UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Technical and statistical report

Trade and Development Foresights 2026

Global Economy Faces a Geopolitical Challenge

An update on the *Trade and Development Report 2025*

United Nations

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Inquiries about the content of this publication should be sent by email to the Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, United Nations Conference on Trade and Development (UNCTAD); email: unctad-gds_mdpb@unctad.org.

Explanatory notes

Classification by country

The classification of countries in this report has been adopted solely for the purposes of statistical or analytical convenience and does not necessarily imply any judgement concerning the stage of development of a particular country or area.

There is no established convention for the designation of "developing" and "developed" countries or areas in the United Nations system. This report follows the classification as defined in the UNCTAD *Handbook of Statistics 2025* for these two major country groupings (see https://hbs.unctad.org/ classifications/, accessed on 19 March 2026), which is based on the classification applied in the "Standard Country or Area Codes for Statistical Use", known as "M49", maintained by the United Nations Statistics Division, (see https:// unstats.un.org/unsd/methodology/m49/, accessed on 19 March 2026).

For statistical purposes, regional groupings used in this report follow generally those employed in the UNCTAD *Handbook of Statistics 2025* unless otherwise stated. The data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

References to "sub-Saharan Africa" in the text or tables include South Africa unless otherwise indicated.

Other notes

The term "dollar" ($) refers to United States dollars, unless otherwise stated.

The term "billion" signifies 1,000 million.

The term "trillion" signifies 1,000,000 million.

The term "tons" refers to metric tons.

Annual rates of growth and change refer to compound rates.

Exports are expressed at freight on board (FOB) prices while and imports are reported at cost, insurance and freight (CIF) value, unless otherwise specified.

Use of a dash (–) between dates representing years, e.g. 2023–2025, signifies the full period involved, including the initial and final years.

An oblique stroke (/) between two years, e.g. 2025/26, signifies a fiscal or crop year. A dot (.) in a table indicates that the item is not applicable.

Two dots (..) in a table indicate that the data are not available or are not separately reported.

A dash (–) or a zero (0) in a table indicates that the amount is nil or negligible. Decimals and percentages do not necessarily add up to totals because of rounding.

Key takeaways

1. The global economy entered 2026 on a firmer footing, bolstered by 2.9 per cent growth in 2025. Dynamic trade, expanding industrial output in developing countries, and robust AI-linked investment sustained resilience.

2. In late February 2026, geopolitics surpassed trade policy uncertainty as the primary concern, threatening energy markets, shipping routes and global financial conditions.

3. Global growth is expected to slow down to 2.6 per cent in 2026, as repercussions from the Middle East conflict pressure energy markets, supply chains and investment flows.

4. Developing countries face significant macroeconomic and financial pressures. Rising import bills for energy, food and fertilizers, along with weaker external demand, undermine growth prospects. Across the global South, countries face renewed threat of capital flight and higher borrowing costs.

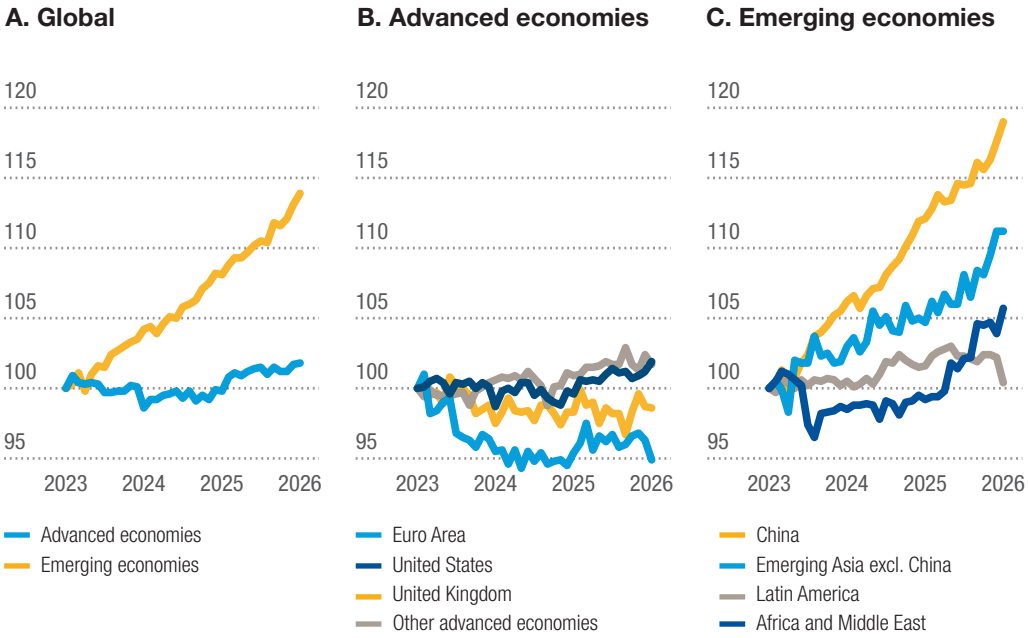
5. The crisis highlights that investments in renewables and critical technologies are essential for macroeconomic stability and security. Despite improving cost-competitiveness of clean energy, global investment remains uneven, disadvantaging developing regions.

A

Shifting risks

Buoyed by dynamism in trade and technology sectors, the global economy grew 2.9 per cent in 2025, entering 2026 on a firm footing (table 1).[1] The resilience in global growth reflected robust industrial output in developing countries, which outpaced that of developed economies (figure 1). Technology-driven manufacturing, particularly related to artificial intelligence (AI), played a key role in this dynamic, most notably in Asia.

Figure 1
Most developing regions recorded firm industrial output through the end of 2025 and into 2026
Industrial production volume
(January 2023=100)



Source: UNCTAD based on CPB World Trade Monitor.

Note: Industrial production volume excluding construction, production weighted, seasonally adjusted. Country group classification relies on the CPB Netherlands Bureau for Economic Policy Analysis (Ebregt et al., 2024).

Since the end of February 2026 however, the recovery has faced a set of disruptions stemming from the military escalation in the Middle East (UNCTAD, 2026d). In the near-term, the economic consequences of the conflict centre on energy markets and shipping routes. In the longer run, a protracted escalation is likely to entail system-wide effects on international trade, food systems and financial markets – with global stocks and bonds experiencing in March 2026 their biggest combined sell-off since 2022.[2]

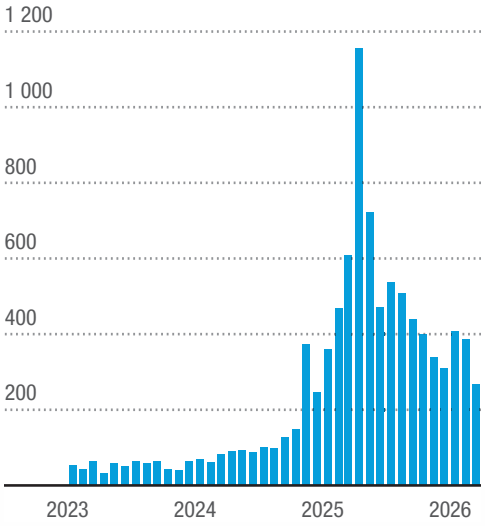
This report examines economic resilience at the current juncture, focusing on the global macroeconomic outlook (section B), the global policy context (section C), international trade (section D) and regional developments (section E). Section F draws key considerations.

1 Analysis in this report is consistent with data available as of 8 April 2026.
2 *Financial Times* (2026). Stocks and bonds slump in tandem as Iran shock leaves investors 'nowhere to hide'. 27 March.

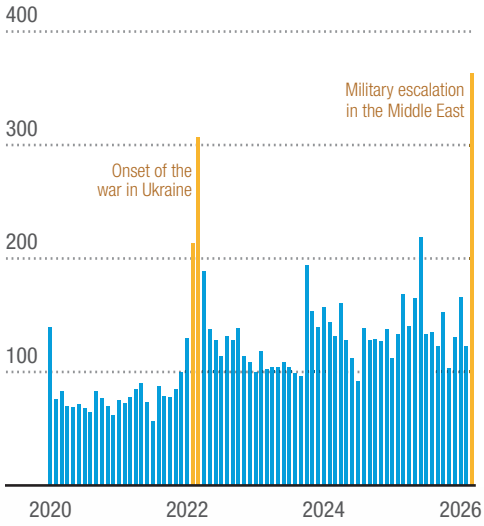
Two specific conditions characterize the current juncture in the global economy. First, whereas 2025 was shaped by trade policy uncertainty, early 2026 has been dominated by heightened geopolitical risks. These tensions trigger additional transmission mechanisms within a global economy marked by evolving trade-finance interdependencies (figure 2).

