

World Bank Global Economic Prospects Report- January 2025

**Global Economy to grow at 2.7% in 2025 and 2026.
India to grow at a rate of 6.7% in 2025 and in 2026.**

Projected Global Economy Growth: (+) 2.7% in 2025 and 2026, similar to the June 2024 forecast.

- ➔ According to the **World Bank's report**- titled "**Global Economic Prospects, January 2025**", the global economy is forecasted to remain steady at 2.7% in 2025 and 2026, maintaining the same forecast as on June 2024 projection. On the upside, global inflation is returning to its target levels and monetary easing is supporting activity in advanced economies and emerging market and developing economies (EMDEs). However, the projected global growth outlook is insufficient to offset the damage done due to successive negative shocks over the past decade.
- ➔ The global outlook is likely to be affected by policy uncertainty, adverse trade policy shifts, heightened trade restrictions, geopolitical conflicts, and climate-related disruptions.
- ➔ However, on the upside, progress on disinflation and positive demand in key economies could drive unexpected growth.

Key Projections: -

Global Economic Growth:

2025: 2.7%
2026: 2.7%

India:

2025: 6.7%
2026: 6.7%

Emerging Market and Developing Economies (EMDEs):

2025: 4.1%
2026: 4.0%

Advanced Economies:

2025: 1.7%
2026: 1.8%

Indian economy is projected to grow at a robust rate of 6.7% in 2025 & 2026, reflecting strong domestic demand and favorable demographic trends.

→ **India's projected growth:** At 6.7% GDP growth in 2025 & 2026, India is projected to maintain the fastest growth rate among the world's largest economies

→ **Key growth drivers:**

- Sustained expansion in the services sector
- Strengthened manufacturing activity due to improved logistics infrastructure and tax reforms.
- Boosted private consumption from a stronger labor market, expanding credit, and declining inflation.
- Steady investment growth, driven by rising private investment, healthy corporate balance sheets, and easing financing conditions.

Major observations of the report

→ **Global Growth Projections:**

The global economy is projected to stabilize at 2.7% in 2025 and 2026, even in the midst of challenges and risks. This projection reflects a rebound in global trade amid timid manufacturing activity and trade restrictive measures. There has also been an improvement in supply conditions despite geopolitical tensions, causing commodity prices to come down and helping to accelerate disinflation. Additionally, despite recent exchange rate fluctuations, the easing of monetary policy and solid risk appetite have ensured that EMDE sovereign spreads remain stable.

→ **Emerging Market and Developing Economies (EMDEs):**

EMDEs are expected to grow by 4.1% in 2025 & 4% in 2026, averaging 3.8%, powered by strong domestic demand and neutral or moderately restrictive fiscal policy. EMDEs, which contribute approximately 60% of global growth, face slower income convergence with advanced economies due to structural challenges, weak investment, and persistent geopolitical tensions. Despite a projected cyclical upswing in growth in EMDEs excluding China over 2025-26, significant output losses are expected to persist.

→ **Advanced Economies:**

Growth in advanced economies is projected to average around 1.7% in 2025-26. Recoveries in the euro area and Japan will likely offset the slowdown in the US. However, nearly 60% of advanced economies are projected to have weaker growth than previously expected.

→ **Global Trade:**

Global trade is expected to pick up in 2025-26 by about 3.1% but remain below pre-pandemic levels. Trade restrictions, sluggishness in output and investment growth, lack of expected global demand, geopolitical challenges and disruptions in maritime transport can act as downside risk to the trade outlook.

→ **Inflation Trends**

Global inflation is forecasted to decline by 2.7% in 2025-26, hitting the target levels in most advanced economies and EMDEs. This prediction is driven by lower demand for services, easier job markets, slower wage growth, and falling commodity prices. Surveys of inflation expectations also indicate that inflation will keep slowing down, globally, in this year as well as the next year.

→ **Monetary Policy and Financial Stability**

Monetary policy easing in both advanced economies and EMDEs, along with moderating inflation, is expected to support growth. However, policy rates in advanced economies in 2025 are likely to remain much higher than during most of the 2010s.

Global financial conditions have improved since mid-2024, due to policy rate cuts in advanced economies. However, this has also led to reversal of some gains in EMDEs. U.S. policy rates are expected to be neutral by end-2025, while euro area rates may become supportive. U.S. risk appetite has increased, leading to more government bond issuance for mid-rated countries. However, financial conditions in emerging markets worsened in late 2024, causing currency depreciation.

→ **Policy Recommendations:**

To ensure global economic stability, policy efforts are needed on three fronts- globally, nationally and regionally.

- ✓ Global efforts include working together to protect trade, manage debt, and fight climate change.
- ✓ At the national level, they should improve fiscal health by increasing tax revenues and optimizing spending, implement reforms to attract investment and boost productivity, and address food security and education.
- ✓ Regionally, they should enhance trade and investment within the region and develop infrastructure to support growth in less developed areas.
- ✓ Additional efforts for long-term growth and development include addressing conflicts, improving education and workforce participation, and ensuring food security.

