



April 23, 2025

Contact Information

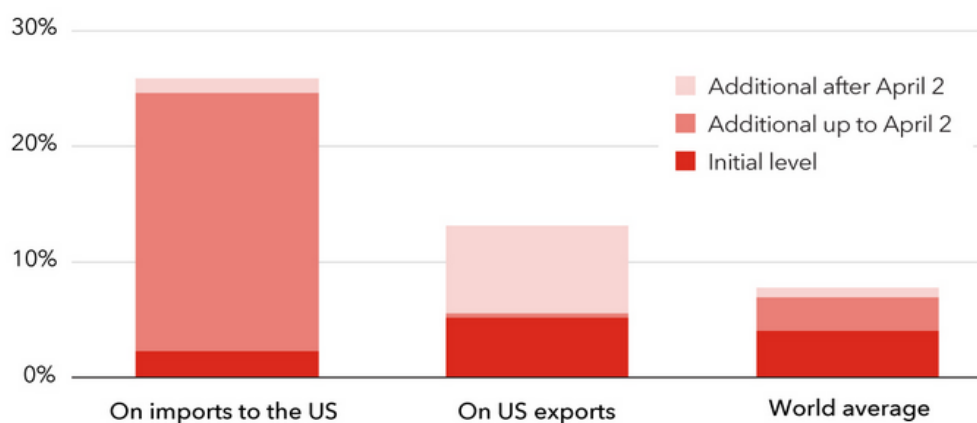
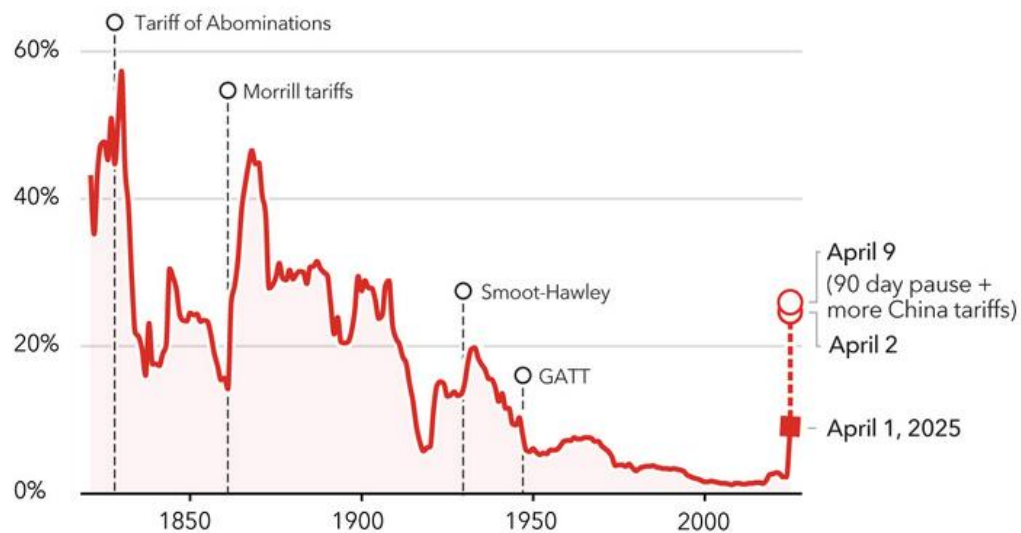
Helmi Mrad

helmi.mrad@blominvestbank.com

This economic digest will tackle the presentation by Mr. Pierre-Olivier Gourinchas, the Economic Counselor and the Director of Research of the International Monetary Fund (IMF), for the World Economic Outlook (WEO). Mr. Gourinchas stated that the future direction will be decided by how challenges are tackled and opportunities embraced as trade war is triggered and policy ambiguity.

The global economic system is entering a new era that is different to the previous era that lasted for around 80 years. Since the reelection of US president Donald Trump, new tariffs were imposed on almost all countries starting with China, Canada and Mexico. This led to retaliation tariffs either applied as the case of China or planned as European Union's potential tariffs. These tariffs drove global rates to unprecedented levels as US tariffs reached a new record in a century exceeding Great Depression levels as shown in the below graphs.

Effective average tariff rate, United States



Sources: Haver Analytics; PIIE; Refinitiv Eikon; World Bank and IMF staff calculations.
Note: Weighted average tariffs on US exports and world average use WITS data for 2022. Includes announced tariffs by the rest of the world on US exports up to April 12.

IMF

As such, economic outlook will be mainly driven by the uncertainty concerning tariffs. In case the uncertainty continued, global growth will be slowed down.

