it could have on healthcare. Fidelity⁹² points this out in their outlook: *“Healthcare has another notable structural driver: the global population aged over 65 will double by 2050 and the proportion of incomes we spend on keeping ourselves healthy will continue to grow.”*
- Citi⁹³ also sees that *“given the intersection of the forces of aging and innovation, we regard **longevity-driven healthcare demand as an unstoppable trend**. We therefore favor long-term portfolio exposure to this sector, with its potential to deliver ongoing earnings growth and withstand economic downturns”.*



Bold views



As happens every year, some institutions had strongly divergent views from the observed consensus.

- ING⁹⁴ is very cautious about declaring victory over **inflation**, saying “*there is a high chance that inflation could come back with a vengeance*”, in contrast to most other institutions.
- **On China**, DBS Bank is unusually optimistic stating that “*China is well positioned to sail through trade protectionism*”, adding that the stimulus measures undertaken in late 2024 could expand the economy to “*another 5.0% in 2025 if stimulus is executed swiftly*.”⁹⁵
- Apollo⁹⁶ has a different view on **infrastructure**, pointing out that there is a **refinancing risk** that could still cause a threat for real estate: “*Many commercial real estate (CRE) loans are five-year maturities, which means that CRE loans that were underwritten when the fed funds rate was zero in 2020 and 2021 will need to be refinanced in 2025 and 2026.*”
- Analysts at Wells Fargo are sceptical over **sustained growth in the United States**. “*Higher U.S. tariffs and the likelihood of retaliation...[is] likely to depress real GDP growth next year.*”⁹⁷ The new administration’s agenda, including **tax cuts, higher tariffs, and immigration restrictions**, could lift short-term growth but raise inflation and trade tensions. Tariffs on key partners like China and Mexico **may disrupt trade dynamics**.

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