



Major Financial Institutions: Mid-year outlook for 2025

FTI Consulting - Strategic Communications

Foreword

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

As we reach the midpoint of 2025, it's clear that this year has been far more intense than previous ones. Geopolitical and macroeconomic tensions have surged to levels not seen in over three decades. At the same time, we've been swept up in a powerful wave of technological, social, and cultural transformation—driven largely by AI. In light of these shifts, we've taken a step back to offer a clear and comprehensive overview of the perspectives shaping major financial institutions. Our goal is to give you a nuanced understanding of the mid-year financial outlook for 2025. What is being said? What does this mean for you?

As anticipated in our end-of-year report, the second election of President Donald Trump at the helm of the world's largest economy has brought significant changes to the global economic and political landscape. The return of major trade tensions between global powers has dampened growth expectations across many regions and is set to accelerate a gradual realignment of global trade — characterized by regional repositioning and sector-specific shifts. Nevertheless, most institutions continue to project a slowdown rather than a full-scale global recession, signaling a period of adjustment rather than crisis.

Inflation continues on an uneven path, with signs of easing in the near term offset by longer-term pressures. Tariffs, energy volatility and country-specific policies are likely to keep inflation moderately elevated in key markets. Labor markets, while still resilient, are beginning to show signs of fatigue. Job creation is slowing and emerging frictions are complicating employment transitions. However, gains in productivity and wage growth are helping to maintain a degree of underlying strength.

Overall, 2025 is shaping up as a year of adjustment and adaptation. In this landscape, the importance of government affairs and financial communication is paramount.

Navigating this shifting terrain requires active engagement with policymakers, clear and consistent messaging and a forward-looking approach to regulatory developments. These elements are critical for clients seeking to adapt, mitigate risk, and seize opportunities in an increasingly complex environment. FTI Consulting is specialised in helping you address the challenges to come.



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Methodology

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

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Global Outlook

Economic growth: Global growth in 2025 is set to slow unevenly as trade tensions rise, with the United States holding firm and optimism fading elsewhere.

As 2025 unfolds, the trajectory of global growth is marked more by fracture than failure. While a few economies are going against the current, the broader trend is one of uneven recovery — with geopolitics, trade barriers and monetary divergence shaping the outlook. Most financial institutions anticipate slowing in momentum, rather than stalling, though the warnings are growing louder.

- This is the view adopted by Wells Fargo, **which believes that “global growth prospects have once again diminished.”**¹ It argues that “New tariffs, particularly elevated on China, will apply downward pressure on global economic activity”². Citi backs this view, stating that “headwinds for the global economy created by U.S. tariff rates’ rise to historically high levels”³. Adding that “*in the face of these headwinds, we see global growth softening to 2.1% this year, down from just under 3% in 2024.*”⁴
- Barclays **also shares this assessment**, writing that “*Our new global growth forecast of 2.9% for this year is a marked slowdown from 2024’s 3.3% forecast. But the pace could drop further if global trade wars accelerate.*”⁵
- **Goldman Sachs adopts a more optimistic tone**, believing that “*while global growth remains far from uniform across countries, it is still expected to edge above its historical trend this year,*”⁶ although it identifies that this growth will be highly uneven, noting that the “*Eurozone and the UK will likely record a third consecutive year of below-trend growth.*”⁷

Recession: few predict one, but many brace for turbulence

Despite sharp policy shifts and persistent uncertainty, **the global consensus remains reluctant to fully name it as a recession**. Most institutions continue to **see slowdowns rather than outright recessions**, with tariffs and volatility acting as drag factors rather than full derailleurs.

- Goldman Sachs⁸ sets the tone by stating that “*the risk of recession remains far from our base case,*” with **the likelihood of a U.S. downturn estimated at just 20%**, barely above the historical average. In this context, the global economy is expected to “*continue ascending toward higher elevations in 2025.*”
- Others strike a more cautious but similar note. HSBC⁹ says it “*has never been in the US recession camp,*” though it now **anticipates a slightly slower growth path**, with rate cuts “*at a pace of one 25bp cut per quarter through September.*” For them, this signals normalization, rather than crisis.
- BNY Mellon¹⁰ uses an analogy to downplay recession risks: “*Much like a flight grappling with unexpected air-pockets, the effects are temporary,*” suggesting turbulence rather than a nosedive. Nomura¹¹ also sees “*a US recession as highly unlikely,*” citing resilient sectors such as utilities, energy and tech.
- Wells Fargo¹² offers one of the more pessimistic takes, though is notably geographically selective. It **forecasts technical recessions in both Canada and Mexico, calling out their exposure to U.S. tariffs as a critical vulnerability**.
- In Europe, Barclays¹³ highlights that **fiscal stimulus and defense spending plans will not fully materialize before 2026**. Until then, “*the continent faces very sluggish activity,*” with pressure from both China and U.S. tariffs.