Figure 2
Global risks shifted from trade to geopolitics

A. Monthly trade policy uncertainty index
(Index numbers)

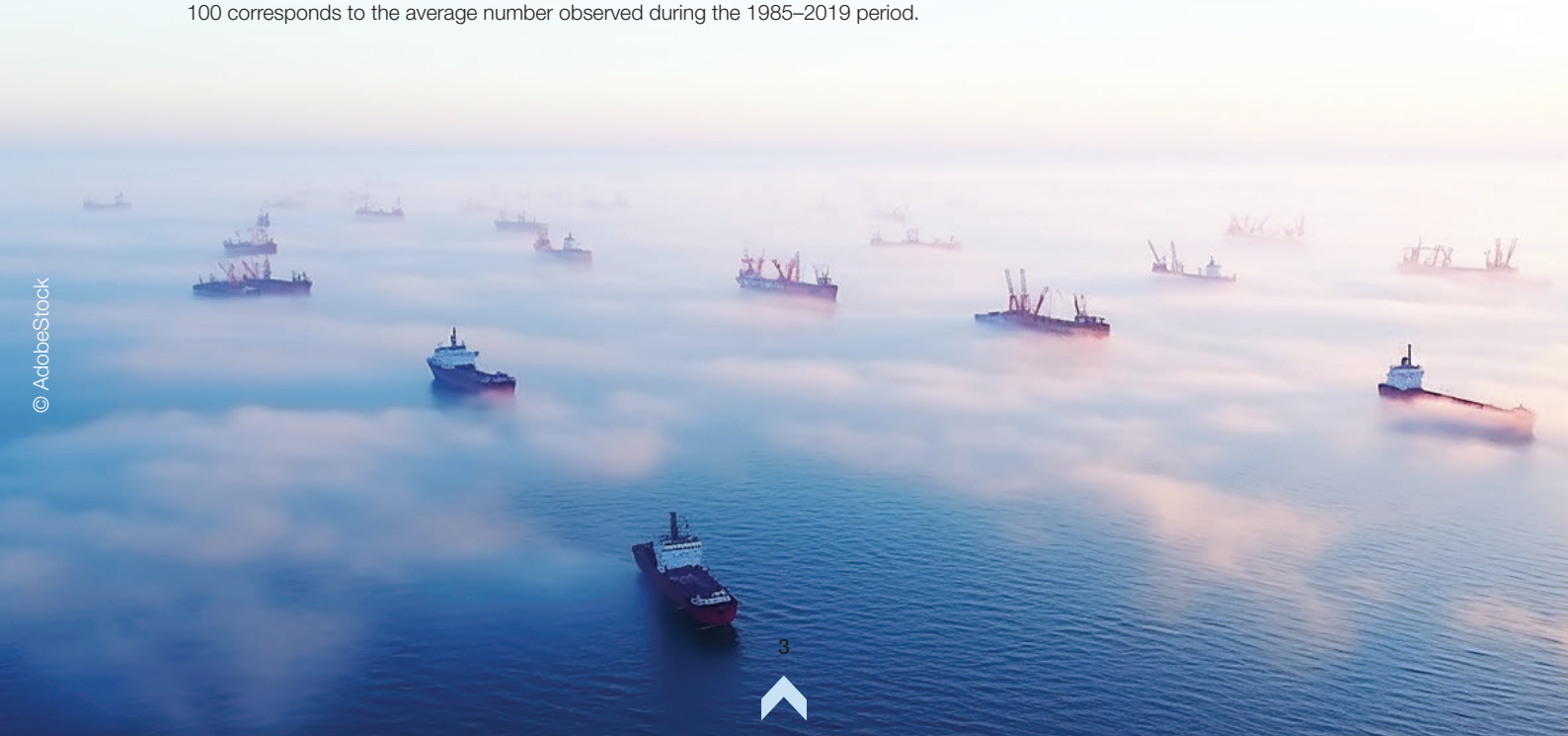


B. Global geopolitical risk index
(Average 1985–2019=100)



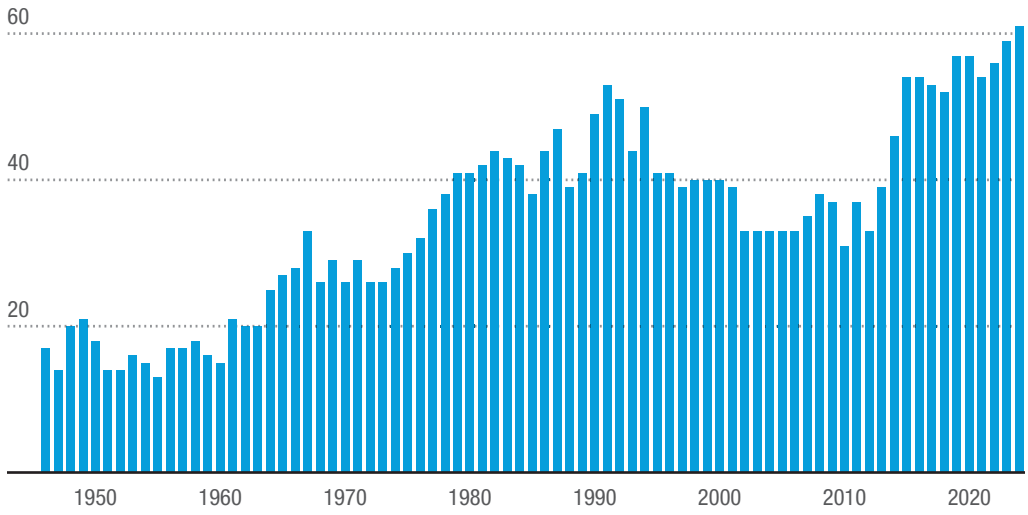
Source: UNCTAD based on Caldara et al. (2020) and Caldara and Iacoviello (2022) with updated data from https://www.matteoiacoviello.com/tpu.htm.

Note: Each index measures media attention to news related to either trade policy uncertainty or adverse geopolitical events. Both reflect automated text-search results of the electronic archives of selected newspapers. Monthly data for the trade policy index ends in March 2026. Daily data for the geopolitical risk index presented as of 16 March 2026. The trade policy index is scaled so that 100 indicates that 1 per cent of news articles contain references to trade policy uncertainty. For the geopolitical risk index, a value of 100 corresponds to the average number observed during the 1985–2019 period.



Second, the ongoing conflict adds to global structural weaknesses. It intensifies the longer-term trend of rising conflicts globally, many of which undermine the growth prospects of developing countries (figure 3).

Figure 3
Conflicts have reached a historical record
Number of active armed conflicts where at least one protagonist is a State



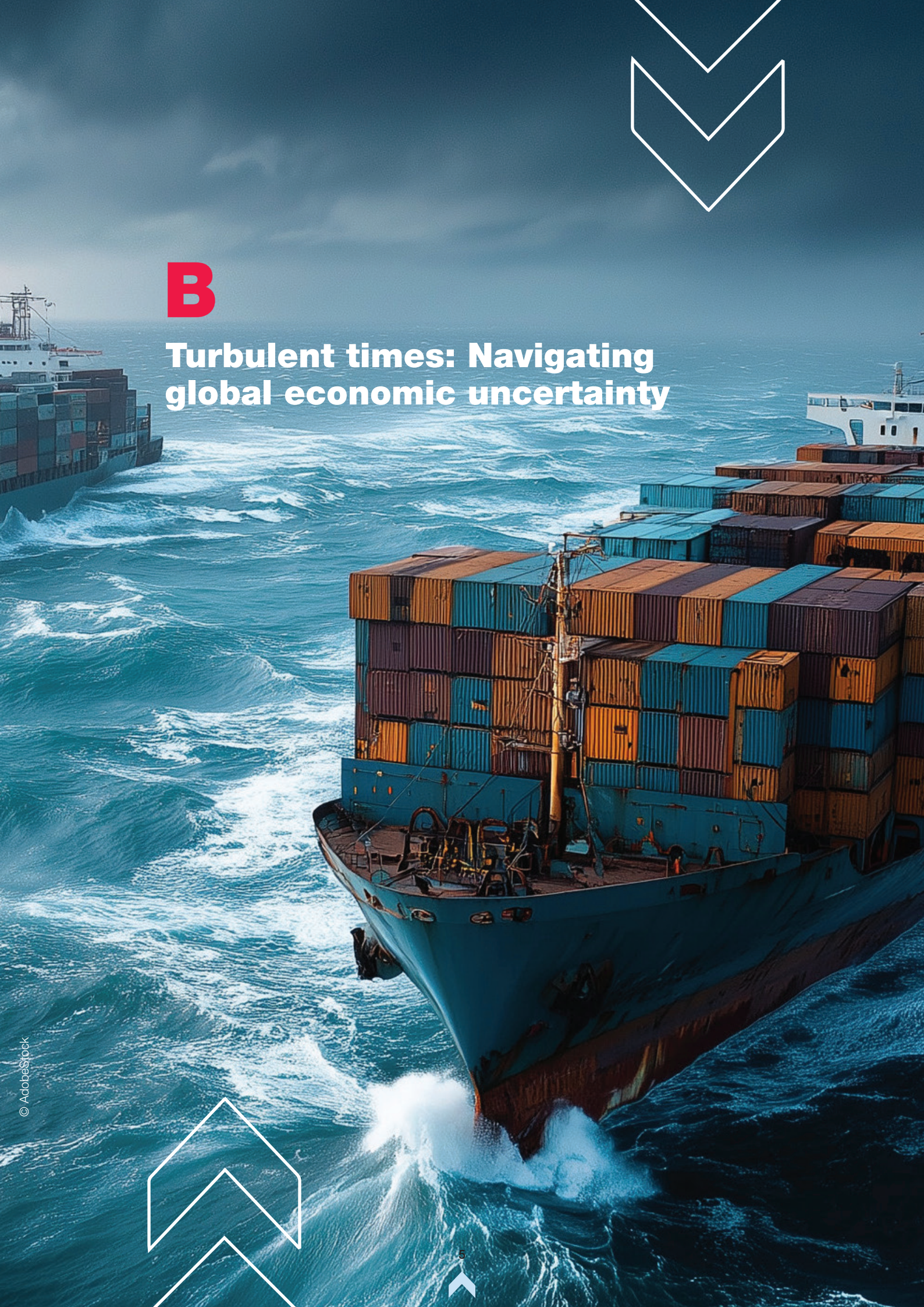
Source: Based on Gleditsch et al. (2002); with data update from https://www.prio.org/data/4.

The above issues highlight three specific concerns:

1. From an economic fundamentals perspective, the worsening fragilities linked to slower growth, increasing inequality, and rising costs of living threaten development prospects.
2. Mounting uncertainties affect global investment, with developing countries facing a renewed risk of financial outflows and souring investor sentiment.
3. A protracted escalation raises the likelihood of deeper disruptions in global trade and finance, potentially, foreshadowing a cascading crisis.

B

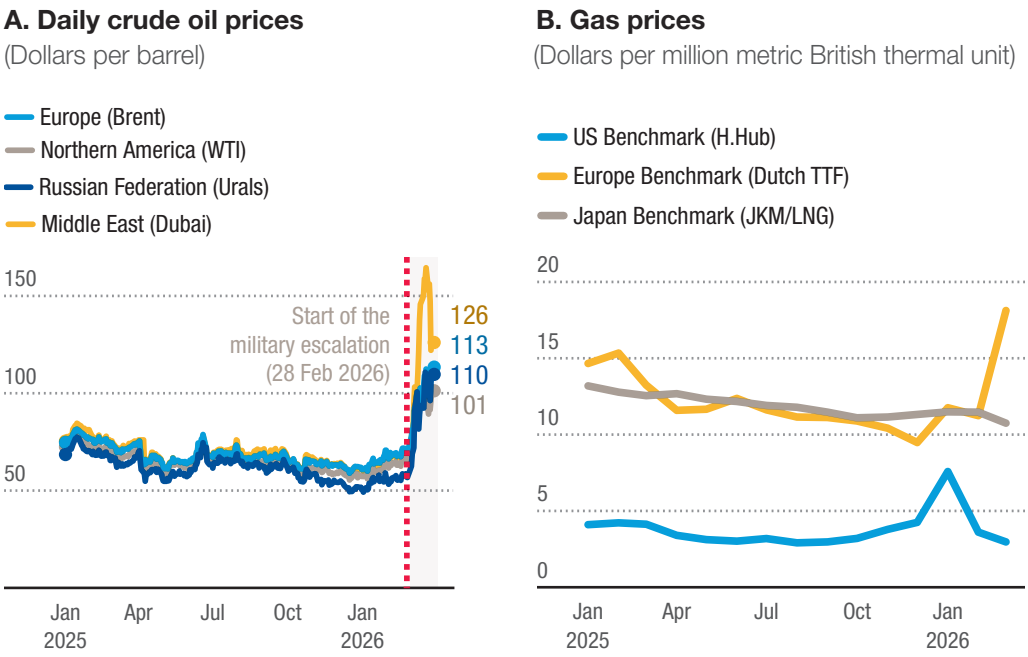
Turbulent times: Navigating global economic uncertainty



In early March 2026, the outbreak of the conflict in the Middle East affected the global economy through sharp swings in international energy prices, with oil surging more than 60 per cent and gas more than doubling in a matter of days (figure 4). More than two months into the distortions, volatility in key markets, including bond, equity and currency markets, remained high, particularly for developing countries.

