Centre for the New
Economy and Society

Chief Economists' Outlook

INSIGHT REPORT

SEPTEMBER 2025

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September 2025

Chief Economists' Outlook

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 from 30 July to 19 August 2025.

Executive summary

The global economy is undergoing a period of profound transformation, marked by persistent short-term disruption and heightened uncertainty as well as long-term structural change. The World Economic Forum's latest Chief Economists' Outlook, drawing on a survey of leading chief economists, paints a picture of resilience amid turbulence, but with growth prospects that remain subdued and risks skewed to the downside. In total, 72% of chief economists expect global economic conditions to weaken in the year ahead.

Geoeconomic fragmentation is accelerating, with trade tensions at its heart. The US has imposed sweeping tariffs on a large number of economies, prompting a realignment of supply chains and a recalibration of global investment flows. The dollar's sharp depreciation has granted emerging economies greater monetary flexibility, but also amplified the domestic impact of tariffs. Meanwhile, the rapid pace of artificial intelligence (AI) development is adding another layer of uncertainty, with most chief economists expecting the technology to become commercially disruptive within the next year, while views on labour market impacts remain divided.

Regional divergence is increasingly pronounced. The US outlook remains subdued, against a backdrop of major trade policy shifts and elevated inflation risks. Europe's recovery is fragile but improving, buoyed by steady employment and subdued inflation. China's growth remains relatively strong, though momentum is slowing and deflationary risks persist. East Asia and the Pacific faces mounting trade headwinds, while Latin America and the Caribbean continues to make modest progress amid stabilizing inflation. The Middle East and North Africa stands out for their robust growth prospects, driven by resource expansion and diversification, while Sub-Saharan Africa and South Asia face a mixed outlook amid new tariff pressures and policy adjustments.

Beneath these regional trends lies a deeper transformation. The global economy is undergoing one of its most turbulent periods in decades, with interconnected shifts reverberating across all domains.

Trade and global value chains are experiencing their most significant disruption in generations, with long-term fragmentation expected to cement new patterns of economic activity. The rise of AI is driving a structural shift in technology and innovation, as well as reshaping energy demand and fuelling geopolitical competition over high-tech inputs. Natural resources, energy and the environment are under strain, while the weakening of global economic institutions may exacerbate broader economic vulnerabilities.

The chief economists surveyed point to advanced economies' reliance on technology and human capital, with frontier innovation and skills competition driving productivity. Developing economies, by contrast, depend relatively more on access to capital and natural resources, even as technology and human capital remain important.

Respondents pointed to the importance of enabling factors such as trade openness, human capital development and innovation ecosystems, but also highlighted that growth is likely to be inhibited by factors including political instability, weak institutions and trade barriers. The reduction in development aid and funding for global institutions is expected to exacerbate health, migration, security and climate risks. These factors carry different weights for developing and advanced economies, and as economies adapt to both short- and long-term shifts, growth pathways are likely to diverge.

The chief economists point to substantial untapped growth potential in developing regions, notably Sub-Saharan Africa, South Asia, and Latin America and the Caribbean. Unlocking this potential will require political will, targeted financing and a sustained commitment to international collaboration. The global economy is transitioning from short-term disruptions to an emerging new order defined by heightened uncertainty, accelerated innovation and adaptive, multistakeholder responses. The contours of this system remain in flux, presenting both significant risks and transformative opportunities for policy-makers and business leaders alike.

1 Adapting to uncertainty

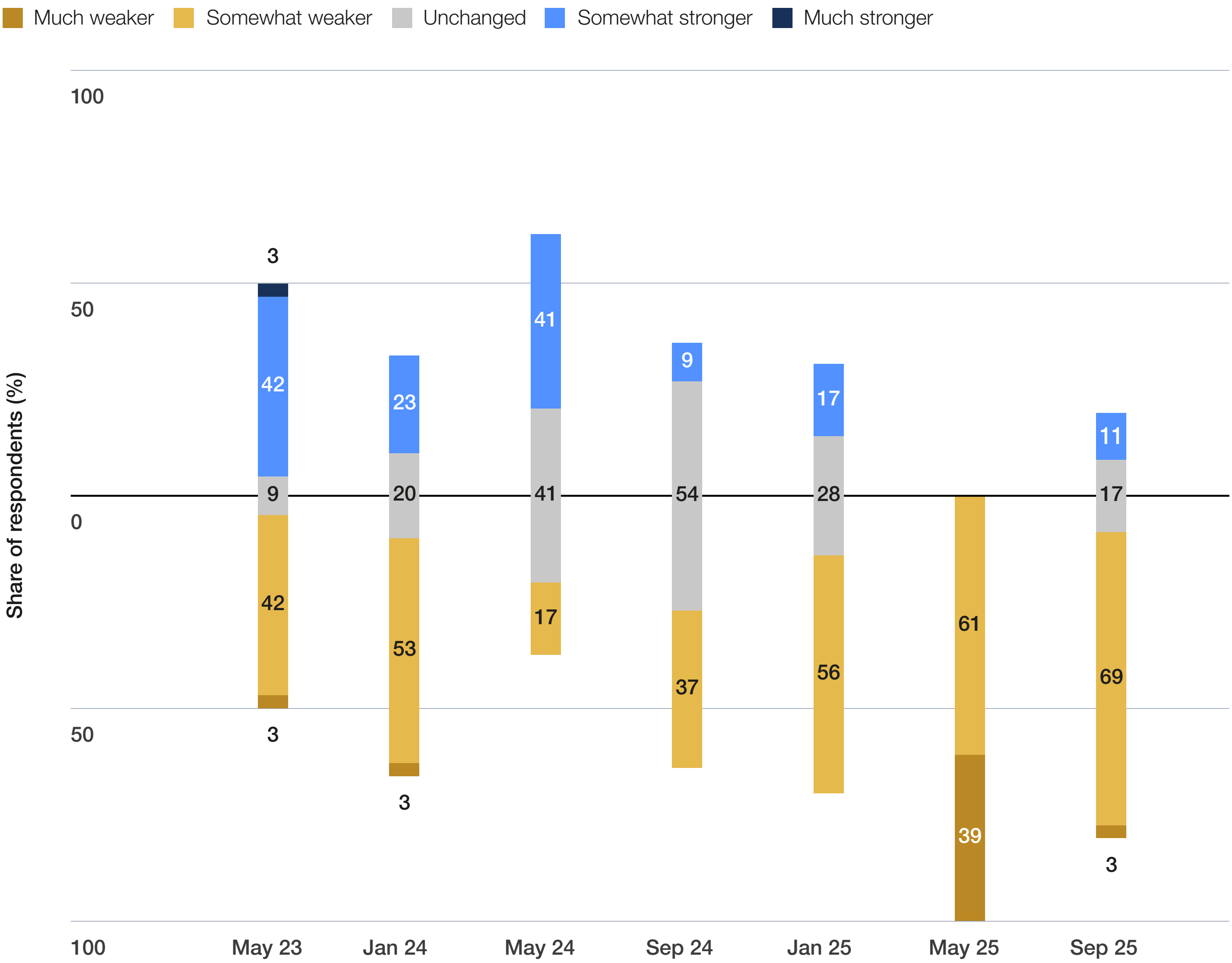
Weak growth amid a disruptive new reality

The global economy has shown resilience in the face of major turbulence this year, but the outlook remains weak and risks are firmly skewed to the downside. Conditions remain heavily shaped by developments in the US, where economic orthodoxy is being challenged sharply, particularly on trade and monetary policy. Geopolitical tensions are also casting a long economic shadow, not so much reducing global integration as redrawing it.

Meanwhile, the rapid advance of artificial intelligence (AI) is widely expected to trigger significant structural change, even as its precise economic impact remains highly uncertain. The World Economic Forum's latest survey of chief economists reflects this picture of fragility: expectations for 2025 remain subdued, but sentiment has steadied somewhat in recent months as economies adjust to a new set of realities.

Figure 1: The global economic outlook

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



Note: Chief Economists Surveys are conducted 7-8 weeks ahead of the launch of a new Chief Economists' Outlook. In May's edition, chief economists looked at the remainder of the year. In other editions, the outlook for the year ahead is given. The numbers in the graphs may not add up to 100% because figures have been rounded up/down.

Source: Chief Economists Surveys and Outlooks. (May 2023-September 2025).

The International Monetary Fund (IMF) now projects 3% global GDP (gross domestic product) growth in 2025, a modest upward revision from April's 2.8% forecast, but still well below the 2000-2019 average of 3.7%.[1] Even this limited expansion is notable against the backdrop of extraordinary disruption: the greatest dislocation in global trade in recent memory;[2] conflicts in Ukraine,[3] the Middle East[4] and South Asia;[5] record-breaking climate events;[6] and an ongoing reconfiguration of global economic and geopolitical power.[7] As explored in chapter 2, all major parts of the global economy are undergoing disruptions that the chief economists view as significant and long-lasting.

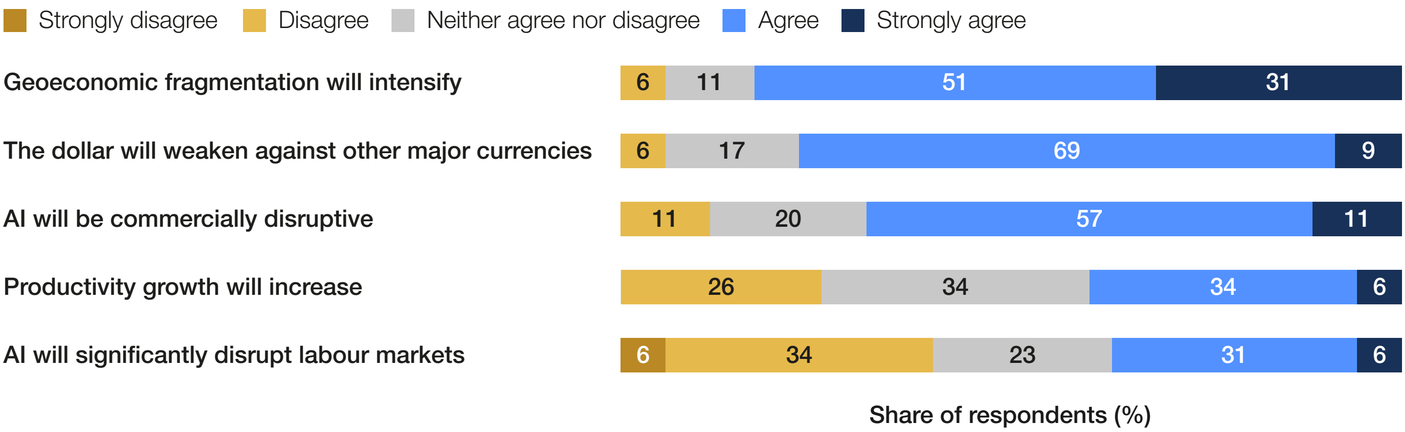
Geoeconomic fragmentation is accelerating. Of respondents surveyed, 82% expect this to intensify in the year ahead, with trade tensions at the heart of this shift.[8] The US has imposed sweeping tariffs on a wide range of its trading partners[9] and introduced new export taxes on domestic chipmakers.[10] These measures have not reduced global trade; in fact, trade volumes increased by $300 billion in the first half of this year,[11] driven by frontloading of shipments ahead of expected tariff changes.[12] Supply chains are realigning with Chinese exporters increasingly redirecting shipments away from the US,[13] even as the US extended a 90-day tariff truce[14] in the context of Chinese pressure on access to strategic resources.[15]

Global investors are recalibrating their positions in response to US policy shifts. The US dollar depreciated by more than 10% since January, the steepest decline since 1973.[16] Seventy-eight percent of the chief economists surveyed expect the dollar to weaken further in the year ahead. While this gives emerging and developing economies greater monetary policy flexibility, it also amplifies the domestic impact of tariffs in the US by further raising the cost of imports.[17]

The rapid pace of AI development and adoption adds another layer of uncertainty. Sixty-eight percent of respondents now expect AI to become commercially disruptive within the next year, up sharply from 45% in April. The technology's productivity impact might take longer to materialize. There is widespread hope that AI may unleash faster productivity growth, but only 40% of chief economists expect productivity to increase in the year ahead. Although recent OECD (Organisation for Economic Cooperation and Development) estimates suggest that AI could raise labour productivity growth in the G7 by 0.2-1.3 percentage points annually over the next 10 years,[18] chief economists are split on the question of AI-induced labour market disruption.

Figure 2: Global context

Looking to the year ahead, do you agree/disagree with the following statements?



Source: Chief Economists Survey. (August 2025).

Regional divergence

The global picture masks notable regional variation. While some economies are performing steadily, others face mounting pressure from trade tensions, policy uncertainty and international conflict. Inflation dynamics are diverging, with a particularly stark contrast between the inflationary pressures facing the US and the deflationary challenges confronting China. Fiscal and monetary paths are also fragmented, reflecting different priorities and levels of resilience. The sections that follow highlight major developments across key regions, focusing on growth prospects, policy direction and vulnerabilities.

