United Nations | Department of Economic and Social Affairs

World Economic Situation and Prospects 2025

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The *World Economic Situation and Prospects 2025* is a report produced by the United Nations Department of Economic and Social Affairs (UN DESA), in partnership with the United Nations Conference on Trade and Development (UNCTAD) and the five United Nations regional commissions: the Economic Commission for Africa (ECA), Economic Commission for Europe (UNECE), Economic Commission for Latin America and the Caribbean (ECLAC), Economic and Social Commission for Asia and the Pacific (ESCAP) and Economic and Social Commission for Western Asia (ESCWA). The United Nations World Tourism Organization (UN Tourism) also contributed to the report.

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Foreword

The 2025 edition of the United Nations *World Economic Situation and Prospects* report comes at the mid-way point of a decade that has been characterized by economic turbulence.

This report shows that the global economy is finally recovering following a sequence of shocks. Inflation is falling and economic growth—while slower than before the pandemic—has stabilized. In response, Central Banks are lowering interest rates, easing borrowing for much needed investments.

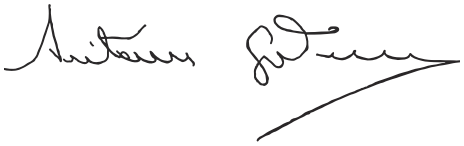
But the world still faces challenges that slow the rate of economic progress and the pursuit of better lives for all.

Wars, rising geopolitical tensions, and devastating climate impacts all endanger the world economy. And the fruits of recovery are not being shared equally. In many developing economies—particularly Least Developed Countries—incomes have not kept up with prices, drained public finances have not been restored, and debt burdens have spiralled. Little is left for investment in sustainable development, including climate action, as a result.

Countries cannot ignore these perils. In our interconnected economy, shocks on one side of the world push up prices on the other. Every country is affected and must be part of the solution—building on progress made.

Last September, countries agreed to the Pact for the Future. That includes bold commitments to reform the global financial architecture, increase the lending capacity of Multilateral Development Banks, improve access to low-cost finance for climate-resilient development and growth, and take effective action on debt. In 2025, countries must deliver on those promises, particularly at the Fourth International Conference on Financing for Development.

We've set a path. Now it's time to deliver. Together, let's make 2025 the year we put the world on track for a prosperous, sustainable future for all.



António Guterres
United Nations
Secretary-General

Explanatory notes

Symbols used in the tables

- .. Two dots indicate that data are not available or are not separately reported.
- – A dash indicates that the amount is nil or negligible.
- - A hyphen indicates that the item is not applicable.
- – A minus sign indicates deficit or decrease, except as indicated.
- . A full stop is used to indicate decimals.
- / A slash between years indicates a crop year or financial year, for example, 2024/2025.
- – Use of a hyphen between years, for example, 2024–2025, signifies the full period involved, including the beginning and end years.

References and terms

- Reference to "dollars" ($) indicates United States dollars, unless otherwise stated.
- Reference to "billions" indicates one thousand million.
- Reference to "tons" indicates metric tons, unless otherwise stated.
- Annual rates of growth or change, unless otherwise stated, refer to annual compound rates.
- Details and percentages in tables do not necessarily add to totals, because of rounding.
- For country classifications, see the statistical annex.
- Data presented in this publication incorporate information available as at 1 December 2024.

Abbreviations

AfCFTA	African Continental Free Trade Area
AI	artificial intelligence
ASEAN	Association of Southeast Asian Nations
C	Celsius
CIS	Commonwealth of Independent States
CMU	capital markets union
CO_2	carbon dioxide
COP 29	twenty-ninth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change
COVID-19	coronavirus disease 2019
CPI	Consumer Price Index
DAC	Development Assistance Committee (OECD)
EAPD	Economic Analysis and Policy Division (of UN DESA)
ECLAC	Economic Commission for Latin America and the Caribbean
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
ESG	environmental, social, and governance
EU	European Union
EV	electric vehicle
FDI	foreign direct investment
FRED	Federal Reserve Economic Data
FTA	free trade agreement
GCC	Cooperation Council for the Arab States of the Gulf
GDP	gross domestic product
GEPU	Global Economic Policy Uncertainty (Index)
GNI	gross national income
GW	gigawatt(s)
GWP	gross world product
G20	Group of Twenty
HICP	Harmonised Index of Consumer Prices
HIPC	Heavily Indebted Poor Countries (Initiative)
ICT	information and communications technology
IEA	International Energy Agency
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
IMF	International Monetary Fund
IRENA	International Renewable Energy Agency
ISO	International Standards Organization
IT	information technology
kg	kilogram(s)
LDC	least developed country
LHS	left-hand scale
LLDC	landlocked developing country
LNG	liquefied natural gas
MDB	multilateral development bank
MWh	megawatt hour(s)
NAP	National Adaptation Plan
NEET	not in employment, education, or training
NIIP	net international investment position
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PCE	personal consumption expenditure(s)
PMI	Purchasing Managers' Index
PPP	purchasing power parity
PV	photovoltaic
QT	quantitative tightening
R&D	research and development
RHS	right-hand scale
S&P	Standard and Poor's
SDGs	Sustainable Development Goals
SIDS	small island developing State(s)
UN DESA	United Nations Department of Economic and Social Affairs
UN Tourism	United Nations World Tourism Organization
UNCTAD	United Nations Conference on Trade and Development
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
UNODC	United Nations Office on Drugs and Crime
WEFM	World Economic Forecasting Model (UN DESA)
WMO	World Meteorological Organization
WTO	World Trade Organization
YoY	year-over-year

Acknowledgements

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SUSTAINABLE DEVELOPMENT GOALS

End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all ages

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all

Ensure access to affordable, reliable, sustainable and modern energy for all

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Reduce inequality within and among countries

Make cities and human settlements inclusive, safe, resilient and sustainable

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Executive Summary

Subdued global outlook amid persistent uncertainties

The world economy has remained resilient through 2024, avoiding a broad-based economic contraction despite years of multiple, mutually reinforcing shocks and the most sustained inflation-driven episode of monetary tightening in recent history. In the near term, global economic growth is expected to remain stable but subdued. While continued disinflation and monetary easing in a large number of countries are expected to boost aggregate demand, ongoing conflicts and rising geopolitical tensions could exacerbate challenges on the supply side. In addition, persistently tight fiscal space and lingering debt challenges in many developing countries will continue to constrain their ability to invest in productive capacities and stimulate economic growth.

Global economic growth is forecast at 2.8 per cent for 2025 and 2.9 per cent for 2026, largely unchanged from the rate of 2.8 per cent recorded in 2023 and estimated for 2024. Positive but somewhat slower growth forecasts for China and the United States of America will be complemented by modest recoveries in the European Union, Japan, and the United Kingdom of Great Britain and Northern Ireland and robust performance in some large developing economies, notably India and Indonesia. The short-term outlook for many low-income and vulnerable countries remains less favourable. Growth in the least developed countries (LDCs) is projected to improve slightly in 2025, but the forecast has been revised downward from mid-2024 projections.

Despite continued expansion, the global economy is projected to grow at a slower pace than the 2010–2019 (pre-pandemic) average of 3.2 per cent. This subdued performance reflects ongoing structural challenges such as weak investment, slow productivity growth, high debt levels, and demographic pressures. Many developing countries are still grappling with the prolonged scarring effects of the pandemic and other recent shocks. While the green transition and technological advancements hold the potential to boost growth, any benefits that accrue may be disproportionately concentrated in developed economies. Meanwhile, many developing nations face significant hurdles in mobilizing financing to invest in critical infrastructure, technology, and human capital and in moving up manufacturing and services value chains.

Risks to the near-term outlook are still largely skewed to the downside albeit less pronounced than in 2023 owing to positive developments in certain key areas in 2024. Favourable trends include continuing disinflation across the majority of countries and the ongoing monetary easing by major developed country central banks (a long-awaited move that has contributed to improving the global financial environment). At the same time, various uncertainties continue to cloud the near-term economic outlook; measures such as the Global Economic Policy Uncertainty Index and the Geopolitical Risk Index remain above historic averages. While global inflation has eased, the pace of disinflation has slowed, driven by sticky prices in housing and other services sectors in developed economies. Should inflationary pressures re-emerge, central banks,

especially in large, developed economies, would likely slow the pace of rate cuts, suggesting that policy rates could converge to levels higher than before the pandemic. High borrowing costs and debt sustainability challenges are likely to persist, increasing the vulnerability of developing economies that are already in or at high risk of debt distress.

Progress towards achieving the Sustainable Development Goals (SDGs) remains insufficient, though some indicators are turning around from pandemic-induced reversals at the aggregate level. Notably, global extreme poverty has returned to pre-pandemic levels in 2024. The world's prevalence of moderate or severe food insecurity in the total population edged down marginally from 29.1 per cent in 2021 to 28.9 per cent in 2023, remaining higher than the 25 per cent registered in 2019. However, challenges continue to impede progress in vulnerable countries and are likely to be exacerbated by the increasing intensity and adverse impacts of climate change across the world.

Increasing economic divergence across countries

With estimated growth of 2.8 per cent in gross domestic product (GDP), the **United States** economy outperformed expectations again in 2024 thanks to strong consumer spending, public sector spending, and non-residential investments. However, growth is expected to moderate to 1.9 per cent in 2025 and recover slightly to 2.1 per cent in 2026 amid weaker labour market performance, modest income growth, and looming cuts in public spending. While further interest rate cuts will provide a tailwind for the economy, stubborn core inflation will likely keep the Federal Reserve cautious and discourage rapid monetary easing.

In contrast, economic growth in **Europe** is projected to gradually pick up in 2025 and 2026 after weaker-than-expected performance in 2024. In the European Union, GDP growth is forecast to strengthen from an estimated 0.9 per cent in 2024 to 1.3 per cent in 2025 and 1.5 per cent in 2026. Lower inflation, easing financing conditions, and resilient labour markets are expected to support private consumption and investment. However, likely fiscal consolidation, ongoing geopolitical uncertainties, and long-standing structural challenges such as population ageing and weak productivity growth will constrain the pace of expansion.

Japan is poised for continued economic recovery. Growth is forecast to pick up from an estimated -0.2 per cent in 2024 to 1.0 per cent in 2025 and 1.2 per cent in 2026. Private consumption growth—having stalled since mid-2023 due to weak wage growth—is projected to recover gradually while investments remain resilient. The Bank of Japan faces a policy dilemma, as excessive monetary tightening could push the economy back into deflation by slowing wage growth, which has only recently begun to accelerate.

In the **Commonwealth of Independent States (CIS) and Georgia**, growth is projected to moderate to 2.5 per cent in 2025 from 4.2 per cent in 2024, primarily reflecting an anticipated slowdown in the Russian Federation. Labour shortages and a significant and persistent tightening of monetary policy is likely to bring the economy of the Russian Federation back to a lower but more sustainable growth trajectory in 2025 despite continuing fiscal expansion, especially in military spending. Regional prospects are clouded by numerous risks and uncertainties because of the ongoing war in Ukraine and broader geopolitical tensions.

Growth moderation in China and modest recovery in many developing countries

China is facing the prospect of gradual economic moderation, with growth estimated at 4.9 per cent for 2024 and projected at 4.8 per cent for 2025. Public sector investments and strong export performance are partly offset by subdued consumption growth and lingering

weakness in the property sector. The Chinese authorities have stepped up policy support to lift property markets, address local government debt challenges, and boost domestic demand. The shrinking population and rising trade and technology tensions, if unaddressed, could undermine medium-term growth prospects.

Economic growth in **Africa** is projected to strengthen from an estimated 3.4 per cent in 2024 to 3.7 per cent in 2025 and 4.0 per cent in 2026, driven by recovery in the region's largest economies—Egypt, Nigeria, and South Africa. While East Africa maintains robust growth, Central Africa lags behind due to stagnating oil production and political instability. Despite a somewhat positive outlook, significant challenges persist, including lingering debt burdens, high unemployment (especially among youth), and climate disasters. Inflation remains above 10 per cent in several countries. Trade performance has been modest despite advancements in regional integration through the African Continental Free Trade Area (AfCFTA) mechanism. Extreme poverty has been rising in the region amid slow income growth.

In **East Asia**, economic growth is expected to moderate from an estimated 4.8 per cent in 2024 to 4.7 per cent in 2025 and 4.5 per cent in 2026. Private consumption has remained the major driver of growth, supported by resilient labour markets and mild inflation in most economies. Increased global demand for artificial-intelligence-related electronic products has buoyed export growth. However, significant downside risks persist amid compounding geopolitical risks, escalating trade tensions, and possible worse-than-expected performance among major trading partners.

The near-term outlook for **South Asia** is expected to remain robust, with growth projected at 5.7 per cent in 2025 and 6.0 per cent in 2026, driven by strong performance in India as well as economic recovery in a few other economies. The Indian economy is forecast to expand by 6.6 per cent in 2025, primarily supported by solid private consumption and investment growth. However, weaker external demand, persistent debt challenges, and social unrest and political turmoil in some economies may undermine the outlook for the region.

Growth in **Western Asia** is set to strengthen to 3.5 per cent in 2025 from an estimated 2.0 per cent in 2024, driven by improved prospects in Saudi Arabia and Türkiye, the region's two largest economies. Economic performance in the region's major oil-exporting countries is forecast to improve in 2025 thanks to the easing of oil production cuts by OPEC Plus.[1] The six country members of the Cooperation Council for the Arab States of the Gulf will enjoy relatively low inflation, supported by energy and food subsidies. In contrast, conflicts, persistent high inflation, and tight fiscal space will weigh negatively on the outlook for oil-importing countries in the region.

The economic outlook for **Latin America and the Caribbean** is moderately positive, with growth projected to rise from an estimated 1.9 per cent in 2024 to 2.5 per cent in 2025, supported by improvements in private consumption, easing monetary policies, and stronger export growth. Inflation is gradually declining in the region but remains high in a few economies. Stagnant per capita GDP growth during the past decade has stalled progress in reducing extreme poverty and inequality.

Economic growth in the **least developed countries (LDCs)** is projected to rise to 4.6 per cent in 2025—up from the 4.1 per cent growth estimated for 2024 but still well below the 7.0 per cent SDG target. While international tourism recovery lends some support to LDC growth, conflicts and geopolitical tensions, particularly in Africa, deter the investment needed for stronger economic expansion. Additionally, rising external public debt leaves many LDCs at significant risk of debt distress.

1 OPEC Plus comprises the twelve members of the Organization of the Petroleum Exporting Countries as well as ten non-OPEC oil producers.

The economies of the **small island developing States (SIDS)** are projected to grow by an average of 3.4 per cent in 2025, down from 3.8 per cent in 2024, as the initial boost from the recovery of international tourism continues to recede. Extreme weather events remain a key driver of uncertainty. Economic growth in the **landlocked developing countries (LLDCs)** is projected to accelerate moderately from an estimated 4.7 per cent in 2024 to 4.9 per cent in 2025 as stabilizing oil prices limit the rise in transportation costs. Nevertheless, many LLDCs continue to face significant uncertainties related to conflict and political instability, rising trade tensions, and climate change.

Developing countries continue to experience elevated inflation

Global inflation has continued its downward trend, with headline inflation decreasing from 5.6 per cent in 2023 to an estimated 4.0 per cent in 2024, and a further decline to 3.4 per cent is projected for 2025. This decline is attributed to easing labour market pressures in developed economies and moderating international food and energy commodity prices. Disinflation is occurring at different rates in developed and developing economies. While the inflation rate for developed economies is expected to decline from 4.8 per cent in 2023 to 2.6 per cent in 2024 and 2.2 per cent in 2025, the rate for developing economies is projected to decrease more gradually from 7.0 per cent in 2023 to 6.0 per cent in 2024 and 5.1 per cent in 2025. The double-digit inflation rates recorded for several developing countries in 2024 are likely to extend into 2025. Despite the overall improvement, upward inflationary risks persist. These include potential supply shocks in global commodity markets due to ongoing conflicts that could drive up energy and food prices, export restrictions imposed by major producers, and climate-related shocks affecting crop yields.

Food inflation remains particularly persistent in developing economies, with about half of them experiencing rates above 5 per cent in 2024—an indicator of continuing difficulties for those living in poverty. Adverse weather conditions, particularly in parts of Africa and South and East Asia, have continued to impact many countries in 2024, inflicting damage to infrastructure and pushing up food prices. La Niña effects are expected to persist through early 2025, potentially impacting crop yields through extreme weather events.

Strong labour market conditions begin to moderate in developed economies

Labour market conditions in developed countries have remained favourable in 2024, with total employment for country members of the Organisation for Economic Co-operation and Development (OECD) exceeding the pre-pandemic (December 2019) level by 3.8 per cent. Female economic activity has continued to rise, reducing gender gaps in employment. Tight labour markets have contributed to nominal wage growth, and slowing inflation has led to higher real wages in most developed economies—though in some, real wages have remained below 2019 levels. Moderating employment gains in recent months suggest a possible peak, with unemployment potentially increasing in 2025.

Developing countries continue to grapple with high youth unemployment

The labour market situation in developing countries remains challenging, with significant variations in the outlook driven by differing economic conditions and policy responses. Some economies have exhibited resilience; in Brazil, for example, unemployment is at a decade low, and

employment indicators in India have remained robust. In many developing nations, however, serious employment challenges continue. In Latin America and the Caribbean, weak employment growth has been largely confined to the informal sector. African labour markets have struggled to absorb a rapidly increasing population into the workforce and provide meaningful employment. Youth unemployment rates remain persistently high in Latin America, North Africa, South Asia, and Western Asia.

Global investment sees modest improvement, yet challenges remain

After a two-year slump, investment has grown by an estimated 3.4 per cent globally in 2024, though with significant regional variations. Among developed economies, investment activity (in particular residential investment) weakened in Europe and Japan during the first half of 2024, while the United States maintained strong investment growth in all sectors, including residential and non-residential structures, equipment, and intellectual property. Several developing economies, including China, India, and Mexico, have maintained robust investment growth, while African nations have faced limited public investment due to high debt servicing burdens, and Western Asia has experienced low investment growth amid subdued oil revenues.

International trade rebounds after a slump in 2023

Growth in the volume of global trade has rebounded, increasing from 0.9 per cent in 2023 to an estimated 3.4 per cent in 2024, driven by the recovery of merchandise trade. China, the United States, and East Asian economies have demonstrated strong export performance in machinery and electronics, while Europe has experienced broad declines. Amid weakening commodity prices, exports from Africa and Latin America have decreased in value terms. Meanwhile, services trade has grown by an estimated 6.4 per cent in 2024 and now represents almost 25 per cent of world trade. International tourist arrivals, a benchmark indicator of services trade, have reached an estimated 1.4 billion in 2024, a virtually complete recovery of the pre-pandemic level. Global trade volume is projected to grow by 3.2 per cent in 2025, though this is subject to growing uncertainties due to rising geopolitical tensions and emerging trade barriers.

Cross-border financing flows rise

Cross-border financing activities, stagnant since 2022, have grown in 2024. United States dollar credit to non-bank borrowers outside the United States reached $13.1 trillion in the second quarter of 2024, rising from $12.7 trillion in late 2023 and approaching the recent peak of $13.4 trillion in 2021. Euro credit to non-bank non-resident borrowers grew modestly to €4.2 trillion in the same period. Combined dollar and euro credit to non-bank borrowers outside their respective currency areas reached $17.7 trillion in the second quarter of 2024, matching the 2021 peak. Market conditions for international borrowers improved in early 2024 with anticipated policy rate cuts by major central banks, enabling some African sovereign borrowers to return to the Eurobond market. A significant number of LDCs continue to face challenges, however, with many at risk of or already in debt distress. Official development assistance (ODA) flows to Africa and the LDCs grew moderately in 2023, but such flows face substantial downside risks and limited growth potential through the 2024–2025 period.

Most central banks have shifted to monetary easing

In 2024, most central banks have shifted to monetary easing driven primarily by disinflation, supported by concerns about the impact of high financing costs on economic growth. The European Central Bank initiated this shift in June 2024 and was followed by the Bank of England in July and the Federal Reserve in September, while the Bank of Japan moved in the opposite direction and began tightening in March. By November 2024, 67 out of 108 central banks were in the easing phase (up from 31 in December 2023), with 20 more likely to begin easing soon. The transition has been most evident in developed economies and Asian economies, while African central banks have been slower to ease rates amid persistent inflationary pressures. Significant uncertainties remain regarding the duration and depth of the monetary easing cycle.

Fiscal policy challenges persist in the aftermath of multiple shocks

Developed and developing countries have faced significant fiscal challenges in 2024, balancing high public debt, elevated interest rates, and mounting public spending demands. By December 2024, global public debt stood at an estimated 95.1 per cent of GDP—approximately 12 percentage points higher than in 2019 and 36 percentage points above the 2007 level. Debt servicing costs have increased substantially, with Governments dedicating an average of 8.5 per cent of fiscal revenues to interest payments in 2024, up from 6 per cent in 2019. This burden disproportionately affects developing economies, with the median developing economy allocating 11.1 per cent of fiscal revenues to interest payments—a rate four times higher than that of developed countries. Fiscal challenges are particularly acute in Africa, where interest payments have consumed 27 per cent of government revenues in 2024, up from 19 per cent in 2019. In several major African economies, interest payments have exceeded total expenditure on education and health.

Harnessing the potential of critical minerals for sustainable development

Reducing reliance on fossil fuels and accelerating the adoption of renewable energy technologies are essential for combating climate change and ensuring a sustainable and liveable planet. However, this transition hinges on the large-scale utilization of critical minerals, deemed indispensable for clean energy technologies. The pursuit of net-zero emissions by 2050 will require the widespread deployment of these technologies alongside universal energy access but will also entail economic, social, and environmental challenges. Navigating the complexities of critical mineral supply chains requires Governments to balance competing priorities in trade, climate action, sustainable development, and energy security. For developing nations endowed with an abundance of critical minerals, rising global demand for these minerals offers a unique opportunity to stimulate economic growth, reduce poverty and inequality, and foster sustainable development.

Persistent supply-demand gaps for critical minerals

The rapid adoption of clean energy technologies—from wind turbines and solar panels to electric vehicles and battery storage—is driving demand growth for many critical minerals, including copper, cobalt, lithium,

nickel, and rare earth elements. The demand for critical minerals will likely increase significantly as nations accelerate their energy transition strategies. However, the supply chains for critical minerals are highly concentrated, with reserves, processing, and downstream production activities concentrated in a few countries. This narrow supply base exposes the global market to potential disruptions from natural disasters, trade disputes, and regulatory changes. Unsurprisingly, the market for critical minerals is also marked by elevated price volatility.

Annual investments in critical minerals production have increased in recent years; lithium has seen the highest rate of growth, followed by cobalt, copper, and nickel. However, these investments fall short of what is needed to meet global net-zero targets. Projections suggest that demand for critical minerals will rise sharply by 2030, with persistent supply shortages expected thereafter unless considerable new investments are made to expand the supply of these minerals.

Investment in critical minerals faces multiple constraints

Despite growing demand, investment in critical minerals remains constrained. Mining projects require substantial up-front capital and need significant lead times to secure regulatory approvals, environmental assessments, and construction permits. Accessing sufficient capital is particularly challenging for firms in developing economies, where political instability, weak legal frameworks, and sudden policy changes increase risks. Technological uncertainties, including advances in alternative battery technologies and substitutes for critical minerals, create the risk of stranded assets, discouraging investment in costly exploration and mining activities. The high price volatility of critical minerals further exacerbates these challenges, making it difficult for mining companies to secure investments and finance long-term operations.

Leveraging the potential of critical minerals to accelerate progress towards the Sustainable Development Goals

Countries with rich critical mineral reserves have immense potential to leverage these resources to stimulate economic growth and promote sustainable development. By attracting foreign and domestic investment, these countries can boost fiscal revenues, create jobs, and expand exports. Investing public revenues prudently can help secure long-term benefits across societies and economies; in particular, the joint expansion of critical minerals extraction and processing in resource-rich economies could accelerate progress towards the SDGs. As the development experiences of resource-rich economies demonstrate, however, such outcomes cannot be taken for granted. Environmental impacts such as habitat destruction, water scarcity, and pollution threaten ecosystems and communities, in particular Indigenous populations. Social risks, including increased inequalities, unsafe labour practices, the use of child labour, and exploitation (especially in artisanal mining), highlight the need for better regulations and protections. Economic risks, such as dependence on mining and price volatility, can also limit diversification and long-term growth. Illicit financial flows, corruption, and governance deficits exacerbate these challenges, draining resources that could otherwise support public investments in sustainable development. To maximize the benefits around critical minerals, resource-rich nations must avoid the pitfalls of the “resource curse” and develop robust national policies, supported by a conducive international environment.

Macroeconomic policies for leveraging critical minerals

Developing countries need an integrated approach to manage their critical minerals resources that combines fiscal and monetary measures to ensure stability, manage volatility, and ensure the equitable distribution of benefits. Robust tax systems can be put in place to capture public revenues. Countries can implement fiscal rules and establish stabilization funds to manage and save excess revenues from critical minerals sectors during boom periods, fostering countercyclical policy measures and ensuring intergenerational equity. Monetary policy can play an important role in helping countries avoid the resource curse. Central banks will need to balance objectives such as controlling inflation, maintaining competitive exchange rates, and fostering growth-friendly monetary conditions. Effective macroeconomic management in resource-rich economies requires adequate coordination between fiscal and monetary policies.

Inclusive governance is a must for harnessing the full potential of critical minerals

Good governance is essential for transforming the development of critical mineral resources into progress on the SDGs. Resource-rich economies are increasingly adopting environmental, social, and governance (ESG) standards and integrating due diligence requirements into regulatory frameworks to promote sustainable mining practices. Measures such as mandatory transparency in licensing, contracts, and revenue reporting and the establishment of anti-corruption agencies and independent monitoring bodies are vital for combating corruption in, and illicit financial flows from, the critical minerals sectors.

Community engagement and social responsibility are also key to ensuring that mining projects contribute to sustainable development. Policies requiring free, prior and informed consent can empower local and Indigenous communities by involving them in decision-making processes. Benefit-sharing arrangements can also enhance local development through infrastructure-building and job creation, strengthening trust between mining firms and communities. It is essential that Governments provide the necessary protections for people and planet, enforcing human rights and adequate labour standards while also implementing stringent policies to prevent the overexploitation of natural resources and biodiversity loss.

Technology access remains a challenge for developing countries

For developing economies, access to advanced mining technologies is crucial for improving extraction efficiency, minimizing environmental impacts, and increasing local value addition. At present, however, such access is constrained by limited local capacity and reliance on foreign expertise. To bridge the gap, countries must attract multinational firms that are required to facilitate the transfer of key technologies to domestic firms, strengthen domestic innovation ecosystems to adapt these technologies to local needs, and promote backward and forward linkages. Adopting the necessary technologies across all phases of mining—including exploration, extraction, refining and processing, recycling, and disposal—demands significant investment in infrastructure, workforce training, and equipment acquisition, highlighting the importance of developing and implementing effective industrial policies.

Industrial policies needed to maximize benefits from critical minerals

Strategic industrial policies can be crucial for enhancing access to, and the development of, relevant technologies that can help strengthen and expand the critical minerals sector. Targeted policies can play a key role in attracting foreign investment and securing financing for new projects, fostering technology transfer and innovation, and building technological capacities. Policymakers have access to a variety of policy tools, including tax incentives, subsidies, export restrictions, local content requirements, supplier development programmes, research and development investment support, public-private partnerships, and initiatives focused on the development of workforce skills. A key consideration for countries is determining the most suitable diversification strategy. Upstream diversification opportunities may be found through backward linkages in the mining equipment, technology, and services sectors. Midstream opportunities exist in activities such as smelting, refining, and producing intermediate products. Some nations may wish to pursue downstream diversification by manufacturing components for renewable energy, electronics, high-tech industries, and electric vehicles.

There is no one-size-fits-all approach

Successful industrial policy packages require political and macroeconomic stability, sustained political commitment, and sufficient long-term financing. Policy coherence is also essential, as the effectiveness of individual policy measures often relies on their interaction with other policies. The use of targeted conditionalities, whether applied as eligibility criteria or performance standards, can further enhance their impact. Beyond these conditions, there are domestic and international factors that shape the diversification strategies available to each country in their policy design. In terms of domestic considerations, the level of critical minerals reserves, technological capabilities, and institutional capacities play a pivotal role in determining the feasibility and scope of industrial policies. At the international level, the green policies of major developed economies, coupled with evolving trade, investment, and cooperation agreements, create a dynamic policy landscape that can be challenging to navigate.

There is no single approach to industrial policy. Each country must tailor its policy package to its unique circumstances, institutional capacities, and economic and geopolitical priorities. Countries may be able to leverage their competitive position based on their reserves of critical minerals, geographic location, and technological capabilities to strengthen their negotiating power and enhance the effectiveness of their industrial and innovation policies. Adequate institutional capacity is crucial for implementing local content policies, which aim to promote downstream activities. Recent experiences show that local content policies are most effective when complemented by measures that support the capabilities of domestic suppliers. In certain cases, strong competitive leverage combined with effective institutional capacity have enabled countries to adopt ambitious policies aimed at fostering downstream activities, particularly in medium- and high-technology industries.

Financing instruments to support investment in critical minerals

Bridging investment gaps in the critical minerals sector requires a multifaceted approach that combines government incentives, private financing tools, and innovative strategies. Private financing tools such as venture capital and sustainability-themed financial products

are gradually gaining traction in sectors such as battery manufacturing and renewable energy technologies. Blended finance, which combines public and private funds, is also emerging as a vehicle to reduce risks and mobilize private capital, though it must be managed carefully to ensure debt sustainability and alignment with long-term development goals.

Global cooperation is essential

Global cooperation is essential for maximizing the potential of critical minerals in driving the energy transition and sustainable development. At a more granular level, international collaboration is needed to increase supply, stabilize supply chains, facilitate technology transfer, and boost investment. With the ongoing and substantial rise in unilateral policies, trade restrictions, and protectionist measures, global markets for critical minerals are faced with the increasing threat of fragmentation. Such measures can exacerbate asymmetries by depriving developing countries of opportunities to diversify their roles in critical minerals supply chains, raising costs for industries and consumers, and delaying the adoption of clean technologies. Fragmentation can also lead to significant global economic and efficiency losses. To mitigate these risks, a balanced approach that integrates national interests within collaborative frameworks and overarching objectives is essential. This requires establishing mechanisms for equitable access to critical minerals, fostering technology-sharing, and ensuring a fair distribution of benefits.

New global cooperation mechanisms are vital

New collaborative frameworks must ensure an equitable global supply of critical minerals. The United Nations Secretary-General's Panel on Critical Energy Transition Minerals has developed a set of seven guiding principles and five actionable recommendations to ensure that opportunities around the global energy transition are pursued with equity, justice, and sustainability as key objectives. Strengthened multilateral trade cooperation under the World Trade Organization (WTO) and similar frameworks is also essential. Enhanced international cooperation is key to tackling illicit financial flows as well as enhancing market transparency, stabilizing raw materials prices, fostering a more predictable investment environment, and unlocking greater private sector financing opportunities. Efforts to establish price benchmarks and strategic market interventions—including price floors, price ceilings, and stockpiling—are being explored but require careful calibration to avoid distorting market incentives.

Supporting developing countries must be a priority

Supporting developing economies through international cooperation is essential, with priority given to technology transfer, skills development, and institutional capacity-building. Different groups of developing countries face distinct challenges. Middle-income countries need to focus on advancing technological capabilities, fostering innovation ecosystems, and strengthening downstream activities. Low-income countries need to address more structural barriers, including weak governance structures, limited infrastructure, and a lack of human capital. Bolstering institutional capacity in these countries requires a focus on establishing transparent governance frameworks and building basic public sector capabilities.

Enhancing the fairness and effectiveness of sustainability standards

The mining industry is under increasing pressure to adopt robust sustainability standards. A proliferation of frameworks reflects growing

awareness of environmental, social and governance (ESG) responsibilities and heightened demand for transparency from stakeholders. However, the heterogeneity and complexity of sustainability standards create major challenges, particularly for small mining firms in developing countries, which often lack the resources and capacity to comply. This dynamic perpetuates asymmetries, enabling larger corporations to dominate, while smaller players face exclusion from international supply chains.

Addressing these challenges requires harmonizing and aligning sustainability standards to streamline reporting and enhance comparability. New initiatives aim to create more unified frameworks by involving diverse stakeholders in their development. However, ensuring inclusivity and fairness necessitates the establishment of practical support mechanisms and adaptable frameworks to help smaller mining operations meet requirements. Partnerships between Governments, non-governmental organizations, and the private sector can play a pivotal role in promoting socially and environmentally sustainable practices, enabling equitable participation in global critical minerals markets.

International cooperation is essential for accelerating growth and progress towards the Sustainable Development Goals

The global economy is at a critical juncture, grappling with interconnected challenges that include the scarring effects of the COVID-19 pandemic, ongoing conflicts, high levels of public debt, economic and social inequalities, and the climate crisis. These challenges underscore the need for robust multilateral cooperation to foster economic growth, accelerate the energy transition, and achieve sustainable development. Concerted efforts to address climate change must also be ramped up; the unfolding climate crisis has exposed weaknesses in the international cooperation framework, as climate events continue to disproportionately impact the most vulnerable developing countries.

Amid these challenges, the United Nations General Assembly recently convened the 2024 Summit of the Future, where the Pact for the Future was adopted to promote a more equitable and sustainable global framework. This ambitious, cross-cutting, and far-reaching commitment is intended to reinvigorate international cooperation and accelerate progress towards the SDGs. Among its key areas of focus, the Pact calls for reforming the global financial system to better serve developing countries, including through measures to address sovereign debt and mobilize resources for renewable energy and climate adaptation. Efforts to address global cooperation challenges have also been emphasized in preparations for key international conferences in 2025, including the Fourth International Conference on Financing for Development and the Second World Summit for Social Development.

The discussions and outcomes of the recently concluded twenty-ninth session of the Conference of the Parties to the United Nations Convention on Climate Change (COP 29) reflect both progress and persistent challenges in accelerating the global energy transition. The States Members of the United Nations committed to mobilizing $300 billion annually by 2035 to support renewable energy infrastructure and technologies in developing countries as well as advancements in the global carbon market framework to channel resources into sustainable projects. However, the funding pledge falls short of the financing needs identified by developing economies, and issues around equitable benefit distribution and transparency in carbon credit accounting remain unresolved. Efforts to phase out fossil fuels faced resistance, with no consensus reached on a clear timeline for transitioning away from coal, oil, and gas. There were calls for more ambitious nationally determined contributions by 2025, as current pledges remain inadequate to limit global warming to 1.5°C, underscoring

the urgent need to align financial commitments, technological support, and political action with climate goals.

The Fourth International Conference on Financing for Development will present the opportunity to finalize a comprehensive framework to align financial flows with the SDGs and address global challenges. The proposed framework emphasizes domestic resource mobilization through improved tax systems and international cooperation to combat illicit financial flows, alongside efforts to enhance the role of the private sector in sustainable development. It underscores the need for stronger international development cooperation, including meeting ODA targets, providing climate financing, and supporting vulnerable countries such as LDCs, LLDCs, and SIDS. It also calls for reforms in global economic governance, debt architecture, and trade systems as well as the prioritization of technology, innovation, and data to advance financial inclusion and development objectives. Achieving these ambitious goals will require coordinated efforts from Governments, international organizations, the private sector, and civil society.

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CHAPTER I

Global Economic Outlook

Global economic environment and growth prospects

Stable global outlook with mounting uncertainties

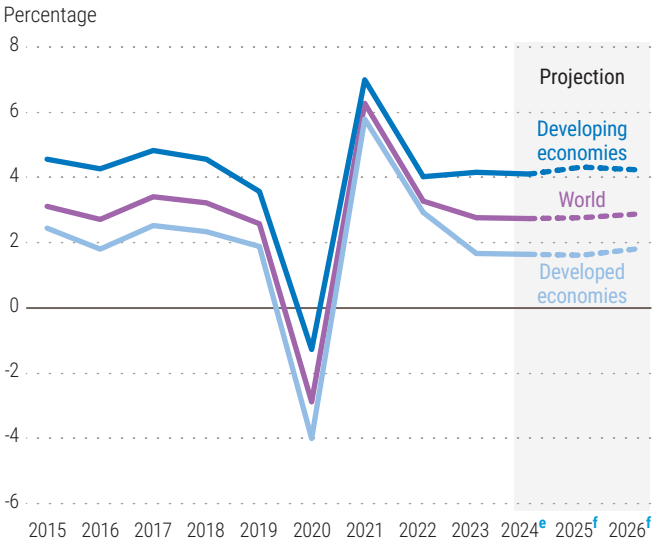
The world economy has remained resilient through 2024, avoiding a broad-based economic contraction despite years of multiple, mutually reinforcing shocks and the most sustained inflation-driven episode of monetary tightening in recent history. In the near term, global economic growth is expected to remain stable but subdued. While continued disinflation and monetary easing in a large number of countries are expected to boost aggregate demand, ongoing conflicts and rising geopolitical tensions could exacerbate challenges on the supply side. Weakening labour market conditions, a potential increase in protectionist policies, and growing climate risks will weigh on the near-term growth outlook for the global economy. In addition, persistently tight fiscal space and lingering debt challenges in many developing countries will continue to constrain their ability to invest in productive capacities and stimulate economic growth.

Global economic growth is forecast at 2.8 per cent in 2025 and 2.9 per cent in 2026, largely unchanged from the rate of 2.8 per cent recorded in 2023 and estimated for 2024 (see figure I.1 and table I.1). The positive but moderately slower growth projected for the two largest economies—China and the United States of America—will likely be complemented by mild recovery in the European Union, Japan, and the United Kingdom of Great Britain and Northern Ireland and strong performance in several large developing economies, notably India and Indonesia. The short-term outlook for many low-income and vulnerable countries remains less favourable. Growth in the least-developed countries (LDCs) is projected to improve slightly in 2025, but the forecast has been revised downward from mid-2024 projections.

Despite continued expansion, the global economy is set to grow at a slower pace than the 2010–2019 (pre-pandemic) average of 3.2 per cent. This subdued performance reflects ongoing

Figure I.1

Growth of economic output



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: **e** = estimates; **f** = forecasts.

Table I.1

Growth of world output and gross domestic product

						Change from the *World Economic Situation and Prospects* as of mid-2024	
Annual percentage change	**2010–2019 average**	**2023**	**2024[a]**	**2025[b]**	**2026[b]**	**2024**	**2025**
World	**3.2**	**2.8**	**2.8**	**2.8**	**2.9**	**0.1**	**0.0**
Developed economies	**2.0**	**1.7**	**1.7**	**1.6**	**1.8**	**0.1**	**0.0**
United States of America	2.4	2.9	2.8	1.9	2.1	0.5	0.2
Japan	1.2	1.7	-0.2	1.0	1.2	-1.4	-0.1
European Union	1.6	0.4	0.9	1.3	1.5	-0.1	-0.3
Euro area	1.4	0.4	0.7	1.1	1.3	-0.1	-0.3
United Kingdom of Great Britain and Northern Ireland	2.0	0.3	0.8	1.2	1.4	0.0	-0.3
Other developed countries	2.6	1.3	1.4	2.0	2.1	-0.2	-0.1
Economies in transition	**2.5**	**4.0**	**4.2**	**2.6**	**2.5**	**0.9**	**0.1**
South-Eastern Europe	2.2	3.2	3.4	3.6	3.5	0.2	0.3
Commonwealth of Independent States and Georgia	2.5	4.1	4.2	2.5	2.5	0.9	0.1
Russian Federation	2.0	3.6	3.8	1.5	1.5	1.1	0.0
Developing economies	**5.2**	**4.2**	**4.1**	**4.3**	**4.2**	**0.0**	**0.0**
Africa[c,d]	3.7	3.3	3.4	3.7	4.0	0.1	-0.2
North Africa[c,d]	3.5	3.1	3.3	3.4	3.8	0.3	-0.4
East Africa	6.2	6.0	5.5	6.0	6.0	-0.1	-0.1
Central Africa	2.6	2.3	2.6	3.0	2.8	-0.3	-0.4
West Africa	4.2	3.4	3.6	4.1	4.3	0.2	0.3
Southern Africa	2.4	1.6	1.8	2.2	2.5	0.0	-0.3
East and South Asia[e]	6.8	5.1	5.0	4.9	4.7	0.2	0.2
East Asia	7.0	4.8	4.8	4.7	4.5	0.2	0.2
China	7.7	5.2	4.9	4.8	4.5	0.1	0.3
South Asia[e,f]	5.8	6.5	5.9	5.7	6.0	0.1	0.0
India[f]	6.7	8.0	6.9	6.6	6.7	0.0	0.0
Western Asia	4.1	2.0	2.0	3.5	3.5	-0.7	-0.7
Latin America and the Caribbean	1.7	2.0	1.9	2.5	2.3	0.2	0.1
South America	1.2	1.3	1.7	2.6	2.2	0.5	0.2
Brazil	1.4	2.8	3.0	2.3	1.9	0.9	-0.1
Mexico and Central America	2.7	3.3	2.0	1.9	2.4	-0.6	-0.4
Caribbean[g]	0.5	2.8	2.5	2.5	2.1	0.0	-0.2
Least developed countries[d,e]	**5.4**	**4.6**	**4.1**	**4.6**	**5.1**	**-0.7**	**-0.7**
Landlocked developing countries[e]	**5.5**	**4.9**	**4.7**	**4.9**	**4.9**	**0.0**	**0.1**
Small island developing States	**4.0**	**2.3**	**3.8**	**3.4**	**3.0**	**0.5**	**0.1**
Middle-income countries	**5.6**	**4.6**	**4.3**	**4.4**	**4.3**	**..**	**..**
Memorandum items							
World trade[h]	4.5	0.9	3.4	3.2	3.5	0.2	-0.4
World output growth with purchasing power parity (PPP) weights[i]	3.6	3.2	3.2	3.2	3.3	0.1	0.0

Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: **a** estimates; **b** forecasts; **c** excludes Libya due to conflicts in the country; **d** excludes Sudan due to conflicts in the country; **e** excludes Afghanistan as no forecasts have been made for the economy; **f** growth rates are on a calendar-year basis; **g** excludes Guyana as the country's rapid expansion of oil production substantially increases regional average growth numbers; **h** includes goods and services; **i** based on 2015 benchmark. Estimates and forecasts are based on data and information available up to 1 December 2024.

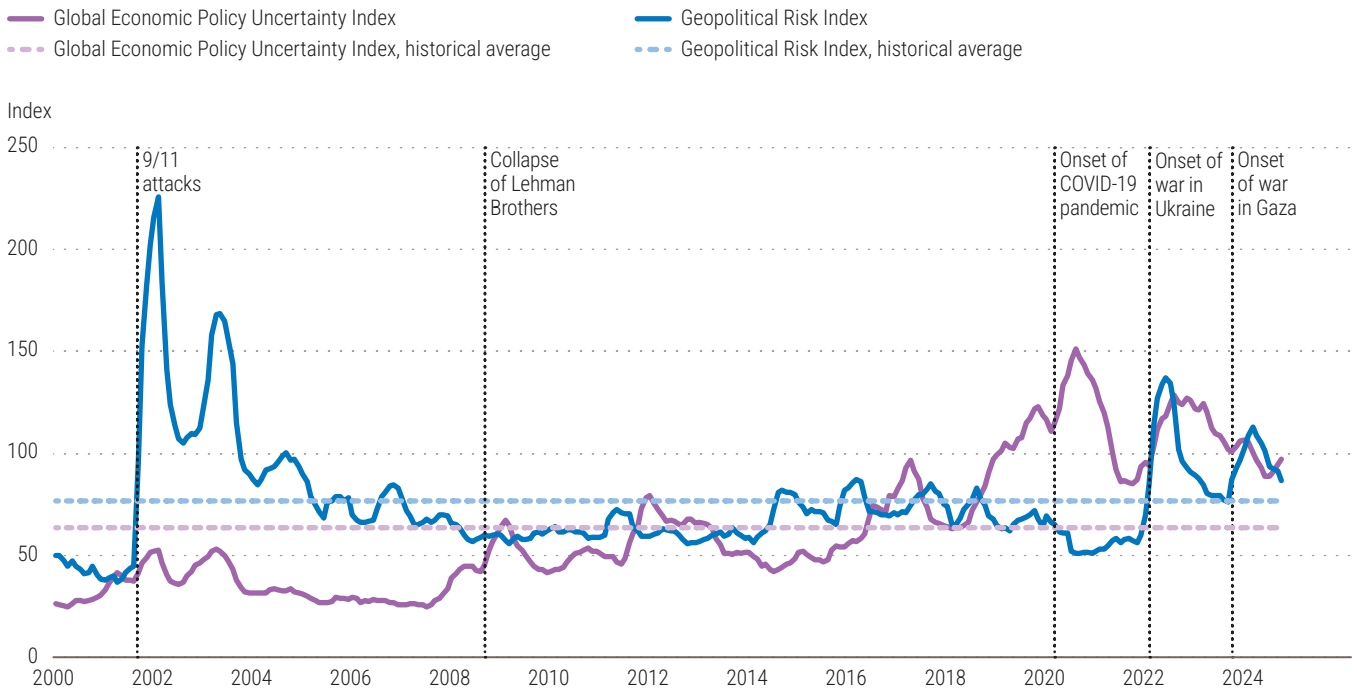
structural challenges such as weak investment, slow productivity growth, high levels of debt, and demographic issues. Many developing countries are still experiencing prolonged scarring effects from the pandemic and other shocks of the past few years. While the green transition and technological advancement could boost growth, any benefits that accrue may be disproportionately concentrated in developed economies. Many developing countries continue to struggle with mobilizing financing to invest in needed infrastructure, technology, and human capital and face challenges in leveraging their abundant workforce to move up the manufacturing and services value chains.

Risks to the near-term outlook are still largely skewed to the downside, albeit less pronounced than in 2023 owing to positive developments in certain key areas in 2024. Favourable trends include continuing disinflation across the majority of countries, the continued decline in oil prices despite the conflicts in the Middle East, and the ongoing monetary easing by major developed country central banks (a long-awaited move that has contributed to improving the global financial environment). Developing economies have observed continuing net capital inflows, easing depreciation pressures on their exchange rates. Declining interest rates in developed economies have rekindled investors' risk appetite for higher-yield bonds; Eurobond issuance by developing countries, which slowed sharply during the period 2021–2023, is expected to rebound (Arias and Koepke, 2024), increasing access to international capital, though recent default episodes in Ethiopia, Ghana, and Zambia underscore the potential risks of debt distress for new issuers.

Uncertainties continue to cloud the near-term economic outlook. Since 2022, both the Global Economic Policy Uncertainty (GEPU) Index and the Geopolitical Risk Index have been above historic averages, a confluence rarely seen over the past quarter of a century (see figure I.2). The GEPU Index has ticked up again in 2024, reversing

Figure I.2

Global economic policy uncertainty and geopolitical risk



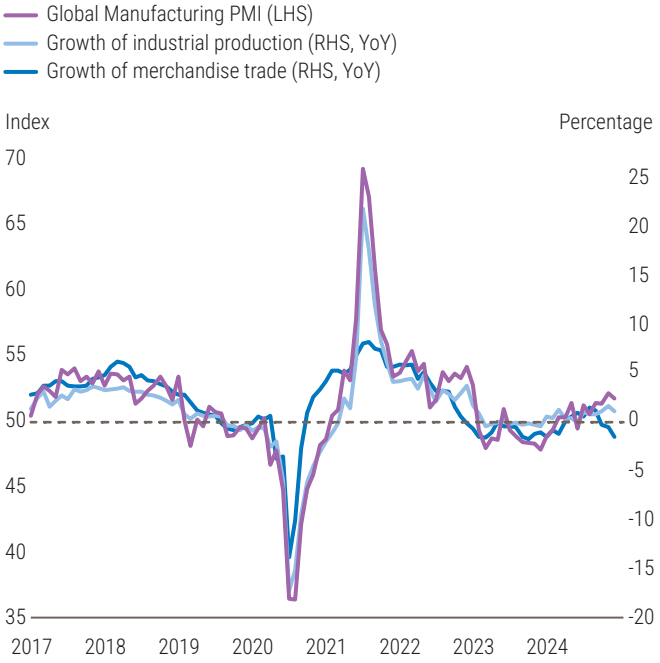
Source: UN DESA, based on data from Economic Policy Uncertainty.
Notes: Global Economic Policy Uncertainty Index and Geopolitical Risk Index are based on a six-month moving average. The historical average of the indices refers to the arithmetic mean during the period from January 2000 to October 2024.

the downward trend prevailing since the second half of 2022. This reflects concerns about potential shifts in the direction of trade and fiscal policies among newly elected Governments,[1] particularly in the developed economies. The possibility of higher tariffs and more trade restrictions could disrupt value chains, undermine manufacturing activities, hinder cross-border investments, affect import prices, and reignite inflationary pressures. Perhaps indicative of such apprehensions, recent high frequency data have signalled that global growth momentum could be flagging. In the third quarter of 2024, though industrial production and merchandise trade continued to expand, the Manufacturing Purchasing Managers' Index (PMI)—a leading indicator of economic activity—fell into the contraction zone (see figure I.3).

While global inflation has eased, the pace of disinflation has slowed, driven by sticky prices in housing and other services sectors in developed economies. Global headline inflation is estimated to be 1.8 percentage points lower in 2024 than in 2023—smaller than the decline of 2.5 percentage points from 2022 to 2023 and indicative of a slowing trend. Given the possibility of inflationary pressures returning, central banks, especially in large developed economies, could slow the pace of rate cuts, suggesting that policy rates could converge to levels higher than before the pandemic, when they were at historical lows (around the zero bound). As central banks continue with quantitative tightening measures,[2] long-term interest rates are expected to rise. For instance, research indicates that an estimated €1 trillion reduction in bond holdings by the European Central Bank may raise long-term risk-free interest rates by about 35 basis points (Akkaya and others, 2024). High borrowing costs and debt sustainability challenges are likely to persist, increasing the vulnerability of developing economies that are already in or at high risk of debt distress.

Figure I.3

Global Manufacturing Purchasing Managers' Index, industrial production, and merchandise trade



Source: UN DESA, based on data from J.P. Morgan, CPB Netherlands Bureau for Economic Policy Analysis, CEIC, and Trading Economics.
Note: LHS = left-hand scale; RHS = right-hand scale; YoY = year-over-year.

Progress on the Sustainable Development Goals (SDGs) remains insufficient, though some indicators are showing recovery from post-pandemic reversals at the aggregate level. Notably, global extreme poverty has returned to pre-pandemic levels in 2024 (Aguilar and others, 2024).[3] The world's prevalence of moderate or severe food insecurity in the total population edged down marginally from 29.1 per cent in 2021 to 28.9 per cent in 2023, remaining higher than the 25 per cent registered in 2019.[4] In a broad sense, however, challenges continue to impede progress in vulnerable countries. Extreme poverty rates in low-income countries have yet to return to pre-pandemic levels. In 2023, the prevalence of food insecurity in LDCs was twice the global level. Moreover, with climate change continuing

1 More than 60 countries, accounting for about half of the world population, held national elections in 2024.
2 Quantitative tightening is a monetary policy tool used by central banks to reduce the money supply through a contraction in the balance sheet. See United Nations (2024c) for a detailed discussion on quantitative tightening by developed country central banks and their global spillover effects.
3 Extreme poverty is defined by the United Nations as surviving on less than $2.15 per person per day (at 2017 purchasing power parity).
4 Data source: FAOSTAT.

unabated—2024 is expected to be the hottest year on record, capping a ten-year stretch of the warmest years (WMO, 2024)—its adverse impacts are set to grow ever more intense, affecting all regions and continents.

Increasing economic divergence across countries

While the global economic outlook is relatively optimistic, prospects across countries present a mixed picture. As conflicts, geopolitical risks, and trade tensions reshape supply chains and the world economy, countries and sectors that previously shared common business cycles may increasingly experience distinct drivers of economic growth. In 2025, the key drivers for growth among many developed economies will be gradually loosening monetary policy and real income growth, especially in the European Union and the United Kingdom. A projected slowdown in the Russian Federation amid prolonged war in Ukraine is expected to undermine growth prospects for the economies in transition. Among developing countries, robust momentum in India and modest growth acceleration in Africa, Western Asia, and Latin America and the Caribbean will offset a slight moderation of growth in China.

With estimated growth of 2.8 per cent in gross domestic product (GDP), the **United States** economy outperformed expectations again in 2024 thanks to strong consumer spending, public sector spending, and non-residential investments. However, growth is expected to moderate to 1.9 per cent in 2025 and recover slightly to 2.1 per cent in 2026 amid weaker labour market performance, modest income growth, and looming public spending cuts. The imposition of tariffs, as announced by the newly elected administration, would further strain the external balance. While interest rate cuts will create a tailwind for the economy, stubborn core inflation (excluding food and energy) will likely keep the Federal Reserve cautious and discourage rapid interest rate cuts.

China is facing the prospect of gradual economic moderation, with growth estimated at 4.9 per cent in 2024 and projected at 4.8 per cent in 2025. Public sector investments and strong export performance are partly offset by subdued consumption growth and lingering weakness in the property sector. The Chinese authorities have stepped up policy support to lift property markets, address local government debt challenges, and boost domestic demand; the impacts of relevant initiatives are expected to be manifested over time. The shrinking population and rising trade and technology tensions, if unaddressed, could threaten the country's medium-term growth prospects.

Economic growth in **Europe** is projected to gradually pick up in 2025 and 2026 after weaker-than-expected performance in 2024. In the European Union, GDP growth is forecast to strengthen from an estimated 0.9 per cent in 2024 to 1.3 per cent in 2025 and 1.5 per cent in 2026. Lower inflation, easing financing conditions, and resilient labour markets are expected to support private consumption and investment. However, likely fiscal consolidation, ongoing geopolitical uncertainties, and long-standing structural challenges such as population ageing and weak productivity growth will constrain the pace of expansion.

Japan is poised for economic recovery. Growth is forecast to pick up from an estimated -0.2 per cent in 2024 to 1.0 per cent in 2025 and 1.2 per cent in 2026. Private consumption growth—having stalled since mid-2023 due to weak wage growth—is projected to recover gradually while investment remains resilient. The Bank of Japan faces a policy dilemma, as excessive monetary tightening could push the economy back into deflation by slowing wage growth, which has only recently begun to accelerate.

In the **Commonwealth of Independent States (CIS) and Georgia**, growth is projected to moderate to 2.5 per cent in 2025 from 4.2 per cent in 2024, primarily reflecting an anticipated slowdown in the Russian Federation. Labour shortages and a significant and persistent

tightening of monetary policy is likely to bring the economy of the Russian Federation back to a lower but more sustainable growth trajectory in 2025 despite continuing fiscal expansion, especially in military expenditure. Regional prospects are clouded by numerous risks and uncertainties because of the ongoing the war in Ukraine and broader geopolitical tensions.

Economic growth in **Africa** is projected to strengthen from an estimated 3.4 per cent in 2024 to 3.7 per cent in 2025 and 4.0 per cent in 2026, driven by recovery in the region's largest economies—Egypt, Nigeria, and South Africa. While East Africa maintains robust growth, Central Africa lags behind due to stagnating oil production and political instability. Despite a somewhat positive outlook, significant challenges persist, including lingering debt burdens, high unemployment (especially among youth), and climate disasters. Inflation remains above 10 per cent in several countries. Trade performance has been modest despite advancements in regional integration through the African Continental Free Trade Area (AfCFTA) mechanism. Extreme poverty has been rising in the region amid slow income growth (see figure I.4).

In **East Asia**, economic growth is expected to moderate from an estimated 4.8 per cent in 2024 to 4.7 per cent in 2025 and 4.5 per cent in 2026. Private consumption has remained the major driver of growth, supported by resilient labour markets and mild inflation in most economies. Increased global demand for electronic products enhanced by artificial intelligence (AI) has buoyed export growth. However, significant downside risks persist amid intensifying geopolitical risks, escalating trade tensions, and possible worse-than-expected performance among major trading partners.

The near-term outlook for **South Asia** is expected to remain robust, with growth projected at 5.7 per cent in 2025 and 6.0 per cent in 2026, driven by strong performance in India as well as economic recovery in a few other economies. GDP in India is forecast to expand by 6.6 per cent in 2025, primarily supported by solid private consumption and investment growth. Nevertheless, geopolitical tensions, weaker external demand, persistent debt challenges, and social unrest and political turmoil in some economies may undermine the region's outlook.

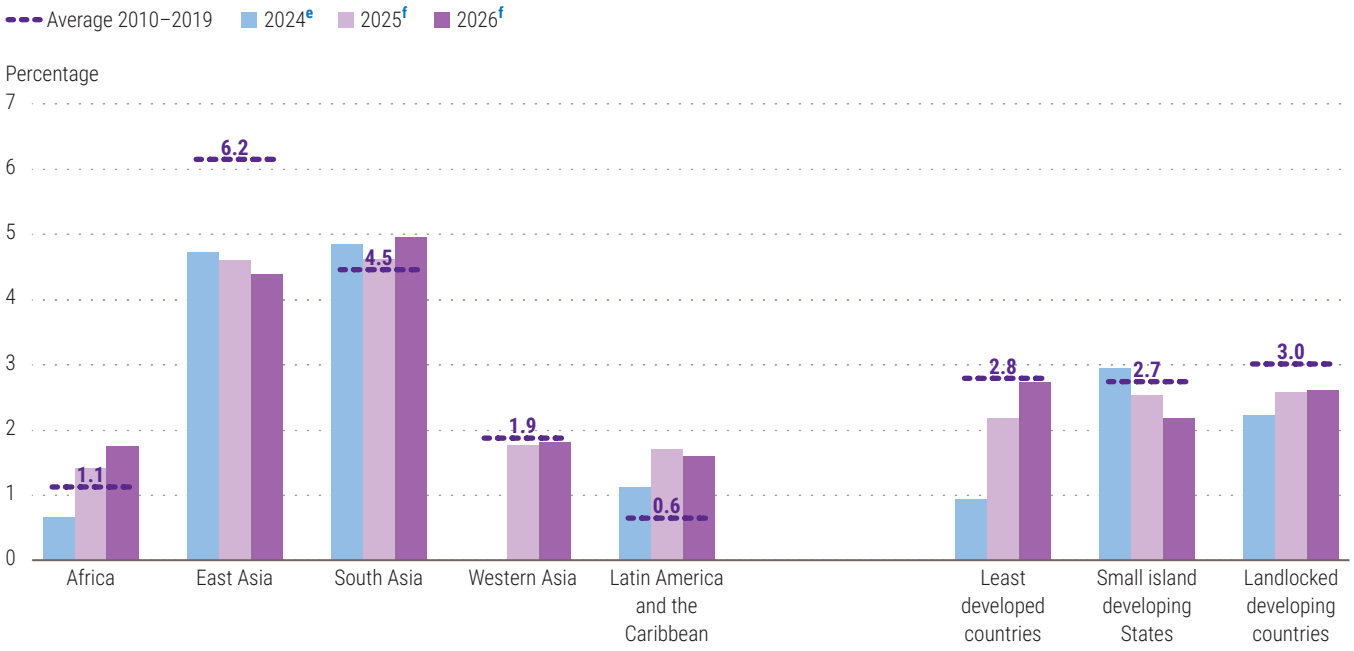
Growth in **Western Asia** is set to strengthen to 3.5 per cent in 2025 from an estimated 2.0 per cent in 2024, driven by improved prospects in Saudi Arabia and Türkiye, the region's two largest economies. Economic performance in the region's major oil-exporting countries is forecast to improve in 2025 thanks to the easing of oil production cuts by OPEC Plus.[5] The six country members of the Cooperation Council for the Arab States of the Gulf (GCC) will enjoy relatively low inflation, supported by energy and food subsidies. In contrast, conflicts, persistent high inflation, and tight fiscal space will weigh negatively on the outlook for oil-importing countries in the region.

The economic outlook for **Latin America and the Caribbean** is moderately positive, with growth projected to rise from an estimated 1.9 per cent in 2024 to 2.5 per cent in 2025, supported by improvements in private consumption, easing monetary policies, and stronger export growth. Inflation is gradually declining in the region but remains high in a few economies. Stagnant per capita GDP growth during the past decade (see figure I.4) has stalled progress in reducing extreme poverty and inequality. The region faces significant downside risks. On the external front, a sharper slowdown in China and the United States may harm exports, remittances, and capital flows. On the domestic front, political uncertainties may weaken business confidence, and climate shocks could strain fiscal policies and increase food inflation.

5 OPEC Plus comprises the twelve members of the Organization of the Petroleum Exporting Countries as well as ten non-OPEC oil producers.

Figure I.4

Growth of gross domestic product per capita in developing country regions and selected country groupings



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: **e** = estimates; **f** = forecasts.

Outlook for least developed countries, landlocked developing countries, and small island developing States

Below-trend growth does not augur well for sustainable development

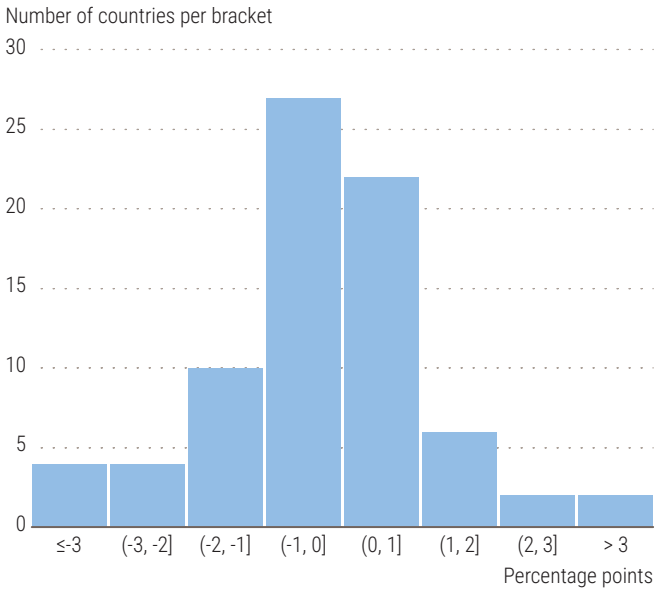
Economic growth in the **least developed countries (LDCs)** is forecast at 4.6 per cent in 2025 and 5.1 per cent in 2026, significantly below the 5.4 per cent average growth registered during the decade before the COVID-19 pandemic (see table I.1). The 2025 growth forecast for this group is not only lower than the 2010-2019 average, but also 0.7 percentage points lower than predicted in the *World Economic Situation and Prospects 2024* mid-year update. **Landlocked developing countries (LLDCs)** and **small island developing States (SIDS)**—two groups of similarly vulnerable developing countries[6]—also have a near-term growth outlook that is significantly worse than the average growth for the period 2010–2019. For landlocked developing countries, the economic growth forecast for 2026 is more than half a percentage point lower than the 2010–2019 average, and the corresponding forecast for SIDS is a full percentage point below the pre-COVID trend. This augurs ill for sustainable development in the world's most vulnerable countries.

GDP per capita growth projections for 2025 have worsened significantly for the majority of vulnerable countries (see figure I.5). A quarter of these countries can expect more than a percentage point lower GDP per capita growth in 2025 than was forecast a year ago. Ten countries have such a substantial deterioration in their outlook that their forecasts have been revised downward by over two percentage points. The worsened outlook is likely to perpetuate or even aggravate the prevalence of extreme poverty, especially in Africa (see box III.3).

6 The economic analysis in the present publication covers 32 landlocked developing countries, 44 least developed countries, and 24 small island developing States. Some countries belong to multiple categories.

Figure I.5

Change in the GDP per capita growth forecast for 2025 for vulnerable economies



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: The figure shows the changes in the GDP per capita forecast for 2025 from the *World Economic Situation and Prospects 2024* to the *World Economic Situation and Prospects 2025*. Vulnerable economies include least developing countries, landlocked developing countries, and small island developing States.

While the causes of the deteriorating growth outlook for vulnerable countries are as diverse as the countries themselves, there are challenges many of them share, including high levels of external debt, growing debt servicing burdens, limited fiscal space, and weak investments. Of the seventeen countries with downward revisions of more than a percentage point, thirteen are in Africa. By contrast, only three of the nine countries with a more than one percentage point improvement in their 2025 outlook are in Africa. Downward revisions are most substantial for the LDCs, for which GDP per capita growth is now forecast at only 2.2 per cent for 2025.

Along with the macroeconomic factors outlined earlier, conflict and political instability, declining commodity prices, rising trade tensions, and climate change have negatively impacted the growth outlook for vulnerable countries. Declining commodity prices strongly affect the export revenues and government finances of those economies that depend disproportionately on commodity exports. The global spillover effects of rising trade tensions between major economies are expected to disrupt global supply chains, hindering market access and growth prospects in the short to medium term, though new arrangements may arise in a longer-term equilibrium. The impact of climate change places additional strain on vulnerable economies, which are both more exposed to and less prepared for extreme weather events and natural disasters.

These challenges imperil the sustainable development prospects of the 77 economies classified as LDCs, LLDCs, and/or SIDS,[7] necessitating concerted support from the international community to ensure their resilient prosperity.

Inflation and food security

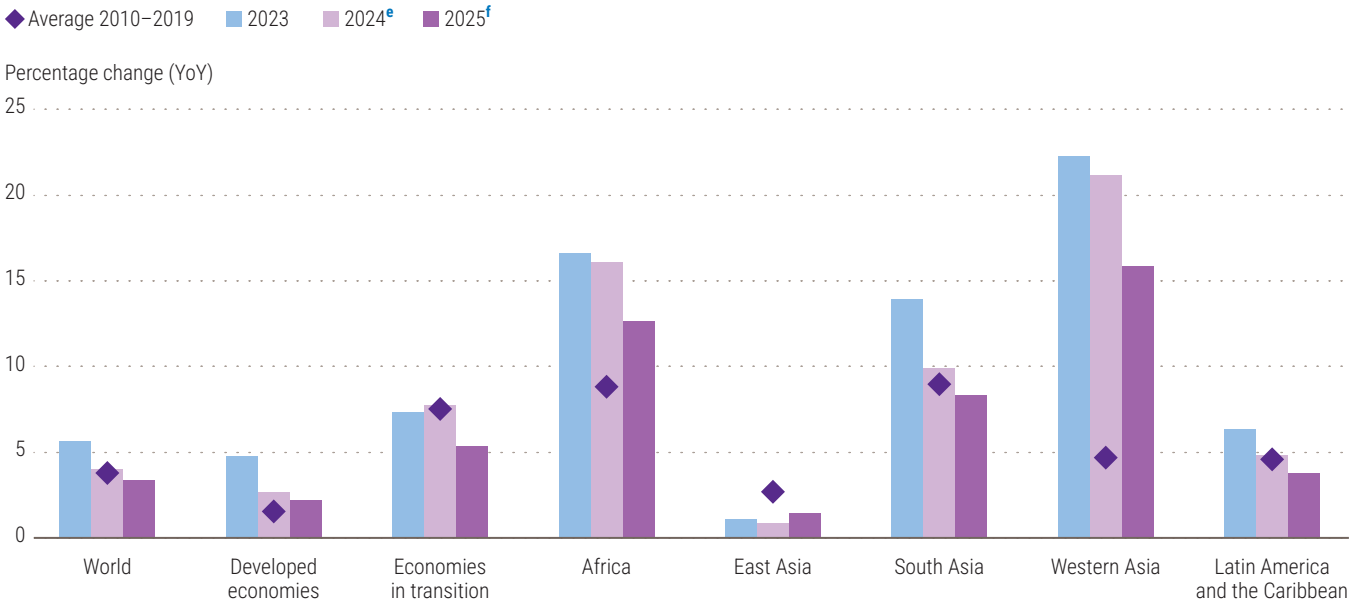
Global disinflation trend amid continuing food inflation and insecurity in developing economies

Inflation has continued to decline across most countries and regions in 2024. Global headline inflation fell from 5.6 per cent in 2023 to an estimated 4.0 per cent in 2024 and is projected to decrease further to 3.4 per cent in 2025 (see figure I.6). This decline is attributed to a combination of demand- and supply-side factors, including easing labour market pressures and moderating international food, energy, and commodity prices. Inflation rates in developed countries are expected to stabilize around central bank targets[8] in the near term, creating room for

7 The number 77 represents those that are monitored in ***World Economic Situation and Prospects 2025***.
8 Among the 47 central banks with inflation targeting, 16 are in developed economies, 9 are in transition economies, and 23 are in developing economies. Although there are a few exceptions, most developed economies have a 2 per cent inflation target. Transition and developing economies have higher average targets of 4.1 and 3.8 per cent, respectively.

Figure I.6

Global and regional inflation



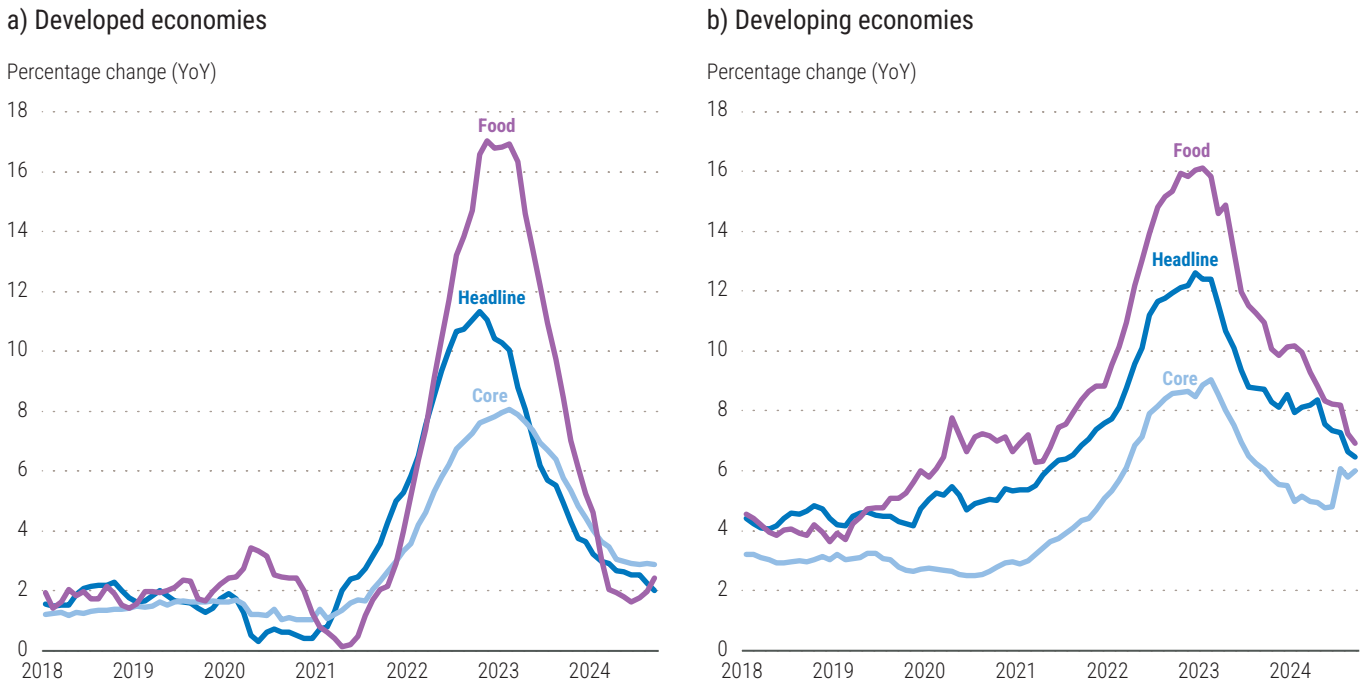
Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: **e** = estimates; **f** = forecasts; YoY = year-over-year. Regional and country group averages are GDP-weighted. Afghanistan, Argentina, the State of Palestine, Sudan, and the Bolivarian Republic of Venezuela are excluded.

easing monetary policy stances. While inflation in developing countries is anticipated to continue declining over the forecast period, it will remain above its long-term average in some regions, with various countries experiencing double-digit inflation. Upward risks to the inflation outlook are pronounced. Renewed supply shocks in global commodity markets—stemming from ongoing conflicts—could drive up energy and food prices. Additionally, trade restrictions by major economies may raise prices in domestic markets and disrupt supplies in global markets. Moreover, climate-related shocks such as heatwaves, droughts, and floods pose a threat to crop yields, which may further exacerbate pressures on food prices and also imperil shipping channels and hydroelectric power generation.

In developed economies, average inflation declined from 4.8 per cent in 2023 to an estimated 2.6 per cent in 2024 and is projected at 2.2 per cent for 2025, approaching central bank targets and the long-term average. While food and energy price inflation has declined substantially, core inflation—which excludes food and energy—remains particularly sticky and has decreased slowly, primarily driven by inflationary pressures emanating from the services sector (see figure I.7a). This persistence in services price inflation has been largely driven by housing and other services, including financial services, insurance, and medical care. In addition, tight labour markets and wage growth, coupled with strong consumer demand, have contributed to upward pressures on prices. However, wage pressures are expected to ease in the near term, helping to reduce upward inflationary pressures. In the United States, inflation has continued to ease, with the personal consumption expenditures (PCE) price index falling from 2.6 per cent in January to 2.3 per cent in October. However, core PCE remained unchanged at 2.8 per cent, largely due to still-high shelter costs stemming from supply-demand imbalances in housing markets. Similarly, inflation in other advanced economies, including the European Union and the United Kingdom, has followed an overall downward trend, primarily driven by falling energy costs and declining transport prices. In 2025, average inflation in major developed economies is

Figure I.7

Headline inflation and components



Source: UN DESA, based on data from CEIC and Trading Economics.
Notes: YoY = year-over-year. Country group data are an unweighted 10 per cent trimmed mean, excluding the 10 per cent largest and 10 per cent smallest values from the sample.

projected to range from 2.2 per cent in the European Union, Japan, and the United Kingdom to 2.3 per cent in the United States.

In developing countries, despite some spikes, average headline inflation has followed an overall downward trend, falling from 7.0 per cent in 2023 to an estimated 6.0 per cent in 2024 and projected at 5.1 per cent in 2025. Inflation rates are expected to decline in the near term, approaching their long-term averages, in all developing regions except Africa and Western Asia. However, inflation in several countries is expected to remain high, with some economies, including Argentina, the Islamic Republic of Iran, Lebanon, Türkiye, the Bolivarian Republic of Venezuela, and Zimbabwe, experiencing double-digit rates. Since the onset of the pandemic, consumer prices in developing economies are estimated to have increased by a cumulative 35 per cent, compared with 20 per cent in developed economies. This is well above the cumulative inflation observed during the period 2015–2019 (see figure I.8).

In 2024, average core inflation in developing countries has receded from its 2023 peaks and moderated throughout the year, with some spikes between June and August (see figure I.7b). Similarly, average food inflation has dropped significantly, mainly driven by moderating international food commodity prices. Nevertheless, food inflation remains particularly high in many countries and more volatile than in developed economies, primarily due to the limited transmission of international prices to local prices, currency depreciation pressures, and weaker agricultural output resulting from climate-related shocks. Notably, around 50 per cent of developing countries have experienced food inflation rates above 5 per cent in 2024. The share of countries facing food inflation higher than 20 per cent has increased substantially over the past several years, rising from 6 per cent in 2018 to about 17 per cent in 2024 (see figure I.9).

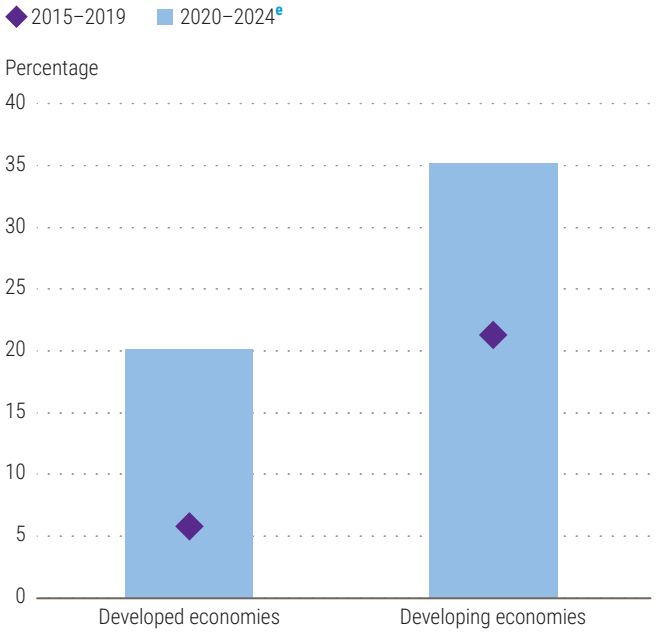
Economic shocks, especially persistently high food prices, along with conflicts and extreme

weather events, have continued to be major drivers of food insecurity across countries in 2024 (Food Security Information Network and Global Network Against Food Crises, 2024a). These compounding shocks have exacerbated food crises in several countries, including Chad, Ethiopia, Malawi, Myanmar, Nigeria, Sudan, Yemen, and Zimbabwe. Gaza continues to experience the most severe food crisis, with all 2.2 million residents requiring urgent assistance. However, several countries have experienced improved food security due to better harvests and stabilizing economies. Notable improvements have been seen in Afghanistan, the Democratic Republic of the Congo, Guatemala, and Kenya between 2023 and 2024. Yet these countries continue to be classified as experiencing major food crises, underscoring the ongoing challenges in global food security (Food Security Information Network and Global Network Against Food Crises, 2024b).

Food insecurity disproportionately impacts women. However, the gender food gap, which

Figure I.8

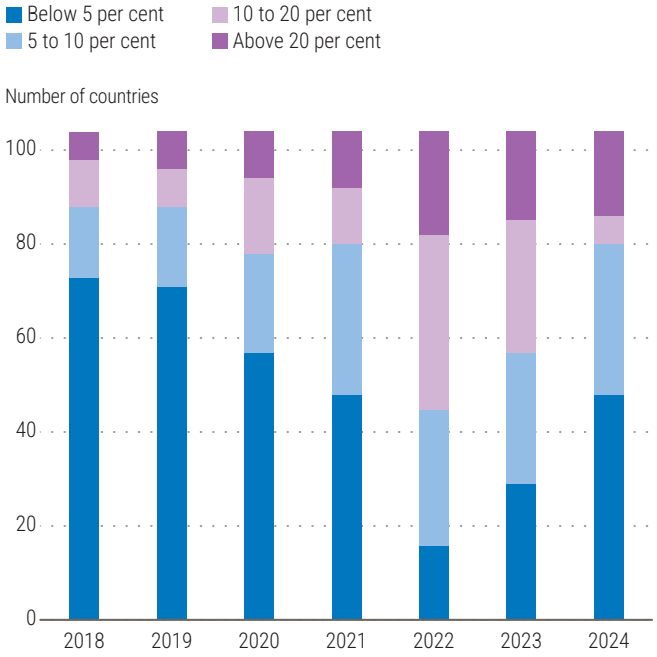
Cumulative headline inflation



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: e = estimates. Country group averages are GDP-weighted. Afghanistan, Argentina, the State of Palestine, Sudan, and the Bolivarian Republic of Venezuela are excluded.

Figure I.9

Developing countries by food inflation bracket



Source: UN DESA, based on data from CEIC and Trading Economics.
Note: The sample includes 104 developing economies.

significantly widened during the pandemic, began to narrow in 2022 and continued to shrink in 2023. The global difference between men and women in the prevalence of moderate or severe food insecurity decreased from 3.6 to 1.3 percentage points between 2021 and 2023 (FAO and others, 2024). For those in poverty, higher food prices can exacerbate food insecurity, with the impact varying based on local conditions and existing vulnerabilities. Over the past several years, increased food prices have raised the cost of living, reducing real incomes for households, particularly in developing countries (United Nations, 2024c).

Although the global extreme poverty rate has returned to pre-pandemic levels, progress has stalled amid sluggish economic growth and multiple shocks. An estimated 692 million people have been living in extreme poverty in 2024, down from 713 million in 2022. However, this recovery has been uneven across countries and regions (Aguilar and others, 2024; World Bank, 2024e). Low-income and lower-middle-income countries have shown less resilience to the compounding shocks

experienced in recent years. While lower-middle-income countries managed to recover from the impact of the COVID-19 pandemic by 2022, poverty rates in low-income countries have remained higher in 2024 than in 2019. These countries have faced multiple challenges that have affected their economic situation, including pandemic-driven crises, extreme weather events, armed conflicts, and political unrest. Such factors have significantly slowed their economic recovery, highlighting their vulnerability to both global and domestic shocks.

Even though the extreme poverty rate in sub-Saharan Africa has decreased over the past few decades, this decline has been significantly slower than that recorded in other regions, with early estimates of recent data revealing an upward trend in poverty rates (see box III.3). Population growth in Africa has outpaced the overall reduction in the poverty headcount rate; consequently, the number of people in Africa living in extreme poverty has continued to rise (Aguilar and others, 2024). The Middle East and North Africa have experienced substantial setbacks as well, with estimates indicating that the population living in extreme poverty has increased between 2018 and 2024. This trend has primarily been driven by pervasive fragility within the region, characterized by political instability, economic volatility, and social unrest (Gatti and others, 2023), as well as the pervasive impact of the COVID-19 pandemic. This underscores the complex interplay of factors contributing to poverty and emphasizes the need for targeted, region-specific approaches to address these deep-rooted challenges.

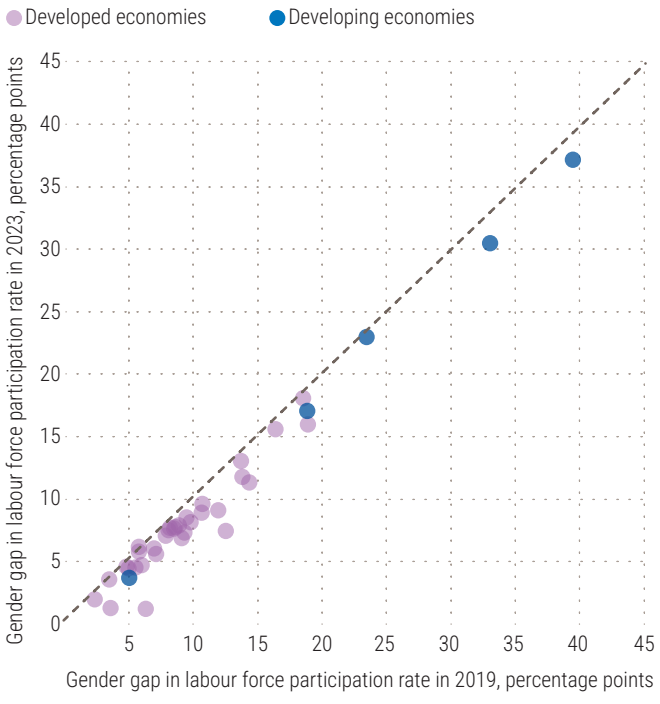
Labour market trends and challenges

Developed economies experience slowing employment growth

Across developed economies, labour market conditions have remained broadly favourable in 2024 despite prolonged sluggishness in some large European Union economies, with high levels of economic activity combined with historically low unemployment rates in many countries. In May 2024, total employment for country members of the Organisation for Economic Co-operation and Development (OECD) surpassed the pre-pandemic (December 2019) level by 3.8 per cent (OECD, 2024d), and the labour force participation rate was also higher than in late 2019, reaching its highest value since 2008 (OECD, 2024c). The impressive rise in female economic activity in the post-pandemic period has led to a further reduction in gender gaps in employment (see figure I.10). Tight labour markets have contributed to nominal wage growth, and slowing inflation has led to higher real wages in most developed countries, though in early 2024 real wages were still below 2019 levels in several developed economies. Minimum wages in real terms also surpassed 2019 levels in almost all OECD countries by mid-2024; over the course of the year, official minimum wages were increased in many European countries and in more than half of the States in the United States.

Figure I.10

Gender gap in labour force participation across OECD countries



Source: UN DESA, based on data from OECD.
Notes: The diagonal dashed line is at 45 degrees. Economies below the line experienced a narrowing gender gap in labour force participation.

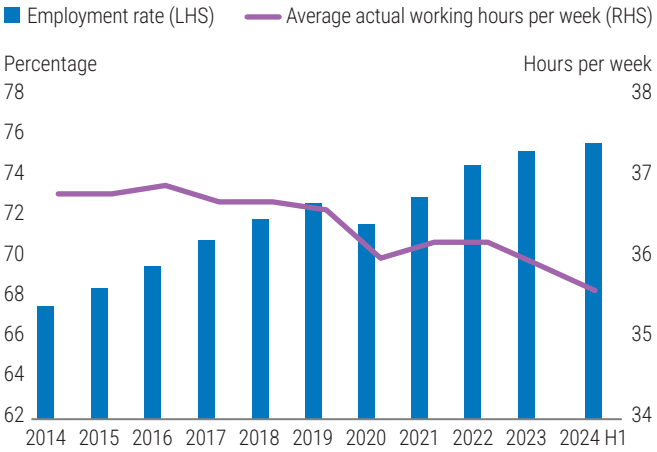
Although labour market indicators have been largely positive, the speed of employment gains in developed economies has moderated noticeably in 2024, and labour shortages have eased somewhat, perhaps indicating that employment levels may have peaked and that the ability of firms to absorb rising labour costs and retain workers to avoid rehiring difficulties may be exhausted. Persistent labour shortfalls, particularly in the services sector, have encouraged employers to offer more attractive terms of employment and benefits since 2021; while these conditions are likely to persist in certain sectors, including healthcare, they may be easing on a broader level. The possible rapid adoption of AI technologies could present challenges for labour markets in developed economies, especially in services industries. Although some jobs are currently being created in the information technology (IT) sector that focus on the development of AI or require its extensive use, the share of these jobs is relatively small.