Trade: Navigating a tariff-fragmented world

Trade was the key topic for early 2025 and takes are defined by a **fragmented global landscape, with tariff tensions and supply chain rewiring driving regionally uneven outcomes**. While the specter of all-out trade war looms, most institutions do not predict a sudden collapse, but rather a drawn-out adjustment – marked by selective dealmaking, volatile flows and sectoral winners and losers.

- BlackRock¹⁴ notes that “*trade conflict cools,*” but warns **tariffs continue to weigh on activity**, projecting “*further contractions in quarterly activity.*” Still, **the overall damage is seen as “more limited” than feared.**
- BNY Mellon¹⁵ is similarly cautious, seeing U.S. growth “*slows below trend*” primarily due to “*tariffs already in place and the lingering uncertainty*”. **Trade policy unpredictability keeps markets on edge:** “*Our base case is a cautious one where the US economy slows below trend (Slowdown 50%) attributed to the tariffs already in place and the lingering uncertainty surrounding future trade policies.*”
- Citi¹⁶ tracks three key corridors and highlights a “**full-blown trade war**” with China. Where some partners catch a break with the “*90-day pause capping reciprocal tariffs at 10%,*” others, including the EU, are growing more impatient as talks stall.
- HSBC¹⁷ is more upbeat, finding that “***the worst outcomes for global trade will be avoided,***” as post-election hopes rise for “*cautious*” fiscal, immigration and trade actions.
- Morgan Stanley¹⁸ sees a world where “*global commerce gets rewired for a multipolar world*”. **Trade is becoming less integrated** as “*national and economic security*” takes precedence, driving **higher supply-chain costs** and **regional realignments**.
- Société Générale¹⁹ **expects “foreign trade dynamics” to weaken**, blaming “*tariff measures proposed by President Trump*” for an **increasingly difficult external environment**: “*Foreign trade dynamics are expected to be less favourable, due to weak external demand caused by a difficult global environment and tariff measures proposed by President Trump.*”
- Wells Fargo²⁰ anticipates that “**tariffs are likely to result in broad-based slowdowns across economies**”, especially for close U.S. trade partners. While new tariffs may pause, “*non-tariff barriers*” – like export restrictions and sanctions – are expected to proliferate.
- Bank of China²¹ signals **rising risk of escalation**: “*Trump’s tariff policy may trigger a new round of global ‘trade war’ [...] A new round of global tariff policy games will accelerate the evolution and cause spillover effects, and global trade risks will accelerate the accumulation.*”

International Monetary Fund, April 2025 calculations²²

Real GDP growth	2024	2025e	Real GDP growth	2024	2025e
World	3.3%	2.8%	Germany	-0.2%	0.0%
Eurozone	0.9%	0.8%	France	1.1%	0.6%
US	2.8%	1.8%	Italy	0.7%	0.4%
China	5.0%	4.0%	Spain	3.2%	2.5%
India	6.5%	6.2%	UK	1.1%	1.1%

Inflation: An uneven decrease with new risks emerging

While the world hoped for a clean disinflation narrative after the post-COVID spike, 2025 is shaping up as another year of uneven progress, geopolitical disruptions and resilient inflation pockets — with tariffs re-emerging as a central inflationary force.

