

2025 ECONOMIC OUTLOOK TURNS STORMY.

This article examines the prospects for 2025 beginning with regular forecasters to set context, before diving down into the fundamentals of the economy, which is the only scientific approach to the question.

Forecasters and economists are unconcerned about the global economy.

[The Executive Summary of the IMF](#) published in October projects an unchanged global economic growth rate of 3.1% in 2025. Areas of strength are the USA, parts of Asia and China provided it can overcome its property legacy. The main areas of weakness are found in Europe. It projects a more benign inflation outlook and a more balanced world economy provided geo-political tensions can be managed.

The World Bank will only release its outlook mid-January. [The OECD](#) projects more robust global growth in 2025 at 3.3% for the G20 with India leading the pack at 6.8% followed by China at 4.9%, then the USA with a respectable 2.8% and finally the two laggards, Germany with 0.0% growth and Japan shrinking by 0.3%. It sees more benign inflation, tight labour markets and the highest trade uncertainties in a decade.

[Morgan Stanley](#) is less positive and more uncertain about the US economy citing Trump's immigration and tariff policies. It projects world economic growth of 3.0% with more stable conditions in Europe allowing it to trundle along with a 1% growth rate. [Deutsche Bank](#) too is sanguine about 2025 with optimistic profit growth even in Germany. "At the corporate level, we expect solid earnings growth of 14 percent in the U.S., 12 percent in Germany, 10 percent in Japan and 8 percent in Europe in 2025." Unlike the OECD report [Goldman Sachs](#) finds that labour markets are balanced but it has a lower global forecast at 2.7% with the US at 2.5% and Europe in line with other forecasts. I find [ING Bank](#) the most intelligent because they recognise that each of the last 4 years contained a decade of change. Thus the downside risks they examine are more numerous and consequential than the other banks.

[Blackrock](#) the world's largest Asset Manager brings a whole new perspective to the outlook: "We have argued since 2020 that we are not in a business cycle. Historical trends are being permanently broken in real time as mega forces, like the rise of artificial intelligence (A.I.), transform economies." It bases this assumption as well as the interaction of interest rates and economic growth. "If this were a typical cycle, U.S. growth should have slowed as tighter financial conditions brought down inflation." It styles the current trend a *Mega Force* economic trend. But will the MEGA Force triumph over the MAGA Force. Blackrock is certain of this, because the authors consider the MEGA trend long term, while they consider the MAGA trend short term. It seems technology trumps demagoguery. Or does it, in this report [Blackrock](#) proposed that US earnings would broaden away from the Big Five which it has clearly not done. Surely a case of counting your Algorithms before they have hatched. Bloomberg's poll suggest US corporate profits rising by 13%.

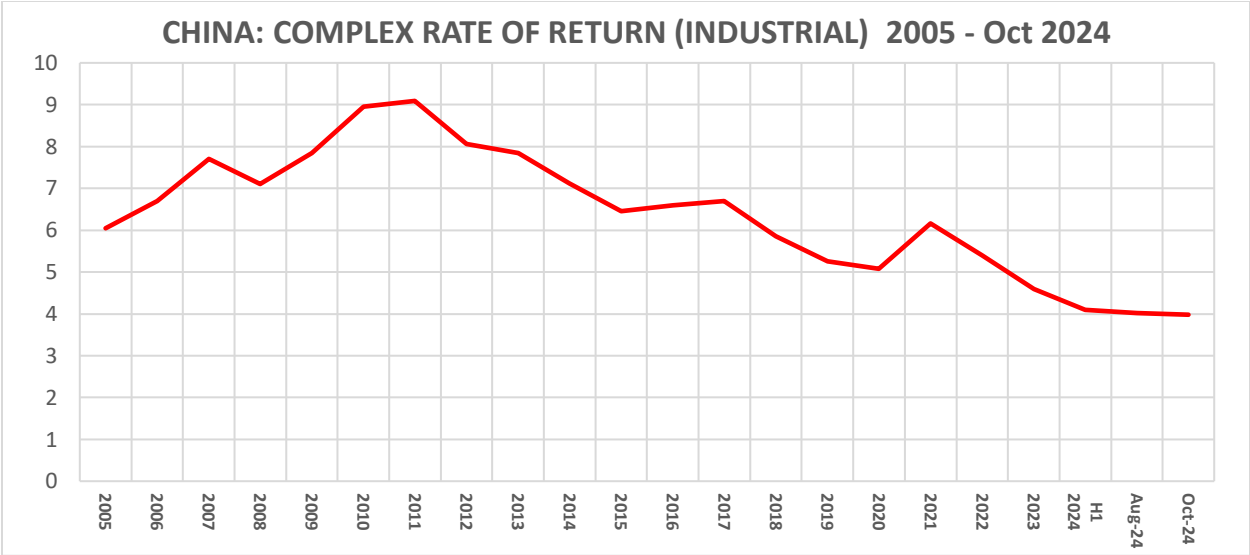
What is the consensus above. Sustained growth in 2025 with A.I. at the helm. Seems they are not up to date with the growing evidence that A.I. is a sophisticated mimic, really a pattern recogniser, inflexible and intolerant of modified instructions. No longer cast as an unlimited system but now seen to be limited. Good for interpreting X-rays but not so good for navigating the rough and tumble in the market. And certainly not good enough to deal with the complexity of the global political economy. Investors beware!

My view, starting with profitability. *

The scientific approach to any economy and its starting point, is to estimate its rate of profit which forms the motive of capitalist production while providing its compass. To begin, a methodological note: all rates

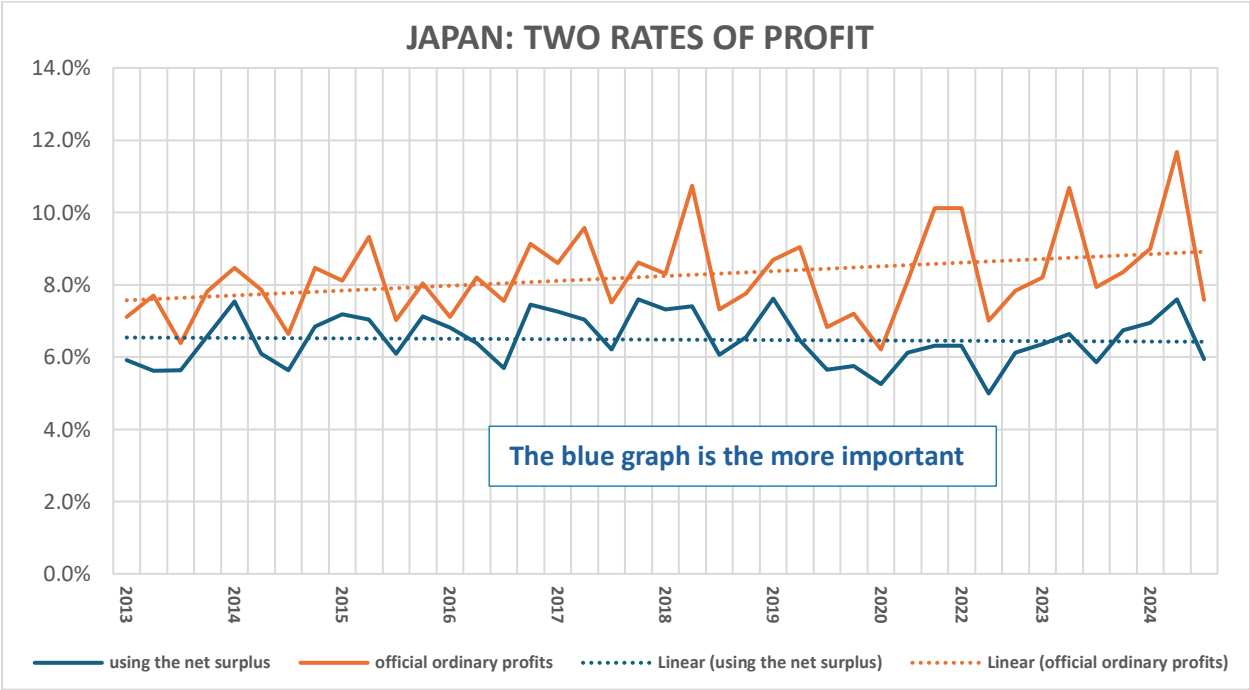
other than China are rates of profit based on fixed and circulating capital. This said, we will begin with China, which is the most consequential of all the rates, because China is the workshop of the world and its industrial Complex Rate of Return speaks not only to market conditions with China itself, but also to market conditions globally. Its depressed state reflects soft demand for goods not only in China but globally. Note the recent fall in China's rate of return this year is concentrated in the second half of the year. The fall since 2023 is over 10%. (The October figure represents the average from January to October.)

Graph 1.



The same recent fall is found in Japan. The more important graph is the blue one. The brown one contains financial profits as well as operating profits. It is included to show the importance of financial gains there.

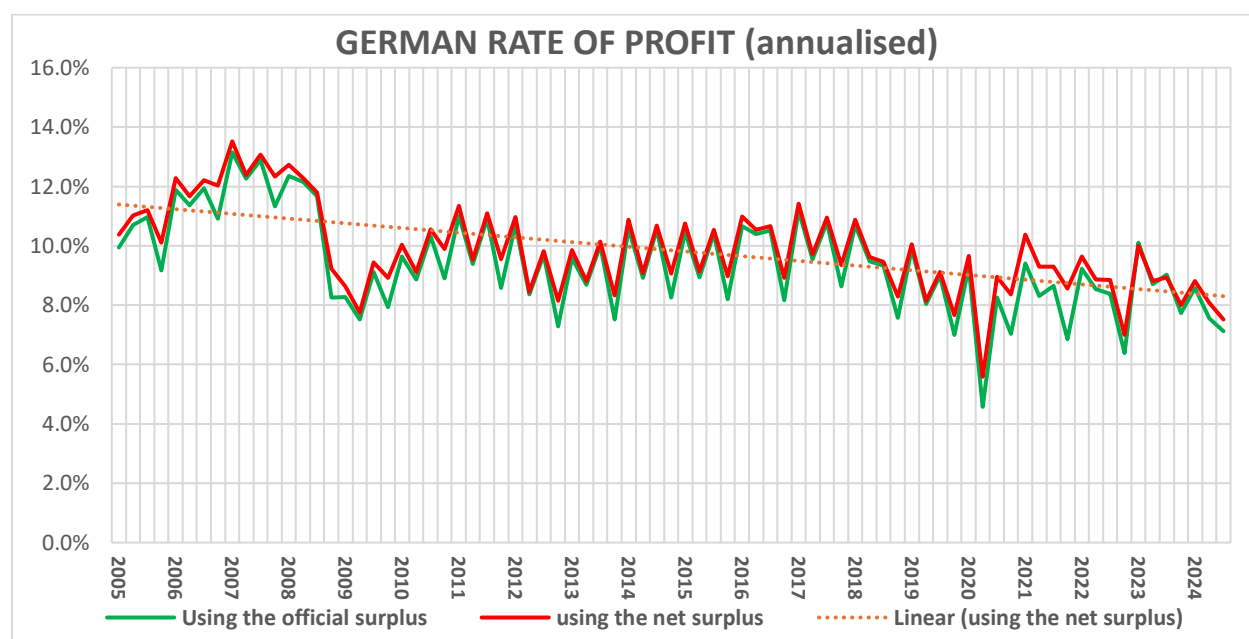
Graph 2.