Among the major economies, the United States has continued to maintain a historically low unemployment rate of around 4 per cent (not seen since early 2000). However, some tentative signs of a cooling labour market have emerged in 2024, as the ratio of job openings to the number of unemployed persons has declined, and the duration of the average job search has increased. The United States labour market outlook in 2025 will depend not just on the level of economic activity, but also on policies such as those restricting immigration or prompting import substitution, which could lead to a possible resurgence in manufacturing jobs.

While employment levels in the European Union have increased further in 2024, average working hours have continued to decline (see figure I.11). In contrast to previous years, when the decline in working hours was primarily due to a larger share of part-time jobs in total employment (Astinova and others, 2024), the recent decline largely reflects "labour hoarding" by firms (with many businesses in Europe having chosen to retain labour to avoid rehiring costs despite weak sales and orders) as well as individual choices related to work-life balance. The reduced working

Figure I.11

Employment rate and working hours in the European Union



Source: UN DESA, based on data from Eurostat.
Notes: LHS = left-hand scale, RHS = right-hand scale. H1 = first half of the calendar year.

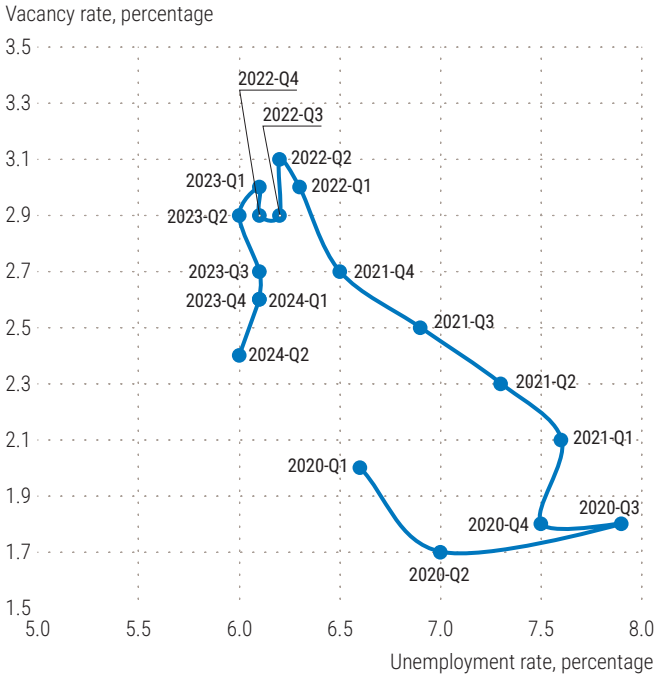
hours have exacerbated pressures on European industries emanating from labour shortages caused by adverse demographic trends; for example, estimates indicate that for Germany to maintain its current level of employment, it will need an additional 400,000 people in the workforce every year (Salles, 2023), a figure that cannot be met through internal European Union migration. The unemployment rate in the European Union remains historically low; however, the share of unfilled job vacancies has been declining since early 2023, reflecting easing labour shortages (see figure I.12). Skills mismatches, while declining, remain a problem for Europe (Panos, 2024).

The labour market also remains strained in Japan, where demographic pressures continue to exacerbate the situation. Despite worker shortages and long working hours, nominal wage growth in Japan has persistently lagged behind inflation, with growth in real earnings (including bonuses) mostly remaining in negative territory since mid-2021 (Ministry of Health, Labour and Welfare of Japan, 2024). On the positive side, recent continuous nominal wage growth points to an eventual recovery.

Among the economies in transition, labour shortages caused by conscription and outward

Figure I.12

Beveridge curve for the European Union



Source: UN DESA, based on data from Eurostat.

migration remain a persistent problem in the Russian Federation, where the unemployment rate stood at a record low of 2.3 per cent in October 2024. Despite strong labour demand in the country, employment opportunities for migrant workers have tightened. In Central Asia, Governments are exploring and negotiating alternative destinations for temporary labour migration through bilateral agreements while also increasing efforts to create jobs in the domestic economy.

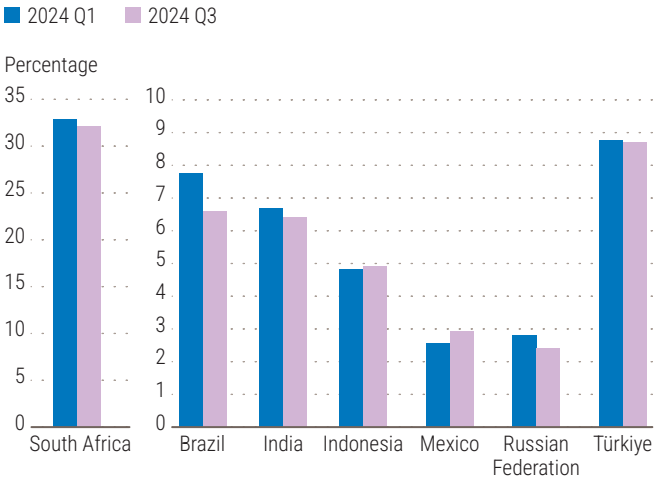
Developing economies continue to grapple with high youth unemployment

Overall, the labour market situation in developing countries remains challenging, though there are significant variations in the outlook driven by differing economic conditions and policy responses. In several large economies, labour indicators have remained robust amid resilient economic activity. In Brazil, for example, the unemployment rate dropped to a decade low of 6.6 per cent by mid-2024 (see figure I.13). In India, employment indicators have remained strong throughout 2024, with labour force participation near record highs (Reserve Bank of India, 2024a). In China, labour market conditions have remained stable, while other East Asian economies, such as Indonesia, have recently registered steady improvement in the labour market. In contrast, other countries and regions are facing more difficult labour market conditions. Employment growth remains weak in Mexico and other countries in Latin America and the Caribbean, where informal employment accounts for most of the new jobs in the economy (ECLAC, 2024). In Africa, with labour markets under immense pressure due to the rapid growth of the youth population, high levels of informal and subsistence employment continue to prevail. In South Africa, the unemployment rate remains extremely elevated (above 30 per cent).

Beyond these immediate trends, developing economies continue to grapple with severe structural challenges, with youth employment emerging as an increasingly pressing issue. Recent estimates show that the global youth unemployment rate has fallen to a 15-year low of

Figure I.13

Unemployment rate in selected large economies



Source: UN DESA, based on data from Trading Economics and national sources.

Notes: Rates are based on quarterly data or quarterly averaged monthly data—except in the case of Indonesia, for which semi-annual data for February 2024 and August 2024 have been used. Data for India refer to the urban unemployment rate.

13 per cent, but in many regions—such as Western Asia, North Africa, South Asia, and Latin America and the Caribbean—youth unemployment remains critically high, exceeding 20 per cent (ILO, 2024). In these regions, many young people remain excluded from the formal labour market, with the share of those not in employment, education, or training (the NEET rate) remaining persistently high. The informal economy continues to serve as the main source of employment for youth, typically offering low-wage jobs without any benefits. In sub-Saharan Africa, South Asia, and Latin America and the Caribbean, youth have largely relied on informal employment because formal job opportunities have been limited. Although access to education has expanded in many countries, a persistent mismatch between acquired skills and labour market demands has resulted in high levels of structural underemployment or unemployment, particularly among the young.

Demographic pressures further intensify these challenges, particularly in regions with rapidly growing youth populations. In Africa, creating sufficient job opportunities has become exceedingly difficult. In South Africa, the youth unemployment rate remains at around 60 per cent. In sub-Saharan Africa, about three quarters of youth employment is considered insecure, with many young people engaged in self-employment or unpaid family work. Projections indicate that Africa will face ongoing demographic pressures, with an estimated additional 76 million young people expected to join the labour market by 2050 (ILO, 2024). In Latin America and the Caribbean, informal employment is most prevalent among youth and older workers. Between 2013 and 2022, informal employment experienced the largest increase among the youth population (ECLAC, 2024). In South Asia, despite recent improvements in youth unemployment rates, the NEET rate is expected to remain elevated (above 25 per cent) in the near term. In China, urban youth unemployment reached 17.6 per cent in late 2024, a rate significantly higher than the national unemployment average of 5.2 per cent.[9]

This issue underscores the urgent need to revitalize economic growth in developing economies alongside the implementation of policies that prioritize job creation and better align educational systems with labour market demands. However, the current growth outlook for the world economy and the increasingly limited fiscal space in many countries present considerable challenges to generating sufficient numbers of jobs to absorb millions of young people entering the labour market.

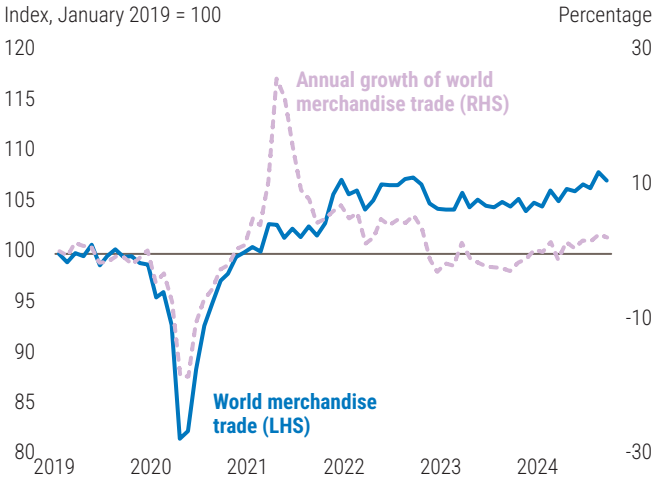
Prospects for global trade and investment

International trade rebounds after a slump in 2023

Global trade has rebounded in 2024, growing at 3.4 per cent—a notable increase from the modest 0.9 per cent growth recorded in 2023. This recovery has primarily been driven by the improvement in merchandise trade, which has increased by around 2.4 per cent in volume terms, up from a 1.0 per cent contraction in 2023 (see figure I.14). Key factors

Figure I.14

World merchandise trade in volume terms



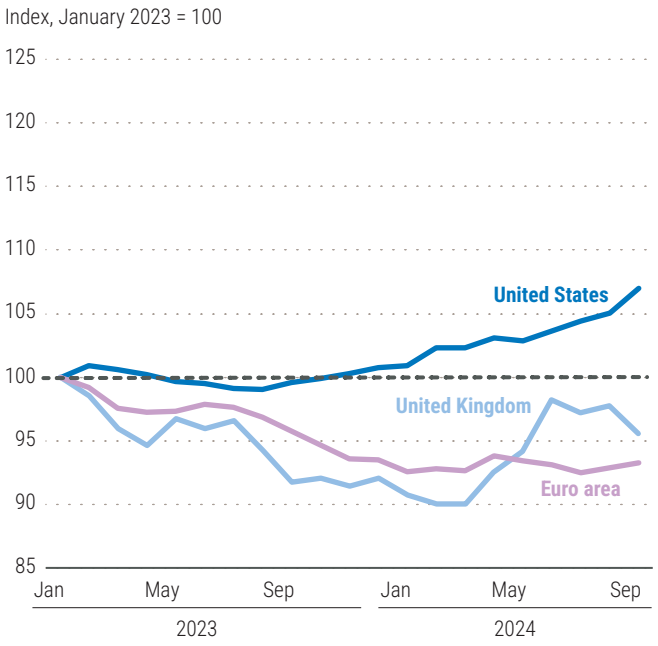
Source: UN DESA, based on data from CPB Netherlands Bureau for Economic Policy Analysis.
Note: LHS = left-hand scale, RHS = right-hand scale.

9 Data source: National Bureau of Statistics of China.

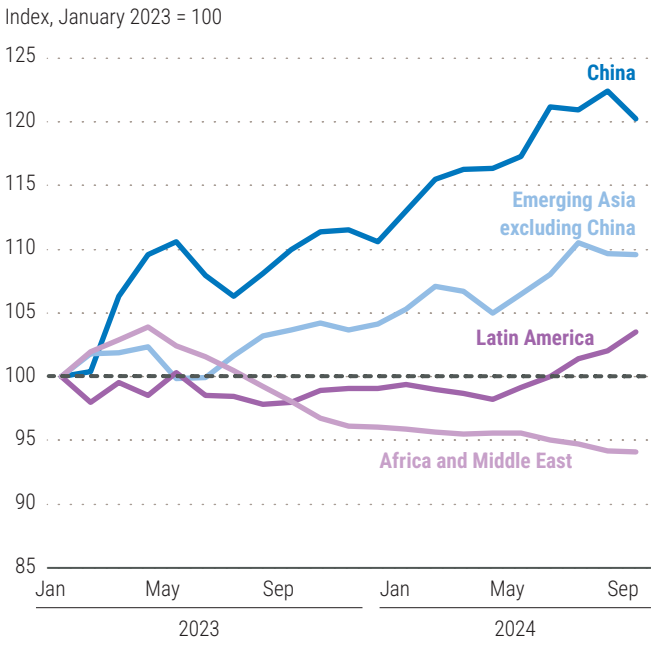
Figure I.15

Merchandise imports and exports, selected regions

a) Import volume in developed economies



b) Export volume in developing economies



Source: UN DESA, based on data from CPB Netherlands Bureau for Economic Policy Analysis.
Notes: Data are 3-month moving average. Regional groupings are not strictly comparable to those in the *World Economic Situation and Prospects 2025* but illustrate regional tendencies.

driving this rebound include easing inflationary pressures and enhanced export performance in the United States and several Asian economies, particularly China. Global trade in services has continued to experience robust expansion, with a year-over-year growth rate of around 6.4 per cent. Travel services have played a crucial role in this growth. However, as tourism arrivals have largely returned to pre-pandemic levels, growth in this sector is expected to stabilize.

The growth rate for world trade is projected to moderate to 3.2 per cent in 2025. However, this forecast is subject to significant uncertainties linked primarily to the geopolitical developments affecting international trade, the outlook for commodity prices, and the potential weakening of services trade.

Global merchandise trade volume has rebounded in 2024. Some of this growth can be attributed to the front-loading of orders from China in anticipation of potential trade restrictions (UNCTAD, 2024). Growth in 2024 has also benefited from low base effects, as trade in 2023 was exceptionally low due to inflationary pressures, the persistent impact of high energy prices, and a continuous downturn in commodity demand. According to the World Trade Organization (WTO, 2024a), global trade in fuels and mining products fell by 18 per cent year-over-year in 2023. This downturn was further exacerbated by a broad-based contraction in imports and exports to and from Europe.

Among developed economies, the euro area and the United Kingdom have experienced broad weaknesses in their export performance in 2024, while the United States has demonstrated robust export growth, particularly in categories such as heavy machinery and aircraft. On the import front, the United States has seen a rebound (see figure 1.15a), primarily due to

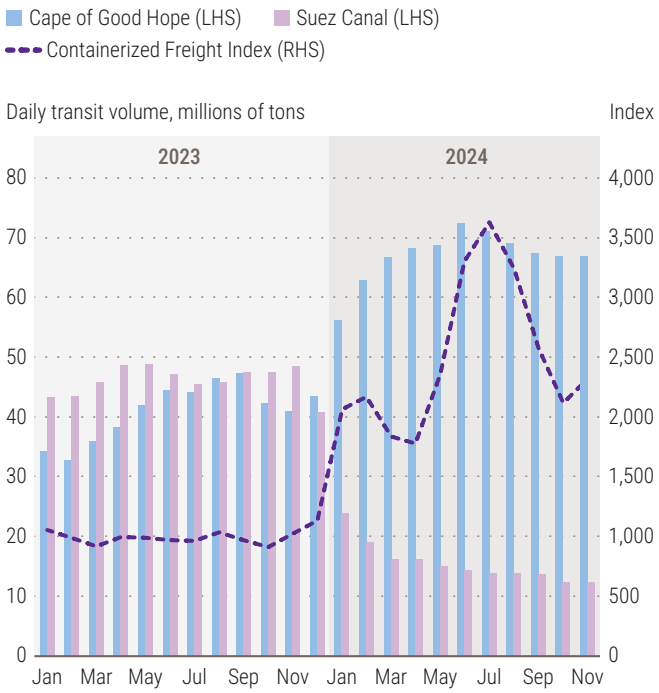
increased electronics imports, while the euro area has continued its prolonged decline, significantly affected by decreasing oil imports. At the aggregate level, developing economies have outperformed developed economies in merchandise exports and imports. China and developing countries in Asia experienced the most significant export growth in early 2024 (see figure I.15b), largely driven by electronics exports; in contrast, exports from Africa and Latin America fell during this period, mostly due to weakening commodity prices.

The 9 per cent decline in the value of iron and steel and 7 per cent decline in the value of fuels (year-over-year) largely contributed to the lack of overall growth in the value of world merchandise trade in the first half of 2024 (WTO, 2024b). The value of trade in office and telecommunications equipment exhibited the fastest growth during this period, increasing by 6 per cent, likely owing to the expansion of trade in semiconductors linked to the rapid growth of AI technologies (WTO, 2024b). According to the Semiconductor Industry Association (2024), over the first three quarters of 2024, global revenues from semiconductor sales grew by almost 20 per cent year-over-year.

Merchandise trade has encountered serious obstacles in 2024. The attacks by Houthi rebels on ships in the Red Sea led to a sharp decline in traffic through the Suez Canal and the rerouting of ships, notably through the Cape of Good Hope (see figure I.16). As a consequence, the cost of shipping, especially to and from China, increased sharply in January and July 2024.[10] The subsequent decline in prices is attributed to the diminishing intensity of Red Sea disruptions as well as the increase in shipping supply (Chuang and Wu, 2024). However, these challenges may have contributed to the muted growth of trade in 2024, and their lagged impact may continue to affect trade dynamism.

Figure I.16

Transit volume through the Suez Canal and the Cape of Good Hope, together with the Containerized Freight Index



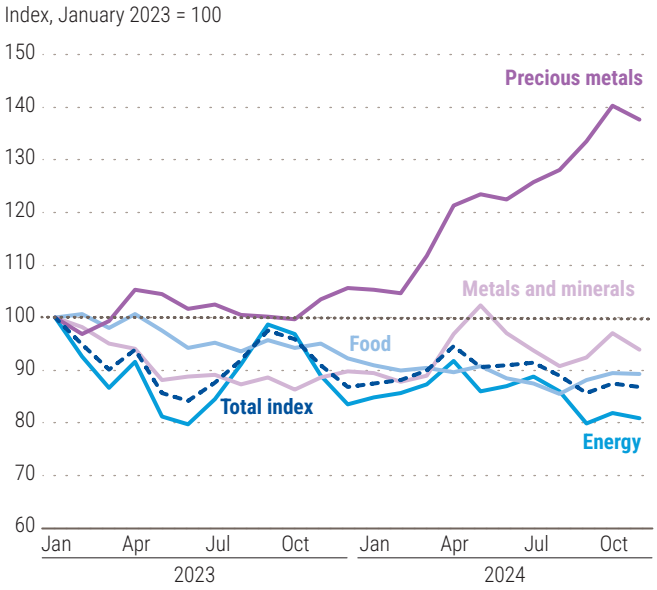
Source: UN DESA, based on data from IMF PortWatch and Trading Economics.
Note: LHS = left-hand scale; RHS = right-hand scale.

Commodity trade in 2024 has been marked by a decline in prices, influenced by geopolitical tensions, supply dynamics, and overall economic conditions (see figure I.17). The World Bank (2024a) estimates a 3 per cent decrease in the commodity price index for 2024 and projects a 5 per cent decrease in 2025 and further declines in subsequent years. The expected price declines in agricultural commodities are not likely to translate into lower food prices for final buyers (OECD and FAO, 2024). Conversely, gold prices have trended upward through most of 2024 due to high levels of geopolitical uncertainty, and copper prices have been rising due to increased market demand.

10 The trend depicted using the Shanghai Containerized Freight Index, tracking container freight prices on routes to and from China, follows a pattern similar to that of other relevant indices, such as Drewry's World Container Index.

Figure I.17

Main commodity price indices



Source: UN DESA, based on World Bank commodity price data (the Pink Sheet).

Trade in services has grown at an estimated rate of 6.4 per cent in 2024. According to the United Nations Conference on Trade and Development, services trade presently accounts for almost 25 per cent of world trade (UNCTAD, 2024). The United States remains the largest exporter of commercial services, accounting for 13 per cent of global services exports in 2023. Services trade remains affected by the pandemic-related contraction and recovery. Trade in transport services levelled off in 2024 following a post-pandemic expansion. Similarly, the growth rate for tourism services is slowly receding as tourism approaches its pre-pandemic levels in most countries.

Provisional estimates from the United Nations World Tourism Organization indicate that international tourist arrivals (overnight visitors) have grown to 1.4 billion globally—an increase of 11 per cent from 2023 to 2024 and an almost complete recovery of the pre-pandemic level (UN Tourism, 2024). Strong travel demand across most world regions, together with increased air connectivity and visa facilitation, has fuelled growth in 2024. The recovery of destinations in Asia and the Pacific, which were slower to reopen, has contributed to this recovery. In the first nine months of 2024, Europe surpassed its pre-pandemic arrival numbers by 1 per cent, while the respective recovery rates for the Americas and Asia and the Pacific were 97 and 85 per cent. The Middle East and Africa remained the strongest performers, with international arrivals respectively climbing to 29 and 6 per cent above 2019 levels during the period through September 2024 (see box I.1).

International tourism receipts are estimated to have reached $1.6 trillion in 2024—about 4 per cent higher than in 2019 (in real terms) and 3 per cent higher than in 2023. Most destinations have reported strong earnings in 2024, with growth in tourism receipts often exceeding growth in arrivals. Higher average spending per trip explains the faster recovery in receipts than in arrival numbers globally. Total export revenues from tourism, including receipts and passenger transport fares, have been estimated at $1.9 trillion for 2024, 3 per cent higher than in 2019 in real terms. Preliminary forecasts for 2025 point to 3-5 per cent annual growth in international arrivals over 2023 (1-3 per cent above 2019 levels).

The outlook for international trade remains highly uncertain given the ongoing escalation of global geopolitical tensions and the potential impacts of new trade restrictions. Trade tensions between China and the United States, Canada and the European Union have intensified in 2024, as the latter group of countries has introduced new, high tariffs on industrial goods such as electric vehicles from China (Rokosz, 2024). A few categories of trade remedial measures have reached new highs among the Group of Twenty (G20) countries, with the number of new anti-dumping measures doubling in the first half of 2024 in comparison with the year before, and the number of countervailing measures tripling over the same period (WTO, 2024c). Several studies (such as Bolhuis, Chen and Kett, 2023a) have analysed the potential impact and cost of further trade fragmentation, highlighting the costly nature of measures restricting and impeding global trade.

Box I.1

Mixed recovery of international tourism in least developed countries

According to preliminary estimates from the United Nations World Tourism Organization (UN Tourism), the least developed countries (LDCs) collectively registered about 30 million international tourist arrivals (overnight visitors) in 2024—about 10 per cent more than in 2023.

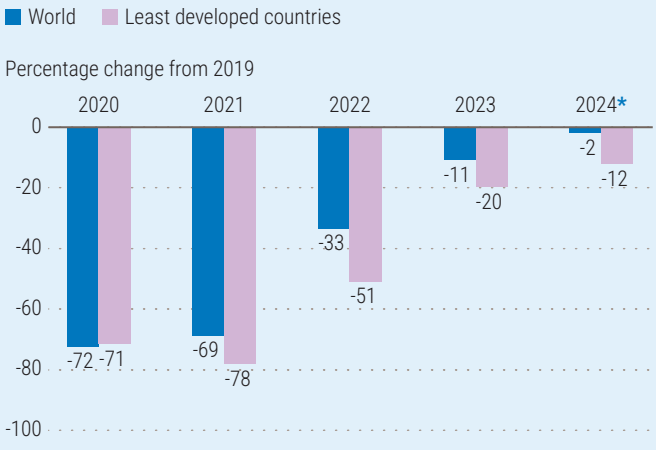
Available data for 2024 indicate that the LDCs achieved a recovery rate of 88 per cent in arrivals relative to pre-pandemic levels, compared with a worldwide recovery rate of 98 per cent. This gap is explained by the slower recovery of destinations in Asia and the Pacific, which reopened later after the COVID-19 pandemic and account for almost half of the LDC total.

The 88 per cent recovery applies to the group as a whole, but results vary across individual LDCs, with a few already exceeding pre-pandemic arrival numbers and others slowly catching up. The United Republic of Tanzania has seen the strongest results so far, with arrivals up 43 per cent in the first nine months of 2024 in comparison with the same period in 2019. Arrivals were 33 per cent higher in Ethiopia during the period January–September and 17 per cent higher in Timor-Leste between January and June relative to the corresponding periods in 2019.

In contrast, 2024 arrivals remained 39 per cent below 2019 levels in Myanmar for the months through September, about 14 per cent below in the Solomon Islands through June, and 2 per cent below in Cambodia through August. In Madagascar, which is recovering from a severe drought and cyclone-related flooding, arrivals were 37 per cent below pre-pandemic levels in the period through August 2024.

Figure I.1.1

International tourist arrivals



Source: UN Tourism.
* Provisional estimates, data as at September 2024.

In 2019, the most popular LDC tourism destination was Cambodia, which accounted for 19 per cent of the group's arrivals, followed by Lao People's Democratic Republic and Myanmar, each representing 13 per cent; together, these three Asian countries accounted for 45 per cent of all international tourists in the LDCs. Mozambique accounted for 6 per cent, while Rwanda, Uganda, the United Republic of Tanzania, and Zambia each represented about 4 per cent of the LDC total.

Tourism represents 7 per cent of total export revenues in least developed countries

Tourism in most LDCs has grown significantly in recent years and is today an important driver of economic growth, diversification, and trade. Yet the 45 LDCs combined represent only about 2 per cent of the world's international tourist arrivals and 1 per cent of global export revenues from tourism. For these low-income countries, confronting severe structural impediments to sustainable development, tourism can be an important source of revenue, providing jobs and income opportunities for residents and strengthening the local economy as a whole.

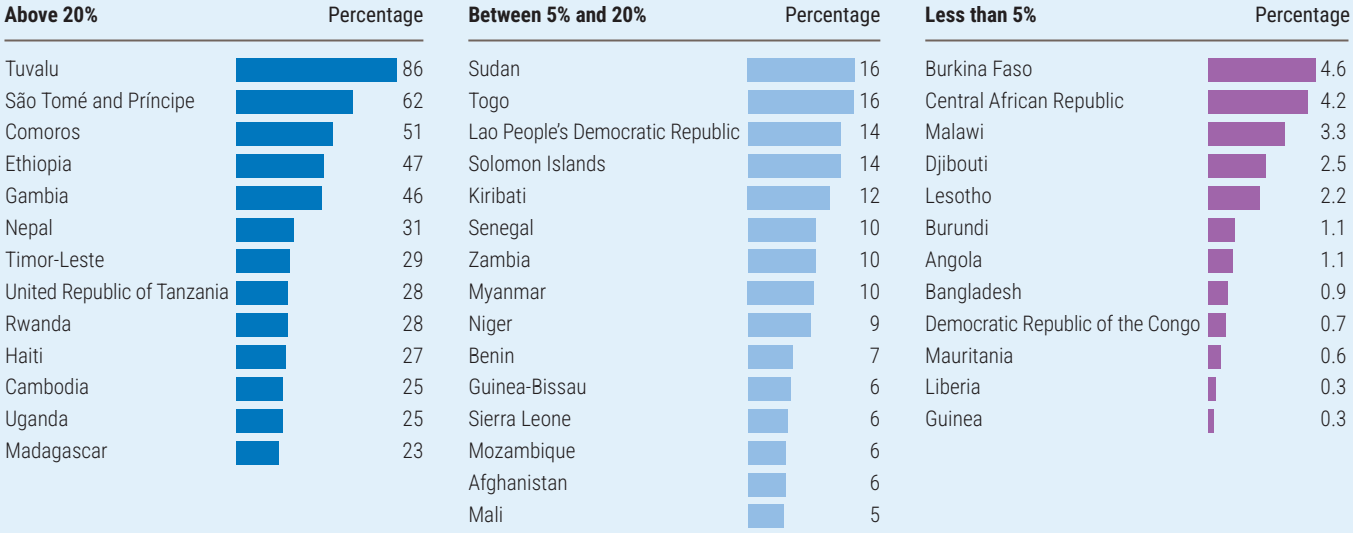
Revenues from international tourism represent an estimated 7 per cent of total exports of goods and services in the LDCs, slightly above the global ratio of 6 per cent for 2024. This is still below the 10 per cent share recorded in 2019, which reflects the group's ongoing tourism recovery and potential for future growth.

In 13 out of 40 LDCs with available data, tourism accounted for more than 20 per cent of national export revenues in 2019 (see figure I.1.2). The importance of tourism as a source of export earnings varies considerably across individual LDCs, depending on the weight of other items in the balance of payments—including mineral products, which often represent the main export.

The recovery in tourism income has been somewhat stronger than the recovery in arrivals. According to preliminary estimates, LDCs earned an estimated $22 billion in export revenues from international tourism in

Figure I.1.2

International tourism revenues as a percentage of total export revenues in least developed countries, 2019



Sources: UN Tourism and WTO.
Note: Data are unavailable for Chad, Eritrea, Somalia, South Sudan and Yemen. Data as at September 2024.

2024, equivalent to about 90 per cent of 2019 revenues (in real terms). However, this was below the world average; global tourism revenues surpassed pre-pandemic levels by 4 per cent in 2024 to reach $1.5 trillion.

Positive outlook for 2025 amid risks

Among the LDCs, tourism prospects for 2025 are generally positive despite some country-specific and global challenges, including climate change and associated extreme weather events. The ongoing recovery of Chinese outbound tourism is expected to benefit LDC destinations in 2025, particularly in Asia and the Pacific. The depreciation of several African currencies could make some destinations more attractive, though the risk of prolonged inflation in their long-haul source markets in Europe, especially for accommodation and transport services, could impact tourism numbers.

The inherent economic and environmental vulnerability of LDCs and their need for improved infrastructure and connectivity in many cases are ongoing challenges. The remoteness of a few LDCs makes them especially dependent on costly air travel and therefore vulnerable to competition from less expensive travel destinations and to high oil prices and transport costs.

Investing in tourism development, training, and infrastructure could help diversify the sources of foreign exchange and contribute to more steady streams of income for least developed countries. In addition, developing or expanding tourism data systems would contribute to better monitoring of the tourism sector and support its growth.

Author: *United Nations, World Tourism Organization*

Modest improvement in investment, though challenges remain

Global investment, measured by real gross fixed capital formation, is estimated to have grown by 3.4 per cent in 2024 after a two-year slump. The uncertainty around the shift in monetary policy in developed countries caused investments to stall in the first half of the year, but the reduction in interest rates was expected to stimulate investment activity in the second half. Nevertheless, downside risks

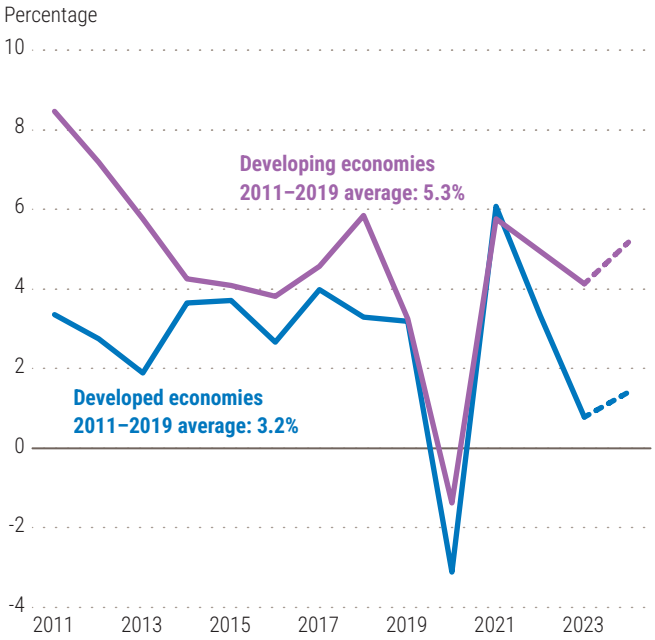
in the near term persist. Softening global growth, uncertainties regarding inflation in major developed economies, and low consumer confidence will continue to impact investor decisions. In addition, interest rates in developed countries remain much higher than their pre-pandemic levels. Aiming to reduce dependence on imports of intermediate goods and reconfigure supply chains, many developed countries are implementing extensive policies to promote domestic investment. Developing countries will thus face new challenges in attracting foreign direct investment (FDI) crucial for their growth and development. It is also likely that geopolitical uncertainties and unanticipated policy shifts will have more pronounced effects on international capital flows, particularly to developing countries.

In developing countries as a group, fixed capital investment is estimated to have grown by 5.2 per cent in 2024 (see figure I.18). Investment growth has remained particularly strong in East Asia and South Asia, partly driven by domestic and foreign investments in new supply chains, particularly in India, Indonesia, and Viet Nam. In China, fixed-asset investment growth has remained steady in 2024. While investment in property development and infrastructure continued to contract in the first three quarters of the year, manufacturing and high-tech industries (such as semiconductors and renewable energy) saw robust investment growth of 9.2 and 10.0 per cent, respectively (China, State Council Information Office, 2024). In India, the public sector continues to play a pivotal role in funding large-scale infrastructure projects, physical and digital connectivity, and social infrastructure, including improvements in sanitation and water supply (India, Press Information Bureau, 2024). Strong investment growth is expected to continue through 2025.

In Latin America and the Caribbean, Mexico is benefiting from the nearshoring trend following the COVID-19 pandemic and rising global trade tensions. In the first three quarters of 2024, the country achieved 5.6 per cent growth in fixed capital investment in comparison with the same period in 2023, fuelled by investments in construction and machinery and equipment (Mexico, National Institute of Statistics and Geography, 2024). In other parts of the region, however, increased volatility in commodity prices has eroded investor confidence.

Figure I.18

Annual investment growth, by country group, 2011–2024

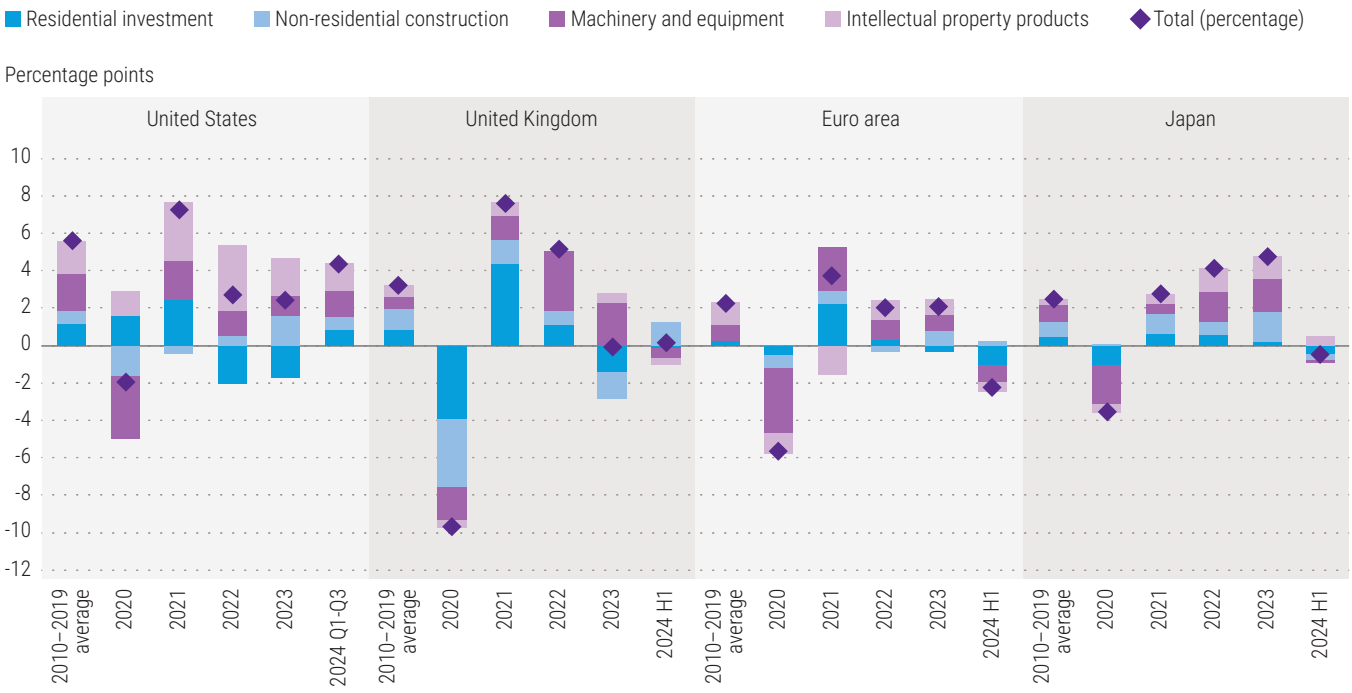


Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Notes: Numbers for 2024 are estimates. Investment is measured as gross fixed capital formation.

In Africa and Western Asia, investment growth is expected to remain muted. Many African nations are dealing with high debt servicing burdens, leaving a tight fiscal space for Governments to undertake public investments. For private investors, high borrowing costs, volatile commodity prices, and a prolonged trade slowdown have discouraged new investments. In Western Asia, investment growth has remained low, with significant variations across the region. Although ambitious diversification plans have been readied in oil-exporting countries, subdued oil revenues have restricted new capital investments. Violence and armed conflicts in the region further undermine investment prospects.

Figure I.19

Annual investment growth in selected developed economies, by asset type



Source: UN DESA, based on data from CEIC and Eurostat.
Notes: H1 = first half of the calendar year. Figures are in constant prices. Data for the United Kingdom, euro area, and Japan are total investments; data for the United States are private investments.

Developed economies as a group are expected to experience a mild increase in investment (see figure I.18), with patterns varying among individual countries. Investment in the euro area contracted sharply by 2.2 per cent in the first half of 2024 (see figure I.19), with residential construction and machinery and equipment seeing the most significant drop. Germany experienced a severe slowdown in investment growth during this period, with private companies refraining from new investments due to weak export demand and high borrowing costs, and housing investments declining significantly because of weak demand. This trend is expected to reverse in 2025 as monetary easing, coupled with increased public investment, will gradually stimulate economic activity, and due to a renewed increase in foreign demand, domestic investment is also expected to increase. However, significant growth in investment is not foreseen before 2026 (Deutsche Bundesbank, 2024) (see box I.2).

In the United Kingdom, investment growth during the first six months of 2024 was driven by non-residential construction. This was partially offset by declining investment in dwellings, transport equipment, and other machinery and equipment, including information and communications technology (ICT) equipment.

In Japan, investment in residential construction saw the steepest decline in the first half of 2024 due to rising financing costs. However, the country saw growth in investment in intellectual property products driven by robust investment in information technology.

The United States saw significant growth in real gross fixed capital investment in all asset types. Intellectual property products attracted the most investment in the first three quarters of the year, growing by 1.7 per cent; this was followed by non-residential construction and residential construction. This trend partly reflects the active pursuit by the United States of industrial policies

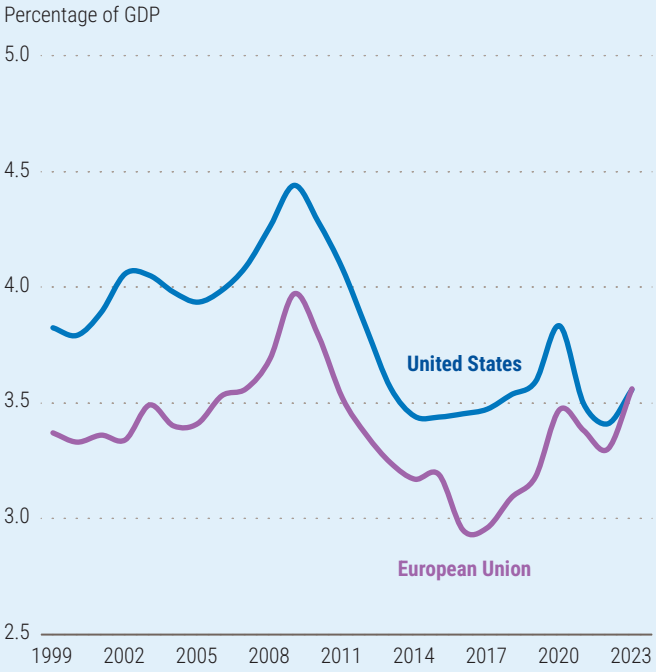
Box I.2

How public investment in the clean energy transition could restore European competitiveness

Public investment plays a pivotal role in driving economic growth, fostering innovation, supporting structural change, and advancing the Sustainable Development Goals (SDGs). In the European Union, public investment as a share of GDP declined steadily between 2009 and 2017, with the region continuing to lag behind the United States (see figure I.2.1).[a] Beginning to recover in recent years, the public-investment-to-GDP ratio rose to 3.5 per cent in 2023, reaching the rate recorded prior to the global financial crisis. However, the sustained low levels led to a public investment gap averaging 0.5 percentage points higher than that prevailing during the first two decades of the century, undermining European competitiveness (European Commission, 2024b). The clean energy sector—critical for advancing the energy transition (SDG 7) and strengthening economic resilience through job creation and innovation—has been particularly impacted by the shortfall in public investment (European Commission, 2024b).

Figure I.2.1

Public investment in the European Union and the United States



Source: Author, based on data from Eurostat (2024a) and FRED (2024a; 2024b).
Note: The entire time series represents the EU-27 composition, which excludes the United Kingdom.

Although clean energy[b] investment in Europe[c] grew substantially from 2020 to 2022, driven by policy support and stimulus measures at the European Union and national levels, it has stagnated since then (see figure I.2.2). Key initiatives such as the European Green Deal, the NextGenerationEU fund, and subsidies for electric vehicles and other energy-efficient products contributed to this earlier growth, especially in the end-use sector (IEA, 2021b; IEA, 2022a).[d] However, estimates for 2024 indicate continued stagnation, with clean energy investment reaching only $477 billion—well below the estimated need of $32 trillion (or $1,185 billion annually) between 2023 and 2050 to reach the mid-century net-zero emissions target (BloombergNEF, 2023).

Private investors are expected to contribute approximately 70 per cent of the required investment, yet mobilizing this capital presents significant obstacles (IEA, 2021a). Egli (2020) identifies five key challenges that increase the risk for private investors: curtailment, where events such as unexpected grid bottlenecks restrict energy production; policy uncertainty, resulting from a continuously changing policy landscape; price volatility, which refers to the challenge of price fluctuations within a stable policy regime; resource assessment challenges, arising from inaccurate estimates of renewable resources; and technological challenges, where new technologies may fail to perform as expected. Additionally, clean energy projects are highly capital-intensive (Tietjen, Pahle and Fuss, 2016)

a The European Union is often compared to the United States, largely because productivity and real GDP growth rates were similar in the early 2000s. Since then, however, the United States has outpaced the European Union in key economic indicators. Benchmarking the European Union to the United States is commonly adopted in economic analyses, including those undertaken by Schnabel (2024) and the European Commission (2024b).

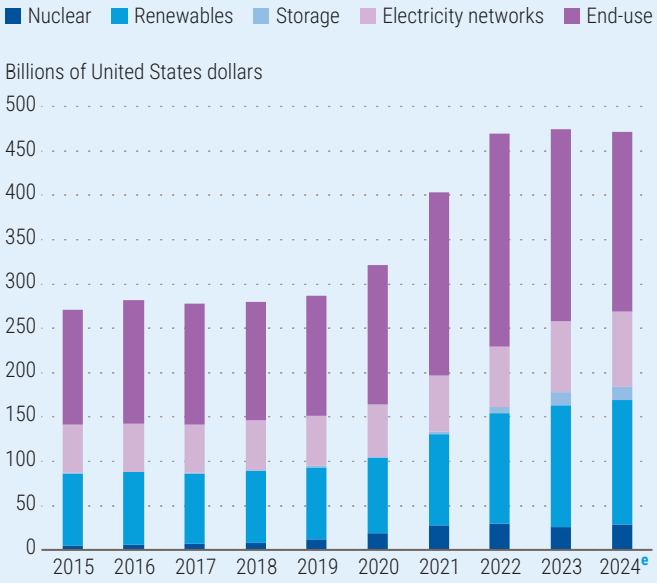
b The International Energy Agency defines clean energy as clean fuels; transitional fossil fuels; nuclear power; renewables; storage; electricity networks; fossil fuels with carbon capture, utilization, and storage; and end-use (IEA, 2024b).

c The IEA classifies Europe as the European Union, the United Kingdom, Norway, and 15 additional countries. This regional grouping is not comparable to that used in the ***World Economic Situation and Prospects 2025***.

d End-use refers to demand-side investments, including bioenergy, geothermal, and solar thermal energy directly consumed by residential and service buildings and industry, as well as spending on energy-efficient equipment or the full cost of refurbishments to reduce energy use.

Figure I.2.2

Investment in clean energy in Europe



Source: Author, based on data from IEA (2024).
Note: e = estimates. Clean fuels, transitional fossil fuels, and fossil fuels with carbon capture, utilization, and storage are excluded from the chart due to annual investment being below 1 per cent of total clean energy investment.

and have long lead times (European Commission, 2024b). These heightened risks have also discouraged institutional investors, a significant yet largely untapped source of clean energy funding (IRENA and Climate Policy Initiative, 2023; Kaminker and Stewart, 2012). With the private sector facing serious impediments to boosting investment, the question arises of how the public sector can contribute to closing the significant funding gap.

How the public sector can incentivize private capital for the energy transition

Leveraging public investment can be an effective strategy for addressing the funding gap in clean energy development. Recognizing that government budgets are inherently limited and seek to attain multiple objectives, it becomes important to assess how relatively modest public investment can mobilize[e] private sector investment by, for example, playing a pivotal role in reducing risks associated with clean energy projects (Deleidi, Mazzucato and Semieniuk, 2020). One possible initiative could involve the European Investment Bank offering public guarantee and counter-guarantee schemes to support commercial banks (European Commission, 2024b). Another approach could be to provide contracts for difference, which guarantee a fixed revenue stream for emissions abatement projects by setting a strike price that the Government agrees to pay, thereby creating predictable incentives for businesses and investors (Heussaff and others, 2024; World Economic Forum, 2023). If the market price exceeds the strike price, a clawback provision allows the Government to reclaim part of the excess revenue, helping offset the burden on taxpayers, as introduced in the United Kingdom (Khodadadi and Poudineh, 2024).

The development of the clean energy sector depends on innovative technologies, but many of these are still costly. While solar and battery technologies have experienced a consistent annual cost reduction of around 10 per cent over the past three decades, technologies related to liquids, gases, and combustion have seen little to no cost reduction (Heussaff and others, 2024). Moreover, the projections for the energy transition in the European Union rely on carbon capture and storage technologies despite the challenges involved in upscaling (Heussaff and others, 2024). Promising technologies such as water electrolysis for the generation of green hydrogen, which can be used as a feedstock for e-fuels, show great potential but are still in their early stages and not yet cost competitive (World Economic Forum, 2023; Ellis, Gerrish and Michel, 2024). Targeted public research and development (R&D) investment in infant technologies will remain essential to make these solutions a competitive investment opportunity for private investors and enable innovation.

European Governments must signal an unwavering and unified commitment to the energy transition (Heussaff and others, 2024), especially in a time of changing political priorities. This includes long-term incentives such as reforms in energy taxation; currently, electricity is taxed more heavily than fossil fuels, sending contradictory price signals (Heussaff and others, 2024). At present, public investment and policy efforts are fragmented in the European Union. There is a need to harmonize regulations, aligning investment strategies and acknowledging interdependencies between countries and sectors to avoid bottlenecks (Sadamori and others, 2024; European Commission, 2024b). The EU Action Plan for Grids serves as a strong example of this needed policy commitment, coherence, and coordination.

e For a detailed explanation of why the macroeconomic concept of "crowding in" is not suitable for sectoral analyses relating to clean energy, see Deleidi, Mazzucato and Semieniuk (2020).

Building a stronger European investment environment through deeper integration of the capital markets union (CMU) is crucial (European Commission, 2024b). By alleviating tax burdens on intra-European-Union payments and streamlining country-specific laws in the financial sector, the CMU enables private investors to address cross-border and large-scale financing needs in the clean energy sector. Large institutional investors will require additional policy support; this might involve, for example, revisiting investment restrictions to promote sustainable finance (IRENA and Climate Policy Initiative, 2023) or establishing equity funds managed by the European Investment Bank that are dedicated to clean technologies (European Commission, 2024b).

The role of the clean energy sector in restoring European competitiveness

By unlocking the necessary capital for the clean energy sector, the European Union can foster innovation, allowing it to become a global leader in emerging technologies, leverage its first-mover advantage in a rapidly growing global market, and enhance productivity. A diversified clean energy mix ensures lower and more predictable energy costs, strengthening the European cross-sectoral comparative advantage and enhancing industrial competitiveness. From a sustainable development perspective, the energy transition is expected to generate high-quality jobs and support regional development (European Commission, 2024b).

Increasing investment in clean energy is essential not only for achieving net-zero emissions and SDG 7 but also for restoring European competitiveness and fostering long-term sustainable growth. The European Union and its member States must focus on de-risking clean energy projects for private investors by strengthening public investment, supporting R&D, ensuring long-term policy commitments, and enhancing the investment environment and infrastructure.

Author: *Lea Roeller*

with wide-ranging controls over the exports of advanced chips and critical minerals.[11]

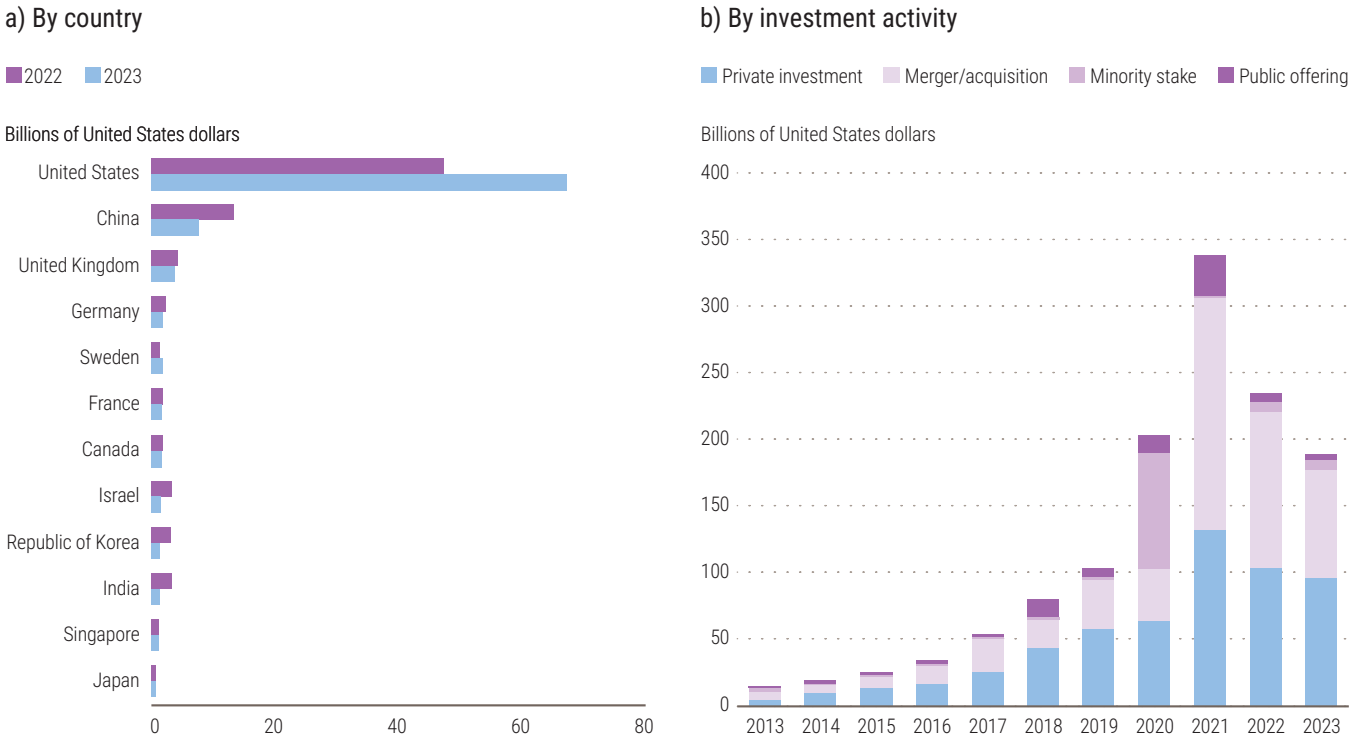
Investment in intellectual property products in the United States increased significantly in the first three quarters of 2024 (see figure I.19). The robust investment in these products largely reflects strong corporate investment in the AI industry, which reached $67.2 billion in 2023 (see figure I.20a). The United States is the largest investor in AI technology. In 2023, it accounted for over one third of global corporate investments in the sector; ranked a distant second and third were China ($7.8 billion) and the United Kingdom ($3.8 billion). The regional disparity is even more pronounced in private investment in generative AI. In 2023, the combined investments of the European Union and the United Kingdom in generative AI reached $0.74 billion, following the United States with a $21 billion gap (Maslej and others, 2024). Corporate investment in the AI industry has increased thirteenfold over the past decade due to its benefits in supporting remote work, improving user and customer experiences, and reducing business costs. During the pandemic, the widespread shift to remote work and the e-commerce boom accelerated the adoption of AI technologies by businesses. This trend is visible in the investment peak in 2021, driven by a significant rise in mergers and acquisitions and private investments (see figure I.20b). Although overall AI investment declined in 2022 and 2023, global corporate investment in AI remains well above pre-pandemic levels.

The primary domains attracting investment in AI include AI infrastructure, research, and governance; natural language processing and customer support; data management and processing; and medical and healthcare fields (Maslej and others, 2024). In recent years, government policies aimed at incentivizing the adoption of AI and digitalization have significantly boosted investments in these areas.

11 See chapter II for a detailed discussion on industrial policies relating to critical minerals.

Figure I.20

Global corporate investment in artificial intelligence



Source: UN DESA, based on data from the Stanford University *Artificial Intelligence Index Report 2023* and *Artificial Intelligence Index Report 2024*.

The National Artificial Intelligence Initiative Act of 2020 in the United States has facilitated new partnerships between the federal government and the private sector, fostering collaboration in AI research and application, and has allocated substantial federal funds to AI research and development, education, and standards development (Larson and others, 2024).

The widespread adoption of AI and other new business models powered by data is expected to boost investments in infrastructure, including data centres. The United States is expected to be the fastest-growing market for data centres, accounting for about 40 per cent of the global market. Energy demand is forecast to grow from 25 GW in 2024 to more than 80 GW in 2030. Meeting additional energy demand in the United States is estimated to require an investment of more than $500 billion in data centre infrastructure alone (Green and others, 2024). The rapid expansion of data centres raises concerns about power infrastructure and sustainability standards due to their substantial energy needs. However, the carbon emissions intensity of data centres is expected to drop significantly in the United States from 400 kg/MWh to 110 kg/MWh by 2040, as renewable energy sources are projected to account for 70 per cent of power generation.

International finance

Cross-border financing flows have resumed growth

Growth in cross-border financing activities has resumed in 2024 after a period of stagnation that began in 2022.[12] The earlier slowdown was due primarily to rising financing costs in major

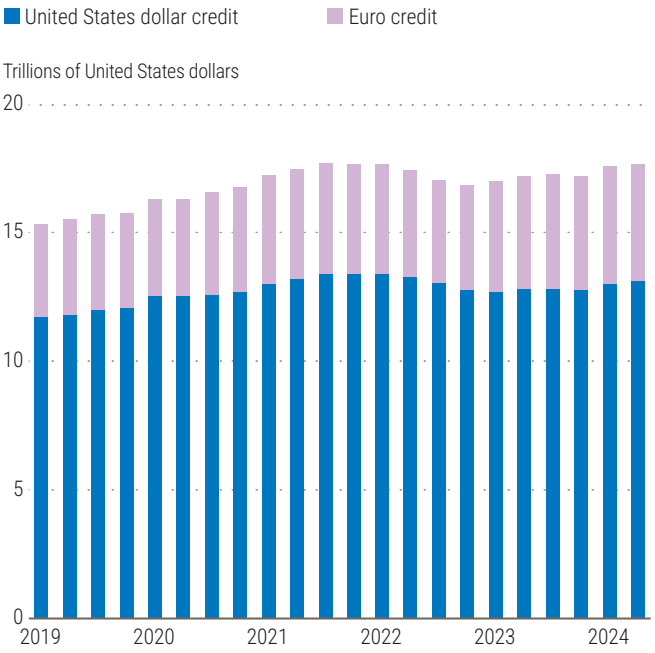
12 Cross-border financing activities in this section refer to international bank lending and bond issuance through international capital markets, which represent a key channel for international financial flows, but do not include transfers such as workers' remittances.

international currencies (the United States dollar and the euro) driven by tighter monetary policies. According to the Bank for International Settlements global liquidity indicators, which track total credit to non-bank non-resident borrowers in both bank loans and bonds, United States dollar credit outstanding outside the United States reached $13.1 trillion in the second quarter of 2024 (Bank for International Settlements, 2024). This represents a recovery from the decline seen after the historical high of $13.4 trillion at the end of 2021, when outstanding dollar credit fell $650 billion to $12.7 trillion by the end of 2023 (see figure I.21). Meanwhile, euro credit to non-bank non-resident borrowers increased from €3.7 trillion to €4.2 trillion. In United States dollar terms, the combined credit extended to non-bank non-resident borrowers in both dollars and euros reached $17.7 trillion in the second quarter of 2024, matching the historical peak in 2021. Conditions in international capital markets improved in early 2024, buoyed by growing expectations of policy rate cuts by mid-year. Consequently, African sovereign borrowers returned to the Eurobond market, with Côte d'Ivoire raising $2.6 billion in January 2024—the first issuance of an African sovereign borrower since early 2022. Following this, Benin, Kenya, and Senegal successfully issued United States dollar Eurobonds in the first half of 2024, supported by strong investor demand despite recent episodes of default on Eurobonds by Ethiopia, Ghana, and Zambia. While the risk premiums these African sovereign borrowers have to pay did not increase substantially, their borrowing costs rose in parallel with the United States long-term Treasury bonds.[13]

The resurgence in cross-border financing activity has further widened the gap between the largest net creditor and largest net debtor in terms of net international investment position (NIIP).[14] The NIIP of the United States, the largest debtor, stood at -$22.52 trillion (77 per cent of GDP) at the end of the second quarter of 2024 (see figure I.22a), an increase of about 24 per cent over a 12-month period. The increase can be attributed to several factors, including the growing attraction of financial assets, including direct investments, in the United States arising in part from higher expected returns in comparison with other countries. In mid-2024 the NIIP of Germany, the largest creditor, stood at $3.4 trillion (74 per cent of GDP), followed by Japan at $3.3 trillion (83 per cent of GDP), and China at $3.0 trillion (16 per cent of GDP). Among other G20 economies, large net debtors in terms of GDP as at mid-2024 include Brazil (36 per cent), Mexico (37 per cent), and Türkiye (33 per cent).

Figure I.21

Total credit to non-bank non-resident borrowers



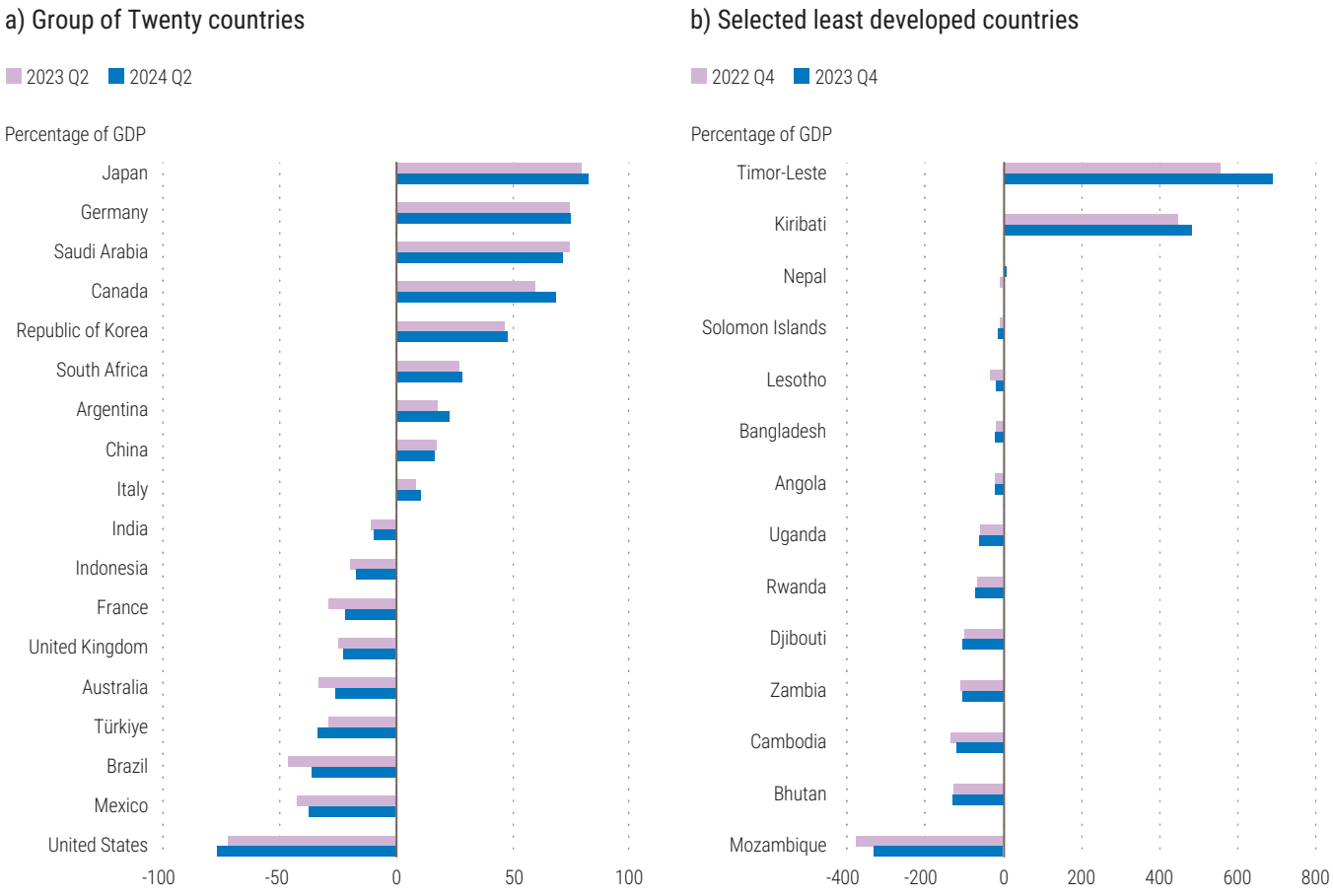
Source: UN DESA, based on Bank for International Settlements global liquidity indicators.
Note: The value of euro credit is converted into United States dollar against euro quarterly average.

13 For example, for 13-year United States dollar bonds (with an issue amount of $1.5 billion) issued by Côte d'Ivoire on 26 January 2024, the yield to maturity at issuance stood at 8.5 per cent, 415 basis points higher than United States Treasury 10-year yields and 438 basis points higher than 30-year Treasury yields. For the 16-year United States dollar bonds (with an issue amount of $1.25 billion) issued by Côte d'Ivoire on 13 June 2017, the yield to maturity at issuance stood at 6.25 per cent, 410 basis points higher than United States Treasury 10-year yields and 380 basis points higher than 30-year Treasury yields. While the issue spread (taken as the risk premium) did not substantially rise, borrowing costs have risen substantially.

14 The net international investment position (NIIP) of a country measures the gap between the stock of external financial assets (debt and equity through direct and portfolio investments) held by the residents of the country and the stock of domestic financial assets held by non-residents (external liabilities).

Figure I.22

Net international investment positions



Source: UN DESA, based on data from the IMF Balance of Payments and International Investment Position Statistics database.
Notes: Panel a): Data for the Russian Federation have not been available since 2022. Panel b): Country and time period selection are based on data availability.

A large negative NIIP does not necessarily mean that the economy is at high risk of debt distress as external liabilities include FDI stock, which can be sizeable in countries that are successful in attracting foreign direct investment.[15] Moreover, for the United States, it reflects the role of the dollar as the primary reserve currency for the global economy. Similarly, a positive NIIP does not necessarily mean that a country is free from balance-of-payments challenges. For example, Argentina has been a net creditor with a sizeable margin, but the country faces external challenges due to mismatches between external assets and liabilities, largely due to the private sector's strong preference for keeping assets abroad (IMF, 2024a).

For LDCs, however, a large negative NIIP indicates significant external financing constraints on growth prospects. Unlike the situation in other developing economies, the external assets of most LDCs consist mainly of foreign reserves, while their liabilities primarily comprise FDI stock and government external debt. While FDI is crucial for growth in LDCs, an excessively large FDI stock in external liabilities can make balance-of-payments conditions challenging due to foreign investors' profit repatriations and other factor payments,

15 A risk evaluation also considers other factors, such as prospects for foreign exchange earnings from domestic industries and broader capacity for the management of external liabilities.

creating a divergence between GDP and gross national income (GNI). A lower GNI also can impact the capacity of Governments to service and repay existing external debt. Among the LDCs, Mozambique had the highest negative NIIP-to-GDP ratio at the end of 2023[16] (328 per cent), followed by Bhutan (129 per cent) and Cambodia (117 per cent) (see figure I.22b). However, the IMF—World Bank Debt Sustainability Framework for Low-Income Countries has assessed the external public debt of Mozambique as being at high risk of distress—not in distress—as the revenues from FDI-driven liquefied natural gas projects are likely to make debt servicing sustainable (World Bank, 2024b). As at 15 November 2024, 7 low- and middle-income countries are at low risk of debt distress, 26 countries are at moderate risk, 24 countries are at high risk, and 10 countries are in debt distress (International Development Association and World Bank, 2024).

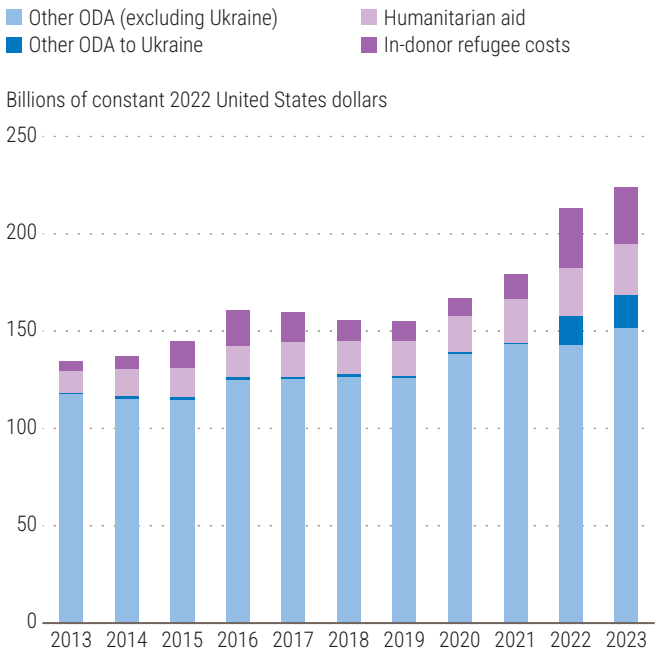
Favourable investor sentiments, which drove the resurgence of cross-border financing activities and helped stabilize markets during a period of sharp volatility in August 2024, currently face two downside risks. First, concerns over the unwinding of the yen carry trade—a key driver of market volatility in August 2024—may resurface as yen interest rates begin to climb. The potential systemic risks of rising yen interest rates remain uncertain, particularly given that a sizeable number of financial derivatives, including currency and interest rate swaps, have been structured around the long-standing assumption of low yen interest rates. Second, elevated long-term government bond yields, particularly for United States Treasury bonds, driven by growing concerns over increasing fiscal deficits, may discourage investors from taking duration risks, leading them to shy away from long-term financial assets, including long-term Eurobonds issued by developing economy borrowers. Both of these factors may exacerbate the external financing constraints of developing countries, especially for those seeking to borrow from the international capital market.

Official development assistance

Official development assistance—another source of international capital—remains crucial for budgetary support, public investments, and sustainable development in developing economies, particularly the LDCs. According to OECD preliminary estimates, the total ODA disbursements from country members of the OECD Development Assistance Committee (DAC) reached a historical high of $223.7 billion in 2023, exceeding the previous year's historical high (OECD, 2024b). The main driver of this recent growth has been the substantial increase in Ukraine-related ODA, which includes costs of hosting refugees in the DAC member countries and consistent growth in humanitarian aid. ODA for development, excluding that linked to Ukraine, has been stagnating (see figure 1.23).

Figure I.23

Composition of official development assistance



Source: UN DESA, based on data from OECD International Development Statistics.
Notes: Bilateral ODA from DAC countries (excluding European Union institutions); 2023 are preliminary data released by OECD (2024b).

16 The end of 2023 is used as the reference point for developing economies as 2024 data for many countries are not available and the NIIP does not fluctuate over a short period of time.

The preliminary estimates also indicate that ODA from DAC members averaged 0.37 per cent of GNI in 2023, the same as the previous year and still below the 0.7 per cent agreed in SDG 17. ODA to Africa—the largest destination of ODA flows—and to the LDCs grew only moderately in 2023 (OECD, 2024a), remaining below recent peaks. It is difficult to project ODA flows over the period 2024–2025. As witnessed recently in Lebanon, humanitarian aid disbursements can be swift at times, but logistical difficulties can prevent humanitarian aid from reaching those who need it most, as seen the case of Sudan. At the same time, despite pledges made, actual disbursements can turn out to depend on the fiscal situation in specific countries. While the downside risks to ODA flows appear substantial, the upside potential remains limited.

Macroeconomic policy challenges

Monetary policy: most central banks have shifted to monetary easing

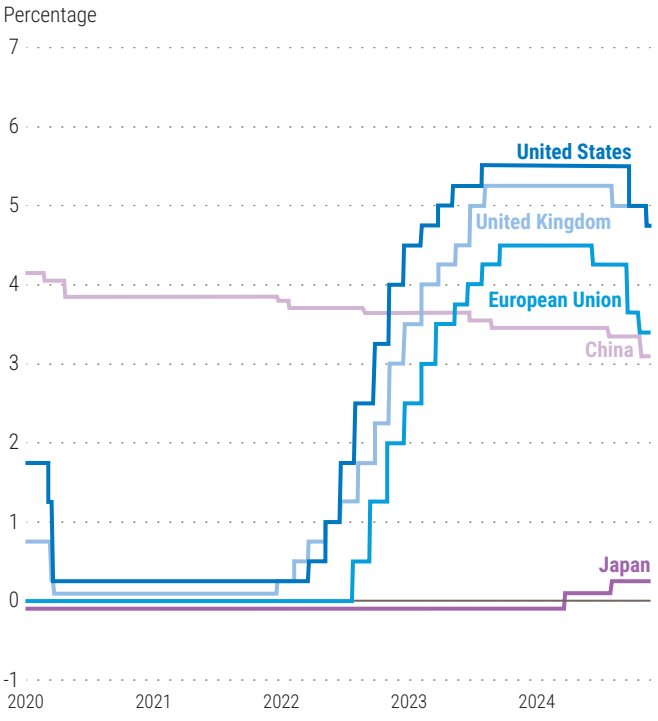
Most central banks began cutting interest rates in 2024, responding to easing inflationary pressures and growing concerns about the impact of high financing costs on economic growth. Among the world's major central banks, the European Central Bank initiated this policy shift in June and was followed by the Bank of England in July and the Federal Reserve in September. The People's Bank of China, which had maintained a long-standing accommodative stance, increased the frequency of its easing measures in 2024. The Bank of Japan diverged from this trend, entering a tightening phase in March by ending the negative interest rate policy that had been in place since January 2016 (see figure I.24).

As at November 2024, among 108 central banks (comprising 105 national central banks and 3 regional central banks—the European Central Bank, the Central Bank of West African States, and the Bank of Central African States), 67 had eased their monetary policy stances (up from 31 in December 2023), while 20 central banks were maintaining their policy rates at peak levels but likely to begin easing soon (down from 53 in December 2023). A total of 17 central banks remained in the tightening phase (down from 19 in December 2023), while 4 were holding rates at their trough but likely to begin tightening in due course (down from 5 in December 2023).

The transition to easing was most pronounced in developed economies and Asian economies (see figure I.25). In the economies in transition and Latin America and the Caribbean, where the majority of central banks had already initiated easing in 2023, relatively few policy shifts occurred in 2024. African central banks embraced a slower pace of monetary easing, as many remained cautious about persistent inflationary pressures. For example, as at November 2024, the respective policy rates of the Bank of Central African States and the Central Bank of West African States remained unchanged despite the series of rate cuts by the European Central

Figure I.24

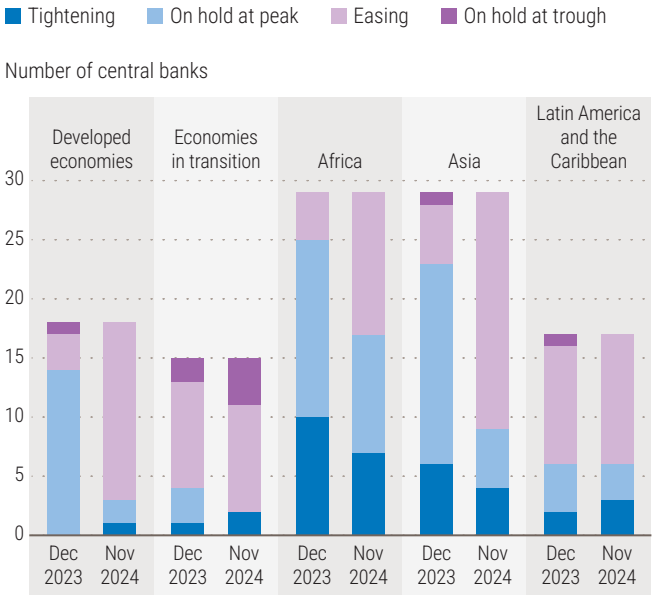
Policy interest rates of major central banks



Source: UN DESA, based on data from the United States Federal Reserve, European Central Bank, Bank of England, People's Bank of China, and Bank of Japan.

Figure I.25

Interest rate status



Source: UN DESA, based on data from Trading Economics.
Note: Asia is the total of East Asia, South Asia, and Western Asia.

Bank, even though their regional currencies—the Central African CFA franc and the West African CFA franc—are pegged to the euro.

As at November 2024, the Bank of Japan and central banks in the following 16 countries were tightening their monetary policy stance: Bosnia and Herzegovina and the Russian Federation (economies in transition); Angola, Burundi, Malawi, Nigeria, Sierra Leone, the United Republic of Tanzania, and Zimbabwe (Africa); Lao People's Democratic Republic and Myanmar (East Asia); Bangladesh and the Islamic Republic of Iran (South Asia); and Brazil, Honduras, and the Bolivarian Republic of Venezuela (Latin America and the Caribbean). Most of these economies have faced external inflationary pressures such as currency depreciation against the United States dollar, severe balance of payments challenges, or economic sanctions. The Central Bank of Brazil presents a unique case, having entered an easing phase in August 2023, ahead of many of its peers, only to reverse course in September 2024 after just 10 months due to resurging inflationary pressures from stronger-than-expected economic growth (Banco Central do Brasil, 2024).

The global trend of interest rate easing is expected to reduce financing costs in many economies. The decline in short-term United States dollar and euro rates will have positive spillover effects for developing economies, potentially alleviating depreciation pressures on local currencies and reviving risk appetite for developing market financial assets. Combined with lower domestic financing costs, this global trend should promote domestic demand growth in many developing economies through 2025, including much-needed SDG-related investment. However, several uncertainties could impede the rapid and effective decline in financing costs and impact potential investment efforts.

The duration and depth of the current easing phase of the Federal Reserve and the European Central Bank constitute a key source of uncertainty in the financial market. Following their September 2024 decision to cut rates, the Federal Open Market Committee participants projected that the United States easing phase would continue into 2026, with the federal funds rate reaching a range of 2.75 to 3.00 per cent, marking a 2.5 percentage point reduction from its peak (Federal Open Market Committee, 2024). Similarly, European Central Bank forecasters indicated in their outlook that the easing phase would extend into 2026, with the deposit facility rate expected to reach 2.2 per cent, marking a 1.8 percentage point decrease from its peak (European Central Bank, 2024).

These projections highlight two key implications. First, the current easing phase appears relatively shallow, as terminal rates are expected to remain significantly above pre-2022 levels (when the upper bound of the target federal funds rate was 0.25 per cent and the European Central Bank deposit facility rate was -0.5 per cent). Second, the projected rate cuts follow a gradual and cautious path, reflecting a policy focus that is markedly different from that of the pre-pandemic period, when the priority was to avoid deflation and secular stagnation rather than curb the inflation risk. As noted in an earlier section, inflationary pressures may be reignited through a number of channels. As demonstrated by the recent policy reversal by the Central Bank of Brazil, the Federal Reserve and the European

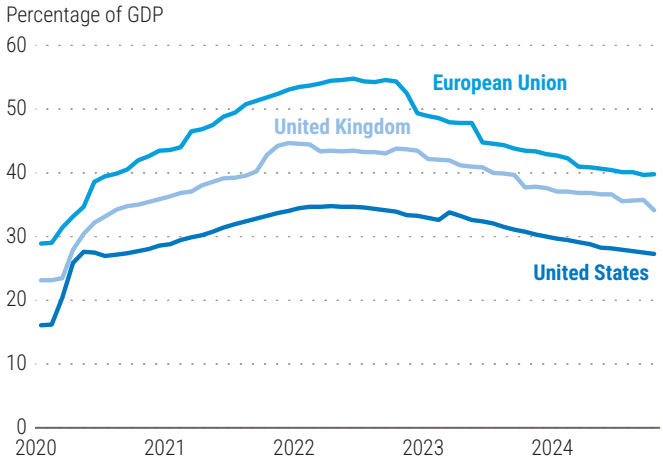
Central Bank may need to suspend their easing paths if inflation pressures resurface. The United States Consumer Price Index ticked upward in October, increasing to 2.6 per cent from 2.4 per cent in September, which makes the path of the interest rate easing phase increasingly uncertain.

The ongoing quantitative tightening (QT) by the Federal Reserve, the European Central Bank, and the Bank of England also needs to be considered.[17] As at November 2024, these central banks had significantly reduced their total assets from their respective peaks—the Federal Reserve by 22 per cent, the European Central Bank by 27 per cent, and the Bank of England by 15 per cent (see figure I.26). However, the emerging dichotomy between interest rate cuts and quantitative tightening presents challenges, as projected increases in funding demand must be met while liquidity is being drained from the banking system. Yet another challenge could arise from the increasing reliance of both bank and non-bank financial institutions on market-based funding, particularly repurchase agreements (repos), which are essential for effective liquidity management under QT (Hudepohl and others, 2024). However, repo transactions are prone to market risks, especially those relating to government bond markets, as these bonds serve as collateral for repo funding. Although these central banks are prepared to intervene in repo markets by extending their repo facilities, disruptions in money markets could have broader financial market repercussions, hampering orderly monetary policy implementation.

While there is no consensus on the ultimate target size for central bank balance sheets, the European Central Bank and the Bank of England are expected to continue QT throughout 2025. The Federal Reserve QT program, however, may conclude by the end of 2025, as indicated by financial market participants (Federal Reserve Bank of New York, 2024).

Figure I.26

Total assets of the Federal Reserve, European Central Bank, and Bank of England



Source: UN DESA, based on data from the Federal Reserve, European Central Bank, and Bank of England.
Note: European Central Bank data represent the total of Eurosystem of central banks.

Since many developing country central banks follow Federal Reserve and European Central Bank policy actions, these uncertainties will influence the trajectory of their monetary policy stances. The complex interplay between growth, inflation, interest rates, and liquidity necessitates the careful monitoring of both the economic and financial sectors to ensure effective policy implementation in support of growth and stability objectives. These risks and uncertainties highlight the importance of maintaining policy flexibility while balancing competing priorities.

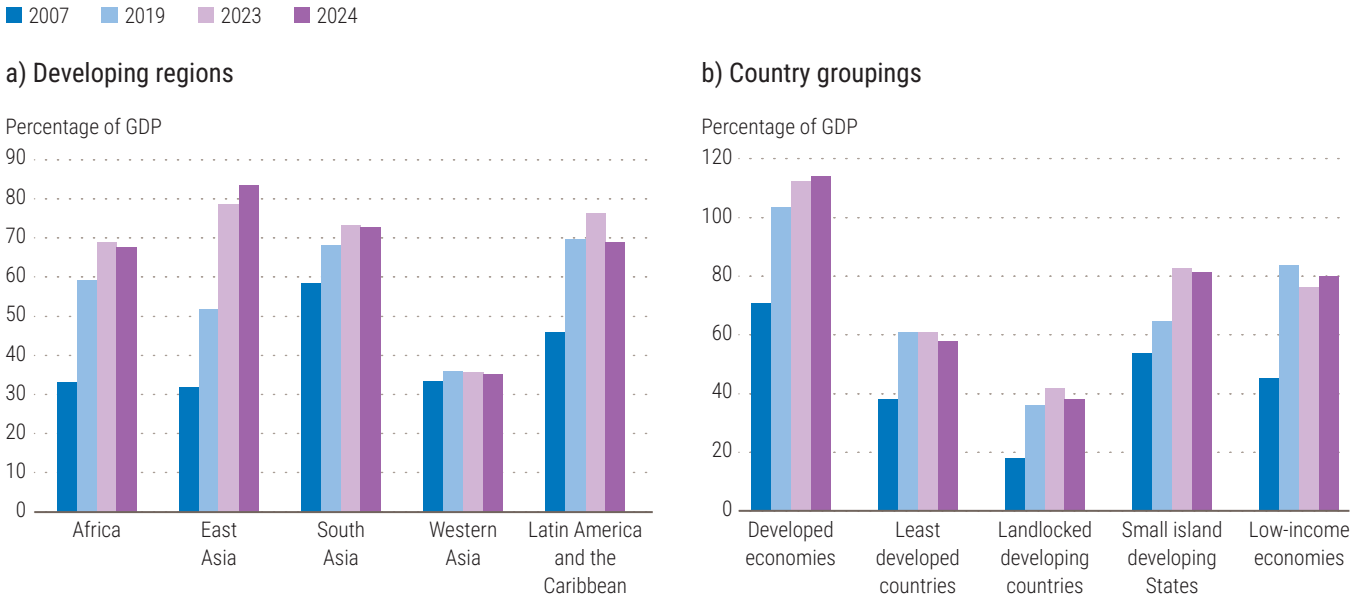
Fiscal policy: challenges persist in the aftermath of multiple shocks

Both developed and developing countries are faced with a difficult fiscal situation as they grapple with the lingering effects of recent shocks and a challenging macroeconomic environment.

17 The balance sheets of the major central banks have expanded since 2008 due to the following: (a) the maintenance of an "ample reserves" policy; (b) asset purchase programmes during crises (such as the 2008 global financial crisis and the 2020 COVID-19 pandemic); and (c) accommodative monetary measures when policy rates hit their lower bounds. Since 2022, the Federal Reserve, the European Central Bank, and the Bank of England have been reducing their balance sheets towards pre-2020 levels as conditions (b) and (c) no longer apply. However, regarding (a), the optimal level of bank reserves – and thus the balance sheet size – remains uncertain. Research suggests the normalized balance sheet size may need to remain significantly above pre-2020 levels (Ennis and McMillan, 2023).

Figure I.27

General government gross debt by developing region and country grouping



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.

In many cases, policymakers are confronted with a series of competing fiscal challenges (Gaspar, 2024). With historically high levels of public debt and elevated interest rates, there is growing pressure to consolidate public finances to improve debt sustainability and rebuild fiscal buffers. At the same time, Governments are contending with mounting public spending demands to deal with demographic shifts, address economic and national security concerns, mitigate growing climate risks, and invest in the energy transition and sustainable development. Meanwhile, efforts to boost government revenues are often hindered by inadequate institutional capacities and public resistance to higher taxes.[18] Subdued short- and medium-term growth prospects, coupled with heightened economic and geopolitical uncertainties, exacerbate these fiscal challenges. As a result, many Governments are confronted with difficult trade-offs in determining fiscal priorities and setting national budgets.

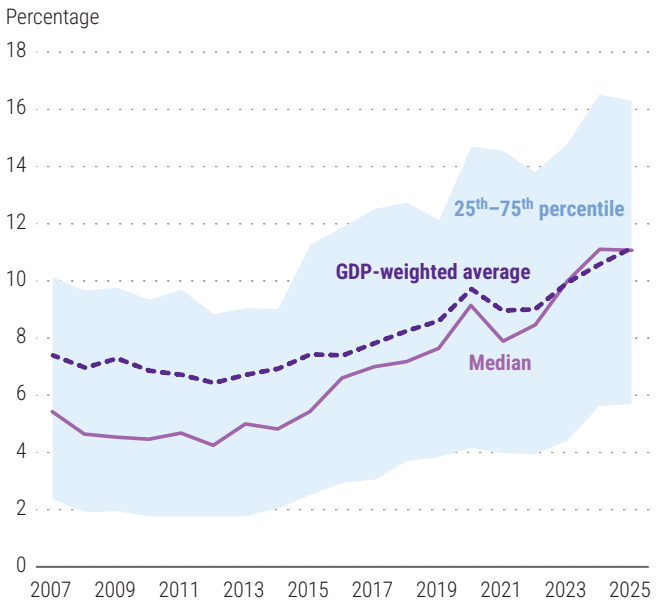
The COVID-19 pandemic and the cost-of-living crisis in many regions fed into a longer-term trend of rising public debt as Governments implemented expansionary fiscal measures to support households and businesses while also experiencing revenue shortfalls due to weaker economic activity. Towards the end of 2024, global public debt reached an estimated 95.1 per cent of global GDP—around 12 percentage points higher than in 2019 and 36 percentage points higher than in 2007.[19] Major economies accounted for a significant portion of this debt build-up, with general government gross debt exceeding 80 per cent of GDP in eight of the world's ten largest economies (Canada, China, France, India, Italy, Japan, the United Kingdom, and the United States).[20] Meanwhile, in all developing regions except Western Asia, the average public-debt-to-GDP ratio stood above 65 per cent (see figure I.27a). In Africa and East Asia, the public-debt-to-GDP ratio more than doubled from the

18 Nikiema and Zore (2024) provide a recent analysis of the link between strong institutions and tax revenues in sub-Saharan Africa.
19 Unless otherwise noted, global, regional, and country-group averages in this section are weighted by GDP and based on data from the IMF World Economic Outlook database, October 2024.
20 The general government gross-debt-to-GDP ratio in 2024 was estimated at 62.6 per cent for Germany and 20.7 per cent for the Russian Federation (the remaining two economies).

