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Department of
Economic and
Social Affairs

Press Release

Global economic outlook worsens amid trade conflict and policy uncertainty, United Nations Report says

Slower growth, weaker trade and investment risk derailing development progress

New York, 15 May 2025 — The global economy is at a precarious juncture, marked by heightened trade tensions and elevated policy uncertainty, according to the *World Economic Situation and Prospects as of mid-2025*. The recent surge in tariffs—driving the effective U.S. tariff rate up steeply—threatens to raise production costs, disrupt global supply chains and amplify financial turbulence.

Uncertainty over trade and economic policies, combined with a volatile geopolitical landscape, is prompting businesses to delay or scale back critical investment decisions. These developments are compounding existing challenges, including high debt levels and sluggish productivity growth, further undermining global growth prospects.

Global GDP growth is now forecast at just 2.4 per cent in 2025, down from 2.9 per cent in 2024 and 0.4 percentage points below the January 2025 projection.

Slower global growth, elevated inflationary pressures and weakening global trade—including a projected halving of trade growth from 3.3 per cent in 2024 to 1.6 per cent in 2025—jeopardize progress toward the Sustainable Development Goals.

A widespread deterioration in growth prospects

The slowdown is broad-based, affecting both developed and developing economies. Growth in the United States is projected to decelerate significantly, from 2.8 per cent in 2024 to 1.6 per cent in 2025, with higher tariffs and policy uncertainty expected to weigh on private investment and consumption. In the European Union, GDP growth is forecast at 1.0 per cent in 2025, unchanged from 2024, amid weaker net exports and higher trade barriers.

China's growth is expected to slow to 4.6 per cent this year, reflecting subdued consumer sentiment, disruptions in export-oriented manufacturing and ongoing property sector challenges. Several other major developing economies, including Brazil, Mexico and South Africa, are also facing growth downgrades due to weakening trade, slowing investment and falling commodity prices. India, whose 2025 growth forecast has been revised downward to 6.3 per cent, remains one of the fastest growing large economies.



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"The tariff shock risks hitting vulnerable developing countries hard, slowing growth, slashing export revenues, and compounding debt challenges, especially as these economies are already struggling to make the investments needed for long-term, sustainable development," said Li Junhua, United Nations Under-Secretary-General for Economic and Social Affairs.

Inflation risks remain

While global headline inflation eased from 5.7 per cent in 2023 to 4.0 per cent in 2024, price pressures remain stubbornly high in many economies. By early 2025, inflation exceeded pre-pandemic averages in two-thirds of countries, with over 20 developing economies facing double-digit rates.

Food inflation, averaging above 6 per cent, continues to hit low-income households hardest, particularly in Africa, South Asia and Western Asia. Higher trade barriers and climate shocks are further amplifying inflation risks, underscoring the need for coordinated policies—combining credible monetary frameworks, targeted fiscal support and long-term strategies—to stabilize prices and shield the most vulnerable.

In many countries, monetary policy challenges have intensified in an uncertain economic environment. Central banks are grappling with difficult trade-offs between managing inflationary pressures—exacerbated by tariff-induced price shocks—and supporting slowing economies. At the same time, limited fiscal space, especially in developing economies, constrains governments' ability to effectively mitigate the economic slowdown.

Deteriorating global prospects and geopolitical fragmentation undermine development progress

For many developing countries, this bleak economic outlook undermines prospects for creating jobs, reducing poverty, and addressing inequality. For least developed countries—where growth is expected to slow from 4.5 per cent in 2024 to 4.1 per cent in 2025—declining export revenues, tightening financial conditions and reduced official development assistance flows threaten to further erode fiscal space and heighten the risk of debt distress.

Escalating trade frictions are further straining the multilateral trading system, leaving small and vulnerable economies increasingly marginalized in a fragmented global landscape.

Strengthening multilateral cooperation is essential to address these challenges. Revitalizing the rules-based trading system and providing targeted support to vulnerable countries will be critical to fostering sustainable and inclusive development.



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The [Fourth International Conference on Financing for Development](#), taking place in Sevilla, Spain, from 30 June to 3 July 2025, will be a crucial platform to address issues such as strengthening multilateral cooperation, debt sustainability and more to drive concrete actions on financing for sustainable development for all.

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The full report will be available on 15 May 2025, 12:30 pm EDT at:

<https://desapublications.un.org/>

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