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Outlook from the 2026 IMF-World Bank Meetings: Slowing Global Growth, Tech Divergence, and Mounting Fiscal Pressures

By

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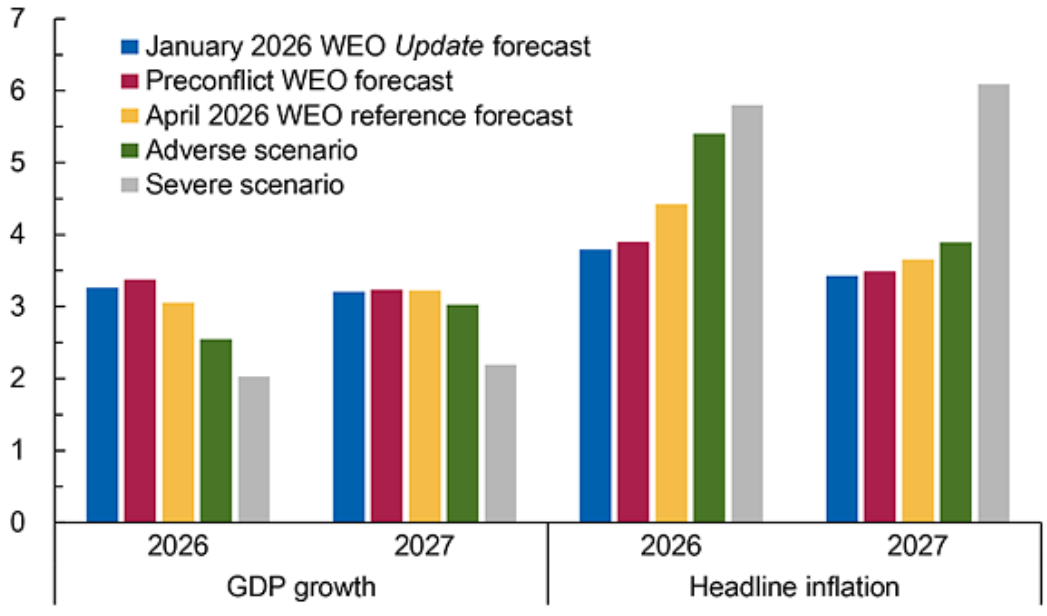
Outlook from the 2026 IMF-World Bank Meetings: Slowing Global Growth, Tech Divergence, and Mounting Fiscal Pressures

12 November 2026

Executive Summary

- Geopolitical shifts and technological changes are fundamentally restructuring the global economy, making uncertainty and volatility the new norm.
- Worldwide growth is projected to slow to 3.1% this year before recovering to 3.4% in 2027, with the eurozone expanding by only 1.2% in 2027 due to weak consumer sentiment, elevated energy prices, and ongoing inflation.
- An unprecedented surge in artificial intelligence spending has lifted growth in advanced economies, particularly the United States, but heavily concentrated gains leave excluded economies vulnerable.
- Headline global inflation is projected to reach 4.7% in 2026 before easing to 4.1% in 2027, driven by opposing forces of supply shocks from conflict and increased demand from AI investment
- Concentrated supply chains, potential conflict escalation, weather events such as El Niño, and trade disputes present significant downside risks to economic growth
- Governments are advised to practice fiscal discipline, keep public support targeted and temporary, and maintain central bank independence to safeguard price stability
- Poorer oil-importing countries with no links to AI investment bear the heaviest burden from the Middle East conflict, as basic necessities dominate their household spending.
- Advanced economies generated the largest budget deficits, yet their high interest rates have significantly increased loan costs for developing nations that had previously lowered debt.
- International financial institutions are urging developing nations to protect vulnerable populations while committing support for private investment and debt restructuring.

Key Picture: Global Growth and Inflation Forecasts (Percent, 2026-2027)



Source: Newsroom

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1. Macroeconomic Outlook, Fiscal Pressures, and the Widening Global Divide

1.1. Geopolitical Restructuring, Slower Growth, and Uneven Gains from the AI Investment Boom

At their 2026 Annual Meetings in Bangkok, Thailand, the World Bank Group and the International Monetary Fund (IMF) focused on addressing ongoing conflicts, decreasing government budgets, rising debt burdens, and the high cost of vital resources like fuel and fertiliser.[1] The IMF contended that the global economy is being fundamentally restructured by geopolitical shifts and rapid technological change. The intersection of these two powerful dynamics reinforces each other, making volatility and uncertainty a standard reality rather than a rare occurrence.[2]

Against the backdrop of these compounding shifts, international institutions caution that the foundations of global growth are weakening. The IMF reported that ongoing global economic resilience is facing growing pressure, with downside risks dominating the outlook. Worldwide growth is expected to slow to 3.1% this year before recovering to 3.4% in 2027. The IMF anticipates the eurozone economy will grow by just 1.2% in 2027, as high energy prices, low consumer confidence, and ongoing inflation continue to weigh on growth.[3]

