



Viewpoint

One-click report : World

February 25th 2026

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Principales tendencias

World | Economic structure

25 de febrero de 2026

Cambios clave de pronóstico desde el 28th de enero

- **Pronostejamos un crecimiento global del 2,7% en 2026, después de una expansión estimada del 2,8% en 2025.** Aunque la diferencia no es suficiente para mover el agregado global, las revisiones a los pronósticos de los países generalmente han estado al alza. Lo más notable se encuentra en Japón, donde una supermayoría del partido gobernante después de las elecciones de aumenta las posibilidades de expansión fiscal. Otras mejoras incluyen Brasil y Taiwán. El Reino Unido es una excepción; ahora esperamos un crecimiento ligeramente más débil allí.
- **Algunas previsiones de crecimiento se mantuvieron sin cambios, pero ahora estamos marcando los riesgos de revisiones al alza.** En Alemania, un mejor final para 2025 sugiere que el impulso fiscal esperado puede llegar antes, lo que lleva a un aumento más suave y gradual del crecimiento. Un rendimiento superior en las exportaciones netas en México también elevó los riesgos al alza para nuestros pronósticos para ese país.
- **Las perspectivas para los precios mundiales del petróleo se han reafirmado ligeramente,** principalmente debido a una mayor prima de riesgo relacionada con un aumento de la inestabilidad interna y la la en Irán, un importante productor. Ahora esperamos que los precios spot de Brent Blend con referencia datan entren en promedio alrededor de US\$68/barril en 2026 (revisado desde US\$62/b). El panorama general, sin embargo, sigue siendo que la fuerte oferta mundial mantendrá los precios bajos y, por lo tanto, seguirá siendo una fuerza ligeramente desinflacionaria y favorable al crecimiento para la economía mundial.
- **Los riesgos para el comercio mundial se están volviendo más equilibrados** a medida que crece la evidencia de una realineación efectiva del comercio y una mayor demanda de bienes tecnológicos, lo que está ayudando a compensar los vientos en contra anteriores. Los recientes acuerdos para reducir los aranceles han proporcionado más apoyo, tanto en los acuerdos con los Estados Unidos como en los nuevos acuerdos el resto del mundo. El reciente fallo de la provocará más ajustes al régimen arancelario, pero es poco probable que altere la trayectoria más amplia. No esperamos que reduzca significativamente la incertidumbre política o reduzca los niveles arancelarios generales de los Estados Unidos, que deben mantenerse a través de canales legales alternativos. Aunque las perspectivas para 2026-27 siguen siendo más suaves que para 2025, ahora parece más resistente, con un piso más alto de lo esperado anteriormente.

