



# Informe de un solo clic: Mundo

17 de julio de 2025

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## Tendencias clave

Mundo | Estructura económica

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### Key changes since June 19th

- There has been a paradoxical shift in the US policy stance. The US has become more assertive in two global conflicts, the Israel-Iran war and the Russia-Ukraine war, as the hawkish wing of the Republican party has gained traction with the administration. This has translated into US involvement in the broader Middle East, beyond the [US bombing of Iranian nuclear sites](#). The US has increased engagement with Gulf allies while simultaneously supporting Israel, an increasingly difficult tight rope to walk. **At the same time the US president, Donald Trump, has escalated tariff threats, simultaneously [increasing the tariff rates](#) for multiple countries and moving the deadline for agreement from July 9th to August 1st.**
- Regarding trade, the level of uncertainty remains elevated. Most countries had continued to show restraint in the face of capricious policies. Canada had been an outlier along with China in raising tariffs against the US, a strategy that has worked for China but is still playing out with regard to Canada. In response to a letter dated July 10th that raised headline (excluding United States-Mexico-Canada Agreement, or USMCA) tariffs to 35%, the Canadian foreign minister, Mélanie Joy, urged Europe and other countries to join Canada in pushing back. The EU finalised a list of countermeasures covering €72bn of goods on July 15th, a step that it had been reluctant to take before Mr Trump's latest escalation. **These actions represent a turning point in the trade war.** EIU is [tracking the changes in US tariffs here](#).
- The two largest economies in the world, the US and China, **are proving resilient in the face of trade disruptions**. We have raised our forecasts for both economies for 2025, from 0.5% to 0.9% for the US and from 4.4% to 4.7% for China. Although we still expect a slowdown in US growth in the second half, current tracking suggests a more resilient economy, with tariffs and uncertainty having a more delayed effect. **As a result, we have raised our forecast for global GDP in 2025 by 1 percentage point to 2.2%.**
- Our expectation that the US would import inflation and export disinflation or deflation is only [nascently materialising](#) in US data; however, it is materialising in the data of other economies. Across Asia, year-on-year inflation has fallen below central banks' targets (with the notable exception of Japan). However, central banks have been slow to catch up, pushing real interest rates further into positive territory in most major economies.
- The rise in global bond yields over the past month reflects rising term premia. In Japan, 20- and 30-year bond yields have each risen by about 50 basis points since the start of the year, representing a near 25% increase in the level of nominal rates. Meanwhile, in Europe, increases in the benchmark ten-year yields are more mixed and more moderate. In the US and Canada, rates are down from the start of the year, but we believe that the scope for rising term premia remains an important factor in the global economic and political landscape.

### Key trends

- Tectonic plate shifts across multiple dimensions, including technology, climate volatility and, increasingly, geopolitics and geo-economics are driving cyclical and structural trends.
- Despite a resilient growth in many economies, geopolitical risk and policy uncertainty mean that growth is slower than it would have otherwise been. Risks go beyond disruption from trade due to tariff increases; for example there is a risk that oil prices could spike owing to the war between Israel and Iran, and that US involvement and tacit approval of Israel's actions exacerbate rather than ameliorate the conflict. Likewise in Ukraine, increased attacks on Ukrainian farms risk reducing the global supply of soft commodities such as grains and sugar beets.
- Higher levels of policy uncertainty and geopolitical risk are likely to weigh on business confidence and capital expenditure. So far much of the data from around the world show significant front-loading of



economic activity, as firms and households brought forward purchases while announced tariff increases were paused. However, we expect something of a boomerang effect, with activity slowing in the second half. That is why, despite our upgrades to GDP in some economies, we are forecasting that global GDP growth in 2025 will be the weakest since the pandemic slump in 2020. In the longer run, higher tariffs move the global economy into a worse equilibrium characterised by lower growth and productivity.

- Activity in financial markets, especially the US dollar weakness since April 1st, suggests that beyond increasing dollar hedges there may be some marginal allocation away from dollar-based assets. However, the scope for major shifts in financial flows is limited by the scale and depth of US capital markets, and the lack of an alternative, despite improving investor sentiment towards Europe.
- The risk of policy error is elevated owing to the magnitude and breadth of the tectonic plate shifts. An oil price shock would further complicate decision-making for the Federal reserve (Fed, the US central bank) as it also weighs the impact of higher tariffs on prices. The impact of US tariffs for many other markets, however, is likely to be disinflationary, owing to the positive supply shock, as the US will demand fewer goods once prices rise.
- The passage of the US budget in early July has reduced fiscal uncertainty in the near term, but debt and deficits are set to increase over the coming years. This is a theme that is playing out across many developed markets. Term premia are rising for countries with expanding deficits, which will serve as another headwind to growth.

# Global forecast data

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July 17th 2025

## World summary

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Real GDP growth (%)</b>										
World (PPP exchange rates)	-2.7	6.6	3.7	3.5	3.3	2.9	3.0	3.3	3.3	3.2
Developed economies	-3.9	5.9	2.9	1.7	1.8	1.1	1.3	1.7	1.8	1.8
Developing and emerging economies	-1.9	7.0	4.3	4.6	4.2	4.0	4.1	4.1	4.0	3.9
World (market exchange rates)	-3.2	6.4	3.4	2.8	2.7	2.2	2.4	2.7	2.7	2.6
Developed economies	-4.0	5.8	2.9	1.7	1.7	1.1	1.2	1.7	1.7	1.8
Developing and emerging economies	-1.9	7.1	4.1	4.4	4.1	3.8	3.8	3.9	3.8	3.7
North America	-2.4	6.0	2.7	2.8	2.7	0.9	1.3	1.9	2.1	2.1
Europe	-5.3	6.7	3.3	1.2	1.6	1.5	1.5	1.8	1.7	1.8
Euro area	-6.2	6.3	3.6	0.6	0.9	1.2	1.2	1.5	1.5	1.5
Asia-Pacific	-1.2	6.4	3.4	4.3	3.8	3.6	3.5	3.5	3.5	3.5
Latin America and the Caribbean	-6.8	6.9	4.1	2.3	2.4	1.9	1.9	2.2	2.3	2.3
Middle East	-3.1	4.8	6.5	2.2	1.7	2.9	3.6	3.8	4.5	3.1
Africa	-2.5	4.3	3.5	2.4	2.7	3.5	3.4	3.5	4.5	3.9
<b>Inflation (av; %)</b>										
World	3.4	5.3	9.3	7.4	6.1	4.6	3.9	3.3	3.4	3.1
Developed economies	0.6	3.0	7.0	4.5	2.7	2.5	2.2	1.9	2.0	2.0
Developing and emerging economies	5.9	7.4	11.2	10.1	9.3	6.3	5.3	4.5	4.6	4.0
<b>Trade in goods (%)</b>										
World	-5.1	11.2	3.2	-0.8	2.3	1.7	2.1	2.8	2.8	2.7
Developed economies	-1.6	10.7	4.3	-1.8	2.2	2.3	1.4	2.3	2.3	2.2
Developing and emerging economies	-3.5	11.9	1.6	0.8	4.2	3.3	3.3	3.5	3.6	3.5

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# Global overview

Mundo | Estructura económica

July 17th 2025

## Geopolitical and trade uncertainty is moving the global economy into a worse equilibrium

Uncertainty is the biggest factor behind our expectation that global growth will be the weakest this year since the 2020 pandemic slump. Our forecast of 2.2% global real GDP growth in 2025 (at market exchange rates) compares with 2.7% in 2024. Risks to our view are balanced. A settlement that lowers US tariffs from current levels, such as via court decisions that narrow the scope for executive action, presents an upside to our growth forecast, as does the tectonic plate shift of the growing deployment of technology throughout the economy. However, we continue to view downside risks as pronounced, with second- and third-order effects stemming from recent uncertainty associated with tariffs and geopolitical shifts still to fully manifest. These

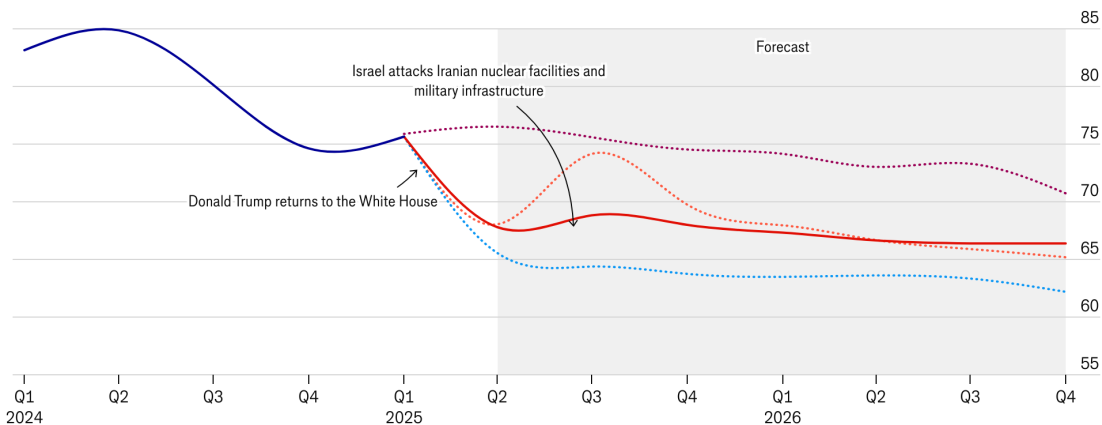
include the effects of volatility in global bond markets, where higher rates tighten liquidity conditions across a range of economies, including the US.

**The long-simmering Iran-Israel conflict continues to pose risks to the global economy.** US strikes on Iranian nuclear facilities on June 22nd have set back Iran's nuclear programme, although by how much remains unclear. Meanwhile, efforts to revive diplomatic mechanisms have stalled, as Israel continues to hit Iran with air strikes. Although there remains considerable uncertainty, Iran is likely to still possess its existing stockpile of enriched uranium and could restore operations at the bombed facilities over time. Given the relative ease with which Israel was able to attack Iran in the June war, and the changed regional dynamics resulting from the Israel-Hamas war and the Israel-Hizbullah conflict, which have weakened Iranian proxies, Israel will remain assertive in acting against Iran if it perceives renewed threats. Our expectation is that Iran will reluctantly re-engage with the US and international monitors on its nuclear programme as a means of regime survival and for sanctions relief, but it is unlikely to acquiesce to harsh terms. Therefore, the chances of reviving and implementing a deal are slim. Oil prices rose during the conflict as risk premia increased, but they have quickly retreated given weak underlying oil demand and the contained nature of the conflict.

#### **EIU's Brent price forecast has eased back from July spike, but remains higher than it was before the 12-day war**

Dated Brent Blend; US\$/barrel

— Actual    ..... February forecast    ..... June forecast    ..... July forecast (pre-US strikes)    — August forecast



Source: World Bank; EIU.

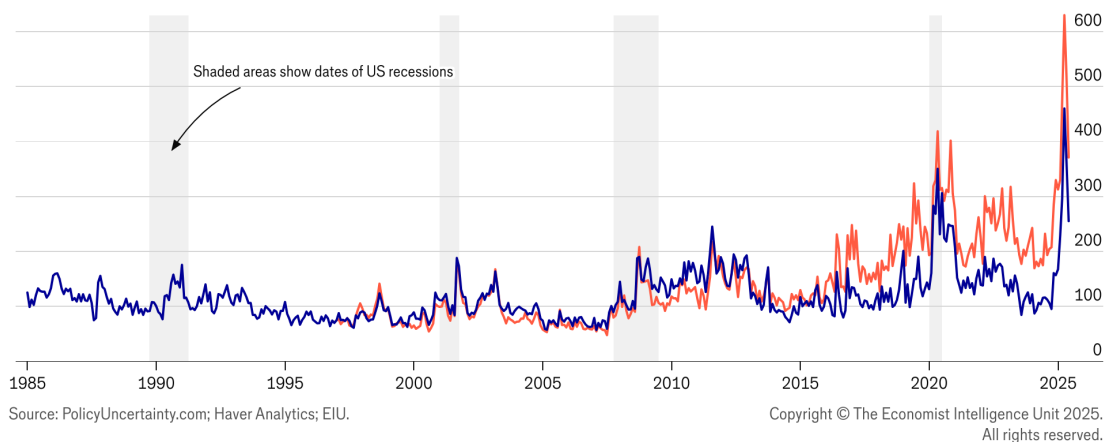
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**The conflation of security policy and commercial policy to justify frequent shifts in US trade policy further heightens uncertainty.** The US administration has temporarily rolled back some of its proposed tariffs and extended negotiating timelines slightly, while continuing talks with major trade partners, including China. However, the US president has simultaneously threatened to reignite the trade war by imposing more punitive reciprocal tariffs after the August 1st deadline if countries do not concede to American terms, and has announced a 50% tariff on US copper imports. Nevertheless, US equity markets have continued to rise strongly on the back of solid initial second-quarter earnings and a tech juggernaut that is still running its course. Although uncertainty is likely to reduce the allocation of capital for longer-term capital expenditure projects, investors in liquid assets seem to be discounting the odds of a full-blown trade war damping earnings prospects.

## Elevated policy uncertainty typically presages recessions

Economic Policy Uncertainty Indices

— US (1985-2009=101) — Global (1997-2015=100)

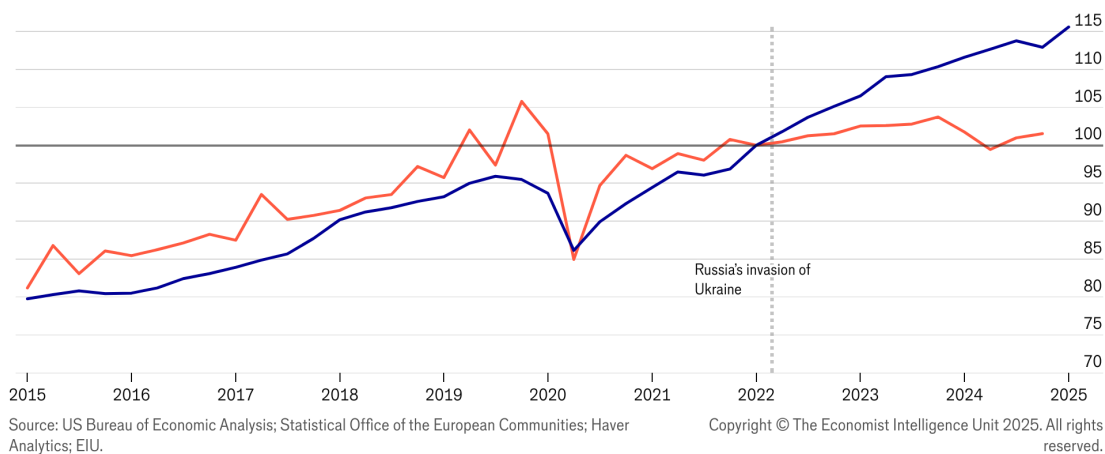


**We expect uncertainty to have a strong negative effect on business confidence, which will translate into lower capital expenditure.** Disruption caused by tariffs and geopolitical factors is driving a reassessment of business planning, including capital spending, hiring, supply-chain configuration and pricing. So far, businesses have brought forward activity, including the purchase of inventory to help to manage and mitigate the impact of tariffs. This has caused a surge in exports in many Asian countries, including China, where exports contributed nearly 2 percentage points to second-quarter growth. Nevertheless, we expect the negative effect of tariffs to materialise. The impact on capital expenditure will become increasingly apparent over the remainder of the year, a point borne out by empirical research into the effects of trade policy uncertainty on US investment during Mr Trump's first term in office. European Central Bank (ECB) analysis of the stagnation in investment in Europe since Russia's war in Ukraine due to raised uncertainty in the continent suggests that more sluggish investment growth is on the way.

## Ukraine war uncertainty has held back the pace of EU investment

Corporate fixed investment index; 100 = Feb 2022

— US — EU



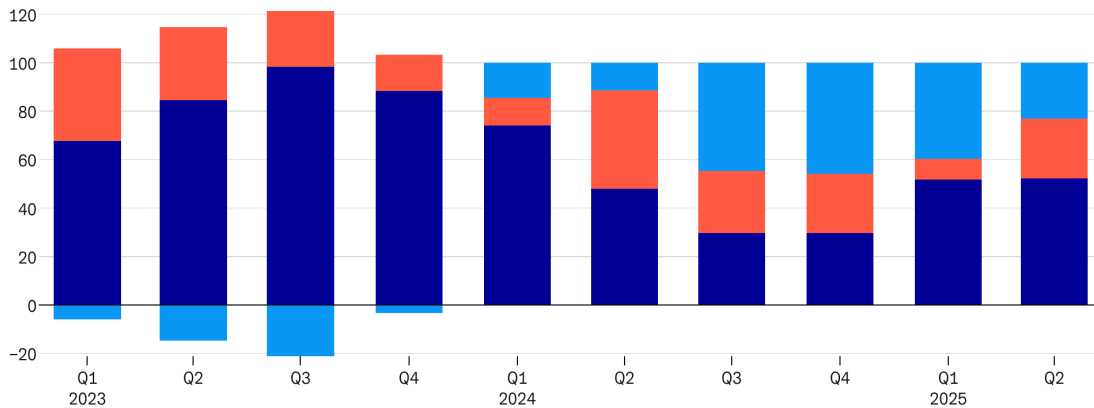
**The US economy is forecast to experience a soft patch significant enough for the National Bureau of Economic Research (NBER) to call it a recession this year.** Domestic demand remained firm in January-March, even as real GDP declined in quarter-on-quarter terms as firms and consumers front-loaded activity ahead of anticipated tariffs. However, we expect a marked downward shift in demand momentum throughout the remainder of 2025 as the combination of higher prices for consumers, stalled business investment and ever-narrow hiring slows growth. Our forecast for full-year economic expansion is just 0.9%, with mildly stronger growth of 1.3% in 2026 as uncertainty abates slightly from current levels and reduced interest rates support demand.

**The anticipated slump in the US economy will spill over into other markets, including China.** Export front-loading and the continued ability to make shipments to the US via third markets has supported China's economy so far this year. In the second half of 2025 we expect that this channel will dissipate, especially if Mr Trump's threatened "transshipment" tariffs are imposed and enforced. Momentum behind the economy will then depend on the effectiveness of policy support. Chinese retail sales growth has accelerated, helped by government-backed consumer goods vouchers, but structural deflation and a faltering housing market will remain an ongoing constraints. We have raised our forecast for China's real GDP growth from 4.4% to 4.7% to reflect its more resilient performance in the first half. However, meeting the government's 5% target remains unrealistic in our view.

#### Investment made the biggest improvement in China's Q2 performance, underpinning the stability of growth

Contributions to GDP by expenditure; %

■ Final consumption ■ Capital formation ■ Net exports



Source: Wind; EIU.

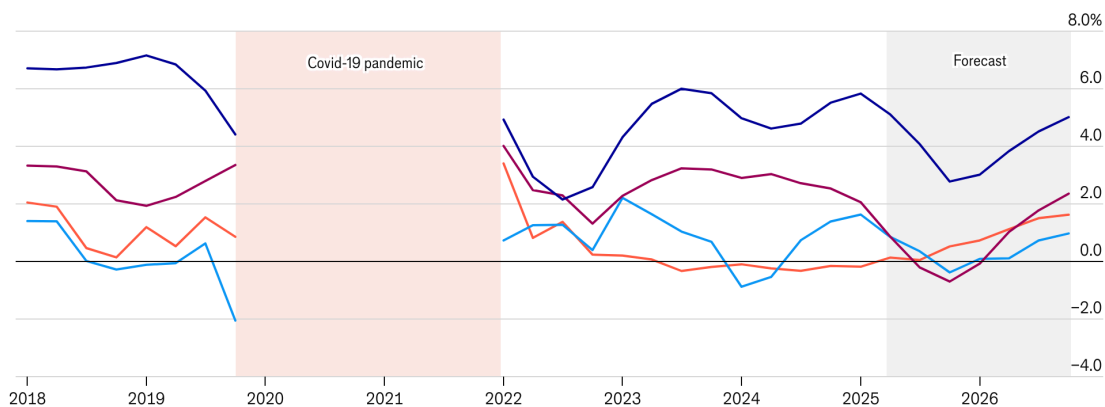
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**Economic conditions in other major markets are mixed.** Near-term economic activity will remain tepid in Europe, given waning momentum and the impact of US sectoral tariffs and the threat of additional levies. Still, investor sentiment has improved following Germany's pivot to fiscal expansion—a shift tolerated by the bond market given the country's low debt/GDP ratio—and we think that this will lead to a steady firming in growth momentum that will yield an improvement in data by late 2025 and in 2026. Japan's growth prospects have less apparent upside, with its trade sector exposed to the deterioration in the global trade environment, while a promising recent acceleration in wage growth risks being undercut by persistently high rice inflation.

#### The US is shifting from being a driver to a detractor of growth, while Germany is staging a recovery

Real GDP; % change, year on year (seasonally adjusted)

— China — Germany — Japan — US



Source: EIU.

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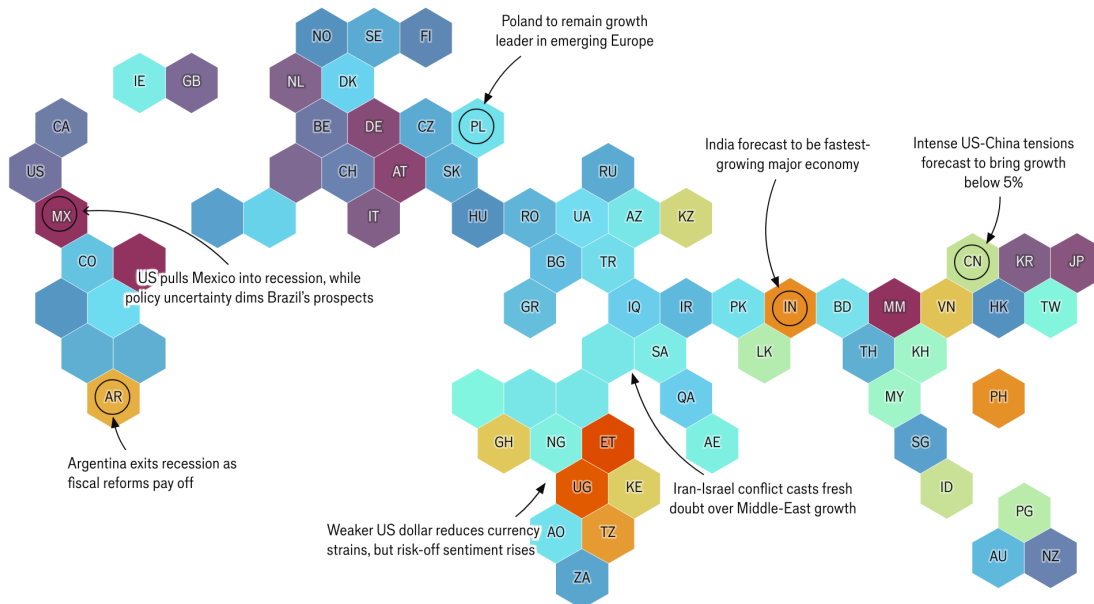
#### The performance of emerging markets will depend partly on the structure of their relations with the US.

