UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Trade and development foresights 2025

Under pressure: Uncertainty reshapes global economic prospects

UN trade & development
UNCTAD

The analysis presented in this report is consistent with information and data available as at 10 April 2025.

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About UNCTAD

UNCTAD is the leading institution within the United Nations that deals with trade and development. It is part of the United Nations Secretariat and has a membership of 195 countries, one of the largest in the United Nations system.

UNCTAD supports developing countries to access the benefits of a globalized economy more fairly and effectively by providing economic and trade analysis, facilitating consensus-building and offering technical assistance to help developing countries use trade, investment, finance and technology for inclusive and sustainable development.

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Explanatory notes

Classification by country

The classification of countries in this report has been adopted solely for the purposes of statistical or analytical convenience and does not necessarily imply any judgement concerning the stage of development of a particular country or area.

There is no established convention for the designation of "developing" and "developed" countries or areas in the United Nations system. This report follows the classification as defined in the UNCTAD *Handbook of Statistics 2024* for these two major country groupings (see https://hbs.unctad.org/classifications/, accessed on 28 March 2025), which is based on the classification applied in the "Standard Country or Area Codes for Statistical Use", known as "M49", maintained by the United Nations Statistics Division, (see https://unstats.un.org/unsd/methodology/m49/, accessed on 28 March 2025).

For statistical purposes, regional groupings used in this report follow generally those employed in the UNCTAD *Handbook of Statistics 2024* unless otherwise stated. The data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

References to "sub-Saharan Africa" in the text or tables include South Africa unless otherwise indicated.

Other notes

The term "dollar" ($) refers to United States dollars, unless otherwise stated.

The term "billion" signifies 1,000 million.

The term "trillion" signifies 1,000,000 million.

The term "tons" refers to metric tons.

Annual rates of growth and change refer to compound rates.

Exports are expressed at freight on board (FOB) prices while and imports are reported at cost, insurance and freight (CIF) value, unless otherwise specified.

Use of a dash (–) between dates representing years, e.g. 2019–2021, signifies the full period involved, including the initial and final years.

An oblique stroke (/) between two years, e.g. 2019/20, signifies a fiscal or crop year. A dot (.) in a table indicates that the item is not applicable.

Two dots (..) in a table indicate that the data are not available or are not separately reported.

A dash (–) or a zero (0) in a table indicates that the amount is nil or negligible.

Decimals and percentages do not necessarily add up to totals because of rounding.

Key takeaways

1 Global outlook

Global growth is expected to slow to 2.3 per cent in 2025, marking a shift towards a recessionary path. Subdued demand, trade policy shocks, financial turbulence and systemic uncertainty are intensifying pressures – especially for developing countries.

2 Trade and investment trends

The late-2024 and early-2025 uptick in global trade was driven in part by front-loaded orders. This momentum is expected to fade, or even reverse, during the rest of 2025 as new tariffs come into effect. Trade policy uncertainty is already affecting businesses and long-term planning decisions.

3 Financing for development

Fiscal priorities are shifting in major economies, with reduced official development assistance, lower social spending and higher defence budgets. These changes risk undermining progress toward the Sustainable Development Goals. Investor caution – amid tight financial conditions and growing uncertainty – further threatens long-term development financing.

4 Developing country vulnerabilities

Strengthening existing trade ties, including within the global South, offers a buffer against rising uncertainty. But many low-income countries face a convergence of risks: worsening external conditions, heavy debt burdens and weakening domestic growth. If the geoeconomic confrontation continues to disrupt the global economy, poorer nations can face a perfect storm.

5 Policy priorities for resilience

With trade tensions rising and growth slowing, UNCTAD cautions against the dangers of economic fragmentation and geoeconomic confrontation. Instead, strengthening regional and international policy coordination, and building on existing trade and economic links, will be key to resilience in a fragile global economy.


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The prospect of a cycle of geoeconomic confrontation in the global context of subdued growth and tight macrofinancial conditions calls for decisive policy action by the countries of the global South.

A.
Global economic context: Uncertainty drives lower growth expectations

1. The spectre of low growth

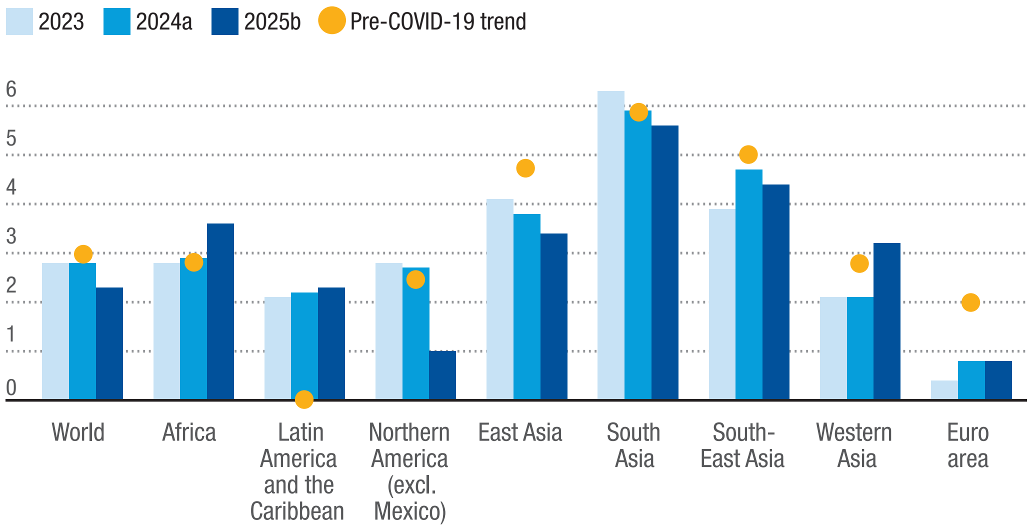
Despite some dynamism in late 2024, global growth is set to slow down to 2.3 per cent in 2025.

Despite a slightly stronger-than-expected growth performance of 2.8 per cent in 2024, the global economy is set to slow down in 2025. UNCTAD estimates that the world gross product will expand by only 2.3 per cent in 2025, below the threshold of 2.5 per cent – a marker of a global recessionary phase. This is a significant deceleration compared to the average annual growth rates registered in the pre-pandemic period, which itself was a period of subdued growth globally (figure 1).

In spring 2025, the levels of policy uncertainty stand at their highest in this century.

The global outlook for 2025 is clouded by heightened policy uncertainty, the levels of which in early 2025 were the highest observed in this century (figure 2).

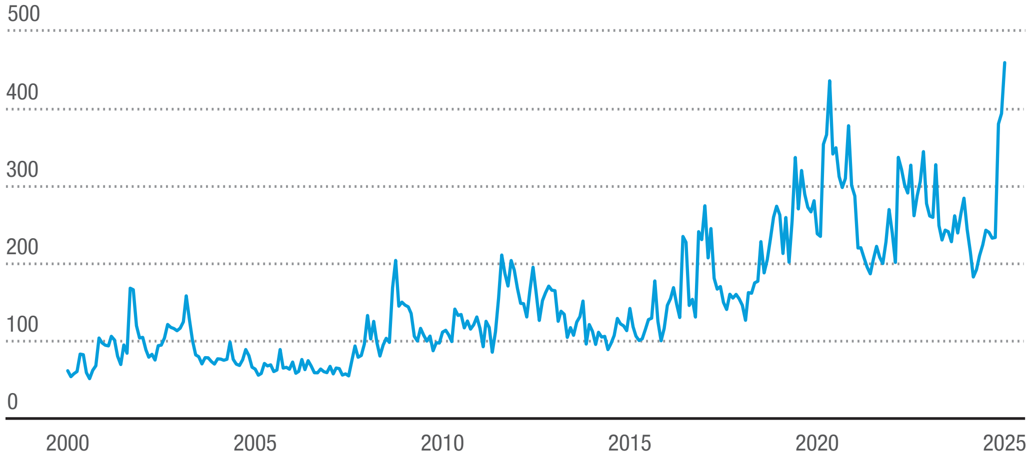
Figure 1
The world economy is entering into a recessionary phase
Real GDP growth, world and selected regions (Percentage)



Source: Table 1.

Note: Pre-COVID-19 trend refers to the average annual growth rate during the 2015–2019 period.
a Estimates.
b Projections.

Figure 2
Concerns over economic policy shifts at their highest in this century
Economic Policy Uncertainty Index (Index numbers, average 1997–2014=100)



Source: Davis (2016) with updated data from https://www.policyuncertainty.com (accessed on 27 March 2025).

Note: The Economic Policy Uncertainty Index is calculated monthly based on three underlying components, including the newspaper coverage of policy-related economic uncertainty, data from the Congressional Budget Office and data from the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters. Data ends on 31 December 2024.

Table 1
World output growth, 1991–2025
GDP growth rates (Annual percentage change)

Country groups	1991–1999[a]	2000–2009[a]	2010–2014[a]	2015–2019[a]	2019	2020	2021	2022	2023	2024[b]	2025[c]
World	**2.9**	**3.4**	**3.2**	**3.1**	**2.6**	**-3.0**	**6.4**	**3.2**	**2.8**	**2.8**	**2.3**
▶ Africa	**2.4**	**5.5**	**2.7**	**2.9**	**2.6**	**-3.0**	**4.5**	**3.7**	**2.8**	**2.9**	**3.6**
South Africa	2.7	4.0	2.5	1.0	0.3	-6.2	5.0	1.9	0.7	0.6	1.4
▶ North Africa (incl. South Sudan)	2.6	5.3	-1.8	3.8	2.3	-4.8	4.5	3.3	1.7	2.0	3.1
▶ Sub-Saharan Africa (excl. South Africa and South Sudan)	2.0	6.4	6.3	2.9	3.5	-1.1	4.4	4.3	4.0	4.0	4.3
▶ America	**3.4**	**2.5**	**2.5**	**2.0**	**2.0**	**-3.4**	**6.3**	**2.9**	**2.7**	**2.6**	**1.2**
▶ Latin America and the Caribbean	3.3	3.4	3.4	0.1	-0.3	-7.3	7.0	4.1	2.1	2.2	2.3
Mexico	3.2	1.7	3.0	1.7	-0.2	-8.6	5.7	4.0	3.2	1.2	0.5
▶ Central America (excl. Mexico) and Caribbean	2.8	4.4	3.6	3.0	2.2	-8.7	8.3	4.8	3.1	2.8	2.9
▶ South America	3.4	3.9	3.5	-0.8	-0.7	-6.7	7.3	4.1	1.6	2.4	2.8
Argentina	4.6	3.8	2.7	-0.3	-2.0	-9.9	10.4	5.3	-1.6	-1.7	5.0
Brazil	2.9	3.6	3.2	-0.4	1.2	-3.3	4.8	3.0	2.9	3.4	2.2
▶ Northern America	3.4	2.3	2.2	2.5	2.5	-2.4	6.1	2.6	2.8	2.7	1.0
Canada	2.8	2.3	2.5	2.0	1.9	-5.0	6.0	4.2	1.5	1.5	0.7
United States	3.5	2.3	2.2	2.5	2.6	-2.2	6.1	2.5	2.9	2.8	1.0
▶ Asia (excl. Cyprus)	**4.4**	**5.6**	**5.7**	**4.8**	**3.8**	**-0.8**	**6.7**	**3.5**	**4.2**	**4.0**	**3.8**
▶ Central Asia	-4.4	8.1	6.7	4.0	5.5	-0.3	5.8	4.6	5.8	5.5	5.5
▶ East Asia	4.4	5.6	5.8	4.8	4.0	0.4	6.9	2.4	4.1	3.8	3.4
China	11.0	10.6	8.6	6.8	6.0	2.2	8.4	3.0	5.2	5.0	4.4
Japan	1.2	0.9	1.4	0.9	-0.4	-4.2	2.7	0.9	1.5	0.1	0.5
Republic of Korea	7.0	4.9	3.7	3.1	2.3	-0.7	4.6	2.7	1.4	2.0	1.4
▶ South Asia	5.0	6.6	5.5	6.1	3.6	-3.7	8.1	5.6	6.3	5.9	5.6
India	5.9	7.2	6.6	7.0	4.6	-5.9	9.4	6.5	7.7	6.9	6.5
▶ South-East Asia	5.3	5.5	5.7	5.0	4.5	-3.7	3.7	5.5	3.9	4.7	4.4
Indonesia	4.8	5.2	5.8	5.1	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
▶ Western Asia (excl. Cyprus)	4.3	5.1	5.4	2.9	1.5	-2.8	6.9	6.2	2.1	2.1	3.2
Saudi Arabia	2.2	4.3	5.7	2.2	1.1	-3.6	5.1	7.5	-0.8	1.3	3.5
Türkiye	3.9	5.0	7.6	4.3	0.8	1.9	11.4	5.5	5.1	3.2	2.9
▶ Europe (incl. Cyprus)	**1.4**	**2.2**	**1.2**	**2.1**	**1.9**	**-5.8**	**6.5**	**3.2**	**0.7**	**1.2**	**1.1**
Russian Federation	-5.9	6.2	3.1	1.2	2.2	-2.7	5.9	-1.2	3.6	3.9	1.0
United Kingdom	2.6	2.1	1.8	2.0	1.6	-10.2	8.5	4.8	0.4	1.1	1.0
▶ European Union	1.9	1.8	0.8	2.2	1.9	-5.6	6.4	3.5	0.4	0.9	1.0
▶ Euro area	1.9	1.7	0.7	2.0	1.7	-6.0	6.3	3.5	0.4	0.8	0.8
France	1.9	1.7	1.2	1.5	2.0	-7.4	6.9	2.6	0.9	1.2	0.5
Germany	1.5	1.0	2.0	1.8	1.1	-4.1	3.7	1.4	-0.3	-0.2	0.2
Italy	1.5	0.7	-0.9	1.1	0.4	-8.9	8.9	4.8	0.7	0.7	0.4
▶ Oceania	**3.7**	**3.2**	**2.8**	**2.7**	**2.1**	**-1.9**	**5.3**	**4.1**	**2.1**	**1.0**	**2.0**
Australia	3.7	3.3	2.8	2.5	1.9	-2.0	5.4	4.1	2.1	1.1	2.1
▶ Developed countries	**2.3**	**2.2**	**1.8**	**2.2**	**2.0**	**-3.9**	**5.9**	**2.8**	**1.7**	**1.8**	**1.0**
▶ Developing countries	**4.9**	**6.4**	**5.8**	**4.4**	**3.7**	**-1.6**	**7.2**	**3.9**	**4.3**	**4.2**	**4.1**

