INTERNATIONAL ECONOMIC OUTLOOK

CEI Centre for International Economy

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic

EXECUTIVE SUMMARY

- Although the international economic scenario was expected to go back to normal (soft landing) after years of global shocks, this will take longer than estimated. As a result of geopolitical uncertainty, global economic growth forecasts for 2025 were reduced to values below 3%.

- Emerging economies will lead growth in 2025, with an average rate of 3.7%. Advanced economies will grow 1.4%, among which the United States continues to stand out compared to the European Union, Japan and the United Kingdom. The Argentine economy is one of the few large economies that the IMF forecasts will go up more than in its previous estimates, by 5.5%.

- Commercial fragmentation reached levels rarely seen in recent decades. At the same time, the volume of global trade in goods is forecast to fall 0.2% by 2025. If this scenario is met, two of the last three years will have recorded a decrease in global trade.

- A downward trend in the price of commodities, including agricultural ones, is expected due to the cooling of global activity. There are a few exceptions, such as gold, which is priced at record levels as it is an asset that works as a proxy of uncertainty levels.

- Global foreign direct investment (FDI) flows during 2024 fell for the second year in a row. The decline in inward FDI to China is significant (-29%), standing as an indicator of the productive and commercial reconfiguration that the global economy is going through.

- While the downward trend in interest rates stopped at the end of 2024, the worsening of the public debt-to-GDP ratio continued in most economies. Globally, this ratio went from 80% in 2015 to an estimated 95% in 2025.

LEVEL OF ACTIVITY

The various sources used to prepare the CEI's International Economic Outlook agreed, only six months ago, that, despite the great disruptions recently undergone by the global economy, signs of normalisation were being reported. "Soft landing" and "resilience" were concepts used to describe the international economic scenario. So far in 2025 all that has changed and the deterioration of the main macroeconomic indicators is widespread. The increase in the influence of geopolitical issues in the economic, financial and, above all, commercial spheres increased levels of uncertainty as has rarely been seen in recent decades.

Global economic growth estimates for the year 2024 were around 3%, specifically 3.3% according to the International Monetary Fund (IMF)[1] and the Organisation for Economic Cooperation and Development (OECD)[2], and 2.8% as stated by the World Bank[3]. A drop in interest rates, falling inflation levels –in line with the objectives of the national monetary authorities– and a recovery in international trade were part of the pillars of that increase.

However, as a result of the deep change in international conditions, the three aforementioned institutions have significantly reduced their forecasts of global economic growth for 2025 compared to previous projections. The World Bank reduced it by 0.4 percentage points (p.p.), at a growth rate of 2.3%, the IMF decreased it by 0.5 p.p., at 2.8% and the OECD lowered it by 0.4 p.p., at 2.9%. The slowdown of international economic growth –to a lower level than the pre-pandemic average of 3.7%– described a few months ago is now projected to be an even greater cooling.

Faced with this scenario of loss of global economic dynamism, it is the economies of developed countries and those most exposed to international trade that show the most limited growth rates. The IMF forecasts a widespread adjustment in the growth levels of the world's major economies. However, the Argentine economy is one of the few that, according to IMF, will grow more than its previous estimates, as it has readjusted the growth forecast for 2025 by 0.5 p.p. upwards between October 2024 and April 2025, which now stands at 5.5%.

The fragmentation of the world in geopolitical terms, which in the International Economic Outlook, July 2024 was mentioned as a potential negative factor for the global economy, has had spillover effects on a multiplicity of areas. This occurs in a context where a post-pandemic macroeconomic recovery and stabilisation had not yet been reported.

Rising levels of sovereign debt, a lack of fiscal consolidation, and shrinking trade and investment flows, coupled with altered productivity levels, have the potential to trigger damaging effects on an already weakened global growth. In this framework, according to the IMF, emerging economies will lead growth in 2025, with an average rate of 3.7% (see Table 1); although within these, the Latin America and Caribbean[4] region will be below average (2% growth). Likewise, in this group, the relative loss of prominence of the Chinese economy continues. Advanced economies will go up by 1.4%, among which the United States continues to stand out compared to the European Union, Japan and the United Kingdom.

[1] *World Economic Outlook (IMF) - April 2025.*
[2] *Economic Outlook 2025 (OECD) - June 2025.*
[3] *Global Economic Prospects (*WB) - June 2025.
[4] Puerto Rico is the only country in the region that belongs to the category of advanced economy.

