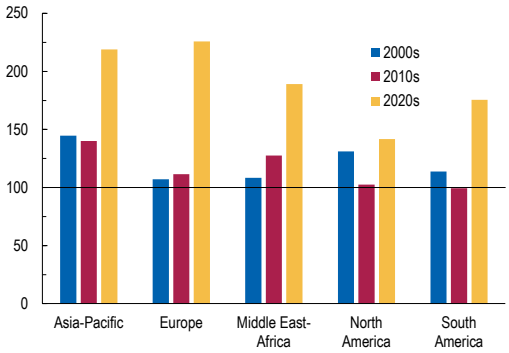
CHAPTER 1

GLOBAL PROSPECTS AND POLICIES

Global Economy Tested Again

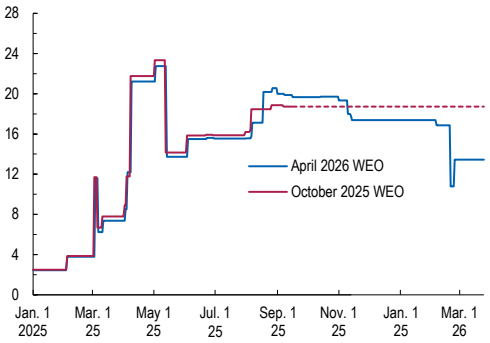
The global economy has, to date, withstood a series of shocks, yet another one—this time a military conflict engulfing the Middle East since the end of February—is testing this resilience. This is the latest culmination in a series of events that have been reshaping international relations and raising geopolitical tensions markedly across all regions in recent years (Figure 1.1). The conflict has already inflicted humanitarian costs, damaged critical infrastructure, and severely disrupted maritime and air traffic in the affected region. Economies around the world face repercussions through the direct impact of higher commodity prices, indirect second-order effects on inflation expectations—which tend to be especially sensitive to energy and food prices—and amplification effects coming from risk-off sentiment in financial markets. Commodity-importing emerging market and developing economies are at risk of being hit harder, with a depreciation of their currencies exacerbating the impact of higher energy and food prices. The global economic impact will crucially depend on the conflict's duration, intensity, and scope, which are inherently unpredictable.

Figure 1.1. Regional Geopolitical Risk
(Index, 1990s = 100)



Sources: Caldara and Iacoviello 2026; and IMF staff calculations.
Note: This figure presents the country-specific geopolitical risk index of Caldara and Iacoviello (2026), a news-based measure of adverse geopolitical events that covers 10 major newspapers in Canada, the United Kingdom, and the United States. The country-level data were downloaded from https://www.matteoiacoviello.com/gpr.htm and averaged at the regional and decadal levels and normalized to 100 for the 1990s.

Figure 1.2. US Effective Statutory Tariff Rate
(Percent)

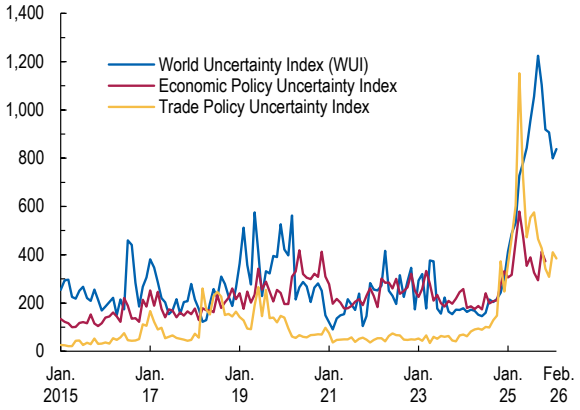


Sources: WTO-IMF Tariff Tracker; and IMF staff calculations.
Note: "Effective statutory tariff rate" is a weighted average of announced statutory rates using pretariff (hence, presubstitution) import weights. Calculations include only tariffs that are in effect at the time noted on the *x*-axis; measures that are not specified and implemented are not included. WEO = *World Economic Outlook*.

This latest shock comes less than a year since the shift in US trade policies, and the transition to a new international trade system is still ongoing. Following recent court rulings and executive actions, the overall US effective statutory tariff rate is about 5.3 percentage points below the level assumed in the October 2025 *World Economic Outlook* (WEO) (Figure 1.2), and changes in the cases of a few countries are more substantial. The current environment has incentivized a growing number of countries to finalize long-standing trade negotiations or start new partnerships to foster economic ties among themselves, such as the one between the European Union (EU) and MERCOSUR (the Southern Common Market).

Amid these developments, uncertainty, although lower than the peaks it reached in 2025, is still historically high (Figure 1.3). Several inflection points in the coming months may trigger spikes. First and foremost, the situation in the Middle East remains fluid. Odds of a range of outcomes—from ceasefire to serious escalation of hostilities—shift by the day. On the trade front, an extension, beyond their initial 150 days, of the Section 122 tariffs recently enacted by the US administration requires congressional approval, or similar tariffs would need to be imposed using other legal authorities. The United States–Mexico–Canada Agreement (USMCA) is set for a mandatory joint review at about the same time the extension comes due, in July 2026. Many of the US agreements with other trading partners so far provide only temporary relief and are set to expire by the end of 2026.

Figure 1.3. Global Uncertainty
(Index)



Sources: Ahir, Bloom, and Furceri 2022 (worlduncertaintyindex.com); Baker, Bloom, and Davis 2016 (policyuncertainty.com); and Caldara and others 2020 (matteoiacoviello.com/tpu.htm).
Note: The uncertainty measures are news- and media-outlets-based indices that quantify media attention to global news related to overall uncertainty (WUI), economic policy uncertainty, and trade policy uncertainty. WUI is divided by 100.

The global economy is facing this next test of resilience as signs of unevenness lie beneath the surface. Activity in the two largest economies, China and the United States, has been stronger than was expected in the October 2025 WEO. But this strength has been uneven. In the case of China, domestic activity—especially in the housing sector—lags behind exports. In the case of the United States, strong activity has been accompanied by low employment growth, amid declining labor force growth.

The unevenness raises downside risks to the outlook, adding to the risks posed by intensifying geopolitical tensions. Medium-term growth prospects remain lackluster, weighed down by geoeconomic fragmentation and structural challenges. That said, it may very well be that current tailwinds, including those from continued fiscal policy support, will last long enough to carry the global economy through the disruptions from the war and to a higher growth path paved by productivity gains from artificial intelligence (AI). Even if they do, however, it will still be crucial to have the right policies in place to make sure that technological transformation leads to broadly balanced growth within and across countries.

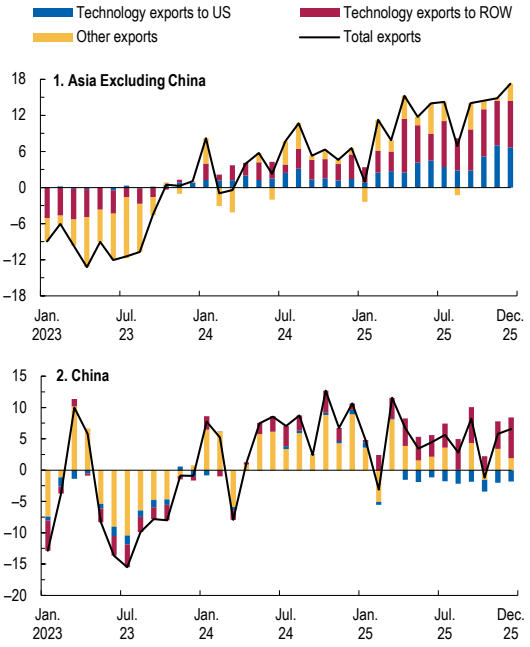
Recent Developments: Continued Resilience and Rising Fragility

Before the war, the global economy was performing better than expected, laying the groundwork for upward revisions to forecasts. In aggregate, global growth in the fourth quarter of 2025 increased to 3.9 percent on an annualized basis. In China, sequential growth accelerated (per IMF staff seasonal adjustment) to 6.1 percent as strong exports offset weak domestic demand. An increase in fiscal spending fueled stronger activity in Germany, helping growth in the euro area, excluding Ireland, accelerate to 1.5 percent. Growth in the United States slowed to 0.5 percent, lower than expected in the January 2026 WEO *Update*, as the government shutdown temporarily led to a sharp contraction in public expenditure. Expansion in US

technology-related spending remained strong in the fourth quarter, but its effect on GDP was offset by its high import share. Growth in Japan rebounded to 1.3 percent owing to stronger consumption and investment.

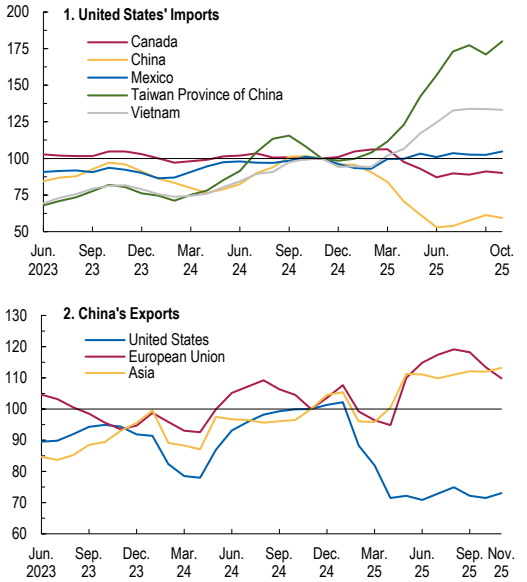
Global trade remained robust. Brisk expansion in technology-related exports offset slowing momentum in exports in other product categories (Figure 1.4). This benefited Asian economies in particular, as the main exporters of semiconductors and other equipment sought after by firms raced to invest in digital and AI-related technologies. The rewiring of global supply chains and trading relations continued (Figure 1.5). US imports from China dropped sharply; those from Canada also declined. These dips were offset by increases in imports from Taiwan Province of China, Vietnam, and, to a lesser extent, Mexico. On the other side of the equation, Chinese exports were reoriented from the United States to other Asian economies and, temporarily, to Europe. China's merchandise goods trade surplus hit a record $1.2 trillion (6 percent of GDP) in 2025.

Figure 1.4. Continued Brisk Growth in Tech-Related Trade Flows
(Percent, year over year)



Sources: Haver Analytics; International Trade Center, Trade Map; and IMF staff calculations.
Note: "Technology" exports include those classified under Harmonized System codes 8419, 8470–8473, and 85. "Asia" includes Cambodia, China, Indonesia, Japan, Korea, Malaysia, Singapore, Taiwan Province of China, Thailand, and Vietnam. Data for Vietnam include computers, electronic products, and parts; telephones, mobile phones, and parts; and insulated wires and cables. ROW = rest of the world.

Figure 1.5. Reorientation of Global Trade
(Index, 2024 = 100)



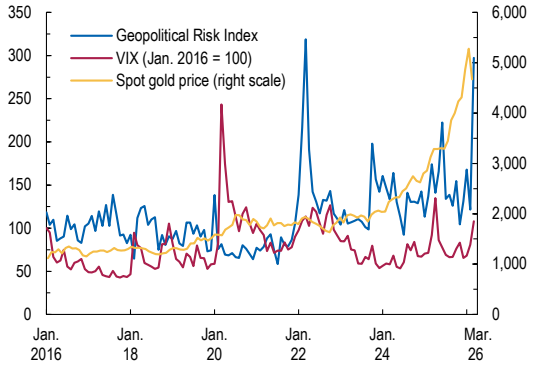
Sources: Antràs and Presbitero 2026; Trade Data Monitor; and IMF staff calculations.
Note: Three-month moving average of non–seasonally adjusted US dollar values, based on cross-border shipments data sourced from Trade Data Monitor. These data can differ from balance of payments data.

Global inflation has been largely steady. This stability masks some divergence, however. In the United States, above-target inflation persists, with core inflation for personal consumption expenditure maintaining a high year-over-year rate of 3.1 percent in January 2026. To date, evidence indicates that the direct incidence of tariffs has largely fallen on US importers and consumers (Amiti and others 2026; Gimbel 2026; Gopinath and Neiman 2026). In contrast, inflation fell sharply in Japan in January 2026 to below the 2 percent target for the first time since the second quarter of 2022, with the decline largely reflecting the provisional gasoline tax abolition.

Risk-off sentiment following the outbreak of the Middle East conflict has led to a moderate tightening of global financial conditions, but they remain accommodative from a historical point of view (see the April 2026 *Global Financial Stability Report*). Concerns about a resurgence of inflation have raised bond yields and driven

equity prices down. Emerging markets—especially commodity importers and those with preexisting vulnerabilities—have been affected the most. The US dollar has strengthened somewhat, reaffirming its safe haven status. Even so, market volatility has been relatively subdued (Figure 1.6). At the same time, geopolitical tensions and other factors have contributed to sharp swings in the gold price (see the Commodity Special Feature).

Figure 1.6. Global Geopolitical Risk
(Index; US dollars per ounce)



Sources: Caldara and Iacoviello 2022; Chicago Board Options Exchange (CBOE); London Stock Exchange Group, Datastream; and IMF staff calculations.
Note: This figure plots the monthly global geopolitical risk index of Caldara and Iacoviello (2022), a news-based measure of adverse geopolitical events that covers 10 major newspapers in Canada, the United Kingdom, and the United States. Data were downloaded from https://www.matteoiacoviello.com/gpr.htm on April 02, 2026. VIX = CBOE Volatility Index.

Fiscal policy remains too loose in many of the largest advanced economies and emerging markets (see the April 2026 *Fiscal Monitor*). The Middle East conflict is putting additional pressure on public finances, both via the direct effects of the conflict and as governments seek ways to protect the most vulnerable from the fallout in commodity markets and may be tempted to offer broad-based fiscal packages, while higher financing costs and weaker activity weigh on revenues. Countries with preexisting fuel subsidies face different fiscal dynamics than those with liberalized energy pricing, while those with links to the Middle East region through remittances confront additional pressure on household incomes and external balances. Monetary policy was becoming more divergent as common global drivers of inflation became less prominent, until the conflict delivered a global negative supply shock.

Growth and Disinflation, Interrupted

Absent the war, sources of recent resilience (Box 1.1) would have been expected to continue to hold global economic activity on a steady path in 2026. Near-term prospects have, however, worsened given the disruptions caused by the closure of the Strait of Hormuz and the attacks on production facilities. Medium-term prospects remain constrained by structural challenges.

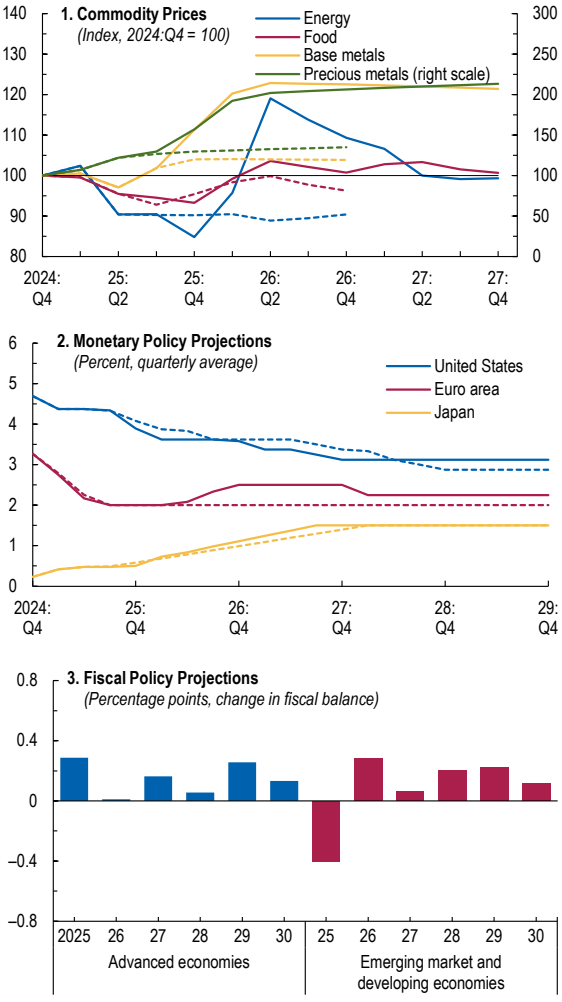
The bottom-up reference forecasts presented in this report are predicated on a relatively short-lived conflict. While more benign scenarios are highly desirable, given the extraordinarily high level of uncertainty, the reference forecasts are complemented with top-down model-based global growth projections under the assumption of a more prolonged and intense conflict. These scenarios become more likely over time as hostilities and related disruptions continue.

Global Assumptions

The reference forecasts incorporate the impact of the war, based on the assumption that the conflict will last for a few more weeks and a recovery will then gradually take hold, such that the disruptions fade and production and exports from the region normalize by mid-2026. This timeline is broadly captured in the projections for global commodity prices—consistent with futures pricing as of March 10—and interest rates (Figure 1.7). Fiscal and trade policies as they currently stand are assumed to remain in place through the forecast horizon. Uncertainty—encompassing trade and other economic policies as well as geopolitical developments—is assumed to remain elevated through 2027.

- *Commodity price projections:* Prices for energy commodities are expected to rise by 19 percent in 2026, as opposed to the small decline projected in the October 2025 WEO. Oil prices are expected to increase by 21.4 percent on account of disruptions to production and transportation in the Middle East, corresponding to the average petroleum spot price index averaging $82 per barrel. Natural gas prices are expected to be affected more than oil prices because of the technical complexity of restarting production and the comparatively lower level of reserves to fall back on. Food prices are expected to increase as well, more than projected in October 2025, on account of higher energy and fertilizer prices, disrupted shipping routes, and increased transport costs. Base and precious metal prices are projected to maintain the gains experienced in 2025.
- *Monetary policy projections:* Differentiation of monetary policies in major jurisdictions is expected to continue. In the United States, the federal funds rate is projected to be reduced gradually, reaching its terminal rate of about 3.1 percent by the end of 2027. The policy rate in the euro area is expected to increase by 50 basis points over the course of 2026. In Japan, the policy rate is projected to gradually rise, at a slightly steeper clip than thought in October 2025, toward a neutral setting of about 1.5 percent.

Figure 1.7. Global Assumptions



Source: IMF staff calculations.
Note: In panels 1 and 2, solid lines denote projections from the April 2026 *World Economic Outlook* (WEO) and dashed lines those from the October 2025 WEO. In panel 3, the fiscal balance used is the general government structural primary balance in percent of potential GDP. The structural primary balance is the cyclically adjusted primary balance excluding net interest payments and corrected for a broader range of noncyclical factors such as changes in asset and commodity prices.

- *Fiscal policy projections:* Fiscal policy in advanced economies, on average, is expected to be neutral in 2026 and tighten in the latter years of the forecast horizon, despite a widening of deficits in major jurisdictions. In the United States, the general government fiscal-balance-to-GDP ratio is expected to deteriorate by 0.7 percentage point in 2026 to 7½ percent, reflecting the impact of the One Big Beautiful Bill Act (OBBBA), partly offset by additional tariff revenues. The fiscal balance is projected to decline in the euro area, with Germany's deficit registering a widening of over 1 percentage point to 3.8 percent as infrastructure and defense spending ramp up. Japan is also projected to see its deficit widen by 1 percentage point of GDP in 2026, and its fiscal policy is expected to remain moderately expansionary

through 2030. Under current policies, US public debt is projected to continue to climb, from 124 percent of GDP in 2025 to 142 percent in 2031. In the euro area, the debt-to-GDP ratio also rises, but by less, from 87 percent in 2025 to 90 percent in 2031. Fiscal policy in emerging market and developing economies, on average, is projected to gradually tighten over the forecast horizon. In China, the deficit is expected to widen by 0.3 percentage point in 2026, before starting to narrow in the medium term. Still, public debt in emerging market and developing economies is projected to rise further, reaching 86 percent of GDP in 2031, from 74 percent in 2025.

- *Trade policy assumptions:* IMF staff projections remain based on real-time current trade policy; that is, they assume that policies as they stood at the end of March are permanent. This is so, even in regard to measures framed as temporary or pending—meaning that US Section 122 tariffs are assumed to be extended or reimposed under different statutes. The US effective statutory tariff rate underlying the projections is 13.5 percent, compared with 18.7 percent in the October 2025 forecast. The corresponding effective tariff rate imposed by the rest of the world on imports from the United States is unchanged at 3.5 percent.

Global Growth Forecast: Fragile with Large Dispersion

- Before the outbreak of the conflict, the bottom-up forecasts would have indicated a stable growth path (*"Preconflict WEO forecast"* in Figure 1.8). Global growth would have been 3.4 percent in 2026 and 3.2 percent in 2027, an upward revision of 0.1 percentage point for 2026 and unchanged for 2027 compared with the forecast in the January 2026 WEO *Update*.

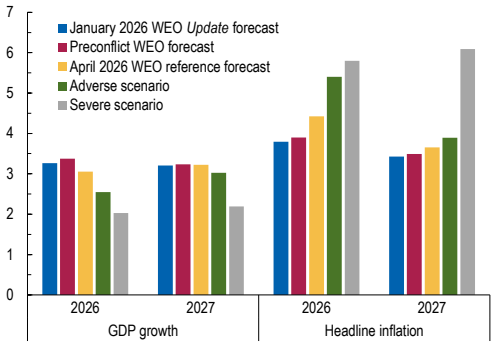
- Under the assumption in the *reference forecast* that the war turns out to be relatively short-lived, global growth is expected to slow down modestly. At 3.1 percent for 2026 and 3.2 percent for 2027, the forecasts mark a deceleration from the estimated 3.4 percent achieved in 2025 (Table 1.1). At market exchange rates, world output is projected to grow by 2.6 percent in both 2026 and 2027 (Table 1.2). The relatively modest downward revision to global growth in the reference forecast relative to the January 2026 WEO *Update* owes to continued tailwinds partially offsetting the negative shocks from the conflict, including lower tariffs, preexisting policy support, and carryover from stronger-than-expected outturns at the end of 2025 and the first quarter of 2026 in some cases. Compared with the preconflict WEO forecasts, growth in the near term is revised downward by 0.2 percentage point. This masks significant variation across countries, with lower-income commodity-importing economies being hit particularly hard through higher energy and food prices as well as foreign exchange depreciation (Figure 1.9). Cumulative growth over 2026–27 is revised downward by 0.5 percentage point for low-income net energy-importing economies relative to the January 2026 WEO *Update*, compared with a downward revision of 0.2 percentage point in energy-importing advanced economies and positive or neutral revisions for net energy-exporting economies.

