



Debt, Deregulation, & a Disrupted World

Forvis Mazars Economic Hub

October 21, 2025

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Summary

1. **The long-term view:** Debt, Deregulation, Disruption driving the global economy and markets
2. **The short-term view:** Global growth is slowing, unemployment and inflation are picking up, trade
3. **How do deal with uncertainty:** What should businesses do in such an environment?

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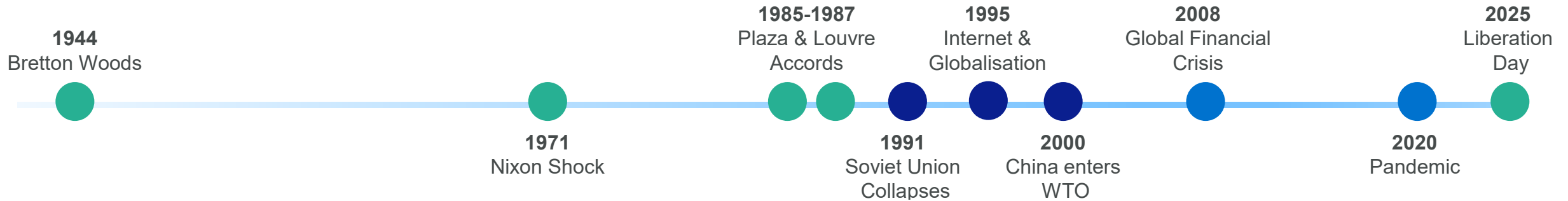
The Long View



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81 years from Bretton Woods to Liberation Day

It's all happened before. President Trump is the third president attempting to reset the system, after Nixon and Reagan



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Debt

has become the main engine for growth, but now it's become larger, more volatile, and more expensive



Disruption

as countries compete, disrupting the global international order



Deregulation

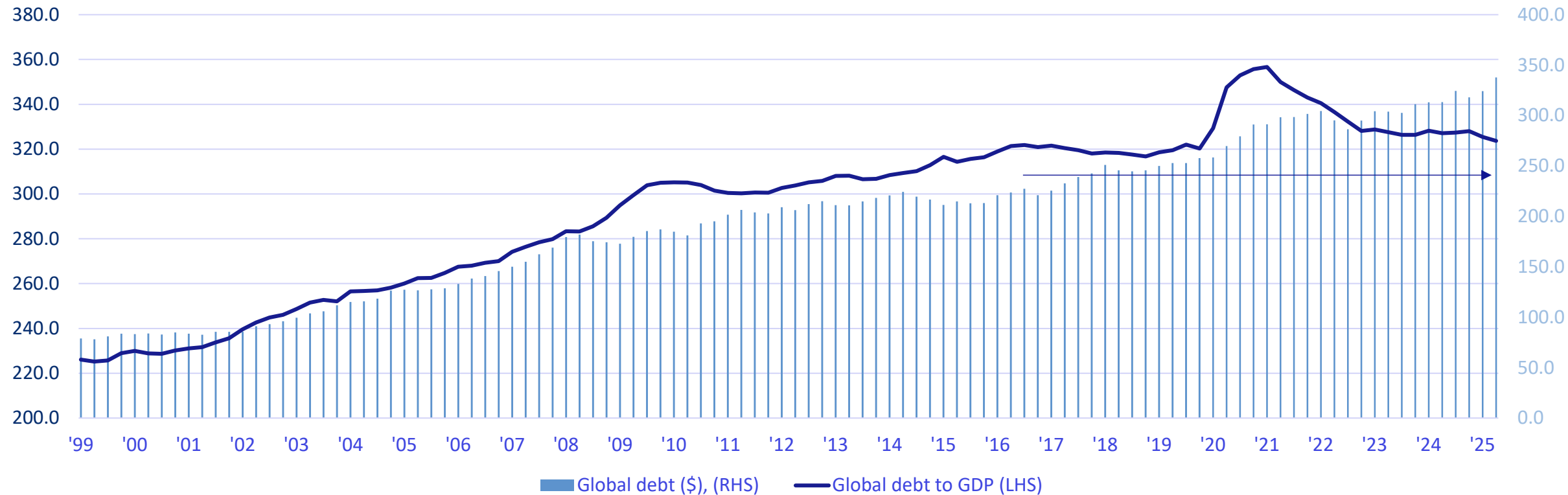
is an engine to drive growth over the short term, but at the expense of long-term risks

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Debt

Global Debt: \$337tn 323% of GDP – growth contains it. But the next growth crisis will hurt.

Global debt/GDP in %, (LHS), Global Debt in \$ (RHS)



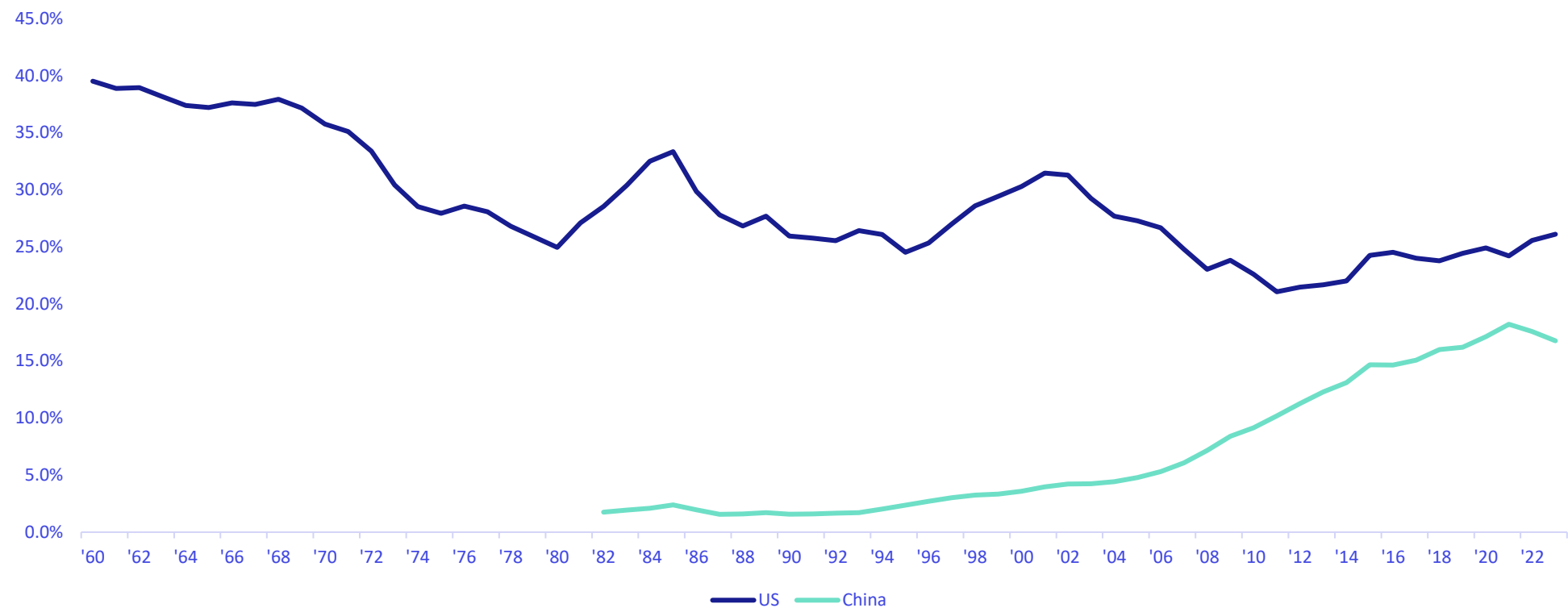
Source: Bloomberg, Forvis Mazars calculations

