



# Briefing operations leaders

25 November 2024



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# Macroeconomic Outlook

# Annualised Rates of Inflation (CPI annualised %)

**Inflation target is in sight**



**United States**



**Eurozone**



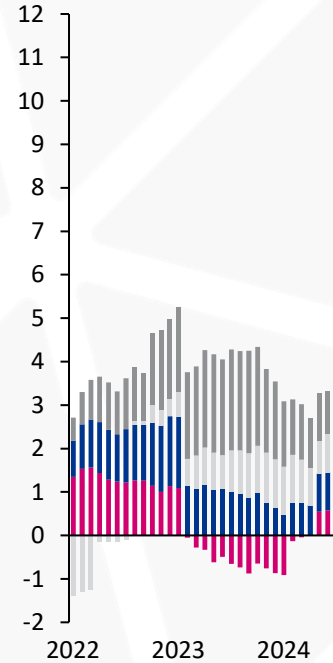
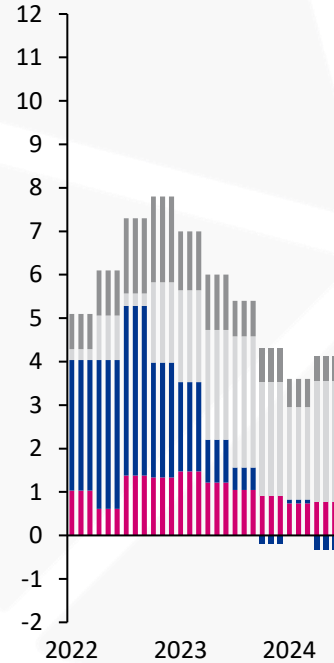
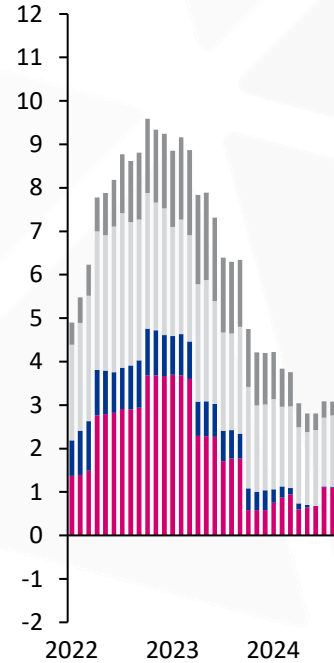
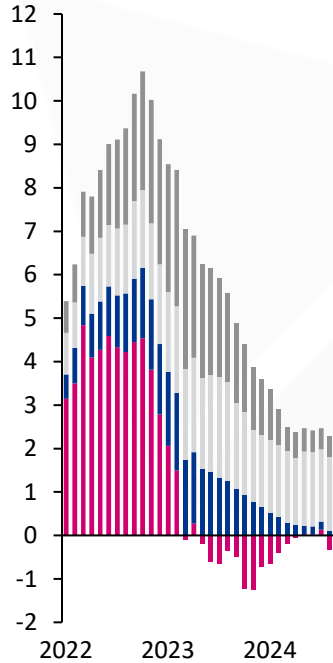
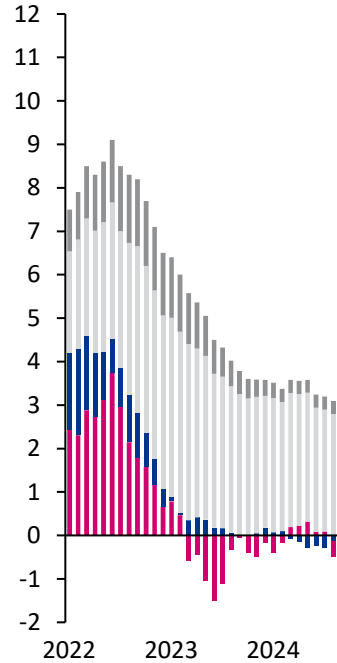
**United Kingdom**



**Australia**



**Japan**



Energy Goods Services Food

**Latest Inflation**



**2.6%**



**2%**



**2.3%**



**2.8%**



**2.3%**

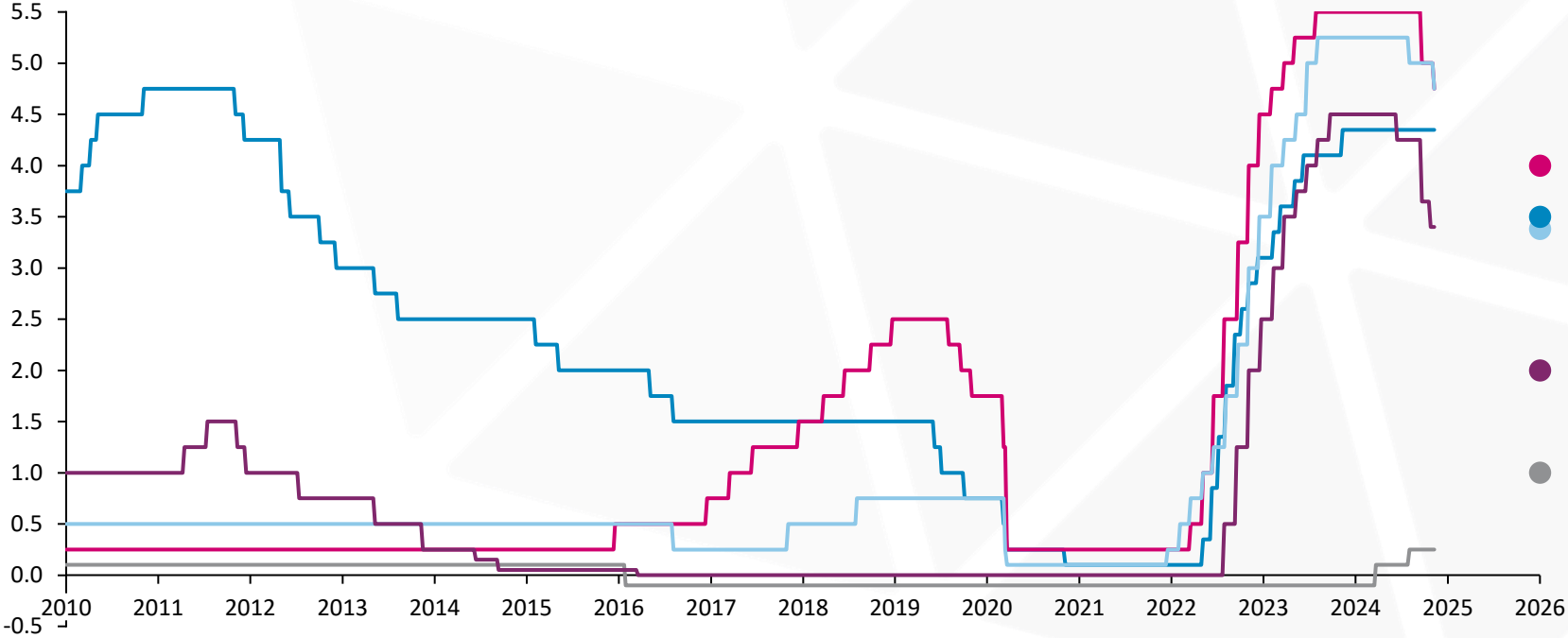
Source: Eurostat, ONS, Bureau of Economic Analysis, Australia Bureau of Statistics, Japanese Statistics Bureau & Statistics Center. CPIH used for the UK

