

# The IMF April 2025 World Economic Outlook

## Summary of key forecast updates for Australia

The IMF released its World Economic Outlook at the end of April. The Outlook is the first to include the impact of the Trump tariffs on the global and individual country economies. Not surprisingly, that impact is expected to be slower economic growth and increased downside risks across the globe.

### Economic growth is forecast to slow in 2025 and 2026

The global economy is now forecast to grow at +2.8% in 2025, revised down half a percentage point compared to the previous quarter's economic outlook. The impact on the United States is much higher with growth being downgraded by -0.9% compared to the previous forecast from January this year.

China, India, Canada all see their growth forecasts cut by -0.6% while Mexico's growth forecast is slashed by -1.7% compared to the January forecast. Mexico's economy is now forecast to shrink by -0.3% in 2025.

Australia's GDP growth is now expected to grow by +1.6%, down from 2.1% - a drop of -0.5% between the January and April outlooks (see more detail about material changes to forecasts for Australia on the following pages).

### Uncertainty abounds

Importantly, the IMF growth projections take into account the tariff announcements made between 1 February and 4 April by the United States and other countries announcing retaliatory tariffs in response. These dates do not include the escalation of tariffs between the United States and China that have resulted in US tariffs of 145% on Chinese imports into the United States or the 125% tariffs imposed by China on US goods. The forecasts also do not include the 90-day pause on the US reciprocal tariffs above 10%. They also do not take into account other initiatives that will impact trade that have been announced by the United States including, for example, levies being placed on Chinese shipping that visit US ports.

An ever-changing trade policy environment has consequences far beyond affecting the IMF's forecasting accuracy. As the IMF points out, in the US, consumer, business and investor sentiment that was optimistic at the start of the year have become notably pessimistic as uncertainty around tariffs has increased. Uncertainty leads to investment decisions being deferred and hiring of employees being delayed. Downside risks are increasing – the IMF modelling suggests that the risk of a US recession occurring in 2025 is now at 37% up from 25% in October 2024 while the risk that US headline inflation will rise above 3.5% is now more than 30% compared to 13% back in October 2024.

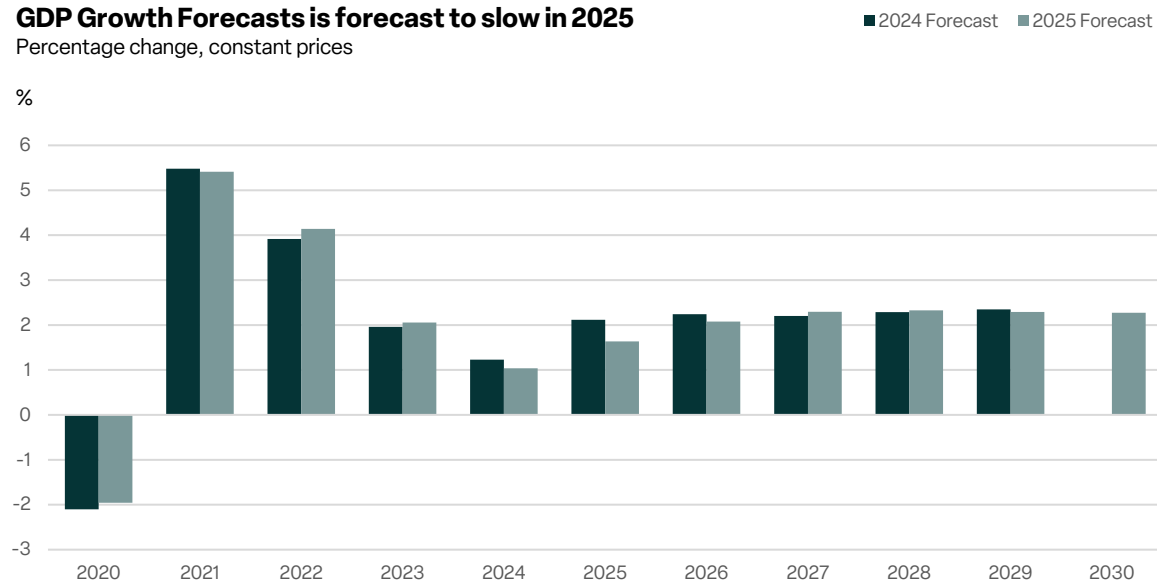
## Key changes in the forecast for Australia

### Gross Domestic Product

Forecast growth in GDP is expected to slow from 2.1% to 1.6% in 2025. This reflects a reduction in Australia's forecast GDP compared to the previous forecast of around \$12.6 billion (which is about 0.5% Australia's \$2.6 trillion GDP). Despite the slowing growth, per capita GDP is forecast to see a small increase in 2025 of around +0.4%.

