CHAPTER 2

REGIONAL OUTLOOKS

EAST ASIA and PACIFIC

Growth in East Asia and Pacific (EAP) is projected to slow from 5 percent in 2024 to 4.5 percent in 2025, slightly lower than previously expected owing to increases in trade barriers and related policy uncertainty. In China, growth is expected to decelerate to 4.5 percent in 2025, in line with previous projections, with fiscal support assumed to offset the impact of trade tensions with the United States—China's largest market for exports. In EAP excluding China, growth is projected to slow to 4.2 percent this year due to the direct effects of higher trade barriers and the indirect effects of a weaker external environment and softer confidence. In 2026 and 2027, growth in EAP is projected to remain subdued at 4 percent, slightly below previous projections and potential growth estimates, weighing on job creation and income convergence. Risks to the outlook remain tilted to the downside, with persistently elevated policy uncertainty and the potential for increases in trade tensions. Other downside risks include tighter global financial conditions, spillovers from weaker growth in major economies, higher geopolitical tensions, and natural disasters. On the upside, growth in EAP could be stronger than expected due to a partial resolution of trade tensions, greater-than-expected fiscal support in China or major advanced economies, or an unexpected increase in digital investment and technology adoption.

Recent developments

Activity in EAP is slowing alongside escalating global trade tensions and related increases in policy uncertainty, which are spilling over to the region via trade, investment, financial, and confidence channels. After substantial increases in U.S. tariffs were announced in April, these were subsequently limited to 10 percent for all economies in the region except China, which faces a tariff of 30 percent along with sector-specific levies. The baseline projections assume that the tariff rates as of late May will persist over the forecast horizon. However, there is significant uncertainty about their duration and whether there will be further escalation in trade tensions.

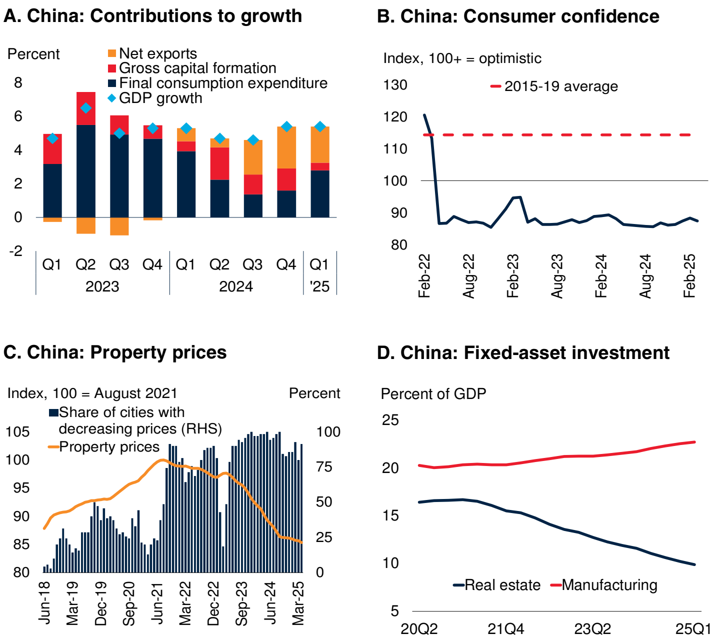
Prior to these policy actions, economic activity in EAP was generally solid in early 2025. In China, growth remained resilient, and the strong export-led expansion at the end of last year continued into the first quarter of this year, despite the initial round of tariffs announced before April 2 (figure 2.1.1.A). Consumption growth picked up, benefiting from fiscal support measures announced late last year, which helped counter subdued consumer confidence amid ongoing property sector softness (figure 2.1.1.B). Real estate investment continued to fall, but the decline in property prices eased (figure 2.1.1.C). A sustained expansion in infrastructure-related and manufacturing investment, which has increased its share of output in recent years, helped offset the decrease in real estate investment (figure 2.1.1.D). In March, China's authorities announced substantial fiscal support, mainly by boosting infrastructure investment, with a smaller share targeting household consumption through government subsidies and some increases in social spending. More recently, authorities announced further monetary policy easing and financial measures to support several sectors of the economy.

Elsewhere in EAP, growth remained strong in early 2025 (figure 2.1.2.A). Export growth was solid in the first quarter, reflecting front-loading in anticipation of tariff hikes (figures 2.1.2.B and 2.1.2.C). However, services export growth from tourism showed signs of easing, as tourist arrivals

Note: This section was prepared by Samuel Hill and Gitanjali Kumar.

FIGURE 2.1.1 China: Recent developments

Growth in China remained resilient in early 2025 as the export-led expansion in late 2024 continued in anticipation of higher tariffs. Consumer confidence has been subdued despite some pickup in consumption growth on the back of fiscal support. While the decline in property prices eased, real estate investment declined further. Nonetheless, continued expansion of manufacturing and infrastructure investment has supported activity.



Sources: Haver Analytics; World Bank.
A. Year-on-year real GDP growth and expenditure contributions. Last observation is 2025Q1.
B. Consumer confidence on a scale of 0 to 200, where 200 indicates extreme optimism, 0 indicates extreme pessimism, and 100 indicates neutrality. Last observation is March 2025.
C. Orange line denotes the price index of existing residential buildings. Blue bars denote share of cities with falling month-on-month prices for existing residential buildings. Sample includes 70 major cities. Last observation is April 2025.
D. Lines denote nominal fixed asset investment subcomponents as shares of GDP. Last observation is 2025Q1.

in key markets reached or rose above pre-pandemic levels (World Bank 2025a). Manufacturing activity softened, with purchasing managers' indexes declining in some of the region's largest economies. Private consumption remained steady across the region, aided by accommodative monetary policy. However, activity in Myanmar was severely disrupted by a powerful 7.7-magnitude earthquake in late March, with Thailand also affected.

Consumer price inflation in most EAP economies has remained low so far in 2025, reflecting a combination of easing commodity prices, moderate demand pressures, and, in some cases, price controls. In recent months, both headline and core inflation have been below or within official target ranges. In China, both consumer and producer price inflation have been particularly low, reflecting soft prices for global commodities, notably energy and metals; relatively insufficient domestic demand; and competition among firms for market share.

Across the region, financial conditions tightened after the U.S. announcement of higher tariffs in April. Equity prices declined sharply, and currencies depreciated against the U.S. dollar amid capital outflows (figure 2.1.2.D). Indonesia's currency, already under pressure due to domestic policy uncertainty, fell to its lowest recorded value in early April. Most asset prices largely recovered in the weeks following the initial postponement in tariff increases and the partial rollback of tariffs by the United States and China. In a context of low inflation and concerns about growth alongside mounting global policy uncertainty, central banks have cut interest rates further in major EAP economies, including in China, Indonesia, the Philippines, and Thailand.

Outlook

Growth in EAP is projected to decelerate to 4.5 percent this year from 5 percent in 2024, as the direct effects of higher trade barriers and the indirect effects of heightened policy uncertainty, a weaker global growth outlook, and softer confidence weigh on investment, exports, and consumption in the region (figure 2.1.3.A; table 2.1.1). Due to their high trade openness, EAP economies are more exposed to trade policy shifts. Growth is expected to remain roughly steady at 4 percent in 2026 and 2027, still below estimates of its potential pace (figure 2.1.3.B). Compared with January projections, growth in EAP is expected to be 0.1 percentage point lower in both 2025 and 2026. The downgrade reflects the impact of higher tariffs on growth, which is expected to be partly offset by policy support measures in EAP economies, notably China. In many regional economies, the deterioration in the outlook will weigh on the pace of job creation and per capita income catch-up with advanced economies, which over 2021-27 is set to roughly halve relative to the 2010-19 average (box 1.1).

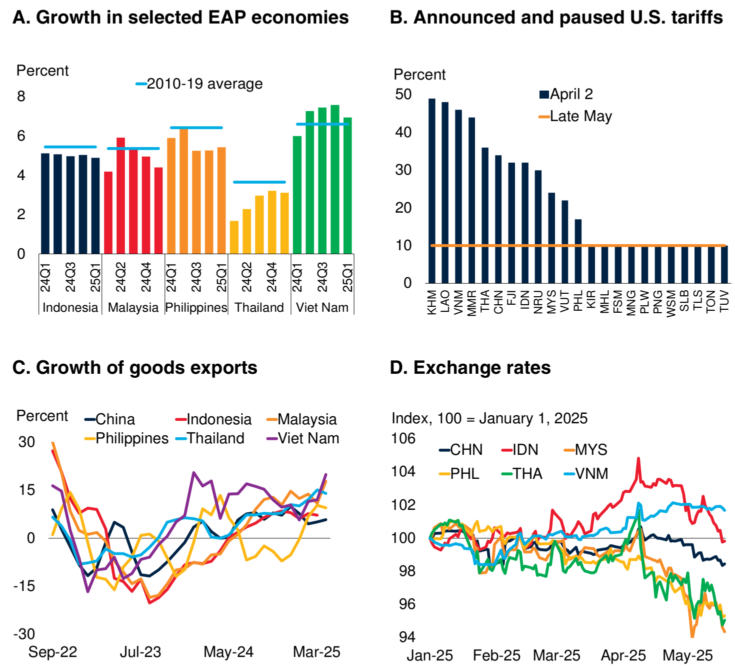
In China, growth is projected to slow to 4.5 percent this year. This is in line with the January forecast, reflecting the impacts of higher U.S. tariffs and slower growth in major advanced economies, which are assumed to be offset by the announced fiscal policy support measures. A soft labor market and a subdued property sector are expected to weigh on consumption, countered somewhat by fiscal stimulus. Export growth is expected to slow in 2025 as the impact of higher tariffs is felt and the earlier boost from the front-loading of exports fades. Although China has increased its goods exports to other economies in recent years, the United States remains its largest destination market. Growth is projected to remain unchanged at 4 percent in 2026 and edge down to 3.9 percent in 2027, in line with decelerating potential output growth, reflecting the effects of slowing productivity growth, an aging population, and high debt levels.

In EAP excluding China, growth is expected to slow to 4.2 percent in 2025, mainly due to trade tensions. The increase in trade policy uncertainty, reduced confidence, and spillovers from softer external demand in major advanced economies and China are likely to curtail exports and private investment in the region, since there are several economies with large exposures to global trade, notably Cambodia, Thailand, and Viet Nam (World Bank 2025b). While some economies will benefit from fiscal policy support—such as social spending programs and public investment in Indonesia, Malaysia, Thailand, and Viet Nam—the full macroeconomic effects of higher trade barriers, which are hard to predict, could weigh on growth. Growth in the Pacific Island economies is projected to decline over the forecast horizon, largely driven by weaker global demand as a result of elevated trade tensions, as well as a normalization of mining activity in Papua New Guinea and fiscal tightening in Fiji (table 2.1.2).

Across EAP, fiscal policy is expected to support growth in China and Thailand in 2025 but to be broadly neutral elsewhere (figure 2.1.3.C). In China, the announcement of additional spending measures in March implies an increase in the consolidated fiscal deficit to 8.1 percent of GDP in 2025 from 6.5 percent of GDP in 2024.[1] In

FIGURE 2.1.2 EAP excluding China: Recent developments

In East Asia and Pacific excluding China, growth was strong in early 2025. The United States announced and subsequently paused substantial increases in tariffs, with all economies in the region except China facing an across-the-board 10 percent tariff rate. Export growth remained solid as front-loading ahead of the implementation of higher tariffs continued. Economies experienced sharp currency depreciations in the aftermath of U.S. tariff increases announced in early April, with most currencies recovering after the initial pause and subsequent de-escalation in trade tensions.



Sources: Haver Analytics; White House; World Bank.

Note: CHN = China; EAP = East Asia and Pacific; FJI = Fiji; FSM = the Federated States of Micronesia; IDN = Indonesia; KHM = Cambodia; KIR = Kiribati; LAO = Lao PDR; MHL = Marshall Islands; MMR = Myanmar; MNG = Mongolia; MYS = Malaysia; NRU = Nauru; PHL = the Philippines; PLW = Palau; PNG = Papua New Guinea; SLB = Solomon Islands; THA = Thailand; TLS = Timor-Leste; TON = Tonga; TUV = Tuvalu; VNM = Viet Nam; VUT = Vanuatu; WSM = Samoa.

A. Year-on-year real GDP growth. Last observation is 2025Q1.

B. Bars denote tariffs on imports from trading partners announced by the United States on April 2, 2025, and subsequently paused. Line denotes tariffs as of late May. The 20 percent tariff on Chinese imports announced prior to April 2 remains in place.

C. Value of goods exports in U.S. dollars. Three-month moving average of year-on-year change. Last observation is April 2025 for China, Malaysia, the Philippines, Thailand, and Viet Nam; March 2025 for Indonesia.

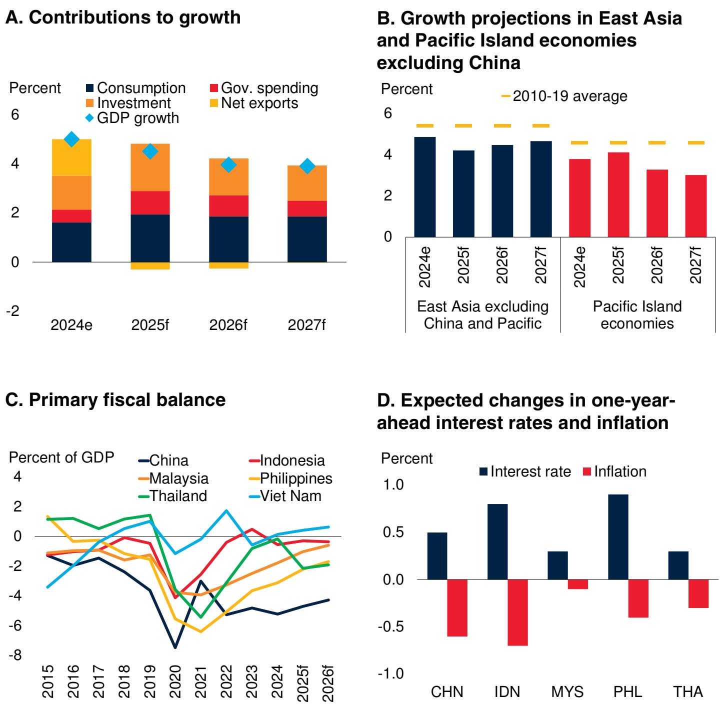
D. Lines denote indexed daily exchange rates of selected currencies against the U.S. dollar. Last observation is May 26, 2025.

Thailand, the Digital Wallet program—a one-time transfer to 45 million Thai citizens—is expected to provide near-term support to activity (World Bank

[1] The consolidated budget includes (i) the Public Finance Budget which includes tax and non-tax revenues, current expenditures, and a portion of capital expenditures; (ii) the Government Fund Budget which reflects mainly local land-lease revenues and expenditures for infrastructure and social projects; (iii) the Social Security Fund Budget; and (iv) the state-owned asset operation budget. The consolidated budget balance refers to the sum of (i), (ii), (iii), and (iv) minus net withdrawals from the stabilization fund.

FIGURE 2.1.3 EAP: Outlook

Growth in East Asia and Pacific is projected to slow to 4.5 percent this year, reflecting the impact of trade tensions and policy support in the region, with a further decline to 4 percent in 2026 and 2027 amid slowing potential growth in China. In the Pacific Island economies, growth is expected to ease owing to weaker global demand. This year, fiscal policy is expected to bolster growth in China and Thailand but exert a more neutral influence in other major EAP economies. EAP central banks are expected to remain accommodative to support growth and cushion the impact of higher trade barriers.



Sources: Consensus Economics; Haver Analytics; Macro Poverty Outlook (database); World Bank.
Note: e = estimate; f = forecast. CHN = China; EAP = East Asia and Pacific; Gov. = government; IDN = Indonesia; MYS = Malaysia; PHL = the Philippines; THA = Thailand.
A. Annual real GDP growth and contributions of expenditure components. Projections for 2025, 2026, and 2027 are by the World Bank. Discrepancies between GDP growth and the sum of its components reflect inventories and residuals.
B. Annual real GDP growth. Projections for 2025, 2026, and 2027 are by the World Bank. Aggregate growth rates are calculated using average 2010-19 GDP weights and market exchange rates.
C. Lines denote the primary fiscal balance. Projections for 2025 and 2026 are obtained from the Macro Poverty Outlook (database).
D. Change in interest rate (or inflation) is the difference between the current nominal interest rate (or inflation rate) and its expectation in 2026, based on data from Consensus Economics. Last observation is May 2025.

2025c). Modest fiscal consolidation is expected to continue in Malaysia and the Philippines.

With global commodity prices expected to decline this year and demand pressures remaining limited, inflation is likely to remain contained across the region. In China, relatively insufficient domestic demand and declining global commodity prices are expected to maintain downward pressure on consumer and producer prices, with headline consumer inflation expected to remain below this year's downwardly adjusted target of 2 percent. As a result, monetary policy in the region is expected to remain accommodative to support growth and cushion the impact of higher trade barriers (figure 2.1.3.D).

Risks

Downside risks to the baseline projections for EAP dominate and have intensified since January, including the possibility of a reversion to previously announced higher trade barriers and persistently elevated policy uncertainty. Additional shifts in trade policy would likely have large impacts on economies across the region, owing to their high trade openness and links to global production networks. Other downside risks include tighter global financial conditions, substantially weaker growth in major economies, increased geopolitical stress, and natural disasters. There are, however, some upside risks associated with a partial resolution of trade tensions, larger-than-expected fiscal expansions in major economies, and productivity gains from technological adoption.

Persistently elevated global policy uncertainty could have a range of adverse effects on EAP growth. It could lead firms, particularly those focused on exporting goods, to further delay capital spending, resulting in weaker-than-anticipated investment and output growth. These factors could compound other risks in China, where prolonged softness in the property sector could weigh on activity. Compared with other regions, EAP economies are especially vulnerable to the effects of heightened uncertainty because of their relatively larger exposure to trade and, therefore, higher shares of investment in GDP (figure 2.1.4.A).

A reemergence of trade tensions and higher trade costs, as well as negative demand spillovers from weaker growth in major economies, present a significant downside risk to regional growth. Economies with large export-oriented manufacturing sectors, including China, Malaysia, Thailand, and Viet Nam, are particularly exposed (figure 2.1.4.B). In addition, potential diversion of Chinese goods to markets other than the United

States could lead other economies to impose barriers on imports from China. Indeed, such responses have been seen in recent months, with duties imposed by Malaysia and Viet Nam on steel products, following measures by other economies including Brazil, India, and the Republic of Korea.

Tighter financial conditions globally and weakening risk appetite for EMDE assets could lead to capital outflows and currency depreciations. The resulting increases in inflation and shifting interest rate differentials could reduce the scope for EAP central banks to cut policy rates to support domestic activity and cushion the impact of heightened trade tensions and policy uncertainty. Higher borrowing costs, in turn, would raise debt-servicing burdens, particularly in economies with elevated debt levels, adversely affecting their fiscal positions (figure 2.1.4.C).

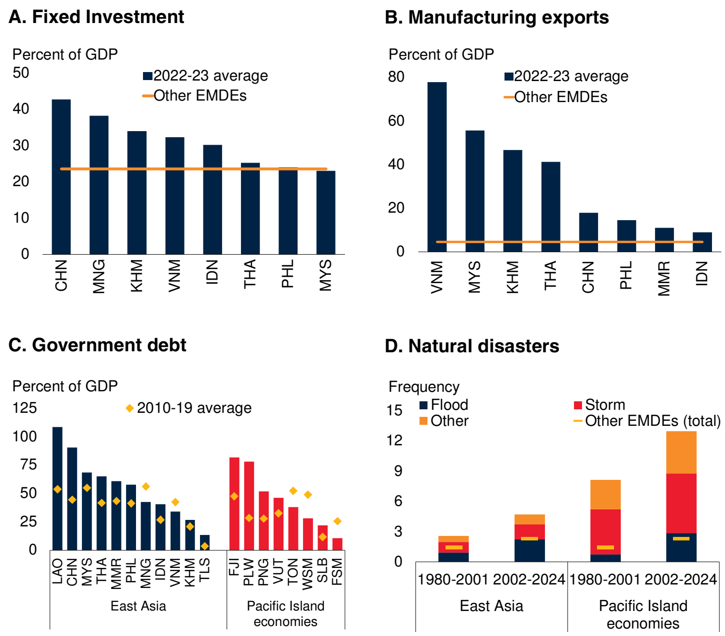
EAP economies, most of which are energy importers, are particularly vulnerable to an escalation of geopolitical tensions. Intensified conflict could disrupt global energy supplies and raise energy prices, negatively impacting economies in the region. Within EAP, persistent armed conflict could further depress activity in Myanmar, including by causing inflation to spike, business sentiment to weaken, and the displacement of populations.

Across EAP, more frequent climate-related natural disasters pose considerable downside risks, especially destructive tropical storms, whose incidence has increased in recent years, costing many lives and causing substantial economic losses (figure 2.1.4.D). For instance, extreme cold weather in Mongolia caused around 12.5 percent of the country's livestock to perish by the middle of 2024 (World Bank 2024a). Vulnerability to natural disasters also poses downside risks, as underscored by the substantial damage caused by powerful earthquakes in Myanmar and Thailand in late March, and Vanuatu late last year.

On the upside, a partial resolution of trade tensions and reduction in trade policy uncertainty would likely lift growth prospects in the region above the baseline. More expansionary fiscal policy in China or in major advanced economies could support faster-than-expected activity. In addition, surging digital investment and technological adoption could boost productivity growth, since major economies in the region rank high in terms of readiness for AI adoption, which could underpin stronger-than-expected regional growth (Cazzaniga et al. 2024; World Bank 2024b). Gains from higher technology-led investment in advanced economies could also spill over to the EAP region.

FIGURE 2.1.4 EAP: Risks

EAP is especially vulnerable to the impacts of heightened trade policy uncertainty given its openness and larger shares of investment in GDP in many regional economies. Economies with large export-oriented manufacturing sectors are at particular risk if there is a reemergence of trade tensions and higher trade barriers. Higher borrowing costs could put financial pressure and dampen investment in many economies in the region, especially in those that have elevated debt levels. Climate-related and other natural disasters, notably storms and earthquakes, pose an important downside risk, especially in the region's numerous small states.