United States

The outlook for the US remains subdued, despite signs of stabilization. In April, just 22% of chief economists expected moderate growth in 2025; by August, that share had increased to 49%. However, a narrow majority (52%) still anticipate weak or very weak growth, positioning the US behind other geographies. Trade policy shifts are a key driver of this fragility. Growth data have been volatile, with annualized real GDP growth swinging from a 0.5% contraction in the first quarter to 3.3% growth in the second.[19] Data for the second half of the year is likely to be shaped by the initial impact of new tariffs, which now cover a large number of trading partners.[20]

Other recent indicators paint a mixed picture. Consumer sentiment dipped by less than 3% in early September but remains higher than in April when uncertainty was at its highest.[21] Domestic consumption increased in the second quarter, but investment weakened.[22] Purchasing Managers' Index (PMI) data in August showed business activity rising at its fastest pace this year and job creation nearing a three-year high, while US labour market data from early September reflected job losses in July and slow jobs growth in August.[23]

Inflation risks remain elevated. Fifty-nine percent of chief economists surveyed expect high inflation in the year ahead, a higher proportion than for any other region. Consumer prices increased by 2.9% in August,[24] while producer prices rose by 2.6%, cooling from a sharp increase of 3.3% in July and suggesting that tariff-driven cost pressures are working their way through supply chains.[25]

Long-run inflation expectations, which eased earlier in the year, climbed from 3.4% in July to 3.9% in September.[26]

Policy directions are evolving. Monetary policy was expected to loosen by the respondents, with 85% anticipating rate cuts. The quarter-point reduction that markets broadly expected took place in September, following a string of underwhelming jobs reports.[27] Fiscal policy is also expected to become more expansionary: 57% of respondents foresee further loosening, driven by a new fiscal package projected to add more than $3 trillion to the US deficit over the next decade.[28]

Europe

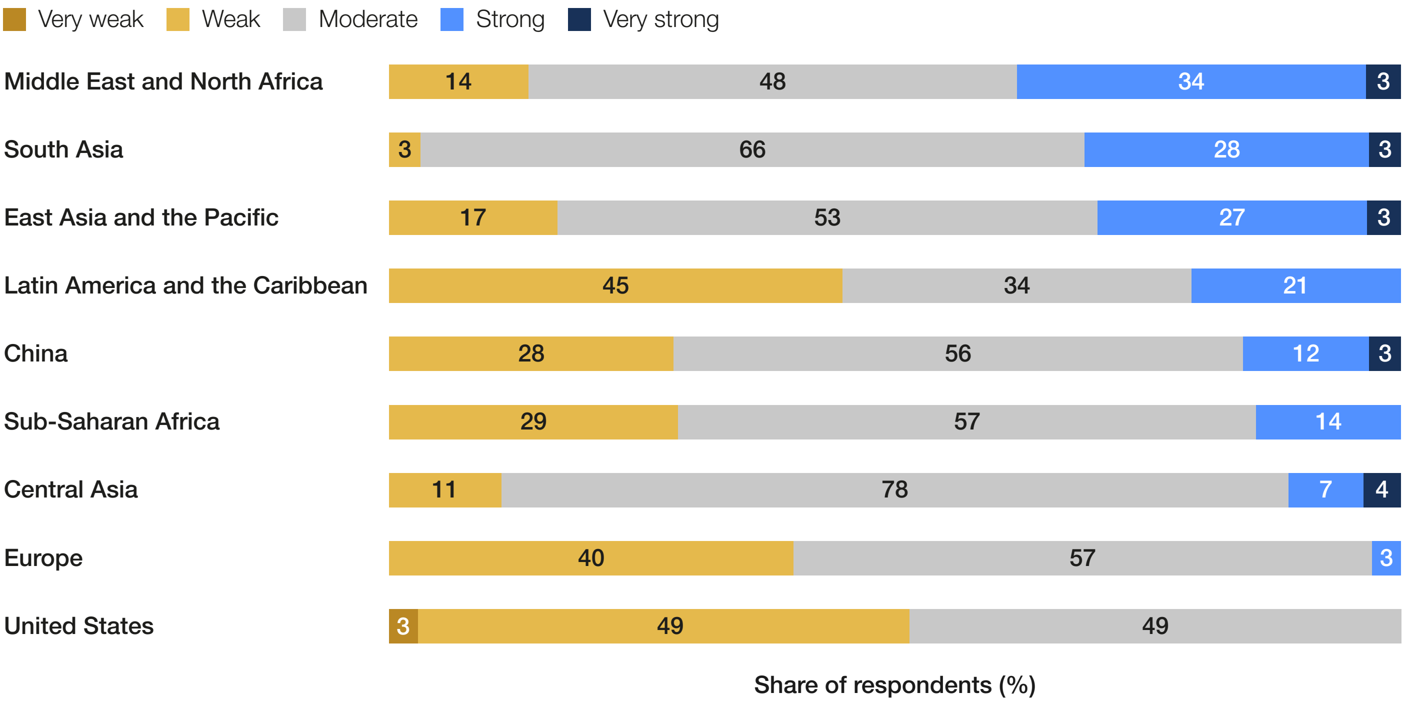
The European outlook is improving but remains fragile. GDP growth slowed in the second quarter of 2025, rising by just 0.2% in the EU and 0.1% in the euro area, compared to 0.5% and 0.6%, respectively, in the first quarter.[29] By contrast, the US grew by 0.7% in the second quarter (3.3% annualized).[30] Employment levels edged up by 0.1% in both the EU and the euro area.[31] Survey sentiment has strengthened: 60% of chief economists expect moderate or strong growth in Europe over the coming year, up from 47% in April.

Inflationary pressures are subdued; 44% of chief economists expect moderate inflation, and another 44% expect low inflation for the year ahead. Euro area inflation stood at 2.1% in August,[32] prompting the European Central Bank (ECB) to keep rates unchanged.[33] Although food price and services inflation declined by 0.1%, respectively, a slowing decline in energy prices slightly increased overall inflation in the Euro area (up by 0.1% from 2% in June and July).[34] Fifty-six percent of respondents expect monetary policy to remain steady, while 44% see the scope for rate cuts in the near term.

Fiscal policy, by contrast, is firmly expected to loosen: 74% of chief economists anticipate expansionary budgets, reflecting diverging fiscal approaches. Germany has embarked on a historic spending programme[35] while France is struggling to rein in its deficit.[36] Together, these and similar choices are shaping a more accommodative fiscal stance across the region.

Figure 3: Growth

Looking at the year ahead, what is your expectation for economic growth in the following geographies?



Source: Chief Economists Survey. (August 2025).

China

China's growth outlook remains relatively strong, though signs of slowing momentum are emerging.[37] Of the chief economists surveyed, 71% expect moderate or stronger growth over the coming year. GDP expanded by 5.2% year-on-year in the second quarter,[38] but industrial output growth slowed to 5.2% in August, its slowest pace since November 2024, and retail sales grew by just 3.4%, down from 3.7% in July.[39] After growing by 7.2% in July as the tariff truce with the US faced possible expiry, exports only added 4.4% in August.[40] Although that truce was later extended for 90 days, postponing new tariffs and allowing more time for bilateral negotiations, new tariffs by Mexico, the world's largest buyer of Chinese cars, added new uncertainty for Chinese exports.[41]

Inflation concerns are at the opposite extreme to those in the US, with 55% of chief economists expecting low inflation and 38% expecting very low inflation over the next year. Producer price deflation eased from 3.6% in July to 2.9% in August, suggesting that measures taken to exit a deflationary spiral were showing some success.[42] Despite policy efforts to boost demand,[43] price weakness intensified in August as consumer prices started falling by 0.4%.[44] In the context of a slumping housing market, households are pouring their record savings into the stock market, causing Chinese equities to surge.[45] Three-quarters of respondents expect both fiscal and monetary policy to loosen further in the year ahead.

East Asia and the Pacific

The broader East Asia and the Pacific region is expected to maintain steady growth, though headwinds from trade tensions are mounting. Fifty-three percent of chief economists surveyed expect moderate growth in the year ahead, with another 30% anticipating an even stronger performance. Japan's economy grew at an annualized rate of 2.2% in the second quarter of 2025[46] but now faces pressures from a new trade agreement with the US, which imposed a 15% tariff on all imports of Japanese goods, equivalent to one-fifth of Japan's exports.[47] In July, Japanese exports dropped by 2.6%, the steepest decline in four years, as shipments to the US dropped by more than 10%.[48] The ripple effects of US tariffs are weighing on sentiment across the region. Reflecting this, the Asian Development Bank has revised its 2025 growth forecast for East Asia down to 4.3%, while the Pacific region's forecast remains unchanged at 3.9%.[49]

Inflation expectations remain contained: 58% of chief economists surveyed expect moderate inflation for the region in the year ahead. In Japan, inflation eased only slightly from 3.3% in June to 3.1% in July, keeping price dynamics a central concern.[50] Fiscal policy is expected to remain steady, with over three-quarters of respondents predicting no significant changes. Similarly, 64% expect monetary policy settings to hold, suggesting that stability, rather than stimulus, will define policy choices in the near term.

Latin America and the Caribbean

Growth prospects in Latin America and the Caribbean have improved slightly but remain subdued. Forty-five percent of chief economists surveyed expect weak growth in the year ahead, while 34% expect moderate growth. Regional growth is projected by the World Bank to expand by 2.3% in 2025 and 2.5% on average in 2026-2027, reflecting steady but modest progress.[51]

Inflation dynamics show clearer improvement. In April, 38% of respondents expected high inflation; by August, that share had fallen to 19%, while the proportion expecting moderate inflation rose from 55% to 67%. Inflation across the region is expected to remain broadly stable in 2025 and 2026.[52] Argentina has been particularly successful, keeping inflation under 2% since May.[53]

Fiscal and monetary policies are likely to remain steady; more than two-thirds of the surveyed chief economists expect no major changes to fiscal policy over the next year, and three in five expect monetary policy to hold.

Middle East and North Africa

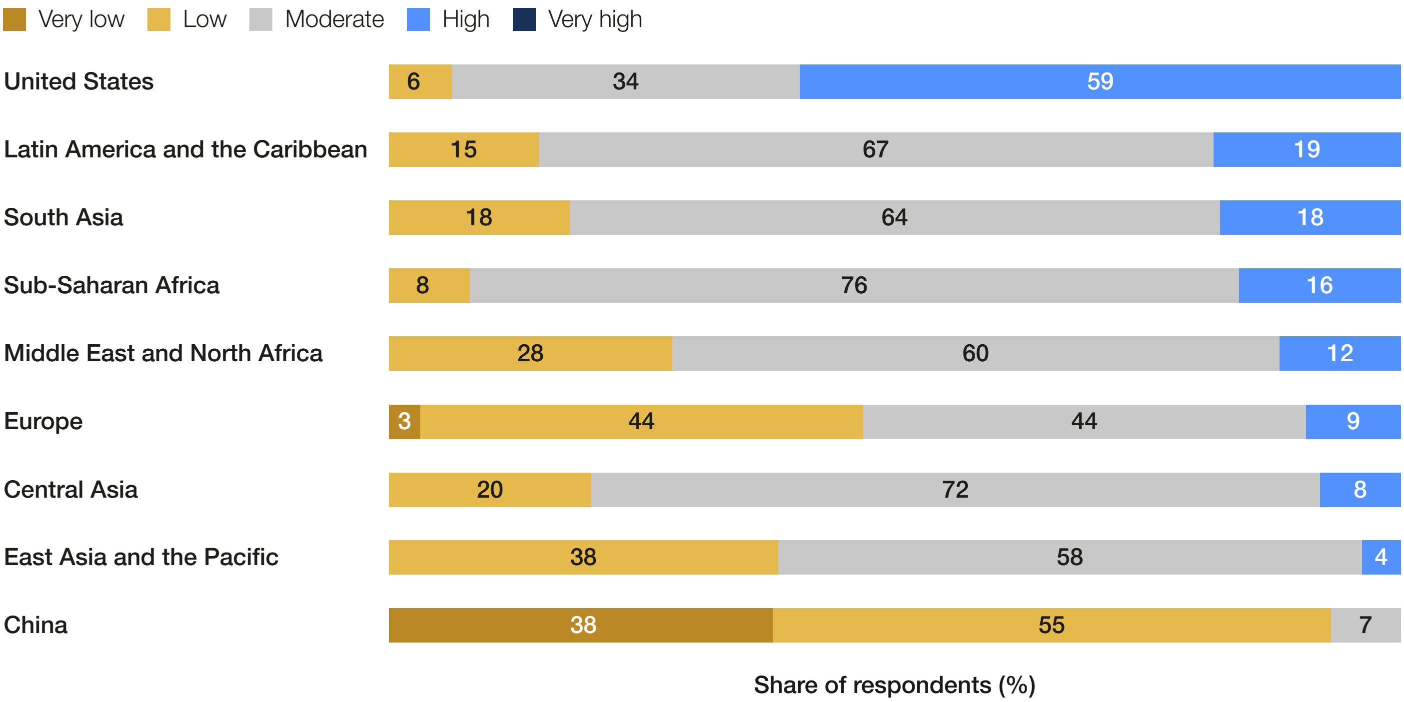
The Middle East and North Africa has emerged as the region with the strongest growth outlook among the chief economists surveyed. Thirty-seven percent now expect strong or very strong growth in the year ahead, up sharply from 22% in April. Regional growth is expected by the World Bank to accelerate to 2.7% in 2025, strengthening further to 3.7% in 2026 and 4.1% in 2027.[54]

Optimism reflects both resource-driven expansion and efforts to diversify economies. New AI-focused partnerships with US firms signal rising confidence in the region's technology ambitions, while oil production increases are expected to offset lower prices and softer global demand.[55] Despite some setbacks, Saudi Arabia's Vision 2030 remains a flagship effort to diversify an economy,[56] while Dubai continues to consolidate its position as the region's finance hub, underlining the United Arab Emirates' success in cultivating a favourable business environment.[57]

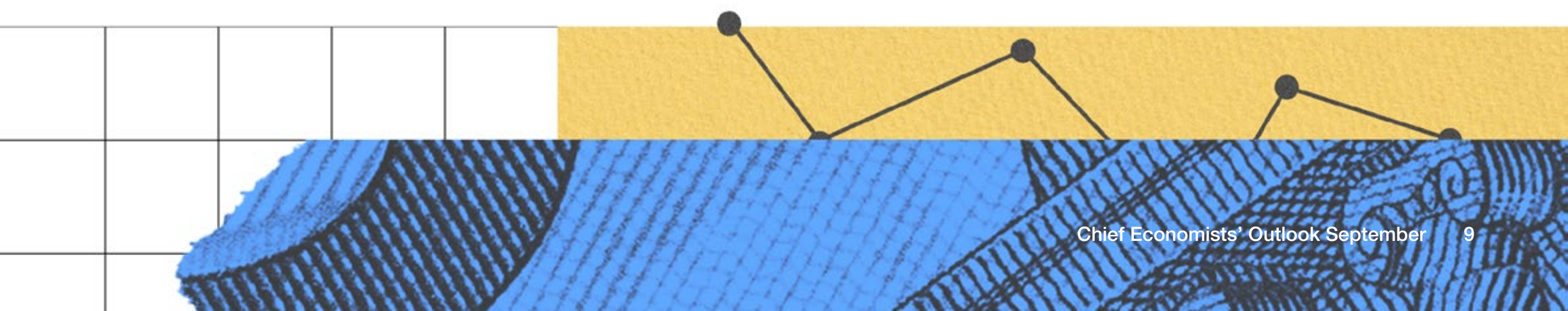
Inflationary expectations are measured, with 60% of respondents expecting moderate inflation over the next year. Fiscal and monetary policy settings are also expected to hold steady, with around three-quarters of respondents anticipating no major changes.

