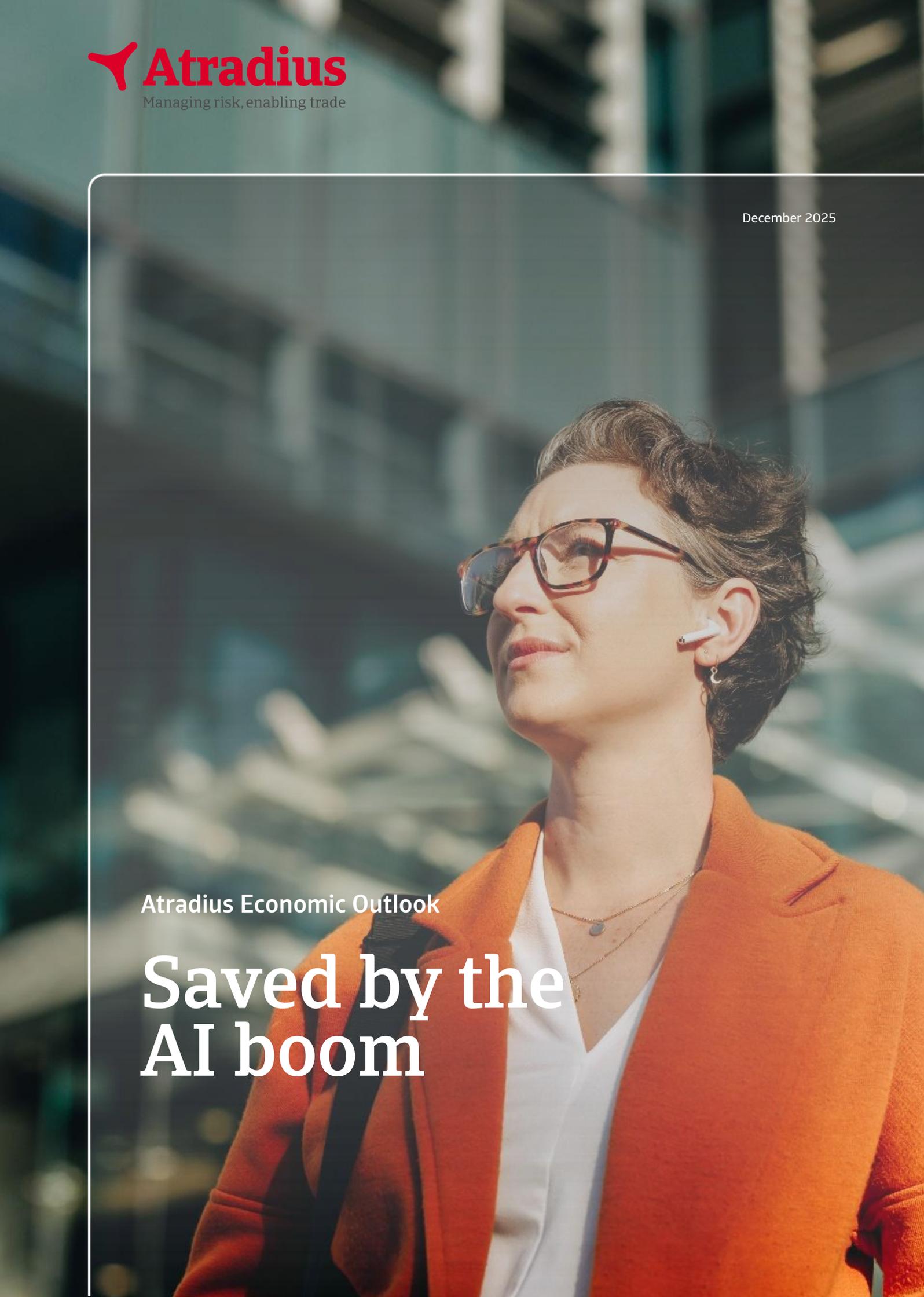


Atradius Economic Outlook

# Saved by the AI boom



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# Executive summary

Global growth in 2025 has been surprisingly resilient, driven by an unprecedented boom in AI-related investment, particularly in the United States. Despite ongoing trade tensions and policy uncertainty, massive capital flows into AI infrastructure – data centres, chips, and power upgrades – have provided a significant boost to economic activity. This surge in AI investment is expected to continue, though at a slower pace, into 2026, masking some of the negative effects of the trade war and supporting global GDP growth.

- **Global GDP growth is forecast to moderate to 2.6% in 2026 and recover slightly to 2.8% in 2027.** The US is expected to maintain growth around 2.0% in both years, while Emerging Asia remains the global growth leader, albeit at a somewhat lower rate. The eurozone is projected to see muted growth, at 0.9% in 2026 and a mild rebound to 1.6% in 2027. Latin America and Emerging Europe are forecast to hover around 2% growth.
- **Global trade growth, after a temporary lift in 2025, is expected to decelerate sharply.** Trade grew by an estimated 3.5% in 2025, buoyed by frontloading and AI-related goods, but is forecast to stagnate in 2026 before recovering to around 2% in 2027. The trade war's impact, though less intense than initially feared, continues to weigh on the outlook, with tariffs and uncertainty depressing trade volumes, especially between North America and Asia.
- **Advanced economies are set for subdued growth, with increasing divergence.** The US economy is running on two tracks: robust AI-driven investment contrasts with weakening momentum in the broader real economy. The eurozone's growth is supported by resilience in services and select countries like Spain, but the overall expansion remains modest due to weak consumer sentiment and investment.
- **Emerging market economies (EMEs) remain more resilient but face headwinds.** EMEs are forecast to grow by 4.0% in 2026 and 4.1% in 2027, with India leading at over 6% growth. China's growth is expected to slow below 5% as export momentum fades and structural challenges persist. Many EMEs benefit from integration into AI value chains, but are also exposed to US trade volatility, higher borrowing costs, and global financial uncertainty.
- **A sharp decline in confidence in the future benefits of AI could trigger an abrupt end to the current investment boom, resulting in a pronounced AI bubble burst.** In this downside scenario, US tech stocks would fall by around 25%, leading to a significant loss of household wealth and a sharp slowdown in consumer spending and corporate investment, particularly in the technology sector. Exports would decline, business sentiment would deteriorate worldwide, and tighter financial conditions would amplify the shock. The US dollar would depreciate further, and the Federal Reserve would be forced to respond with additional rate cuts. This would lower global GDP growth in 2026 and 2027 by 1.4 percentage points. The impact would be most severe for the US and major tech exporters in Asia-Pacific, but spillovers would affect all regions.

An aerial photograph of a large shipping yard. The yard is filled with numerous stacks of intermodal containers in various colors, including red, blue, yellow, green, and white. Several yellow gantry cranes are positioned throughout the yard, used for moving and stacking the containers. The ground is paved and shows some markings. The lighting suggests it's either early morning or late afternoon, with long shadows cast across the yard.

# 1. Global economic environment



# 1.1 AI boom masks trade war impact

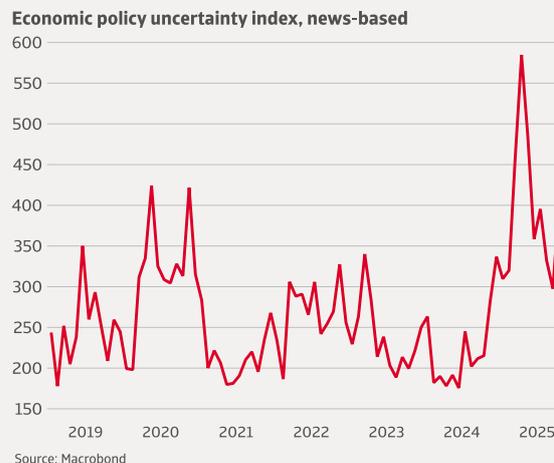
In our July Outlook we focused on the impact the unfolding US-initiated trade war was expected to have on the global economy. We argued the US economy was dragging down forecast global economic growth to crisis levels.

That view did not come out of the blue. The trade policy shock was unprecedented, bringing the effective tariffs of imports of the largest economy in the world up from 2.5% to 17.8% in just a few months. What was arguably even more important, uncertainty around global trade policy more broadly had shot up over fears for tit-for-tat tariffs from the rest of the world. The economic policy uncertainty index reflected this: it spiked to levels far above those seen during the Covid pandemic. Business and consumer confidence plummeted. Financial market turbulence and a fall in the USD exchange rate that followed could only be checked by the US administration announcing a 90-day pause in the tariffs.<sup>1</sup>

Six months on, the situation has turned out better than feared: the global economy is showing resilience. This, we think, is attributable to essentially two factors.

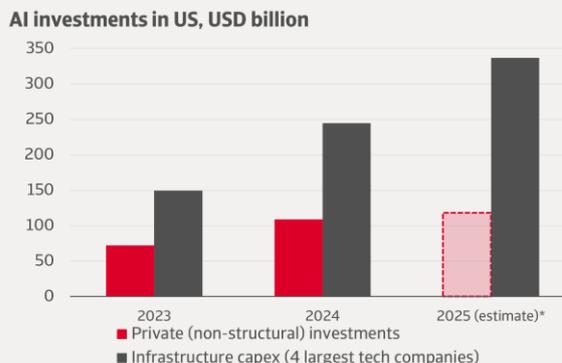
First, as we document trade in this Outlook, the trade war has continued, but with less intensity than envisaged in July. The actual effective tariff imposed is significantly lower compared to the announced nominal effective tariff (see section 1.4). Retaliation measures were imposed only by China, the main target of the US trade war. Even these were relaxed after the Trump-Xi meeting in October.<sup>2</sup> Moreover, tariffs, often already lower than initially announced, were 'agreed' with a host of other countries as well as the EU, without triggering retaliation. Uncertainty around trade policy has consequently abated, although it remains high (figure 1.1). Business confidence, and even to some extent consumer confidence, have recovered (see section 1.2). Financial market turbulence has faded, and the USD rate has not fallen any further.

Figure 1.1 Policy uncertainty falls from record high



Second, and crucially, in 2025 we observe a massive escalation of investment in AI infrastructure, such as data centres, chips and power upgrades in the US. These investments are expected to grow to USD 340 billion in 2025,<sup>3</sup> from USD 197 billion in 2024, a rise of more than 70%. This comes in addition to an expected USD 112 billion of private AI investment covering corporate AI R&D, venture capital and AI-focused startups, reflecting a moderate growth of 3% in 2025 after a surge in 2024 of more than 60% (figure 1.2). Total AI investment boosted GDP growth by 1.7 percentage points (ppt) in H1 2025 in the US (see section 2.3). Moreover, it has generated spillovers to Taiwan, Vietnam and Mexico, countries that have key roles in the value chain for AI investment. Exports from these countries to the US have soared by double-digit figures in 2025, again spurring their domestic GDP growth.

Figure 1.2 Massive US investment in AI infrastructure



<sup>1</sup> It was reportedly US Treasury Secretary Scott Bessent who stepped in to manage the situation. See <https://www.reuters.com/world/us/amid-turmoil-over-tariffs-bessent-rises-trump-trade-world-2025-04-10>.  
<sup>2</sup> The pause on the reciprocal tariffs of up to 145% agreed in May was extended for a year. Moreover, China agreed to pause its export controls on rare earth

minerals while the US paused its own export controls related to national security rules, for a period of a year.  
<sup>3</sup> We take the midpoint of the estimate of USD 320 billion to USD 360 billion.



The other often-mentioned factor that plays a less important role is frontloading. What we have seen is a surge in trade between the US and Asia especially in Q1 2025. This does indeed provide a boost to economic activity, especially in the exporting countries, where production takes place. At the same time this is predominantly transitory, merely accelerating trades that are to happen anyway. The implication is that after the boost, economic activity will slump before it recovers.

AI investments in the US are therefore masking the impact of the trade war, on the US economy, in particular. That trade war may be less intense than envisaged, but its impact is nevertheless negative. As we explained in previous outlooks, an import tariff is in essence just a tax on imports. Someone will ultimately have to bear the brunt of such a tax. Initially, importing firms may be able to absorb it in their profit margins, especially if the rate is relatively mild (say below 15%). But inevitably, the firms will ultimately attempt to pass on the tariff to their clients, which could be a company or consumer. This means that prices will rise, limiting demand for its products. If the tariff cannot be passed on, the firm will face a permanent hit to its profit margins. That will limit investment. On top of this comes the still high uncertainty as to the US trade policy. This leads to delays in spending by firms and consumers, as they wait for more clarity, as well as an increase in savings as perceived income risk rises.<sup>4</sup> This is what is currently at play in the US economy, masked by the AI boom. Other countries are not fully insulated against the trade war impact, of course, as lower activity in the largest economy in the world spills over. These countries, however, may not be facing the tax on imports and its impact; with the exception of China, which does retaliate.

## 1.2 PMIs support upward revisions

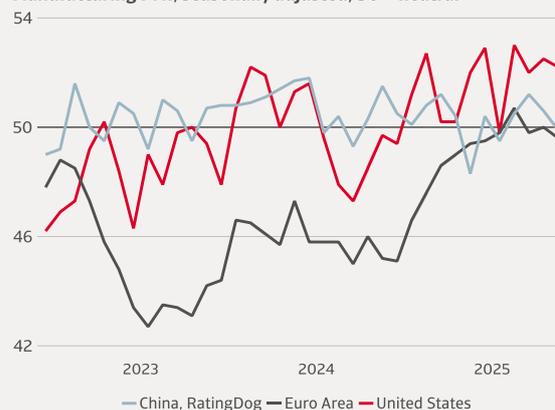
Forecasts are improving as the impact of the trade war is turning out to be muted, offset by AI-driven imports and temporary frontloading of activity. Confidence indicators confirm our view of resilience, at least broadly.

Manufacturing PMIs have improved and are in positive territory in all regions (above 50; figure 1.3). The indicators are even confidently positive in the US, but to a lesser extent in China. In China, PMIs are helped by the recent détente, or at least pause, in the trade war with the US. Manufacturing is partly under pressure because of the ongoing crisis in the property sector, while exports to markets other than the US are soaring. Even the European PMI is now in positive territory, albeit marginally, after a long climb since late 2024. The picture for services, which are not subject to the trade war, is

even stronger, suggesting expansion as well (figure 1.4). PMIs have moved upwards quite a bit and are now more robustly positive in all regions, again led by the US.

**Figure 1.3 Manufacturing out of the doldrums**

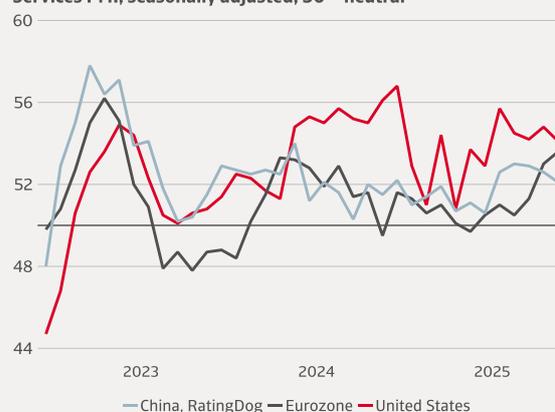
Manufacturing PMI, seasonally adjusted, 50 = neutral



Source: Macrobond, S&P Global

**Figure 1.4 Services remain strong**

Services PMI, seasonally adjusted, 50 = neutral



Source: Macrobond, S&P Global

Consumer confidence indicators on the other hand are somewhat muting the picture (figure 1.5). It is not so much the fact that they are negative in all major regions – they have been so for quite some time. Rather, it is the continuation of the negative trend for the US consumer that strikes. This was already the case in previous outlooks, and we now see it reinforced.<sup>5</sup> This comes as no surprise given the above analysis of the trade war. The US consumer, as we are aware, is pivotal for the US and thus the global economy. A warning signal.

In line with this, forecast revisions for 2025 for the US and Emerging Asia, including China, are significantly better (figure 1.6). For the US, the figure is 0.5ppt; the same for Emerging

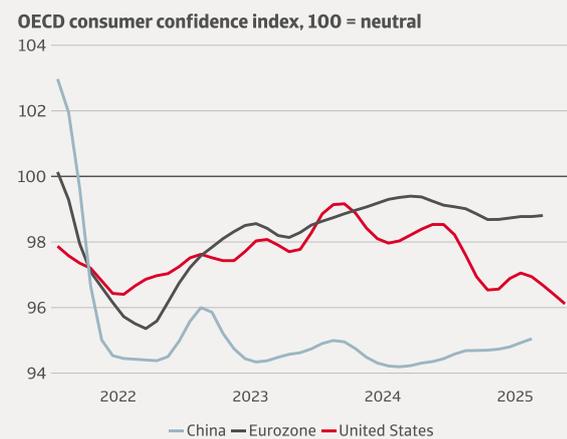
<sup>4</sup> See IMF, WEO October 2025.

<sup>5</sup> We are aware that the longest government shutdown in US history has contributed to lower consumer confidence.



Asia. Eurozone growth is revised upward by 0.3ppt largely due to a revision of Irish GDP and some stronger than expected data. The latter is also observed in Latin America and Emerging Europe where we end up with a 0.4ppt higher growth than envisaged in July. In 2026, when the trade war impact will be more fully felt, the upward revision is muted, globally coming out at 0.2ppt. We expect the AI investments, fixed as well as in infrastructure, to remain strong albeit less abundant, driving the upward revision. Based on industry reports and bank research we expect the level of these to grow by another 38% in 2026 and 23% in 2027, predominantly in the US. No wonder it is precisely the US and Emerging Asia growth axis that is set to remain strong, with upward revisions of 0.2ppt and 0.4ppt respectively. In the other regions, including the eurozone, the upward revision is less pronounced.

