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Global Economics

Global Growth—Absorbing the Blow From Tariffs

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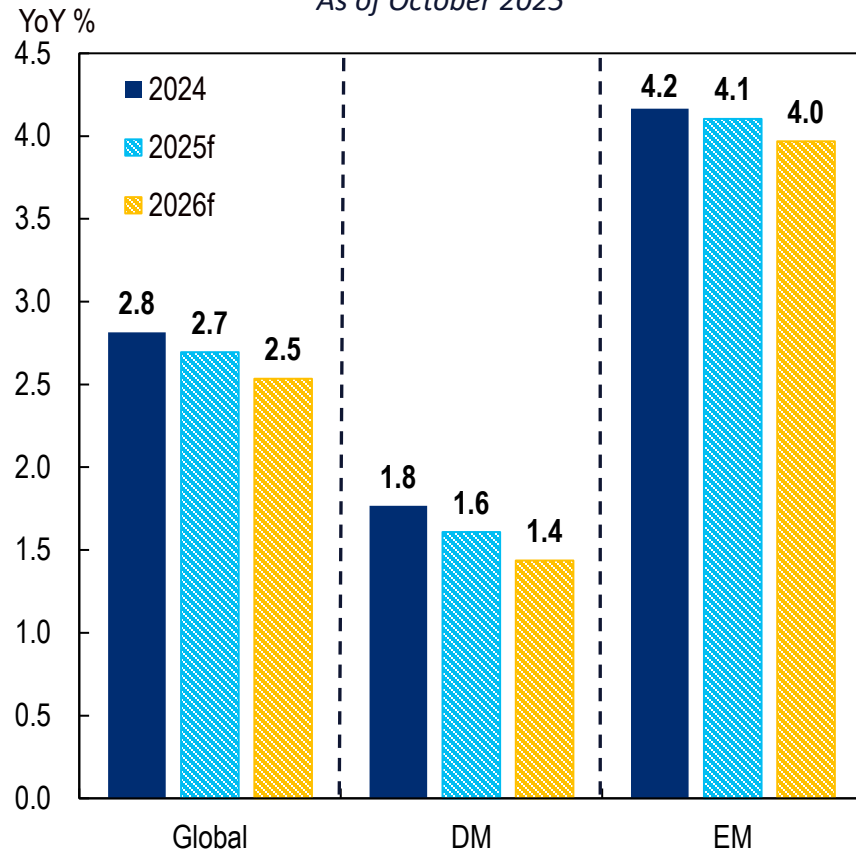
Five Key Themes Shaping the Global Economy

- *Theme 1: Resilient Economic Performance*
- *Theme 2: Historically High US Tariffs*
- *Theme 3: Diverging US & Global Inflation*
- *Theme 4: Global Monetary Easing*
- *Theme 5: Advances in AI Promise Rising Productivity*

Theme 1: Global Economic Performance Has Shown Continued Resilience

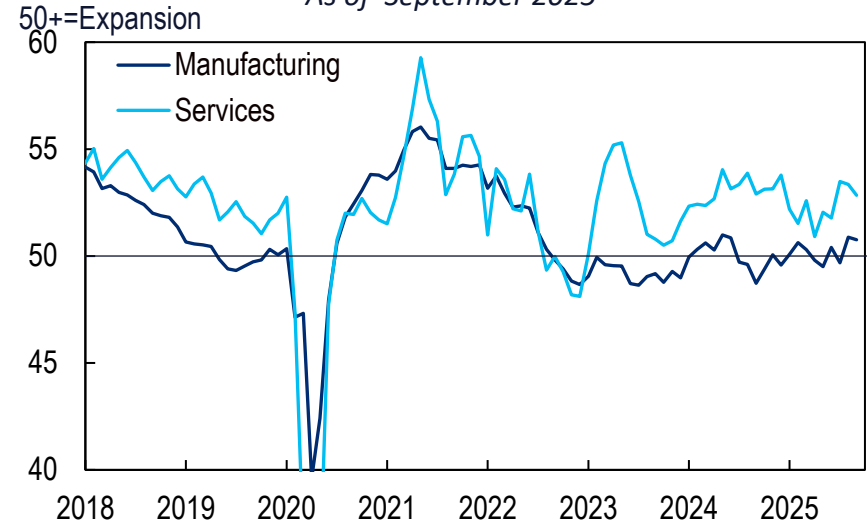
Global Real GDP Growth*

As of October 2025



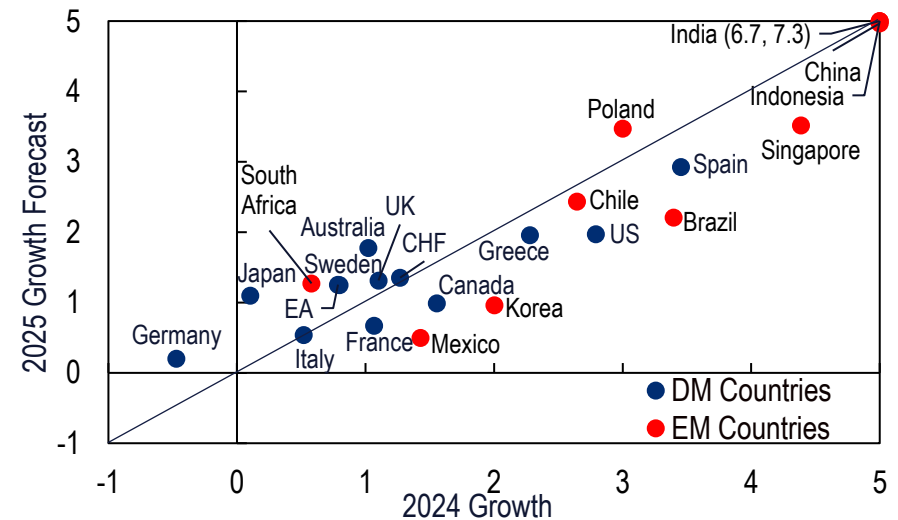
Global PMIs

As of September 2025



Citi Growth Forecast: 2024 vs. 2025

As of October 2025



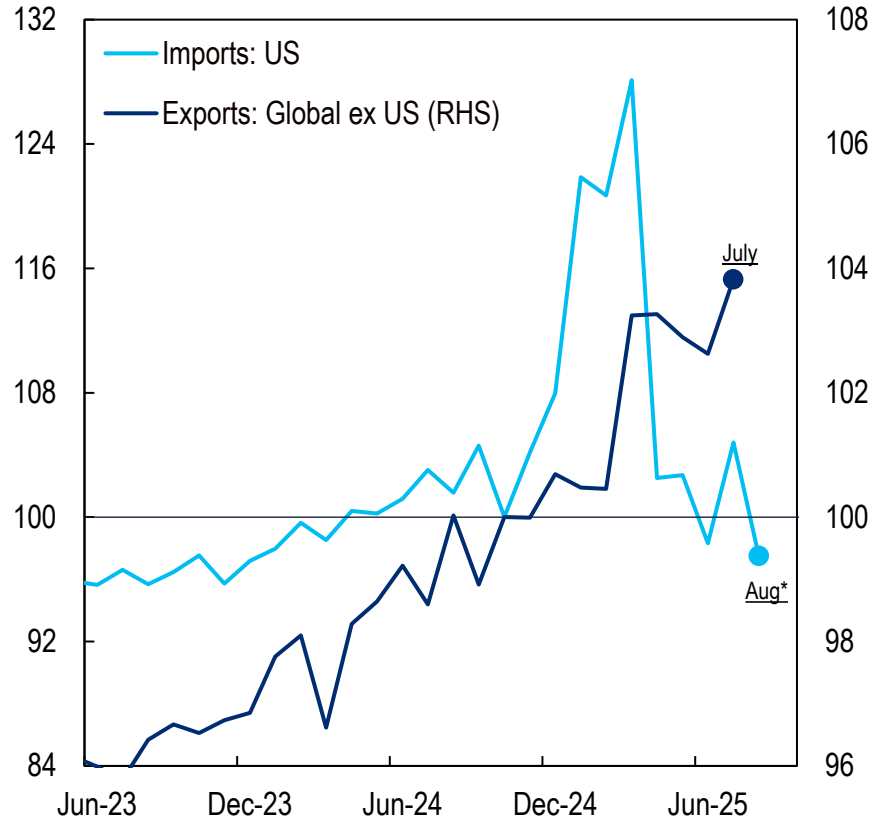
Theme 1: Global Economic Performance Has Shown Continued Resilience