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**As rate hikes turn to cuts...medium-term neutral rate is c.3%**

**Policy rates, historical since 2010 and forecast for 2026**



- 2026 forecast
- Australia Target Rate
- US Federal Funds Target Rate
- Japan Policy Rate
- UK Bank Rate
- Eurozone Main Bid Rate











Source: ECB, BOJ, US FED, BOA, BOE, FactSet – Broker Outlook

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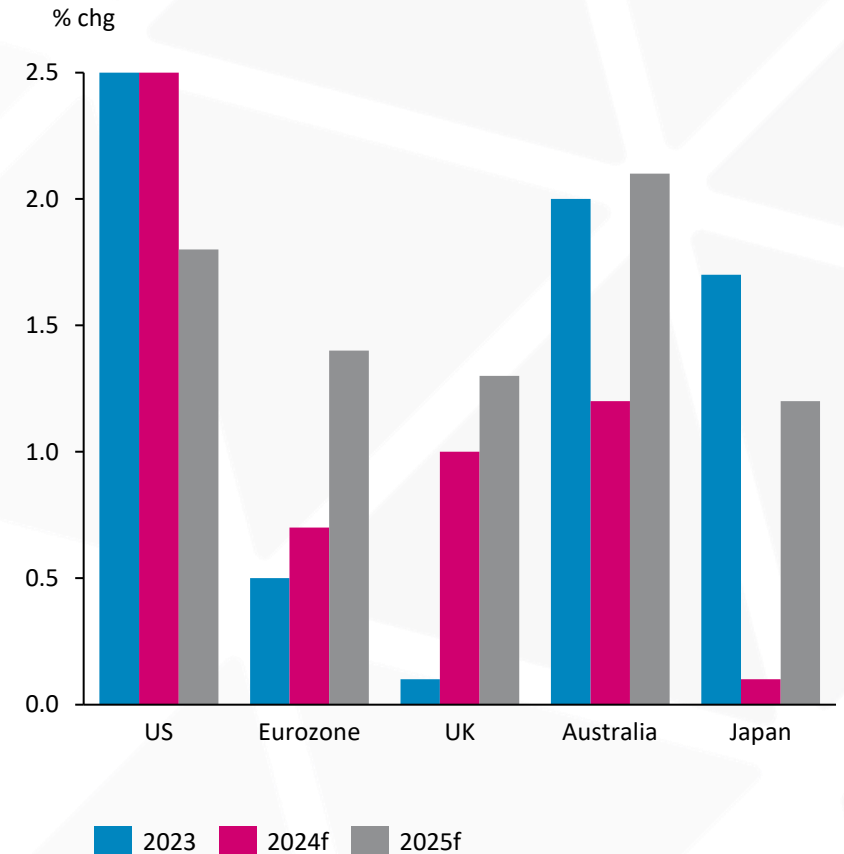


# GDP: The US leads the way and Europe turns a corner

## 2024 GDP Growth (% Change)

		Real	
	<b>Booming</b>	<b>2.5%</b>	
	<b>Tepid Recovery</b>	<b>0.7%</b>	
	<b>Tepid Recovery</b>	<b>1%</b>	
	<b>Moderate Growth</b>	<b>1.2%</b>	
	<b>Stagnant</b>	<b>0.1%</b>	






## Real GDP Growth (2023-2025)



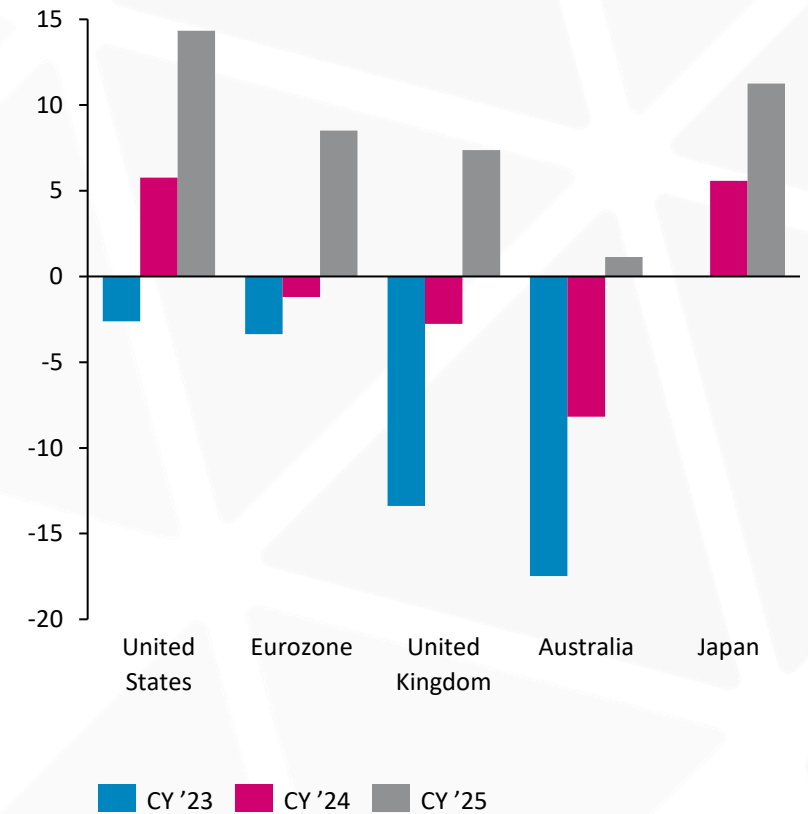
Source: FactSet – Equity Analyst Consensus

