



ROSA & ROUBINI
ASSOCIATES

Policy Compass

**2026 Economic Forecast: Global
Trends, Regional Divergences**

By

Lasma Kokina



13 January 2026

Lasma Kokina

2026 Economic Forecast: Global Trends, Regional Divergences

13 January 2026

Table of Contents

Executive Summary	Page 3
What Is The Outlook For The Global Economy In 2026?.....	4
United States.....	5
Eurozone.....	6
China.....	7
NOTES	9

Page | 2



Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 75 King William Street, London EC4N 7BE, United Kingdom.

For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

Analyst Certification: I, Lasma Kokina, hereby certify that all the views expressed in this report reflect my personal opinion, which has not been influenced by considerations of Rosa & Roubini Associates' business, nor by personal or client relationships. I also certify that no part of our compensation was, is or will be, directly or indirectly, related to the views expressed in this report.

Disclaimer: All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the US SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.

Lasma Kokina

2026 Economic Forecast: Global Trends, Regional Divergences

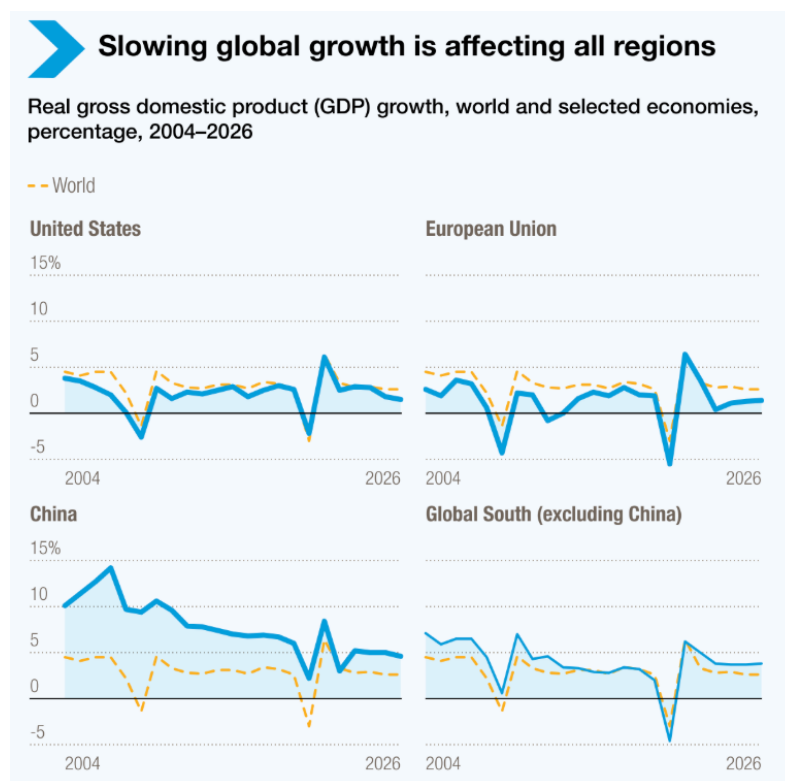
13 January 2026

Executive Summary

Page | 3

- ✦ Global growth in 2026 is expected to remain stable but modest, with most institutions forecasting expansion of around 2.7–3.1% amid geopolitical risks, demographic pressures, and a gradual post-pandemic normalisation.
- ✦ Inflation is projected to ease globally toward around 3%, with the eurozone nearing its 2% target, the US remaining above target due to tariffs and labour constraints, Japan slipping below 2%, and China continuing to face deflationary pressures.
- ✦ The United States is expected to see slower growth of roughly 1.5–2.2% in 2026 as the effects of past monetary tightening weigh on activity, while inflation remains elevated due to fiscal support, trade barriers, and constrained labour supply.
- ✦ Eurozone growth is forecast at about 1.2%, supported by domestic demand, fiscal stimulus, and EU investment funds, with Germany rebounding modestly and Southern Europe, especially Spain, outperforming.
- ✦ China's economy is projected to grow between 4.0% and 4.8% in 2026, driven by strong export competitiveness and industrial upgrading, while inflation is expected to recover only gradually from deflation amid property sector weakness and excess capacity.

Key Picture: Global GDP Growth In Selected Regions



Source: UN Trade and Development (UNCTAD)

www.rosa-roubini.com

What Is The Outlook For The Global Economy In 2026?

Economic Growth

Global economic growth in 2026 is expected to remain robust, though somewhat slower than in recent years, with projections generally ranging between 2.7% and 3.1%.