Figure 4: Inflation

Looking at the year ahead, what is your expectation for inflation in the following geographies?



Source: Chief Economists Survey. (August 2025).



Sub-Saharan Africa

The growth outlook for Sub-Saharan Africa has strengthened. While 29% of chief economists expect weak growth, 71% of respondents expect moderate or strong growth in the year ahead. The World Bank projects regional growth of 3.7% in 2025, rising to an average of 4.2% over 2026-2027, assuming a stable external environment, easing inflation and fewer conflicts.[58] With new US tariffs of 10-30% introduced on 7 August across many countries in the region, earlier projections have to be interpreted with caution.[59]

Inflation remains a concern, though pressures are moderating. Seventy-six percent of chief economists surveyed expect moderate inflation in the year ahead, even as disinflation stalled in early 2025 due to rising food prices.[60] Fiscal policy is expected to hold steady, with three-quarters of respondents expecting no significant changes, though the share expecting tighter conditions in the year ahead has increased from 4% in April to 17% in August. Monetary policy is also expected to remain broadly unchanged, with 70% of respondents projecting no adjustments.

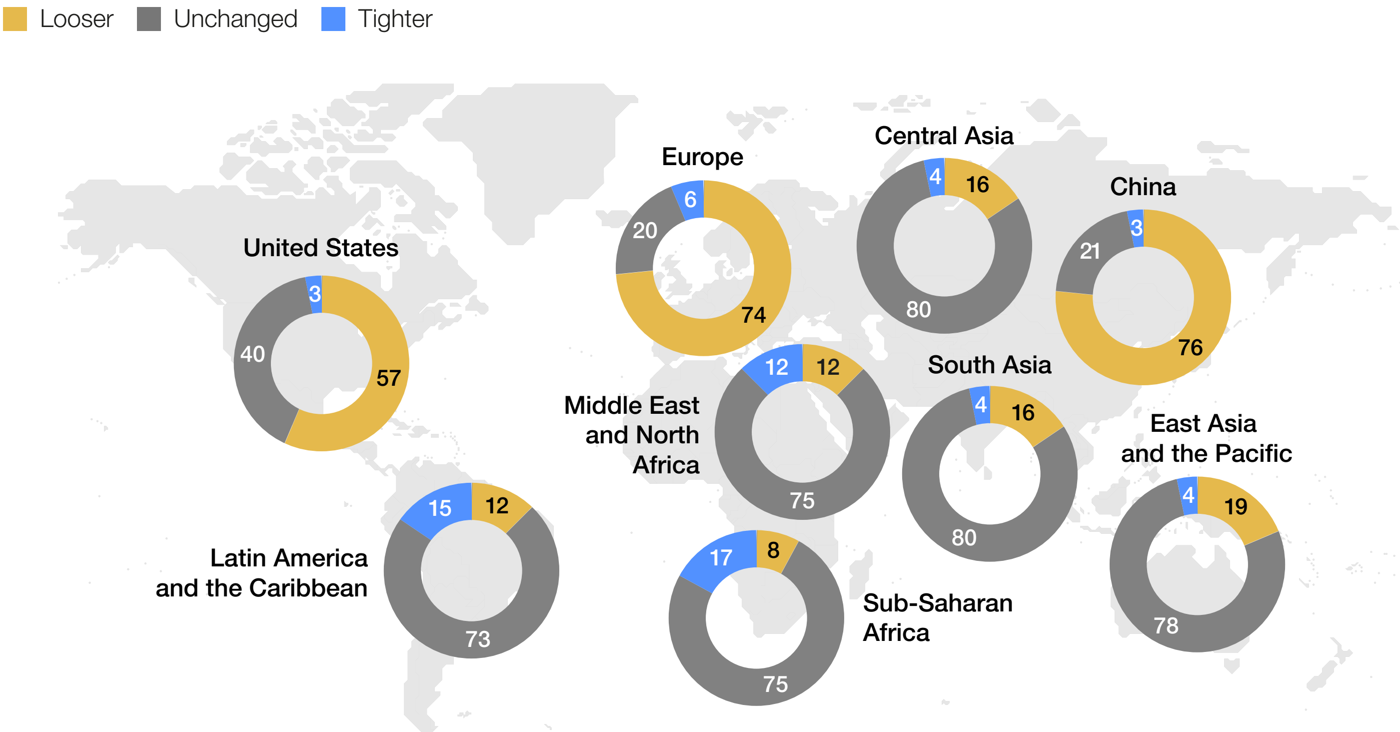
South Asia

Growth expectations for South Asia have softened slightly. Thirty-one percent of chief economists expect strong or very strong growth in the year ahead, down from 33% in April, while the share expecting moderate growth has risen from 55% to 66%. India's growth for 2025 is projected by the IMF at 6.4%,[61] but its manufacturing ambitions face headwinds from newly announced US tariffs of 50% on exports,[62] a development that weighs heavily on the regional outlook.

Inflation has eased sharply, creating space for more stable policy settings. India's central bank held rates steady in early August, [63] following a drop in consumer price inflation (CPI) to 1.55% in July, the lowest level since 2017 and before CPI readings rebounded to 2.07% in late August.[64] The government remains committed to a 4.4% budget deficit target and has introduced sweeping changes to the goods and services tax regime.[65] Across South Asia, 64% of surveyed chief economists expect moderate inflation over the next year, 74% anticipate no change in monetary policy and 80% expect fiscal policy to remain steady.

Figure 5: Fiscal policy

Looking at the year ahead, what is your expectation for fiscal policy in the following geographies?



Source: Chief Economists Survey. (August 2025).

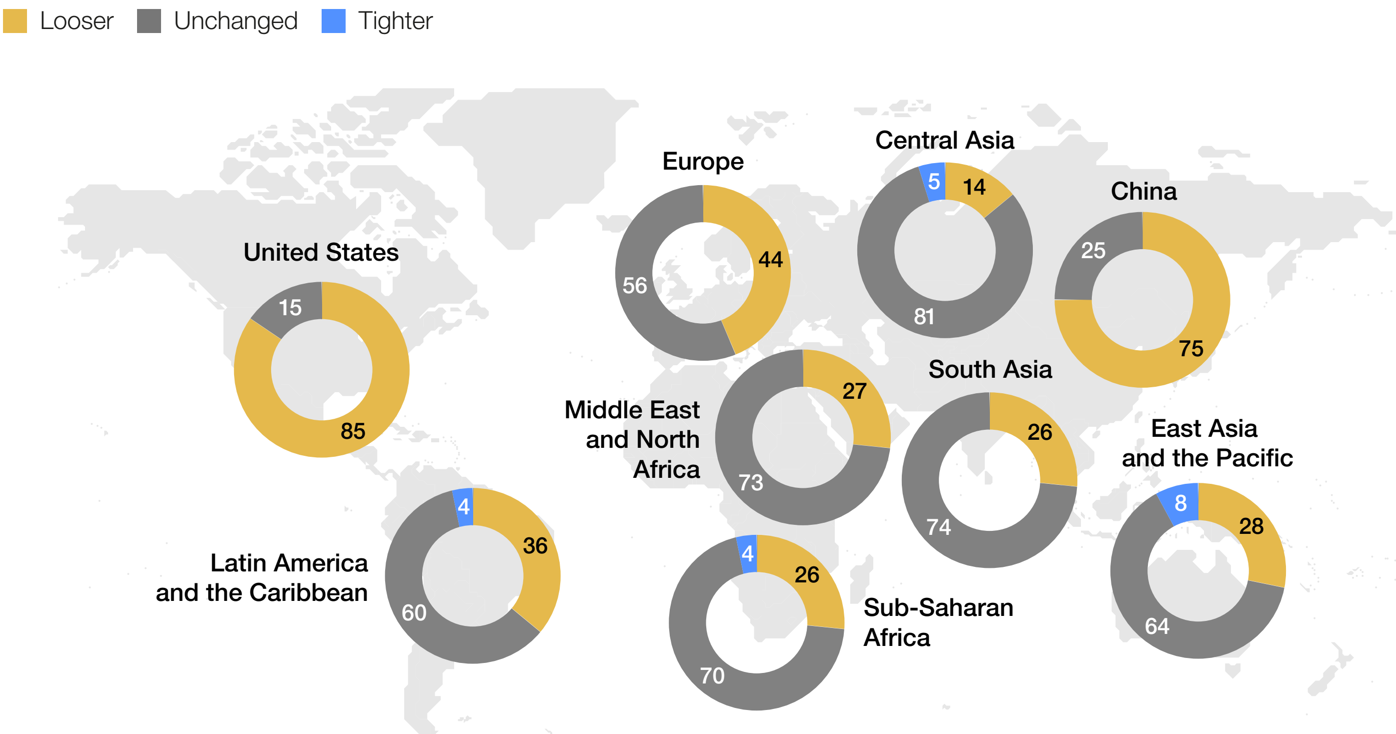
Central Asia

Growth in Central Asia is expected to remain steady, with sentiment improving since April. More than three-quarters of surveyed chief economists anticipate moderate growth in the year ahead, while the share expecting weak growth has fallen by more than half. The region's positive trajectory reflects ongoing market reforms in Uzbekistan, deeper regional cooperation, and stronger activity in Kazakhstan, prompting the Asian Development Bank to raise its 2025 growth forecast for the Caucasus and Central Asia to 5.5%.[66]

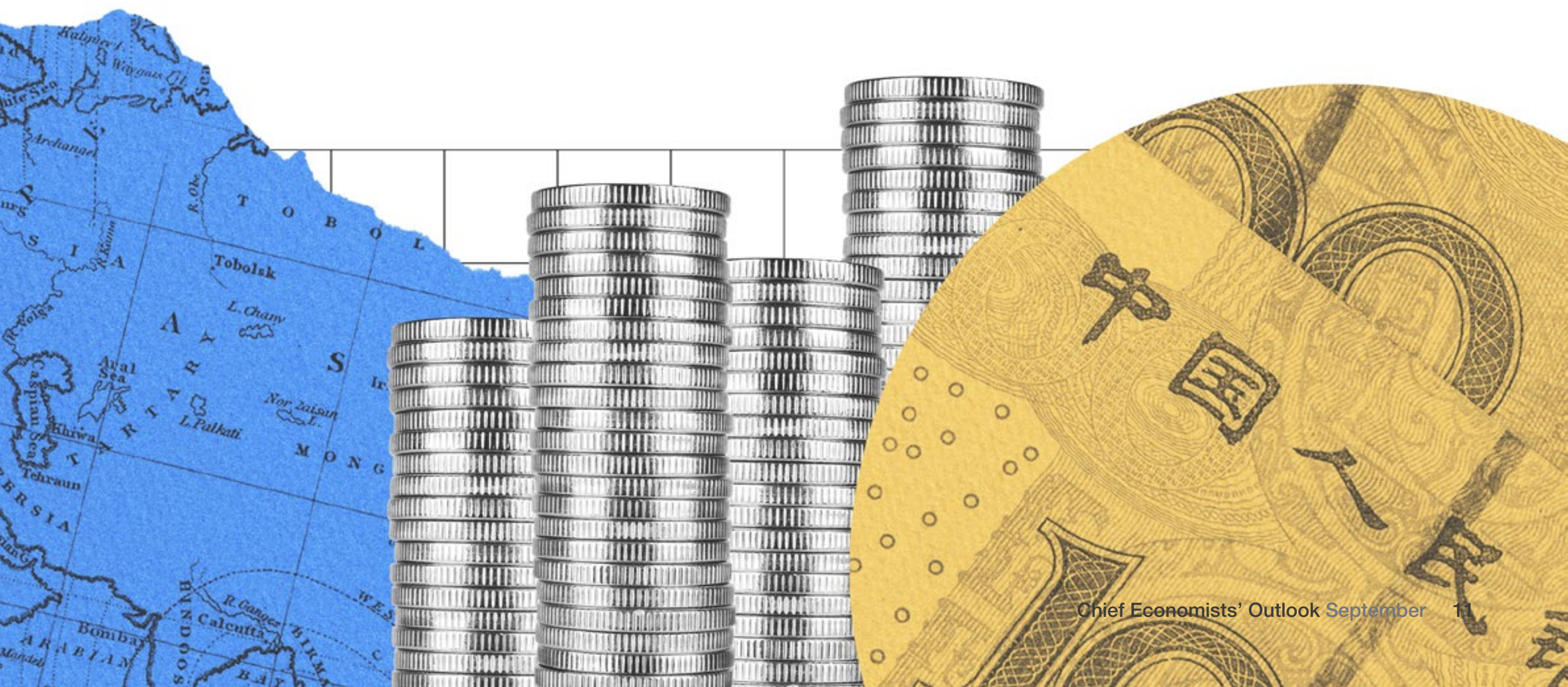
Inflation expectations remain broadly unchanged, with 72% of respondents anticipating moderate inflation in the year ahead. Fiscal and monetary policy are also expected to hold steady, with more than 80% of surveyed chief economists forecasting no significant adjustments.

Figure 6: Monetary policy

Looking at the year ahead, what is your expectation for monetary policy in the following geographies?



Source: Chief Economists Survey. (August 2025).