Principales tendencias

- **Los vientos de cola están listos para superar ligeramente los vientos en contra en 2026.** Esperamos que el crecimiento económico mundial se mantenga estable en 2026-27, expandiéndose en un promedio anual del 2,8%. Los vientos de cola incluyen la política fiscal y monetaria de apoyo, la inversión y el despliegue de la IA, y el círculo virtuoso potencial de la sincronización del crecimiento de las empresas en las principales economías.
- Todavía hay una serie de vientos en contra, incluida la debilidad de la economía nacional de China, muchos riesgos geopolíticos y de seguridad elevados, y el erratismo de la política comercial de Estados Unidos. Sin embargo, el lastre de este último se está aliviando: el ritmo de las nuevas medidas arancelarias de Estados Unidos se está desacelerando, y hay una creciente evidencia de que tanto Estados Unidos como sus socios comerciales están demostrando ser más resistentes a sus efectos adversos.
- **La economía de Estados Unidos será resistente en 2026-27,** aunque el crecimiento será más lento que en 2024. La actividad estará respaldada por la inversión continua en inteligencia artificial, los efectos rezagados de los recortes de tasas de interés anteriores y el estímulo fiscal en forma de grandes reembolsos de impuestos personales y el gasto permanente de la inversión corporativa. El déficit fiscal se mantendrá amplio, con más del 6% del PIB. Esperamos que el Partido Republicano pierda el control de la Cámara de Representantes (la cámara baja del Congreso) en las elecciones de mitad de período de noviembre, mientras conserva el control del Senado (la cámara alta).
- **La economía europea se recuperará solo gradualmente en 2026-27.** El crecimiento estará liderado principalmente por el consumo a medida que disminuye la inflación y las tasas de interés más bajas apoyan el gasto de los hogares, junto con el estímulo fiscal. Esto enmascarará la divergencia persistente en toda la región: partes del este y sur de Europa mostrarán una fuerza relativa, mientras que Alemania, el Reino Unido y Francia luchan por recuperar el impulso. La fragmentación política limitará el margen para una formulación de políticas decisiva y mantendrá elevados los déficits fiscales y la deuda pública, en particular a medida que aumente el gasto en defensa. Seguimos asumiendo que es poco probable que la guerra entre Rusia y Ucrania termine antes de 2028.
- **Asia será la segunda región de más rápido crecimiento** en 2026-27, justo detrás de África, y el crecimiento solo se desacelerará marginalmente desde un fuerte 2025. La India, la Asociación de Naciones del Asia Sudoriental y partes del noreste de Asia impulsarán cada vez más el crecimiento, ya que la economía de China se desacelerará a medida que continúe lidiando con las tensiones de un mercado inmobiliario asediado. La industria de China, sin embargo, continuará su formidable ascenso en la cadena de valor, presentando desafíos competitivos a las industrias establecidas a nivel mundial.
- **Esperamos que el crecimiento y la estabilidad mejoren en América Latina,** ayudados por la riqueza de recursos, un giro

hacia los gobiernos proempresariales, la relajación monetaria y la mejora de los lazos con los Estados Unidos. **En el Medio Oriente, esperamos un repunte a medida que varias geografías afectadas por la crisis vuelvan a crecer.** Los estados exportadores de petróleo mantendrán sus agendas de diversificación económica, aunque el progreso se verá limitado por las presiones fiscales relacionadas con la exportación de energía en 2026-30.

- The US will continue to extract economic concessions from trading partners for doing business in the US while asserting dominance over the western hemisphere and countering China's influence.
- **The US dollar will remain weak in 2026**, although further depreciation, on a broad nominal basis, will be modest, as the continued appeal of US financial assets will mostly offset downward pressure from US interest-rate cuts. Beyond 2026, higher US yields and stronger growth will underpin a renewed broad dollar appreciation.
- **Commodity price trends will diverge** in 2026-27, with crude oil prices easing further from a higher initial level as supply growth outpaces demand, albeit with a floor near US\$60/b supported by geopolitical risks and declining US output. In contrast, metal prices will rise on sustained decarbonisation-driven demand, and agricultural markets will stabilise overall, despite a sharp correction in beverage prices in 2026.

Datos de pronóstico global

[World](#) | [Economic structure](#)

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World summary

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP growth (%)										
World (PPP exchange rates)	6.6	3.8	3.5	3.3	3.4	3.4	3.5	3.4	3.3	3.4
Developed economies	6.1	3.0	1.7	1.8	1.9	2.0	1.9	1.9	1.9	1.9
Developing and emerging economies	6.9	4.3	4.6	4.3	4.3	4.2	4.4	4.3	4.0	4.1
World (market exchange rates)	6.4	3.4	2.7	2.7	2.8	2.7	2.8	2.8	2.7	2.8
Developed economies	6.0	3.0	1.6	1.7	1.8	1.8	1.8	1.8	1.8	1.9
Developing and emerging economies	7.0	4.0	4.4	4.1	4.0	4.0	4.1	4.0	3.8	3.9
North America	6.1	2.7	2.8	2.7	2.1	2.3	2.2	2.2	2.2	2.3
Europe	6.8	3.3	1.1	1.6	1.7	1.6	1.8	1.8	1.6	1.7
Euro area	6.4	3.7	0.5	0.9	1.4	1.3	1.5	1.5	1.5	1.5
Asia-Pacific	6.6	3.4	4.2	3.7	4.2	4.0	3.9	3.8	3.6	3.7
Latin America and the Caribbean	6.9	4.2	2.4	2.4	2.1	2.1	2.3	2.3	2.3	2.3
Middle East	4.5	7.1	2.1	2.0	2.1	2.5	3.3	3.2	3.0	3.1
Africa	4.0	4.0	3.0	3.3	3.9	4.3	3.7	3.7	3.7	3.7
Inflation (av; %)										
World	6.9	9.8	8.3	6.4	5.1	4.8	4.2	3.9	3.5	3.4
Developed economies	3.0	7.0	4.5	2.7	2.5	2.3	2.2	2.0	2.0	2.0
Developing and emerging economies	10.4	12.2	11.5	9.7	7.3	6.8	6.0	5.4	4.8	4.6
Trade in goods (%)										
World	11.2	3.2	-0.8	2.1	2.2	1.8	2.8	2.8	2.7	2.7
Developed economies	10.7	4.3	-1.8	2.0	3.1	0.9	2.3	2.3	2.2	2.2
Developing and emerging economies	11.9	1.6	0.8	3.6	4.0	3.2	3.5	3.6	3.5	3.6