Latin American countries escaped the highest threatened reciprocal tariffs, but are among the most reliant on US demand outside of China; prospects for exporters in developing Asia are similarly clouded in trade uncertainty and dependence on the US consumer. Countries in the Middle East and Africa have less direct

exposure to the US and are forecast to be among the fastest-growing economies in 2025, but there will still be sensitivity to indirect effects stemming from weaker US demand, and prospects will also be shaped by the ongoing confrontation between Iran and Israel. Low oil prices have already led to some scaling back in the ambition of economic transformation projects in Saudi Arabia. For Africa, waning global risk appetite and high US dollar borrowing rates will add to public debt challenges.

### Emerging markets likely to experience asynchronous growth

Forecast change in real GDP by geography, 2025; %



Source: EIU.

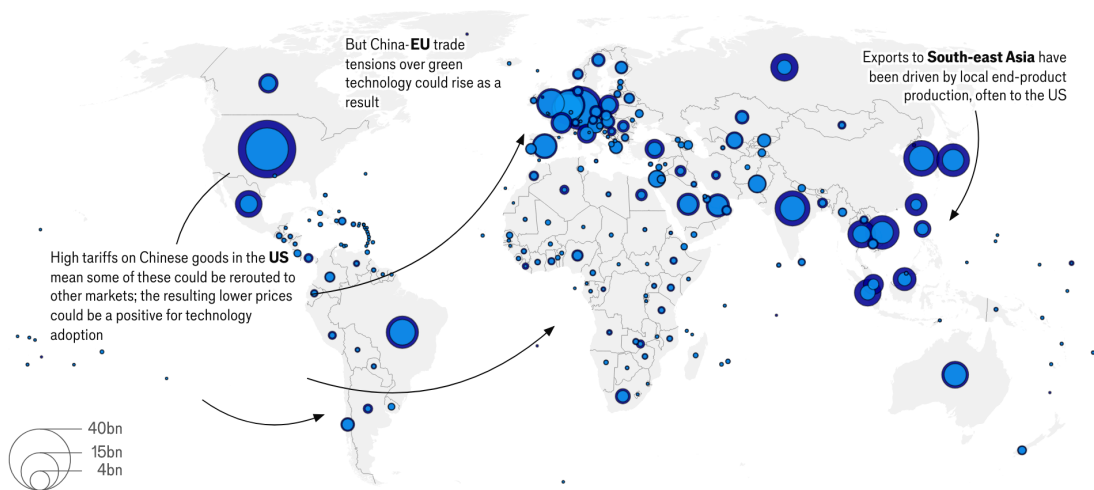
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**Tariffs are likely to raise prices in the US, but lead to price compression elsewhere.** Although US inflation conditions are currently benign, our forecast assumes that the US will experience stagflation later in the year as tariffs simultaneously act to raise prices and lower demand. Mass worker deportations could stoke prices further by disrupting the labour market. Elsewhere, however, the loss in US demand is set to generate excessive global supply, with inventories building as manufactured goods (notably from Asia) struggle to find destinations. This will drag on global prices, boosting consumption in some markets. However, it also opens the possibility of broader trade tensions, as the availability of cheaper imported goods threatens the position of domestic suppliers. Tensions are already evident in the EU-China trade relationship over electric vehicles (EVs) and green technology products. Recent data highlight that China is beginning to reroute its exports to non-US destinations. We have developed our Archimedean Trade Index to measure this evolving trend.

## China's biggest export markets for green industrial goods are the US and Europe

Chinese exports of low carbon technology products\* by destination market; US\$ in 2024

■ All low carbon technology goods ■ Solar photovoltaics, batteries and electric vehicles



Source: China Customs; EIU.

\*Low carbon technology products are defined as products that produce less pollution than their traditional energy counterparts, and will play a vital role in the transition to a low carbon economy. IMF and Pigato et al. (2020) at the World Bank have identified the corresponding Harmonised System (HS) codes to the extent possible, which we have adapted and revised based on the updated HS code regime. Solar photovoltaics, batteries and electric vehicles cover specific products under HS codes 8507, 8541, 8702, 8703 and 8711.

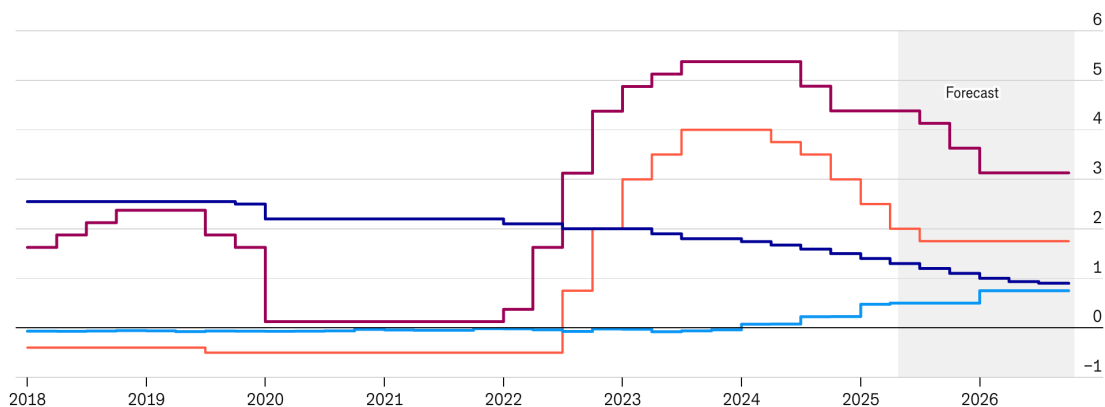
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**The divergent outlook for prices will mean a tough balancing act for many central banks.** The risk that tariffs will stoke inflation means that the Fed is likely to be relatively late in responding to early signs of labour market deterioration, waiting until September to resume the easing cycle that it paused in January. Our central forecast is that it will make three cuts (for a total of 75 basis points) before end-2025, followed by two 25-basis-point reductions in early 2026. In the rest of the world, although central bankers will continue to watch signals from the Fed and developments in the Middle East, we see space for monetary loosening as output moderates and price pressures ease. This will result in one further interest-rate reduction by the ECB this year, and the Bank of Japan holding off from further steps towards policy normalisation. We continue to expect the US dollar to weaken throughout the rest of the year, reflecting slower growth prospects and falling short-term interest rates.

## As global demand stutters, monetary policy is forecast to loosen

Policy interest rate; %, end-period

■ China ■ Euro area ■ Japan ■ US



Source: EIU.

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**There is more limited room for fiscal easing to support growth, however.** Elevated long-term government bond yields across multiple economies indicate that markets are sceptical about fiscal expansion in the context of public debt levels that have yet to recede since the pandemic. The passage of the US budget on July 3rd confirmed our assumptions that US debt and deficits will continue to rise in the coming years. Although increased US debt issuance was broadly priced into US Treasury markets before the passage of the budget,

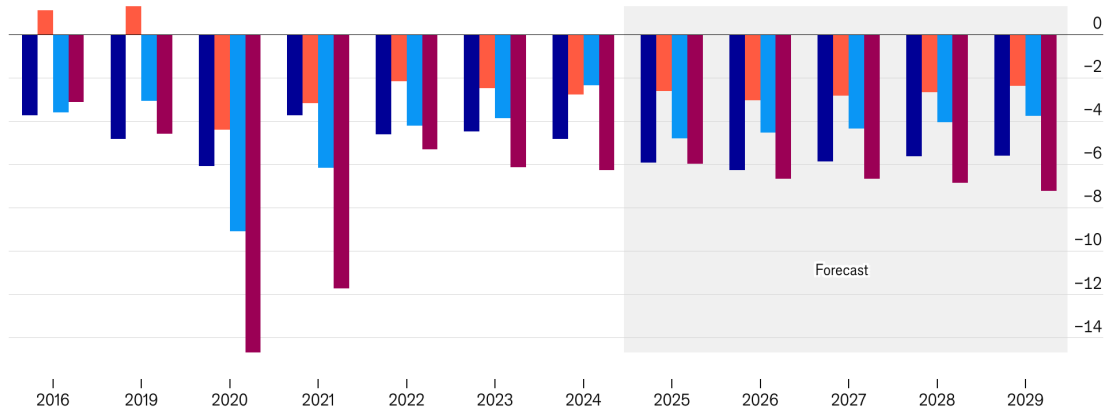


risks to the fiscal outlook remain elevated, especially if the forecast slowdown in US growth further increases the deficit. The more indebted governments in Europe, such as France, Italy and the UK, will also struggle to find fiscal space to meet the needs of higher defence expenditure, support productivity investments and meet rising welfare costs.

#### Persistent fiscal deficits constrain space for further loosening

Budget deficit; % of GDP

■ China ■ Germany ■ Japan ■ US



Sources: National sources; EIU.

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**Beyond 2025, geopolitical uncertainty and protectionism will pull the world economy into a worse long-term equilibrium.** Prospects for strong bounce-back growth in 2026 and beyond are poor, given lasting damage from higher trade barriers; our working assumption is a US weighted average tariff rate (WATR) of about 15% over Mr Trump's presidency, compared with just 2% previously. There is a clear research consensus that higher tariffs are associated with declines in long-term output and productivity, and have probably only minor effects on trade balances as real exchange-rates adjust. Positive drivers of growth, such as those associated with productivity gains tied to generative artificial intelligence (AI), will not be maximised in the same way that they would be if the policy and geopolitical outlooks were more stable.

#### Possibilities and limits of diversification from the US

**Slower growth in the US and high policy risk will encourage investment and business diversification.** The grounds for considering adjusting exposure to what have been considered safe-haven US assets are clear enough. Mr Trump's policies of higher tariffs, tighter immigration controls, and reduced research and academic funding threaten the pillars of US growth and productivity. In its desire to extend personal tax cuts, his government seems to not be heeding worries of lenders around fiscal sustainability.

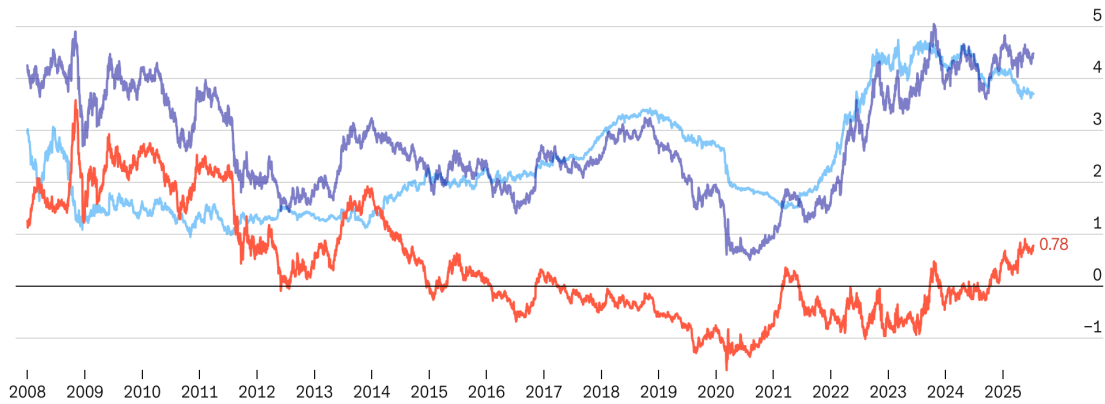
**Some investor scepticism towards US markets is evident in the data, at least in financial markets.** Since April the ten-year term premium on US Treasury bonds has risen to nearly 0.8 percentage points, its highest since the 2011 and 2013 debt-ceiling crises. At the same time the convenience yield—the extra premium investors pay for US treasuries' liquidity and collateral qualities—has narrowed markedly, indicating that foreign holders are less willing to treat US bonds as an unquestioned safe haven. Together, a higher-term premium and a thinner convenience yield translate into a steeper cost of capital for the federal government and for corporate borrowers.



### US term premium is at the highest level since the 2013 debt-ceiling crisis

10-year US Treasury yield, ACM decomposition; %

— Overall yield — Term premium — Risk-neutral yield



Source: Federal Reserve Bank of New York; EIU.

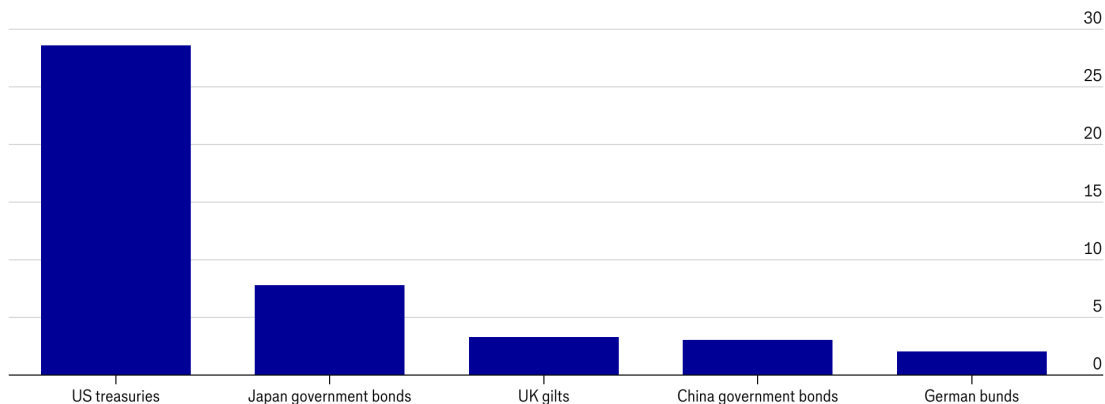
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**The relative appeal of other assets has also increased.** Germany's easing of its debt controls and the election of a new, reformist government is generating investor interest; European stocks have been among the strongest performers this year. The EU is considering common debt issuance to support its defence spending plans and accelerating liberalising global trade deals, such as with Mercosur members. Other safe assets have profited. The yen has appreciated steadily so far this year, as Japanese pension funds reassess US risk in the light of the higher domestic yields now available, while gold prices have risen sharply in the wake of the uncertainty generated by US tariff actions and international tensions.

**Still, the potential for global financial flows to tilt drastically away from the US is limited.** Although strategic reallocation is likely while US policy uncertainty persists, large movements will be prohibited by the lack of global alternatives to the depth and liquidity provided by US capital markets. The US government debt market, for example, dwarfs that of other highly rated sovereigns. Global equity investors will continue to want access to top-performing US technology companies. If financial outflows did rise based on US-specific factors, it would probably soon be constrained by rising yield differentials. A large-scale adjustment in financial flows would require a sudden, catastrophic breakdown in US institutions. We consider this still an unlikely outcome, even as the Trump administration takes advantage of global reliance on the US financial system to test investor tolerance. The temporary appreciation in the US dollar during the period of strikes between Israel, Iran and the US further indicates that its normal status as a safe haven during periods of geopolitical tension continues to function more or less as normal.

### The size of the US government debt market dwarfs other national counterparts

Outstanding marketable debt, US\$trn; end-December 2024



Sources: EIU; US Treasury; Securities Industry and Financial Markets Association.

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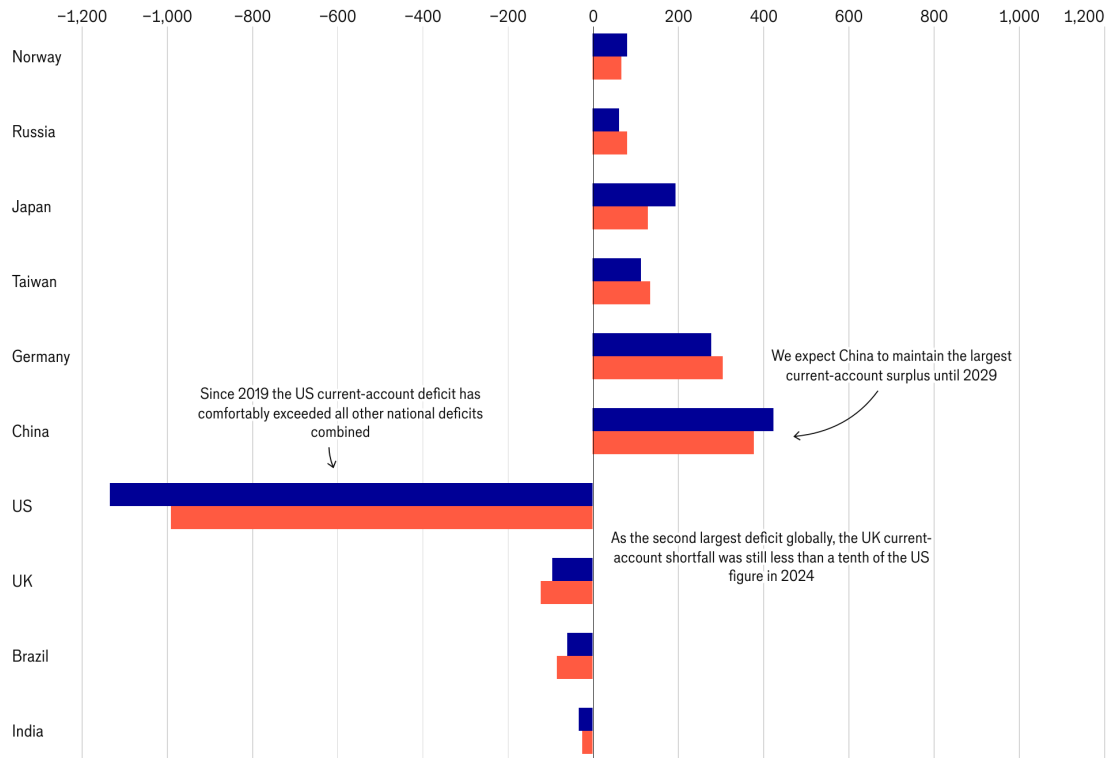
**The dominance of the US, and the Treasury market in particular, in global finance alludes to the fundamental role of the present global pattern of balance-of-payments positions.** A lack of alternatives to US treasuries is a symptom of a large US current-account deficit, reflecting a need for savings from abroad to meet

domestic consumption. The US is able to draw in such high levels of investment from abroad because other countries run current-account surpluses savings in excess of consumption, with China consistently recording the largest on the back of goods exports. There is little sign that domestic policies will change in either the US or China sufficiently to alter these patterns; we foresee both countries recording only moderately narrower current-account imbalances by 2029.

### The US current-account deficit is by far the largest and acts as a sink for excess global savings

Largest current-account surpluses and deficits; US\$ bn

■ 2024 ■ 2029



Sources: IMF; EIU.

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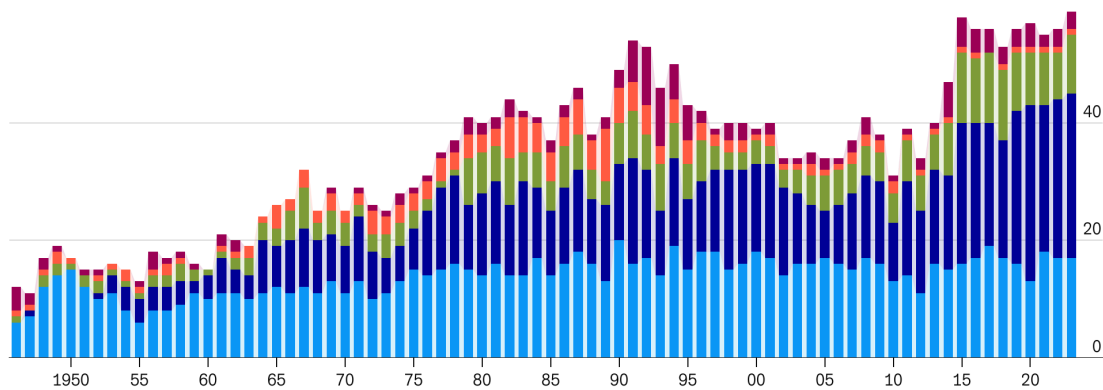
### As global order fractures, realignment and brinkmanship rise

**Renewed Iran-Israel confrontation is another indication of a fracturing global order.** Israel's willingness to pursue its strategic goals in relation to Iran, now with the building on its success in curbing Iranian-linked proxy groups close to its borders, highlights a type of geopolitical brinkmanship that is becoming more common as countries perceive fewer constraints over the use of force. US strikes on Iran run contrary to Mr Trump's repeated claim that he wants to limit US military involvement in the Middle East and at the same time reasserts its willingness to operate globally and without the full backing of the international community. The number of inter-state conflicts has risen to a historic high. **Underpinning this trend, we believe, are the diffusion of global power, uncertainty over alliances and the increasing ineffectiveness of international organisations.** Countries will be increasingly vulnerable to the designs of more powerful neighbours in a world where rules around sovereignty and territorial integrity are eroding. As countries are forced to develop their own defensive capabilities, interest in acquiring nuclear capabilities will rise in regions of pronounced geopolitical risk.

## State-based conflicts reach historic highs, driven by increases in Africa and the Middle East

Number of state-based conflicts by region

■ Asia and Oceania ■ Africa ■ Middle East ■ Americas ■ Europe

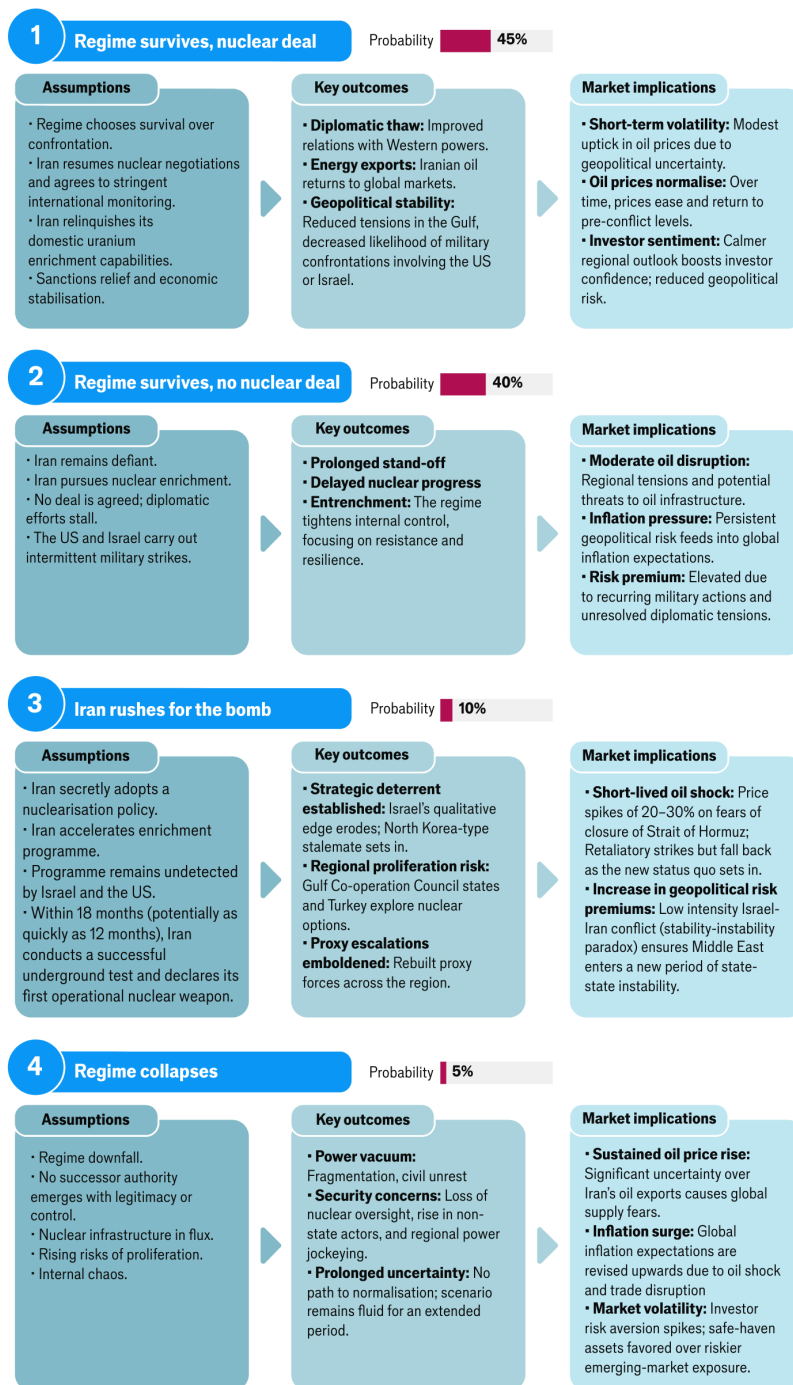


Source: Uppsala Conflict Data Program and Peace Research Institute Oslo (2024); EIU.

