

Short courses on key
international economic and development issues
for delegates from permanent missions of Geneva

Trade and Development Report 2025 (advanced preview)

**On the brink: Trade, finance and the
reshaping of the global economy**

10 November 2025

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Macroeconomic and Development Policies Branch
Division on Globalization and Development Strategies

Today's presentations

- 1. UNCTAD forecast on the global economy and its trends
(Cameron Daneshvar)**
- 2. Recent trends in international trade and the trade and finance nexus
(Nicolas Maystre)**
- 3. The financialization of food trading: New patterns and emerging risks
(Anastasia Nesvetailova)**

UNCTAD forecast on the global economy and its trends

1. **Global economic outlook**
2. **The role of the dollar**
3. **External imbalances**

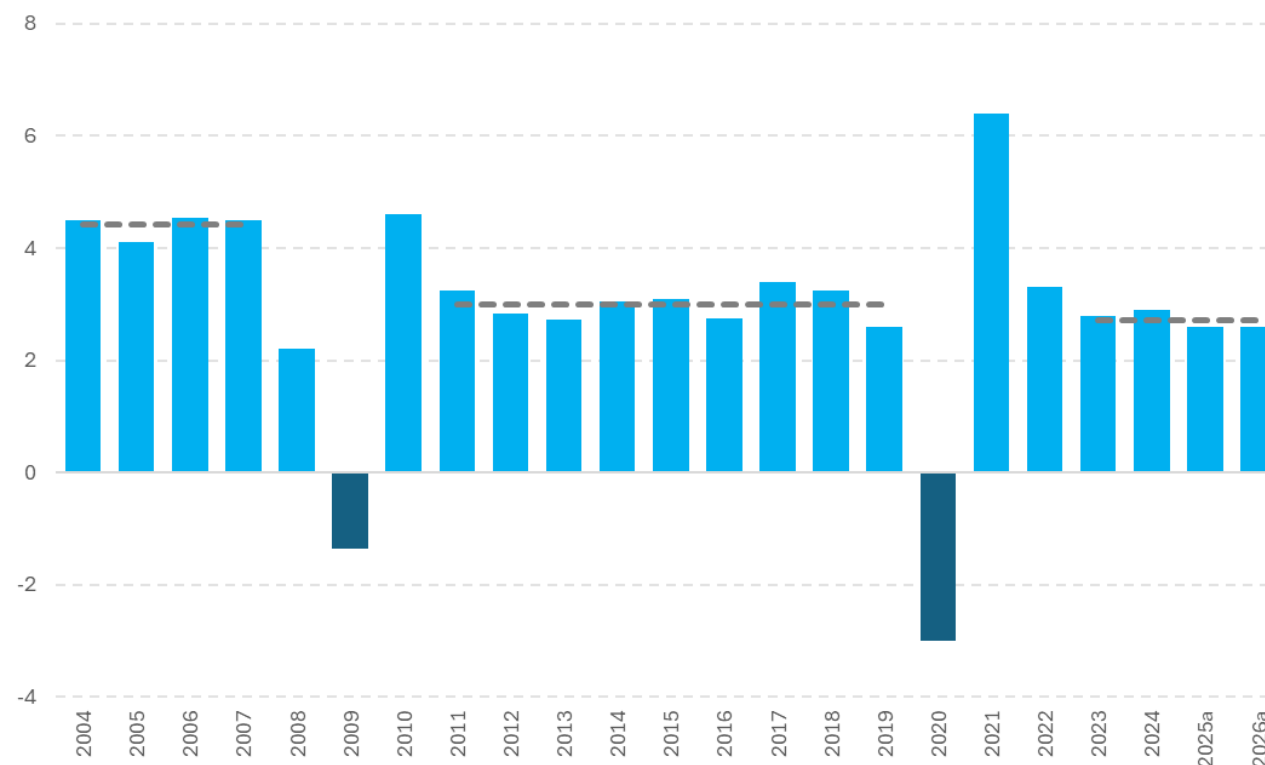
➤ 2025: A turning point?

- ▶ Profound policy shifts
- ▶ 2025: 2.6% ; 2026: 2.6%
- ▶ Resilience in growth numbers in early 2025 is likely to prove transitory

Figure I.1 Faltering global growth shows no signs of picking up in the near term

Global output growth

(Percentage)



Source: Table I.1.

Note: Output growth is based on GDP at constant 2015 prices (market exchange rates). Grey dashed lines denote average annual growth rates for 2004–2007, 2011–2019 and 2023–2026.

^a Projection.

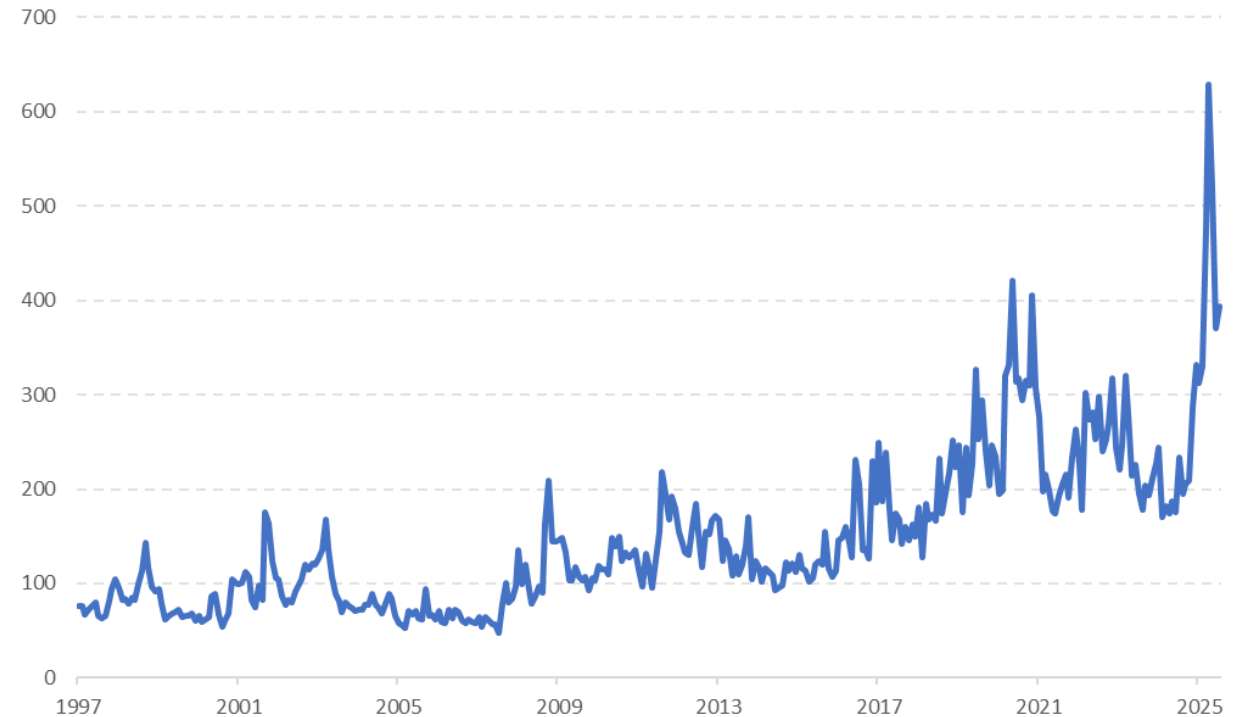
➤ The spiral of uncertainty

- ▶ Uncertainty has dropped from highs, but still elevated
- ▶ Lack of policy clarity => stalled investment and hiring decisions => lower economic activity
- ▶ Potential for further tariff rate adjustments

Figure I.2 While descending from unprecedented highs, policy uncertainty remains elevated

Global economic policy uncertainty index

(Index numbers, average 1997–2014 = 100)



Source: Davis (2016) with updated data from <https://www.policyuncertainty.com>.

Note: The index is calculated monthly based on three underlying components: the newspaper coverage of policy-related economic uncertainty, data from the United States, Congressional Budget Office, and data from the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters.

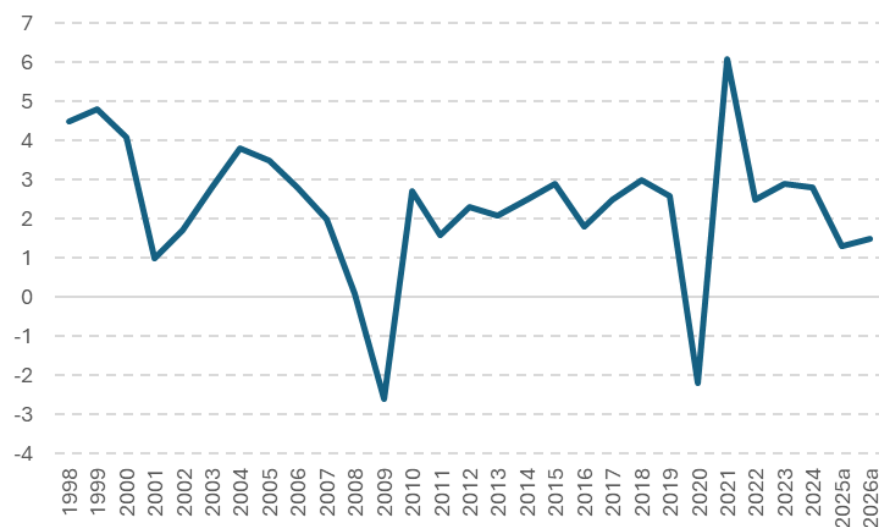
➤ A generalized downturn

Figure I.3 Deterioration in the policy environment is affecting growth dynamics across the globe

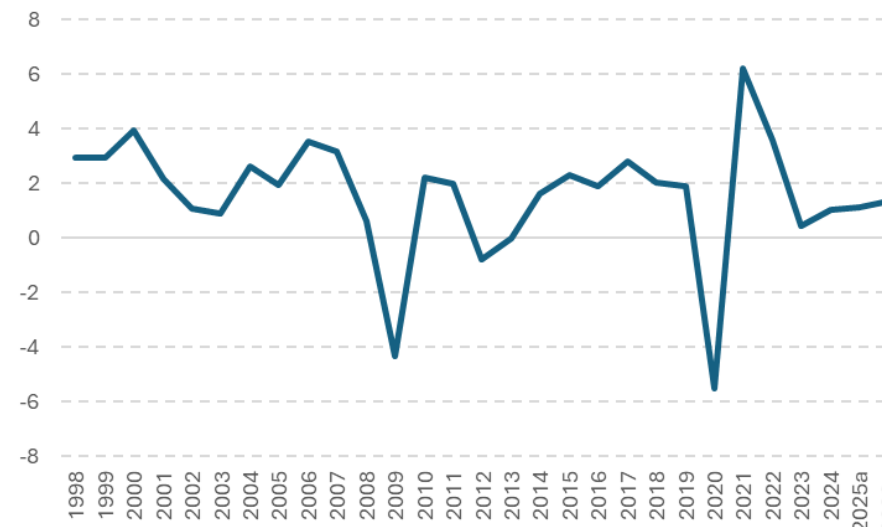
Real GDP growth, selected economies

(Percentage)

United States



European Union



Source: Table I.1.

Note: Output growth is based on GDP at constant 2015 prices (market exchange rates).

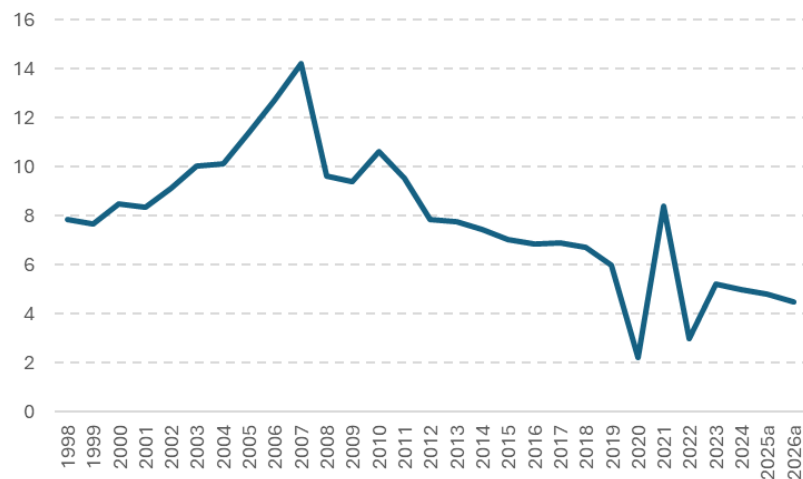
> A generalized downturn

Figure I.3 Deterioration in the policy environment is affecting growth dynamics across the globe

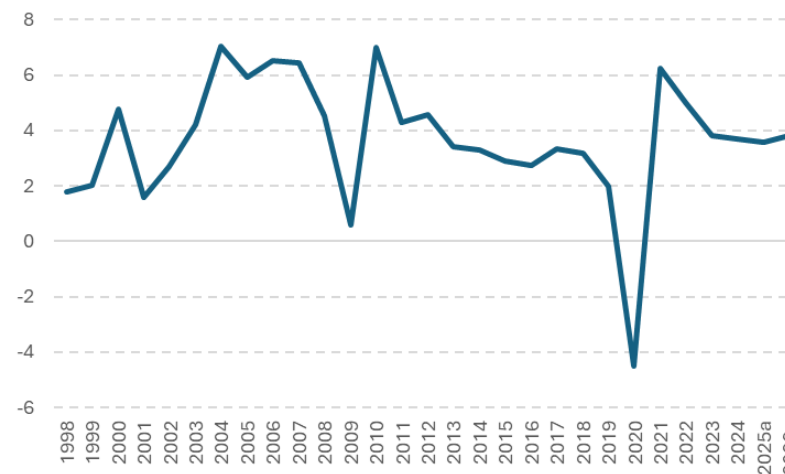
Real GDP growth, selected economies

(Percentage)

China



Global South (excluding China)



Source: Table I.1.