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Global overview

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Global growth will hold steady amid turmoil

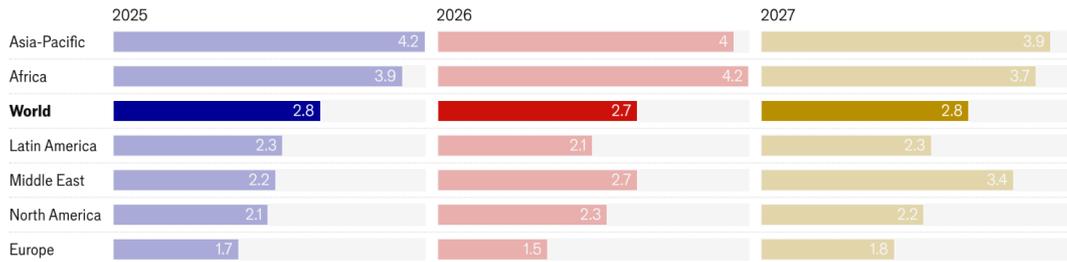
We expect the global economy to remain resilient in 2026-27, despite the continued headwinds that the world's leading economies and trade blocs face. We expect global growth to slow only marginally to 2.7% in 2026 before returning to 2.8%

in 2027, but assess that risks around our baseline view are better balanced than previously.

Major region performance

Real GDP at market exchange rates; annual % change

■ 2025 ■ 2026 ■ 2027



Source: EIU.

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The US economy is weathering trade- and policy-related shocks, and the AI-related investment cycle will continue to provide impetus to US growth in 2026, albeit to a lesser extent than in 2025. In addition, lower borrowing rates and tax incentives for corporate investment will underpin economic growth in 2026-27. We expect the US economy to pick up from an estimated 2.1% in 2025 to 2.3% in 2026 before easing back to 2.2% in 2027, although this represents a relatively subdued performance compared with 2.8% in 2024. Although AI spending will remain elevated, its marginal contribution to growth will diminish, particularly as softer equity valuations dampen the pace of new projects. Consumer spending is also expected to slow, as labour market momentum will remain weak and immigration growth will remain constrained, despite support from rising real wages and household wealth.

