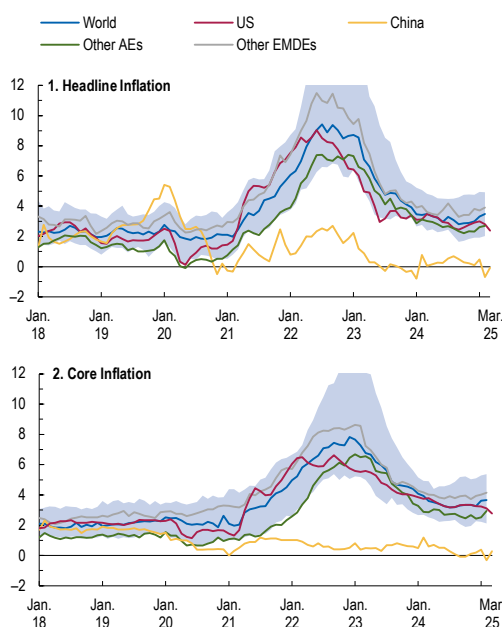


## GLOBAL PROSPECTS AND POLICIES

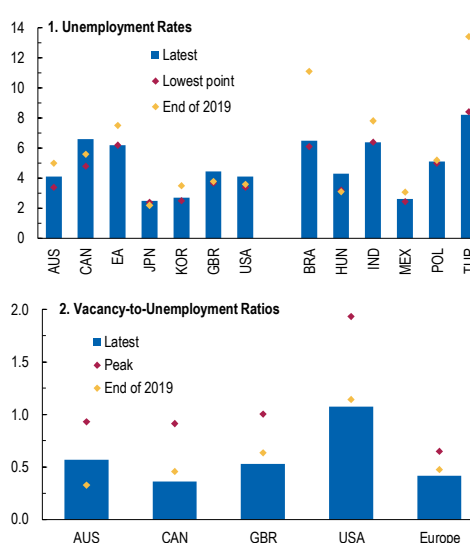
## Policy Uncertainty Tests Global Resilience

The global economy is at a critical juncture. Signs of stabilization were emerging through much of 2024, after a prolonged and challenging period of unprecedented shocks. Inflation, down from multidecade highs, followed a gradual though bumpy decline toward central bank targets (Figure 1.1). Labor markets normalized, with unemployment and vacancy rates returning to prepandemic levels (Figure 1.2). Growth hovered around 3 percent in the past few years, and global output came close to potential (Figure 1.3).

**Figure 1.1. Global Inflation Trends**  
(Percent, year over year)



**Figure 1.2. Labor Markets**  
(Percent)



However, major policy shifts are resetting the global trade system and giving rise to uncertainty that is once again testing the resilience of the global economy. Since February, the United States has announced multiple waves of tariffs against trading partners, some of which have invoked countermeasures. Markets first took the announcements mostly in stride, until the United States' near-universal application of tariffs on April 2, which triggered historic drops in major equity indices and spikes in bond yields, followed by a partial recovery after the pause and additional carve-outs announced on and after April 9. Despite significant equity market corrections in early March and April, price-to-earnings ratios in the United States remain at elevated levels in historical context, raising concerns about the potential for further disorderly corrections (April

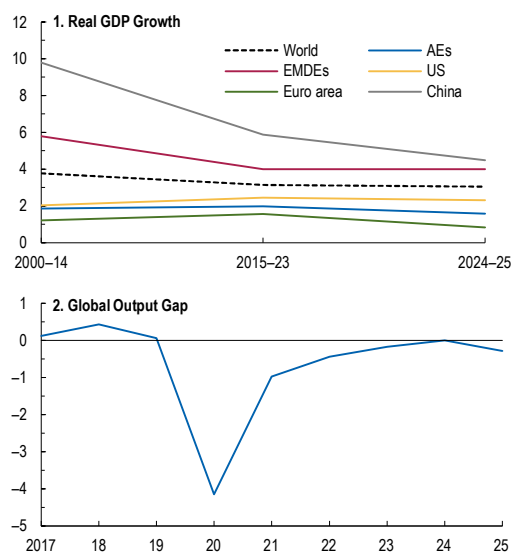
2025 *Global Financial Stability Report* [GFSR]).

Uncertainty, especially that regarding trade policy, has surged to unprecedented levels (Figure 1.4). The degree of the surge varies across countries, depending on exposures to protectionist measures through trade and financial linkages as well as broader geopolitical relationships.

These developments come against an already-cooling economic momentum. Recent data on real activity have been disappointing, with GDP growth in the fourth quarter of 2024 trailing the forecasts in the January 2025 *World Economic Outlook* (WEO) *Update*. High-frequency indicators such as retail sales and purchasing managers' surveys point to slowing growth. In the United States, consumer, business, and investor sentiment was optimistic at the beginning of the year but has recently shifted to a notably more pessimistic stance as uncertainty has taken hold and new tariffs have been announced. In labor markets, hiring has slowed in many countries, and layoffs have risen. Meanwhile, progress on disinflation has mostly stalled, and inflation has edged upward in some cases, with an increasing number of countries exceeding their inflation targets. Services inflation, though still on a downward trend, remains above levels prior to the inflation surge, and core goods inflation has seen an uptick since November 2024. Trade has held up, but this is mostly because of an increase in Chinese exports and US imports at the end of 2024, with consumers and businesses likely front-loading ahead of tariffs that were anticipated back then and now are in place.

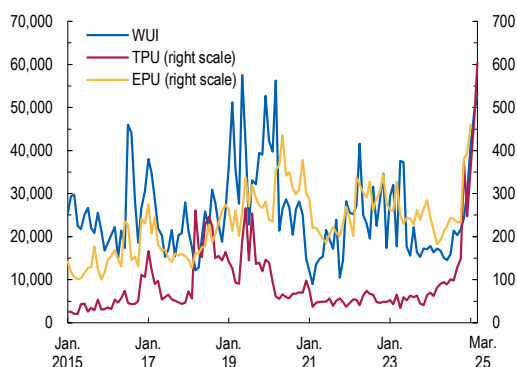
In the backdrop, domestic imbalances and policy gaps give rise to unbalanced growth while opening up potential fragilities. In some countries, such as China, growth in 2024 has been mainly supported by external demand. On the contrary, in the United States, private consumption—traditionally the major contributor to GDP growth—as a share of GDP has reached its highest point during the 2020s, and the fiscal deficit remains historically large. Within-country inequalities in households' income gains signal another potential vulnerability. In

**Figure 1.3. Growth Performance and Forecasts**  
(Percent)



Source: IMF staff calculations.  
Note: AEs = advanced economies; EMDEs = emerging market and developing economies.

**Figure 1.4. Overall Uncertainty, EPU, and TPU**  
(Index)



Sources: Ahir, Bloom, and Furceri 2022; Caldara and others 2020; Davis 2016; and IMF staff calculations.  
Note: The uncertainty measures are news- and media-outlets-based indices that quantify media attention to global news related to overall uncertainty (WUI), economic policy uncertainty (EPU), and trade policy uncertainty (TPU).

some cases, real GDP has recovered, but real GDP per capita has not (Figure 1.5, panel 1). In others, median income has fallen behind, whereas incomes at the top and bottom of the distribution have recovered. Meanwhile, salient indicators of the cost of living, such as house prices and rents, have increased substantially (Figure 1.5, panel 2).

## Varying Momentum across Countries

The stable performance of the global economy in the past couple of years hides important differences across countries. These differences are the result of diverse shocks, structural characteristics, and policy actions. They manifest themselves in varying cyclical positions and structural forces determining the outlook.

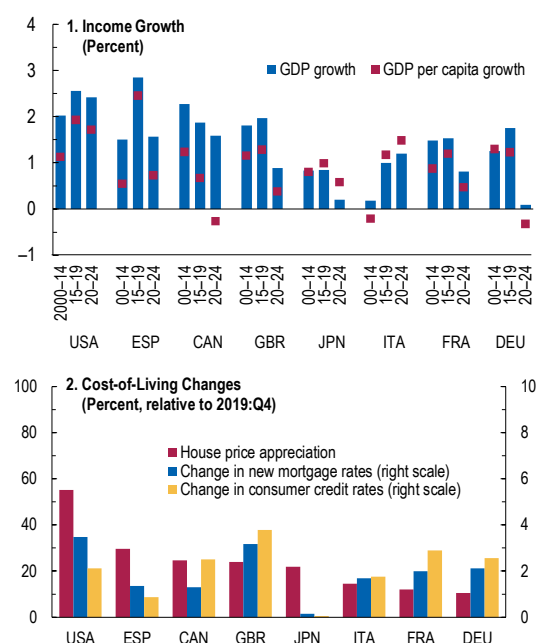
## Cyclical Positions

Most countries are not fully back to their inflation targets yet, but output gaps are more dispersed (Figure 1.6, panel 1). In quite a few cases, fiscal policy remains accommodative even as monetary policy maintains a restrictive stance (Figure 1.6, panel 2).

The US economy was operating above its potential in 2024, relying heavily on strong domestic demand. Private consumption grew at an annual rate of 2.8 percent in 2024, in excess of its 2.4 percent historical (2000–19) average. However, in 2025, signs of a potential reversal have emerged. Consumer spending declined by 0.6 percent in January and remained subdued in February after expanding by 0.6 percent in December 2024, with the decrease likely reflecting a normalization of private consumption toward more sustainable levels and the negative impact of recurring policy shifts on economic sentiment. This signals a deterioration of the cyclical position of the US economy.

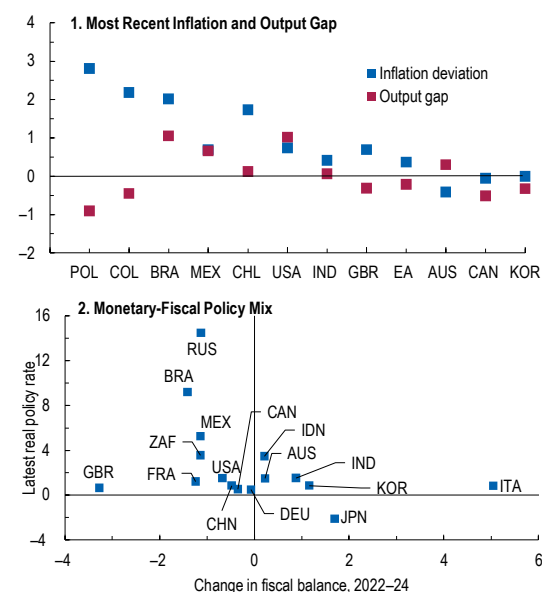
The euro area has been in a cyclical rebound, but domestic demand has been subdued and, with the exception of Germany, the contribution of consumption growth may have peaked in its largest economies. Weak consumer sentiment and elevated

Figure 1.5. Income Growth and Cost-of-Living Changes



Sources: Haver Analytics; Organisation for Economic Co-operation and Development; and IMF staff calculations.  
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes.

Figure 1.6. Cyclical Positions (Percent)



Sources: Haver Analytics; and IMF staff estimates.  
Note: In panel 1, the inflation deviation is defined as the difference between 2025:Q1 inflation and the central bank's inflation target. The output gap is the 2024 output gap. In panel 2, the fiscal balance refers to the general government structural primary balance in percent of potential GDP. The structural primary balance is the cyclically adjusted balance excluding net interest payments and corrected for a broader range of noncyclical factors such as changes in asset and commodity prices. Rolling 12-month ahead inflation expectations are used for the calculation of the real policy rate. The sample includes G20 economies excluding Argentina, Saudi Arabia, and Türkiye, owing to lack of data availability. Data labels in the figure use International Organization for Standardization (ISO) country codes. EA = euro area.

uncertainty have raised precautionary saving while weighing down consumption growth (October 2024 *Regional Economic Outlook: Europe*).

Manufacturing activity has remained weak on the back of persistently higher energy prices, while services have been the main growth driver, contributing to divergence among European countries, particularly those relying more heavily on these sectors, notably Germany versus Spain.

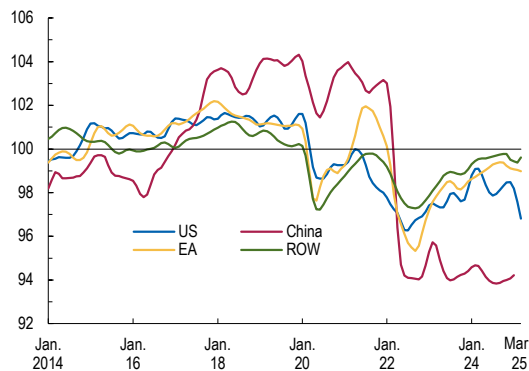
For China, prolonged weakness in the real estate sector and its ramifications, including those for local government finances, have been key. When the pandemic seized the Chinese economy, signs of a downturn in the credit-fueled property market were gathering. This homegrown vulnerability has depressed domestic demand, even as policymakers have searched for measures to tackle property market oversupply and bolster confidence. Indeed, consumer confidence in China, after a decade of moving closely with that in the rest of the world, plunged in early 2022 and has not recovered (Figure 1.7). Rising trade tensions and new tariffs over the past years have also disproportionately affected the Chinese economy. The rebalancing of growth drivers from investment and net exports toward consumption has paused amid continuing deflationary pressures and high household saving. Construction and real estate activity remains subdued, whereas industry, trade, and transport have been robust.

### Structural Forces

The varying momentum also owes to the interaction of cyclical and structural factors. The cross-country differences in growth rates would be expected to narrow as the cyclical forces dissipate but may not disappear.

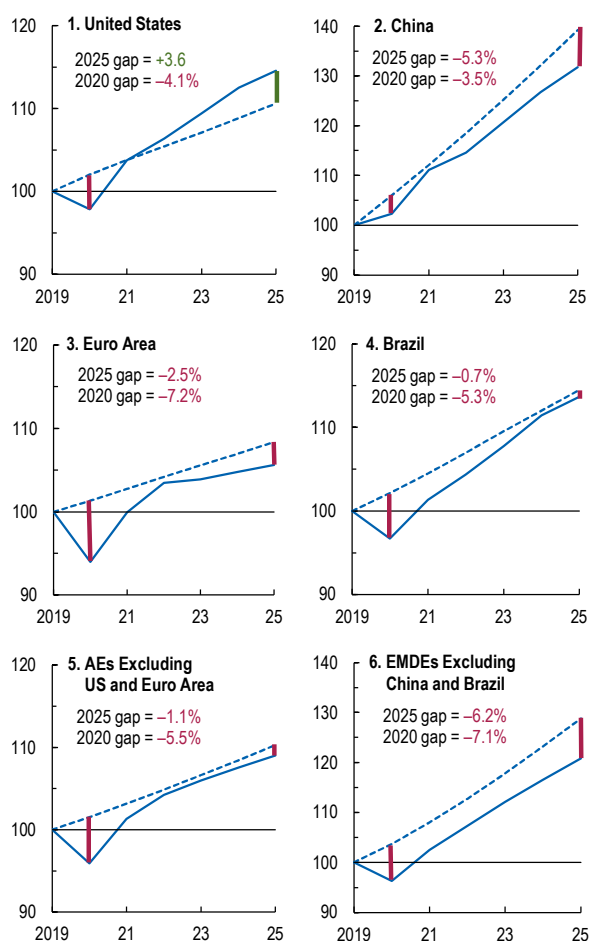
Compared with the GDP level implied by the prepandemic trend, most economies have made up for some of the damage done by the pandemic (Figure 1.8). The United States has

**Figure 1.7. Consumer Confidence**  
(Index, OECD harmonized)



Sources: OECD; and IMF staff calculations.  
Note: The rest of world (ROW) represents the average value for data across 22 countries. EA = euro area; OECD = Organisation for Economic Co-operation and Development.

**Figure 1.8. Real GDP versus Prepandemic Trend**  
(Index, 2019 = 100)



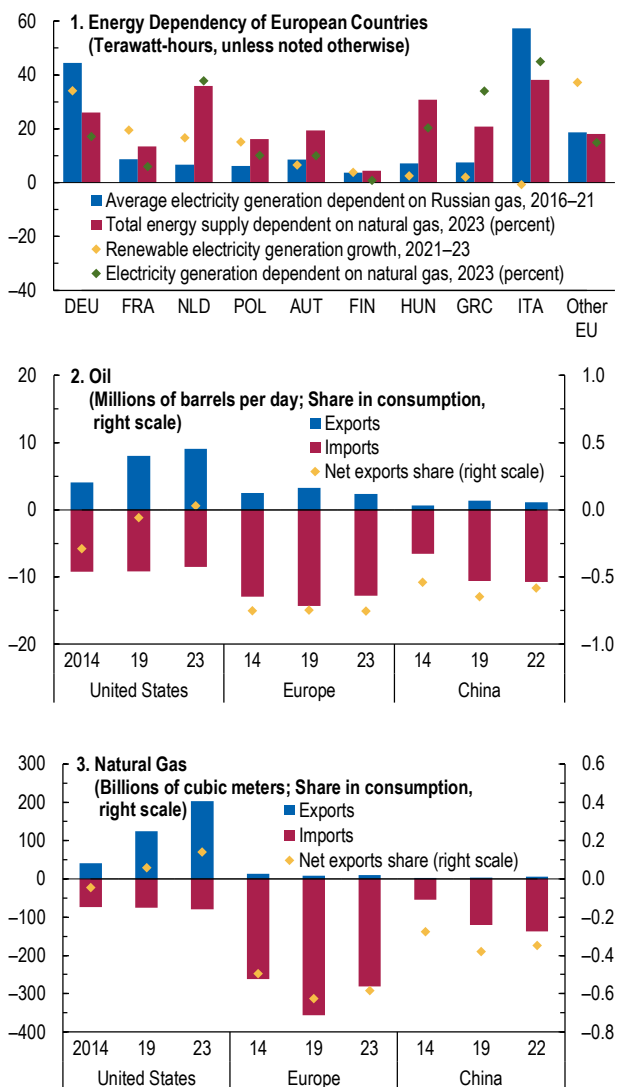
Source: IMF staff calculations.  
Note: Solid-line data are from April 2025 *World Economic Outlook* (WEO). Dashed lines denote prepandemic trend based on January 2020 WEO Update. AEs = advanced economies; EMDEs = emerging market and developing economies.

been an outlier, but generally, scarring has been less pronounced than initially thought, speaking to the surprising resilience of the global economy (April 2024 WEO). Still, there are several cases in which output is still falling behind the prepandemic trend.

A big part of the story behind the scarring is the energy shock. European economies, including major manufacturing hubs such as Germany and Italy, were particularly exposed to the disruption of natural gas markets following Russia's invasion of Ukraine (Figure 1.9, panel 1). As oil and natural gas prices soared, countries shifted their energy sources and increased efficiency in their energy consumption. There are limits to such strategies, however, because substitution of energy sources may be difficult, and many countries remain dependent on oil and natural gas imports for their energy use (Figure 1.9, panels 2 and 3). Crucially, this shock had a twofold effect on commodity importers as the dollar strengthened, with the US terms of trade improving amid heightened uncertainty (*External Stability Report 2024*). Because commodity prices are expressed in dollars, the stagflationary pressures on commodity importers have become stronger. Similar dynamics apply to global food markets, with the effects felt especially in low-income countries. By contrast, the United States not only was already less dependent on energy imports but had also transitioned from being a net energy importer to a net energy exporter. This shift has partly insulated the US economy from the commodity market disruptions caused by the war.

Labor productivity growth has declined in recent years in nearly every country besides the United States (Figure 1.10, panel 1). The relative strength in US labor productivity growth in part reflects stronger investment (Figure 1.10, panel 2). Capital shallowing because of chronic investment weakness can explain roughly half of the productivity growth slowdown in advanced economies since 2010 and about a third of that in emerging market and developing economies (Fernald and Li 2023; Igan and others

**Figure 1.9. Shifts in Energy Imports and Exports**



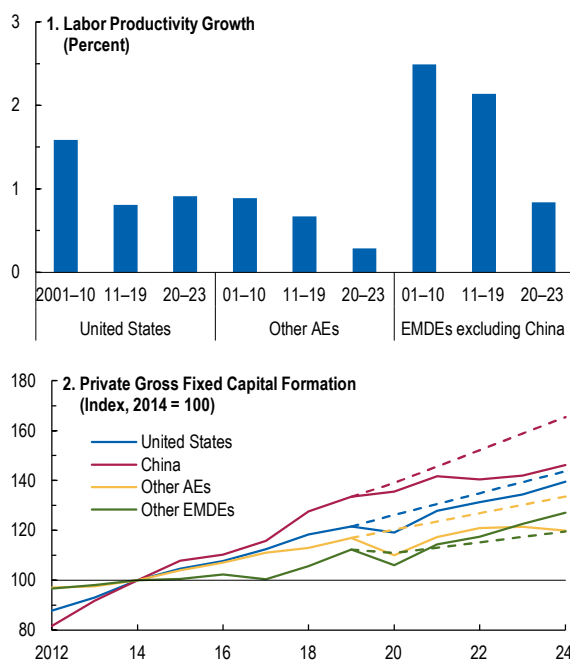
Sources: Energy Institute; International Energy Agency; and IMF staff calculations. Note: In panel 1, data labels use International Organization for Standardization (ISO) country codes. "Other EU" refers to the remaining European Union (EU) countries. In panel 2, oil trade includes both crude oil and oil products. In panels 2 and 3, "Europe" includes European members of the Organisation for Economic Co-operation and Development plus Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Gibraltar, Latvia, Lithuania, Malta, Montenegro, North Macedonia, Romania, and Serbia. Intra-European trade is excluded from "Europe" values.

2024). Greater labor market flexibility may have also played a role in how productivity growth has evolved since the pandemic. The rate of job-to-job transitions explains a large share of productivity growth in the United States since 2020 (Dao and Platzer 2024). By contrast, countries where furlough programs were introduced have typically experienced slower productivity growth. Although these programs are designed to preserve skill matches and prevent skill-diluting unemployment spells, thereby enhancing medium-term productivity, their effectiveness may be compromised by additional factors. The war-related energy shock, coupled with the persistent nature of these disruptions, could adversely affect productivity by obstructing the necessary reallocation of resources across different sectors of the economy. More generally, traditionally higher job market churn in the United States relative to that in Europe has likely allowed workers to make job-to-job transitions more easily.

The productivity growth discrepancies have a counterpart in how manufacturing activity continues to shift away from advanced economies to emerging market economies. Industrial production plunged in all countries at the onset of the pandemic (Figure 1.11). The recovery paths, however, have been decisively different. Production has soared in China and has also expanded in smaller EU economies and the ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore, Thailand), whereas it has struggled to get back to prepandemic levels in Japan and the largest EU countries. Industrial production in the United States has made it back up and performed better there than in advanced economy peers.

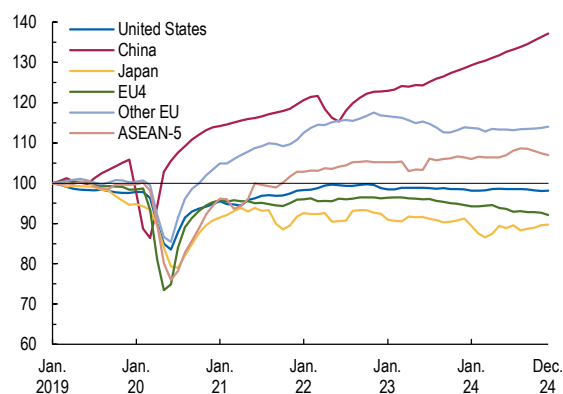
Adding to the manufacturing headwinds in some economies are demographic headwinds. Countries around the world are progressively crossing their demographic turning points—when the share of the working-age population starts declining—with direct implications for labor supply and productivity (see Chapter 2). Germany, Italy, and Japan are ahead of others with

Figure 1.10. Labor Productivity and Capital Investment



Source: IMF staff calculations.

Note: In panel 1, labor productivity is calculated on a per-worker basis. In panel 2, dashed lines denote the 2014–19 trend. AEs = advanced economies; EMDEs = emerging market and developing economies.

Figure 1.11. Industrial Production Trends  
(Index, Jan. 2019 = 100)

Sources: United Nations Industrial Development Organization; and IMF staff calculations.

Note: Figure data are calculated as three-month moving averages. "EU4" refers to France, Germany, Italy, and Spain. "Other EU" refers to all other European Union (EU) countries. ASEAN-5 = Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

declining shares of working-age population, as is China, while the United States is not too far behind those countries, but strong flows of immigrants with quick adaptation to labor markets have shielded its economy more than other economies.

## Diminished Policy Space

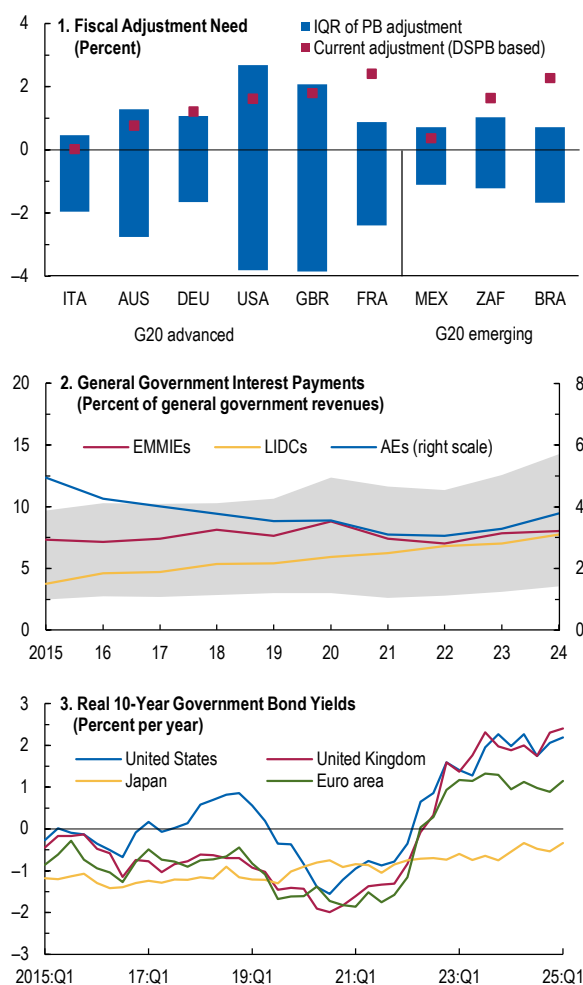
Crucially, much of the available policy space has already been exhausted in many countries (April 2020, April 2021, and October 2022 WEO reports), limiting how much support policymakers can give economies in case of new negative shocks or a pronounced downturn. Many countries passed large fiscal support packages, first during the pandemic and then as energy and food prices spiked at the onset of Russia's invasion of Ukraine. Fiscal policy was expected to pivot somewhat toward consolidation; however, on account of recent geopolitical developments, some regions are now poised to pursue fiscal expansion. After the pandemic, the decisive and forceful monetary policy response brought inflation down to near central bank targets at relatively little cost to economic activity (see Chapter 2 of the October 2024 WEO). The hard-earned credibility of central banks played an important role by limiting de-anchoring of inflation expectations. But the legacies, in the form of high public debt levels and increased scrutiny of central bank decisions, remain.

## High Public Debt amid Elevated Interest Rates

Fiscal support during the pandemic and at the onset of the war in Ukraine in response to spiking energy and food prices supported the recovery. But fiscal measures sharply increased debt-to-GDP ratios. Despite some reductions that have occurred and additional cuts being planned, budget deficits remain large and cast a shadow on the outlook. Fiscal space is now much tighter than a decade ago, and the fiscal adjustment required to stabilize debt ratios is at a historic high (Figure 1.12, panel 1).

