Event Update - IMF World Economic Outlook Update

January-2025

Global growth is expected to remain stable…

In its latest World Economic Outlook report, the IMF forecasted the Global real GDP growth at 3.3% in 2025, and the same levels are expected to continue in 2026. Current growth projections are below the historical average of 3.7% between 2000-2019 and have remained relatively stable since October-2024. The forecast for 2025 was revised upward by 10 bps to 3.3% vs. the expectations in October-2024. The growth rate for 2026 was kept unchanged from the previous forecast. However, there were changes at the country level with an upward revision in GDP growth for the United States partially offset by a downward revision in growth rate in other major economies. As a result, growth estimates for Advanced Economies witnessed an upward revision of 10 bps to 1.9% for 2025 and remained unchanged for 2026 at 1.8%. Growth for Emerging Market and Developing Economies was kept unchanged for 2025 at 4.2% and raised marginally by 10 bps to 4.3% for 2026.

According to the IMF, the baseline's medium-term risks are skewed towards the negative, while the near-term outlook is marked by a range of risks. Positive factors may bolster the already strong growth in the United States in the short term, whereas other countries are experiencing downside risks due to heightened policy uncertainty. As per the IMF, addressing these risks requires a strategic policy focus on balancing the trade-offs between inflation and real economic performance, restoring financial buffers, and enhancing medium-term growth prospects through intensified structural reforms and stronger multilateral collaboration.

Growth projections for the MENA region was lowered by 50 bps for 2025 to 3.5% mainly led by a downward revision to growth forecast for Saudi Arabia by 130 bps to 3.3% as well as for other oil exporters. The decision by the OPEC+ producer to extend the production cuts resulted in the lowered estimates. Projections for the next year, was also revised down by 30 bps to 3.9% for the MENA region. Growth forecast for Saudi Arabia underwent a downward revision of 30 bps to 4.1% reflecting unwinding of some of the announced production cuts. Based on futures market data as of November 20, 2024, the anticipated average price of oil is expected to be USD 69.76/b for 2025 and USD 67.96/b for 2026.

Country/Regions	Jan-2025 Updated Forecasts				Rev. from Oct-2024	
Real GDP Growth	**2023**	**2024**	**2025e**	**2026e**	**2025e**	**2026e**
World Output	3.3%	3.2%	3.3%	3.3%	0.1%	0.0%
Advanced Economies	1.7%	1.7%	1.9%	1.8%	0.1%	0.0%
United States	2.9%	2.8%	2.7%	2.1%	0.5%	0.1%
Euro Area	0.4%	0.8%	1.0%	1.4%	-0.2%	-0.1%
EM and Developing Economies	4.4%	4.2%	4.2%	4.3%	0.0%	0.1%
China	5.2%	4.8%	4.6%	4.5%	0.1%	0.4%
India	8.2%	6.5%	6.5%	6.5%	0.0%	0.0%
MENA	1.8%	2.0%	3.5%	3.9%	-0.5%	-0.3%
Saudi Arabia	-0.8%	1.4%	3.3%	4.1%	-1.3%	-0.3%
Sub-Saharan Africa	3.6%	3.8%	4.2%	4.2%	0.0%	-0.2%
Trade Volume Growth	**2023**	**2024**	**2025e**	**2026e**	**2025e**	**2026e**
World Trade Volume	0.7%	3.4%	3.2%	3.3%	-0.2%	-0.1%
Advanced Economies	0.0%	2.2%	2.1%	2.5%	-0.5%	-0.3%
EM and Developing Economies	2.0%	5.4%	5.0%	4.6%	0.3%	0.2%
Consumer Prices Change	**2023**	**2024**	**2025e**	**2026e**	**2025e**	**2026e**
Advanced Economies	4.6%	2.6%	2.1%	0.1%	0.1%	0.0%
EM and Developing Economies	8.1%	7.8%	5.6%	4.5%	-0.3%	-0.2%

