Cost of Capital in the Current Environment

Global Economic and Financial Market Trends

March 2025 Update

Foreword

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Dear Readers,

We are pleased to share the early March 2025 update to our *Cost of Capital in the Current Environment—Global Economic and Financial Market Trends* report. This report provides data and insights used to support Kroll's Recommended Equity Risk Premium and Normalized Risk-Free Rate guidance for a variety of countries.

The inauguration of U.S. President Donald Trump in January 2025 is setting the stage for a global reevaluation of economic policies while raising the specter of more contentious international trade relations. It is also creating new regulatory conditions that may reverberate across different asset classes and redirect global investments from certain industries/themes (e.g., energy transition) into others (e.g., fossil fuels, crypto assets). In the first two months of 2025, a more benign regulatory outlook was expected to fuel M&A and IPO activity, which has been restrained in the past two years by high interest rates. However, companies and markets are now taking a pause due to the uncertainty created since the new U.S. administration took office. Looking forward, economists are resetting growth expectations for the U.S. vs. other geographies.

The global economy is still expected to achieve soft landing in 2025, but the next two years are expected to fall short of the pre-pandemic levels of around 3.4% (based on 1980–2019 average). The U.S. economy is still strong, although a slowdown is expected in 2025 as labor markets cool down and consumers rely more on credit card-fueled spending. Since September 2024, the U.S. central bank has cut interest rates by a cumulative 1.0%, but the U.S. central bank (Federal Reserve, or Fed) is now expected to be more cautious, as Trump's new policies around trade tariffs and immigration could reignite inflation. The Fed's task has become even more difficult, as the uncertainty around Trump's announcement of tariffs, followed by a quick delay or pull-back of some of them, has several economists increasing the odds for a U.S. recession. In addition, the possibility of a continued rise in the U.S. government's budget deficit and overall debt is keeping long-term U.S. interest rates high and volatile. In Europe, while a modest recovery is under way, challenges remain ahead for the UK and the Eurozone economies. The recent German elections paved the way to the loosening of its budget deficit rules, which along with the EU's recent plans to increase defense spending (in light of Trump's threat to exit NATO), has suddenly increased optimism for an uptick in growth from fiscal spending. Inflation in Europe has decelerated significantly, but services inflation is proving to be sticky. Nonetheless, the Bank of England and European Central Bank (ECB) are expected to keep cutting policy rates in 2025, which may help with the recovery. Meanwhile, China continues to suffer from lackluster domestic demand and a deflationary environment. Additional trade tariffs on Chinese exports could weigh down growth in 2025. Trump has promised a resolution to ongoing Middle East conflicts and the Russia-Ukraine war, but the actual outcome is still uncertain.

We hope this report helps you understand some of the ingredients used to arrive at Kroll's cost of capital guidance. If you would like to receive further information or discuss any of the findings, please contact us.

Sincerely,
Carla Nunes

Global Cost of Capital Inputs—U.S. and Eurozone

Data as of February 28, 2025

	Normalized Risk-Free Rate	Kroll-Recommended Equity Risk Premium
U.S. (in USD)	Higher of 3.5% or Spot*	5.0%
Eurozone *** (in EUR)	Higher of 2.5% or Spot**	5.5% to 6.0%

These are our latest equity risk premium (ERP) recommendations for the U.S. and the Eurozone (from a German investor perspective), along with accompanying risk-free rates.

- In the U.S., barring an economic recession (which is not the base case), higher government spending to support tax cuts, combined with potential inflationary pressures from new trade tariffs, should keep U.S. long-term interest rates higher during 2025.
- Long-term inflation expectations have declined significantly in both Germany and the overall Eurozone, but long-term German yields have continued to climb in 2024. New elections in Germany in early 2025 paved the way to a loosening of budget deficit rules, which would allow government spending to prop up the German economy but will also keep long-term German bond yields higher.
- U.S. stock markets continued to reach new record highs through mid-February, but the unpredictability of Trump policies will lead to a more volatile 2025. Markets may see corrections during the year. We will continue to monitor the economy and geopolitical events closely to determine whether an increase in the Recommended U.S. ERP is warranted in the next few months.
- Recent record highs were also reached by the STOXX Europe 600 index and benchmark indices in certain Eurozone countries (e.g., DAX in Germany). The unfolding of Trump's trade policies and the response by EU governments will make investors reevaluate their equity market outlook, which we will be monitoring closely.

* We recommend using the spot 20-year U.S. Treasury yield as the proxy for the risk-free rate if the prevailing yield as of the valuation date is higher than our U.S. normalized risk-free rate of 3.5%. This guidance is effective when developing USD-denominated discount rates as of June 16, 2022, and thereafter.

** We recommend using the spot 15-year German government bond yield as the proxy for the risk-free rate if the prevailing yield as of the valuation date is higher than our German normalized risk-free rate of 2.5%. This guidance is effective when developing EUR-denominated discount rates as of March 31, 2024, and thereafter.

*** German normalized risk-free rate (or spot rate) and Eurozone ERP for use in EUR-denominated discount rates from a German investor perspective. Our current Eurozone ERP recommendation is at the bottom of the range (i.e., 5.5%), which was effective February 5, 2024. Additional country risk adjustments may be warranted when estimating discount rates for other countries in the Eurozone.

For more information, visit kroll.com/costofcapitalnavigator.

Long-Term Inflation Expectations and Real GDP Growth (Median)

Data as of December 2024

Inflation decelerated significantly toward the end of 2023 through mid-2024 and at a faster pace than many anticipated. However, recent readings have shown an uptick in headline inflation in both Germany and the U.S., a trend that began in October 2024. Services prices have been particularly sticky and continue to be a driver of inflation. In both countries, inflation remains above the Fed's and the ECB's respective targets of 2.0%. The threats of far-reaching tariffs by the new Trump administration are also leading economists and market participants to expect upward inflationary pressures in the U.S. for 2025. On a positive note, long-term real GDP expectations have improved in the U.S. relative to a year ago, partly driven by the promise of productivity gains from generative AI.

	U.S.	Germany
Long-Term Inflation Expectations	**2.3%**	**2.0%**
Long-Term Real GDP Projected Growth	**2.0%**	**1.0%**

Inflation estimates over the long term have stabilized at **2.3%** since May 2024. Projected long-term real GDP growth in the U.S. stood at **2.0%** in December 2024, same as in September, but an uptick from 1.9% in May and 1.8% in January.

