THE WORLD BANK
Development Economics | Prospects Group

Global Monthly

March 2025

Overview

- Over the past month, softening growth prospects and rising inflation expectations have raised concerns about the near-term outlook and dampened risk appetite.
- Among major economies, U.S. economic activity indicators in early 2025 were volatile amid heightened uncertainty, while China saw trade slow in January and February.
- In contrast, in many other emerging market and developing economies (EMDEs), PMI surveys generally indicate continued resilience in activity.

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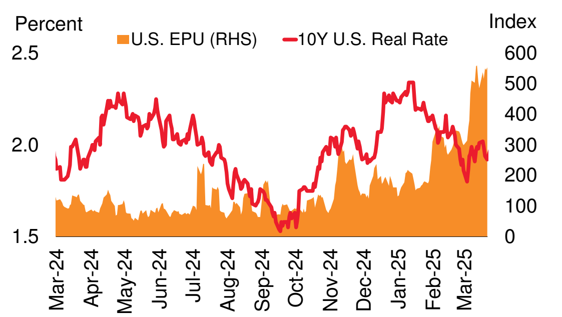
Chart of the Month

- Since the start of the year, the U.S. economy has seen a substantial rise in economic policy uncertainty alongside softer economic indicators.
- In March, the weekly average value of the U.S. Economic Policy Uncertainty Index hit levels only previously seen in the first months of the COVID-19 pandemic.
- At the same time, U.S. 10-year real yields fell below 2 percent in March, marking a 40 basis point decline from their mid-January peak, likely reflecting expectations of softer economic activity.

Economic Policy Uncertainty and real interest rates in the United States



Sources: Baker et al. 2016; Haver Analytics.
Note: The area in orange represents the weekly average of the daily U.S. Economic Policy Uncertainty index from Baker et al. 2016. The red line represents the market-implied 10-year real yields derived from 10-year inflation-protected treasuries.

Special Focus: Growth Accelerations in Low-Income Countries

- Supported by domestic reforms and benign global conditions, there have been many instances since 1990 in which past and present low-income countries (LICs) saw periods of sustained per capita growth acceleration.
- Growth accelerations in LICs have corresponded with rapid improvements in a broad range of macroeconomic and development indicators, raising the prospects of graduating into middle-income status.
- That said, only one-fourth of today's LICs have experienced a growth acceleration since 1990, compared to one-half of other EMDEs.

The *Global Monthly* is a publication of the Prospects Group. This edition was prepared by Tommy Chrimes, Edoardo Palombo, and Nikita Perevalov, under the supervision of Carlos Arteta. The special focus was prepared by Joseph Mawejje. This *Global Monthly* reflects data available up to March 24, 2025. For more information, visit: www.worldbank.org/prospects. Back issues of this report are available since 2008.

Monthly Highlights

Global activity: growth and inflation concerns amid heightened uncertainty. High-frequency indicators point to softening global growth and rising inflation expectations. Current and expected global investor confidence continued to decline in March, as measured by the Global Sentix Index, amid surging uncertainty about geopolitics, trade, and broader economic policies. The global composite PMI, though still in expansion, slowed to a 14-month low, falling again from 51.8 in January to 51.4 in February. The survey also indicated that businesses have begun to reduce employment following slowing demand and rising input prices. The global services PMI showed a continued slowdown in activity. Meanwhile, the global manufacturing PMI accelerated at the fastest pace since last June, partly due to the front-loading of output in anticipation of new tariffs. Global consumer price inflation has started to increase in a context of rising trade uncertainty and escalating tariff announcements. Global median consumer inflation hit 3.5 percent in February, with two-thirds of economies seeing rising inflation in 2025 (figure 1.A).

Global trade: some firming despite unprecedented trade policy uncertainty. In 2024Q4, global goods trade growth picked up to 2.8 percent (y/y) from 2.3 percent in 2024Q3, with an expansion of 5.2 percent in EMDEs, and of 1.3 percent in advanced economies led by the United States. The new export orders PMI remained in contraction territory but edged up to 49.6 in February from 49.4 in January, improving for the third consecutive month. The services component of the PMI indicates that service sector growth continued to ease, in February, deteriorating for the 13th consecutive month. Meanwhile, trade policy uncertainty reached the highest level on record since 1960 in February (figure 1.B), reflecting uncertainty about U.S. trade policies and responses from other trading partners. In March, the United States and China imposed additional tariffs on each other. Trade tensions escalated further as the United States increased tariffs on steel and aluminum imports and announced 25 percent tariffs on Mexico and Canada, which were later removed for imports that meet USMCA rules of origin. Canada and the European Union announced retaliatory tariffs on imports from the United States.