**Figure 1.5 Warning from US consumer**



Source: Macrobond, OECD

The upshot of this is that expected 2025 global growth ends up at a similar level to 2024 at 2.8% (table 1.1). It is still dragged down by the (less-than-anticipated) slowdown to 2% GDP growth in the US, notably below last year. The growth leader remains Emerging Asia showing 5.1%, only a touch lower than last year. The eurozone comes out remarkably higher but still muted at 1.4% due to Irish GDP developments, with Latin America and Emerging Europe growing above 2%, both better than last year. In 2026 global growth is indeed expected to end up below 2025 at 2.6%, with unchanged US growth. Emerging Asia remains the growth leader albeit at a somewhat lower rate. The eurozone is forecast to continue at a very muted growth pattern of 0.9%, i.e., back to the level of 2024. Latin America and Emerging Europe growth continues to hover around 2%. This picture will not materially change in 2027, although the defence and infrastructure investments in Germany are forecast to pull eurozone growth above 1%.

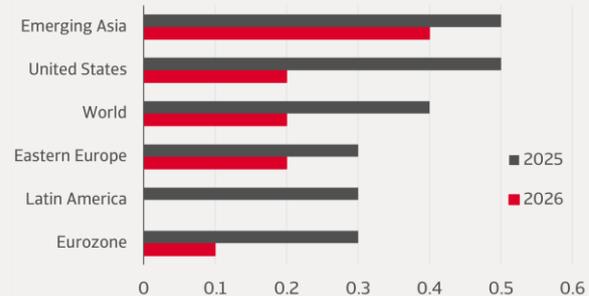
## 1.3 AI boom assumptions

Our economic projection rests on several assumptions, most notably the continuation of the AI investment boom amid a trade war that has eased but not fully abated.

First, the US investment boom in AI will continue, albeit not at the pace we have seen in 2025. Private fixed and infrastructure investment will be strong but will gradually slow, as mentioned above. AI investments in China and the eurozone are assumed to be dwarfed by those in the US and to not significantly contribute to global GDP growth. We also assume that the productivity enhancing benefits of AI remain uncertain. Even if they become more tangible, the time it will take to actually benefit the economy in a significant way is beyond our forecast horizon... It is therefore purely AI investment that is being banked on.

**Figure 1.6 The AI boom lift to forecast**

ppt change real GDP growth forecast since Jul-25



Source: Oxford Economics, Atradius

**Table 1.1 Resilience in numbers**

Real GDP growth, major markets, % y-o-y

	2024	2025*	2026*	2027*
Eurozone	0.8	1.4	0.9	1.6
United States	2.8	2.0	2.0	2.1
Emerging Asia	5.2	5.1	4.8	4.8
Latin America	1.7	2.2	1.9	2.4
Eastern Europe	3.4	2.6	2.3	2.2
<b>World</b>	<b>2.8</b>	<b>2.8</b>	<b>2.6</b>	<b>2.8</b>

Source: Oxford Economics, Atradius (\* forecast)

Second, the outcome of the trade war is difficult to forecast, not least because of the capricious and ad hoc way US trade policy decisions are being made. This is reflected in a hotchpotch of pauses, exemptions, loopholes and the like. This is reinforced by the inclination of the US administration to use tariffs to achieve political objectives.<sup>6</sup> We therefore assume

<sup>6</sup> Such as in the case of the 50% tariff on (certain) imports from Brazil in order to pressure that country to release its former president from insurrection charges



the US trade policy to remain as is.<sup>7</sup> This includes the recently agreed truce with China, the only country with tit-for-tat measures that hurt. It is also assumed that the current level of uncertainty surrounding trade policy decisions will remain high, although far below the extraordinary spike after ‘Liberation Day’.

Third, we assume no major issue with inflation over the forecast horizon. This holds for the eurozone and China, but also for the US, where the inflation is highest. That level is still expected to peak as the full impact of the tariffs is yet to be felt, because firms are expected to pass on the tariffs in prices. Given that the US economy will also face a demand reduction due to the trade war, we don’t expect this pass-through of tariffs to be 1:1. Moreover, the upcoming rise in US inflation is temporary and will not trigger a vicious wage-price spiral. Our view implies that the lowering of policy rates in the US, recently started, will continue. The Fed will have to tread carefully because some pockets of inflation in the US economy, such as services, have proved persistent. Despite the low inflation rate in the EU, significant further easing by the ECB is not assumed.

Fourth, governments will continue to play an active role in the economy. This is considered necessary due to the geopolitical situation, reflected in higher defence spending as well as investments to protect supply chains. It will put more strain on public finances which are already stressed after the pandemic interventions. Even more stress can be expected due to the so-called double impact of ageing: more people live longer, raising health care costs as well as (income) transfers to the aged. Still, despite the relatively high government deficit and high debt-to-GDP ratio in a number of countries, including the US and France, we expect limited fiscal consolidation over the forecast horizon.

## 1.4 AI investments lift global trade

Forecasting GDP growth is not an easy task as we have seen above. Forecasting global trade during an unfolding trade war is an even more hazardous affair. We estimated 2.5%-3% global trade growth for 2025 and 2026 in our March Interim Outlook. This was adjusted downward after the so-called ‘Liberation Day’, effectively the launch of the trade war by the Trump administration. As the tariffs were ratcheted up to unprecedented levels, we scaled back our forecast to 1% for 2025, with some recovery in 2026 (2%).

As was the case for GDP growth, it all turned out a lot better. At least in the first nine months of 2025 when year-on-year trade growth in goods of 4.4% was recorded (figure 1.7). With such a strong figure in mind, an upward adjustment of our estimate for 2025 has become inevitable. Indeed, we now think that for 2025 global trade will grow by 3.5%.<sup>8</sup>



Make no mistake. This is a temporary boost to global trade. Given the still unfolding trade war and the high uncertainty that surrounds US trade policies, this growth level is not sustainable. We are convinced global trade growth will significantly slow in the last months of 2025 and further in 2026. We have already seen signs of that in the Q2 q-o-q figures of this year, especially for the US (figure 1.8). It will then be a tough call to avoid trade contraction as the deceleration and the base effect of the strong first eight months of 2025 will increasingly impose themselves.<sup>9</sup> We therefore forecast no trade growth in 2026, only to see some recovery in 2027 of about 2%.

<sup>7</sup> We do not believe that an upcoming US Supreme Court decision on the legality of the US president to impose the set of tariffs as put in place will matter a lot. The administration is bound to find other legal routes to substantiate the levies. Moreover, with USD 90 billion income generated so far there is a substantial financial incentive to keep them in place as well.

<sup>8</sup> To get a feel for the figures, note that with the 4.4% nine-month 2025 trade growth, the trade index has hovered slightly below 110. It has to fall back to 106 on average over the last four months of 2025 to arrive at 3% full year trade

growth. That seems a tough call. We therefore assume a more gradual decline and arrive 3.5%.

<sup>9</sup> Such base effects can be seen if we realise that the average trade index for 2025 comes out at around 109, while in the last months of 2025 it is expected to fall back, to a more normal level. This all means that in the first half of 2026 global trade growth likely comes out negative: the relatively low trade index in the first half of 2026 is compared to the high levels of the first half of 2025. The growth in the latter half of 2026 then needs to be relatively high to arrive at a positive growth in 2026. This is, as we argue in this section, not what we expect.



**Table 1.2 State of the trade war**

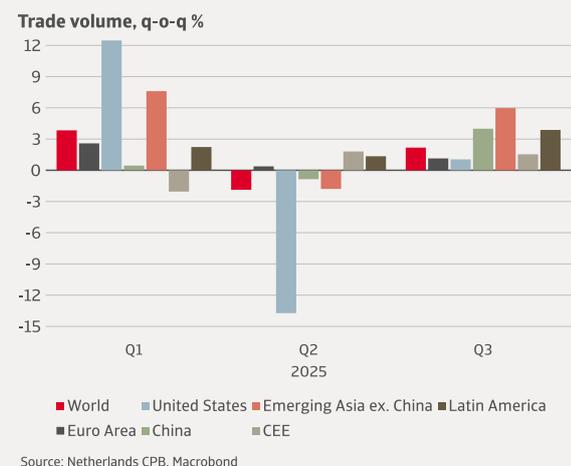
Bilateral tariffs	US tariff	Retaliation	Start date
US and China	Effective tariff 36%, not smartphones, computers, electronics	30% on all US imports	April 2025
US and Canada*	35% on non-USMCA products, 10% on non-USMCA compliant energy and potash	25% on automobiles	April 2025
US and Mexico*	25% all imports, Mexican content, 10% on non-USMCA compliant energy and potash	No retaliation	April 2025
US and EU	50% tariff on steel, aluminium, and copper, 15% on other goods	No retaliation	July 2025
US and ROW	Range of reciprocal tariffs ranging from 10% to 40%	Most countries not to retaliate	April 2025

Source: Oxford Economics, Atradius (\* Hikes to be reversed mid 2026 after renegotiated USMCA trade deal)

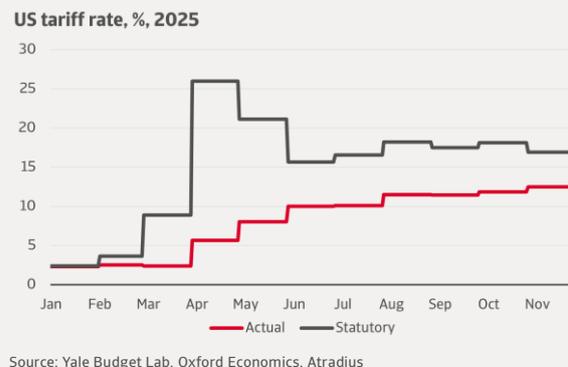
What is behind this trade boost in 2025 so far relative to what we had expected? Unsurprisingly, the same factors that underpinned economic resilience are at play here as well. The tariffs turned out lower than previously anticipated, there was a frontloading of exports, and trade in goods related to AI developed much more strongly than anticipated. It is worth considering these factors in the trade context now.

products and wood, are taken into account. The US average tariff rate was estimated at 26% on average in April; now it hovers around 17%. Moreover, the actual average tariff, which takes into account exemptions and carve-outs is around 12%<sup>10</sup> (figure 1.9). Most importantly, while tariffs were diluted, only China has retaliated with tit-for-tat measures. Others blinked. The EU has held fire to avoid self-inflicted economic damage as well as geopolitical fallout.<sup>11</sup> For Brazil, the US export market is of limited relevance. South Asian countries face a similar duty of about 20%, keeping the playing field amongst each other level.

**Figure 1.8 Trade growth losing steam**



**Figure 1.9 Exemptions undermine effective tariffs**



## Resilience factors revisited

First, let's start by looking at the tariffs in more detail (table 1.2). The initial China tariff of 145% is now about 30%. The EU tariff went from 20% to 15%, for Japan from 24% to 15%. These are headline figures. They are diluted by lags in implementation. Carve-outs play a role as well. Nearly half of all imports into the US are exempted, including smartphones and computers. Moreover, goods qualifying under the USMCA are excluded. This means that Canada's 35% tariff is effectively nearer to 6% as estimated by Scotiabank, a Canadian lender. The headline 50% for Brazil goes down to about 30% once the nearly 700 exemptions, including those for oil, other energy

With the trade war unfolding, businesses and households have acted swiftly by trading goods before the implementation of the measures. This frontloading is the second factor supporting the surprising trade growth. We have only indirect evidence of that. In Q1 imports surged in North America, as exports from the rest of the world climbed. Industry reports suggested a build-up of inventories, showing up in PMIs and national statistics. In North America, inventories-to-sales ratios were up in machinery, equipment and supplies, motor vehicles and parts, construction as well as non-durable goods. One-third of the spike was due to a precious metals inflow, the rest to electronics and chemicals. A survey alternative of these

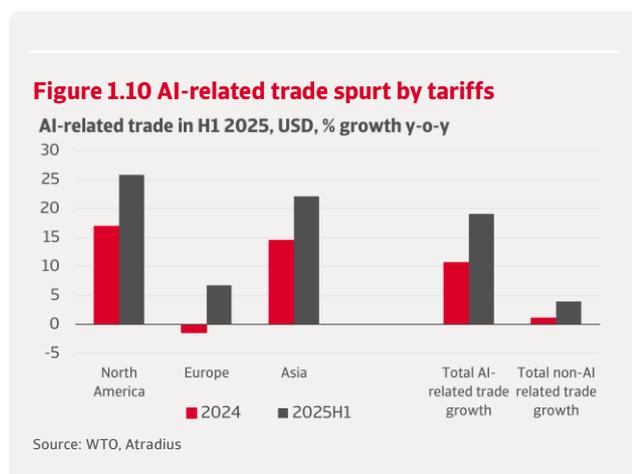
<sup>10</sup> The impact of these figures is further weakened by increased rule-dodging above what is the norm (10%-15%). This is underscored by observing that there is a gap between what China records as exports to the US, and what the US records as imports from China now that the small parcel exemption is abolished. Under-invoicing and reclassification also contribute to a lower (actual) effective tariff.

<sup>11</sup> Geopolitical reasons such as the fear of the US withholding support for Ukraine. Indeed, the current US administration does not shy away from using geopolitical leverage to achieve its economic objectives.



data, the orders ratio (that measures new orders as a fraction of sales), rose as well, confirming the picture. Further confirmation came from the strong demand for warehouse space, most pronounced in the foreign trade zones and bond warehouses. Here goods are protected from (additional) tariff levies after storage. EU imports from North America, particularly in the pharmaceutical sector, rose as well, reinforcing evidence of frontloading.

The third driver of trade growth in 2025 so far is trade in AI-related goods. These were up more than 20% y-o-y in H1 (in USD), as opposed to non-AI related goods by a still respectable 4%. (figure 1.10). That AI-related growth reflects economies' investments in AI and related activities. These investments cover all parts of the value chain from raw silicon and speciality gases to the machines producing the semiconductors and the computers and servers that power platforms and AI applications worldwide. North America accounted for 20% of the AI-related growth, with the US standing out due to frontloading. US semiconductor imports rose by 36.3% y-o-y, coming from China and Vietnam, while servers and automatic data processing machines grew 10%. AI-related imports into Mexico grew strongly as well (30%), particularly in semiconductors and telecommunications. EU AI-related imports grew at a more modest pace (around 7% y-o-y). Growth was centred around servers and telecommunication equipment, reflecting the EU digital upgrading process. These imports came from South Korea, Japan and Taiwan for the semiconductors and telecom equipment. South-East Asia, including Thailand and Vietnam, strengthened their role in the global supply chains, with imports coming largely from China. This signals that China remains strongly embedded in global AI supply chains.



### Not much trade growth in store

If we want to underpin our view on how global trade will develop, we should consider whether these factors are sustainable. Firstly, as already mentioned, we think the way the trade war will unfold can best be predicted by the continuation of its current stance. In particular, trade relations between the US and China are unlikely to change a lot with the

current extension of the mutual tariffs and relaxation of the export controls of Chinese rare earths remaining. With its carefully crafted retaliation policy, China is keeping the capricious US trade policymaking in check. No impetus from the stance of the trade war can be expected.

Secondly, we have also seen that the frontloading ahead of tariff implementation observed is highly unlikely to last. Simply because there is a physical and a financial limit to what firms and households can store. In both cases, there is a limit to the acceleration of future purchases. The impact from this is twofold and similar to that which we have described for economic activity in general. As firms and households cannot import what has already been imported before, the acceleration will be succeeded by a deceleration of orders. Firms run down stocks, households refrain from ordering imports. After this phase a new trade pattern will appear, restrained by the tariffs, so growth will be lower than before.

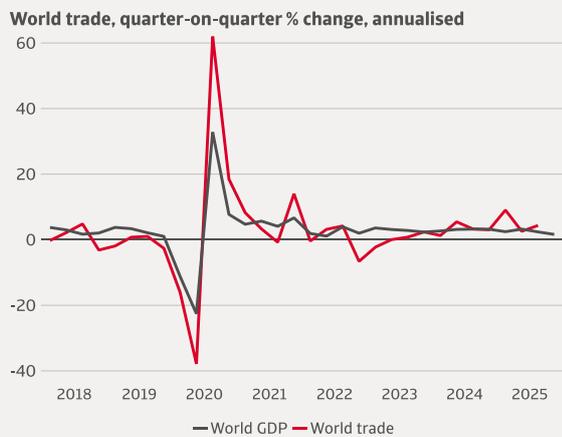
Thirdly, and more positively, the AI investments will continue, albeit not at the current pace, as discussed. This will have a positive impact on trade as well, an effect reinforced by the ending of frontloading that has also occurred for these goods in the first part of 2025. For that part of the AI-related trade, the same process will play out as just described, meaning we can expect a significant deceleration before the new growth pattern emerges. Then the question is what that underlying trade growth pattern is over the forecast horizon of 2026-2027. In 2024, before the tariffs, it was over 10.7% (in USD price terms as compared to volume). As the impact of the frontloading will be felt shortly we can expect a significant slowdown of this growth in 2026 which may recover in 2027. Therefore, AI-related investment will continue to support global trade, but less than before.

For these reasons we see a significant trade deceleration in the remaining months of 2025 and 2026. Global trade growth can then be expected to resume in 2027 at around 2%, a level still below global GDP growth. The reasons for the implied breach of the 1:1 GDP growth versus trade growth relationship have been outlined in detail in our July Outlook (Figure 1.11). They are twofold. Tariffs work to rebalance the economy versus the domestic sector; and the still high level of uncertainty related to the US trade policy will unlikely disappear. Both factors depress global trade.

Regionally, the expected hit is – unsurprisingly – where most of the trade boost originated. That is between North America, especially the US, and Asia, including China as we saw above. Asian trade growth figures will be upheld by trade diversion towards other economies, helping to boost the 2025 export growth that fades in 2026. In North America, imports will take a particular hit to the tune of 5% to 7% in 2025 and 2026. European trade growth will be muted in the range of 1% to 2%. The white swan in global trade is Africa, which will grow on the back of trade integration and infrastructure investments.



