



### Overview

- According to the June 2025 *Global Economic Prospects*, heightened trade tensions and policy uncertainty are expected to drive global growth down to 2.3 percent in 2025—its slowest pace since 2008 outside of outright global recessions.
- Global trade is forecast to grow just 1.8 percent this year—a downgrade of 1.3 percentage point since January.
- Growth in emerging market and developing economies (EMDEs) is expected to slow significantly in 2025, to 3.8 percent, with only a slight pickup in 2026-27.

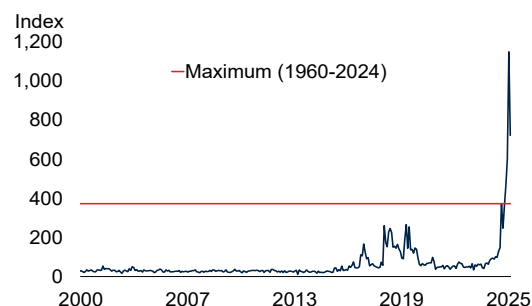
### Chart of the Month

- Recent rapid shifts in trade policies and the potential for even higher tariffs have generated a highly uncertain trade policy environment, weighing on consumer and business sentiment.
- This reflects uncertainty over whether current elevated tariff rates will endure, the details of their implementation, and the scale and timing of potential retaliatory responses.
- As well as weighing on global trade, heightened uncertainty is likely to dampen investment growth, which has been downgraded substantially from January projections.

### Table of Contents

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

#### Global trade policy uncertainty



Sources: Caldara et al.(2020); World Bank.

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

### Special Focus: Foreign Direct Investment in Retreat

- Foreign direct investment (FDI) plays an important role in EMDEs as a source of private capital, technology spillovers, and job creation.
- FDI inflows to EMDEs have steadily weakened since the global financial crisis, settling at around 2 percent of GDP in recent years down from nearly 5 percent of GDP at the peak in 2008. About 60 percent of all EMDEs and four out of six EMDE regions had lower FDI-to-GDP ratios in 2012-23 than in 2000-11.
- Reforms in EMDEs to improve institutions, accelerate human capital development, and facilitate trade integration are critical both to attract FDI and to amplify its positive effects.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Philip Kenworthy, Alen Mulabdic, and Nikita Perevalov, under the supervision of Carlos Arteta. The special focus was prepared by Amat Adarov and Hayley Pallan. This *Global Monthly* reflects data available up to the end of May, 2025. For more information, visit: [www.worldbank.org/prospects](http://www.worldbank.org/prospects). Back issues of this report are [available since 2008](#).



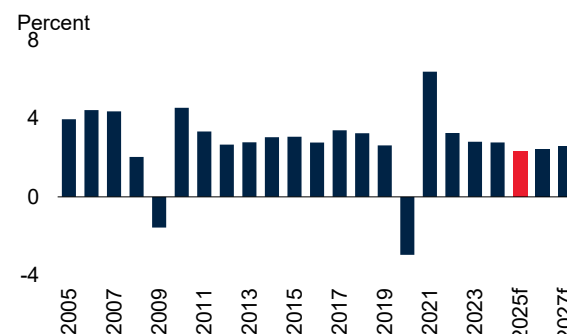
## Monthly Highlights

**Global activity: weaker growth amid heightened trade tensions.** The global outlook has deteriorated substantially relative to January amid higher trade barriers, elevated uncertainty, and a downturn in confidence. Global growth is expected to decline to 2.3 percent this year—the slowest pace since 2008, aside from outright global recessions (figure 1.A). Over 2026-27, global growth is forecast to firm to a still-subdued 2.5 percent as trade flows gradually adjust to higher tariffs while policy uncertainty moderates from record-high levels. The downgrade to growth this year is concentrated in investment and trade-related activity and principally driven by advanced economies (figure 1.B). Growth in EMDEs is also set to slow significantly in 2025, to 3.8 percent. In 2026-27, EMDE growth is expected to pick up slightly to an average of 3.9 percent—still 1.2 percentage point below the 2010-19 average.

