PRESS RELEASE

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UNCTAD: FINANCE CAN PUT TRADE AT RISK, LEAVING THE GLOBAL ECONOMY "ON THE BRINK" – WITH DEVELOPING COUNTRIES HARDEST HIT

- **Globalization is being rewired** by geopolitics and policy shifts. The financial system will have to adapt to better serve the real-economy needs.
- **Policy volatility is now a persistent challenge** for trade, investment and development.
- **Financial shocks spill over rapidly** into the real economy, revealing gaps in the global economic architecture.
- **Developing economies drive global growth** but face the highest financing and climate risks.
- **Coordinated reforms** linking trade, finance, debt and climate action can restore stability and recentre development.

Geneva, 2 December 2025 - Global growth will slow to 2.6 per cent in 2025, down from 2.9 per cent in 2024, as global trade and investment face growing pressure from financial volatility and geopolitical uncertainty, according to UN Trade and Development's new **'Trade and Development Report 2025: On the Brink – Trade, finance and the reshaping of the global economy'**. The report shows that shifts in financial markets move global trade almost as strongly as real economic activity, influencing development prospects worldwide.

UN Trade and Development (UNCTAD) Secretary-General Rebeca Grynspan said the findings show how financial conditions increasingly determine the direction of global trade. "Trade is not just a chain of suppliers. It is also a chain of credit lines, payment systems, currency markets and capital flows."

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Global trade rose by about 4 per cent early in 2025, driven in part by firms accelerating imports ahead of tariff changes, but also by structural shifts: services are expanding faster, supported by growth in the digital economy and AI, and South–South trade is growing above average. Beneath these factors, underlying trade growth is estimated at between 2.5 and 3 per cent and is expected to ease further as financial conditions influence production and investment decisions more strongly.

Nearly 90 per cent of world trade depends on trade finance. Dollar liquidity and cross-border payment systems are also crucial for international trading activities. This deep reliance on financial channels makes trade closely linked to global financial and monetary conditions. A shift in interest rates or investor sentiment in a major financial centre can affect trade volumes worldwide. For developing countries, where access to affordable credit is limited, these financial pressures can undermine otherwise viable trade transactions.

The report also highlights the increasing role of financial factors of commodity markets, particularly in essential food systems. For several major food trading companies, more than 75 per cent of income now stems from financial operations rather than the physical movement of goods.

Developing economies face mounting pressures

Developing economies are forecast to grow by 4.3 per cent, significantly faster than advanced economies. But they face higher financing costs, greater exposure to sudden shifts in capital flows and rising climate-related financial risks. These factors limit the fiscal and investment space needed to sustain growth.

The global South accounts for more than 40 per cent of world output, nearly half of global merchandise trade and more than half of global investment inflows. Yet its role in global financial markets remains limited. Excluding China, developing countries represent only about 12 per cent of global equity market value and around 6 per cent of global bond issuance.

Because their domestic financial markets are small, many developing economies rely on external borrowing at significantly higher cost. Borrowing rates of 7 to 11 per cent are common, compared with 1 to 4 per cent in major advanced economies. These elevated costs often reflect structural issues in the international financial architecture rather than economic fundamentals, reducing long-term investment and slowing growth.

Climate vulnerability adds to financial pressures. Countries repeatedly exposed to extreme weather now pay an estimated 20 billion dollars more each year in interest because lenders perceive them as riskier. Since 2006, these additional premiums have cost climate-vulnerable economies about 212 billion dollars – resources that could have supported social investment or climate adaptation.

Dollar dominance continues to anchor global finance

Despite gradual diversification of international reserves, the dollar remains central to global finance. Its share of international payments through SWIFT has risen from 39 per cent to about 50 per cent in five years. The United States also accounts for half of global equity market value and about 40 per cent of global bond issuance. While this provides stability in uncertain periods, it also links developing economies to financial cycles over which they have limited influence.

Targeted reforms to restore stability and support development

UNCTAD outlines a set of practical reforms aimed at reducing financial vulnerability, improving predictability and supporting stronger alignment between trade, finance and development. The report calls for:

- **Fix the multilateral trade dispute system** so rules are enforced and uncertainty is reduced.
- **Update trade rules** for today's economy; including services, digital trade, climate action and new industrial strategies.
- **Close data gaps on trade and investment statistics to better inform and coordinate policies;**
- **Reform the international monetary system** to limit harmful swings in currencies and capital flows.
- **Strengthen regional and domestic capital markets** so developing countries can raise affordable long-term finance.
- **Use macroprudential tools** (rules that reduce negative financial spillovers) to better protect trade and investment.
- **Improve transparency** in commodity trading and expand access to affordable trade finance, especially for small businesses.

Rebeca Grynspan said reconnecting trade and finance is essential for lasting stability. "What does genuine resilience require? Integrated policy frameworks that recognize links between trade, finance and sustainability." She added that coordinated reforms can strengthen long-term development prospects. "Fundamentally, we cannot understand trade isolated from finance".

Follow the launch event online:

The *Trade and Development Report 2025* will be launched in London with a public conversation between **UNCTAD Secretary-General Rebeca Grynspan** and **Professor Mariana Mazzucato**

Where: University College London (UCL).

Date: 2 December 2025 at 5.30 pm (London Time)

Format: Online streaming and in-person attendance (UCL)

Language: English only

Registration is required for both in-person and virtual attendance :
https://www.ucl.ac.uk/bartlett/events/2025/dec/brink-conversation-rebecca-grynspan-mariana-mazzucato

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About UN Trade and Development (UNCTAD)

UNCTAD is the UN's leading body on trade and development. Founded in 1964, it supports 195 member states with expert analysis, technical assistance, and serves as a platform for intergovernmental dialogue.

UNCTAD helps developing countries make trade, finance, investment, and the digital economy work for inclusive and sustainable development.