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YEAR IN REVIEW 2024

A whistlestop tour of the last 12 months, some key events in **2024** impacting the global economy and markets, and looking ahead to 2025

"GLOBAL CHALLENGES"

A 'SOFT LANDING' FOR THE GLOBAL ECONOMY?

THE YEAR OF THE ELECTION...

TOP TRUMPS

THE NEW GOVERNMENT DELIVER A TAXING BUDGET

FOCUS ON 2025

OPINION ON THE YEAR AHEAD

"Global challenges" 2024

As we reflect on 2024, the global economy faced a year of shifting dynamics. Key themes such as AI, climate, energy, elections, ongoing conflict and global security dominated. Global fragmentation was also a prevalent theme identified at the Davos World Economic Forum in January, where United Nations Secretary-General Antonia Guterres commented, "Geopolitical divides are preventing us from coming together around global solutions for global challenges."

A 'SOFT LANDING' FOR THE GLOBAL ECONOMY?

With geopolitical instability posing a risk to global and domestic growth, the International Monetary Fund's (IMF's) most recent World Economic Outlook entitled 'Policy Pivot, Rising Threats,' outlines global growth expectations of 3.2% in both 2024 and 2025. Rate cuts are 'poised' to continue, inflationary pressures will ease, growth will be modest, while geopolitical risks 'remain threats to global stability and growth,' according to the Outlook.

Resilience in many regions has been a theme. The IMF's report cites, *'The global battle against inflation has largely been won, even though price pressures persist in some countries... Despite a sharp and synchronized tightening of monetary policy around the world, the global economy has remained unusually resilient throughout the disinflationary process, avoiding a global recession.'*

In November, finance leaders and central bank governors from developed and emerging economies met in Washington to discuss the financial landscape, during which they issued a statement expressing optimism, *'We observe good prospects of a soft landing for the global economy, although multiple challenges remain.'* Praising *'well-calibrated monetary policies'* that have helped to control inflation, the finance professionals spoke about a joint commitment to resist protectionism to support fair and open global trade - a statement likely to be directed at the incoming US President.

THE YEAR OF THE ELECTION...

Almost half of the world's population voted in national elections in 2024. Incumbent parties generally performed badly, with some ousted, others forced into coalition and others cohabitation. Such a significant theme in the year, political transitions pose a challenge both globally and on home shores. Many of these elections have long-standing

ramifications, not just for the electorate but also for reshaping global geopolitics for years to come.

TOP TRUMPS

The most significant election the world saw in 2024 was undoubtedly the US presidential election in November. Donald Trump made a triumphant comeback to be voted 47th President, with the Republicans securing a decisive victory, (Harris 226, Trump 312) whilst also securing control of the US Senate and House of Representatives.

Key focuses for his administration will include trade and climate change policies, the war in Ukraine, tax and immigration, on which Trump has pledged to launch a mass deportation campaign. Concerns are heightening that his potential tariff proposals could ignite a fiercer trade war with China and US allies, while his plans to reduce corporate taxes and implement a variety of other tax cuts could propel US debt. Trump will be inaugurated on 20 January 2025.

THE NEW GOVERNMENT DELIVER A TAXING BUDGET

Following weeks of intense campaigning, as widely expected, the Labour Party secured a landslide victory in July (LAB 412, CON 121, LD 72). New Chancellor Rachel Reeves' maiden Budget in October created waves for individuals and businesses alike, during which she announced £40bn of tax rises.

Described as a *'tough'* Budget for business, an increase in employer National Insurance Contributions from April 2025 brings an unwelcome cost burden. A significant personal finance announcement was that most unused pensions will be brought into a person's estate for Inheritance Tax purposes from 6 April 2027, prompting a rethink of retirees' decumulation strategies. The Chancellor expects 8% of estates will be impacted annually.

And from April 2025, the non-dom status

will be abolished and replaced by a new residence-based system. The change marks a pivotal shift in the government's approach to tax policy and is expected to raise £12.7bn over the next five years.

Did you know...

'Manifest' is the Cambridge Dictionary's 2024 Word of the Year – defined as imagining achieving something you want, in the belief doing so will make it more likely to happen – Donald Trump and Keir Starmer succeeded in pursuing their political ambitions in 2024 – perhaps 'manifesting' played a part!