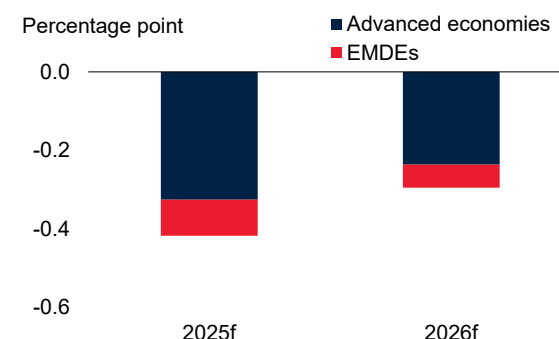
**Global inflation: uncertain outlook.** The outlook for global inflation has become more uncertain this year. Persistent underlying inflationary pressures, coupled with rising tariffs and trade-protectionist measures, are set to delay the normalization of global inflation to levels broadly consistent with inflation targets. On a GDP-weighted basis, global inflation is projected to average 2.9 percent in both 2025 and 2026, before easing to 2.5 percent in 2027—about in line with the average inflation target. However, there is significant heterogeneity across countries, with inflation projections revised slightly lower in EMDEs in 2025 due to the impact of weaker demand for traded goods, while being revised significantly higher in advanced economies, most notably in the United States (figure 1.C).

**Global trade: slowing.** Shifting trade policy announcements have led to a sharp increase in global trade policy uncertainty. Prior to recent tariff announcements, growth in global goods trade had accelerated early in the year, partly reflecting inventory build-ups in anticipation of trade policy shifts. However, momentum has since weakened, with the global new export orders manufacturing PMI subindex falling to a 20-month low in April and remaining weak in May. Global growth of trade in goods and services is projected to slow sharply to 1.8 percent in 2025, from 3.4 percent in 2024 (figure 2.A). The forecast has been revised down by 1.3 percentage points since January, reflecting changes in trade policies and elevated uncertainty. In tandem with the projected pickup in global activity, trade growth is forecast to firm, to 2.4 percent in 2026 and 2.7 percent in 2027, but remain well below its pre-pandemic average of 4.6 percent. A renewed escalation of trade restrictions is a major risk to the trade outlook.

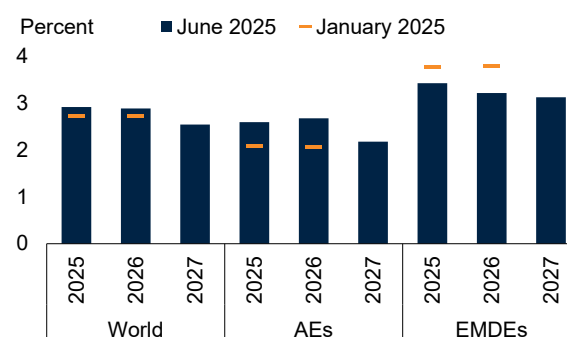
**FIGURE 1.A Global output growth**



**FIGURE 1.B Contributions to global growth downgrades in 2025 and 2026**



**FIGURE 1.C Global CPI inflation projections**



Sources: Oxford Economics; World Bank.

Note: AEs = advanced economies; CPI = consumer price index; EMDEs = emerging market and developing economies; f = forecast.

A. GDP aggregates calculated using real U.S. dollar GDP weights at average 2010-19 prices and market exchange rates. Data for 2024 are estimates; data for 2025-27 are forecasts.

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

C. Model-based GDP-weighted projections of consumer price inflation using Oxford Economics' Global Economic Model. Sample includes 69 countries, out of which 35 are EMDEs, and excludes Argentina and República Bolivariana de Venezuela.



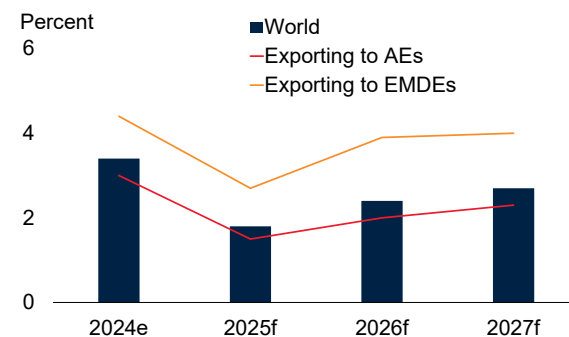
### Commodity markets: lower prices expected, but with notable risks.

