



The Global Economy in Times of Uncertainty

M. Ayhan Kose

September 2025



THE WORLD BANK

IBRD • IDA | WORLD BANK GROUP

Development Economics • Prospects

Three Questions

1

What are the near-term prospects for the global economy?

2

How have global trade and FDI evolved in the first quarter of the 21st century?

3

What are the policy priorities for EMDEs?

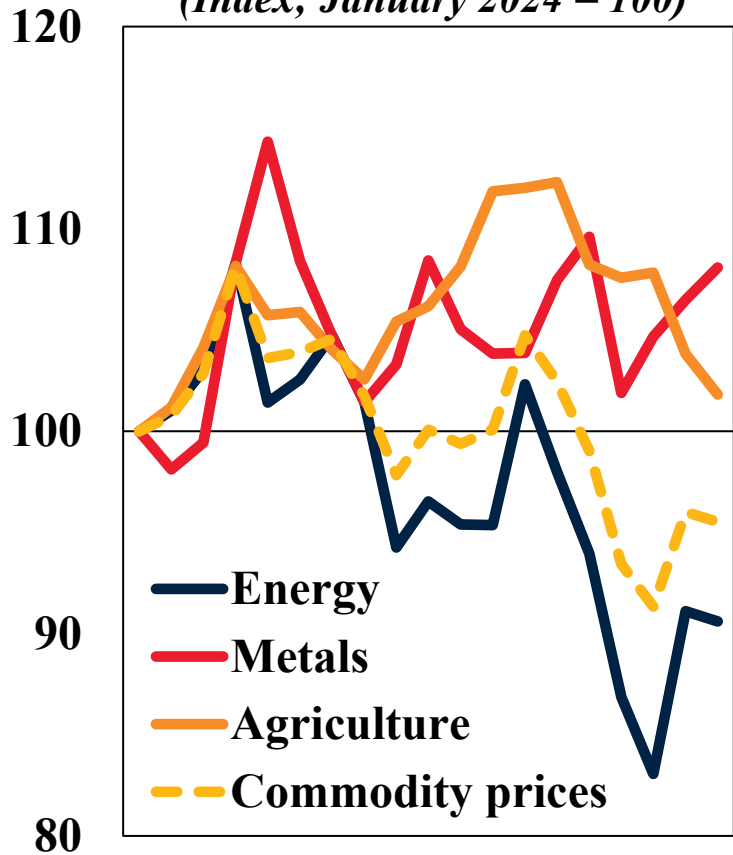
* *EMDEs = Emerging Market and Developing Economies; FDI = Foreign Direct Investment*

Commodity Prices, Financial Conditions, and Activity

Lower Commodity Prices; Easier Financial Conditions; Accelerating Activity

Commodity prices

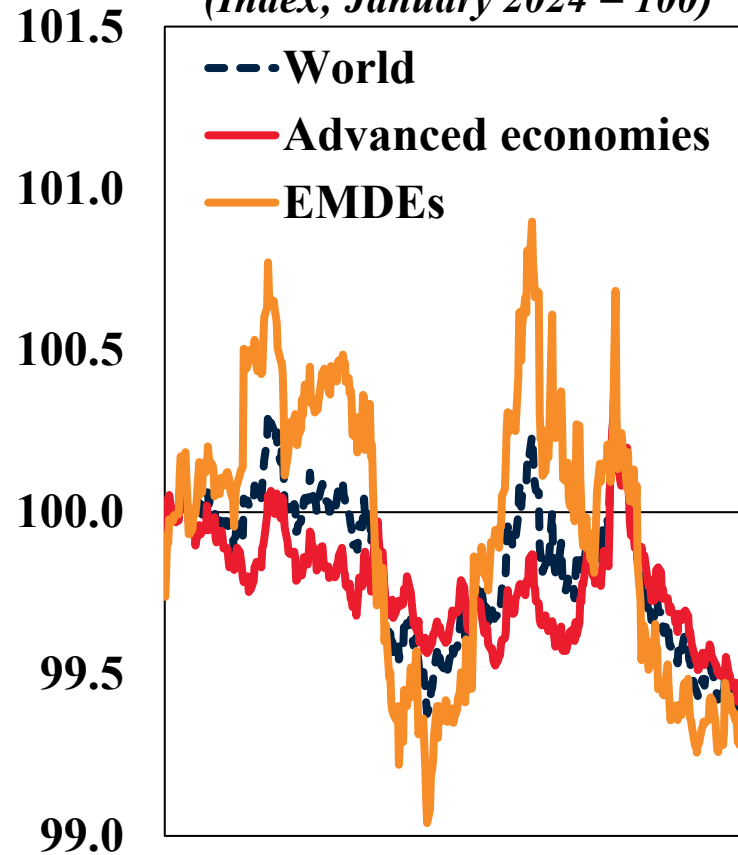
(Index; January 2024 = 100)



Jan-24 Jul-24 Jan-25 Jul-25

Financial conditions

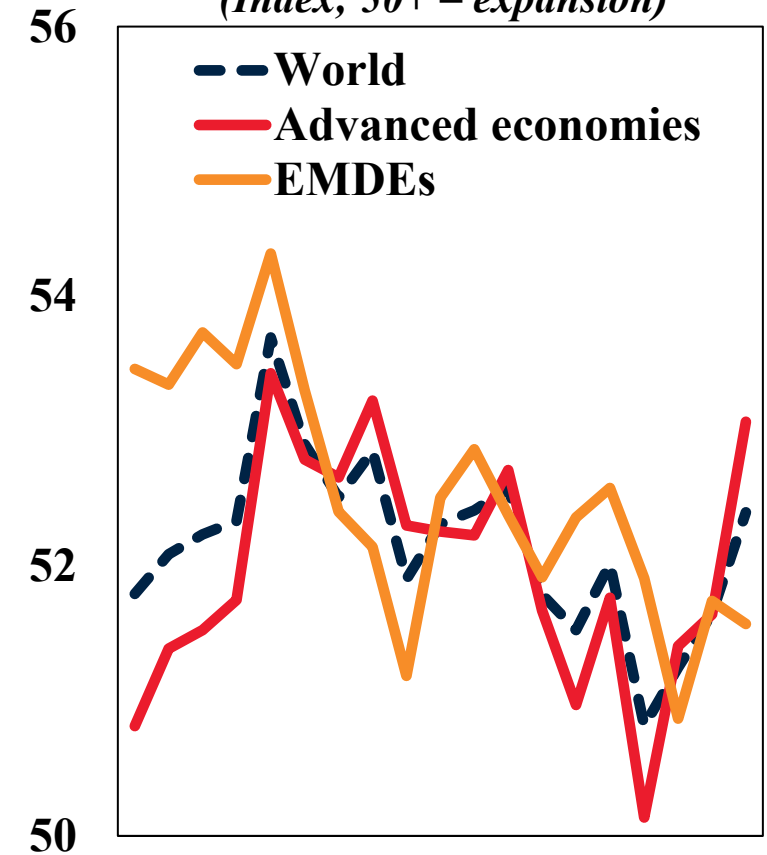
(Index; January 2024 = 100)



Jan-24 Jul-24 Jan-25 Aug-25

Composite PMIs

(Index; 50+ = expansion)



Jan-24 Jul-24 Jan-25 Jul-25

Sources: Bloomberg; Haver Analytics; World Bank.

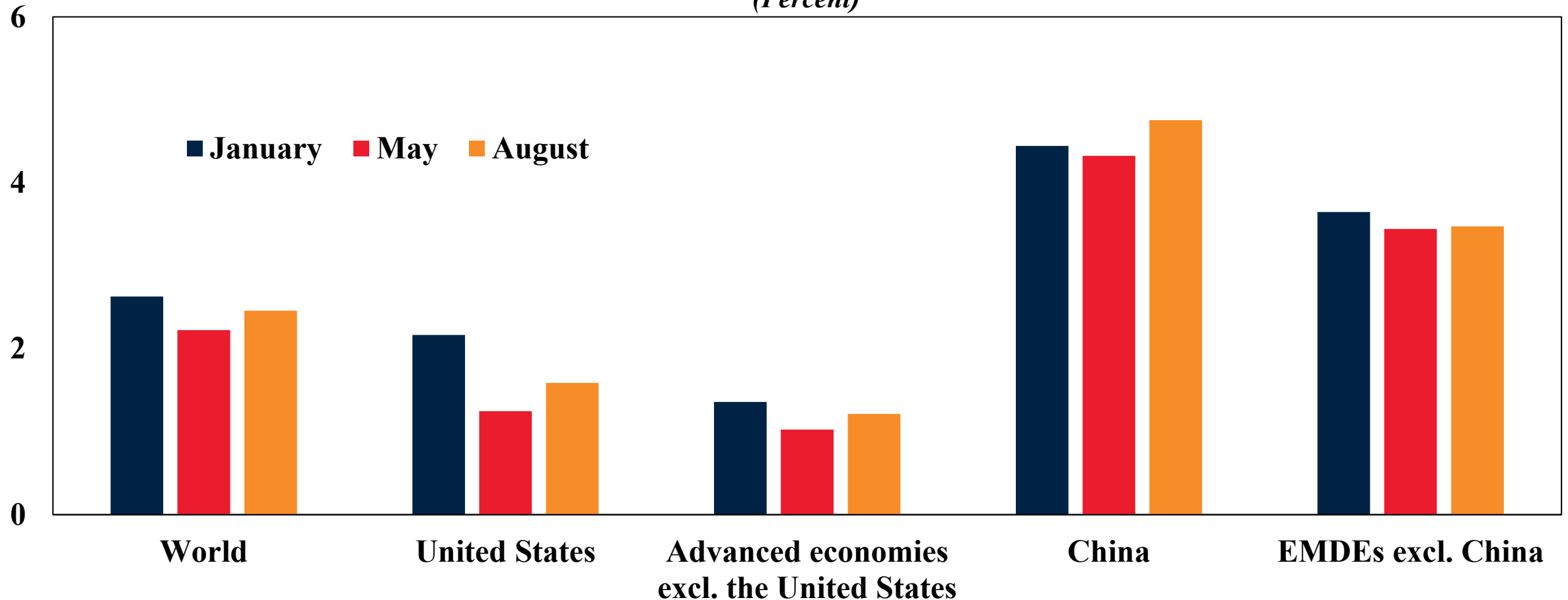
Left Panel. Line for commodity prices refers to the World Bank commodity price index, excluding precious metals. Last observation is July 2025. Center Panel. Higher index values represent tighter financial conditions. Last observation is August 28, 2025. Right Panel. Figure shows seasonally adjusted composite output purchasing managers' index (PMI). PMI readings above 50 indicate expansion; below 50 indicate contraction. Last observation is July 2025.



