



International Monetary Fund

**World Economic Outlook and the Asia Pacific Region
—Global Prospects and Policies:
A Critical Juncture Amid Policy Shifts—**
(based on Chap. 1 of IMF World Economic Outlook (WEO) April 2025)

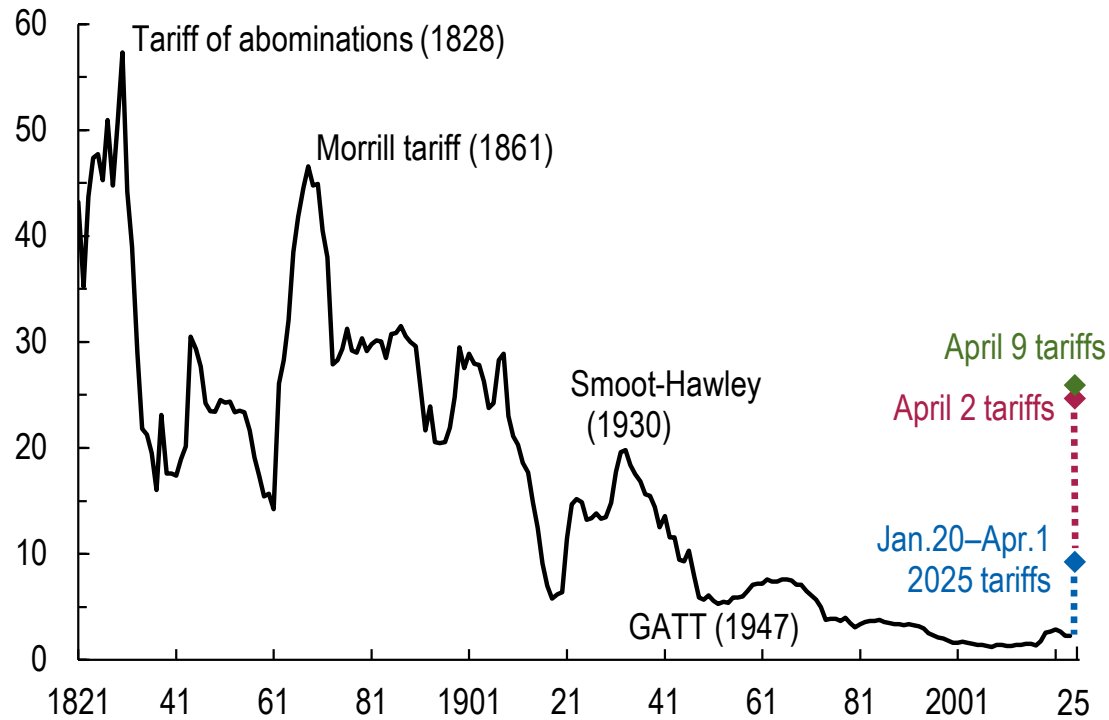
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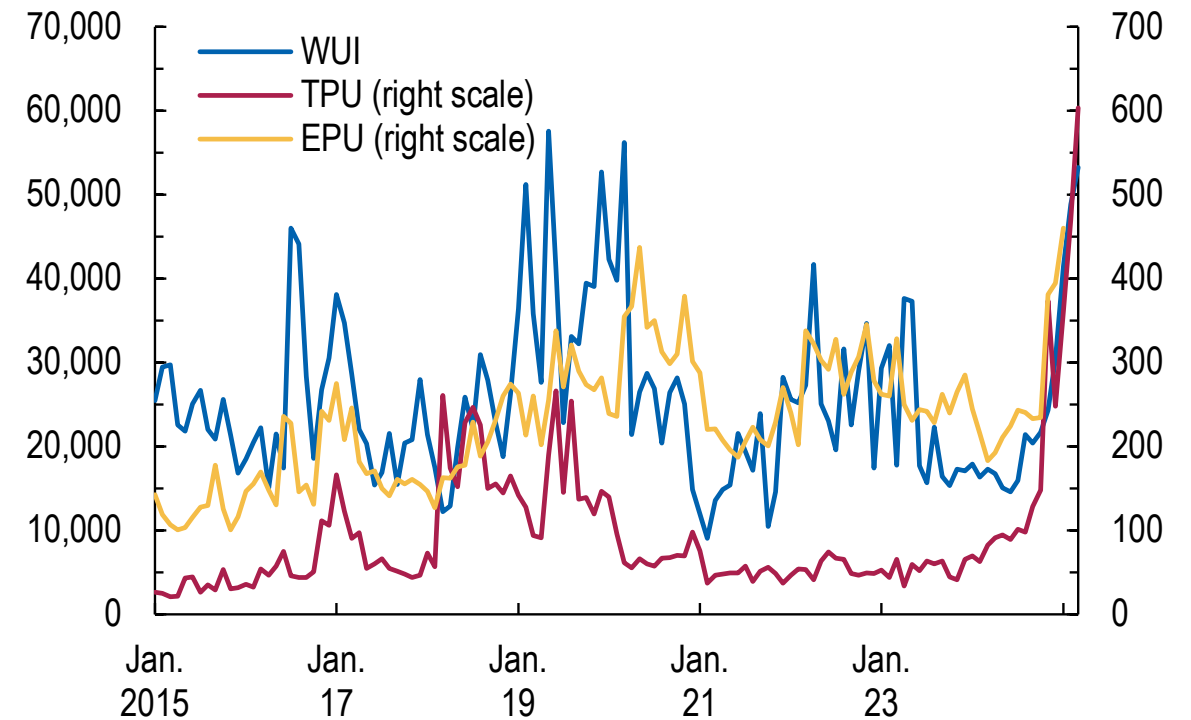
***Seminar at Research Institute of Economy, Trade and Industry (RIETI)
May 23, 2025***

Policy Uncertainty Tests Global Resilience

US Effective Tariff Rates on All Imports (Percent)



Overall Uncertainty, EPU, and TPU (Index)



Sources: Ahir, Bloom, and Furceri 2022; Caldara and others 2020; Davis 2016; US Bureau of the Census, *Historical Statistics of the United States, 1789–1945*; US International Trade Commission; and IMF staff calculations.

Note: For RHS, the uncertainty measures are news- and media-outlets-based indices that quantify media attention to global news related to overall uncertainty (WUI), economic policy uncertainty (EPU), and trade policy uncertainty (TPU).

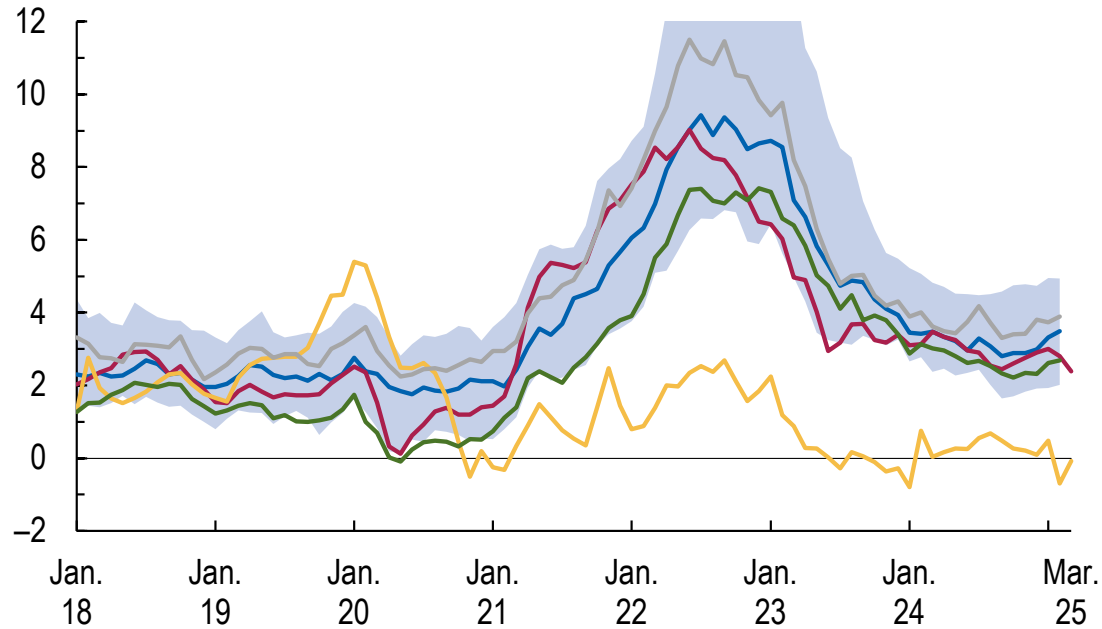
Recent Developments

Inflation Trends

World US China
Other AEs Other EMDEs

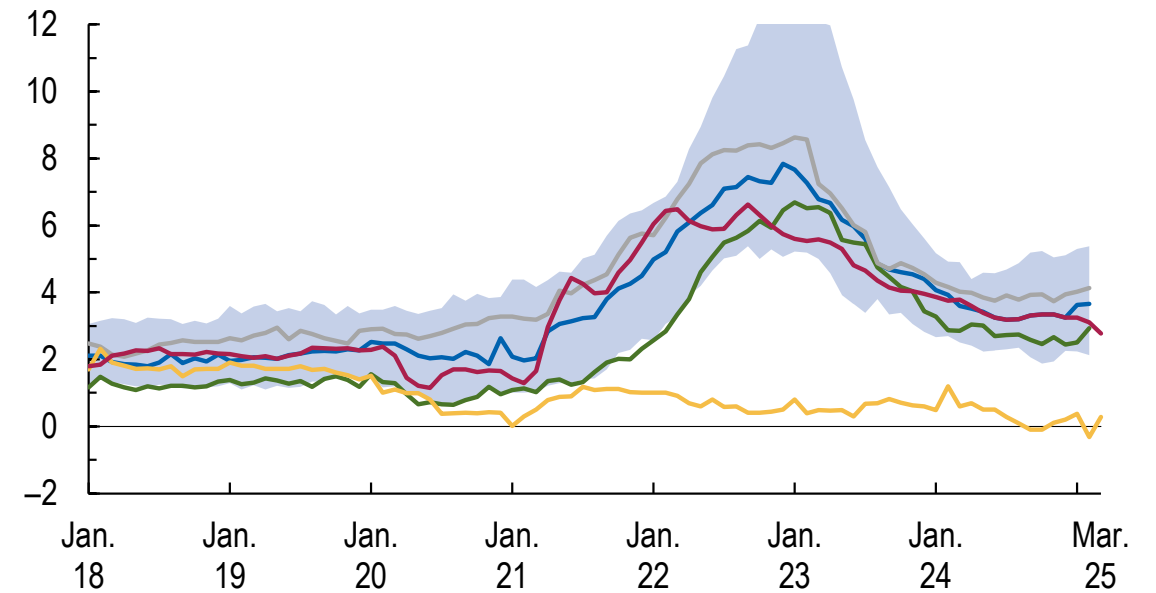
Headline Inflation

(Percent, year over year)



Core Inflation

(Percent, year over year)



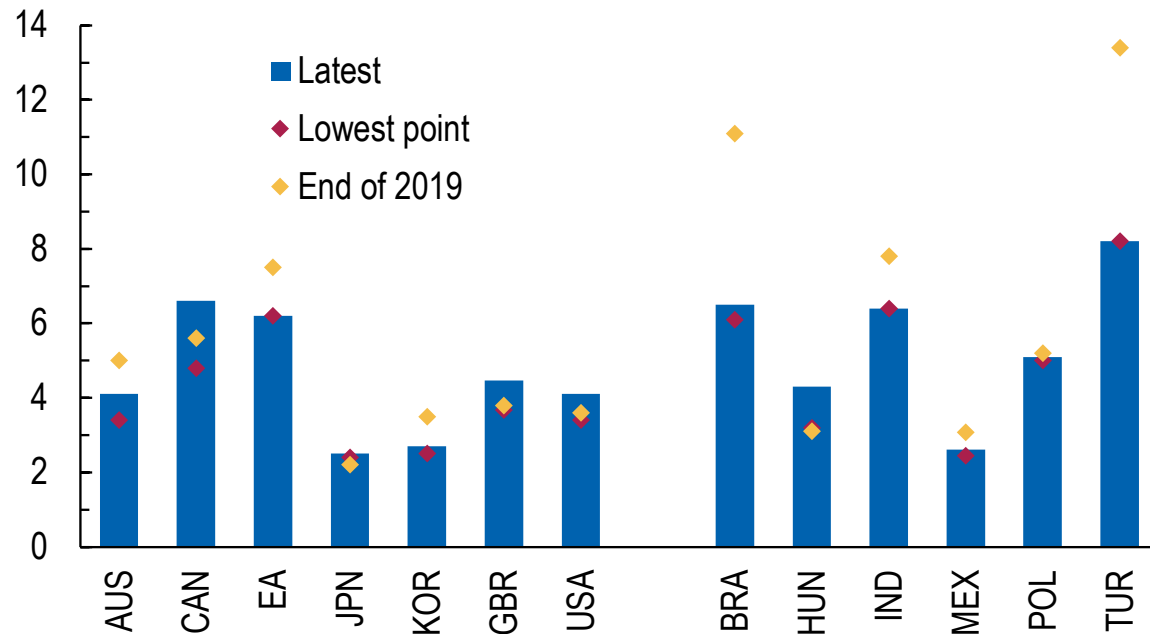
Sources: Haver Analytics; and IMF staff calculations.

Note: LHS and RHS plot the median of a sample of 57 economies that accounts for 78 percent of World Economic Outlook world GDP (in weighted purchasing-power-parity terms) in 2024. Vertical axes are cut off at -2 percent and 12 percent. The bands depict the 25th to 75th percentiles of data across economies.