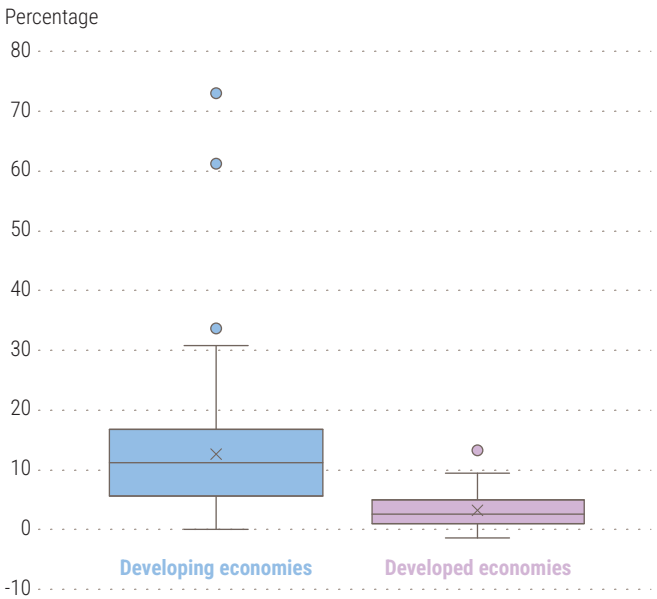
Figure I.28

Government interest expenditure as share of revenue

a) Developing economies



b) Developed and developing economies in 2024



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: Panel b): The box-and-whisker plot displays six summary measures of the data. The bottom of the box indicates the first quartile (25th percentile) and the top of the box the third quartile (75th percentile). The horizontal line through the box indicates the median (50th percentile) and the marker the mean. The whiskers indicate the minimum and maximum values. Observations outside 1.5 times the inter-quartile range are considered outliers and are represented as dots.

ratios observed in 2007 prior to the global financial crisis. Public debt levels were also elevated in SIDS and low-income countries towards the end of 2024 but remained more moderate in LLDCs (see figure I.27b). According to baseline projections, average debt ratios are expected to rise further in the coming years for both developed and developing countries, driven by continued debt accumulation in several of the largest economies (IMF, 2024d).

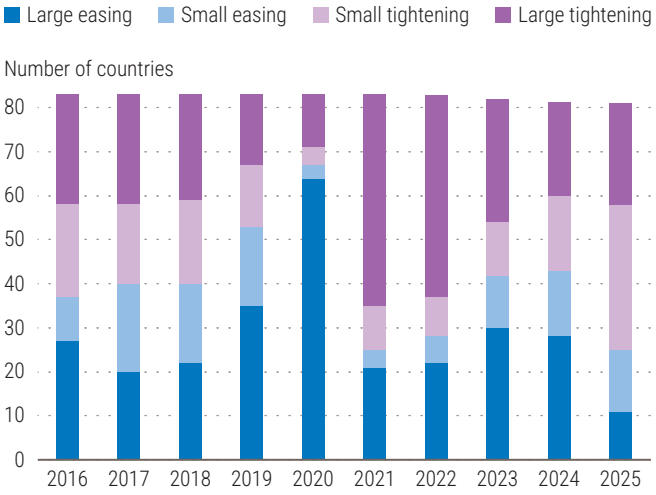
Although the Federal Reserve and other major central banks began easing monetary policy in 2024, global interest rates have remained elevated, continuing to drive up debt servicing costs and strain public budgets. On average, Governments across the world have dedicated an estimated 8.5 per cent of fiscal revenues to interest payments in 2024—up from 7.8 per cent in 2023 and 6 per cent in 2019. The debt servicing burden has been significantly higher for developing economies. The median developing economy has allocated 11.1 per cent of its fiscal revenues towards interest payments in 2024 (see figure I.28). This rate is more than four times higher than the median for developed countries.[21] As debt servicing consumes a growing share of fiscal revenues, Governments are becoming increasingly constrained in their ability to invest in health, education, infrastructure, and other sustainable development initiatives. Looking ahead, the interest payment burden is projected to further edge up in 2025 before starting to ease in 2026, but this is contingent upon rate cuts lowering debt service payments and sovereign borrowing costs.

Amid high debt levels and mounting interest burdens, an increasing number of countries are expected to tighten fiscal policy in 2025

21 The GDP-weighted average of interest payments as a percentage of fiscal revenues for developed economies is nearly three times higher than the median, mainly due to the large and rapidly growing interest burden in the United States.

Figure I.29

Fiscal policy stances



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Notes: Small easing/tightening is defined as a change in the structural fiscal balance of less than 0.5 per cent of GDP; large easing/tightening is a change of more than 0.5 per cent of GDP. The sample covers 37 developed economies, 39 developing economies, and 7 economies in transition. Data for 2023 are missing for Ukraine, and for 2024 and 2025 are missing for Lebanon and Ukraine.

(see figure I.29). Many Governments are pursuing gradual fiscal consolidation, aiming to strengthen debt sustainability without implementing overly contractionary policies that could undermine economic growth. While fiscal deficits are expected to narrow slightly, they are likely to remain substantial as improvements in primary fiscal balances are partly offset by higher interest expenditures.

Among developed economies, the post-COVID-19 era has been marked by stark fiscal divergence, with the United States posting substantially larger budget deficits than other major countries. Although the United States has experienced stronger-than-anticipated economic growth, the general government deficit has widened to an estimated 7.6 per cent of GDP in 2024—one of the largest deficits outside of a war, recession, or emergency. The deficit has been fuelled by rising transfer payments for social security and healthcare, soaring debt service costs, and higher military expenditures (Congressional Budget Office, 2024).[22] While the fiscal outlook remains highly uncertain, current projections anticipate that the deficit will narrow slightly during the forecast period but remain elevated by historical standards, with government debt in the United States projected to increase at a substantial rate.

In the European Union, the average fiscal deficit has declined to about 3 per cent of GDP in 2024 as Governments have continued to unwind the support measures implemented in response to the energy crisis and high inflation. The fiscal stance is expected to be slightly contractionary in 2025 amid ongoing efforts to consolidate public finances in line with the reformed fiscal framework recently adopted by the Council of the European Union (2024a).[23] Unlike the situation after the global financial crisis, public investment is expected to remain robust (Council of the European Union, 2024b).

For Japan, the fiscal outlook has improved in 2024 amid robust private sector demand and stronger-than-expected tax revenue growth. According to recent government estimates, the primary balance (the difference between government revenues and expenditures, excluding interest payments) is projected to record a small surplus in fiscal year 2025/26 for the first time since the early 1990s (Prime Minister's Office of Japan, 2024).

In most developing countries, fiscal space remains severely constrained due to elevated debt levels, high interest rates, the strength of the United States dollar, and subdued economic growth. As a result, the majority of Governments across all regions are expected to tighten fiscal policy in 2025, aiming to reduce budget deficits and public debt burdens.

In East Asia and South Asia, most Governments are pursuing fiscal consolidation through a

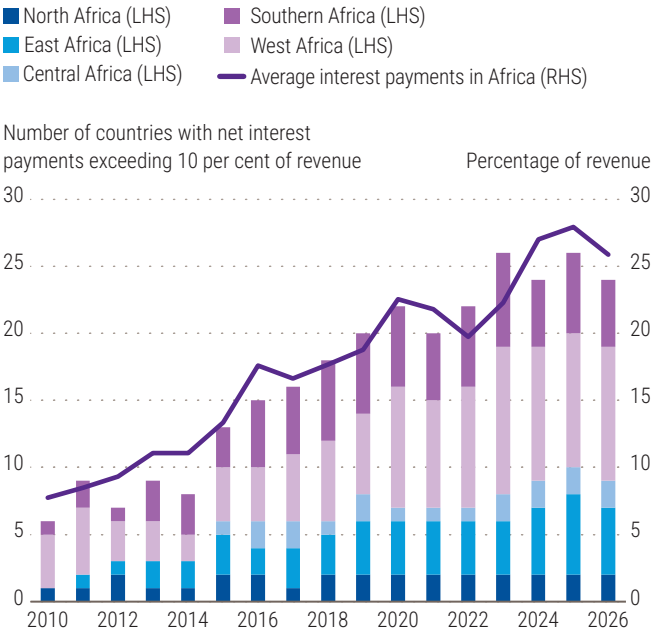
22 Under the 2021 Infrastructure and Jobs Act, infrastructure spending is fairly gradual and contributes far less to the growing deficit than the rapidly escalating costs associated with mandatory spending programmes and interest costs.
23 The European Commission has initiated excessive deficit procedures against several European Union member States, including France and Italy. These countries are requested to incorporate a fiscal adjustment path into their medium-term fiscal structural plans.

combination of tax increases and targeted public spending cuts. This includes reductions in fossil fuel subsidies, which aim to improve government finances while also incentivizing the transition towards cleaner energy sources.[24] In Bangladesh, Pakistan, Papua New Guinea, and Sri Lanka, fiscal adjustment is implemented as part of IMF-supported programmes. Unlike most other regional economies, China is expected to maintain its expansionary fiscal policy stance in 2025 to boost demand amid tepid consumer confidence and lingering property market weakness. In late 2024, the Government stepped up fiscal support to reduce local government debt risks, replenish the core capital of major State-owned banks, boost income growth for vulnerable groups, and support the ailing property market. In Latin America and the Caribbean, fiscal consolidation efforts are expected to continue in 2025 and 2026. While fiscal austerity will remain a policy priority in Argentina, Mexico and most other regional economies are expected to pursue more gradual fiscal adjustment in the coming years.

Fiscal challenges are most acute in Africa, where the rapidly growing debt-servicing burden is increasingly crowding out resources for essential public services and investment. On a GDP-weighted basis, average interest payments as a percentage of government revenues in Africa have reached an estimated 27 per cent in 2024, up from 19 per cent in 2019 and a mere 7 per cent in 2007 (see figure I.30). In several of the region's largest and most populous economies, including Angola, Egypt, Ghana, Nigeria, and Uganda, interest payments have exceeded total expenditures on education and health in recent years, highlighting the severe trade-offs Governments face.[25] Efforts towards fiscal consolidation are encountering significant pushback in some countries, with protests and social unrest erupting in response to proposed austerity measures. In Kenya and Nigeria, public discontent has risen due to increased tax burdens and ongoing economic hardships.

Figure I.30

Government interest expenditure in Africa



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Notes: LHS = left-hand scale; RHS = right-hand scale. Net interest payments of the general Government equal the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing minus any interest income received. Net interest payments are GDP-weighted.

These recent experiences underscore the delicate balance policymakers must strike between strengthening fiscal sustainability and avoiding measures that could further strain household finances and social stability. Governments must preserve economic growth, and this requires a carefully calibrated approach to fiscal consolidation that includes improving the efficiency and targeting of public spending, reforming subsidy programmes, and enhancing tax progressivity. Preserving critical public investment in areas such as infrastructure, health, education, and the energy transition will be crucial to sustaining long-term growth prospects. At the same time, policymakers must strengthen measures to support and protect vulnerable groups through the expansion of social safety nets

24 After peaking in 2022, fossil fuel subsidies in East Asia and South Asia declined considerably in 2023 and are expected to continue decreasing in the coming years (IEA, 2024a).
25 These estimates are derived from UN DESA calculations based on educational expenditure data from UNESCO and healthcare expenditure data from the World Health Organization.

and targeted transfers. Successfully navigating these fiscal challenges and trade-offs is essential for improving debt sustainability, sustaining economic momentum, and maintaining social cohesion in the face of ongoing economic and geopolitical headwinds.

Multilateral cooperation and global efforts are critical for alleviating the debt servicing burdens of many developing economies. Expanded access to concessional financing, coordinated international debt relief initiatives, and strengthened global mechanisms to facilitate debt restructuring could significantly expand the fiscal space for these countries to invest in long-term sustainable development.

Strengthened international cooperation is needed to achieve full growth potential

The world economy is at a crossroads of intersecting challenges and opportunities. While some worst-case scenarios for a global economy facing multiple shocks have been avoided, global economic growth has never fully returned to the pre-pandemic decadal average of 3.2 per cent—though a few large developed and developing economies have fared better than the majority of countries, especially least developed countries and other vulnerable economies. The need for stronger and more effective global cooperation—fostering economic growth, accelerating the energy transition, and delivering sustainable development—is more urgent now than ever. However, such cooperation is itself under strain, as evidenced by insufficient progress in dealing with an escalating climate crisis, rising geopolitical tensions and protectionism threatening to fragment markets, continuing difficulties in resolving the debt challenges of vulnerable countries, and limited success in making the benefits of advancing technologies more widely and equitably available. To strengthen international cooperation, the global community will need to address power imbalances, enhance the voice and representation of developing countries in multilateral forums, and revitalize multilateral institutions. International efforts must also focus on leveraging technology to address the climate crisis and foster trust among nations and within societies. While challenges persist, recent agreements and initiatives, as well as upcoming opportunities in 2025, could offer a foundation for renewed global solidarity.

Against this backdrop, the General Assembly of the United Nations convened the Summit of the Future in September 2024. The Summit participants adopted an ambitious, cross-cutting, and far-reaching commitment—the Pact for the Future—to reinvigorate international cooperation and accelerate progress towards the SDGs. Among its key areas of focus, the Pact calls for reforming the global financial system to better serve developing countries, including through measures to address sovereign debt and mobilize resources for renewable energy and climate adaptation. The Pact also acknowledges the need for new frameworks to measure progress beyond GDP-focused measures of human and planetary well-being.

Stronger international cooperation is also needed to address growing climate risks, with the Paris Agreement continuing to provide a framework for collective action on climate change. The discussions and outcomes of the recently concluded twenty-ninth session of the Conference of the Parties to the United Nations Convention on Climate Change (COP 29) reflect both progress and persistent challenges in accelerating the global energy transition. A new commitment was made by developed countries to mobilize $300 billion annually by 2035 as climate finance to support renewable energy infrastructure and technologies in developing countries. While this funding pledge represents progress, it falls short of the levels requested by developing economies. The Parties also endorsed the global carbon market framework under Article 6 of the Paris Agreement, enabling international carbon credit trading to channel additional resources into sustainable projects and low-carbon technologies, particularly in developing economies. Additional efforts are needed, however, to resolve issues around the equitable distribution of benefits and transparency in carbon credit accounting.

While these achievements represent progress, there remain a number of key issues that require urgent attention. The discourse during COP 29 underscored persistent challenges, particularly in the global effort to phase out fossil fuels. While some countries pushed for binding commitments to reduce fossil fuel dependence, resistance from major producers weakened the final agreement. The lack of consensus on a clear timeline for transitioning away from coal, oil, and gas underscored the complexity of aligning national energy policies with global climate objectives and providing assurances for investment flows. There were calls for countries to submit more ambitious nationally determined contributions by 2025, as current pledges and actions remain insufficient to limit global warming to 1.5°C. These outcomes highlight the urgency of bridging the gap between ambition and implementation, ensuring that financing commitments, technology transfer pledges, and political will translate into tangible progress towards a just and sustainable energy transition.

In order for the world to pursue its full potential in terms of growth and sustainable development, the international community will need to reinvigorate international trade and resist the temptation to erect trade barriers and engage in protectionism. As mentioned earlier in this chapter, trade-related restrictions are ominously on the rise in many large developed and developing countries and will likely have significant negative spillover effects on the rest of the developing world. The multilateral trading system under the auspices of the WTO continues to face significant challenges. It remains imperative to reform the international trade system to expand market access for the least developed and most vulnerable economies while ensuring that they can leverage their endowments of natural and mineral resources—especially the critical minerals needed to accelerate the energy transition—and participate in relevant global value chains (see chapter II).

There is also a pressing need to strengthen commitments on public and private financing for sustainable development. In preparation for the Fourth International Conference on Financing for Development (to be held from 30 June to 3 July 2025), Member States have been developing a comprehensive framework for financing sustainable development. While notable progress has been made in implementing the Addis Ababa Action Agenda, current efforts have fallen short of addressing multiple global challenges, necessitating a renewed and strengthened approach to financing for development.

The proposed framework addresses several interconnected areas crucial for financing sustainable development. It emphasizes the importance of strengthening domestic resource mobilization through improved tax systems, ensuring the transparent management of public finance, and strengthening international cooperation in combating illicit financial flows. The role of the private sector is highlighted through measures to develop domestic financial markets and align business practices with SDGs. The framework also underscores the critical need for enhanced international development cooperation, with particular emphasis attached to achieving ODA targets, enhancing South-South and triangular cooperation, and expanding climate financing.

A significant portion of the framework focuses on systemic issues, including the reform of global economic governance and the strengthening of the global financial safety net. It recognizes the challenges faced by developing countries in managing debt and enhancing productive capacities through international trade, calling for reforms to the international debt architecture and support for a more equitable multilateral trading system. Special attention is given to the unique challenges faced by LDCs, LLDCs, and SIDS.

While some headway has been made in 2024, much remains to be done to advance effective international cooperation for climate action and the SDGs. A number of conferences, summits, and other events in 2025 offer opportunities to accelerate progress in these areas.

CHAPTER II

Harnessing the Potential of Critical Minerals for Sustainable Development

Introduction

Rapidly reducing dependence on fossil fuels and accelerating the transition to renewable energy remains the most viable pathway to a net-zero world, essential for tackling climate change and securing a liveable future for all. However, the energy transition will require vast amounts of metals and minerals—dubbed "critical minerals" because they are indispensable for renewable energy technologies. Achieving net-zero carbon dioxide (CO_2) emissions by 2050 will require the rapid and widespread adoption of low-emission renewable technologies and securing universal access to energy services.

The exploration, extraction, processing, and use of critical minerals is fraught with complex economic, social, and environmental challenges, which can be exacerbated by limited international cooperation and the absence of robust multilateral frameworks. Managing the complex supply chains of these resources requires Governments to consider intricate relationships and potential trade-offs between trade, climate, sustainable development, and energy security objectives. Trade barriers, whether driven by energy security concerns, geopolitical competition, or protectionist policies, risk fragmenting markets, driving up costs, reducing investments, and slowing down the pace of the energy transition.

For developing countries with extractable reserves of critical minerals, the increasing demand presents a significant opportunity to drive economic growth and advance sustainable development, provided they can capture the gains from value addition and ensure that social and environmental objectives are also advanced. Otherwise, as has been the case with mineral-driven growth in the past, there can be substantial macroeconomic and developmental risks, including corruption, elite capture, increasing inequality, environmental degradation, and conflict. Learning from these mistakes can help nations make the most of the opportunities and avoid the so-called resource curse.

The present chapter examines the potential of critical minerals from a development perspective and includes actionable recommendations to mitigate challenges. Unlocking their benefits will require the development of strategic and coordinated national policies as policymakers navigate complex economic, environmental, social, and geopolitical challenges. Strong international collaboration will also be essential to ensure a rapid, fair, and equitable energy transition aligned with the Sustainable Development Goals (SDGs) and the key principle of "leaving no one behind".

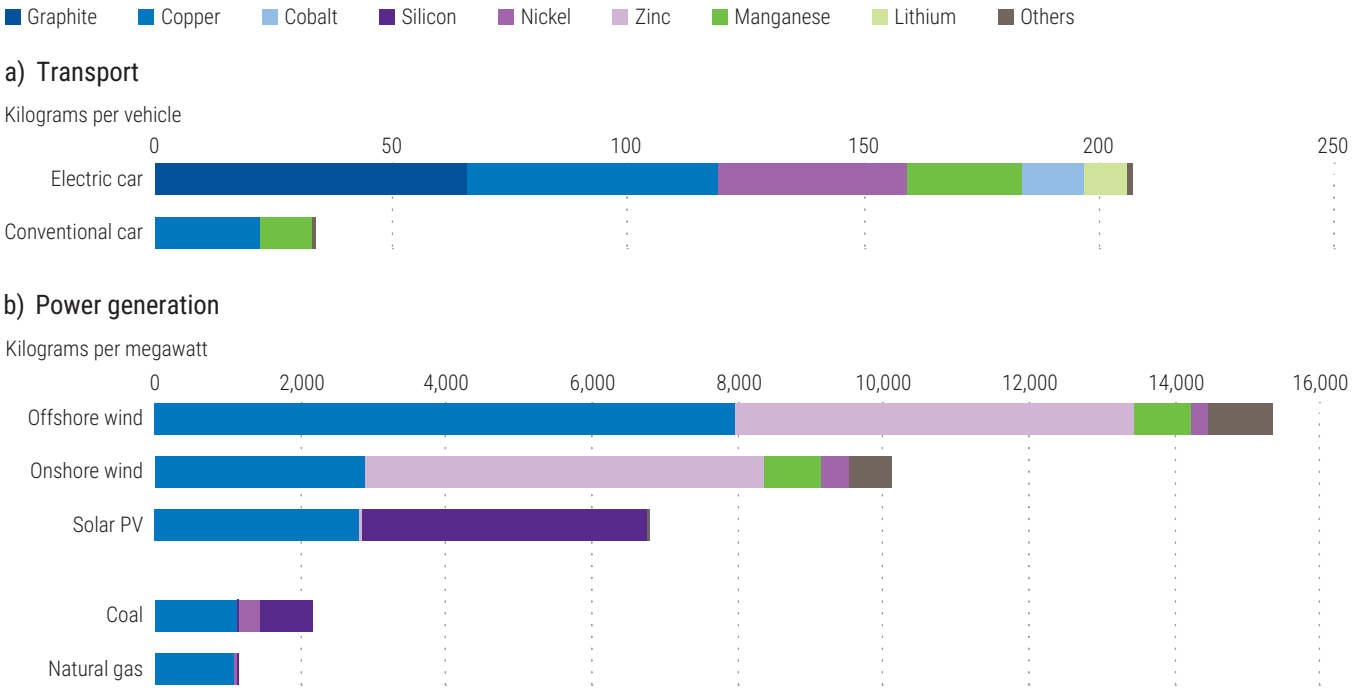
The state of play in the critical minerals sector

Critical minerals are indispensable for the energy transition

Rapidly adopting renewable energy technologies and phasing out fossil fuels are crucial for combating climate change. Achieving net-zero CO_2 emissions by 2050 will require a much faster deployment of clean energy technologies, from wind turbines and solar panels to electric vehicles and battery storage. The timely adoption of these clean energy technologies—as developing countries strive to achieve universal energy access and diversify their economies—is driving demand growth for many minerals, including copper, cobalt, lithium, nickel, and rare earth elements. An onshore wind power plant, for instance, requires mineral inputs nine times greater than those needed for a gas-fired plant of the same capacity, while an electric vehicle (EV) requires six times more minerals than a conventional car (see figure II.1). The average mineral requirement for new power generation capacity rose by 50 per cent in the 2010s as the share of renewables in total capacity additions increased (IEA, 2022) (see figure II.2).

Figure II.1

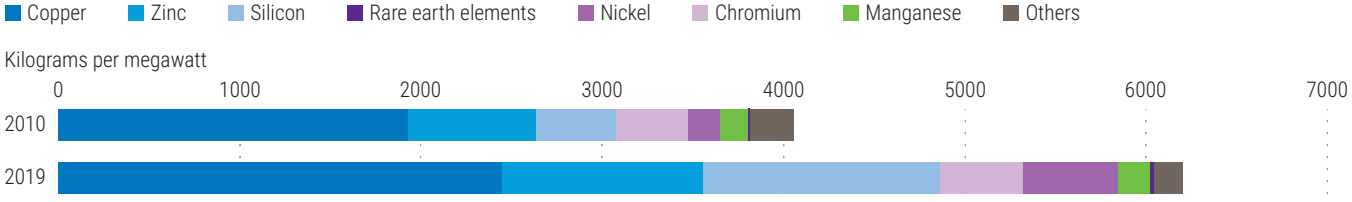
Critical minerals used in selected clean energy technologies and traditional energy technologies



Source: UN DESA, based on data from IEA.

Figure II.2

Average critical mineral intensity of new power generation capacity



Source: UN DESA, based on data from IEA.

Figure II.3

Selected materials critical for energy transition, by technology type

Alkali metals | Transition metals | Lanthanides | Other metals | Metalloids | Non-metals

	EV batteries	EV motors	EV body	Battery storage	Bioenergy	Electricity grid	Solar PV	Concentrated solar power	Geothermal	Hydropower	Wind power	Hydrogen
13 Al Aluminium	✔		✔		✔	✔	✔	✔		✔	✔	✔
27 Co Cobalt	✔			✔	✔							✔
29 Cu Copper	✔	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔
66 Dy Dysprosium		✔									✔	
6 C Graphite	✔			✔								✔
3 Li Lithium	✔			✔								
25 Mn Manganese	✔			✔				✔	✔	✔	✔	
60 Nd Neodymium		✔									✔	
28 Ni Nickel	✔			✔	✔		✔	✔	✔	✔	✔	✔
15 P Phosphate	✔											
78 Pt Platinum												✔
14 Si Silicon	✔	✔					✔					
30 Zn Zinc					✔		✔	✔		✔	✔	

Source: UN DESA, based on Van de Graaf and others (2023), Azevedo (2022) and United States Geological Survey (2022).

The choice of clean technologies will determine the demand for different critical minerals in the coming years (see figure II.3). Some minerals are essential for specific technologies, such as cobalt and lithium for batteries, while others, such as aluminium and copper, are widely needed across various applications. As countries intensify their energy transition efforts, there will be significant shifts in the demand patterns for critical minerals.

Many countries have identified minerals essential for industrial production, modern technology, and clean energy as "critical minerals", "strategic minerals", or "energy transition minerals" (hereinafter referred to as "critical minerals"). Among the Group of Twenty (G20), at least 16 economies have critical minerals lists comprising anywhere from 20 to more than 60 minerals;[1] they generally include cobalt, lithium, graphite, and nickel, among others (see table II.1). The lists of critical minerals are specific to each country. For developed economies, the importance of these minerals to national security, their relevance to modern technologies, relationships with trading partners, vulnerability to supply chain disruptions, and the availability of substitutes are key considerations. In contrast, developing countries prioritize the significance of these minerals for their low-carbon transitions, the growth of emerging and high-tech industries, enhancing their comparative trade advantages, and addressing broader development challenges. Country lists of critical minerals have evolved over time, reflecting technological advancements, changing supply and demand dynamics, and shifting societal needs. For example, in 2023 the United States of America published a list of 50 critical minerals, up from 35 in 2018 (Rowan, 2024).

Table II.1

Minerals classified as critical by at least ten Group of Twenty economies

Critical minerals	Number of G20 economies identifying minerals as critical
Cobalt, lithium	16
Graphite, nickel, tungsten, vanadium	15
Antimony, niobium, platinum group metals, tantalum	14
Gallium, rare earth elements, titanium	13
Copper, manganese, silicon	12
Bismuth, chromium, germanium, indium, molybdenum, tin	11
Beryllium, magnesium, zirconium	10

Source: UN DESA, based on national sources.
Note: The table reflects metals and minerals classified as critical by the members of the Group of Twenty economies according to their national definitions, which go beyond those solely needed for the energy transition.

Critical minerals markets reflect shifting dynamics

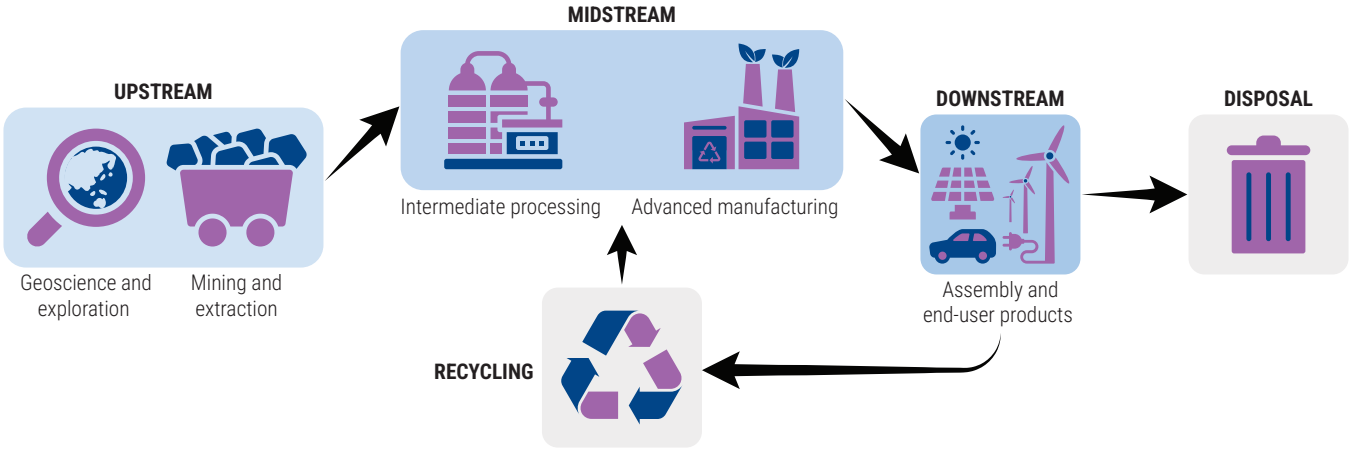
The critical minerals value chain encompasses exploration, extraction, processing, refining, manufacturing, recycling, and disposal (see figure II.4). The extraction of critical minerals shares several characteristics with the mining of traditional minerals.[2] For instance, both are capital-intensive, with long lead times before generating revenue for the mining company. Most mining companies are price takers, making them vulnerable to highly volatile prices, rapid changes in global economic conditions, and policy shifts that affect demand, coupled with the slow adjustment of supply (Daly and others, 2022). Similar to traditional mining, the extraction and processing of critical minerals have significant local impacts, including social and community disruptions, as well as environmental consequences such as soil erosion, water contamination, and ecosystem damage.

At the same time, critical minerals possess distinct features that set them apart from traditional minerals. First, many critical minerals are by-products or co-products of mining other minerals. For example, antimony can be a by-product of

1 As at August 2024.
2 Excluding oil and gas, mining as an industry accounts for approximately 3.7 per cent of global GDP. In 2023, global exports of copper and nickel ores—the critical minerals with the largest markets—totalled $57 billion, while oil and gas exports surpassed $1.8 trillion (United Nations Comtrade database). As at September 2024, the combined market capitalization of the top five mining companies was $493 billion, compared with $2.9 trillion for the top five oil and gas companies.

Figure II.4

Illustration of the critical minerals value chain



Source: UN DESA.

gold or lead mining; copper deposits often host cobalt, bismuth and tin; and nearly all indium is a by-product of zinc mining (Nassar, Graedel and Harper, 2015). Second, estimating global resources of critical minerals is particularly challenging.[3] Mineral deposits are not evenly distributed worldwide, not all ore deposits contain critical minerals by-products, and processing capabilities vary significantly across countries (McNulty and Jowitt, 2021). Third, the market size of critical minerals remains relatively small compared to that of other resources. In 2023, the market size of key energy transition minerals was $325 billion, roughly equivalent to that of iron ore and only about 5 per cent of the oil and gas market (IEA, 2024; Kings Research, 2024). However, market sizes of individual critical minerals vary significantly; for instance, in 2022, the market size of copper was over $180 billion, whereas that of lead was below $10 billion (Bhutada, 2023).

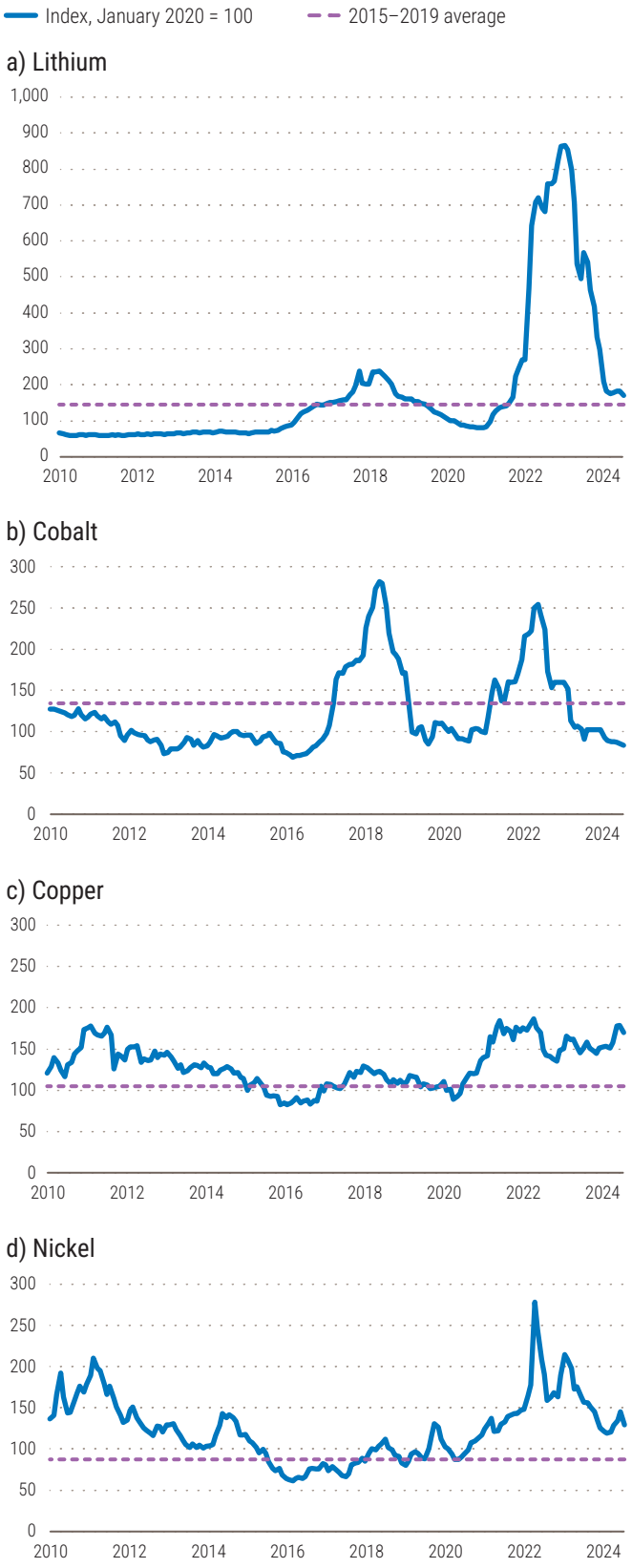
In recent years, significant price volatility has become a defining characteristic of several critical minerals markets, especially for those essential for manufacturing electric vehicles (EVs). Lithium prices, for example, have experienced substantial fluctuations. Similarly, cobalt prices surged by over 100 per cent in 2021, only to fall by 30–40 per cent in both 2022 and 2023 (see figure II.5). Historical data indicate that large price swings for critical minerals have been more frequent than for basic metals such as iron and steel, with lithium and cobalt showing particularly high volatility (see figure II.6).

The recent price fluctuations—particularly for cobalt, lithium, and nickel—reflect shifting supply and demand dynamics in the EV sector, where these minerals are primarily used for manufacturing batteries. As countries emerged from pandemic lockdowns, demand for various products and minerals surged, while supply chains remained disrupted. However, demand for EVs has fallen short of expectations since 2023 amid aggressive monetary tightening, weaker than expected demand growth in major markets, and concerns over potential trade tensions between major developed economies and China. Nickel and cobalt prices have also declined due to increased production and uncertainties about the pace of the transition to EVs. In contrast, demand for copper—widely used across multiple clean energy technologies such as solar photovoltaic (PV), hydropower and geothermal, as well as more broadly in construction and manufacturing—has remained robust, keeping its price elevated.

3 A mineral resource refers to a natural occurrence or concentration of solid material that has economic value, whereas a mineral reserve is the portion of a mineral resource that is economically viable to mine (CIM Standing Committee on Reserve Definitions, 2014). All reserves are resources, but not all resources are reserves.

Figure II.5

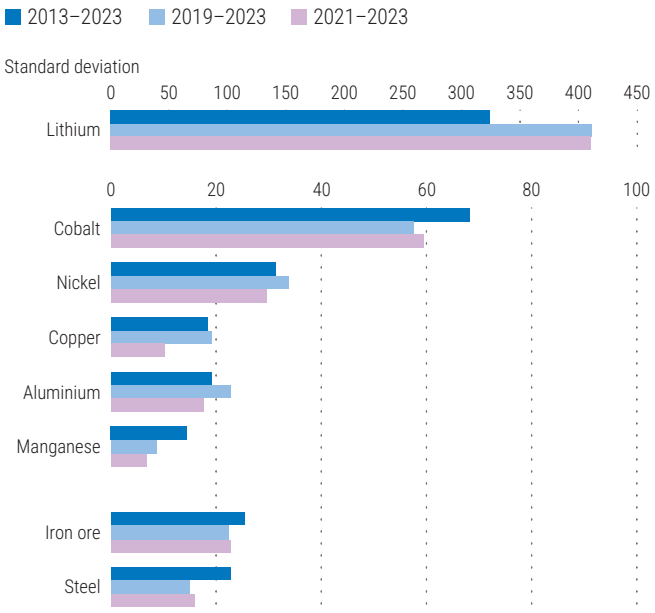
Monthly average prices of selected critical minerals



Source: UN DESA, based on data from S&P Global Market Intelligence (2024).

Figure II.6

Standard deviation of prices for selected minerals



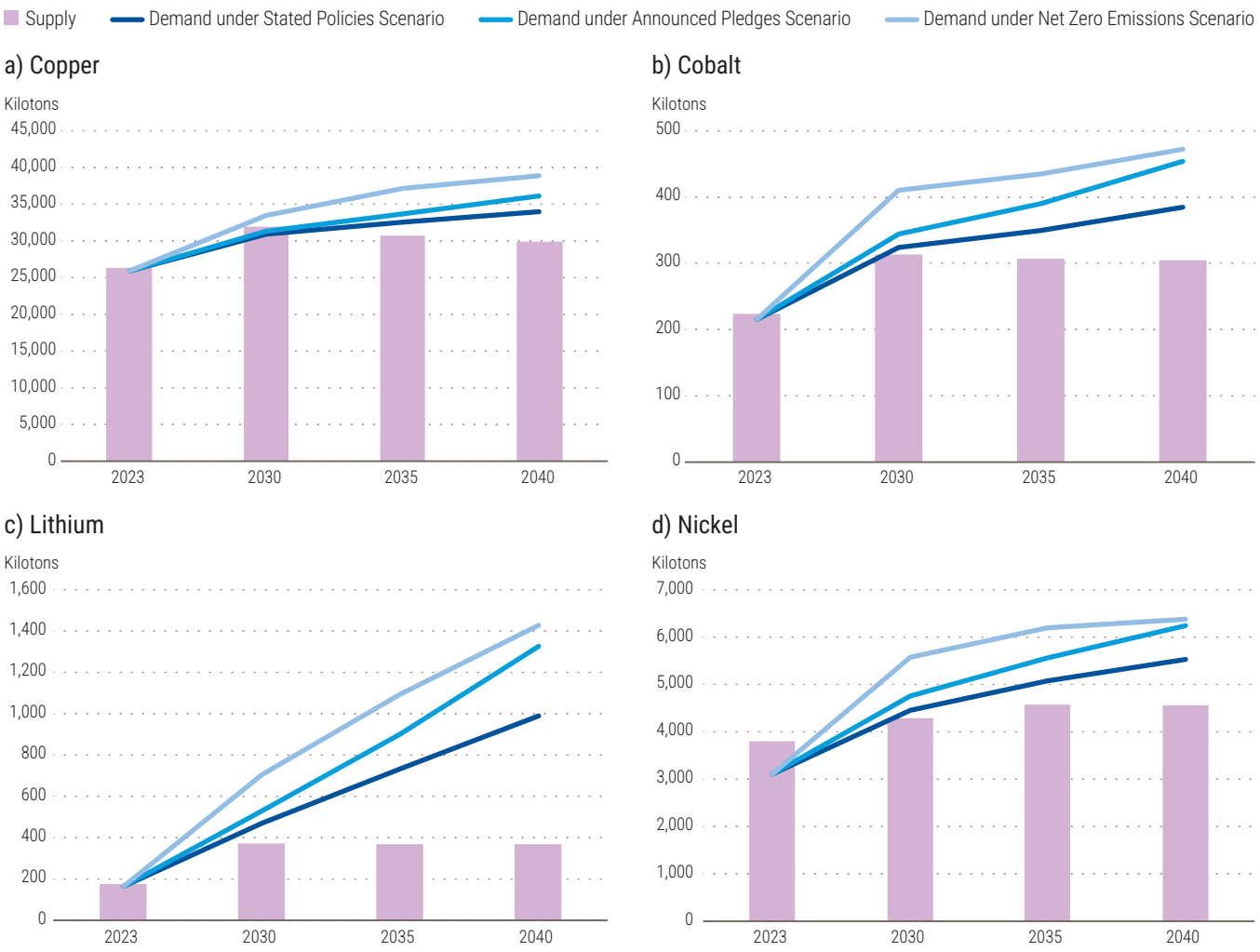
Source: UN DESA, based on data from S&P Global Market Intelligence (2024) and Trading Economics.
Notes: Prices are standardized by assigning the prices on the first trading day in 2013 a value of 100. Global average lithium carbonate prices are used for lithium; prices of steel rebar are used to reflect steel prices.

High volatility in the price of lithium is also attributed to its market immaturity and low liquidity in comparison with base metals and other commodities. While lithium prices rose with increasing EV demand between 2015 and 2019, volatility remained limited due to lithium being a small niche market where prices were fixed for long periods. During the pandemic, a surge in demand met a shallow market with limited suppliers, causing lithium spot prices to spike (Mehdi, 2024). It is worth noting that the prices of by-product minerals and metals such as cobalt tend to be more volatile than the prices of primary products. Research on 36 minerals shows that by-products exhibit, on average, about 50 per cent higher price volatility than main products, likely due to the inelastic nature of their supply (Redlinger and Eggert, 2016).

Price volatility is also associated with imbalances in supply-demand dynamics. The surge in the supply of cobalt, lithium, and nickel—driven by price spikes that prompted battery manufacturers

Figure II.7

Projected supply of and demand for selected critical minerals



Source: UN DESA, based on data from the IEA Critical Mineral Data Explorer.

Notes: The scenarios for demand projections align with the IEA definitions. The Stated Policies Scenario is based on policy settings as at August 2023, associated with a temperature rise of no more than 2.4°C by 2100; the Announced Pledges Scenario assumes that Governments will meet all the climate-related commitments announced as at August 2023, including the targets and pledges in nationally determined contributions, and is associated with limiting the rise in temperature to no more than 1.7°C by 2100; and the Net Zero Emissions Scenario charts a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050 and limit the global temperature rise to 1.5°C above pre-industrial levels by 2100. The supply projections are based on announced project pipelines for mining and refining, with modelled mineral recycling.

and original equipment manufacturers to invest in upstream mining—may diminish in the coming years. Recent price drops have deterred investors and made it harder for mining companies to secure traditional funding, forcing some, particularly junior firms,[4] to cut production or shut down operations (Biesheuvel, 2024). Such disruptions could have lasting effects, as stalled projects are often difficult to restart.

The demand for critical minerals is expected to rise sharply over the coming decades due to their essential role in the energy transition. While the current excess of supply over demand is likely to balance out by 2030, a persistent supply shortage is anticipated thereafter (see figure II.7). These projections, however, are subject to a range of factors (see box II.1). Policy directions will remain crucial; if countries do not credibly commit to

4 Junior firms are small, early-stage companies focused on the exploration and development of mineral deposits.

achieving net-zero emissions by 2050, including through the phasing out of fossil fuels, the demand for critical minerals may not increase as expected, further discouraging investment.

Critical mineral supply chains are characterized by a high degree of geographic concentration. In 2023, the top three producers accounted for 50–90 per cent of the global production of copper, cobalt, lithium, nickel, graphite, and rare earth elements. For example, the Democratic Republic of the Congo was responsible for over 60 per cent of global cobalt extraction, China for 80 per cent of graphite and 60 per cent of rare earth element extraction, and Indonesia for more than 50 per cent of nickel extraction (see figure II.8a). Based on the current pipeline of projects, this concentration is unlikely to change significantly before 2040 (IEA, 2024). The concentration is even more pronounced at the processing and refining stage; for cobalt, lithium, graphite, and rare earth elements, the top three

Box II.1

Uncertainties in forecasting supply and demand in the critical minerals sector

The use of critical minerals is expected to surge as the energy transition accelerates. Although many projections of supply and demand have been issued, estimates vary considerably.

While there is broad consensus that demand will rise significantly by mid-century, studies vary in their estimates of the scale and timing of this demand growth. Calderon and others (2024) relate that among the 38 publications they reviewed, annual projections for lithium demand in 2050 range from 146 to 6,800 kilotons, and the corresponding range for cobalt is 6 to 3,600 kilotons (see figure II.1.1a). Supply projections also vary. Forecasts from a cross-section of about 20 reports from international organizations, academics, and industry over the past five years place the supply of lithium in 2030 at anywhere between 450 and 3,600 kilotons and the supply of cobalt at between 185 and 330 kilotons (see figure II.1.1b).

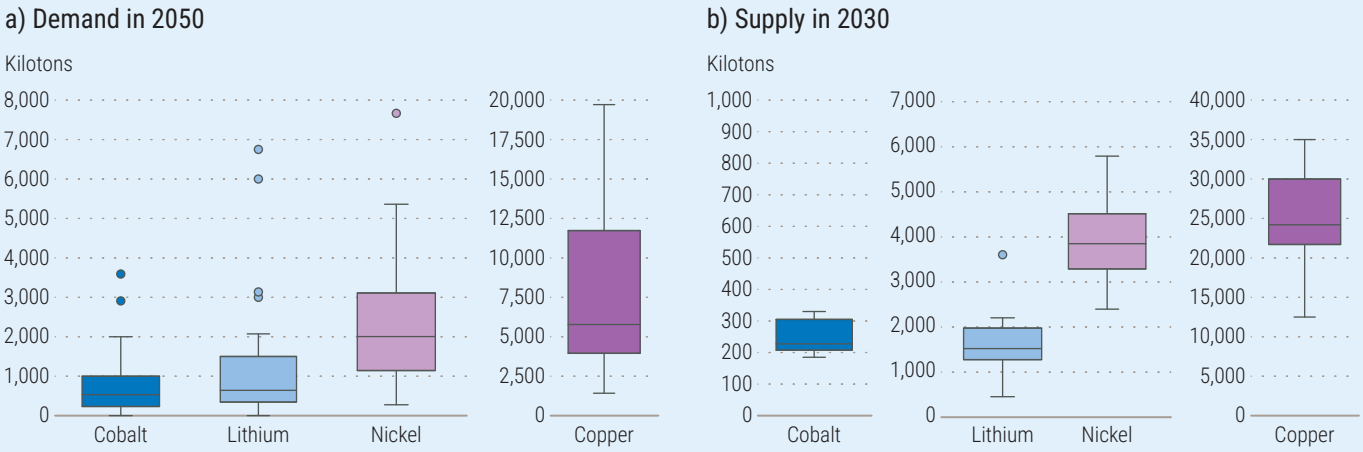
The significant disparities in these results are due to variations in model assumptions. Many mineral demand models start with an estimated future energy demand, including renewables, based on projected socioeconomic indicators (such as population growth or economic trends) or future renewable energy deployment under different policy scenarios. In addition, the models make assumptions about the composition of renewables, including solar, wind, and nuclear energy; electric vehicles (EVs); and the associated technologies and necessary infrastructure.

Different technologies require different sets of critical minerals. For example, EV lithium-ion batteries with nickel-manganese-cobalt cathodes usually require eight times more cobalt than do those with nickel-cobalt-aluminium-oxide cathodes. Lithium-iron-phosphate batteries require about 50 per cent more copper than do nickel-manganese-cobalt batteries but do not require cobalt, nickel, or manganese (IEA, 2022). The material use efficiency in different technologies, mineral recycling rates, and national policy directions (such as the endorsement of specific technologies) are also predetermined in various models. Some models exclude certain factors and constraints that could later turn out to be significant (Calderon and others, 2024).

Meanwhile, supply projections tend to cover a shorter time horizon than demand predictions and vary to a lesser extent. This is because supply is often forecast based on existing mining operations, announced projects, and pipeline projects.[a] Some projections specify that they do not consider unannounced mine life extensions, tailings processing, or reserve and resource updates (Soares, 2021), while others introduce scenarios based on the operational capacity of mines (Lazzaro, 2022). Assumptions are also made regarding extraction technologies and recycling (Jones and others, 2021). Calculations are often based on assumptions that mining projects will progress as planned. However, many factors can affect operations, including the stability of the water and energy supply, weather and climate conditions or events, the licensing process, ESG requirements, the geopolitical situation, and local community response. Stable critical minerals prices are particularly important for securing funding for project development; boom-bust cycles generate risks and uncertainties for investors.

Figure II.1.1

Projected supply and demand ranges for selected minerals



Sources: a) Calderon and others (2024); b) UN DESA, based on Singh and Unzueta (2021); Benchmark Mineral Intelligence Limited (2022 and 2023); Jones and others (2021); Emmanuel (2020); IEA (2022 and 2024); L (2024); Kettle (2021); Sadow (2022); Lazzaro (2022); Lu and Frith (2019); Mandaokar (2023); Olander (2021); Soares (2021); Sun (2022); Trafigura (2022); Tuomela, Törmänen and Michaux (2021).
Note: The box plots show projected demand and supply in their lower quartile values, median values, upper quartile values, and outliers (dots).

As illustrated here, supply and demand projections for critical minerals are characterized by significant uncertainties. Historically, energy forecasts "show a remarkable extent of individual and collective failure in predicting actual developments" (Smil, 2000). However, Box (1976) observes that while "all models are wrong, some are useful". In any case, projections are valuable for presenting a range of demand and supply projections based on different assumptions and scenarios, which can help guide public policy design and strategic planning by firms.

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a "Probable mining projects" typically refer to mining endeavours that have been evaluated and have a reasonably high likelihood of being developed based on available geological, technical, and economic assessments. "Possible mining projects", in contrast, refer to mining endeavours that are still in the early stages of assessment and have not yet been thoroughly evaluated for feasibility.

countries account for over 80 per cent of refined outputs (see figure II.8b). In addition, the mining and processing of critical minerals are typically dominated by a few firms.[5]

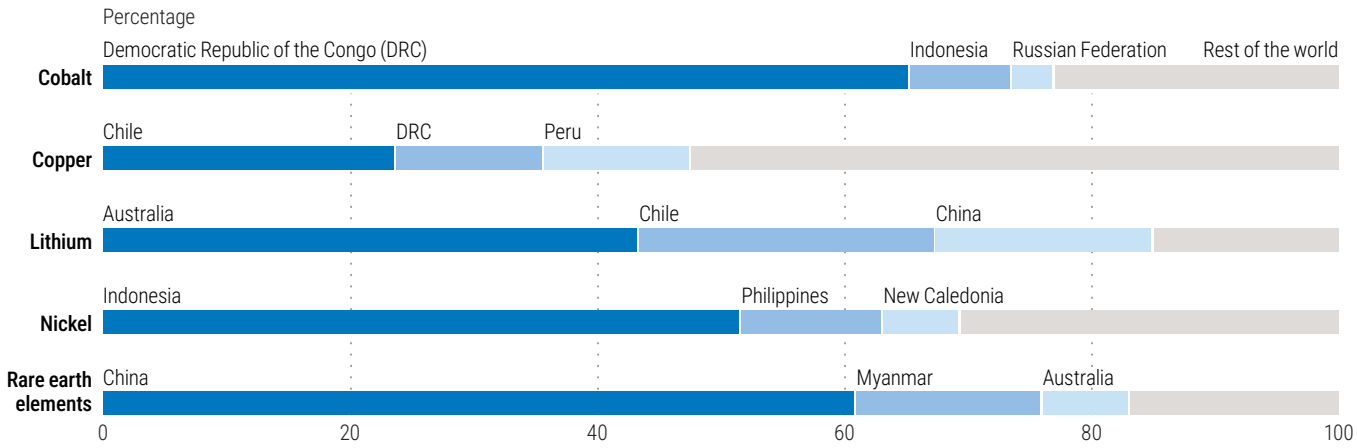
The high geographic concentration of critical minerals supply chains indicates heavy reliance on a limited number of sources. Disruptions in any one supplier or country—whether due to natural disasters, conflict, trade disputes, or regulatory changes—could result in shortages or delays in the supply of these minerals. Such disruptions can lead to sudden price spikes and significantly impact midstream and downstream industries that depend on these critical inputs. China, the United States, Japan, and the Republic of Korea have leading positions in the midstream and downstream segments of the battery and EV supply chain, including processing critical minerals, producing cathode and anode materials, and manufacturing battery cells and EVs (see figures II.8b and c).

5 Firm level data also suggest a high degree of concentration in extraction, particularly for cobalt, lithium, and rare earth elements (see figure II.21 in the section on industrial policies).

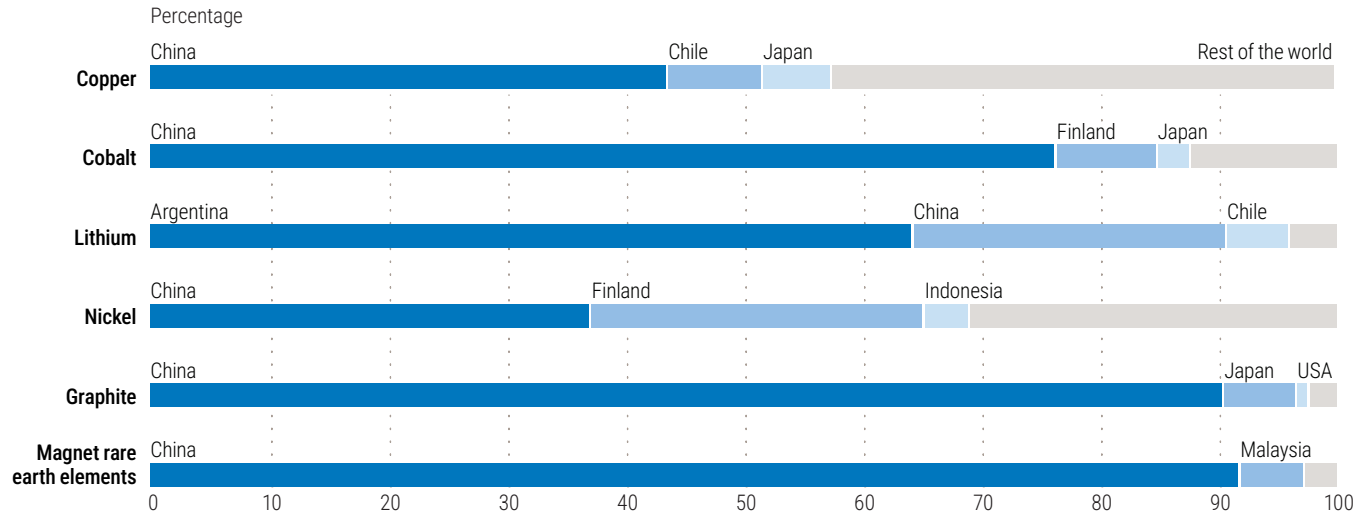
Figure II.8

Geographic concentration of critical minerals supply chains in 2023

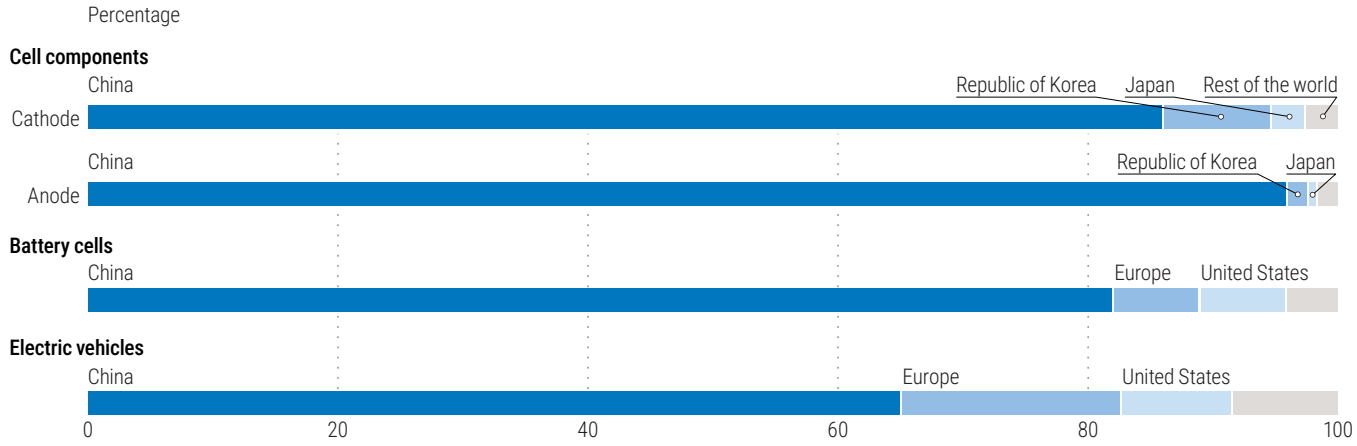
a) Share of the top three countries in the extraction of selected critical minerals



b) Share of the top three countries in the refining of selected critical minerals



c) Geographical distribution of the midstream and downstream segments of the EV supply chain



Source: UN DESA, based on data from IEA (2024) and the IEA Critical Mineral Data Explorer.

National policies around critical minerals are growing

As Governments have increasingly acknowledged the strategic importance of critical minerals, they have introduced a growing array of related policies (UN DESA, 2024). Many of these policies are aimed at securing access to critical minerals and strengthening supply chain resilience against a backdrop of strategic competition between major economies. The policies are geared towards promoting exploration, offering financial support, encouraging sustainable and responsible practices, and facilitating bilateral and regional cooperation. Notable examples include the United States Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals (prepared by the Secretary of Commerce and heads of selected branch agencies and offices in response to an Executive Order issued in 2017), the European Union critical raw materials act (which entered into force in May 2024),[6] and, in China, the Five-Year Plan for Raw Material Industry Development (published by the Ministry of Industry and Information Technology, Ministry of Science and Technology, and Ministry of Natural Resources in 2021). Many other economies are also formulating industrial policies for critical minerals in order to maximize their returns (see the section on industrial policy).

The extraction and processing of critical minerals are also increasingly being influenced by broader green and industrial policy initiatives. Examples include the United States Inflation Reduction Act of 2022, the aforementioned European critical raw materials act, and the New Energy Vehicle Industry Development Plan (2021–2035) in China. The Inflation Reduction Act, for example, offers government support—such as tax credits, grants, and loan guarantees—to promote the production of EVs, offshore wind turbines, and other green technologies, which can contribute significantly to strengthening and potentially realigning critical minerals supply chains. Under these provisions, United States firms sourcing critical minerals from countries that have free trade agreements with the United States are eligible for these benefits. More broadly, critical minerals feature in national policies seeking to achieve a range of objectives related to climate, industrial development, national security, market access, and strategic dominance. Inherent tensions across these objectives, along with individual country interests, highlight the complexity of governing critical minerals in a rapidly changing global landscape (see the section on global cooperation).

Leveraging critical minerals for the Sustainable Development Goals

Accelerating SDG gains and avoiding pitfalls

Countries rich in critical minerals resources can derive substantial development gains from their endowments. These minerals have the potential to attract foreign and domestic investment, create jobs, and boost fiscal revenues, exports, and growth. Quantifying the economic scale of the mining industry can be challenging, especially since valuations vary in tandem with fluctuations in mineral prices. Yet mining serves as a major growth engine for many developing economies. In twelve developing economies, for example, mining accounts for 56 per cent or more of total exports and in some cases exceeds 80 per cent (see table II.2). Mining represents, on average, 15.4 per cent of gross domestic product (GDP) in these economies, which is even higher if value added through backward and forward linkages[7] is taken

6 Informally known as the critical raw materials act, this instrument is officially designated Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 establishing a framework for ensuring a secure and sustainable supply of critical raw materials and amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020.

7 Backward linkages refer to the industries that supply the inputs required for exploring, extracting, and processing critical minerals (machinery, technology, chemicals and services). Forward linkages involve the industries that use these critical minerals to produce value-added goods such as batteries, electric vehicles, semiconductors, and renewable energy systems.

Table II.2

Mining indicators for economies with the largest share of mining exports

Percentage

Countries	Mining exports as a share of total exports (Average 2019-2021)	Mineral rents as a share of GDP (2021 or latest available)	Mining GDP as a share of total GDP (2023 or latest available)	Mining contribution to total employment (2023 or latest available)	Mining contribution to fiscal revenues (2022 or latest available)
Botswana	91.6	0.2	25.0	..	33.0
Guinea	87.2	8.2	21.0	..	24.0[a]
Mali	85.4	16.2	7.0	1.5	30.0
Burkina Faso	84.1	15.5	14.3	7.8	19.3[a]
Zambia	78.7	28.2	10.5	3.4	44.0
Democratic Republic of the Congo	77.0	28.8	13.8	0.7	46.0[a]
Mauritania	66.1	9.6	23.8	2.3	29.8[a]
Namibia	61.3	3.2	11.9	2.6	9.0
Peru	60.6	12.1	15.0	1.7	14.0
Chile	58.7	16.2	11.9	4.0	18.9
Sierra Leone	57.0	0.2	1.0	6.4	11.0
Mongolia	56.4	26.6	30.0	9.0	32.0

Sources: UN DESA, based on data from UNCTAD (2023a) (mining exports); the World Bank World Development Indicators database (mineral rents); Extractive Industries Transparency Initiative (EITI) country reports; official sources; and ILO (mining GDP and the contribution of mining to employment and fiscal revenues).
Notes: Mining exports correspond to exports of ores, metals, precious stones, and non-monetary gold as a share of total exports for 2019-2021 (average). Mineral rents represent the difference between the value of production for a stock of minerals at world prices and the costs of production for tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate.
a Data correspond to extractive industries.

into account.[8] In some economies, mining is also a key source of government finance, accounting for more than 30 per cent of total fiscal revenues in countries such as the Democratic Republic of the Congo, Mongolia, and Zambia, and therefore represents a vital resource for SDG-related public expenditures.

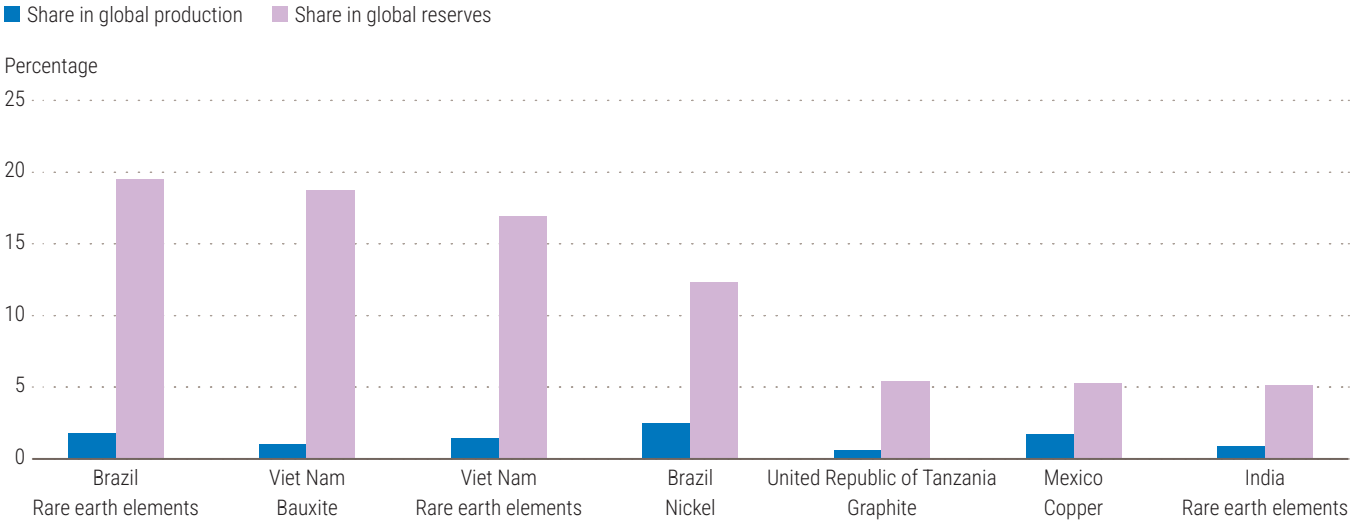
The potential for increased extraction and processing of critical minerals extends beyond traditional mining-dependent economies to those with substantial untapped reserves of critical minerals. Countries such as Brazil (rare earth elements and nickel), Viet Nam (bauxite and rare earth elements), United Republic of Tanzania (graphite), Mexico (copper), and India (rare earth elements) possess vast reserves of critical minerals, yet they currently account for only a small share of global production (see figure II.9). Mining-dependent economies and those countries with large reserves of critical minerals—many of which are in Africa—are in a favourable position to leverage these resources to place progress towards achieving the SDGs on more robust footing.[9]

Although the mining industry is capital-intensive, the expansion of the critical minerals sector is generating—and will continue to generate—numerous direct and indirect job opportunities. Between 2019 and 2022, the global mining workforce for critical minerals, especially in copper and cobalt operations, expanded by an average of 8 per cent per year, and it could double by 2030 (IEA, 2023d). While many of these new jobs will require high-skilled labour—such

8 However, mining typically functions in relative isolation from the rest of the economy, and the indirect effects are often moderate (Stilwell and others, 2000; Castaño, Lufin and Atienza, 2019; Aguirre Unceta, 2021).
9 Depending on the preparedness of countries to tap into these opportunities (and the pace of the energy transition itself), benefits from critical minerals would accrue within and beyond the 2015–2030 SDG timeline.

Figure II.9

Share in global production and reserves for selected countries and critical minerals



Source: UN DESA, based on data from United States Geological Survey (2024).

as engineers, data analysts, and environmental specialists—the employment impact will vary from one country to another. In developed economies such as Australia and in developing economies such as Brazil, Chile, and South Africa, there is a trend towards reduced demand for routine manual work and increased demand for cognitive, non-routine jobs performed by high-skilled labour (EY, 2019). This reflects an increasing focus on automation, digitalization, and advanced technologies in mining and other sectors of the economy. Some mining companies are even investing in university programmes to develop and secure high-skilled human capital (Daly and others, 2022). In certain developing economies, especially those on the lower end of the income scale, the demand for low-skilled labour and even informal or artisanal mining may also increase. While often providing much-needed income and livelihoods, informal and artisanal mining pose significant challenges related to working conditions and safety, necessitating the formalization of artisanal mining operations and the implementation of minimum labour standards. The development of the critical minerals sector can also create engagement opportunities for local firms and entrepreneurs in areas such as business services, transportation, and equipment manufacturing (Moritz and others, 2017). According to Born, Heerwig and Steel (2023), additional government revenues from critical minerals could range between $5 billion and $25 billion annually by 2040. Relative to the size of their regional economies, Latin America and the Caribbean and sub-Saharan Africa could be the largest beneficiaries of additional gross revenues per year, on average representing 1.2 and 0.76 per cent of regional GDP, respectively.

To fully harness the development potential of critical minerals, it is crucial for resource-rich economies to advance productive linkages and promote midstream and downstream economic activities, including processing and manufacturing. Moving into downstream activities along the critical minerals value chain or entering different value chains (such as EV battery production or PV manufacturing) presents a significant opportunity for some countries to diversify and upgrade economic activities, enhance value-added production, and strengthen technological capabilities. The unit prices of processed lithium, graphite and cobalt are about three to four times the prices of the raw materials, with processed nickel commanding an even larger markup (see table II.3). The total

Table II.3

Added value from extracting to processing selected critical minerals, 2022

	Weighted average unit price (United States dollars per kilogram)		Total value of exports (Billions of United States dollars)		
	Raw materials	Processed materials	Raw materials	Processed materials	Battery materials
Cobalt	6.6	20.8	0.2	9.9	10.5
Graphite	0.7	3.3	6.6	2.4	3.7
Lithium	1.7	5.7	20.0	7.3	51
Nickel	0.1	14.7	4.1	10.4	2.8

Source: UN DESA, based on data from the United Nations Comtrade database and UNCTAD (2023b).

trade value of more processed and battery materials is also generally higher than for raw materials.[10] Advancing backward and forward linkages offers clear benefits but is challenging in many developing economies due to the lack of productive and technological capacities, insufficient infrastructure, and market access limitations linked to the dominance of a few countries in the key stages of processing and manufacturing.

As countries seek to expand their involvement in this sector, they must consciously avoid risks that could limit, offset, or even negate the potential short- and medium-term benefits associated with critical minerals. These risks are tied to the "resource curse", a situation in which, paradoxically, countries rich in natural resources can end up experiencing poorer development outcomes than those with fewer resources. Such negative impacts can include excessive dependence on mining and the lack of economic diversification, low productivity and slower economic growth, increased inequality, environmental degradation, and the heightened risk of conflict. Poor governance can exacerbate these issues, creating a cycle of instability and underdevelopment (Auty, 1993; Sachs and Warner, 1998).

Negative outcomes can occur at many levels and through multiple channels (Van der Ploeg, 2011). First, a booming extractive sector, coupled with exchange rate appreciation, can crowd out other industries with better medium-term growth prospects (Dutch disease). Second, dependence on primary sectors makes economies vulnerable to volatile commodity prices. Third, resource windfalls from boom periods can trigger rent-seeking, corruption, and conflict, and in such situations poverty and inequality may deepen, in part because the higher profits are not channelled towards increased public expenditures on health, education and other services aimed at improving people's well-being. These impacts often manifest themselves in domestic currency appreciation, higher and mismanaged government spending, and high inflation. Robust, inclusive institutions and governance frameworks are crucial for translating resources into positive development outcomes.

A number of examples illustrate negative impacts in areas linked to particular sustainable development objectives. In the 1980s, for instance, falling oil prices induced a severe downturn, high inflation, and debt escalation in Nigeria, with the deteriorating economic conditions leading to significant development setbacks, including a rise in poverty (SDG 1) (Sala-i-Martin and Subramanian, 2003). Despite their vast oil resources, Angola and Equatorial Guinea have struggled with high poverty (SDG 1), inequality (SDG 10), and underdeveloped social services (SDGs 3 and 4). In Angola, oil revenues have translated into higher GDP growth rates,

10 Critical minerals have become increasingly important for international trade, with the annual traded value of energy-related minerals surging from $53 billion to $378 billion over the past two decades (Snoussi-Mimouni and Avérous, 2024).

but structural issues persist, including elevated inequality (SDG 10) and a lack of innovation and economic diversification (SDG 9) (Musacchio, Werker and Schlefer, 2010).

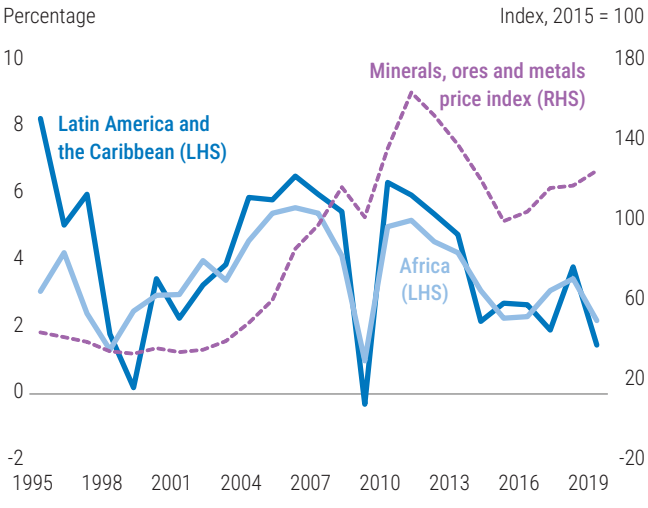
Conversely, many countries have achieved positive sustainable development outcomes from effective resource management. Botswana and Chile, for example, have leveraged their mineral resources to improve living standards (Havro and Santiso, 2008). Chile has used copper revenues to support social programmes and build fiscal stability, contributing to poverty reduction (SDG 1) and improved health services (SDG 3). Similarly, Botswana has invested diamond revenues in healthcare (SDG 3), education (SDG 4), and governance (SDG 16) (Lewin, 2011). The mining sector in Namibia has been important for creating job opportunities (SDG 8) and enhancing living conditions in local communities (SDG 11) (Nambinga and Mubita, 2021). Recent evidence shows that in Peru, the mining of copper has contributed to reducing poverty (SDG 1) (Chavez, 2023). These examples highlight how good governance, together with adequate national policies, can maximize the benefits of mining, ensuring long-term development progress.

As these examples illustrate, critical minerals can play a crucial role in accelerating progress towards the SDGs in developing economies in Africa, Asia, and Latin America and the Caribbean (see table II.4). In African economies, for example, critical minerals can play a key role in reducing poverty and hunger (SDGs 1 and 2), enhancing health and education (SDGs 3 and 4), improving economic and employment prospects (SDG 8), and strengthening institutional capacity-building and governance (SDG 16). In Latin America, they can enhance economic prospects (SDG 8), support the building of technological capacities and innovation (SDG 9), and foster global partnerships (SDG 17). Critical minerals, by definition, are essential for renewable energy technologies, directly contributing to SDG 7 (affordable and clean energy) and SDG 13 (climate action) in many economies. However, ensuring that countries have the capacity to leverage critical minerals to accelerate progress towards the SDGs and limit the adverse environmental and social impacts requires effective national policies and institutions coupled with supportive multilateral frameworks.

Even if countries avoid the full extent of the resource curse, they risk the "reprimarization" of their economies, where they increasingly specialize in the extraction of raw materials. The experience of mineral-dependent economies in Latin America and Africa during the commodity boom between 2003 and 2015 is a cautionary tale. These economies experienced accelerated growth during the boom, with higher investment rates and profitability in the commodities sector, further entrenching their specialization in primary industries (ECLAC, 2012). However, growth rates slowed sharply in countries such as Chile, Namibia, Peru, and Zambia when commodity prices fell amid the absence of new activities or sectors driving growth (see figure II.10). Relying solely on natural resource extraction is inadvisable, as there are inherent constraints linked to lower productivity gains and limited technological spillovers (Cimoli and Porcile, 2014).

Figure II.10

Growth in mineral-dependent economies and mineral prices



Source: UN DESA, based on data from the World Economic Forecasting Model and UNCTADstat.
Note: LHS = left-hand scale; RHS = right-hand scale.

Table II.4

Potential SDG gains from critical minerals in selected developing economies

Region	Country	Critical mineral	Share of reserves	Share of production	Main potential SDG gains
Africa	Democratic Republic of the Congo	Cobalt	54.5	73.9	
		Tantalum	..	40.8	
		Copper	8.0	11.4	
	Gabon	Manganese	3.2	23.0	
	Madagascar	Titanium	3.9	3.7	
		Cobalt	0.9	1.7	
	Mozambique	Titanium	3.2	18.6	
		Beryllium	0.0	7.3	
	South Africa	Platinum	88.7	66.7	
		Chromium	35.7	43.9	
		Manganese	31.6	36.0	
	Zambia	Copper	2.1	3.5	
	Zimbabwe	Platinum	1.7	10.6	
		Palladium	..	7.1	
Asia	China	Graphite	27.9	76.9	
		Cobalt	..	76.0[b]	
		Rare earth elements	40.0	68.6	
	Indonesia	Nickel	42.3	50.0	
		Cobalt	4.6	7.4	
	Philippines	Nickel	3.7	11.1	
		Cobalt	2.4	1.7	
Latin America and the Caribbean	Bolivia (Plurinational State of)	Lithium	23.0[a]	0.0	
	Brazil	Graphite	26.4	4.6	
		Manganese	14.2	3.1	
		Rare earth elements	19.1	0.0	
	Chile	Lithium	33.2	24.4	
		Copper	19.0	22.7	
	Argentina	Lithium	12.9	5.3	
	Peru	Molybdenum	10.7	14.2	
		Copper	12.0	11.8	

Source: UN DESA, based on data from United States Geological Survey (2024).
Notes: The SDG gains presented are not intended to be exhaustive but are provided to illustrate specific areas of potential improvement.
a Share of global resources.
b Share of refined cobalt production.

Environmental and ecological damage and adverse social impacts can offset the economic gains from critical minerals. Extraction activities involve extensive material movement, resulting in land disturbance and waste accumulation, which can seriously damage biodiversity and ecosystems. Tailings facilities, waste rock dumps, and mining voids often cover large areas, and waste facilities can contribute to pollution through dust dispersion or acid drainage.[11]

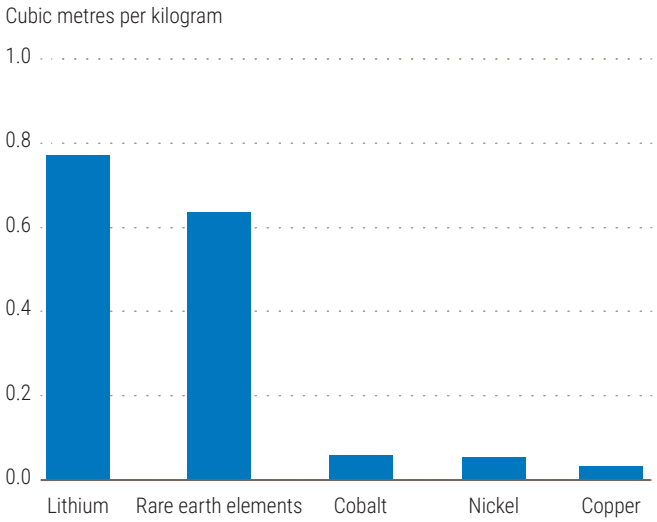
11 According to estimates, the amount of waste generated per unit of mineral produced increased by more than 20 per cent between 2019 and 2022 (IEA, 2024).

According to the United Nations Environment Programme (UNEP IRP, 2024), more than 90 per cent of global water shortages and land-related biodiversity loss is caused by extractive industries, and the operations required for bauxite in Australia, iron in Brazil, and copper and lithium in Chile have a high biodiversity impact. Water use is also an increasing concern, as mining critical minerals—particularly lithium—is highly water-intensive (see figure II.11). Estimates show that 16 per cent of the world's land-based critical minerals mines and deposits are in areas dealing with high levels of water stress (Lakshman, 2024).[12] Meanwhile, insufficient regulatory protection can lead to exploitative labour practices, including unsafe working conditions and the use of child labour. Indigenous communities often face disproportionate impacts from mining due to their greater vulnerability and strong economic, social, and cultural connections to their lands. Around 54 per cent of critical minerals are located in or near Indigenous lands and territories (Bernal, Husar and Bracht, 2023).

Illicit financial flows—linked, for example, to tax evasion, transfer mispricing, corruption, or illegal capital flight—can siphon resources out of a country and diminish the funds available for public investment and social services.[13] Illicit financial flows are a product of and contribute to corruption and rent-seeking behaviour (Reed and Fontana, 2011). It is estimated that Africa loses between $80 billion and $100 billion annually as a result of such flows,[14] which represents around 3.7 per cent of its GDP (UNCTAD, 2020; Signé, Sow and Madden, 2020). In addition, illicit financial flows can contribute to instability and conflict, as seen in West African countries such as Ghana and Liberia, where artisanal and small-scale mining are vulnerable to exploitation by criminal networks (Hunter, 2020). Illicit financial flows are also often linked to illegal mining activities that

Figure II.11

Water use for selected critical minerals



Source: UN DESA, based on data from IEA (2021).

circumvent environmental regulations, causing unchecked ecological degradation in areas such as Amazonia (Gonzalez, Cole and Geary, 2023). Developing and developed countries must work together to curb illicit financial flows in order to fully realize the sustainable development potential of critical minerals. Strengthened collaboration between countries is essential to establish global standards and regulate the practices that enable illicit financial flows. As part of these efforts, robust legal frameworks must be implemented to monitor and guide the operations of multinational corporations.

Macroeconomic policies for maximizing SDG gains

Macroeconomic policies in resource-rich countries can play a critical role in maximizing economic and development benefits from those resources, including critical minerals. An integrated approach

12 For example, in Salar de Atacama, a major mining region in Chile, lithium and copper extraction consumes over 65 per cent of the local water supply, worsening drought conditions and causing environmental degradation and social challenges. Similar problems have been reported in connection with cobalt operations in the Democratic Republic of the Congo and graphite operations in China (Lakshman, 2024).

13 While there is no universally agreed definition, illicit financial flows are essentially "financial flows that are illicit in origin, transfer or use, that reflect an exchange of value and that cross country borders" (UNCTAD and UNODC, 2020).

14 According to some estimates, trade mispricing is responsible for approximately 50 per cent of illicit financial flows from Africa, with more than half of these trade-related flows originating from the extractive sector (ECA and African Minerals Development Center, 2017).

that combines fiscal and monetary policies is necessary to ensure stability, reduce volatility, and foster an equitable distribution of benefits.

Fiscal policy must create equitable frameworks for capturing economic rents through effective tax regimes that prevent tax evasion and illicit financial flows and for directing public expenditures towards programmes that provide long-term benefits for human development and social protection and ensure that no one is left behind. Countries can also adopt specific fiscal rules and establish stabilization funds to manage and save excess revenues during boom periods to promote fiscal discipline, countercyclical policy measures, and intergenerational equity. In addition, countries can establish funds that combine elements of stabilization with long-term savings, including for pension purposes. For example, the Government Pension Fund Global in Norway serves as both a stabilization mechanism and a pension fund, set up to strengthen intergenerational equity.

In recent decades, several resource-rich economies have adopted fiscal rules to address multiple challenges, including smoothing economic cycles, preventing exchange rate appreciation, and managing public debt (Apeti, Basdevant and Salins, 2023). Fiscal rules are often defined by fiscal indicators such as budget balance rules (Chile, Nigeria, Norway), expenditure rules (Ecuador, Mongolia, Peru), debt-level rules (Botswana, Liberia) or revenue rules (Niger, Timor-Leste). Most economies adopt a combination of these, with the most common being a mix of debt rules and operational limits on government expenditure or budget balance (Eyraud, Gbohoui and Medas, 2023). For example, Mongolia and Peru use expenditure rules that set ceilings on government spending growth to maintain fiscal discipline. In Chile, a structural balance rule that adjusts government spending based on long-term copper prices has been effective in smoothing public expenditures over price cycles (Marcel, 2013). Fiscal rules can restrict the ability of Governments to respond to crises; however, some Governments have integrated adaptability provisions that allow a degree of flexibility in the implementation of these rules. In Colombia, for example, the incorporation of escape clauses provides the Government with the manoeuverability it needs to respond to adverse shocks within a well-defined fiscal framework (Davoodi and others, 2022).

The establishment of sovereign wealth funds can help manage revenue volatility from critical minerals, enhance resilience to shocks, and provide savings for future generations. Some resource-rich countries, including Botswana, Guyana, and Timor-Leste, have shown that when these funds are well-integrated into broader fiscal frameworks, they can provide a buffer against commodity price swings and support countercyclical policies (Sugawara, 2014). Botswana uses its Pula Fund to accumulate savings from diamond revenues, ensuring that these are invested in diversified assets and used for long-term development needs. The Petroleum Fund of Timor-Leste, modelled on the aforementioned Government Pension Fund Global in Norway, aims to ensure that anticipated oil revenues over the coming two to three decades are utilized prudently, focusing on promoting the country's long-term economic growth and development. Guyana recently established the Natural Resource Fund to manage its growing oil revenues. The Fund has accumulated significant savings, and it currently faces the challenge of balancing withdrawals for infrastructure development with medium-term fiscal sustainability (Bhattacharya and Park, 2024). The success of a sovereign wealth fund depends on clear governance frameworks and alignment with national development objectives.

Monetary policy allows resource-rich economies to guard against some of the symptoms of the resource curse. Central banks need to use the tools at their disposal to achieve multiple objectives, including controlling inflation, maintaining a competitive exchange rate throughout commodity boom-and-bust cycles, supporting financial stability, and maintaining a conducive monetary environment for growth. In addition to interest rates, central banks have a range of tools to manage exchange rates and support financial

stability. For instance, sterilized interventions[15] in the foreign exchange market can help prevent excessive currency fluctuations (Frankel, 2010; Aliyev, 2012). Additionally, macroprudential policies such as reserve requirements and capital controls can be used to manage capital flows and reduce financial risks. These tools are crucial for preventing the adverse effects of large capital inflows during boom periods.

Effective macroeconomic management in resource-rich economies requires strong coordination between fiscal and monetary policies. For instance, sovereign wealth funds can help sterilize excess revenues during booms, thereby reducing inflationary pressures and supporting exchange rate stability. In Chile, the combination of a structural fiscal balance rule with an inflation-targeting monetary framework and a flexible exchange rate has been effective in maintaining macroeconomic and financial stability. Botswana has effectively managed its resource wealth through a combination of prudent fiscal policy and a crawling peg exchange rate regime, allowing the country to maintain a relatively stable and competitive exchange rate (Adhikari and others, 2023).

Inclusive governance for sustainable development

In addition to macroeconomic policies, good governance is essential for converting critical minerals reserves into sustainable development gains. A growing number of resource-rich economies are adopting environmental, social, and governance (ESG) standards[16] to mitigate the adverse effects of mining operations while also aiming to maintain competitiveness and attract new foreign investments. As part of this trend, countries are increasingly integrating due diligence requirements into regulatory frameworks to promote more sustainable mining practices.