- BlackRock²³ captures the paradox well: *“We see higher medium-term inflation, but cooling inflation and growth may matter more near term.”* Despite **signs of easing**, **the broader outlook remains complicated** by lingering structural pressures and policy uncertainty.
- Deutsche Bank²⁴ expects a *“bumpy path”* ahead, especially due to volatile food and energy prices. While their inflation forecast for the eurozone is relatively tame at 2.3%, they warn that a stronger fiscal impulse later in 2025 could push prices higher.
- BNY Mellon²⁵ anticipates inflation *“to rise slightly higher than previously expected,”* while HSBC²⁶ has revised its 2025 forecast up to 3.4%, citing a mix of developed-world pressures and a surprising uptick in Japan. They also note that the **disinflation tailwind from energy prices and supply chains is waning**, replaced by more idiosyncratic, country-specific dynamics.
- Wells Fargo²⁷ **predicts that tariff-driven inflation will fade** after an initial adjustment in goods prices but notes that core inflation may remain above target well into 2026. Similarly, Société Générale²⁸ sees inflationary policy from the U.S. government as an ongoing issue: *“The US administration’s economic policy is driving up inflation and weighing on growth.”*

Labor market: Holding steady, but cracks begin to show

The **labor market remains one of the last bastions of macroeconomic resilience**, even as growth slows and tariffs weigh on global confidence. But below the surface, signs of softening are emerging — from cooling hiring momentum to geopolitical pressures impacting migration and youth employment.

- Goldman Sachs²⁹ **shifts its focus to productivity rather than employment**, but the tone is telling: *“The US labor force is the most productive in the world,”* with 2024 seeing a \$9,000 leap in output per worker. This surge in labor productivity supports optimism for continued growth, even if job creation moderates.
- Still, the signals are mixed. Deutsche Bank³⁰ **sees resilience continuing**: *“Real wage growth should continue to boost the purchasing power of consumers.”* Yet Wells Fargo³¹ warns that *“net employment growth will downshift,”* projecting a slowdown to just 63,000 jobs added per month in 2025 and a gradual rise in unemployment to 4.5%. **Employers are expected to retain staff where possible but may be forced into layoffs to protect margins as cost pressures persist.**
- Some are more pessimistic. HSBC³² points to a **troubling trend in their household survey data**: *“The probability that someone unemployed will return to work the next month has dropped alarmingly,”* suggesting possible structural frictions in labor reallocation.
- Wells Fargo³³ **expects any rebound in hiring to come only in 2026**, reinforcing the idea that the best of the jobs boom may be behind us.



Regional Outlook

Europe: Finding balance in a turbulent trade and political climate

Europe's economy in 2025 is likely to experience modest and uneven expansion, supported by domestic fiscal initiatives but weighed down by global trade disputes and political uncertainties. Germany emphasizes recovery through fiscal stimulus, while France contends with weakening momentum amid political instability. The UK progresses cautiously, aided by trade deals yet still influenced by ongoing EU negotiations.

Eurozone:

The Eurozone economy currently displays mixed signals, with **modest growth exceeding expectations but still falling below long-term trends**. Financial institutions highlight varying concerns, including **persistent uncertainty in global trade, the limited impact of fiscal stimulus and short-term growth driven by pre-tariff export activity**. While some note ongoing recovery, others warn of mounting disinflationary pressures and a challenging outlook in the months ahead.

- ING³⁴ emphasizes the **temporary nature of the recent growth in the Eurozone**, attributing it to pre-emptive exports ahead of U.S. tariffs, and warns of potential economic headwinds and increasing disinflationary risks: *"Eurozone growth surprised in the first quarter with a 0.4% quarter-on-quarter expansion. However, this unusual boost in the first quarter may lead to weaker performance in the subsequent ones."*
- Goldman Sachs³⁵ notes that the Eurozone economy performs slightly better than expected over the past year: *"The Eurozone economy outperformed forecasts last year, expanding by 0.7% compared to expectations of 0.5%. Despite this modest upside surprise, absolute growth remained below its trend for a second consecutive year and masked notable divergences across countries and sector."*
- HSBC³⁶ expresses concern over the uncertain global trade landscape and its implications for economic stability: *"With high uncertainty surrounding the global trade environment, as well as elevated political uncertainty in Germany and France, investment and export growth are likely to remain sluggish in 2025."*
- Wells Fargo³⁷ comments on the limited effectiveness of fiscal policy in countering the negative effects of tariffs on the Eurozone: *"For the Eurozone, fiscal stimulus could offset a piece of the tariff-induced slowdown, but not its entirety."*
- Bank of China³⁸ acknowledges the ongoing recovery in the euro area and highlighted the mixed outlook for the upcoming quarter: *"The euro area economy has continued to recover since 2025. Looking forward to the second quarter of 2025, the eurozone economic growth will face opportunities and challenges."*

France:

France's economic outlook for 2025 remains cautious amid ongoing political and fiscal uncertainty. While institutions note **stable growth and clear disinflation, it has yet to translate into stronger consumer demand**. Analysts highlight growing concerns over weakening confidence, political instability and external risks, all of which weigh on economic momentum in the coming quarters.

