

IMF World Economic Outlook (WEO)

Global Economy: Tenuous Resilience amid Persistent Uncertainty

Global Economy to grow at 3.2% in 2024 and 3.3% in 2025.

India to grow at a rate of 6.4% in 2025 and 2026.

Projected Global Economy Growth: (+) 3% in 2025, (+) 3.1% in 2026, 0.2% in 2025 and 0.1% in 2026 higher than forecasted in April 2025 WEO Report

➔ According to the **IMF's report- World Economic Outlook (WEO) of July 2025**, titled '*Global Economy: Tenuous Resilience amid Persistent Uncertainty*', the global economy is projected to grow at **3.0% in 2025** with a slight recovery to **3.1% in 2026**. This reflects a **0.2% for 2025 and 0.1% for 2026 percentage point upgrade** from April 2025 projections, due to front-loaded activity ahead of tariffs, lower effective US tariff rates, improved financial conditions from a weaker dollar, and fiscal expansion in major economies. Global growth faces downside risks from possible tariff increases, unresolved trade deals, global tensions affecting supply chains and prices, rising government debt and investor caution tightening financial conditions, and market instability due to economic fragmentation. However, predictable trade frameworks and tariff reductions could boost growth.

Indian economy is projected to grow at a rate of 6.4% in 2025 & in 2026 – Resilient Amid Ongoing Uncertainty

➔ **India's projected growth: 6.4% in 2025 and in 2026**, slightly higher than projected in April 2025, reflecting a favorable global environment and strong external and internal macroeconomic conditions. Also, it is one of the highest among major economies.

➔ **Inflation and Policy Dynamics:** The broader environment of falling energy prices and easing global inflation is likely favorable for India.

Key Projections: -

Global Economic Growth:

2025: 3.0%

2026: 3.1%

India:

2025: 6.4%

2026: 6.4%

Emerging Market and Developing Economies (EMDEs):

2025: 4.1%

2026: 4.0%

Advanced Economies:

2025: 1.5%

2026: 1.6%

Risks to the Outlook: Tilted to the Downside similar to the April 2025 WEO

The risks to the global economic outlook remain tilted to the downside, both in the short and medium term.

➤ Downside Risk:

The main downside risks to the global outlook include tariff escalation and protectionist measures, persistent trade policy uncertainty, geopolitical tensions, fiscal vulnerabilities in major economies which can dampen growth and reignite inflation.

➤ Upside Risk:

On the upside, potential breakthroughs in trade negotiations, structural reforms, and improved financial conditions could boost investment and productivity.

Trends in major economies

Advanced Economies:

United States:

- **GDP growth** is projected at **1.9%** in **2025**, down from 2.8% in 2024, and expected to improve slightly to **2.0%** in **2026**.
- The slowdown in 2025 is attributed to cooling private demand, moderating consumer spending, and the unwinding of front-loaded business investment in response to anticipated tariffs.
- However, looser financial conditions, a weaker US dollar, and the fiscal boost from the OBBBA (One Big Beautiful Bill Act) are expected to support investment and drive a mild rebound in 2026.
- The OBBBA is estimated to raise US output by **0.5%** over the medium term, mainly through corporate tax incentives.

Euro Area:

- Growth is expected to improve to **1.0%** in **2025**, up from 0.9% in 2024, and further to **1.2%** in **2026**.
- The growth in 2025 is primarily driven by Ireland's pharmaceutical exports to USA, linked to new production facilities and trade front-loading.
- Excluding Ireland, the region's underlying momentum is weaker, reflecting soft domestic consumption and tight fiscal conditions.
- In 2026, the effects of front-loading fade, and growth aligns with potential output as fiscal policy stabilizes.

United Kingdom:

- The UK is projected to grow at **1.2%** in **2025** and **1.4%** in **2026**.
- The improvement is supported by declining inflation, looser monetary policy, and a gradual recovery in business confidence post-Brexit trade adjustments.

Japan:

- Growth remains subdued at **0.7%** in 2025, slipping to **0.5%** in 2026.
- The economy is weighed down by weak private consumption and sluggish net exports, despite some support from strong private investment.
- A slight increase in the policy rate is anticipated, reflecting gradual normalization.

Emerging Markets and Developing Economies (EMDEs):

China:

- Growth is revised upward to **4.8%** in **2025** (from 5.0% in 2024), and **4.2%** in **2026**.
- The 2025 boost is driven by strong export performance, especially to markets outside the US, aided by weaker renminbi and fiscal support.
- Reduced US-China tariffs have also provided breathing room for trade, while front-loaded inventory accumulation may taper off by 2026.

Latin America and the Caribbean:

- Growth is expected to decelerate to **2.2%** in **2025**, before modestly improving to **2.4%** in **2026**.

Sub-Saharan Africa:

- Growth holds steady at **4.0%** in **2025**, rising to **4.3%** in **2026**.

Middle East and Central Asia:

- Growth is projected to accelerate to **3.4%** in **2025** and **3.5%** in **2026**.

Emerging and Developing Europe:

- The region is expected to see sluggish growth of **1.8%** in **2025** (from 3.5% in 2024) and **2.2%** in **2026**, with structural weaknesses and ongoing war spillovers from Ukraine hampering recovery.

Despite persistent global uncertainty, tariff tensions, and geopolitical risks, the global economy has shown resilience so far in 2025. However, growth momentum is expected to moderate. India remains a bright spot, offering stable and robust growth amid global headwinds. Policymakers worldwide are advised to pursue transparent trade frameworks, fiscal sustainability, and structural reforms to ensure long-term growth and stability.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	3.0	3.1
Advanced Economies	1.8	1.5	1.6
United States	2.8	1.9	2.0
Euro Area	0.9	1.0	1.2
Germany	-0.2	0.1	0.9
France	1.1	0.6	1.0
Italy	0.7	0.5	0.8
Spain	3.2	2.5	1.8
Japan	0.2	0.7	0.5
United Kingdom	1.1	1.2	1.4
Canada	1.6	1.6	1.9
Other Advanced Economies	2.2	1.6	2.1
Emerging Market and Developing Economies	4.3	4.1	4.0
Emerging and Developing Asia	5.3	5.1	4.7
China	5.0	4.8	4.2
India	6.5	6.4	6.4
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.9	1.0
Latin America and the Caribbean	2.4	2.2	2.4
Brazil	3.4	2.3	2.1
Mexico	1.4	0.2	1.4
Middle East and Central Asia	2.4	3.4	3.5
Saudi Arabia	2.0	3.6	3.9
Sub-Saharan Africa	4.0	4.0	4.3
Nigeria	3.4	3.4	3.2
South Africa	0.5	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.3	4.0	3.9
Low-Income Developing Countries	4.0	4.4	5.0

Source: IMF, *World Economic Outlook Update*, July 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 6.7 percent in 2025 and 6.4 percent in 2026 based on calendar year.

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