Overall commodity prices have fallen since early 2025, albeit with oil prices picking up recently amid intensifying geopolitical risks. Even so, assuming events in the Middle East do not result in substantial disruptions to oil and gas supplies, annual average commodity prices are expected to decline by 10 percent in 2025 (figure 2.B). In 2026, commodity prices are projected to soften further, by 6 percent, as production of various energy and metals commodities increases and supply constraints on several agricultural commodities ease. Thereafter, commodity prices are projected to edge up as global growth firms. While conflict-related supply disruptions pose a major upside risk to commodity prices, there are also considerable downside risks—notably, a renewed escalation of trade tensions between major economies could undercut commodity demand.

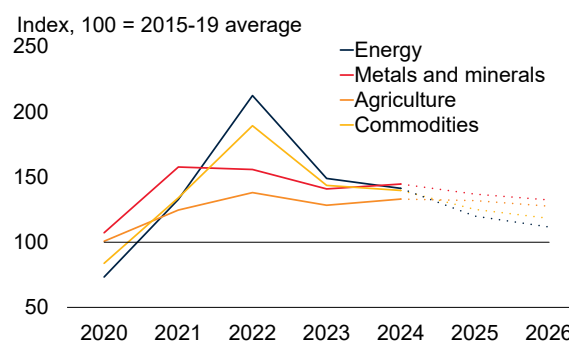
**Financial conditions: volatility and some tightening.** Global and EMDE financial conditions have been tighter this year, on average, compared to late 2024, due to market volatility and some decline in risk appetite. The surge and then partial moderation of trade tensions in 2025Q2 led to significant financial volatility. Global equity markets plunged, but subsequently recovered as various planned and implemented tariffs were postponed or reduced. Monetary policy in the United States remains restrictive, with policy rates anticipated to decline only gradually. Meanwhile, policy rates have been lowered in the euro area since January, with further cuts expected in 2025. Tariff announcements in April led to portfolio outflows along with broad-based declines in EMDE equity markets, although these moves have since largely reversed. EMDE sovereign spreads jumped in April, especially in economies facing higher prospective trade barriers, and remain above their early 2025 levels (figure 2.C).

**United States: growth slowdown underway.** The outlook for U.S. growth and inflation in 2025 has deteriorated relative to January forecasts, with inflation expectations rising markedly (figure 3.A). Prior to the imposition of tariffs, U.S. activity had already begun to slow in early 2025 as spending on imports surged at the expense of domestically produced goods. Going forward, higher tariffs and policy uncertainty are expected to weigh on investment spending—a particularly import-intensive component of aggregate demand. Along with weaker investment, slowing consumer spending and exports are projected to contribute to a sharp slowdown in 2025, with annual U.S. growth anticipated to decelerate to 1.4 percent. In 2026, growth is forecast to edge up to 1.6 percent as the economy adjusts to higher trade barriers and policy uncertainty moderates somewhat.

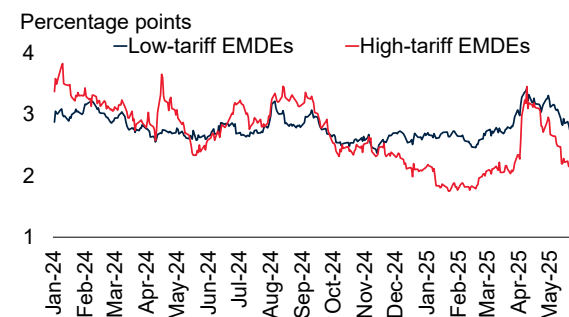
**FIGURE 2.A Global trade growth**



**FIGURE 2.B Commodity price forecasts**



**FIGURE 2.C EMDE sovereign spreads, by announced U.S. tariff rate**



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

Note: e = estimate; f = forecast. AEs = advanced economies; EMDEs = emerging market and developing economies.

