

Centre for the New Economy and Society

# Chief Economists Outlook

January 2025

**Disclaimer**

This document is published by the World Economic Forum as a contribution to a project, insight area or interaction. The findings, interpretations and conclusions expressed herein are a result of a collaborative process facilitated and endorsed by the World Economic Forum but whose results do not necessarily represent the views of the World Economic Forum, nor the entirety of its Members, Partners or other stakeholders.

© 2025 World Economic Forum. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, or by any information storage and retrieval system.

# Chief Economists Outlook

## January 2025

This briefing builds on the latest policy development research as well as consultations and surveys with leading chief economists from both the public and private sectors, organized by the World Economic Forum's Centre for the New Economy and Society.

It aims to summarize the emerging contours of the current economic environment and identify priorities for further action by policy-makers and business leaders in response to the compounding shocks to the global economy from geoeconomic and geopolitical events.

The survey featured in this briefing was conducted in late November 2024.

# Contents

<b>Executive summary</b>	5
<b>1. Downside risks have risen</b>	7
<b>2. All eyes on the US</b>	14
<b>3. Global integration under growing strain</b>	18
Domestic and international policy drivers	18
The challenges of fragmentation	20
<b>4. A turbulent year for trade</b>	23
Trade-war dynamics set to intensify	23
The shift to services trade continues	25
<b>References</b>	28
<b>Contributors</b>	33
<b>Acknowledgements</b>	34

# Executive summary

The January 2025 edition of the *Chief Economists Outlook* launches at the start of what is likely to be an eventful year for the global economy. The outlook remains subdued, with a majority of chief economists (56%) expecting the global economy to weaken over the next year, compared to 17% anticipating improvement.

Expectations for global growth are muted overall but subject to significant regional divergence. The US economy is expected to deliver robust growth in 2025, and South Asia, particularly India, is also expected to maintain strong growth. The outlook for Europe remains gloomy, with 74% of respondents predicting weak or very weak growth this year. The outlook for China also remains weak, and growth is projected to slow gradually in the years ahead.

Global inflation is easing, with the International Monetary Fund (IMF) projecting an annual average of 4.3% in 2025, down from 5.8% in 2024. However, services inflation remains higher than goods inflation, particularly in advanced and emerging-market economies. Moderate inflation is expected in most regions, but the uptick in the short-term outlook for growth in the

US has been accompanied by a significant increase in inflation expectations, according to the chief economists.

The chief economists expect US policy to have a significant impact on the global economy in the years ahead. A majority (61%) characterize this impact as a long-term shift rather than a short-term disruption. Under the incoming administration, the chief economists expect significant changes across trade, migration, deregulation, fiscal policy, industrial policy and foreign policy. Large majorities expect to see increases in inflation and public debt levels, as well as stock-market gains.

The global economic landscape is increasingly fragmented. This is particularly true for goods trade, where 94% of chief economists expect further fragmentation over the next three years. Significant majorities also expect increased barriers to labour mobility and transfers of technology and data. Geopolitical rivalries and domestic policy choices are viewed as the key drivers of current fragmentation trends, highlighting the growing importance of interactions between political and economic factors.

The main impact of rising fragmentation that the chief economists highlight is a likely increase in costs for consumers and businesses. Collaboration on global challenges such as climate change is also expected to become more difficult. In response to these shifts in the global landscape, the chief economists expect multinational companies to respond with a range of adaptations, including changes to supply chains and organizational restructurings.

The chief economists expect an intensification of trade-war dynamics in the years ahead, both between the US and China and more broadly. However, the expectation is also

that trade volumes will continue to increase. There is consensus that protectionism will cause durable changes to trade patterns over the next three years, with conflict and national security concerns also highlighted as important drivers of change.

The chief economists expect growing regionalization of trade, as well as a continuation of a gradual shift in the composition of trade from goods to services. In general, advanced economies tend to benefit more than developing economies from services trade, but a majority of the chief economists point to the increasing importance of services as a driver of economic development.

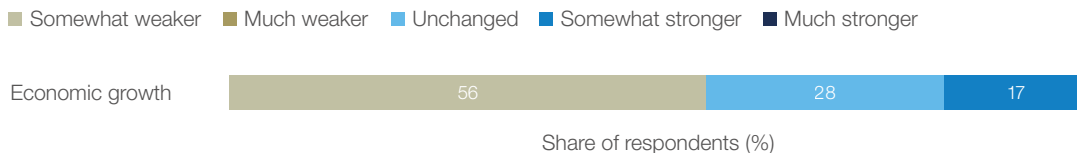
# 1. Downside risks have risen

The outlook for the global economy remains subdued and downside risks have intensified, not least because of heightened uncertainty around the economic implications of November’s US presidential election. According to the World Economic Forum’s latest survey of chief economists, a majority

(56%) expect the global economy to weaken over the next year compared to 17% who expect it to strengthen (see Figure 1). Compared to the last survey in August 2024, expectations for the year ahead have softened.<sup>1</sup>

**Figure 1. The global economic outlook**

Looking at the year ahead, what are your expectations for the future condition of the global economy?



**Note:** The numbers in the graphs may not add up to 100% because figures have been rounded up/down.

**Source:** Chief Economists Survey. (2024, November).

At the time of writing, the International Monetary Fund’s (IMF) latest projection is that the global economy will expand by 3.2% this year, unchanged from 2024, and that it will slow marginally to 3.1% over the next five years.<sup>2</sup> This remains one of the weakest medium-term outlooks in decades, and there are signs elsewhere of global forecasts being trimmed to reflect the impact of expected changes to US policy.<sup>3</sup>

The next section will look at the outlook for the US economy in greater detail, but expectations of a short-term boost are reflected in 44% of chief economists pointing to strong US growth in 2025 (see Figure 2) – three times as many as in the last survey.<sup>4</sup> The chief economists expect developments in the US to exert a drag on global growth, but they continue to expect significant divergence across regions.

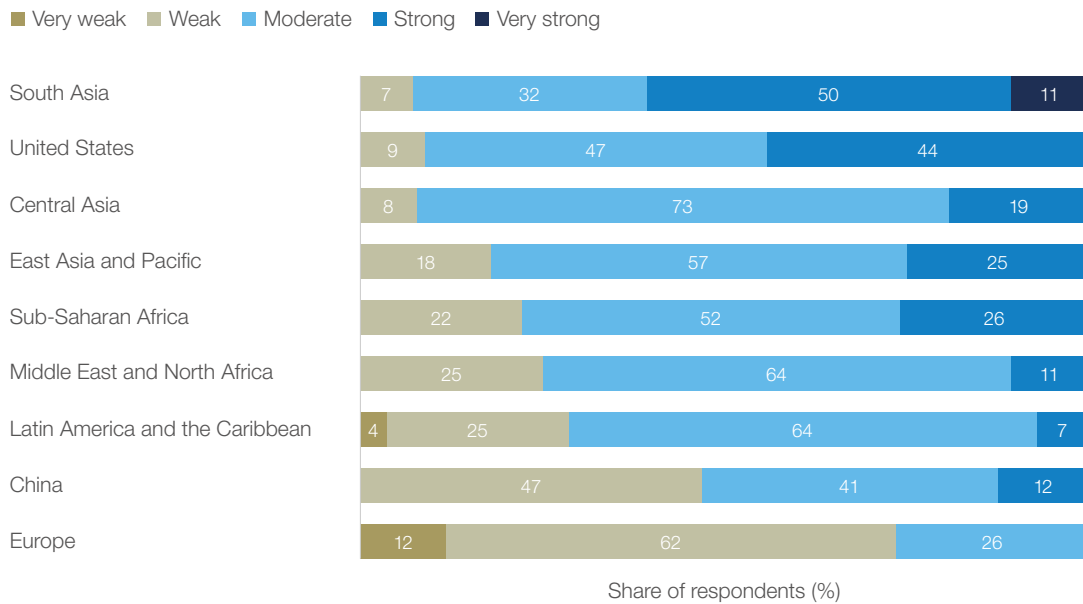
1 World Economic Forum. (2024).  
 2 International Monetary Fund (IMF). (2024a).  
 3 Morgan Stanley. (2024).  
 4 Goldman Sachs. (2024).

South Asia continues to stand out, with 61% of chief economists expecting strong or very strong growth in 2025. This regional performance has been driven largely by robust growth in India, which remains the world’s fastest-growing major economy. However, there are now signs of some momentum being lost: the latest national accounts data for India point to year-on-

year GDP (gross domestic product) growth of 5.4% in the third quarter of 2024, the slowest rate in nearly two years, prompting a downward revision to the central bank’s annual growth forecast in December.<sup>5</sup> Elsewhere in the region, there has been strong growth in the countries of ASEAN (Association of Southeast Asian Nations), where GDP is expected to expand by 4.7% in 2025.<sup>6</sup>

**Figure 2. Growth expectations**

What is your expectation for economic growth in the following geographies in 2025?



Source: Chief Economists Survey. (2024, November).

5 Kaushik & Reed. (2024).

6 International Monetary Fund (IMF). (2024b).



For almost three years, Europe has registered the weakest regional prospects among chief economists, and in the latest survey, 74% of respondents expect weak or very weak growth for the region. The challenges facing the region were highlighted in the most recent national accounts data for the Euro area, which recorded aggregate year-on-year growth of just 0.9% in the third quarter of last year – this compares to 2.7% in the US over the same period.<sup>7</sup> The Euro area's largest economy, Germany, contracted by 0.3%, while there was growth of 0.4% in Italy, 1.2% in France and 3.4% in Spain.<sup>8</sup>

In a September report, Mario Draghi, the former Italian prime minister and governor of the European Central Bank, spotlighted Europe's economic challenges. Sounding an alarm for the region's economic prospects, his report warned that annual investment equivalent to 5% of GDP would be required to revive its economic dynamism.<sup>9</sup> However, the prospects of determined action to boost the European economy looked distant at the end of 2024, with both Germany and France mired in domestic political difficulties.