Consensus Growth Forecasts for 2025

Regaining Some of the Ground Lost since May

Consensus growth forecasts for 2025
(Percent)

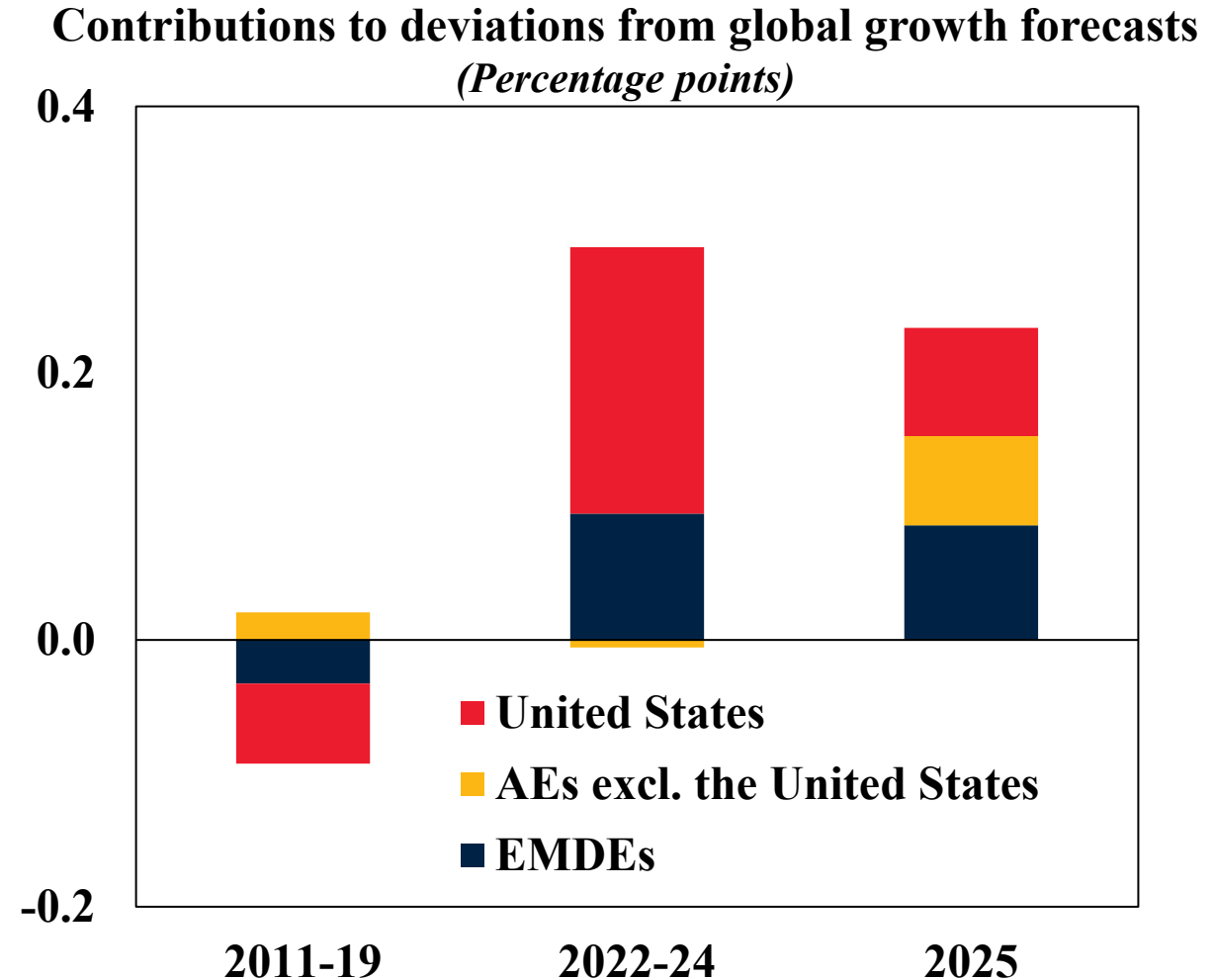
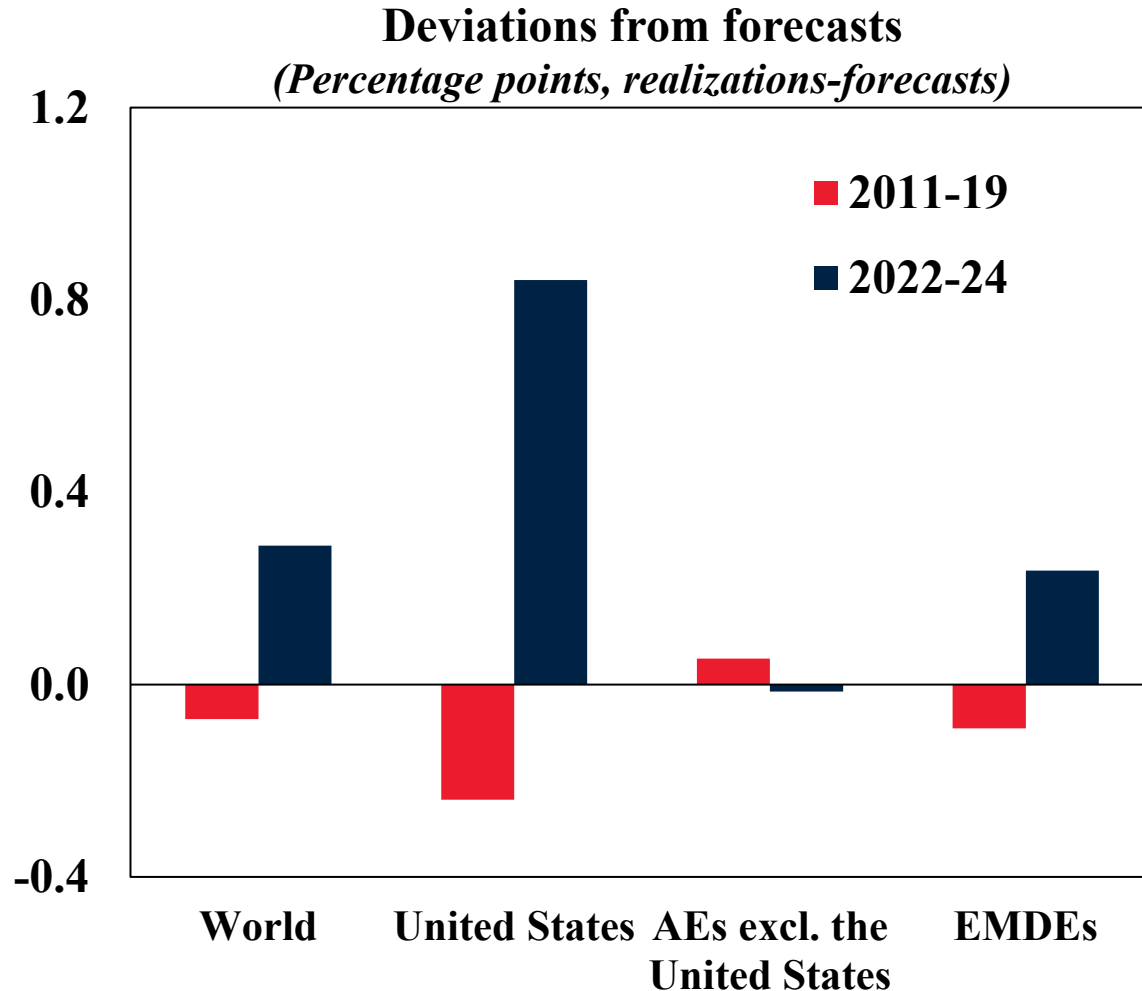


Sources: Consensus Economics; World Bank.

Note: GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Sample includes up to 86 economies, including 34 advanced economies and 52 EMDEs, for which Consensus Economics provides monthly survey data.

Deviations from Consensus Growth Forecasts

Upside Surprises in Recent Years; Largely Driven by US Outperformance



Sources: Consensus Economics; World Bank.

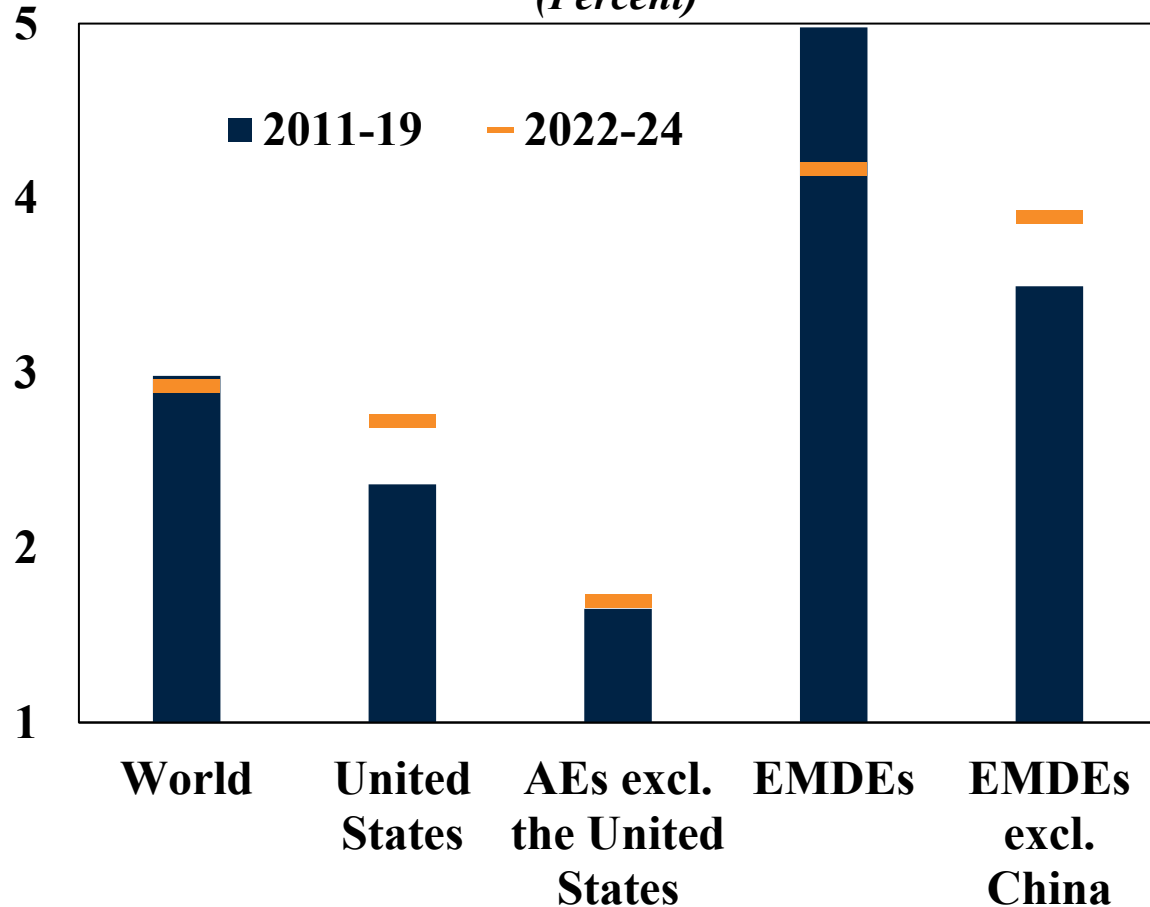
Note: AEs = advanced economies. GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Period averages. Sample includes up to 86 economies, including 34 advanced economies and 52 EMDEs, for which Consensus Economics provides monthly survey data. Forecast errors are calculated as realized growth minus forecasted growth. Forecasted growth is based on the Consensus Economics January survey projections of the same year. Positive forecast errors reflect outperformance relative to expectations; negative forecast errors reflect underperformance. Right Panel. Figure shows contributions to global forecast errors for 2011-19 and 2022-24. Data for 2025 reflect contributions to forecast revisions between May and August 2025.