Long-term inflation expectations in Germany have been stable at **2.0%** since January 2024. Long-term real GDP growth expectations in Germany stood at **1.0%** in December 2024, matching the level observed in May and September 2024.

Sources of underlying U.S. data: 1) Real GDP growth data was sourced from Blue Chip Economic Indicators, Blue Chip Financial Forecasts, Consensus Economics, S&P Global Market Intelligence (formerly IHS Markit), Federal Reserve Bank of Philadelphia (Livingston Survey and Survey of Professional Forecasters) and Oxford Economics; 2) Inflation expectations relied on the sources already listed under real GDP growth data, as well as data from the Federal Reserve Bank of Cleveland, the Federal Reserve Bank of Philadelphia (Aruoba Term Structure of Inflation Expectations) and the University of Michigan's Surveys of Consumers.

Sources of underlying German real GDP growth and inflation data: Consensus Economics, Economist Intelligence Unit, S&P Global Market Intelligence (formerly IHS Markit), International Monetary Fund, Oxford Economics and PwC.

Global Cost of Capital Inputs—Other Countries

Data as of February 28, 2025

This is the latest Kroll risk-free rate guidance for the UK, Canada and Australia.

	UK [††] (in GBP)	Canada [††] (in CAD)	Australia [††] (in AUD)
Normalized Risk-Free Rate	Higher of 4.0% or Spot[‡]	Higher of 3.5% or Spot[§]	Higher of 3.5% or Spot[#]

[‡] We recommend using the spot 20-year UK Gilt yield as the proxy for the risk-free rate if the prevailing yield as of the valuation date is higher than our UK normalized risk-free rate of 4.0%. This guidance is effective when developing GBP-denominated discount rates as of October 18, 2022, and thereafter.

[§] We recommend using the spot Government of Canada Benchmark Long-Term Bond yield as the proxy for the risk-free rate if the prevailing yield as of the valuation date is higher than our Canada normalized risk-free rate of 3.5%. This guidance is effective when developing CAD-denominated discount rates as of October 18, 2022, and thereafter.

[#] We recommend using the spot 10-year Australia Commonwealth Government Bond yield as the proxy for the risk-free rate if the prevailing yield as of the valuation date is higher than our Australia normalized risk-free rate of 3.5%. This guidance is effective when developing AUD-denominated discount rates as of October 31, 2022, and thereafter.

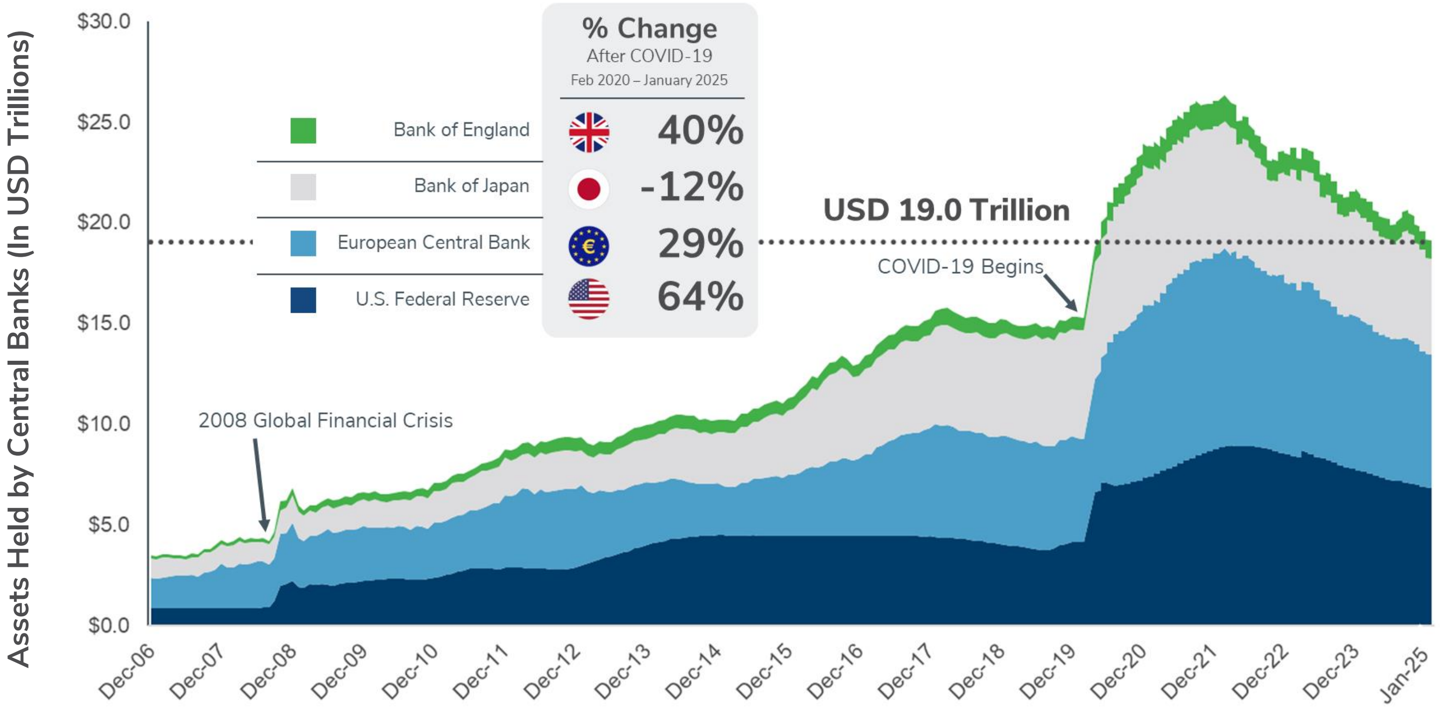
[††] Although we do not currently have an official Kroll Recommended ERP for the UK, Canada and Australia, historical and other forward-looking ERP information for these countries is available in the International Cost of Capital Module within the Cost of Capital Navigator.

For more information, visit kroll.com/costofcapitalnavigator.

Total Assets Held by Central Banks over Time

Data as of January 22, 2025

After COVID-19 was declared a pandemic, major central banks implemented new (or expanded existing) quantitative easing (QE) policies that entailed massive purchases of securities at an unprecedented pace. The swelling size of their balance sheets, which primarily consisted of government debt securities, contributed to keeping interest rates at historically low levels in most developed markets. However, the surge in inflation in 2022 finally led most major central banks to raise policy interest rates, begin unwinding asset purchase programs and reduce the size of their balance sheets (known as quantitative tightening, or QT). Nevertheless, over the next two years, the combined balance sheet of these central banks will remain significantly larger than pre-pandemic levels. Notably, QT is not necessarily the same as QE in reverse: Despite some early predictions to the contrary, QT's impact on long-term interest rates has been rather limited so far.