#### GDP Growth Forecasts is forecast to slow in 2025

Percentage change, constant prices

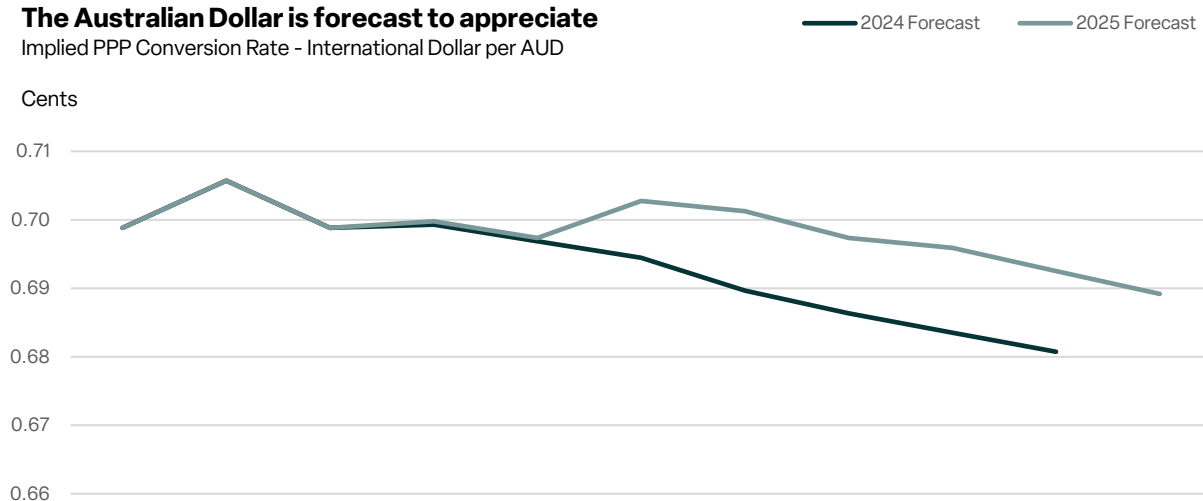


### The Australian Dollar

The Australian dollar is forecast to appreciate by between 1%-2% on a PPP basis from 2025 suggesting improved affordability of goods and services relative to other countries, most notably the United States.

#### The Australian Dollar is forecast to appreciate

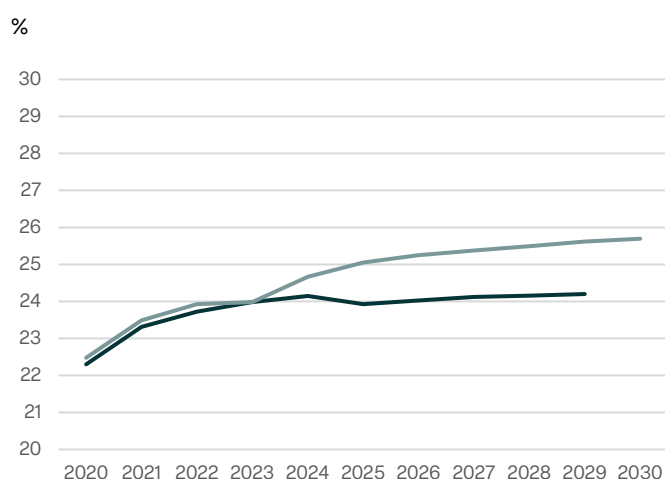
Implied PPP Conversion Rate - International Dollar per AUD