Sources: UNCTAD based on United Nations, Department of Economic and Social Affairs, National Accounts Main Aggregates database; United Nations, Department of Economic and Social Affairs, *World Economic Situation and Prospects, update as of January 2025*; Economic Commission for Latin America and the Caribbean, 2025; Organisation for Economic Co-operation and Development (OECD), 2025; International Monetary Fund (IMF), *World Economic Outlook*; Economist Intelligence Unit, EIU Viewpoint Data database; JP Morgan, *Global Data Watch*; and national sources.

Notes: The composition of the five geographical regions follows the M49 standard of the United Nations Statistics Division. The distinction between developed and developing countries is based on the updated M49 classification of May 2022. Calculations for country aggregates are based on GDP at constant 2015 dollars.

a Average.
b Estimates.
c Projections.

In the context of heightened policy uncertainty, the dynamism in trade and consumption recorded in late 2024 will prove transitory.

Notwithstanding the details of the new tariffs the United States announced on 2 April 2025, the prevailing levels of policy uncertainty affect economic activity negatively as companies encounter losses and put off investment and hiring decisions. Similarly, the implementation of successive rounds of restrictive trade measures and geoeconomic confrontation carry the risks of severe disruptions to border-crossing production lines and international trade flows, in turn pulling down economic activity globally.

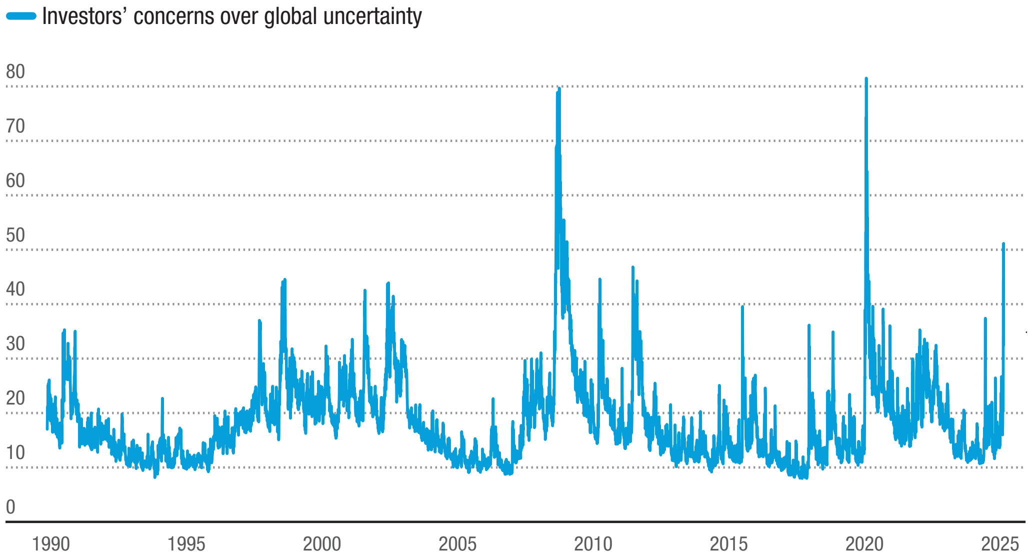
A minor upward revision to the growth estimate for 2024 – compared to what UNCTAD (2024) anticipated – resulted from a stronger than expected performance of the United States economy in the final quarter of 2024. This was partially offset by a weakening of growth in Europe and Latin America (table 1). The uptick in activity towards the end of 2024 mainly reflects a front-loading of trade orders and consumption spending in anticipation of tariff measures and consequent increases in the prices of affected goods. In other words, the dynamism observed in the closing months of 2024 and early weeks of 2025 will prove transitory.

2. Uncertainty and financial turbulence

The systemic ramifications of tariff tensions add to investor anxiety about the prospects for economies worldwide.

In April 2025, concerns over the global economic context and the impact of trade policy shifts have translated into major financial turbulence. Sharp corrections and significant losses in financial markets followed weeks of volatility that marked the opening months of 2025. With the so-called financial 'fear index' at its third highest level – after the peaks of 2008 and 2020 – fears of recession in the United States are growing, while the international ramifications of tariff tensions add to investor anxiety regarding the prospects for economies worldwide (figure 3).

Figure 3
The 'fear' index: Investors' concerns about economic performance
VIX index (Index numbers)



Source: UNCTAD based on Chicago Board Options Exchange data.

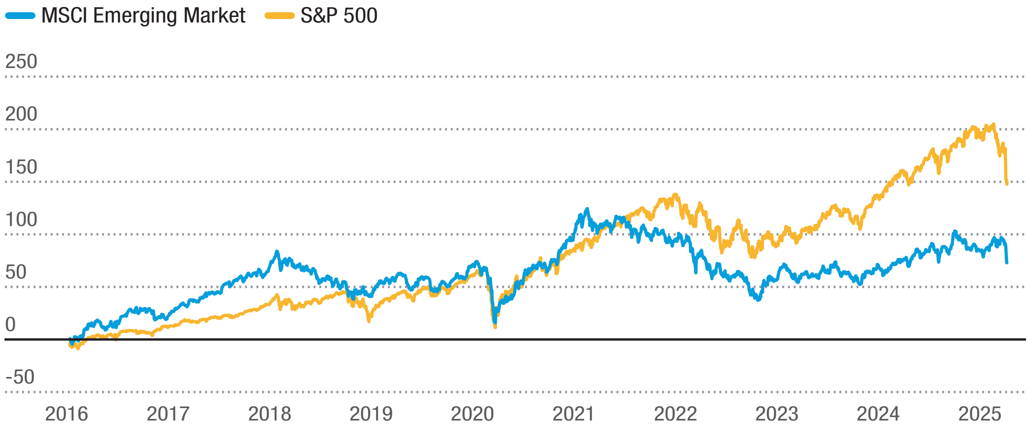
Note: The VIX index measures the 30-day expected volatility of the United States stock market based on S&P 500 Index options. The higher the VIX, the greater the level of fear and uncertainty in the market, with levels above 30 indicating tremendous uncertainty. Data ends on 9 April 2025.

Developing countries are vulnerable to global financial volatility, with the economies of Asia – the region most integrated into the global value chains – particularly affected by financial turbulence (figure 4). Current risks stem from two areas. On the one hand, the recent financial boom has been concentrated in the technology stocks of advanced economies, with companies from the developing countries finding it difficult to raise capital. On the other hand, while current gyrations in the financial markets can accelerate financial inflows into some emerging market assets, in the context of systemic uncertainty, trade tensions and slowing demand, short-term speculation adds to financial stability risks (section B).

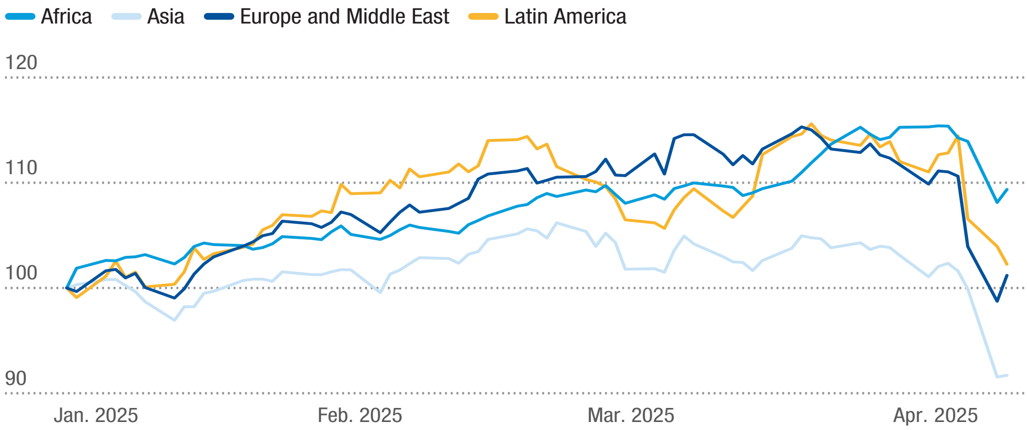
Developing countries are vulnerable to global financial volatility, with the economies of Asia particularly affected by financial turbulence.

Figure 4
Volatile fortunes: Financial turbulence reflects growing anxiety over the global economy

A. Total return on selected stock markets since January 2016 (Percentage)



B. Financial market performance since January 2025
(Index numbers, 1 January 2025=100)



Source: UNCTAD based on LSEG Workspace.

Note: In panel A, total returns are based on the closing prices of the S&P 500 ETF and the iShare MSCI Emerging Market ETF. In panel B, Africa corresponds to the MSCI Frontier Markets Africa index. Asia refers to the MSCI AC Asia excl. Japan index. Europe and Middle East relates to the MSCI Emerging Markets EMEA index. Latin America represents the MSCI Emerging Markets (EM) Latin America index. Data ends on 8 April 2025.

Changing perceptions of risks have also affected the price of traditional safe-haven assets such as gold (figure 5), the dollar and United States Treasuries, in turn amplifying systemic uncertainty further (section B). For the past six months, gold prices maintained strong upward momentum, defying traditional market trends and despite a stronger dollar and increasing real yields – an unusual phenomenon. This trajectory reflects two trends. On the one hand, central banks around the world, which have accelerated the diversification of their reserves, have contributed to growing demand. On the other hand, gold serves as a safe-haven asset against higher inflation expectations and anxiety about the performance of other assets, and has been sought by investors in the wider context of uncertainty and loss of confidence.

Investor anxiety and loss of confidence have pushed gold prices to unprecedented hights.

Figure 5
Rising geoeconomic uncertainty has propelled gold to new highs
Gold spot price (Dollars per ounce)

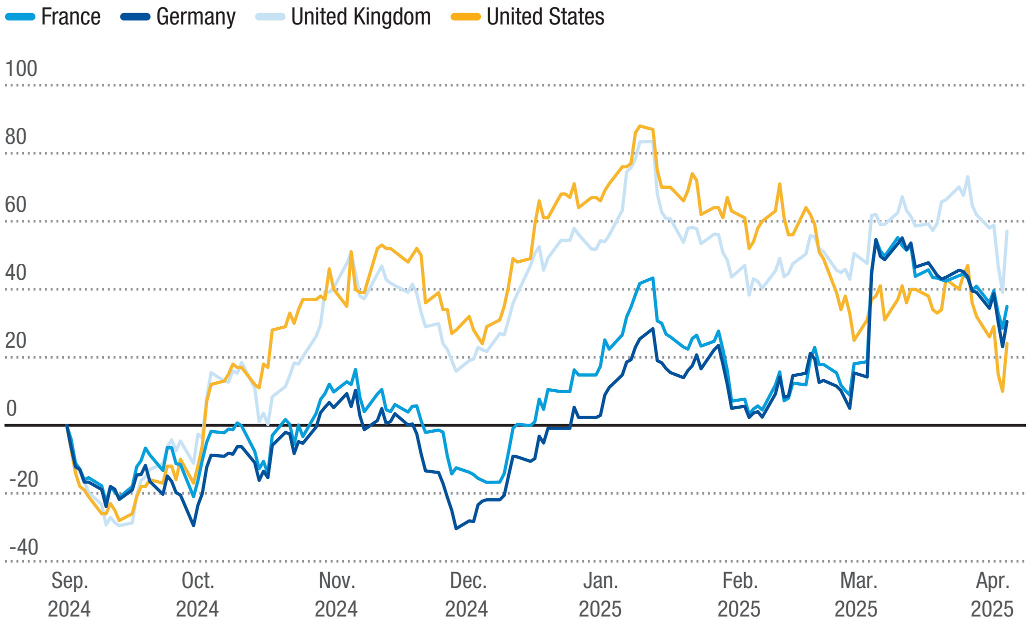
Source: LSEG Workspace.
Note: Data ends on 27 March 2025.