Labor Market Trends

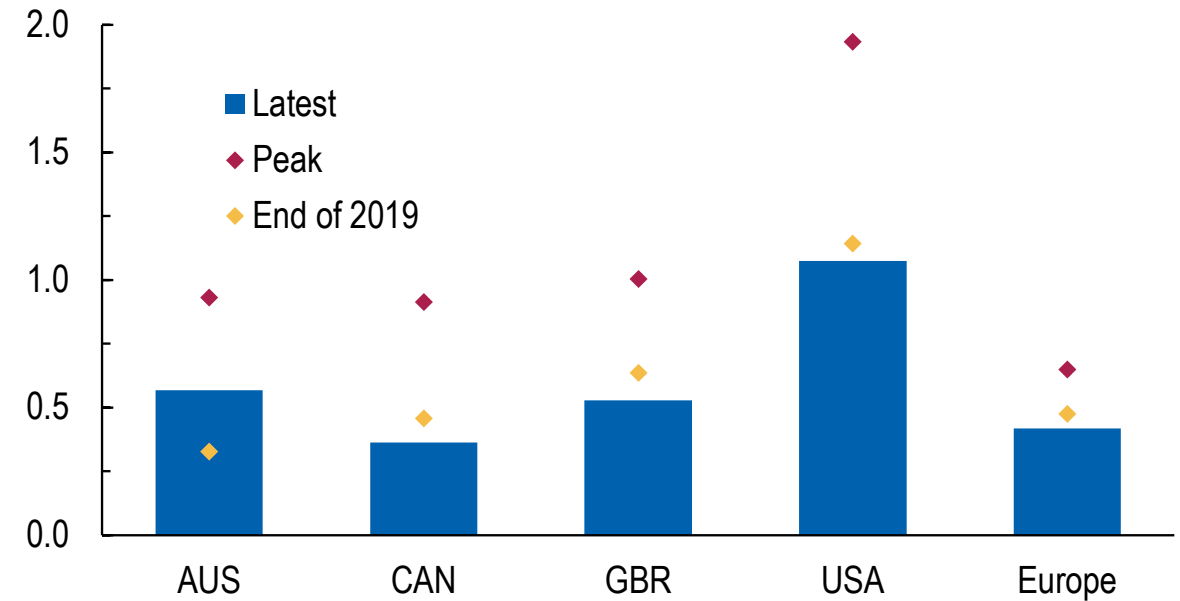
Unemployment Rates

(Percent)



Vacancy-to-Unemployment Ratios

(Percent)



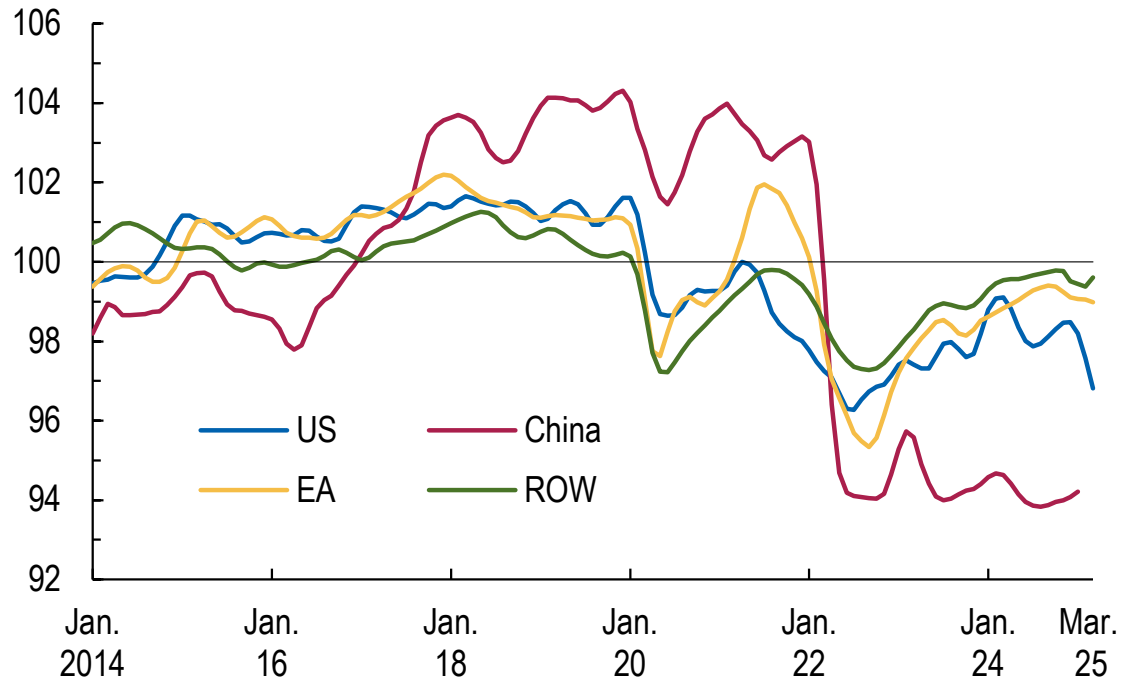
Sources: Haver Analytics; India Ministry of Statistics and Programme Implementation, Periodic Labour Force Survey; International Labour Organization; OECD; US Bureau of Economic Analysis; US Bureau of Labor Statistics; and IMF staff calculations.

Note: For LHS, India's unemployment in urban areas is from Periodic Labour Force Survey data. The "lowest point" is from the period spanning March 2019 to the latest available data. For RHS, "Europe" includes Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, the Slovak Republic, Slovenia, Spain, and Sweden. The "peak" is from the period spanning January 2020 to the latest available data.

Varying Momentum Across Countries

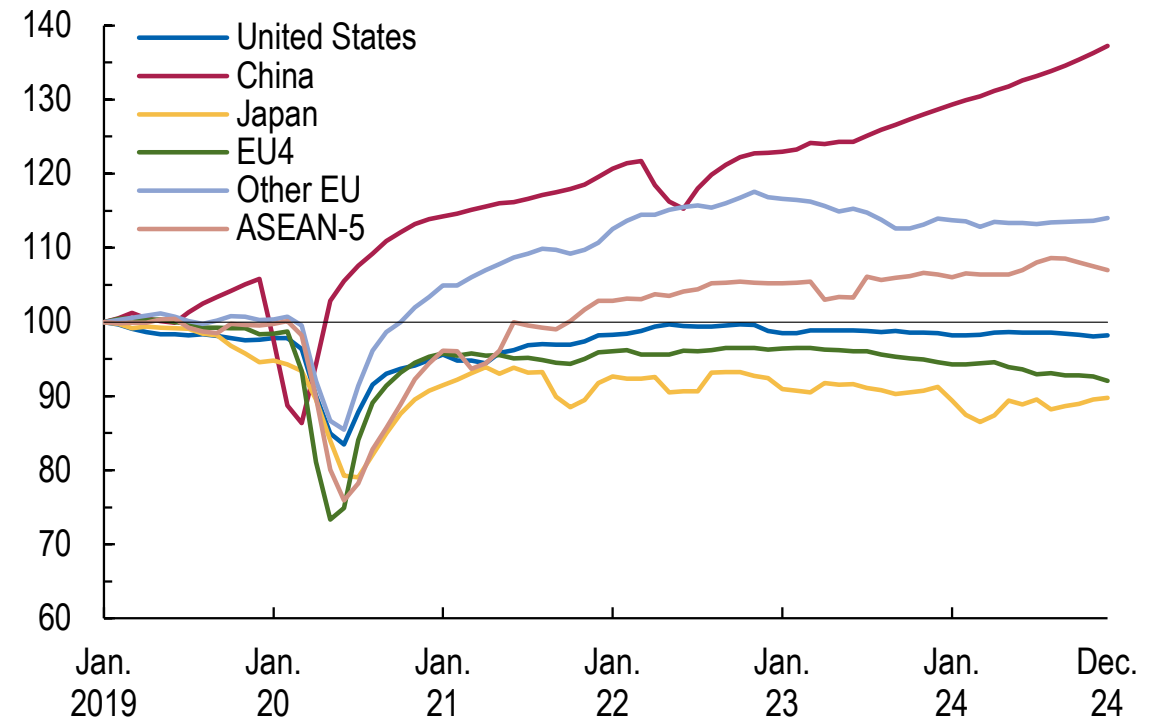
Consumer Confidence

(Index, OECD harmonized)



Industrial Production Trends

(Index, Jan. 2019 = 100)

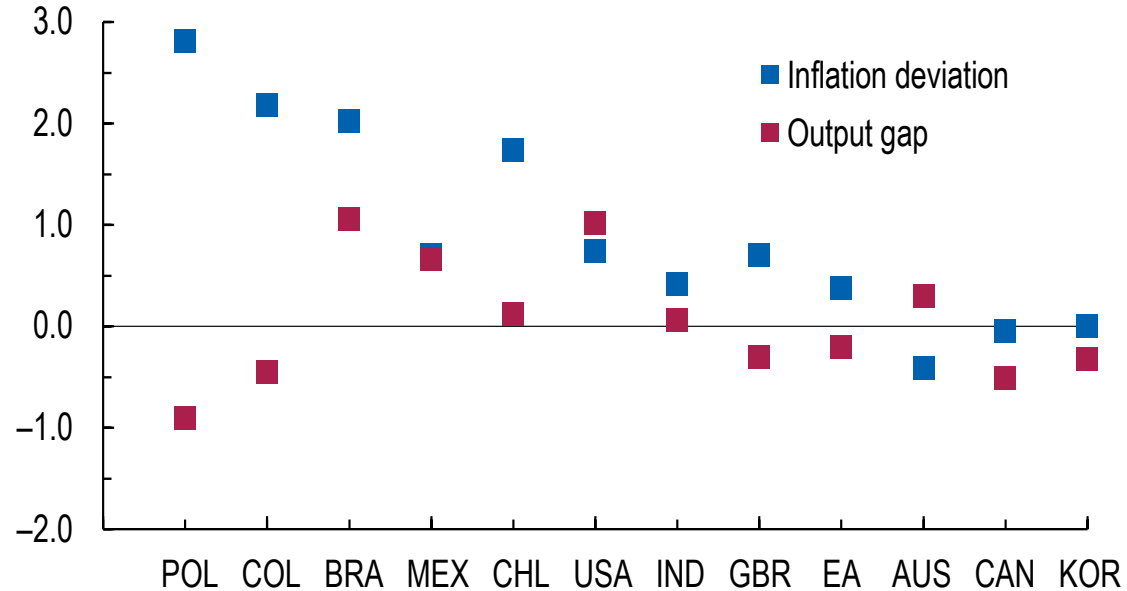


Sources: OECD; UNIDO; and IMF staff calculations.

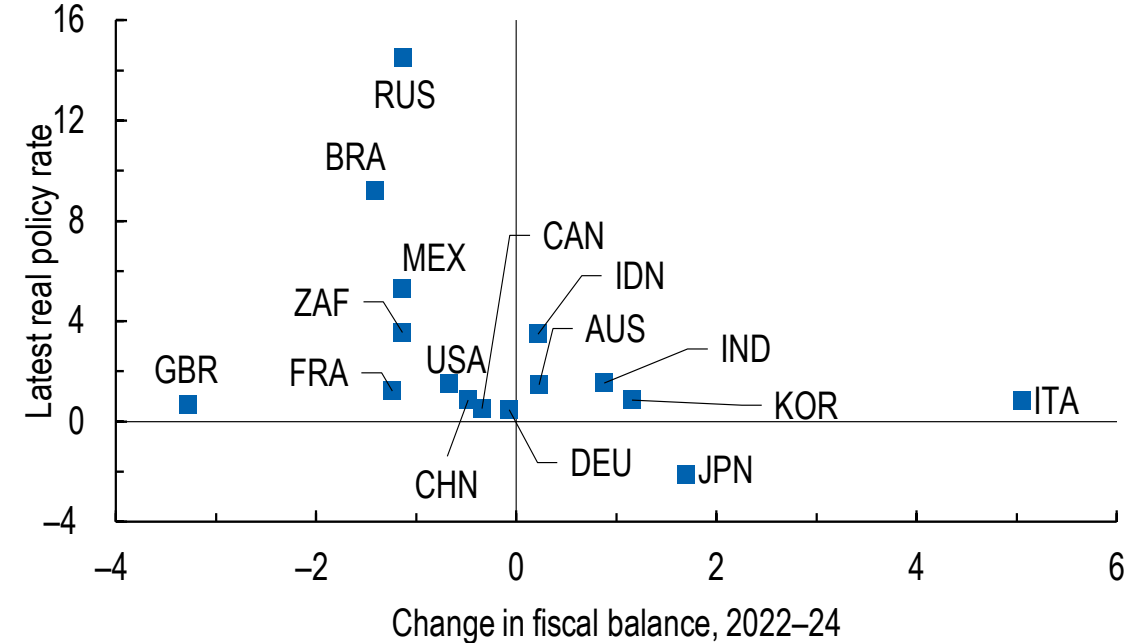
Note: For LHS, the rest of world (ROW) represents the average value for data across 22 countries. For RHS, data are calculated as three-month moving averages. "EU4" refers to France, Germany, Italy, and Spain. "Other EU" refers to all other European Union (EU) countries.

Cyclical Positions

Most Recent Inflation and Output Gap
(Percent)



Monetary-Fiscal Policy Mix
(Percent)



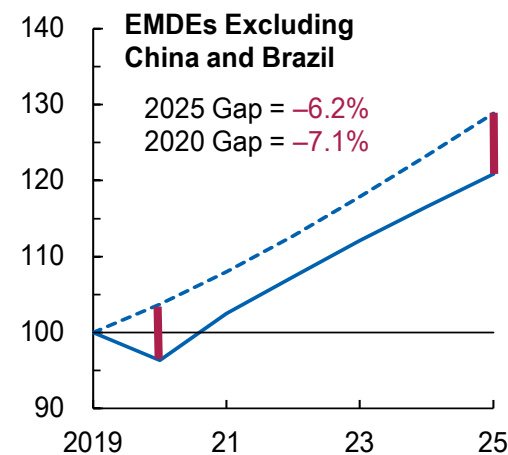
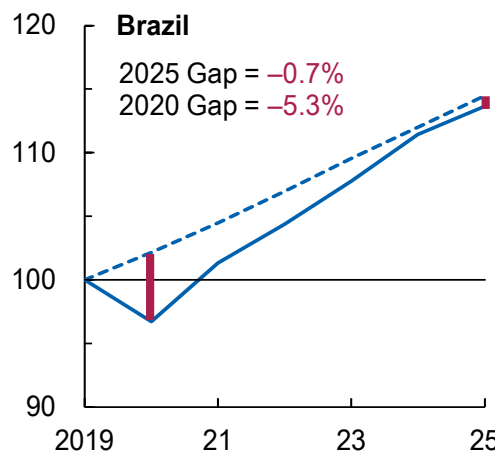
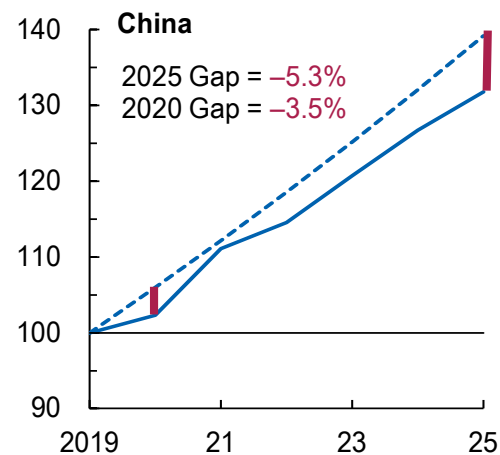
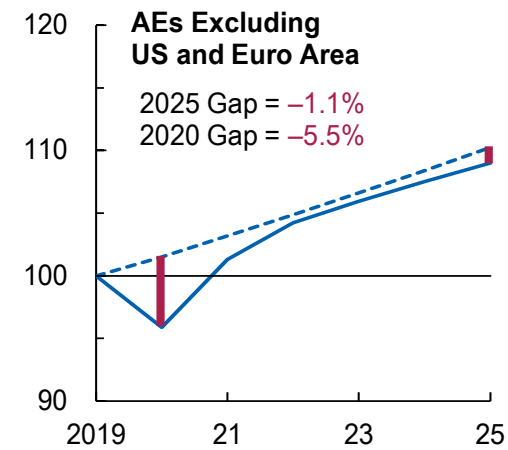
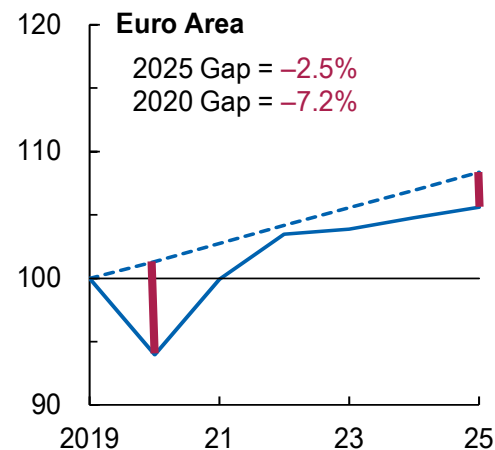
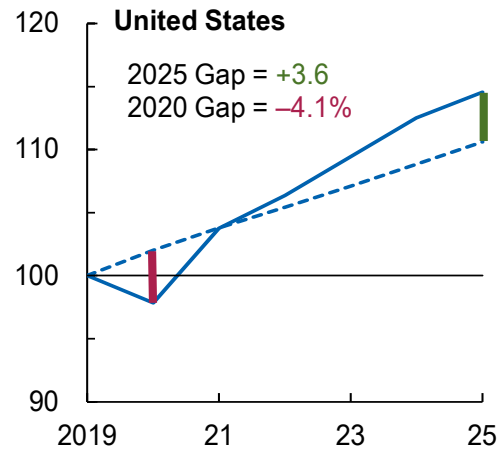
Sources: Haver Analytics; and IMF staff estimates.