(In the above graph I have removed some quarters during the pandemic as they are confusing.) The importance lies in comparing the current quarter to pre-pandemic 2019 when Japan skirted with recession. Compared to 2017 – 19 there is a reduced rate of profit in Japan, (blue graph).

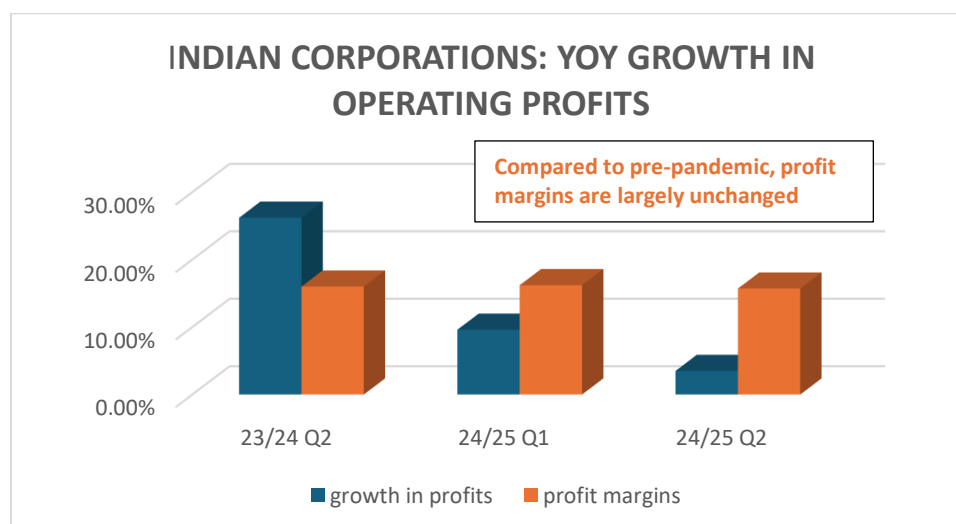
With Germany there is a clearer downward trend in its rate of profit. Germany is the weak link in the capitalist chain of large economies. Because of profits earned in China and by selling to China, profits peaked later in Germany than elsewhere at the end of globalisation, aka in 2017 rather than 2014.

Graph 3.



I was unable to find a rate of profit for India. What I did find was the yoy growth in profits which is decelerating sharply as can be seen in the blue bars. Within three quarters from 26.2% to only 3.5%.

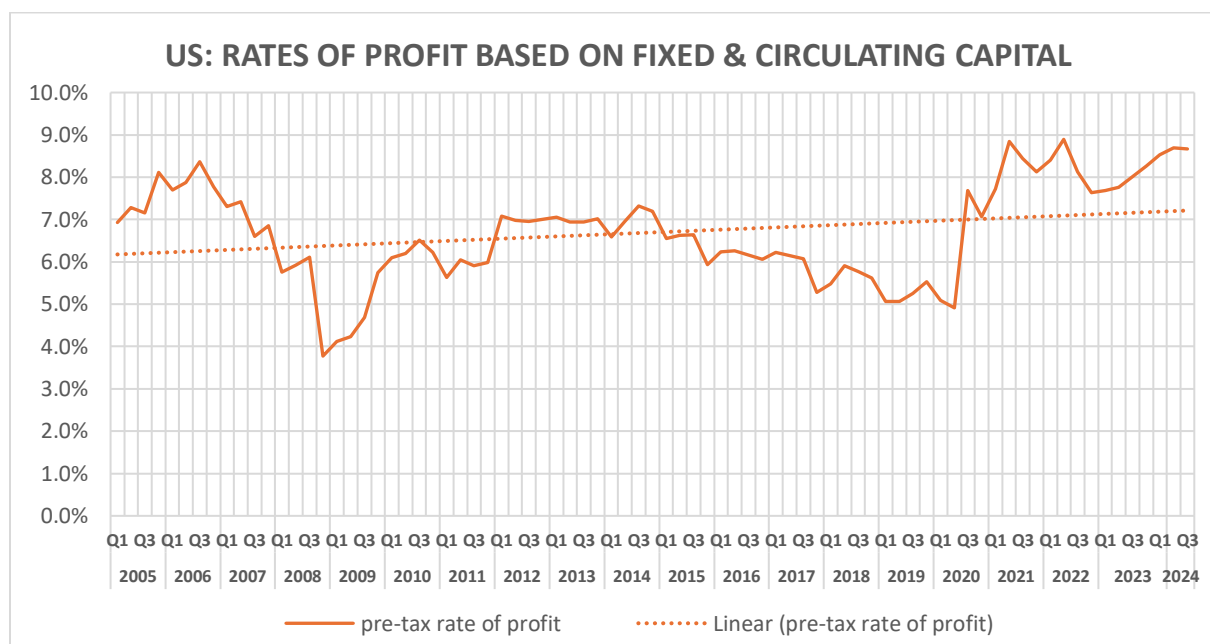
Graph 4.



(Source: [Reserve Bank of India](https://www.reservedata.org/))

Which brings us to the exception, the US rate of profit, buoyed by the super profits made by the Feisty Five monopolies, Amazon, Microsoft, Meta, Alphabet and Nvidia. (I exclude the has-beens Tesla and Apple.) With the A.I. boom the rate of profit for non-financial corporations has recovered from the dip in early 2023. This has fuelled the spectacular boom in share prices for selected companies resulting in US bourses dominating the global total. *“US equities now make up 70% of the MSCI World Index, which tracks the largest companies around the world, more than double the 30% level seen in the 1980s.”* This is primarily due to 8 of the 10 most valuable corporations being based in the US. This lofty valuations of US corporations are now being increasingly referred to as *“the mother of all bubbles.”*

Graph 5.



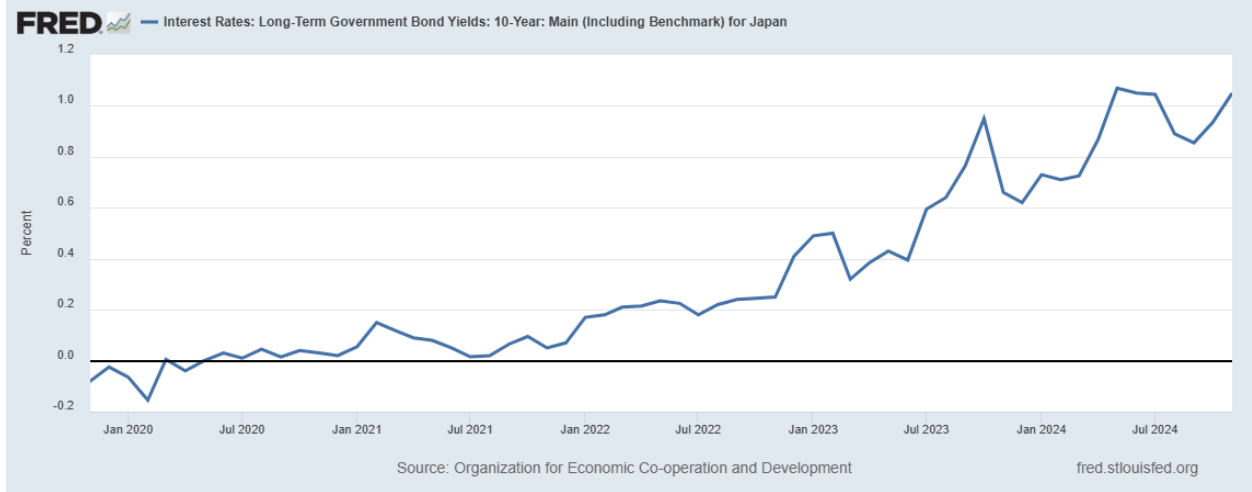
And when it bursts it will flatten the world economy as it almost did in 2008. But this time there is no China to come to the rescue. In fact, the opposite is the case, the weakening Chinese economy together with the impact of trade sanctions, is itself a needle threatening this bubble.

Look to interest rates.

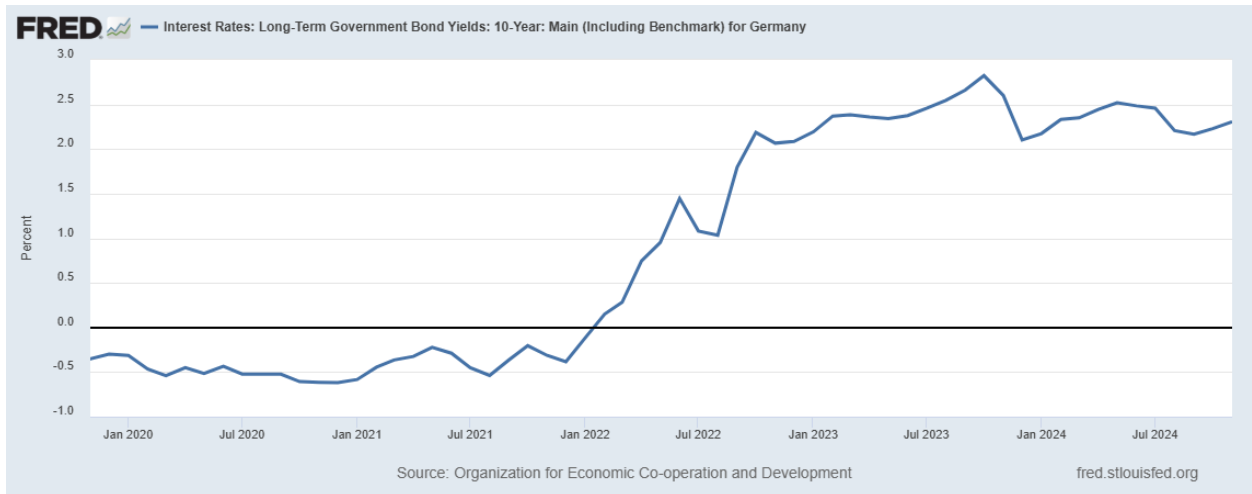
Interest rates are more predictive than share prices, especially the important 10-year rates. Share prices are more responsive to the next quarter's outlook rather than to the outlook a few years out, whereas long term interest rates assess risk going into the future. In examining and evaluating the graphs below it is important to bear in mind their range. Japan's is about 1%, Germany's about 2% and in the case of China it has fallen below 2%. This means that in Japan and Germany inflation adjusted rates are negative and positive in China and the USA. Although China's 10-year yield is well under half of that found in the USA, it must be borne in mind that China is in deflation whereas the US is in an inflation of around 2%. That makes up a difference equal to 2.5% more or less aligning US and Chinese real rates.