US Imports & Global ex US Exports (Volumes)

As of July/August 2025

Index, Oct-2024=100

Index, Oct-2024=100



Near-Term Forecast

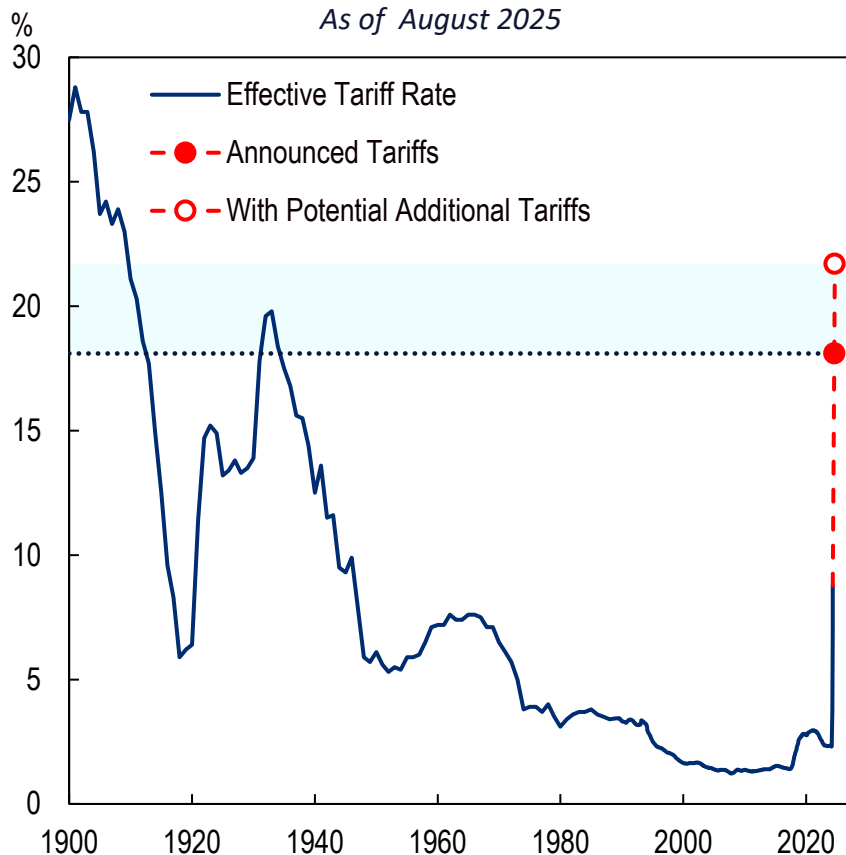
Key Features

- *Resilience to date*
- *Supported by frontloading*
- *But some “payback” is likely*

Theme 2: US Tariff Rates Have Reached Heights Not Seen in Decades

US Effective Tariff Rate on Goods Imports*

As of August 2025



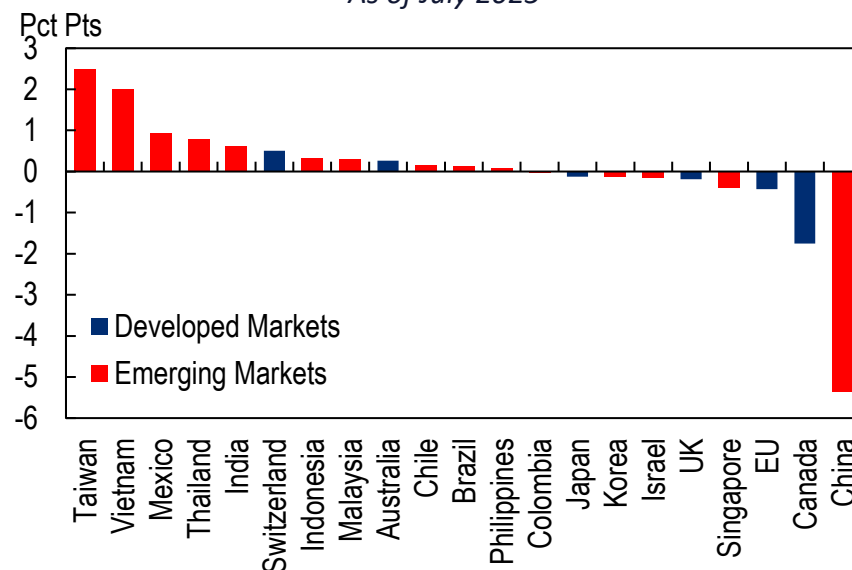
Country-Specific Tariff Rates**

As of September 2025

	Tariff Rate	Exports to US	
	%	\$Bn	% of GDP
United Kingdom	10	68	1.9
European Union	15	606	3.1
Japan	15	148	3.7
Korea	15	132	7.0
Vietnam	20	137	29.7
Taiwan	20	116	14.9
China	40	439	2.3
India	50	87	2.2

Change in US Imports Shares: '25 vs '24 (May-July)