# US earnings bonanza fails to cross atlantic

## 2024 Earnings Growth (Basket of Listed Equities)

		Nominal		Real	
	<b>Booming</b>	9%	▲▲▲	6%	▲▲
	<b>Recovering</b>	1%	▲	-1%	▼
	<b>Recovering</b>	0%	▲	-3%	▼
	<b>Contracting</b>	-5%	▼	-8%	▼▼
	<b>Booming</b>	8%	▲▲▲	6%	▲▲

## Real Corporate Earnings Growth – Listed Equities



Source: FactSet – Equity Analyst Consensus

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# Trump 2.0

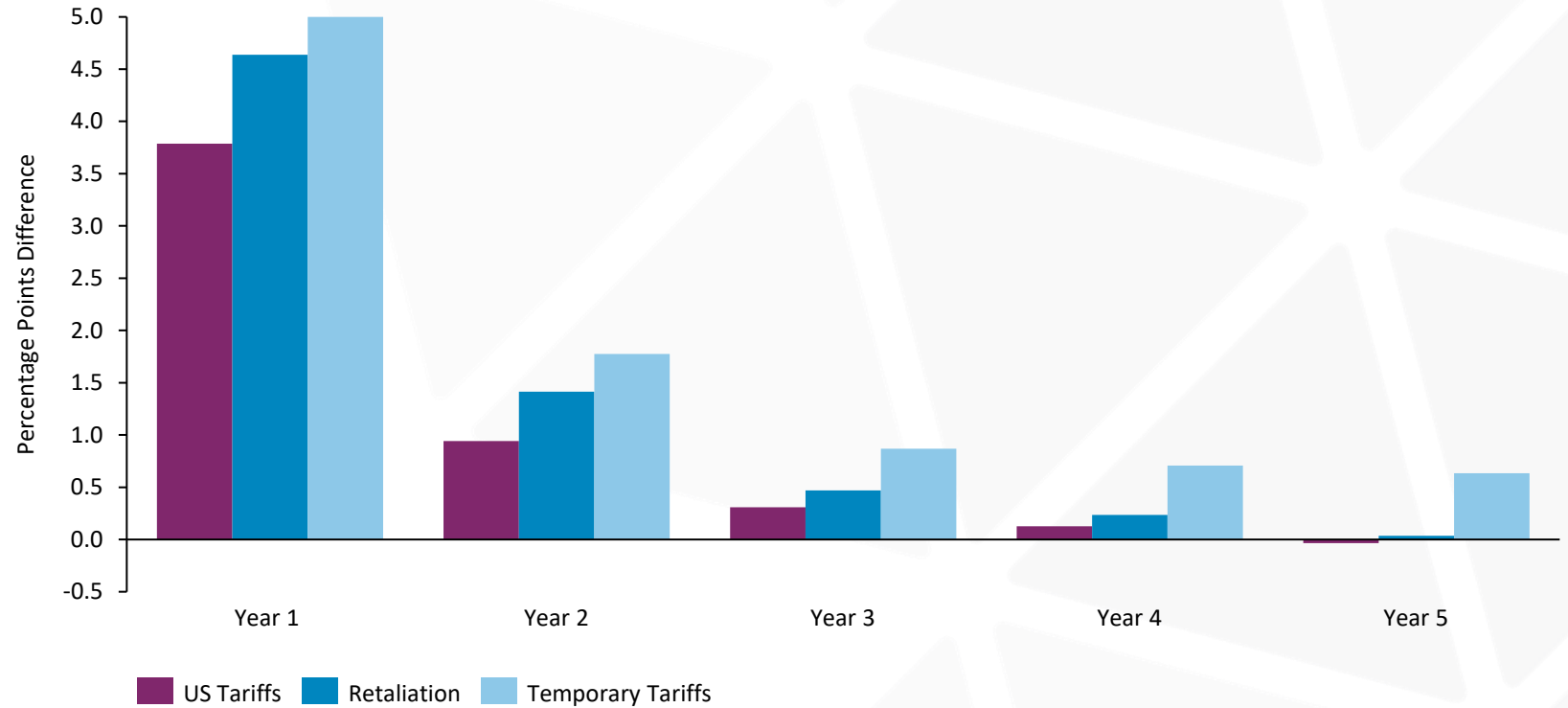


# Trump signals the end of post-war trade consensus

Source	Priorities	Trump 1.0	Biden	Trump 2.0
China	Chinese Solar Cells	25%	50%	60%+
	Chinese EV's	25%	100%	100%+
	Chinese Lithium-ion Batteries	7.5%	25%	60%+
	Steel	10%	25%	60%
Mexico	All			25% (if it does not impose stricter border regulations)
World	All			10%/20%