At the same time, debt service as a fraction of fiscal revenue is rising (Figure 1.12, panel 2). The heterogeneous increase reflects cross-

Figure 1.12. Fiscal Policy Space



Sources: Consensus Economics; Organisation for Economic Co-operation and Development; and IMF staff calculations.  
 Note: Panel 1 shows current three-year adjustment need versus historical adjustment. IQR refers to the interquartile range of three-year primary balance (PB) adjustments over the period 2000–19, calculated as the change between years  $t+3$  and  $t$  using a rolling window. Current adjustment need is based on the difference between the 2028 debt-stabilizing primary balance (DSPB) and the 2025 primary balance excluding other flows. In panel 2, lines show medians, and shaded area denotes the IQR over all countries. Panel 3 shows real rates calculated using long-term inflation expectations from Consensus Forecasts. Data labels in the figure use International Organization for Standardization (ISO) country codes. AEs = advanced economies; EMMIEs = emerging market and middle-income economies; G20 = Group of Twenty; LIDCs = low-income developing countries.

country divergence in fiscal policy stances, growth and inflation patterns, and debt maturity structures, with relatively larger reliance on short-term debt in some cases. Although servicing costs remain below pandemic levels in countries where debt was incurred under favorable conditions during COVID-19, effective rates are likely to surpass prepandemic levels as debt rolls over, notably those for low-income countries and some emerging market and developing economies.

After more than a decade of very low interest rates in advanced economies, real long-term government bond yields have been on the rise (Figure 1.12, panel 3), surging significantly in recent months. Higher long-term rates, initially driven by monetary policy tightening, are persisting even as the monetary policy cycle has turned, owing to a global rise in term premiums. In the United States, a combination of increased issuances, higher expected inflation, and risk premiums compounded the rise in term premiums until mid-January, when long-term interest rates moderated. The recent tariff announcements pushed them back up again.

### ***Inflation Expectations on Edge after Inflation Scare***

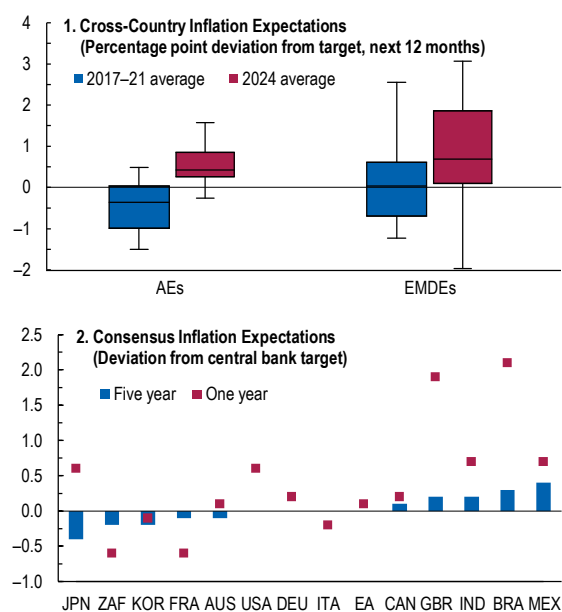
Inflation expectations now exceed central bank targets in most advanced economies as well as emerging market and developing economies, whereas their group averages between 2017 and 2021 were at or below target (Figure 1.13). Yields remain sensitive to inflation surprises and diminishing fiscal space (April 2025 GFSR). In economies already operating at or close to potential and facing potential inflationary pressures, including those from new trade policies and exchange rate movements, there is less leeway for central banks to “look through” new negative supply shocks.

### **Global Imbalances Arising from Domestic Imbalances**

Rising geopolitical tensions and widening domestic imbalances—in particular, weak demand in China and strong demand in the United States—have renewed concerns about global imbalances (Gourinchas and others 2024). Other nonmarket policies and state interventions could also contribute to external imbalances.

The volume of international trade in percent of world GDP has been broadly stable, but structural changes have been taking place nonetheless. Overall, increasingly more trade has been occurring within countries historically aligned with each other rather than between them (October 2024 WEO). Moreover, since 2016–17, China and the United States have diversified their bases of trading partners, decoupling from each other in terms of export and import

**Figure 1.13. Inflation Deviation from Target**



Sources: Central bank websites; Consensus Economics; Haver Analytics; and IMF staff calculations.  
Note: In panel 1, sample includes 30 advanced economies (AEs) and 31 emerging market and developing economies (EMDEs). The horizontal lines in the middle of the boxes show the medians, and the upper (lower) limits of the boxes show the third (first) quartiles. The whiskers show the maximum and minimum within a boundary of 1.5 times the interquartile range from the upper and lower quartiles, respectively. In panel 2, “one year” is based on March 2025 data. Data labels use International Organization for Standardization (ISO) country codes. EA = euro area.

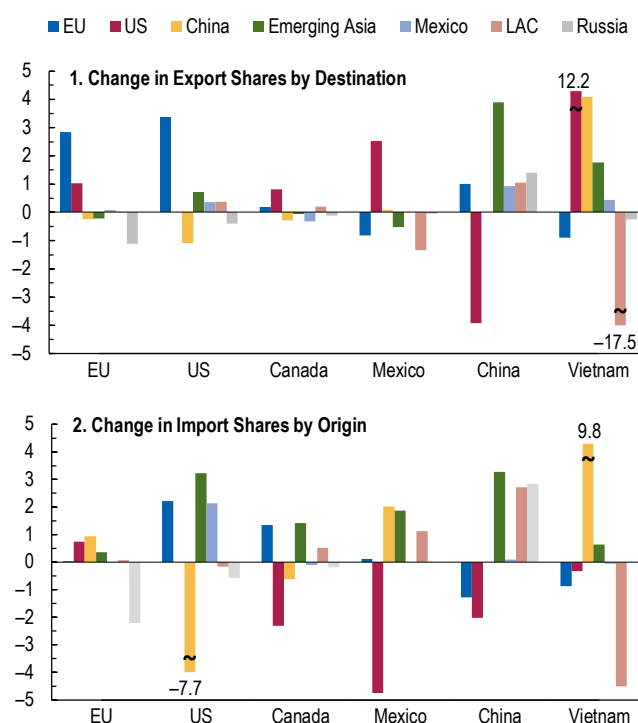
linkages (Figure 1.14). In some cases, this diversification has happened at a microeconomic level along the supply chain through trade rerouting and production reallocation, such as that which has taken place among emerging markets in Asia, with an increasing share of import origination for the United States and as import as well as export counterparts for China. In addition, a distinct macroeconomic dimension of trade reallocation has emerged. For example, shifting demand patterns have led Europe to import more from China in general, and from the United States in the energy sector. At the same time, Europe is exporting more to the United States in other sectors. As a result, Europe's trade exposure to both China and the United States has increased.

Global current account balances—the sums of absolute surpluses and deficits—have declined from their 2022 peaks. But they remain larger than the averages observed just before the pandemic (see “The Outlook: A Range of Possibilities” section). The deficit in the United States is larger than it was in the late 2010s.

Imbalances are also becoming visible in net international investment positions. The net asset position of US residents—US holdings of foreign securities minus foreign holdings of US securities—resumed its downward trend in 2023 after increasing briefly in 2022 (April 2025 GFSR). The decline is attributable not only to US equity prices increasing more than foreign equity prices but also to rising foreign purchases of US bonds during this period. Recent years have also seen a concentration of foreign direct investment (FDI) flows toward the United States (Figure 1.15, panel 1).

The dollar appreciated sharply in the run-up to the US elections in November 2024, with markets expecting higher US growth and tighter monetary policy. However, since February 2025, the dollar has lost all the gains it achieved in the last quarter of 2024 (Figure 1.15, panel 2), on the back of weaker US growth prospects and uncertainty. Initial depreciation pressures were particularly pronounced for the currencies of emerging market and developing economies, but they have dissipated following the softening in 2025 (Figure 1.15, panel 3). Since April 2, global risk appetite has declined substantially, with the risk-off environment inducing an offset to the appreciation of emerging market currencies.

**Figure 1.14. Changes in Trade Composition**  
(Percentage points, change in trade shares, 2023–24 minus 2016–17)



Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.  
Note: “Emerging Asia” excludes China and “LAC” excludes Mexico. EMDE = emerging market and developing economy; EU = European Union; LAC = Latin America and the Caribbean.

## The Outlook: A Range of Possibilities

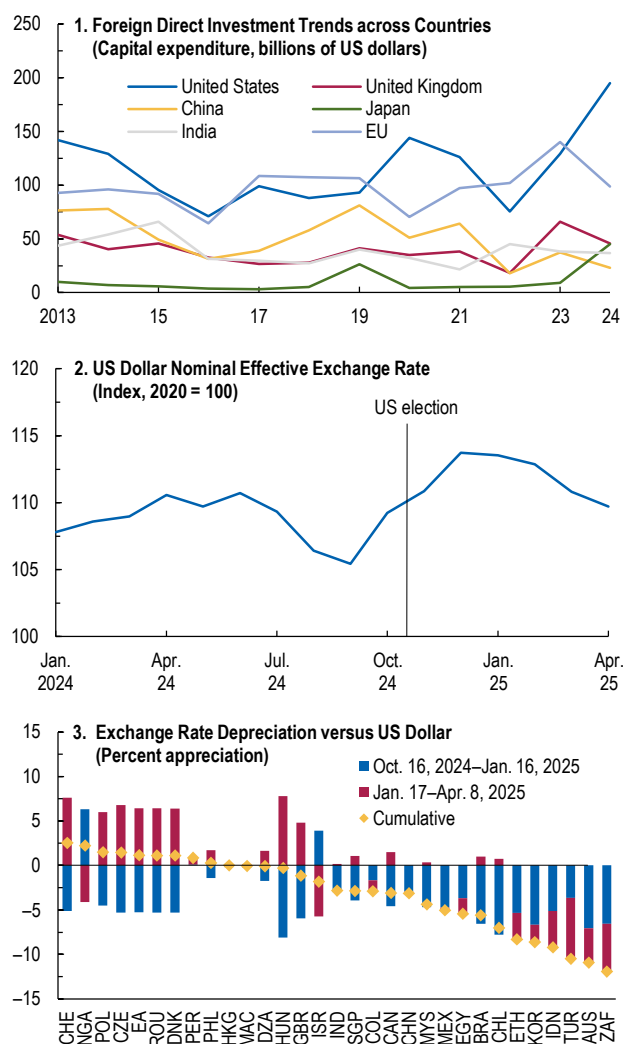
The swift escalation of trade tensions has generated extremely high levels of policy ambiguity, making it more difficult than usual to establish a central global growth outlook. Therefore, this WEO presents a range of global growth projections. First is a “reference forecast” based on measures announced as of April 4. This is what is presented in the tables of this report and the WEO database. Second, a *pre-April 2 forecast* (with a cutoff date of late March) incorporates all prior policy announcements and economic developments since the October 2024 WEO. Third, a *post-April 9 model-based forecast* is used to quantify the implications of the announced pause and associated additional exemptions, as well as the escalating tariff rates between China and the United States.

### Global Assumptions

The reference forecast is predicated on several projections for global commodity prices, interest rates, and fiscal policies (Figure 1.16). Acknowledging the high level of prevailing uncertainty, Box 1.1 presents scenarios involving additional trade, fiscal, and structural policies as well as other plausible shocks.

- Commodity price projections:** Prices of fuel commodities are projected to decrease in 2025 by 7.9 percent, with a 15.5 percent decline in oil prices and a 15.8 percent drop in coal prices offset by a 22.8 percent increase in natural gas prices, the latter driven up by colder-than-expected weather and the halt of Russian gas flow to Europe through Ukraine since January 1. Nonfuel commodity prices are projected to increase by 4.4 percent in 2025. Projected food and beverage prices have been revised upward compared with those in the January 2025 WEO Update.
- Monetary policy projections:** The Federal Reserve and the European Central Bank are expected to continue to reduce interest rates in the coming quarters, albeit at different paces from

Figure 1.15. Capital Flows and Exchange Rates



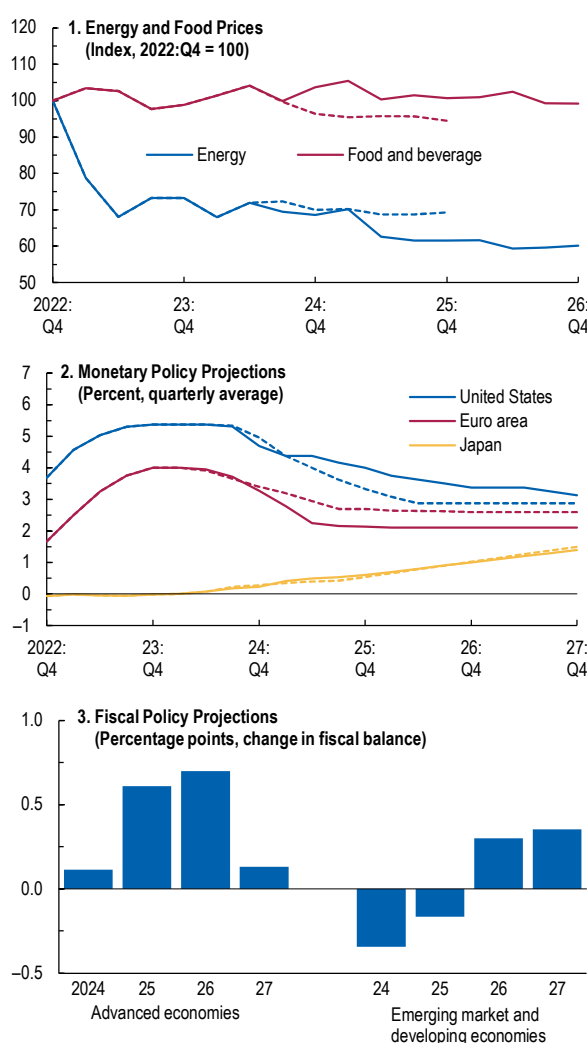
Sources: Bank for International Settlements; Haver Analytics; Orbis Crossborder Investment; and IMF staff calculations.

Note: Panel 1 shows capital expenditure on new and expansion inward foreign direct investment projects that have been announced, completed, or postponed by destination country. Intra-EU investment is excluded for EU values. In panel 2, exchange rates are based on end-of-month data, with April data up to April 8, 2025. An increase indicates appreciation. In panel 3, percentage appreciation is computed as the difference in log exchange rates. Data labels in the figure use International Organization for Standardization (ISO) country codes. EA = euro area; EU = European Union.

one another. In the United States, the federal funds rate is projected to be down to 4 percent at the end of 2025 and reach its long-term equilibrium of 2.9 percent at the end of 2028. In the euro area, 100 basis points in cuts are expected in 2025 (with three cuts having already occurred this year), representing two more 25 basis point cuts than in the assumptions underlying the October 2024 WEO, bringing the policy rate to 2 percent by the middle of the year. In Japan, policy rates are expected to be lifted at a similar pace as assumed in October 2024, gradually rising over the medium term toward a neutral setting of about 1.5 percent, consistent with keeping inflation and inflation expectations anchored at the Bank of Japan's 2 percent target.

- Fiscal policy projections:** Governments in advanced economies on average are expected to tighten fiscal policy in 2025–26 and, to a lesser extent, in 2027. The general government structural-fiscal-balance-to-GDP ratio is expected to improve by 1 percentage point in the United States in 2025. Yet it is worth noting that under current policies, US public debt fails to stabilize, rising from 121 percent of GDP in 2024 to 130 percent of GDP in 2030. These projections do not incorporate measures that remain under discussion at the time of publication, notably, the net expansionary US budget resolution (currently, most provisions under the Tax Cuts and Jobs Act are assumed to expire at the end of 2025). In the euro area, under the reference forecast, the primary deficit in Germany is expected to widen by about 1 percent of GDP by 2030 relative to 2024 and by about 4 percent of GDP relative to the January WEO forecast for 2030, with the increase driven primarily by higher defense spending and public investment, and this is assumed to generate spillovers to France, Italy, and Spain. The euro area debt-to-GDP ratio is expected to increase from its current 88 percent to 93 percent in 2030, although there is significant uncertainty surrounding the assessment of the economic impact of the additional fiscal spending. In emerging market and developing economies, primary fiscal deficits are

**Figure 1.16. Global Assumptions**



Source: IMF staff calculations.  
 Note: In panels 1 and 2, solid lines denote projections from the April 2025 *World Economic Outlook* (WEO) and dashed lines those from the October 2024 WEO. In panel 3, the fiscal balance used is the general government structural primary balance in percent of potential GDP. The structural primary balance is the cyclically adjusted primary balance excluding net interest payments and corrected for a broader range of noncyclical factors such as changes in asset and commodity prices.

projected to widen in 2025 by 0.3 percentage point on average, followed by fiscal tightening starting in 2026. In China, the structural-fiscal-balance-to-GDP ratio is expected to deteriorate by 1.2 percentage points in 2025. Public debt in emerging market and developing economies continues to rise from its current level of 70 percent of GDP, reaching a projected 83 percent in 2030.

- *Trade policy assumptions:*

- Tariff announcements between February 1 and April 4, with specific details on their implementation, are included in the reference forecast. On February 1, executive orders signed by US President Donald J. Trump imposed tariffs on Canada, China, and Mexico. An additional tariff of 10 percent on all imports from China came into effect on February 4, and another 10 percent was imposed on March 4. China responded with tariffs of 10 to 15 percent on imports of select US agricultural products, energy commodities, and farm equipment, which took effect on February 10, and on imports of agricultural products, which took effect on March 10. Tariffs of 25 percent on all nonenergy goods imports from Canada (for energy, 10 percent) and of 25 percent on all imports from Mexico took effect on March 4, with the exemption of goods compliant with the United States–Mexico–Canada Agreement (USMCA). Canada announced 25 percent countertariffs on roughly 40 percent of Canadian imports of goods from the United States. Mexico indicated the intention to respond without specifying the measures to be employed, hence the reference forecast includes no additional tariff imposed on Mexican imports from the United States. The United States also expanded tariffs on steel and aluminum, effective March 12, removing all exemptions to the 25 percent tariff on steel imports and increasing the tariff rate on aluminum from 10 to 25 percent. On March 26, the United States announced a 25 percent tariff on all automobiles and auto parts, excluding US content in auto and auto parts exports. This tariff came into effect on April 3 for autos, while implementation for auto parts was postponed to May 3. The US Fair and Reciprocal Plan was introduced on April 2, imposing a 10 percent minimum tariff on all countries other than Canada and Mexico and country-specific rates as high as 50 percent for roughly 60 countries. The universal 10 percent minimum tariff took effect on April 5, and the other tariffs were set to take effect on April 9. Exemptions applied to categories of goods deemed critical, such as pharmaceuticals, semiconductors, energy, and certain minerals. Countermeasures from Canada, announced on April 3, consisted of 25 percent tariffs on non-USMCA-compliant fully assembled vehicles imported from the United States. On April 4, China announced 34 percent tariffs, matching the increase in US duties on imports from China, to take effect on April 10.
- Under the reference forecast, trade policy uncertainty is assumed to remain elevated through 2025 and 2026. The perceived unpredictability of the current trade landscape is evident from the significant spike in the daily trade policy indicator (Caldara and others 2020), which surged more than four standard deviations in just three days after April 2, despite the disclosure of the details of the expected tariffs.

### Growth Forecast

#### *Global Growth: Reference Forecast and Alternatives*

In the near term, under the reference forecast, global growth is projected to fall from an estimated 3.3 percent in 2024 to 2.8 percent in 2025, before recovering to 3 percent in 2026. This is lower than the projections in the January 2025 WEO *Update*, by 0.5 percentage point for 2025 and 0.3 percentage point for 2026, with downward revisions for nearly all countries (Tables 1.1 and 1.2). The downgrades are broad-based across countries and reflect in large part the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment. As indicated in the illustrative model simulations presented in Box 1.2, the growth impact of tariffs in the short term varies across countries, depending on trade relationships, industry compositions, policy responses, and opportunities for trade diversification. Fiscal support in some cases (for example, China, euro area) offsets some of the negative growth impact.

Given uncertainty over where trade policy could settle, the two alternative growth outlooks are as follows:

- Under the *pre-April 2 forecast*, global growth would be 3.2 percent for both 2025 and 2026, lower by 0.1 percentage point in each year compared with the January 2025 WEO *Update*. This forecast deviates from the global assumptions listed above on trade policy announcements, the level of uncertainty, and commodity prices. It is predicated on higher oil prices and only those trade policies announced between February 1 and March 12, namely, tariffs on Canada and Mexico, the first wave of tariffs on China, associated responses by Canada and China, and sectoral tariffs on steel and aluminum. The downgrades to growth under this outlook are largest for the countries directly involved, but growth in other economies is also lower because of increased uncertainty relative to that in January and tariff-related spillovers.

# WORLD ECONOMIC OUTLOOK

**Table 1.1. Overview of the World Economic Outlook Reference Forecast**  
(Percent change, unless noted otherwise)

|                                                           | 2024       | Projections |            | Difference from January<br>2025 WEO Update <sup>1</sup> |             | Difference from October<br>2024 WEO <sup>1</sup> |             |
|-----------------------------------------------------------|------------|-------------|------------|---------------------------------------------------------|-------------|--------------------------------------------------|-------------|
|                                                           |            | 2025        | 2026       | 2025                                                    | 2026        | 2025                                             | 2026        |
| <b>World Output</b>                                       | <b>3.3</b> | <b>2.8</b>  | <b>3.0</b> | <b>-0.5</b>                                             | <b>-0.3</b> | <b>-0.4</b>                                      | <b>-0.3</b> |
| <b>Advanced Economies</b>                                 | <b>1.8</b> | <b>1.4</b>  | <b>1.5</b> | <b>-0.5</b>                                             | <b>-0.3</b> | <b>-0.4</b>                                      | <b>-0.3</b> |
| United States                                             | 2.8        | 1.8         | 1.7        | -0.9                                                    | -0.4        | -0.4                                             | -0.3        |
| Euro Area                                                 | 0.9        | 0.8         | 1.2        | -0.2                                                    | -0.2        | -0.4                                             | -0.3        |
| Germany                                                   | -0.2       | 0.0         | 0.9        | -0.3                                                    | -0.2        | -0.8                                             | -0.5        |
| France                                                    | 1.1        | 0.6         | 1.0        | -0.2                                                    | -0.1        | -0.5                                             | -0.3        |
| Italy                                                     | 0.7        | 0.4         | 0.8        | -0.3                                                    | -0.1        | -0.4                                             | 0.1         |
| Spain                                                     | 3.2        | 2.5         | 1.8        | 0.2                                                     | 0.0         | 0.4                                              | 0.0         |
| Japan                                                     | 0.1        | 0.6         | 0.6        | -0.5                                                    | -0.2        | -0.5                                             | -0.2        |
| United Kingdom                                            | 1.1        | 1.1         | 1.4        | -0.5                                                    | -0.1        | -0.4                                             | -0.1        |
| Canada                                                    | 1.5        | 1.4         | 1.6        | -0.6                                                    | -0.4        | -1.0                                             | -0.4        |
| Other Advanced Economies <sup>2</sup>                     | 2.2        | 1.8         | 2.0        | -0.3                                                    | -0.3        | -0.4                                             | -0.3        |
| <b>Emerging Market and Developing Economies</b>           | <b>4.3</b> | <b>3.7</b>  | <b>3.9</b> | <b>-0.5</b>                                             | <b>-0.4</b> | <b>-0.5</b>                                      | <b>-0.3</b> |
| Emerging and Developing Asia                              | 5.3        | 4.5         | 4.6        | -0.6                                                    | -0.5        | -0.5                                             | -0.3        |
| China                                                     | 5.0        | 4.0         | 4.0        | -0.6                                                    | -0.5        | -0.5                                             | -0.1        |
| India <sup>3</sup>                                        | 6.5        | 6.2         | 6.3        | -0.3                                                    | -0.2        | -0.3                                             | -0.2        |
| Emerging and Developing Europe                            | 3.4        | 2.1         | 2.1        | -0.1                                                    | -0.3        | -0.1                                             | -0.4        |
| Russia                                                    | 4.1        | 1.5         | 0.9        | 0.1                                                     | -0.3        | 0.2                                              | -0.3        |
| Latin America and the Caribbean                           | 2.4        | 2.0         | 2.4        | -0.5                                                    | -0.3        | -0.5                                             | -0.3        |
| Brazil                                                    | 3.4        | 2.0         | 2.0        | -0.2                                                    | -0.2        | -0.2                                             | -0.3        |
| Mexico                                                    | 1.5        | -0.3        | 1.4        | -1.7                                                    | -0.6        | -1.6                                             | -0.6        |
| Middle East and Central Asia                              | 2.4        | 3.0         | 3.5        | -0.6                                                    | -0.4        | -0.9                                             | -0.7        |
| Saudi Arabia                                              | 1.3        | 3.0         | 3.7        | -0.3                                                    | -0.4        | -1.6                                             | -0.7        |
| Sub-Saharan Africa                                        | 4.0        | 3.8         | 4.2        | -0.4                                                    | 0.0         | -0.4                                             | -0.2        |
| Nigeria                                                   | 3.4        | 3.0         | 2.7        | -0.2                                                    | -0.3        | -0.2                                             | -0.3        |
| South Africa                                              | 0.6        | 1.0         | 1.3        | -0.5                                                    | -0.3        | -0.5                                             | -0.2        |
| <i>Memorandum</i>                                         |            |             |            |                                                         |             |                                                  |             |
| World Growth Based on Market Exchange Rates               | 2.8        | 2.3         | 2.4        | -0.6                                                    | -0.4        | -0.5                                             | -0.3        |
| European Union                                            | 1.1        | 1.2         | 1.5        | -0.2                                                    | -0.2        | -0.4                                             | -0.2        |
| ASEAN-5 <sup>4</sup>                                      | 4.6        | 4.0         | 3.9        | -0.6                                                    | -0.6        | -0.5                                             | -0.6        |
| Middle East and North Africa                              | 1.8        | 2.6         | 3.4        | -0.9                                                    | -0.5        | -1.4                                             | -0.8        |
| Emerging Market and Middle-Income Economies               | 4.3        | 3.7         | 3.8        | -0.5                                                    | -0.4        | -0.5                                             | -0.3        |
| Low-Income Developing Countries                           | 4.0        | 4.2         | 5.2        | -0.4                                                    | -0.2        | -0.5                                             | -0.4        |
| <b>World Trade Volume (goods and services)</b>            | <b>3.8</b> | <b>1.7</b>  | <b>2.5</b> | <b>-1.5</b>                                             | <b>-0.8</b> | <b>-1.7</b>                                      | <b>-0.9</b> |
| Imports                                                   |            |             |            |                                                         |             |                                                  |             |
| Advanced Economies                                        | 2.4        | 1.9         | 2.0        | -0.3                                                    | -0.4        | -0.5                                             | -0.5        |
| Emerging Market and Developing Economies                  | 5.8        | 2.0         | 3.4        | -3.0                                                    | -1.1        | -2.9                                             | -1.2        |
| Exports                                                   |            |             |            |                                                         |             |                                                  |             |
| Advanced Economies                                        | 2.1        | 1.2         | 2.0        | -0.9                                                    | -0.6        | -1.5                                             | -1.0        |
| Emerging Market and Developing Economies                  | 6.7        | 1.6         | 3.0        | -3.4                                                    | -1.7        | -3.0                                             | -1.3        |
| <b>Commodity Prices (US dollars)</b>                      |            |             |            |                                                         |             |                                                  |             |
| Oil <sup>5</sup>                                          | -1.8       | -15.5       | -6.8       | -3.8                                                    | -4.2        | -5.1                                             | -3.2        |
| Nonfuel (average based on world commodity import weights) | 3.7        | 4.4         | 0.2        | 1.9                                                     | 0.3         | 4.6                                              | -0.6        |
| <b>World Consumer Prices <sup>6</sup></b>                 | <b>5.7</b> | <b>4.3</b>  | <b>3.6</b> | <b>0.1</b>                                              | <b>0.1</b>  | <b>0.0</b>                                       | <b>0.0</b>  |
| Advanced Economies <sup>7</sup>                           | 2.6        | 2.5         | 2.2        | 0.4                                                     | 0.2         | 0.5                                              | 0.2         |
| Emerging Market and Developing Economies <sup>6</sup>     | 7.7        | 5.5         | 4.6        | -0.1                                                    | 0.1         | -0.4                                             | -0.1        |