The outlook for China also remains weak. Growth is expected to slow gradually and is projected by the IMF at 4.8% in 2024 and

4.5% in 2025.<sup>10</sup> Earlier forecasts for 2024 were revised downwards from 5% as a result of disappointing domestic demand in the second quarter, and high-frequency data suggest that while exports have picked up, consumer demand has remained subdued.<sup>11</sup> November retail sales growth of 3% missed expectations of 4.6%.<sup>12</sup> Over the medium term, growth is projected to slow down to about 3.3% in 2029 amid headwinds from weak productivity and an ageing population.<sup>13</sup>

In the other regions covered in the survey, the assessments of the chief economists surveyed remain broadly unchanged from the previous survey. For the Middle East and North Africa, almost two-thirds expect moderate growth in the year ahead, but the risks to this outlook are highlighted by the fact that more than twice as many respondents expect weak growth rather than strong. For Sub-Saharan Africa, the share of chief economists who expect moderate or stronger growth in 2025 increased to 78%. This uptick is in line with the projection of solid 4.2% growth for the region this year from the IMF.<sup>14</sup> For Latin America and the Caribbean, almost two-thirds of chief economists continue to expect moderate growth this year.

7 Eurostat. (2024).

8 Ibid.

9 Draghi, M. (2024).

10 International Monetary Fund (IMF). (2024b).

11 Ibid.

12 Hale et al. (2024).

13 International Monetary Fund (IMF) Asia and Pacific Department. (2024).

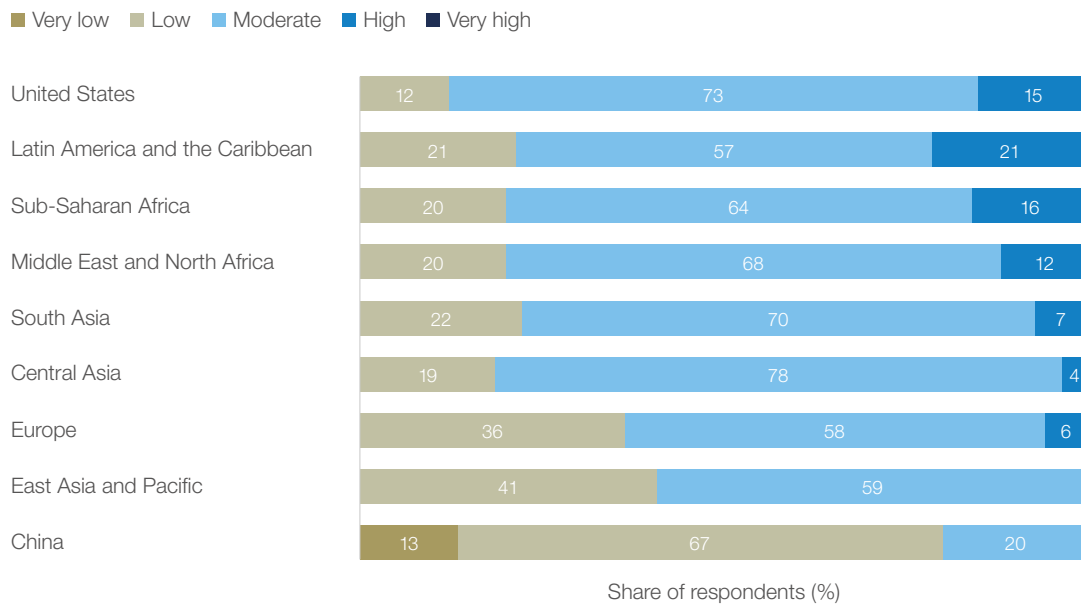
14 International Monetary Fund (IMF). (2024a).

Global inflation continues to ease, with the IMF projecting an annual average of 4.3% this year, down from 6.7% in 2023 and an estimated 5.8% in 2024.<sup>15</sup> This overall deceleration has been driven primarily by the advanced economies, which have been returning to their inflation targets more rapidly than emerging-market and developing economies. Services inflation has been slower to ease than goods inflation, and in numerous advanced and emerging-market economies, the core services inflation rate is still around 50% higher than before the pandemic.<sup>16</sup>

Regional inflation assessments by chief economists (see Figure 3) show that, after November’s election, the US now leads in inflation expectations. However, nearly three-quarters of respondents still anticipate only moderate inflation in 2025. Most of the regions record a broadly similar pattern, with a significant majority expecting moderate inflation and a much smaller share expecting either weak or strong inflation.

**Figure 3. Inflation expectations**

What is your expectation for inflation in the following geographies in 2025?



Source: Chief Economists Survey. (2024, November).

15 International Monetary Fund (IMF). (2024a).

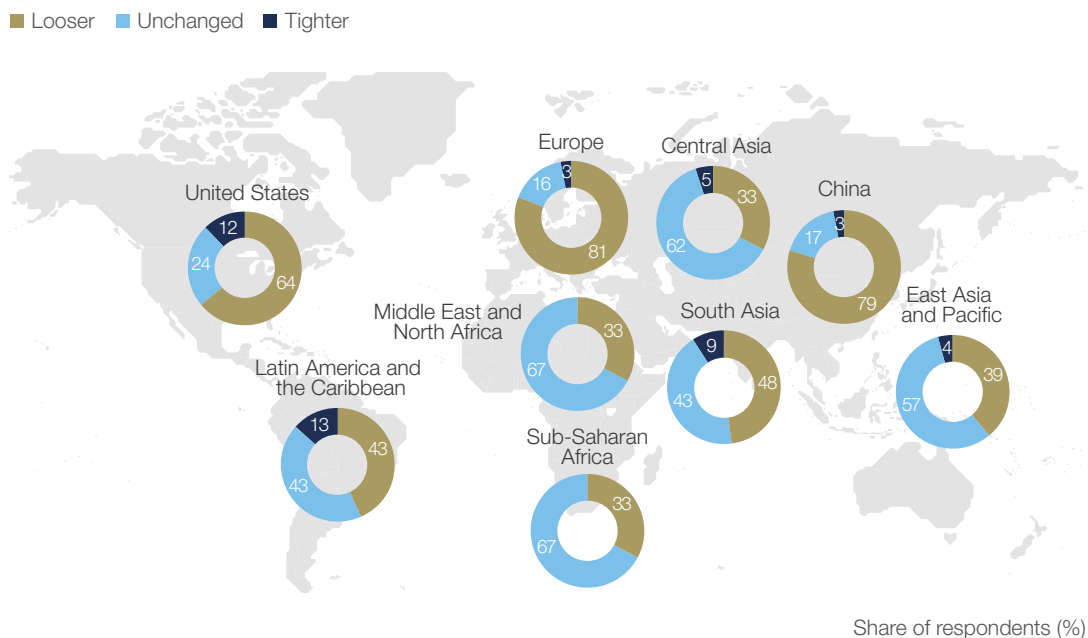
16 Ibid.

In Latin America and the Caribbean, the share of respondents expecting low inflation increased from just 6% in the last survey to 21% in the latest. Europe and the East Asia and Pacific region have notably higher proportions of respondents anticipating low inflation (36% and 41%, respectively). However, China is the unsurprising outlier given the deflationary pressures the country

has been grappling with. Interestingly, the chief economists' assessment (80% expecting low or very low inflation) is more bearish than in the last survey (69%). This contrasts with the view of the IMF in its latest "Article IV" assessment of the Chinese economy, which estimates that consumer price inflation will pick up from 0.7% last year to 1.9% this year.<sup>17</sup>

**Figure 4. Monetary policy outlook**

What is your expectation for monetary policy in the following geographies in 2025?



Source: Chief Economists Survey. (2024, November).

17 International Monetary Fund (IMF) Asia and Pacific Department. (2024).

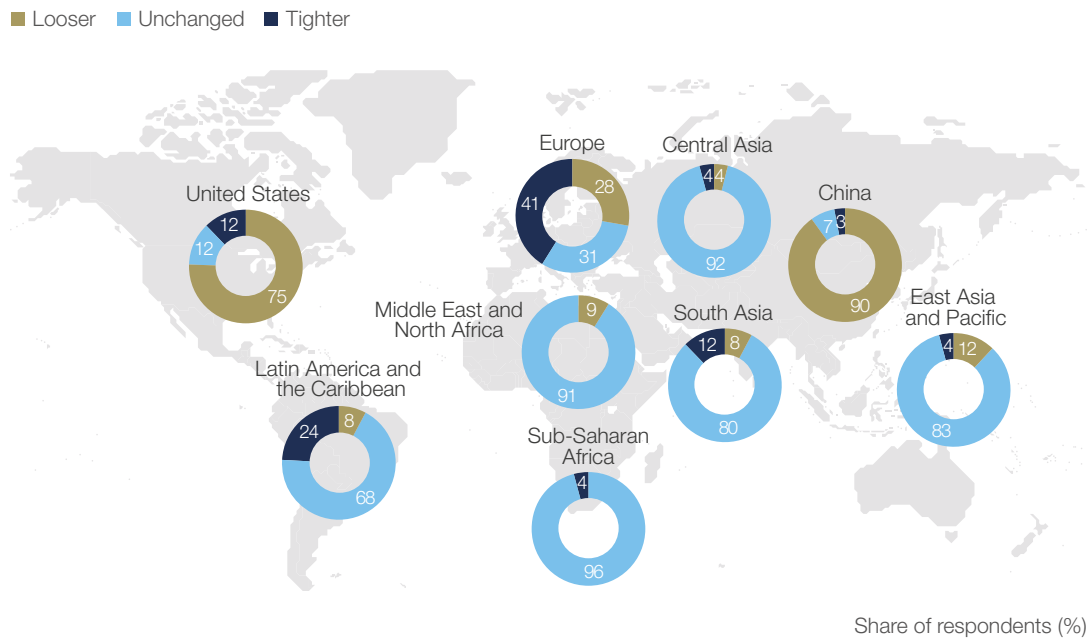
While central banks remain vigilant following the inflationary surge of recent years, the tightening phase for global monetary policy has clearly ended. The overwhelming majority of chief economists expect policy to remain unchanged or loosen in all regions this year, with expectations of interest rate cuts highest for Europe, China and the US.