IMF's April 2025 WEO presents three different scenarios and the **global growth** rate for each one. First scenario taken by IMF is the "Post April 2 reference forecast" including tariff announcements in the period of February 1 – April 4 by the US and the retaliation by other countries. In this scenario, global growth rates for 2025 and

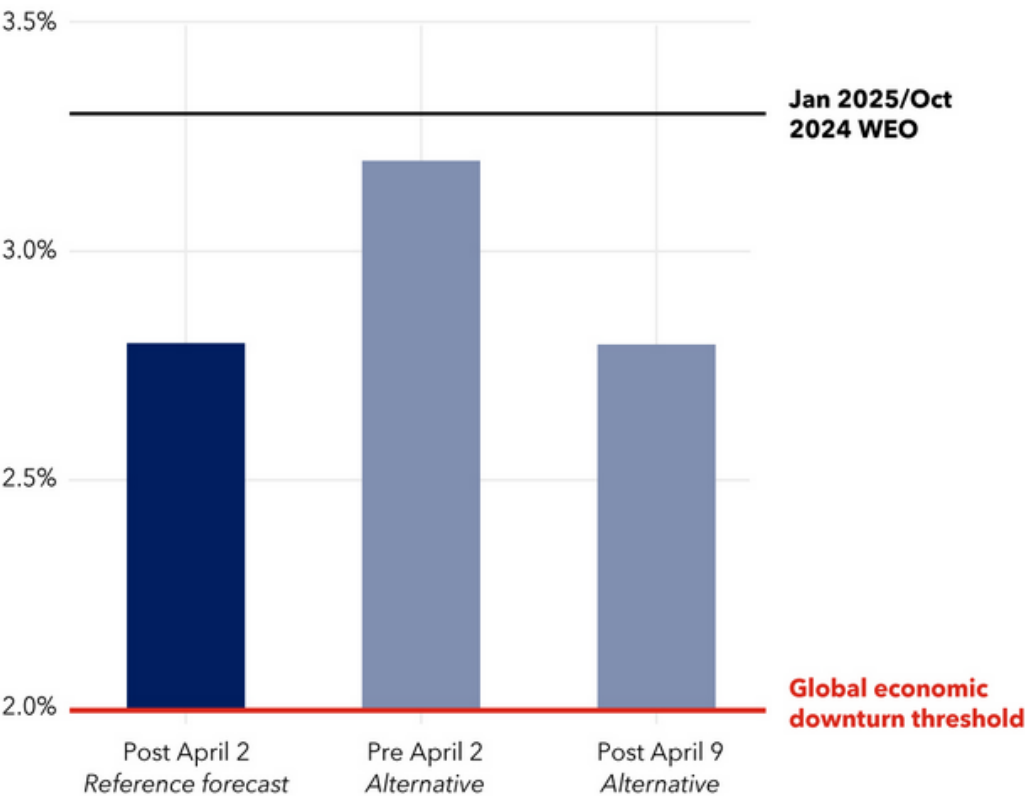
2026 are expected to reach 2.8% and 3% respectively, revised downwards by 0.8% from January 2025 WEO update.

In the second scenario, “Pre April 2 Alternative” , it ignores April tariffs and the forecasted growth for 2025 and 2026 records 3.2%, a 0.2% downgrade from the January 2025 WEO outlook.

The third and last scenario, “Post April 9 Alternative” , incorporating April 4 tariff announcements and the pause of all high tariffs while keeping the elevated ones imposed on China.

Global growth forecasts vary by scenario

Real GDP growth, 2025



Sources: IMF, World Economic Outlook; and IMF staff estimates. Note: Post April 2 reference forecast is based on information available as of April 4, 2025