Note: For LHS, the inflation deviation is defined as the difference between 2025:Q1 inflation and the central bank's inflation target. The output gap is the 2024 output gap. For RHS, the fiscal balance refers to the general government structural primary balance in percent of potential GDP. Rolling 12-month ahead inflation expectations are used for the calculation of the real policy rate. The sample includes G20 economies excluding Argentina, Saudi Arabia, and Türkiye, owing to lack of data availability.

Pandemic Scarring

Real GDP versus Prepandemic Trend

(Index, 2019 = 100)



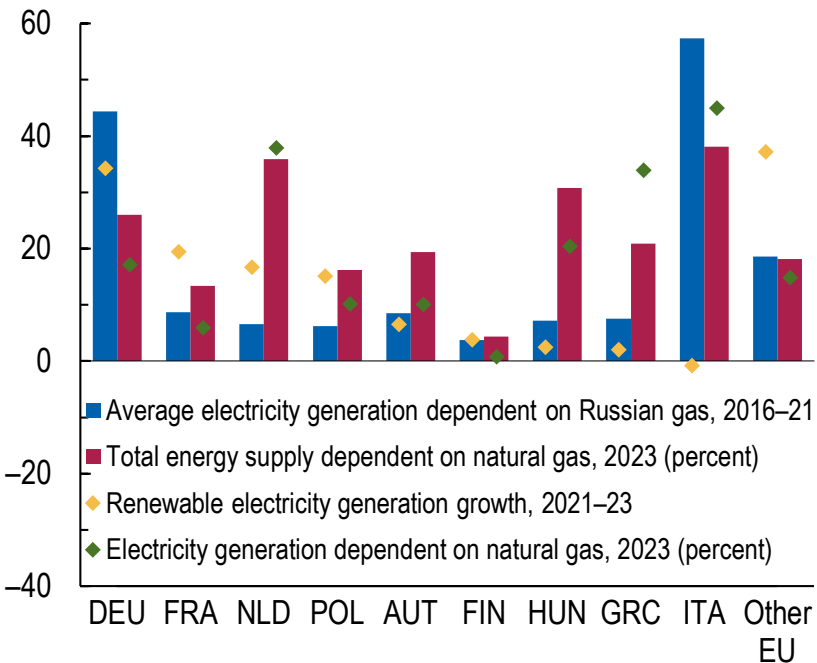
Source: IMF staff calculations.

Note: Solid-line data are from April 2025 World Economic Outlook (WEO). Dashed lines denote prepandemic trend based on January 2020 WEO *Update*.

Energy Shocks

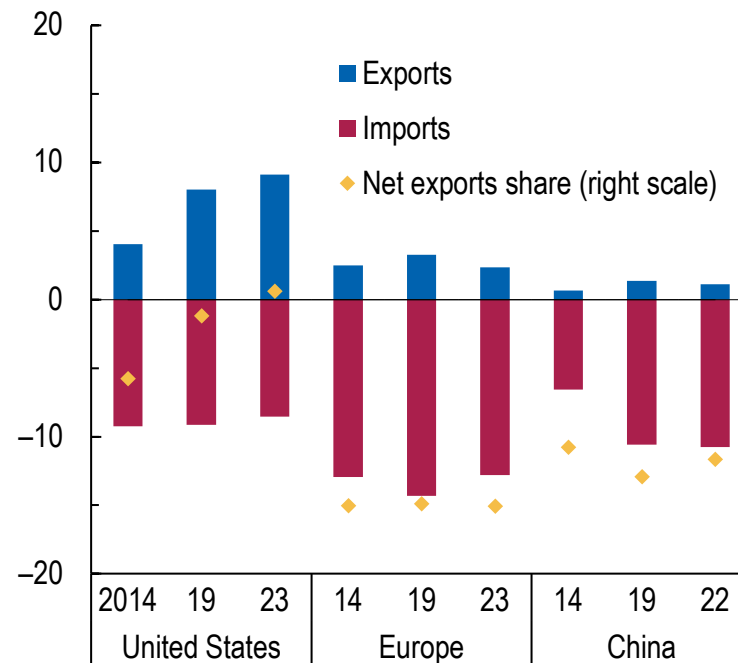
Energy Dependency in Europe

(Terawatt-hours)



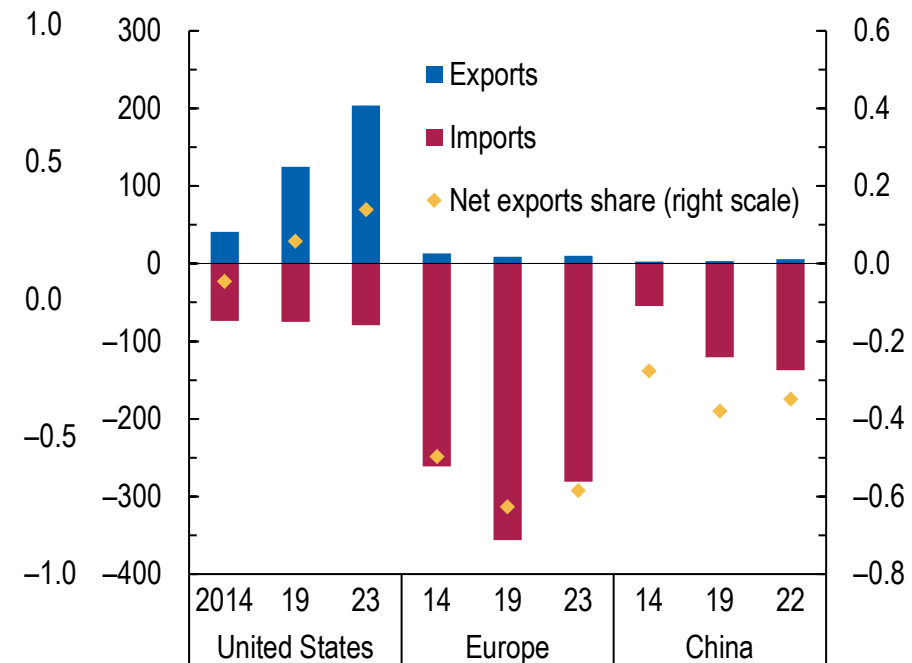
Oil Trade

(Mil. barrels per day; Percent)



Gas Trade

(Bil. Cubic meters; Percent)

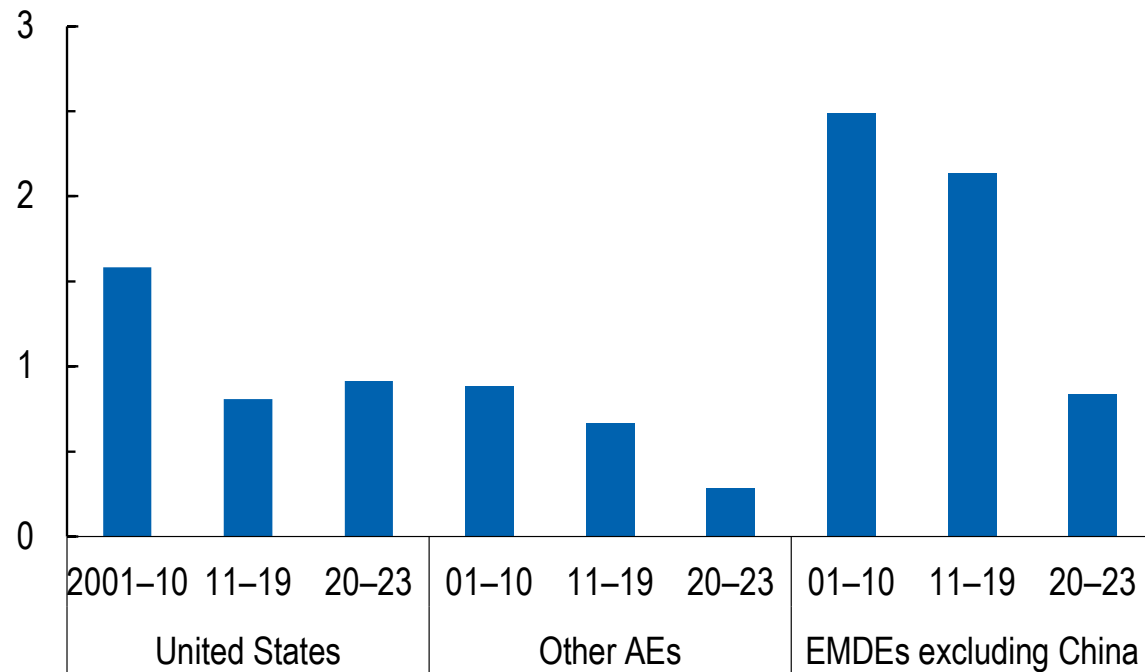


Sources: Energy Institute; International Energy Agency; and IMF staff calculations.

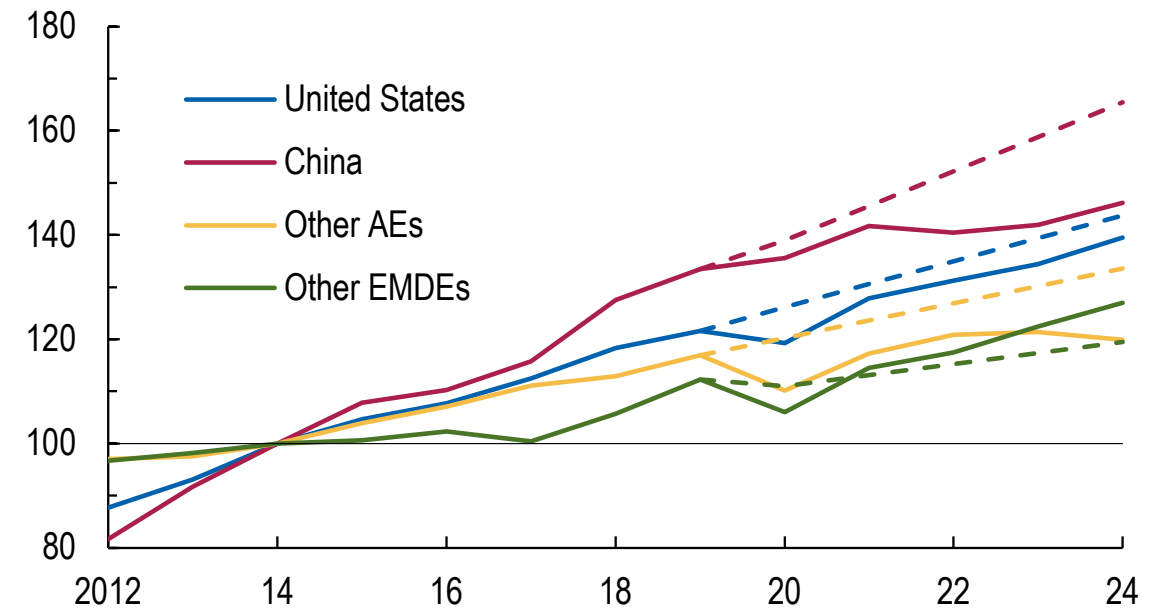
Note: For LHS, "Other EU" refers to the remaining EU countries. For MID, oil trade includes both crude oil and oil products. For MID and RHS, "Europe" includes European members of the OECD plus Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Gibraltar, Latvia, Lithuania, Malta, Montenegro, North Macedonia, Romania, and Serbia. Intra-European trade is excluded from "Europe" values.

Productivity and Investment

Labor Productivity Growth
(Percent)



Private Gross Fixed Capital Formation
(Index, 2014 = 100)

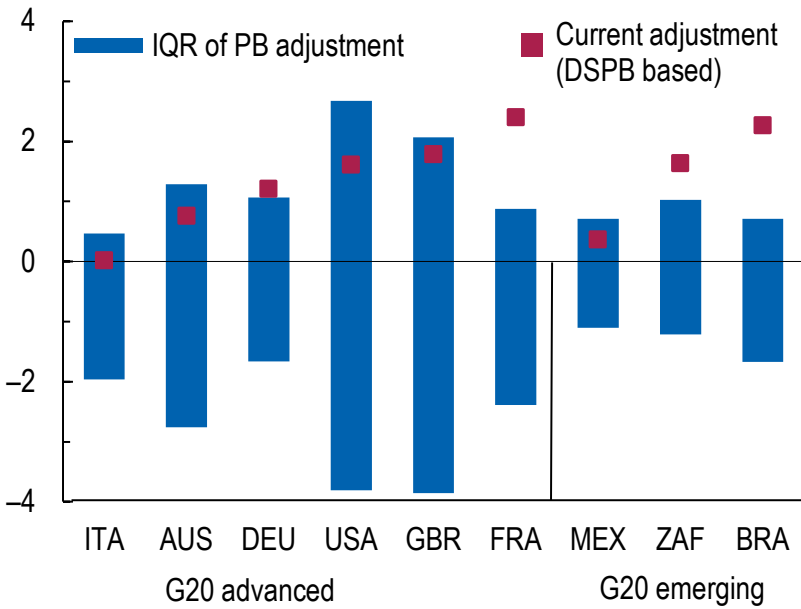


Source: IMF staff calculations.

