RESEARCH

Global Prospects and Policies: Global Economy in Flux, Prospects Remain Dim

WORLD ECONOMIC OUTLOOK OCTOBER 2025

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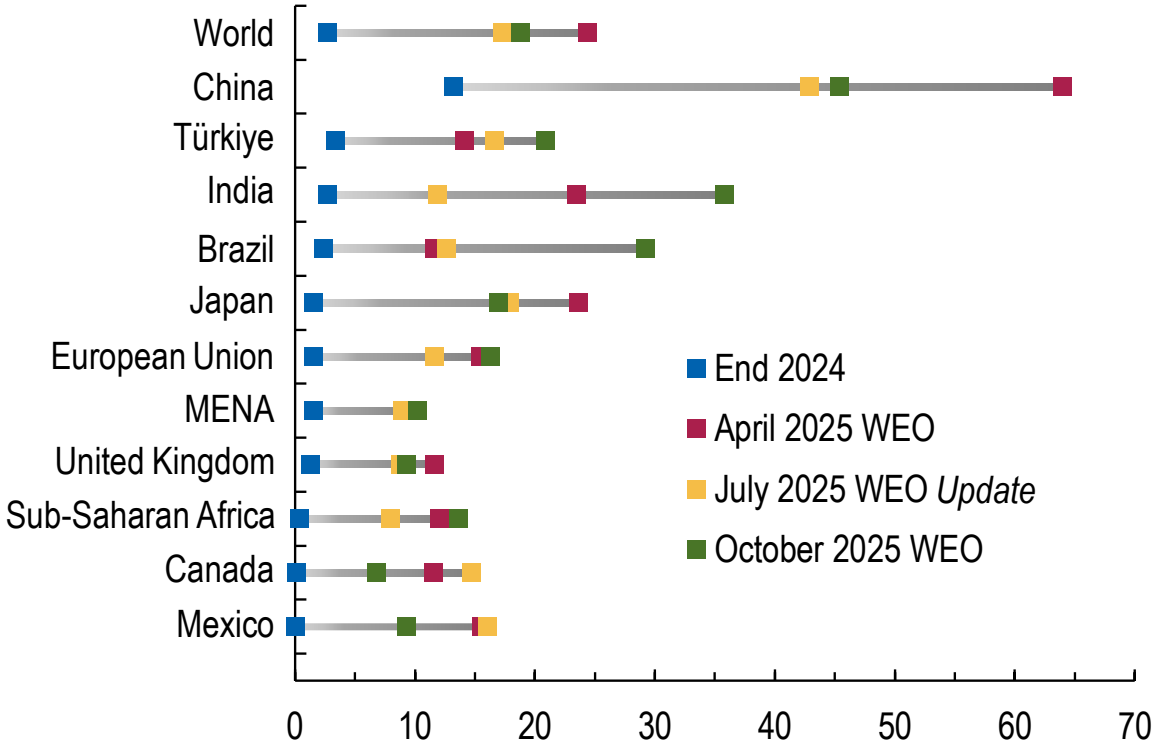
October 28, 2025

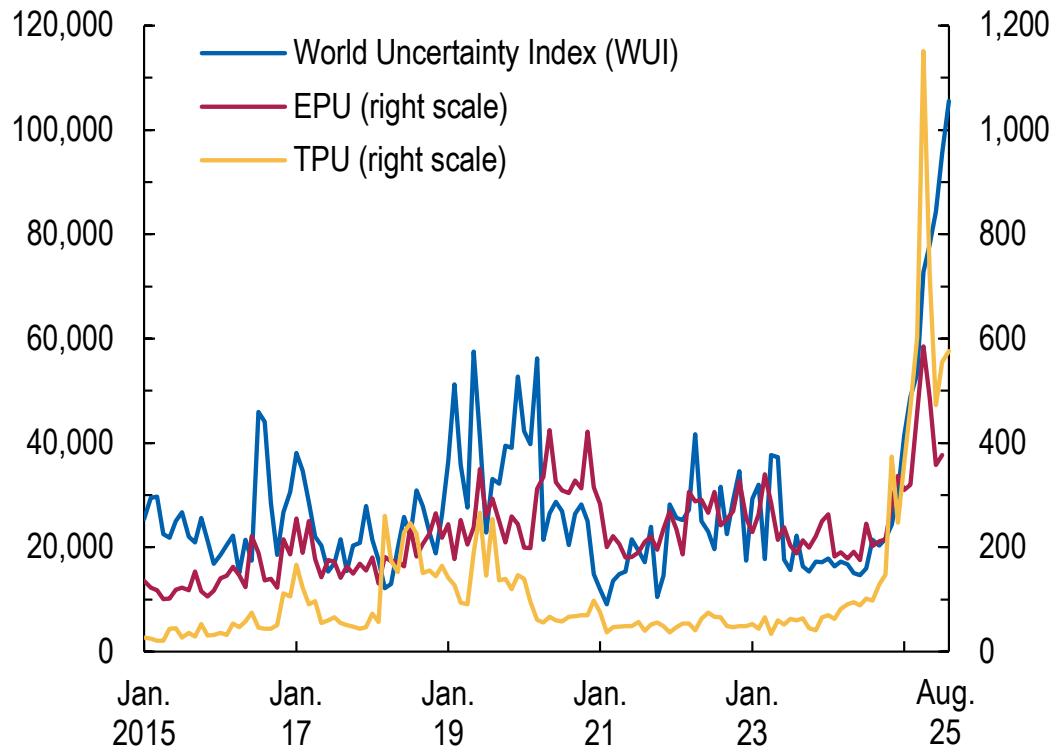
SUERF Webinar

Tariffs Start Settling, Policy Uncertainty Remains High

US Effective Tariff Rates by Country
(Percent)



Overall, Economic Policy, and Trade Policy Uncertainty
(Index)



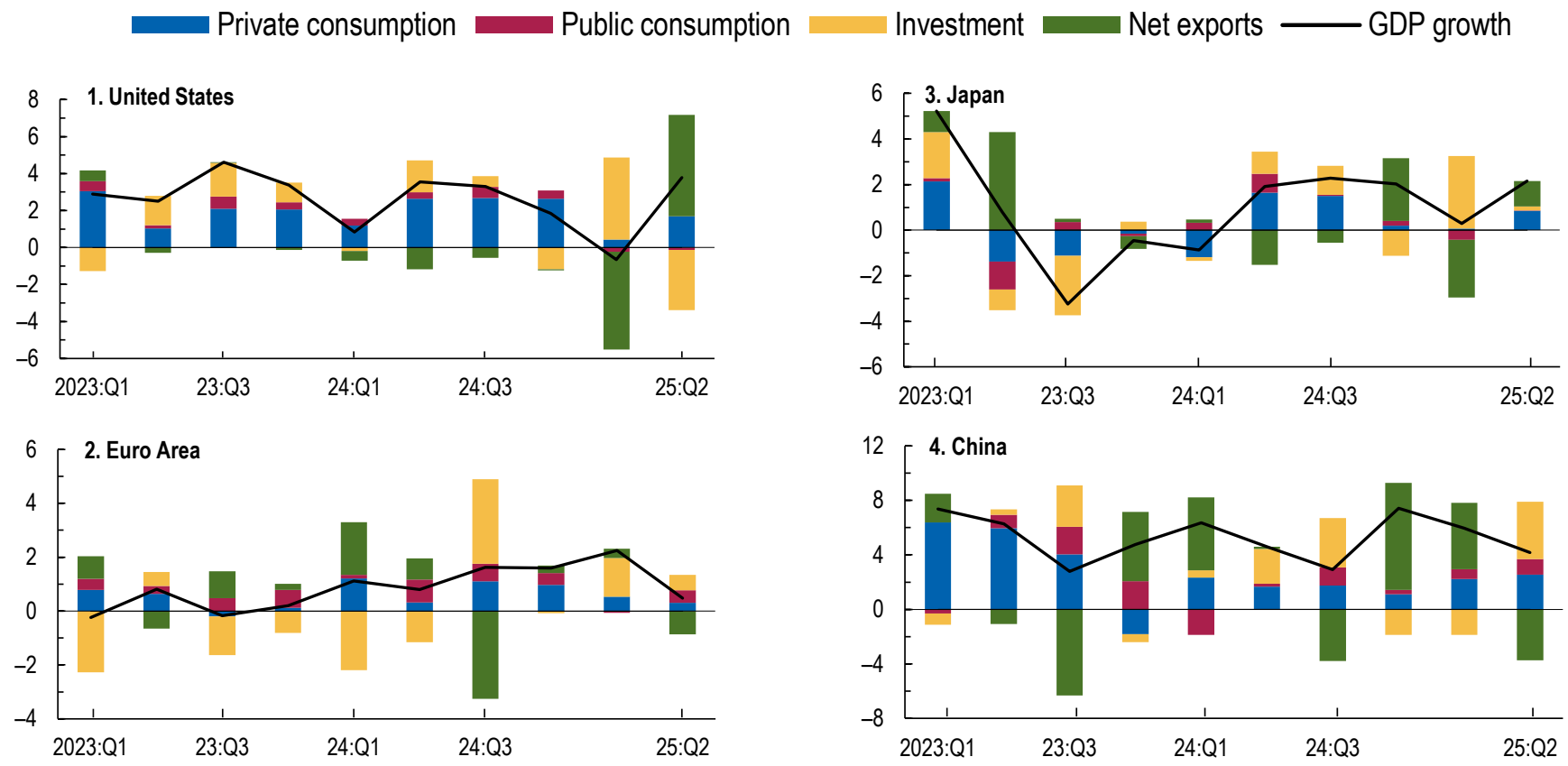
Sources: Ahir, Bloom, and Furceri 2022; Caldara and others 2020; Davis 2016; US International Trade Commission; WTO-IMF Tariff Tracker; and IMF staff calculations.
Note: In the left panel, the effective tariff rate is a weighted average of announced statutory rates. In the right panel, the uncertainty measures are news- and media-outlet-based indices that quantify media attention to global news related to overall uncertainty (WUI), economic policy uncertainty (EPU), and trade policy uncertainty (TPU). MENA = Middle East and North Africa; WEO = *World Economic Outlook*; WTO = World Trade Organization.

Recent Developments

Resilient Activity, Reflecting Trade-Related Distortions

Contributions to Quarterly GDP Growth

(Percent, quarter over quarter, annualized)



Source: IMF staff calculations.

Note: Figures are calculated using seasonally adjusted series. Residuals are included in the investment contribution.

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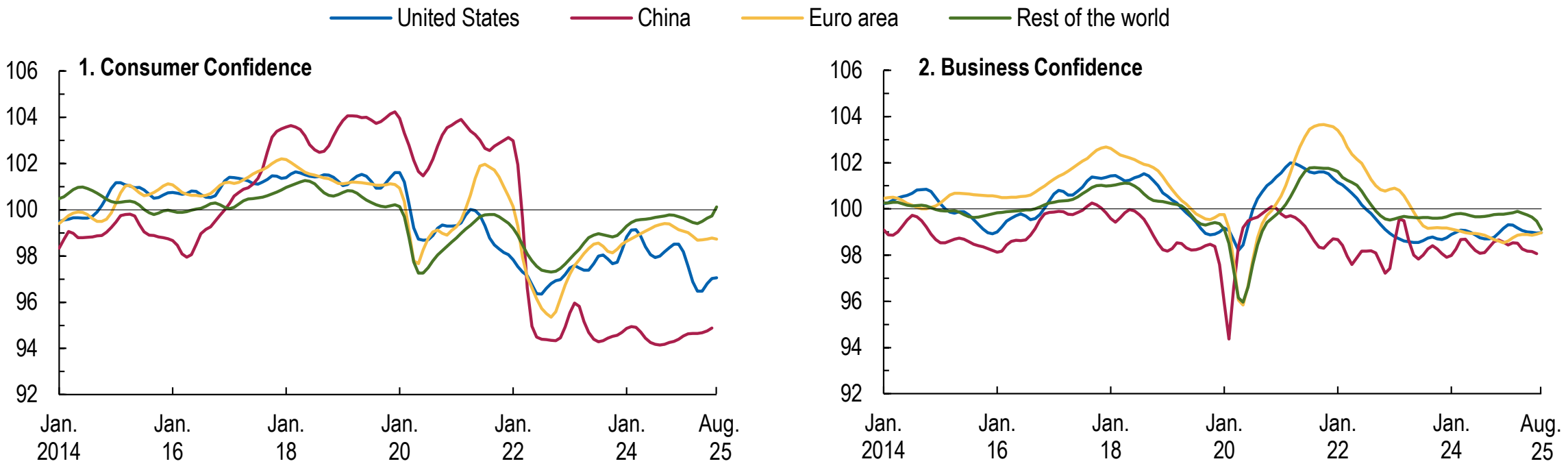
Underlying Strength Not Clear, Confidence Remains Low

Consumer and Business Confidence

(Index, OECD harmonized)



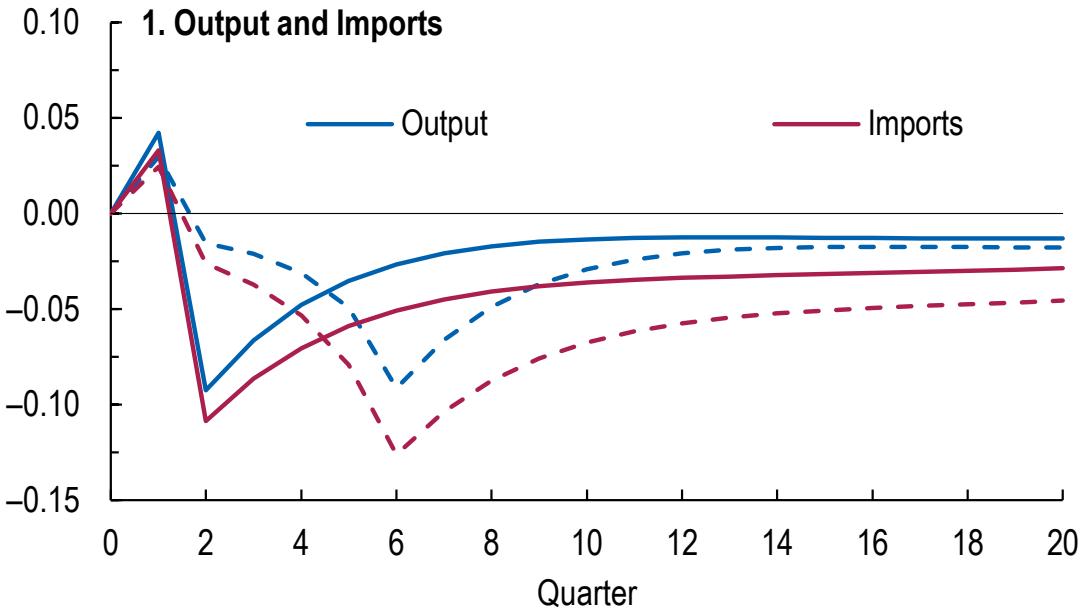
Sources: OECD; and IMF staff calculations.