Governance and anti-corruption measures

Improving governance and combating corruption require the implementation of policies focused on transparency and accountability in the critical minerals sector. Policies can mandate transparency in licensing and concession processes, revenue reporting, and contracts, helping to minimize corrupt practices and illicit financial flows. Ensuring transparency requires the comprehensive monitoring and auditing of mining contracts and revenue streams.

For many resource-rich developing economies, particularly low-income economies, building robust institutional capacity is essential for establishing strong governance structures and enabling effective oversight of the critical minerals sector. Building institutional capacity through the establishment or strengthening of anti-corruption agencies and independent monitoring bodies is crucial for ensuring transparency and accountability.

Enhanced governance plays a vital role in combating illicit financial flows. This entails identifying and closing regulation gaps while enhancing coordination among authorities tasked with detecting illegal activities and their associated financial flows and prosecuting those responsible. Tackling illicit financial flows requires effective international collaboration, including the sharing of information and best practices, the harmonization of regulatory standards, and participation in joint investigations (see the section on global cooperation). Concerted efforts are being made at the global level—through, for example, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes and the Extractive Industries Transparency Initiative—to combat different types of illicit financial flows (see the section on global cooperation).

15 Sterilized interventions are central bank operations through which purchases or sales of foreign exchange are offset by corresponding transactions in domestic financial markets to neutralize their impact on the money supply.

16 According to the IEA, the cumulative number of transparency, environmental, and social standards policies at the domestic and international levels has grown significantly, increasing from 50 policies in 2015 to 108 in 2023 (IEA, 2023a).

Social responsibility and community engagement

The sustainable development impacts of mining crucially depend on the extent to which social sustainability standards are met. Local, regional, and national communities have become increasingly aware of this dynamic and are demanding greater accountability from mining firms. In 2018, almost half of the large mining firms in Chile identified the "social licence" as the most critical aspect of mining operations (Consejo Minero, 2018). Policies that promote social responsibility and community engagement, particularly as these relate to Indigenous communities, are essential to ensure that local voices are heard and rights are respected (Lèbre and others, 2020).

National policies need to require mining companies to conduct meaningful consultations with and obtain consent from local communities. Many developing economies have taken steps to implement free, prior and informed consent principles in mining projects; a notable example is the Escazú Agreement,[17] signed by 25 countries in Latin America and the Caribbean, which emphasizes public participation and access to environmental information (IEA, 2023b). Formal agreements can effectively ensure that local communities share in the benefits of commercial mining ventures through infrastructure development, job opportunities, contracts with Indigenous-owned businesses, and revenue-sharing. In Madagascar, for example, certain mining projects have included agreements to provide local communities with access to healthcare, education, and water infrastructure, helping to address long-standing development gaps while garnering local support (Dentons, 2024). In Canada, the mining sector fosters Indigenous participation by providing training, promoting business development, and creating employment opportunities (Marshall, 2020).

Human rights and labour standards

Countries with an abundance of critical minerals must adopt policies that uphold human rights and labour standards. It is essential that labour rights be enforced through the implementation of standards that protect workers, ensuring fair wages, safe working conditions, and the right to organize. In addition, mining companies should be required to conduct due diligence to identify, prevent, and mitigate potential human rights risks associated with their operations. Stringent regulations and monitoring systems are needed to combat child labour, particularly in artisanal and small-scale mining operations, which often face more serious environmental and safety challenges. In low-income countries, building institutional capacity is crucial for the effective implementation and enforcement of these standards. The ILO (2019) emphasizes the importance of a coordinated approach to eliminating child labour in hazardous mining activities, stressing the need to engage with communities and offer alternative opportunities for young children, particularly through access to education.

Environmental protection and sustainability policies

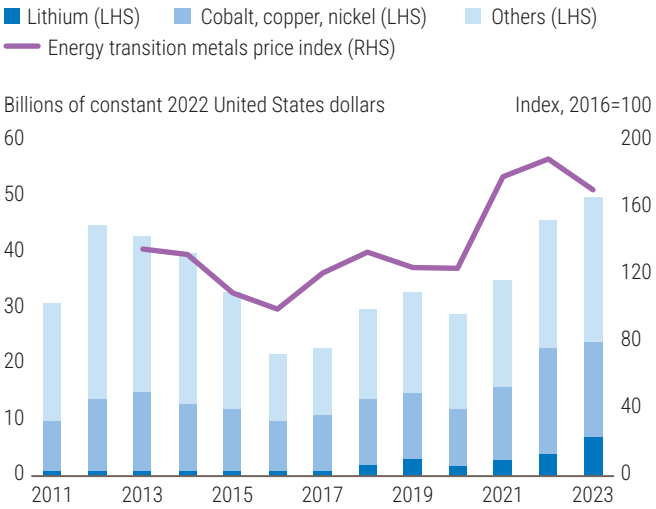
National-level regulations, especially in developing countries, have often been inadequate and ineffective in addressing the overexploitation of natural resources, displacement, and environmental and biodiversity degradation. In recent years, however, growing national and international pressure has emphasized the need to prevent environmental degradation and disasters and to decarbonize mining operations through effective waste and water management and reductions in greenhouse gas emissions (Navas-Aleman and Bazan, 2021). Mexico has responded by establishing official guidelines for mining waste management plans, while Brazil has taken steps towards mandating environmental

17 Formally known as the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean, adopted on 4 March 2018.

impact assessments and conservation strategies for mining firms. South Africa has introduced regulations requiring mining companies to develop closure plans and manage waste more effectively, and Namibia has integrated environmental standards in their mining operations to mitigate ecological degradation (Environmental Compliance Consultancy, 2019). For many low-income countries, enforcing and monitoring these environmental protections effectively will require the strengthening of institutional capabilities. On the innovation front, one positive trend in recent years has been the sharp increase in patents relating to wastewater treatment, soil remediation, and eco-friendly technologies for mineral processing (Pietrobelli and others, 2024).

Figure II.12

Investment in critical minerals production, by type



Source: UN DESA, based on data from IEA (2024) and IMF Primary Commodity Price System.
Notes: LHS = left-hand scale; RHS = right-hand scale. Investment refers to capital expenditure by 25 major mining firms. The "others" category includes cobalt, lead, magnesium, platinum group metals, tin, zinc, and others. The IMF annual energy transition metals price index shows the prices for the month of December; it covers prices of aluminium, chromium, cobalt, copper, lead, lithium, manganese, molybdenum, nickel, palladium, platinum, rare earth metals, silicon, silver, vanadium, and zinc.

Investment in critical minerals

The state of investments

Mining investments are typically driven by mineral prices and can exhibit cyclicality. During the 2000s, rising mineral prices and increasing demand, particularly from China, led to a surge in mining investments. However, from 2011 to 2016, declining prices resulted in a slowdown in new investments in this sector. Among the largest mining firms, capital expenditures as a share of profits declined from over 60 per cent between 2013 and 2015 to about 25 per cent in 2021 and 2022 (*The Economist*, 2024). For critical minerals, however, there has been an upward trend driven by growing demand from the energy sector. Since 2020, annual investments in critical minerals production have expanded by an average of 20 per cent; investment growth has been strongest for lithium but has also been significant for cobalt, copper, and nickel (see figure II.12). The United Nations Conference on Trade and Development reports that in 2022 there were 110 new critical minerals projects worldwide valued at a total of $39 billion (UNCTAD, 2024c). About 55 per cent of this investment was directed towards 60 critical mining projects in developing economies.

Foreign direct investment (FDI) plays a major role in the critical minerals sector. In recent years, FDI in mining has trended upward, with the total value increasing from $13.1 billion in 2021 to $30.3 billion in 2022 and $57.9 billion in 2023. The number of announced FDI greenfield projects[18] in the critical minerals industry (including processing) also surged, increasing from 14 in 2016 to 114 in 2023 (UNCTAD, 2024d). Developing economies accounted for three quarters of these projects, and half were in processing. In 2023, one third of the announced greenfield projects in critical minerals were invested in by Chinese firms. In the mining sector as a whole, mergers and acquisitions increased from an average of

18 Greenfield FDI refers to investment in new production facilities, offices, or plants, as well as the creation of new jobs and infrastructure; with brownfield FDI, existing facilities or operations are acquired or form part of a merger.

$66 billion between 2019 and 2020 to $95 billion between 2022 and 2023 (Sen, 2024).

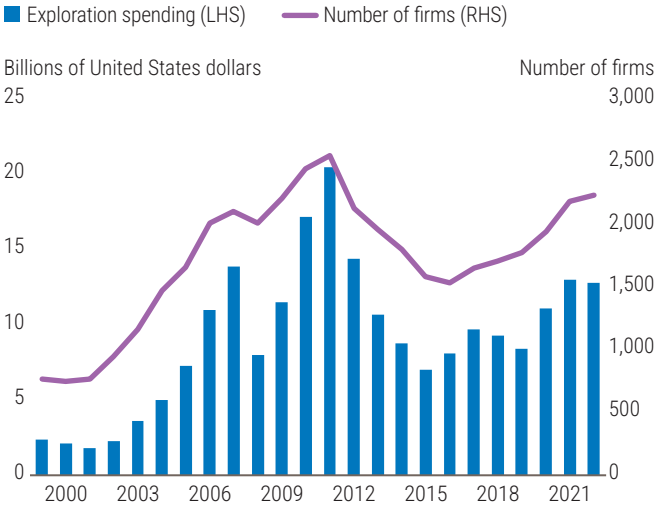
One crucial aspect of mining investment relates to exploration activity. Exploration of new mines is essential to build a more resilient critical minerals supply chain, meet projected demand for the green transition, and ensure that developing economies benefit from their resources. Yet exploration is the riskiest part of the mining cycle, as determining the geological potential of an area is a complex process and requires high up-front costs without any guarantee of success (Born, Heerwig and Steel, 2023). It has been estimated that for every mine opened, there have been more than 100 unsuccessful exploration projects (MICA, 2020).

Over the past two decades, exploration spending has exhibited a cyclical pattern similar to that of mining investments (see figure II.13). Although exploration spending has increased significantly since 2016, driven by rising prices for critical minerals, it remained much lower in 2023 than in the early 2010s, when it was at its peak. When adjusted for inflation, the gap is even more pronounced, indicating a significant decline in real terms. The recent increase in exploration has been less pronounced than the growth in mining investments, and in 2023, exploration spending actually decreased slightly in comparison with the previous year. In 2024, copper, lithium, nickel, and rare earth elements together represented 37 per cent of exploration spending, with copper accounting for 24 per cent (S&P Global Market Intelligence, 2024). The modest increases in recent years have largely been driven by lithium exploration, which reached a record $830 million in 2023, making it the third most explored commodity. Latin America accounted for the largest share of exploration expenditure, accounting for a quarter of global spending in 2022 and 2023 (see figure II.14). Africa—in spite its vast resource potential—attracted only 10 per cent of the overall exploration budget.

Several factors constrain investment in the exploration of critical minerals. One key limitation is the relative lack of geological knowledge about these minerals. Another is the absence of exploration techniques specifically geared towards critical minerals; most of the methods currently used have been developed for major minerals (González-Álvarez and others,

Figure II.13

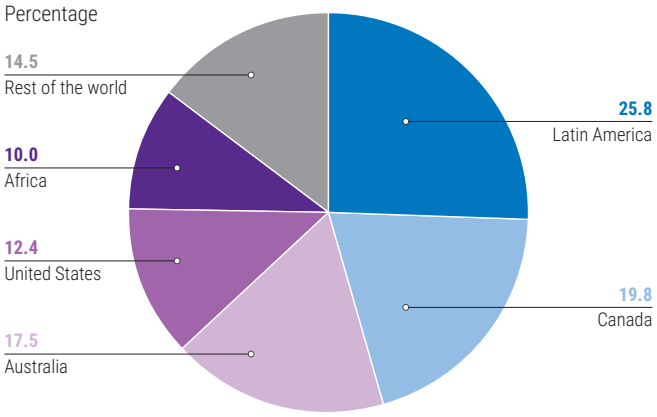
Exploration-related spending on critical minerals



Source: UN DESA, based on data from S&P Global Market Intelligence (2024).
Notes: LHS = left-hand scale, RHS = right-hand scale. Data are for the exploration of copper, nickel, lithium, zinc, and rare earth elements, as well as for non-ferrous metals such as gold and silver.

Figure II.14

Regional distribution of exploration spending for selected critical minerals, 2022 and 2023



Source: UN DESA, based on data from S&P Global Market Intelligence (2024).
Notes: Data are for the exploration of copper, nickel, lithium, zinc, and rare earth elements, as well as for non-ferrous metals such as gold and silver.

2021; Eggert, 2023). Research by Castillo, del Real and Roa (2024) indicates that firms investing in critical minerals such as cobalt, lithium, and rare earth elements tend to allocate a smaller portion of their budget to exploration than do those focusing on major minerals such as copper, gold, lead, nickel, or zinc. The same researchers assert that exploration spending on critical minerals is more sensitive to price fluctuations. In the current environment of relatively low prices for many critical minerals, exploration investments could be significantly affected. Overall, exploration for critical minerals generally attracts less investment than exploration for major minerals, posing a risk to the stable supply of critical minerals in the medium term.

Deep-sea mining (200 metres or more beneath the surface) could be given more serious consideration in the coming years as it offers access to vast untapped resources. Interest in extracting desirable deposits has been growing (UNEP FI, 2022), but commercial extraction remains subject to controversy due to the potential damage to marine ecosystems. Environmental concerns notwithstanding, decisions might be made to pursue deep-sea mining to meet the rising demand for metals and minerals as terrestrial sources become more scarce or difficult to access (Ashford and others, 2024). Nations with access to deep-sea resources anticipate significant revenues. The International Seabed Authority has issued 31 contracts for mineral exploration to 21 firms from 20 countries (ISA, 2024). While commercial mining in international waters has not yet commenced, pending the expected finalization of an international code for deep-sea mining by the International Seabed Authority in 2025, countries can still pursue deep-sea mining within their own territorial waters (or "exclusive economic zones"). Even after the international code is in place, those engaged in deep-sea mining will continue to face major challenges due to high capital requirements and operational costs (relative to conventional mining) and the enormous technical uncertainties associated with the unique problems surrounding mining on the ocean floor (Sumaila and others, 2023). Further compounding these challenges, recent reports suggest that the cost of ecosystem restoration will be twice as much as the cost of extraction (Amadi and Mosnier, 2023).

Investment needs and the financing gap

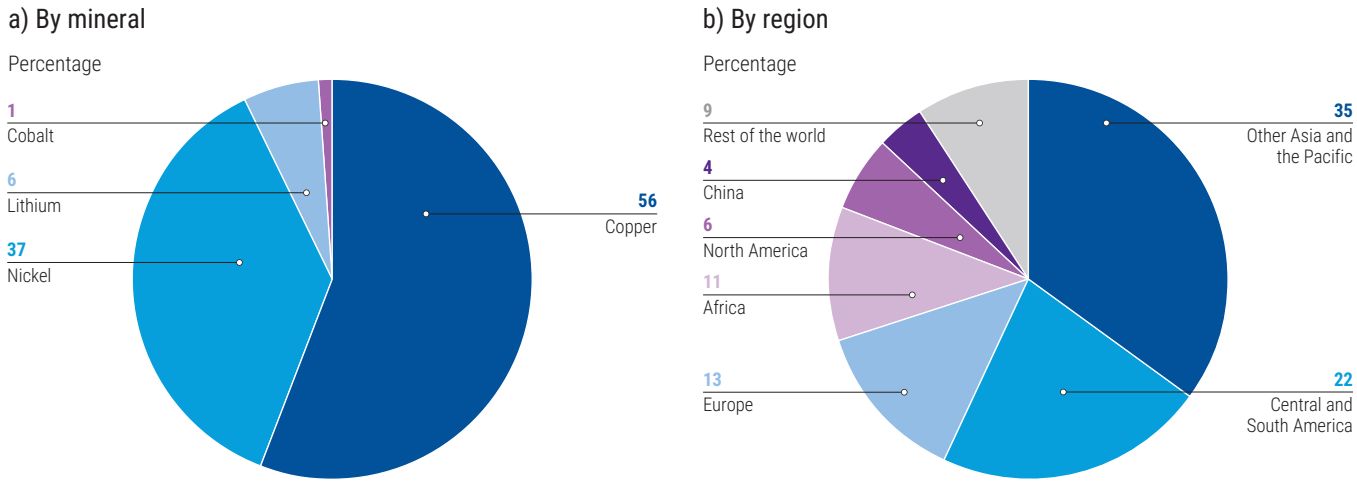
Given the projected increase in demand for critical minerals, the current level of investment falls short of what is needed to achieve net-zero emissions targets. A substantial scaling up of investment in critical minerals is essential. According to the IEA (2023c), a total of $360 billion to $450 billion (in real 2021 dollars), or an annual average of $40 billion to $50 billion, is needed between 2022 and 2030 to achieve the levels of lithium, nickel, copper, and cobalt production required to limit the global temperature increase to 1.5°C, as outlined in the Paris Agreement. Other studies present figures consistent with these but with varying timelines, mineral coverage, and scenarios (ETC, 2023; Kettle, Barnes and Sum, 2024).

Currently announced mining projects are expected to cover only half of the total investment needed by 2030, resulting in an investment gap of around $180 billion to $230 billion (IEA, 2023d). The shortfall is particularly pronounced for copper and nickel, which account for about 60 per cent of the required investments. Although the gaps for lithium and cobalt are smaller, significant new mining investments will still be necessary. Additionally, since 98 per cent of cobalt is produced as a by-product of copper and nickel mining (Gielen, 2021), establishing dedicated cobalt mines will be crucial for meeting rising demand. Geographically, 22 per cent of the expected investment in critical minerals in the coming years will likely be in Central and South America, while investment in Africa is projected to account for only 11 per cent of the total (see figure II.15).

To meet projected demand, between $90 billion and $210 billion is needed for the processing segment during the period 2022–2030, yet

Figure II.15

Expected investment in critical minerals, 2022–2030



Source: UN DESA, based on data from IEA (2023b).
Notes: The figure shows expected investments in four critical minerals (lithium, nickel, copper, and cobalt). Country groupings differ from the *World Economic Situation and Prospects 2025* groupings.

$70 billion to $160 billion in investment is expected (Bernal, Husar and Bracht, 2023). It is projected that approximately 70 per cent of the anticipated investment will be in China, with about 15 per cent going to other countries in the Asia-Pacific region. Among the critical minerals, polysilicon is the only material for which current investment plans align with the projected increase in demand needed to meet net-zero emissions targets, while nickel requires the most substantial additional investment (IEA, 2023b). In order to reach the necessary capacity by 2030, the average annual investment required for the mining and production of critical minerals and for the manufacturing of clean technologies is nearly four times the investment levels recorded between 2016 and 2021 (see figure II.16).

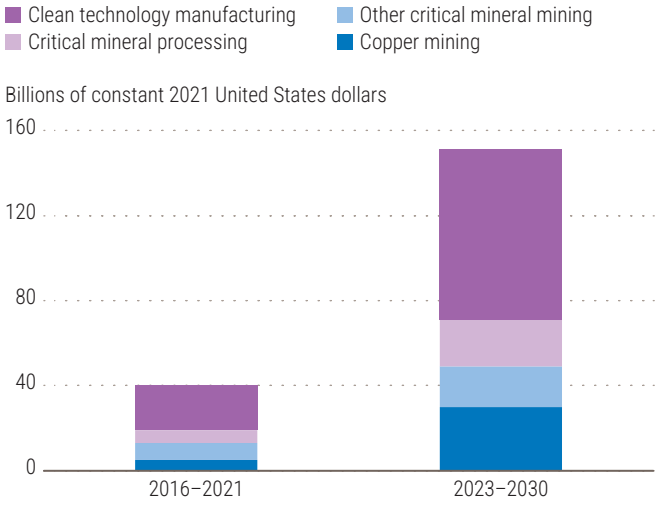
What is deterring investment in critical minerals?

Despite the significant projected rise in demand for critical minerals, investment levels remain subdued. Several factors contribute to this. First, mining firms face volatile valuations, and projects require substantial up-front capital for exploration, feasibility studies, and infrastructure. Timelines from exploration to production can be lengthy—often extending beyond a decade—because of regulatory approval requirements, environmental assessments, and construction phases. This protracted process exposes projects to market fluctuations and regulatory changes. The lead time for mines is trending upward, averaging 17.9 years for those that began operations between 2020 and 2023, compared to 12.7 years for mines that started operations in 2005 (S&P Global Market Intelligence, 2024). Key reasons for this include longer exploration, permitting, and studies phases, as well as prolonged timelines for securing financing and obtaining construction permits. Second, mining firms, especially those in developing economies, often struggle to access capital markets due to political uncertainty and instability, weaker legal frameworks, and higher country risks. Shifts such as changes in mining laws or sudden tax increases can undermine financial viability and limit the ability of firms to secure financing on favourable terms (IEA, 2023b). Third, there is significant technological uncertainty; existing technologies used for the exploration, extraction or processing of critical minerals

could be rendered obsolete if new technologies reduce or eliminate the need for them. The potential emergence of substitutes, more cost-efficient end-use, and alternative technologies for renewables could all introduce additional uncertainty and the risk of stranded assets for some minerals. Advances in battery technology, including the development of sodium-based or low-cobalt alternatives, could drastically change the demand for certain minerals (Majkut and others, 2023), as has already occurred in the past decade (Van de Graaf and others, 2023). Finally, high price volatility remains a major deterrent, as drastic price swings create an unstable market, making it difficult for mining companies to secure financing and plan long-term projects. As discussed in the first section, many critical minerals tend to experience a greater price volatility than do base metals.

Figure II.16

Average annual investment needs for critical minerals and the manufacturing of clean energy technologies



Source: IEA (2023b).
Notes: "Other critical mineral mining" refers to the mining of bauxite, lithium, neodymium oxide, nickel, and cobalt. "Critical mineral processing" refers to the production of materials from these critical minerals. "Clean technology manufacturing" refers to the final stage of creating and installing products such as heat pumps, batteries, and solar cells.

Industrial policy to maximize the benefits of critical minerals

Technology access remains a challenge

Innovations in mining technology improve the efficiency of extraction and production processes and minimize environmental impacts. They can also promote value addition and foster backward and forward linkages. Over the past two decades there has been a surge in technological advancements (Clifford and others, 2018).[19] More patent applications for mining-related inventions were submitted between 2017 and 2021 than during the period 1970–2000 (Daly and others, 2022). Large multinational firms are the primary drivers of mining innovation, accounting for about 60 per cent of patent requests (Casella and Formenti, 2022).[20]

Resource-rich developing economies must improve their access to key technologies—across all phases of mining—by attracting multinational firms with advanced expertise and capabilities and promoting the transfer of these technologies to domestic firms. At the same time, it is crucial to strengthen local innovation ecosystems to enable domestic firms to adapt these technologies to local contexts, develop their own targeted technologies, and participate in domestic technology networking and exchange. However, these countries cannot achieve this alone. Given that such technologies directly or indirectly impact the transition to renewables and net-zero goals, international action is needed to facilitate access to technology on affordable terms for developing nations.

For exploration, countries need to increase their reliance on geological survey technologies such as satellite imaging, drone-based surveying, and 3D geological modelling to help them identify

19 Technological progress has been crucial for the exploitation of new mines in complex scenarios, including lower ore grades, extreme weather conditions, deeper deposits, harder rock mass, and high-stress environments (Sánchez and Hartlieb, 2020).
20 Australia, Canada, China, Europe, Japan, and the United States account for the largest share of global mining innovations, as evidenced by R&D investments and the number of mining technologies reflected in patent data (Daly and others, 2022).

deposits more quickly and effectively (Iizuka, Pietrobelli and Vargas, 2022). For extraction, greater access to automation and robotics—including automated drilling, blasting, and haulage systems—is essential. The use of in-situ leaching, heap leaching, and bioleaching techniques enables the selective dissolution of minerals without extensive surface excavation, reducing the environmental impact and energy consumption. Digitalization and data analytics can improve decision-making by enabling the real-time monitoring and optimization of mining operations, reducing costs and enhancing productivity.

Countries need to strengthen hydrometallurgical and pyrometallurgical capacities to expand processing and refining. This is vital for processing lower-grade ores and improving mineral recovery rates, especially as ore quality declines globally. Advanced metallurgical technologies and recycling methods can produce higher-purity metals while also promoting sustainable practices by minimizing waste and reducing energy consumption. Innovations in automation, such as remote-controlled equipment and real-time monitoring, optimize refining processes, reduce labour costs, and improve safety. However, adopting these technologies requires significant investment, particularly in machinery, equipment acquisition, and workforce training (Blundi and others, 2022).

Against this backdrop, strategic industrial policies are crucial for enhancing access to, and the development of, relevant new technologies that can help strengthen and expand the critical minerals sector.[21] These policies can play a key role in attracting foreign investments and financing for new projects, fostering technology transfers and innovation, and building technological capacities (Cimoli, Dosi and Stiglitz, 2009). In countries such as Canada and Australia, innovation policies have played a major role in the acquisition and absorption of technological innovations and have helped foster diversification and strengthen local capabilities in the mining industry (Daly and others, 2022; Anzolin and Pietrobelli, 2021). At the same time, the Chilean experience with copper exemplifies the limitations of relying solely on market forces to advance downstream activities and promote forward and backward linkages (Lebdioui, 2020). Despite being one of the world's largest copper producers, Chile has struggled to move beyond extraction into higher-value activities, underscoring the need for a more active policy approach.

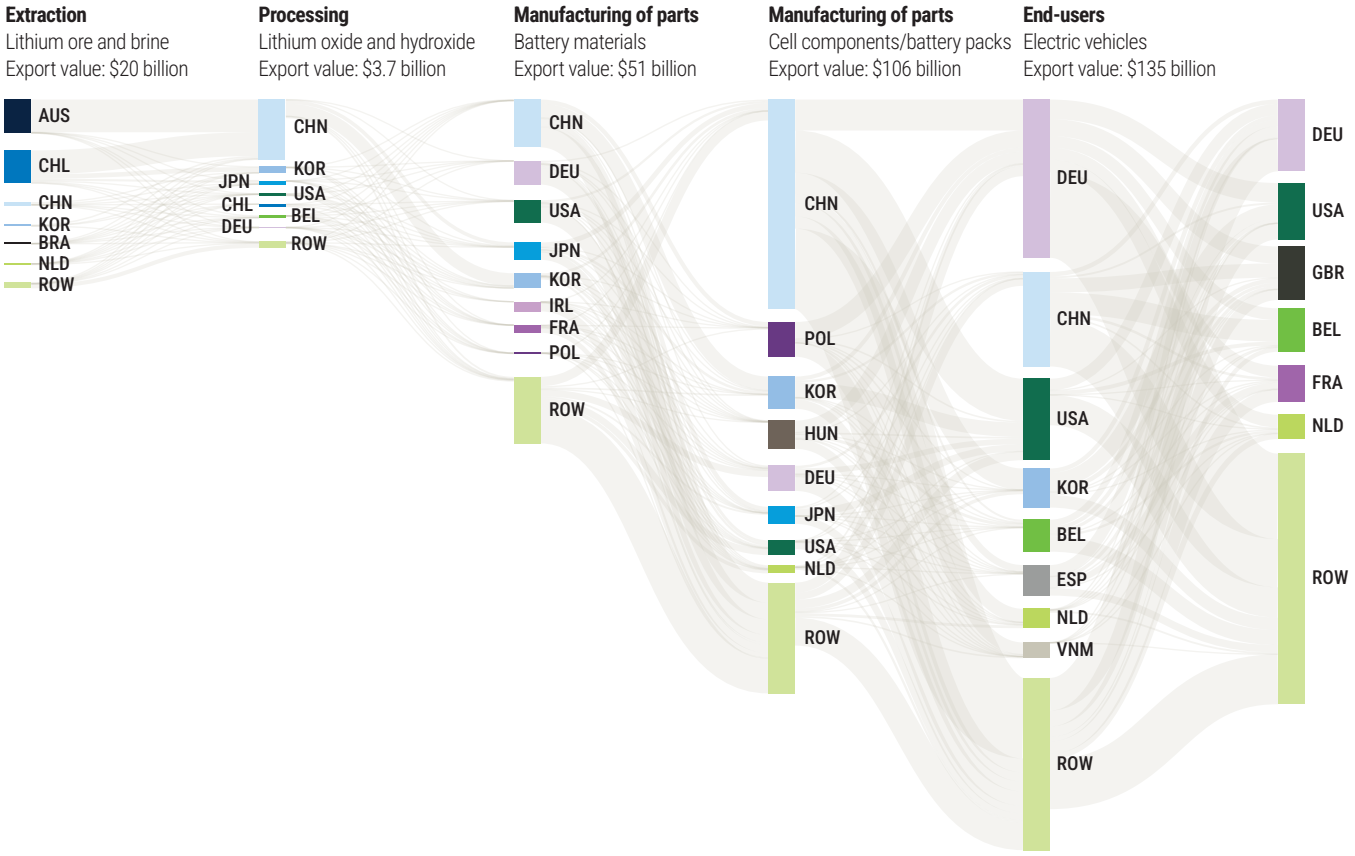
Policymakers have a range of industrial and innovation policy tools at their disposal, including tax incentives, subsidies, export restrictions, local content requirements, supplier development programmes, research and development (R&D) support, public-private partnerships, and labour market and skills development initiatives. A crucial question for countries is deciding which diversification strategy to pursue. Opportunities for upstream diversification through backward linkages may exist in the mining equipment, technology, and services sector; midstream opportunities—centring around the smelting, refining, and production of intermediate products—can be explored; and for a few countries, downstream activities might include the production of components for renewable energy, electronics, high-tech manufacturing, or electric vehicles.

These opportunities can entail product and process upgrading in the same stage of the value chain, upgrading to a higher value-added position in the value chain (intra-chain upgrading), or moving into a different value-chain (inter-chain upgrading) (Gereffi and others, 2001). Figure II.17 illustrates the total value of exports for the lithium-ion battery value chain (inter-chain upgrading).

21 Industrial policies are aimed at changing the structure or sectoral composition of the economy in line with strategic and medium-term goals such as export diversification, technology upgrading, and industrialization. These policies address a broad range of industrial development priorities, including support for infant industries, trade and foreign direct investment, intellectual property rights, public procurement, the allocation of financial resources, and science, technology and innovation.

Figure II.17

Total value of exports for the lithium-ion battery/EV value chain, by country, 2022



Source: UN DESA, based on data from the United Nations Comtrade database.
Notes: The country codes used are consistent with the International Standards Organization (ISO) alpha-3 codes, which are listed in Annex Table I in the country classifications section of the statistical annex. ROW = Rest of the world. The left side of the bars reflects the value of imports, while the right side reflects the value of exports; the two values may not be equal, as countries may import materials for domestic use or use domestic materials for exports.

Resource-rich developing economies face unique and multifaceted challenges in accessing advanced technologies. Addressing these challenges requires coordinated efforts to build local capacity, stimulate innovation, and create an environment conducive to attracting both public and private investments. This calls for well-designed industrial and innovation policies aligned with each country's specific diversification objectives. To provide a better understanding of these dynamics, the next section provides an overview of the current policy landscape, as many economies are increasingly adopting industrial and innovation policies to optimize the benefits of their critical minerals resources.

A proactive but heterogeneous policy landscape

Saddled with weak innovation ecosystems, most developing economies have implemented mining innovation policies that are narrow in scope and scale (Pamplona and Penha, 2019; Lebdioui, 2019). Moreover, as evidenced in Argentina, Brazil, and Peru, there has been a lack of sufficient incentives for domestic firms to acquire technology and build supplier capabilities (Pietrobelli and others, 2024). Consequently, it is not surprising that upgrading within value chains has been challenging for domestic suppliers, with innovative opportunities being seized by only a small number of firms, including some in Latin America (Iizuka, Pietrobelli and Vargas,

2022). In recent years, however, some developing economies—such as Brazil, Chile and South Africa—have gradually begun scaling up mining innovation policies.[22]

The experiences of some developed economies illustrate the broader scale and scope of their policy approaches. In Australia, for example, the Government has played a key role in promoting innovation and strengthening the capabilities of domestic suppliers through long-term initiatives and local content policies (Amburle and others, 2022). This has included a mix of employment and sourcing policy instruments, together with initiatives supporting technology transfers, R&D investments, and supplier development (Anzolin and Pietrobelli, 2021). Currently, the strategy prioritizes promoting forward linkages by attracting leading multinational firms, providing low-interest loans to mining and processing firms, and supporting the transfer of technology to engage in the production of intermediate and final products in the lithium-ion battery chain (Poveda Bonilla, 2021).

To enhance value addition and promote downstream activities, policymakers in a growing number of developing countries have implemented export restrictions and local content policies. In 2014, Indonesia introduced an export ban on nickel ore along with a local-content clause for firms investing in smelters. This export ban complemented a broader collaboration between China and Indonesia that included financing, project facilitation, and the establishment of special industrial zones. Since 2020, this strategy has resulted in significant investment in pyrometallurgy and hydrometallurgy smelters, which has, in turn, led to a surge in stainless steel exports from Indonesia (see figure II.18) (Tritto, 2023).[23]

The current strategy in Indonesia—supported by tax incentives, import-duty exemptions, infrastructure development, and R&D subsidies—is aimed at developing the entire EV supply chain, from precursor materials to battery cells, battery packs, and electric vehicles. In recent years, over $20 billion in investments have been made by EV battery producers in various industrial parks. As a result, Indonesia has become the world's largest nickel producer, with nickel-related export revenues increasing from $1 billion in 2015 to $20.9 billion in 2021 (Tritto, 2023). The Democratic Republic of the Congo, Ghana, Malaysia, and Namibia have recently implemented similar export bans on several critical minerals, aiming to increase local value added through the processing and refining of these minerals.

Some countries have set up special economic zones to promote productive linkages and benefit from economies of scale. The Democratic Republic of the Congo and Zambia have established special economic zones offering tax breaks and other incentives for the production of sulphates and battery precursors, creating opportunities for foreign investors. However, the two countries have pursued different strategies for their copper sectors. Zambia has focused primarily on extraction rather than refining due to infrastructure gaps and the lack of policy incentives. In contrast, the Democratic Republic of the Congo has implemented explicit policies, including export bans, to promote local value addition. Consequently, refined copper accounts for about 83 per cent of the total copper exports from the Democratic Republic of the Congo, compared with only 26 per cent from Zambia.

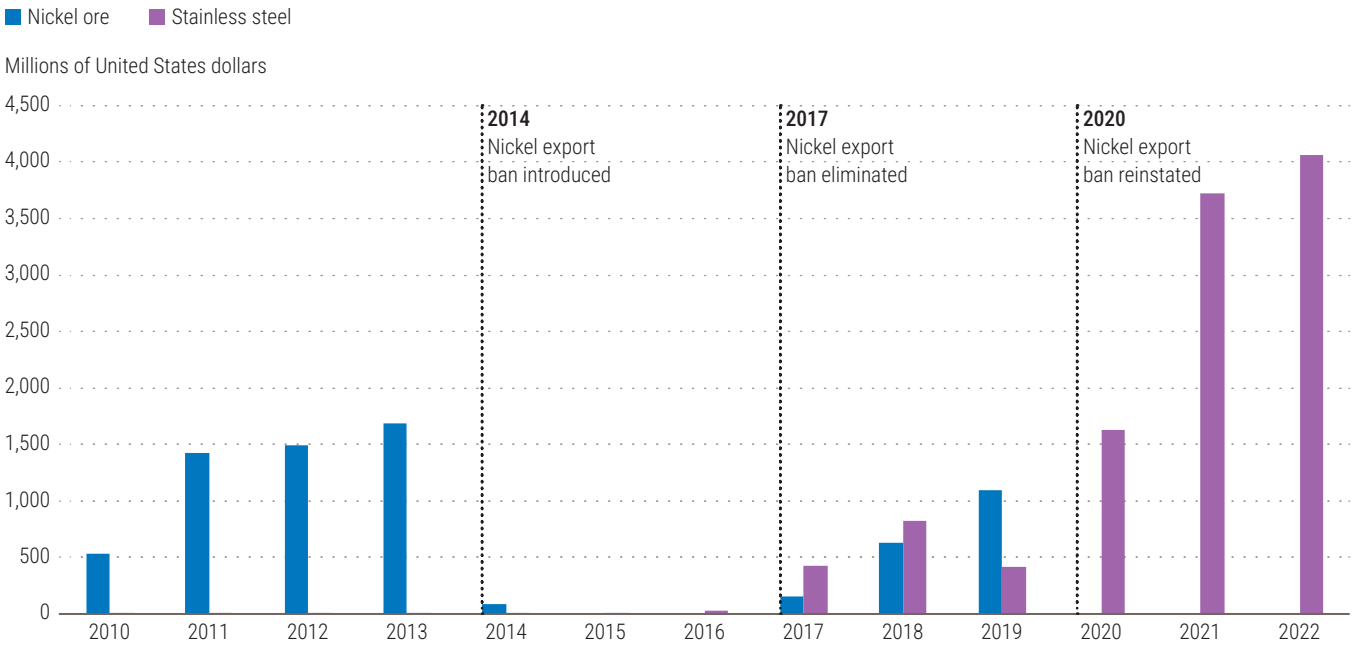
Argentina, the Plurinational State of Bolivia, and Chile—the countries that make up the "lithium triangle"—are pursuing different strategies for lithium development. Chile prioritizes the role of the State, employing a flexible approach to maximize State benefits. Lithium deposits are owned by the State, and the National Lithium

22 Several initiatives in South Africa are promoting technology transfer, R&D investment, and mining innovation. In Brazil, the Science, Technology, and Innovation Action Plan for Strategic Minerals sets out concrete actions to promote R&D investment. In Chile, there has been increased recognition of the need for more active mining policies in recent years, leading to a more proactive policy approach.

23 After the nickel export ban was imposed, the European Union initiated a WTO dispute against Indonesia. In 2022, the European Union won the dispute and imposed anti-dumping and anti-subsidies duties on Indonesian steel. In 2023, Indonesia filed a WTO case against these duties.

Figure II.18

Indonesian exports of nickel ore and stainless steel



Source: UN DESA, with data compiled by its Statistics Division.

Strategy mandates that the exploitation of larger and more strategic salt flats be led by public-private partnerships, with the State holding a majority stake. For medium- and small-sized salt flats, operations can be led by either State enterprises or private firms. In contrast, the Plurinational State of Bolivia emphasizes strong State control across the entire value chain. The high level of State involvement, along with infrastructure deficiencies and geological challenges, has hindered lithium extraction in the country in recent years. However, a new joint venture between State-owned Yacimientos de Litio Bolivianos and Chinese battery manufacturer Contemporary Amperex Technology Co., Limited, plans to invest $1.4 billion in two lithium processing plants to kickstart the production of battery-grade lithium (see figure II.19).

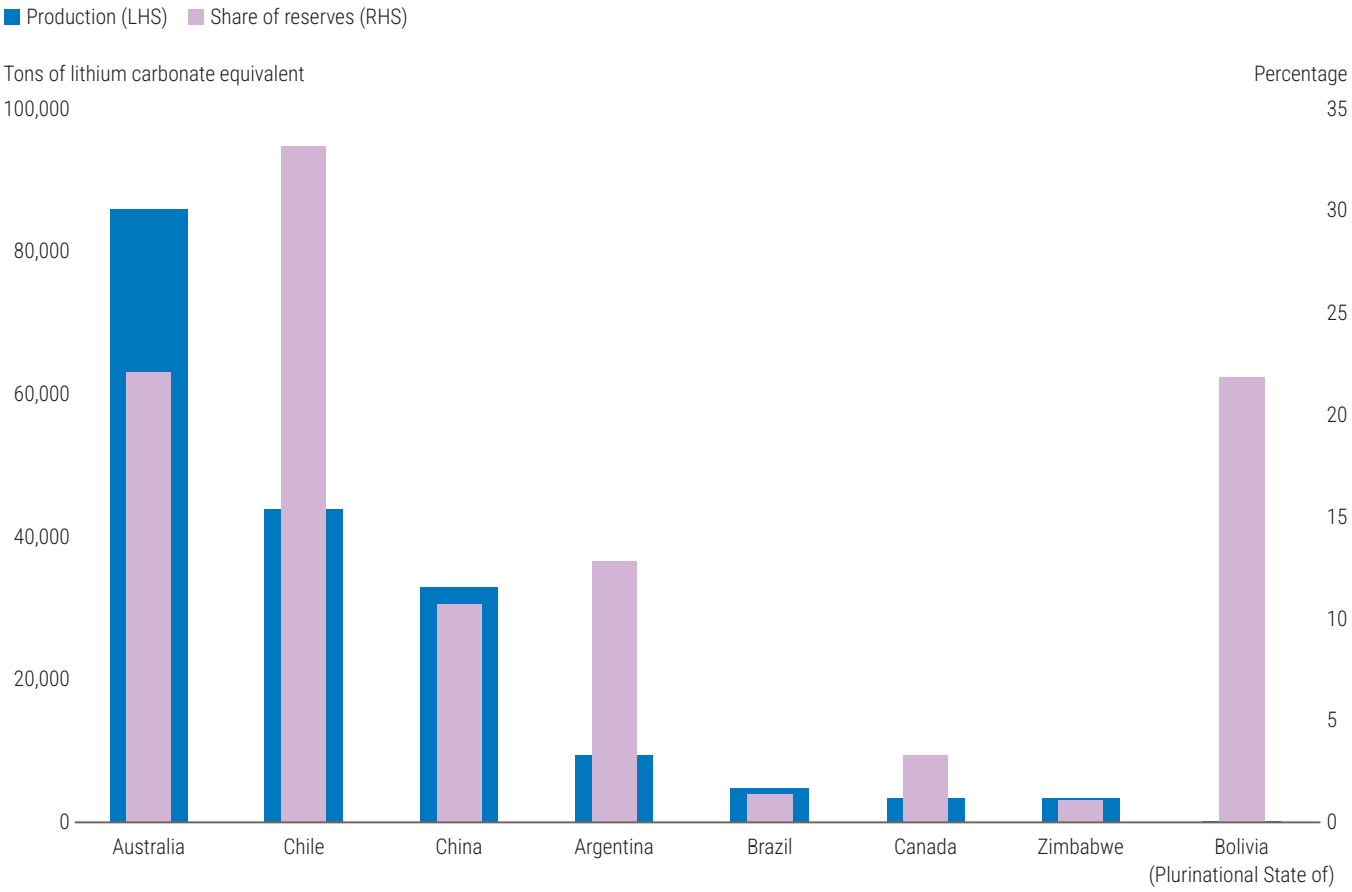
Under the federal system in Argentina, national and provincial governments share regulatory responsibilities, while private firms lead lithium operations. In recent decades, mining regulations have been inconsistent, however, oscillating between investment-friendly and more restrictive regimes. In 2024, Argentina introduced the Large Investment Incentive Regime, a new policy framework designed to further attract foreign and domestic investment. This regime offers generous long-term guarantees and incentives such as tax reductions, exemptions from export withholdings, and no import duties on capital goods, as well as other benefits. While these measures are expected to attract substantial investments, the absence of policies to foster productive linkages may hinder the development of local productive capacities (Obaya, Freytes and Delbuono, 2024). Additionally, there are significant concerns about the potential impacts on fiscal revenues (Freytes, 2024).

There is no one-size-fits-all

Developing economies with reserves of critical minerals face the challenge of designing and implementing a coherent set of industrial and innovation policies. Industrial and innovation policy experimentation in recent decades,

Figure II.19

Lithium production and the share of global reserves among major producers, 2023



Source: UN DESA, based on data from United States Geological Survey (2024).
Notes: LHS = left-hand scale; RHS = right-hand scale. "Share of resources" is used instead of "share of reserves" for the Plurinational State of Bolivia only.

characterized by both successes and setbacks, has underscored several conditions that are necessary—but not sufficient—for accelerating diversification and structural transformation and promoting economic growth. These conditions also apply to industrial and innovation policy packages for critical minerals.

First, effective industrial and innovation policy packages require political and macroeconomic stability, sustained political commitment, and adequate long-term financing. Macroeconomic and political stability, in particular, are crucial for attracting investment in critical minerals from multinational firms. Experiences in Africa and Latin America demonstrate that a lack of consistent political support can significantly undermine the effectiveness of these policies (Peres and Primi, 2019). Therefore, it is crucial to align the typically short duration of political cycles with the longer time frames needed for the successful implementation of industrial and innovation policies for the development of critical minerals. Second, the impact of individual policy measures often depends on their interaction with other measures, so policy coherence is crucial (Andreoni, 2024; Anzolin and Pietrobelli, 2021). For example, Indonesia has advanced downstream activities in the EV value chain by implementing an export ban on nickel ore alongside measures such as infrastructure development, R&D subsidies, and the creation of special industrial zones. Third, the effectiveness of policy measures can be enhanced by applying targeted incentives and conditionalities set as eligibility criteria (ex ante) or performance

standards (ex post). In the South African mining sector, for example, the Mining Charter imposes specific conditions related to local ownership, employment, and procurement (South Africa, Department of Mineral Resources, 2018).

Beyond these general conditions, various domestic and international factors influence not only the types of diversification strategies that economies can pursue but also the formulation of their policies. This underscores that there is no one-size-fits-all approach; each country must carefully design its policy package in alignment with its unique circumstances, institutional capacities, and economic and geopolitical priorities. Ultimately, the industrial and innovation policy approach should be integrated into a comprehensive national policy strategy that encompasses economic, environmental, and social dimensions.

Many developing economies play a significant role in the production of critical minerals, particularly in Africa (see figure II.20). Proximity to major consumer markets or automotive industry hubs can further strengthen the competitive position of specific nodes within the value chain by lowering transportation costs. Additionally, the availability of essential infrastructure—such as transport, energy, water, and digital networks—is a major logistical advantage. For many countries, especially those with least developed status, basic infrastructure is an essential step towards capitalizing on their critical minerals.[24] For countries looking to expand into processing activities, the demands on energy infrastructure capacity and reliability are especially significant. Likewise, strong technological capabilities, including a skilled workforce, are essential for those prioritizing downstream activities.

In many developing countries, market concentration and market power—reflected in the production concentration index—are well above the threshold for "highly concentrated" industries (see figure II.21) (United States Department of Justice and FTC, 2023), making it difficult for junior and local mining companies to access relevant technologies. As mentioned in the previous section, automakers and EV battery manufacturers are also increasingly adopting vertical integration strategies, and companies are expanding their operations into battery cell production and in some cases into mining (Ciulla and others, 2021).[25]

Meanwhile, green policies from major developed economies, along with existing and new international trade, investment, and cooperation agreements, create a challenging policy landscape.[26] For developing economies, the priority is to secure market access for their products while attracting capital and technologies and retaining policy flexibility. In practice, however, this is often complicated by asymmetric negotiating power. Thus, new trade, investment, and cooperation agreements may not fully align with the development needs of these economies.

In addition, free trade agreements (FTAs) between developed and developing economies often show a disparity in enforceability. For example, in FTAs between the European Union and developing countries, chapters on energy and raw materials typically include binding provisions to ensure access to raw materials, while commitments related to sustainability and industrial policy in resource-rich countries are often less enforceable (van der Ven, Sasmal and Torres, 2023). A notable exception is the Advanced Framework Agreement between the European Union and Chile, which

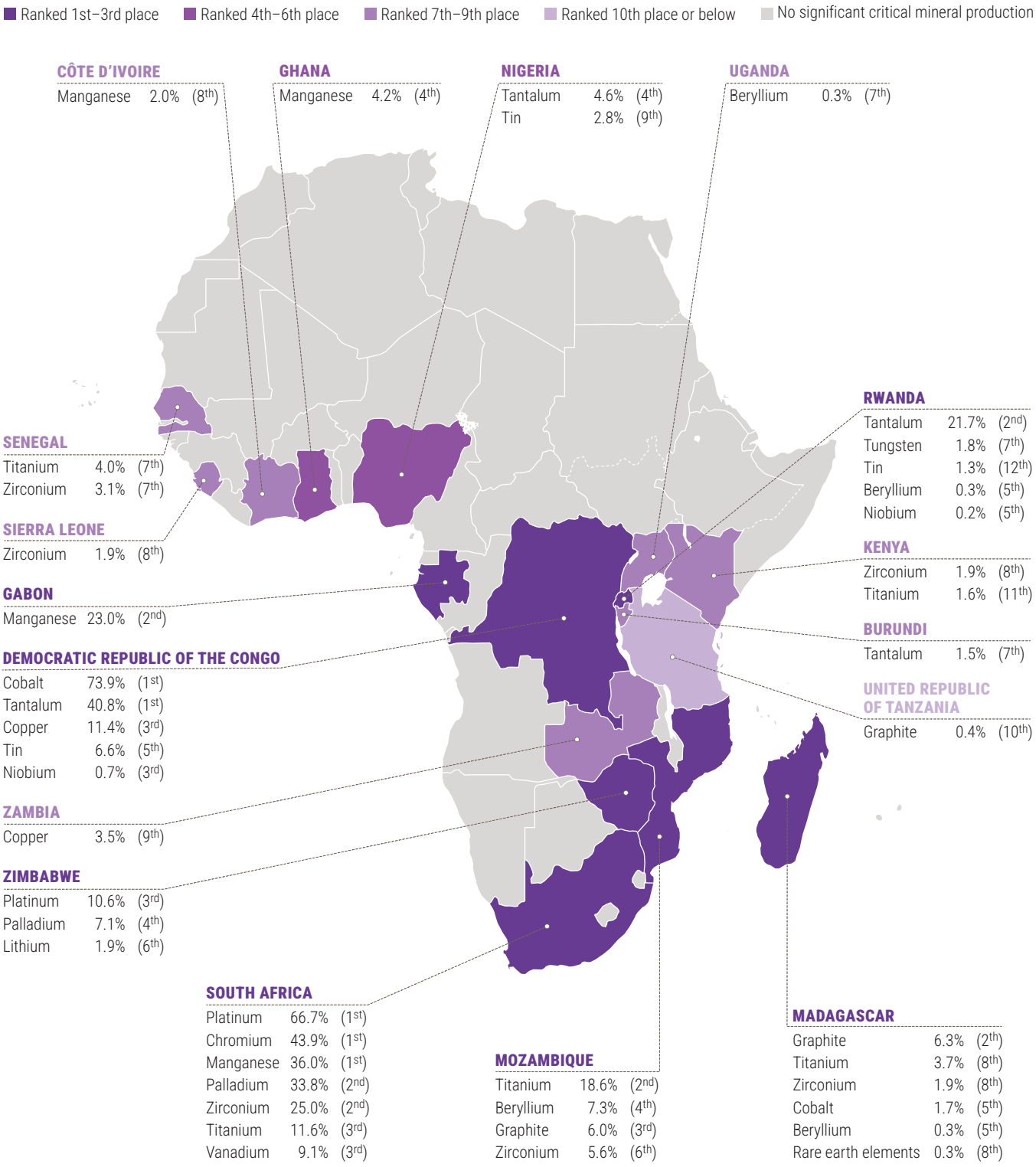
24 The Lobito Corridor is a major trade and transport route in southern Africa that connects the Democratic Republic of the Congo and Zambia to the Atlantic Ocean via the Angolan port of Lobito. This Corridor integrates road, rail, and port infrastructure and will facilitate exports from the Copperbelt region.

25 Additionally, studies in Latin America indicate that contractual practices and the hierarchical organization within the mining sector hinder the ability of domestic suppliers to upgrade within global value chains (Pietrobelli and others, 2024). Thus, there is an opportunity to promote greater transparency in supply opportunities and encourage the broader participation of local firms in procurement processes.

26 For example, the European Union Carbon Border Adjustment Mechanism imposes a carbon price on imports from countries with less stringent climate policies. The Mechanism is in a transitional phase (2023–2026), and only selected industries (iron and steel, aluminium, fertilizers, and hydrogen products, among others) are subject to the tariff. Lebdioui (2024) asserts that the Carbon Border Adjustment Mechanism could effectively act as an import restriction, violating provisions under the General Agreement on Tariffs and Trade, and impose significant costs for developing economies (Aggad and Luke, 2023).

Figure II.20

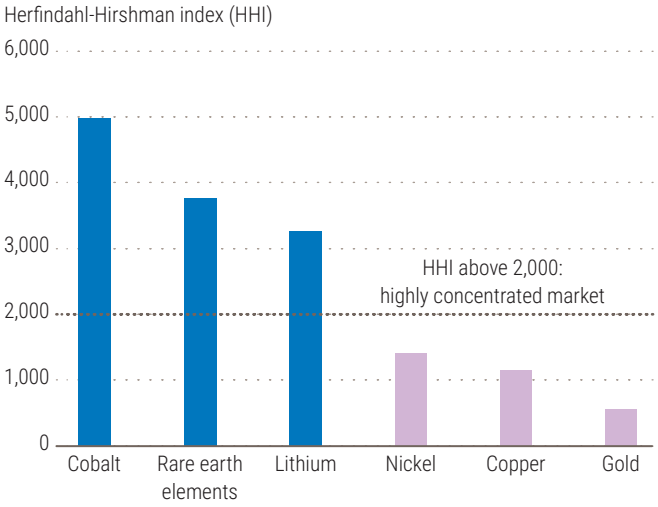
Global share and ranking of critical mineral production in African countries



Source: UN DESA, based on data from United States Geological Survey (2024).
Notes: The boundaries and names shown, and the designations used, on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Countries with the same share of production share the same ranking.

Figure II.21

Production concentration index of selected minerals, 2020



Source: Castillo, del Real and Roa (2024).
Note: The HHI is calculated by squaring the market share of each firm in the market and then summing the resulting numbers.

protects the industrial policy space in the latter. It includes an exemption from dual pricing prohibitions, allowing Chile to sell lithium at preferential prices to domestic companies for refining, supporting local value addition. However, a preliminary assessment suggests these conditions may be overly restrictive and could even limit future policy flexibility (van der Ven, Sasmal and Torres, 2023).

Despite these challenges, a number of developing countries are benefiting as firms tend to invest in or relocate operations to take advantage of major policy shifts in developed economies. Mexico, for example, is well positioned to capture a significant share of new investment spurred by the United States Inflation Reduction Act due to its proximity to, and FTA with, the United States. Additionally, the United States and Chile have confirmed that Chilean-mined lithium will qualify for United States tax breaks under the Act. Overall, in the year following the passage of the Inflation Reduction Act, countries that had a free trade agreement with the United States saw greenfield FDI inflows into energy transition mineral value chains increase tenfold on average, compared with a fivefold increase in non-FTA countries (Castro and Brucal, 2024).

Ambitious yet pragmatic industrial policy measures

There are opportunities for developing countries to leverage their resource endowments, which are the strategic advantages they possess in terms of reserves of critical minerals, geographic location, or technological capabilities. The leverage a country has shapes its ability to negotiate with other Governments and leading mining firms, directly affecting the efficacy and effectiveness of its industrial policy initiatives. The success of the nickel export ban and the failure of the bauxite export ban in Indonesia illustrate how leverage—rooted in the scale of mineral reserves—can influence policy outcomes. However, having substantial reserves alone is not sufficient. The Democratic Republic of the Congo, which accounts for over 60 per cent of global cobalt ore extraction, has been less successful in leveraging its critical resource endowment due to continuing political instability, weak governance, and inadequate infrastructure. The country's mining practices, such as the widely reported use of child labour (ILO, 2019), are also among the factors hindering its ability to attract substantial investment in refining and other high-value activities.

Adequate institutional capacity is also crucial for designing and implementing effective industrial policy measures. Strong institutions are essential for integrating various policy measures, ensuring that they are cohesive and well coordinated. Preventing corruption and political capture is vital for ensuring the success of these policies and maintaining their credibility. The institutional framework in Botswana, for example, was critical to the development of refining and processing in the diamond industry (Besada and O'Bright, 2018). Key institutions such as the Diamond Trading Company Botswana and the Diamond Office were established

to oversee diamond sorting, valuation, and marketing, while the Diamond Technology Park provided essential infrastructure. The Government also implemented a favourable governance framework, ensuring a stable supply of rough diamonds and offering tax incentives to attract foreign investment. Public-private partnerships played a crucial role in facilitating technology transfer and capacity-building within the industry.

Institutional capacity is particularly important when implementing local content policies.[27] These policies have been widely applied in the mining sector in countries such as Botswana, Ghana, South Africa, and Zambia. However, their effectiveness in promoting downstream activities can depend on additional factors. Recent research indicates that local content policies are more effective when complemented by measures supporting domestic supplier capabilities (Anzolin and Pietrobelli, 2021). Without these additional measures, such policies can end up being unsuccessful or even unproductive if they set broad or overly ambitious quotas (Lebdioui, 2019).

Strategic leverage and robust institutional capacity can create major opportunities for countries with substantial reserves and untapped potential, including Brazil (rare earth elements), India (rare earth elements), Mexico (copper), United Republic of Tanzania (graphite), and Viet Nam (bauxite). At the same time, well-designed industrial and innovation policies can encourage processing and refining activities in countries already engaged in critical minerals extraction. In certain cases, strong competitive leverage and effective institutional capacity can enable countries to adopt ambitious policies to increase downstream activities, particularly in medium- and high-technology industries. Morocco, for instance, is well positioned to enter the solar panel manufacturing value chain due to its abundant mineral resources (such as phosphate and cobalt), technological expertise, and robust regulatory frameworks (Andreoni and Avenyo, 2023). Capitalizing on these opportunities and implementing effective industrial policies is nevertheless a challenging task for many developing economies.

Leveraging financing instruments to promote investment in critical minerals

Bridging projected gaps in critical minerals investment requires a comprehensive industrial policy approach that includes creating a stable regulatory environment, improving infrastructure, and enhancing transparency and governance. Governments also need to provide targeted incentives to attract both domestic and foreign capital. Additionally, innovative private financing tools can mobilize private sector resources for mining projects.

Government incentives as an investment promotion tool

It is essential for resource-rich economies to create an attractive investment environment to mobilize private capital in support of the mining and processing of critical minerals, including the acquisition of technological innovations that can enhance efficiency, reduce environmental impact, and support the development of new methods for resource extraction and refinement.

Fiscal incentives can include income tax holidays and tax breaks, accelerated depreciation, investment allowances, tax credits, and reduced royalties (see table II.5). Tax stabilization and income tax incentives are the most utilized in mining and concession contracts (IGF, 2019). The use of these tax measures increased during the commodity price crash of 2014–2016 and remains prevalent in many developing countries supporting their critical minerals industries,

27 Local content policies require that a certain share of goods, services, labour, or capital be sourced domestically. The requirements can relate to local procurement, employment and training, technology transfer, domestic ownership, or other priorities (Korinek and Ramdoo, 2017). Local content policies are increasingly restricted by WTO agreements.

Table II.5

Tax incentives for mining

Instruments	Tax incentives	Selected country examples
Taxes	▪ Income tax holidays/tax breaks ▪ Accelerated depreciation ▪ Investment allowance/tax credits ▪ Longer loss carry forward periods ▪ Withholding tax relief on interest expense dividends and service charges such as management fees	▪ **Income tax holidays and breaks:** Argentina, Democratic Republic of the Congo, Senegal, Zambia ▪ **Longer loss carry forward:** Philippines, Zambia ▪ **Accelerated depreciation:** Chile, Peru, South Africa, Zambia
Royalties	▪ Reduced royalties ▪ Royalty holidays ▪ Sliding-scale royalties	▪ **Reduced royalties:** India, Indonesia, Namibia ▪ **Sliding-scale royalties:** Chile, Zambia
Tariffs	▪ Import duty relief	▪ **Import duty relief:** Argentina, Indonesia, India, Mozambique, Peru, Sierra Leone
Others	▪ Stabilization of fiscal terms ▪ Reduction of property taxes ▪ Reduction of value-added taxes	▪ **Tax stability clause:** Argentina, Chile, Ghana, Mongolia, Peru, Senegal

Source: UN DESA, based on IGF (2019) and official sources.
Note: The examples presented are not intended to be exhaustive but are provided to illustrate specific cases.

particularly where economic and political risks are high. Meanwhile, only a few economies offer investment allowances and tax credits, even though cost-based incentives are generally more targeted and easier to monitor than profit-based incentives (such as tax holidays) (IGF, 2019).[28]

The effectiveness of using tax incentives to promote the advancement of critical minerals development is open to debate, and countries need to be cautious in implementing them and ensure that they are well targeted. Tax incentives may prove ineffective in an unattractive investment environment marked by political instability, inadequate infrastructure, and higher business costs (Forstater, 2017). In addition, fiscal incentives and long-term stability provisions can decrease fiscal revenues, encourage profit-shifting, and hinder the ability of countries to mobilize domestic resources, particularly if fiscal incentives are overly generous (Albertin and others, 2021; Beer and Loeprick, 2018). It has been estimated that economies in sub-Saharan Africa lose between $470 million and $730 million per year in corporate income tax through tax avoidance by mining multinationals (Albertin and others, 2021). Eliminating aggressive tax avoidance practices, a key factor behind illicit financial flows, will require robust global cooperation. International tax cooperation efforts, such as those undertaken within the framework of the OECD/G20 base erosion and profit shifting project, offer valuable insights and guidance for advancing this goal. A recent World Bank survey has found that tax incentives are less important than other factors—such as macroeconomic and political stability, infrastructure, and labour skills—in attracting mining investments (Bogoev, 2018).[29]

Governments can also use financial incentives such as grants, subsidies, preferential loans, loan guarantees, and debt guarantees to lower financing costs and attract private capital to support their industries. Low-cost loans and loan guarantees can be effective for financing projects that struggle to secure funds from

28 Profit-based incentives reduce the tax burden linked to the profitability of firms, usually through tax reductions such as lowered corporate income tax or income tax holidays. By contrast, cost-based incentives reduce the tax burden linked to incurred costs. These incentives are designed to lower the effective cost of capital and operational expenses, and they typically come as deductions, credits, or allowances.

29 More general studies on the use of fiscal incentives for stimulating FDI (such as Klemm and Van Parys, 2009) show rather limited impacts, particularly in developing countries.

commercial lenders (IEA, 2023b). Guarantees, in particular, can significantly reduce investor risk by signalling the commitment of a Government to a project's success. However, guarantees are expensive and carry potential downsides. Guarantees can increase the financial burden on the State if a project fails, and they may create moral hazard problems, encouraging investors to take on higher risks with the expectation of a government bailout. With careful planning, however, financial incentives can be effective. The Government of Indonesia has offered preferential loans, investment allowances, and infrastructure subsidies, together with tax incentives, to promote downstream processing and EV battery manufacturing. This support extends to infrastructure development in designated economic zones such as the Morowali Industrial Park.

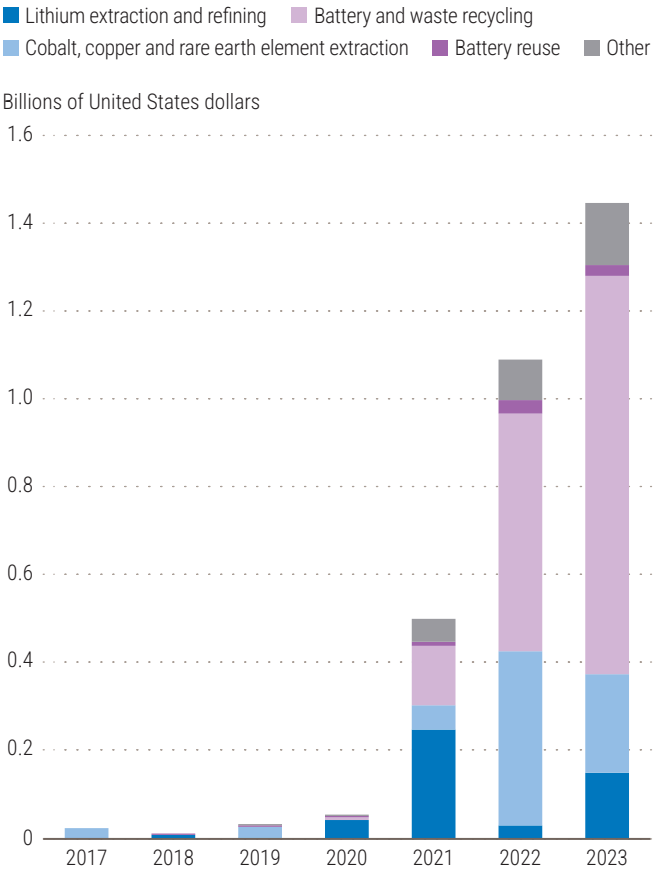
Private financing tools

While venture capital firms have historically steered clear of the mining sector, their engagement in critical minerals is gradually gaining momentum amid new innovations, growing demand, and increased policy support. For example, the Inflation Reduction Act and the CHIPS Act[30] in the United States are encouraging venture capital investment in critical minerals, particularly in battery manufacturing, EVs, and renewable energy technologies (Kessler, 2022). The Inflation Reduction Act allows mining companies to access tax credits aimed at boosting the production of lithium-ion batteries, solar panels, and other clean energy components (Groom and Scheyder, 2024), so raw materials and extraction costs are eligible for tax benefits under the Act. In addition, automakers and many other firms in the private sector are providing funding to start-ups to gain a stake in the development of new technologies. Hence, venture capital investment in critical minerals development has surged in recent years, reaching $1.4 billion in 2023 (see figure II.22). Battery and waste recycling are attracting the largest share of venture capital investment.

The sustainable finance market is another emerging source of capital for sustainable development.[31] In particular, the use of sustainability-themed capital market products that align financing strategies with ESG commitments is a promising area for attracting private capital. A potential downside, however,

Figure II.22

Venture capital investment in critical mineral start-ups



Source: UN DESA, based on IEA (2024).
Note: Early- and growth-stage venture capital investment into critical mineral start-ups is covered.

30 CHIPS is an acronym for "creating helpful incentives to produce semiconductors".
31 Sustainability-themed capital market products include green loans, sustainability-linked loans, green bonds, social bonds, sustainability bonds, and sustainability-linked bonds. The term "green" is used for financial assets that are committed to environmental and climate-related projects. Sustainability-linked capital market products often target projects that fit into a broader definition of sustainable development (Baines and Speight, 2020).

is that these products are often subject to scepticism. Upstream mining and processing activities are known for their negative social and environmental consequences. In addition, investors might worry about greenwashing, the lack of standardization and transparency in ESG compliance, and limited impact evidence, even when these products offer a risk/return profile comparable to that of other investment opportunities.

As competition in the critical minerals market and geopolitical uncertainties intensify, many industrial investors are showing more interest in investing in upstream projects. Original equipment manufacturers, battery manufacturers, and even automakers are establishing procurement agreements with extractors and processors. Policies aimed at securing a strategic advantage can also enable greater end-to-end control of the supply chain; for example, in recent years, some EV and battery manufacturers have started to secure their supply of raw materials through long-term offtake agreements.[32] Some companies have gone a step further, directly investing in upstream activities such as mining, refining, and precursor materials to secure full control over their supplies.[33]

Blended finance

As noted earlier in this section, private investors often hesitate to invest in critical minerals projects owing to several unique challenges. Blended finance, which combines public and private funding, can help improve the risk/return profiles for different types of investors. This approach adjusts the risk/return balance for private sector investments in areas or projects that may not be competitive on purely commercial terms, acting as a catalyst to attract private investment in the critical minerals sector. For instance, the Canada Growth Fund, a subsidiary of the Canada Development Investment Corporation, aims to raise $15 billion in private capital between 2022 and 2027, and to support this, the Government will provide $1 in public resources for every $3 of private investment, focusing on the extraction of 31 critical minerals (Canada Growth Fund, 2024). Additionally, the Kabanga mine in the United Republic of Tanzania, home to the world's largest high-grade nickel sulphide deposit, has secured funding from the International Finance Corporation, mining giant BHP, and several commercial lenders. While blended finance can help alleviate supply-side constraints, it can also exacerbate debt sustainability issues for some countries if they engage in mining projects with already high debt burdens. Therefore, Governments must carefully evaluate blended finance arrangements, ensure the economic viability of projects, maintain a diversified investment portfolio, and implement robust fiscal management and governance practices.[34]

To advance the development of their critical minerals sector, developing economies need to adopt well-defined strategies to attract FDI and multinational firms, implementing policies that mitigate risks and offer long-term incentives. In countries such as the Democratic Republic of the Congo and Zambia, for example, efforts can focus on building public-private partnerships, ensuring transparency in licensing, and carefully calibrating incentives such as tax breaks, streamlined regulations, and infrastructure support to attract foreign investment. Crucial elements are upgrading transport and energy infrastructure—exemplified by the strengthening of the Lobito Corridor, which connects Angola, the Democratic Republic of the Congo, and Zambia—and the establishment

32 Offtake agreements are contracts between miners and buyers that outline the terms and conditions for the sale of minerals. These agreements allow buyers to secure a stable supply of minerals and protect them from potential future price increases.

33 In 2020 Tesla announced plans to invest in lithium mines, and in 2023 it started the construction of a lithium refinery in the United States. Other automakers (Volkswagen, General Motors, Stellantis and Chrysler) have also announced mining projects.

34 In 2020, Glencore withdrew from its copper operations in Zambia and sold its 90 per cent majority stake to ZCCM Investments Holdings, a State-owned entity. Zambia assumed $1.5 billion in debt at a time when the country was already facing an economic crisis and had defaulted on its international debt obligations (Cotterill and Hume, 2021).

of special economic zones. Leveraging blended finance can reduce risks and encourage sustainable investments aligned with the SDGs, provided the arrangements are managed well.

Strengthening global cooperation to enhance the role of critical minerals in the energy transition and sustainable development

Spillovers from unilateral critical minerals policies

Global cooperation is essential for harnessing the potential of critical minerals and thereby accelerating the energy transition and promoting sustainable development. With demand surging for minerals critical to renewable energy technologies, economies must collaborate to increase the supply of these minerals, minimize supply chain disruptions, facilitate technology transfers, and boost investments in the sector. The demand for critical minerals goes beyond the energy transition. Country-specific lists of critical minerals also include minerals that are necessary for advanced microchips, cutting-edge electronics, and defence hardware. Technological progress is increasingly dependent on the availability and use of critical minerals. However, disparate national policies, growing trade restrictions, and protectionist measures risk disrupting the global supply chains for critical minerals and hinder progress on the energy transition. Effective multilateral cooperation and frameworks are crucial for improving the supply of critical minerals and can also contribute to mitigating adverse environmental and social impacts associated with extracting and processing these minerals and help ensure that the developing countries endowed with these mineral resources can actually benefit from the growing demand for critical minerals.

Several major developed economies aim to strengthen the resilience of critical minerals supply chains by diversifying sources, to boost the global competitiveness of local industries, and to reduce dependence through the targeted use of investment incentives, import tariffs, public-private partnerships, and strategic alliances (Brinza and others, 2024; The Aspen Institute, Energy & Environment Programme, 2023). Recent legislation in support of the energy transition is an instrument of industrial policy, seeking to encourage domestic private sector investment in critical minerals supply chains through large-scale government subsidies such as tax credits, grants, and loan guarantee programmes. Other measures raise tariff barriers against electric vehicle imports.[35] Efforts are also under way to establish strategic partnerships and alliances with resource-rich countries and geopolitically aligned countries—often through memorandums of understanding—to secure a reliable supply of critical minerals (Gao, Zhou and Crochet, 2024; Sasmal, 2024).[36]

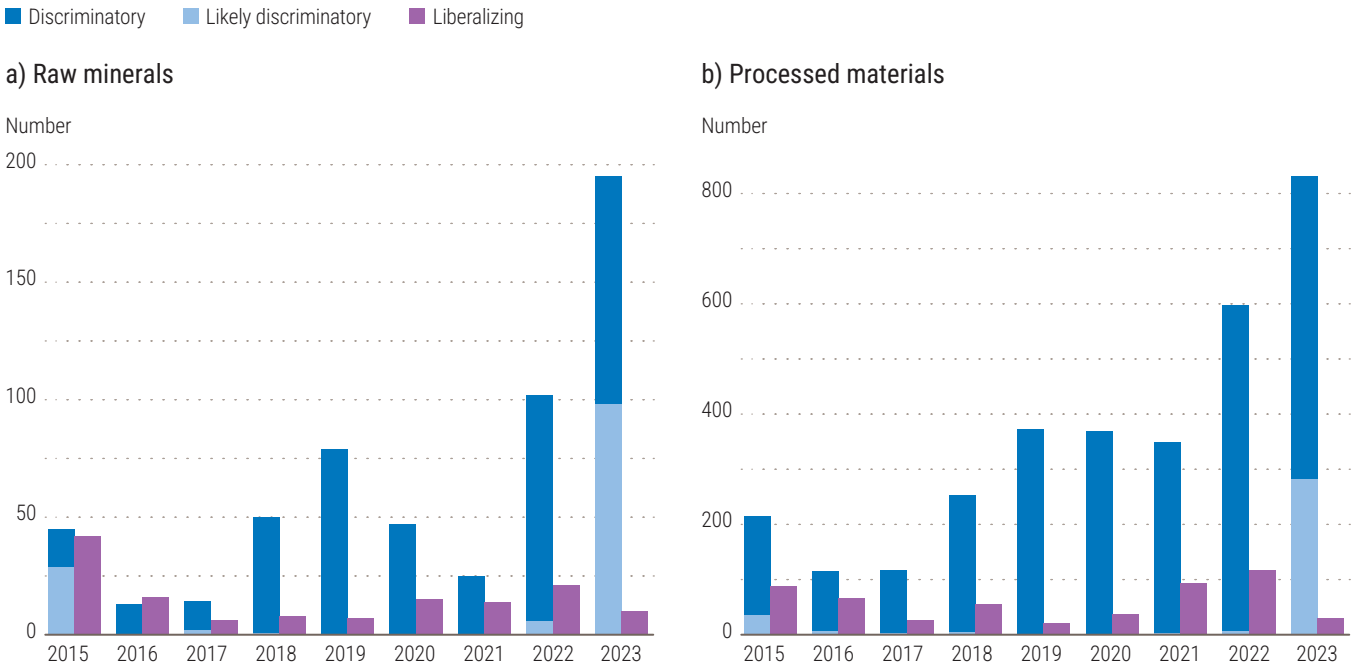
Developing countries rich in critical minerals seek to capitalize on the rising demand for these materials primarily by bolstering extraction capabilities and developing opportunities for midstream and downstream value addition. An increasing number of resource-rich countries have implemented measures such as export controls, foreign investment screening, and nationalization to foster investment in domestic critical minerals processing (see the section on industrial and innovation policies).

35 In May 2024, the United States Government increased the tariff on electric vehicles imported from China from 25 to 100 per cent, while also raising tariff rates for lithium-ion batteries, battery parts, and selected critical minerals (The White House, 2024). In July 2024, the European Commission imposed provisional countervailing duties ranging from 17.4 to 37.6 per cent on imports of electric vehicles from China (European Commission, 2024). In August 2024, the Government of Canada announced its intention to implement a 100 per cent tariff on Chinese electric vehicles, effective 1 October 2024 (Canada, Department of Finance, 2024).

36 The European Union, for example, has formed partnerships for raw materials with 13 countries since mid-2021. The partners include four economies in transition, four African countries, three developed countries, and two Latin American countries (European Commission, n.d.).

Figure II.23

Number of unilateral trade-related policy interventions in the critical minerals sector



Source: UN DESA, based on data from Global Trade Alert.
Notes: Global Trade Alert uses different terminology, categorizing interventions as harmful, likely harmful or liberalizing. An intervention is considered harmful if it is likely or almost certain to worsen the treatment of one or more foreign commercial interests relative to domestic rivals. The figure covers five critical minerals, namely cobalt, graphite, lithium, manganese, and nickel. Six-digit Harmonized System codes were used to identify each of the raw minerals and the related processed materials in midstream and downstream segments, including battery materials and battery cells.

The number of unilateral trade-restrictive measures in the critical minerals sector—affecting both raw minerals and processed materials—has risen sharply in recent years (see figure II.23). Developed economies, notably the European Union and the United States, account for the bulk of these measures, many of which negatively impact developing countries. Kowalski and Legendre (2023) document a more than fivefold increase in the global incidence of export restrictions on critical raw materials between 2009 and 2021.[37]

Unilateral measures for critical minerals are driven by individual country priorities and are also part of a broader trend marked by the increasing prevalence of such initiatives in other sectors. The new wave of unilateral—as well as limited bilateral and plurilateral—measures indicates a preference for pursuing national priorities largely outside of multilateral frameworks (Aisbett and others, 2023; McMaster, 2024). This trend is also indicative of doubts over the ability of the World Trade Organization (WTO) to fulfil its core functions of promoting open markets, establishing new trade rules, and overseeing a transparent dispute settlement process.[38]

The rise of unilateral and protectionist measures may exacerbate market fragmentation along geopolitical lines and hinder progress

37 In value terms, it is estimated that 10 per cent of global exports of critical raw materials face one or more export restriction measures. China, India, Argentina, the Russian Federation, Viet Nam, and Kazakhstan are the top six countries in terms of the number of new export restrictions during this period.

38 It is also widely perceived among developing countries that existing WTO trade rules constrain policy space and hamper development. In a recent submission, the WTO African Group, echoing a widely shared sentiment, stated that "[WTO] Members have found themselves constrained from pursuing their development and industrialization objectives by rules which do not allow them to use the very policy tools that other advanced Members have used to industrialize" (WTO, 2023, para. 7).

towards a just and sustainable global energy transition. Unilateral actions that solely prioritize national interests can result in suboptimal global outcomes by increasing inefficiencies, raising costs, and ignoring global interdependencies and policy trade-offs. For instance, by subsidizing and prioritizing their own critical minerals industries as well as those in geopolitically aligned countries, developed countries risk depriving developing countries of growth and diversification opportunities, further exacerbating inequalities and fragile patterns of development.

Such measures can distort global trade and investment flows, diverting resources away from more cost-efficient production. This could hinder opportunities for developing countries to advance into higher-value segments of the critical minerals supply chain while also increasing costs for industries and consumers. When translated into high prices, such actions could delay the adoption of clean energy technologies beyond the initiation time frame necessary for effective climate action.

Several scenario-based studies highlight the scale of impacts associated with geoeconomic fragmentation (Aiyar and others, 2023; Bolhuis, Chen and Kett, 2023; Felbermayr, Mahlkow and Sandkamp, 2023). These studies indicate that the formation of rival economic blocs that have limited trade relations with one another would lead to considerable long-run global output losses, ranging from 0.2 to 6.9 per cent of world GDP, as trade and investment decline and knowledge and technology diffusion slows (IMF, 2023). Commodity markets are found to be particularly susceptible to fragmentation, resulting in significant price changes and increased price volatility (Aiyar and others, 2023). The long-run impact of fragmentation is uneven across countries, with developing countries—especially low-income countries—projected to face disproportionately large losses in real income (Hakobyan, Meleshchuk and Zymek, 2023; Bolhuis, Chen and Kett, 2023). This is largely due to the heavy reliance of many low-income countries on commodity trade and their lack of alignment with major geopolitical blocs, making them more vulnerable to disruptions in global trade.

A balanced approach that integrates national interests within collaborative frameworks is crucial for addressing these risks. Establishing new mechanisms for global cooperation can set standards for equitable access to critical minerals, promote technology-sharing, and ensure that benefits are fairly distributed across nations in the supply chain.

New mechanisms for global cooperation on critical minerals

International cooperation is essential to realize the promise of critical minerals in advancing sustainable development and addressing climate change, particularly in view of the urgent need to accelerate the energy transition. Such cooperation must be aimed at ensuring that the supply of these resources across the world is adequate, equitable, and secure and that prior adverse experiences are avoided. This approach must curb illicit financial flows and prioritize support for mineral-rich developing countries that will enable them to maximize the economic and social benefits while minimizing environmental damage. Developing countries that do not possess significant resource endowments should also be able to benefit through value chain participation and the acceleration of their own energy transition. Measures would include facilitating access to technology, bridging financing and investment gaps, and developing institutional capacities. Existing initiatives for global cooperation in these areas need to be brought into a cohesive and focused system of support.

Strengthening multilateral frameworks and partnerships

Recognizing these needs, regional and global multilateral institutions have intensified

their efforts in recent years to strengthen international cooperation on critical minerals. In April 2024, the Secretary-General of the United Nations established the Panel on Critical Energy Transition Minerals, bringing together Governments, intergovernmental and international organizations, industry stakeholders, and civil society organizations to foster trust, guide a just transition, and accelerate the shift towards renewable energy (UN DESA, 2024). Building on the work of existing United Nations initiatives, the Panel developed a set of seven guiding principles and five actionable recommendations to ensure that opportunities to advance the global energy transition are pursued with equity, justice and sustainability (United Nations, 2024b).[39]

The 2024 Panel report on resourcing the energy transition highlights the commitment to mobilizing and strengthening multi-stakeholder cooperation focused on "non-discriminatory trade and investment, fair taxation to secure public revenues for industrial development and value addition, access to finance ... [and] access to energy and support for the energy transition in developing countries" (United Nations, 2024a, p. 23). The Panel recommendations—which helped shape discussions at the recent Conference of the Parties to the United Nations Framework Convention on Climate Change in Baku, Azerbaijan—are expected to provide essential guardrails for the energy transition. The Panel report also outlines principles for fairness, transparency, investment, sustainability, and human rights—not just where minerals are mined, but along the entire critical minerals value chain. The recommendations include the establishment of a high-level expert advisory group to facilitate multi-stakeholder policy dialogue and coordination on economic issues in mineral value chains; a global traceability, transparency and accountability framework; a global mining legacy fund; an initiative that empowers artisanal and small-scale miners; and equitable targets and timelines to strengthen material efficiency and circularity.

Strengthening multilateral trade cooperation on critical minerals is now more important than ever. Unilateral trade restrictions and broader geoeconomic fragmentation threaten to drive up prices and limit availability, thereby delaying the energy transition and imposing immense additional costs across the world. The WTO recognizes that the ongoing trade tensions can potentially disrupt established supply chains for renewable energy technologies (RIGVC-UIBE and others, 2023). These disruptions can reduce investments in these technologies and slow the pace of decarbonization efforts. Within the WTO, carefully negotiated rules that liberalize trade while also incorporating environmental and social considerations and enabling developing countries to secure greater value from their resources can promote the more sustainable and inclusive development of mineral supply chains, ultimately benefiting all stakeholders.

International cooperation is also essential for preventing illicit financial flows. Collaborative frameworks can enable countries to share data, enhance regulatory practices, and strengthen enforcement mechanisms. A key multi-stakeholder endeavour is the Extractive Industries Transparency Initiative (EITI), which is being implemented by more than 50 countries worldwide and is engaged in efforts aimed at improving governance of, and increasing financial transparency within, the oil, gas and mineral sectors.[40] At the multilateral level, SDG target 16.4 calls on Governments to "significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organized crime"

39 It is noted in the Panel report that "the outcome of this process will overlay and complement the work of the UN Secretary-General's Working Group on Transforming the Extractive Industries for Sustainable Development", which was created in 2022 and leads the Critical Energy Transition Minerals Initiative (United Nations, 2024a).

40 Since the creation of EITI in 2003, several countries—including Liberia, Mongolia, and Nigeria—have made progress in terms of increased compliance. In February 2019, the EITI Board's second validation report on Nigeria highlighted data from the Nigeria Extractive Industries Transparency Initiative indicating that approximately $3 billion in predominantly illicit payments had been recovered (UNCTAD, 2020).

by 2030. United Nations agencies, most notably UNCTAD and the United Nations Office on Drugs and Crime—the custodians of the associated SDG indicators—support the efforts of member States to track and curb illicit financial flows. The two entities are currently developing a comprehensive statistical framework to compile estimates for total inward and outward illicit financial flows (UNCTAD SDG Pulse, 2024). Global efforts are being complemented by enhanced regional activity in this area. The Africa Initiative—a partnership between the Global Forum on Transparency and Exchange of Information for Tax Purposes, its 39 African members, and various regional and international organizations and development partners—has benefited from significant political buy-in and sustained momentum (OECD, 2024).[41] Moreover, much of the policy discussion on tax-related illicit financial flows takes place in the context of international tax norm-setting. Global norms developed with the universal participation of countries can play a crucial role in curbing illicit financial flows. It will also be important to help developing countries address aggressive tax avoidance, which is a significant element of such flows.[42]

International cooperation can help bolster market transparency and price stability in raw materials markets, facilitating a more predictable investment climate and unlocking increased private sector financing. In a recent industry survey of critical minerals markets, about one third of the respondents identified Governments as playing a decisive role in ensuring transparency in pricing (State of Play, 2023). Krol-Sinclair (2023) argues that limiting the extent of "over-the-counter" transactions—which are directly conducted between two parties—and strengthening the role of international commodity exchanges would improve transparency and enhance liquidity. Deeper derivative markets can also support liquidity, but efforts are needed to prevent excessive speculation that can lead to commodity prices becoming unhinged from their economic value (Epper, Handler and Bazilian, 2024). Majkut and others (2023) emphasize that international cooperation among key players is essential for establishing reliable price benchmarks. This can be achieved by innovating market technologies and requiring traders to disclose more information about their over-the-counter trades.

The idea of intergovernmental coordination to help stabilize prices of critical minerals has drawn support from both academics (such as Goldman and others, 2024) and industry (McClements, 2024). Proposed interventions include price insurance programmes for producers, the implementation of price floors and ceilings, strategic stockpiling, and other supply management strategies. However, any proposals for similar measures in the critical minerals sector must carefully consider the potential downsides of heavy-handed government intervention, including the distortion of incentives and the weakening of essential price mechanisms that balance supply and demand (Heil, 2021).

South-South cooperation can be important in enhancing technological capacity, adopting sustainable practices, strengthening governance and channeling finance. For example, the African Mining Vision, launched by the African Union, encourages African nations to collaborate on policies that promote value addition, sustainable mining practices, and equitable

41 The recently released *Tax Transparency in Africa 2024* report shows that African countries are starting to reap the benefits of improved tax transparency and information exchange (OECD, 2024).