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**Diminished US influence is a contributing factor.** The US retains the clear military preponderance that it has held since the end of the cold war, but otherwise has less ability—and willingness—to shape geopolitical outcomes as its relative global economic, diplomatic and soft power weakens. Mr Trump has not provided a significant brake on Israel's regional ambitions, despite his stated desire to disentangle the US from conflicts in the Middle East, and has now conducted military strikes on Iran. The US president has also been unable to deliver on promises to quickly end the conflict in Ukraine, with Russia still content to eke out gains. We now believe that the probability of a no-deal scenario that effectively freezes the conflict as almost equivalent to that of an agreement being reached. The US administration was slow to respond to the India-Pakistan military conflict, with Mr Trump's subsequent offer of mediation over the status of Kashmir being rebuffed (by India).

## Post Israel-Iran war: the road ahead



Source: EIU.

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**Other Western states will be compelled to act as the US retreats.** Doubts surrounding the US's commitment to Ukrainian security and NATO more broadly are forcing European countries to lift defence expenditure and better co-ordinate military and defence-industrial policy among themselves. At the June 2025 summit, NATO countries committed to raise core defence spending to 3.5% of GDP (from 2% previously), but many states will struggle to meet this target given competing pressures on public spending and limited fiscal space. US allies in Asia are less likely to be subject to shifts in US policy, given their role in helping the US to compete with China, but pressure on them to raise military spending will similarly intensify. Steps to build greater defence self-reliance will take several years given the political, fiscal and logistical complexity of the required changes in some countries. This presents risks; for example, Europe would have no ready substitute for US defence, nuclear and intelligence deterrence capabilities if these were suddenly withdrawn or made unavailable.

**Still, the gains for major non-Western powers from a less influential US are not clear-cut.** Russia's geopolitical reach has also lessened, with its resources focused on Ukraine and its status in the Middle East degraded by regime change in Syria and Iran's challenges. For China, too, we expect few countries to align more closely with it because of concerns about the direction of US policy. Although China has stepped up its global hard and soft power over many years, there is likely to be wariness that closer ties with China will lead to excessive trade reliance and imbalances. China's geopolitical objectives are also still focused on Asia, as highlighted by the limited role that it has set out in response to the Iran-Israel crisis, despite being the main purchaser of Iranian oil.

**This points to a complex, multipolar world with various centres of power and influence, alongside shifting alignments.** Emerging middle powers are likely to increase in geopolitical importance, with Saudi Arabia and Turkey among the prime examples of those that are increasing their economic and military heft. Others may look to group together as a counter-weight against the larger international powers. The influence of regional trade blocs like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) could rise.

## Global forecast data

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Real GDP (% change)</b>										
World (market exchange rates)	-3.2	6.4	3.4	2.8	2.7	2.2	2.4	2.7	2.7	2.6
Developed economies	-4.0	5.8	2.9	1.7	1.7	1.1	1.2	1.7	1.7	1.8
Developing and emerging economies	-1.9	7.1	4.1	4.4	4.1	3.8	3.8	3.9	3.8	3.7
US	-2.2	6.1	2.5	2.9	2.8	0.9	1.3	2.0	2.2	2.2
China	2.3	8.6	3.1	5.4	5.0	4.7	4.5	4.2	3.8	3.6
Japan	-4.2	2.7	0.9	1.4	0.2	0.6	0.5	0.9	0.7	0.9
Euro area	-6.2	6.3	3.6	0.6	0.9	1.2	1.2	1.5	1.5	1.5
World (PPP exchange rates)	-2.7	6.6	3.7	3.5	3.3	2.9	3.0	3.3	3.3	3.2
Developed economies (PPP exchange rates)	-3.9	5.9	2.9	1.7	1.8	1.1	1.3	1.7	1.8	1.8
Developing and emerging markets (PPP exchange rates)	-1.9	7.0	4.3	4.6	4.2	4.0	4.1	4.2	4.0	4.0
<b>World trade growth (%)</b>										
Goods	-5.1	11.2	3.2	-0.8	2.3	1.7	2.1	2.8	2.8	2.7
<b>Consumer price inflation (%; av)</b>										
World	3.4	5.3	9.3	7.4	6.1	4.6	3.9	3.3	3.4	3.1
Developed economies	0.6	3.0	7.0	4.5	2.7	2.5	2.2	1.9	2.0	2.0
Developing and emerging economies	5.9	7.4	11.2	10.1	9.3	6.3	5.3	4.5	4.6	4.0
US CPI	1.2	4.7	8.0	4.1	2.9	2.8	2.6	2.1	2.2	2.2
China CPI	2.5	0.9	1.9	0.3	0.2	-0.3	0.1	0.5	1.0	1.2
Euro area CPI	0.2	2.6	8.5	5.4	2.4	2.0	2.0	1.9	2.0	2.0
Japan CPI	0.0	-0.2	2.5	3.3	2.7	3.2	1.7	1.5	1.7	1.4
<b>Export price inflation (%)</b>										
Manufactures (US\$)	0.9	6.3	-0.9	4.8	0.4	-0.8	3.1	3.0	2.8	4.8
<b>Commodity prices</b>										
Oil (US\$/barrel; Brent)	42.3	70.4	99.8	82.6	80.7	70.1	66.7	67.1	65.0	62.3
% change	-33.9	66.5	41.7	-17.2	-2.3	-13.2	-4.8	0.6	-3.1	-4.2
World non-oil commodity prices (US\$, % change)	2.9	37.9	14.7	-15.1	0.7	3.2	-4.0	1.7	3.9	2.8
Food, feedstuffs & beverages	7.8	36.1	22.2	-17.0	-2.9	4.3	-10.1	-1.5	1.7	1.5
Industrial raw materials	-3.2	40.4	4.5	-12.1	6.0	1.7	4.5	5.5	6.4	4.2
<b>Main policy interest rate (%; end-period)</b>										
Federal Reserve, main policy rate	0.13	0.13	4.38	5.38	4.38	3.63	3.13	3.38	3.38	3.38
ECB, main policy rate	-0.50	-0.50	2.00	4.00	3.00	1.75	1.75	1.75	1.75	1.75
Bank of Japan, main policy rate	-0.03	-0.03	-0.06	-0.02	0.25	0.50	0.75	0.75	0.75	0.75
Bank of England, main policy rate	0.10	0.25	3.50	5.25	4.75	3.75	2.75	2.75	2.75	2.75
<b>Exchange rates (av)</b>										
US\$ effective; %	1.0	2.1	0.0	0.2	0.2	0.2	0.0	1.0	0.0	0.7

(2010=100)	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9
¥:US\$	103.19	115.17	131.81	140.90	157.40	148.00	135.00	131.39	134.08	137.07
US\$:€	1.14	1.18	1.05	1.08	1.08	1.13	1.17	1.13	1.12	1.11
Rmb:US\$	6.90	6.45	6.74	7.08	7.20	7.20	7.10	7.06	7.02	6.98
US\$:£	1.28	1.38	1.24	1.24	1.28	1.33	1.38	1.38	1.37	1.36
¥:€	121.85	129.92	138.55	151.95	164.04	165.59	159.84	154.02	154.99	156.90

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## Exchange rates

Mundo | Tipos de cambio

July 17th 2025

### Overview

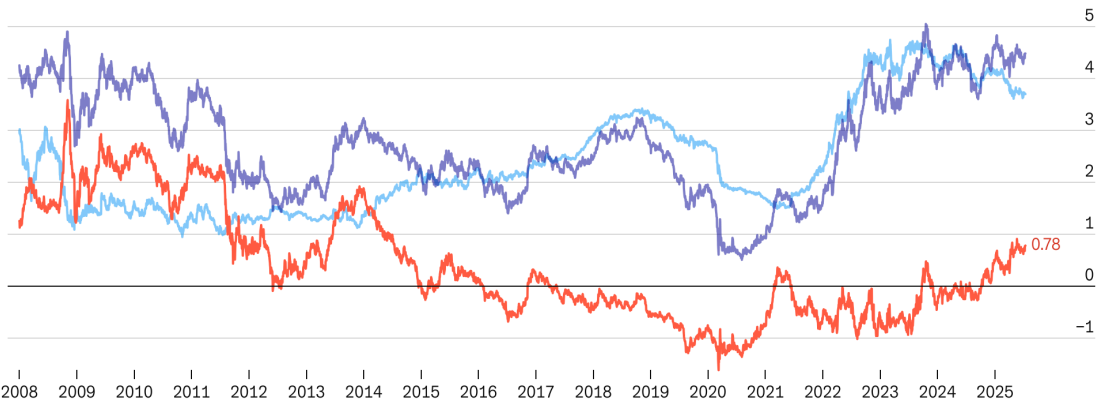
- We forecast that the trend of US dollar depreciation recorded in the first half of 2025 will moderate in the remainder of 2025 and in 2026. On the US side, this will be driven by some settling of trade policy, despite still-heightened concerns over fiscal sustainability and erosion of market-stabilising institutions.
- Among advanced economy currencies, the upward trend of the euro and sterling will level off by 2026. In contrast, the yen will establish a steadier path of appreciation next year as US-Japan rate differentials narrow.
- Tariffs will continue to weigh on the currencies of export-dependent emerging markets in the short term, but this weakness will also be the result of interest-rate reductions and more general risk-off sentiment among investors. The renminbi will trend upwards, amid domestic reforms and fiscal stimulus.
- The prospects for continued US dollar depreciation in 2027-29 are uncertain. Higher long-term US government bond yields will continue to drive net inflows, but economic recovery in China and monetary normalisation in Japan will result in currency gains in those markets. By 2029 the US dollar will have reversed only part of the cumulative real effective appreciation of 2014-24.

**The US dollar’s depreciation in the first half of 2025 will moderate in the remainder of this year and in 2026.** Unpredictable tariff policy, and rising fiscal sustainability concerns about the erosion of institutions responsible for stabilising the economy and financial markets have led investors to diversify to other advanced economies. However, we expect that the bulk of this response will have run its course by the end of this year, with the US retaining significant appeal in several areas, including ongoing optimism for equity markets and attractive long-term yields. Importantly, abrupt negative economic shocks are still, in most scenarios, likely to lead to safe haven-driven appreciation of the US currency; this would include an US equity market collapse or a major economically disruptive military conflict elsewhere in the world, as long as it does not also entail a sudden deterioration in US economic institutions.

US term premium is at the highest level since the 2013 debt-ceiling crisis

10-year US Treasury yield, ACM decomposition; %

Overall yield Term premium Risk-neutral yield



Source: Federal Reserve Bank of New York; EIU.

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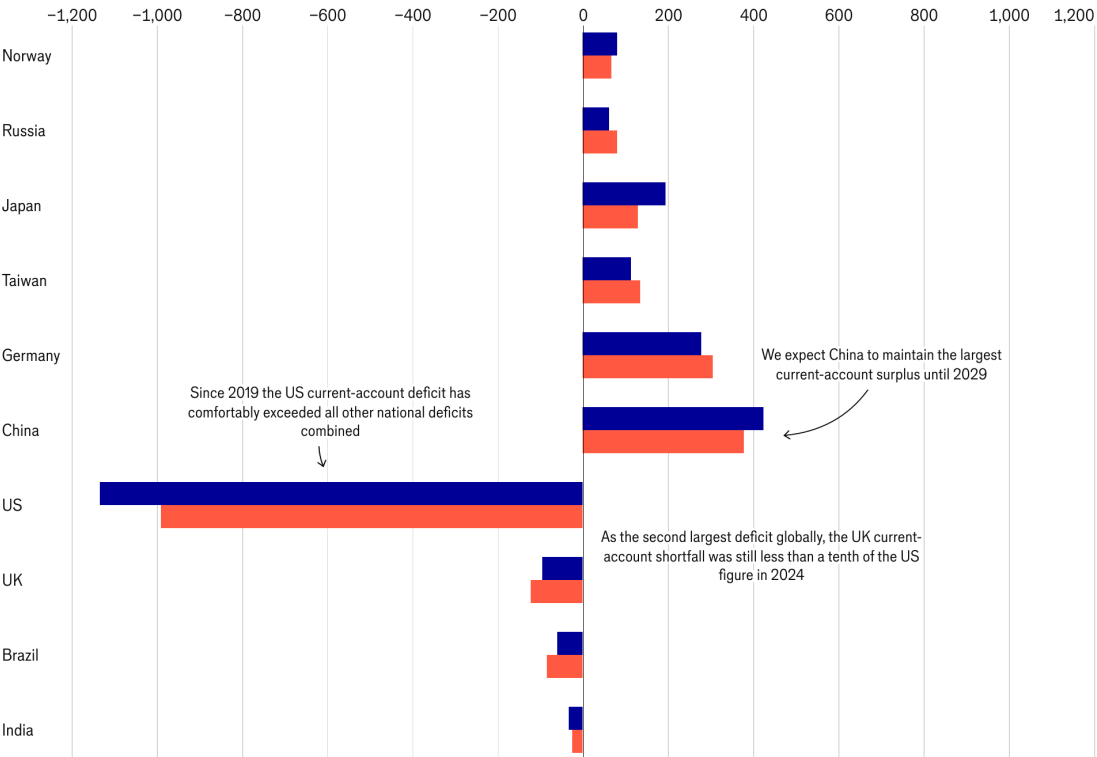
Moderate, not sharp, US dollar depreciation

A scenario in which the broad value of the US dollar falls drastically and remains lower in 2025-29 is **unlikely**. Our baseline assumes that even by 2029 the dollar will have reversed only some of the cumulative gains of 2014-24. A revaluation of US financial assets, led by an increase in risk premia on long-term US government bond yields, will limit diversification away from US safe assets. More fundamentally, insufficient volumes of alternative low-risk securities at the global level, combined with ongoing current-account surpluses among US trading partners—mirrored by the unrivalled size of the US capital account surplus—mean that support for the US dollar in the medium term will be eroded only in part, and not irreversibly.

The US current-account deficit is by far the largest and acts as a sink for excess global savings

Largest current-account surpluses and deficits; US\$ bn

2024 2029



Sources: IMF; EIU.

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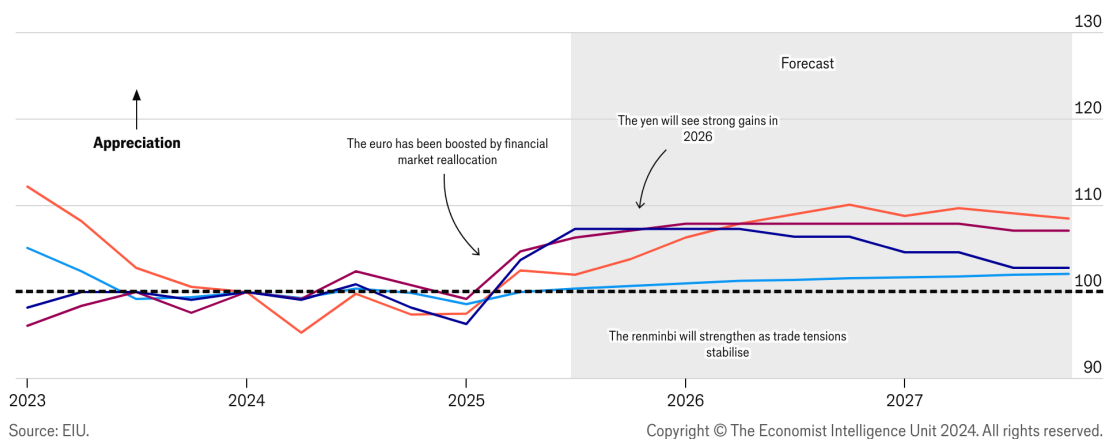
**The yen will remain weak against the US dollar compared with historical levels, even after trending upwards in 2025-26.** We assume that the Japanese currency will strengthen against the US dollar until end-2026, on the back of a narrowing short-term interest-rate differential with the US and higher long-term yields as the Bank of Japan (BOJ, the central bank) proceeds with quantitative tightening. BOJ will refrain from further rate increases until the first half of 2026 amid still tepid underlying demand in Japan, combined with lower global growth and the disinflationary impact of exchange-rate appreciation. Subsequent currency appreciation in 2027-29 will be modest. By 2029 the yen will still be far weaker in real (consumer price inflation-adjusted) terms against the US dollar than in 2021. Assuming modest wage growth, this implies that Japan will be more competitive internationally as a production base than it was before the yen's depreciation.

**An anticipated shift towards more expansionary fiscal policy will sustain the euro's recent gains against the US dollar.** However, we believe there will be little, if any, further appreciation this year, based on the assumption that much of the reallocation by international investors to European assets in response to concerns over US institutions has now run its course. The euro will fall back in 2026-27 as optimism for the region fades, but the exchange rate will still be higher in real terms against the US dollar by 2029 than it was in 2024. Sterling will follow a slower upward trend in the remainder of 2025 as concerns about the UK economy linger. A widening rate differential with the US in 2026-27 will prevent further nominal appreciation, with our core forecast showing an incremental slide against the US dollar in 2027-29.

#### US protectionism is forecast to lead to partial reversal of the US dollar's strength in recent years

US\$ per local currency unit; indexed Q1 2024=100

— EUR — JPY — CNY — GBP



#### Mixed prospects for emerging-market currencies

**Many politically stable emerging-market currencies will record modest real depreciation against the US dollar and stronger falls against the euro, yen and pound in 2025-26.** A faster pace of domestic rate cuts will play a role for many, but deepening risk-off sentiment towards emerging markets will play a greater role in most cases owing to exposure to the US as an export market amid weakening external demand. Nonetheless, there is a risk in the near term that countries already identified by the US as intervening to suppress the values of their local currencies will be forced to allow appreciation under US pressure. Taiwan has already effectively done so. Other Asian countries are at high risk, including Vietnam and South Korea.

The Mexican peso will depreciate further in the remainder of this year and in 2026, even as trade tensions with the US ease slightly, owing to investors incorporating the implications of a slowdown in the US economy. In contrast, the renminbi will rise in value, continuing a trend that began in the second quarter, as Chinese authorities allow the local currency to appreciate to mitigate US complaints, and confidence in China's economy stabilises. The renminbi will continue to strengthen as China ramps up fiscal stimulus and demand-side reforms, and as residential property prices bottom out, driving a recovery in private-sector demand growth. Notably, this will be a nominal appreciation only—low inflation in China will result in ongoing depreciation in real terms.

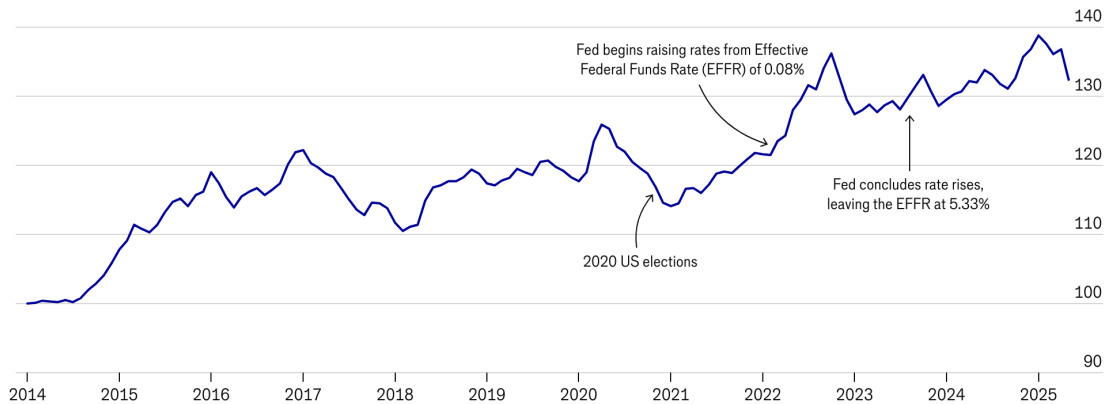
#### De-dollarisation will make little headway

A still relatively strong US dollar, even by end-2025, will remain a cause for concern for the Trump administration. **However, we do not believe that the US will enact measures directly targeting currency depreciation.** The US would need to co-ordinate multilateral action or reduce US monetary policy rates, or both, to sustainably reduce the broad value of the US dollar. The international political conditions for an effective Plaza Accord-type agreement do not exist, as with Japan in the 1980s, owing to poor US-China relations and the predominance of independent monetary authorities, including in the US. Treasury purchases of foreign currencies would probably have only temporary effects, and establishing greater presidential influence over the Fed to force a reduction in rates would be slow to implement. In any case, impetus to pursue the latter option will decline as the Fed reduces policy rates in the second half of 2025 and into 2026.

### The US dollar has been on an upward trend for more than a decade

US dollar broad effective exchange rates, monthly av; 2014=100

— US\$ Real Broad Effective (2014=100)



Source: Federal Reserve Bank of St Louis; EIU.