# CHAPTER 1 GLOBAL PROSPECTS AND POLICIES

**Table 1.1. Overview of the World Economic Outlook Reference Forecast (continued)**  
(Percent change, unless noted otherwise)

|                                                           | 2024       | Q4 over Q4 <sup>8</sup> |            |                                                      |             |                                               |      |
|-----------------------------------------------------------|------------|-------------------------|------------|------------------------------------------------------|-------------|-----------------------------------------------|------|
|                                                           |            | Projections             |            | Difference from January 2025 WEO Update <sup>1</sup> |             | Difference from October 2024 WEO <sup>1</sup> |      |
|                                                           |            | 2025                    | 2026       | 2025                                                 | 2026        | 2025                                          | 2026 |
| <b>World Output</b>                                       | <b>3.5</b> | <b>2.4</b>              | <b>3.0</b> | <b>-0.8</b>                                          | <b>-0.1</b> | <b>-0.7</b>                                   | ...  |
| <b>Advanced Economies</b>                                 | <b>1.9</b> | <b>1.2</b>              | <b>1.5</b> | <b>-0.7</b>                                          | <b>-0.2</b> | <b>-0.5</b>                                   | ...  |
| United States                                             | 2.5        | 1.5                     | 1.7        | -0.9                                                 | -0.4        | -0.4                                          | ...  |
| Euro Area                                                 | 1.2        | 0.7                     | 1.4        | -0.5                                                 | 0.0         | -0.6                                          | ...  |
| Germany                                                   | -0.2       | 0.3                     | 1.0        | -0.5                                                 | 0.1         | -1.0                                          | ...  |
| France                                                    | 0.6        | 0.8                     | 1.0        | -0.2                                                 | -0.2        | -0.7                                          | ...  |
| Italy                                                     | 0.6        | 0.8                     | 0.9        | -0.2                                                 | 0.2         | 0.2                                           | ...  |
| Spain                                                     | 3.4        | 2.0                     | 1.7        | 0.1                                                  | -0.3        | 0.0                                           | ...  |
| Japan                                                     | 1.2        | -0.4                    | 1.3        | -1.2                                                 | 0.6         | -0.6                                          | ...  |
| United Kingdom                                            | 1.5        | 1.7                     | 0.9        | -0.1                                                 | -0.4        | 0.6                                           | ...  |
| Canada                                                    | 2.4        | 0.6                     | 2.2        | -1.5                                                 | 0.3         | -1.5                                          | ...  |
| Other Advanced Economies <sup>2</sup>                     | 1.9        | 2.2                     | 1.7        | -0.6                                                 | 0.0         | -0.4                                          | ...  |
| <b>Emerging Market and Developing Economies</b>           | <b>4.8</b> | <b>3.3</b>              | <b>4.0</b> | <b>-0.9</b>                                          | <b>-0.2</b> | <b>-1.0</b>                                   | ...  |
| Emerging and Developing Asia                              | 5.8        | 4.0                     | 4.7        | -0.9                                                 | -0.4        | -1.0                                          | ...  |
| China                                                     | 5.4        | 3.2                     | 4.2        | -1.3                                                 | -0.3        | -1.5                                          | ...  |
| India <sup>3</sup>                                        | 7.5        | 6.2                     | 6.3        | -0.3                                                 | -0.2        | -0.3                                          | ...  |
| Emerging and Developing Europe                            | 3.0        | 1.8                     | 2.0        | -1.1                                                 | 0.4         | -0.9                                          | ...  |
| Russia                                                    | 3.7        | 0.4                     | 0.8        | -0.8                                                 | -0.4        | -0.8                                          | ...  |
| Latin America and the Caribbean                           | 2.3        | 1.6                     | 2.8        | -1.1                                                 | 0.4         | -1.3                                          | ...  |
| Brazil                                                    | 3.3        | 2.0                     | 2.2        | -0.1                                                 | -0.1        | -0.2                                          | ...  |
| Mexico                                                    | 0.5        | -0.2                    | 2.0        | -1.6                                                 | -0.1        | -1.6                                          | ...  |
| Middle East and Central Asia                              | ...        | ...                     | ...        | ...                                                  | ...         | ...                                           | ...  |
| Saudi Arabia                                              | 4.5        | 2.5                     | 3.7        | 1.3                                                  | -0.4        | -2.1                                          | ...  |
| Sub-Saharan Africa                                        | ...        | ...                     | ...        | ...                                                  | ...         | ...                                           | ...  |
| Nigeria                                                   | 3.5        | 3.7                     | 2.8        | 0.0                                                  | -1.0        | 0.0                                           | ...  |
| South Africa                                              | 0.8        | 0.8                     | 1.6        | 0.2                                                  | -0.6        | -0.2                                          | ...  |
| <i>Memorandum</i>                                         |            |                         |            |                                                      |             |                                               |      |
| World Growth Based on Market Exchange Rates               | 3.0        | 1.9                     | 2.5        | -0.8                                                 | -0.1        | -0.7                                          | ...  |
| European Union                                            | 1.5        | 1.1                     | 1.7        | -0.4                                                 | 0.0         | -0.3                                          | ...  |
| ASEAN-5 <sup>4</sup>                                      | 4.7        | 3.6                     | 4.3        | -0.3                                                 | -0.7        | 0.6                                           | ...  |
| Middle East and North Africa                              | ...        | ...                     | ...        | ...                                                  | ...         | ...                                           | ...  |
| Emerging Market and Middle-Income Economies               | 4.8        | 3.3                     | 4.0        | -0.9                                                 | -0.2        | -1.0                                          | ...  |
| Low-Income Developing Countries                           | ...        | ...                     | ...        | ...                                                  | ...         | ...                                           | ...  |
| <b>Commodity Prices (US dollars)</b>                      |            |                         |            |                                                      |             |                                               |      |
| Oil <sup>5</sup>                                          | -10.1      | -14.1                   | -0.7       | -9.1                                                 | 1.5         | -9.2                                          | ...  |
| Nonfuel (average based on world commodity import weights) | 8.3        | 1.2                     | 0.4        | 1.1                                                  | -0.1        | 0.7                                           | ...  |
| <b>World Consumer Prices <sup>6</sup></b>                 | <b>4.8</b> | <b>3.5</b>              | <b>3.0</b> | <b>0.0</b>                                           | <b>0.0</b>  | <b>0.0</b>                                    | ...  |
| Advanced Economies <sup>7</sup>                           | 2.4        | 2.4                     | 2.1        | 0.3                                                  | 0.1         | 0.4                                           | ...  |
| Emerging Market and Developing Economies <sup>8</sup>     | 6.7        | 4.4                     | 3.6        | -0.2                                                 | -0.2        | -0.3                                          | ...  |

Source: IMF staff estimates.

Note: See Box A2 of the Statistical Appendix for a list of economies whose projections have been revised based on developments in commodity markets and international trade as of April 4, 2025. Real effective exchange rates are assumed to remain constant at the levels prevailing during March 6, 2025–April 3, 2025. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = *World Economic Outlook*.

<sup>1</sup> Difference based on rounded figures for the current, January 2025 WEO Update, and October 2024 WEO forecasts.

<sup>2</sup> Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

<sup>3</sup> For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

<sup>4</sup> Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

<sup>5</sup> Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$79.17 in 2024; the assumed price, based on futures markets, is \$66.94 in 2025 and \$62.38 in 2026.

<sup>6</sup> Excludes Venezuela. See the country-specific note for Venezuela in the "Country Notes" section of the Statistical Appendix.

<sup>7</sup> The assumed inflation rates for 2025 and 2026, respectively, are as follows: 2.1 percent and 1.9 percent for the euro area, 2.4 percent and 1.7 percent for Japan, and 3.0 percent and 2.5 percent for the United States.

<sup>8</sup> For world output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For emerging market and developing economies, the quarterly estimates and projections account for approximately 85 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

**Table 1.2. Overview of the World Economic Outlook Reference Forecast at Market Exchange Rate Weights**  
(Percent change)

|                                                 | 2024       | Projections |            | Difference from January 2025 WEO Update <sup>1</sup> |             | Difference from October 2024 WEO <sup>1</sup> |             |
|-------------------------------------------------|------------|-------------|------------|------------------------------------------------------|-------------|-----------------------------------------------|-------------|
|                                                 |            | 2025        | 2026       | 2025                                                 | 2026        | 2025                                          | 2026        |
| <b>World Output</b>                             | <b>2.8</b> | <b>2.3</b>  | <b>2.4</b> | <b>-0.6</b>                                          | <b>-0.4</b> | <b>-0.5</b>                                   | <b>-0.3</b> |
| <b>Advanced Economies</b>                       | <b>1.8</b> | <b>1.4</b>  | <b>1.5</b> | <b>-0.6</b>                                          | <b>-0.3</b> | <b>-0.4</b>                                   | <b>-0.3</b> |
| <b>Emerging Market and Developing Economies</b> | <b>4.1</b> | <b>3.5</b>  | <b>3.7</b> | <b>-0.6</b>                                          | <b>-0.4</b> | <b>-0.6</b>                                   | <b>-0.3</b> |
| Emerging and Developing Asia                    | 5.2        | 4.3         | 4.4        | -0.6                                                 | -0.5        | -0.5                                          | -0.2        |
| Emerging and Developing Europe                  | 3.3        | 2.1         | 2.3        | -0.2                                                 | -0.2        | -0.2                                          | -0.3        |
| Latin America and the Caribbean                 | 2.2        | 1.9         | 2.2        | -0.6                                                 | -0.4        | -0.5                                          | -0.4        |
| Middle East and Central Asia                    | 2.0        | 2.9         | 3.6        | -0.8                                                 | -0.4        | -1.1                                          | -0.5        |
| Sub-Saharan Africa                              | 3.7        | 3.7         | 4.2        | -0.4                                                 | 0.0         | -0.4                                          | -0.1        |
| <i>Memorandum</i>                               |            |             |            |                                                      |             |                                               |             |
| European Union                                  | 1.0        | 1.0         | 1.4        | -0.3                                                 | -0.2        | -0.5                                          | -0.3        |
| Middle East and North Africa                    | 1.6        | 2.7         | 3.5        | -0.9                                                 | -0.5        | -1.3                                          | -0.7        |
| Emerging Market and Middle-Income Economies     | 4.2        | 3.5         | 3.6        | -0.6                                                 | -0.5        | -0.5                                          | -0.3        |
| Low-Income Developing Countries                 | 3.9        | 4.2         | 5.3        | -0.5                                                 | -0.2        | -0.6                                          | -0.4        |

Source: IMF staff estimates.

Note: The aggregate growth rates are calculated as a weighted average, in which a moving average of nominal GDP in US dollars for the preceding three years is used as the weight. WEO = World Economic Outlook.

<sup>1</sup> Difference based on rounded figures for the current, January 2025 WEO Update, and October 2024 WEO forecasts.

- The *post-April 9 model-based forecast* incorporates the tariff announcements made after April 4 and, hence, not included in the reference forecast.
  - On April 9, the United States announced a 90-day pause on the higher tariff rates imposed on some countries but maintained the 10 percent minimum on all countries while further raising tariffs on Chinese goods as a countermeasure to China's tariff response, which China then countered again. The EU responded with 25 percent tariffs on a range of US imports, which were also paused for 90 days. On April 11, the United States announced that it would exempt smartphones, laptops, and other electronic devices and components from the April 2 tariffs, while China raised tariffs on US goods further, with the higher rate taking effect on April 12. As of April 14—the cutoff date for data and information used in this chapter—the US effective tariff rate on Chinese goods was 115 percent, while that imposed by China on US goods was 146 percent, and the US effective tariff rate on the world stood at about 25 percent, up from under 3 percent in January 2025.
  - If the measures announced between April 5 and 14 were considered in isolation from the associated market fallout and policy-induced uncertainty and assumed to be permanent, global growth for 2025 would be about 2.8 percent for 2025 and about 2.9 percent for 2026. This is similar to the estimates for global growth in the reference forecast, albeit with a different composition of growth rates across countries. The gains from lower effective tariff rates for those countries that were previously subject to higher tariffs would now be offset by poorer growth outcomes in China and the United States—due to the escalating tariff rates—that would propagate through global supply chains. Further, the losses in China and the United States would become larger in 2026 and beyond, while the gains in other regions would fade, leading to weaker global outcomes than the reference forecast.

### Growth Forecast for Advanced Economies

For *advanced economies*, growth under the reference forecast is projected to drop from an estimated 1.8 percent in 2024 to 1.4 percent in 2025 and 1.5 percent in 2026. Growth for 2025 is now projected to be 0.5 percentage point lower relative to that in January 2025 WEO *Update* projections. The forecasts for 2025 include significant downward revisions for Canada, Japan, the United Kingdom, and the United States and an upward revision for Spain.

- For the *United States*, growth is projected to decrease in 2025 to 1.8 percent, 1 percentage point lower than the rate for 2024 as well as 0.9 percentage point lower than the forecast rate in the January 2025 WEO *Update*. The downward revision is a result of greater policy uncertainty, trade tensions, and a softer demand outlook, given slower-than-anticipated consumption growth. Tariffs are also expected to weigh on growth in 2026, which is projected at 1.7 percent amid moderate private consumption.
- Growth in the *euro area* is expected to decline slightly to 0.8 percent in 2025, before picking up modestly to 1.2 percent in 2026. Rising uncertainty and tariffs are key drivers of the subdued growth in 2025. Offsetting forces that support the modest pickup in 2026 include stronger consumption on the back of rising real wages and a projected fiscal easing in *Germany* following major changes to its fiscal rule (the “debt brake”). Within the region, *Spain*’s momentum contrasts with the sluggish dynamics elsewhere. The growth projection for 2025 for Spain is 2.5 percent, an upward revision of 0.2 percentage point from that in the January 2025 WEO *Update*. This reflects a large carryover from better-than-expected outturns in 2024 and reconstruction activity following floods.
- Among other advanced economies, several downward revisions stand out. For *Canada*, growth forecasts are revised downward by 0.6 percentage point for 2025 and by 0.4 percentage point for 2026. This largely reflects the new tariffs on exports to the United States that came into effect in March as well as heightened uncertainty and geopolitical tensions. For *Japan*, the growth projection for 2025 is 0.6 percent, marking a downgrade of 0.5 percentage point relative to the forecast in January. The effect of tariffs announced on April 2 and associated uncertainty offset the expected strengthening of private consumption, with above-inflation wage growth boosting household disposable income. For the *United Kingdom*, the growth projection for 2025 is 1.1 percent, lower by 0.5 percentage point compared to the forecast in January. This reflects a smaller carryover from 2024, the impact of recent tariff announcements, an increase in gilt yields, and weaker private consumption amid higher inflation as a result of regulated prices and energy costs.

### Growth Forecast for Emerging Market and Developing Economies

For *emerging market and developing economies*, growth under the reference forecast is projected to drop to 3.7 percent in 2025 and 3.9 percent in 2026, following an estimated 4.3 percent in 2024. This is 0.5 and 0.4 percentage point lower, respectively, compared with the rate projected in the January 2025 WEO *Update*.

- After a marked slowdown in 2024, growth in *emerging and developing Asia* is expected to decline further to 4.5 percent in 2025 and 4.6 percent in 2026. Emerging and developing Asia,

particularly Association of Southeast Asian Nations (ASEAN) countries, has been among the most affected by the April tariffs. For *China*, 2025 GDP growth is revised downward to 4.0 percent from 4.6 percent in the January 2025 WEO *Update*. This reflects the impact of recently implemented tariffs, which offset the stronger carryover from 2024 (as a result of a stronger-than-expected fourth quarter) and fiscal expansion in the budget. Growth in 2026 is also revised downward to 4.0 percent from 4.5 percent in the January 2025 WEO *Update* on the back of prolonged trade policy uncertainty and the tariffs now in place. For *India*, the growth outlook is relatively more stable at 6.2 percent in 2025, supported by private consumption, particularly in rural areas, but this rate is 0.3 percentage point lower than that in the January 2025 WEO *Update* on account of higher levels of trade tensions and global uncertainty.

- For *Latin America and the Caribbean*, growth is projected to moderate from 2.4 percent in 2024 to 2.0 percent in 2025, before rebounding to 2.4 percent in 2026. The forecasts are revised downward by 0.5 percentage point for 2025 and 0.3 percentage point in 2026 compared with those in the January 2025 WEO *Update*. The revisions owe largely to a significant downgrade to growth in Mexico, by 1.7 percentage points for 2025 and 0.6 percentage point for 2026, reflecting weaker-than-expected activity in late 2024 and early 2025 as well as the impact of tariffs imposed by the United States, the associated uncertainty and geopolitical tensions, and a tightening of financing conditions.
- Growth in *emerging and developing Europe* is projected to slow down considerably, from 3.4 percent in 2024 to 2.1 percent in 2025 and 2026. This reflects a sharp drop in growth in *Russia* from 4.1 percent in 2024 to 1.5 percent in 2025 and to 0.9 percent in 2026 as private consumption and investment decelerate amid reduced tightness in the labor market and slower wage growth. Compared with that projected in the January 2025 WEO *Update*, growth in Russia has been revised slightly upward for 2025 thanks to stronger-than-expected outturns in the data for 2024. For *Türkiye*, growth is projected to bottom out in 2025 at 2.7 percent and accelerate to 3.2 percent in 2026, owing to recent pivots in monetary policy.
- The *Middle East and Central Asia* is projected to come out of several years of subdued growth, with the rate accelerating from an estimated 2.4 percent in 2024 to 3.0 percent in 2025 and to 3.5 percent in 2026 as the effects of disruptions to oil production and shipping dissipate and the impact of ongoing conflicts lessens. Compared with that in January, the projection is revised downward, reflecting a more gradual resumption of oil production, persistent spillovers from conflicts, and slower-than-expected progress on structural reforms.
- For *sub-Saharan Africa*, growth is expected to decline slightly from 4 percent in 2024 to 3.8 percent in 2025 and recover modestly in 2026, lifting to 4.2 percent. Among the larger economies, the growth forecast in *Nigeria* is revised downward by 0.2 percentage point for 2025 and 0.3 percentage point for 2026, owing to lower oil prices, and that in *South Africa* is revised downward by 0.5 percentage point for 2025 and 0.3 percentage point for 2026, reflecting slowing momentum from a weaker-than-expected 2024 outturn, deteriorating sentiment due to heightened uncertainty, the intensification of protectionist policies, and a deeper slowdown in major economies. *South Sudan* has a downward revision of 31.5

percentage points for 2025 on account of the delay in the resumption of oil production from a damaged pipeline.

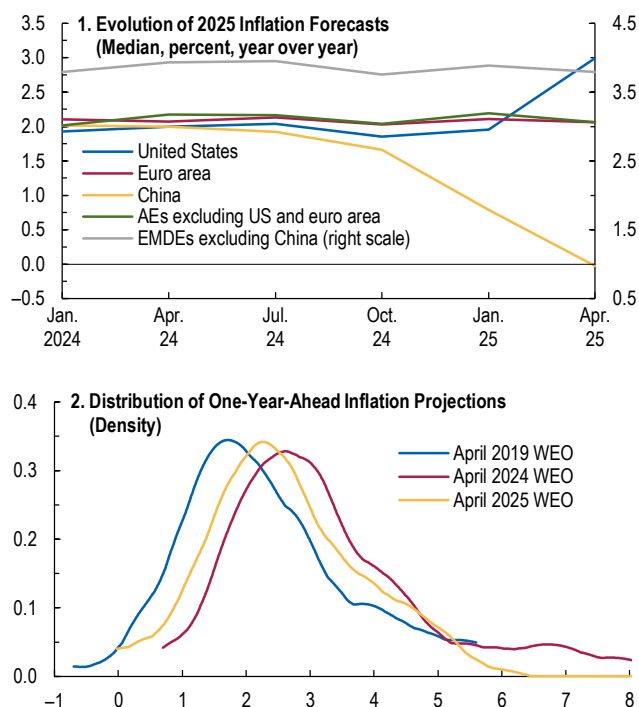
## Inflation Forecast

Under the reference forecast, global headline inflation is expected to decline to 4.3 percent in 2025 and to 3.6 percent in 2026. Inflation is projected to converge back to target earlier in advanced economies, reaching 2.2 percent in 2026, compared with emerging market and developing economies, for which it declines to 4.6 percent over the same time horizon. Compared with that in the January 2025 WEO *Update*, the global inflation forecast is slightly higher for 2025.

For advanced economies, the inflation forecast for 2025 has been revised upward by 0.4 percentage point since January. The United Kingdom and the United States stand out in both the direction and the magnitude of their revisions. Compared with those in the January 2025 WEO *Update*, the UK inflation forecast has been revised upward by 0.7 percentage point and the US forecast by 1.0 percentage point. For the United States, this reflects stubborn price dynamics in the services sector as well as a recent uptick in the growth of the price of core goods (excluding food and energy) and the supply shock from recent tariffs. In the United Kingdom, it primarily reflects one-off regulated price changes. In the euro area, the forecast is unchanged.

Among emerging market and developing economies, the revisions are mixed. In emerging and developing Asia, inflationary pressures are expected to be even more muted, with a downward revision of 0.5 percentage point to 2025 forecasts relative to those in January. After a series of downward surprises, inflation in China is expected to remain subdued (Figure 1.17, panel 1). In emerging and developing Europe, Russia and Ukraine have seen upward revisions for 2025, and Russia for 2026, driving overall revisions of 1.5 percentage points in 2025 and 1.0 percentage point in 2026. In Latin America and the Caribbean, upward revisions for Bolivia, Brazil, and Venezuela have been offset by downward revisions for Argentina and elsewhere, bringing the overall revision for the region for 2025 to –0.3 percentage point.

Figure 1.17. Inflation Forecasts



Source: IMF staff calculations.

Note: In panel 1, the x-axis shows the months the *World Economic Outlook* (WEO) is published. Panel 2 displays the distribution of one-year-ahead year-over-year inflation projections from the WEO reports using estimated kernel densities. The panel shows the 50 largest economies excluding Argentina, Bangladesh, Egypt, Iran, Nigeria, Pakistan, Türkiye, and Ukraine. AEs = advanced economies; EMDEs = emerging market and developing economies.

The inflation outlook as a whole has improved but has not yet fully returned to prepandemic patterns (Figure 1.17, panel 2), and it is subject to high uncertainty. In particular, the effects of recently imposed tariffs on inflation across countries will depend on whether the tariffs are perceived to be temporary or permanent, the extent to which firms adjust margins to offset increased import costs, and whether imports are invoiced in US dollars or local currency (see Box 1.2). Cross-country implications will differ too. Trade tariffs act as a supply shock on tariffing countries, reducing productivity and increasing unit costs. Tariffed countries face a negative demand shock as export demand diminishes, exerting downward pressure on prices. In both cases, trade uncertainty adds a layer of demand shock as businesses and households respond by postponing investment and spending, and this effect may be amplified by tighter financial conditions and increased exchange rate volatility.

### Medium-Term Outlook

Lacking structural reform momentum and facing headwinds from a range of challenges, global economic performance is expected to remain mediocre. The five-year-ahead growth forecast stands at 3.2 percent, below the historical average during 2000–19 of 3.7 percent. For many emerging market and developing economies, as well as for quite a few advanced economies, current medium-term growth forecasts fall short of those made in 2020 (Figure 1.18). The fact that the moderation of medium-term growth is more evident among emerging market and developing economies implies a slowdown in income convergence (Chapter 3 of the April 2024 WEO).

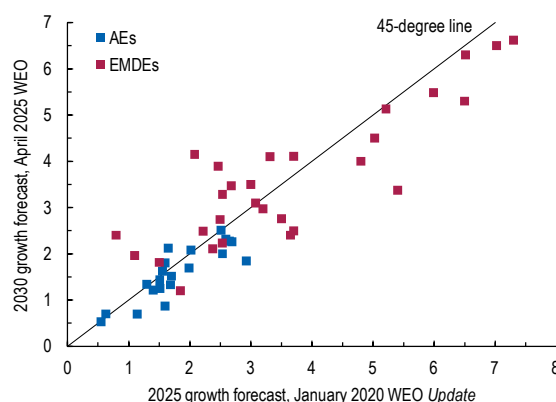
A key and increasingly common driver of these sluggish medium-term growth dynamics is demographics. Population aging is expected to weigh significantly on productivity, labor force participation, and ultimately, growth (Chapter 2). Population movements across borders could help alleviate some of the demographic drag, and policies governing these movements can have complex spillovers onto growth (Chapter 3).

### World Trade Outlook

Global trade growth is expected to slow down in 2025 to 1.7 percentage point, a downward revision of 1.5 percentage point since the January 2025 WEO *Update*. This forecast reflects increased tariff restrictions affecting trade flows and, to a lesser extent, the waning effects of cyclical factors that have underpinned the recent rise in goods trade.

Meanwhile, global current account balances are expected to narrow somewhat (Figure 1.19). The widening of current account balances in 2024 reflected widening domestic imbalances and a pickup in global goods trade. Over the medium term, global balances are expected to narrow

**Figure 1.18. Medium-Term Outlook (Percent)**



Source: IMF staff calculations.

Note: Figure plots 50 largest economies (21 AEs and 29 EMDEs) in terms of 2024 GDP in purchasing-power-parity international dollars. AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = *World Economic Outlook*.

gradually as the effects of these factors wane. Creditor and debtor stock positions are estimated to have increased in 2024, with the increases reflecting widening current account balances. They are expected to moderate slightly over the medium term as current account balances gradually narrow. In some economies, gross external liabilities remain large from a historical perspective and pose risks of external stress.

## Risks to the Outlook: Tilted to the Downside

Overall, risks to the outlook are tilted to the downside, in both the short and the medium term. This section discusses the most prominent risks and uncertainties surrounding the outlook in detail. Box 1.1 presents model-based analysis that quantifies risks to the global outlook and plausible scenarios.

