INTERNATIONAL ECONOMIC OUTLOOK

CEI Centre for International Economy

JANUARY 2025

EXECUTIVE SUMMARY

- Despite the serious disruptions of economic flows suffered since 2020, the global economy grew 3.2% during 2024. Thus, the international economic scenario is heading towards a soft landing, though in a framework marked by heterogeneity between regions and countries.

- The biggest boost to global growth came from emerging economies, albeit with relative weight loss from China. In turn, among the developed economies, the strength of the growth of the United States economy stood out.

- Foreign direct investment in the first part of the year increased 8% in year-on-year terms, which might mark a change in the trend compared to the previous year. The United States and Mexico were reportedly some of the most benefitted economies.

- International trade resumed a stronger level of growth in 2024, derived from lower inflation, reduced interest rates, fewer logistical disruptions, and a somewhat stronger economic growth. In particular, global trade in goods is estimated to have grown by 2.7% and services by 7%.

- In 2024, the commodity prices continued, generally, its downward trend, although still above pre-pandemic values. However, a scenario of volatility has started to be reported in which specific and sudden supply shocks can significantly alter prices and quantities available in the global market for certain products.

- Among the main commodities, the case of gold became relevant since its price reached record values in November. The fall in oil prices and the increase in natural gas ones are also worth mentioning.

- In the financial aspect, high levels of sovereign debt and fiscal deficits continue to be of concern in an increasing number of economies.

- Levels of uncertainty are expected to remain high during 2025. The leading agencies and institutions forecast growth rates of global GDP and trade slightly higher than those of the previous year (3.3% and 3%, respectively). This will be subject to the evolution of the global context, marked by war conflicts and geopolitical disputes.

LEVEL OF ACTIVITY

After a period of important turmoil, characterised by high inflation levels and record interest rates, the main indicators of the global economy seem to have stabilised in 2024. Different international organisations and reference institutions agree on diagnosing a "soft landing", "resilience" and a "return to normality" because, despite the serious disruptions of economic flows suffered since 2020, the global economy did not enter a recession. In addition, several central banks began to reduce their interest rates and, at the aggregate level, the most prominent macroeconomic indicators are converging towards the target values set by the economic and financial authorities of the main economies, especially inflation.

Both the IMF[1] and the OECD[2] estimate a global GDP growth of 3.2% for 2024 and a very slight improvement for the years 2025 and 2026, both with a GDP increase of 3.3%. The World Bank[3] has a more conservative estimate (2.7% for both 2025 and 2026), although it agrees with the IMF in forecasting an adjustment in global economic growth in the short term. This, on the one hand, removes any signal of recession, but at the same time consolidates the "new normal" mentioned in the International Economic Outlook of July 2024 and confronts us with a global economy with growth rates lower than the average of the first two decades of the 21st century (3.7%), that is, less dynamic than that known in the pre-pandemic era[4].

However, there are still disparities in the performance of the different economies and in the price trajectories. Thus, the international economic scenario is on its way to "getting back on track", although within a framework marked by heterogeneity between regions and countries. At the same time, factors that increase levels of uncertainty, ranging from geopolitical tensions to high levels of indebtedness and fiscal policies decoupled from income levels, remain a threat to the global economy.

In 2024, the greatest dynamism of emerging economies remained, with an estimated growth of 4.2% for that year and 4.3% for 2025. Among them, Latin America is projected to be the region with the lowest rate (2.4% and 2.5%, respectively) despite the solid growth forecast for Argentina (5% in 2025). In turn, China gave way to the dynamism of other emerging economies, mainly in Asia and sub-Saharan Africa. As for developed countries, the increase in the United States' output stands out, particularly in the face of the lukewarm performance of the European Union.

Regarding a selection of Argentina's main trading partners, which together represent more than 60% of global GDP (Table 1), those economies in which international trade had a lower weight in their output have been the best performers overall. In particular, the US economy (15% of global GDP[5]) again showed a higher than expected level of resilience. It is estimated to end 2024 with a 2.8% growth rate and to reach 2.7% in 2025, which would turn it into the most dynamic developed economy. Both forecasts are supported by lower interest rates, the strength of private consumption, improved real wages, and high employment and productivity rates relative to other economies in their same category.

[1] *World Economic Outlook* (IMF) – January 2025.
[2] *Economic Outlook 2024* (OECD) – December 2024.
[3] *Global Economic Prospects* (World Bank) – January 2025.
[4] *World Economic Situation and Prospects* (UNDESA) – December 2024.
[5] GDP of the year 2023 at purchasing power parity (IMF).