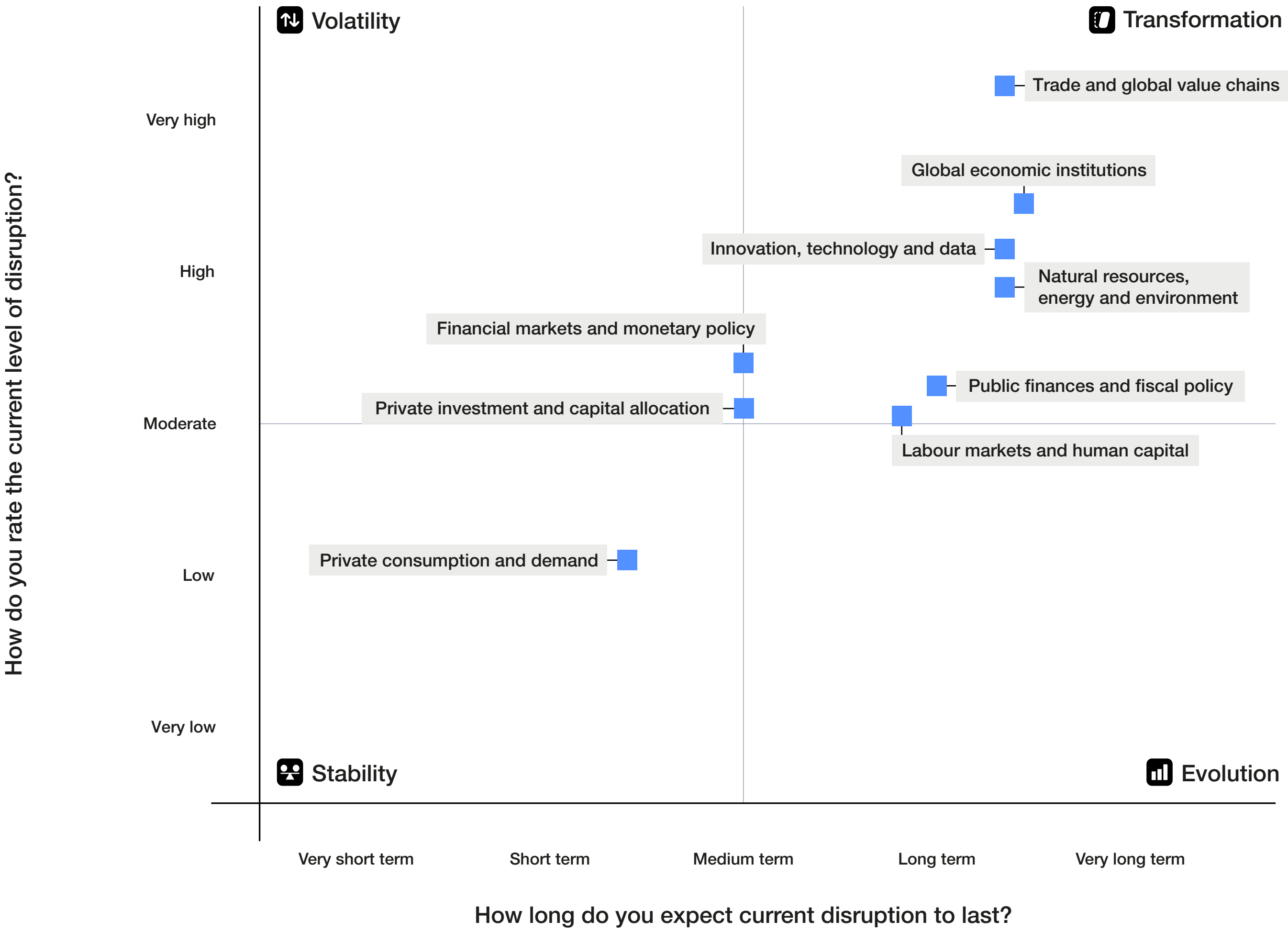


2 Towards a new global economic order

The global economy is undergoing one of its most turbulent periods in decades, with a convergence of shocks and structural shifts rewriting the rules of growth, trade and governance. Evidence of change is everywhere. The US has stepped back from its post-war role as a free-market champion, China is flexing its economic muscle, Germany has abandoned fiscal restraint, India has emerged as the fastest-growing major economy and Japan is navigating sustained inflation for the first time in a generation.[67] Meanwhile, technological breakthroughs, trade realignments and waning support for global institutions are accelerating a reconfiguration of the economic order.[68]

These are not isolated developments but interconnected forces shaping a new era of heightened uncertainty. This section draws on the latest World Economic Forum survey of chief economists to map the contours of this transition. Respondents were asked to assess nine pillars of the global economy (from trade and technology to fiscal policy and labour markets[69]), rating the level, duration and systemic impact of disruption in each. The results paint a striking picture: disruption is not only pervasive but widely expected to persist, with ripple effects across virtually all sectors and regions. The following sections explore these dynamics, highlighting the scale of change and the interconnected nature of today's disruptions.

Figure 7: Disruption in the global economy



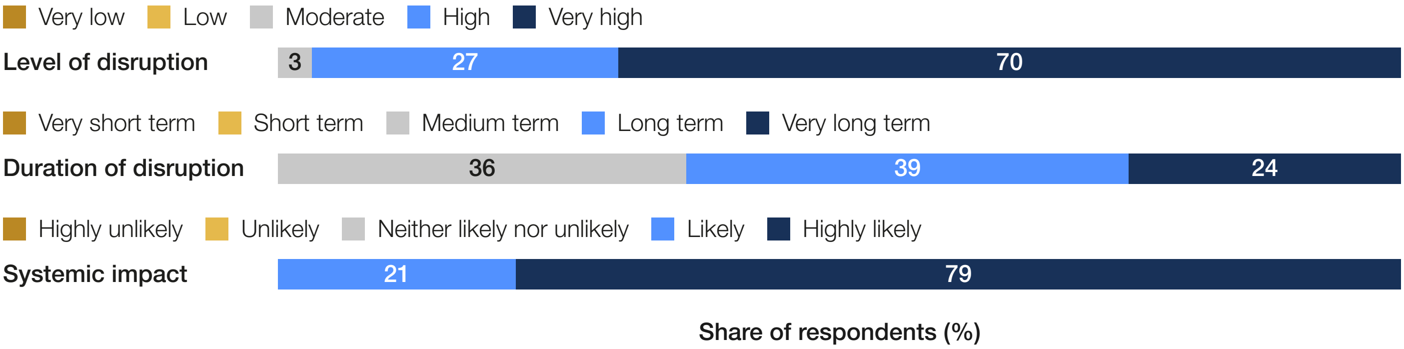
Note: Chief economists were asked to rate the level and duration of disruption on a scale from 0 to 100 with five labelled segments of equal length. Data reported above are median values. Data reported in the rest of this chapter present the share of respondents (%) within segments.

Source: Chief Economists Survey. (August 2025).

Trade and global value chains: realignment and ripple effects

Global trade is experiencing its most significant disruption in decades, and 70% of surveyed chief economists rate the level of disturbance as "very high", far above any other area of the global economy. The US has imposed sweeping tariffs that pushed its average rate to a level not seen since the 1930s; it has also eliminated the de minimis exemption for imports under $800, creating new friction for global supply chains.[70] China's temporary tariff truce and easing of chip export restrictions came only after threats to restrict rare earths exports, while other nations scrambled to negotiate lower rates.[71] Overall, trade policy uncertainty has eased slightly from its record April peak but remains more than double the levels seen during the COVID-19 pandemic era, underscoring a prolonged period of volatility.[72]

Figure 8: Trade and global value chains[73]



Source: Chief Economists Survey. (August 2025).

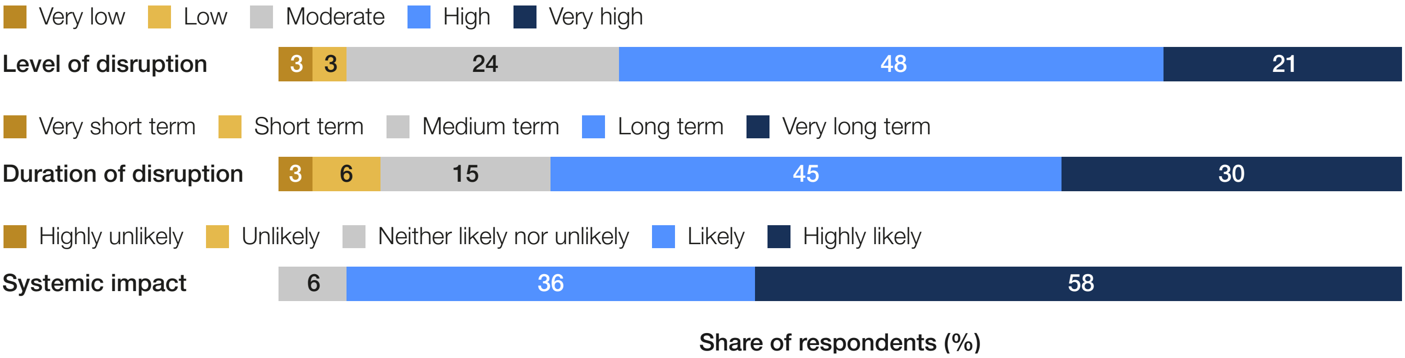
The global trade system is adjusting, but slowly and unevenly. The World Trade Organization (WTO) now expects merchandise trade to grow by just 0.9% in 2025, a modest upward revision from April's negative projection but well below pre-tariff forecasts of 2.7%.[74] Supply chains are already reconfiguring, with firms shifting production closer to key markets: Apple alone has announced $600 billion in US supply chain investments.[75] Nearly two-thirds (63%) of chief economists expect trade disruption to last for the long and very long term, cementing new patterns of fragmentation.

Ripple effects are spreading across the economy. Over 75% of chief economists expect supply chain disruption to cascade into other domains. Financial markets have already felt the volatility: the S&P 500 fell 15% on the April US tariff announcements before rallying to new highs.[76] Monetary authorities are now navigating tariff-driven price pressures, which may prove transitory but highlight growing exposure to policy shocks.[77] Using critical resources as a bargaining tool, such as China's rare earths pressure, is likely to accelerate innovation and diversification efforts in global supply chains, reshaping trade and resilience strategies for years to come.[78]

Technology and innovation: AI drives a structural shift

The pace of technological change continues to accelerate, and 69% of chief economists rate disruption in this area as high or very high. Generative AI continues to drive technological change, and more than two-thirds of chief economists expect it to become commercially disruptive within the next year (see Figure 9). The technology is reshaping how research is conducted, unlocking advanced problem-solving capabilities and fuelling extreme competition for talent.[79] AI-driven innovation has also unleashed a surge of investment: over 100 new unicorns have emerged in the past two years, pushing the global total close to 500, and single-person unicorns are increasingly viable.[80]

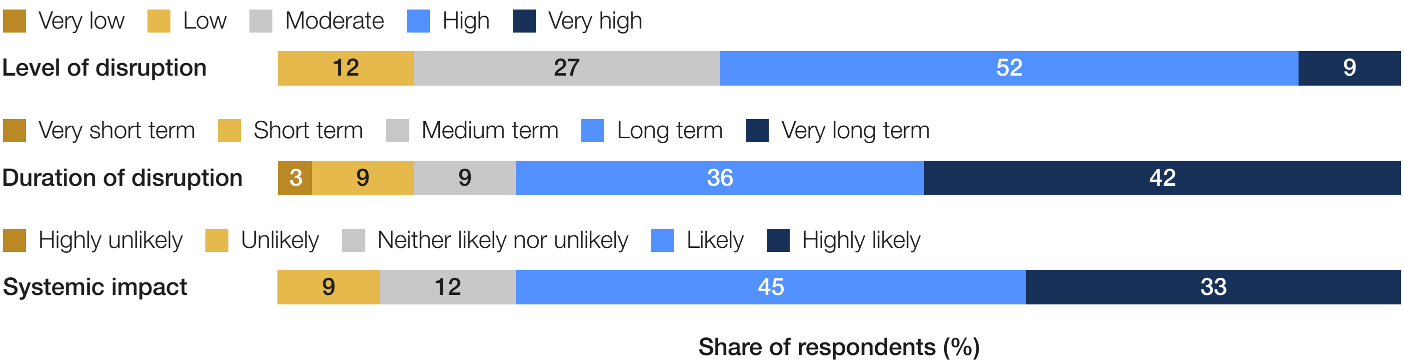
Figure 9: Innovation, technology and data



Source: Chief Economists Survey. (August 2025).

AI's emergence as a "general method of invention" signals a structural shift in innovation and technology development.[81] Three-quarters of respondents expect disruption in this domain to be long term or very long term, and more than 90% anticipate ripple effects in other domains. These include rising energy demand from data centres, rapid advances in renewable energy and clean technologies, and mounting geopolitical tensions around high-tech goods such as semiconductors.[82]

Figure 10: Natural resources, energy and environment



Source: Chief Economists Survey. (August 2025).

Natural resources, energy and environment: systemic risk

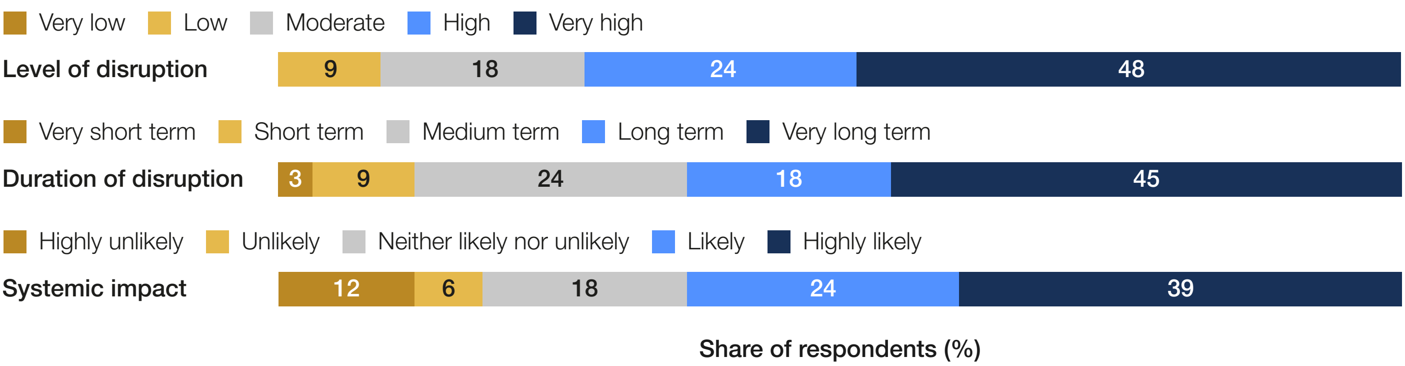
Sixty-one percent of chief economists rate disruption in natural resources, energy and the environment as high or very high. Concerns over supply bottlenecks remain acute, particularly for rare earths and other critical minerals essential to the clean energy transition, where production is highly concentrated.[83] Oil prices remain subdued in the wake of US-Israel-Iran hostilities in June, but additional sanctions on Russia and Iran could disrupt future supply-demand dynamics.[84]

A spate of extreme weather events has underscored the economic costs of climate change.[85] Devastating wildfires across the Iberian Peninsula and deadly floods in Pakistan highlight rising vulnerability.[86] Historical OECD data show extreme weather caused annual GDP losses of over 0.3% from 2006-2018, and this figure is likely to climb.[87] Seventy-eight percent of respondents expect disruption in this domain to persist over the long term, and the same share foresee systemic spillovers, with several chief economists warning that environmental risks remain deeply underestimated.

