Signal over noise #8: IMF meetings – What does the world economic outlook look like?

Global equity strategy

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- Discussions at the recent IMF Spring Meetings centered on the impact of tariffs on economic growth. Following the universal tariff announcements, the IMF projected a slowdown in global growth, with an even sharper deceleration expected for the US economy.
- We believe that ongoing tariff negotiations should support a shift from a universal toward a more selective tariff regime, helping mitigate the projected negative effects. Meanwhile, the administration's growing emphasis on pro-growth policies suggests a shift away from a singular focus on tariffs.
- At the same time, US exceptionalism has been increasingly questioned. While we acknowledge the risks, largely owing to concerns over fiscal deficits, we do not believe the conditions currently exist for the US dollar to lose its status as the global reserve currency.

We attended the IMF and World Bank Spring Meetings last week in Washington DC, and we share our three take-aways along with our views.

1. Economic outlook

The investor and analyst sentiment among conference participants seemed gloomy, and much worse than the revised lower economic outlook in the IMF's World Economic Outlook following the universal tariff announcements on 2 April. The IMF sees a slowdown in global economic growth from 3.3% to 2.8% because of the tariffs but does not see a global or US recession looming in 2025. This contrasts with the many discussions during IMF meetings where recession fears surfaced because of the ongoing policy uncertainties and the currently excessive tariff load on Chinese goods, which has brought Chinese imports to the US to a halt.

CIO view: The medium-term economic outlook is likely brighter than sentiment suggests. The tariff pause opens the door to selective tariffs, which are economically less damaging to the US than universal tariffs (see also Signal vs Noise #7). Universal tariffs are analogous to a tax on all products, leaving no release valve for companies and consumers, and therefore have a broad economic impact. The IMF forecasts, which were revised after Liberation Day announcements, but before the tariff pause, reflect this thesis (see table 1), with US growth suffering the most under the universal tariffs of 2 April (-0.9% in the US versus -0.5% globally). We are looking for data points in the next weeks that tariff agreements will become more nuanced—i.e., differentiated by products and countries. This shift toward a selective-tariff regime could (1) result in a smaller slowdown in global growth, and (2) lead to a narrower gap in the relative growth impact between the US and the rest of the world.

Table 1 - IMF cut 2025 GDP growth forecasts after universal tariff announcements

2025 real GDP growth forecasts and revisions from January 2025 following tariff announcements on 2 April. In %

Region	2025 real GDP growth forecast (as of Apr 2025)	Growth revision post-Liberation Day tariffs
World	2.8%	-0.5%
US	1.8%	-0.9%
China	4.0%	-0.6%
Euro Area	0.8%	-0.2%

Source: IMF World Economic Outlook, UBS as of Apr 2025

2. "Sell the US narrative"

This view was prevalent in many meetings, with discussions of the dollar losing its reserve currency status, the end of US exceptionalism, and the loss of trust in the US as a trade and geopolitical partner.

CIO view: We acknowledge the signs that call US exceptionalism into question, most notably the challenge of the US in stimulating economic growth while managing a fiscal deficit at 6.4% of GDP and a debt-to-GDP ratio exceeding 120%. However, history shows that the loss of reserve currency status takes more than persistent and rising deficits (see table 2). It took about 40 years for the British pound to lose its reserve currency status to the US, largely driven by a weakened economy after two world wars, Britain's attempt to return to the gold standard, and the US rising as a strong economic competitor. None of these factors are at play right now. On the contrary, we continue to see the US in the pole position with the next three structural growth drivers of the global economy—AI, electrification, and longevity—and recently (10 April) tactically upgraded our US equity market view to Attractive.

Table 2 - Global reserve currency status: USD vs GBP

	Britain (post-WWI to post-WWII)	US 2025
Economic strength	Weakened after two world wars	Largest economy in the world
Currency peg	Attempt to return to gold standard	Floating and liquid
Military power	Military decline with fall of British Empire	Dominant globally
Financial Systems	Weakening relative to the US	Deep capital markets
Alternatives	US rising economically and financially	No single challenger yet (EUR fragmented, CNY tightly managed)
Debt Levels	Large wartime debts	High and rising national debt
Trade Balance	Persistent deficit	Persistent deficit

Source: UBS

3. US administration talking points

The focus seemed to shift toward fiscal policies, and an emphasis on a de-escalatory approach to tariff negotiations, including with China.

CIO view: Tax cuts and deregulation were mentioned as the next milestones in the US administration's agenda. Although we do not expect significant additional fiscal stimulus in the US this year, we see this as positive signs that tariffs are being de-emphasized as a cornerstone of the agenda, with a pivot toward more pro-growth policies. We are looking for tariff deal announcements with India, Japan, and other Asian countries, along with a de-escalation on China tariffs to corroborate that a more constructive tariff dialogue is in fact under way. Given the current tariff outlook in Asia, we continue to favor Taiwan and India as our preferred markets, while maintaining a Neutral stance on China.

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Note: For equities, we have collapsed "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive" from the five-tier rating system that is found in the Equity Compass into three tiers.

Appendix

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