

IMF World Economic Outlook (WEO) A Critical Juncture amid Policy Shifts

**Global Economy to grow at 3.2% in 2024 and 3.3% in 2025.
India to grow at a rate of 7% in 2024 and 6.5% in 2025.**

Projected Global Economy Growth: (+) 2.8% in 2025, (+) 3.0% in 2026,

→ According to the IMF's report- **World Economic Outlook (WEO) of April 2025**, titled '*A Critical Juncture Amid Policy Shifts*', the global economy is projected to grow at 2.8% in 2025 with a slight recovery to 3.0% in 2026. This reflects a **0.8 percentage point downgrade** from earlier projections, primarily due to sweeping trade tariffs and heightened global uncertainty. The projected global growth of **2.8% in 2025** is significantly below the **historical average of 3.7%** observed during 2000–2019. This downgrade reflects recent US-led tariff shocks, **policy uncertainty**, and slower investment and trade.

**Indian economy is projected to grow at a rate of 6.2% in 2025 & 6.3% in 2026,
– Resilient Amid Headwinds**

- **India's projected growth:** 6.2% in 2025 and 6.3% in 2026 driven by **strong domestic demand, young labor force & a diversified trade portfolio**, positioning itself among the relatively better-performing EMDEs.
- **Labor Market Flexibility:** India's labour markets, especially in **urban areas**, have shown increased participation, with improvements seen in **vacancy-to-unemployment ratios**. While employment growth has moderated, India avoids the sharper deterioration seen in other major economies.
- **Inflation and Policy Dynamics:** India continues to manage inflation effectively relative to its peers, with **inflation deviations from target remaining moderate** compared to both advanced economies and other EMDEs.
- **Resilience Despite Global Headwinds:** Despite global disruptions from the US-China tariff escalations, **India's trade exposure and domestic policy framework provide a buffer**.
- IMF highlights **India's role in absorbing trade rerouting** and continuing as a key player in **emerging Asia's supply chain realignment**

Key Projections: -

Global Economic Growth:

2025: 2.8%

2026: 3.0%

India:

2025: 6.2%

2026: 6.3%

Emerging Market and Developing Economies (EMDEs):

2025: 3.7%

2026: 3.9%

Advanced Economies:

2025: 1.4%

2026: 1.5%

Major observations of the report

1. Sharp Downward Revision in Global Growth

- Global growth is projected to **decline from 3.3% in 2024 to 2.8% in 2025**, with only a slight recovery to **3.0% in 2026**.

2. Trade Policy Shocks and Elevated Uncertainty

- The US implemented near-universal tariffs as of **April 2, 2025**, causing the most significant increase in global tariff rates in over a century.
- These developments introduced **major supply-side shocks** and **eroded investor and consumer confidence globally**, especially in manufacturing-heavy economies.

3. Global Trade and Investment Slowdown

- Global trade growth is projected to slow to **1.7% in 2025**, down **1.5 percentage points** from the January 2025 forecast. This drop reflects the impact of **new tariffs disrupting trade flows**.
- Complex global supply chains make these shocks more severe, leading to systemic disruptions.

4. Inflationary Pressures and Policy Tightrope

- Global headline inflation is expected to **moderate to 4.3% in 2025**, falling to 3.6% in 2026.
- Projections for **advanced economies have been revised up**, while estimates for **emerging markets and developing economies** are slightly lower for 2025.

5. Diminished Fiscal and Monetary Space

- Many countries have **exhausted their fiscal space**, and public debt has risen sharply since the pandemic.
- The fiscal adjustment required to stabilize debt is at a **historic high**, and **interest payments as a share of revenue are surging**, especially for emerging markets.

6. Divergence in Economic Momentum

- While the **US economy** performed above potential in 2024 due to strong domestic demand, signs of weakening emerged in early 2025.
- **China** continues to struggle with its real estate sector and suppressed consumer confidence.
- **Europe** faces energy cost burdens and weak domestic demand, though some regions benefit from service sector resilience.

7. Structural Concerns and Demographic Pressures

- Structural weaknesses (aging populations, falling labor productivity, uneven digital adoption) compound cyclical slowdowns.
- Disparities in labor force demographics (e.g., aging in Europe vs. younger populations in EMDEs) will influence long-term growth and fiscal pressures.