Table 1. Annual economic growth projections

Annual GDP growth rate for 2024 and 2025 –constant prices– and share of GDP, in %

	2024	Share of global GDP* – in % –	2025	Variation against previous forecast** – in p.p. –
Emerging and developing countries	**4.3**	60.1	**3.7**	**-0.5**
Latin America and the Caribbean	2.4	7.2	2.0	-0.5
Advanced economies	**1.8**	39.9	**1.4**	**-0.4**
Argentina	**-1.7**	**0.7**	**5.5**	**0.5**
Selected countries				
Brazil	3.4	2.4	2.0	-0.2
Chile	2.6	0.3	2.0	-0.3
China	5.0	19.5	4.0	-0.5
US	2.8	14.9	1.8	-0.3
India	6.5	8.3	6.2	-0.3
EU	1.1	14.3	1.2	-0.4
Vietnam	7.1	0.8	5.2	-0.9
World	**3.29**		**2.79**	**-0.5**

Notes: (*) based on GDP at PPP; (**) with respect to October 2024 WEO projections.

Source: CEI based on IMF[5]

Regarding the selection of Argentina's main trading partners, which altogether represent more than 60% of global GDP, Brazil grew by 3.4% during 2024 supported by the performance of its industrial and services sector, although, at the quarterly level, it reports a slowdown in its GDP growth since mid-2024 (table 2). By 2025, the growth of the Brazilian economy is expected to decline to 2% year-on-year, affected by the weight of a relatively high level of interest rates, among other factors.

China recorded a 5% GDP growth in 2024 from stimulus policies to encourage demand and from certain dynamism of the export-oriented industrial sector, which benefited from an early demand anticipating potential trade risks. But, despite new announcements of fiscal stimulus to consumption and its commitment to the services sector, the high exposure to foreign trade and the risks associated with geopolitical fragmentation directly affect the growth forecasts for this economy, which in 2025 stand at 4% according to the IMF.

The European Union recorded a growth rate of 1.1% in 2024 and its forecast is 1.2% by 2025. The lack of dynamism of the main economies in the region –Germany and France– explains much of the stagnation, mainly affected by restrictions linked to uncertainty, global changes in foreign trade and their high degree of integration into global value chains. In the case of the German economy, official forecasts indicate that there is a high likelihood of no economic growth in 2025, which would mean three consecutive years without positive variations in the level of activity, not happening since the 1950s.

The US economy grew 2.8% in 2024, mainly driven by domestic consumption, which placed it as the most dynamic of the developed countries. By 2025, this momentum is forecast to moderate to a 1.8% growth, as a result of the worsening of geopolitical disputes, their impact on international trade flows and the upward effect on the general price level.

Chile recorded a 2.6% year-on-year increase in its GDP in 2024, mainly leveraged by its mining exports. By 2025, that annual expansion is forecast to decline to 2%, depending on the performance of the international price of raw materials.

[5] *World Economic Outlook Database* (IMF) - April 2025.

As for India, its economy grew 6.5% in 2024 and it was the fastest growing country among the ten largest in the world. Lesser exposure to international trade, a positive trend in the levels of foreign direct investment in productive projects and a good performance of the services sector were the pillars of its performance. By 2025, forecasts show a 6.2% growth.

Finally, Vietnam's economy expanded by 7.1% during 2024. This is partly explained by an increase in exports – which scored another record year– and in foreign investment, as well as by good results in tourism, with almost 40% more international visitors than in 2023. The forecast for 2025 indicates a 5.2% growth rate. The decrease compared to the previous year is mainly due to the country's high degree of exposure to foreign trade in both goods and services.

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

GDP year-on-year variation at constant prices, in %

Year	Quarter	Brazil	China	US	EU	India	Chile
2024	I	3.8	4.5	1.7	1.2	6.3	0.0
	II	3.3	6.3	2.4	0.6	7.7	-0.3
	III	2.4	4.9	2.9	0.1	7.8	0.7
	IV	2.2	5.2	3.1	0.2	8.8	0.8
2025	I	1.7	5.3	2.9	0.4	8.4	2.0

Source: CEI based on OECD[6]

[6] *Data Explorer* (OECD) - June 2025. No data for Vietnam.