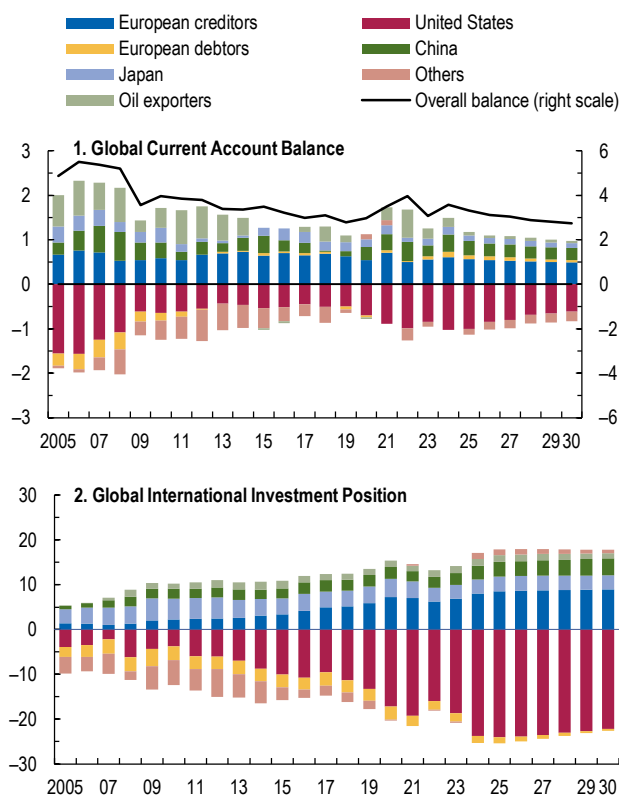
### Downside Risks

Although some risks outlined in the January 2025 WEO *Update* have materialized and are now incorporated in the reference forecast, the likelihood of additional adverse risks being realized is increasing.

**Escalating trade measures and prolonged trade policy uncertainty:** Box 1.1 illustrates the impact of ratcheting up a trade war. World GDP would be negatively affected, though the magnitude of the effect would vary across countries. Those directly targeted by new tariffs would be most affected, notably China and the United States, but also a large set of countries in Asia and Europe in the medium term. Some countries may harness the opportunity to consolidate their trade networks, reconfigure their position in global value chains, and, hence, experience positive effects, especially if traded goods embed a rising share of domestic value added, as seen in the case of Vietnam in 2018 (Schulze and Xin, forthcoming). However, adverse effects could accumulate over time. Their magnitude would depend on how quickly countries can boost domestic consumption, reroute trade flows, and increase productivity and competitiveness, as well as on the reach and intensity of the countermeasures, including nontariff measures. The emergence of new trading clusters is likely to fragment FDI flows and weigh on capital accumulation (see Chapter 4 of the April 2024 WEO). Rising geopolitical tensions could open up the possibility of sudden changes in the international monetary system,

**Figure 1.19. Current Account and International Investment Positions**

(Percent of global GDP)



Source: IMF staff calculations.

Note: "European creditors" are Austria, Belgium, Denmark, Finland, Germany, Italy, Luxembourg, The Netherlands, Norway, Sweden, and Switzerland; "European debtors" are Cyprus, Greece, Ireland, Portugal, Slovenia, and Spain; "oil exporters" are Algeria, Azerbaijan, Iran, Kazakhstan, Kuwait, Nigeria, Oman, Qatar, Russia, Saudi Arabia, the United Arab Emirates, and Venezuela.

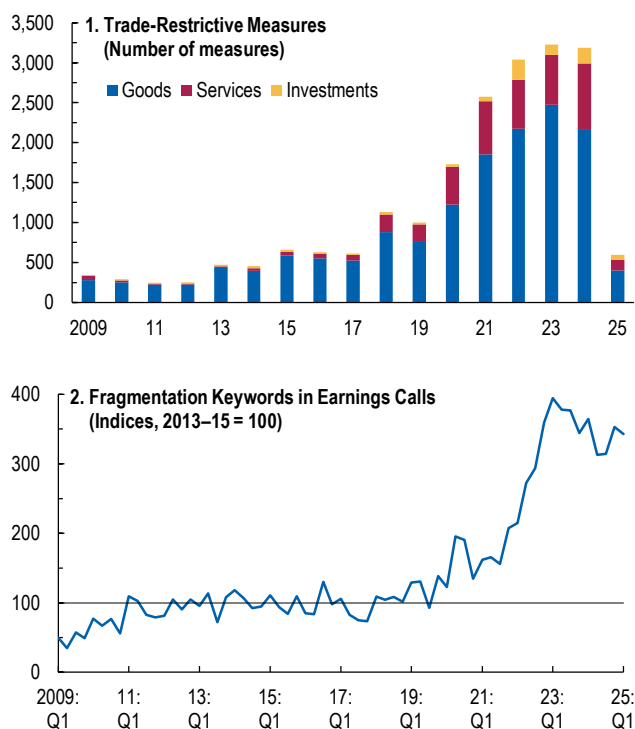
with potential implications for macrofinancial stability. A reversal of global economic integration might also trigger suboptimal relocation of production units and technological decoupling, with negative growth effects in the longer term because of resource misallocation, loss of knowledge hubs, contraction in bank credit, and financial stability risks (Aiyar and others 2023; Campos and others 2023; Gopinath and others 2024; Chapter 2 of the April 2025 GFSR).

A trade war could also fuel inflationary pressures, primarily through rising import prices (Fajgelbaum and Khandelwal 2022). Although the simulations in Box 1.1 indicate rather moderate effects, several factors could lead to higher inflationary pressures in some countries. First, with more than 80 percent of trade invoicing in US dollars, additional pressure may arise if the US dollar appreciates, as observed during previous episodes of trade uncertainty and financial market volatility. Second, inflation expectations are currently higher than central bank targets and, in some cases, on the rise. Third, restrictions on commodities may lead to significant price shifts, particularly since price elasticities of critical minerals and highly traded agricultural goods are especially vulnerable to trade fragmentation because of their concentrated production, difficulties in substitution, and essential roles in

manufacturing and key technologies (see Chapter 3 of the October 2023 WEO). Price increases are also likely to have negative distributional effects across and within countries. Tariffs on agricultural commodities could raise food security concerns, particularly in low-income countries. Tariffs tend to raise prices of tradables, on which poor households spend relatively more (Cravino and Levchenko 2017; Carroll and Hur 2020), and may increase returns to capital over labor, benefiting the wealthy. Welfare losses are typically concentrated among the poor and the retired, even when tariff revenues offset distortionary taxes (Carroll and Hur 2023).

Beyond the risk of additional trade barriers, prolonged uncertainty regarding trade policies poses other risks to investment and growth (Box 1.1 shows the effect of increased uncertainty over macroeconomic policies more generally). In just the first quarter of 2025, the number of new restrictive measures announced increased by 16 percent relative to that in December 2024, with actions ratcheting from April 2 onward. Firms' concerns about fragmentation spiked along

**Figure 1.20. Rising Trade Restrictions and Fragmentation Concerns**



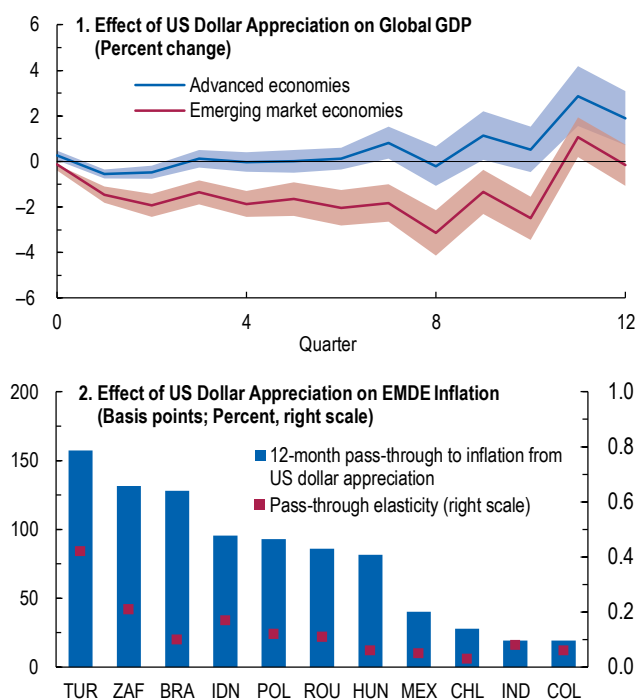
Sources: Global Trade Alert; Refinitiv Eikon; and IMF staff calculations.

Note: In panel 1, data are based on a count of measures and include adjustment for reporting lags. In panel 2, fragmentation indices measure the average number of sentences, per thousand earnings calls, that mention at least one of the following keywords: *deglobalization*, *reshoring*, *onshoring*, *nearshoring*, *friend-shoring*, *localization*, *regionalization*.

with the escalation in the use of restrictive measures (Figure 1.20). If uncertainty remains high for long, firms may delay investment projects, with a consequent reduction in global investment. Indeed, empirically, trade uncertainty is estimated to have reduced US investment by approximately 1.5 percent in 2018 (Caldara and others 2020). Moreover, uncertainty diminishes demand by undermining confidence and erodes consumer income in the medium term by curtailing investment and stifling trade (Handley and Limão 2017). Previous episodes of heightened trade policy uncertainty led to persistent appreciation of the US dollar (Albrizio and others, forthcoming), harming exports from the United States and dollarized countries and generating negative spillovers to emerging market and developing economies. If, in the current episode, a US dollar appreciation was to materialize, inflation pressures could be sizable where country-specific circumstances amplify the amount of pass-through from currency depreciation (Figure 1.21), especially in periods of high uncertainty and already-elevated inflation levels (Carrière-Swallow and others 2024). However, the policy-uncertainty-driven surge in risk aversion and the decline in US growth prospects might lead to a depreciation of the US dollar. A disorderly and large depreciation of the US dollar could bring additional financial market volatility.

**Financial market volatility and correction:** In some countries, if inflation persists or regains upward momentum because of new policies, central banks may maintain interest rates at higher levels than currently anticipated. This could result in cross-country interest rate differentials, which could trigger capital outflows, and tighter financial conditions, especially in emerging market and developing economies (as illustrated in Box 1.1). Financial market risks may be compounded by future corporate earnings failing to meet expectations, large and unpredictable policy shifts, or renewed geopolitical risks (see Chapter 2 of the April 2025 GFSR). The US dollar would typically be expected to appreciate if financial conditions deteriorate sharply, but the international monetary system could experience a sudden reset, with potentially major implications for the dollar as its main pillar. Worsening global financial conditions and broader disruptions to the system could trigger balance of payments crises in small countries with limited

Figure 1.21. Spillovers from US Dollar Appreciation



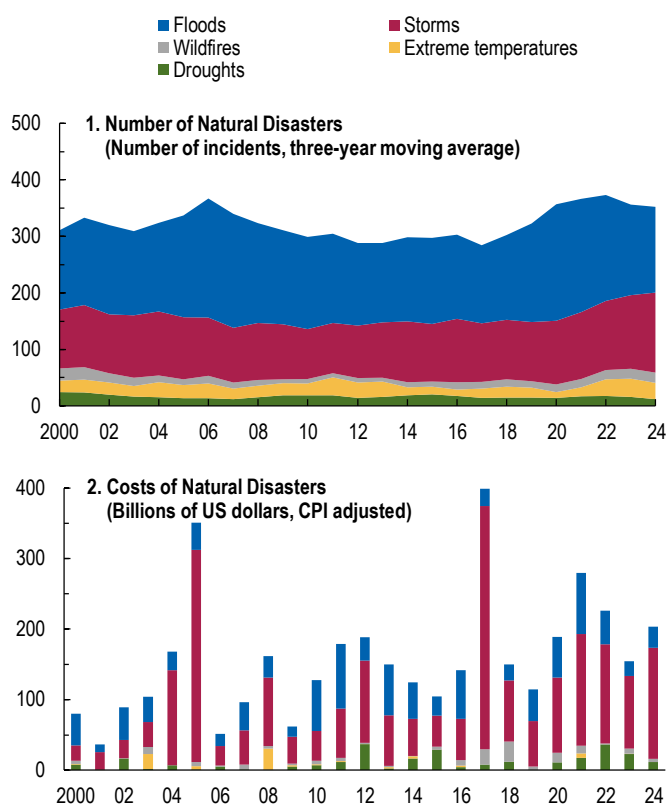
Source: IMF staff calculations.  
Note: In panel 1, impulse responses from the IMF *External Sector Report* 2023 show the effects of a 10 percent appreciation in the nominal US dollar index with 90 percent confidence intervals. Real GDP is measured in national currencies at constant prices. "Advanced economies" exclude countries with weights in the US dollar index that are larger than 4 percent in 2020: Canada, France, Germany, Ireland, Italy, Japan, Switzerland, and the United Kingdom. In panel 2, estimates are based on Carrière-Swallow and others' (2021) bilateral pass-through and foreign exchange depreciation against the US dollar between mid-September 2024 and the beginning of January 2025. Data labels in the figure use International Organization for Standardization (ISO) country codes. EMDE = emerging market and developing economy.

market access, high refinancing needs, and weak negotiation capacity. These risks may be amplified for commodity exporters amid a continued decline in commodity prices, particularly those for oil and copper, which typically serve as indicators of an impending recession by signaling a slowdown in industrial activity in importers, such as China. A deeper financial market correction than what was recently experienced could be triggered by weaker-than-expected US growth, in part induced by policy shifts, and reverberate through highly leveraged positions in nonbank financial institutions and firms with high near-term refinancing needs. In addition, an excessive rollback of financial regulations may lead to boom-bust dynamics, with negative repercussions for household wealth, raising systemic stress and creating adverse spillover effects throughout the global economy. In Europe, a market correction may occur if peace negotiations in Ukraine fail to reach a lasting resolution.

**Rising long-term interest rates:** Further pressure on already-high US bond yields, coupled with persistent exchange rate volatility driven by additional policy shifts and sustained policy uncertainty, could also trigger capital and FDI outflows from emerging market and developing economies. The growing concentration of capital in safe haven countries and assets could exacerbate capital imbalances and misallocation. Moreover, the structural pressure on long-term yields could constrain the fiscal space, already limited, that is necessary to heal the economic scars left by the pandemic or meet new spending needs, or it could exacerbate fiscal sustainability concerns, especially in high-debt countries (see the April 2025 *Fiscal Monitor*). Consequently, this could lead to a debt spiral dynamic in which borrowing costs escalate as fiscal adjustments become increasingly unattainable.

**Rising social discontent:** The legacy of the cost-of-living crisis, combined with reduced medium-term growth prospects, may exacerbate polarization and social unrest, hindering necessary reforms for growth. Currently, the risk of unrest is pronounced in Africa, where conflicts and rising food and energy prices have had a severe impact on vulnerable nations with limited fiscal space, and in Asia, where democratic participation in some incumbent regimes is limited and inequalities are rising (Barrett and others 2022). Although emerging market and developing economies have demonstrated resilience over the

Figure 1.22. Number and Costs of Natural Disasters



Sources: EM-DAT: The International Disaster Database; and IMF staff calculations. Note: Panel 1 is a stacked-area figure in which the values for each disaster type are cumulatively added to show their combined total over time. CPI = consumer price index.

past four years, their capacity to manage domestic challenges, especially high debt levels, in a deteriorating global environment may be tested. A resurgence in food and energy price inflation, driven by commodity market fragmentation or intensification of climate-related disasters, could worsen living conditions and heighten food security concerns, particularly in low-income countries. Across regions, a common element of social unrest episodes relates to discontent about public representation and governance, which may increase the likelihood of structural reform failure (see Chapter 3 of the October 2024 WEO).

***Increasing challenges to international cooperation:*** The increasing frequency and economic cost of natural disasters (Figure 1.22) and the intensification of conflicts—disruptive, even if localized—demand continuous and coordinated international action. Scaling back climate adaptation and international aid would risk making past investments ineffective, undermining progress toward a greener and more resilient economy and eroding human capital where it is most needed. If a lack of financial support were suddenly to materialize, living and health conditions would deteriorate in low-income and fragile countries, which might face social unrest and be forced to rely on public financing, further exacerbating their debt vulnerabilities. The macroeconomic consequences for aid-receiving countries might be substantial, including worsening of current accounts, decline in foreign reserves, pressure on exchange rates and prices, and lower consumption and investment.

***Labor supply gaps:*** Many nations have relied on foreign workers to address labor shortages, particularly following COVID-19. While a retrenchment of foreign-worker flows to advanced economies might ease strains on local services and infrastructure and provide a small boost to incomes, output would decline in recipient countries—and globally—in the long term (see Chapter 3). The resulting decline in labor supply may pose fiscal sustainability risks and hinder potential growth, especially in countries where legal immigrants tend to be well integrated and their skills meet and complement labor market needs.

### ***Upside Risks***

Despite the increased prevalence of negative risks, some factors could lead to more favorable outcomes than those in the reference forecast.

***Next-generation trade agreements:*** Continued elevated trade policy uncertainty could spark new momentum toward regional, plurilateral, and multilateral agreements, which could mitigate risks and foster policy predictability. Nondiscriminatory agreements that cover a broad set of areas, including digital and services trade and investment, could facilitate broad-based gains without introducing new distortions. Ultimately, expanding and deepening international cooperation and regional integration (for example, the EU's single market) could increase investment, boost productivity, raise potential growth, and enhance countries' resilience to external shocks, by expanding the reference market and diversifying trading partners (Albrizio and others 2025).

***Mitigation of conflicts:*** A resolution or mitigation of ongoing conflicts could lead to a decrease in global commodity prices and reallocate resources for productive uses. The economic impact of war can be substantial, with studies showing that the “war tax” on growth can reach 30 percent of GDP, contributing to inflation rates as high as 15 percent (Federle and others

2024), with neighboring countries most affected on average. Cessation of hostilities, along with subsequent reconstruction efforts, would not only boost GDP growth in countries directly involved in conflicts but would also have a positive influence on neighboring nations. This influence could manifest itself through the alleviation of negative spillovers, which are estimated to be on average between 5 percent and 10 percent of GDP over the five to seven years following the onset of conflict (see Chapter 2 of the April 2024 *Regional Economic Outlook: Middle East and Central Asia*), and through the generation of positive spillovers. For instance, a ceasefire in Ukraine has the potential to raise growth in the region, through a rebound in consumer confidence and reduction in energy prices, especially in Europe. However, countries that have invested in alternative infrastructures or energy sources to manage conflict-related shortages may experience negative spillovers for some time if reversals prevent them from achieving the expected returns.

**Structural reform momentum:** A generalized acceleration of structural reforms, partly reinforced by peer benchmarking among nations and challenging global macroeconomic conditions, could significantly boost growth. Streamlining regulations and reducing red tape would unlock market entry and increase competition, enhancing business dynamism and resource reallocation (as Box 1.1 illustrates for the case of China). More integrated financial, labor, and product markets could provide the depth and scale to drive more innovation and accelerate productivity growth. In Europe, tackling remaining internal barriers would allow firms to scale up. Accelerating European integration by reducing regulatory obstacles and strengthening the Capital Markets Union could increase investment, lift productivity, and raise potential growth. Such an approach would bolster the underdeveloped European capital market, contributing to a reduction of global imbalances.

**Growth engine powered by artificial intelligence (AI):** Optimism about AI, coupled with an expected significant annual reduction in AI usage costs and future technological advancements, could boost productivity and consumption significantly. The integration of AI technologies could lead to knowledge spillovers across industries and regions, fostering innovation and driving down costs globally. These gains could materialize without significant adverse effects on employment if AI adoption is accompanied with policies that upgrade regulatory frameworks and support labor reallocation (Cazzaniga and others 2024). They could also materialize without escalating electricity prices and environmental costs if policymakers, in collaboration with businesses, seize the opportunity by embracing and incentivizing renewable energy sources and innovative production paradigms (see the Commodity Special Feature).

## Policies: Navigating Uncertainty and Enhancing Preparedness to Ease Macroeconomic Trade-offs

The global economy is at a critical juncture, with substantial policy pivots and uncertainty. A range of plausible alternatives are possible, shaped by rapidly changing trade policies. In the face of ongoing structural shifts, heightened uncertainty, and persistently weak growth, policies should focus on steps to restore confidence and stability, reduce imbalances, and sustainably lift growth. Reducing policy-induced uncertainty and resolving trade tensions can promote a more

stable environment, bolster consumption, and facilitate investment. In the short term, countries need to calibrate monetary and prudential policies carefully to maintain price and financial stability. Gradually rebuilding fiscal space remains critical for managing increased public spending needs and building sufficient buffers to address future shocks, which could be sizable and recurrent. To uplift growth prospects in the medium term, it remains urgent to deliver on structural reforms, while prudently harnessing the benefits of technological advances.

### Managing Trade Tensions and Prolonged Elevated Trade Policy Uncertainty

*Delivering a stable and predictable trade environment.* Countries should work constructively to urgently resolve trade tensions and promote clear and transparent trade policies to stabilize expectations, avoid investment distortions, and reduce volatility while avoiding steps that could further harm the world economy (Georgieva 2025). In the wake of greater trade policy uncertainty, pragmatic cooperation and deeper economic integration (Rotunno and Ruta, forthcoming) can help countries expand trade either through nondiscriminatory unilateral reductions of trade barriers or at the regional, plurilateral, or multilateral level, as free trade agreements (accession of the United Kingdom to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the EU–New Zealand trade agreement) have shown. Greater regional integration, such as that involved in deepening the EU single market (October 2024 *Regional Economic Outlook: Europe*) or continuing efforts toward African Continental Free Trade Area implementation (El Ganainy and others 2023) can similarly enhance global efficiency even in the presence of distortionary trade policies.

Broad subsidies generate large fiscal costs and additional distortions and are thus not a well-suited tool for countering domestic or external distortions. However, in specific cases, targeted industrial policies can alleviate sectoral market failures as a result of externalities or economies of scale. Yet industrial policies are costly and can lead to various forms of government failures, in turn leading to misallocation of resources (Ilyina, Pazarbasioglu, and Ruta 2024). Poorly targeted industrial policies can drive production away from underlying patterns of comparative advantage, create regional or global oversupply, and result in changes in terms of trade that reduce domestic welfare (Hodge and others 2024). Amid limited fiscal space, industrial policy programs should be subjected to a comprehensive cost-benefit analysis. To minimize distortions, industrial policies should be targeted narrowly to specific objectives in sectors in which externalities or market failures are well identified. Finally, cooperation regarding industrial policy approaches among international trading partners can reduce negative spillovers (Brandão-Marques and Toprak 2024).

*Preserve international cooperation.* International cooperation, including cooperation through regional and cross-regional groups, is essential to sustain global growth, tackle common problems, and mitigate cross-country spillovers. In several policy areas, including trade, industrial policy, international taxation, climate, and development and humanitarian assistance, international cooperation and platforms (Aiyar and others 2023) can mitigate global spillovers and protect the vulnerable. International tax cooperation can diminish the effects of ongoing harmful tax competition by preventing a race to the bottom in global corporate taxes. In low-income countries, multilateral assistance will become even more important for addressing budget and development needs if bilateral foreign aid flows decline.

## Maintaining Price and Financial Stability

*Calibrate monetary policy amid two-sided risks.* As countries are experiencing a multifaceted combination of shocks, central banks need to carefully calibrate monetary policy to country-specific circumstances. Trade policy shocks adversely weigh on supply while persistent uncertainty and negative wealth effects from the April 2025 asset price correction dampen aggregate demand. As these shocks unfold, central banks should monitor the interplay of sectoral supply pressures and sectoral demand, because a steepening of sectoral supply curves could trigger renewed inflationary pressures (see Chapter 2 of the October 2024 WEO). Where near-term inflation risks are tilted to the upside or inflation expectations are rising, future cuts to the policy rate should remain contingent on evidence that inflation is heading decisively back toward target. This can ensure inflation expectations remain anchored while guarding against the risk of premature monetary policy easing followed by later rate hikes. Without price stability, any gains from future growth are at risk of being more than offset by a renewed cost-of-living squeeze. Central banks need to be particularly vigilant regarding those risks after the recent period of prolonged inflation and should be ready to act forcefully, because inflation expectations may be much less stable in instances of renewed inflationary pressures. If growth is declining or labor markets are softening while inflationary pressures and inflation expectations are clearly returning toward target, maintaining a constant level of nominal policy rates will, over time, result in a restrictive real policy stance as inflation declines while growth weakens. In these circumstances, gradual reductions in the policy rate to move the policy stance closer to the neutral rate are appropriate. Overall, in the face of elevated uncertainty, there is a premium on clear communication, which can enhance predictability for all economic agents.

Elevated uncertainty also intensifies the trade-off between anchoring inflation expectations and safeguarding financial stability. Where central banks' efforts to stabilize inflation expectations lead to a tightening of financial conditions, this may exacerbate vulnerabilities within the financial system, complicating operations for financial institutions (Bergant and others 2025). Therefore, it is crucial to strike a balance between maintaining stable inflation expectations and ensuring that financial stability is not compromised, particularly amid financial market volatility.

*Mitigate disruptive foreign exchange volatility.* Persistent trade policy uncertainty, broader policy shifts, cross-country divergence in paths to monetary policy normalization, and a more volatile currency outlook could further amplify recent bouts of financial market volatility. This could trigger disruptive capital outflows, which would particularly affect countries with higher import dependence or a greater share of dollar-invoiced imports. The IMF's Integrated Policy Framework provides guidance tailored to country-specific conditions on appropriate policy responses.

In countries with well-functioning and deep foreign exchange markets and low levels of foreign-currency debt, exchange rate flexibility and raising policy rates are advisable. Financial market policies, including rapid, decisive, and well-designed liquidity support, are suitable tools for mitigating bouts of foreign exchange market volatility that emanate from trade partners' policies or from US dollar movements. At the same time, for countries with shallow foreign exchange markets or sizable amounts of foreign-currency-denominated debt, an abrupt

tightening of global financial conditions may trigger disruptive foreign exchange volatility and rising risk premiums, which could pose risks to macrofinancial stability. In these circumstances, while maintaining suitable monetary and fiscal policies, temporary foreign exchange interventions or capital flow management measures could be appropriate. These should be complemented with macroprudential measures to mitigate disruptions from large foreign-currency-denominated debt holdings and financial market reforms to deepen domestic capital markets over the medium term.

*Safeguard financial stability through prudential policy.* High uncertainty about the economic outlook and financial market volatility puts a premium on robust prudential policies to safeguard financial stability. Jurisdictions experiencing financial market stress should release available macroprudential buffers to support the provision of credit to the economy and avoid a broad tightening of financial conditions and cascades of business failures and bankruptcies. Should stress levels reach crisis proportions, authorities should be ready to deploy liquidity and fiscal instruments to avoid excessive deleveraging and damage to the real sector. Where regulatory changes are being implemented, financial stability policies—including macroprudential policies and Basel III reforms—should be maintained to strengthen the supervision of financial institutions and the monitoring of financial stability risks. Enhancing reporting requirements and strengthening policies to mitigate vulnerabilities in nonbank financial institutions are crucial for reaping the benefits of the latter’s role in financial intermediation.

### Rebuilding Fiscal Buffers to Regain Budgetary Maneuver Space

Restoring fiscal space and putting public debt on a sustainable path, while meeting important spending needs to ensure national and economic security, remains a priority. This requires credible medium-term fiscal consolidation with decisive yet growth-friendly adjustments. Greater fiscal discipline would also help contain borrowing costs and thus provide a guardrail against the risk of high or higher interest rates amid higher term premiums and upside risks to inflation in some countries. Fiscal adjustment plans should focus primarily on credibly rebuilding buffers to keep financing costs reasonable, help anchor medium-term inflation expectations, and contain risks relating to sovereign rating downgrades. Moreover, countries should reprioritize expenditures and boost fiscal revenues, including by broadening their tax bases; permanent increases in spending should be financed with revenues, and a greater focus on enhancing public sector spending efficiency may be warranted, particularly if fiscal space is constrained. Where negative demand shocks from recent tariffs and trade policies are large, automatic stabilizers can dampen their impact. New discretionary measures—designed to be well targeted and temporary and with clear sunset clauses—should be deployed only for households, firms, or industries affected by severe trade dislocations.