Given the large discrepancies in the economic prospects for Europe and the US, the policy stances of the European Central Bank (ECB) and the Federal Reserve are expected to diverge further.<sup>18</sup> With growth in the Euro area projected to remain low and

inflation expected to settle around the target rate of 2%, the ECB looks likely to continue on a path of further interest rate cuts, following three cuts of 0.25% in the final four months of 2024, which took the main policy rate to 3%.<sup>19</sup> In the US, the Federal Reserve cut rates by a full percentage point during the same period (to 4.5%), but its outlook has shifted, and in December, it signalled a slower pace of loosening in 2025 than previously expected.<sup>20</sup> This pivot to a more hawkish position jolted financial markets – the dollar jumped to a two-year high, and the S&P500 stock index dropped by nearly 3%.<sup>21</sup>

**Figure 5. Fiscal policy outlook**

What is your expectation for fiscal policy in the following geographies in 2025?



Source: Chief Economists Survey. (2024, November).

18 Giles, C. (2024).

19 European Central Bank (ECB). (2024).

20 Clarfelt, H. & Smith, C. (2024).

21 Ibid.

In terms of fiscal policy, large majorities of the chief economists surveyed expect a looser stance in the US and China this year (75% and 90%, respectively), while views on Europe are split but with a slight skew towards tightening. Elsewhere, most respondents expect fiscal policy to remain unchanged in the year ahead. However, the backdrop for fiscal policy decisions is likely to continue to pose significant challenges.

The latest IMF estimate for global public debt in 2024 is more than \$100 trillion, with the potential to reach 115% of GDP over the next three years.<sup>22</sup> Moreover, governments will face mounting pressures to address a “fiscal policy trilemma”<sup>23</sup> of dealing with the costs related to security, population ageing and climate change, without either jeopardizing debt sustainability or leading to political pushback against rising taxes.<sup>24</sup>

---

22 International Monetary Fund (IMF). (2024c).

23 Gaspar, V. (2024).

24 International Monetary Fund (IMF). (2024c).

## 2. All eyes on the US

This edition of the *Chief Economists Outlook* launches as a new US administration takes office. The systemic importance of the US to the global economy means that changes of administration are always closely assessed for their potential domestic and international implications. However, this pattern has been unusually intense since November’s election, both because of already-fraught global conditions and the platform of dramatic policy change on which the President campaigned.<sup>25</sup>

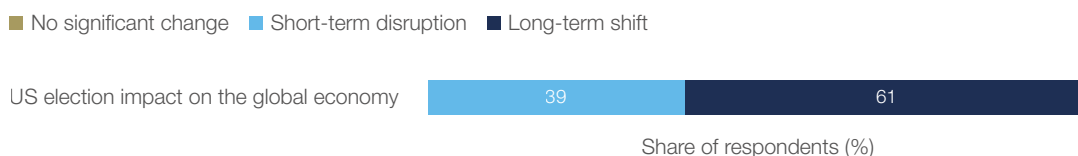
Among the chief economists surveyed, there is unanimity that developments in the US will alter the trajectory of the global economy, with a solid majority of 61% characterizing this change as a long-term shift rather than a short-term disruption (see Figure 6). This echoes the view that whereas the first Trump administration could be seen by some as a blip, the second

should be seen more as an inflection point for the political and economic order, consolidating trends that have been gathering momentum in many countries since the global financial crisis.<sup>26</sup>

The chief economists’ expectations for policy change in the US are broadly in line with the policy priorities articulated during the election campaign, with large majorities expecting significant change in the areas of trade, migration, deregulation, fiscal policy, industrial policy and foreign policy. The only policy area in which respondents do not expect significant change is monetary policy, where the Federal Reserve is legally independent of both the presidency and Congress. However, monetary policy may have a significant role to play in cushioning developments in the real economy if changes in other policy areas prove to be inflationary.<sup>27</sup>

**Figure 6. Global impact**

How would you characterise the likely impact of the US election result on the trajectory of the global economy?



**Source:** Chief Economists Survey. (2024, November).

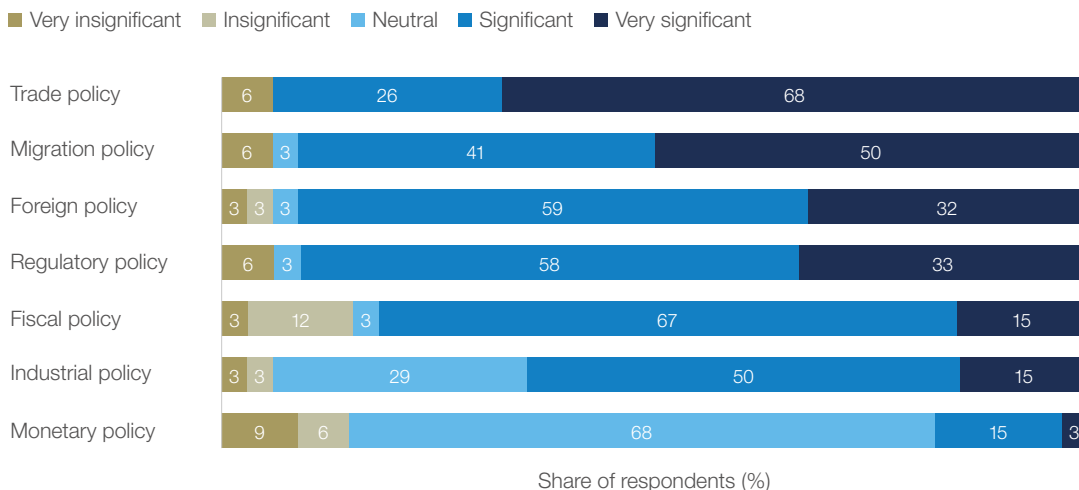
<sup>25</sup> The American Presidency Project. (2024).

<sup>26</sup> Klein, E. (2024).

<sup>27</sup> United States Federal Reserve. (2024).

**Figure 7. Policy outlook**

In which US policy areas do you expect to see the most significant changes under the new US administration?



Source: Chief Economists Survey. (2024, November).

If fully implemented, the new administration’s campaign agenda would be a significant departure from current economic policy.<sup>28</sup> However, there remains a high degree of uncertainty over the extent to which the campaign agenda will be implemented. For example, while 68% of the chief economists expect very significant changes to trade policy, more than 90% expect that new US tariffs will be smaller than the ones promised during the presidential campaign (see Figure 15).<sup>29</sup> Caution is needed, therefore, in anticipating the likely magnitude of changes in 2025 and beyond.

One potential restraining influence on policy could be consumer prices, which

were a central issue during the presidential campaign. The evidence suggests that many voters were less concerned with the decelerating rate of change of prices (consumer price inflation had fallen to 2.7% in November 2024<sup>30</sup>) than with their cumulative increase (around 20% over the four preceding years).<sup>31</sup> It is therefore at least possible that the new administration will not want to risk being associated with a renewed period of rising prices. Nevertheless, among the chief economists, 94% expect the inflation rate to increase under the new administration (see Figure 8), with the proportion expecting high inflation in 2025 doubling since the last survey (see Figure 3).

28 The Economist. (2024a).

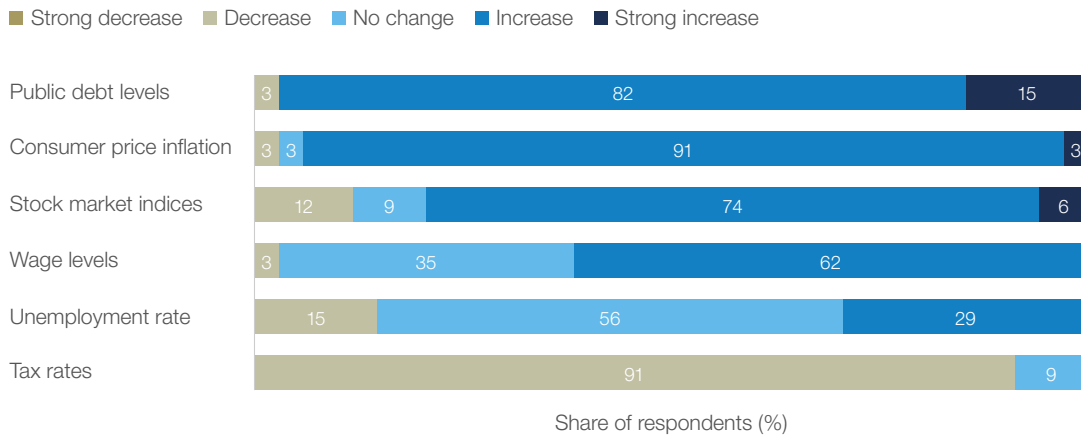
29 In February 2024, Donald Trump announced that he would increase tariffs on all goods from China by 60% and introduce new tariffs of 10% across the board (Piciotto, 2024). In November 2024, he clarified that he would introduce 25% tariffs on goods from Mexico and Canada and an additional 10% on all Chinese goods coming into the US (Pitas, 2024).