Leading to  
inflationary pressure

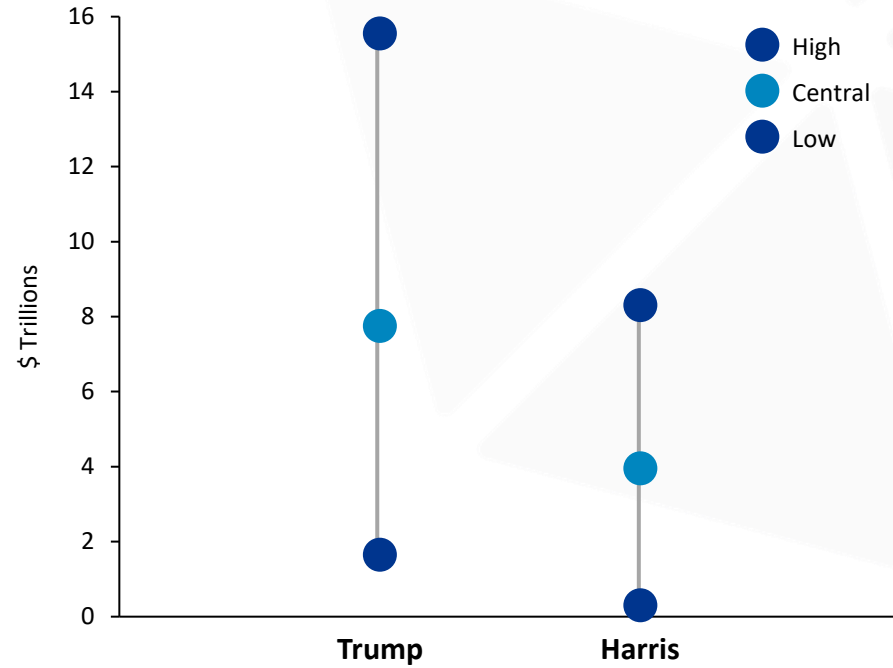
### Impacts on US inflation



Source: NIGEM Simulations

# Trump's sugar rush 2.0

## Fiscal impact of campaign plans, 2026-2035



### Trump's Tax Regime:

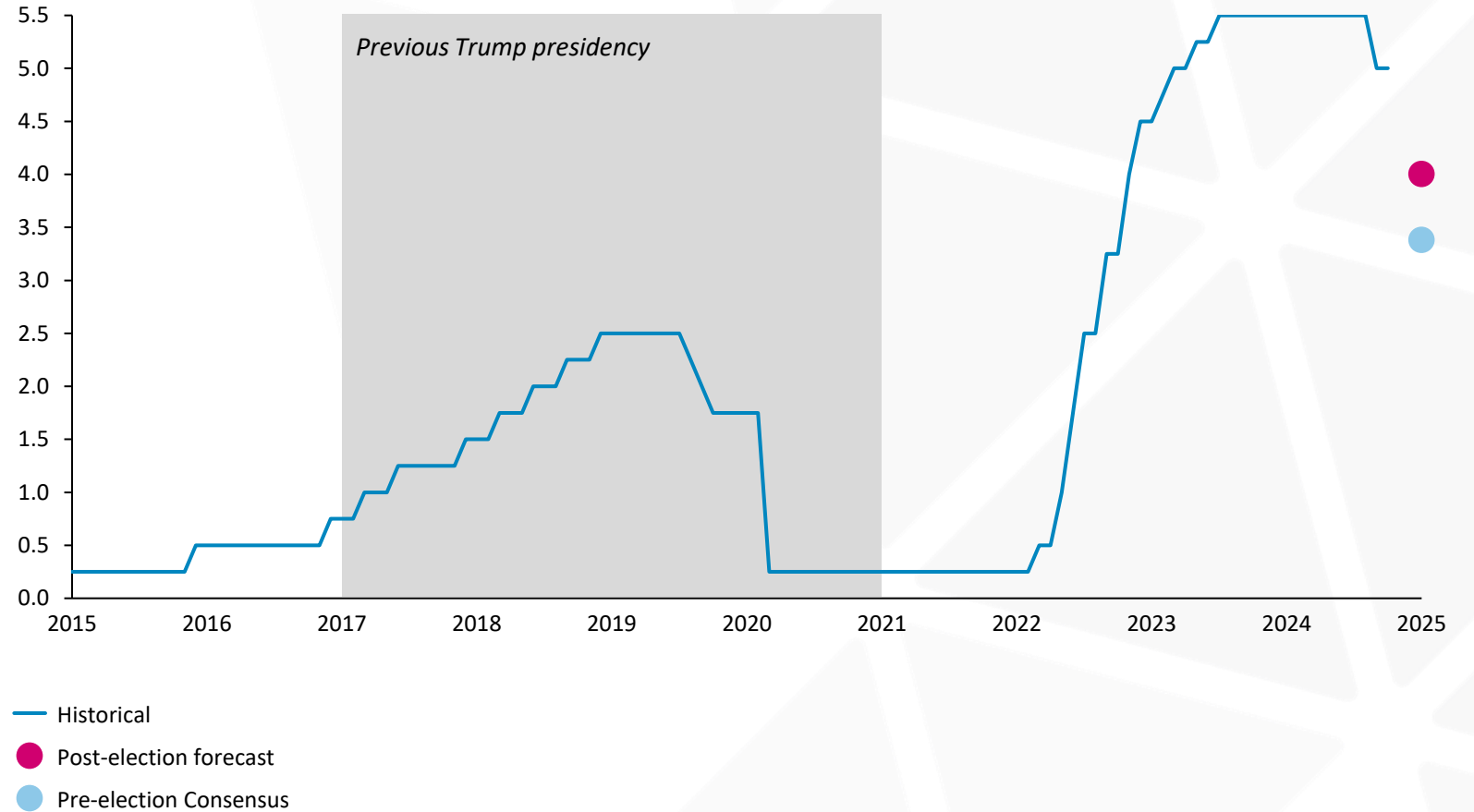
- Expected to extend 2017 top income tax rate cut (39.6% to 37%)
- Nearly doubled estate tax exemption under the extended TCJA
- Increased annual budget deficit to cover tax receipts reduction

Source: Committee for a responsive federal budget, JP Morgan strategic research

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# Back to higher for longer?