However in terms of trends, the US rate is rising while China's is falling. In Japan rates are rising while they are flat to falling in Germany. Currently only the US looks likely to sustain a higher nominal rate of interest. Only in the US are nominal long term rates above 4% and holding there.

Graph 6. (Japan)



Graph 7. (Germany)



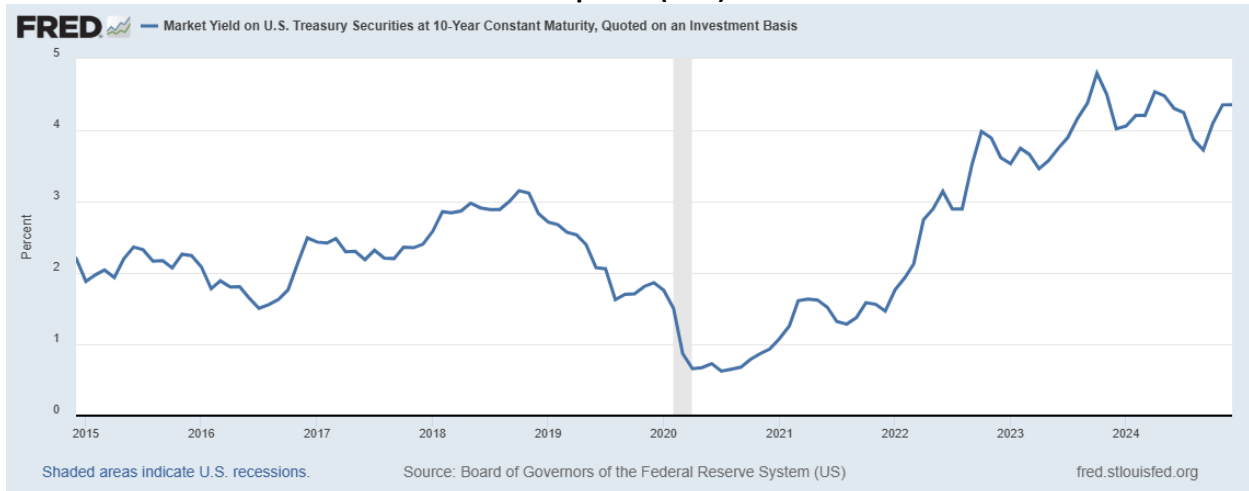
Graph 8. (China)



Graph 9. (India)



Graph 10. (USA)

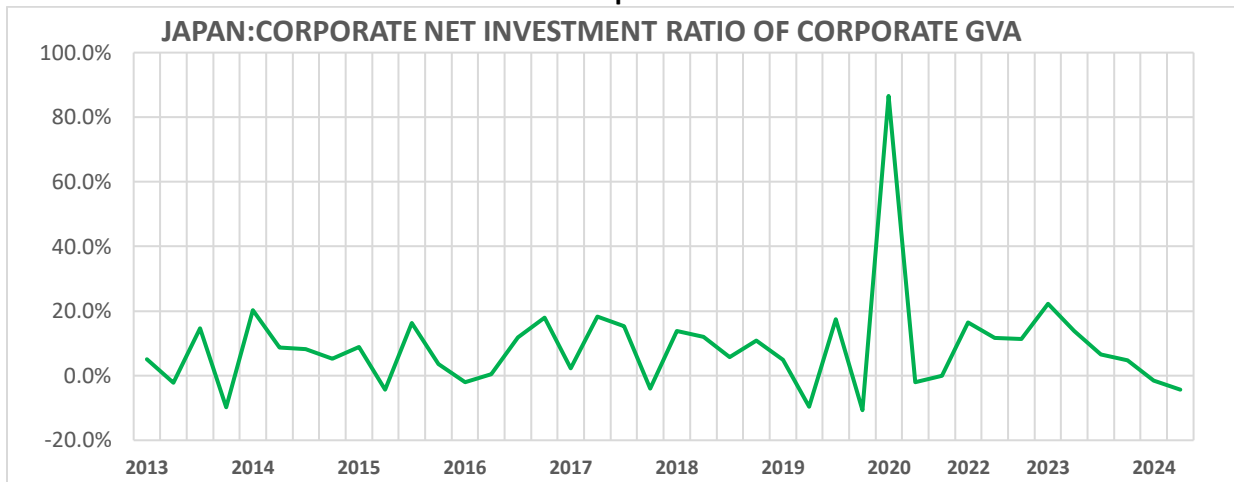


Latterly with the exception of the USA, though this may be temporary, yields have been falling. This is due to a flight to safety especially in China now that more bonds are being backed by the central government. In a buyer's market for bonds, the price of the bond is driven up by rising demand. As yields are based on the current market price, rather than the issuance price, yields differ from the actual interest rate on the bond. The corollary is that falling interest rates is associated with falling prospects for the global economy. By adding in falling money supplies, they adds up to a recessionary forecast.

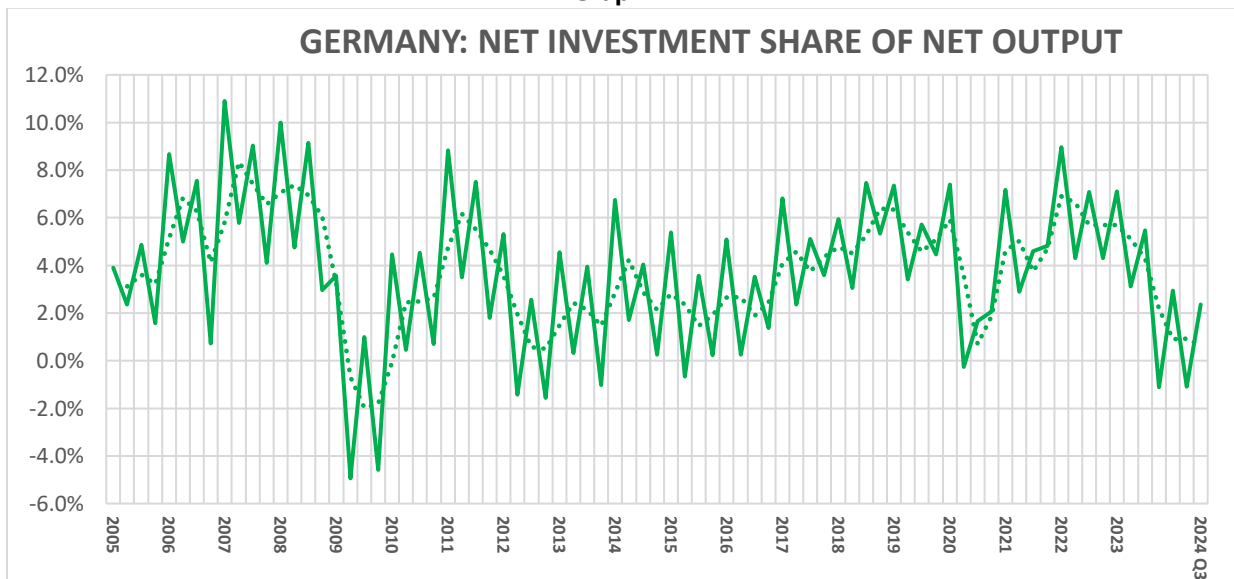
Falling profits are a barrier to investment.

The relation between profits and investment is not an association but cause and effect. Falling profitability results in falling investment. That said we can now examine investment trends in the five countries. Unfortunately due a lack of quarterly data in the US I have had to use non-residential fixed investment as a share of GDP. I would have preferred to use non-financial corporate investment, but this data is only provided annually. Of the five countries examined, Japan, Germany and China show falling rates of investment. With India it is too early to conclude whether the recent six month fall in investment will endure, though this is likely. Only in the USA do we find investment rates stable in line with profits to date.

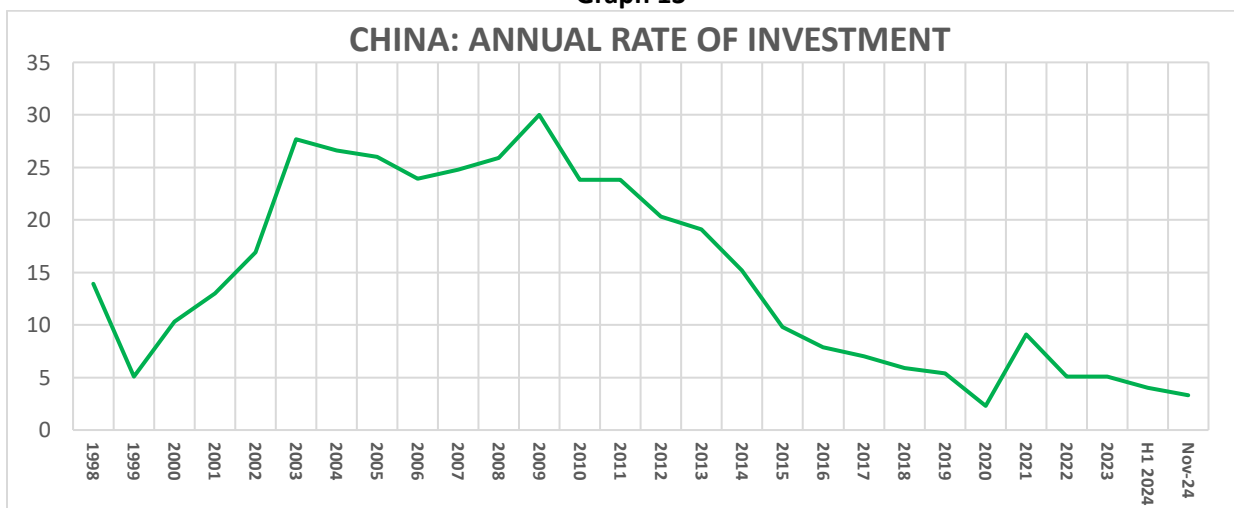
Graph 11.



Graph 12.