Note: Output growth is based on GDP at constant 2015 prices (market exchange rates).

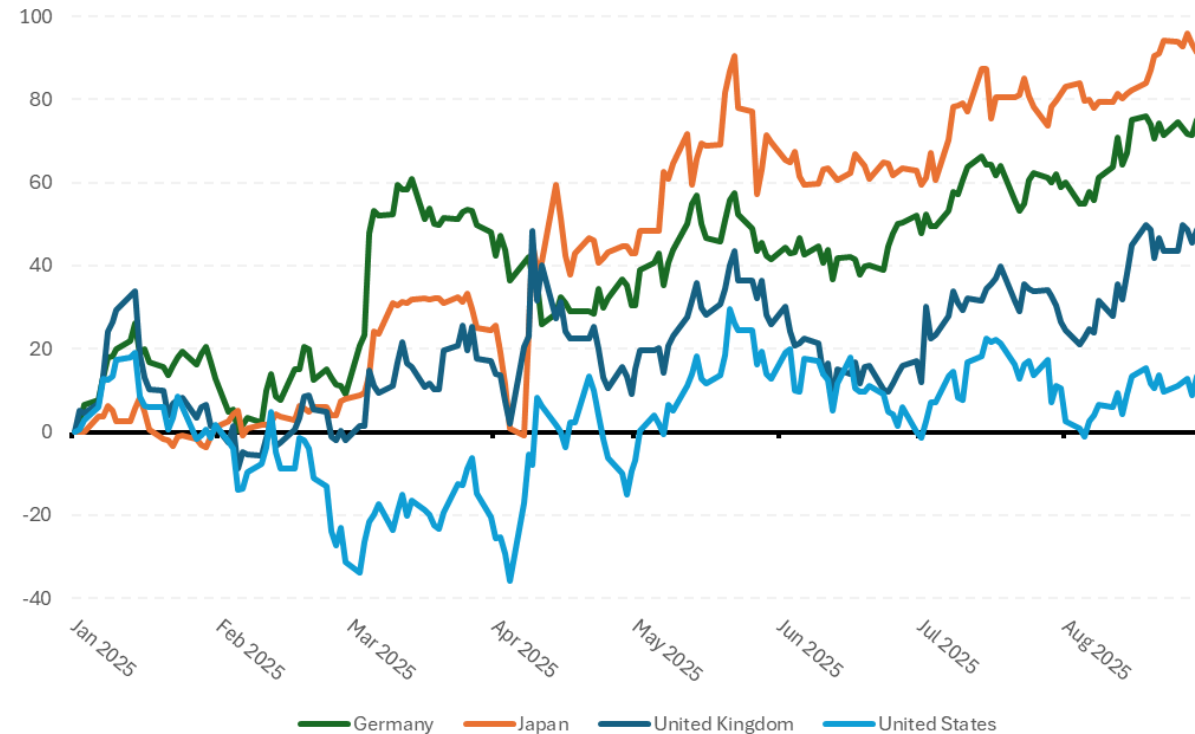
➤ Tight credit conditions

- ▶ Despite recovery since April, bond yield volatility remains high
- ▶ Increased uncertainty pushing up term premia
- ▶ Direct and indirect impact of rising government bond yields

Figure I.5 Increases in long-term government bond yields in developed economies reflect tight macrofinancial conditions

Change in 30-year government bond yields since 1 January 2025

(Basis points)



Source: UNCTAD, based on the LSEG Workspace.

➤ Policy proposals



Public finances

- ▶ Boost fiscal revenues through progressive taxation
- ▶ International tax cooperation
- ▶ Increased concessional financing
- ▶ Coordinated global policy actions



Regional integration

- ▶ Deepening regional integration and export diversification
- ▶ Diversify productive structures
- ▶ Bridge to global trade integration



Multilateral cooperation

- ▶ Mitigate potential negative spillover effects of policy decisions
- ▶ Avert economic fragmentation
- ▶ Tackle global challenges

UNCTAD forecast on the global economy and its trends

1. Global economic outlook
2. The role of the dollar
3. External imbalances

➤ The role of the dollar

- ▶ Gradual rise of the dollar
- ▶ From “de jure” to “de facto” dominant status
- ▶ Complementarities and network effects

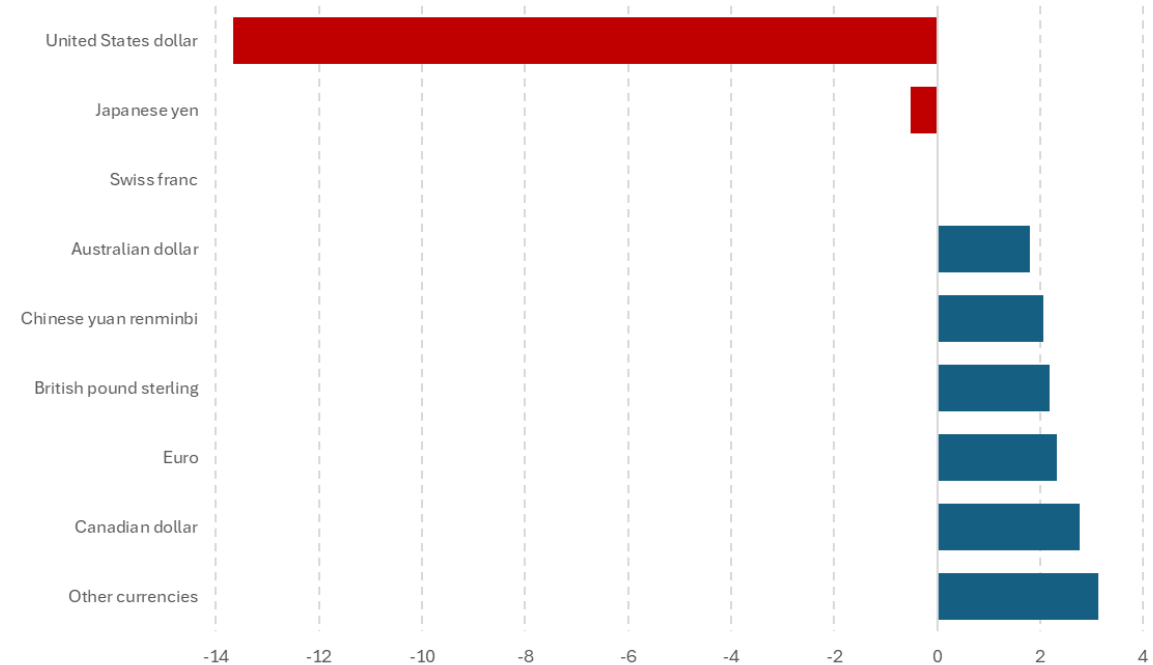


➤ The role of the dollar

- ▶ Ongoing stability in most its functions
- ▶ Exception being role as global reserve asset

Figure I.6 The dollar has seen a notable decline in its share of central banks' foreign exchange reserves

Change in the share of foreign currency reserves, Q1 2000 – Q4 2024
(Percentage points)



Source: UNCTAD, based on data from the IMF Currency Composition of Official Foreign Exchange Reserves (COFER).

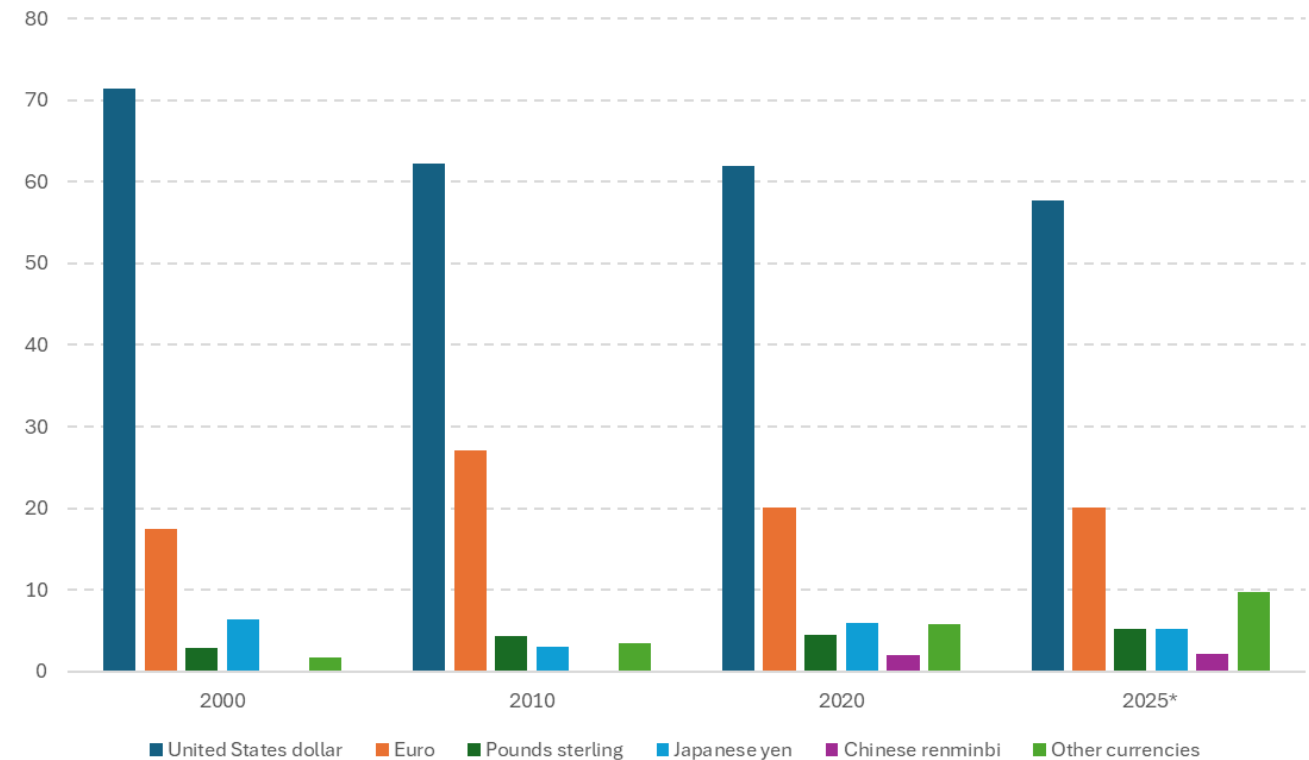
➤ The role of the dollar

- ▶ Dollar's decline as reserve asset not mirrored by ascent of another currency
- ▶ No clear replacement currency on the horizon

Figure I.7 The decline of the dollar in foreign exchange reserves is not mirrored by the ascent of any single alternative currency

Share of total allocated foreign currency reserves

(Percentage)



Source: IMF COFER.

Note: 2025 refers to the first quarter of 2025.

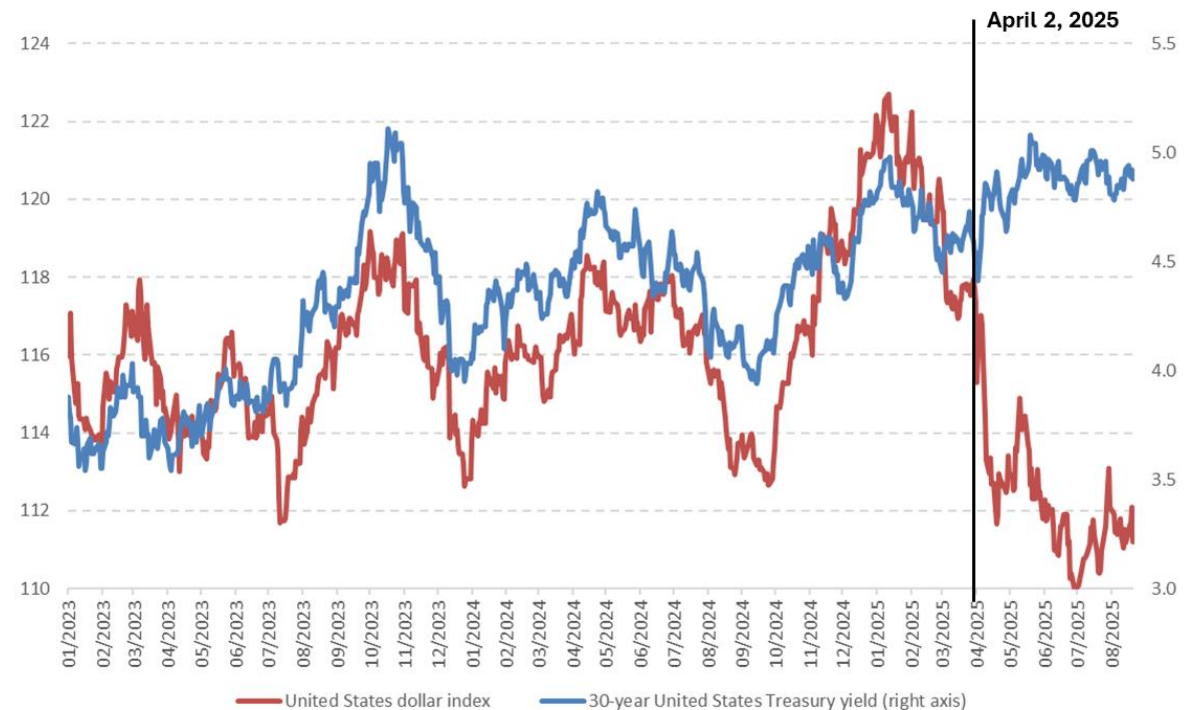
➤ The role of the dollar

- ▶ Anomalous movements in normally “safe-haven” assets
- ▶ Cyclical factors or more significant long-term erosion?
- ▶ Alternative arrangements