42 UN DESA has long supported the United Nations Committee of Experts on International Cooperation in Tax Matters. In August 2024, the Ad Hoc Committee to Develop Terms of Reference for a United Nations Framework Convention on International Tax Cooperation included tax-related illicit financial flows as a potential topic for one of two initial protocols. The General Assembly is reviewing a draft resolution to adopt the terms of reference and establish a negotiating committee, which will determine the focus of the second protocol in February 2025, aiming to complete work by September 2027. UN DESA has also launched a four-year project (2024–2027) to help developing countries address aggressive tax avoidance, which is a significant element of illicit financial flows. Insights from this project will guide the Committee of Experts and future intergovernmental work on tax cooperation, pending further direction from the General Assembly.

benefit-sharing. Meanwhile, the Renewable Energy Manufacturing Initiative—supported by Governments, multilateral agencies, private foundations and other stakeholders—aims to increase the renewable energy manufacturing capacity of Africa and South-East Asia through South-South cooperation.

Supporting developing countries

Strategic international partnerships that promote technology transfer, skills development, and the involvement of domestic firms in downstream processing represent a key priority for countries rich in critical minerals. International cooperation can support technology transfer in several ways, in particular by strengthening contract negotiation capacities, enhancing innovation ecosystems, and expanding access to data-driven technologies.

Institutional capabilities

Among developing countries, building robust institutional capabilities is essential for unlocking the full potential of critical minerals. Iizuka, Pietrobelli and Vargas (2022) highlight insufficient knowledge within local and national innovation systems as a factor inhibiting the upgrading of technology for mining suppliers in Latin America. International cooperation can play a key role in building these capabilities, providing increased access to technical expertise, financial assistance, and opportunities for sharing knowledge and policy experience.

Developing countries face distinct challenges, and capacity-building efforts must target specific priorities. Middle-income countries need to focus on advancing technological capabilities, fostering innovation ecosystems, and strengthening downstream activities. Therefore, policy efforts should prioritize building domestic technological capabilities, promoting R&D investment, and ensuring transparent governance to manage environmental and social impacts effectively. To support these efforts, international cooperation should focus on providing technical expertise and promoting technology transfer to foster value addition and industrial upgrading. Multilateral development banks and international institutions can play a key role in supporting innovation and attracting private investments in these countries. Meanwhile, low-income countries confront more structural barriers, including weak governance structures, limited infrastructure, and a lack of human capital. Building institutional capacity in these countries requires a focus on establishing transparent governance frameworks and building basic public sector capabilities. Ensuring that environmental and social standards are in place is crucial for preventing corruption and environmental degradation. Given their relatively limited resources, these economies also need stronger international support to bridge infrastructure gaps and develop resource management practices, which can help them align the development of the critical minerals sector with the SDGs. Broadly speaking, recognizing the distinct needs of developing economies will allow international cooperation efforts to be more strategically and effectively directed towards supporting institutional capacity-building, enabling all countries to harness the potential of critical minerals for sustainable development.

Contract negotiations

International cooperation is critical for addressing knowledge and capacity asymmetries in business dealings and, more specifically, for helping developing countries negotiate fairer contracts with foreign mining firms. Soulé (2024) highlights the need to mobilize external negotiating capacity (including lawyers, trade and contract negotiators, and representatives of non-governmental organizations) and notes that countries with a clear and coherent set of development objectives are more likely to prioritize developmental clauses (including local supplier development, knowledge transfer, and training) in the contracts. In 2005, the International Institute for Sustainable

Development published the IISD Model International Agreement on Investment for Sustainable Development (Mann, Howard and others, 2006), which proposed technology transfer as a provision under the article on assistance and facilitation for foreign investment. In 2019, Morrocco released a new model bilateral investment treaty based on guidance from IISD and UNCTAD which incorporates human capital development and technology transfer as key measures for host country advancement. As a positive example of cooperation for knowledge-sharing, Chilean mining company Codelco and BHP signed a five-year innovation agreement in 2023 to establish a joint framework for sustainable mining. In general, however, intellectual property protection measures within traditional mining contracts remain robust, requiring firms to purchase know-how, for instance, through technical assistance services (Blundi and others, 2022), which can create opportunities for non-transparent transfer pricing and illicit financial flows. In terms of targeted initiatives, the World Bank has supported Burkina Faso and the United Republic of Tanzania in developing legal and institutional capacities (World Bank, 2015), and the African Minerals Development Centre has created a capacity-building programme on contract negotiations in some African countries. These programmes and connections signal a move in the right direction; however, beyond the work of IISD and UNCTAD, current efforts to address the asymmetries in legal and institutional capacity remain limited in scale and scope.

Innovation capabilities and artificial-intelligence-supported open-source technologies

Developing countries face significant structural deficiencies in their national innovation systems, constraining their ability to move towards more local value-added and downstream activities. Global cooperation aimed at strengthening innovation ecosystems in these economies remains limited and is often characterized by fragmented efforts and a lack of coordinated strategies. Existing initiatives and partnerships tend to be sporadic, short-term, and narrowly focused on specific projects rather than fostering comprehensive, long-term innovation capacity. Many partnerships between entities from developed and developing economies do not sufficiently address critical issues such as technology transfer. To fill this gap, the United Nations and other multilateral entities are actively supporting innovation capacity-building in mineral-rich countries. The United Nations Technology Bank for the Least Developed Countries emphasizes building science, technology, and innovation capacities, while the World Bank Climate-Smart Mining Initiative offers technical support to help countries adopt climate-friendly mining practices and technologies.[43] However, to maximize the impact of these efforts, more robust and sustainable funding is required.

The increasing availability of open-source geospatial data interfaces and artificial intelligence (AI) protocols for analysis offers a significant opportunity for developing economies to strengthen their exploration capacities. Access to these technologies would allow countries rich in critical minerals to more accurately estimate the size and value of their deposits, providing them with strategic advantages in exploration efforts, particularly in attracting investment projects and negotiating favourable terms. As noted by Signé (2021), the digitalization of mining data can also help identify additional deposits and extend the life cycle of a mine. Lu (2024) highlights the potential of AI for supporting critical-mineral exploration efforts.[44] QGIS, a widely recognized open-source geographic information system tool, offers

43 Other initiatives include the UNCTAD science, technology and innovation policy (STIP) reviews and UNESCO Global Observatory of Science, Technology, and Innovation Policy Instruments (GO-SPIN).

44 KoBold Metals, a technology company, has successfully utilized AI-based technology to identify new copper deposits in Zambia, paving the way for impactful new technology-driven discoveries (Bearak, 2024).

specific guidance and functionalities designed to facilitate its use in mineral exploration; this tool has been utilized by geologists in Angola and other developing countries (Boxer, 2024; Feria and others, 2022). The European Union has funded the Exploration Information System project, which aims to develop a joint tool to enhance exploration efforts, intended for release under the QGIS framework.

Price differentiation to incentivize environmental footprint reduction

International cooperation in establishing environmental footprint standards can support price differentiation for critical minerals, promoting sustainable practices in mining while ensuring fair market access for producers from both developed and developing economies. This can also enhance transparency, with multiple market segments for products encouraging the adoption of more environment-friendly practices. This approach is already being explored—most notably in the nickel industry. Recently, several key market players, including the Government of Australia and major mining corporations, have advocated for the establishment of "green nickel" as a distinct product to be traded on the London Metal Exchange. This differentiation aims to incentivize lower-carbon methods by commanding premium prices for sustainable practices.

Realizing this goal will require careful consideration of definitions and verification frameworks to prevent greenwashing and ensure that mining companies actually adhere to strict emission standards to achieve such designations. In this context, international support for developing countries will remain essential to align local production with global standards without creating unfair disadvantages. International partnerships should focus on technical assistance, knowledge-sharing, and financial support to help these economies adopt sustainable practices and build effective regulatory frameworks.

New financing initiatives from multilateral development banks

Hawser (2024) notes that because of the heavy environmental footprint of mining, there is limited appetite among commercial banks to invest in the critical minerals sector. While multilateral development banks (MDBs) have started to increase support for critical minerals supply chains, their efforts have thus far been modest in scale and ambition.[45] However, MDBs can play a crucial role in facilitating more robust social and environmental due-diligence processes. To make a meaningful contribution to securing the necessary resources, MDBs will need to significantly increase investments in upstream mining and processing. In mid-2024, the World Bank initiated a one-stop-shop guarantee scheme—a significant simplification of its regular process—to streamline all guarantee reviews, improve access to guarantee instruments, and focus resources on high-impact projects. This is expected to help de-risk investments in critical minerals projects. The critical minerals sectors will require more targeted capacity-building and technical assistance to effectively utilize the risk mitigation solutions available from the World Bank Multilateral Investment Guarantee Agency (World Bank, 2024).

Making sustainability standards fairer and more effective

As the global community accelerates its transition towards sustainable energy, the mining industry finds itself under intensifying scrutiny and increased pressure to establish and adhere to robust sustainability standards. In recent years, the landscape of sustainability standards in mining has been

45 According to the *2021 Joint Report on Multilateral Development Banks' Climate Finance*, only 0.05 per cent of climate mitigation funding by reporting MDBs went into mining and metals production for climate action (African Development Bank and others, 2021).

characterized by a proliferation of frameworks and guidelines. While this expansion partly reflects the industry's growing awareness of its responsibilities, it is mostly due to the increasing demand for transparency and ethical practices from stakeholders, including Governments, civil society organizations, communities, and investors.[46] The standards have consistently evolved, becoming more comprehensive and nuanced in addressing complex ESG challenges associated with the industry.[47] The level of adherence to sustainability standards may substantially impact the ability of firms to benefit from government support programmes aimed at securing an adequate supply of critical minerals.[48] Regulatory initiatives such as the European Union Carbon Border Adjustment Mechanism illustrate how environmental standards are increasingly integrated into trade policies, impacting market access. Non-compliance with emerging carbon and sustainability standards could impose additional costs or limit access to markets, creating barriers for small mining firms from developing countries in particular.

Although progress has been achieved across various dimensions, the mining industry continues to face major challenges linked to international sustainability standards. The heterogeneity of standards and frameworks makes it difficult to compare sustainability performance across different mining operations and companies, leading to inconsistency in evaluations and reporting. The fragmentation and complexity of standards also impose a significant financial burden on companies, creating an uneven playing field that disproportionately affects junior mining companies, particularly in developing countries. Many small mining companies struggle with high costs and insufficient technical and administrative capacity to navigate complex certification and standards requirements. This often leads to non-compliance and missed market opportunities as these companies find themselves excluded from international supply chains (Rudžionienė and Brazdžius, 2023). Such dynamics perpetuate a cycle of disadvantage, enabling larger corporations with greater resources to dominate the market and set the pace for sustainable practices.[49]

Significant challenges in the implementation of sustainability standards and the lack of enforceability represent key obstacles to achieving genuine progress in responsible mining. Without robust enforcement mechanisms, firms may engage in greenwashing, publicly claiming adherence to sustainability practices while failing to implement meaningful changes on the ground. International cooperation in harmonizing and aligning sustainability standards can be essential for streamlining reporting requirements and enhancing the transparency and comparability of practices across the industry (ECCO, 2023). In January 2024, the Global Reporting Initiative launched a new sustainability standard for the mining sector that applies to all organizations involved in mining and quarrying. The standard, which will enter into effect on 1 January 2026, was developed by a working group that included representatives from businesses, civil society, labour unions, mediating institutions, and investors. Importantly, it incorporated inputs from other key industry standards.

Global sustainability standards must include implementation mechanisms that do not disproportionately disadvantage small mining operations in developing countries.

46 The lack of community buy-in and the violation of environmental standards has undermined several large investment projects—one example being the Eco Oro gold mining project in Colombia (Center for International Environmental Law, 2017).

47 Annex table II.1 provides an overview of selected key intergovernmental, multi-stakeholder, and industry standards and guidelines relevant for the mining sector.

48 The European Union critical raw materials act establishes a framework in which industry sustainability requirements must be recognized as a prerequisite for accessing government support.

49 In a global survey covering 16,423 small and medium-sized enterprises in 16 countries, 73 per cent of the respondents expressed concerns about the up-front costs of reporting, and 65 per cent stated that current reporting standards were too complex (Sage, 2023).

To address these challenges, partnerships between Governments, non-governmental organizations, and the private sector should focus on developing adaptable frameworks and practical support mechanisms that enable such firms to meet sustainability requirements. This would promote inclusivity and enable equitable participation in the critical minerals sector and would make the critical minerals sector in developing countries more socially and environmentally sustainable and globally competitive.

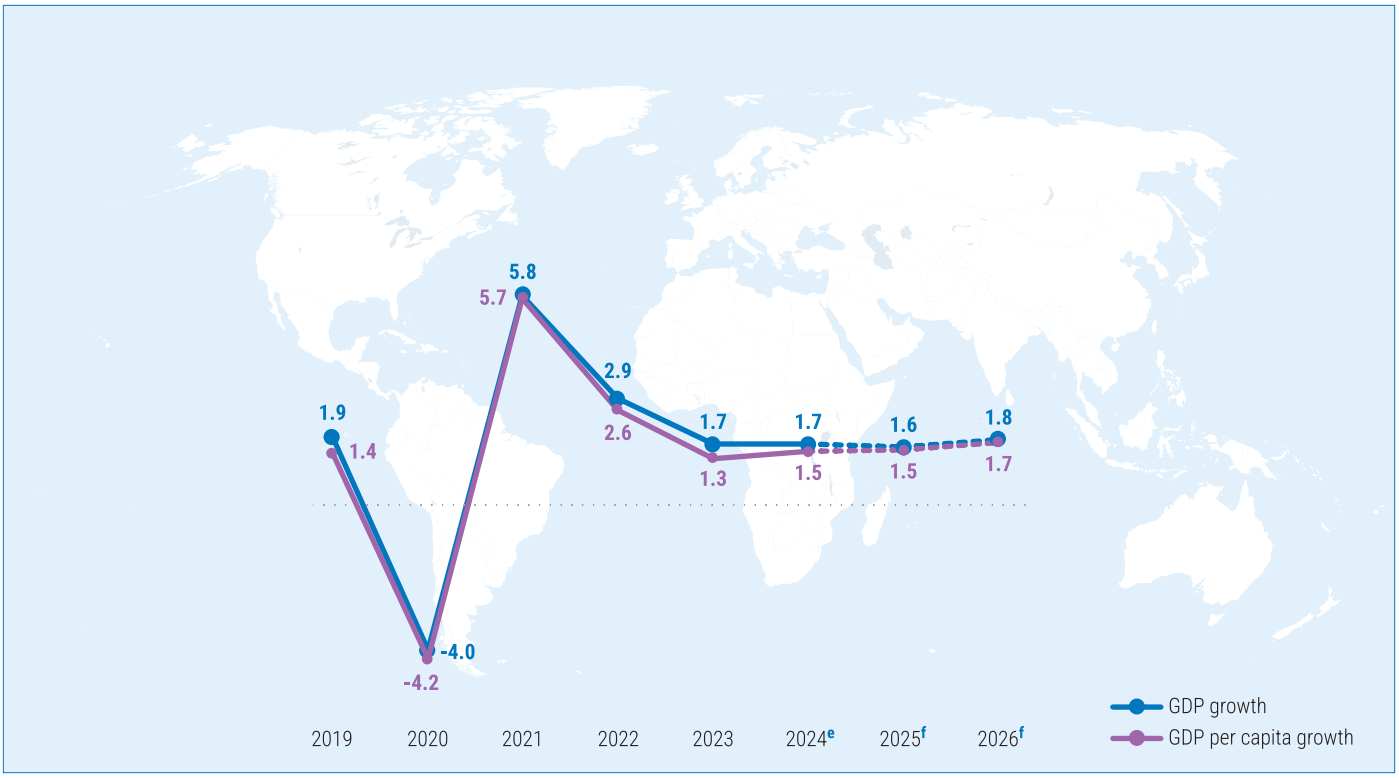
Annex II.1

Selected key sustainability standards and guidelines relevant for the mining industry

Entity	Description	Standards/guidelines
Multi-stakeholder		
Extractive Industries Transparency Initiative (EITI)	Promotes transparency and accountability in the management of oil, gas, and mineral resources	EITI Standard
OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas	Provides recommendations to help companies respect human rights and avoid contributing to conflict through their mineral sourcing practices	OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
Initiative for Responsible Mining Assurance (IRMA)	Establishes a multi-stakeholder and independently verified responsible mining assurance system	IRMA Standard for Responsible Mining
Industry and non-governmental organizations		
Towards Sustainable Mining (TSM)	A sustainability programme that supports mining companies in managing key environmental and social risks	TSM Guiding Principles and Protocols
Global Reporting Initiative (GRI)	Helps businesses and Governments worldwide understand and communicate their impact on critical sustainability issues	GRI Universal Standard GRI Sector Standard for Mining
International Council on Mining and Metals (ICMM)	Enhances environmental and social performance in the mining and metals industry	ICMM Principles and Position Statements
Responsible Minerals Initiative (RMI)	Promotes responsible sourcing of minerals globally from conflict-affected and high-risk areas	RMI Standards (per metal) ESG Standard for Mineral Supply Chains
Consolidated Mining Standard Initiative (CMSI)	Aims to consolidate multiple voluntary responsible mining standards into a single global standard	Under development
Intergovernmental		
United Nations Secretary-General's Panel on Critical Energy Transition Minerals	Launched in April 2024 by the Secretary-General of the United Nations; establishes a set of voluntary principles guiding sustainable extraction of critical energy transition minerals	Set of 7 Guiding Principles
United Nations Global Compact	The world's largest corporate sustainability initiative, guiding companies in the alignment of strategies and operations with universal principles on human rights, labour, environment, and anti-corruption	The Ten Principles of the UN Global Compact

Source: UN DESA.

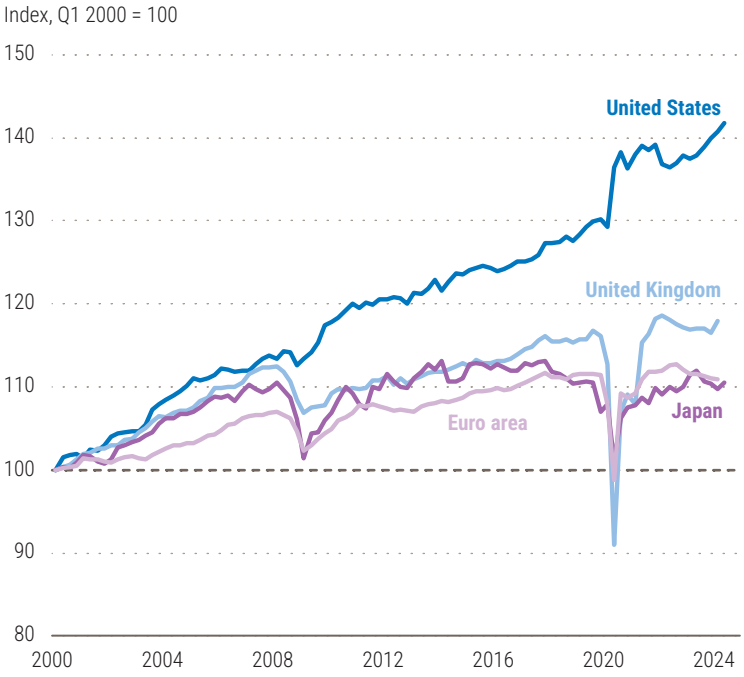
DEVELOPED ECONOMIES



HIGHLIGHTS

- In 2025, economic growth is forecast to soften in the United States while picking up in Europe and Japan.
- Central banks in Northern America and Europe are expected to further cut interest rates and ease monetary policy as inflation returns to target.
- Productivity growth has been far higher in the United States than in the euro area, Japan and the United Kingdom in recent decades.

Labour productivity in selected economies



Source: UN DESA, based on data from OECD.
Note: Labour productivity is measured by GDP per person employed.

Note: e = 2024 estimates; f = 2025–2026 forecasts.

CHAPTER III

Regional Developments and Outlook

Developed economies

Northern America

United States of America

The United States economy remained resilient in 2024, marking the third consecutive year growth expectations have been exceeded. Gross domestic product (GDP) is estimated to have increased by 2.8 per cent in 2024, reflecting an upward revision of growth by 0.5 percentage points from the earlier forecast released in May. Strong growth in household consumption, public sector spending, and non-residential investments largely explain the higher-than-expected growth performance of the world's largest economy. Growth is expected to moderate to 1.9 per cent in 2025 and then improve slightly to 2.1 per cent in 2026, converging towards a rate similar to the average growth of 2.4 per cent recorded during the period 2010–2019.

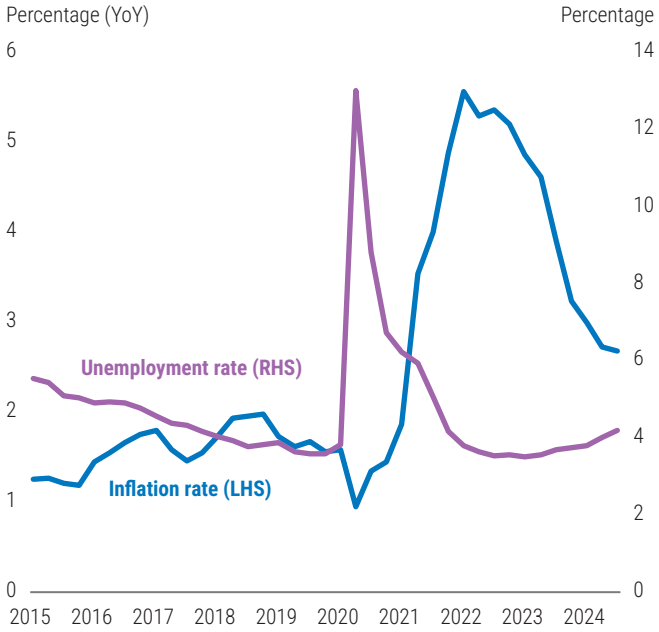
Retail sales—a key indicator of household spending—remained strong during the third quarter of 2024, confirming that households remained comfortable with spending, supported by a combination of real wage growth and the wealth effects of appreciating asset prices. Personal consumption expenditures grew by 3.5 per cent in the third quarter, up from 1.9 per cent in the first quarter and 2.8 per cent in the second quarter, while growth in disposable personal income slowed significantly from 5.6 per cent in the first quarter to 1.0 per cent in the second quarter and 0.8 per cent in the third quarter. Real average hourly earnings increased 1.4 per cent (seasonally adjusted) from October 2023 to October 2024, largely unchanged from the rate of increase registered early in the year.

Inflationary pressures have continued to ease through 2024. Year-over-year personal consumption expenditures (PCE) inflation—the measure preferred by the United States Federal Reserve—fell from 2.6 per cent in January to 2.3 per cent in October. However, core PCE inflation (the price index excluding food and energy) remained elevated at 2.8 per cent in October (see figure III.1), largely due to stubbornly high housing cost increases.

With employment growth levelling off in the fourth quarter, the relatively rapid expansion of the United States economy is likely to be slowing down. In October 2024, the job market saw its weakest monthly growth in nearly four years, with only 12,000 new jobs added. Job growth numbers were revised downward for three consecutive months. The number of employed persons also decreased, falling from 161.9 million in September to 161.5 million in October, but remained higher than the December 2019 figure of 159 million. The economy added only 214,300 jobs in the third quarter, down from 592,000 new jobs reported in the original estimates, reflecting a rapidly cooling labour market. Most of the new jobs were added in the healthcare and

Figure III.1

Inflation and unemployment rates in the United States



Source: UN DESA, based on data from the Federal Reserve Economic Data (FRED) database.
Notes: LHS = left-hand scale; RHS = right-hand-scale; YoY = year-over-year. Inflation is measured by the core personal consumption expenditures (PCE) price index, which excludes food and energy costs. Inflation and unemployment rates are based on quarterly (seasonally adjusted) data.

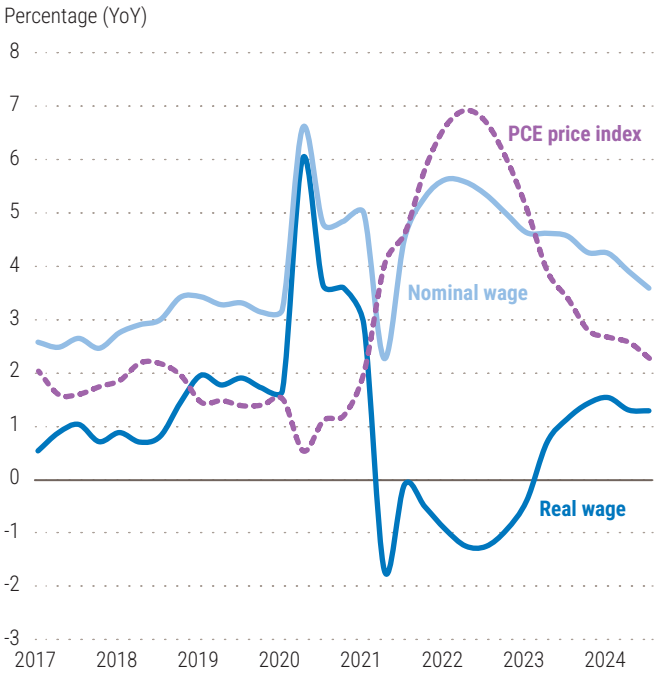
government sectors, while the manufacturing sector experienced net job losses during the first half of 2024. Notwithstanding weaker-than-expected job growth, the unemployment rate fell from 4.2 per cent in August to 4.1 per cent in October. The labour force participation rate saw little change, gradually approaching the pre-pandemic average rate of 63.3 per cent in February 2020 (United States Bureau of Labor Statistics, 2024). Amid slowing inflation and robust nominal wage growth, real wages have increased since early 2023 (see figure III.2).

The cost of housing is an important contributor to overall inflation in the United States. Housing or shelter costs, on average, represent about 15 per cent of total PCE and 25 per cent of the services component of PCE. In the Consumer Price Index (CPI), shelter costs represent an even larger share, accounting for about 30 per cent of total consumption expenditure and about 40 per cent of core consumption expenditure, which excludes the volatile food and energy components (Liu and Pepper, 2023). While the CPI reflects out-of-pocket expenses for a basket of goods for all urban households, PCE is a broader measure that also includes the prices of goods and services purchased on behalf of the households, including those purchased by employers.

Following the outbreak of the COVID-19 pandemic, the expansion of remote work boosted demand for housing at a time when there was little possibility of expanding the supply of housing stock, leading to increases in both house prices and rents and thereby exacerbating a longer-term trend in the country.[1] House prices are more sensitive to market expectations and mortgage rates, while rents tend to adjust with a longer

Figure III.2

Growth in the nominal wage, real wage, and price index in the United States



Source: UN DESA, based on data from the Federal Reserve Economic Data (FRED) database.
Note: YoY = year-over-year.

1 House prices and rents can be mutually reinforcing as cash-flow streams from rents reflect the investment value of houses.

lag when there are longer-term rental contracts. Increasing housing prices have coincided with higher mortgage rates, making it harder for first-time home buyers to leave rental accommodations, further reinforcing stubbornly high rents and thus contributing to core inflation falling slower than headline inflation over the past year.[2]

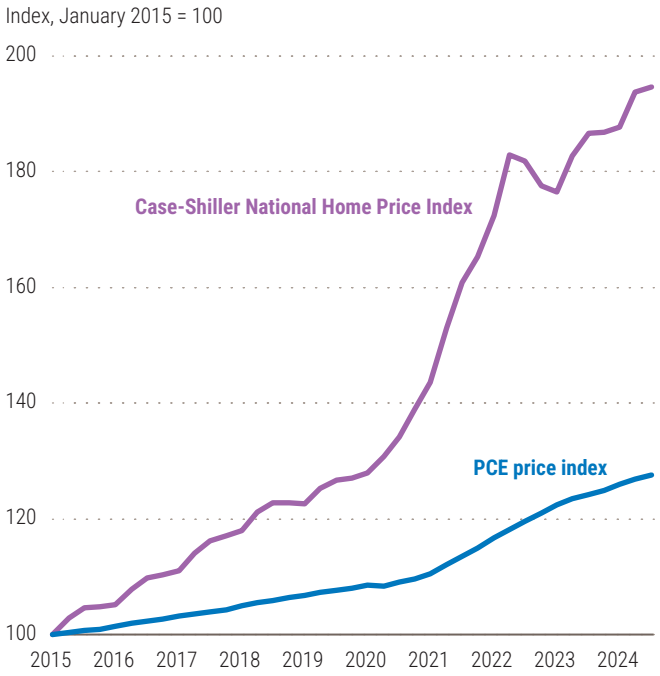
The housing market has remained tight since the pandemic amid the surging demand for new housing. As the pandemic-related shutdowns eased, new residential construction (housing starts) recovered and reached 1.7 million units in the second quarter of 2022 but then fell to 1.4 million by the first quarter of 2023 in response to the rapid increases in interest rates by the Federal Reserve starting in March 2022. While monetary tightening between March 2022 and September 2024 helped bring down headline inflation to about 2.0 per cent, core PCE inflation has remained above the target as higher interest rates have contributed to limiting the supply of new homes, keeping house prices and rents high. The Case-Shiller National Home Price Index has risen by more than 50 per cent since the pandemic, outpacing the rate of inflation during this period (see figure III.3).

The easing of inflationary pressures, accompanied by slowing job creation, prompted the Federal Reserve to lower its policy rate by 50 basis points in September 2024 and by another 25 basis points in November. Further monetary easing is in the pipeline. Under existing scenarios, there is a likelihood that the Federal Reserve will cut rates by an additional 100 basis points in 2025, pushing the year-end policy rate to between 3.25 and 3.5 per cent—which is still high when compared to the pre-pandemic period rate.[3]

Overall, the United States economy has experienced a remarkable recovery from the COVID-19 recession, significantly outperforming other developed economies, including the euro area countries, Japan, and the United Kingdom of Great Britain and Northern Ireland. By 2024, annual GDP in the United States was an estimated 12.5 per cent above the 2019 level, compared with an average increase of just 5.2 per cent in other developed economies. Amid unprecedented fiscal support, household consumption and business investment have maintained robust growth, expanding by 14.8 and 19.4 per cent, respectively, between 2019 and 2024.[4] Despite rapid monetary tightening, the pass-through of policy rate hikes to consumers and firms has been more muted in the United States than in many other developed economies as higher shares of fixed-term mortgages and

Figure III.3

Inflation and housing market indices in the United States



Source: UN DESA, based on data from the Federal Reserve Economic Data (FRED) database.
Notes: Inflation is measured by the core personal consumption expenditure (PCE) price index, which excludes food and energy costs, based on quarterly (seasonally adjusted) data. The National Home Price Index is based on quarterly (not seasonally adjusted) data.

2 Housing market dynamics are complex and driven by many factors, including population growth in centres of economic activity, zoning restrictions that can hold back the creation of new housing stock, and higher incomes that can support higher rents.
3 The federal funds rate ranged between 0.25 and 2.50 per cent between 2010 and 2019.
4 Among the other developed economies, household consumption grew by only 2.9 per cent and investment by 1.3 per cent between 2019 and 2024.

corporate debt have dampened the transmission of policy rate changes to broader financial conditions (de Soyres and others, 2024).

The budget deficit as a percentage of GDP increased from 5.3 per cent in 2022 to 6.1 per cent in 2023 (see figure III.4), and the fiscal situation remains challenging. Annual deficits have averaged 9.4 per cent of GDP since the pandemic, relative to an annual average deficit of 4.3 per cent during the period 2011–2019. Against the backdrop of higher interest rates since mid-2022, net interest payments as a percentage of federal government current receipts grew from 13 per cent in 2021 to 19.4 per cent in 2023. The rapidly rising net interest expense—the third largest fiscal outlay after social security and healthcare—can increase pressures for fiscal consolidation.

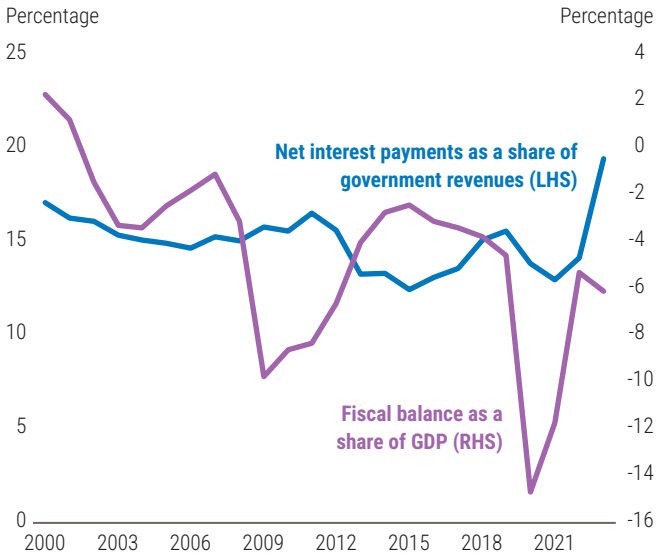
The external balance has deteriorated in 2024, with net exports falling from -$791.1 billion in the fourth quarter of 2023 to -$954.1 billion in the third quarter of 2024, largely driven by sharp increases in imports of durable goods. Going forward, the current account balance may change dramatically, especially if the incoming administration—in fulfilment of its electoral pledge—imposes across-the-board tariffs on imported goods. The overall and near-term impact of tariffs on GDP growth remains uncertain, as tariffs will likely also affect exports of United States goods and services, net capital inflows, and the value of the United States dollar. The combined first- and second-order effects of new tariffs may negatively weigh on growth prospects, reducing household consumption, savings, and investments.

Canada

The economy of Canada—the ninth largest in the world—is estimated to have grown by only 1.2 per cent in 2024 amid weak household consumption expenditure growth and persistent excess capacity. The Canadian economy was hit hard during the pandemic, with its GDP shrinking by 5 per cent in 2020, compared to a contraction of 2.2 per cent in the United States economy that year. Post-pandemic GDP

Figure III.4

Fiscal balance and federal government interest payments in the United States, 2000–2023



Source: UN DESA, based on data from the Federal Reserve Economic Data (FRED) database.
Note: LHS = left-hand scale; RHS = right-hand-scale.

growth rates have remained below the pre-pandemic (2010–2019) average of 2.3 per cent. While inflation fell from a peak of 8.1 per cent in June 2022 to 2.0 per cent in October 2024, the average unemployment rate is estimated to have increased from 5.4 per cent in 2023 to 6.3 per cent in 2024. A combination of rapidly falling inflation, persistent unemployment, and weak recovery prompted the Bank of Canada to begin cutting its rates in June 2024. With four successive rate cuts, the policy rate fell from 5 per cent in June to 3.75 per cent in October. Supportive fiscal and relaxed monetary policy stances are expected to boost GDP growth to 1.8 per cent in 2025 and 2.0 per cent in 2026. Downside risks to the growth outlook persist, including the possibility of climate change events and unanticipated policy changes among the country's trading partners.

Europe

After weaker-than-expected performance during the past year, economic growth in Europe is

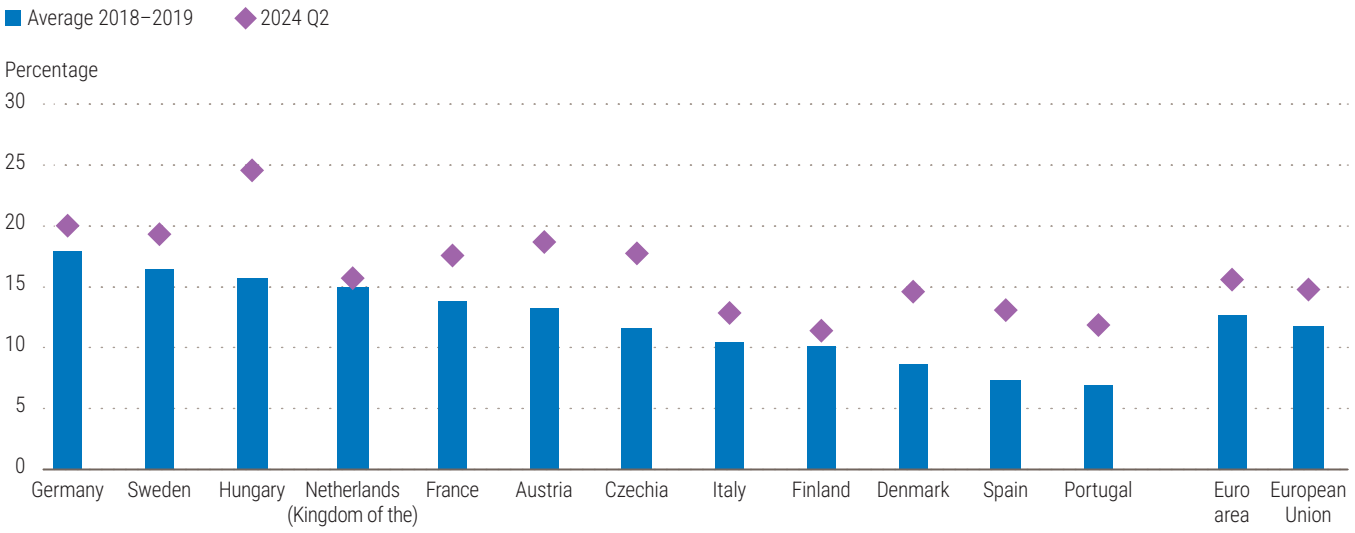
projected to gradually pick up in 2025 and 2026. Lower inflation and resilient labour markets are expected to support household consumption and investment. However, fiscal consolidation efforts undertaken by many Governments, ongoing geopolitical tensions and political uncertainties, and long-standing structural challenges such as population ageing and weak productivity growth will constrain the pace of expansion. In the European Union, GDP growth is forecast to strengthen from an estimated 0.9 per cent in 2024 to 1.3 per cent in 2025 and 1.5 per cent in 2026. Growth is also projected to accelerate in the United Kingdom, increasing from an estimated 0.8 per cent in 2024 to 1.2 per cent in 2025 and 1.4 per cent in 2026.

In Europe, economic recovery from the energy crisis has proved slower and more uneven than initially anticipated. While strong nominal wage gains and rapidly declining headline inflation have boosted real disposable incomes in 2024, households have remained hesitant to spend (European Central Bank, 2024b). Amid subdued consumer confidence and heightened economic policy uncertainty, the household savings rate in the European Union increased to 14.8 per cent in the second quarter of 2024—about 3 percentage points above the average level recorded for the period 2018–2019 (see figure III.5) (Eurostat, 2024). Gross fixed capital formation in the European Union has contracted in 2024, with financing conditions remaining tight; recent policy rate cuts by central banks have not yet been reflected in lower borrowing costs due to lags in monetary policy transmission. Housing investment has continued to decline amid high construction costs, elevated mortgage rates, and the tightening of credit standards (Battistini and Gareis, 2024). As monetary policy across the region eases further in 2025, these headwinds are expected to diminish, with private consumer demand and investment gradually recovering. Fiscal policy, however, will remain a drag on growth during the forecast period as many Governments endeavour to reduce public debt-to-GDP ratios—standing at about 82 per cent in the European Union and 100 per cent in the United Kingdom in 2024—and rebuild fiscal buffers depleted by the pandemic response.

Export growth has remained subdued in 2024 amid ongoing competitiveness challenges in parts of Europe, particularly in the industrial sector (see box III.1). In the European Union,

Figure III.5

Gross household savings rates in the European Union



Source: UN DESA, based on data from Eurostat.
Note: Data for Czechia refer to the first quarter of 2024.

Box III.1

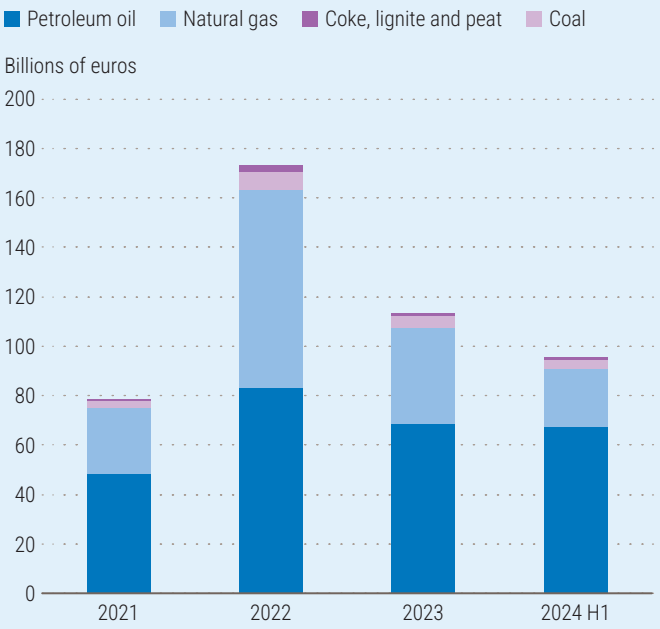
The impact of the energy price shock on the European industrial sector

In September 2024, the European Commission released a detailed report acknowledging the declining international competitiveness of European industries and outlining a number of strategies to close the competitiveness gap with leading economies (European Commission, 2024b). The report identifies several key factors—including years of insufficient investment, periods of austerity, limited fiscal capacity or self-imposed budget constraints, and regulatory barriers stifling innovation—that have contributed to the weakened global economic position of Europe.

Against the background presented in the report, the energy price shock triggered by the war in Ukraine has further exacerbated the weaknesses of European industries, especially in economies heavily dependent on fossil fuel imports. After the war erupted in February 2022, European countries faced elevated prices for imported oil and (especially) natural gas. Natural gas purchases on the spot market increased sharply in 2022, and lower pipeline gas supplies from the Russian Federation were partly offset by more expensive imports of liquefied natural gas (LNG). Although the volume of pipeline natural gas imports in the European Union has been steadily decreasing since 2022, imports of more expensive LNG remain significant. By the first half of 2024, expenditure on imported energy sources had still not returned to pre-2022 levels (see figure III.1.1).

Figure III.1.1

Average quarterly European Union imports of energy products from countries outside the European Union



Source: UN DESA, based on data from Eurostat.
Note: H1 = first half of the calendar year.

Apart from putting pressure on trade and current account balances and exacerbating the pandemic-related inflation shock, elevated energy prices have contributed to a marked slowdown in industrial production in Europe. This has occurred through various channels.

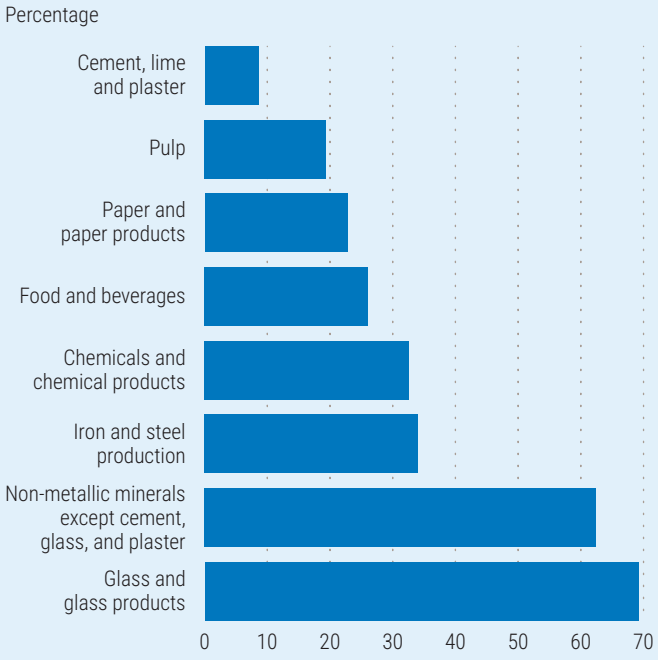
While energy prices have risen, the impact has varied across different energy sources. For instance, the impact from higher electricity prices has been somewhat limited. Prior to the start of the war in Ukraine, electricity prices were already higher in Europe than in other developed regions (European Commission, 2024a), and the transmission of imported energy price shocks to actual electricity prices for European companies has been slow, as many have relatively long fixed-price electricity supply contracts in place (Allianz Research, 2023). Furthermore, the share of electricity costs in overall production costs in Europe is only around 1–2 per cent (EUR-Lex, 2024). Governments in Europe have also implemented various mitigation policies, including direct business support and compensation schemes for the most affected industries, energy subsidies for small businesses, reductions in value added taxes on electricity, and retail price controls.[a]

At the same time, however, the spike in the prices of oil and natural gas has fed into production processes in Europe, where these fuels are used for energy and as direct inputs for many key industries. For some industries, the share of energy costs in total production costs was high even before the price spike, including in the production of fertilizers (70 to 90 per cent), ferro-alloys and silicon (38 per cent), primary aluminium (34 per cent), and ceramics (38 per cent) (EUR-Lex,

a In 2022, the European Union collected a temporary solidarity contribution from fossil fuel businesses that had made "excess profits", redistributing the funds to vulnerable households and businesses.

Figure III.1.2

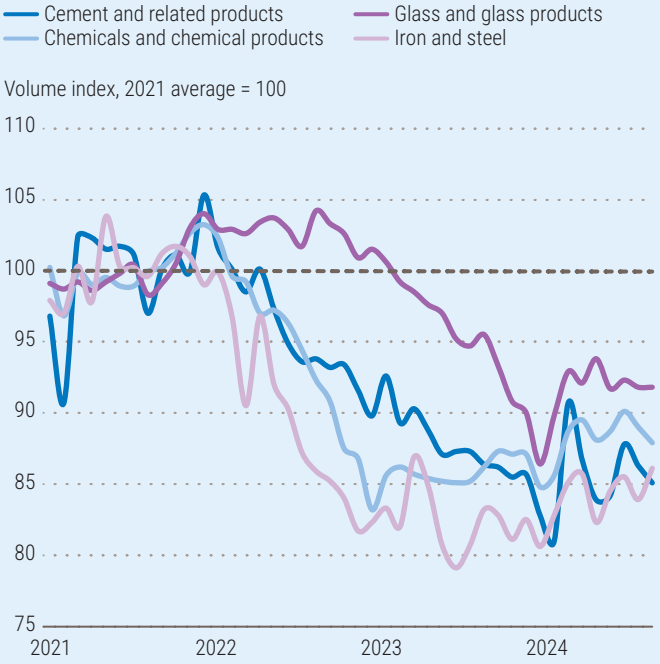
Share of natural gas use in total energy consumption by major European industries, 2022



Source: UN DESA, based on data from Eurostat.

Figure III.1.3

Manufacturing production in the European Union, by industrial sector



Source: UN DESA, based on data from Eurostat.

2024). The main industrial consumers of natural gas are the chemical and petrochemical industries, followed by the cement, glass, and ceramics industries, the food and beverage industry, and industries involved in refining, iron and steel production, and paper and pulp manufacturing. In some cases, such as in the production of glass and glass products, natural gas accounts for up to 70 per cent of total energy consumption (see figure III.1.2). When the European Union established a voluntary 15 per cent gas demand reduction target in 2022—a measure that has been extended twice, most recently to March 2025—many enterprises scaled down production and reconsidered their investment plans. Data for mid-2024 indicate that in many of the subsectors listed above, industrial output remained weak (see figure III.1.3). The energy price shock has contributed significantly to the weakness of European industries, which have also been impacted by frail domestic and export demand.

The loss of business confidence and plummeting profitability has led to a substantial decline in investments across European industries in recent years, negatively affecting the region's productive capital stock and future output capacity. Figures for Germany show that the estimated stock of productive capital stagnated between 2019 and 2023. In Eastern Europe, where output is more energy-intensive, a significant number of enterprises cite high energy prices as a barrier to investment and business expansion (European Investment Bank, 2023).

The 2022 energy price shock may have protracted adverse consequences for many industries in the European Union. The loss of export competitiveness (especially in energy-intensive industries) due to insufficient investment and lagging innovation and productivity may increase import dependence, impact employment, and dampen longer-term growth prospects. To prevent such an undesirable structural shift, policies are needed to increase industrial competitiveness alongside long-term strategies to ensure affordable energy (European Commission, 2024a). Pursuit of the ambitious decarbonization goals set by the European Union entails short-term costs but can secure long-term advantages. Fully leveraging the potential of the European Union integrated market and expanding cheap renewable energy will be essential for advancing both decarbonization and international competitiveness.

Author: *Grigor Agabekian, UN DESA*

services sectors have continued expanding at a solid pace, backed by robust tourism, while manufacturing and construction output have declined (see figure III.6). Accordingly, services-oriented economies such as France, Greece, and Spain have continued to see stronger economic growth than have manufacturing-dependent economies such as Austria and Germany.

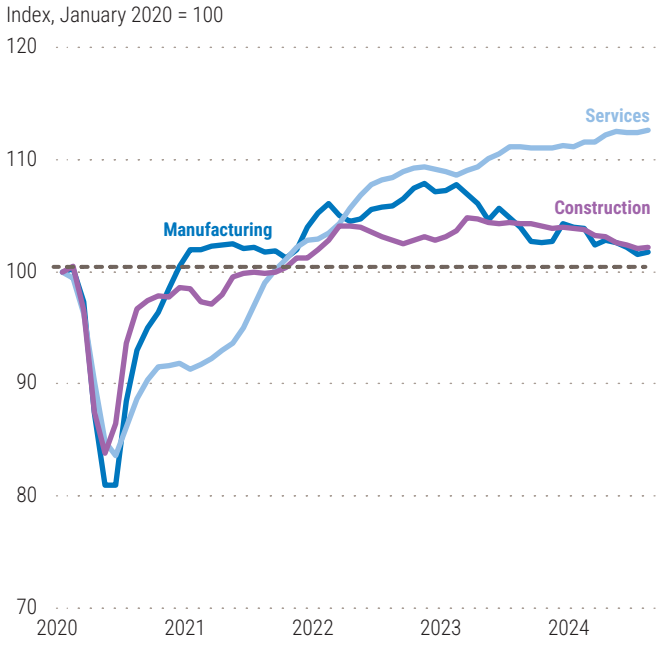
In Germany, the economy has contracted slightly in 2024 for the second successive year owing to weak business sentiment, slumping investment and productivity, and tight fiscal policy. Since major structural challenges persist, Germany is projected to experience only a weak recovery in the coming years. As financial conditions become less restrictive, industrial activity and consumer spending are expected to slowly emerge from stagnation (Wollmershäuser and others, 2024). Economic growth in France has remained stable over the past year but is projected to slow slightly in 2025 as a recovery in private domestic demand is offset by weakening net exports and fiscal tightening. In Italy, growth is projected to remain modest amid subdued private and government consumption as well as sluggish exports. In the United Kingdom, a continued moderate recovery in growth is anticipated for 2025 as less restrictive monetary policy is expected to further bolster household consumption and business investment.

The expected gradual economic recovery in Europe faces considerable downside risks. A further escalation of geopolitical conflicts could cause commodity price spikes and supply chain disruptions, fuelling inflation and diminishing economic activity. Heightened trade tensions pose additional risks, given the resultant potential for protectionist measures. On the upside, the positive effects of monetary easing on private consumption and investment may prove stronger than anticipated.

Inflation across Europe remains on a downward trend amid muted aggregate demand and falling energy costs. Upward price pressures have receded faster than projected over the past year, with headline inflation rates in many economies

Figure III.6

Sectoral production indices in the European Union



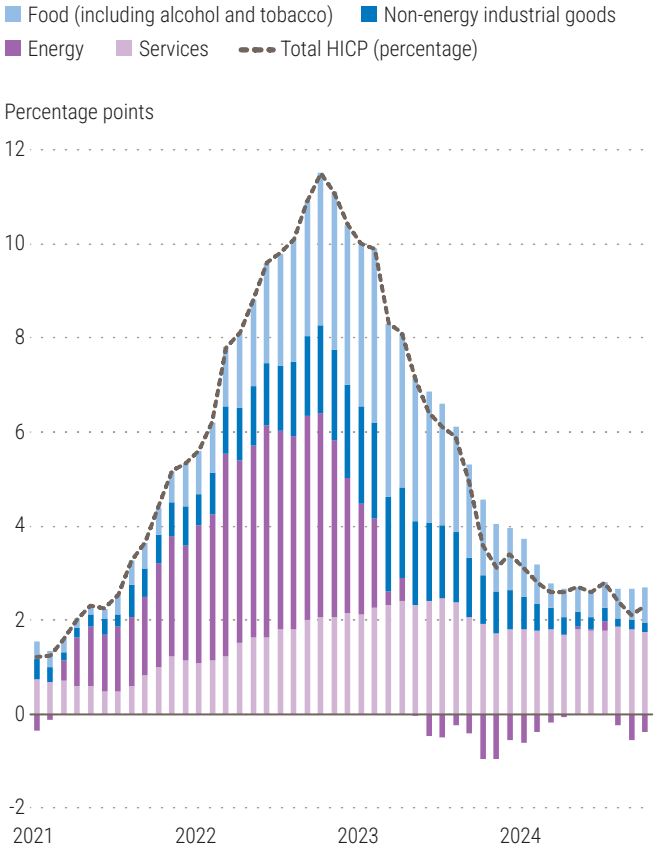
Source: UN DESA, based on data from Eurostat.
Note: Data shown are a 3-month moving average of seasonally and calendar-adjusted data.

now close to the central bank target rates. The disinflation process is expected to continue in 2025 as international commodity prices soften, nominal wage growth slows, and services inflation gradually declines. Average annual consumer price inflation is projected to ease from 2.4 per cent in 2024 to 2.2 per cent in 2025 in the European Union and from 2.5 per cent in 2024 to 2.2 per cent in 2025 in the United Kingdom.

The decline in inflation across Europe during the past two years has been driven primarily by lower energy costs and moderating food price growth (see figure III.7). By contrast, services inflation has remained stubbornly high, averaging 4.3 per cent in the European Union and 5.2 per cent in the United Kingdom in the third quarter of 2024. The persistent upward pressure on services prices reflects strong wage growth in a tight labour market, along with robust consumer demand, especially for leisure activities in the tourism, hospitality, and recreational services sectors (European Central Bank, 2024a). Wage pressures are likely

Figure III.7

Components of Harmonised Index of Consumer Prices (HICP) inflation in the European Union



Source: UN DESA, based on data from Eurostat.

to recede in 2025, while the post-pandemic shift in spending towards services is expected to partially unwind. As a result, services inflation should gradually decline, helping to ease upward pressure on overall inflation.

Upside risks to inflation emanate from potentially stronger-than-expected increases in wages and profits as well as a further escalation of geopolitical conflicts, which could push up energy prices. Meanwhile, however, the risks of inflation undershooting the target have grown, particularly in the euro area, where economic growth remains sluggish.[5]

The prospects for European labour markets remain largely favourable as the region's economic recovery is forecast to gradually gain traction. Over the past two years, despite lacklustre economic growth, countries across Europe have seen solid increases in employment alongside low unemployment rates and rising real wages. However, softening labour demand in 2024 has translated into a noticeable loosening of previously tight labour market conditions. Job vacancy rates have steadily declined from their peak in mid-2022 and are now close to pre-pandemic levels. While employment growth is projected to stay positive in 2025 and 2026, it will likely be slower than in recent years. The average unemployment rate in the European Union is projected to edge down from 5.9 per cent in 2024 to 5.8 per cent in 2025 and to remain unchanged at 4.2 per cent in the United Kingdom. Nevertheless, downside risks remain, especially in manufacturing-oriented economies such as Germany, where weak industrial activity and soft export demand could lead to rising unemployment.

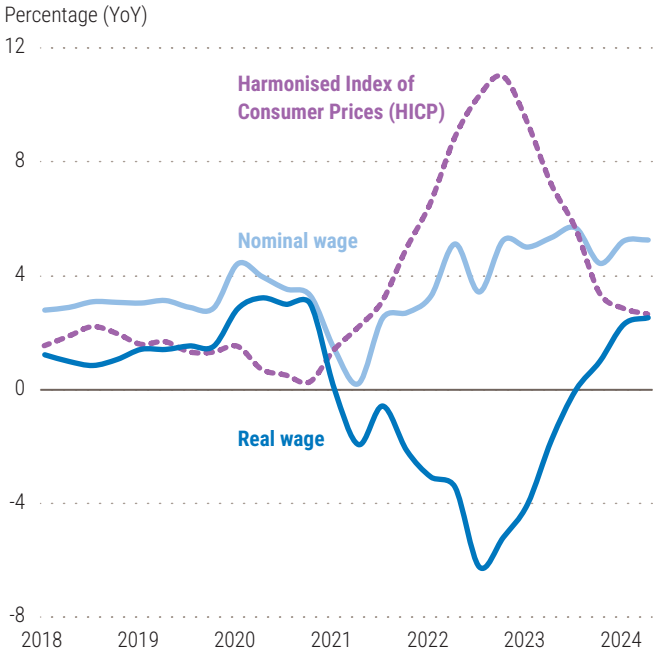
Nominal wages have risen significantly in 2024. Together with rapidly declining inflation, this has resulted in a sizeable increase in real wages and higher household savings rates across the European Union, helping to offset some of the decrease from January 2021 to July 2023 (see figure III.8). Growth in real wages is expected to continue at a more moderate pace during the forecast period.

The European Union has achieved record-high levels of employment in 2024. In the second quarter of the year, the employment rate increased to 80.9 per cent for men (up 0.5 percentage points year-over-year) and 71 per cent for women (up 0.8 percentage points). With employment expanding more rapidly than economic output, labour productivity growth has faltered across Europe. Between the fourth quarter of 2019 and the second quarter of 2024,

5 The persistent undershooting of inflation targets would increase the danger of a deflationary spiral, where expectations of falling prices would lead to lower household and investment spending and the real burden of nominal debt would rise over time. In addition, excessively low inflation would reduce the policy space for conventional interest rate interventions to stimulate the economy (European Central Bank, 2020).

Figure III.8

Growth in the nominal wage, real wage, and price index in the European Union



Source: UN DESA, based on data from Eurostat.
Notes: YoY = year-over-year. Nominal wages refer to quarterly (seasonally and calendar-adjusted) data for wages and salaries. Real wages are obtained by deflating nominal wages with quarterly Harmonised Index of Consumer Prices (HICP) data.

real output per hour worked increased by only 0.9 per cent in the euro area and 2 per cent in the United Kingdom. One explanation for this trend is the reluctance of firms to downsize their workforces during the post-pandemic period because of recruitment difficulties due to a shortage of workers with the required skills (Consolo and others, 2024; British Chambers of Commerce, 2024).

Against a backdrop of declining inflation and lacklustre economic conditions, the major central banks in Europe have begun gradually easing monetary policy. Since June 2024, the European Central Bank and the Bank of England, along with other central banks in the region, have reduced policy rates several times. Monetary policy is, however, still restrictive in most economies, with real policy rates remaining well above the neutral level.[6] Bank interest rates on loans to corporations and households remained high in the third quarter of 2024, only slightly below their recent peaks (European Central Bank, 2024c).

While central banks in Europe are expected to loosen monetary policy further in 2025, uncertainty persists around the pace of rate cuts and the eventual endpoint of the current easing cycle. Policymakers remain cautious about moving too hastily given the upside inflation risks still posed by robust wage growth, stubbornly high services inflation, and ongoing geopolitical uncertainties. At the same time, they seek to avoid keeping monetary policy tighter than warranted for an extended period, which could add further downward pressure on already weak economic activity and heighten the risk of inflation persistently undershooting targets.

In most European countries, fiscal policy turned contractionary in 2024 as Governments phased out energy and inflation support measures that had been introduced in response to the cost-of-living crisis. Many Governments are expected to continue pursuing gradual fiscal consolidation in 2025 and 2026 to strengthen medium-term debt sustainability and rebuild fiscal space. In 2024, an estimated 12 of the 27 European Union member States have exceeded the 60 per cent debt criterion established in the 1992 Treaty on European Union, and 11 of the country members have faced budget deficits surpassing the 3-per-cent-of-GDP limit. While considered necessary, the implementation of fiscal adjustments will involve difficult policy trade-offs, particularly against a backdrop of modest economic growth, still-elevated government borrowing costs, and mounting longer-term spending pressures. The last, in particular, may be especially persistent due

6 The neutral rate of interest is the short-term interest rate at which monetary policy is neither contractionary nor expansionary. While the rate cannot be observed directly, recent estimates for the euro area indicate a real rate of around 0 per cent (Boocker, Ng and Wessel, 2023; Brand, Lisack and Mazelis, 2024).

to factors such as population ageing, which is driving up pension and healthcare costs, as well as defence budgets that are set to increase significantly, especially in Eastern Europe, amid intensifying geopolitical risks.[7] Meanwhile, achieving climate transition targets and net-zero emissions goals will require massive public investments.[8]

In the euro area, the average fiscal deficit fell from 3.6 per cent of GDP in 2023 to an estimated 3.1 per cent in 2024, with a further slight decline projected for 2025. Average general government gross debt, which stood at 88.1 per cent of GDP in the second quarter of 2024, is expected to remain broadly stable over the forecast period (IMF, 2024d). In Germany, the fiscal outlook is subject to uncertainty as the 2025 federal budget will only be finalized when a new Government is formed following snap elections scheduled for 23 February 2025. Despite weak growth, fiscal policy will likely remain moderately restrictive as the constitutional debt brake limits the room for the Government to manoeuvre. In France and Italy, budget deficits are expected to narrow marginally in 2025 from their current elevated levels as the Governments pursue fiscal consolidation.[9] These two countries, along with six others, are subject to the European Union excessive deficit procedure, which aims at ensuring budgetary discipline under the bloc's new economic and fiscal governance framework, which entered into force on 30 April 2024 (Council of the European Union, 2024).[10] The new fiscal rules focus on multi-year planning and are considered to be more transparent; countries need to present medium-term fiscal-structural plans that set out their net expenditure path for the next four to seven years (Darvas, Welslau and Zettelmeyer, 2024).

The United Kingdom faces significant fiscal challenges given its high government debt and immense public investment needs. The fiscal deficit remained sizeable in 2024 as growth in public sector wages and social benefits payments partially offset declining energy support for households and stronger economic expansion. General government gross debt is estimated to have increased slightly to 101.8 per cent of GDP (IMF, 2024d). While gradual fiscal consolidation is expected to help narrow fiscal deficits in the coming years, lowering the public debt-to-GDP ratio and rebuilding fiscal buffers will remain a significant challenge.

Developed economies in Asia

Australia, Japan, and the Republic of Korea are poised for economic recovery. Falling inflation is expected to support growth in 2025 and 2026, primarily by facilitating recovery in real wage growth, which had previously weakened as nominal wage growth lagged inflation. For Australia and the Republic of Korea, anticipated monetary easing and resulting lower financing costs are expected to boost private investment. Meanwhile, the Bank of Japan faces a significant policy challenge as excessive monetary tightening could push the economy back into deflation by stalling wage growth, which only began to accelerate in the second half of 2024. Achieving sustainable wage growth has been a major policy goal for Japan in its efforts to lift the economy out of deflation.

In Japan, real GDP growth is estimated at -0.2 per cent for 2024, down from 1.7 per cent in 2023. Growth is forecast to accelerate to 1.0 per cent in 2025 and 1.2 per cent in 2026. Private consumption growth has stalled since mid-2023

7 Defence spending in Central and Western Europe increased by 10.1 per cent in real terms in 2023 (Tian and others, 2024).

8 Current levels of investment are estimated to cover roughly half of the financing needed to achieve the 2030 climate targets in the European Union (Andersson and others, 2024; Calipel, Bizien and Pellerin-Carlin, 2024). Projections vary significantly; the European Commission estimates total investment needs of up to €1,241 billion (European Commission, 2023a), while the Institute for Climate Economics estimates such needs at closer to €813 billion (Pellerin-Carlin, 2024). Public sector contributions are expected to account for 20–30 per cent of the needed investment (Darvas and Wolff, 2021; European Investment Bank, 2021).

9 In France, the collapse of the Government in early December 2024 has heightened uncertainty about the country's fiscal trajectory.

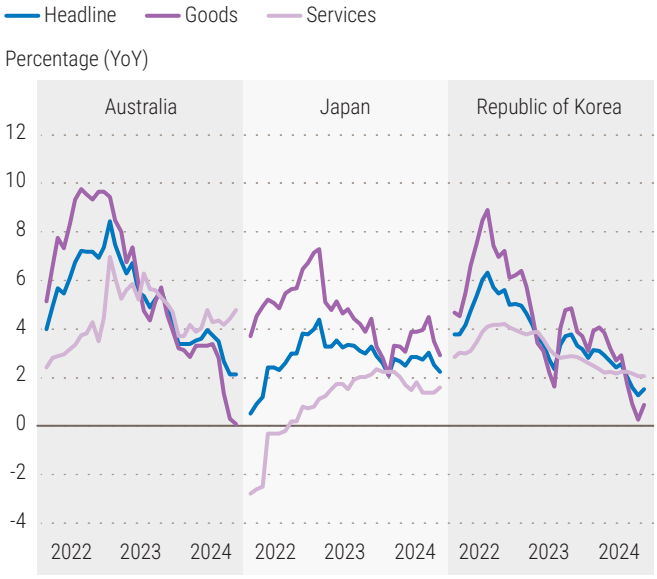
10 In July 2024, the Council of the European Union established the existence of excessive deficits for Belgium, France, Italy, Hungary, Malta, Poland, and Slovakia, while keeping the excessive deficit procedure open for Romania (Council of the European Union, 2024).

due to weak wage growth and is projected to recover only gradually. Private investment continues to grow moderately despite rising financing costs, supported by resilient investments in information technology. The contribution of net exports to GDP growth is likely to remain weak, as the trade balance in goods and services is projected to stay in deficit even as inbound tourism surges. The consumer inflation rate is estimated at 2.6 per cent for 2024, down from 3.2 per cent in 2023, and is projected to decline to 2.2 per cent in 2025 and 1.8 per cent in 2026. In Japan, unlike in other developed economies, services inflation has been substantially lower than goods inflation (see figure III.9). In October 2024, with headline inflation at 2.3 per cent, services inflation stood at 1.5 per cent, while goods inflation stood at 2.9 per cent and food inflation at 3.5 per cent. The country's persistent food inflation reflects the rising prices of food imports due to the yen's depreciation against other major currencies.

In March 2024, the Bank of Japan ended its negative interest rate regime by raising the policy rate for the first time since 2007. This was followed by another increase in July 2024. As inflation is expected to remain above the Bank of Japan target rate of 2 per cent well into 2025, more policy rate hikes are anticipated. However, the pace and extent of monetary policy tightening remain uncertain. While higher policy interest rates are expected to mitigate inflationary pressures through the exchange rate pass-through channel, the resulting higher financing costs may hinder private investment and impede wage growth. The fiscal stance is expected to be neutral to moderately accommodative, resulting in a slight positive impact on real domestic demand. While the Government faces spending pressures from social security and debt service payments, robust nominal GDP growth has boosted tax revenues, helping to moderately improve the fiscal balance. The Government has projected a modest primary surplus in fiscal year 2025/26 (Prime Minister's Office of Japan, 2024). However, any improvement is expected to be marginal as debt service costs are set to increase due to rising interest payments on public debt.

Figure III.9

Headline, goods, and services inflation in Australia, Japan, and the Republic of Korea



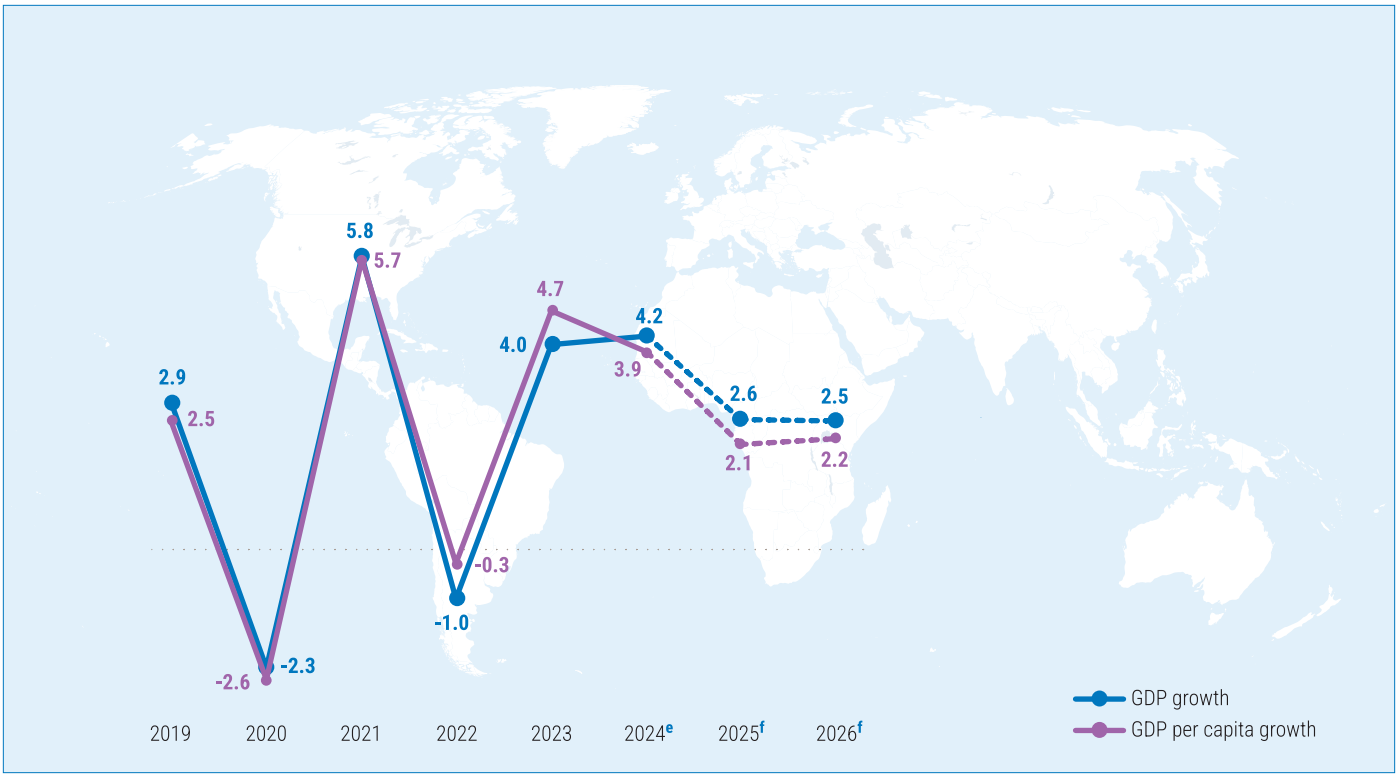
Source: UN DESA, based on data from the Australia Bureau of Statistics, Statistics Bureau of Japan, and Statistics Korea.
Note: YoY = year-over-year.

In Australia, real GDP growth is estimated to have slowed to 1.1 per cent in 2024, down from 2.0 per cent in 2023. The economy is forecast to rebound, with growth projected at 2.2 per cent in 2025 and 2.5 per cent in 2026. Private investment growth has remained weak in 2024 due to continued monetary tightening and rising financing costs. Meanwhile, real wage growth has turned positive, sustaining private consumption. Domestic demand growth is expected to accelerate in 2025 and 2026, driven by the anticipated shift to monetary easing by the Reserve Bank of Australia. Goods exports in value terms are estimated to have declined in 2024 despite the stabilization of prices for key commodity exports. With commodity prices forecast to moderate, net exports are expected to remain subdued. Consumer price inflation is estimated to have fallen to 3.1 per cent in 2024 from 5.6 per cent in 2023. As at September 2024, overall inflation had slowed

to 2.8 per cent—within the target range of 2 to 3 per cent set by the Reserve Bank of Australia. Goods inflation stood at 1.4 per cent and services inflation at 4.6 per cent, implying lingering inflationary pressures from labour-intensive services sectors (see figure III.9). The Reserve Bank of Australia remained cautious about monetary easing in 2024, concerned over potential wage-price spirals. In the third quarter of 2024, nominal wage growth was 3.5 per cent, buoyed by tight labour markets. The unemployment rate stood at 4.1 per cent in October 2024. Fiscal policy has focused on cost-of-living relief, including personal income tax cuts in July 2024, enabled by a budget surplus of 0.6 per cent of GDP in the 2023/24 fiscal year.

In the Republic of Korea, real GDP growth is estimated at 2.0 per cent for 2024, up from 1.4 per cent in 2023. Growth of 2.2 per cent is forecast for both 2025 and 2026. The recent acceleration in growth has primarily been driven by net exports, reflecting a combination of substantial semiconductor-related export growth and stagnant imports. Growth drivers are expected to shift towards domestic demand in 2025, supported by faster real wage growth and lower financing costs. Consumer price inflation has slowed to an estimated 2.3 per cent in 2024 from 3.6 per cent in 2023, and forecasts point to a further decline to 1.6 per cent in 2025 and 1.8 per cent in 2026. In November 2024, the overall inflation rate fell to 1.5 per cent, below the 2 per cent target set by the Bank of Korea, with goods inflation standing at 0.9 per cent and services inflation at 2.1 per cent (see figure III.9). The Bank of Korea initiated its first policy rate cuts since 2020 in October and November 2024. Further rate cuts are anticipated in line with moves by the Federal Reserve, while policymakers will remain attentive to domestic inflation pressures and exchange rate stability. Fiscal policy is expected to remain neutral to moderately accommodative, with increased emphasis on social welfare spending.

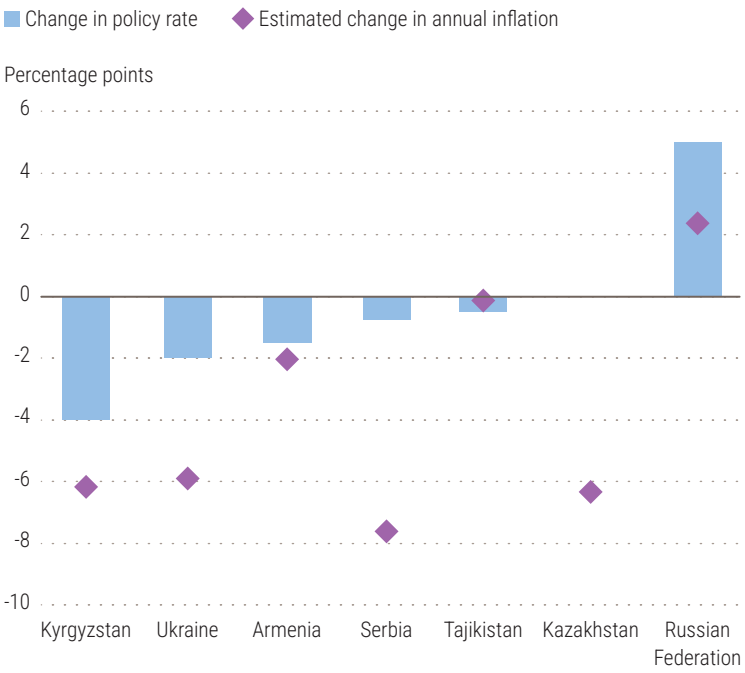
ECONOMIES IN TRANSITION



HIGHLIGHTS

- Economic growth is projected to moderate in 2025 after exceeding expectations in 2024.
- Countries across the region—with the exception of the Russian Federation—have experienced a decline in inflation, enabling central banks to pivot to monetary easing.
- In Central Asia, climate-related challenges and energy shortages are emerging as significant constraints to growth.

Changes in inflation and policy rates in 2024



Source: UN DESA, based on data from national central banks.
Note: Policy rate data cover the period up to November 2024.

Note: e = 2024 estimates; f = 2025–2026 forecasts.

Economies in transition

Commonwealth of Independent States and Georgia

Economic growth in 2024 has been better than expected in most of the countries of the Commonwealth of Independent States (CIS) and Georgia. The Russian Federation maintained strong growth momentum for the first half of the year, contributing to regional growth through positive spillovers. Outperforming earlier expectations, the countries of Central Asia and the Caucasus have also sustained robust growth trajectories. The aggregate GDP of the CIS and Georgia has expanded by 4.2 per cent in 2024, with growth projected to moderate to 2.5 per cent in 2025, primarily reflecting an anticipated slowdown in the Russian Federation. It should be noted that headline growth figures fail to capture important sectoral variations. The regional outlook remains clouded by significant downside risks and uncertainties associated with the war in Ukraine and broader geopolitical tensions.

The economy of the Russian Federation has expanded by an estimated 3.8 per cent in 2024, supported by increased government spending and investment as well as stable export revenues. Defence-related activities have played a major role in the country's strong growth performance. Private consumption has remained strong as a tight labour market has driven wages higher and social payments to military personnel and their families have remained robust. Several industrial sectors that plummeted in 2022, such as the automotive industry, have rebounded, with Chinese carmakers replacing European producers. Domestic tourism has become an alternative to foreign travel.

Acknowledging that the economy was operating at excess capacity, with surging domestic demand outpacing output potential, the Central Bank sharply tightened monetary policy in 2024, lifting the key policy rate from 16 per cent in January to 21 per cent in October. Labour shortages stemming from conscription and emigration also exert a drag on the potential for increased economic output. In the second half of 2024, the economy of the Russian Federation exhibited signs of a slowdown, with annual growth projected to decelerate further to 1.5 per cent in 2025.

Long-term prospects for the economy of the Russian Federation are subject to considerable uncertainty. Although the economy has remained resilient despite sanctions linked to the war in Ukraine, sustaining investment momentum and expanding import substitution capabilities into high-tech areas could prove challenging.[11] Demographic trends also remain unfavourable as the working-age population continues to decline.

The economy in Ukraine got off to a strong start in 2024, supported by investment, construction, and agricultural exports (see box III.2). However, economic activity weakened in the aftermath of attacks by the Russian Federation against the country's energy infrastructure. GDP growth, estimated 4 per cent for 2024, is projected to decline to 2.7 per cent in 2025, leaving the economy about 20 per cent smaller than in 2021. Electricity shortages, while somewhat mitigated by connections to the European grid, may further curb industrial output, especially during the winter months. The cost of post-conflict reconstruction in Ukraine, estimated at $486 billion in early 2024 (World Bank and others, 2024), is likely to increase due to damages to the country's power generation systems. The near-term economic outlook in Ukraine is closely tied to developments in the ongoing war, the ability of the Government

11 A number of factors have contributed towards mitigating the impact of sanctions, including import substitution in industries such as chemicals and food, continued hydrocarbon revenues facilitated by the utilization of tankers not covered by traditional insurers, and multi-party trading schemes that bypass import restrictions. In the process, new trading relationships have been established, as evidenced by the changing currency composition of trade; in January 2022, the share of total trade denominated in United States dollars/euros was close to 50 per cent, but this share has now declined to less than 20 per cent, offset by a corresponding increase in the share of the Russian rouble, the Chinese renminbi, and other currencies.

Box III.2

Agricultural exports from Ukraine in a time of war

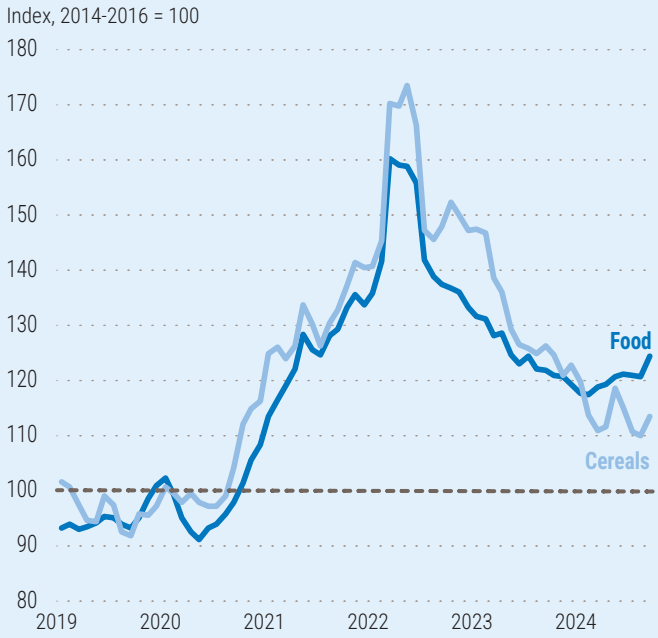
The war in Ukraine has caused disruptions in both production processes and export routes, negatively affecting the country's export performance. Ukraine plays a significant role in global markets for grain and other agricultural products, and the early months of the war in 2022 brought sharp increases in food prices (see figure III.2.1) and widespread concerns about global food security. The Black Sea Grain Initiative, brokered by the United Nations and Türkiye and launched in July 2022, provided security guarantees that enabled the transport of nearly 33 million metric tons of grain and other foodstuffs from Ukrainian ports in the Black Sea during the twelve months it was in operation (United Nations, Black Sea Grain Initiative Joint Coordination Centre, 2023). The initiative ended in July 2023, but by that time food prices had returned to levels seen two years earlier thanks to both the sustained supply of exports from Ukraine and increased exports from other countries (FAO, 2024a).

Ukraine has successfully developed alternative export routes, including a maritime corridor through the territorial waters of neighbouring countries that connects with Ukrainian waters at the mouth of the Danube River. Unlike the Black Sea Grain Initiative arrangement, this route accommodates both agricultural and non-agricultural products. Due in part to increases in Ukrainian exports, global food prices have continued to decline during 2024. While the situation has improved, exports from Ukraine still lag behind pre-war levels in terms of volume. In the first half of 2024, Ukraine exported around 4 million to 5 million metric tons of agricultural products per month, compared with approximately 6 million metric tons before the war (S&P Global, 2024b). Accumulated stocks have helped sustain higher export volumes, partially offsetting the negative impacts of the war, including reductions in harvest areas, territorial and shipping route restrictions, and challenges in accessing essential inputs. Gradually, however, stock levels are returning to more normal values. Adverse weather conditions are expected to have resulted in below-average yields for 2024, further limiting the country's export potential (European Commission, 2024c).

Overall, agricultural exports from Ukraine were 7.1 per cent higher in value in the first eight months of 2024 than in the same period in 2021, outperforming other sectors (see figure III. 2.2). Ferrous and non-ferrous metals, for example, experienced a 70 per cent decline,

Figure III.2.1

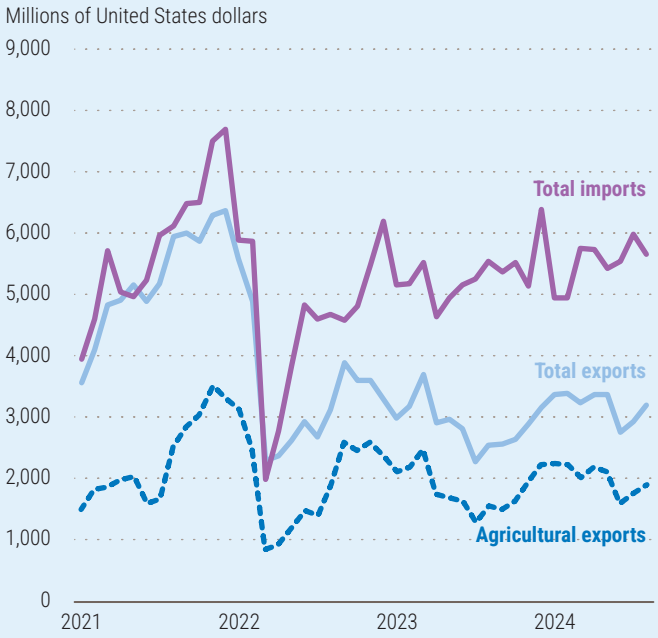
International food price index



Source: UN DESA, based on data from FAO.

Figure III.2.2

Exports and imports in Ukraine, by value



Source: UN DESA, based on data from the National Bank of Ukraine.

partly due to the destruction of production capacity. Consequently, the share of agriculture in total exports increased from less than 40 per cent in 2021 to nearly two thirds of total goods exports in the first eight months of 2024. There have also been some important shifts in terms of geographic focus. In the first half of 2024, the value of Ukrainian agricultural exports to the European Union more than doubled in comparison with the same period in 2021, with their share increasing from 27 to 50 per cent. The agricultural sector has become critical in mitigating the large trade deficit in Ukraine, particularly as modest economic recovery has resulted in increased imports in an economy constrained by supply shortages.

Author: *José Palacín, United Nations Economic Commission for Europe*

to undertake reconstruction efforts, and international funding flows (in particular the provision of a $50 billion loan agreed by Group of Seven countries) (The White House, 2024a). Despite successful restructuring efforts, outstanding external debt remains a burden, and pledged foreign assistance is often delayed. The depletion and loss of human capital due to the war further imperils future growth.

Azerbaijan and Kazakhstan are among the major CIS energy exporters. In Kazakhstan, lower oil output in 2024 has been offset by robust growth in non-oil sectors. Although growth has softened somewhat in 2024, the economy is expected to regain momentum in 2025 as output from the large Tengiz oilfield is expected to expand. In Azerbaijan, economic growth has accelerated in 2024, supported by stronger domestic demand and non-oil sector activities. Rising global demand for the country's natural gas is expected to support growth in 2025.