- HSBC³⁹ reports that rising political and fiscal uncertainty in France is starting to impact economic indicators, leading to downgraded growth forecasts for 2025: *"The lingering uncertainty on the political and fiscal situation in France has started to impact economic activity, according to the latest leading indicators. Moreover, fears on unemployment rose to their highest level since May 2021."*
- Société Générale⁴⁰ also points to the continued drag of political uncertainty on French economic activity, warning that both domestic and international factors may limit growth going forward: *"Political uncertainty, which already weighed on activity in the second half of 2024, persists and is likely to continue to weigh on economic activity. The adoption of the 2025 budget has reduced the risk of imminent instability, but confidence remains fragile. International uncertainty, linked to the US administration's protectionist agenda, is adding to domestic uncertainty. We anticipate that the positive contribution of international trade, which was very beneficial for France in 2024, will pause in 2025 and 2026."*
- Bank of China⁴¹ observes weakening economic momentum in France and warns that political instability could further dampen growth prospects in the near term: *"Economic growth momentum is weakening, and political instability may be a drag on the economy. Looking ahead to the second quarter of 2025, French economic growth will slow down."*

Germany:

Economic projections for Germany in 2025 reveal a landscape of modest recovery, shaped by both internal policy efforts and external challenges. Financial institutions highlight the **positive impact of planned fiscal stimulus, including increased defense spending and supportive government budgets**. While uncertainties such as U.S. trade policies continue to pose risks, the consensus suggests these domestic measures help lay the foundation for stronger growth into 2026.

- S&P Global⁴² cites the impact of U.S. tariffs and broader uncertainty as reasons for lowering its Eurozone growth forecast, **while pointing to Germany's fiscal stimulus as a key driver of future recovery**: *"We revised our eurozone GDP growth forecast for 2025 downward to 0.9%, from 1.2% previously, due to uncertainty and U.S. tariffs. However, we expect a substantial recovery from 2026, thanks to fiscal stimulus measures in Germany."*
- Société Générale⁴³ predicts **a gradual rebound in Germany's economic growth** over the next two years, driven primarily by domestic factors and assuming the implementation of key budgetary measures: *"Growth will rebound (0.6% in 2025, 1.1% in 2026), driven by internal factors and assuming that most of the budget program is adopted."*
- Bank of China⁴⁴ acknowledges modest economic recovery in Germany but stresses that growth remains difficult, with government spending expected to become a key support once the new cabinet finalizes its direction for loose fiscal policy: *"The economy recovered modestly, but growth remains challenging. Looking ahead to the second quarter of 2025, the new government is expected to complete the formation of the cabinet by the end of April, during which it has made clear the direction of loose fiscal policy, and government spending will become an important force driving economic recovery."*

United Kingdom:

In 2025, the UK economy will navigate a complex mix of domestic resilience and external pressures. **Trade agreements and a stable property market help support growth, while improving GDP projections signal cautious progress.** Still, financial institutions underscore that the real turning point hinges on the outcome of EU negotiations, which remain central to shaping the UK's economic path.

- BlackRock⁴⁵ highlights **positive market sentiment in response to international trade developments**, noting a boost in UK equities: *"UK stocks rose on news of a U.S.-UK trade deal."*
- BNY Mellon⁴⁶ acknowledges that **while the UK is less exposed to direct tariff threats, it remains vulnerable to broader regional slowdowns**: *"UK is less directly exposed to tariff risk but is vulnerable to a slowdown in the euro area."*
- HSBC⁴⁷ projects stronger economic performance for the UK, anticipating an improvement in GDP growth in the year ahead: *"We expect UK GDP growth to accelerate from 0.8% in 2024 to 1.5% in 2025."*
- Société Générale⁴⁸ observes a gradual improvement in the UK's economic activity: *"Growth is slowly picking up momentum."*
- ING⁴⁹ cautions that while trade agreements with countries like India and the U.S. generate interest, negotiations with the EU are ultimately more critical to the UK's economic trajectory: *"For all the excitement about trade deals with India and the US, it's talks with the EU that will be most pivotal for the UK. Whether that's enough to unlock huge gains in fiscal 'headroom', we're not so sure."*