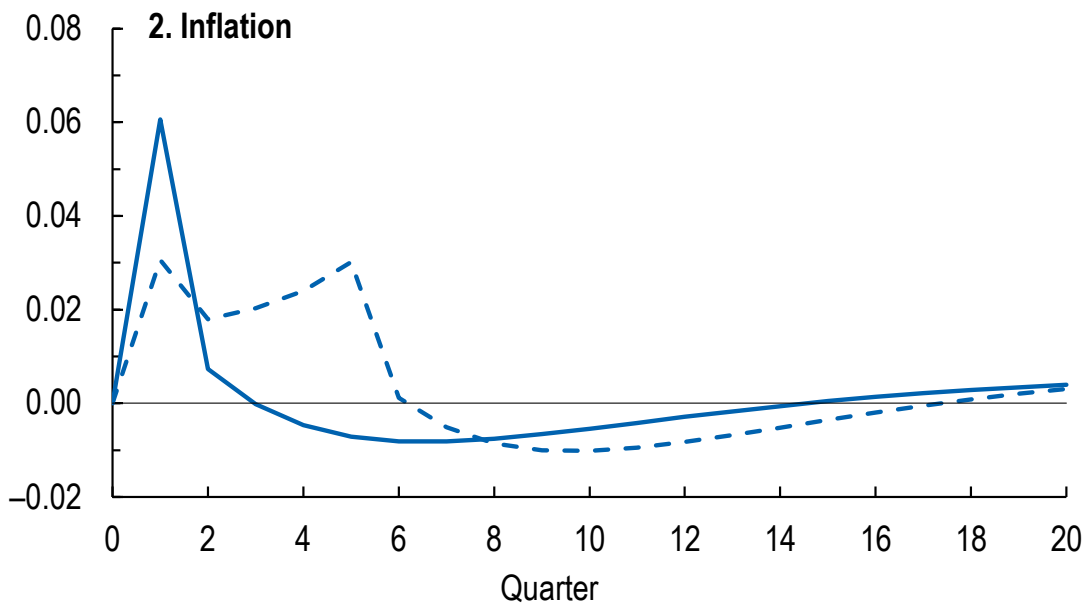
Note: An indicator above 100 signals a boost in confidence; below 100 indicates a pessimistic view. The rest of the world represents the average value for data across 22 economies. OECD = Organisation for Economic Co-operation and Development.

Uncertainty Impact Likely Still in the Pipeline

Impulse Responses to a Tariff-Uncertainty Shock

(Percent deviations from the stochastic steady state)





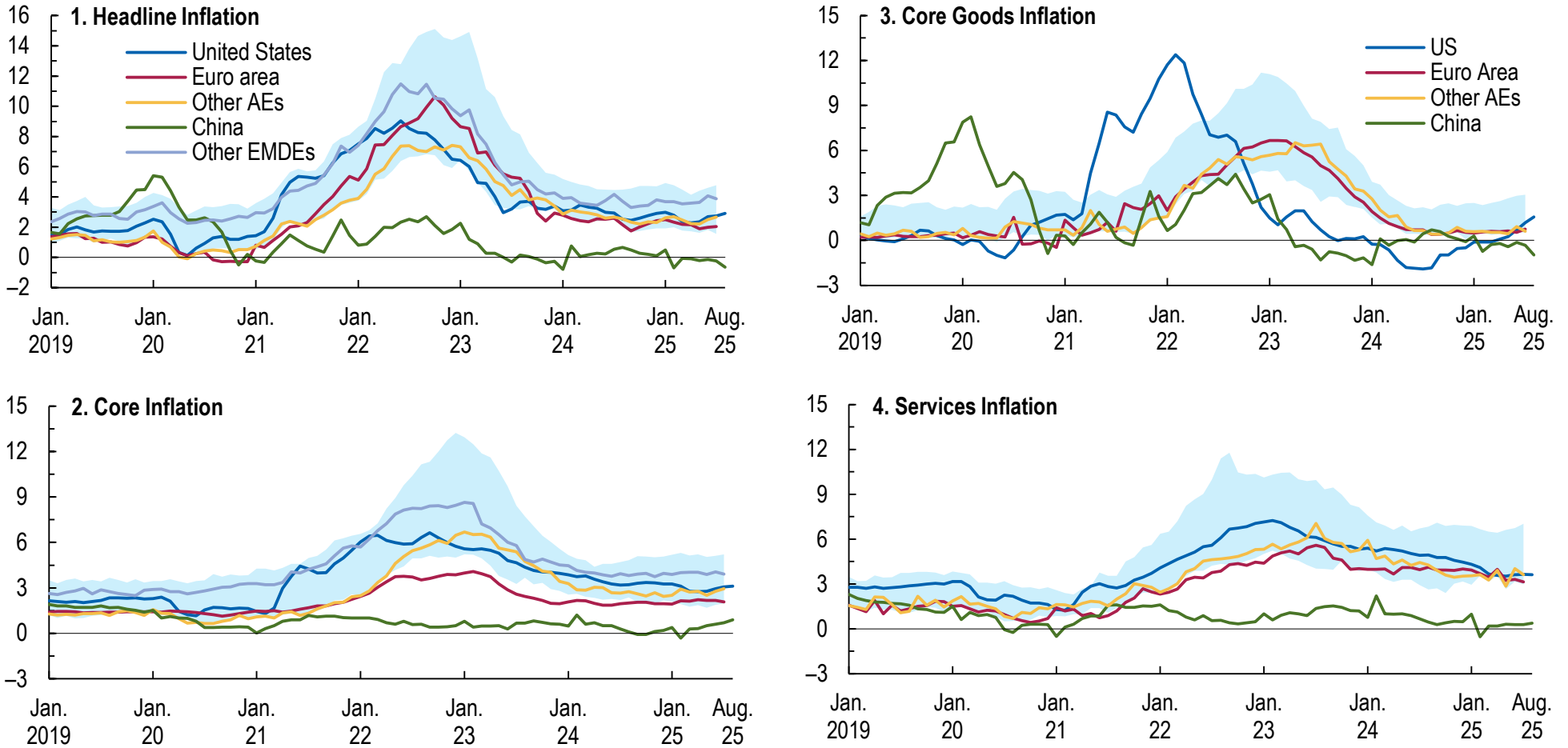
Sources: Ghironi and Ozhan, forthcoming; and IMF staff calculations.

Note: Figure shows impulse responses of selected variables for the tariff-imposing economy to a tariff-uncertainty shock. Solid lines show a shock that materializes in the first quarter ("realized uncertainty"), and dashed lines show a news shock announced in the first quarter that materializes in the fourth quarter. Inflation is annualized.

Inflation Globally Stable, Rising in the US?

Global Inflation Trends

(Percent, year over year)

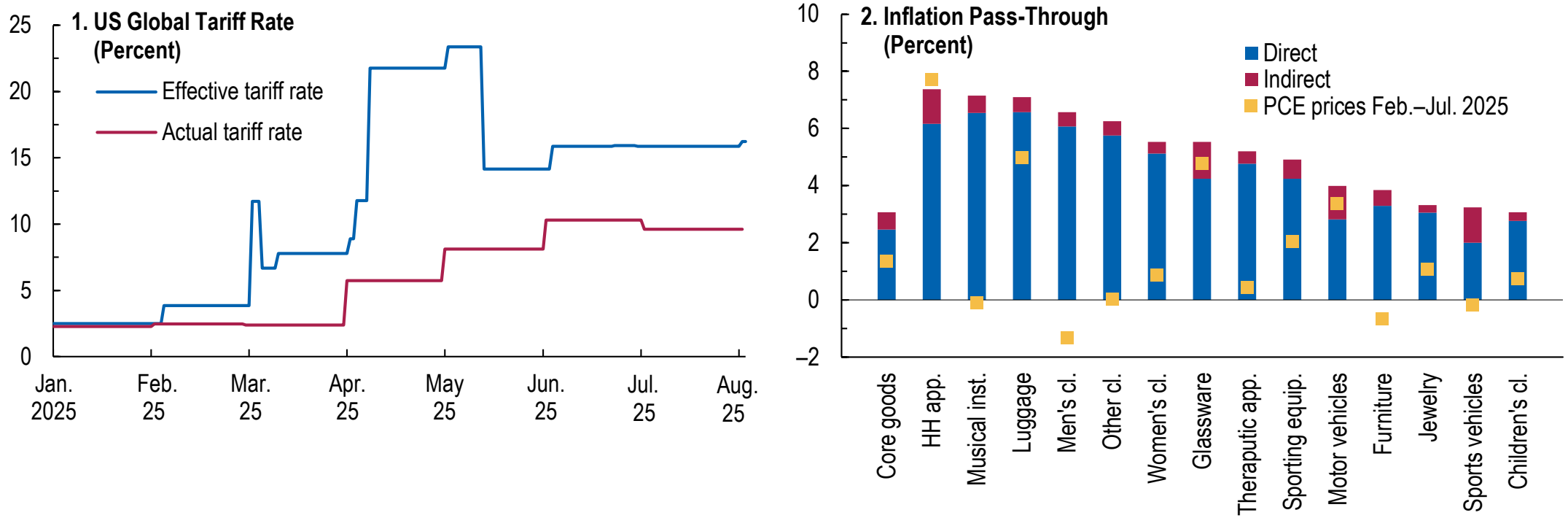


Sources: Haver Analytics; and IMF staff calculations.

Note: Panels 1 and 2 plot the median of a sample of 57 economies that account for 78 percent of the 2024 world GDP (in weighted purchasing-power-parity terms) in the *World Economic Outlook*. The bands depict the 25th to 75th percentiles of data across economies. "Core inflation" is the percent change in the consumer price index for goods and services, excluding food and energy (or the closest available measure). AEs = advanced economies; EMDEs = emerging market and developing economies.

Pass-Through of Tariffs to US Consumer Prices Not Complete

Impact of Tariffs on Prices

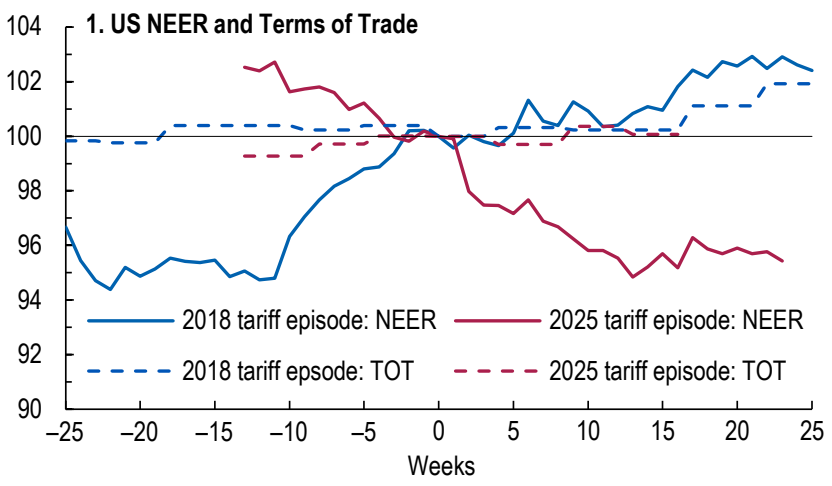


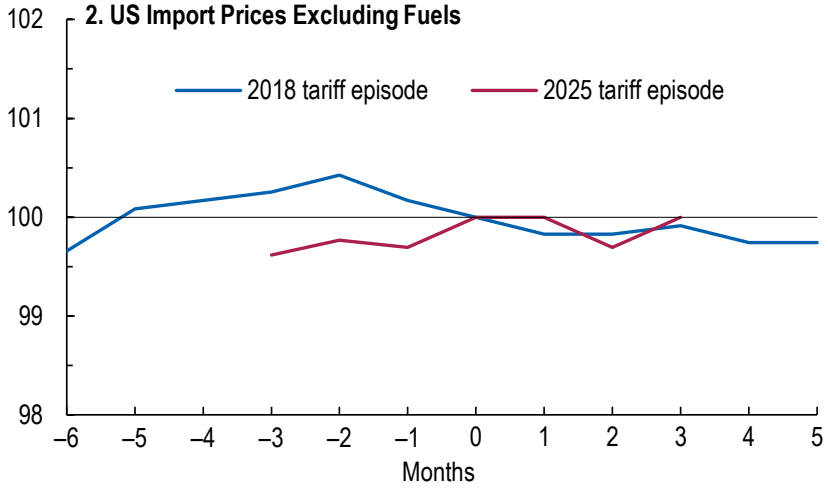
Sources: Haver Analytics; US International Trade Commission; WTO-IMF Tariff Tracker; and IMF staff calculations.
Note: In panel 1, actual tariff rate is the actual duty paid on imports at customs as a share of the value of imports, and the effective tariff rate is a weighted average of announced statutory rates using pre-tariff (hence, pre-substitution) import weights. Actual rate may be biased downward if a product is misclassified or under-invoiced or if tariffs are prohibitively high. In panel 2, the full pass-through is estimated using country- and product-specific tariffs and direct and indirect import intensities from the input-output tables and personal consumption expenditure (PCE) bridge. The estimates assume that margins are unchanged and there are no offsetting effects from factors such as the exchange rate. app. = appliances; cl. = clothing; equip. = equipment; HH = household; inst. = instruments; WTO = World Trade Organization.