Even with these weak trends, strong spending on AI is pushing near-term growth higher in some regions. Stronger AI investment and related commercial activity in developed markets have prompted an upward revision to the 2026 global growth outlook. Even so, gains are distributed unequally, dictated by a nation's vulnerability to war and its integration into AI manufacturing networks.[4] A massive, historic surge in artificial intelligence investment has emerged as a key pillar of economic resilience, with American AI spending expected to reach nearly two percent of national output and drive half of total domestic growth, with major technology firms committing trillions of dollars toward computing infrastructure and data centers, elevating tech components to a notable share of global commerce.[5]

Yet the benefits remain heavily tilted toward the United States, raising concerns over whether middle-tier economies should coordinate governance standards to counterbalance concentrated risks. At the same time, this debt-financed expansion has begun straining capital markets, pushing up borrowing costs, and feeding inflation through soaring demand for electricity and skilled labour. Analysts and international financial leaders warn that if these outlays fail to yield the anticipated revenue, the fallout could destabilise financial markets, while the broader shift continues to pose serious, long-term disruptions to employment.[6]

1.2. Depleting Energy Reserves, Dual Inflationary Pressures, and Shrinking Fiscal Buffers

Alongside these tech-sector risks, geopolitical instability presents an equally urgent threat to global stability. Economic adaptability and strategic reserves had largely protected global markets from the energy shocks caused by the Middle East conflict, helping economies absorb the initial fallout through diversified fuel supplies. However, the IMF warned that these safety cushions are depleting quickly, with global oil stockpiles falling by approximately 2.7 million barrels per day toward thresholds that risk triggering severe price spikes. These tightening energy constraints could undermine ongoing artificial intelligence-driven growth, while increasing concerns over deteriorating government finances threaten to create further obstacles for the broader economy.[7]

The compounding impact of these supply constraints and tech-driven demand dynamics is clearly reflected in the latest inflation projections. Global headline inflation is forecast to see a significant increase to 4.7% in 2026, followed by a decline to 4.1% in 2027.[8] The IMF projects that eurozone inflation will hit 3.1% this year and 2.8% next year, remaining well above the European Central Bank's 2% target in both periods.[9] There are two opposing forces behind this: negative supply shocks from conflict-driven commodity and energy price spikes, balanced against a positive demand increase stimulated by global investment and trade in artificial intelligence. However, the latter faces distinct structural vulnerabilities, notably potential choke points caused by heavily concentrated AI supply chains, as well as the threat of severe weather events like El Niño further affecting resource markets.[10]

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Additionally, growth could drop if conflicts escalate, AI falls short of expectations, trade fights flare up, or government finances weaken.[11]

Beyond that, rising borrowing costs and elevated debt servicing expenses are restricting national budgets and eroding vital fiscal reserves. In response to these growing challenges and persistent inflationary threats, the IMF advises governments to exercise fiscal discipline and steer public debt onto a sustainable downward track. Policymakers are encouraged to keep any public assistance strictly targeted and temporary, while preserving central bank independence to ensure price stability. Ultimately, reinforcing supply chains, encouraging private sector growth, and rebuilding fiscal and financial safeguards will be critical to enduring future macroeconomic shocks.[12]

1.3. Heightened Vulnerabilities in Developing Nations, External Debt Pressures, and Policy Trade-Offs

While these policy demands are tough for all governments, the burden falls heaviest on the world's poorest nations. The IMF's World Economic Outlook identified poorer oil-importing nations with no ties to the artificial intelligence investment boom as the most exposed to the fallout from the war in Iran. These economies face the steepest challenges because their citizens spend most of their income on basic necessities like food and energy, leaving them with very few alternatives. After enduring repeated disruptions to the world economy, debt levels have risen significantly, while inflation has emerged as a serious challenge.[13]

Meanwhile, developing countries received advice to reduce government budget deficits and accelerate economic changes to attract more private investment, while being hit hard by the side effects of wealthy nations' policies: heavier debt burdens, higher inflation, and the threat of falling further behind economically due to the AI boom. The IMF chief Kristalina Georgieva argued that advanced economies were responsible for the largest budget deficits. She explained that developing nations had actually reduced their debt levels in recent years, but higher interest rates in other markets forced up the cost of their loans.[14]

In response, international lenders emphasise the need for these countries to target public spending toward protecting vulnerable citizens while supporting growth, committing institutional support to help secure extra resources, attract private investment, and restructure debt where necessary.[15]

Taken together, the findings demonstrate that the global economy is navigating a precarious transition marked by slowing growth, persistent inflation, and noticeable divergence across regions. While massive investment in artificial intelligence offers support to advanced economies, it also increases inflation, strains capital markets, and leaves developing, oil-dependent nations exposed to severe geopolitical shocks and rising borrowing costs. With strategic energy buffers quickly decreasing, fiscal spaces shrinking, and debt burdens increasing globally, maintaining stability will require governments to exercise disciplined fiscal management, protect vulnerable populations, and rebuild essential buffers before supply and geopolitical pressures further harm economic resilience.

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