

# International Monetary Fund says global economy weathering tariff storm, growth expected to reach 3% this year

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Washington Post·

29 Jul, 2025 07:08 PM3 mins to read



US tariffs have so far had a more muted effect than expected, the IMF says. Photo / Sam Bush, the New York Times

The global economy has shrugged off United States President Donald Trump's trade policy revolution and is growing faster than expected, the International Monetary Fund said in a new report.

Global output will expand at an annual rate of 3% this year and 3.1% in 2026, up from the 2.8% and 3% rates predicted in April, the fund said.

In the US, the outlook is a bit brighter as well: The economy this year is expected to grow at an annual rate of 1.9%, a tick above the April forecast, and reach 2% in 2026, better than the 1.7% predicted three months ago.

The updated assessment represents an about-face from the fund's April World Economic Outlook, which predicted "a significant slowdown".

Trade war costs were lower than expected this northern spring because major importers accelerated shipments of foreign products to take delivery before tariffs hit and the President's steepest tariffs were never implemented.

Improving global financial conditions and increased government spending in the US, Germany and China also boosted activity.

"This resilience is welcome, but it is also tenuous.

"While the trade shock could turn out to be less severe than initially feared, it is still sizeable, and evidence is mounting that it is hurting the global economy," said Pierre-Olivier Gourinchas, the IMF's chief economist.

The IMF analysis amounted to a verdict of "so far, so good" on the global economy's performance amid the US embrace of the highest tariffs since the 1930s.

Still, the full effect of increased US tariffs has yet to be felt.

The global economy is growing slower than in 2024 and trails its pre-pandemic average of 3.7%.

The global outlook also remains shadowed by geopolitical tensions in Europe and the Middle East as well as concerns over the swollen US government budget deficit, the IMF said.

Other analysts are more gloomy.

Goldman Sachs economists said last week that global activity was approaching "stall speed".

Tariff effects on the US economy, the world's largest, will become more noticeable as companies replenish their exhausted inventories with higher-priced imports, Goldman said.

US Treasury Secretary Scott Bessent has played down the link between Trump's trade policy and retail prices, telling Bloomberg News last week: "Thus far, we've seen very little, if any, price pressures from the tariffs".

Consumer prices rose in June at an annualised rate of 2.7%, up from an annualised 2.4% in May, the government reported this month.

The IMF noted a pick-up in US inflation stemming from tariffs and the weaker dollar, which also makes imported products relatively more expensive.

The impact on inflation, which is already running above the Federal Reserve's 2% target for price stability, is expected to push prices higher in the second half of this year.

The fund said US growth should improve in 2026, in part because of a boost in business investment fuelled by the President's signature tax bill. But growth could suffer if companies that ordered extra imports to get ahead of tariffs throttle back over the rest of this year.

Elsewhere, European growth is expected to reach 1% this year, thanks largely to a surge in Irish pharmaceutical exports to the US ahead of Trump's threatened tariffs.

Chinese growth is pegged at 4.8% this year, 0.8% higher than expected.