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Disruption

The US and China compete for global dominance

Percentage of Global GDP, \$, Nominal



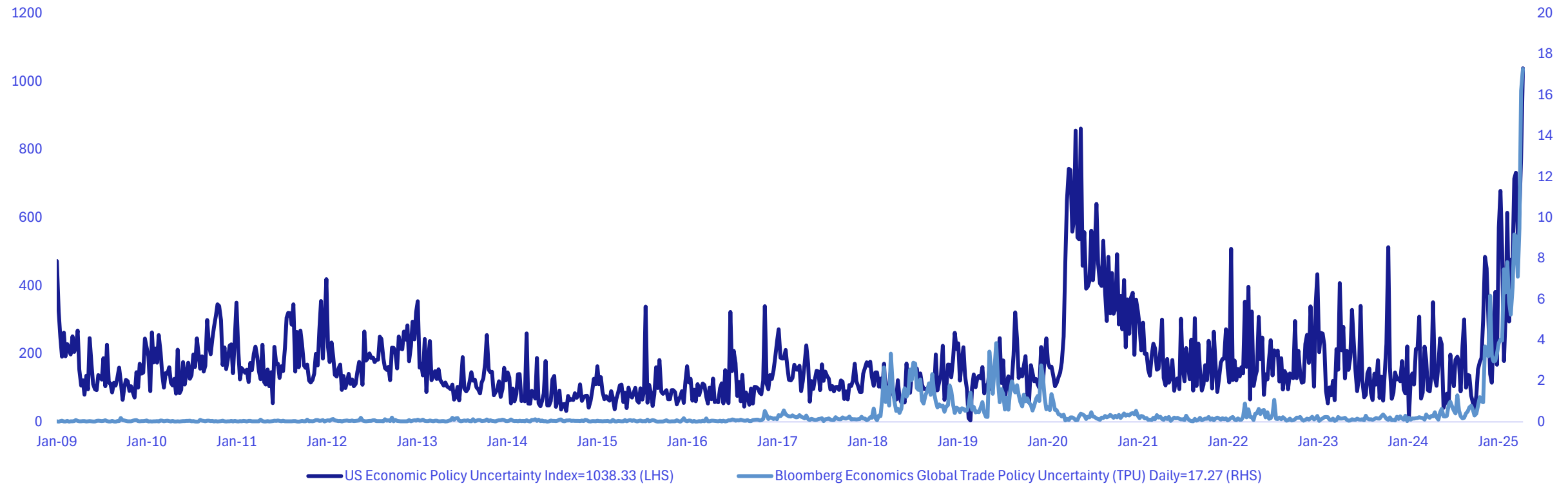
Source: Bloomberg, Forvis Mazars calculations

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No going back to “normal.” Markets are built for such volatility. Economies and businesses are not.

Trade and economic policy uncertainty, worse than Global Financial Crisis

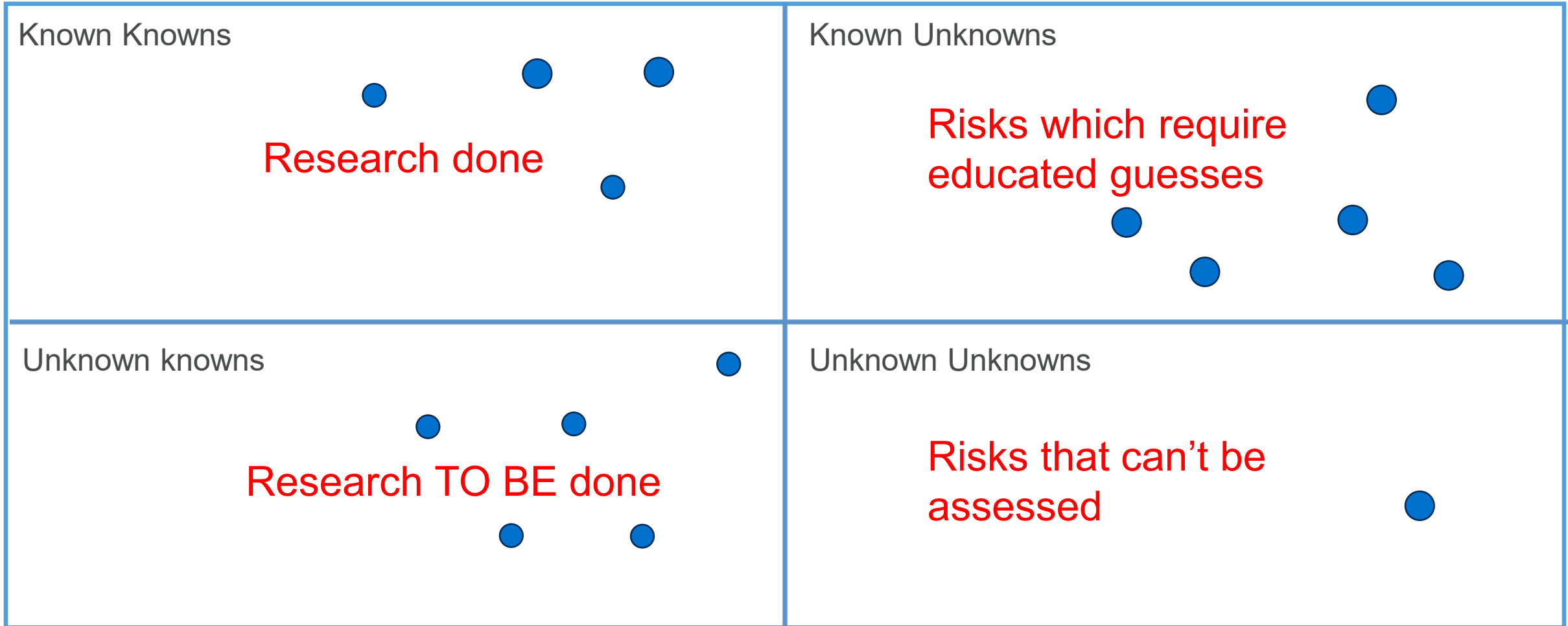
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Source: Bloomberg, Forvis Mazars calculations

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How the nature of risks changes: From stability to disruption

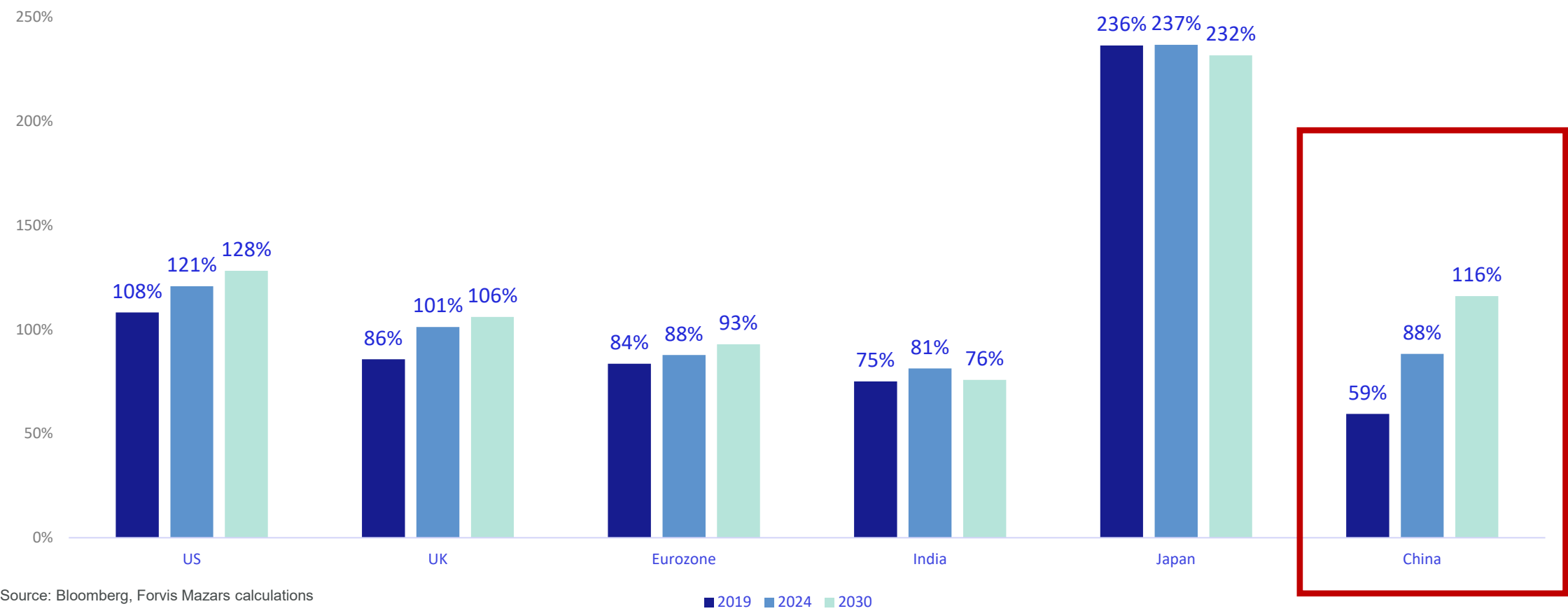


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Debt ... China has also tried to borrow its way into growth. But it's falling into a liquidity trap.