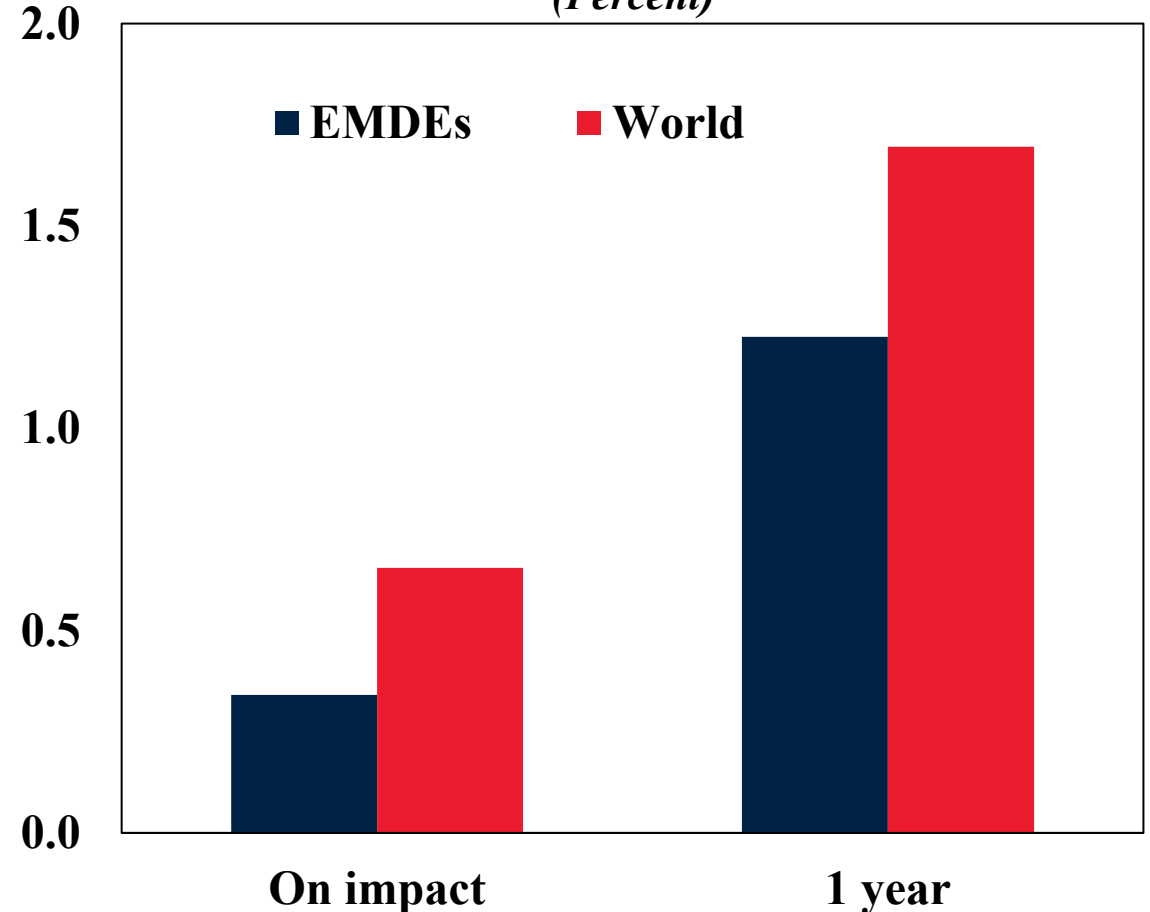
US Growth and Global Spillovers

Higher US Growth in Recent Years; Large Growth Spillovers

**Output growth
(Percent)**



**Output response to a 1-ppt increase in U.S. growth
(Percent)**



Sources: Consensus Economics; World Bank.

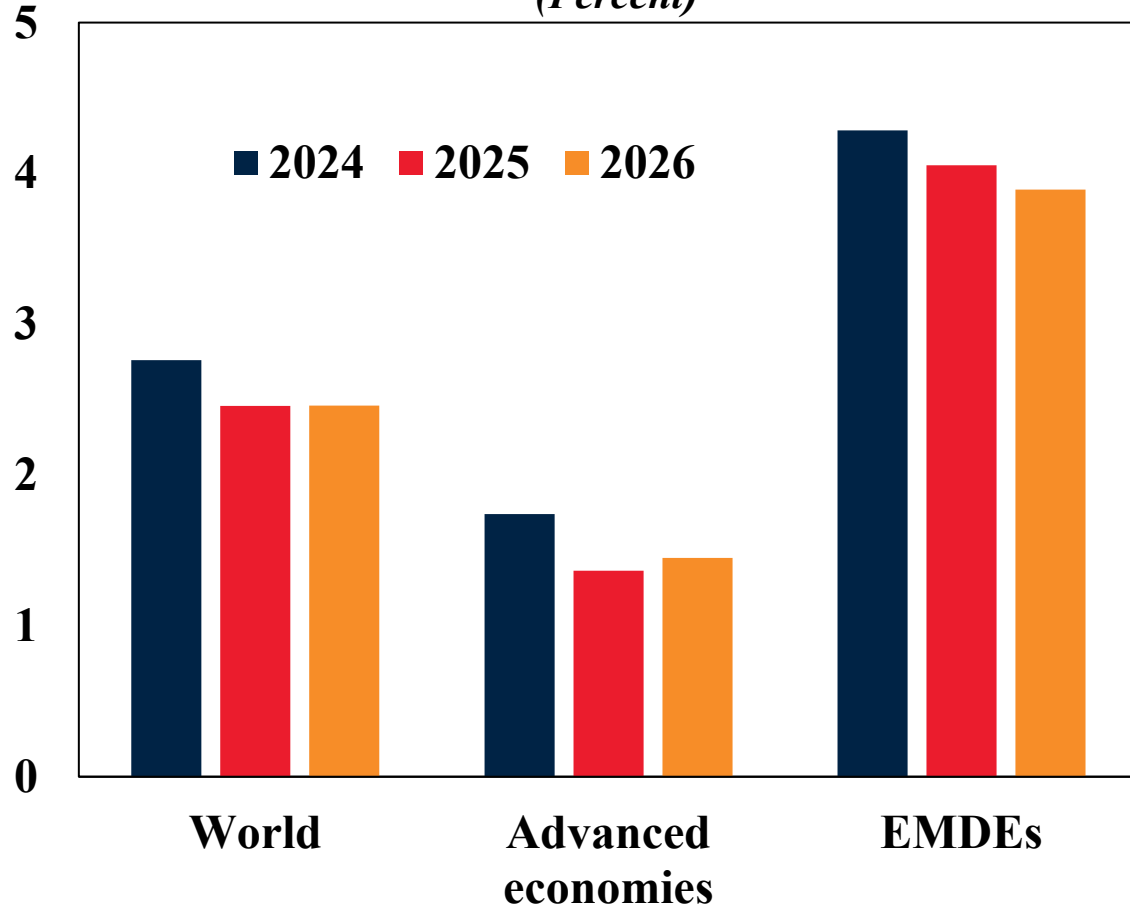
Note: AEs = advanced economies. Left Panel. GDP aggregates are calculated using real U.S. dollar GDP weights at average 2010–19 prices and market exchange rates. Period averages. Sample includes up to 86 economies, including 34 advanced economies and 52 EMDEs, for which Consensus Economics provides monthly survey data. Right Panel. Bars show medians from the posterior distributions drawn from a quarterly Bayesian SVAR model covering 2000Q1–2023Q4. For detailed methodology, see Annex 3.2 in the January 2025 *Global Economic Prospects*. Cumulative response of output to a 1-percentage-point increase in U.S. growth.



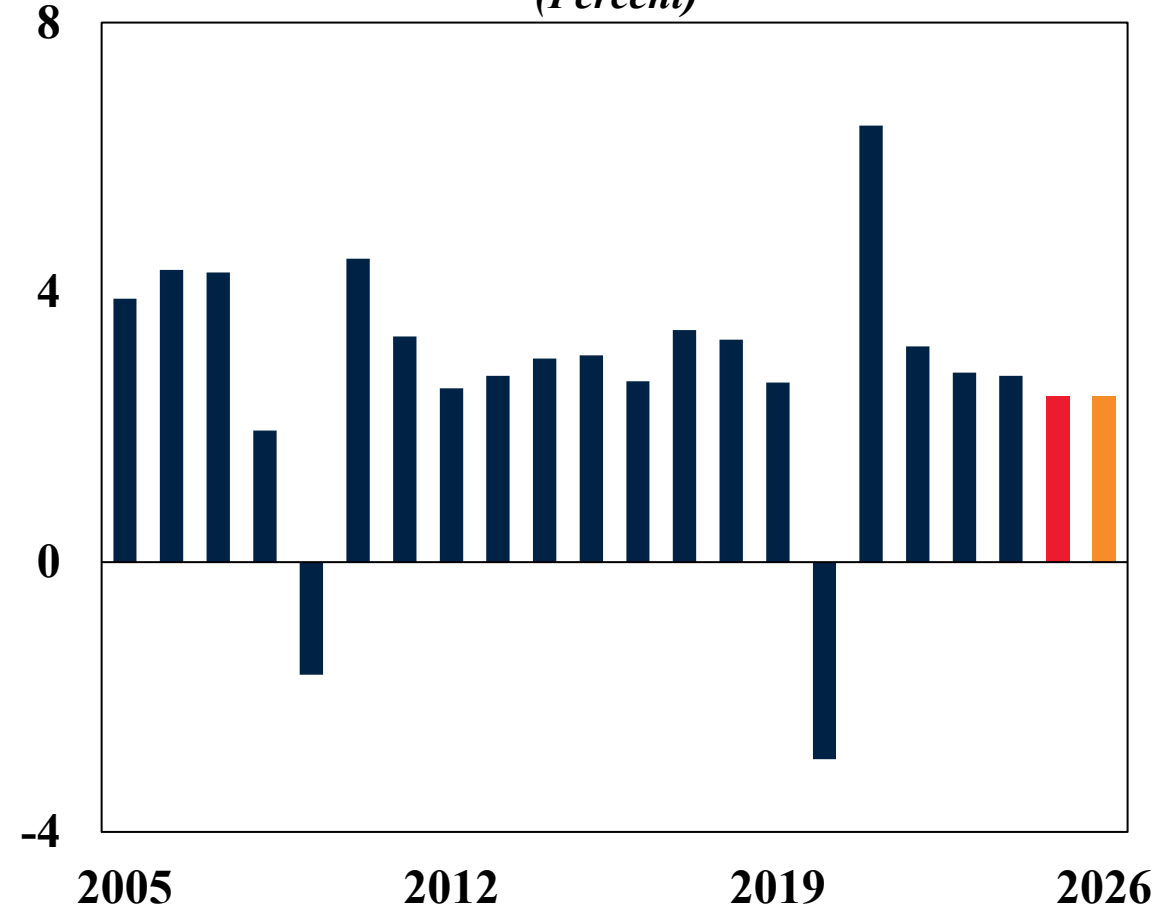
Global Outlook

Weakest Growth in 2025 Since 2008 Outside of Global Recessions

Output growth forecasts
(Percent)



Global output growth
(Percent)



Sources: Consensus Economics; World Bank.

Note: GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Forecasts for 2025-26 are based on consensus growth forecasts surveyed in August. Sample includes up to 86 economies, including 34 advanced economies and 52 EMDEs, for which Consensus Economics provides monthly survey data.

Risks to the Global Outlook

Multiple Downside Risks



**Persistently elevated
policy uncertainty**



**Further escalating
trade tensions**



Inflationary pressures



**Increased conflict and
geopolitical stress**



**Sudden financial
stress**



**More frequent and
severe climate-related
disasters**

Three Questions

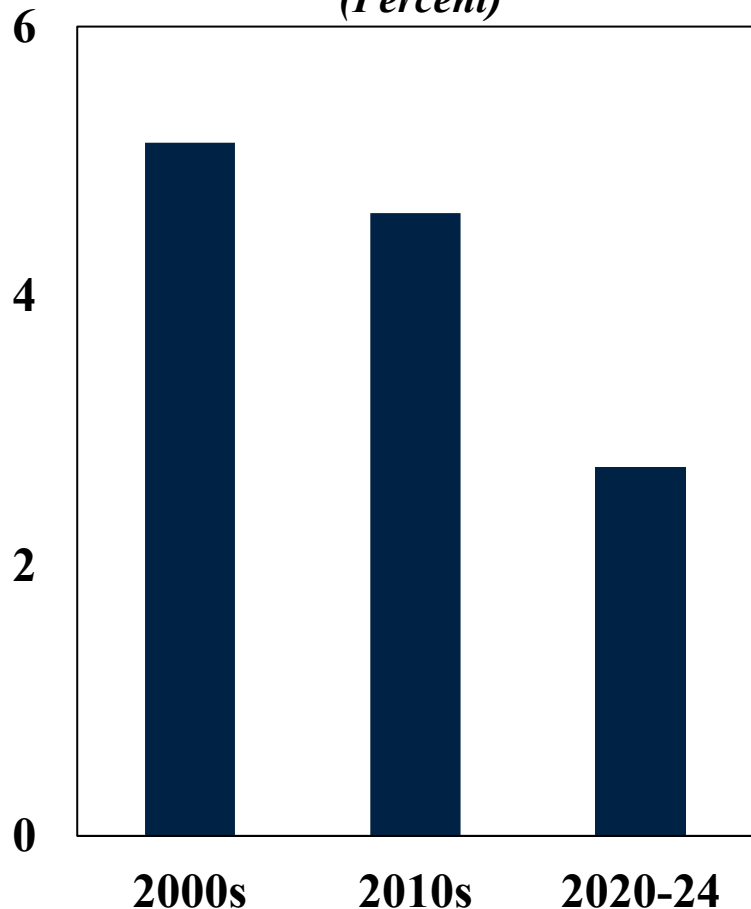
1 **What are the near-term prospects for the global economy?** *The global economy is slowing but more resilient than expected. Yet, persistent uncertainty, financial stress, and trade and geopolitical tensions remain key risks.*