Sources: Capital IQ, FRED® Economic Data, Bank of England, Bank of Japan and European Central Bank. Data translated into USD to allow for the balance sheet of these central banks to be aggregated. The percentage change after COVID-19 (until the present) in the balance sheet of each bank would be different in local currency.

Global 10-Year Government Bond Yields

Data as of January 22, 2025

Long-term interest rates have fallen from the (cycle) peaks observed in October 2023. Nevertheless, long-term yields have generally risen since September/October 2024 and are still at higher levels than over a decade ago for most major economies. The exception has been China, which has seen its 10-year government bond yield hover around all-time record lows as the country continues its efforts to fight deflationary pressures. In contrast, some countries are seeing a resurgence in inflation, which in the case of Brazil has led to recent hikes in its policy interest rate. In general, daily volatility in government bond yields continues to be significant as investors try to anticipate how central banks will decide the path of their respective policy interest rates, particularly in light of the disruptions that new Trump administration policies may bring to global markets. The imposition of broad trade tariffs could place upward pressure on inflation and long-term interest rates in 2025.

North America

U.S.	4.60%
Canada	3.29%

Eurozone

Eurozone	2.59%
Germany	2.49%
Netherlands	2.72%
France	3.25%
Spain	3.19%
Italy	3.56%

Europe – Other

UK	4.60%
Switzerland	0.42%
Sweden	2.33%

Latin America

Brazil	14.99%
Chile	6.03%
Mexico	10.09%

Asia Pacific

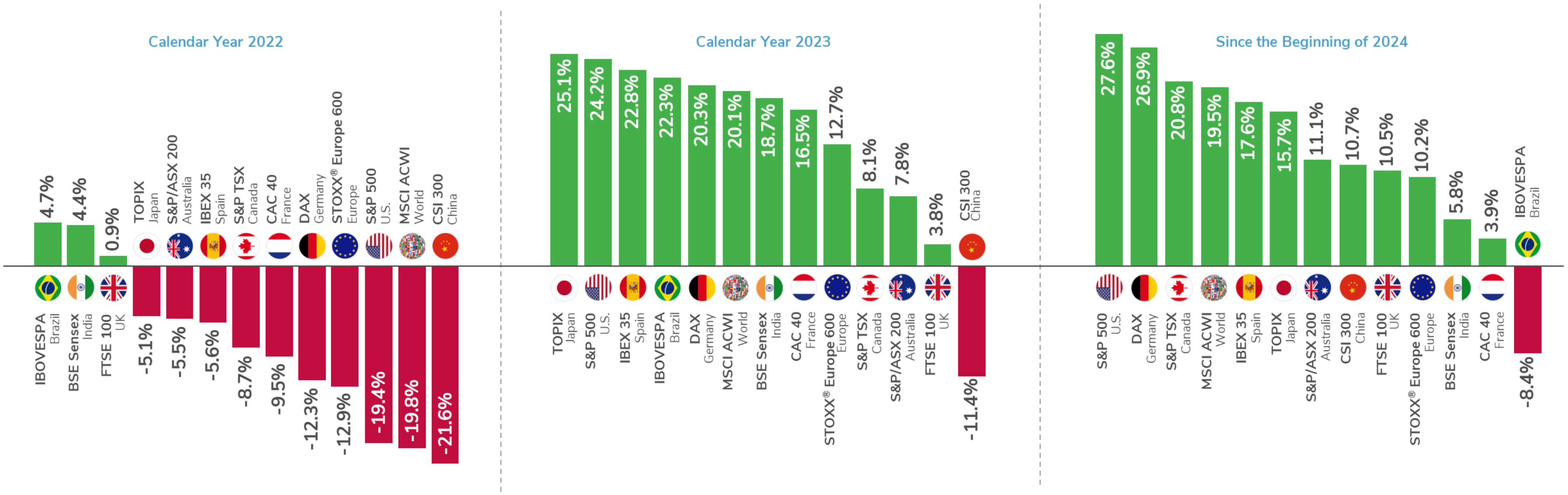
Australia	4.47%
China	1.64%
India	6.78%
Japan	1.20%
Singapore	2.96%
South Korea	2.84%

Sources: LSEG's Refinitiv (Brazil, Chile, India, Mexico), European Central Bank (Eurozone aggregate yield) and Capital IQ (other countries)

Stock Market Performance

Data as of January 22, 2025

Global equity markets have recouped their 2022 losses, and benchmark indices in several countries have recently reached fresh record highs. Japan saw the greatest price return (in local currency terms) in 2023, but its outperformance has recently fizzled, as the Bank of Japan finally abandoned its yield-curve targeting and negative interest rate policies, bringing its policy rate to the highest level since 2008. China was the worst-performing market in both 2022 and 2023 but has seen a notable recovery since late September of 2024, following the announcement of several monetary and fiscal measures to stimulate the economy. European indices have generally performed well in the past year. Defense stocks have recently performed particularly well, as uncertainty around Trump's support of NATO and the Ukraine cause against Russia, have led EU and UK leaders to realize the need for rearmament. However, the almost-daily volatility in Trump's policy announcements are likely to make 2025 a more volatile year for global equity markets. U.S. valuations were priced to perfection and an escalating trade war could lead to market corrections in 2025.