Trends in major economies

Advanced Economies:

United States: The U.S. economy is expected to slow down with growth easing to 2.3% in 2025 and 2% in 2026, as inflation declines, and the Federal Reserve continues to ease monetary policy.

Euro Area: Euro area growth is expected to reach 1% in 2025 & 1.2% in 2026, driven by a cyclical recovery, improved investment, and stronger trade, despite policy and political uncertainties.

Japan: In Japan, growth is expected to average 1.1% in 2025-26, driven by stronger capital investment and consumer spending, with policy rates gradually increasing as the economy recovers.

Emerging Markets:

China: In 2025, growth is expected to slow to 4.5%, boosted by support measures and strong exports, but weakened by low consumer confidence and declining property prices. In 2026, growth is projected to decrease to 4% due to rising debt and slowing productivity, with risks from trade relations with the U.S.

Latin America and the Caribbean: Growth is Projected to strengthen to 2.5% in 2025 and 2.6% in 2026. LAC is characterized by robust domestic demand in key economies, supported by commodity exports and moderate inflation.

TABLE: Real GDP¹*(Percent change from previous year unless indicated otherwise)*

| | 2022 | 2023 | 2024e | 2025f | 2026f | Percentage-point differences from June 2024 projections | | |
|---|------------|------------|------------|------------|------------|---|-------------|-------------|
| | | | | | | 2024e | 2025f | 2026f |
| World | 3.2 | 2.7 | 2.7 | 2.7 | 2.7 | 0.1 | 0.0 | 0.0 |
| Advanced economies | 2.8 | 1.7 | 1.7 | 1.7 | 1.8 | 0.2 | 0.0 | 0.0 |
| United States | 2.5 | 2.9 | 2.8 | 2.3 | 2.0 | 0.3 | 0.5 | 0.2 |
| Euro area | 3.5 | 0.4 | 0.7 | 1.0 | 1.2 | 0.0 | -0.4 | -0.1 |
| Japan | 0.9 | 1.5 | 0.0 | 1.2 | 0.9 | -0.7 | 0.2 | 0.0 |
| Emerging market and developing economies | 3.7 | 4.2 | 4.1 | 4.1 | 4.0 | 0.1 | 0.1 | 0.1 |
| East Asia and Pacific | 3.4 | 5.1 | 4.9 | 4.6 | 4.1 | 0.1 | 0.4 | 0.0 |
| China | 3.0 | 5.2 | 4.9 | 4.5 | 4.0 | 0.1 | 0.4 | 0.0 |
| Indonesia | 5.3 | 5.0 | 5.0 | 5.1 | 5.1 | 0.0 | 0.0 | 0.0 |
| Thailand | 2.5 | 1.9 | 2.6 | 2.9 | 2.7 | 0.2 | 0.1 | -0.2 |
| Europe and Central Asia | 1.6 | 3.4 | 3.2 | 2.5 | 2.7 | 0.2 | -0.4 | -0.1 |
| Russian Federation | -1.2 | 3.6 | 3.4 | 1.6 | 1.1 | 0.5 | 0.2 | 0.0 |
| Türkiye | 5.5 | 5.1 | 3.2 | 2.6 | 3.8 | 0.2 | -1.0 | -0.5 |
| Poland | 5.3 | 0.1 | 3.0 | 3.4 | 3.2 | 0.0 | 0.0 | 0.0 |
| Latin America and the Caribbean | 4.0 | 2.3 | 2.2 | 2.5 | 2.6 | 0.4 | -0.2 | 0.0 |
| Brazil | 3.0 | 2.9 | 3.2 | 2.2 | 2.3 | 1.2 | 0.0 | 0.3 |
| Mexico | 3.7 | 3.3 | 1.7 | 1.5 | 1.6 | -0.6 | -0.6 | -0.4 |
| Argentina | 5.3 | -1.6 | -2.8 | 5.0 | 4.7 | 0.7 | 0.0 | 0.2 |
| Middle East and North Africa | 5.4 | 1.7 | 1.8 | 3.4 | 4.1 | -1.0 | -0.8 | 0.5 |
| Saudi Arabia | 7.5 | -0.8 | 1.1 | 3.4 | 5.4 | -1.4 | -2.5 | 2.2 |
| Iran, Islamic Rep. ² | 3.8 | 5.0 | 3.0 | 2.7 | 2.2 | -0.2 | 0.0 | -0.2 |
| Egypt, Arab Rep. ² | 6.6 | 3.8 | 2.4 | 3.5 | 4.2 | -0.4 | -0.7 | -0.4 |
| South Asia | 5.8 | 6.6 | 6.0 | 6.2 | 6.2 | -0.2 | 0.0 | 0.0 |
| India ² | 7.0 | 8.2 | 6.5 | 6.7 | 6.7 | -0.1 | 0.0 | -0.1 |
| Bangladesh ² | 7.1 | 5.8 | 5.0 | 4.1 | 5.4 | -0.6 | -1.6 | -0.5 |
| Pakistan ² | 6.2 | -0.2 | 2.5 | 2.8 | 3.2 | 0.7 | 0.5 | 0.5 |
| Sub-Saharan Africa | 3.8 | 2.9 | 3.2 | 4.1 | 4.3 | -0.3 | 0.2 | 0.3 |
| Nigeria | 3.3 | 2.9 | 3.3 | 3.5 | 3.7 | 0.0 | 0.0 | 0.0 |
| South Africa | 1.9 | 0.7 | 0.8 | 1.8 | 1.9 | -0.4 | 0.5 | 0.4 |
| Angola | 3.0 | 1.0 | 3.2 | 2.9 | 2.9 | 0.3 | 0.3 | 0.5 |
| Memorandum items: | | | | | | | | |
| Real GDP¹ | | | | | | | | |
| High-income countries | 2.9 | 1.7 | 1.7 | 1.8 | 1.9 | 0.0 | -0.1 | 0.0 |
| Middle-income countries | 3.7 | 4.6 | 4.3 | 4.3 | 4.1 | 0.1 | 0.2 | 0.0 |
| Low-income countries | 5.1 | 3.0 | 3.6 | 5.7 | 5.9 | -1.4 | 0.4 | 0.4 |
| EMDEs excluding China | 4.2 | 3.5 | 3.5 | 3.8 | 3.9 | 0.0 | -0.2 | 0.0 |
| Commodity-exporting EMDEs | 3.3 | 2.6 | 2.8 | 3.2 | 3.4 | 0.0 | -0.2 | 0.2 |
| Commodity-importing EMDEs | 3.9 | 5.0 | 4.7 | 4.5 | 4.2 | 0.0 | 0.2 | -0.1 |
| Commodity-importing EMDEs excluding China | 5.3 | 4.6 | 4.3 | 4.4 | 4.6 | -0.1 | -0.2 | -0.1 |
| EM7 | 3.3 | 5.1 | 4.6 | 4.2 | 3.9 | 0.1 | 0.2 | -0.1 |
| World (PPP weights) ³ | 3.4 | 3.2 | 3.2 | 3.2 | 3.2 | 0.1 | 0.0 | 0.0 |
| World trade volume ⁴ | 5.9 | 0.8 | 2.7 | 3.1 | 3.2 | 0.2 | -0.3 | -0.2 |