Higher energy prices increase macroeconomic pressures, with varying impacts on oil exporters and importers. While in the short run net oil exporters stand to gain from higher oil revenues, consumers are sensitive to increases in gasoline prices. Even moderate price rises could therefore undermine consumption and lead to a slowdown in the country's merchandise imports, with adverse consequences for trading partners.

Figure 4
Conflict has ignited a surge in energy prices



Source: UNCTAD based on national sources and OECD retrieved from LSEG Data & Analytics.

Note: Brent (FOB), WTI (Cushing), Dubai (Cash), Urals (CIF, including insurance and logistics costs). On 2 March 2026, the Dubai index suspended nominations of crude grades requiring transit through the Strait of Hormuz. Currently, only Oman crude and Murban crude loaded at Fujairah are used in the Dubai index.

Developing countries face serious consequences due to inelastic energy imports, particularly for fuels, food, and fertilizers.

The European Union, as a net importer of oil, will face a higher oil import bill. While demand for fuels in the region has become more elastic since 2022 (European Commission, 2025), making the displacement of other import segments less likely, the energy shock confronts Europe as it prepares for the 2026-2027 heating season. This raises the potential for sustained price increases.

Developing countries face more serious consequences, as their energy imports are more inelastic, particularly for those with significant imports of fuels, food and fertilizers. A notable exception is China, whose oil reserves appear able

to withstand a short-lived increase in international prices. Yet, many developing countries will likely face a higher energy import bill in 2026 while facing softer import demand (IMF, 2026). Even in economies that benefit from significant oil exports, more expensive imports of fuels, food and fertilizers will offset the extra revenues.

Amid instability in currency and financial markets, this will complicate the management of external accounts and monetary and fiscal policies, adding to food security challenges in the most vulnerable economies. As of early April 2026, numerous developing countries, including Bangladesh, Brazil, Egypt, Ethiopia, India, Indonesia, Mexico, Pakistan, Panama, Philippines, Sri Lanka, Thailand and Viet Nam, have implemented various measures to stretch supply, to increase fuel subsidies (at significant fiscal cost) or to cap prices.

As the economic outlook continues to rest on geopolitical uncertainties, the global economy is expected to grow 2.6 per cent in 2026, 0.3 percentage points lower than in 2025 (table 1). Nevertheless, a more negative scenario of a deeper macroeconomic impact from a prolonged conflict cannot be dismissed.

Table 1
Global growth will decelerate to 2.6 per cent in 2026
GDP growth rates (Annual percentage change)

Country groups	1991–1999[a]	2000–2009[a]	2010–2014[a]	2015–2019[a]	2020	2021	2022	2023	2024	2025[b]	2026[c]
World	**2.9**	**3.3**	**3.2**	**3.0**	**-3.0**	**6.5**	**3.4**	**2.9**	**2.8**	**2.9**	**2.6**
▶ Africa	**2.5**	**5.3**	**5.0**	**3.9**	**-3.6**	**4.2**	**4.1**	**3.5**	**3.0**	**4.2**	**4.2**
South Africa	2.7	4.0	2.5	1.1	-6.2	4.9	2.1	0.8	0.5	1.1	1.3
▶ North Africa (incl. South Sudan)	3.0	5.0	2.4	3.9	-3.6	5.4	3.6	3.3	1.2	4.5	4.2
▶ Sub-Saharan Africa (excl. South Africa and South Sudan)	2.1	6.0	7.5	4.7	-2.9	3.5	4.7	4.2	4.5	4.7	4.7
▶ America	**3.4**	**2.5**	**2.3**	**1.9**	**-3.2**	**6.3**	**2.9**	**2.7**	**2.7**	**2.1**	**1.9**
▶ Latin America and the Caribbean	3.2	3.4	3.4	-0.2	-7.6	7.1	4.2	2.2	2.3	2.3	2.0
Mexico	3.2	1.7	3.0	1.7	-8.4	6.0	3.7	3.3	1.4	0.6	1.2
▶ Central America (excl. Mexico) and Caribbean	2.6	4.5	3.5	3.0	-8.9	8.3	4.9	2.8	2.6	2.4	2.7
▶ South America	3.3	4.0	3.5	-1.3	-7.1	7.3	4.3	1.7	2.6	3.0	2.2
Argentina	4.6	3.8	2.7	-0.3	-9.9	10.4	6.0	-1.9	-1.3	4.4	3.0
Brazil	2.9	3.6	3.2	-0.4	-3.3	4.8	3.0	3.2	3.4	2.3	1.6
▶ Northern America	3.4	2.3	2.1	2.4	-2.3	6.1	2.7	2.9	2.7	2.1	1.9
Canada	2.8	2.3	2.6	2.0	-5.0	6.0	4.7	2.0	2.0	1.7	1.0
United States	3.5	2.3	2.1	2.4	-2.1	6.2	2.5	2.9	2.8	2.1	2.0
▶ Asia	**4.3**	**5.5**	**5.7**	**4.7**	**-1.0**	**6.9**	**3.7**	**4.3**	**4.0**	**4.4**	**3.8**
▶ Central Asia	-4.7	8.3	6.4	4.0	-0.4	5.6	4.6	5.8	5.9	6.9	5.2
▶ East Asia	4.2	5.3	5.7	4.7	0.3	7.1	2.5	4.0	3.7	4.0	3.7
China	11.0	10.6	8.5	6.7	2.3	8.6	3.1	5.4	5.0	5.0	4.6
Japan	1.2	0.9	1.5	1.0	-4.3	3.6	1.3	0.7	-0.2	1.1	0.8
Republic of Korea	6.8	4.9	3.7	3.1	-0.7	4.6	2.7	1.4	2.0	1.0	1.4
▶ South Asia	5.2	6.7	5.8	6.3	-3.9	8.3	6.1	7.3	5.9	6.3	5.5
India	5.9	7.2	6.6	7.0	-5.9	9.4	7.0	8.8	6.7	7.6	6.5
▶ South-East Asia	5.3	5.6	5.6	5.0	-4.1	3.3	5.9	4.5	5.2	4.8	4.3
Indonesia	4.8	5.2	5.8	5.1	-2.1	3.7	5.3	5.0	5.0	5.1	4.8
▶ Western Asia	4.2	5.0	5.5	2.9	-3.8	7.0	7.6	2.4	2.2	3.5	2.0
Saudi Arabia	2.2	4.3	6.1	2.3	-3.8	6.5	12.0	0.5	2.7	4.5	2.0
Türkiye	3.8	5.1	7.5	4.6	1.8	11.8	5.4	5.0	3.3	3.6	3.5
▶ Europe	**1.3**	**2.2**	**1.1**	**2.1**	**-5.8**	**6.5**	**3.2**	**0.7**	**1.3**	**1.4**	**1.2**
Russian Federation	-5.9	6.2	3.0	1.2	-2.7	5.9	-1.2	4.1	4.3	0.8	1.0
United Kingdom	2.6	2.1	1.8	2.1	-10.0	8.5	5.1	0.3	1.1	1.3	0.6
▶ European Union	1.9	1.9	0.8	2.2	-5.6	6.4	3.6	0.4	1.0	1.5	1.3
▶ Euro area	1.9	1.7	0.7	2.0	-6.0	6.4	3.6	0.5	0.9	1.4	1.1
France	1.9	1.7	1.2	1.5	-7.4	6.9	2.7	1.4	1.1	0.9	1.0
Germany	1.7	1.1	2.0	1.9	-4.1	3.9	1.8	-0.9	-0.5	0.2	0.8
Italy	1.5	0.7	-0.9	1.1	-8.9	8.9	4.8	0.9	0.8	0.5	0.3
▶ Oceania	**3.7**	**3.2**	**2.8**	**2.7**	**-2.0**	**5.2**	**4.1**	**2.2**	**0.8**	**1.8**	**2.1**
Australia	3.7	3.3	2.8	2.5	-2.0	5.4	4.2	2.1	1.0	2.0	2.1
▶ Developed economies	**2.3**	**2.2**	**1.7**	**2.2**	**-3.8**	**6.0**	**2.8**	**1.7**	**1.8**	**1.7**	**1.5**
▶ Developing economies	**5.1**	**6.5**	**6.2**	**4.6**	**-1.7**	**7.3**	**4.2**	**4.7**	**4.4**	**4.7**	**4.1**

Source: UNCTAD based on United Nations, Department of Economic and Social Affairs, National Accounts Main Aggregates database and World Economic Situation and Prospects 2026; Economic Commission for Latin America and the Caribbean, 2026; OECD, 2026; IMF, World Economic Outlook; Economist Intelligence Unit, EIU Viewpoint Data database; JP Morgan, Global Data Watch; and national sources.

Note: The composition of the five geographical regions follows the M49 standard of the United Nations Statistics Division. Europe and the European Union aggregates comprise Cyprus, even if it is usually considered as being part of Western Asia. The distinction between developed and developing countries is based on the updated M49 classification of May 2022. Calculations for country aggregates are based on GDP at constant 2020 dollars (market exchange rates). The methodology has been updated: GDP aggregates are now presented in constant 2020 dollars (market exchange rates), replacing the previous constant-2015-dollar series. Under the new weighting scheme, the relative share of developing economies increased by 0.4 percentage points.

[a] Average.
[b] Estimate.
[c] Projection.