## Policy Rates



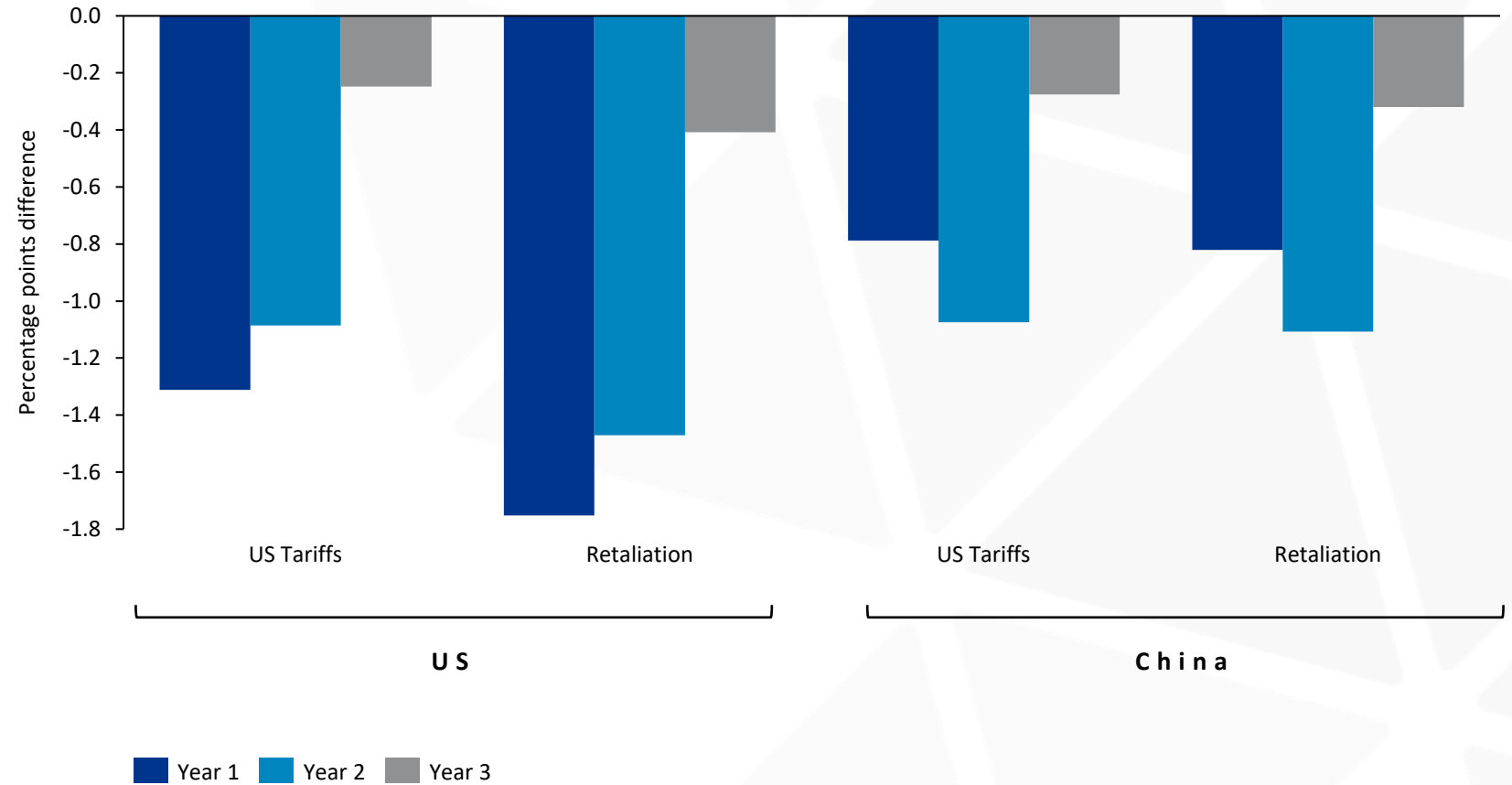
Source: FactSet, Forbes

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# Curtailed growth in worst scenario

