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WORLD ECONOMIC SITUATION AND PROSPECTS 2025

HIGHLIGHTS

- **Global economic growth is projected to be subdued, but stable in the near-term, constrained by the lingering effects of recent crises, and persistent structural challenges including sluggish productivity growth, insufficient investment, and high levels of public debt.** While global inflation continues to ease, escalating geopolitical tensions and climate shocks pose risks of reigniting inflationary pressures.

- **Muted global growth threatens to hinder progress towards the Sustainable Development Goals (SDGs), especially in vulnerable and low-income countries**. Strengthened international cooperation, along with innovative financing solutions, will remain critical for closing the widening investment gaps and boosting investments across the world in clean energy, infrastructure, healthcare, and education.

- **Shrinking fiscal space in developing countries—exacerbated by rapidly rising debt service costs and mounting public debt—must be addressed through a combination of international cooperation and domestic measures.** Resolving debt challenges, curbing illicit financial flows, and strengthening domestic resource mobilization contribute towards increasing public revenues that can be directed towards sustainable development.

- **Critical minerals—vital for accelerating transition and achieving net-zero carbon emissions by 2050—present significant opportunities to accelerate sustainable development in resource-rich developing economies.** However, unlocking this potential requires strategic national policies, sustainable practices, and expanded international cooperation to tackle the complex economic, social, and environmental challenges associated with the extraction, processing, and utilization of critical minerals.

United Nations | Department of Economic and Social Affairs

KEY MESSAGES

GLOBAL ECONOMIC OUTLOOK

- **The world economy has continued to show resilience through 2024, withstanding the lingering impacts of multiple shocks and a sustained period of tight monetary policy.** Global growth is forecast at 2.8 per cent in 2025, the same rate as in 2024, before increasing slightly to 2.9 per cent in 2026.

- **Significant headwinds and uncertainties—ongoing geopolitical conflicts, trade tensions, debt challenges, and unfolding climate risks—continue to negatively impact global economic prospects.** Global growth is projected to stay well below the pre-pandemic average of 3.2 per cent recorded between 2010 and 2019.

- **Global inflation is projected to continue its downward trend, slowing from an estimated 4 per cent in 2024 to 3.4 per cent in 2025.** In major developed economies, headline inflation is nearing central bank targets although services price inflation has remained persistently high.

- **Many developing economies, especially vulnerable and low-income countries, continue to grapple with the accumulated scarring following the COVID-19 pandemic, the cost-of-living crisis and tighter global financing conditions.** Economic growth in the least developed countries, landlocked developing countries and small island developing States is forecast to remain below recent historical trends.

- **Labour market trends continue to diverge in developed and developing countries**. In developed economies, labour shortages have eased, employment levels are rising, and unemployment rates remained near record lows. In contrast, many developing countries face pervasive challenges, including a shortage of formal sector jobs, particularly for young people, and high levels of underemployment.

- **Gender gaps in access to employment and education persist in developing regions.** The share of young people who are not in employment, education or training (NEET) remains a concern in some regions, including South and Western Asia, with young women disproportionately affected.

- **Global trade rebounded in 2024, registering 3.4 per cent growth, driven by improvements in manufactured goods exports mainly from China and other Asian economies, and strong growth in services trade.** However, the outlook remains highly uncertain due to escalating geopolitical tensions and the potential impact of emerging trade restrictions.

- **Global investment has experienced a modest recovery following a two-year slump, supported by a shift toward monetary policy easing in major economies.** However, with interest rates remaining well above pre-pandemic levels and persistent geopolitical uncertainties, overall outlook for investment remains weak.

- **Cross-border financing activities have returned to growth after two years of stagnation.** Market conditions for international borrowers are improving, driven by policy rate cuts from major central banks**.** However, financial conditions remain difficult for vulnerable developing countries, many of which face heightened risks of debt distress or are already in a debt crisis.

FOOD INFLATION AND POVERTY

- **Food inflation—while receding from post-pandemic highs—remains elevated in many developing countries, exacerbating already elevated levels of food insecurity.** Conflicts, extreme weather events, and macroeconomic instability are significantly affecting both the affordability and availability of food, further straining vulnerable populations.

- **While the global extreme poverty rate has returned to pre-pandemic levels, progress has been slow amid sub-par economic growth and multiple shocks.** In sub-Saharan Africa, the number of people living in extreme poverty has risen in recent years due to difficult macroeconomic conditions, lingering impacts of the COVID-19 pandemic, extreme weather events, conflict, and political instability.

MACROECONOMIC POLICIES

- **Many central banks worldwide have begun easing monetary policy in response to disinflation and growing concerns over the impact of high financing costs on economic growth.** While further interest rate cuts are anticipated in 2025, significant uncertainties persist regarding the duration and scale of the easing cycle as the fear of resurgence of inflationary pressures persist.