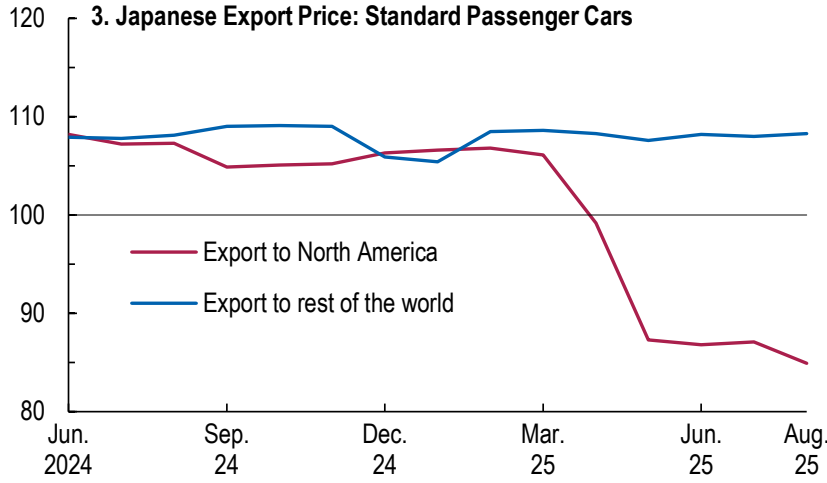
USD Depreciation Limits the Space for Importers to Absorb Tariffs

Tariffs, US Dollar, and Prices

(Index)





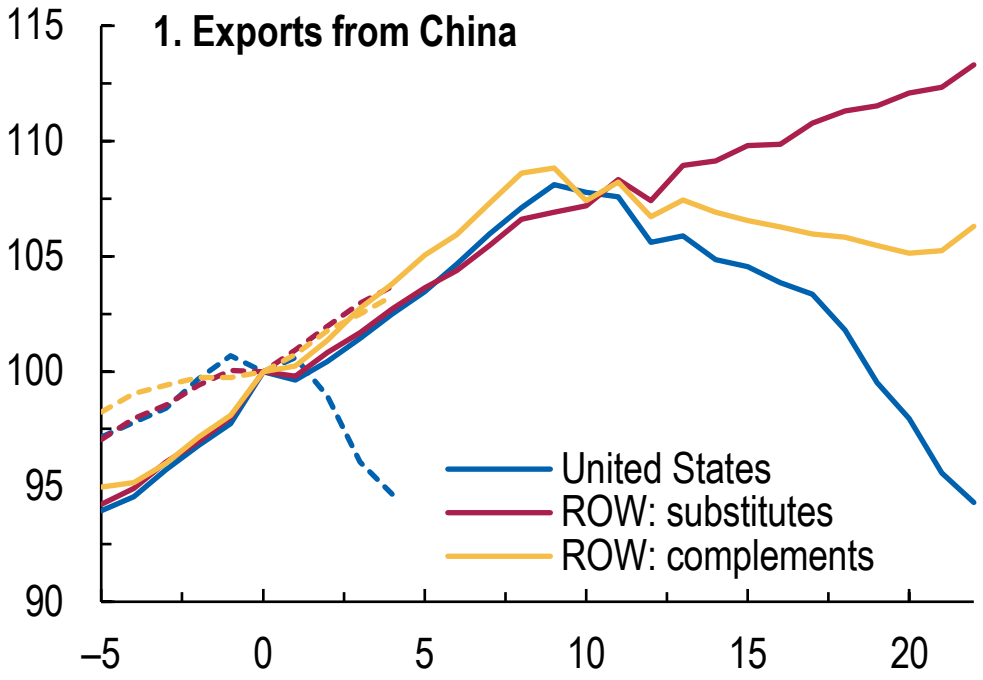


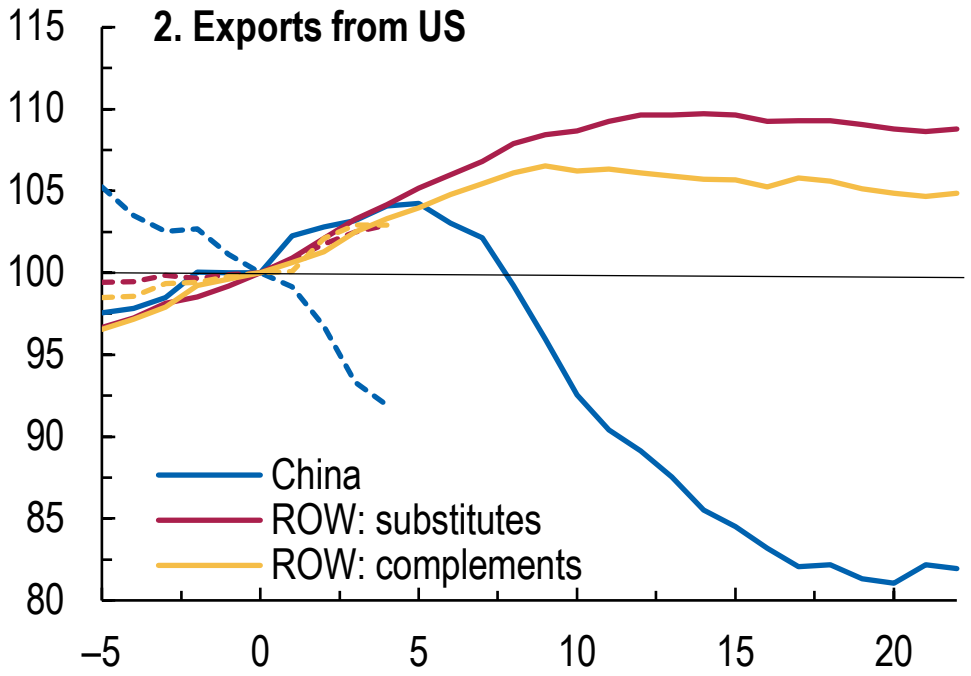
Sources: Bank of Japan; Federal Reserve Board; US Bureau of Labor Statistics; and IMF staff calculations..
Note: In panels 1 and 2, week and month 0 for the 2018 tariff episode correspond to the week and month of July 6, when the US imposed a 25 percent tariff on $34 billion in Chinese goods, and China implemented a 25 percent tariff on $34 billion in US goods. For the 2025 tariff episode, week and month 0 correspond to April 4, following the April 2 "Liberation Day" announcement. In panel 2, the import prices include the transaction value of the goods and the value of services performed to deliver the goods from the border of the exporting country to the border of the importing country, hence they include cost, insurance, and freight but not tariffs. In panel 3, the base year is 2020, and the exports are recorded at border values. NEER = nominal effective exchange rate; TOT = terms of trade.

Trade Reallocation in Response to Tariffs: Will This Time Be Different?

Exports by Destination Country Type and Tariff Episode

(Index, Feb. 2018 and Feb. 2025 = 100; solid = Feb. 2018 tariff episode, dashed = Feb. 2025 tariff episode)





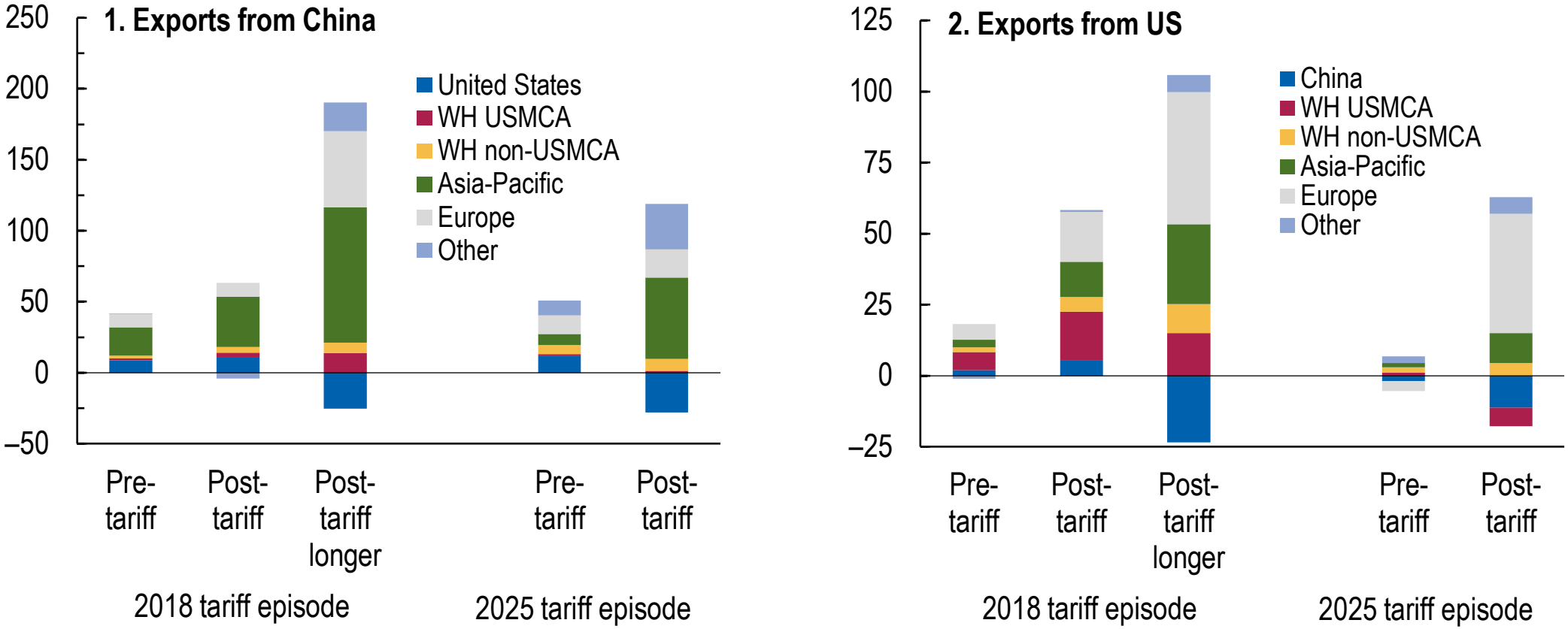
Sources: Fajgelbaum and others 2024;Trade Data Monitor; and IMF staff calculations.

Note: *X*-axis value 0 corresponds to the tariff start dates February 2018 and February 2025, respectively. Each series is normalized to its respective date 0, at which the value equals 100. Countries are classified as substitutes or complements to China based on how their exports respond to tariffs on Chinese goods. Substitutes (complements) are countries whose exports increase (decrease) when Chinese exports are taxed, reflecting positive (negative) substitution elasticity with respect to China. See Fajgelbaum and others (2024) for details. Changes are calculated using 12-month rolling sums to smooth seasonal fluctuations. ROW = rest of the world.

Trade Reallocation in Response to Tariffs: Will This Time Be Different?

Change in Exports by Destination Region and Tariff Episode

(Billions of US dollars)

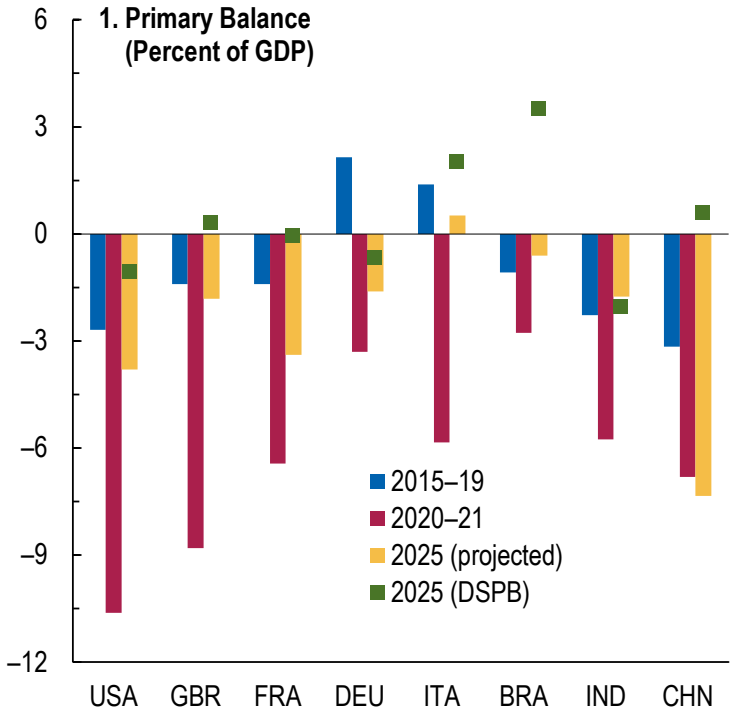


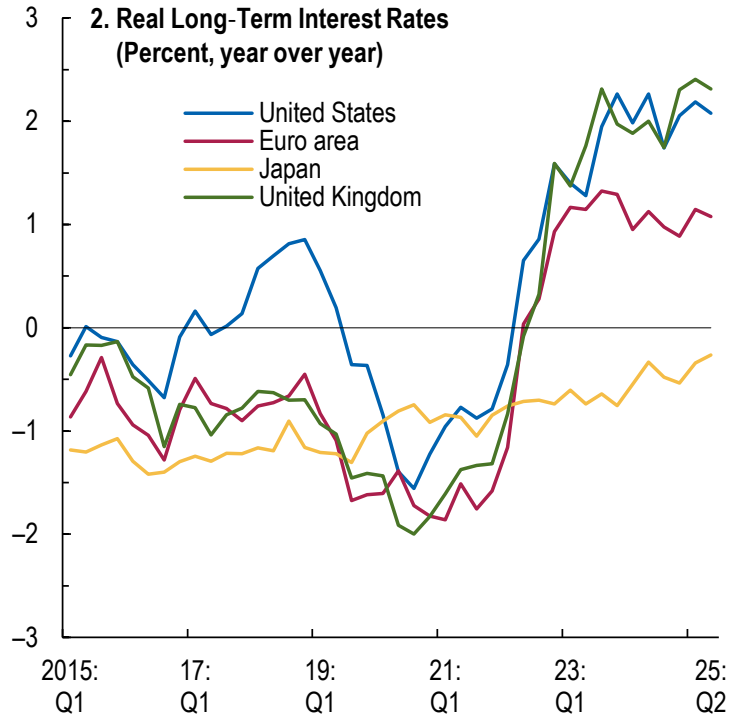
Sources: Trade Data Monitor; and IMF staff calculations.

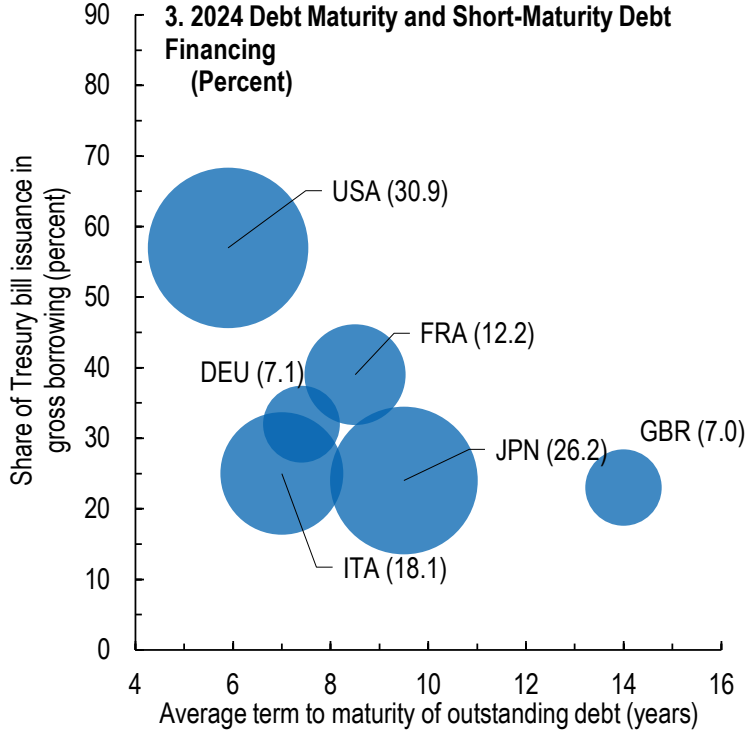
Note: Bars show the total change in exports within each tariff period (2018 and 2025, respectively). Segments indicate contributions from each destination market. Changes are calculated using 12-month rolling sums to smooth seasonal fluctuations. "Pre-tariff" refers to the change from t – 3 months to t = –1; "Post-Tariff" refers to the change from t = 0 to t + 3 months; and "Post-tariff longer" refers to the change from t = 0 to t + 22 months (available for 2018 only). USMCA = U.S.-Mexico-Canada Agreement; WH = Western Hemisphere.