Sources: EM-DAT (database); Haver Analytics; International Monetary Fund; World Bank.

Note: CHN = China; EMDEs = emerging market and developing economies; FJI = Fiji; FSM = the Federated States of Micronesia; IDN = Indonesia; KHM = Cambodia; LAO = Lao PDR; MMR = Myanmar; MNG = Mongolia; MYS = Malaysia; PHL = the Philippines; PLW = Palau; PNG = Papua New Guinea; SLB = Solomon Islands; THA = Thailand; TLS = Timor-Leste; TON = Tonga; VNM = Viet Nam; VUT = Vanuatu; WSM = Samoa.

A. Gross fixed capital formation as a percent of GDP. Line is the median of 108 EMDEs.

B. Line is the median of 102 EMDEs.

C. General government gross debt as a percent of GDP. Bars refer to the share in 2024. Diamonds show 2010-19 averages.

D. Frequency is calculated based on the annual number of natural disasters per 1 million square kilometers of land area. Natural disasters include droughts, earthquakes, extreme temperatures, floods, storms, volcanic activities, and wildfires. Last observation is end-2024.

TABLE 2.1.1 East Asia and Pacific forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections 2025f	2026f
EMDE EAP, GDP [1]	**3.6**	**5.2**	**5.0**	**4.5**	**4.0**	**4.0**	**-0.1**	**-0.1**
GDP per capita (U.S. dollars)	3.4	5.1	4.9	4.4	4.0	3.9	-0.1	-0.0
(Average including countries that report expenditure components in national accounts) [2]								
EMDE EAP, GDP [2]	3.6	5.3	5.0	4.5	4.0	4.0	-0.1	-0.1
PPP GDP	3.8	5.2	5.0	4.5	4.1	4.1	-0.1	-0.1
Private consumption	2.8	8.1	4.5	4.9	4.8	4.8	-0.2	-0.5
Public consumption	4.8	6.6	3.5	5.4	5.0	3.7	2.1	1.7
Fixed investment	3.5	4.4	3.8	4.7	4.0	3.8	0.9	0.2
Exports, GNFS [3]	1.5	0.4	10.8	2.3	2.7	2.9	-2.3	-0.3
Imports, GNFS [3]	-0.5	2.5	5.9	4.1	4.4	3.6	0.6	0.7
Net exports, contribution to growth	0.5	-0.4	1.3	-0.3	-0.2	0.0	-0.7	-0.2
Memo items: GDP								
China	3.1	5.4	5.0	4.5	4.0	3.9	0.0	0.0
East Asia and Pacific excluding China	6.0	4.3	4.9	4.2	4.5	4.7	-0.7	-0.2
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
Commodity exporters	5.3	4.8	4.7	4.3	4.7	4.7	-0.6	-0.1
Commodity importers excluding China	6.6	3.9	5.0	4.1	4.3	4.6	-0.8	-0.4
Pacific Island Economies [4]	6.8	4.2	3.8	4.1	3.3	3.0	-0.2	-0.1

Source: World Bank.

Note: e = estimate; f = forecast. EMDE = emerging market and developing economy; PPP = purchasing power parity. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates. Excludes the Democratic People's Republic of Korea and dependent territories.

2. Subregion aggregate excludes the Democratic People's Republic of Korea, dependent territories, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Myanmar, Palau, Papua New Guinea, Samoa, Timor-Leste, Tonga, Tuvalu, and Vanuatu, for which data limitations prevent the forecasting of GDP components.

3. Exports and imports of goods and nonfactor services (GNFS).

4. Includes Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu.

TABLE 2.1.2 East Asia and Pacific country forecasts [1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
Cambodia	5.1	5.0	6.0	4.0	4.5	5.1	-1.5	-1.0
China	3.1	5.4	5.0	4.5	4.0	3.9	0.0	0.0
Fiji	19.8	7.5	3.8	2.6	2.9	3.2	-1.0	-0.4
Indonesia	5.3	5.0	5.0	4.7	4.8	5.0	-0.4	-0.3
Kiribati	4.6	2.7	5.2	3.9	3.0	2.2	-0.2	-0.3
Lao PDR	2.7	3.7	4.1	3.5	3.4	3.4	-0.2	-0.3
Malaysia	8.9	3.6	5.1	3.9	4.3	4.3	-0.6	0.0
Marshall Islands [2]	-1.1	-3.9	3.4	3.3	2.7	2.3	-0.7	-0.5
Micronesia, Fed. Sts. [2]	-0.9	0.8	1.1	1.3	1.4	0.7	-0.4	0.3
Mongolia	5.0	7.2	5.0	6.3	5.2	5.2	-0.2	-0.9
Myanmar [2,3]	4.7	1.0	-1.0	-2.5	3.0	..	-4.5	..
Nauru [2]	2.8	0.6	1.8	1.4	1.3	1.3	-0.6	-0.6
Palau [2]	-1.3	1.9	9.3	8.6	3.5	2.4	-2.4	0.0
Papua New Guinea	5.7	3.8	3.8	4.7	3.5	3.1	0.1	0.0
Philippines	7.6	5.5	5.7	5.3	5.4	5.5	-0.8	-0.6
Samoa [2]	-5.3	9.2	9.4	5.3	2.6	2.1	-0.2	-0.2
Solomon Islands	2.4	2.7	2.5	2.6	2.7	2.9	-0.3	-0.2
Thailand	2.6	2.0	2.5	1.8	1.7	2.3	-1.1	-1.0
Timor-Leste	4.0	2.4	4.1	3.5	3.4	3.5	0.1	-0.2
Tonga [2]	0.0	2.0	1.8	2.2	1.8	1.6	-0.2	-0.2
Tuvalu	0.4	3.9	3.5	2.8	2.3	2.2	-0.2	-0.2
Vanuatu	5.2	2.2	0.9	-1.8	2.3	2.6	-3.3	0.2
Viet Nam	8.5	5.1	7.1	5.8	6.1	6.4	-0.8	-0.2

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

1. Data are based on GDP measured in average 2010-19 prices and market exchange rates.

2. Values for Timor-Leste represent non-oil GDP. For the following countries, values correspond to the fiscal year: the Marshall Islands, the Federated States of Micronesia, and Palau (October 1–September 30); Myanmar (April 1–March 31); Nauru, Samoa, and Tonga (July 1–June 30).

3. Data for Myanmar beyond 2026 (which corresponds to the year ending March 2027) are excluded because of a high degree of uncertainty. The 2026 forecast was not included in January 2025 *Global Economic Prospects*; therefore, the differences from January 2025 projection are not computed.

EUROPE and CENTRAL ASIA

Growth in Europe and Central Asia (ECA) is projected to slow to 2.4 percent in 2025. Although growth is expected to edge up to 2.6 percent in 2026-27, it will remain below its 2010-19 average, limiting progress in job creation and income convergence. A challenging external environment—marked by rising trade restrictions and heightened policy uncertainty—is expected to weigh on ECA activity this year, given the region's strong linkages to the global economy via trade, commodities, investment, financial, and confidence channels. The substantial deceleration in regional growth in 2025 reflects a stepdown in activity in the Russian Federation due to monetary tightening, while the slowdown is set to be more modest in many other ECA economies. Downside risks to the outlook include a prolonged extension or intensification of Russia's invasion of Ukraine, a further escalation of global trade tensions and policy uncertainty—which could particularly harm economies dependent on manufacturing and commodity exports—weaker-than-expected euro area growth, and more persistent inflation. On the upside, growth could be boosted by an earlier-than-expected end of active hostilities associated with the invasion, or by faster and broader adoption of artificial intelligence (AI) technologies, particularly in economies with adequate digital infrastructure and human capital.

Recent developments

Growth in Europe and Central Asia (ECA) is estimated to have stabilized at 3.6 percent in 2024, with softening private consumption and investment balanced by a modest rebound in exports after two years of substantial weakness in trade. Excluding Russia, Türkiye, and Ukraine, growth in the region rose to an estimated 3.1 percent, led by a recovery in Poland on the back of strong private consumption supported by rising wages. Most high-frequency economic indicators pointed to a slowdown in early 2025 in the largest economies, particularly in new export orders owing to the anticipated impacts of rising trade barriers (figure 2.1.1.A). The announcement of higher U.S. tariffs in early April—building on previous measures—triggered a marked tightening of financial conditions in EMDEs, including ECA, where equity markets fell and sovereign spreads widened (figure 2.1.1.B). Conditions improved after these tariff increases were paused.

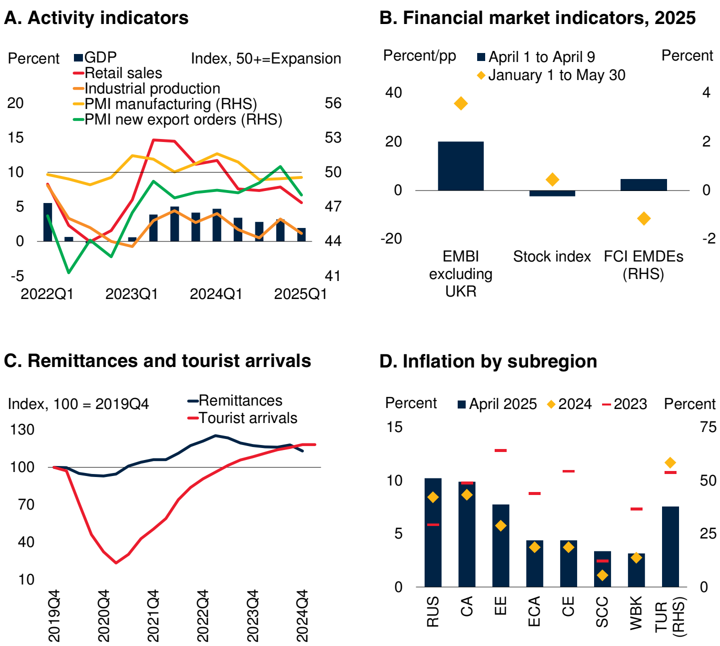
Activity in the region continued to face external headwinds, with weak growth in key trading partners, particularly the euro area, restraining exports in Central Europe and the Western Balkans. Tourism and remittances remained notable growth drivers, although their contribution to activity was more moderate than in previous years. Tourist arrivals in early 2025 exceeded pre-pandemic levels by 18 percent, while remittance inflows through end-2024 held steady at around 11 percent above pre-invasion levels (figure 2.1.1.C).

In Russia, growth rose to 4.3 percent in 2024, supported by solid growth in manufacturing activity, particularly in military-related and import-substituting industries. However, the sharp year-on-year slowdown in the first-quarter suggests a weakening in economic activity. Despite policy rate hikes, to a record high of 21 percent in October 2024, headline inflation exceeded 10 percent in early 2025 amid elevated fiscal spending and labor shortages. In addition, the corporate profit tax rate was raised from 20 to 25 percent in January, weighing on domestic demand. Oil output is estimated to have declined slightly to 9.1 mb/d in early 2025, down 0.2 mb/d from 2024 (IEA 2025).

Note: This section was prepared by Marie Albert.

FIGURE 2.2.1 ECA: Recent developments

Leading activity indicators in the three largest ECA economies—the Russian Federation, Türkiye, and Poland—point to a slowdown in activity in early 2025. The early-April announcement of U.S. tariffs was accompanied by tighter financial conditions, equity price declines, and wider sovereign spreads, though these trends have improved following some de-escalation in trade tensions. As of the end of 2024, remittance inflows and tourist arrivals continued to exceed pre-pandemic levels, although their pace has moderated. Inflation remains elevated across most subregions.



Sources: Bloomberg; Goldman Sachs; Haver Analytics; World Bank.

Note: CA = Central Asia; CE = Central Europe; ECA = Europe and Central Asia; EE = Eastern Europe; FCI = Financial Conditions Index; pp = percentage point; RUS = Russian Federation; SCC = South Caucasus; TUR = Türkiye; UKR = Ukraine; WBK = Western Balkans.

A. GDP, retail sales, and industrial production are GDP-weighted averages of year-on-year growth rates for Poland, the Russian Federation, and Türkiye. PMI indices are GDP-weighted indices. Last observation is 2025Q1.

B. Bars denote the change in the stock index and FCI and the change for the EMBI spread in percentage points between April 1 and April 9, 2025. Diamonds show the changes between January 1, 2025 and May 30, 2025. The EMBI average spread for ECA, excluding Ukraine, includes 8 economies. ECA average of national benchmark stock indexes includes 16 countries. FCI is computed by Goldman Sachs for EMDEs, and larger positive changes indicate tighter financial conditions. Last observation is May 30, 2025.

C. Blue line shows the four-quarter moving average of remittance inflows. Remittance inflows are the sum of personal transfers and compensation of employees. Red line represents the 12-month moving average of tourist arrivals. Sample includes 22 ECA economies in remittance inflows data and 13 economies in tourist arrivals. Last observation is 2024Q4 for remittances and 2025Q1 for tourist arrivals.

D. Bars represent average year-on-year inflation in April 2025. Diamonds and dashes show the average year-on-year inflation in 2024 and 2023, respectively.

Türkiye's growth softened slightly in 2024 to 3.2 percent, primarily reflecting earlier policy interest rate hikes, and decelerated further early 2025. Financial market volatility intensified in mid-March 2025 owing to domestic uncertainties before stabilizing: the Turkish lira hit a record low, reserves declined sharply, and sovereign credit default swap premia rose. Although monetary policy has remained tight, since December 2024 the central bank has cut its policy rate from 50 to 42.5 percent by March 2025, as inflation had nearly halved over the year. However, the policy rate was raised in April due to domestic and global market volatility, signaling a commitment to price stability.

Growth in Ukraine slowed to 2.9 percent in 2024, as the output gap narrowed and energy shortages caused by Russian attacks on infrastructure continued to disrupt activity. Services activity remained resilient, supported by strong consumption. Inflation jumped to 15.1 percent year-on-year in April, largely driven by rising wages and energy tariffs, currency depreciation, and a weaker harvest. Since November, the central bank has raised interest rates three times, from 13 percent to 15.5 percent. Discussions of a potential ceasefire began earlier in the year, but prospects of a lasting resolution remain uncertain.

Median regional headline inflation rose for about six months following September 2024, reflecting faster growth of food prices, an increase in regulated prices, and robust wage growth—particularly in Central Asia, where recent wage growth has exceeded pre-pandemic rates (EBRD 2025; IMF 2025). Since March 2025, inflation has moderated somewhat but remained above 4 percent in most ECA subregions (figure 2.1.1.D). Combined with the ECA median real interest rate remining below 2 percent since early 2025—lower than in the previous year—most central banks have paused further policy easing, given the limited room for additional cuts.

Outlook

Growth in ECA is forecast to slow to 2.4 percent in 2025 before firming slightly to an average of 2.6 percent in 2026-27—below the region's 2010-19 pace of 3.2 percent—reflecting the weakening external environment and a stepdown in growth in Russia (figure 2.2.1.A; table 2.2.1).[1] The slowdown projected for this year is expected to be broad-based across the region, with about three-quarters of ECA's economies anticipated to

[1] The baseline projections assume that the tariffs in place in late May will prevail for the rest of the forecast horizon.

decelerate. Over 2026-27, growth is expected to edge up, supported by a modest increase in investment as the impact of previous monetary tightening fades and by a gradual recovery of exports as growth in the euro area firms.

Given the region's close ties to the global economy, the deterioration in the external environment—including rising trade tensions, elevated global uncertainty, weakening confidence, and renewed financial market volatility—is expected to dampen activity. Growth forecasts this year have been downgraded in nearly three-quarters of ECA's economies. Trade and financial flows this year are expected to be hampered by the euro area slowdown, the region's largest partner. Heightened global uncertainty and weaker confidence are anticipated to weigh on the region's investment outlook. Lower global commodity demand and prices are expected to have mixed effects across the region—negatively affecting energy exporters, such as Azerbaijan, Kazakhstan, and Russia, and metal exporters particularly exposed to China's slowdown, such as Tajikistan, while benefiting energy importers like Türkiye (World Bank 2025d).

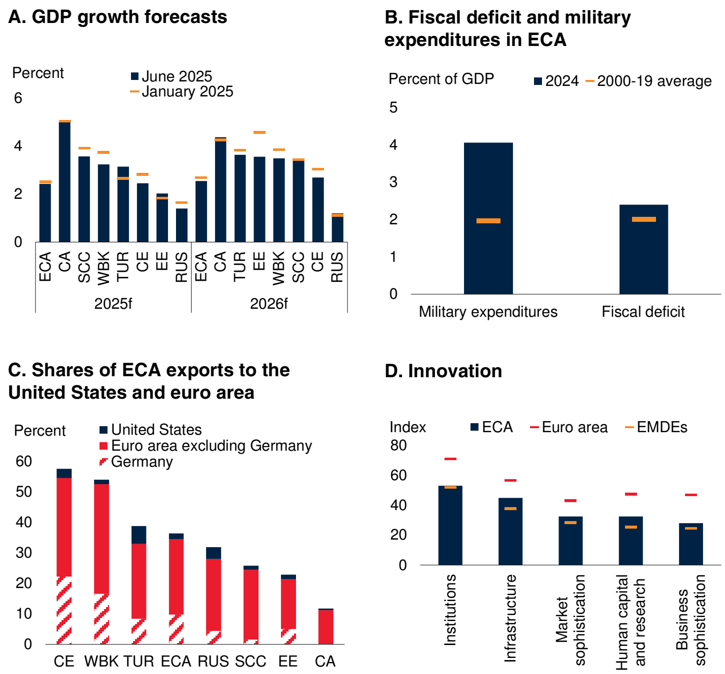
Inflation is projected to remain above target in most ECA countries, limiting the room for monetary policy easing. In addition to persistent underlying domestic pressures—such as tight labor markets and sustained demand in the services sector—the increase in trade barriers is expected to slow the disinflation process, notably by raising input costs, although this may be partly offset by declining commodity prices.

Fiscal deficits have widened relative to the pre-pandemic decade, partly due to rising military expenditures, and are expected to increase further in 2025, before a gradual shift toward fiscal consolidation (figure 2.2.2.B). Poland and Romania are under the European Union's excessive deficit procedures, and their fiscal deficits, projected to exceed 5 percent of GDP in 2025, highlight rising fiscal risks.

In Russia, growth is forecast to decelerate to 1.4 percent in 2025 and average 1.2 percent in 2026-27 (table 2.2.2). The marked slowdown this year is largely driven by weakening private and public

FIGURE 2.2.2 ECA: Outlook

Growth in ECA is projected to slow to 2.4 percent in 2025, before edging up to 2.5 percent in 2026. Fiscal deficits have widened relative to the pre-pandemic decade, partly due to an increase in military expenditures, and may rise further this year. Central Europe and the Western Balkans are likely to be most affected by weak euro area growth, given their tight economic linkages with the bloc, though Germany's fiscal support package may provide some offset. Insufficient innovation, which remains below euro area levels, limits potential growth.



Sources: Digital Progress and Trends Report 2023 (World Bank); International Monetary Fund; Stockholm International Peace Research Institute; World Bank; World Integrated Trade Solution; World Intellectual Property Organization (database).

Note: f = forecast. CA = Central Asia; CE = Central Europe; ECA = Europe and Central Asia; EE = Eastern Europe; RUS = Russian Federation; SCC = South Caucasus; TUR = Türkiye; WBK = Western Balkans.

A. Bars and dashes represent GDP growth forecasts for 2025 and 2026, as reported in the June 2025 and January 2025 editions of *Global Economic Prospects*.

B. Bars show average military expenditures in ECA and the fiscal deficit for 2024 in percentage of GDP; dashes indicate the average values for the period 2000-19. Sample includes 21 ECA economies for military expenditures data and 22 economies for fiscal deficit.

C. Blue bars show the share of exports to the United States. Red solid bars represent the share of exports to the euro area except Germany, and red striped bars the share of exports to Germany. Last observation is 2023 (2021 for Belarus, the Russian Federation, and Tajikistan).

D. Bars show normalized scores (on a 0-100 scale) for the five input pillars captured by the Global Innovation Index for 2022. Red and orange dashes represent the normalized scores for the euro area and EMDEs, respectively. Higher scores indicate a higher degree of innovation. Sample includes 21 ECA economies and 96 EMDEs. Last observation is 2022.

consumption amid the lagged effects of previous monetary policy tightening, sluggish growth in real wages, and a moderation of state-led corporate lending. Growth and fiscal revenues are expected to be dampened by lower global energy prices. Export growth is expected to be muted, while imports are projected to slow due to weaker domestic demand and tighter payment sanctions. Labor shortages, exacerbated by negative demographic trends, and restricted access to markets and technologies are expected to continue to limit long-term growth (CEPR 2024).

In Türkiye, growth is projected to slow to 3.1 percent in 2025, before edging up to 3.6 percent in 2026 and 4.2 percent in 2027. Relatively moderate growth in 2025 reflects the effects of still-tight monetary policy, expected fiscal consolidation, and subdued global activity amid heightened uncertainty. The 0.5 percentage point upward revision for growth in 2025 since January largely stems from previous momentum, including stronger-than-expected growth in the fourth quarter of 2024, and lower global oil prices. Private consumption is expected to remain the main growth driver in 2026-27, supported by continuing disinflation. Export growth is likely to be limited by the real appreciation of the lira, subdued euro area demand, and uncertainty surrounding trade policies in major economies.

Ukraine's growth is projected to rise from 2 percent in 2025 to 5.2 percent in 2026 and then ease to 4.5 percent in 2027, assuming the invasion extends through end-2025, with active hostilities winding down afterward. Shortages of labor, energy, and other inputs are expected to constrain activity this year. The projected pick-up in growth for 2026 assumes a surge in investment in manufacturing and reconstruction, while the export recovery is expected to remain limited due to a challenging trade environment and economic uncertainty. The reconstruction and recovery costs are estimated at $524 billion—almost three times Ukraine's GDP in 2024 (World Bank 2025e).