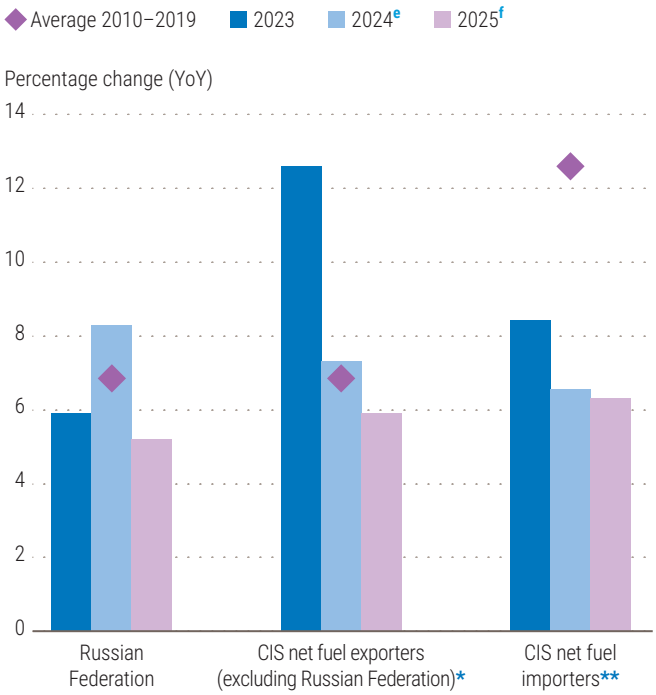
Other CIS economies have also performed well in 2024, continuing to benefit from new opportunities in the market of, and intermediate trade with, the Russian Federation. Economic growth has accelerated in Belarus thanks to strong industrial production and joint import substitution projects with the Russian Federation. The development of common transport and energy infrastructure has boosted investments in Central Asia. Remittance flows to the Caucasus and Central Asia have remained strong despite the tightening of migrant employment regulations in the Russian Federation. Increases in public sector salaries and minimum wages have also supported growth in private consumption. Tourism has become an important growth driver in Kyrgyzstan and Uzbekistan. In the Caucasus, Armenia and Georgia (not a CIS member) have continued their robust expansion, underpinned by ongoing growth in construction, intermediate trade, and international tourism.

Most countries across the CIS region have seen considerable disinflation in 2024 (see figure III.10). The Russian Federation has been an exception, with strong domestic demand, logistics challenges, and labour shortages triggering increases in both prices and wages, bolstered by entrenched inflationary expectations. In other economies in the region, inflation rates have varied widely, ranging from near zero in Armenia to 8–9 per cent in Kazakhstan and Uzbekistan. International food and energy prices, along with exchange rate dynamics influenced by trade and capital flows, will affect inflation patterns in the region in 2025. The economy of the Russian Federation is expected to feel the inflationary impact of large fiscal spending and currency depreciation, while in Ukraine wage costs and electricity shortages will drive inflation higher.

Labour market conditions have also varied across the region in 2024. In the Russian

Figure III.10

Inflation in the Commonwealth of Independent States and Georgia



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: e = estimates; f = forecasts; YoY = year-over-year. Regional and country group averages are GDP-weighted. *Includes Azerbaijan, Kazakhstan, and Turkmenistan. **Includes Armenia, Belarus, Georgia, Kyrgyzstan, Republic of Moldova, Tajikistan, Ukraine, and Uzbekistan.

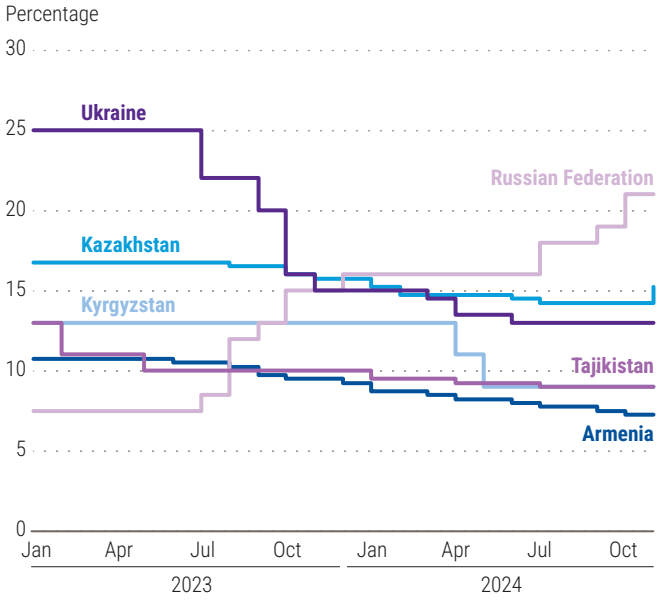
Federation, the unemployment rate declined to a record low of 2.3 per cent in October 2024. Labour shortages are expected to persist, as migration to the country has slowed down, potentially due to perceived conscription risks and tighter employment restrictions for migrants.

Against the backdrop of slowing inflation, central banks in Georgia and across the CIS—with the notable exception of the Russian Federation—have further eased monetary policy in 2024 (see figure III.11).[12] On the fiscal policy side, the Russian Federation has adopted an expansionary budget for 2025–2027 that reflects a growing share of military spending. To cover public expenses, the Government has raised corporate and personal taxes, effective January 2025, and has imposed a one-time tax on the profits of certain enterprises. The budget deficit will nevertheless remain low, covered through domestic borrowing and the use of National Wealth Fund assets. By contrast, Ukraine is facing an elevated budget gap that has approached 20 per cent of GDP in 2024, with military expenditures constituting half of fiscal spending. While the Government opted to introduce a "war tax" on individuals and certain businesses and promote "war bonds" in late 2024, most of the deficit is financed with external aid. In Kazakhstan, additional spending has been required in 2024 to address the impact of floods.

The duration and intensity of the war in Ukraine will have a profound impact on the region's economic prospects. In the longer run, the diversification of production and the export base and the development of renewable energy remain key priorities for the region's economies,

Figure III.11

Central bank policy rates in selected Commonwealth of Independent States countries



Source: UN DESA, based on data from national central banks.

12 In late 2024, Kazakhstan reversed monetary easing due to persistent inflationary pressures and the sharp depreciation of its currency.

which are lagging behind Eastern Europe in economic diversification. For smaller CIS countries, the expansion of intermediary trade with the Russian Federation offers some short-term benefits but is unlikely to be a reliable source of sustainable economic growth. For Central Asia, electricity shortages, exacerbated by the impact of climate change on hydropower generation, pose an additional challenge.

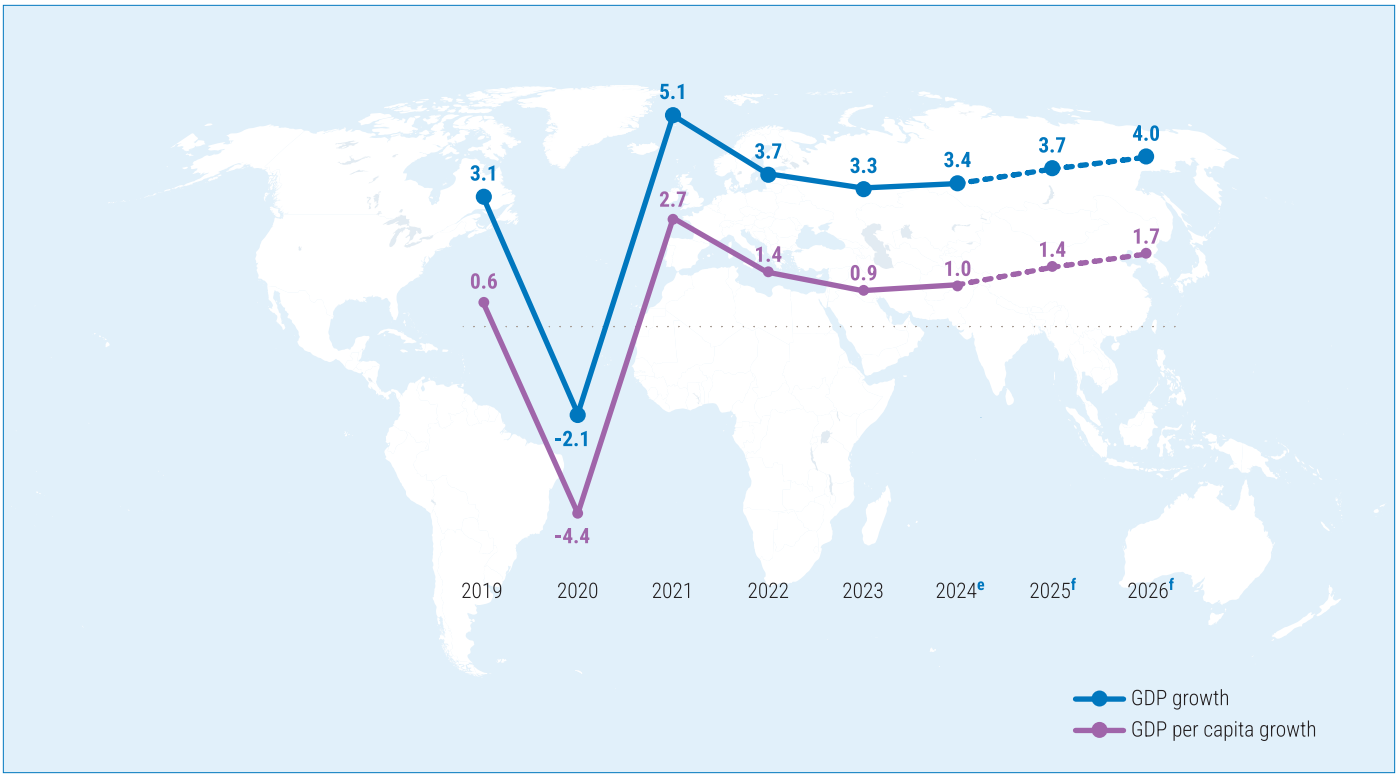
South-Eastern Europe

The countries of South-Eastern Europe have maintained their economic dynamism in 2024. Serbia has the region's largest and most industrialized economy, which is projected to sustain growth of 4 per cent in 2025, supported by public investment related to the Expo 2027 exhibition in Belgrade. The services-oriented economies of the region have benefited from a strong tourism season in 2024. Regional GDP growth has averaged 3.4 per cent in 2024, with 3.6 per cent growth projected for 2025, backed by strengthening private consumption and continuing foreign direct investment (FDI) inflows.

Despite rising food prices, disinflation has continued in 2024, boosting consumer confidence and enabling monetary easing in countries with flexible exchange rate systems. However, a poor harvest season may lead to higher prices in 2025.

The new European Union Growth Plan for the Western Balkans (European Commission, 2023b), which incorporates a €6 billion financial instrument for the period 2024–2027, will contribute to deepening intraregional integration and integration with the European Union economy and will help boost growth. However, internal political disagreements and potential instability in some of the region's countries could impede access to funding and stall the implementation of the Plan.

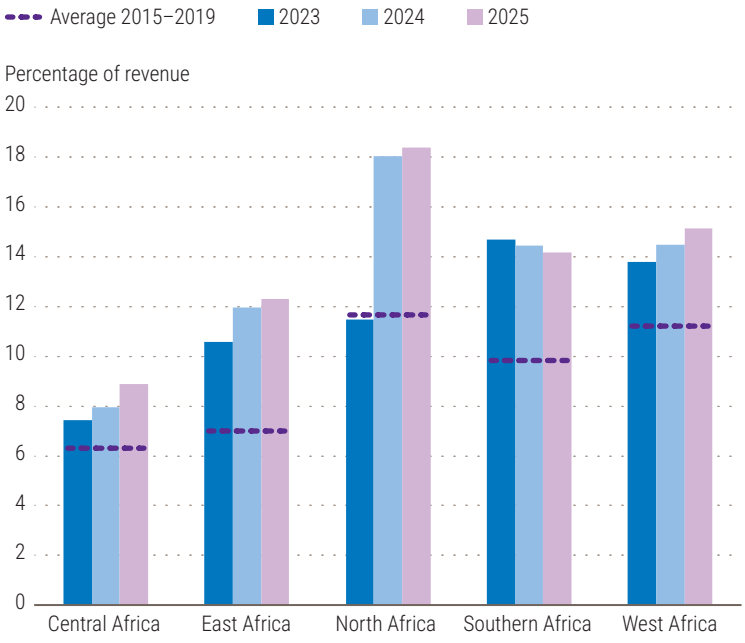
AFRICA



HIGHLIGHTS

- Growth in Africa is projected to pick up as the growth performance of the region's largest economies improves.
- Despite some progress in debt restructuring and fiscal reforms, African countries continue to grapple with high debt and interest payment burdens.
- Extreme poverty is trending upward in several economies—particularly in the region's least developed countries—due to persistent macroeconomic fragility and shocks.

Government interest payments by subregion



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: Subregional aggregates reflect arithmetic means.

Notes: e = 2024 estimates; f = 2025–2026 forecasts. Aggregate data for Africa exclude Libya and Sudan.

Developing economies

Africa

In Africa, economic growth is expected to pick up, with regional GDP growth projected to rise from an estimated 3.4 per cent in 2024 to 3.7 per cent in 2025 and 4.0 per cent in 2026.[13] This reflects the recovery of the three largest African economies—Egypt, Nigeria, and South Africa. The severe balance-of-payments constraint in Egypt eased in the first half of 2024 with the expansion of the International Monetary Fund (IMF) Extended Fund Facility arrangement and the investment agreement with the Abu Dhabi Development Holding Company (IMF, 2024). In South Africa, the supply of electricity—the primary supply constraint—has stabilized in 2024, and economic growth is finally projected to recover to pre-pandemic levels. In Nigeria, economic pressures arising from major policy reforms in energy subsidies and foreign exchange management are expected to ease as the economy nears the end of a challenging transition phase, with consumer prices and exchange rates beginning to stabilize.

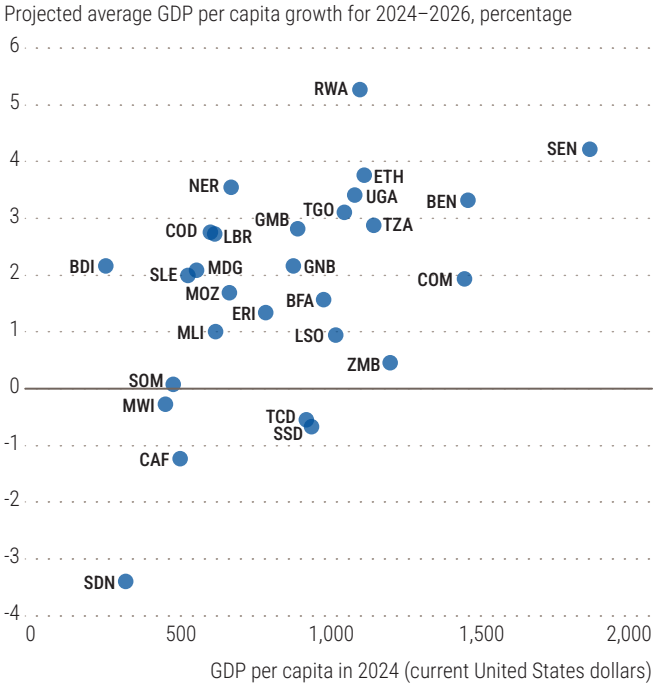
East Africa is projected to see faster growth than other subregions. Ethiopia, Kenya, Rwanda, Uganda, and the United Republic of Tanzania are expected to maintain relatively high GDP growth, supported by sustained domestic demand and a robust recovery in international tourism. Growth in Central Africa is projected to remain lower than that in other subregions due to stagnating crude oil production in Chad, Equatorial Guinea, and Gabon and weak economic recovery in the Central African Republic.

Dependence on commodity exports remains a source of volatility for many African economies, creating both upside and downside risks. While anticipated slower demand growth in China for African commodities weighs on overall growth prospects, the continued exploration and development of new mines may still boost output growth in some of the region's economies. In Uganda, GDP growth is projected to surge during the period 2025–2026 with the commencement of crude oil exports. The expected launch of liquefied natural gas exports from the Greater Tortue Ahmeyim project has been delayed, affecting growth prospects in Mauritania and Senegal. In Niger, oil exports through the Niger-Benin Oil Pipeline were initiated in May 2024 but have been unstable due to disputes following the decision of Niger (along with Burkina Faso and Mali) to withdraw from the Economic Community of West African States (ECOWAS). Pipeline ruptures in Sudan forced South Sudan to suspend oil exports in February 2024, significantly impacting its growth outlook.

Projected growth for the period 2025–2026 will remain insufficient to lift per capita income in African least developed countries (LDCs), particularly Chad, the Central African Republic, Malawi, South Sudan, and Sudan (see figure III.12).

Figure III.12

GDP per capita level and growth rate in least developed countries in Africa



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Notes: The country codes used are consistent with the International Standards Organization (ISO) alpha-3 codes, which are listed in Annex Table I in the country classifications section. The figure includes only African LDCs with a per capita income below $2,000.

13 Regional growth figures for Africa exclude Libya and Sudan.

A rising concern for achieving the Sustainable Development Goals (SDGs) is the stagnation in poverty reduction in many African economies (see box III.3). After falling for many years, the extreme poverty rate in Africa appears to have been trending upward since 2015. Countries in which extreme poverty is on the rise will need to drastically improve their macroeconomic performance and resilience to shocks to return to a downward poverty trajectory.

Box III.3

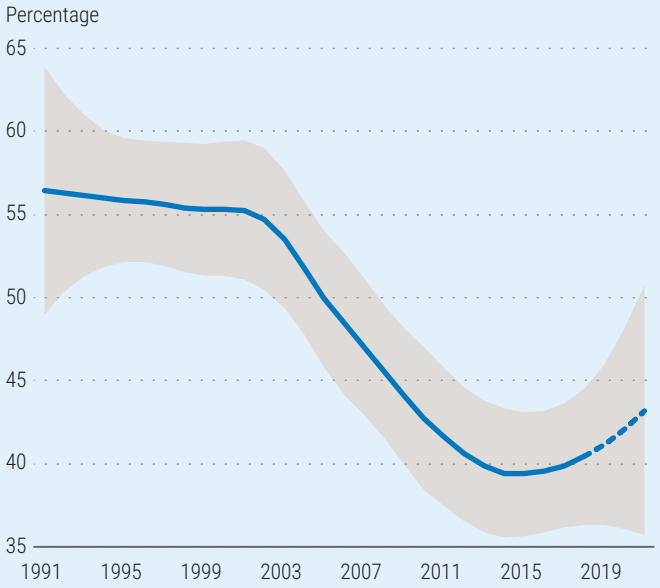
The rise of extreme poverty in sub-Saharan Africa

The global reduction of poverty over the past 30 years has been driven by strong economic performance. This has been especially true in Asia, where rapid economic growth and structural transformation have allowed countries such as China, India, and Indonesia to achieve poverty alleviation unprecedented in scale and scope. Conversely, while sub-Saharan Africa made progress between 1990 and 2015, the reduction of extreme poverty has since stalled in the region due to slow and non-inclusive economic growth amid a series of shocks (World Bank, 2024e). According to preliminary estimates, the share of the population in Africa living in extreme poverty—also known as the poverty headcount rate and assessed against a poverty line of $2.15 per person per day using 2017 prices—has not only stagnated but has trended upward in recent years (see figure III.3.1). This rise in extreme poverty is expected to impede progress on many of the Sustainable Development Goals in Africa.

Several factors are likely to have contributed to the recent increase in the extreme poverty headcount rate. External shocks such as extreme weather events, local conflicts, and the COVID-19 pandemic have had an outsized impact on poverty. The COVID-19 pandemic had a particularly devastating effect in many countries, pushing an estimated 55 million people into poverty in 2020 alone (African Union and others, 2024). It is important to note, however, that declining trends in extreme poverty had already begun to stall well before the pandemic, as many countries across the region had been hit hard by the commodity price shock occurring between 2014 and 2016. Countries with the largest increase in the number of people living in extreme poverty, such as the Democratic Republic of the Congo (+23.8 million between 2012 and 2020) and Mozambique (+5.7 million between 2014 and 2019), suffered from a combination of factors, including extreme weather events, conflict, and weak governance.[a] Zimbabwe experienced a steep increase in the poverty headcount rate (from 34.2 per cent in 2017 to 39.8 per cent in 2019) amid high inflation and political turmoil. Poverty has risen most in fragile and conflict-affected States, which currently account for over half of the world's extreme poor (Corral and others, 2020). Countries that have managed to avoid

Figure III.3.1

Population-weighted poverty headcount ratio at $2.15 a day in sub-Saharan Africa



Source: Authors' estimates, based on data from World Bank World Development Indicators.
Notes: Data have been smoothed using LOESS smoothing with a span of 0.75. The grey area signifies the 75 per cent confidence interval of the smoothed trend line.

a The changes in the number of people living in extreme poverty in the examples provided in this box are based on data from the World Bank, with data points taken from the last two available household surveys in each country.

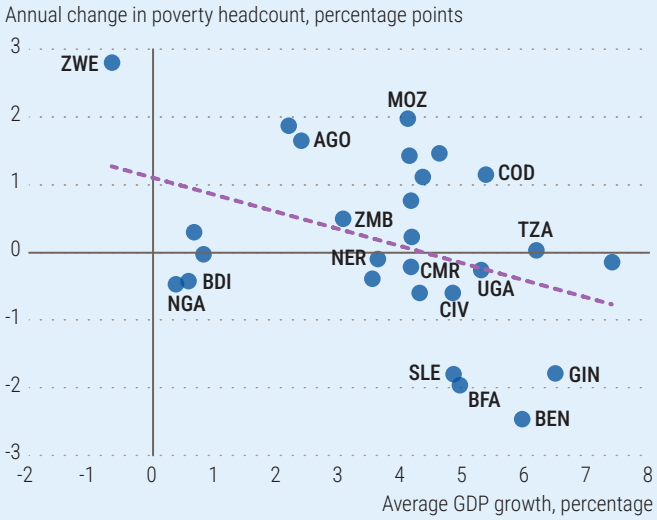
fragility—such as Benin, Ghana, and Senegal—have achieved poverty reductions 15–20 percentage points higher than their more fragile counterparts (Hoogeveen, Mistiaen and Wu, 2024).

Macroeconomic imbalances and weak economic growth have also worsened extreme poverty (World Bank, 2024d). Angola (+6.8 million between 2008 and 2018) and Nigeria (+1.9 million between 2015 and 2018) experienced stagnating or rising extreme poverty during recent periods of sluggish economic performance. Conversely, Namibia saw extreme poverty fall rapidly between 2009 and 2015 thanks to prudent macroeconomic management. In Guinea, the number of people living in extreme poverty fell by 0.9 million between 2012 and 2018, coinciding with strong economic growth. Similarly, Côte d'Ivoire managed to bring down poverty between 2018 and 2021 amid robust economic growth and moderate inflation. However, the association between the poverty rate and economic growth is lower in sub-Saharan Africa and in conflict-affected countries (Wu and others, 2024). Figure III.3.2 affirms the negative but not particularly strong relationship between growth and changes in poverty headcounts, as well as the numerous exceptions. The United Republic of Tanzania, for example, saw poverty rise by 5.3 million between 2011 and 2018 despite relatively robust economic growth.

Extreme poverty is a complex phenomenon, and there is no single explanation for its recent uptick in sub-Saharan Africa. Nevertheless, worsening macroeconomic conditions, including low GDP growth and high inflation, go a long way towards explaining the recent rise in poverty in many countries. Shocks such as the COVID-19 pandemic, extreme weather events, conflict, and political instability are particularly concerning, as they not only affect large numbers of people but also limit the capacity of the Government

Figure III.3.2

Extreme poverty and GDP growth in sub-Saharan Africa



Source: Authors' estimates, based on 2024 data from World Bank World Development Indicators.
Notes: Each point indicates an African country. Only countries with poverty headcount observations since 2018 are included. GDP growth averages are a simple mean of all observations for each country between their last two poverty surveys. The country codes used are consistent with the International Standards Organization (ISO) alpha-3 codes, which are listed in Annex Table I in the country classifications section.

to strengthen poverty eradication. It is essential that efforts to combat poverty be ramped up, as the number of people living in extreme poverty will continue to rise as long as population growth outpaces declines in poverty rates. Addressing extreme poverty—and the factors that exacerbate it—is not easy, but policymakers must prioritize action in this area to allow Africa to achieve its most fundamental development objectives.

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Inflation has fallen considerably from the high rates registered in 2022 and 2023 across many African economies as international commodity prices, particularly the prices of fuel products and grains, have stabilized below recent peaks. Nevertheless, annual inflation has remained above 10 per cent in 2024 in Angola, Burundi, Egypt, Ethiopia, Malawi, Nigeria, Sierra Leone, South Sudan, Sudan, and Zimbabwe, primarily due to currency depreciation pass-through effects. In Ghana and Zambia, high food price inflation has persisted despite relatively stable

exchange rates owing to the damage to crop harvests caused by severe droughts. Inflationary pressures from labour markets have remained negligible in Africa due to continued high unemployment and underemployment.

Eleven central banks in Africa (Botswana, Eswatini, Ghana, Kenya, Liberia, Mauritius, Morocco, Namibia, Rwanda, South Africa, and Uganda) reduced policy rates by the end of October 2024 following sustained disinflation and the pivot to policy interest rate cuts by the European Central Bank in June and the Federal Reserve in September. Monetary easing is also undertaken to promote exchange rate stability against major currencies. Other African central banks have remained cautious. Two regional central banks, the Central Bank of West African States and the Bank of Central African States, have not followed the series of interest rate cuts by the European Central Bank, even though their regional currencies—the West African CFA franc and the Central African CFA franc—are pegged to the euro. Diverging from the monetary easing trend, ten central banks in Africa (Angola, Burundi, Cabo Verde, Egypt, Malawi, Nigeria, Sierra Leone, United Republic of Tanzania, Zambia, and Zimbabwe) have raised their policy rates in 2024. For all except Cabo Verde, this monetary tightening has aimed to stabilize exchange rates amid severe balance-of-payments challenges.

Labour markets in Africa continue to face significant challenges, with a high share of informal and subsistence employment and a lack of job opportunities to accommodate a growing population. After declining slightly between 2022 and 2023, unemployment rates started to pick up again in early 2024, notably in Angola and South Africa. This reflects insufficient job creation as economic growth lagged behind population growth. Recent polls in Congo, Mauritania, and Mozambique highlight the concerns of youth and the unemployed regarding what they perceive as insufficient government efforts to provide quality jobs (Aka, 2024; Mpani, 2024; Quansah, 2024).

The challenge of youth unemployment is compounded by a high population growth rate and overall adverse economic prospects in many parts of the continent. The IMF (2024c) estimates that up to 15 million new jobs need to be created annually in Africa to accommodate the growing workforce. The Africa Youth Employment Clock was launched in 2024 specifically to monitor youth unemployment in Africa. The impact of artificial intelligence (AI) and other new technologies on youth employment is highly uncertain. A recent analysis by the IMF shows that only 26 per cent of the jobs in Africa are exposed to the risks of AI, compared with up to 60 per cent in developed economies (Cazzaniga and others, 2024). However, improved education is necessary for Africa to reap the positive impacts of AI for its labour force (O'Neill and others, 2024).

Economies in Africa continue to face tight fiscal spaces and high levels of domestic and external debt. The GDP-weighted average fiscal deficit stood at 5.5 per cent of GDP in 2023 and is estimated to have remained unchanged in 2024. The GDP-weighted average public debt-to-GDP ratio in Africa is expected to have receded slightly from 68.9 per cent in 2023 to 67.5 per cent in 2024 and is projected to decline further to 64.3 per cent in 2025 thanks to ongoing fiscal consolidation efforts. According to the African Development Bank (2024), the total stock of external debt in Africa stood at approximately $1.15 trillion by the end of 2023, with debt servicing payments estimated at $163 billion for 2024. For many African countries, interest payments represent a crippling share of government revenues. In Egypt, for instance, interest payments have been equivalent to more than 70 per cent of government revenues in 2024, while in Angola, Ghana, Kenya, Malawi, and Nigeria, the share has exceeded 25 per cent. Moreover, domestic debt has been on an upward trajectory across the continent (Muriuki, 2024). The debt crisis remains a major risk for sustainable development prospects in Africa, with several debt restructuring processes currently under way.

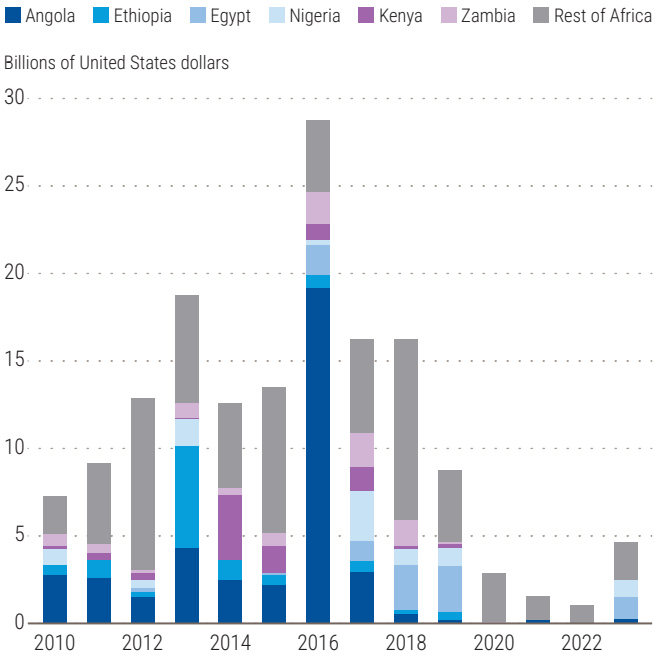
Zambia, which defaulted on its external debt in 2020, finally reached an agreement with its creditors on debt restructuring in mid-2024, marking the end of a lengthy 3.5-year process (Jones, George and Strohecker, 2024). Ghana has also made headway in its debt negotiations, with creditors agreeing to a $13 billion debt reduction (Reuters, 2024). Meanwhile, Ethiopia has engaged in negotiations with its creditors under the G20 Common Framework, while Malawi has sought to establish an agreement outside the Framework. These cases underscore the complexity of debt negotiations and illustrate the significant delays that can arise from the involvement of multiple parties. Somalia, in a somewhat better position, made substantial progress in restructuring its government debt thanks to the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, resulting in its debt-to-GDP ratio falling to 6 per cent by the end of 2023 (World Bank, 2024f).

Following very little lending activity between 2020 and 2022, Chinese loans to Africa rebounded modestly in 2023 with 13 new commitments, about half of which targeted the financial sector (see figure III.13). In September 2024, the Government of China announced a package of $51 billion in new loans over the next three years to strengthen partnerships between Africa and China in trade, communications, green development, healthcare, food security, and other areas, and to encourage investment in Africa by Chinese companies (China, Ministry of Foreign Affairs, 2024). As the United States and other partners express more interest in investing in Africa, including in infrastructure (van Staden, 2024), African countries may have the opportunity to diversify their external development project portfolios, negotiate further debt restructuring, or demand more favourable loan terms.

Structural reforms aimed at improving government finances have sparked significant waves of social unrest across Africa in 2024. Protests in Kenya in June 2024 were triggered by a proposed finance bill that would increase tax

Figure III.13

Loans to Africa from China, 2010–2023



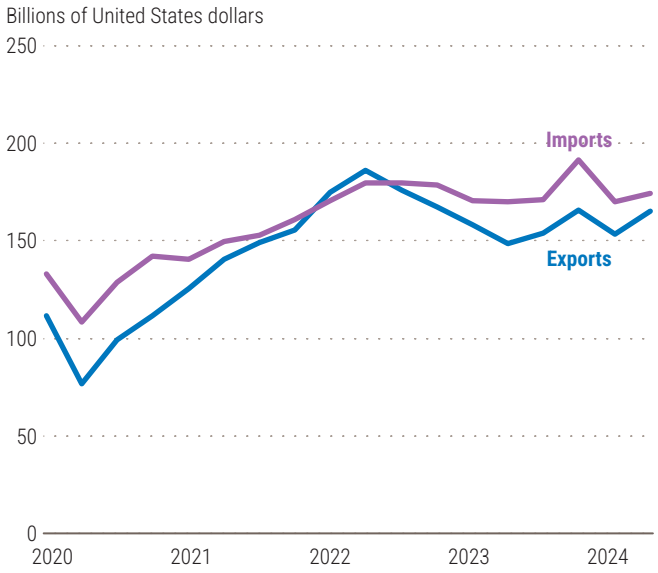
Source: UN DESA, based on estimates from Boston University Global Development Policy Center Data.
Note: The Chinese Loans to Africa (CLA) Database tracks loan commitments from Chinese development finance institutions, commercial banks, government entities, and companies to African Governments, State-owned enterprises, and regional multilateral institutions.

rates for several goods. Nigeria has faced similar unrest due to the scrapping of an expensive fuel subsidy. The lack of fiscal space is impacting the capacity of many Governments to systematically address key sustainable development issues such as healthcare and education. At the same time, policies to enhance fiscal space are difficult to implement and often end up hurting the poor and vulnerable in the short term.

Preliminary data for 2024 indicate that trade performance in Africa has been modest. After peaking in the first quarter of 2022, exports stagnated in 2023, with a slight rebound occurring in late 2023 and extending into 2024 (see figure III.14). The stagnation in trade can be partially attributed to the underperformance of the South African manufacturing sector throughout 2023 due to rolling power outages, as well as to the weakness of most commodity prices.

Figure III.14

African imports and exports, by value



Source: UN DESA, based on data from International Monetary Fund Direction of Trade Statistics.
Note: Import and export data are quarterly (not seasonally) adjusted.

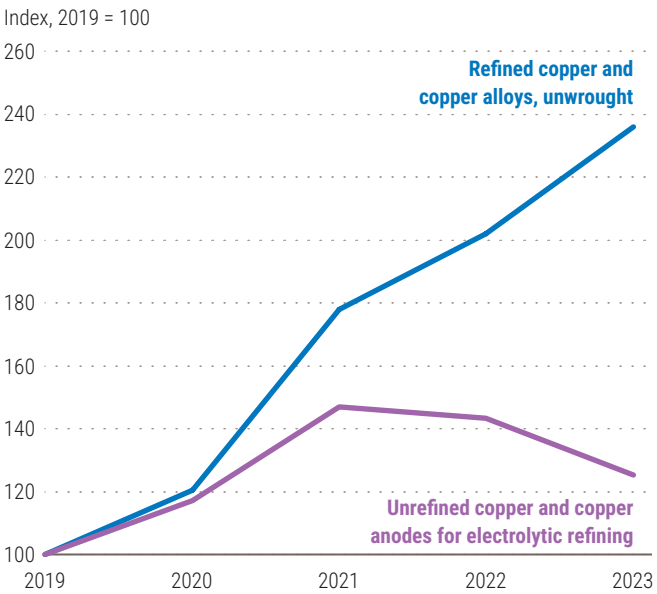
Africa has continued to import more manufactured goods than primary commodities, though the share of manufactured goods in total imports decreased from 63 per cent in 2018 to 60.5 per cent in 2023 (UNCTAD, 2024b). This decline was partly due to rising imports of primary commodities. Refined oil imports from Belgium and India more than doubled from 2019 to 2023. New refineries that have come online in Angola (Energy Capital & Power, 2024) and Nigeria (Asadu, 2024) in 2024 may influence the trajectory of African oil trade. The ongoing gold price rally could benefit leading African gold producers, including Ghana and South Africa, boosting foreign exchange reserves, enhancing fiscal space, and providing room for new investments (Afreximbank, 2024). Although cocoa prices have surged, growers in producer countries such as Côte d'Ivoire and Ghana have not reaped the benefits as rising global market prices have yet to translate into higher local prices. The growing demand for energy transition minerals has prompted African countries to strive to export these minerals in more processed forms. African exports of processed copper are increasingly surpassing those of unrefined copper, driven by developments in the Democratic Republic of the Congo (see figure III.15). This growth is largely due to the establishment of refineries adjacent to mines through foreign investment.

The market share of Africa in services trade has continued to decline, accounting for about 2 per cent of global exports and 2.5 per cent of global imports in 2023 (UNCTAD, 2024a). However, the tourism sector has shown improvement, with a 7 per cent increase in arrivals from January-June 2019 to the same period in 2024. This growth has been driven by significant increases in Cabo Verde, Morocco, and the United Republic of Tanzania (UN Tourism, 2024a).

Notable progress has been made in bolstering regional coordination within the African Continental Free Trade Area (AfCFTA) framework in 2024. The Digital Trade Protocol and the Protocol on Women and Youth in Trade[14] were

Figure III.15

African exports of refined and unrefined copper



Source: UN DESA, based on data from the International Trade Centre.
Notes: "Refined copper and copper alloys, unwrought" is assigned Harmonized System (HS) code 7403, and "unrefined copper and copper anodes for electrolytic refining" is assigned HS code 7402. Data are annual.

14 Formally known as the Digital Protocol of the Agreement Establishing the African Continental Free Trade Area and the Protocol to the Agreement Establishing the African Continental Free Trade Area on Women and Youth in Trade.

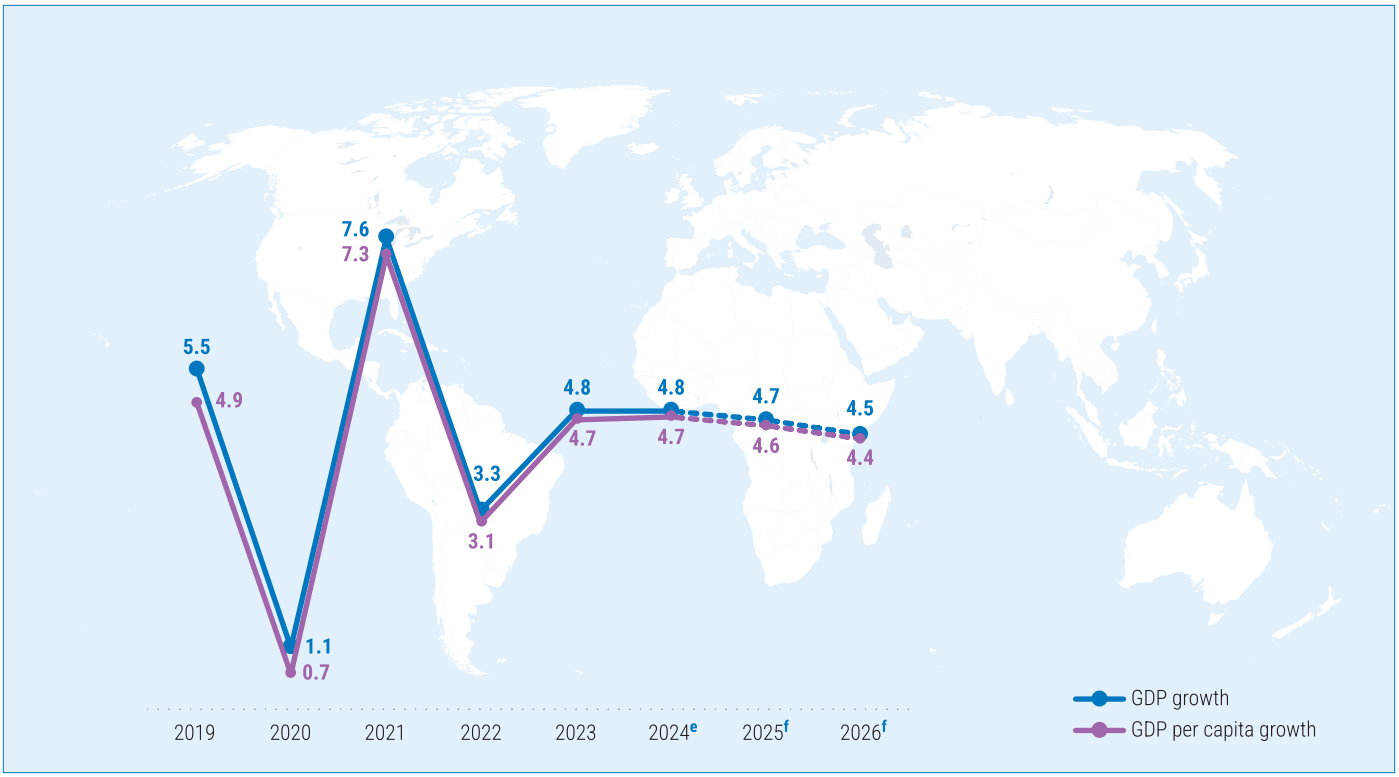
adopted at the 37th African Union Summit in February (African Union, 2024), and the new AfCFTA Guided Trade Initiative, aimed at supporting initial interregional trade consignments, has attracted interest from 39 countries. Nonetheless, the promise of regional integration in Africa remains fragile, as evidenced by the recent fractures within ECOWAS, one of the main regional economic communities. In January 2024, Burkina Faso, Mali, and Niger announced their intention to leave the bloc, representing a serious setback to a nearly five-decades-long effort to strengthen regional cooperation (International Crisis Group, 2024). This followed the earlier ECOWAS suspension of these countries' memberships after unconstitutional changes of Government in Mali (May 2021), Burkina Faso (January 2022), and Niger (August 2023).

Although the Agreement Establishing the African Continental Free Trade Area has been in effect since 2021, gains in intraregional trade have yet to materialize. Implementation remains challenging, as countries that depend strongly on tariff revenues remain reluctant to pursue liberalization (ISS, 2024). Moreover, some countries have not yet applied the AfCFTA framework in full because of the complex and lengthy process of establishing the required governance arrangements, such as the development and verification of tariff offers and agreement on the rules of origin (The Trade Law Centre NPC, 2024). Finally, there are significant structural challenges in Africa—including insufficient innovation within the private sector, inadequate infrastructure, and the dominance of the informal economy—that limit the gains from trade (Shikwati, 2024).

Africa has grappled with the intensifying impacts of climate change in 2024, with widespread extreme weather events causing destruction across the continent. East Africa experienced flooding from heavy rains from April to June, leading to many deaths and large-scale displacement. Around the same time, an extreme heatwave struck the Sahel region, with record-high temperatures causing power outages from overloaded grids as well as multiple deaths. The Sahel then experienced heavy rainfall in August, which led to devastating flooding across the region, displacing hundreds of thousands of people. Southern Africa has faced similar challenges; damaging droughts have affected every country in the subregion, leaving 68 million people (17 per cent of the subregional population) in need of food assistance (Chingono, 2024). Zambia has faced historic electricity blackouts as drought has parched Lake Kariba, the country's main source of energy. Meanwhile, wildfires have reached unprecedented levels in 2024, with approximately 22 million hectares burned in a single week in August (Samborska, 2024).

Given this dire situation, the need for Africa to adapt to climate change is widely recognized, and extensive climate adaptation efforts are being undertaken across the continent. All African countries have initiated the process of formulating National Adaptation Plans (NAPs) to identify and manage climate risks, and the majority have already submitted their Plans (UNFCCC, 2023). South Africa has signed a climate change bill into law, forcing all levels of government to publish climate change adaptation plans. Meanwhile, Africa has increasingly been investing in renewable energy, sustainable land use, climate resilient infrastructure and construction, and climate-smart agriculture. One persistent challenge has been that funding for climate adaptation in Africa has been slow to arrive; during the period 2021–2022, for example, the region received only a quarter of the financial support required to meet its estimated climate adaptation finance needs (Climate Policy Initiative and Global Center on Adaptation, 2024). Adaptation finance exhibits very weak growth and is concentrated in too few countries, leaving the continent exposed and vulnerable to growing climate change risks.

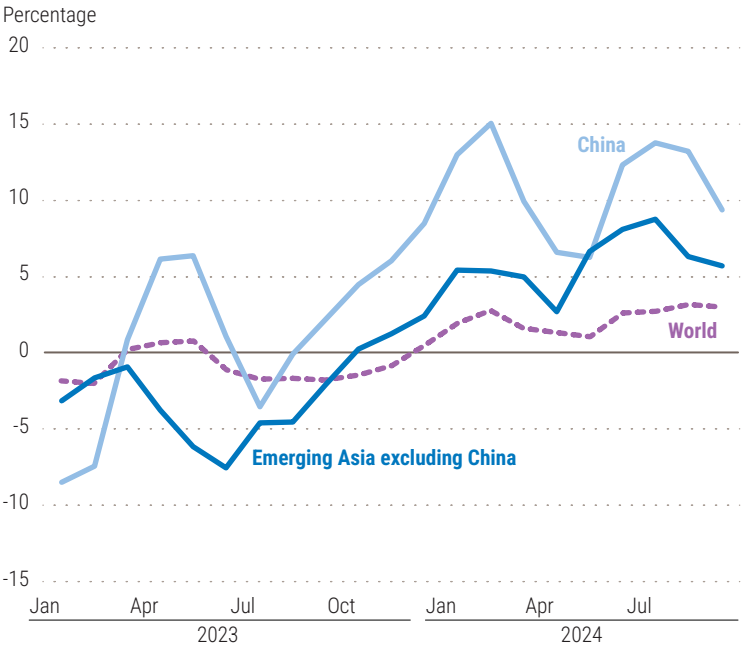
EAST ASIA



HIGHLIGHTS

- East Asia has maintained steady growth supported by improved merchandise trade performance and resilient private consumption.
- Monetary policy has become more accommodative as inflation has eased, while fiscal consolidation efforts continue in the region.
- Key downside risks include weaker external demand, rising trade and geopolitical tensions, and climate disasters.

Growth of merchandise trade in volume



Source: UN DESA, based on data from CPB Netherlands Bureau for Economic Policy Analysis.
Note: Data shown are a 3-month moving average.

Note: e = 2024 estimates; f = 2025–2026 forecasts.

East Asia

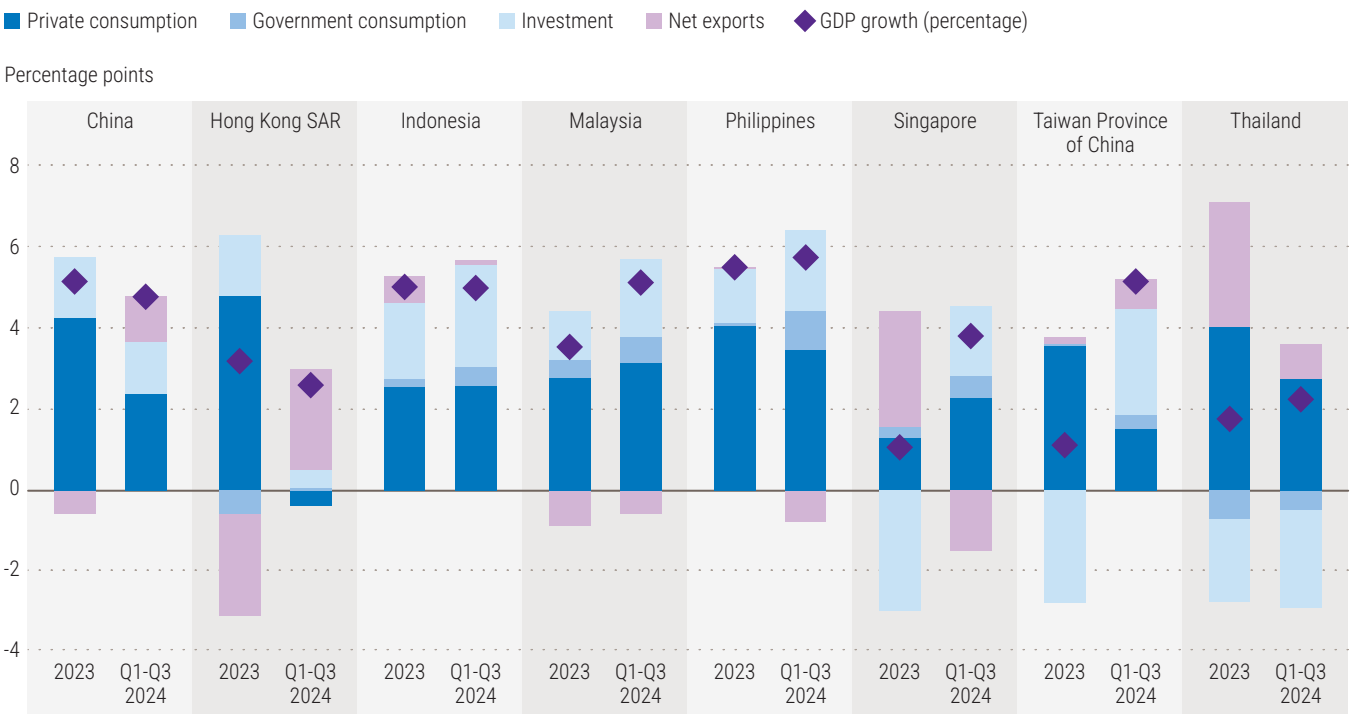
Economic growth in East Asia has remained robust in 2024, exceeding growth in other developing regions, and has continued to contribute substantially to global growth. Average growth in East Asia is expected to moderate from 4.8 per cent in 2024 to 4.7 per cent in 2025 and 4.5 per cent in 2026, mainly due to a modest slowdown in the economy of China. Significant downside risks persist amid growing geopolitical concerns, escalating trade tensions, lingering weakness in the Chinese property market, and the intensifying effects of climate change.

Private consumption has remained the major driver of headline growth in many East Asian economies in 2024 (see figure III.16), thanks to continued improvements in labour markets, robust wage growth, and greater purchasing power supported by moderating inflation. Trade performance in East Asian economies has also been a bright spot. Global merchandise exports have been recovering since late 2023 due to a slightly improved global outlook and increased demand for AI-related electronic products. This has particularly benefited technology exporters in East Asia, including China, Malaysia, Singapore, and Taiwan Province of China. Strong merchandise trade performance has buoyed investment growth and industrial production. At the same time, the tourism recovery has continued to drive services exports.

China, the largest economy in the region, is facing the prospect of a gradual economic slowdown in the forecast period. After growing by 5.2 per cent in 2023, GDP is estimated to have expanded by 4.9 per cent in 2024, with a further moderation to 4.8 per cent projected for 2025. Consumption growth and the property sector exhibited strong performance in the first quarter of 2024 but weakened during the second quarter. In the third quarter, consumer confidence remained low as annual growth in disposable income

Figure III.16

Demand-side contributions to growth in selected East Asian economies



Source: UN DESA, based on data from CEIC.
Notes: SAR = Special Administrative Region. Investment is measured as gross fixed capital formation. For China, the private consumption bar covers both the private and government sectors.

per capita slowed to 4.5 per cent, down from 5.3 per cent in the first quarter. With property accounting for about 60 per cent of the total assets of urban households in China (People's Bank of China, 2020), the weak property sector has had a significant impact on household wealth, contributing to subdued consumption growth.[15] Although investment has contributed positively to headline growth in 2024, growth in fixed capital investment has been weakening since March. Following a drop of 10 per cent in 2022 and 9.6 per cent in 2023, property investment contracted by 10.1 per cent in the first three quarters of 2024.

The Chinese authorities have stepped up policy support in response to signs of weakening growth. In the fourth quarter of 2024, the Government introduced a set of pro-growth monetary and fiscal measures—including cuts in policy interest rates and reserve requirement ratios, reductions in mortgage rates and down-payment ratios, replenishment of the core capital of the main State-owned banks, the issuance of ultra-long special central government bonds, and increases in the local government debt limit—in order to strengthen property markets, boost manufacturing and infrastructure investments, stabilize the capital market, and address local government debt challenges. Other measures have been rolled out during the year to boost private consumption, including expanded home appliance trade-in programmes and the increased provision of services such as childcare and care for the elderly. While these measures improve the growth outlook for 2025, risks remain tilted to the downside. The property sector remains a concern, as the effectiveness of policy measures in stabilizing the market is uncertain. In addition, the intensification of trade tensions would affect growth through a variety of channels.

The moderation of growth in China is associated with a significant structural transformation that involves the country moving away from its traditional reliance on investments and exports towards a more consumption- and services-driven economic model. Amid persistent headwinds, the ongoing transition of the Chinese economy may inevitably lead to a slower pace of economic expansion. The Government has called for deepened reforms in 2024, with particular emphasis given to improving resource allocation, developing green and advanced technologies, and strengthening the provision of public services in areas such as education, healthcare, and eldercare (China, National Development and Reform Commission, 2024). These reform initiatives could unlock more productivity gains in the long run.

Growth in the Association of Southeast Asian Nations (ASEAN) economies has remained resilient in 2024, supported by robust domestic consumption, investments, and improvements in net exports. Notably, ASEAN countries have received sustained FDI inflows amid trade tensions between China and major developed economies. In Indonesia, public spending is expected to remain buoyant in 2025, bolstered by the mandate of the new Government following the general election in March 2024. Viet Nam has maintained strong growth momentum, with growth projected to stay above 6 per cent in 2025 and 2026, driven by export-oriented industries and positive FDI inflows. In Thailand, government spending and tourism continue to fuel growth; however, elevated household debt—standing at nearly 90 per cent of GDP as at June 2024—may become a drag on private consumption. Some of the region's countries are dealing with difficulties that undermine economic progress; in Lao People's Democratic Republic, debt distress constrains growth prospects, and in Myanmar, the ongoing conflict continues to pose a major challenge to achieving macroeconomic stability.

Elsewhere in East Asia, Mongolia has benefited from stronger-than-expected commodity export demand from China. In China, Hong Kong Special Administrative Region, domestic consumption contracted during the first half of 2024, partly reflecting changing consumer behaviour as

15 In the first nine months of 2024, prices of new residential property in 67 out of 70 large or medium-sized cities declined between 0.3 and 8.2 per cent in comparison with the same period in 2023 (National Bureau of Statistics of China, 2024).

residents travelled to China to spend on goods and services. Growth in several Pacific economies is projected to slow in the forecast period due to limited fiscal space and threats from climate disasters.

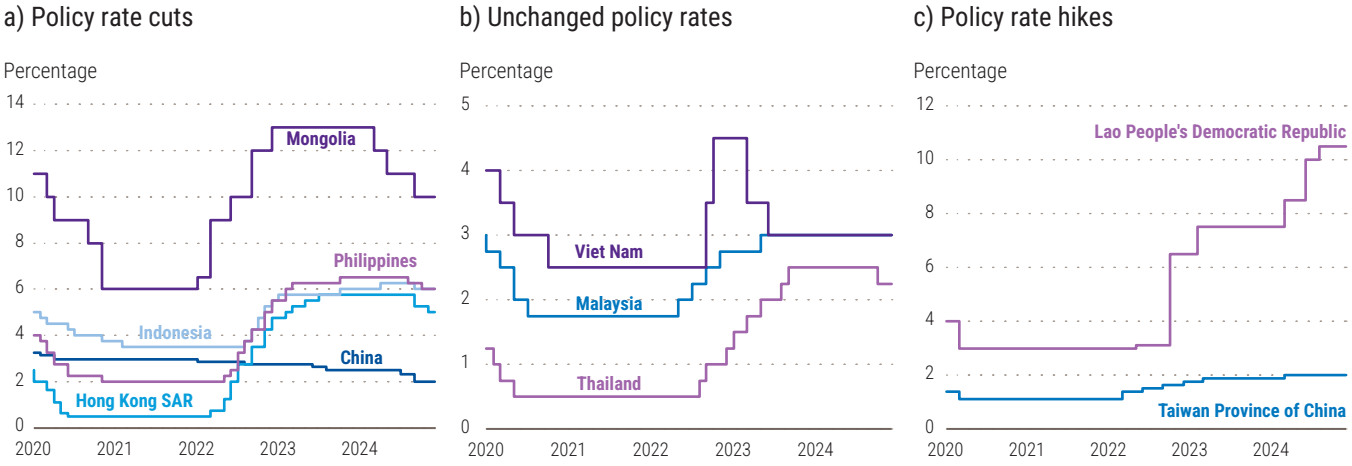
Households across East Asia have benefited from easing cost-of-living pressures. Average regional headline inflation declined from 1.1 per cent in 2023 to an estimated 0.8 per cent in 2024 and is projected to stay muted at 1.4 per cent in 2025 and 1.5 per cent in 2026. In most economies, headline inflation is within or below central bank target ranges.[16] Stronger regional currencies have helped mitigate pressures from imported inflation. However, inflation risks have not fully subsided. Ongoing conflicts in the Red Sea region have continued to exert upward pressure on global shipping costs throughout 2024. Although world food prices have been on a downward trend since peaking in 2022, heatwaves, droughts, and floods continue to hamper food production and exert upward pressure on food prices in East Asia.

Labour market performance in East Asia has been mixed in 2024. According to data from the International Labour Organization (ILO), the average unemployment rate in East Asia has returned to the pre-pandemic level in 2024 and will continue to edge down during the forecast period. However, the region's youth unemployment rate has remained high at about three times the adult rate, undercutting young people's future labour market prospects. About 20 per cent of youth in Brunei Darussalam, Indonesia, and Papua New Guinea are not in employment, education or training (NEET). In the long term, the region's employment-to-population ratio is expected to decline due to population ageing. While rapid technological change could boost labour productivity and help compensate for a shrinking workforce, it could also lead to the loss of relatively good-quality jobs as developed countries adjust their supply chains to rely more on AI than on back-office operations in Asian countries with lower labour costs (ILO, 2024b).

With risks to price stability receding, central banks in East Asia have room to lower policy interest rates. In the second half of 2024, more economies began shifting to an accommodative monetary policy stance amid low inflation and long-anticipated rate cuts by the Federal Reserve (see figure III.17a). A few central banks,

Figure III.17

Monetary policy stance in selected East Asian economies in 2024



Source: UN DESA, based on CEIC data.
Notes: SAR = Special Administrative Region. The figure covers data up to November 2024.

16 Two notable exceptions are Lao People's Democratic Republic and Myanmar, where inflation is forecast to remain elevated in 2025 amid financial and debt challenges and internal conflicts.

however, remained cautious due to idiosyncratic concerns such as volatile food prices and elevated household debt (see figure III.17b). In Taiwan Province of China, for instance, the policy rate was unexpectedly raised in March 2024 in response to an uptick in inflation (see figure III.17c).

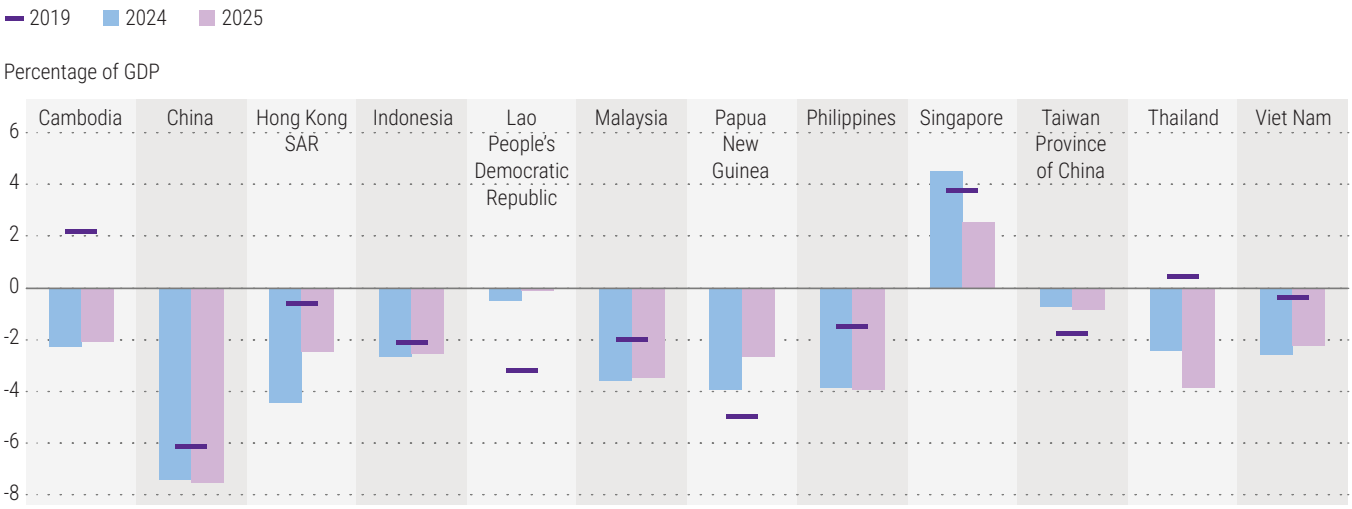
Financial conditions have remained mostly sound in 2024, supported by easing inflation and the shift to a looser monetary policy stance in the United States. Net capital inflows through direct investment and portfolio channels have continued, and most regional currencies strengthened against the dollar over the first nine months of the year.

Most East Asian economies continue to focus on regaining fiscal space through fiscal consolidation. Many Governments are expected to reduce their budget deficits in 2025. However, even with the expected consolidation, fiscal positions in most countries will remain weaker than before the COVID-19 pandemic (see figure III.18). Fiscal consolidation measures include increasing taxes, cutting energy subsidies, and lowering government expenditures. In January 2024, Indonesia imposed higher taxes on entertainment services and Viet Nam raised corporate taxes on multinational companies. Malaysia removed diesel subsidies in June. The Philippines is set to lower its defence budget in 2025. Facing fiscal constraints, countries in the region have adopted more targeted spending to improve social well-being. Indonesia, for example, has extended direct cash assistance to poor households and credit support for small-scale entrepreneurs. A smaller number of countries are moving in a different direction; China and Thailand, for example, will maintain an expansionary fiscal policy stance in 2025 to boost economic activity.

Debt levels remain elevated in East Asia, with interest payments having increased in recent years. According to IMF data, GDP-weighted average general government gross debt has been estimated at 83.4 per cent of GDP for 2024, up from 78.6 per cent in 2023 and well above the 56.6 per cent recorded in 2019. In 2022, the total external debt stock in the economies of most LDCs, landlocked developing countries (LLDCs), and small island developing States (SIDS) in the region exceeded 100 per cent of their exports of goods, services, and primary income (World Bank, 2023). As at September 2024, Lao People's Democratic Republic was in debt distress, while Kiribati, Papua New Guinea, Samoa, and Vanuatu were at high risk of distress (IMF, 2024e).

Figure III.18

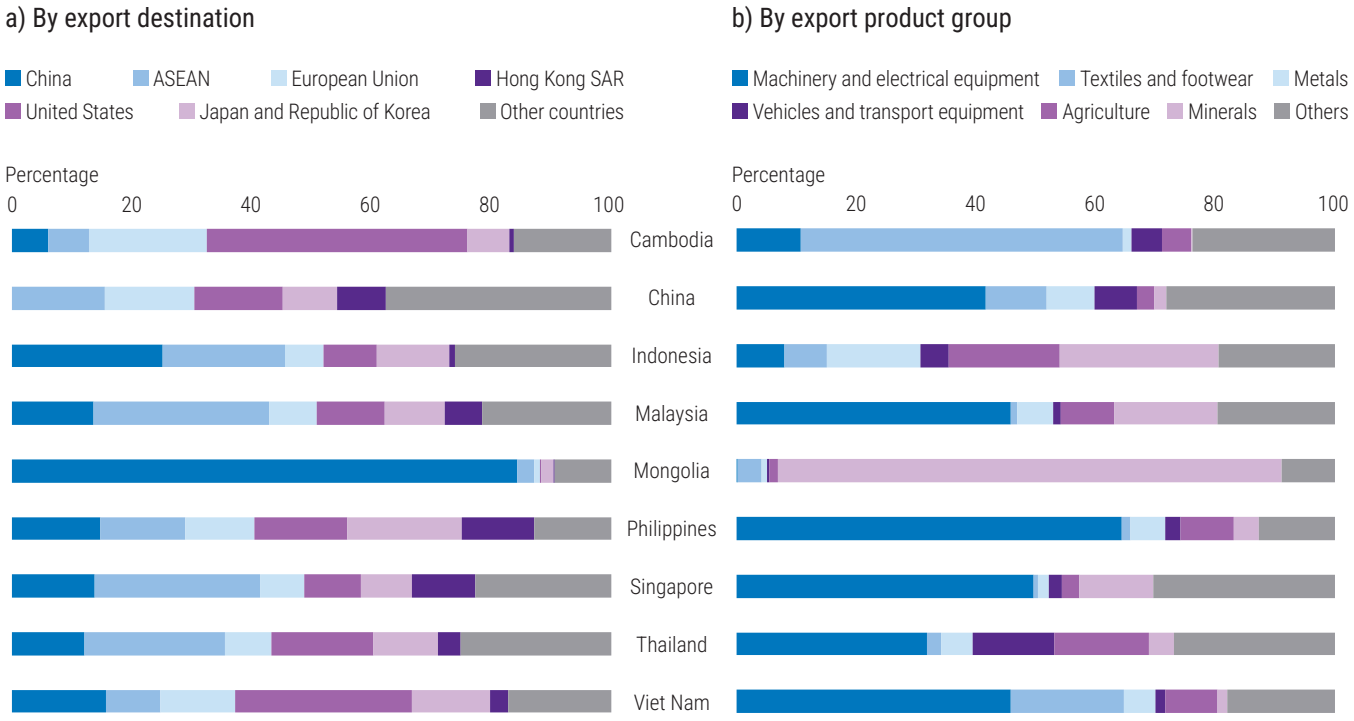
General government fiscal balance in selected East Asian economies



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: SAR = Special Administrative Region.

Figure III.19

Export patterns in selected East Asian economies in 2023



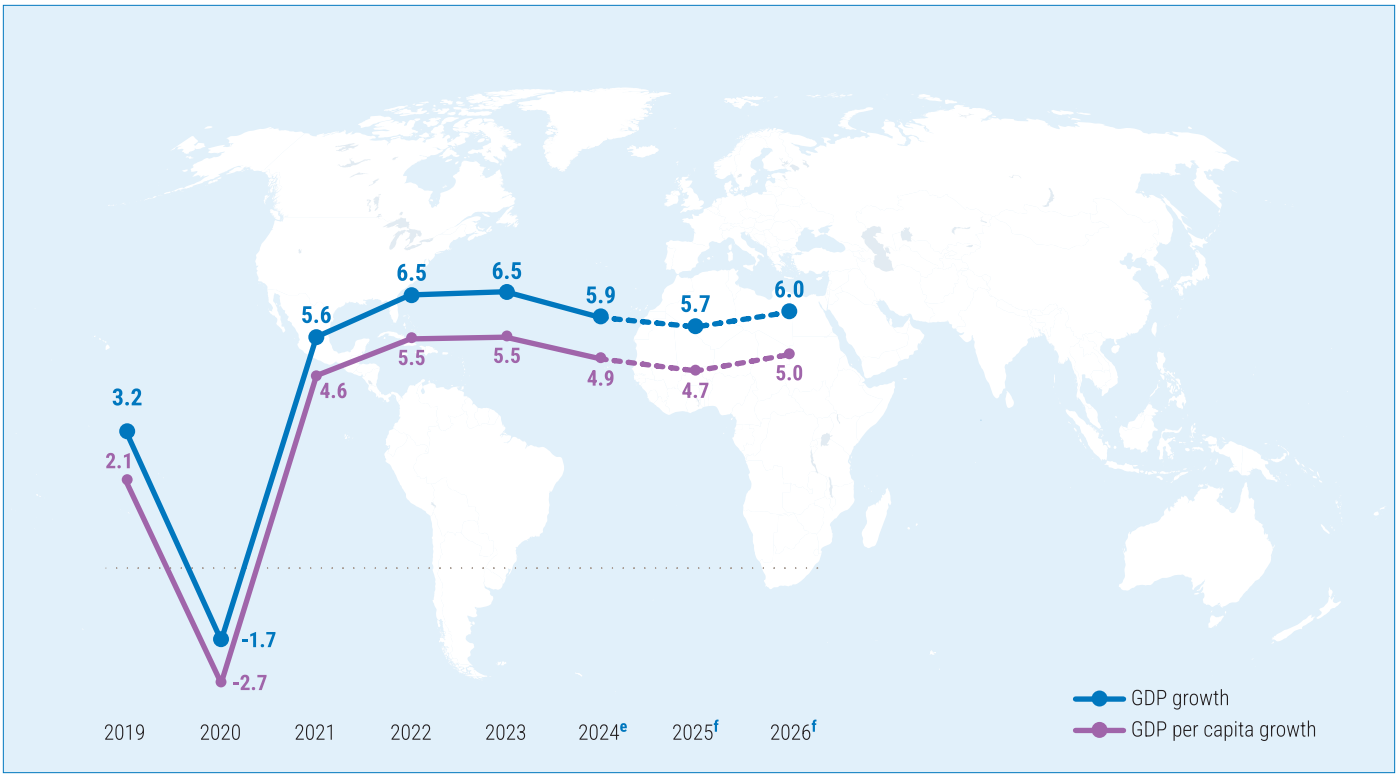
Source: UN DESA, based on data from the United Nations Comtrade database.
Notes: ASEAN = Association of Southeast Asian Nations. Data for Mongolia and Viet Nam are from 2022.

Risks to the near-term outlook remain tilted to the downside. The region's strong export performance, underpinned by a global technology upturn, may prove transitory. Data for September 2024 show a contraction in the New Orders Index of the Global Manufacturing Purchasing Managers' Index (PMI) for technology equipment and machinery and equipment (S&P Global, 2024a). As major exports from the region include machinery and electrical equipment sold primarily to developed economies (see figure III.19), worse-than-expected economic performance among key trade partners could weaken the region's export performance. Meanwhile, amid persistent geopolitical tensions and conflicts, increases in protectionist measures remain a possibility. Protracted weakness in the property sector in China could dampen the country's broader economic prospects, potentially generating adverse spillover effects on the region via weaker trade, investment, and tourism. Inflationary pressures could re-emerge due to potential disruptions to vital trade routes and energy shipments from the Middle East or unpredictable La Niña weather patterns causing food prices to rise.

The robust economic performance in East Asia has contributed to continued progress on the SDGs. The extreme poverty[17] headcount ratio is estimated to have declined to an all-time low of 0.9 per cent in 2023, down from 2.3 per cent in 2015 and 12.6 per cent in 2010 (Aguilar and others, 2024). However, progress has lagged or even reversed in many other areas. If the current pace continues, more than 80 per cent of the SDG targets will not be achieved by 2030 in Asia and the Pacific. Stepping up climate action, in particular, is an immediate priority due to its ongoing regression (ESCAP, 2024).

17 Extreme poverty is defined by the United Nations as living on less than $2.15 per person per day in 2017 purchasing power parity.

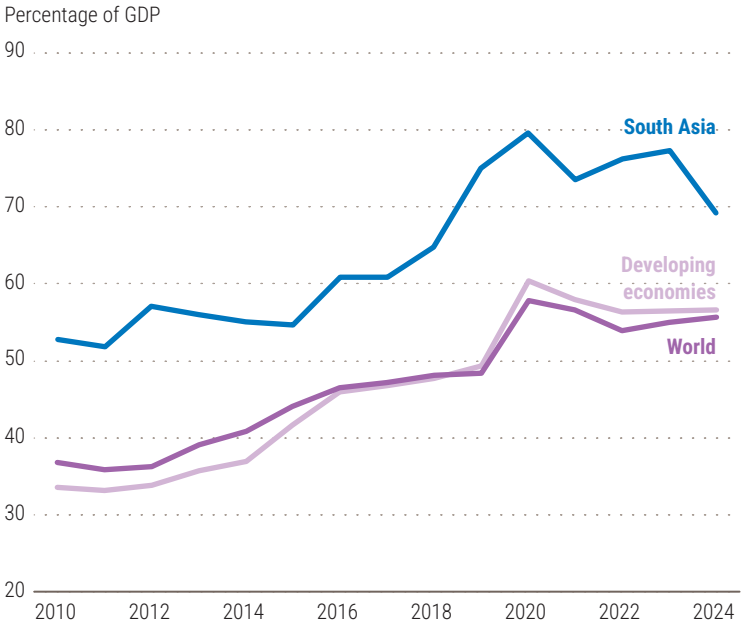
SOUTH ASIA



HIGHLIGHTS

- Economic growth in South Asia is expected to remain robust in 2025, primarily driven by strong performance in India.
- Inflation eased in 2024 and is expected to continue falling, allowing several central banks to lower interest rates and ease monetary policy.
- Fiscal vulnerabilities remain a significant concern across South Asia as public debt levels are among the highest in the world.

General government gross debt



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: Regional and country group averages reflect median values.

Notes: e = 2024 estimates; f = 2025–2026 forecasts. Aggregate data for South Asia exclude Afghanistan.

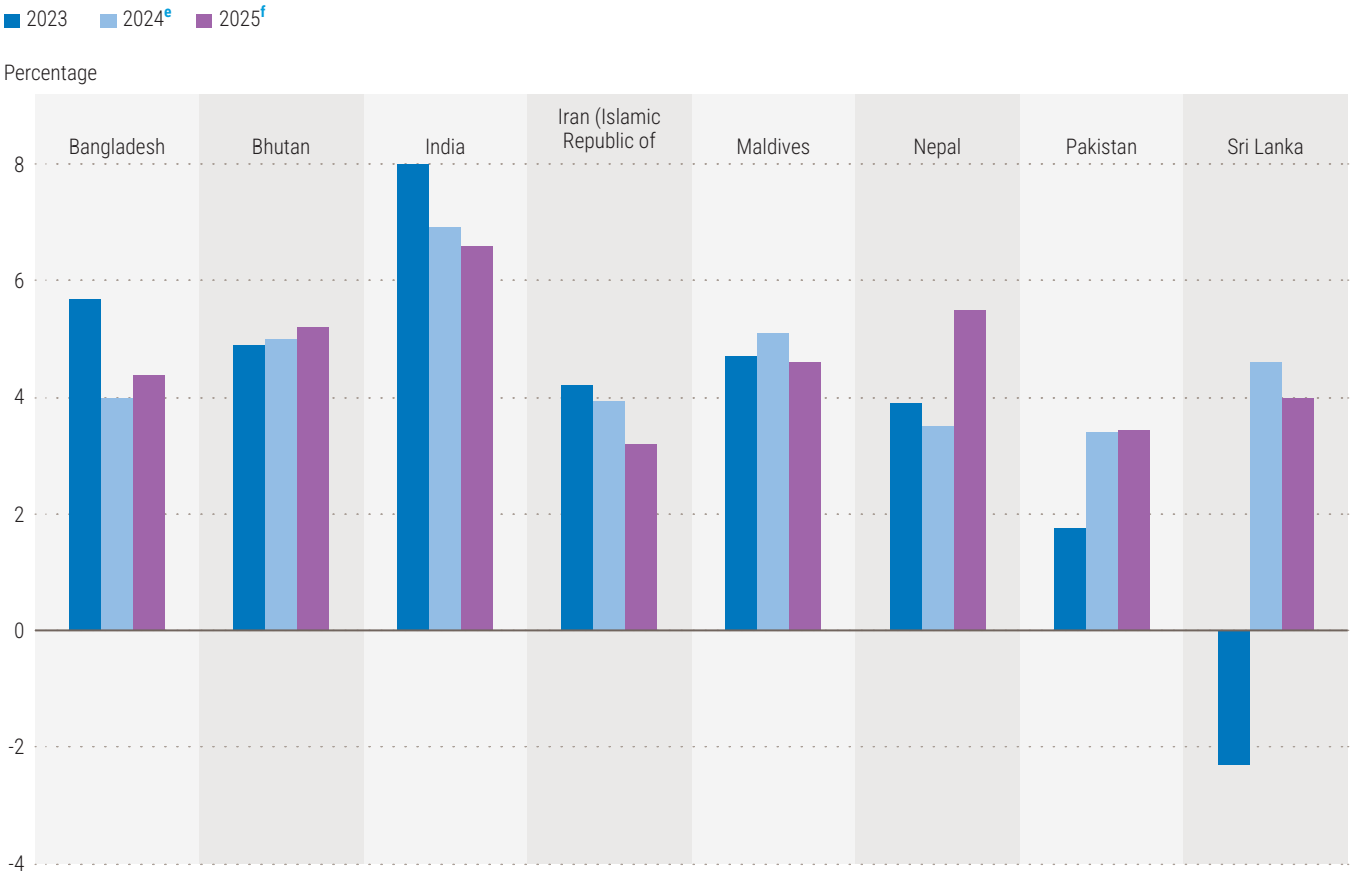
South Asia

The near-term economic outlook for South Asia is expected to remain robust. After increasing by 5.9 per cent in 2024, regional GDP is projected to expand by 5.7 per cent in 2025 and 6.0 per cent in 2026, supported by strong economic growth in India and recovery in other economies, including Bhutan, Nepal, Pakistan, and Sri Lanka. However, risks to the outlook are tilted to the downside owing to the possible escalation of geopolitical tensions, deceleration in external demand, ongoing debt challenges, and social unrest. In addition, as the region is highly vulnerable to the impact of climate hazards, extreme weather events pose a significant risk.

The economy of India, the largest in the region, is forecast to expand by 6.6 per cent in 2025,[18] primarily supported by robust private consumption and investment. Additionally, capital expenditure on infrastructure development is expected to have strong multiplier effects on growth in the coming years. Strong export growth in services and certain goods categories, particularly pharmaceuticals and electronics, will bolster economic activity. On the supply side, expansion in the manufacturing and services sectors will keep driving the economy throughout the forecast period. Meanwhile, favourable monsoon rains in 2024 have improved the summer-sowing areas for all

Figure III.20

GDP growth in selected South Asian economies



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: **e** = estimates; **f** = forecasts.

18 Economic growth for India and all other regional economies is reported here on a calendar-year basis. For projections on a fiscal-year basis refer to Annex Table A.3.

major crops, boosting agricultural output expectations for 2025.

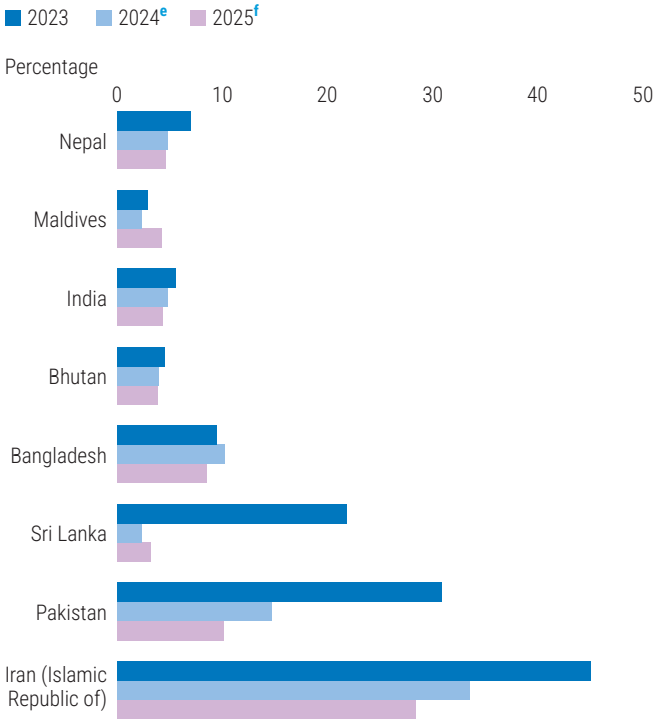
For other countries in the region, economic prospects for 2025 are mixed (see figure III.20). Modest expansion in economic activity is projected for Pakistan and Sri Lanka, with GDP expected to increase by 3.4 and 4.0 per cent, respectively, as both economies continue to recover from the downturn during the period 2022–2023. GDP in Bhutan and Nepal is projected to grow by over 5 per cent in 2025, but the economy of Bangladesh is expected to slow following unrest in mid-2024 and lingering political uncertainty.

Average consumer price inflation for the region is projected to fall from an estimated 9.9 per cent in 2024 to 8.3 per cent in 2025 and 7.2 per cent in 2026. Consumer price inflation in India is forecast to decelerate from an estimated 4.8 per cent in 2024 to 4.3 per cent in 2025, staying within the 2–6 per cent medium-term target range set by the central bank. While decreasing energy prices have contributed to the ongoing decline, adverse weather conditions have kept prices of vegetables, cereals, and other staples elevated in 2024, resulting in spikes in the country's headline inflation in June and September. Inflation has declined significantly in 2024 in all South Asian countries except Bangladesh. Inflation projections for 2025 show an overall downward trend, with rates ranging from 3.1 per cent in Sri Lanka to 28.4 per cent in the Islamic Republic of Iran (see figure III.21).

Most South Asian currencies—including the Indian rupee and the Bangladesh taka—depreciated against the United States dollar between January and November 2024. The United States dollar remained strong for most of 2024, except for a period of weakness from late July through September amid market expectations of a Federal Reserve rate cut. Following this temporary setback, the United States dollar resumed its upward trajectory during the fourth quarter of 2024. In the near

Figure III.21

Annual inflation rates across South Asia



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: e = estimates; f = forecasts.

term, depreciation pressure on South Asian currencies is expected to ease, as monetary loosening in the United States has increased the attractiveness of both direct and portfolio investments in the region's economies.

Easing inflationary pressures across the region have enabled most central banks to halt monetary tightening or continue cutting policy rates in 2024. The Reserve Bank of India has left its 6.5 per cent policy rate unchanged since February 2023 as upside risks to inflation have persisted throughout the year. The central banks of Pakistan and Sri Lanka have reduced their key policy rates to support economic recovery. Conversely, the central bank of Bangladesh has continued its tightening cycle to tame inflationary pressures stemming from weaker agricultural production, supply chain disruptions, and currency depreciation.

Labour markets in South Asia have remained broadly stable in 2024. The regional unemployment rate is estimated at 4.7 per cent for 2024 and is projected to remain the same in 2025 (ILO, 2024b). Although the regional youth unemployment rate has improved over the past several years, the NEET rate is expected to remain elevated at 26.6 per cent in 2025, slightly above the 26.4 per cent rate recorded in 2023. Young women are disproportionately affected, with their NEET rate nearly four times higher than the corresponding rate for young men. This disparity is primarily attributed to the more limited educational and employment opportunities available to young women in the region (ILO, 2024c). In India, labour market indicators remained robust during the second quarter of 2024, with labour force participation at near-record levels (Reserve Bank of India, 2024); urban unemployment stood at 6.6 per cent during this period—virtually unchanged from the rate of 6.7 per cent recorded in 2023. Although there has been progress in female labour market participation in the country, substantial gender gaps remain.

Climate-related shocks have battered South Asia in 2024. During the first half of the year, several of the region's countries—including Bangladesh, India, Pakistan, and Sri Lanka—experienced heatwaves, droughts, and irregular rainfall patterns, which led to reduced crop yields and elevated food prices. Additionally, extreme weather events have disproportionately affected poor rural households, leading to reductions in income and widening income inequality (FAO, 2024b).

Fiscal and external vulnerabilities persist across the region. Public debt has stayed high, with debt sustainability remaining a concern in several countries (see figure III.22a). In 2024, average general government debt in South Asia has remained well above its long-term average and is the highest among the developing regions. Several countries are at risk of debt distress, including the Maldives.[19] The country's public debt has increased significantly over the past few years, and with more than $500 million annually required for debt servicing, external financing needs have been substantial. The recent downgrade of the country's credit rating (Fitch Ratings, 2024) has raised concerns about the ability of the Maldives to meet its obligations, prompting the Government to implement austerity measures, including spending cuts and tax increases.

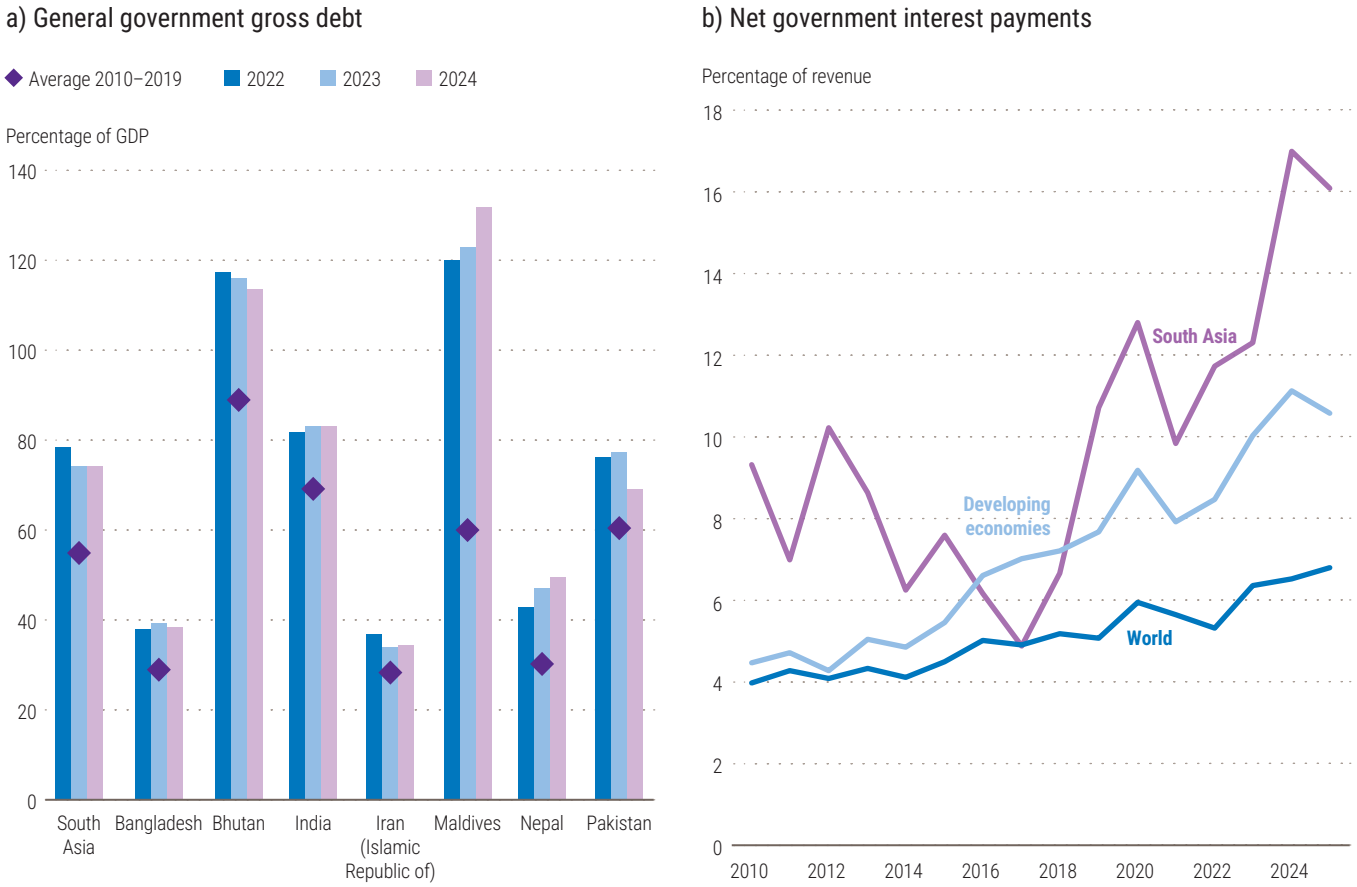
Interest payments have risen significantly since the pandemic—particularly in countries already facing high interest burdens, such as the Maldives, Pakistan, and Sri Lanka. In aggregate terms, regional government interest payments on debt as a share of fiscal revenues are higher than the median for developing economies.[20] This trend can be attributed to a combination of factors, including increased debt levels and low government revenues (see figure III.22b). In the near term, fiscal policies in the region are expected to remain tight. Many countries will continue to implement reforms and pursue fiscal consolidation—some through IMF-supported policy programmes. While fiscal deficits are anticipated to continue narrowing throughout the forecast period, they are expected to remain above pre-pandemic levels. As long as public debt levels remain elevated, debt service costs will continue to constrain fiscal space.