Fiscal Policy Remains Loose in Many Large Economies

Fiscal Policy





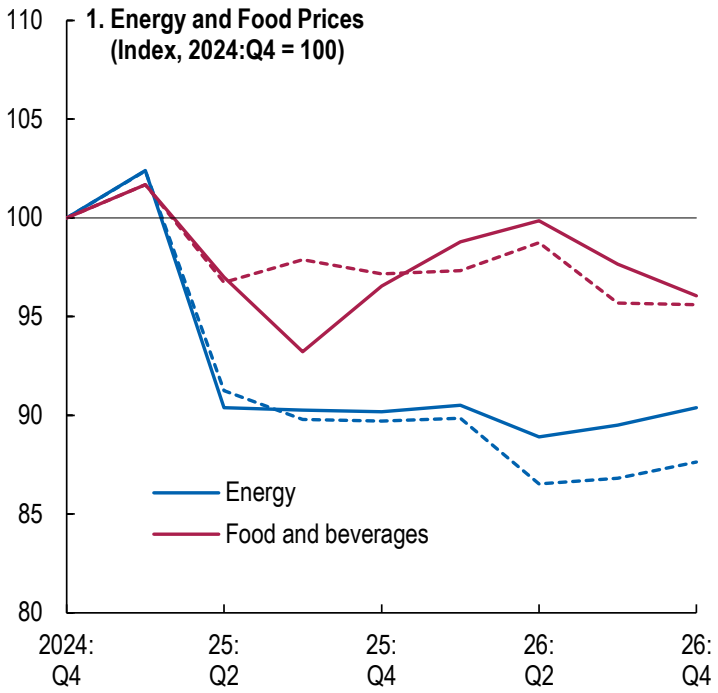


Sources: Consensus Economics; Eurostat; Organisation for Economic Co-operation and Development; and IMF staff calculations.
Note: In panel 1, the debt-stabilizing primary balance (DSPB) is calculated as the primary balance required to stabilize the debt given projected effective interest rate on debt and GDP growth, and accounting for stock-flow adjustments. In panel 2, the real long-term interest rate is calculated as the nominal yield on 10-year government bonds minus 10-year-ahead expected inflation from Consensus Economics. In panel 3, bubble size and labels refer to countries' refinancing requirements as a share of GDP. Country labels in the figure use International Organization for Standardization (ISO) codes.

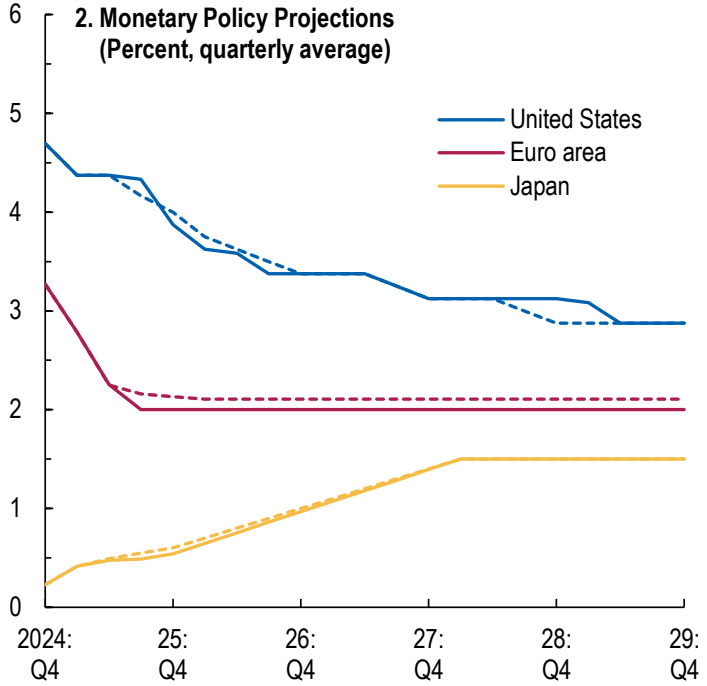
The Outlook: Dim Prospects

Assumptions for the Baseline Forecast

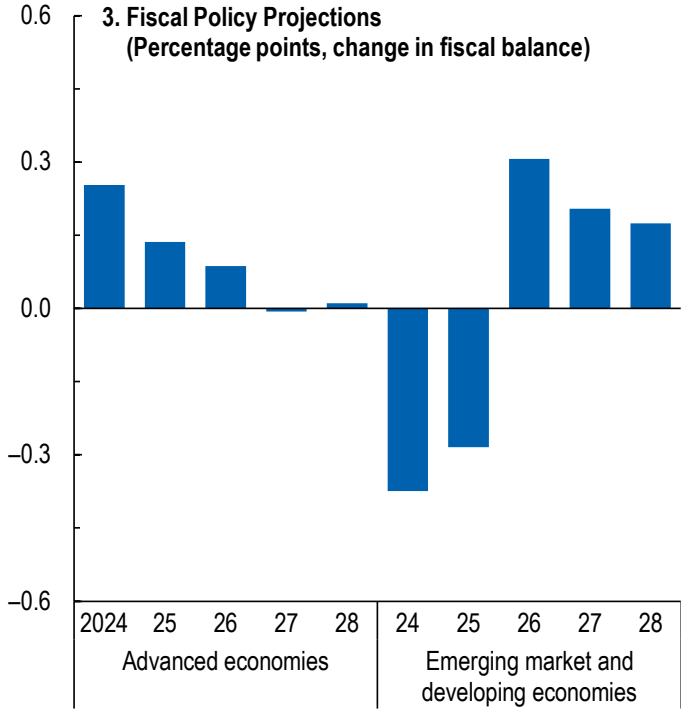
Commodity: Slowdown in energy, increase in nonfuel



Monetary policy: Slower than expected convergence in US, faster in EA



Fiscal policy: Consolidation expected in AEs, lagged in EMs



Source: IMF staff calculations.
Note: In panels 1 and 2, solid lines denote projections from the October 2025 *World Economic Outlook* (WEO) and dashed lines those from the April 2025 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.

Growth Projections: Advanced Economies

(percent change from a year earlier)

	World	Advanced Economies	U.S.	Euro Area	Japan	U.K.	Canada	Other Advanced Asia
2024	3.3	1.8	2.8	0.9	0.1	1.1	1.6	2.6
Revision from Jul. 2025	0.0	0.0	0.0	0.0	–0.1	0.0	0.0	0.1
2025	3.2	1.6	2.0	1.2	1.1	1.3	1.2	1.9
Revision from Jul. 2025	0.2	0.1	0.1	0.2	0.4	0.1	–0.4	0.3
2026	3.1	1.6	2.1	1.1	0.6	1.3	1.5	2.0
Revision from Jul. 2025	0.0	0.0	0.1	–0.1	0.1	–0.1	–0.4	–0.1

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

Growth Projections: EMs and LIDCs

(percent change from a year earlier)

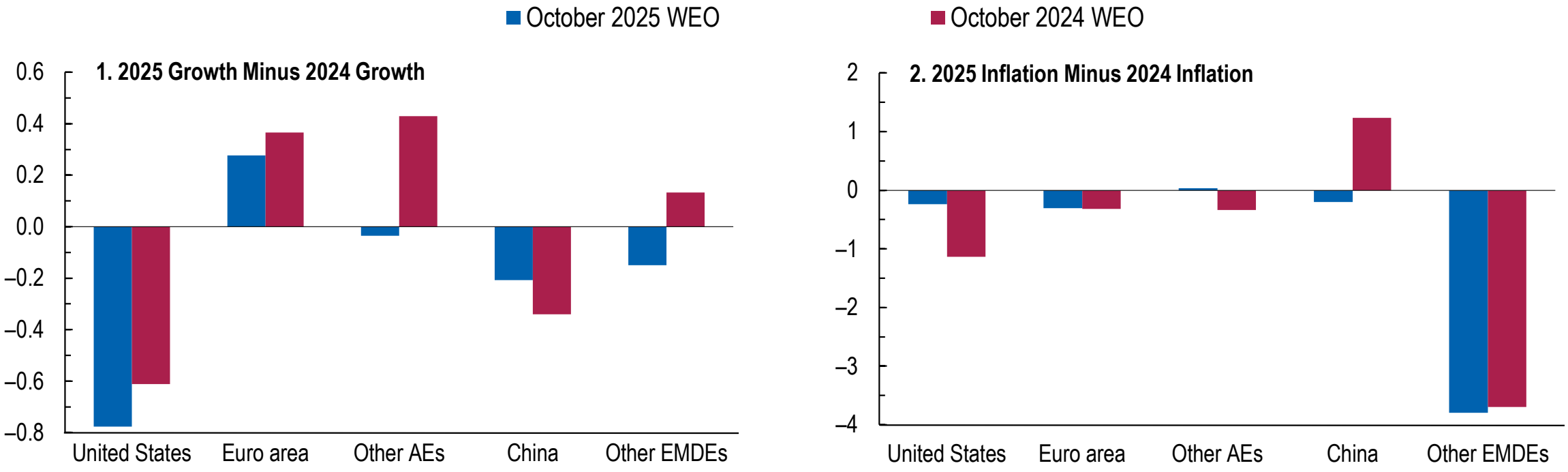
	World	Emerging Market and Developing Economies	China	India	Brazil	Russia	Commodity Exporting Economies	Low Income Developing Countries
2024	3.3	4.3	5.0	6.5	3.4	4.3	3.5	4.2
Revision from Jul. 2025	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
2025	3.2	4.2	4.8	6.6	2.4	0.6	3.0	4.4
Revision from Jul. 2025	0.2	0.1	0.0	0.2	0.1	−0.3	0.1	0.0
2026	3.1	4.0	4.2	6.2	1.9	1.0	3.1	5.0
Revision from Jul. 2025	0.0	0.0	0.0	−0.2	−0.2	0.0	0.1	0.0

Source: IMF, October 2025 *World Economic Outlook*.
Note: Commodity Exporting Economies includes 51 emerging market and developing economies.

Revisions to 2025 Growth and Inflation Vary Across Countries

Changes in GDP Growth and Inflation

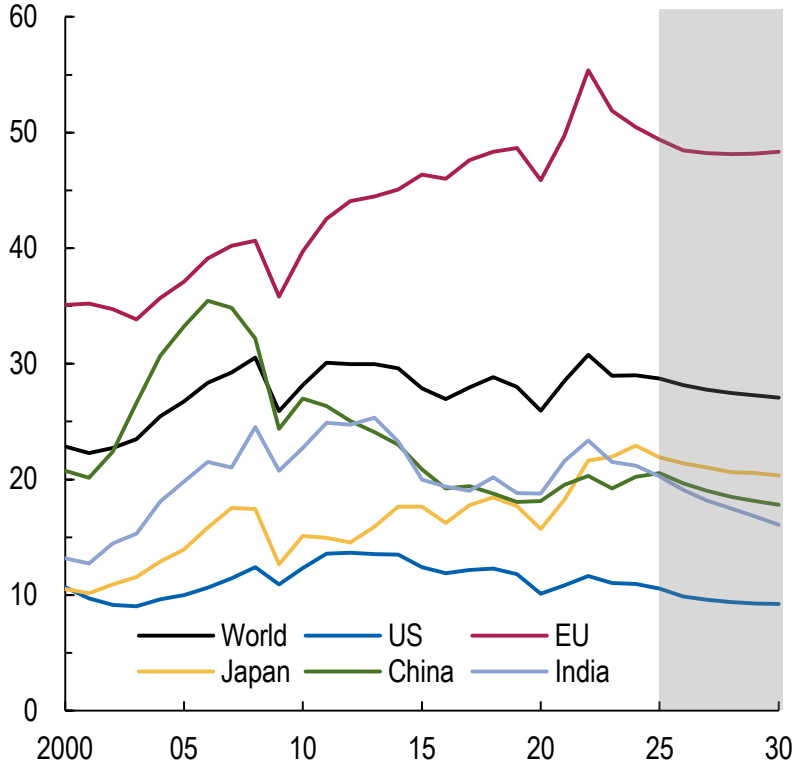
(Percentage points)



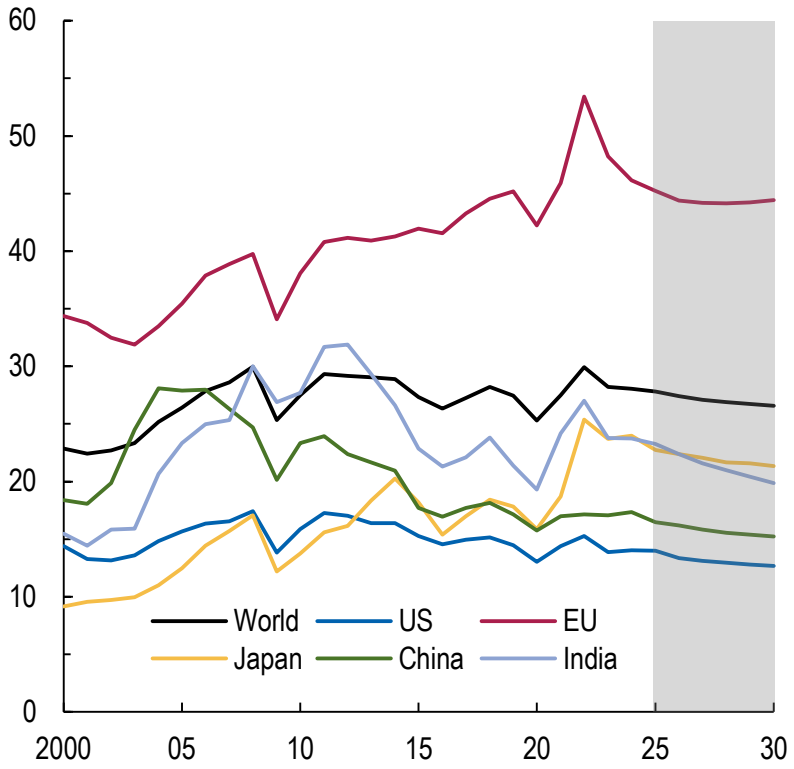
Source: IMF staff calculations.
Note: AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = *World Economic Outlook*.