*Devise adjustment plans to restore fiscal sustainability.* For many countries, current fiscal policies fall short of what is needed to ensure that debt has a high probability of stabilizing (Chapter 1 of the April 2025 *Fiscal Monitor*). A credible fiscal adjustment plan would be grounded in realistic assumptions about growth, debt-servicing costs, revenue mobilization, and spending needs. For countries where new spending needs arise, demonstrating a clear commitment to safeguarding debt sustainability, the integrity of fiscal rules, and fiscal policy transparency are crucial. In countries with fiscal space, net expenditures, excluding defense investment, should remain

bound to already-agreed-upon commitments. In economies with limited fiscal space, both permanent and temporary increases in fiscal outlays should be financed by fiscal revenues and spending reprioritization.

The strengthening of medium-term fiscal frameworks and fiscal rules can support fiscal adjustment plans, as can greater fiscal transparency, including that in regard to contingent liabilities and debt-creating flows outside the fiscal deficit. Binding legislation and clear contingencies on how governments will respond to unexpected changes in economic conditions—changes in growth, interest rates, or spending needs—under realistic assumptions can further bolster credibility.

For countries in or at high risk of debt distress or facing potential noncompliance with fiscal regulations, achieving fiscal sustainability may require not only fiscal consolidation, but also debt restructuring. Furthermore, progress in the implementation of international sovereign debt resolution frameworks, including the Group of Twenty (G20) Common Framework, and increased consensus at the Global Sovereign Debt Roundtable (GSDR), will make debt restructuring (when necessary) less costly.

*Enact targeted fiscal reforms.* Careful design and composition of fiscal adjustment plans can prevent prolonged negative growth effects, with specific policy mixes requiring country-specific calibration. In advanced economies, expenditure reprioritization, entitlement reforms, and revenue increases through indirect taxes or removal of inefficient incentives, depending on countries' circumstances (April 2025 *Fiscal Monitor*), can support fiscal adjustment. Emerging market and developing economies have greater space to strengthen domestic revenue mobilization, needed to meet spending needs and boost job creation. Measures include broadening tax bases, by reducing informality as well as taking other measures, and enhancing revenue administration capacity. Across countries, there is scope for reducing inefficient subsidies. Gradual reforms, announced and implemented during more favorable macroeconomic conditions and combined with redistribution policies, can enhance public support for major expenditure reform in areas such as energy subsidies and pension reform (Chapter 2 of the April 2025 *Fiscal Monitor*).

*Protect growth and the vulnerable.* Fiscal adjustments need to be carefully calibrated to avoid negative impacts on potential growth and mitigate distributional impacts. Growth-friendly elements of spending, such as high-quality public investments in infrastructure and digitalization, can lift medium-term growth potential and should be protected. Spending on growth priorities can be complemented with structural reforms to labor markets and regulation. Protecting the poor and the vulnerable can further cushion the impact on inequality and enhance social acceptability of fiscal reforms. Eliminating poorly targeted subsidies such as those for energy can simultaneously reduce distributional impacts and contribute toward achieving climate-related objectives.

*Use timely, targeted, temporary support where essential, in a responsible way.* For countries where negative demand shocks are large, automatic stabilizers should play their role in dampening the shocks' impact. Where large shocks and severe trade dislocations have a serious negative impact on households, firms, or sectors, additional targeted and temporary support could be deployed.

Such measures need to be appropriately designed to ensure proper targeting, include automatic sunset clauses to avoid entrenched support that prevents adjustment and reallocation, and mitigate fiscal and political economy risks. Responsibly adjusting the fiscal envelope to support such new support, based on country-specific fiscal space consideration, is critical to ensuring that public debt remains on a sustainable path.

### Reinvigorating Medium-Term Growth

Potential growth remains subdued and cost-of-living pressures persist in the aftermath of the pandemic. Lifting medium-term growth prospects is the only sustainable way to achieve a broad-based increase in living standards and ease macroeconomic trade-offs. Higher growth would support debt sustainability dynamics, thus increasing fiscal space in the medium term. Broad-based structural reforms can contribute to raising growth potential, and multilateral cooperation can support resilience in the wake of elevated uncertainty.

*Enact structural reforms.* Durable structural reforms across several areas, including labor markets, education, regulation and competition, and financial sector policies, can jointly lift productivity and potential growth and support job creation. In addition, technological progress, including that related to digitalization and AI, can enhance productivity and potential growth.

Increasing female labor force participation can increase labor supply. Amid continued but uneven population aging in both advanced economies and emerging market and developing economies, policies to improve human capital and the labor outcomes of older workers, including health policies and those pertaining to continued training and development, can improve those workers' labor market attachment and productivity (Chapter 2). A well-designed mix of labor market interventions can also contribute to gradually raising the effective retirement age. In addition to domestic labor market policies, evidence suggests that increased migration flows can attenuate challenging demographic outlooks while mildly boosting growth (Chapter 3). This requires facilitating the swift labor market integration of migrants (Caselli and others 2024) and ensuring that skills are well matched with job opportunities (Beltran Saavedra and others 2024). Measures to attenuate the distributional impacts of labor market reforms, as well as governance reforms, can further strengthen trust in public institutions (see Chapter 3 of the October 2024 WEO). Robust regulatory frameworks coupled with investments in digital infrastructure and a digitally competent workforce are critical to ensure gains from new technologies are broadly shared across the workforce (Georgieva 2024).

Targeted deregulation can ease constraints hindering firms from stimulating entrepreneurship, investment, and innovation, thus ultimately boosting medium-term growth potential. Estimates suggest sizable distortions and real GDP costs averaging 0.8 percent of annual GDP for a set of European countries (Pellegrino and Zheng 2024). Maintaining prudential regulations and safeguarding financial stability remain key when reducing bureaucracy. Premature or uncoordinated deregulation would increase financial stability risks and could fuel dangerous boom-bust dynamics.

Labor market and regulatory reform should be complemented with policies to alleviate financial constraints. Increasing financial accessibility and reducing financial barriers to efficient capital allocation (see Chapter 3 of the April 2024 WEO) could further boost productivity

growth. Removing internal trade barriers and advancing capital market reforms are critical for business dynamism, notably that among innovation-intensive firms that lack tangible collateral (see Note One of the October 2024 *Regional Economic Outlook: Europe*).

Although structural reforms have been well identified for several years, securing broad social acceptability for such reforms has often been a significant obstacle. To increase the likelihood structural reforms will succeed and to enhance the social acceptability of reform agendas, participative processes are needed, coupled with efforts to strengthen public understanding of reform proposals and continued stakeholder engagement throughout the reform process (see Chapter 3 of the October 2024 *World Economic Outlook*; Chapter 2 of the April 2025 *Fiscal Monitor*).

*Make progress on climate policies.* Addressing climate change requires a well-designed policy mix that can generate macroeconomic benefits, including low-carbon, resilient growth. This includes investments in renewable and energy-efficient technologies and economy-wide measures such as carbon pricing, which can be complemented by fiscal incentives, technical assistance, and financial support for adaptation projects in low-income countries. Many countries are transitioning from fossil fuels to renewables, which can help improve energy security (Dolphin and others 2024), benefit employment, and reduce balance of payments risks.

### Box 1.1. Risk Assessment Surrounding the Reference Forecast

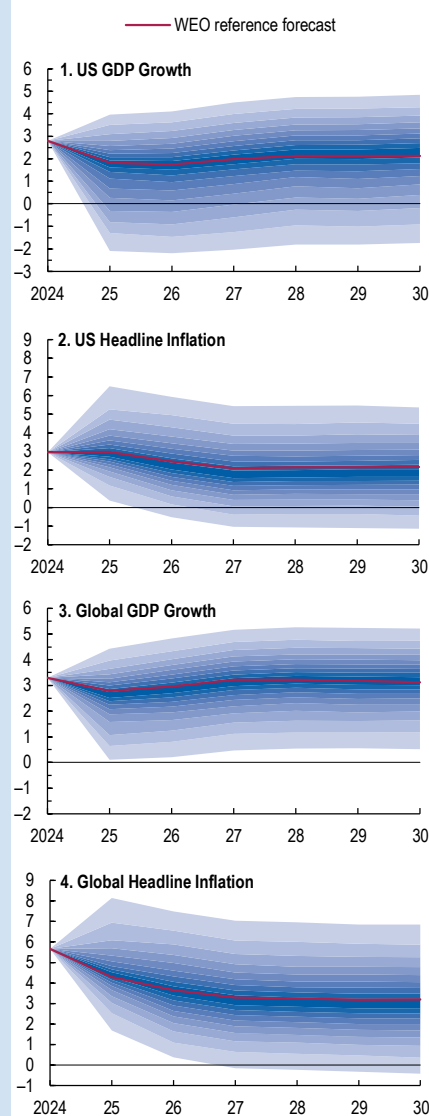
This box presents two complementary assessments of risks to the global economy. First, it uses the IMF's Group of Twenty (G20) model to derive confidence bands around the *World Economic Outlook* (WEO) reference forecast. Second, based on the IMF's Global Integrated Monetary and Fiscal (GIMF) model, it simulates two scenarios. Policies and shocks in scenario A result in a widening in global imbalances and a fall in global output relative to those in the reference forecast; policies in scenario B result instead in a narrowing of global imbalances and an increase in global output relative to those in the reference forecast.

#### Confidence Bands

The first assessment identifies the economic shocks underlying historical data using the G20 model. It then resamples these shocks and feeds them back through the model to generate risk distributions (Andrle and Hunt 2020). The procedure has been adjusted to align with the growth-at-risk assessment presented in the April 2025 *Global Financial Stability Report* (GFSR). As in the previous assessment in the October 2024 WEO, growth distributions are skewed to the downside, and inflation distributions are somewhat skewed to the upside.<sup>1</sup>

Panels 1 and 2 in Figure 1.1.1 show the distributions for US growth and headline inflation, respectively (90 percent confidence bands represented in the blue-shaded areas). The probability of a recession occurring in 2025 is now assessed at 37 percent, higher than in the October 2024 WEO.<sup>2</sup> Risks have moved farther to the upside for US inflation and policy rates (not shown), in part reflecting the upward revision to projected inflation in the WEO reference forecast. The risk that 2025 US headline inflation will rise above 3.5 percent is now more than 30 percent, compared with 13 percent back in October; the

Figure 1.1.1. Forecast Uncertainty around Global Growth and Inflation Projections (Percent)



The authors of this box are Michal Andrle, Jared Bebee, Domenico Giannone, Chris Jackson, Dirk Muir, Rafael Portillo, and Philippe Wingender.

<sup>1</sup> Aligning with the growth-at-risk assessment requires sampling some recession years more often: 1969, 1974–75, 1981, and to a lesser extent 2009 and 2020.

<sup>2</sup> The recession risk for 2025 is defined as the probability that 2025 annual growth will be below 1.2 percent, consistent with a shallow recession starting in the third quarter. The probability of a short-lived US recession in 2025, according to this criterion, was assessed to be about 25 percent at the time of the October 2024 *World Economic Outlook* (WEO).

probability that the average 2025 three-month Treasury bill rate will rise above 4.5 percent for 2025 is about 33 percent (up from 27 percent in October).

Panels 3 and 4 in Figure 1.1.1 show the distributions for global growth and headline inflation. The probability that global growth in 2025 will fall below 2 percent is assessed at close to 30 percent, higher than the assessment done in October (17 percent). The probability that global headline inflation will rise above 5 percent is estimated at about 31 percent, slightly lower than the corresponding estimate of 34 percent at the time of the October WEO.

### Scenarios

The GIMF model is next used to simulate two scenarios. The version of the model used here has 10 regions, including China, the United States, and the euro area.

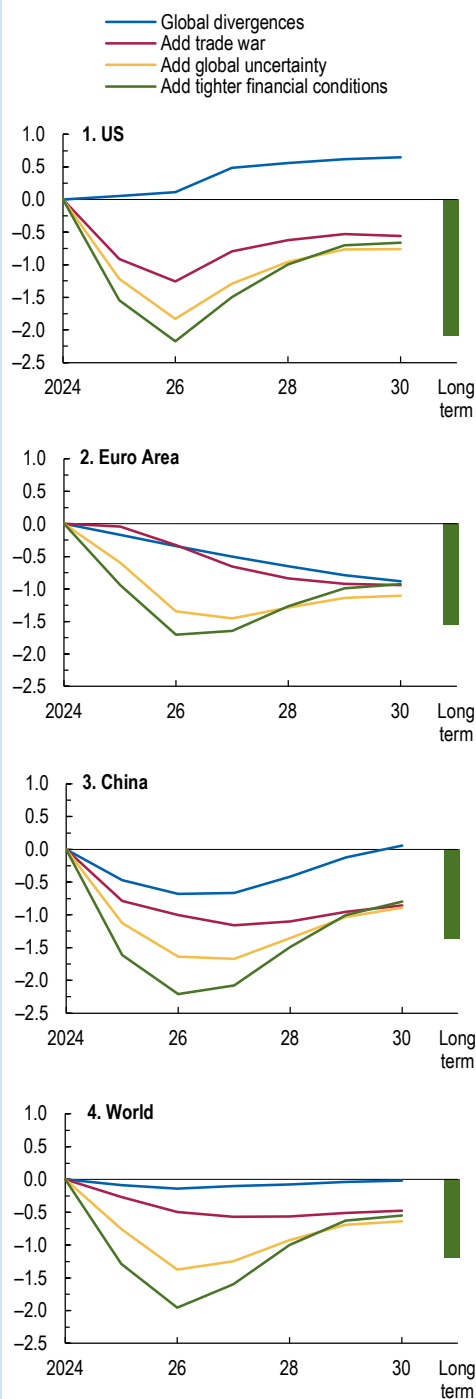
The scenarios assume monetary policy responds endogenously, with floating exchange rates in most regions. In scenario A, China's currency is managed relative to the dollar through capital flow measures, allowing some exchange rate adjustment in response to shocks but by less than what would be implied by a fully floating regime; in scenario B, the renminbi adjusts as in a flexible exchange rate regime. On the fiscal side, automatic stabilizers are allowed to operate.

### Layers Considered in Scenario A

**Global divergences.** The layer has three components:

- *Renewal of the US Tax Cuts and Jobs Act (TCJA).* Scenario A assumes renewal of a broad set of provisions in the TCJA for a period of 10 years, including individual and business taxes, the child tax credit, and expensing of investment, totaling about 11 percent of GDP over 2025–34. The accompanying deficits are back-loaded, reaching about 1.4 percent of GDP by 2027. Because the renewal comes after a historical inflation surge, the layer assumes a small additional temporary increase in US inflation expectations.
- *Lower productivity in Europe.* The recent slowdown in productivity growth in the euro area deepens as a result of lower innovation, technological shifts, and lack of access to equity funding. Total factor productivity growth declines by 0.2 percentage point per year over five years, relative to that in the reference forecast, starting in 2025. The decline is concentrated in the tradables sector.

**Figure 1.1.2. Impact of Scenario A on GDP**  
(Percent deviation from reference forecast)



Source: IMF staff estimates.  
Note: "Long term" is at least 50 years ahead.

- *Weaker domestic demand in China.* Consumption and investment fall relative to those in the reference forecast by 0.7 and 0.5 percent, respectively, in 2025. The decline builds over 2026–27 and fades after that.

**Trade war.** The scenario assumes a ratcheting up of tariffs in response to the April 2 announcement. First, it incorporates an additional 50 percentage point increase in tariffs on all China-US trade in both directions relative to the reference forecast in this report. Second, countries other than China respond tit for tat to the April 2 announcement, raising tariffs on imports from the United States by the same rate. Third, the United States responds by doubling the rate announced on April 2 to all countries other than China. As a result, there is an increase of about 18 percentage points in the effective tariff rate on both US goods imports and US goods exports, relative to the current reference forecast.

**Increase in global uncertainty.** Uncertainty over macroeconomic policies increases. The resulting shock is equivalent to a three-standard-deviation increase in the global economic policy uncertainty measure in Davis (2016), about 50 percent larger than the spike observed in 2018–19. Regions more directly exposed to tariff measures, or where trade represents a larger share of activity, experience a somewhat greater uncertainty shock.

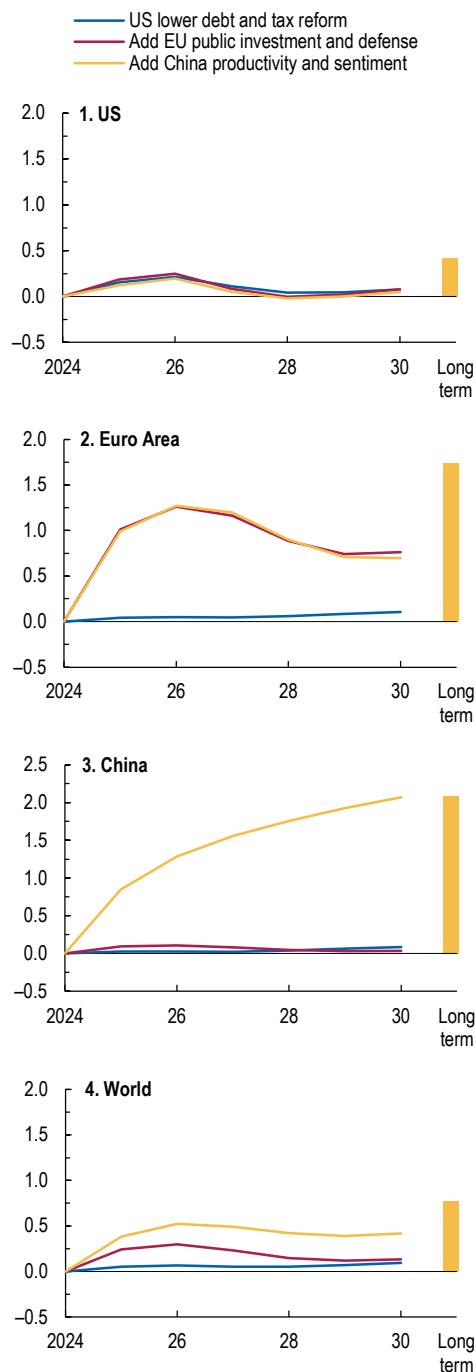
**Tighter financial conditions.** The combination of shocks in the scenario triggers a tightening in financial conditions. Asset prices decline globally in 2025, with the largest decline in the US (about 5 percent on average for the year) and in emerging markets (about 3 percent). Sovereign and corporate premiums in emerging markets excluding China increase by 50 basis points; corporate premiums in advanced economies and China increase by 25 basis points. The tightening in financial conditions lasts for two years.

#### **Layers Considered in Scenario B**

**Lower US government debt.** The United States embarks on a series of fiscal reforms to reduce inefficiencies from poorly targeted tax expenditures, shift from labor to consumption taxes, and contain health care costs. In addition, government consumption is permanently reduced. These reforms, alongside savings from lower interest payments, lead to a gradual decline of the overall fiscal deficit, which reaches 1 percent of GDP after five years. The US public debt declines by 25 percentage points of GDP in the long term.

**Higher public spending in Europe.** Public investment increases in the euro area starting in 2025. It reaches 1 percent of GDP in additional spending by 2026, stays at that level until 2030,

**Figure 1.1.3. Impact of Scenario B on GDP**  
(Percent deviation from reference forecast)



Source: IMF staff estimates.  
Note: "Long term" is at least 50 years ahead. EU = European Union.

and remains permanently higher by 0.4 percent after that to sustain a higher stock of public capital.<sup>3</sup> The latter raises total factor productivity and potential output permanently. The layer also includes a permanent increase in defense spending of 0.3 percent of GDP, starting in 2025. Over the WEO horizon, about two-thirds of the surge in spending is financed by higher deficits. From 2030 onward, however, the increase in public capital and defense spending is offset by a reallocation of existing spending, such that debt ratios gradually return to those in the reference forecast.

**Productivity gains and rebalancing in China.** Structural reforms that reduce barriers to entry and reforms to state-owned enterprises lead to increased market dynamism, and strengthening of the social safety net leads to demand-side rebalancing. Productivity in the tradables and nontradables sectors increases by about 2 and 0.5 percent, respectively, through 2030, boosting sentiment in the short run. The saving rate decreases by 2 percentage points of GDP over the same period.

### Impact on World Economy

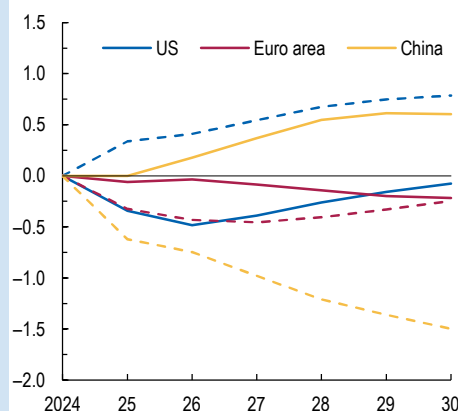
Figures 1.1.2 and 1.1.3 present the effects, for scenarios A and B, on the level of GDP during 2024–30 and in the long term, for China, the United States, the euro area, and the world. Effects are presented as percent deviations from the reference forecast.<sup>4</sup> Figure 1.1.4 shows the total effects of the scenarios on the current account balances of these three main regions as deviations from the reference forecast in percentage points of GDP.

In scenario A, the *global divergences* layer is somewhat stimulative for the US economy as a result of the *TCJA renewal*. The impact is limited initially but builds over time. Over 2025–26, the layer adds 20–30 basis points to US headline inflation and 30 basis points to the US policy rate and results in a modest appreciation of the dollar. *Lower productivity in Europe* reduces euro area activity gradually. The component lowers GDP by about 0.3 and 0.5 percent in 2025 and 2026. As demand falls in lockstep with potential, the impact on the region's inflation and policy rates is close to zero. *Lower domestic demand in China* subtracts 0.3 and 0.5 percent from China's reference forecast GDP in 2025 and 2026, respectively, with the decreases reflecting mainly lower consumption. The component reduces China's headline inflation by an additional 20–30 basis points in 2025–26, with the effects amplified by limited adjustment of the renminbi-to-dollar exchange rate.

The *trade war* layer reduces global demand, especially for US and Chinese goods. Differences in US tariff rates across countries create scope for trade diversion, and some regions benefit slightly

**Figure 1.1.4. Impact of Scenarios A and B on Current Account in Percent of GDP**

(Percentage point deviation from reference forecast; solid = Scenario A, dashed = Scenario B)



Source: IMF staff estimates.

Note: Scenario A includes global divergences, trade war, increases in global uncertainty, and tighter financial conditions. Scenario B includes lower debt and tax reform in the US, higher public spending in the European Union, and productivity gains and rebalancing in China.

<sup>3</sup> The scenario is similar to the scenario considered in the October WEO, but the increase in public investment is smaller and the financing assumption is somewhat different. The October scenario was implemented using a different model, the G20 model, leading to some differences in multipliers and spillovers.

<sup>4</sup> The impact on growth rates is approximated by subtracting the effect on output from the previous year.

in the short run, for example, the euro area. The effect is short-lived: As relative prices and sectoral demand adjust, the impact on activity becomes uniformly negative across countries. The effect builds over time as tariffs weigh on capital accumulation. Tariffs reduce world GDP by 0.6 percent by 2027 and by 1 percent in the long term. There is a small increase in global inflation of about 10 basis points in 2025–26, as the direct effect from higher tariffs is offset by the disinflationary effect from reduced activity.<sup>5</sup> Inflation falls below the reference forecast after that, including inflation in the United States.

The *increase in global uncertainty* layer reduces global investment by close to 2 percent in 2025 and 3 percent in 2026, relative to the reference forecast. Global consumption also decreases over 2025–27. The overall impact on global output from this layer is closer to –0.5 percent of that in reference forecast in 2025 and –0.8 percent in 2026. The layer contributes a moderate decrease in global inflation and policy rates of close to 20 basis points by 2026. The *tighter financial conditions* layer subtracts 0.5 percent from global GDP in 2025, with all regions being affected, from both the domestic tightening and international spillovers.

The combined effect of the layers in scenario A is a decrease in global GDP of about 1.3 percent by 2025 and 1.9 percent by 2026, relative to the reference forecast. All regions see a sizable decline in activity over the WEO horizon and in the long term, with the long-term impact reflecting tariff distortions and lower productivity. The decrease in global activity is disinflationary, with global headline inflation and policy rates falling by close to 40 basis points by 2027. Inflation and policy rates are initially flat in the United States but fall below those in the reference forecast after 2026. The current account balance decreases in the United States (the deficit worsens relative to the reference forecast) and increases in China and the rest of the world.

In scenario B, the *lower US government debt* layer reduces US debt by 25 percent of GDP over the long term, increasing fiscal sustainability. US fiscal reforms have a positive short-run effect on US activity, with GDP increasing by 0.2 percent in 2025–26. Inflation net of tax effects is slightly higher than that in the reference forecast, as are policy rates. The reduction in US public debt leads to a gradual decline in US and global real interest rates, which decrease by 10 basis points in the long run. Beyond the WEO horizon, the long-run effect is positive for both US and world GDP, by 0.4 and 0.2 percent relative to the reference forecast, respectively. The United States also experiences an increase in its current account balance (lower deficits than in the reference forecast).

The *higher public spending in Europe* layer provides a sizable boost to the euro area, raising GDP by up to 1.3 percent by 2026, relative to that in the reference forecast. Inflation increases by more than 20 basis points over the WEO horizon, with the euro area policy rate increasing by about 50 basis points. The current account balance decreases (lower surplus than in the reference forecast). The buildup in public capital raises productivity and potential output in the euro area permanently. Spillovers to other regions are positive but small.

The *productivity gains and rebalancing in China* layer raises that country's GDP by about 1 percent by 2026, relative to that in the reference forecast; about one-third of the increase is the result of improved sentiment. The reduction in the saving rate adds to domestic demand, and potential output increases gradually to 2 percent above the current reference forecast, with a positive net

<sup>5</sup> The effect of tariffs on inflation is uncertain, as explained in Box 1.2. The effect depends on responses of exchange rates, wages, and firms' markups.

effect on inflation that reaches about 20 basis points by 2030. China's current account decreases considerably (lower surplus relative to that in the reference forecast).

Finally, the combined effect of the layers in scenario B is an increase in global output of about 0.4 percent by 2026 (0.8 percent in the long term) and an increase in global inflation of about 15 basis points.