Sources : IMF WEO Update - Jan-2025

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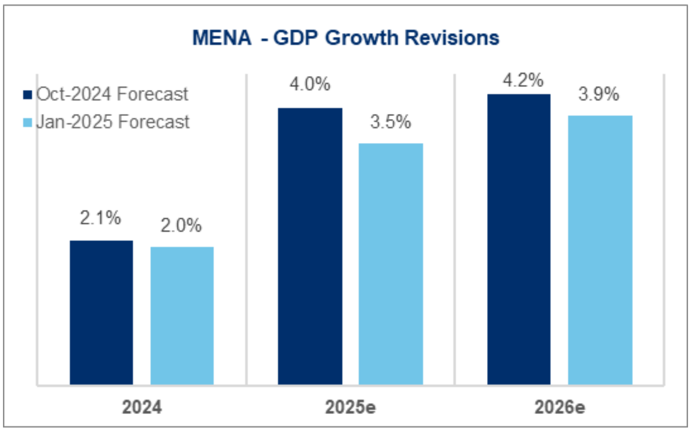
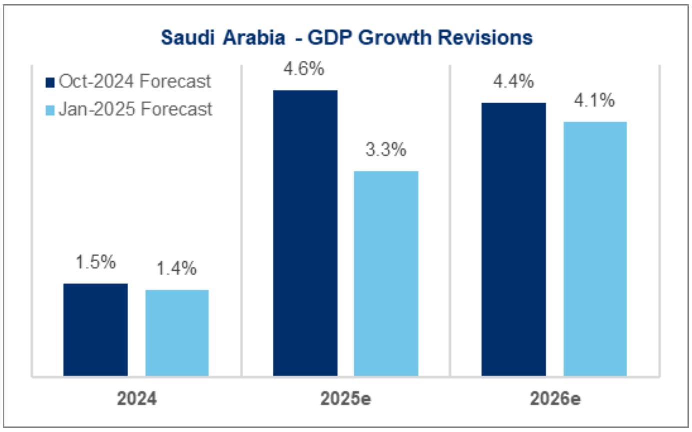
Regional outlook

Growth in the Euro Area, was lowered by 20 bps and 10 bps to 1.0% in 2025 and 1.4% in 2026, respectively. With geopolitical tensions continuing to weigh on sentiments, the growth is expected to pick up but at a more gradual pace than anticipated in October-2024 forecast led by weaker-than-expected momentum at the end of 2024, especially in manufacturing, and heightened political and policy uncertainty. Growth in 2026, is expected to be supported by stronger domestic demand, and improved financial conditions.

Economic growth in Germany lags behind that of its Euro Area counterparts, largely due to ongoing weaknesses in the manufacturing sector and goods exports, despite a rise in consumption linked to the recovery of real incomes. Japan experienced a mild contraction in output, which was caused by temporary supply disruptions. In contrast, the United States demonstrated robust economic momentum, with a y-o-y growth rate of 2.7% which is up by 50 bps from the forecast made in October-2024, supported by strong demand driven by significant factors, such as more accommodative monetary policy, and favorable financial conditions. This adjustment is partly due to the carryover effects from 2024, alongside resilient labor markets and a rise in investment, indicating overall economic strength. However, growth is projected to slow to its potential level in 2026.

In the United Kingdom growth is forecasted to gradually rise from 0.9% in 2024 to 1.6% in 2025, and then expected to decline to 1.5% in 2026, an upward revision of 10 bps for 2025. In several Advanced Economies, growth projections are maintained at a relatively stable level due to two reasons. Firstly, the expected recovery of real incomes is anticipated to facilitate a cyclical recovery in consumption. Secondly, trade-related challenges, including a notable increase in trade policy uncertainty, are expected to suppress investment.





Source : IMF WEO Update - Jan-2025

In Emerging Markets and Developing Economies, the growth performance anticipated for 2025 and 2026 is expected to be largely consistent with that of 2024. Heightened trade and policy uncertainty is forecasted to result in sluggish demand across several nations. However, economic activity is expected to improve as this uncertainty diminishes. For the Asia region, the IMF upgraded China's forecast by 10 bps to 4.6% in 2025 after 4.8% growth in 2024, mainly due to the adjustments attributed to the carryover effects from 2024 and the fiscal measures announced in November, which largely mitigate the adverse impact on investment stemming from increased trade policy uncertainty and challenges in the property market. For 2026, growth is expected to rise by 40bps to 4.5%, as the effects of trade policy uncertainty diminish and the increase in the retirement age helps to slow the decline in the labor supply. Growth forecast for India was retained at 6.5% for 2025 and 2026 consistent with the October-2024 forecast and aligned with its potential. The growth rate in India has experienced a more significant slowdown than anticipated, primarily due to a sharper decline in industrial activity.