Graph 13

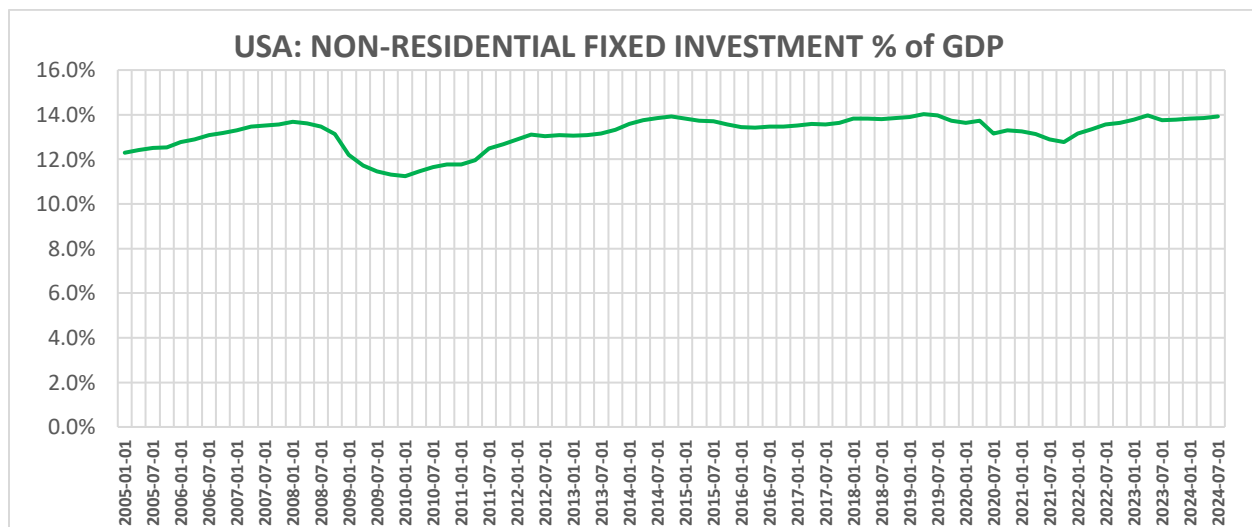


Graph 14. (India)

Gross Fixed Capital Formation in India decreased to 15130.38 INR Billion in the third quarter of 2024 from 15206.25 INR Billion in the second quarter of 2024. Gross Fixed Capital Formation in India averaged 7444.59 INR Billion from 2001 until 2024, reaching an all time high of 15701.94 INR Billion in the first quarter of 2024 and a record low of 2021.90 INR Billion in the first quarter of 2002. source: Ministry of Statistics and Programme Implementation (MOSPI)



Graph 15.

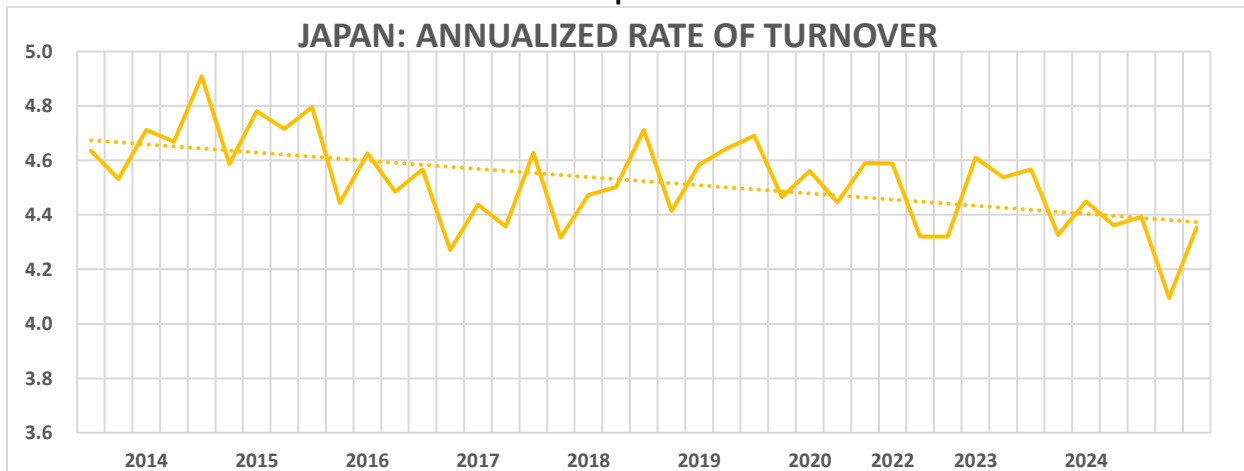


The rate of turnover.

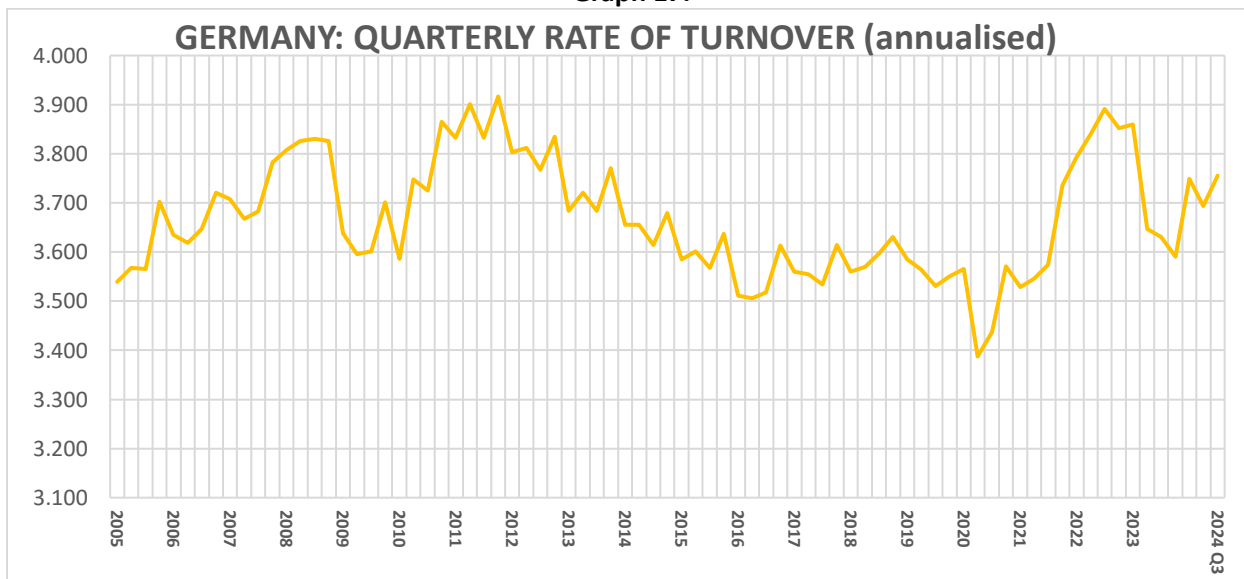
Investment and the rate of turnover are intimately linked. For two reasons, the first technical the second market related. Firstly, fixed investment has the purpose of raising productivity which inter-alia involves shortening the production period and the distribution period. Secondly, fixed investment stimulates demand because more revenue is converted into capital instead of lying idle. Visibly this means more capital is spent employing means of production and workers.

As we will see the evidence is mixed. (I was not able to construct a graph for India.)

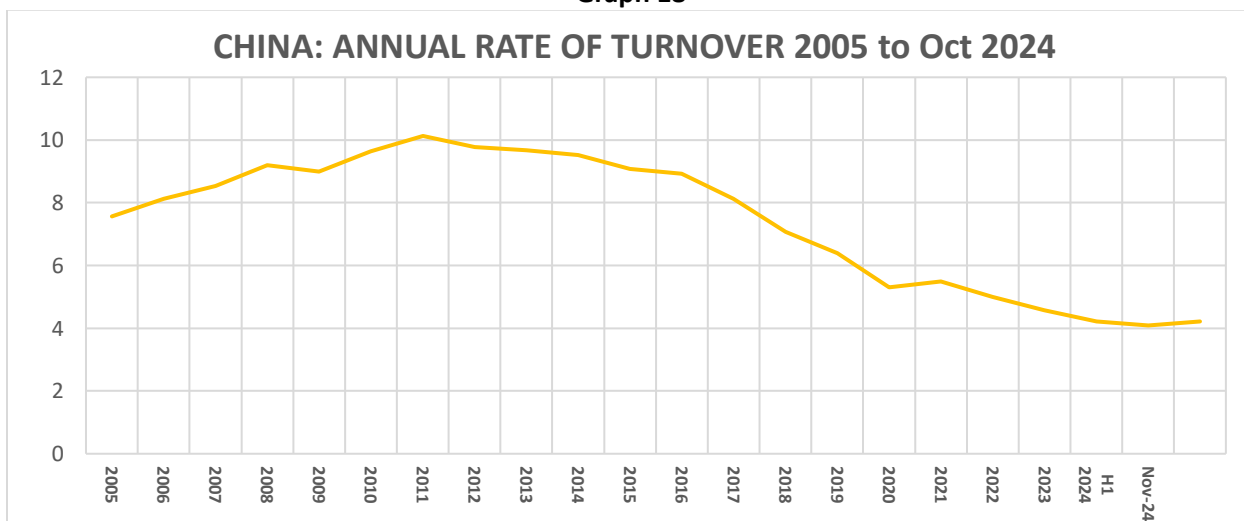
Graph 16.



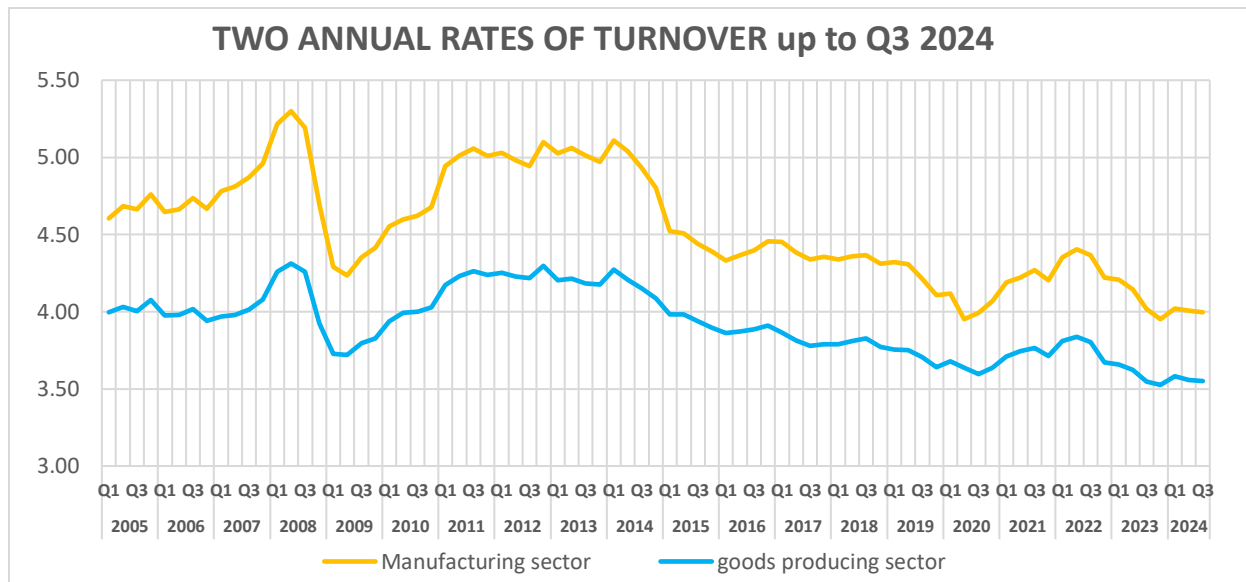
Graph 17.



