

Press Release

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## **Europe's economic recovery remains fragile amid heightened uncertainties, says UN report**

***Modest uptick in growth projected for 2025, but structural weaknesses  
and fiscal tightening weigh on prospects***

**Geneva, 9 January** – Europe's economy is expected to see a modest pickup in growth in 2025, driven by easing inflation, less restrictive monetary policies, and resilient labour markets, according to the **UN World Economic Situation and Prospects (WESP) 2025**. However, the region's pace of expansion remains constrained by fiscal tightening, weak manufacturing activity, and structural challenges such as lacklustre productivity growth and an ageing population.

The UN flagship economic report projects that global growth will remain at 2.8 per cent in 2025, unchanged from 2024. While the world economy has demonstrated resilience, withstanding a series of mutually reinforcing shocks, growth remains below the pre-pandemic average of 3.2 per cent amid weak investment, sluggish productivity growth, and high debt levels.

The report notes that lower inflation and ongoing monetary easing in many economies could provide a modest boost to global economic activity in 2025. However, uncertainty still looms large, with risks stemming from geopolitical conflicts, rising trade tensions and elevated borrowing costs in many parts of the world. These challenges are particularly acute for low-income and vulnerable countries, where sub-par and fragile growth threatens to further undermine progress towards the Sustainable Development Goals (SDGs).

"Countries cannot ignore these perils. In our interconnected economy, shocks on one side of the world push up prices on the other. Every country is affected and must be part of the solution—building on progress made," said António Guterres, United Nations Secretary-General, in the foreword to the report. "We've set a path. Now it's time to deliver. Together, let's make 2025 the year we put the world on track for a prosperous, sustainable future for all."



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### ***Europe's slow recovery to continue as lower inflation supports household spending***

Europe's economic recovery is expected to slowly gain traction in 2025 as lower inflation and monetary easing support consumer spending and investment. GDP in the European Union (EU) is projected to grow by 1.3 per cent in 2025, up from 0.9 per cent in 2024, while the United Kingdom is expected to see growth increase to 1.2 per cent from 0.8 per cent. Labour markets, though showing signs of softening, remain resilient, helping to sustain incomes and spending. However, subdued consumer confidence and high household savings rates continue to temper the pace of recovery in private demand.

Economic prospects remain uneven across countries and sectors. Service-oriented economies such as Spain, Greece, and Portugal continue to benefit from robust tourism and resilient consumer spending. In contrast, economies with a large manufacturing base like Germany and Austria grapple with weak demand for industrial goods, high energy costs and declining export competitiveness. Germany, which contracted for a second consecutive year in 2024, is expected to see only a modest recovery in 2025.

Average inflation in the EU is forecast to decline from 2.4 per cent in 2024 to 2.2 per cent in 2025, as overall price pressures ease further. Disinflation is bolstering household purchasing power and supporting private consumption. However, services inflation remains elevated due to rapid nominal wage growth and strong demand in sectors such as tourism and hospitality. These pressures are expected to gradually subside as wage growth moderates and post-pandemic spending patterns normalize.

### ***Monetary easing lends support, but fiscal tightening weighs on growth***

With inflation nearing central bank targets, monetary policy easing is expected to continue in 2025, though uncertainty persists over the pace of rate cuts and the endpoint of the current cycle. While borrowing costs are expected to decline, the effects of rate cuts will likely be slow to materialize, particularly in sectors such as housing and construction, which still face tight financing conditions. Business investment is projected to recover gradually, but the lagged impact of earlier monetary tightening, combined with heightened uncertainties, continues to weigh negatively on activity.

Fiscal policy is also expected to remain a drag on growth, as governments across Europe prioritize reducing debt and rebuilding fiscal buffers depleted during the pandemic. This is particularly challenging in high-debt countries like France, Italy and the United Kingdom. Fiscal consolidation efforts are complicated by subdued growth and mounting long-term spending pressures, including substantial public investments needed for climate transition targets and ageing-related costs, further straining already limited fiscal space.



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Labour markets remain a relative bright spot, though clear signs of softening have emerged. While employment has reached record levels for both men and women, growth in employment is slowing, job vacancy rates have returned to pre-pandemic levels, and firms' hiring expectations have weakened. Unemployment rates are expected to remain low in 2025. With employment expanding more rapidly than economic output, labour productivity growth has faltered, partly reflecting firms' reluctance to downsize workforces amid recruitment difficulties and skill shortages.

***Critical minerals: A vital opportunity for accelerating sustainable development***

The report highlights the potential of critical minerals for the energy transition—such as lithium, cobalt, and rare earth elements—and also for accelerating progress towards the SDGs in many countries.

For resource-rich developing countries, rising global demand for critical minerals presents a unique opportunity to boost growth, create jobs, and increase public revenues for investment in sustainable development. However, the report warns that these opportunities come with significant risks. Poor governance, unsafe labour practices, environmental degradation, and over-reliance on volatile commodity markets could exacerbate inequalities and harm ecosystems, undermining long-term development gains.

“Critical minerals have immense potential to accelerate sustainable development, but only if managed responsibly,” said Li Junhua, United Nations Under-Secretary-General for Economic and Social Affairs. “Governments must adopt forward-looking policies and comprehensive regulatory frameworks to drive sustainable extraction, equitable benefit-sharing, and investments in building productive capacities to maximize the development gains from these resources.”

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The report will be available on 9 January 2025, 12:30 pm EST on [https://www.bit.ly/UN\\_WESP2025](https://www.bit.ly/UN_WESP2025) and [desapublications.un.org](https://desapublications.un.org) once the embargo has been lifted.

**Hashtag: #WorldEconomyReport**

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