Commodity markets: falling energy prices. Commodity prices eased 2 percent in February (m/m), led by a 4 percent decline in energy prices. Brent crude oil prices were volatile in early March, hovering around US$69/bbl amid ongoing trade tensions, rising OPEC+ production, and increased U.S. crude inventories

FIGURE 1.A Global consumer inflation

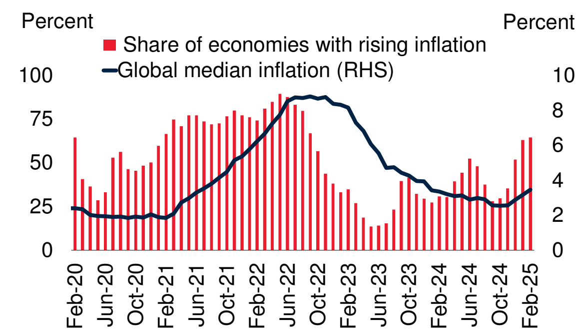


FIGURE 1.B Global trade policy uncertainty

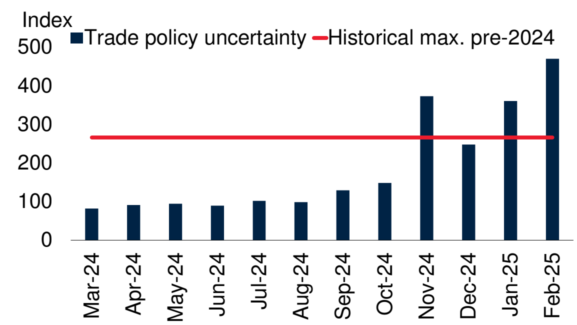


FIGURE 1.C Brent crude oil price

Sources: Caldara et al. (2020); Haver Analytics; World Bank.
Note: bbl = barrels.
A. The global median inflation rate is the median of economies' headline monthly year-on-year inflation rate. The share of economies with rising inflation is defined as economies experiencing an increase in the inflation rate compared to three months prior. Sample includes up to 184 countries. Last observation is February 2025.
B. Blue bars show the global trade policy uncertainty index which quantifies changes in trade policy uncertainty by measuring the frequency of related terms in major newspapers; higher values indicate increased uncertainty. Red line shows the historical maximum prior to 2024. Last observations is February 2025.
C. Daily data. Last observation is March 24, 2025.

(figure 1.C). European natural gas prices gained 5 percent in February (m/m) off the back of colder weather and low inventories, while U.S natural gas prices increased by 3 percent (m/m), fueled by strong LNG export demand. Agriculture prices remained relatively stable, with gains in beverage prices offset by declines in some food commodities. Metal prices climbed 3 percent in February (m/m), led by tin (7 percent), copper (4 percent), and aluminum (3 percent), possibly due to front-loading of demand before the announced mid-March start of U.S. tariffs on steel and aluminum.

Global financial conditions: waning risk appetite. A combination of weaker-than-expected survey data and escalating trade tensions has raised concerns of a substantial slowdown in the United States. Financial markets now expect at least two 25 bps policy rate cuts—possibly three—by the Federal Reserve before the end of the year. As of 24 March, U.S equity prices had declined 6 percent from their January peak back to levels seen in September 2024. The European Central Bank (ECB) continued to ease policy as inflation moderated in the euro area. However, the announcement of larger borrowing to fund defense and infrastructure spending by Germany led to a 30 bps rise in German 10-year bund yields (figure 2.A). In the United States and the euro area, uncertainty, as measured by equity market implied volatility, spiked in mid-March (figure 2.B). In the euro area, equity markets remain near all-time highs, while in China, equities advanced following the announcement of the 2025 growth target and additional fiscal stimulus. Despite trade policy concerns, EMDE currencies have appreciated since late February.

United States: faltering activity. Several activity indicators point to some deterioration of U.S. growth prospects in a context of trade policy shifts, financial market declines, and elevated uncertainty. The trade deficit rose sharply in January, as imports surged by $36 billion (figure 2.C). Domestic activity also showed signs of weakness, with real consumer spending edging down by 0.5 percent (m/m) in January, in part likely reflecting unusually cold weather. Declining consumer sentiment and a cooling labor market point to weakening activity ahead, with nonfarm payrolls increasing by only 151K in February.