- Should the conflict become more protracted than assumed in the reference forecast or the resumption of production and transport activities take longer than assumed because of possible scarring from closing of or damage to energy infrastructure, the impact on growth

would be larger. To illustrate the potential range of magnitudes, the report considers two top-down model-based downside scenarios: an adverse one and a severe one.

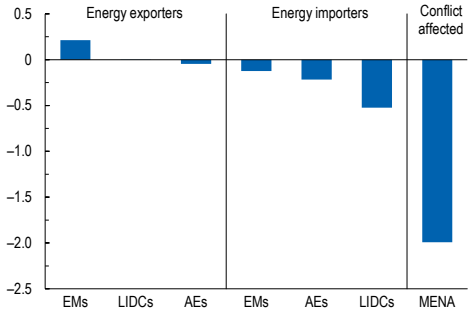
- In the *adverse scenario*, (1) Oil prices are assumed to increase by 80 percent starting in the second quarter of 2026 relative to the January 2026 WEO *Update* baseline, before falling back to about 20 percent above baseline in 2027, with the increase dissipating in 2028 (corresponding to an average petroleum spot price index of about $100 per barrel in 2026 and about $75 in 2027). Gas prices increase for Europe and Asia by 160 percent in the second quarter relative to baseline, before also mostly unwinding in 2027, and food commodity prices increase by 2.5 percent. (2) One-year-ahead inflation expectations increase by as much as 50 basis points by 2027 in advanced economies and as much as 90 basis points in emerging markets excluding China. Inflation expectations are unchanged in China, as current low inflation makes this less of a risk than for other countries. (3) A risk-off episode increases corporate premiums in advanced economies and China by 50 basis points, while emerging markets excluding China experience a 100 basis point increase as well as a 50 basis point increase in sovereign spreads. The tightening in financial conditions fades in 2027. Given the large impact on inflation expectations, the monetary policy response assigns less weight to output stabilization than usually assumed.

Figure 1.8. Global Growth and Inflation Forecasts
(Percent)



Source: IMF staff estimates.
Note: The three WEO forecasts are constructed bottom-up from individual country projections before and after the outbreak of the Middle East conflict. The two scenarios are model-based top-down estimates. The adverse scenario assumes that oil (gas) prices increase by 80 (160) percent starting in 2026:Q2, relative to the January 2026 WEO *Update*, with the increase mostly unwinding in 2027, one-year-ahead inflation expectations increase by 50 (90) basis points in advanced economies (emerging markets excluding China), and corporate premiums rise by 50 (100) basis points in advanced economies plus China (emerging markets excluding China), while sovereign spreads in emerging markets excluding China increase by 50 basis points, with the tightening in financial conditions fading in 2027. The severe scenario is calibrated to larger and more persistent shocks. First, oil (gas) prices are assumed to be 100 (200) percent higher than the January 2026 WEO *Update*, starting in 2026:Q2 and staying at that level in 2027, while food commodity prices increase by 5 (10) percent in 2026 (2027). Second, one-year-ahead inflation expectations increase by 100 (130) basis points in advanced economies (emerging markets excluding China) by 2027. Third, corporate risk premiums rise by 100 (200) basis points in advanced economies plus China (emerging markets excluding China) in 2026–27, while sovereign spreads increase by 100 basis points in emerging markets excluding China over the same period. WEO = *World Economic Outlook*.

Figure 1.9. GDP Growth Revisions in the Reference Forecast
(Percentage points)



Sources: World Bank, World Development Indicators; and IMF staff calculations.
Note: The figure presents cumulative GDP growth revisions for 2026–27 relative to January 2026 *World Economic Outlook Update*. Energy exporters and importers are defined using 2022 net energy imports as a share of energy use. Groups are aggregated using purchasing-power-parity weights. EMs and LIDCs exclude MENA. AEs = advanced economies; EMs = emerging markets; LIDCs = low-income developing countries; MENA = Middle East and North Africa.

- In the *severe scenario*, (1) The shock to commodity prices is more severe and persistent, with oil prices increasing by 100 percent starting in the second quarter of 2026, relative to the January 2026 WEO *Update* baseline, but also staying at that level in 2027, before dissipating in 2028 (corresponding to an average petroleum spot price index of about $110 per barrel in 2026 and about $125 in 2027). Gas prices for Europe and Asia increase by 200 percent over the same period, and food commodity prices increase by 5 percent in 2026 and 10 percent in 2027. (2) One-year-ahead inflation expectations ratchet up by as much as 100 basis points in advanced economies by 2027 and by as much as 130 basis points in emerging markets excluding China, also by 2027. (3) A significant risk-off episode pushes up corporate premiums in advanced economies and in China by 100 basis points in

2026, and they stay at that level in 2027, while emerging markets excluding China experience a widening in sovereign spreads of 100 basis points over the same period, along with an increase in corporate spreads of 200 basis points. As in the adverse scenario, the monetary policy response is geared toward containing inflationary pressures rather than stabilizing output.

- Under the *adverse scenario*, global growth would be reduced by 0.8 percentage point in 2026, dropping to 2.5 percent. There would also be a modest 0.2 percentage point impact on growth in 2027, bringing global growth to 3.0 percent. Inflation would be 1.5 percentage points higher at 5.4 percent in 2026, and 0.4 percentage point higher at 3.9 percent in 2027. Most of the impact on inflation and over half the impact on growth in 2026 come from higher energy prices. The more persistent effect on growth in 2027, however, is driven by the tightening in financial conditions and rise in inflation expectations, which implies a modest tightening in policy rates of 50 basis points in advanced economies by 2027 and a somewhat larger increase in emerging market economies.
- Under the *severe scenario*, the effects on global growth are substantial and longer lasting. Global growth would be reduced by 1.3 percentage points in 2026. This would mean a close call for a global recession (growth rate below 2 percent), which has happened only four times since 1980, with the latest two occasions corresponding to the global financial crisis and the COVID-19 pandemic. The effects on growth are also more persistent, with global growth reduced by 1.0 percentage point in 2027, to 2.2 percent. Inflation would be 190 basis points higher in 2026, reaching 5.8 percent, and 260 basis points higher in 2027, reaching 6.1 percent. The increase in oil and gas prices has not only a larger, but also a more persistent, impact on growth, subtracting 0.6 percentage point in 2026 and a further 0.5 percentage point in 2027. The amplification through inflation expectations and financial conditions would also be sizable, reducing growth by 0.7 percentage point in 2026 and 0.5 percentage point in 2027. This in part reflects a more aggressive monetary policy response. The federal funds rate would increase by 50 basis points in 2026 and 100 basis points in 2027, relative to baseline.
- In both scenarios, the impact on emerging markets would again be greater than that on advanced economies. In the *adverse scenario*, growth in 2026 is lower by 1.3 percentage points in emerging markets excluding China, relative to baseline, and by 0.6 percentage point in advanced economies. The *severe scenario* lowers growth in 2026 by 1.9 percentage points in emerging markets excluding China, almost twice the decline in advanced economies. This reflects a combination of a larger exposure to higher commodity prices and disruption to energy production, a larger increase in inflation expectations, and a more pronounced tightening in financial conditions.

Table 1.1. Overview of the *World Economic Outlook* Reference Forecast

(Percent change, unless noted otherwise)

		Projections		Difference from January 2026 WEO *Update* 1/		Difference from October 2025 WEO 1/	
	2025	2026	2027	2026	2027	2026	2027
World Output	**3.4**	**3.1**	**3.2**	**–0.2**	**0.0**	**0.0**	**0.0**
Advanced Economies	**1.9**	**1.8**	**1.7**	**0.0**	**0.0**	**0.2**	**0.0**
United States	2.1	2.3	2.1	–0.1	0.1	0.2	0.0
Euro Area	1.4	1.1	1.2	–0.2	–0.2	–0.1	–0.2
Germany	0.2	0.8	1.2	–0.3	–0.3	–0.1	–0.3
France	0.9	0.9	0.9	–0.1	–0.3	0.0	–0.3
Italy	0.5	0.5	0.5	–0.2	–0.2	–0.3	–0.1
Spain	2.8	2.1	1.8	–0.2	–0.1	0.1	0.1
Japan	1.2	0.7	0.6	0.0	0.0	0.1	0.0
United Kingdom	1.3	0.8	1.3	–0.5	–0.2	–0.5	–0.2
Canada	1.7	1.5	1.9	–0.1	0.0	0.0	0.0
Other Advanced Economies 2/	3.0	2.6	2.2	0.6	0.1	0.6	0.1
Emerging Market and Developing Economies	**4.4**	**3.9**	**4.2**	**–0.3**	**0.1**	**–0.1**	**0.0**
Emerging and Developing Asia	5.5	4.9	4.8	–0.1	0.0	0.2	0.0
China	5.0	4.4	4.0	–0.1	0.0	0.2	–0.2
India 3/	7.6	6.5	6.5	0.1	0.1	0.3	0.1
Emerging and Developing Europe	2.0	2.0	2.1	–0.3	–0.3	–0.2	–0.3
Russia	1.0	1.1	1.1	0.3	0.1	0.1	0.0
Latin America and the Caribbean	2.4	2.3	2.7	0.1	0.0	0.0	0.1
Brazil	2.3	1.9	2.0	0.3	–0.3	0.0	–0.2
Mexico	0.6	1.6	2.2	0.1	0.1	0.1	0.2
Middle East and Central Asia	3.6	1.9	4.6	–2.0	0.6	–1.9	0.8
Saudi Arabia	4.5	3.1	4.5	–1.4	0.9	–0.9	1.3
Sub-Saharan Africa	4.5	4.3	4.4	–0.3	–0.2	–0.1	–0.1
Nigeria	4.0	4.1	4.3	–0.3	0.2	–0.1	0.3
South Africa	1.1	1.0	1.3	–0.4	–0.2	–0.2	–0.2
Memorandum							
World Growth Based on Market Exchange Rates	2.9	2.6	2.6	–0.2	0.0	0.0	–0.1
European Union	1.6	1.3	1.4	–0.2	–0.2	–0.1	–0.2
ASEAN-5 4/	4.5	4.1	4.4	–0.1	0.0	0.0	0.1
Middle East and North Africa	3.2	1.1	4.8	–2.8	0.8	–2.6	1.1
Emerging Market and Middle-Income Economies	4.4	3.8	4.1	–0.3	0.0	–0.1	0.0
Low-Income Developing Countries	4.8	4.8	4.9	–0.3	–0.2	–0.2	–0.4
World Trade Volume (goods and services)	**5.1**	**2.8**	**3.8**	**0.2**	**0.7**	**0.5**	**0.7**
Imports							
Advanced Economies	4.7	2.6	3.1	0.8	0.8	1.3	0.9
Emerging Market and Developing Economies	5.7	2.7	4.9	–0.9	0.4	–1.3	0.2
Exports							
Advanced Economies	3.7	2.5	2.7	0.4	0.3	0.8	0.4
Emerging Market and Developing Economies	7.4	3.5	5.4	–0.1	1.2	0.2	1.3
Commodity Prices							
Oil 5/	–14.4	21.4	–7.6	29.9	–7.7	25.9	–7.4
Nonfuel (average based on world commodity import weights)	9.6	21.7	1.9	14.2	1.0	17.6	1.3
World Consumer Prices 6/	**4.1**	**4.4**	**3.7**	**0.6**	**0.3**	**0.7**	**0.3**
Advanced Economies 7/	2.5	2.8	2.2	0.6	0.1	0.6	0.1
Emerging Market and Developing Economies 6/	5.2	5.5	4.6	0.7	0.3	0.8	0.4

Table 1.1. Overview of the *World Economic Outlook* Reference Forecast (continued)

(Percent change, unless noted otherwise)

	Q4 over Q4 8/						
		Projections		Difference from January 2026 WEO *Update* 1/		Difference from October 2025 WEO 1/	
	2025	2026	2027	2026	2027	2026	2027
World Output	**3.3**	**2.9**	**3.5**	**–0.3**	**0.3**	**–0.4**	**...**
Advanced Economies	**1.9**	**1.5**	**1.9**	**–0.4**	**0.2**	**–0.3**	**...**
United States	2.0	2.2	2.1	0.1	0.0	0.2	...
Euro Area	1.2	1.2	1.5	–0.5	0.2	–0.6	...
Germany	0.4	0.7	1.3	–0.3	–0.2	–0.3	...
France	1.2	0.6	1.0	–0.3	–0.3	–0.4	...
Italy	0.8	–0.2	1.8	–0.9	1.1	–0.3	...
Spain	2.6	1.6	2.2	–0.4	0.3	–0.2	...
Japan	0.5	1.0	0.7	–0.5	0.3	–0.1	...
United Kingdom	1.0	1.0	1.9	–0.4	0.0	–0.4	...
Canada	0.7	2.3	1.5	0.0	0.0	0.0	...
Other Advanced Economies 2/	4.1	1.5	2.5	–1.3	...	–1.3	...
Emerging Market and Developing Economies	**4.4**	**4.0**	**4.6**	**–0.3**	**0.4**	**–0.4**	**...**
Emerging and Developing Asia	5.3	4.7	5.1	–0.3	0.3	–0.6	...
China	4.4	3.9	4.6	–0.6	0.5	–1.1	...
India 3/	7.5	7.1	6.5	0.6	0.0	0.9	...
Emerging and Developing Europe	1.9	1.8	2.2	–0.3	–0.2	–0.5	...
Russia	1.0	0.6	0.6	0.0	–0.5	0.1	...
Latin America and the Caribbean	2.1	2.9	2.3	0.1	–0.1	0.3	...
Brazil	2.0	2.6	1.9	0.3	–0.3	0.3	...
Mexico	1.8	1.5	2.4	–0.7	0.3	–0.2	...
Middle East and Central Asia	...	...	...	...	...	...	...
Saudi Arabia	5.0	3.1	4.5	–1.4	0.9	–0.9	...
Sub-Saharan Africa	...	...	...	...	...	...	...
Nigeria	3.9	3.8	4.5	–0.5	–2.0	–0.5	...
South Africa	1.5	0.7	1.5	–0.5	–0.2	–0.3	...
Memorandum							
World Growth Based on Market Exchange Rates	2.7	2.4	2.7	–0.3	0.1	–0.4	...
European Union	1.4	1.1	1.8	–0.4	0.2	–0.6	...
ASEAN-5 4/	4.9	3.7	4.7	–0.5	0.1	–0.8	...
Middle East and North Africa	...	...	...	...	...	...	...
Emerging Market and Middle-Income Economies	4.4	3.9	4.3	–0.3	0.2	–0.5	...
Low-Income Developing Countries	...	...	...	...	...	...	...
Commodity Prices (US dollars)							
Oil 5/	–15.1	29.2	–6.7	30.6	–7.6	31.4	...
Nonfuel (average based on world commodity import weights)	14.2	14.6	1.1	13.8	0.5	13.4	...
World Consumer Prices 6/	**3.5**	**3.9**	**3.0**	**0.8**	**0.0**	**0.9**	**...**
Advanced Economies 7/	2.5	2.9	2.0	0.8	–0.1	0.9	...
Emerging Market and Developing Economies 6/	4.2	4.6	3.7	0.7	0.1	0.9	...

Source: IMF staff estimates.

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing from February 10, 2026, to March 10, 2026. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = *World Economic Outlook*.

1/ Difference based on rounded figures for the current, January 2026 WEO *Update*, and October 2025 WEO forecasts.

2/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

3/ For India, data and forecasts are presented on a fiscal year basis, and GDP from 2022 onward is based on GDP at market prices with fiscal year 2022/23 as a base year.

4/ Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

5/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was $67.74 in 2025; the assumed price, based on futures markets, is $82.22 in 2026 and $75.97 in 2027.

6/ Excludes Venezuela. See the country-specific note for Venezuela in the "Country Notes" section of the Statistical Appendix.

7/ The assumed inflation rates for 2026 and 2027, respectively, are as follows: 2.6 percent and 2.2 percent for the euro area, 2.2 percent and 2.3 percent for Japan, and 3.2 percent and 2.1 percent for the United States.

8/ For world output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For emerging market and developing economies, the quarterly estimates and projections account for approximately 85 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

Table 1.2. Overview of the *World Economic Outlook* Reference Forecast at Market Exchange Rate Weights
(Percent change)

		Projections		Difference from January 2026 WEO *Update* 1/		Difference from October 2025 WEO 1/	
	2025	2026	2027	2026	2027	2026	2027
World Output	**2.9**	**2.6**	**2.6**	**–0.2**	**0.0**	**0.0**	**–0.1**
Advanced Economies	**1.9**	**1.8**	**1.7**	**–0.1**	**0.0**	**0.1**	**–0.1**
Emerging Market and Developing Economies	**4.3**	**3.7**	**3.9**	**–0.3**	**0.0**	**–0.1**	**0.0**
Emerging and Developing Asia	5.3	4.7	4.5	–0.1	0.0	0.2	–0.1
Emerging and Developing Europe	2.0	2.1	2.2	–0.3	–0.3	–0.2	–0.2
Latin America and the Caribbean	2.2	2.3	2.6	0.2	0.0	0.1	0.1
Middle East and Central Asia	3.8	1.6	4.8	–2.5	0.8	–2.4	0.9
Sub-Saharan Africa	4.3	4.1	4.2	–0.3	–0.2	–0.1	–0.1
Memorandum							
European Union	1.5	1.3	1.4	–0.2	–0.1	0.0	–0.1
Middle East and North Africa	3.5	1.0	4.9	–3.1	1.0	–2.9	1.1
Emerging Market and Middle-Income Economies	4.2	3.6	3.9	–0.3	0.1	–0.2	0.0
Low-Income Developing Countries	4.9	4.8	4.9	–0.3	–0.3	–0.2	–0.4

Source: IMF staff estimates.
Note: The aggregate growth rates are calculated as a weighted average, in which a moving average of nominal GDP in US dollars for the preceding three years is used as the weight. WEO = *World Economic Outlook*.
1/ Difference based on rounded figures for the current, January 2026 WEO *Update*, and October 2025 WEO forecasts.

Growth Forecast for Advanced Economies

Under the reference forecast, growth in *advanced economies* is projected to be 1.8 percent in 2026 and 1.7 percent in 2027. The overall effect on growth in advanced economies of the conflict in the Middle East is modest, lowering growth by 0.2 percentage point in 2026 relative to the preconflict forecast, thanks to positive terms-of-trade effects in the United States and stronger growth momentum and offsetting government measures in Japan, with a large negative effect expected only in some net energy-importing economies, such as the euro area and the United Kingdom.

- In the *United States*, the economy is projected to expand by 2.3 percent in 2026, with growth supported by fiscal policy and the lagged impact of monetary policy rate cuts in 2025, even as the rise in trade barriers since April 2025 continues to weigh on the level of activity. This 0.1 percentage point downward revision relative to the January 2026 WEO *Update* reflects the balance of a small negative effect from the war—given the net-energy-exporter status of the United States—and offsets from a rebound in activity in the first quarter of 2026 compared with the fourth quarter of 2025 following the end of the 2025 federal government shutdown, stronger-than-previously-assumed productivity growth, and the associated carryover. While the International Emergency Economic Powers Act (IEEPA) ruling may reduce fiscal revenues raised by tariffs, the impact on the fiscal balance and activity is expected to be small and spread over the forecast horizon. Growth is projected to remain solid at 2.1 percent in 2027, with a near-term fiscal boost from tax incentives, including those for corporate investment under the OBBBA. Technology-driven momentum is expected to moderate but still provide some offset to lower immigration and moderating consumption. Strong productivity growth is projected to gradually fade and converge to historical norms.

- In the *euro area*, growth is expected to decline from 1.4 percent in 2025 to 1.1 percent in 2026 and to 1.2 percent in 2027. The forecast is revised downward by 0.2 percentage point in each year compared with the January 2026 WEO *Update*, with the effect of better-than-expected growth at the end of 2025 giving way to the negative impact of the Middle East conflict over time. The latter will add to the lingering effects of the persistent rise in energy prices since Russia's invasion of Ukraine, dragging on manufacturing, with additional pressure from the real appreciation of the euro relative to currencies of countries exporting similar products. The impact of the planned increase in defense spending for most countries is expected to materialize only in subsequent years, given commitments to reach target levels gradually by 2035 (see Chapter 2 for estimates of defense spending multipliers). In *Japan*, growth is projected to drop from 1.2 percent in 2025 to 0.7 percent in 2026 and to 0.6 percent in 2027. This marks an upward revision for 2026 relative to the October 2025 figure, reflecting the fiscal stimulus package announced by the new government last November, stronger domestic-demand-driven growth carryover from 2025, and government measures to limit the effects of higher energy prices, partly offset by weaker external demand and the Middle East conflict. In the *United Kingdom*, the war and a slower pace of monetary easing mean that growth is projected to decline from 1.3 percent in 2025 to 0.8 percent in 2026, a downward revision of 0.5 percentage point relative to the October 2025 forecast. Growth is projected to recover to 1.3 percent in 2027, slower than expected before the war as the impact of higher energy prices lingers. In *Canada*, growth is projected to slow from 1.7 percent in 2025 to 1.5 percent in 2026 before recovering to 1.9 percent in 2027. The softer near-term profile reflects weaker momentum at the end of 2025 and slower population growth, while earlier monetary easing and supportive fiscal policy help sustain domestic demand. This is broadly unchanged from the October 2025 WEO forecast, with the positive terms-of-trade shock of higher oil prices offsetting the other effects of the war in the Middle East.

Growth Forecast for Emerging Market and Developing Economies

In *emerging market and developing economies*, growth is expected to fall to 3.9 percent in 2026 and recover to 4.2 percent in 2027. The conflict in the Middle East has a varied impact on growth given differential exposure—through geographic proximity, financial flows, remittances, and energy dependencies. Overall, it has a larger net impact on growth in emerging market and developing economies compared with advanced economies, lowering growth in 2026 for the former group by 0.3 percentage point relative to the preconflict forecast.