In contrast to other subregions, and despite a challenging external environment, growth in Central Europe is forecast to firm to 2.4 percent in 2025, driven by Poland. The country's growth is expected to be supported by robust wage growth and a projected increase in investment from EU funding. Weak euro area demand is envisaged to weigh on exports, while its subdued recovery is expected to support a modest rebound of the subregion to 2.7 percent in 2026-27. Germany's newly legislated fiscal support package may help offset some of the external drag—particularly in the coming years—benefiting the subregion, which sends about 22 percent of its exports to Germany, notably Poland and Romania (figure 2.2.2.C).

Growth in the Western Balkans is forecast to slow slightly to 3.2 percent in 2025 before picking up to an average of 3.6 percent in 2026-27. While subdued euro area growth and ongoing global trade policy uncertainty are expected to limit export expansion, private consumption, supported mainly by robust real wages, is projected to drive growth, especially in Kosovo, Montenegro, and Serbia (World Bank 2025f).

In the South Caucasus, growth is projected to slow to 3.6 percent in 2025 and 3.4 percent in 2026-27. Growth in Azerbaijan is expected to be affected by declining oil production alongside weakening global demand and lower oil prices. Growth in Armenia and Georgia is projected to ease—reflecting softer domestic demand and a slowdown in re-exports—and converge toward potential rates.

Central Asia's growth is forecast to decelerate to 5.0 percent in 2025 and 4.3 percent in 2026-27. Private consumption is expected to soften due to persistently high inflation. Trade growth in the subregion is projected to remain subdued, reflecting weaker growth in China and Russia, along with ongoing global trade uncertainty. Energy and metal exporters, in particular, are likely to face headwinds from lower global oil and metal prices, which will reduce exports and fiscal revenues.

Since the global financial crisis, many ECA countries have faced growing challenges in achieving sustainable growth, exacerbated in recent years by the pandemic and the invasion of Ukraine. Progress with structural reforms has slowed. Key constraints on growth include shortages of skilled labor, declining educational quality, and limited innovation—below euro area levels—further compounded by the dominance of state-owned enterprises and a lack of competition in many cases (figure 2.2.2.D; Iacovone et al. 2025; World Bank 2025g). Structural challenges continue to hold back the pace of growth needed to support job creation and retain skilled labor, contributing to emigration to advanced European economies.

Risks

Risks to the regional outlook remain tilted to the downside, including the possibility of prolonged extension or intensification of Russia's invasion of Ukraine, a further escalation of global trade tensions, weaker-than-expected euro area growth, and more persistent inflation. Higher uncertainty surrounding these risks has intensified since the beginning of the year. On the upside, an early and durable resolution of the invasion could boost regional growth, while faster and broader adoption of AI technologies could strengthen growth in the longer term, particularly in economies with adequate digital infrastructure and human capital skills.

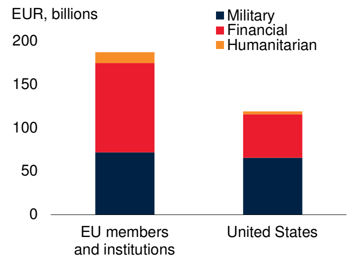
The uncertain trajectory of the invasion presents a two-sided risk for the region. On the upside, an earlier-than-expected end of hostilities could accelerate reconstruction-driven investment in Ukraine and improve Russia's outlook through sanctions relief (BOFIT 2025). A boost in confidence would benefit the broader ECA region, though direct trade spillovers are likely to be limited given many countries' relatively low economic exposure to Russia and Ukraine. On the downside, without a strong peace agreement, a prolonged extension or intensification of the invasion could further weaken Ukraine's economy, deepen distortions in Russia, and keep geopolitical tensions high. A disruption to financing flows to Ukraine would heighten these risks, as the country's external funding remains heavily reliant on continued support from the EU and the United States (figure 2.2.3.A).

A renewed escalation of global trade tensions, leading to additional increases in trade restrictions and policy uncertainty, would hinder trade and growth in the region. While the direct impact on ECA would likely be limited by the region's modest trade exposure to the United States—averaging about 2 percent of goods exports, with Türkiye the highest at nearly 6 percent—indirect effects could be more substantial due to euro area exposure and increased competition in third markets (figure 2.2.2.C). With over half of the region's exports going to the euro area, any further weakening in EU demand could generate significant negative spillovers for ECA. Central Europe and the Western Balkans would be particularly vulnerable, given their high trade openness, strong integration into European value chains, and reliance on the manufacturing sector—especially the German automotive sector, which has already been targeted by U.S. trade

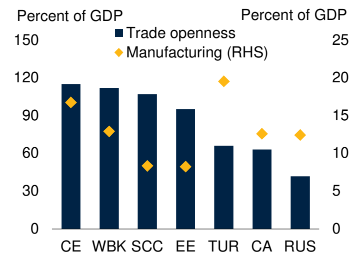
FIGURE 2.2.3 ECA: Risks

Risks to the outlook remain tilted to the downside. The evolution of Russia's invasion of Ukraine remains highly uncertain, with European and U.S. support playing a key role for Ukraine. Central Europe and the Western Balkans, the most trade-open subregions and with significant manufacturing sectors, could be among the most affected by trade disruptions. Elevated inflation may persist longer than expected, with risks of further increases and inflation remaining above central bank targets in many ECA economies. Countries with a high value-added share in GDP and strong AI preparedness, such as those in Central Europe, are likely to see significant productivity gains from the adoption of advanced technologies.

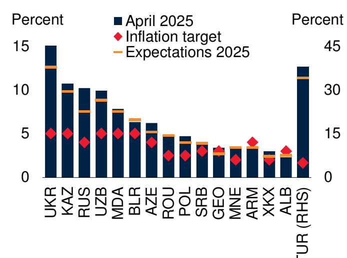
A. Ukraine aid by donor and type, 2022-24



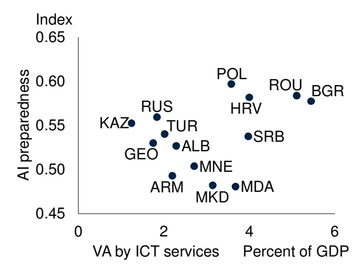
B. Trade openness and manufacturing value added



C. Inflation expectations



D. AI preparedness and ICT services



Sources: Cazzaniga et al. (2024); Consensus Economics; Haver Analytics; International Monetary Fund; Kiel Institute for the World Economy (database); Trebesch et al. (2023); World Bank.

Note: AI = artificial intelligence; ALB = Albania; ARM = Armenia; AZE = Azerbaijan; BGR = Bulgaria; BLR = Belarus; CA = Central Asia; CE = Central Europe; EE = Eastern Europe; EU = European Union; GEO = Georgia; HRV = Croatia; ICT = information and communication technology; KAZ = Kazakhstan; MDA = Moldova; MNE = Montenegro; MKD = North Macedonia; POL = Poland; ROU = Romania; RUS = Russian Federation; SCC = South Caucasus; SRB = Serbia; TUR = Türkiye; UKR = Ukraine; UZB = Uzbekistan; VA = value added; WBK = Western Balkans; XKX = Kosovo.

A. Bars show total military and non-military support to Ukraine, representing commitments made between January 24, 2022, and February 28, 2025.

B. Bars show the GDP share of exports and imports by ECA subregion. Diamonds represent the GDP share of value added by the manufacturing sector. Last observation is 2023.

C. Figure shows the Consensus Economics forecast of year-on-year inflation for 2025, based on the May 2025 surveys of 16 ECA economies. Inflation targets are as of May 2025. Last observation for headline inflation is April 2025.

D. Scatter plot shows the AI Preparedness Index calculated by the International Monetary Fund and the share of VA of ICT services in percentage of nominal GDP. The index scale ranges from 0 to 1, with higher values indicating greater AI preparedness. Last observation is 2023.

restrictions (figure 2.2.3.B). Additional trade disruptions could weaken household real incomes, reduce labor demand and profitability in exposed sectors, and dampen investment. A deterioration in consumer and business confidence—amplified by elevated or persistent policy uncertainty, particularly around trade—could further weigh on activity.

Persistently high inflation may lead to tighter monetary policy, which would weigh on growth. Inflation is already projected to remain above targets in 2025 in most ECA countries (figure 2.2.3.C). Tighter-than-expected labor markets, stronger wage growth, additional or larger tariffs on imported goods, and supply chains disruptions—particularly relevant for Central Europe—could further exacerbate inflationary pressures. Shifts in policy rate expectations or rising financial stress could trigger capital outflows and currency depreciation in vulnerable countries.

Climate change remains an important downside risk. Without adaptation, climate-related damages could reduce GDP by 5–6 percent in Tajikistan and up to 14 percent in Bosnia and Herzegovina by 2050, while flooding in Kazakhstan could lower GDP by 1.3 percent by 2060 (World Bank 2022, 2024c, 2024d). The energy transition also poses adjustment challenges—notably in the Western Balkans, where about 20 percent of the workforce in this subregion is likely to be at risk, particularly in high-emission sectors such as heavy manufacturing (World Bank 2025f).

The possibility of an accelerated adoption of new technologies, including generative AI, presents an upside risk to ECA's growth. With education reforms to equip workers for a technology-driven labor market, increased global investment in energy infrastructure, data centers, and R&D could generate spillovers through stronger external demand and rising trade in information and communications technology (Dalvit et al. 2023; World Bank 2024e). Central European countries, with the highest ICT value-added share of GDP and the region's strongest AI preparedness, are likely to benefit from significant productivity gains from the adoption of technology advances (figure 2.2.3.D).

TABLE 2.2.1 Europe and Central Asia forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections 2025f	2026f
EMDE ECA, GDP [1]	**1.5**	**3.6**	**3.6**	**2.4**	**2.5**	**2.7**	**-0.1**	**-0.2**
GDP per capita (U.S. dollars)	1.9	3.9	3.4	2.2	2.4	2.6	-0.1	-0.1
EMDE ECA excluding Russian Federation, Türkiye, and Ukraine, GDP	4.3	2.0	3.1	3.0	3.0	3.1	-0.3	-0.3
EMDE ECA excluding Russian Federation and Ukraine, GDP	4.8	3.2	3.1	3.1	3.3	3.6	0.1	-0.2
EMDE ECA excluding Türkiye, GDP	0.3	3.1	3.7	2.2	2.2	2.2	-0.3	-0.1
(Average including countries that report expenditure components in national accounts) [2]								
EMDE ECA, GDP [2]	1.2	3.5	3.4	2.2	2.4	2.6	-0.1	-0.1
PPP GDP	0.6	3.6	3.4	2.2	2.4	2.6	-0.1	-0.2
Private consumption	5.0	6.6	4.3	3.0	2.9	3.0	0.6	0.1
Public consumption	3.6	3.7	3.3	1.6	1.6	1.5	-1.0	-0.2
Fixed investment	1.9	11.4	1.9	2.3	3.1	3.2	-1.0	-0.5
Exports, GNFS [3]	0.0	-1.1	0.6	1.4	2.1	2.6	-1.2	-1.2
Imports, GNFS [3]	1.9	6.2	1.1	2.7	3.1	3.2	-1.1	-1.0
Net exports, contribution to growth	-0.7	-2.6	-0.2	-0.5	-0.4	-0.2	-0.1	-0.1
Memo items: GDP								
Commodity exporters [4]	-1.9	4.3	4.4	2.0	1.9	1.9	-0.2	0.0
Commodity exporters excl. Russian Federation and Ukraine	4.6	5.1	5.3	4.6	4.1	4.0	-0.1	0.1
Commodity importers [5]	4.8	2.9	2.8	2.8	3.1	3.5	0.0	-0.3
Central Europe [6]	4.8	0.6	2.1	2.4	2.7	2.8	-0.4	-0.3
Western Balkans [7]	3.4	3.4	3.6	3.2	3.5	3.7	-0.5	-0.4
Eastern Europe [8]	-20.0	4.6	3.1	2.0	3.6	3.2	0.2	-1.0
South Caucasus [9]	7.3	3.8	5.7	3.6	3.4	3.4	-0.3	0.0
Central Asia [10]	4.3	5.6	5.5	5.0	4.4	4.3	0.0	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

Source: World Bank.

Note: e = estimate; f = forecast. EMDE = emerging market and developing economy; PPP = purchasing power parity. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan owing to a lack of reliable data of adequate quality. Turkmenistan is excluded from cross-country macroeconomic aggregates. Since Croatia became a member of the euro area on January 1, 2023, it has been added to the euro area aggregate and removed from the ECA aggregate in all tables to avoid double counting.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates, thus aggregates presented here may differ from other World Bank documents.
2. Aggregates presented here exclude Azerbaijan, Bosnia and Herzegovina, Kazakhstan, Kosovo, the Kyrgyz Republic, Montenegro, Serbia, Tajikistan, and Uzbekistan.
3. Exports and imports of goods and nonfactor services (GNFS).
4. Includes Armenia, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Kosovo, the Russian Federation, Tajikistan, Ukraine, and Uzbekistan.
5. Includes Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Hungary, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, and Türkiye.
6. Includes Bulgaria, Hungary, Poland, and Romania.
7. Includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia.
8. Includes Belarus, Moldova, and Ukraine.
9. Includes Armenia, Azerbaijan, and Georgia.
10. Includes Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.

TABLE 2.2.2 Europe and Central Asia country forecasts [1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
Albania	4.8	3.9	4.0	3.2	3.1	3.1	-0.3	-0.2
Armenia	12.6	8.3	5.9	4.0	4.2	4.5	-1.0	-0.4
Azerbaijan	4.6	1.1	4.1	2.6	2.4	2.3	-0.1	0.0
Belarus	-4.7	3.9	4.0	2.2	1.2	0.8	1.0	0.4
Bosnia and Herzegovina [2]	4.2	2.0	2.6	2.7	3.1	3.5	-0.5	-0.8
Bulgaria	4.0	1.9	2.8	2.0	2.2	2.4	-0.8	-0.5
Croatia	7.3	3.3	3.9	3.1	3.0	2.8	0.1	0.2
Georgia	11.0	7.8	9.4	5.5	5.0	5.0	-0.5	0.0
Kazakhstan	3.2	5.1	4.8	4.5	3.6	3.5	-0.2	0.1
Kosovo	4.3	4.1	4.4	3.8	3.8	3.8	-0.1	-0.2
Kyrgyz Republic	9.0	9.0	9.0	6.8	5.5	5.8	2.3	1.0
Moldova	-4.6	1.2	0.1	0.9	2.4	4.4	-3.0	-2.1
Montenegro	6.4	6.3	3.0	3.0	2.9	3.0	-0.5	-0.3
North Macedonia	2.8	2.1	2.8	2.6	2.7	2.8	-0.4	-0.5
Poland	5.3	0.2	2.9	3.2	3.0	2.9	-0.2	-0.2
Romania	4.0	2.4	0.8	1.3	1.9	2.5	-0.8	-0.7
Russian Federation	-1.4	4.1	4.3	1.4	1.2	1.2	-0.2	0.1
Serbia	2.6	3.8	3.9	3.5	3.9	4.2	-0.7	-0.3
Tajikistan	8.0	8.3	8.4	7.0	4.9	4.7	1.0	-0.1
Türkiye	5.5	5.1	3.2	3.1	3.6	4.2	0.5	-0.2
Ukraine	-28.8	5.5	2.9	2.0	5.2	4.5	0.0	-1.8
Uzbekistan	6.0	6.3	6.5	5.9	5.9	5.8	0.1	0.0

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan owing to a lack of reliable data of adequate quality. Turkmenistan is excluded from cross-country macroeconomic aggregates.

1. Data are based on GDP measured in average 2010-19 prices and market exchange rates, unless indicated otherwise.

2. GDP growth rate at constant prices is based on production approach.

LATIN AMERICA and THE CARIBBEAN

Growth in Latin America and the Caribbean (LAC) is forecast to remain steady at 2.3 percent in 2025 and then firm to 2.5 percent, on average, in 2026-27. While Mexico is expected to be the economy most directly affected by the recent rise in trade barriers, the entire region will be indirectly impacted. Mexico, Central America, and the Caribbean are highly integrated into the U.S. economy through trade, investment, remittances, and financial linkages. Although domestic demand remains resilient, exports throughout the region are expected to weaken this year amid rising trade protectionism and policy uncertainty. The projected softening in commodity prices is set to weigh moderately on regional growth, as many countries are commodity exporters. Risks to the outlook remain tilted to the downside. More persistent or heightened policy uncertainty, additional trade barriers, and weaker-than-expected growth in major economies could further dampen activity. Tightening global financial conditions may continue to raise debt-servicing costs, possibly delaying ongoing fiscal consolidation in key LAC economies. The relatively subdued regional outlook, combined with lingering structural bottlenecks, could weaken momentum in job creation and further constrain per capita income gains.

Recent developments

Rising trade barriers and heightened uncertainty globally are weighing on activity in Latin America and the Caribbean (LAC), particularly through exports, investment, remittances, and confidence channels. Mexico, the region's second-largest economy, has been the most directly affected, with 25 percent tariff on non-United States-Mexico-Canada-Agreement (USMCA)-compliant imports into the United States. This has dampened Mexico's exports and increased uncertainty regarding its future trade with the United States, where 80 percent of its exports were destined in 2024, about half of which were non-compliant with the USMCA. Other major LAC economies, such as Argentina and Brazil, have been less impacted than Mexico because their share of exports to the United States is much smaller and they do not have the same tight manufacturing links (figure 2.3.1.A). Besides Mexico, all countries in the region face an increase in U.S. tariffs of 10 percent. Some countries, notably Brazil and Jamaica, also face tariffs on U.S.-bound steel and aluminum exports. However, key commodities, such as energy and copper, have been excluded from tariffs, reducing the overall impact on the region.

After a generally solid regional growth performance in the second half of 2024, early indicators for the first quarter of 2025 point to some weakening across large economies, particularly in industry. A continued rebound in Argentina and steady growth in Chile and Colombia were offset by weaker or subdued growth elsewhere. In Brazil and Mexico, a strong recovery in the agricultural sectors in the first quarter countered a contraction in industrial activity and nearly stagnant service sector growth. Recent Purchasing Managers' Indexes (PMIs) have signaled continued softness in activity. Consumer and business confidence in several large LAC economies have been volatile, with a gradual decline in consumer confidence in Brazil amid fiscal concerns. Indicators have been generally solid in Argentina (figures 2.3.1.B and 2.3.1.C).

Progress continues in keeping inflation relatively contained, although the final part of the disinflation process is proving difficult to tackle given the recent uptick in food inflation and the slowdown

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Note: This section was prepared by Francisco Arroyo-Marioli and Valerie Mercer-Blackman.

FIGURE 2.3.1 LAC: Recent developments

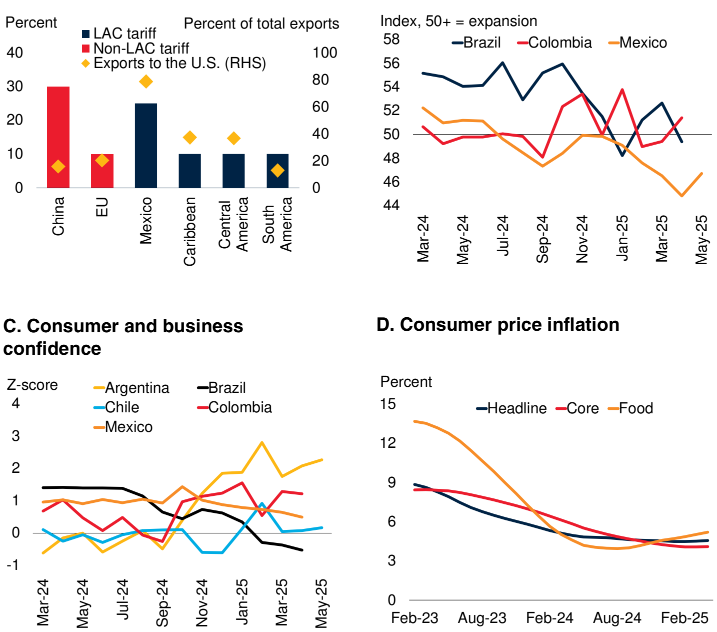
LAC countries face a 10 percent tariff increase on exports to the United States, except for Mexico, which faces a 25 percent tariff on non-USMCA-compliant goods. Eighty percent of Mexico's goods exports go to the United States, heightening its vulnerability to shifting U.S. trade policy. PMIs have softened in Mexico while remaining relatively volatile in Brazil and Colombia. In recent months, business confidence has gradually declined in Brazil amid fiscal concerns, while it has increased in Argentina on the back of key structural reforms. Headline inflation in some of the largest economies has hovered around 5 percent since early 2024 amid a recent uptick in food prices, while core inflation remains slightly above central bank targets.

A. U.S. tariffs and good exports to the U.S.

B. Purchasing managers' indices

C. Consumer and business confidence

D. Consumer price inflation



Sources: Haver Analytics; White House; UN Comtrade (database); World Bank.

Note: EU = European Union; LAC = Latin America and the Caribbean.

A. Bars denote general ad valorem tariffs on imports from trading partners imposed by the United States as of May 2025. Excludes product-specific tariffs. Shares of exports to the U.S. are calculated as the average of annual goods exports to the U.S. from 2020 to 2023, expressed as a percentage of each country's total goods exports. Central America includes Costa Rica, El Salvador, Guatemala, Honduras, and Panama. South America includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay. The Caribbean includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

B. A purchasing managers' index (PMI) of 50 or higher (lower) indicates expansion (contraction). Panel shows the composite PMI for Brazil and manufacturing PMI for Colombia and Mexico. Last observation is May 2025.

C. Panel shows the z-scores for business confidence in Chile and consumer confidence in Argentina, Brazil, Colombia, and Mexico. Last observation is May 2025.

D. Year-over-year consumer price inflation. Aggregate is 12-month moving weighted average for Brazil, Chile, Colombia, Mexico, and Peru. Last observation is April 2025.

in the pace of interest rate reductions. Twelve-month headline and core inflation have changed little since late 2023 despite easing commodity price pressures and slower demand growth (figure 2.3.1.D). In Brazil, inflation has exceeded 5 percent in recent months—above the central bank's target range—prompting increases in the policy rate. Chile's policy rates remained unchanged as inflation hovers around the upper end of its 4 percent target. In contrast, inflation rates in both Mexico and Peru have returned to targets as disinflationary policies have taken effect and demand has moderated. Mexico's central bank hastened the pace of policy rate cuts this year following a period of more cautious easing. Meanwhile, inflation in Colombia has remained above target as the monetary policy approach has led to continued easing.