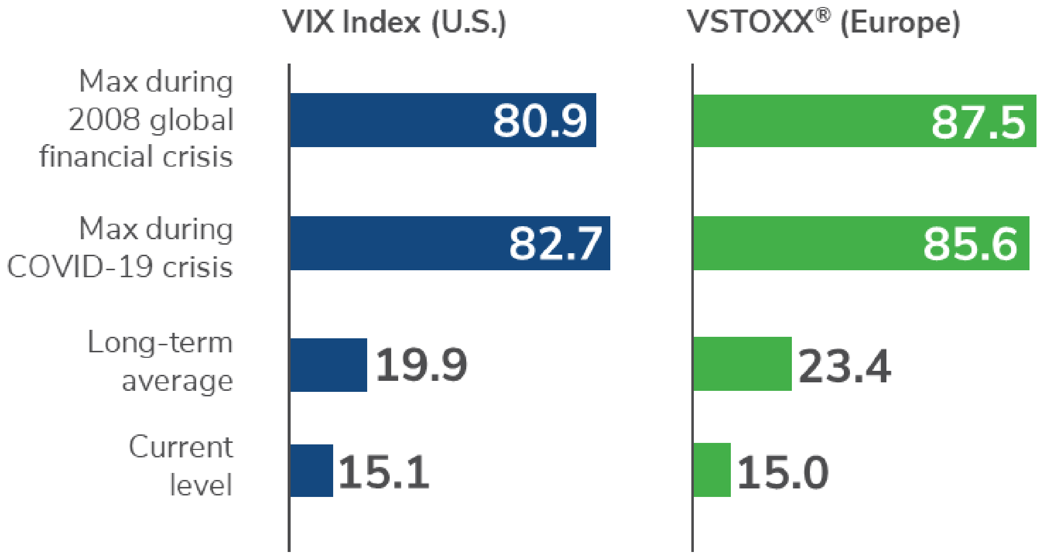


Source: Capital IQ

Global Market Volatility

Data as of January 22, 2025

U.S. and European financial markets experienced significant volatility during 2022 as uncertainty related to the Russia-Ukraine war and the impact of inflationary pressures on central banks' plans to raise interest rates led to fears of stagflation. However, market optimism surged in 2023 and continued into 2024, lowering investor risk aversion in the U.S. and Europe. At the end of January, the respective volatility indices were significantly below their long-term averages. Nevertheless, many market analysts expect that the unpredictability of Trump's policies will lead to spikes in volatility during 2025.



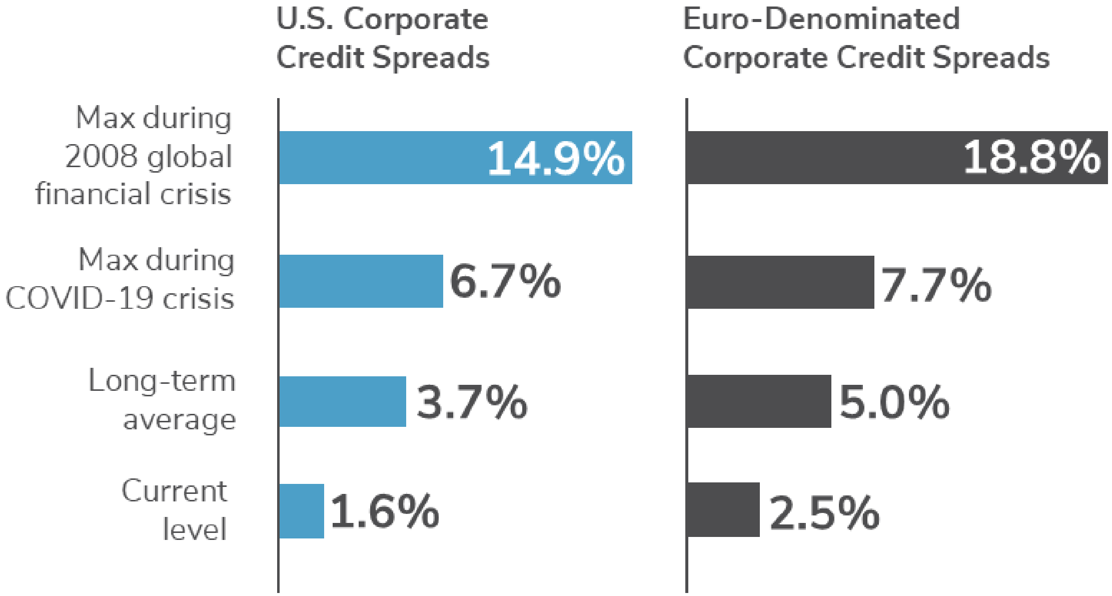
Source: Capital IQ

Long-term averages are based on 1995 to present for VIX daily series, 1999 to present for VSTOXX daily series.

Global Credit Spreads

Data as of January 22, 2025

U.S. and European corporate credit spreads have remained remarkably tight and below long-term averages despite the significant increase in interest rates. Part of the explanation appears to be related to an expectation of interest rate cuts and, in the case of the U.S., still-strong real economic growth. However, these graphs hide the credit deterioration seen in the riskiest segment of the market (issuers with ratings of B- and below). According to S&P Global Ratings, the number of global corporate defaults rose by 80% in 2023, declining only slightly by 5% in 2024. Moreover, U.S. and European corporations still saw a 2024 increase in defaults, with the U.S. reaching its highest number of defaults since 2020 and Europe finishing the year with its second-highest default count since 2008. S&P expects the trailing-12-month speculative-grade corporate default rate to decline to 3.25% in the U.S. and 4.25% in Europe by September 2025, from 4.9% and 5.1% in November 2024, respectively.*



Sources: FRED® Economic Data, Bloomberg

U.S. corporate credit spreads are based on the difference in effective yields between the ICE BofA U.S. High Yield Index and the ICE BofA U.S. Corporate Index. Euro-denominated corporate credit spreads are based on the difference in effective yields between the Bloomberg Pan-European High Yield Index (EUR) and the Bloomberg Euro Aggregate Corporate Bond Index. Long-term averages are based on 1996 to present for U.S. credit spread daily series, and 1998 to present for EUR-denominated credit spread monthly series.

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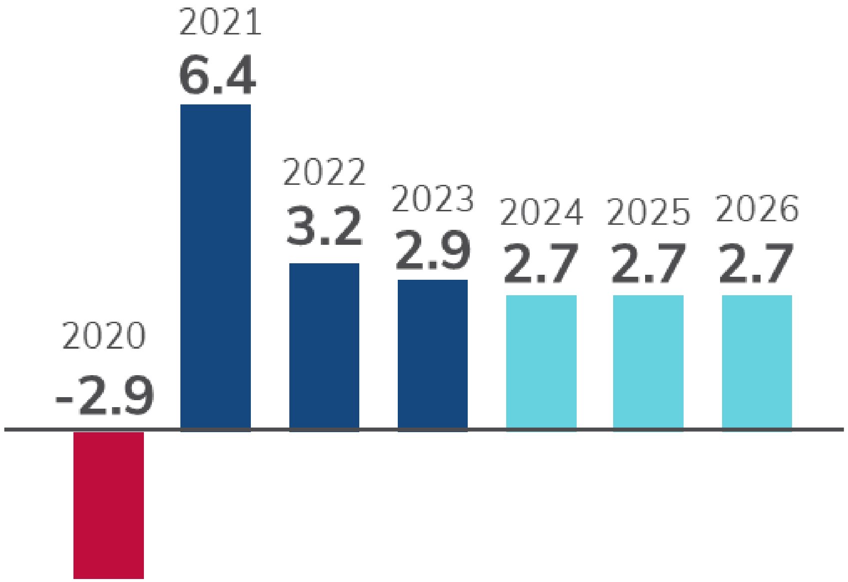
* Source of default rate statistics: S&P Global Ratings; "Default, Transition, and Recovery: Europe And The U.S. Undermine 2024 Drop In Global Corporate Defaults," January 17, 2025

Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

Global economic growth was stronger in 2024 than originally predicted when we conducted this analysis a year ago. At the time, the median real GDP growth estimate was 2.3% (vs. the estimated actual of 2.7%). A faster decline in inflation readings and resilience from certain economies (especially the U.S. and certain emerging markets) helped the global economy stay afloat. Going forward, as inflation returns closer to central bank targets in most advanced economies and emerging markets, real growth is expected to stabilize at 2.7% for the global economy. If realized, this would fall short of the pre-pandemic levels of around 3.4% (based on 1980–2019 average). The inauguration of U.S. President Donald Trump in January 2025 is setting the stage for a global reevaluation of economic policies while raising the specter of more contentious and fragmented international trade relations. The potential broad application of trade tariffs by the U.S. to its key trading partners presents a downside risk to global growth, particularly if followed by retaliatory actions.

WORLD



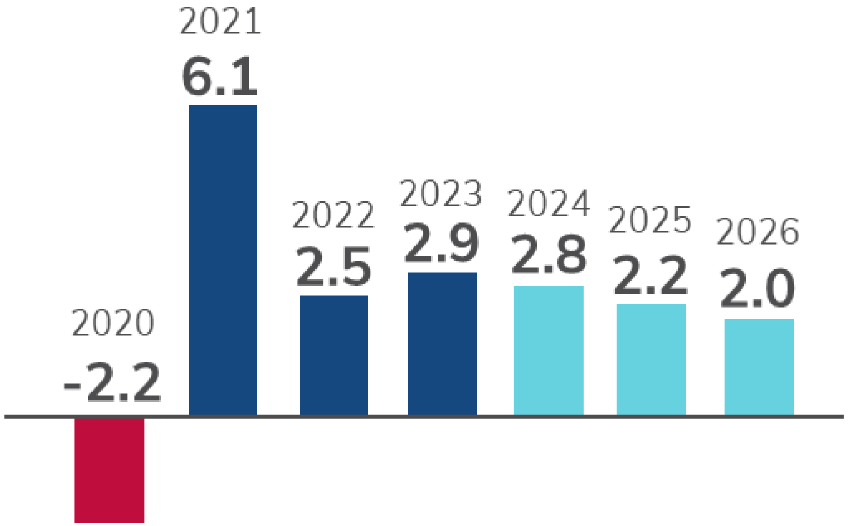
Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings. Some sources did not have data available for all countries and regions.

Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

Against most odds, the U.S. economy managed not only to avoid recession but also withstand aggressive rate hikes by the Fed and grow in real terms over the past two years at an above-potential rate (see projected long-term real GDP growth earlier in this report). Consumer spending was robust in 2023 and 2024, helped by a strong job market and the use of excess savings obtained from pandemic-era fiscal stimulus packages. As the signs of a cooling job market emerged, the Fed decided to be aggressive and cut its policy rate by a cumulative 100 basis points (b.p.) between September and December 2024. However, an uptick in headline driven partly by sticky services prices, combined with a still-strong labor market, has led the Fed to project only two rate cuts for 2025. Real growth for 2025 and 2026 is projected to decelerate, as consumer spending is now supported by rising credit card debt, while concerns about inflationary pressures stemming from threats of new trade tariffs are rising. The new Trump administration plans to implement deregulation and business-friendly policies, including significant tax cuts, which could foster growth in the near term. However, the prospects of trade retaliation by key trading partners are leading U.S. businesses to remain cautious until some of this policy uncertainty subsides. Several economists are raising the odds of stagflation or even recession, as the heightened uncertainty is hurting consumer confidence. Consumer spending accounts for about 70% of the U.S. economy.

U.S.



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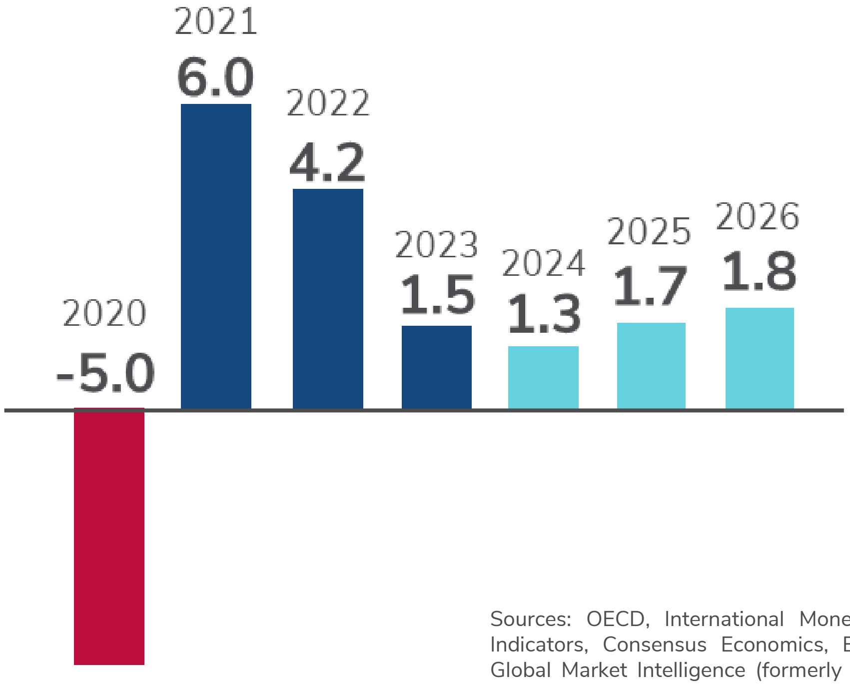
Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

The Bank of Canada's aggressive interest rate hikes between 2022 and 2023 succeeded in bringing down inflation to near its 2.0% target. However, higher interest rates weighed negatively on growth, with real GDP growth slowing down significantly in 2023 and 2024. Consumers reduced spending in response to higher prices and interest rates, and business investment contracted. While there are some recent signs of economic recovery, the threat of wide-ranging tariffs by the new U.S. administration has increased uncertainty. Justin Trudeau's announcement in early 2025 of his resignation as Canadian Prime Minister is adding to the uncertainty. A protracted trade conflict with the U.S. could derail the nascent recovery and force the of Bank of Canada to cut interest rates even further.