Figure I.9 The distress in financial markets in April saw anomalous movements in safe-haven United States assets

Nominal advanced foreign economies dollar index and the market yield on 30-year United States Treasury securities

(Index January 2006=100; percentage)



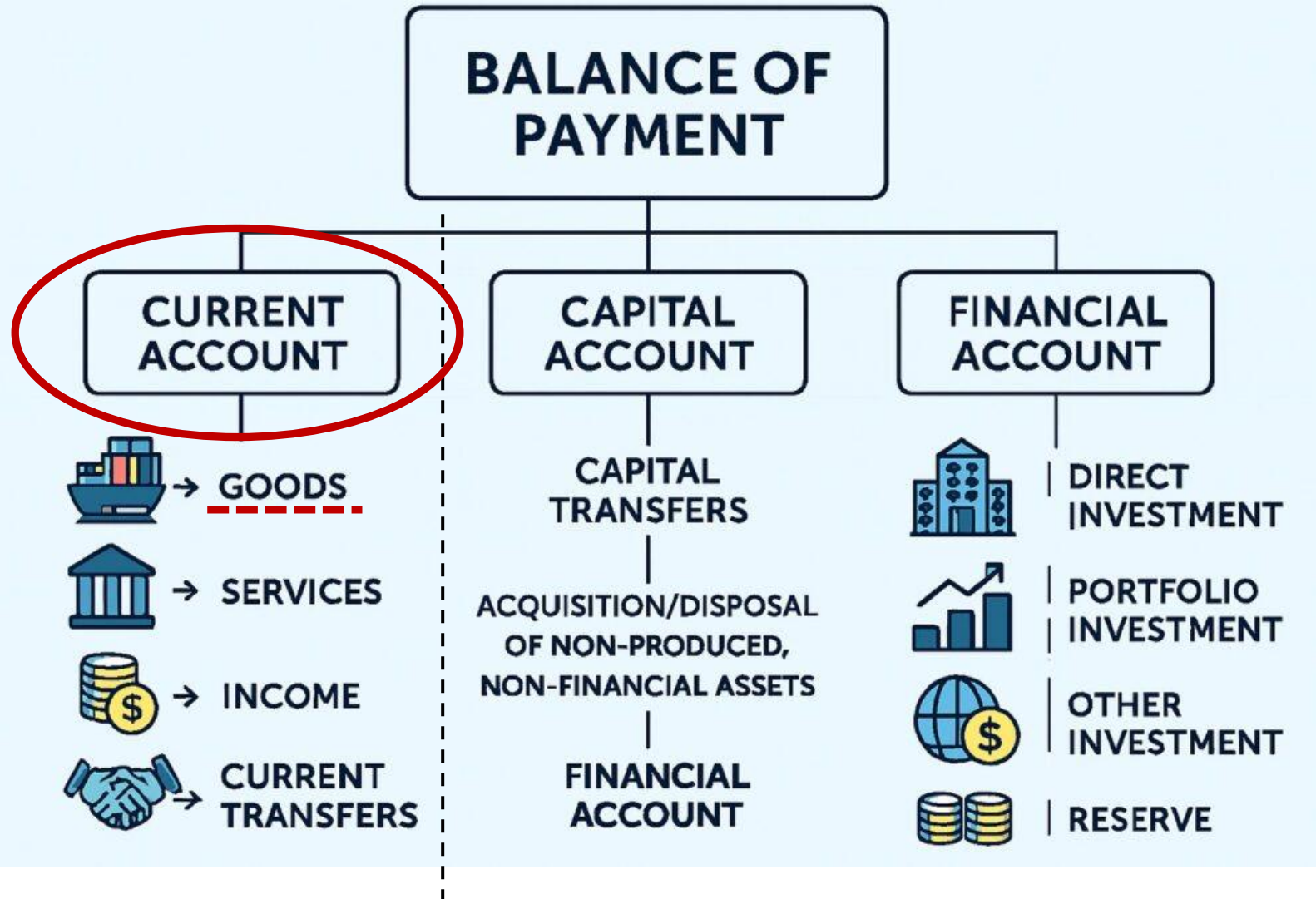
Source: Federal Reserve Bank of St. Louis.

Note: The dollar index corresponds to a weighted average of the foreign exchange value of the dollar against a subset of broad index currencies of advanced foreign economies. Upward (downward) movement of the index indicates an appreciation (depreciation) of the dollar.

UNCTAD forecast on the global economy and its trends

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➤ External (im)balances



Current Account
=
Saving - Investment

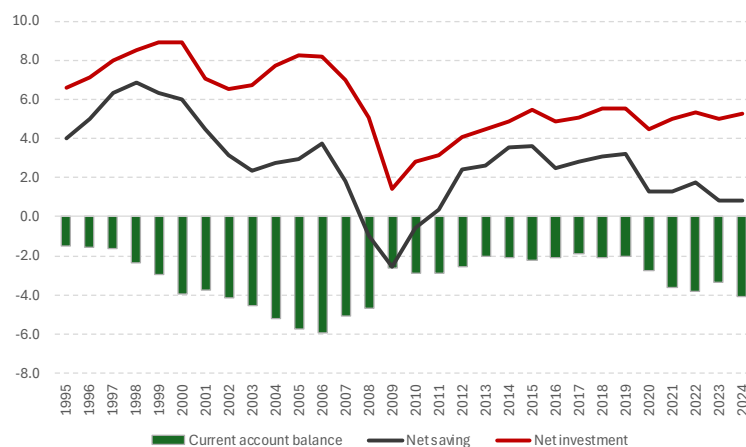
External imbalances

Figure I.10 Current account imbalances mirror gaps between domestic saving and investment

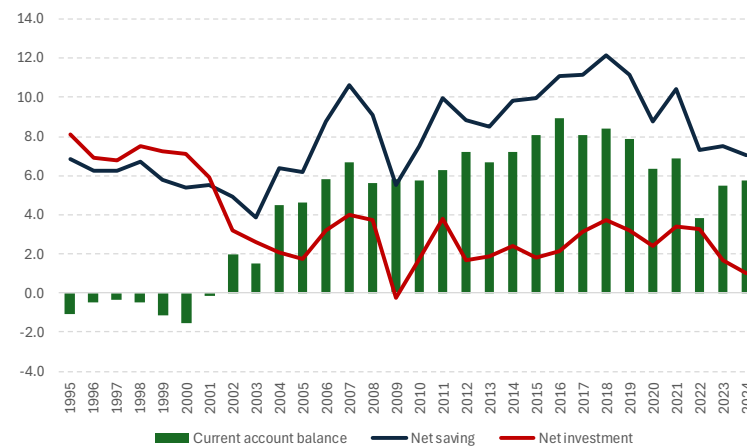
Net saving, net investment and current account balance

(Percentage of GDP)

a. United States



b. Germany



Source: UNCTAD, based on data from the United States Bureau of Economic Analysis and German Statistical Office.

Notes: Net saving is a measure of the saving available for adding to the nation's net stock of fixed assets or for lending to the rest of the world. It equals the sum of personal saving, undistributed corporate profits with inventory valuation and capital consumption adjustments, and net government saving. Net investment corresponds to new capital spending that adds to a country's capital stock, discounting depreciation of existing capital stocks.

➤ How to address external imbalances?

- ▶ Important to consider aggregate effects of any policy action
- ▶ Look at factors that lie behind internal imbalances
- ▶ Policy actions for deficit/surplus countries
- ▶ Collective and coordinated international actions



Today's presentations

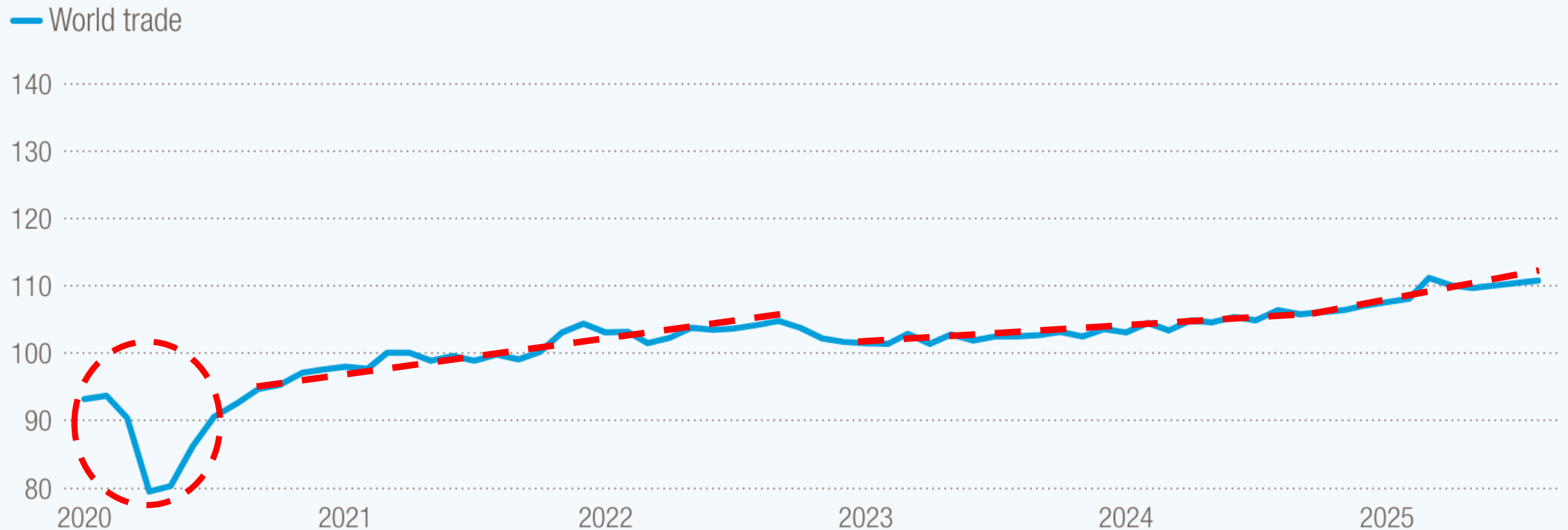
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Outline of session 2 – Recent trends in international trade and the trade and finance nexus

- **Recent trade dynamics and near future perspectives**
- **Financial channels of trade: A neglected dimension**
- **Q&A**

Latest trends: Pre-tariff frontloading and AI-related investment boosted merchandise trade

Merchandise trade flows in real terms, Jan. 2020–Aug. 2025
(Average 2021=100)



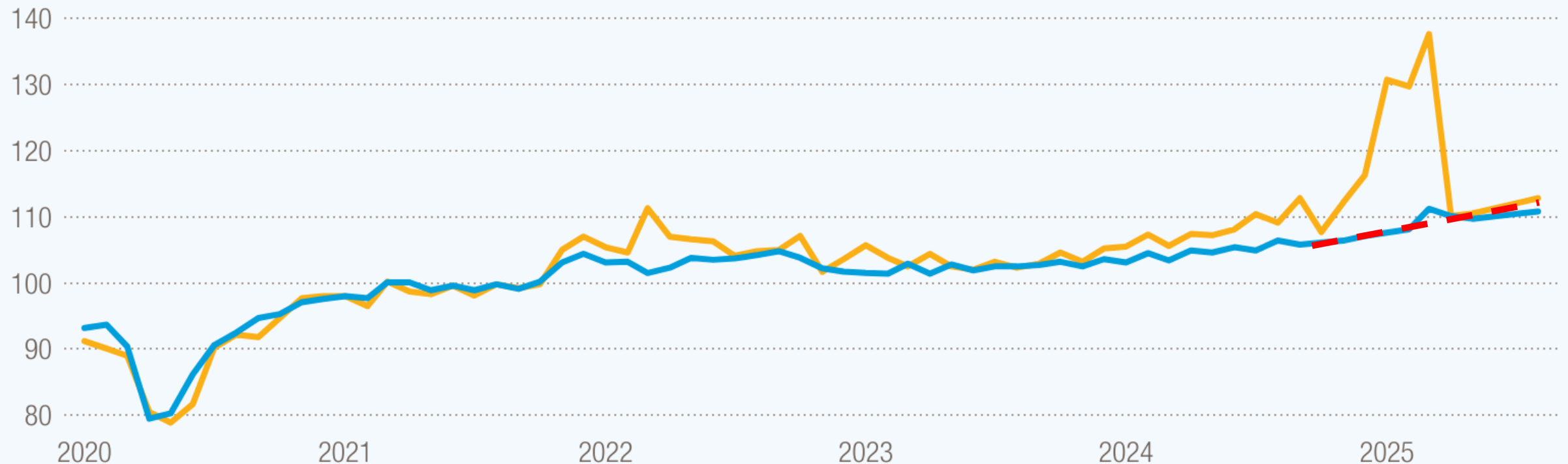
Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.