2 **How have global trade and FDI evolved in the first quarter of the 21st century?**

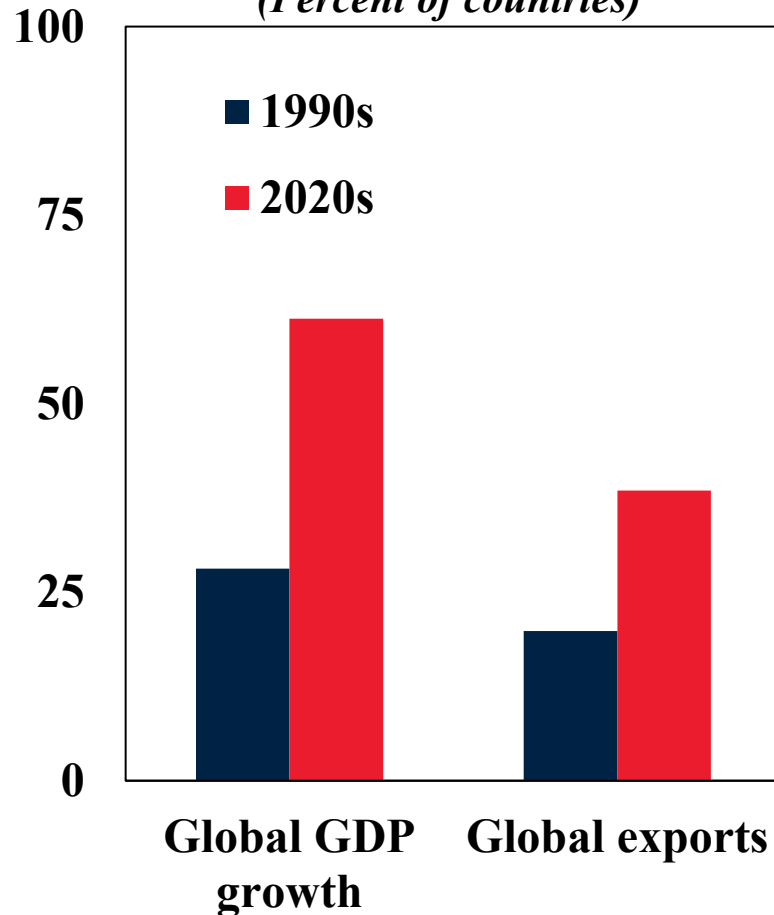
Global Trade in the 21st Century - 1

Slower Trade Growth; Larger Role by EMDEs; Stronger Trade within EMDEs

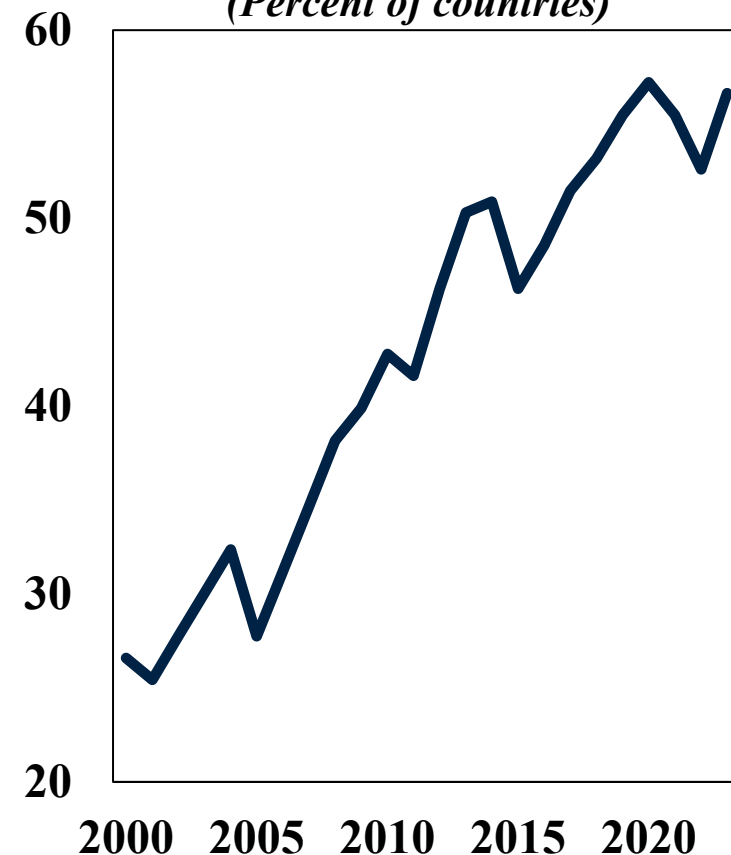
Global trade growth
(Percent)



Shares of EMDEs in global growth and trade
(Percent of countries)



EMDEs exporting more to other EMDEs than to advanced economies
(Percent of countries)

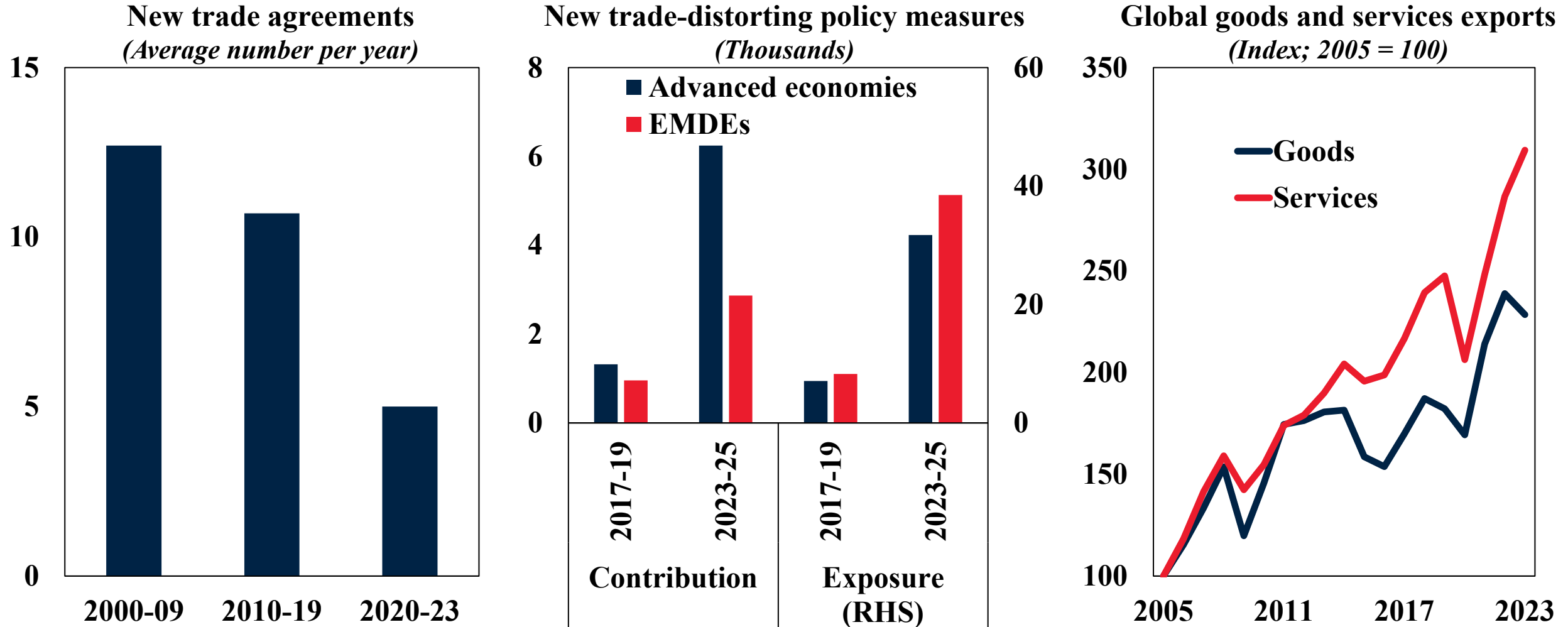


Sources: International Monetary Fund; World Bank.

Left Panel. Period averages of growth of trade in goods and services, which is measured as the average of export and import volumes. Center Panel. GDP growth is measured in constant 2010-19 U.S. dollars, based on data for 154 EMDEs and 38 advanced economies. The 2020s bar includes 2020-24. Exports are measured in nominal U.S. dollars and include goods and services trade. The 2020s bar includes 2020-23. Right Panel. Figure shows the share of EMDEs whose exports (in nominal U.S. dollars) to other EMDEs exceed their exports to advanced economies. Last observation is 2023.

Global Trade in the 21st Century - 2

Slower Trade Integration; More Distortive Measures; Faster Services Export Growth

