HIGHLIGHTS from Chapter 1:
THE GLOBAL OUTLOOK

Key Points

- *Global growth is expected to weaken to 2.3 percent in 2025, marking a significant downgrade from previous forecasts, followed by a modest pickup to 2.5 percent in 2026-27.*
- *In the context of a more challenging external environment, growth in emerging market and developing economies (EMDEs) is forecast to be well below pre-pandemic averages and the pace that is needed to make significant progress in boosting job creation and closing large per capita income gaps with advanced economies.*
- *Risks to the outlook are tilted to the downside. In particular, renewed increases in trade tensions and prolonged intense uncertainty could substantially reduce global growth relative to the baseline.*
- *Without decisive policy efforts, global growth prospects are unlikely to materially improve. The restoration of predictable, transparent, and rules-based approaches to resolving trade disputes is a top priority. At the same time, policy makers need to retain focus on addressing debt distress, supporting vulnerable EMDEs, and combating climate change.*
- *In many EMDEs, central banks will need to tailor policy to balance inflation pressures against headwinds to growth. Meanwhile, the post-pandemic increase in EMDE fiscal deficits calls for renewed efforts to prioritize government expenditures and mobilize greater revenues.*
- *To enhance growth prospects and meet the challenge of creating jobs for rising working-age populations, EMDEs will require better climates for private investment, dynamic labor markets, more skilled workforces, and—in fragile EMDEs— much reduced levels of conflict.*

Global activity: weaker growth amid trade tensions. The global outlook has deteriorated substantially relative to January amid higher trade barriers, elevated uncertainty, increased financial volatility, and weakened confidence. Global growth is expected to decline to 2.3 percent this year—the slowest pace since 2008, aside from outright global recessions (figure A). Over 2026-27, global growth is forecast to firm to a still-subdued 2.5 percent as trade flows gradually adjust to higher tariffs. The downgrade to growth this year is principally driven by advanced economies (figure B). Prospects for global trade and investment growth are notably weaker relative to previous projections, mostly owing to a sharp deterioration in business and consumer confidence amid a steep rise in trade policy uncertainty (figure C).

EMDE outlook: broad-based slowdown. Growth in EMDEs is set to slow significantly in 2025, to 3.8 percent, with only a slight pickup expected in 2026-27. China's economy is projected to decelerate over the forecast horizon, as a near-term boost from fiscal policy fades amid declining potential growth. Excluding China, growth in EMDEs is forecast to soften from an estimated 3.6 percent in 2024 to 3.4 percent in 2025, before firming to about 3.9 percent in 2026-27—still notably weaker than expected in January. Against the backdrop of a deteriorating external environment, progress by EMDEs in closing sizable per capita income gaps with advanced economies, spurring job creation, or reducing extreme poverty is likely to remain insufficient, leaving poverty rates above pre-pandemic levels in many poorer or fragile EMDEs.

Risks to the outlook: tilted firmly to the downside. There are considerable downside risks to the baseline forecasts (figure D). Economic policy uncertainty could intensify or prove more persistent than anticipated, weakening confidence and forestalling investment. Renewed increases in trade restrictions could impede global trade, while pushing prices higher and limiting scope for monetary policy easing in key economies. Financial risk appetite could sour markedly, potentially culminating in financial stress. With geopolitical tensions elevated, severe conflict-related risks threaten large output losses in vulnerable EMDEs. Alongside, climate-related disasters are an ever-present hazard. Nonetheless, there are also some notable upside risks. If major economies reach lasting agreements addressing trade tensions, uncertainty and trade barriers could diminish. Fiscal expansion in large economies could boost near-term output, albeit while stoking inflation and interest rate pressures. Last, the promise of new technologies could generate stronger-than-expected investment growth.

Growth in alternative scenarios: a sizable range of possible outcomes. Some of the most salient risks are quantified via two scenarios (figure E). In a downside scenario, the U.S. average weighted tariff increases by about another 10 percentage points, with retaliation from trading partners, increased financial volatility, and broadly weaker confidence. As a result, global growth undershoots the baseline forecast by 0.5 and 0.4 percentage point in 2025 and 2026, respectively. In contrast, an upside scenario assumes the U.S. effective tariff rate declines by about half relative to the baseline, with uncertainty also receding. In this context, global growth exceeds the baseline projection by 0.1 and 0.3 percentage point in 2025 and 2026, respectively.