Table 1. Annual economic growth projections

Year-on-year change in GDP in 2024 and 2025 -constant prices- and shares in GDP (PPP), in %

	2024e	Share in global GDP	Variation against previous prognosis*	2025e
Emerging and developing countries	4.2	59.8	0.05 pp. ▲	4.2
Latin America and Caribbean	2.4	7.2	0.3 pp. ▲	2.5
Advanced economies	1.7	40.2	0.08 pp. ▼	1.8
Brazil	3.7	2.4	0.7 pp. ▲	2.2
China	4.8	19.1	-	4.6
EU	1.0	14.4	0.12 pp. ▼	1.4
US	2.8	15.0	-	2.7
Chile	2.5	0.3	-	2.4
India	6.5	8.2	0.5 pp. ▼	6.5
Vietnam	6.1	0.8	-	6.1
World	**3.2**		**-**	**3.3**

Notes: e: estimate / (*) with respect to WEO projections of October 2024 / (**) last available update: WEO October 2024

Source: CEI based on IMF[6]

Table 2. Quarterly evolution of the economy of Argentina's main trading partners

Year-on-year change in GDP at constant prices, in %

		Brazil	China	US	EU	India	Chile
2023	I	4.0	4.5	2.3	1.2	6.2	0.0
	II	3.6	6.3	2.8	0.5	7.9	-0.3
	III	2.8	4.9	3.2	0.1	8.0	0.7
	IV	2.5	5.2	3.2	0.4	8.7	0.8
2024	I	2,2	5.3	2.9	0.6	8.0	2.1
	II	2.8	4.7	3.0	0.8	6.6	2.1
	III	3.5	4.6	2.7	0.9	5.8	2.3
	IV	n.d	5.4	n.d	n.d	n.d	n.d

Notes: n.d.: no data

Source: CEI based on OECD[7]

For Brazil, year-on-year GDP growth during 2024 is estimated to be 3.7%, driven mainly by domestic consumption. However, a significant weakening of its currency and a high interest rate cast doubts about the sustainability of this performance in the near future and the outlook for 2025 is reduced to 2.2%.

In turn, the European Union would probably improve its performance in 2024, with respect to the previous year, partly thanks to a reduction in the cost of energy. However, the weight of foreign trade in its GDP, its historically high exposure to the price of energy, the sustained decline in productivity and the lack of dynamism of its main economy, Germany[8], are expected to place this group of countries among those with the lowest economic dynamism of the developed ones, with an estimated growth of 0.8% and 1% by 2024 and 2025, respectively.

In relation to China, a 4.8% growth rate is estimated for 2024[9]. Although the Chinese government implemented different stimulus policies to encourage demand and there was some dynamism in the export-oriented industrial sector (based on the anticipation of purchases in the face of the uncertainty generated by 2025), the lack of

[6] *World Economic Outlook* (IMF) – January 2025.
[7] *Data Explorer* (OECD) – December 2024. No Vietnam data.
[8] According to official data, Germany experienced a drop in GDP of 0.2% in 2024, the second consecutive year of contraction.
[9] According to official Chinese data, growth was 5%.

dynamism in domestic demand persists, which is bringing the inflation rate to values close to 0, and the price corrections in the real estate sector persist[10]. At the same time, a scenario of uncertainty in global trade may affect more severely an economy still heavily influenced by its performance in the external market such as China.

Chile recovered from 2023, a year when it almost went into recession. In turn, its growth in 2024 is estimated to have been 2.4% (below the official target of 2.6%), mainly supported by private consumption and investment, but evidencing the consequences of the weight of foreign trade on its economy and its exposure to the variation in commodity prices.

As for India, solid growth of 6.5% is estimated for both 2024 and 2025, based on consumption in the rural sectors and on the performance of the services and high-value-added export manufacturing sectors (mainly the electronics and pharmaceutical industries). Meanwhile, demographic assets, a growing middle class and an increasingly robust domestic capital market remain the main strengths of this economy.

Finally, for Vietnam, an increase of 6.1%[11] is projected for both 2024 and 2025. That is because consumption, which accounts for 60% of GDP, rose more than 7% in the last quarter, as did investment. Exports also grew nearly 14%, driven by increased demand by year-end.

In terms of investment, the OECD[12] estimates that during the first half of 2024 foreign direct investment flows globally increased 8% year-on-year and amounted to USD 802 billion. This would mean a reversal of the trend reported in 2023 in which FDI was reduced by 7%.

At country level, foreign investment in China continued its decline, while economies such as the United States (which was the country with the highest FDI reception) and Mexico experienced an increase of approximately USD 25 billion each. This could respond to regional realignments, geographical changes in value chains and geopolitical tensions[13]. In terms of outgoing investments, China and Japan –in that order– were the most prominent economies.