Graph 18



Graph 19.

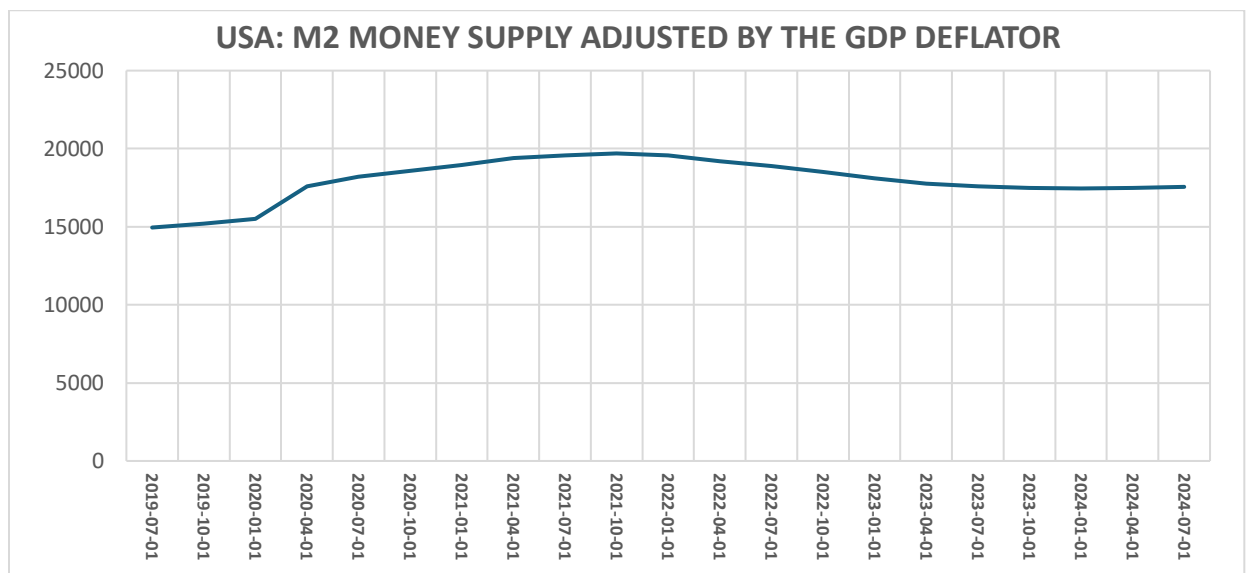


Only Germany, the weakest country of the five, shows a rate of turnover above 2019. Without further research I am unable to determine why Germany is the aberration. In all the other cases, turnovers are now below their 2019 levels, the year the world economy skirted with recession. In the case of the 'resilient' US, the fall is about 5%. In terms of retail turnover, the fall is even greater in the USA.

Money supply.

Its worth repeating falling turnover and a falling money supply together are a big negative for the prospects of the global economy. And indeed we find money supply either contracting or growing below the rate of inflation in most cases.

Graph 20.



And this Table from the *Bank of Japan* showing money in circulation falling.

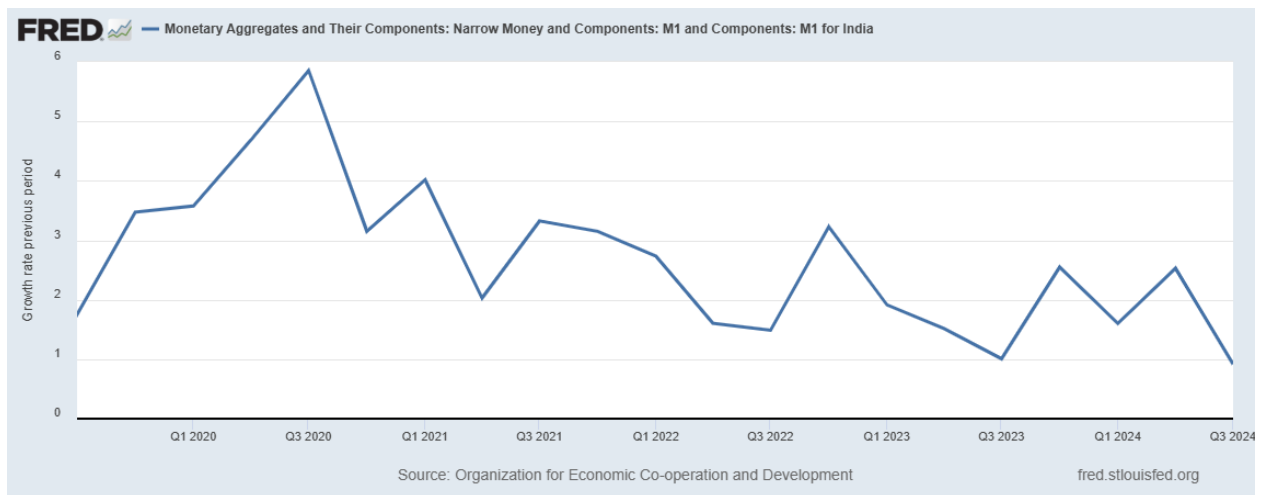
Table 1.
マネースtock速報（2024年11月）
Money Stock (Preliminary Figures for November 2024)

(特に断りのない限り平残前年比伸び率、単位・%)
(Percen changes from a year earlier in average amounts outstanding, unless otherwise noted)

年・期・月 Year, quarter, or month	M2		M3		M1			準 通 貨 Quasi- money	C D Certificates of deposit (CDs)	広 義 流動性 L	同季調済 前期(月)比 年 率 (a)	
	同季調済 前期(月)比 年 率 (a)	同季調済 前期(月)比 年 率 (a)	現金 通 貨 Currency in circulation	預 金 通 貨 Deposit money								
2022	3.3	-	2.9	-	5.6	3.0	6.0	-2.3	4.7	3.8	-	
2023	2.5	-	2.0	-	4.2	1.1	4.6	-1.6	-13.5	2.5	-	
2023 / 4-6	2.6	2.9	2.1	2.1	4.4	1.3	4.8	-1.7	-12.2	2.5	2.5	
	7-9	2.4	2.3	1.9	1.7	4.2	0.8	4.6	-1.5	-16.7	2.1	r 1.7
	10-12	2.3	1.9	1.7	1.5	3.9	0.2	4.4	-1.7	-14.1	2.0	1.6
2024 / 1-3	2.5	2.9	1.8	2.0	4.0	-0.4	4.5	-1.9	-11.8	2.1	r 2.5	
	4-6	1.8	0.3	1.3	-0.1	3.0	-1.2	3.5	-0.6	-26.9	3.1	6.6
	7-9	1.3	0.3	0.8	0.0	2.1	-2.1	2.7	-0.5	-23.5	3.2	r 2.2
2023 / 10	2.4	1.9	1.8	1.6	4.1	0.4	4.6	-1.4	-18.8	2.0	1.9	
	11	2.3	1.8	1.7	1.3	3.8	0.2	4.3	-1.7	-12.9	1.9	1.4
	12	2.3	2.0	1.7	1.4	3.8	-0.1	4.3	-2.0	-9.9	2.0	1.6
2024 /	1	2.5	3.7	1.8	2.8	3.9	-0.3	4.5	-1.9	-10.2	2.2	r 4.2
	2	2.4	2.5	1.8	1.5	3.9	-0.4	4.5	-1.9	-12.9	2.1	r 2.3
	3	2.5	4.0	1.9	2.7	4.0	-0.6	4.6	-1.9	-12.4	2.0	1.1
	4	2.2	-0.7	1.6	-0.8	3.6	-0.8	4.2	-1.0	-27.1	2.7	11.9
	5	1.8	-1.7	1.3	-1.9	2.8	-1.2	3.3	-0.3	-26.6	3.4	9.0
	6	1.5	-1.7	1.0	-1.7	2.5	-1.5	3.0	-0.6	-26.8	3.2	1.5
	7	1.5	1.9	1.0	1.5	2.4	-1.9	2.9	-0.4	-26.0	3.3	2.2
	8	1.3	0.6	0.8	0.2	2.2	-2.1	2.7	-0.6	-24.0	3.2	0.2
	9	1.2	0.7	0.7	0.4	r 1.8	-2.2	r 2.3	-0.4	-20.4	r 3.1	r 0.7
	10	1.2	r 1.5	0.7	r 1.0	1.5	r -2.5	r 2.0	0.2	r -20.0	r 3.1	r 2.3
	11	1.2	2.1	0.7	1.8	1.4	-2.6	1.8	0.6	-20.5	3.2	2.1

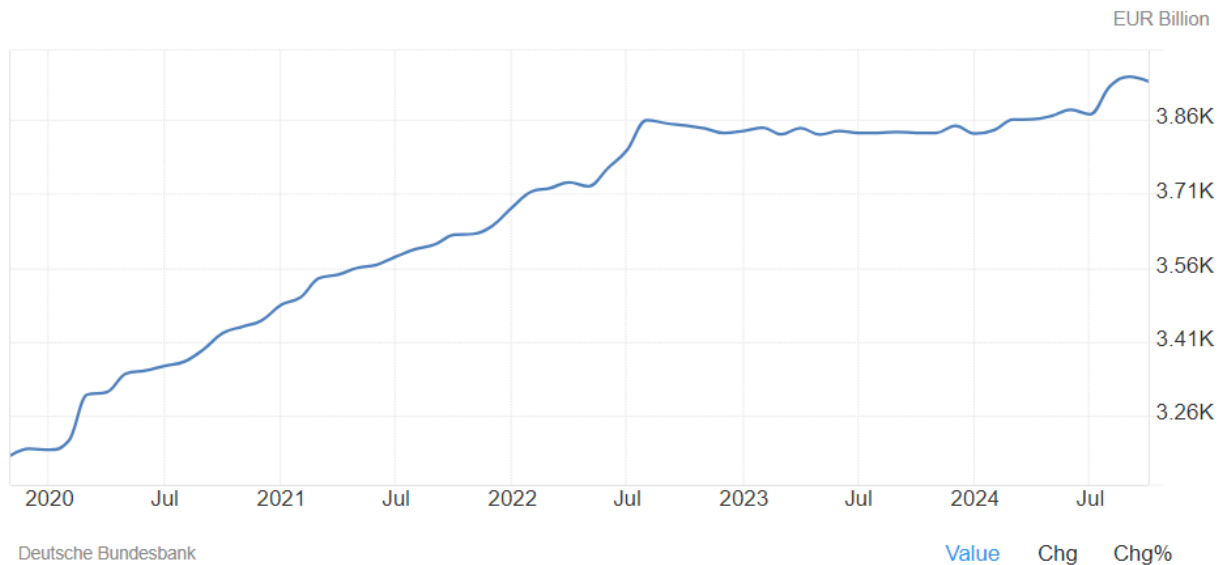
And this from India, where the trend in their money supply is downwards.