- **Developed and developing countries face significant fiscal challenges, grappling with high public debt, elevated interest rates, and continuing public spending demands.** Many governments are adopting gradual fiscal consolidation to improve debt sustainability and rebuild fiscal space, while seeking to avoid overly restrictive policies that could undermine economic growth.

- **Fiscal challenges are particularly severe in Africa, where rising debt-servicing burdens are increasingly diverting resources away from essential public services and investment.** On average, governments across the region are estimated to have allocated 27 per cent of revenues to interest payments in 2024, up from 19 per cent in 2019 and just 7 per cent in 2007, signalling the growing strain on fiscal and debt sustainability.

REGIONAL PROSPECTS

- The **United States** economy defied expectations again in 2024, posting a robust 2.8 per cent growth rate fuelled by resilient consumer spending, elevated government expenditures, and strong investments. Growth is projected to moderate to 1.9 per cent in 2025 amid a softening labour market and anticipated public spending cuts.

- **Europe's** economic recovery is expected to modestly gain traction, supported by easing inflation, more accommodative monetary policies and resilient labour markets. In the European Union, GDP growth is projected at 1.3 per cent in 2025, up from 0.9 per cent in 2024. However, geopolitical risks, fiscal consolidation measures, an aging population and sluggish productivity growth are the headwinds to the region's fragile growth outlook.

- **China's** economic growth is projected to moderate slightly from an estimated 4.9 per cent in 2024 to 4.8 per cent in 2025. Growth is supported by significant public investments and strong export performance. However, subdued consumer spending, lingering weakness in the property sector and a slow recovery in household confidence continue to weigh on economic activity.

- **Japan's** economy is projected to grow by 1 per cent in 2025, following an estimated contraction of 0.2 per cent in 2024. While exports and investment have shown resilience, private consumption has stagnated since mid-2023.

- Growth in the **Commonwealth of Independent States (CIS) and Georgia** is projected to slow from an estimated 4.2 per cent in 2024 to 2.5 per cent in 2025 as labour shortages and tighter monetary policy weaken economic momentum in the Russian Federation. Regional prospects remain clouded by the ongoing war in Ukraine and broader geopolitical tensions.

- In **Africa**, economic growth is projected to rise from 3.4 per cent in 2024 to 3.7 per cent in 2025, driven by gradual recovery in the region's largest economies—Egypt, Nigeria, and South Africa. Despite this projected improvement, macroeconomic challenges remain significant amid rising debt servicing costs, widespread lack of employment opportunities, and increasing frequency of climate disasters.

- Economic growth in **East Asia** is projected to slightly moderate from 4.8 per cent in 2024 to 4.7 per cent in 2025. Private consumption remains the main driver of growth, supported by resilient labor markets and mild inflation. Risks to the outlook are largely skewed to the downside, including factors such as mounting geopolitical and trade tensions.

- The near-term outlook in **South Asia** is largely favourable, with growth forecast to ease slightly from 5.9 per cent in 2024 to 5.7 per cent in 2025. In India, growth is projected to remain strong at 6.6 per cent in 2025, though slightly lower than 6.9 per cent in 2024. Key downside risks include weakening external demand, potential escalation of geopolitical tensions and ongoing debt challenges in several economies.

- **Western Asia's** economic growth is projected to accelerate from 2.0 per cent in 2024 to 3.5 per cent in 2025, driven by a recovery in Saudi Arabia. Oil-exporting economies are expected to benefit from a gradual easing of oil production cuts, while oil-importing countries continue to face significant challenges, including ongoing conflicts and strained fiscal conditions.

- **Latin America and the Caribbean's** growth is projected to increase from 1.9 per cent in 2024 to 2.5 per cent in 2025, supported by stronger private consumption, more accommodative monetary policies, and improved export performance. However, the region faces significant downside risks, including political uncertainties, constrained fiscal space, and weaker-than-anticipated demand from trading partners.

- Economic growth in the **least developed countries (LDCs)** is projected to strengthen from 4.1 per cent in 2024 to 4.6 per cent in 2025 but will remain well below the 7 per cent SDG target. Growth will be supported by moderating inflation and new oil and gas projects in several LDCs. However, the outlook is constrained by conflict and political instability, falling commodity prices, climate risks, and mounting debt challenges.

- Growth in the **small island developing States (SIDS)** is forecast to slow from 3.8 per cent in 2024 to 3.4 per cent in 2025 as the boost from tourism recovery dissipates. More intense and frequent extreme weather events pose an ever-increasing risk to these economies, threatening critical infrastructure, livelihoods, and key sectors such as agriculture and tourism.