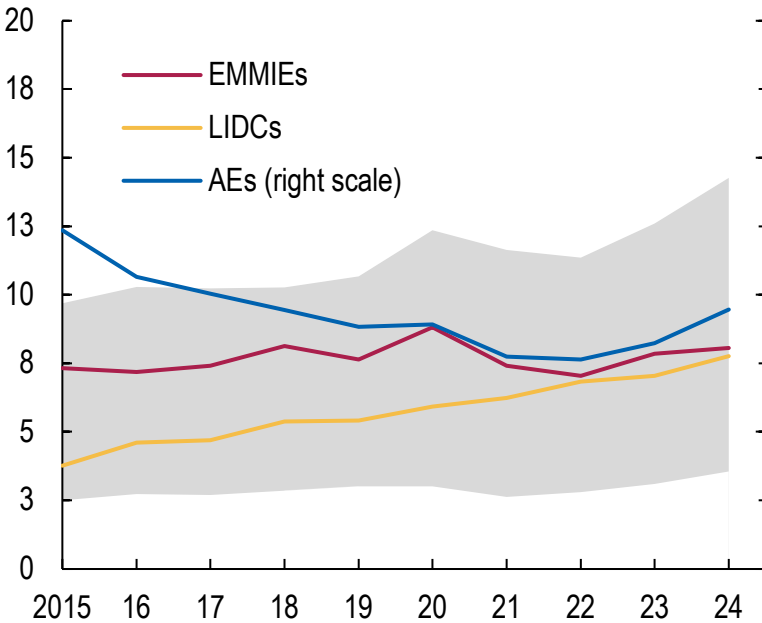
Note: For LHS, labor productivity is calculated on a per-worker basis. For RHS, dashed lines denote the 2014-19 trend.

High Public Debt Amid Elevated Interest Rates

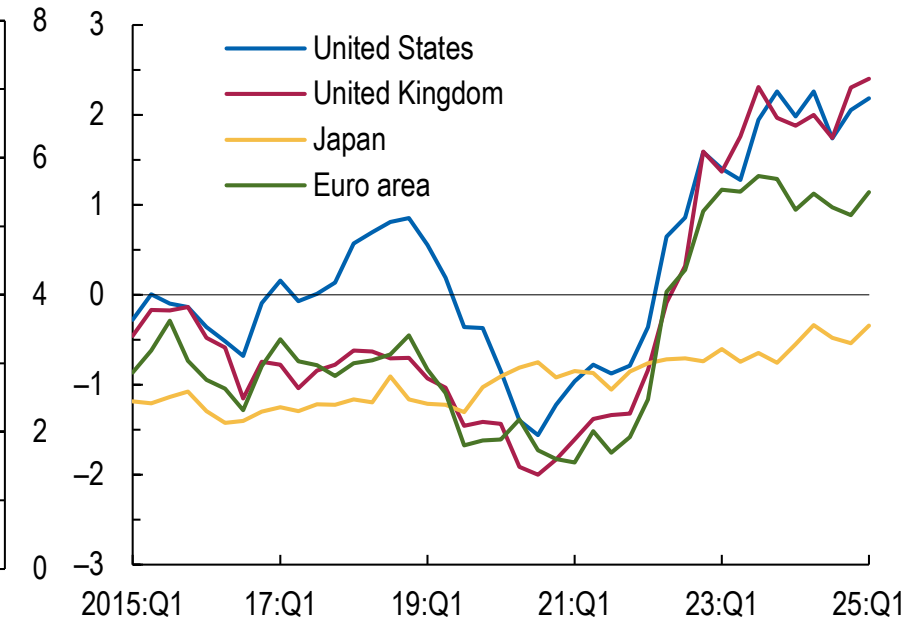
Fiscal Adjustment Need
(Percent)



Government Interest Payments
(Percent of gov. revenues)



Real 10-Year Gov. Bond Yields
(Percent per year)

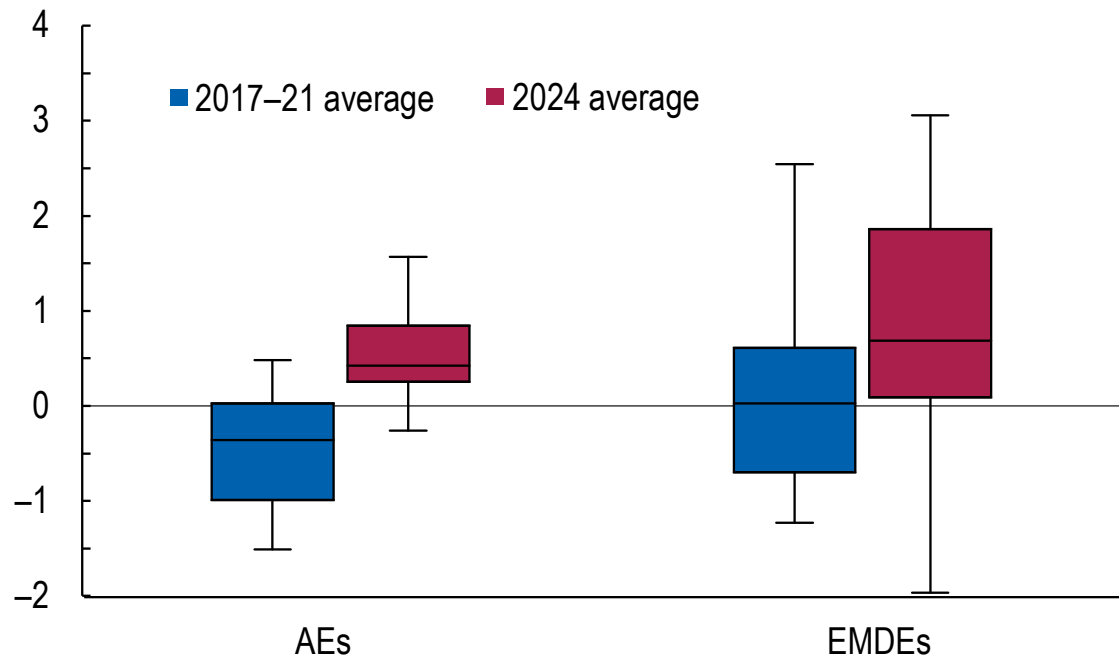


Sources: Consensus Economics; OECD; and IMF staff calculations.
Note: LHS shows current three-year adjustment need versus historical adjustment. IQR refers to the interquartile range of three-year primary balance (PB) adjustments over the period 2000–19, calculated as the change between years $t + 3$ and t using a rolling window. Current adjustment need is based on the difference between the 2028 debt-stabilizing primary balance (DSPB) and the 2025 primary balance excluding other flows. For MID, lines show medians, and shaded area denotes the IQR over all countries. RHS shows real rates calculated using long-term inflation expectations from Consensus Forecasts.

Inflation Expectations on Edge after Inflation Scare

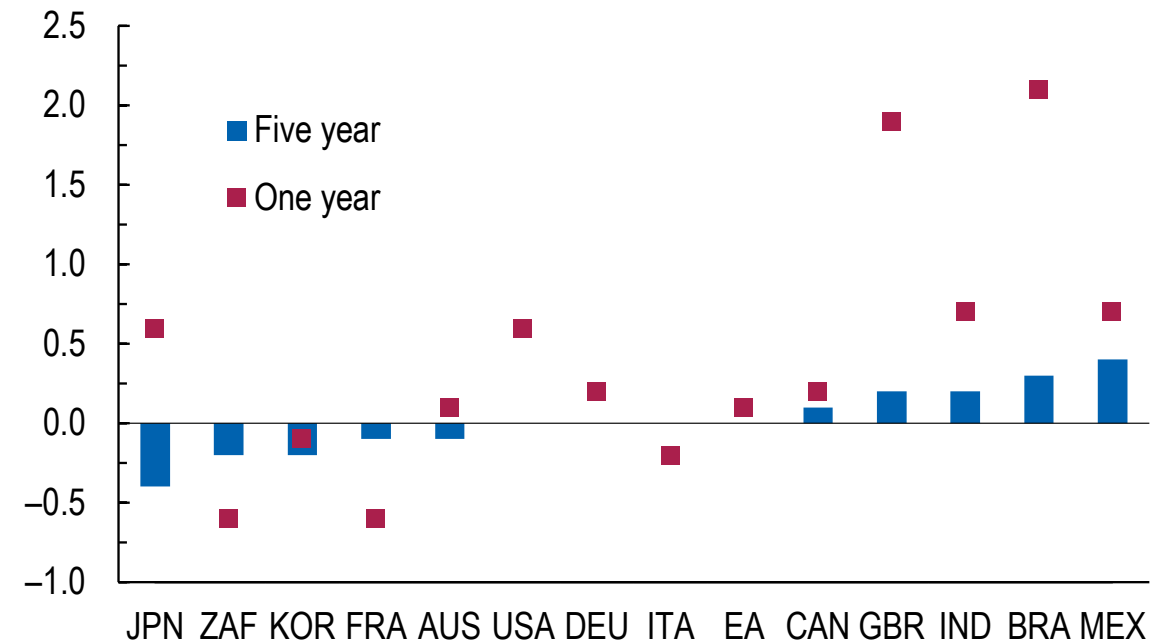
Cross-Country Inflation Expectations

(Percentage point deviation from target, next 12 months)



Consensus Inflation Expectations

(Percentage point deviation from target)



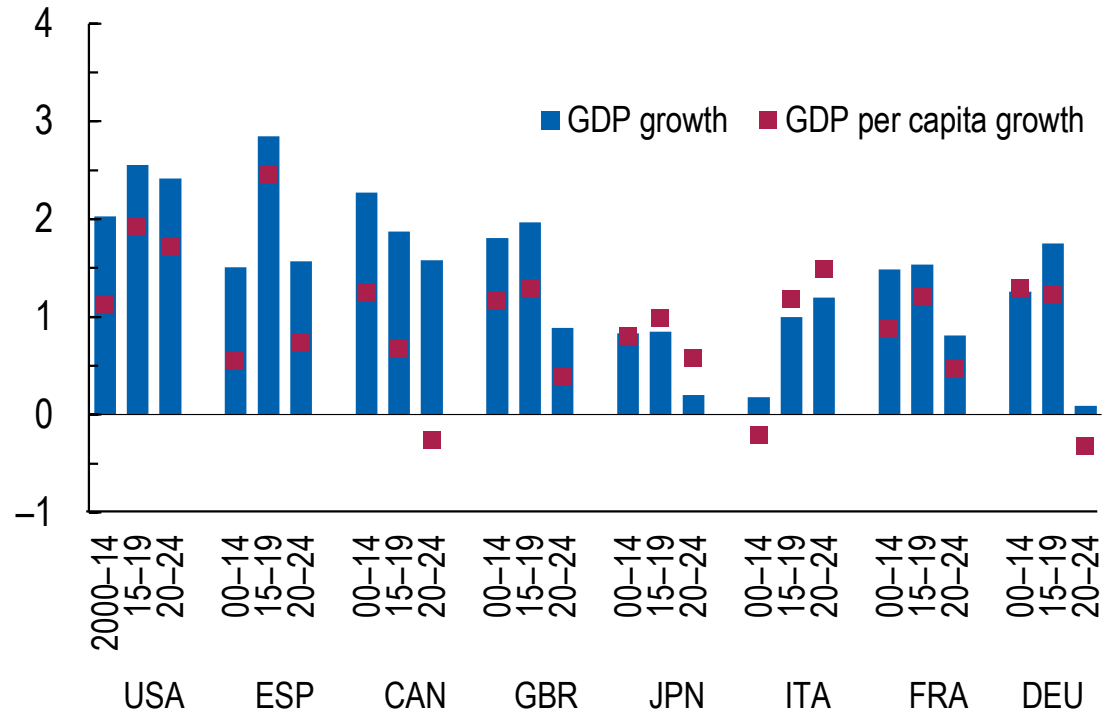
Sources: Central bank websites; Consensus Economics; Haver Analytics; and IMF staff calculations.

Note: For LHS, sample includes 30 advanced economies (AEs) and 31 emerging market and developing economies (EMDEs). The horizontal lines in the middle of the boxes show the medians, and the upper (lower) limits of the boxes show the third (first) quartiles. The whiskers show the maximum and minimum within a boundary of 1.5 times the interquartile range from the upper and lower quartiles, respectively. For RHS, "one year" is based on March 2025 data.

Fragilities due to Gaps in Growth

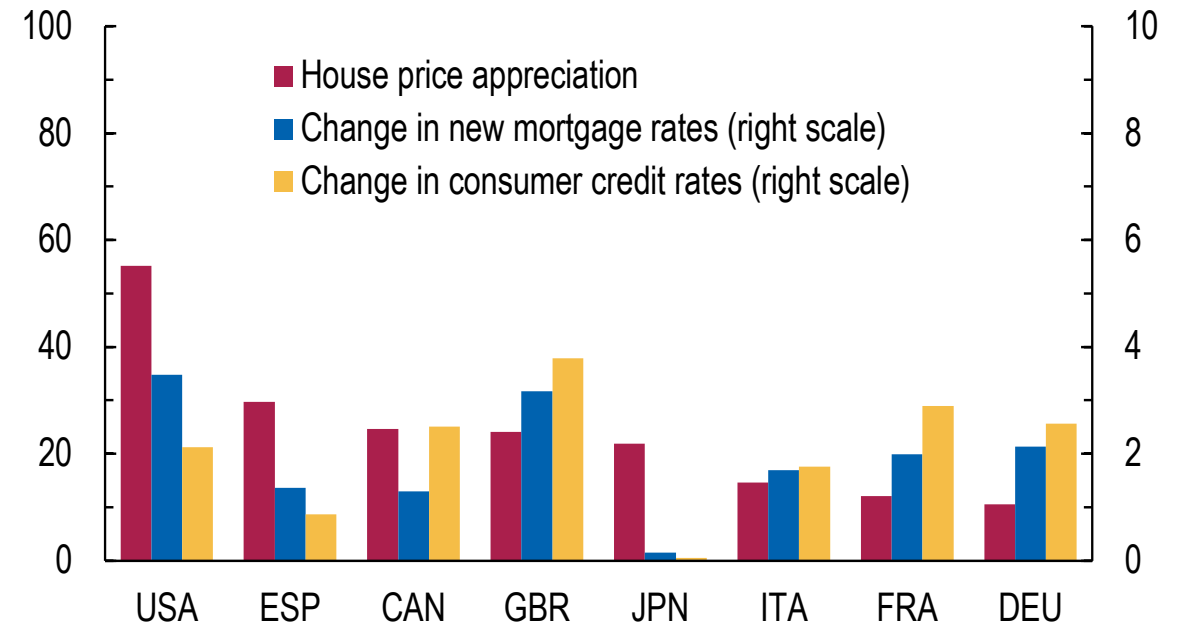
Income Growth

(Percent)



Cost-of-Living Changes

(Percent, relative to 2019:Q4)



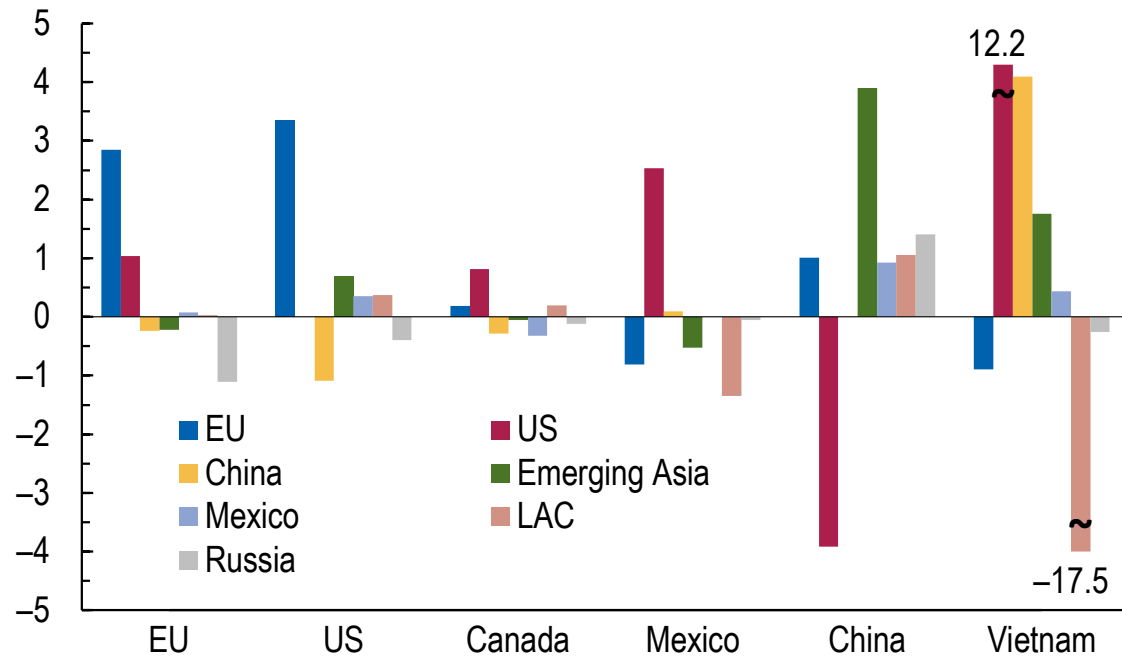
Sources: Haver Analytics; OECD; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes.