GOODS

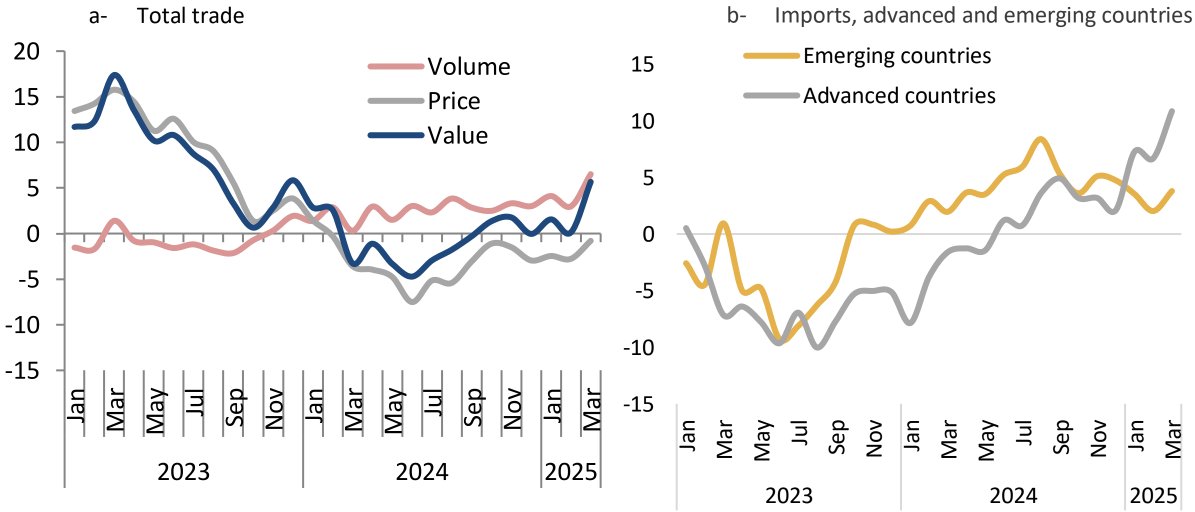
The trade scenario is one of the most affected by the geopolitical disputes that the world is going through. The escalation of tensions expressed in the increase in import tariffs and export restrictions of strategic products represents a direct threat to global trade that, as mentioned in previous editions of the International Economic Outlook, had not yet reached the dynamism prior to the pandemic. The trend to the reconfiguration of part of the trade flows and value chains due to geopolitical tensions is in the process of accelerating. The effects of these changes will depend on the depth and duration of the measures, as well as the degree of escalation of the disputes. Consequently, all forecasts contain a high level of uncertainty. Along the same line, although it is still premature to assess the magnitude of the trade diversion that may occur in this context, a redesign of trade flows according to surpluses, mainly of Chinese products[7], and price modifications is an expected consequence of the current scenario.

According to the World Trade Organization (WTO), the volume of global trade in goods in 2024 increased 2.9%. One of the factors that drove this growth was the decline in international price levels, unlike the year 2023 when high inflation cut private consumption capacity, particularly in manufacturing and in Europe (due to the increase in energy prices). At region level, in 2024 both exports from Asia and imports from the North American region performed better than expected, partly motivated by an acceleration towards the end of the year due to the increase in geopolitical uncertainty that was emerging. On the other hand, European Union exports performed worse than expected, not only in extra-regional flows, but also intra-zone (-3.2%). Due to its relative weight at the international level, the weak performance of European trade affected global foreign trade numbers.

During the first quarter of 2025, according to the Netherlands Bureau for Economic Policy Analysis (CPB)[8], trade showed an increase in value of 5.7%, thanks to the fact that growth in volume (6.5%) exceeded the slight fall in prices (-0.8%). This result is explained by the performance of advanced countries, and, in particular, that of the United States (30.4%).

Graph 1. Evolution of bilateral trade in goods

Year-on-year variation, in %



Source: CEI based on CPB

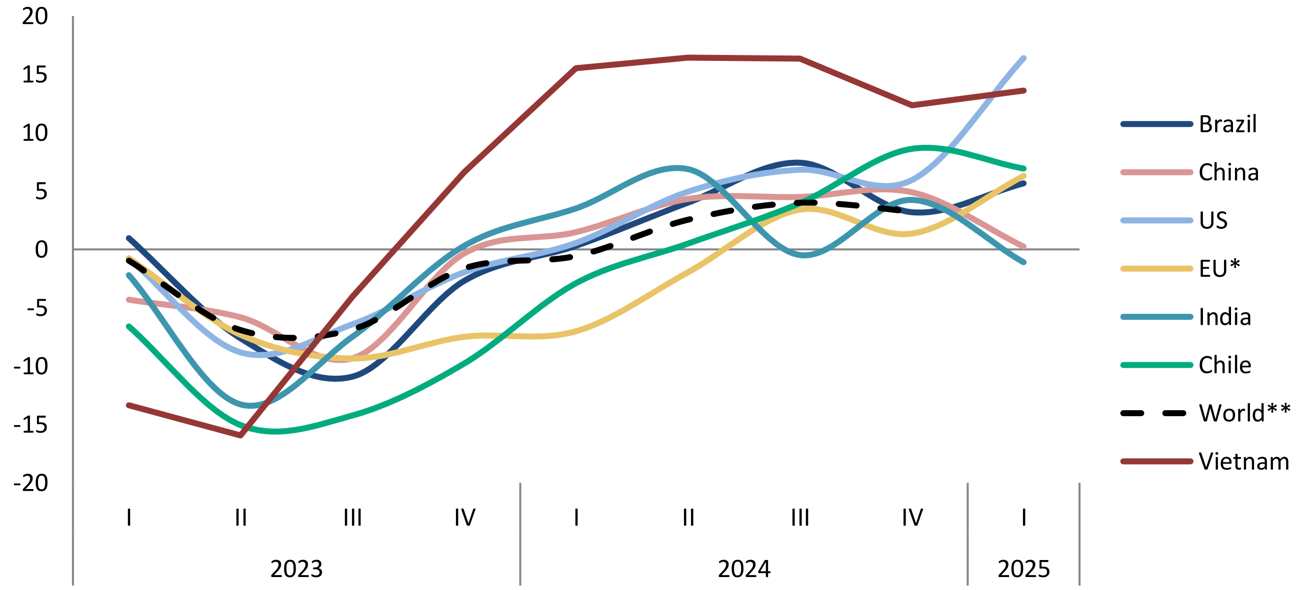
[7] The WTO expects China's exports to the rest of the world, excluding the North American region, to increase between 4% and 9% in 2025.
[8] *World Trade Monitor April 2025* (CPB) - May 2025.