Fiscal vulnerabilities have persisted amid declining commodity prices. Falling oil prices have complicated government finances in Colombia, Ecuador, and Mexico—and especially in Colombia, where the central government's budget deficit widened in 2024 and worsened further at the start of this year. In Brazil, the general government's primary fiscal deficit narrowed in 2024, driven by strong revenue growth and reduced expenditures. Overall, fiscal deficits remained in negative territory in 2024 in all the major South American countries except for Argentina, in large part due to high debt-servicing costs amid high interest rates.

In contrast, improved private savings led to an improvement in external balances. Falling oil prices helped to improve the external finances of net oil importers such as Chile, Peru, and most of Central America and the Caribbean. In contrast, agriculturally dependent economies, such as Brazil and Paraguay saw a dampening of export revenues as global grain prices moderated.

Outlook

Regional growth is projected to hold steady at 2.3 percent in 2025, with most major economies outside the Caribbean showing little dynamism, with the exception of Argentina, which is undergoing a recovery after two years of recession. It will then edge up to 2.5 percent on average in 2026-27, slightly above the region's subdued rate of potential growth (figure 2.3.2.A; table 2.3.1). Despite the projected improvement over the forecast horizon, LAC's growth is expected to be the lowest of all six emerging market and developing economy (EMDE) regions. Given the changes in the external environment, including increased trade tensions and falling commodity prices, the forecast implies a downward revision for the region's growth of 0.2 percentage point, with more than half of LAC economies experiencing a downgrade from previous projections.

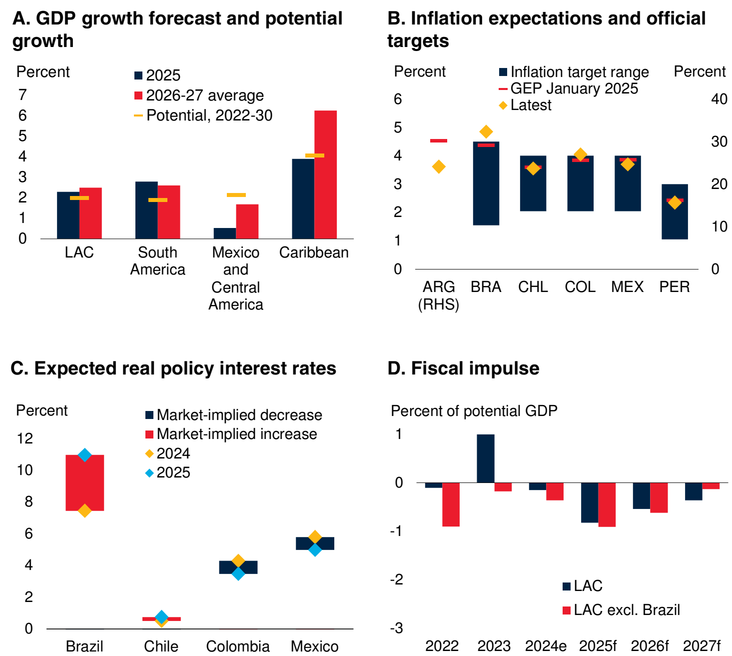
Following a rise in trade barriers with the United States and an associated increase in uncertainty, weaker export demand and private consumption growth are set to act as the main drag on growth in 2025. The baseline projections assume that the tariffs in place as of late May will prevail for the rest of the forecast horizon. Crude oil is exempt from U.S. tariffs, except for a 10 percent tariff on imports from Canada and a 25 percent tariff in imports from Mexico. Canada accounted for 77 percent of heavy U.S. crude oil imports in 2024. Consequently, oil exporters such as Colombia, Ecuador, and Guyana could benefit on the margin from trade diversion. For most other products, the region is unlikely to see gains from tariff-induced trade diversion toward China or other countries but instead will be weighed down by the dampening effect of uncertainty.

The growth forecast is constrained by limited room for policy maneuver. As inflation is forecast to remain close to the upper end of central bank target ranges in the short run in several countries, particularly in Brazil and Colombia, some central banks are expected to have little scope to reduce policy rates (figures 2.3.2.B and 2.3.3.C). Fiscal policies are projected to remain broadly contractionary in 2025, shifting toward a more neutral stance in 2026-27 (figure 2.3.2.D).

Growth in Brazil is expected to fall by a third, from 3.4 percent in 2024 to 2.4 percent in 2025, owing to slower consumption and much weaker investment growth amid tighter financial conditions and external headwinds, and is projected average 2.2 percent in 2026-27. The tightening of monetary policy since last September—with increases in the policy rate from 10.50 to 14.75 percent—should help reduce inflationary pressures, though it will weigh on investment and consumer spending. Fiscal sustainability concerns, combined with statutory limitations on adjusting the size and composition of its budget, are expected to limit Brazil's ability to strengthen growth through fiscal expansion in the short run.

FIGURE 2.3.2 LAC: Outlook

Growth in the region is expected to hold steady at 2.3 percent in 2025 and then pick up slightly in 2026-27 to stay above potential. Inflation in the largest LAC economies is generally expected to remain close to the upper limit of most central banks' target ranges. Consequently, market participants expect real policy interest rates to remain close to 2024 levels, apart from Brazil, where interest rates are expected to remain relatively high. The forecast assumes that fiscal consolidation in LAC will continue over the next few years.



Sources: Bloomberg; Consensus Economics; Haver Analytics; IMF *World Economic Outlook* (database); World Bank.

Note: e = estimate; f = forecast. ARG = Argentina; BRA = Brazil; CHL = Chile; COL = Colombia; EMBI = Emerging Market Bond index; LAC = Latin America and the Caribbean; MEX = Mexico; PER = Peru. RHS = right-hand side axis.

A. Period averages of annual GDP-weighted values. GDP weights are based on average real U.S. dollar GDP (at average 2010-19 prices and market exchange rates) for the period 2000-24. Data for 2022-30 are forecasts. Potential growth estimates are based on the production function approach. Country coverage for potential growth is based on data availability: South America includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Paraguay, and Uruguay. Mexico and Central America include Costa Rica, Guatemala, Honduras, Mexico, and Nicaragua. The Caribbean includes the Dominican Republic and Jamaica.

B. Red lines show one-year-ahead inflation expectations reported in the January 2025 *Global Economic Prospects* report. Yellow diamonds show the latest one-year-ahead inflation expectations based on Consensus Economics in May 2025. Blue bars denote inflation target ranges, which are set by the respective central banks.

C. Yellow diamonds denote the December 2024 policy rate minus the 2024 inflation expectation from Consensus Economics. Blue diamonds denote the 30-day rolling average of the one-year-ahead market-implied policy rate, using daily data from December 2024, minus the 2025 inflation expectation from Consensus Economics. Bars show the expected change in real interest rates from 2024 to 2025. Last observation is December 31, 2024.

D. Fiscal impulse is the annual change in the structural primary balance for 18 LAC economies, using data from the April 2025 IMF *World Economic Outlook* (database). A positive value indicates fiscal expansion, while a negative value indicates contraction. The structural primary balance refers to the general government structural balance excluding net interest costs.

However, maintaining credible fiscal consolidation efforts will yield growth dividends beyond the short term.

Mexico's growth forecast for this year has been downgraded markedly—by 1.3 percentage points—relative to previous projections, reflecting the impact of higher U.S. tariffs and slower U.S. growth, owing to Mexico's close integration with the U.S. economy. Growth is projected to drop to 0.2 percent in 2025 and then firm to 1.5 percent on average in 2026-27. Uncertainty related to the review of the USMCA is expected to dampen investor confidence and exports. Given Mexico's strong linkages with the U.S. auto industry, manufacturing exports are expected to be hard-hit. Additionally, real interest rates, though decreasing, are likely to remain elevated, which, combined with a declining fiscal deficit, is expected to restrain domestic demand.

Argentina's economy is forecast to rebound this year, expanding 5.5 percent, following two years of recession. For 2026-27, growth is projected to average 4.3 percent. The recovery is expected to be driven mainly by developments in the agriculture, energy, and mining sectors. Growth will be supported by macroeconomic stabilization, the elimination of currency controls, and newly enacted business-friendly reforms, which should enhance consumer and investor confidence. As part of the stabilization process, disinflation is expected to lead to real income gains for households, further supporting the recovery. The government is expected to continue maintaining fiscal surpluses in line with the new IMF-supported policy program.

Colombia's growth is projected to firm to 2.5 percent in 2025 and 2.8 percent on average in 2026-27, driven by private consumption and a partial recovery in private investment, supported by easing monetary conditions as inflation continues to moderate. The forecast assumes that the authorities will stabilize public debt through credible measures to reduce large budget deficits. Still, persistent uncertainty surrounding structural economic policies is expected to continue weighing on investor confidence, posing risks to medium-term growth prospects.

Chile's economy is projected to grow 2.1 percent in 2025, and an average of 2.2 percent in 2026-27. Domestic demand is expected to strengthen gradually as inflation returns to the central bank's target by the second half of 2025. Mining investments will bolster growth in the medium term. Continuing external demand for copper and lithium, critical inputs into renewable-energy technologies, should support export performance, particularly strong demand from China's renewable technologies sector. This would partially offset the impact of weak growth in the Chinese real estate sector, which was traditionally the largest buyer of copper and other industrial metals.

Peru's growth is expected to moderate slightly—to 2.9 percent in 2025 and an average of 2.5 percent in 2026-27. The slowdown reflects waning private consumption growth, an increase in uncertainty regarding domestic policy, heightened global volatility, and fiscal consolidation amid greater moderation in government consumption. Like Chile, growth is nonetheless expected to be underpinned by sustained investment in the mining sector, particularly in copper production, and in infrastructure projects.

Growth in the Caribbean economies is projected to remain solid, reflecting Guyana's continuing oil boom, with aggregate GDP expanding by 3.9 percent in 2025 and 6.2 percent on average in 2026-27. Guyana's strong performance has significantly boosted the subregion's overall growth prospects despite international oil price volatility. Growth in the subregion excluding Guyana will moderate to 3 percent in 2025 and 3.3 percent on average in 2026-27, underpinned by tourism and other services activities. The Dominican Republic is forecast to grow by 4 percent in 2025 and by an average of 4.3 percent in 2026-27, as it benefits from structural reforms aimed at attracting foreign investment. Jamaica's growth is projected to be more tepid, at 1.7 percent on average over 2025-27, mainly supported by reconstruction efforts, but converging to its potential growth rate. Haiti's economic outlook remains fragile and highly uncertain amid persistent political instability and security challenges, with the economy expected to contract 2.2 percent in 2025.

Central America's economic growth is projected to be 3.3 percent in 2025 and to rise to an average of 3.7 percent in 2026-27, despite headwinds from weaker growth in the United States. Activity is expected to be primarily supported by services exports and improved consumption amid gradually easing monetary policies across the subregion. Panama's growth is expected to rebound to 3.5 percent in 2025 and average 4.1 percent in 2026-27, bolstered by solid trade services growth related to the Panama Canal. Costa Rica's growth is projected to remain solid at 3.5 percent in 2025 and average 3.8 percent in 2026-27, supported by buoyant household consumption.

The estimated potential economic growth rate of LAC during 2011–21 was the lowest of all EMDE regions. Projected potential growth for the remainder of the 2020s implies a further slowdown amid declines in the growth rates of both total factor productivity and the labor force (figure 2.3.2.A; Kose and Ohnsorge 2023). While real wages have risen in most large countries amid tight labor markets, the challenge ahead will be to boost employment while raising comparatively low labor productivity. Although the region is projected to see only modest additions to its working-age population over the coming decades, some LAC economies are expected to see significant increases, compounding the jobs challenge.

Risks

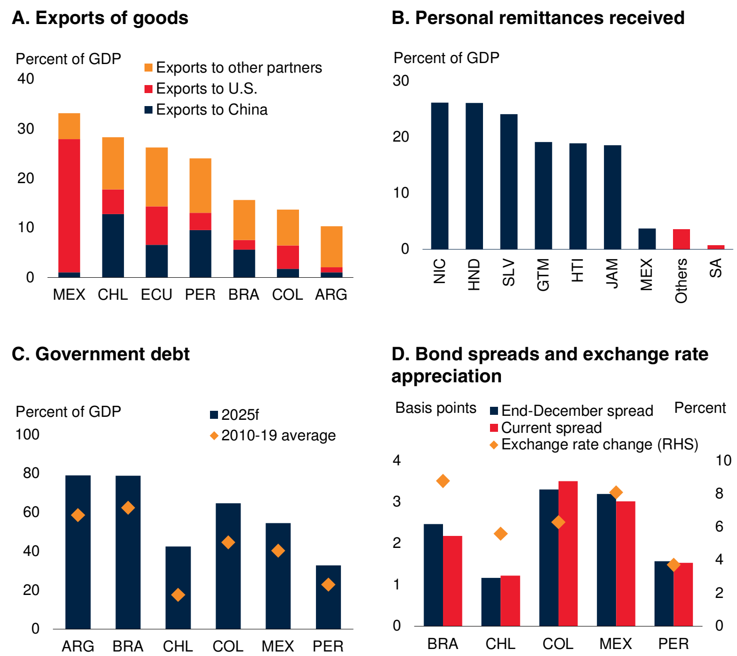
Risks are firmly tilted to the downside, reflecting the uncertain policy environment. Many of the identified risks, if they materialize, could have compounding effects. The direct effects of escalating trade barriers, the indirect dampening effects on export demand, and lower-than-expected commodity prices amid sluggish global growth could contribute to lower export revenue and undermine ongoing fiscal consolidation efforts in the region. The risks of weaker remittance flows is also a key obstacle to LAC's prospects.

Trade restrictions had been rising globally even before the increase in U.S. tariffs earlier this year, leaving growth in LAC vulnerable to downside risks from additional restrictive measures. For example, the USMCA contains a clause allowing for revisions in 2026, which could potentially trigger new protectionist actions and further weigh on Mexico's exports and economic outlook. The share of goods exports to GDP of Mexico, Chile, Ecuador, and Peru is between 25 and 35 percent, though exports from the latter three countries are much-more geographically diversified than Mexico's (figure 2.3.3.A). Additional trade measures would reduce growth by lowering demand for LAC's exports.

A sharper-than-expected slowdown in U.S. growth would significantly reduce demand for LAC countries' goods and services. Mexico is most vulnerable to a slowdown via its large manufacturing exports to the United States, which are part of tightly linked North American supply chains.

FIGURE 2.3.3 LAC: Risks

Downside risks to the outlook include a potential increase in trade tensions, which could dampen exports—particularly in Mexico, where exports to the U.S. alone comprise a large share of GDP. Lower global growth could affect remittance receipts, which are an important source of income, especially in Central America and the Caribbean. Lower growth could also make the needed fiscal consolidation more challenging, as LAC's major economies aim to lower government debt to levels closer to pre-pandemic averages. Although they are currently stable, bond spreads could increase if risk appetite weakens.



Sources: Haver Analytics; J.P. Morgan; UN Comtrade (database); World Bank.

Note: f = forecast. ARG = Argentina; BRA = Brazil; CHL = Chile; COL = Colombia; ECU = Ecuador; EMBI = Emerging Market Bond Index.; GTM = Guatemala; HND = Honduras; HTI = Haiti; JAM = Jamaica; MEX = Mexico; NIC = Nicaragua; SA = South America; SLV = El Salvador; PER = Peru.

A. Goods exports to the United States and China as a share of GDP. Last observation is 2023.

B. Bars show personal remittances received as a percentage of GDP in 2023. "Others" refers to other Central American and Caribbean countries not displayed individually in the figure.

C. General government gross debt as a percentage of GDP. Period averages of general government gross debt during 2010-19. Data for 2025 are projections.

D. EMBI bond spread and currency exchange rate in LAC countries. Exchange rate change refers to the nominal change in value against the U.S. dollar since end-2024. Last observation is May 19, 2025 for bond spreads and June 3, 2025 for exchange rates.

Activity in Central American and Caribbean economies would be affected, as these economies rely on the U.S. as a key market for their exports, particularly tourism and remittances. Remittance receipts could become less stable with slower U.S. growth or reduced employment opportunities for migrants: Labor markets in some LAC countries are already stretched as they integrate migrants from neighboring countries (World Bank 2025i). An erosion in the ability for migrants to transmit remittances could have additional negative impacts on incomes of remittance-receiving households; particularly in some Central American and Caribbean countries where remittances constitute about 20 percent of GDP (Figure 2.3.3.B). Aggregate spillover effects from the United States are significant, as declines in U.S. growth are generally associated with even larger growth declines in most EMDE economies (World Bank 2025h).

In many LAC economies—particularly those in South America—China is a key trading partner and commodity importer. If China's demand slowed, especially demand for metals, prices of industrial commodities such as copper could fall further (World Bank 2025d). This could dampen growth and fiscal revenues through lower demand for exports, particularly from Chile and Peru.

Fiscal positions have deteriorated since the decade before the pandemic, with increased debt burdens and higher borrowing costs (figure 2.3.3.C). While fiscal deficits across most LAC economies have narrowed since the pandemic's peak, they remain substantial. Should investors' concerns about the sustainability of these deficits increase amid tighter financial conditions, demand for government bonds issued by some governments in the region could fall. This could trigger further increases in borrowing costs, despite appreciating currencies amid an elevated current account deficit (figure 2.3.3.D). The resultant increase in debt-servicing costs could force more aggressive fiscal adjustments than currently planned, with contractionary effects on growth.

TABLE 2.3.1 Latin America and the Caribbean forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
EMDE LAC, GDP [1]	**4.0**	**2.4**	**2.3**	**2.3**	**2.4**	**2.6**	**-0.2**	**-0.2**
GDP per capita (U.S. dollars)	3.3	1.7	1.6	1.5	1.7	2.0	-0.3	-0.2
(Average including countries that report expenditure components in national accounts)[2]								
EMDE LAC, GDP [2]	3.9	2.3	2.2	2.2	2.3	2.5	-0.3	-0.2
PPP GDP	4.0	2.3	2.1	2.2	2.3	2.5	-0.3	-0.2
Private consumption	5.1	2.6	2.8	2.6	2.5	2.7	0.3	0.0
Public consumption	2.3	2.9	0.8	1.7	1.5	1.2	0.6	0.3
Fixed investment	5.1	2.4	2.5	2.1	2.0	2.3	-1.2	-1.5
Exports, GNFS [3]	8.2	-0.4	4.3	0.2	2.2	2.7	-2.8	-1.2
Imports, GNFS [3]	8.0	0.3	4.5	1.9	2.2	2.6	-0.7	-1.1
Net exports, contribution to growth	-0.1	-0.2	-0.1	-0.4	-0.1	0.0	-0.4	-0.1
Memo items: GDP								
South America [4]	3.7	1.8	2.3	2.8	2.6	2.6	0.1	-0.1
Central America [5]	5.7	4.9	3.5	3.3	3.6	3.8	-0.2	0.1
Caribbean [6]	7.8	4.3	6.9	3.9	5.8	6.7	-0.7	0.6
Caribbean excluding Guyana	5.0	2.0	3.2	3.0	3.1	3.5	-0.5	-0.4
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

Source: World Bank.

Note: e = estimate; f = forecast. EMDE = emerging market and developing economy; PPP = purchasing power parity. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time. The World Bank is currently not publishing economic output, income, or growth data for República Bolivariana de Venezuela owing to a lack of reliable data of adequate quality. República Bolivariana de Venezuela is excluded from cross-country macroeconomic aggregates.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates.

2. Aggregate includes all countries in notes 4, 5, and 6, plus Mexico, but excludes Antigua and Barbuda, Barbados, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Suriname.

3. Exports and imports of goods and nonfactor services (GNFS).

4. Includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, and Uruguay.

5. Includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

6. Includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

TABLE 2.3.2 Latin America and the Caribbean country forecasts [1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
Argentina	5.3	-1.6	-1.8	5.5	4.5	4.0	0.5	-0.2
Bahamas, The	10.8	2.6	1.9	1.1	1.2	1.3	-0.7	-0.4
Barbados	17.8	4.1	3.8	2.8	2.0	1.7	0.0	-0.3
Belize	9.4	1.1	8.2	2.8	2.4	2.3	1.6	1.9
Bolivia	3.6	3.1	1.4	1.2	1.1	1.1	-0.3	-0.4
Brazil	3.0	3.2	3.4	2.4	2.2	2.3	0.2	-0.1
Chile	2.2	0.5	2.6	2.1	2.2	2.1	-0.1	0.0
Colombia	7.3	0.7	1.6	2.5	2.7	2.9	-0.5	-0.2
Costa Rica	4.6	5.1	4.3	3.5	3.7	3.8	0.0	0.3
Dominica	5.6	4.7	4.6	4.3	3.4	2.8	0.1	0.2
Dominican Republic	5.2	2.2	5.0	4.0	4.2	4.4	-0.7	-0.8
Ecuador	5.9	2.0	-2.5	1.9	2.0	2.1	-0.1	-0.2
El Salvador	3.0	3.5	2.6	2.2	2.4	2.9	-0.5	-0.1
Grenada	7.3	4.7	3.7	3.8	3.4	2.7	0.0	0.0
Guatemala	4.2	3.5	3.7	3.5	3.8	3.8	-0.5	-0.2
Guyana	63.3	33.8	43.4	10.0	23.0	24.3	-2.3	7.3
Haiti [2]	-1.7	-1.9	-4.2	-2.2	2.0	2.5	-2.7	0.5
Honduras	4.1	3.6	3.6	2.8	3.4	3.7	-0.8	-0.2
Jamaica	5.2	2.6	-0.7	1.7	1.7	1.6	-0.5	0.1
Mexico	3.7	3.3	1.5	0.2	1.1	1.8	-1.3	-0.5
Nicaragua	3.8	4.6	3.6	3.4	3.3	3.3	-0.1	-0.3
Panama	10.8	7.4	2.9	3.5	3.8	4.3	0.5	0.3
Paraguay	0.2	5.0	4.2	3.7	3.6	3.6	0.1	0.0
Peru	2.8	-0.4	3.3	2.9	2.5	2.5	0.4	0.0
St. Lucia	20.4	2.2	3.7	2.8	2.3	1.9	0.0	0.0
St. Vincent and the Grenadines	5.0	5.8	4.5	4.9	2.9	2.7	1.4	0.0
Suriname	2.4	2.5	2.8	3.1	3.3	3.5	0.1	0.2
Trinidad and Tobago [3]	1.1	1.4	1.7	2.8	1.3	3.2	0.5	0.4
Uruguay	4.5	0.7	3.1	2.3	2.2	2.2	-0.3	-0.4

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

1. Data are based on GDP measured in average 2010-19 prices and market exchange rates.
2. GDP is based on fiscal year, which runs from October to September of next year.
3. Percentage point differences are relative to the World Bank's October 2024 forecast. The January 2025 *Global Economic Prospects* did not include forecast for Trinidad and Tobago.