CANADA



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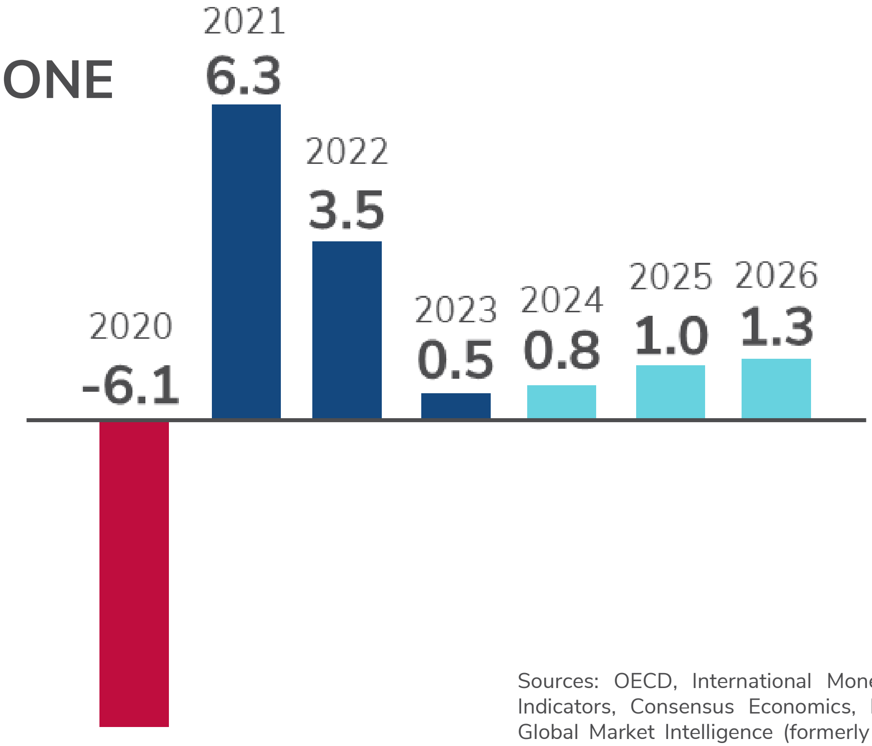
Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

After two consecutive years of strong (above-potential) growth, the Eurozone saw its economy nearly stagnate in 2023 due in good part to the aftereffects of the Russia-Ukraine war. The recovery in 2024 was shallow for the region, with Germany (traditionally seen as the growth engine of the Eurozone) contracting in both 2023 and 2024. A surprisingly rapid decline in inflation toward the end of 2023 and into 2024 led the ECB to cut interest rates by a cumulative 100 b.p. in the latter half of 2024. Real growth is expected to recover gradually in 2025 and 2026, supported by expectations that the ECB will continue to cut rates but weighed down by uncertainty related to existing geopolitical tensions. Rising populism has been a common denominator in elections across the EU. For example, elections in France in 2024 left President Emmanuel Macron's ability to govern in a precarious situation. German parliamentary elections in early 2025 are also altering the outlook for the Eurozone, as the loosening of budget deficit rules could unleash government spending in infrastructure and defense. Nonetheless, trade and other policy tensions with the U.S. are clouding the outlook.

EUROZONE



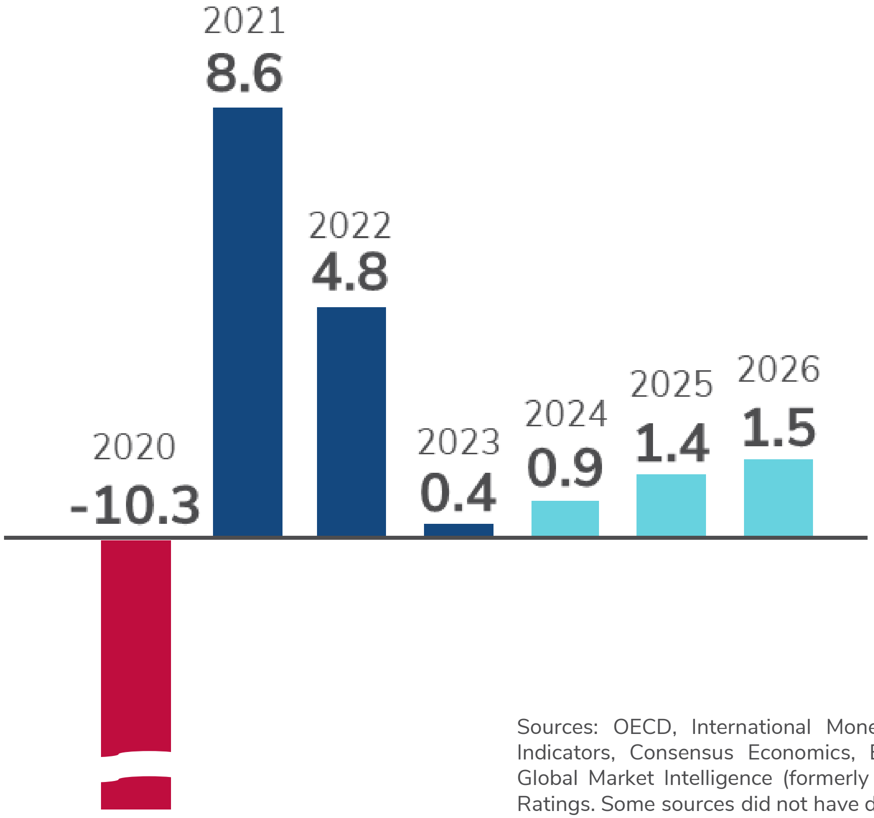
Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings. Some sources did not have data available for all countries and regions.

Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

The UK economy saw a significant negative impact from the Russia-Ukraine war, particularly due to rising energy prices and supply chain disruptions. To fight the surging inflation, the Bank of England raised its policy interest rate at a rapid pace in 2022 and 2023, bringing it to the highest level since 2008. As a result, the UK economy almost came to a halt in 2023, with real growth in 2024 showing only a modest recovery. Inflation saw a rapid descent in 2024, but since last September this trend has reversed. Despite this, the Bank of England is still expected to continue to cut rates in 2025, as economic activity continues to be sluggish. A new government led by the Labour Party took office in mid-2024. The new government's October 2024 budget promised more borrowing to support public sector investments, which has left investors nervous and contributed to a general rise in long-term government bond yields.