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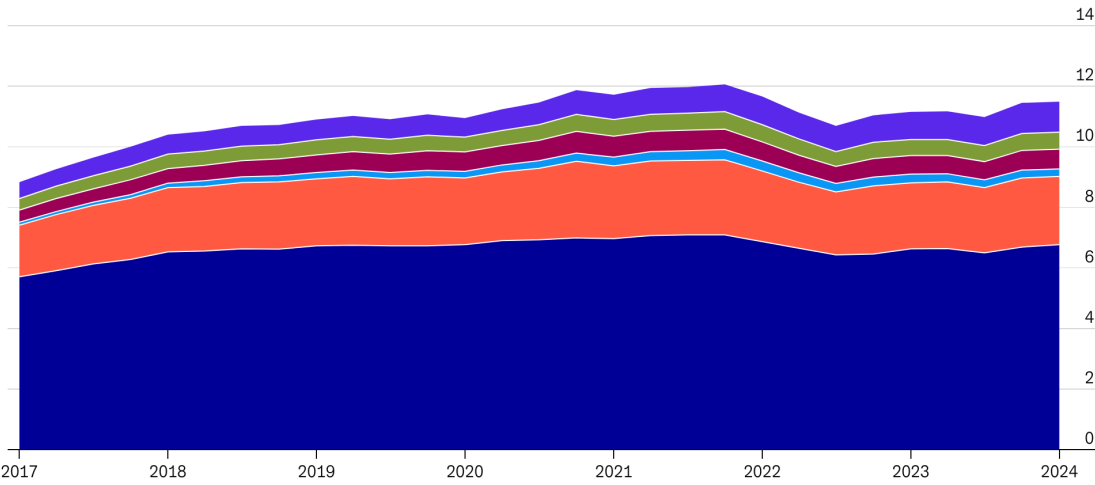
**The dominance of the US dollar and US-tied payment systems internationally will not be overtaken for the foreseeable future.** Frustration over sanctions and the overwhelming influence of US policy on international liquidity are pushing some emerging markets to explore alternatives to the current US dollar-dominated international financial architecture. A combination of China's importance in global trade and its ongoing development of a new financial messaging system make it a prime candidate among non-US-aligned countries to provide an alternative system. However, the intrinsic role of the US dollar in international finance—tied to the unrivalled size of the US current-account deficit—and China's insistence on maintaining overarching influence on its exchange rate and capital flows, rule out the possibility of a parallel to the US-dominated system emerging for decades to come. The recent increase in the share of trade settled directly in China's currency should not be interpreted as the beginning of a comprehensive shift in international markets towards the renminbi or payment systems that are outside US influence.

**China will nevertheless continue to develop an alternative financial infrastructure with international partners.** This will be backed by efforts to increase renminbi liquidity without comprehensive capital account liberalisation, but this will have little impact on the status quo in 2025-29. Operating entirely outside the US-dominated system will remain a riskier and more costly option for sovereigns and firms, which in most cases will only appeal to entities that are already subject to US-backed sanctions.

Central bank reserve composition reflects a hierarchy of demand and liquidity among internationally-traded currencies

Total official allocated foreign-exchange reserves; US\$trn

US dollar Euro Renminbi Yen Pound sterling Other currencies



Source: IMF.

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World trade

Mundo | Comercio

July 17th 2025

World trade

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
World	-5.1	11.2	3.2	-0.8	2.3	1.7	2.1	2.8	2.8	2.7
Developed economies	-1.6	10.7	4.3	-1.8	2.2	2.3	1.4	2.9	2.3	2.2
Developing and emerging economies	-3.5	11.9	1.6	0.8	4.2	3.3	3.3	3.6	3.6	3.5

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Overview

- Front-loading activities, tied to anxieties over looming US tariffs, kept a floor under global trade activity in the first half of 2025. However, we expect global trade growth to decelerate more markedly from the second half of this year and into 2026 as the effects of high overseas inventories, US tariffs and slowing US and Chinese growth erode global demand.
- The US’s blanket global 10% tariff and its threatened “reciprocal” tariffs face challenges to their legality. In late May the US Court of International Trade ruled that Mr Trump had overstepped his authority under the International Emergency Economic Powers Act (IEEPA) in imposing both of these tariff regimes. An appeals process is playing out, with oral arguments scheduled for July“31st, but we do not expect a decision to be issued until late in the third quarter, at the earliest.
- The rest of Mr Trump’s tariff regime will remain in place, including sector-specific duties justified under Section 232 of the US Trade Expansion Act of 1962, as well as US tariffs imposed on China during Mr Trump’s first term and justified under Section 301 of the US Trade Act of 1974. If the courts do strike down Mr Trump’s IEEPA tariffs, then we would expect him to double down on the US’s sectoral tariffs through ongoing 232 and 301 investigations. Alternatively, he could explore tariff

options under Section 122 of the Trade Act of 1974, which could allow Mr Trump to impose global tariffs of up to 15% (although these would be limited to 150 days, subject to extensions by Congress).

- The conclusion of a US-China trade framework in May, which was reaffirmed in early June after a period of volatility, will not set the stage for a larger, more enduring deal between the two countries. The 90-day pause, expiring on August 13th, will not be long enough for the two sides to resolve long-standing issues over China's market-distorting economic practices and the US's investment and (mainly hi-tech) export restrictions.
- Worsening US-China trade relations will continue to encourage Chinese exporters to diversify their markets, including by diverting shipments to markets across Europe and Asia. This will fan diplomatic tensions amid fears that low-cost Chinese products will flood these third markets. We expect EU-China relations to come under more pressure from late 2025 as trade diversion effects become more pronounced.

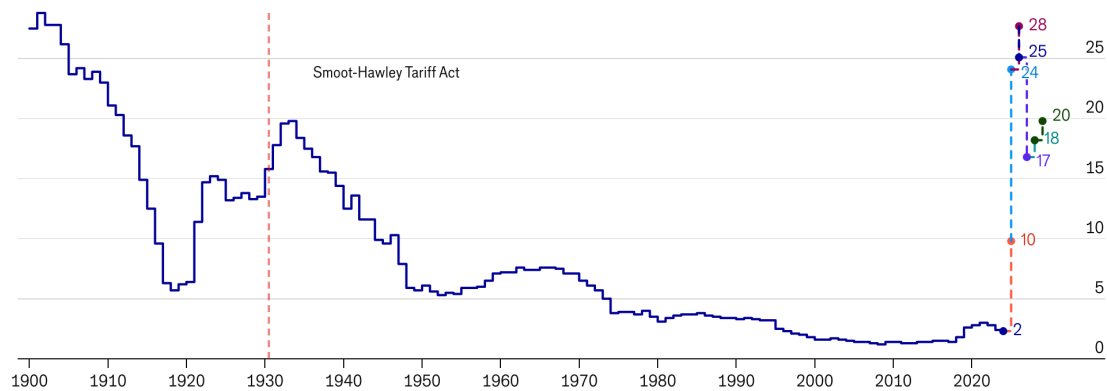
## US tariff de-escalation is only partial

Despite a temporary pause in the US's market-specific "reciprocal tariff regime", the current US weighted average tariff rate is at its highest in almost a century—currently estimated at 18%, but poised to climb to 20% if the latest tariff threats are acted upon. Recent US tariff developments have been conflicting, with new tariff-centred trade investigations being launched on the one hand, and some of the US's most aggressive tariff threats (notably on China) being de-escalated on the other. As a result, the outlook for global trade remains highly uncertain.

### The threatened August 1st reciprocal tariffs would push the effective rate above Smoot-Hawley levels

US weighted average tariff rate (WATR); %

— Actual — February and March tariffs\* — April 2nd tariffs — April 9th pause — April 11th electronics exemptions — May 12th Geneva pause† — May 30th 50% metals tariffs — August 1st threat‡



Source: White House; USITC; US Census Bureau; EIU.

\*Includes February and March tariffs on China, steel and aluminium tariffs, and non-USMCA Mexico and Canada tariffs.

†Includes April 29th "non-stacking" executive order and May 8th UK-US interim agreement.

‡Does not include copper or pharma tariffs.

Note. Horizontal axis extended to show change in 2025 tariff rates.

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We forecast that the US's "core" import tariffs will remain in place for the foreseeable future. These include the 10% "blanket tariff", which was a campaign pledge of Mr Trump, and was justified under IEEPA. They also include sector-specific tariffs on products like automobiles and auto parts (despite recent exemptions), aluminium and steel that are seen as relevant to national security. The administration has also threatened higher duties on imports like copper (50% rate, scheduled for August 1st), pharmaceuticals and semiconductors, among other goods. Although the Trump administration faces legal challenges to the president's tariff agenda, the US federal appeals process has allowed these duties to remain in place until a decision is made; a final ruling is not expected until later in the third quarter.

US tariff tracker: July 2025

US trade action	Tariff rate	Effective date	Status	What next?
Country tariffs (IEEPA basis)				
Fentanyl/border: Canada	25%	March 4th	Applied, with USMCA exemptions; rises to 35% on August 1st	Invalidated by May 28th court ruling, but under appeal
Fentanyl/border: Mexico	25%	March 4th	Applied, with USMCA exemptions; rises to 30% on August 1st	Invalidated by May 28th court ruling, but under appeal
Fentanyl/border: China	20%	February 3rd-March 4th	Applied in full	Invalidated by May 28th court ruling, but under appeal
Blanket: rest of world*	10%	April 5th	Applied in full	Invalidated by May 28th court ruling, but under appeal
Reciprocal: rest of world*	10-115%	April 9th	On pause until August 1st for rest of world, August 13th for China	On pause; May 28th court ruling under appeal
End of de-minimis rule: China/Hong Kong	54% or US\$200 flat fee	May 2nd	Lowered from 120% until August 13th; phases out globally in 2027	Invalidated by May 28th court ruling, but under appeal
Sectoral tariffs (Section 232 basis)				
Aluminium and steel	50%	March 12th; raised from 25% on June 4th	Applied, with UK carve-outs	More carve-outs likely
Automotive (finished vehicles)	25%	April 3rd	Applied, with Japan/UK carve-outs	More carve-outs likely
Automotive (auto parts)	25%	May 3rd	Applied, with offsets for vehicles assembled in the US	More carve-outs likely
Copper	50%	August 1st	Application expected August 1st	Some carve-outs possible
Sectors at risk (Section 232 basis)				
Pharmaceuticals	Up to 200%	Investigation launched April 1st		Selective tariffs possible in Q3 2025
Semiconductors, chipmaking equipment and derivative electronics		Investigation launched April 1st		Selective tariffs possible in Q3 2025
Lumber		Investigation launched March 1st		Tariffs possible
Critical minerals		Investigation launched April 15th		Tariffs possible
Medium- and heavy-duty trucks		Investigation launched April 23rd		Tariffs possible
Aircraft, jet engines and parts		Section 232 investigation launched July 1st		Tariffs possible
Polysilicon and derivatives		Investigation launched July 1st		Tariffs possible

Additional 1 rows not shown.  
Source: EIU.

\*Blanket and reciprocal "rest of world" tariffs do not include Canada and Mexico, which face their own tariff rates.  
Note. Non-exhaustive list of major US trade actions as at July 23rd 2025.  
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We assume that the 90-day pause on market-specific “reciprocal tariffs” will be extended for most countries past their new “snap-back” deadline of August 1st. The Trump administration will want to avoid sparking a similar round of financial market turbulence that accompanied the initial US tariff announcement in early April. As part of this, we continue to assume US appetite for similar tariff “ceasefires” with other US trade partners. There are significant downside risks to this forecast, particularly if the US feels that its trade partners are dragging their feet in negotiations. We expect that a handful of countries—mindful of how the UK, China and Vietnam rushed to strike agreements—will move quickly to try and finalise deals before the August 1st deadline.

Even so, the risk of tariff escalation on August 1st against some specific markets—including Canada, the EU, Japan, Mexico and South Korea—has risen markedly. It is likely that Mr Trump will impose temporary duties against these countries to force stronger concessions. These developments could mirror the “stop, start” trajectory of US trade actions against China, whereby higher tariffs were put in place for several weeks before ultimately being rescinded as part of a “ceasefire” arrangement. Such outcomes would nevertheless cause significant disruption to regional trade patterns and investment, particularly as companies in targeted economies scramble to find alternative shipping routes to retain their access to the US market.

## The newly threatened tariffs are similar to the original rates

"Reciprocal tariff" rates scheduled for adoption on August 1st

Country	Original reciprocal tariff	▼ August 1st rate
Laos	48	40
Myanmar	44	40
Cambodia	49	36
Thailand	36	36
Bangladesh	37	35
Canada	25	35
Serbia	37	35
Indonesia	32	32
Bosnia and Hercegovina	35	30
EU	20	30
Mexico	25	30
South Africa	30	30
Japan	24	25
Kazakhstan	27	25
Malaysia	24	25
South Korea	25	25
Tunisia	28	25

Source: White House; EIU.

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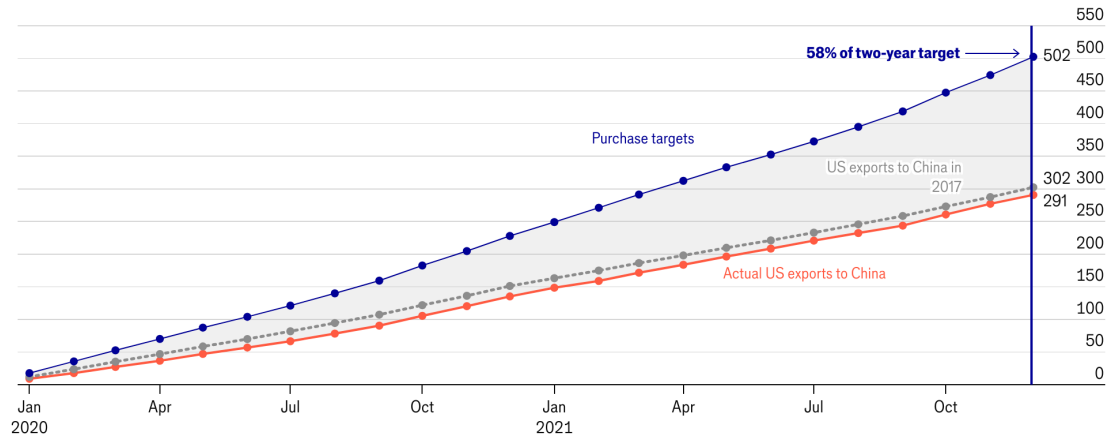
**China will remain the explicit and implicit target of Mr Trump's trade policy, including in relation to tariff agreements struck between the US and other countries.** The deals with the UK and Vietnam both touch on those countries' economic relationships with China, including in the context of investment and supply chains (UK) as well as the US's anxieties around illegal transshipments (Vietnam). These themes will probably guide how future tariff ceasefires materialise, and will form a part of the US's wider economic and diplomatic pressure campaigns against China.

**Given these factors, we retain a pessimistic view of the conclusion of a new US-China trade deal.** US tariff rates on China remain much higher than they were before Mr Trump's second term, despite the ceasefire struck in May. Our forecasts do not expect any further reductions in bilateral duty rates this year. This backdrop will continue to encourage activities around transshipments, supply-chain rerouting and illicit trade activities (including under-invoicing or mislabelling goods) as companies try to avoid or lessen the impact of US duties. In any case, existing US tariff rates on China, which we estimate at 42%, will remain prohibitive for many firms sourcing goods from that market.

Even as trade discussions—and potentially the further extension of the current tariff ceasefire—continue in the remainder of 2025, **we consider a conclusion of a "grand deal" between the two sides unlikely.** Tensions over US technology controls, alongside China's potential weaponisation of its global dominance in rare earth supply chains, will remain flashpoints in the bilateral trade relationship. Although members of the Trump administration have discussed an arrangement looking at implementing Mr Trump's (failed) first-phase trade deal with China, or a currency framework reminiscent of the Plaza Accord in the 1980s, we do not consider either avenue realistic. Even if such an agreement were to materialise, compliance challenges would preserve the risk of renewed tariff hostilities, given our pessimistic assumptions about China's economic reform trajectory (which will continue to drive US frustrations over Chinese policies like state subsidies, unfair treatment of foreign firms and market-distorting measures).

## China's purchases under the US-China first-phase trade deal fell short

US exports to China of goods and services covered by the deal; US\$ bn terms



Source: Chad P Bown, Peterson Institute for International Economics.

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## Global trade will slow later in 2025

The US economy remains heavily reliant on imported commodities, particularly from Canada, China and Mexico—the three worst-hit nations in Mr Trump’s trade war. **Ongoing tariff uncertainty will erode consumer and business spending.** Softer US economic activity carries negative consequences for global trade growth, given the importance of US demand to many markets. This will have particularly severe implications for Asia, which is most exposed to Mr Trump’s reciprocal tariffs when benchmarked against other regions.

**Despite this uncertainty, we still expect that global trade remained relatively stable in the first half of 2025, and estimate that it may have even accelerated.** Several extensions of the US’s reciprocal tariffs pause have encouraged a strong wave of front-loading by US importers, who are rushing to place orders to bring as much inventory onshore before new tariffs kick in. This has lifted export-oriented production for many countries, particularly in Asia.

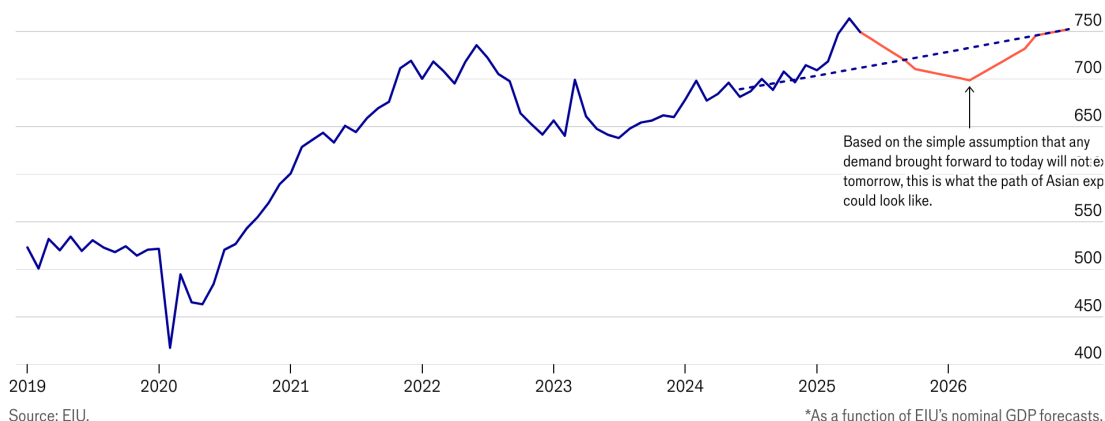
**The reverse of these front-loading trends will become more pronounced from the second half of 2025, regardless of what happens with US “reciprocal” tariffs.** Asian export levels, for instance, have climbed well above trend for most of this year; these values will eventually fall back again as climbing levels of inventory eventually cap new import demand. The mismatch between inventory drawdown and the replenishment of new stock—with companies having ordered goods faster than they can sell them—will be a depressive factor that will probably persists into early 2026. We expect these dynamics to mirror the correction in global trade in 2023, when high levels of inventory (amassed in response to pandemic-era supply-chain disruptions) also constrained trade growth despite relatively strong global economic performance that year.



## There will be payback for front-loading

Asia merchandise exports; US\$ bn

— History — Trend\* — Potential path



Source: EIU.

\*As a function of EIU's nominal GDP forecasts.

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**There are some mild upside risks to our demand forecasts.** The extension of reciprocal tariff snap-back could spark another wave of front-loading amid persistent anxieties around Mr Trump's tariff plans (although the intensity of these "waves" would probably recede, particularly if companies begin to doubt Mr Trump's commitment to higher duties). Staggered tariff timelines will reduce the intensity of one-off shocks to trade flows, allowing companies to implement new sourcing and supply-chain strategies. The continued development of artificial intelligence (AI) will drive demand for advanced electronics and related intermediate components, preserving the upswing in the global electronics cycle and keeping a floor under export growth in some markets (such as Taiwan), even as global demand corrects.

## Supply-chain moves are partly on hold

**Mr Trump's tariff threats will not significantly prompt the repatriation of international supply chains to the US.** Even though higher import tariffs will encourage some onshoring in US production, this will be realised only slowly, given higher material and input costs (many of which are sourced from overseas). Moreover, the start-stop threat of tariffs as a negotiating tool—rather than a permanent bedrock of economic policy—will also discourage the long-term repatriation of US investment. At the very least, companies will remain in "wait and see mode" as uncertainty continues to cloud the outlook.

**Even so, US-China tensions are driving an ongoing restructuring of international supply chains into emerging markets across Asia, Latin America and eastern Europe.** These trends will continue over 2025-29, and will cement these regions as more important drivers of global trade activity. We expect emerging markets to benefit the most from supply-chain diversification, including by Chinese firms, despite uncertainty tied to Mr Trump's global tariff threats.

**Mr Trump's tariff focus on Asia has dulled the shine of South-east Asia in capturing investment tied to "China plus one" strategies.** Carve-outs in the US-Vietnam tariff deal, whereby higher US duties will apply to Chinese transshipments, will force regional governments to increase their scrutiny over local supply chains—as well as inbound Chinese investment. This focus on closing "back doors" to the US market will have a chilling effect on foreign direct investment (FDI) destined for the region, given that much of these capital flows were part of supply-chain diversification plans (from China) to ensure continued access to the US market. FDI may instead be increasingly channelled to Latin America, which faces lower reciprocal tariff rates than most Asian markets, although current global uncertainty suggests that these trends will not begin to materialise until late 2025 at the earliest.

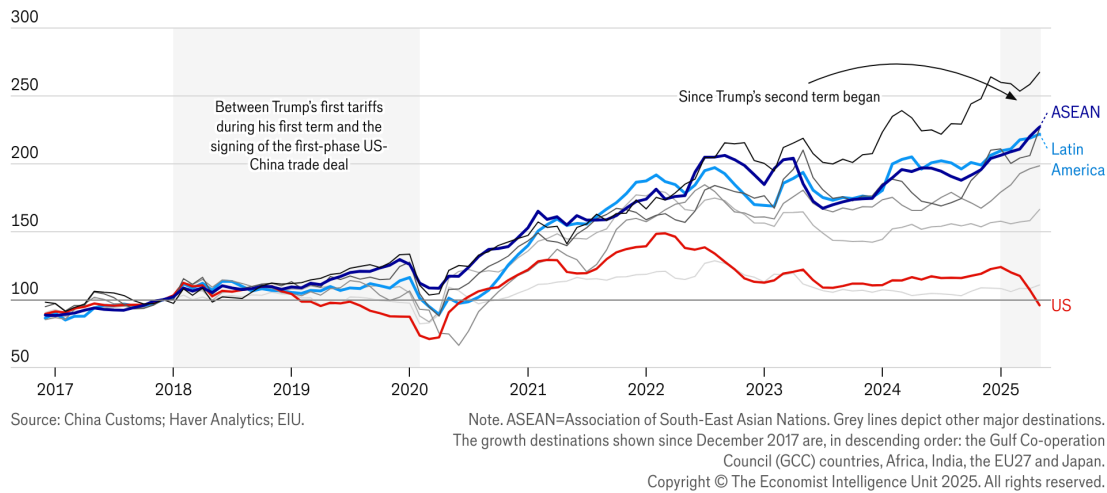
**The pursuit of "China plus" strategies will nevertheless continue over the remainder of the 2020s, and is unlikely to affect China's role as a global manufacturing hub.** Strong Chinese government support for local production, as well as the country's sophisticated industrial clusters, wide talent availability and low input costs, will keep the country competitive in global value chains. China will also remain an important source of important intermediate inputs across many different industries, preserving its critical role in global value



chains. Despite worsening global protectionism, we expect global supply chains to elongate, rather than break apart, with Chinese-manufactured goods increasingly finding their way into Western markets via third markets across the emerging world.

