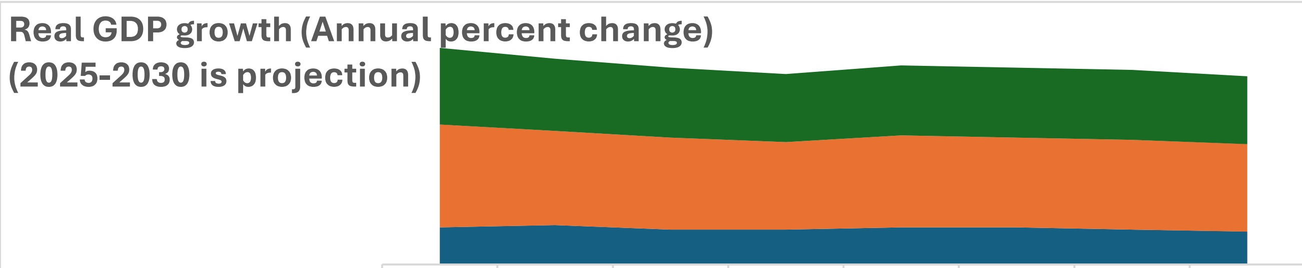
IMF World Economic Outlook (WEO)- October 2025

Global Economy: In Flux, Prospects Remain Dim

- **Global Economic Outlook Summary**

According to the IMF's October 2025 *World Economic Outlook (WEO)* titled *Global Economy in Flux, Prospects Remain Dim*, the global economy is projected to grow at **3.2% in 2025** and **3.1% in 2026**, signaling modest resilience despite persistent uncertainty and elevated trade tensions. Compared with the October 2024 projections, this represents a cumulative global output loss of 0.2 percentage point by 2026. The outlook remains subdued, as resilience in early 2025 was driven mainly by temporary front-loaded activity, AI-related investment surges, and expansionary fiscal measures. Global inflation is forecast to decline from 5.8% in 2024 to **4.2% in 2025** and **3.7% in 2026**, though inflationary pressures remain above target in the United States and certain advanced economies. In contrast, inflation in most emerging markets and developing economies (EMDEs) continues to ease.



	2023	2024	2025	2026	2027	2028	2029	2030
World	3.5	3.3	3.2	3.1	3.2	3.2	3.2	3.1
Emerging market & developing economies	4.7	4.3	4.2	4	4.2	4.1	4.1	4
Advanced economies	1.7	1.8	1.6	1.6	1.7	1.7	1.6	1.5

Inflation Rate Comparison

Inflation rate, average consumer prices (Annual percent change)	2023	2024	2025(p)	2026(p)	2027(p)	2028(p)	2029(p)	2030(p)
Advanced economies	4.6	2.6	2.5	2.2	2.1	2.1	2.1	2.1
Emerging market and developing economies	8.2	7.9	5.3	4.7	4.2	4.1	3.9	3.9
World	6.7	5.8	4.2	3.7	3.4	3.3	3.2	3.2

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- **India – Resilient amid Global Flux**

India's economy continues to outperform major economies, with growth projected at **6.4% in both 2025 and 2026**, supported by robust domestic demand, strong macroeconomic fundamentals, and easing global inflation. India remains one of the world's fastest-growing large economies, benefiting from a favorable investment climate and ongoing structural reforms.

Falling energy prices and stable inflation are expected to support real incomes and consumption. Monetary policy remains calibrated, with the Reserve Bank of India balancing inflation management with growth support.

- **Trends in Major Economies:**

➢ **Advanced Economies:** Expected to expand by **1.5% in 2025** and **1.6% in 2026**. The United States slows to **2.0%**, reflecting tariff pass-through and weaker immigration. Euro Area growth is supported by fiscal expansion in Germany, while Japan remains subdued at **0.7%**, declining to **0.5%** in 2026.

➢ **Emerging Markets and Developing Economies (EMDEs):** Continue to show resilience with **4.1% growth in 2025**, underpinned by improved policy frameworks, favorable financial conditions, and strong domestic demand in key economies.

- **China:** Projected at **4.8% in 2025** and **4.2% in 2026**, supported by export diversification and fiscal easing.
- **India:** Maintains strong growth at **6.4%** both years.

- **Latin America and the Caribbean:** Moderate growth at **2.2% (2025)** and **2.4% (2026)**.
- **Sub-Saharan Africa:** Stable at **4.0% (2025)**, improving to **4.3% (2026)**.
- **Middle East and Central Asia: 3.4% (2025)**, **3.5% (2026)**, reflecting gradual oil market normalization.

- **Risks to the Outlook:**

The risks to global growth remain **tilted to the downside**. Key risks include:

- **Downside Risks:**

- Renewed escalation of tariffs and protectionist measures.

- Persistent trade policy uncertainty and weaker global supply chains.

- Rising fiscal vulnerabilities amid higher real interest rates and debt levels.

- AI-driven investment corrections and market repricing.

- Weak productivity growth and pressures on central bank independence.

- **Upside Risks:** -

- Breakthroughs in trade negotiations and tariff reductions.

- Sustained AI-related productivity gains.

- Fiscal reforms and financial stability improvements boosting confidence.

- **Policy Priorities and Takeaways**

- **Trade Policy:** Establish transparent, rules-based trade frameworks to reduce uncertainty and restore confidence.

- **Fiscal Policy:** Rebuild buffers, ensure debt sustainability, and focus on efficient spending.

- **Monetary Policy:** Maintain independence and data-driven decisions to anchor inflation expectations.

- **Structural Reforms:** Enhance labor mobility, digitalization, and governance to lift potential growth.

- **Industrial Policy:** Apply selectively, mindful of fiscal costs and efficient trade-offs.

- **Low-Income Economies:** Strengthen domestic resource mobilization amid declining aid flows.

- **Conclusion-**

The global economy in 2025–26 remains fragile, adapting to a shifting policy landscape shaped by protectionism, AI-driven investment cycles, and fiscal pressures. While short-term resilience persists, medium-term prospects are dimmed by structural headwinds. Policymakers must focus on predictability, sustainability, and cooperation to safeguard growth and stability.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	2024	PROJECTIONS 2025	2026
World Output	**3.3**	**3.2**	**3.1**
Advanced Economies	**1.8**	**1.6**	**1.6**
United States	2.8	2.0	2.1
Euro Area	0.9	1.2	1.1
Germany	-0.5	0.2	0.9
France	1.1	0.7	0.9
Italy	0.7	0.5	0.8
Spain	3.5	2.9	2.0
Japan	0.1	1.1	0.6
United Kingdom	1.1	1.3	1.3
Canada	1.6	1.2	1.5
Other Advanced Economies	2.3	1.8	2.0
Emerging Market and Developing Economies	**4.3**	**4.2**	**4.0**
Emerging and Developing Asia	5.3	5.2	4.7
China	5.0	4.8	4.2
India	6.5	6.6	6.2
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.6	1.0
Latin America and the Caribbean	2.4	2.4	2.3
Brazil	3.4	2.4	1.9
Mexico	1.4	1.0	1.5
Middle East and Central Asia	2.6	3.5	3.8
Saudi Arabia	2.0	4.0	4.0
Sub-Saharan Africa	4.1	4.1	4.4
Nigeria	4.1	3.9	4.2
South Africa	0.5	1.1	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.3	4.1	3.9
Low-Income Developing Countries	4.2	4.4	5.0

Source: IMF, *World Economic Outlook*, October 2025

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 7.0 percent in 2025 and 6.1 percent in 2026 based on calendar year.

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Source: -IMF WEO- Oct 2025 Report

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