Global policy challenges: stabilize the trade policy environment, support vulnerable EMDEs, and address climate change. Through dialogue and cooperation, the global community urgently needs to restore predictable, transparent, and rules-based approaches to resolving trade disputes. Alongside, the worsening circumstances of vulnerable EMDEs should be confronted. This requires addressing the acute challenges of mounting food insecurity, violent conflict, and elevated risks of debt distress in many fragile economies. Meanwhile, reinvigorating efforts to tackle climate change is essential to limit the costs of rising global temperatures and frequent natural disasters.

Near-term domestic policy challenges: calibrate monetary policy and restore fiscal space. Many EMDE central banks face a balancing act between addressing domestic inflation pressures and cushioning external headwinds to growth. Potential capital outflow risks present a further complication, calling for carefully calibrated monetary policy. Regarding fiscal policy, many EMDEs are not positioned for weaker growth, fiscal deficits having swelled since the pandemic. Restoring fiscal space requires mobilizing domestic revenues and reprioritizing public spending.

Structural policy challenges: address barriers to investment and job creation. Stronger investment growth, alongside increased job creation, can offer sustainable solutions to many EMDE challenges. This requires upgrading institutional and regulatory climates for private investment, including foreign direct investment—a conduit for technology and knowledge diffusion. Ensuring, in parallel, strong job creation calls for interventions to upskill workers, ease barriers to firms expanding, and increase labor market dynamism. For EMDEs recently or currently in conflict—a growing number—success on such reform paths requires first attaining durable peace. If violent conflict instead continues to proliferate, fragile EMDEs will fall ever further behind (figure F).

Figure 1. Global growth prospects and risks

The global outlook has weakened substantially following a sharp increase in trade barriers and trade policy uncertainty. Global growth this year is expected to register its weakest pace since 2008, aside from outright global recessions. Although this deterioration is broad-based across the world's economies, forecasts for advanced economies have been downgraded markedly relative to January. Risks to the outlook are tilted firmly to the downside. In particular, if trade tensions escalate anew, confidence weakens and uncertainty spikes further, global growth could turn out considerably below the baseline forecast in 2025 and 2026. On top of global challenges, many EMDEs are also grappling with the acute risks associated with the threat of violent conflict.
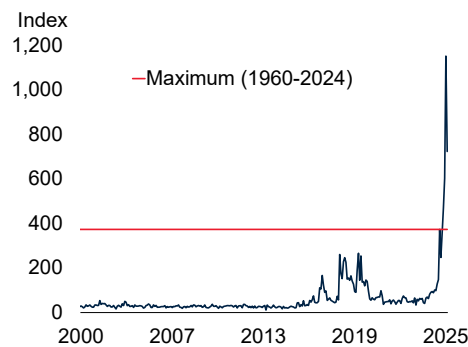
A. Global output growth
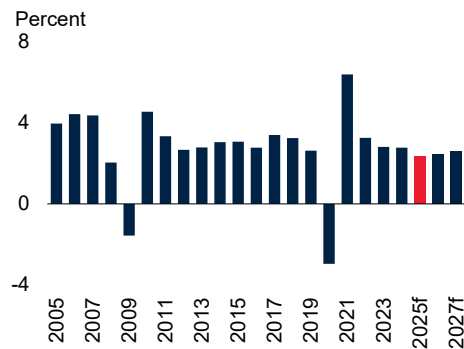
B. Contributions to global growth downgrades in 2025 and 2026
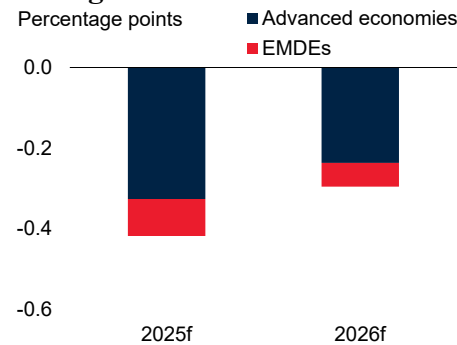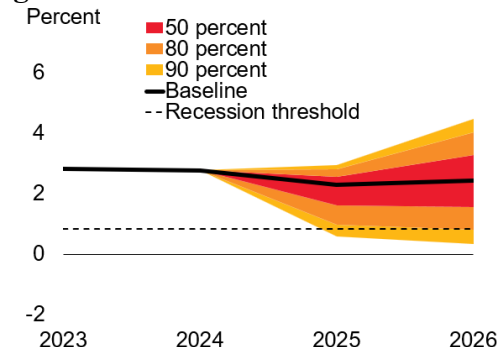
C. Global trade policy uncertainty