A. Trade in goods and services is measured as the average of export and import volumes. Panel shows the growth of global trade volume in goods and services. "Exporting to AEs" refers to trade growth for countries with over 50 percent of exports to advanced economies during the 2015-19 period; "Exporting to EMDEs" refers to trade growth for countries with over 50 percent of exports to EMDEs during the 2015-19 period.

B. "Commodity prices"/ "Commodities" line refers to the World Bank Commodity Price Index, excluding precious metals. Dashed lines indicate forecasts.

C. Median spreads for 6 high-tariff EMDEs and 58 low-tariff EMDEs. "Low tariff" is defined as a tariff rate of up to 30 percent, as announced on April 2. Last observation is May 30, 2025.

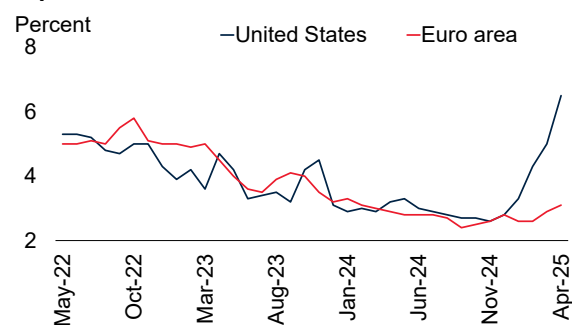


**Other advanced economies: prolonged weakness.** In the euro area, the recent surge in policy uncertainty and increases in tariffs are set to prolong the bloc's economic weakness, particularly given the euro area's high exposure to global value chains (figure 3.B). As a result, growth forecasts have been downgraded substantially relative to January projections. Growth in the euro area is projected to slow to 0.7 percent in 2025 and then average 0.9 percent over 2026-27, remaining a touch below its trend of about 1 percent. In Japan, growth is expected to firm from an estimated 0.2 percent in 2024 to 0.7 percent in 2025, 0.5 percentage point lower relative to January projections. Over 2026-27, Japan's growth is forecast to average 0.8 percent, supported by a continued recovery in consumer spending.

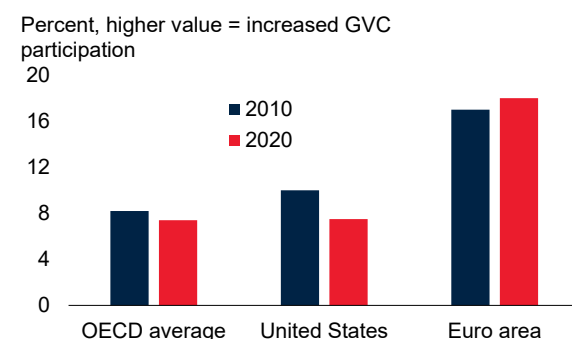
**China: policy support amid tariff increases.** China's growth is forecast to slow from 5 percent in 2024 to 4.5 percent in 2025—in line with previous projections, as drags on growth from increased trade barriers and weakening external demand are assumed to be offset by a boost from additional fiscal policy support. Export growth is expected to weaken going forward as the impact of U.S. tariff increases materializes. A soft labor market and a subdued property sector are also expected to weigh on consumption. However, additional fiscal support announced in early 2025 should bolster infrastructure-related spending and, to a lesser extent, consumption, supporting domestic demand. Growth is projected to slow to 4 percent in 2026 and 3.9 percent in 2027, as trend potential output decelerates, reflecting the effects of declining productivity growth, population aging, and high debt levels.

**Other EMDEs: insufficient growth.** Growth in EMDEs excluding China is forecast to decline from an estimated 3.6 percent in 2024 to 3.4 percent in 2025 before picking up to average 3.9 percent over 2026-27. Growth in 2025-26 is projected to be notably weaker than expected in January. This reflects a combination of adverse global policy shifts amid limited policy space in most EMDEs to respond, weaker external demand related to slowing growth in advanced economies, and lower projected prices for some commodities. Investment growth is expected to weaken notably in 2025, with forecasts downgraded relative to January owing to subdued business confidence and heightened uncertainty. In many EMDEs, per capita income growth is on a trajectory that implies a very slow pace of convergence with advanced-economy incomes. Per capita GDP in EMDEs excluding China is expected to remain about 4 percent below its pre-pandemic trend over the forecast horizon (figure 3.C).