In 2026, the global economy is expected to move into a period of stable yet modest growth in 2026. Most major institutions, including the IMF and OECD, anticipate a slight deceleration from 2024–2025 levels as the initial boost from post-pandemic recoveries and artificial intelligence investments begins to stabilise.¹² Even if the global economy steers clear of a recession or “hard landing,” growth is still limited by challenges like ageing populations in developed countries and sluggish productivity growth.³

A key driver of the 2026 narrative is the expected “soft landing” in the United States, as the effects of restrictive monetary policy and fiscal tightening fully take hold.⁴⁵ However, these forecasts remain vulnerable to significant downside risks, most notably heightened trade frictions and geopolitical divisions.⁶ Emerging economies are expected to play a key balancing role, with India often highlighted as the leading performer, with GDP forecast to grow 6.5% in fiscal 2026.⁷ Meanwhile, China's growth is expected to continue its gradual cooling toward 4.0%.⁸

Page | 4

Figure 1: Global GDP Growth Projections 2025

Source	2026 Projection
IMF	3.10%
OECD	2.90%
World Bank	2.70%
Deloitte	2.70% (Global Average)
Fitch Ratings	2.60%

Source: Table created in Google Sheets by the author using original data from the listed sources.

Inflation

Global inflation is expected to slow to around 3% by 2026, though, as seen above, forecasts slightly differ, and outcomes vary widely. Economies imposing tariffs are seeing higher inflation from rising import costs, while targeted economies continue to disinflate as demand cools.

Figure 2: Global Inflation Forecast

Source	2026 Projection
World Bank	2.90% (GDP-weighted)
OECD	2.90% (G20 headline)
OECD Average	3.20%
IMF	3.50% (Headline)
Mastercar Economics	3.40%
Ifo Institute (Economic Experts Survey)	3.90%

Source: Table created in Google Sheets by the author using original data from the listed sources.

In the United States, trade barriers and tighter immigration are pushing prices higher, whereas inflation in the euro area has eased close to the 2% target. The UK continues to face elevated inflation due to labour shortages, weak productivity, and persistent service pressures. In Japan, inflation is expected to dip below 2% in early 2026 as past cost shocks fade. China remains under deflationary pressure, while India has seen inflation fall to multi-year lows amid easing food and commodity prices and tax reforms. In Brazil, inflation should moderate but stay above target, and Argentina continues to struggle with double-digit inflation despite policy tightening.⁹

United States

Economic growth

In the United States, economic growth is expected to slow down in 2026, with GDP expansion typically estimated at about 1.5%–2.20% (as seen in the table above) as the lagged impact of past monetary tightening becomes more pronounced.¹⁰ That said, analysts are divided on whether government spending and surging investment in AI will counter these pressures.

While economic momentum remains strong, it is increasingly concentrated in a few areas. Spending by high-income households, AI-driven capital investment, and elevated asset prices are doing much of the heavy lifting. Together, these forces create a reinforcing yet delicate cycle. However, as tariffs and tighter immigration policies pressure labour markets and inflation begins to pick up again, economic growth could ease.¹¹

Figure 3: Projected US Economic Growth For 2026

Source	2026 Projection
OECD	1.50-1.70%
UNCTAD	1.50%
Fitch Ratings	1.90%
JP Morgan	1.80-2.00%
S&P Global Ratings	1.90%
IMF	2.10%
RSM (via Deloitte)	2.20%

Source: Table created in Google Sheets by the author using original data from the listed sources.

Inflation

Most major forecasters, including the Federal Reserve and Goldman Sachs, expect inflation to stay above the 2% target for much of the year. It is expected to level off at around 2.4%–2.7% by the end of 2026, largely driven by “base effects,” as the elevated prices seen in 2025 fall out of year-over-year comparisons, mechanically pulling down the inflation rate in the latter half of 2026.¹²

The inflation outlook will be shaped by several countervailing forces. A key uncertainty is the degree to which businesses continue to pass through tariff-related costs from 2025 to consumers. While many firms initially absorbed these increases, analysts expect the residual drag from tariffs to fade by mid-2026 as supply chains normalise.¹³ At the same time, cooling labour market conditions are likely to weigh on inflation, with wage growth slowing to below the roughly 4% pace considered consistent with a 2% inflation environment, providing a meaningful disinflationary impulse.¹⁴

On the policy side, the Federal Reserve is projected to conclude its easing cycle in 2026, with interest rates settling near a neutral range of approximately 3.0% to 3.25%.¹⁵ However, this restraint may be partially offset

by expansionary fiscal measures, such as the 2025 One Big Beautiful Bill Act, which could sustain consumer demand and generate persistent upward pressure on prices.¹⁶ Adding to these dynamics, tighter immigration enforcement is expected to constrain labour supply, potentially keeping service-sector inflation elevated even as goods-price pressures stabilise.¹⁷