### "Connector" geographies are among the fastest-growing destinations for Chinese exports

Chinese exports by destination in US\$ terms; seasonally adjusted; 3-month rolling av  
Dec 2017=100



### Keeping an eye on future trade tensions

**Lost US market access by Chinese exporters will cause global trade frictions to multiply.** The structural slowdown in Chinese growth over the remainder of the 2020s—particularly as the economy reduces its reliance on the property sector—will act as a persistent constraint on Chinese demand. This will increasingly force Chinese companies to find markets abroad to survive. These factors will increasingly put the EU-China relationship in focus, given growing anxiety among EU policymakers around the risks of a flood of Chinese goods into European markets.

**We consequently expect EU-China trade tensions to re-emerge as a major flash point by late 2025, given the likelihood of Chinese goods flooding into European markets.** Based on takeaways developed under our [Archimedean Trade Index](#)—so named as to capture the idea of trade displacement—we expect that the most exposed European sectors include textiles, toys and electronics, but also furniture, luggage and several categories of higher-end goods. These dynamics will eventually force the deployment of European trade defence measures against a wide range of Chinese-manufactured products.

## For the EU, which products will Chinese imports have the strongest impact?

Product categories in which the EU's imports from China exceed US\$500m;  
ranked by impact score based on EIU's evaluation model

	Key product categories	EIU's Archimedean Trade Index	Pillar 1: Competition factor score	Pillar 2: Dependence factor score	Pillar 3: Commonality factor score	EU imports from China (US\$ bn; 2023)	ISIC3 Code
1	Made-up textile articles, except apparel	62	50.1	58.8	80.8	6.1	1721
2	Certain products of wood; articles of cork, straw and plaiting materials	59.9	60.6	53.4	66.3	1.8	2029
3	Games and toys	58.1	26.7	74.4	98.8	12	3694
4	Sports goods	56.5	42.7	51.3	82.5	3.4	3693
5	Office, accounting and computing machinery	56.1	37.1	73.4	64.8	43.8	3000
6	Smartphones and other telecommunications equipment	51.7	29.7	72.3	64.2	53.7	3220
7	Knitted and crocheted fabrics and articles	50.2	75.0	50.1	33.7	6.6	1730
8	Electric lamps and lighting equipment	48.9	53.1	45.6	48.2	8.3	3150
9	Footwear	48.2	61.9	47.3	38.1	11.4	1920
10	Monitors, projectors, ratio and other audio-visual equipment	48.1	53.6	50.8	40.9	21.1	3230
11	Furniture	46.7	47.0	30.8	70.7	11	3610
12	Wearing apparel, except fur apparel	46.1	77.1	47.5	26.8	26.8	1810
13	Printing	45	55.4	33.5	48.9	0.5	2221
14	Books, brochures, musical books and other publications	44.7	42.8	35.1	59.2	0.6	2211
15	Luggage, handbags and the like, saddlery and harness	44.4	81.4	37.3	28.9	8	1912
16	Motor vehicles chassis and coachwork, including trailers and semi-trailers	44	48.5	25.4	69.4	1.3	3420
17	Musical instruments	43.8	54.7	37.0	41.5	0.5	3692
18	Cutlery, hand tools and general hardware	42.8	49.2	31.4	50.6	7.5	2893
19	Accumulators, primary cells and primary batteries	41.5	33.0	55.8	38.8	32	3140
20	Other articles of paper and paperboard	39.4	28.5	28.6	75.5	1.1	2109

Additional 47 rows not shown.

Source: CEPII; EU; EIU.

Note. Miscellaneous categories are omitted.

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The most visible of these tensions will centre on Chinese EVs, on which the EU placed tariffs in late 2024, although separate investigations into sectors like medical devices, rolling stock and wind turbines are also under way. Batteries and pharmaceuticals are also poised to become new areas of concern, and the extension of EU trade defence tools against third markets—such as those in South-east Asia—will be a growing risk as policymakers draw attention to the overseas manufacturing footprint of Chinese companies (who are going overseas partially to avoid Western trade restrictions). In any case, bilateral trade frictions will keep China and the EU at arm's length from each other, precluding any potential united front to respond to worsening US tariff aggression.

# Commodity prices

[World](#) | [Commodity](#) | [Industrial commodities](#) | [Agriculture](#) | [Energy commodities](#) | [Critical minerals](#)

July 17th 2025

## Commodity price forecasts

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Oil prices (US\$/barrel)</b>										
Brent	42.3	70.4	99.8	82.6	80.7	70.1	66.7	67.1	65.0	62.3
<b>Non-oil commodities (%)</b>										
Food, feedstuffs & beverages	7.8	36.1	22.2	-17.0	-2.9	4.3	-10.1	-1.5	1.7	1.5
Beverages	6.4	19.3	16.3	-3.8	51.2	19.3	-23.7	-15.4	-1.2	-1.7
Grains	6.8	38.5	29.9	-21.5	-21.5	-2.9	3.4	6.0	2.0	2.4
Oilseeds	11.2	43.9	15.3	-20.8	-8.5	-0.3	-11.1	3.2	4.4	3.2
Sugar	1.1	37.6	4.7	26.6	-13.1	-15.1	-0.1	-1.7	-1.0	-0.5
Industrial raw materials	-3.2	40.4	4.5	-12.1	6.0	1.7	4.5	5.5	6.4	4.2
Metals	-2.4	48.4	2.7	-11.4	6.3	2.8	6.1	5.8	7.0	4.8
Fibres	-5.2	18.9	15.6	-16.6	-4.3	-3.4	2.8	4.5	4.7	2.4
Rubber	-5.2	25.5	-2.5	-7.1	28.4	1.3	-5.2	4.2	4.2	2.1

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## Overview

- The outlook for commodities prices, especially hydrocarbons, has become increasingly uncertain, owing to the [trade war](#) launched by Mr Trump and now the escalating conflict in the Middle East.
- Crude oil prices will remain elevated owing to the threat posed by military conflict between Israel and Iran; the impact of higher US tariffs on global demand and rising OPEC+ production threaten to push down prices, but falling US oil production from 2026 will put a floor under prices.
- US trade policy will keep a lid on prices for most base and ferrous metals in the short run, but these will trend upwards, particularly from 2026, driven mostly by the green transition and a related recovery in global construction activity tied to the ongoing electrification drive (higher US tariffs will drive up prices there).
- We expect prices for agricultural commodities to remain on a broad downward trend in 2025-26, but beverage prices will remain higher for longer after recently hitting all-time highs.

## Turmoil on oil markets settles after US strike on Iran

Tensions over Iran's nuclear programme have long been an upside risk to our oil price forecasts, which remain higher than before the conflict between Iran and Israel flared up in June. Israel's attack on Iran's nuclear and security infrastructure on June 13th marked a significant escalation of the 21-month conflict that has pitted Israel against Hamas, Hizbullah and Iran. In the wake of the US's bombing of Iran's nuclear facilities on June 22nd, oil traders seem to be betting that the conflict will not threaten oil supplies in the Persian Gulf, affect shipping through the Strait of Hormuz, nor spread to other countries in the region—a view that is in line with our [current baseline forecast for the conflict](#). However, prices remain higher than they were in the run-up to Israel's attack, owing to the still-significant risk of escalation and the risks posed to supplies and shipping. We expect oil prices to stay elevated as the conflict plays out, with dated Brent Blend averaging US\$68.4/b in the second half of the year.

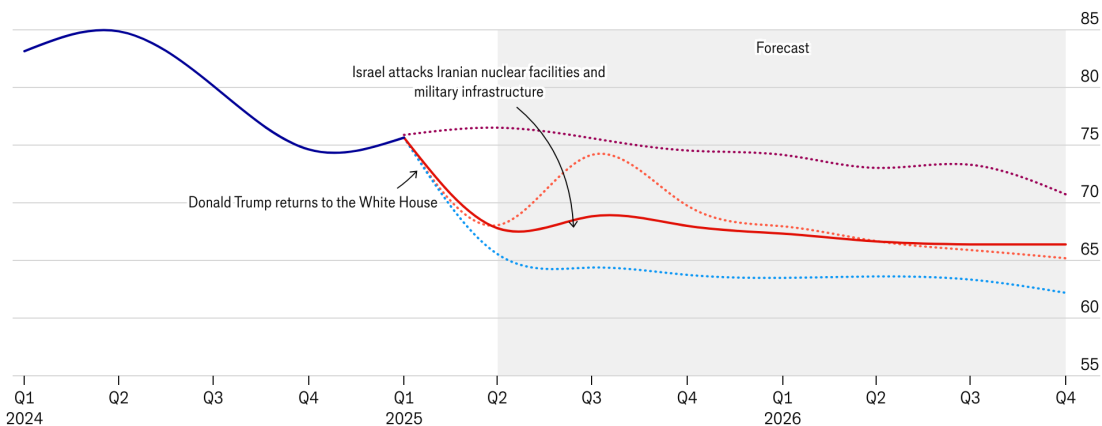
**We currently expect oil prices to start easing again in the second half of the year, assuming that the fragile ceasefire holds.** Oil price risks are weighted to the downside. Mr Trump's trade policies will tip the US

economy into a mild recession and hit growth in China, with implications for global oil demand. OPEC+ measures to slowly roll back previous voluntary cuts by a core group of producers will add to downward pressure on prices. That said, OECD commercial oil stocks on land have continued to fall in 2025, with inventories falling below the average for 2015-19. We estimate that the market is currently in deficit, and expect it to remain so until later in 2025. We expect prices to average US\$70.1/b in 2025, down from our previous forecast of US\$72.2/b.

### EIU's Brent price forecast has eased back from July spike, but remains higher than it was before the 12-day war

Dated Brent Blend; US\$/barrel

— Actual — February forecast — June forecast — July forecast (pre-US strikes) — August forecast



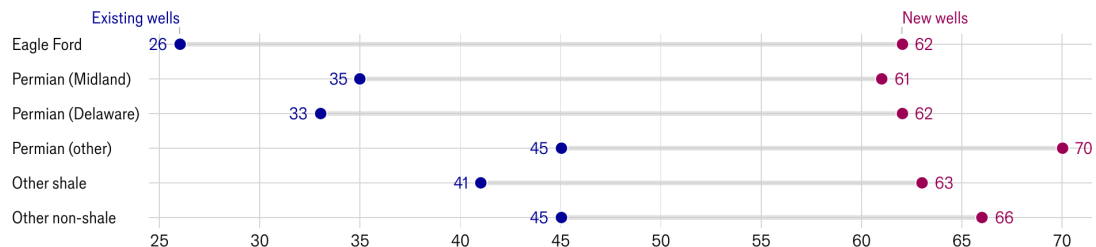
Source: World Bank; EIU.

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**A number of factors will keep the market tight in 2026 and beyond, with prices to find a floor above US\$60/b for dated Brent Blend.** We expect OPEC+ to exert caution in raising production. We also expect US output to start declining on an annual basis from 2026, when the price for West Texas Intermediate (WTI) will average below the level (US\$64/b) needed to profitably drill a new well, according to a March survey by the Federal Reserve Bank of Dallas. The breakeven price has probably increased significantly since that survey, as the Trump administration's trade policies are further adding to the costs of drilling. Fracking activity, as measured by the frac spread count, was down by over one-quarter year on year in early July. Associated uncertainty surrounding on-again, off-again tariffs will further weigh on drilling activity, not just in the US but in other non-OPEC producing countries, especially in Canada. With oil demand growth in the developing world (ex-China) remaining strong and production growth unlikely to meet market expectations, prices are likely to trade between about US\$62/b and US\$68/b in 2027-29.

### US producers unlikely to drill new wells as WTI prices look set to fall below US\$64/barrel from 2026

Breakeven prices in the US, West Texas Intermediate; US\$/b



Source: Dallas Fed Energy Survey First Quarter 2025, Federal Reserve Bank of Dallas; EIU.

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### Gas prices will moderate but remain elevated

**We expect European natural gas prices to ease in 2025-26, reflecting subdued economic growth and increased supply of liquefied natural gas (LNG).** The escalation of the conflict in the Middle East did cause prices to spike in June, but they have since reverted back to levels recorded just before Israel launched its attack on Iran. As long as the ceasefire holds, US tariff policy will have the bigger impact on natural gas markets. However, these effects are likely to be mitigated by trade agreements struck during a 90-day pause announced

in April. These have included a deal allowing the resumption of US ethane exports to China, and agreements on lower tariffs proposed for several other Asian countries. The EU has been pressing for concessions from Mr Trump on tariffs in return for a commitment to import more LNG from the US. The gap between European and US prices will narrow as increased demand from LNG exporters push up the US Henry Hub benchmark. We forecast that European prices will fall in 2026 in response to the increase in global LNG capacity, but they will remain high by historical standards, which will constrain any recovery in industrial demand. European gas prices will be heavily influenced in 2026 by the course of negotiations on a political settlement of the war between Russia and Ukraine. A peace deal could lead to a resumption of sales of Russian gas delivered by pipeline to the European market. This would drive down prices in Europe and Asia, as LNG would be diverted to Asia from Europe.

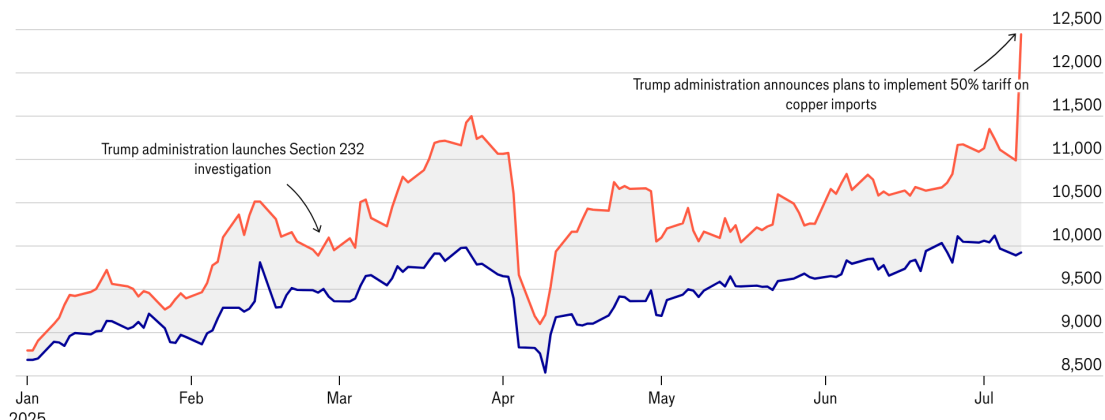
### Tariffs will limit price gains in metals

Prices of industrial raw materials (IRM) will rise further in 2025-26, but increases are now likely to be much more muted (particularly in 2025) owing to the effects of US trade policy. Prices for all base metals fell sharply in early April owing to concerns about the impact of higher US tariffs on global growth. Prices have bounced back since May—particularly aluminium and copper—as the Trump administration negotiates bilateral trade deals and agrees pauses in tariff implementation. Aluminium has been one of the hardest hit of the base metals, with the Trump administration having extended existing 25% tariffs on aluminium and steel to all countries and recently doubling the tariff to 50%. Easing tensions in the Middle East, a new trade agreement between the US and Vietnam, expectations of a US rate cut have all bolstered market sentiment for aluminium. On July 8th Mr Trump announced plans to impose a 50% tariff on copper imports, which has sent US copper prices to record highs and widened spreads with the LME benchmark. US imports of copper have surged as firms line up supplies and traders take advantage of higher US prices to earn record returns.

#### US trade policy is wreaking havoc with copper prices

High grade copper; US\$/tonne

— London Metal Exchange — Chicago Mercantile Exchange



Source: CME; LME; EIU.

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Climate change and technology advancements, particularly relating to the decarbonisation agenda, will sustain strong demand for aluminium, copper and nickel in the longer term. At the same time factors such as resource nationalism and stricter environmental laws will limit the pace of mine supply growth, which will cause copper prices to continue rising. Copper consumption will remain supported by green energy investments and infrastructure upgrades. Conversely, nickel prices will be constrained until 2026, owing to rising stocks of class 1 nickel in LME warehouses as various Chinese smelter projects, supplied by Indonesian feed stock, have improved availability. Subdued construction activity in China and Indonesia's rapidly expanding nickel production capacity will further constrain price increases in the short run. The tariff war initiated by Mr Trump, particularly targeting imports from China, has the potential to disrupt nickel trade flows. Higher US tariffs may encourage China to secure more Indonesian nickel, tightening supplies elsewhere and potentially pushing global prices higher in the medium term. Similar pressures are already having an impact on copper, given the importance of US scrap copper to supply chains in China and the rest of Asia.

**The green transition will raise demand for critical minerals like cobalt, graphite and lithium.** Demand for certain base metals, critical minerals and rare earths used in clean energy technology—notably copper, nickel, zinc, cobalt, lithium, graphite and silicon—will increase twofold, and in some cases up to fivefold, by 2030, according to the International Energy Agency (IEA). Recent demand has not lived up to these expectations, however, with prices for many critical minerals and rare earths falling to all-time lows and likely to remain depressed until at least 2026.

**Easing beverage costs will lower agriculture prices**

**We forecast that the food, feedstuffs and beverages (FFB) index will continue easing in 2025-26 after hitting a two-year peak in the first quarter of 2025.** After the spike in coffee and cocoa futures to record highs due primarily to poor weather conditions in 2024, prices of beverages are expected to begin trending downwards significantly in the second half of 2025, before falling sharply. We expect prices for palm oil to continue falling until the end of 2026, albeit at a tempered rate owing to widening discounts to other vegetable oils. We forecast small market surpluses in the 2024/25 and 2025/26 seasons, as well as a significant global surplus of sugar in 2024/25 and an increase in Indian sugar exports. This will prevent a return to the price highs recorded in 2024, but prices are set to remain elevated by historical comparison. The lifting of India’s ban on exports of non-basmati rice in October caused rice prices to plummet in late 2024 and early 2025, and we expect them to continue edging downwards. However, the impact of La Niña in early 2025 means that prices for grains (except rice) are likely to stabilise at or near current levels for most of 2025-26.

**We do not expect food security to be a major cause for concern, except in areas that perpetually struggle with this issue, particularly in the Middle East and Africa.** Ukraine continues to export grains and oilseeds via alternative road and rail routes across the country’s western borders, and has successfully established a shipping corridor through the Black Sea. The recent La Niña will dent yields in the US Corn Belt, and excessive rainfall and flooding could damage crops. Additionally, the Trump administration’s almost complete freeze on US humanitarian aid disbursements and a parallel effort to dismantle the US Agency for International Development (USAID) threatens food programmes in the developing world.

**US-China military conflict in Asia leads to economic and supply-chain shockwaves**

World | Political stability risk

July 15th 2025

**Security risk scenario**

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
10	Low	Very high

**Context**

There will be periods of heightened tensions related to developments in domestic and international politics. China holds frequent military exercises around Taiwan, and continues to enhance capacities and increase operations of its navy, armed coast guard and airforce drills in the region. It also lays claim to territory in the South China Sea—notably the Philippines—that is disputed by some countries in the region, and is increasing economic and military activities there.

**Trigger**

There is a risk of a miscalculation spiralling into a wider confrontation, given frequent Chinese military exercises around Taiwan, territorial disputes and the deployment of coast guard and navy vessels in the region.



The Trump administration's shift towards a more transactional and unilateral approach towards the US alliance system has added another layer of uncertainty. In his second presidency Mr Trump has been quite adamant to reduce US military support and assistance in Europe. However, the strategic pivot towards the Indo-Pacific region, if that remains his administration's position, still leaves much room for ambiguity. This has created doubts among US allies and adversaries alike over the US's commitment to the security of treaty allies or strategic positions in the region. Inadvertently, this confusion and uncertainty could embolden China to become more assertive in its projection of military power in the region, raising the risk of clashes. China's potential attempt to impose an economic blockade on Taiwan represents another potential trigger for a wider regional conflict, particularly if freedom-of-navigation operations by third-party countries, including the US and Australia, across the Taiwan Strait lead to maritime confrontations with the Chinese navy and casualties on either side.

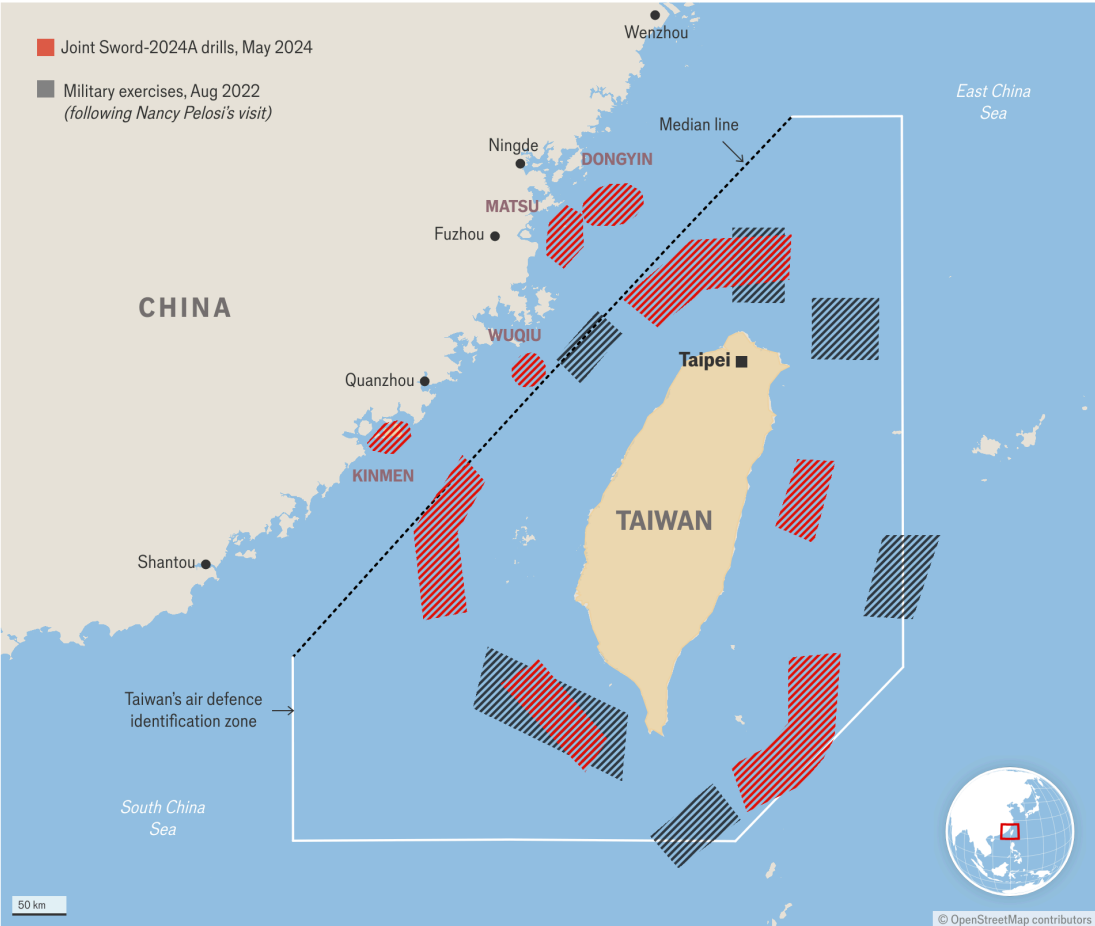
## Impact

Assuming US intervention on behalf of its defence treaty allies (such as the Philippines) or Taiwan (given a strong strategic interest), a US-China military conflict in Asia would be devastating for the region's export-oriented economies, and would severely disrupt global supply chains of goods ranging from high-end microchips to mass consumer goods. Military confrontation across the Taiwan Strait will be particularly disruptive for high-tech industries given the global reliance on the island's cutting-edge semiconductor sector and its position on regional shipping routes. Other than US military involvement, differing forms of support could also come from US regional allies such as Australia, South Korea and Japan, and prompt the EU and other US-aligned governments to impose trade and investment restrictions on China. North Korea and Russia could choose to support China, presenting a low but non-negligible risk of nuclear escalation. Third markets (and companies) elsewhere would be forced to "choose sides" between China and Western economies.