Other advanced economies: plans for higher defense spending. As expected, the ECB lowered its key policy rate by 25 bps—the sixth cut since June—while signaling a likely slowdown in the pace of rate cuts going forward. In March, the EU announced plans to boost defense spending by €800 billion.

FIGURE 2.A **Yields on 10-year United States Treasury notes and German Federal bonds**

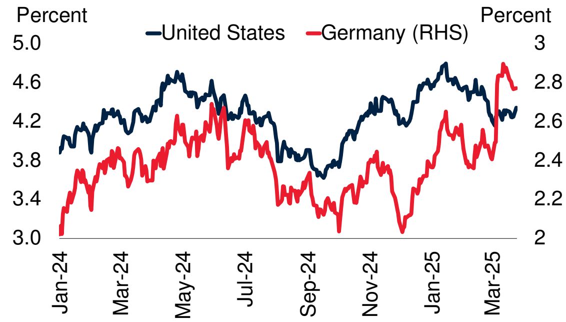


FIGURE 2.B **Equity volatility in the United States and Euro area**

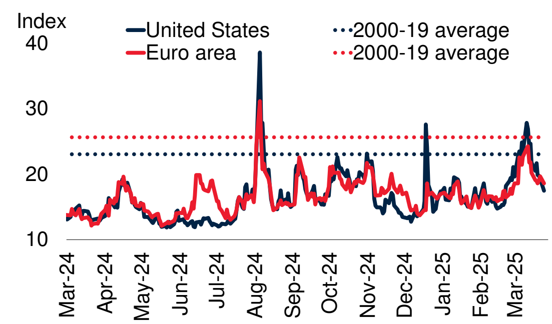
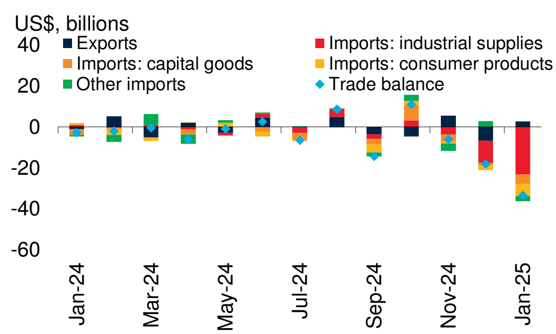


FIGURE 2.C **Trade balance in the United States**



Sources: Bloomberg; Haver Analytics; World Bank.

A. Last observation is March 24, 2025.

B. Blue line represents the daily CBOE Volatility Index, which measures market expectation of near-term volatility conveyed by stock index option prices. Red line represents the daily Euro STOXX 50 Volatility Index, which reflects the market expectations of near-term volatility based on Euro STOXX 50 real-time options prices. Last observation is March 24, 2025.

C. The chart shows the monthly change in the U.S. trade balance (customs basis) in billions of dollars with contributions from selected components.

These spending plans would further expand large fiscal deficits in many euro area economies (figure 3.A). Additionally, Germany—the bloc's largest economy—relaxed fiscal rules to increase spending on defense and infrastructure. In Japan, February headline and core inflation remained elevated at 3.7 percent (y/y) and 3.0 percent (y/y), respectively. Persistent inflation and solid wage growth momentum raised market expectations of another increase in policy rates by the Bank of Japan this year, following a hike in January.

China: trade slowdown. Merchandise trade growth slowed over January and February, with export growth down from 10.7 to 2.3 percent (y/y) and import growth sliding from 1 percent to -8.4 percent, even before full implementation of new U.S. tariffs (figure 3.B). Official PMIs for February were mixed, with the manufacturing PMI rising from 49.1 to 50.2, the construction PMI increasing from 49.3 to 52.7, and the services PMI slipping to 50. Retail sales rose 4 percent (y/y) in January-February from 3.7 percent, while industrial production growth eased to 5.9 percent (y/y). CPI inflation declined to -0.7 percent (y/y), the first negative outturn since January 2024—driven by falling food prices—while core inflation edged down to 0.3 percent. In early March, the authorities announced fresh fiscal support measures and set a 2025 growth target of "around 5 percent"—unchanged from the 2024 target.

