

IMF WORLD ECONOMIC OUTLOOK - ECONOMY

NEWS: The International Monetary Fund (IMF) has recently published its **World Economic Outlook (WEO)**.

WHAT'S IN THE NEWS?

About the International Monetary Fund (IMF)

1.1. Establishment and Purpose:

- The IMF was established in **1944 at the Bretton Woods Conference**, in response to the economic instability caused by the **Great Depression of the 1930s** and World War II.
- It began operations in **1945** with the objective to **promote global monetary cooperation, ensure financial stability, and facilitate balanced international trade and sustainable economic growth**.

1.2. Membership and Headquarters:

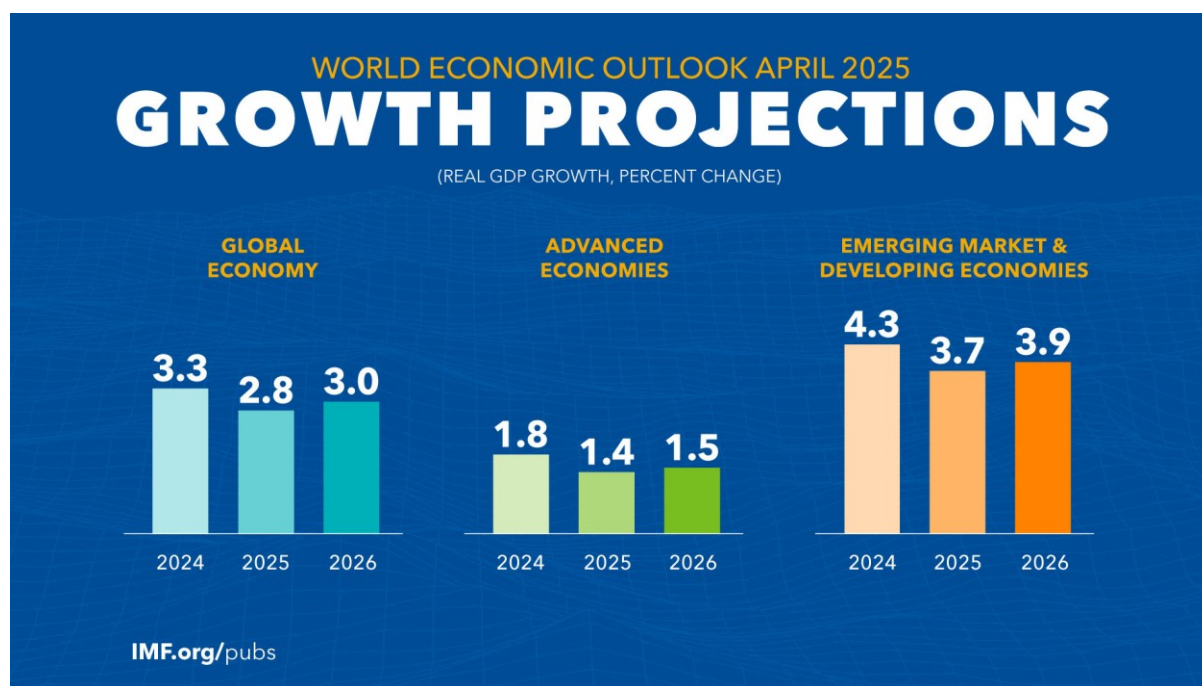
- The IMF has **190 member countries** (as of 2025), nearly all nations of the world.
- It is headquartered in **Washington, D.C., United States**.

1.3. Core Functions:

- **Economic Surveillance:** Monitoring of global and national economic trends and policies.
- **Lending:** Provides short- and medium-term financial assistance to countries facing balance of payment problems.
- **Capacity Development:** Offers training and technical assistance to member countries to strengthen their economic institutions.

1.4. Key Publications:

- **World Economic Outlook (WEO)** – flagship report analyzing global macroeconomic trends.
- **Global Financial Stability Report (GFSR)** – focuses on developments and risks in global financial markets.
- **Fiscal Monitor** – analyzes public finance developments and fiscal policies of member countries.



2. About the World Economic Outlook (WEO)

2.1. Nature and Role:

- The **World Economic Outlook (WEO)** is the **IMF's primary macroeconomic report**, providing a comprehensive analysis of the **world economy**, including growth projections, risks, and policy recommendations.
- It is used by **policymakers, economists, and global investors** for economic planning and international comparisons.

2.2. Publication Cycle:

- Released **twice a year**, typically in **April and October**, with **interim updates in January and July** to reflect rapid developments.

3. Key Findings of WEO – April 2025 Edition

3.1. Global Uncertainty and Volatility

- The IMF identifies a **sharp increase in global economic uncertainty** as the dominant challenge for 2025.
- Its **World Trade Uncertainty Index** has surged to a level **seven times higher than in October 2024**, indicating heightened instability in global trade environments.

3.2. Downward Revision of Global Economic Growth

- The IMF has **lowered global GDP growth forecasts** in light of rising geopolitical tensions and trade disruptions.
 - **2025:** Global GDP projected to grow by **2.8%**.
 - **2026:** Growth expected to improve slightly to **3.0%**.
- These projections mark a downgrade from earlier forecasts, reflecting caution over trade fragmentation and investment slowdown.

3.3. Euro Area – Sluggish Recovery

- The **Eurozone economy** is expected to grow at a pace **below the global average**, facing structural challenges and external headwinds:
 - **2025:** Growth forecast at **0.8%**.
 - **2026:** Slight recovery to **1.2%**.

3.4. Trade Tensions and Tariff Wars

- The report notes that **tariff wars have replaced COVID-19 as the primary global economic disruptor**.
- On **2 April 2025**, the **United States imposed its largest tariff hike in modern history**, triggering a chain reaction of retaliatory measures and disrupting global supply chains.
- The re-emergence of **protectionist policies** has revived the supply chain disruptions experienced during the pandemic era.

3.5. US Bond Market Concerns

- **Investor confidence in US government bonds has declined**, which traditionally are considered “safe-haven assets.”
- **Prices of US Treasury bonds have fallen**, as investors began **selling off** due to fears over long-term fiscal stability and geopolitical uncertainty.

3.6. Country-Specific Growth Forecasts

- **China:** GDP growth forecast for **2025** has been **downgraded to 4.0%** from **4.6% (January 2025 estimate)**, due to property sector slowdown and trade disruptions.
- **United States:** GDP growth revised down by **90 basis points to 1.8%**, attributed to restrictive monetary policies and weakened investor sentiment.

4. World Economic Outlook (April 2025) – India Specific Findings

4.1. India – Fastest-Growing Major Economy

- India is projected to maintain its position as the **fastest-growing major economy globally**.
 - **2025**: Projected growth rate at **6.2%**.
 - **2026**: Growth slightly higher at **6.3%**.

4.2. Factors Supporting India's Growth

- Despite a complex global environment, **India's macroeconomic fundamentals remain strong**, supported by:
 - **Robust domestic demand**,
 - **Ongoing infrastructure investments**,
 - **Improving credit availability**, and
 - **Government reforms in manufacturing, logistics, and green energy**.

4.3. Downward Revision Compared to Earlier Forecasts

- The current estimates represent a **slight downward revision** from the **January 2025 forecasts**, primarily due to:
 - **Escalating global trade tensions** and
 - **Volatility in energy and commodity prices** impacting global demand.

Source: <https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era>