Global debt build up will continue

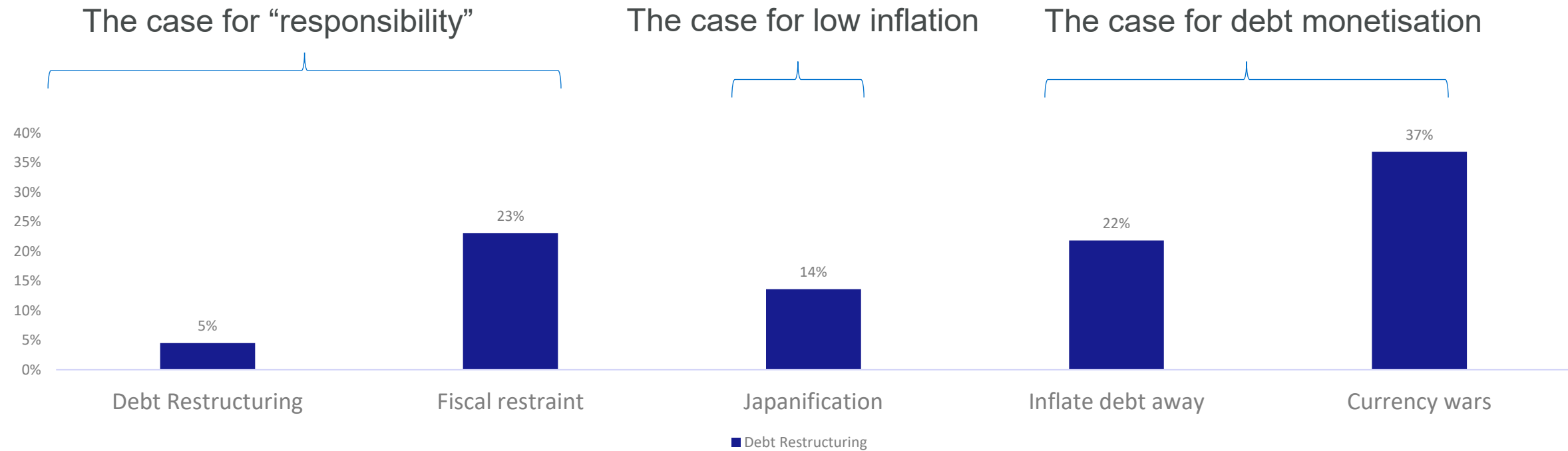
% of Global Total Debt



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Five Debt Scenarios

Debt restructuring	• Debt will be restructured and elongated in a global deal
Fiscal Restraint	• Governments will increase taxes and show fiscal restraint
Japanification	• Lower inflation and growth allowing central banks to monetise debt without disruption
Inflating the Debt	• Debt inflated away
Currency Wars	• Competitive currency devaluations sparking a global currency war

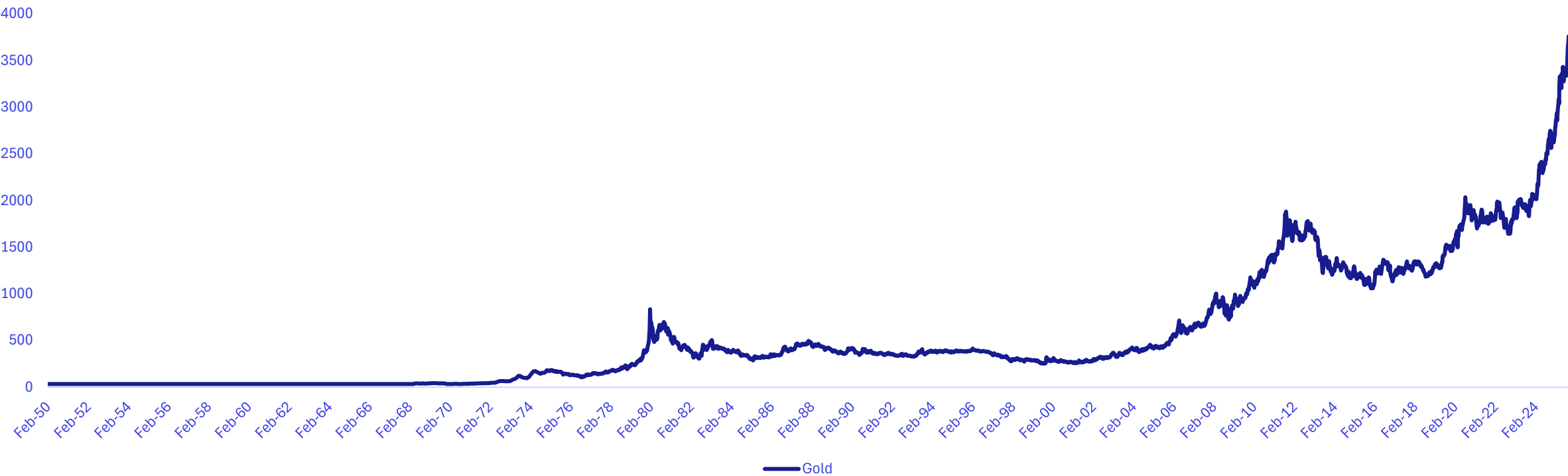


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Gold!

Gold's incredible run

\$/ounce



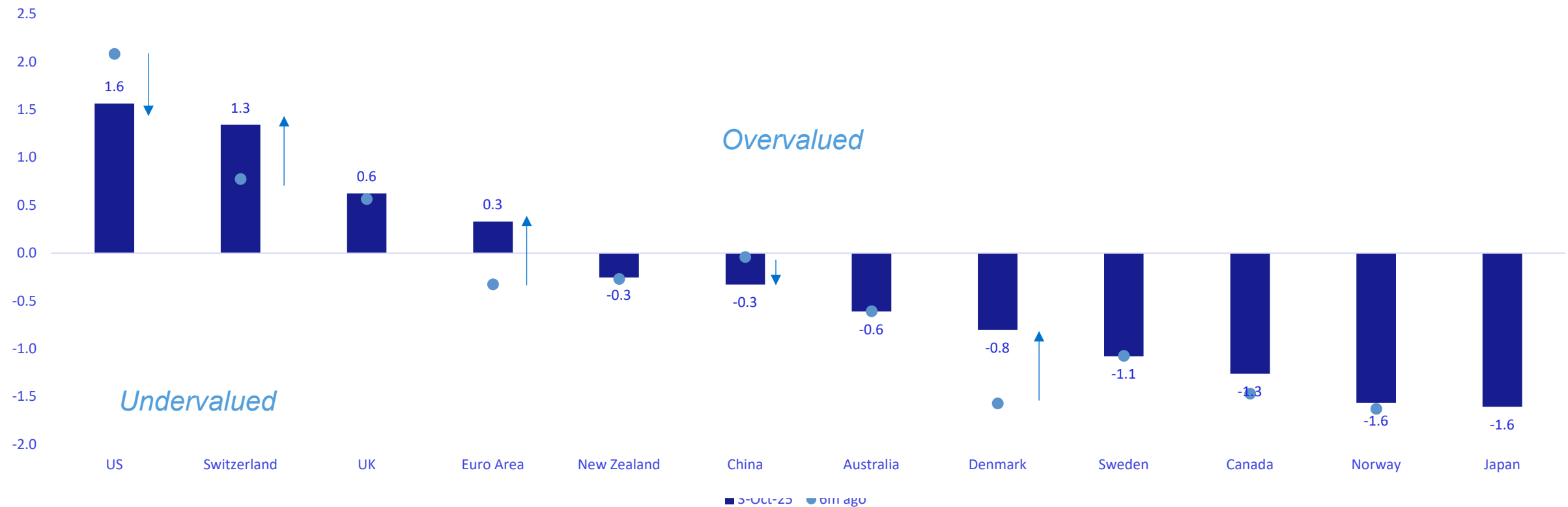
Source: Bloomberg, Forvis Mazars calculations

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A lot of what we are seeing is an effort to bring the Dollar down