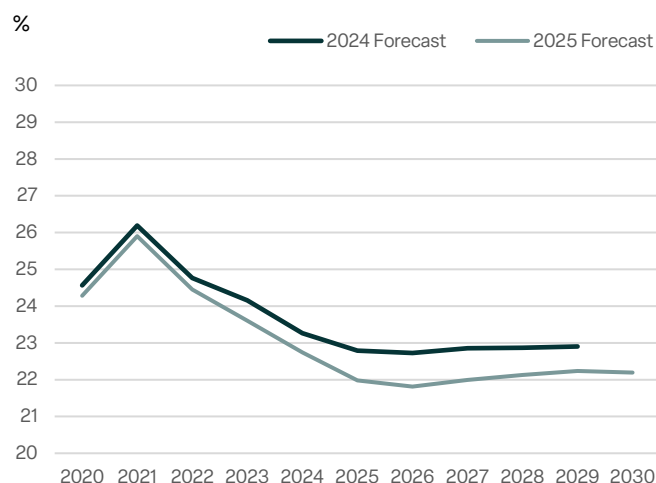
## Investment, savings and the current account

Investment as a percentage of GDP is forecast to rise faster than was the case in the October 2024 forecasts while savings as a proportion of GDP is expected to decline compared to the October forecast. The difference between investment and savings is reflected in the current account. In recent years, Australia has had a current account surplus, but this is expected to move into deficit in 2024 for the first time since 2016. In the IMF revised forecast, the deficit in the current account is forecast to grow larger as a proportion of GDP than expected in the October forecast.