## Box 1.2. The Global Effects of Recent Trade Policy Actions: Insights from Multiple Models

This box analyzes the macroeconomic implications of recent tariff announcements included in the *World Economic Outlook* (WEO) reference forecast and provides a range of possible outcomes regarding their macroeconomic impact. The effects of tariffs are complex, operating through different channels that may not be sufficiently captured by a single model. The analysis here draws on three models: the IMF's Global Integrated Monetary and Fiscal (GIMF) model and two trade models based on Caliendo and Parro (2015; hereafter "CP") and Caliendo, Feenstra, Romalis, and Taylor (2023; hereafter "CFRT").<sup>1</sup> The impacts on global activity are negative and larger for countries experiencing higher tariff increases or more directly exposed. The effects on inflation, and to some extent exchange rates, are uncertain and depend on various factors. This assessment for activity should be considered a lower bound. The impact on inflation could also be greater than expected. Notably, further escalation of trade measures beyond those discussed in this box and prolonged uncertainty about future tariffs amplify the negative macroeconomic effects but are not considered here.<sup>2</sup>

### *Tariff Announcements Included in the Model-Based Assessment*

The box considers the set of tariff measures that were implemented between February 1 and April 4, 2025. These include unilateral tariff increases by the United States. Some are country and region specific, such as the April 2 tariffs levied in proportion to partners' bilateral trade surpluses, with a minimum rate increase of 10 percent. Other tariff increases are on specific goods and commodities, such as steel and aluminum and auto and auto parts. The combined measures increase the effective overall tariff rate in the United States by about 25 percentage points, ranging from an average increase of about 15 percentage points for Canada, the euro area, and Mexico to 27 percentage points for an aggregate of Asian countries excluding China and more than 50 percentage points for China.

Tariff responses by US trading partners are also included here. Canada places a 25 percent tariff on 40 percent of imports of US goods. It is also assumed to respond with one-to-one tariffs on imports of US autos. In response to the April 2 tariffs, China increases tariffs on all US imports by 34 percentage points, in addition to earlier targeted measures aimed at some energy, transport, and agricultural goods. Overall, the countermeasures amount to an effective tariff rate increase of about 5 percentage points on total US goods exports.

**The models.** GIMF is a global dynamic model featuring capital accumulation, numerous rigidities, three sectors, and global value chains. The version of GIMF employed here has eight countries. CP and CFRT are static models with rich country and sectoral structures (160 countries and 12 sectors in the specification of CP used here, 60 and 17, respectively, in this specification of CFRT) and detailed input-output linkages. CP assumes constant returns to scale, whereas CFRT features heterogeneous firms with increasing returns to scale determining whether to produce and export.

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The authors of this box are Diego Cerdeiro, Rui Mano, Dirk Muir, Rafael Portillo, Diego Rodriguez, Lorenzo Rotunno, Michele Ruta, Elizabeth Van Heuvelen, and Philippe Wingender.

<sup>1</sup>A similar comparison was featured in Box 4.4 of the April 2019 *World Economic Outlook*, at the time of previous tariff hikes by China and the United States.

<sup>2</sup> Box 1.1 analyzes the role of heightened policy uncertainty.

### Short-Term Effects

GIMF is used to assess the short-term dynamics (one to three years).

*Assumptions.* Endogenous monetary policy responses are assumed, with fully floating exchange rates in Canada, the euro area, Mexico, the United States, and other regions. The yuan-to-dollar exchange rate is assumed to be managed through capital flow measures, which allows some exchange rate adjustment in China but by less than what would be implied by a fully floating regime. Tariff revenues are used to reduce debt over the first 30 years; in the long term they are rebated to households.

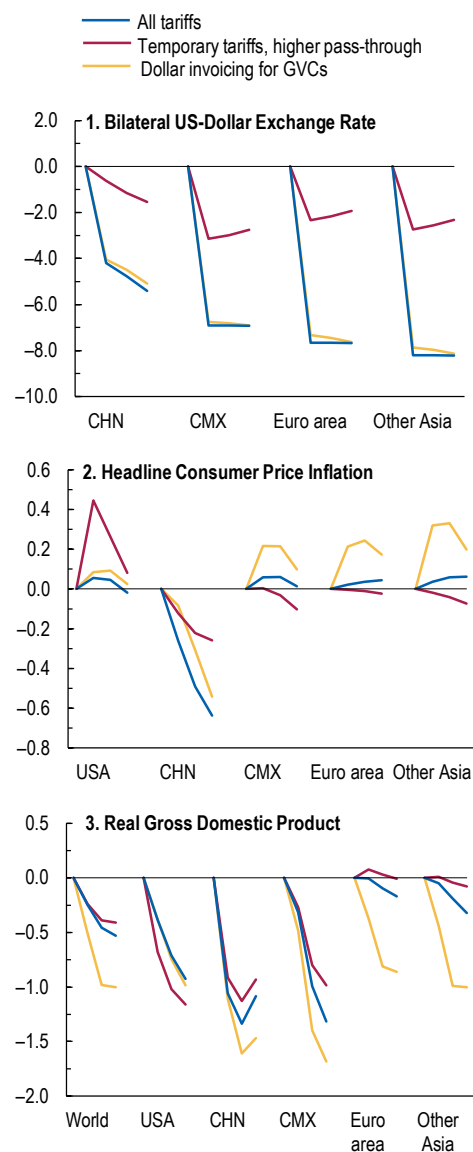
Along with the standard specification of GIMF, the short-term analysis considers two additional specifications (“versions”) that vary along the following dimensions:

- *US Dollar invoicing of global trade.* In the first specification, exporters charge for their wares in local currency. An alternative version assumes instead that about half of global trade is denominated in dollars. This assumption leads to inflationary pressures in other countries when the US dollar appreciates.
- *US inflation.* The initial assumption is that tariffs are perceived as permanent (resulting in a large appreciation of the dollar) and that US firms partly absorb the resulting increase in import costs through lower margins. In this alternative version, tariffs are expected to be removed after several years (limiting dollar appreciation), and US firms are assumed to fully pass higher import costs through to consumers. Both assumptions cause the tariff increases to result in higher inflationary pressures in the US.

Figure 1.2.1 shows the impact across the three versions of GIMF (the standard specification plus the two alternative versions) for bilateral real exchange rates with respect to the US, for inflation, and for GDP. Results are shown in deviations from a no-tariff baseline for the world, the United States, China, Canada and Mexico combined (CMX in the figure), the euro area, and other Asian countries.

*Currencies.* Higher tariffs lead to a depreciation of currencies with respect to the dollar (Figure 1.2.1, panel 1). The euro area and Other Asia experience the largest depreciations. The yuan

**Figure 1.2.1. Short-Run Effects of Tariffs**  
(Percent deviation from a forecast with no tariffs)



Source: IMF staff estimates.

Note: The figure shows results from tariff simulations using the IMF's Global Integrated Monetary and Fiscal (GIMF) model for the first three years by country. The blue lines show the effects of tariffs under standard assumptions. The red lines show the effects of temporary tariffs and higher pass-through. The yellow lines show the effects when about 50 percent of global trade is invoiced in US dollars. Data labels in the figure use International Organization for Standardization (ISO) country codes. "Other Asia" includes BGD, BRN, IDN, IND, KHM, LAO, MMR, MYS, PHL, SGP, THA, and VNM. CMX = Canada and Mexico; GVCs = global value chains.

depreciates by less relative to others on account of the exchange rate management assumption. Exchange rate movements are considerably smaller if tariff increases are perceived as temporary, about one-third the size relative to the version of the model in which tariffs are perceived as permanent.

*Inflation.* The impact on inflation is uncertain (Figure 1.2.1, panel 2). In the first version, the effect is limited, except in China, which experiences a decrease of about 60 basis points in 2026 because of the managed exchange rate. Inflationary effects in the United States are offset by the appreciation of the dollar and some decline in markups. When tariffs are perceived to be temporary and import costs are fully passed on, US inflation increases by close to 50 basis points in 2025. The impact on inflation outside the United States is instead larger if the dollar plays a central role in the pricing of global trade, as the appreciation of the dollar raises production costs globally.

*Activity.* Tariffs have a large negative impact on global activity. The effect is largest for Canada and Mexico, China, and the United States (Figure 1.2.1, panel 3). The impact on China also reflects a less-than-full adjustment of the exchange rate. The negative impact on the United States is amplified in the version of GIMF in which tariffs are perceived to be temporary and import costs are fully passed on, because the resulting increase in inflation leads to a tightening of monetary policy. The euro area and Other Asia benefit slightly in the short run from trade diversion, but the effect depends on the currency used for invoicing global trade. Under dollar invoicing, the appreciation of the dollar weighs on global external demand, and other regions experience large losses as well. The world economy sees a negative hit to activity that ranges between 0.4 and 1 percent of world GDP by 2027.

### Medium- to Long-Term Effects

All three models (GIMF, CP, and CFRT) are used to assess medium- to long-term impact (10 years), under the assumption that tariffs are permanent.

*Channels.* The first trade model (CP) emphasizes losses because tariffs move resources inefficiently across sectors. Losses in the second model (CFRT) tend to be larger because tariffs reduce access to foreign markets by the most productive firms, while leading to entry of less productive firms domestically. The third model (GIMF) emphasizes lower levels of capital accumulation from tariff-related distortions. In all models, tariffs imposed by large countries can create favorable terms-of-trade effects. Finally, results depend crucially on the ease with which importers can substitute across different exporters (trade elasticities) and across foreign and domestic producers (macro elasticities). Elasticities are greater in the two trade models than in GIMF.

*Trade.* Tariffs permanently reduce global trade and reallocate flows across countries (Table 1.2.1, panel 1). Canada, Mexico, China, and especially the United States see the largest declines in exports, in the latter country due in large part to the long-term real appreciation of the US dollar. Although China sees the largest tariff increase, the decline in

**Table 1.2.1. Long-Run Effects of Tariffs**  
(Percent deviation from a forecast with no tariffs)

|                   | 1. Real Exports |              |       | 2. Real GDP |              |      |
|-------------------|-----------------|--------------|-------|-------------|--------------|------|
|                   | GIMF            | Trade Models |       | GIMF        | Trade Models |      |
|                   |                 | CP           | CFRT  |             | CP           | CFRT |
| United States     | -19.3           | -21.8        | -27.6 | -1.3        | -0.3         | -0.9 |
| China             | -5.4            | -4.9         | -6.7  | -1.1        | -0.5         | -0.7 |
| Canada and Mexico | -5.7            | -1.8         | -6.0  | -1.9        | -0.5         | -0.7 |
| Euro Area         | -1.1            | 0.0          | -0.5  | -0.6        | 0.0          | -0.2 |
| Other Asia        | -1.6            | -0.1         | -0.3  | -1.0        | 0.0          | 0.3  |
| World             | -5.1            | -3.1         | -4.2  | -0.9        | -0.2         | -0.4 |

Sources: Callendo and Parro (CP) 2015; Callendo, Feenstra, Romalis, and Taylor (CFRT) 2023; and IMF staff estimates.

Note: The table shows the percent deviation from a forecast with no tariffs. "Other Asia" includes Bangladesh, Brunei Darussalam, Cambodia, India, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. GIMF = IMF's Global Integrated Monetary and Fiscal model.

China's exports is mitigated by export diversion to other markets. Magnitudes are broadly similar across GIMF and the two trade models, despite each model emphasizing different channels.

*Output.* Tariffs generate global long-term output losses across all models (Table 1.2.1, panel 2). Canada and Mexico, China, and the United States are the most affected. The negative impact on the US is similar across GIMF (which captures well changes in the capital stock) and CFRT (which captures productivity losses due to misallocation). In GIMF, lower levels of capital accumulation weaken potential output; in CFRT, a reduction in market access prompts some firms to stop exporting, and less productive firms enter in import-competing sectors. The effect on the United States is smallest in CP, as relative to CFRT it does not account for productivity losses due to productive firms exiting. The impact on other regions varies across models, with GIMF showing large negative effects for the euro area and Other Asia, while trade models show relatively small effects for those regions. This is because of greater trade reallocation in the latter models, reflecting the larger elasticities of substitution, which create scope for countries less directly exposed, or facing smaller tariffs, to benefit from the reconfiguration of global trade. In GIMF, all countries are instead affected by tariff-induced distortions along global supply chains, which also explains why the negative impact on global output is greater. More generally, the combined effects from lower capital accumulation (captured by GIMF), sectoral misallocation (captured by the trade models), and prolonged trade policy uncertainty (not included in the simulations) would compound the losses for each region and could well offset any positive impact from trade reallocation.

## Commodity Special Feature: Market Developments and the Impact of AI on Energy Demand

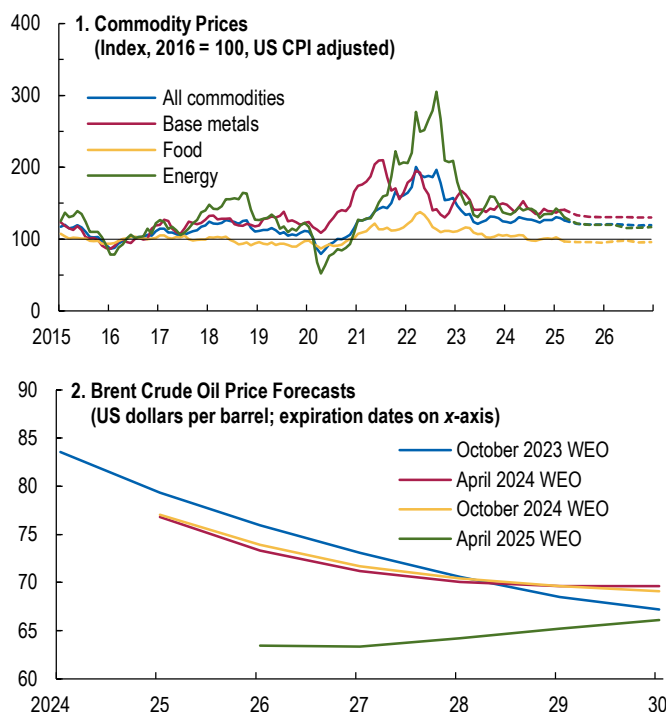
Primary commodity prices increased 1.9 percent between August 2024 and March 2025, with the rise driven by natural gas, precious metals, and beverage prices. In oil markets, prices fell amid concerns that a trade war could dampen global demand, adding to downward pressure from robust oil production growth outside OPEC+ (Organization of the Petroleum Exporting Countries plus selected nonmember countries, including Russia) and the unwinding of OPEC+ supply cuts. With the notable exception of gold prices, which continued to soar owing to geopolitical uncertainty, and prices of some staples like wheat, most commodity prices have dropped since the announcement of additional tariffs by the US administration on April 2. This Special Feature also analyzes the impact of artificial intelligence (AI) on energy demand.

### Commodity Market Developments

Oil prices declined 9.7 percent between August 2024 and March 2025 as trade war fears, strong non-OPEC+ supply growth, and the unwinding of OPEC+ cuts more than offset lingering supply risks. Oil prices then plummeted in early April amid escalating trade tensions, adding to an already-bearish outlook. This latest catalyst compounded weak fundamentals, with supply growth expected to likely outpace tepid global demand growth through 2025 and 2026. Demand concerns were exacerbated by sluggish Chinese demand, partly dented by the rising penetration of electric vehicles (EVs).

In this context, OPEC+ policy will be pivotal: Facing pressure to roll back its deep and sustained cuts, OPEC+ has decided to start gradually unwinding them despite a broader environment of falling prices. The harshest sanctions on Russia to date (imposed on January 10, 2025) have not materially disrupted oil flows. Russian oil, exported primarily to China and India,

Figure 1.SF.1. Commodity Market Developments



Sources: Bloomberg, L.P.; Haver Analytics; IMF, Primary Commodity Price System; International Energy Agency; and IMF staff calculations.

Note: In panel 1, latest actual CPI value is applied to forecasts, represented by the dashed portions of the graph lines. CPI = consumer price index; WEO = World Economic Outlook.

The contributors to this Special Feature are Christian Bogmans, Patricia Gomez-Gonzalez, Giovanni Melina (team co-lead), Jorge Miranda-Pinto, Andrea Paloschi, Andrea Pescatori (team lead), and Sneha Thube, with research assistance from Ganchimeg Ganpurev, Maximiliano Jerez Osses, and Joseph Moussa. This Special Feature is based on Bogmans and others (2025).

## COMMODITY SPECIAL FEATURE: MARKET DEVELOPMENTS AND THE IMPACT OF AI ON ENERGY DEMAND

has traded at a \$5–\$15 discount to Brent. Futures markets indicate that oil prices will average \$66.9 per barrel in 2025, a 15.5 percent decline, before falling to \$62.4 in 2026 (Figure 1.SF.1, panel 2). Risks to this outlook are balanced. Upside price risks from potential disruptions in oil supply from countries subject to sanctions or a de-escalation of trade barriers are offset by the possibility of a further escalation in the trade war and additional increases in OPEC+’s production schedule.

*Natural gas prices reversed course in the first week of April, beginning to decline alongside oil prices after a six-month period of gains.* Title Transfer Facility (TTF) trading hub prices in Europe rose 7.7 percent between August 2024 and March 2025 to \$13.1 a million British thermal units (MMBtu). This was above the historical average but well below the 2022 peak. Among other factors, a cold snap and various supply disruptions, including a halt of Russian gas to Europe through Ukraine at the beginning of January 2025, explained the upward trend. Similarly, harsh weather and a surge in demand for gas exports led to a doubling in Henry Hub prices. Weak demand from China, in contrast, kept Asian liquefied natural gas prices almost constant over the same period. Following the April 2 tariff announcement, gas prices reversed course, with concerns about future energy demand pushing gas prices down across the board. As of April 4, futures markets suggested that TTF prices will average \$12.5 a MMBtu in 2025, steadily decreasing to \$7.8 a MMBtu in 2030. Henry Hub prices are expected to decline from \$4.0 a MMBtu in 2025 to \$3.3 a MMBtu in 2030. Risks to this outlook are balanced.

*Metals prices rose amid safe-haven demand and supply disruptions until the end of March, but things changed abruptly on April 2.* The IMF’s metals price index increased by 11.2 percent between August 2024 and March 2025 (Figure 1.SF.1, panel 1), with the rise driven mainly by gold, aluminum, and copper prices. Among base metals, aluminum (12.7 percent) and copper prices (8.4 percent) increased the most because of supply concerns. Both metals also faced demand pressures from front-loading ahead of tariffs. Like those for energy, industrial metals prices dropped abruptly in the first week of April as trade tensions escalated. Futures markets now predict a downturn in prices for base metals, with price declines of 5.7, 4.5 and 14.3 percent for aluminum, copper, and iron ore, respectively, by the end of 2026. This stands in contrast to what has taken place regarding prices for precious metals: Gold prices have repeatedly set new records amid policy and geopolitical uncertainty, recently surpassing their historical high at \$3,000 a ton.

*Agricultural commodity prices increased as a result of adverse weather.* Between August 2024 and March 2025, the IMF’s food and beverages price index increased by 3.6 percent, with the rise driven by higher beverage prices. Cereal prices increased modestly, by 0.6 percent, as concerns over crop conditions for wheat and corn subsided. Coffee prices jumped 33.8 percent, with the IMF coffee index reaching historic highs in February because of weather-related supply concerns in Brazil. Meanwhile, rice prices fell 26.0 percent as crop conditions improved in India and other parts of Asia. New trade barriers imposed in April had heterogeneous effects on agricultural prices. The price of income-elastic (coffee) and trade-sensitive (soybeans) crops have declined sharply, whereas prices for staples like corn and wheat are so far less affected. Upside risks stem from trade disruptions and adverse weather; larger-than-expected harvests, trade war intensification, and broader uncertainty are the main downside risks.

## Power Hungry: How AI Will Drive Energy Demand

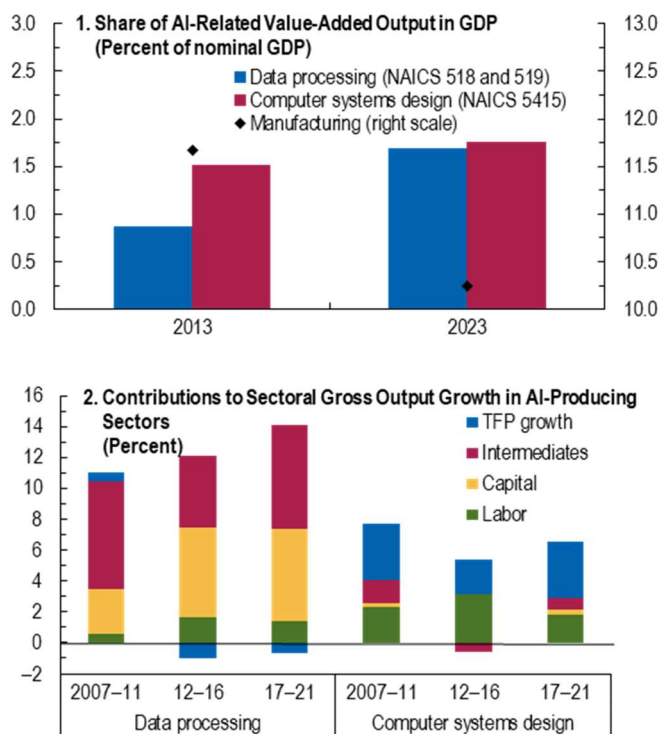
The rapid development and adoption of generative AI models, including large language models, require building more data centers that consume vast amounts of electricity. Large language models' costs have two main components: a large fixed cost for training the models and variable costs for operating and responding to user prompts.<sup>2</sup> Because substantial computational resources are required during both stages, electricity consumption represents a critical input for companies delivering AI services. In northern Virginia, which features the largest concentration of data centers in the world, the square footage of server-filled warehouses is now roughly equivalent to the floor space of eight Empire State Buildings (Cushman & Wakefield 2024).

Using a multicountry computable general equilibrium (CGE) model, IMF-ENV (Chateau and others 2025), this Special Feature seeks to answer the following questions: (1) How fast have sectors involved in the development and delivery of AI-related services grown in recent years, and what has happened to their electricity consumption? (2) How does the projected electricity demand from AI by 2030 compare with other drivers of demand, such as EVs? (3) What is the impact on energy prices and the mix of electricity sources under alternative policy scenarios? (4) What will be the impact of data centers' growth on carbon emissions?

### The Growing Macroeconomic Relevance of AI-Producing Sectors

In the US, AI-producing sectors' value added quadrupled from \$278 billion (in constant 2017 dollars) to \$1.13 trillion between 2010 and 2023, a rate much faster than those for private nonfarm and manufacturing value added. As a result, these sectors' share in total US GDP increased from 2.4 percent in 2013 to 3.5 percent in 2023, with the data-processing sector nearly doubling its share in the same period. Meanwhile, the share of manufacturing declined by 1.5 percentage points (Figure 1.SF.2, panel 1). This fast growth of AI-producing sectors was driven by remarkable gains in labor productivity, with value added per employee in the data-processing sector growing about four times faster than that in the whole economy over the past 10 years

**Figure 1.SF.2. The Growing Macroeconomic Relevance of AI-Producing Sectors**



Sources: Haver Analytics; BEA-BLS Integrated Industry-level Production Accounts (KLEMS); and IMF staff calculations.

Note: NAICS = North American Industry Classification System; TFP = total factor productivity.

<sup>2</sup> Large fixed costs create economies of scale that concentrate AI development among a few large players (Korinek and Vipra 2024), although this pool has expanded recently as more variation in the cost structure of large language models has emerged.

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(see Online Annex Figure 1.1.2, panel 1 in Online Annex 1.1).<sup>3</sup> This productivity growth was largely the result of elevated investment in physical capital and the complementarity of intermediate inputs, contrary to what was the case in computer systems design, in which labor and total factor productivity (TFP) contributed significantly to output growth (Figure 1.SF.2, panel 2). Hence, the high output per employee in data centers, compared with that in other sectors, is the result of rapid capital accumulation, which has increased energy consumption as an intermediate input.

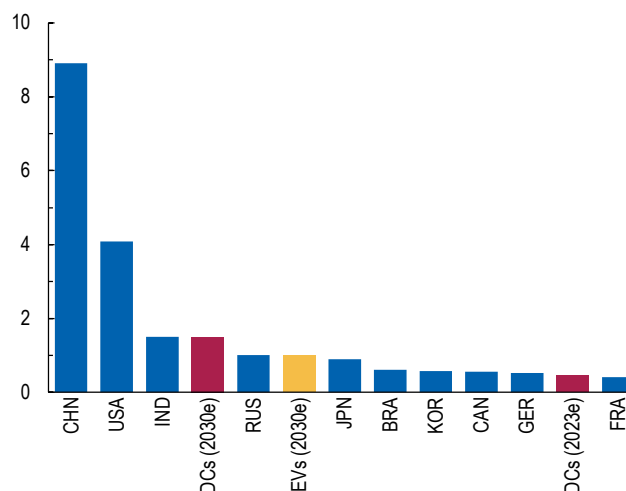
### AI's Demand for Electricity

Electricity costs make up 13–15 percent of total costs for data center companies, whereas they account for only 0.8–1.5 percent for semiconductor firms and AI service companies. However, the latter have almost doubled the share of electricity costs in their total costs in less than five years (see Online Annex Figure 1.1.3 in Online Annex 1.1). As these companies integrate vertically by building, operating, and leasing their own data centers, that share will likely continue to grow.

The broader implications for global electricity consumption are substantial. Worldwide electricity consumption from data centers and AI is estimated to have reached 400–500 terawatt-hours (TWh) in 2023, more than double the level in 2015 (OPEC 2024). For the United States, where growth is the fastest, electricity demand from data centers is expected to increase from 178 TWh in 2024 to 606 TWh in 2030 under a medium-demand scenario (McKinsey & Company 2024a). By 2030, AI-driven global electricity consumption could hit 1,500 TWh, conceivably making its level comparable to that of India's current total electricity consumption, the third highest in the world. This projected electricity demand from AI by 2030 is about 1.5 times higher than expected demand from EVs, another emerging source of electricity demand (Figure 1.SF.3).

Recent developments in the AI industry have increased uncertainty about its future compute and energy demands. Companies such as DeepSeek are achieving breakthroughs in algorithmic efficiency that may lower the computational costs of AI models faster than previously anticipated. However, these efficiency gains may be counterbalanced by greater use of compute by companies pursuing better-performing models (Hoffmann and others 2022). Adding to this

**Figure 1.SF.3. AI's Demand for Electricity**  
(Thousands of terawatt-hours; electricity demand for data centers compared with that in top electricity-consuming countries in 2023)



Sources: International Energy Agency (IEA); Organization of the Petroleum Exporting Countries (OPEC); and IMF staff calculations.  
Note: Estimates for data centers (DCs) and electric vehicles (EVs) are for the world and come from OPEC and the IEA, respectively. Data labels in the figure use International Organization for Standardization (ISO) country codes. e = estimate.

<sup>3</sup> All online annexes are available at [www.imf.org/en/Publications/WEO](http://www.imf.org/en/Publications/WEO).

complexity is the recent emergence of reasoning models—which require more compute in their deployment—and possibly greater AI use driven by lower costs and availability of open-source models.

## The Effects of Increased Demand for Electricity

In the IMF-ENV model, the impact of AI is captured by an increase in information technology (IT) sectors' TFP in China, the United States, and Europe to match the expected increase in data center power demand between 2025 and 2030 (see Online Annex Table 1.1.1. in Online Annex 1.1). This growth is projected at constant annual rates of 22, 13, and 10 percent, respectively (JP Morgan 2024; McKinsey & Company 2024a, 2024b).

Three scenarios are simulated here: (1) a *baseline* scenario, which excludes the AI-related TFP shock but reflects energy and emissions projections consistent with policies introduced through 2024; (2) an *AI scenario under current energy policies*, which models the AI-related TFP shock, assuming that the composition of electricity generation remains identical to that in the *baseline* scenario; and (3) an *AI scenario under alternative energy policies*, under which the share of renewables in total electricity generation is aligned with regions' long-term strategies using feed-in tariffs for renewables, though in practice policy choices will be guided by countries' preferences.<sup>4</sup> Results for both AI scenarios are reported as deviations from the *baseline* scenario, unless stated otherwise.