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[10] See International Economic Outlook of July 2024.
[11] According to official Vietnamese data, its economy grew 7.09% in 2024.
[12] *FDI in Figures* (OECD) – October 2024.
[13] See International Economic Outlook of July 2024.

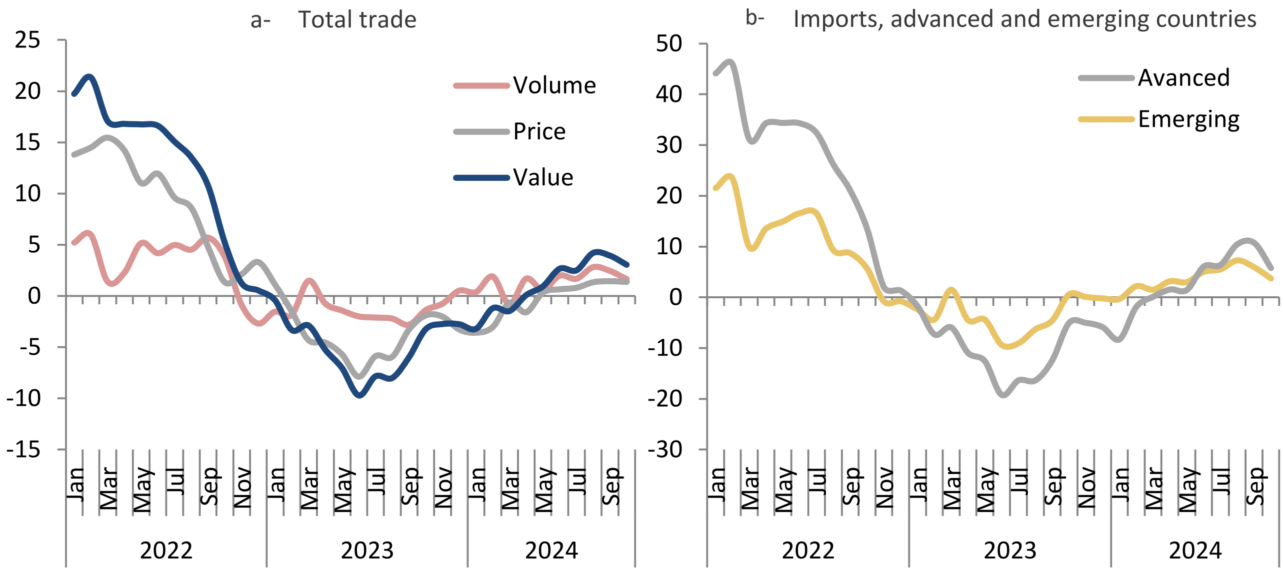
WORLD TRADE

After 2023 recorded the lowest growth in global trade in the last 50 years, in 2024 international trade might have showed a more solid growth path (see graph 1). This would have benefitted from lower inflation and interest rates, fewer logistical disruptions at strategic points and somewhat more consistent economic growth. However, the aforementioned economic growth disparities also influenced levels of trade, which showed heterogeneous results. Added to that scenario, a framework of increasing geopolitical tensions[14] continues to raise uncertainty, while creating opportunities for those economies that have the ability to adapt themselves to the new geography of trade flows and value chains.

In the first part of 2024, the volume of global trade in goods increased by around 2.7% but tarde values were similar to those of 2023, which, according to the WTO, implied a decrease of around 2.6% in the price of imports and exports. At the same time, during the first quarter of 2024 there was a record year-on-year increase in trade in services (8%). By the end of 2024, the annual growth of trade in goods is projected to be 2.7%[15] (WTO), that of services 7% (UNCTAD) and that of total trade in goods and services, 2.4%[16], according to the World Bank. If these estimates are confirmed, according to UNCTAD, global trade in goods and services would reach a record transaction value of USD 33 trillion.

Graph 1. Evolution of global trade in goods

Year-on-year variation, in % (Indexes - base 2021 = 100)



Source: CEI based on CPB[17]

The main boost to global trade in goods growth came from emerging economies, with the exception of the Middle East region hit by OPEC+ oil production cuts. Within this group of countries, the WTO highlights the solid growth of Argentine exports[18]. The United States also had an impact, in contrast with the rest of the developed economies that performed less prominently. Even the eurozone, which accounts for a quarter of the global trade volume in goods, experienced a drop in trade during the first three quarters of 2024.