Commodity prices ⁵Level differences from
June 2024 projections

| | | | | | | | | |
|---------------------------|-------|-------|-------|-------|-------|------|------|------|
| WBG commodity price index | 142.5 | 108.0 | 104.5 | 98.5 | 96.7 | -1.5 | -3.6 | -4.8 |
| Energy index | 152.6 | 106.9 | 100.8 | 93.6 | 91.7 | -3.2 | -6.4 | -7.3 |
| Oil (US\$ per barrel) | 99.8 | 82.6 | 80.0 | 72.0 | 71.0 | -4.0 | -7.0 | -7.1 |
| Non-energy index | 122.1 | 110.2 | 112.1 | 108.5 | 107.0 | 2.0 | 2.1 | 0.4 |

Source: World Bank.

Note: e = estimate; f = forecast. EM7 = Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Türkiye. WBG = World Bank Group. World Bank forecasts are frequently updated based on new information. Consequently, projections presented here may differ from those contained in other World Bank documents, even if basic assessments of countries' prospects do not differ at any given date. For the definition of EMDEs, developing countries, commodity exporters, and commodity importers, please refer to table 1.2. The World Bank is currently not publishing economic output, income, or growth data for Turkmenistan and República Bolivariana de Venezuela owing to lack of reliable data of adequate quality. Turkmenistan and República Bolivariana de Venezuela are excluded from cross-country macroeconomic aggregates.

1. Headline aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates.

2. GDP growth rates are on a fiscal year (FY) basis. Aggregates that include these countries are calculated using data compiled on a calendar year basis. For India and the Islamic Republic of Iran, the column for 2022 refers to FY2022/23. For Bangladesh, the Arab Republic of Egypt, and Pakistan, the column for 2022 refers to FY2021/22. Pakistan's growth rates are based on GDP at factor cost.

3. World growth rates are calculated using average 2010-19 purchasing power parity (PPP) weights, which attribute a greater share of global GDP to emerging market and developing economies (EMDEs) than market exchange rates.

4. World trade volume of goods and nonfactor services.

5. Indexes are expressed in nominal U.S. dollars (2010 = 100). Oil refers to the Brent crude oil benchmark. For weights and composition of indexes, see <https://worldbank.org/commodities>.

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