US NEWS

IMF Lifts US Growth Forecasts on Lower Tariffs, Boost From One Big Beautiful Bill Act

Global growth forecast nudged higher alongside the U.S. upgrade, but downside risks remain.

The American flag flies over a container ship unloading its cargo from Asia, at the Port of Long Beach, Calif., on Aug. 1, 2019. Mark Ralston / AFP via Getty Images


Tom Ozimek
Reporter

7/29/2025 | Updated: 7/29/2025

The International Monetary Fund (IMF) has raised its U.S. economic growth outlook, citing easing trade frictions and fiscal stimulus from the One Big Beautiful Bill Act, even as the global agency warned that tariff risks and inflation pressures remain.

The IMF said in its latest World Economic Outlook (WEO) report, released on July 29, that it now expects the U.S. economy to expand by 1.9 percent in 2025 and by 2 percent in 2026. That’s up 0.1 and 0.3 percentage points, respectively, from the IMF's projections in April, when it expected higher tariffs and tighter financial conditions than have since materialized.

The upgrade reflects a drop in the effective U.S. tariff rate to 17.3 percent from a previously expected 24.4 percent, looser financial conditions aided by a weaker dollar, and new incentives for corporate investment under the One Big Beautiful Bill Act. The IMF staff estimated that the Trump-endorsed tax-and-spending measure could raise U.S. output by about 0.5 percent on average through 2030.

The upward revision to growth for the full 2025 comes despite a brief contraction in output early this year, when GDP shrank at a 0.5 percent annualized pace in the first quarter. That decline reflected a surge in imports as companies rushed to stockpile goods ahead of higher tariffs—a factor that subtracts from gross domestic product (GDP) calculations even though it pointed to strong underlying demand and investment.

The IMF's more optimistic outlook for the U.S. economy comes on the same day that data from the Conference Board showed Americans have grown more confident about future business conditions and incomes. The Conference Board's consumer confidence index ticked up to 97.2 in July from 95.2 in June, reversing last month's slide. The forward-looking expectations index jumped 4.5 points, while the present situation index slipped slightly amid concerns about job availability.

"Of course, the consumer is confident—their investments are rising almost daily, earnings are better than expected, and the tariff scare is muted," Gina Bolvin, president of Bolvin Wealth Management Group, told The Epoch Times in an emailed statement.

Labor market signals remain uneven, however. Job openings fell to 7.43 million in June, while the share of consumers calling jobs "hard to get" in the Conference Board survey rose to the highest since March 2021. Economists expect Friday's payroll report to show moderating hiring after last month's 139,000 gain.

The IMF also nudged its global growth forecast higher, projecting 3 percent growth in 2025 and 3.1 percent in 2026, up 0.2 and 0.1 percentage points, respectively. As with the U.S. upgrade, the improvement reflects lower tariff rates than in early April; easier financial conditions, including a weaker dollar; and fiscal expansion in some countries.

Still, IMF chief economist Pierre-Olivier Gourinchas warned that risks remain "tilted to the downside," citing potential tariff reescalation, geopolitical tensions, and fiscal vulnerabilities that could lift borrowing costs.

"A breakdown in trade talks or renewed protectionism could dampen growth globally and fuel inflation in some countries. Persistent uncertainty may weigh on investment, while geopolitical tensions and fiscal vulnerabilities pose additional threats," Gourinchas said in a statement.

"On the upside, breakthroughs in trade negotiations could boost confidence and structural reforms could lift long-term productivity."

Headline inflation is expected to ease globally to 4.2 percent in 2025, but the IMF sees U.S. inflation staying above the Federal Reserve's 2 percent target on expectations that tariffs will contribute to higher consumer prices in the second half of the year.

The IMF called on governments to cut trade uncertainty, rebuild fiscal buffers, and preserve central bank independence, arguing that such steps would boost confidence and investment.

Tom Ozimek

Reporter

Tom Ozimek is a senior reporter for The Epoch Times. He has a broad background in journalism, deposit insurance, marketing and communications, and adult education.

Author's Selected Articles

ADP Jobs Report Shows 104,000 Gain in July, Topping Forecasts
Jul 30, 2025

Trump Imposes 25 Percent Tariff on India Plus Unspecified Penalty
Jul 30, 2025

Consumer Confidence Improves as Americans Grow More Optimistic About Future
Jul 29, 2025

FTC Opens Public Inquiry Into 'Gender-Affirming' Care Claims
Jul 29, 2025