Global macrofinancial conditions to remain tight

Despite monetary loosening, international financial conditions remain tight.

Starting from mid-2024 – and after several delays – the central banks of the major advanced economies finally kicked off their monetary loosening cycles. The European Central Bank was the first to begin cutting rates in June 2024 and has since reduced its key policy rates by a cumulative 150 basis points. Likewise, the Bank of England has reduced its rate by an accumulated 75 basis points, while the Federal Reserve has realized three cuts to its key policy rate from September to December 2024, totalling 100 basis points. However, during this period – and contrary to historical norms – long-term government bond yields have increased (figure 6).

Figure 6
Long-term interest rates have been rising despite monetary loosening
Change in 10-year government bond yields since September 2024 (Basis points)



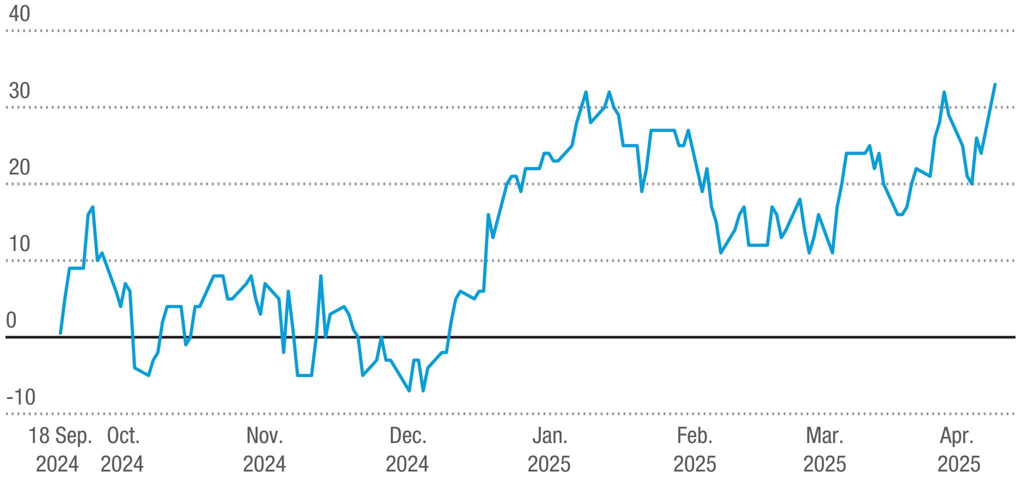
Source: UNCTAD based on LSEG Workspace.
Note: Data ends on 4 April 2025.

Although yields have receded from the highs registered in January 2025, they remain above the levels registered at the outset of the respective central banks' loosening cycles, including in the United States, where 10-year yields remain above their September 2024 level. Despite a sharp drop immediately after the tariff announcement of 2 April, bond yields returned quickly to their prior levels soon after.

While one would not necessarily expect long-term bond yields to match movements in central banks' policy rates – since such policy rates are very short-term – such a drastic divergence of paths is unusual. In the last seven monetary loosening cycles of the Federal Reserve dating back to the 1980s, the yield on 10-year Treasury bonds invariably moved lower in the months after the initial cut in interest rates. The uptick in inflation expectations in recent months explains part of this divergence. However, the most significant factor behind the higher risk compensation demanded by bond holders stems from heightened macroeconomic uncertainty (JP Morgan, 2025). This is reflected in the increase in what is known as the "term premium" – that is, the amount by which the yield on a long-term bond exceeds that on shorter-term bonds. This premium reflects the amount investors expect to be compensated for lending for longer periods (figure 7).

Heightened economic policy uncertainty is driving up compensation demanded by the holders of long-term bonds.

Figure 7
Uncertainty in investors' expectations is putting upward pressure on interest rates
Change in term premium on United States Treasury bonds since September 2024
(Basis points)



Source: Federal Reserve of the United States.

Note: 18 September 2024 is the date the Federal Reserve started lowering interest rates for the first time in four years. The term premium reflects the difference between 10-year and 2-year Treasury bond yields. Data ends on 7 April 2025.

Higher bond yields put upward pressure on global interest rates, adding extra pressure on the developing countries, particularly those with high external debt burdens.

The impact of heightened uncertainty on the trajectory of yields is not limited to the financing costs of the respective Governments. It equally affects other borrowers, both households and firms, as loan terms are typically influenced by government borrowing costs; it also puts upward pressure on global interest rates. This will further complicate the macroeconomic prospects for developing countries, particularly those with high external debt burdens.

Developing economies in the challenging global context

The decade of historically low – and in some advanced economies, negative – real interest rates has given way to a longer-term period of significantly tighter financial conditions. Given the rapid build-up of debt, particularly in developing countries, the ongoing tight financing conditions forebode a worrying situation: not only is investment constrained due to higher financing costs, but resources are increasingly diverted away from critical spending needs to cover the onerous debt-servicing costs (UNCTAD, 2024). According to the recent IMF debt sustainability analysis, more than a half of low-income countries – 35 out of a total 68 – are currently in debt distress or at high risk of debt distress.

Tight financing conditions limit investment and divert resources from critical spending needs.

The prospect of tighter-for-longer monetary policy in the United States as well as unusually elevated government bond yields across the major advanced economies point to a further crowding out of financial flows to the developing world. This adds to the challenging economic landscape for the countries of the global South.

Challenging global financial context will put upward pressure on local borrowing costs and further inhibit domestic demand in developing economies.

Beginning in the third quarter of 2024, developing countries faced mounting pressures. Concerns over trade tariffs and technology restrictions grew, triggering volatility in emerging market equities and growing investor caution. Historically, such conditions, exacerbated by elevated levels of uncertainty, have been characterized by a so-called "flight to safety" in which investors channel financial resources towards "safer" or more "stable" assets and markets – almost invariably perceived as those in advanced economies – to the detriment of financial flows to developing countries. For their part, central banks in the developing world will face a more challenging environment for the normalization of their domestic monetary policy. This, in turn, will put upward pressure on local borrowing costs and further inhibit domestic demand.

The strong potential of South–South economic integration offers opportunities for many developing countries in trade and beyond.

In these difficult conditions, three key factors can help developing economies leverage existing trade relationships amid the ongoing shifts. First, while the United States remains the world's largest export market, developing economies now account for a significant share of merchandise exports and imports of all the three largest economies (figure 8); this can potentially offset some of the impact of the projected economic slowdown in the United States.

Second, the rise of China has been driving a steady growth of South–South trade, which has been expanding at a faster pace than that of other trade flows (figure 9). The potential of South–South economic integration offers opportunities for many developing countries, in trade and beyond.

Boosted by strong intraregional trade, the economies of East and South-Asia drove over 40 per cent of the global economic growth in 2024.

Third, intraregional trade offers strong development opportunities (UNCTAD, 2018). While its progress has not been uniform across the global South (figure 10), it has been a major force in strengthening open regionalism in parts of Asia, with the East and South-East Asian economies driving over 40 per cent of global economic growth in 2024 (table 2). At the same time, current tariff escalation and the volatile external environment pose new challenges to the region. These add to financial stability risks in several Asian economies, as high debt servicing costs have weakened the debt repayment ability of not only Governments but also firms and households (UNESCAP, 2024).

Table 2

Relative contribution to annual global growth, selected country groups, 2023 and 2024

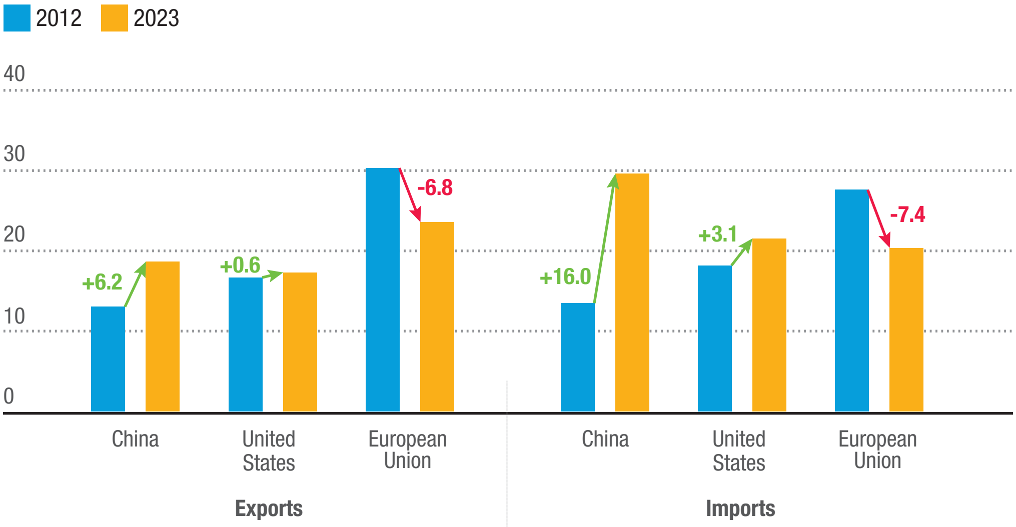
(Percentage)

	2023	2024
East Asia	38.6	36.2
Northern America (excl. Mexico)	25.8	24.7
South Asia	11.0	10.6
South-East Asia	5.0	6.1
Latin America and the Caribbean	5.0	4.8
Europe (excl. European Union)	3.3	4.5
Africa	3.2	3.3
Western Asia	3.0	2.9
European Union	2.8	5.3
Oceania	1.4	0.7
Central Asia	1.0	0.9

Source: See table 1.
Notes: Country groups are ordered by their 2023 contribution.

Figure 8
Centres of gravity in merchandise trade partnerships

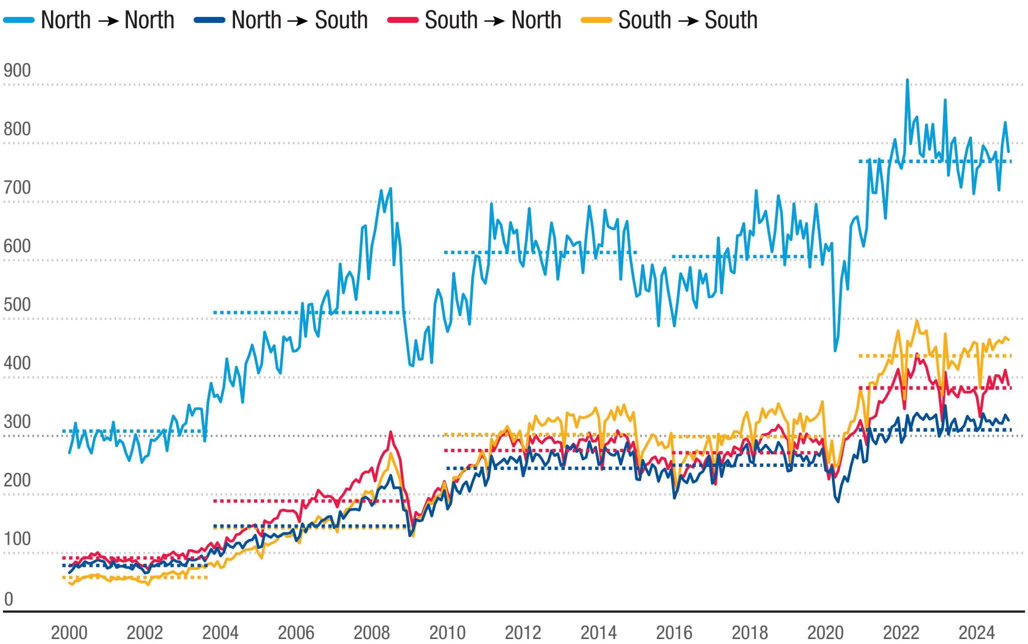
The share of developing countries (excluding China) for which either China, the United States or the European Union is the major merchandise trade partner (Percentage)



Source: UNCTAD based on UNCTADstat Merchandise Trade Matrix.