Several South Asian countries have continued to receive multilateral financial assistance in 2024. Sri Lanka has reached a staff-level agreement on the second review of its 48-month Extended Fund Facility arrangement, unlocking an additional $337 million in funding (IMF, 2024g). According to the IMF, the country has met most performance criteria and indicative targets, with notable achievements in disinflation, reserve accumulation, and initial signs of economic recovery. While the country has

19 As at 30 September 2024, Afghanistan and the Maldives are at high risk and Bhutan is at moderate risk of debt distress (IMF, 2024e).
20 Interest payments represent approximately 23 per cent of government revenues in the upper quartile of South Asian countries.

Figure III.22

Fiscal indicators in South Asia



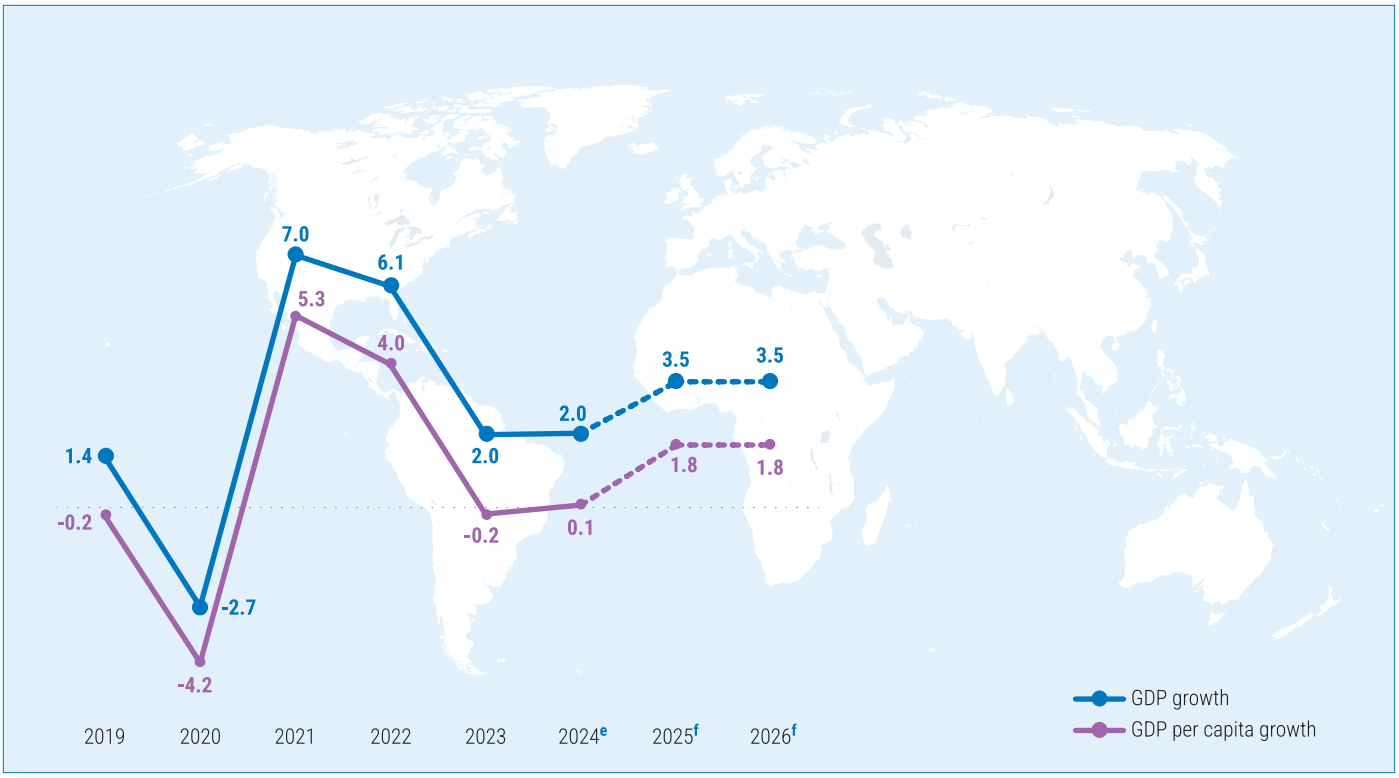
Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: Regional and country group aggregates reflect median values.

made progress in debt restructuring, challenges remain, particularly in implementing structural reforms. Bangladesh has completed its second review under the Extended Credit Facility, Extended Fund Facility, and Resilience and Sustainability Facility arrangements; this review has unlocked about $928 million under the first two arrangements and $220 million under the third (IMF, 2024b). Bangladesh has adopted critical reforms, including realigning the exchange rate, implementing a crawling peg regime, and liberalizing retail interest rates. Despite economic headwinds, the country's programme performance has remained broadly on track. In September 2024, the IMF approved a new, larger programme for Pakistan: a 37-month Extended Fund Facility worth $7 billion. This new arrangement builds on the progress made under the 2023 Stand-by Arrangement of the IMF and focuses on longer-term structural reforms (IMF, 2024f). The Extended Fund Facility aims to support the efforts of Pakistan to address structural challenges, restore economic stability, and foster sustainable growth. Key priorities include rebuilding policy credibility, advancing reforms to boost competitiveness, reforming State-owned enterprises, and building climate resilience.

Over the past few years, robust economic growth has contributed to poverty reduction in South Asia. The regional extreme poverty rate declined markedly from 2020 to 2023, dropping from 13.0 to 8.7 per cent (World Bank, 2024e). Nevertheless,

the region continues to face significant development challenges and still accounts for a significant share (around one fifth) of the world's extreme poor. Rural poverty remains dominant across the region, with women making up an increasing proportion of the rural poor (ESCAP, 2024). Rates of multidimensional poverty, driven by factors such as low educational attainment and limited access to sanitation, often exceed monetary poverty rates.

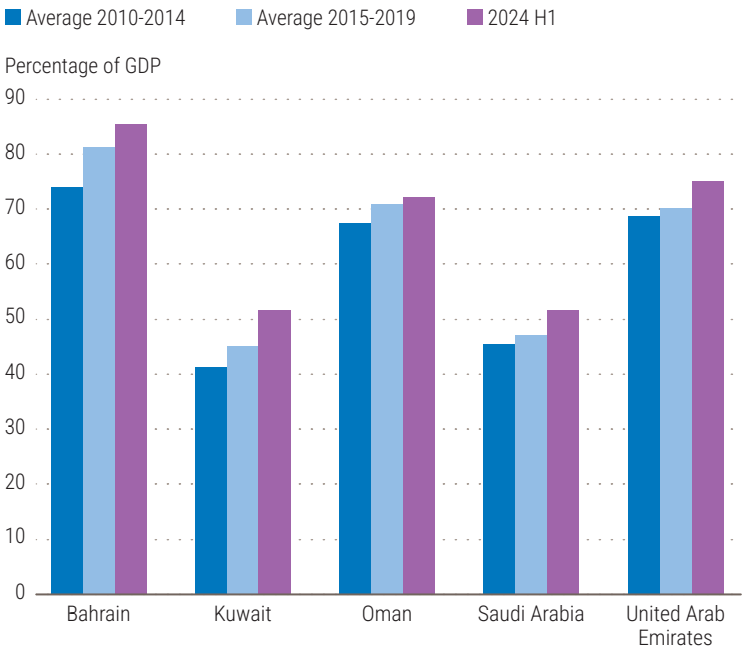
WESTERN ASIA



HIGHLIGHTS

- Escalating conflicts and stagnating oil revenues have significantly undermined the region's economic performance and prospects.
- Growth in the region's oil-exporting economies is forecast to accelerate as oil production is expected to increase in 2025.
- A gradually increasing share of non-hydrocarbon output in GDP reflects diversification efforts by major oil exporters.

Non-hydrocarbon output in selected oil-exporting economies



Source: UN DESA, based on national sources.
Note: H1 = first half of the calendar year.

Notes: e = 2024 estimates; f = 2025–2026 forecasts. Aggregate data for Western Asia exclude the State of Palestine.

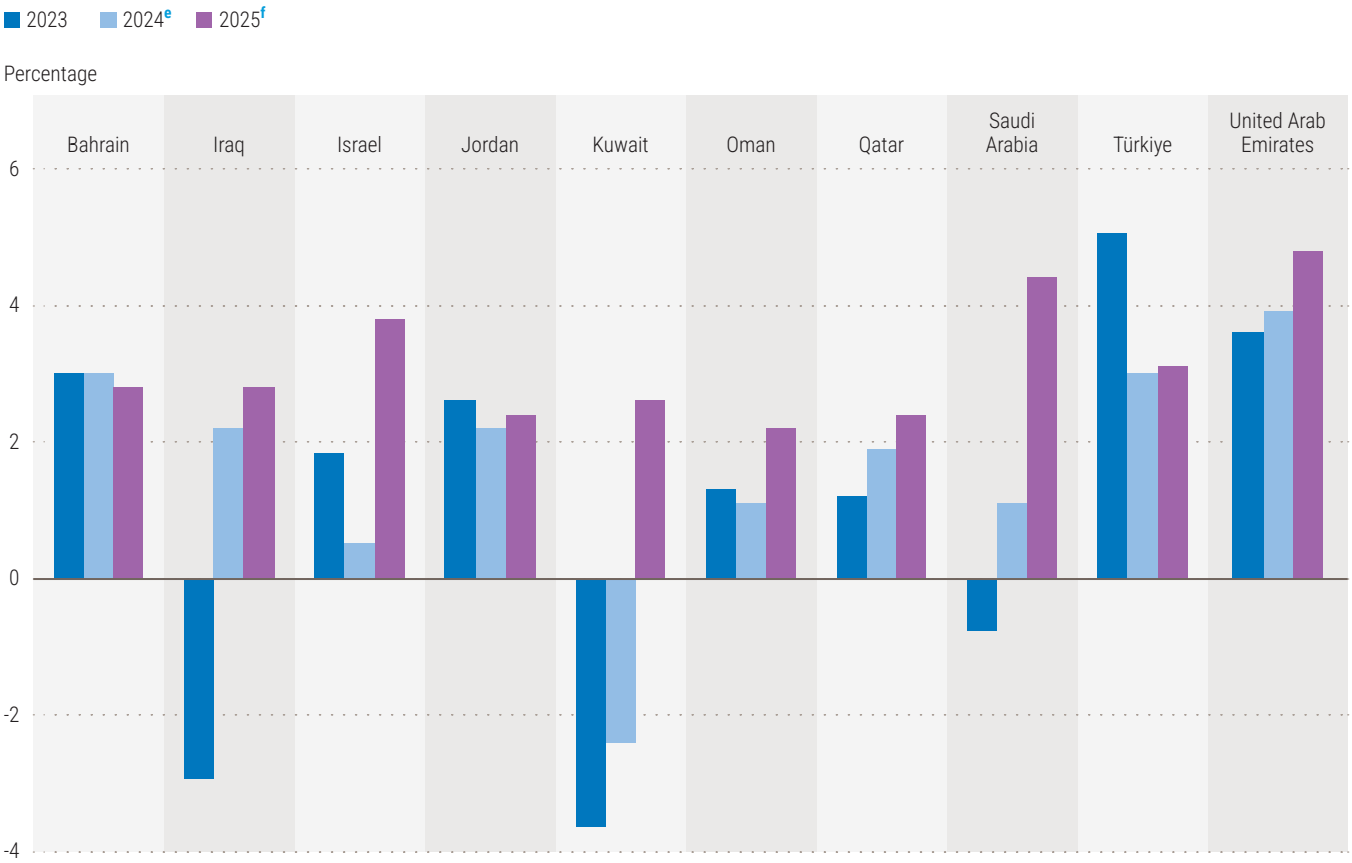
Western Asia

The macroeconomic outlook for Western Asia remains clouded by significant challenges, including geopolitical conflicts, stagnant oil revenues, and tight financing conditions. The escalation of conflicts in specific areas is negatively affecting economic performance in the wider region. Attacks on commercial shipping continue to threaten freight traffic through the Red Sea and the Suez Canal. Against this backdrop, regional economic growth is believed to have remained subdued at an estimated 2.0 per cent in 2024, albeit with significant disparities among countries. As oil production is expected to gradually increase, GDP growth is projected to accelerate to 3.5 per cent in 2025 (see figure III.23). In the longer run, the economic performance of major commodity-dependent economies in the region will depend on their ability to diversify their industries.

Economic growth in Türkiye, the largest economy in the region, decelerated from 5.1 per cent in 2023 to an estimated 3.0 per cent in 2024 and is projected to pick up marginally to 3.1 per cent in 2025. Monetary tightening and fiscal consolidation initiated in June 2023 began to take effect in the second quarter of 2024. The contribution of private consumption expenditures to growth declined to 1.1 percentage points in the second quarter, the lowest level in the past four years (see figure III.24). Weakening domestic demand has led to a reduction in imports, which (with exports remaining flat) has resulted in net exports positively contributing to growth and a narrower current account deficit. The Manufacturing PMI rose from a post-pandemic low of 44.3 in

Figure III.23

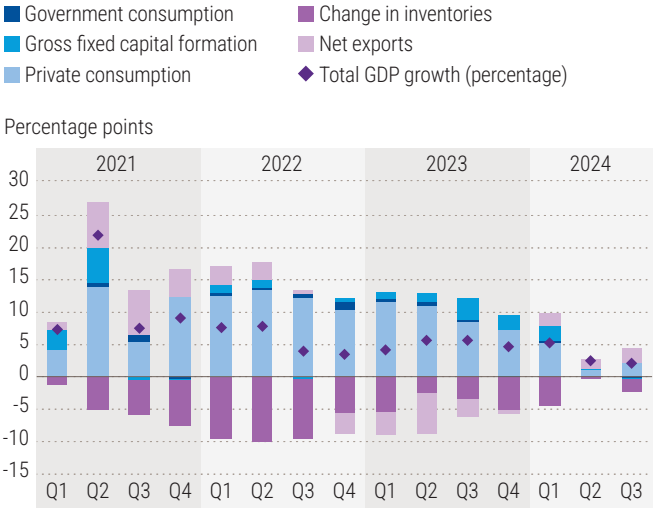
GDP growth in selected Western Asian economies



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: **e** = estimates; **f** = forecasts.

Figure III.24

Contribution to GDP growth in Türkiye, by expenditure component



Source: UN DESA, based on data from the Turkish Statistical Institute.

September to 48.3 in November; while the small increase is encouraging, the Index value is an indication that challenging conditions persist (Istanbul Chamber of Industry, 2024). The contribution of private consumption expenditures to growth is projected to decline further, and shrinking industrial production poses risks to the trade balance in the forecast period.

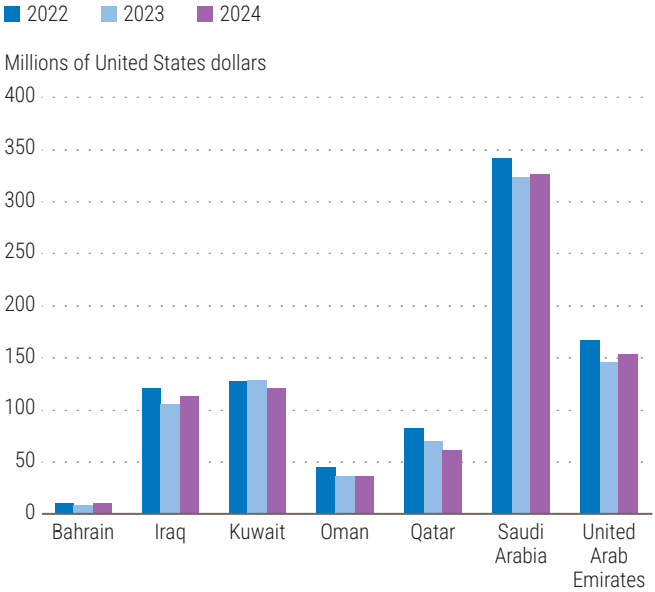
GDP growth in the region's major oil-exporting countries has remained subdued in 2024 owing to the extension of oil production cuts by OPEC Plus (the Organization of the Petroleum Exporting Countries and other major non-OPEC oil exporters, including the Russian Federation). Overall growth in the Cooperation Council for the Arab States of the Gulf (GCC) economies—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—is estimated at 1.7 per cent for 2024 and is projected to accelerate to 4.0 per cent in 2025, driven by the expected gradual elimination of voluntary oil production cuts.

The economy of Saudi Arabia has grown by an estimated 1.1 per cent in 2024 after contracting in 2023. With oil production set to increase again, economic growth is forecast to reach 4.4 per cent in 2025. Non-oil activities accounted for half of the country's GDP in 2024. Stagnation in oil revenues in recent years has revealed the urgency of ambitious economic development and diversification plans (see figure III.25). The Public Investment Fund is expected to play a crucial role in developing non-oil sectors as part of the implementation of reform measures under the country's Vision 2030 National Transformation Program. Steady expansion of the non-hydrocarbon sectors, including tourism, finance, logistics, renewable energy, and technology, will support economic growth in the near term.

Conflicts have exacted heavy humanitarian and economic costs, casting a shadow over the region's economic outlook. The economy of the State of Palestine contracted by 35 per cent year-over-year in the first half of 2024 amid an 86 per cent output decline in Gaza. The Palestinian Consumer Price Index increased by 70 per cent on a yearly basis in October 2024 (310 per cent in Gaza and 2 per cent in the West Bank), reflecting an acute cost-of-living crisis in Gaza (Palestinian Central Bureau of Statistics, 2024). The spread of the conflict into Lebanon in October 2024 had

Figure III.25

General government revenue in Western Asian oil-exporting economies



Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.

a devastating impact on the Lebanese economy and is largely responsible for the 4 per cent contraction estimated for 2024. The economy of Lebanon had been on a slow recovery path after experiencing a severe crisis between 2018 and 2020. With the exchange rate stabilizing, the inflation rate declined rapidly from a recent peak of 269 per cent in April 2023 to 16 per cent in October 2024. However, economic recovery has now been interrupted, with the physical damage to infrastructure, including transportation networks and utilities, hampering access to basic goods and essential services.[21] Other conflict-affected countries in the region, namely the Syrian Arab Republic and Yemen, have also experienced economic contraction in 2024. Following the collapse of the previous regime in early December and amid a rapidly evolving situation, the outlook for the economy of the Syrian Arab Republic faces significant uncertainties. Meanwhile, growth prospects for Jordan have been revised downwards due to spillover effects from regional conflicts, including disruptions to trade routes, lower confidence, and rising unemployment.

GDP growth in Israel has slowed sharply, declining from 1.8 per cent in 2023 to an estimated 0.5 per cent in 2024, but is projected to recover in 2025. Recovery is expected to be driven by stronger private consumption and military expenditures (Bank of Israel, 2024). Inflation is estimated at 3.8 per cent for 2024, above the central bank target rate of 3 per cent. Consumer prices are projected to rise further in early 2025 before moderating in the second half of the year. The continuation of the war and its impact on economic activity, including the depreciation of the shekel, are keeping inflationary pressures elevated.

Consumer price inflation in the region has averaged 21.2 per cent in 2024, down from 22.3 per cent in 2023, albeit with wide variation across countries.[22] Inflation drivers have included the costs of housing (including rent), water, electricity, gas and other fuels, exacerbated by geopolitical conflicts and disruptions to shipping routes. In Türkiye, inflation has averaged around 60 per cent in 2024, which is well above historical levels (about 10 per cent, on average, between 2010 and 2019). Persistently high inflation expectations, high services price inflation, geopolitical risks, and elevated food and energy prices have sustained inflationary pressures (Central Bank of the Republic of Türkiye, 2024). Inflation is projected to ease in 2025 but will remain in the double digits. GCC countries will see relatively low inflation, supported by energy and food subsidies.

The regional average unemployment rate has been estimated at 9.8 per cent for 2024, which is higher than the (pre-pandemic) level recorded in 2019 (ILO, 2024a). In Türkiye, the unemployment rate has stabilized, standing at 8.8 per cent in October 2024. In the GCC countries, labour market segmentation masks a disparity between nationals and non-nationals. In Saudi Arabia, the overall unemployment rate stood at 3.3 per cent in the second quarter of 2024 but at 7.1 per cent for Saudi Arabian nationals. The region as a whole has the world's lowest female labour force participation rate and the highest level of youth unemployment. In 2023, the employment rate for those between the ages of 15 and 24 was only 19.3 per cent (excluding Israel and Türkiye) (ILO, 2024a). A significant concern is the share of young people, particularly young women, who are not in employment, education or training (see figure III.26); almost 11 million young people in the region, over two thirds of them female, were classified as NEET in 2023.

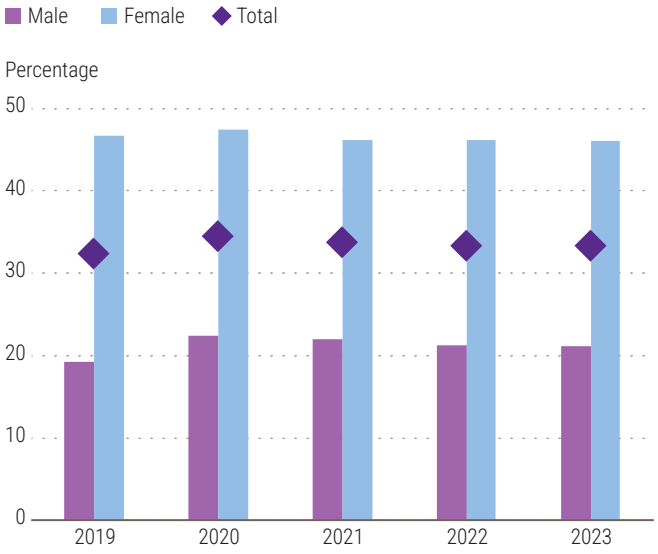
In Lebanon, supply bottlenecks linked to the ongoing conflict are expected to destabilize the Lebanese pound and lead to rising inflation. The deteriorating macroeconomic outlook exacerbates the country's debt sustainability challenges. In April 2022, Lebanon and the IMF reached a staff-level agreement on comprehensive economic policies that could be supported by a 46-month Extended Fund Facility arrangement

21 Preliminary estimates of economic losses due to the conflict amounted to $5.1 billion as at end of October 2024, including $3.4 billion in direct damage to physical structure (World Bank, 2024c).

22 The State of Palestine is excluded from the regional inflation average.

Figure III.26

Share of youth not in employment, education or training in Western Asia



Source: UN DESA, based on data from the ILO Labour Force Statistics database.
Note: Data include all Western Asian economies except Israel and Türkiye.

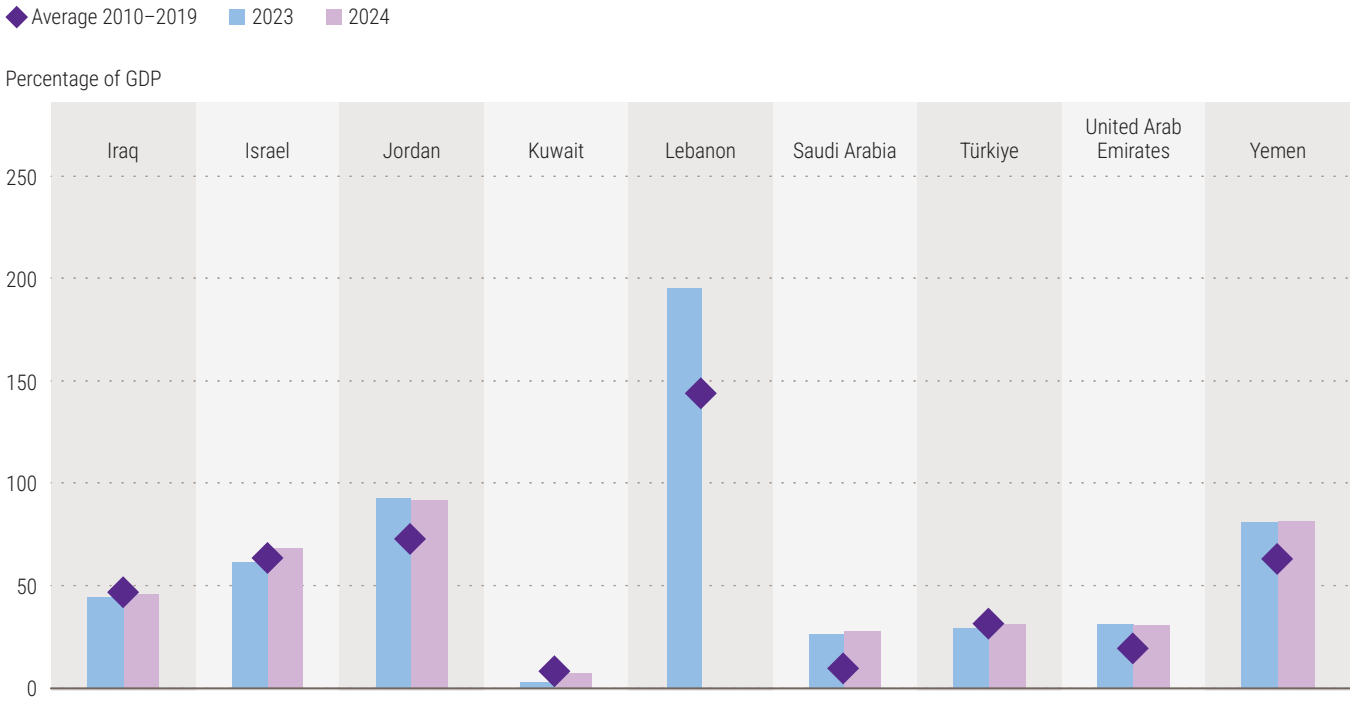
with requested access of $3 billion. However, the process has stalled since then. Failure to implement effective debt restructuring in 2024 has prolonged the country's sustained sovereign default crisis.

Central banks in the GCC countries and Jordan reduced policy interest rates in September 2024 following the Federal Reserve rate cut. Türkiye has maintained a tight monetary policy stance, with the central bank keeping the policy rate unchanged at 50 per cent. Modest loosening is expected in 2025 along with easing inflation.

Fiscal positions across the region remain challenging as Governments face mounting spending pressures. In the GCC countries, the average fiscal deficit is expected to widen from an estimated 1.9 per cent of GDP in 2024 to 2.6 per cent of GDP in 2026 due to limited oil production, stagnant oil prices, large energy and food subsidies, and higher spending to support economic diversification efforts (see figure III.27).

Figure III.27

General government gross debt in selected Western Asian economies

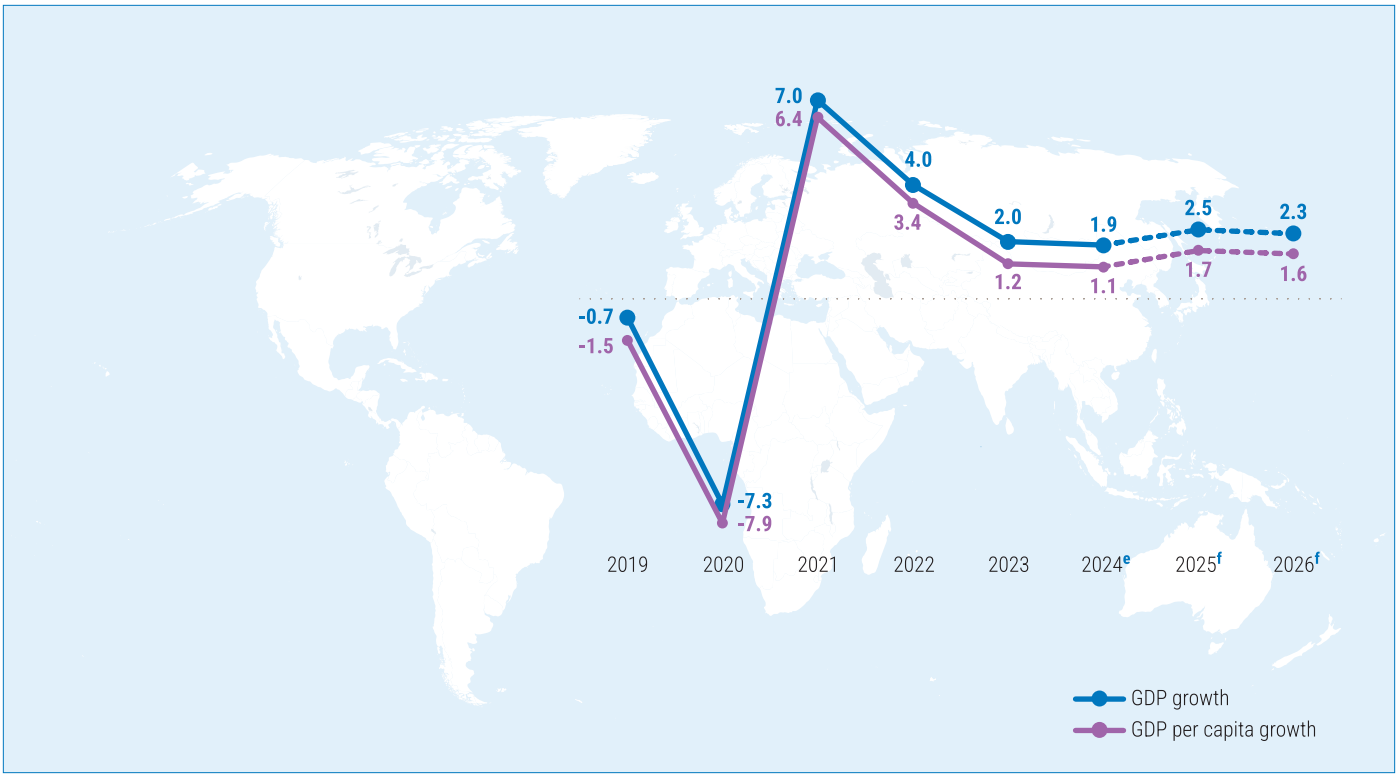


Source: UN DESA, based on data and estimates from the IMF World Economic Outlook database, October 2024.
Note: Data for Lebanon for 2024 are not available.

Bahrain and Saudi Arabia are expected to maintain a fiscal deficit in 2025 and 2026 amid increased investment in the non-oil sector. The 2024 fiscal surplus in Kuwait is expected to turn into a deficit in 2025 and 2026 due to increased spending on infrastructure projects for Kuwait Vision 2035 and costly food and fuel subsidies. Qatar, however, is expected to maintain a fiscal surplus in 2025 and 2026, supported by stable gas production and expansion into new markets.

In Türkiye, the Government is implementing fiscal consolidation measures to curb inflation. The authorities took steps to cut spending and passed a comprehensive tax bill in July 2024 that includes a minimum corporate income tax for both local and multinational corporations and a minimum income tax. The new measures are expected to help narrow the fiscal deficit in 2025 and reduce inflationary pressures.

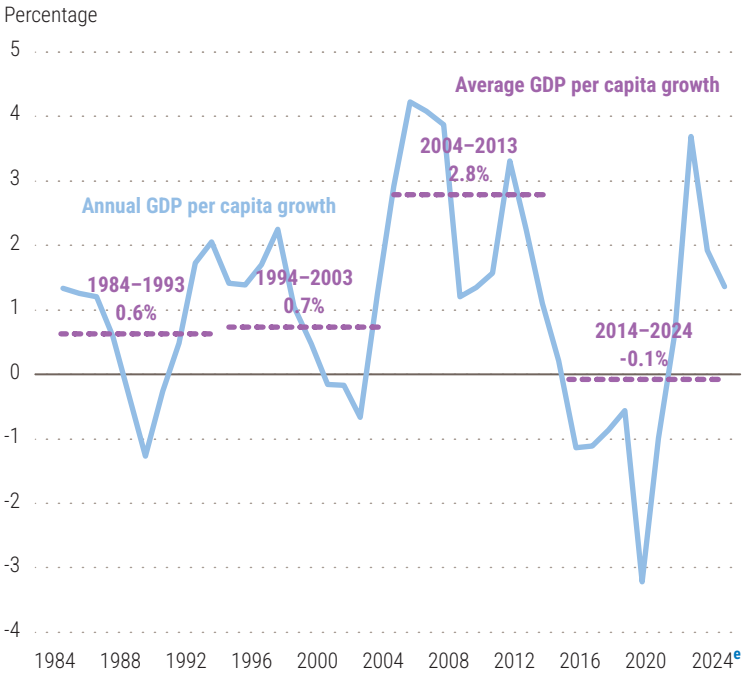
LATIN AMERICA AND THE CARIBBEAN



HIGHLIGHTS

- The economic outlook remains moderately favourable, supported by robust private consumption, easing monetary policies, and stronger exports.
- Despite improving short-term prospects, per capita GDP in the region has stagnated for over a decade, hindering SDG progress.
- Macroeconomic policy space remains limited amid elevated public debt and relatively restrictive monetary stances in most economies.

GDP per capita growth



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.

Note: e = 2024 estimates; f = 2025–2026 forecasts.

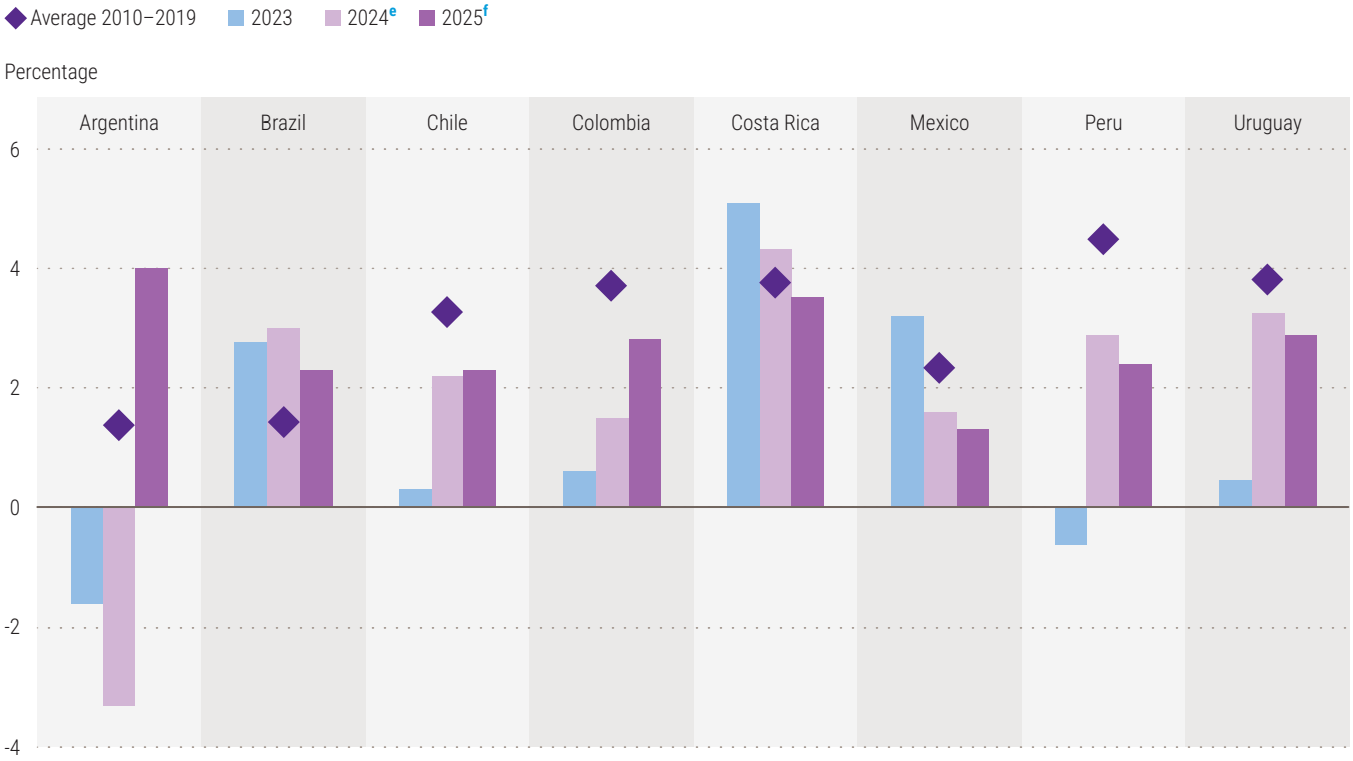
Latin America and the Caribbean

The short-term economic outlook for Latin America and the Caribbean remains moderately favourable. Regional GDP growth is expected to accelerate from an estimated 1.9 per cent in 2024 to 2.5 per cent in 2025, surpassing the 1.7 per cent average growth rate observed between 2010 and 2019. Economic growth is being driven by improvements in private consumption, easing monetary policies, resilient capital flows, and stronger export growth. In 2025, economic momentum is likely to be bolstered by resilient growth in Brazil as well as the gradual recovery in Argentina after a prolonged recession. However, there are significant downside risks that could derail this outlook. On the external front, a sharper-than-expected slowdown in China and the United States would negatively impact exports, remittances, and capital flows. Additionally, heightened volatility in commodity prices could undermine investor confidence and discourage long-term investments. On the domestic front, political uncertainties could dampen business confidence and investments. Finally, climate-related shocks, particularly in the Caribbean, could strain fiscal policies and disrupt agricultural production, driving up food inflation.

Among the major economies in the region, the short-term outlook is mixed (see figure III.28). In Brazil, which accounts for one third of regional GDP, economic growth is expected to decelerate from 3.0 per cent in 2024 to 2.3 per cent in 2025, remaining well above the 2010–2019 average of 1.4 per cent. This moderate slowdown reflects headwinds from tighter monetary policy, reduced fiscal spending, and weaker exports. Gross fixed capital formation growth is also likely to decelerate in 2025 due to higher financing costs. Despite these challenges, private consumption will likely remain resilient, supported by a strong

Figure III.28

GDP growth in selected Latin American economies



Source: UN DESA, based on estimates and forecasts produced with the World Economic Forecasting Model.
Note: **e** = estimates, **f** = forecasts.

labour market, elevated social spending, and an increase in the minimum wage. Against the backdrop of solid economic growth, the poverty rate in Brazil has fallen about 3 percentage points in recent years, standing at 16.1 per cent in 2023 (ECLAC, 2024). In the medium term, investments are expected to benefit from the tax simplification reform scheduled for implementation in 2026.

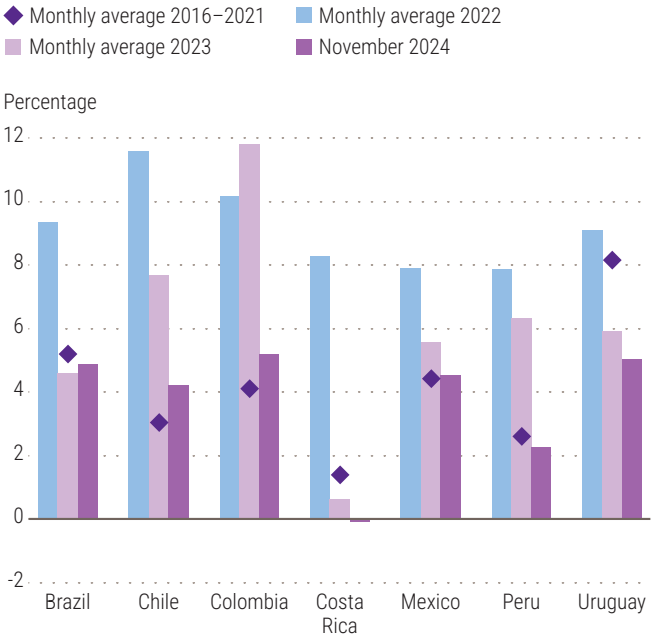
In Mexico, GDP growth is expected to remain sluggish. Following an estimated expansion of 1.6 per cent in 2024, GDP is projected to grow by 1.3 per cent in 2025, constrained by weak private consumption and fiscal consolidation efforts. While Mexico continues to benefit from policy initiatives in the United States (such as the Inflation Reduction Act of 2022 and the CHIPS and Science Act of 2022)[23] and the nearshoring strategies of multinational firms, investment momentum is weakening in the face of an anticipated slowdown in the United States and policy uncertainties. Meanwhile, the economy in Argentina is gradually recovering after two years of severe contraction, driven by a revival in private consumption and robust investment growth. Measures to deregulate the labour market and strong government incentives for large-scale projects—particularly in sectors such as renewable energy, agriculture, infrastructure, and mining—are expected to boost private investment. However, indicators of human well-being have significantly deteriorated due to the prolonged crisis and ongoing austerity measures, with poverty rates reaching record highs of more than 50 per cent.

In the Caribbean (excluding Guyana), economic growth is estimated at 2.5 per cent for 2024 and is expected to remain unchanged in 2025 as the effects of the post-pandemic rebound in tourism fade. Although GDP growth is significantly above the 0.5 per cent average recorded between 2010 and 2019, it remains insufficient to improve living conditions and address development challenges. Structural issues, including high debt levels and vulnerability to climate shocks, continue to constrain progress towards the SDGs. There are, however, a few bright spots in the region. In the Dominican Republic, Guyana, and Paraguay, GDP growth is projected to remain above 3.5 per cent in 2025.

Regional inflation is expected to continue its gradual decline, falling from an estimated 4.8 per cent in 2024 to 3.8 per cent in 2025.[24] Throughout 2024, inflationary pressures have eased across most economies due to lower international food and energy prices, tight monetary policies, and easing currency depreciation (see figure III.29). As a result, headline inflation has gradually converged towards central bank target ranges in several economies, including Brazil, Peru, and Uruguay. However, inflation remains elevated in most countries due to persistent inflation in the services sectors. In Brazil, where the central bank

Figure III.29

Annual inflation in selected Latin American economies



Source: UN DESA, based on official data.

23 CHIPS is an acronym for "creating helpful incentives to produce semiconductors".
24 Argentina and the Bolivarian Republic of Venezuela are excluded from the regional inflation average.

inflation target ranges between 1.5 and 4.5 per cent, annual inflation hovered around 4.4 per cent in late 2024. In Chile, annual inflation stood at 4.2 per cent in November 2024, slightly exceeding the upper target limit of 4.0 per cent set by the central bank.

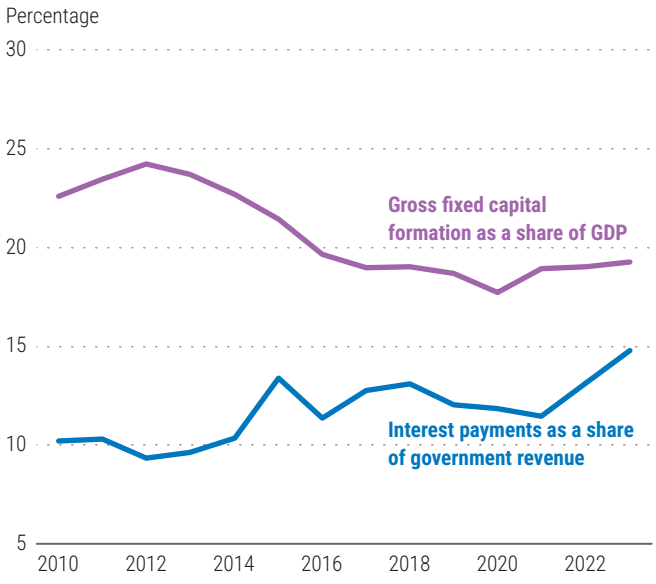
Labour market conditions in the region remain mixed. On the positive side, unemployment rates have continued to decline or have stayed low in 2024 in Brazil, Costa Rica, and the Dominican Republic. In Brazil, for example, the unemployment rate fell to a decade low of 6.2 per cent in October 2024 amid resilient economic activity. However, employment growth remains weak in many economies across the region. In the first half of 2024, employment growth declined visibly in Colombia, Ecuador, and Mexico. It is worth noting that employment growth in Latin America and the Caribbean is largely driven by informal employment, which is usually concentrated in low-productivity growth sectors such as retail, transport, tourism, and services (ECLAC, 2024). In a few countries, labour market conditions are particularly challenging. In Argentina, employment levels have fallen since 2023, and the unemployment rate has trended upward. In Chile, the unemployment rate has remained elevated, averaging 8.8 per cent in the third quarter of 2024. There is also a persistent employment gap in comparison with pre-pandemic levels, disproportionately affecting low-skilled and young workers.

Macroeconomic policy space across the region is limited, particularly in the Caribbean, constraining government capacity to advance public investment and support growth. In Latin America, average fiscal deficits have remained stable at about 3.2 per cent of GDP in 2024 (ECLAC, 2024), while fiscal deficits in the Caribbean are estimated to have increased by 1 percentage point to 2.6 per cent of GDP. Public debt remains elevated in the region. In Latin America, average public debt reached 52.3 per cent of GDP in March 2024, 7 percentage points above the (pre-pandemic) level registered in 2019. In the Caribbean, average public debt stood at 67.9 per cent of GDP, signalling a return to levels seen before the pandemic. In addition, interest payments as a share of fiscal revenues have continued to increase, constraining the financial resources available for investment in education, health, infrastructure, and sustainable development (see figure III.30). Against this backdrop, the region will need to redouble its efforts to increase fiscal revenues, in part by reducing tax evasion and avoidance and increasing the progressivity of the tax systems.

Amid declining inflationary pressures, coupled with monetary easing initiated by the Federal Reserve, many of the region's central banks have continued cutting their policy rates in 2024 (see figure III.31). The Central Bank of Chile, for example, steadily reduced interest rates from a peak of 11.25 per cent in July 2023 to 5.25 per cent in October 2024. In Mexico, the central bank has been more cautious, lowering its policy rate from 13.25 to 10.25 per cent in

Figure III.30

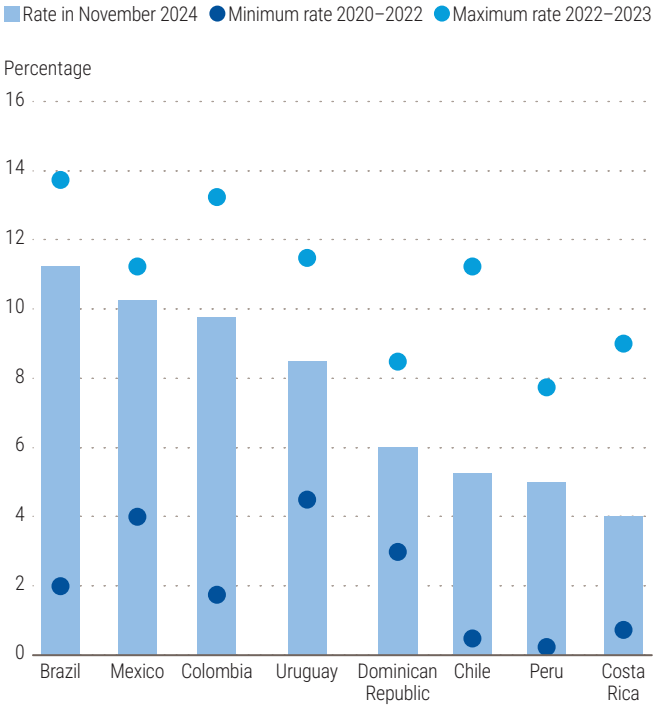
Government interest payments and gross fixed capital formation in Latin America and the Caribbean, 2010–2024



Source: UN DESA, based on data from the IMF World Economic Outlook database, October 2024 and estimates and forecasts produced with the World Economic Forecasting Model.
Note: Regional aggregates are GDP-weighted averages.

Figure III.31

Central bank policy rates in selected Latin American economies



Source: UN DESA, based on official data.

November 2024. Despite this trend, policy rates across the region remain restrictive and high in comparison with the record lows during the period 2021–2022. A notable exception is Brazil, where the central bank raised interest rates to 11.25 per cent in November 2024 amid rising inflation expectations and resilient economic growth. Overall, the outlook for terminal interest rates during this easing cycle remains uncertain in many economies.

Although the region's economic outlook is mildly resilient, it is important to note that regional growth has remained sluggish for over a decade. Between 2015 and 2024, regional GDP growth averaged just 0.9 per cent—the lowest rate for any decade since the 1950s and even below the 2.0 per cent annual growth recorded during the "lost decade" of the 1980s. Consequently, per capita GDP remains stagnant, stuck at the same level as ten years ago. Equally troubling is the decline in the investment rate. After peaking at 23 per cent of GDP in 2008, gross fixed capital formation has fallen below 20 per cent in recent years, reflecting persistent weakness in private and public investments. In Argentina and Brazil, investment rates are particularly low, hovering around 16 per cent of GDP.

Against this economic backdrop, progress towards realizing sustainable development objectives in recent decades has largely stalled. The regional poverty rate, for example, declined from 45.3 per cent (229 million people) in 2002 to 27.7 per cent (161 million people) in 2014, but by 2023 the rate had dropped to only 27.3 per cent—slightly lower than a decade before but affecting a larger number of people (172 million) owing to population growth (ECLAC, 2024). Income inequality, as measured by the Gini coefficient (simple average), also decreased only slightly between 2014 and 2023, falling from 0.47 to 0.45. The rate of formal job creation dropped from an average of 2.4 per cent between 2009 and 2014 to a meagre 1.4 per cent between 2014 and 2023 (ECLAC, 2024), partly explaining the lack of progress in reducing the poverty rate over the past decade. The increase in women's labour force participation also slowed during the latter period, with the gender gap remaining above 20 percentage points in 2023 (Gontero and Vezza, 2023). In order to improve labour market outcomes, raise living standards, and advance the SDGs, it will remain crucial to accelerate economic growth. Without a sustained recovery in investments, growth prospects will remain subdued, hindering efforts towards inclusive development and social progress across the region.

Statistical Annex

Country classifications

Data sources, country classifications, and aggregation methodology

The statistical annex contains a set of data used in the *World Economic Situation and Prospects 2025* to delineate trends in various dimensions of the world economy.

Data sources

The annex was prepared by the Economic Analysis and Policy Division (EAPD) of the Department of Economic and Social Affairs of the United Nations Secretariat (UN DESA). It is based on information obtained from the Statistics Division and the Population Division of UN DESA, as well as from the five United Nations regional commissions, the United Nations Conference on Trade and Development (UNCTAD), the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD), Eurostat, and national sources. Estimates for 2024 and forecasts for 2025 and 2026 were produced by EAPD in consultation with the regional commissions and UNCTAD, partly guided by the UN DESA World Economic Forecasting Model (WEFM) (see Altshuler and others, 2016). Longer-term projections are based on a technical model-based extension of the WEFM. Data presented in the *World Economic Situation and Prospects 2025* may differ from those published by other organizations for several reasons, including differences in timing, sample composition, and aggregation method. Historical data may differ from those in previous editions of the present publication because of updating and changes in the availability of data for individual countries.

Country classifications

For analytical purposes, the *World Economic Situation and Prospects 2025* classifies all countries of the world into three broad categories: developed economies, economies in transition, and developing economies.[1] The composition of these analytical groupings, specified in tables A, B and C, is intended to reflect basic economic country conditions. The geographical groupings are not strictly aligned with the regional classifications (M49 standard) published by the Statistics Division of UN DESA.[2] Table A.4 reports estimates for regional gross domestic product (GDP) growth according to the M49 definitions for comparison. Several countries (in particular the economies in transition) have characteristics that could place them in more than one category; however, for purposes of analysis, the groupings have been made mutually exclusive. Subgroups within each broad category are defined based on geographical location or ad hoc criteria; an example of the latter is the "major developed economies" subgroup, which is based on the membership of the Group of Seven.

In parts of the analysis, a distinction is made between fuel exporters and fuel importers. An

1 These analytical groupings are not aligned with the geographic groupings designated by the Statistics Division of UN DESA.
2 Detailed information on the M49 standard can be found on the UN DESA Statistics Division website.

economy is classified as a fuel exporter if the share of fuel exports in its total merchandise exports is greater than 20 per cent and the level of fuel exports is at least 20 per cent higher than that of the country's fuel imports (see table D). Fuels include coal, oil, and natural gas.

For other parts of the analysis, countries have been grouped according to their level of development as measured by per capita gross national income (GNI) and are classified as high-income, upper-middle-income, lower-middle-income or low-income countries (see table E). To maintain compatibility with similar classifications used elsewhere, the threshold levels of GNI per capita are those established by the World Bank. Countries with GNI per capita of $1,145 or less are classified as low-income countries, those with between $1,146 and $4,515 as lower-middle-income countries, those with between $4,516 and $14,005 as upper-middle-income countries, and those with per capita GNI exceeding $14,005 as high-income countries. GNI per capita in dollar terms is estimated using the World Bank Atlas method,[3] and the classification in table E is based on data for 2023.

The list of least developed countries (LDCs) is determined by the United Nations Economic and Social Council – and ultimately by the General Assembly – based on recommendations made by the Committee for Development Policy. The basic criterion for inclusion is that certain thresholds are met with regard to per capita GNI, a human assets index, and an economic and environmental vulnerability index (United Nations, 2024). As at December 2023 there were 45 LDCs (see table F).

At the 1992 United Nations Conference on Environment and Development,[4] small island developing States (SIDS) were recognized as a distinct group of developing countries facing specific social, economic, and environmental vulnerabilities. This group comprises 37 States and 20 Associate Members of United Nations regional commissions (see table G).

There are 32 landlocked developing countries, among which are some of the poorest countries in the world, including 16 LDCs (see table H).

Aggregation methodology

Aggregate data are either sums or weighted averages of individual country data. Unless otherwise indicated, multi-year averages of growth rates are expressed as compound annual percentage rates of change. The convention followed is to omit the base year in a multi-year growth rate. For example, the 10-year average growth rate for the decade of the 2000s would be identified as the average annual growth rate for the period 2001–2010.

The *World Economic Situation and Prospects 2025* utilizes market exchange rate conversions of national data to aggregate the output of individual countries into regional and global totals. The growth of output in each group of countries is calculated from the sum of the GDP of individual countries measured at 2015 prices and exchange rates. This method supplies a reasonable set of aggregate growth rates for a period of about 15 years, centred on 2015. The exchange-rate-based aggregation method differs from the one used by the IMF in its estimates of global and regional economic growth, which is based on purchasing power parity (PPP) weights. This latter approach accounts for differences in the cost of living and purchasing power across countries. Over the past three decades, the growth of gross world product (GWP) based on the exchange-rate-based approach has generally been below that based on PPP weights. One reason is that developing countries, in the aggregate, have seen significantly higher economic growth than the rest of the world since the 1990s, and another is that the share of developing countries in GWP is larger when PPP measurements are used than when market exchange rates are used. Table I.1 in chapter I reports world output growth based on PPP weights as a comparator.

3 See http://data.worldbank.org/about/country-classifications.
4 The United Nations Conference on Environment and Development, also known as the Earth Summit, was held in Rio de Janeiro from 3 to 14 June 1992.

Table A

Developed economies

Northern America	Europe			Major developed economies (G7)
	European Union		Other Europe	
Canada United States	Austria[a] Belgium[a] Bulgaria Croatia[a] Cyprus[a] Czechia Denmark Estonia[a] Finland[a] France[a] Germany[a] Greece[a] Hungary Ireland[a]	Italy[a] Latvia[a] Lithuania[a] Luxembourg[a] Malta[a] Netherlands (Kingdom of the)[a] Poland Portugal[a] Romania Slovakia[a] Slovenia[a] Spain[a] Sweden	Iceland Norway Switzerland United Kingdom[b]	Canada France Germany Italy Japan United Kingdom United States
Developed Asia and the Pacific				
Australia Japan New Zealand Republic of Korea				

a Member of the euro area.
b The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table B

Economies in transition

South-Eastern Europe	Commonwealth of Independent States and Georgia[a]		
Albania	Armenia	Kazakhstan	Tajikistan
Bosnia and Herzegovina	Azerbaijan	Kyrgyzstan	Turkmenistan
Montenegro	Belarus	Republic of Moldova	Ukraine[b]
North Macedonia	Georgia[a]	Russian Federation	Uzbekistan
Serbia			

a Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.
b The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table C

Developing economies by region[a]

Africa		Asia		Latin America and the Caribbean
East Africa	**North Africa**	**East Asia[b]**	**South Asia**	**Caribbean**
Burundi	Algeria	Brunei Darussalam	Afghanistan	Bahamas
Comoros	Egypt	Cambodia	Bangladesh	Barbados
Democratic Republic of the Congo	Libya	China	Bhutan	Belize
Djibouti	Mauritania	Democratic People's Republic of Korea	India	Guyana
Eritrea	Morocco	Fiji	Iran (Islamic Republic of)	Jamaica
Ethiopia	Sudan	Hong Kong SAR[c]	Maldives	Suriname
Kenya	Tunisia	Indonesia	Nepal	Trinidad and Tobago
Madagascar	**Central Africa**	Kiribati	Pakistan	**Mexico and Central America**
Rwanda	Cameroon	Lao People's Democratic Republic	Sri Lanka	Costa Rica
Somalia	Central African Republic	Malaysia	**Western Asia**	Cuba
South Sudan	Chad	Mongolia	Bahrain	Dominican Republic
Uganda	Congo	Myanmar	Iraq	El Salvador
United Republic of Tanzania	Equatorial Guinea	Papua New Guinea	Israel	Guatemala
West Africa	Gabon	Philippines	Jordan	Haiti
Benin	Sao Tome and Principe	Samoa	Kuwait	Honduras
Burkina Faso	**Southern Africa**	Singapore	Lebanon	Mexico
Cabo Verde	Angola	Solomon Islands	Oman	Nicaragua
Côte d'Ivoire	Botswana	Taiwan Province of China	Qatar	Panama
Gambia	Eswatini	Thailand	Saudi Arabia	**South America**
Ghana	Lesotho	Timor-Leste	State of Palestine	Argentina
Guinea	Malawi	Vanuatu	Syrian Arab Repuplic	Bolivia (Plurinational State of)
Guinea-Bissau	Mauritius	Viet Nam	Türkiye	Brazil
Liberia	Mozambique		United Arab Emirates	Chile
Mali	Namibia		Yemen	Colombia
Niger	South Africa			Ecuador
Nigeria	Zambia			Paraguay
Senegal	Zimbabwe			Peru
Sierra Leone				Uruguay
Togo				Venezuela (Bolivarian Republic of)

a Economies systematically monitored for the ***World Economic Situation and Prospects*** report. These analytical groupings differ from the geographical aggregations defined according to M49.

b Throughout the report, the term "East Asia" is used in reference to this set of developing countries and excludes Japan and Republic of Korea.

c SAR = Special Administrative Region of China.

Table D

Fuel-exporting countries

Developed countries	Developing countries			
	Latin America and the Caribbean	**Africa**	**East Asia**	**Western Asia**
Australia Canada Norway	Bolivia (Plurinational State of) Colombia Ecuador Guyana Trinidad and Tobago Venezuela (Bolivarian Republic of)	Algeria Angola Cameroon Chad Congo Equatorial Guinea Gabon Ghana Libya Mozambique Nigeria South Sudan	Brunei Darussalam Indonesia Mongolia Papua New Guinea Timor-Leste	Bahrain Iraq Kuwait Oman Qatar Saudi Arabia United Arab Emirates
Economies in transition			**South Asia**	
Azerbaijan Kazakhstan Russian Federation Turkmenistan			Iran (Islamic Republic of)	

Source: UN DESA, based on data from UNCTAD.

Table E

Economies by per capita GNI (as at 1 July 2024)[a]

High-income		Upper-middle-income		Lower-middle-income		Low-income
Australia	Luxembourg	Albania	Iran (Islamic Republic of)[b]	Angola	Lesotho	Afghanistan
Austria	Malta	Algeria[b]	Iraq	Bangladesh	Mauritania	Burkina Faso
Bahamas	Netherlands (Kingdom of the)	Argentina	Jamaica	Benin	Morocco	Burundi
Bahrain	New Zealand	Armenia	Kazakhstan	Bhutan	Myanmar	Central African Republic
Barbados	Norway	Azerbaijan	Libya	Bolivia (Plurinational State of)	Nepal	Chad
Belgium	Oman	Belarus	Malaysia	Cabo Verde	Nicaragua	Democratic People's Republic of Korea
Brunei Darussalam	Panama	Belize	Maldives	Cambodia	Nigeria	Democratic Republic of the Congo
Bulgaria[b]	Poland	Bosnia and Herzegovina	Mauritius	Cameroon	Pakistan	Eritrea
Canada	Portugal	Botswana	Mexico	Comoros	Papua New Guinea	Ethiopia
Chile	Qatar	Brazil	Mongolia[b]	Congo	Philippines	Gambia
Croatia	Republic of Korea	China	Montenegro	Côte d'Ivoire	Samoa	Guinea-Bissau
Cyprus	Romania	Colombia	Namibia	Djibouti	Sao Tome and Principe	Liberia
Czechia	Russian Federation[b]	Costa Rica	North Macedonia	Egypt	Senegal	Madagascar
Denmark	Saudi Arabia	Cuba	Paraguay	Eswatini	Solomon Islands	Malawi
Estonia	Singapore	Dominican Republic	Peru	Ghana	Sri Lanka	Mali
Finland	Slovakia	Ecuador	Republic of Moldova	Guinea	State of Palestine[c]	Mozambique
France	Slovenia	El Salvador	Serbia	Haiti	Tajikistan	Niger
Germany	Spain	Equatorial Guinea	South Africa	Honduras	Timor-Leste	Rwanda
Greece	Sweden	Fiji	Suriname	India	Tunisia	Sierra Leone
Guyana	Switzerland	Gabon	Thailand	Jordan	United Republic of Tanzania	Somalia
Hong Kong SAR[d]	Taiwan Province of China	Georgia	Türkiye	Kenya	Uzbekistan	South Sudan
Hungary	Trinidad and Tobago	Guatemala	Turkmenistan	Kiribati	Vanuatu	Sudan
Iceland	United Arab Emirates	Indonesia	Ukraine[b]	Kyrgyzstan	Viet Nam	Syrian Arab Republic
Ireland	United Kingdom			Lao People's Democratic Republic	Zambia	Togo
Israel	United States			Lebanon	Zimbabwe	Uganda
Italy	Uruguay					Yemen
Japan						
Kuwait						
Latvia						
Lithuania						

Source: World Bank, country classification by income.
Note: The Bolivarian Republic of Venezuela was temporarily unclassified in July 2021 pending release of revised national accounts statistics.
a Economies systematically monitored for the ***World Economic Situation and Prospects*** report, based on World Bank country classification by income.
b Indicates the country has been shifted upward by one category from the previous year's classification.
c Indicates the country has been shifted downward by one category from the previous year's classification.
d SAR = Special Administrative Region of China.

Table F

Least developed countries (as at December 2023)

Africa			East Asia	South Asia	Western Asia	Latin America and the Caribbean
Angola	Gambia	Sao Tome and Principe	Cambodia	Afghanistan	Yemen	Haiti
Benin	Guinea	Senegal	Kiribati	Bangladesh		
Burkina Faso	Guinea-Bissau	Sierra Leone	Lao People's Democratic Republic	Nepal		
Burundi	Lesotho	Somalia	Myanmar			
Central African Republic	Liberia	South Sudan	Solomon Islands			
Chad	Madagascar	Sudan	Timor-Leste			
Comoros	Malawi	Togo	Tuvalu[a]			
Democratic Republic of the Congo	Mali	Uganda				
Djibouti	Mauritania	United Republic of Tanzania				
Eritrea	Mozambique	Zambia				
Ethiopia	Niger					
	Rwanda					

Source: UN DESA.

a Economies not systematically monitored for the ***World Economic Situation and Prospects*** report.

Table G

Small island developing States

United Nations members			Non-United Nations members/Associate members of the Regional Commissions[a]	
Antigua and Barbuda[a]	Guyana	Saint Vincent and the Grenadines[a]	American Samoa	Guadeloupe
Bahamas	Haiti	Samoa	Anguilla	Guam
Barbados	Jamaica	Sao Tome and Príncipe	Aruba	Martinique
Belize	Kiribati	Seychelles[a]	Bermuda	Montserrat
Cabo Verde	Maldives	Singapore	British Virgin Islands	New Caledonia
Comoros	Marshall Islands[a]	Solomon Islands	Cayman Islands	Niue
Cuba	Mauritius	Suriname	Commonwealth of Northern Marianas	Puerto Rico
Dominica[a]	Nauru[a]	Timor-Leste	Cook Islands	Sint Maarten
Dominican Republic	Palau[a]	Tonga[a]	Curaçao	Turks and Caicos Islands
Federated States of Micronesia[a]	Papua New Guinea	Trinidad and Tobago	French Polynesia	U.S. Virgin Islands
Fiji	Saint Kitts and Nevis[a]	Tuvalu[a]		
Grenada[a]	Saint Lucia[a]	Vanuatu		
Guinea-Bissau				

Source: UN DESA.

a Economies not systematically monitored for the ***World Economic Situation and Prospects*** report.

Table H

Landlocked developing countries

Landlocked developing countries			
Afghanistan	Central African Republic	Malawi	Rwanda
Armenia	Chad	Mali	South Sudan
Azerbaijan	Eswatini	Mongolia	Tajikistan
Bhutan	Ethiopia	Nepal	Turkmenistan
Bolivia (Plurinational State of)	Kazakhstan	Niger	Uganda
Botswana	Kyrgyzstan	North Macedonia	Uzbekistan
Burkina Faso	Lao People's Democratic Republic	Paraguay	Zambia
Burundi	Lesotho	Republic of Moldova	Zimbabwe

Source: UN-OHRLLS.

Table I

International Organization for Standardization of country codes

ISO Code	Country	ISO Code	Country	ISO Code	Country	ISO Code	Country
AFG	Afghanistan	DOM	Dominican Republic	LBN	Lebanon	ROU	Romania
AGO	Angola	DZA	Algeria	LBR	Liberia	RUS	Russian Federation
AIA	Anguilla	ECU	Ecuador	LBY	Libya	RWA	Rwanda
ALB	Albania	EGY	Egypt	LCA	Saint Lucia	SAU	Saudi Arabia
AND	Andorra	ERI	Eritrea	LIE	Liechtenstein	SDN	Sudan
ARE	United Arab Emirates	ESP	Spain	LKA	Sri Lanka	SEN	Senegal
ARG	Argentina	EST	Estonia	LSO	Lesotho	SGP	Singapore
ARM	Armenia	ETH	Ethiopia	LTU	Lithuania	SLB	Solomon Islands
ATG	Antigua and Barbuda	FIN	Finland	LUX	Luxembourg	SLE	Sierra Leone
AUS	Australia	FJI	Fiji	LVA	Latvia	SLV	El Salvador
AUT	Austria	FRA	France	MAR	Morocco	SMR	San Marino
AZE	Azerbaijan	FSM	Micronesia (Federated States of)	MCO	Monaco	SOM	Somalia
BDI	Burundi			MDA	Republic of Moldova	SRB	Serbia
BEL	Belgium	GAB	Gabon	MDG	Madagascar	SSD	South Sudan
BEN	Benin	GBR	United Kingdom of Great Britain and Northern Ireland	MDV	Maldives	STP	Sao Tome and Principe
BFA	Burkina Faso			MEX	Mexico		
BGD	Bangladesh			MHL	Marshall Islands	SUR	Suriname
BGR	Bulgaria	GEO	Georgia	MKD	North Macedonia	SVK	Slovakia
BHR	Bahrain	GHA	Ghana	MLI	Mali	SVN	Slovenia
BHS	Bahamas	GIN	Guinea	MLT	Malta	SWE	Sweden
BIH	Bosnia and Herzegovina	GMB	Gambia	MMR	Myanmar	SWZ	Eswatini
		GNB	Guinea-Bissau	MNE	Montenegro	SYC	Seychelles
BLR	Belarus	GNQ	Equatorial Guinea	MNG	Mongolia	SYR	Syrian Arab Republic
BLZ	Belize	GRC	Greece	MOZ	Mozambique	TCD	Chad
BOL	Bolivia (Plurinational State of)	GRD	Grenada	MRT	Mauritania	TGO	Togo
		GTM	Guatemala	MSR	Montserrat	THA	Thailand
BRA	Brazil	GUY	Guyana	MUS	Mauritius	TJK	Tajikistan
BRB	Barbados	HND	Honduras	MWI	Malawi	TKM	Turkmenistan
BRN	Brunei Darussalam	HRV	Croatia	MYS	Malaysia	TLS	Timor-Leste
BTN	Bhutan	HTI	Haiti	NAM	Namibia	TON	Tonga
BWA	Botswana	HUN	Hungary	NER	Niger	TTO	Trinidad and Tobago
CAF	Central African Republic	IDN	Indonesia	NGA	Nigeria	TUN	Tunisia
		IND	India	NIC	Nicaragua	TUR	Türkiye
CAN	Canada	IRL	Ireland	NLD	Netherlands (Kingdom of the)	TUV	Tuvalu
CHE	Switzerland	IRN	Iran (Islamic Republic of)			TZA	United Republic of Tanzania
CHL	Chile			NOR	Norway		
CHN	China	IRQ	Iraq	NPL	Nepal	UGA	Uganda
CIV	Côte d'Ivoire	ISL	Iceland	NRU	Nauru	UKR	Ukraine
CMR	Cameroon	ISR	Israel	NZL	New Zealand	URY	Uruguay
COD	Democratic Republic of the Congo	ITA	Italy	OMN	Oman	USA	United States of America
		JAM	Jamaica	PAK	Pakistan		
COG	Congo	JOR	Jordan	PAN	Panama	UZB	Uzbekistan
COL	Colombia	JPN	Japan	PER	Peru	VCT	Saint Vincent and the Grenadines
COM	Comoros	KAZ	Kazakhstan	PHL	Philippines		
CPV	Cabo Verde	KEN	Kenya	PLW	Palau	VEN	Venezuela (Bolivarian Republic of)
CRI	Costa Rica	KGZ	Kyrgyzstan	PNG	Papua New Guinea		
CUB	Cuba	KHM	Cambodia	POL	Poland	VNM	Viet Nam
CYP	Cyprus	KIR	Kiribati	PRK	Democratic People's Republic of Korea	VUT	Vanuatu
CZE	Czechia	KNA	Saint Kitts and Nevis			WSM	Samoa
DEU	Germany	KOR	Republic of Korea	PRT	Portugal	YEM	Yemen
DJI	Djibouti	KWT	Kuwait	PRY	Paraguay	ZAF	South Africa
DMA	Dominica	LAO	Lao People's Democratic Republic	PSE	State of Palestine	ZMB	Zambia
DNK	Denmark			QAT	Qatar	ZWE	Zimbabwe

Annex Tables

Table A.1

Developed economies: growth of real GDP

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Developed economies	**1.7**	**2.5**	**2.3**	**1.9**	**-4.0**	**5.8**	**2.9**	**1.7**	**1.7**	**1.6**	**1.8**
United States	2.0	2.5	3.0	2.5	-2.2	6.1	2.5	2.9	2.8	1.9	2.1
Canada	1.9	3.0	2.7	1.9	-5.0	5.3	3.8	1.2	1.2	1.8	2.0
Japan	0.8	1.7	0.6	-0.4	-4.2	2.7	1.2	1.7	-0.2	1.0	1.2
Republic of Korea	4.0	3.4	3.2	2.3	-0.7	4.6	2.7	1.4	2.0	2.2	2.2
Australia	3.0	2.5	2.9	1.8	-2.2	5.5	3.9	2.0	1.1	2.2	2.5
New Zealand	2.9	4.1	4.1	3.3	-1.1	5.9	2.2	0.9	0.5	2.1	2.4
European Union	**1.2**	**2.8**	**2.0**	**1.9**	**-5.6**	**6.1**	**3.5**	**0.4**	**0.9**	**1.3**	**1.5**
Austria	1.4	2.3	2.4	1.5	-6.6	4.2	4.8	-1.0	-0.5	0.8	1.1
Belgium	1.6	1.6	1.8	2.2	-5.3	6.9	3.0	1.4	1.0	0.8	1.1
Bulgaria	3.4	2.7	2.7	4.0	-4.0	7.7	3.9	1.8	2.0	2.5	3.0
Croatia	1.7	3.4	3.0	3.4	-8.5	13.0	7.0	3.1	3.6	3.0	3.0
Cyprus	1.8	5.7	5.6	5.5	-3.4	9.9	5.1	2.5	3.8	3.0	2.7
Czechia	2.7	5.2	3.2	3.0	-5.5	3.6	2.4	-0.3	1.0	2.3	2.5
Denmark	1.1	2.8	2.0	1.5	-2.4	6.8	2.7	2.5	2.8	2.4	1.9
Estonia	3.2	5.8	3.8	4.0	-1.0	7.2	-0.5	-3.0	-1.0	2.5	2.5
Finland	1.2	3.2	1.1	1.2	-2.4	2.8	1.3	-1.2	-0.3	1.1	1.4
France	1.1	2.1	1.6	2.0	-7.4	6.9	2.6	1.1	1.2	0.8	1.2
Germany	1.2	2.7	1.0	1.1	-3.8	3.2	1.8	-0.3	-0.2	0.3	0.7
Greece	-0.5	1.1	1.7	1.9	-9.3	8.4	5.6	2.0	2.2	2.0	1.9
Hungary	2.0	4.3	5.4	4.9	-4.5	7.1	4.6	-0.9	0.8	3.0	3.0
Ireland	3.9	9.3	8.5	5.3	6.6	15.1	9.4	-5.5	-1.2	3.5	3.4
Italy	-0.1	1.7	0.9	0.5	-9.0	8.3	4.7	0.7	0.5	0.7	0.9
Latvia	3.4	3.3	4.0	0.6	-3.5	6.7	3.0	-0.3	-1.0	2.5	2.7
Lithuania	3.9	4.3	4.0	4.7	0.0	6.3	2.4	-0.3	2.4	2.7	2.7
Luxembourg	2.8	1.3	1.2	2.9	-0.9	7.2	1.4	-1.1	1.0	2.0	2.1
Malta	3.9	13.0	7.2	4.1	-3.5	13.5	4.1	7.5	4.8	4.2	4.0
Netherlands (Kingdom of the)	1.1	2.9	2.4	2.0	-3.9	6.2	4.3	0.1	0.9	1.4	1.6
Poland	3.7	5.1	5.9	4.4	-2.0	6.9	5.6	0.2	2.7	3.6	3.6
Portugal	0.2	3.5	2.8	2.7	-8.3	5.7	6.8	2.3	1.6	1.9	2.0
Romania	3.6	8.2	6.0	3.9	-3.7	5.7	4.1	2.0	1.0	3.1	3.5

Table A.1

Developed economies: growth of real GDP (*continued*)

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Slovakia	4.1	2.9	4.0	2.5	-3.3	4.8	1.9	1.6	1.9	2.5	2.6
Slovenia	1.9	4.8	4.5	3.5	-4.2	8.2	2.5	1.6	1.5	2.4	2.5
Spain	1.3	3.0	2.3	2.0	-11.2	6.4	5.8	2.5	3.0	2.4	2.2
Sweden	2.2	1.8	1.9	2.5	-2.0	5.9	1.5	-0.3	0.4	1.5	1.8
Other Europe	**1.6**	**2.4**	**1.6**	**1.5**	**-8.1**	**7.6**	**4.3**	**0.4**	**1.0**	**1.3**	**1.4**
Iceland	2.8	4.2	4.9	1.9	-6.9	5.1	8.9	5.0	0.4	2.2	2.5
Norway	1.6	2.5	0.8	1.1	-1.3	3.9	3.2	0.0	1.5	1.7	1.5
Switzerland	1.8	1.4	2.9	1.1	-2.1	5.6	3.0	0.7	1.4	1.4	1.5
United Kingdom[d]	1.6	2.7	1.4	1.6	-10.4	8.6	4.8	0.3	0.8	1.2	1.4
Memorandum items:											
Northern America	2.0	2.5	2.9	2.4	-2.4	6.0	2.6	2.8	2.7	1.9	2.1
Developed Asia and the Pacific	1.7	2.2	1.6	0.6	-3.0	3.7	2.0	1.6	0.5	1.5	1.7
Europe	1.3	2.7	1.9	1.8	-6.2	6.4	3.7	0.4	0.9	1.3	1.5
Major developed economies	1.5	2.4	2.1	1.8	-4.1	5.7	2.6	1.9	1.7	1.5	1.7
Euro area	1.0	2.6	1.7	1.6	-6.1	6.0	3.5	0.4	0.7	1.1	1.3

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.
Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.
a Average percentage change.
b Partly estimated.
c Baseline scenario forecasts, based on the UN DESA World Economic Forecasting Model.
d The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table A.2

Economies in transition: growth of real GDP

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Economies in transition	**4.0**	**2.6**	**3.3**	**2.9**	**-2.3**	**5.8**	**-1.0**	**4.0**	**4.2**	**2.6**	**2.5**
South-Eastern Europe	**3.2**	**2.6**	**4.1**	**3.7**	**-2.9**	**7.7**	**3.4**	**3.2**	**3.4**	**3.6**	**3.5**
Albania	4.0	3.8	4.0	2.1	-3.5	9.1	4.9	3.4	3.6	3.6	3.5
Bosnia and Herzegovina	3.0	3.2	3.8	2.9	-3.0	7.4	4.2	1.7	2.5	2.7	3.6
Montenegro	2.9	4.7	5.1	4.1	-15.3	13.0	6.4	6.0	3.4	3.4	3.3
North Macedonia	3.2	1.1	2.9	3.9	-4.7	4.5	2.8	2.1	2.3	3.2	3.5
Serbia	3.2	2.1	4.5	4.3	-0.9	7.7	2.5	3.8	4.0	4.0	3.5
Commonwealth of Independent States and Georgia[d]	**4.0**	**2.6**	**3.2**	**2.9**	**-2.3**	**5.7**	**-1.2**	**4.1**	**4.2**	**2.5**	**2.5**
Commonwealth of Independent States and Georgia - net fuel exporters	**4.0**	**2.5**	**3.0**	**2.6**	**-2.5**	**5.7**	**-0.3**	**3.8**	**3.9**	**2.1**	**2.1**
Azerbaijan	9.6	0.1	1.5	2.5	-4.2	5.6	4.6	1.1	4.6	3.0	3.0
Kazakhstan	6.3	6.8	4.1	4.5	-2.5	4.3	3.2	5.1	4.0	4.8	4.8
Russian Federation	3.4	1.8	2.8	2.2	-2.7	5.9	-1.2	3.6	3.8	1.5	1.5
Turkmenistan	8.8	6.5	6.2	6.3	5.9	6.2	6.2	6.3	6.3	6.0	5.4
Commonwealth of Independent States and Georgia - net fuel importers[d]	**4.2**	**3.6**	**4.5**	**4.2**	**-1.5**	**5.6**	**-6.1**	**5.6**	**5.5**	**4.6**	**4.5**
Armenia	6.2	7.5	5.2	7.6	-7.2	5.8	12.6	8.7	6.0	5.2	4.7
Belarus	4.8	2.5	3.2	1.4	-0.7	2.4	-4.7	3.9	4.5	3.5	3.5
Georgia[d]	5.9	5.2	6.1	5.4	-6.3	10.6	11.0	7.5	8.6	5.4	4.1
Kyrgyzstan	4.3	4.7	3.8	4.6	-7.2	5.5	9.0	6.2	8.0	5.6	4.3
Republic of Moldova	4.5	4.2	4.1	3.6	-8.3	13.9	-4.6	0.7	2.5	3.2	3.0
Tajikistan	7.2	7.1	7.6	7.4	4.4	9.4	8.0	8.3	8.0	6.0	4.2
Ukraine[e]	1.4	2.4	3.5	3.2	-3.8	3.4	-29.1	5.3	4.0	2.7	3.9
Uzbekistan	7.6	4.4	5.9	6.0	2.0	7.4	5.7	6.0	6.1	5.9	5.4

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.
Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.
b Partly estimated.
c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.
d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.
e The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table A.3

Developing economies: growth of real GDP

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Developing countries[d]	**6.0**	**4.8**	**4.6**	**3.6**	**-1.3**	**7.0**	**4.0**	**4.2**	**4.1**	**4.3**	**4.2**
Africa	**4.7**	**3.6**	**3.3**	**2.7**	**-3.2**	**5.1**	**3.3**	**2.6**	**2.9**	**3.8**	**4.1**
North Africa	**3.9**	**5.7**	**4.1**	**2.4**	**-5.3**	**6.2**	**2.4**	**1.0**	**1.9**	**3.6**	**4.1**
Algeria	3.7	1.5	1.4	0.9	-5.0	3.8	3.6	4.1	3.8	3.7	3.6
Egypt[e]	4.2	4.2	5.3	5.6	3.6	3.3	6.7	3.8	2.4	3.3	4.2
Libya	-0.7	32.5	7.9	-11.2	-50.1	28.3	-12.1	10.3	-4.6	8.6	6.4
Mauritania	4.2	6.3	4.8	3.1	-0.4	0.7	6.8	6.5	6.6	9.5	4.3
Morocco	5.1	5.1	3.1	2.9	-7.2	8.2	1.5	3.4	2.7	3.2	3.4
Sudan[e]	5.2	4.7	2.8	1.3	-3.6	-1.9	-2.5	-19.0	-5.7	-3.9	0.1
Tunisia	3.5	2.2	2.6	1.6	-9.0	4.7	2.7	0.0	1.1	1.5	1.9
East Africa	**6.1**	**5.9**	**6.0**	**6.4**	**1.9**	**6.1**	**5.5**	**6.0**	**5.5**	**6.0**	**6.0**
Burundi	2.9	0.5	1.6	1.8	0.3	3.1	1.8	2.7	4.0	5.0	5.0
Comoros	1.7	3.8	3.6	1.8	-0.2	2.1	2.4	2.7	3.6	3.8	4.1
Democratic Republic of the Congo	6.0	3.7	5.8	4.4	1.7	6.2	8.9	8.6	5.4	6.5	6.4
Djibouti	6.1	5.5	4.8	5.5	1.3	4.5	3.7	6.7	5.4	5.1	5.1
Eritrea	2.4	-10.0	13.0	3.8	-0.5	2.9	2.6	2.9	2.8	3.4	3.9
Ethiopia	9.6	9.6	6.8	8.4	6.1	5.6	5.3	6.5	6.0	6.4	6.9
Kenya	4.7	3.8	5.6	5.2	-0.3	7.6	4.8	5.6	5.2	5.2	5.2
Madagascar	2.5	3.9	3.2	4.4	-7.1	5.7	3.8	4.0	4.2	4.6	4.9
Rwanda	7.7	4.0	8.6	9.5	-3.4	10.9	8.1	8.2	8.0	7.5	7.2
Somalia	6.4	9.5	3.0	3.6	-2.6	3.3	2.4	3.1	3.2	3.5	3.8
South Sudan	-1.4	-5.8	-2.2	0.9	-6.5	5.3	-2.3	-1.3	-1.5	3.8	4.0
Uganda	6.4	7.1	5.5	7.8	-1.4	5.8	6.5	4.9	5.9	6.3	6.5
United Republic of Tanzania	6.6	6.8	7.0	7.0	4.5	4.9	4.7	5.1	5.7	6.0	5.8
Central Africa	**4.3**	**0.0**	**1.1**	**2.1**	**-1.8**	**1.6**	**2.9**	**2.3**	**2.6**	**3.0**	**2.8**
Cameroon	4.3	3.5	4.0	3.5	0.3	3.3	3.5	3.3	4.0	4.3	4.2
Central African Republic	-0.8	4.5	3.8	2.8	0.6	1.0	0.5	0.7	1.6	2.1	2.7
Chad	9.5	-0.3	1.9	2.5	-2.1	-0.5	2.9	4.6	2.7	3.0	3.4
Congo	3.1	-5.6	-4.8	1.1	-6.3	-0.6	0.3	1.5	3.2	3.6	3.2
Equatorial Guinea	5.5	-5.7	-3.0	-4.4	-4.6	0.9	3.2	-3.2	-3.8	-3.2	-3.8
Gabon	2.4	0.5	0.8	3.9	-1.8	1.5	3.1	2.2	2.6	2.8	2.2
Sao Tome and Principe	5.1	3.8	2.9	2.2	3.1	1.9	0.1	0.4	2.2	3.2	3.5
West Africa	**5.9**	**2.5**	**3.0**	**3.3**	**-1.0**	**4.2**	**3.8**	**3.4**	**3.6**	**4.1**	**4.3**
Benin	4.0	5.7	6.7	6.9	3.8	7.2	6.3	6.4	5.9	5.9	5.7
Burkina Faso	5.7	6.2	6.6	5.6	2.0	6.9	1.8	3.2	3.3	4.0	4.2
Cabo Verde	4.4	4.6	3.7	7.6	-20.8	5.6	17.4	5.1	4.9	4.8	4.6
Côte d'Ivoire	3.4	7.4	4.8	6.7	0.7	7.1	6.2	6.5	6.6	6.4	6.2

