

Comments on
“IMF World Economic Outlook, October 2025:
Global Economy in Flux, Prospects Remain Dim”

Ken Itakura*

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* Research Institute of Economy, Trade and Industry (RIETI),
Graduate School of Economics, Nagoya City University

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Highlights from WEO Oct. 2025 (1)

- Global real GDP growth at 3.2% in 2025 and 3.1% in 2026, modest upward revision from July 2025 update (3.0%, 3.1%), but remains below the WEO Oct. 2024 (3.2%, 3.3%).
- The growth in the first half of 2025 reflects transitory, front-loaded forces, not fundamentals.
- U.S.
 - The large tariff hikes announced in early 2025 turned out to have a smaller impact (for now?).
 - Inflation pressures are emerging.
 - Immigration restrictions create a negative labor-supply shock.

Highlights from WEO Oct. 2025 (2)

- China
 - Production activity slows, in part front-loaded exports
 - Structural concerns remain, uncertainty about sustaining manufacturing export, high productivity in EV/solar, but no broad productivity gains.
- Emerging & developing Economies
 - ASEAN affected by tariff-related supply-chain disruptions.
 - Expiration of AGOA leads to a negative impact on several African economies.
- Major risks
 - Downside: AI-driven investment boom, debt-deflation in China, fiscal vulnerabilities, financial fragilities, and protectionism.
 - Upside: Breakthroughs in trade negotiations, AI-driven productivity gains, and structural reforms.

Discussion questions

- How did tariff implementation delays and front-loading behavior help mask the short-term economic costs of the US tariff shock?
- What mechanisms explain why the weaker US dollar has both an amplifying and a mitigating effect of the tariff shock?
- How does fragmentation of global trade threaten long-term productivity and income convergence between countries?
- IMF Data portal is the new gateway to access the latest WEO database. Please provide guidelines/advice for database users regarding data access.

Appendix: Impact of the 2025 tariffs

Table 1: Impact of 2025 tariffs on real GDP

	Country	real GDP (%)
TBL* (September 2)	U.S.	-0.40
	China	-0.28
	Japan	0.00
TBL* (November 17)	U.S.	-0.31
	China	-0.23
	Japan	0.00

Source: *The Budget Lab (TBL), Yale University
(<https://budgetlab.yale.edu/topic/trade>)

Note: WEO Oct 2025, real GDP Growth: World (3.2%), U.S. (2.0%), China (4.8%), Japan (1.1%)