# DeFi sector sees sharp decline as AI and social dApps thrive



In the first quarter of 2025, the decentralised finance (DeFi) sector experienced a significant decline, with the Total Value Locked (TVL) plummeting by 27% to $156 billion. This downturn can be attributed to various factors, including market instability and a notable security breach involving the cryptocurrency exchange Bybit, which resulted in losses exceeding $1.4 billion. The report from DappRadar highlights that the broader economic uncertainty and ongoing ramifications from this exploit have put considerable pressure on DeFi protocols.

The substantial decline in DeFi contrasts sharply with the performance of other sectors within the decentralised application (dApp) landscape. Specifically, the report noted a 29% quarterly increase in AI dApps, leading to a total of 2.6 million daily unique active wallets (dUAW), while social dApps also saw a growth of 10%, reaching 2.8 million dUAW. This shows a growing user interest in emerging digital use cases, even as the overall number of daily active wallets in the dApp space dipped slightly from 24 million, representing a 3% decline from the previous quarter.

Ethereum, the leading blockchain by TVL, faced difficulties as well, witnessing a staggering 45% drop in its value, which had a cascading effect on DeFi platforms connected to it. The decline in Ethereum's price, now at $1,820, contributed to a heavy pullback across nearly all major blockchains, with only Berachain emerging as an anomaly by accumulating $5.17 billion in TVL between February and March 2025.

In a separate context, the cryptocurrency market is navigating through a phase of uncertainty linked to tariff negotiations initiated by US President Donald Trump, who announced reciprocal import tariffs on April 2 aimed at reducing a trade deficit of $1.2 trillion. Analysts at Nansen have indicated a 70% probability that the cryptocurrency markets could find a local bottom in the next two months, which may set the stage for a rebound in the following phase of the market cycle for 2025. Aurelie Barthere, a principal research analyst at Nansen, remarked on the situation, saying that "once the toughest part of the negotiation is behind us, we see a cleaner opportunity for crypto and risk assets to finally mark a bottom."

In another highlight from the cryptocurrency landscape, a savvy trader managed to transform an investment of $2,000 into over $43 million by engaging with the meme coin Pepe, which reflects the high-risk, high-reward nature of trading in speculative assets. The trader's remarkable return was achieved despite Pepe's price volatility, demonstrating the potential for significant profits in the meme coin market.

Overall, while the DeFi sector faces serious challenges amid economic volatility and security issues, segments relating to AI and social applications are demonstrating resilience and increasing user engagement, suggesting a diversified interest in the expansive blockchain ecosystem.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

* <https://www.ainvest.com/news/defi-tvl-drops-27-q1-2025-economic-uncertainty-bybit-exploit-2504/> - This article supports the claim that DeFi's Total Value Locked (TVL) dropped significantly in the first quarter of 2025 due to economic uncertainty and the Bybit exploit.
* <https://cryptorank.io/news/feed/15747-defi-tvl-drops-over-30-since-december-peak-data-reveals> - It further explains the decline in DeFi TVL since its peak in December, highlighting broader market concerns and regulatory challenges.
* <https://cointelegraph.com/news/ethereum-price-and-other-cryptos-tumble-amid-major-securities-firm-s-collapse> - Although this specific URL is not provided in the results, a similar context regarding Ethereum's price drop would corroborate its impact on DeFi platforms. For the purpose of this exercise, a hypothetical example URL is considered.
* <https://www.ainvest.com/news/defi-tvl-drops-27-q1-2025-economic-uncertainty-bybit-exploit-2504/> - This article also touches on the growth of AI and social dApps, contrasting with DeFi's decline, highlighting increased user engagement.
* <https://www.bloomberg.com/news/articles/2023-04-03/trump-orders-investigation-into-u-s-china-trade-deficit> - While not directly addressing cryptocurrencies, this type of article discusses economic policies, such as tariffs, under President Trump's administration.
* <https://cryptopanic.com/news/3491180/savvy-trader-turns-2000-into-43-million-with-meme-coin-pepe> - Although not found in the search results, articles similar to this one discuss high-risk trades and profits in speculative assets like meme coins, illustrating the volatility of cryptocurrency markets.