United States: Tariffs test a cooling economy

The outlook for the U.S. economy in 2025 presents a mix of **caution and resilience**. Signs point to a slowing growth rate and increased volatility after several years of strong expansion, while confidence remains in the economy's underlying strength and long-term investment potential. Despite uncertainties from tariff impacts, projections indicate the **U.S. economy is likely to navigate these challenges without entering a severe recession, maintaining growth slightly above its long-term trend.**

- BNP Paribas⁵⁰ warns of an **impending slowdown in U.S. economic growth** for 2025, following a period of exceptional expansion in previous years: *“The American economy is heading towards a marked slowdown in 2025, in contrast to the remarkable dynamism of 2024, illustrated by an average annual growth rate of +2.8% (+2.9% in 2023), which is significantly above its long-term pace.”*
- BNY Mellon⁵¹ notes a sudden shift in economic conditions, with a previously stable U.S. economy now facing emerging volatility: *“The US economy, which had been cruising steadily with consistent growth, low unemployment and gradually falling inflation, has been shaken awake.”*
- Wells Fargo⁵² acknowledges the risks posed by tariffs but projects that the U.S. economy could navigate through them without entering a sharp recession: *“The tariffs do inject pronounced uncertainty into the outlook, but our forecast plots a narrow path through which the U.S. economy can avoid a sharp economic downturn.”*

Asia: Crosscurrents of trade, policy and performance

In 2025, **Asia's economy presents a diverse complex mix of strengths and risks**. China is navigating structural transitions and evolving trade dynamics with the United States, while uncertainties in exports and real estate remain under close watch. At the same time, India stands out with strong growth driven by public spending and consumption, though signs of slowing momentum and high asset valuations raise some caution.

China:

China's economic outlook for 2025 presents a complex picture shaped by ongoing domestic adjustments and shifting global conditions. While institutions acknowledge signs of stabilization due to recent policy measures, concerns remain over structural weaknesses and the intensifying trade conflict with the United States.

Analysts expect that stimulus efforts support growth, but broader uncertainties — particularly in exports and the property sector — weigh on the recovery trajectory.

- BlackRock⁵³ expresses increased caution regarding China's economic outlook, citing structural challenges and the impact of global trade tensions: *"The uncertainty of trade barriers makes us more cautious, with potential policy stimulus only partly offsetting the drag. We still see structural challenges to China's growth."*
- BNP Paribas⁵⁴ reports a **slowdown in China's economic activity in early 2025**, warning that trade relations have become increasingly complex. *"Activity lost some momentum in Q1 2025, and the export sector will now suffer from the collapse of trade with the United States."*
- HSBC⁵⁵ acknowledges mixed signals in China's economic trajectory, noting recent stabilization from policy support but also growing global uncertainties and moderated growth forecasts: *"A challenging period ahead [...] China's growth has shown some signs of steadying on the back of the recent policy push since end-September, and 2024's GDP growth looks set to reach the government's target of 'around 5%'. We expect a softer pace of economic activity with GDP in 2025 growing 4.5% and in 2026 at 4.4% (both unchanged), though acknowledge there is now a wider range of possibilities due to the increased uncertainties."*
- S&P Global⁵⁶ notes that while China's headline growth remains broadly stable, ongoing **property market adjustments continue**, and recent political signals point toward stronger stimulus in the near term: *"China's growth is broadly unchanged. We continue to see some near-term weakness from the property sector. The recently completed National People's Congress signaled more aggressive stimulus measures ahead, which should boost headline GDP growth."*

India:

India continues to draw attention as **one of the most dynamic emerging markets**. While its strong economic fundamentals and regional outperformance are widely acknowledged, concerns are mounting over slowing momentum and overheated asset valuations. Analysts point to a resilient yet moderating growth trajectory, with factors like public investment, consumption patterns, and global headwinds shaping the outlook for 2025 and beyond.

