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IMF Upgrades Australia's Economic Growth Forecast for 2025

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The International Monetary Fund (IMF) has upgraded its forecast for Australia's economic growth, citing improved global trade conditions and resilience amid ongoing tariff uncertainties.

According to the IMF's latest report, Australia's GDP is now expected to grow by 1.8 per cent in 2025 and 2.2 per cent in 2026, up from the previous projections of 1.6 and 2.1 per cent, respectively. The revision reflects broader global economic adjustments in response to recent international trade developments.

Despite concerns surrounding former U.S. President Donald Trump's trade tariffs, the global economy has shown signs of steady growth in early 2025. Several major economies, including Japan, the United Kingdom, and the European Union, have recently negotiated trade deals with the U.S. to mitigate the impact of rising duties.

Australia, which had previously seen relatively favourable treatment under Trump's earlier tariff measures, could face more stringent terms unless a new trade deal is reached. The IMF noted that the U.S. effective tariff rate has decreased slightly to 17.3 per cent, compared to 24.4 per cent in April, following strategic import shifts by American companies.

Trump's earlier "liberation day" tariffs introduced a 10 per cent baseline on many nations, including Australia. The administration is now reportedly considering increasing that rate to 15–20 per cent, which could further impact global supply chains and trade volumes.

Inflationary pressures in the U.S. have also risen, attributed to higher import costs and a weaker dollar. However, stronger-than-expected economic activity in China, Australia's largest trading partner, has been a key driver behind the IMF's upward revision. China's growth forecast for 2025 now stands at 4.8 per cent, up 0.8 per cent from April.

India is also expected to post a strong performance, with a projected GDP growth of 6.4 per cent for both 2025 and 2026.

While the IMF acknowledged positive momentum, it warned that global risks remain. "Overall, risks to the outlook remain tilted to the downside," the report stated, citing ongoing trade policy uncertainty and inflation volatility.

The IMF's assessment indicates a cautiously optimistic view of Australia's economic resilience, supported by strong trade relationships and global economic adjustments.