Shifting Trade Flows

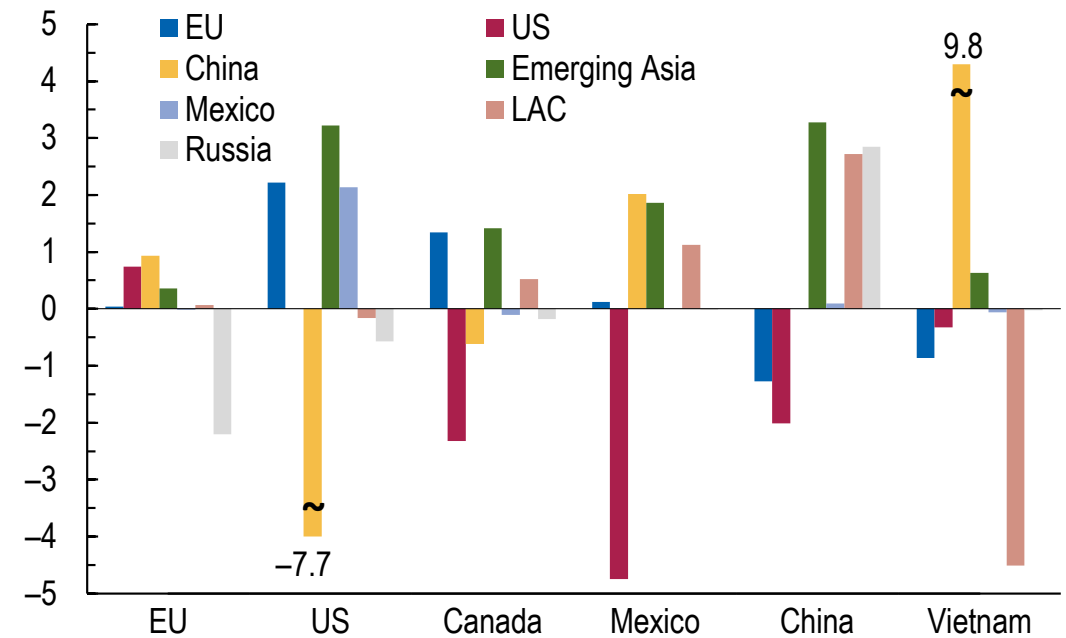
Change in Export Shares by Destination

(Percentage point change between 2023-24 and 2016-17)



Change in Import Shares by Origin

(Percentage point change between 2023-24 and 2016-17)



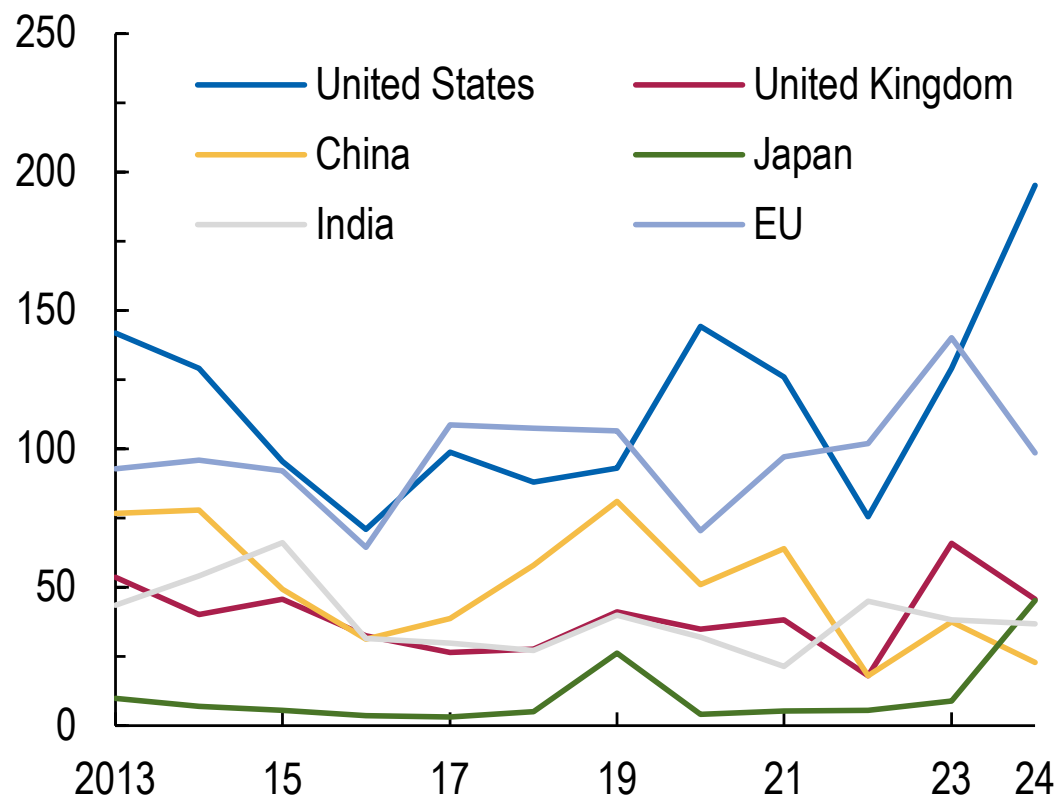
Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.

Note: "Emerging Asia" excludes China and Latin America and the Caribbean (LAC) excludes Mexico.

Shifting Capital Flows and Exchange Rates

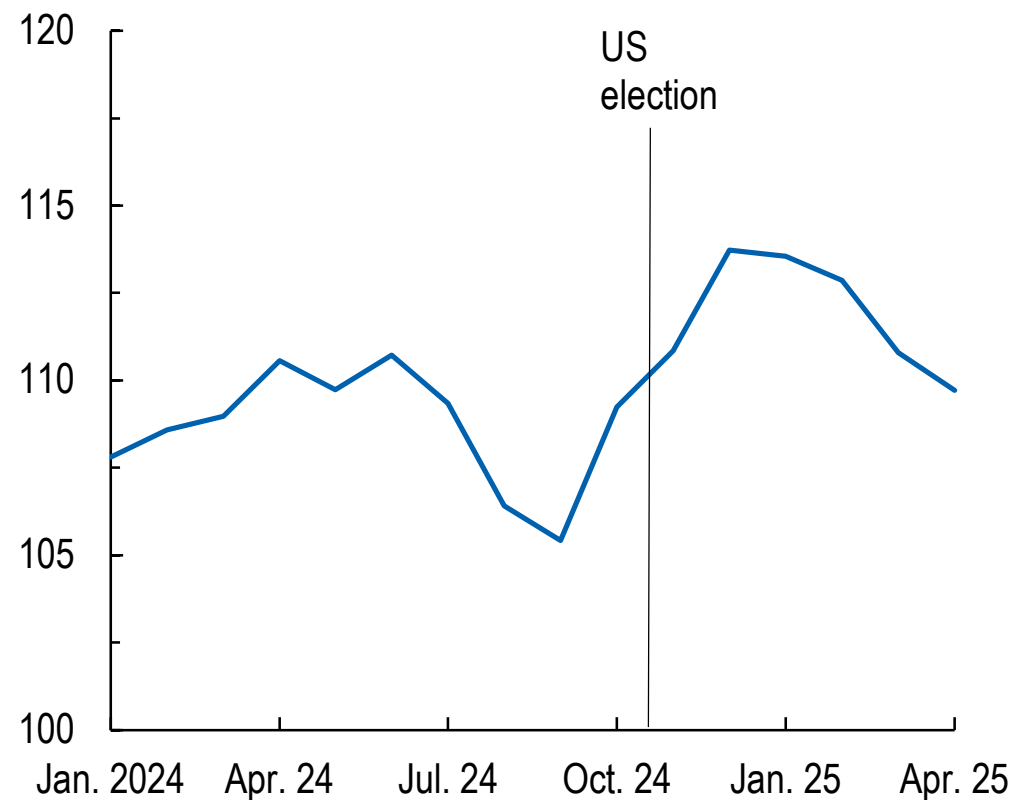
FDI Trends

(Billion US dollars, capital expenditure)



USD NEER

(Index, 2020 = 100)



Sources: BIS; Orbis Crossborder Investment; and IMF staff calculations.

Note: LHS shows capital expenditure on new and expansion inward foreign direct investment projects that have been announced, completed, or postponed by destination country. Intra-EU investment is excluded for EU values. For RHS, exchange rates are based on end-of-month data, with April data up to April 8, 2025. An increase indicates appreciation.

The Outlook: A Range of Possibilities

Global Growth Projections

“Reference Forecast”

- Trade policies as of April 4
 - Announcements between February 1 and April 4
 - Including April 2 announcements and the initial responses
- Bottom-up
- In lieu of the traditional baseline WEO forecast

Alternatives

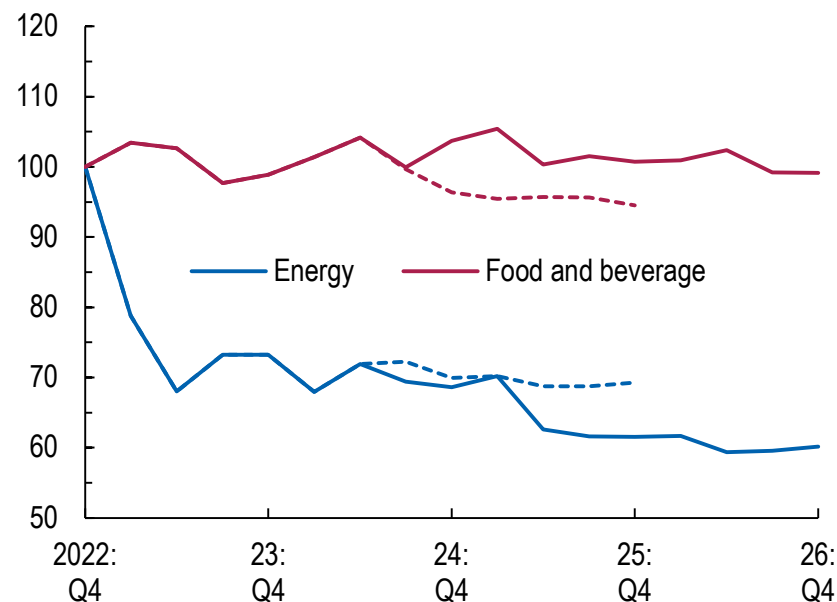
- Pre-April 2
 - Announcements up to April 2
 - Bottom-up
- Post-April 9
 - Announcements made after April 4
 - Model-based

Global Growth	2025	2026
Reference Forecast	2.8	3.0
Pre-April 2 Forecast	3.2	3.2
Post-April 9 Forecast	2.8	2.9
<i>Jan 2025 WEO Update</i>	<i>3.3</i>	<i>3.3</i>

Assumptions for the “Reference Forecast”

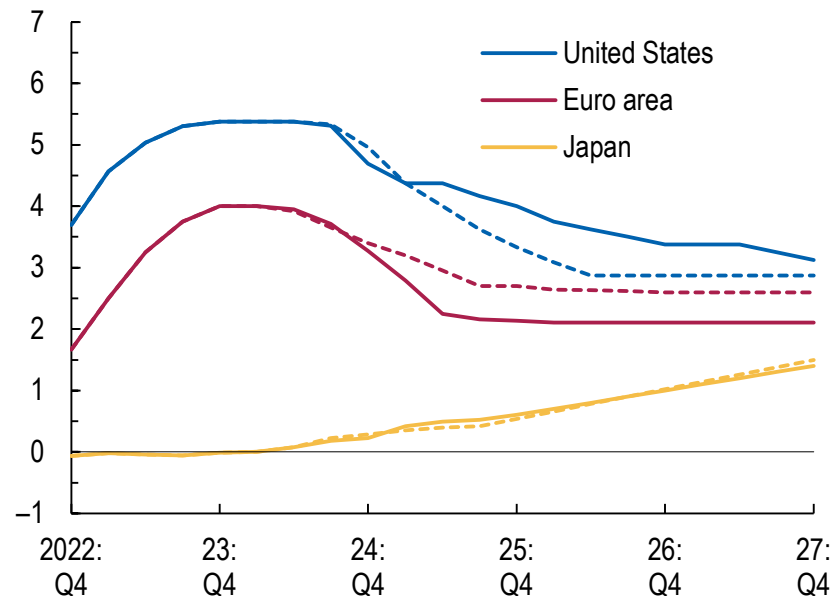
Commodity: Slowdown in energy, increase in nonfuel

Energy and Food Prices
(Index, 2022:Q4 = 100)



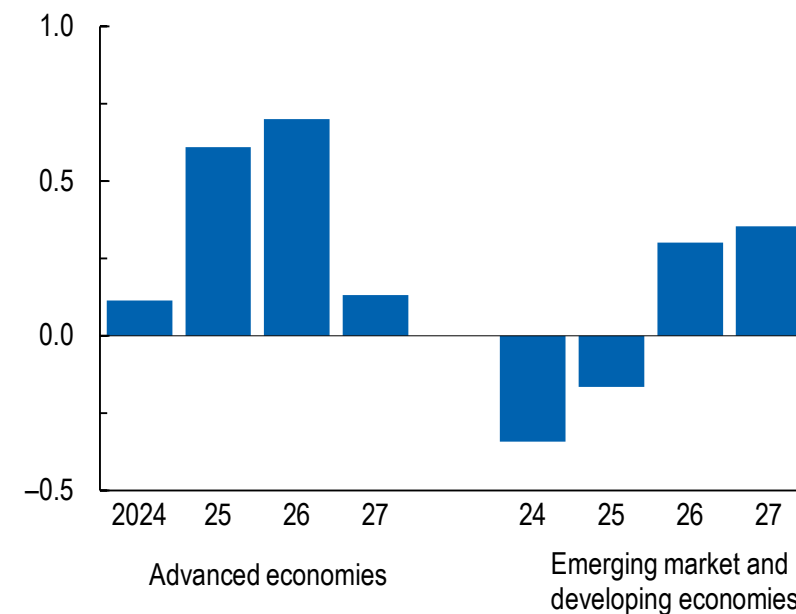
Monetary policy: Slower than expected convergence in US, faster in EA

Monetary Policy Projections
(Percent, quarterly average)



Fiscal policy: Consolidation expected in AEs, lagged in EMs

Fiscal Policy Projections
(Percentage points, change in structural primary balance per GDP)

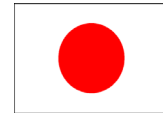


Source: IMF staff calculations.