Other EMDEs: generally resilient activity. The composite PMI for EMDEs excluding China edged up from 53.5 in January to 54.1 in February (figure 3.C). Recent PMI readings remain in expansionary territory for several large EMDEs, including India (where the services PMI rose from 56.5 in January to 59.0 in February) and Saudi Arabia (where the total PMI cooled from 60.5 in January to 58.4 in February). Poland's manufacturing PMI rose from 48.8 in January to 50.6 in February, the first expansion since April 2022. Yet in Mexico, the manufacturing PMI fell further, from 49.1 in January to 47.6 in February, amid ongoing uncertainty around U.S. trade policy. The composite PMI for South Africa improved sharply, from 43.2 in January to 48.2 in February, but remained in contractionary territory. Türkiye experienced market volatility in mid-March amid political uncertainty. Overall, headline inflation in large EMDEs remained broadly stable on a year-on-year basis, with the latest data showing increases in economies such as Brazil, Mexico, and the Russian Federation, offset by decreases in India, Indonesia, and Türkiye.

FIGURE 3.A **Euro area government budget balance**

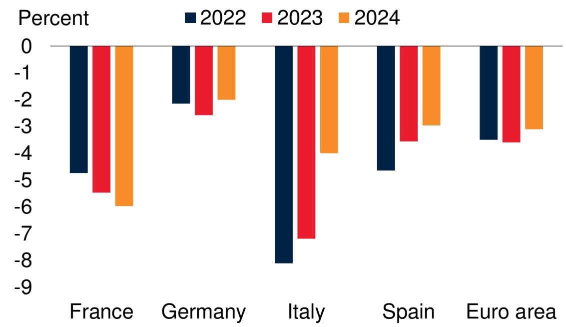


FIGURE 3.B **China's imports and exports**

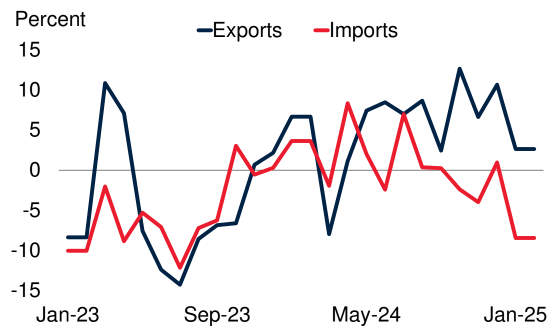
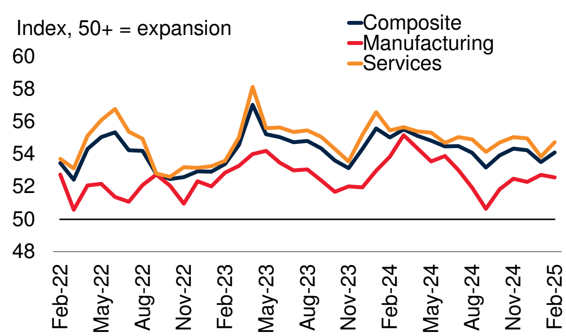


FIGURE 3.C **PMIs in EMDEs excluding China**



Sources: Haver Analytics; International Monetary Fund; World Bank.

Note: EMDEs = emerging market and developing economies; PMI = purchasing managers' index.

A. Chart shows the estimate of the overall budget balance as per the IMF Fiscal Monitor in October 2024.

B. Year-on-year change of value of goods exports and imports in U.S. dollars. Last observation is February 2025.

C. Panel shows the 2024-GDP-weighted average manufacturing, services and composite global PMI for 16 EMDEs, excluding China. Last observation is February 2025.

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Special Focus: Growth Accelerations in Low-Income Countries

For many of today's low-income countries (LICs), graduating to lower-middle income status would require substantial improvements in per capita growth rates. Since 1990, there have been many instances in which past and present LICs have achieved growth accelerations—episodes of sizable and sustained increases in real per capita growth. Drawing from analysis in the latest *[Global Economic Prospects](https://www.worldbank.org/en/publication/global-economic-prospects)*, this special focus examines the characteristics of growth accelerations in LICs, defined as spells of eight or more years during which per capita growth rates exceed historical norms. It outlines the circumstances under which growth accelerations have occurred, illuminates development successes associated with them, and compares performance with countries that graduated to middle-income since 2000—referred to as LICs turned into middle-income countries (LTMs).