Figure 9
Global trade trends: South–South trade has been increasing

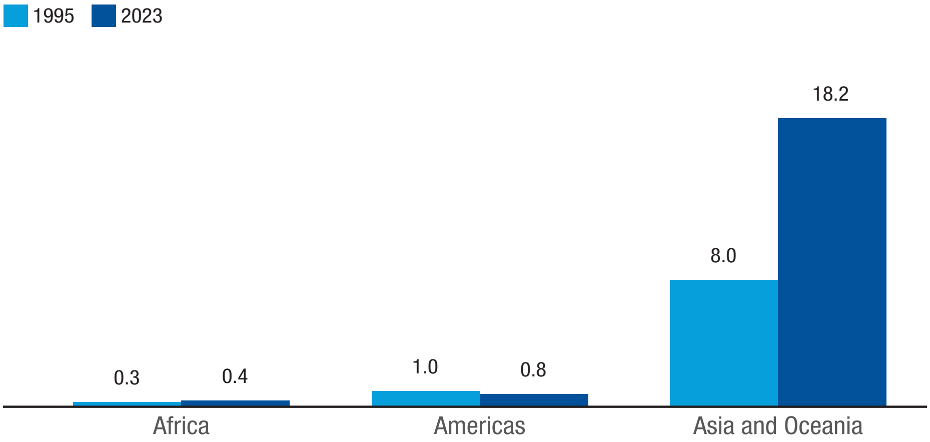
Monthly exports of goods by trading partner groups (Billions of dollars)



Source: UNCTAD based on IMF Direction of Trade Statistics database.

Note: Dotted lines refer to the respective period averages: 2000–2003, 2004–2008, 2010–2014, 2016–2019 and 2021–2024. The years of trade slowdowns, i.e. 2009, 2015 and 2020, are excluded from the averages. Data ends in November 2024.

Figure 10
Intra-Asian trade has expanded rapidly in the last three decades
Internal trade among developing regions as a share of total world trade
(Percentage)



Source: UNCTAD based on UNCTADstat.

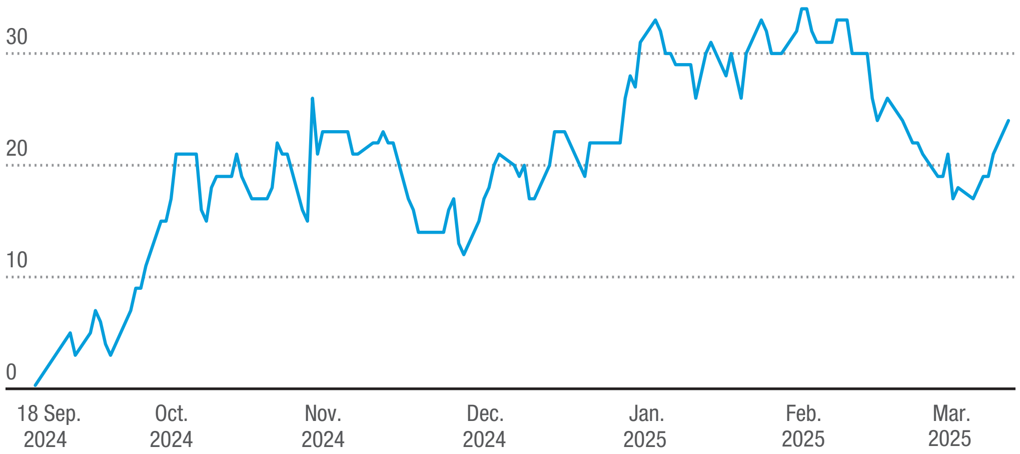
3. Global macroeconomic outlook

The outlook for the global economy is increasingly worrying. The initial optimism at the beginning of 2025 regarding a dynamic expansion of the economy in the United States – largely driven by expectations of a short-term boost from corporate tax cuts, deregulation measures and monetary easing – is tempered by the abrupt shifts in trade and immigration policies, which are already generating significant negative supply shocks. In addition, the macroeconomic effects of tariffs (box 1) raise the risks of a period of stagflation in the latter part of 2025.

The macroeconomic effects of tariffs raise the risks of a period of stagflation.

For its part, an uptick in inflationary pressures in the United States in recent months (figure 11) has resulted in a more cautious approach to the Federal Reserve's loosening of monetary policy. The prior broad consensus of policy rate cuts in each quarter – resulting in an accumulated reduction of 100 basis points by year-end – is being revised. In turn, the effects of the "higher-for-longer" policy rates will be felt both domestically and internationally.

Figure 11
Inflation expectations on the rise again
Change in inflation expectations in the United States since September 2024
(Basis points)



Source: UNCTAD based on data from FRED, Federal Reserve Bank of St. Louis.

Note: 18 September 2024 is the date the Federal Reserve started lowering interest rates for the first time in four years. Inflation expectations correspond to the difference in yields between United States nominal and inflation-indexed 10-year Treasury bonds. Data ends on 24 March 2025.

In the euro area, despite the ongoing normalization of monetary policy, domestic demand is unlikely to rebound. The manufacturing sector, which has been struggling in recent years under the pressures of global competition and elevated domestic energy prices, is particularly vulnerable to the imposition of tariffs and a deteriorating external environment. Yet, on the positive side, the announcement by the incoming Government in Germany – which accounts for almost a third of the eurozone economy – of reforms to fiscal rules that had previously acted as a brake on public spending, particularly on infrastructure, holds out the possibility of an improvement in growth prospects in the years ahead.

In the case of China, growth is expected to be supported by the ramping up of fiscal and monetary stimulus measures as well as structural policies. Similarly, a series of policy actions undertaken to stabilize the real estate sector appear to have had the desired effect, as the sector's declining trend has eased since the end of 2024. However, the increasingly difficult external context will undoubtedly weigh on growth.

Escalating rounds of tariffs will have a disproportionately large impact on developing countries, particularly those more integrated into global supply chains.

Across the rest of the global South, developing regions face an increasingly challenging environment. The imposition of escalating rounds of tariffs will have a disproportionately large impact (both directly and indirectly) on developing countries, particularly those that are more integrated into global supply chains. Similarly, elevated policy uncertainty and subsequent delays in investment and hiring decisions will have a dampening effect on both employment and household incomes.

The turn towards fiscal conservatism: changing structure of public spending

The current turn towards a conservative structure of public finances (more defence-related spending and less spending on social needs) unfolds in the wake of the earlier period of fiscal austerity. In 2024–2025, government revenue and expenditure as a share of the gross domestic product (GDP) in the countries of the Group of Seven (G7) are expected to decline compared to 2021–2023. While France, the United States and Canada undergo the strongest decline in government revenues, cuts in government expenditure drive fiscal shifts in Italy, the United Kingdom, Germany and Japan.

The current turn towards a conservative structure of public finances unfolds in the wake of the earlier period of fiscal austerity.

The picture is different and more diverse in other countries of the Group of 20 (G20). Much like China – which boosted its annual official fiscal deficit allowance for 2025 from 3 per cent of GDP to 4 per cent to support its stimulus goals – most countries will increase their expenditures (including Brazil, China, Mexico, Russian Federation, Saudi Arabia, South Africa and Türkiye) as well as their revenue (including Australia, Brazil, China, India, Mexico, Russian Federation and Türkiye).

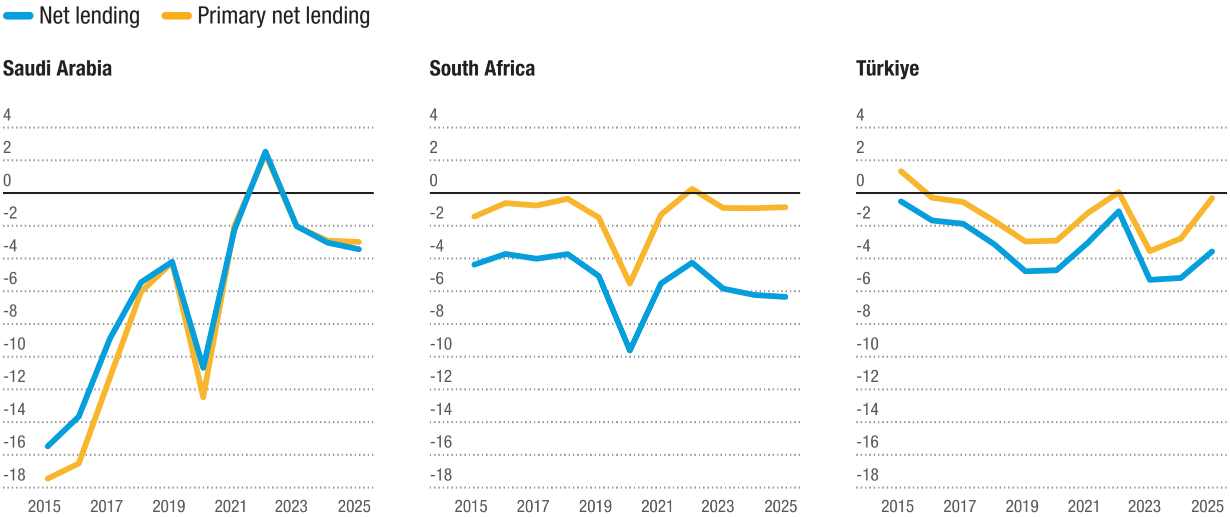
These trends in prospective fiscal balances are reflected in the net lending/borrowing position of general government. Among G7 countries, Germany, Italy, Japan and the United Kingdom were projected to reduce their net borrowing in 2024–2025 compared to 2021–2023, as opposed to Canada, France and United States (figure 12.A). Accounting for fresh military spending plans may change the picture for some countries, such as Germany. In the other G20 economies, only 5 out of 12 countries are expected to reduce their general government net borrowing, including Argentina, Australia, India, Indonesia and the Republic of Korea, with Argentina the only G20 country to switch from net borrowing to net lending during 2024–2025 (figure 12.B).

Figure 12
Fiscal tightening ongoing in most G20 countries
General government net lending and primary net lending, G20 countries
(Percentage of GDP)

A. G7 countries

B. Other G20 countries

B. Other G20 countries *(continued)*



Source: IMF, *World Economic Outlook* database, October 2024.

Note: General government net lending (+)/borrowing (-) is calculated as revenue minus total expenditure. This is a core government finance statistics balance that measures the extent to which general government is either putting financial resources at the disposal of other sectors in the economy and non-residents (net lending), or utilizing the financial resources generated by other sectors and non-residents (net borrowing). This balance may be viewed as an indicator of the financial impact of general government activity on the rest of the economy and non-residents (Government Finance Statistics Manual 2001, paragraph 4.17). Net lending (+)/borrowing (-) is also equal to net acquisition of financial assets minus net incurrence of liabilities. Primary net lending/borrowing is net lending (+)/borrowing (-) plus net interest payable/paid (interest expense minus interest revenue).

Tariff escalation is likely to slow down global economic activity and fiscal revenue from other sources.

However, the fiscal consolidation projected in countries on track to reduce their net borrowing may be challenged by several international processes. While tariff escalation might raise tariff revenues in most countries, it is likely to slow down global economic activity and government revenue from other sources. Moreover, the risks that the United States will not proceed with the implementation of the OECD framework for raising a minimum 15 per cent tax on multinational enterprises' income may also affect this source of government revenue. In turn, the risks of retaliatory measures towards countries willing to implement the OECD framework and tax multinational enterprises could delay the long overdue improvement in corporate tax collection.

With public debt rising in many countries, net interest payments are on the rise too.

With public debt rising in many countries, net interest payments are generally on the rise too, as reflected in the growing difference between net lending and primary net lending. Net interest payments are highest in developing countries, such as Brazil, India, Mexico or South Africa. Yet, G7 economies with high public debt levels, such as Italy and the United States, also have a large differential.

In 2024, in 15 countries for which data exist, the increase in military spending exceeded the growth of global investment in clean energy.

The austerity course prevailing in G7 countries, as well as Australia and the Republic of Korea, could be challenged by rising defence spending as the global security regime is transformed. The outcome depends on whether defence spending comes at the cost of government expenditure in other areas that are key for achieving the Sustainable Development Goals (e.g., renewable energy, social security, official development assistance). To avoid this, it would have to be financed by public debt or by progressive taxation on high incomes, capital gains and wealth. Available data for 15 countries indicates that defence spending in 2024 reached almost $2.5 trillion (Vaswani, 2025), with the increase in military spending exceeding the growth of global investment in clean energy.