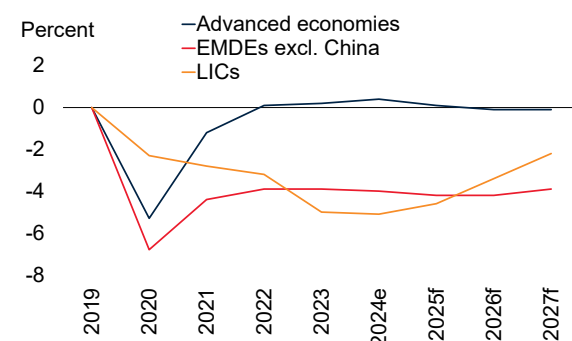
**FIGURE 3.A 12-month-ahead inflation expectations**



**FIGURE 3.B Global value chain exposure: Share of foreign value added in gross exports**



**FIGURE 3.C Per capita income losses relative to pre-pandemic projections**



Sources: European Central Bank; Organisation of Economic Co-operation and Development (OECD); University of Michigan; World Bank.

Note: e = estimate; f = forecast. EMDEs = emerging market and developing economies; LICs = low-income countries; A. Panel shows 12-month-ahead consumer inflation expectations from the Michigan Consumer Sentiment survey and the ECB consumer expectations survey. Last observation is April 2025.

B. Data measure the extent to which a country is a user of foreign inputs, which is considered as a measure of backward linkages in analyses of global value chains, as computed by the OECD. Euro area aggregates exclude intra-regional trade. Due to data constraints, euro area excludes Croatia.

C. Panel shows percent deviation from the 2020 January *Global Economic Prospects* baseline projections for GDP per capita.





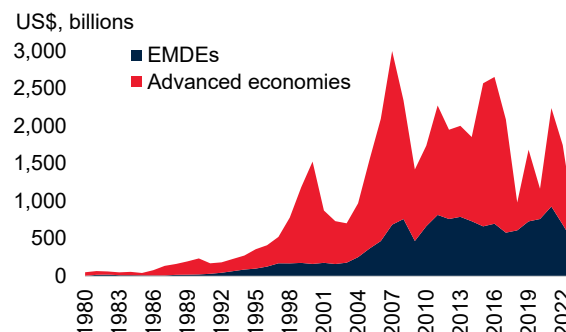
## Special Focus: Foreign Direct Investment in Retreat

**Foreign direct investment (FDI) plays a critical role in the world economy.** The aggregate value of global FDI flows averaged almost \$2 trillion per year during the past decade. Up to one-half of global FDI flows have been directed to emerging market and developing economies (EMDEs) in recent years (figure 4.A). FDI is an important source of private capital, especially for countries with significant investment gaps and scarce domestic capital resources to address them. However, the positive effects of FDI extend far beyond the provision of private capital: it helps to spur technology spillovers, create new jobs, foster productivity gains, and facilitate integration into cross-border production networks. Against this backdrop, this special focus provides a review of FDI trends explored in detail in [chapter 3 of the June 2025 \*Global Economic Prospects\* report](#).

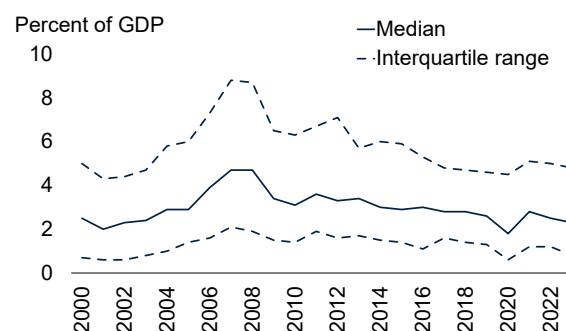
**FDI inflows to EMDEs have weakened steadily as a share of their GDP since the global financial crisis.** During the boom years of 2000-08, FDI inflows to EMDEs grew fivefold in nominal terms. At the peak in 2008, FDI inflows to the median EMDE reached nearly 5 percent of GDP. Since then, FDI flows have been declining, settling at around 2 percent of GDP in recent years (figure 4.B). This trend has been broad based: about 60 percent of all EMDEs and four out of six EMDE regions had lower FDI-to-GDP ratios in 2012-23 than in 2000-11. Recent project announcements data also suggest a decline in greenfield FDI flows to EMDEs—their dominant form of FDI—by almost 25 percent year-on-year in 2024.