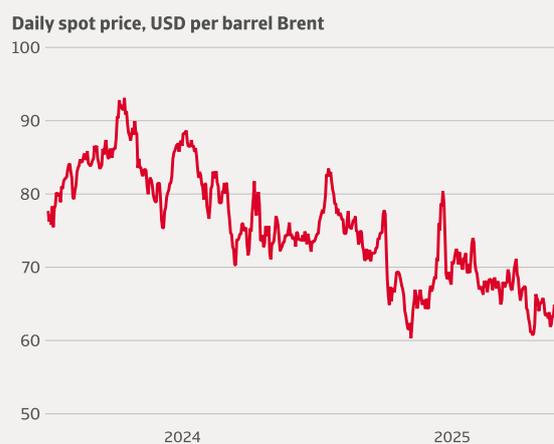
**Figure 1.11 In breach of 1:1 trade-to-GDP growth**



Source: Macrobond, Oxford Economics

demand growth, especially from China. OPEC+ countries (which include Russia) have increased production since April on top of strong production gains from non-OPEC countries (figure 1.12). But only a portion of the 2.2 million barrels per day (mb/d) reversal of the November 2023 cuts and partial reversal of the 1.6 mb/d cuts of April 2023 has been implemented yet.

**Figure 1.12 No respite for oil price decline**



Source: Macrobond

## 1.5 Commodity prices move to new equilibrium

Of the three prevailing forces in today's global economy – the trade war, AI investments and frontloading – it is the trade war that dominates in commodity markets. AI investments and frontloading play a lesser role. The result is that commodity prices are pushed down, albeit indeed to a lesser extent than envisaged, now that the trade war is less intense. This trend is expected to last over the forecast horizon with some exceptions that we detail below.<sup>12</sup> Prices will move to a new equilibrium somewhat above the one prior to the Ukraine war energy and the food crisis.

While this outcome seems straightforward, the underlying analysis of the trade war impact is less so. Indeed, in our July Outlook we argued that the impact of the trade war comes from two opposing forces, namely, demand and substitution. As demand in the global economy is restrained by the trade restrictions in the US (and China), prices come under downward pressure. This can be called the demand effect of tariffs. The price effect works the other way, when firms push up prices to pass on tariffs on commodities. The demand effect dominates, not least because, critically, energy is exempted from the tariffs.

### Oil price down from oversupply

In October the US government announced a set of sanctions on Russian oil companies, triggering a brief spike in prices following a 14% (y-o-y) decline since the beginning of the year.<sup>13</sup> The latter reflected oversupply and relatively slow

With prices now hovering around USD 65 per barrel Brent (pb) we indeed think the oil price will slide further in 2026, to levels around USD 55 pb. After 2026, a mild recovery can be expected on the back of demand being boosted by low prices. This assumes the geopolitical situation does not materially change.

On the supply side, not only does higher OPEC+ production play a role, but new output from non-OPEC countries is also coming on stream. Nearly 50% of the production rise in 2025 is coming from non-OPEC countries, which include countries like Pakistan, Afghanistan, as well as several countries in North Africa and Latin America. This is set to continue in 2026 and 2027, with the weight of non-OPEC countries in the supply growth increasing. As such, (expected) supply growth is not spectacular, at 3 mb/d in 2025 and 2.4 mb/d in 2026.

However, this is met by weak oil demand growth, ranging between 0.7 mb/d and 1.1 mb/d on average over these years as forecast by the IEA and US EIA respectively. China and India are expected to absorb the lion's share of this growth. This may be a tough call for China in particular, as EVs and hybrid vehicles growth will restrain demand. Moreover, advanced economies are not expected to contribute to demand growth. The result is most likely a surplus supply, rising from 2.3 mb/d to 4 mb/d – a level which was 1.6mb/d during the pandemic. Inevitably, this will put downward pressure on prices.

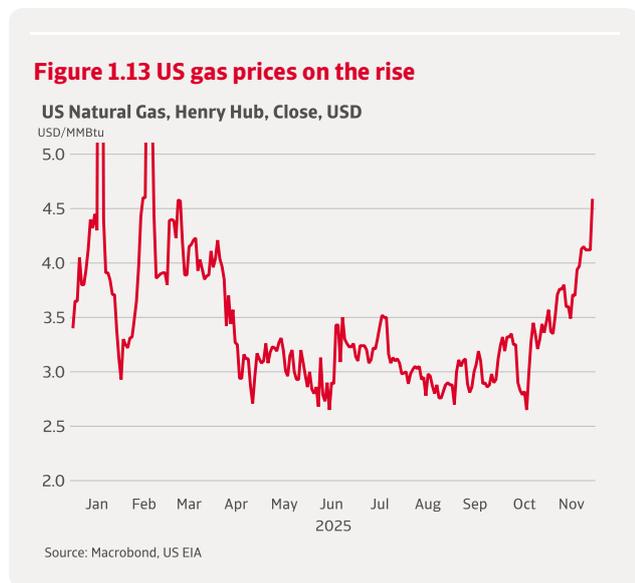
<sup>12</sup> For this part we draw on the World Commodity Markets Outlook, World Bank October 2025.

<sup>13</sup> This decline was not smooth as spikes occurred during the April Liberation Day and during the air strike on Iran's nuclear facilities in June.



### US natural gas price surge goes on

US gas prices rose by 35% since early 2025 (figure 1.13), while EU gas prices have weakened, like those in Asia. Demand for liquified natural gas (LNG) from Europe rose as the continent has almost decoupled from Russian gas. Natural gas demand was given an impulse from the high demand in the electricity sector, as renewables power became scarce and increased storage capacity was needed in Europe. Colder than expected temperatures in North America also exerted upward pressure on gas prices. Demand from China, especially for LNG, was lower due to reduced demand and accelerated domestic gas production. Supply expanded, especially in the US where (LNG) exports were redirected from Asia to Europe. Russian production shrank further.



We expect prices to deviate further between the regions over the forecast period, with the US price rise in 2025 decelerating in 2026 and stabilising in 2027. European prices are forecast to decline by around 10% in 2026 and 2027 as the availability of LNG imports improves. Meanwhile, competition between Asian and European markets for LNG will allow the Asian benchmark to follow the European one, restraining the underlying decline as well. The price forecast is predicated on tight Russian exports, sufficiently available LNG and normal seasonal temperatures.

The dominant picture for demand growth is one where weak Asian demand offsets Russian supply constraints. Growth remains weak in 2025 at 1.4%, with some acceleration over the forecast horizon, as demand in Asia recovers with higher industrial activity and more demand from the power sector for natural gas. Growth on the supply side is forecast to be relatively strong, driven by North America and further LNG exports coming onstream, particularly from Qatar. The exports from the latter country will be somewhat restrained though, due to a delayed expansion of a major field to mid-2026.

<sup>14</sup> This campaign aims to temper cutthroat competition between Chinese firms that lead to ever lower prices.

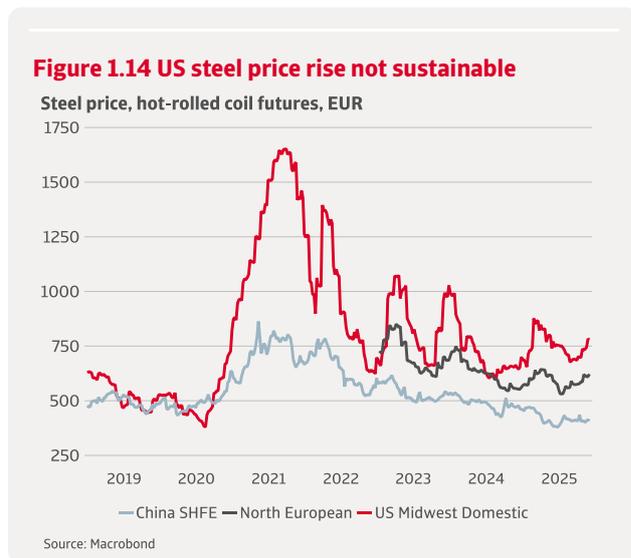
Russian production is forecast to remain contained due to biting sanctions, the termination of the deliveries to the EU and projects that are delayed.

### Renewables erode coal price

Coal prices remained under pressure, as US and China production rose and demand hardly budged. This picture will last in 2026, while for 2027 recovery is envisaged. While electricity demand is set to grow from an increase in demand for air conditioning, EVs and data centres, coal demand growth is restrained. Renewables increasingly replace coal as a power source, eroding its price. Coal demand is growing only in India and China. Lower production is expected to be met with drawdown of stocks. India is the only country where production continues to rise; even China's production is expected to decrease in 2026.

### US steel price fall distorted by trade war

China is the dominating force in the markets for steel and iron ore, an input for steel. Its prolonged construction slump has weighed heavily on prices, alongside protectionist measures such as the US's 50% tariffs and the EU's recent tightening of steel import restrictions. Prices have found some support from China's anti-involution policy, which seeks to curb excessive competition and overcapacity, though its impact on supply is gradual rather than immediate.<sup>14</sup> This policy, as well as some recovery in demand due to the growth in the high-tech and energy transition manufacturing, will support a mild Chinese steel price recovery over the forecast period.



US steel prices stabilised after the fall from the early April peak. What we see in the US is the demand and price effect intertwined, with the latter dominating (figure 1.14). Now that about one third of the tariffs are being passed on in steel prices, prices will remain elevated, or even higher as the pass on continues. With capacity use at about 70%, the incentive for

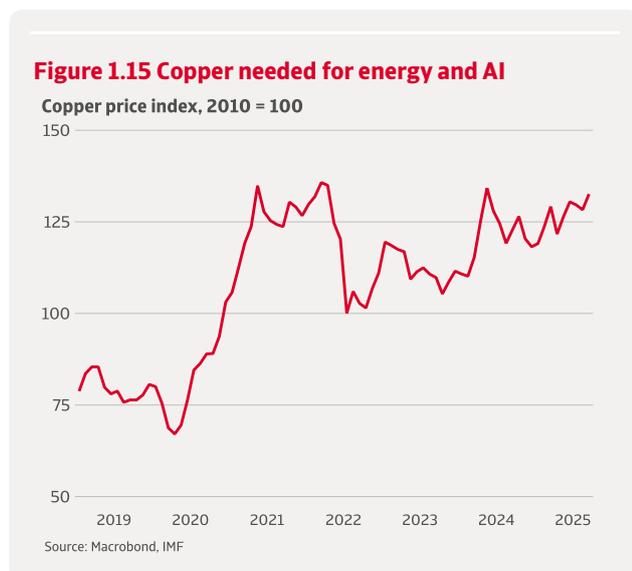


steelmakers to invest in US capacity, a major objective of the US administration, is not in sight. Weak demand reinforces this conclusion.

Iron ore prices rebounded recently due to temporary higher demand from the steel sector in China where exports surged. This is not expected to last. The weak recovery in demand from the Chinese steel sector is not sufficient, nor is demand from elsewhere. The subsequent price decline of 10% and 5% in 2026 and 2027 respectively, is compounded by rising output from Australia and Brazil as well as West Africa.

### AI supports copper prices

As to copper, the situation differs fundamentally from that for steel and iron ore. The commodity is critical for the energy transition, defence, as well as AI infrastructure (data centres, grid expansion). Its price has fluctuated recently as 50% tariffs were imposed late summer. Prior to that, prices ran up as firms started frontloading ahead of the tariffs in early August. Subsequently, however, prices fell. An accident in one of the largest mines caused prices to rise again (figure 1.15).

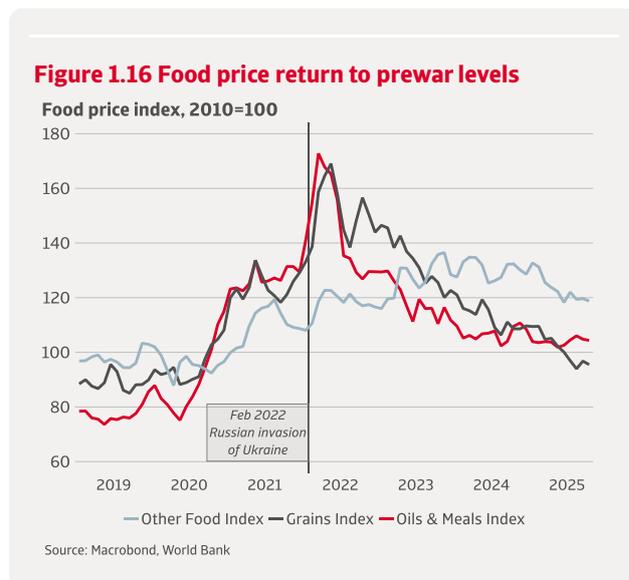


Over the forecast period, prices are expected to remain more or less stable, given the broadly balanced expected supply and demand developments. Demand is expected to rise only modestly as the Chinese construction slump is just outweighed by the demand from the energy transition, defence and AI investments. Output growth will be constrained as well, with several mines having operational setbacks.<sup>15</sup>

### Food price fall comes to an end

Food prices continued to decline after the summer (figure 1.16). Grain prices (rice, wheat and maize) were down due to ample supply. Soybeans were the target of Chinese

restrictions on imports from the US, causing US prices to plummet. At the same time, export opportunities for Brazil (and Argentina) rose, creating a price gap between the US and Brazil. Food prices are now around the level prior to the Ukraine war. They are expected to remain relatively stable over the forecast horizon.



## 1.6 Inflation worries fading

The picture of the global economy we have depicted so far shows that compared to our July Outlook, economic growth has been more resilient. This is due to a less-intense-than-was-expected trade war and – most importantly – a US AI investment boom. Policy uncertainty has declined significantly, although it remains elevated. Frontloading ahead of tariffs being imposed by the US (and China) has accentuated the resilience, albeit temporarily. Similar factors underpin the surprising trade growth in 2025. Within this setting commodity prices have continued to decline, as we had expected, a process that is envisaged to end over the forecast period.

What does this all mean for inflation? In our July Outlook we argued that we should not worry too much about it. Not even in the US, where an inflationary impulse arises from the tariffs in an economy where inflation is still somewhat high, especially services inflation. This is simply because we consider such an impulse not sufficiently strong to set in motion a vicious price-wage spiral.<sup>16</sup> More specifically, it is because, as we have seen, tariffs have a price effect, pushing up prices, and a demand effect in response, working in the opposite direction.

economy becomes more expensive. Moreover, the accompanying lower share price would create a negative wealth effect, reinforcing the recessionary tendencies.

<sup>15</sup> For example, mines in Chile and Peru face water scarcity.

<sup>16</sup> Such a spiral likely triggers a monetary policy reaction that may push the economy towards a recession. This is because the Fed, confronted with high inflation will have to raise interest rates restraining demand as borrowing in the



Six months on, it is worth reconsidering this view. After all, if we are wrong and inflation in the US flares up notably, the impact will be large, also for the global economy. Think of higher-for-longer interest rates on the dollar. But we have strong reasons to believe this will not happen, reconfirming and even reinforcing our earlier view.

First, the lower energy prices, at least for oil and coal, and food prices are a boon for the disinflation process we have seen over the past few years. Therefore, a global rise of inflation such as after the outbreak of the Ukraine war is not in the cards (figure 1.17).



Second, of course, the tariffs imposed are significant, and at about an 18% nominal effective rate, they are some six times higher than the ones in place at the start of this year. But due to exemptions and other factors this figure currently stands at about 12% as we have seen. Moreover, and most importantly, there is a certain détente between the US and China in the trade war. In any case, the current tariffs are a far cry from the Liberation Day shock.

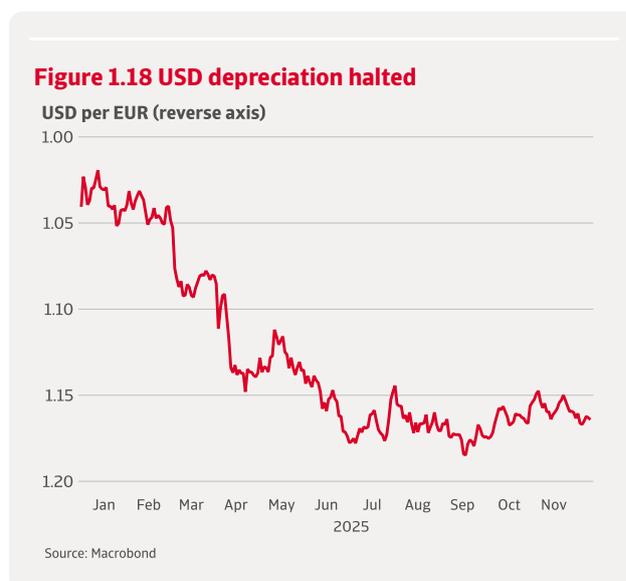
Third, the US dollar has stabilised (figure 1.18). This is relevant, because the depreciation that we saw until July was about 10% and as such a source of inflation. This is because foreign exporters will receive less local currency for their USD (the usual currency in trade) and are therefore inclined to raise prices, strengthening the price pressure coming from the import tariffs. The effect is still there, but at least it has not become more pronounced.

As one may argue, the US economy is more resilient, uncertainty lower, and therefore the negative demand impact is lower as well. But we do not believe those effects are large enough to get the inflationary cycle going. Data supports this view. Inflation hovers at modest levels close to, though still above, the Fed 2% target while showing some persistence.

Moreover, as we show in chapter 2, wage growth is modest while further support comes from contained inflation expectations.

To what extent passing on of tariffs has now already started is subject to widely ranging views: very limited according to an IMF analysis<sup>17</sup> and almost 65% according to Oxford Economics. That latter view supports our outlook, as confirmed by this research. The IMF view, however, is not necessarily contradictory. It just implies the process we see unfolding has progressed less.