Brazil, China, the European Union, the United States, Chile, India, and Vietnam are among Argentina's main trading partners, accounting for 60% of its exports and 74% of its imports. The total trade of this group of countries with the world totalled USD 19.7 trillion during 2024, which accounts for a year-on-year growth of 3.0% (Graph 2). The joint increase in its imports of goods was 2.4%, while that of its exports was 3.6%. Individually, Vietnam and Brazil led the growth in imports; while only the EU (extra-zone) and Chile experienced a decline. Regarding exports, Vietnam also stood out; while Brazil was the only country to experience a year-on-year fall[9].

During the first quarter of 2025, the total trade of the aforementioned trading partners increased 7%. Its imports grew the most, mainly driven by US global purchases.

Graph 2. Total foreign trade of Argentina's main partners

Year-on-year variation in trade value, in %



Note: (*) extra-bloc (**) last available data: December 2024.

Source: CEI based on WTO

By 2025, the WTO estimates that the volume of global trade in goods would fall by 0.2%[10], mainly due to a fall in both imports and exports from North America. One of the questions regarding these forecasts is the impact that geopolitical tensions will have on the price level and their consequences on trade flows; although at the moment, there has been no increase in prices in trade in goods.

It should be mentioned that, if this scenario is met, two of the last three years will have experienced a decline in world trade, given that 2023 recorded the largest decrease in global trade volume in the last 50 years (except for recessions such as those caused by the pandemic).

In contrast, the IMF estimates that the volume of trade will grow 1.1%[11] during this year. The economies with the highest import growth would be the advanced ones (1.5%). At the regional level, the highest growth would be observed in the countries of sub-Saharan Africa (4.3%), the Middle East and Central Asia (3.4%) and those of emerging Europe (3.1%); while in Latin America imports would grow 1.9%, above the global average (1.3%) (Table 3). As for the most relevant countries for Argentine exports, India is expected to be the one with the

[9] *WTO Stats* (WTO) - July 2025.

[10] A scenario showing escalation of reciprocal tariffs and spread of trade policy uncertainty could see a trade reduction of 1.5%.

[11] Average of projected imports and exports.

highest growth in foreign purchases (5.3%), while China would be the only one in the group of countries analysed to experience a reduction in its imports (-4.5%).

Table 3. Estimated import volume of goods in 2025

Year-on-year variation, in %

Country group and region		Countries	
Advanced economies	**1.5**		
Emerging and developing countries	**1.1**	India	5.3
Sub-Saharan Africa	4.3	Chile	3.0
Middle East and Central Asia	3.4	Brazil	2.9
Emerging Europe	3.1	US	2.2
Latin America and Caribbean	1.9	Vietnam	0.7
Emerging Asia	-0.7	China	-4.5
World			**1.3**