Note: Trade flows are in real terms and seasonally adjusted.

Latest trends: Pre-tariff frontloading and AI-related investment boosted merchandise trade

Merchandise trade flows in real terms, Jan. 2020–Aug. 2025
(Average 2021=100)

— World trade — Imports of the United States



Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.

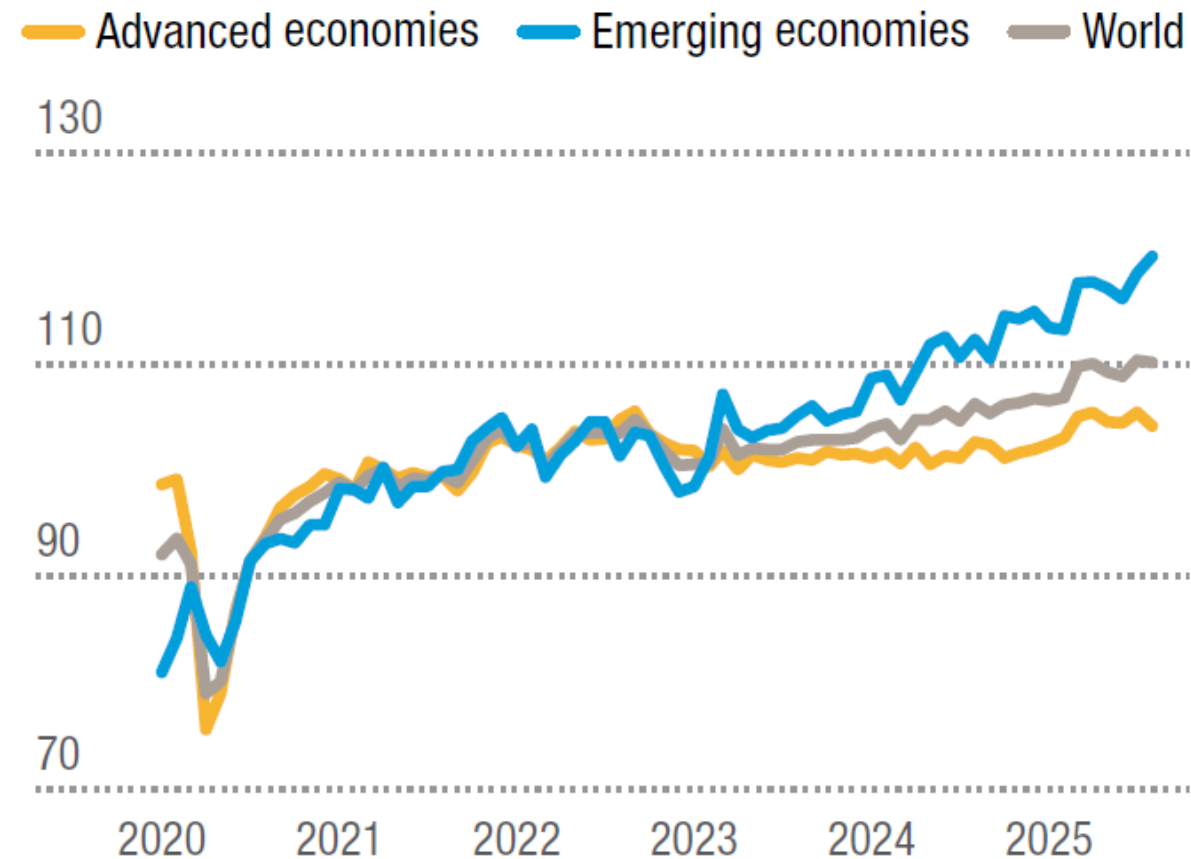
Note: Trade flows are in real terms and seasonally adjusted.

Regional dynamics – main aggregates

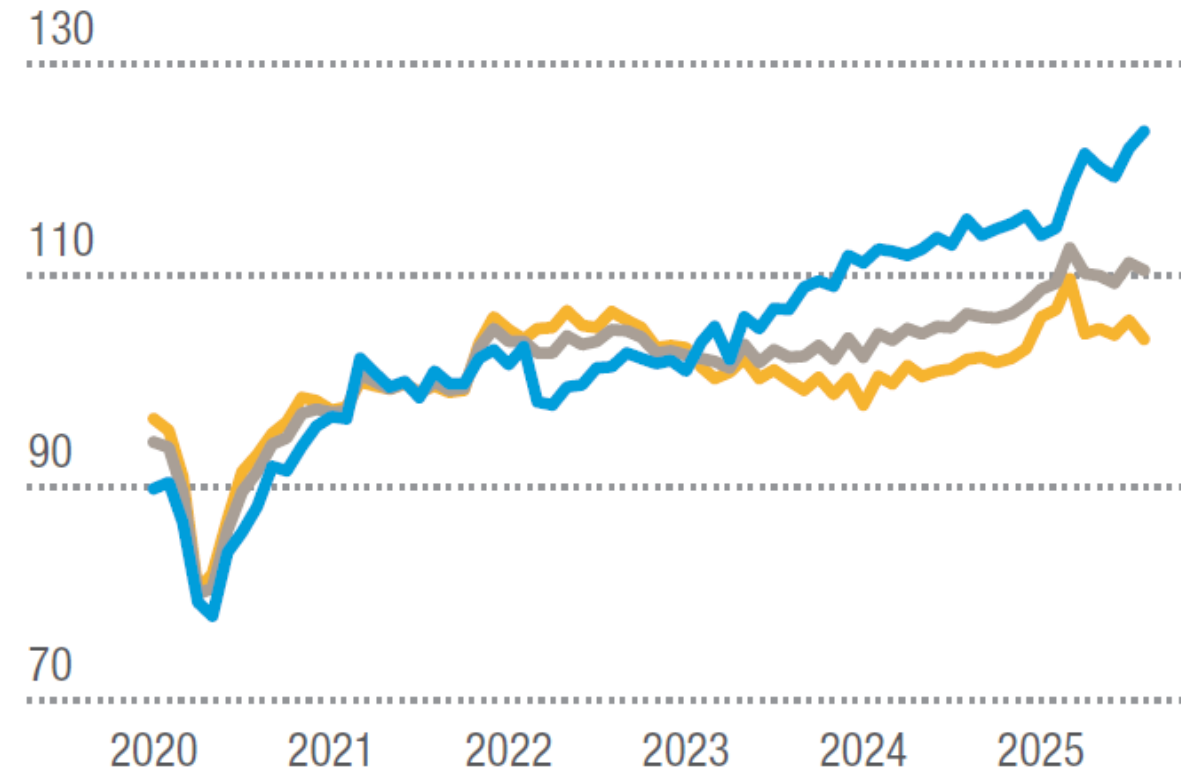
Merchandise trade flows in real terms, Jan. 2020–Aug. 2025

(Average 2021=100)

A. Exports



B. Imports



Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.

Note: Trade flows are in real terms and seasonally adjusted.

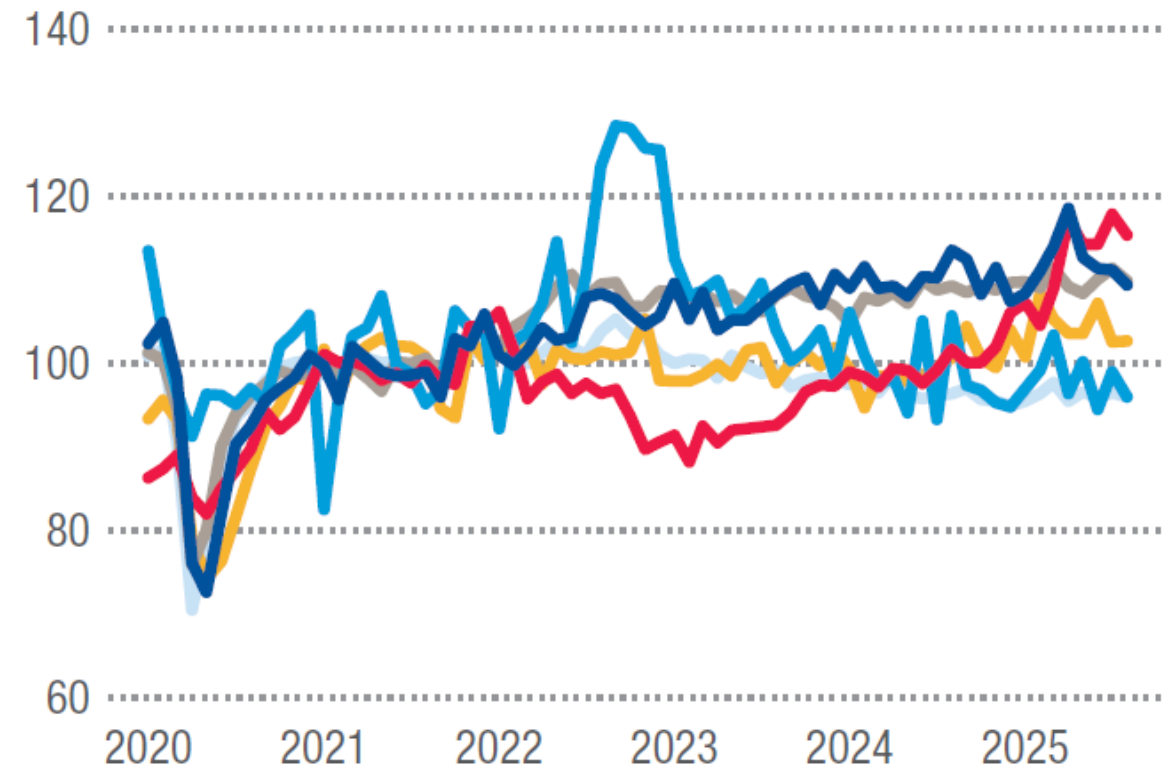
Regional dynamics – selected developed economies

Merchandise trade flows in real terms, Jan. 2020–Aug. 2025

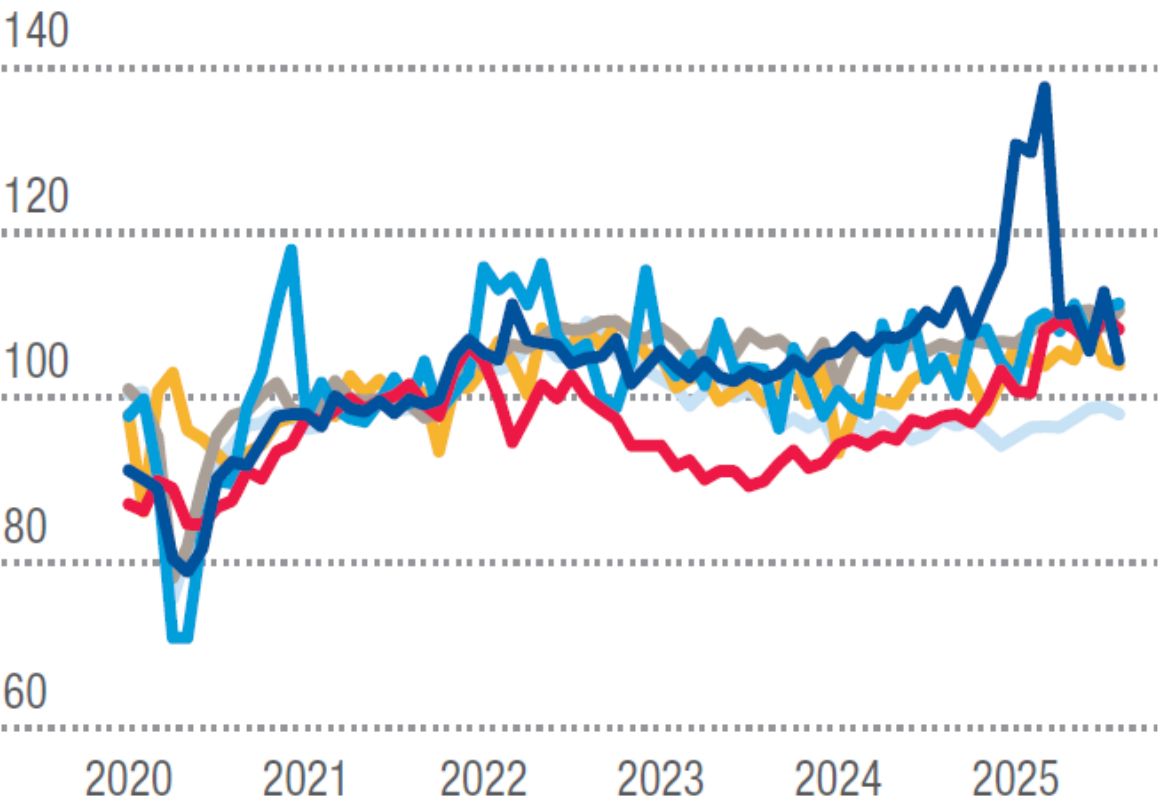
(Average 2021=100)

A. Exports

Japan United Kingdom United States Advanced Asia, excluding Japan Euro Area Other advanced economies



B. Imports



Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.

Note: Trade flows are in real terms and seasonally adjusted.