The above analysis focuses on the US as the tariffs are in essence an own goal. That means that economies that do not respond with tariffs will not be facing the inflationary impact from that source. With the exception of China, this is the case for the rest of the world, including the European Union. There are good reasons to believe that we should not worry too much about inflation in these economic blocks either. As to China, true, the country is imposing import levies as well on US imports. But the country has a huge trade surplus, so imports, and thus tariffs play a much smaller role. Moreover, China is in a deflationary environment, with a lot of excess capacity in sectors such as steel, construction and manufacturing pushing down prices. One could even say that an inflationary cycle would to a certain extent be helpful to lift the country from deflation.<sup>18</sup> This is likely to happen, though the recovery of inflation will only be very mild, to 1% over the forecast horizon. For the eurozone, with its very weak economic growth, we also see only muted inflation around the ECB target of 2%, helped by an ongoing muted growth picture and the appreciation of the euro versus the USD (figure 1.18).



<sup>17</sup> See IMF WEO October 2025.

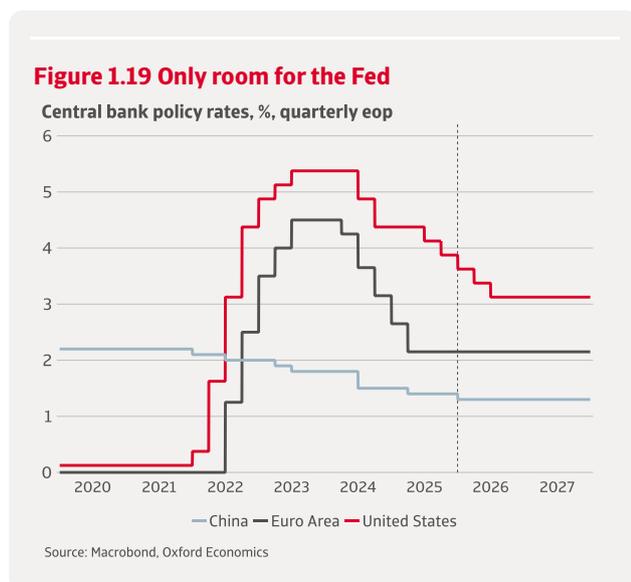
<sup>18</sup> Deflation is harmful because it reinforces the demand deficit underlying it as households and firms postpone spending, thus reinforcing the lack of demand.



## 1.7 Fed to loosen further

With central banks focusing on inflation and (especially in the US) economic activity, the direction of monetary policy, especially concerning interest rates, appears rather straightforward. It seems not much is about to happen in the eurozone, while looser monetary policy should be on the cards for the US, and, especially, China. The question is if this can stand the test of closer scrutiny. The answer is, we argue, that it broadly can.

We observe that, in line with the picture we sketched in our July Outlook we have seen limited action by the major central banks (figure 1.19). Indeed, since July there has been no change in policy rates in the eurozone, three small cuts of 0.25ppt in the US and one marginal one in China (0.1ppt). Let us now take a closer look at what we think is about to happen in these economies.



Take the most complicated case, the US, first. We have argued above that the current level of price pass-through of the tariffs does not matter for the scenario that we see evolving for inflation. By contrast, for monetary policy, it does matter. Indeed, if the bulk of the tariffs has already been passed on, the inflation bump we can expect from the tariffs is much lower. This would allow the Fed to more confidently focus on the second leg of its mandate, full employment. Currently, there is insufficient data to conclusively determine this, leaving the Federal Reserve uncertain about the extent to which the prevailing, somewhat persistent inflation in the United States reflects the pass-through effects of tariffs. Or, that the full impact has yet to materialise. Before more certainty about this is obtained, the Fed can be expected to be

very careful. Otherwise, it may trigger an inflationary cycle, a lingering risk now that US fiscal policy after the adoption of the OBBBA during the summer remains expansionary (see section 1.8). This helps explain why the Fed has so far opted for small cuts, despite ongoing pressure from the White House to do more.<sup>19</sup>

Still, a risk as it may be, we do not see such a scenario unfolding. Simply because the US economy, in spite of its current resilience thanks to the AI boom, will have to absorb the negative impact of the trade war. That implies temporarily higher inflation, whether already partly in the data or not, and the knock-on negative effect on demand (as argued in section 1.5). Monetary policy can and will play a role in this, in 2026 and, if needed, beyond. This will continue until the policy rate has reached a more neutral stance, where it is neither contractionary nor expansionary, recently estimated in the range of 2.25% – 3.25%.<sup>20</sup> Taking the midpoint 2.75% as a target, this would allow the Fed to cut the rate by around 1ppt. More aggressive cuts will move the rate into expansionary territory, which could push inflation again higher, to levels above the 2% on average. The reason for this that a monetary policy impulse would come on top of the already mentioned expansionary stance of fiscal policy.

In comparison with the Fed, the ECB is operating in a more straightforward setting. The rate cuts that the disinflation process have allowed have already been done. There is no AI boom that distorts the picture, no government shutdown that complicates data assembly, and political meddling in policy setting is far away. Since the EU has refrained from levying tariffs in retaliation to the US ones in the July agreement, the inflationary tendencies seen in the US are absent. The ECB essentially faces one big issue: the lacklustre economic growth in the eurozone. Given that this hinges on a lot of structural issues, rather than lack of demand there is not much to do for the ECB in this context. Its room for policy manoeuvre seems limited anyway. In fact, with a neutral policy rate at 2% it has already exhausted its scope. Not much loosening is expected for the eurozone therefore.

As to China, the mini cut of 0.1ppt should be seen in the context of the policy rate already being very low at 1.4% before the cut. At first sight that allows limited room for further use of the policy rate instrument to stimulate the economy as the rate then hits the so called zero lower bound. If the rate turns negative, there is the risk of cash hoarding. That effectively means reducing the supply of money, driving up the cost of borrowing instead of lowering it. In this context the neutral rate of interest plays a role, with estimates ranging from -0.5% to -2%.<sup>21</sup> The level is low, leaving very little room to lower the current rate in view of the zero lower bound. The wide margin

<sup>19</sup> The recently appointed new Fed governor Steve Miran, also chair of the Economic Council of the Trump administration, argues for aggressive cuts. He thinks inflation concerns are overblown. Inflation will come down now that the immigration restriction policy alleviates pressure from the rent component in the price index.

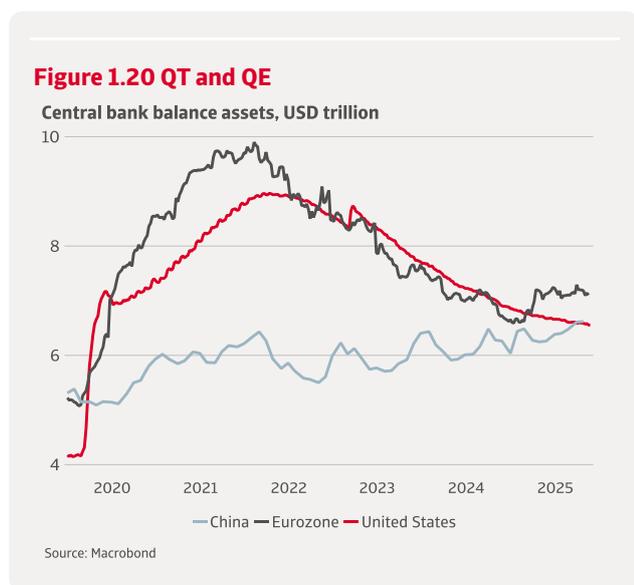
<sup>20</sup> See <https://www.bankofcanada.ca/2025/06/staff-analytical-note-2025-16>.

<sup>21</sup> Chen, Hongyi and Siklos, Pierre L. (2025), Estimates of the Neutral Rate of Interest for China: Business and Financial Cycle Implications. <http://dx.doi.org/10.2139/ssrn.5493823>. We assume that the current inflation in China is around zero.



of the estimates further complicates policy setting. The upshot is that we expect limited, if any, rate cuts.

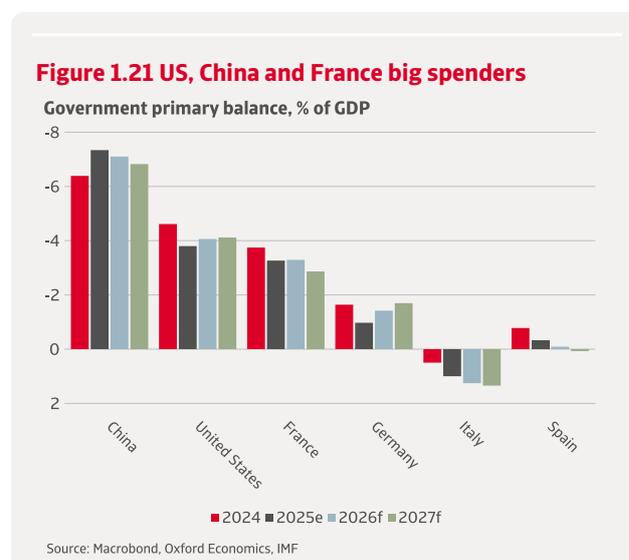
Meanwhile the normalisation of their balance sheets by the Fed and the ECB has continued (figure 1.20). These were blown up during the pandemic because of the asset purchases by the central banks to keep the economies afloat with ample liquidity. From a 2022 peak of around USD 9.5 trillion, we are now below USD 7 trillion, with the picture for the eurozone distorted by the more than 10% rise of the euro versus the USD. The process is also called quantitative tightening (QT) which clearly is at odds with the easing that we have seen and will be seeing. So far that has not really been an issue, as borrowing rates have moved in line with the policy rate. But recent signs of liquidity constraints in the US financial system have emerged, causing the Fed to announce a halting of the process as per December 1. The ECB is expected to continue QT. As to China, we observe the opposite trend, quantitative easing (QE), which is in line with the need for stimulus in a low-rate setting.



## 1.8 Fiscal policy support under stress

In the preceding section we have concluded that the monetary policy stance in the major economies is restrictive (US) to neutral (eurozone and China). This comes from the post-pandemic inflation rise which needed to be addressed. Meanwhile governments have generally remained supportive for the various economies. Whether that is still needed and to what extent governments can afford to continue with it we will discuss now.

Let us start with what is happening now. Take support first. Especially in China, the US and France (figure 1.21) our support indicator, the government primary balance,<sup>22</sup> which excludes interest payments, shows rather strong numbers. We observe the metric in 2024 and 2025 at around 6% of GDP for China, 4% for the US and only slightly lower for France. In Germany we see only some support (about 2%); in Spain it is marginal (0.5%) whereas Italy is even running primary surpluses (0.75%), signalling a contractionary stance. In the eurozone, therefore, governments are much less supportive of their economies than in the US and China.



This picture of support can be explained, at least to some extent, by how much an economy can afford. The answer is that, if we look at our affordability indicator, the debt-to-GDP ratio,<sup>23</sup> only China can afford the high level of support for the economy that is currently being provided. This is because the Chinese debt-to-GDP level, although increasing, has so far remained below the 70% threshold for emerging economies as set by the IMF (figure 1.24). For the US matters are clearly different, with the 85% threshold for advanced economies being breached at the current juncture. Even if we do take into

<sup>22</sup> The reader may note that we have often presented the structural balance (% of potential GDP) in previous outlooks. That metric does contain interest payments by the government, which have nothing to do with producing goods and services. It is suitable for discussing (deficit) sustainability issues, but not so much for the

contribution of the government to economic activity. The latter indeed is what we focus on here.

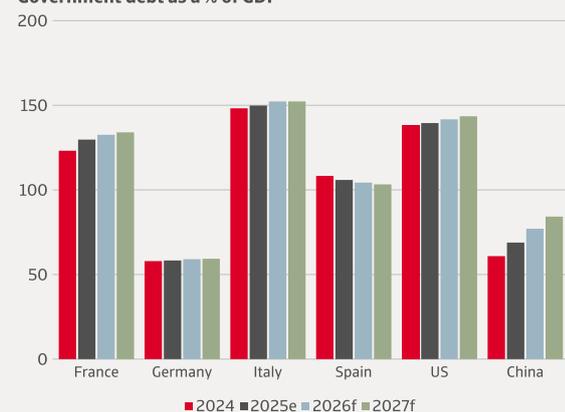
<sup>23</sup> We realise that this is a rough indicator, although it is commonly used. The interest payment as a percentage of GDP for example is also relevant.



account the debt to the public (which excludes social security funds and Medicare) this brings the debt level to around 94% (and not the 140% gross we use for reference). In chapter 2 we further argue that the current high level of fiscal support for the economy is clearly not affordable. This even holds if this threshold is somewhat stretched due to the unique position of the US as the global financial hegemon, with its 'exorbitant privilege' allowing it to issue more debt at a lower interest rate. In this context the position of France is even more delicate. It does not have such a privilege, but still its debt at 125% of GDP is far beyond the threshold for advanced economies. And its stimulus remains ample. This is much less the case for Spain and Italy. In view of their affordability constraint, which is respectively (105%) and Italy (150%), they are currently just about living within their means. The odd one out here is Germany, which can afford quite a lot, with a debt ratio below 60%, but so far has provided only limited fiscal support to the economy.

**Figure 1.22 Only China can afford it**

Government debt as a % of GDP



Source: Macrobond, Oxford Economics

The question then is how this state of fiscal policy is going to develop over the forecast horizon, given the picture of the economies that we have sketched above. Overall it shows support is coming under increasing stress.

As to China, what we see is that the level of support for its growth-constrained economy remains very high: in the range of 7% of GDP. The Chinese government is expected to continue guiding the economy in its transition from heavily investment-led (housing, infrastructure) to consumption-led growth. The path runs via heavily subsidised manufacturing. This will increasingly put pressure on the debt-to-GDP ratio, which is expected to run up quickly to the threshold by 2027.

The United States, shooting itself in the foot with the trade war, is also forecast to keep up the current level of support, causing the debt ratio to climb. Further interest rate cuts by the Fed in store for 2026 will alleviate some of the stress coming from the actual level of support, though. Similarly, the tariff revenues that are expected to bring in about USD 250 billion per annum over the forecast horizon, will contribute a not insignificant 0.8% of GDP according to the Tax Foundation.

Meanwhile the country that can least afford it, France, also continues to support its marginally growing economy, albeit at a declining pace. Like the US, this puts upward pressure on the debt ratio. France, as opposed to the US, is not expected to benefit from lower interest rates and additional (tariff) income. Worse, now that France's benchmark bond spreads have risen, higher interest payments are forecast. That is reflected in a further increase of the debt ratio over the forecast horizon.

We think Germany will maintain its support for the economy, which is still facing low growth. The extent to which stimulus is provided is relatively muted when compared to France. As spending on infrastructure and defence is only gradually rising, overall support remains rather frugal. The benefit of this approach is that the country remains within the boundaries of the EU rules with a debt ratio at just below 60%.

The Spanish economy is growing relatively fast and is less in need of support, which will indeed be almost neutral in 2026 and 2027. This helps to bring down the debt ratio over the forecast horizon. This position is envied by Italy, a country with notoriously low growth that could use a dose of (well targeted) support. The Italian government is moving the country's primary balance further into surplus. In doing so, the government is not providing any stimulus to the economy. But it is a realistic policy given the precariously high debt ratio.



## 1.9 What if the AI bubble bursts?

One of the major assumptions that underpins our baseline economic outlook is that the US AI investment boom continues, albeit at a slower pace than we have seen in 2025. It is the AI investments themselves, not so much as the fruits of these investments, that is being banked on for the short-term outlook.

This may be a strong assumption. We therefore consider an alternative downside scenario in which confidence in the future benefits of AI falls and therefore the high level of investments is not maintained. We sketch this possibility in the following hypothetical scenario, showing a significant downside effect on the global economy, originating from the US.

### Assumptions of an AI bubble burst

First, tech stocks decline sharply as concerns over the level of stock valuations in relation to the future benefits of AI of these firms falter. The fall is really significant, by about 25% in 2026. That has a two-pronged impact on the US economy. Consumer spending slows sharply as household wealth takes a hit, impacting those higher-income households in particular. Tech firms' investments fall as well now that capital has become more expensive. The fall is broadly similar to the one seen after the burst of the dot-com bubble in 2001-2002. Both effects weigh on US demand.

Second, lower US demand reduces demand for global exports, especially of AI-related goods. This decline should roughly match the decline in US tech sector investments.

Third, business sentiment not only falls in the tech sector. It declines more broadly in the global economy and weighs on domestic demand as firms delay investments plans, adopting a wait-and-see approach. The impact per country depends on the extent of vulnerability to financial markets and the tech sector. In the US the overall decline in investment is about to-third of that seen in the early 2000s.

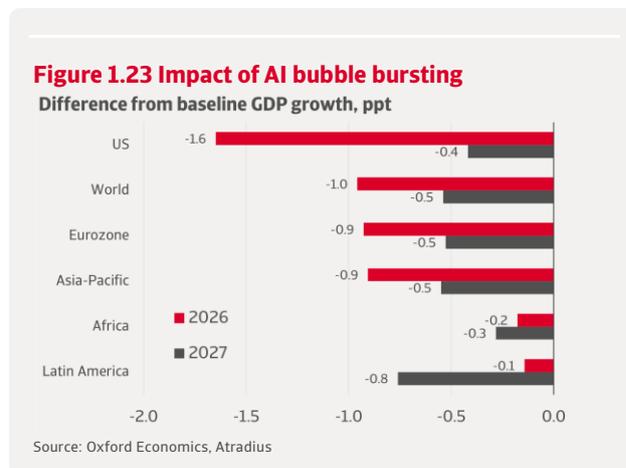
Fourth, the stock market fall has global ramifications, with the vulnerability again dependent on the level of exposure to the tech sector. The fall means that the hit to household wealth and consumer demand is felt beyond the US. Just like the lower investment level. Tightening of bank lending conditions adds to these woes.