## Mitigation

Companies should monitor China's grey-zone tactics in the Taiwan Strait and South China Sea, particularly with regard to unilateral moves to shift existing administrative or legal frameworks in its favour, as they signal a more aggressive approach in those regions. Any Chinese offensive towards Taiwan would probably be signalled through military build-up in Chinese regions near the island, as well as changing rhetoric in domestic media (such as in response to political developments in Taiwan). Firms should also watch the Chinese coast guard's activities in disputed maritime areas, as these could lead to unintended conflicts and escalation. A conflict in East Asia would severely disrupt supply chains and corporate operations, but this could be mitigated by pre-emptive diversification of production and staffing bases to geographies that are less likely to be drawn into the conflict, as well as stockpiling.

China's "Joint Sword-2024A" exercises around Taiwan



Source: CCTV; PLATracker; EIU.

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Cyber-attack successfully damages critical infrastructure, temporarily crippling a major economy

World | Security risk

July 15th 2025

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
9	Moderate	Moderate

Context

Given the substantially higher costs of direct military conflict and the difficulty in identifying perpetrators of cyber-attacks, cyber-warfare—particularly when it targets communications, energy, transport and logistics infrastructure or public services—will be increasingly adopted by non-state actors seeking asymmetric advantages, with the aim of creating mass confusion and chaos, and will reduce public confidence in governments of targeted countries. These tactics could also be deployed by states as part of a broader military campaign.



Trigger

A complete diplomatic breakdown between states could lead to an escalating string of tit-for-tat cyber-attacks targeting software that controls state infrastructure. A host of geopolitical flashpoints (including the Russia-Ukraine war, the Israel-Hamas war and US-China tensions) have increased the likelihood of a major state-on-state cyber-attack.

Impact

Countries that are engaged in military operations or provide military assistance overseas are also vulnerable to cyber-attacks by terrorist groups. Cloud-based systems, which are becoming increasingly attractive as a cost-saving alternative for businesses and governments, present vulnerable targets for would-be hackers. Digitalisation of national electricity grids and the integration of solar and wind power generated electricity into existing grid networks, particularly in Europe, have also augmented their vulnerability to cyber-attacks and system failure, which could lead to a sub-national or even national breakdown of economic and social activity. A mass cyber-attack on urban communications and transport systems could severely disrupt social and economic activities in the short term, causing temporary panic and disorder. Meanwhile, cyber-attacks targeting the financial sector could lead to increased market volatility and disruption to inter-bank settlements, and undermine the general functioning of the financial system.

Mitigation

Companies should prepare offline communication and operation strategies for their employees as part of contingency planning scenarios in the event of mass cyber-attacks targeting wider financial, energy, transport and communications systems. They should also be aware of adjacent risks tied to corporate espionage, phishing and ransomware attacks aimed at extracting trade secrets, business intelligence or payment. Companies involved with developing or maintaining infrastructure should pay special attention to their own IT security, implement robust contingency planning and monitor government initiatives.

Israel-Iran conflict escalates into a regional war or a nuclear arms race

World | Political stability risk

July 15th 2025

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
9	Moderate	Moderate

Context

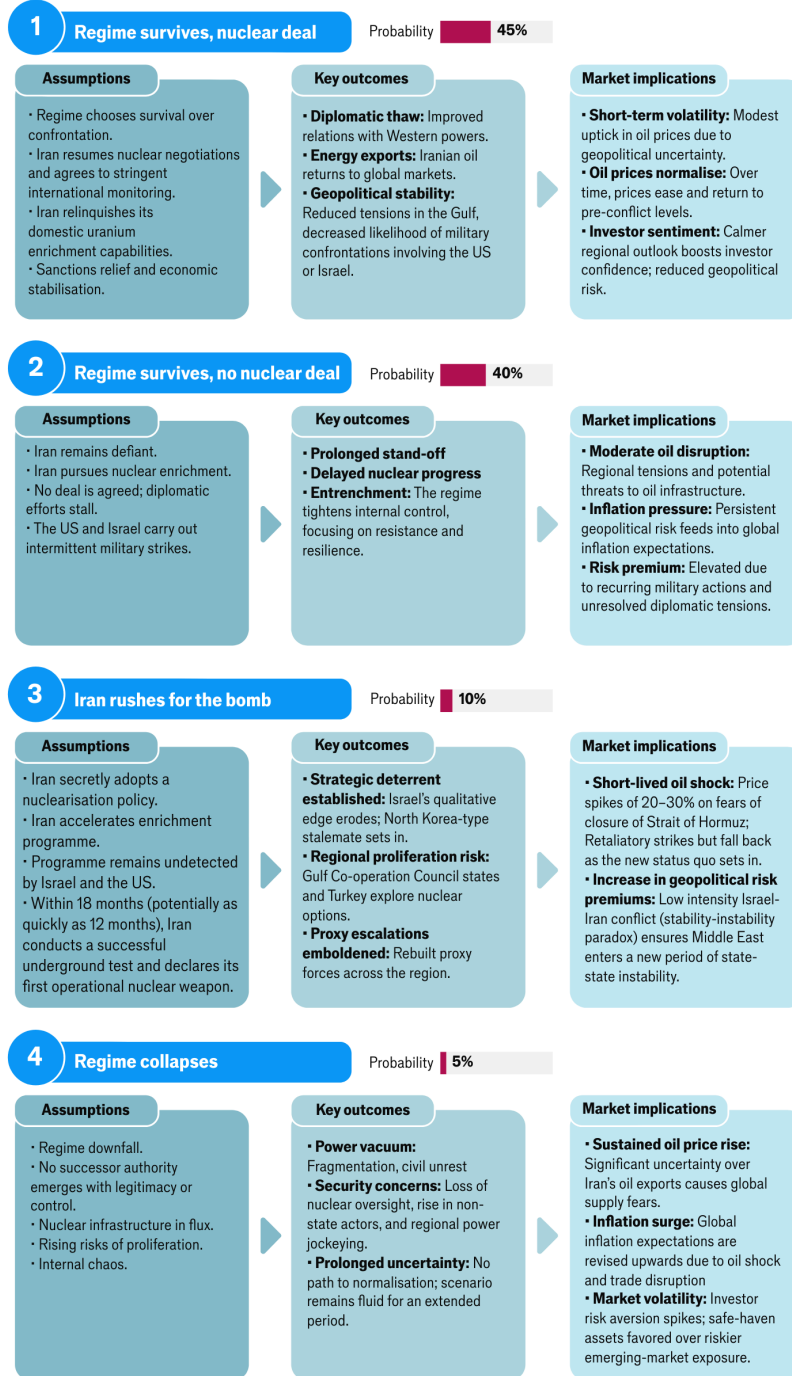
A fragile ceasefire agreement was reached between Israel and Iran in late June, after the two sides exchanged attacks following Israel and US air strikes on Iranian nuclear and military assets. EIU’s core view is that the Iranian regime, at least initially, will opt for survival through negotiations, and tensions will ease regionally, reducing the risk of further conflict involving the US.

Trigger

With developments on the ground complicated and fluid, there are multiple ways in which the Israel-Iran conflict could re-escalate into a broad regional war or trigger a regional nuclear arms race. If Iran refuses to re-engage fully in nuclear negotiations and continues its enrichment activities, the US and Israel will not hesitate

to launch targeted military operations to delay progress on Iran's nuclear programme, rekindling a forceful and wide-ranging Iranian retaliation and a multilateral conflicts. A more concerning, yet less likely scenario is that Iran fully embarks on an accelerated path to nuclear weaponisation, and successfully tests a nuclear device and announces its status as a nuclear weapons state within 18 months.

### Post Israel-Iran war: the road ahead



Source: EIU.

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### Impact

A regional war involving all major powers in the Middle East would generate major spillover implications for the global economy. Maritime shipping routes, notably between Asia and Europe, would be disrupted even more significantly than they already have been. Disruption to oil production and shipping from the Middle East would cause an immediate surge in international oil prices, making it harder for central banks to tame inflation and aggravating cost-of-living pressures across the world, particularly for oil-importing emerging economies. If

Iran successfully blocks the Strait of Hormuz for a sustained period, through which around a third of global crude oil trade passes, oil prices could temporarily exceed US\$100/barrel (up from about US\$70/b currently); however, they would be unlikely to stay at that level for long. Global demand for energy has been weakened by intensifying trade conflicts and a resulting economic slowdown. The OPEC countries have sufficient idle capacity to increase production to stabilise prices. Moreover, crude oil has taken a less important role in the global energy mix, with renewable energy sources increasingly capable of alleviating temporary supply shocks.

If Iran successfully obtains nuclear weapons, Gulf Co-operation Council (GCC) states and Turkey may pursue their own nuclear capabilities or deepen security alliances, heightening proliferation risks. Simultaneously, emboldened by its newfound deterrent, Iran intensifies support for proxy forces across the region, fuelling asymmetric conflicts under the umbrella of nuclear protection. Oil prices under this scenario would initially surge by 20-30%, before subsequently retreating when a new balance of power sets in. However, the geopolitical risk premium would increase structurally owing to weakened stability in the Middle East.

Mitigation

Firms should monitor the situation of critical maritime routes in the Red Sea, the Gulf of Aden and the Persian Gulf closely, as broader hostilities would cause severe disruptions and even a temporary blockage. They should also prepare for an abrupt increase in shipping and insurance costs for global maritime transport. Docking and inventory costs could also surge as ports in affected regions become crowded by ships that are unable to depart. Diversifying energy supply outside the Middle East would be one option to mitigate geopolitical risk in that region.

NATO solidarity cracks, triggering a tectonic shift in defence and fiscal policy across the world

World | Macroeconomic risk

July 15th 2025

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
5	Very low	Very high

Context

The US's military presence and nuclear umbrella have underpinned NATO's deterrence against potential military threat since the foundation of the military bloc in 1949. However, under Mr Trump's second presidency, the US has emerged as a potential threat to NATO solidarity. The US's threatened withdrawal of military and intelligence support for Ukraine cast doubt among its European allies about its interest in the continent's security. Mr Trump's suggestion of making US military support dependent on the a NATO member state's level of defence spending raised further questions about the US's commitment to the mutual defence Article 5 of NATO's treaty. Moreover, Mr Trump's proclaimed interest in taking Greenland, an autonomous territory of a NATO member state, Denmark, under US control is another latent source of conflict within the bloc.

Trigger

There are several factors that risk badly damaging NATO's strength, solidarity and credibility as a military bloc, or even causing a breakdown of the organisation in its current form and scale. One hinges on the US's commitment to the mutual defence of all NATO member states. If Russia, sensing vulnerability in Europe's defence, extends its military operations beyond Ukraine to NATO member states such as the Baltic countries or Finland, and the US government refuses to deploy troops to their defence, this would represent a collapse of

the collective defence principle. In an unlikely scenario, if the US decides to take over Greenland by military force, it would effectively put an end to NATO.



There are other, less violent and dramatic scenarios that could end NATO in its current form. In particular, as part of a return to extreme US isolationism, these include the withdrawal of the US from the alliance, or a substantial decrease in US military presence in Europe, including stationed troops, air force deployment, air defence installations, ISR (intelligence, surveillance and reconnaissance) capabilities and nuclear protection. This would debilitate the defence capabilities of European NATO member states and cripple the military bloc's deterrence.

### Impact

A substantive crack in NATO solidarity caused by either a US withdrawal or refusal to honour the mutual defence commitment would mark a fundamental change in the global security landscape, as it would severely damage the trans-Atlantic security alliance. European countries, led by Germany, France and the UK, would have to drastically accelerate and expand existing military upgrading, enlargement and reorganisation plans, with the aim of rapidly establishing defence capacities independent of US support and co-operation. The US treaty allies in other parts of the world, including Japan, South Korea and Australia, would also become uncertain about the US commitment to their defence and feel compelled to raise defence spending, weapons procurement and development. This change in defence expenditure would in turn generate uneasiness among rival powers and could initiate a global arms race. In an extreme scenario, regional powers such as Japan, South Korea and Saudi Arabia could contemplate acquiring nuclear weapons of their own to deter nuclear-armed regional powers. The repercussions would not be confined to security policy, as a substantive change in fiscal

policy would be necessary to enable a large jump in public expenditure on defence and infrastructure upgrading. Many advanced economies in Europe and Asia, already burdened by demographic ageing and associated rising costs for healthcare and social care, would be pressed to reduce their state welfare system and increase their debt. Overall, this shift would result in a structural weakening in consumer spending, which would be partially offset by greater investment in infrastructure, manufacturing, and research and development.

Mitigation

In general, companies should base their procurement, production, recruitment and sales plans on the premise of a more fragmented global market and supply chains that are increasingly prone to disruptions caused by localised conflicts and economic warfare. They are also advised to watch the US government’s rhetoric and policy changes regarding trade and defence policies of its ally countries in Europe and Asia to gauge the strength of US commitment to its global security responsibilities. Certain industries, particularly armoury, defence equipment, aviation, electronics and construction, could expect a positive outlook in an environment of a global race for defence capabilities building.

Extreme weather events caused by climate change lead to food shortages and mass migration

World | Political stability risk

July 15th 2025

Political stability risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
6	Moderate	Low

Context

Climate change models point to increased frequency of extreme weather events. Severe droughts and heatwaves have already weighed on crop yields, and global temperatures in 2025 are likely to exceed the records reached in 2024.

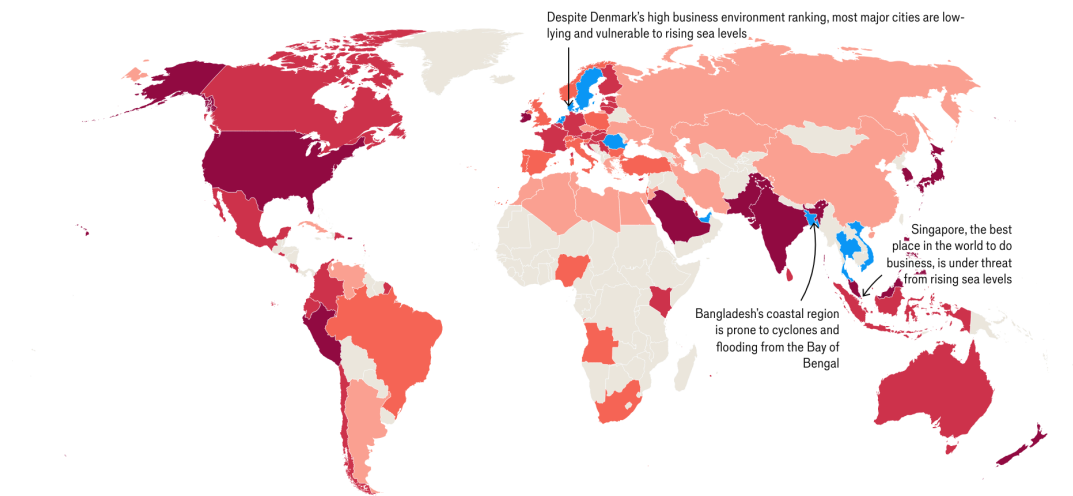
Trigger

So far, extreme weather events have been sporadic and in different parts of the world, but they are likely to start happening in a more synchronised manner as climate challenges rise. This would intensify the impact of such events and make their near-term management more difficult.

## Climate change is a greater risk to the business environment in some countries than others

Difference between BER and ND-GAIN Scores (normalised): the climate risk gap

■ <-1 ■ -1-0 ■ 0-1 ■ >1 ■ Top 10 countries



Source: EIU Business Environment Rankings; Notre Dame Global Adaptation Initiative Vulnerability Index.

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### Impact

If extreme weather events have a significant impact on production, this could lead to shortages, straining global supply chains and stoking inflation. Higher agricultural commodities costs would extend to households, raising the cost of living and food insecurity. Food shortages in some parts of the world could lead to mass migration, or even resource wars, triggering severe political impacts that could ripple across multiple countries. Countries in Africa's Sahel region are particularly vulnerable to food and water shortages, as a wave of coups have severely weakened state capacity to deliver necessities to the population, and political instability and a reduced presence of UN peacekeeping forces have raised the risk of conflict in the region. Bangladesh, one of the world's most densely populated countries, is highly exposed to climate change-related weather disasters, which could cause mass population displacement, industrial disruptions, food and shelter shortages, and the spread of infectious diseases. Although advanced economies are relatively well prepared to withstand weather events, European countries in particular are still exposed to their effects, such as migration and refugee inflows as a result of weather disasters and food scarcity in poorer countries.

### Mitigation

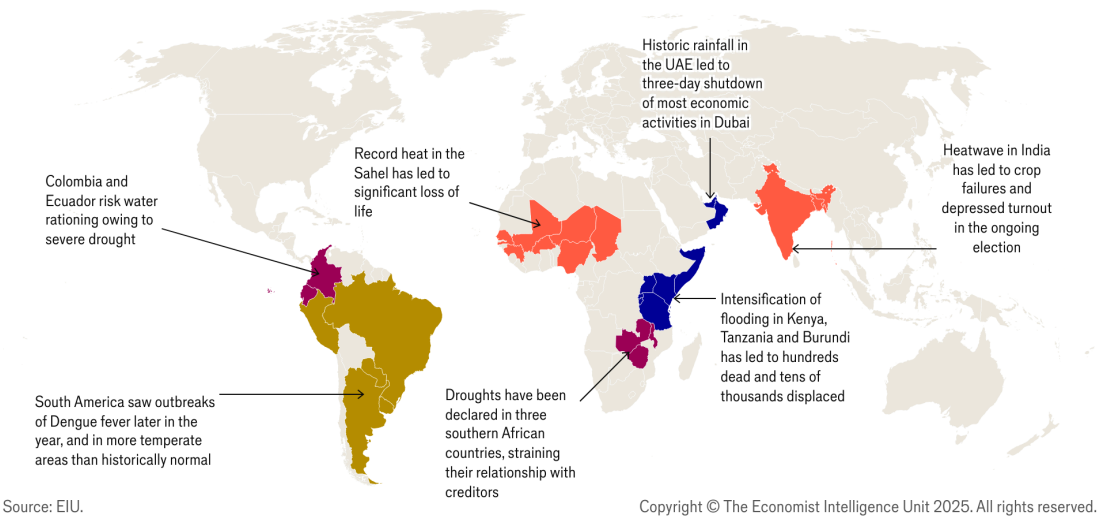
Companies that operate in regions where food production and supply are vulnerable to extreme weather conditions should be aware of the risk of social unrest and political instability caused by severe food shortages. Advances in technology and AI have made it easier to climate-proof assets. There are business opportunities for development and commercialisation of drought-resistant, double-cropped grains.



The world was hit by multiple severe natural disasters in 2024

Climate change and El Niño have exacerbated physical risks around the world

Disease outbreak Drought Flooding Heatwave



Fast adoption of AI tools disrupts the labour market

World | Macroeconomic risk

July 15th 2025

Macroeconomic risk scenario

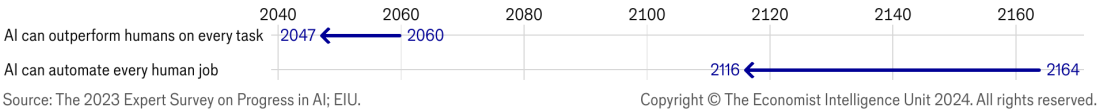
Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
6	Moderate	Low

Context

With decreasing cost of training and fast expanding capabilities and adaptability, AI tools based on large language models (LLM) have shown substantive and substantial potential for mass commercialisation and application in the corporate world. Many companies have started to use AI assistants or analytics tools to support or replace human employees in administrative, customer services, data collection and compilation, and desk research roles.

Is AI getting closer to being able to do everything that a human can?

Difference between the 2022 and 2023 surveys



Trigger

Corporate adoption and application of AI tools will be gradual and non-linear, and the scale and speed will vary between industries. In this sense, it is difficult to determine one specific trigger event; rather, it is the



cumulative and secondary effects that could transform demand and supply of labour skills, creating mismatches and disruptions.

Impact

One of risks is that the speed and scale of AI adoption outpaces market capabilities to adjust to and absorb it, leading to mass job displacement as new jobs created in emerging AI-related industries and roles fail to compensate for the jobs replaced by industrial automation facilitated by AI tools. Even if governments and the private sector organise and co-operate on re-skilling and retraining workers to effectively work with AI and explore newly created jobs, the process will take time and, in the interim, frictional unemployment will rise. Many workers will have to accept jobs with lower pay, a more demanding work environment and less security. The resulting unemployment and underemployment will exacerbate existing social and political tensions related to economic inequality and disparate life opportunities.

Another risk is a loss of career opportunities for young workers, which in time will restrict future labour supply and raise labour costs for business. Many entry-level positions are among those most vulnerable to AI-enabled automation, as the productivity gained from AI adoption allows companies to reduce hiring of those roles. The reduced job availability also limits early-career workers’ opportunity to learn on the job and cultivate work skills and a good work ethic. Over time, this will reduce the talent pool for companies to promote to senior positions, with scarcer supply leading to higher costs.

Mitigation

Companies are advised to actively encourage and promote proactive and lifelong learning among their employees to facilitate learning new skills, particularly skills that are conducive to working and tapping AI tools. They should work with and communicate to the government to provide financial support and training for workers in temporary unemployment owing to technology disruptions in order to alleviate resistance to and backlash against AI adoption. Businesses should also refrain from significantly reducing the intake of entry-level workers, and should redesign their in-house training programmes to develop talents that are suitable to the new AI-human collaborative work mode.