### Tariff impact on GDP growth rates



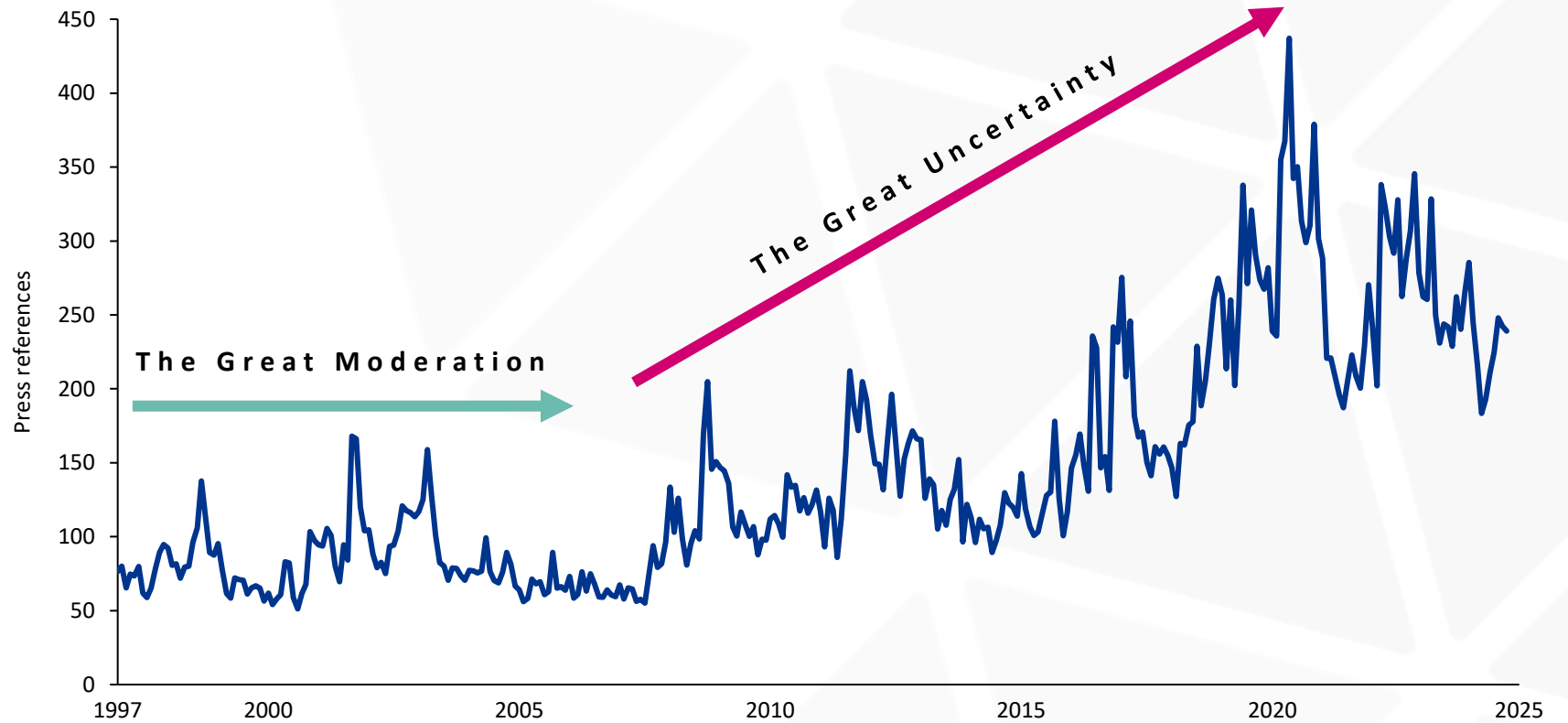
Source: NIGEM Simulations

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**Trump 2.0 will continue the era of geopolitical uncertainty**

**Economic Policy Uncertainty Index, References to Economic & Political Uncertainty in the National Press**

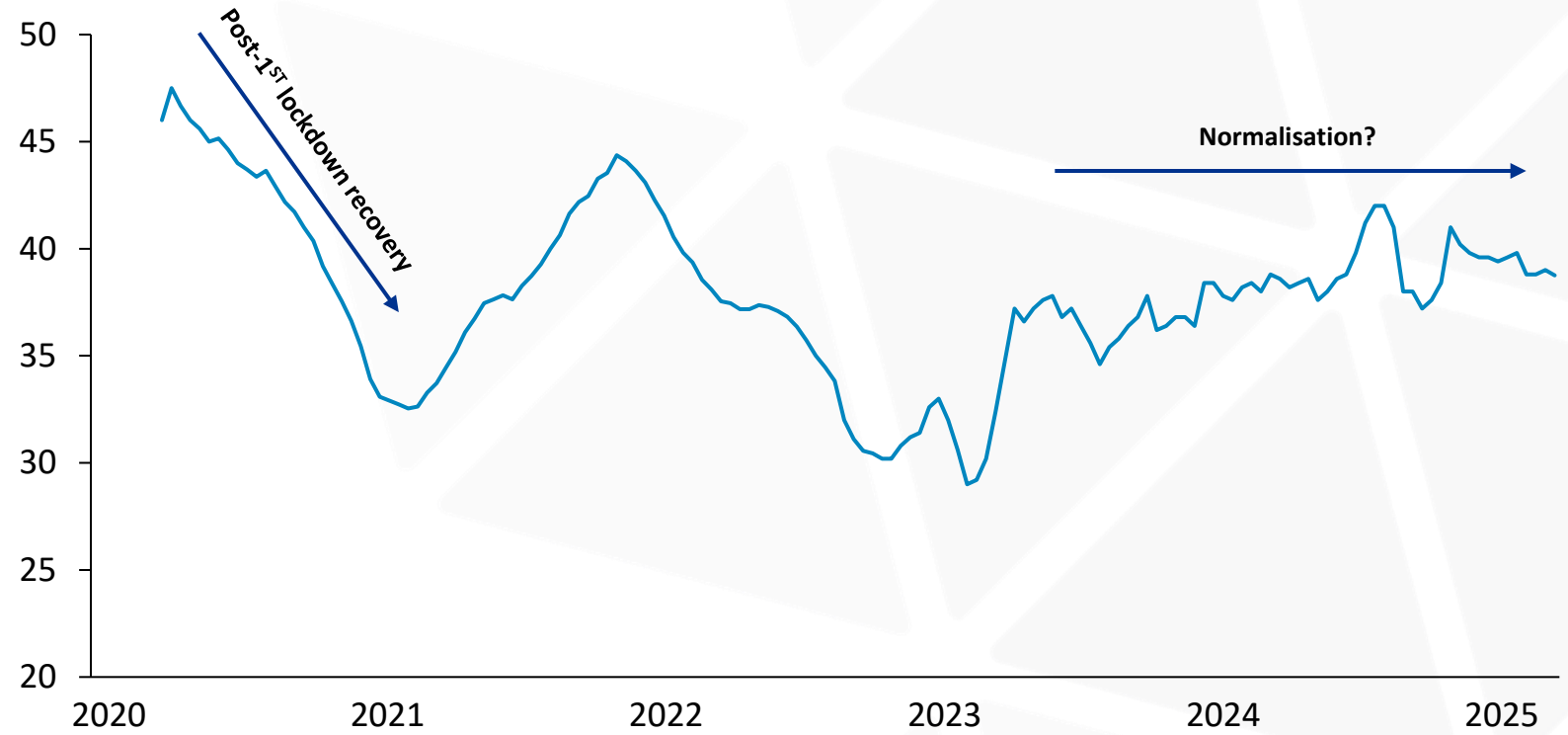


Source: Caldara, Dario, and Matteo Iacoviello (2021), "Measuring Geopolitical Risk," working paper, Board of Governors of the Federal Reserve Board, November 2021".

