

Predictions for the Economy 2025

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Health Warning: These are only my personal assumptions and as with all predictions cannot be relied upon but they are based on my experience in politics and an understanding of the global debt crisis.

The 'Great Stagflation' is continuing but will accelerate in Europe whilst the US quite literally puts its foot on the gas with a new Trump presidency fracking and drilling for oil. The tariff barriers will exacerbate problems, particularly in Germany. There will be no escape for the UK as Trump does not want to help a Labour Govt with its economic policies that are anathema to him. The realignment of living standards within the G20 and beyond will continue and the BRICS will accelerate their de-dollarisation (<http://www.money-liberty.com/gallery/GreatReset.pdf>).

The US will experience much more home grown inflation as debt fueled Govt continues to be its Achilles' heel. The dollar will still look attractive in relation to other benchmarked currencies such as the pound and euro but the BRICS will move further away with ever more trade in terms of gold and other hard assets.

I expect a sovereign debt crisis this year and it is the UK that looks most likely as the economy continues to stagnate whilst the Govt requires to finance huge deficits in international markets. A return of capital controls is likely as an emergency measure to stabilise sterling. The euro may be in a similar position as France cannot reign in its own deficit.

China & Japan will continue to sell US Treasuries; Japan to support its exchange rate as tariffs damage its exports to the US. China for political reasons will also sell treasuries whilst the US Govt issues a growing level of treasuries to finance its deficit. The buyer of last resort will be the Fed that will cease the QT and return to QE to mop up the debt and attempt to keep a lid on interest rates, particularly the long term treasuries. This will further exacerbate US inflation which may not explode higher until the tail end of 2025.

Conflict with Ukraine will be ended with a new 'iron curtain' whilst the Middle East will continue to be a flashpoint. Iran will accelerate its nuclear program and Israel may attempt to thwart this with a strike on its facilities leading to retaliation and perhaps a choking of the Straits of Hormuz. This could mean a spike in oil prices whilst Europe & Japan are suffering from US trade barriers. China will continue to grow its military strength and threaten with exercises around Taiwan and the China sea. I expect China will concentrate on the economic war and allow dedollarisation to further weaken the US global footprint before making a military move.

From a UK perspective this global instability will exacerbate the decline as the financialised economy is disproportionately affected by economic events. With a weak productive sector, a reliance on food, energy and other imports it is particularly vulnerable.

In the final analysis the wealth and hence prosperity of a nation depends upon its natural resources, infrastructure, skills of the workforce and social cohesion.