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Global Economic Update: U.S. Inflation Eases, Policy Divergence Grows, and Key Markets Shift

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U.S. inflation dropped below 3% in July for the first time in over three years, marking a significant milestone in the Federal Reserve's efforts to cool price growth. Consumer prices rose just 0.2% for the month, bringing the annual inflation rate to 2.9%. The moderation strengthens the case for a potential interest rate cut in September, though persistent shelter costs up 0.4% and inflation still above the Fed's 2% target suggest any policy shift will likely be measured.

In the United Kingdom, the economy is showing surprising resilience. GDP grew 1.3% in the first half of 2024, the fastest among G7 nations. The recovery, led by strength in the services sector particularly in IT, legal, and scientific research follows a brief recession in late 2023. While the data offers early support for the new Labour government, analysts caution that maintaining this momentum may prove challenging, especially as growth in June began to flatten.

China's economic outlook remains uncertain, with industrial production slowing for the third consecutive month. July's 5.1% year-on-year increase fell short of expectations, while retail sales offered a modest upside, rising 2.7%. The uneven performance highlights the fragility of China's post-pandemic recovery and underscores the ongoing tension between stimulus measures and long-term structural risks.

Monetary policy paths are beginning to diverge globally. The Reserve Bank of New Zealand and the Bangko Sentral ng Pilipinas both implemented their first rate cuts in nearly four years, citing easing inflation and the need to support growth. In contrast, Norges Bank in Norway kept its rate steady for an eighth consecutive month, while the European Central Bank is widely expected to begin cutting rates gradually, starting in September.

In Africa, Ghana's inflation rate continued to decline, easing to 20.9% in July from 22.8% the previous month. While this trend is encouraging, broader financial challenges remain across the continent. Efforts to close the development financing gap are ongoing, with fintech playing a key role in expanding access to financial services through innovations like mobile banking and microfinance.

Finally, emerging technologies are creating new risks and opportunities in the financial sector. IBM researchers warn that quantum computing could eventually undermine traditional cryptographic systems, posing a threat to data security across global markets. While North America and Asia are investing heavily in countermeasures, Europe's relative lag raises concerns about preparedness in an increasingly digital and interconnected economy.