- Growth in the **landlocked developing countries (LLDCs)** is projected to accelerate moderately from 4.7 per cent in 2024 to 4.9 per cent in 2025, driven by an expected increase in exports and easing inflationary pressures.

- **Subdued growth prospects in vulnerable countries, including LDCs, LLDCs and SIDS, further constrain their SDGs progress, through limiting opportunities for increasing prosperity and well-being.** Extreme poverty rates in low-income countries have yet to return to pre-pandemic levels; in 2023, the prevalence of food insecurity in LDCs was twice the global level.

HARNESSING THE POTENTIAL OF CRITICAL MINERALS FOR SUSTAINABLE DEVELOPMENT

- **Critical minerals are vital for clean energy technologies, making them essential for energy transition and achieving net-zero emissions by 2050**. Managing the complex supply chains of these resources requires governments to consider intricate relationships and trade-offs between international trade, climate, sustainable development, and energy security objectives.

- **Developing countries with extensive critical mineral reserves have the potential to harness these resources for economic growth and sustainable development.** By attracting foreign and domestic investments, countries can boost growth, create jobs, expand exports and increase public revenues leading towards faster progress towards a range of SDGs.

- **The processing and extensive use of critical minerals, however, entails substantial challenges and risks.** Environmental impacts of mining can endanger ecosystems and communities, while unsafe labour practices and exploitation in artisanal mining highlight the urgent need for robust regulations. Economic risks, such as over-reliance on mining, compounded by illicit financial flows and governance deficits, can further intensify these challenges.

- **Given the diversity in development levels, technological capabilities and institutional capacities among developing countries, a "one-size-fits-all" policy approach is not effective**. Policies and recommendations must be tailored to reflect the unique circumstances, strengths, and constraints of individual countries, enabling them to achieve the desired goals and objectives within their specific contexts.

- **Good governance will remain essential for leveraging critical mineral resources, with measures like environmental, social, and governance (ESG) standards, transparency, anti-corruption initiatives, and sustainable mining practices**. Policies ensuring consent by local communities, equitable benefit-sharing, and effective enforcement of human rights and labour standards can foster local development while preventing resource over-exploitation and biodiversity losses.

- **Developing countries need an integrated approach to manage their critical minerals endowments, combining fiscal and monetary measures to ensure stability, equitable benefit distribution, and intergenerational equity**. Robust tax systems, stabilization funds, and coordinated macroeconomic policies can help manage volatility, avoid the resource curse, and foster sustainable growth in resource-rich economies.

- **Strategic industrial policies can play a crucial role in improving technology access and developing critical mineral sectors, enabling developing countries to attract investment, facilitate technology transfers, and spur innovation.** These policies must prioritize local value addition, advancing midstream and downstream activities, fostering economic diversification, and ensuring investments in infrastructure, workforce training, and equipment to support local adaptation and long-term capacity building.

- **Countries will need to develop approaches that align with their specific needs and conditions, considering factors such as critical mineral reserves, technological capabilities, institutional capacities, and geopolitical priorities**. Countries can leverage their competitive position to strengthen negotiating power and enhance the effectiveness of industrial policies. Bridging investment gaps in the critical minerals sector requires a multi-faceted approach, combining government incentives, private financing tools and innovative strategies.

- **The mining industry is increasingly adopting robust sustainability standards, but their complexity can disadvantage small firms in developing countries**. Harmonized frameworks, practical support mechanisms, and partnerships among governments, non-governmental organizations, and the private sector are needed to promote fair and sustainable practices in global critical mineral markets.

INTERNATIONAL COOPERATION

- **Geopolitical conflicts, high public debt, economic and social inequalities, and the climate crisis highlight the urgent need for strengthened multilateral cooperation to promote inclusive economic growth, accelerate energy transition, and advance sustainable development.** The 2024 Pact for the Future, along with key international conferences in 2025, including the *Fourth International Conference on Financing for Development* and the *Second World Summit for Social Development*, provides critical opportunities to align global efforts and drive transformative action**.**

- **International collaboration is also crucial for leveraging critical minerals to drive energy transition and sustainable development**. However, rising unilateral policies and trade restrictions risk fragmenting markets, increasing costs, delaying clean technology adoption and reducing opportunities for developing countries. A balanced approach based on equitable access to critical minerals, technology-sharing, capacity building and fair distribution of benefits is essential.

- **The Secretary-General's Panel on Critical Energy Transition Minerals underscores the importance of collaboration among countries and stakeholders to harness critical minerals for the energy transition and sustainable development**. It has developed guiding principles and actionable recommendations to ensure this transition is pursued with equity, justice, and sustainability.