The AI shock increases electricity consumption by the IT sector, and power producers are expected to expand generation. The composition of electricity generation by technologies varies across countries and is based on their relative production costs and current policies. By 2030, in the *AI scenario under current energy policies*, total electricity supply increases by 8 percent in the United States (525 TWh), 3 percent in Europe (145 TWh), and 2 percent in China (237 TWh) relative to the baseline scenario. In the *AI scenario under alternative energy policies*, the increase in total electricity supply is kept the same, but its composition shifts in favor of renewables. In China, the United States, and Europe, generation from solar and wind sources offsets about 166 TWh, 58 TWh, and 35 TWh of generation, respectively, from other sources, including largely coal power in China and natural gas in the US (Figure 1.SF.4, panel 1).

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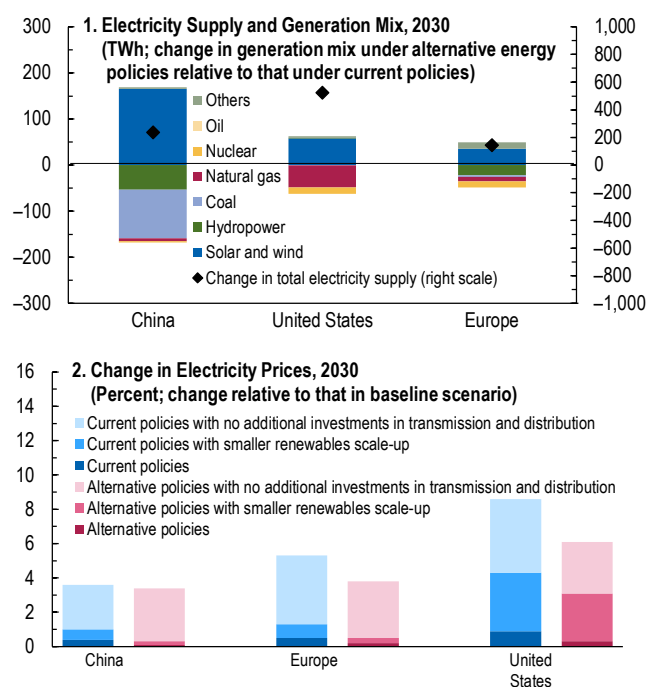
<sup>4</sup> AI expansion relies on electricity growth, so countries' energy policies should focus on supply. Different supply-side policies affect prices, GDP, and revenue (Chateau, Jaumotte, and Schwerhoff 2024). Feed-in tariffs for solar photovoltaic (PV) and wind are simulated owing to their historical inclusion in policy packages and because these renewables are cost competitive with fossil fuels in these regions (IRENA 2024).

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In both scenarios, the rising marginal costs of electricity supply mean that the increase in generation is less than proportional to economy-wide demand growth, which drives electricity prices up. At the same time, strong commitment of major AI players to resolving medium-term power supply rigidities<sup>5</sup> could lead to a smaller increase in electricity prices. In this case, the surge would be 0.9 percent in the United States, 0.45 percent in Europe, and 0.35 percent in China under current energy policies (Figure 1.SF.4, panel 2). However, material pressure on prices would be added if the renewables scale-up slows from recent trends and if further investments are not made in transmission and distribution capacities (relative to those in the *baseline*). The price increase in the *AI scenario under current energy policies* could escalate up to 5.3 percent in China, 8.6 percent in the United States, and 3.6 percent in Europe by 2030 (Figure 1.SF.4, panel 2), adding to price pressures coming from many other sources.<sup>6</sup>

In addition, without further investments in transmission and distribution, support for the expansion of the AI sector would require redirecting electricity from other economic activities. Such a shift would pose significant challenges, especially for energy-intensive manufacturing sectors. In the United States, for example, annual growth in the value added of these sectors would fall by an average of 0.3 percentage point compared with that in the *baseline* scenario, reducing annual GDP growth by 0.1 percentage point. The electricity price increase is more muted in the *AI scenario under alternative energy policies* owing to feed-in tariffs on solar and wind. The tariffs reduce the generation price of these technologies, which have relatively low production costs and a higher share in total electricity generation compared with those in the *AI scenario under current energy policies*.

Figure 1.SF.4. The Effects of Increased Demand for Electricity



Sources: IMF, IMF-ENV model; and IMF staff calculations.

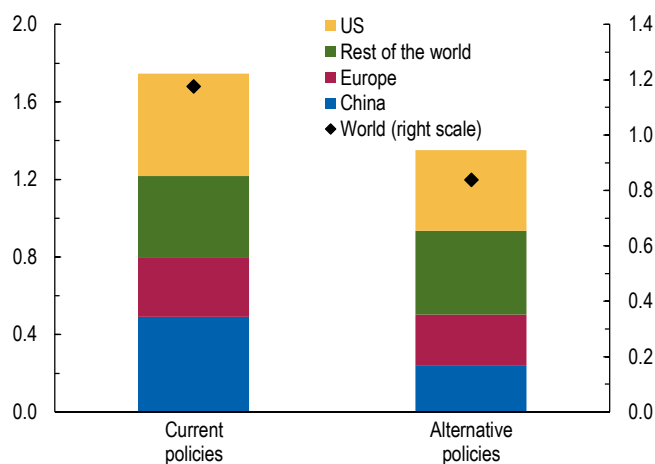
Note: In panel 1, the left axis shows the change in generation mix under alternative energy policies relative to current policies in terawatt-hours (TWh). Feed-in tariffs increase generation from solar and wind sources. The right axis shows the total increase in electricity supply relative to the baseline scenario in TWh, which is identical under both current energy policies and alternative energy policies.

<sup>5</sup> Public investments are being made in the United States for upgrading transmission and distribution infrastructure to meet rising electricity demand. Innovative solutions like power coupling (Engel, Posner, and Varadarajan 2025) and small modular nuclear reactors could offer flexibility, making constraints less restrictive than expected. Most new nuclear capacity in the United States is expected online no earlier than the early 2030s.

<sup>6</sup> Chandramowli and others (2024) estimate a 19 percent rise in US wholesale electricity prices from 2025 to 2028 because of increased demand driven not only by data centers, but also by electrification of buildings and transportation, battery and fuel cell manufacturing, AI, and cryptocurrency mining.

In both AI scenarios, global and regional greenhouse gas (GHG) emissions increase because of the increased energy demand resulting from the expanded IT sector and its spillovers to the economy. In the *AI scenario under current energy policies*, the 2030 increase is 5.5, 3.7, and 1.2 percent in the US, Europe, and China, respectively, with a global average increase of 1.2 percent (Figure 1.SF.5). In cumulative terms, this translates into a global GHG emissions increase of 1.7 gigatons (Gt) between 2025 and 2030, which is similar to Italy's energy-related GHG emissions over a five-year period. Notably, in the *AI scenario under alternative energy policies*, even a modest decarbonization of the power sector limits the total cumulative global GHG emissions increase to 1.3 Gt by 2030, which is 24 percent less than in the *AI scenario under current energy policies*.<sup>7</sup>

**Figure 1.SF.5. Emission Impacts of Expansion in IT Sector**  
(MtCO<sub>2</sub>e; cumulative greenhouse gas emissions; Percent change relative to that in baseline, right scale)



Sources: IMF, IMF-ENV model; and IMF staff calculations.

Note: The left axis shows the total greenhouse gas emissions increase in metric tons of carbon dioxide equivalent (MtCO<sub>2</sub>e) between 2025 and 2030 resulting from information technology (IT) sector expansion in selected regions. The right axis shows the total increase in global emissions in 2030 relative to the baseline emissions as a result of this expansion.

In the *AI scenario under current energy policies*, the AI shock raises the average annual growth rate of global GDP by 0.5 percentage point between 2025 and 2030, in line with previous IMF estimates ranging between 0.1 percentage point and 0.8 percentage point (April 2024 *World Economic Outlook*). The impact is greater in countries where the projected growth rate of the IT sector and its relative importance in the economy are higher. In the *AI scenario under alternative energy policies*, these gains are slightly reduced because of the feed-in tariff policies. The total fiscal costs of these tariffs range from 0.3 percent to 0.6 percent of GDP across countries and are financed through increased lump-sum taxes, which slightly reduce household consumption. However, the growth benefits from AI expansion far outweigh these costs, resulting in similar average annual GDP growth across both scenarios.

In summary, although the AI-induced expansion of the IT sector is expected to raise global GDP, the development also comes at the cost of higher carbon emissions. Drawing on a median social cost of carbon estimate of \$39 per ton—based on 147 published studies with more than 1,800 estimates (Moore and others 2024)—the additional social cost of 1.3 to 1.7 Gt of carbon-dioxide-equivalent emissions is about \$50.7 billion to \$66.3 billion, or 1.3 percent to 1.7 percent of the AI-driven increase in real world GDP between 2025 and 2030.

<sup>7</sup> This estimate is conservative compared with that of Stern and Romani (2025), who project that AI's energy demand could contribute between 0.4 and 1.6 Gt of carbon dioxide equivalent annually by 2035.

## **Conclusions and Policy Implications**

As AI technologies continue to evolve and proliferate, demand for computational power and electricity is poised for a significant surge. Despite challenges related to higher electricity prices and GHG emissions, the gains to global GDP from AI are likely to outweigh the costs of the additional emissions. The economic benefits, however, may not be evenly distributed across countries and among different groups within societies, potentially exacerbating existing inequalities.

Increasing electricity demand from the IT sector will stimulate overall supply, which—if sufficiently responsive—will lead to a small increase in electricity prices. More sluggish supply responses will lead to much stronger price surges. In the United States, the country with the largest expected surge in electricity demand, AI expansion alone could increase electricity prices by up to 9 percent, adding to price pressures coming from many other sources.

In addition, under current energy policies, the AI-driven rise in electricity demand could add 1.7 Gt in global greenhouse gas emissions between 2025 and 2030, an amount similar to Italy's energy-related GHG emissions over a five-year period. The social cost of these extra emissions is minor compared with the expected economic gains from AI, yet it still adds to the worrying buildup of worldwide emissions.

Demand for computing and electricity from AI service producers is subject to wide uncertainty, which may delay energy investments, causing underinvestment and higher prices. Policymakers and businesses must work together to ensure AI achieves its full potential, while minimizing societal costs.

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**Annex Table 1.1.1. European Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment**  
(Annual percent change, unless noted otherwise)

|                                                    | Real GDP    |            |            | Consumer Prices <sup>1</sup> |             |            | Current Account Balance <sup>2</sup> |             |             | Unemployment <sup>3</sup> |            |            |
|----------------------------------------------------|-------------|------------|------------|------------------------------|-------------|------------|--------------------------------------|-------------|-------------|---------------------------|------------|------------|
|                                                    | Projections |            |            | Projections                  |             |            | Projections                          |             |             | Projections               |            |            |
|                                                    | 2024        | 2025       | 2026       | 2024                         | 2025        | 2026       | 2024                                 | 2025        | 2026        | 2024                      | 2025       | 2026       |
| <b>Europe</b>                                      | <b>1.8</b>  | <b>1.4</b> | <b>1.6</b> | <b>7.8</b>                   | <b>6.2</b>  | <b>4.3</b> | <b>2.5</b>                           | <b>1.9</b>  | <b>1.7</b>  | ...                       | ...        | ...        |
| <b>Advanced Europe</b>                             | <b>1.0</b>  | <b>1.0</b> | <b>1.3</b> | <b>2.3</b>                   | <b>2.2</b>  | <b>2.0</b> | <b>3.1</b>                           | <b>2.6</b>  | <b>2.4</b>  | <b>5.8</b>                | <b>5.9</b> | <b>5.8</b> |
| Euro Area <sup>4, 5</sup>                          | 0.9         | 0.8        | 1.2        | 2.4                          | 2.1         | 1.9        | 2.8                                  | 2.3         | 2.1         | 6.4                       | 6.4        | 6.3        |
| Germany                                            | -0.2        | 0.0        | 0.9        | 2.5                          | 2.1         | 1.9        | 5.7                                  | 5.2         | 5.0         | 3.4                       | 3.5        | 3.2        |
| France                                             | 1.1         | 0.6        | 1.0        | 2.3                          | 1.3         | 1.6        | 0.4                                  | 0.2         | -0.2        | 7.4                       | 7.7        | 7.4        |
| Italy                                              | 0.7         | 0.4        | 0.8        | 1.1                          | 1.7         | 2.0        | 1.1                                  | 0.9         | 0.9         | 6.6                       | 6.7        | 6.7        |
| Spain                                              | 3.2         | 2.5        | 1.8        | 2.9                          | 2.2         | 2.0        | 3.0                                  | 2.4         | 2.2         | 11.3                      | 11.1       | 11.0       |
| The Netherlands                                    | 1.0         | 1.4        | 1.4        | 3.2                          | 2.8         | 2.3        | 9.9                                  | 10.4        | 10.5        | 3.7                       | 3.8        | 4.0        |
| Belgium                                            | 1.0         | 0.8        | 1.0        | 4.3                          | 3.2         | 2.1        | -0.9                                 | -1.1        | -1.3        | 5.7                       | 5.9        | 5.7        |
| Ireland                                            | 1.2         | 2.3        | 2.1        | 1.3                          | 1.9         | 1.7        | 17.2                                 | 11.6        | 11.0        | 4.3                       | 4.5        | 4.7        |
| Austria                                            | -1.2        | -0.3       | 0.8        | 2.9                          | 3.2         | 1.7        | 2.4                                  | 2.6         | 2.8         | 5.4                       | 5.6        | 5.5        |
| Portugal                                           | 1.9         | 2.0        | 1.7        | 2.7                          | 1.9         | 2.1        | 2.2                                  | 1.7         | 1.5         | 6.5                       | 6.4        | 6.3        |
| Greece                                             | 2.3         | 2.0        | 1.8        | 3.0                          | 2.4         | 2.1        | -6.9                                 | -6.5        | -5.9        | 10.1                      | 9.4        | 9.0        |
| Finland                                            | -0.1        | 1.0        | 1.4        | 1.0                          | 2.0         | 2.0        | 0.3                                  | -0.5        | -0.6        | 8.4                       | 8.1        | 7.6        |
| Slovak Republic                                    | 2.0         | 1.3        | 1.7        | 3.2                          | 3.7         | 2.9        | -2.8                                 | -1.9        | -1.5        | 5.4                       | 5.8        | 5.9        |
| Croatia                                            | 3.8         | 3.1        | 2.7        | 4.0                          | 3.7         | 2.6        | -1.2                                 | -0.7        | -0.6        | 5.5                       | 5.3        | 5.3        |
| Lithuania                                          | 2.7         | 2.8        | 2.5        | 0.9                          | 3.5         | 2.8        | 2.5                                  | 2.0         | 1.7         | 7.1                       | 6.6        | 6.1        |
| Slovenia                                           | 1.6         | 1.8        | 2.4        | 2.0                          | 2.6         | 2.3        | 4.4                                  | 3.6         | 3.3         | 3.7                       | 3.9        | 4.0        |
| Luxembourg                                         | 1.0         | 1.6        | 2.2        | 2.3                          | 2.2         | 2.1        | 13.8                                 | 8.8         | 7.8         | 5.7                       | 6.1        | 6.2        |
| Latvia                                             | -0.4        | 2.0        | 2.5        | 1.3                          | 2.4         | 2.4        | -2.1                                 | -2.5        | -2.4        | 6.9                       | 6.7        | 6.6        |
| Estonia                                            | -0.3        | 0.7        | 1.8        | 3.7                          | 5.8         | 3.9        | -1.1                                 | -2.6        | -2.4        | 7.5                       | 7.1        | 6.9        |
| Cyprus                                             | 3.4         | 2.5        | 2.7        | 2.3                          | 2.3         | 2.0        | -6.8                                 | -7.3        | -7.8        | 4.9                       | 4.8        | 5.0        |
| Malta                                              | 6.0         | 3.9        | 3.9        | 2.4                          | 2.1         | 1.9        | 6.1                                  | 6.2         | 6.1         | 3.1                       | 3.1        | 3.1        |
| United Kingdom                                     | 1.1         | 1.1        | 1.4        | 2.5                          | 3.1         | 2.2        | -3.4                                 | -3.7        | -3.7        | 4.3                       | 4.5        | 4.4        |
| Switzerland                                        | 1.3         | 0.9        | 1.6        | 1.1                          | 0.2         | 0.5        | 5.1                                  | 5.0         | 5.2         | 2.4                       | 2.8        | 2.8        |
| Sweden                                             | 1.0         | 1.9        | 2.2        | 2.0                          | 2.1         | 2.0        | 7.4                                  | 6.8         | 6.0         | 8.4                       | 8.2        | 8.0        |
| Czech Republic                                     | 1.1         | 1.6        | 1.8        | 2.4                          | 2.5         | 2.0        | 1.8                                  | -0.1        | -0.6        | 2.8                       | 2.5        | 2.4        |
| Norway                                             | 2.1         | 2.1        | 1.7        | 3.1                          | 2.6         | 2.2        | 17.1                                 | 15.9        | 15.1        | 4.0                       | 3.9        | 3.9        |
| Denmark                                            | 3.7         | 2.9        | 1.8        | 1.3                          | 1.9         | 2.1        | 13.0                                 | 12.6        | 12.4        | 2.9                       | 3.0        | 3.0        |
| Iceland                                            | 0.5         | 2.0        | 2.4        | 5.9                          | 3.5         | 2.7        | -2.5                                 | -1.9        | -1.2        | 3.4                       | 4.0        | 4.0        |
| Andorra                                            | 3.4         | 1.9        | 1.6        | 3.1                          | 2.2         | 1.8        | 15.1                                 | 16.9        | 16.9        | 1.4                       | 1.6        | 1.8        |
| San Marino                                         | 0.7         | 1.0        | 1.3        | 1.2                          | 2.0         | 2.0        | 6.3                                  | 4.0         | 3.3         | 4.4                       | 4.4        | 4.5        |
| <b>Emerging and Developing Europe <sup>6</sup></b> | <b>3.4</b>  | <b>2.1</b> | <b>2.1</b> | <b>16.8</b>                  | <b>13.5</b> | <b>8.7</b> | <b>0.0</b>                           | <b>-1.0</b> | <b>-1.0</b> | ...                       | ...        | ...        |
| Russia                                             | 4.1         | 1.5        | 0.9        | 8.4                          | 9.3         | 5.5        | 2.9                                  | 1.9         | 1.8         | 2.5                       | 2.8        | 3.5        |
| Türkiye                                            | 3.2         | 2.7        | 3.2        | 58.5                         | 35.9        | 22.8       | -0.8                                 | -1.2        | -1.2        | 8.7                       | 9.4        | 9.2        |
| Poland                                             | 2.9         | 3.2        | 3.1        | 3.7                          | 4.3         | 3.4        | 0.1                                  | -0.3        | -0.7        | 2.8                       | 2.9        | 3.0        |
| Romania                                            | 0.9         | 1.6        | 2.8        | 5.6                          | 4.6         | 3.1        | -8.3                                 | -7.6        | -7.4        | 5.4                       | 5.4        | 5.2        |
| Ukraine <sup>7</sup>                               | 3.5         | 2.0        | 4.5        | 6.5                          | 12.6        | 7.7        | -7.0                                 | -15.9       | -10.6       | 13.1                      | 11.6       | 10.2       |
| Hungary                                            | 0.5         | 1.4        | 2.6        | 3.7                          | 4.9         | 3.6        | 2.2                                  | 1.0         | 1.1         | 4.5                       | 4.6        | 4.2        |
| Belarus                                            | 4.0         | 2.8        | 2.0        | 5.7                          | 5.5         | 5.8        | -2.8                                 | -2.8        | -2.9        | 3.0                       | 2.9        | 2.9        |
| Bulgaria                                           | 2.8         | 2.5        | 2.7        | 2.6                          | 3.7         | 2.3        | 0.2                                  | -1.5        | -1.0        | 4.2                       | 4.1        | 4.1        |
| Serbia                                             | 3.9         | 3.5        | 4.2        | 4.7                          | 4.0         | 3.3        | -6.3                                 | -5.8        | -5.7        | 8.6                       | 8.5        | 8.4        |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

<sup>2</sup> Percent of GDP.

<sup>3</sup> Percent. National definitions of unemployment may differ.

<sup>4</sup> Current account position corrected for reporting discrepancies in intra-area transactions.

<sup>5</sup> Based on Eurostat's harmonized index of consumer prices except for Slovenia.

<sup>6</sup> Includes Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, and North Macedonia.

<sup>7</sup> See the country-specific note for Ukraine in the "Country Notes" section of the Statistical Appendix.

**Annex Table 1.1.2. Asian and Pacific Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment**  
(Annual percent change, unless noted otherwise)

|                                                         | Real GDP   |             |            | Consumer Prices <sup>1</sup> |             |            | Current Account Balance <sup>2</sup> |             |             | Unemployment <sup>3</sup> |             |            |
|---------------------------------------------------------|------------|-------------|------------|------------------------------|-------------|------------|--------------------------------------|-------------|-------------|---------------------------|-------------|------------|
|                                                         | 2024       | Projections |            | 2024                         | Projections |            | 2024                                 | Projections |             | 2024                      | Projections |            |
|                                                         |            | 2025        | 2026       |                              | 2025        | 2026       |                                      | 2025        | 2026        |                           | 2025        | 2026       |
| <b>Asia</b>                                             | <b>4.6</b> | <b>3.9</b>  | <b>4.0</b> | <b>2.1</b>                   | <b>1.8</b>  | <b>2.0</b> | <b>2.6</b>                           | <b>2.0</b>  | <b>1.8</b>  | ...                       | ...         | ...        |
| <b>Advanced Asia</b>                                    | <b>1.5</b> | <b>1.2</b>  | <b>1.4</b> | <b>2.6</b>                   | <b>2.1</b>  | <b>1.9</b> | <b>5.4</b>                           | <b>4.5</b>  | <b>4.5</b>  | <b>2.9</b>                | <b>3.0</b>  | <b>3.0</b> |
| Japan                                                   | 0.1        | 0.6         | 0.6        | 2.7                          | 2.4         | 1.7        | 4.8                                  | 3.4         | 3.3         | 2.6                       | 2.6         | 2.6        |
| Korea                                                   | 2.0        | 1.0         | 1.4        | 2.3                          | 1.8         | 1.8        | 5.3                                  | 3.5         | 3.6         | 2.8                       | 3.0         | 3.0        |
| Australia                                               | 1.0        | 1.6         | 2.1        | 3.2                          | 2.5         | 3.5        | -1.9                                 | -3.1        | -3.4        | 4.0                       | 4.3         | 4.5        |
| Taiwan Province of China                                | 4.3        | 2.9         | 2.5        | 2.2                          | 1.8         | 1.6        | 15.7                                 | 18.5        | 19.6        | 3.4                       | 3.4         | 3.4        |
| Singapore                                               | 4.4        | 2.0         | 1.9        | 2.4                          | 1.3         | 1.5        | 17.5                                 | 17.2        | 17.0        | 2.0                       | 2.0         | 1.9        |
| Hong Kong SAR                                           | 2.5        | 1.5         | 1.9        | 1.7                          | 1.9         | 2.2        | 13.0                                 | 11.4        | 11.0        | 3.0                       | 3.5         | 3.4        |
| New Zealand                                             | -0.5       | 1.4         | 2.7        | 2.9                          | 2.0         | 2.0        | -6.0                                 | -4.9        | -4.7        | 4.7                       | 5.3         | 5.3        |
| Macao SAR                                               | 8.8        | 3.6         | 3.5        | 0.7                          | 0.9         | 1.3        | 31.7                                 | 30.0        | 28.9        | 1.8                       | 1.7         | 1.7        |
| <b>Emerging and Developing Asia</b>                     | <b>5.3</b> | <b>4.5</b>  | <b>4.6</b> | <b>2.0</b>                   | <b>1.7</b>  | <b>2.0</b> | <b>1.5</b>                           | <b>1.1</b>  | <b>0.9</b>  | ...                       | ...         | ...        |
| China                                                   | 5.0        | 4.0         | 4.0        | 0.2                          | 0.0         | 0.6        | 2.3                                  | 1.9         | 1.7         | 5.1                       | 5.1         | 5.1        |
| India <sup>4</sup>                                      | 6.5        | 6.2         | 6.3        | 4.7                          | 4.2         | 4.1        | -0.8                                 | -0.9        | -1.4        | 4.9                       | 4.9         | 4.9        |
| Indonesia                                               | 5.0        | 4.7         | 4.7        | 2.3                          | 1.7         | 2.5        | -0.6                                 | -1.5        | -1.6        | 4.9                       | 5.0         | 5.1        |
| Thailand                                                | 2.5        | 1.8         | 1.6        | 0.4                          | 0.7         | 0.9        | 2.1                                  | 1.2         | 1.2         | 1.0                       | 1.0         | 1.0        |
| Vietnam                                                 | 7.1        | 5.2         | 4.0        | 3.6                          | 2.9         | 2.5        | 6.1                                  | 3.2         | 1.9         | 2.2                       | 2.0         | 2.0        |
| Malaysia                                                | 5.1        | 4.1         | 3.8        | 1.8                          | 2.4         | 2.2        | 1.7                                  | 1.6         | 1.8         | 3.2                       | 3.2         | 3.2        |
| Philippines                                             | 5.7        | 5.5         | 5.8        | 3.2                          | 2.6         | 2.9        | -3.8                                 | -3.4        | -3.2        | 3.8                       | 4.5         | 4.5        |
| <b>Other Emerging and Developing Asia <sup>5/</sup></b> | <b>3.8</b> | <b>3.5</b>  | <b>5.2</b> | <b>9.5</b>                   | <b>9.9</b>  | <b>6.5</b> | <b>-0.2</b>                          | <b>-0.6</b> | <b>-0.9</b> | ...                       | ...         | ...        |
| <i>Memorandum</i>                                       |            |             |            |                              |             |            |                                      |             |             |                           |             |            |
| ASEAN- <sup>5</sup> <sup>6</sup>                        | 4.6        | 4.0         | 3.9        | 2.0                          | 1.7         | 2.2        | 2.6                                  | 2.1         | 2.0         | ...                       | ...         | ...        |
| Emerging Asia <sup>7</sup>                              | 5.4        | 4.6         | 4.6        | 1.6                          | 1.4         | 1.8        | 1.6                                  | 1.2         | 0.9         | ...                       | ...         | ...        |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

<sup>2</sup> Percent of GDP.

<sup>3</sup> Percent. National definitions of unemployment may differ.

<sup>4</sup> See the country-specific note for India in the "Country Notes" section of the Statistical Appendix.

<sup>5</sup> Other Emerging and Developing Asia comprises Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Fiji, Kiribati, Lao P.D.R., Maldives, the Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Samoa, the Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

<sup>6</sup> Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

<sup>7</sup> Emerging Asia comprises China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.