A new global pandemic emerges as co-operation and monitoring falters

World | Infrastructure risk

July 15th 2025

Macroeconomic risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
5	Very low	Very high

Context

The US, the largest contributor to World Health Organisation (WHO) funding, withdrew from the organisation in January 2025. The US government under Mr Trump also plans to cut funding and staffing for the Department of Health and Human Services as a part of an overall drive to downsize the federal bureaucracy and to cut public expenditure. These decisions will significantly weaken the global capacity of preparing for, monitoring and containing the spread of infectious diseases, medical information sharing, and developing vaccines and treatment for new viruses. Disputes surrounding the origin of the covid-19 pandemic compounded distrust between states, particularly between the US and China, which will further impede timely sharing of virus-monitoring data and medical research.

Trigger

Continuing practices of intensive farming, urban expansion, and a decline in international aid for disease control and prevention will increase risks of viral mutations and cross-species transmission, including from wild animals to humans. An outbreak of a new infectious virus with no existing vaccine could become endemic and spread across borders via international travels, triggering a pandemic.

Impact

The impact of a new pandemic would be unevenly felt across the world based on individual countries’ medical emergency preparedness, availability of contingency medical resources, monitoring and tracking capacity, vaccine research, development and production capabilities, government effectiveness and public trust in public officials. Many countries, particularly in Asia, would draw on experiences gained during the covid-19 pandemic and swiftly restrict international travel, and implement mass virus tracking and monitoring to contain the spread during the early stages. Meanwhile, viral outbreaks in the US, particularly the densely populated urban areas, could be more difficult to prevent and contain, as a lower degree of trust in official information would undermine early monitoring, any contingency response and preventive measures. Disruptions to the global economy would be less severe than during the covid-19 pandemic, when the global economy contracted by 3.2% in 2020. Governments across the world would adopt early containment measures if possible, and avoid stringent lockdowns, which were the main cause of economic downturn during the covid-19-induced recession. Still, international trade and travel, and domestic economic and social activities would be heavily affected. Agricultural business would be particularly exposed to damage caused by an international spread of transmissible diseases, including mass culling of exposed animals and crop failures, leading to decreasing production and severe commercial losses for farmers.

Mitigation

Companies should regularly evaluate and adjust their contingency plans for endemics or pandemics, particularly the resilience of procurement channels, demand elasticity of their products and services, and the capacity of remote working for their staff. Monitoring information published by international organisations and public health authorities of the countries where companies operate would also aid early detection of and preparation for endemic and pandemic situations.

An unravelling of international aid stunts developing economies’ growth and poverty reduction

World | Macroeconomic risk

July 15th 2025

Macroeconomic risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
12	High	Moderate

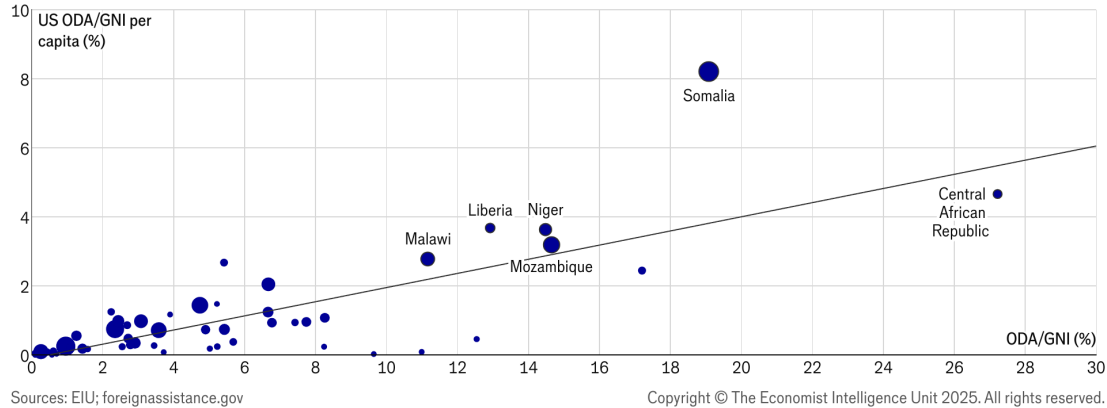
Context

Mr Trump has made cutting US government spending and reducing the size of bureaucracy an important part of his second presidency. For that, he has taken aim at US overseas development aid and stopped funding for “non-humanitarian” activities of the US Agency for International Development (USAID), which has been downsized and integrated into the US Department of State. The US has been by far the largest international development aid provider in the world, with its 2024 budget of more than US\$70bn accounting for around a third of total international aid supplied by OECD countries. USAID’s dismantling and large-scale funding cuts

are already undermining decades of health and development progress in Africa—spanning HIV, malaria, maternal/child health and food security—resulting in mounting mortality and institutional fragility. Countries like Ethiopia (US\$1.7bn USAID in 2023), Nigeria, the Democratic Republic of the Congo (DRC), Kenya and South Sudan now face severe economic pressure.

### Loss of US overseas development assistance (ODA) will hit aid-reliant countries hardest

US ODA received by country, US\$m



### Trigger

Faced by mounting fiscal pressure from demographic ageing and a greater necessity for more defence spending in a more volatile geopolitical environment, more governments in Western countries, which are the main international aid providers, could reduce their budget for overseas development spending to focus on defence and domestic spending needs. This could cause international aid financing to plummet, or prompt an increase in the practice of linking such assistance to the receiving countries' diplomatic support or preferred commercial treatment.

### Impact

Even if this trend does not result in a complete halt of funds for poor countries in need, international aid could shift into a more transactional mode, serving provider countries' geopolitical goals more than meeting the receiving countries' need for poverty reduction, disease prevention and security. One of the immediate impacts would be a fiscal crunch for economies that previously relied on foreign aid. This would undermine local efforts to contain infectious diseases, improve education and public health, and develop the economy. Some of the gaps left by Western aid providers could be filled by China; however, China is unlikely to step into the vacuum in the international aid system now that it has engaged in a major trade war with the US. Besides, much of Chinese international assistance comes in the form of commercial development loans rather than grants. It also tends to focus on infrastructure building, which might unlock the receiving countries' commercial opportunities but is less effective in improving the quality of human resources through better health and education services. The situation could be compounded by the trade war launched by the US on its trading partners, including many of the low-income countries across the world. Countries like Bangladesh and Cambodia, which have achieved fast economic growth and poverty reduction over the years through integrating their labour-intensive, export-oriented manufacturing industries to a global economy, are among economies facing the highest levels of new US tariffs. Overall, a paradigm shift in international aid to a more transactional approach, with sharply decreased total funding, would stunt the global effort to reduce poverty, hamper management of global health risks and stoke the underlying drivers of mass migration.

### Mitigation

Cuts in US aid will hinder growth prospects in frontier markets and have a major impact on a range of non-governmental organisations (NGOs) focused on development, health and social assistance. Businesses operating in emerging markets could set aside funds for local education, public health and security to improve

community relations and support NGOs affected by public funding cuts. They should also create and regularly review contingency plans for a breakout of an infectious diseases or a public security incident.

# Tariffs surge among major economies, triggering a multilateral trade war and economic recession

World | Foreign trade and payments risk

July 15th 2025

## Foreign trade & payments risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
10	Low	Very high

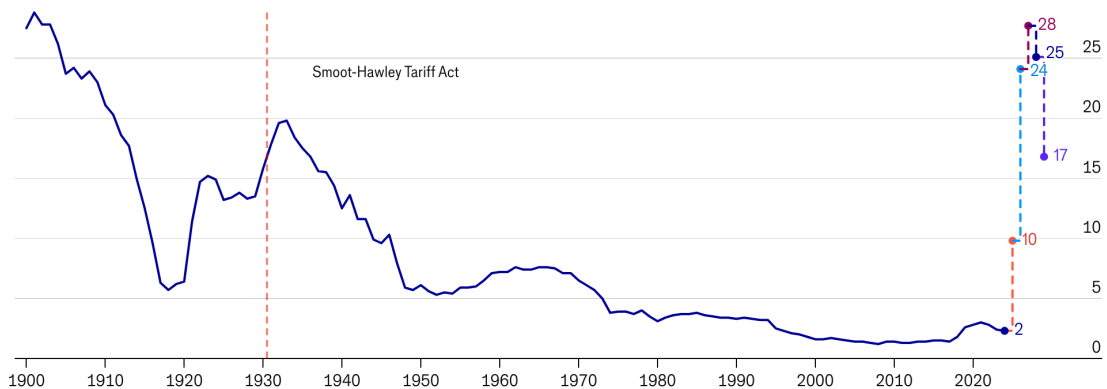
### Context

The US government under Mr Trump has launched a unilateral trade offensive on its trading partners by imposing a unilateral 10% tariff on all imports to the US, additional “reciprocal tariffs” of various levels on individual countries (effective August 1st) and special sectoral levies on various imports including automobiles, auto parts, steel and aluminium (with additional duties on semiconductors and pharmaceuticals likely to be announced in the third quarter of 2025). Although the US-China trade war de-escalated in May as the two countries agreed to significantly lower bilateral tariffs for 90 days (from more than 100% both ways) while trade negotiations continued, there is still a risk that bilateral talks will break down, leading to a resurgence of mutual tariffs. We expect that the US’s trade war against its partners wil cause material damage to the US economy and slow global growth in 2025. A global recession is likely to be averted, with broader fiscal and monetary stimulus and continued trade flows between other major economies providing a cushion.

### US tariffs on global imports still at a post-war high after recent exemptions

US weighted average tariff rate (WATR); %

— Actual — February and March tariffs\* — April 2nd tariffs — April 9th pause — April 11th electronics exemptions — May 12th Geneva pause†



Source: White House; USITC; US Census Bureau; EIU. \*Includes February and March tariffs on China, steel and aluminium tariffs, and non-USMCA Mexico and Canada tariffs. †Includes April 29th “non-stacking” executive order and May 8th UK-US interim agreement. Note. Horizontal axis extended to show change in 2025 tariff rates. Copyright © The Economist Intelligence Unit 2025. All rights reserved.

### Trigger

Although most countries refrained from retaliating against the US’s tariff offensive, there is still a low risk of a renewed US non-discriminatory tariff offensive on its trading partners, and subsequent reactionary measures. Two potential events in particular could provoke a global trade war: failures in trade negotiations with the US leading to resolute and broad-based retaliation from the likes of the EU, Japan and China, including punitive

measures against US services exports; and the reaction of other economies to Chinese companies’ efforts to diversify their export markets. Chinese exporters might compensate lost US orders by increasing sales in non-US economies, including the EU, Japan and emerging markets with a large consumer base. This would lead to a sudden influx of price-competitive goods into these economies, potentially overwhelming local manufacturers and being highly detrimental to industrial development in importing countries. In response, local governments could choose to initiate anti-dumping investigations, impose import restrictions and raise tariffs on Chinese products, triggering a new wave of tit-for-tat retaliatory trade measures. In a severe scenario, the EU, Japan, Brazil, India and the US could all be involved to various degrees in trade wars with China, causing significant disruption to global economic exchange and growth.

Impact

The breakout of a multilateral global trade war, which differs from a unilateral rise in US tariffs on its trading partners, would severely undermine global goods demand, investment and industrial production, leading to much slower growth or even economic recession for countries integrated in the global manufacturing supply chain, as well as significant financial market volatility. If China decides to expand and prolong its restrictions or block exports of raw materials that are critical to semiconductors, clean energy and automobile sectors (such as rare earths and graphite), this could cause shortages of such materials after Western companies exhaust their inventory. This would un turn undermine high-tech production and research in the West. Trade wars between the US and its allies like Germany, France, Japan, South Korea and Australia could complicate co-operation in other areas like security and supply-chain investment. With major economies choosing to follow suit by introducing higher tariffs on imports across the board, the ensuing disruptions would dampen global trade flows and could lead to a global economic recession. Competitive currency devaluations as countries seek to protect their export shares are also possible.

Mitigation

Companies should expand their monitoring of trade policies and changes beyond the focus of the US administration. It is crucial to understand and evaluate the impact of announced and potential changes in major economies’ tariff regime and non-tariff tool to affect external trade. Companies are also advised to adjust their investment, procurement and sourcing, production allocation and staffing plans to a new global setting of elevated uncertainty and volatile policy changes in the next two years. Contingency plans should account for potential increases in tariff, production and shipping costs, and disruptions to global value chains. Advance stockpiling and localisation of production in end markets may offer limited protection.

A US technical default causes market volatility and economic damage

World | Financial risk

July 15th 2025

Financial risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
8	Low	High

Context

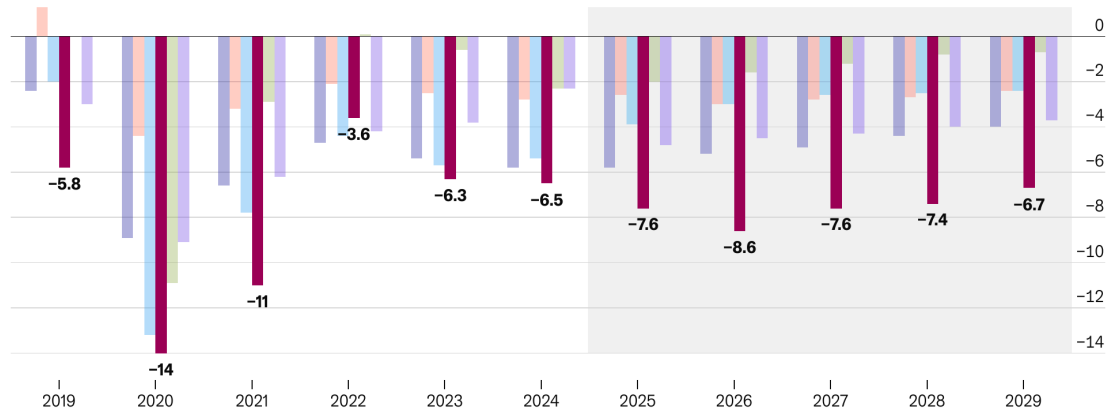
Under the Trump administration, US fiscal policy features ambitious tax cuts and bold plans to reduce the size of federal bureaucracy and a wide range of public spending. With the Republican Party’s control of the White House and both houses of Congress, the Trump administration succeeded in extending the 2017 Tax Cuts and Jobs Act, introducing additional tax breaks for tips and overtime pay, and expanding state and local tax

reductions. Mr Trump has pledged to slash government spending and social welfare provision, and to roll back incentive programmes for green energy; however, the proposed cuts to public expenditure and to raise revenue from tariffs are insufficient to offset the planned tax reductions. The planned wide-ranging downsizing of the pool of civil servants could even undermine the government's tax collection capability. We forecast that the US fiscal deficit will remain wide. Unfunded tax cuts and an aggravated fiscal position could damage market confidence in US fiscal sustainability and trigger a sell-off of US government bonds when fiscal risks surge.

### The US stands out among advanced economies for fiscal deficit size

Budget deficit; % of GDP

■ France ■ Germany ■ UK ■ US ■ Canada ■ Japan



Source: National ministries; EIU.

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### Trigger

The unfunded tax cuts and continued high demand for public spending on defence, healthcare and social welfare mean that the US government will remain reliant on borrowing to finance its budget. This brings the risk of US default on its sovereign debt repayment commitments as government borrowing reaches the limit set by the Congress. Although the Republican Party controls both houses of Congress, its different factions, including the MAGA ("Make America Great Again") camp and traditional conservatives, have different spending priorities and hold varying views on fiscal prudence. Such diverging views on fiscal policy present the risk of failure to reach an agreement on raising the government debt ceiling, potentially triggering a technical default on US debt.

### Impact

A US sovereign default, even if technical in nature, would cause havoc in financial markets. It would raise short-term funding rates and lead to a shortage of liquidity. A prolonged failure to resolve the default would trigger a broad-based sell-off of equity and fixed income assets, spreading into the housing market via surging mortgage rates and hurting household spending in the US. The ensuing systemic rise in global borrowing costs due to surging risk premium would also challenge emerging-market debt-servicing capabilities, which, combined with an economic downturn in the US, could cause a global recession. Market turmoil will also spur a rush into safe-haven assets, including gold, digital currencies, Japanese yen and select advanced economies' bonds, resulting in a drastic unwinding of US asset positions and triggering an abrupt devaluation of the US dollar.

### Mitigation

Firms should follow the US government's proposed changes to taxation and public spending plans, and monitor the US Treasury's plans for new bond issuance. Companies could adopt hedging measures to safeguard against volatility in the US dollar exchange rate, and ensure risk control and mitigation in emerging markets.



# Automotive

World | Automotive

April 7th 2025

The global automotive industry has suffered multiple setbacks in recent years, including the covid-19 pandemic and military conflicts in eastern Europe and the Middle East, as well as geopolitical and trade tensions between China and the West. This combination has led to disruptions in the automotive supply-chain and shipping, while higher inflation in many Western markets forced central banks to raise interest rates, dampening consumer spending. Now, however, the automotive sector faces another major challenge, after Donald Trump, the US president, raised that country's import tariffs for automotive to 25%. The new tariff rate will apply to imported vehicles from April 2025 and to auto parts from May 2025, although trade conducted under the US-Mexico-Canada Agreement (USMCA) is exempt—at least for now. The automotive tariffs, which come alongside reciprocal tariffs that range from 10% for the UK to 54% for China (although they are not additive), will reshape automotive supply chains and investment strategies over the next few years.

At the same time, Mr Trump's efforts to roll back many of the environmental policies put in place by his predecessor, Joe Biden, is raising questions over the industry's transition to electric vehicles (EVs), a process that is already underway in the US, China, the EU and other major markets. Although Mr Trump's intervention is likely to slow the rollout of EVs in the US, we believe that the global shift to EVs will continue, with Chinese EV-makers playing an increasingly dominant global role.

With so much global uncertainty, we expect only moderate growth in global new-vehicle sales over the next five years. In the 60 geographies covered by this report, new car sales were up by 11.1% in 2023 and by an estimated 3.2% in 2024. After slumping during the pandemic, annual unit sales have now surpassed their 2019 levels although they are still below levels seen in 2015-18. The recovery was propelled partly by stronger-than-expected economic growth in the US, but mainly by still-strong sales of EVs. Sales of new commercial vehicles and buses (CVs) have also surpassed pre-pandemic levels but fell by an estimated 6.4% in 2024.

We expect the new-car market to grow by 0.7% in 2025, while the market for new CVs will expand by 2.7% as corporate expenditure recovers gradually. However, overall sales will remain subdued, given the shock that Mr Trump's tariffs have given to the global economy. They are likely to increase inflationary pressures in the US, raising the price of vehicles and slowing the planned reduction in US interest rates. Elsewhere, car prices may fall as exports previously destined for the US are diverted and economies falter.

Over our full five-year forecast period (2025-29) we foresee new-car sales rising at a subdued compound annual growth rate (CAGR) of 2.2%, with sales of new CVs reporting a CAGR of 3.1%. By 2029 total annual new-vehicle sales, at about 105m units globally, will be higher than their 2017 peak of 95m units. These forecasts are subject to considerable downside risks, given the huge uncertainty surrounding the global economy.

## World automotive industry

Combined totals for the world's 60 biggest markets

	2023	2024	2025	2026	2027	2028	2029
New passenger-car registrations (m)	62.5	64.5	64.9	66.7	68.3	70.4	72.0
% change	11.1	3.2	0.7	2.7	2.4	3.1	2.3
Stock of passenger cars per 1,000 population	189.0	193.3	196.1	199.4	203.0	206.8	210.3
New electric-vehicle registrations (m)	13.6	16.5	19.9	23.1	25.1	28.5	32.4
% change	34.0	21.0	21.0	16.0	8.0	14.0	14.0
New commercial-vehicle registrations (m)	30.6	28.6	29.4	30.5	31.6	33.0	33.3
% change	16.1	-6.4	2.7	3.8	3.7	4.2	1.0
Petrol consumption (m tonnes)	1057.8	1072.8	1087.0	1100.5	1114.5	1127.5	1131.1
% change	0.7	1.4	1.3	1.2	1.3	1.2	0.3

Source: EIU.

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EV sales will remain a major driver of growth, reporting a robust CAGR of 38% in 2025-29. However, the market will continue to be held back by buyers' anxieties about range, prices, uncertain subsidies, poor charging infrastructure and rising trade tensions. In markets without strong government support from incentives and emissions targets, these factors will also discourage carmakers from continuing their heavy investment into EV rollouts. Some will double down on investment into internal combustion engines (ICE) but we also expect strong sales of hybrid vehicles.

The rollout of self-driving vehicles will continue to disappoint expectations, but the increasing integration of artificial intelligence (AI) across the value chain, particularly into production and logistics, will gather pace. Here, too, carmakers will be forced into difficult decisions as they try to navigate US-China trade barriers over inputs such as semiconductors, as well as the need for customisation and control of their in-car technology.

As they cope with trade uncertainties, technological changes and the fitful shift to EVs, carmakers will also have to navigate longer-term trends. These include population ageing and growth, new models of financing car sales, the expansion of internet sales networks and changing consumer attitudes. Catering for demand on a flexible basis will be difficult given geopolitical tensions around trade, which are only likely to increase as China's carmakers make further inroads into international markets.

### Key forecasts

- The automotive industry will face considerable uncertainty during 2025 unless the global trade war subsides. Nevertheless, we forecast that sales of new-cars will edge up by 0.7% for the year, while new-CV sales will rise by 2.7%.
- Over the 2025-29 forecast period, we expect new-car sales to rise at a CAGR of 2.2% and sales of new CVs and buses to rise at a CAGR of 3.1% over 2025-29. By 2026 total new-vehicle sales will surpass their previous peak in 2017, and will carry on rising to reach 105m in 2029.
- Despite backtracking in some markets, notably the US, vehicle-makers still face ambitious government targets to mitigate climate change by shifting away from ICE vehicles. We forecast that global sales of new EVs will double from 16.4m units in 2024 to 32.6m units by 2029, with China accounting for over half of sales.
- The EV transformation will continue to reshape global competition within the car industry, with Chinese carmakers, led by BYD, gaining global market share at the expense of incumbents. However, governments in the US, EU and elsewhere will continue to raise trade barriers to incentivise local investment and protect domestic industries.
- This will force carmakers into difficult decisions about where to expand or maintain production capacity, how to redirect supply chains, and what technologies to incorporate into their vehicles and production processes.
- Risks to our forecast are mainly on the downside, amid geopolitical and trade tensions, changes to the energy transition and supply chains, stubborn inflation and only a marginal recovery in consumer spending. Highly disruptive tariffs and a weakening of emissions legislation are also likely to dampen investment in the automotive industry, at least during 2025-26.

## Consumer goods

World | Consumer goods

July 15th 2025

In late 2025, when EIU published *What to watch in 2025: consumer goods & retail*, it expected global retail sales to expand by 2.3% in real (or volume) terms in 2025, the fastest rate since 2021, underpinned by slowing inflation. Things have since taken a slight turn for the worse, especially with slower consumption growth in the US amid the policy uncertainties under the new administration of Donald Trump, which have more than offset any benefits arising from increased government stimulus to boost consumption in China. An economic slowdown in the US and China, combined with trade disruptions, will have repercussions across the world. Consequently, we now expect real growth in retail sales volume to slow slightly to 2% in 2025. Risks to our

forecast, however, remain high. We will monitor consumer spending and unemployment in major markets in the second half of 2025, and adjust our forecast accordingly.