Small number of growth accelerations in today's LICs. Growth accelerations have been less frequent in LICs than in other EMDEs, having occurred in one-fourth of today's LICs since 1990, compared with one-half in LTMs and other EMDEs. Between 1990 and 2023, growth accelerations were recorded in six out of 25 LICs for which data are available (Ethiopia, Mali, Mozambique, Rwanda, Chad, and Uganda); growth accelerations occurred in 22 out of 42 LTMs over the same period (figure 4.A). In total, 30 growth accelerations have occurred in LTMs and current LICs since 1990, with Indonesia and Mali each experiencing two accelerations over this period. Of these, 26 commenced while countries were classified as LICs, with 19 of those in current LTMs and 7 in current LICs. Spells of accelerated growth have, on average, lasted about 14.5 years in current LICs and over 16 years in LTMs.

Growth accelerations have raised current LICs' prospects of graduation. Per capita incomes are almost at the graduation threshold among the six current LICs that have experienced growth accelerations since 1990. On average, per capita incomes in these LICs were 71 percent below the threshold in the year preceding their growth spell's commencement. By the final year of the acceleration, the gap between incomes and the graduation threshold had narrowed by around 48 percentage points, to 23 percent. The average gap to graduation in these LICs has since widened slightly to 25 percent, but it remains considerably smaller than the 41 percent average gap for the group of LICs that never experienced such accelerations (figure 4.B).

FIGURE 4.A Ongoing accelerations per year

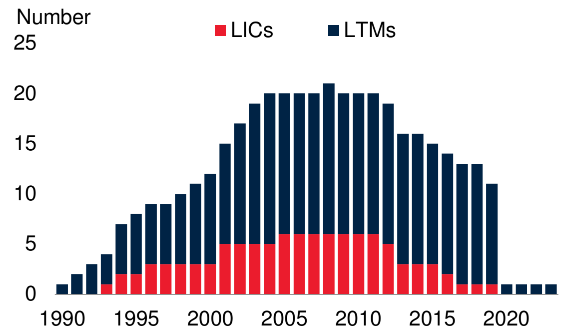


FIGURE 4.B Distance to graduation threshold

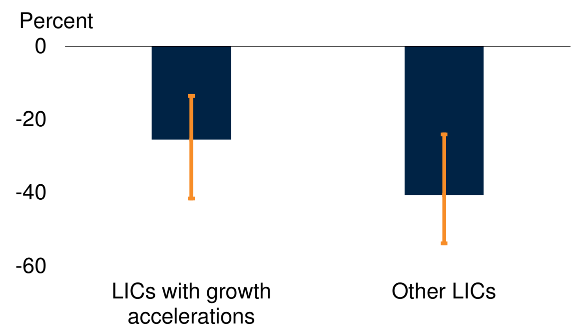
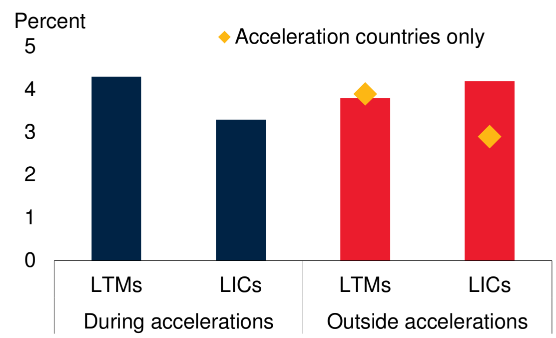


FIGURE 4.C Trading partner growth



Sources: Gootjes et al. 2024; International Monetary Fund; WDI (database); World Bank.

Note: LICs = low-income countries; LTMs = LICs turned into middle-income countries.

A. LIC sample includes seven growth accelerations. The number of accelerations beyond 2016 may be low as any new acceleration will not yet be captured—a minimum of eight years of growth data is required to identify the start of an acceleration.

B. Note: Bars represent distance in percentage points of GNI per capita (Atlas method) from the respective graduation thresholds, and whiskers represent the 25th and 75th percentiles. Pre-COVID gap represents the median distance from the graduation threshold of $1035 in FY2021 based on 2019 data; the current gap represents the median distance from the FY2025 threshold of $1,145 based on 2023 data.

C. Bars reflect average growth in real GDP of each country's top 10 trading partner economies, weighted by average export shares from 2000–19. Diamonds reflect the average in years outside of growth accelerations for those LTMs and LICs that had experienced accelerations.