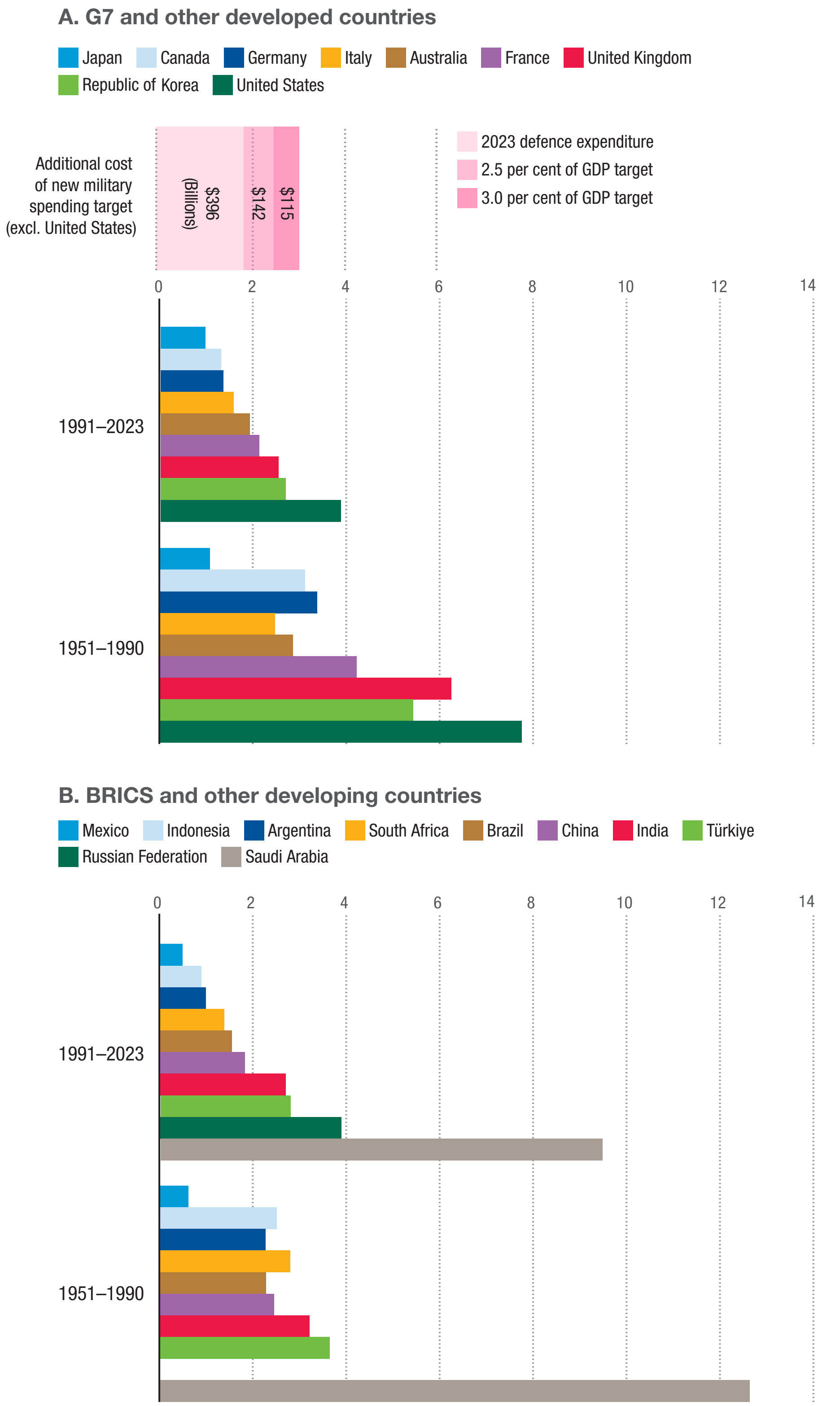
Between 2021 and 2023, defence spending measured as a share of GDP has grown in most European countries. In 2023, it reached 1.5 per cent in Germany, 1.6 per cent in Italy, 2.1 per cent in France and 2.3 per cent in the United Kingdom. While African and Latin American G20 countries all spend a smaller share of their GDP on defence, defence spending by the United States (3.4 per cent), the Russian Federation (5.8 per cent) and Saudi Arabia (7.1 per cent) are larger (figure 13) and also absorb a larger share of government expenditure, almost up to one quarter in Saudi Arabia.

In March 2025, the United Kingdom announced that it would raise its defence expenditure to 2.5 per cent of national income by 2027, funding this increase through a 40-per cent reduction in official development assistance (ODA), from 0.5 per cent to 0.3 per cent of GDP. In response to the suspension of American military aid to Ukraine, European Union member states introduced an €800 billion Rearm Europe initiative, aimed at enhancing military and strategic infrastructure over the next four years. This initiative will depend on member states raising their defence spending by an average of 1.5 per cent of GDP, generating €650 billion in revenue and €150 billion in loans supported by the common budget of the European Union. Germany has pledged an additional €500 billion.

In 2023, high-income G20 countries spent almost 1.9 per cent of their GDP (or $400 billion) on defence expenditure, excluding Saudi Arabia and the United States. To fulfil a target of 2.5 or 3.0 per cent of GDP would require that they increase their annual defence expenditure by almost $150 billion and $260 billion, respectively, which would raise their total spending to almost $540 billion and $660 billion, respectively. Including smaller European countries into this calculation further raises these estimates.

Historically, economies in times of conflict have seen significant government intervention and an increase in progressive taxation on high income and wealth. Some European Governments have indicated that defence spending will not be financed through tax hikes. In response, the European Commission has stated its willingness to exclude defence spending from budget deficit calculations and, in a historic move, Germany watered down its debt brake mechanism that has been an obstacle to ambitious investment plans. The overall macroeconomic effect of the current turn to fiscal conservatism will depend on whether increased military spending will support domestic industries and generate local employment, or whether it will lead to the purchase of non-European equipment and services.

Figure 13
Military spending in high-income countries set to return to pre-1990 highs?
Defence expenditure, G20 countries (Percentage of GDP)



Source: SIPRI Military Expenditure database.

Note: No data available for the Russian Federation before 1992. Country order relies on 1991–2023 levels.

Amid escalating trade tensions, developing countries should leverage existing trade relationships and seek out multilateral frameworks and regional arrangements to boost intraregional as well as South–South trade. A strategy of "open regionalism" can offer a workable alternative to the global stalemate and a pathway to achieving development objectives.

B. International markets

1. Dynamism of merchandise trade fades away

The international trading system is facing its most serious challenge since the Second World War. The transformation in the structure of world trade (UNCTAD, 2024) and the reconfiguration of global value chains have been unfolding over the past decade or so. The repercussions of the current policy shock and global uncertainty are set to accelerate these shifts, thereby making any predictions about the ultimate impact of trade reconfiguration difficult (section A). Yet it is already clear that merchandise trade flows are under intense pressure and will be significantly affected.

The international trading system is facing its most significant challenges since the Second World War.

It was only recently that the headline data indicated a rather benign outlook for global merchandise trade. During the last quarter of 2024, world trade – the average between exports and imports – grew 2.8 per cent in real terms year on year (3.3 per cent for exports and 2.4 per cent for imports) according to the CPB Netherlands Bureau for Economic Policy Analysis. This represented the strongest year-on-year increase since the first half of 2022. Double-digit export figures from China (+14 per cent) led the expansion. This mirrored strong import demand from the United States (+7 per cent), Latin America (+9 per cent) and other key advanced Asian economies (+8 per cent) excluding Japan (+1 per cent). Elsewhere in the developed world, the growth of merchandise trade, both exports and imports, was more muted or even negative, with the exports of the United Kingdom

Trade dynamism at the beginning of 2025 largely reflected front-loading orders ahead of anticipated tariffs.

Escalating trade tensions threaten development progress, particularly for the most vulnerable economies, with real negative effects on businesses already unfolding.

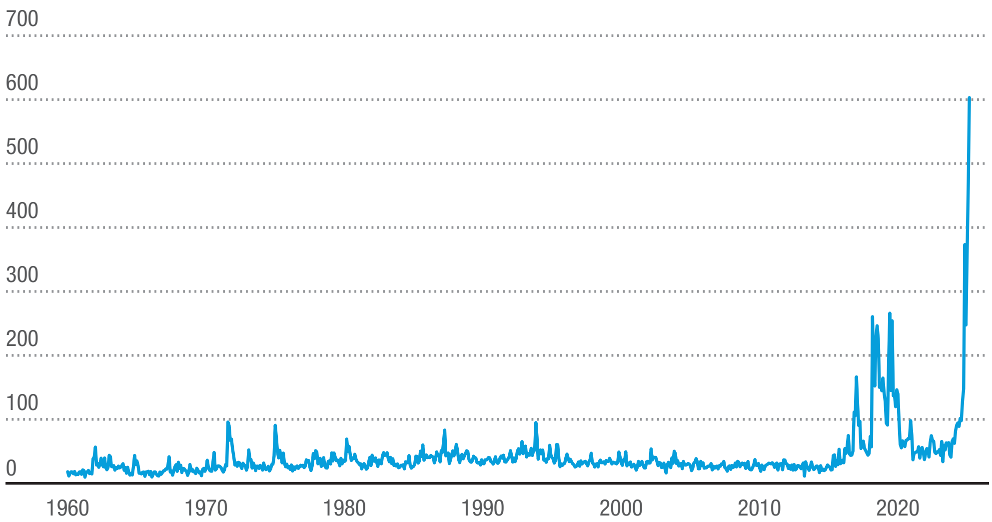
declining markedly (-12 per cent). Meanwhile, the aggregate exports from the transition economies (-1 per cent) and Africa and the Middle East (-2 per cent) – as referred to by the research institute – also contracted in real terms, albeit in not a such a dramatic fashion.

The dynamism of the headline figures largely reflected stockpiling effects and front-load spending on large ticket items by firms and households ahead of anticipated tariffs. The decline of consumer and business sentiment in the United States (section C), together with the new tariff announcements in early April, suggests that the uptick in trade flows observed in late 2024 and early 2025 is fizzling out. More worryingly, at the current juncture, a sharp reversal cannot be ruled out in the months to come.

Uncertainty over trade policy skyrocketed after the United States started to unveil its intentions to raise tariffs.

Several sets of indicators support a pessimistic reading. First, uncertainty over trade policy already skyrocketed in early 2025 after the United States started to unveil its intentions to raise tariffs vis-à-vis its main trading partners (figure 14). Second, new export orders from purchasing managers' indices of key exporting countries have moved below the neutral point of 50 per cent. Third, between early January and late March 2025, the Comprehensive Shanghai Export Containerized Freight Index, an important barometer of international shipping and trade dynamics, declined by 40 per cent, dropping to close to its pre-pandemic level, a period when world merchandise trade had been markedly subdued (figure 15). Fourth, during the first quarter of 2025, weekly updates of the UNCTAD Trade Nowcasts for merchandise trade have continually been revised downward as new sets of data have been published (figure 16). Fifth, escalating trade tensions threaten development progress, particularly for the most vulnerable economies (UNCTAD, 2025c), with real negative effects on businesses already unfolding.

Figure 14
Trade policy uncertainty at historical highs
Monthly trade policy uncertainty index (Index numbers)



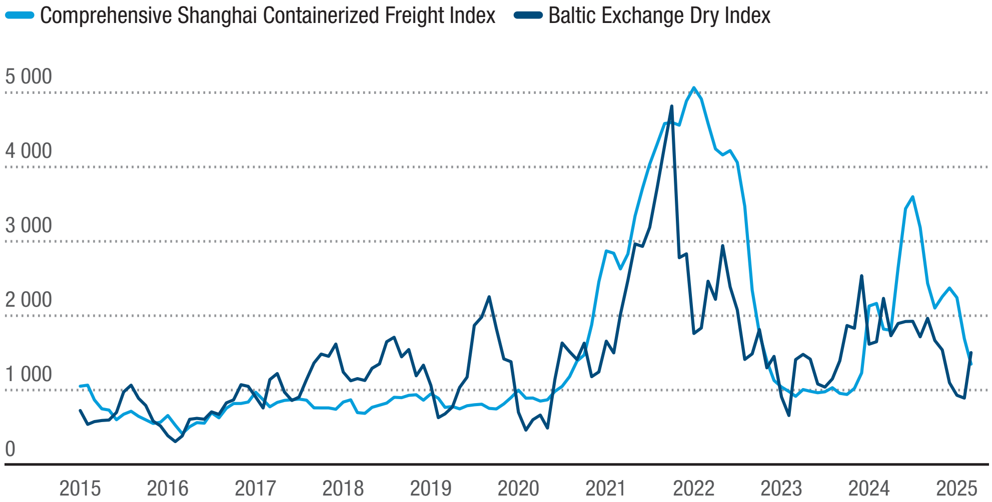
Source: Caldara et al. (2020) with updated data from https://www.matteoiacoviello.com/tpu.htm.

Note: The index measures media attention to news related to trade policy uncertainty. It reflects automated text-search results of the electronic archives of 7 leading newspapers discussing trade policy uncertainty: *Boston Globe, Chicago Tribune, Guardian, Los Angeles Times, New York Times, Wall Street Journal,* and *Washington Post*. The index is scaled so that 100 indicates that 1 per cent of news articles contain references to trade policy uncertainty. Data ends in March 2025.

