

Global Growth Remains Sluggish as Tariff Threats Loom

The International Monetary Fund said the impact of trade tensions had been limited so far, but it expects growth to slow.



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Reporting from Washington

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The global economy is projected to slow this year and next as persistent uncertainty over trade policy and supply chain disruptions continue to weigh on world output, according to new forecasts published on Tuesday by the International Monetary Fund.

In its latest World Economic Outlook report, the I.M.F. said global economic growth would slow to 3.2 percent in 2025 from 3.3 percent last year. Growth is projected to fall to 3.1 percent in 2026, as the protectionist measures being adopted in the United States and around the world take hold.

The world economy is slightly stronger than economists at the I.M.F. expected it would be earlier this year. That is because the United States scaled back or delayed many of the tariffs President Trump threatened after taking office and

because businesses raced to stock up on goods before tariffs took effect. Many firms have, for now, held off on passing additional costs to their customers.

But significant uncertainty remains. New tariffs on imported furniture, kitchen cabinets and lumber went into effect on Tuesday. Trade tensions between the United States and China flared again last week, after Mr. Trump threatened to raise tariffs on Chinese imports by an additional 100 percent in response to new Chinese export controls. A protracted shutdown of the federal government in the United States could also weigh on the world's largest economy this year.

“There are increasing signs that the adverse effects of protectionist measures are starting to show,” the I.M.F. report said. “As the global economy slides into a more fragmented landscape, risks to the outlook increase.”

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The projections are similar to those released last week by the World Trade Organization, which forecast slower trade growth in 2026 but said the world economy had remained more resilient in 2025 than previously expected.

The I.M.F.'s economic projections come as finance ministers and central bank governors from around the world are gathering in Washington for the annual meetings of the I.M.F. and the World Bank.

Under pressure from the Trump administration, those international institutions are shifting their priorities away from issues such as climate change and the economic impact it is expected to have around the globe. Instead, they are focusing on more traditional core policy issues such as financial stability and economic development.

Policymakers are expected to discuss a variety of topics, including details related to the Trump administration's promised bailout of Argentina, discussions among the Group of 7 nations about additional economic pressure on Russia and conversations between American and Chinese officials that might calm the latest flare of tensions.

“World financial leaders will be converging in Washington as their economies struggle to deliver good growth even as the global economic and geopolitical landscape turns increasingly hostile,” said Eswar Prasad, the former head of the I.M.F.'s China division and author of a new book on the unraveling of the world economic order. “As growth slows even moderately, structural issues that have been simmering under the surface will become increasingly apparent and difficult to ignore.”

The I.M.F. projects that growth in the United States will slow to 2 percent this year from 2.8 percent in 2024. Growth in the euro area is expected to tick up to 1.2 percent from 0.9 percent. Japan's economy is poised to strengthen this year, with output rising 1.1 percent, compared with 0.1 percent last year.

In China, growth is forecast to slow to 4.8 percent this year from 5 percent in 2024. With domestic demand tepid and trade ties with the United States fraying, growth is expected to continue to decline in 2026, falling to 4.2 percent.

Inflation continues to be a major challenge for policymakers as they grapple with the challenges of tariffs and sluggish growth.

The I.M.F. said that the impact of tariffs on inflation had been muted so far, but that there were signs price pressures were building in the United States.

“In the United States, inflation is expected to pick up beginning in the second half of 2025, as the impact of tariffs is no longer absorbed within supply chains and instead passed on to consumers,” the I.M.F. said.

Alan Rappeport is an economic policy reporter for The Times, based in Washington. He covers the Treasury Department and writes about taxes, trade and fiscal matters.

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