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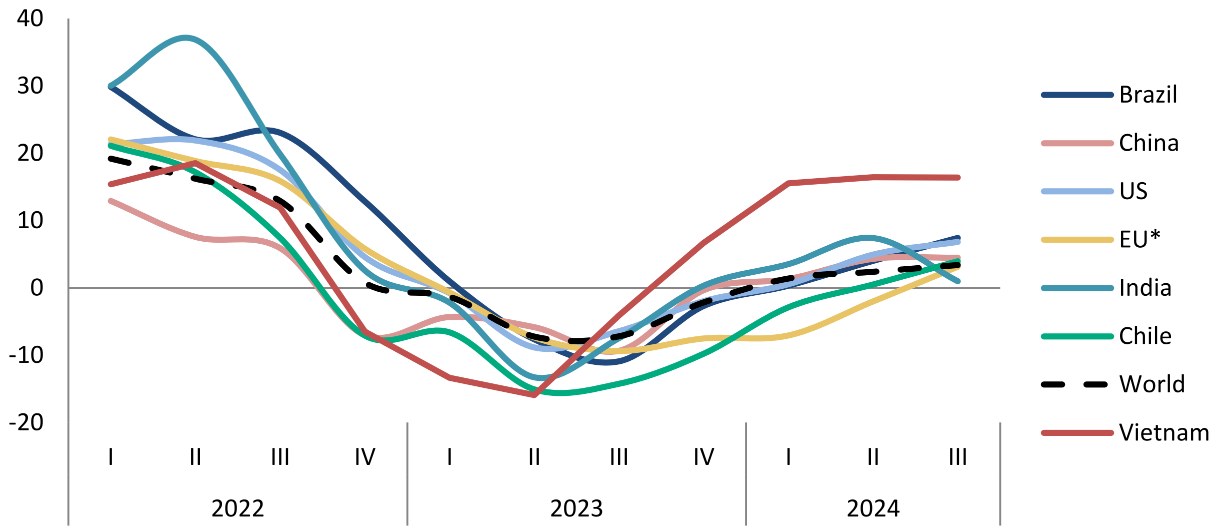
[14] See International Economic Outlook of July 2024.
[15] *Global Trade Outlook and Statistics (WTO)* – October24.
[16] *Global Economic Prospects* (World Bank) – January 2025.
[17] *World Trade Monitor April 2024* (CPB) – May 2024.
[18] *Merchandise trade continues to rise in the third quarter of 2024* (WTO) – December 2024.

At the same time, a drip in shipping rates took place [19], after the peaks derived from the disruptions in the logistics chains since 2023[20], which meant lower costs associated with the trade of intermediate and final goods.

Among Argentina's major partners, Vietnam led total trade growth in the first three quarters of 2024, with a 16.1% year-on-year increase. The United States, Brazil and India also performed well and grew above the global average value (1.6%) during the same period. Chile underperformed (0.5%), while the European Union fell 2.1%.

Graph 2. Total foreign trade of the main Argentine partners

Year-on-year variation, in %



Note: (*) extrabloc.

Source: CEI based on WTO

Regarding the volume of imports of goods in particular, IMF estimates indicate that during 2024 the greatest growth might have taken place in emerging and developing economies (Table 3). Within these, the regions where the demand for imported goods increased the most were the Middle East, Central Asia and Emerging Asia.

Table 3. Estimate of the import volume of goods by 2024

y-o-y % variation

Country and region groups		Country	
Emerging and developing countries	**3.6**	Brazil	2.5
Advanced economies	**1.6**	China	3.8
Emerging Europe	2.8	US	4.4
Middle East and Central Asia	4.6	Chile	1.2
Emerging Asia	4.4	India	4.8
Latin America and Caribbean	0.5	Vietnam	8.1
World			**2.4**

Source: CEI based on IMF

[19] This is made clear, for instance, in the fact that since the beginning of 2024 there has been a sustained decline in the Shanghai Containerized Freight Rate Index.

[20] See International Economic Outlook of July 2024.

Regarding services, UNCTAD[21] estimates that trade grew in both developed and emerging economies during 2024. Likewise, the global recovery of services linked to tourism stands out, with levels of arrivals that reached pre-pandemic figures [22] (more than 1.4 billion).

By 2025, the WTO forecasts a small rise in the growth rate of global trade, which would be around 3%, with Asia leading the increase of both exports (4.7%) and imports (5.1%) and with a greater contribution from the EU. However, there is a high level of uncertainty associated with the impact of the geopolitical scenario on import tariffs, the possible escalation of conflicts in strategic areas of trade logistics and the variation in the value of the US dollar (currency that leads the denomination of commercial operations worldwide) from the decrease in interest rates.

[21] *Global Trade Update* (UNCTAD) – December 2024.

[22] *World Tourism Barometer* (UN Tourism) – January 2024.