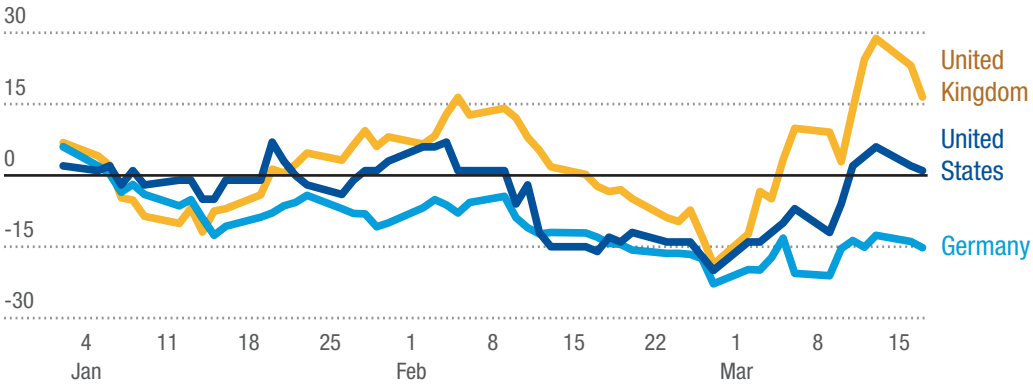
C

Global policy context: A search for safety amid geopolitical tensions

The outbreak of the conflict has triggered a search for safe financial assets amid increasing uncertainty. Notably, instead of directing funds into long-term sovereign bonds of the major developed countries – traditionally viewed as "safe havens" – investors appear to demand higher yields for holding these bonds, despite growing demand for dollars. Consequently, long-term sovereign bond yields have increased, while the dollar has strengthened (figures 5 and 6). For its part, the price of gold has declined since the outbreak of the conflict (figure 7).

Figure 5
Increases in long-term government bond yields in developed countries reflect an atypical flight to quality movement

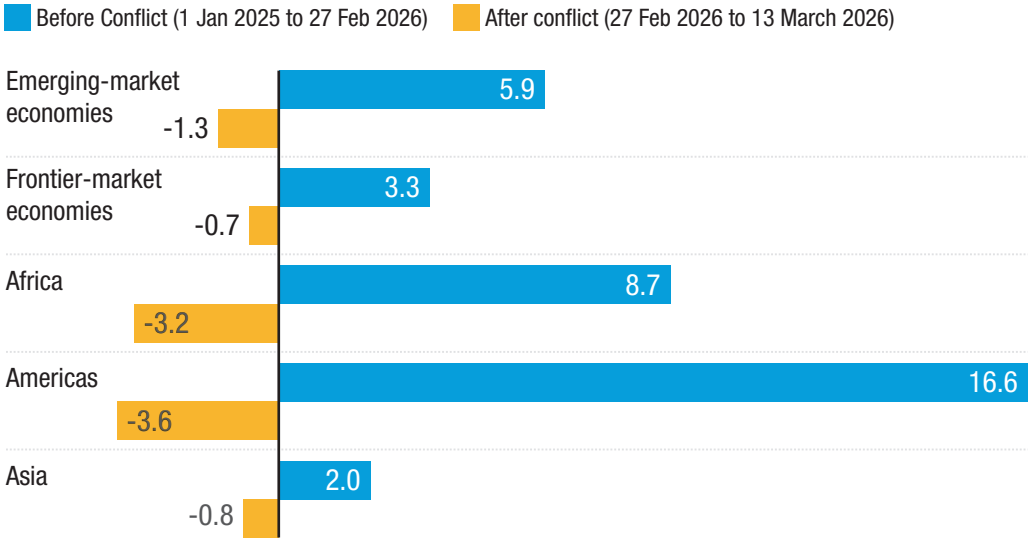
Change in 30-year government bond yields since 1 January 2026
(Basis points)



Source: UNCTAD based on LSEG.

Figure 6
Developing countries' currencies hit in the wake of the Middle East conflict

Change in exchange rate against the dollar
(Percentage)



Source: UNCTAD based on LSEG.

Note: Positive variations reflect a currency appreciation vis-à-vis dollar.

Figure 7
Gold prices have fallen in the wake of the Middle East conflict
Gold price
(Dollars per ounce)

Source: UNCTAD based on LSEG. Gold price is updated to 26 March 2026.

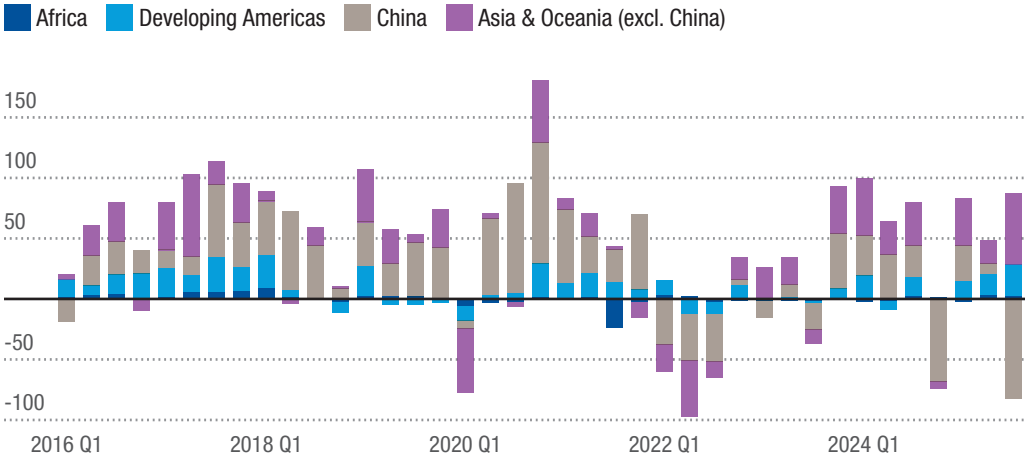
As is typical during periods of heightened uncertainty, global investors withdrew from assets perceived as riskier. While many developing countries proved attractive to international investors in 2025 (figure 8), they now face a renewed threat of capital outflows as investors seek safety amid geopolitical uncertainties.

In 2025, many developing countries attracted international investors, but now face renewed capital outflow threats.

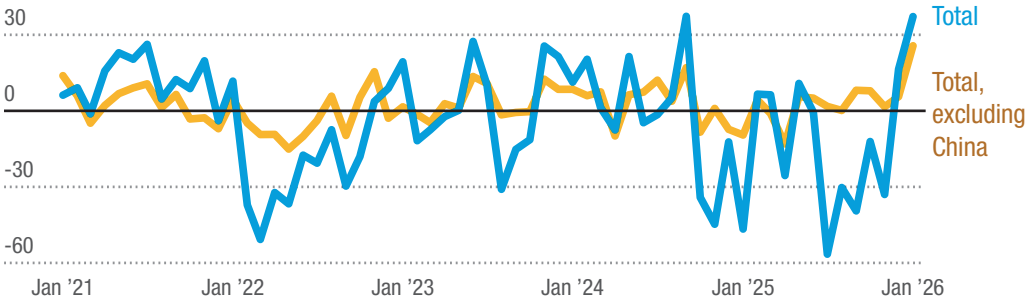
Figure 8
A new boom phase of portfolio investment emerged in 2025 and persisted into early 2026

Non-resident portfolio flows, selected developing country and regions
(Billions of dollars)

A.Quarterly



B. Monthly



Source: UNCTAD based on LSEG.

Note: Q1, first quarter. Quarterly aggregates include: Africa – Guinea, Kenya, Lesotho, Namibia, Seychelles, South Africa, Zambia; Developing Americas – Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, El Salvador, Guatemala, Mexico, Peru, Uruguay; Asia & Oceania (excl. China) – Armenia, China, Hong Kong SAR, Taiwan Province of China, Georgia, India, Indonesia, Pakistan, Philippines, Samoa, Saudi Arabia, Sri Lanka, Thailand, Türkiye, and Uzbekistan. Monthly aggregate includes Brazil, Chile, China, India, Mexico, Philippines, South Africa and Türkiye; January 2026 excludes India and Philippines. In panel B data for China, India, Mexico and South Africa are approximations from respective portfolio-investment or equity-flow series.

Across all developing countries, the depreciation was widespread, though less severe for frontier-market economies (FMEs) than for emerging-market economies (EMEs). The differing trajectories respond to a large degree to greater financial integration and predominance of floating-rate regimes among EMEs, whereas managed exchange rate regimes continue to be the norm in FMEs.[3]

[3] Emerging-Market Economies (EMEs) are defined here as mostly upper-middle-income developing countries that have integrated into the global capital market since the 1990s while Frontier-Market Economies (FMEs) as the group of developing countries with mainly low- or lower-middle-income levels that began to access this market after the Global Financial Crisis of 2008. The countries in each group correspond to those included in the JPMorgan's benchmark indexes, i.e. Emerging Market Bond Index (EMBI) Global Diversified for EMEs and Next Generation (NEXGEM) index for FMEs (UNCTAD, 2025a, 2023).

In developing regions, currencies depreciated the most in the Americas, followed by Africa and Asia (figure 6). These differences reflect a variety of factors, including the magnitude of the appreciation prior to the conflict, the exchange rate regime, debt sustainability risks and the share of non-resident investors in the domestic capital markets, which increased more in countries that received larger portfolio investments during the boom phase from May 2025 to February 2026.

In developing regions, currencies depreciated the most in the Americas, followed by Africa and Asia.

Figure 9.A
World financial markets plunged in the wake of escalation in the Middle East
Price index for MSCI Emerging Markets, Europe and S&P 500
(27 February 2026=100)

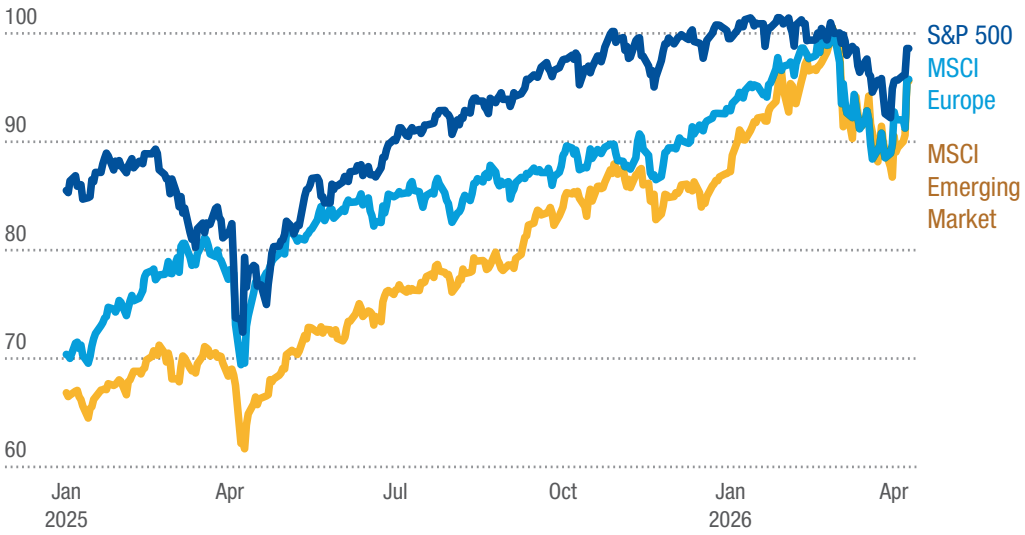
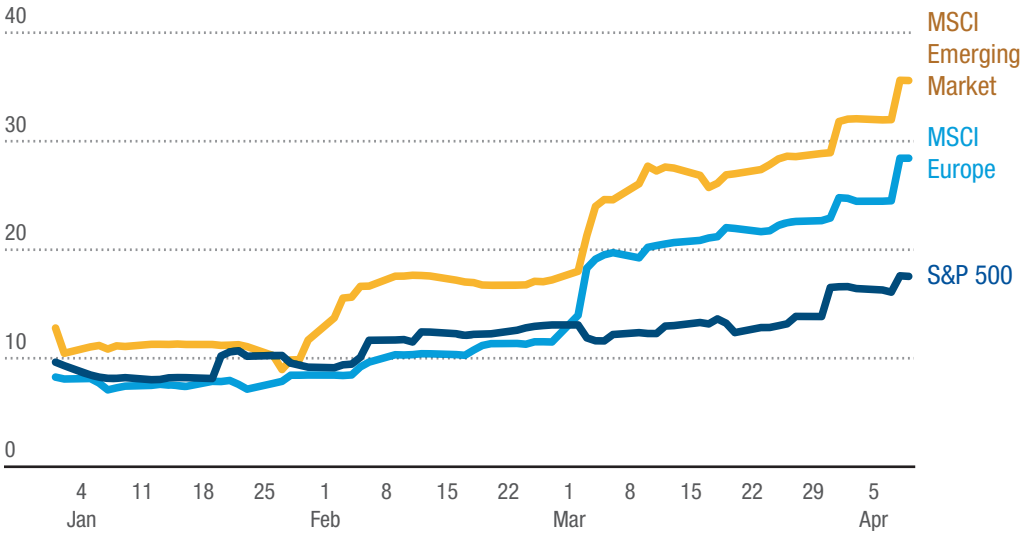


Figure 9.B
Financial volatility of emerging markets spikes amid geopolitical risks
30-days rolling standard derivation
(Standard deviation)



Source: UNCTAD based on LSEG.

Amid heightened risks, external sovereign bond yields of emerging and frontier economies increased, reversing the downward trend that began in May 2025.

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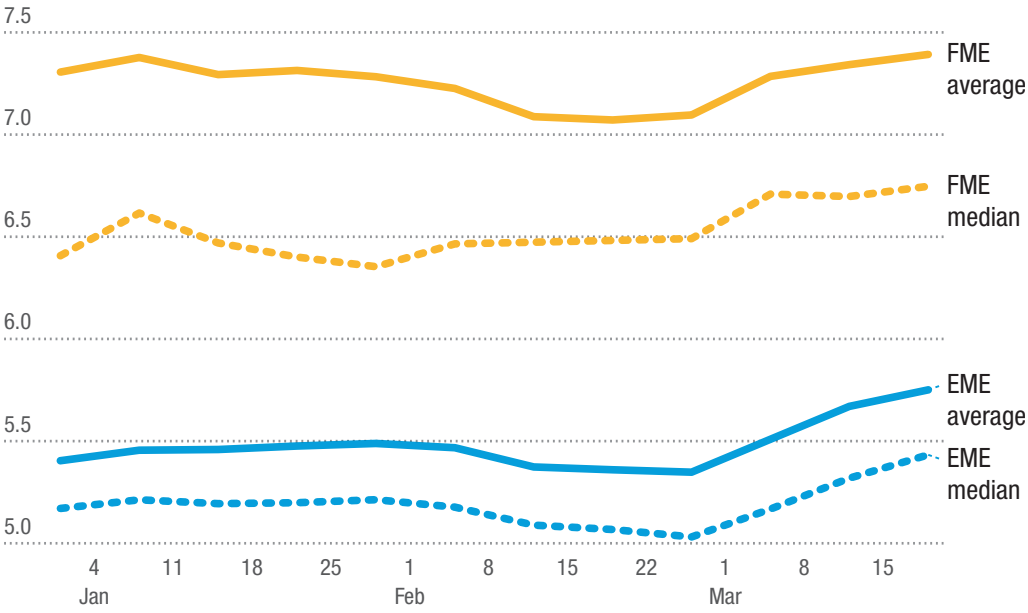
The start of the Middle East conflict triggered a sell-off of developing countries' assets, with equity markets of emerging markets sliding by more than 12 per cent between 28 February and 29 March. While the ceasefire declared on 8 April 2026 offers a hope of recovery, volatility remains high, especially in developing countries (figure 9). In this context of heightened risks, external sovereign bond yields of EMEs and FMEs increased, reversing the downward trend that began in May 2025 (figure 10). Domestic sovereign bond yields surged, reflecting non-resident portfolio outflows and expectations of tighter monetary policy to tame inflationary pressures from higher energy prices (figure 11).

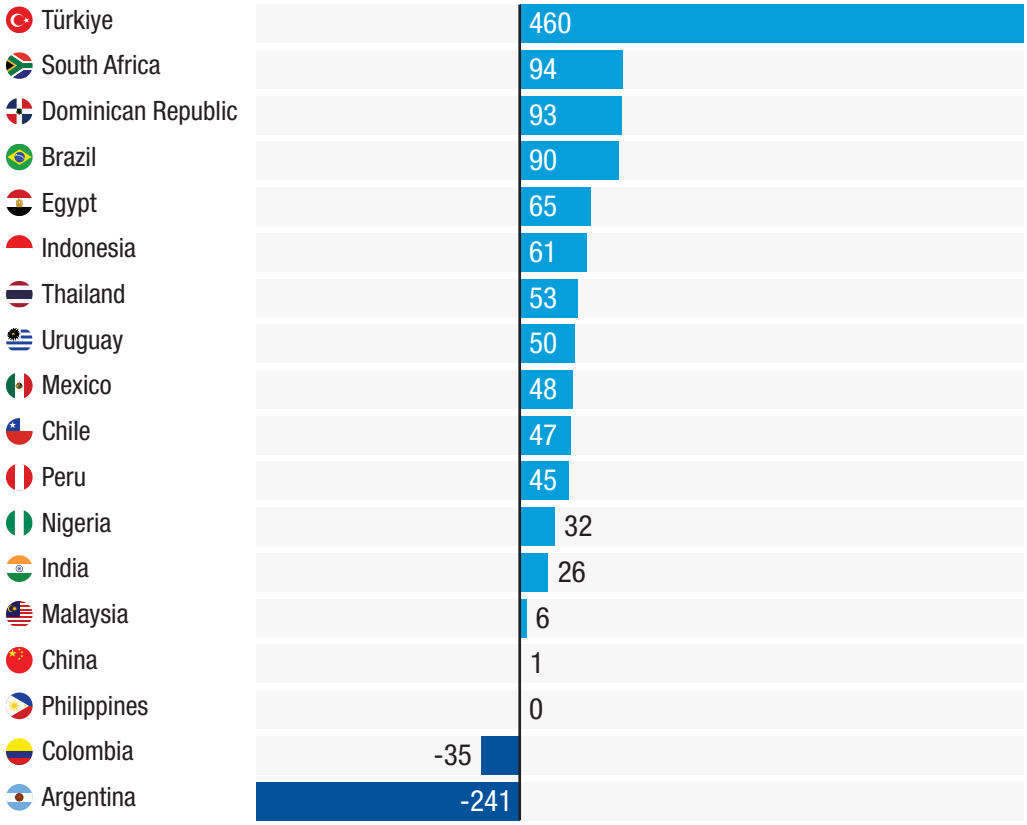
Figure 10
Investors seek higher returns on external sovereign bonds of developing countries
Yields on sovereign bonds, average for emerging and frontier market economies (Percentage)



Source: UNCTAD based on LSEG.

Note: The data includes all bonds issued by emerging and frontier market economies in dollar, euro or yen available through LSEG. Yields are weighted by market values in dollars. Defaulted bonds and bonds maturing within one year are excluded.

Figure 11
Yield change since pre-conflict on local government bond debt
(Basis points)



Source: JP Morgan.

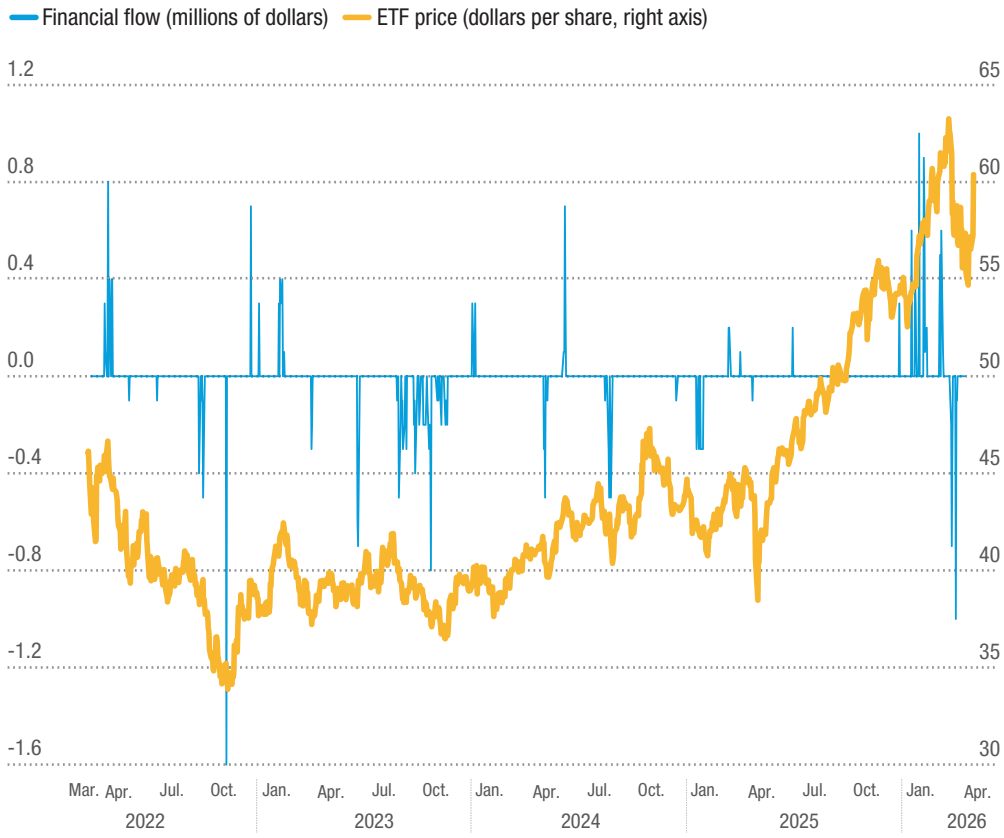
Note: Pre-conflict date refers to 27 February 2026. Data ends on 26 March 2026.

In a scenario of a prolonged conflict, global financial conditions are likely to deteriorate further, potentially triggering an accelerated flight to quality and a large-scale sell-off of developing countries' currencies and assets. In this scenario, FMEs are particularly vulnerable to portfolio outflows, as their domestic capital markets are shallower and less liquid. These factors typically amplify the effects of foreign investors' sell-offs.

Turning specifically to financial markets, United States-listed equity Exchange-Traded Funds (ETFs) may provide further insights into investment sentiment towards emerging markets among global investors. Between 2022 and 2024, United States-listed equity emerging markets ETFs exhibited a lacklustre performance, indicating waning appetite for emerging market equities from global investors (e.g. BIS (2026)). This was driven primarily by the relative outperformance of United States domestic financial assets associated with a robust dollar and superior risk-adjusted returns in equities (figure 12).

Frontier-market economies are particularly vulnerable in a scenario of a prolonged conflict.

Figure 12
Global investors' rising interest in emerging market equities faces a setback
Emerging market ETF financial flows and price



Source: UNCTAD based on LSEG Datastream, iShares MSCI Emerging Markets ETF. Data ends on 8 April 2026.

Note: "Financial flow" refers to the daily change in the number of outstanding shares of the ETF multiplied by the prevailing daily price.

The year 2025 saw a reversal of this trend. Driven by a weakening dollar and a search for valuation catch-ups, there was a surge in interest in emerging market equity investments, which accelerated between December 2025 and February 2026. However, since the onset of the conflict in the Middle East, there has been a notable softening in emerging market equities, indicating souring investor sentiment in the prevailing global context.

Box 1
Economics of renewable energy receives a boost

The current geoeconomic landscape offers few opportunities. One opportunity is the ongoing supply-side shock, reminiscent of the oil crises of the 1970s, which could drive oil prices significantly higher—potentially doubling their average from 2025. This scenario may incentivize a shift away from fossil fuels, especially if disruptions persist.

Even before the current disruption of fossil-fuel markets, the economics of renewables was winning.[a] A comparison of newly commissioned utility-scale capacity on a levelized cost-of-electricity basis (LCOE) showed that, already in 2024, renewables were cheaper in 91 per cent of the cases than the cheapest newly installed fossil fuel-based alternative.[b] Moreover, other estimates suggest that variations in fuel prices of 25 per cent can materially impact the LCOE of conventional generation technologies.[c] With current and potential future oil price increases exceeding previous estimates, the cost comparison increasingly favours renewable energy sources.

Already in 2024, renewables were cheaper in 91% of the cases than the cheapest newly installed fossil fuel-based alternative.

Renewable energy increases energy security and shields the economies from price shocks, supply disruptions and geopolitical turmoil. But the speeding up of the transition towards clean energy will not come automatically.

The energy transition faces a two-fold challenge. On the one hand, faced with fossil-fuel disruptions in 2022, some developed countries ***weakened*** their net zero commitments and policies. Fossil fuels still enjoy a 9 to 1 advantage in consumption subsidies over renewable energy, even without including the unaccounted costs of climate damage. On the other hand, investment in green transition remains deeply uneven. While for instance, global green bond issuance increased by 14 per cent in 2024, Africa, home to 60 per cent of the world's best solar resources, received only 2 per cent of global clean energy investment that year.[d]

Africa is home to 60% of the world's best solar resources, but it received only 2% of global clean energy investment in 2024.

In light of the recurring energy shocks and crisis transmission mechanisms centred on fossil fuels, a decisive shift in policies at both national and international levels is needed to speed up the transition to an era of affordable, clean and abundant energy, available to all.

Sources:

[a] International Energy Agency (2025). World Energy Outlook, available at: https://www.iea.org/reports/world-energy-outlook-2025

[b] International Renewable Energy Agency (2025). Renewable Pover Generation Costs in 2024. Available at: https://www.irena.org/Publications/2025/Jun/Renewable-Power-Generation-Costs-in-2024

[c] Lazard's Levelized Cost of Energy+, available at: https://www.lazard.com/research-insights/levelized-cost-of-energyplus-lcoeplus/

[d] United Nations Secretary-General's remarks on Climate Action on 22 July 2025: "A Moment of Opportunity: Supercharging the Clean Energy Age", available at: https://www.un.org/sg/en/content/sg/statements/2025-07-22/secretary-generals-remarks-climate-action-moment-of-opportunity-supercharging-the-clean-energy-age-delivered-scroll-down-for-all-french.

D

World merchandise trade: Early-year strength will not sustain

Global merchandise trade picked up in early 2026, yet it was disproportionately driven by technology intensive and AI enabling products.

World merchandise trade started 2026 on a strong footing. Yet fragile aggregate demand, compounded by persistent uncertainties and new geopolitical risks (UNCTAD, 2026d), suggests that the momentum observed in 2025 and early 2026 will fade as the year progresses (UNCTAD, 2026a).

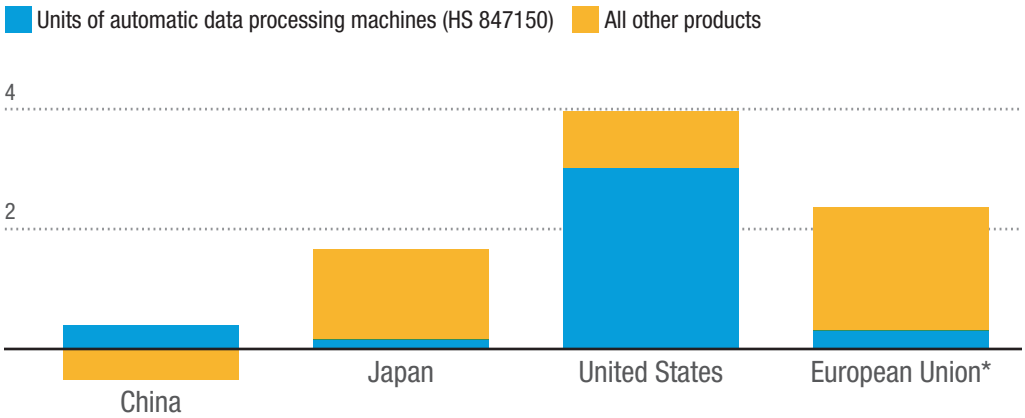
Early customs data indicates robust numbers on the back of solid containerized flows from key Asian and transpacific routes. More broadly, Chinese exports expanded more than 20 per cent in dollar terms in January-February 2026 compared to the same period a year earlier. Globally, international air cargo grew 7.2 per cent in January and 11.6 per cent in February in real terms, year on year (IATA, 2026), while global seaborne cargo expanded 5.3 per cent amid double-digit growth rates from some specific segments such as cars, grain and liquefied natural gas (LNG) (Clarksons Research, 2026).

These figures echo business sentiment surveys registered in February 2026. Global manufacturing purchasing managers' index (PMI) – especially two of its components that matter the most for merchandise trade – reached their highest level since 2021. Quantitatively, the 'output' subindex climbed to 53.1, while 'export orders' reached 51.4, marking the first expansion since 2024 (S&P Global, 2026). In short, merchandise trade flows have notably improved across major economies over the last quarters.

However, the recent expansion has been relatively concentrated on specific products, particularly AI-related goods like servers, high-performance computing equipment, semiconductors, and components associated with service automation and data centre investment. Such categories often recorded double or even triple-digit year-on-year growth in East Asia, Northern America and parts of Europe.

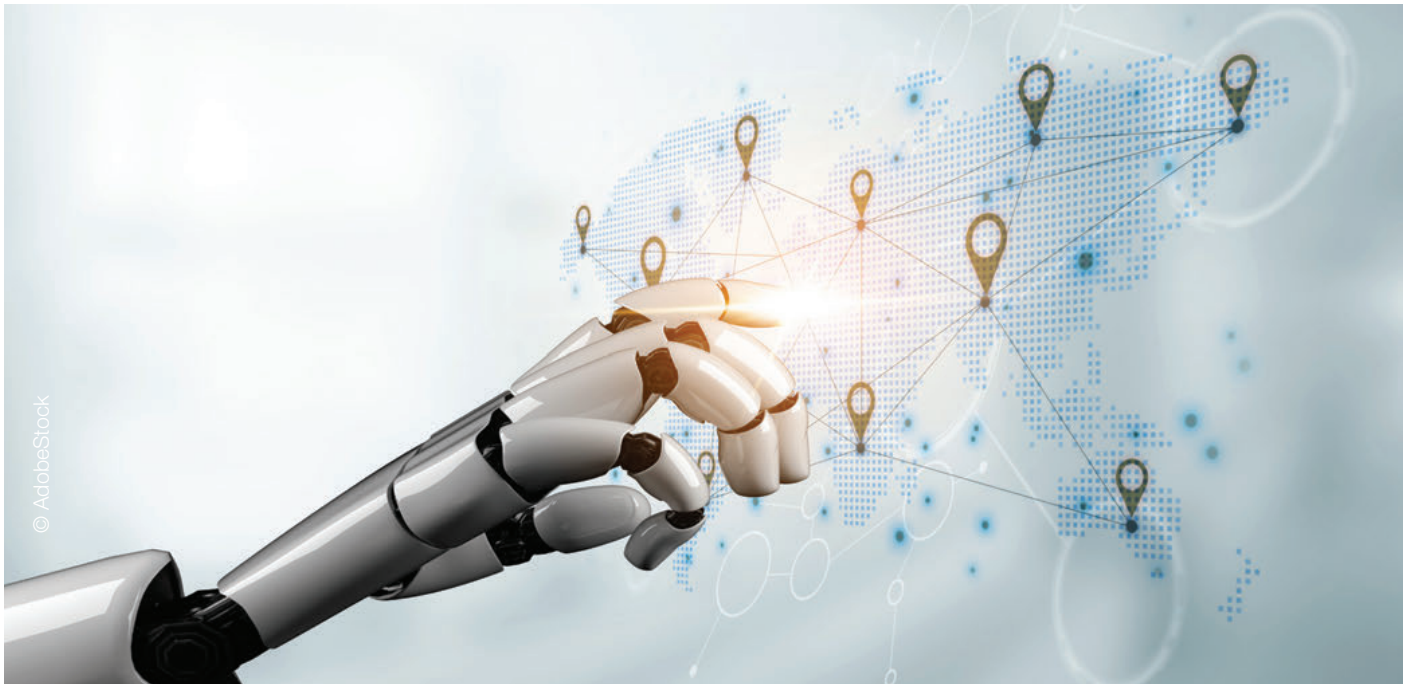
In particular, 'automatic data processing machines' contributed about three-quarters of the 4 per cent nominal growth of total imports of the United States in 2025 (figure 13). In China, the strong contribution of products in this category almost offset the decline registered by all other imported products in 2025.

Figure 13
AI-related hardware contributed massively to merchandise trade in 2025
Growth of nominal merchandise import bill by products, selected economies
(Percentage)



Source: UNCTAD based on Comtrade, Eurostat and national sources.

Note: For China, Japan and the United States, data refer to the dollar values of imports. For the European Union, they relate to imports in euro from partners outside the European Union. All other products correspond to the total of merchandise imports minus the value belonging to the HS 847150 code, which relates to units of automatic data processing machines.



The dynamism of AI-related products contrasts with more traditional sectors – such as basic consumer goods, textiles, and some intermediate inputs – which recorded modest gains. Commodity linked trade, for instance, remained subdued through late February. Capital goods outside the digital technology sphere have also shown uneven momentum, reflecting soft investment cycles in several developing countries.

Trade policies are changing fast[4]

Amid continued trade policy volatility, several large economies have become more proactive in regional or sectoral trade initiatives (box 2). Two specific policy announcements are important for Africa's export prospects. First, recent legislation in the United States reauthorizes the African Growth and Opportunity Act (AGOA) trade preference programme through 31 December 2026, with retroactive effect to 30 September 2025 (United States Trade Representative, 2026).

Second, China announced it would remove tariffs on goods from 53 African countries starting in May 2026 (State Council of China, 2026). At the same time, these developments are overshadowed by the negative spillover effects of geopolitical tensions in the Middle East, which have begun to impact many African economies.

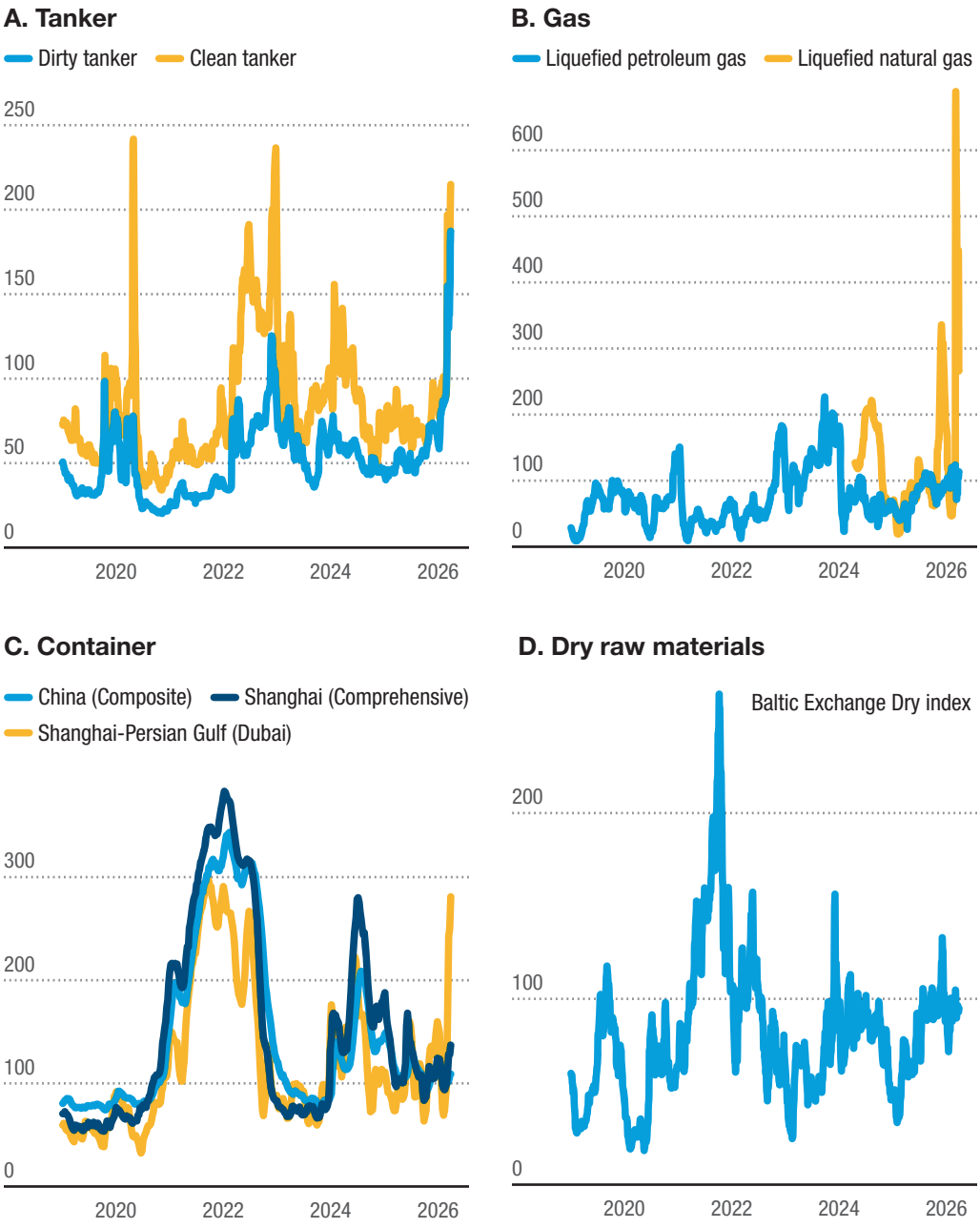
The disruptions in the Strait of Hormuz have induced a significant negative shock to trade and maritime transport in particular (UNCTAD, 2026d; figure 14). Due to their heavy reliance on Gulf exports, crude and LNG carriers have faced the strongest impact, with reduced volumes and higher risk premia, prompting a sharp increase of energy prices worldwide. While container shipping faces fewer direct risks from the conflict than other maritime sectors, it is not insulated from disruptions or rising costs. Similarly, the dry bulk market has remained more insulated, facing only indirect operational and insurance pressures.

> Trade in AI-related products remains dynamic, while traditional sectors like textiles saw only modest gains.

> While container shipping faces fewer direct risks from the conflict, it is not insulated from disruptions.

[4] For an overview of the state of United States tariffs faced by different countries, see UNCTAD tariff dashboard: Tariff dashboard – tracking the evolution of United States tariffs, available at https://unctad.org/topic/trade-analysis/tariffs/tariff-dashboard.

Figure 14
The conflict in the Middle East drives up maritime freight rates for energy
Indices of maritime freight rates by selected types of products
(27 February 2026=100)



Source: UNCTAD based on Clarksons Shipping Intelligence Network and updated data from (UNCTAD, 2025b).

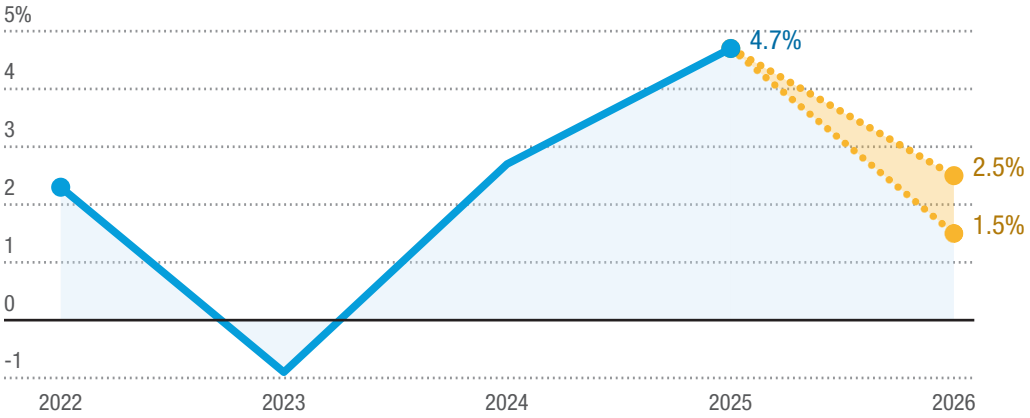
Note: In panels A, B and D, the underlying original data come from the Baltic Exchange. In panel C, they come from the Shanghai Shipping Exchange.

What is next

The relative resilience of merchandise trade in 2025-early 2026 is being tested by the impact of the conflict in the Middle East. Considering a deceleration of global aggregate demand and a likely reversion of the boom in artificial intelligence, growth of world merchandise trade, in real terms, is expected to slow from 4.7 per cent in 2025 to 1.5–2.5 per cent in 2026, even if current estimates for the year 2026 carry wide uncertainty bands (figure 15).

Figure 15
Merchandise trade slowing down in 2026

Growth of merchandise trade in real terms
(Percentage)



Source: UNCTAD.

Note: The figure for 2025 is an estimate; the figures for 2026 constitute a forecast range.

Beyond 2026, rising geopolitical tensions are likely to accelerate the reconfiguration of global merchandise trade, the contours of which are starting to emerge. But for now, firms and governments will need to accommodate a more volatile landscape.

Box 2
Driving change: Recent regional and sectoral initiatives in trade partnerships

Many large economies have become proactive in driving a reconfiguration of trade partnerships through regional and sectoral initiatives.

From February 2025 to February 2026, the United States signed or announced at least 21 trade agreements or deals, with multiple trading partners including 11 members of the Group of 20.[a]

During the same period, China signed or concluded negotiations of upgraded Foreign Trade Agreements (FTA) protocols with ASEAN and Georgia. It also signed early harvest or framework arrangement of shared development partnership agreements with several African countries, aiming to implement the announcement of the zero-tariff treatment for 53 African countries, and it initiated trade negotiations with six Pacific island countries.

The European Union concluded bilateral trade (or updated agreement) negotiations with India, Indonesia, Mexico and Mercosur.

Regional and sectoral initiatives have driven a reshaping of trade partnerships.

Such agreements took place in a context where South–South trade has been increasing markedly. This is re-shaping the trade policy options of the global South. During 1995–2025, South–South merchandise exports expanded from $0.5 trillion to $6.8 trillion and exceeded South–North exports in value terms (UNCTAD, 2026b). Intra-bloc trade among the 10 BRICS members increased 13-fold in the last two decades, even if this potential remains not fully tapped and requires a closer policy commitment and effort (UNCTAD, 2026c).