MIDDLE EAST and NORTH AFRICA

Growth in the Middle East and North Africa (MNA) region is projected to strengthen to 2.7 percent in 2025 and average 3.9 percent in 2026-27, mainly due to an expansion of oil activity in oil exporters, which more than offsets the adverse effects of weakening external demand and lower oil prices. Growth in oil importers is also expected to rise, reflecting an assumed stabilization of armed conflicts in the region and waning inflationary pressures. Despite firming activity, growth forecasts for MNA this year and next have been downgraded from January projections amid a rise in trade barriers. Moreover, weaker growth prospects will exacerbate the region's looming jobs challenge, hindering the job creation needed to keep pace with rapidly expanding working-age populations. Downside risks to the outlook stem from the possibility that global trade tensions escalate further, policy uncertainty remains elevated, or global financial conditions deteriorate, possibly driven by higher global inflation. Also, lower-than-expected oil prices could adversely affect growth and fiscal revenue prospects in oil exporters, while a re-escalation of armed conflicts in the region could increase uncertainty and dampen growth.

Recent developments

Despite the rise in global trade tensions and heightened uncertainty, activity in MNA has strengthened, partly reflecting increased oil production and easing geopolitical tensions in the region. In oil exporters, oil activity is recovering following the April 2025 announcement of the phase-out of the voluntary oil production cuts by member countries of the Organization of the Petroleum Exporting Countries and other affiliated oil producers (OPEC+). Growth of non-oil activity in oil exporters has been resilient, particularly in the manufacturing and services sectors (figure 2.4.1.A).

In oil importers, growth of private sector activity, particularly industrial production, resumed in 2024, partly owing to reduced political tensions and macroeconomic stabilization in several economies, including the Arab Republic of Egypt (figure 2.4.1.B). Industrial activity, particularly in construction, has strengthened in Morocco, accompanied by a recovery in domestic demand. In contrast, activity in West Bank and Gaza has been devastated, with significant destruction of physical capital and massive humanitarian costs in Gaza, as well as heightened tensions in West Bank.

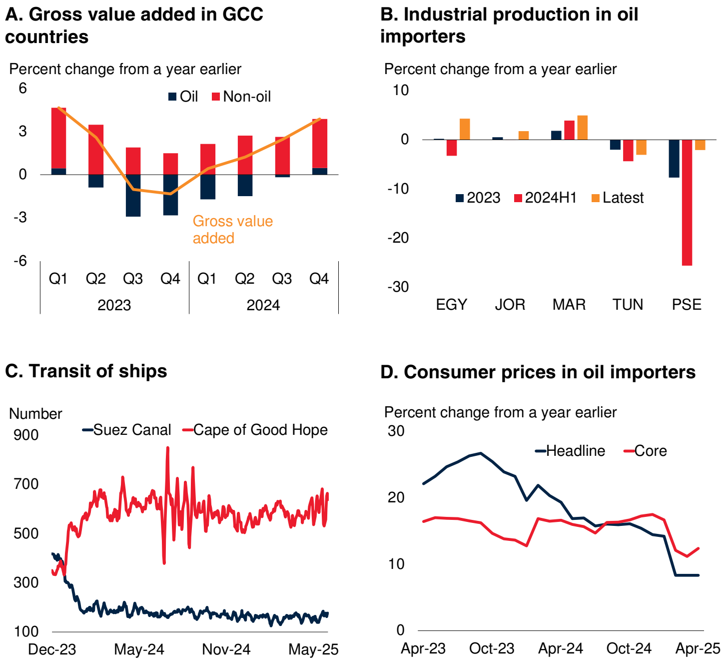
Geopolitical tensions in the Middle East moderated somewhat following ceasefires in late 2024 and early 2025 involving Israel, Lebanon, and West Bank and Gaza. However, violence has resumed in Gaza and Lebanon, and the situation remains highly fragile and uncertain. Tensions have remained high in other countries in fragile and conflict-affected situations (FCS). In the Syrian Arab Republic, the fragile situation has continued since the regime change last December. Transit of ships through the Suez Canal has remained limited by security concerns in the Republic of Yemen (figure 2.4.1.C).

The external positions of member countries of the Gulf Cooperation Council (GCC) have remained resilient. Growth of non-oil merchandise and services exports, including transportation and tourism, has been robust, mitigating the impact of reduced oil production on current accounts. A worsening of goods trade balances has heightened external sector pressures in non-GCC oil export-

Note: This section was prepared by Naotaka Sugawara.

FIGURE 2.4.1 MNA: Recent developments

Economic activity has been recovering in oil exporters, mainly reflecting a gradual increase in oil production with a phase-out of voluntary oil production cuts by major producers. In oil importers, growth in industrial production has strengthened, partly because of moderating political tensions and stabilizing macroeconomic conditions, and inflation has continued to decline. With the security situation in the Middle East remaining highly fragile, transit through the Suez Canal has remained low by historical standards.



Sources: Bloomberg; Haver Analytics; World Bank.

Note: EGY = Arab Republic of Egypt; FCS = fragile and conflict-affected situations; GCC = Gulf Cooperation Council; JOR = Jordan; MAR = Morocco; MNA = Middle East and North Africa; PSE = West Bank and Gaza; TUN = Tunisia.

A. Percent change in non-seasonally adjusted real output (gross value added) from a year earlier and contributions of respective components. Aggregates are calculated as weighted averages using value added at 2019 prices and market exchange rates as weights. Sample includes up to six countries.

B. Percent change in non-seasonally adjusted industrial production (or manufacturing production in the case of Morocco) from a year earlier. Latest refers to: March 2025 for the Arab Republic of Egypt, Jordan, and West Bank and Gaza; December 2024 for Tunisia; and 2024Q4 for Morocco.

C. The number of commercial ships—including container ships, bulk carriers, and tankers—that transit the Suez Canal and the Cape of Good Hope. Data are shown as a 7-day rolling sum. Last observation is May 30, 2025.

D. Percent change in non-seasonally adjusted headline and core consumer prices from a year earlier. Aggregates are calculated as weighted averages using nominal GDP in U.S. dollars as weights. Sample includes up to five oil importers excluding FCS countries. Last observation is April 2025.

ers, particularly those implementing OPEC+ production adjustments, including Algeria and Iraq. In oil importers, external pressures have eased, partly reflecting recoveries in tourism, spurred in part by moderating regional tensions. Foreign exchange reserves in Egypt have continued to rise, supported by a one-off large-scale investment deal with the United Arab Emirates, in addition to international financing. However, external accounts have continued to face pressure, as evidenced by the weak foreign asset position of commercial banks. In addition, the increases in U.S. import tariff rates announced in early April have raised uncertainty about prospects for exports from the region.

Inflation has remained well-contained in GCC countries, partly aided by their fixed exchange rate regimes. Headline and core inflation have eased in non-GCC oil exporters, primarily because of tight monetary policies, albeit with still-elevated price pressures, in the Islamic Republic of Iran. In oil importers, headline inflation has declined, while core inflation has remained persistent, keeping policy rates elevated (figure 2.4.1.D).

Outlook

Growth in MNA is expected to pick up to 2.7 percent in 2025 and strengthen further to 3.7 percent in 2026 and 4.1 percent in 2027. This primarily reflects a gradual expansion of oil production more than offsetting the effects of lower oil prices and weaker global demand, and despite the constraints on export activity from rising trade barriers (figure 2.4.2.A; table 2.4.1). Projected growth rates for 2025 and 2026 have been downgraded by 0.7 and 0.4 percentage point, respectively, from January projections, mainly due to the impact of increased trade restrictions and uncertainty on investment and export activity in the region, and for 2026, an expected delay in the start of reconstruction in West Bank and Gaza. Growth forecasts for 2025 or fiscal year (FY) 2025/26 have been downgraded in more than half of the countries.

The growth projections assume a continuation of the ceasefire agreement in Lebanon, and a resumption of truce involving West Bank and Gaza, as well as political stability in Syria, but there is considerable uncertainty surrounding these assumptions. The outlook also assumes that the tariffs in place in late May will prevail for the rest of the forecast horizon, with crude oil, natural gas, and refined products exempted from these tariffs.

Growth in GCC countries is forecast to increase to 3.2 percent in 2025, 4.5 percent in 2026, and 4.8 percent in 2027. The phase-out of OPEC+ oil production cuts starting in April 2025 is expected to lead to rising oil production, despite projected lower oil prices amid weakening global demand. Growth is also anticipated to continue to be boosted by expanding non-oil activity, particularly in the manufacturing, construction, and services sectors, in several economies, including Bahrain, Kuwait, Oman, and the United Arab Emirates. In Saudi Arabia, growth is set to increase to 2.8 percent this year, reflecting a gradual expansion of oil production (table 2.4.2). However, the forecast for 2025 has been downgraded by 0.6 percentage point, mainly because of expected lower oil prices and fiscal revenues leading to lower export proceeds, as well as heightened uncertainty curbing investment.

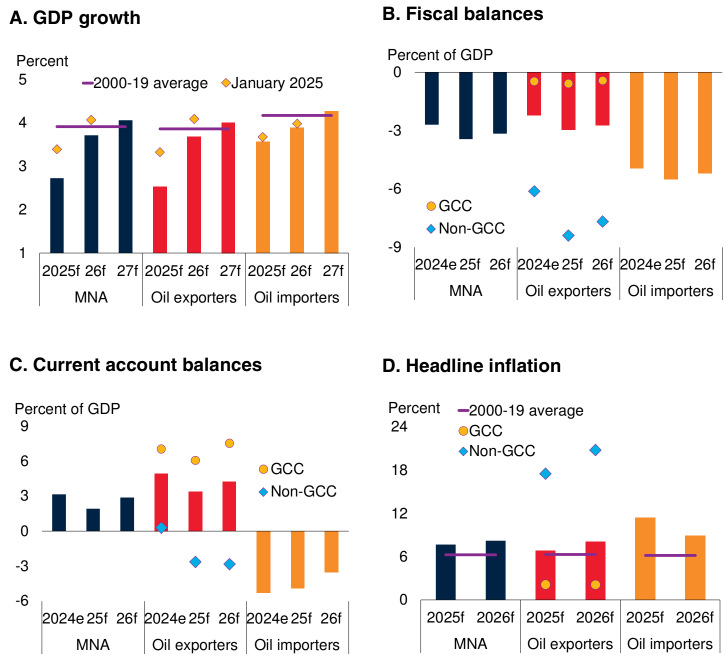
Among the oil exporters outside the GCC, GDP in the Islamic Republic of Iran is projected to contract by 0.5 percent in FY2025/26 (late-March 2025 to late-March 2026) and then increase at a subdued rate of 1.1 percent a year, on average, in the next two fiscal years. The outlook is weaker than in January, partly reflecting reduced oil demand from China, energy shortages, and elevated uncertainty constraining non-oil activity. Growth in Algeria is forecast to slow in 2025, mainly because of weaker public investment driven by lower oil prices and revenues, despite a production increase (World Bank 2025j). An expected adjustment in oil production—compensating for past over-production—and slower growth in non-oil activity are projected to moderate a rebound in activity in Iraq this year. In Libya, stronger growth in 2025 will be driven by an expansion of oil production and oil-related investments, assuming the maintenance of political stability.

In oil importers, growth is projected to pick up to 3.6 percent in 2025, 3.9 percent in 2026, and 4.3 percent in 2027, mostly owing to strengthening private consumption as inflation softens, a recovery in agricultural output, and assumed moderation of geopolitical tensions. In Egypt, growth is expected to inch up from 3.8 percent in FY2024/25 (July 2024 to June 2025) to 4.2 percent in FY2025/26 and 4.6 percent in FY2026/27, reflecting stronger private consumption, higher private investment—spurred by the implementation of the investment deal with the United Arab Emirates and anticipated monetary easing—and a gradual rebound in manufacturing activity. Growth in Jordan is projected to pick up over the forecast horizon, benefiting from expected greater stability in the region.

Growth in Morocco and Tunisia is expected to pick up to 3.6 percent and 1.9 percent, respectively, in 2025, assuming an improvement in weather conditions that allows a recovery in agricultural production (Cali et al. 2025). Industrial activity is set to weaken in Morocco, partly reflecting lower

FIGURE 2.4.2 MNA: Outlook

Growth in MNA is expected to strengthen to 2.7 percent in 2025 and to an average of 3.9 percent in 2026-27, driven mainly by a gradual expansion in oil production by oil exporters. In oil importers, growth is also expected to increase, supported partly by moderating inflation stimulating private consumption, even though fiscal policies are expected to become contractionary. Lower oil prices will contribute to a decline in current account deficits in oil importers but shrink surpluses in oil exporters.



Source: World Bank.
Note: e = estimate; f = forecast. GCC = Gulf Cooperation Council; MNA = Middle East and North Africa.
A. Aggregates are calculated as weighted averages using GDP at average 2010-19 prices and market exchange rates as weights. Diamonds for January 2025 refer to data presented in the January 2025 edition of the *Global Economic Prospects* report.
B.-D. Aggregates are calculated as weighted averages using nominal GDP in U.S. dollars as weights.

phosphate prices amid reduced external demand. In Djibouti, growth is projected to soften to a still-healthy 5.1 percent a year, on average, over the forecast period, fueled by port activity, export earnings, and major foreign investments in port infrastructure development.

In Lebanon, growth is projected to reach 4.7 percent this year, reflecting a rebound in tourism, a recovery in private sector activity, and a gradual increase in capital inflows, assuming the truce holds. In West Bank and Gaza, growth is expected to strengthen to 4 percent in 2026 and 16 percent in 2027 after a contraction of 1.6 percent in 2025, assuming reconstruction starts in 2026. Compared to previous projections, growth in 2026 has been downgraded by 12.5 percentage points, reflecting the recent resumption of violence, the lingering effects of the massive destruction of fixed assets in Gaza and mobility restrictions in West Bank, and resulting delays in expected reconstruction activity. In these two economies, the costs of recovery and reconstruction from the conflict are expected to be heightened (World Bank 2025k, 2025l). In Syria, activity is forecast to expand this year after two years of negative growth, mainly reflecting the improvement of foreign relations with major economies. In contrast, given the security situation, GDP in the Republic of Yemen is projected to contract again this year (World Bank 2025m).

Fiscal deficits in GCC countries are expected to widen in 2025, with declines in revenue stemming from lower global oil prices outweighing reductions in expenditure. In 2026, oil revenues are projected to increase, but deficits are anticipated to remain, partly owing to spending pressures, including in Saudi Arabia. Fiscal deficits in non-GCC oil exporters are forecast to deteriorate, mainly reflecting the effect of lower oil prices on revenues. In Libya, larger oil receipts, due to production expansion, are expected to improve fiscal balances. Fiscal deficits in oil importers are projected to widen in 2025, partly because of Egypt's higher interest payments and decline in non-tax revenues after a significant one-time increase from the investment deal with the United Arab Emirates. Fiscal policies in other oil importers, including Djibouti, Jordan, Morocco, and Tunisia, are expected to be contractionary this year. In 2026, deficits in oil importers are projected to decline slightly, as fiscal consolidation proceeds in Egypt in FY2025/26, by implementing a reduction in energy subsidies and enhancing tax revenue mobilization efforts.

GCC countries' current account surpluses are projected to shrink this year, with downward pressures on oil export receipts due to lower global oil prices (figure 2.4.2.C). In non-GCC oil exporters, current account balances are expected to deteriorate, mainly reflecting lower oil prices and a slowdown in oil exports, with increases in imports in Algeria and Iraq. In several oil importers, including Jordan, recoveries in tourism are expected to contribute to a shrinking of current account deficits, but in Morocco, increasing domestic demand is expected to contribute to a widening of its deficit. In Egypt, the current account deficit is forecast to narrow in FY2025/26, partly reflecting lower oil and natural gas prices, sustained strong remittances, and a vibrant tourism sector. Additionally, the non-oil trade deficit is likely to decrease as the effects of clearing import backlogs from FY2024/25 subside.

Inflation in GCC countries is projected to remain contained (figure 2.4.2.D). In contrast, it is expected to rise in non-GCC oil exporters, including the Islamic Republic of Iran, where rising fiscal and currency pressures are forecast to translate into rising prices. In oil importers, inflation is anticipated to decline further, allowing central banks to lower interest rates in several of them, supporting activity.

In oil importers, per capita income growth is projected to rise to 2.3 percent in 2025 and 2.8 percent a year, on average, in 2026-27, but the expected pace of growth is mixed across the group. Poverty rates will then increase this year in oil importers, particularly in FCS countries, including Syria and West Bank and Gaza. Poverty is also expected to remain elevated in Egypt, partly owing to persistent, though reduced, inflation, especially for food. Over 2026-27, poverty is forecast to decline gradually in oil importers, as per capita growth strengthens and inflationary pressures moderate.

Progress in reducing poverty will remain challenging in the longer term, absent structural reforms to lift growth and reduce labor market bottlenecks, especially in the context of a growing jobs challenge. In several economies, including Algeria, Egypt, Morocco, and Tunisia, expected average annual growth in the working-age population over the forecast horizon exceeds the average annual employment growth seen over 2010-19.

Risks

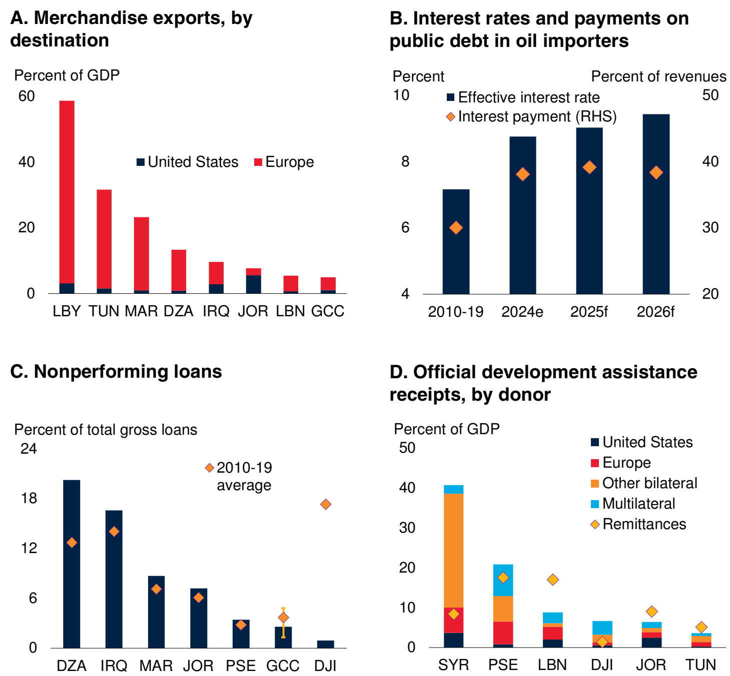
Risks to the outlook are tilted to the downside. The possibility of an intensification of trade protectionist measures by the region's trading partners remains a key risk. Heightened uncertainty regarding global trade policies, if sustained for an extended period, could also dampen business confidence, reducing investment in the region. Tighter-than-expected monetary policies due to stronger global inflationary pressures could raise borrowing costs and lead to capital outflows and currency depreciations. In oil exporters, declines in oil prices beyond what is embedded in the baseline could reduce fiscal revenues and growth prospects. A re-escalation of armed conflicts in the region, as well as surges in domestic violence and social unrest, along with more frequent and severe natural disasters could also dampen activity in the region.

Unexpected shifts in global trade policy, particularly intensified protectionist measures by trading partners, including Europe and the United States, could not only have direct effects on the region's exports—especially in oil importers—but also could have severe indirect effects on the region's economies through reduced external demand, affecting oil exporters as well. In most economies in the region, the direct impact of U.S. trade policy shifts is likely to be limited, given the small shares of exports to that country (figure 2.4.3.A). However, the intensification of protectionist policies against major export destinations, specifically in Europe, could indirectly damage economic activity in the region.

The recently heightened level of global economic policy uncertainty could reduce activity, including investment, in the region. Elevated uncertainty, especially if it is sustained for a longer period, could dampen business sentiment, resulting in reduced foreign investment in the region and increasing borrowing costs. In addition, increased trade policy uncertainty, such as the lack of clarity in future global trade arrangements, could lead to higher producer prices, as firms may raise prices to protect their profits amid reduced demand and

FIGURE 2.4.3 MNA: Risks

While the increase in U.S. tariffs may have limited direct effects on most economies in the region, they could be indirectly affected through lower growth of global trade and output, highlighting the possible impact of a further escalation in trade barriers. Heightened policy uncertainty could reduce investor confidence, raising borrowing costs, particularly in oil importers, where interest rates are already expected to remain high. The impact of tightening financial conditions could be exacerbated in economies with already high financial sector vulnerabilities, including bank balance sheets burdened by extensive non-performing loans. As foreign aid has been critical in fragile economies, further reductions in assistance could significantly worsen the situation in these economies.



Sources: International Monetary Fund; Organisation for Economic Co-operation and Development; United Nations Conference on Trade and Development; World Bank.

Note: e = estimate; f = forecast. DJI = Djibouti; DZA = Algeria; GCC = Gulf Cooperation Council; IRQ = Iraq; JOR = Jordan; LBN = Lebanon; LBY = Libya; MAR = Morocco; MNA = Middle East and North Africa; PSE = West Bank and Gaza; SYR = Syrian Arab Republic; TUN = Tunisia. Europe includes members of the European Union and the European Free Trade Association, European microstates, the United Kingdom, and their dependent territories.