30 U.S. Bureau of Labor Statistics. (2024).

31 Goudreau, C. (2024).

**Figure 8. Economic impact**

What changes do you expect to the following US economic and financial indicators under the new US administration?



Source: Chief Economists Survey. (2024, November).

This is in line with a strong consensus that the new administration’s campaign platform would be highly inflationary. Key elements that could be expected to drive prices higher include the stimulus effect of lower taxes (expected by 91% of chief economists) and the impact on wages and prices of the labour supply shock that would result from a maximal implementation of a promised programme of mass deportations.<sup>32</sup> Potential tariff increases would add even more pressure

(see section 4). It is notable that inflation expectations in the US ticked up in the weeks following the election.<sup>33</sup>

The chief economists are near-unanimous (97%) in their expectation that public debt levels will rise, pointing to a lack of confidence that tax cuts will be matched by a promised drive to cut public spending, which is being spearheaded by a new high-profile advisory commission (the Department of Government Efficiency).<sup>34</sup>

32 Rogers, T. N. (2024).

33 World Bank. (2024a).

34 The Economist. (2024b).



A majority (56%) also expects the unemployment rate to remain unchanged, while almost two-thirds (62%) expect wage levels to rise. A large majority of respondents (80%) anticipate stock market gains, in line with widespread expectations of a business-friendly stance in areas such as taxes and deregulation.

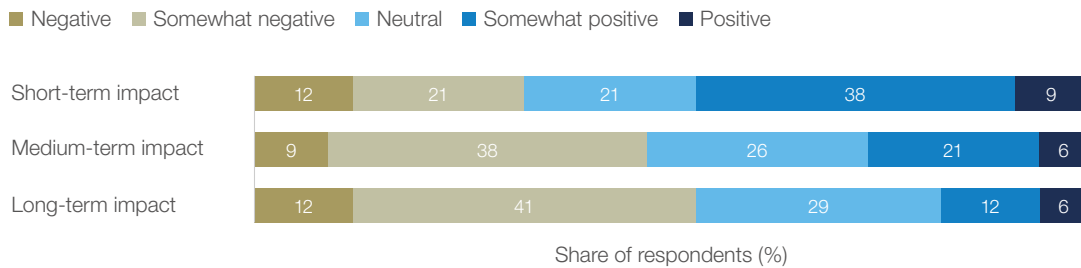
On expectations for growth, the chief economists differentiate between likely trends in the US and internationally (see Figure 9). Domestically, almost half (47%)

expect a positive or somewhat positive short-term impact on growth from the new administration’s policy agenda, but this figure falls away in the medium term (27%), and over the long term, more than half of respondents (53%) expect the impact of policy to be somewhat negative or negative on growth. Globally, the position is more unambiguously gloomy, with large majorities expecting a negative or somewhat negative impact on growth over the short term (68%), medium term (80%) and long term (65%).

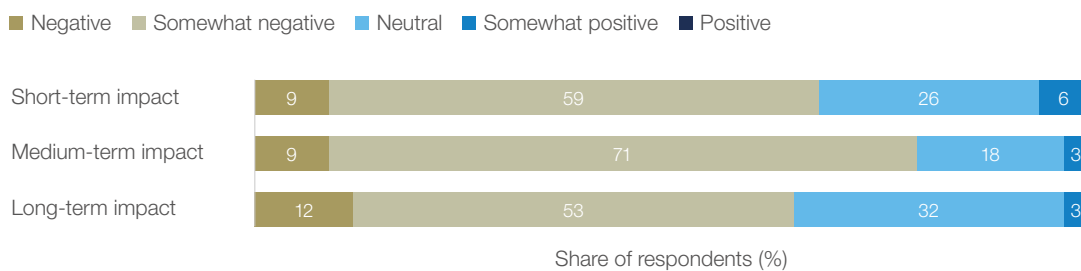
**Figure 9. Growth impact**

What will be the impact of the next US administration’s policy agenda on growth...

...in the US?



...globally?



Source: Chief Economists Survey. (2024, November).

# 3. Global integration under growing strain

## Domestic and international policy drivers

The global economic landscape continues to fragment, with multiple forces increasing strain on different dimensions of global economic interconnectedness (see Figure 10). This is perhaps most clearly evident in relation to the global trading system, where an intensification of trade-war dynamics is a significant possibility in 2025. There is near-unanimity (94%) among the chief economists surveyed that there will be further fragmentation of goods trade over the next three years, while a smaller majority (59%) expects the same for services trade. The outlook for global trade is covered in more detail in section 4.

After goods trade, labour mobility is the next area where fragmentation is most likely, with more than three-quarters of chief economists expecting higher or much higher levels of fragmentation. This expectation occurs against a backdrop where growing political pushback against immigration is coupled with record volumes of immigration. Data released in late 2024

show that legal migration to the 38 member countries of the Organisation for Economic Co-operation and Development (OECD) totalled 6.5 million in 2023, a 10% increase on the previous record in 2022.<sup>35</sup> This trend appears to have played a significant role in the global pattern of anti-incumbent voting in the many national elections that took place in 2024, and one analyst suggests that a new “misery index” combining inflation and immigration shows the highest level of socioeconomic upheaval that many countries have seen in generations.<sup>36</sup>

Almost two-thirds of the chief economists surveyed expect higher fragmentation around transfers of technology and data. National security is playing an increasingly important role in constraining global flows of knowledge and technology, in addition to concerns around data privacy and intellectual property protection.<sup>37</sup> Moreover, deepening fragmentation in high-technology sectors threatens to have an outsized economic impact, given that in most countries, these sectors tend to be high-growth and highly trade-intensive.<sup>38</sup>

35 Borrett, A. & Strauss, D. (2024).

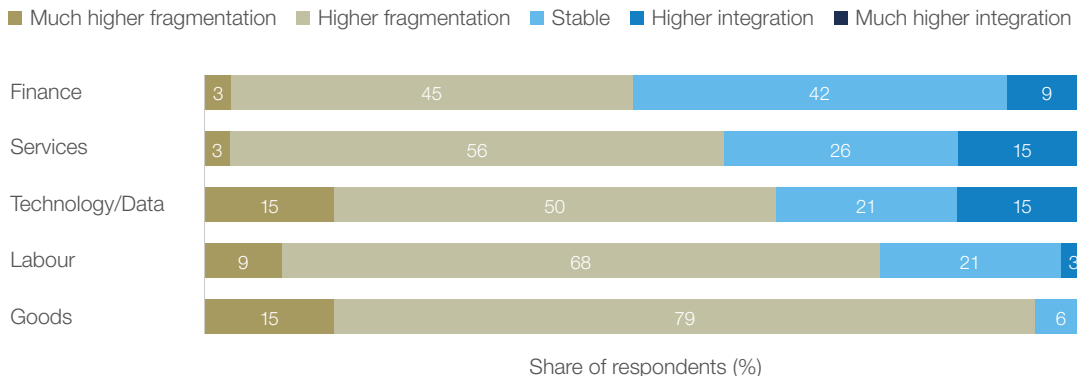
36 Burn-Murdoch, J. (2024).

37 Cerdeiro, D. et al. (2023).

38 Ibid.

**Figure 10. Fragmentation outlook**

What is your expectation for the integration or fragmentation of the global economy in the next three years in the following areas?



Source: Chief Economists Survey. (2024, November).

The financial sector is something of an outlier, with less than half (48%) expecting increased fragmentation over the next three years. This is likely to reflect the pivotal role of cross-border financial flows in the functioning of modern economies and the level of disruption that would follow any significant fragmentation of the system. This situation is not without risks, however, given current levels of political volatility. The evidence of recent years suggests that there is a growing appetite among some to break established norms and patterns, even if this entails significant disruption.<sup>39</sup> Moreover, it should be noted that finance is by no means immune from fragmentation trends: for example, geopolitical tensions already have a marked impact on foreign direct investment (FDI)<sup>40</sup> and portfolio investment flows.<sup>41</sup>

When the chief economists were asked about the factors contributing to current levels of fragmentation, domestic and international political drivers stand out (see Figure 11).

More than 90% of respondents view geopolitical rivalries as an important factor, with two-thirds viewing them as very important. The strategic rivalry between the US and China is at the heart of this, but there is mounting evidence of wider disruptions in the geopolitical landscape. According to one measure published last year, geopolitical and geoeconomic fragmentation has risen sharply since the global financial crisis, peaking during the COVID-19 pandemic.<sup>42</sup> However, recent events, particularly in Ukraine and across the Middle East, suggest that the trend of widening and intensifying geopolitical instability may still have some way to go.