**FDI in EMDEs is highly concentrated geographically.** Over two-thirds of total FDI inflows to EMDEs are received by just 10 countries. During 2012-23, nearly one-third of total FDI inflows to EMDEs went to China, making it the largest recipient. The other largest destinations, Brazil and India, received far lower shares of FDI inflows—about 10 and 6 percent of total FDI inflows to EMDEs, respectively. By contrast, only 2 percent of total FDI inflows to EMDEs went to low-income countries (LICs). Largely on account of FDI to China, during 2012-23, East Asia and Pacific (EAP) received more than two-fifths of total FDI in EMDEs. Latin America and the Caribbean (LAC) and Europe and Central Asia (ECA) were the other main regional destinations, receiving about one-quarter and one-sixth of FDI inflows to EMDEs, respectively (figure 4.C). Most of the FDI received by EMDEs—almost 90 percent of the total cumulative FDI stock in the past decade—comes from advanced economies.

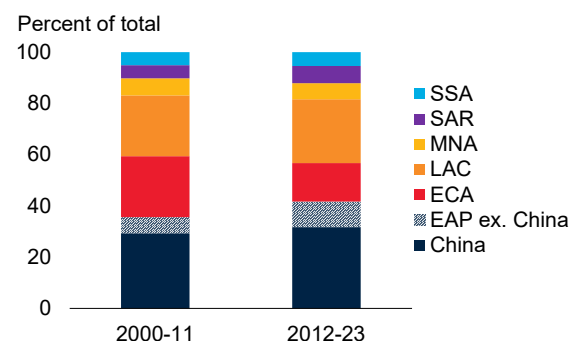
**FIGURE 4.A Global FDI inflows by destination**



**FIGURE 4.B FDI inflows to EMDEs**



**FIGURE 4.C Cumulative FDI inflows in EMDEs by region**



Source: World Bank.

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

A. Sample includes 36 advanced economies and 153 EMDEs.

B. Annual medians and interquartile ranges of FDI-to-GDP ratios. Balanced sample of 134 EMDEs.

C. Sample includes 134 EMDEs, including 19 EAP, 20 ECA, 31 LAC, 15 MNA, 6 SAR, and 43 SSA economies.

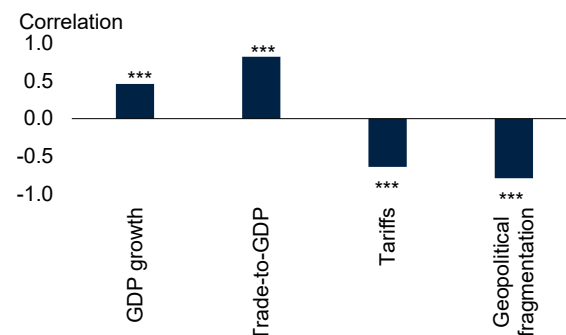


About 45 percent of these investments were from the European Union and the United States.