Graph 21. (India)



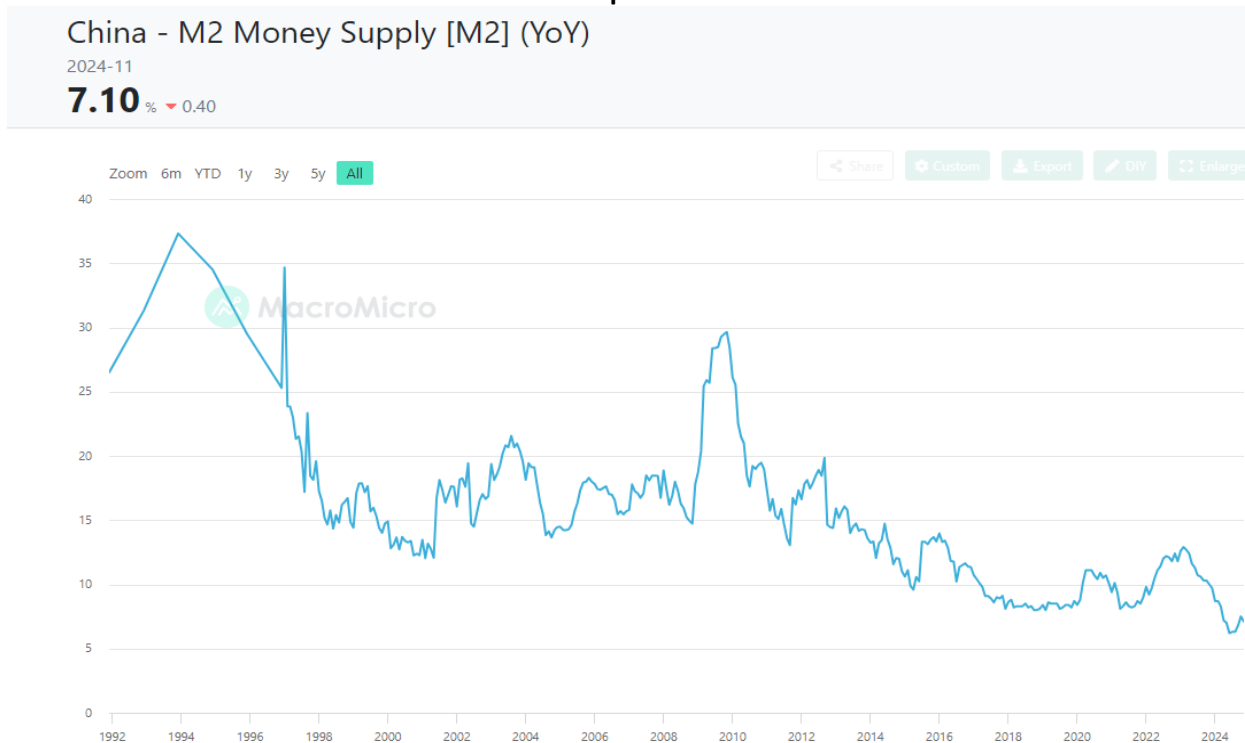
And this from Germany. Here we find an inverted hook coinciding with the exceptional rate of turnover found in Graph 17.

Graph 22. (Germany)



And finally from China. For China I have used a longer time perspective to show how the slowing economy has impacted the money supply. Remember that ten years ago the economy was growing at 10% p.a.

Graph 22.

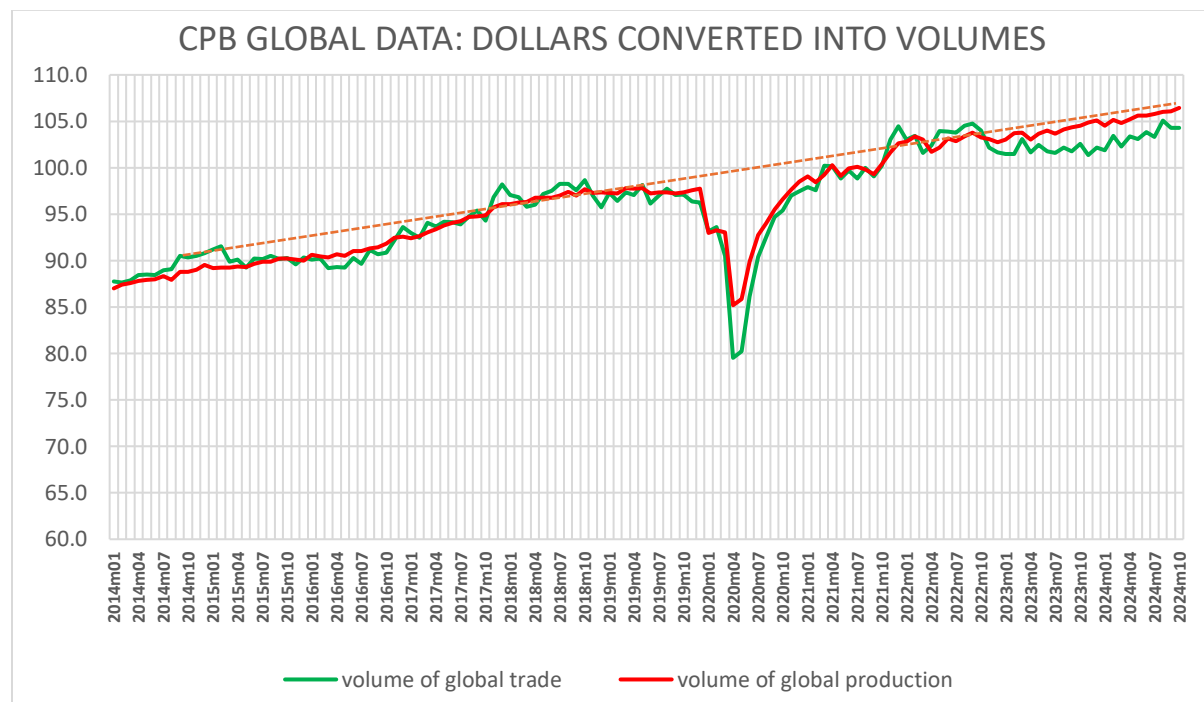


To sum up. A pattern, with the possible exception of Germany emerges, which is a significant deceleration in the money supply if not outright fall. In the US at least, the previous four contractions in the money supply heralded a recession. Thus this emerging pattern is associated with recessionary conditions.

Global Trade and Production.

I will begin with the authoritative [CPB Global Trade Monitor](#). The latest report covers the period up to October. Here is the moving quarterly summary which they term [World trade momentum](#). It was 1.1% (non-annualised; 0.8% in September, unchanged from initial estimate.) World industrial production momentum was 0.5% (non-annualised; 0.5% in September, initial estimate 0.6%).

Graph 23.

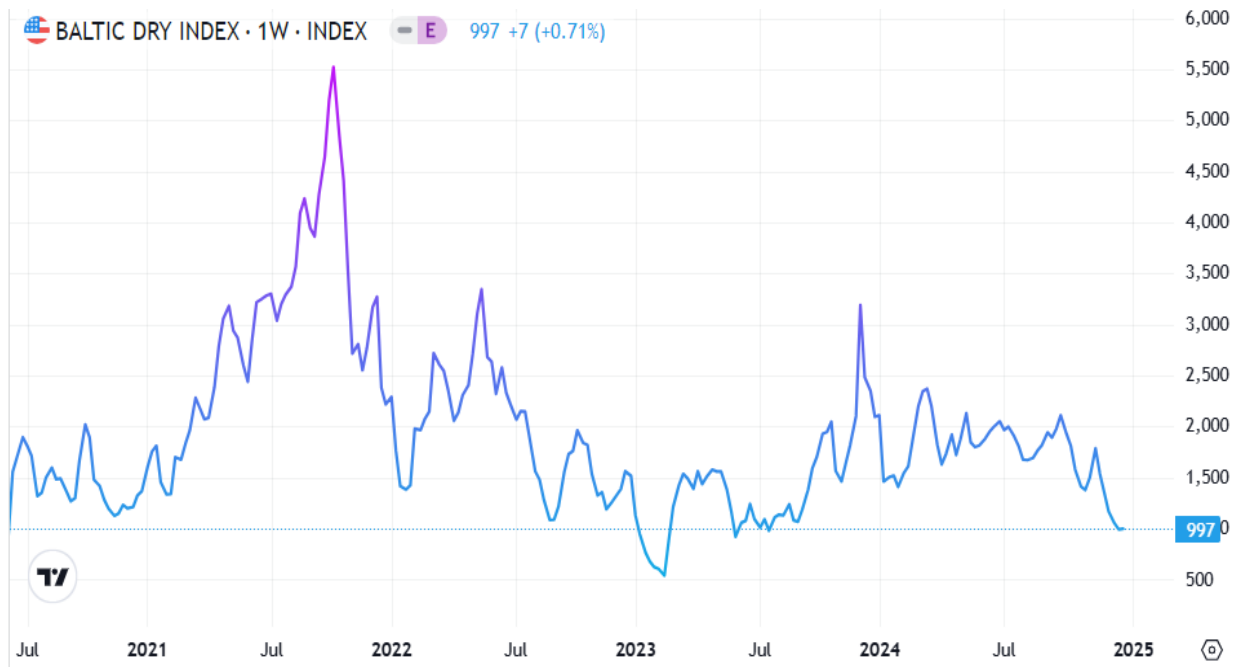


In evaluating this graph it is necessary to understand the methodology employed by the CPB. First it deflates production in local currency and then converts it into dollars. Similarly with trade. Here lies the problem. Over fifty percent of global trade is invoiced in dollars. With industrial production it is far less, likely only within North America. This means that any dollar appreciation or depreciation is likely to bias production volumes more than trade volumes making comparisons tricky. Nonetheless it is likely that trade has fallen behind production in line with a fracturing world economy.

Notwithstanding the current data Maersk the world's second biggest shipping line expects a better 2025. "[Maersk \(MAERSKb.CO\)](#), expects global trade growth rising as much as 7% next year, bolstered by strong demand from the United States." [FreightWaves](#) is not so sure: "Uncertainty means slow growth is likely as a general trend until policy becomes clearer. The risk for sharp swings in either direction remains high. For many companies, it will be like driving in the fog. Vigilance and visibility will be crucial for avoiding running off the road and being able to hit the accelerator when the time is right."

So too the bellwether Baltic Dry Index which covers non-oil non-container shipping traffic. It has hit pandemic lows. Since October the same applies to Wet Indexes.