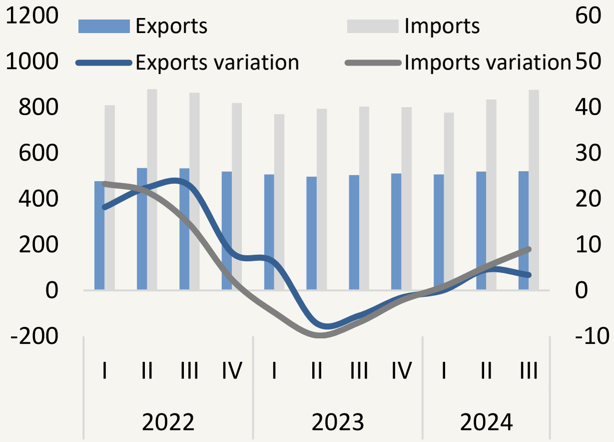
SECTION 1. Trade in goods by partner

UNITED STATES

Graph a. US foreign trade

Value (in USD billions, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

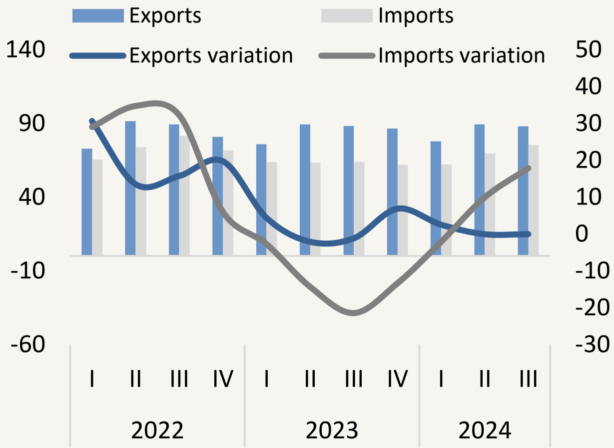
Sales abroad in the first three quarters of 2024 totalled USD 1.5 trillion, resulting in an increase of 2.7% year-on-year. In that same period, its overseas purchases reached USD 2.5 trillion. Thus, imports rose 5.1% and marked the second highest value for that period since 2019. As a result, the trade deficit amounted to USD 0.9 trillion.

BRAZIL

Graph b. Brazil foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

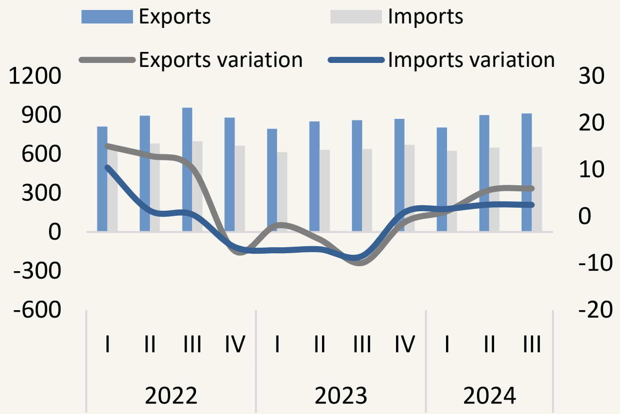
Brazilian exports during the first three quarters of 2024 increased 0.7% year-on-year –the smallest rise in the cases analysed here– and reached a value close to USD 255 billion. Imports posted an 8.5% rise in the same period, reversing the negative trend that had been recorded during 2023 and the first quarter of 2024. China was the main destination for exports and source of imports.

CHINA

Graph c. China foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

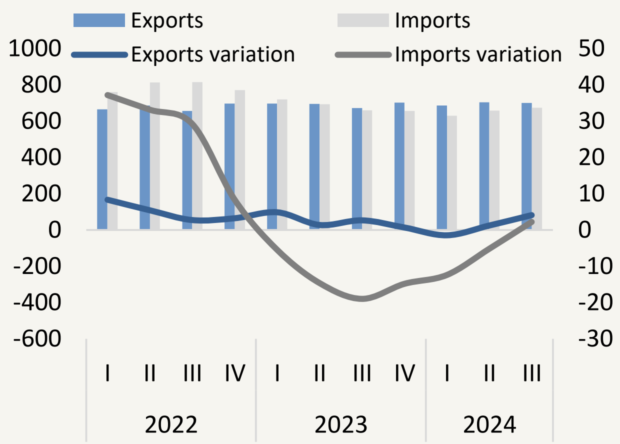
In the first nine months of the year, Chinese exports grew 4.3% y-o-y. They totalled USD 2.6 trillion, although they were below the value reached in the same period of 2022. Imports increased 2.2% to reach USD 1.9 trillion.