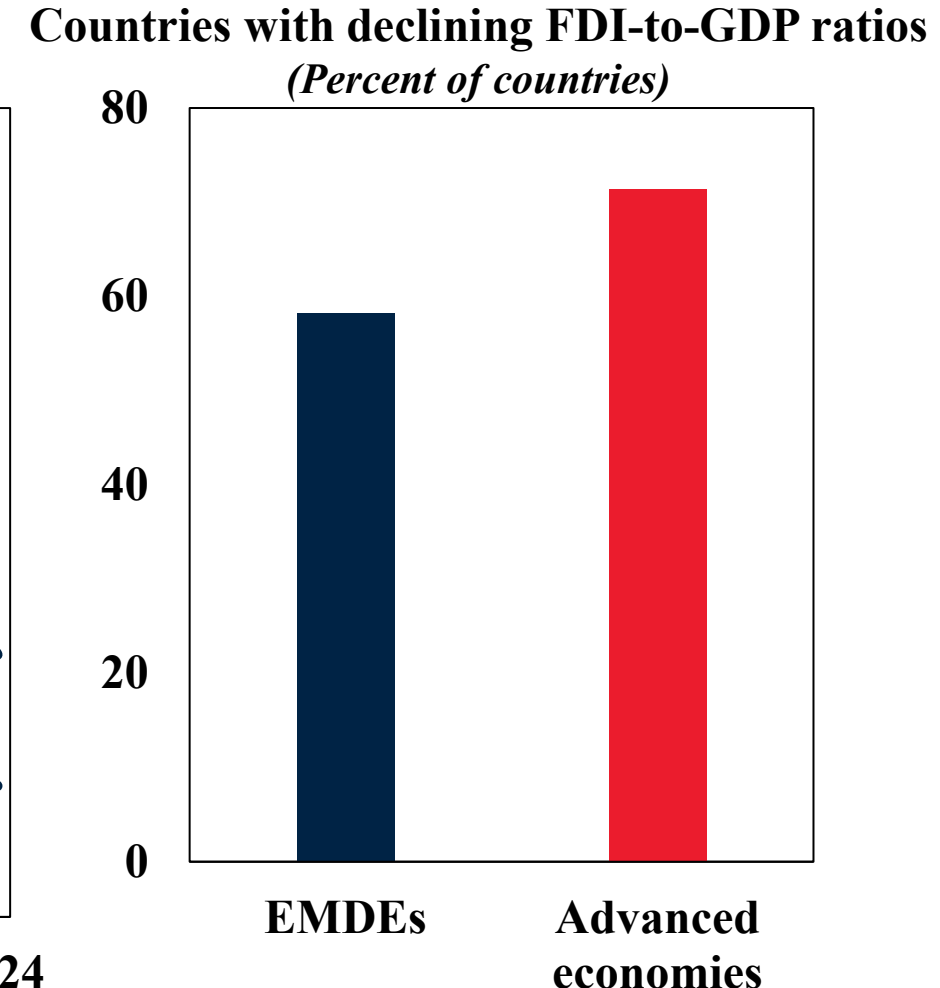
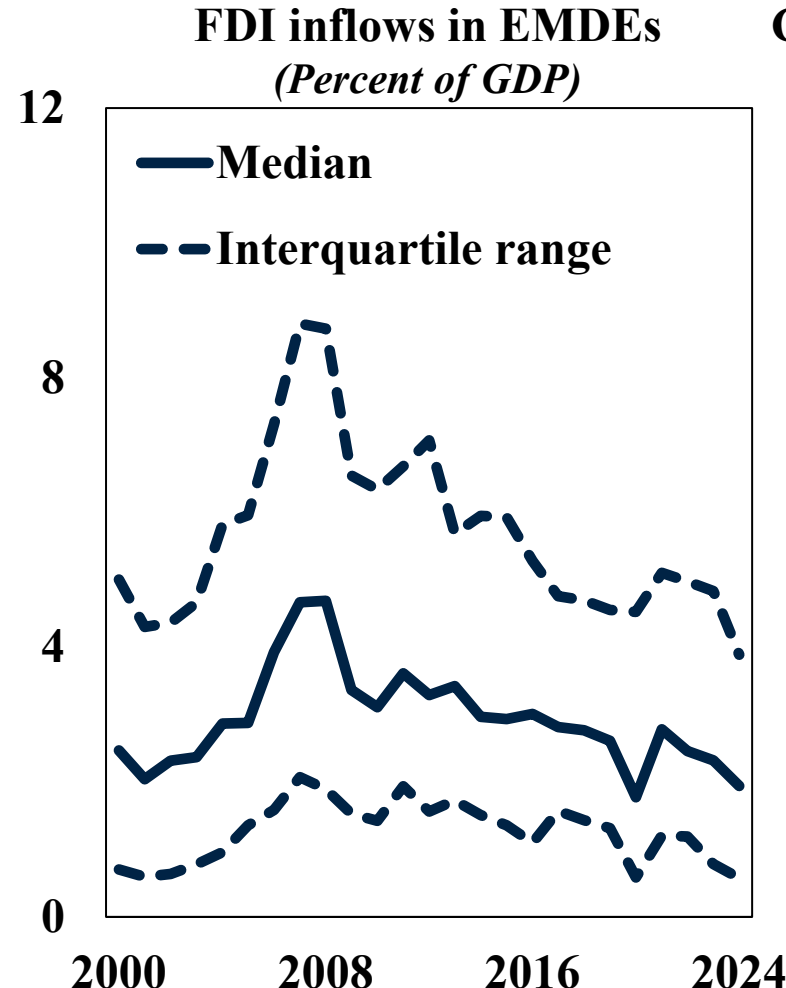
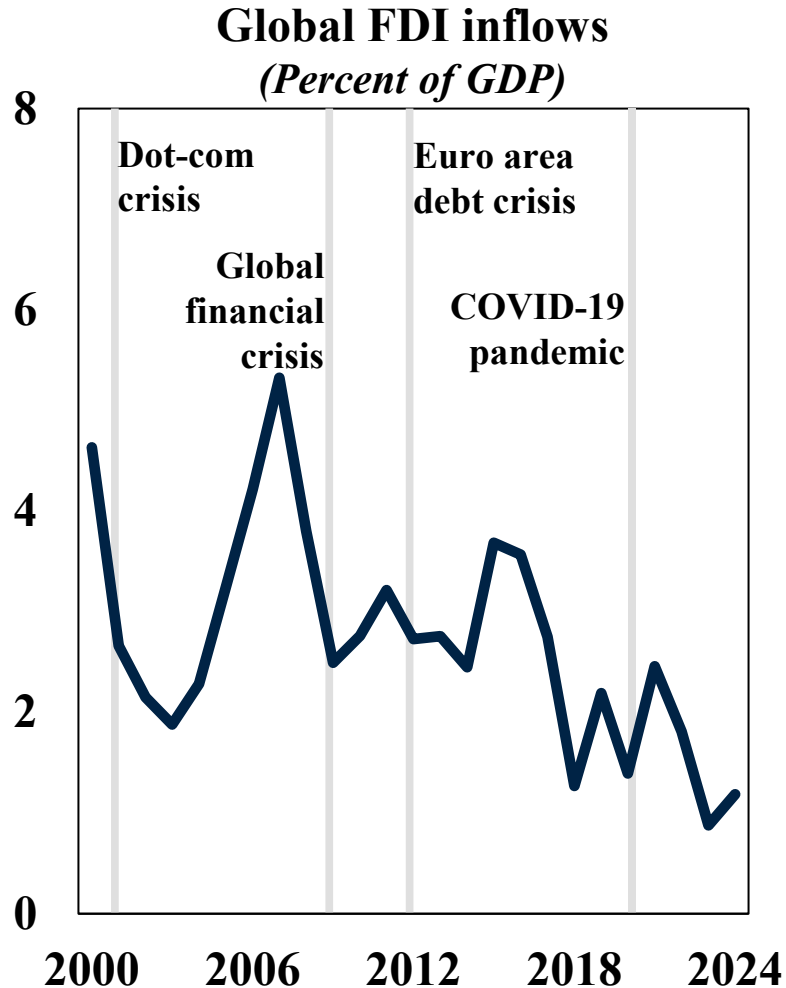


Sources: Global Trade Alert; UNCTAD; World Bank; World Trade Organization.

Left Panel. Bars show simple averages of annual data. Sample excludes agreements signed by the United Kingdom. Center Panel. Panel shows implemented interventions by countries that discriminate against foreign interests. "Contribution" represents the number of measures implemented by each country group. "Exposure" represents the number of measures affecting each country group. Each measure can be implemented by and target multiple countries. Adjusted data (for reporting lags) as of June 1, 2025. Right Panel. Exports are measured in nominal U.S. dollars. Data begin in 2005 in the original source

FDI in the 21st Century - 1

Weaker FDI Flows; Broad-Based Decline



Source: World Bank.

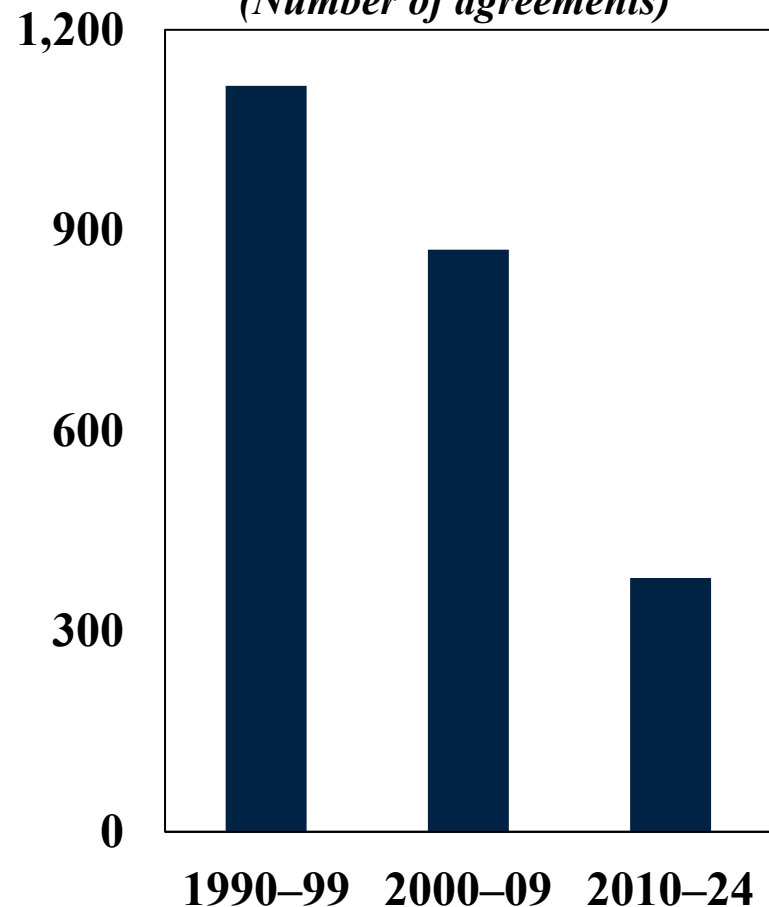
Left Panel. FDI inflows are net inflows. Grey bands show global recessions and downturns. Center Panel. FDI inflows are net inflows. Annual medians and interquartile ranges of net FDI inflows as a percent of GDP. Balanced sample of 134 EMDEs for 2000-2023. 73 EMDEs with available data for 2024. Right Panel. Share of countries with a decline in the FDI-to-GDP ratio from 2000-11 to 2012-23. Sample includes 35 advanced economies and 134 EMDEs.



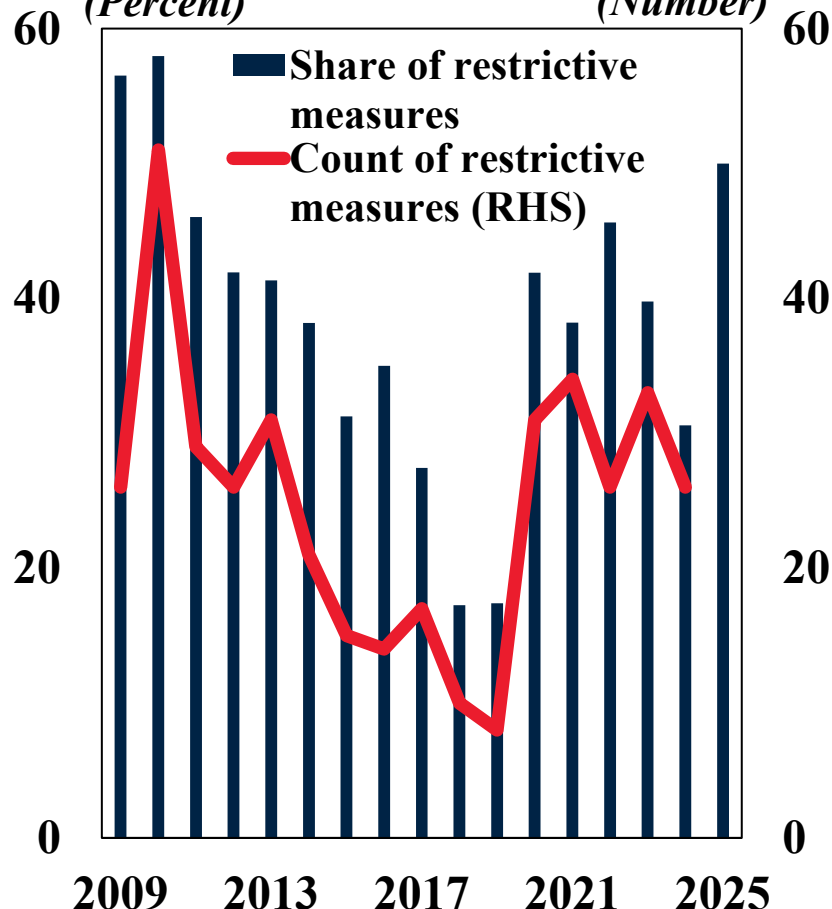
FDI in the 21st Century - 2

Slower Investment Integration; More Restrictions; Elevated Geopolitical Risk

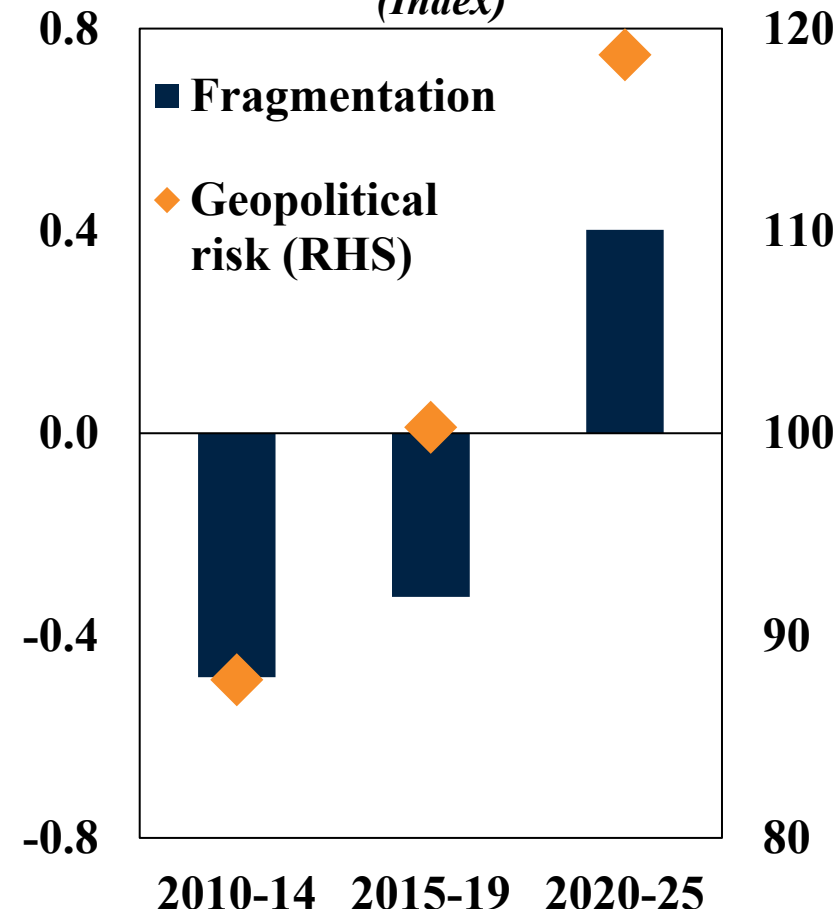
International investment agreements
(Number of agreements)



Regulatory FDI restrictions in EMDEs
(Percent) (Number)



Fragmentation and geopolitical risk
(Index)



Sources: Caldara and Iacoviello (2022); Fernández-Villaverde et al. (2024); Global Trade Alert; UNCTAD; World Bank.