39 Williams, A. (2024).

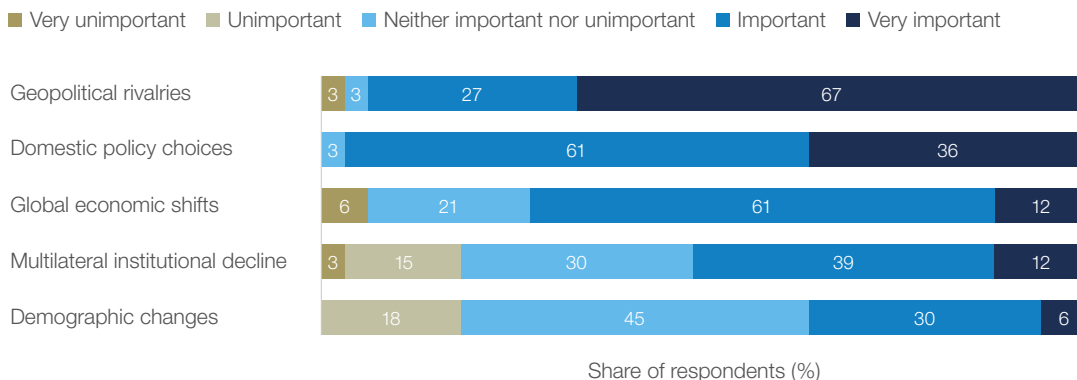
40 Boeckelman, L. et al. (2024).

41 Catalan, M. et al. (2024).

42 Fernández-Villaverde, J. et al. (2024).

**Figure 11. Drivers of fragmentation**

To what extent do you think the following factors are important contributors to current levels of global economic fragmentation?



Source: Chief Economists Survey. (2024, November).

Domestic policy choices were cited by almost all respondents (97%) as an important contributor to global economic fragmentation and by around one-third as very important. Whereas geopolitical rivalries may lead to a mix of intended and unintended fragmentation of the global economy, the role of domestic policy choices highlights the growing electoral constituency in many countries that supports a rolling back of at least some aspects of global integration. In particular, as noted above, immigration has become an increasingly central political issue in many countries.

**The challenges of fragmentation**

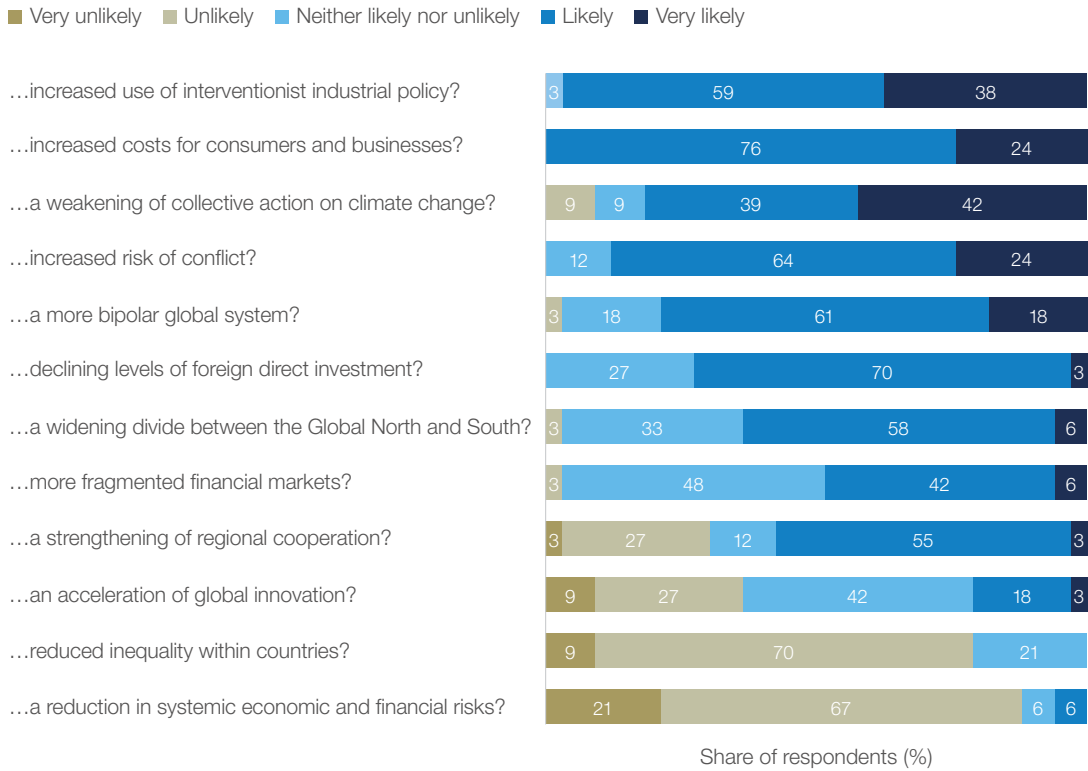
While these developments may have large distributional impacts, the chief economists see no clear economic gains in the aggregate. Framing the question in terms of economics perhaps misses the political gains that proponents of reduced global

economic integration often hope to achieve, but it is nevertheless striking how little economic upside is expected overall.

When asked whether fragmentation could lead to a reduction in systemic economic and financial risks – for example, by reducing the potential for cross-border contagion effects during a crisis – 88% of chief economists viewed this as unlikely or very unlikely over the next three years (see Figure 12). When asked whether there might be reduced within-country inequality – for example, because of greater policy autonomy or strengthened bargaining power for workers – 79% viewed it as unlikely or very unlikely. Although the results are more mixed, the chief economists are also unconvinced that fragmentation will lead to a surge in innovation as a by-product of technological competition between geopolitical rivals. Only 21% of respondents view this as likely or very likely, while 36% view it as unlikely or very unlikely.

**Figure 12. Impacts of fragmentation**

In light of current trends, how likely is it that over the next three years global fragmentation will lead to...



Source: Chief Economists Survey. (2024, November).

The clearest expectation of the chief economists surveyed is that global fragmentation will lead to higher prices, with unanimous agreement that it is likely or very likely that costs for consumers and businesses will increase over the next three years. One potential channel for such inflationary pressure is the disruption of global value chains – for example, through companies’ increasing use of reshoring and friend-shoring.<sup>43</sup> A 2024 survey of US chief executive officers (CEOs) and chief

operating officers (COOs) showed that the proportion of companies with plans to shorten their supply chains had jumped to 81% from 63% in 2022,<sup>44</sup> while in 2023, an annual index of reshoring in the US registered its largest increase on record.<sup>45</sup> Moreover, in the US and elsewhere, the process of reshoring is being bolstered by governments’ adoption of interventionist industrial policies, a trend that almost all (97%) chief economists expect to accelerate as a result of global fragmentation.

43 Nagel, J. (2024).

44 Bain & Company. (2024).

45 Kearney. (2024).

The survey responses point to an increasingly complicated and strained global landscape over the next three years: a more bipolar system (79%), with a widening divide between the Global North and South (64%), declining levels of FDI (73%) and a shift towards regional cooperation (58%). The prospects for global collaboration are diminishing, especially for climate change (81%), while the proportion of respondents expecting the risk of conflict to increase is worryingly high (88%).

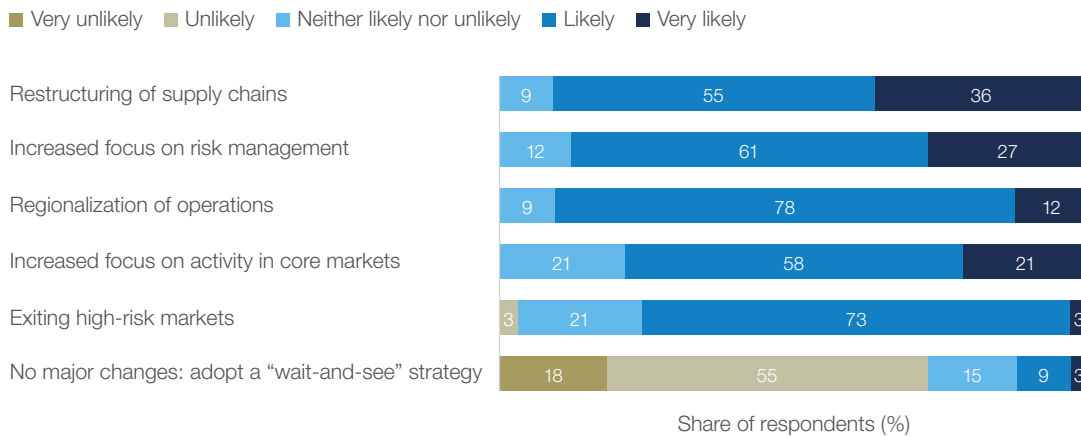
Increasing global economic fragmentation poses a particular strategic challenge for multinational companies operating across geopolitical and geoeconomic fault lines. Only around one in 10 chief economists

expect these companies to adopt a wait-and-see approach to increasing levels of fragmentation. By contrast, over three-quarters expect them to embark on potentially costly changes such as restructuring their supply chains (91%), regionalizing their operations (90%), focusing on activity in core markets (79%) or exiting high-risk markets (76%).

There is already evidence of significant structural changes taking place. For example, in October 2024, a major global lender announced a restructuring of its operations into “eastern” and “western” groupings.<sup>46</sup> Although the stated rationale of the move was to reduce costs and increase agility, it was widely perceived as being partly motivated by geopolitical de-risking.<sup>47</sup>

**Figure 13. Business response to fragmentation**

How do you expect multinational companies to respond over the next three years to global economic fragmentation?



Source: Chief Economists Survey. (2024, November).