EUROPEAN UNION

Graph c. EU foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

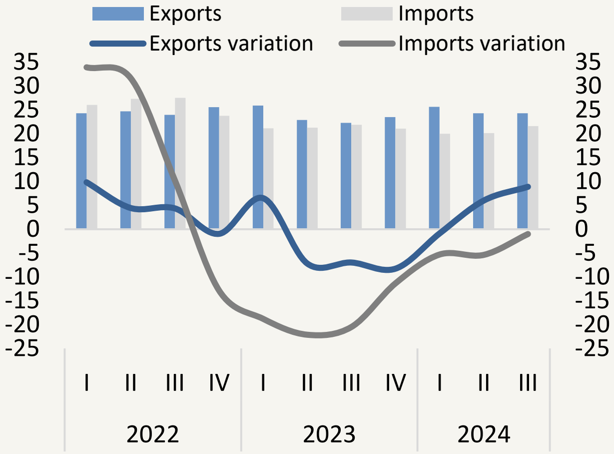
Extrabloc exports from the European Union totalled USD 2.1 trillion during the first three quarters of 2024, which implied a year-on-year rise of 1.2% –the second lowest in the cases analysed–. Imports in that period fell -5.4% y-o-y, the largest drop of the cases under analysis, and decreased to USD 1.9 trillion.

CHILE

Graph e. Chile foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

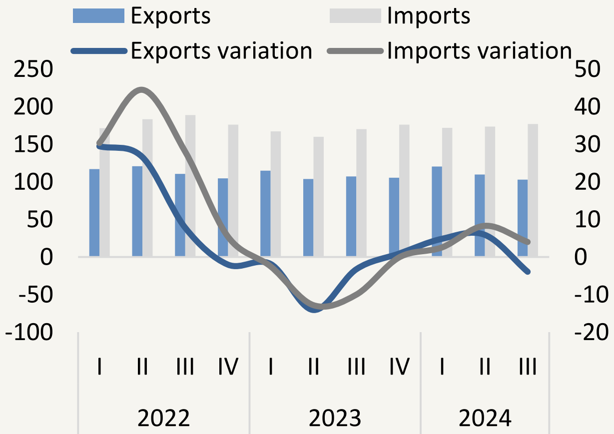
Chile's exports increased 4.4% during the first nine months of 2024 and amounted to USD 74,2 billion. Imports, which totalled USD 61,746 million, were 3.9% lower in year-on-year terms, and together with the EU were the only cases of year-on-year decrease among those described.

INDIA

Graph f. India foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

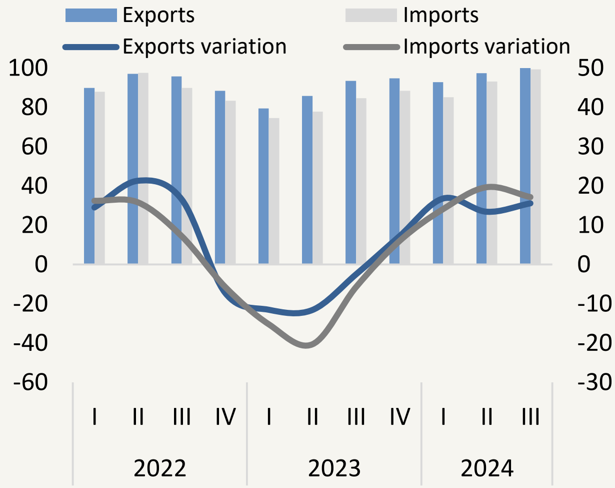
In the case of India, exports registered a growth of 2.3% in the first three quarters of the year and totalled USD 333.5 billion; and imports increased 5% and reached USD 522.5 billion. This resulted in a USD 189 billion deficit.

VIETNAM

Graph g. Vietnam foreign trade

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

Vietnam is a peculiar case given the significant increase in its foreign trade during the first three quarters of the year 2024, in which both exports and imports reached record figures. While its exports increased 15.3% to reach USD 298.5 billion, its imports amounted to USD 277.8 billion (17.1% y-o-y.). As a result, it achieved its ninth consecutive year of trade surplus. Its main export destination is the United States, while the main source of its imports is China.