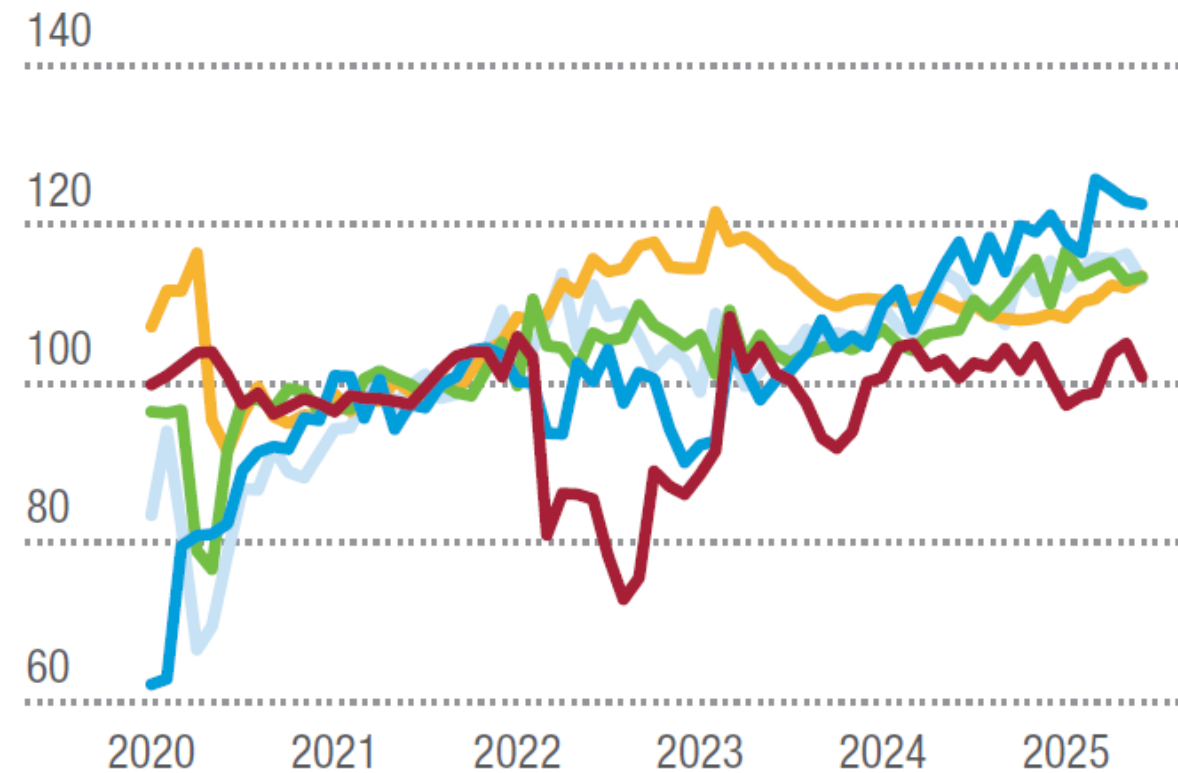
Regional dynamics – selected developing economies

Merchandise trade flows in real terms, Jan. 2020–Aug. 2025

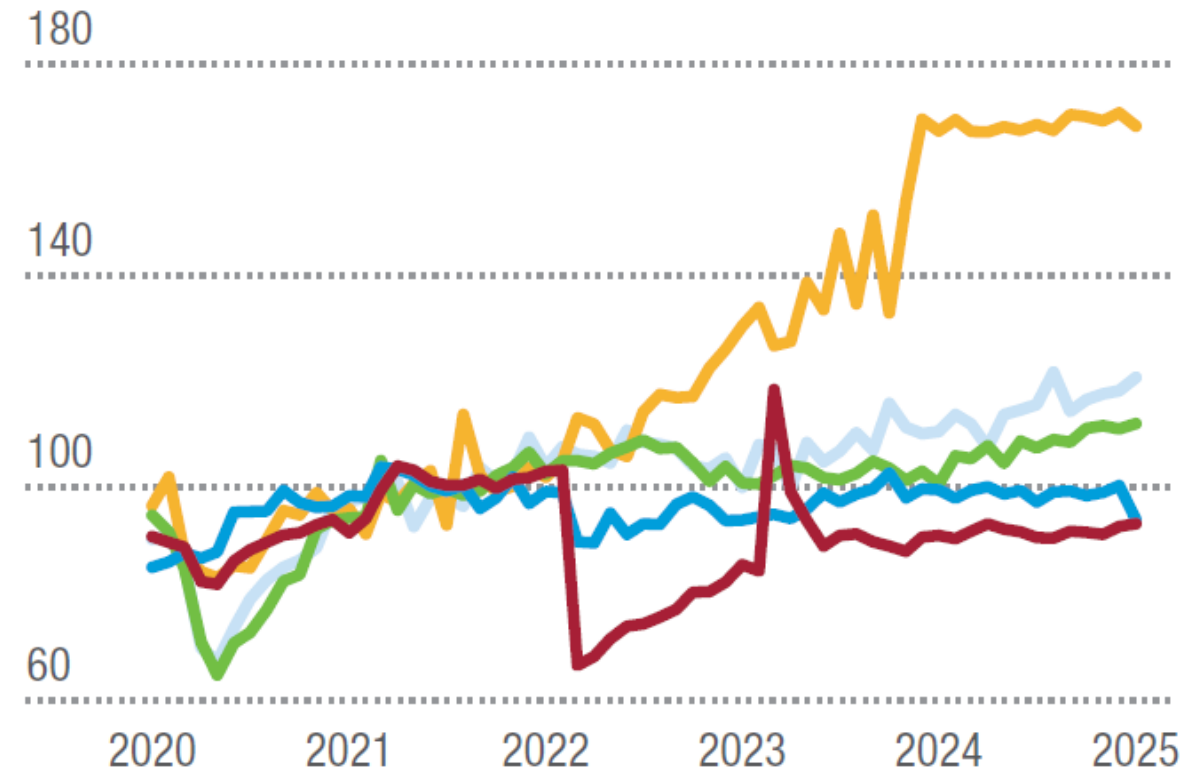
(Average 2021=100)

A. Exports

China Africa and Middle East Emerging Asia, excluding China
Eastern Europe and Commonwealth of Independent States Latin America



B. Imports



Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis. Trade flows are in real terms and seasonally adjusted.

Beyond short-term dynamics, trade is reconfiguring

The reorientation of trade and the reconfiguration of supply chains continue, though noisy and fragmented data make it difficult to discern properly these evolutions.

- South–South trade is increasing (e.g. China’s exports to African and ASEAN countries is up).
- Shipments from China to the United States have declined.
- Friendshoring and nearshoring trends appear to have stalled, or even reversed, in late 2024 and early 2025.
- Relatedly, intentions in certain countries to repatriate industrial production have yet to materialize on a broad scale, partly because factory relocations and supply chain restructuring can sometimes span a decade or more.

Yet, current high uncertainty is not conducive to major supply chain shifts. Many entrepreneurs have adopted a wait-and-see approach.



Firm managers prioritize markets seen as more predictable, with plausible disinflationary effects in economies that will experience growing imports

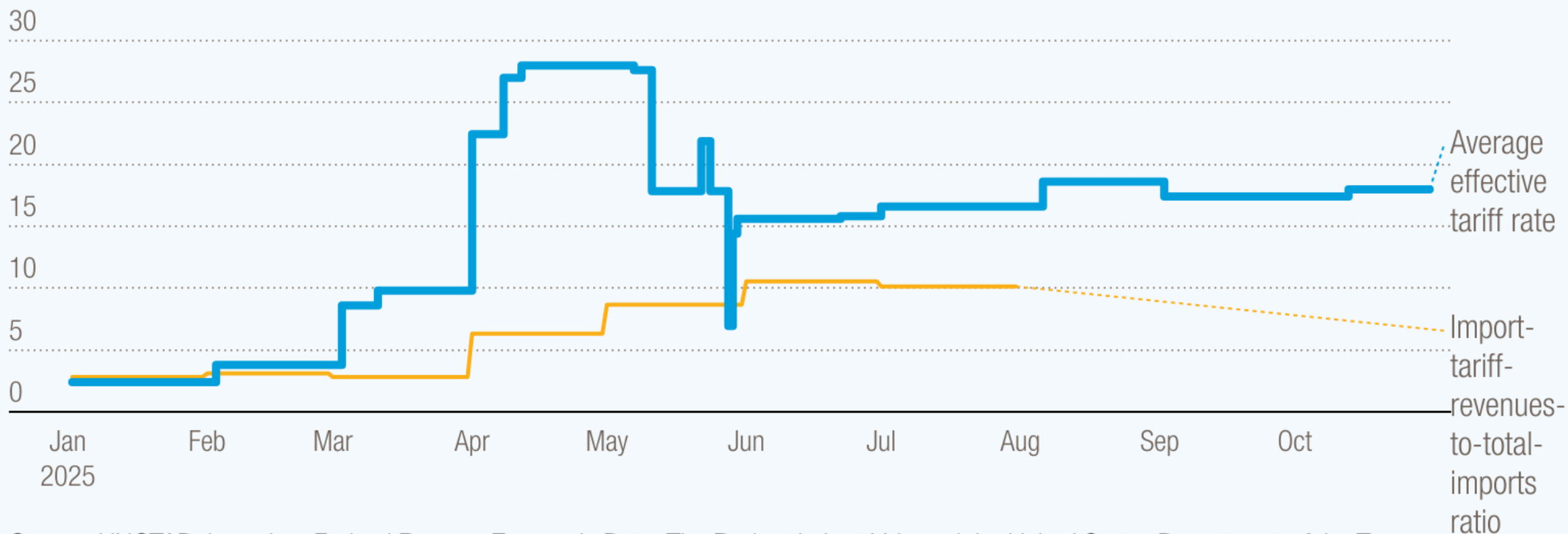
Trade in services remains more robust, despite a slow down in 2025Q1

Measured in current dollars, on-year growth for the first half of 2025 stood at approximately 7 per cent.

- International transport showed less dynamism, with year-on-year growth hovering around 3 per cent during the first two quarters of 2025.
- International travel and all other services (excluding transport and travel) grew almost 10 per cent during the second quarter of 2025.
- Regionally, the expansion of services was stronger in Asia and Latin America compared to the developed economies of Europe and Northern America.
- Many leading services exporters from developing countries registered double-digit annual growth during the first quarter of 2025. China and India, the two largest services providers among developing countries, recorded a 17 per cent and 10 per cent on-year increase, respectively during 2025Q2.

Tariffs

Average effective tariff rate and the ratio of import tariff revenues to total goods imports in the United States (Percentage)



Source: UNCTAD, based on Federal Reserve Economic Data, The Budget Lab at Yale and the United States Department of the Treasury.

Note: The average effective tariff rate corresponds to the weighted average of the different tariffs announced at a certain point in time on the import trade basket of imported goods in the United States in 2024. The ratio of import tariff revenues to total imports is computed monthly (Due to a lapse in appropriations, this particular series could not be updated beyond July).

decelerate as tariffs bite and frontloading unwinds

- Under current conditions, it is both prudent and necessary to exercise caution regarding what can be realistically and accurately predicted.
- Global trade in goods and services is projected to grow about 3–4 per cent in 2025 in real terms.
- Prospects for 2026 appear gloomier, especially for merchandise trade (lagged impact of recent tariff hikes likely to exert downward pressure)
- Small enterprises and low-income economies are especially vulnerable, as they mostly lack the capacity to respond to unpredictable trade environments

Vulnerability is compounded by persistent uncertainty surrounding the extension of trade preference programmes, the specifics of transshipment conditions and evolving rules-of-origin frameworks.