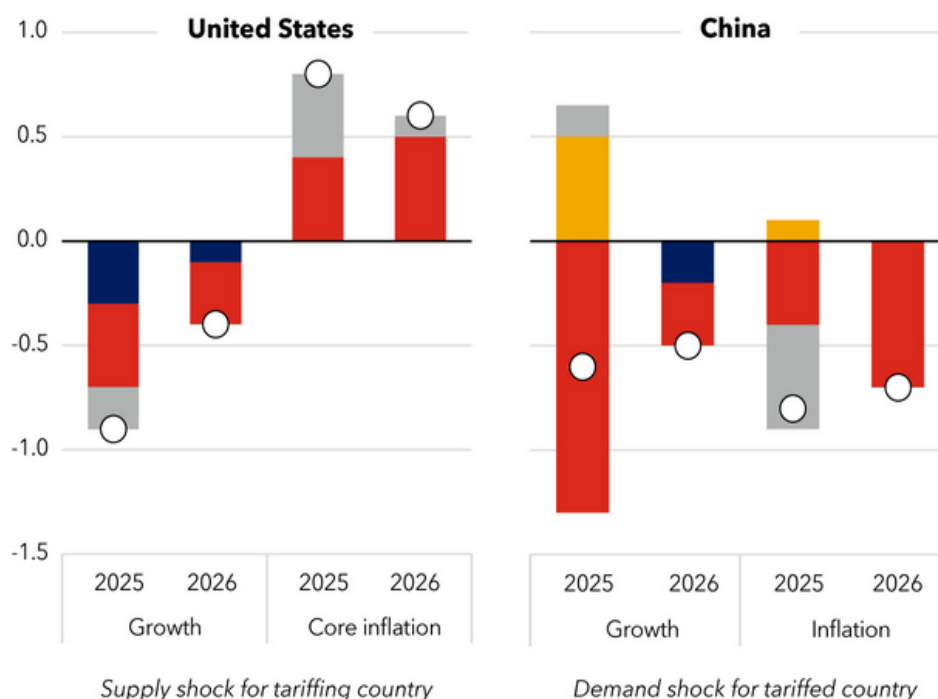
The increased tariffs will lead to higher production prices and lower aggregate productivity as it constitutes a negative supply shock on the implementing authority. As such, under Scenario 1 (Post April 2 reference forecast), IMF projections for **US growth** were revised downward by 1.8% and 0.9% from January WEO update, out of which 0.4% were attributed to the tariffs announcements. Additionally, US inflation rate projection was increased by 1% up from 2% p.a.

For tariffed countries, tariffs will result in a negative demand shock, as foreign customers will drive away from its products to increased prices. As such, China's growth projections were lowered by 0.6% to 4%. Additionally, inflation was revised by 0.8%.

Tariffs effects vary across countries

Forecast change from January 2025, percentage points

■ Uncertainty (since Jan 2025) ■ Tariffs ■ Fiscal ■ Other ○ Total revision



Sources: IMF, World Economic Outlook; and IMF staff estimates.

IMF

When it comes to the Euro zone, growth rates were revised downward by 0.2% to record 0.8%. In emerging markets, economies could face substantial slowdowns depending on tariffs rates implemented; therefore, IMF reduced its growth forecasts to 3.7% (0.5% reduction).

The effective tariffs rates might be magnified given that intermediate inputs enter several countries before it becomes a final product. The resulting uncertainty will force companies to reduce their investments and spending, therefore weighing on the global economic activity on the short term.

Normally, as US imposed tariffs on its trading partners, the US dollar will appreciate in the short term. However, due to the uncertainty that was spread after implementing and then pausing the tariffs, dollar depreciated immediately after the tariffs announcements. In the medium term, the US dollar in real terms might depreciate in case US tradable goods reduced compared to its trading partners' tradable goods.

IMF policy recommendations require caution and enhanced alliances. The first priority should be to resume trade policy steadiness as the economy requires a clear and predictable trading system.

Another one is the agility of the monetary policy. Countries facing increased price pressures will need tight monetary policy while other countries that experience negative demand shock will need to ease its monetary policy.

Finally, governments should implement fiscal and structural reforms that lower resources misallocation. As such, they should invest and develop digital infrastructure to take advantage of new technologies such as artificial intelligence.

In conclusion, the tables below show WEO projections for advanced economies, and emerging markets & developing economies.

World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
World Output	3.3	2.8	3.0
Advanced Economies	1.8	1.4	1.5
United States	2.8	1.8	1.7
Euro Area	0.9	0.8	1.2
Germany	-0.2	0.0	0.9
France	1.1	0.6	1.0
Italy	0.7	0.4	0.8
Spain	3.2	2.5	1.8
Japan	0.1	0.6	0.6
United Kingdom	1.1	1.1	1.4
Canada	1.5	1.4	1.6
Other Advanced Economies	2.2	1.8	2.0
Emerging Market and Developing Economies	4.3	3.7	3.9
Emerging and Developing Asia	5.3	4.5	4.6
China	5.0	4.0	4.0
India	6.5	6.2	6.3
Emerging and Developing Europe	3.4	2.1	2.1
Russia	4.1	1.5	0.9
Latin America and the Caribbean	2.4	2.0	2.4
Brazil	3.4	2.0	2.0
Mexico	1.5	-0.3	1.4
Middle East and Central Asia	2.4	3.0	3.5
Saudi Arabia	1.3	3.0	3.7
Sub-Saharan Africa	4.0	3.8	4.2
Nigeria	3.4	3.0	2.7
South Africa	0.6	1.0	1.3
Memorandum			
Emerging Market and Middle-Income Economies	4.3	3.7	3.8
Low-Income Developing Countries	4.0	4.2	5.2

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

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2024/25 (starting in April 2024) shown in the 2024 column. India's growth projections are 6.5 percent in 2025 and 6.2 percent in 2026 based on calendar year.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department

Zeituna Bey

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Helmi Mrad

helmi.mrad@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

Disclaimer

This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.