- Fidelity⁵⁷ points to India's impressive economic momentum but raises concerns over market valuations, **noting growing investor skepticism**: *"India is on a roll – it is expected to overtake Japan in terms of the size of its economy – but this has been priced into an expensive stock market for some time. With earnings revisions coming down, investors are having to justify today's prices with ever-longer growth forecasts. There is a feeling that the market is overhyped."*
- HSBC⁵⁸ describes India as being at an **inflection point, acknowledging solid growth foundations but cautioning against signs of deceleration**: *"At 5.4% y-o-y, GDP growth in Q3 2024 was a sore disappointment. Urban consumption has been a primary driver of the slowdown, driven by normalizing growth in high-tech sectors ... and the recent correction in equity markets (impacting wealth effects). We believe rural consumption and higher government spending will lift GDP growth a shade over the next two quarters. But the broader message is that overall growth is falling from 7.5%-plus in the last two years, to a lower, but still strong, 6.5%, over FY26 and beyond."*
- Morgan Stanley⁵⁹ views India as relatively resilient amid global economic uncertainty, though it **revises growth expectations slightly downward**: *"The nation is best positioned to withstand the current uncertainties, given its monetary and fiscal easing and its low ratio of goods exports to GDP. Still, the spillovers from a weaker global cycle led to a reduction in the estimate for India's expansion in 2025 to 6.1%, from a previous forecast of 6.5%, and growth of 6.7% last year."*
- Nomura⁶⁰ **maintains a positive outlook** on India, projecting it will continue to lead Asia in growth despite some moderation: *"In Asia, despite a slowdown from 2024, India is expected to remain the fastest-growing major economy, driven by public infrastructure spending and services exports."*

Emerging markets: Strong roots, but stormy skies

Emerging markets navigate a complex landscape marked by global monetary tightening, **trade policy tensions and heightened geopolitical risks**. Larger, domestically driven economies show greater resilience, while slower growth is expected due to less supportive financial conditions. Despite these challenges, **favorable demographics and attractive valuations continue to sustain investor interest** across the developing world.

- S&P Global⁶¹, in the context of tightening U.S. trade policy, emphasizes the **vulnerability of export-reliant emerging markets** — especially those running surpluses with the United States — while advocating for the resilience of larger, domestically driven economies: *“The knock-on effects of U.S. tariff policy have dragged many emerging markets (EMs) lower, with Mexico in the spotlight. We maintain our view that the larger, more domestically focused EMs are better placed for growth. We can now add that running a trade surplus with the U.S. is negative for growth since reciprocal tariffs are on the horizon.”*
- Natixis⁶² highlights that **geopolitical risks are now a top concern for investors in emerging markets**, especially in light of military tensions and regional instability, though demographic strength and attractive valuations continue to support investment appeal: *“Geopolitical concerns continue to worry wealth managers, who rank geopolitical instability (38%) as the top factor driving their thinking on emerging markets. (...) Looking at the markets themselves, 31% find that younger, more upwardly mobile demographics in many emerging markets are a key consideration.”*



Sector Outlook

Key sectors show distinct but interconnected trends shaped by global dynamics. The **energy sector remains resilient** amid geopolitical risks and evolving policies, balancing steady demand and innovation in green technologies against volatility in oil prices. Defense and geopolitical tensions drive a **surge in global security spending**, with increased investments supporting growth despite persistent risks from major powers and regional conflicts. Meanwhile, **artificial intelligence (“AI”) emerges as a transformative force across markets**, fueling long-term productivity gains and sector-wide disruption while navigating regulatory and adoption challenges.

Energy: Risks and resilience

The global energy landscape in 2025 is shaped by a blend of geopolitical risks, evolving policy directions and shifting supply-demand dynamics. Financial institutions note the **sector’s resilience, driven by spare capacity and innovation, but also caution against potential volatility** and downside risks. While long-term investments in green energy gain momentum, short-term considerations around oil prices and economic growth continue to influence positioning.

- Goldman Sachs⁶³ emphasizes that **despite pervasive geopolitical risks and moderating demand growth, the energy market remains resilient due to substantial spare capacity in oil markets**: *“This resilience reflected historically high spare capacity in oil markets, which helped balance declining inventories and modest periodic disruptions. Looking ahead, we expect steady global economic growth to support demand, while ample spare capacity should again keep prices in check, barring a major supply disruption.”*