Note: For LHS and MID, solid lines denote projections from the April 2025 *World Economic Outlook* (WEO) and dashed lines those from the October 2024 WEO. For RHS, 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 under the Reference Forecast: Advanced Economies

(percent change from a year earlier)











	World	Advanced Economies	U.S.	Euro Area	Japan	U.K.	Canada	Other AEs ¹
2024	3.3	1.8	2.8	0.9	0.1	1.1	1.5	2.2
Revision from Jan. 2025	0.1	0.1	0.0	0.1	0.3	0.2	0.2	0.2
2025	2.8	1.4	1.8	0.8	0.6	1.1	1.4	1.8
Revision from Jan. 2025	-0.5	-0.5	-0.9	-0.2	-0.5	-0.5	-0.6	-0.3
2026	3.0	1.5	1.7	1.2	0.6	1.4	1.6	2.0
Revision from Jan. 2025	-0.3	-0.3	-0.4	-0.2	-0.2	-0.1	-0.4	-0.3

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

¹ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

Growth Projections under the Reference Forecast: 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	4.1	3.4	4.0
Revision from Jan. 2025	0.1	0.1	0.2	0.0	-0.3	0.3	0.2	-0.1
2025	2.8	3.7	4.0	6.2	2.0	1.5	2.9	4.2
Revision from Jan. 2025	-0.5	-0.5	-0.6	-0.3	-0.2	0.1	-0.3	-0.4
2026	3.0	3.9	4.0	6.3	2.0	0.9	2.9	5.2
Revision from Jan. 2025	-0.3	-0.4	-0.5	-0.2	-0.2	-0.3	-0.3	-0.2

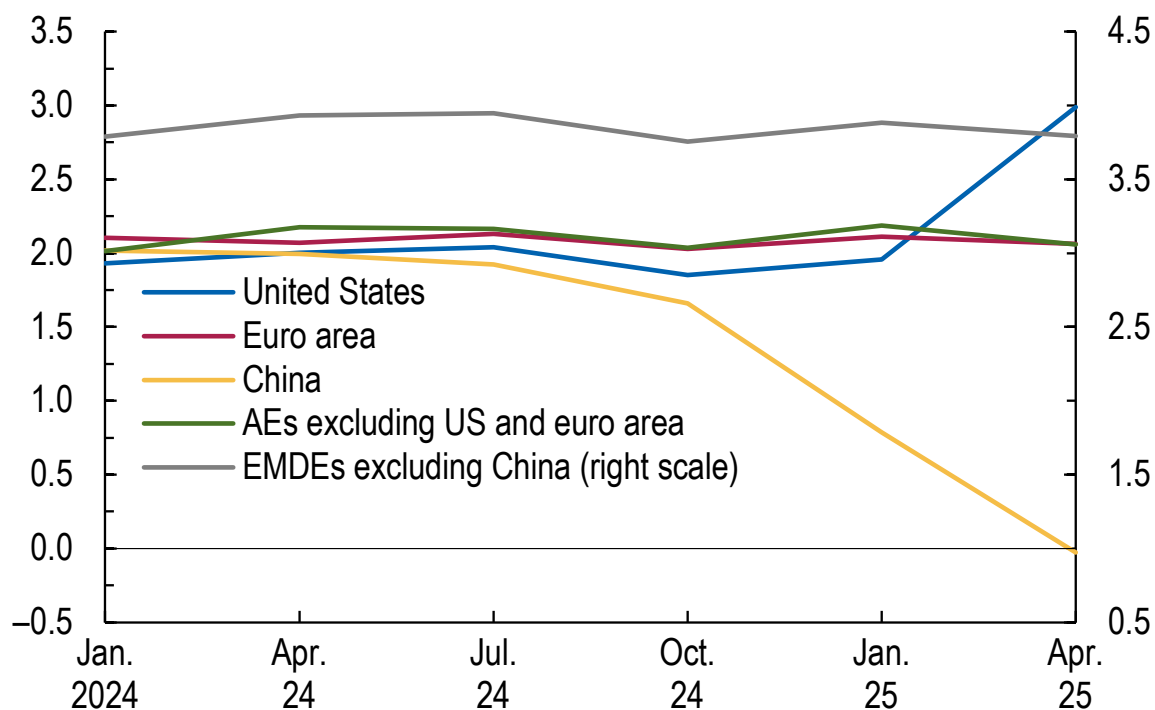
Source: IMF, April 2025 *World Economic Outlook*.

Note: Commodity Exporting Economies includes 50 emerging market and developing economies.

Inflation Projections under the Reference Forecast

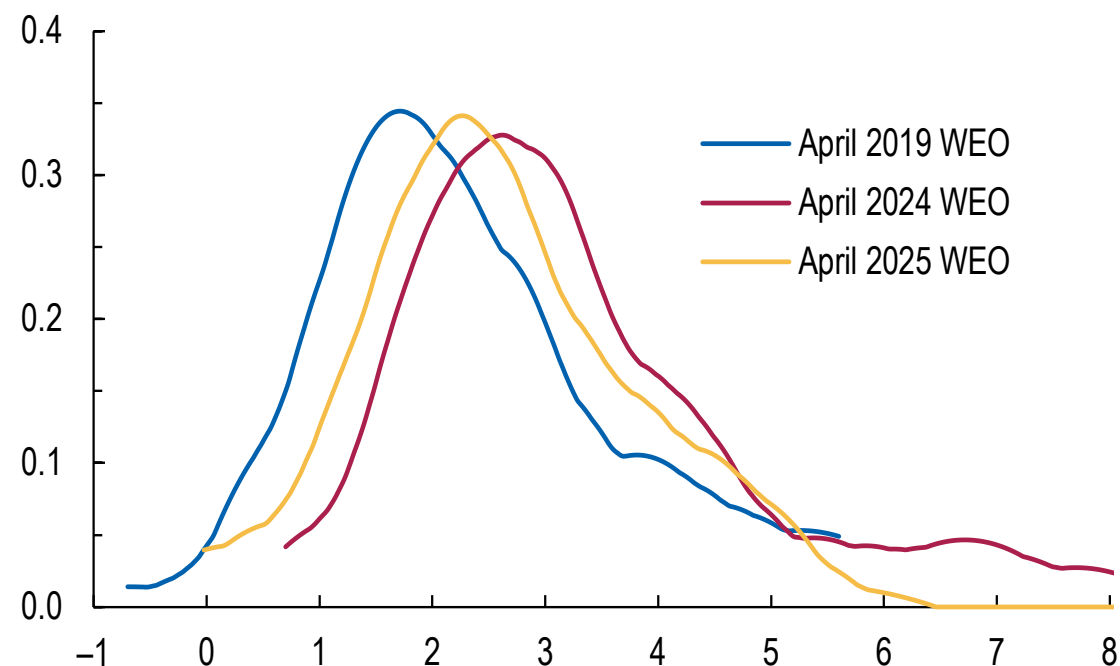
Evolution of 2025 Inflation Forecasts

(Median, percent, year over year)



Distribution of One-Year-Ahead Inflation Projections

(Density)

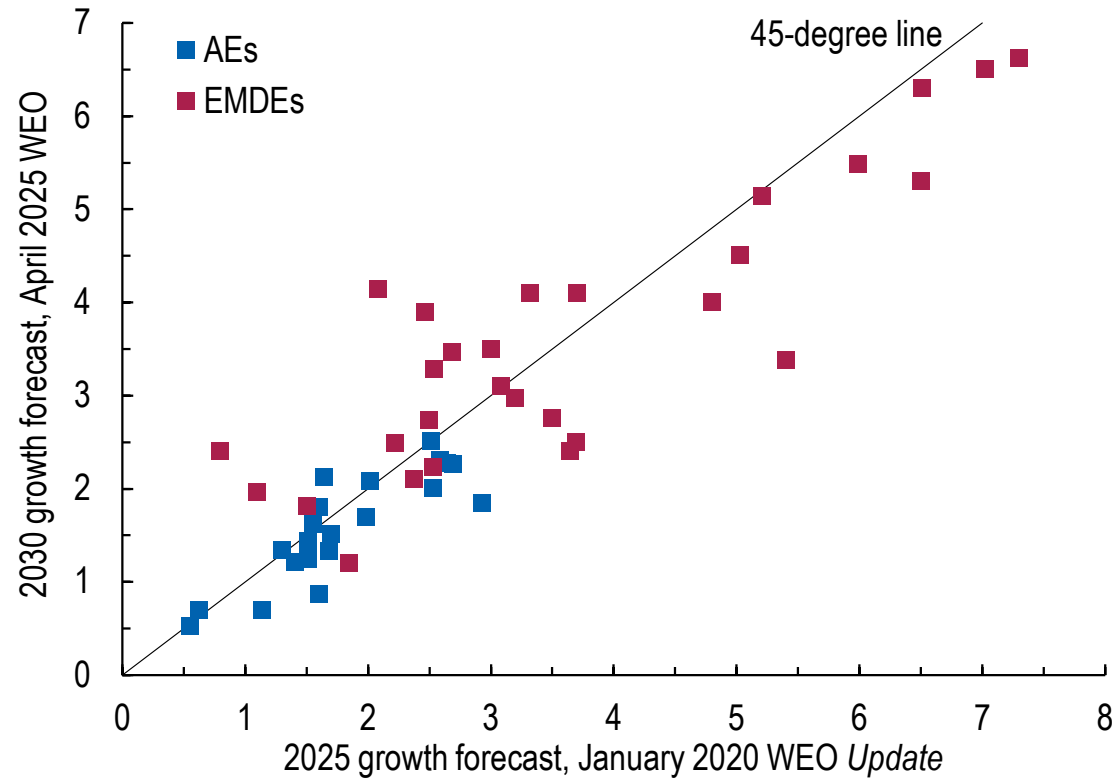


Source: IMF staff calculations.

Note: For LHS, the x-axis shows the months the World Economic Outlooks are published. RHS displays the distribution of one-year-ahead year-over-year inflation projections from the WEO reports using estimated kernel densities.

Medium-Term Growth Prospects

Medium-Term Outlook (Percent)



Source: IMF staff calculations.

Note: Chart plots 50 largest economies (21 AEs and 29 EMDEs) in terms of 2024 GDP in purchasing-power-parity international dollars.

Risks: Tilted to the Downside

Risks to the Outlook

Downside

- Escalating trade measures and prolonged trade policy uncertainty
- Financial market volatility and correction
- Rising long-term interest rates
- Rising social discontent
- Increasing challenges to international cooperation
- Labor supply gaps

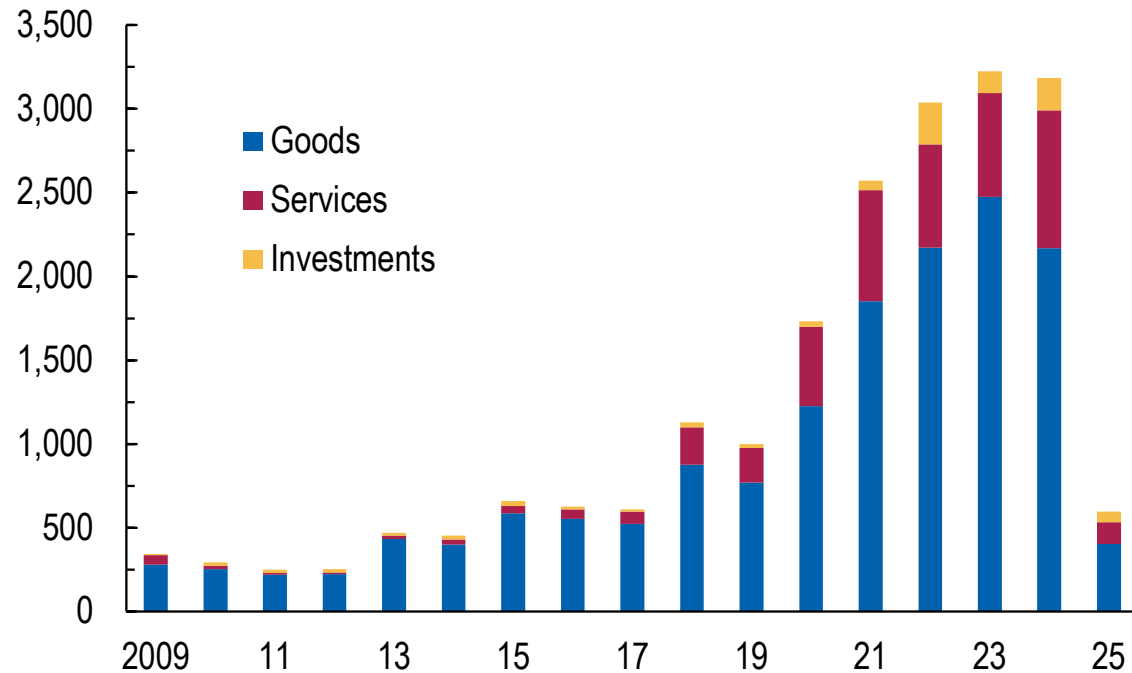
Upside

- Next-generation trade agreements
- Mitigation of conflicts
- Structural reform momentum
- Growth engine powered by AI