MENA Region

Growth in the MENA region was lowered by 50 bps to 3.5% for 2025 and revised downward by 30 bps to 3.9% for 2026. The downward revision for 2024 is mainly due to Saudi Arabia which reflects lower oil production in 2024, including unilateral cuts in accordance with the OPEC+ agreement, while non-oil growth is expected to remain resilient. Saudi Arabia is now expected to grow by 3.3% in 2025, a downward revision of 130 bps, followed by 4.1% in 2026 (-30 bps). The revision of Saudi Arabia's GDP forecast has led to a decrease in the IMF's growth projection for the Middle East and Central Asia region, which is estimated at 3.6% for this year, down from 3.9% in October-2024 forecasts.

Global Trade Volumes

Global trade volume growth is expected to come in at 3.2% for 2025, a downward revision of 20 bps due to trade imbalances and geoeconomic fragmentation which are predicted to negatively impact global trade. Trade growth in Emerging Market and Developing economies was upgraded by 30 bps to 5.0% in 2025, whereas, the growth for the Advanced Economies was lowered by 50 bps to 2.1% for 2025. Next year, Advanced Economies saw a downward revision of 30 bps to 2.5% while growth for the Emerging market and Developing Economies was upgraded by 20 bps to 4.6%. The adjustment is attributed to a significant rise in trade policy uncertainty, which is anticipated to adversely affect investment, particularly among firms that are heavily reliant on trade. Nevertheless, in the baseline scenario, the effects of increased uncertainty are projected to be temporary. Moreover, the advance in some trade transactions, prompted by the prevailing trade policy uncertainty and the anticipation of more stringent trade regulations, serves to provide some relief in the immediate future.

Inflation

According to the IMF, Global inflation is expected to decline from 4.2% in 2025 to 3.5% in 2026 aligning with the central bank's targets and facilitating a gradual normalization of monetary policy. This trend is expected to mitigate the global disruptions experienced in recent years, such as the pandemic and Russia-Ukraine conflict, which triggered the largest inflation spike in four decades. According to the IMF, the global disinflation is still in effect; however, there are indications that progress is stalling in specific countries, with some experiencing persistent elevated inflation. The global median for sequential core inflation has been slightly above 2% for the past few months. Signs of moderation in nominal wage growth are evident, alongside a trend of normalization in labor markets.

While core goods price inflation has decreased to or below trend levels, services price inflation continues to exceed Pre-COVID-19 averages in many economies, notably in the United States and the Euro Area. Elevated inflation remains evident in certain Emerging market and Developing Economies in Europe and Latin America, influenced by specific factors. In areas where inflation is proving to be more resilient, central banks are proceeding with caution in their easing strategies. They are vigilant in observing indicators related to economic activity, the labor market, and exchange rate variations. Several central banks are increasing interest rates, which reflects a divergence in their monetary policy approaches.

According to the IMF, energy commodity prices are likely to fall by 2.6% in 2025, a figure that surpasses earlier forecasts from October-2024. This decline is largely a result of lower oil prices, stemming from weak demand in China and ample supply from countries outside of OPEC+. However, this trend is partially mitigated by increases in gas prices, which are influenced by colder-than-anticipated weather and supply challenges, including the ongoing conflict in the Middle East and outages in gas fields. Conversely, non-fuel commodity prices are expected to rise by 2.5% in 2025, attributed to upward revisions in food and beverage prices since the October 2024 World Economic Outlook, primarily due to adverse weather affecting significant producers. The anticipated decline in energy prices is expected to contribute to a continued decrease in headline inflation, bringing it closer to the central bank's target levels. However, in the United States, inflation is projected to remain slightly above the 2% target in 2025, while the Euro Area is anticipated to experience more moderate inflationary pressures. China, on the other hand, is expected to maintain low inflation. As a result, the divergence between the anticipated policy rates in the United States and other nations is expected to widen.

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