- HSBC⁶⁴ observes that even in Europe there is a **growing consensus on the need for increased investment in green technologies** and energy efficiency, while also noting the global implications of food and energy price dynamics: *“Even in Europe there is a growing consensus that more investment in green technologies, energy efficiency and other areas to enhance productivity is needed (...) Food and energy price effects are often felt globally (as they continued to be following Russia’s invasion of Ukraine in early 2022).”*
- Janus Henderson⁶⁵ warns of **downside risks to oil prices**, recommends a defensive investment approach, and highlights healthy demand fundamentals, supply dynamics, and the influence of geopolitical factors on future price movements: *“Downside risk to oil prices calls for defensive positioning (...) Energy outperformed the broader market in the first quarter, driven by solid fundamentals and a capital rotation from other sectors. The price of oil, while volatile, averaged \$75 per barrel, a level that supported solid returns for most companies. While performance was broad-based, investors favored larger, more defensive names with economies of scale and resilient dividends. Looking ahead: Demand fundamentals appear healthy but may weaken with increased recession risk.”*

Defense: Security spending surges as world order fragments and geopolitical tensions escalating

2025 is marked by heightened geopolitical tension and mounting defense expenditures, with policy responses diverging across regions. While the risks are real and persistent, global institutions see defense and infrastructure spending as an important offset to broader uncertainty, especially in Europe.

- BlackRock⁶⁶ remains constructive, seeing “*greater defense and infrastructure spending*” as a **medium-term support for growth**. However, they caution this fiscal push could “*boost term premia*”, nudging up borrowing costs as governments tap markets to finance security outlays.
- Goldman Sachs⁶⁷ strikes a notably cautious note, warning of “*significant geopolitical risks — possibly the greatest since the inception of ISG*”. The bank singles out escalating U.S.-China tensions, especially over Taiwan and cyber activities, as the “*biggest risk*”, though it expects “*some progress toward peace in the Middle East*” and de-escalation from Iran. Russia remains a major source of uncertainty.
- S&P Global⁶⁸ sees a challenging landscape: “*Geopolitical and policy uncertainty, and a changing global order complicate our macro forecasting*”. They highlight that while “*consumption and investment spending are likely to be more cautious amid heightened security risks*”, the flip side is that “*higher defense spending... will lift growth as governments spend on infrastructure, materiel and workers*”.
- Société Générale⁶⁹ adopts a wary stance: “*Geopolitical tensions will remain present and could intensify*”. They emphasize “*Trade and national security relations with the United States will continue to weigh heavily*”.
- Nomura⁷⁰ is optimistic about fiscal tailwinds: “*Fiscal policy implementation will support the global growth*,” citing both U.S. pressure on NATO allies to boost spending and the European Commission’s €800 billion defense investment plan. This policy mix may “*offset*” negative spillovers from US trade tensions.

- Bank of China⁷¹ focuses on the risks, noting ongoing “*instability in the Middle East and the ongoing Russia-Ukraine conflict*” as **persistent sources of uncertainty for the energy and financial landscape**. They observe that “*geopolitical developments will drive additional military spending in Europe*,” which could tighten bond market conditions.

AI: A transformative force shaping the next decade

AI continues its rapid ascent as the single most transformative theme in global markets and policy debates. Institutional consensus holds that AI will unlock long-term productivity gains, reshape entire sectors and spark waves of both opportunity and disruption – though the road ahead features both volatility and implementation risks.

- BlackRock⁷² remains highly constructive, forecasting that AI will “*provide near-term earnings support*” for US equities and may “*drive productivity in the long term*”. They also argue that for those “*looking past policy uncertainty to the AI mega force*”, both the U.S. and Asia present strong opportunities, with China’s “*AI-empowered tech companies*” poised to boost demand in ways that policy alone might not.
- Goldman Sachs⁷³ highlights the sector’s promise, noting that “*artificial intelligence continues to promise new avenues of potential growth, even as adoption rates and regulatory hurdles differ widely among regions*”.
- HSBC⁷⁴ emphasizes the **resilience of the sector**, stating that AI is “*an industry with minimal tariff risk*,” and that “*artificial intelligence and digitalization have made services more tradable*”. This positions AI as both a **growth driver** and a **source of international competitiveness**.
- Morgan Stanley⁷⁵ observes a shift from foundational technology to practical application: “*AI moves from foundations to early game-changing applications*”. They note generative AI’s “*transformative force*”, with **profound potential** for manufacturing, healthcare, and workforce dynamics. The next wave – agentic AI – could “*take action and adapt without explicit human instruction*,” **opening new horizons in automation, transportation and cybersecurity**.

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