Figure 15

Decreasing container freight rates point to a slowdown in merchandise trade

Baltic Exchange Dry Index and Comprehensive Shanghai Containerized Freight Index, monthly averages (Base date=1,000)



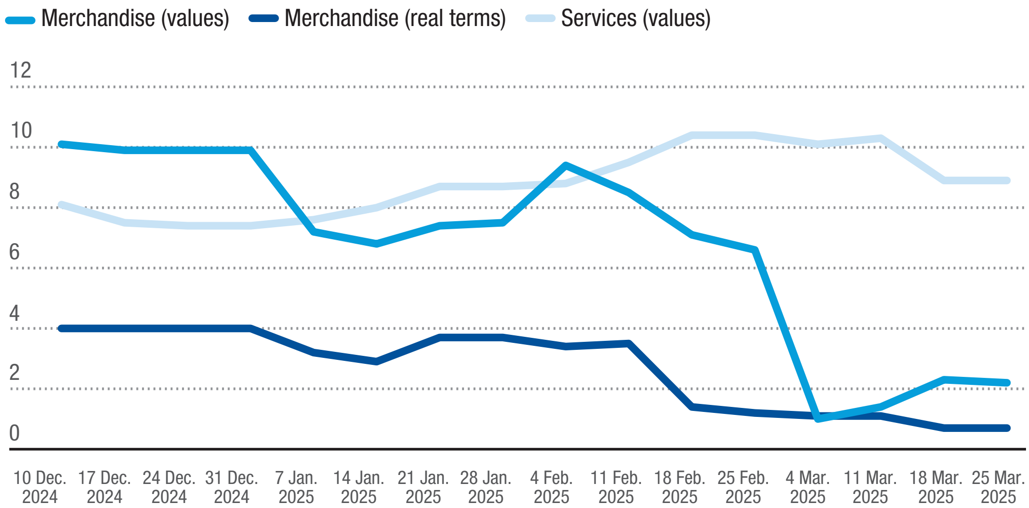
Source: UNCTAD based on Clarksons Shipping Intelligence Network.

Note: The base date when the index number equalled 1,000 was 4 January 1985 for the Baltic Exchange Dry Index and 16 October 2009 for the Comprehensive Shanghai Containerized Freight Index. Data ends in March 2025.

Figure 16

Real-time estimates of world merchandise trade have been gradually revised downward

Growth estimates for the first quarter of 2025, weekly updates of UNCTAD trade nowcasts (Percentage)



Source: UNCTAD based on UNCTAD Trade Nowcasts.

Note: Growth predictions are measured on a quarter-on-quarter seasonally adjusted annualized-rate basis.

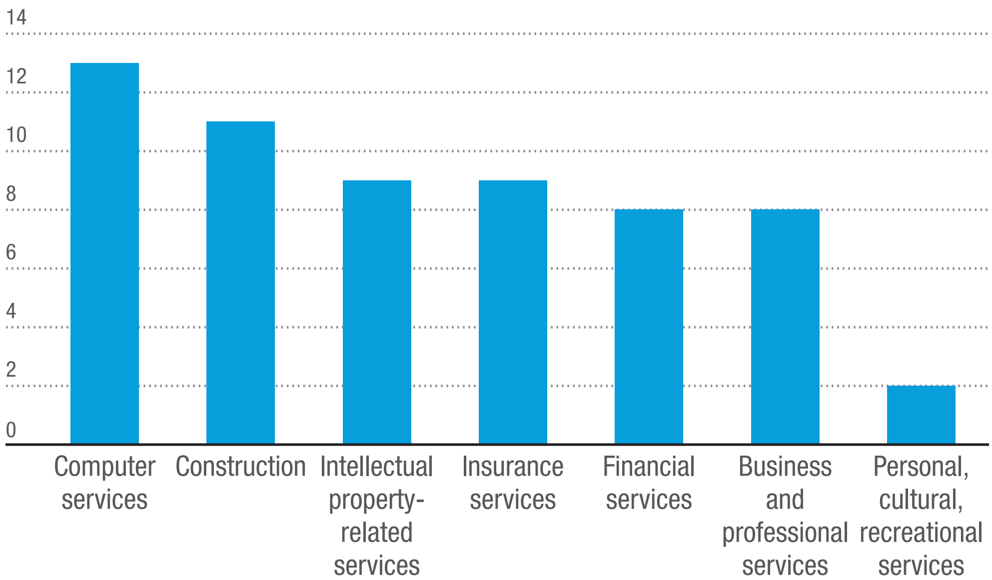
Being relatively immune from the threat of tariffs so far, trade in services has maintained a strong momentum.

Being relatively immune from the threat of tariffs, trade in services, by contrast, has maintained a strong momentum during the first quarter of 2025 (figure 17). This echoes the pattern observed in the last decade, except for the COVID-19 period. Setting aside tourism and transport – two segments each accounting for roughly one fifth of total services trade – other commercial services expanded on a strong footing in the second half of 2024 (UNCTAD, 2025a). During the third quarter of 2024, the dollar revenues from exports of this heterogeneous group of activities, which together account for roughly 60 per cent of total services trade, increased by 8 per cent, with growth reaching double-digit figures in many economies throughout the different developing regions. Some Latin American economies recorded especially high growth rates (Chile: +32 per cent, Argentina: +26 per cent, and Peru: +17 per cent).

Many developing countries have recorded double digit growth in digitally deliverable service exports. Computer, financial, business and insurance services were the main drivers of growth.

Digitally deliverable services such as computer, financial, business and insurance services were the main drivers of growth. Computer services exports recorded robust growth both in developed and developing economies, including a sharp increase of 77 per cent in Indonesia and strong growth of 37 per cent in Mauritius and 18 per cent in the United States (WTO, 2025). At the same time, current policy uncertainty might dampen investment in services sectors dependent on global interconnectivity, ultimately harming trade in services.

Figure 17
The expansion of commercial services has remained firm so far
Year-on-year export growth in commercial services, selected sectors, Jan.–Sept. 2024
(Percentage)



Source: WTO (2025).

Overall, current trends indicate a subdued outlook for the manufacturing sector, while instability over tariffs likely adds to risks of a slowdown. Heightened policy uncertainty pushes decision makers to revisit their integration strategies. Companies seek greater market diversity and are scaling up risk management efforts; governments are reassessing their trade policies, weighing the benefits of open trade against the need for protecting domestic interests. The volatile economic landscape calls for agile adaptive measures to navigate the growing vagaries of international trade. Addressing these uncertainties requires countries that recognize the mutual benefits of international trade maintain coordinated efforts in fostering a stable and predictable trading environment.

Heightened policy uncertainty pushes decision-makers to revisit their integration strategies.

2. Capital flows to developing countries: Compound risks

Official development assistance is set to decrease as several governments announce cuts for the year ahead.

Two worrying trends characterize the shifts in financial flows to developing countries, both public and private: declining ODA and worsening financial conditions.

Official development assistance

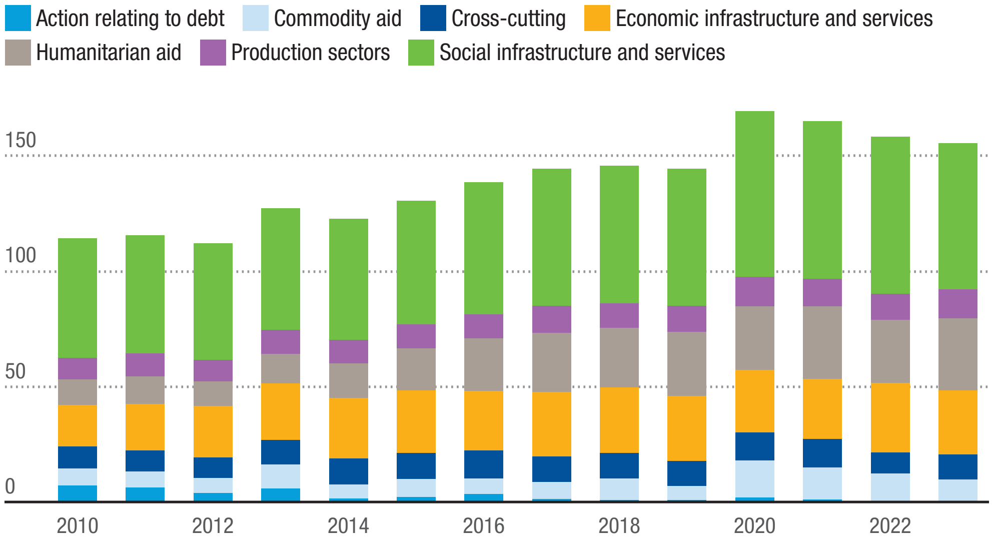
By March 2025, it was clear that ODA trends would be affected by changing policy stances, with the development community grappling with the impact of major cuts announced by key donors of the Development Assistance Committee. The exact size and scale of these changes is yet to be determined, and the impact of the reductions is likely to entail profound consequences for many vulnerable countries. Early estimates point to a decline of at least 18 per cent from the major donors between 2023 and 2025 (Kinsbergen and Rana, 2025).

The cuts announced come atop of a declining trend in ODA to developing countries, both in absolute terms and as the share of the total. These flows fell to $160 billion in 2023 from the 2020 highs of almost $175 billion, even as total global levels of ODA (to both developing and developed countries) have risen. There are also concerns about changes in its designated purpose (figure 18). In 2023, ODA to developing countries for actions relating to debt fell from almost $6 billion in 2013 to just $0.2 billion in 2023, despite the fact many countries are struggling with high debt servicing costs; aid to economic infrastructure and sectors was just $28 billion. At the same time, aid designated for humanitarian purposes increased from $13 billion to $31 billion. In the face of multiple shocks, the focus should not be on reducing humanitarian aid, but on boosting support for economic development. Recipient governments must have a say in how aid is used, yet country programmable aid, with multi-year planning and significant input from partner countries, totalled less than $75 billion in 2023.[1]

The cuts announced come on top of a declining trend in official development assistance to developing countries in recent years.

[1] https://www.oecd.org/en/data/insights/data-explainers/2025/02/country-programmable-aid-in-official-development-assistance.html.

Figure 18
Development financing was already strained before the 2025 cuts were announced
Official development assistance, by sector (Billions of dollars, constant 2022 prices)



Source: UNCTAD based on OECD Creditor Reporting System (accessed March 2025).

Private financial flows and public debt

In early 2025, private financial flows to developing countries were affected by two major factors. First, economic policy uncertainty led to greater investor caution over developing countries in general, although significant variations exist across these economies. Second, the prospect of tighter financial conditions than previously expected – together with expectations of an appreciation of the dollar in the near term due to a tariff effect (box 1) – has had ripple effects on financial flows to developing countries.

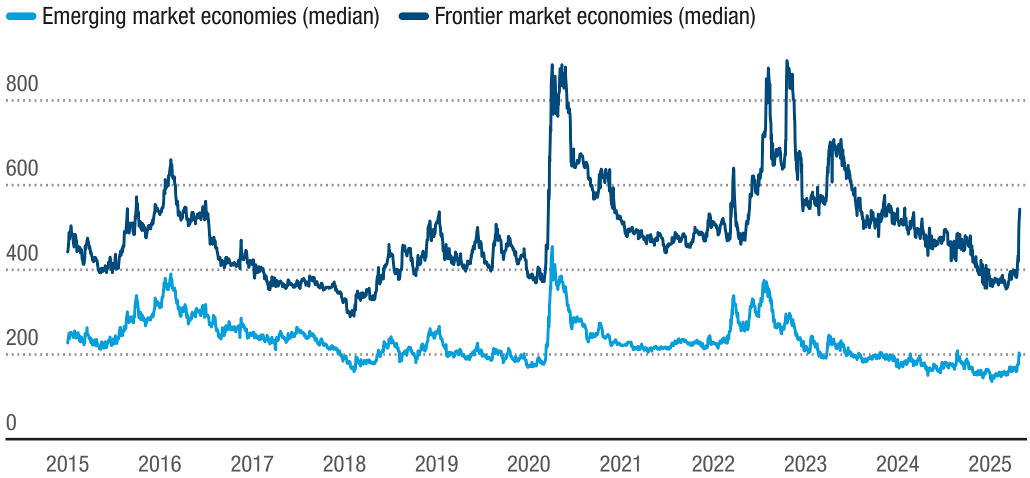
Continuing tight financial conditions have had ripple effects on the financial flows to developing countries.

In the case of public debt, the situation remains challenging. While the median bond spreads for the groups of emerging market economies as well as the frontier market ones vis-à-vis the United States Treasuries currently stand at relatively low levels (figure 19.A), the yields have remained significantly above their pre-pandemic averages. In the case of frontier market economies – mainly low- or lower-middle-income countries that began to tap the capital market after the global financial crisis of 2008 – the median bond yield has plateaued at 8 per cent in recent months after trending slightly downward (figure 19.B), with the premium compared to emerging market economies narrowing. Following the tariff announcements in April, spreads and yields spiked. For the groups of frontier markets economies, this increase was about 150 basis points.