World Trade and External Balances Evolve with Policy Shifts

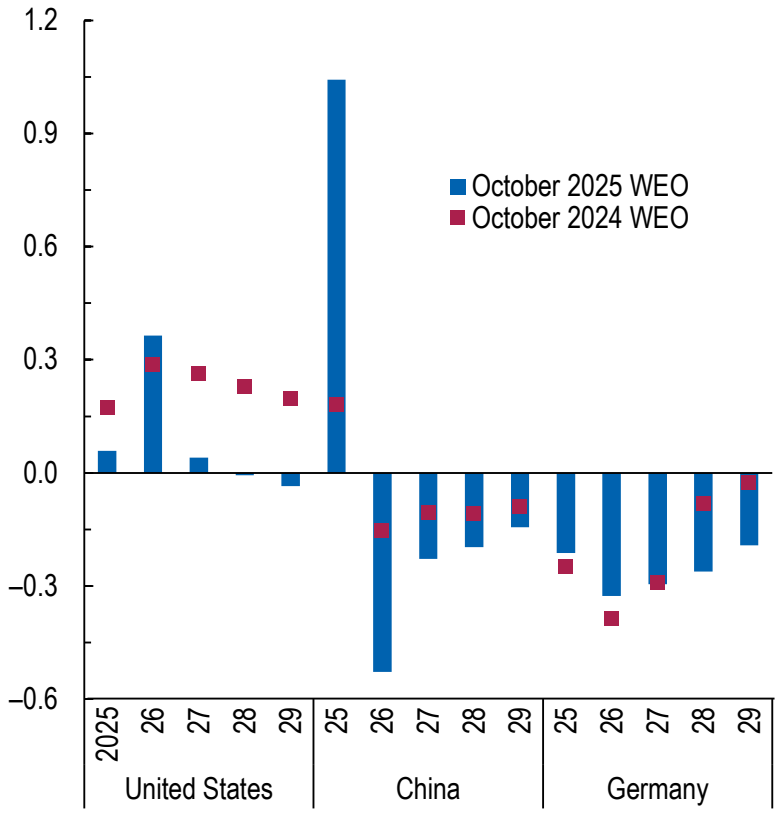
Exports of Goods and Services
(Percent of GDP)



Imports of Goods and Services
(Percent of GDP)



Projected Change in Current Account Balance
(Percentage Points)

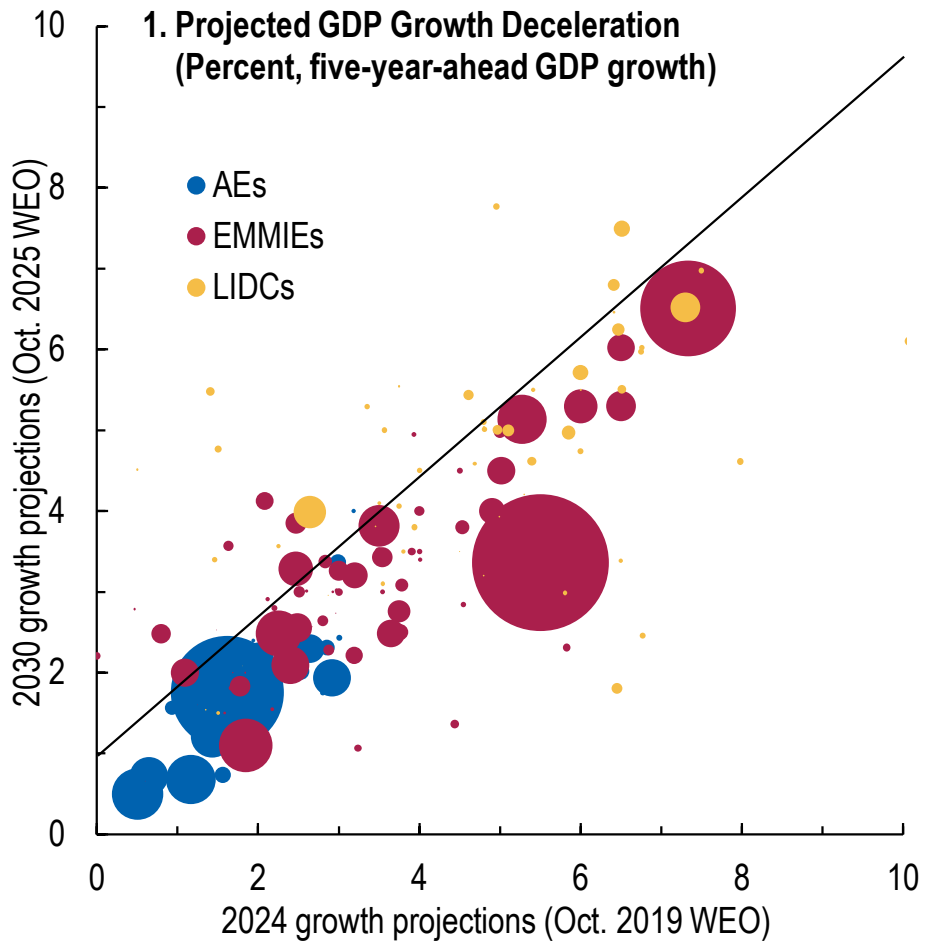


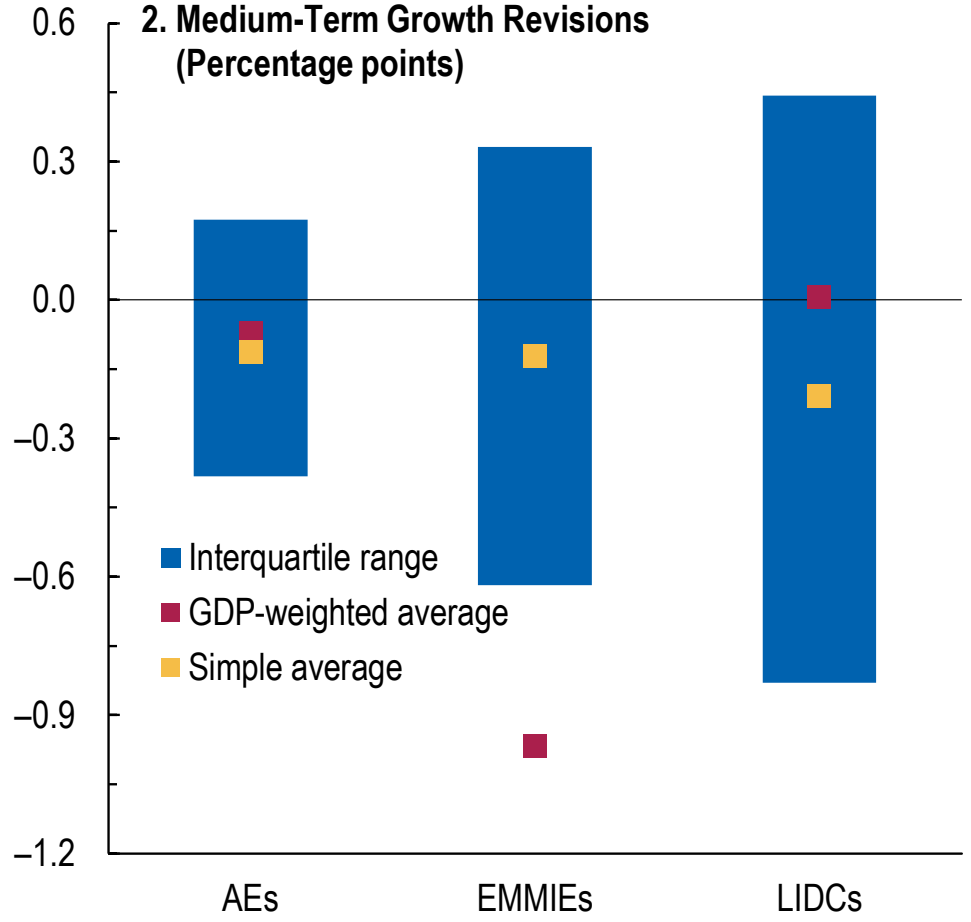
Source: IMF staff calculations.

Note: In the first two panels, shaded area represents forecasts. European Union (EU) data include both intra- and extra-EU trades. In the third panel, each data point shows difference from previous year of current account balance in percent of GDP series in respective WEOs. WEO = *World Economic Outlook*.

Medium-Term Prospects Remain Dim

Medium-Term Growth Outlook



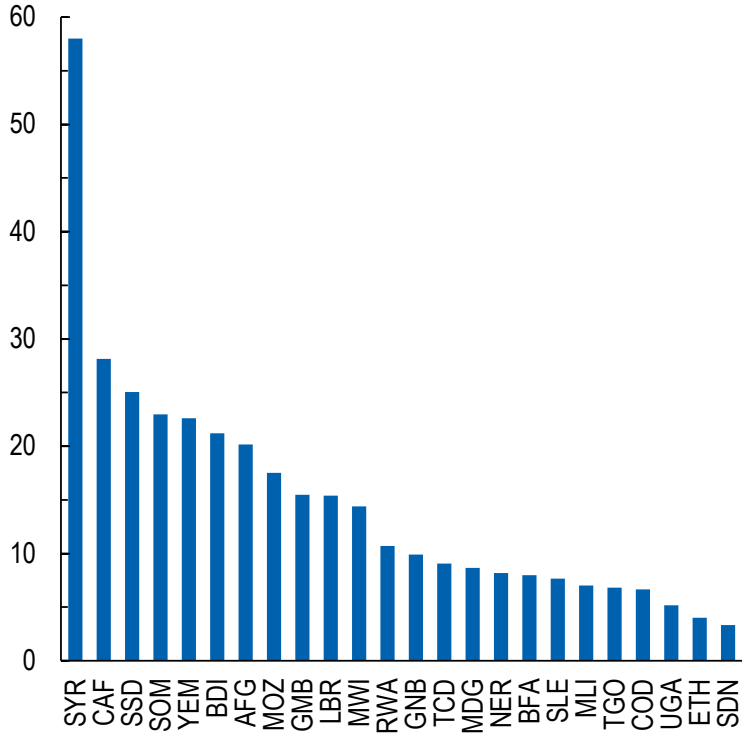


Source: IMF staff calculations.

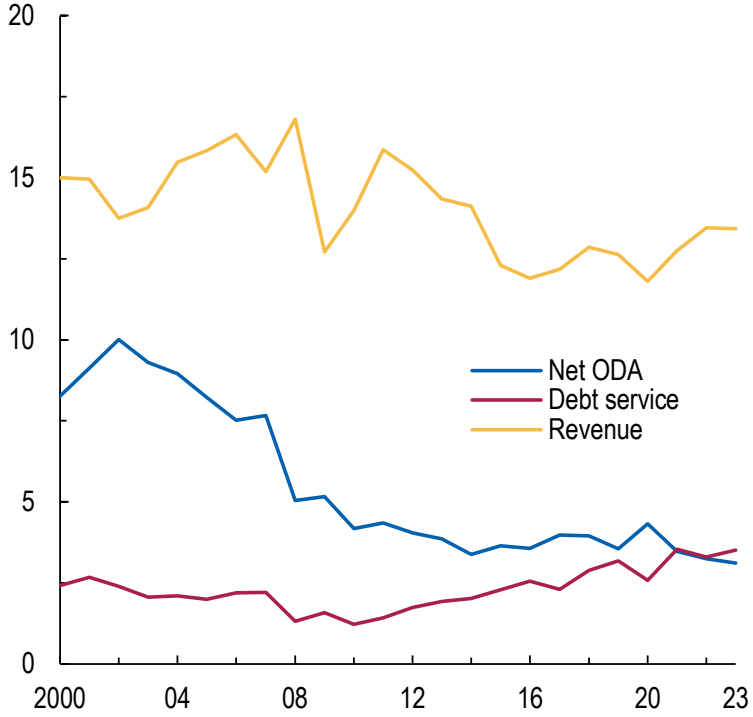
Note: In panel 1, bubble sizes are based on 2030 GDP at purchasing power parity in October 2025 WEO. In panel 2, the medium-term growth revisions are defined as 2030 real GDP growth from October 2025 WEO minus 2024 growth from October 2019 WEO. AEs = advanced economies; EMMIEs = emerging market and middle-income economies; LIDCs = low-income developing countries; WEO = *World Economic Outlook*.

Aid Reductions and Immigration Restrictions Cast a Shadow

ODA in Percent of GNI in 2023

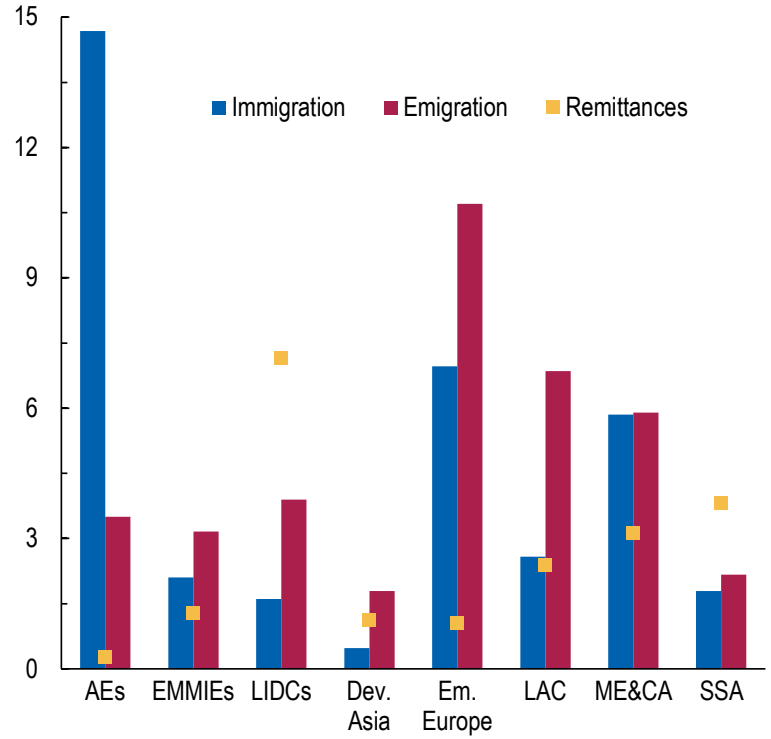


ODA, Debt Service, and Revenue of LIDCs



Migrant Stock and Remittances

(Percent)



Sources: Organisation for Economic Co-operation and Development; United Nations, *International Migrant Stock 2024*; World Bank, *World Development Indicators*; and IMF staff calculations.
Note: In the first panel, data labels in the figure use International Organization for Standardization (ISO) country codes. In the second panel, net ODA and debt service are weighted by and shown as percentages of GNI and revenue is weighted by and shown as percentage of GDP. Revenue excludes grants. In the third panel, immigrants are expressed as a percentage of the destination population, emigrants of the origin population, and remittances as a percentage of GDP in US dollars. AEs = advanced economies; Dev. Asia = developing Asia; Em. Europe = emerging Europe; EMMIEs = emerging market and middle-income economies; GNI = gross national income; LAC = Latin America and the Caribbean; LIDCs = low-income developing countries; ME&CA = Middle East and Central Asia; SSA = sub-Saharan Africa; ODA = official development assistance.