Figure 4: Predicted US inflation for 2026

Source	Projection	Metric	Key Context/Drivers
Federal Reserve (FOMC)	2.40%	Headline PCE	Projections as of Dec 2025; expect return to 2% target by 2027.
Goldman Sachs	2.30%	Core PCE	Diminishing tariff impact in 2H 2026; view "inflation issue resolved".
J.P. Morgan	2.80%	Headline CPI	Expects drift down from 3.5% in late 2025 as tariff impacts fade.
IMF	3.00%	Headline CPI	Forecast slightly higher due to "policy uncertainty" and "trade tensions".
Deloitte	3.10%	Headline CPI	Projects modest acceleration in 2025 before a 2026 plateau.
Morgan Stanley	2.60%	Core PCE	Anticipates temporary Q1 2026 rise due to tariffs before resuming descent.
Trading Economics	3.00%	Cons. Expectation	Based on long-term econometric models.

Source: Table created in Google Sheets by the author using original data from the listed sources.

Eurozone

Economic Growth

Eurozone GDP is expected to grow steadily at about 1.2% in 2026, slightly slower than in 2025, with domestic demand driving the expansion.¹⁸ The largest rebound is forecast for Germany, climbing from 0.3% in 2025 to 1.2% in 2026, with Southern Europe also performing strongly, particularly Spain at 2.1%.¹⁹ This outlook holds despite a difficult global backdrop of geopolitical risks and weak trade growth.²⁰ Consumer spending should be supported by strong labour markets and gradually rising real incomes, while investment is likely to recover slowly as financing conditions improve.²¹ Still, persistent structural challenges, including high energy costs²² and limited productivity-enhancing reforms²³, are expected to keep growth near the region's subdued potential.

Figure 5: Predicted Eurozone GDP For 2026

Source	Forecast	Key Date
European Commission	1.20%	Autumn 2025
OECD	1.20%	December 2025
ECB (Eurosysteem Staff)	1.20%	December 2025
International Monetary Fund (IMF)	1.10%	October 2025
Goldman Sachs	1.30%	December 2025
BNP Paribas	1.60%	December 2025

Source: Table created in Google Sheets by the author using original data from the listed sources.

The 2026 outlook is shaped by several key forces, including expansionary fiscal measures in certain member states, most notably Germany's fiscal stimulus and higher defence spending, which are expected to support activity.²⁴ Together with continued investment funded by the EU's Recovery and Resilience Facility, these measures should help offset weaker external demand stemming from soft global trade and rising trade frictions.²⁵ Growth is still expected to be led by services, while manufacturing remains under pressure due to strong import competition, particularly from China²⁶, and persistent structural constraints.²⁷

Inflation

The Eurozone's inflation outlook for 2026 indicates a descent toward or slightly below the European Central Bank's (ECB) 2% target, with most forecasts clustering around 1.9%. The ECB's own projections point to headline HICP inflation dipping slightly below the bank's 2% target for 2026, part of a broader pattern in which inflation is forecast to moderate over the next couple of years before eventually stabilising close to target.²⁸

Headline inflation is projected to fall partly because the very high energy price levels of 2024 of 2024-25 drop out of the year-on-year comparisons in 2026. This base effect makes the percentage change in prices look smaller even if energy prices aren't falling further.²⁹ By component, services inflation is expected to ease progressively as wage growth slows, food price inflation should continue converging toward its pre-2022 pattern, and non-energy industrial goods inflation is likely to stay low and stable, held down by increased import competition and a stronger euro.³⁰

Figure 6: Eurozone inflation forecasts for 2026

Source	Forecast (2026)	Key Date of Forecast
ECB (Eurosysteem Staff)	1.90%	December 2025
European Commission	2.00%	Autumn 2025
OECD	1.90%	December 2025
International Monetary Fund (IMF)	1.90%	October 2025
Survey of Professional Forecasters	1.90%	Q1 2025
Goldman Sachs	~2.0%	December 2025

Source: Table created in Google Sheets by the author using original data from the listed sources.

