The Daily Dish

Crazy Optimism at the IMF

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This week's entertainment is the spring meetings of the World Bank and International Monetary Fund (IMF), conveniently held across the street from the worldwide headquarters of AAF. The recipe is to take hourly protests – stir in street closures, congestion, and illegal parking – and finish with endless talk. Great fun.

This year features a new ingredient: crazy optimism. This would be understandable if IMF stood for Impossible Mission Force, but instead it is commenting of the state of the global economy. The new World Economic Outlook (WEO), released yesterday, notes:

> *After enduring a prolonged and unprecedented series of shocks, the global economy appeared to have stabilized, with steady yet underwhelming growth rates. However, the landscape has changed as governments around the world reorder policy priorities and uncertainties have climbed to new highs. Forecasts for global growth have been revised markedly down compared with the January 2025 World Economic Outlook Update, reflecting effective tariff rates to levels not seen in a century and a highly unpredictable environment. Global headline inflation is expected to decline at a slightly slower pace than what was expected in January.*
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> *Intensifying downside risks dominate the outlook, amid escalating trade tensions and financial market adjustments. Divergent and swiftly changing policy positions or deteriorating sentiment could lead to even tighter global financial conditions. Ratcheting up a trade war and heightened trade policy uncertainty may further hinder both short-term and long-term growth prospects. Scaling back international cooperation could jeopardize progress toward a more resilient global economy.*

That sounds about right – downbeat, pessimistic, and focused on the negatives. So where is the crazy optimism? In the numbers. The IMF forecast for the United States in 2025 and

2026 is for growth in real gross domestic product (GDP) of 1.8 and 1.7 percent, respectively. That is basically growth at the trend rate. Similarly, consumer inflation is expected to rise from 2.9 percent to 3.0 percent in 2025, and to decline to 2.5 percent a year later.

The Fed has committed to keeping the upward pressure on prices produced by tariffs from becoming ongoing inflation. That means the profile in the IMF forecast is right, but the near-term increase seems way too small. Similarly, the drop-off in real economic activity is directionally correct but seems too small. Indeed, the entire forecast only makes sense if the tariffs prove to be relatively transitory.

It is easy to imagine “deals” making the reciprocal tariffs go away. And one might imagine some sort of ritual sacrifice that would end the Canada and Mexico misadventures. But the universal tariff of 10 percent was featured consistently during the campaign, and the steel, aluminum, auto, pharmaceutical, lumber, copper, and China tariffs are a fixed feature of the president’s policy landscape. Expecting them to go away is crazy optimistic.