Risks: Tilted to the Downside

Risks to the Outlook

Downside

- Prolonged trade policy uncertainty and ratcheting up of protectionist trade measures
- Shocks to labor supply
- Fiscal vulnerabilities, financial market fragilities, and their interactions
- Repricing of new technologies
- Eroding good governance and institutional independence
- Renewed spikes in commodity prices

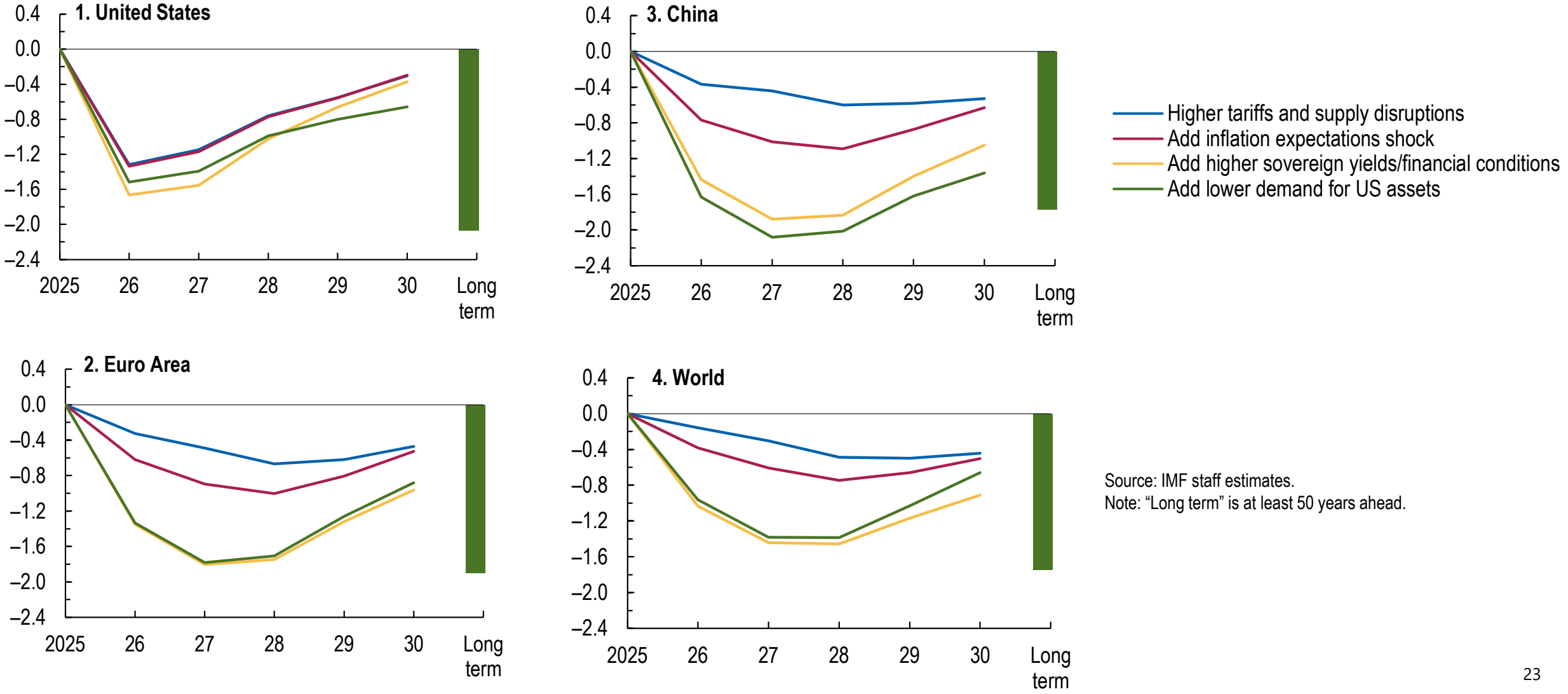
Upside

- Breakthrough in trade negotiations, leading to lower tariffs and improved policy predictability
- A faster pace of structural reforms
- Artificial intelligence reigniting productivity growth

An Illustrative Scenario Quantifies Possible Impact

Impact of Scenario A on GDP

(Percent deviation from baseline)



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

Policies: Bringing Confidence, Predictability, and Sustainability

Policy Priorities for Near and Longer Term

Anchoring Trade in Predictable Rules

- Removing trade policy uncertainty
- Modernizing trade rules and cooperating to lower barriers
- Pairing trade diplomacy with macroeconomic adjustment

Rebuilding Fiscal Buffers and Safeguarding Debt Sustainability

- Restoring buffers
- Ensuring debt sustainability

Policies for Severe Shock Mitigation

- Wider use of scenario analysis to strengthen policy readiness and credibility
- Plausible scenarios spanning macroeconomic and financial risks

Monetary Policy Priorities: Tailored, Transparent, Independent

- Calibrating monetary policy to country circumstances
- Clear central bank communication
- Independence and credibility as pillars of stability
- Tackling excessive exchange rate volatility
- Preserving macrofinancial stability

Policies with Medium-Term Impact

- Disciplined use of industrial policy
- Implementing structural reforms
- Addressing climate change efficiently

RESEARCH

Global Economy in Flux, Prospects Remain Dim

WORLD ECONOMIC OUTLOOK
OCTOBER 2025

Available for download at IMF.ORG
on Tuesday, October 14

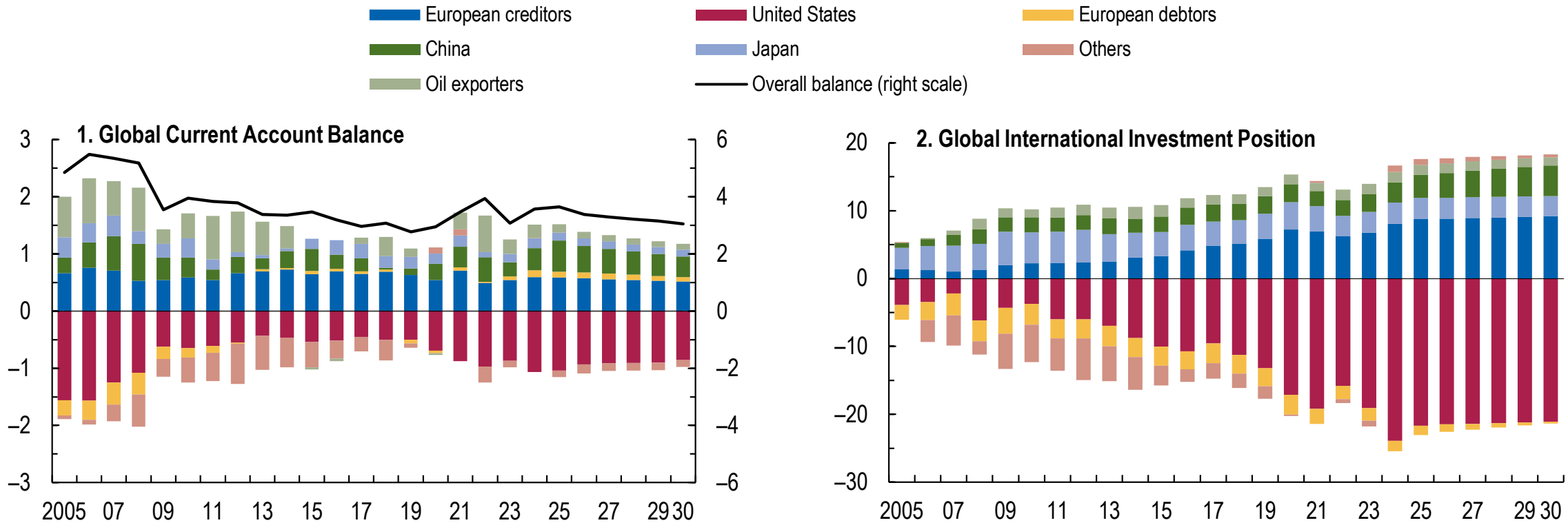
Extra Slides

Extra Slides: Global Imbalances

Current Account Balances and International Investment Positions

Current Account and International Investment Positions

(Percent of global GDP)



Source: IMF staff calculations.

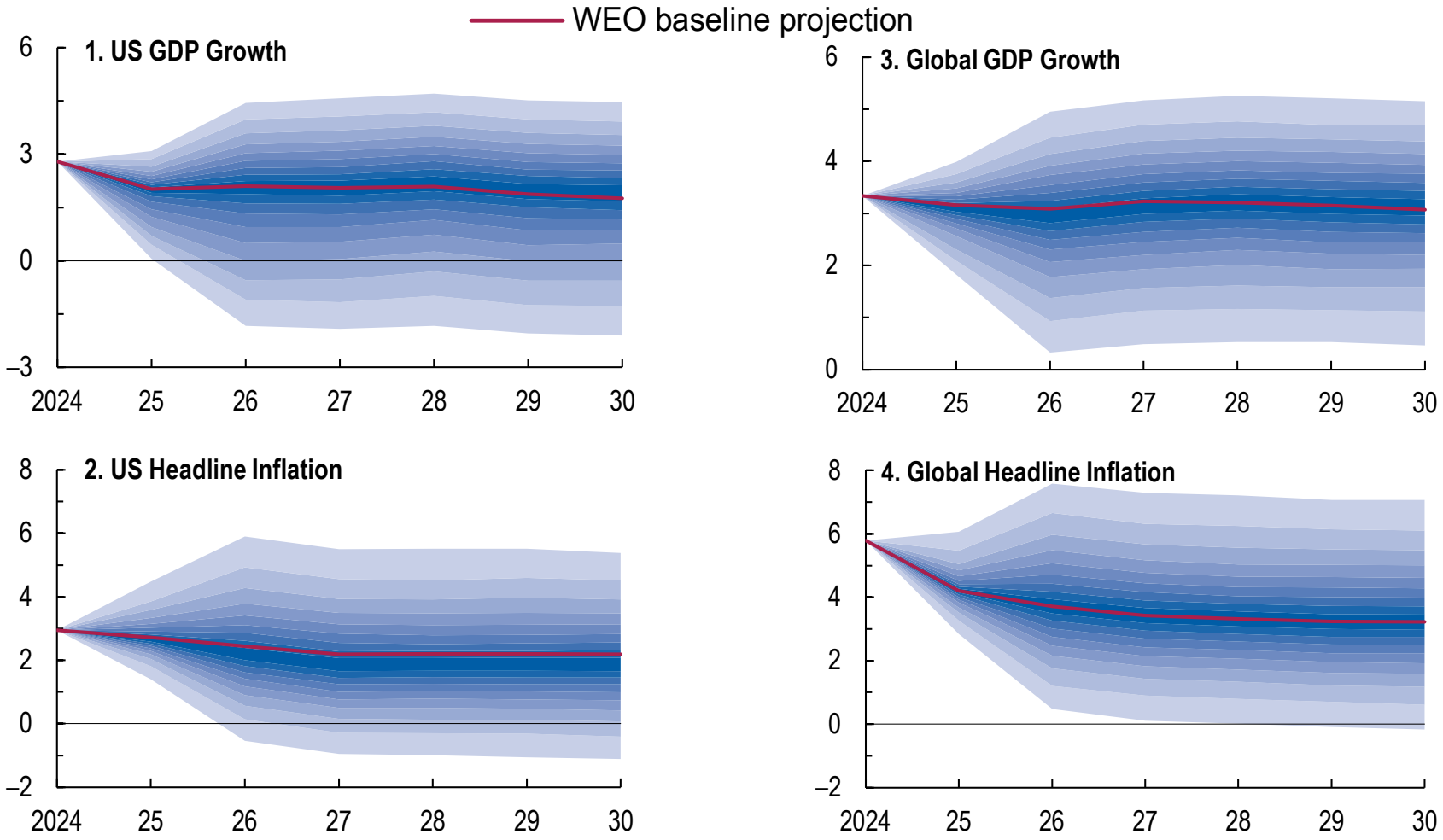
Note: "European creditors" are Austria, Belgium, Denmark, Finland, Germany, Italy, Luxembourg, The Netherlands, Norway, Slovenia, Sweden, and Switzerland. "European debtors" are Cyprus, Greece, Ireland, Portugal, and Spain. "Oil exporters" are Algeria, Azerbaijan, Iran, Kazakhstan, Kuwait, Nigeria, Oman,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

Extra Slides: Risks

Risks Scenarios

Forecast Uncertainty around Global Growth and Inflation Projections

(Percent)

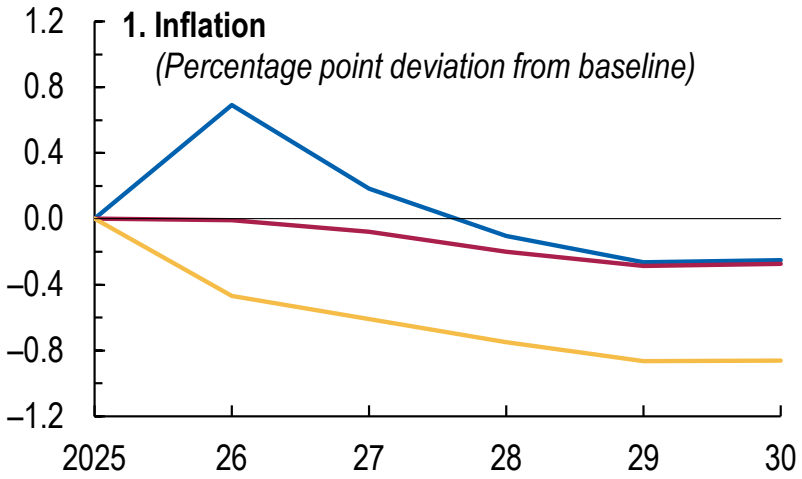


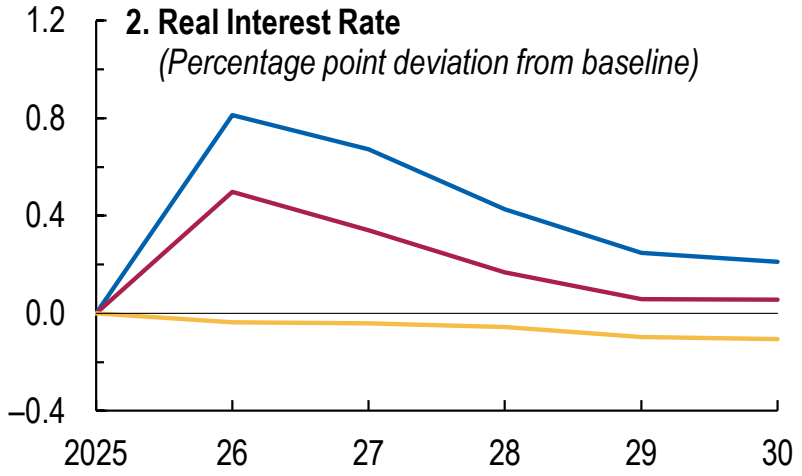
Source: IMF staff calculations.