A. Merchandise exports to the United States and Europe as a percent of GDP in 2024.

B. The effective interest rate is computed as interest payment divided by the average of government debt at the end of the current and previous years. Aggregates are calculated as weighted averages using nominal GDP in U.S. dollars (for the effective interest rate) and government revenues in U.S. dollars (for interest payment) as weights.

C. Blue bars are for the latest period with data: 2024Q4 for Iraq; 2024Q3 for GCC and Jordan; 2024Q2 for Djibouti and West Bank and Gaza; 2022Q4 for Morocco; and 2022 for Algeria. Data for GCC are computed as simple averages of data for Kuwait, Saudi Arabia, and the United Arab Emirates; a vertical yellow line shows the minimum-maximum range.

D. Gross official development assistance from donors, and receipts of remittances, as a percent of GDP in 2023.

heightened uncertainty. It could subsequently bring about increases in consumer prices and inflation expectations.

Global inflationary pressures could be higher, possibly triggered by price impacts of the rising trade restrictions and damage to global supply. A bout of higher inflation could pose substantial challenges to central banks and force a slower-than-expected pace of monetary policy easing, especially if inflation expectations show signs of de-anchoring. The resulting higher borrowing costs would weigh on private consumption and investment and also raise costs to service public debt, particularly in oil importers, whose debt-servicing burdens are projected to remain heavy (figure 2.4.3.B).

Tightening financial conditions, or weaker confidence, could also trigger capital outflows, particularly from countries in the region with weak and vulnerable financial sectors (figure 2.4.3.C). External financing needs remain large in several economies, and reduced access to foreign borrowing could dampen activity. In economies with constrained fiscal positions, further deteriorations of financial conditions could amplify macroeconomic vulnerabilities, raising inflation expectations.

In oil exporters, further declines in oil prices—resulting, for instance, from weaker global growth—and weaker demand from major export destinations, including China, could increase fiscal pressures and diminish growth prospects. While the phase-out of oil production cuts by OPEC+ members will benefit growth in oil exporters, lower oil prices could lessen the positive effects, including on revenue collection. If faced with a decline in oil revenues, several oil exporters—including the GCC countries—particularly those more dependent on oil, might need to tighten fiscal policy, which would weaken growth and slow economic diversification efforts. In contrast, lower oil prices could mitigate fiscal and external pressures in oil importers. However, such benefits could be partially offset by lower remittances, as the GCC countries are major destinations of workers in most oil importers (Gatti et al. 2025).

A re-escalation of armed conflicts, including in West Bank and Gaza, and of attacks in the Red Sea, could worsen consumer and business sentiment, particularly in neighboring economies. It could also trigger a wider increase in policy uncertainty and a tightening of financial conditions, dampening investment and overall activity. Heightened levels of domestic violence and social unrest could weigh on productivity and investment, particularly in FCS economies, and also worsen food insecurity in these economies and undermine economic development. In FCS economies, official aid from donor countries and institutions tends to be larger than remittance inflows and has been critical in reducing poverty and accelerating growth and development (figure 2.4.3.D). Further shrinkage of such assistance could amplify the risks of growth slowdown and stalled poverty reduction.

Many economies in the region are prone to severe weather events, including extreme heat, droughts, and floods, which could lower the growth of output and productivity. Drought conditions could acutely affect economies with large agricultural sectors, including Morocco and Tunisia, worsening living standards and increasing poverty (World Bank 2025n). More frequent and widespread severe weather events could also cause food price spikes and exacerbate poverty and food insecurity. They could displace workers and reduce employment opportunities, while disruptions to schooling due to such events could impair learning, diminishing human capital over the long run. Other natural disasters, including earthquakes, could also cause massive and lingering humanitarian and physical capital losses, particularly in economies with limited fiscal and institutional capacity to maintain infrastructure.

TABLE 2.4.1 Middle East and North Africa forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
EMDE MNA, GDP[1]	**5.4**	**1.6**	**1.9**	**2.7**	**3.7**	**4.1**	**-0.7**	**-0.4**
GDP per capita (U.S. dollars)	3.7	-0.2	0.3	1.3	2.4	2.7	-0.7	-0.3
(Average including countries that report expenditure components in national accounts)[2]								
EMDE MNA, GDP[2]	5.5	1.6	1.9	2.7	3.7	4.1	-0.7	-0.4
PPP GDP	5.3	1.9	2.1	2.7	3.6	3.9	-0.7	-0.4
Private consumption	4.8	4.6	4.5	3.8	3.5	3.4	0.1	-0.2
Public consumption	3.8	3.4	3.1	2.9	2.8	2.9	-0.2	0.1
Fixed investment	7.6	2.9	2.6	1.1	4.0	4.6	-3.4	-1.0
Exports, GNFS	12.0	1.4	1.1	3.7	6.3	6.1	-1.4	1.1
Imports, GNFS	9.7	6.3	6.6	4.5	5.8	5.5	-0.7	0.9
Net exports, contribution to growth	2.0	-1.5	-1.9	0.0	0.7	0.7	-0.3	0.2
Memo items: GDP								
Oil exporters[3]	5.8	1.3	1.9	2.5	3.7	4.0	-0.8	-0.4
GCC countries[4]	7.0	0.4	1.8	3.2	4.5	4.8	-0.1	-0.1
Non-GCC oil exporters[5]	3.5	3.1	1.9	1.3	2.2	2.5	-2.1	-0.8
Oil importers[6]	4.0	2.7	2.3	3.6	3.9	4.3	-0.1	-0.1

Source: World Bank.

Note: e = estimate; f = forecast. EMDE = emerging market and developing economy; GCC = Gulf Cooperation Council; GNFS = goods and non-factor services; MNA = Middle East and North Africa; PPP = purchasing power parity. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates. Excludes Lebanon, the Syrian Arab Republic, and the Republic of Yemen as a result of the high degree of uncertainty.
2. Aggregate includes all economies in notes 3 and 6 except Jordan, for which data limitations prevent the forecasting of GDP components.
3. Algeria, Bahrain, the Islamic Republic of Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
4. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.
5. Algeria, the Islamic Republic of Iran, Iraq, and Libya.
6. Djibouti, the Arab Republic of Egypt, Jordan, Morocco, Tunisia, and West Bank and Gaza.

TABLE 2.4.2 Middle East and North Africa economy forecasts[1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

							Percentage-point differences from January 2025 projections	
	2022	2023	2024e	2025f	2026f	2027f	2025f	2026f
Calendar year basis								
Algeria	3.6	4.1	3.6	3.3	3.2	2.9	-0.1	-0.1
Bahrain	6.2	3.9	3.0	3.5	3.0	2.8	0.2	-0.3
Djibouti	3.7	6.7	6.0	5.2	5.1	5.0	-0.1	0.2
Iraq [1]	8.0	0.5	-1.5	1.2	4.4	3.1	-2.3	1.4
Jordan	2.6	2.7	2.5	2.4	2.5	2.8	-0.2	-0.1
Kuwait	6.3	-3.6	-2.9	2.2	2.7	2.7	0.5	0.6
Lebanon [2]	-0.6	-0.8	-7.1	4.7	..	..	..	..
Libya	-8.3	10.2	-2.9	12.3	6.4	5.6	2.7	-2.0
Morocco	1.5	3.4	3.2	3.6	3.5	3.6	-0.3	0.1
Oman	8.0	1.2	1.7	3.0	3.7	4.0	0.6	0.9
Qatar	4.2	1.4	2.6	2.4	5.4	7.6	-0.3	-0.1
Saudi Arabia	7.5	-0.8	1.3	2.8	4.5	4.6	-0.6	-0.9
Syrian Arab Republic [2]	0.7	-1.2	-1.5	1.0	..	..	2.0	..
Tunisia	2.7	0.0	1.4	1.9	1.6	1.7	-0.3	-0.7
United Arab Emirates	7.6	2.9	3.9	4.6	4.9	4.9	0.6	0.8
West Bank and Gaza	4.1	-4.6	-26.6	-1.6	4.0	16.0	-6.3	-12.5
Yemen, Rep. [2]	1.5	-2.0	-1.5	-1.5	0.5	..	-3.0	..
Fiscal year basis [3]	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f	2025/26f	2026/27f
Iran, Islamic Rep.	3.8	5.0	3.0	-0.5	0.3	1.8	-3.2	-1.9
	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2024/25e	2025/26f
Egypt, Arab Rep.	6.6	3.8	2.4	3.8	4.2	4.6	0.3	0.0

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of economies' prospects do not significantly differ at any given moment in time.

1. Data are reported on a factor cost basis.

2. Forecasts for Lebanon (beyond 2025), the Syrian Arab Republic (beyond 2025), and the Republic of Yemen (beyond 2026) are excluded because of a high degree of uncertainty. Forecasts for Lebanon (2025) and the Republic of Yemen (2026) were not included in January 2025 *Global Economic Prospects*; therefore, the differences from January 2025 projection are not computed.

3. The fiscal year runs from March 21 to March 20 in the Islamic Republic of Iran, and from July 1 to June 30 in the Arab Republic of Egypt.

SOUTH ASIA

Although growth in South Asia (SAR) is projected to remain the fastest among the emerging market and developing economy regions, regional prospects are dimming alongside a rise in global trade barriers and elevated uncertainty. Growth is expected to moderate to 5.8 percent in 2025, and then average 6.2 percent in 2026-27, remaining below the pre-pandemic average and limiting the scope to spur a rapid expansion in jobs. Regional per capita income growth is anticipated to average 5 percent over the forecast period; however, excluding India, the pace is projected to be far more tepid, implying weak progress in poverty reduction and per capita income catch-up gains. Risks to the growth outlook are tilted to the downside, with intensified trade barriers and heightened global policy uncertainty representing the most pressing risks. Other downside risks include a tightening of global financial conditions—driven either by unexpectedly higher global inflation or a decline in global risk appetite—instability in the financial sector, surges in violence and social unrest, further declines in official aid, and extreme weather events.

Recent developments

After an unexpectedly weak outturn of 6 percent in 2024, activity in SAR is decelerating amid rising global trade barriers, heightened policy uncertainty, and financial market volatility. In India, growth moderated, reflecting a slowdown in investment on the demand side and a deceleration in industrial output growth on the supply side (figure 2.5.1.A). However, growth in construction and services activity remained steady, and agricultural output recovered from earlier severe drought conditions, supported by resilient demand in rural areas.

Growth in SAR excluding India has generally firmed. In Pakistan, growth is estimated to have inched up to 2.7 percent in FY2024/25 (July 2024 to June 2025), from 2.5 percent in the previous fiscal year, with modest expansions in both agricultural production and industrial output. In several countries, including Bhutan, Maldives, and Sri Lanka, the tourism sector performed strongly in early 2025. Industrial output growth rebounded in Sri Lanka in 2024, backed by increasing construction activity, while hydropower production in Bhutan gained steam, boosting cross-border sales and revenues. In Nepal, manufacturing production benefited from increased hydroelectricity generation.

However, in Bangladesh, growth is estimated to have slowed to 3.3 percent in FY2024/25 (July 2024 to June 2025), mainly reflecting the adverse effects of political turmoil in 2024. Heightened uncertainty and increased input costs impeded private investment, while industrial output declined due to a slowdown in imports of capital goods.

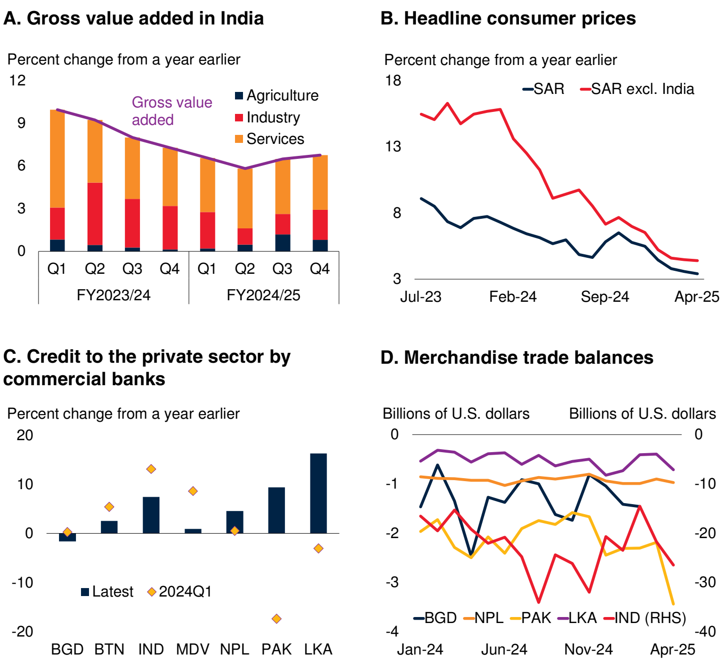
Inflation in the region, on average, has declined gradually (figure 2.5.1.B). Headline inflation has recently been within central banks' target ranges or below the targets in most economies, allowing for policy interest rate cuts. In India, the policy rate, which had remained unchanged since early 2023, was lowered in early 2025. In Pakistan, headline inflation fell below 2 percent in early 2025, while Sri Lanka has experienced deflation since September 2024. However, in Bangladesh, headline inflation has remained persistently above target, even after several increases in interest rates last year.

Expansion of private sector credit by commercial banks has slowed in India, mainly reflecting the

Note: This section was prepared by Naotaka Sugawara.

FIGURE 2.5.1 SAR: Recent developments

Activity has moderated in India—South Asia's largest economy—largely reflecting a slowdown in industrial production, offsetting steady services activity and the recovery in agricultural output. Inflation has declined in the region since early 2023, to rates within or below official target ranges in most countries. Although credit growth has weakened in most countries in the region, it strengthened in Pakistan and Sri Lanka as these economies recovered from earlier downturns. Goods trade balances have worsened in several countries, in part reflecting a rise in trade barriers.



Sources: Haver Analytics; World Bank.

Note: BGD = Bangladesh; BTN = Bhutan; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia.

A. Percent change in non-seasonally adjusted real output (gross value added) from a year earlier and contributions of respective components.

B. Percent change in headline consumer price index from a year earlier. Aggregates are calculated as weighted averages, using nominal GDP in U.S. dollars as weights. Last observation is April 2025. Sample includes up to eight countries.

C. Percent change in non-seasonally adjusted real credit to the private sector from a year earlier. Price levels are adjusted by headline consumer prices. Diamonds for 2024Q1 refer to average growth from January to March 2024. Latest refers to: April 2025 for Maldives, Nepal, and Pakistan; March 2025 for Bangladesh, India, and Sri Lanka; and November 2024 for Bhutan.

D. Merchandise trade balances in billions of U.S. dollars. Last observation is April 2025.

central bank's efforts to curb risks from unsecured credit (figure 2.5.1.C). Rising interest rates have led to softer credit growth in Bangladesh. In Nepal, bank credit expansion has remained low, due in part to subdued demand, while the quality of bank assets has deteriorated. In contrast, credit growth has increased in Pakistan and Sri Lanka, accompanied by recovering domestic demand and lower policy interest rates.

The region has seen solid inflows of remittances and large tourist revenues, contributing to reductions in external imbalances. Current account balances have improved in several countries in the region. However, India's merchandise trade deficit widened in April 2025, with imports—particularly of oil—increasing faster than exports, while services trade remained in surplus. In Pakistan, an increase in the merchandise trade deficit in April largely reflected a sharp decline in exports, which was in part attributable to increases in U.S. import tariff rates in early April (figure 2.5.1.D).

Outlook

Growth in SAR is expected to slow to 5.8 percent in 2025, as rising trade barriers weigh on exports, dampen business confidence, and weaken investment in the region (figure 2.5.2.A; table 2.5.1). As a result, the forecast for SAR growth has been downgraded by 0.4 percentage point relative to previous projections. Growth is then set to increase to 6.2 percent a year, on average, in 2026-27, supported by improving activity in India and accelerations elsewhere, broadly consistent with the region's potential growth estimates (Kose and Ohnsorge 2024). Still, the pace of projected growth will make tackling the looming jobs challenge in SAR difficult. In some countries, including Pakistan, the expected average annual growth in the working-age population over the forecast period exceeds the average annual employment growth seen over 2010-19. Meanwhile, in other countries, including Bhutan and Sri Lanka, the challenge is associated with emigration, especially among skilled workers, partly due to limited employment opportunities.

Excluding India, regional growth is forecast to inch up to 3.6 percent in 2025 and firm to 4.4 percent a year in 2026-27, on average. Compared with previous forecasts, the projection for 2025 is 0.4 percentage point lower, mainly due to weaker projected activity in major economies in the region. The growth outlook assumes that the tariffs in place in late May will prevail for the rest of the forecast horizon.

India is projected to maintain the fastest growth rate among the world's largest economies, at 6.3 percent in FY2025/26 (April 2025 to March 2026; table 2.5.2). Nevertheless, the forecast for growth in FY2025/26 has been downgraded by 0.4 percentage point relative to January projections, with exports dampened by weaker activity in key trading partners and rising global trade barriers. Investment growth is expected to slow, primarily reflecting a surge in global policy uncertainty. In FY2026/27 and FY2027/28, growth is expected to recover to 6.6 percent a year, on average, partly supported by robust services activity that contributes to a pickup in exports.

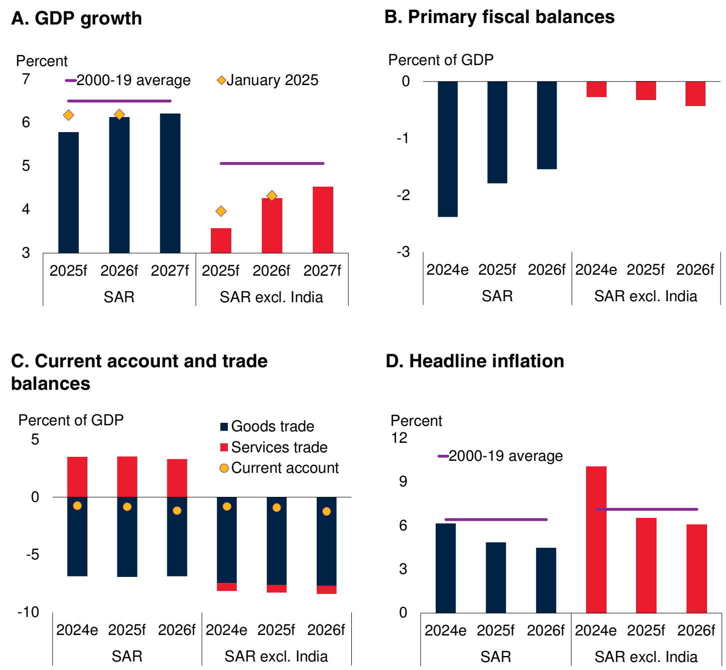
Growth in Bangladesh is projected to increase to 4.9 percent in FY2025/26 and 5.7 percent in FY2026/27. Despite rising global policy uncertainty, investment is expected to rebound, predicated on improving political stability and the successful implementation of reforms to strengthen the business environment and advance job creation. Resilient remittances and easing inflation are anticipated to contribute to stronger growth in private consumption, despite a slowdown in export activity due to weaker growth in major trading partners and higher trade barriers (Sharma et al. 2025).

In Pakistan, growth is expected to strengthen to 3.1 percent in FY2025/26 and 3.4 percent in FY2026/27. With inflation contained and borrowing costs declining, industrial and services activity is forecast to firm, and business confidence is anticipated to continue improving owing to reduced domestic policy uncertainty. However, projected growth will remain subdued, reflecting still-high—though easing—real interest rates and fiscal consolidation intended to mitigate vulnerabilities and rebuild policy buffers (World Bank 2025o).

Growth in Sri Lanka is forecast to decelerate to 3.5 percent this year, reflecting the scarring effects of the crisis, structural impediments to growth, and heightened global economic uncertainty. In 2026-27, growth will moderate further to an average of 3.1 percent, with a slowdown in overall investment, while the adverse effect is projected to be eased by the implementation of structural reforms. In Maldives, GDP is expected to expand by 5.7 percent this year and then moderate to 5.3 percent in 2026, partly reflecting global trade uncertainty and a projected weakening in external demand. The forecasts are upgraded by 1 and 0.7

FIGURE 2.5.2 SAR: Outlook

Growth in SAR is expected to moderate to 5.8 percent in 2025 and then strengthen to an average of 6.2 percent in 2026-27. Excluding India, growth in the region will be weaker over the forecast horizon. While fiscal consolidation is forecast to proceed in India, fiscal policies elsewhere in the region are envisaged to support demand and activity. The region is projected to run modest current account deficits, with large merchandise trade deficits. Easing inflationary pressures are likely to bolster growth and contribute to the reduction in poverty.



Source: World Bank.

Note: e = estimate; f = forecast. SAR = South Asia.

A. Aggregates are calculated as weighted averages, using GDP at average 2010-19 prices and market exchange rates as weights. Diamonds for January 2025 refer to data presented in the January 2025 edition of the *Global Economic Prospects* report.

B.-D. Aggregates are calculated as weighted averages, using nominal GDP in U.S. dollars as weights.

percentage point for 2025 and 2026, respectively, relative to previous projections, mainly because of stronger tourism sector performance, supported by the completion of a new airport terminal, which will underpin a rise in tourist arrivals (World Bank 2025p).

In Nepal and Bhutan, growth is anticipated to strengthen over the forecast period. Growth in Nepal is expected to rise to 5.2 percent in FY2025/26 (mid-July 2025 to mid-July 2026) and 5.5 percent in the following fiscal year. Services sector activity is expected to pick up, while further expansion of hydroelectricity generation will support the growth of industrial production and allow exports to neighboring countries, including India (World Bank 2025q). In Bhutan, growth is projected to increase to 7.6 percent in FY2025/26 (July 2025 to June 2026)—1 percentage point higher than projected in January—mainly reflecting the commissioning of a large hydropower plant and stronger construction activity associated with new power plants, supporting investment and exports (World Bank 2025r).

Growth in Afghanistan is expected to remain subdued at 2.2 percent in FY2025/26 (late-March 2025 to late-March 2026), partly reflecting disruptions in aid from donor countries (World Bank 2025s). Assuming no further external shocks, growth is set to inch up to 2.5 percent a year, on average, over the following two fiscal years, supported by steady growth in agricultural output.