Fifth, as confidence in the US economy wanes, the USD takes another hit on average by another 10% against major currencies. This reinforces the lower demand from the US because foreign exporters are now facing lower margins in their own currency as well. This further reduces investments. On the more positive side, exporters of AI-related goods face a USD appreciation, partially offsetting the impact of the lower AI demand.

Sixth, the Fed responds to the demand shock with an extra 1ppt of rate cuts compared to baseline. This comes despite the inflationary impact of the USD depreciation and put the monetary policy stance firmly into the expansionary area. US treasuries fall significantly as well.

### Impact most severe for US and tech exporters

Such a downturn in the tech sector would trim 1ppt would be trimmed off global GDP growth in 2026 and a further 0.5ppt in 2027 (figure 1.23). The costs would be most severe for the US's economic outlook with a cumulative 2ppt lower growth in 2026-2027. This highlights how fragile the US economy is to AI-related developments. As explored in section 2.3, the other engines of US economic growth are not running as strongly as AI-related investment so the loss of that engine would pose a significant downward risk. Asia-Pacific would also see a sharp hit to GDP, with a comparable impact in major tech-related exporters' economies like Taiwan as that in the US.



The eurozone would see a similar hit to GDP as Asia-Pacific due to the significant appreciation of the euro relative to the US dollar. While the economic impact for Latin America comes primarily in the latter part of our forecast window, the 0.9ppt cumulative drag to GDP growth there would come primarily from Mexico due to its close trade and investment ties to the US.



## 2. Advanced economies



## 2.1 Advanced economies to lose momentum in 2026

Advanced economies are now expected to lose some growth momentum in 2026, in contrast to the steady momentum forecast in July, as the US remains in a lower gear. The rate of growth is still set to be stronger than previously expected though, with 0.5ppt stronger growth in 2025 and 0.3ppt in 2026. We expect a return to 1.8% growth in 2027, in line with 2024, driven by stronger growth in Europe.

The US economy is increasingly on a two-speed track, with investment in AI and related infrastructure covering emerging weaknesses in the real economy. This divergence has caused a significant upward revision to the US's growth outlook this year (+0.5ppt) and next (+0.2ppt). The weaker outlook beyond the tech industry and increasing fragility of the US economy will keep growth around 2% per year through 2027. The eurozone is experiencing stronger growth than expected six months ago. Looking under the hood, an important factor is intellectual property investment in Ireland, which is notoriously volatile. But the eurozone has also weathered the US tariff increases better than foreseen, with a trade deal currently in place that takes away at least some of the uncertainty. The UK's 2025 growth has been revised up 0.4ppt to 1.4% due to overperformance in the first months of the year, but the underlying outlook remains tepid, keeping the growth forecast for 2026 unchanged at 0.9%. Japan has also seen an upward revision to its GDP forecast for 2025. It benefits from resilient export growth for now, although exports to the US have been in negative territory for most of the year. Japan managed to close a relatively favourable trade deal with the US, confronting it with less punitive tariffs than many other countries in the region.

**Table 2.1 Advanced economies lose momentum in 2026**

Real GDP growth, major markets, % y-o-y

	2024	2025*	2026*	2027*
Eurozone	0.8	1.4	0.9	1.6
United States	2.8	2.0	2.0	2.1
United Kingdom	1.1	1.4	0.9	1.3
Japan	0.1	1.0	0.6	0.4
<b>Advanced economies</b>	<b>1.8</b>	<b>1.7</b>	<b>1.5</b>	<b>1.8</b>

Source: Oxford Economics, Atradius (\* forecast)

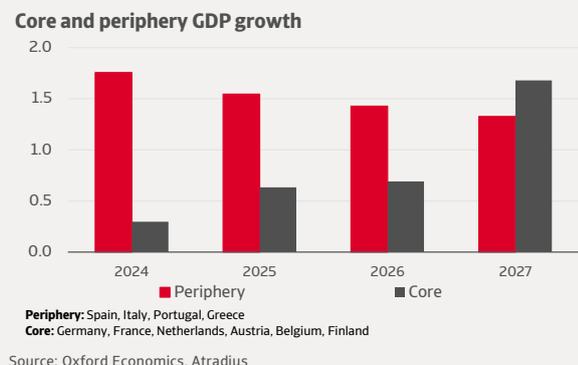
## 2.2 Eurozone: inflation continues to normalise

Growth in the eurozone is projected to be 1.4% in 2025, followed by a somewhat lower growth in 2026 (0.9%), as the negative effects of US tariffs become more pronounced. Compared to our July Outlook, the GDP outlook was revised up by 0.3 and 0.1 ppt for 2025 and 2026, respectively. The bulk of the upward GDP revision in 2025 is due to higher-than-expected GDP growth in Ireland, driven by high investment in intellectual property assets. At the same time, the upward revision reflects the fact that the eurozone economy has weathered the US tariffs and policy uncertainty reasonably well. The US and EU agreed on a trade deal which involves a 15% tariff on most US imports (including cars, chips and pharmaceuticals), and 50% tariffs on metals. In order to reach a deal, the EU has made several concessions, including pledges for the purchase of US energy products and a commitment to invest more in the US. The trade agreement with the US reduces risks and uncertainty to some extent. Both remain high as tariff rates are still subject to change, and rates that are undergoing investigation under US national security statutes can still be adjusted.

Countries in southern Europe have been enjoying the best growth momentum through 2025, with Spain, Portugal and Greece experiencing some of the fastest growth rates in the eurozone, supported by EU funds and buoyant tourism sectors. In Q3 of 2025, GDP in the eurozone went up by 0.2% q-o-q, according to the flash estimate published by Eurostat. Several countries in the periphery, such as Spain (0.6%) and Portugal (0.8%), enjoyed high growth rates in Q3. The eurozone's core countries have been enduring much lower growth rates in 2025. In Italy and France, for example, low growth potential plus fiscal woes and political uncertainty mean that both countries are firmly into the low-growth core countries group. France exhibited reasonably good GDP growth only in Q3 (0.5%), but not in the first half of 2025. Looking ahead to 2026, the eurozone's two-speed recovery is expected to persist, although the divergence in growth rates between core and peripheral economies is likely to narrow in 2027.



**Figure 2.1 Two-speed recovery in eurozone**



Improved sentiment shows economic resilience in the final quarter of 2025. The eurozone composite Purchasing Managers Index (PMI) for October 2025 shows a stronger-than-expected expansion. This is mainly the result of the performance of the services sector, with manufacturing showing a more mixed result. Of the major eurozone countries, Spain is the best performer, supported by tourism and solid domestic demand. Italy and Germany are also experiencing resilience in the services sector, but have a weaker performance in manufacturing. The sentiment in France is lagging behind, due to weakness in both manufacturing and services.

Despite sentiment being strong in the short run, we do expect a weakening of growth in 2026 as export and investment growth start to slow down, while household spending also remains subdued due to low consumer sentiment and a high level of savings. Unlike the US, Europe will see less of a boost to growth from the AI boom. Much of the AI investment has been concentrated in a few large US based organisations. While we don't envisage a big rise in investment around the corner, Europe can benefit from its readiness to adopt the new technology. Through its adoption of AI, the eurozone is likely to boost its productivity and lift growth by about 0.1ppt – 0.2ppt per year in the next 15 years.<sup>24</sup>

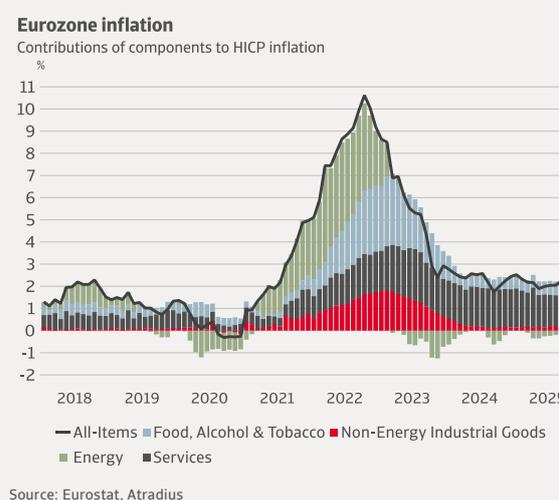
### Inflation continues to normalise

Eurozone headline inflation was 2.2% in November, up slightly from the October figure. The uptick in inflation was mainly driven by a smaller negative contribution from energy prices. Core inflation – inflation excluding energy and food - remained stable at 2.4%. The disinflation process in services has halted in recent months, but with wage growth looking softer in 2026, we expect it will resume over the coming months. We expect inflation in the eurozone to average 2.1% this year, followed by 1.6% in 2026 and 2.2% in 2027.

There are notable divergences between major eurozone countries. The Netherlands and Spain maintained relatively

high inflation throughout the year, with average inflation expected to be 3.3% in the Netherlands in 2025 and 2.6% in Spain. Inflation in Germany has ticked up after the summer due to higher services inflation. Wage growth accelerated in several sectors such as healthcare and transportation, supporting price increases for services. We expect an average inflation of 2.2% in Germany. By comparison, Italy (1.6%) and France (1.0%) have much lower inflation rates. Weak domestic demand and subdued services inflation contributed to a low inflation rate in these countries. In the next two years, differences are likely to remain, but we foresee a normalisation of inflation to rates closer to 2% in all major eurozone countries.

**Figure 2.2 Inflation continues to normalise**



### ECB easing cycle has effectively ended

During its October meeting, the ECB decided to keep the main policy rates on hold. The deposit rate has remained at 2% since June this year. The ECB is convinced that the current monetary policy is sufficient to hold inflation close to 2% in the medium term. The central bank continues to follow a data-dependent approach and will further reduce rates only if inflation projections fall substantially below the 2% target, which is currently not the case in ECB forecasts.

The ECB has ended reinvestment under the Pandemic Emergency Purchase Programme (PEPP) since late 2024, while it continues to reinvest the principal payments under its Asset Purchase Programme (APP). Over the past twelve months, the ECB balance sheet has shrunk by an average of EUR 19 billion per month. At the current rate it would take another six years before the balance sheet size is back at the pre-pandemic level.

Data on bank lending and credit standards paint a mixed picture. The ECB's Q3 2025 bank lending survey showed that

<sup>24</sup> Oxford Economics (2025), Eurozone: Benefits of AI boom will take longer to see. Oxford Economics, October 2025



credit standards on business loans tightened unexpectedly. Perceived risks related to the economic outlook contributed to tighter credit standards, with the current high level of geopolitical uncertainty and risks connected to trade cited as reasons. Credit standards for loans to firms were tightened in Germany, while they remained unchanged in Italy, France and Spain. Eurozone banks reported unchanged credit standards on mortgage lending and a moderate tightening on consumer loans. The easing of monetary policy has helped to support recovery in bank lending, with household lending rising by 2.6% year-on-year in September 2025, and lending to non-financial corporations growing by 2.9%.

### Trade war takes a toll on exports and investments

Global trade growth remained surprisingly resilient in 2025. Eurozone export growth was also robust at 2.3% quarter-on-quarter in Q1 of 2025, largely due to trade frontloading to the US. Ireland's exports are estimated to have benefitted the most from frontloading, with positive effects also found for Germany and Belgium, among others.<sup>25</sup> In Q2, exports contracted mildly due to negative payback effects from earlier frontloading (figure 2.3). Due to the frontloading of exports in Q1, we expect a positive, but modest export growth in the eurozone of 1.6% in 2025. This is likely to be followed by 0.3% export growth in 2026 as payback effects from frontloading lead to a slowdown in export growth. In 2027, exports are likely to pick up again, reflecting the evolution in global trade.

**Figure 2.3 Exports to US declined due to payback effects from earlier frontloading**



The first half of 2025 saw considerable volatility in fixed investment with strong growth in Q1 of 2025 and a sharp contraction in Q2, which was mostly driven by volatility in Ireland's intellectual property investments. Adjusting for this volatility, what remains is modest investment growth. Many

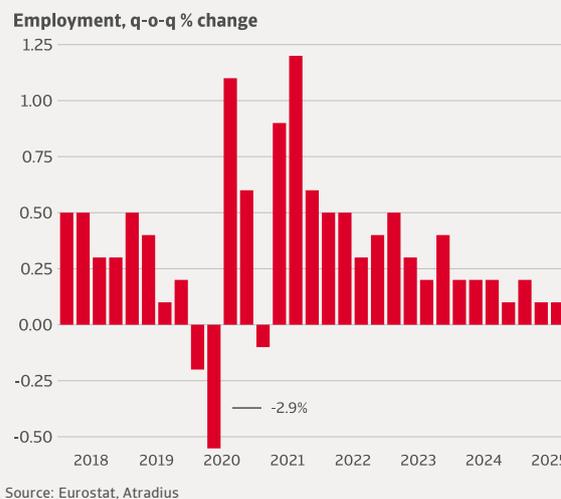
corporates are taking a 'wait-and-see' approach in the face of high uncertainty. Tight lending conditions will also incentivize keeping investment plans on hold. Therefore, we expect only a modest 0.8% increase in investments in 2026 compared to 2.4% this year.

### Labour market is gradually softening

The labour market is showing some signs of easing. The job vacancy rate for the business economy has been in a declining trend for over three years. It eased further from 2.4% in Q1 of 2025 to 2.3% in Q2. The job vacancy rate represents the share of total jobs that are vacant. However, there are considerable cross-country differences, with relatively high vacancy rates in the Netherlands and Belgium, while Southern European countries report comparatively low levels. France and Germany occupy an intermediate position.

We also see a deteriorating trend in employment growth in the eurozone as a whole and all major countries (figure 2.4). Survey indicators also point to muted employment growth expectations. The European Commission's employment expectations indicator ticked up in October, but remained below its long-term average.

**Figure 2.4 Employment growth declines**



The unemployment rate, at 6.3% (September 2025), is still at one of its lowest levels in recent history. We think that unemployment will remain low in 2026 at 6.3%. There continue to be significant disparities between countries in the level of unemployment, but differences are narrowing. Since the start of 2025, unemployment rates have declined further in countries such as Spain, Italy and especially Greece, while they increased in countries with low unemployment such as Germany, Ireland and the Netherlands.

<sup>25</sup> European Commission. (2025). European Economic Forecast: Autumn 2025 (Institutional Paper 327). Luxembourg: Publications Office of the European Union.



Private consumption continued to grow amid weakening consumer confidence in the first half of 2025. Real household disposable income continued to increase, but as consumer confidence deteriorated, a large part of this additional income was saved. Wage growth is gradually adjusting to the reality of lower inflation. Forward-looking indicators point to a further deceleration of wage growth in 2026. However, with inflation still below wage growth, consumers' purchasing power is still set to increase in 2026. This allows for a somewhat higher private consumption growth in 2026 (1.5%) and 2027 (1.8%) compared to 1.3% in 2025.

Of the major eurozone countries, Spain stands out with the most robust consumption growth (3.4% in 2025 and 2.6% in 2026). Employment growth remains the key driver of consumer spending in Spain, while wage increases, and government transfers also play a role. In other eurozone countries, consumption growth is milder (somewhere between 1% and 2% in 2025). A higher propensity to save, and less solid employment growth contribute to a lower consumption growth in countries like Italy, France and Germany.

### Fiscal sustainability risks have increased

At the eurozone level, the primary budget balance is expected to remain on par in 2026-2027 compared to 2025. This means the fiscal position remains roughly the same, after accounting for the economic cycle and temporary measures. The expenditure-to-GDP ratio is set to rise in the coming years, partly due to commitments to raise defence spending to NATO targets. However, a major fiscal pivot in Europe is not likely. First, the 5% headline target for defence spending suggests stronger additional spending than we think can realistically be delivered due to long order lead times and import leakage. Second, we remain sceptical that Germany's ambitious fiscal plans can be delivered at the scale and speed planned. The plans are heavily tilted towards infrastructure, which introduces significant implementation risks, as defence and construction firms will struggle to absorb all the funding. Capacity constraints make delays quite likely.

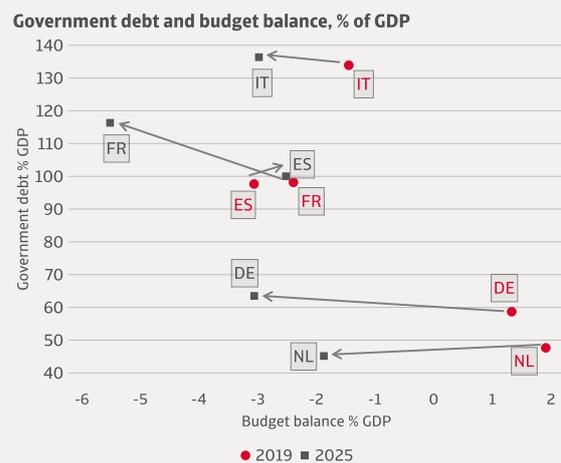
The Recovery and Resilience Fund (RRF) still contributes to growth this year and in 2026, but after that no new grants will be disbursed. Some major beneficiaries of the RRF are pushing for a delay of the expiration date of 31 December 2026. The European Commission has opposed any postponement of the deadline, and the EU's legal service has similarly rejected efforts to extend the expiration date. The government debt

ratio in the eurozone is projected to increase slightly this year and in 2026-2027, primarily driven by persistent budget deficits. The eurozone-wide debt ratio is projected to be 89% in 2027.

All major eurozone countries, except Spain, have seen a deterioration in their budget balance since the Covid pandemic. This trend is particularly evident in France, the Netherlands, and Germany, where fiscal positions have weakened (see figure 2.5). Research from Oxford Economics points out that fiscal sustainability risks have increased throughout the eurozone in recent years. In the eurozone core countries, risks remain contained except for France, where risks now match those of the periphery.

Although wider deficits pose the most significant sustainability threat, simulations show that the eurozone is also vulnerable to rising term premia and more frequent supply shocks. This backdrop could also constrain the ECB's scope to respond to future shocks, as interest rates and payments are more likely to be higher than lower. Bond markets remain relatively calm, although France and eurozone periphery countries face a spread over German bonds that is expected to continue during the coming years. Investors expect that the ECB's Transmissions Protection Instrument (TPI) will serve as backstop, should a serious crisis erupt in French bond markets.