- Growth in *emerging and developing Asia* is expected to decline from 5.5 percent in 2025 to 4.9 percent in 2026 and to 4.8 percent in 2027. Growth in *China* for 2026 is revised upward by 0.2 percentage point, relative to October (a 0.1 percentage point downward revision from January), to 4.4 percent, reflecting the lower US effective tariff rates on Chinese goods, and stimulus measures offset the negative impact of the shock induced by the Middle East conflict. The economy's growth rate is expected to decelerate to 4.0 percent in 2027 as structural headwinds—including those from a grinding slowdown in the housing sector, a declining labor force, decreasing returns on investment, and slower productivity growth—assert themselves. In *India*, growth for 2025 is revised upward by 1.0 percentage point relative to October, to 7.6 percent, reflecting the better-than-expected outturn in the second and

third quarters of the fiscal year and sustained strong momentum in the fourth quarter. For 2026, growth is revised upward moderately by 0.3 percentage point (0.1 percentage point relative to January) to 6.5 percent, led by positive contributions from the carryover of the strong 2025 outturn and the decline in additional US tariffs on Indian goods from 50 to 10 percent, which outweigh the adverse impact of the Middle East conflict. Growth is projected to stay at 6.5 percent in 2027. In several South and Southeast Asian economies, disruptions in the Middle East are expected to reduce tourism and remittance inflows, thereby weakening domestic demand. Growth in the *Philippines* is revised downward by 1.5 percentage points for 2026, relative to January, with the war shock compounding the negative base effects from a weaker-than-expected 2025 outturn related to a sharp decline in public investment and confidence.

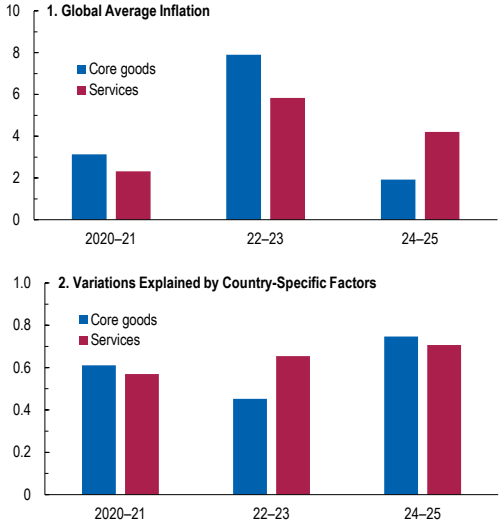
- In the *Middle East and Central Asia*, growth is projected to decline from 3.6 percent in 2025 to 1.9 percent in 2026 and recover to 4.6 percent in 2027 as the region experiences the most direct impact of the conflict and the expected subsequent rebound. For commodity exporters directly affected by the conflict, diminished production and exports imply a severe downward revision of GDP growth projections for 2026, depending on the degree of damage suffered in energy and transportation infrastructure as well as the dependence on the Strait of Hormuz and availability of alternative export routes. The contraction of GDP growth for 2026 is therefore more pronounced for *Bahrain*, *Iran*, *Iraq*, *Kuwait*, and *Qatar* and less significant for *Oman*, *Saudi Arabia*, and the *United Arab Emirates*. For all these economies, growth in 2027 is expected to rebound, based on the assumption that energy production and transportation are normalized over the next few months—an assumption that may need to be revised if the duration of the conflict extends and the degree of damage suffered gets reassessed. Growth in *Iran* in 2026 is revised downward by 7.2 percentage points, relative to January, to –6.1 percent, while that for 2027 is revised upward by 1.6 percentage points to 3.2 percent. In *Saudi Arabia*, the growth forecast for 2026 is revised downward by 1.4 percentage point relative to January, to 3.1 percent, and that for 2027 is revised upward by 0.9 percentage point, to 4.5 percent . For commodity importers in the Middle East and North Africa, the terms-of-trade shock from higher commodity prices contributes to a somewhat modest downward revision of growth projections in 2026 and 2027, with some differentiation as a result of varying exposures to imports of energy, energy derivatives, and food items, as well as different economic trajectories before the conflict erupted. In *Egypt*, growth is projected to slow to 4.2 percent in 2026 and recover to 4.8 percent in 2027, a cumulative downward revision of 1.1 percentage points. For Caucasus and Central Asia countries, the growth momentum experienced over the past few years is expected to continue, with aggregate GDP growth for the group revised upward in 2026 and 2027, by a cumulative 0.3 percentage point.
- Growth in *sub-Saharan Africa* is expected to be relatively stable at 4.3 percent in 2026 and 4.4 percent in 2027. This masks variation across countries, with some in the region—particularly oil-importing non-resource-intensive countries—adversely affected by the Middle East conflict. Key economies continue to benefit from past macroeconomic stabilization and reform efforts. In *Nigeria*, growth momentum is sustained at 4.1 percent in 2026, supported by improved macroeconomic stability and positive terms-of-trade effects, while higher goods

and transport costs are headwinds. Growth is expected to strengthen in 2027 to 4.3 percent as these headwinds ease. In *South Africa*, the disruptions from the Middle East conflict are projected to slow growth slightly to 1.0 percent in 2026. The economy is expected to bounce back in 2027, growing at 1.3 percent, supported by a gradual resumption of structural-reform-driven private investment as disruptions from the conflict subside. Growth in other countries in the region as a whole is expected to decline from 5.6 percent in 2025 to 5.2 percent in both 2026 and 2027, revised downward relative to January by a cumulative 0.6 percentage point.

- In *Latin America and the Caribbean*, growth is projected to remain broadly stable at 2.3 percent in 2026 and pick up to 2.7 percent in 2027. The impact from the conflict in the Middle East within the region is heterogeneous, with smaller economies affected more negatively. In *Brazil*, growth is projected to moderate to 1.9 percent in 2026, unchanged from October, and 2.0 percent in 2027. The war is expected to have a small net positive effect in 2026, as a result of the country being a net energy exporter, boosting growth by about 0.2 percentage point. In 2027, slowing global demand, higher input costs (including of fertilizers), and tighter financial conditions are expected to dominate, reducing growth by approximately 0.3 percentage point, compared with the projection in January. Adequate international reserves, low reliance on foreign-currency debt, large government cash buffers, and a flexible exchange rate are expected to help the country weather the shock. In *Mexico*, weaker growth in 2025 amid fiscal consolidation, restrictive monetary policy, and headwinds from trade tensions is expected to give way to a mild recovery, with the economy expanding at a rate of 1.6 percent in 2026 and 2.2 percent in 2027.

- In *emerging and developing Europe*, a sharp slowdown in 2025 to a growth rate of 2.0 percent is expected to reverse only slightly, with economies in the region expanding at an average rate of 2.0 percent in 2026 and 2.1 percent in 2027. In *Russia*, higher commodity prices are projected to drive the 0.3 percentage point upward revision of 2026 growth relative to January, to 1.1 percent, with the momentum continuing to register another 1.1 percent growth rate in 2027. In *Türkiye*, expected growth is revised downward by 0.8 percentage point for 2026 to 3.4 percent relative to the figure in the January 2026 WEO, as 2025 growth was weaker than expected and higher oil and gas prices weigh on activity.

Figure 1.10. Global Inflation
(Percent)



Sources: Haver Analytics; and IMF staff calculations.
Note: Panel 1 shows the average inflation across 27 countries for which data are available. All numbers are simple averages. Panel 2 shows the share of country-level inflation variation not explained by global inflation, proxied by the first principal component of inflation across 27 countries, computed in a rolling two-year window.

Inflation Forecast

Global inflation is projected to pause its decline, with headline inflation increasing from 4.1 percent in 2025 to 4.4 percent in 2026 before falling back to 3.7 percent in 2027. This is a 0.7 percentage point upward revision for 2026 from the figure in

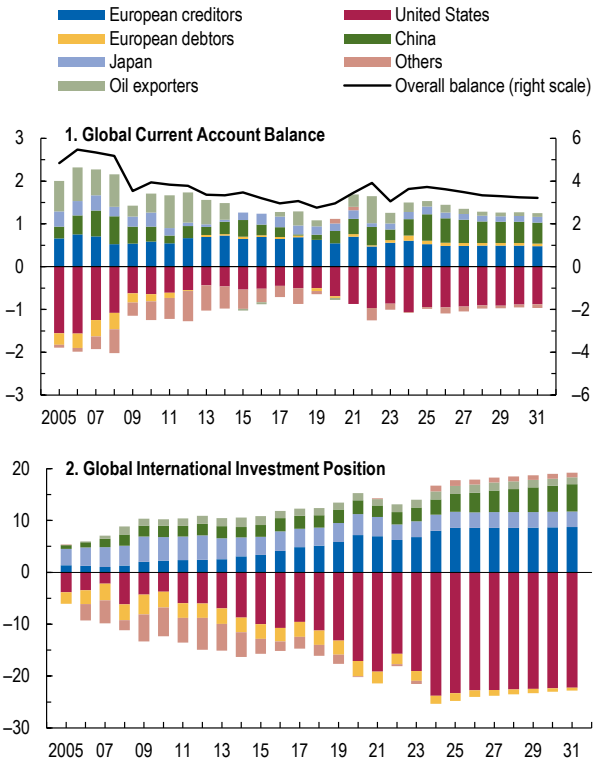
the October 2025 WEO, reflecting expected higher energy and food prices. There is divergence across countries, shaped by the stubborn dynamics in services inflation—which tends to have a larger domestic component—and the increasing share of inflation explained by country-specific factors (Figure 1.10). Gradual pass-through from higher tariffs and limited pass-through of higher energy prices along with gradually moderating services inflation amid a broadly balanced labor market mean that US core inflation is projected to return to the country's 2 percent target during 2027. Sustained strong productivity growth slowly converging back to historical norms will provide support for supply-driven disinflation. In the United Kingdom, inflation, which in 2025 increased partly because of one-off changes in regulated prices, is expected to pick up again temporarily toward 4 percent before returning to target by the end of 2027 as the effects of higher energy prices fade and a weakening labor market continues to exert downward pressure on wage growth. In Japan, inflation is expected to moderate in 2026, relative to the outturn in 2025, and converge toward the country's target by the end of 2027 as food and commodity prices ease. In the euro area, headline inflation is projected to increase temporarily to above 2 percent in 2026 and remain above target in 2027. Core inflation is expected to increase more modestly but stay above 2 percent until 2028. Inflation in China is projected to start rising from low levels, whereas inflation in India is expected to return to near target levels after subdued food prices drove a marked decline in 2025.

World Trade Outlook and Global Imbalances

World trade volume growth is expected to decline from 5.1 percent in 2025 to 2.8 percent in 2026 and increase to 3.8 percent in 2027. These dynamics reflect front-loading early on and the impact of tariffs mitigated by adjustments in trade linkages and production chains as time goes by. Exports of both goods and services are projected to decline in percent of world GDP over the forecast horizon, with the decline in services trade being much less pronounced. This reflects the stronger underlying trend growth and greater resilience to rising risks in services trade compared with that in goods trade (see Box 1.2).

Over the medium term, global imbalances are expected to decline only modestly. Expansionary fiscal packages in some economies with current account surpluses are expected to contribute to this cyclical decline (Figure 1.11). Countering this is a technology-driven business investment surge,

Figure 1.11. Current Account and International Investment Positions
(Percent of global GDP)



Source: IMF staff calculations.
Note: "European creditors" are Austria, Belgium, Denmark, Finland, Germany, Italy, Luxembourg, The Netherlands, Norway, Slovenia, Sweden, and Switzerland. "European debtors" are Cyprus, Greece, Ireland, Portugal, and Spain. "Oil exporters" are Algeria, Azerbaijan, Iran, Kazakhstan, Kuwait, Nigeria, Oman, Qatar, Russia, Saudi Arabia, United Arab Emirates, and Venezuela.

which is expected to continue to attract capital flows to the United States even as investment in technology moderates. Stronger productivity growth in the United States could enhance US competitiveness in technology-related services and improve the country's trade balance. But positive wealth effects that boost domestic demand, together with sustained capital inflows driven by higher returns, would dominate and keep the US current account deficit wider than that observed during the decade preceding the COVID-19 pandemic (also see the discussion of scenario A in Box 1.3). Sustained large fiscal deficits in the United States and China's continued reliance on export-led growth and limited rebalancing to domestic consumption contribute to external imbalances in these two countries.

Medium-Term Outlook

Many countries are facing challenges in lifting medium-term growth prospects, compounded by geoeconomic fragmentation and rising geopolitical risks. Absent decisive policy actions or technological breakthroughs, growth forecasts over the five-year WEO horizon remain mediocre. The global economy is projected to expand at an average annual pace of 3.1 percent in 2028–31, a persistently lackluster performance compared with the prepandemic (2000–19) historical average of 3.7 percent. This pace of growth reflects primarily the slowdown in China's growth, but average annual growth is also expected to slow in several other major Asian economies, the Middle East and Central Asia, and sub-Saharan Africa, as well as in North America and Europe.

Policy-driven reversal of global economic integration and a more volatile international economic environment are expected to hurt the potential of the world economy through multiple interconnected channels (Aiyar and others 2023). First, the catalyst role that international trade played for cross-country income convergence—helping lift large numbers of people out of poverty in the developing world—is expected to be reduced. Second, many tangible benefits that international migration brought to source and destination countries alike are likely to decline with more limited migration flows. This would have particularly adverse implications for poverty reduction and macroeconomic stability in remittance-dependent countries. Third, capital flows, including foreign direct investment, may decrease as firms weigh the costs and benefits under greater uncertainty. All in all, increased barriers to movement of goods and services, investment, and people may reduce technological diffusion, the flow of ideas, and innovation. Estimates of long-term global GDP losses from trade fragmentation alone range between 0.3 percent and 7.0 percent after 10 years (Bolhuis, Chen, and Kett 2023). Crucially, some of these effects may take longer to manifest than the WEO horizon of five years.

Risks to the Outlook: Downside Dominates

Risks are firmly on the downside, with some adverse risks gaining prominence since the January 2026 WEO *Update,* most notably those related to a more protracted conflict in the Middle East. While recent momentum might prove to be stronger than projected if recent tailwinds such as AI-driven activity moderate less than envisioned or financial conditions remain accommodative, such support may also prove short-lived and is likely to be dominated by downside risks from the conflict in the Middle East. Medium-term risks are also more firmly on

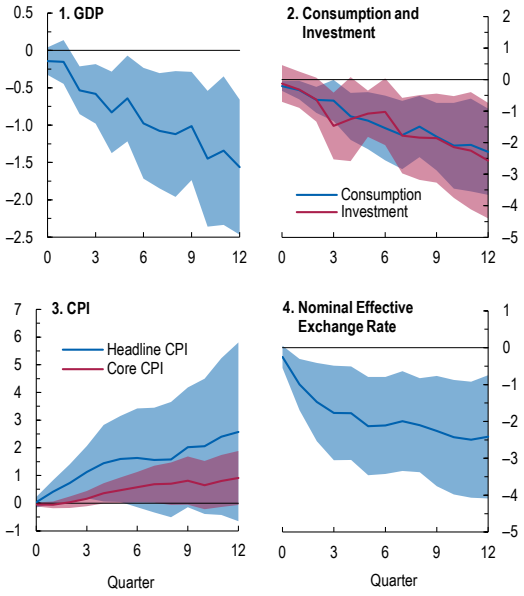
the downside, including a potential misallocation of resources resulting from AI exuberance or a continuation of policies that give rise to real, fiscal, and financial vulnerabilities, potentially amplified through financial market mechanisms.

Downside Risks

Further intensification of conflicts and eruption of domestic political tensions. The current war and geopolitical tensions could intensify further. The effects that are already being felt through volatile commodity prices, disrupted supply chains, and exchange rate depreciation could get worse. Food security could be threatened, with disruptions to fertilizer markets ahead of the planting season leading to substantial food price inflation. Erosion of real incomes and increasing poverty in commodity-importing countries could exacerbate those countries' external imbalances and put those with limited reserves at risk of balance of payments distress and social unrest. Political instability could ensue, with the economic toll of the ongoing conflicts imposing knock-on effects on preexisting domestic political tensions. Sub-Saharan economies may be especially susceptible to such dynamics. An increase in risk aversion or increased frictions in cross-border financial transactions could lead to capital flow reversals and abrupt asset price adjustments, particularly in emerging market economies with weaker policy frameworks as well as smaller fiscal and external buffers (Barrett and others 2021; April 2023 and April 2025 *Global Financial Stability Report*). Surges in military spending could boost economic activity in the short term, but, even when not followed by conflict and war, may distort resource allocation and involve nontrivial macroeconomic trade-offs (see Chapter 2). If conflict breaks out, direct losses—human casualties and destruction of physical capital—are likely to dominate other channels (see Chapter 3).

The severe scenario discussed earlier in the chapter indicates that a more pronounced conflict could result in a major energy crisis, with a significant effect on global output. More generally, the direct macroeconomic effects of country-specific geopolitical risk on the domestic economy can be sizable, even though episodes of elevated risk tend to be relatively short-lived, with a half-life of about two quarters. A one-standard-deviation increase in geopolitical risk is associated with a decline in real GDP of about 0.8 percent one year after the initial shock, with the decrease driven by weaker private consumption and investment (Figure 1.12). To give a sense of magnitude, the average geopolitical risk in Europe (calculated across all country-year observations) rose by about 1.2 standard deviations in 2022 following Russia's invasion of Ukraine and remained elevated at about 0.5 standard deviation in 2025. Roughly 10 percent of the estimated GDP impact can be attributed to the direct effect of higher

Figure 1.12. Estimated Impact of Geopolitical Risks
(Percent)



Sources: Caldara and others 2026; and IMF staff calculations.
Note: The analysis uses local projections, controlling for lagged country-specific geopolitical risk and changes in macroeconomic variables, as well as country and time fixed effects. Geopolitical risk is measured based on newspaper archives. See Caldara and others (2026) for details. The country-level data were downloaded from https://www.matteoiacoviello.com/gpr.htm. The lines denote point estimates, and the shaded areas denote 90 percent confidence intervals. CPI = consumer price index.

oil prices, implying that other transmission channels play a much larger role. Increased geopolitical risk is, on average, associated with a level of prices about 2.5 percent higher relative to that in the no-shock baseline three years after the shock. Core inflation rises as well, although more modestly, suggesting that the inflationary impact comes mostly through the impact on commodity prices, as a result of disruptions to global food and energy supply chains. The nominal exchange rate depreciates by about 1.8 percent one year after the shock, which could compound the upward price pressures.

Reevaluation of productivity gains from new technology. Should AI-driven profitability projections turn out to be overly optimistic, real investment in technology sectors could drop sharply. In addition, equity markets—particularly those with high concentrations in technology sectors—could be vulnerable to a sharp repricing (April 2026 *Global Financial Stability Report*). A stock market correction—on top of the adjustment that has already happened in the stock prices of some technology firms—might lead to a slowdown in private consumption growth through negative wealth effects. Spillovers would spread, directly through trade flows, to export-oriented economies specializing in technology products and through a reversal in capital flows and impacts on cross-border portfolio holdings. An associated tightening of global financial conditions would weigh on global activity more broadly (see scenario B in Box 1.3).

Disruption of the fragile balance of current trade policies. More countries could adopt a protectionist posture, in particular if trade diversion and rerouting become disruptive, breaking the pattern of limited retaliation followed so far. Additional tariffs would further weigh on global growth, while sector-specific tariffs—especially if imposed on upstream industries in supply chains—could create supply bottlenecks and have an outsize impact on economic activity and prices. Nontariff measures targeting critical inputs such as rare earth minerals might also disrupt global supply chains (see the Commodity Special Feature). The effects would be amplified if actions trigger retaliatory tariff and nontariff measures.

Repricing of borrowing costs triggered by fiscal vulnerabilities. Public debt is elevated in several major economies, especially those whose currencies and securities are important in international financial markets (see the April 2026 *Fiscal Monitor*). Fiscal sustainability worries in those economies—potentially triggered by the crystallization of other shocks—could not only put pressure on those economies' own borrowing costs but also tighten broader financial conditions and amplify financial market volatility (see scenario B in Box 1.3) and refinancing risk in some high-debt developing economies. Elections are often associated with fiscal slippage (Shi and Svensson 2006), which, as well as raising borrowing costs, risks

Figure 1.13. International Flows to LIDCs
(Billions of US dollars)

Sources: Organisation for Economic Co-operation and Development; World Bank, World Development Indicators; and IMF staff calculations.
Note: Net official development assistance (ODA) is weighted by and shown as percentages of gross national income. LIDCs = low-income developing countries; SSA = sub-Saharan Africa.

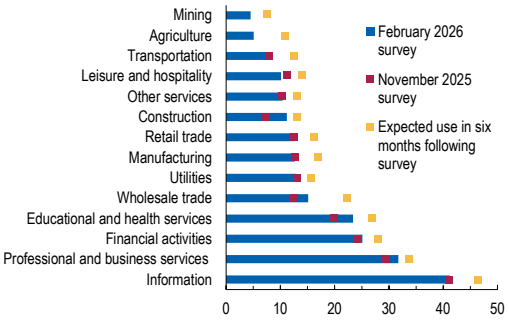
triggering boom-bust growth dynamics. For low-income countries, planned reductions in official development assistance (ODA) pose an additional challenge through, among other things, their effects on health, education, and social protection outcomes. Many recipients in sub-Saharan Africa experienced a gradual decline in ODA as a share of GDP after the global financial crisis. Over the same period, Chinese lending expanded significantly, reflecting multiple factors, yet it has weakened in recent years, with net transfers recently turning negative (Figure 1.13; see also Chapter 2 of the April 2026 *Regional Economic Outlook: Sub-Saharan Africa*).

Erosion of confidence in economic institutions. Intensification of political pressure on independent central banks and other policy institutions can erode hard-won public confidence in their ability to fulfill their mandates and lift inflation expectations (Chapter 2 of the October 2025 WEO). Reanchoring expectations—when it occurs—usually requires a prolonged period of tight monetary policy, with longer-term yields rising because of widening term premiums and higher inflation expectations, ultimately lowering economic growth. Countries may experience persistently higher funding costs and capital outflows if international investors divert investment toward assets that are perceived as safer or more stable.