UK



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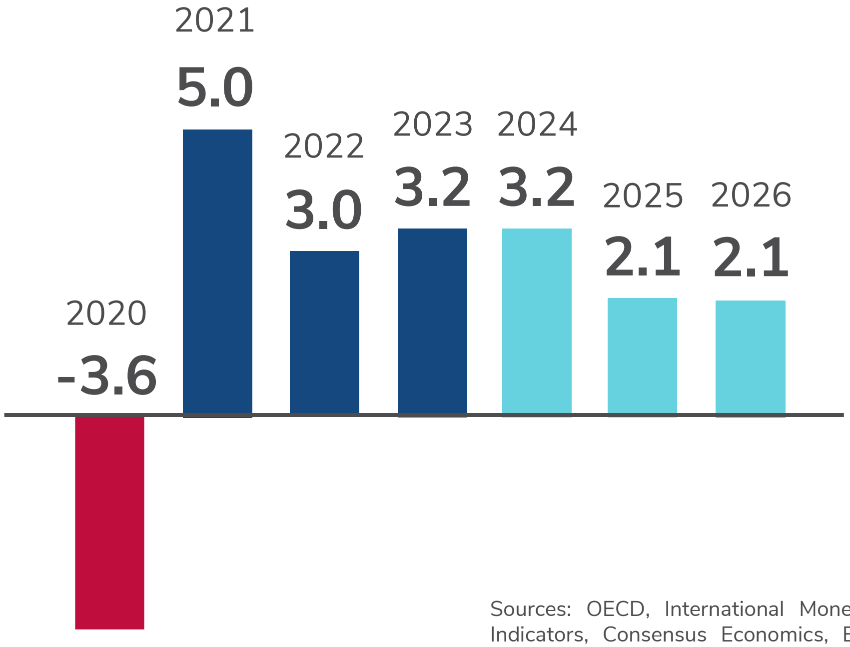
Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

Estimates of Brazil's real GDP growth in 2024 appear to match 2023, but the growth rate is expected to decelerate in 2025 and 2026. Economic activity is being negatively impacted by high interest rates. While government bond yields have generally declined in most emerging-market economies during 2024, Brazil is one notable exception. Upside inflation surprises in the second half of 2024 have prompted Brazil's central bank to raise its policy rate (the Selic) four times since last September through February 2025, with further hikes still on the horizon. Inflation pressures have been exacerbated by a plunge in the real (Brazil's currency) against the dollar. In fact, the real was the worst performing of the major currencies in 2024 (down by more than 20%). Concerns about government spending plans and the unsustainable trajectory for Brazil's government debt spooked investors in late 2024 and early 2025. The central bank was forced to intervene in the foreign exchange market but failed to prevent the currency's collapse.

BRAZIL



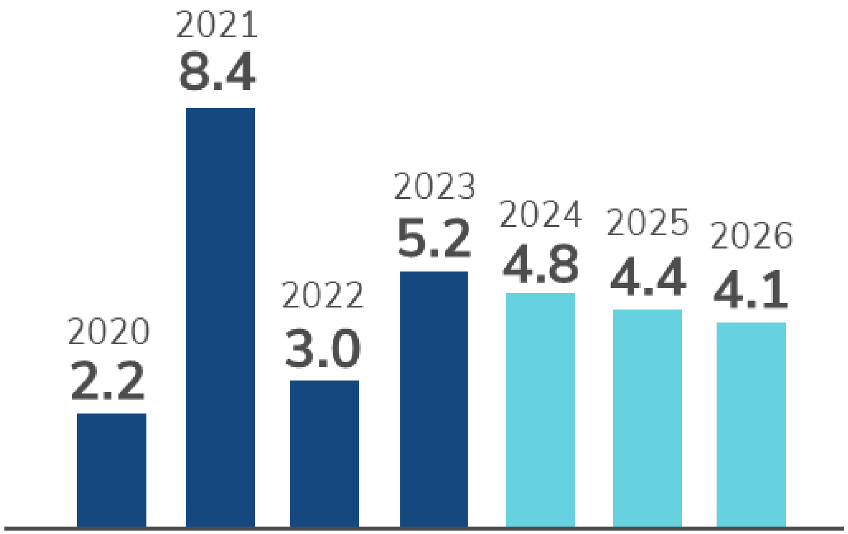
Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, Economic Intelligence Unit, Fitch Ratings, S&P Global Market Intelligence (formerly IHS Markit), Oxford Economics and S&P Global Ratings. Some sources did not have data available for all countries and regions.

Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

After China ended its zero-COVID-19 policy in early 2023, real GDP growth improved significantly from the prior year, partly aided by government support. However, China has been struggling with deflationary pressures for the past two years, following the burst of a debt-fueled bubble in the real estate property market. Consumer spending retrenched, contributing to deflationary pressures. Since late September 2024, China has announced several monetary and fiscal stimulus measures to prop up the economy, but deflationary pressures persist. Despite these measures, record-low yields for the yuan-denominated 10-year Chinese government bonds were observed in early January 2025, signaling a need for further economic stimulus. Nevertheless, these stimulus packages have contributed to a recent surge in domestic stock markets. Threats of additional trade tariffs from the incoming U.S. administration, which could damage export growth and escalate trade conflicts between the two countries, have added further urgency by the Chinese government to support a recovery in domestic demand. Going forward, real growth is still expected to be below the nearly 6% (and higher) level the economy enjoyed for many years.