Graph 24



(Source: [Trading Economics](https://tradingeconomics.com/baltic-dry-index))

Tariffs which interrupt global competition raises cost prices by depriving capitalism of least cost options while hemming in economies of scale. In addition it raises cost prices by duplicating supply chains. For example TSMC can produce microchips 30% cheaper in Taiwan than it can in the US due to its supporting infrastructure being based in Taiwan. Generally, tariffs leads to deflation in exporting countries and inflation in importing countries where tariffs apply.

The key question is how will this affect surplus value? If the rate of exploitation is held steady in both countries then realized profits will rise in the country with inflation and fall in countries with deflation. This is counter-intuitive but would be the case were the rates of exploitation to remain unchanged. However this is unlikely to be the case. In the deflating country the price of labour power would fall and in the inflating country it would have to rise, thereby impacting rates of exploitation. In general there would be a fall in the global mass of profits because of the effect on average cost prices.

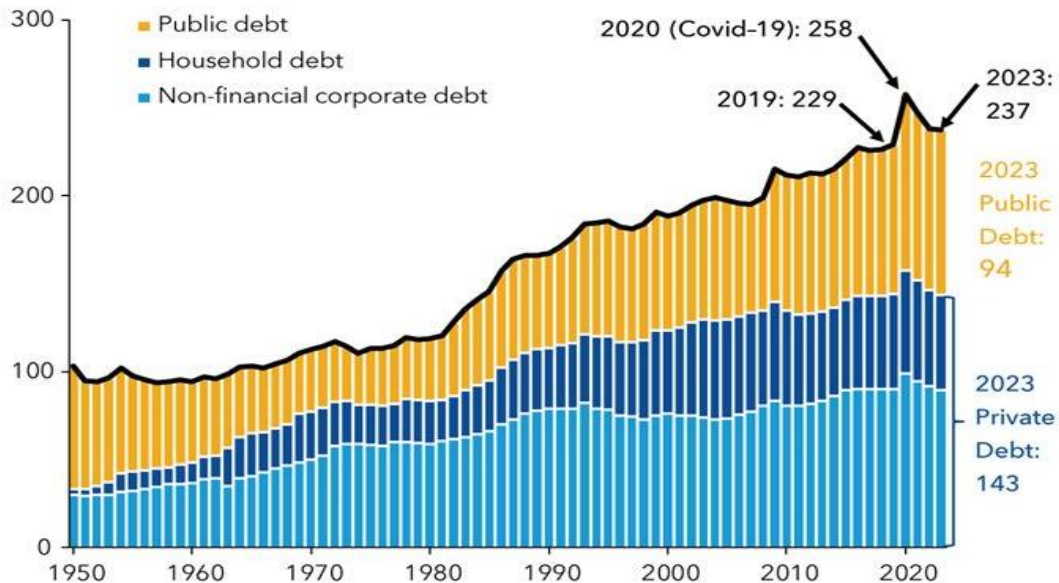
Global Debt.

[The IMF's latest debt analysis](#) supports my case outlined in this article. Global private debt actually fell in 2023, the most recent annual figure, as can be seen in the graph below. The reason given by the IMF is: *"Empirical analysis points to low growth prospects as the main driver of the fall in private debt in 2023."* And: *"The role of deteriorating growth prospects in the decline of private debt is a reminder of the unfortunate combination of high debt and low growth that heightens the challenge of balancing the fiscal equation."* Well said. It's important to note the IMF does not attribute this to the normalisation of conditions following the pandemic, their prognosis is forward looking not backward looking. Reading the tone of the report it is like a doctor lecturing their patient to stop smoking, pointing out how it is ruining their health and shortening their life, but knowing their words will have no effect.

Graph 25.

Global debt declined in 2023

In percentage of global GDP



Sources: IMF 2024 Global Debt Database, and IMF staff calculations.
Note: The estimated ratios of global debt to GDP are weighted by each country's GDP in US dollars.

IMF

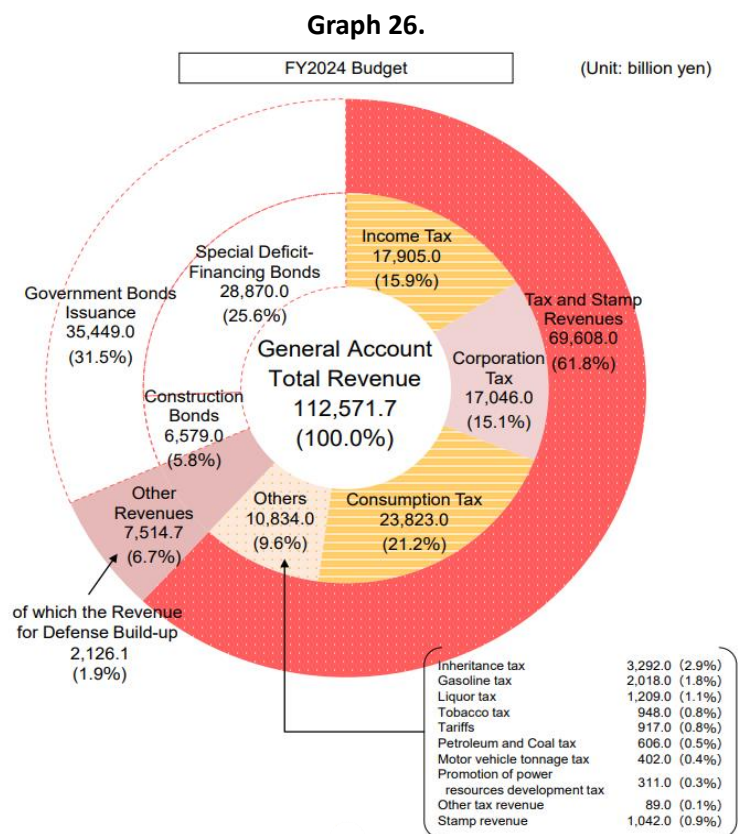
On the other hand the IMF is not so complacent about Public Debt which they say is underestimated, and reading between the lines, out of control. *"There are good reasons to believe that future debt levels could be higher than currently projected."* *"Deficits are high, and global public debt is very high and rising, projected to go above \$100 trillion at the end of 2024. If it continues at the current pace, the global debt-to-GDP ratio will approach 100 percent by the end of the decade, rising above the pandemic peak. Indeed, public debt is higher and projected to grow faster in about one-third of the countries covered by World Economic Outlook projections, but they represent more than 70 percent of world GDP".* And: *"In most countries, fiscal adjustments currently in the pipeline are insufficient to deliver, with confidence, stable or declining public debt ratios. Additional efforts are necessary. Delays are costly and risky,"* And the rotten cherry on top of the sodden cake is the arms race taking place. Such a pre-war arms race has never taken place amidst such government debt.

Fiscal deficit may raise debt, but it is also a driver of GDP. The IMF's prescription for stabilising debt is so severe it would stall economic output. *"Cumulative fiscal adjustment of 3.0–4.5 percent of GDP, on average, is needed to stabilize or reduce debt with high probability."* It is also *"almost twice the size of past adjustments,"* In non-IMF jargon the world economy is snookered or cornered. Or to use IMF jargon 'Debt-at-Risk' is elevated. Three-year-ahead debt-at-risk is estimated at about 134 percent of GDP for advanced

economies and 88 percent for emerging market and developing economies. This makes it likely that a financial crisis will break out in advanced capitalist countries, I include China in this, rather than in indebted developing markets.

This is the consequence of repressing interest rates since 2008, suppressing recessions and failing to purge debt. The key take-away is this, the IMF despite its GDP projections, admits to the weakness of the global economy, but despite this admitted weakness it is calling for fiscal adjustments twice as severe as in the past. It is clear the world economy is on an unsustainable course and cannot afford a Trump.

2025 is likely to be the year when the debt chickens come home to roost. In the USA there is a peak in corporate and other loans maturing. [Chapter 11 corporate defaults](#) have already surged this year, credit card defaults have risen to levels last seen in the financial crisis. Next in line are car loans. In China we have seen how the central government has had to rescue local government debt, and now there is increasing talk they will have to recapitalise their large banks due to a surge of bad loans not only in the property market but outside of it. Are we about to see Quantitative Easing with Chinese Characteristics soon? In Germany the government has fallen primarily because the government is bankrupt, not that this has stopped it sending aid to Ukraine. Japan is of course in a league of its own with [tax revenue](#) covering only two thirds of expenditure as the graph below shows. Once again this does not stop the Japanese government spending 7% of GDP on its military. The report admits this deficit is an increasing burden on future generations. Could this explain the low birthrate in Japan?



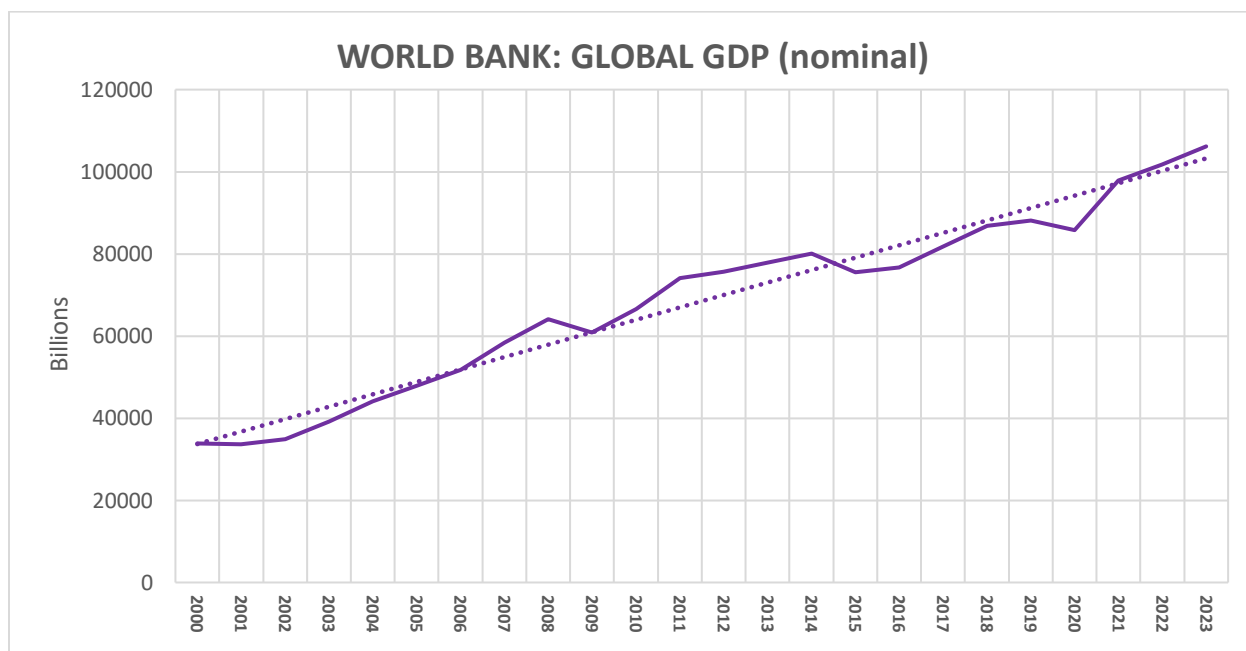
It is clear that the debt-can can no longer be kicked down the road any longer, simply because the road has run out.