Rising Trade Restrictions and Fragmentation Concerns

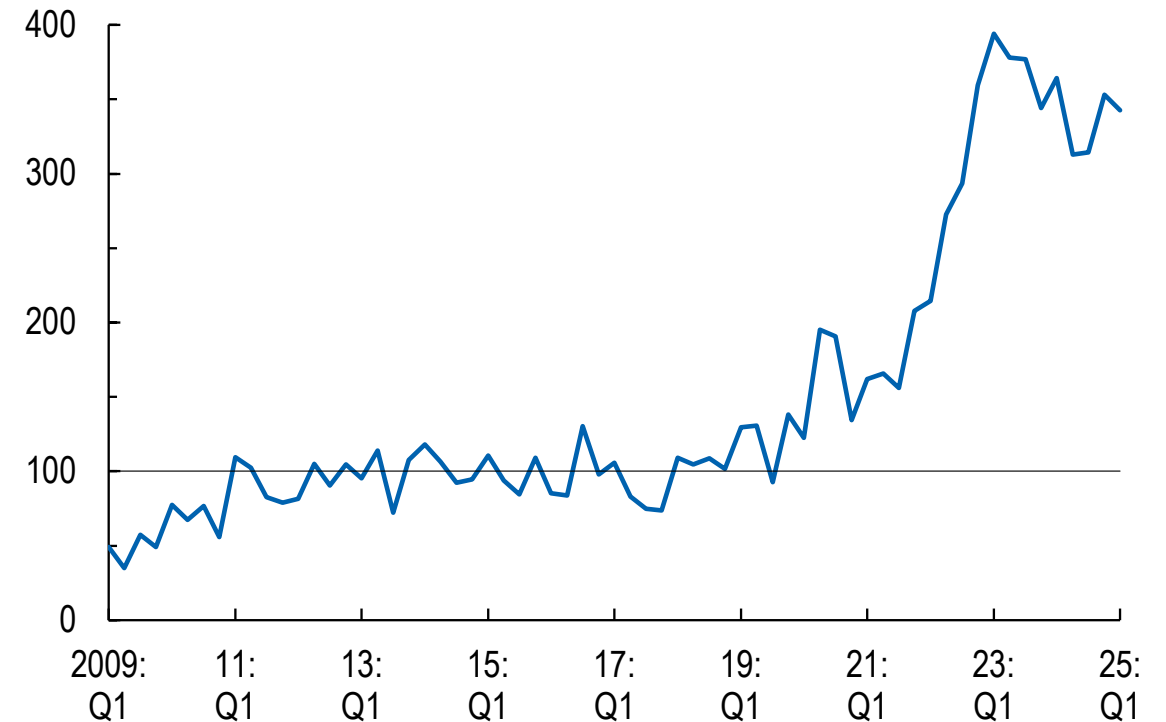
Trade-Restrictive Measures

(Number of measures)



Fragmentation Keywords in Earning Calls

(Indices, 2013-15 = 100)



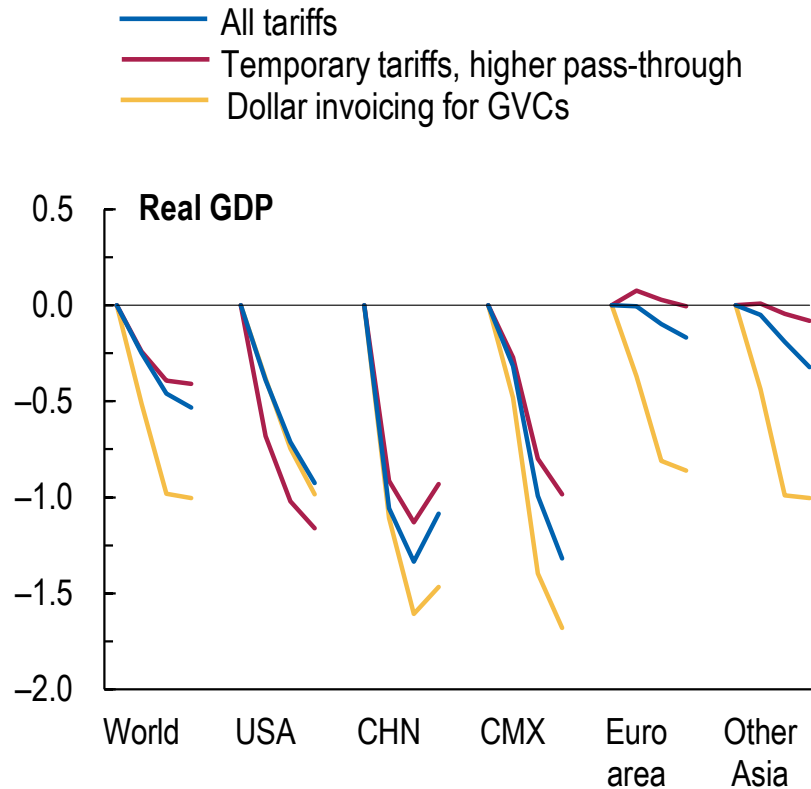
Sources: Global Trade Alert; Refinitiv Eikon; and IMF staff calculations.

Note: For LHS, data are based on a count of measures and include adjustment for reporting lags. For RHS, fragmentation indices measure the average number of sentences, per thousand earnings calls, that mention at least one of the following keywords: *deglobalization*, *reshoring*, *onshoring*, *nearshoring*, *friend-shoring*, *localization*, *regionalization*.

A Quantitative Assessment of Downside Risks

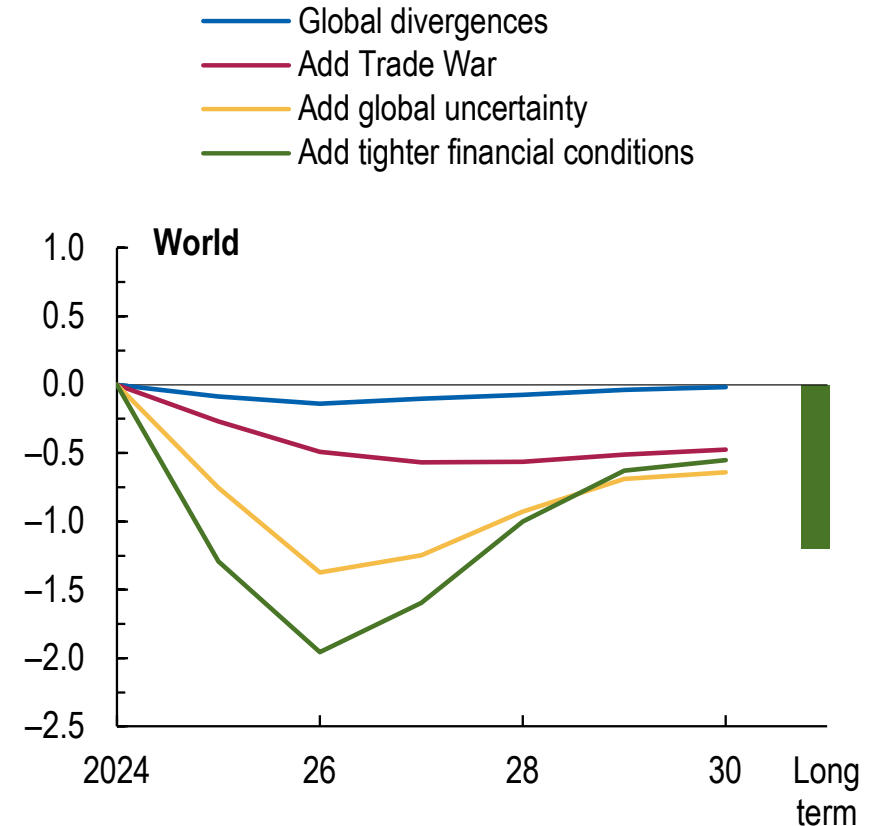
Short-Run Effects of Tariffs

(Percent deviation from a forecast with no tariffs)



Impact on GDP under a Downside Risk Scenario

(Percent deviation from reference forecast)



Source: IMF staff estimates.

Note: In LHS, simulations for the first three years are shown; The blue lines show the effects of tariffs under standard assumptions and red lines the effects of temporary tariffs and higher pass-through; The yellow lines show the effects when about 50 percent of global trade is invoiced in US dollars. In RHS, "Long term" is at least 50 years ahead. Both panels are based on the IMF's Global Integrated Monetary and Fiscal (GIMF) model.

Policy Priorities: Navigating Uncertainty and Enhancing Preparedness to Ease Macroeconomic Trade-offs

Policy Priorities

Managing Trade Tensions

- **Deliver a stable and predictable trade environment**
- **Preserve international cooperation**

Maintaining Price and Financial Stability

- **Calibrate monetary policy amid two-sided risks**
- **Mitigate disruptive foreign exchange volatility**
- **Safeguard financial stability through prudential policy**

Rebuilding Fiscal Buffers

- **Devise adjustment plans to restore fiscal sustainability**
- **Enact targeted fiscal reforms**
- **Protect growth and the vulnerable**
- **Use timely, targeted, temporary support where essential, in a responsible way**

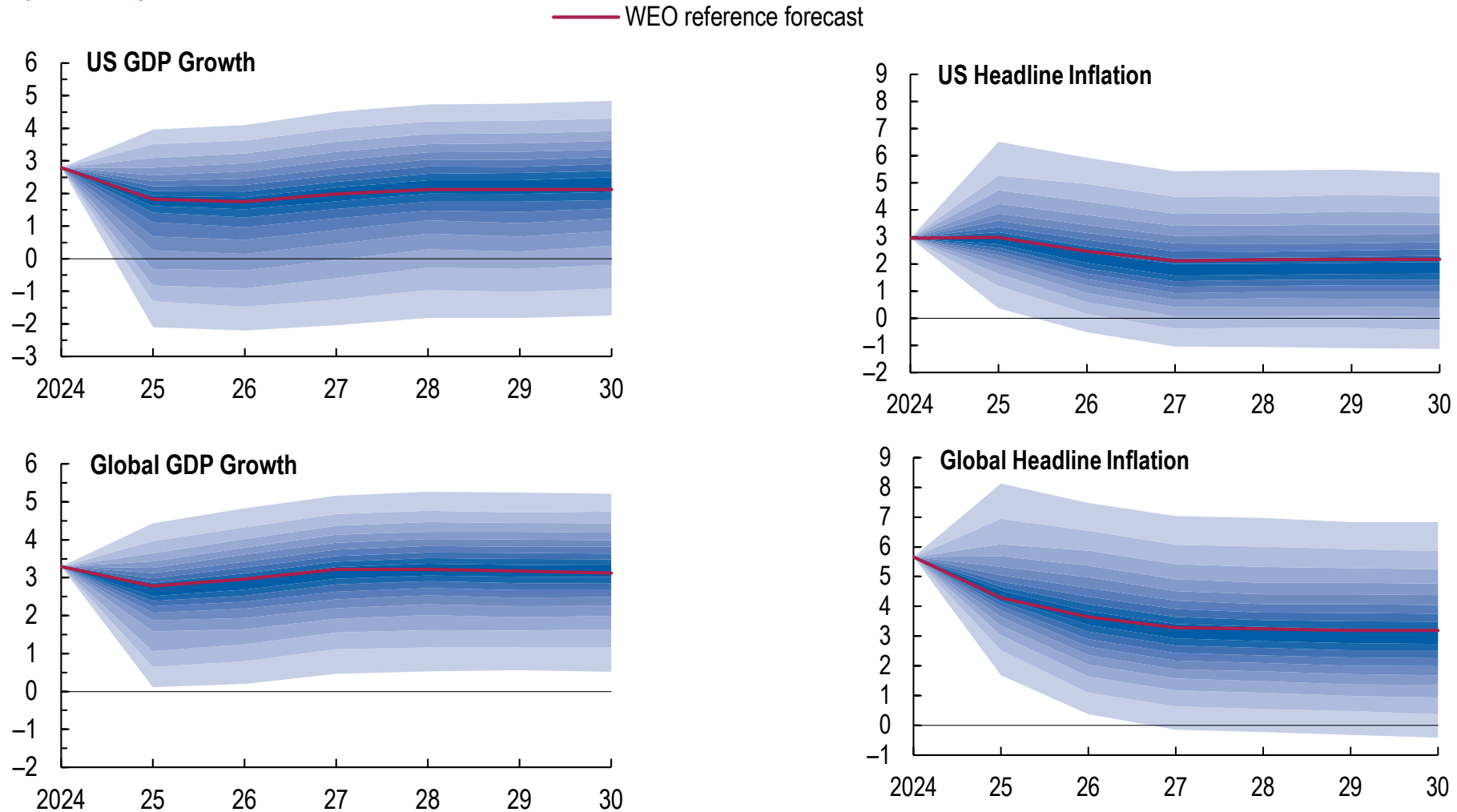
Reinvigorating Medium-Term Growth

- **Enact structural reforms**
- **Make progress on climate policies**

Extra Slides: Risks

Risks Tilted to the Downside

Forecast Uncertainty around Global Growth and Inflation Projections (Percent)



Source: IMF staff estimates.

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

Risk Scenario A

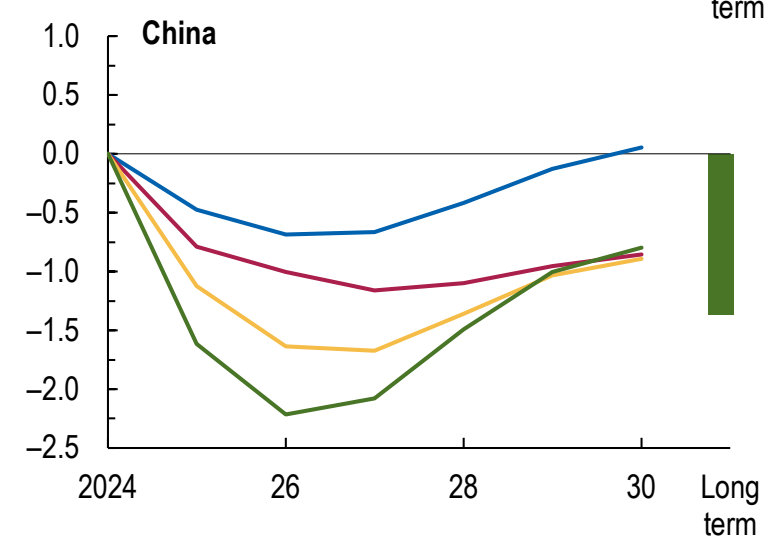
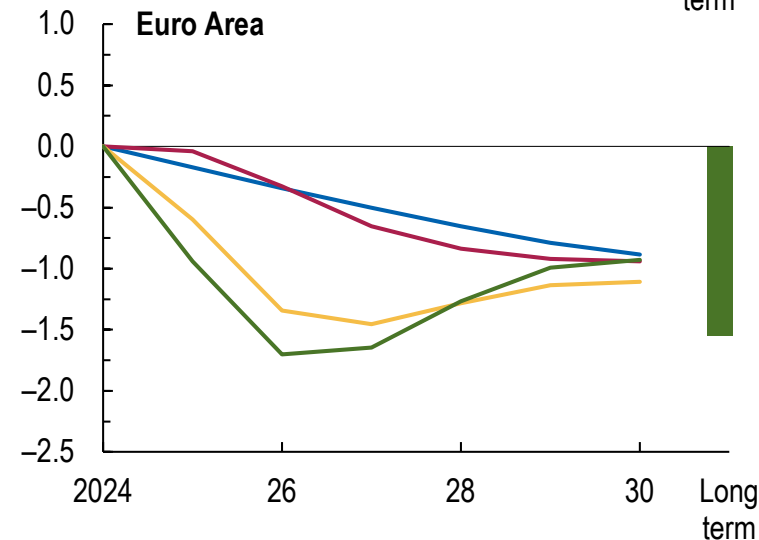
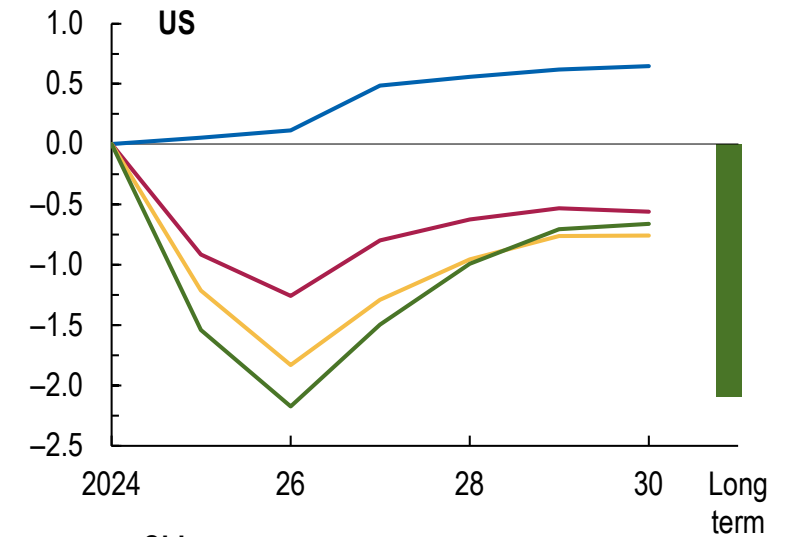
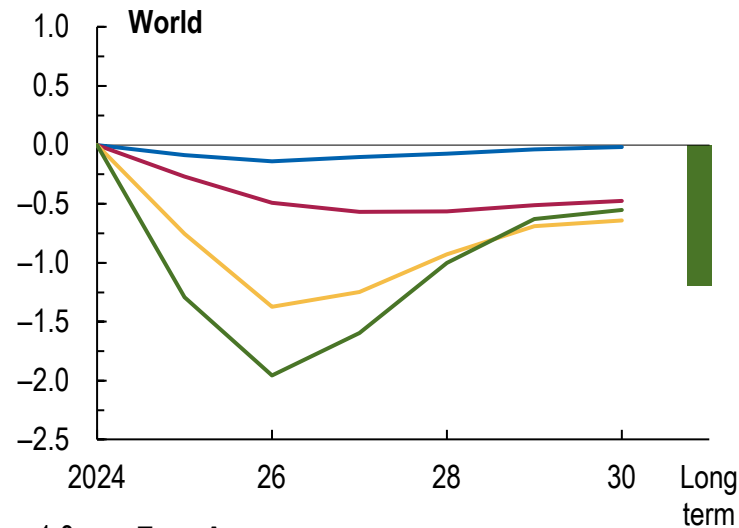
Impact of Scenario A on GDP (Percent deviation from reference forecast)