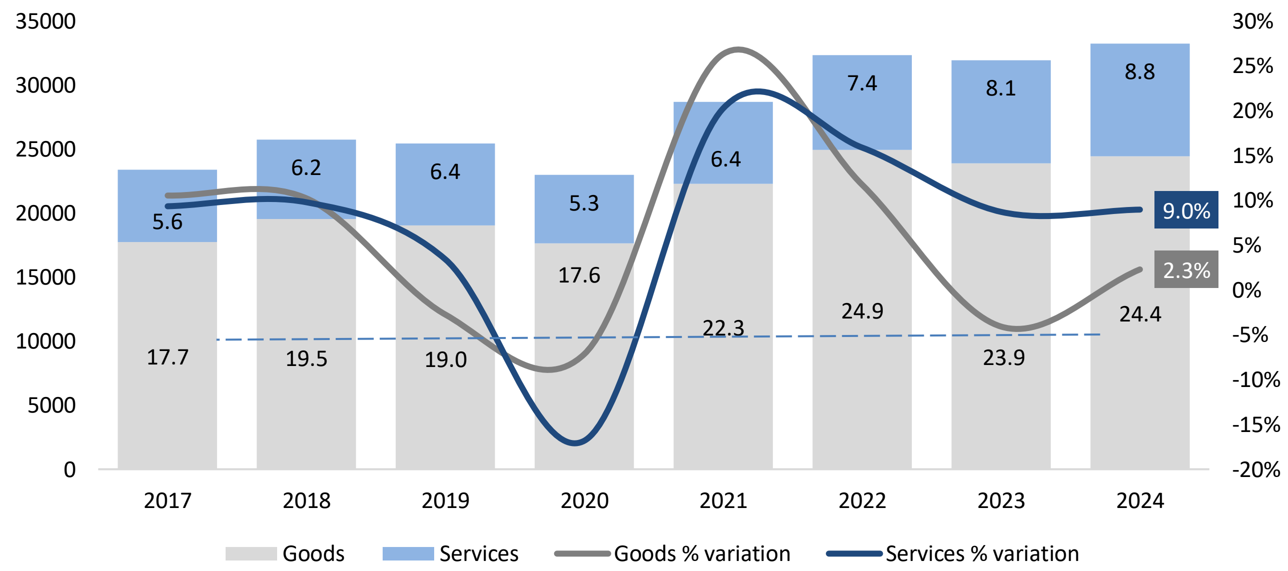
Source: CEI based on IMF

SERVICES

The value of global services exports during 2024 amounted to USD 8.7 trillion, which brought about a year-on-year growth of 9% and accounted for its greater dynamism in relation to goods (Graph 10). Thus, its share in global exports amounted to 26.4% and was the highest since 2005.

Graph 10. Global exports of goods and services*

Value (in USD billion, main axis) and year-on-year variation (in %, secondary axis)



Note: (*) mode 3 not included.

Source: CEI based on WTO

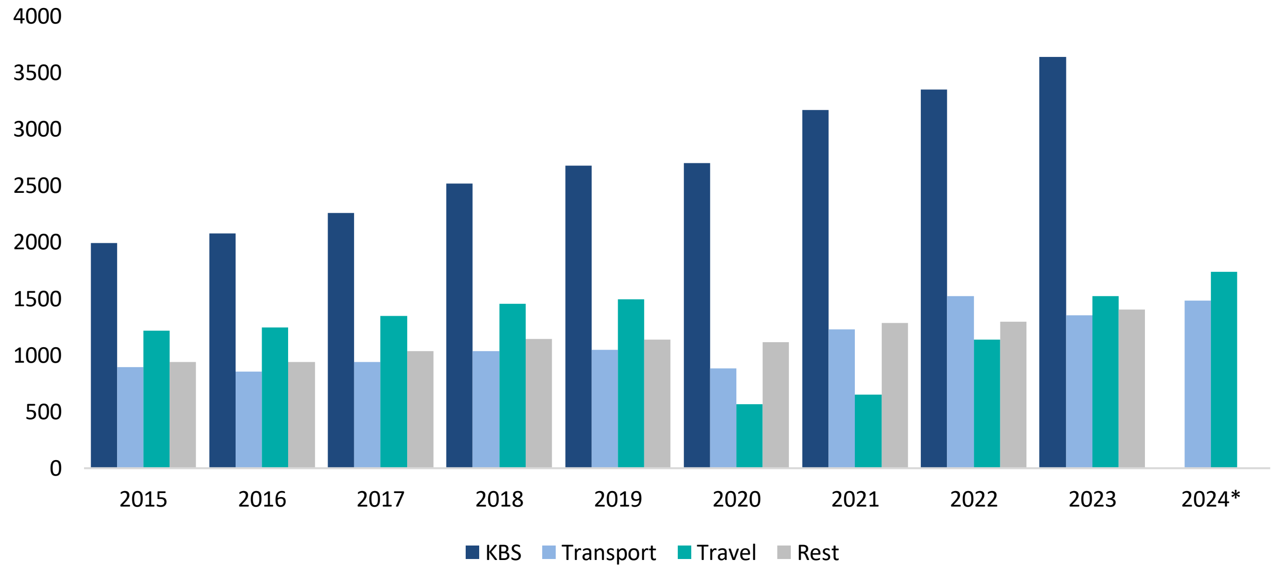
Among the regions that showed the highest growth were Asia (13%) and South America, Central America and the Caribbean (9%). However, at country level, the United States was the largest exporter (USD 1.1 trillion); although if the European Union is considered as a whole, its extra-bloc exports were even higher (USD 1.6 trillion).

By type of service, the main services traded internationally are those knowledge-based (Graph 11), which include professional services, telecommunications, IT and information services, financial services and charges for the use of intellectual property.

Exported figures are not yet available for all service categories for 2024. Even so, the WTO reported that the highest year-on-year growth was observed in information services (14%) and travel (13%); while telecommunications services were the only ones whose exports fell in year-on-year terms.