Market volatility – part and parcel of investing

Despite challenges – largely geopolitical and monetary policy related – contributing to periods of volatility, global stock markets have demonstrated resilience in 2024, partly supported by improving macroeconomic conditions and easing inflationary pressures.

The CBOE Volatility Index or The VIX® Index is a measure of the US stock market's expectation of volatility based on S&P 500 index options. Widely known as the 'Fear Index,' the higher The VIX® Index, the greater the level of fear and uncertainty in the market, with levels above 30 indicating tremendous uncertainty, levels above 20 regarded as 'high' and below 12 as 'low' volatility.

- The VIX averaged 15.5 points in 2024 (so far)
- The 1-year range is 12.89 – 35.05
- In early December, The VIX® Index moderated to around 13.5.

A snapshot of 2024 in numbers:

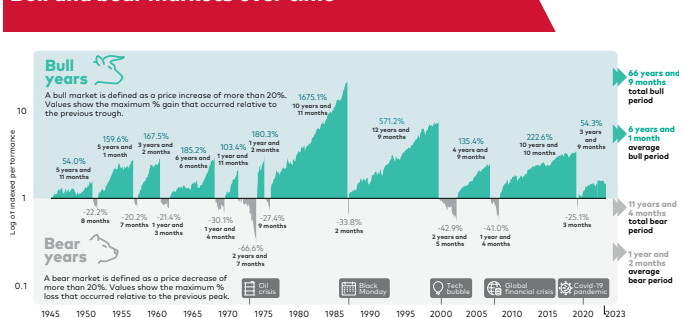
- **Global headline inflation** – is expected to fall from an annual average of 6.7% in 2023 to **5.8%** in 2024 and 4.3% in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies (IMF)
- **Global unemployment** – is estimated at **4.9%**, a slight decrease from 5% in 2023 (ILO)
- **Top 5 largest global economies** (by GDP in 2024) – **US (\$29.17tn)**, China (\$18.27tn), Germany (\$4.71tn), Japan (\$4.07 tn) and India (\$3.89tn) (IMF)
- **And the 6th largest global economy** (by GDP in 2024) – **UK \$3.59tn** (IMF)
- **2024 India election** – the world's most populous democracy held its general election over a seven-phase period that lasted **44 days!**
- **Donald Trump will re-enter the White House** – at the age of **78**, the global debate about political age limits is expected to intensify in 2025 (The Economist)
- **Energy Transition** – renewables accounted for **over one third of global electricity generation**, a record high (IEA)
- **Population milestone** – the global population reached **8.2 billion** in 2024, with growth concentrated in Asia and Africa. The world's population is expected to continue growing for another 50 or 60 years, reaching a peak of around 10.3 billion people in the mid-2080s (UN)
- **Global AI market** – stands at **\$235bn**, with projections indicating a rise to over \$631bn by 2028, underscoring its significance (IDC).

Bulls and bears



Navigating markets, bull or bear, requires a flexible approach to investment strategies, adapting to market conditions. Understanding the market and how it moves enables portfolio optimisation. This chart about bull and bear runs shows that over a 79-year period to 2023, there were 66.9 bull years (the average bull period was six years and one month), and 11.4 bear years in total (the average bear period was one year and two months). Historically, bull markets have beaten bears and driven long-term gains, proving the practice that investing for the long term and having a disciplined, well-constructed plan can help you reach your goals.

Bull and bear markets over time



Notes: Calculations are based on FTSE All Share (GBP TR) and data aggregated from Global Financial Data. A bear (bull) market is defined as a price decrease (increase) of more than 20%. Values show the maximum % gain ranging from the minimum following a 20% rise to the respective maximum following a 20% appreciation in the underlying index. Time period: 31/12/1945 to 31/12/2023. Calculations based on monthly data. Logarithmic scale on y-axis. Source: Global Financial Data and Bloomberg.

Past performance is not a reliable indicator of future results. The value of investments, and the income from them may fall or rise and investors may get back less than they invested.