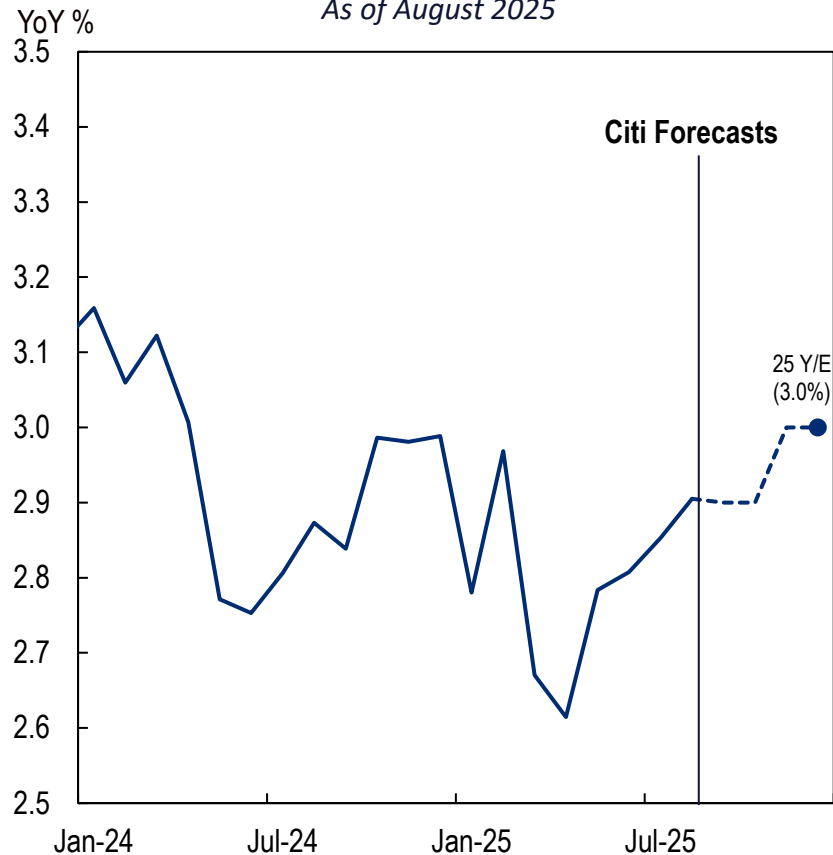
As of July 2025



Theme 3: For the US, Tariffs Are Delaying the Return to 2% Inflation

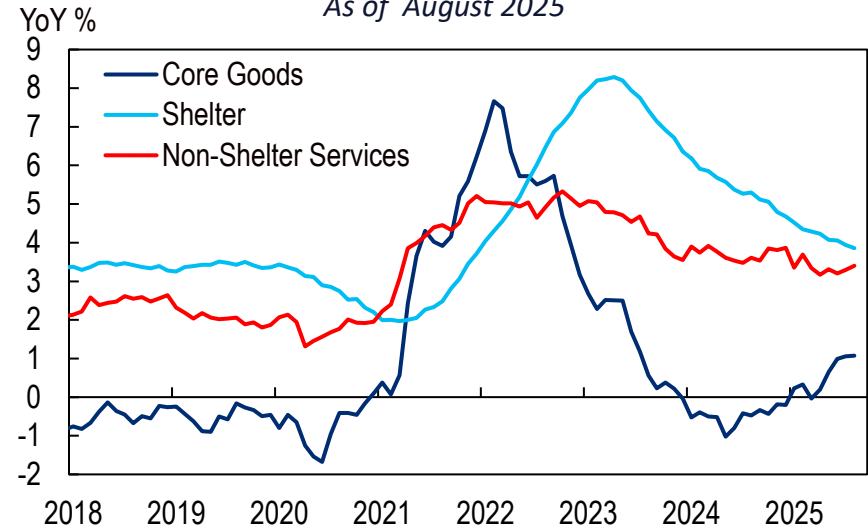
Core PCE Inflation

As of August 2025



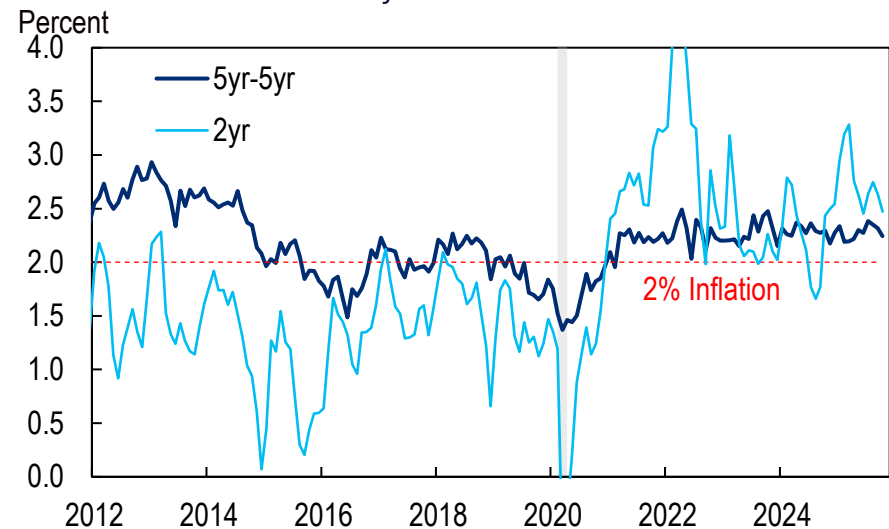
Core PCE Inflation: Components

As of August 2025



Inflation Breakeven: 2yr & 5yr-5yr

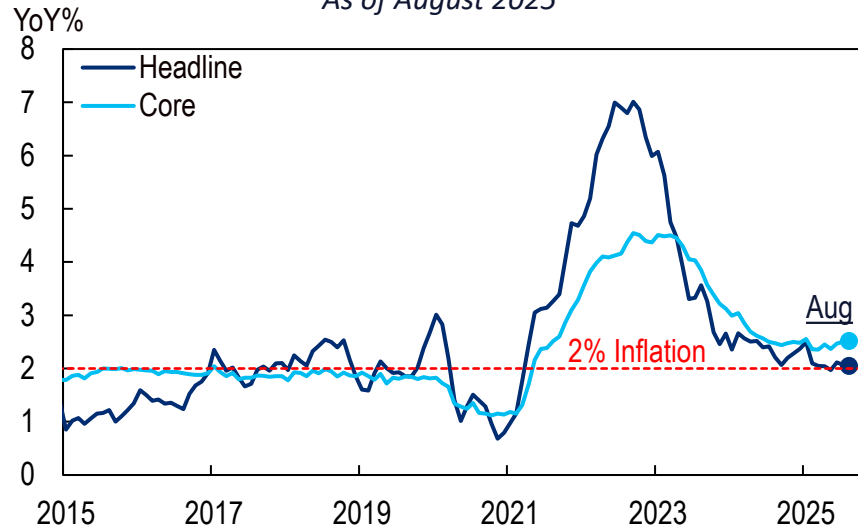
As of October 2025



Theme 3: For the Rest of World, Inflation Remains on a Declining Path

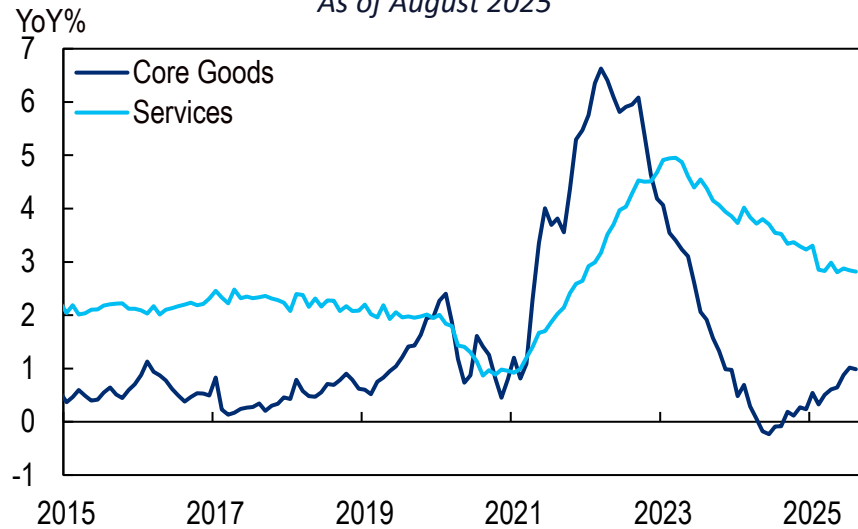
Global Inflation

As of August 2025



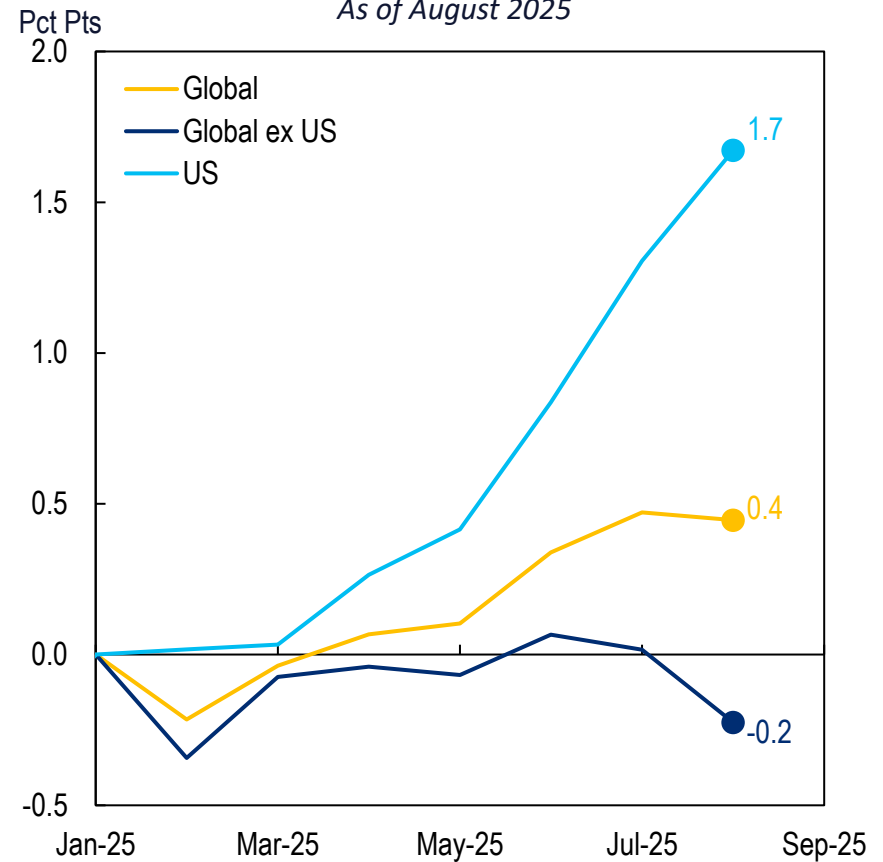