Outlook and Conclusion.

It is worth repeating a comment I made on Michael Robert's Blog where I rejected *Kondratieff's Long Wave Theory*. I did so for one reason. It is normally posited as a wave of regular proportions or dimensions through time. This cannot be. History is not a metronome. Capitalism continues to revolutionize production, or put more scientifically, it displaces labour by machines and equipment driving up productivity. The more the techniques of production advance, the more speedily the technical composition of capital is elevated. This implies that the long waves should be shortening, but there does not appear to be any evidence to support this.

There is evidence however to support this effect on the business or industrial cycle or inventory cycle. This is the cycle Marx and Engels subscribed to and the one precipitating repeated recessions. In the graph below this cycle is brought out by the comparison of annual GDP set against trend. Here we find four troughs. 2001-2002, 2009, 2015-2016 and finally 2019-2020. The first gap is 7 years from 2002 to 2009, the second is 6 years from 2009 to 2015, and finally, 4 years from 2015 to 2019-20. On this basis we can expect a recession in 2025. In fact according to the data this deceleration may have begun in H2 2024. This is why I find analysing the industrial cycle to be more consequential than the longer waves.

Graph 27.



This is not dismiss longer term perspectives. For example I define the period of globalisation or prosperity from 1996 to 2016 as a distinct twenty year period which encompasses three industrial cycles. Indeed without understanding and analysing this period the nature of the cycles within it are themselves difficult to explain. 1996 is when the scale of Asian exports became sufficient to elevate the rate of profit in the West, and 2016 is when the final structural change to global investment following the collapse of global profitability in 2013-4, took place.

Moving on. There are two perspectives in place. Firstly that the S&P 500 and NASDAQ 100 are pointing to a renaissance for US capitalism under the tutelage of A.I. But If this was true we could expect the same in

China were the pace of innovation and efficiencies leaves the US in the dust. But this is not the case. There could of course be another factor in play, namely that US investors believe the US will triumph over China with the winner taking all. That thirty odd US multi-nationals will once more dominate the global economy, and it is this additional factor which is enthusing US investors.

The other perspective is that A.I. is merely masking over what is going on in the US and world economy. That it is giving a false sense of security and prosperity. And by providing this false positive it is in fact a negative, because by allowing the markets to extend their gains, it makes a greater fall more likely.

I am drawn to the second view. Consider the internet. It created new companies and new uses, but its real worth lay in connecting imperialism to hundreds of millions of low paid workers in Asia. It was this enlarged pool of surplus value engorged by much higher rates of exploitation which ushered in the period of prosperity for imperialism commonly known as globalisation.

What does A.I. potentiate. It potentiates on the one hand a fall in the number of profit producing workers and on the other a benefit derived from reducing the number of unproductive workers. Depending on the balance, A.I. could raise the rate of profit, or cause it to fall. Its benefit is within country rather than between countries as happened twenty years ago. Whatever the case, the A.I. benefit will fall short of the benefit provided by the internet.

But there is another historical factor to consider. The export of capital to Asia, made possible by the internet devastated the industrial working class in North America and in parts of Europe. It created a rift in US society the consequence of which is MAGA and Trump today. But MAGA is unstable. Already a civil war has broken out in its ranks between the base and the oligarchs who manipulate it like Musk. And this has occurred before Trump has even been inaugurated passing laws which will hammer the working poor who voted for him. US society is brittle and unstable, can it take the shock of tens of millions of jobs lost to LLMs or A.I.? This is unlikely. However, the algorithms which run Wall Street cannot reason therefore deal with the contradiction between the lust for profit and the social upheavals it is about to produce.

It will be in 2025 that the first mass layoffs will occur. Already hiring in the US has ground to a halt. Over the course of two years I have consistently said that the first obstacle US bosses must overcome is workers fearful of losing their jobs conserving their spending thereby impacting demand. And this is happening though the extent is obscured except in corporate reports. The official figures do not capture the scale of the deterioration already in place in most corners of the economy. The official data presents a picture of moderate strength in housing sales when [on the ground evidence](#) speaks of builders having to offer anything from \$40,000 to \$100,000 discounts [to move unsold stock](#) especially in previous hot spots. The official figures present a picture of resilient car sales when on the ground evidence shows car lots [filling up with unsold cars](#) particularly the more expensive full option cars which car companies palmed off to buyers when supply was short. The same is true for the [smartphone market](#) which declined by 6% yoy in Q3 2024 and is likely to be even weaker in Q4. (We should not be confused by slightly stronger sales at the end of the year as much of that is buying product forward before the Trump tariffs kick in raising prices.) Thus generally there is softness rather than resilience.

And if this is true for the US market driven by stock market gains and burgeoning fiscal deficits then it is doubly true for all the other countries.

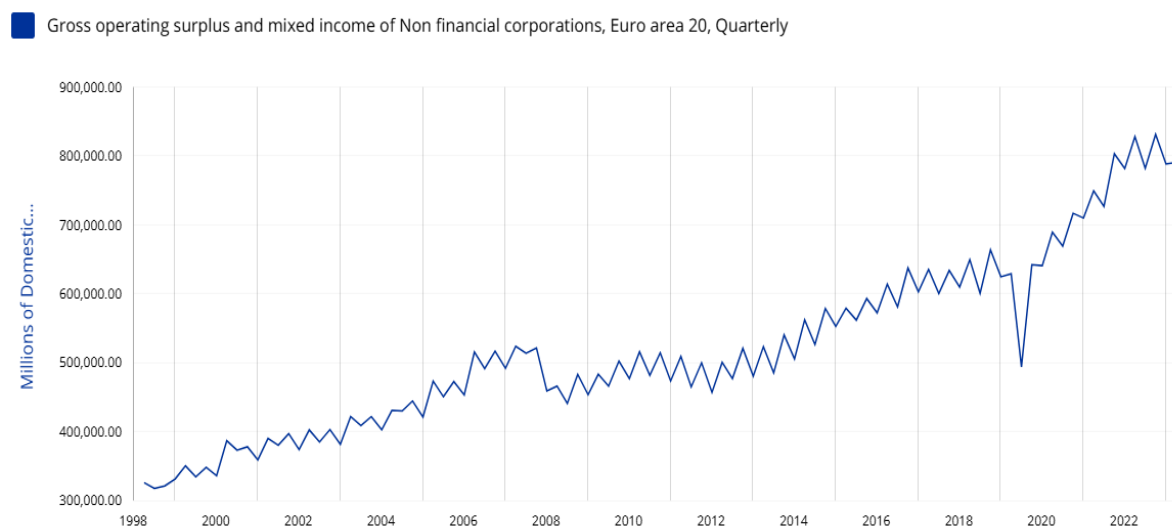
The other factor is the geopolitical current running against the USA. Splitting the world economy into two hemispheres is a double edged sword. The G7 is tired, and the US is trying to pillage it. It's never ending wars are also draining it. On the other hand the growing BRICS represent younger and more dynamic economies with more buoyant markets. In sum China is better placed to weather the storm especially since it is catching up to US technical levels if not overtaking it in more and more industries resulting in COMAC rising while Boeing is collapsing, and Huawei stretching its legs while Apple stumbles.

Based on the evidence I have provided and the most recent soft data I am predicting a recessionary 2025. Unlike 2008 this is a recession made in production not outside of it. In other words a regular recession. How deep it will be depends on what resources governments can mobilise to buffer the fall on the one hand, and on the other, whether it will precipitate a financial crash beginning on Wall Street which has enjoyed a speculative bubble even bigger than the one which blew up in 1929. It's the reason I delayed publishing this article until I could view Wall Street at the beginning of 2025 to see whether it would cast any light on a potential crash in the new year.

Of course the recession will have a differential impact on countries. The most vulnerable part of the world economy is the Euro Area and Britain. Germany has been trashed not only by losing access to cheap Russian gas but in addition, being squeezed out of the Chinese market by growing Chinese competitors being able to produce equivalent products more cheaply. Through Germany the whole of Europe has stalled. I have provided the last two graphs below to show the extent of this malaise. But both China and the US have their vulnerabilities too. Finally in the event of a recession, there are now no drivers to uplift the global economy as China once did in 2009. Given all these factors, barring a financial crisis, the recession is likely to make up for its shallowness by its endurance.

Graph 28.

ECB Data Portal, 29 December 2024, 17:12 CET

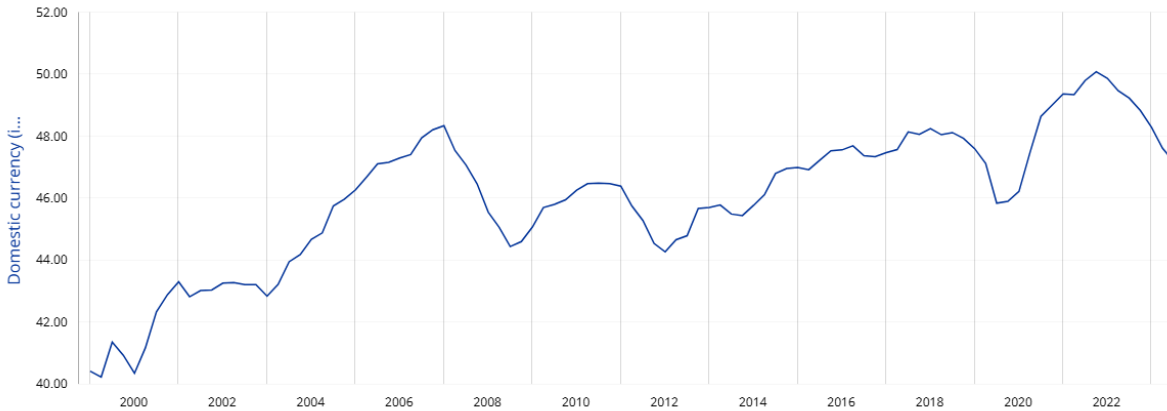


Source: Statistical Office of the European Commission (Eurostat)

Graph 29.

ECB Data Portal, 29 December 2024, 17:8 CET

■ Gross entrepreneurial income of Non financial corporations as a ratio of gross value added, Euro area 20, Quarterly



Source: European Central Bank (ECB)

EUROPEAN CENTRAL BANK | EUROSISTEM

<https://data.ecb.europa.eu/>

- I have chosen to examine China, the US, India, Japan and Germany as these top 5 countries represent at least 55% of global GDP. Were we to use PPPs the share would be even higher given that in terms of dollars, China's economy is undervalued. Whatever the case, analysing the five and extracting their trends provides powerful results for the entire global economy.

Brian Green, 3rd January 2025.