### Investment as a % of GDP is forecast to grow faster than in previous forecasts

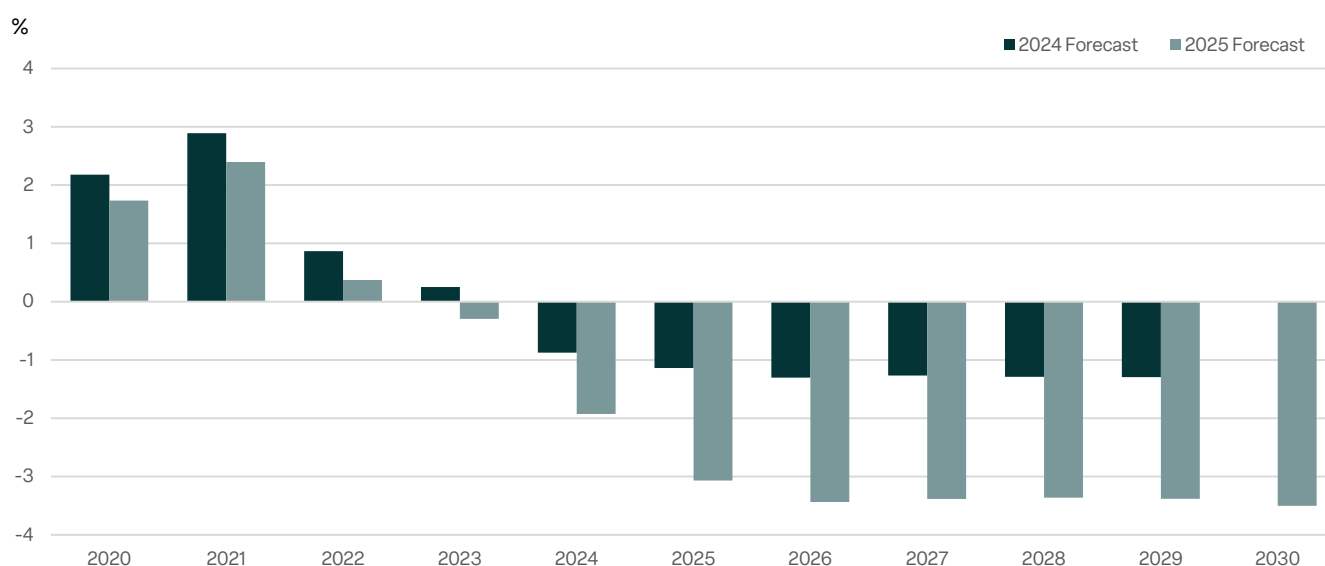


### While savings as a % of GDP is forecast to be lower than previously forecast



### The Current Account as a % of GDP forecast to grow faster and be larger than under the previous IMF forecast

Percentage of GDP

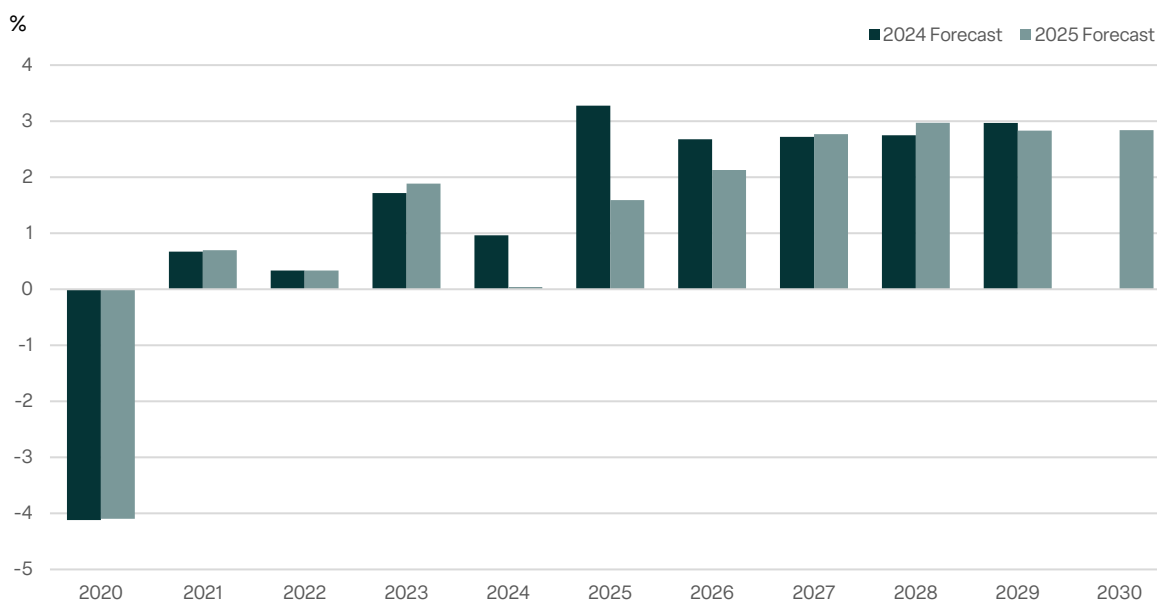


## Exports and imports

Growth in export volumes is expected to slow as tariffs affect both our exports to the United States and to our trading partners (of which China is the largest) as they are, in turn, affected by US tariffs. The updated forecasts show export volume growth as a percent of GDP halving in 2025 compared to the IMF's October 2024 forecast. There is less impact on import volumes reflecting the fact that Australia has chosen not to impose retaliatory tariffs in response to US trade policy.

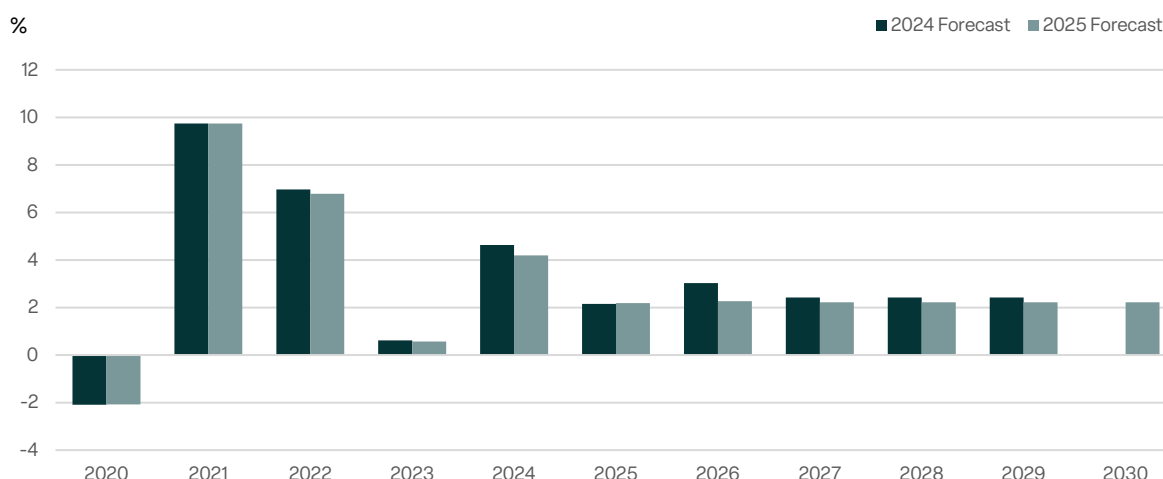
### Goods exports are set to see substantially slower growth in 2025 than in the previous IMF forecast

Percentage change



### While Import volumes as a % of GDP are only slightly lower than the 2024 Forecast

Percentage change



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