Global Core Goods & Services Inflation

As of August 2025



Core Goods Inflation: Change Since Jan 2025

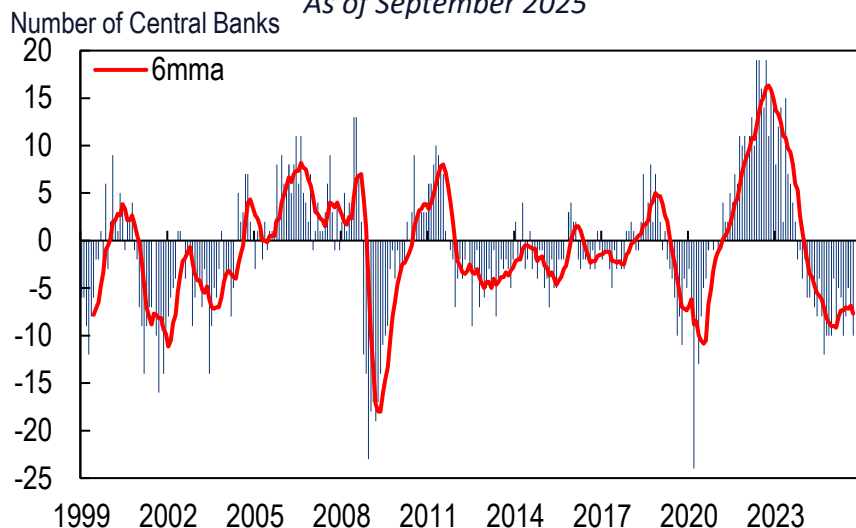
As of August 2025



Theme 4: Global Central Banks Are in the Midst of an Easing Cycle

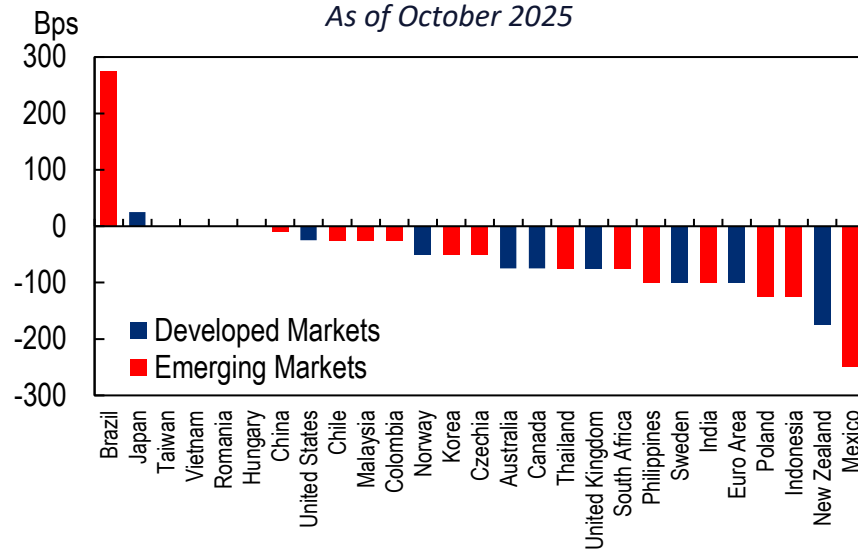
Global Central Bank Rate Cycle (Net)*

As of September 2025



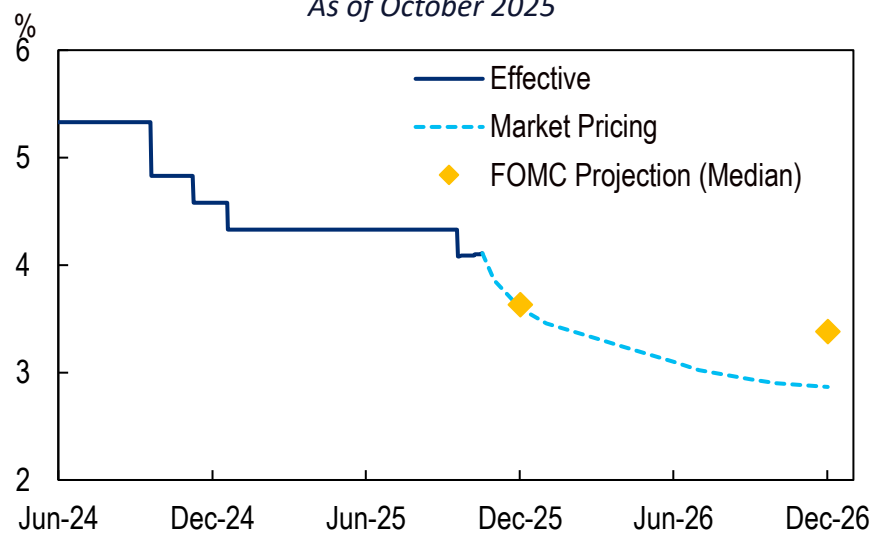
Policy Rate Changes in 2025**

As of October 2025



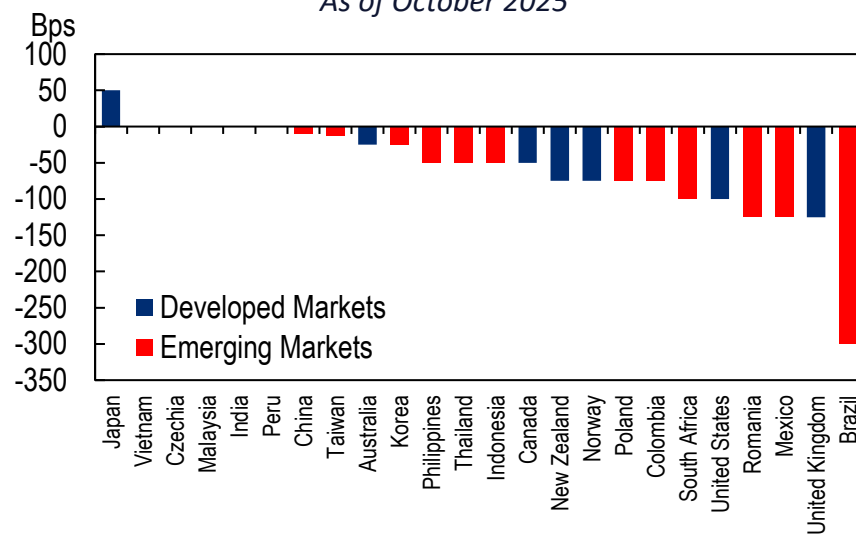
Fed Funds Market Pricing

As of October 2025

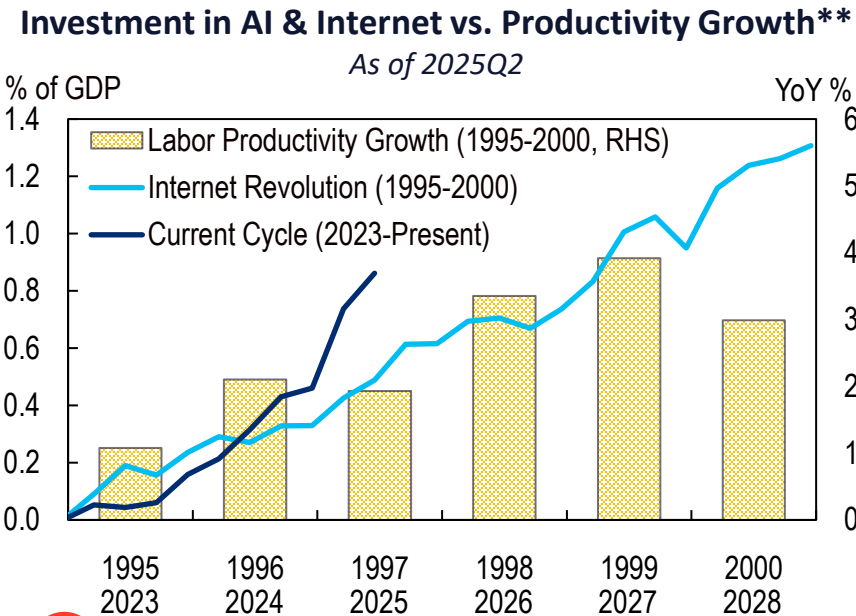
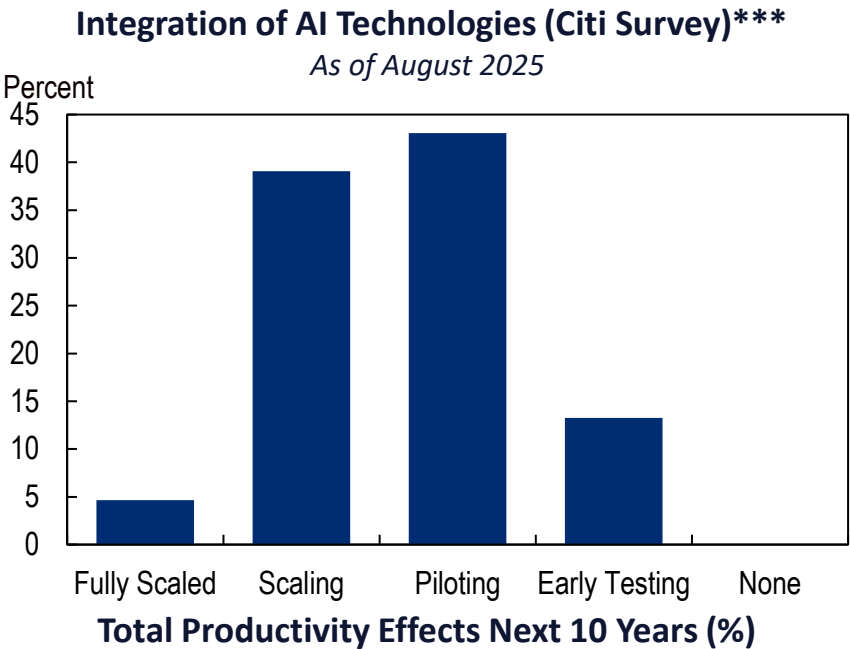