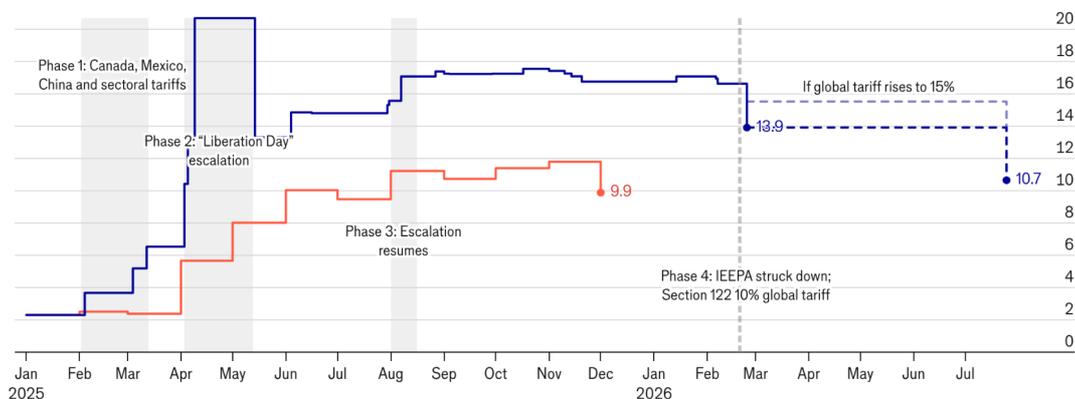
We forecast that European growth will slip from 1.7% in 2025 to a disappointing 1.6% in 2026 and then reach 1.8% in 2027. A previous softening of inflation and lowering of interest rates will support a moderate recovery in private consumption across much of the EU in 2026, but uncertainty around US trade policy will weigh on business sentiment and investment growth in 2026-27. Germany's economy will begin a slow recovery after three years of stagnation, supported by infrastructure and defence spending, whereas France's economy will remain lacklustre in 2026-27 as political turmoil hampers business and household confidence. UK economic growth will remain constrained by tight public finances and the impact of price pressures on household budgets.

Asia will be the second fastest growing major region in 2026-27—just behind Africa—with growth decelerating only mildly from 4.2% in 2025 to about 4% in 2026-27. Strong global investment in technology sectors will continue to provide some impetus given Asia's dominant position in electronics supply chains, offsetting some of the negative impact of US tariffs on global demand and export performance. Looser fiscal policy will be deployed across most of Asia's major economies to bolster and steady domestic demand, especially in Japan. **China will target growth below 5% for the first time in 2026.** Even though standing firm through several rounds of US trade tensions has given China greater confidence in its growth model, it still has numerous domestic challenges, which will be the focus of policy in 2026-27. **India will maintain strong growth momentum**, having braved and now averted the US government's tariff onslaught, with strong business investment and a burgeoning consumer class making it the world's fastest-growing major economy.

New 10% global tariff mostly replaces struck-down IEEPA tariffs

US effective tariff rates; as at February 24th 2026; %

— Pre-substitution rate* — Actual effective rate†



Source: USITC; Census Bureau; White House; Haver Analytics; EIU.

Note. Dashed line shows the implied path assuming Section 122 expires after 150 days. Baseline is 10% based on published customs guidance.

*The pre-substitution rate is an estimate obtained by applying announced tariff rates to 2024 goods import values (holding import shares fixed), before any behavioural response. Only measures with published official implementing guidance are included.

†The ratio of total tariff revenue collected to the value of goods imports actually observed, reflecting real-world substitution and trade-flow changes.

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The global economic outlook still faces major risks, largely reflecting unfolding geopolitical tensions and confrontational trade policy. Conflict in Europe and the Middle East will remain unresolved and could easily flare up and lead to wider and

more economically destructive wars, and high-stakes geopolitical stand-offs between the US and major trading partners in Asia and Europe pose significant risks to international trade and global alliances. On the economic front, simmering trade policy tensions, a possible re-evaluation of AI productivity gains and large fiscal deficits, coupled with high public debt among the world's leading economies, pose significant near-term risks to global economic growth and financial market stability.

