

### **Section 3 Worsening global economic outlook due to the tariff shock**

Since the inauguration of the second Trump administration in the United States in January 2025, tariffs and other trade measures announced by it one after another are starting to bring about a critical sea change to the global economy. In particular, “reciprocal tariffs” and automotive tariffs that were implemented at the beginning of April, a series of policy changes that followed, and responses by other countries have not only produced tariff-hike effects but also generated significant impacts on the behavior of investors, companies and ordinary people by heightening uncertainty over U.S. trade policy more radically than ever. While the trade conflict and the rapid heightening of uncertainty will be discussed later, this section will look at the acute deterioration of the future outlook on the global economy as reflected in the IMF’s World Economic Outlook (WEO), published on April 22.

According to the IMF’s projection published in January 2025, the global economy was projected to maintain a growth rate of 3.3%, with the United States continuing to act as the single predominant growth driver, as was the case until 2024. However, since the beginning of 2025, the environment surrounding the global economy has changed considerably because U.S. personal consumption, which remained firm until then, has started to shown signs of weakness and also because the Trump administration of the United States, inaugurated in January, decided to impose wide-ranging tariffs at a faster pace than expected. The U.S. tariffs are heightening uncertainty over the future not only because of the breadth of their coverage but also because of the high frequency of policy changes, including temporary pauses in tariff implementation and tariff rate changes. As a result, it has become extremely difficult to foresee the policy environment, which constitutes the premise of economic projection, so the IMF took the unusual step of presenting a range of projections for the global economy in the World Economic Outlook that was published in April 2025.

First, the basic projection is the “reference forecast,” which was externally announced as the World Economic Outlook growth projections, in lieu of the usual baseline, and which was premised on the various policy measures announced as of April 4. The reference forecast takes into consideration the series of U.S. tariffs imposed against China, Canada and Mexico, the U.S. tariffs imposed on steel and aluminum products, automobiles, and auto parts imported from the rest of the world, the additional tariffs imposed against the United States in retaliation by China and Canada, and the reciprocal tariffs introduced by the United States (including the add-on portions for which temporary pauses were later announced) and also assumes that uncertainty will remain high. Under these premises, the growth rate of the global economy in 2025 is projected to slow down sharply, to 2.8% from 3.3% in 2024, followed by a rebound to 3.0% in 2026 (Figure I-1-3-1). The latest projection for 2025 represented a downward revision of 0.5 percentage points compared with the projection published in January 2025, while the latest projection for 2026 represented a downward revision of 0.3 percentage points.

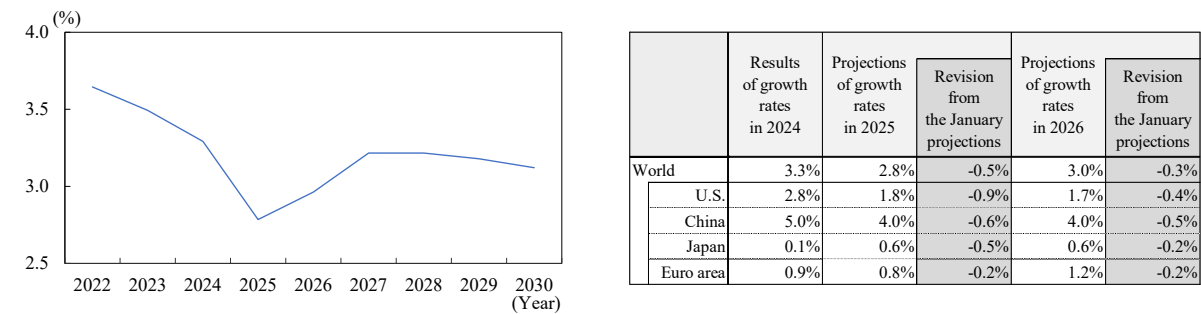
Next, the IMF also presented the “pre-April 2 forecast,” which factored in only information made available by the end of March. Among the factors taken into consideration are the tariffs imposed against Canada and Mexico, the 20% additional U.S. tariff against China that had initially been announced, the tariffs imposed against the United States in retaliation by Canda and China, and the U.S. tariffs imposed against steel and aluminum products. According to this forecast, the growth rate of the global economy

is projected at 3.2% in each of 2025 and 2026, representing a downward revision of only 0.1 percentage points for both years compared with the projections published in January.

Finally, the IMF presented the “post-April 9 model-based forecast.” This forecast takes into consideration the escalation of additional U.S. tariffs against China and additional Chinese tariffs against the United States, in addition to the pause in implementation of the add-on portions of the reciprocal tariffs. Under these premises, the growth rate is projected at 2.8% in 2025 and 2.9% in 2026, both of which are close to the projected growth rates in “the reference forecast.” This is basically because the positive effects of the pause in implementation of the add-on portions of the reciprocal tariffs and the negative effects of the considerable tariff hikes implemented by the United States and China, which mainly affect those two countries themselves, are for the most part mutually offset. However, as the effects of those tariff measures vary from country to country, there are differences in country-by-country growth rate projections between the two forecasts.

Having presented the above three forecasts, the IMF emphasized that there is a significant downside risk, in both the short and medium terms, due to factors such as the escalation of trade policies, the continued high level of uncertainty, and the instability of financial markets.

**Figure I-1-3-1. Projections of IMF global economic growth rates (as of April 2025)**



Source: *WEO* (April 2025) (IMF).