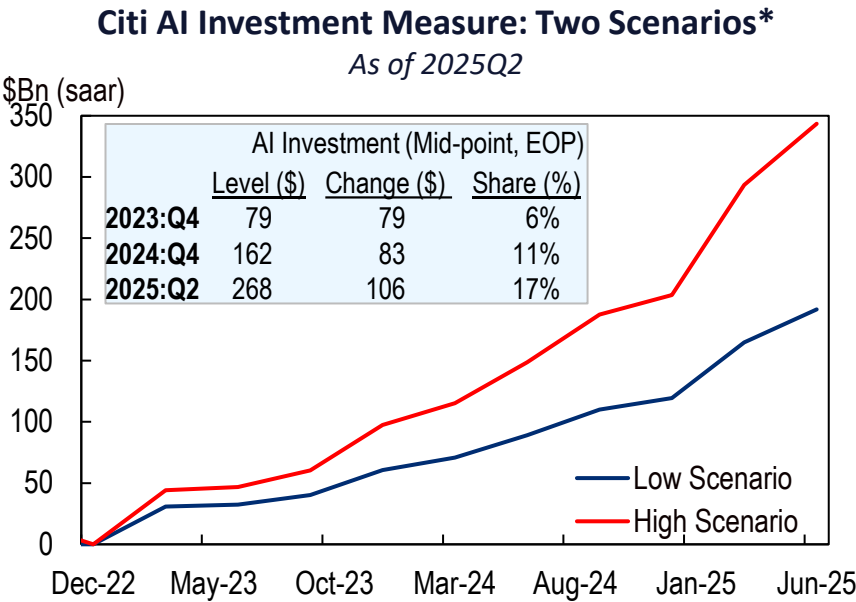


Change in Policy Rates Through '26YE (Citi Forecast)***

As of October 2025



Theme 5: Advances in AI Are Poised to Raise Productivity in Coming Years



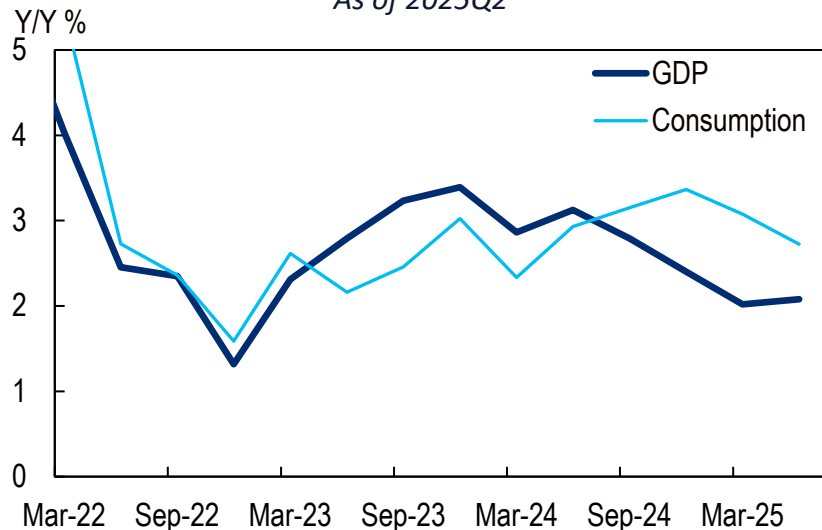
	10%	20%	30%	40%	50%	60%
10%	1	2	3	4	5	6
20%	2	4	6	8	10	12
30%	3	6	9	12	15	18
40%	4	8	12	16	20	24
50%	5	10	15	20	25	30
60%	6	12	18	24	30	36

Country-Specific Developments

The United States: Economic Growth Has Held Up Surprisingly Well

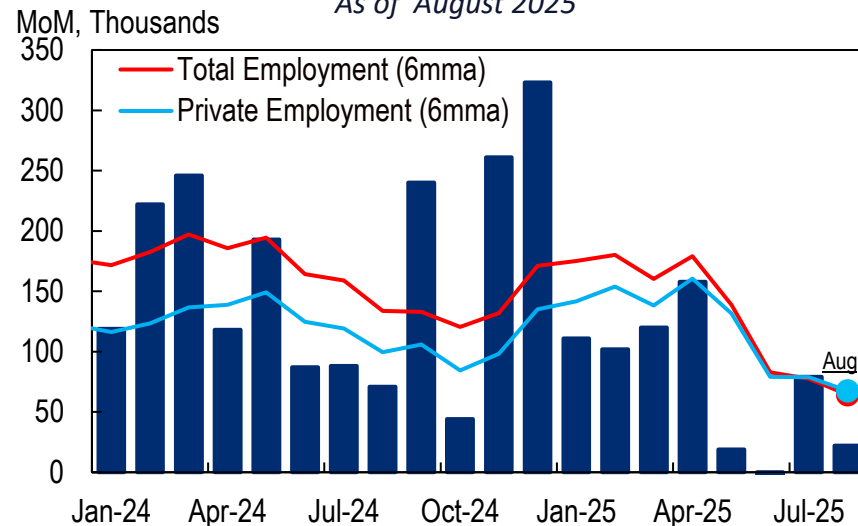
Real GDP & Consumption Growth

As of 2025Q2



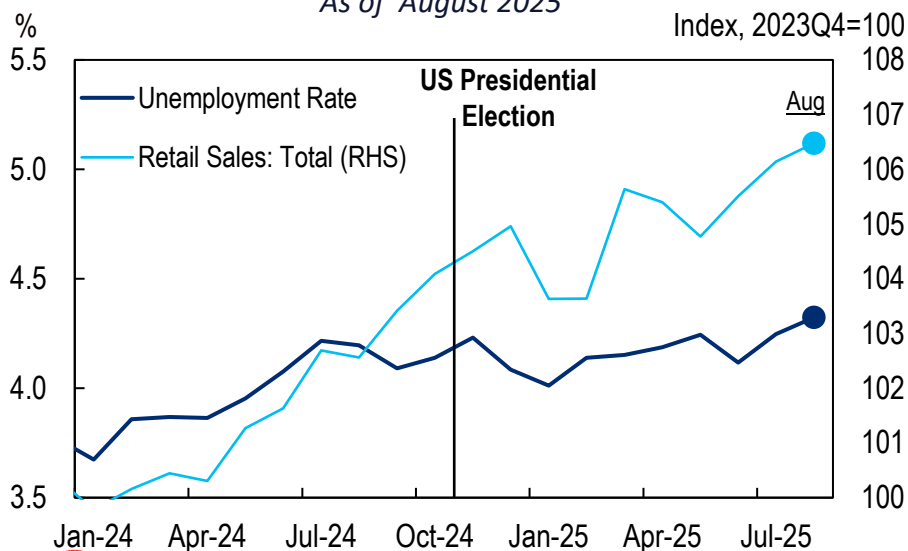
Job Creation (NFP)