Upside Risks

Sooner materialization of productivity gains from artificial intelligence. The reference forecast does not include direct effects of AI on productivity, with adoption rates for AI still modest in many sectors (Figure 1.14). But the recent surge in AI-related investment and acceleration in the adoption of AI could substantially increase productivity and boost medium-term growth sooner rather than later, as possibly foretold by the above-trend US productivity growth since 2020. This could lift global growth by as much as 0.3 percentage point in the near term and by 0.1–0.8 percentage point in the medium term (see Box 1.3 of the October 2025 WEO). The benefits could be shared across the economy, provided there are complementary policies to contain the potential impact on energy prices by relaxing power supply constraints, initiatives to scale up the necessary critical intermediate inputs, and labor market programs to manage workforce transitions. In low-income countries, realizing these benefits might require additional efforts to close gaps in energy and digital infrastructure and reduce the concentration of labor in sectors such as agriculture and mining, in which AI-driven productivity gains are likely to be limited.

Figure 1.14. Use of Artificial Intelligence by US firms by Sector
(Percent)



Sources: US Census Bureau, Business Trends and Outlook Survey; and IMF staff calculations.
Note: Sectors are aggregated using gross-value-added shares. Blue bars and red markers show responses to the survey question: "In the last six months, did this business use Artificial Intelligence (AI) in any of the following business functions?" The yellow markers show responses from the February 2026 survey to the question: "During the next six months, do you think this business will be using AI in any of its business functions?" Survey responses for Construction and Mining sectors were not available from the November 2025 survey.

Structural reforms as countries seize the moment. Current challenges and the possibility of transformational technology changes could open a window for structural reform efforts to gain momentum. Accelerated implementation of reforms that upskill the existing labor force, reduce barriers to labor mobility, streamline and rationalize business regulations, reduce internal trade barriers, enhance competition, and promote innovation would make it possible to lift the growth

potential of economies in a lasting manner while enhancing their resilience and capacity to adapt. Scenario C in Box 1.3 suggests that a package of reforms across major economies would lift near-term global growth by more than half a percentage point.

Progress in trade talks and enhanced policy predictability. Tangible progress in trade talks could lower tariffs and support global activity. It could also enhance policy predictability, allowing businesses to plan better and unlock investment plans. The gains to investment and activity could be even larger if cooperation extends beyond tariffs to services trade, foreign direct investment, and international taxation. In this context, efforts to develop or complete new regional trade agreements might help reduce trade costs and facilitate adjustment to recent policy changes, such as the EU's recent trade agreements with India and MERCOSUR. A broad reduction in US tariffs and reduction in uncertainty could lift global growth by 0.6 percentage point (see scenario C in Box 1.3). Incidentally, should US Section 122 tariffs fail to be extended and if no new tariffs are imposed under different statutes, the effective tariff rate would turn out to be lower than is assumed in the reference forecast.

Policies: Addressing the Current Shock, Preparing for the Next

The current hostilities in the Middle East pose immediate policy trade-offs: between fighting inflation and preserving growth and between supporting those affected by the rising cost of living and rebuilding fiscal buffers. Amid frequent global shocks, countries need to calibrate policies to ensure that they not only step up to the moment but also stand up to the next test. There are actions countries can take on their own, some of which can also help increase global stability. Then there are actions that require collective action to reinstate stability in international economic relations.

Getting One's Own House in Order

Preserving Price and Financial Stability

Responding to the commodity price shock. Central banks should be ready to act decisively in line with their mandates. Monetary policy should preserve price stability and be carefully attuned to spillovers from actual inflation to inflation expectations, especially over the medium- to long-term horizon. The transmission of the current war-infused shock to inflation will differ across countries, reflecting varying exposure to commodity markets and the region in which countries are located, the strength of the anchoring of inflation expectations, and the extent of exchange rate depreciation. With the memories of the postpandemic inflation surge still fresh, second-round effects could possibly be larger than they were in 2021–22. At the same time, tightening prematurely could be destabilizing, if financial conditions tighten further—as in the severe scenario presented earlier in the chapter—or consumer and business confidence declines. Reacting strongly to flexible commodity prices, when supply constraints are present only in the related sectors, brings down inflation fast but risks a recession later (Chapter 2 of the October 2024 WEO). Where monetary policy was already properly calibrated before the shock, policymakers may have the option to wait to discern the duration and impact of the shock, also considering that inflation expectations may have shifted by the time the persistence of the shock becomes clear. Where negative demand shocks emerge and activity falls below potential, a reduction in policy rates may be appropriate, but only if risks to price stability remain contained.

In non-inflation-targeting economies, such as those with fixed exchange rate regimes, policymakers may need to rely more heavily on other tools, such as fiscal policy, to manage shocks.

Communicating with impact. Clear, timely, and consistent central bank communication is essential at a time of heightened uncertainty and renewed fear of inflationary pressures. Central banks should articulate their commitment to their mandates, including the resolve not to allow inflation expectations to de-anchor and their determination to tighten policy if incoming data and the evolving balance of risks make it necessary.

Safeguarding independence and credibility. Central bank independence, both legal and operational, is crucial for monetary policy credibility. It helps anchor inflation expectations and protect against fiscal dominance. Credibility that has been built over decades was a crucial factor in bringing inflation down without substantial output losses during the postpandemic inflation surge. But that episode of prolonged above-target inflation has also left the policy credibility of some central banks blemished. That puts an additional premium on avoiding pressures to subordinate monetary policy to fiscal or financial considerations or political objectives. Central banks should be able to maintain a prolonged period of restrictive policy if necessary.

Maintaining a flexible but orderly exchange rate. Exchange rates should generally move flexibly in response to market forces to facilitate macroeconomic adjustment. With the conflict in the Middle East triggering volatility and threatening an abrupt tightening in global financial conditions, foreign exchange movements may become excessive or disorderly, amplifying the impact of higher commodity prices on inflation and financial stability. The IMF's Integrated Policy Framework provides guidance for tailoring country-specific policy responses in instances in which such risk is imminent. In select cases, temporary foreign exchange intervention or targeted capital flow management measures may be warranted, alongside appropriate monetary and fiscal policy stances.

Enhancing prudential oversight. Heightened uncertainty, rising geopolitical risks, and fragilities in asset valuations underscore the need for strong prudential oversight to protect financial stability. In the context of the Middle East conflict and its adverse effects on sovereign risk premiums, financial market volatility, and the stability of financial institutions, countries with significant exposure to the war should devote adequate resources to identifying, quantifying, and managing these risks. Policymakers should be ready to deploy contingency plans against a wide range of shocks and outcomes, including by conducting scenario analysis that contemplates different paths for the hostilities in the Middle East. Macroprudential policies and oversight of nonbank financial institutions should curb risk taking and fiscal-financial linkages. Preserving sufficient monetary and fiscal policy space and maintaining adequate liquidity, capital, and international reserve buffers remain essential.

Upholding Debt Sustainability

Protecting the vulnerable while staying disciplined. The increase in salient prices—such as those for energy and food—has renewed calls for supporting households and firms, as many countries did in the aftermath of Russia's invasion of Ukraine. Fiscal responses to the Middle East conflict should heed the lessons learned from that episode and ideally adhere to first principles of

limiting distortion of price signals and keeping a fiscal and monetary policy mix consistent with price stability. In principle, and under an exceptional set of conditions—that the commodity price shock is temporary, pass-through from headline inflation to core is strong, economic overheating is low, spillovers to global commodity markets are small, and there is available fiscal space—temporary fiscal measures in the form of subsidies, tax cuts, and price caps can help prevent the amplification of large cost-push shocks and smooth inflation. In practice, however, those conditions are difficult to ascertain in real time and, even when they are satisfied, such measures are often regressive, fiscally costly, and politically difficult to roll back. Hence, discretionary fiscal support should typically be avoided. If the cost-of-living squeeze is drastic and some support is unavoidable, as it could very well be if the severe scenario materializes, it should be timely, explicitly temporary, and channeled through tightly targeted transfers to the most vulnerable, with clear sunset clauses and identified offsets through reductions in nonpriority spending or through new revenue measures, particularly where fiscal space is limited. For economies experiencing increased fiscal room—for example, because of windfalls from recent swings in commodity prices—maintaining fiscal discipline is essential to ensure that the gains are used prudently and consistently within a coherent medium-term fiscal framework with debt sustainability at its core.

Replenishing buffers. Rebuilding fiscal buffers is crucial given high public debt levels, eroded fiscal space following a sequence of global shocks, uncertainty surrounding the outcome of the latest conflict, and pressing spending needs. Credible medium-term fiscal consolidation—supported by fiscal transparency and clear communication (April 2026 *Fiscal Monitor*)—should be grounded in realistic assessments of long-term spending pressures while maintaining a focus on growth-friendly adjustment (October 2025 *Fiscal Monitor*). Dependence on financial repression, monetary financing, or benign market sentiment would carry significant macrofinancial risks and should be avoided. Governments should strengthen revenues through base broadening and improved tax administration, enhance spending efficiency, and reorient expenditures toward high-multiplier areas such as infrastructure, skills development, and well-targeted social protection while crowding in private investment. Strong fiscal frameworks, credible fiscal rules, independent fiscal institutions, and prudent debt management practices are central to supporting these efforts. The mix of expenditure rationalization and revenue mobilization should be calibrated to country circumstances. High-debt countries, in particular, might need to limit state-financed services, better target social spending, and explicitly integrate interest payment risks into fiscal planning. In high-debt low-income countries facing refinancing and rollover risks, international cooperation, timely concessional financing, and debt resolution might be needed.

Promoting Medium-Term Growth

Mobilizing labor. Policymakers should seek to raise labor utilization and job creation, which would also help ease macroeconomic trade-offs and support fiscal sustainability. Labor market institutions should promote mobility and increase matching efficiency, supported by measures that help workers reallocate and stay skill-ready for a job market reshaped by AI. Portable benefits across jobs and contract types, together with affordable childcare and parental leave, can raise labor market participation—particularly among women—and smooth income risks during transitions. Pension and retirement systems should support participation and well-being among

older workers through flexibility and actuarially fair incentives, including voluntary part-time work and gradual retirement options (see Chapter 2 of the April 2025 WEO). Migration policies aligned with domestic skill shortages can help alleviate bottlenecks while safeguarding domestic workers (see Chapter 3 of the April 2025 WEO).

Implementing smarter regulation. Reduction of inefficient regulations and constraints through well-targeted and carefully sequenced deregulation can lift impediments to entrepreneurship, investment, and innovation. Efforts should focus on promoting competition, broadening access to finance, and increasing the efficiency of capital allocation to stimulate risk sharing and productivity growth (see Chapter 3 of the April 2024 WEO). These measures, however, must not come at the expense of prudential standards or macrofinancial stability, as premature or uncoordinated reforms could heighten vulnerabilities and trigger destabilizing boom-bust cycles.

Harnessing technological progress. Digitalization and AI can accelerate productivity growth and expand potential output. To fully capture the associated gains, complementary measures are needed, including investments in skills, energy, and digital infrastructure; competitive markets; and robust frameworks for data governance and cybersecurity (Gopinath 2023). Policies that encourage the diffusion and adoption of new technologies should accompany traditional support for research and development, while competition and product market reforms can facilitate the reallocation of resources toward more productive firms. Where trade or technological shocks are concentrated, targeted and time-bound adjustment assistance, including training, relocation support, and wage insurance, is preferable to open-ended protectionist measures.

Fostering energy transition. Adoption of renewable and energy-efficient systems can deliver multiple benefits, supporting economies in facing both the current challenges and longer-term ones. Actions to accelerate energy transition can help contain the impact on energy prices and enhance resilience to future shocks by improving energy security. They can also bring climate change mitigation goals within closer reach and prepare countries for increased risks from climate-change-related extreme weather events.

Addressing domestic imbalances. Taking actions to correct domestic imbalances helps lay a foundation for sustainable growth at home. Incidentally, it also helps on the external front by reducing global imbalances (see the 2025 *External Sector Report;* IMF 2026a). Hence, it is one of those rare cases in which policy actions can deliver on two fronts rather than impose trade-offs. In China, continued progress toward a more consumption-led growth model would help narrow external surpluses. Near-term fiscal support should focus on boosting household consumption and stabilizing the property sector, while medium-term sustainability will require addressing the overhang of local government debt. In the United States, credible fiscal consolidation would help moderate demand pressures and limit associated global spillovers. In the EU, further deepening of the single market, alongside growth-enhancing reforms to stimulate private investment, would support more resilient and sustainable growth.

Restoring Predictable International Economic Rules

Advancing efforts to resolve tensions and promote trade. Clear, transparent, and coherent trade policy frameworks are essential to reduce uncertainty, limit volatility, and anchor expectations. Pragmatic cooperation can be critical for containing adjustment costs and lowering distortive

barriers to trade and investment flows. This includes safeguarding key global commons and updating international rules to reflect structural shifts in the global economy—including a growing share of services—and to align with policies that bolster job growth, the green transition, or supply-chain resilience. Modernization of trade rules should be targeted and proportionate, focusing on clearly identified cross-border spillovers and respecting legitimate prudential objectives. Negotiations at bilateral, regional, and plurilateral levels should aim to reduce frictions, remain open to new participants, and avoid discriminatory provisions that raise barriers to third parties. They should also steer clear of distortive arrangements—such as purchase commitments and quantitative restrictions—that are unlikely to address external imbalances stemming from domestic saving and investment dynamics. Policymakers should also avoid export controls and barriers to cross-border trade that would exacerbate supply disruptions, including those associated with the war in the Middle East.

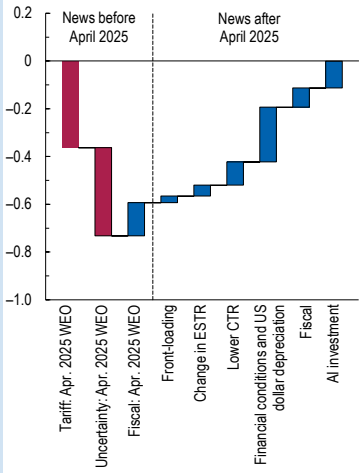
Promoting effective international cooperation. International cooperation will be essential in addressing both the immediate threats from the Middle East conflict and longer-term challenges. In countries facing refugee inflows, integration support should be adequately funded with strong international contributions rather than be left to host countries, which may not have the fiscal space to support it. Access to emergency liquidity, including that provided through IMF facilities, is a crucial backstop against international financial spillovers. For some countries at risk of debt distress, liquidity support will not suffice, and a timely and orderly debt resolution process is the best way to contain the economic fallout. Continued progress in operationalizing international sovereign debt resolution mechanisms—including the Group of Twenty (G20) Common Framework—and greater convergence of practices through the Global Sovereign Debt Roundtable can make necessary restructuring more predictable and less costly.

Box 1.1. Explaining the Resilience of Global Growth in 2025

Higher tariffs and policy uncertainty were projected to have a significant impact on global activity in 2025. In the April 2025 *World Economic Outlook* (WEO) reference forecast—the first WEO projections to incorporate these two factors—global growth was projected to slow by 0.5 percentage point to 2.8 percent in 2025. Eventually, global GDP growth was 3.4 percent in 2025, 0.6 percentage point stronger than expected.

The resilience of global growth reflects not only forecast errors and other unobserved variables, but also a combination of factors that included lower tariffs than announced in early April 2025 and tailwinds such as fiscal policy, financial conditions, and artificial intelligence (AI) investment. While the WEO global growth forecast is the outcome of a bottom-up exercise, simulations conducted using the IMF's Global Integrated Monetary and Fiscal (GIMF) model provide a top-down perspective on what mattered and by how much.

Figure 1.1.1. News in 2025 and World GDP Growth
(Percent)



Source: IMF staff calculations.
Note: AI = artificial intelligence; CTR = collected tariff rate; ESTR = effective statutory tariff rate; WEO = *World Economic Outlook*.

Headwinds as Projected in April 2025

The April 2025 WEO reference forecast was based on information available up to April 4, 2025. It incorporated a rise in the statutory US tariff rate to about 25 percent, alongside countermeasures from Canada and China. Trade policy uncertainty had also increased markedly, contributing to weaker investment incentives and tighter financial conditions. These were only partly offset by fiscal stimulus announced in China and Germany. Taken together, these factors reduced global growth by 0.6 percentage point in 2025, close to the downward revision in the April 2025 WEO (Figure 1.1.1).

Tailwinds since April 2025

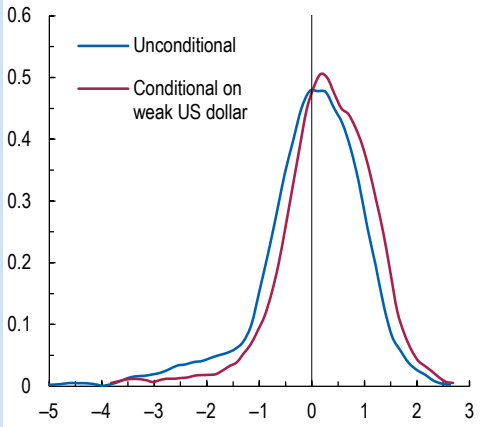
Reduced impact of tariffs. US firms and households *front-loading* foreign goods purchases in early 2025 in anticipation of higher tariffs and prices provided a small temporary boost to activity in some economies. The *effective statutory tariff rate was reduced* to about 18 percent by the end of the year, reflecting bilateral trade agreements and the introduction of exemptions. Countermeasures by trading partners were also scaled back. The actual *collected tariff rate* has been persistently below the effective statutory tariff rate (Gopinath and Neiman 2026) and was about half the announced rate in December 2025. While the gap may partly reflect shipment lags, which ought to dissipate, other factors such as greater use of preferential trade agreements and shifts in the composition of imports may prove more persistent and reflect the adaptability of the private sector.

The author of this box is Chris Jackson.

Box 1.1 (continued)

Accommodative financial conditions. Despite an initial tightening in April, financial conditions eased over the remainder of 2025: Equity prices rose while sovereign spreads narrowed in many emerging markets. This may have reflected some abatement of the uncertainty shock and improved risk sentiment, including that around AI. The US dollar depreciated by 6 percent between April 1 and the end of December, in contrast to the appreciation typically expected after a persistent increase in US tariffs. While the sources of this depreciation—including an increased risk premium on the US dollar and hedging demand—may have reflected medium-term risks, it provided near-term monetary policy space and strengthened balance sheets in emerging market and developing economies (Juselius, Wooldridge, and Xia 2025) and boosted competitiveness in economies with currencies pegged or closely linked to the US dollar. Historically, a weaker US dollar is associated with stronger GDP growth in emerging markets (Figure 1.1.2).

Figure 1.1.2. Correlation between US Dollar and Emerging Market Growth
(Density)



Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: "Weak US dollar" is defined as a depreciation of at least 5 percent in Bloomberg's US dollar index (USDX) during 2020, with GDP growth measured as the one-year-ahead outcome following the depreciation. Both unconditional and conditional series are estimated over 1990–2025. The density functions are computed using the Epanechnikov kernel method.

Fiscal support. In addition to the major fiscal packages incorporated in the April 2025 WEO, the United States passed the One Big Beautiful Bill Act in July 2025, which also renewed expiring provisions in the 2017 Tax Cuts and Jobs Act, providing support to activity in 2025.

Investment in artificial intelligence. Technology investment, related to AI, added an estimated 0.5 percentage point to US GDP growth in 2025. The import-intensive nature of this investment implied large spillovers to some parts of the world, notably Asia. The estimates of the boost from AI since April 2025 do not include an impact on general productivity from the adoption of AI by other businesses.

Tallying the Net Effect

Together, these factors added an estimated 0.6 percentage point to global growth in 2025, close to the upward revision in the latest forecasts compared with those in the April 2025 WEO. About a quarter of the gain came from a lower-than-expected impact of tariffs, while the remainder came from other tailwinds. These factors offset the headwinds incorporated in the April 2025 WEO, with the total impact close to zero. This is somewhat below the upward revision of 0.2 percentage point to the growth forecast compared with that in the October 2024 WEO, suggesting that, alongside these factors (and the usual errors and other unobserved variables that typically explain the divergence of actual outcomes from forecasts), there may be other country-specific factors at play.

Box 1.1 (continued)

A Revival in US Productivity?

In the United States, acceleration in productivity growth since the pandemic is an additional factor that could explain the positive growth surprises. Growth in output per hour worked has shown strength both relative to that in other economies (Chapter 1 of the April 2025 WEO) and relative to its own history (Jefferson 2026), averaging 2.2 percent every year since 2020 compared with a 1.5 percent annual pace over the previous business cycle (2009–19).

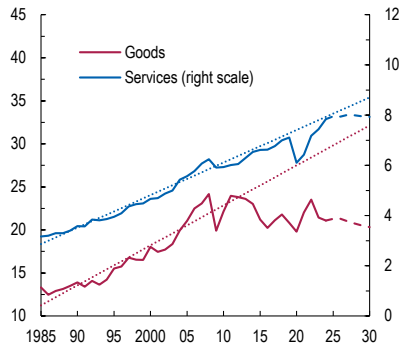
While some of this strength may reflect one-off factors, other drivers may signal longer-lasting, structural shifts (Cline, Kahn, and Rich 2025). Investment in labor-saving technologies during pandemic-era labor shortages, as well as reallocation of labor across sectors and increased flexibility to work remotely, may have brought efficiency gains. The surge in new business formation during the pandemic may have changed the composition of businesses toward more innovative and more productive types and bolstered competition (Dao and Platzer 2024). Fiscal policy over the past few years has supported investment in infrastructure and increased tax incentives for private investment. Measurement challenges associated with a concept that is not directly observable aside, compositional issues such as removal of lower-wage workers from the workforce—along with temporary cyclical effects such as increased capacity utilization—could generate noise and significant revisions to past data (Fernald and Li 2024; Gimbel 2026). It may be too early, though, for the benefits of AI adoption to show up materially in the data. While AI adoption indeed correlates with faster productivity growth across sectors, it explains little of the aggregate gain in productivity (Çakır Melek and Miller 2026). AI may not be the major force behind stronger productivity growth yet—and is not part of the reference forecast—but may become so in the future as adoption of AI among sectors broadens.