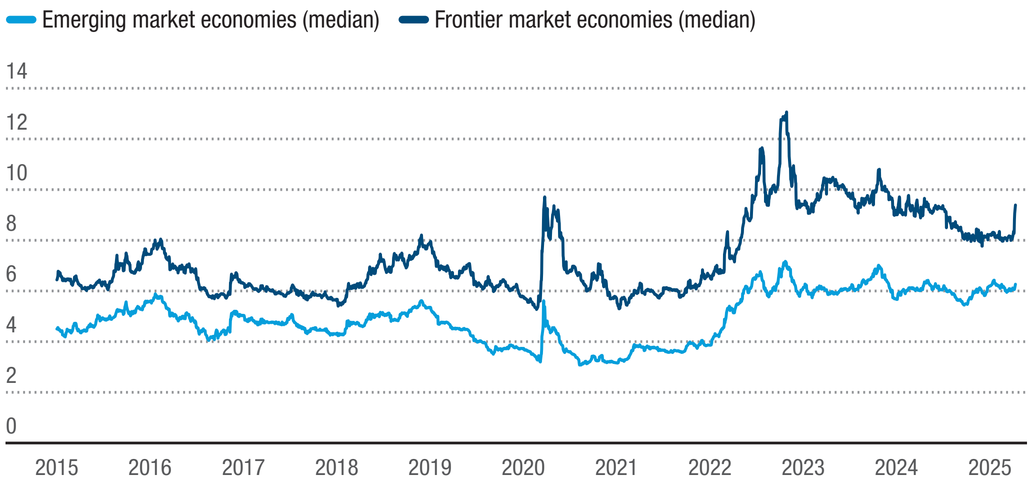
In some large economies such as Argentina, Egypt, Nigeria and Türkiye, policy turnarounds, until recently, had led to a reduction in sovereign risk premia, even though some of these economies have had mixed success in restoring macroeconomic stability.

Figure 19
Yields on developing countries' sovereign bonds remain high
Median spreads and yields on sovereign bonds, selected developing country groups

A. Spreads (Basis points)



B. Yields (Percentage)

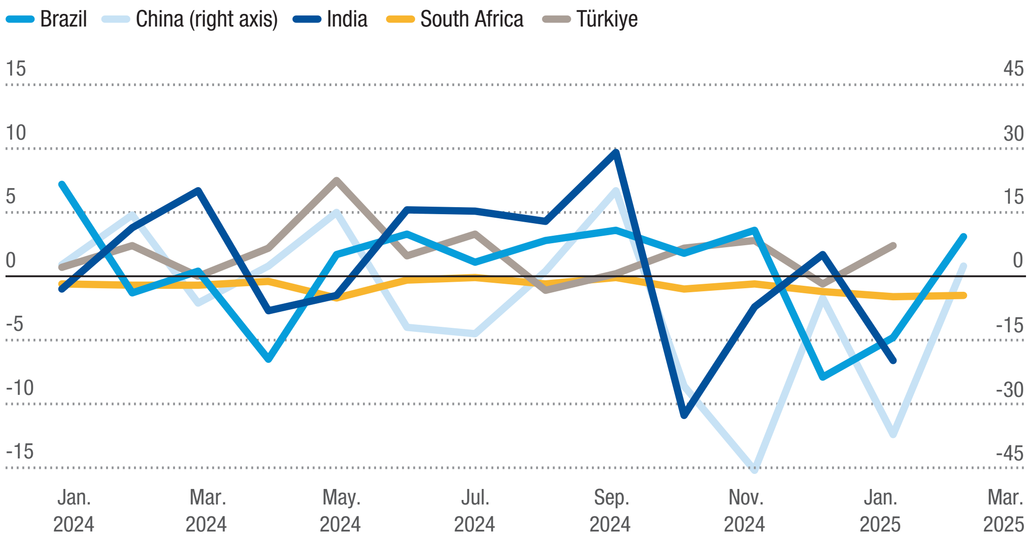


Source: UNCTAD based on country-level data from the JP Morgan Emerging Market Bond Index.
Note: Data ends on 7 April 2025.

Proxies for financial flows point to a volatile external environment for some large emerging markets.

More broadly, the situation remains extremely volatile. Data for currency movements and other preliminary high frequency proxies for financial flows suggest net capital outflows for some large emerging markets amid a strengthening of the dollar in late 2024–early 2025 (figures 20 and 21). China, for instance, registered significant non-resident portfolio outflows, both equity and debt, during the last quarter of 2024. Yet between February and late March, the mood reversed, with the dollar depreciating vis-à-vis many currencies, and financial investors regaining more appetite for some emerging markets (e.g. Brazil and China). In early April, the flight to safety by risk averse investors, however, triggered significant capital outflows from many developing countries, amid notable drops in stock markets.

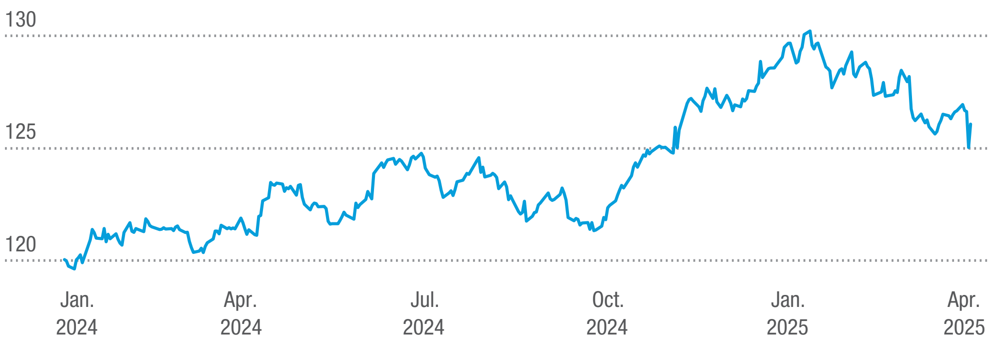
Figure 20
Portfolio flows exited emerging markets, before rebounding partly in February 2025
Net portfolio inflows, selected developing countries (Billions of dollars)



Source: UNCTAD based on LSEG Workspace.

Note: For South Africa, data only refers to equity portfolio flows, rather than both equity and debt.

Figure 21
The dollar has been swinging markedly in recent months
Nominal Broad United States Dollar Index (Index numbers, January 2006=100)



Source: Board of Governors of the Federal Reserve System of the United States.

Note: This index measures the value of the United States dollar relative to a trade-weighted basket of foreign currencies. A higher value refers to an appreciation of the dollar vis-à-vis the other currencies. Data ends on 4 April 2025.

In the months ahead, tensions between the expected tariff-induced stronger dollar (box 1) and investor anxiety over the United States economy are likely to drive significant exchange rate movements. A specific factor adding to the uncertainty surrounding foreign exchanges markets concerns policy ideas aimed at weakening the dollar (Miran, 2024) and suggestions that trade tariffs may herald restrictions on capital inflows into the United States (Tett, 2025). Given the centrality of the United States dollar in the global financial system, such discussions can add to investor anxiety over policy. This, in turn, may stall a broad range of investments, which is likely to impact growth prospects negatively.

Tensions between the expected tariff-induced stronger dollar and investor anxiety over the United States economy are likely to drive significant exchange rate movements.

Box 1
The macroeconomic effects of tariffs

In a partial equilibrium setting (i.e. looking at one specific market or sector at a time, assuming everything else in the economy stays the same), the hypothetical introduction of a tariff on one imported product is expected to have a series of effects. For consumers, it should raise the price of the imported goods and thus produce a decline in consumer surplus.[a] By contrast, domestic producers would benefit from reduced competition from foreign imports, leading to greater producer surplus. The government would get higher revenues, which could potentially offset some of the net welfare losses (since consumers lose more than producers win). Finally, foreign producers would be worse off due to reduced demand for their goods.

When an economy is big enough to influence the global market, so-called terms-of-trade effects would also kick in. More precisely, the tariff-induced reduced demand would lower the world price of the corresponding imported goods. In some cases, the terms of trade gains resulting from the new tariff could even outweigh the losses in consumer surplus and the inefficiency caused by the tariff, which ultimately would result in a net positive effect on national welfare. This assumes, however, a well-calibrated tariff increase and above all, no retaliation from the other trading partners.

Partial equilibrium approaches are abstractions: they fail to consider general equilibrium, or macroeconomic, effects. One crucial aspect is the role played by the (real) exchange rate movements following the introduction of new tariffs (e.g. Devereux and Connolly, 1996). Economic theory posits that tariffs would not have significant effects on the overall trade balance because they would trigger an (real) exchange rate appreciation.

To understand the dynamics at play, one should start from a crucial macroeconomic identity that states that X – M = S – I. This balance of payments identity connects, roughly speaking, the current account balance, Exports (X) – Imports (M), with the difference between national savings (S) and investment (I), emanating from both the private and public sectors. This is not an economic theory; rather, it is an accounting identity, which always holds true.

Trade deficits stem from deeper macroeconomic factors, like the savings and investment dynamics, which cannot simply be "fixed" by raising tariffs.

In other words, if an economy consumes and invests more than it produces (such that C + I is greater than GDP), there is no other way for this internal imbalance to be filled other than by foreign production, or more precisely by net imports, i.e. X–M<0.[b] Such external imbalance would concomitantly result in net capital inflows, i.e. non-residents acquiring domestic assets in net terms in exchange of providing more goods than they get from this economy.

Insofar as the current account deficit primarily reflects the internal imbalance and if the latter does not change (because tariffs are unlikely to change macroeconomic behaviours on saving and investment), the external imbalance will remain unchanged. Under these circumstances, implementing new tariffs will reduce imports as they get more expensive for the domestic consumers. This will diminish the supply of the domestic currency on foreign exchange markets. As a result, the exchange rate will appreciate. Thus, exports will also diminish, and ultimately, X – M will change little. A large body of empirical studies confirm this prediction. Sometimes, the current account balance even decreases further.

Should the tariffs target one specific country or a specific group of economies, it might well be that the related bilateral trade balances will reduce, due to a phenomenon known as trade diversion. Yet, the overall trade imbalance will remain the same because the net imports needed to match the internal macroeconomic imbalance between the savings and investment will have to come from other destinations.

a. The consumer surplus refers to the economic benefit that consumers receive when they can purchase a good or service for a price lower than the maximum amount that they are willing to pay. It represents the difference between what consumers are willing to pay and what they pay.

b. This derives from the fact that available goods and services, either produced domestically or abroad, i.e. GDP + M, will be either consumed, invested or exported, i.e. C + I + X. Rewriting this, and considering that the income generated by GDP is either consumed (C) or saved (S), leads to: C + S + M = C + I + X. Deleting the consumption on both sides of the equation and rewriting the terms gives the above identity.

3. Commodity markets not immune to global uncertainty

Global uncertainty has not spared commodities markets. Gold surged to a record high above $3,200 per troy ounce in early April as investors reallocated a larger part of their portfolio into this traditional refuge asset (section A).

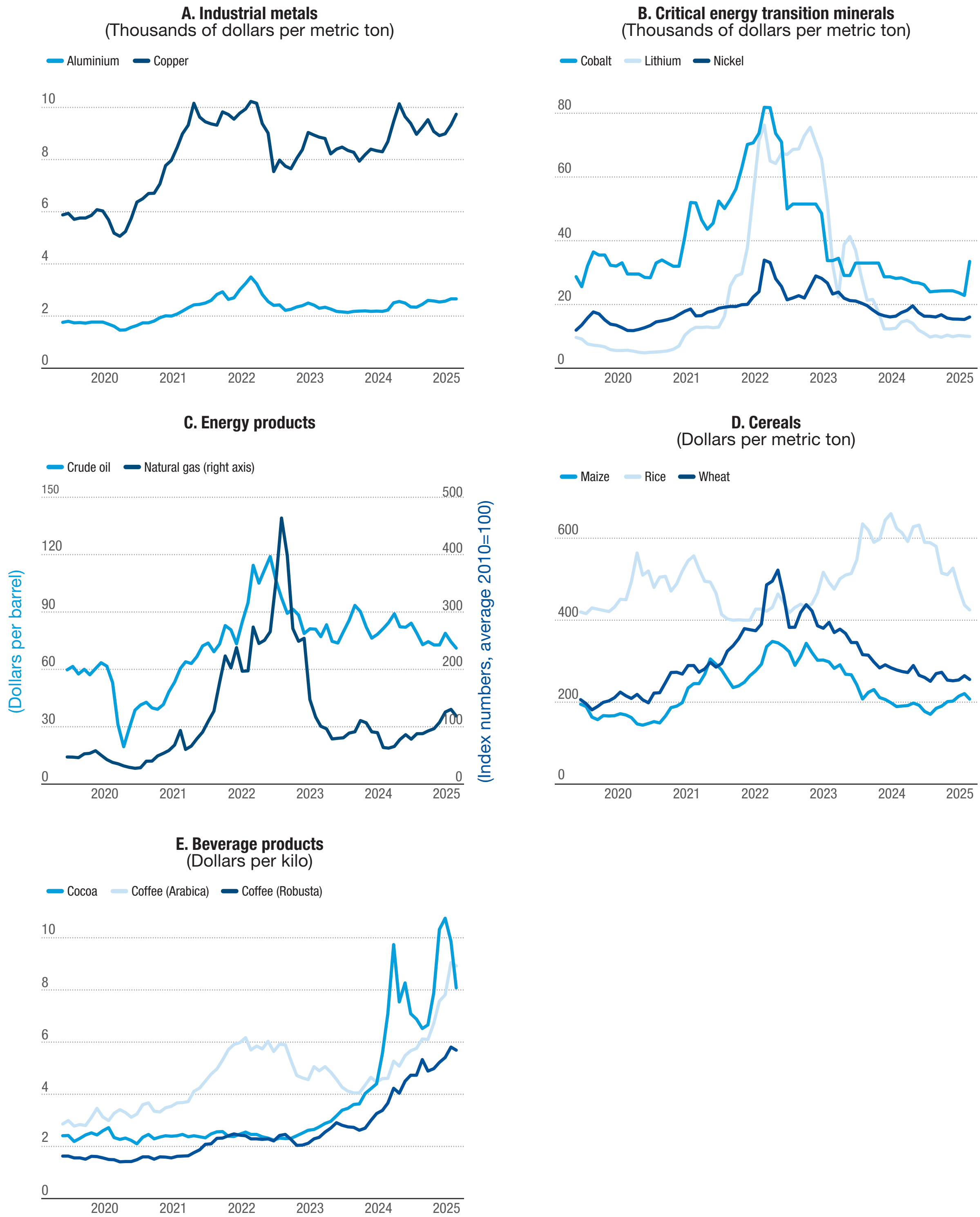
Policy uncertainty also disrupted the markets of several industrial metals.