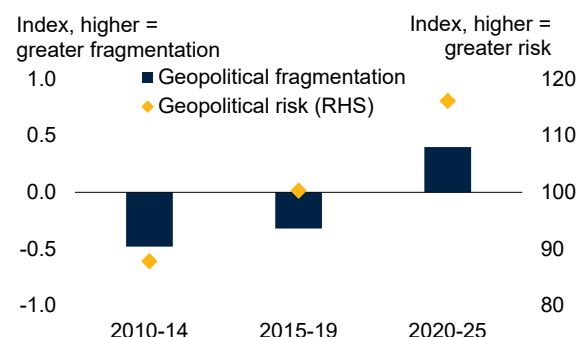
**Both global and domestic factors have contributed to the decline in FDI-to-GDP ratios over the first quarter of this century.** Historically, FDI inflows to EMDEs have been closely associated with economic growth and especially with trade dynamics (figure 5.A). In recessions since the 1970s, the growth of FDI inflows to EMDEs has contracted by about 15 percentage points, on average, and the deep recessions triggered by the global financial crisis and COVID-19 pandemic had sizable adverse effects on cross-border trade and investment. In addition, higher import tariffs and rising economic fragmentation have been strongly associated with declines in FDI inflows. Against a weak macroeconomic backdrop and elevated trade tensions, global economic fragmentation and geopolitical risks have dramatically increased in recent years, exerting downward pressures on FDI (figure 5.B). In addition, prominent measures of economic policy uncertainty globally have climbed to record levels. At the same time, regulatory barriers to trade and investment remain high in EMDEs, while the number of new trade and investment treaties implemented globally has been decreasing since the 2010s.

**Structural reforms can play a key role in reinvigorating FDI and magnifying the resulting economic gains.** Reforms to improve the quality of institutions have stalled over the past decade, and EMDEs, especially LICs, lag advanced economies in critical institutional dimensions for the investment climate such as the rule of law, quality of the regulatory environment, and control of corruption (figure 5.C). In addition to strong institutions, human capital development and trade integration are essential not only for attracting FDI, but also for maximizing its beneficial economic effects. Policy makers in EMDEs therefore should prioritize policies to improve these structural characteristics. The global community can assist in these efforts by enhancing the technical and financial assistance provided to countries that face challenges implementing much-needed reforms. More broadly, fostering an international environment that promotes FDI will depend critically on cooperation to resolve international trade and investment disputes in a transparent and timely manner, and uphold a rules-based system for cross-border investment and trade.

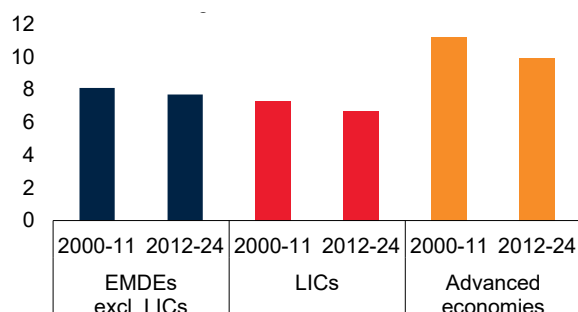
**FIGURE 5.A Correlates of FDI inflows to EMDEs**



**FIGURE 5.B Geopolitical fragmentation and risk**



**FIGURE 5.C Investment climate**



Sources: Caldara and Iacoviello (2022); Fernández-Villaverde, Mineyama, and Song (2024); PRS Group's International Country Risk Guide (ICRG); World Bank.

Note: EMDEs = emerging market and developing economies; LICs = low-income countries; RHS = right-hand side.

A. Bars show correlation coefficients between annual average FDI-to-GDP ratio and the following variables: real GDP growth, trade as a share of GDP, import tariff rate, and the geopolitical fragmentation index from Fernández-Villaverde, Mineyama, and Song (2024). Correlations are based on the period 1990-2023. \*\*\* denote statistical significance at the 1 percent level.

B. Diamonds show five-year averages of the monthly Caldara and Iacoviello global geopolitical risk index, and bars show five-year averages of the quarterly Fernández-Villaverde, Mineyama, and Song fragmentation index, where the last observations are April 2025 and 2024Q1, respectively.