**Figure 2.5 France's fiscal position has weakened substantially**



Source: European Commission, Atradius



## 2.3 US: a two-speed economy

The US economy is increasingly running on two different tracks. On the first track is surging investment in AI and related infrastructure, covering emerging weaknesses in the real economy on the second track. Consumer spending persists but the fortunes of higher-income Americans and lower-income Americans are diverging even more sharply.

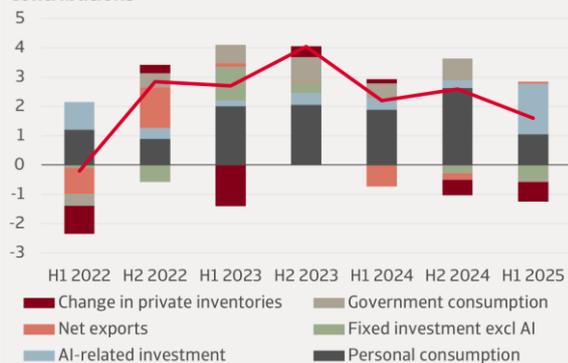
As a result, GDP growth is holding up at 2.0% despite significant trade policy uncertainty. We expect these trends to continue in 2026 and 2027, keeping growth sustained at 2.0% and 2.1% respectively, supported by steady but gradually weakening domestic demand. As the economic picture carries on in split view, the fragility of the US economy will continue to increase.

### AI investment is the main driver of GDP growth

The US economy appears to still be growing strongly but losing some momentum. Q3 growth figures have not yet been released at the time of writing due to the 43-day government shutdown, but data from H1 showed modest if uneven momentum. The economy grew 3.8% annualised in Q2, compared to -0.6% in Q1. The sharp volatility is due to a surge in imports in Q1 as consumers and companies purchased more to avoid anticipated tariffs and uncertainty, followed by the reversal thereof in Q2. Taking instead the average growth over the first half of the year, we get a clearer picture (figure 2.6).

**Figure 2.6 AI drives US growth in 2025**

US GDP growth, two-quarter annualised; ppt contributions



Source: US BEA, Atradius

The US economy expanded by an annualised 1.6% in H1, with 1.7ppt stemming from AI-related investments. Investment related to AI – measured as the sum of private fixed investment in information processing equipment and software and research and development – actually surpassed private consumption as the main driver of GDP growth in H1, despite

accounting for 9% of GDP compared to private consumption's 70%.

AI-related investment has become the main fast-track of the US economy. Since the launch of ChatGPT in late 2022, investment in digital technologies has surged in the US. Investment in data centres for instance – which deliver the computational, storage and network capacity required for deploying AI at scale – has grown on average 50% year-on-year since the start of 2023. That's up from about 1% growth per year in 2021 and 2022. For now, AI's major contribution to US GDP growth is through investment. The broader impact on productivity and consumer spending will likely take years to materialise so we don't expect many positive spillover effects on the broader economy in 2026 and 2027.

The outlook for AI-related investment is relatively positive. Federal policy is helping to stimulate the growth of the AI industry, through initiatives such as the American AI Initiative and recent executive orders to boost federal R&D funding, as well as to streamline permitting for data centre and semiconductor fabs. The administration has also introduced tax incentives and export financing to accelerate private investment. The dominant driver of AI spending is and will remain venture funding and corporate spending, but the free cash flows mainly used for funding to date will likely slow down as the lag of generating revenues persists. Hence, more leverage will be needed to keep growth rates up, even with federal support. This, on top of physical constraints (environmental, infrastructure) will more than likely prevent AI investment from rising much above the current historic highs, meaning the contribution to GDP growth will ease in the latter part of our forecast window.

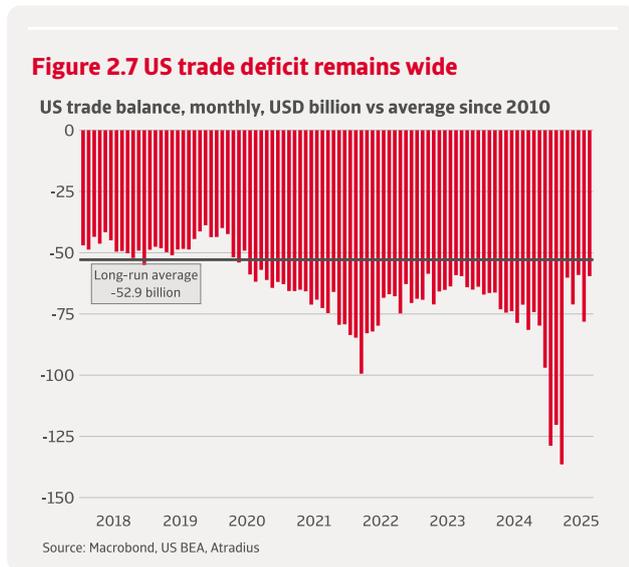
The rest of the economy is losing speed now. Non-AI related investment has actually exerted a 0.5ppt drag on GDP growth, in line with bouts of uncertainty and persistent inflation. Exports have weakened significantly through 2025 with the Q2 contraction in imports mechanically boosting GDP growth and bringing net exports' contribution to 0.1ppt. Government consumption cancelled that out by -0.1ppt as the Trump administration carried out deep cuts to public services spending and federal employment. Private consumption, the backbone of the US economy, has weakened as well but remains a steady engine of US growth, contributing 1.1ppt in H1.

### Imports stay high despite rising costs

Arguably the most significant policy change in 2025 under the second Trump administration has been the raising of tariffs, from an average around 2% to about 18% today on all imports. One target of this policy is to narrow the trade deficit. Since our July Economic Outlook, this has indeed narrowed significantly, but mostly just as a normalisation from the frontloading of imports in the first months of the year. We expect a more normal trade pattern to emerge over the



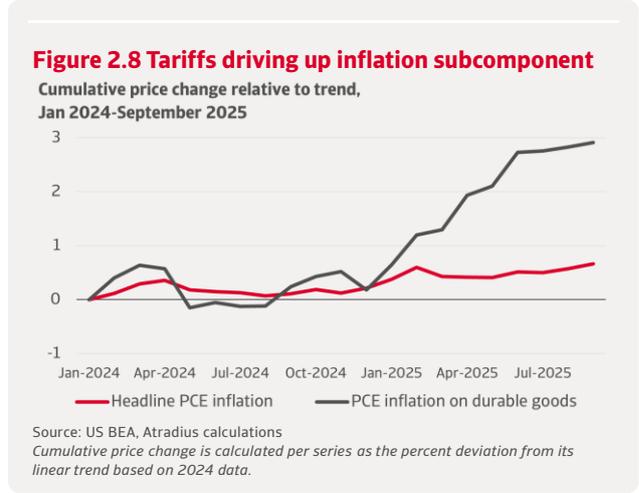
forecast period as imports decline but for now, the trade deficit remains wider than its long-run average (figure 2.7)



As mentioned above, exports are weak and they're expected to stagnate in 2026, so trade balance developments are primarily an import story. Imports have been resilient so far, contributing to the persistence of the trade deficit. The majority of equipment used for the information-processing equipment needed for AI is imported from abroad. The Economist Intelligence Unit estimates that between 50% and 75% of this equipment is foreign-sourced. Therefore the surge in AI investment is also contributing to resilient imports, despite the implementation of tariffs, and will likely keep them elevated into 2026.

There are increasing signs that the cost of importing goods is rising though for American businesses and consumers. Similar to GDP data, the headline inflation figures do not immediately ring any alarms. Headline inflation in September ticked back up to 3.0%, still well above the 2% target, but not out of control. Under the hood though, there are evidently pressures building.

Figure 2.8 shows the cumulative deviation of headline PCE inflation versus durable goods PCE inflation relative to the 2024 trend. In simpler terms, it shows how the inflation rate compares to where it likely would be today without tariffs. The headline series is only slightly higher than trend. It's dominated by services, and demand for them seems stable. But the line for durable goods started turning upwards in tandem with the escalation of the trade war. Inflation on durable goods like motor vehicles, electronics and home appliances was nearly 3% higher in September. This divergence suggests that the supply-side is the issue and that tariffs are driving up the costs of trade-intensive durable goods.



The Philly Fed manufacturing survey shows prices paid by manufacturers has reached the highest levels since mid-2022. Companies broadly expect pressures to continue mounting: Q3 business surveys from the Atlanta Fed all point to continued upward pressure on costs and prices through 2026, including for firms not directly impacted by higher import duties. With higher input costs and gloomy sentiment, hiring is increasingly cautious, weighing on the labour market outlook.

### Labour market cooling off

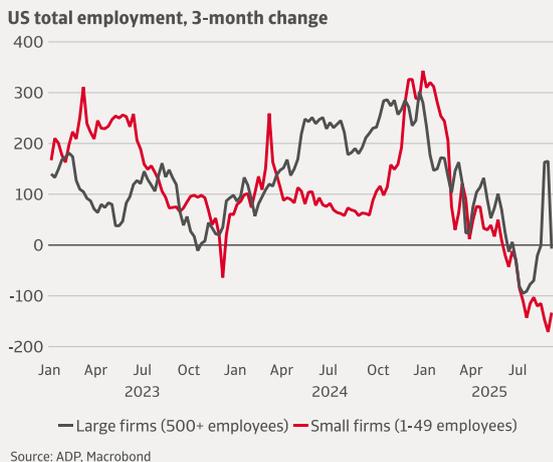
The labour market remains relatively strong in headline terms, but signs of cooling are appearing. The September jobs report<sup>26</sup> showed new hiring nearly doubling its three-month trend. Wage growth held up at 3.8% y-o-y, still well above 3% inflation. But that rebound in hiring was primarily in the healthcare and leisure sectors. Overall private job creation remains weak, as other sectors have seen hiring contracting since May. According to ADP data, companies both big and small have been shedding jobs since June, but the decline is deeper in smaller firms (less than 50 employees) (figure 2.9). This is because higher prices and uncertainty disproportionately affect smaller companies.

The unemployment rate also ticked up 0.1ppt to 4.4%, its highest level since October 2021, and a continuation of the gradual upward trend from 4.0% in January. The ratio of job openings-to-unemployed workers fell below 1 since August for the first time since 2021. We expect the labour market to continue this gradual cooling, with low hiring and low firing. The underlying weakening is gradual and may be in line with fundamentals, offering some relief to inflationary pressure as opposed to signalling an imminent recession. Lower labour demand, as indicated through lower job openings and the downtrend in private hiring, has been partially offset by lower labour supply – largely driven by restrictive immigration policy as well as population ageing.

<sup>26</sup> The most recent data available that came with over six weeks' delay. October and November to be released in December after this report's publication.



**Figure 2.9 Hiring slump deepens for small firms**



Overall though, the latest jobs data paints a better picture for the state of the labour market than recent layoff headlines from major employers like Amazon and Target imply. The rapid adoption of AI contributes to automation in firms and tech companies, but overall, we do not anticipate a major AI impact on the economy-wide labour market in the coming year. Research from the New York Fed shows most companies that are adopting AI are adjusting their workforces through retraining over anything else. The uncertainty surrounding the eventual impact of AI is also contributing to the lower hiring.

### Consumer resilience masks income split

Consumer sentiment continues to decline against this backdrop of a cooling labour market and tariff-induced price hikes. The University of Michigan's consumer sentiment index fell to 51 in November, its second-lowest level on record (lowest is 50 in June 2022). General economic perceptions have been falling through the year and the government shutdown – with furloughed workers and disruptions to air travel – dragged it down further in October and November.

Consumer confidence and spending, though, have diverged since the pandemic as the loss of momentum in actual spending is much slower than sentiment would imply. Personal consumption expenditure rose 2.7% y-o-y in August, compared to a 2.6% average in 2024. The September retail sales report disappointed with 0.2% monthly growth, pointing to some consumer fatigue.

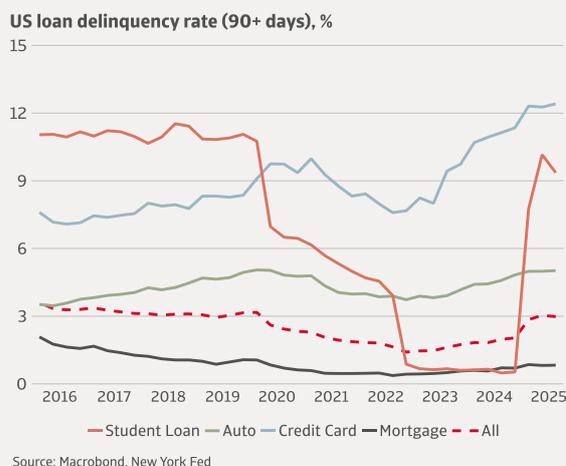
Overall we expect private consumption to continue slowing gradually, from 2.6% in 2025 to 2.2% in 2026. It's primarily thanks to higher income households that spending should continue so resiliently. These households are less affected by the slowing labour market, as firms are hanging on to skilled workers and wage growth remains strong. Moreover, they are the main beneficiaries of the AI-fuelled stock market boom.

Net household wealth rose another 5% to the all-time high of USD 176 trillion in H1. According to the Economist, 21% of

household wealth comes from stocks. With the rising concentration of AI in the stock market – with the 'magnificent 7' largest US firms and main AI innovators now accounting for about one-third of total S&P 500 market capitalisation – the AI boom has driven nearly half of the increase in household wealth over the past year. Since about 70% of wealth is in the hands of the top 10% of earners, this boost disproportionately helps them.

The increasing concentration of wealth related to AI increases the vulnerability of households to the success of AI firms. Moreover, the rise in household wealth has contributed to lower savings rates, now at 4.6%, down from 5.1% at the start of the year. With lower savings, the capacity to offset stock market losses or employment losses declines. We can already see signs of increasing financial distress for US households in rising loan delinquency rates (figure 2.10). Overall consumer loans with 90+ days payment delays have risen to 3%, the highest level since Q1 2020, just before the pandemic. Student loan delinquencies have surged since pandemic-era relief ended while credit card and auto loans have both been steadily climbing since early 2023.

**Figure 2.10 Loan delinquency increasing in US**



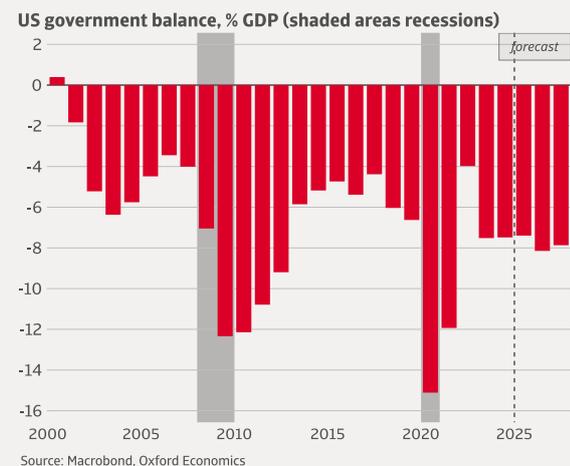
### Fiscal policy reinforces two-track economy

As signs of economic strain emerge across the US economy, the federal government's capacity to cope with shocks like tariff fallout or a stock-market correction is constrained. The federal deficit is expected to widen from historically high 7.4% of GDP in 2025 to about 8% in 2026 and 2027 (figure 2.11). This entails a 0.8ppt widening of the federal deficit in 2026, compared to a 0.3ppt widening of the primary deficit, presented in section 1.8. For both indicators, the widening is driven by the extension of the 2017 Tax Cuts and Jobs Act (TCJA) as part of the One Big Beautiful Bill Act (OBBBA). The offsetting measures of cuts to Medicaid, food stamps and green energy subsidies next to increased tariff revenue won't be sufficient to narrow the deficit further. The larger widening of the federal deficit as compared to the primary deficit



though is due to the significant increase in interest payments. Interest costs have more than doubled since 2020, now accounting for about 14% of total government spending (about 3% of GDP). So this means that the boost to GDP growth from higher deficits will be quite limited: 0.3ppt in 2026 compared to 0.1ppt in 2025. Higher spending on interest payments means less of the higher spending is going to productivity-enhancing spending to boost GDP growth.

**Figure 2.11 US deficit widens**



The widening fiscal deficit contributes to the high and rising stock of federal debt which is at 95% of GDP as of the end of Q2. Rising debt and less fiscal headroom increase the US's exposure to economic shocks and reduce the federal government's capacity to mitigate the impacts of a downturn as in 2008 or the pandemic. The costs of government borrowing remain high, with 10-year government bonds still well over 4%, higher than any point since the financial crisis.

The slightly widening contribution of government consumption to GDP growth in the forecast period underpins the resilience of the faster lane of the economy while failing to address the income- and labour-market weaknesses of the rest. Tax cuts and incentives directed to strategic sectors like AI are boosting the stock market and AI-related investment while cuts to social programmes further increase the vulnerabilities of lower income Americans. Therefore we expect a continuation of the two-speed economy in 2026 and 2027 with relative resilience but increasing vulnerability.

## 2.4 UK business activity picks up despite weaker growth outlook

UK GDP growth is forecast at 1.4% in 2025, revised up due to stronger growth in the earlier months of the year, but momentum is waning. Growth slowed to just 0.1% quarter-on-quarter in Q3, the second consecutive quarter of slowing growth and we expect that weakening trend to continue into 2026, bringing full-year growth down to 0.9% next year.