- Global divergences
- Add Trade War
- Add global uncertainty
- Add tighter financial conditions

Source: IMF staff estimates.
Note: "Long term" is at least 50 years ahead. Refer to April 2025 WEO Box 1.1. for more information.

Assumptions for Scenario A

- Global divergences.
- Trade war.
- Increase in global uncertainty.
- Tighter financial conditions.



Risk Scenario B

Impact of Scenario B on GDP (Percent deviation from reference forecast)

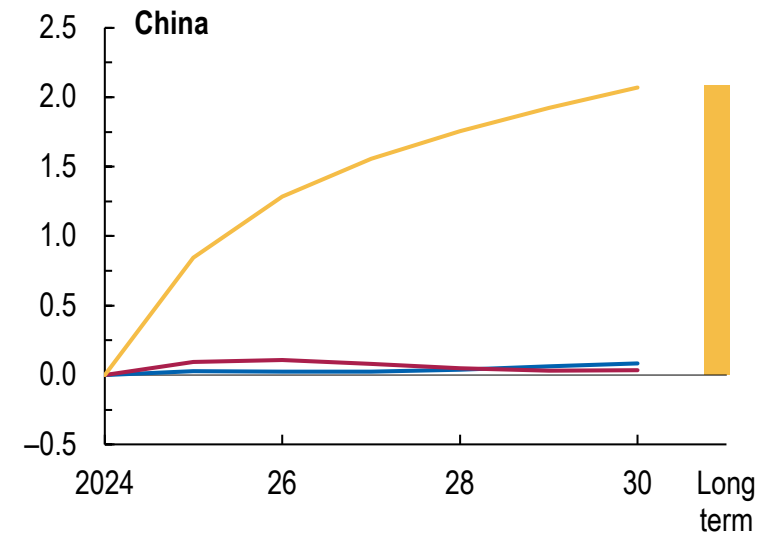
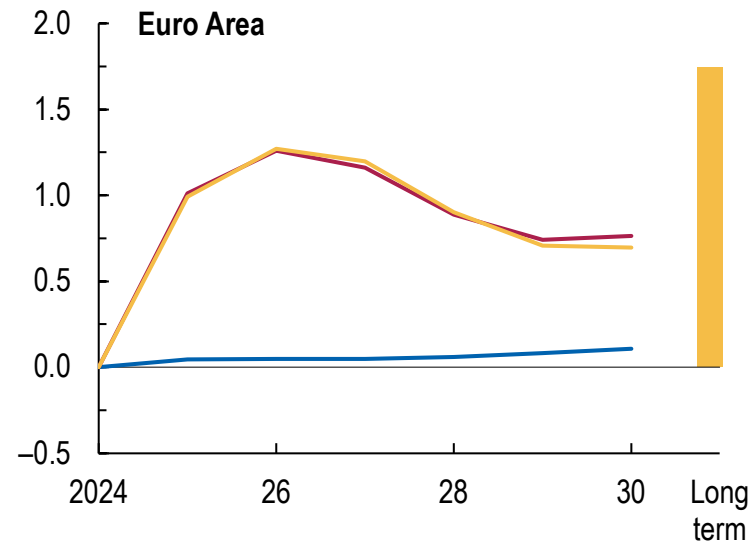
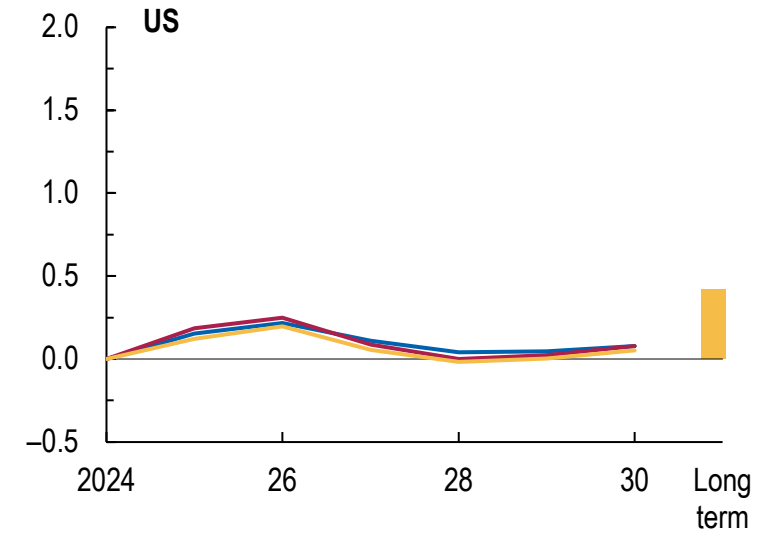
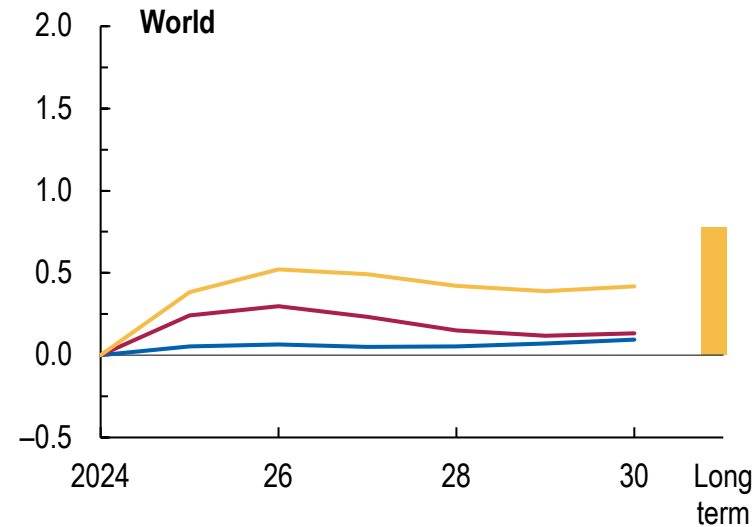
- US lower debt/tax reform
- Add EU public investment and defense
- Add China productivity and sentiment

Source: IMF staff estimates.

Note: "Long term" is at least 50 years ahead. Refer to April 2025 WEO Box 1.1. for more information.

Assumptions for Scenario B

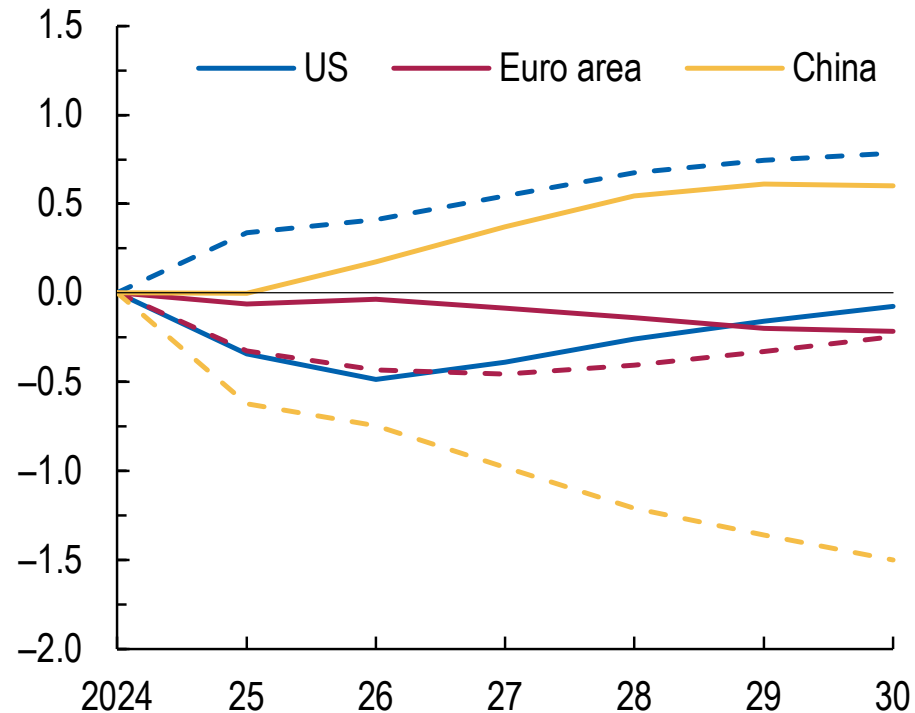
- Lower US government debt.
- Higher public spending in Europe.
- Productivity gains and rebalancing in China.



Current Account Balances under Risk Scenarios

Impact of Scenario A and B on CA/GDP

(Percentage point deviation from reference forecast;
solid = Scenario A, dashed = Scenario B)



Source: IMF staff estimates.

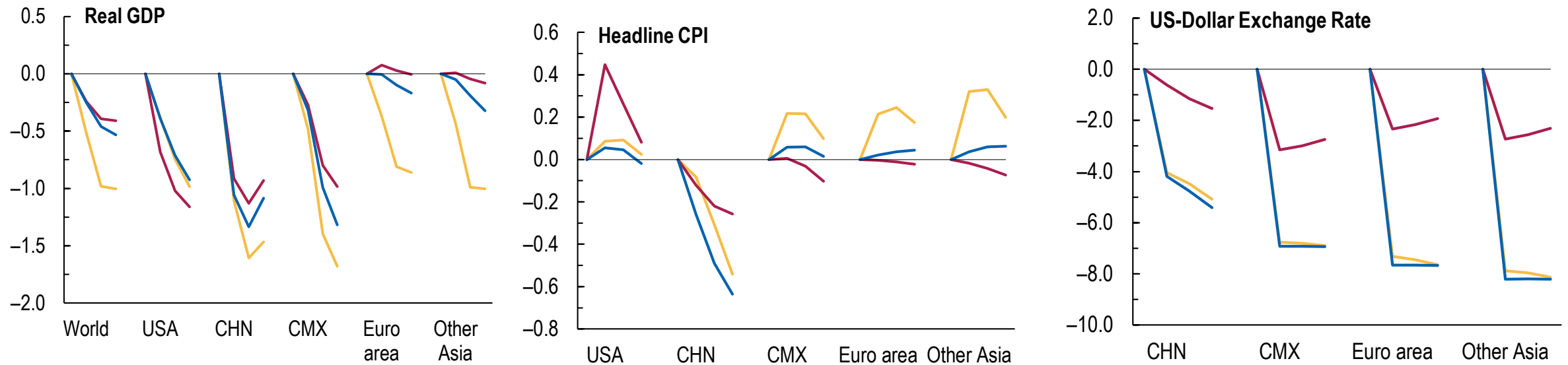
Note: Scenario A includes global divergences, trade war, increases in global uncertainty, and tighter financial conditions. Scenario B includes lower debt and tax reform in the US, higher public spending in the European Union, and productivity gains and rebalancing in China. Refer to April 2025 WEO Box 1.1. for more information.

Tariffs: Macro Effects in the Short Run

Short-Run Effects of Tariffs

(Percent deviation from a forecast with no tariffs)

- All tariffs
- Temporary tariffs, higher pass-through
- Dollar invoicing for GVCs



Source: IMF staff estimates.

Note: The figure shows results from tariff simulations using the IMF's Global Integrated Monetary and Fiscal (GIMF) model for the first three years by country. The blue lines show the effects of tariffs under standard assumptions. The red lines show the effects of temporary tariffs and higher pass-through. The yellow lines show the effects when about 50 percent of global trade is invoiced in US dollars. Refer to April 2025 WEO Box 1.2. for more information. Data labels in the figure use International Organization for Standardization (ISO) country codes. "Other Asia" includes BGD, BRN, IDN, IND, KHM, LAO, MMR, MYS, PHL, SGP, THA, and VNM. CMX = Canada and Mexico; GVCs = global value chains.

Tariffs: Macro Effects in the Long Run

Long-Run Effects of Tariffs

(Percent deviation from a forecast with no tariffs)

	1. Real Exports			2. Real GDP		
	GIMF	Trade Models		GIMF	Trade Models	
		CP	CFRT		CP	CFRT
United States	-19.3	-21.8	-27.6	-1.3	-0.3	-0.9
China	-5.4	-4.9	-6.7	-1.1	-0.5	-0.7
Canada and Mexico	-5.7	-1.8	-6.0	-1.9	-0.5	-0.7
Euro Area	-1.1	0.0	-0.5	-0.6	0.0	-0.2
Other Asia	-1.6	-0.1	-0.3	-1.0	0.0	0.3
World	-5.1	-3.1	-4.2	-0.9	-0.2	-0.4

Sources: Caliendo and Parro (CP) 2015; Caliendo, Feenstra, Romalis, and Taylor (CFRT) 2023; and IMF staff estimates.

Note: The table shows the percent deviation from a forecast with no tariffs. "Other Asia" includes Bangladesh, Brunei Darussalam, Cambodia, India, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. GIMF = IMF's Global Integrated Monetary and Fiscal model. Refer to April 2025 WEO Box 1.2. for more information.