C. ICRG's investment profile index. Sample includes 36 advanced economies and 102 EMDEs, of which 18 are LICs.



### Recent Prospects Group Publications

[Global Economic Prospects—June 2025](#)

[Commodity Markets Outlook—April 2025](#)

[Foreign Direct Investment in Retreat: Policies to Turn the Tide](#)

[Dynamic Effects of Fiscal Rules: Do Initial Conditions Matter?](#)

[Resolving Puzzles of Monetary Policy Transmission in Emerging Markets](#)

### Recent World Bank Working Papers

[Global Stock-Take of Fuel Subsidies and Pricing Policies](#)

[Expansionary Fiscal Consolidation Under Sovereign Risk](#)

[Geopolitical Fragmentation and Friendshoring : Evidence from Project-Level Foreign Investment Data](#)

[Crowding Out and Banking Crises](#)

### Recent World Bank Reports

[Banking on Cities: Investing in Resilient and Low-Carbon Urbanization](#)

[Jobs: The Path to Prosperity](#)

[Firm Foundations of Growth: Productivity and Technology in East Asia and Pacific](#)

[From Resource Rich to Resource Smart: Opportunities for Latin America and the Caribbean in the Energy Transition](#)

[From Risk to Resilience: Helping People and Firms Adapt in South Asia](#)

[Making Refugee Self-Reliance Work: From Aid to Employment in Sub-Saharan Africa](#)

[State and Trends of Carbon Pricing 2025](#)

### TABLE: Major Data Releases

Recent releases: May 26, 2025 - June 26, 2025						Upcoming releases: June 26, 2025 - July 29, 2025				
Country	Date	Indicator	Period	Actual	Previous	Country	Date	Indicator	Period	Previous
Argentina	06/23/25	GDP	Q1	5.8%	2.6%	Australia	07/29/25	CPI	Q2	2.4%
Australia	06/03/25	GDP	Q1	1.3%	1.3%	Brazil	07/02/25	IP	MAY	-0.3%
Brazil	05/30/25	GDP	Q1	2.9%	3.6%	Brazil	07/10/25	CPI	JUN	5.3%
Canada	05/30/25	GDP	Q1	2.3%	2.3%	Canada	07/15/25	CPI	JUN	1.8%
Euro area	06/06/25	GDP	Q1	1.5%	1.2%	China	07/08/25	CPI	JUN	-0.2%
France	05/28/25	GDP	Q1	0.6%	0.6%	China	07/14/25	GDP	Q2	5.4%
India	05/30/25	GDP	Q1	7.4%	6.4%	France	07/04/25	IP	MAY	-2.1%
Italy	05/30/25	GDP	Q1	0.7%	0.6%	India	06/27/25	IP	MAY	2.7%
Japan	06/08/25	GDP	Q1	1.7%	1.4%	India	07/14/25	CPI	JUN	2.8%
Korea, Rep.	06/04/25	GDP	Q1	-0.0%	1.1%	Indonesia	06/30/25	CPI	JUN	1.6%
Russian Federation	06/11/25	CPI	MAY	9.9%	10.2%	Japan	07/17/25	CPI	JUN	3.5%
Russian Federation	06/18/25	GDP	Q1	1.4%	4.5%	Korea, Rep.	06/29/25	IP	MAY	4.9%
Saudi Arabia	06/09/25	GDP	Q1	3.4%	4.4%	Korea, Rep.	07/01/25	CPI	JUN	1.9%
Saudi Arabia	06/15/25	CPI	MAY	2.2%	2.3%	Mexico	07/09/25	CPI	JUN	4.4%
South Africa	06/18/25	CPI	MAY	2.8%	2.8%	Poland	07/15/25	CPI	JUN	4.4%
South Africa	06/26/25	GDP	Q1	0.8%	0.8%	Saudi Arabia	07/15/25	CPI	JUN	2.2%
Türkiye	05/30/25	GDP	Q1	2.0%	3.0%	South Africa	07/23/25	CPI	JUN	2.8%
Türkiye	06/03/25	CPI	MAY	35.4%	37.9%	Spain	07/04/25	IP	MAY	0.6%
United Kingdom	06/18/25	CPI	MAY	4.0%	4.0%	Thailand	07/06/25	CPI	JUN	-0.6%
United States	06/26/25	GDP	Q1	2.0%	2.5%	Türkiye	07/03/25	CPI	JUN	35.4%
United States	06/11/25	CPI	MAY	2.4%	2.3%	United States	07/15/25	CPI	JUN	2.4%

Sources: World Bank; Trading Economics.