## Energy

World | Energy

June 10th 2025

Trade wars and policy uncertainty are weighing on the world economy and creating volatility in energy markets. Rising protectionism is leading to a global environment of weaker growth and reduced productivity. EIU expects the global economy to grow only by 1.9% in 2025, with the US slipping into recession. Energy consumption will feel the weight of a sombre economic outlook, and growth will decelerate to 1.2% in 2025 from 1.6% in 2024.

Amid slowing global activity and increased supply from OPEC+, crude oil prices are also projected to fall, to an average of US\$65.1/barrel in 2025–26, below earlier estimates.

Energy demand in Asia will grow at about 1.6% in 2025, down from 2.4% in 2024, as trade wars have an impact on an already weakened China's economy. In the US, growth will be tepid at 0.4%, while Europe's energy consumption will continue what is now a long-term downward trend.

We expect energy consumption to increase by 2% in the Middle East and Africa this year—similar to 2024—and by 1.5% in South America, a slowdown from 2% in 2024.

During our forecast period (2025-34), energy consumption will continue growing in Asia (at 1.6% in average per year), the Middle East and Africa (1.7%), and South America (1.4%), and remain almost flat in North America (0.4%) and Europe (-0.2%).

Global natural gas consumption will increase by 1.3% in 2025, mainly supported by strong demand in Asia (where consumption will grow by 2.6%) and the Middle East and Africa (2.5%). Pushed by higher consumption for power generation, natural gas demand will also expand in South America (1.6%). In North America it will remain barely flat (0.5%), as economic headwinds affect consumption in the residential and industrial sectors. Gas demand in Europe (excluding Russia) has finally stabilised, after declining sharply in 2022-23 owing to the supply crunch caused by Russia; however, we do not expect gas consumption in Europe to return to pre-war levels during our 2025-34 forecast period—although not our core forecast, a thaw in the EU-Russia relations could drive rapid demand growth if Europe incentivises imports of cheap natural gas from Russia.

Long-term support for natural gas demand will come from Asia, where it will expand by an annual average of 2.9% in 2025-34, mainly driven by the industrial sector and some replacement of coal by gas in the power generation sector. Global gas demand will increase by an annual average of 1.6% in 2025-34.

Global coal demand will remain flat in 2025, after growing marginally in 2024. Although coal demand will rise in the US, supported by favouring policies from the administration of Donald Trump, the US president, it will slip slightly in China on the back of weak demand from the industrial and power-generation sectors.

We have revised up our long-term forecast for coal global demand, and now expect it to remain flat until 2029 and to decline slightly thereafter, whereas we previously expected it to peak in 2026. This revision is on the back of a slower than anticipated phasing out of coal use in power generation in China and renewed support for coal consumption in the US.

We forecast that oil consumption will grow by just 0.4% in 2025, as a weak economy and increased EV penetration hit demand. It will remain largely flat during our forecast period, as consumption in Asia stagnates amid rapid adoption of EVs in China, where we forecast that oil demand will peak in 2027. Owing to the effect of the new US policies of the Trump administration, we have revised up our forecast for oil demand in the US, and expect it to remain flat during our forecast period rather than decline slowly.

Demand in Europe will decline, albeit slightly, every year of our forecast period. On the other hand, the Middle East and Africa (1.4% per year in average over 2025-34) and South America (1%) will continue supporting growth, as well as India, which will be the main driver of global oil demand growth in the next ten years.

As a big part of the fight against climate change is to expand the electrification of the economy, we expect power consumption to increase worldwide during our forecast period, at an average of 2.6% per year, with Asia accounting for most of that growth.

Adoption of renewable energies will continue to expand steadily. We expect that combined solar and wind capacity will grow by about 440 GW globally in 2025—of which 340 GW will be of solar photovoltaic and about 100 GW wind. This, although impressive by historical levels, is 90 GW less than in 2024, when China installed 277 GW of solar power.

As usual, most of the new capacity will be in Asia (77% of total solar and 74% of total wind). North America will install about 9% of total solar and 5% of total wind, while Europe will install 8% of total solar and 14% of the global wind capacity. The Middle East and Africa, and South America will lag far behind.

We expect capacity additions to remain at high levels of about 430-480 GW per year during our forecast period, of which 320-350 GW will be of solar and 100-130 GW will be of wind. Asia will remain the largest market, representing 82% of total solar additions and 72% of wind capacity additions in 2034.

The energy crisis has prompted some governments to rethink their plans to phase out nuclear power, as sentiment shifted in favour of reliable energy supplies. Although this renewed interest has had only a limited impact on nuclear investments in Europe and the Americas so far, several new nuclear projects are being developed in Asia. As global nuclear installed capacity expands, we forecast that global power generation from nuclear energy will grow steadily during our forecast period, at about 2.5% per year in 2025-34.

Efforts to decarbonise outside the electricity sector have been slower. For the industrial and transport sectors, governments and companies will need to accelerate the rollout of electric vehicles (EVs), and encourage the adoption of electric heat-pumps and alternatives for industrial use. We currently expect only five of the 65 countries covered by our EV forecasts to end the sale of new fossil-fuel cars by 2034.

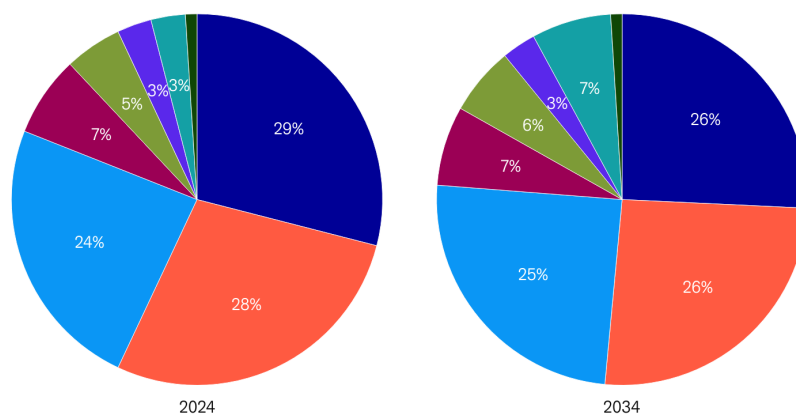
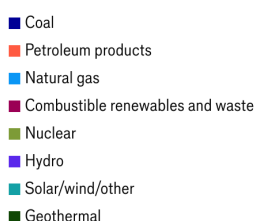
Despite the bullish outlook for renewables, the global energy mix remains heavily reliant on fossil fuels (oil, gas and coal), which will account for an estimated 81% of total energy consumption in 2025. Our forecasts suggest that this will drop only marginally to 77% by 2034.

We expect that coal will be the largest source of electricity in 2025 (35% of total) and over our forecast period, accounting for 30% of total electricity globally by 2034. Natural gas will remain the second-largest source, accounting for about 20% of the total.

Massive growth will make solar the third-largest source (with its share rising from 7% in 2025 to 14% by 2034), followed by wind (rising from 9% to 13%), hydro (falling from 13% to 12%) and nuclear (holding steady at 9%). By 2034 the global electricity mix will be split evenly between fossil fuels and non-CO2-emitting sources.

### Fossil fuels will remain the largest source of energy

Energy consumption by source; %



Source: EIU.

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### Key forecasts

Gross domestic energy consumption in the 69 countries covered by our service will increase by an annual average of 1.1% in the ten-year forecast period.

Global coal consumption is expected to peak in 2029, two years later than China in 2027. However, it will still account for a quarter of the energy mix by 2034. Most of the decline will be in Europe and North America, whereas countries such as India, Indonesia, Pakistan and Russia will increase their use of coal.

Supported by the decline in coal use, consumption of natural gas will grow at about 1.6% per year during the forecast period. We expect that natural gas will represent about 25% of total energy consumption by 2034.

We forecast that oil demand will grow at an average annual rate of 0.5% between 2025 and 2034. However, the share of oil in total energy demand will decline slightly during the forecast period, from 28% in 2023 to 27% in 2034.

Consumption of renewable energy will grow strongly between 2025 and 2034. Power generation from solar energy will grow at about 11% annually, and power generation from wind will expand at about 8% per year. Generation from hydropower and from geothermal sources will also grow, albeit slowly.

Power generation from nuclear energy will grow at a rate of about 2.5% per year during the forecast period. Nearly half of the nuclear reactors currently being constructed are located in China; India's nuclear capacity will also expand substantially.

Global electricity consumption will increase at an annual rate of 2.6% between 2025 and 2034, and will be strongest in Asia, followed by South America and the Middle East and Africa.

## Financial sector

[World](#) | [Financial services](#)

September 1st 2024

(Forecast closing date: September 1st 2024)

The fortunes of the world's financial services industry are closely tied to growth in the global economy; EIU estimates that real GDP growth will slow to 2.5% in 2024, after declines in the past two years. Interest rates are also likely to soften in the world's leading economies. Policy rates have been lowered once each in the US, the UK and China, and twice by the European Central Bank (ECB), setting the tone for accommodative monetary policy across our forecast period. We believe that India will soon cut rates, leaving Japan, which raised its policy rate in July, the only major economy in a rate tightening cycle. Given these trends, we expect the financial services industry to stagnate in wealthy countries where it is already well developed, and deepen its role in emerging markets with shallow financial sectors.

Banks enjoyed several years of strong profits when interest rates were high and margins wide, but this advantage will slowly disappear as interest margins narrow. At this point many banks are unable to reduce the interest that they pay on deposits and have to move quickly to reduce lending rates. With policy rates likely to ease further, long-term bonds are becoming more attractive than short-term ones. Insurers now receive lower returns from their bond portfolios, even though this may be offset by resilient premium revenues. Fixed-income asset managers must now switch to riskier asset classes or bonds with longer durations.

Financial activity remains concentrated in wealthy countries in North America, developed Europe and north Asia, but we forecast little expansion in these markets over the next five years. There will be important shifts in the nature of activities, however, with the sector actively seeking fee-generating revenue, shifting to digital channels, and shedding staff and physical locations.

Finance will find space for expansion in middle-income and poor markets, which have urgent needs for greater financial inclusion in payments, banking, basic insurance and capital markets financing. China has been the most promising market in terms of size and financial innovation, but its recent crackdown on some private firms (including in fintech and investment banking) has cast a shadow on future growth prospects. The industry will seek comparable dynamism in other emerging markets. As interest rates soften, the burden on countries facing financing crises will also ease. Stable global growth means that fewer countries will be added to the list of nations seeking international financial assistance from the International Monetary Fund (IMF). Beneficial economic conditions will provide a firm basis for financial services companies to expand their operations in such countries.

Financial firms will continue to migrate activities to online and mobile channels, competing and co-operating with technology firms in the process. Many operators will struggle with this transition, but those that succeed will expand their customer base and reduce staffing costs. Digitalisation will also extend financial services to individuals who lack bank accounts, a segment that accounts for around one-third of the global population.

## Healthcare

[World](#) | [Healthcare policy](#) | [Healthcare](#)

April 14th 2025

The surge in healthcare spending prompted by the covid-19 pandemic has now ended in most countries. EIU estimates that, even though funding for covid-19 care and vaccinations fell in 2022-23, inflation continued to propel global healthcare spending upwards in nominal US dollar terms. However, high inflation meant that health spending fell in real terms in both years. Although inflation eased during 2024, so did health spending, rising by just 3.1% in US dollar terms across the 60 countries covered by our forecasts. This points to yet another fall in real terms. Given the strong demand for care, ageing populations, higher input costs and the wage demands of health workers, many healthcare systems came under increasing strain.

We expect this to remain the case in 2025, when growth in global health spending will be constrained by slower economic growth as a result of the trade war, as well as cuts in US aid funding. Governments will also be under fiscal pressure amid a need to reduce debt and to increase spending on defence. Although these factors will persist into 2026, health spending will start to accelerate again over the rest of our five-year forecast period as the problems of population ageing come to the fore and new health technologies are deployed. We currently expect healthcare spending to rise at a compound annual growth rate (CAGR) of 4.7% in 2025-29. However, this forecast is under review as the impact of US trade tariffs on the 60 economies included in this report becomes clearer, with considerable downside risks.

Pharmaceutical sales will grow at a CAGR of 4.6% in 2025-29. Having risen to the challenge of meeting global demand for covid vaccines and treatments, pharmaceutical companies now find themselves facing a major challenge from US trade policy. As of April 8th 2025, most pharmaceuticals and active pharmaceutical ingredients are exempt from tariffs, but the threat of future tariffs remains high. While we do not expect the US administration to introduce blanket tariffs on pharmaceuticals, it may well introduce more targeted ones, as well as other measures to force US drugmakers to return production (and tax payments) to the US. On the upside, diabetes and weight management remain huge growth drivers for the pharmaceutical industry, although oncology will continue to be the biggest disease area. We also expect more advances in personalised medicine, AI-driven diagnostics and gene editing.

With budgets stretched, pharmaceutical companies will be under pressure to cut prices and improve their gathering of cost-effectiveness evidence. Geopolitical debates over supply chains and intellectual property rights will increase as the effects of the global trade war feed through. We expect US-China tensions over biotechnology to increase, while the EU will struggle to maintain its dominance of global trade in patented drugs.

### Key forecasts

- Healthcare expenditure has been volatile in the wake of the pandemic. We estimate that total current health expenditure in the 60 countries covered by our data rose by 3.1% in US dollar terms in 2024, down from 5% in 2023. The slowdown reflected lower inflation as well as increasing fiscal pressures as governments try to increase spending on defence. However, in real (inflation-adjusted) terms, global health spending continued to fall.
- As a result of the slowdown, we estimate that healthcare spending accounted for 10.2% of global GDP in 2024, down from a peak of 11% in 2020. The decline affected North America the most, with health spending's share of the economy falling from 17.6% in 2020 to 15.4% in 2024. Europe and South America also saw substantial drops, while Asia-Pacific saw a smaller decline. The share of GDP devoted to healthcare rose in the Middle East, however, as governments and companies reinvested earnings from higher oil prices.

- We expect growth to pick up only slightly to 3.6% in 2025, still below the projected rate of consumer price inflation. Over our five-year forecast period health spending will expand at a CAGR of 4.7% a year in nominal US dollar terms as countries try to catch up with demand for non-covid care and cater to the demands of ageing populations. However, this forecast remains under review as we assess the impact of new US tariffs on the global economy, with considerable downside risks.
- Many healthcare systems will remain under strain from strong demand for care, recruitment difficulties and demands for higher wages from existing staff. Reforms aimed at expanding access to care were derailed by the pandemic in many countries, and continue to falter amid economic and political turmoil. We expect governments to focus on improving efficiency and cutting costs, at least during the first two years of the forecast period.
- Pharmaceutical spending will rise at a CAGR of 4.6% in US dollar terms over the five-year forecast period. Although pharmaceuticals are currently exempt from US tariffs, companies will come under pressure to increase production in the US, which remains the world's biggest pharmaceutical market by far. However, we expect investment in the sector to be subdued amid the policy uncertainty.
- The biggest opportunities in 2025-29 will be in obesity medications, rare disease drugs and cell and gene therapies, as well as opportunities involving the use of mRNA technology. Developments in artificial intelligence (AI) will accelerate drug discovery and diagnosis, and will increasingly be used to monitor supply chains and care delivery.



## World healthcare expenditure

EIU estimates and forecasts for aggregate of 60 major economies

	2023	2024	2025	2026	2027	2028	2029
Healthcare spending (US\$ trn)	10.4	10.7	11.1	11.7	12.4	12.9	13.5
Healthcare spending (US\$ per head)	1,628	1,665	1,715	1,792	1,885	1,951	2,042
Healthcare spending (% of GDP)	10.3	10.2	10.3	10.4	10.4	10.3	10.3
<b>Expenditure by source</b>							
<b>Public/compulsory healthcare expenditure</b>							
Public/compulsory healthcare expenditure (US\$ bn)	7,858	8,127	8,427	8,846	9,316	9,640	10,112
Public/compulsory healthcare expenditure (% change)	5.5	3.4	3.7	5.0	5.3	3.5	4.9
Public/compulsory healthcare expenditure (% of total healthcare spending)	76.2	76.6	76.4	76.4	76.4	76.0	75.9
<b>Government schemes expenditure</b>							
Government schemes expenditure (US\$ bn)	3,070	3,179	3,290	3,451	3,639	3,778	3,980
Government schemes expenditure (% change)	3.9	3.5	3.5	4.9	5.5	3.8	5.3
Government schemes expenditure (% of public/compulsory health expenditure)	39.1	39.1	39.0	39.0	39.1	39.2	39.4
<b>Private healthcare expenditure</b>							
Private healthcare expenditure (US\$ bn)	2,451	2,483	2,592	2,723	2,872	3,036	3,210
Private healthcare expenditure (% change)	4.8	1.3	4.4	5.0	5.5	5.7	5.7
Private healthcare expenditure (% of total healthcare spending)	23.8	23.4	23.5	23.5	23.6	23.9	24.1
<b>Out of pocket expenditure</b>							
Out of pocket expenditure (US\$ bn)	1,749	1,772	1,864	1,957	2,074	2,193	2,318
Out of pocket expenditure (% change)	5.4	1.3	5.2	5.0	6.0	5.7	5.7
Out of pocket expenditure (% of private health expenditure)	71.3	71.4	71.9	71.9	72.2	72.2	72.2
Out of pocket expenditure (% of total healthcare spending)	17.0	16.7	16.9	16.9	17.0	17.3	17.4
<b>Voluntary insurance expenditure</b>							
Voluntary insurance expenditure (US\$ bn)	709	711	728	766	798	844	892
Voluntary insurance expenditure (% change)	3.9	0.2	2.5	5.2	4.2	5.7	5.7
Voluntary insurance expenditure (% of private health expenditure)	28.9	28.6	28.1	28.1	27.8	27.8	27.8

Source: EIU; based on data from OECD and World Bank.

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Telecommunications

World | Tech and telecoms

July 14th 2025

World telecoms and technology industry

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Telephone main lines (m)	842.1	831.2	813.3	798.4	784.2	776	768.9	761.9	755.2
Telephone main lines (per 100 people)	13.3	13.1	12.7	12.4	12.1	11.9	11.7	11.6	11.4
Mobile subscribers (m)	6,843.6	6,977.8	7,102.1	7,228.8	7,417.7	7,607	7,828.1	8,060.7	8,291.8
Mobile subscriptions (per 100 people)	108.2	109.7	111.1	112.4	114.6	116.9	119.6	122.5	125.4
Internet users (m)	3,993.2	4,231.1	4,454.1	4,791.1	5,094.4	5,340.3	5,578.2	5,775.4	5,902.3
Internet users (per 100 people)	63.2	66.5	69.7	74.5	78.7	82	85.2	87.8	89.3
Broadband subscriber lines (m)	1,167.3	1,263.9	1,347.8	1,420.7	1,517	1,611	1,708.1	1,815.7	1,926.9
Broadband subscriptions (per 100 people)	18.5	19.9	21.1	22.1	23.4	24.8	26.1	27.6	29.1
Personal computers (per 100 people)	46.7	46.8	46.9	47.1	47.2	47.2	47.2	47	46.8
Packaged software sales (US\$ bn)	700.1	802.8	888.3	994.6	1,121.4	1,272.8	1,444.7	1,638.6	1,854.9
IT hardware spend (US\$ bn)	1,220.7	1,458.7	1,448.2	1,444.8	1,584.2	1,710.1	1,811.2	1,910.6	2,008.5
IT services spend (US\$ bn)	734.1	789.2	802.2	833.5	862.9	906.5	954.6	1,005.4	1,058.4
Total IT spend (US\$ bn)	2,655.4	3,051.2	3,138.5	3,273	3,568.6	3,889.3	4,210.4	4,555	4,921.4
Total telecoms revenues (US\$ bn)	9,543.6	10,026	9,020.2	9,413.7	8,648.3	8,267.4	8,326.4	8,550.5	8,799.2

Source: EIU.

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Overview

Mobile and broadband subscriptions will continue to rise over EIU's 2025-29 forecast period, while fixed-line connections will fall in most countries covered in EIU's global telecommunications forecasts. We expect global GDP to expand by a tepid 2.1% in 2025, as trade barriers, climate change and technology advancements in developed economies will limit convergence for emerging markets.

Operators will continue to focus on the rollout of 5G networks during the forecast period. Boosting mobile broadband access in developing countries will be a priority for operators. At the enterprise level, the covid-19 pandemic has accelerated digital transformation. This will continue to spur investment in remote communications, cloud infrastructure, artificial intelligence (AI) and data analytics.

The launch of Open AI's ChatGPT in November 2022 has supercharged AI, making it much easier to use. Companies have been using different types of AI for many years, but adoption remains slow, as it needs to fit the business case rather than merely being used for the sake of it. After a period of experimentation, there will need to be a period of implementation, with returns on investment and productivity improvements at the forefront. So far 2025 has been the year of AI agents (or agentic AI), which are autonomous systems that can act on their own without human input. But there will be a time when the massive investments made in semiconductors will need to make a return; in 2025 Alphabet (Google), Amazon, Meta (Facebook) and Microsoft are planning to spend more than US\$325bn in capital expenditure (capex), mostly on AI.

The big five US tech players—Alphabet, Amazon, Apple, Meta and Microsoft—will continue to dominate in the overall tech, media and telecommunications (TMT) market. There will be continued political debate around their power.

The election of Donald Trump to the US presidency has had an impact on the tech sector. His administration has so far favoured innovation over regulation, and to allow free speech online as a guiding principle. Because Mr Trump wants the US to retain its primacy, this will have a global impact on allies and foes alike. However, potential tariffs on semiconductors and electronic products could create major headwinds to the sector.

## Key forecasts

We expect mobile subscriptions to grow at an average annual rate of 2.8%, reaching 8.5bn by the end of the forecast period. Greater investment in mobile network infrastructure, and higher take-up of budget handsets and smartphones will boost mobile penetration to 128.4 per 100 people by 2029.

Macroeconomic and geopolitical conditions are having an impact on the sector. Digital transformation will remain a major driver, and we remain confident about the industry's long-term prospects. Over the forecast period 5G will continue to be developed through three major use cases—enhanced mobile broadband, fixed wireless access and the enterprise segment.

The development of advanced networks such as fibre will ensure continued high demand for fixed broadband, with the number of subscriber lines forecast to exceed 2bn in 2029.

Regulators and governments will continue to disagree with operators and tech companies over issues such as consolidation, regulation and taxation. The EU will be at the forefront, and conflict is likely with the US under the Trump administration.

AI has been at the forefront since the launch of ChatGPT in November 2022. The chatbot makes AI easier to use, but if it is to gain widespread adoption, the technology needs to fit the business case. Policymakers are also seeking to regulate AI, with the strictest regulation in the EU in the guise of the AI Act. The Trump administration will go the other way, clearly favouring innovation over regulation.

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