Domestic reforms and benign global conditions supported past LIC growth accelerations. LIC growth accelerations were often preceded by domestic reforms that prioritized investment and structural reforms that improved the business environment. These reforms usually focused on some combinations of increasing the economy's degree of market orientation, restoring or enhancing macroeconomic stability, channeling greater resources into investment, and upgrading human capital. At the same time, the external environment played an important role in growth accelerations. In the early 1990s, a period of weak global growth, there were no accelerations underway in today's LICs and just a few in LTMs. As global growth picked up in the late 1990s, so did accelerations. Supported by robust global growth and rising commodity prices in the early 2000s, growth accelerations proliferated, with 21 accelerations ongoing in 2008, albeit mostly in LTMs. Compared to LTMs, however, accelerations in today's LICs seem to have aligned more closely with past commodity cycles than with trading partner growth cycles (figures 4.C and 5.A). Of six LICs that have experienced growth accelerations since 1990, three are industrial commodity exporters (Chad, Mali, Mozambique) whose accelerations encompassed the commodity price upswing from 2004 to 2011.

Accelerations often ended amid crises. Several growth accelerations became casualties of the global financial crisis (Armenia, Azerbaijan), as well as the eventual collapse in oil and other commodity prices in the mid-2010s (Chad, Nigeria). A debt crisis in Mozambique ended its growth spell in 2016. By 2019, there were only 11 ongoing accelerations, of which 10 were in LTMs. All but one of these ended in 2020 as the COVID-19 pandemic curtailed economic activity and generated a wave of debt-related stress in vulnerable LTMs and LICs.

Growth accelerations in LICs have corresponded with rapid improvements in a broad range of macroeconomic and development indicators. Much progress in raising incomes and powering structural transformation occurs during accelerations. Annual per capita growth in LICs averaged 6.3 percent during growth accelerations, while incomes contracted by 0.3 percent annually in the years outside of accelerations. Similarly, annual per capita growth in LTMs averaged 6.8 percent during accelerations—higher than the 0.4 percent in other years. During growth accelerations, the agricultural labor share declined by 0.5 percentage point per year in LICs, on average, with three-fourths of freed-up labor shifting to services and the remainder to industry (figure 5.B). Extreme poverty rates declined by an estimated 2.1 percentage point per year during growth accelerations, faster than 0.4 percentage point per year in other years (figure 5.C).

FIGURE 5.A Commodity price growth

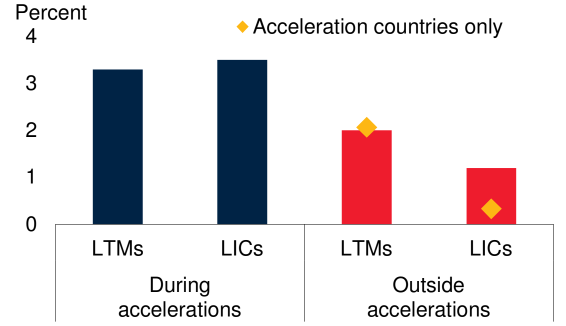


FIGURE 5.B Sectoral reallocation growth

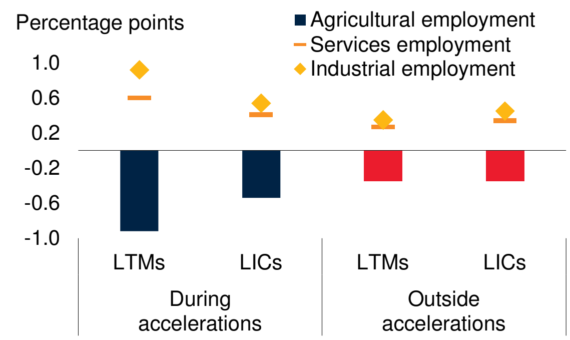
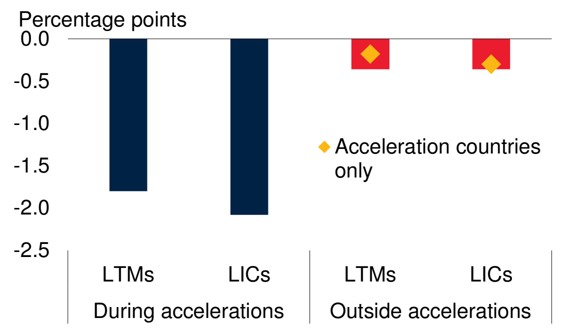


FIGURE 5.C Extreme poverty



Sources: Gootjes et al. 2024; International Monetary Fund; Mahler and Lakner (2022); WDI (database); World Bank Poverty and Inequality Platform (database); World Bank.