CHINA



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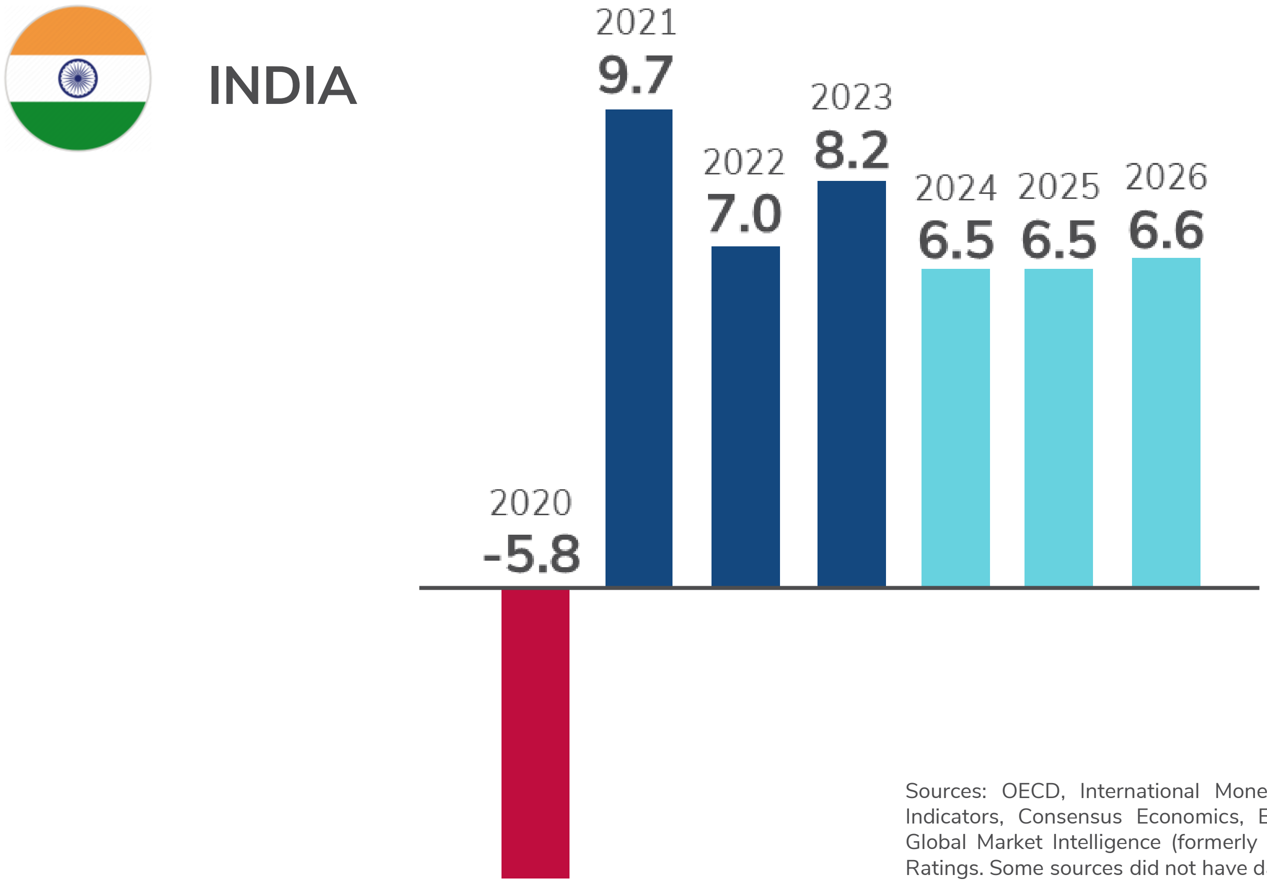
Real GDP Growth (%) Estimates (Median)

Data as of January 22, 2025

India saw an impressive rebound from the pandemic in 2021, with still-stellar performance in 2022 and 2023. India is still a bright spot in the global economy. While real growth has lost some momentum, decelerating to a forecast 6.5% in 2024 and expected to reach a similar rate in 2025, India is still expected by most accounts to have the highest growth rate among G20 countries. India's economy is supported by strong domestic demand: Significant increases in public infrastructure spending and ongoing strong private consumption are expected to support growth over the next two years.



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U.S. vs. Eurozone Unemployment Rate

Data as of January 22, 2025

Contrary to the expectations of many economists, the steep increase in interest rates during 2022 and 2023 did not result in a significant increase in the unemployment rate. Job markets remained strong, with the U.S. unemployment rate somewhat above pre-pandemic levels, but at the time that rate was at multidecade lows. The U.S. is still seeing strong job creation, although there are various signs of a cooling market. In addition, Trump's Department of Government Efficiency (DOGE) decision to lay off thousands of federal employees will place an upward pressure on the U.S. unemployment rate for the next few months. The Eurozone's unemployment rate is still lower than the level registered in March 2020.

2020

	🇺🇸	€
March	4.4%	7.2%
June	11.0%	8.1%
September	7.8%	8.6%
December	6.7%	8.2%

2021

	🇺🇸	€
March	6.1%	8.2%
June	5.9%	7.9%
September	4.7%	7.4%
December	3.9%	7.0%

2022

	🇺🇸	€
March	3.6%	6.8%
June	3.6%	6.7%
September	3.5%	6.7%
December	3.5%	6.7%

2023

	🇺🇸	€
March	3.5%	6.6%
June	3.6%	6.5%
September	3.8%	6.6%
December	3.7%	6.5%

2024

	🇺🇸	€
March	3.8%	6.5%
June	4.1%	6.5%
September	4.1%	6.3%
Latest Available*	4.1%	6.3%

Sources: U.S. Bureau of Labor Statistics and Eurostat

* Data through December 2024 for the U.S. and November 2024 for the Eurozone.

U.S. and Eurozone Consumer Sentiment vs. Business Confidence

Data as of January 22, 2025

Consumer sentiment in the U.S. and Eurozone has yet to recover to pre-pandemic levels. However, relative to 2022 and 2023, consumers have been generally more optimistic in both geographies as the process of disinflation continued, and labor markets remained relatively strong. Nevertheless, talk of tariffs and a potential ensuing rise in inflation is making U.S. consumers nervous and turning the 2025 outlook gloomier. Business confidence in the U.S. is about the same as before the pandemic. The original optimism following the election of President Trump in November 2024 is now being tempered by the possibility of an escalating trade war, leaving U.S. executives in some industries (e.g., automakers) and small businesses cautious about the future. In the Eurozone, business confidence has been on a downward trend for most of 2024.

		Pre-COVID-19 (February 2020)		Post-COVID-19 (December 2024)	Long-Term Avg.
Consumer Sentiment	🇺🇸	101.0	↓	73.2*	(1952–2024) 85.2
	🇪🇺	108.5	↓	92.6	(1985–2024) 100.0
Business Confidence	🇺🇸	99.0	↑	99.3	(1950–2024) 100.1
	🇪🇺	100.4	↓	90.8	(1985–2024) 100.0

* Latest data available is as of January 2025

Sources: University of Michigan Consumer Sentiment Index, OECD's Business Confidence Index and European Commission business and consumer surveys. (The same methodology that the European Commission uses to standardize its ESI (Economic Sentiment Indicator) was applied to the Eurozone Consumer Confidence and Business Climate Indicator series.)

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