Global economic institutions: long-term risks

Seventy-two percent of chief economists view disruption to global economic institutions as high or very high. The United Nations is undergoing the most significant restructuring in its history, with widespread staff cuts and sweeping mandate revisions, while the WTO has been largely sidelined amid escalating protectionism.[88] Even institutions with more stability, such as the IMF and World Bank, face mounting pressure to adapt.[89]

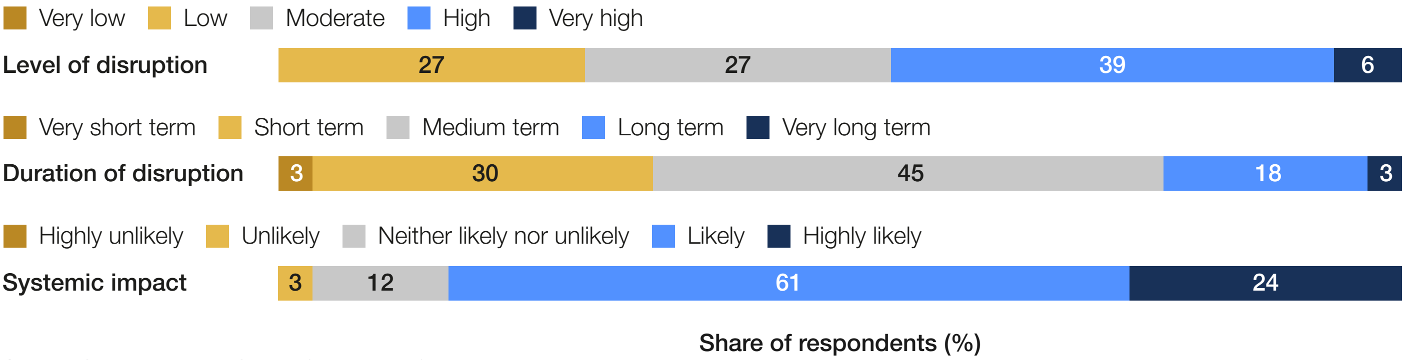
Figure 11: Global economic institutions



Source: Chief Economists Survey. (August 2025).

Sixty-three percent of respondents expect these disruptions to endure over the long term, warning that dismantling or weakening these institutions will leave lasting scars. Their core functions – coordinating crisis response, setting shared rules, promoting economic and health cooperation, and mediating conflict – are essential to stability. It is therefore unsurprising that almost two-thirds of respondents (63%) anticipate systemic ripple effects, with disruptions in this domain seen as a multiplier of broader economic risk.

Figure 12: Financial markets and monetary policy



Source: Chief Economists Survey. (August 2025).

Financial markets and monetary policy: turbulent times

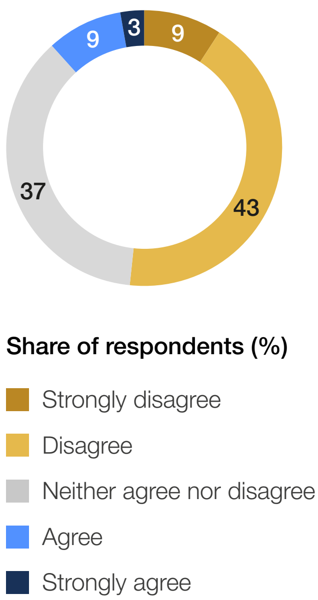
Chief economists largely see disruption in financial markets and monetary policy as temporary rather than structural. While 45% of respondents rate disruption as high or very high, only 21% foresee long-term effects. Markets plunged earlier this year amid tariff turmoil but swiftly rebounded.[90] Monetary policy is operating in a more complex environment but has not fundamentally shifted course.

Despite this relative stability, vulnerabilities remain highly significant because of the deep interconnectedness of this pillar of the global economy. Eighty-five percent of respondents believe a financial shock would have wide-ranging systemic effects, even as 52% downplay the likelihood of a major crisis in advanced economies in the near term. Several chief economists flagged underappreciated risks in this domain, including the growing intersection between innovation and finance. New stablecoin legislation in the US and speculation around a potential AI- or crypto-driven asset bubble were highlighted as potential triggers for future instability.[91]

Figure 13: Financial crisis risk

Looking to the year ahead, do you agree/disagree with the following statement?

One or more advanced economies will experience a financial crisis

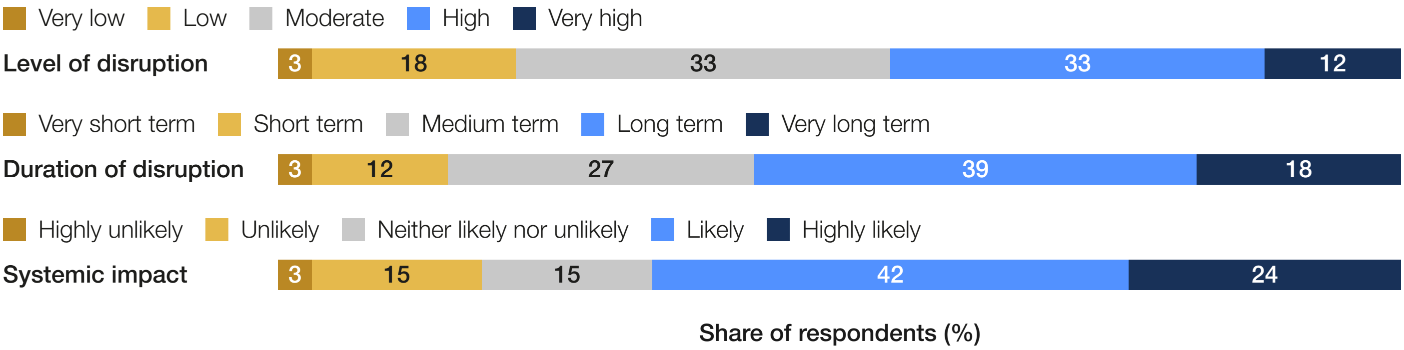


Source: Chief Economists Survey. (August 2025).

Fiscal policy: debt stoking systemic risks

In total, 45% of chief economists rate disruption in public finances and fiscal policy as high or very high, citing unprecedented debt accumulation and major shifts in fiscal stances. Global public debt exceeded $100 trillion in 2024, and more than one-third of countries, accounting for 75% of global GDP, are projected to see further increases this year.[92] Advanced economies in particular are loosening fiscal policy: the US is pursuing a historic spending programme with a deficit projected to exceed 7% of GDP, while Germany has amended its constitution to allow a major fiscal expansion focused on infrastructure and defence.[93] Fifty-seven percent of respondents expect disruption in this area to persist into the long term.

Figure 14: Public finances and fiscal policy



Source: Chief Economists Survey. (August 2025).

Two-thirds of respondents warn that fiscal imbalances are likely to trigger ripple effects across other domains of the global economy. Debt sustainability concerns, once largely focused on developing economies, are now centred on advanced ones: 80% of chief economists surveyed expect debt vulnerabilities in advanced economies to grow over the next year, underscoring a significant shift in perceived global fiscal risk.

Figure 15: Debt sustainability

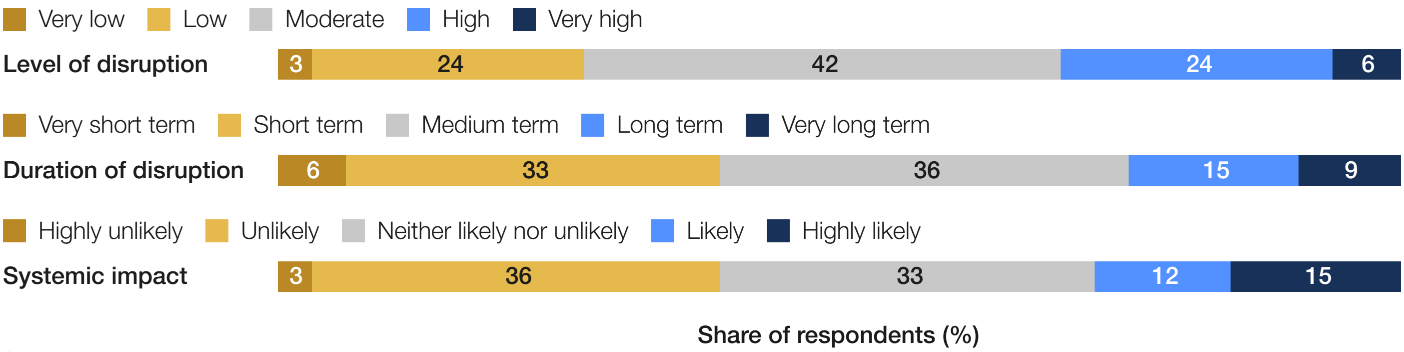
Looking to the year ahead, do you agree/disagree with the following statements?

Source: Chief Economists Survey. (August 2025).

Investment flows: protectionism reshapes capital allocation

Disruption in private investment and capital flows is notable but not, for now, seen as among the most worrisome trends: 42% of chief economists rate it as moderate, and 30% as high or very high. The US is at the centre of current turbulence, with rising tariffs and new investment requirements in trade agreements prompting firms to reconsider global supply chains. To preserve market access, some companies are announcing large-scale investments to reshore production: while registered foreign direct investment (FDI) inflows fell to $52.8 billion in the first quarter of 2025 (Q1), greenfield announcements surged to a record $183 billion.[94] Whether these pledges materialize will be a key marker of the realignment of global investment.

Figure 16: Private investment and capital allocation



Source: Chief Economists Survey. (August 2025).

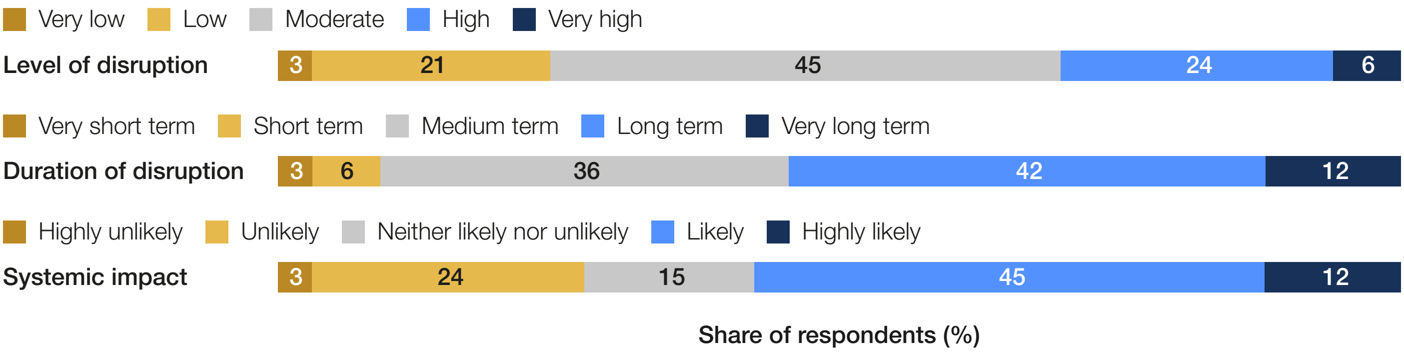
Most respondents see this disruption as temporary: three-quarters expect conditions to stabilize over the short to medium term. Systemic risks appear limited for now, with only 27% of chief economists predicting broader spillover effects, suggesting that capital reallocation is being closely watched but not yet viewed as a structural threat.

Labour markets and human capital: underestimated risks

Labour markets and human capital are seen as relatively stable for now, with 45% of chief economists rating disruption levels as moderate and 30% as high or very high. The full impact of AI has yet to materialize, but 54% expect long-term or very long-term disruption, signalling an underlying transformation rather than short-term volatility. Demographic shifts and technological change continue to reshape the future of work, and 57% of respondents see a high likelihood of spillover effects if disruption intensifies.[95]

Despite its current perceived stability, a number of chief economists flagged this area as being underestimated by policy-makers as a source of disruption. They note that migration pressures are building and competition for talent is accelerating, suggesting that labour dynamics could quickly become a more prominent driver of economic risk and opportunity.[96]

Figure 17: Labour markets and human capital

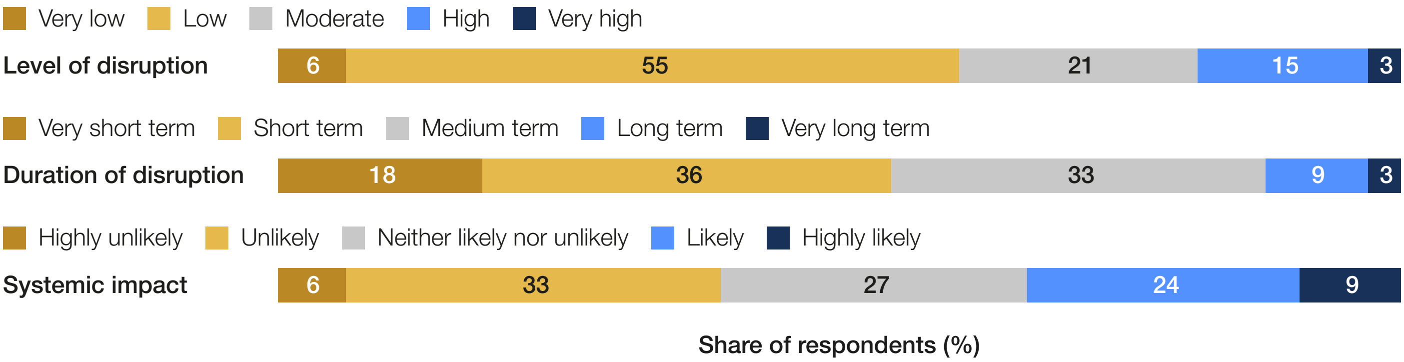


Source: Chief Economists Survey. (August 2025).