1

Box 1.2. Services Trade: An Emerging Engine for Global Growth

The growth of trade in services has outstripped that of trade in goods during recent decades. Between 1985 and 2024, services exports as a share of world GDP expanded by 150 percent, compared with 60 percent for exports of goods, defying the post-2008 "slowbalization" in goods trade (Figure 1.2.1). While goods still account for more than 70 percent of global trade, structural forces could push services trade higher in the years ahead.

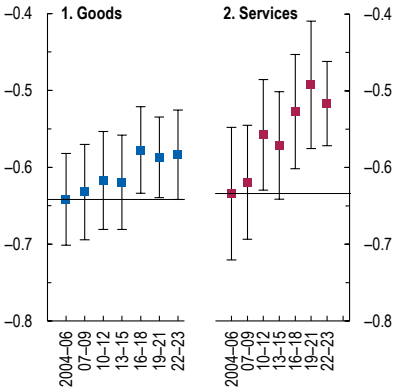
Figure 1.2.1. World Exports
(Percent of world GDP; dotted = pre-GFC trend; dashed = April 2026 WEO reference forecast)



Source: IMF staff calculations.
Note: Dotted lines represent respective linear trends based on 1985–2008 data prior to the global financial crisis (GFC). Dashed lines 2025 and on represent April 2026 WEO reference forecasts. WEO = *World Economic Outlook*.

For one, geography is becoming less of a barrier to services trade. Despite improvements in transportation technologies, distance remains a powerful force in shaping goods trade (Disdier and Head 2008). A simple gravity model—regressing bilateral trade on market size and distance—explains about 63 percent of the variation in goods trade patterns in 2019, a percentage comparable to that for the early 2000s. While services trade remains harder to measure than goods trade, evidence from a new research dataset tells a different story for services (Figure 1.2.2). In the early 2000s, a 1 percent increase in geographic distance was associated with a 0.63 percent decline in bilateral trade—the same as for goods. This had fallen to 0.52 percent in 2022–23.

Figure 1.2.2. Impact of Geographic Distance on Bilateral Trade
(Percent)



Sources: Centre d'Études Prospectives et d'Informations Internationales; and IMF staff calculations.
Note: Based on repeated cross-sectional estimations of a structural gravity model with standard controls and importer and exporter fixed effects. Horizontal lines reflect the values in 2004–06 for each panel. Whiskers reflect 95 percent confidence bands. "Geographic distance" is the weighted average distance between trade partners' most populous cities. See Li and others (2025) for details.

Two forces are driving this change. First, the composition of services trade has shifted dramatically. Transportation and travel once dominated—both tightly bound to the physical movement of goods and people—but their share fell from about 70 percent in 2000 to less than 40 percent in 2023. Most recent growth has come from "modern services"—primarily financial, information technology (IT), and business services in broadly equal measure. These modern services are less constrained by distance. Second, advancements in information and communications technology, accelerated by the pandemic, have made previously nontradable services tradable (Baldwin 2016). Digital platforms, cloud computing, and remote delivery have reduced the need for proximity of suppliers and consumers and fundamentally altered what can be supplied across borders.

Services trade has also proved resilient to rising geopolitical tensions. Geopolitical distance

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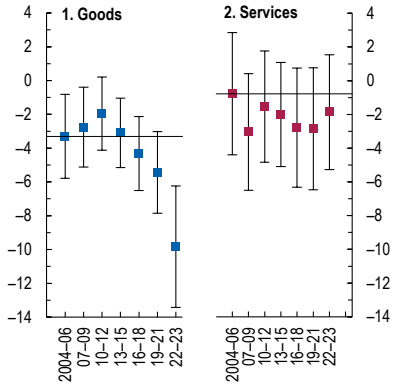
The authors of this box are Nan Li and Robert Zymek.

Box 1.2 (continued)

between countries—measured by the degree of their disagreement in UN General Assembly voting—adversely affects their bilateral goods trade intensity, and this effect has intensified since 2016 (Figure 1.2.3). There is no similar trend for services trade. While some modern services—most notably IT and intellectual property licensing—show some sensitivity to geopolitical alignment, aggregate services trade remains largely unaffected, possibly because it is harder to target services trade with traditional protection tools such as tariffs, quotas, and import bans.

Figure 1.2.3. Impact of Geopolitical Distance on Bilateral Trade
(Percent)



Sources: Centre d'Études Prospectives et d'Informations Internationales; and IMF staff calculations.
Note: Based on a panel estimation of a structural gravity model with standard controls; importer-time, exporter-time, and importer-exporter fixed effects; and a time-varying coefficient on geopolitical distance. Horizontal lines reflect the values in 2004–06 for each panel. Whiskers reflect 95 percent confidence bands. "Geopolitical distance" is measured as the ideal-point distance between trade partners. See Li and others (2025) for details.

The untapped potential is particularly large for emerging markets. Although services have accounted for two-thirds of GDP growth in these economies over the past three decades, this growth has been domestic rather than export led (Kose and Ohnsorge 2024). The structure of global trade networks illustrates this pattern. While goods trade is dominated by the world's largest economies—the United States, China, Germany, and Japan—with strong geographic clustering, services trade is more concentrated among advanced economies. The United States remains central, but smaller advanced economies such as Ireland and The Netherlands play a larger role than would be expected given their economic size. Meanwhile, emerging markets that are major players in goods trade, such as China, occupy a much smaller position in services trade. This presents both an opportunity and a challenge: Economic size and geography matter less, providing an opening for smaller, distant economies, yet despite some recent growth, many emerging markets remain peripheral to global services flows (Li and others 2025).

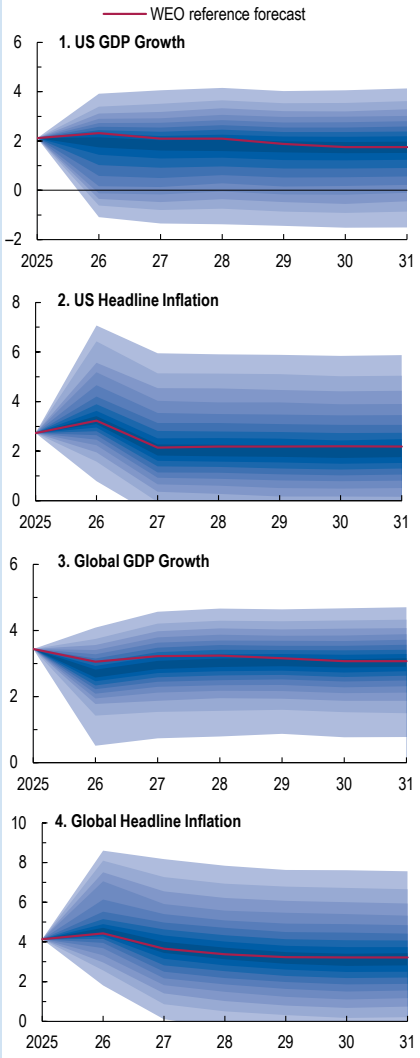
The potential gains from services trade can be substantial. Services exporters are more productive and pay higher wages than nonexporters, offering better jobs (Breinlich and Criscuolo 2011). Firms that export both goods and services outperform those focusing on goods alone (Ariu, Mayneris, and Parenti 2020; Berlingieri, Marcolin, and Ornelas 2025), suggesting that services exports can reinforce manufacturing development. Digital transformation creates leapfrogging opportunities by reducing reliance on traditional physical infrastructure.

Realizing these benefits requires addressing trade barriers. Unlike goods trade, in which tariffs are a major obstacle, services trade faces a range of barriers relating to infrastructure, skills, and behind-the-border regulatory barriers: restrictions on foreign ownership, licensing requirements, local-presence requirements, and regulatory standards. These regulatory barriers can be eased through multilateral efforts or deeper bilateral and regional integration frameworks. Complementary investments in digital infrastructure, skills development, and regulatory quality can help countries better capture the gains from expanding services trade.

Box 1.3. Risk Assessment Surrounding the Reference Forecast

This box uses the IMF's Group of Twenty (G20) model to derive confidence bands around the *World Economic Outlook* (WEO) reference forecast and the IMF's Global Integrated Monetary and Fiscal (GIMF) model to assess the impact of plausible shocks and policies that are not included in the current reference forecast. Three scenarios are considered: (A) a deepening of the divergent forces currently shaping the outlook; (B) a reversal of the ongoing boom related to artificial intelligence (AI), coupled with a global risk-off episode; and (C) a reform scenario. Scenario A is neutral for activity over the WEO horizon but deepens global imbalances; scenario B is negative for activity but reduces imbalances; and scenario C is positive for activity and reduces imbalances. These scenarios are distinct from and complement the commodity shock scenario presented in the chapter text.

Figure 1.3.1. Forecast Uncertainty around Global Growth and Inflation Projections
(Percent)



Source: IMF staff estimates.
Note: Each shade of blue represents a 5 percentage point probability interval. WEO = *World Economic Outlook*.

Confidence Bands

The G20 model is used to generate distributions around the reference forecast by drawing on shocks recovered from the historical data (Andrle and Hunt 2020). By oversampling years with negative shocks to growth, the distribution is tilted to align with the growth-at-risk assessment presented in the April 2026 *Global Financial Stability Report;* prominence has been given in this exercise to historical oil price episodes of the 1970s.

Panels 1 and 2 in Figure 1.3.1 show the resulting distributions for US growth and headline inflation. The probability that a recession will occur in 2026—corresponding to an annual growth rate below 1 percent, consistent with a relatively mild recession like that in 2001 and starting in the second quarter—is assessed at about 35 percent, somewhat higher than the recession probability estimated in the October 2025 WEO (at 30 percent). The probability that 2026 US headline inflation will rise above 4 percent is considerably higher, about 33 percent, compared with 17 percent in October 2025.

The authors of this box are Jared Bebee, Benjamin Carton, Chris Jackson, Gene Kindberg-Hanlon, Dirk Muir, Rafael Portillo, Pedro Rodriguez, Philippe Wingender, and Rachel Zhang.

Box 1.3 (continued)

Panels 3 and 4 in Figure 1.3.1 show the distributions for global growth and headline inflation. While additional quarterly data should have reduced forecast uncertainty relative to the October assessment, the probability that global growth in 2026 will fall below 2 percent has not changed and remains elevated at 25 percent, reflecting increased risks to activity in the remainder of the year. The probability that 2026 global headline inflation will rise above 5 percent is considerably higher at 38 percent (25 percent). In summary, downside risks to growth and upside risks to inflation have increased relative to October 2025.

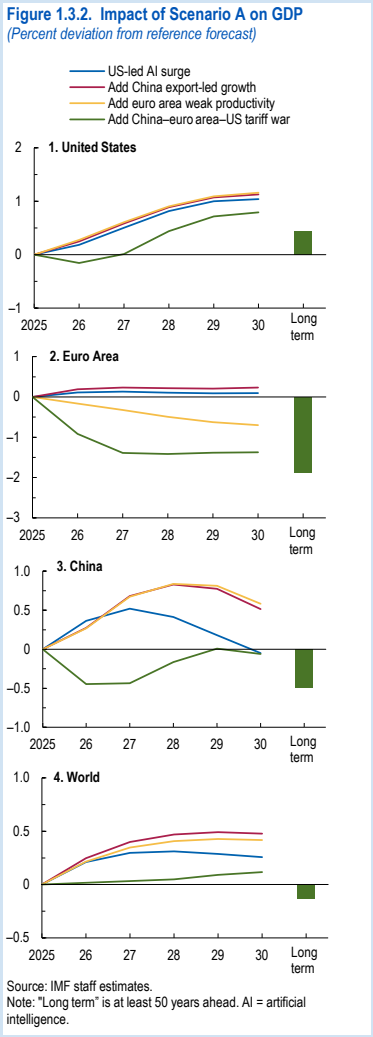


Figure 1.3.2. Impact of Scenario A on GDP
(Percent deviation from reference forecast)

Source: IMF staff estimates.
Note: "Long term" is at least 50 years ahead. AI = artificial intelligence.

Scenarios

The scenarios assume that monetary policy responds endogenously, with floating exchange rates in most regions. In scenarios A and B, China's currency adjustment is limited. In scenario C, the renminbi adjusts flexibly. Automatic stabilizers operate on the fiscal side. Layers whose names are identified with an asterisk in the following discussion are similar to layers considered in either April or October 2025.

Scenario A: The Divide Widens

Adoption of AI in the United States deepens, triggering an additional surge in US business investment to capture higher-than-expected productivity from AI technologies. The surge is concentrated in computing and in infrastructure. Investment rises 5 percent above the reference forecast by 2030 and stays 2 percent higher beyond that. Because many AI-related capital goods are sourced from emerging Asia, the import intensity of US investment increases.

The *unbalanced nature of economic activity in China* becomes more pronounced. The scenario considers a stylized policy mix that incentivizes industrial production but hampers consumption. Subsidies for employment in the tradables sector gradually increase by 4 percent of GDP over the WEO horizon, relative to the reference forecast, offset by lower transfers to households. Subsidies result in a gradual loss of productivity in the tradables sector (0.5 percent).

*Lower productivity in Europe** gets entrenched. Starting in 2026, total factor productivity growth in the euro area picks up less than expected and is 0.1 percentage point lower per year over five years, relative to the reference forecast. Investment-specific productivity growth declines by 0.05 percentage point per year over the same period. Productivity growth returns to the level in the reference forecast after 2030, but the effect on productivity is permanent.

Box 1.3 (continued)

Lackluster growth prospects result in a persistent increase in the private saving rate, by 1 percentage point by 2030.

The above layers trigger a *ratcheting up in tariffs* among China, the euro area, and the United States. Starting in mid-2026, these three regions permanently impose additional tariffs of 20 percentage points on all trade among them.

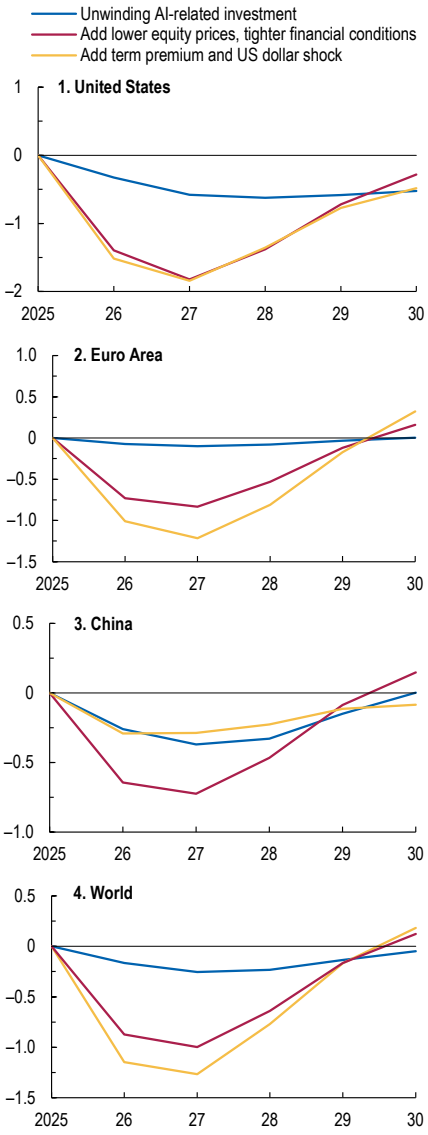
Scenario B: AI Disappoints, Risk Off Ensues

A reappraisal of expected productivity gains from AI leads to a sharp *decline in real investment in the technology sector*. The decline is concentrated in the United States. The fall in total investment, of 3 percent in 2026 relative to the reference forecast, unwinds the recent run-up in technology-related investment. The direct decline in investment elsewhere is more limited, but as in scenario A, the import intensity of investment is higher than usual.

The scenario also includes a layer of *lower asset prices and tighter financial conditions*. Equity prices in the United States fall by 20 percent in 2026, about half the size of the correction after the dot-com bubble burst in the early 2000s. Equities outside the United States fall by 15 percent, given lower exposure to the technology sector. The correction triggers a broader tightening in financial conditions and a loss of risk appetite. Corporate risk premiums temporarily rise by 75 basis points in the United States, 50 basis points in other advanced economies and China, and 75–100 basis points in other emerging markets.

The reduced risk appetite spills over to sovereign bond markets, leading to a *moderate, temporary increase in term premiums* of 30–50 basis points in advanced economies and 75–100 basis points in emerging markets. Finally, the concentration of the shock in the United States manifests as *less appetite for US assets* and puts downward pressure on the US dollar. These shocks are assumed to fade over the WEO horizon.

Figure 1.3.3. Impact of Scenario B on GDP
(Percent deviation from reference forecast)



Source: IMF staff estimates.
Note: AI = artificial intelligence.

Box 1.3 (continued)

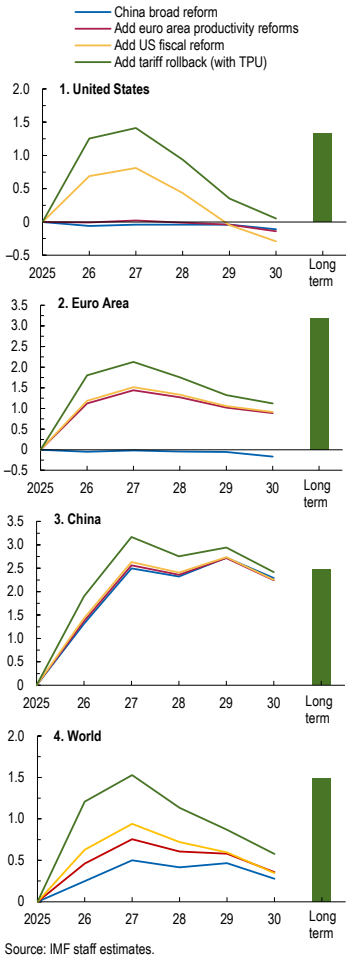
Scenario C: Reforms Reset Economies

In *China*, the reset involves a short-term fiscal expansion of about 0.5 percent of GDP, including higher social spending that elicits a reduction in the saving rate and measures to support residential investment, followed by a gradual consolidation. Industrial policy support is cut in half and coupled with efforts to increase business dynamism, boosting productivity (IMF 2026b).

In the *euro area,** public investment increases relative to the reference forecast. It reaches 1 percent of GDP by 2027, stays at that level until 2030, and remains permanently higher by 0.4 percent after that. Over the WEO horizon, about two-thirds of the surge in spending is financed by higher deficits. From 2030 onward, there is a reallocation of existing spending, such that debt ratios gradually return to their level in the reference forecast. Further progress toward the Capital Market Union results in a permanent reduction in corporate financing costs of 25 basis points.

The *United States** embarks on fiscal reforms to reduce inefficiencies from poorly targeted tax expenditures, shifts from labor to consumption taxes, and contains health care costs. Government consumption is also permanently reduced. Increases in fiscal sustainability lead to a reduction in the term premium of 50 basis points starting in 2026. The overall fiscal deficit gradually decreases by 1 percent of GDP after five years.

Figure 1.3.4. Impact of Scenario C on GDP
(Percent deviation from reference forecast)



Source: IMF staff estimates.
Note: "Long term" is at least 50 years ahead. TPU = trade policy uncertainty.

*Trade policies** also reset. Tariffs imposed since January 2025 are permanently removed, reducing effective tariff rates on US imports by about 10 percentage points relative to the reference forecast. Trading partners also remove tariffs on US exports, with US exports to China seeing a decrease in effective tariff rates of about 10 percentage points. Greater predictability in trade arrangements reduces uncertainty relative to the reference forecast. The reduction is about the absolute size of the spike observed in 2018–19 in the global economic policy uncertainty measure in Davis (2016).

Impact on the World Economy

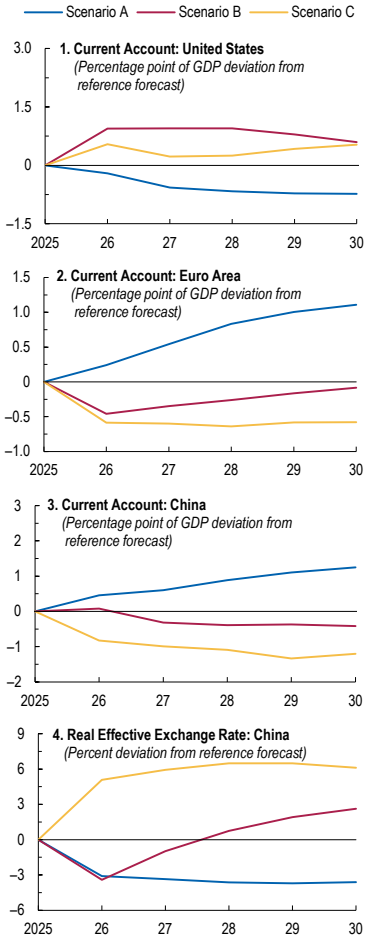
Figures 1.3.2, 1.3.3, and 1.3.4 present the effects, for scenarios A, B, and C, on the level of GDP during 2026–30 for China, the United States, the euro area, and the world. Figure 1.3.5 shows the effects of the scenarios on the current account balances of the three regions and on China's real effective exchange rate.

Box 1.3 (continued)

Scenario A

The *AI-driven surge* is moderately expansionary for the United States. GDP increases by 0.2 percent relative to the reference forecast in 2026 (0.5 percent in 2027). US investment increases by 2–4 percent in 2026–27, but a large part of the impulse goes to imports (2–3 percent). Higher absorption widens the US current account deficit; the dollar depreciates in real and nominal terms (about 3 percent). US inflation rises modestly, by 10–20 basis points. The increase in the federal funds rate is therefore small, less than 25 basis points by 2027. International spillovers are positive, with global output rising by 0.3 percent in 2026–27. Emerging Asia, as the direct recipient of much of the surge in US imports, experiences an increase in output of 0.3–0.4 percent. China also benefits in the short term, through supply chain linkages with the rest of Asia and because the management of the exchange rate with respect to the dollar implies that the renminbi depreciates in real terms.