Graph 11. Global exports of services, by main category of the balance of payments

In USD billion



Note: (*) estimated data.
Source: CEI based on WTO

If the price effect is removed, the volume of global exports of commercial services[12] is estimated to have grown 6.8%, according to WTO projections[13]. This may be explained by a good performance of the world in general and of Asia in particular (whose volume grew 11%).

By 2025, that organisation expects volume growth to slow down to 4%, equally affected by the increase in goods import tariffs and the climate of uncertainty. Travel would be the sector most affected by uncertainty around economic conditions, political stability and security concerns, among other issues. In addition, freight transport and logistics services would also be affected, given the fall in the volume of goods traded, and those intermediates that support the production of goods and services. For example, the escalation of tensions could set stricter intellectual property regulations and thus affect the services offered through streaming platforms; or reduce investments and, consequently, financial services.

At regional level, Europe would be the leader in export volume growth. In contrast, the regions that would experience a decline in their exports would be Africa (-1.6%) and South America, Central America and the Caribbean (-1.1%).

[12] It excludes the balance of payments category "Government goods and services".
[13] *Global Trade Outlook and Statistics* (WTO) - April 2025.

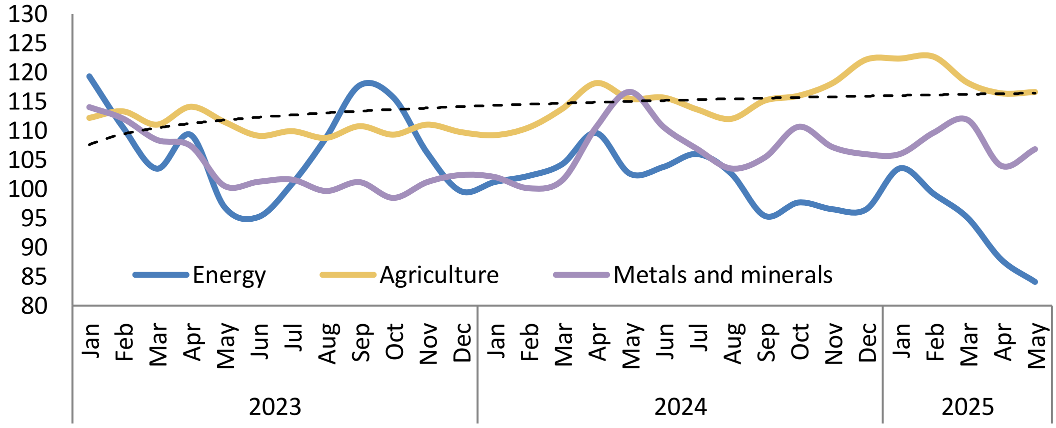
COMMODITIES

The price volatility of commodities is the sign of the current decade. In fact, according to the World Bank[14], this is the most unstable historical period in terms of commodity prices in the last 60 years. A succession of large supply and demand shocks have set up a scenario where price variations are increasingly pronounced and have a shorter duration in time compared to the two decades prior to the pandemic. Likewise, a less dynamic global economy and a scenario of geopolitical tensions aimed at foreign trade only increase the likelihood of sharp fluctuations in the commodities markets in the short and medium term.

The evolution of prices by product group shows that, despite the climate of global political uncertainty, the conflict in the Middle East and the fact that the WTI barrel exceeded USD 78 in January, energy did not register major changes (Graph 12). On the contrary, in May 2025 oil reached its lowest price over the last four years due to the escalation of geopolitical tensions in the commercial sphere and the announcement by OPEC+ of an increase in the production levels of its partners (Graph 13).