Policy shocks also disrupted the markets of several industrial metals in recent months. Anticipating increased tariffs, United States importers hastily stockpiled aluminium and copper, for instance (figure 22.A). Meanwhile, the price of some critical minerals – including cobalt, lithium or nickel – declined in recent months (figure 22.B). A global slowdown in electric vehicle sales, excluding China, and a challenging macroeconomic environment drove the trend. However, in February, cobalt prices rebounded sharply after the Democratic Republic of the Congo suspended exports for four months to address oversupply and stabilize long-term prices. Following the early April tariff announcements, prices of many industrial metals and critical minerals fell amid downward revisions of growth prospects.

Figure 22

Higher uncertainty has not spared commodities markets

Monthly prices of selected commodities



Source: UNCTAD based on UNCTADstat, the Commodities Price Data (The Pink Sheet) of the World Bank and LSEG Workspace.

Note: Data ends in March 2025.

Price volatility of hydrocarbon products has been reflecting the specifics of each energy market (figure 22.C). On the one hand, oil has trended downward amid a plausible pledge by OPEC+ countries to lift their production cap in April 2025. Increased worries about the slowing of the United States economy and signs of reduced oil demand by China – partly attributed to the rapid rollout of electric vehicles – have also pushed prices down. The escalation of tariffs further pushed prices lower. As a result, Brent crude prices tumbled to \$60 in early April 2025, its lowest level since the depths of the COVID-19 pandemic in early 2021. Meanwhile, West Texas Intermediate, the benchmark of the United States, fell to \$57 a barrel, also its lowest level in more than four years. On the other hand, natural gas prices have increased since mid-2024. Colder winters in Europe and North America boosted demand for heating. In Europe – which has been relying more on liquefied natural gas imports since the cessation of Russian gas transit flows via Ukraine – depleted inventories further supported this uptick in prices.

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Prices of agricultural and food products tend to respond more to idiosyncratic factors and have so far been less affected by the overall economic uncertainty. Yet they play a critical role for livelihoods and environmental sustainability. Broadly speaking, prices have been on the rise since bottoming out in early 2024. However, cereal prices have diverged: wheat rose due to tighter supplies in the Russian Federation and concerns over crop conditions in Eastern Europe and North America, while maize prices climbed amid lower ending stocks in major exporting countries like Argentina, Brazil, Ukraine, and the United States (figure 22.D). By contrast, rice prices fell due to ample exportable supplies in Asia. Beverage product trends have also been mixed; coffee, particularly Arabica, surged by 60 per cent between November 2024 and March 2025, driven by bad weather in Brazil and Vietnam, the world's top producers, and low global stock levels (figure 22.E).

By contrast, cocoa prices have followed a second inverted U-shaped trajectory between October 2024 and March 2025, mirroring the first one observed in early 2024. By December 2024, prices had surged over 50 per cent, before nearly returning to third-quarter 2024 levels. These fluctuations reflect cocoa farmers shifting to other activities due to low prices prior to 2024, making cocoa cultivation less attractive and leading to declining yields. Additionally, climate change, with more frequent droughts and excessive rainfall, has disrupted harvests, while many farmers have turned to unregulated gold mining, exacerbating environmental damage (*Financial Times*, 2025).

Multilateral cooperation and coordinated policies are key to averting economic fragmentation, revitalizing and sustaining long-term growth, and addressing global challenges such as rising inequality and climate change.

C. Regional developments

UNCTAD expects a sharp deceleration of the economy of the **United States** to 1.0 per cent growth in GDP in 2025 owing in large part to heightened policy uncertainty. The unpredictable economic environment will hamper both private consumption and investment, which already started to soften in the last quarter of 2024. This downward trajectory is further compounded by recently announced trade measures, which are expected to disrupt numerous supply chains, both regional and global. For its part, **Canada** is also poised to experience a significant deceleration given its large reliance on the external sector, with growth forecast to 0.7 per cent in 2025. Overall, the risk of a recession materializing later this year in the **Northern America** region has increased considerably.

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UNCTAD estimates that growth in the **euro area** will remain subdued, at 0.8 per cent in 2025. Further monetary easing is expected through 2025 as inflation continues to decline. However, domestic demand, particularly private fixed investment, remains sluggish. The manufacturing sector's ongoing struggles amid increased global competition in key export sectors, elevated domestic energy prices and a volatile external environment will weigh on growth.

UNCTAD expects the **German** economy to emerge from two successive years of contraction to register a slight expansion in 2025, of 0.2 per cent. The ongoing shortfall in investment spending and an elevated exposure to external trade uncertainty will hamper growth. However, proposals by the incoming Government to reform fiscal rules that had previously held down public spending, particularly on defence and infrastructure, point to a potential improvement in growth prospects.

UNCTAD foresees a slowdown in **France**, to register an expansion of 0.5 per cent in 2025, as a result of ongoing tight domestic financial conditions – despite the monetary loosening underway – and a deteriorating outlook for the export sector. Similarly, growth prospects in **Italy** are tempered by the unfavourable external outlook which will be only partially offset by a slight pickup in private consumption spending. As a result, UNCTAD expects growth to slow to 0.4 per cent this year.

In the **United Kingdom**, the economy will show a marginal decline in growth to 1.0 per cent in 2025. Private consumption will provide the main impetus, while overall investment will continue to lag, despite an expected boost from public capital expenditures.

UNCTAD estimates a sharp deceleration in the growth rate of the **Russian Federation** to below 1.0 per cent in 2025. A series of challenges that include elevated inflation, shortages of investment capital, supply-side disruptions, dislocations in the labour market and lack of access to new technologies will hamper economic activity. Ongoing tight monetary conditions will also have a dampening effect on domestic consumption and investment, as well as magnifying debt burdens.

In China, tariff escalation will likely result in a deceleration of merchandise exports. Yet a set of supportive policy measures will serve to bolster domestic demand and partially offset external shocks.

For **East Asia**, UNCTAD expects regional growth to decline to 3.4 per cent in 2025 amid an increasingly challenging external environment. In **China**, growth is estimated at 4.4 per cent this year, revised down from the TDR estimate in October 2024. China has seen a sharp and disruptive escalation in trade tensions with the United States in the last month, which will likely result in a significant deceleration of its merchandise exports, if the tensions continue throughout 2025. Despite the tariff shock, the country's economic growth remains resilient with strong potential. Externally, China is further diversifying its trade partnerships including through the latest progress of discussions on electronic vehicles between China and the European Union. Domestically, the announcement of a series of expansionary fiscal measures in March and the prospect of ongoing monetary loosening will serve to bolster domestic demand and partially offset external uncertainties. The real estate market, having suffered contractions since 2021, is finally showing signs of stabilizing.

UNCTAD projects an economic expansion of 0.5 per cent in 2025 for **Japan**, which reflects the dampening of previous expectations of a larger pickup compared to last year, in light of trade tensions. Rising wages had been expected to boost household consumption with support measures from the Government, including ongoing energy subsidies and a one-off tax break, to further buttress domestic demand. Now, however, growth expectations have been significantly downgraded; there are doubts whether the Bank of Japan will maintain its recent course of raising interest rates. In the **Republic of Korea**, UNCTAD foresees a slowdown in growth to 1.4 per cent in 2025. Heightened uncertainty domestically will have a dampening impact on investment outlays, while the prospect of a deteriorating external environment, particularly due to trade tariffs affecting sectors like automobiles, will weigh on the country's critically important export sector.

UNCTAD estimates that growth in **South-East Asia** will remain robust at 4.4 per cent in 2025. An increasingly challenging external environment for the region's manufacturing sector will be offset by ongoing strength in domestic demand. **Indonesia** will see a marginal drop in growth in 2025, to 4.8 per cent. The downward trend in inflationary pressures and accompanying monetary loosening will help to spur household consumption. For its part, an expected increase in government outlays, particularly in social spending, will result in a fiscal stimulus to economic activity.

UNCTAD projects that the **South Asia** region will expand by 5.6 per cent in 2025, as declining inflation opens the way for monetary loosening across most of the region. Nevertheless, food price volatility will remain a risk and complex debt dynamics will continue to burden economies such as Bangladesh, Pakistan and Sri Lanka. UNCTAD estimates that **India** will grow by 6.5 per cent in 2025 on the back of continued robust public spending and ongoing monetary easing. The decision of the central bank to cut the interest rate by 25 basis points for the first time in five years in early February will support household consumption as well as provide a boost to private investment plans.

In South Asia, despite declining inflation, food price volatility remains a risk; while complex debt dynamics will continue to burden economies such as Bangladesh, Pakistan and Sri Lanka.

UNCTAD expects rising oil production to raise growth in **Western Asia** to 3.2 per cent in 2025, despite the continuing region-wide effects of the conflict in Gaza. In **Saudi Arabia**, UNCTAD projects an expansion of 3.5 per cent in 2025 on the back of growing oil output agreed to by OPEC+. In **Türkiye**, the likely continuation of monetary easing through 2025, as well as robust public spending and the boost to the external sector from a competitive exchange rate will lead to an economic expansion of 2.9 per cent.

UNCTAD estimates a marginal uptick in growth in **Latin America** to 2.3 per cent in 2025, as a rebound of the Argentine economy compensates slowdowns in Brazil and Mexico. The region is particularly susceptible to policy shifts in the United States, particularly with regards to trade and migration. Most central banks in the region will continue with monetary easing as inflation trends downward, with the notable exception of Brazil which has begun a tightening cycle.

UNCTAD expects a notable deceleration of the **Brazilian** economy in 2025, to 2.2 per cent, as monetary tightening inhibits investment and consumption spending. Similarly, in **Mexico** ongoing tight financial conditions and fiscal consolidation efforts will weigh on growth, causing the expansion to slow to 0.5 per cent. The application of more severe restrictions on the country's exports would result in a significant downward revision of the country's growth outlook for this year.

The economy of **Argentina** is projected to rebound strongly in 2025 after two successive years of contractions, to register an expansion of 5.0 per cent. The recovery will be driven by a rebound in real wages and household spending, while an improvement in financing conditions will help to bolster private investment. However, increased levels of inequality and informality will temper the expansion.

In **Africa**, growth is expected to pick up to 3.6 per cent in 2025. The economic landscape of its three largest economies, which together account for almost half of the region's aggregate economic output, presents a mixed picture of recovery and challenges. **South Africa** is forecast to rebound to 1.4 per cent in 2025 after two consecutive years of near stagnation. In **Nigeria**, while the non-oil sector, particularly services, remains the key growth determinant, sustained oil production is expected to bolster GDP growth to 3.0 per cent in 2025 as well as improving the current account balance. In **Egypt**, increased dynamism in manufacturing on the back of economic reforms is also expected to lift growth to 3.5 per cent in 2025. Egypt and Nigeria, however, continued to grapple with double digit inflation in early 2025. Overall, as the world faces cascading crises, Africa remains on the front line of exposure (UNCTAD, 2025b) and the subdued pace of economic expansion observed across the continent, with the exception of a few bright spots, remains insufficient to create enough good jobs, in particular for its youth, and more broadly to achieve significant progress towards the Sustainable Development Goals.

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Projections of a significant uptick in growth in **Oceania** are being revised slightly downward. The Pacific Island nations and Australia are projected to register an expansion of 2.0 per cent in 2025. This projection is based on a pickup from 2024 in **Australia**, whose economy is expected to grow by 2.1 per cent. This expansion corresponds to an increase in public investment spending, particularly for public infrastructure projects, as well as a recovery in private investment in a context of declining interest rates and a large pipeline of infrastructure work related to the renewable energy transition. Similarly, household consumption spending is expected to recover on the back of easing credit conditions. However, the prospect of a deteriorating external environment will temper the pickup in activity.

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