COMMODITIES

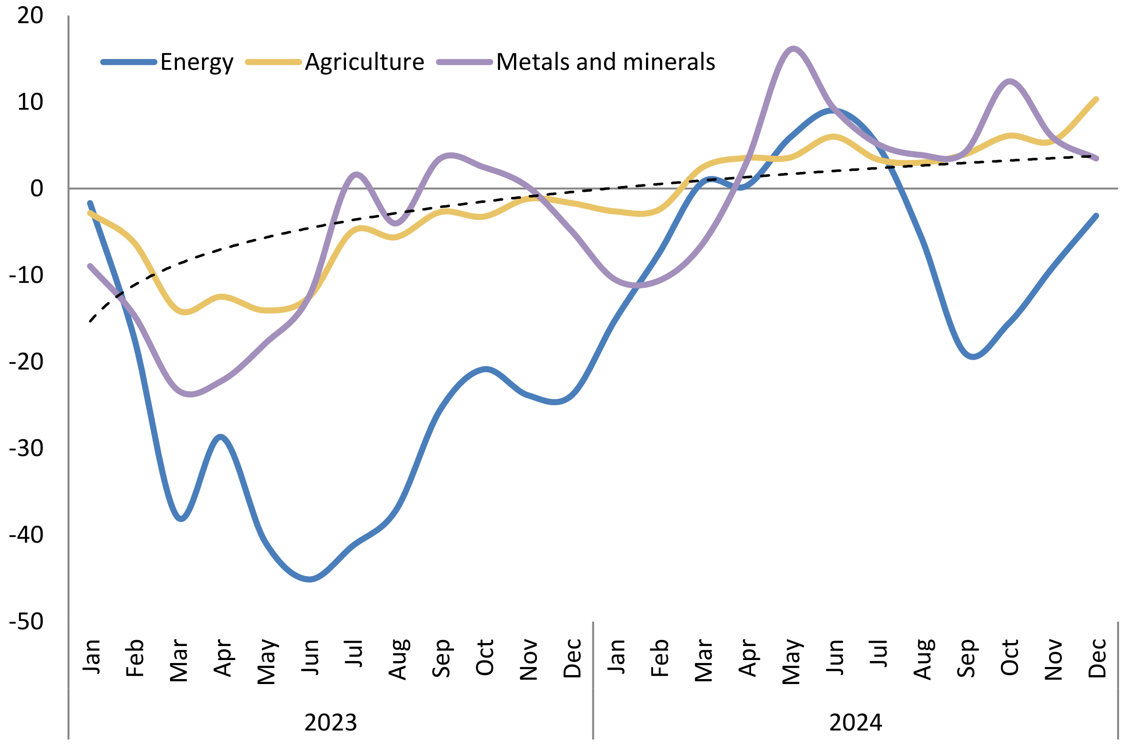
Since the beginning of 2020, the prices of the commodities had experienced –in most cases– a synchronised dynamic, both upwards and downwards[23], which is explained, in part, by the scale of the global shocks they had to go through. Since 2023, but now consolidated as a new reality in 2024, this kind of unity has given way to a desynchronisation. This new phase of the commodity market might be characterised by a scenario of endemic supply volatility[24], in which specific shocks or sudden supply modifications –due to various factors– can significantly alter prices and quantities available in the global market of certain products.

Despite this, there is a general decrease commodity prices, which during 2024 decreased 3% at aggregate level. The World Bank expects the downward trend to continue in 2025 (-5%) and stabilise by 2026 (-2%), which would take them to their lowest value since 2020, although still 30% above those of 2015. The reductions, according to said body and the IMF, might be led by oil prices, although mitigated by increases in natural gas prices and a stable outlook for metals and agricultural raw materials. However, it should be borne in mind that, even in the face of a scenario of little price fluctuation, it remains to be seen what effects a change in the value of the US dollar will have on the importing economies of commodities –mainly in middle- and low-income countries.

Although the price index of minerals and metals (Graph 3) increased, especially in May (16% year-on-year), the upward trend was reversed and ended 2024 with a modest increase of 3.5%. Likewise, the World Bank expects that these prices will not report, on an aggregate basis, a significant rise during 2025 due to a moderation in China's growth, lower demand for its real estate sector and low growth in developed countries (with the exception of the United States).