As of August 2025



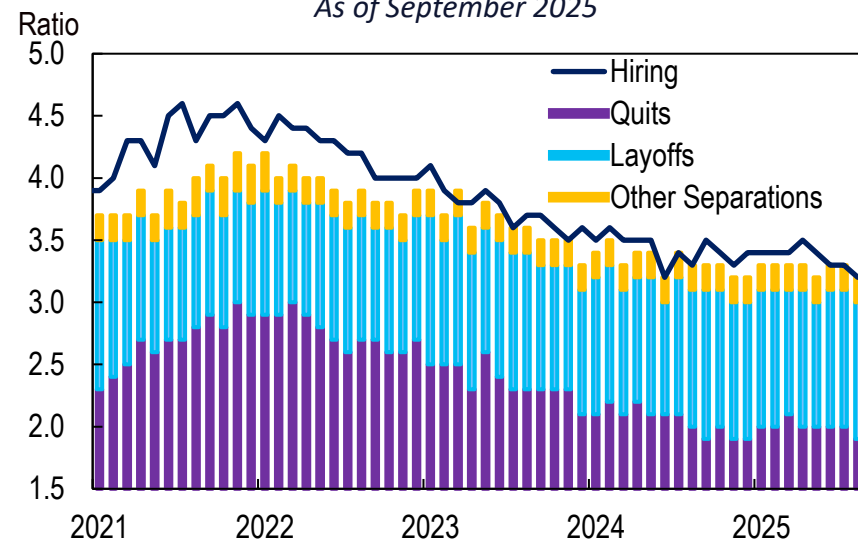
Unemployment & Retail Sales Volumes

As of August 2025

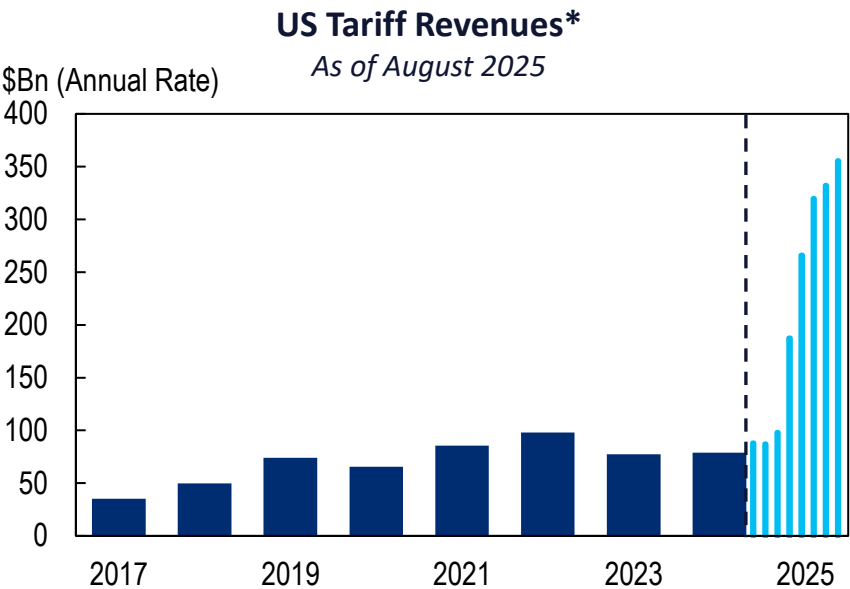
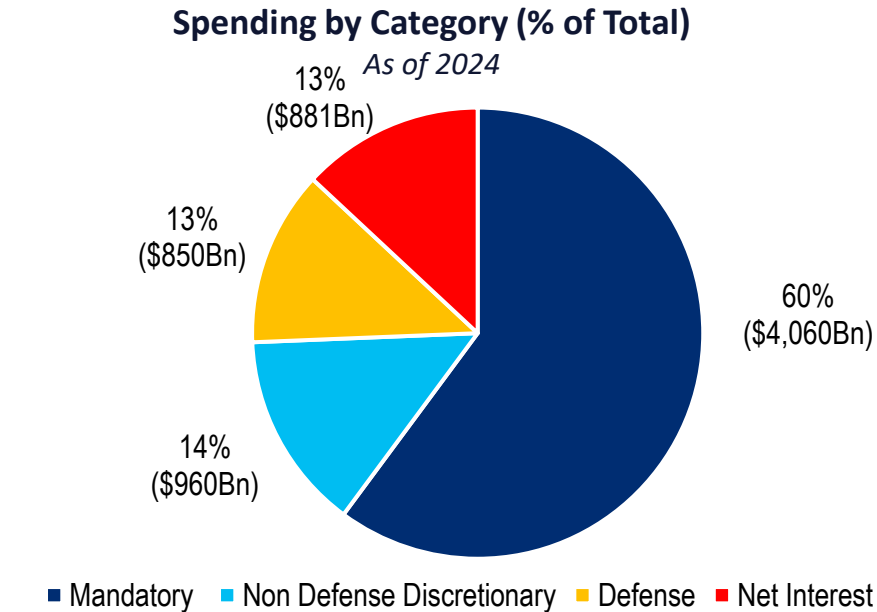
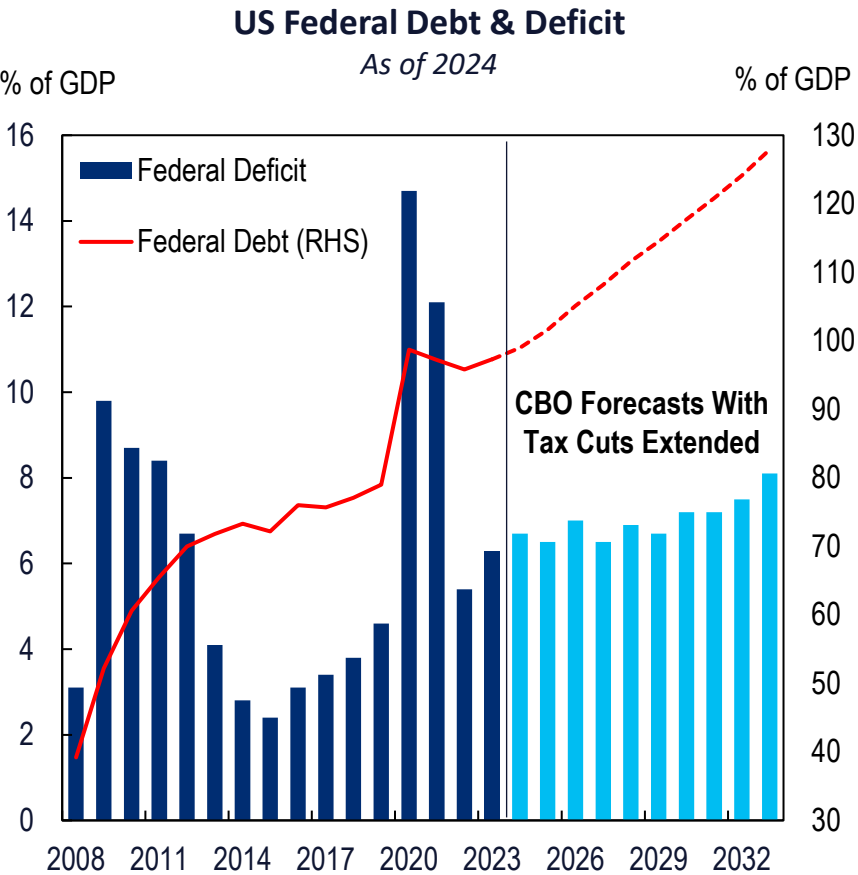