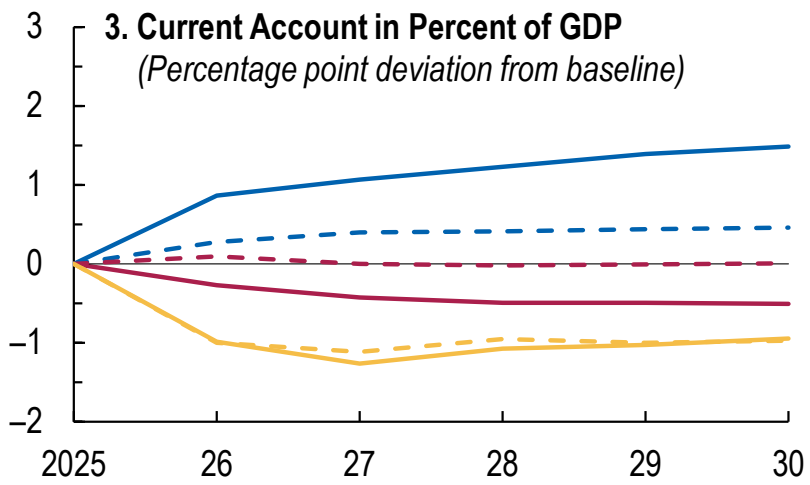
Note: Each shade of blue represents a 5-percentage point probability interval. WEO = *World Economic Outlook*.

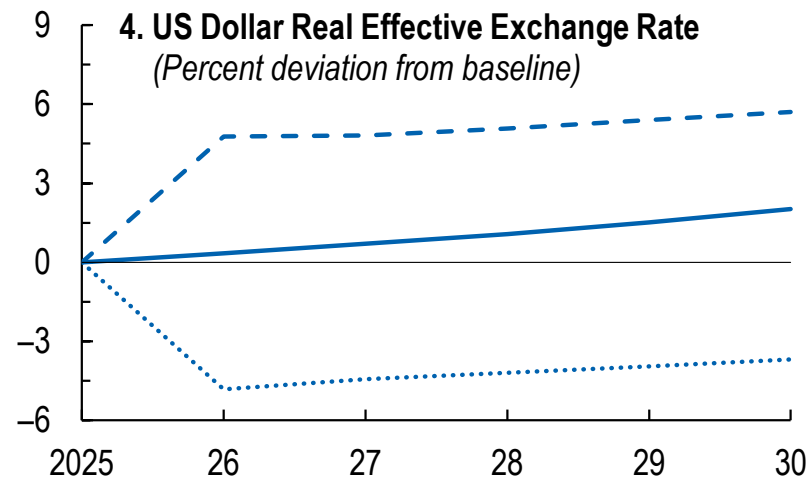
Risk Scenario A

Impact of Scenario A in the United States, China, and the Euro Area







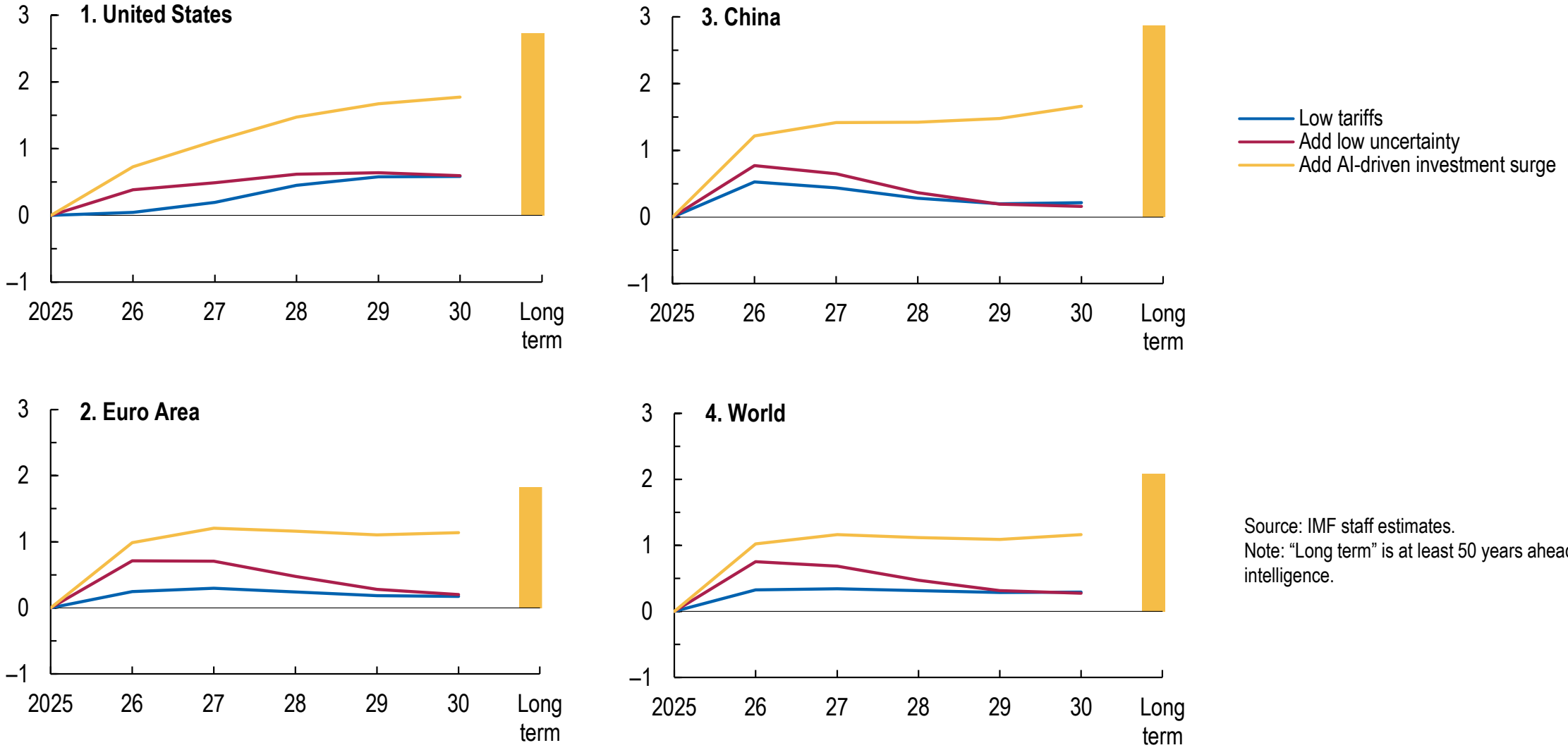


Source: IMF staff estimates.
Note: Dashed lines refer to tariff layer of scenario. Dotted line in panel 4 refers to "lower demand for US assets" layer of scenario.

Risk Scenario B

Impact of Scenario B on GDP

(Percent deviation from baseline)

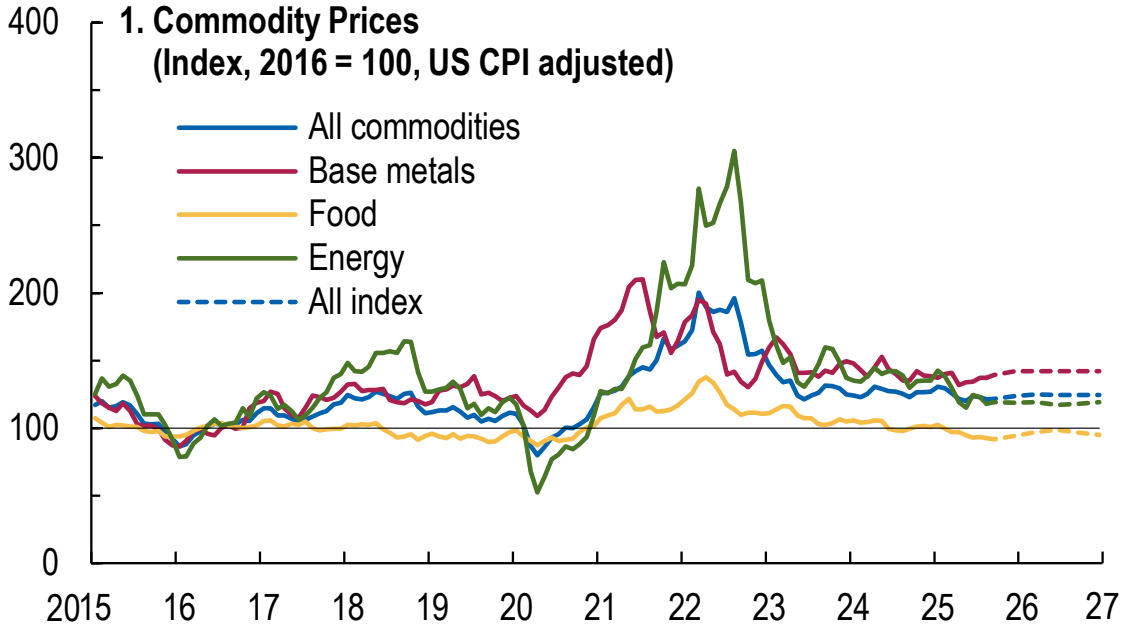


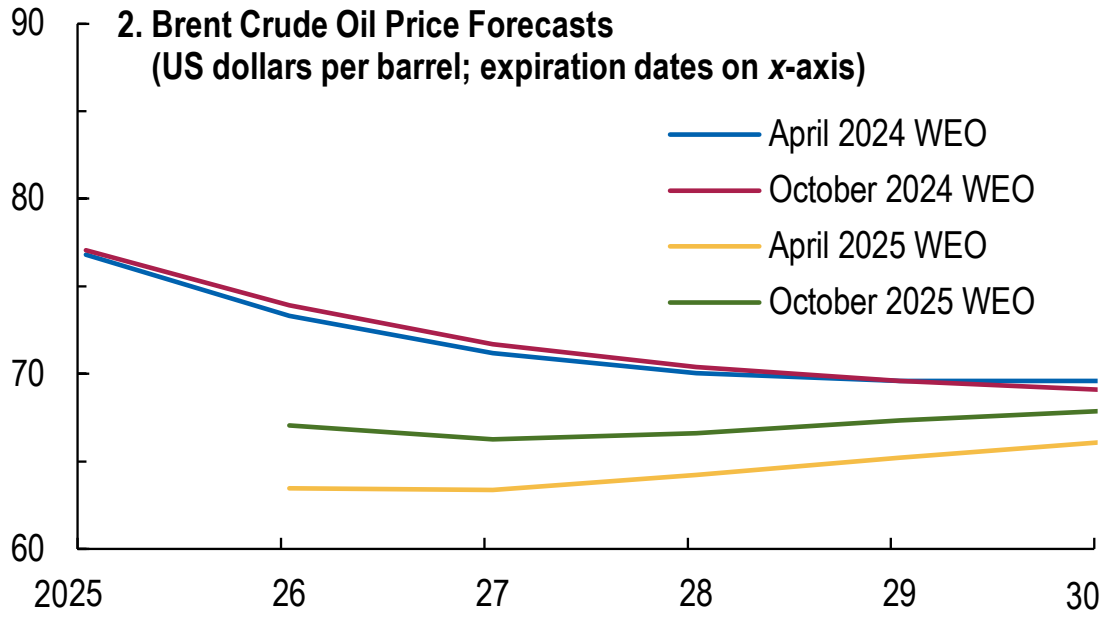
Source: IMF staff estimates.
Note: "Long term" is at least 50 years ahead. AI = artificial intelligence.

Extra Slides: Commodity Special Feature

Commodity Special Feature (1)

Commodity Market Developments

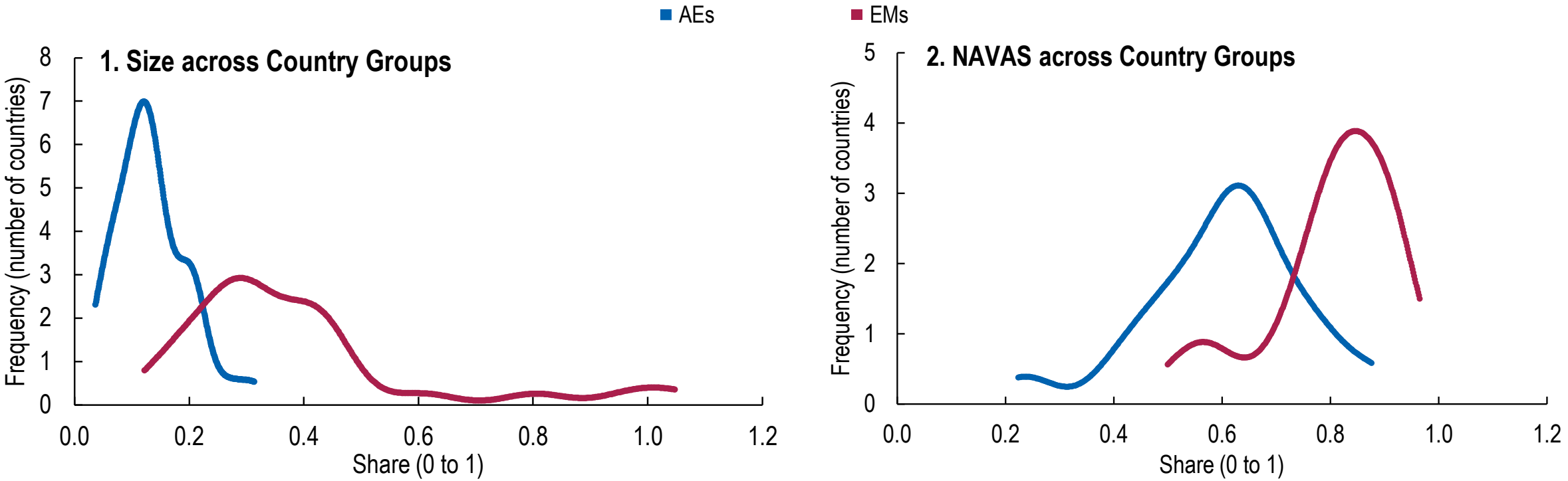




Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Primary Commodity Price System; International Energy Agency; and IMF staff calculations.
Note: In panel 1, latest actual CPI value is applied to forecasts, represented by the dashed portions of the graph lines. CPI = consumer price index; WEO = *World Economic Outlook*.