Graph 3. Price evolution, by product group

Year-over-year variation (in %) in price indices



Source: CEI based on World Bank

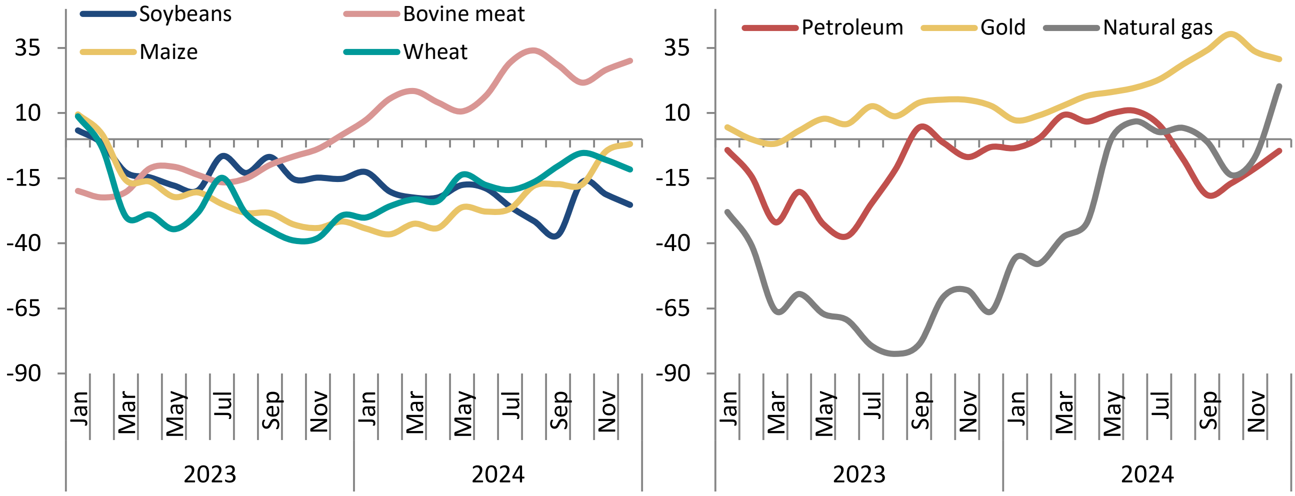
[23] See International Economic Outlook of July 2024.

[24] *Global Economic Prospects* (World Bank) – January 2025.

The agricultural product price index increased 10.3% year-on-year in December, largely explained by rises in beverage prices that offset the drop in food, mainly grains. Energy, on the other hand, reported a decrease of 3.5% during 2024 due to the fall in the oil prices.

Graph 4. Price evolution of selected products

y-o-y variation (in %)



Source: CEI based on World Bank

Among the main commodities of relevance for the Argentine exportable basket (graph 4), gold became a special case. After a significant increase that began at the end of 2023, its price went from USD 1.9 to USD 2.8 per ounce, when it reached its historical record in November 2024. This is due, in part, to its use as a form of hedge against inflation levels and as a safeguard asset against growing global uncertainty[25].

Regarding oil, escalating conflicts in the Middle East did not have the price impact that some analysts expected. The price of the WTI barrel during 2024 decreased 3.2% and ranged from USD 70 to USD 78, even despite production cuts implemented by OPEC+ that were extended successively and would be effective until the end of 2026. The IMF even estimates that the price of this commodity will continue to fall during 2025 due to weak Chinese demand and strong supply from non-OPEC+ countries. In the case of gas, supplier and logistics rearrangements following the invasion of Russia into Ukraine had an upward effect on its price, which after a year of fluctuations registered a 20% year-on-year increase in December 2024.

In relation to agricultural products, although during 2024, low prices of soybeans, maize and wheat were reported, the price of beef increased considerably (30.1%). At the same time, a global increase in biofuel production is expected to put pressure on soybean and corn prices during 2025 and 2026[26].

[25] See International Economic Outlook of July 2024.

[26] *Risk and challenges in global agricultural markets* (World Bank) – January 2025.

FINANCE

After a period of high interest rates –which increased with an intensity and pace not seen in the last 30 years – the financial authorities of the main economies of the world have begun to reduce these rates as the price of commodities started to stop pressuring the rest of the price system and the effects of the pandemic on logistics chains were reduced.

While this is categorised as the beginning of a new global monetary scenario, the world is not yet facing a stable and safe environment. In August 2024, rising interest rates in Japan and reports of a likely cooling of the US economy triggered fluctuations in major stock markets that went beyond normal, which could indicate a still fragile global financial picture. In addition, the high levels of sovereign debt[27] and its rapid growth in various economies must be taken into account. If the current trend in sovereign debt in the world continues, the debt-to-GDP ratio at the global level will reach 100% by the end of this decade and will be even above the peak reached during the pandemic, when the generalised and abrupt fall in global GDP led states to get into debt[28]. In particular, IMF forecasts indicate that public debt is likely to increase at higher rates than pre-pandemic in China, France, the United Kingdom, South Africa and Brazil, among other large economies, in the coming years. Tax deficits are also evident in a growing number of economies, and they have the potential to increase bond market volatility and impact those countries with high levels of fiscal deficit and debt.

Various sources define the global financial scenario based on the concept of "macromarket disconnection" where macro variables begin to dissociate from the stock and capital markets. These financial conditions tend to generate vulnerabilities in the form of debt accumulation and given that volatility is disconnected from current levels of uncertainty (geopolitical and financial, from the aforementioned high levels of debt and growing fiscal deficits) there is some concern that this volatility will eventually skyrocket. This could result in rough and messy price rearrangements that would pose danger to the global economy as a whole.

[27] See International Economic Outlook of July 2024.
[28] *Global Financial Stability Report* (IMF) - October 2024.

INTERNATIONAL ECONOMIC OUTLOOK

Closing date: 31 January 2025

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic