



As we approach 2025, the global economy faces a myriad of risks that could significantly impact businesses and markets worldwide. These risks are shaped by geopolitical tensions, economic policies, technological advancements, and environmental challenges. This essay outlines twelve key risks for 2025, providing insights into their implications and the necessary preparations for businesses and policymakers.

## Summary of Key Risks

- **Geopolitical Tensions:** Ongoing conflicts and rivalries, particularly between the U.S. and China, could disrupt trade and investment.
- **Protectionist Policies:** The incoming Trump administration's anticipated tariffs may lead to increased trade barriers and retaliatory measures.
- **Inflationary Pressures:** Persistent inflation could challenge economic stability and consumer purchasing power.
- **Supply Chain Disruptions:** Continued supply chain challenges may hinder production and increase costs.
- **Cybersecurity Threats:** The rise in digital reliance exposes businesses to significant cybersecurity risks.
- **Labor Market Challenges:** Skills shortages and changing workforce dynamics could impact productivity and growth.
- **Climate Change Impacts:** Extreme weather events and regulatory changes related to climate could disrupt industries.
- **Financial Market Volatility:** Economic uncertainties may lead to increased volatility in financial markets.
- **Technological Disruption:** The rapid advancement of AI and automation could displace jobs and alter market dynamics.
- **Regulatory Changes:** Stricter regulations in various sectors may require businesses to adapt quickly.
- **Emerging Market Vulnerabilities:** Economic instability in emerging markets could pose risks to global financial systems.
- **Public Health Risks:** The potential for new health crises could disrupt economic activity and strain resources.

## 1. GEOPOLITICAL TENSIONS

Geopolitical tensions, particularly between the United States and China, are expected to escalate in 2025. The rivalry over trade, technology, and military influence could lead to increased tariffs and trade barriers, disrupting global supply chains and economic stability. The potential for conflict over Taiwan and other territorial disputes adds to the uncertainty, as nations may be forced to choose sides, further complicating international relations (Bown, 2024; Holland & Knight, 2024).

## 2. PROTECTIONIST POLICIES

The incoming Trump administration is anticipated to implement significant protectionist policies, including tariffs on imports from Canada, China and Mexico. These measures aim to bolster domestic manufacturing but could lead to retaliatory tariffs from affected countries, exacerbating trade tensions. The potential for a trade war could disrupt global supply chains and increase costs for consumers and businesses alike

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(FreightWaves, 2024; EY, 2024). The implications of these tariffs may extend beyond immediate economic impacts, affecting long-term trade relationships and cooperation.

## 3. INFLATIONARY PRESSURES

Inflation is projected to remain a significant concern in 2025, driven by supply chain disruptions, rising commodity prices, and increased consumer demand. Central banks may face challenges in balancing inflation control with economic growth, leading to potential interest rate hikes. Higher borrowing costs could dampen consumer spending and business investment, impacting overall economic growth (International Monetary Fund, 2024; OECD, 2024). Businesses must prepare for the possibility of fluctuating prices and adjust their strategies accordingly.

## 4. SUPPLY CHAIN DISRUPTIONS

Supply chain disruptions are expected to persist into 2025, exacerbated by geopolitical tensions and the lingering effects of the COVID-19 pandemic. Companies may struggle with delays and increased costs, impacting their ability to meet consumer demand. Diversifying supply chains and investing in local production may become essential strategies for resilience (Seyfarth Shaw LLP, 2024; World Trade Organization, 2024). Businesses that fail to adapt may face significant challenges in maintaining competitiveness.

## 5. CYBERSECURITY THREATS

As businesses increasingly rely on digital infrastructure, the risk of cyberattacks grows. In 2025, the potential for significant data breaches and ransomware attacks could disrupt operations and lead to substantial financial losses. Companies must invest in robust cybersecurity measures to mitigate these risks and protect sensitive information (Baldwin, 2024; Krugman, 2024). The increasing sophistication of cyber threats necessitates a proactive approach to cybersecurity.

## 6. LABOR MARKET CHALLENGES

The labor market is likely to face challenges in 2025, including skills shortages and changing workforce dynamics. As industries evolve, the demand for skilled labor will increase, potentially leading to wage inflation. Companies may need to invest in training and development to attract and retain talent in a competitive labor market (European Commission, 2024; Financial Times, 2024). Failure to address these challenges could hinder productivity and growth.

## 7. CLIMATE CHANGE IMPACTS

Climate change poses a significant risk to the global economy, with potential disruptions to agriculture, infrastructure, and public health. Extreme weather events and shifting climate patterns could lead to food shortages and increased costs for businesses. Companies must prioritize sustainability and resilience to mitigate these risks (OECD, 2024; World Trade Organization, 2024). The transition to a low-carbon economy may also require significant investments and adaptations.



## 8. FINANCIAL MARKET VOLATILITY

Financial markets are expected to remain volatile in 2025, influenced by geopolitical tensions, inflation concerns, and central bank policies. Investors may react to changing economic conditions, leading to fluctuations in stock prices and increased uncertainty. Businesses should prepare for potential impacts on capital access and investment strategies (International Monetary Fund, 2024; EY, 2024). Understanding market dynamics will be crucial for navigating this volatility.

## 9. TECHNOLOGICAL DISRUPTION

The rapid advancement of artificial intelligence (AI) and automation presents both opportunities and risks. While these technologies can enhance productivity and efficiency, they may also displace jobs and alter market dynamics. In 2025, businesses must navigate the challenges of integrating AI while addressing potential workforce disruptions (Baldwin, 2024; Krugman, 2024). Companies that fail to adapt may struggle to remain competitive in an increasingly automated landscape.

## 10. REGULATORY CHANGES

Anticipated regulatory changes, particularly in the technology and finance sectors, could pose risks for businesses. Stricter regulations on data privacy, antitrust issues, and environmental standards may require companies to adapt quickly to remain compliant. Failure to navigate these changes could result in legal challenges and reputational damage (European Commission, 2024; Financial Times, 2024). Businesses must stay informed about regulatory developments to mitigate potential risks.

## 11. EMERGING MARKET VULNERABILITIES

Emerging markets may face heightened vulnerabilities in 2025, particularly as global interest rates rise. Countries with high levels of debt may struggle to service their obligations, leading to potential defaults and economic instability. Investors should be cautious when considering exposure to emerging markets amid these risks (International Monetary Fund, 2024; World Trade Organization, 2024). The interconnectedness of global markets means that instability in emerging economies could have ripple effects worldwide.

## 12. PUBLIC HEALTH RISKS

The ongoing threat of public health crises, such as pandemics, remains a critical risk for the global economy. In 2025, the potential for new outbreaks could disrupt economic activity and strain healthcare systems. Businesses must develop contingency plans to address potential disruptions and ensure employee safety (Seyfarth Shaw LLP, 2024; OECD, 2024). The lessons learned from the COVID-19 pandemic will be essential in preparing for future health crises.

## SUMMARY

The global economy in 2025 will be shaped by a complex interplay of risks, including geopolitical tensions, protectionist policies, inflationary pressures, and climate change impacts. Businesses and policymakers must remain vigilant and adaptable to navigate these challenges effectively. By understanding and preparing for these risks, stakeholders can better position themselves for success in an uncertain economic landscape.

## REFERENCES

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