Figure 1.3.5. Impact of Scenarios on Current Accounts and Exchange Rates in the United States, China, and the Euro Area



Source: IMF staff estimates.

Unbalanced activity in China translates into modest GDP gains, 0.5 percent by 2030, relative to the reference forecast. The policy mix widens imbalances in the tradables sector and the economy more broadly, as it reduces production costs but also constrains domestic demand. Export prices gradually fall, contributing to a decrease in China's terms of trade of 5 percent by 2030. Inflation declines, by 40 basis points by 2028, and the renminbi depreciates in real terms. Real exports increase, reaching 5.5 percent above the reference forecast by 2030, while imports decrease by 3 percent. The boost to activity is limited by the (small) decline in productivity and by subdued domestic demand. The latter is also reflected in an increase in the private saving rate, by 1 percent of GDP. China's current account surplus increases by a similar amount (from this layer alone). Spillovers to other regions are slightly positive but very small. Some manufacturing sectors outside China are negatively affected, while others benefit from cheaper intermediate goods. Investment in the rest of the world benefits from a small reduction in global real interest rates (less than 10 basis points).

Lower productivity in Europe reduces the region's GDP by 1 percent by 2030. Investment and consumption decline by 1.5 and 3 percent, respectively, over the same period. The impact on inflation and monetary policy is limited since demand falls in lockstep with potential. The euro area's current account surplus increases by 0.7 percent of GDP. International spillovers are limited.

Box 1.3 (continued)

The *tariff ratcheting* layer reduces global activity but does not affect imbalances. The impact on activity is largest for China and the euro area, about 0.75 percent in 2026; US GDP declines by 0.4 percent. Regions not directly tariffed benefit in the short term through trade diversion, but the medium- to long-term impact is uniformly negative across countries. Effects also build over time through lower capital accumulation. Tariffs reduce global output by 0.2 percent in 2026 and 0.7 percent in the long term. The impact on current accounts is negligible. Inflation in tariffed countries increases by 10–20 basis points in 2026–27, but disinflationary pressures dominate after 2027 and are most evident in China.

The *combined effect* from the scenario is clearly negative for the euro area, mildly negative for China, and mildly positive for the United States. While the impact on global activity is broadly neutral, the impact on imbalances is large. Current account surpluses in the euro area and China widen further. The United States experiences an equally large increase in its current account deficit.

Scenario B

The *AI correction* causes a decrease in US investment of 3–4 percent in 2026–27. Greater import intensity mitigates the direct impact on the United States somewhat, with GDP decreasing by 0.3 percent in 2026 and 0.6 percent in 2027, relative to the reference forecast. Activity in Asia (China, Japan, and emerging Asia) decreases by 0.2–0.4 percent of GDP, and global output decreases by 0.2–0.3 percent, in 2026–27.

The *correction in asset prices and tightening in financial conditions* amplify the shock. Wealth effects from lower asset prices lead to a decrease in US consumption of 1 percent of GDP in 2026. Effects on consumption in other countries are substantial, between 0.5–0.7 percent. The hit to investment is amplified by lower asset prices and higher corporate spreads. Global investment declines by about 1.5 percent, with the United States and emerging markets experiencing larger declines. This layer subtracts 0.6–0.7 percent from global output in 2026–27.

Additional *spillovers to sovereign bond markets and US asset demand* are shown together in Figure 1.3.3 but have different effects across countries. Higher term premiums subtract 0.3 percent from global GDP in 2026. Lower demand for US assets is instead globally neutral. It leads to a depreciation of the US dollar by 6 percent in nominal effective terms, supporting external demand for US exports but also adding to the tightening in US financial conditions. The positive effect of net exports slightly dominates for US GDP. China benefits from the depreciation of the US dollar through the management of its exchange rate. Other regions experience a decrease in GDP from lower external demand.

The *combined effect* from the scenario is a large decrease in US GDP, of 1.5 percent in 2026, relative to the reference forecast. Activity in the euro area declines by 1 percent, while the impact on China is milder (0.3 percent). Global activity is 1.2 percent lower. US inflation and policy rates are lower than those in the reference forecast, notwithstanding the depreciation of the US dollar. Finally, global imbalances are reduced over the WEO horizon. As the US

Box 1.3 (continued)

experiences a larger shock than other regions, and demand for US assets decreases, the US current account balance increases (its deficit decreases) by about 1 percent of GDP. The current account surpluses in China and the euro area decrease; in China, the immediate impact is mitigated by the temporary real depreciation of the renminbi (Figure 1.3.3).

Scenario C

The *reforms in China* lower the private saving rate by 2 percent, boosting private consumption; help rekindle residential investment over 2026–28; and raise long-term productivity and potential output by close to 2 percent. China's GDP increases by 1–2 percent over the WEO horizon, with domestic demand providing a boost to inflation (0.7 percent during 2027–30). The current account surplus decreases by 1.5 percent of GDP from this layer alone. A permanently lower saving rate reduces China's demand for foreign assets and, under exchange rate flexibility, accounts for the real appreciation of the renminbi in the scenario (Figure 1.3.5).

Euro area reforms raise GDP by 1–1.4 percent in 2026–27. Inflation increases by close to 30 basis points over the WEO horizon, with the policy rate increasing by 60 basis points over the same period. The buildup in public capital raises productivity and potential output. Spillovers to other regions are positive but small, and the region's current account surplus decreases.

US fiscal reforms reduce US public debt by 25 percent of GDP over the long term, increasing fiscal sustainability. The combination of growth-friendly measures and lower premiums lifts GDP by 0.7 percent in 2026–27. Inflation net of tax effects is slightly higher, as are policy rates. Lower fiscal deficits contribute to a decrease in the US current account balance.

Tariff rollback and reduced uncertainty raise global GDP by 0.6 percent in 2026, with effects broadly similar across countries. The *combined effect* of scenario C is an increase in global output of 1.2 percent by 2026 (1.5 percent in the long term) and a reduction in global imbalances.

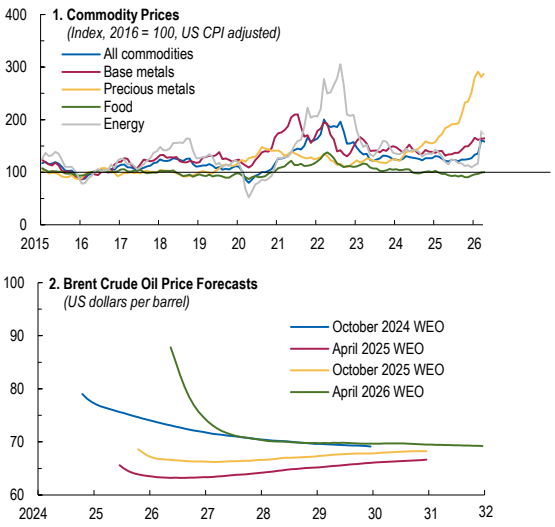
Commodity Special Feature: Market Developments and the Economics of Rare Earths

Compared with the October 2025 World Economic Outlook (WEO), the projections for commodity prices have been revised sharply upward. The military conflict in the Middle East has upended the outlook for energy and food as higher oil and gas prices increase the cost of fuels, petrochemicals, and fertilizers. Uncertainty surrounding the outlook for commodity prices remains very high, with risks tilted to the upside. A longer conflict than assumed in the WEO reference forecast would delay and substantially complicate the restoration of oil and gas production and exports to preconflict levels. At the same time, gold and other precious metal prices have retreated from their preconflict peaks. Despite elevated geopolitical uncertainty, retail investor profit taking—amid upward revisions to interest rate expectations and a stronger dollar—has reversed the near-parabolic gains recorded in the first two months of the year. Supply disruptions have driven base metal prices higher in markets already strained by strong demand and limited supply. Food prices have also increased as cereal prices have rebounded from historical lows, mainly as a result of growing weather concerns in large producing regions. Should the conflict linger on, higher transport and fertilizer prices, together with higher demand for biofuel feedstocks, could drive food prices higher. This Special Feature also examines the global implications of shortages in rare earth element markets, showing that such shortages could impose sizable GDP losses on importing countries. Avoiding trade tensions and restrictions remains the first-best outcome to promote a steady supply; de-risking supply chains through targeted industrial policies is fiscally costly, although less so if pursued simultaneously by various importers.

Commodity Market Developments

Oil prices increased 57.6 percent between August 2025 and March 2026 to $105.8 per barrel as a result of the military conflict in the Middle East. Oil prices spiked in March as oil shipments through the Strait of Hormuz—a critical choke point with few alternatives for rerouting—stopped, curtailing about 8.5 million barrels per day (mb/d) of crude oil exports. Usually, about 20 mb/d of oil, equivalent to 20 percent of daily global oil consumption, flow daily through the strait, of which 15 mb/d is crude oil. Major oil-producing facilities were also shut down as a precaution or as storage ran out or was damaged. Global strategic and commercial inventories, standing at a five-year high of 8 billion barrels, offer only a partial buffer.

Figure 1.SF.1. Commodity Market Developments



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Primary Commodity Price System; International Energy Agency; and IMF staff calculations.
Note: In panel 1, latest actual CPI value is applied to forecasts, represented by the dashed portions of the graph lines. In panel 2, expiration dates are on the *x*-axis. CPI = consumer price index; WEO = *World Economic Outlook*.

The contributors to this Special Feature are Christian Bogmans (co-lead), Patricia Gomez-Gonzalez, Jorge Miranda Pinto, Jean-Marc Natal (team lead), and Andrea Paloschi, with research assistance from Francis Cuadros Bloch, Maximiliano Jerez Osses, and Joseph Moussa. The Special Feature is based on Bogmans, Cuadros Bloch, and others (forthcoming) and Bogmans, Jerez-Osses, and others (forthcoming).

After reaching a peak of $119 on March 10, Brent prices retreated following first communication by the US administration that it expected the conflict to be short-lived and then the announcement of a ceasefire. The situation remains fluid and uncertainty is high. The futures curve is in steep backwardation (higher spot prices than futures prices), indicating supply disruptions and elevated geopolitical risk (Figure 1.SF.1, panel 2). If the conflict drags on, prospects of quickly restoring maritime transit and energy production to prewar levels diminish, with obvious ripple effects on refined product prices.

Middle East supply disruptions put upward pressure on European and Asian natural gas prices. Title Transfer Facility (TTF) trading hub prices in Europe rose by 61 percent between August 2025 and March 2026, peaking at $17.7 per million British thermal units (MMBtu). Asian liquefied natural gas (LNG) prices surged to $20.8 per MMBtu—an 80.6 percent increase since August 2025—as more than three-quarters of global LNG shipments through the strait (a fifth of global seaborne LNG) are destined for Asia. Prospects for a quick recovery of gas production and exports after the conflict have dimmed dramatically following strikes on the Iranian South Pars gas field, which prompted retaliatory strikes on Persian Gulf energy facilities, including Qatar's Ras Laffan gas field on March 18. At the same time, US Henry Hub prices rose by only 4.9 percent to $3 per MMBtu, as US LNG exporters are close to capacity, limiting the diversion of domestic gas production to LNG plants. Futures markets for TTF are in steady backwardation, reaching $7.5 per MMBtu through 2031, thanks to an expected doubling of US export capacities by 2027. Henry Hub futures prices are expected to hover around $3.5 per MMBtu through 2031.

Retail traders unwound part of their bets on rising prices for precious metals, while supply disruptions put upward pressure on base metal prices. The IMF's metals price index jumped 36.6 percent between August 2025 and March 2026. Prices for precious metals led the surge, with gold up 44.4 percent and reaching record prices exceeding $5,000 per ounce as investors sought safe haven assets amid rising geopolitical uncertainty and persistent concerns about the dollar. These dynamics pushed demand for exchange-traded funds (ETFs) for gold to record highs, alongside still-robust central bank purchases. Since the onset of the conflict, however, broad-based profit taking across precious metals—amid upward revisions to interest rate expectations and a stronger dollar—has triggered a sharp correction, bringing gold prices back to their levels at the start of the year. At the same time, supply disruptions have led the increase in the price of base metals. Copper prices surged 29.5 percent following mining accidents in Chile and Indonesia, while aluminum increased 29.8 percent following the shutdown of smelters in Iceland, Mozambique, and the Middle East (which accounts for roughly 9 percent of global aluminum production). Futures markets for base metals suggest further price increases in 2026, indicating resilient demand amid still-fragile supply.

Rising food prices outweighed falling beverage prices, lifting the IMF's food and beverages price index by 4.7 percent between August 2025 and March 2026. Beverage prices plunged by 24.8 percent, led by a 57.4 percent drop in cocoa prices as favorable weather in West Africa boosted supply and inventories while global demand softened. Coffee prices fell by 9.9 percent following a record Brazilian harvest and improving supply conditions in Vietnam. In contrast to beverage prices, food prices are expected to increase by 6.0 percent in 2026. Cereal prices rebounded from historical lows in

the first quarter of 2026 owing to growing weather concerns in key producing regions, while futures prices suggest that higher fuel prices are expected to boost demand for biofuel feedstocks such as soybean oil. Should the conflict linger on, higher transport and gas-derived fertilizer prices, together with higher demand for biofuel feedstocks, could drive food prices much higher—particularly those for cereals.

The Economics of Rare Earths: Global Impact of Shortages and Industrial Policy

Motivation

Since 2020, successive waves of trade restrictions imposed by all major economic blocs have harmed international cooperation and growth. In April 2025, shortly after the US imposed sizable tariffs on most of its trading partners, China—the world's top producer of rare earth elements (REEs)—introduced export licensing requirements for seven REEs and REE-based permanent magnets, causing temporary but serious supply disruptions for manufacturers worldwide.

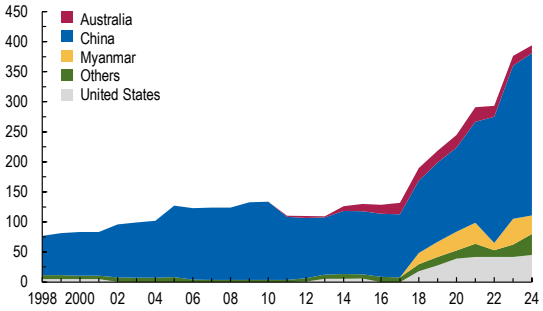
Like other hard-to-substitute inputs in high-technology manufacturing, produced through geographically concentrated supply chains, REE supply chains are structurally vulnerable. Tensions around these critical inputs have heightened economic security concerns and accelerated efforts to reshore and diversify imports of REE production.

As manufacturing regains strategic importance, understanding the economics of rare earths has become increasingly urgent. This Special Feature addresses two questions: (1) *What would be the macroeconomic impact of a major REE supply disruption across sectors and countries*? and (2) *What would it cost to sufficiently de-risk the REE supply chain over the next decade?*

Foundations: Rare Earths Market Structure

REEs are a group of 17 chemically similar metals, typically divided into two categories based on atomic weight: *light rare earth elements* (LREEs) and *heavy rare earth elements* (HREEs), substantially less abundant in the earth's crust than LREEs. REEs possess unique chemical and physical properties—including exceptional magnetism and catalytic enhancement—that make them valuable inputs across electronic, magnetic, optical, and catalytic applications. They are used in small quantities and are essential for automotive manufacturing (especially electric vehicles), renewable energy, oil refineries, defense systems, semiconductors, and consumer electronics. Arguably the single most important application for rare earths is *permanent magnets*—invented in 1983 by General Motors—in which as many as four REEs are combined with iron and boron to create a highly magnetic alloy that maintains its properties at elevated temperatures. These

Figure 1.SF.2. Rare Earth Mining by Country 1998–2024
(Thousands of metric tons per year, in TREO equivalents)



Sources: Nassar and others 2023; National Minerals Information Center, US Geological Survey, "Rare Earths Statistics and Information"; US Geological Survey; and IMF staff calculations.
Note: TREO = total rare earth oxide.

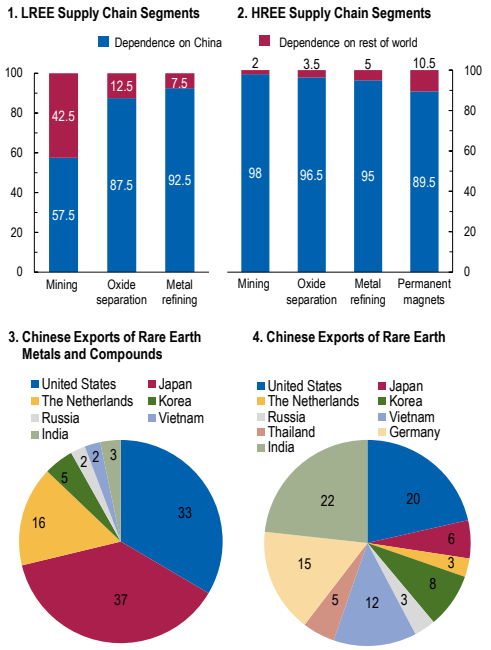
permanent magnets convert electricity into motion (or vice versa), making them central to both the clean energy transition and advanced manufacturing.

REEs constitute a relatively small commodity market, with rare earth oxides (REOs) valued at about $6 billion and permanent magnets at approximately $25 billion in 2024 (Market Data Forecast 2025). As such, the economics of rare earths are increasingly driven by just 4 of the 17 elements: the LREEs neodymium and praseodymium and the HREEs terbium and dysprosium. These "magnet-4" elements jointly comprise 96 percent of the total REO[1] market value despite representing only 23 percent of REO production by weight.[2]

The rare earth supply chain involves multiple specialized stages: mining, concentration, separation of chemically similar elements through solvent-based extraction, and refining to metals or alloys. The resulting metals or alloys then serve as inputs for downstream manufacturers, including permanent magnet producers. The separation stage is particularly technically demanding, requiring hundreds of sequential processing steps, and it is also a pollution-intensive process. Establishing new capacity for *separation* and *refining*—the main stages of REE processing—requires billions in capital investment, years of regulatory approval, and specialized technical expertise, making rapid diversification of processing capacity extremely difficult.

Technical expertise acquired over decades, established infrastructure, differences in environmental and labor regulations, and subsidies made China the dominant world producer of REEs during the 2000s. Today, China's dominance varies significantly by rare earth type and supply chain stage. In regard to LREEs, diversification in mining reduced China's share of global output from 97 percent at its peak in 2010 to 58 percent in 2024 (Figure 1.SF.2), but China maintains 88 percent of the world's oxide separation capacity and 93 percent of its metal refining. With respect to HREEs, China retains a near monopoly across the entire global supply chain: 98 percent of mining (including mining out of Myanmar; Figure 1.SF.3, panel 2), 97 percent of oxide separation, 95 percent of metal refining, and 90

Figure 1.SF.3. Average Import Dependence on China by Rare Earth Supply Chain Segment
(Percent)



Sources: Bedford 2025; World Bank, World Integrated Trade Solution (WITS); and IMF staff calculations.
Note: Data for panels 1 and 2 are based 2023–24 production, synthesized in Bedford (2025). Data for panels 3 and 4 are from 2024 from WITS. HREE = heavy rare earth element; LREE = light rare earth element.

[1] "Total REO" represents the sum of all individual rare earth oxides (REOs) contained in mined material. It provides a consistent measure for comparing rare earth output across mines, deposits, and countries.

[2] This extreme value concentration reflects both strong demand for permanent magnets—the largest and fastest-growing application, consuming 83 percent of the value of all REOs—and the natural composition of rare earth deposits, which yield lower-demand elements like lanthanum and cerium in far greater proportions than the higher-demand magnet elements neodymium, praseodymium, terbium, and dysprosium.

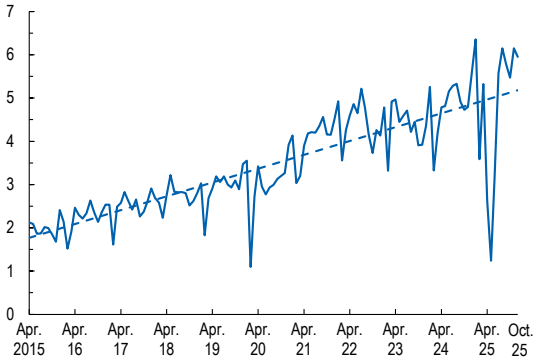
percent of permanent magnet production (Bedford 2025).[3]

This concentration creates potential *choke points* in the supply chain.[4] While the geographic concentration in HREE mining constitutes an important potential choke point, the *separation* and *refining* stages constitute the most binding bottlenecks, as nearly all rare earth concentrates, regardless of origin, flow through Chinese processing facilities. Permanent magnet manufacturing represents yet another stage in the supply chain in which China holds a dominant market share (90 percent). However, this segment faces lower barriers to capacity expansion: Multiple established magnet producers already operate in Japan, the United States, and Europe, though typically at a smaller scale than in China (Figure 1.SF.3).[5] In many applications REEs are not truly irreplaceable: Substitutes often exist but come with penalties in terms of efficiency, weight, size, or cost. Research suggests that the possibilities of substituting for HREEs are significantly weaker than those of substituting for the average element, with HREEs scoring 78 out of 100 on a substitutability index (on which 100 indicates no adequate substitute exists), compared with 57 for non-REEs (Graedel and others 2015). While certain rare earths have no substitutes, others may be partially replaced by inferior alternatives given enough time and resources.

Macroeconomic Impact of Supply Disruptions

Following a special licensing requirement introduced by China—mainly for HREEs and related products, including permanent magnets—on April 4, 2025, there was a sharp global slowdown in permanent magnet exports between April and June. Exports of these magnets had fallen about 70 percent year over year as of May 2025, indicating a system-wide disruption that extended beyond formally controlled products, but proved short-lived, with monthly Chinese export volumes quickly returning to their positive trend and displaying double-digit year-over-year growth rates (Figure 1.SF.4). In October 2025, China announced further tightening of its REE licensing requirements, which were later suspended in November under a China-US agreement. In January 2026, China restricted HREE exports to Japan. Despite these developments, strong REE export growth continued in

Figure 1.SF.4. China's Exports of Rare Earth Permanent Magnets and Rare Earth Magnet Components Intended for Permanent Magnet Production
(Thousands of metric tons; dashed = trend)



Sources: General Administration of Customs of the People's Republic of China (GACC); Hong Kong Trade Development Council, China Customs Statistics; and IMF staff calculations.
Note: Data are from the series "CN: Export: HS 8: Permanent Magnets or Articles Going to Be Permanent Magnets, of Rare-Earth Metals," Code HS 850511.