Consumption and demand: stability amid uncertainty

Private consumption and demand are notable outliers in an otherwise highly disrupted global economy: 61% of chief economists rate disruption in this area as low or very low. Consumer sentiment remains an important growth driver, showing only modest fluctuations. In the US, sentiment dipped by around 5% in August on inflation concerns, far less than the double-digit swings seen during the COVID-19 pandemic.[97] In China, demand weakness reflects long-standing structural factors rather than sudden shocks.[98]

Figure 18: Private consumption and demand

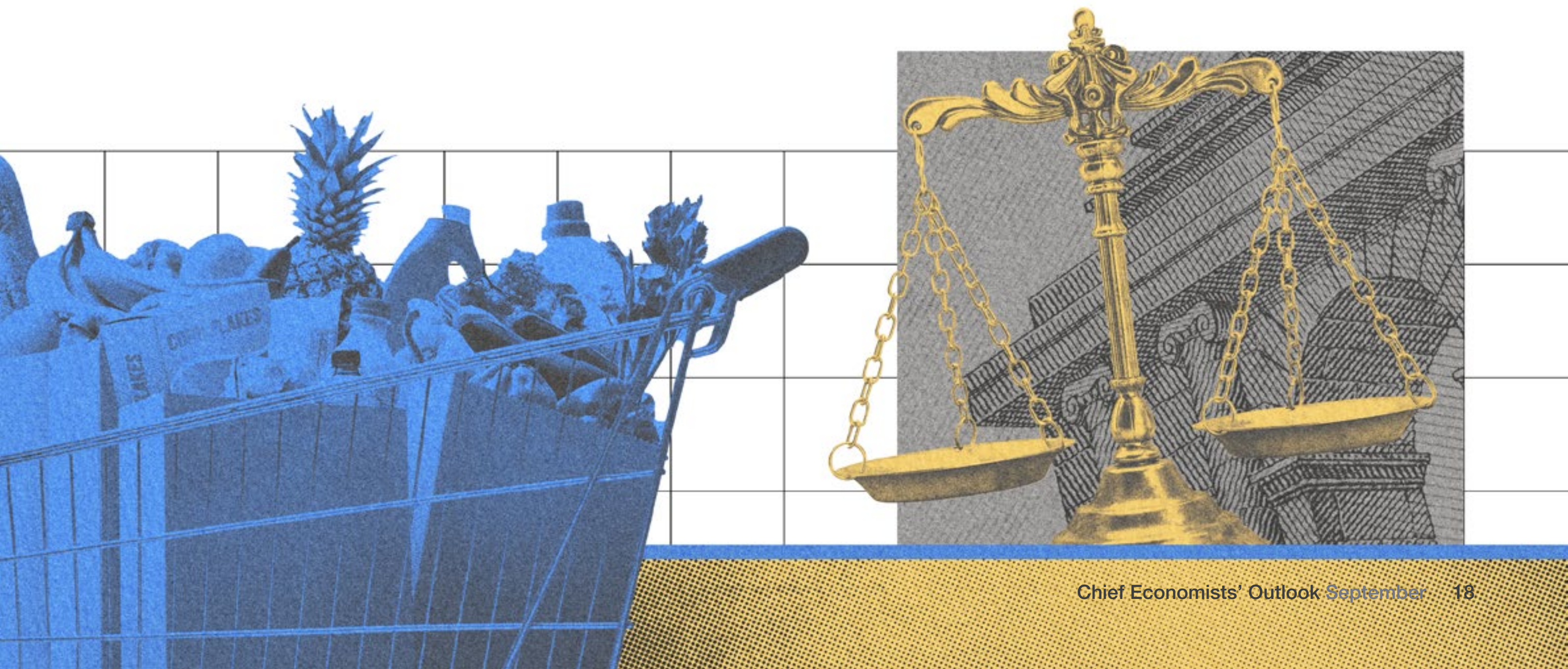


Source: Chief Economists Survey. (August 2025).

Most respondents view disruption in this area as temporary, with 54% expecting short- or very short-term effects. While 39% see little risk of broader ripple effects, a third consider knock-on impacts likely, suggesting consumption is currently a source of stability but could become a vulnerability if economic pressures deepen.

Taken together, these findings across economic domains reveal an economic system under strain, yet constantly adapting, with disruption reaching into every major area of global activity. Chief economists characterize the current environment as one of high and persistent disruption, with most areas undergoing profound transformation. These disruptions are deeply interconnected: trade tensions reverberate through financial markets, technological breakthroughs reshape labour and energy systems, and environmental crises expose vulnerabilities in resource management and institutional frameworks. Even areas that appear resilient, such as private consumption, are not immune to secondary effects.

The global economy is transitioning from short-term disruptions to an new economic order. This emerging era is defined by heightened uncertainty and calls for accelerated innovation and adaptive, multistakeholder responses. The contours of this nascent system remain in flux, presenting both significant risks and transformative opportunities. This theme is explored further in the following chapter's analysis of growth dynamics and divergences.

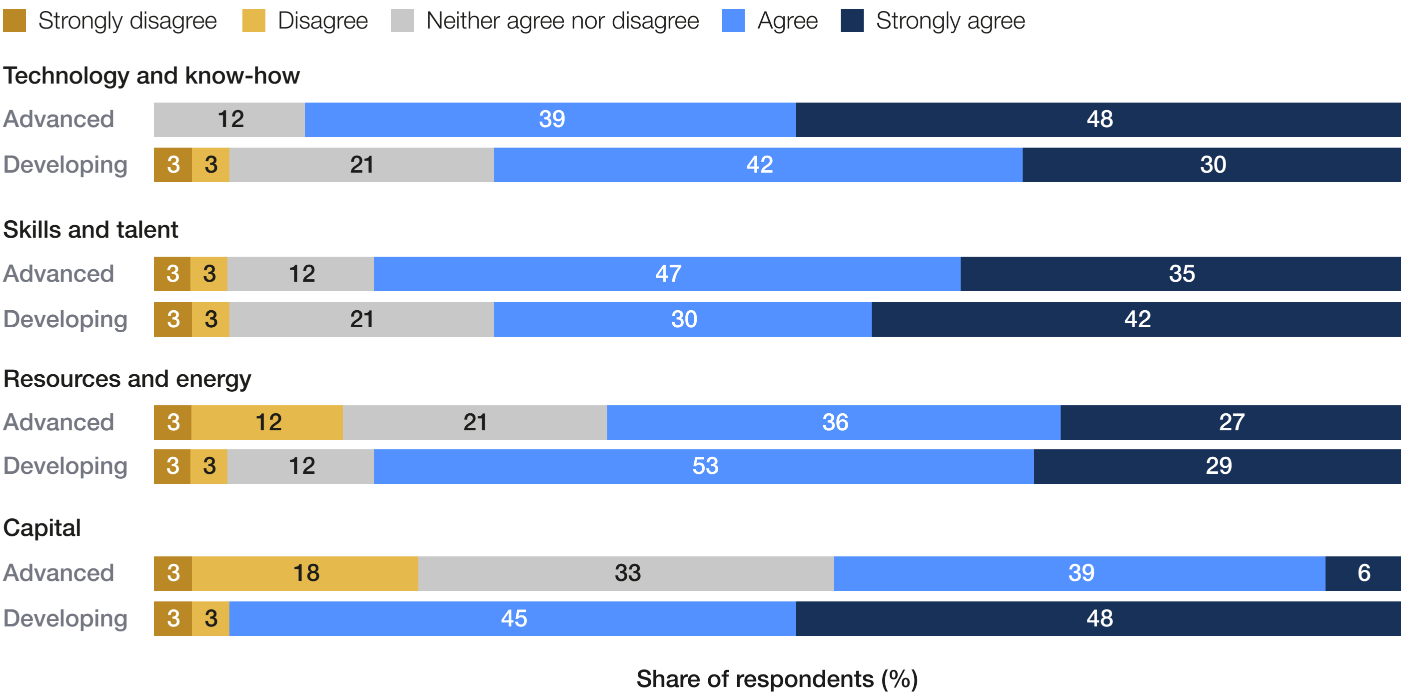


3 Diverging pathways: growth in a fragmented global economy

In the wake of repeated shocks and persistent weak growth, as well as longer-term shifts in the global economic order, economies must chart new growth and development pathways. Yet these paths will increasingly diverge. According to the chief economists surveyed, advanced economies are likely to rely more on technology and human capital, while developing economies are expected to depend more on capital and natural resources.

Figure 19: Growth inputs

Looking at the next three years, do you agree/disagree with the following statements? Growth in these country groups will depend most on access to...



Source: Chief Economists Survey. (August 2025).

Nearly nine in 10 (87%) of the chief economists surveyed expect growth in advanced economies to depend primarily on access to technology and know-how. At a time of geoeconomic fragmentation, this reliance is increasingly fraught with risks. For example, concerns have surfaced about Europe's weakness in emerging technologies (increasingly a key growth driver) and its dependence on US technologies to underpin its digital infrastructure.[99]

Moreover, the rapid development of AI is likely to intensify the sense that growth will increasingly depend on frontier-technology prowess. AI is widely seen as a force multiplier for knowledge-intensive industries, leading to extraordinary levels of investment. A global spending surge on data centres is projected to reach almost $3 trillion over the next four years.[100]

Only a slightly smaller proportion of respondents (82%) highlighted the role of skills and talent as a driver of growth in advanced economies. Competition for high-end talent is heating up, with countries vying to attract and retain skilled workers.[101] For instance, the EU recently launched a two-year, €500 billion package aimed at encouraging researchers to come to Europe.[102]

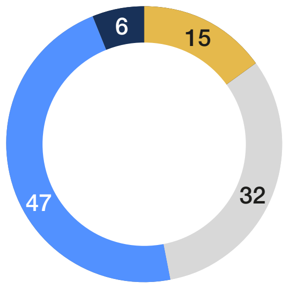
For developing economies, by contrast, capital is overwhelmingly seen as the critical input for growth, highlighted by 93% of respondents. Yet access to capital remains a persistent challenge. At the firm level, unmet financing needs are weighing on private-sector growth. In the World Bank's Enterprise Survey, access to finance is identified as the biggest obstacle to business in key regions, including the Middle East and North Africa, East Asia and the Pacific, South Asia, and Sub-Saharan Africa.[103] Public investment is also under pressure, with many developing economies facing net capital outflows as debt-servicing costs increase more rapidly than new disbursements.[104]

Resources and energy are also seen as crucial growth inputs for developing economies, as highlighted by 82% of respondents. Two-thirds of developing economies remain commodity dependent, including more than 80% of the world's least-developed countries.[105] This dependence has long been seen as a double-edged sword, leaving countries vulnerable to price volatility on international commodity markets, a risk that 53% of chief economists surveyed expect to increase in the year ahead.

Figure 20: Commodity market volatility

Looking to the year ahead, do you agree/ disagree with the following statement?

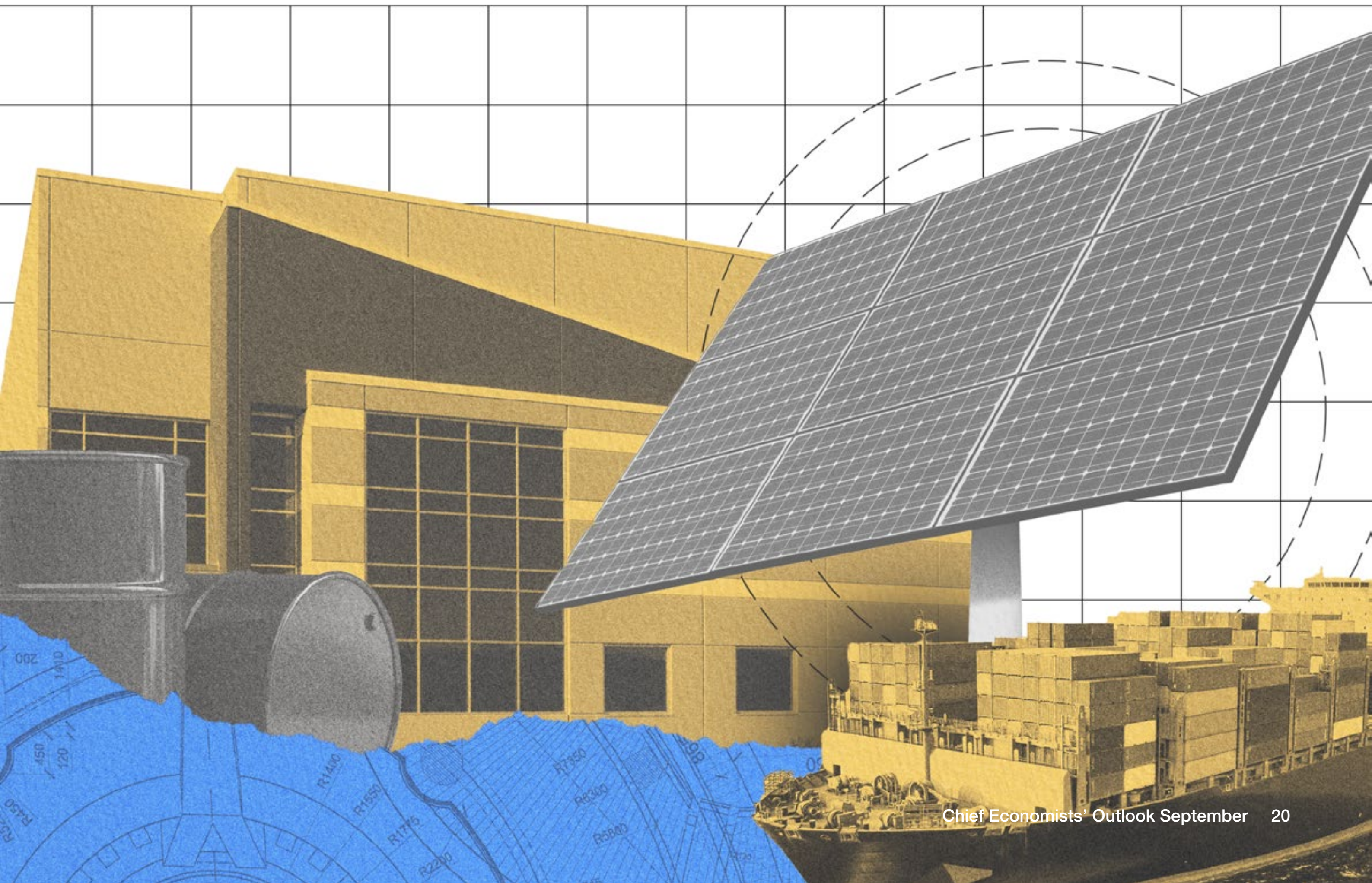
Volatility in key commodity markets will increase



Share of respondents (%)

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Source: Chief Economists Survey. (August 2025).