Shifting priorities

The scope of priorities of trade policy cooperation is expanding. Areas such as supply chains, critical minerals, digital, environmental, and development are increasingly prominent in trade negotiations focused on general market access. In the past six months alone, the United States has signed 21 bilateral frameworks or memorandums of understanding focused on critical minerals,[b] (United States Department of State, 2026). China announced International Economic and Trade Cooperation Initiative on Green Mining and Minerals (MOFCOM, 2025). On 1 February 2026, the European Union–Singapore Digital Trade Agreement entered into force.

Testing the resilience of the multilateral trading system

Some of recent regional initiatives test the institutional resilience of the multilateral trading system, where regional trade agreements have been largely regarded as building blocks complementing the multilateral trading system.[c]

Amid ongoing shocks and changing global dynamics, multilateral trading system (MTS) remains highly relevant for the global South. Its value derives not only from special and differential treatment, but also from the predictability, non-discrimination, openness and transparency it provides. As WTO reform discussions advance, development should remain a central priority, alongside other key issues.

The recent 14th Ministerial Conference (MC14) concluded with two outcomes: first, Ministers' agreed to continue to engage in negotiations on fisheries subsidies; second, with two development related Ministerial decisions: on improving the integration of small economies into the multilateral trading system; and on enhancing the precise, effective and operational implementation of special and differential treatment provisions in the Agreements on Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT). While the members did not reach consensus on the "emerging Yaoundé package", the WTO Director-General Ngozi Okonjo-Iweala stressed that "it would be appropriate to preserve the important texts we have developed here and use them as a basis to finalize agreements",[d] indicating that negotiations will continue.

Sources:

[a] Agreements or deals with multiple trading partners include 11 members of the Group of 20, as well as Cambodia, North Macedonia, Thailand and Viet Nam, etc. The United States and China reached a temporary deal in October 2025, but the bilateral trade talks continue. For an up-to-date list of trade agreements see:
https://globaltradealert.org/reports/Real-Time-Information-on-Trump-Trade-Deals

[b] https://www.state.gov/releases/office-of-the-spokesperson/2026/02/2026-critical-minerals-ministerial

[c] WTO members are permitted to enter into regional trade agreements under specific conditions within existing rulebooks, adhering to notification obligations.

[d] https://www.wto.org/english/news_e/news_docs/dg_statement_mc14_closing_hod_e.pdf

E

Regional developments: Momentum caught amid conflict and energy dependence

GDP growth in **Africa** is projected to reach 4.2 per cent in 2026, matching the 2025 figure. Major oil and gas exporters, such as Algeria, Angola, Libya and Nigeria, will benefit from stronger external balances and greater fiscal space to navigate the ongoing macroeconomic turbulence, even though higher refining margins will partly offset these gains, as many African oil exporters still rely on foreign refineries. The situation will be particularly challenging for net energy importers such as Egypt, Ethiopia, Kenya and South Africa. Irrespective of this distinction, remittance inflows from the Middle East will take a hit. Capital outflows and exchange rate depreciations will increase debt sustainability risks, particularly in the African FMEs, and could also force central banks to slow or revert their easing cycles.

In **Latin America and the Caribbean** growth will slow down from 2.3 per cent in 2025 to 2.0 per cent in 2026, as growth pickup in Central America and the Caribbean will be insufficient to offset a slowdown in South America. Although in **Mexico** growth will accelerate, it will remain subdued at 1.2 per cent in 2026, supported by consumption, whereas investment and government expenditures are expected to decelerate. In **Brazil**, the economic expansion will decrease to 1.6 per cent in 2026 on the back of elevated policy rates and borrowing costs that hinder investment and consumption. As the government has already adopted fiscal measures to mitigate the effect of higher oil prices on inflation, the central bank still has room to ease monetary policy in 2026, thereby avoiding a stronger economic downturn. In **Argentina**, growth will decelerate to 3.0 per cent following a sharp rebound in 2025 due to exchange rate pressures, fiscal tightening and sluggish consumption amid high inflation and rising unemployment. However, an extended conflict in the Middle East could further deepen the region's slowdown through trade and financial channels, including terms-of-trade deterioration, lower foreign exchange revenues from tourism and remittances and higher external borrowing costs.

The Chinese economy will grow at 4.6% in 2026 in line with the new and lower official growth target band.

Economic expansion in **Northern America** may decline by 0.2 points to 1.9 per cent in 2026. In the **United States** growth has been more robust than expected, fuelled by steady AI investment and household services consumption. The labour market seems to be weakening, and inflation is limiting further monetary easing. Vulnerability may stem from the limited number of dynamic sectors supporting domestic growth. **Canada** started the year facing renewed external headwinds that are expected to limit GDP growth to 1.0 per cent in 2026. While the soft labour market and subdued domestic demand are likely to limit the passthrough of higher energy costs to core inflation, unemployment is edging up to 6.6 per cent amid falling participation. Early year data also point to softer manufacturing activity and a still wide trade deficit, though increased energy exports will partially offset this.

In **East Asia,** economic growth will slow to 3.7 per cent in 2026, partly owing to strong reliance on energy imports from the Middle East. **China** grew at 5 per cent in 2025, amid both domestic and external headwinds. For 2026, the economy started with momentum in January and February, though annual growth is projected at 4.6 per cent in line with the new lower official growth target band of 4.5–5.0 per cent. The projection reflects the persistence of domestic concerns such as real estate markets and local government debt, and external challenges. In January and February, both Chinese merchandise exports (19.2 per cent) and imports (17.1 per cent) recorded double-digit growth. The escalation in the Middle East may affect growth performance due to the country's dependence on imported oil (around 70 per cent). Against this backdrop, in 2026, macroeconomic policy will remain expansionary aiming to counteract these challenges. In March, the government announced that it would maintain a budget deficit of 4 per cent of GDP, issue RMB 1.6 trillion (about $240 billion) special treasury bonds for targeted sectors and RMB 4.4 trillion ($640 billion) local

government special-purpose bonds. **Japan,** where fossil fuel imports from the Middle East constitute 95 per cent of oil imports, rising prices and supply disruptions are expected to slow economic expansion to 0.8 per cent in 2026. Despite robust government spending and business investment, Japan has committed $550 billion in investments in the United States over three years. The **Republic of Korea** is projected to grow only 1.4 per cent in 2026 due to external volatility and inflation risks from geopolitical tensions.

South Asia will remain the fastest-growing region. Yet, regional GDP growth is expected to decline from 6.3 per cent in 2025 to 5.5 per cent in 2026. Across the region, economic conditions were gradually stabilizing, but rising fossil fuel prices are likely to increase inflation and external financing constraints in several economies. In **India,** GDP growth will slow but remain robust at 6.5 per cent in 2026, with economic activity supported by domestic demand, continued public investment in infrastructure, and expansion in services and manufacturing sectors. Government initiatives aimed at improving logistics, digital infrastructure and financial services are also contributing to productivity gains. Recent trade agreements with the European Union and the United States may support exports, but also imports, on top of more costly oil imports, which represent over 20 per cent of its trade balance.

South-East Asia's growth will remain robust while decelerating to 4.3 per cent in 2026. Although **Indonesia** became a net oil-importing country in 2008 and will be negatively impacted by higher oil prices, GDP growth is expected to slow only marginally to 4.8 per cent in 2026. Expansive fiscal and monetary policies will support short-term domestic demand. The government aims to mobilize investment in strategic sectors, including renewable energy, agriculture and health, to foster long-term structural transformation. Externally, the Indonesia–European Union Comprehensive Economic Partnership Agreement, the upgraded ASEAN–China Free Trade Agreement and the Indonesia–United States trade deals concluded in 2025 will foster trade.

Western Asia is most directly affected by the regional conflict. Accordingly, regional GDP growth will slow down to 2.0 per cent in 2026. Unlike oil exporters from other regions, countries in the Gulf Cooperation Council have suffered from damage to oil and gas infrastructure, reduced output and a halt to oil exports shipped through the Strait of Hormuz. Key non-oil sectors, such as tourism, and longer-term investment supporting diversification, will be impacted. In **Saudi Arabia**, economic activity will slow down to 2.0 in 2026. In **Türkiye**, GDP growth will decline to 3.5 per cent in 2026 amid macroeconomic stabilization efforts, including tighter monetary policy and fiscal consolidation aimed at reducing inflation and strengthening external balances.

Western Asia is most directly affected by the regional conflict, hurting the oil and non-oil sectors.

The economy of the **Russian Federation** is projected to expand by around 1.0 per cent in 2026. The macroeconomic weakening stems from fading fiscal stimulus, high interest rates and slowing domestic demand. Elevated oil prices do not offset broader vulnerabilities, such as tight credit policies and limited production capacity.

The economy of the **United Kingdom** remains sluggish with growth expected at only 0.6 per cent in 2026. Employment and wages are unable to sustain consumption and investment growth, while net exports and government net borrowing are shrinking. The **European Union** is expected to register a marginal slowdown in its economic expansion, to 1.3 per cent in 2026. Net exports to the United States and China are set to decline, with weak consumption and fiscal restraint dampening demand. Labour income shares and expectations of rising interest rates from the European Central Bank further dim consumption growth prospects. Investment and government spending on goods and services have increased in some countries, notably in **Germany**, as governments and businesses have begun

The European Union economy will slow down marginally to 1.3% in 2026.

to expand spending in the defence sector. Recent budgetary cuts in **France** and **Italy** signal that the EU's largest economies will continue relying on exports as the main source of growth. On the investment front, the loosening of previously announced emission targets for the manufacturing sector is expected to support businesses' balance sheets in the short term.

Economic prospects in **Oceania** are very closely linked to developments in the region's largest economy. In **Australia,** GDP growth is expected to rise to 2.1 per cent in 2026 as continued population growth, public infrastructure investment, household incomes and commodity exports, including natural gas, will more than compensate for the tighter monetary policy.

F

Conclusions and final considerations

Ongoing disruptions overshadow the long-standing need to address the vulnerabilities most countries face in terms of energy, climate and critical industrial inputs, particularly semiconductors and chips. The potential repercussions of the unfolding crisis highlight necessary actions across three inter-related areas:

1

Design policy frameworks for green transition:
The adoption of clean energy technologies is key to climate-aligned development and economic resilience. This requires substantial investments in renewable energy (box 1) and domestic production of critical industrial components, such as advanced chips, electric motors, batteries, and software, to enhance overall industrial resilience.

2

Mitigate future crises:
By advancing renewable energy and strategic diversification, countries can reduce vulnerability to future economic shocks and contribute to a more balanced global economic landscape.

3

Strengthen global stability:
This proactive approach will not only support national interests but also foster a more sustainable and resilient global economy.

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