Fiscal consolidation is expected to continue in India over the forecast horizon, with growing tax revenues and declining current expenditures projected to contribute to a gradual decline in the public debt-to-GDP ratio. Elsewhere in the region, on average, primary deficits are likely to increase gradually, supporting activity in several economies (figure 2.5.2.B). Capital expenditures are forecast to increase in Bhutan and Nepal, while in Bangladesh, a projected decline in capital spending will be offset by increases in current expenditures, including subsidies. In contrast, fiscal consolidation is expected to continue in Sri Lanka. Overall fiscal deficits as a share of GDP are forecast to remain large in the region, partly due to elevated interest payments, including in Pakistan.

The region is forecast to run moderate current account deficits over the forecast horizon (figure 2.5.2.C). India's projected merchandise trade deficits are expected to be only partly offset by surpluses in the services trade. In SAR excluding India, current account deficits are anticipated to widen slightly in 2025, mainly due to an increase in merchandise trade deficits stemming from a slowdown in exports, despite stronger remittance inflows in most countries. The deficits will widen further in 2026 as imports increase amid recoveries in domestic demand in several countries, including Pakistan and Sri Lanka.

In most countries in the region, inflation is expected to ease over the forecast horizon, allowing monetary policy to become more supportive of activity (figure 2.5.2.D). In Bangladesh, inflation is projected to moderate from FY2025/26, leading to gradual monetary easing. In India, inflation will remain contained over the forecast horizon, assuming normal seasonal conditions. In contrast, in Pakistan and Sri Lanka, inflation is expected to increase amid strengthening demand (World Bank 2025t).

Per capita income growth in SAR is forecast to stabilize at 5 percent a year, on average, over 2025-27, further reducing poverty in the region. Excluding India, per capita income growth is expected to accelerate from 2.1 percent in 2025 to 3 percent in 2027. However, the forecasts for per capita income growth in Bangladesh, Pakistan, and Sri Lanka are lower than the average growth rates in the decade preceding the COVID-19 pandemic, implying a slower pace of poverty reduction amid persistently high poverty rates. In addition, food insecurity will remain widespread, particularly in Afghanistan, exacerbated by a decline in aid flows.

Risks

Risks to the growth outlook are tilted to the downside. Key risks include a possible further intensification of trade barriers by major trading partners and heightened global trade policy uncertainty. Higher-than-expected global inflation and a decline in risk appetite could lead to a tightening of global financial conditions, potentially weakening regional currencies and causing capital outflows. Other downside risks include the possibility of a surge in violence and social unrest in the region, as well as more frequent and severe natural disasters.

Additional trade barriers could reduce the growth of global trade and external demand, lowering regional growth prospects. Because economies in the region are less open to global trade, the direct effects of such shifts in trade policy would likely be relatively small. However, the United States is a major export destination for several economies, including Sri Lanka (figure 2.5.3.A). In addition, a surge in protectionist policies targeting other major export destinations, specifically in Europe, could indirectly hurt activity in the region.

Heightened global economic policy uncertainty could weigh on business and investor confidence, reducing investment, including foreign investment. It could also cause a tightening of financial conditions and lead to an increase in domestic borrowing costs. Heightened policy uncertainty could lead firms to delay investment and raise prices to maintain their profits amid reduced demand. An increase in producer prices could translate into higher consumer prices and inflation expectations, leading to tighter monetary policy stances and weighing on activity.

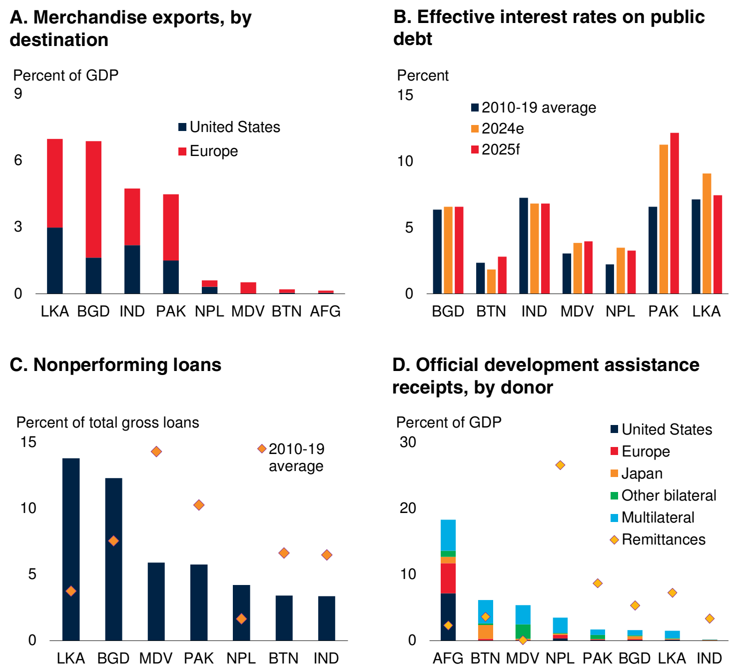
Higher-than-expected global inflation—possibly arising from higher trade barriers and damage to global supply chains—or a sudden decline in global risk appetite could also cause the pace of monetary policy easing to slow and global financial conditions to tighten. As a result, interest rates could rise, worsening debt-servicing dynamics (figure 2.5.3.B). Tightening global financial conditions could also trigger capital outflows from the region, particularly from economies with large macroeconomic vulnerabilities, including Maldives and Pakistan. Unfavorable domestic developments, including an unexpected increase in inflation, could also result in large capital outflows (World Bank 2025u).

Pressures stemming from high government indebtedness could be amplified by instability in financial markets in the region. Market sentiment and funding pressures could worsen suddenly due to a change in global financial conditions, leading to a deterioration in commercial banks' balance sheets, which have weakened in some economies since the 2010s (figure 2.5.3.C). Such weakening in the banking sector could exacerbate fiscal vulnerabilities, particularly in economies where commercial banks hold a significant portion of public debt. Fragile financial systems could lead to reduced credit availability, with repercussions on economic activity. In addition, with limited fiscal space, delays in reform efforts to improve spending effectiveness and strengthen the financial sector could constrain the impact of increased public investment, weighing on growth, including in Nepal.

Elevated domestic violence and social unrest, as well as the eruption of cross-border conflict, could weigh on investment and productivity, increase uncertainty, and weaken investor confidence, reducing foreign investment and weakening financial market performance in affected countries. The incidence of political violence has

FIGURE 2.5.3 SAR: Risks

Additional trade tensions and a further increase in policy uncertainty could dampen external demand, particularly from major trading partners such as Europe and the United States. Further increases in interest rates on public debt would increase debt-service burdens. Financial system instability could exacerbate pressures related to high government indebtedness, especially because several economies have tight linkages between the government and the banking sector. Foreign aid has been vital to several economies, and further reductions could weigh on development progress and weaken growth prospects.



Sources: International Monetary Fund; Organisation for Economic Co-operation and Development; United Nations Conference on Trade and Development; World Bank.

Note: e = estimate; f = forecast. AFG = Afghanistan; BGD = Bangladesh; BTN = Bhutan; IND = India; LKA = Sri Lanka; MDV = Maldives; NPL = Nepal; PAK = Pakistan; SAR = South Asia. Europe includes members of the European Union and the European Free Trade Association, European microstates, the United Kingdom, and their dependent territories.

A. Merchandise exports to the United States and Europe as a percent of GDP in 2024.

B. The effective interest rate is computed as interest payment divided by the average of government debt at the end of the current and previous years.

C. Based on the Financial Soundness Indicators by the International Monetary Fund. Blue bars are for the latest period with data: 2024Q4 for Maldives and Pakistan; 2024Q3 for Nepal; 2024Q2 for Bangladesh and Bhutan; 2023Q4 for India; and 2023Q3 for Sri Lanka.

D. Gross official development assistance from donors, and receipts of remittances, as a percent of GDP in 2023.

increased in several countries in the region, and the region has experienced a number of large-scale protest events. These events could also destroy physical capital, including essential infrastructure, and disrupt businesses, causing economic losses and resulting in surges in food insecurity and poverty. Moreover, adverse effects could be more pronounced in countries with weak institutional frameworks and limited policy space (World Bank 2024f). If the incidence intensifies, increased military spending could deteriorate the fiscal position, possibly leading to spending cuts in other areas, including growth-enhancing public investment. Any response perceived negatively by creditor countries could curtail access to external financing, increasing macroeconomic vulnerabilities, particularly in countries with high financing needs.

In several economies in the region—particularly Afghanistan and, to a lesser extent, Bhutan and Maldives—official aid from donor countries and institutions has exceeded remittance inflows and contributed significantly to improved living standards and economic development (figure 2.5.3.D). Further reductions of foreign official assistance, beyond those recently announced, particularly from major donor countries, would likely weigh heavily on development progress in these economies.

More frequent extreme weather events could cause declines in food production, increasing inflation in food prices and dampening consumption. The poor and vulnerable are disproportionately affected by higher prices as food accounts for a significant share of household consumption baskets across the region, resulting in an increase in poverty and inequality. In addition, employment could be reduced due to the displacement of workers, while impaired learning through disruptions to schooling could diminish human capital over the long run. Other types of natural disasters, including earthquakes, could also cause major damage to infrastructure and lower growth and productivity, particularly in economies with limited capacity to maintain infrastructure (Dieppe, Kilic Celik, and Okou 2020).

TABLE 2.5.1 South Asia forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
EMDE South Asia, GDP[1]	**6.0**	**7.4**	**6.0**	**5.8**	**6.1**	**6.2**	**-0.4**	**-0.1**
GDP per capita (U.S. dollars)	5.0	6.3	4.9	4.7	5.1	5.1	-0.4	-0.1
(Average including countries that report expenditure components in national accounts)[2]								
EMDE South Asia, GDP[2]	5.9	7.4	6.0	5.8	6.1	6.2	-0.4	-0.1
PPP GDP	5.9	7.4	6.0	5.8	6.1	6.2	-0.4	-0.1
Private consumption	7.2	5.3	6.2	6.3	6.3	6.3	1.1	0.9
Public consumption	2.1	5.2	3.0	4.6	5.1	5.1	-0.5	-0.5
Fixed investment	8.3	7.0	6.6	6.1	6.5	6.6	-1.2	-0.9
Exports, GNFS	13.8	3.0	4.1	5.9	5.9	6.6	-0.4	-1.1
Imports, GNFS	9.9	7.0	1.1	5.3	7.0	7.0	0.3	0.6
Net exports, contribution to growth	0.0	-1.4	0.5	-0.2	-0.7	-0.6	-0.1	-0.4
Memo items: GDP								
	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f	2025/26f	2026/27f
India[3]	7.6	9.2	6.5	6.3	6.5	6.7	-0.4	-0.2
	2022	2023	2024e	2025f	2026f	2027f	2025f	2026f
South Asia excluding India	2.8	2.7	3.5	3.6	4.3	4.5	-0.4	0.0

Source: World Bank.

Note: e = estimate; f = forecast. EMDE = emerging market and developing economy; GNFS = goods and non-factor services; PPP = purchasing power parity. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates. Aggregates are presented in calendar year terms.
2. Aggregate excludes Maldives, for which data limitations prevent the forecasting of GDP components.
3. The fiscal year runs from April 1 to March 31.

TABLE 2.5.2 South Asia country forecasts

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
Calendar year basis								
Maldives	13.8	4.7	5.5	5.7	5.3	4.7	1.0	0.7
Sri Lanka	-7.3	-2.3	5.0	3.5	3.1	3.1	0.0	0.0
Fiscal year basis[1]	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2027/28f	2025/26f	2026/27f
Afghanistan[2]	-6.2	2.3	2.5	2.2	2.4	2.5	..	..
India	7.6	9.2	6.5	6.3	6.5	6.7	-0.4	-0.2
	2021/22	2022/23	2023/24	2024/25e	2025/26f	2026/27f	2024/25e	2025/26f
Bangladesh	7.1	5.8	4.2	3.3	4.9	5.7	-0.8	-0.5
Bhutan	4.8	5.0	4.9	6.6	7.6	5.3	-0.6	1.0
Nepal	5.6	2.0	3.9	4.5	5.2	5.5	-0.6	-0.3
Pakistan[3]	6.2	-0.2	2.5	2.7	3.1	3.4	-0.1	-0.1

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

1. The fiscal year runs from March 21 to March 20 in Afghanistan; from April 1 to March 31 in India; from July 1 to June 30 in Bangladesh, Bhutan, and Pakistan; and from July 16 to July 15 in Nepal.
2. Estimates and forecasts were not included in January 2025 *Global Economic Prospects*; therefore, the differences from January 2025 projections are not computed.
3. Data are reported on a factor cost basis.

SUB-SAHARAN AFRICA

Growth in Sub-Saharan Africa (SSA) is forecast to edge up from 3.5 percent in 2024 to 3.7 percent this year and then average 4.2 percent in 2026-27. Growth this year and next is anticipated to be weaker than previously expected, owing to the deterioration in the external environment and domestic headwinds. Elevated government debt, still-high interest rates, and rising debt-servicing costs have narrowed fiscal space, prompting fiscal consolidation efforts in many countries, especially as financing needs remain high as international development assistance is cut back. Per capita income gains will remain inadequate to make significant progress in reducing extreme poverty in the region, which is home to most of the world's poor. Progress in these areas is likely to be impeded by the looming jobs challenge, which is expected to be the most acute in SSA relative to other regions, as the pace of job creation struggles to match the rapid expansion of working-age populations. Risks to the outlook remain tilted to the downside. The more significant risks are the possibility of weaker external demand in response to heightened trade policy tensions and a sharper-than-expected slowdown in China. Increased regional political instability poses an important risk to the growth outlook. Rising sovereign spreads and the possibility of higher-for-longer global interest rates, along with further reductions in donor support, risk pushing even more SSA economies into government debt distress. Intensification of ongoing droughts and greater frequency and intensity of other adverse weather events represent persistent risks to the SSA outlook.

Recent developments

Growth in SSA picked up to an estimated 3.5 percent in 2024, largely owing to increased public investment and rising commodity exports. The strengthening in activity was broad-based, with over 60 percent of the region's economies experiencing an acceleration in growth. However, in the region's two largest economies—Nigeria and South Africa—growth diverged. Elsewhere in the region, growth improved overall. Angola's growth picked up, driven by commerce and transport services, diamond extraction, the oil industry, and fishing. Similarly, Ethiopia grew thanks to strong harvests, increased mining activity, and electricity generation. Survey data indicate that economic activity held up well in some of the major economies in the region in early 2025 (figure 2.6.1.A).

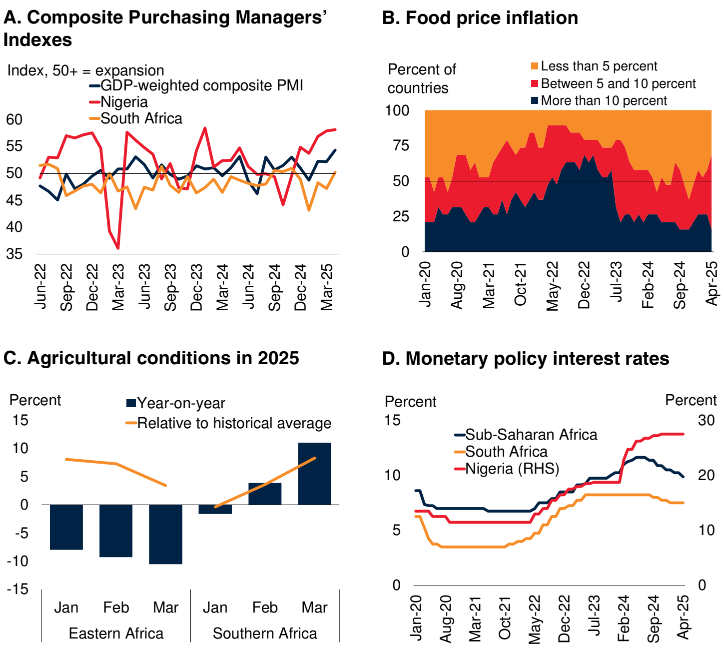
In Nigeria, growth rose to 3.4 percent in 2024, primarily driven by financial and telecommunication services, a recovery in the transportation sector, and a slight rebound in oil production. In response to high inflation, the central bank raised its policy rate six times last year. Although inflation has cooled somewhat in recent months, it remains elevated relative to the central bank target and pre-pandemic trends. Nigeria's fiscal position strengthened last year owing to a surge in revenues driven by the elimination of the implicit foreign exchange subsidy, ongoing improvements in revenue administration, increased revenues at the state level, and higher remittances from government-owned enterprises.

In South Africa, growth edged down in 2024 to 0.5 percent. Ongoing structural constraints, inefficient fiscal spending, and bad weather offset the boost to business activity from improved electricity supply, easing inflation, and lower monetary policy rates. Severe drought conditions caused by the 2023/2024 El Niño event contributed to the sharpest contraction in agricultural production in nearly three decades. Moreover, persistent structural constraints—especially transport bottlenecks, inefficient state-owned enterprises, and insuffi-

Note: This section was prepared by Edoardo Palombo and Dominik Peschel.

FIGURE 2.6.1 SSA: Recent developments

High-frequency data point to an improvement in private sector economic activity in some SSA economies in early 2025. Food price inflation remains a challenge in many SSA economies. Droughts in Eastern Africa, especially in Kenya, Rwanda, and Uganda, have led to a sustained decline in agricultural conditions and crop yields, increasing pressure on food prices. While monetary policy continues to ease, persistent inflation in some countries has pushed central banks to pause easing or to increase policy rates.



Sources: Bloomberg; Haver Analytics; The Humanitarian Data Exchange; USDA; World Bank.

Note: GDP = gross domestic product; NDVIs = normalized difference vegetation indices; PMI = purchasing managers' index; SSA = Sub-Saharan Africa.

A. GDP-weighted average includes Ghana, Kenya, Mozambique, Uganda, and Zambia. Last observation is April 2025.

B. Change in food prices from 12 months earlier. The sample includes 19 SSA EMDEs.

C. Chart shows the average changes in NDVIs for countries in subregions where January to March overlaps with the main growing season. NDVIs for each country are weighted by subnational region based on relative crop production using USDA weights. Eastern Africa sample includes Kenya, Rwanda, the Federal Republic of Somalia, Tanzania, and Uganda; Southern Africa sample includes Angola, Botswana, Democratic Republic of Congo, Madagascar, Mozambique, Malawi, South Africa, Zambia, and Zimbabwe.

D. Median for the sample of 14 SSA EMDEs.

cient job creation—continued to impede economic activity as the industrial and construction sectors contracted.

Elsewhere in the region, growth in industrial-commodity-exporting countries, excluding Sudan, improved to 4.2 percent in 2024. In the Democratic Republic of Congo, growth was driven by the copper and cobalt extractive sector, which continued to expand at double-digit rates due to increased domestic production from the Kamoa-Kakula mining project. By contrast, in Sudan and South Sudan, continued violent conflict caused output to contract for a third consecutive year, leaving GDP 40 percent and 9 percent below the pre-conflict levels, respectively.

Growth in non-resource-rich countries dropped to 5.7 percent in 2024, mainly driven by a slowdown in Kenya—where growth eased to 4.7 percent as construction softened, and Zimbabwe—where growth more than halved to 2 percent due to a steep decline in agricultural output. However, two-thirds of non-resource-rich economies still experienced an uptick in growth. Ethiopia's strong harvests, increased mining, and higher electricity generation helped offset the slowdown, while oil-related investments boosted Uganda's growth above 6 percent.

Disinflation in SSA has stalled as consumer price inflation edged up in early 2025, driven by rising food prices (figure 2.6.1.B). Recent droughts in parts of Eastern Africa have worsened agricultural conditions, with falling crop yields increasing pressure on food prices and inflation (figure 2.6.1.C). Yet, central banks continued easing monetary policy as broader inflationary pressures waned (figure 2.6.1.D). Some large economies that experienced high inflation, such as Angola, Ethiopia, and Nigeria, have paused further policy rate hikes due to progress in the disinflation process.

Food insecurity remained elevated across the region in 2024, affecting almost a third of the population (Cardell et al. 2024). This partly reflects ongoing conflict in the region, as well as adverse weather events such as severe droughts in Southern Africa and floods elsewhere. Continued violent conflict has exacerbated hunger vulnerability. In particular, more than half of the populations of South Sudan and Sudan suffered high levels of acute food insecurity in 2024, while the Federal Republic of Somalia and the Central African Republic faced persistently high levels of it (FSIN and GNAFC 2024).

Outlook

Growth in SSA is forecast to firm to 3.7 percent in 2025 and strengthen to an average of 4.2 percent in 2026-27, assuming the external environment does not deteriorate further, inflation eases as anticipated, and conflict de-escalates (figure

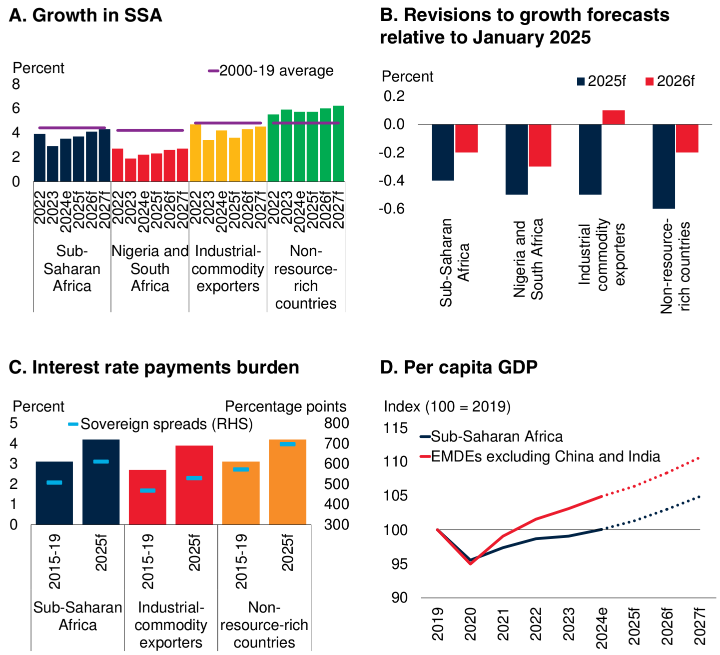
2.6.2.A). Against a backdrop of weakening EMDE growth, SSA is one of two regions where growth is projected to increase through the forecast horizon. However, this growth is expected to fall short of its long-term average over 2000-19, and it is insufficient to make significant strides in reducing extreme poverty. Moreover, growth projections have been revised down by 0.4 percentage point for 2025 and 0.2 percentage point for 2026 (figure 2.6.2.B). The region's outlook has worsened following the deterioration in global conditions, dampened by the rise in trade barriers, heightened trade policy uncertainty, and weakening confidence. Although the direct effects of escalating trade tensions and a weakening global investor appetite are expected to be moderate, the outlook for SSA is affected by global spillovers from these shocks, primarily through lower global commodity demand.