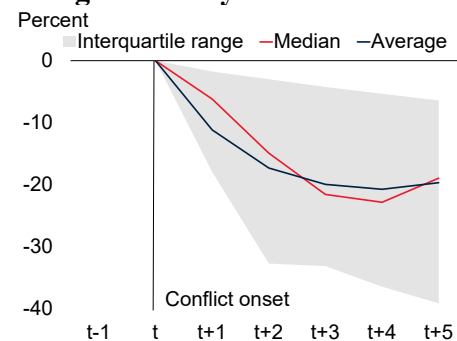### D. Probability distribution around global growth forecast

E. Change in global growth in alternative scenarios

F. Per capita GDP losses following the onset of high-intensity conflict

Sources: Bloomberg; Caldara et al. (2020); Consensus Economics; Ohnsorge, Stocker, and Some (2016); Oxford Economics; Uppsala Conflict Data Program; World Bank.

Note: f = forecast. EMDEs = emerging market and developing economies. GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates.

A. Data for 2024 are estimates; data for 2025–27 are forecasts.

B. Contributions to the global growth downgrade between the current and the January 2025 editions of *Global Economic Prospects*.

C. Trade Policy Uncertainty index, based on automated text searches of the electronic archives of seven newspapers. A higher value indicates higher trade policy uncertainty. Last observation is May 2025.

D. The dashed line is the global recession threshold (below zero per capita growth). Probabilities use the range and skewness implied by oil and equity price derivatives, and term spread forecasts. Last observation is May 2025.

E. Panel shows the deviation of aggregate growth from the baseline forecast in upside and downside scenarios, using Oxford Economics' Global Economic Model.

F. High-intensity conflicts are those in which there are at least 150 conflict-related fatalities per million population at the year of onset and where conflict did not exceed that threshold of intensity in the four years prior. Lines show the cumulative difference between projected and actual per capita GDP following the onset of high intensity conflicts. Forecasts are from the *Global Economic Prospects* one year prior to the onset of conflict. Sample includes 14 conflicts in 14 EMDEs from 2006–2023.