- Trade in services (except for maritime transport) is likely to continue to be more dynamic

of policy shifts and for adaptation of sourcing and market strategies

- **UNCTAD remains actively engaged, regularly updating its website with recent policy developments and analytical insights.**
- **For businesses, the path forward involves greater supply chain diversification to mitigate geopolitical and climate-related risks. Investing in digital tools will be equally critical to enhance agility and resilience.**
- **Policymakers, meanwhile, can help counter fragmentation – or at least soften its adverse effects – by reinvigorating multilateral cooperation, including at (sub)regional levels.**
- **Strengthening digital infrastructure in developing countries to narrow the persistent gap with advanced economies.**
This includes targeted investments in connectivity, skills, and regulatory frameworks.
- **Aligning trade and climate objectives will be vital to ensure long-term sustainability.**
- **The global community must pursue a development-oriented reform agenda**

Outline of session 2 – Recent trends in international trade and the trade and finance nexus

- Recent trade dynamics and near future perspectives
- **Financial channels of trade: A neglected dimension**
- Q&A

Motivation: Let's conduct first a brief survey



Dollar and Exports

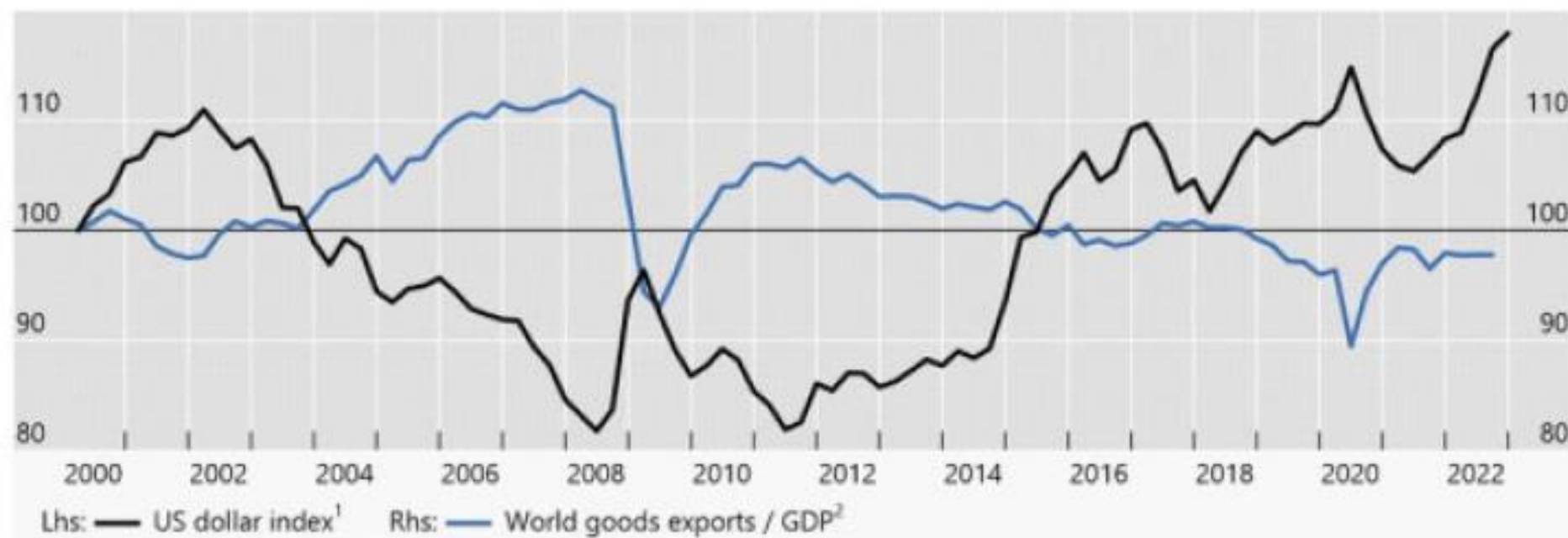
Valentina Bruno

American University, USA

Hyun Song Shin

Bank for International Settlements, Switzerland

Figure: Global goods trade and the dollar: The figure shows the ratio of world merchandise exports to world output (right axis) and a weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners, based only on trade in goods (left axis). Data are normalized as of Q1 2000.



“For a non-U.S. firm exporting to the United States, an appreciation of the dollar would improve trade competitiveness. It would be tempting to conjecture that the firm’s exports to the United States would increase. However, the facts show the opposite. Following a dollar appreciation, many non-U.S. firms suffer a slowdown in their exports to the United States, as well as to other destinations.”

Financial channels of trade: A neglected dimension

- Most economic analyses of international trade concentrate either on trade policy or so-called “real factors” (e.g., productivity, technology, factor endowments, geography, institutional quality, transport costs, etc.)
- Little attention has been paid to financial and monetary determinants of international trade, though:
 - Credit provision is essential (need to fill the time gap between shipment and payment).
 - Currency exchange and hedging instruments help to manage the risk of currency fluctuations.
 - Risk management tools – such as insurance or credit guarantees – help to mitigate dangers posed by non-payments, counterparty risks or geopolitical disruptions.
- This section sheds light on these issues by focusing primarily on the **cyclical dimension** of international trade.

Three key financial aspects that matter for trade

- **Financial accelerator**

Bernanke & coauthors since late 1980s

- **Trade finance**

Strong interest after the global financial crisis 2008–2009

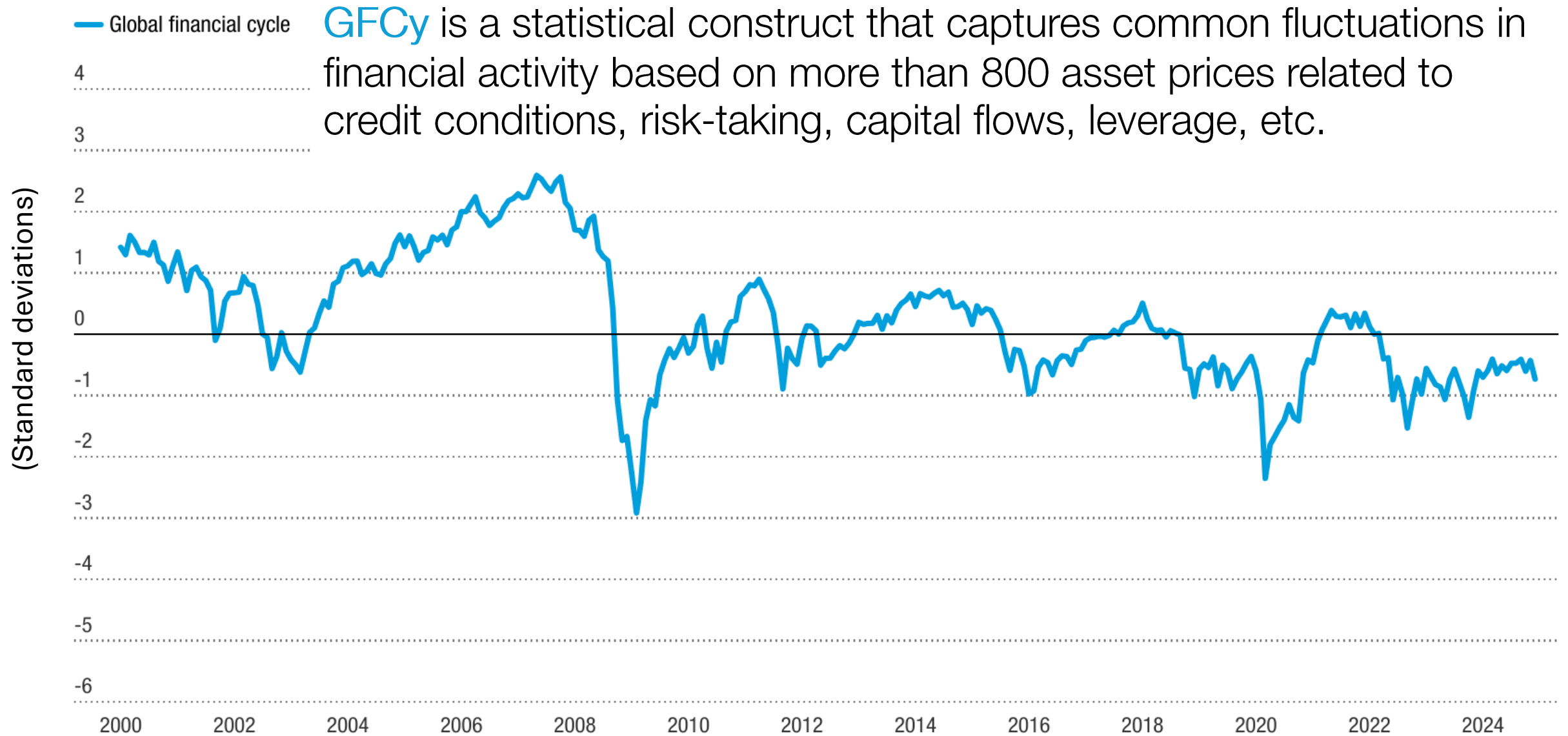
- **Global financial cycle (GFCy)**

- Rey (2013) & subsequent works with coauthors
- GFCy refers to the common fluctuations in financial activity measured by a broad range of variables.
- GFCy is associated with surges and retrenchments in capital flows, booms and busts in asset prices and crises.
- GFCy often originates in advanced economies and transmits across borders through United States monetary policy, risk appetite and exchange rate adjustments, especially vis-à-vis the dollar.

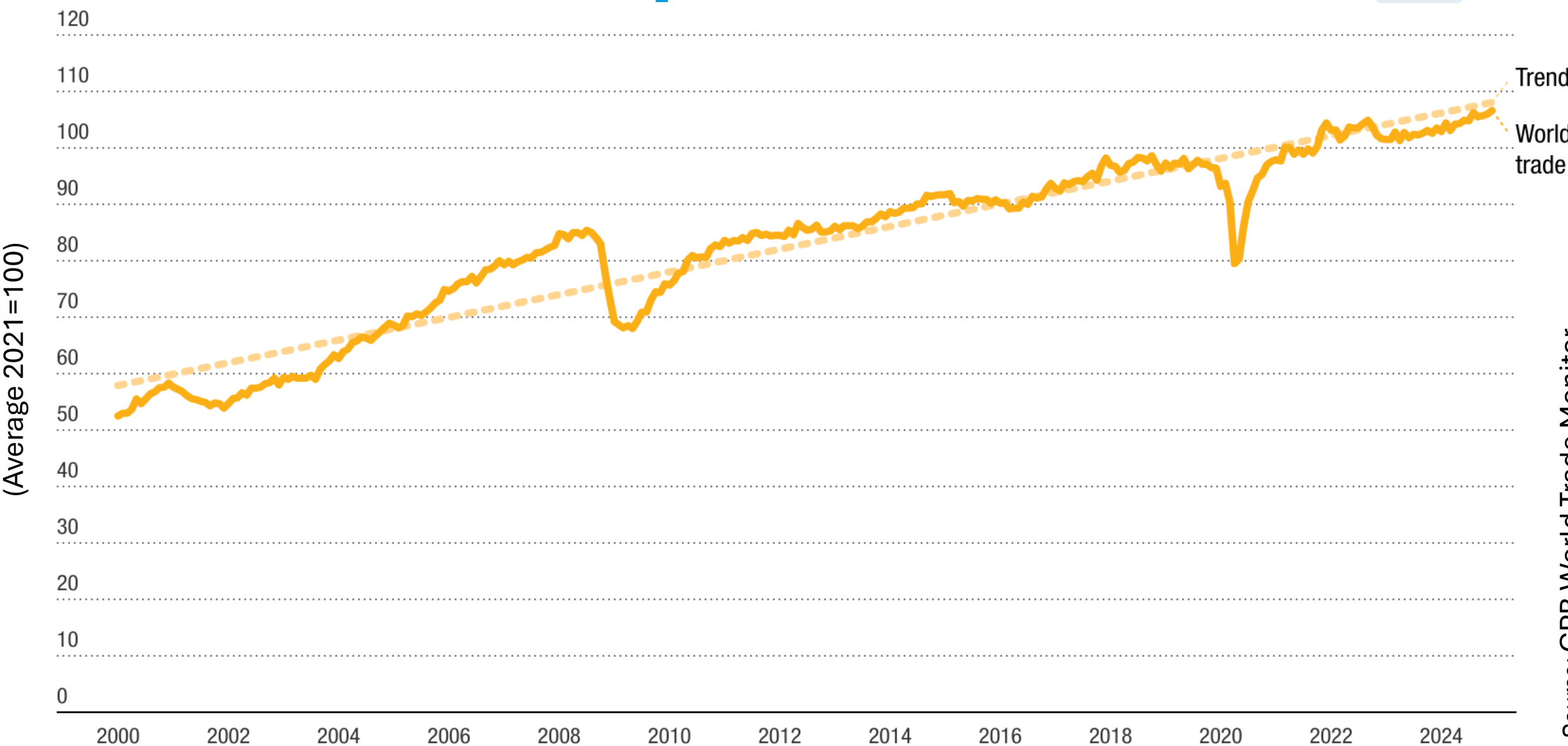
International trade and the global financial cycle: A macroeconomic exploration