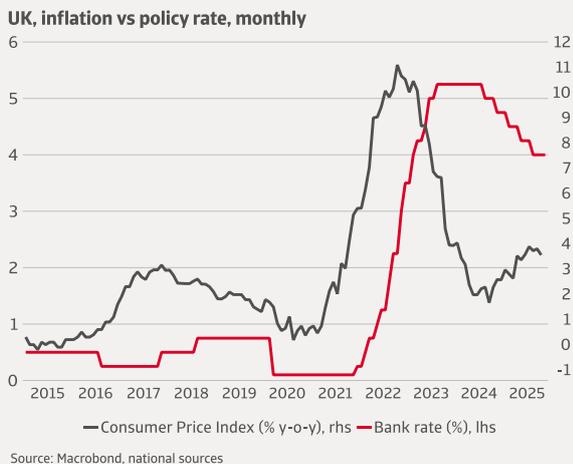
Private investment has surprised to the upside in Q3, constituting the largest contribution to GDP growth (0.3ppt). Investment has been particularly strong in ICT equipment, offering evidence that the UK is also benefitting from the global surge in AI-related investment. According to government data, the UK is the third largest AI market in the world behind the US and China. After a September meeting with US President Trump, the Starmer government secured GBP 150 billion worth of inward investments, 20% of which is specifically earmarked for AI-related projects. Developments like this are contributing to some recovery in forward-looking indicators. The UK's manufacturing PMI rose to 50.2 in November, its first reading above the neutral level since September 2024. Large firms and investment goods, which stand to benefit the most from such investments, saw productivity gains, pointing to continued growth in gross fixed capital formation.

The broader business environment remains weak though. The November PMI survey showed output for consumer goods on the other hand continuing to contract, and employment declining. Overall employment and wage growth are softening, showing signs of weakening. Unemployment rose from 4.7% to 5% in Q3 and real wage growth slowed from 1.3% to 1%. This partially reflects the impact of higher employer national insurance contributions on jobs and pay growth. Corporate profitability fell to an 18-year low in H1 2025 due to these contributions, sustained wage growth and high energy costs. With the labour market cooling off, the outlook for private consumption is also weakening.

Like the US, the UK is one of the few countries with rising prices in 2025, weighing on domestic demand (figure 2.12). Headline inflation averaged 3.8% in Q3, as companies passed on higher costs from national insurance contributions and minimum wage. Another temporary impact is coming from the increase of the energy price cap in April. Given the weakening demand outlook though, we expect inflation to resume a downward path back to its 2% target by end-2027. This will allow the Bank of England to cautiously resume policy easing after holding steady at 4% since August. We expect a gradual pace of interest rate cuts to 3.25% by end-2026 and 3.00% by end-2027. This should help support some recovery in economic growth to 1.3% in 2027.



**Figure 2.12 Stubborn UK inflation slows easing cycle**



## 2.5 Japan: more fiscal stimulus on the way

Japan's GDP growth is projected to be 1.1% in 2025, despite significant headwinds, before moving to 0.5% in 2026. Japan managed to close a trade deal with the United States, making it subject to a 15% tariff on nearly all goods exports to the US, including automobile exports. This deal replaced a previously scheduled 25% country-specific tariff that was set to take effect in August 2025. The United States is Japan's largest export market, accounting for approximately 20% of total exports and 6% of automobile exports. Recent estimates indicate that Japan now faces an effective US tariff rate of around 13%.

The outlook for exporters is likely to remain challenging, although Japan's trade agreement with the US has less punishing US tariffs compared to what many other countries face. Nevertheless, Japan's exports to the US have been declining since April 2025. We expect total exports to fall gradually in the coming months, reflecting declining global trade activity. Export growth is likely to remain weak in 2026, although resilience in the global economy could help to limit the dip.

Sanae Takaichi won the Liberal Democratic Party's (LDP) leadership contest and was elected as the new prime minister, with the support of the Japan Innovation Party (JIP). In November 2025, the government unveiled the largest supplementary budget since the Covid pandemic. This is consistent with Takaichi's long-held advocacy for an

expansive and pro-fiscal stance. The fiscal deficit is projected to widen from 1.8% in 2025 to 2.7% on average in 2026-2027. The more proactive fiscal policy is pushing government bond yields higher, especially at the long end. The 10-year Japanese bond yield has increased to levels not seen since the 2008 global financial crisis. Despite high government debt, the debt level has proved manageable as government debt is yen-denominated and overwhelmingly domestically held.

Recent data suggest that the economy likely contracted in Q3, with consumption and exports both slowing. Households are struggling with high inflation, and exports to the US are declining as the frontloading of orders has ended (figure 2.13). Sentiment indicators of the manufacturing industry have deteriorated somewhat in recent months, with the index dipping below the neutral level of 50, signalling a decline in activity. However, the services PMI is showing a positive trend and remains comfortably above the threshold for growth. Despite slowing growth, private consumption is likely to remain the most important growth driver both this year and in 2026. Slowly declining inflation will benefit households' real incomes in 2026, but the lagged effect of weak sentiment will limit the recovery in the near term.

**Figure 2.13 Japan's exports to the US are declining**



The Bank of Japan (BoJ) kept its policy rate unchanged in October. The BoJ has implemented several rate hikes since March 2024, but has kept the policy rate constant since January 2025 at 0.5%. Inflationary pressures remain high in Japan's economy, with the headline inflation rate at 2.9% in September. Market pressures will likely force the central bank to implement a couple more rate hikes. We expect another rate increase to 1% in mid-2026, but this is subject to higher economic and political uncertainty.



# 3. Emerging market economies



### 3.1 EMEs' outlooks more resilient to external headwinds

The outlook for emerging market economies (EMEs) is on average stronger than that for advanced economies, but it remains weak by historical standards. We expect 4.3% growth across EMEs in 2025. The steady performance in 2025, in line with 2024 growth rates, is 0.2ppt better than forecast in July. This revision results from the export boost from tariff frontloading – especially for export-oriented Asian economies – as well as policy support from, for instance, the monetary easing cycle in Mexico and fiscal support in China. US tariffs on major trade partners, including China, have also not materialised at the high levels previously feared, thanks to negotiated trade deals and rollbacks.

That said, external conditions are becoming more challenging. The boost to exports from tariff frontloading is fading and higher US tariffs are slowing external demand. Heightened trade policy uncertainty is dampening firms' appetite for investment. But some bright spots in the investment outlook remain for those EMEs integrated in AI value chains like chip producers in Asia. Overall, we anticipate a loss of momentum for EMEs in 2026 to 4.0% growth and 4.1% in 2027. The overall upward adjustment to EMEs' growth forecasts though is evidence of the growing resilience of EMEs to external developments.

**Table 3.1 EMEs broadly losing steam**

Real GDP growth, major markets, % y-o-y

	2024	2025*	2026*	2027*
China	5.0	4.8	4.4	4.4
India	6.7	7.0	6.3	6.6
Brazil	3.0	2.3	1.7	2.4
Mexico	1.2	0.6	1.4	2.1
Russia	4.3	0.9	0.9	0.5
Turkey	3.3	3.5	2.5	2.5
South Africa	0.5	1.0	1.2	1.5

Source: Oxford Economics, Atradius (\* forecast)

### 3.2 China's economy slowing below 5%

Overall, we project a deceleration of growth from 4.8% this year to 4.4% in 2026 and 4.4% in 2027. China is rather successful at developing new AI models, but the impact of AI investment on GDP is still limited. The private investment that is going into AI is substantially less compared to the US.

The late-October trade deal between the US and China de-escalated a period of heightened tension by rolling back a series of recent tariffs and export controls. As part of this deal, the US cut the tariff on China relating to Fentanyl by half, or 10 ppt. It also extended the suspension of 24% in reciprocal tariffs for one year, meaning that the reciprocal tariff rate on China remains at 10% instead of 34%. China is to resume imports of soybeans, sorghum and other agricultural products from the US. The agreement has led to a drop in the weighted US tariff from about 40% to 29%. The relative disadvantage of China vis-à-vis ASEAN countries will ease significantly, reducing the need for transshipment. This is likely to only marginally boost China's production and broader economy, given that the same products will be exported directly from China instead of being transhipped, and the contribution of US demand to China's economy has shrunk.

Despite easing tensions between the US and China, the relationship between the two countries remains marked by mistrust and rivalry. We expect that China's use of both tariff and non-tariff instruments will constrain the US administration from pursuing the most severe trade actions. Chinese exports were strong during the first half of the year owing to frontloading and trade diversion to non-US countries. However, export growth is starting to lose momentum. China's exports declined by 1.1% year-on-year in October, while imports rose by 1%, according to customs data. This marks the first contraction in exports since February and reflects both last year's high comparison base and the impact of the extended Golden Week holiday. Shipments to the US continued to slow in October, although the pace of decline eased from September. Export growth is likely to slow throughout 2026 due to payback effects from earlier frontloading.



**Figure 3.1 China's goods exports to US declining**



Consumption is supported by higher incomes, increased social spending and an improved trade-in programme. However, consumption growth remains dampened by still high precautionary savings and the real estate correction. The performance of fixed investment is mixed; private fixed investment is underperforming as manufacturers grapple with excess industrial capacity and trade uncertainties, leading them to slash capital expenditure. Public investment is much stronger, as the government is expediting infrastructure spending, particularly on strategic projects that bolster China's resilience against natural disasters and geopolitical conflicts.

Deflationary pressures remain high due to persistent structural overcapacity, the property downturn and damaging sectoral price wars (most notably in the automotive sector). Aware of the deflationary pressures, policymakers are attempting to reflate the economy via public spending and monetary easing.

Fiscal policy has become more supportive in 2025. Spending on social policies and transfers increased in 2025, including on public health services, subsidies for citizen health insurance, raising the minimum citizen pension and expanded child subsidies. These policies, alongside the extension and expansion of the trade-in programme to include smartphones in addition to home appliances, will mostly benefit low-income groups, who have a higher propensity to consume. The fiscal stimulus is likely to continue in 2026, when political and policy incentives to start the 15th Five Year Plan on a strong note are high. More monetary easing is likely in 2026, potentially through measures such as additional reductions in the policy rate, a lower reserve requirement ratio, and the provision of concessional lending rates.

## 3.3 India continues to lead growth

India's economy continues to expand at a strong pace, driven by resilient domestic demand and supportive macroeconomic policies. GDP growth is expected to equal 7.0% in 2025, the highest among the larger emerging market economies. Growth is likely to ease to a still robust 6.3% in 2026 and pick up to 6.6% in 2027.

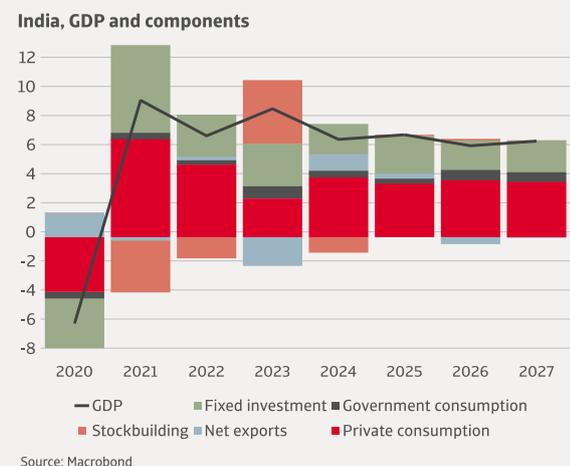
India's relations with the US will remain subject to intermittent headwinds following an escalation in the import tariff levied by the US from 25% to 50% in August. This, along with subdued global trade growth, is likely to constrain export performance. The US administration also imposed a steep visa fee for fresh H-1B visas, of which Indians make up the largest share of recipients.

Due to the US protectionist shift, the strategic partnership with the US and other members of the so-called 'Quad', Japan and Australia, is on the back burner. While relations with the US have deteriorated, those with China, India's biggest rival in the region, are improving. However, a strong rapprochement with China is not on the cards. India is still expected to deepen cooperation with the US in certain strategic sectors, including semiconductors, cyber security, critical minerals, and defence manufacturing.

India's GDP growth exceeded expectations in Q3, registering an 8.2% expansion, the strongest growth in six quarters. Domestic demand benefits in the near term from goods and services tax (GST) reforms, while looser financing conditions should underpin private investment. In September 2025 the Indian government rationalised the GST structure by consolidating multiple rates into two primary slabs (5% and 18%), along with a provisional 40% rate for luxury and sin goods. These reforms are likely to bolster consumption growth. Rural demand is projected to strengthen, supported by above-normal monsoon rainfall that has improved agricultural output and farm incomes. This recovery is further aided by easing inflationary pressures and a rebound in real rural wages, reflecting improved employment conditions and government infrastructure spending.



**Figure 3.2 India's economy continues to expand at a robust pace**



Investment growth is sustained by continued public capital expenditure in transport, energy and digital infrastructure, along with improving business sentiment and supply chain diversification. The government's production-linked incentive schemes and recent simplification of import duties on key inputs are expected to support manufacturing investment. Private investment is underpinned by more accommodative credit conditions, following a cumulative 100 basis point reduction in the policy repo rate during 2025 and a phased cut in the cash reserve ratio. The central bank has signalled that monetary easing may conclude with a final adjustment later in the year, contingent on inflation and growth dynamics.

The government is targeting a reduction in the fiscal deficit to 4.4% of GDP in the current fiscal year, from 4.8% last year. Although fiscal prudence remains a priority, meeting this target could prove challenging given the pledged support to exporters and consumers. In a landmark move, in November 2025 the Indian government enforced the long-pending labour codes, which consolidate India's maze of fragmented and variegated labour laws. The new codes will provide businesses with increased operational flexibility and enhance digital compliance with payroll and workforce management systems.<sup>27</sup>

## 3.4 Mexico outlook hinges on USMCA renegotiations

The Mexican economy has been losing steam in 2025 induced by US tariffs and surrounding uncertainty, on top of domestic issues. From a low base of 0.6% growth in 2025, we expect a pickup to a meagre 1.4% in 2026 and 2.1% in 2027. This acceleration however is contingent on the completion of USMCA renegotiations in H1 of 2026.

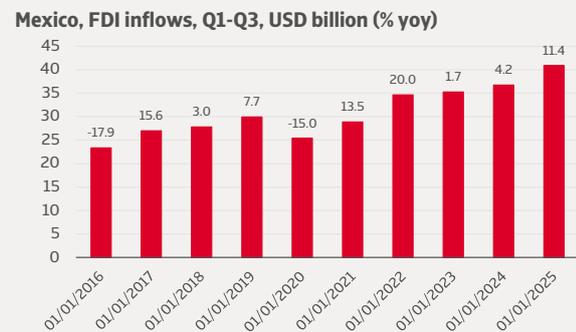
Mexico is one of the world's most exposed economies to the US and its trade and policy shifts. Over 80% of its goods exports are sent to the US, accounting for nearly 28% of GDP. The effective tariff rate on Mexican exports to the US is about 5.2%, lower than the 25% blanket tariffs and other sector-specific tariffs, due to the exemption of USMCA-compliant goods. The car manufacturing sector is particularly affected, but the electronics sector is benefitting from the AI-driven boom in the US.

The country's vulnerability to US policy shifts is amplified by tense bilateral relations. While the nearshoring trend has been put on hold by current tensions, the close connectedness between these North American economies continues to deepen: Mexico has become the US's top export market over Canada for the first time in decades. It surpassed China as the US's top import source two years ago. The Mexican administration is expected to continue diplomatically to avoid Mexican retaliation against the tariffs and maintain the trade agreement. A successful and timely renegotiation of USMCA would help investment to recover slowly from next year on, as Mexico's close ties, competitive costs and geographical position still make it attractive for nearshoring trends. This can be seen in the still-rising FDI inflows shown in figure 3.3 which have grown 11.4% in Q1-Q3 compared to the same period in 2024. Uncertainty surrounding the renegotiation process is high though, weighing heavily on investor sentiment. This exacerbates the underlying structural challenges to investment like precarious security conditions, state intervention in key sectors, and weak rule of law, compounded by recent concerns over judicial reforms.

<sup>27</sup> Economist Intelligence Unit (2025). Streamlined laws will transform India's labour landscape. Retrieved from <https://www.eiu.com>



**Figure 3.3 Mexico's FDI inflows continue to grow**



Source: Bank of Mexico, Macrobond

Overall though, Mexico's economy is remarkably resilient in the face of all this pressure. Mexico's macroeconomic policy framework remains orthodox, with a flexible exchange rate, robust banking sector and solid government and external finances. The peso has been one of the strongest currencies in 2025, appreciating about 12% vis-à-vis the US dollar since the start of the year. This reflects shifting market sentiment away from the USD, strong policymaking, and a wide interest rate differential with the US (7.25% policy rate versus the Fed's 3.75%-4.00% target range).

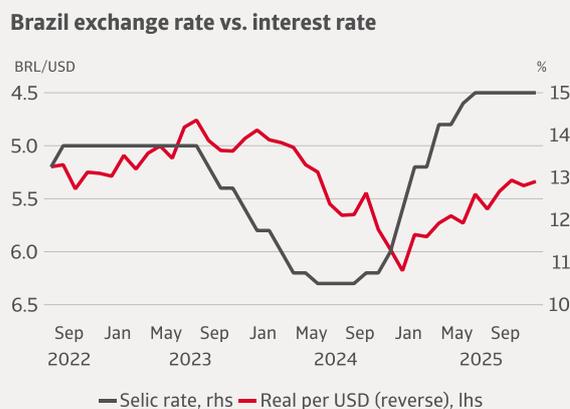
### 3.5 Brazil: tight monetary policy cools economy off

Brazil's economy is entering a period of slower growth after several years of resilience. Following a robust 3.0% expansion in 2024 – buoyed by strong job creation and agricultural output – GDP growth is expected to moderate to 2.3% in 2025 and slow further to 1.7% in 2026. This deceleration is in line with our expectations of July, reflecting the impact of tighter credit conditions and uncertainty in the leadup to the October 2026 general elections.