[3] By industry convention, Myanmar's heavy rare earth element (HREE) mining output is often consolidated with China's, reflecting the integration of the two countries' rare earth sectors through upstream investment and downstream processing links.

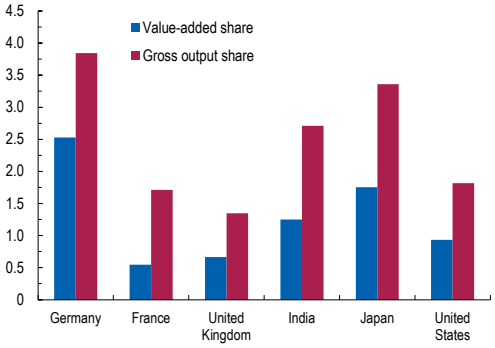
[4] A choke point emerges when three conditions align: extreme geographic concentration in a single country, potential for disruption, and barriers to rapid diversification.

[5] With China's consumption of REEs, which amounts to 50–60 percent of its production, taken into account, China's market domination is somewhat less apparent. This is especially the case in regard to light rare earth element (LREE) mining, of which China absorbs most of its production at home. For all other supply chain stages, however, dependence on China remains high (74–96 percent of total imports are sourced in China). See Online Annex 1.1, Part I. All online annexes are available at www.imf.org/en/Publications/WEO.

January and February 2026. Policymakers in import-dependent countries grew increasingly concerned about the macroeconomic consequences of potential supply disruptions. Notwithstanding REEs' relatively small market size, their use unlocks trillions of dollars in downstream value creation across sectors globally.

IMF staff analysis of US Geological Survey data shows that rare earths are used as inputs in 34 of the 405 sectors of the US economy (Nassar and others 2025). These sectors jointly added $233 billion in goods and services value in 2017, equivalent to 0.8 percent of nominal GDP. The estimated share of value added dependent on rare earths is similarly substantial in other advanced economies and major emerging markets: France (0.4 percent), Germany (2.5 percent), India (1.3 percent), Japan (1.7 percent), and the United Kingdom (0.6 percent). These estimates show that REE exposure varies substantially across countries, with the variance driven by differences in sectoral composition and the relative importance of REE-intensive industries such as automotive manufacturing, renewable energy, and electronics manufacturing (Figure 1.SF.5).

Figure 1.SF.5. Value Added and Gross Output at Risk
(Percent of goods and services using rare earth elements as inputs)



Sources: Organisation for Economic Co-operation and Development (OECD), Input-Output Tables; Nassar and others 2025; and IMF staff calculations.
Note: Calculations are based on Nassar and others (2025), which provides industry-specific measures of gross output dependence on rare earths at the Bureau of Economic Analysis 405 × 405 detailed input-output level. These dependence measures are first mapped onto the US input-output structure and then translated to the OECD industry classification input-output with 50 sectors from 2017. Using the OECD input-output framework, country-specific shares of rare-earth-dependent consumption are derived for each OECD-level industry across countries. The value-added share is computed as the value added attributable to rare-earth-dependent activities divided by total GDP. The gross output share is defined as an economy's gross output dependent on rare earths

This "value added at risk" (VAAR) measure provides a useful first-pass estimate of possible GDP losses from a hypothetical prolonged and severe REE supply disruption. The VAAR measure also reveals the macroeconomic importance of rare earth permanent magnets: In the United States, they drive about 70 percent of VAAR.

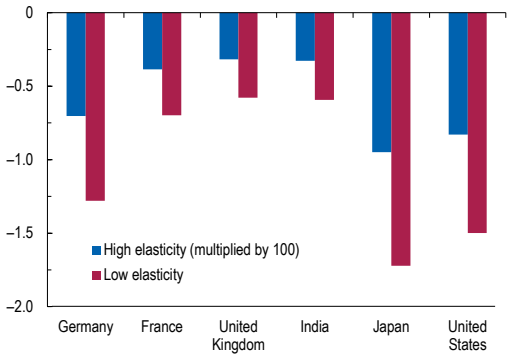
But the VAAR measure omits important adjustment mechanisms. It likely *overstates* losses by assuming that REEs and magnets cannot be substituted for at all but also *understates* losses by abstracting from cascading input-output (I-O) effects. To quantify potential GDP losses from REE supply disruptions, it is essential to account for both substitutability of other things for REEs and intersectoral linkages between industries directly affected by REE shortages and those that depend on them. For example, if permanent magnets were to become unavailable, electric-vehicle production would be disrupted, with knock-on effects that could ultimately raise transportation costs and ripple through the production of other goods and services. The impact would be larger in industries in which there are no available substitutes for REEs.

To that effect, this Special Feature develops and calibrates a small open economy model with network linkages (Silva and others 2024, extended to incorporate imported REE supply constraints; see Online Annex 1.1, Part II, for more details). The model analyzes an REE supply shock affecting REE-using sectors—including indirectly through I-O linkages—with

implications for prices, real wages, and net foreign assets.[6] The calibration relies on an REE-augmented I-O table based on US Geological Survey data and is applied to a set of major REE-dependent economies. For each country, the analysis considers a persistent 80 percent reduction in all rare earth inputs—oxides, metals, compounds, and magnets—consistent with the average single-supplier import concentration of each of the advanced economies.

Model simulations show how the magnitude of the supply disruption strongly depends on substitution possibilities. When firms have limited scope to replace rare earths, which is the base case for short horizons of less than a year (Nassar and others 2025), GDP losses may exceed those predicted by the VAAR measure (Figure 1.SF.6). Network amplification means that GDP declines by 1.5 percent in the United States, a number almost twice as large as the VAAR measure. By contrast, GDP declines by about 1.2 percent in Germany (with a VAAR measure score of 2.5 percent). This difference reflects the stronger forward linkages of US REE-intensive sectors relative to those in Germany, particularly those in motor vehicles, electrical equipment, and computers and electronics. When the substitution elasticity is set higher, reflecting greater opportunities for producers to adjust (typically for horizons longer than five years, similar to those in Alfaro and others 2025), estimated GDP losses are negligible, averaging only 0.006 percent.[7]

Figure 1.SF.6. Output Losses by Country from a Major REE Disruption
(Percent of GDP)



Sources: Organisation for Economic Co-operation and Development; and IMF staff calculations.
Note: The scenarios are based on an 80 percent supply disruption affecting 80 percent of imported goods, specifically rare earths and magnets. The high-elasticity scenario uses a substitution elasticity of 0.8 between the imported goods and their varieties as in Alfaro and others (2025), while the low-elasticity scenario uses an elasticity of 0.015. REE = rare earth element.

Coping with Risks of Supply Disruptions

In response to high REE supply concentration, countries and firms are adopting a variety of adaptation strategies. *Stockpiling* provides a short-term buffer against disruptions and may deter coercion, but it does not address underlying structural dependence and may be constrained in practice. *Recycling* holds longer-term promise, but in a rapidly expanding market, it cannot yet serve as a primary supply source. Likewise, the superior performance of permanent magnets makes *large-scale substitution* unlikely in the near term. In this context, *reshoring* and *import diversification* have emerged as the main medium-term responses, despite uncertain viability given the long development timelines for these measures, coordination challenges, and potential shortages of skilled labor.

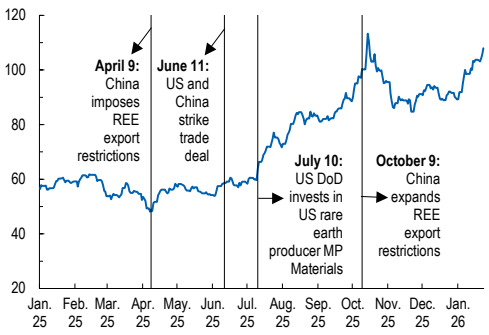
Following China's introduction of REE export licensing requirements in April 2025, advanced economies accelerated the implementation of industrial policies to reduce reliance on China-centric supply chains. Efforts in this area have focused on three approaches. First, price floors

[6] The model features domestic general equilibrium adjustment, assuming a common shock across countries, and limits exports to commodity sectors. REE-intensive sectors, such as motor vehicles, are thus assumed to be fully domestic.

[7] Alfaro and others (2025) estimate industry-specific substitution elasticities between REEs and labor using cross-industry responses to the 2010 REE shock observed over the postshock period 2011–18. Their estimates range from 0.8 to 1.4, reflecting medium-term, innovation-inclusive adjustment.

and offtake agreements have been concluded aiming to provide investment certainty in volatile markets, as many REE projects are not commercially viable at current neodymium prices (about $55 per kilogram; see Online Annex Figure 1.1.1). For example, a July 2025 agreement between the US government and US rare earth producer MP Materials included a price protection mechanism akin to a floor for key REE products, and price floors more broadly featured prominently in discussions at high-level Group of Seven (G7) critical minerals meetings. Second, governments have provided direct financial support—through equity stakes, loans, and grants—to supply capital and signal long-term commitment.[8] Third, agreements—signed in October 2025 between the United States and Australia, Japan, Malaysia, and Thailand—alongside the G7 Critical Minerals Action Plan promote joint financing and coordinated procurement, mobilizing an estimated $6.4 billion in public and private funding to de-risk REE supply chains. These measures have been effective in improving the financial prospects of publicly listed firms in the industry (Figure 1.SF.7).

Figure 1.SF.7. Aggregate Stock Market Value of Publicly Listed Firms in the Rare Earth Industry
(Billions of US dollars)



Sources: S&P Global; S&P Capital IQ Pro; and IMF staff calculations.
Note: Firms are identified using Capital IQ based on keyword searches for rare-earth-related terms in business and long business descriptions. The sample is restricted to operating, publicly listed companies with primary locations outside China. This initial screen yields 315 firms. Each firm is manually reviewed to retain only those with active involvement in rare earth extraction, processing, or project development. Firms with only peripheral references to rare earths are excluded, resulting in a final sample of 89 companies. DoD = US Department of Defense; REE = rare earth element; S&P = Standard and Poor's.

Quantifying the Impact of Industrial Policies to De-risk Rare Earth Supply Chains

Because reshoring is costly, policymakers should balance *efficiency losses* from reshoring in normal times against *expected disruption losses* in times of crisis. Optimal de-risking is better viewed as an insurance policy in which the cost of the premium to be paid in normal times (efficiency losses) should be commensurate with the damage expected in crisis times (disruption losses).[9] Given these considerations, policymakers usually emphasize de-risking rather than decoupling. It should be noted that similar considerations also play a role for other goods and commodities, including energy, food, fertilizers, and semiconductors.

To analyze alternative industrial policies, a calibrated dynamic trade model of the global rare earths market has been developed for this Special Feature. The model features producers in different countries that invest in both extraction and processing capacity to produce raw and processed REEs. The model calibration draws on detailed market, industry, and geological data (see Online Annex 1.1, Part III, for details).

The model is used to assess the effects of two industrial policies—*investment subsidies* and *price floors*—applied to oxide separation (the most crucial processing stage) under two hypothetical

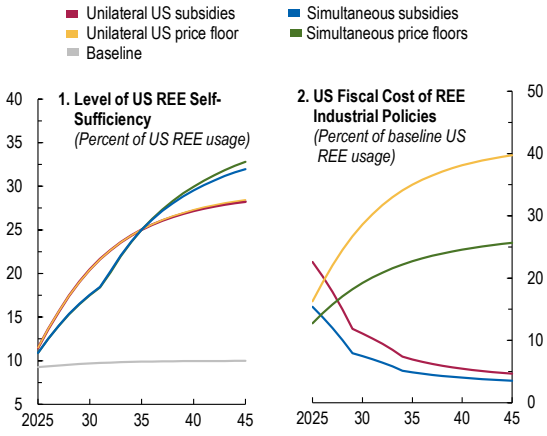
[8] The July 2025 MP Materials deal included substantial equity and loan components, and the January 2026 agreement between the US Department of Commerce and USA Rare Earth similarly combines government equity, below-market lending, and direct federal funding (grants) to support domestic capacity expansion.

[9] Moreover, security benefits may exhibit diminishing returns, with the first 10–20 percent increase in self-sufficiency delivering the largest reduction in vulnerability. This means that modest self-sufficiency rates can substantially reduce vulnerability to supply disruptions at minimal efficiency costs (Clayton, Maggiori, and Schreger 2024).

implementation scenarios: either *unilaterally*—in the example here by US-based producers—or through *simultaneous* action among all importer countries.[10] To illustrate the economic trade-offs, policy instruments are calibrated to achieve *25 percent self-sufficiency in rare earth processing by 2035 in the US*.[11] This is 15 percentage points higher than the comparable figure in the baseline (with unchanged policies) and in line with International Energy Agency projections (IEA 2025).[12] The same benchmark is used in the case of *simultaneous* action in order to highlight the fiscal cost implications of de-risking by various countries instead of unilaterally.

The analysis allows a certain number of conclusions to be drawn (Figure 1.SF.8). First, sizable interventions would be needed to attain the 25 percent self-sufficiency target; for example, in the unilateral scenario, the investment subsidy must cover 77.2 percent of total investment costs for the US to reach 25 percent self-sufficiency by 2035. The required policy intervention is also sizable under a price floor: 2.4 times the period market price for the unilateral scenario. These large policy interventions reflect the relative efficiency of Chinese producers but also point to important price effects. Because there are already large capacities in both mining and refining of REEs, boosting production in a well-supplied market depresses prices and profits, which reduces private investment incentives and, all else equal, requires more generous government interventions to induce development of additional capacity.

Figure 1.SF.8. Effectiveness and Fiscal Cost of Alternative Industrial Policies to Achieve 25 Percent REE Self-Sufficiency in the US



Source: IMF staff calculations.
Note: Investment subsidy to US refiners only implemented with a 77.2 percent subsidy; investment subsidy to refiners outside China only implemented with a 77.8 percent subsidy; price floor subsidy to US refiners only implemented with a price floor 2.42 times the period market price; price floor subsidy to refiners outside China implemented with a price floor 2.2 times the period market price. Baseline scenario assumes 4.7 percent global demand growth in 2025–29, 1.42 percent global demand growth in 2030–34. REE = rare earth element.

Second, investment subsidies are typically more fiscally efficient than price floors when evaluated in present-value terms. This reflects the fact that investment subsidies are targeted at new capacity, whereas price floors also generate windfall gains for incumbent producers by supporting existing production. As a result, for a given self-sufficiency target, the net present value of subsidy payments is lower than that of price floor interventions. To achieve the 25 percent target under the unilateral scenario, US fiscal costs associated with the investment subsidy over the first decade amount to 141 percent of the annual US market size—equivalent to about $1.19 billion ($0.81 billion).[13] At the same time, investment subsidies are more costly in the short term (Figure 1.SF.8, panel 2) than price floors as they front-load fiscal outlays, with

[10] Price floors are currently being discussed among Group of Seven policymakers, while investment subsidies proxy for a broad class of capital expenditure support measures used in practice, including grants and below-market lending.

[11] US self-sufficiency is defined here as the share of domestic rare earth consumption supplied either by domestic production or by imports from countries other than China (through friend-shoring).

[12] See Online Annex 1.1, Part III, for an analysis of a more ambitious 50 percent self-sufficiency target.

[13] Global REEs' market size is about $6 billion. The US share is 14 percent, so roughly $0.81 billion.

costs declining in the long term once investment is largely limited to replacing depreciated capital.

Third, *simultaneous* action reduces the fiscal cost of achieving a given self-sufficiency target. For example, when all importing economies incentivize investment in refining, US self-sufficiency is achieved through a less concentrated buildup of capacity, as part of the fiscal cost is outsourced to the incentivizing economies. Under *simultaneous* action, those economies can also leverage the higher US efficiency in REE processing and experience substantial gains in self-sufficiency, at comparatively lower fiscal costs.[14]

Conclusion

This Special Feature shows that large disruptions to REE supplies could substantially reduce GDP in many economies, particularly in the short term when substitution options are limited. Avoiding trade tensions and restrictions remains the first-best outcome to promote steady REE supply. Model-based analysis suggests that de-risking supply chains through targeted industrial policies is fiscally costly. Costs are lower if de-risking is pursued by various importers simultaneously and if policy instruments directly target the expansion of new production capacity. IMF research also suggests that industrial policies should be used cautiously (Baquie and others 2025). Beyond industrial policy, governments can promote complementary structural reforms that would lower barriers to entry into REE markets through simpler mining permits, investment in the specialized skills the sector requires—from separation chemistry to metallurgy—and competitive allocation of subsidies.

[14] See Bogmans, Cuadros Bloch, and others (forthcoming) for more analysis.

Annex Table 1.1.1. European Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment

(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices 1/			Current Account Balance 2/			Unemployment 3/		
		Projections			Projections			Projections			Projections	
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Europe	**1.6**	**1.4**	**1.6**	**6.2**	**5.4**	**4.3**	**1.6**	**1.3**	**1.4**	...	...	...
Advanced Europe	**1.5**	**1.2**	**1.3**	**2.3**	**2.6**	**2.2**	**2.3**	**1.9**	**2.0**	**5.9**	**6.0**	**5.8**
Euro Area 4/, 5/	1.4	1.1	1.2	2.1	2.6	2.2	1.6	1.3	1.5	6.3	6.2	6.1
Germany	0.2	0.8	1.2	2.3	2.7	2.3	4.4	3.9	3.8	3.8	3.9	3.5
France	0.9	0.9	0.9	0.9	1.8	1.7	–0.4	–0.3	–0.2	7.6	7.9	7.9
Italy	0.5	0.5	0.5	1.6	2.6	2.4	1.2	0.6	1.1	6.1	6.0	6.1
Spain	2.8	2.1	1.8	2.7	3.0	2.3	2.9	2.2	1.9	10.5	9.8	9.8
The Netherlands	1.9	1.2	1.4	3.0	2.7	2.4	8.8	8.8	8.7	3.9	4.1	4.2
Belgium	1.0	0.7	1.1	3.0	2.8	2.2	–2.1	–2.0	–1.9	6.2	6.2	6.1
Ireland	12.3	2.5	2.4	2.1	3.1	2.4	8.2	8.1	8.1	4.7	4.8	4.8
Austria	0.6	0.7	1.0	3.6	2.5	2.6	1.0	0.4	0.7	5.7	5.7	5.6
Portugal	1.9	1.9	1.8	2.2	3.1	2.3	1.2	0.5	0.7	6.0	5.9	5.9
Greece	2.1	1.8	1.7	2.9	3.5	2.7	–5.7	–6.4	–5.7	8.9	7.4	7.1
Finland	0.2	1.0	1.5	1.8	2.5	2.2	1.3	0.1	0.4	9.7	9.6	9.1
Bulgaria	3.1	2.8	2.5	3.5	3.8	3.7	–5.9	–4.0	–3.2	3.6	3.4	3.3
Slovak Republic	0.8	0.6	1.6	4.2	4.2	3.3	–3.6	–3.0	–1.7	5.4	5.8	5.7
Croatia	3.2	2.6	2.6	4.4	4.4	2.7	–3.2	–3.8	–3.3	4.5	4.6	4.6
Lithuania	2.9	2.9	2.2	3.4	4.0	2.7	1.3	0.2	1.0	6.9	6.5	6.3
Slovenia	1.1	2.0	2.1	2.5	2.9	2.1	3.5	3.2	2.8	3.9	3.9	3.9
Luxembourg	0.6	1.6	1.7	2.5	2.1	2.2	4.7	4.5	4.7	6.0	5.9	6.1
Latvia	2.1	2.2	2.4	3.8	3.0	2.7	–3.4	–3.6	–3.6	6.9	6.7	6.5
Estonia	0.6	1.4	1.9	4.8	3.8	3.0	–0.2	–1.1	–2.0	7.4	7.3	7.0
Cyprus	3.8	3.0	3.0	0.8	2.6	1.6	–8.1	–9.3	–10.3	4.4	4.6	4.7
Malta	4.0	3.7	3.8	2.4	2.5	2.4	5.7	5.8	5.2	3.0	3.0	3.0
United Kingdom	1.3	0.8	1.3	3.4	3.2	2.4	–3.1	–3.4	–3.1	4.9	5.6	5.3
Switzerland	1.3	1.3	1.3	0.2	0.5	0.5	7.1	6.8	7.1	2.8	3.0	2.9
Sweden	1.5	2.0	1.9	2.6	1.5	1.8	6.1	5.3	4.7	8.9	8.6	8.0
Czech Republic	2.5	2.2	2.2	2.5	2.4	2.2	0.7	–1.5	–1.3	2.9	3.0	2.9
Norway	1.1	1.5	1.3	3.0	3.3	2.6	14.1	14.3	13.6	4.5	4.2	4.2
Denmark	2.9	2.0	1.6	1.8	2.0	2.2	12.5	12.3	11.5	2.9	2.9	2.9
Iceland	1.3	1.9	2.1	4.1	4.8	2.8	–3.6	–0.7	–0.1	4.4	4.2	4.3
Liechtenstein	0.0	–0.4	0.4	0.2	0.5	0.7	13.4	12.7	12.7	3.5	3.9	3.8
Andorra	3.9	2.1	1.8	2.4	3.0	2.3	15.9	16.0	16.0	1.1	1.1	1.1
San Marino	1.5	1.3	1.2	2.3	2.8	2.6	17.1	17.1	16.9	4.5	4.4	4.4
Emerging and Developing Europe 6/	**2.0**	**2.0**	**2.1**	**13.5**	**10.5**	**8.2**	**–1.2**	**–1.2**	**–1.3**	...	...	...
Russia	1.0	1.1	1.1	8.7	5.6	4.3	1.6	2.9	2.3	2.2	2.4	2.6
Türkiye	3.6	3.4	3.5	34.9	28.6	21.4	–1.9	–2.8	–2.5	8.3	8.3	8.7
Poland	3.6	3.3	2.4	3.6	3.3	3.3	–0.7	–1.1	–0.9	3.1	3.4	3.4
Romania	0.7	0.7	2.5	7.3	7.8	3.9	–8.0	–6.8	–6.2	6.1	6.0	5.9
Ukraine 7/	1.8	2.0	3.5	12.7	6.1	7.7	–15.0	–18.9	–16.6	11.6	10.2	12.0
Hungary	0.4	1.7	2.0	4.4	3.8	3.5	1.3	–0.4	0.4	4.3	4.2	4.0
Belarus	1.3	1.2	1.0	6.6	6.4	6.2	–2.6	–2.7	–3.4	2.9	2.9	2.9
Serbia	2.0	2.8	3.5	3.9	5.2	4.9	–4.9	–5.7	–4.4	8.7	8.8	8.7

Source: IMF staff estimates.
Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.
1/ Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.
2/ Percent of GDP.
3/ Percent. National definitions of unemployment may differ.
4/ Current account position corrected for reporting discrepancies in intra-area transactions.
5/ Based on Eurostat's harmonized index of consumer prices.
6/ Includes Albania, Bosnia and Herzegovina, Kosovo, Moldova, Montenegro, and North Macedonia.
7/ See the country-specific note for Ukraine in the "Country Notes" section of the Statistical Appendix.

