

UK to See Modest Economic Lift as Global Growth Outlook Improves Amid US Tariff Changes

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The British economy is set for a slight boost after the International Monetary Fund (IMF) raised its global growth forecast, driven in part by increased trade activity ahead of newly implemented US tariffs. The updated projections indicate the United Kingdom will

experience modest economic improvement, despite broader concerns over its domestic growth strategy.

According to the IMF's latest World Economic Outlook, the UK's economic growth is now forecast at 1.2% in 2025, an upgrade of just 0.1 percentage points from previous estimates. Growth for 2026 is projected to reach 1.4%. While minor, the revision is aligned with similar adjustments for major European economies, including Germany and Italy, both of which also received a 0.1% increase for 2025. Canada saw a slightly larger uplift, with growth projections raised by 0.2% in 2025 and 0.3% in 2026, bringing its forecast to 1.6% and 1.9%, respectively.

The IMF attributed much of the global improvement to a phenomenon it labelled "front-loading," a rush by businesses to move goods into the United States in anticipation of higher tariffs. This surge in trade activity follows US President Donald Trump's announcements in April regarding what he called "liberation day", which signalled plans to increase import duties. The IMF noted that this behaviour has significantly shaped economic activity in the first half of the year, but also warned of longer-term risks. Companies stocking up prematurely may face excess inventory, higher holding costs, or the risk of goods becoming outdated, which could dampen future trade volumes.

The slight easing of US tariffs and new trade agreements, including with the United Kingdom and the European Union, have also contributed to more stable financial market conditions. However, the report cautioned that a renewed increase in effective tariff rates could suppress growth and investor confidence, particularly if trade deadlines pass without substantive resolutions. It also cited geopolitical concerns in the Middle East, which could disrupt shipping routes and inflate energy prices, as potential risks to the global outlook.

Domestically, the modest UK upgrade has sparked fresh political debate. Critics have challenged Chancellor Rachel Reeves over what they perceive as stagnation in the nation's growth trajectory. Despite the IMF's revisions, the UK's growth remains among the lowest in the G7 group of advanced economies. The Conservative Party pointed to last year's tax-heavy Autumn Statement and what they describe as Reeves' pessimistic stance as contributing factors.

Shadow Chancellor Mel Stride said, "Business confidence has collapsed all because of the chancellor's reckless economic choices. You can't tax your way to growth – we need to

back British businesses and workers. Yet Rachel Reeves looks set to do it all over again in the autumn, yet more taxes, yet more pain for our economy.”

In response, Chancellor Reeves maintained that the UK is still projected to lead the G7 in growth. She defended her “Plan for Change,” which includes investment in city region transport, funding for affordable housing, and backing for major infrastructure projects such as the Sizewell C nuclear power station. “I am determined to unlock Britain’s full potential,” Reeves said.

Beyond tariffs and domestic policy, the IMF report also pointed to the potential of emerging technologies, particularly artificial intelligence, to support global productivity and economic expansion, provided that trade tensions can be reduced and policy clarity improved.

While the short-term economic picture offers cautious optimism, the outlook remains fragile. The IMF emphasised that sustained recovery will depend on resolving tariff disputes, ensuring political stability, and investing in innovation that can deliver long-term gains.