Commodity Special Feature (2)

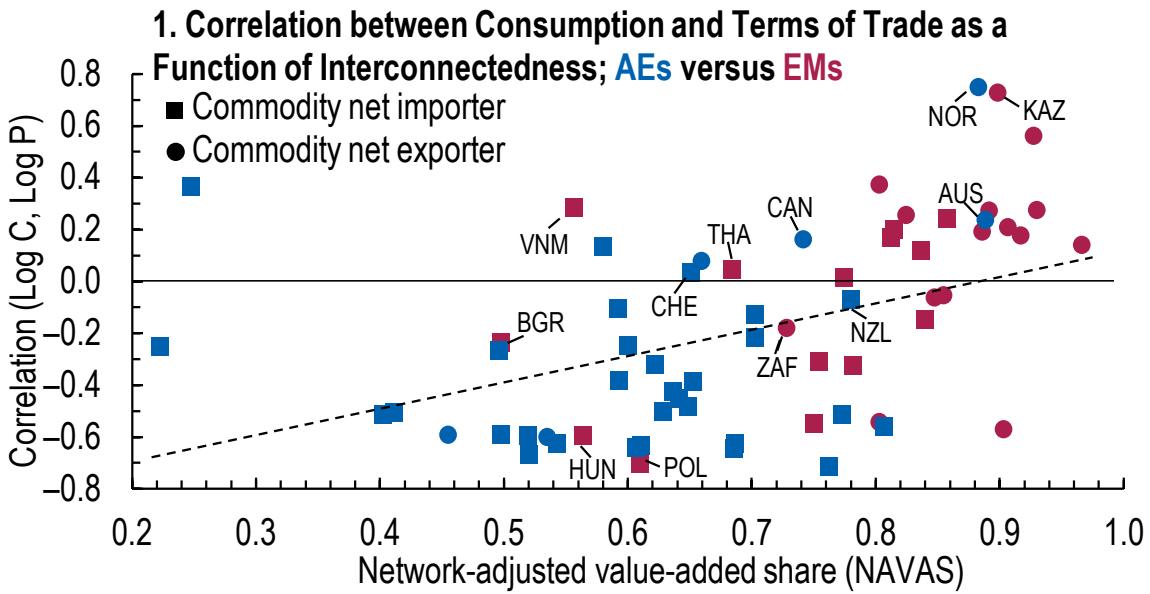
Size and Network-Adjusted Value-Added Share across Country Groups

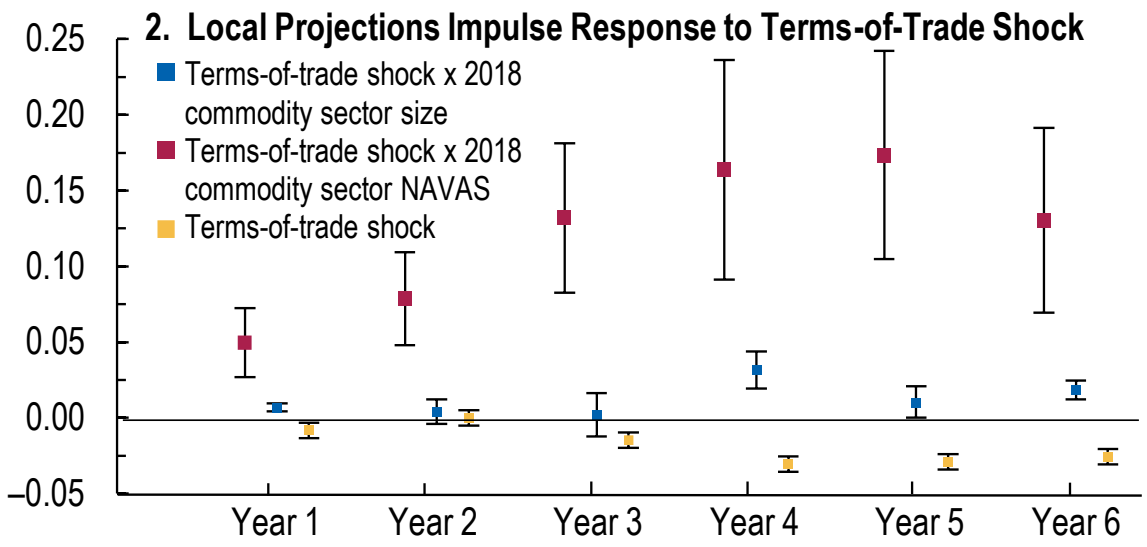


Sources: Organisation for Economic Co-operation and Development, Input-Output Tables, 2018; and IMF staff calculations.
Note: The Domar weight is the ratio of the nominal value of the commodity sector gross output to GDP. NAVAS is the sum of commodity sector value-added (VA) share and commodity suppliers' VA shares weighted by the Leontief inverse elements that capture downstream and upstream linkages of the commodity sector. AEs = advanced economies; EMs = emerging markets; NAVAS = network-adjusted value-added share.

Commodity Special Feature (3)

Importance of Interconnectedness over Size



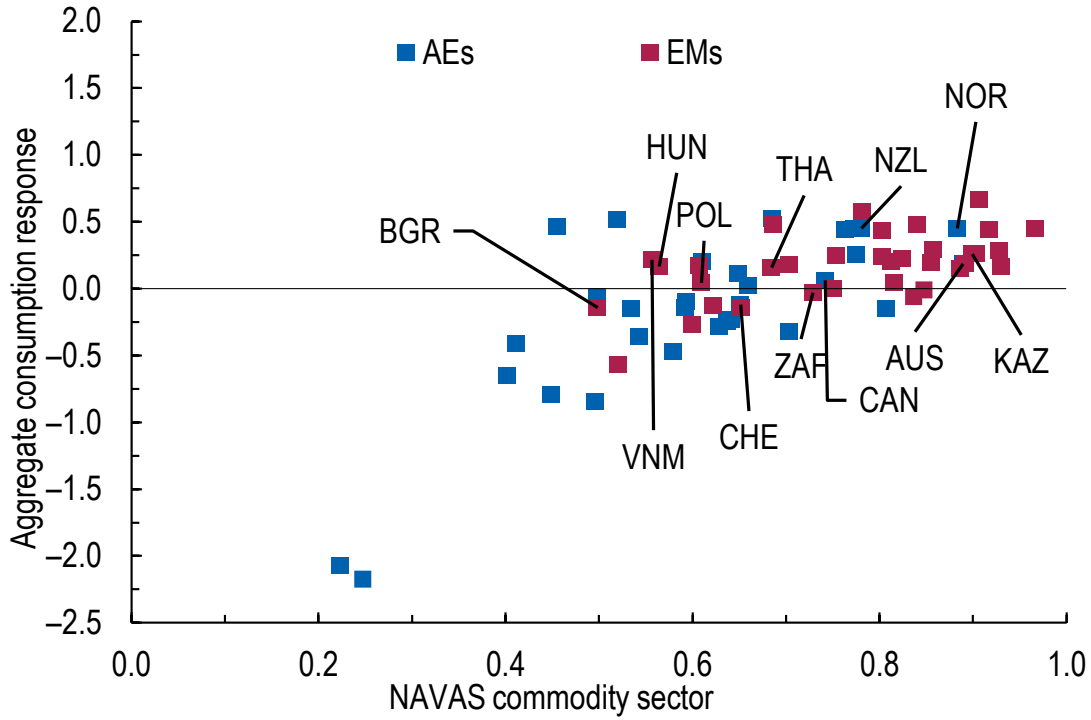


Sources: Global Macro Database (Müller and others 2025); IMF, Commodity Terms of Trade Database; and IMF staff calculations.
Note: Panel 1 shows the correlation between countries' cyclical consumption and cyclical terms of trade, computed for 66 countries covering the period 1990–2023 with an annual frequency. The network-adjusted value-added share (NAVAS) used is from the year 2018. Sectoral value-added shares are measured using the ratio between gross output minus intermediate input usage and gross output. Terms of trade are measured by the Commodity Net Export Price Index, weighted by net exports as a share of GDP and deflated using the US consumer price index. Advanced economies are shown in blue, while emeging markets are shown in red. In addition, squares represent commodity net importers, while circles indicate commodity net exporters. Panel 2 presents consumption coefficient estimates from local projections at annual horizons, along with their respective standard deviations, in response to a one-standard-deviation terms-of-trade shock. The terms-of-tade shock is constructed following Schmitt-Grohé and Uribe (2018) using the residual of an autoregressive process of order one for each country's log terms-of-trade index, deflated by US consumer price index. Estimates are shown for the direct terms-of-trade shock, its interaction with the NAVAS, and its interaction with the Domar weight in yellow, red, and blue, respectively. See Online Annex 1.1, Parts I and II for further details. Data labels in the figure use International Organization for Standardization (ISO) country codes. AEs = advanced economies. EMs = emerging markets.

Commodity Special Feature (4)

Model-Based Consumption Response to a 1 Percent Terms-of-Trade Price Shock

(Percent Change)

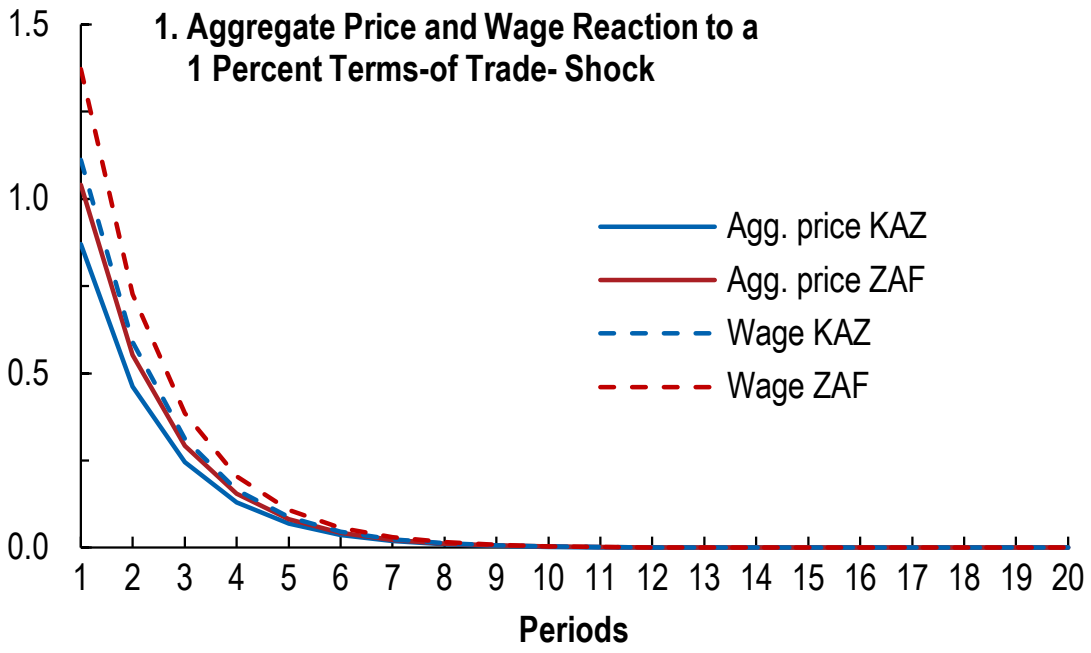


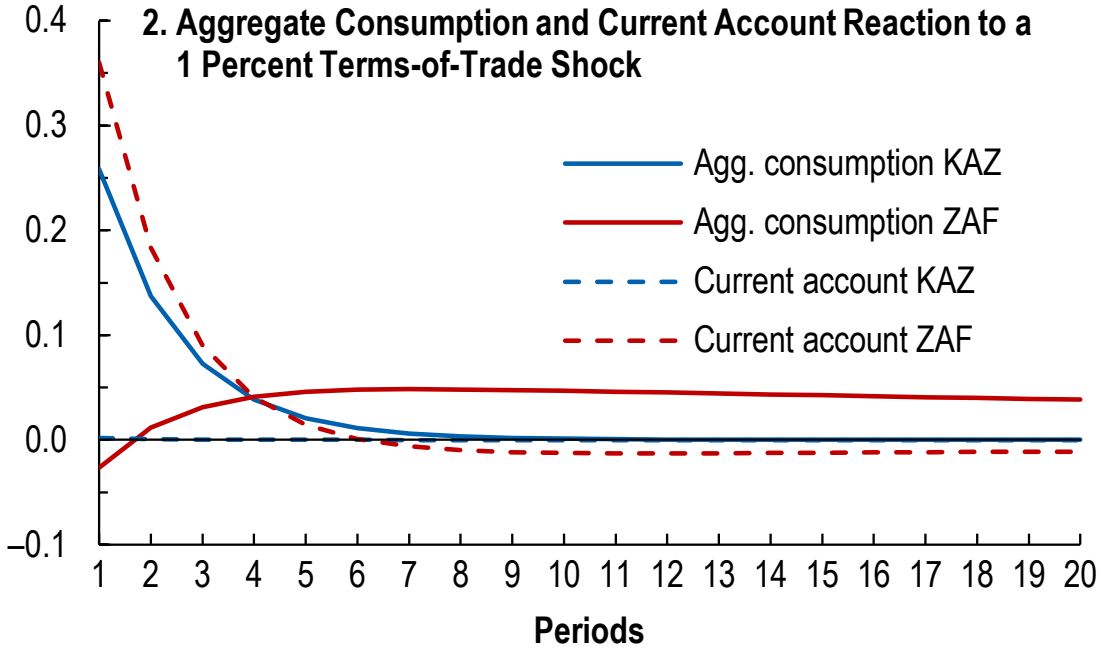
Sources: Organisation for Economic Co-operation and Development; and IMF staff calculations.
Note: NAVAS is the network-adjusted value-added share of the commodity sector. Consumption response is the first-period reaction of real consumption to a 1 percent terms-of-trade shock. AEs = advanced economies. EMs = emerging markets. Data labels in the figure use International Organization for Standardization (ISO) country codes.

Commodity Special Feature (5)

Model-Based Impulse Responses to a 1 Percent Terms-of-Trade Shock

(Percent change)





Sources: Organisation for Economic Co-operation and Development; and IMF staff calculations.
Note: The figure illustrates the impact of a commodity price shock on two distinct exporting economies, both calibrated to start with an equal initial trade balance. The calibration is based on each economy's input-output structure. Agg. = aggregate; KAZ = Kazakhstan; ZAF = South Africa.