The baseline projections assume that the tariffs in place as of late May will prevail for the rest of the forecast horizon. The regional outlook is also predicated on a gradual easing of monetary policy interest rates within the region, which should bolster private consumption and investment. However, elevated public debt and high borrowing costs necessitate continued fiscal consolidation efforts, which will weigh on demand. Fiscal balances are expected to improve, with the average primary fiscal deficit projected to reach balance within the forecast horizon. This reflects budgetary discipline in 2024 and narrowing primary deficits in non-resource-rich countries. However, weaker export demand means revenues for commodity exporters are set to fall, increasing pressure on their public finances. Furthermore, interest rate burdens across the region are set to rise further in 2025, partly offsetting the expected improvements in primary fiscal balances (figure 2.6.2.C).

Growth in Nigeria is forecast to strengthen to 3.6 percent in 2025 and to an average of 3.8 percent in 2026-27. Following monetary policy tightening in 2024 to address rapid currency depreciation, inflation is projected to decline gradually. Domestic reforms have helped spur investment, supporting growth in the services sector, especially in financial services and information and communication technology. Services activity will continue

FIGURE 2.6.2 SSA: Outlook

Growth in SSA is forecast to pick up in 2025 and further firm in 2026-27 as industrial-commodity-exporting economies recover, while non-resource-rich countries are expected to expand above their long-term trend rates. However, revisions to growth forecasts relative to previous projections are generally downward. While primary fiscal balances are expected to improve amid continued consolidation efforts and firming growth, interest rate burdens are likely to weigh on public finances. Per capita incomes in the region are projected to rise at a faster pace in the forecast horizon, but the income gap with other EMDEs excluding China and India is set to widen.



Sources: International Monetary Fund; J.P. Morgan; World Bank.

Note: e = estimates; f = forecast. EMDEs = emerging market and developing economies; GDP = gross domestic product; SSA = Sub-Saharan Africa.

Industrial-commodity exporters exclude Nigeria, South Africa, and Sudan. Non-resource-rich countries represent agricultural-commodity-exporting and commodity-importing countries.

A. Aggregate growth rates are calculated using constant GDP weights at average 2010-19 prices and market exchange rates.

B. Revisions relative to forecasts published in the January 2025 edition of the *Global Economic Prospects* report.

C. Bars show interest payments as a share of government debt. Simple averages of country groupings. The sample includes 45 SSA economies. Blue whiskers represent the sovereign spreads of a sample of 14 SSA economies. Last observation is May 29, 2025.

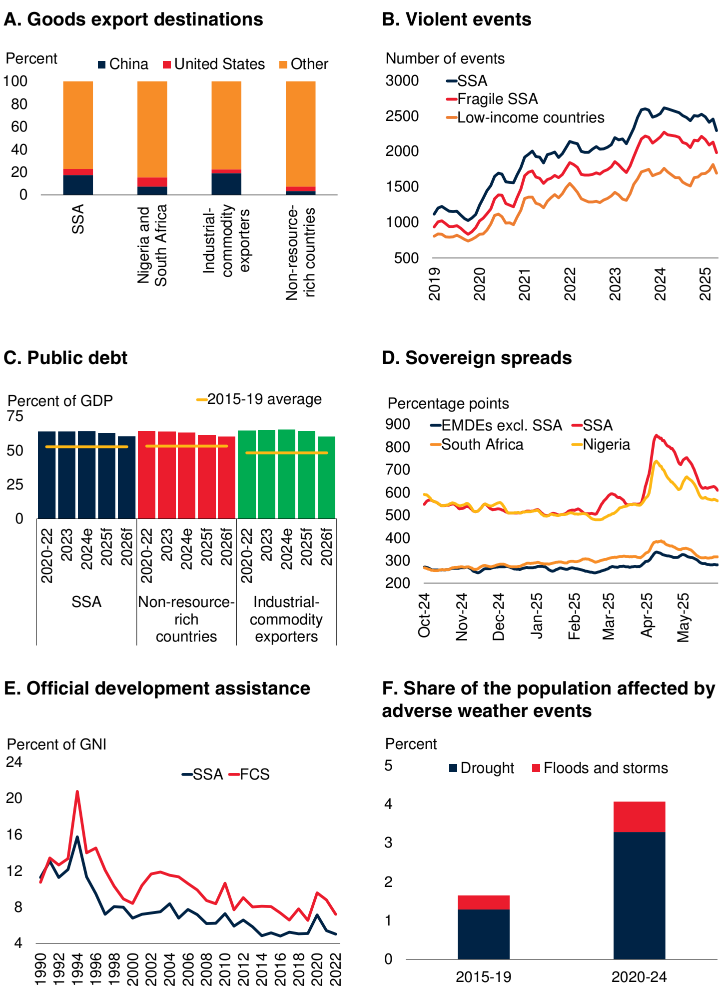
D. Chart shows the evolution of real per capita GDP in constant U.S. dollars at average 2010-19 prices and market exchange rates, rebased to 100 in 2019. SSA comprises 47 countries.

to be the main driver of growth, while the industrial sector will remain constrained by subdued crude oil production as last year's slight rebound wanes.

Growth in South Africa is projected to improve marginally to 0.7 percent in 2025 and to increase to a still weak average of 1.2 percent in 2026-27. For 2025 and 2026, this represents an average downgrade of 1 percentage point a year from previous forecasts. The significant downward

FIGURE 2.6.3 SSA: Risks

The direct impact on SSA growth of further escalation in global trade tensions may be contained owing to the limited direct exposure to export markets in China and the United States, apart from commodity demand. Levels of violence in SSA remain high, weighing on economic activity. While public debt-to-GDP ratios are expected to decline gradually, debt servicing costs remain elevated, limiting fiscal space in many SSA economies for development-promoting expenditures, especially given the recent rise in sovereign spreads. Further declines in official development assistance inflows risk worsening humanitarian and fiscal challenges. The share of the population affected by adverse weather events, which destroy crops and dampen economic activity, has increased sharply in recent years.



Sources: ACLED (database); EM-DAT (database); International Monetary Fund; J.P. Morgan; World Bank.

Note: e = estimates; EMDE = emerging market and developing economy; FCS = fragile and conflict-affected situations; f = forecast; GDP = gross domestic product; GNI = gross national income; LICs = low-income countries; SSA = Sub-Saharan Africa.

A. Share of total exports by destination. Data from 2024 (estimates). Sample includes 48 SSA countries.

B. Three-month moving average. Violent events include battles, explosions, riots, and violence against civilians. Last observation is April 2025.

C. Simple averages of country groupings. The sample includes 45 SSA economies. Industrial-commodity exporters exclude Nigeria and South Africa. Non-resource-rich countries represent agricultural-commodity-exporting and commodity-importing countries.

D. Ten-year sovereign spreads of government bonds over 10-year U.S. treasuries. The EMDE excluding SSA median is from a sample of 56 EMDEs, and the SSA median is from a sample of 14 SSA economies. Data are shown as 5-day moving averages. The last observation is May 29, 2025.

E. Median of official development assistance. The blue line shows the median across 45 SSA economies; the red line shows the median across 20 FCS economies in SSA.

F. Bars indicate the percentage of the population affected.

revision throughout the forecast horizon reflects a more challenging environment marred by global trade tensions, rising export tariffs, and low potential growth. Despite the growth downgrades, the weak recovery will be supported by rising consumption and investment amid a more accommodative monetary policy stance in the context of subdued inflation. Increased energy availability and improvements in freight transport infrastructure and logistics are also expected to underpin activity. Additionally, several planned reforms aim to strengthen the capacity of local governments to deliver better social services and infrastructure to firms and households.

While non-resource-rich countries are expected to expand above their long-term trend rates, growth in industrial-commodity exporters is expected to lag, given that rising trade tensions are set to weigh on external demand. Growth in industrial-commodity exporters, excluding the region's two largest economies and Sudan, is projected to decelerate to 3.6 percent in 2025, before recovering to an average of 4.4 percent a year in 2026-27. In Angola, slower growth in oil output is expected to be partly offset by non-oil activity. In particular, service activity is set to benefit from further moderation in inflation. Conversely, in non-resource-rich countries, growth is forecast to steady at 5.7 percent in 2025 and to an average of 6.1 percent a year in 2026-27. The momentum is driven by an oil discovery boom in Uganda, where oil production is expected to start during the forecast horizon, as growth plateaus in most other economies.

Per capita income in SSA is projected to expand by an average of 1.6 percent a year in 2025-27, with growth in 2025 revised down by 0.4 percentage point. This pace would mean that, in terms of living standards, the region would fall even further behind other emerging markets and developing economies, excluding China and India (figure 2.6.2.D). These per capita income gains will remain inadequate for significantly reducing extreme poverty in the region, home to most of the world's poor. Per capita income growth in SSA is also expected to remain uneven, with incomes falling in some countries, particularly those plagued by violent conflict. By 2027, per capita income in over one-fourth of the region's economies will not have recovered to their pre-pandemic levels. Lifting per capita incomes and reducing extreme poverty in the region are likely to remain difficult as the jobs challenge intensifies in the coming years. The projected increase in SSA's working-age population is set to rise rapidly over the next five years and almost double between 2025-50, the largest numerical increase that any region has recorded over a 25-year period. Absent the policies needed to reinvigorate growth and address longstanding structural bottlenecks, it is unlikely that economies in SSA will be able to generate the job growth needed to keep pace with this unprecedented expansion in the region's working-age population.

Risks

Risks to the SSA growth outlook are tilted to the downside. Global growth could be weaker than projected if global trade tensions were to escalate further (chapter 1). The direct effects of the increased U.S. trade barriers on SSA economies are expected to be contained, as the region exports relatively few manufacturing goods to the United States (figure 2.6.3.A). However, should trade fragmentation increase further or lead to a sharper slowdown in global growth, the adverse effects on SSA economies could be considerable due to their dependence on commodity trade (Bolhuis et al. 2024). Indeed, a worse-than-expected economic slowdown in China would adversely affect the demand for minerals and metals. Lower prices for these commodities, which are the main exports of several SSA countries, would have particularly negative effects on these countries through diminished economic activity and even tighter fiscal space. Conversely, should global trade tensions subside, the growth outlook for SSA would benefit from improved global economic activity, lower export tariffs, higher demand for commodities, reduced uncertainty, and stronger global investors' risk appetite.

Another prominent downside risk is the possibility of worsening political instability within SSA, with violent conflicts lasting longer or escalating further, especially in East Africa and the Sahel. An intensification of armed conflict in Sudan could drive up food prices in parts of SSA due to reduced supply and increased transportation costs. The conflict in the eastern part of the Democratic Republic of Congo, which started in 2022, adds to the humanitarian challenges in the region. Even without these conflicts escalating, food insecurity in SSA is expected to exceed that in other regions over the next decade (Cardell et al. 2024). Further destabilization of East and Central Africa could result in a rise in violence that would lead to extended humanitarian crises in many of SSA's most economically vulnerable countries (figure 2.6.3.B). The rise of protests and social unrest in the region is also a byproduct of insufficient economic opportunities and inadequate public service provision (World Bank 2025v). Besides the risk of rising food price inflation from intensifying conflicts, broader inflationary pressures could be reignited by disruptions to international trade.

If regional or global policy interest rates decline more slowly than expected, there may be adverse effects on debt-servicing costs and debt dynamics. Similarly, a decrease in global investors' risk appetite could increase the costs of debt refinancing. Coping with high debt servicing costs is already a challenge for many countries in the region (figure 2.6.3.C). Persistently high global interest rates could heighten the risk of government debt distress by further increasing interest rates on nonconcessional debt. Indeed, heightened global uncertainty and reduced investor risk appetite have already led to sharp jumps in the cost of government borrowing in SSA, putting at risk the recent progress in fiscal consolidation. Following the surge in trade tensions and uncertainty in April, the median SSA sovereign spreads jumped by almost 300 basis points but later retreated somewhat, highlighting the vulnerability of financial conditions in the region to external conditions (figure 2.6.3.D).

Fiscal challenges in SSA countries could be further exacerbated by reductions in donor support, which could also worsen humanitarian conditions, especially in the region's poorest countries. Although reliance on international aid has declined materially since the 1990s and early 2000s, further withdrawals of donor support could jeopardize debt sustainability in several of the poorest countries in the region and add to humanitarian challenges, especially in countries that face fragile and conflict-affected situations (figure 2.6.3.E).

The SSA region has become more vulnerable to extreme weather events related to climate change, with the number of droughts, floods, and storms more than doubling from 2015-19 to 2020-24 (figure 2.6.3.F). This vulnerability is especially pronounced in the Horn of Africa, the Sahel, and Southern Africa, where recurring drought cycles have devastated livestock and crops (FAO et al. 2023). In particular, a further increase in the frequency or severity of these weather events would exacerbate poverty across fragile economies like Niger, and Mozambique, and South Sudan, with low-income agrarian communities hit particularly hard. In the longer term, increases in average temperatures could hurt crop yields across the region, reducing food supplies and exports while worsening food insecurity.

TABLE 2.6.1 Sub-Saharan Africa forecast summary

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections: 2025f	2026f
EMDE SSA, GDP [1]	**3.9**	**2.9**	**3.5**	**3.7**	**4.1**	**4.3**	**-0.4**	**-0.2**
GDP per capita (U.S. dollars)	1.3	0.4	1.0	1.2	1.7	1.8	-0.4	-0.1
(Average including countries that report expenditure components in national accounts) [2]								
EMDE SSA, GDP [2,3]	4.1	2.9	3.6	3.7	4.2	4.3	-0.6	-0.2
PPP GDP	4.1	2.3	3.5	4.0	4.5	4.6	-0.5	-0.1
Private consumption	3.8	2.8	3.2	4.0	4.0	4.0	0.2	0.0
Public consumption	3.1	0.5	3.9	3.1	2.2	2.5	0.8	0.2
Fixed investment	8.7	9.3	5.6	4.4	6.7	6.6	-2.0	-0.3
Exports, GNFS [4]	9.1	2.0	4.1	2.4	4.6	5.2	-3.7	-1.2
Imports, GNFS [4]	12.8	7.7	3.0	3.5	5.3	5.2	-2.1	-0.2
Net exports, contribution to growth	-1.4	-1.9	0.1	-0.5	-0.5	-0.4	-0.3	-0.3
Memo items: GDP								
Eastern and Southern Africa	3.8	2.5	3.0	3.4	4.0	4.1	-0.7	-0.2
Western and Central Africa	4.0	3.3	4.2	4.1	4.3	4.5	-0.1	0.0
SSA excluding Nigeria and South Africa	4.9	3.7	4.6	4.8	5.3	5.4	-0.4	0.0
Oil exporters [5]	3.4	2.5	3.6	3.4	3.7	3.8	0.0	0.0
CFA countries [6]	5.1	3.9	4.9	4.8	4.9	5.0	-0.3	0.0
CEMAC	4.3	2.0	3.0	2.5	3.2	3.2	0.1	0.0
WAEMU	5.5	5.0	5.9	6.1	5.8	6.0	-0.5	0.0
SSA2	2.7	1.9	2.2	2.3	2.6	2.7	-0.5	-0.3
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

Source: World Bank.

Note: e = estimate; f = forecast. PPP = purchasing power parity; EMDE = emerging market and developing economy. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. 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 moment in time.

1. GDP and expenditure components are measured in average 2010-19 prices and market exchange rates.

2. Subregion aggregate excludes the Central African Republic, Eritrea, Guinea, Nigeria, São Tomé and Príncipe, Somalia, and South Sudan, for which data limitations prevent the forecasting of GDP components.

3. Subregion growth rates may differ from the most recent edition of Africa's Pulse (https://www.worldbank.org/en/publication/africa-pulse) because of data revisions.

4. Exports and imports of goods and nonfactor services (GNFS).

5. Includes Angola, Cameroon, Chad, the Republic of Congo, Equatorial Guinea, Gabon, Ghana, Nigeria, and South Sudan.

6. The African Financial Community (CFA) franc zone consists of 14 countries in Sub-Saharan Africa, each affiliated with one of two monetary unions. The Central African Economic and Monetary Union (CEMAC) comprises Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon; the West African Economic and Monetary Union (WAEMU) comprises Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

TABLE 2.6.2 Sub-Saharan Africa country forecasts[1]

(Real GDP growth at market prices in percent, unless indicated otherwise)

	2022	2023	2024e	2025f	2026f	2027f	Percentage-point differences from January 2025 projections 2025f	2026f
Angola	3.0	1.0	4.4	2.7	2.6	3.2	-0.2	-0.3
Benin	6.3	6.4	7.5	7.2	7.1	7.0	0.8	0.8
Botswana	5.6	3.2	-3.0	0.6	4.2	3.8	-4.7	-0.7
Burkina Faso	1.5	3.0	4.9	4.3	4.7	5.0	0.4	0.6
Burundi	1.8	2.7	3.5	3.5	3.7	4.0	0.0	-0.5
Central African Republic	0.5	0.7	1.5	2.1	2.2	2.8	1.0	0.2
Cabo Verde	15.8	5.4	7.3	5.9	5.3	4.9	1.0	0.5
Cameroon	3.7	3.2	3.5	3.7	3.8	3.9	-0.3	-0.4
Chad	13.0	4.1	3.7	3.5	4.5	4.4	1.4	1.0
Comoros	2.8	3.0	3.4	3.7	3.8	4.0	-0.3	-0.5
Congo, Dem. Rep.	8.9	8.6	6.5	4.8	5.0	5.3	-0.2	0.4
Congo, Rep.	1.5	1.9	2.6	2.8	3.2	2.9	-0.7	-0.1
Côte d'Ivoire	6.4	6.5	6.0	5.8	6.1	6.4	-0.6	-0.5
Equatorial Guinea	3.2	-5.1	0.9	-3.1	0.6	-1.1	1.3	1.4
Eritrea	2.5	2.6	2.9	3.1	3.4	3.5	0.1	0.1
Eswatini	1.1	3.4	4.8	5.0	4.0	2.8	1.5	1.1
Ethiopia [2]	6.4	7.2	8.1	6.4	6.5	7.2	-0.1	-0.6
Gabon	3.0	2.4	2.9	2.1	2.2	3.0	-0.3	-0.8
Gambia, The	5.5	4.8	5.7	5.6	5.3	5.5	-0.2	-0.1
Ghana	3.8	3.1	5.7	3.9	4.6	4.8	-0.3	-0.3
Guinea	4.0	5.5	5.7	6.5	8.8	11.3	0.5	2.4
Guinea-Bissau	5.6	4.4	4.8	5.1	5.2	5.2	0.1	0.2
Kenya	4.9	5.7	4.7	4.5	4.9	5.0	-0.5	-0.2
Lesotho	2.4	1.8	2.3	1.5	0.9	0.6	-0.8	-1.1
Liberia	4.8	4.7	4.8	5.1	5.5	5.7	-0.6	-0.3
Madagascar	4.2	4.2	4.2	3.7	3.9	4.4	-0.9	-0.8
Malawi	0.9	1.9	1.8	2.0	2.4	3.2	-2.2	-0.9
Mali	3.5	3.5	4.0	4.8	4.8	4.7	0.8	0.3
Mauritania	6.8	6.5	5.2	4.9	4.5	5.4	-2.9	-3.0
Mauritius	8.7	5.0	4.7	3.2	3.0	2.9	-1.2	-0.8
Mozambique	4.4	5.4	1.8	3.0	3.5	3.5	-1.0	-0.5
Namibia	5.4	4.4	3.7	2.9	3.4	3.5	-0.8	-0.5
Niger	11.5	2.0	8.4	7.1	5.1	4.5	-1.4	0.5
Nigeria	3.3	2.9	3.4	3.6	3.7	3.8	0.1	0.0
Rwanda	8.2	8.2	8.9	7.0	7.3	7.3	-0.8	-0.2
São Tomé and Príncipe	0.2	0.4	0.9	3.1	4.8	4.1	-0.2	1.2
Senegal	3.9	4.3	5.8	7.9	5.9	6.7	-1.8	-0.1
Seychelles	12.7	2.3	2.4	3.1	3.0	2.9	-1.0	-0.5
Sierra Leone	5.3	5.7	4.0	4.1	4.2	4.2	-0.6	-0.5
Somalia, Fed. Rep.	2.7	4.2	4.0	3.0	3.5	3.5	-1.5	-1.0
South Africa	2.1	0.8	0.5	0.7	1.1	1.3	-1.1	-0.8
Sudan	-1.0	-29.4	-13.5	5.0	9.3	4.1	3.7	6.4
South Sudan [2]	-2.3	-1.3	-7.2	-34.7	41.1	21.2	-23.3	35.0
Tanzania	4.6	5.1	5.5	5.9	6.1	6.4	0.1	-0.1
Togo	5.8	6.4	5.3	5.0	5.4	5.5	-0.4	-0.4
Uganda [2]	4.7	5.3	6.1	6.2	6.2	10.4	0.0	-4.6
Zambia	5.2	5.4	4.0	5.8	6.4	6.5	-0.4	-0.2
Zimbabwe	6.1	5.3	2.0	6.0	4.6	3.6	-0.2	-0.2

Source: World Bank.

Note: e = estimate; f = forecast. World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

1. Data are based on GDP measured in average 2010-19 prices and market exchange rates.

2. Fiscal-year-based numbers.

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