Labor Market Performance: "Low Churn"

As of September 2025

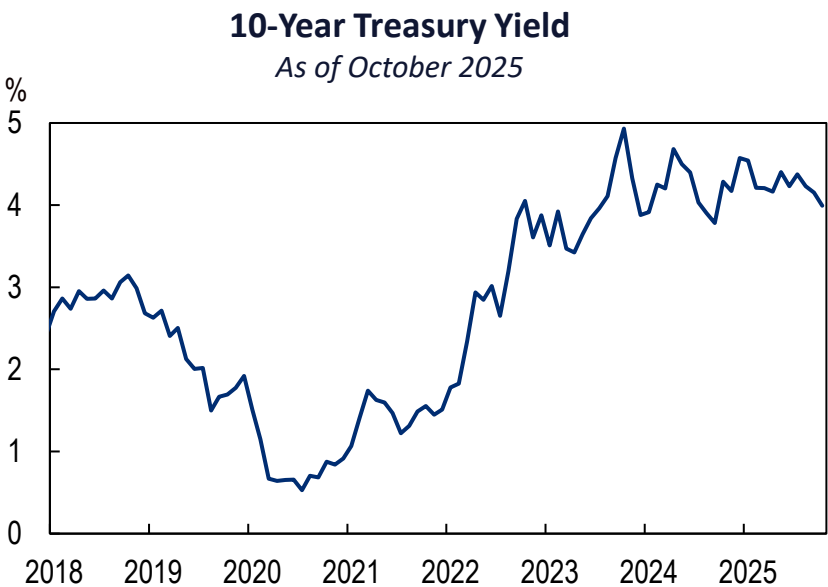
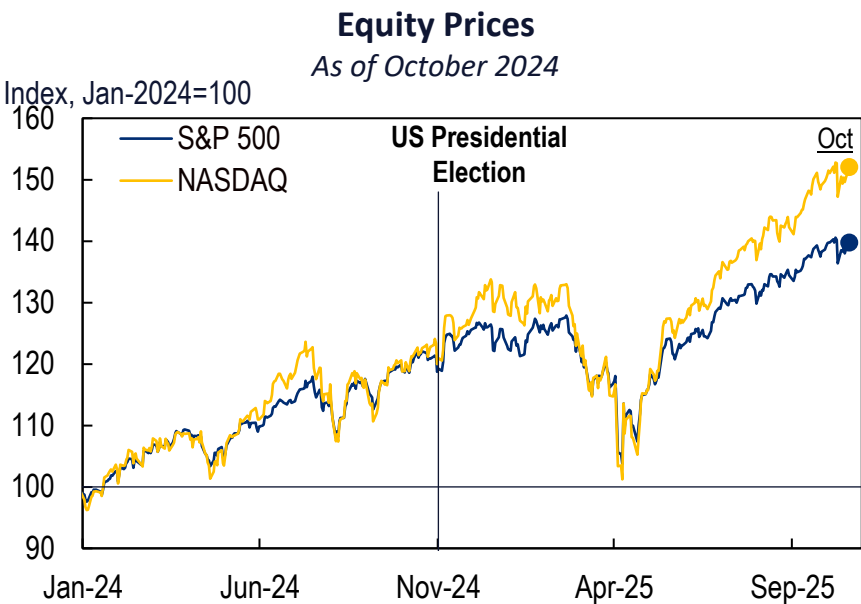


High US Public Debt Levels Have Triggered Market Concerns



*Light blue bars show monthly data at an annual rate; estimate for August from daily treasury data.
Source: Citi Research, CBO, Census, BIS, Haver

US Financial Conditions Remain Generally Supportive

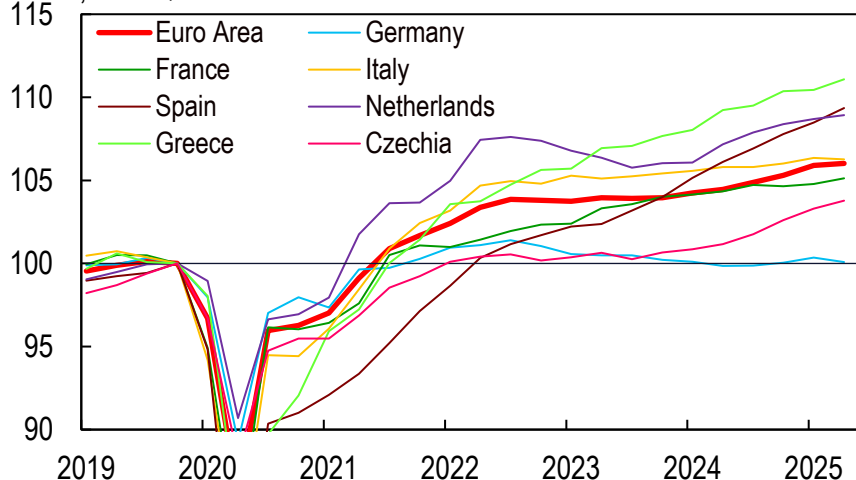


Euro Area: US Tariffs Cloud the Outlook—But Stimulus Will Provide Support

Real GDP

As of 2025Q2

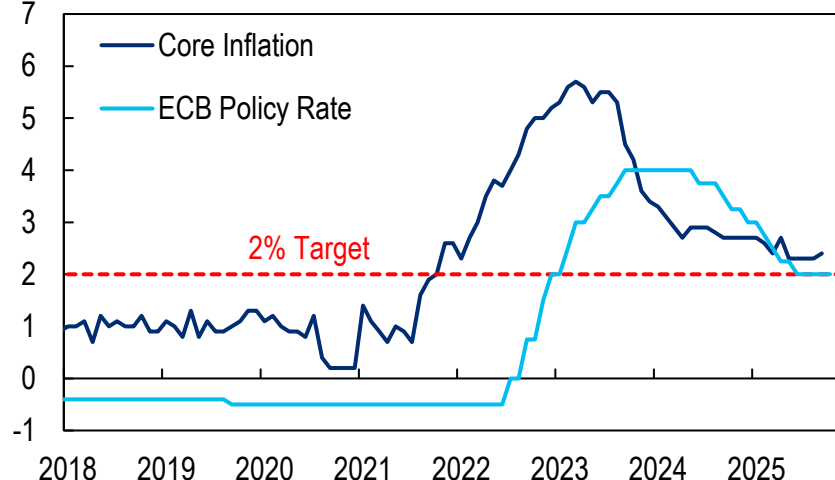
Index, 2019Q4 = 100



CPI Core Inflation & ECB Policy Rate

As of September/October 2025

YoY%



Citi Real GDP Growth Forecast: 2025 vs. 2026

As of 2025Q2

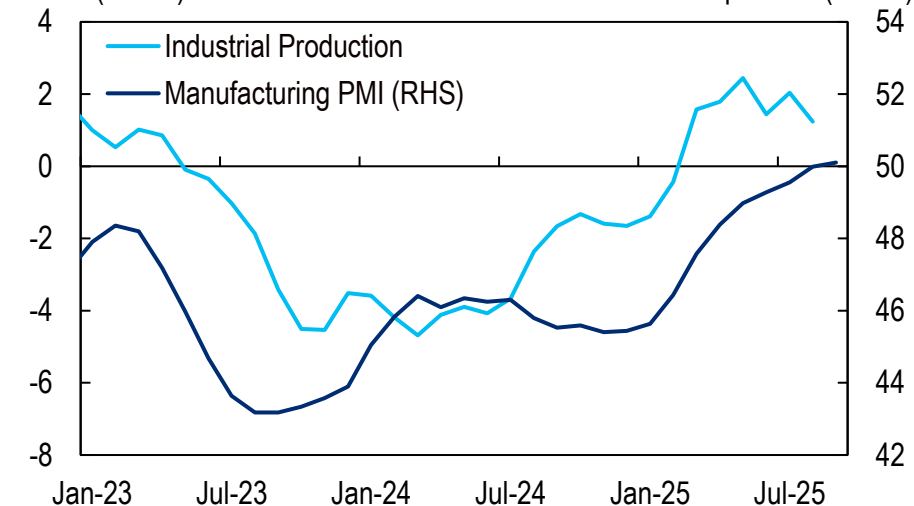
	2025	2026
Euro Area	1.3	0.8
Germany	0.2	1.1
France	0.6	0.8
Italy	0.6	0.6
Spain	2.7	2.1
Other EA	2.9	0.0