# The economics of WFH

**WFH trends appear to be stabilising**

**% of workforce working from home, 3-month rolling average**

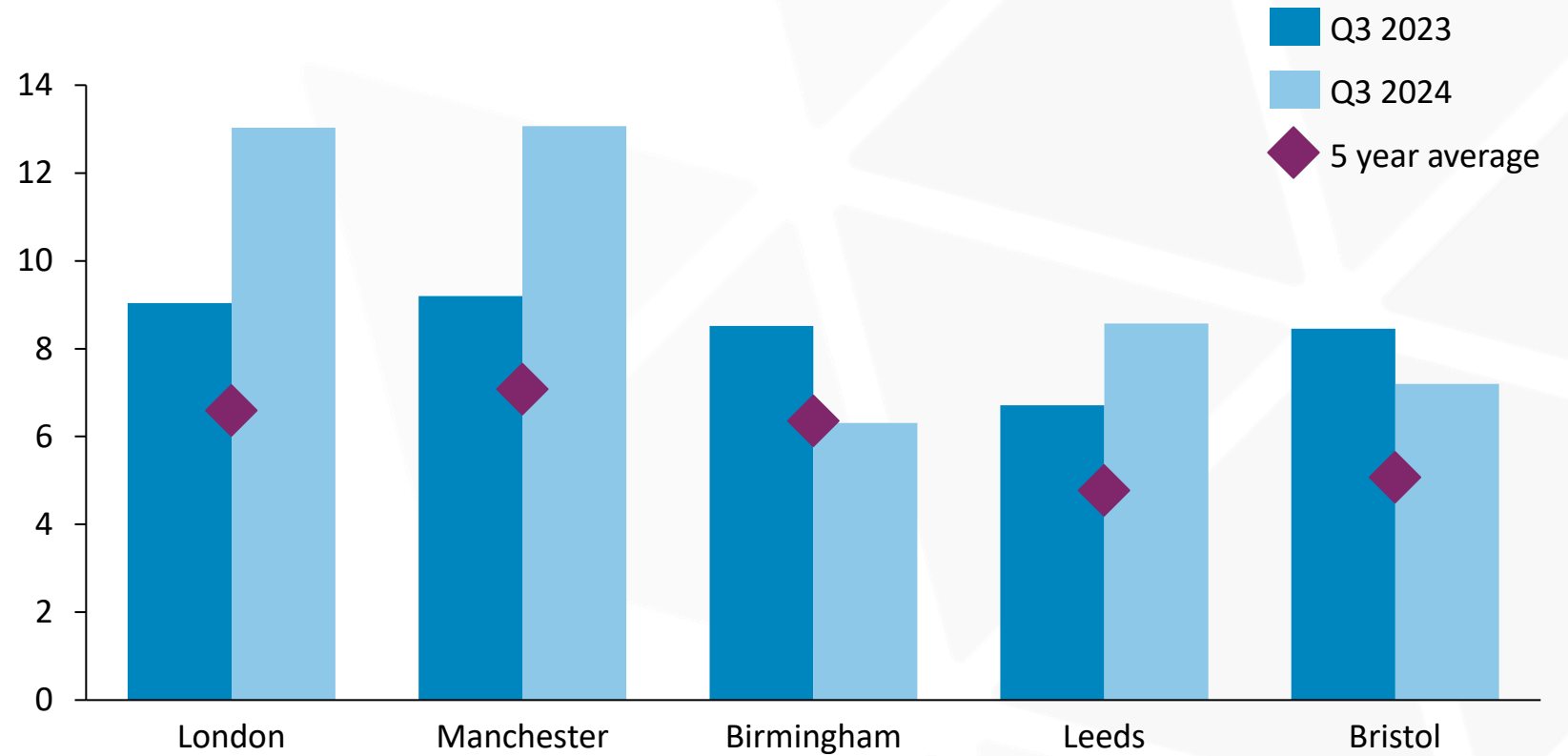


Source: ONS



# Rising vacancy rates across cities

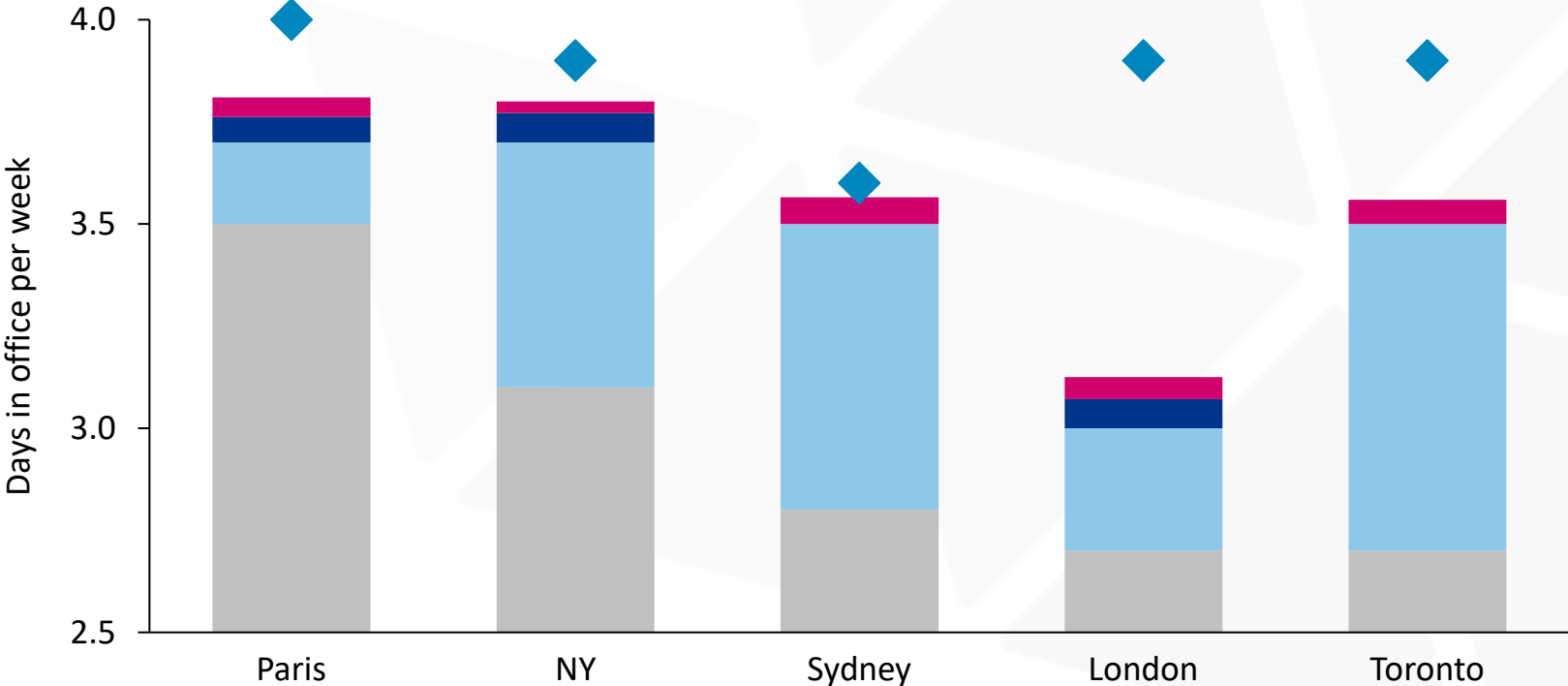
### UK office vacancy rates



Source: Cluttons

**London currently and expected to remain at fewer days in office**

Estimation on the future return to office in key global cities, average days per week in office

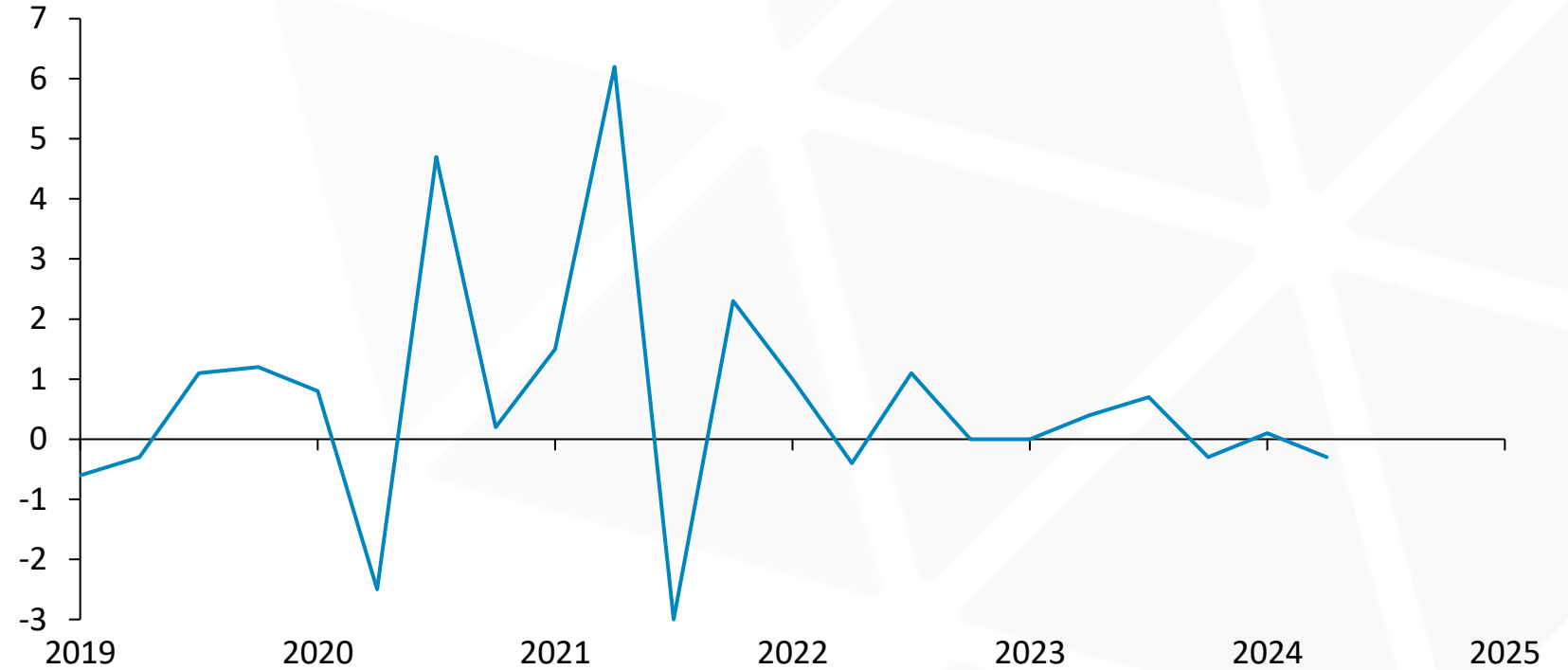


- Increase if employers expectations over quitting aligned with workers
- increase if employers increase mandates
- increase if workers met mandates
- current working patterns
- ◆ Jan 2020 working patterns

Source: FocalData, Savanta, Centre for cities

# Productivity: Covid-era boost waning

## Productivity per individual



Source: ONS

# Office-onomics: Shifting Perceptions of the impact of WFH

WFH impact	During COVID	Post-COVID
Productivity	▲ 13% increase (Stanford)	▼ 4-30% decline (Feral Reserve & McKinsey)
Work-life balance	▲ 75% of employees reported better balance (Microsoft)	▼ 60% experience worsening balance due to blurred boundaries (Forbes)
Long-term viability	▲ Shift to full remote working during lockdowns	▼ 72% of firms adopting hybrid model (Gartner), with companies allocating 30-40% to collaborative working space
Firm Level Financial Impact	▲ Low office utilisation and associated costs, but lag in broader impact on firms	▼ Firm saving of \$11,000 per employee per year, as 15-20% decrease in office space demand in urban centres offset by productivity effects.

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