46 Aliaj, O. et al. (2024).

47 Davies, P. J. (2024).

# 4. A turbulent year for trade

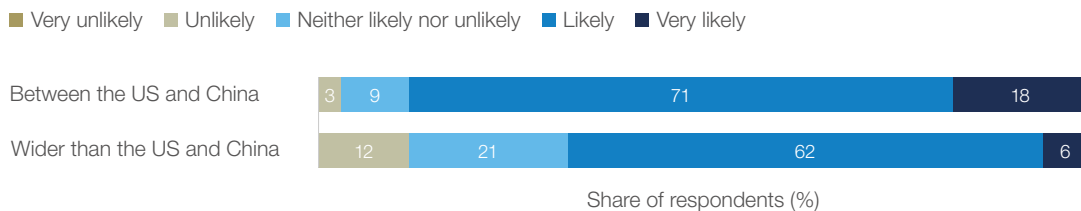
## Trade-war dynamics set to intensify

Among all the indications of the economic fragmentation discussed in the previous section, the erosion of support for the global trading system is the most prominent. Although global trade is on track to hit a record \$33 trillion in 2024,<sup>48</sup> the system

is facing significant threats. Institutionally, this is evident in the unresolved breakdown of a key dispute-resolution mechanism at the World Trade Organization (WTO) since 2019.<sup>49</sup> Politically, it is exemplified by the success of a US presidential campaign that prominently featured a platform of across-the-board tariffs.

**Figure 14. Trade war**

Looking at the year ahead, do you expect a trade war of retaliatory trade restrictions to break out?



Source: Chief Economists Survey. (2024, November).

All indications point to further trade turbulence in the year ahead. Indeed, large majorities of the chief economists surveyed expect a trade war of tit-for-tat trade restrictions between the US and

China (89%) and more broadly (68%). However, while the new US administration’s trade policy is likely to shape the outlook in 2025, it may not signal a dramatic change in trajectory.

48 United Nations Conference on Trade and Development (UNCTAD). (2024a).

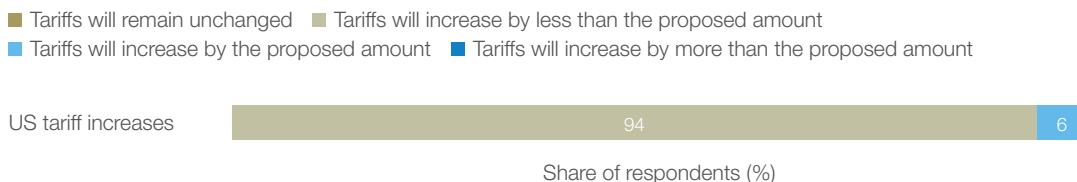
49 Van den Bossche, P. (2023).

For one thing, it is highly unlikely that the harshest tariffs promised on the campaign trail will be implemented – 94% of the chief economists expect more moderate interventions (see Figure 15). Yet, it is also important to note that trade restrictions are already a familiar feature of the global trading landscape. Protectionist trade policy, particularly towards China,

was a hallmark of the last Republican administration in the US, and this stance was sustained – and in some cases extended – by its Democratic successor.<sup>50</sup> More recently and more broadly, new trade-distorting policies among G20 countries outnumbered trade-liberalizing measures by 2,402 to 634 in 2024.<sup>51</sup> In that sense, a trade war is already under way.

**Figure 15. US tariff policy**

The incoming US administration campaigned on a policy of increasing tariffs by up to 10% across the board and by 60% for goods from China. To what extent do you expect this to be implemented?



**Source:** Chief Economists Survey. (2024, November).

Against the challenging recent backdrop of sharp geopolitical tensions and rising protectionism, global trade has been quite resilient.<sup>52</sup> As a percentage of GDP, it stood at 58.5% in 2023, down from 62.8% the previous year but still above the 55.8% recorded in 2017.<sup>53</sup> Geopolitical tensions have exerted a drag on trade, but the effect has been offset by growing trade between countries that are geopolitically aligned.<sup>54</sup>

All of this suggests that while the outlook for global trade is subject to significant uncertainty, the risks may not be as dramatic or disruptive as might have been feared. In the survey, 48% of respondents said they expect global trade volumes to continue increasing, compared to 18% who disagreed (see Figure 17). This relatively cautious view is in line with IMF estimates that trade volumes will increase by 3.4% in 2025 – well below the rates being recorded before the global financial crisis but still in line with expectations for GDP growth.<sup>55</sup>

50 York, E. (2024).

51 Global Trade Alert. (2024).

52 International Monetary Fund (IMF). (2024a).

53 World Bank. (2024b).

54 Gopinath, G. et al. (2025).

55 International Monetary Fund (IMF). (2024a).



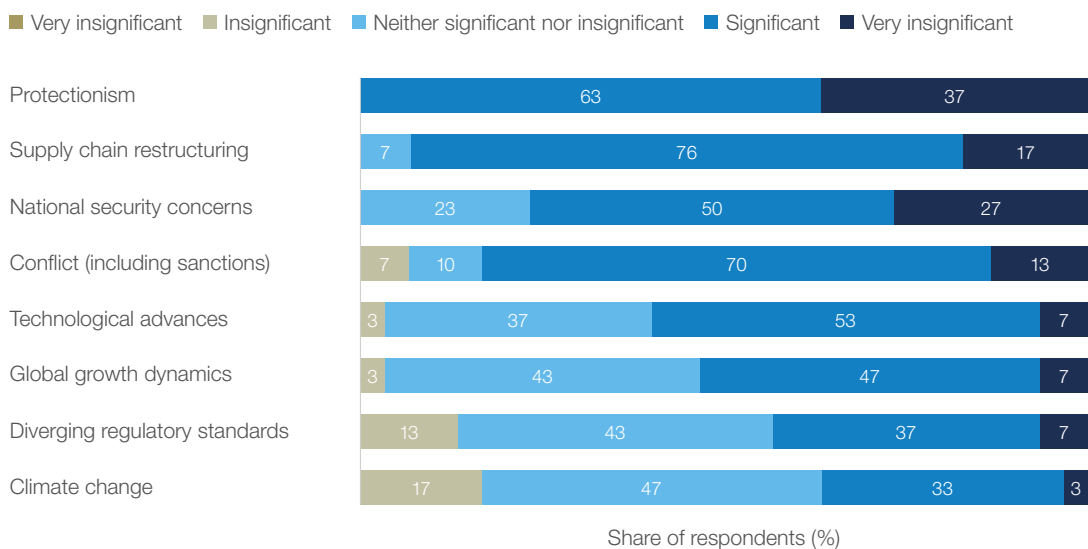
### The shift to services trade continues

Protectionism is identified in the survey as the factor most likely to drive lasting changes to global trade patterns (see Figure 16). However, a number of others feature prominently, including supply-chain restructuring (93% of respondents), conflict and sanctions (83%) and national

security concerns (77%). Clearly, there are close interconnections between many of these. For example, national security concerns are an increasingly prominent justification for protectionist trade restrictions, such as US tariffs on Chinese electric vehicles.<sup>56</sup> Conflict can lead to significant supply-chain changes, as was the case following Russia’s invasion of Ukraine in 2022.<sup>57</sup>

**Figure 16. Drivers of changing trade patterns**

Over the next three years, how significant do you think the following factors will be in causing durable changes to trade patterns?



Source: Chief Economists Survey. (2024, November).

Only a minority of respondents expect either climate change (36%) or regulatory divergence (44%) to alter trade patterns significantly. It is notable that only a small majority (54%) expect global growth dynamics to have a significant impact,

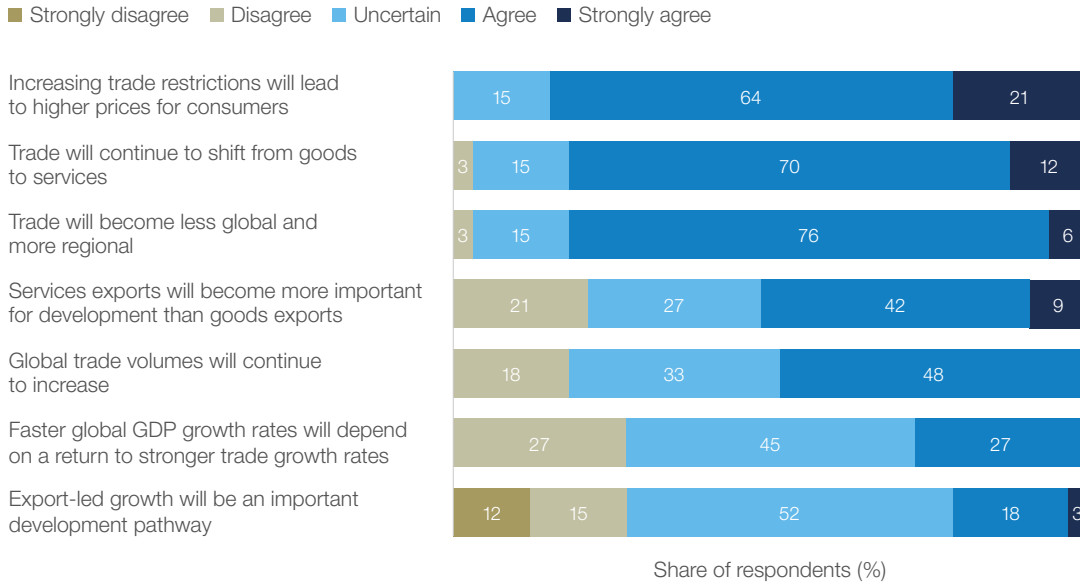
suggesting a trading environment in which the influence of traditional economic drivers may be diminishing relative to a range of more structural factors. Another such factor is technological change, which is cited as a significant driver by 60% of chief economists.