Euro Area: Manufacturing PMI & IP

As of August/September 2025

Y/Y % (3mma)

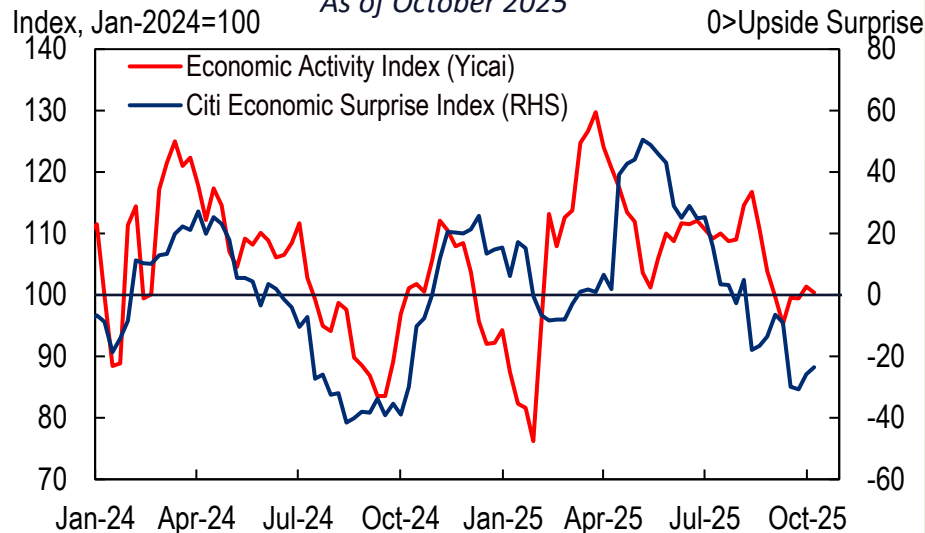
50+=Expansion (3mma)



China's Economy Continues To Weather High US Tariffs

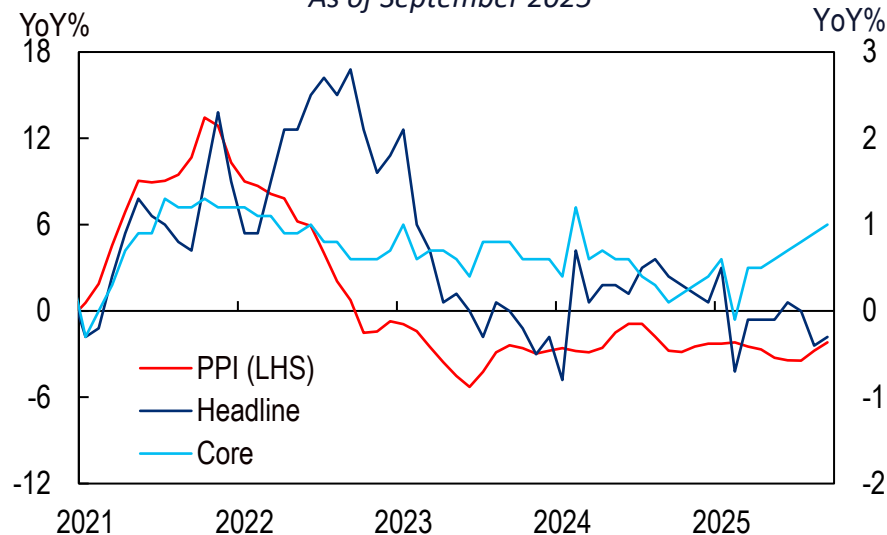
China Economic Activity & Surprise Index

As of October 2025



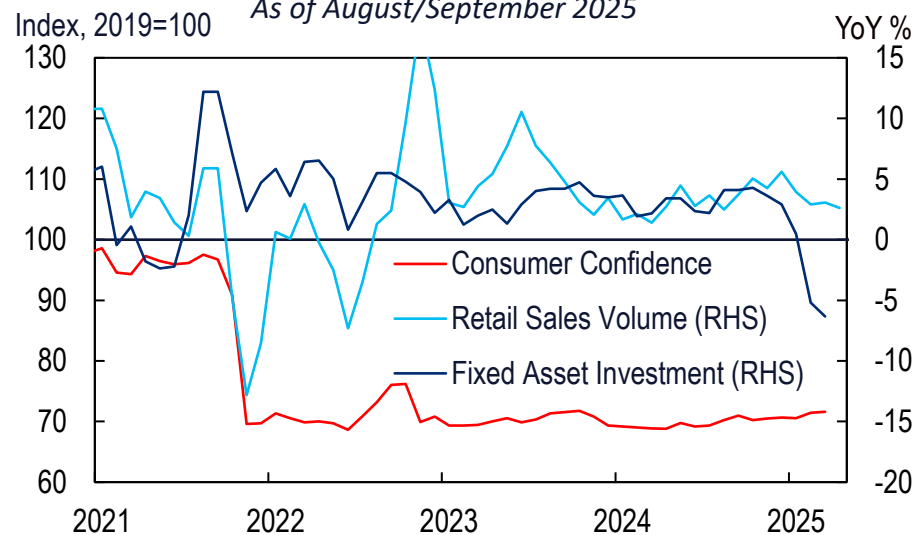
China Inflation

As of September 2025



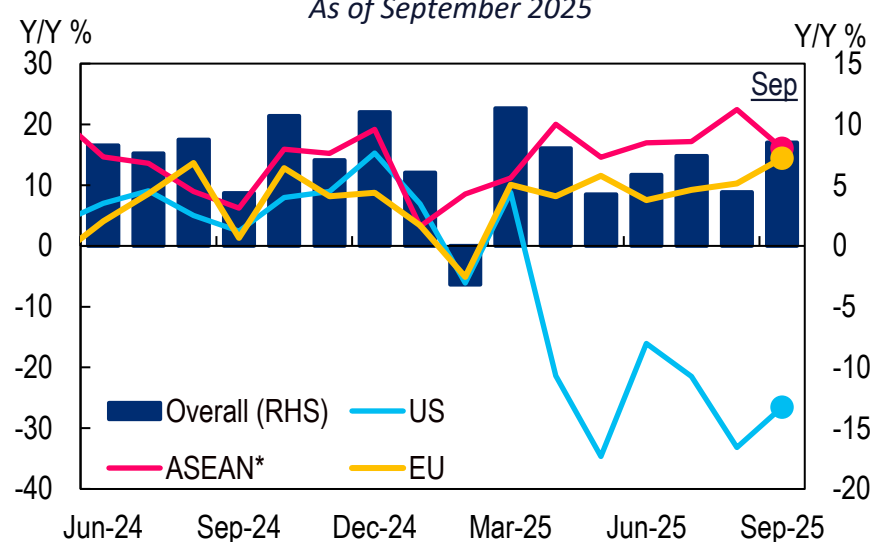
China Economic Indicators*

As of August/September 2025



China Exports by Trading Partners

As of September 2025



Related Research

Links:

- [Global Economic Outlook & Strategy: Tariffs & Global Resilience—Waiting for Another Shoe to Drop](#)
- [Productivity & the AI Revolution: Implications for the Economy and Markets](#)
- [Money and Might 2.0: Balancing Choices](#)
- [Foreign Direct Investment: Global Implications of "America First" Policies](#)
- [The Digital Transformation of the Global Economy: Riding the Wave of Virtual Progress](#)
- [Geopolitics: Implications for the Economy & Markets](#)
- [The Ever-Rising US Public Debt: Twelve Questions & Answers](#)