8. Risks to the Outlook: Tilted to the Downside

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

➤ **Downside Risk:**

The main downside risk stems from escalating trade tensions and policy uncertainty, which—if not mitigated—could stall investment, deepen geopolitical divides, and further weaken global growth, especially in the absence of meaningful **structural reform momentum**.

➤ **Upside Risk:**

On the upside, a de-escalation of trade conflicts, progress toward **next-generation trade agreements**, and enhanced international coordination could restore confidence, while advances in **artificial intelligence (AI)** offer a potential new **engine for productivity and growth**, particularly if supported by proactive policies and infrastructure investments.

Trends in major economies

Advanced Economies:

United States:

Growth in the United States for 2025 is **revised downward to 1.8%**, a significant drop from earlier projections. The deceleration is driven by **greater trade policy uncertainty**, new tariff measures, and a **slowdown in consumer spending**, which had surged above historical trends in 2024. Inflation continues to pose challenges, with core inflation ticking upward in early 2025, delaying the expected normalization of monetary policy.

Euro Area:

The euro area continues to experience a **modest cyclical rebound**, with projected growth at **0.8% in 2025**, revised slightly downward due to weak consumer sentiment and subdued domestic demand. While **services remain the primary growth driver**, **manufacturing activity lags**, especially in **Germany**, which remains affected by elevated energy prices and external shocks.

United Kingdom:

The UK economy is forecast to grow by **0.6% in 2025**, a marginal improvement supported by **disinflation and more stable financial conditions**. However, ongoing trade frictions and uncertainty have weighed on investment, contributing to the UK's relatively weak recovery trajectory.

Japan:

Japan's growth outlook for 2025 is impacted by **temporary supply chain disruptions** and **weak private investment** in the early part of the year. The IMF revised growth projections downward, but a **strong spring wage settlement** is expected to boost **private consumption** in the latter half of the year. Japan's medium-term outlook remains modest as it navigates demographic pressures and subdued productivity growth.

Emerging Markets:

China:

China's growth for 2025 has been revised down to **4.5%**, from a higher 2024 estimate, as **domestic consumption stabilizes** and the initial rebound in exports loses momentum. The real estate sector continues to exert a drag on broader economic performance, and **deflationary pressures** persist despite fiscal and monetary interventions.

Latin America and the Caribbean:

Growth in **Latin America and the Caribbean** is revised downward in 2024, largely due to the economic impact of **flooding in Brazil** and **weakened domestic demand in Mexico**. However, the outlook for 2025 is more optimistic:

- **Brazil** is projected to rebound due to **reconstruction activity** and **stronger hydrocarbon output**.
- **Mexico** is expected to stabilize, although growth will remain moderate due to external uncertainties

The global economy showed signs of stabilizing in 2024, but the recent surge in US tariffs and rising trade tensions have reignited uncertainty, shaking financial markets and testing global resilience. Without strong structural reforms, growth is expected to remain subdued amid persistent challenges and elevated policy risks.

Analysis By: Statistics & Research Division, GJPC

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	2.8	3.0
Advanced Economies	1.8	1.4	1.5
United States	2.8	1.8	1.7
Euro Area	0.9	0.8	1.2
Germany	-0.2	0.0	0.9
France	1.1	0.6	1.0
Italy	0.7	0.4	0.8
Spain	3.2	2.5	1.8
Japan	0.1	0.6	0.6
United Kingdom	1.1	1.1	1.4
Canada	1.5	1.4	1.6
Other Advanced Economies	2.2	1.8	2.0
Emerging Market and Developing Economies	4.3	3.7	3.9
Emerging and Developing Asia	5.3	4.5	4.6
China	5.0	4.0	4.0
India	6.5	6.2	6.3
Emerging and Developing Europe	3.4	2.1	2.1
Russia	4.1	1.5	0.9
Latin America and the Caribbean	2.4	2.0	2.4
Brazil	3.4	2.0	2.0
Mexico	1.5	-0.3	1.4
Middle East and Central Asia	2.4	3.0	3.5
Saudi Arabia	1.3	3.0	3.7
Sub-Saharan Africa	4.0	3.8	4.2
Nigeria	3.4	3.0	2.7
South Africa	0.6	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.3	3.7	3.8
Low-Income Developing Countries	4.0	4.2	5.2

Source: IMF, *World Economic Outlook*, April 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 6.5 percent in 2025 and 6.2 percent in 2026 based on calendar year.