Dollar remains relatively expensive

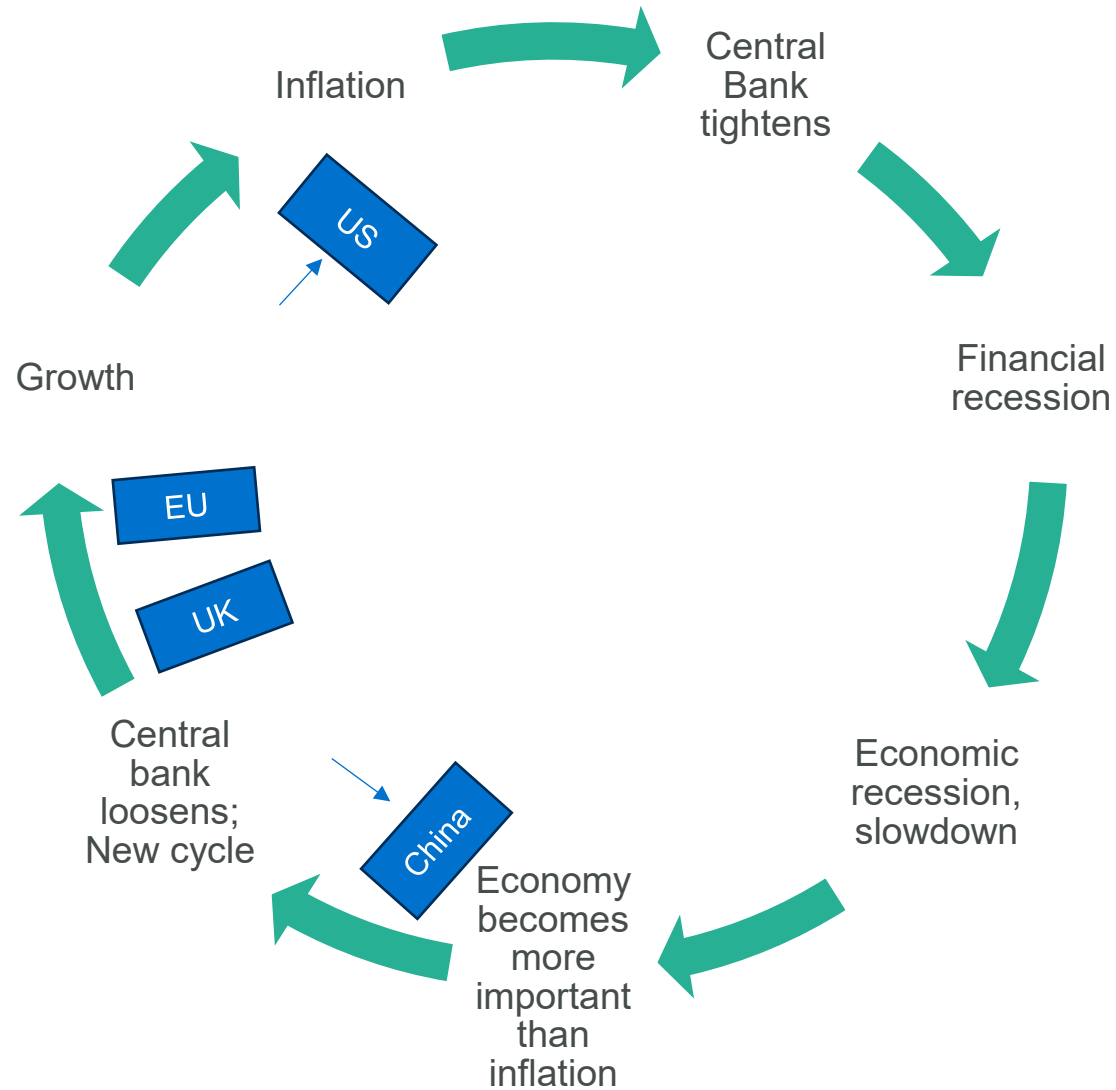
20y Z-score, Real Effective Exchange Rate (BIS) as of 3 Oct



Source: BIS Forvis Mazars calculations

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Disruption and divergence: The U.S. is rushing through the cycle

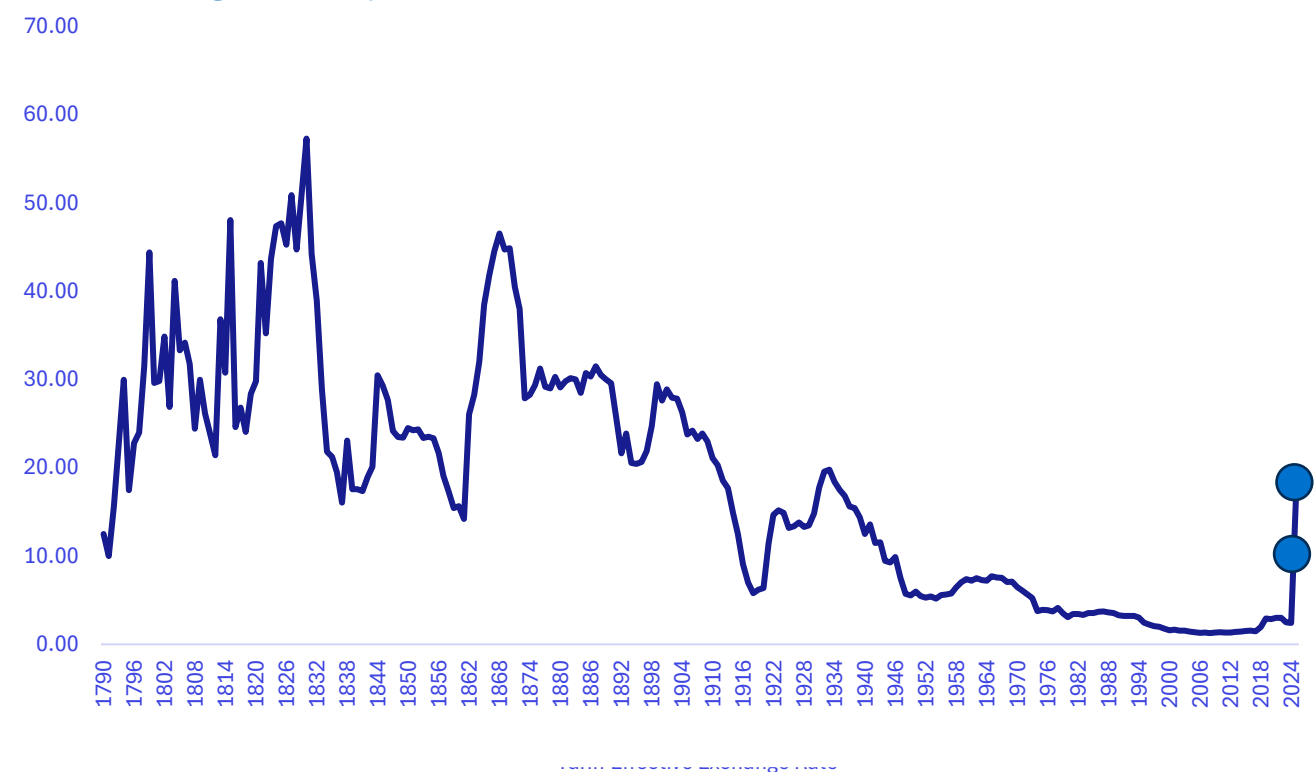


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Disruption and Divergence: A U.S. “Fortress Economy”?

An average tariff of 17.7% brings tariffs back to 1935 levels

% , as of 1st August 2025, post-substitution rate in 2025



At 17.7% presently, tariffs create significant pressures on supply chains

At 10% tariffs would be still four times higher than before and the highest since the end of WWII