Annex Table 1.1.2. Asian and Pacific Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment
(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices 1/			Current Account Balance 2/			Unemployment 3/		
		Projections			Projections			Projections			Projections	
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Asia	**5.0**	**4.4**	**4.2**	**1.4**	**2.6**	**2.4**	**3.5**	**3.0**	**2.9**	…	…	…
Advanced Asia	**2.5**	**2.0**	**1.6**	**2.5**	**2.4**	**2.2**	**5.9**	**5.3**	**5.3**	**2.9**	**2.9**	**2.9**
Japan	1.2	0.7	0.6	3.2	2.2	2.3	4.8	3.8	3.9	2.5	2.5	2.5
Korea	1.0	1.9	2.1	2.1	2.5	1.9	6.6	5.6	5.4	2.8	2.8	2.9
Australia	2.0	2.0	1.7	2.9	4.0	3.2	–2.6	–2.3	–2.2	4.2	4.2	4.3
Taiwan Province of China	8.7	5.2	3.0	1.7	1.5	1.6	17.4	18.1	18.0	3.4	3.4	3.4
Singapore	5.0	3.5	2.7	0.9	2.3	1.9	16.7	16.6	16.5	2.0	2.0	2.0
Hong Kong SAR	3.5	2.4	2.4	1.4	2.1	1.8	12.2	12.6	12.3	3.6	3.3	3.2
New Zealand	0.2	2.1	2.4	2.8	3.1	2.3	–3.7	–4.0	–3.8	5.3	5.4	5.0
Macao SAR	4.7	3.0	3.1	0.3	1.8	1.9	35.7	35.0	34.2	1.7	1.7	1.7
Emerging and Developing Asia	**5.5**	**4.9**	**4.8**	**1.1**	**2.6**	**2.5**	**2.7**	**2.2**	**2.0**	…	…	…
China	5.0	4.4	4.0	0.0	1.2	1.5	3.7	3.5	3.3	5.1	5.1	5.1
India 4/	7.6	6.5	6.5	2.1	4.7	4.0	–0.9	–2.0	–1.6	4.9	4.9	4.9
Indonesia	5.1	5.0	5.1	1.9	3.0	2.6	–0.1	–1.1	–0.9	4.9	4.9	4.8
Thailand	2.4	1.5	2.1	–0.1	0.9	1.0	3.1	0.7	1.4	1.0	1.0	1.0
Vietnam	8.0	7.1	6.7	3.3	4.9	4.6	6.7	5.3	4.4	2.2	2.1	2.2
Malaysia	5.2	4.7	4.3	1.4	1.9	2.0	1.6	1.4	1.6	3.0	3.0	3.0
Philippines	4.4	4.1	5.8	1.7	4.3	3.2	–3.3	–4.4	–3.5	4.2	4.7	4.6
Other Emerging and Developing Asia 5/	**3.4**	**4.2**	**4.0**	**8.5**	**8.4**	**6.4**	**0.9**	**–0.3**	**–1.1**	…	…	…
Memorandum												
ASEAN-5 6/	4.5	4.1	4.4	1.4	2.6	2.3	3.0	2.2	2.4	…	…	…
Emerging Asia 7/	5.6	5.0	4.8	0.8	2.4	2.3	2.7	2.2	2.1	…	…	…

Source: IMF staff estimates.
Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.
1/ Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.
2/ Percent of GDP.
3/ Percent. National definitions of unemployment may differ.
4/ See the country-specific note for India in the "Country Notes" section of the Statistical Appendix.
5/ Other Emerging and Developing Asia comprises Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Fiji, Kiribati, Lao P.D.R., Maldives, the Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Samoa, the Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tuvalu, and Vanuatu.
6/ Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
7/ Emerging Asia comprises China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.

Annex Table 1.1.3. Western Hemisphere Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment

(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices 1/			Current Account Balance 2/			Unemployment 3/		
		Projections			Projections			Projections			Projections	
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
North America	**1.9**	**2.2**	**2.1**	**2.8**	**3.2**	**2.3**	**–3.3**	**–3.3**	**–3.2**	**…**	**…**	**…**
United States	2.1	2.3	2.1	2.7	3.2	2.1	–3.6	–3.7	–3.6	4.3	4.4	4.2
Mexico	0.6	1.6	2.2	3.8	3.9	3.4	–0.4	–0.4	–0.5	2.6	2.7	2.8
Canada	1.7	1.5	1.9	2.1	2.5	2.1	–0.9	–0.2	–0.3	6.9	6.5	6.3
Puerto Rico 4/	–0.8	–0.1	1.0	1.4	2.1	2.4	…	…	…	6.4	6.0	5.8
South America 5/	**2.7**	**2.3**	**2.5**	**9.7**	**8.2**	**5.6**	**–1.7**	**–1.3**	**–1.4**	**…**	**…**	**…**
Brazil	2.3	1.9	2.0	5.0	4.0	3.4	–3.0	–2.7	–2.4	6.0	6.8	7.4
Argentina	4.4	3.5	4.0	41.9	30.4	15.7	–1.1	–0.8	–0.6	7.4	7.2	6.9
Colombia	2.6	2.3	2.5	5.1	5.9	5.2	–2.4	–2.5	–2.6	8.0	9.0	10.0
Chile	2.3	2.4	2.6	4.2	2.9	3.3	–2.3	–0.8	–1.8	8.5	8.1	7.6
Peru	3.4	2.8	2.8	1.5	2.5	1.8	3.1	3.4	2.5	5.9	6.3	6.3
Ecuador	3.7	2.5	2.5	0.7	2.9	1.6	5.8	5.2	4.6	3.1	3.1	3.1
Venezuela	1.5	4.0	6.0	252.0	387.4	94.4	2.6	7.1	4.8	…	…	…
Bolivia	–1.2	–3.3	…	19.5	20.7	…	–1.9	1.2	…	3.3	4.5	…
Paraguay	6.0	4.2	3.5	4.1	3.3	3.5	–3.5	–3.0	–2.1	5.2	5.2	5.2
Uruguay	1.8	1.8	2.6	4.7	4.0	4.5	–0.5	–0.8	–0.9	7.5	8.0	8.0
Central America 6/	**3.7**	**3.7**	**4.0**	**1.8**	**2.8**	**3.4**	**1.0**	**–0.3**	**–0.6**	**…**	**…**	**…**
Caribbean 7/	**6.2**	**5.7**	**8.6**	**5.9**	**6.1**	**6.1**	**–0.4**	**0.6**	**–0.5**	**…**	**…**	**…**
Memorandum												
Latin America and the Caribbean 8/	2.4	2.3	2.7	7.6	6.7	4.9	–1.2	–0.9	–1.1	…	…	…
Eastern Caribbean Currency Union 9/	2.8	2.4	2.3	1.4	2.2	2.1	–10.6	–10.4	–9.1	…	…	…

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

1/ Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix. Aggregates exclude Venezuela.

2/ Percent of GDP.

3/ Percent. National definitions of unemployment may differ.

4/ Puerto Rico is a territory of the United States, but its statistical data are maintained on a separate and independent basis.

5/ See the country-specific notes for Argentina and Venezuela in the "Country Notes" section of the Statistical Appendix.

6/ Central America refers to CAPDR (Central America, Panama, and the Dominican Republic) and comprises Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

7/ The Caribbean comprises Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

8/ Latin America and the Caribbean comprises Mexico and economies from the Caribbean, Central America, and South America. See the country-specific notes for Argentina and Venezuela in the "Country Notes" section of the Statistical Appendix.

9/ Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat, which are not IMF members.

Annex Table 1.1.4. Middle East and Central Asia Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment

(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices 1/			Current Account Balance 2/			Unemployment 3/		
		Projections			Projections			Projections			Projections	
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Middle East and Central Asia	**3.6**	**1.9**	**4.6**	**11.2**	**11.9**	**9.1**	**0.7**	**1.1**	**0.4**	**…**	**…**	**…**
Oil Exporters 4/	**3.1**	**0.5**	**4.6**	**10.7**	**13.4**	**9.2**	**2.4**	**2.8**	**2.2**	**…**	**…**	**…**
Saudi Arabia	4.5	3.1	4.5	2.0	2.3	2.1	–3.0	–1.6	–3.0	…	…	…
Iran	–1.5	–6.1	3.2	50.9	68.9	39.6	0.6	–1.8	–0.2	8.0	9.2	9.0
United Arab Emirates	5.8	3.1	5.3	1.3	2.5	2.0	15.3	11.4	11.4	…	…	…
Kazakhstan	6.5	4.6	4.4	11.4	10.7	10.1	–3.9	–1.0	–2.0	4.6	4.6	4.5
Algeria	3.8	3.8	2.9	1.4	2.9	3.0	–7.7	–1.2	–2.5	…	…	…
Iraq	–0.4	–6.8	11.3	0.3	3.0	3.3	–1.7	–5.3	0.2	…	…	…
Qatar	2.8	–8.6	8.6	0.6	3.9	2.5	14.5	11.0	9.9	…	…	…
Kuwait	3.5	–0.6	2.8	2.4	2.8	2.5	23.3	26.0	21.8	…	…	…
Azerbaijan	1.4	2.2	2.5	5.6	6.0	5.1	5.5	9.7	5.4	5.3	5.3	5.2
Oman	2.4	3.5	3.4	1.0	1.7	1.9	1.3	7.5	5.6	…	…	…
Turkmenistan	3.6	2.6	2.0	2.7	3.9	4.7	3.3	3.7	1.6	…	…	…
Bahrain	3.1	–0.5	4.5	–0.1	2.4	1.2	5.9	3.9	4.8	…	…	…
Oil Importers 5/ 6/	**4.4**	**4.1**	**4.5**	**12.1**	**9.8**	**8.9**	**–3.8**	**–3.3**	**–4.0**	**…**	**…**	**…**
Egypt	4.4	4.2	4.8	20.4	13.2	11.1	–4.2	–4.2	–4.6	7.3	7.4	7.1
Pakistan 7/	3.1	3.6	3.5	4.5	7.2	8.4	0.5	–0.4	–0.9	7.1	6.9	6.5
Morocco	4.9	4.9	4.5	0.8	1.3	1.6	–2.1	–3.1	–2.9	13.0	12.2	11.3
Uzbekistan	7.7	6.5	5.9	8.8	7.0	5.6	–3.9	–1.3	–3.4	4.8	4.3	3.8
Tunisia	2.5	2.1	1.6	5.3	6.5	7.2	–2.8	–4.2	–5.8	15.2	…	…
Sudan 7/	3.2	0.7	8.1	100.2	75.1	44.6	–8.1	–4.5	–10.3	60.6	61.3	59.3
Jordan	2.7	2.7	3.1	1.8	2.3	2.2	–5.6	–6.2	–5.1	21.3	21.3	21.3
Georgia	7.5	5.3	5.0	3.9	4.4	3.0	–2.6	–5.0	–4.5	13.9	13.9	13.9
Armenia	7.2	5.3	5.5	3.3	3.6	3.4	–6.7	–6.0	–5.2	13.0	12.8	12.7
Tajikistan	8.4	6.0	4.8	3.4	4.0	4.7	16.6	6.3	2.5	…	…	…
Kyrgyz Republic	11.1	6.1	6.1	8.2	10.6	10.0	–23.4	–7.1	–6.1	4.0	4.0	4.0
Mauritania	4.2	4.4	4.5	1.6	4.1	4.1	–5.8	–6.5	–6.4	…	…	…
West Bank and Gaza 7/	…	…	…	10.5	…	…	…	…	…	…	…	…
Memorandum												
Caucasus and Central Asia	6.2	4.8	4.5	8.4	8.0	7.2	–2.2	0.0	–1.6	…	…	…
Middle East, North Africa, Afghanistan, and Pakistan 6/	3.2	1.4	4.6	11.7	12.6	9.4	1.1	1.2	0.7	…	…	…
Middle East and North Africa	3.2	1.1	4.8	12.9	13.5	9.6	1.4	1.4	0.9	…	…	…
Israel 8/	2.9	3.5	4.4	3.0	2.3	2.1	1.5	1.9	2.3	3.0	3.2	3.3

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

1/ Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

2/ Percent of GDP.

3/ Percent. National definitions of unemployment may differ.

4/ Includes Libya.

5/ Includes Djibouti, Lebanon, Somalia, and Yemen. See the country-specific note for Lebanon and Yemen in the "Country Notes" section of the Statistical Appendix.

6/ Excludes Afghanistan and Syria because of a lack of adequate data. See the country-specific notes in the "Country Notes" section of the Statistical Appendix.

7/ See the country-specific notes for Sudan and West Bank and Gaza in the "Country Notes" section of the Statistical Appendix.

8/ Israel, which is not a member of the economic region, is shown for reasons of geography but is not included in the regional aggregates.

Annex Table 1.1.5. Sub-Saharan African Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment

(Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices 1/			Current Account Balance 2/			Unemployment 3/		
		Projections			Projections			Projections			Projections	
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Sub-Saharan Africa	**4.5**	**4.3**	**4.4**	**12.5**	**8.8**	**8.8**	**–0.9**	**–0.6**	**–1.1**	**…**	**…**	**…**
Oil Exporters 4/	**4.0**	**3.7**	**4.0**	**21.3**	**14.6**	**14.5**	**2.6**	**3.8**	**1.8**	**…**	**…**	**…**
Nigeria 5/	4.0	4.1	4.3	23.0	16.0	15.9	5.1	5.8	3.1	…	…	…
Angola	3.1	2.3	2.6	20.2	12.9	12.8	0.4	2.2	1.0	…	…	…
Gabon	2.5	2.7	2.8	2.0	2.5	2.4	–3.1	–4.3	–5.5	…	…	…
Chad	5.6	5.2	4.9	–2.6	0.5	3.9	0.2	0.8	0.3	…	…	…
Equatorial Guinea	–6.4	–2.7	–1.3	2.8	3.2	2.9	–3.0	–1.6	–2.4	…	…	…
Middle-Income Countries 6/	**3.5**	**3.2**	**3.4**	**4.5**	**4.3**	**4.3**	**–0.7**	**–1.0**	**–1.4**	**…**	**…**	**…**
South Africa	1.1	1.0	1.3	3.2	3.9	3.4	–0.5	–0.9	–1.4	32.4	32.5	32.4
Kenya	4.9	4.5	4.7	4.1	5.9	5.9	–2.7	–4.1	–3.7	…	…	…
Ghana	6.0	4.8	4.9	14.2	5.8	7.8	7.9	10.1	9.5	…	…	…
Côte d'Ivoire	6.5	6.2	6.3	0.1	1.8	2.0	–1.1	–1.1	–3.1	…	…	…
Cameroon	3.1	3.3	3.8	3.4	3.5	3.2	–3.8	–5.1	–5.8	…	…	…
Senegal	7.9	2.2	2.3	1.4	2.5	2.2	–5.6	–6.2	–5.8	…	…	…
Zambia	3.8	4.3	4.7	13.9	9.0	8.0	–3.5	0.9	1.9	…	…	…
Low-Income Countries 7/	**6.5**	**6.6**	**6.4**	**11.1**	**6.6**	**6.8**	**–3.9**	**–3.9**	**–2.9**	**…**	**…**	**…**
Ethiopia	9.2	9.2	7.9	13.2	11.8	10.7	–0.9	–2.4	–1.9	…	…	…
Tanzania	5.9	5.9	6.1	3.3	4.0	4.3	–2.4	–2.3	–2.1	…	…	…
Democratic Republic of the Congo	5.7	5.9	5.4	7.4	3.3	6.4	–3.7	–2.0	–1.6	…	…	…
Uganda	6.7	7.5	8.2	3.6	4.0	4.9	–6.2	–3.9	–2.7	…	…	…
Mali	4.9	5.5	5.7	2.3	2.2	2.0	–0.8	–1.5	1.6	…	…	…
Burkina Faso	5.0	4.9	4.8	–0.5	1.5	2.1	6.7	8.6	8.4	…	…	…

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

1/ Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

2/ Percent of GDP.

3/ Percent. National definitions of unemployment may differ.

4/ Includes Republic of Congo and South Sudan.

5/ See the country-specific note for Nigeria in the "Country Notes" section of the Statistical Appendix

6/ Includes Benin, Botswana, Cabo Verde, the Comoros, Eswatini, Lesotho, Mauritius, Namibia, São Tomé and Príncipe, and Seychelles.

7/ Includes Burundi, the Central African Republic, Eritrea, The Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mozambique, Niger, Rwanda, Sierra Leone, Togo, and Zimbabwe.

Annex Table 1.1.6. Summary of World Real per Capita Output

(Annual percent change; in constant 2021 international dollars at purchasing power parity)

	Average									Projections	
	2008–17	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
World	**1.8**	**2.5**	**1.8**	**–3.9**	**5.7**	**2.8**	**2.3**	**2.4**	**2.5**	**2.7**	**2.3**
Advanced Economies	**0.8**	**1.9**	**1.5**	**–4.4**	**6.0**	**2.5**	**0.9**	**1.2**	**1.6**	**1.6**	**1.5**
United States	0.8	2.4	2.1	–2.9	5.8	2.0	2.1	1.9	1.5	2.0	1.8
Euro Area 1/	0.4	1.6	1.4	–6.3	6.5	3.4	–0.1	0.6	1.1	0.9	1.0
Germany	1.1	1.0	0.9	–4.0	4.1	1.1	–1.8	–0.8	0.2	0.8	1.2
France	0.3	1.3	1.7	–7.9	6.4	2.2	1.1	0.8	0.6	0.6	0.6
Italy	–0.8	1.0	0.6	–8.6	9.7	5.2	1.0	0.8	0.6	0.6	0.6
Spain	0.1	1.8	1.1	–11.1	6.5	5.0	1.3	2.5	1.4	0.9	0.8
Japan	0.6	1.0	–0.1	–4.0	3.9	1.7	1.2	0.2	1.7	1.2	1.2
United Kingdom	0.5	1.1	0.7	–10.2	8.2	4.1	–1.0	0.0	1.0	0.3	0.9
Canada	0.5	1.3	0.4	–6.1	5.3	2.9	–0.8	–0.9	0.6	1.6	1.8
Other Advanced Economies 2/	1.7	2.1	1.3	–2.1	6.0	2.0	0.6	1.8	2.6	2.2	1.8
Emerging Market and Developing Economies	**3.3**	**3.3**	**2.5**	**–3.2**	**5.9**	**3.2**	**3.4**	**3.4**	**3.4**	**3.4**	**3.1**
Emerging and Developing Asia	6.1	5.6	4.5	–1.3	7.1	4.1	5.0	4.9	5.0	4.4	4.3
China	7.7	6.4	5.7	2.2	8.5	3.2	5.5	5.1	5.2	4.6	4.3
India 3/	5.3	5.3	2.8	–6.7	8.8	6.8	6.3	6.1	6.7	5.6	5.6
Emerging and Developing Europe	1.8	3.4	2.4	–1.9	7.6	1.7	3.8	4.3	2.4	2.4	2.1
Russia	1.0	2.6	2.1	–2.5	6.3	–1.3	4.2	5.4	1.6	1.5	1.3
Latin America and the Caribbean	0.8	0.2	–0.9	–8.0	6.7	3.6	1.5	1.6	1.6	1.6	2.0
Brazil	0.8	1.1	0.6	–3.9	4.3	2.6	2.8	3.0	1.9	1.6	1.6
Mexico	0.3	1.0	–1.3	–9.1	5.4	2.9	2.2	0.5	–0.3	0.9	1.4
Middle East and Central Asia	1.1	0.8	0.3	–4.4	3.0	4.2	0.5	0.8	1.8	4.4	2.8
Saudi Arabia	0.5	5.9	2.1	–8.3	9.2	7.2	–4.0	–2.0	2.5	1.1	2.4
Sub-Saharan Africa	1.5	0.5	0.3	–5.7	1.4	1.9	1.3	1.5	1.9	1.8	1.9
Nigeria 3/	2.1	–0.4	0.0	–8.3	–1.0	2.2	1.2	1.9	1.9	1.9	2.2
South Africa	0.2	0.1	–1.2	–7.4	3.9	1.0	–0.4	–0.7	–0.1	–0.3	–0.1
Memorandum											
European Union	0.7	2.1	1.8	–5.7	6.7	3.4	0.0	0.9	1.4	1.2	1.3
ASEAN-5 4/	3.5	3.8	3.2	–5.5	3.4	4.6	3.1	3.9	3.6	3.2	3.5
Middle East and North Africa	0.7	0.3	–0.1	–4.6	3.1	4.5	0.5	0.3	1.6	–0.8	2.9
Emerging Market and Middle-Income Economies	3.6	3.7	2.7	–2.9	6.6	3.5	3.8	3.8	3.7	3.1	3.4
Low-Income Developing Countries	2.7	2.2	2.2	–3.8	1.4	2.7	1.8	1.8	2.5	4.3	2.7

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

1/ Data are calculated as the sum of individual euro area countries.

2/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

3/ See the country-specific notes for India and Nigeria in the "Country Notes" section of the Statistical Appendix.

4/ ASEAN-5 comprises Indonesia, Malaysia, the Philippines, Singapore, Thailand.

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