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Gambia	2.3	4.8	7.2	6.2	0.6	5.3	4.9	5.3	5.5	5.1	4.8
Ghana	6.0	8.1	6.2	6.5	0.5	5.1	3.8	2.9	3.2	4.4	5.1
Guinea	4.0	10.3	6.4	5.6	4.7	3.9	4.7	7.1	4.2	5.2	5.3
Guinea-Bissau	3.0	4.8	3.8	4.5	1.5	6.4	4.2	4.2	4.0	4.3	4.9
Liberia	4.4	2.5	1.2	-2.5	-3.0	5.0	4.8	4.7	5.4	4.4	5.0
Mali	6.3	5.3	4.7	4.8	-1.2	3.1	3.5	4.7	3.6	3.9	4.4
Niger	4.8	5.0	7.2	5.9	3.6	1.4	11.9	2.5	8.5	6.9	5.4
Nigeria	6.4	0.8	1.9	2.2	-1.8	3.6	3.3	2.9	3.0	3.5	3.8
Senegal	3.7	7.4	6.2	4.6	1.3	6.5	4.0	4.3	6.0	7.9	6.0
Sierra Leone	6.6	3.8	3.5	5.3	-2.0	4.1	3.8	3.4	3.6	4.3	4.4
Togo	6.1	4.0	4.8	4.9	2.0	6.0	5.8	6.3	5.2	5.4	5.5
Southern Africa	**3.9**	**1.4**	**1.4**	**0.2**	**-6.0**	**4.4**	**2.8**	**1.6**	**1.8**	**2.2**	**2.5**
Angola	6.9	-0.1	-1.3	-0.7	-5.6	1.2	3.0	0.9	2.9	3.1	3.5
Botswana	3.5	4.1	4.2	3.0	-8.7	11.9	5.5	2.7	0.4	2.2	3.4
Eswatini	3.3	2.0	2.4	2.7	-1.6	10.7	0.5	4.8	3.9	3.4	3.0
Lesotho	3.9	-3.1	-1.5	-1.4	-7.5	2.3	2.4	1.8	1.9	2.1	2.2
Malawi	7.2	10.5	4.4	5.7	0.8	4.6	0.9	1.5	1.9	2.4	2.6
Mauritius	4.1	3.9	4.0	2.9	-14.6	3.4	8.9	7.0	6.5	5.6	5.2
Mozambique	7.3	2.6	3.5	2.3	-1.2	2.4	4.4	5.4	4.1	4.8	5.0
Namibia	4.7	-1.0	1.1	-0.8	-8.1	3.7	5.4	4.2	3.6	4.0	4.3
South Africa	2.9	1.2	1.6	0.3	-6.2	5.0	1.9	0.7	1.0	1.4	1.7
Zambia	6.6	3.5	4.0	1.4	-2.8	4.6	7.0	5.4	2.3	3.6	4.0
Zimbabwe	4.5	4.7	4.7	-6.3	-7.8	8.5	6.5	5.5	2.4	2.3	2.9
Africa - net fuel exporters	**5.1**	**2.7**	**2.0**	**1.0**	**-5.5**	**4.1**	**2.7**	**3.1**	**2.9**	**3.7**	**3.8**
Africa - net fuel importers	**4.4**	**4.2**	**4.2**	**3.7**	**-1.7**	**5.7**	**3.7**	**2.2**	**2.9**	**3.9**	**4.2**
East and South Asia[f]	**7.8**	**6.4**	**6.1**	**5.1**	**0.6**	**7.2**	**3.8**	**5.1**	**5.0**	**4.9**	**4.7**
East Asia	**8.2**	**6.4**	**6.2**	**5.5**	**1.1**	**7.6**	**3.3**	**4.8**	**4.8**	**4.7**	**4.5**
Brunei Darussalam	0.5	1.3	0.1	3.9	1.1	-1.6	-1.6	1.4	3.2	2.5	2.1
Cambodia	7.6	7.0	7.5	7.1	-3.1	3.0	5.2	5.4	5.8	6.0	6.2
China	9.6	6.9	6.7	6.0	2.2	8.4	3.0	5.2	4.9	4.8	4.5
Democratic People's Republic of Korea	1.0	-3.5	-4.1	0.4	-4.5	-0.1	-0.2	3.1	0.5	0.7	0.8
Fiji	2.3	5.4	3.8	-0.6	-17.0	-4.9	19.8	7.5	3.3	3.5	3.6
Hong Kong SAR[g]	3.8	3.8	2.8	-1.7	-6.5	6.5	-3.7	3.3	2.6	2.4	2.5
Indonesia	5.4	5.1	5.2	5.0	-2.1	3.7	5.3	5.0	5.0	5.2	5.2
Kiribati	3.1	3.7	3.5	3.3	-1.5	8.5	4.6	2.7	5.3	4.5	3.4
Lao People's Democratic Republic	7.5	6.9	6.2	5.5	3.3	3.5	4.4	4.2	4.0	3.7	4.0
Malaysia	5.1	5.8	4.8	4.4	-5.5	3.3	8.9	3.6	5.0	4.6	4.5

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Mongolia	7.5	5.6	7.7	5.5	-4.4	1.6	5.0	7.2	5.0	6.0	6.5
Myanmar[e]	9.7	5.7	6.4	6.7	-1.2	-10.5	-4.0	2.5	1.0	1.1	1.3
Papua New Guinea	4.8	3.5	-0.3	4.5	-3.2	-0.8	5.2	2.7	4.4	3.9	4.1
Philippines	5.5	6.9	6.3	6.1	-9.5	5.7	7.6	5.5	5.6	6.1	6.2
Samoa	2.5	-0.5	2.9	2.8	-10.1	-2.3	0.0	10.2	5.2	4.8	3.9
Singapore	5.7	4.5	3.6	1.3	-3.9	9.7	3.8	1.1	3.0	2.6	2.5
Solomon Islands	5.0	3.1	2.7	1.7	-3.4	2.6	2.4	3.0	2.6	2.7	3.1
Taiwan Province of China	4.0	3.3	2.8	3.1	3.4	6.6	2.6	1.3	4.6	3.0	3.3
Thailand	4.0	4.2	4.2	2.1	-6.1	1.6	2.5	1.9	2.6	3.1	3.2
Timor-Leste	3.6	-3.1	-0.7	23.4	32.0	5.3	-20.5	-15.8	-8.3	3.1	3.2
Vanuatu	3.3	4.4	2.9	3.2	-5.0	-1.6	1.9	2.2	1.3	2.4	3.0
Viet Nam	8.3	6.9	7.5	7.4	2.9	2.6	8.1	5.0	6.1	6.5	6.3
South Asia[f]	**6.2**	**6.5**	**5.3**	**3.2**	**-1.6**	**5.5**	**6.4**	**6.5**	**5.9**	**5.7**	**6.0**
Afghanistan[e,f]	9.3	2.6	1.2	3.9	-2.1	-20.7	-6.2	2.7	..	..	..
Bangladesh[e]	7.3	6.6	7.3	7.9	3.4	6.9	7.1	5.8	5.3	4.2	5.0
Bhutan	7.6	2.1	3.5	5.8	-10.2	4.4	5.2	4.9	5.0	5.2	5.5
India[e]	6.9	6.8	6.5	3.9	-5.8	9.7	7.0	8.2	6.8	6.6	6.8
Iran (Islamic Republic of)[e]	4.0	2.8	-1.8	-3.1	3.3	4.7	3.8	4.7	3.8	3.2	3.3
Maldives	5.7	7.1	8.7	7.3	-32.9	37.5	13.8	4.7	5.1	4.6	4.5
Nepal[e]	4.7	9.0	7.6	6.7	-2.4	4.8	5.6	2.0	3.7	4.4	5.2
Pakistan[e]	4.6	4.4	6.2	2.5	-1.3	6.5	4.8	0.0	2.6	3.4	4.2
Sri Lanka	6.3	6.5	2.3	-0.2	-4.6	4.2	-7.3	-2.3	4.6	4.0	3.8
East and South Asia - net fuel exporters	**4.8**	**4.7**	**3.2**	**2.6**	**-0.9**	**3.8**	**4.8**	**4.7**	**4.7**	**4.6**	**4.7**
East and South Asia - net fuel importers[f]	**8.1**	**6.6**	**6.3**	**5.3**	**0.7**	**7.5**	**3.7**	**5.2**	**5.1**	**4.9**	**4.8**
Western Asia[h]	**4.7**	**2.6**	**2.7**	**1.4**	**-2.7**	**7.0**	**6.1**	**2.0**	**2.0**	**3.5**	**3.5**
Western Asia - net fuel exporters	**4.6**	**-0.2**	**2.3**	**1.5**	**-4.9**	**3.8**	**6.9**	**0.2**	**1.8**	**3.9**	**3.7**
Bahrain	4.8	4.3	2.1	2.1	-4.6	2.7	6.0	3.0	3.0	2.8	2.3
Iraq	4.6	-1.8	2.6	5.5	-12.0	1.6	7.0	-2.9	2.2	2.8	2.1
Kuwait	4.4	-4.7	2.4	2.3	-4.8	2.3	5.9	-3.6	-2.4	2.6	3.3
Oman	3.8	0.3	1.3	-1.1	-3.4	2.6	8.0	1.3	1.1	2.2	2.4
Qatar	10.8	-1.5	1.2	0.7	-3.6	1.6	4.2	1.2	1.9	2.4	4.2
Saudi Arabia	4.3	0.9	3.2	1.1	-3.6	5.1	7.5	-0.8	1.1	4.4	3.5
United Arab Emirates	4.7	0.7	1.3	1.1	-5.0	4.4	7.5	3.6	3.9	4.8	5.0
Yemen	-3.1	-10.6	-0.8	1.4	1.2	-1.0	1.5	-2.0	-1.0	-0.3	0.5
Western Asia - net fuel importers[h]	**4.9**	**6.2**	**3.1**	**1.3**	**-0.1**	**10.6**	**5.3**	**3.9**	**2.2**	**3.1**	**3.3**

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Israel	3.7	4.4	4.2	3.8	-1.4	9.3	6.4	1.8	0.5	3.8	2.9
Jordan	4.8	2.5	1.9	1.8	-1.1	3.7	2.4	2.6	2.2	2.4	2.7
Lebanon	4.3	0.9	-1.9	-6.9	-24.6	2.0	0.0	-0.8	-4.0	-2.0	0.8
State of Palestine[h]	5.9	1.4	1.2	1.4	-11.3	7.0	3.9	-5.3	..	..	..
Syrian Arab Republic	-2.2	-0.7	1.4	1.2	-0.2	1.3	-0.9	-1.2	-1.5	-0.5	0.0
Türkiye	5.7	7.5	3.1	0.8	1.7	11.8	5.3	5.1	3.0	3.1	3.5
Latin America and the Caribbean	**2.7**	**0.9**	**0.6**	**-0.7**	**-7.3**	**7.0**	**4.0**	**2.0**	**1.9**	**2.5**	**2.3**
South America	**2.8**	**0.3**	**-0.2**	**-1.2**	**-6.7**	**7.3**	**3.8**	**1.3**	**1.7**	**2.6**	**2.2**
Argentina	2.9	2.8	-2.6	-2.0	-9.9	10.7	5.0	-1.6	-3.3	4.0	2.5
Bolivia (Plurinational State of)	4.6	4.2	4.2	2.2	-8.7	6.1	3.6	2.2	2.2	2.5	2.8
Brazil	2.5	1.3	1.8	1.2	-3.3	5.0	2.9	2.8	3.0	2.3	1.9
Chile	3.9	1.2	3.7	0.7	-6.1	11.7	2.4	0.3	2.2	2.3	2.4
Colombia	4.3	1.4	2.6	3.2	-7.3	11.0	7.3	0.6	1.5	2.8	3.0
Ecuador	3.9	2.4	1.3	0.0	-7.8	4.2	2.9	2.8	0.2	1.5	2.0
Paraguay	5.1	4.8	3.2	-0.4	-0.8	4.0	0.1	4.6	4.0	3.8	3.7
Peru	5.5	2.5	4.0	2.2	-10.9	13.4	2.7	-0.6	2.9	2.4	2.6
Uruguay	4.1	1.7	0.2	0.7	-6.3	5.3	4.9	0.4	3.2	2.9	2.5
Venezuela (Bolivarian Republic of)	0.6	-15.7	-19.6	-35.0	-32.0	0.5	12.0	-1.2	3.3	2.8	2.4
Mexico and Central America	**2.4**	**2.3**	**2.4**	**0.5**	**-8.4**	**6.5**	**4.1**	**3.3**	**2.0**	**1.9**	**2.4**
Costa Rica	4.3	4.2	2.6	2.4	-4.3	7.8	4.3	5.1	4.3	3.5	3.3
Cuba	4.2	1.8	2.2	-0.2	-10.9	1.3	1.8	1.4	1.3	2.1	1.9
Dominican Republic	5.2	4.7	7.0	5.1	-6.7	12.3	4.9	2.3	4.8	4.8	4.4
El Salvador	2.0	2.3	2.4	2.4	-7.9	11.2	2.6	3.5	2.8	2.9	2.2
Guatemala	3.5	3.1	3.4	4.0	-1.8	8.0	4.1	3.5	3.5	3.4	3.3
Haiti[e]	2.4	2.5	1.7	-1.7	-3.3	-1.8	-1.7	-1.5	-0.4	0.6	1.1
Honduras	4.0	4.8	3.8	2.7	-9.0	12.5	4.0	3.6	3.2	3.5	2.9
Mexico	1.8	1.9	2.0	-0.3	-8.6	5.7	3.9	3.2	1.6	1.3	2.0
Nicaragua	3.9	4.6	-3.4	-2.9	-1.8	10.3	3.8	4.6	3.5	4.0	3.8
Panama	7.0	5.9	4.0	3.3	-17.7	15.8	10.8	7.3	2.7	3.3	4.3
Caribbean	**2.1**	**-0.8**	**1.4**	**0.8**	**-8.9**	**5.9**	**13.3**	**8.5**	**9.4**	**6.1**	**3.8**
Bahamas	0.5	2.5	2.9	-0.7	-23.5	17.0	14.4	2.8	2.7	2.0	1.9
Barbados	0.8	0.5	-0.9	0.3	-12.7	-0.8	11.3	4.4	3.7	3.0	2.8
Belize	2.9	-1.8	1.1	4.2	-13.7	17.9	8.7	4.3	4.2	4.0	3.8
Guyana	5.7	3.7	4.4	5.4	43.5	20.1	63.3	32.6	31.9	15.5	7.5
Jamaica	0.6	1.0	1.9	0.9	-9.9	4.6	4.2	2.4	1.7	2.0	1.8
Suriname	3.6	1.6	4.9	1.2	-16.0	-2.4	2.4	2.1	3.2	3.5	3.6

Table A.3

Developing economies: growth of real GDP (*continued*)

Annual percentage change

	2002–2016[a]	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Trinidad and Tobago	3.7	-4.8	-0.6	0.4	-9.1	-1.0	1.5	2.8	2.4	2.5	1.8
Latin America and the Caribbean - net fuel exporters	**2.5**	**-5.3**	**-5.4**	**-8.8**	**-12.3**	**7.4**	**7.7**	**1.6**	**2.5**	**3.0**	**2.9**
Latin America and the Caribbean - net fuel importers	**2.7**	**2.0**	**1.6**	**0.5**	**-6.6**	**7.0**	**3.6**	**2.1**	**1.8**	**2.4**	**2.2**
Memorandum items:											
Least developed countries[f,i]	6.2	5.0	5.1	4.7	1.8	3.5	3.9	2.7	4.1	4.6	5.1
Least developed countries (excluding Afghanistan and Sudan)	6.2	5.1	5.3	4.8	2.1	4.4	4.6	4.6	4.1	4.6	5.1
Small island developing States	4.7	3.5	3.4	1.7	-6.2	7.7	4.8	2.3	3.8	3.4	3.0
Landlocked developing countries[f]	6.6	5.5	4.8	4.6	-0.7	5.0	4.3	4.9	4.7	4.9	4.9
Landlocked developing countries (excluding Afghanistan)	6.5	5.6	4.8	4.5	-0.8	5.5	4.6	4.9	4.7	4.9	4.9
Middle-income countries[h]	6.3	5.4	5.0	4.1	-1.0	7.1	3.8	4.6	4.3	4.4	4.3
Africa (excluding Libya and Sudan)	4.8	3.0	3.2	3.1	-2.1	5.1	3.7	3.3	3.4	3.7	4.0
North Africa (excluding Libya and Sudan)	4.2	4.0	3.9	3.8	-2.2	6.4	3.6	3.1	3.3	3.4	3.8
East and South Asia (excluding Afghanistan)	7.8	6.4	6.1	5.1	0.6	7.2	3.8	5.1	5.0	4.9	4.7
East Asia (excluding China)	5.0	4.9	4.6	3.7	-2.8	4.5	4.2	3.4	4.4	4.3	4.3
South Asia (excluding Afghanistan)	6.2	6.5	5.4	3.2	-1.7	5.6	6.5	6.5	5.9	5.7	6.0
South Asia (excluding India)[f]	5.2	5.3	3.0	0.7	2.2	5.4	3.9	3.5	3.8	3.7	4.5
Western Asia (excluding the State of Palestine)	4.7	2.6	2.7	1.4	-2.7	7.0	6.1	2.0	2.0	3.5	3.5
Western Asia (excluding Israel and Türkiye)[h]	4.5	-0.1	2.1	1.3	-5.3	3.7	6.6	0.2	1.6	3.7	3.6
Arab States[h,j]	4.3	1.7	2.8	1.7	-5.3	4.5	5.2	0.4	1.7	3.6	3.7
Caribbean (excluding Guyana)	1.9	-1.1	1.1	0.5	-13.1	4.0	5.7	2.8	2.5	2.5	2.1

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.
Notes: GDP = gross domestic product. Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.
b Partly estimated.
c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.
d Covering countries that account for 98 per cent of the population of all developing countries.
e Fiscal year basis.
f Afghanistan is excluded from individual and regional group estimates and forecasts for the period 2024–2026.
g SAR = Special Administrative Region of China.
h The State of Palestine is excluded from individual and regional group estimates and forecasts for the period 2024–2026.
i Regional aggregates exclude Sudan for the period 2024–2026.
j Currently includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, the State of Palestine, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

Table A.4

Growth of world output and gross domestic product, by SDG region

Annual percentage change

	2022	2023	2024[a]	2025[b]	2026[b]
World	**3.3**	**2.8**	**2.8**	**2.8**	**2.9**
Africa	**3.3**	**2.6**	**2.9**	**3.8**	**4.1**
North Africa	2.3	0.9	1.8	3.5	4.1
East Africa	5.2	5.6	5.1	5.5	5.6
Middle Africa	4.1	3.0	3.3	3.8	3.9
Southern Africa	2.1	0.9	1.1	1.5	1.9
West Africa	3.8	3.4	3.6	4.2	4.3
Americas	**2.9**	**2.6**	**2.6**	**2.0**	**2.1**
Northern America	2.6	2.8	2.7	1.9	2.1
Latin America and the Caribbean	4.0	2.0	1.9	2.5	2.3
Caribbean	3.6	1.9	2.9	3.2	2.9
Central America	4.2	3.5	1.9	1.7	2.3
South America	4.0	1.4	1.8	2.7	2.3
Asia	**3.7**	**4.2**	**3.9**	**4.2**	**4.1**
Central Asia	4.6	5.7	5.1	5.4	5.0
East Asia	2.5	4.2	3.7	3.9	3.7
South Asia	6.4	6.5	5.9	5.7	6.0
South-east Asia	5.4	3.9	4.5	4.7	4.7
Western Asia	6.1	2.0	2.0	3.5	3.5
Europe	**3.2**	**0.7**	**1.1**	**1.3**	**1.5**
Eastern Europe	0.3	2.2	2.9	2.3	2.4
Northern Europe	4.4	-0.3	0.7	1.6	1.7
Southern Europe	5.2	1.6	1.7	1.6	1.6
Western Europe	2.6	0.3	0.5	0.7	1.1
Oceania	**3.7**	**1.8**	**1.1**	**2.2**	**2.5**

Source: UN DESA, based on data from the United Nations Statistics Division and UN DESA forecasts.
Notes: SDG = Sustainable Development Goals. Regional aggregates in this table follow geographic regions defined under the Standard Country or Area Codes for Statistical Use (known as M49) and are not strictly comparable to those in the ***World Economic Situation and Prospects*** (WESP) report. Full details on the M49 standard can be found on the United Nations Statistics Division website. Calculated at 2015 prices and exchange rates. Figures are based on the countries actively monitored for the WESP.

a Partly estimated.
b Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.

Table A.5

Developed economies: consumer price inflation

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Developed economies	**0.5**	**1.8**	**2.0**	**1.5**	**0.8**	**3.2**	**7.5**	**4.8**	**2.6**	**2.2**	**2.0**
United States	0.6	2.1	2.5	1.8	1.2	4.7	8.0	4.1	2.9	2.3	2.2
Canada	1.4	1.6	2.3	1.9	0.7	3.4	6.8	3.9	2.5	2.2	2.0
Japan	-0.1	0.5	1.0	0.5	0.0	-0.2	2.5	3.2	2.6	2.2	1.8
Republic of Korea	1.0	1.9	1.5	0.4	0.5	2.5	5.1	3.6	2.3	1.6	1.8
Australia	1.3	2.0	1.9	1.6	0.9	2.8	6.6	5.6	3.1	2.7	2.4
New Zealand	0.6	1.9	1.6	1.6	1.7	3.9	7.2	5.7	2.8	2.1	1.9
European Union	**0.2**	**1.5**	**1.8**	**1.4**	**0.5**	**2.7**	**8.8**	**5.8**	**2.4**	**2.2**	**1.9**
Austria	1.0	2.2	2.1	1.5	1.4	2.8	8.6	7.7	2.9	2.0	1.8
Belgium	1.8	2.2	2.3	1.2	0.4	3.2	10.3	2.3	4.2	2.7	2.1
Bulgaria	-1.3	1.2	2.6	2.4	1.2	2.9	13.0	8.6	2.5	2.4	2.4
Croatia	-0.6	1.3	1.5	0.8	0.0	2.7	10.7	8.4	3.6	2.5	2.5
Cyprus	-1.2	0.7	0.8	0.5	-1.1	2.3	8.1	3.9	2.1	1.9	1.8
Czechia	0.7	2.4	1.9	2.6	3.3	3.3	14.8	12.0	2.3	2.3	2.0
Denmark	0.0	1.1	0.7	0.7	0.4	1.9	8.5	3.4	1.3	1.8	1.7
Estonia	0.8	3.7	3.4	2.3	-0.6	4.5	19.4	9.1	3.5	2.6	2.1
Finland	0.4	0.8	1.2	1.1	0.4	2.1	7.2	4.3	1.0	1.8	1.6
France	0.3	1.2	2.1	1.3	0.5	2.1	5.9	5.7	2.3	1.8	1.7
Germany	0.4	1.7	1.9	1.4	0.3	3.2	8.7	6.1	2.4	2.1	1.9
Greece	0.0	1.1	0.8	0.5	-1.3	0.6	9.3	4.2	3.1	2.4	2.1
Hungary	0.4	2.4	2.9	3.4	3.4	5.2	15.3	17.0	3.8	3.5	2.4
Ireland	-0.2	0.3	0.7	0.9	-0.5	2.4	8.1	5.2	1.3	1.8	1.7
Italy	-0.1	1.4	1.2	0.7	-0.2	1.9	8.8	5.9	1.1	1.7	1.8
Latvia	0.1	2.9	2.6	2.7	0.1	3.2	17.2	9.1	1.0	1.7	2.0
Lithuania	0.7	3.7	2.5	2.2	1.1	4.6	18.9	8.7	0.8	2.3	2.2
Luxembourg	0.0	2.1	2.0	1.7	0.0	3.5	8.2	2.9	2.2	2.3	2.0
Malta	0.9	1.3	1.7	1.5	0.8	0.7	6.1	5.6	2.5	2.1	1.9
Netherlands (Kingdom of the)	0.1	1.3	1.6	2.7	1.1	2.8	11.6	4.1	3.1	2.6	2.2
Poland	-0.2	1.6	1.2	2.1	3.6	5.2	13.2	10.9	3.9	4.8	3.0
Portugal	0.6	1.6	1.2	0.3	-0.1	0.9	8.1	5.3	2.6	2.1	1.9
Romania	-1.1	1.1	4.1	3.9	2.3	4.1	12.0	9.7	5.1	4.6	4.3
Slovakia	-0.5	1.4	2.5	2.8	2.0	2.8	12.1	11.0	2.8	3.1	2.4
Slovenia	-0.1	1.6	1.9	1.7	-0.3	2.1	9.3	7.2	2.2	2.3	2.1

Table A.5

Developed economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Spain	-0.3	2.0	1.7	0.8	-0.3	3.0	8.3	3.4	2.8	2.1	1.9
Sweden	1.1	1.9	2.0	1.7	0.7	2.7	8.1	5.9	2.0	1.8	1.9
Other European countries	**0.8**	**2.2**	**2.2**	**1.6**	**0.6**	**2.3**	**7.7**	**6.3**	**2.3**	**2.0**	**1.6**
Iceland	0.8	-1.6	0.7	2.0	1.2	3.7	5.7	8.0	4.6	3.1	2.5
Norway	3.9	1.8	3.0	2.3	1.2	3.9	6.2	5.8	2.9	2.5	2.1
Switzerland	-0.5	0.6	0.9	0.4	-0.8	0.5	2.7	2.3	1.1	0.6	0.5
United Kingdom[d]	0.7	2.7	2.4	1.8	0.9	2.6	9.0	7.3	2.5	2.2	1.8
Memorandum items:											
Northern America	0.6	2.1	2.5	1.8	1.2	4.6	7.9	4.1	2.9	2.3	2.2
Developed Asia and the Pacific	0.4	1.1	1.3	0.7	0.3	0.9	3.8	3.7	2.6	2.1	1.9
Europe	0.4	1.7	1.9	1.4	0.5	2.6	8.5	6.0	2.4	2.1	1.9
Major developed economies	0.5	1.8	2.1	1.5	0.8	3.4	7.3	4.6	2.6	2.2	2.0
Euro area	0.3	1.5	1.7	1.3	0.3	2.6	8.4	5.4	2.3	2.0	1.9

Source: UN DESA, based on OECD *Main Economic Indicators,* Eurostat and individual national source and UN DESA forecasts.

a Data for country groups are weighted averages, where weights for each year are based on 2015 GDP in United States dollars.

b Partly estimated.

c Baseline scenario forecasts, based on the UN DESA World Economic Forecasting Model.

d The United Kingdom withdrew from the European Union on 31 January 2020 and is therefore excluded from all European Union aggregations.

Table A.6

Economies in transition: consumer price inflation

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Economies in transition	**7.9**	**5.3**	**4.4**	**5.0**	**4.1**	**7.4**	**14.0**	**7.3**	**7.7**	**5.3**	**4.5**
South-Eastern Europe	**0.5**	**2.6**	**1.9**	**1.4**	**1.1**	**3.2**	**11.8**	**9.3**	**3.4**	**2.6**	**2.5**
Albania	1.3	3.2	1.7	1.7	2.2	2.3	6.6	4.8	2.1	2.3	2.3
Bosnia and Herzegovina	-1.6	0.8	1.4	0.6	-1.1	2.0	14.0	6.1	1.7	1.9	1.9
Montenegro	-0.1	2.8	2.6	0.5	-0.5	2.5	11.9	8.7	3.7	2.8	2.5
North Macedonia	0.2	2.1	2.3	0.7	1.2	3.4	14.0	9.0	3.5	2.4	2.3
Serbia	1.3	3.4	2.0	1.9	1.7	4.1	11.7	12.0	4.4	3.1	2.9
Commonwealth of Independent States and Georgia[d]	**8.2**	**5.5**	**4.5**	**5.2**	**4.2**	**7.6**	**14.0**	**7.2**	**7.9**	**5.5**	**4.6**
Commonwealth of Independent States and Georgia - net fuel exporters	**7.9**	**4.5**	**3.5**	**4.5**	**3.8**	**7.2**	**13.8**	**7.0**	**8.1**	**5.3**	**4.5**
Azerbaijan	12.4	12.9	2.3	2.6	2.8	6.7	13.9	8.8	3.7	3.6	3.1
Kazakhstan	14.4	7.4	6.2	5.3	6.7	8.0	15.0	14.5	8.2	6.3	5.2
Russian Federation	7.0	3.7	2.9	4.5	3.4	6.7	13.7	5.9	8.3	5.2	4.5
Turkmenistan	3.6	8.0	13.3	5.1	6.1	19.5	11.2	9.1	8.0	6.8	5.4
Commonwealth of Independent States and Georgia - net fuel importers[d]	**9.8**	**10.9**	**10.3**	**8.8**	**6.8**	**9.7**	**15.3**	**8.4**	**6.6**	**6.3**	**4.7**
Armenia	-1.4	1.0	2.5	1.4	1.2	7.2	8.6	2.0	0.0	2.2	2.3
Belarus	11.8	6.0	4.9	5.6	5.5	9.5	15.2	5.0	5.8	5.1	4.6
Georgia[d]	2.1	6.0	2.6	4.9	5.2	9.6	11.9	1.5	1.5	2.3	1.9
Kyrgyzstan	0.4	3.2	1.5	1.1	6.3	11.9	13.9	10.7	4.5	4.8	3.9
Republic of Moldova	6.4	6.6	3.0	4.8	3.8	5.1	28.7	13.4	4.5	3.6	3.3
Tajikistan	6.0	7.3	3.8	7.8	8.6	9.0	6.6	3.6	3.5	3.6	3.7
Ukraine[e]	13.9	14.4	11.0	7.9	2.7	9.4	20.2	12.8	6.9	7.7	5.3
Uzbekistan	8.1	13.9	17.5	14.5	12.9	10.8	11.4	7.8	9.0	7.4	5.2

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.
Note: Regional aggregates calculated at 2015 prices and exchange rates.

a Average percentage change.
b Partly estimated.
c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.
d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.
e The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

Table A.7

Developing economies: consumer price inflation

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Developing countries[d]	**3.9**	**3.7**	**4.0**	**4.5**	**4.5**	**5.1**	**8.6**	**7.0**	**6.0**	**5.1**	**4.0**
Africa[e]	**11.2**	**13.5**	**9.2**	**9.1**	**12.2**	**10.1**	**13.7**	**16.6**	**16.1**	**12.6**	**9.9**
North Africa[e]	**10.3**	**17.4**	**9.5**	**5.1**	**3.5**	**4.9**	**10.6**	**19.8**	**15.5**	**10.4**	**8.8**
Algeria	6.4	5.6	4.3	2.0	2.4	6.9	9.2	9.3	5.4	5.2	4.9
Egypt	13.8	29.5	14.4	9.2	5.0	5.2	13.9	33.9	28.8	17.7	14.5
Libya	25.9	25.8	13.6	-2.2	1.4	2.8	4.6	1.4	1.1	0.8	1.1
Mauritania	1.5	2.3	3.0	2.3	2.4	3.6	9.5	4.9	2.8	3.1	3.9
Morocco	1.6	0.8	2.0	0.2	0.6	1.4	6.6	6.1	1.2	2.2	1.9
Sudan	17.8	32.4	63.3	51.0	163.3	359.1	138.8	81.8	236.4	131.8	85.5
Tunisia	3.7	5.3	7.4	6.8	5.6	5.7	8.3	9.4	7.2	6.9	6.6
East Africa	**10.7**	**13.9**	**10.8**	**8.2**	**9.6**	**10.6**	**13.9**	**14.2**	**11.2**	**8.8**	**7.4**
Burundi	5.6	16.1	-2.8	-0.7	7.3	8.4	18.8	26.8	17.4	14.6	13.1
Comoros	0.8	0.1	1.7	3.7	0.8	0.0	12.4	8.4	2.1	2.4	2.2
Democratic Republic of the Congo	2.9	35.7	30.9	4.7	11.4	9.0	9.3	19.6	18.2	9.6	8.3
Djibouti	2.7	0.6	0.1	3.3	1.8	1.2	5.2	1.8	2.2	1.8	1.9
Eritrea	-5.6	-13.3	-14.4	1.3	1.5	0.0	7.4	6.1	5.1	4.7	2.9
Ethiopia	6.6	10.7	13.8	15.8	20.4	26.8	33.9	30.2	24.1	18.0	12.9
Kenya	6.3	8.0	4.7	5.2	5.4	6.1	7.7	7.7	4.6	5.7	5.7
Madagascar	6.0	8.6	8.6	5.6	4.2	5.8	8.2	9.9	7.4	6.7	5.3
Rwanda	7.2	8.3	-0.3	3.3	9.9	-0.4	17.7	19.8	7.0	5.0	4.7
Somalia	0.0	4.0	4.3	4.5	4.3	4.6	6.8	6.1	4.3	3.6	3.6
South Sudan	380.0	187.9	83.5	87.2	29.7	10.5	-6.7	2.4	18.3	15.6	9.4
Uganda	5.7	5.2	2.6	2.9	3.3	2.2	7.2	5.4	3.5	4.7	6.3
United Republic of Tanzania	5.2	5.3	3.5	3.5	3.3	4.2	4.8	3.0	3.1	2.8	3.0
Central Africa	**1.3**	**0.7**	**2.2**	**1.7**	**2.9**	**1.2**	**5.2**	**5.0**	**4.6**	**4.1**	**3.2**
Cameroon	0.9	0.6	1.1	2.5	2.4	2.3	6.2	7.4	4.5	3.7	2.5
Central African Republic	4.9	4.2	1.6	2.7	1.7	4.3	5.6	3.0	1.1	2.1	2.7
Chad	-0.8	-1.5	4.3	-1.0	4.5	-0.8	5.8	4.1	8.6	6.4	4.0
Congo	3.2	0.5	1.2	2.2	1.8	1.7	3.0	4.3	3.3	3.8	3.5
Equatorial Guinea	1.4	0.7	1.1	1.5	4.8	-0.1	4.8	2.4	3.2	3.5	3.7
Gabon	2.1	2.7	4.7	2.5	1.4	1.1	4.2	3.6	3.3	4.0	3.1
Sao Tome and Principe	5.4	5.7	7.9	7.7	9.8	8.1	18.0	20.1	16.1	9.5	6.3
West Africa	**13.3**	**13.7**	**10.1**	**9.2**	**11.3**	**14.2**	**17.9**	**22.4**	**24.2**	**19.2**	**12.1**
Benin	-0.8	0.0	0.9	0.7	3.0	1.7	1.4	2.7	1.9	1.8	1.5
Burkina Faso	0.4	1.5	2.0	-3.2	1.9	3.7	14.3	0.7	3.2	2.3	2.0

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Cabo Verde	-1.4	0.8	1.3	1.1	0.6	1.9	7.9	3.8	2.4	1.9	1.9
Côte D'Ivoire	0.7	0.7	0.4	-1.1	2.4	4.1	5.3	4.4	3.4	2.9	2.3
Gambia	7.2	8.0	6.5	7.1	5.9	7.4	11.5	17.0	11.4	6.5	6.2
Ghana	17.5	12.4	7.8	7.1	9.9	10.0	31.3	39.2	23.8	14.0	12.7
Guinea	8.2	8.9	9.8	9.5	10.6	12.6	10.5	7.8	8.1	8.6	7.9
Guinea-Bissau	1.5	1.7	0.4	0.2	1.1	2.2	9.4	7.2	3.0	2.0	2.0
Liberia	8.8	12.4	23.6	27.0	17.0	7.8	7.6	10.1	7.3	7.3	7.3
Mali	-1.8	2.4	1.9	-3.0	0.5	3.9	9.6	2.1	3.7	2.4	2.1
Niger	0.2	0.2	2.8	-2.5	2.9	3.8	4.2	3.7	2.2	1.8	2.6
Nigeria	15.7	16.5	12.1	11.4	13.2	17.0	18.8	24.7	29.0	23.5	14.2
Senegal	0.8	1.3	0.5	1.8	2.5	2.2	9.7	4.3	2.4	1.7	1.6
Sierra Leone	10.9	18.2	16.0	14.8	13.4	11.9	27.2	47.6	20.8	17.1	13.1
Togo	1.3	-1.0	0.9	0.7	1.7	4.2	8.0	2.9	2.8	2.3	2.0
Southern Africa	**11.9**	**10.4**	**8.0**	**15.6**	**26.9**	**13.0**	**14.0**	**8.9**	**11.7**	**11.2**	**11.1**
Angola	30.7	29.8	19.6	17.1	22.3	25.8	21.4	13.6	27.0	24.4	22.0
Botswana	2.8	3.3	3.2	2.8	1.9	6.7	12.1	5.2	3.5	4.2	4.4
Eswatini	7.8	6.2	4.8	2.6	3.9	3.7	4.8	5.0	4.0	3.9	4.5
Lesotho	6.6	4.4	4.8	5.2	5.0	6.0	8.3	6.5	6.2	5.9	5.2
Malawi	21.7	11.5	12.4	9.4	8.6	9.3	21.0	29.0	33.6	25.3	15.0
Mauritius	1.0	3.7	3.2	0.4	2.6	4.0	10.8	7.0	4.2	3.7	3.4
Mozambique	17.4	15.1	3.9	2.8	3.5	6.4	10.3	7.1	3.3	4.2	4.5
Namibia	6.7	6.1	4.3	3.7	2.2	3.6	6.1	5.9	4.6	3.9	3.6
South Africa	6.6	5.2	4.5	4.1	3.2	4.6	7.0	6.1	5.2	5.0	4.9
Zambia	17.9	6.6	7.5	9.2	15.7	22.0	11.0	10.9	15.1	16.2	12.0
Zimbabwe	-1.5	0.9	10.6	255.3	557.2	98.5	104.7	26.5	45.2	52.2	75.2
Africa - net fuel exporters	**16.7**	**15.8**	**10.8**	**8.9**	**10.7**	**13.6**	**16.0**	**18.3**	**20.5**	**16.8**	**11.7**
Africa - net fuel importers[e]	**7.2**	**11.9**	**8.0**	**9.3**	**13.3**	**7.5**	**12.1**	**15.3**	**12.9**	**9.6**	**8.6**
East and South Asia[f]	**2.6**	**2.1**	**2.9**	**4.3**	**3.4**	**2.9**	**4.6**	**3.4**	**2.5**	**2.7**	**2.5**
East Asia	**2.0**	**1.8**	**2.2**	**2.7**	**2.1**	**1.2**	**2.6**	**1.1**	**0.8**	**1.4**	**1.5**
Brunei Darussalam	-0.3	-1.3	1.0	-0.4	1.9	1.7	3.7	0.4	-0.3	0.7	1.0
Cambodia	3.0	2.9	2.5	1.9	2.9	2.9	5.3	2.1	0.6	2.1	3.0
China	2.0	1.6	2.1	2.9	2.4	1.0	2.0	0.2	0.3	1.1	1.2
Democratic People's Republic of Korea	-0.6	7.2	2.3	-4.6	1.1	5.7	5.3	4.0	4.3	2.5	2.9
Fiji	3.9	3.3	4.1	1.8	-2.6	0.2	4.5	2.4	5.1	3.5	2.5
Hong Kong SAR[g]	2.4	1.5	2.4	2.9	0.3	1.6	1.9	2.1	1.8	2.2	2.4

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Indonesia	3.5	3.8	3.2	2.8	2.0	1.6	4.2	3.7	2.3	2.5	2.5
Kiribati	1.9	0.4	0.6	-1.8	2.6	2.1	5.3	9.7	3.8	3.3	2.9
Lao People's Democratic Republic	1.6	0.8	2.0	3.3	5.1	3.8	23.0	31.2	23.6	14.9	5.2
Malaysia	2.1	3.9	0.9	0.7	-1.1	2.5	3.4	2.5	1.9	2.5	2.3
Mongolia	0.7	4.3	6.8	7.3	3.8	7.4	15.1	10.4	7.0	7.2	6.5
Myanmar	9.1	4.6	5.9	8.6	5.7	3.6	20.4	27.1	20.0	14.9	8.7
Papua New Guinea	6.7	5.4	4.4	3.9	4.9	4.5	5.3	2.3	3.4	3.5	3.4
Philippines	1.3	2.9	5.3	2.4	2.4	3.9	5.8	6.0	3.1	3.0	3.0
Samoa	1.3	1.7	4.2	1.0	-1.6	3.1	11.0	7.7	3.9	3.3	3.0
Singapore	-0.5	0.6	0.4	0.6	-0.2	2.3	6.1	4.8	2.5	2.1	1.9
Solomon Islands	0.5	0.5	3.5	1.6	3.0	-0.1	5.5	5.6	4.1	3.4	2.9
Taiwan Province of China	1.4	0.6	1.4	0.6	-0.2	2.0	2.9	2.4	2.1	1.9	1.8
Thailand	0.2	0.7	1.1	0.7	-0.8	1.2	6.1	1.2	0.5	1.3	1.8
Timor-Leste	-1.5	0.5	2.3	1.0	0.5	3.8	7.0	8.4	2.6	2.2	2.0
Vanuatu	0.8	3.1	2.3	2.8	5.3	2.3	6.7	11.3	3.5	2.6	2.3
Viet Nam	2.7	3.5	3.5	2.8	3.2	1.8	3.2	3.3	3.6	3.0	2.9
South Asia[f]	**5.2**	**3.8**	**6.5**	**11.8**	**9.2**	**10.5**	**13.5**	**13.8**	**9.9**	**8.3**	**7.2**
Afghanistan[f]	4.4	5.0	0.6	2.3	5.6	7.8	10.6	-7.7	..	..	..
Bangladesh	5.5	5.7	5.5	5.6	5.7	5.5	7.7	9.5	10.2	8.5	6.4
Bhutan	3.2	5.0	2.7	2.7	5.6	7.3	5.6	4.5	4.0	3.8	3.6
India	4.9	2.5	4.9	7.7	5.6	4.9	5.9	5.6	4.8	4.3	3.9
Iran (Islamic Republic of)	7.2	8.0	18.0	39.9	30.6	43.4	43.5	45.0	33.5	28.4	23.9
Maldives	0.5	2.8	-0.1	0.2	-1.4	0.5	2.3	2.9	2.3	4.2	3.5
Nepal	8.8	3.6	4.1	5.6	5.1	4.1	7.7	7.0	4.8	4.6	4.4
Pakistan	3.8	4.1	5.1	10.6	9.7	9.5	19.9	30.9	14.7	10.1	8.3
Sri Lanka	4.0	7.7	2.1	3.5	6.2	7.0	49.7	21.8	2.3	3.1	3.0
East and South Asia - net fuel exporters	**4.7**	**5.1**	**7.9**	**14.5**	**11.1**	**14.8**	**16.7**	**16.7**	**12.2**	**10.7**	**9.2**
East and South Asia - net fuel importers[f]	**2.4**	**1.9**	**2.5**	**3.5**	**2.7**	**1.9**	**3.6**	**2.3**	**1.7**	**2.0**	**2.0**
Western Asia[h]	**3.7**	**4.7**	**7.0**	**4.0**	**6.9**	**10.7**	**27.8**	**22.2**	**21.2**	**15.9**	**8.9**
Net fuel exporters	**2.2**	**0.9**	**2.4**	**-1.1**	**1.2**	**2.9**	**4.1**	**2.4**	**2.2**	**2.4**	**2.3**
Bahrain	2.8	1.4	2.1	1.0	-2.3	-0.6	3.6	0.1	1.2	1.5	1.5
Iraq	0.6	0.2	0.4	-0.2	0.6	6.0	5.0	4.4	3.7	3.5	3.5
Kuwait	3.2	2.2	0.5	1.1	2.1	3.4	4.0	3.6	2.8	2.6	2.2

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Oman	1.1	1.6	0.9	0.5	-0.4	1.7	2.5	0.9	0.7	1.0	1.2
Qatar	2.7	0.4	0.3	-0.9	-2.5	2.3	5.0	3.1	0.8	1.4	2.1
Saudi Arabia	2.1	-0.8	2.5	-2.1	3.4	3.1	2.5	2.3	1.7	2.1	2.1
United Arab Emirates	1.6	2.0	3.1	-1.9	-2.1	0.0	4.8	1.6	2.2	2.1	2.0
Yemen	21.3	30.4	33.6	15.7	21.7	31.5	29.5	0.9	17.0	18.5	13.3
Net fuel importers[h]	**5.5**	**9.5**	**12.8**	**10.3**	**14.1**	**20.4**	**57.6**	**47.0**	**45.3**	**32.9**	**17.3**
Israel	-0.6	0.3	0.8	0.8	-0.6	1.5	4.4	4.2	3.8	2.8	3.3
Jordan	-0.8	3.3	4.5	0.8	0.3	1.3	4.2	2.1	1.7	2.2	3.0
Lebanon	-0.8	4.3	6.1	3.0	84.9	154.8	171.2	221.3	67.4	41.3	35.1
State of Palestine[h]	-0.2	0.2	-0.2	1.6	-0.7	1.2	3.7	5.8	..	..	..
Syrian Arab Republic	34.6	107.3	85.1	-14.8	175.9	54.4	84.3	71.8	65.0	53.5	30.0
Türkiye	7.7	11.1	16.3	15.2	12.3	19.6	72.3	54.0	60.0	43.9	21.6
Latin America and the Caribbean[i,j]	**5.6**	**4.0**	**3.7**	**3.4**	**3.1**	**7.6**	**9.2**	**6.3**	**4.8**	**3.8**	**3.4**
South America[i,j]	**7.5**	**3.3**	**3.3**	**3.4**	**3.0**	**6.7**	**9.2**	**5.7**	**4.3**	**3.6**	**3.2**
Argentina	40.5	25.7	34.2	52.8	40.5	47.1	73.1	134.0	130.0	48.9	29.0
Bolivia (Plurinational State of)	3.6	2.8	2.3	1.8	0.9	0.7	1.7	2.6	6.5	5.5	5.5
Brazil	8.7	3.4	3.7	3.7	3.2	8.2	9.3	4.6	4.2	3.7	3.4
Chile	3.8	2.2	2.4	2.6	3.0	4.5	11.6	7.6	4.3	3.7	3.0
Colombia	7.5	4.3	3.2	3.5	2.5	3.5	10.2	11.7	5.9	3.7	2.6
Ecuador	1.7	0.4	-0.2	0.3	-0.3	0.1	3.5	2.2	2.7	1.5	1.8
Paraguay	4.1	3.6	4.0	2.8	1.8	4.8	9.8	4.6	4.2	3.7	3.9
Peru	3.6	2.8	1.3	2.1	1.8	4.0	7.9	6.3	2.5	2.6	2.4
Uruguay	9.6	6.2	7.6	7.9	9.8	7.7	9.1	5.9	5.2	5.4	5.2
Venezuela (Bolivarian Republic of)	254.9	438.1	65,374.0	19,906.0	2,355.0	1,588.5	186.7	337.0	53.6	54.5	48.5
Mexico and Central America	**2.6**	**5.1**	**4.4**	**3.4**	**3.4**	**9.2**	**9.3**	**7.4**	**5.8**	**4.0**	**3.6**
Costa Rica	0.0	1.6	2.2	2.1	0.7	1.7	8.3	0.5	0.8	2.5	2.4
Cuba	-0.5	-1.1	1.9	1.6	5.5	73.7	31.1	39.9	31.2	14.1	7.8
Dominican Republic	1.6	3.3	3.6	1.8	3.8	8.2	8.8	4.8	3.9	4.5	4.4
El Salvador	0.6	1.0	1.1	0.1	-0.4	3.5	7.2	4.0	1.9	1.7	2.1
Guatemala	4.4	4.4	3.8	3.7	3.2	4.3	6.9	6.2	4.1	3.9	3.0
Haiti	13.8	14.7	14.0	19.1	22.8	16.7	34.0	36.8	21.3	19.9	22.5
Honduras	2.7	3.9	4.3	4.4	3.5	4.5	9.1	6.7	4.7	4.4	4.5
Mexico	2.8	6.0	4.9	3.6	3.4	5.7	7.9	5.5	4.6	3.3	3.2
Nicaragua	3.4	4.0	4.8	5.3	3.7	5.0	10.3	7.9	5.0	5.1	5.1
Panama	0.7	0.9	0.8	-0.4	-1.6	1.7	2.8	1.5	0.9	1.7	2.3

Table A.7

Developing economies: consumer price inflation (*continued*)

Annual percentage change[a]

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Caribbean	**5.7**	**3.9**	**2.4**	**2.4**	**4.0**	**7.5**	**10.5**	**8.5**	**3.5**	**3.5**	**2.9**
Bahamas	-0.3	1.5	2.3	2.5	0.0	2.9	5.6	3.1	1.0	2.0	2.5
Barbados	1.5	4.4	3.7	4.1	2.9	3.1	9.4	10.2	3.3	2.6	1.9
Belize	0.7	1.1	0.3	0.2	0.1	3.2	6.3	4.4	3.0	1.9	1.9
Guyana	0.8	1.9	1.3	2.1	1.0	4.8	6.4	2.8	3.5	5.0	3.4
Jamaica	2.3	4.4	3.7	3.9	4.7	5.7	10.3	6.5	5.7	5.1	5.3
Suriname	53.0	21.5	6.9	4.4	34.9	59.1	52.4	51.6	12.5	10.2	7.5
Trinidad and Tobago	3.1	1.9	1.0	1.0	0.6	2.1	5.8	4.6	1.8	2.0	1.2
Latin America and the Caribbean - net fuel exporters[j]	**5.7**	**3.2**	**2.3**	**2.5**	**1.7**	**2.5**	**7.8**	**8.5**	**5.0**	**3.3**	**2.6**
Latin America and the Caribbean - net fuel importers[i]	**5.6**	**4.1**	**3.8**	**3.5**	**3.3**	**8.2**	**9.4**	**6.1**	**4.8**	**3.8**	**3.4**
Memorandum items:											
Least developed countries[e,f]	11.2	11.6	9.6	8.0	9.7	10.6	13.9	12.5	13.6	11.3	9.1
Least developed countries (excluding Afghanistan and Sudan)	11.3	11.7	9.8	8.1	9.8	10.6	13.9	12.9	13.6	11.3	9.1
Small island developing States	1.1	1.7	1.8	1.7	2.4	14.4	11.3	11.1	7.5	4.8	3.8
Landlocked developing countries[f]	9.9	8.2	7.6	12.9	21.6	11.9	16.3	11.7	10.0	8.6	7.6
Landlocked developing countries (excluding Afghanistan)	10.0	8.2	7.8	13.2	22.0	12.0	16.5	12.2	10.0	8.6	7.6
Middle-income countries (excluding Argentina)[h]	4.3	4.0	4.2	5.1	4.8	5.5	9.1	7.4	6.4	5.4	4.1
East Asia (excluding China)	2.0	2.3	2.4	1.9	0.9	2.1	4.6	3.8	2.6	2.5	2.4
South Asia (excluding India)[f]	5.6	6.2	9.7	19.7	16.2	21.0	27.8	29.4	19.6	16.1	13.3
Western Asia (excluding the State of Palestine)	3.7	4.7	7.1	4.0	7.0	10.7	27.9	22.3	21.2	15.9	8.9
Western Asia (excluding Israel and Türkiye)[h]	2.4	2.3	3.5	-1.0	5.6	7.8	9.8	9.5	4.8	4.1	3.6
Arab States[e,h,k]	4.7	6.6	5.2	0.8	5.0	7.0	10.0	12.5	7.9	5.9	5.1

Source: UN DESA, based on data from the United Nations Statistics Division, individual national sources and UN DESA forecasts.

a Data for country groups are weighted averages, where weights for each year are based on 2015 GDP in United States dollars.
b Partly estimated.
c Baseline scenario forecasts, based in part on the UN DESA World Economic Forecasting Model.
d Regional aggregates exclude Afghanistan, Argentina, the State of Palestine, Sudan and Venezuela (Bolivarian Republic of).
e Regional aggregates exclude Sudan.
f Afganistan is excluded for the 2024–2026 individual and regional group estimates and forecasts.
g SAR = Special Administrative Region of China.
h The State of Palestine is excluded for the 2024–2026 individual and regional group estimates and forecasts.
i Regional aggregates exclude Argentina.
j Regional aggregates exclude Venezuela (Bolivarian Republic of).
k Includes data for Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Somalia, the State of Palestine, Sudan, Syrian Arab Republic, Tunisia, United Arab Emirates, and Yemen.

Table A.8

Selected economies: real effective exchange rates, broad measurement[a]

Index, 2012 = 100

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]
Developed economies										
Australia	81.3	82.2	85.0	81.8	78.0	77.0	82.0	82.2	82.1	83.4
Austria	101.1	102.6	103.4	104.4	103.6	105.4	105.5	103.8	106.0	105.8
Belgium	97.6	100.2	101.5	103.1	101.6	102.6	103.3	103.0	101.9	103.3
Bulgaria	96.9	96.8	96.6	100.3	100.2	102.9	104.4	105.6	110.3	110.4
Canada	82.1	80.5	81.6	80.6	79.7	78.7	82.8	81.1	78.1	77.4
Croatia	98.7	99.7	99.8	101.3	100.1	98.7	99.8	99.5	101.8	102.3
Czechia	91.4	93.9	96.9	100.8	101.1	101.5	105.4	114.5	124.7	117.9
Denmark	97.4	98.5	98.6	99.6	97.8	99.1	98.2	96.6	98.0	97.1
Finland	102.0	103.3	102.2	104.3	102.9	104.5	103.4	99.9	103.4	102.0
France	96.4	97.6	97.9	99.4	98.0	99.3	98.9	94.0	96.4	96.2
Germany	98.4	99.9	100.6	102.3	100.8	101.9	102.5	100.3	102.9	102.4
Greece	92.1	93.1	92.8	91.1	89.1	89.0	87.8	85.2	85.8	85.8
Hungary	92.6	93.2	94.4	93.6	92.6	88.8	89.2	84.8	97.1	94.7
Ireland	93.0	94.4	94.6	95.4	92.7	92.9	92.7	89.1	91.2	89.9
Italy	97.1	98.1	98.3	98.9	96.7	97.4	97.5	95.2	97.3	95.5
Japan	70.3	79.2	75.3	74.9	76.9	77.9	71.5	60.7	57.4	54.2
Netherlands (Kingdom of the)	98.5	99.7	99.8	100.9	100.8	103.1	103.3	103.9	105.4	106.2
New Zealand	99.2	100.1	101.2	95.2	93.9	93.4	99.4	96.2	96.7	96.9
Norway	85.0	86.3	87.0	87.6	85.7	79.9	85.0	82.8	75.8	74.9
Poland	98.4	94.9	96.8	97.4	96.3	97.0	96.6	95.8	105.6	111.7
Portugal	96.9	98.4	97.5	96.1	95.1	96.9	95.0	91.7	93.8	93.7
Republic of Korea	108.1	106.9	109.8	111.3	106.0	104.4	105.1	97.9	99.0	96.1
Romania	102.5	101.4	99.1	101.2	100.8	101.7	101.8	102.9	106.6	105.7
Slovakia	99.8	100.0	99.1	100.4	101.0	103.7	103.2	103.8	108.1	108.3
Spain	95.9	96.4	97.1	96.0	94.5	95.3	96.0	93.7	93.3	93.8
Sweden	91.2	91.9	90.8	86.5	83.3	85.4	88.1	82.2	78.8	79.1
Switzerland	105.1	103.1	100.9	97.8	98.6	102.3	99.8	98.6	101.5	102.6
United Kingdom	110.6	98.8	93.8	95.2	94.8	94.9	98.7	97.2	100.3	103.4
United States	111.4	114.2	112.1	103.6	107.1	109.3	107.2	115.9	115.8	117.3
Economies in transition										
Azerbaijan	95.5	70.1	71.0	73.0	76.0	78.8	80.1	89.9	94.3	94.6
Belarus	110.0	101.3	98.8	97.0	99.4	93.2	92.8	92.9	89.4	80.9
Kazakhstan	93.4	71.0	76.8	76.3	73.1	72.7	72.2	74.5	86.4	90.8
Russian Federation	74.4	74.4	86.2	78.8	81.1	75.0	74.2	91.3	74.3	72.4
Ukraine[c]	69.9	70.2	73.5	78.2	89.8	88.9	91.2	89.7	87.0	82.6
Developing economies										
Algeria	95.3	94.6	95.4	91.9	93.7	90.2	85.4	89.2	97.6	102.1

Table A.8

Selected economies: real effective exchange rates, broad measurement[a] (*continued*)

Index, 2012 = 100

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]
Argentina	87.7	76.1	79.2	52.8	41.7	38.5	37.0	43.7	41.5	42.6
Bangladesh	135.7	143.5	144.6	142.1	149.9	156.7	155.5	156.0	143.8	141.9
Brazil	75.7	79.2	85.4	67.9	60.7	45.0	41.6	45.5	46.5	43.7
Chile	87.4	88.3	91.0	88.8	81.5	73.5	74.6	71.1	77.2	70.3
China	114.5	109.0	105.3	105.3	104.3	107.1	110.9	107.8	99.6	96.6
Colombia	74.3	70.9	71.8	58.0	45.2	37.1	32.4	29.2	29.3	32.2
Dominican Republic	96.9	96.2	92.1	80.6	73.0	65.0	62.3	65.9	63.5	59.9
Egypt	111.9	98.5	69.3	78.0	91.8	101.6	102.6	93.3	75.0	63.5
Ethiopia	108.5	110.2	107.3	109.5	122.1	117.4	109.7	121.9	149.2	130.5
Guatemala	115.1	122.1	128.2	121.2	117.8	118.5	114.6	115.7	114.5	116.2
Hong Kong SAR[d]	112.3	117.5	117.4	115.4	120.0	119.5	113.8	117.2	120.8	123.3
India	108.0	108.9	112.1	107.5	113.3	113.5	114.2	111.9	109.0	110.8
Indonesia	90.0	94.3	95.6	90.1	93.7	92.3	91.2	92.8	92.5	90.3
Iran, Islamic Republic of	76.6	78.1	77.2	43.4	47.9	44.1	40.7	42.0	56.1	70.0
Israel	106.6	108.8	113.5	111.8	114.3	117.1	120.4	119.6	110.4	108.0
Kuwait	104.9	108.4	108.5	106.7	107.7	107.4	106.9	109.7	110.9	112.3
Malaysia	89.8	86.7	85.3	88.9	87.5	84.9	84.2	82.6	80.0	80.2
Mexico	93.3	81.1	82.6	80.8	81.2	73.8	77.3	79.1	91.2	90.7
Morocco	101.8	104.0	102.8	103.4	103.9	105.5	107.2	102.4	103.4	104.7
Nigeria	110.6	98.2	91.7	99.7	111.7	108.0	104.2	119.4	98.3	54.1
Pakistan	109.7	113.2	114.7	101.5	92.1	92.9	96.3	91.6	85.6	97.1
Peru	95.4	94.1	96.7	91.7	90.5	87.1	75.7	80.9	85.0	84.9
Philippines	105.1	101.9	97.1	94.9	99.1	105.0	105.1	102.7	105.5	105.2
Qatar	115.8	118.7	117.2	114.0	113.9	109.9	107.3	115.1	115.6	114.0
Saudi Arabia	112.4	115.0	111.7	111.6	110.3	113.0	110.7	114.3	114.8	114.8
Singapore	99.1	98.2	96.8	95.8	95.8	93.8	94.1	99.1	105.4	107.2
South Africa	81.3	76.7	85.9	87.1	81.4	69.7	74.4	69.8	64.2	66.5
Sri Lanka	110.6	108.0	107.8	99.6	93.7	95.4	91.6	84.8	91.4	97.5
Taiwan Province of China	99.1	99.1	104.5	103.8	102.1	105.9	108.8	106.7	103.4	101.1
Thailand	100.1	97.1	100.1	103.4	109.0	106.3	100.9	99.3	99.7	96.7
Türkiye	92.2	91.0	80.6	69.5	69.1	62.4	56.3	51.4	52.4	58.4
United Arab Emirates	113.5	115.6	115.7	120.9	118.4	115.1	110.6	116.3	114.4	113.3
Uruguay	104.7	103.9	106.9	88.4	71.6	62.4	55.6	58.7	60.6	60.8
Viet Nam	112.1	114.7	113.9	113.2	115.2	117.4	113.8	118.7	118.6	118.5

Source: UN DESA, based on data from the Bank for International Settlements and IMF International Financial Statistics.

a CPI-based indices. The real effective exchange rate gauges the effect on international price competitiveness of currency changes and inflation differentials. A rise in the index implies a fall in competitiveness and vice versa.

b Average for the first ten months.

c The Government of Ukraine has advised the United Nations that it is not in a position to provide statistical data concerning the Autonomous Republic of Crimea and the city of Sevastopol.

d SAR = Special Administrative Region of China.

Table A.9

Free market commodity price indices

Index, 2015 = 100

	Non-fuel commodities					All groups	All groups excluding fuels	Fuels
	Food	Tropical beverages	Vegetable oilseeds and oils	Agricultural raw materials	Minerals and metals			
2015	100	100	100	100	100	100	100	100
2016	104	97	107	100	105	91	104	83
2017	103	94	107	105	116	106	110	104
2018	97	86	100	103	118	123	109	133
2019	98	81	93	99	125	114	112	116
2020	102	85	106	97	145	96	125	79
2021	121	109	157	110	175	149	153	146
2022	129	134	181	108	169	208	155	240
2023	130	123	146	101	171	158	151	163
2021								
Q1	113	91	149	110	171	127	147	115
Q2	122	99	164	110	184	140	158	128
Q3	124	114	157	109	176	154	154	153
Q4	124	134	160	112	168	174	152	188
2022								
Q1	130	141	190	115	184	197	165	216
Q2	137	138	205	115	181	218	167	250
Q3	125	137	170	105	156	226	145	275
Q4	125	120	161	98	156	189	143	218
2023								
Q1	127	123	156	101	174	165	153	172
Q2	134	126	145	101	171	153	152	154
Q3	130	119	147	101	168	159	150	165
Q4	128	125	134	102	171	157	150	162
2024								
Q1	126	147	130	106	174	151	152	151
Q2	122	183	126	105	192	158	164	155
Q3	120	183	120	107	192	155	163	149

Source: UN DESA, based on data from UNCTAD, *Monthly Commodity Price Bulletin.*

Table A.10

World oil supply and demand

	2016	2017	2018	2019	2020	2021	2022	2023	2024[a]
World oil supply[b,c] (millions of barrels per day)	**94.7**	**95.5**	**98.2**	**97.6**	**95.0**	**91.9**	**96.8**	**97.4**	**99.7**
Developed economies	21.0	22.0	24.7	26.5	26.0	26.3	27.6	28.5	29.9
Economies in transition	14.3	14.4	14.7	15.0	13.5	13.9	13.8	13.8	13.7
Developing economies	57.1	56.8	56.5	53.8	53.1	49.4	53.2	52.7	53.8
OPEC	39.6	39.5	39.5	37.2	33.0	30.9	34.2	33.3	32.5
Non-OPEC	17.5	17.2	16.9	16.5	20.1	18.5	19.0	19.4	21.2
Processing gains[d]	2.3	2.3	2.3	2.4	2.4	2.3	2.3	2.4	2.4
Global biofuels[e]	2.4	2.4	2.6	2.8	2.8	2.8	2.9	3.1	3.3
World total demand[f] (millions of barrels per day)	**96.1**	**97.9**	**99.2**	**100.5**	**92.1**	**97.7**	**99.7**	**102.3**	**103.1**
Oil prices (United States dollars per barrel)									
OPEC basket[g]	40.8	52.4	69.8	64.0	41.5	69.9	100.1	83.1	83.5
Brent oil	43.7	54.2	71.2	64.3	41.7	70.9	100.9	82.4	84.2

Source: UN DESA, based on data from the International Energy Agency, United States Energy Information Administration and OPEC.
Note: OPEC = Organization of Petroleum Exporting Countries.

a Partly estimated.
b Including global biofuels, crude oil, condensates, natural gas liquids (NGLs), oil from non-conventional sources and other sources of supply.
c Totals may not add up because of rounding.
d Net volumetric gains and losses in the refining process and marine transportation losses.
e Global biofuels comprise all world biofuel production including fuel ethanol from Brazil and the United States.
f Measured as deliveries from refineries and primary stocks. Comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply. Includes biofuels.
g As at January 2024: The basket price excludes the Angolan crude "Girassol".

Table A.11

World trade:[a] Changes in value and volume of exports and imports, by major country group

Annual percentage change

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Dollar value of exports											
World	**-1.7**	**10.7**	**8.9**	**-1.4**	**-9.4**	**25.3**	**12.4**	**-1.2**	**6.4**	**5.3**	**7.2**
Developed economies	**0.2**	**8.9**	**8.9**	**-1.4**	**-9.8**	**21.9**	**10.7**	**1.0**	**5.3**	**4.6**	**6.9**
Northern America	-1.8	7.0	6.5	0.2	-15.0	20.6	17.8	0.6	6.8	5.2	6.5
Europe	0.9	9.2	9.8	-1.3	-8.0	22.4	9.4	2.0	5.1	3.9	6.3
Developed Asia and the Pacific	0.5	10.3	8.1	-4.5	-10.4	21.7	6.7	-3.2	3.7	7.3	10.2
Economies in transition	**-11.4**	**21.8**	**20.9**	**-1.8**	**-17.4**	**45.2**	**10.8**	**-8.6**	**2.1**	**3.3**	**6.0**
South-Eastern Europe	9.3	15.1	16.5	1.3	-10.2	39.2	17.4	10.7	5.7	5.2	6.6
Commonwealth of Independent States and Georgia[d]	-12.5	22.2	21.2	-1.9	-17.9	45.6	10.3	-10.0	1.7	3.1	5.9
Developing economies	**-3.8**	**12.8**	**8.1**	**-1.3**	**-8.2**	**28.6**	**14.8**	**-3.5**	**8.4**	**6.3**	**7.8**
Africa	-8.9	19.0	14.9	-2.9	-21.7	32.9	21.8	-8.1	2.9	5.5	7.9
East Asia	-4.0	10.7	8.9	-1.2	-2.0	26.3	6.9	-1.5	10.1	6.9	7.7
South Asia[e]	1.9	12.4	4.7	-2.3	-7.6	26.1	18.0	0.7	12.0	9.2	10.4
Western Asia[f]	-6.5	12.9	16.0	-2.5	-21.4	40.1	39.8	-13.6	3.4	5.0	7.5
Latin America and the Caribbean	-0.7	19.8	-3.6	0.7	-14.2	27.9	20.4	1.0	6.9	4.1	7.2
Dollar value of imports											
World	**-2.2**	**14.3**	**10.1**	**410.7**	**-34.2**	**4.1**	**9.4**	**6.8**	**6.6**	**3.6**	**4.2**
Developed economies	**-0.5**	**9.1**	**9.6**	**-0.9**	**-9.9**	**21.9**	**14.4**	**-1.8**	**6.6**	**3.9**	**6.3**
Northern America	-2.2	7.1	6.8	-0.4	-10.9	22.4	16.4	-2.7	8.2	4.2	6.4
Europe	1.2	9.5	10.7	-0.5	-9.0	21.7	13.1	-0.6	6.0	3.7	6.2
Developed Asia and the Pacific	-4.5	11.8	9.8	-3.7	-12.0	21.9	17.0	-6.1	6.7	4.7	6.6
Economies in transition	**-4.6**	**19.1**	**9.6**	**4.5**	**-13.2**	**31.4**	**2.2**	**13.4**	**5.3**	**7.0**	**9.6**
South-Eastern Europe	5.4	14.6	16.6	2.4	-8.9	32.2	18.4	2.9	8.3	7.2	9.6
Commonwealth of Independent States and Georgia[d]	-5.5	19.6	8.9	4.7	-13.6	31.4	0.4	14.8	5.0	6.9	9.6
Developing economies	**-4.5**	**21.9**	**10.9**	**989.6**	**-37.3**	**0.7**	**8.4**	**8.6**	**6.6**	**3.5**	**3.7**
Africa	-8.4	6.1	10.0	0.0	-15.2	16.4	18.4	5.1	7.9	4.7	9.3
East Asia	-2.2	12.3	12.8	-2.7	-6.8	27.7	6.6	-2.7	7.9	7.3	8.8
South Asia[e]	-0.5	17.7	7.2	-3.1	-11.3	28.4	18.9	11.7	10.3	3.5	8.8
Western Asia[f]	-6.3	7.5	2.9	1.8	-7.8	23.9	41.7	10.0	7.2	7.9	12.5
Latin America and the Caribbean	-9.6	72.8	12.6	4,074.1	-39.4	-2.1	7.6	9.7	6.4	3.0	2.8
Volume of exports											
World	**2.3**	**5.6**	**4.1**	**1.2**	**-7.4**	**10.9**	**5.6**	**0.9**	**3.6**	**3.2**	**3.4**
Developed economies	**2.8**	**4.9**	**3.5**	**2.1**	**-9.2**	**9.3**	**7.2**	**1.2**	**1.7**	**2.0**	**2.2**
Northern America	0.7	3.6	3.0	0.8	-12.4	5.8	6.7	3.3	2.8	2.0	2.1

Table A.11

World trade:[a] Changes in value and volume of exports and imports, by major country group (*continued*)

Annual percentage change

	2016	2017	2018	2019	2020	2021	2022	2023	2024[b]	2025[c]	2026[c]
Europe	3.6	5.4	3.5	3.1	-8.4	10.5	7.9	0.0	0.9	1.6	1.7
Developed Asia and the Pacific	2.7	4.5	4.0	-0.2	-7.8	8.9	4.3	3.9	3.8	4.0	4.9
Economies in transition	**3.2**	**5.6**	**5.2**	**2.4**	**-6.1**	**4.9**	**-8.3**	**2.6**	**1.6**	**2.6**	**3.1**
South-Eastern Europe	10.8	9.0	7.9	6.0	-11.1	24.1	14.6	2.1	3.6	5.1	4.4
Commonwealth of Independent States and Georgia[d]	2.8	5.4	5.1	2.2	-5.7	3.7	-10.0	2.6	1.4	2.3	3.0
Developing economies	**1.6**	**6.7**	**4.9**	**-0.2**	**-4.8**	**13.7**	**4.5**	**0.5**	**6.5**	**4.9**	**5.0**
Africa	0.7	13.4	4.1	1.2	-15.3	6.1	15.5	3.4	3.2	3.5	4.4
East Asia	1.1	7.8	4.7	-0.2	-1.5	15.6	0.4	0.1	8.3	5.1	5.0
South Asia[e]	4.9	4.9	8.2	-2.1	-8.8	16.2	14.4	2.6	7.6	7.0	7.2
Western Asia[f]	1.9	3.1	5.5	0.2	-7.9	11.9	10.3	0.6	1.8	4.3	5.0
Latin America and the Caribbean	1.7	3.5	3.9	0.1	-9.1	8.3	8.3	-0.9	3.7	3.5	3.8
Volume of imports											
World	**1.6**	**5.8**	**4.5**	**1.1**	**-8.0**	**10.9**	**6.6**	**0.8**	**3.2**	**3.1**	**3.6**
Developed economies	**3.2**	**5.0**	**3.8**	**2.8**	**-8.5**	**10.0**	**8.4**	**-0.6**	**1.8**	**2.0**	**2.3**
Northern America	1.2	4.7	4.0	1.0	-9.1	13.7	8.5	-0.9	4.4	1.9	2.1
Europe	4.6	4.9	3.9	4.3	-8.6	8.9	8.6	-1.0	0.5	1.6	2.0
Developed Asia and the Pacific	1.3	5.7	3.3	-0.3	-6.8	7.2	7.5	1.6	2.3	3.7	4.1
Economies in transition	**-0.2**	**12.8**	**5.1**	**5.4**	**-10.8**	**15.3**	**-6.2**	**13.2**	**3.0**	**4.9**	**5.4**
South-Eastern Europe	8.1	9.0	8.4	7.4	-9.1	19.1	13.8	-1.4	3.9	5.1	5.3
Commonwealth of Independent States and Georgia[d]	-0.9	13.2	4.8	5.2	-10.9	14.9	-8.3	15.1	3.0	4.9	5.4
Developing economies	**-0.6**	**6.6**	**5.4**	**-1.7**	**-7.0**	**12.1**	**4.9**	**2.3**	**5.2**	**4.6**	**5.4**
Africa	-2.1	6.0	5.4	2.6	-13.2	9.1	14.1	2.3	1.0	2.0	4.9
East Asia	3.3	7.6	6.9	-2.9	-4.0	12.3	-0.8	-0.2	6.3	5.3	5.3
South Asia[e]	2.5	13.4	7.2	-2.1	-9.8	12.7	13.7	8.7	6.1	2.3	5.8
Western Asia[f]	-3.0	4.6	0.2	3.1	-6.2	7.3	15.5	9.2	3.7	4.9	6.0
Latin America and the Caribbean	-11.1	1.3	3.8	-3.0	-13.2	17.4	7.5	0.7	4.6	4.9	4.8

Source: UN DESA, based on the UN DESA World Economic Forecasting Model.

a Includes goods and services.

b Partly estimated.

c Baseline scenario forecasts, based in part on UN DESA World Economic Forecasting Model.

d Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.

e Regional aggregates exclude Afghanistan for the period 2024–2026.

f Regional aggregates exclude the State of Palestine for the period 2024–2026.

Table A.12

Balance of payments on current accounts, by country or country group, summary table

Billions of United States dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024[a]
Developed economies	**99.1**	**201.6**	**268.9**	**187.8**	**194.2**	**-66.9**	**148.2**	**-548.9**	**-153.8**	**-76.5**
Japan	136.4	197.8	203.5	177.8	176.3	149.9	196.2	90.0	150.0	154.0
Republic of Korea	105.1	97.9	75.2	77.5	59.7	75.9	85.2	25.8	35.5	72.0
United States	-408.5	-396.2	-367.6	-439.8	-441.8	-601.2	-868.0	-1012.1	-905.4	-948.6
European Union	382.3	394.6	445.2	453.9	435.0	314.1	701.1	361.6	594.4	698.9
Europe excluding the United Kingdon	527.2	541.6	538.9	566.8	511.7	393.3	714.8	427.3	660.7	798.9
Other Europe[b]	-47.4	-76.0	-30.3	-31.8	-29.9	-71.2	116.5	191.0	82.6	50.5
Economies in transition	**42.8**	**-3.6**	**14.9**	**105.4**	**45.0**	**19.3**	**118.4**	**266.3**	**20.9**	**23.1**
South-Eastern Europe	-3.8	-3.9	-5.0	-5.0	-6.4	-5.7	-5.4	-8.2	-3.8	-6.6
Commonwealth of Independent States[c]	48.4	2.2	21.3	111.6	52.4	27.0	125.8	275.6	26.0	31.6
Developing economies	**150.6**	**152.4**	**218.1**	**83.6**	**175.3**	**396.1**	**664.6**	**765.3**	**540.1**	**502.0**
Net fuel exporters	-168.9	-130.0	0.9	107.9	18.1	-99.7	154.0	440.8	209.6	117.0
Net fuel importers	319.5	282.4	217.1	-24.2	157.2	495.8	510.5	324.5	330.5	384.9
Africa	**-142.4**	**-112.8**	**-82.3**	**-74.0**	**-95.3**	**-84.2**	**-50.3**	**-54.5**	**-53.8**	**-87.0**
Net fuel exporters	-71.1	-41.6	-17.8	-7.5	-30.6	-41.5	-5.3	27.6	11.7	-3.9
Net fuel importers	-71.3	-71.2	-64.5	-66.5	-64.7	-42.8	-45.0	-82.1	-65.5	-83.1
East and South Asia	**541.1**	**457.4**	**406.0**	**172.3**	**275.6**	**555.7**	**638.3**	**585.1**	**500.3**	**539.3**
Net fuel exporters	-13.7	-13.9	-12.0	-28.8	-27.5	-0.7	7.8	19.2	4.1	-11.1
Net fuel importers	554.8	471.3	418.1	201.1	303.1	556.4	630.5	565.9	496.2	550.4
Western Asia	**-67.1**	**-84.2**	**-8.0**	**129.6**	**102.5**	**-67.6**	**167.4**	**359.9**	**162.2**	**109.5**
Net fuel exporters	-47.1	-56.5	32.9	152.4	90.8	-46.5	164.9	399.7	193.6	127.5
Net fuel importers	-20.1	-27.7	-40.9	-22.8	11.7	-21.0	2.5	-39.8	-31.3	-18.0
Latin America and the Caribbean	**-180.9**	**-108.1**	**-97.7**	**-144.2**	**-107.5**	**-7.8**	**-90.8**	**-125.2**	**-68.7**	**-59.9**
Net fuel exporters	-37.0	-18.0	-2.1	-8.2	-14.6	-10.9	-13.3	-5.8	0.2	4.6
Net fuel importers	-143.9	-90.1	-95.5	-136.0	-92.9	3.1	-77.5	-119.4	-68.8	-64.4
World residual[d]	**292.5**	**350.4**	**501.9**	**376.8**	**414.4**	**348.5**	**931.2**	**482.8**	**407.2**	**448.5**

Source: UN DESA, based on data from the International Monetary Fund, World Economic Outlook database, October 2024.
Note: North Africa includes South Sudan, Western Asia excludes the State of Palestine, and East and South Asia exclude the Democratic People's Republic of Korea.

a Partially estimated.
b Other Europe consists of Iceland, Norway, Switzerland and the United Kingdom (see table A in the country classifications section of the present publication).
c Georgia officially left the Commonwealth of Independent States on 18 August 2009. However, its performance is discussed in the context of this group of countries for reasons of geographic proximity and similarities in economic structure.
d Statistical discrepancy.

Table A.13

Net ODA disbursements from major sources, by type

Donor group or country	Growth rate of ODA (2022 prices and exchange rates)					ODA as a percentage of GNI	Total ODA (millions of United States dollars)	Percentage distribution of ODA by type, 2023			
								Bilateral	Multilateral		
	2002–2012	2012–2020	2021	2022	2023	2023	2023	Total	Total (United Nations & other)	United Nations	Other
Total DAC countries[a]	**4.3**	**2.6**	**7.3**	**18.9**	**-0.2**	**0.37**	**222,149**	**75.2**	**24.8**	**4.0**	**20.8**
Total EU	**2.7**	**3.8**	**2.9**	**22.8**	**-10.6**	**0.52**	**91,957**	**64.9**	**35.1**	**4.5**	**30.6**
Austria	0.1	2.3	6.6	31.4	-9.8	0.36	1,827	49.3	50.7	2.4	48.3
Belgium	3.9	-1.2	4.1	7.7	0.4	0.45	2,886	48.6	51.4	5.5	45.9
Denmark	-0.9	-0.1	3.1	-1.2	7.8	0.73	3,014	68.9	31.1	08.9	22.2
Finland	6.5	-0.5	10.5	15.1	-6.3	0.54	1,627	54.1	45.9	8.5	37.4
France[b]	4.8	3.5	-0.8	14.7	-12.2	0.54	16,679	60.7	39.3	4.8	34.5
Germany	4.4	9.0	3.6	19.9	-11.7	0.76	35,192	76.1	23.9	2.8	21.1
Greece	-1.2	-0.1	-1.2	10.5	-16.9	0.14	325	1.2	98.8	2.4	96.4
Ireland	5.2	1.2	12.0	120.1	9.7	0.67	2,815	76.0	24.0	4.4	19.5
Italy	-0.7	1.3	35.8	16.8	-17.8	0.26	5,908	43.0	57.0	3.9	53.1
Luxembourg	2.9	1.3	9.9	4.1	-1.8	0.99	580	72.9	27.1	10.2	16.9
Netherlands	0.1	-1.1	-7.5	30.5	2.1	0.66	7,266	68.9	31.1	7.1	24.1
Portugal	1.7	-4.9	0.5	5.3	-7.0	0.16	450	30.9	69.1	5.0	64.0
Spain	-4.1	-3.1	15.1	30.1	-18.1	0.23	3,596	36.1	63.9	4.0	59.9
Sweden	5.1	3.5	-15.2	2.3	-0.5	0.89	5,466	58.6	41.4	10.0	31.4
Australia	6.9	-2.8	7.3	-12.9	5.4	0.19	3,220	83.5	16.5	6.1	10.4
Canada	5.7	0.9	11.0	43.6	1.5	0.44	9,197	78.7	21.3	3.3	18.0
Japan	-2.0	5.2	18.9	26.8	15.1	0.42	18,662	80.1	19.9	2.3	17.6
Korea	13.8	5.7	23.4	8.0	11.5	0.19	3,267	74.4	25.6	5.1	20.4
New Zealand	4.5	2.9	15.2	-20.4	41.3	0.30	746	83.5	16.5	6.7	9.8
Norway	3.3	3.4	-13.2	-3.5	24.9	1.04	5,293	80.7	19.3	8.3	10.9
Switzerland	5.0	3.2	1.1	17.1	6.5	0.59	5,141	80.5	19.5	6.1	13.4
United Kingdom	7.2	4.2	-21.1	2.7	9.5	0.57	18,662	63.6	36.4	4.1	32.4
United States	7.2	-0.1	28.4	18.6	5.3	0.24	65,887	89.6	10.4	3.2	7.2

Source: UN DESA, based on the OECD/DAC online database (accessed on 1 December 2024).
Note: ODA = official development assistance; DAC = OECD Development Assistance Committee; OECD = Organisation for Economic Co-operation and Development; EU = European Union.
a Excluding flows from France to the overseas departments, namely Guadeloupe, French Guiana, Martinique and Réunion.

Table A.14

Total net ODA flows from OECD Development Assistance Committee countries, by type

Billions of United States dollars

	Net disbursements at current prices and exchange rates									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023[b,c]
Official Development Assistance	**137.6**	**131.6**	**145.0**	**147.3**	**150.2**	**146.6**	**162.7**	**184.9**	**213.4**	**222.1**
Bilateral official development assistance	**94.8**	**94.3**	**103.1**	**105.6**	**105.2**	**103.5**	**114.8**	**129.4**	**163.0**	**167.0**
in the form of:										
Technical cooperation	17.3	14.9	15.7	16.5	15.8	16.9	17.1	18.8	19.5	..
Humanitarian aid	13.1	13.4	14.4	16.1	16.0	16.6	17.2	21.9	23.9	..
Debt forgiveness	1.4	0.3	2.1	0.4	0.3	0.1	0.8	0.7	0.2	..
Bilateral loans	5.3	6.0	5.8	6.6	6.3	6.2	14.3	13.3	18.9	..
Contributions to multilateral institutions[a]	**42.8**	**37.4**	**41.9**	**41.7**	**44.9**	**43.1**	**47.9**	**55.6**	**50.3**	**55.2**
of which are:										
UN agencies	6.8	6.1	5.9	6.2	6.6	7.6	8.1	8.4	8.8	8.9
EU institutions	13.4	11.9	13.8	14.0	15.3	15.6	16.4	17.6	17.9	16.7
World Bank	9.8	8.6	8.8	8.2	11.4	9.3	8.6	8.6	8.4	..
Regional development banks	4.0	3.2	4.6	4.2	4.2	3.9	3.0	3.8	3.5	3.3
Others	7.5	6.8	7.8	8.1	6.3	5.8	11.0	16.4	11.1	..
Memorandum item:										
Bilateral ODA to least developed countries	26.3	24.9	24.5	27.3	27.7	28.1	30.9	33.3	30.7	..

Source: UN DESA, based on OECD/DAC online database (accessed on 1 December 2024).
Note: ODA = official development assistance; OECD = Organisation for Economic Co-operation and Development; UN = United Nations; EU = European Union.
a Grants and capital subscriptions. Does not include concessional lending to multilateral agencies.
b Not all data for 2023 are available (as at 1 December 2024).
c Preliminary data.

Table A.15

Commitments and net flows of financial resources, selected multilateral institutions

Billions of United States dollars

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Resource commitments[a]	**185.0**	**119.9**	**245.4**	**256.7**	**224.8**	**225.0**	**247.1**	**291.9**	**493.9**	**562.7**
Financial institutions, excluding International Monetary Fund	99.2	99.9	106.9	108.0	114.6	129.3	143.7	152.3	322.4	397.6
Regional development banks[b]	41.1	46.9	49.8	54.0	56.0	59.8	56.5	59.3	221.8	297.3
World Bank Group[c]	58.1	53.0	57.0	54.0	58.6	69.5	87.2	93.0	100.5	100.3
International Bank for Reconstruction and Development	18.6	23.5	29.7	22.6	23.0	28.0	30.5	33.1	38.6	37.6
International Development Association	22.2	19.0	16.2	19.5	24.0	30.4	36.0	37.7	34.2	31.2
International Financial Corporation[d]	10.0	10.5	11.1	11.9	11.6	11.1	20.7	22.2	27.7	31.6
International Fund for Agricultural Development	0.7	1.3	0.8	1.3	1.3	1.7	0.8	1.0	0.9	0.5
International Monetary Fund	72.7	6.2	123.9	132.9	89.9	75.6	73.5	65.1	95.6	82.7
United Nations operational agencies[e]	13.1	13.7	14.7	15.8	20.4	20.1	29.8	74.5	75.9	82.3
Net flows	**-5.1**	**17.7**	**32.2**	**36.3**	**82.6**	**62.8**	**84.4**	**62.5**	**64.0**	**37.1**
Financial institutions, excluding International Monetary Fund	25.0	35.5	33.8	36.6	46.8	49.4	61.1	58.1	59.0	45.0
Regional development banks[b]	11.2	15.4	14.2	13.1	14.2	15.2	24.0	15.2	17.9	11.0
World Bank Group[c]	13.8	20.1	19.6	23.6	32.7	34.2	37.1	42.9	41.1	34.0
International Bank for Reconstruction and Development	6.4	9.0	10.0	13.2	17.4	17.4	16.9	18.2	25.8	17.5
International Development Association	7.4	9.9	8.8	8.8	14.7	15.3	19.6	23.3	14.3	11.1
International Financial Corporation	0.1	1.3	0.8	1.6	0.6	1.6	0.6	1.4	1.0	5.4
International Fund for Agricultural Development	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.3	0.3	0.2
International Monetary Fund	-30.1	-17.9	-1.5	-0.4	35.8	13.4	23.3	4.3	5.0	-7.8

Source: UN DESA, based on annual reports of the relevant multilateral institutions, various issues.

a Loans, grants, technical assistance and equity participation, as appropriate; all data are on a calendar-year basis.

b African Development Bank (AfDB), Asian Development Bank (ADB), Caribbean Development Bank (CDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB) and the International Fund for Agricultural Development (IFAD).

c Data are for fiscal year.

d Effective 2012, data do not include short-term finance.

e United Nations Development Program (UNDP), United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF), and the World Food Programme (WFP).

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