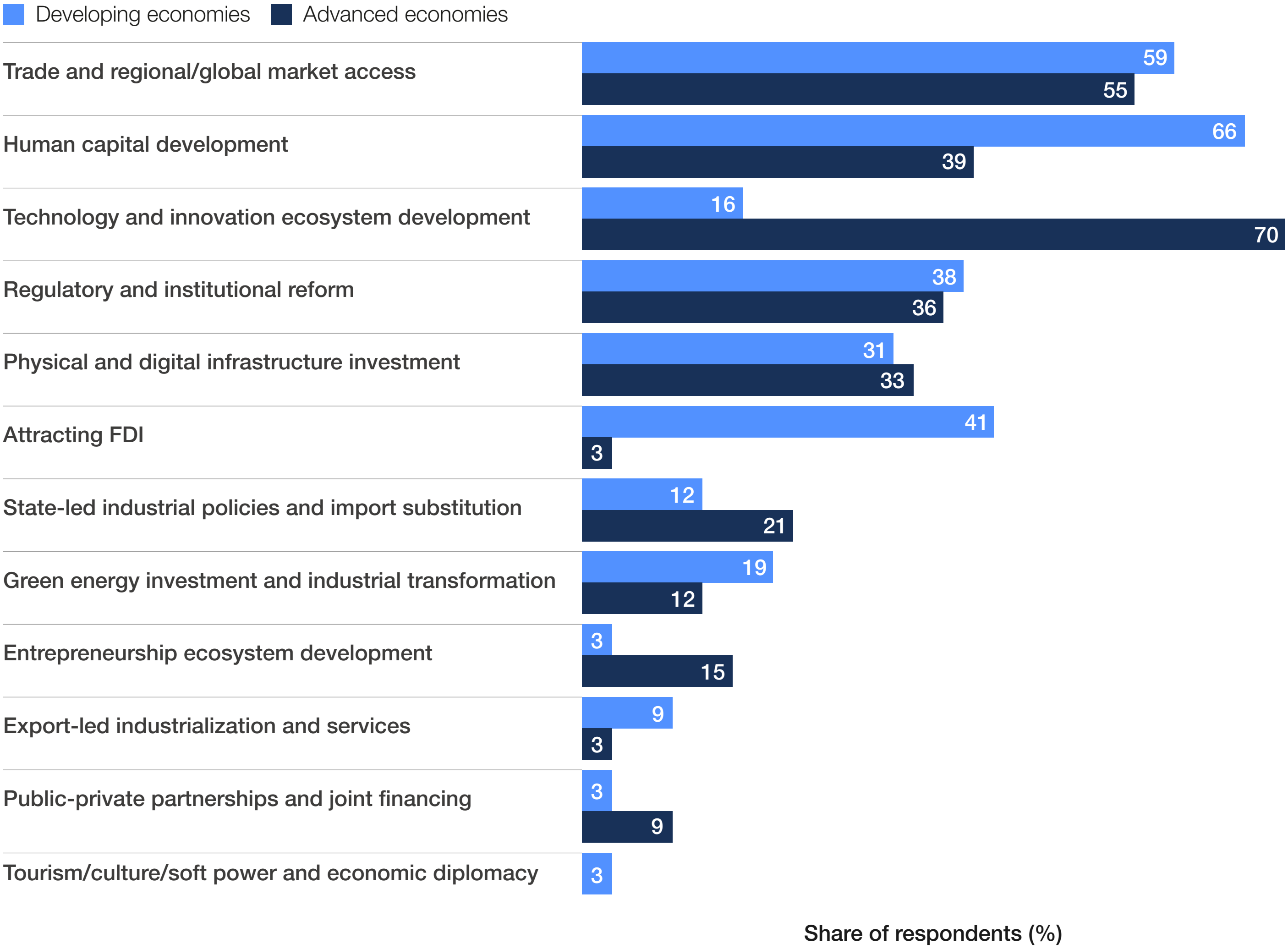


Core inputs alone are not sufficient to deliver growth. Whether economies can translate capital, talent, technology and resources into sustained development depends on a range of enabling factors. These growth drivers include trade openness, skills development, innovation capacity and investment attractiveness.

In the context of the recent tariff turmoil, it is perhaps unsurprising that trade and market access was cited most frequently as a key growth driver in the evolving global economy. Fifty-five percent of chief economists included it in their top three for advanced economies, rising to 59% for developing economies.

Figure 21: Growth drivers

Looking at the next three years, how important are the following factors for economies to grow and develop in the evolving global economy? (Select the top three)



Note: Development factors are sorted by share of total responses. The rarely used option "Other (please specify)" was excluded.

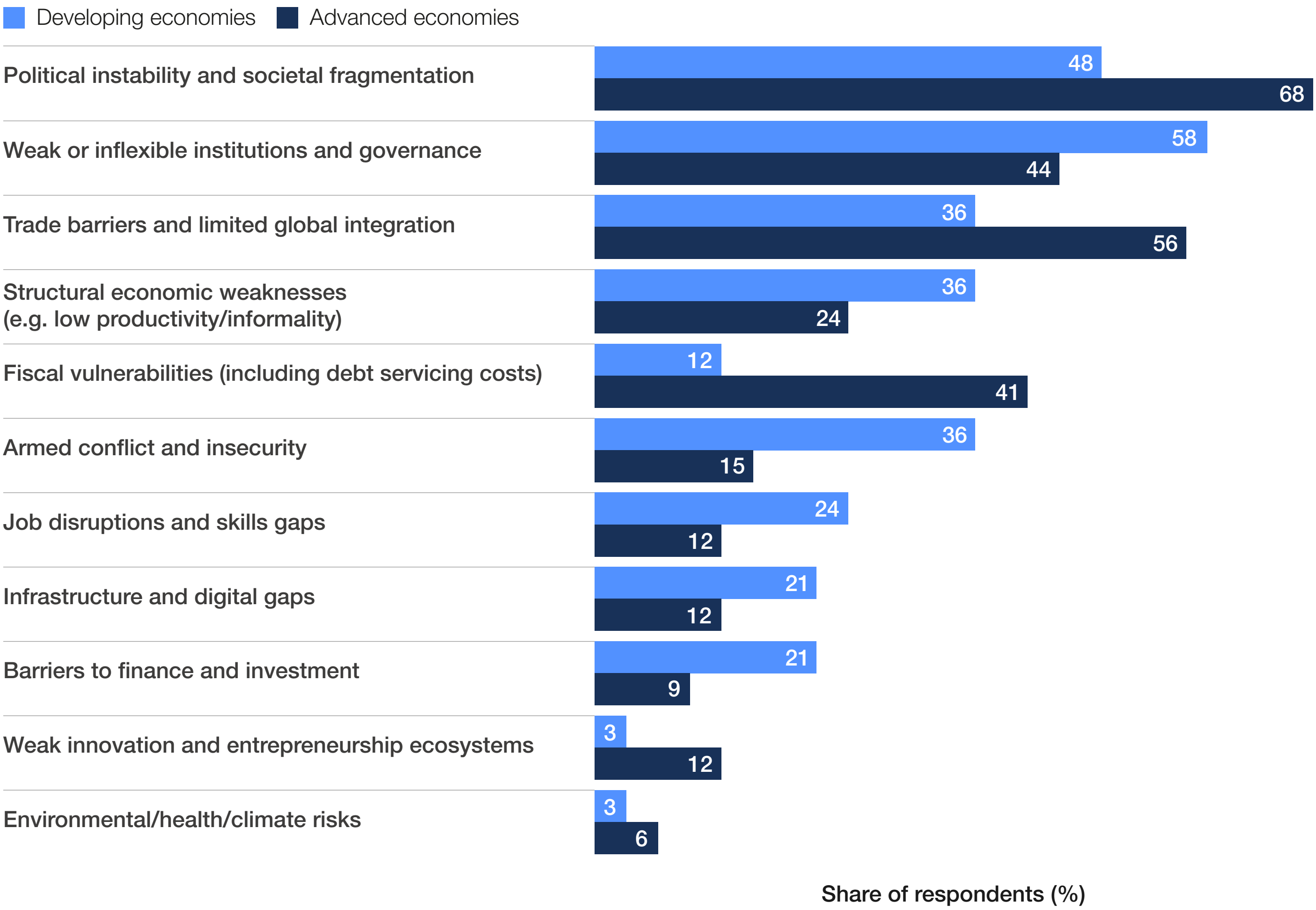
Source: Chief Economists Survey. (August 2025).

Human capital development ranks as the second most important driver overall. Creating the conditions for people to acquire and apply skills will be critical for future growth,[106] particularly as job profiles evolve rapidly[107] and demographic shifts accelerate.[108] With two-thirds of the income gap between advanced and developing economies attributable to disparities in human capital,[109] it is no surprise that this driver is viewed as substantially more important for developing economies, which tend to have weaker education systems: 66% of chief economists include it in their top three priorities for developing economies, compared with 39% for advanced economies.

Differences between advanced and developing economies are even starker when it comes to attracting FDI and innovation ecosystems. Forty-one percent of chief economists cite FDI attraction as a top-three priority for developing economies, compared to minimal attention for advanced economies. For many developing economies, FDI delivers a package of capital, technology, skills and production capacity that richer countries typically possess domestically.[110] Responses on innovation ecosystems skew the other way: 70% of chief economists see it as a top-three priority for advanced economies, compared with just 16% for developing ones. For economies near the technological frontier, strengthening innovation policies is a key driver of productivity and growth, while for developing economies, the greater benefit lies in building the capacity to adopt and diffuse existing technologies.[111]

Figure 22: Growth inhibitors

Looking at the next three years, which factors are most likely to inhibit growth and development progress? (Select the top three)



Note: Development factors are sorted by share of total responses. The rarely used option "Other (please specify)" was excluded.

Source: Chief Economists Survey. (August 2025).

Chief economists were also asked to identify inhibitors with the potential to limit growth. Political instability and societal fragmentation emerged as the most frequently cited obstacles across both advanced and developing countries. Political instability tends to slow growth by weighing on productivity growth and, to a lesser extent, the accumulation of physical and human capital.[112] Recent developments in France, where legislative deadlock has driven bond yields sharply higher, illustrate the direct economic costs.[113] Sixty-eight percent of respondents see this as a greater threat for advanced economies than for developing economies (48%).

Weak or inflexible institutions and governance ranks as the second most significant inhibitor. The link between institutional quality and long-term growth – highlighted by the 2024 Nobel Prize in Economics – is a cornerstone of development economics.[114] Fifty-eight percent of respondents see it as the top constraint for developing economies, which continue to score much lower than advanced economies on governance indicators.[115] Despite this, 44% of chief economists surveyed also see institutional rigidity as a barrier in advanced economies, where regulatory complexity is regularly cited by small- and medium-sized enterprises (SMEs) as their greatest challenge.[116]

Trade barriers and limited global integration was the third most frequently cited obstacle, underscoring the importance of resolving trade disputes and maintaining openness. Respondents see this inhibitor as a considerably greater threat for advanced economies (56%) than for developing ones (36%). Although South-South trade is growing more rapidly than other trade flows, trade among advanced economies is still almost twice as large.[117]

Other challenges diverge markedly by income group. Concerns over debt sustainability[118] make fiscal vulnerabilities a much greater perceived threat in advanced (41%) than developing (12%) economies. Conversely, armed conflict and security weigh more heavily on developing economies (36%) than on advanced economies (15%).