56 Politi, J. et al. (2024).

57 Simchi-Levi, D. & Haren, P. (2022).

**Figure 17. Trade outlook**

Looking at the next three years, do you agree/disagree with the following statements?



Source: Chief Economists Survey. (2024, November).

Aside from the impacts of any protectionist or similar interventions in the short term, there are other changes that look set to affect the global trading landscape over the medium and long term. A large majority of chief economists (82%) expect a greater regionalization of trade over the next three years. This echoes the trend of trade shifting towards geopolitically

aligned countries,<sup>58</sup> which research suggests could exert a significant drag on growth.<sup>59</sup> The latest available data, relating to the third quarter of 2024, point to a continuing trend of geopolitical friendshoring, albeit at slightly reduced levels, while the regional concentration of trade has begun to decline more prominently.<sup>60</sup>

58 Gopinath, G. et al. (2025).

59 Javorcik, B. et al. (2024).

60 United Nations Conference on Trade and Development (UNCTAD). (2024a).

A more well-established trend is the gradual shift in the composition of trade from goods to services, which 82% of respondents expect to continue over the next three years. The value of merchandise exports is still about three times that of services exports, but services are growing slightly more rapidly. Between 2009 and 2023, the value of merchandise exports increased by 89% to \$23.8 trillion, while services exports increased by 116% to \$7.9 trillion.<sup>61</sup> The deepening digitalization of economies has been a key driver of the growth of services trade in recent decades with exports of digitally delivered services experiencing the fastest growth by increasing almost four-fold.<sup>62</sup>

On the face of it, the gradual shift towards trade in services tends to benefit developed economies. Whereas the value of merchandise trade is split roughly evenly between developing and developed economies, around two-thirds of services trade is associated with developed economies.<sup>63</sup> Nevertheless, slightly more than half (51%) of the chief economists surveyed expect services to become more important for development than goods exports. One reason for this may be the relative employment intensity of services, which account for a greater share of global jobs and output than agriculture and industry combined.<sup>64</sup>

---

61 UNCTADstat. (2024); authors' calculations.

62 World Trade Organization (WTO) & World Bank Group. (2023).

63 United Nations Conference on Trade and Development (UNCTAD). (2024b).

64 World Trade Organization (WTO) & World Bank Group. (2023).

# References

- Aliaj, O., Wiggins, K., & Sandlund, W. (2024, October 22). *HSBC chief Georges Elhedery unveils sweeping overhaul of lender*. Financial Times. <https://www.ft.com/content/a15352c6-9ed8-44a5-8c98-b199d461222d>.
- Bain & Company. (2024, November 15). *Not-So-Distant Shores*. Bain. <https://www.bain.com/insights/not-so-distant-shores-snap-chart/>.
- Boeckelman, L., Moder, I., & Spital, T. (2024, November 15). *A new index to measure geopolitical fragmentation in global greenfield foreign direct investment*. CEPR. <https://cepr.org/voxeu/columns/new-index-measure-geopolitical-fragmentation-global-greenfield-foreign-direct>.
- Borrett, A., & Strauss, D. (2024, November 14). *Migration to rich countries hits record high in 2023*. Financial Times. <https://www.ft.com/content/c5f2ff4d-252d-45d6-ab25-44ee6bfabb96>.
- Burn-Murdoch, J. (2024, November 7). *Democrats join 2024's graveyard of incumbents*. *Financial Times*. <https://www.ft.com/content/e8ac09ea-c300-4249-af7d-109003afb893>.
- Catalan, M., Fendoglu, S., & Tsuruga, T. (2024). *A Gravity Model of Geopolitics and Financial Fragmentation*. *IMF Working Papers*, (196), 1. <https://doi.org/10.5089/9798400280337.001>.
- Cerdeiro, D., Eugster, J., Mano, R., Muir, D., & Peiris, S. (2023). *Sizing up the effects of technological decoupling*. In S. Aiyar, A. Presbitero, & M. Ruta (Eds.), *Geoeconomic Fragmentation: The Economic Risks from a Fractured World Economy*. CEPR Press. <https://cepr.org/publications/books-and-reports/geoeconomic-fragmentation-economic-risks-fractured-world-economy>.
- Clarfelt, H., & Smith, C. (2024, December 19). *Federal Reserve cuts rates but 'hawkish' forecast hits stocks and sends dollar jumping*. Financial Times. <https://www.ft.com/content/500f561c-09f1-4e7e-a63c-b2a082ef8b55>
- Davies, P. J. (2024, October 23). *HSBC's East-West Split Isn't Just About Cutting Costs*. Bloomberg.com. <https://www.bloomberg.com/opinion/articles/2024-10-23/hsbc-s-east-west-split-isn-t-just-about-cutting-costs>.

- Draghi, M. (2024). *The Future of European Competitiveness Part A: A competitiveness strategy for Europe*. European Commission. [https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead\\_en](https://commission.europa.eu/topics/strengthening-european-competitiveness/eu-competitiveness-looking-ahead_en).
- European Central Bank. (2024). *Monetary policy decisions*. <https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.mp241212~2acab6e51e.en.html>.
- Eurostat. (2024, 6 December). *GDP up by 0.4% and employment up by 0.2% in the euro area*. <https://ec.europa.eu/eurostat/web/products-euro-indicators/w/2-06122024-ap>.
- Fernández-Villaverde, J., Mineyama, T., & Song, D. (2024). *Are We Fragmented Yet? Measuring Geopolitical Fragmentation and Its Causal Effect*. National Bureau of Economic Research, (w32638; p. w32638). <https://doi.org/10.3386/w32638>.
- Gaspar, V. (2024, 26 December). *Solving the Global Fiscal Policy Trilemma*. Foreign Policy. <https://foreignpolicy.com/2024/09/23/imf-fiscal-affairs-global-policy-trilemma-economies/>.
- Giles, C. (2024, 7 May). *European interest rates are set to diverge from the US*. Financial Times. <https://www.ft.com/content/f76884e9-bc66-4a5d-8445-4f842af5ef68>.
- Global Trade Alert. (2024). *Global Trade Policy Factbook 2024*. <https://www.globaltradealert.org/reports/162>
- Goldman Sachs. (2024, 20 November). *The US economy is poised to beat expectations in 2025*. <https://www.goldmansachs.com/insights/articles/the-us-economy-is-poised-to-beat-expectations-in-2025>.
- Gopinath, G., Gourinchas, P.-O., Presbitero, A. F., & Topalova, P. (2025). *Changing global linkages: A new Cold War?* *Journal of International Economics*, 153, 104042. <https://doi.org/10.1016/j.jinteco.2024.104042>
- Goudreau, C. (2024, 20 November). *The impact of inflation on the 2024 presidential election*. The Hub. <https://hub.jhu.edu/2024/11/20/how-inflation-impacted-2024-election/>.
- Hale, T., Alim, A. N., & Leahy, J. (2024, December 16). *Weak China retail sales add to pressure on Beijing to lift economy*. Financial Times. <https://www.ft.com/content/a1c39f1b-bf6c-4845-839c-81be269c4468>.
- International Monetary Fund. (2024a). *World Economic Outlook, October 2024: Policy Pivot, Rising Threats*. <https://doi.org/10.5089/9798400281150.081>.
- International Monetary Fund. (2024b). *Regional Economic Outlook: Asia and Pacific, November 2024: Asia and Pacific: Resilient Growth but Higher Risks*. <https://doi.org/10.5089/9798400287220.086>.

International Monetary Fund. (2024c). *Fiscal Monitor, October 2024: Putting a Lid on Public Debt*. <https://doi.org/10.5089/9798400281266.089>.

International Monetary Fund Asia and Pacific Department. (2024). People's Republic of China: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for the People's Republic of China. *IMF Staff Country Reports*, (258), 1. <https://doi.org/10.5089/9798400284281.002>.

Javorcik, B., Kitzmüller, L., Schweiger, H., & Yıldırım, M. A. (2024). Economic costs of friendshoring. *The World Economy*, 47 (7), 2871-2908. <https://doi.org/10.1111/twec.13555>.

Kaushik, K., & Reed, J. (2024, 6 December). *India central bank cuts growth forecast*. Financial Times. <https://www.ft.com/content/7ebf0eb2-b41b-44c4-bd43-b15afba38667>.

Kearney. (2024, November). *Made in America: Here to stay?* Kearney. <https://www.kearney.com/service/operations-performance/us-reshoring-index>.

Klein, E. (2024, 1 November). *Are We on the Cusp of a New Political Order?* The New York Times. <https://www.nytimes.com/2024/11/01/opinion/ezra-klein-podcast-gary-gerstle.html>.

Morgan Stanley. (2024). *Global Economic Outlook 2025*. <https://www.morganstanley.com/ideas/global-macro-economy-outlook-2025>.

Nagel, J. (2024, 18 November). *Geoeconomic fragmentation: Handling inflation pressures and volatility, increasing resilience*. Deutsche Bundesbank. <https://www.bundesbank.de/en/press/speeches/geoeconomic-fragmentation-handling-inflation-pressures-and-volatility-increasing-resilience-944408>.

Piciotto, R. (2024, 4 February). *Trump floats 'more than' 60% tariffs on Chinese imports*. CNBC. <https://www.cnbc.com/2024/02/04/trump-floats-more-than-60percent-tariffs-on-chinese-imports.html>.

Pitas, C. (2024, 26 November). *Trump vows new Canada, Mexico, China tariffs that threaten global trade*. Reuters. <https://www.reuters.com/world/us/trump-promises-25-tariff-products-mexico-canada-2024-11-25/>.