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**Annex Table 1.1.3. Western Hemisphere Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment**  
(Annual percent change, unless noted otherwise)

|                                               | Real GDP    |            |            | Consumer Prices <sup>1</sup> |            |            | Current Account Balance <sup>2</sup> |             |             | Unemployment <sup>3</sup> |      |      |
|-----------------------------------------------|-------------|------------|------------|------------------------------|------------|------------|--------------------------------------|-------------|-------------|---------------------------|------|------|
|                                               | Projections |            |            | Projections                  |            |            | Projections                          |             |             | Projections               |      |      |
|                                               | 2024        | 2025       | 2026       | 2024                         | 2025       | 2026       | 2024                                 | 2025        | 2026        | 2024                      | 2025 | 2026 |
| <b>North America</b>                          | <b>2.6</b>  | <b>1.6</b> | <b>1.7</b> | <b>3.1</b>                   | <b>3.0</b> | <b>2.5</b> | <b>-3.5</b>                          | <b>-3.3</b> | <b>-2.9</b> | ...                       | ...  | ...  |
| United States                                 | 2.8         | 1.8        | 1.7        | 3.0                          | 3.0        | 2.5        | -3.9                                 | -3.7        | -3.2        | 4.0                       | 4.2  | 4.2  |
| Mexico                                        | 1.5         | -0.3       | 1.4        | 4.7                          | 3.5        | 3.2        | -0.3                                 | -0.5        | -1.1        | 2.7                       | 3.8  | 3.8  |
| Canada                                        | 1.5         | 1.4        | 1.6        | 2.4                          | 2.0        | 2.1        | -0.5                                 | -0.1        | -0.3        | 6.4                       | 6.6  | 6.5  |
| Puerto Rico <sup>4</sup>                      | 1.0         | -0.8       | -0.1       | 1.6                          | 2.1        | 1.9        | ...                                  | ...         | ...         | 6.2                       | 6.5  | 6.1  |
| <b>South America <sup>5</sup></b>             | <b>2.2</b>  | <b>2.5</b> | <b>2.4</b> | <b>23.5</b>                  | <b>9.1</b> | <b>5.5</b> | <b>-1.3</b>                          | <b>-1.5</b> | <b>-1.5</b> | ...                       | ...  | ...  |
| Brazil                                        | 3.4         | 2.0        | 2.0        | 4.4                          | 5.3        | 4.3        | -2.8                                 | -2.3        | -2.2        | 6.9                       | 7.2  | 7.3  |
| Argentina                                     | -1.7        | 5.5        | 4.5        | 219.9                        | 35.9       | 14.5       | 1.0                                  | -0.4        | -0.3        | 7.2                       | 6.3  | 6.0  |
| Colombia                                      | 1.7         | 2.4        | 2.6        | 6.6                          | 4.7        | 3.1        | -1.8                                 | -2.3        | -2.4        | 10.2                      | 10.0 | 9.8  |
| Chile                                         | 2.6         | 2.0        | 2.2        | 3.9                          | 4.4        | 3.2        | -1.5                                 | -2.1        | -2.4        | 8.5                       | 8.1  | 8.1  |
| Peru                                          | 3.3         | 2.8        | 2.6        | 2.4                          | 1.7        | 1.9        | 2.2                                  | 1.7         | 1.3         | 6.4                       | 6.5  | 6.5  |
| Ecuador                                       | -2.0        | 1.7        | 2.1        | 1.5                          | 1.3        | 1.5        | 5.8                                  | 3.4         | 2.6         | 3.4                       | 4.0  | 3.8  |
| Venezuela                                     | 5.3         | -4.0       | -5.5       | 49.0                         | 180.0      | 225.0      | 2.4                                  | -0.1        | -0.5        | ...                       | ...  | ...  |
| Bolivia                                       | 1.3         | 1.1        | 0.9        | 5.1                          | 15.1       | 15.8       | -4.3                                 | -2.5        | -3.0        | 5.0                       | 5.1  | 5.1  |
| Paraguay                                      | 4.0         | 3.8        | 3.5        | 3.8                          | 3.7        | 3.5        | -3.9                                 | -2.4        | -2.7        | 5.8                       | 5.7  | 5.7  |
| Uruguay                                       | 3.1         | 2.8        | 2.6        | 4.8                          | 5.5        | 5.3        | -1.0                                 | -1.5        | -1.7        | 8.2                       | 8.0  | 8.0  |
| <b>Central America <sup>6</sup></b>           | <b>3.9</b>  | <b>3.8</b> | <b>3.9</b> | <b>2.3</b>                   | <b>2.9</b> | <b>3.4</b> | <b>-0.9</b>                          | <b>-0.9</b> | <b>-1.3</b> | ...                       | ...  | ...  |
| <b>Caribbean <sup>7</sup></b>                 | <b>12.1</b> | <b>4.2</b> | <b>8.6</b> | <b>6.3</b>                   | <b>6.3</b> | <b>5.9</b> | <b>4.1</b>                           | <b>0.6</b>  | <b>0.3</b>  | ...                       | ...  | ...  |
| <i>Memorandum</i>                             |             |            |            |                              |            |            |                                      |             |             |                           |      |      |
| Latin America and the Caribbean <sup>8</sup>  | 2.4         | 2.0        | 2.4        | 16.6                         | 7.2        | 4.8        | -0.9                                 | -1.1        | -1.4        | ...                       | ...  | ...  |
| Eastern Caribbean Currency Union <sup>9</sup> | 3.9         | 3.5        | 2.7        | 2.3                          | 1.9        | 2.0        | -10.4                                | -9.9        | -8.3        | ...                       | ...  | ...  |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix. Aggregates exclude Venezuela.

<sup>2</sup> Percent of GDP.

<sup>3</sup> Percent. National definitions of unemployment may differ.

<sup>4</sup> Puerto Rico is a territory of the United States, but its statistical data are maintained on a separate and independent basis.

<sup>5</sup> See the country-specific notes for Argentina and Venezuela in the "Country Notes" section of the Statistical Appendix.

<sup>6</sup> Central America refers to CAPDR (Central America, Panama, and the Dominican Republic) and comprises Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

<sup>7</sup> The Caribbean comprises Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>8</sup> Latin America and the Caribbean comprises Mexico and economies from the Caribbean, Central America, and South America. See the country-specific notes for Argentina and Venezuela in the "Country Notes" section of the Statistical Appendix.

<sup>9</sup> Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat, which are not IMF members.

**Annex Table 1.1.4. Middle East and Central Asia Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment**  
(Annual percent change, unless noted otherwise)

|                                                                   | Real GDP   |             |            | Consumer Prices <sup>1</sup> |             |             | Current Account Balance <sup>2</sup> |             |             | Unemployment <sup>3</sup> |             |      |
|-------------------------------------------------------------------|------------|-------------|------------|------------------------------|-------------|-------------|--------------------------------------|-------------|-------------|---------------------------|-------------|------|
|                                                                   | 2024       | Projections |            | 2024                         | Projections |             | 2024                                 | Projections |             | 2024                      | Projections |      |
|                                                                   |            | 2025        | 2026       |                              | 2025        | 2026        |                                      | 2025        | 2026        |                           | 2025        | 2026 |
| <b>Middle East and Central Asia</b>                               | <b>2.4</b> | <b>3.0</b>  | <b>3.5</b> | <b>14.4</b>                  | <b>11.1</b> | <b>9.9</b>  | <b>2.0</b>                           | <b>-0.1</b> | <b>-0.4</b> | ...                       | ...         | ...  |
| <b>Oil Exporters <sup>4</sup></b>                                 | <b>2.5</b> | <b>2.6</b>  | <b>3.1</b> | <b>8.5</b>                   | <b>10.3</b> | <b>10.0</b> | <b>4.2</b>                           | <b>1.4</b>  | <b>0.9</b>  | ...                       | ...         | ...  |
| Saudi Arabia                                                      | 1.3        | 3.0         | 3.7        | 1.7                          | 2.0         | 2.0         | -0.5                                 | -4.0        | -4.3        | 3.5                       | ...         | ...  |
| Iran                                                              | 3.5        | 0.3         | 1.1        | 32.6                         | 43.3        | 42.5        | 2.7                                  | 0.9         | 1.3         | 7.8                       | 9.5         | 9.2  |
| United Arab Emirates                                              | 3.8        | 4.0         | 5.0        | 1.7                          | 2.1         | 2.0         | 9.1                                  | 6.6         | 6.4         | ...                       | ...         | ...  |
| Kazakhstan                                                        | 4.8        | 4.9         | 4.3        | 8.7                          | 9.9         | 9.4         | -1.3                                 | -3.6        | -3.7        | 4.7                       | 4.6         | 4.6  |
| Algeria                                                           | 3.5        | 3.5         | 3.0        | 4.0                          | 3.7         | 3.6         | -1.4                                 | -3.9        | -4.6        | ...                       | ...         | ...  |
| Iraq                                                              | 0.3        | -1.5        | 1.4        | 2.6                          | 2.5         | 2.7         | 2.0                                  | 1.5         | 1.5         | ...                       | ...         | ...  |
| Qatar                                                             | 2.4        | 2.4         | 5.6        | 1.1                          | 1.2         | 1.4         | 17.2                                 | 10.8        | 10.3        | ...                       | ...         | ...  |
| Kuwait                                                            | -2.8       | 1.9         | 3.1        | 2.9                          | 2.5         | 2.2         | 29.5                                 | 22.7        | 19.3        | ...                       | ...         | ...  |
| Azerbaijan                                                        | 4.1        | 3.5         | 2.5        | 2.2                          | 5.7         | 4.5         | 7.8                                  | 7.8         | 4.1         | 5.4                       | 5.3         | 5.3  |
| Oman                                                              | 1.7        | 2.3         | 3.6        | 0.6                          | 1.5         | 2.0         | 2.2                                  | -1.5        | -2.5        | ...                       | ...         | ...  |
| Turkmenistan                                                      | 2.3        | 2.3         | 2.3        | 4.8                          | 7.0         | 8.0         | 3.1                                  | 2.0         | 0.6         | ...                       | ...         | ...  |
| Bahrain                                                           | 2.8        | 2.8         | 3.0        | 0.9                          | 1.0         | 1.5         | 4.9                                  | 3.3         | 1.7         | 5.9                       | ...         | ...  |
| <b>Oil Importers <sup>5,6</sup></b>                               | <b>2.3</b> | <b>3.6</b>  | <b>4.1</b> | <b>24.1</b>                  | <b>12.4</b> | <b>9.7</b>  | <b>-3.9</b>                          | <b>-3.8</b> | <b>-3.5</b> | ...                       | ...         | ...  |
| Egypt                                                             | 2.4        | 3.8         | 4.3        | 33.3                         | 19.7        | 12.5        | -5.4                                 | -5.8        | -3.7        | 7.4                       | 7.7         | 7.7  |
| Pakistan                                                          | 2.5        | 2.6         | 3.6        | 23.4                         | 5.1         | 7.7         | -0.5                                 | -0.1        | -0.4        | 8.3                       | 8.0         | 7.5  |
| Morocco                                                           | 3.2        | 3.9         | 3.7        | 0.9                          | 2.2         | 2.3         | -1.4                                 | -2.0        | -2.2        | 13.3                      | 13.2        | 12.9 |
| Uzbekistan                                                        | 6.5        | 5.9         | 5.8        | 9.6                          | 8.8         | 7.2         | -5.0                                 | -5.0        | -4.8        | 5.5                       | 5.0         | 4.5  |
| Tunisia                                                           | 1.4        | 1.4         | 1.4        | 7.0                          | 6.1         | 6.5         | -1.7                                 | -2.7        | -3.1        | ...                       | ...         | ...  |
| Sudan <sup>7</sup>                                                | -23.4      | -0.4        | 8.8        | 176.8                        | 100.0       | 63.2        | -3.5                                 | -3.6        | -8.6        | 60.8                      | 62.0        | 59.7 |
| Jordan                                                            | 2.5        | 2.6         | 2.9        | 0.2                          | 3.6         | 2.6         | -5.8                                 | -5.5        | -5.8        | ...                       | ...         | ...  |
| Georgia                                                           | 9.4        | 6.0         | 5.0        | 1.1                          | 3.6         | 3.2         | -4.4                                 | -4.4        | -4.7        | 13.9                      | 13.9        | 13.9 |
| Armenia                                                           | 5.9        | 4.5         | 4.5        | 0.3                          | 3.2         | 3.0         | -3.9                                 | -4.5        | -4.8        | 13.0                      | 13.5        | 14.0 |
| Tajikistan                                                        | 8.4        | 6.7         | 5.0        | 3.5                          | 4.3         | 5.5         | 4.7                                  | 0.9         | -2.1        | ...                       | ...         | ...  |
| Kyrgyz Republic                                                   | 9.0        | 6.8         | 5.3        | 5.0                          | 7.0         | 5.7         | -31.1                                | -8.5        | -7.5        | 4.0                       | 4.0         | 4.0  |
| Mauritania                                                        | 4.6        | 4.4         | 3.7        | 2.3                          | 3.5         | 4.0         | -5.8                                 | -5.1        | -4.8        | ...                       | ...         | ...  |
| West Bank and Gaza <sup>7</sup>                                   | ...        | ...         | ...        | 52.9                         | ...         | ...         | ...                                  | ...         | ...         | ...                       | ...         | ...  |
| <i>Memorandum</i>                                                 |            |             |            |                              |             |             |                                      |             |             |                           |             |      |
| Caucasus and Central Asia                                         | 5.4        | 4.9         | 4.3        | 6.7                          | 8.1         | 7.4         | -1.3                                 | -2.0        | -2.6        | ...                       | ...         | ...  |
| Middle East, North Africa, Afghanistan, and Pakistan <sup>6</sup> | 1.9        | 2.6         | 3.4        | 15.7                         | 11.7        | 10.3        | 2.5                                  | 0.2         | 0.0         | ...                       | ...         | ...  |
| Middle East and North Africa                                      | 1.8        | 2.6         | 3.4        | 14.6                         | 12.7        | 10.7        | 2.8                                  | 0.3         | 0.1         | ...                       | ...         | ...  |
| Israel <sup>7,8</sup>                                             | 0.9        | 3.2         | 3.6        | 3.1                          | 2.7         | 2.0         | 3.1                                  | 2.8         | 2.9         | 3.0                       | 2.9         | 3.2  |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

<sup>2</sup> Percent of GDP.

<sup>3</sup> Percent. National definitions of unemployment may differ.

<sup>4</sup> Includes Libya and Yemen.

<sup>5</sup> Includes Djibouti, Lebanon, and Somalia. See the country-specific note for Lebanon in the "Country Notes" section of the Statistical Appendix.

<sup>6</sup> Excludes Afghanistan and Syria because of the uncertain political situation. See the country-specific notes in the "Country Notes" section of the Statistical Appendix.

<sup>7</sup> See the country-specific notes for Israel, Sudan, and West Bank and Gaza in the "Country Notes" section of the Statistical Appendix.

<sup>8</sup> Israel, which is not a member of the economic region, is shown for reasons of geography but is not included in the regional aggregates.

## CHAPTER 1 GLOBAL PROSPECTS AND POLICIES

**Annex Table 1.1.5. Sub-Saharan African Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment**  
(Annual percent change, unless noted otherwise)

|                                      | Real GDP |             |      | Consumer Prices <sup>1</sup> |             |      | Current Account Balance <sup>2</sup> |             |      | Unemployment <sup>3</sup> |             |      |
|--------------------------------------|----------|-------------|------|------------------------------|-------------|------|--------------------------------------|-------------|------|---------------------------|-------------|------|
|                                      |          | Projections |      |                              | Projections |      |                                      | Projections |      |                           | Projections |      |
|                                      | 2024     | 2025        | 2026 | 2024                         | 2025        | 2026 | 2024                                 | 2025        | 2026 | 2024                      | 2025        | 2026 |
| Sub-Saharan Africa                   | 4.0      | 3.8         | 4.2  | 18.3                         | 13.3        | 12.9 | -1.7                                 | -2.5        | -2.2 | ...                       | ...         | ...  |
| Oil Exporters <sup>4</sup>           | 3.4      | 2.7         | 3.1  | 29.8                         | 23.6        | 29.5 | 6.4                                  | 3.8         | 2.7  | ...                       | ...         | ...  |
| Nigeria                              | 3.4      | 3.0         | 2.7  | 33.2                         | 26.5        | 37.0 | 9.1                                  | 6.9         | 5.2  | ...                       | ...         | ...  |
| Angola                               | 4.5      | 2.4         | 2.1  | 28.2                         | 22.0        | 16.4 | 5.4                                  | 2.1         | 1.4  | ...                       | ...         | ...  |
| Gabon                                | 3.1      | 2.8         | 2.6  | 1.2                          | 1.5         | 2.0  | 4.5                                  | 2.2         | 0.6  | ...                       | ...         | ...  |
| Chad                                 | 1.5      | 1.7         | 3.2  | 5.7                          | 3.9         | 3.5  | -1.3                                 | -3.4        | -2.8 | ...                       | ...         | ...  |
| Equatorial Guinea                    | 1.9      | -4.2        | 0.0  | 3.2                          | 4.0         | 3.5  | -2.4                                 | -1.7        | -2.4 | ...                       | ...         | ...  |
| Middle-Income Countries <sup>5</sup> | 3.1      | 3.4         | 3.6  | 6.4                          | 5.4         | 4.8  | -2.4                                 | -2.5        | -2.3 | ...                       | ...         | ...  |
| South Africa                         | 0.6      | 1.0         | 1.3  | 4.4                          | 3.8         | 4.5  | -0.6                                 | -1.2        | -1.4 | 32.8                      | 32.8        | 32.7 |
| Kenya                                | 4.5      | 4.8         | 4.9  | 4.5                          | 4.1         | 4.9  | -3.7                                 | -3.9        | -4.2 | ...                       | ...         | ...  |
| Ghana                                | 5.7      | 4.0         | 4.8  | 22.9                         | 17.2        | 9.4  | 1.6                                  | 1.6         | 1.3  | ...                       | ...         | ...  |
| Côte d'Ivoire                        | 6.0      | 6.3         | 6.4  | 3.5                          | 3.0         | 2.2  | -4.2                                 | -3.6        | -2.1 | ...                       | ...         | ...  |
| Cameroon                             | 3.6      | 3.6         | 4.0  | 4.5                          | 3.4         | 3.0  | -3.3                                 | -2.8        | -3.9 | ...                       | ...         | ...  |
| Senegal                              | 6.7      | 8.4         | 4.1  | 0.8                          | 2.0         | 2.0  | -12.1                                | -8.2        | -6.2 | ...                       | ...         | ...  |
| Zambia                               | 4.0      | 6.2         | 6.8  | 15.0                         | 14.2        | 9.2  | -1.7                                 | 0.5         | 2.6  | ...                       | ...         | ...  |
| Low-Income Countries <sup>6</sup>    | 6.0      | 5.7         | 6.3  | 23.3                         | 13.3        | 7.2  | -6.0                                 | -6.5        | -5.0 | ...                       | ...         | ...  |
| Ethiopia                             | 8.1      | 6.6         | 7.1  | 21.7                         | 21.5        | 12.2 | -4.2                                 | -4.8        | -3.2 | ...                       | ...         | ...  |
| Tanzania                             | 5.4      | 6.0         | 6.3  | 3.2                          | 4.0         | 4.0  | -3.1                                 | -3.0        | -2.9 | ...                       | ...         | ...  |
| Democratic Republic of the Congo     | 6.5      | 4.7         | 5.2  | 17.7                         | 8.9         | 7.2  | -4.1                                 | -2.9        | -2.5 | ...                       | ...         | ...  |
| Uganda                               | 6.3      | 6.1         | 7.6  | 3.3                          | 4.2         | 4.7  | -7.3                                 | -6.4        | -4.2 | ...                       | ...         | ...  |
| Mali                                 | 4.4      | 4.9         | 5.1  | 3.2                          | 3.0         | 2.0  | -6.1                                 | -5.1        | -1.6 | ...                       | ...         | ...  |
| Burkina Faso                         | 4.4      | 4.3         | 4.5  | 4.2                          | 3.0         | 2.5  | -6.4                                 | -2.1        | -2.0 | ...                       | ...         | ...  |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

<sup>2</sup> Percent of GDP.

<sup>3</sup> Percent. National definitions of unemployment may differ.

<sup>4</sup> Includes Republic of Congo and South Sudan.

<sup>5</sup> Includes Benin, Botswana, Cabo Verde, the Comoros, Eswatini, Lesotho, Mauritius, Namibia, São Tomé and Príncipe, and Seychelles.

<sup>6</sup> Includes Burundi, Central African Republic, Eritrea, The Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mozambique, Niger, Rwanda, Sierra Leone, Togo, and Zimbabwe.

**Annex Table 1.1.6. Summary of World Real per Capita Output**  
(Annual percent change; in constant 2021 international dollars at purchasing power parity)

|                                                 | Average    |            |            |            |             |            |            |            |            |  | Projections |            |
|-------------------------------------------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|--|-------------|------------|
|                                                 | 2007–16    | 2017       | 2018       | 2019       | 2020        | 2021       | 2022       | 2023       | 2024       |  | 2025        | 2026       |
| <b>World</b>                                    | <b>2.0</b> | <b>2.5</b> | <b>2.5</b> | <b>1.8</b> | <b>-3.9</b> | <b>5.6</b> | <b>2.7</b> | <b>2.4</b> | <b>2.7</b> |  | <b>1.8</b>  | <b>2.0</b> |
| <b>Advanced Economies</b>                       | <b>0.8</b> | <b>2.1</b> | <b>1.8</b> | <b>1.5</b> | <b>-4.4</b> | <b>5.8</b> | <b>2.4</b> | <b>0.9</b> | <b>1.2</b> |  | <b>0.9</b>  | <b>1.2</b> |
| United States                                   | 0.7        | 1.8        | 2.4        | 2.1        | -3.0        | 5.7        | 2.0        | 2.1        | 1.9        |  | 1.2         | 1.1        |
| Euro Area <sup>1</sup>                          | 0.4        | 2.4        | 1.5        | 1.4        | -6.4        | 6.3        | 3.1        | -0.1       | 0.5        |  | 0.5         | 0.9        |
| Germany                                         | 1.1        | 2.3        | 0.8        | 0.8        | -4.2        | 3.6        | 0.6        | -1.1       | -0.5       |  | -0.2        | 0.8        |
| France                                          | 0.3        | 2.0        | 1.3        | 1.7        | -7.8        | 6.4        | 2.1        | 0.8        | 0.8        |  | 0.4         | 0.7        |
| Italy                                           | -0.9       | 1.8        | 1.0        | 0.6        | -8.6        | 9.7        | 5.2        | 0.8        | 0.8        |  | 0.5         | 0.9        |
| Spain                                           | 0.0        | 2.6        | 1.8        | 1.1        | -11.1       | 6.5        | 4.9        | 1.5        | 2.2        |  | 1.2         | 0.6        |
| Japan                                           | 0.5        | 1.8        | 0.8        | -0.2       | -3.9        | 3.0        | 1.3        | 2.0        | 0.6        |  | 1.0         | 1.1        |
| United Kingdom                                  | 0.4        | 2.0        | 0.8        | 1.1        | -10.7       | 8.3        | 4.3        | -0.9       | 0.0        |  | 0.1         | 0.6        |
| Canada                                          | 0.4        | 1.8        | 1.3        | 0.4        | -6.1        | 5.3        | 2.5        | -1.3       | -1.4       |  | 0.4         | 1.6        |
| Other Advanced Economies <sup>2</sup>           | 1.9        | 2.5        | 2.1        | 1.3        | -2.2        | 6.0        | 1.9        | 0.6        | 1.7        |  | 1.4         | 1.5        |
| <b>Emerging Market and Developing Economies</b> | <b>3.7</b> | <b>3.3</b> | <b>3.4</b> | <b>2.4</b> | <b>-3.1</b> | <b>5.9</b> | <b>3.1</b> | <b>3.6</b> | <b>3.7</b> |  | <b>2.7</b>  | <b>2.8</b> |
| Emerging and Developing Asia                    | 6.5        | 5.6        | 5.6        | 4.5        | -1.4        | 7.1        | 4.1        | 5.5        | 4.7        |  | 4.0         | 4.1        |
| China                                           | 8.4        | 6.3        | 6.4        | 5.7        | 2.2         | 8.5        | 3.2        | 5.5        | 5.1        |  | 4.2         | 4.2        |
| India <sup>3</sup>                              | 5.4        | 5.6        | 5.3        | 2.8        | -6.7        | 8.8        | 6.9        | 8.3        | 5.5        |  | 5.3         | 5.4        |
| Emerging and Developing Europe                  | 2.1        | 3.6        | 3.4        | 2.3        | -1.9        | 7.5        | 1.9        | 3.8        | 3.7        |  | 2.3         | 2.1        |
| Russia                                          | 1.5        | 1.6        | 2.7        | 2.1        | -2.5        | 6.2        | -1.1       | 4.4        | 4.3        |  | 1.8         | 1.2        |
| Latin America and the Caribbean                 | 1.2        | 0.3        | 0.2        | -0.9       | -8.0        | 6.6        | 3.5        | 1.6        | 1.6        |  | 1.3         | 1.6        |
| Brazil                                          | 1.2        | 0.7        | 1.1        | 0.6        | -3.9        | 4.3        | 2.6        | 2.8        | 3.0        |  | 1.6         | 1.6        |
| Mexico                                          | 0.2        | 0.9        | 1.0        | -1.3       | -9.1        | 5.4        | 2.9        | 2.4        | 0.6        |  | -1.1        | 0.6        |
| Middle East and Central Asia                    | 1.4        | 0.0        | 0.9        | 0.1        | -4.3        | 2.6        | 3.2        | 0.1        | 4.6        |  | 1.1         | 1.7        |
| Saudi Arabia                                    | 0.2        | 0.8        | 5.9        | 1.5        | -8.1        | 7.7        | 2.8        | -5.3       | -3.3       |  | 1.0         | 1.7        |
| Sub-Saharan Africa                              | 1.7        | 0.1        | 0.6        | 0.4        | -4.3        | 2.0        | 1.5        | 1.0        | 1.2        |  | 1.2         | 1.5        |
| Nigeria                                         | 2.8        | -1.8       | -0.7       | -0.4       | -4.3        | 1.1        | 0.7        | 0.3        | 0.9        |  | 0.6         | 0.3        |
| South Africa                                    | 0.6        | -0.3       | 0.0        | -1.3       | -7.5        | 3.8        | 0.7        | -0.8       | -0.9       |  | -0.5        | -0.2       |
| <i>Memorandum</i>                               |            |            |            |            |             |            |            |            |            |  |             |            |
| European Union                                  | 0.7        | 2.8        | 2.1        | 1.8        | -5.7        | 6.6        | 3.4        | 0.1        | 0.8        |  | 0.9         | 1.3        |
| ASEAN-5 <sup>4</sup>                            | 3.6        | 4.0        | 3.8        | 3.2        | -5.5        | 3.3        | 4.5        | 3.1        | 3.6        |  | 3.0         | 3.0        |
| Middle East and North Africa                    | 1.1        | -0.5       | 0.5        | -0.3       | -4.5        | 2.8        | 3.2        | 0.0        | -0.3       |  | 0.8         | 1.6        |
| Emerging Market and Middle-Income Economies     | 3.9        | 3.6        | 3.7        | 2.7        | -2.9        | 6.6        | 3.4        | 4.0        | 3.6        |  | 3.0         | 3.1        |
| Low-Income Developing Countries                 | 2.8        | 2.0        | 2.2        | 2.5        | -2.7        | 1.7        | 2.3        | 1.6        | 3.0        |  | 1.9         | 2.8        |

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup> Data are calculated as the sum of those for individual euro area countries.

<sup>2</sup> Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

<sup>3</sup> See the country-specific note for India in the "Country Notes" section of the Statistical Appendix.

<sup>4</sup> ASEAN-5 comprises Indonesia, Malaysia, the Philippines, Singapore, and Thailand.