China

Economic Growth

China's economy is expected to experience a moderate slowdown in 2026, with GDP growth largely forecast to be in the 4.0% to 4.5% range. Some financial institutions, notably Goldman Sachs Research, have raised their projections for China's economic expansion in 2026, reflecting stronger-than-expected export performance and policy support. In its Macro Outlook 2026, Goldman Sachs Research forecasts that China's real GDP will grow by about 4.8 % in 2026, as robust export growth and competitiveness offset weaker domestic demand in some sectors. This forecast is part of a broader global GDP growth outlook that expects China to be one of the main drivers of world expansion next year.³¹

These upward revisions are driven by the view that faster export growth, supported by gains in global market share and competitiveness in higher-value manufacturing, will more than offset lingering headwinds from the property sector. While the housing downturn continues to weigh on activity, its drag on overall growth is expected to diminish over time, allowing export-led momentum and industrial upgrading to play a larger role in sustaining China's economic expansion through 2026.³²

Figure 7: China's GDP Forecasts For 2026

Source	Forecast	Key Date of Forecast
World Bank	4.00%	June 2025
OECD	4.40%	December 2025
IMF	4.50%	December 2025
UBS	4.50%	November 2025
Deloitte	4.50%	December 2025
Goldman Sachs	4.80%	December 2025

Source: Table created in Google Sheets by the author using original data from the listed sources.

Inflation

China's inflation outlook for 2026 points to a gradual and uneven exit from recent deflationary pressures, with leading institutions expecting only a mild pickup in consumer prices. Individual projections differ, however. For example, Deutsche Bank foresees a stronger rebound to about 1.5%, while UBS anticipates a more muted outcome of roughly 0.4%.

Figure 7: China's Inflation Forecasts For 2026

Source	Forecast	Publication Date
Deutsche Bank	1.50%	December 2, 2025
World Bank	1.30%	June 2025
International Monetary Fund (IMF)	0.80%	December 11, 2025
UBS	0.40%	November 24, 2025

Source: Table created in Google Sheets by the author using original data from the listed sources.

China's campaign against so-called "anti-involution," under which authorities aim to rein in excessive and destructive price competition, could ultimately help place inflation on a more sustainable path. However, ING expects the adjustment to be gradual, reflecting concerns about the potential impact on local economies and employment. Looking ahead to 2026, prices may begin to move back into positive territory, at least in terms of consumer inflation. Recent weakness has been driven mainly by food prices, a cyclical factor that is expected to ease as the pork price cycle turns.³³

NOTES

¹ “Global Economy in Flux, Prospects Remain Dim”, IMF, accessed 29 December 2025, <https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025>.

² “OECD Economic Outlook, Interim Report September 2025”, OECD, accessed 29 December 2025, https://www.oecd.org/en/publications/2025/09/oecd-economic-outlook-interim-report-september-2025_ae3d418b.html.

³ Ibid.

⁴ “Global economy proves resilient but remains fragile”, OECD, accessed 29 December 2025, <https://www.oecd.org/en/about/news/press-releases/2025/12/global-economy-proves-resilient-but-remains-fragile.html>.

⁵ “2026 Economic outlook for business leaders”, American Deposit Management, accessed 29 December 2025, <https://americandeposits.com/insights/2026-economic-outlook-business-leaders/>.

⁶ “Global Economy Faces Trade-Related Headwinds”, World Bank Group, accessed 29 December 2025, <https://www.worldbank.org/en/publication/global-economic-prospects>.

⁷ Dharmakirti Joshi, “India’s growth realigns with shifting global trends”, S&P Global, accessed 29 December 2025, <https://www.spglobal.com/en/research-insights/special-reports/india-forward/shifting-horizons/how-indian-economic-growth-realigns-with-shifting-global-trends>.

⁸ “Global Economic Prospects”, World Bank Group, accessed 29 December 2025, <https://thedocs.worldbank.org/en/doc/8bf0b62ec6bcb886d97295ad930059e9-0050012025/original/GEP-June-2025.pdf>.

⁹ Gregory Daco and Marek Rozkrut, “2026 Global Economic Outlook: growth slows amid supply shocks”, EY Parthenon.

¹⁰ “2026 Economic Outlook: Moderate Growth With a Range of Possibilities”, Morgan Stanley, accessed 29 December 2025, <https://www.morganstanley.com/insights/articles/global-economic-outlook-2026>.

¹¹ Ibid.

¹² “The Global Economy Is Forecast to Post ‘Sturdy’ Growth of 2.8% in 2026”, Goldman Sachs, accessed 29 December 2025, <https://www.goldmansachs.com/insights/articles/the-global-economy-forecast-to-post-sturdy-growth-in-2026>.

¹³ “Podcast Contributor: Michael Zezas”, Morgan Stanley, accessed 29 December 2025, <https://www.morganstanley.com/ideas/thoughts-on-the-market-zezas>.