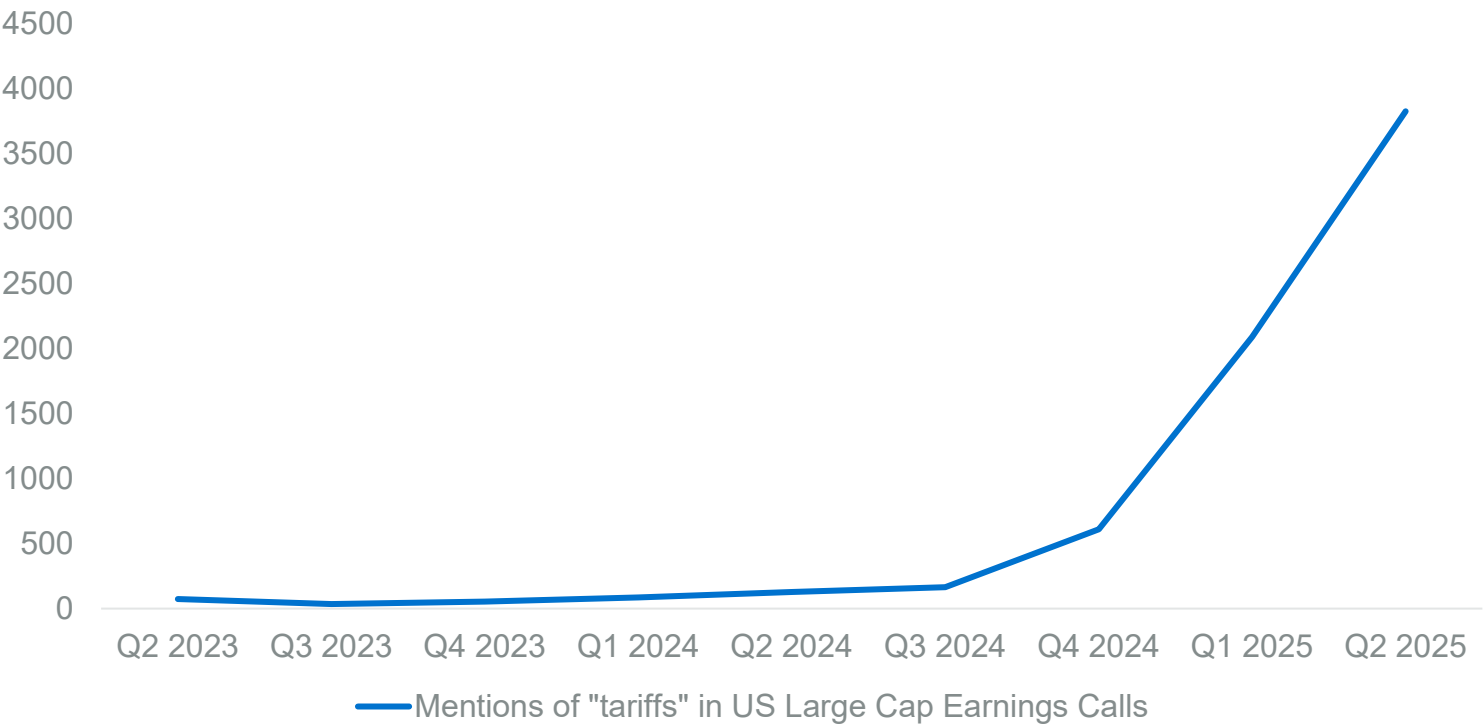
Source: Bloomberg, Yale Budget Lab, Forvis Mazars calculations

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Disruption and Divergence: Tariffs are on top of U.S. companies' minds

U.S. companies clearly worried about tariffs

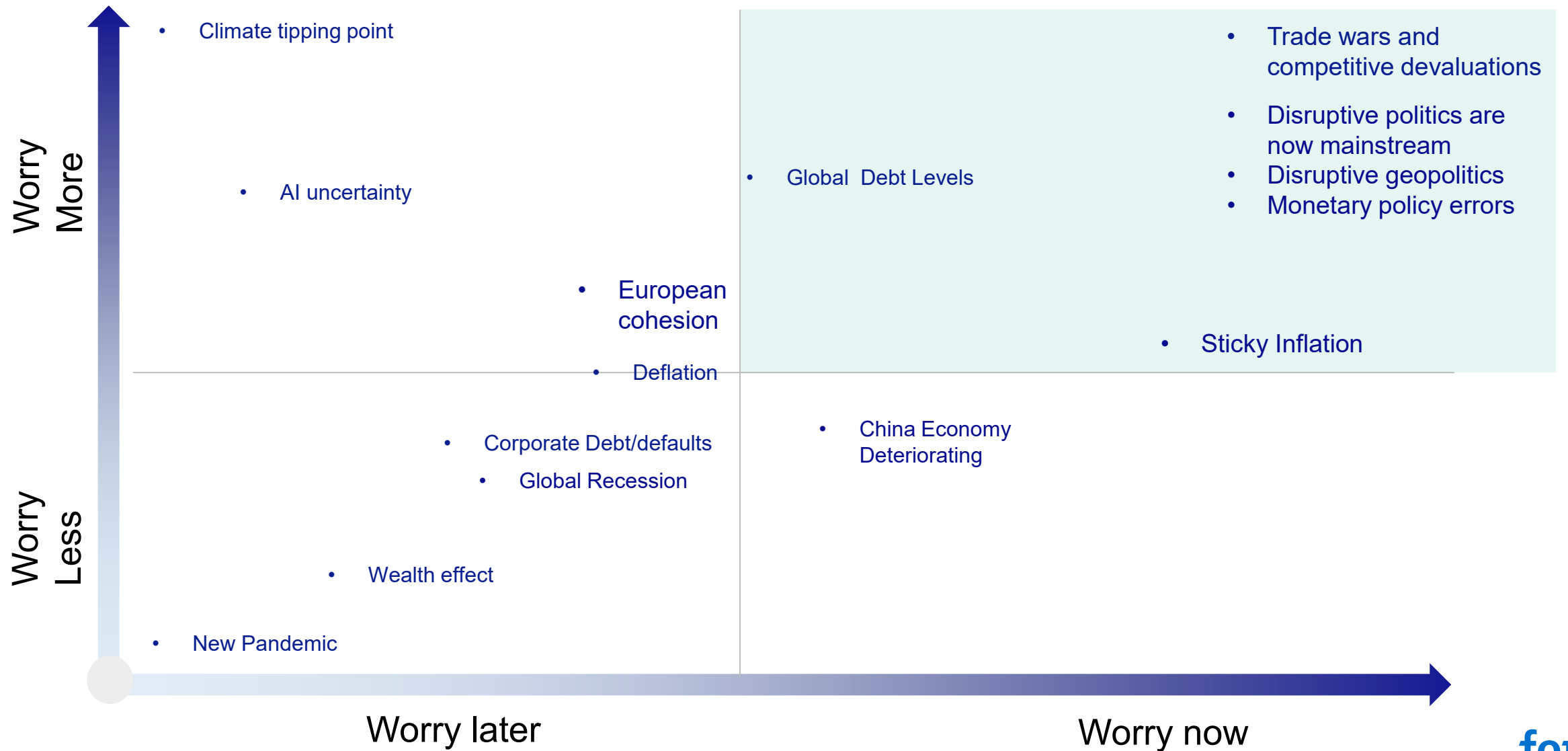
#mentions of "tariffs" in US Large Cap Earnings calls



Source: Bloomberg, Forvis Mazars calculations

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But long-term risks remain manageable



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Deregulation

- Banks
- Insurance
- Energy
- Pharma
- Across the board
- Accounting standards
- Supervising bodies

02

The Economy



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An uncertain world

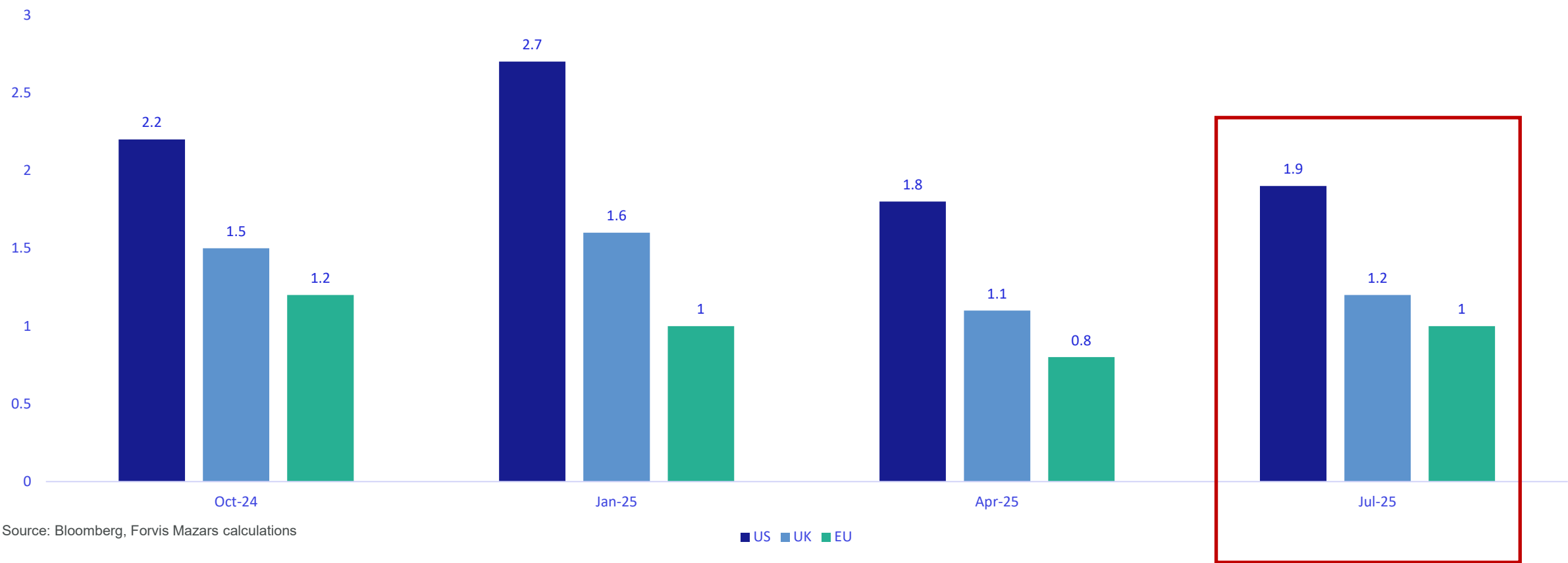
- Slower growth across the board
- Higher U.S. inflation—but so far paced increase
- Lower European and (eventually) UK inflation
- Higher unemployment
- Higher capital expenditure

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Growth projections are stabilising

IMF slightly increased outlook for 2025

July 2025, >50 = expansion

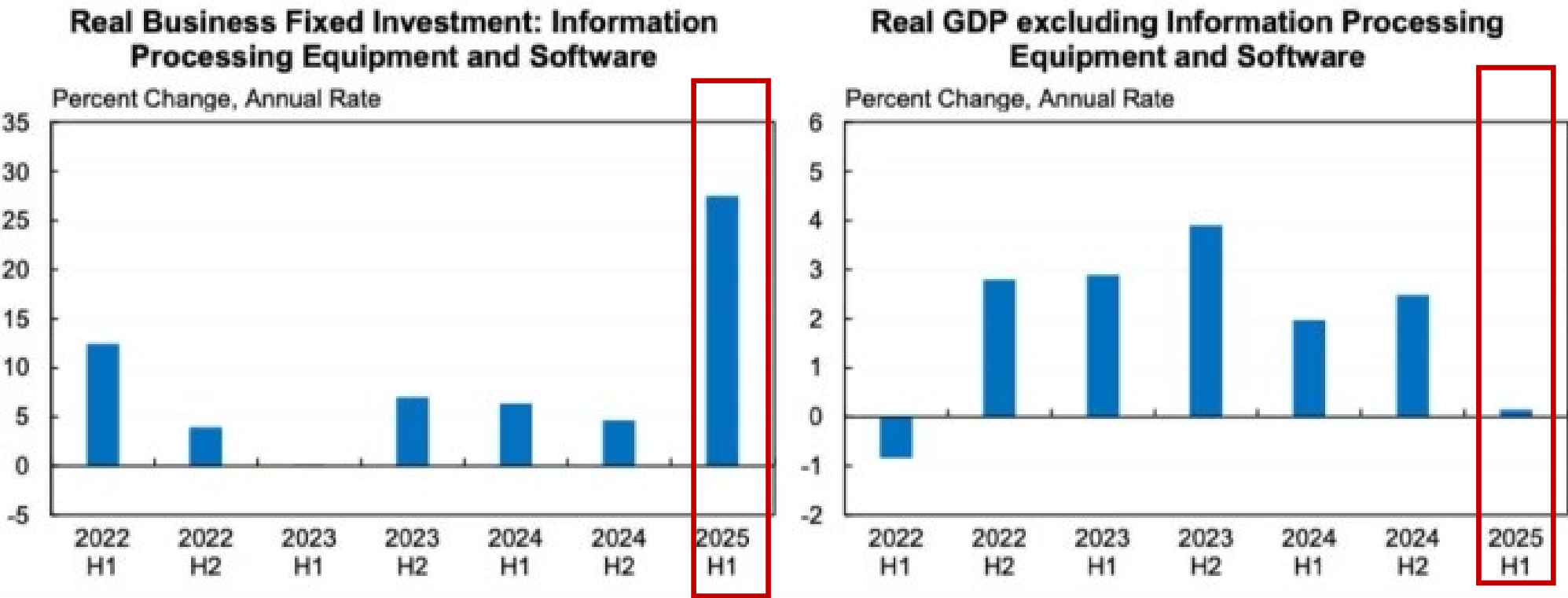


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What's driving GDP growth? Mostly tech Capex

Without tech capex, growth might have been near-zero

%



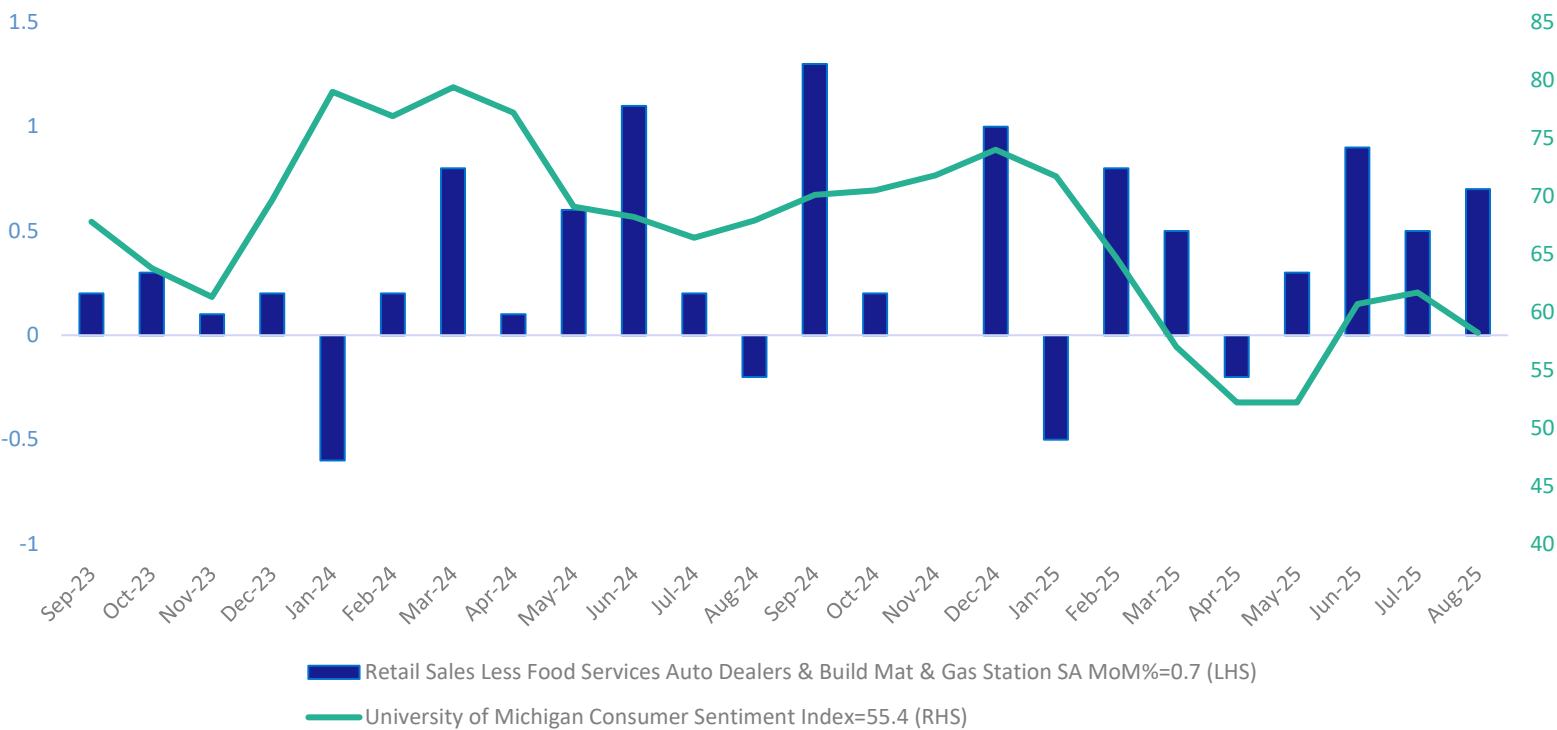
Source: Financial Times, Jason Furman - Harvard

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U.S. consumers remain healthy

U.S. consumers defy their own expectations

%Core Retail Sales (Control Group), MoM, % (LHS), University of Michigan Consumer Sentiment (RHS)



Retail sales strong across the board (especially online, sports and food, weakest in store retailers).

Source: Bloomberg, Forvis Mazars calculations

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Companies (especially tech) bringing in profitability

EPS Growth

	<u>Next 12 months</u>	<u>Months 12-24</u>	<u>Avg Since 2010*</u>
US	12.3%	12.2%	7.8%
Mag 7	22.0%	14.8%	34.7%
US ex Mag 7	9.6%	12.2%	5.1%
US Mid Cap	6.1%	14.0%	10.0%
EU	5.2%	10.4%	2.0%
EU Mid Cap	15.8%	10.6%	6.1%
UK	7.2%	9.7%	3.3%
UK Mid Cap	15.5%	11.1%	4.1%
EM	13.6%	13.3%	-0.2%
Japan	8.3%	7.9%	8.9%
China	8.3%	14.2%	1.7%
World	11.4%	11.6%	4.7%

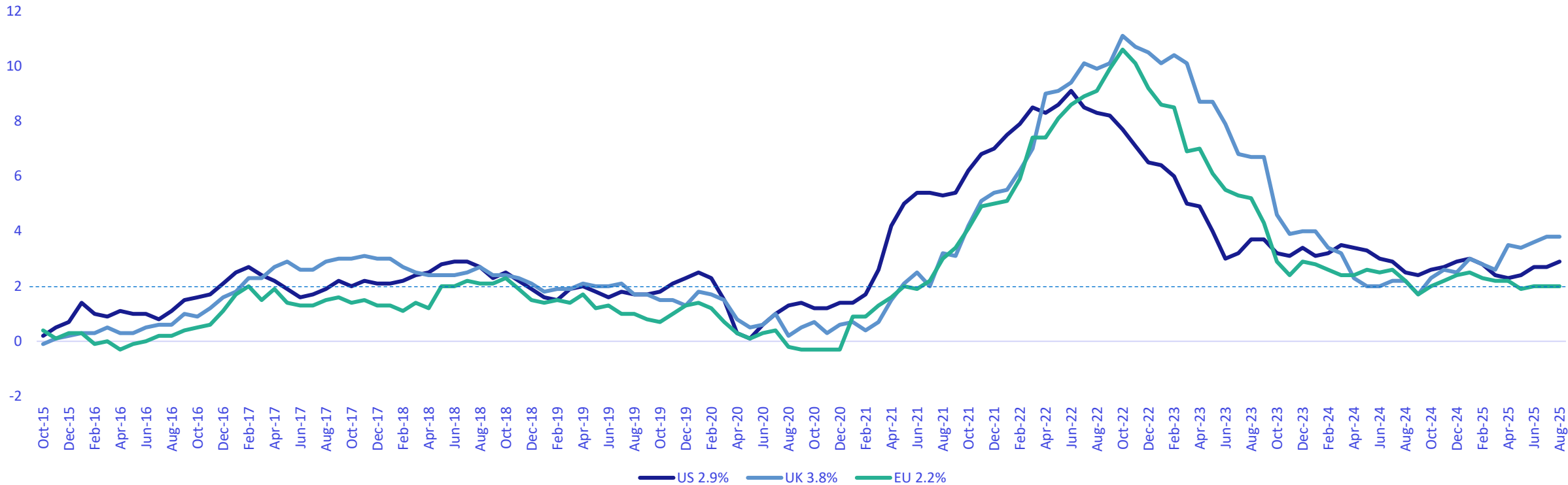
Source: Bloomberg, Forvis Mazars calculations

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Global inflation isn't going much lower—time to throw in the 2% towel?

Inflation has stabilised above the 2% target and picking up in some regions

Share of businesses, question: how much of the tariffs did you pass on to consumers?



Source: Bloomberg, Forvis Mazars calculations

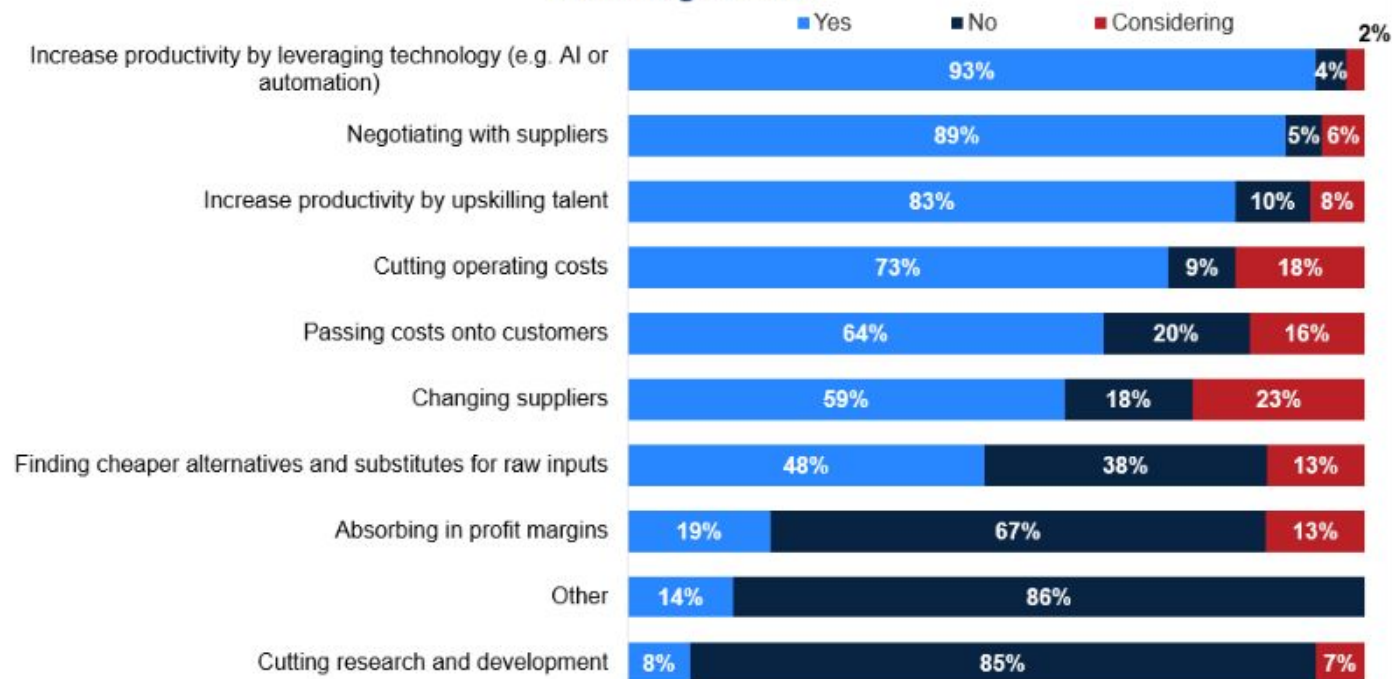
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Why inflation might not go up as much as you think

Managing Costs:

CEOs cite productivity-enhancing technology, negotiations with suppliers, and upskilling as their top strategies for managing costs, but nearly two-thirds (64%) also expect to raise consumer prices

Over the next 6 months, do you plan to take any of the following actions to manage costs?

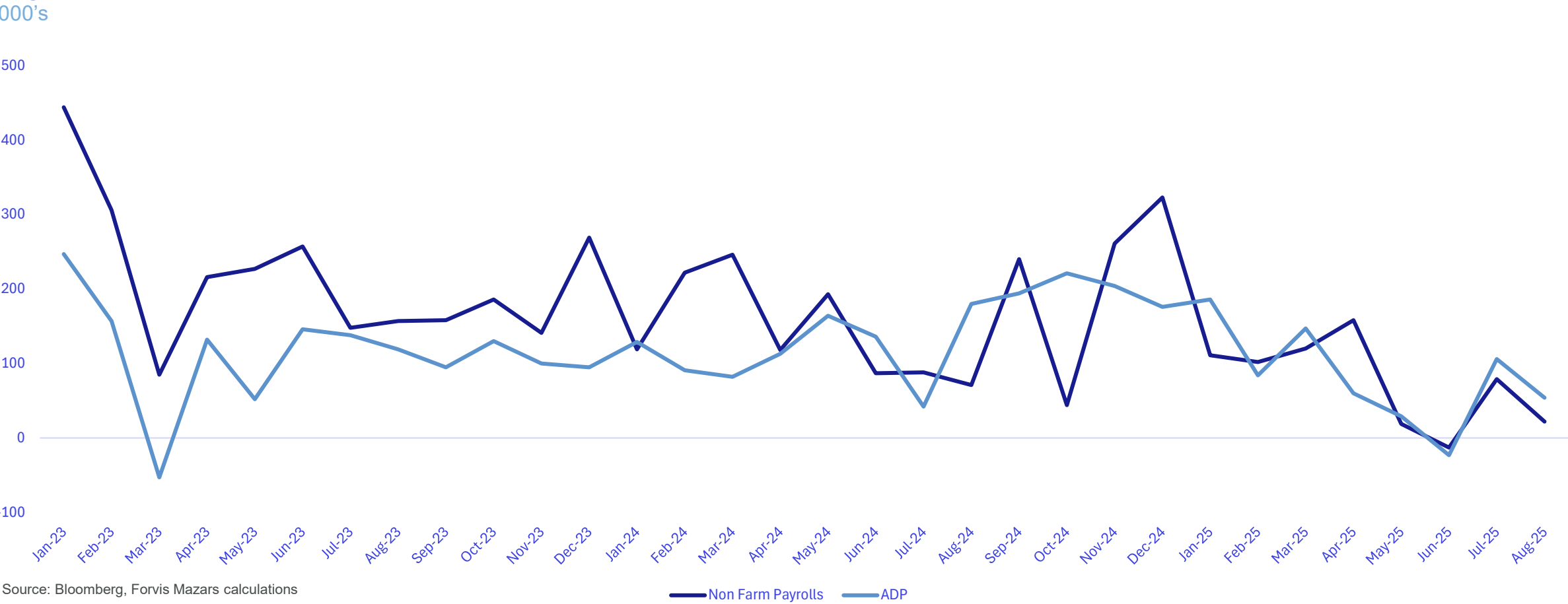


Source: The Conference Board Measure of CEO Confidence in collaboration with The Business Council, Q3 2025

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Labour market

Significant labour market weakness in the U.S. (despite deportations)

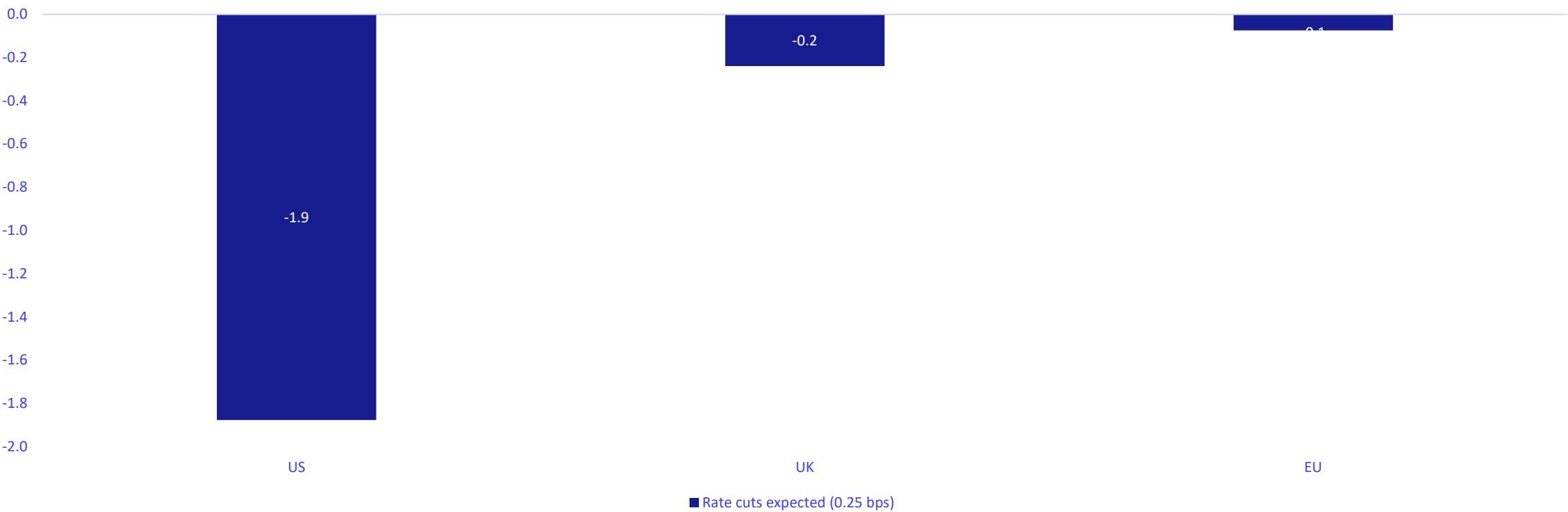


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Markets pricing in 2x rate cuts for U.S., none in Europe until year-end

The Fed has turned more dovish, and markets are now pricing in 2x more cuts this year and 3x next year.

Implied rate changes until year end, 3 Oct 2025



Source: Bloomberg, Forvis Mazars calculations

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Four key economic scenarios – 12-month

Inflationary Boom	• High Growth - High Inflation
Inflationary Bust	• Low Growth - High Inflation
Deflationary Boom	• High Growth - Low Inflation
Deflationary Bust	• Low Growth - Low Inflation

Inflationary Boom

Inflationary Bust

US

UK

EU

China

Deflationary Boom

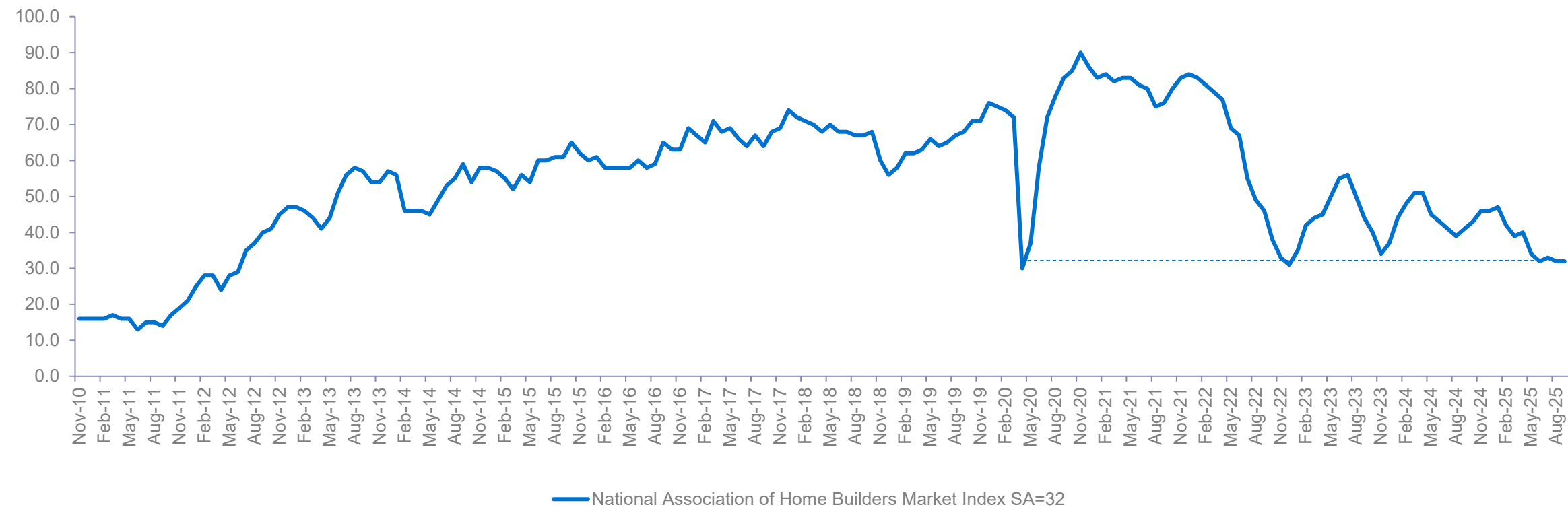
Deflationary Bust

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Housing market depressed

Housing pessimism just above crisis-levels

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Source: Bloomberg, Forvis Mazars calculations

03

How to Deal With Uncertainty



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What can businesses do? **Experience** means **Resilience**

- a) Acknowledge that a U.S.-led global economic and financial system is **prone to crises** and revisions.
- b) Build **resilience**. Underlying tensions will not just go away.
- c) Build **local expertise**.
- d) **Maintain agility**. Simply put, a “one size fits all” top-down strategy may not work as well as it did in an age of geoeconomic fragmentation.
- e) Double down on **tech investment**.
- f) Find “pockets” of stability.

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