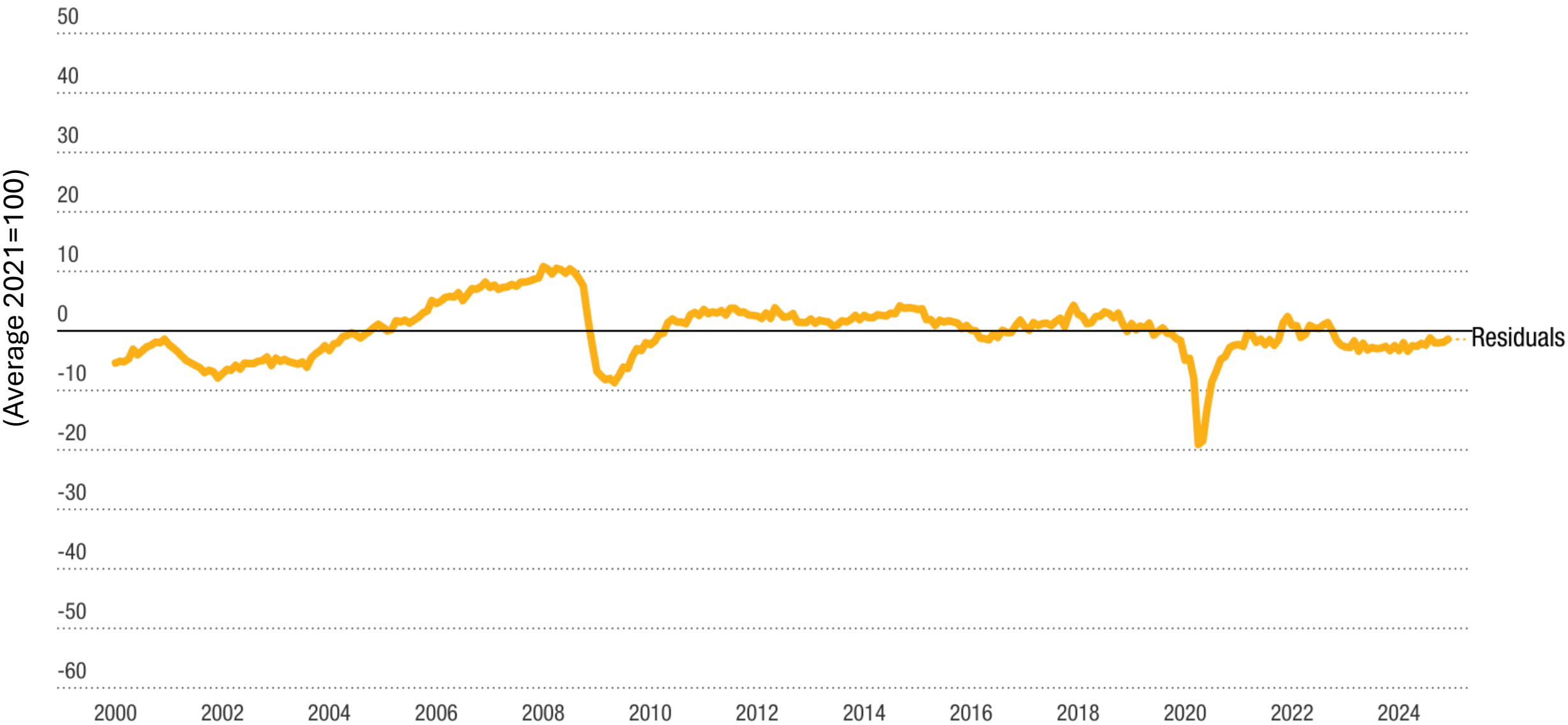
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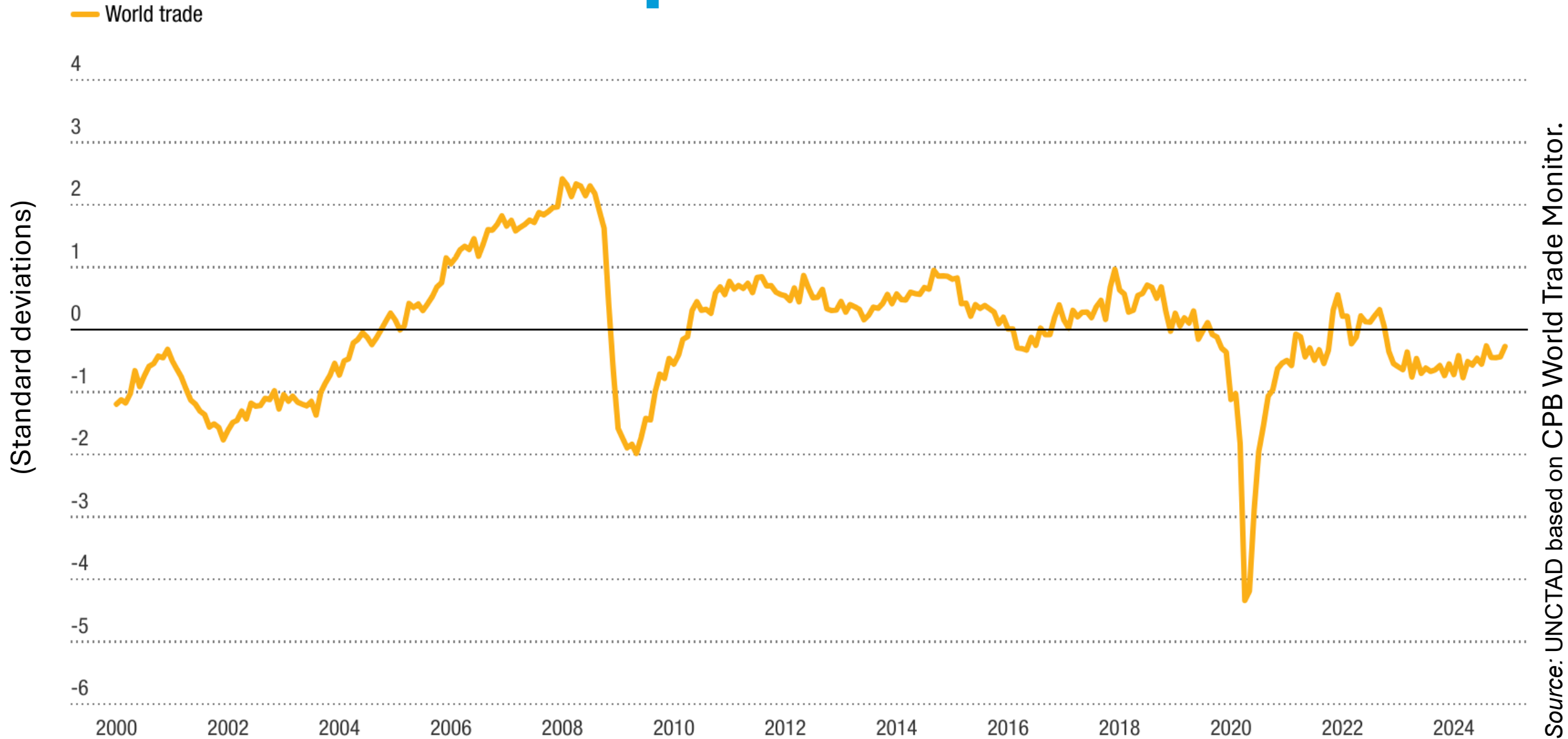
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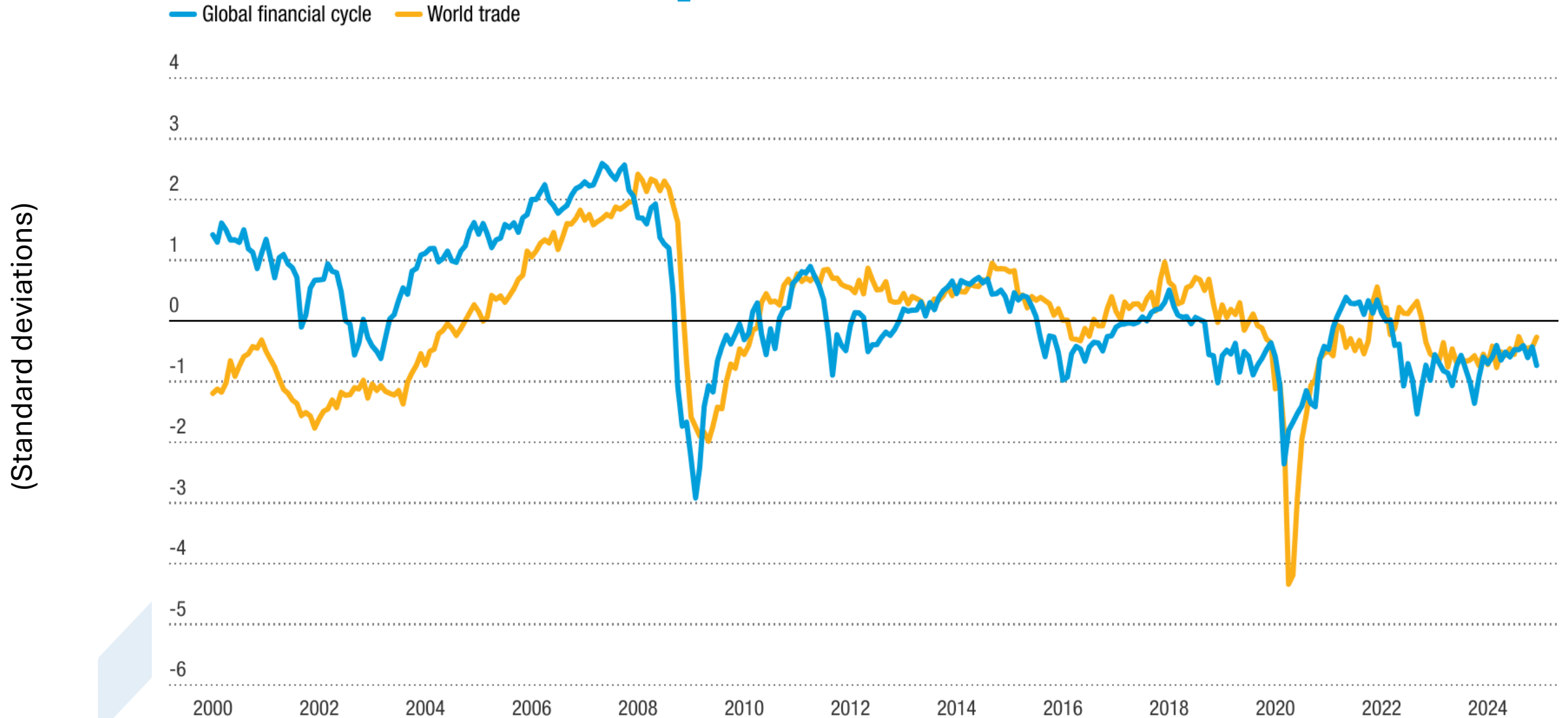
International trade and the global financial cycle: A macroeconomic exploration



International trade and the global financial cycle: A macroeconomic exploration



International trade and the global financial cycle: A macroeconomic exploration



Source: UNCTAD based on an updated version of Miranda-Agrippino and Rey (2020) and CPB World Trade Monitor.

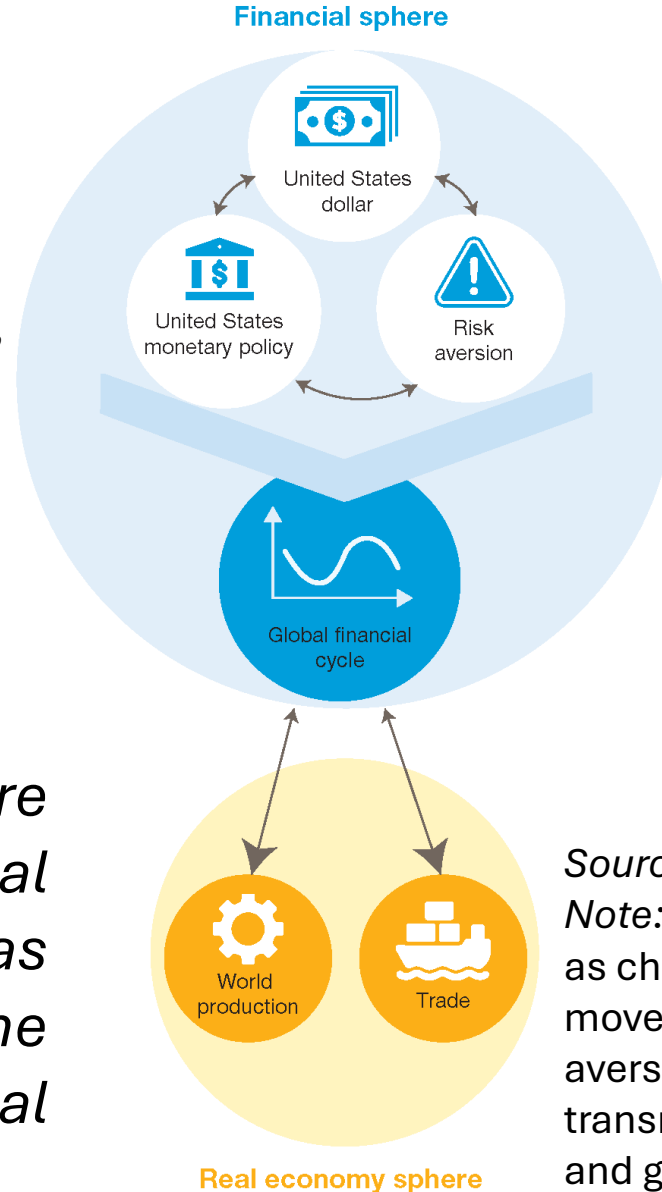
Note: The two series are standardized with a mean of 0 and a standard deviation of 1. The correlation between the two series equals 0.54.

Disentangling the global financial cycle

3 interlinked elements that drive GFCy:

- **Foreign exchange** and, because of the prominence of the dollar, the specific movement of this currency
- **Monetary policy by leading central banks**, which in practical terms mostly boils down to the United States Federal Reserve, due to its capacity to influence (global) credit conditions
- **Risk aversion among financial actors** in key financial markets

Global trade and production are not shaped only by traditional real-side fundamentals (such as productivity or demand). The evolving configuration of financial conditions also matters.



Source: UNCTAD, inspired by Habib & Venditti (2019).
Note: The figure illustrates how financial drivers, such as changes in United States monetary policy, movements in the dollar and shifts in investor risk aversion, interact to shape the GFCy. This, in turn, transmits to the real economy, notably affecting trade and global industrial production. Arrows indicate the direction of influence.