¹⁴ “The Global Economy Is Forecast to Post ‘Sturdy’ Growth of 2.8% in 2026”, Goldman Sachs.

¹⁵ “Fed Outlook 2026: Rate Forecasts and Fixed Income Strategies”, accessed 29 December 2025, <https://www.ishares.com/us/insights/fed-outlook-2026-interest-rate-forecast>.

¹⁶ “What’s in the One Big Beautiful Bill Act (OBBBA)?”, JP Morgan Asset Management, accessed 29 December 2025, <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/on-the-minds-of-investors/whats-in-the-one-big-beautiful-bill-act/>.

¹⁷ “Economic Prices for all Americans are set to unnecessarily rise under recent and proposed immigration policies impacting the U.S. labor force”, accessed 29 December 2025, <https://www.fwd.us/news/new-immigration-policies-will-increase-prices-for-americans>.

¹⁸ “European Union and euro area Economic Snapshot”, OECD, accessed 29 December 2025, <https://www.oecd.org/en/topics/sub-issues/economic-surveys/european-union-euro-area-economic-snapshot.html>.

¹⁹ “Europe’s Economy poised for steady growth in 2026 fueled by AI adoption, global trade and consumer resilience”, MasterCard Economics, accessed 29 December 2025, <https://www.mastercard.com/news/europe/en/newsroom/press-releases/en/2025/europe-s-economy-poised-for-steady-growth-in-2026-fueled-by-ai-adoption-global-trade-and-consumer-resilience/>.

²⁰ Kalin Anev Janse, “Europe navigating a new world: what to watch in 2026”, accessed 29 December 2025, <https://www.esm.europa.eu/blog/europe-navigating-new-world-what-watch-2026>.

²¹ “OECD Sees Lower Eurozone Growth in 2026”, GC Intelligence, accessed 29 December 2025, <https://gc-intelligence.com/category/all-news/macroeconomics-and-geopolitics/>.

²² “OECD Economic Outlook, Volume 2025 Issue 1”, OECD, accessed 29 December 2025, https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1_83363382-en/full-report/euro-area_b33827ba.html.

²³ “Remarks by Commissioner Dombrovskis at the press conference presenting the Autumn 2025 Economic Forecast”, European Commission, accessed 29 December 2025, https://ec.europa.eu/commission/presscorner/detail/es/statement_25_2703.

²⁴ “Economic Research: Economic Outlook Europe Q1 2026: Germany’s Fiscal Reawakening”, S&P Global, accessed 29 November 2025, <https://www.spglobal.com/ratings/en/regulatory/article/economic-research-economic-outlook-europe-q1-2026-germanys-fiscal-reawakening-s101657610>.

²⁵ Servet Yanatma, “GDP growth forecasts: Which European economies will have the highest growth?”, accessed 29 December 2025, <https://www.euronews.com/business/2025/12/17/gdp-growth-forecasts-which-european-economies-will-have-the-highest-growth>.

²⁶ Frédérique Carrier; Rufaro Chiriseri, and Thomas McGarrity, “Global Insight 2026 Outlook: Europe”, accessed 29 December 2025, <https://www.rbcwealthmanagement.com/en-asia/insights/global-insight-2026-outlook-europe>.

²⁷ “OECD Economic Outlook, Volume 2025 Issue 2”, OECD, accessed 29 December 2025, https://www.oecd.org/en/publications/2025/12/oecd-economic-outlook-volume-2025-issue-2_413f7d0a.html.

²⁸ “Macroeconomic projections”, European Central Bank, accessed 29 December 2025, <https://www.ecb.europa.eu/press/projections/html/index.en.html>.

²⁹ “Eurosysteem staff macroeconomic projections for the euro area, December 2025”, European Central Bank, accessed 29 December 2025, https://www.ecb.europa.eu/press/projections/html/ecb.projections202512_eurosysteemstaff~12ead61977.en.html.

³⁰ “The Conference Board Economic Forecast for the Euro Area Economy”, accessed 29 December 2025, <https://www.conference-board.org/publications/eur-forecast>.

³¹ “China’s Economy is Forecast to Grow Faster Than Expected in 2026”, Goldman Sachs, accessed 29 December 2025, <https://www.goldmansachs.com/insights/articles/chinas-economy-is-forecast-to-grow-faster-than-expected-in-2026>.

³² Ibid.

³³ Lynn Song, “Asia 2026: 10 questions for China’s year ahead”, ING, accessed 29 December 2025, <https://think.ing.com/articles/10-questions-for-china-in-2026/>.