Brazil's exposure to US tariffs is limited given exports to the US only account for less than 2% of GDP. Even with an escalation to 50% tariffs on US imports from Brazil, over half of Brazilian exports are also exempt; and that amount has increased now that additional exemptions for Brazilian agricultural goods have been allowed to help address cost-of-living pressures in the US.

Interest rates have been gradually increasing since September 2024 in response to higher inflation, initially fuelled by a depreciating currency, sparked by concerns surrounding government finances. From 10.75%, the central bank raised rates to 15% in seven hikes to June 2025. President Lula has successfully pushed new budget rules and a tax reform through parliament, but execution risks remain high, with the government exploiting loopholes and continuing to widen the primary deficit. High interest rates further increase government costs, contributing to further rising government debt over our forecast window, from about 77% of GDP in 2025 to 87% in 2027.

**Figure 3.4 Monetary tightening and BRL appreciation**



Source: Macrobond, national sources

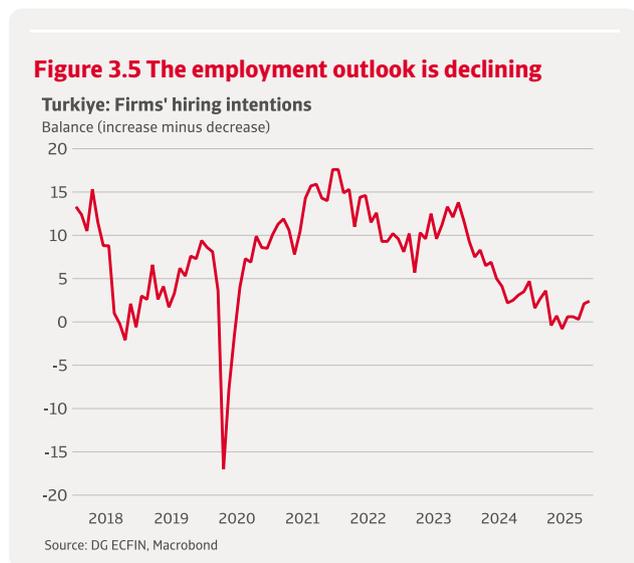
Weakening GDP growth, higher interest rates and lower global energy and food prices are helping reduce inflation. The real has also strengthened (up 14% against the USD in 2025) as a result of higher interest rates, further relieving inflation (figure 3.4). Inflation eased to 4.7% in October, from a high of 5.5% in April. We expect inflation to end 2025 at 4.6% and ease further to 3.6% by end-2026. This remains on the high end of the central bank's target range of 3% +/- 1.5%. Sticky services inflation and de-anchored inflation expectations due to policy uncertainty increase the risks for inflation going forward. We expect the Selic rate to stay at 15% until early 2026, from which the central bank will commence a very gradual easing cycle to 12.5% by end-2026 and 10.5% by end-2027. Easing financial conditions should help GDP growth to recover modestly to 2.4% in 2027.



### 3.6 Türkiye remains committed to fiscal prudence

GDP is expected to grow by 3.5% in 2025, followed by 2.5% in 2026 and 2027. Türkiye is subject to a 15% US import tariff, though the direct impact on the economy of this tariff is likely to be small, given that about 6% of Türkiye’s exports are destined for the US. What could be a greater headwind are the sectoral levies on furniture and trucks that took effect in October, given a higher US share as an export destination in respective segments.

Despite tightening monetary policy in reaction to market volatility, domestic demand remained robust in the first half of 2025. Economic growth accelerated to 4.4% y-o-y in Q2 of 2025, up from 2.6% in Q1. High frequency indicators paint a mixed picture of the Turkish economy in Q3. Capacity utilisation and business confidence appear to have reached a trough in August. That said, the manufacturing PMI declined to 46.4 in October, the second consecutive month of decline. Output declined at a solid pace, reflecting weaker demand and a slowdown in new orders. Subdued conditions were evident in both domestic and export markets, with foreign new orders also decreasing. We expect the quarterly growth pace to pick up in Q4 of 2025 and into 2026. We see steady, albeit modest, gains in consumption and investment and more inventory rebuilding.



Household consumption is forecast to be the main driver of growth, supported by wealth effects driven by high gold prices and continuing employment gains. The labour market remained broadly stable in the first half of 2025, with job gains in construction and services, and losses in agriculture and industry. However, there are signs of cooling employment growth, with firms’ hiring intentions declining (figure 3.5). The

labour market is not expected to be strong enough to fully absorb the rising labour supply. This is likely to result in a higher unemployment rate in 2026.

Inflation ticked up to 33.3% year-on-year in September, defying market expectations of a slowdown. We expect disinflation to resume in the coming months, in line with cooling domestic demand and low confidence in the economy. The central bank continued its easing cycle in September, lowering the policy rate to 40.5% after a substantial cut in July. This follows a period of tightening earlier this year, when the central bank stepped in to tighten funding conditions in the face of a market fallout, prompted by a domestic political crackdown.

The Turkish government remains committed to a medium-term deficit target of 3% of GDP. We expect the fiscal deficit to narrow in 2025-2027. The deficit is estimated to have narrowed to 3.5% of GDP in 2025 from 5.1% in 2024, with further improvement expected in 2026. A recently introduced minimum corporate tax of 10% is likely to bolster revenues, while authorities maintain a tight stance on expenditure. Public debt is expected to remain relatively low at 24% of GDP on average in 2026-2027.

### 3.7 Russia’s economy moving toward stagnation

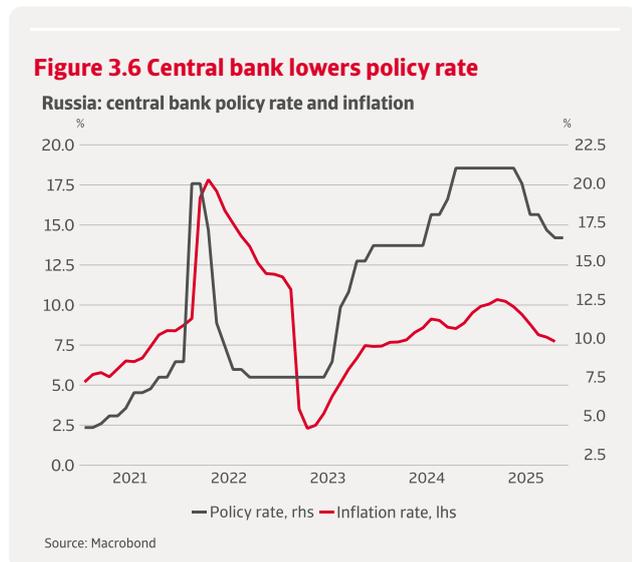
Russia’s economy is expected to remain subdued, with growth projected at 0.9% in 2025 and 2026 and slowing further to 0.5% in 2027. The US has imposed sanctions on Russia’s two largest oil firms, Rosneft and Lukoil, signalling it’s determined to make Russia soften its approach to negotiations with Ukraine. Rosneft and Lukoil are responsible for about half of Russia’s crude production and exports. Several major refiners in India and China have scaled back purchases, and Russian crude prices have fallen to multi-year lows. Nevertheless, Russia has adapted by expanding its use of shell companies and a shadow fleet of second-hand tankers, enabling continued shipments through alternative routes. We don’t expect the US measures to prompt Russia to change its position on peace terms.

Recent Ukrainian drone strikes on Russian refineries have knocked out a substantial portion of domestic refining capacity, forcing Moscow to prioritise internal fuel needs. This led to a domestic shortage of oil products and a drop in exports. The lack of refinery capacity has prompted oil companies to export more crude.

Household consumption growth, supported by record-low unemployment and rising real wages, is set to remain the principal growth driver in the short term. The labour market remains very tight with an unemployment rate of 2.1% (August). Real wage growth picked up to 5.3% in July from 3.5% in June, owing to lower inflation. Inflation peaked at



10.3% in March and has since been on a declining trend. The central bank has been lowering the policy rate since May 2025, with the current policy rate at 16.5%.



We expect another rate cut in December. While we still expect several more rate cuts in 2026, there's less room than before due to a planned value-added tax (VAT) hike and minimum wage increase in January. There has been a slowdown in lending since the end of 2024 affecting both households and the corporate sector. Central bank data also shows a rise in non-performing loans (NPLs) amid tight monetary policy and an economic slowdown.

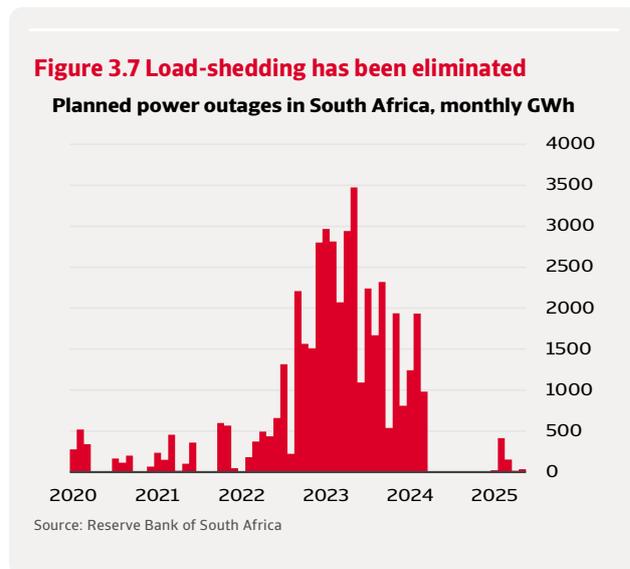
In late September, the government released its draft budget, which includes the first reduction in military spending since the onset of the full-scale invasion of Ukraine in 2022. The budget also outlines measures to boost revenue through higher indirect taxation, notably by raising the VAT rate to 22%. The government expects a deficit of 1.6% of GDP, but we believe this to be optimistic, and we forecast a wider deficit of around 2.3%.

### 3.8 South Africa struggling to raise GDP growth

The South African economy is expected to grow by 1.2% in 2026 and 1.5% in 2027, after 1.0% in 2025. Recent economic data releases align with our view that the business environment has not yet improved to the extent that economic growth will pick up meaningfully in the near term. The US has imposed a 30% reciprocal tariff on South Africa, the highest among the Sub-Saharan African nations. This general tariff comes on top of the already imposed 25% levy on automotive exports in April 2025. The tariffs have had a

significant negative impact on key South African industries, particularly the automotive and agricultural. In addition, South Africa lost its preferential access to the US market due to the expiration of the African Growth and Opportunity Act (AGOA). South Africa continues to engage with the US government to negotiate a reduction in the tariffs, but as of November 2025, the 30% rate remains in effect.

South Africa has a government of national unity, consisting of 10 parties with the African National Congress (ANC) and the pro-business Democratic Alliance (DA) being the largest. The inclusion of the DA is seen as crucial for market confidence in the government's reform plans. Operation Vulindlela, which aims to accelerate the implementation of long-delayed structural economic reforms, has already delivered progress in addressing South Africa's structural bottlenecks. Since the beginning of 2025 load-shedding has been eliminated, and power-supply instability is expected to pose less of a challenge for businesses (figure 3.7). Nevertheless, regulatory and procedural barriers are likely to persist, continuing to impede infrastructure development over the medium term<sup>28</sup>.



Negotiations within the coalition over the pace of medium-term fiscal consolidation are expected to remain challenging throughout the coming years. The DA resists any tax hikes, while factions within the ANC emphasise the need for increased social spending to advance political goals. The fiscal deficit is expected to remain high in the coming years. In addition to the impact of the US tariffs on the South African economy in revenue terms, the coalition government faces pressure to allocate funds for welfare programs, public sector wages, and heavily indebted state-owned enterprises, particularly in the run-up to the 2026 municipal and 2029 general elections. Debt-service costs are set to keep rising, leaving little flexibility to deviate from spending or revenue targets.

<sup>28</sup> See Atradius's economic note "One year on: can South Africa's GNU unlock growth?" published 2 December 2025.



# Appendix

**Table A1 Key macroeconomic forecasts**

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
	Australia	1.7	2.1	2.4	2.8	2.9	2.5	-2.3	-2.2	-1.2	60	62	61	-2.4	-4.3	-4.4	2.3	3.8
Austria	0.4	0.7	1.8	3.5	2.0	1.9	-4.4	-4.0	-3.4	117	119	118	0.9	1.7	1.6	-0.5	0.1	1.4
Belgium	1.1	1.3	1.6	2.3	0.9	2.0	-4.7	-4.0	-3.6	113	114	113	-2.0	0.3	0.6	-0.6	1.8	3.5
Brazil	2.3	1.7	2.4	5.1	4.0	3.1	-8.8	-10.5	-8.7	79	85	88	-3.3	-3.1	-2.7	2.4	-1.2	0.9
Canada	1.1	0.8	2.4	2.0	2.3	2.0	-1.8	-3.7	-3.6	107	109	108	-1.8	-2.1	-1.9	-3.2	0.3	3.8
China	4.8	4.4	4.4	-0.1	0.5	1.1	-9.4	-10.9	-10.5	69	77	84	3.1	2.5	2.5	7.8	4.0	4.1
Denmark	1.2	1.1	2.5	1.8	1.3	1.8	2.8	1.5	1.3	34	32	30	12.0	10.4	10.3	-0.4	0.3	2.1
Finland	0.1	1.1	1.4	0.4	1.4	2.1	-3.5	-3.2	-2.4	89	91	91	1.4	1.3	1.2	2.3	-2.2	0.5
France	0.8	0.6	1.2	1.0	1.3	1.9	-5.5	-5.7	-5.5	130	132	134	-0.2	0.1	0.3	0.8	1.0	1.2
Germany	0.2	0.7	2.1	2.2	1.5	2.3	-2.1	-2.6	-2.9	58	59	59	5.2	4.7	4.2	-0.2	-0.2	0.8
Greece	2.0	2.1	1.4	2.4	2.0	2.4	2.0	0.3	-0.1	184	175	168	-5.8	-5.4	-4.7	2.1	3.6	2.8
Hong Kong	3.3	2.7	2.0	1.5	2.1	2.0	1.1	1.3	0.9	6	7	9	12.3	9.4	7.2	9.1	4.1	2.8
India	7.0	6.3	6.6	2.0	3.5	4.4	-4.8	-4.4	-4.0	81	80	77	-0.4	-0.8	-0.9	5.0	4.8	5.7
Ireland	13.7	-0.9	1.8	2.2	2.0	2.1	1.2	0.3	-0.1	23	23	22	6.8	6.2	6.6	7.7	-2.2	1.7
Italy	0.5	0.6	0.9	1.6	1.5	2.3	-3.0	-2.8	-2.9	150	152	152	1.5	1.4	1.4	0.1	1.4	1.7
Japan	1.0	0.6	0.4	3.1	2.0	1.9	-1.8	-2.6	-2.8	216	214	215	4.8	4.9	4.5	2.3	-1.7	-0.1
Luxembourg	0.7	1.7	2.0	2.3	1.8	1.8	-0.8	-0.4	-0.7	25	24	24	4.8	4.9	5.2	0.8	4.6	6.3
Mexico	0.6	1.4	2.1	3.8	3.7	3.7	-3.8	-3.5	-3.1	55	55	55	0.0	0.0	-0.4	7.4	-3.8	1.9
Netherlands	1.6	1.2	1.4	3.3	2.1	2.1	-1.3	-2.0	-1.7	47	48	48	8.2	8.5	8.2	1.9	-0.1	0.8
New Zealand	0.7	1.8	2.8	2.8	1.7	1.9	-0.9	-1.1	-1.0	50	49	48	-3.2	-3.2	-3.1	1.5	1.9	3.7
Norway	0.1	0.9	0.5	3.1	2.7	2.3	11.3	9.6	9.7	46	49	49	15.4	10.3	7.7	-1.7	0.0	-0.5
Portugal	2.0	2.3	1.7	2.4	2.0	2.0	0.3	0.0	-0.5	95	92	89	1.1	1.2	1.2	0.9	1.9	1.8
Russia	0.9	0.9	0.5	8.9	6.1	2.6	-2.5	-2.4	-2.6	14	16	19	1.3	1.2	1.6	-6.4	-0.2	1.5
Singapore	4.4	3.1	1.9	0.8	1.1	1.3	0.6	-0.1	0.3	172	170	167	18.8	18.8	17.9	6.9	2.0	0.5
Spain	2.9	2.3	1.8	2.6	2.1	2.2	-2.6	-2.5	-2.5	106	104	103	2.8	2.5	2.6	3.6	1.3	1.5
South Africa	1.0	1.2	1.5	3.3	4.0	4.1	-4.2	-4.6	-4.8	79	79	81	-0.7	0.0	0.1	-2.2	0.6	1.6
South Korea	1.1	2.1	1.7	2.0	1.8	1.9	-2.3	-2.5	-2.4	49	51	52	5.6	2.7	2.3	4.0	-0.3	0.0
Sweden	1.5	2.5	1.9	0.8	1.0	1.7	-1.2	-1.9	-1.4	47	46	46	5.9	5.3	5.3	4.2	0.6	0.9
Switzerland	1.1	0.9	1.6	0.2	0.3	0.8	0.1	0.0	-0.1	24	23	23	2.5	2.9	4.4	4.0	-0.1	2.1
Turkey	3.5	2.5	2.5	35.0	25.1	15.7	-3.6	-2.2	-1.3	24	24	24	-1.5	-1.5	-1.6	0.0	1.2	2.3
United Kingdom	1.4	0.9	1.3	3.4	2.8	2.5	-4.8	-3.4	-3.1	102	102	102	-3.0	-2.6	-2.4	2.8	-0.2	1.2
United States	2.0	2.0	2.1	2.8	2.7	2.3	-7.4	-8.1	-7.9	139	142	143	-3.9	-3.3	-3.0	0.6	0.1	2.7
Eurozone	1.4	0.9	1.6	2.1	1.6	2.2	-2.8	-3.1	-3.1	-	-	-	2.1	2.1	2.0	1.7	0.4	1.6

Source: Oxford Economics, Atradius



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