Graph 12. Evolution of commodity prices, by product group

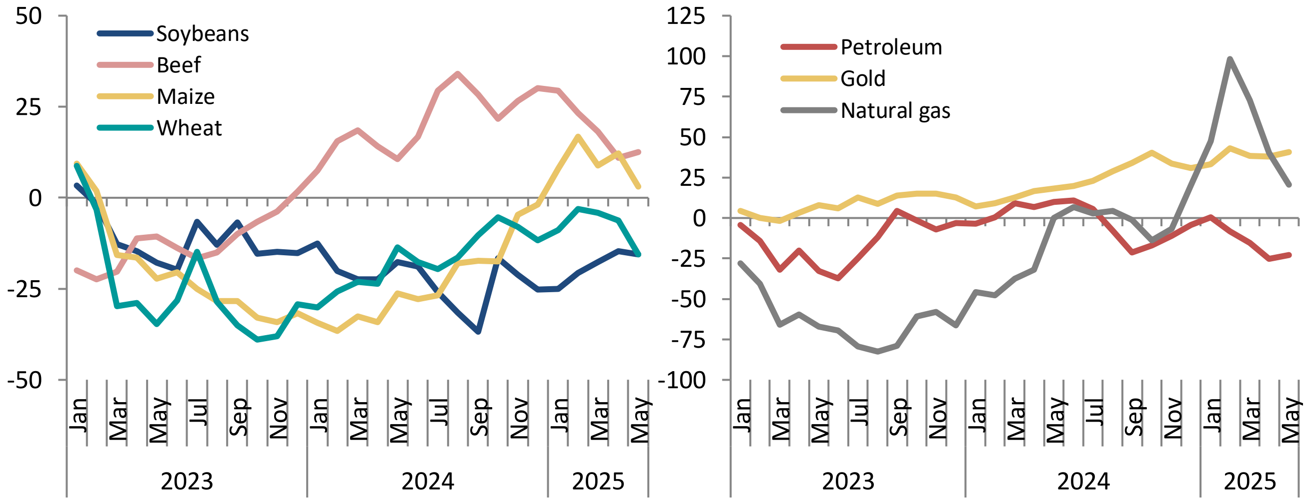
Index 2010=100



Source: CEI based on World Bank

Graph 13. Price evolution of selected products

Year-on-year variation (in %)



Source: CEI based on World Bank

In the case of metals and minerals, particularly the former, their price has dropped by the simultaneous effect of an expansion of their supply and a contraction of their demand due to the increase in trade tensions and the

[14] *Commodity Markets Outlook* (World Bank) - April 2025.

cooling of the global economy. This excludes certain strategic minerals that have become subject to export restrictions. At the same time, and as it has been reported in previous editions of the International Economic Outlook, the rising trend in the price of gold –proxy variable of global uncertainty levels– will continue; it has reached record values (+3,300 USD/t. oz.) and is forecast to remain 100% above its average of the pre-pandemic period. In this regard, it should be noted that, according to the European Central Bank, the increase in the price of gold at these levels, along with an increase in its demand, caused the Euro to be displaced as the second reserve asset of value in the world's central banks. Likewise, this volume of gold held as a reserve is close to 1960s levels, even though, adjusted for inflation, its price is higher (it even surpassed that reached in 1979 on the occasion of the oil crisis unleashed by the Iranian revolution).

Regarding agricultural prices, it is observed that well into the year 2025, these reversed the upward trend that occurred simultaneously with the increase in levels of geopolitical tension. In the same sense, FAO highlights[15] that for this year there is no significant increase in the price of these products, mainly due to a good supply capacity, except in the case of sugar. In addition, the global production of rice, maize, sorghum, and oilseeds is expected to reach record levels in the 2025 campaigns. However, in a framework of geopolitical disputes expressed in trade policies, levels of uncertainty will remain high and any forecast regarding prices and/or quantities of any commodity must be monitored.

Regarding the agricultural products of greatest relevance to Argentina, it is observed that between May 2024 and May 2025 the price of soybeans fell 15%, as did that of wheat; while there was an increase of 11% in that of beef and 3% in that of maize.

[15] *Food Outlook – Biannual report on global food markets* (FAO) - June 2025.

INVESTMENT

Global foreign direct investment (FDI) flows during 2024 fell again compared to the previous year. According to the United Nations Conference on Trade and Development (UNCTAD)[16] they did so by 11% (from USD 1.67 trillion to USD 1.49 trillion) and according to the OECD[17], by 9% [18]. Thus, they remained below pre-pandemic decade levels for the third consecutive year, and marked a decoupling with the subdued GDP and trade growth rates. However, according to the OECD, the global GDP/investment flows ratio remained at around 3%, similar to the percentage of the years 2023 and 2022. Simultaneously, the trend of fragmentation of investment flows determined by geopolitics continues, based on a reconfiguration of trade links and value chains.

Most of the decline in FDI flows is attributable to the poor performance of Europe (-58%), China (-29%) and South America (-18%). On the contrary, in 2024, the United States stood out for its good results, with an increase in FDI of 23%, together with Africa (75%) and ASEAN (10%). According to UNCTAD, the FDI received by developing countries remained stable due to both the increased importance of South-South investment flows and investors search for natural resources. This was despite the sharp decline –for the second consecutive year– in FDI to China, an indicator of the productive and trade reconfiguration that the global economy is going through. Among the investment announcements made in 2024 for developing economies, UNCTAD highlights as the largest one that made by Shell and YPF companies in Argentina for their USD 30 billion LNG project.

According to UNCTAD, the four economies that received the highest FDI inflows during 2024 were the United States (USD 279 billion), China (USD 116 billion), Canada (USD 64 billion) and Brazil (USD 59 billion). While the four economies with the largest outward investment flows in 2024 were the United States (USD 266 billion), Japan (USD 204 billion), China (USD 163 billion) and Canada (USD 86 billion)[19].

Furthermore, the OECD states that, during 2024, investment in new production facilities (greenfield) was concentrated at the country level, since 40% was made in five economies: United States, India, United Kingdom, Egypt and Brazil. At the sector level, greenfield investments in manufacturing integrated into value chains were highlighted, especially oriented to economies in Southeast Asia, Eastern Europe and Central America. This reveals the change in trade and productive logistics that is operating globally, the opportunities that arise from it and the effort of multinational companies to adapt to the new geopolitical scenario.

