Chart of the Week

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The Global Economic Outlook

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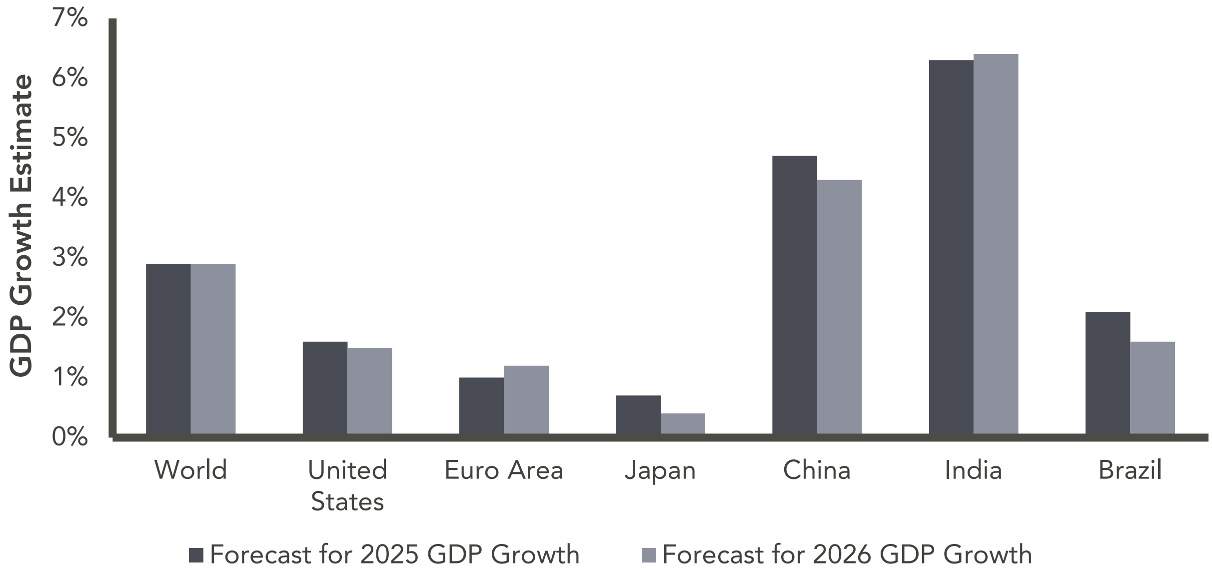
Forecasters have downgraded global economic growth projections due to tariffs, dampened investor confidence, and lower business investment



Source: Organization for Economic Cooperation and Development as of June 3, 2025

In a report published last week, the Organization for Economic Cooperation and Development sharply lowered its global economic growth outlook, pointing to the disruptive impact of ongoing trade tensions. Global GDP is now projected to grow by 2.9% on a year-over-year basis in 2025, down from an estimate of 3.1% in March. The United States economy is expected to grow by 1.6% this year, which represents a sharp downgrade from the March forecast of 2.2% by the OECD. Indeed, out of the countries outlined in this week's chart, only India saw its 2025 economic growth estimates revised upward in the most recent OECD projections, with forecasts for the euro area and Japan remaining in line with where they stood in March. These assessments underscore the reality of trade disruptions as major drags on global economic momentum. Further, the OECD emphasized in its report that even a complete rollback of tariffs by the U.S. and other nations would not provide an immediate boost to the global economy due to lingering uncertainty about the direction of future policy.

In addition to trade headwinds, the OECD pointed out that domestic factors are compounding U.S. economic challenges, with immigration restrictions and a shrinking federal workforce contributing to weaker growth prospects. Additionally, despite tariff-generated revenues (which hit an all-time high last month), the U.S. budget deficit is expected to widen as slowing economic activity will likely outweigh any fiscal gains from

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trade barriers. Inflation in the U.S. will also rise in the near term according to OECD forecasters, which could delay substantive monetary easing by the Federal Reserve until at least 2026. The report cautions that this timeline could be pushed even further if inflation expectations become unmoored. Beyond the immediate economic implications of trade disputes, the OECD raised alarm about mounting global fiscal pressures and urged governments to streamline spending and improve revenue collection by expanding their tax bases. Clearly, policymakers around the world have much to evaluate as we prepare to enter the second half of 2025.

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