QUARTERLY ECONOMIC OUTLOOK | FOURTH QUARTER 2024

The year ahead: Navigating Trump 2.0.

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SEI recently released its fourth-quarter Economic Outlook. Here is a summary of our key perspectives, focusing on global economic growth, monetary policy, inflation, geopolitics, elections across the globe, and equity markets.

- Election-year uncertainty has been replaced by policy uncertainty, but this has not prevented a powerful post-election rally in U.S. equities.
- The U.S. economy enters 2025 with decent momentum. We have penciled in inflation-adjusted growth of 2.0%-to-2.5%, versus 1.0%-to-1.5% for Canada, the United Kingdom, and Europe.
- Unemployment rates remain rather low in the U.S. and other advanced countries, with the notable exception of Canada. The incoming Trump Administration is determined to stop the flow of migrants across the border and plans an aggressive deportation push. It remains to be seen how aggressive that push will be.
- We expect the inflation improvement seen in 2024 to stall out in the United States and the United Kingdom. The imposition of tariffs could place further upward pressure on the U.S. inflation rate in 2025, although the extent and magnitude of any levy is highly uncertain.
- Cuts in the federal funds rate in 2025 could be limited to just one-half percentage point, or even less.
- Countries and regions with structurally lower inflation and weaker economies should see more aggressive rate reductions than the U.S.
- The election of Donald Trump and the Republican victories in the House of Representatives and the Senate guarantee the extension of most of the tax cuts embodied in the Tax Cuts and Jobs Act passed in 2017. Additional tax cuts are likely.
- Other countries' fiscal policies may not be quite as profligate, but they too will likely see worsening deficits over time owing to demographics, rising geopolitical tensions, higher financing costs, and a surge in populist politics.
- The geopolitical outlook for 2025 does not appear quite as concerning as it appeared this time last year. Political dissatisfaction with the governing class is rife in many countries, however.
- Large-cap U.S. equities seem priced for perfection and do not appear to be discounting the possible downside inherent in the Trump Administration's economic policies.
- There is a strong possibility that bond yields will rise further in 2025 as concerns mount over the deterioration of the U.S. fiscal position and the impact that tariffs and other policy decisions may have on future inflation.
- Given Trump's transactional approach to policy, there is a risk that the Administration will pursue a policy based on maximizing tariffs in the hope of forcing high-surplus nations, especially China, to dramatically alter their trade policies and allow their currencies to appreciate. We expect increased financial-market volatility as a result.

A full-length paper is available if you wish to learn more about these timely topics.

Glossary

A **tariff** is a tax imposed by the government of a country on imports or exports of goods.

Important information