Note: LICs = low-income countries; LTMs = LICs turned into middle-income countries.

A. Bars reflect average real growth in country-specific commodity export price indices. An individual commodity's weight reflects the ratio of that commodity's exports to the country's total commodity exports. Diamonds reflect the average in years outside of growth accelerations for those LTMs and LICs that had experienced accelerations.

B. Bars represent averages; whiskers represent the interquartile range. Sample includes 38 LTMs and 20 LICs. Diamonds reflect the average in years not outside of growth accelerations for those LTMs and LICs that had experienced accelerations. Bars and markers represent the average annual change in the ratio of sectoral employment to total employment.

C. Bars represent averages; whiskers represent the interquartile range. Sample includes 38 LTMs and 20 LICs. Diamonds reflect the average in years not outside of growth accelerations for those LTMs and LICs that had experienced accelerations. Annual change in the ratio of extreme poor to the total population.

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March 2025

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Global Economic Prospects—January 2025
Commodity Markets Outlook—October 2024
Resolving Puzzles of Monetary Policy Transmission in Emerging Markets
Identifying Growth Accelerations
Digitalization and Inclusive Growth: A Review of the Evidence

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Leveling the Playing Field: Addressing Structural Inequalities to Accelerate Poverty Reduction in Africa
Services Unbound: Digital Technologies and Policy Reform in East Asia and Pacific

TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: February 25, 2025 - March 24, 2025					
Country	Date	Indicator	Period	Actual	Previous
India	2/28/25	GDP	Q4	6.2%	5.6%
Türkiye	2/28/25	GDP	Q4	3.0%	2.2%
Indonesia	3/2/25	CPI	FEB	-0.1%	0.8%
Australia	3/4/25	GDP	Q4	1.3%	0.8%
Korea, Rep.	3/4/25	GDP	Q4	1.2%	1.5%
South Africa	3/4/25	GDP	Q4	0.9%	0.4%
Italy	3/5/25	GDP	Q4	0.6%	0.6%
Brazil	3/7/25	GDP	Q4	3.6%	4.0%
Euro area	3/7/25	GDP	Q4	1.2%	1.0%
Mexico	3/7/25	CPI	FEB	3.8%	3.6%
Thailand	3/7/25	CPI	FEB	1.1%	1.3%
China	3/8/25	CPI	FEB	-0.7%	0.5%
Saudi Arabia	3/10/25	IP	JAN	1.3%	1.8%
India	3/12/25	CPI	FEB	3.6%	4.3%
Russian Federation	3/12/25	CPI	FEB	10.1%	9.9%
United States	3/12/25	CPI	FEB	2.8%	3.0%
Germany	3/14/25	CPI	FEB	2.2%	2.4%
United Kingdom	3/14/25	IP	JAN	-1.5%	-1.9%
Argentina	3/19/25	GDP	Q4	2.1%	-2.0%
Euro area	3/19/25	CPI	FEB	2.3%	2.5%
Japan	3/20/25	CPI	FEB	3.6%	4.0%

(Percent change y/y)

Upcoming releases: March 25, 2025 - April 30, 2025				
Country	Date	Indicator	Period	Previous
Korea, Rep.	3/30/25	IP	FEB	-4.1%
Korea, Rep.	4/1/25	CPI	MAR	2.0%
Brazil	4/2/25	IP	FEB	1.4%
Germany	4/3/25	IP	FEB	-1.5%
Thailand	4/3/25	CPI	MAR	1.1%
Türkiye	4/3/25	CPI	MAR	39.1%
Spain	4/4/25	IP	FEB	-1.0%
Argentina	4/9/25	IP	FEB	7.1%
Mexico	4/9/25	CPI	MAR	3.8%
Italy	4/10/25	IP	FEB	-0.8%
Netherlands	4/10/25	IP	FEB	0.7%
Türkiye	4/10/25	IP	FEB	1.4%
United States	4/10/25	CPI	MAR	2.8%
Brazil	4/11/25	CPI	MAR	5.1%
India	4/11/25	IP	FEB	5.0%
Mexico	4/11/25	IP	FEB	-2.9%
India	4/14/25	CPI	MAR	3.6%
China	4/15/25	GDP	Q1	5.4%
Euro area	4/15/25	IP	FEB	-0.1%
Poland	4/15/25	CPI	MAR	5.4%
Australia	4/29/25	CPI	Q1	2.4%