Left Panel. Data include new international investment agreements that are in force as of April 2025. Center Panel. Sample includes 83 EMDEs. The line shows the number of announced restrictive FDI measures and bars show the share of announced restrictive FDI measures in all announced FDI policy measures. 2025 includes announcements between January and April 2025. Right Panel. Five-year averages. Higher values indicate greater risk or fragmentation. Last observation for fragmentation index is 2024Q1. Last observation for global geopolitical risk is July 2025.

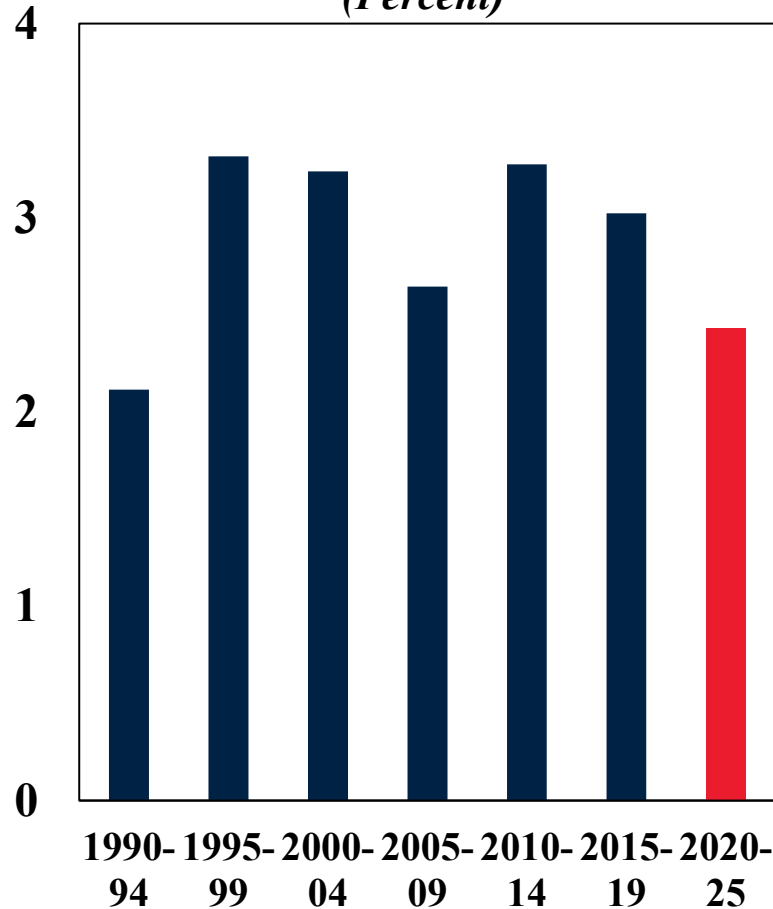
Three Questions

- 2 **How have global trade and FDI evolved in the first quarter of the 21st century?** *Trade and FDI flows have slowed since the 2000s, reflecting the loss of momentum in trade and integration agreements, tighter restrictions on cross-border flows, and rising trade and geopolitical tensions.*
- 3 **What are the policy priorities for EMDEs?**

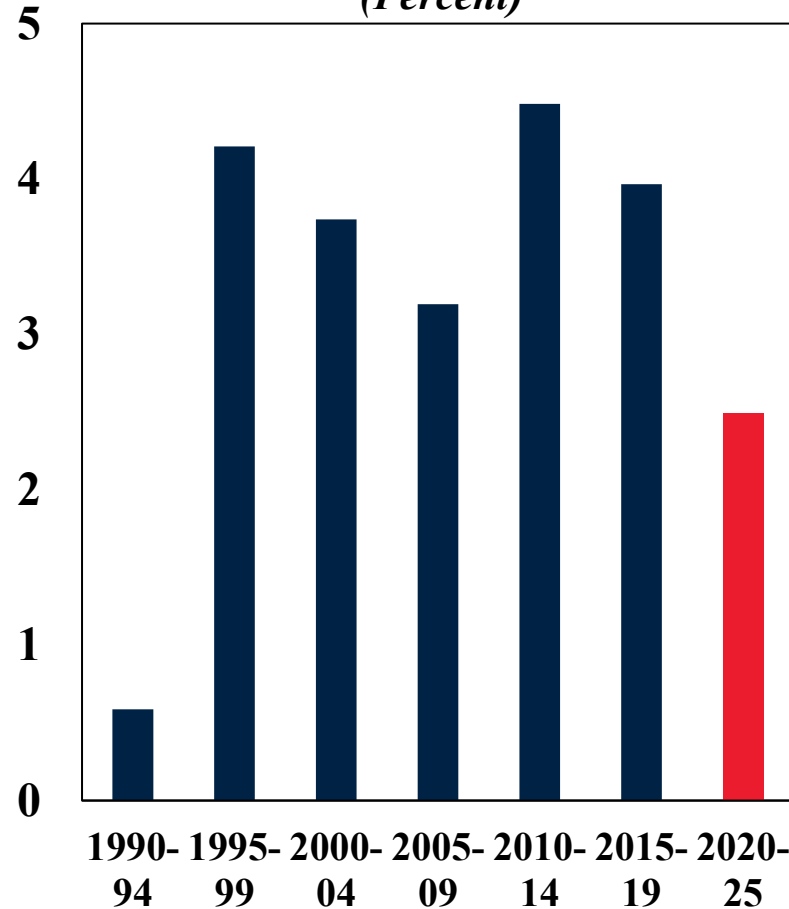
The Global Growth Challenge

Weakest Half-Decade of Output, Investment, and Trade Growth since the 1990s

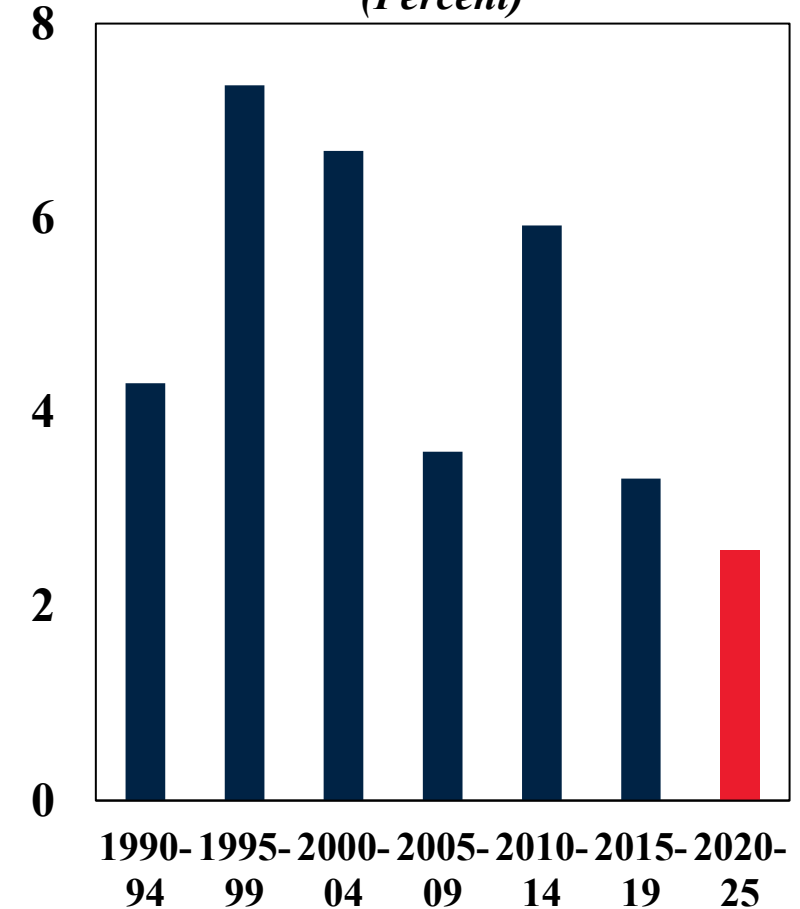
Global output growth
(Percent)



Global investment growth
(Percent)



Global trade growth
(Percent)

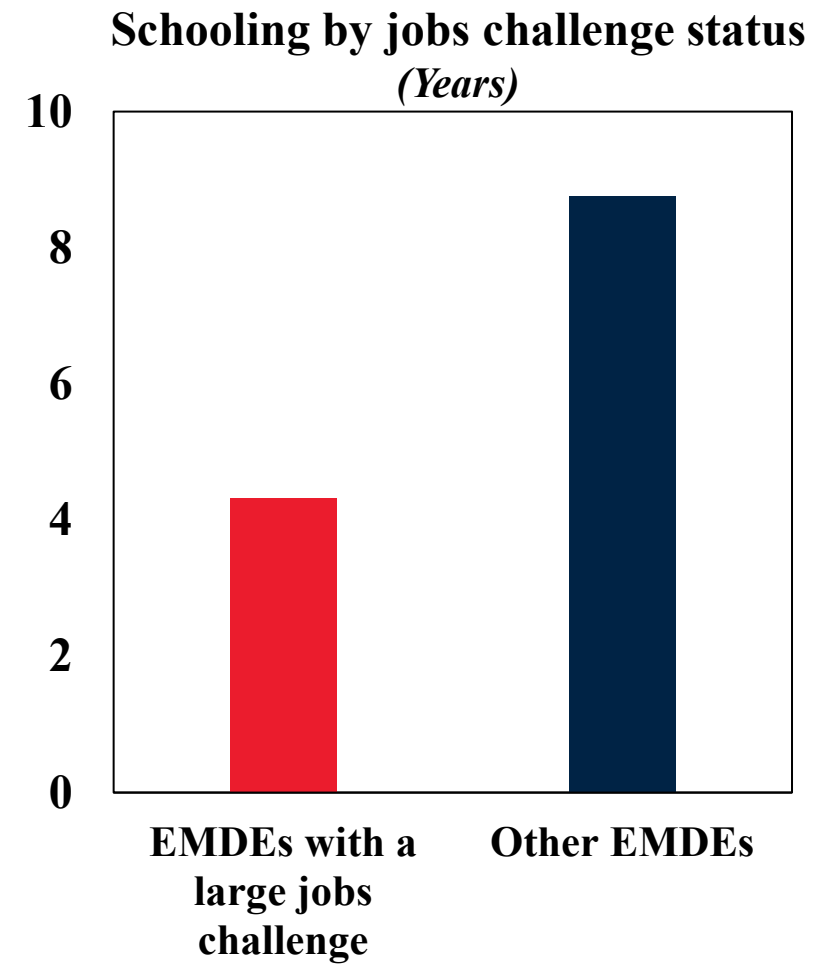
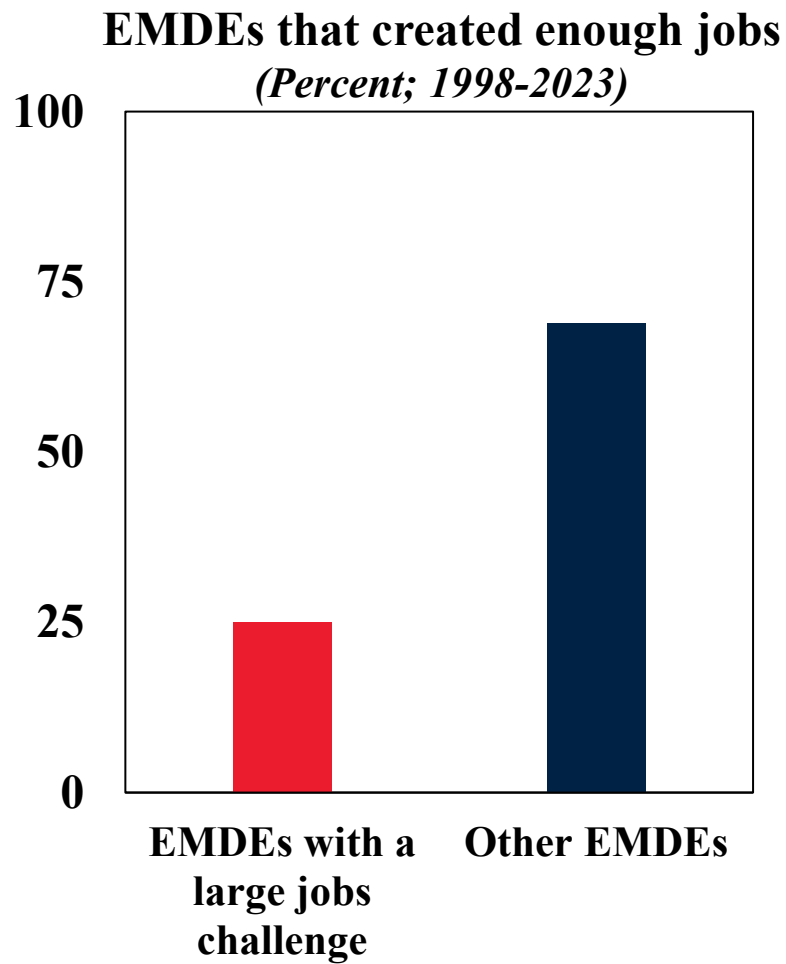
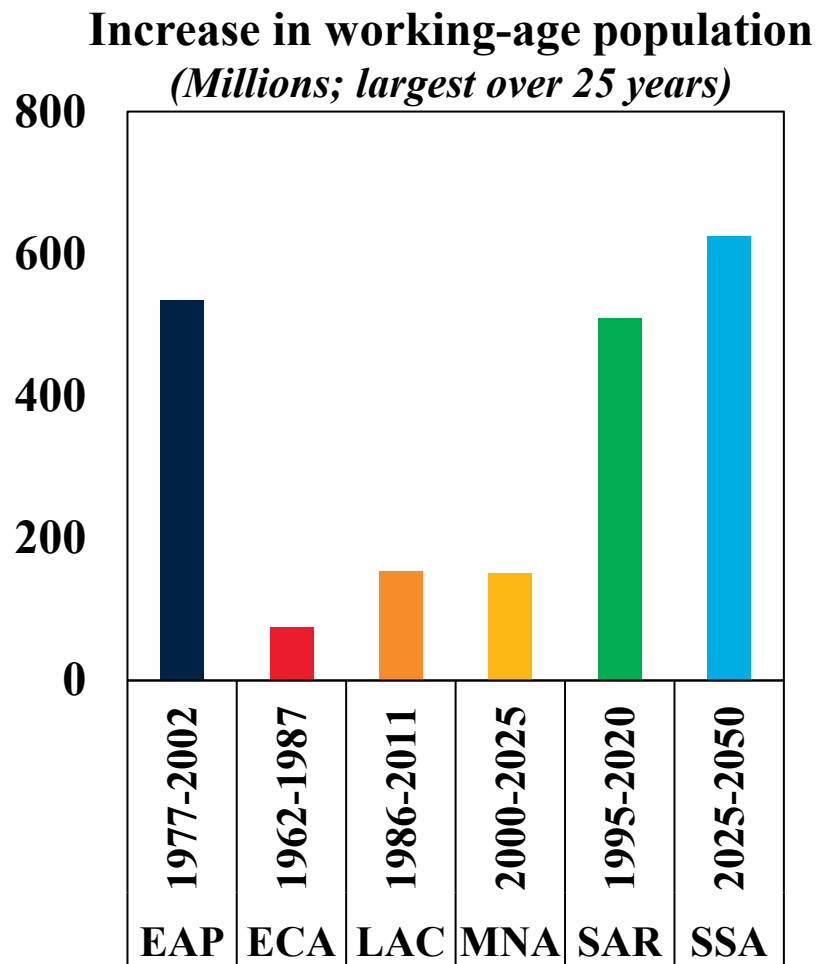


Source: World Bank.

Note: Period averages. Right Panel. Growth of trade in goods and services, which is measured as the average of export and import volumes.

The Global Jobs Challenge

Peak Increase in Working-Age Population; Insufficient Job Creation; Need for Schooling



Sources: ILOSTAT; UN Population Prospects; World Bank.

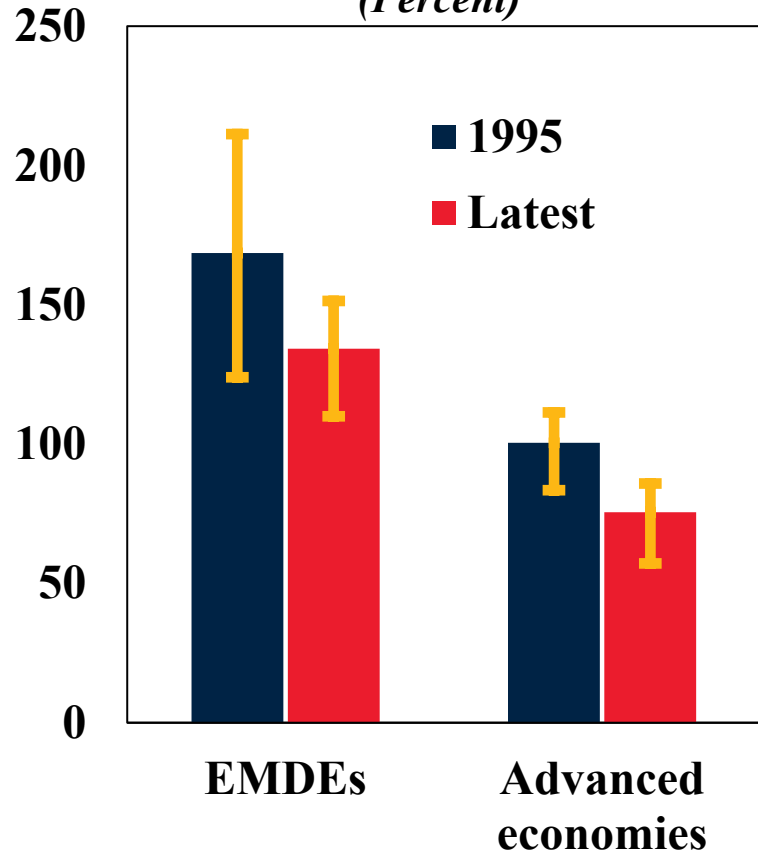
Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa. Left Panel. Bars show the maximum numerical increase in working-age population levels over any 25-year period on record (or projected, for SSA), for each region. Center Panel. Bars show the share of EMDEs with a large jobs challenge and all other EMDEs that increased the employment to working-age population ratio between 1998 and 2023. A large jobs challenge is defined as an increase in the working-age population of 50 percent or more over the quarter-century from 1998-2023. Right Panel. Bars show the unweighted average years of schooling by EMDE group for the latest available observation by country. A large jobs challenge is defined as a projected increase in the working-age population of 50 percent or more between 2025 and 2050.



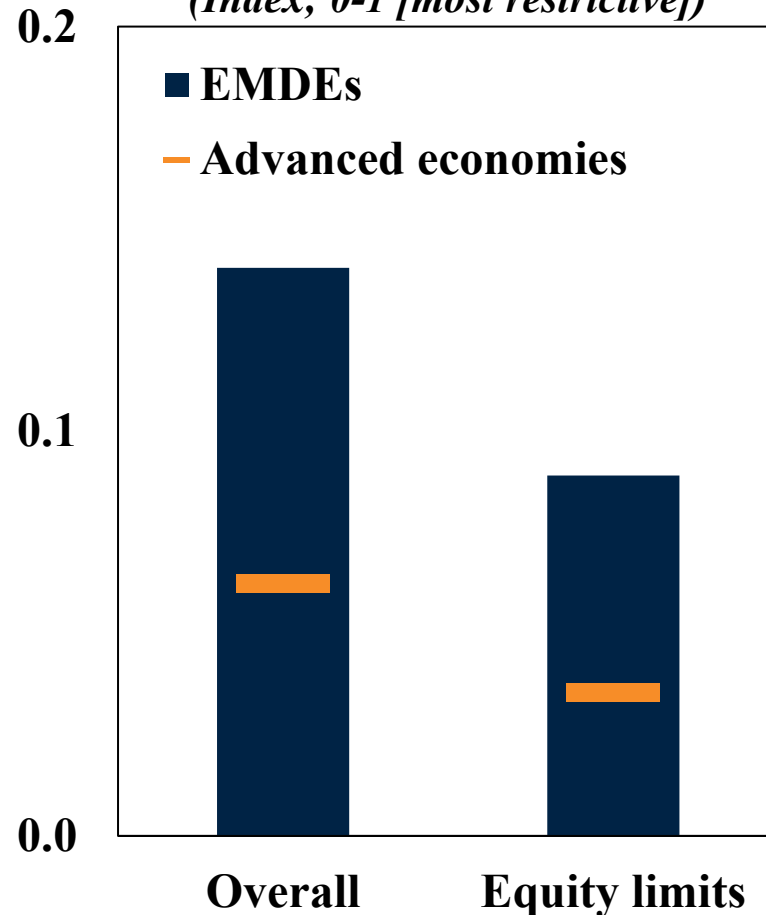
Domestic Policy Priorities for EMDEs

Reduce Costs of Trade and Investment

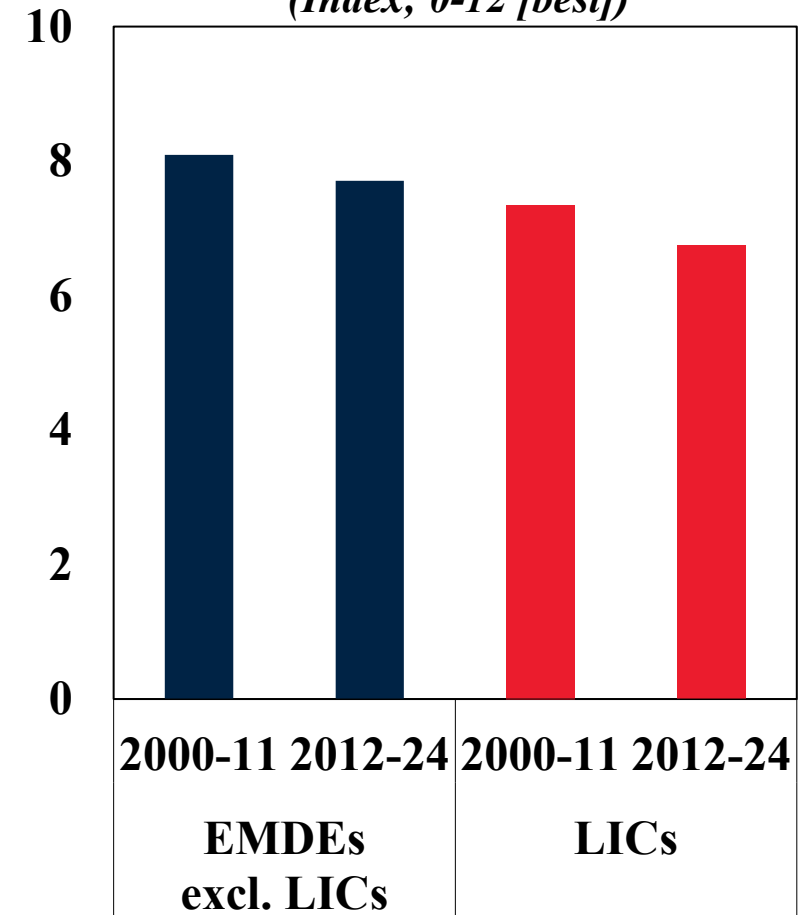
Cost of goods traded internationally in excess of goods traded domestically (Percent)



Regulatory restrictions on FDI (Index; 0-1 [most restrictive])



Investment climate (Index; 0-12 [best])



Sources: ESCAP; International Country Risk Guide; Organisation for Economic Co-operation and Development; World Bank.

Left Panel. Bars show averages of the percentage by which the costs of a good traded internationally exceed the costs of the same good traded domestically and are expressed as ad valorem tariff equivalents. Costs are aggregated into individual-country measures using 2021 bilateral country export shares. Bars show unweighted averages of individual-country measures; whiskers show interquartile ranges for 1995 and the latest year, which refers to 2022. Samples in 1995 and the latest includes 62 EMDEs and 34 advanced economies, and 86 EMDEs and 28 advanced economies, respectively. Center Panel. Average of indexes for overall FDI restrictions and foreign equity limits. Sample includes 32 advanced economies and 51 EMDEs for the period 2016-20. Right Panel. Medians of ICRG investment profile index. Sample includes 102 EMDEs, of which 18 are LICs.



Policy Priorities

Bolster Resilience, Growth, and Job Creation; Promote Trade and FDI

1 Bolster resilience, job creation, and long-term growth

- Deploy targeted fiscal policy to support vulnerable populations, prioritize investment, and ensure medium-term sustainability
- Calibrate monetary policy to manage risks from inflation, weak demand, and financial volatility
- Accelerate job creation via infrastructure investment, better business climate, and greater access to capital
- Strengthen human capital through improved education and health outcomes
- Undertake institutional reforms to expand the revenue base and increase expenditure efficiency

2 Improve domestic conditions to support trade and FDI

- Reduce trade costs through infrastructure improvements, streamlining regulations and procedures, and reducing non-tariff barriers
- Accelerate reforms to foster a favorable investment climate and macroeconomic stability, strengthen institutions, facilitate human capital development, and financial deepening

3 Pursue durable cross-border trade and investment linkages

- Embrace trade integration, including by deepening regional trade relations and agreements
- Strengthen global cooperation to uphold a predictable, transparent, and rules-based international system for trade and FDI flows
- Promote technical assistance to EMDEs to implement structural reforms

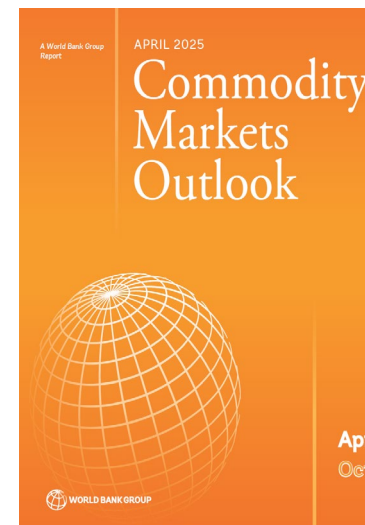
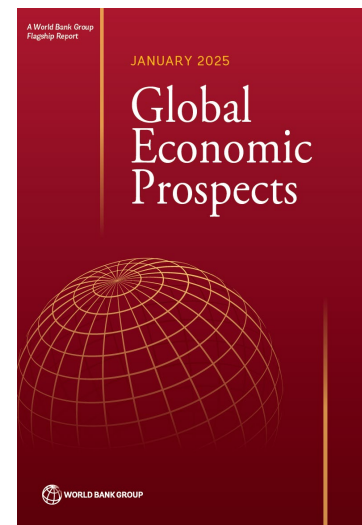
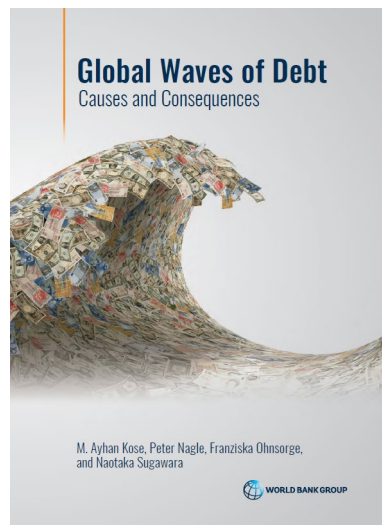
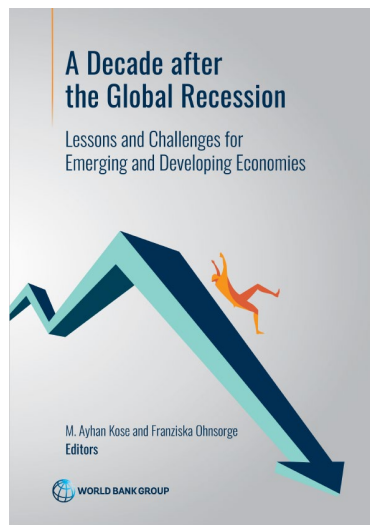
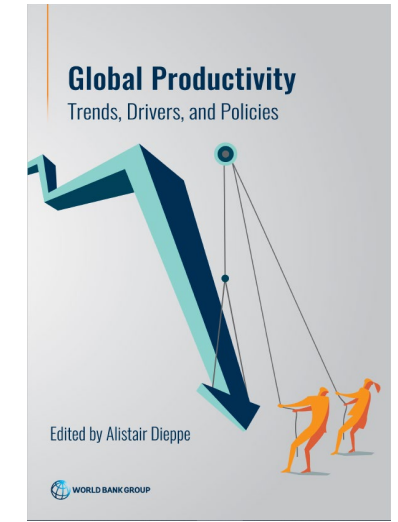
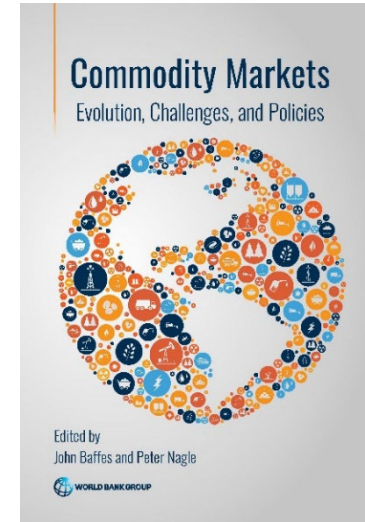
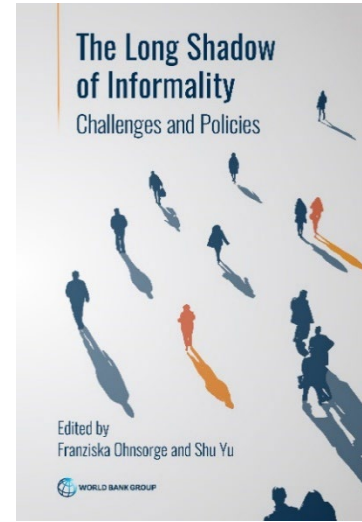
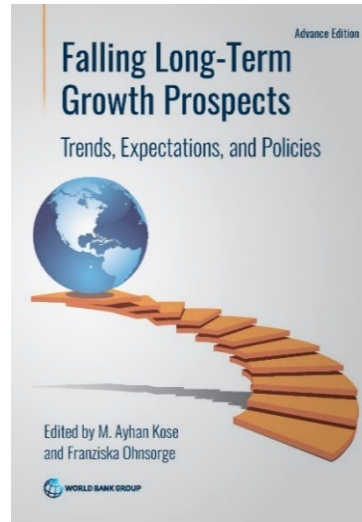
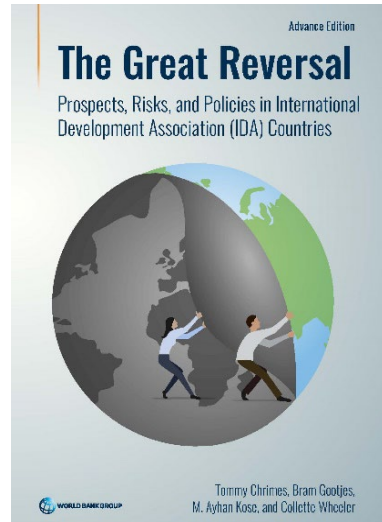
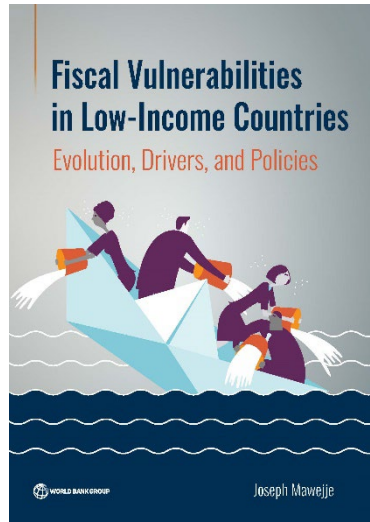
Three Questions

1 **What are the near-term prospects for the global economy?** *The global economy is slowing but more resilient than expected. Yet, persistent uncertainty, financial stress, and trade and geopolitical tensions remain key risks.*

2 **How have global trade and FDI evolved in the first quarter of the 21st century?** *Trade and FDI flows have slowed since the 2000s, reflecting the loss of momentum in trade and integration agreements, tighter restrictions on cross-border flows, and rising trade and geopolitical tensions.*

3 **What are the policy priorities for EMDEs?** *Bolster macroeconomic and structural policies to support resilience, job creation, and long-term growth. Improve business climate to support trade and investment and pursue durable cross-border trade and investment linkages. Accelerate structural reforms and strengthen global cooperation to facilitate trade and FDI flows and amplify their positive effects.*

Studies by the World Bank Prospects Group



THE WORLD BANK
Development Economics Prospects Group
Global Monthly
May 2025

Overview

- High-frequency indicators point to a moderation in global economic activity alongside weaker prospects for manufacturing and services trade.
- Although hard data for most major economies showed resilience in 2025Q1, survey-based measures suggest that consumer and business confidence are sagging.
- However, financial conditions have eased since April, with risk appetite rebounding amid a de-escalation of trade tensions.

Table of Contents

- Monthly Highlights..... 2
- Special Focus..... 5
- Recent Prospects Group Publications..... 7
- Recent World Bank Working Papers..... 7
- Recent World Bank Reports..... 7
- Table Major Data Releases..... 7

Chart of the Month

Change in shipping container bookings

Report

Global trade volumes were solid in 2025Q1, but more recent indicators suggest slowing global goods trade in 2025Q2.

Global shipping container bookings—a leading indicator for goods trade—declined in April (year-on-year), with a sharp reduction in bookings between China and the United States.

China-U.S. container bookings picked up in mid-May following an agreement to lower tariffs, but total global container bookings remained subdued.

Special Focus: Oil Market Outlook: Forecast, Risks and Implications

- According to the latest *Commodity Markets Outlook*, the price of Brent oil is forecast to average \$64 per barrel this year and \$60 per barrel in 2026, with global oil supply reaching all-time highs amid soft consumption growth.
- Risks to the oil price forecast are tilted to the downside against a backdrop of higher trade barriers and elevated uncertainty, which could weigh on oil demand more than expected, as well as expanding OPEC+ oil production.
- Lower energy prices are likely to exert a meaningful drag on global consumer price inflation this year, while posing fiscal challenges in some oil exporters where government revenues are closely tied to oil prices and fiscal deficits are already sizable.

Apr Oct

The Global Monthly is a publication of the Prospects Group. This edition was prepared by Philip Karwan, Gianjhi Kumar, and Kate McMillan, under the supervision of Colin Brown. The special focus was prepared by Philip Karwan based on the April 2025 Commodity Markets Outlook. This Global Monthly reflects data available up to May 26, 2025. For more information, visit www.worldbank.org/prospects. Back issues of the special are available since 2015.