TABLE 1.1 Real GDP[1]
(Percent change from previous year unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage point differences from January 2025 projections 2025f	Percentage point differences from January 2025 projections 2026f
World	**3.3**	**2.8**	**2.8**	**2.3**	**2.4**	**2.6**	**-0.4**	**-0.3**
Advanced economies	**2.9**	**1.7**	**1.7**	**1.2**	**1.4**	**1.5**	**-0.5**	**-0.4**
United States	2.5	2.9	2.8	1.4	1.6	1.9	-0.9	-0.4
Euro area	3.5	0.4	0.9	0.7	0.8	1.0	-0.3	-0.4
Japan	0.9	1.4	0.2	0.7	0.8	0.8	-0.5	-0.1
Emerging market and developing economies	**3.8**	**4.4**	**4.2**	**3.8**	**3.8**	**3.9**	**-0.3**	**-0.2**
East Asia and Pacific	3.6	5.2	5.0	4.5	4.0	4.0	-0.1	-0.1
China	3.1	5.4	5.0	4.5	4.0	3.9	0.0	0.0
Indonesia	5.3	5.0	5.0	4.7	4.8	5.0	-0.4	-0.3
Thailand	2.6	2.0	2.5	1.8	1.7	2.3	-1.1	-1.0
Europe and Central Asia	1.5	3.6	3.6	2.4	2.5	2.7	-0.1	-0.2
Russian Federation	-1.4	4.1	4.3	1.4	1.2	1.2	-0.2	0.1
Türkiye	5.5	5.1	3.2	3.1	3.6	4.2	0.5	-0.2
Poland	5.3	0.2	2.9	3.2	3.0	2.9	-0.2	-0.2
Latin America and the Caribbean	4.0	2.4	2.3	2.3	2.4	2.6	-0.2	-0.2
Brazil	3.0	3.2	3.4	2.4	2.2	2.3	0.2	-0.1
Mexico	3.7	3.3	1.5	0.2	1.1	1.8	-1.3	-0.5
Argentina	5.3	-1.6	-1.8	5.5	4.5	4.0	0.5	-0.2
Middle East and North Africa	5.4	1.6	1.9	2.7	3.7	4.1	-0.7	-0.4
Saudi Arabia	7.5	-0.8	1.3	2.8	4.5	4.6	-0.6	-0.9
Iran, Islamic Rep. [2]	3.8	5.0	3.0	-0.5	0.3	1.8	-3.2	-1.9
Egypt, Arab Rep. [2]	6.6	3.8	2.4	3.8	4.2	4.6	0.3	0.0
South Asia	6.0	7.4	6.0	5.8	6.1	6.2	-0.4	-0.1
India [2]	7.6	9.2	6.5	6.3	6.5	6.7	-0.4	-0.2
Bangladesh [2]	7.1	5.8	4.2	3.3	4.9	5.7	-0.8	-0.5
Pakistan [2]	6.2	-0.2	2.5	2.7	3.1	3.4	-0.1	-0.1
Sub-Saharan Africa	3.9	2.9	3.5	3.7	4.1	4.3	-0.4	-0.2
Nigeria	3.3	2.9	3.4	3.6	3.7	3.8	0.1	0.0
South Africa	2.1	0.8	0.5	0.7	1.1	1.3	-1.1	-0.8
Angola	3.0	1.0	4.4	2.7	2.6	3.2	-0.2	-0.3
Memorandum items:								
Real GDP[1]								
High-income countries	2.9	1.7	1.9	1.3	1.5	1.7	-0.5	-0.4
Middle-income countries	3.9	4.8	4.4	4.1	4.0	4.0	-0.2	-0.1
Low-income countries	4.4	2.8	4.6	5.3	6.1	6.0	-0.4	0.2
EMDEs excluding China	4.2	3.7	3.6	3.4	3.7	4.0	-0.4	-0.2
Commodity-exporting EMDEs	3.3	2.7	3.1	2.9	3.2	3.4	-0.3	-0.2
Commodity-importing EMDEs	4.0	5.2	4.7	4.3	4.1	4.2	-0.2	-0.1
Commodity-importing EMDEs excluding China	5.4	4.9	4.2	3.9	4.4	4.6	-0.5	-0.2
EM7	3.5	5.4	4.8	4.1	3.9	3.9	-0.1	0.0
World (PPP weights) [3]	3.5	3.4	3.3	2.9	3.0	3.1	-0.3	-0.2
World trade volume [4]	**5.9**	**0.8**	**3.4**	**1.8**	**2.4**	**2.7**	**-1.3**	**-0.8**
Commodity prices [5]							Level differences from January 2025 projections	
WBG commodity price index	142.5	108.0	105.1	94.2	89.0	91.9	-4.3	-7.7
Energy index	152.6	106.9	101.5	86.2	80.2	84.4	-7.4	-11.5
Oil (US$ per barrel)	99.8	82.6	80.7	66.0	61.0	65.0	-6.0	-10.0
Non-energy index	122.1	110.2	112.5	110.3	106.8	107.1	1.8	-0.2

Source: World Bank.
Note: e = estimate; f = forecast. EM7 = Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Türkiye. WBG = World Bank Group. World Bank forecasts are frequently updated based on new information. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given date. For the definition of EMDEs, developing countries, commodity exporters, and commodity importers, please refer to table 1.2. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan and República Bolivariana de Venezuela owing to lack of reliable data of adequate quality. Turkmenistan and República Bolivariana de Venezuela are excluded from cross-country macroeconomic aggregates.
1. Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates.
2. GDP growth rates are on a fiscal year (FY) basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. For India and the Islamic Republic of Iran, the column for 2022 refers to FY2022/23. For Bangladesh, the Arab Republic of Egypt, and Pakistan, the column for 2022 refers to FY2021/22. Pakistan's growth rates are based on GDP at factor cost.
3. World growth rates are calculated using average 2010-19 purchasing power parity (PPP) weights, which attribute a greater share of global GDP to emerging market and developing economies (EMDEs) than market exchange rates.
4. World trade volume of goods and nonfactor services.
5. Indexes are expressed in nominal U.S. dollars (2010 = 100). Oil refers to the Brent crude oil benchmark. For weights and composition of indexes, see https://worldbank.org/commodities.