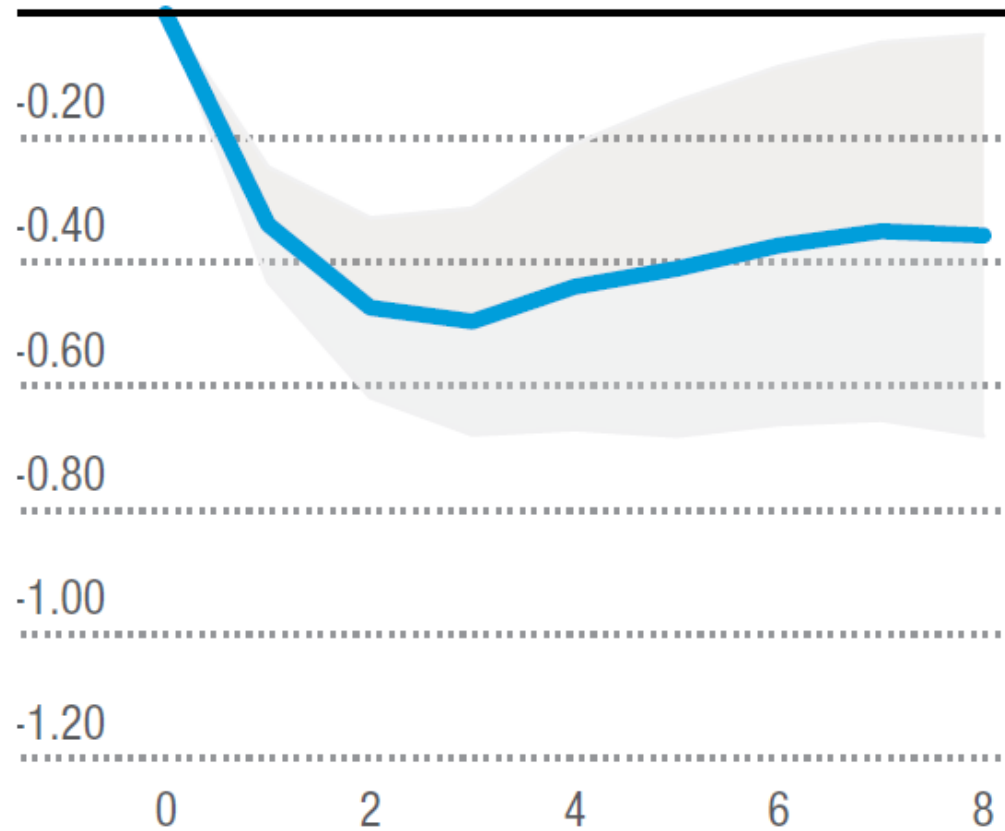
Econometric results – Global risk aversion and trade

Based on a vector autoregression (VAR) model

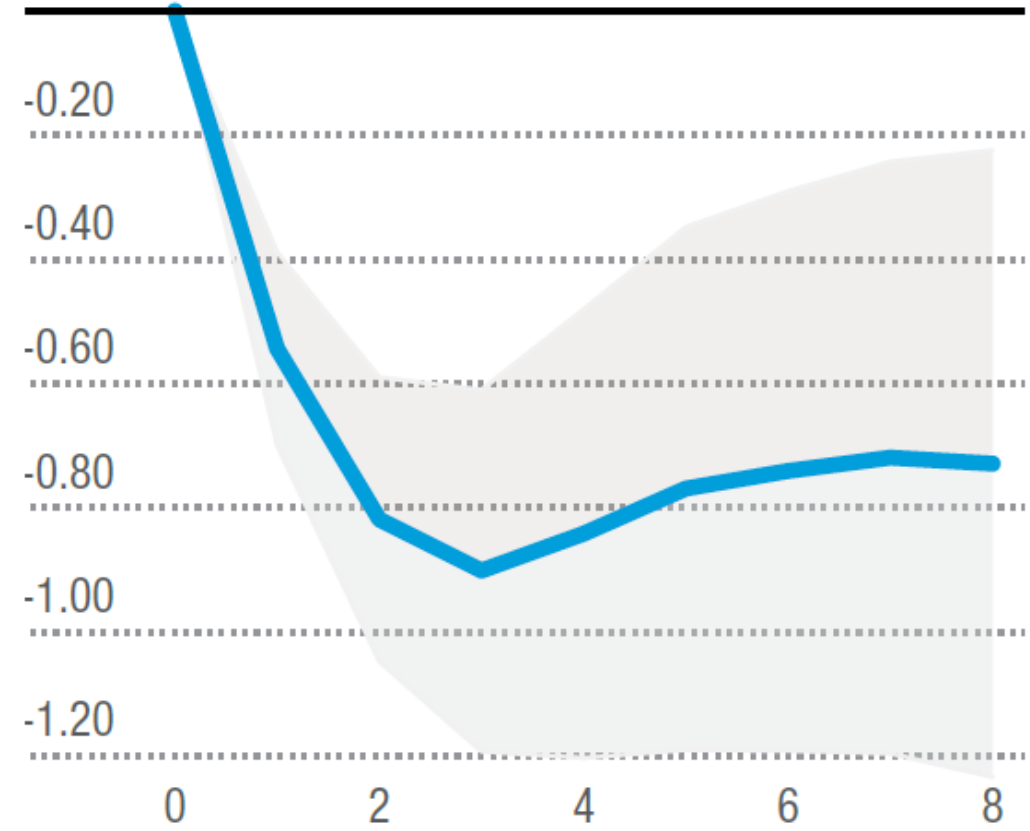
A rise in financial risk aversion coincides with a decline in merchandise trade

(Percentage change)

A. Global industrial production



B. World trade



Source: UNCTAD, based on Miranda-Agrippino and Nenova (2022) and an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The figure depicts the estimated response of global trade volume to a one-unit increase in the VIX. Following the shock, trade volumes decline sharply by about 0.8 to 1 per cent relative to the trend within the first two to three months. Volumes remain significantly below pre-shock levels over the entire eight-month horizon. The shaded areas depict the 95 per cent confidence interval

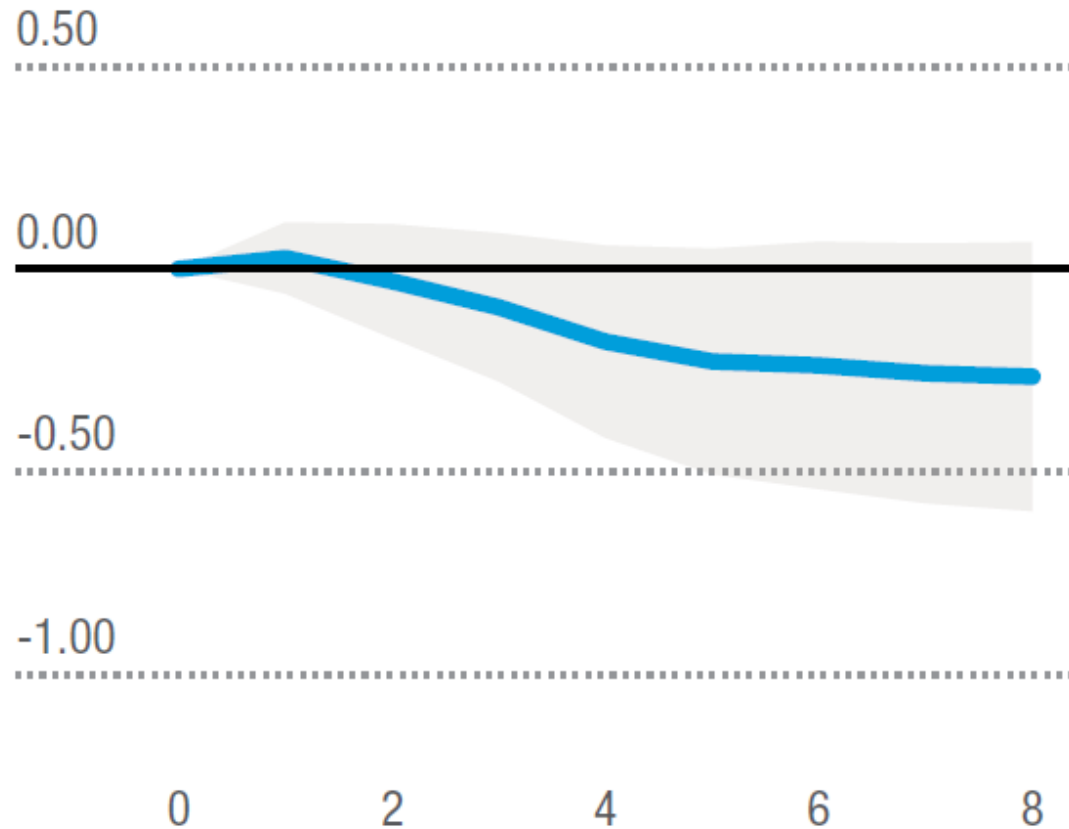
Econometric results – US dollar and trade

Based on a vector autoregression (VAR) model

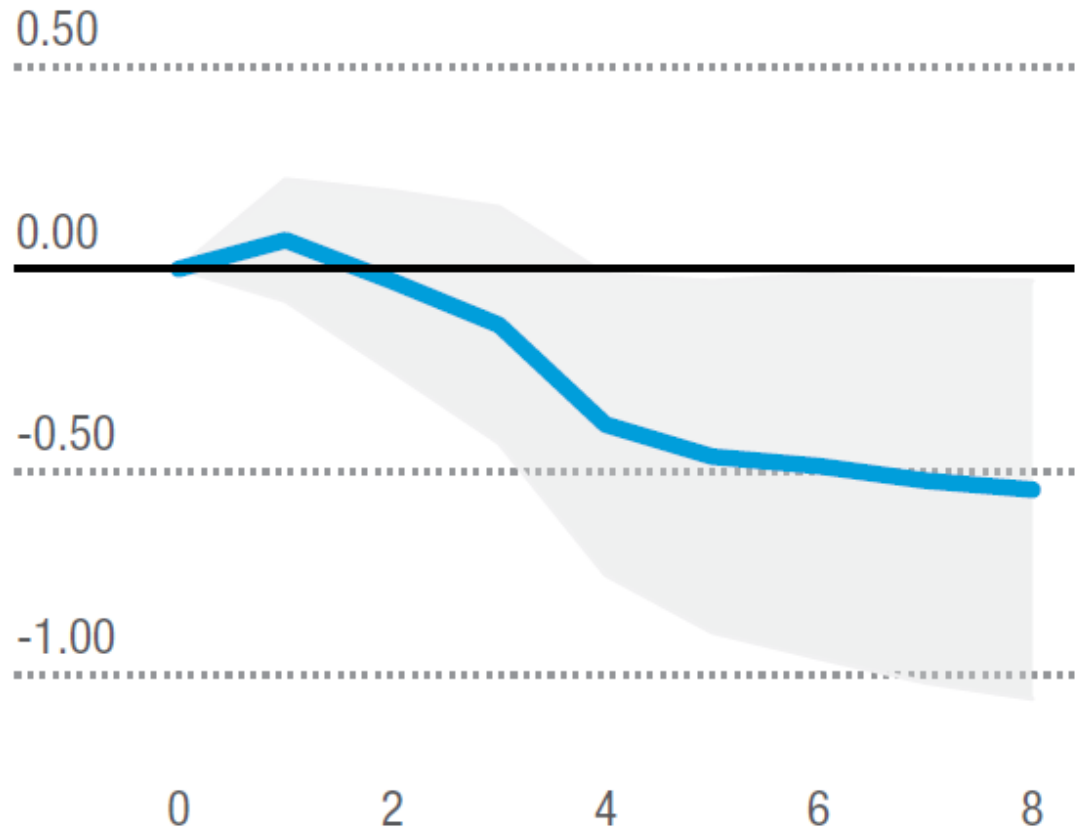
A stronger dollar dampens trade and economic activity (to a lesser extent)

(Percentage change)

A. Global industrial production



B. World trade



Source: UNCTAD, based on Miranda-Agrippino and Nenova (2022) and an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The figure shows that a 1 per cent appreciation of the dollar is followed by a steady decline in both global trade volumes, falling by around 0.8 per cent relative to trend over 6 to 8 months, and global production, albeit more gradually. The negative effects persist over the observed horizon, suggesting tightening global financial conditions after dollar appreciation.

Beyond the aggregates: Unveiling the heterogeneity across trade flows

Correlations between country group exports and GFCy

Africa and the Middle East	0.11
China	0.44
Emerging Asia excl. China	0.40
Latin America	0.22

Correlations between maritime transport subsegments and GFCy

January 2015 to December 2024

Category	Segment	Correlation with the global financial cycle
Manufactured goods	Container	* 0.43
	Car carriers	* 0.25
Dry bulk commodities	Coal	0.12
	Iron ore	0.05
	Grain	-0.07
	Dry bulk	0.19
	Minor bulk	* 0.28
Energy products	Crude oil	-0.02
	Total gas	-0.10
	Liquefied natural gas	-0.10
	Liquefied petroleum gas	-0.03
Chemicals	Chemicals	0.02
Aggregate/other	Global total	* 0.24
	Total oil	0.10

Moving forward



- Need to better understand how GFCy, and financial channels more broadly, affect trade flows.
- Ignoring financial drivers may leave trade vulnerabilities unexplained and unaddressed.
- Suitable alternative measures are required to recognize and counter adverse financial impacts. Macroprudential tools could mitigate procyclical and global factors harming the external sector of domestic economies.
- When devising such instruments, it is important to move from the macro to the meso level to understand the sector-specific aspects of an economy.
- Further analyses could probe why some firms may find it harder to access trade finance due to product-specific risks, contract liquidity or destination markets.
- Need for conducting such exercises at the sectoral or national level or across regional blocs.
- Understanding the trade–finance nexus is not just an academic exercise but also a policy imperative where multilateralism play an important role, although policymakers can also explore domestic and regional solutions.

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(Nicolas Maystre)**
- 3. The financial architecture of global food trading:
New patterns and emerging risks
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Thank you