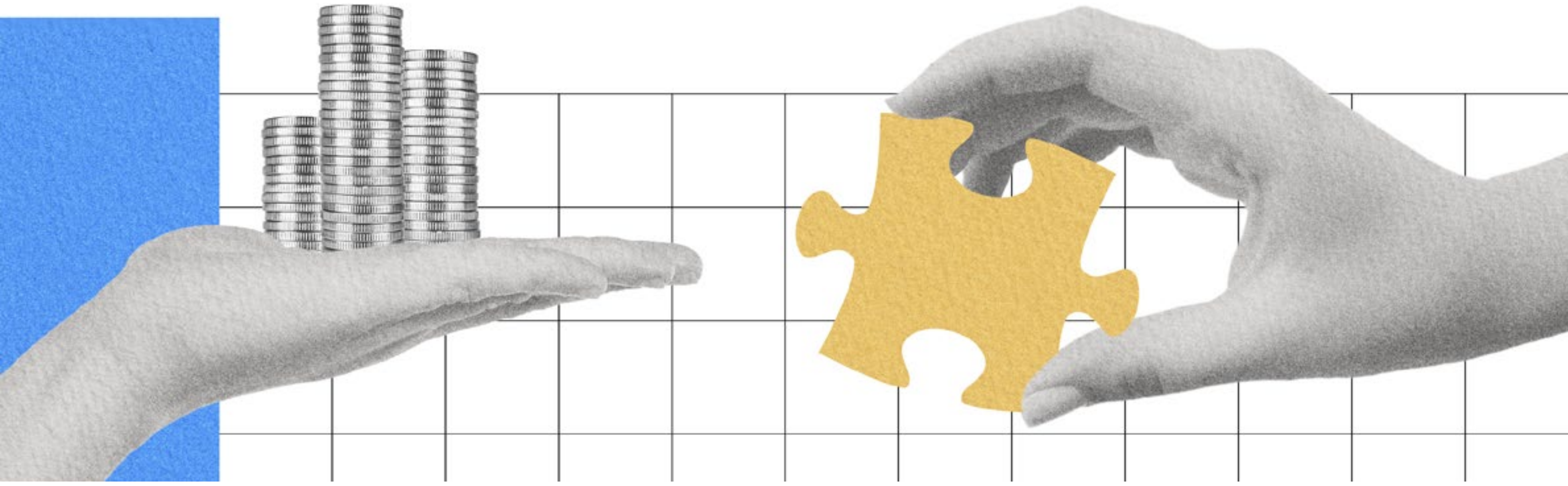
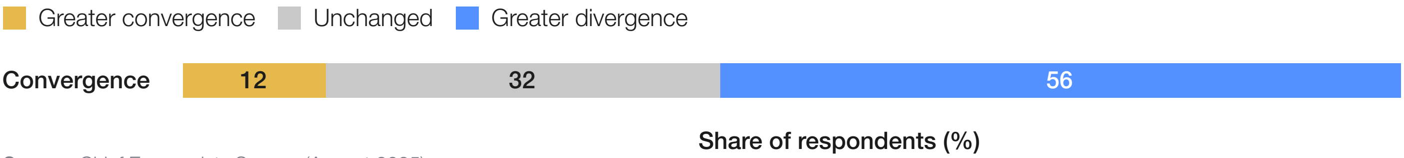


Figure 23: Economic convergence

Looking at the next three years, what are your expectations for economic convergence between developing and advanced economies?

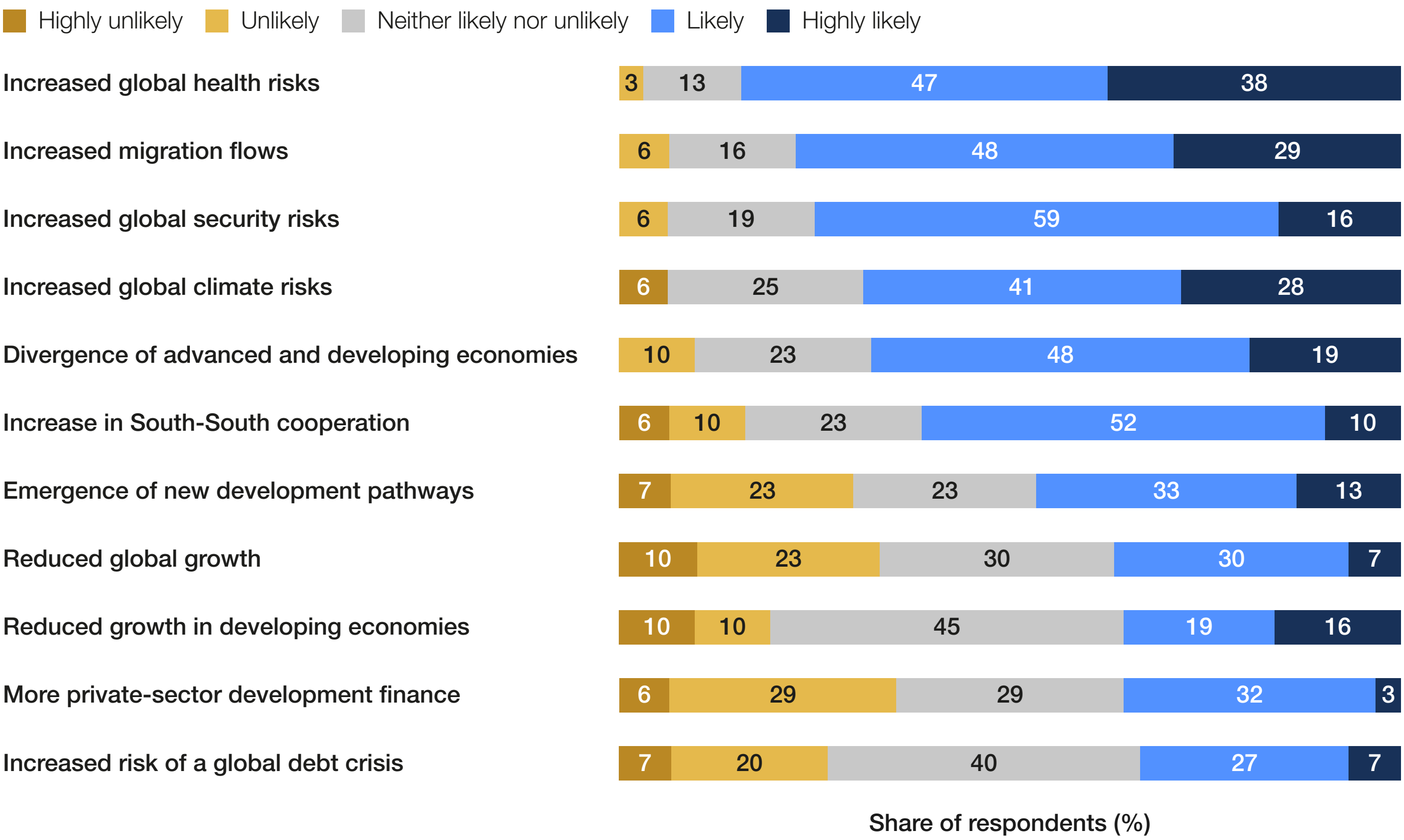


Source: Chief Economists Survey. (August 2025).

Taken together, these differences in economic enablers and inhibitors, set against a backdrop of global disruption, point to a likely widening of global growth gaps. More than half of the chief economists surveyed (56%) expect greater divergence between advanced and developing economies over the next three years.

Figure 24: Impacts of reducing developing aid

If official development aid is significantly reduced in the coming years, how likely are the following outcomes?



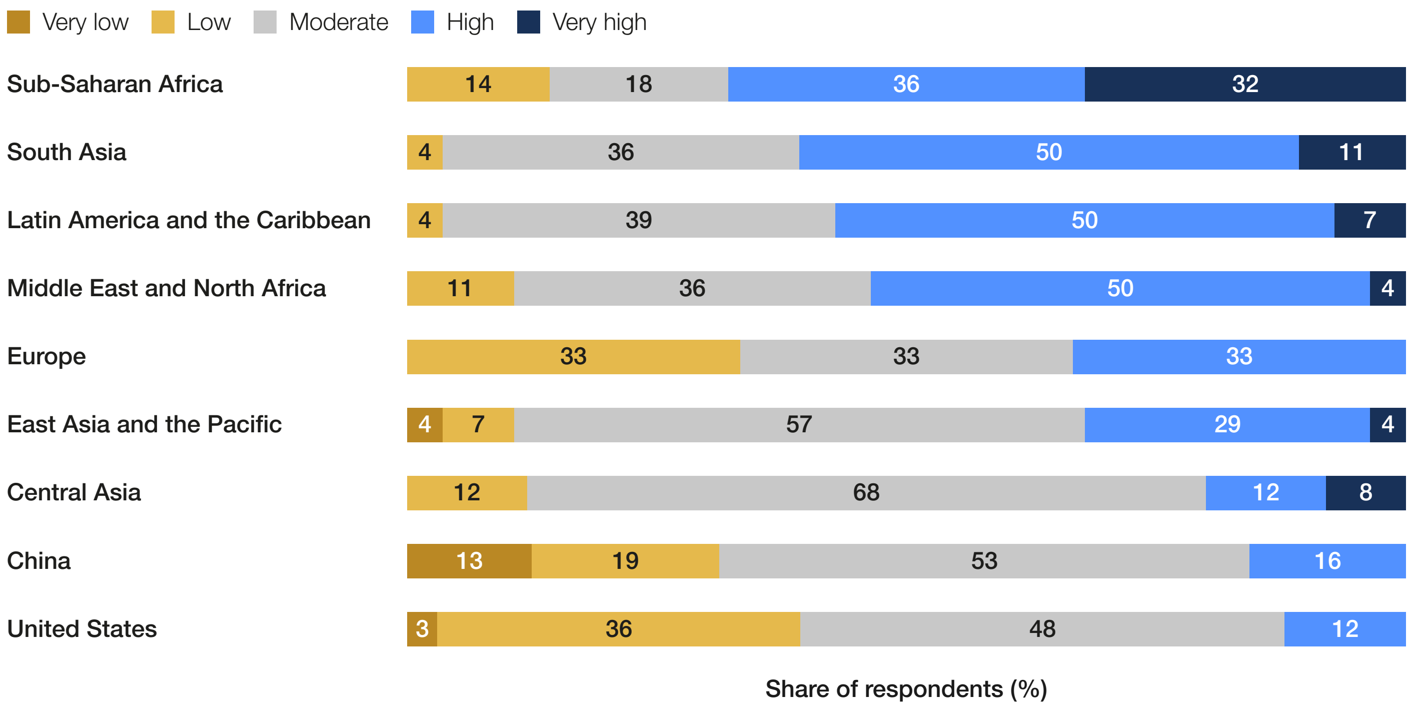
Source: Chief Economists Survey. (August 2025).

Additionally, advanced economies are significantly reducing development aid and funding for global economic institutions, an adjustment that affects many developing economies heavily.[119] According to the chief economists surveyed, the most likely outcomes of reducing development aid are increased global health risks (85%), increased migration flows (77%) and increased global security (75%) and climate risks (69%). While the chief economists surveyed are optimistic about the prospects of increasing South-South cooperation (52% likely or highly likely), perspectives diverge on other constructive outcomes, such as the emergence of new development pathways or private-sector development finance filling the gaps. The chief economists surveyed are also split on a number of destructive outcomes. There is no majority position among respondents on whether reducing development aid is going to increase the risk of a global debt crisis, reduce growth in developing economies or reduce global growth. However, reducing development aid is expected to contribute to a widening of the gap between advanced and developing economies by 67% of respondents.

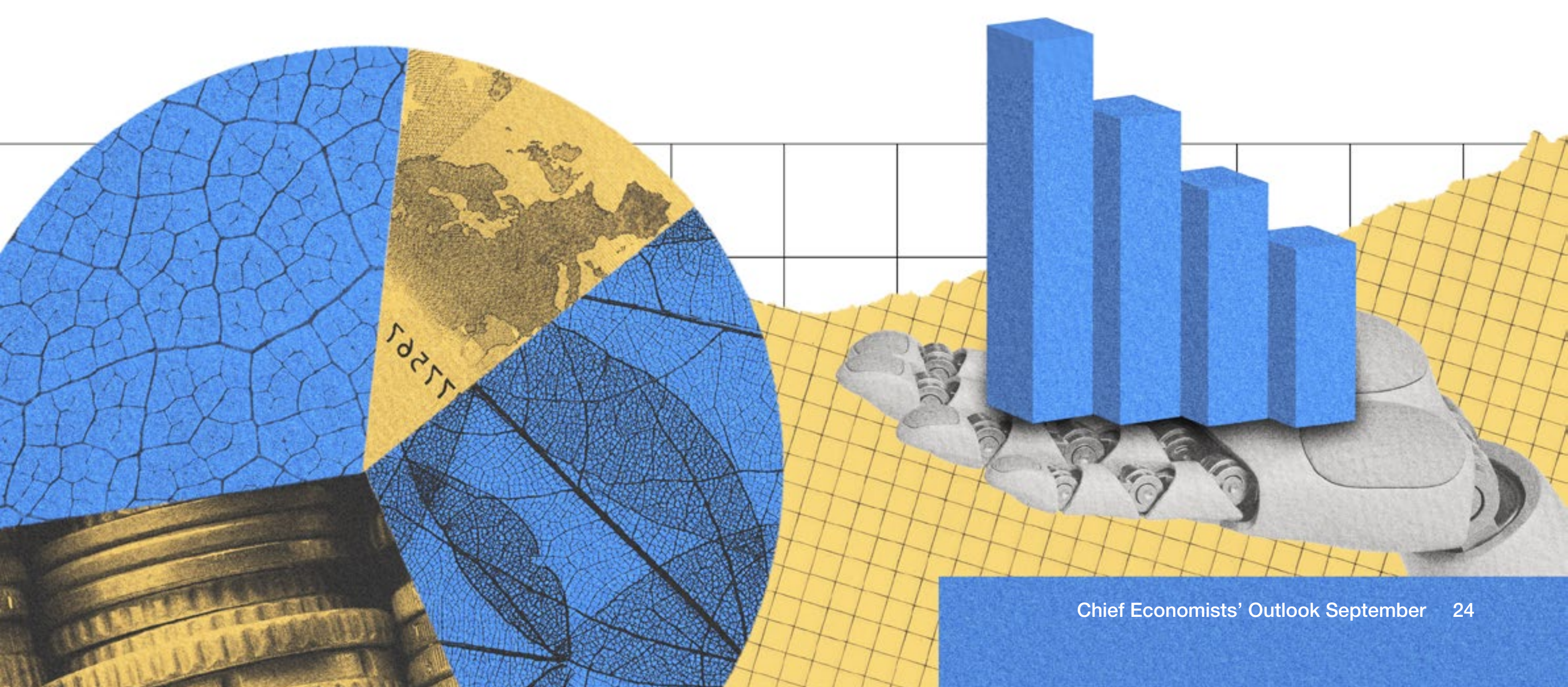
If left unaddressed, that divergence would represent a missed opportunity to increase global prosperity. The chief economists point to substantial untapped growth potential in developing regions, notably Sub-Saharan Africa, South Asia and Latin America and the Caribbean. At a time when the world is searching for new engines of growth, this potential cannot be overlooked. Unlocking it will require political will, targeted financing and a sustained commitment to international collaboration.

Figure 25: Untapped growth potential

How would you rate the untapped growth potential in the following geographies?



Source: Chief Economists Survey. (August 2025).



Contributors

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Endnotes

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