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[16] *World Investment Report 2025* (UNCTAD) - June 2025.

[17] *FDI in Figures 2025* (OECD) - April 2025.

[18] In both cases, the flows recorded by conduit economies are excluded from the calculation, which alter the real number of direct investments both inbound and outbound, to have a real picture of the sector.

[19] For statistical purposes, UNCTAD does not include information for Hong Kong and Macau in the data for China. The figures are rounded.

Table 4. Foreign direct investment. Incoming flows by economic group and region

Values in USD billion and variations in %

	2023	2024	Variation –in %–
Developed economies	**771**	**664**	**-22%**
Europe	403	220	-58%
North America	280	343	23%
Developing economies	**865**	**867**	**-**
Africa	55	97	75%
Latin America and Caribbean	187	164	-12%
Asia	622	605	-3%
World	**1,636**	**1,531**	**-11%**

Source: CEI based on OECD

Since 2020, a considerable number of countries have implemented large fiscal stimulus packages, first to address the effects of the pandemic and then in the face of escalating food, logistics and energy prices due to the conflict between Ukraine and Russia. As mentioned in previous editions of the International Economic Outlook, this provided the framework for a widespread increase in public debts while accelerating inflation and interest rates worldwide. As a result, the debt-to-GDP ratio worsened in most economies, rising globally from 80% in 2015 to an estimated 95% in 2025.

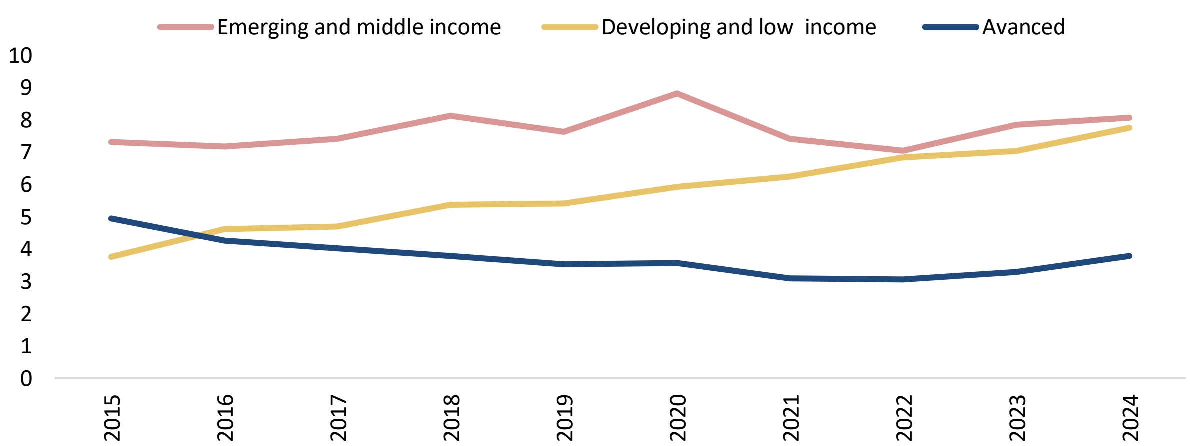
Even though during 2024 the interest rates of the main central banks were converging to target levels (around 2%), the increase in geopolitical and economic uncertainty, and the consequent slowdown in the global economy have set off warning lights in this process of rate declines. As the IMF[20] points out, in this context of uncertainty, high indebtedness and interest rates not yet stabilised at target levels, fiscal room for manoeuvre is reduced. For this reason, a heterogeneous landscape surfaces, where the performance of each economy will depend on factors such as the state of maturity of public debts, real interest rates and fiscal discipline.

In turn, the IMF warns that economies –especially those in more vulnerable situations such as emerging and developing ones– will have greater need to generate adequate macroeconomic policy space to deal with volatility and high levels of global financial uncertainty. It also indicates that emerging economies, already facing the highest real financing costs in a decade, could be forced to refinance their liabilities and finance their fiscal expenditures at a higher cost, compromising their macroeconomic stability if they cannot face the new reality.

It is likely that volatility events in foreign exchange markets may increase in frequency and intensity. In economies with high percentage of foreign currency-denominated debt or with fragile foreign exchange markets, the risk that foreign exchange volatility may threaten their overall financial stability increases. The IMF indicates that in these types of scenarios –with adequate monetary and fiscal policies– temporary exchange rate interventions or measures to manage capital flows could be appropriate[21].

Graph 14. Debt interest payments

As % of government revenue (all levels)



Source: CEI based on IMF[22]

[20] *Global Financial Stability Report* (IMF) - April 2025.
[21] *World Economic Outlook* (IMF) - April 2025.
[22] *World Economic Outlook* (IMF) - April 2025.

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