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Focus on 2025

Voters ready for change – leaders need to deliver

2025 will be a year of expectation as new leaders attempt to deliver on their campaign promises, if they don't the electorate will have something to say.

America decided – brace for impact!

The Trump victory will have a far-reaching impact. His protectionist approach will likely lead to geopolitical realignments and increased tensions. A transactional stance and cynicism of foreign conflict is a concern.

Big decisions – from day one...

America's rivalry with China will likely escalate into a trade war as Trump imposes restrictions and ramps up tariffs. On the campaign trail he promised to levy tariffs of 10-20% on all imported goods, with levies as high as 60% on imports from China and 100% on those from Mexico. It remains to be seen how the UK will be affected, 'special' relationship or not.

Clean tech success – China in charge

China's government has focused on growing exports of solar panels, batteries and electric vehicles to offset a weak domestic economy. With adoption of solar panels and grid storage outperforming forecasts, China is in the driving seat.

Post-inflation – some tough choices

With inflation (pretty much) kicked into touch (although services price inflation is still proving persistent in some regions), western economies face a new challenge to reduce deficits by increasing taxes, cutting spending or boosting growth. And what about defence budgets? Tough economic choices loom.

Astronomical AI – 'high stakes, exponential rewards'

AI is changing everything from welfare to health care. Spending on AI data centres between 2024 and 2027 is expected to exceed \$1.4tn. A Tech Trends report for the year ahead, entitled 'high stakes, exponential rewards' suggests that in order to keep up, business leaders 'should develop mature implementation roadmaps, understand security risks, adopt new technologies and explore cutting-edge, value-driven AI use cases.'

Did you know?

- **AI will have an estimated 21% net increase on US GDP by 2030**
- **Over 75% of consumers are concerned about misinformation from AI**
- **By 2030 one in 10 cars will be self-driving**
- **64% of businesses expect AI to increase productivity (Forbes Advisor).**

Opinion on the year ahead

The IMF cites a period of *'stable but underwhelming'* global growth for the year ahead. They also predict a return to a more neutral monetary policy stance as inflation in most economies steadily falls towards target in 2025.



We aren't in the habit of making predictions, but here is a selection from some reputable banks, organisations and asset managers for your consideration:

'CPI inflation is expected to increase to around 2.75% by the second half of 2025 as weakness in energy prices falls out of the annual comparison, revealing more clearly the continuing persistence of domestic inflationary pressures' – **Bank of England**

'Even though the global economy is expected to remain resilient, risks and uncertainties are high. In this challenging environment, decisive policy actions, including through bold structural reforms, and multilateral dialogue are essential to address these risks and to continue fostering a rise in growth and living standards across the globe' – **OECD**

'Heading into 2025, the global economy appears to have reached a balance: Moderate growth, disinflation and continued monetary easing could all bode well for markets, complemented by the potential for greater deregulation. But, with looming uncertainty in the US around the policies of an incoming Trump administration, as well as their potential impact, Morgan Stanley Research says that finding the right window for opportunity will be key in the next year' – **Morgan Stanley**

'The outlook for the global economy portends a more moderate growth environment over the next 15 years compared to prior decades. Economic growth in both emerging and mature economies is set to slow, but emerging economies will continue to be the biggest drivers of economic expansion, with India outperforming China' – **The Conference Board**

'Goldman Sachs Research forecasts another solid year of global economic growth in 2025. Our economists project the US will outperform expectations while the euro area lags behind amid fresh tariffs that are anticipated from the Trump administration' – **Goldman Sachs**

CPI inflation is expected to increase to around 2.75% by the second half of 2025

The bottom line

Today's world is unpredictable, we can you help take control with a long-term financial strategy, so you can face the future with confidence

Here's to a happy, healthy and prosperous 2025!

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. It is important to take professional advice before making any decision relating to your personal finances. This document does not provide individual tailored investment advice and is for guidance only. Written and supplied by The Outsourced Marketing Department. Nexus IFA Ltd (Reg. in England & Wales No. 07542873) is an Appointed Representative of The Whitechurch Network Limited trading as In Partnership which is authorised and regulated by the Financial Conduct Authority. All details are believed to be correct at time of writing - 04 December 2024.