Politi, J., Sevastopulo, D., & Williams, A. (2024, 10 May). *US set to impose 100% tariff on Chinese electric vehicle imports*. Financial Times. <https://www.ft.com/content/9b79b340-50e0-4813-8ed2-42a30e544e58>.

- Rogers, T. N. (2024, 18 November). *Business owners warn Donald Trump's deportation plan could shut them down*. Financial Times. <https://www.ft.com/content/4c6e379b-d4e6-4514-a37b-d820be59f51d>.
- Simchi-Levi, D., & Haren, P. (2022, 17 March). *How the War in Ukraine Is Further Disrupting Global Supply Chains*. Harvard Business Review. <https://hbr.org/2022/03/how-the-war-in-ukraine-is-further-disrupting-global-supply-chains>.
- The American Presidency Project. (2024, 8 July). *2024 Republican Party Platform*. <https://www.presidency.ucsb.edu/documents/2024-republican-party-platform>.
- The Economist. (2024a, 14 November). *What's about to hit the world economy? The Economist*. <https://www.economist.com/leaders/2024/11/14/whats-about-to-hit-the-world-economy>.
- The Economist. (2024b, November 17). *How to make Elon Musk's budget-slashing dreams come true*. The Economist. <https://www.economist.com/finance-and-economics/2024/11/17/how-to-make-elon-musks-budget-slashing-dreams-come-true>.
- UNCTADstat. (2024). *United Nations Conference on Trade and Development and World Trade Organization Data*. Merchandise trade from <https://unctadstat.unctad.org/insights/theme/8>. Services trade from <https://unctadstat.unctad.org/insights/theme/4>.
- United Nations Conference on Trade and Development. (2024a). *Global Trade Update (December 2024)*. <https://unctad.org/system/files/official-document/ditcinf2024d3.pdf>.
- United Nations Conference on Trade and Development. (2024b). *Key Statistics and Trends in International Trade 2023*. United Nations. [https://unctad.org/system/files/official-document/ditctab2024d1\\_en.pdf](https://unctad.org/system/files/official-document/ditctab2024d1_en.pdf).
- United States Federal Reserve. (2024, 18 December). *Federal Reserve issues FOMC statement*. Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20241218a.htm>.
- U.S. Bureau of Labor Statistics. (2024, December). *Consumer Price Index*. <https://www.bls.gov/cpi/>.
- Van den Bossche, P. (2023). *Can the WTO Dispute Settlement System Be Revived? Options for Addressing a Major Governance Failure of the World Trade Organization*. World Trade Institute. [https://www.wti.org/media/filer\\_public/dc/68/dc6816ae-6d34-4f95-8d8d-837597ce54f3/wti\\_wp\\_03\\_2023.pdf](https://www.wti.org/media/filer_public/dc/68/dc6816ae-6d34-4f95-8d8d-837597ce54f3/wti_wp_03_2023.pdf).
- Williams, A. (2024, 30 November). *Trump threatens Brics nations with 100% tariffs if they undermine dollar*. Financial Times. <https://www.ft.com/content/18b3d51d-1e4b-4189-bae2-c31248b6526b>.

- World Bank. (2024a, November). *Global Monthly Newsletter, November-December 2024*. <https://thedocs.worldbank.org/en/doc/abf6fab46b08d9edfcf1187e6a3e108e-0350012023/related/Global-Monthly-November-December-2024.pdf>.
- World Bank. (2024b). Trade (% of GDP). In *World Development Indicators*. World Bank national accounts data, and OECD National Accounts data files. <https://databank.worldbank.org/source/world-development-indicators/Series/NE.TRD.GNFS.ZS>.
- World Economic Forum. (2024, September). *Chief Economists Outlook: September 2024*. World Economic Forum. <https://www.weforum.org/publications/chief-economists-outlook-september-2024/>.
- World Trade Organization & World Bank Group (Eds.). (2023). *Trade in services for development: Fostering sustainable growth and economic diversification*. [https://www.wto.org/english/res\\_e/booksp\\_e/trade\\_in\\_services\\_and\\_development\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/trade_in_services_and_development_e.pdf).
- York, E. (2024, 16 April). *Americans Are Still Paying for the Trump-Biden Tariffs*. Tax Foundation. <https://taxfoundation.org/blog/biden-trump-tariffs/>.



# Contributors

The World Economic Forum would like to thank the members of the Community of Chief Economists for their thought leadership and guidance. We also thank the members of the broader core community of the Centre for the New Economy and Society for their ongoing commitment and contributions to addressing several of the factors presented in this outlook.

Figures are based on 36 survey responses. We would like to thank, in particular, all community members who completed the survey and contributed to this edition of the outlook through community discussions.

We are grateful to our colleagues in the Centre for the New Economy and Society for helpful suggestions and comments, particularly Armita Behboodi, Jesse Caemmerer, Kateryna Karunska and Sriharsha Masabathula in the Economic Growth and Transformation team, as well as Attilio Di Battista and Eoin Ó Cathasaigh. Thank you to Sean Doherty in the Centre for Regions, Trade and Geopolitics for expert feedback on section 4. Thank you also to Silja Baller and Sriram Gutta for reviewing this edition and to Saadia Zahidi for her guidance and oversight of the *Chief Economists Outlook* series. We are grateful to Martha Howlett and Laurence Denmark for copyediting, graphic design and layout.

The views expressed in this briefing do not necessarily represent the views of the World Economic Forum or those of its members and partners. This briefing is a contribution to the World Economic Forum's insight and interaction activities and is published to elicit comments and further debate.

## World Economic Forum

**Aengus Collins**, Head, Economic Growth and Transformation,  
Centre for the New Economy and Society

**Philipp Großkurth**, Insight Lead, Economic Growth and Transformation,  
Centre for the New Economy and Society

# Acknowledgements

## Members of the Community of Chief Economists

**André Almeida**, SONAE

**Mansueto Almeida**, Banco BTG Pactual

**Musaab Almulla**, Saudi Aramco

**Shusong Ba**, Hong Kong Exchanges and Clearing

**Rima Bhatia**, Gulf International Bank BSC

**Marieke Blom**, ING Group

**Philipp Carlsson-Szlezak**, Boston Consulting Group

**Tomas Castagnino**, Accenture

**Juan Cerruti**, Banco Santander

**Samy Chaar**, Lombard Odier

**Ahmet Çimenoglu**, Koç Holding

**Pedro Conceição**, United Nations Development Programme

**Fabien Curto Millet**, Google

**Gregory Daco**, EY-Parthenon

**Erica Diniz Oliveira**, Ifood.com

**Paul Donovan**, UBS

**Johann Els**, Old Mutual

**Carsten Fink**, World Intellectual Property Organization

**David Folkerts-Landau**, Deutsche Bank

**Indermit Gill**, The World Bank

**Tyler Goodspeed**, ExxonMobil

**Pierre-Olivier Gourinchas**, International Monetary Fund

**Paul Gruenwald**, S&P Global

**Svenja Gudell**, Indeed

**Jérôme Haegeli**, Swiss Re

**Karen Harris**, Bain & Company

**Janet Henry**, HSBC

**Fernando Honorato Barbosa**, Banco Bradesco

**Beata Javorcik**, European Bank for Reconstruction and Development

**Ira Kalish**, Deloitte

**Seisaku Kameda**, Sampo Institute Plus

**Christian Keller**, Barclays

**Steffen Kern**, European Securities and Markets Authority

**Razia Khan**, Standard Chartered Bank

**Raja Asad Khan**, Saudi National Bank

**Karin Kimbrough**, LinkedIn

**Kyle Kretschman**, Spotify

**Barret Kupelian**, PwC

**Valérie Lemaigre**, The Swiss Bank of Geneva

**Gordon Liao**, Circle Internet Financial

**Alexander MacDonald**, NASA

**Mario Magalhães Carvalho Mesquita**, Itaú Unibanco

**Jens Magnusson**, Skandinaviska Enskilda Banken

**Somprawin Manprasert**, SCB X

**Giulio Martini**, Lord Abbett

**Guy Miller**, Zurich Insurance

**Gilles Moëc**, AXA

**Millan Mulraine**, Ontario Teachers' Pension Plan

**Srinivasa Rao Nagarjuna**, Bajaj Finserv

**Dhiraj Nayyar**, Vedanta Resources

**Ralph Ossa**, World Trade Organization

**Eric Parrado**, The Inter-American Development Bank

**Erik Peterson**, Kearney

**Sandra Phlippen**, ABN AMRO

**Renan Pinheiro Silverio**, Petroleo Brasileiro - PETROBRAS

**Saad Rahim**, Trafigura

**Debora Revoltella**, European Investment Bank

**Nela Richardson**, Automatic Data Processing

**Amélie Roux**, Saint-Gobain

**Álvaro Santos Pereira**, Organisation for Economic Co-operation and Development (OECD)

**Michael Schwarz**, Microsoft

**Jorge Sicilia**, BBVA

**Graham Slack**, A.P. Møller-Maersk

**Ludovic Subran**, Allianz

**Eirik Waerness**, Equinor

**Coram Williams**, Adecco

**Rolf Woller**, Volkswagen



---

**COMMITTED TO  
IMPROVING THE STATE  
OF THE WORLD**

---

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation.

The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.

---

**World Economic Forum**  
91–93 route de la Capite  
CH-1223 Cologny/Geneva  
Switzerland

Tel.: +41 (0) 22 869 1212  
Fax: +41 (0) 22 786 2744

[contact@weforum.org](mailto:contact@weforum.org)  
[www.weforum.org](http://www.weforum.org)