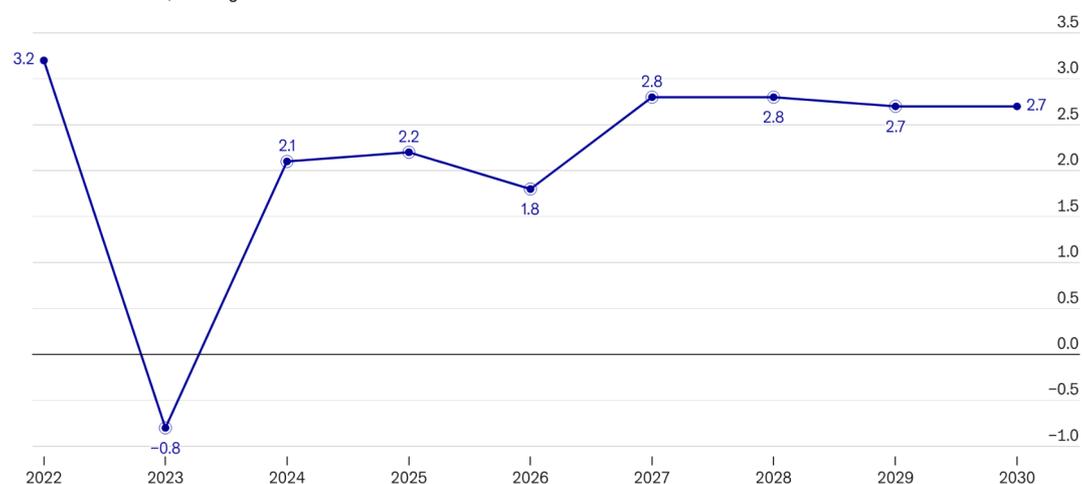
Upside risks factors include the potential for much more technology sector investment than currently expected—specifically related to AI business models in the US and Asia—and associated business productivity and financial market gains. Trade tensions could settle more and withheld investment could rebound as trade uncertainty begins to fade. Furthermore, successful mediation and a full de-escalation of conflicts in Europe and the Middle East would provide a timely boost to global economic growth and stability.

Trade tensions will persist, but so will trade growth

Global trade faces a modest slowdown in 2026-27 owing mainly to the delayed shock of a sharp rise in US tariffs in 2025, the effects of which are gradually feeding through. However, a floor will be formed by the significant tailwind from AI-related demand, particularly for East Asian exporters of advanced electronics and pockets of industrial commodity exporters. Other factors contributing to the tailwind include the realignment of global trade and the reduction of trade barriers in the rest of the world in response to US protectionism—the [EU-India trade deal](#) is a notable recent example.

Global trade growth will soften in 2026, reflecting the lagged effect of US tariffs

Global trade volumes; % change



Source: EIU.

Note. 2025 value is an EIU estimate; values for 2026 onwards are EIU forecasts.
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US trade policy will remain a significant source of risk. Following the [US Supreme Court's rejection](#) of the 1977 International Emergency Economic Powers Act (IEEPA) tariffs, the US president, Donald Trump, will reconstruct trade policy using Sections 122, 232, and 301. A 10% flat tariff provides a temporary bridge, but its 150-day limit and lengthy statutory investigations will trigger months of uncertainty and enforcement lags. Diplomatically, higher rates may jeopardise existing “napkin deals” and stall new negotiations. Nonetheless, we do not expect trade policy to be as volatile as in 2025. Although presidential pronouncements will continue to be made rapidly, recent threats such as tariffs on Europe relating to Greenland or on those trading with Iran have either been withdrawn or not implemented. The fragile US-China truce will probably hold until an expected April 2026 summit, but long-term trust remains elusive and a comprehensive deal is unlikely.

Internationally the “Archimedean” effect of trade displacement will heighten tensions. As Chinese firms seek to offset lost US market access, concerns will remain heightened in the EU over the threat of a “flood” of diverted goods in sectors like textiles and electronics. Ultimately, even though deepening linkages in the global south will provide some resilience, 2026 will be defined by the institutionalisation of trade barriers and the restructuring of global value chains.

Economic policy will remain supportive at the expense of future space

The Federal Reserve (Fed, the US central bank) still faces a tough balancing act. Following a [January pause](#) we maintain our view that the Fed will keep the target range unchanged in the first half of the year as it gauges the impact of the 2025 easing and receives further data after the shutdown-related gaps. Once inflation has clearly resumed its downward trend and labour market conditions soften further, we expect two 25-basis-point cuts in the second half of 2026, taking the policy rate to a range of 3-3.25%. Meanwhile, the easing cycle for most major central banks in western Europe has come to an end, which limits the potential uplift to economic growth. Inflation in the euro zone is expected to remain close to the 2% target throughout 2026 and we forecast that the European Central Bank (ECB) will keep its policy rate on hold at its current 2% in 2026-27.

Within Asia policy rates will diverge slightly. Further cuts are likely in Indonesia, the Philippines, Thailand and China. **China will keep borrowing costs low**—an important policy priority that is needed to support the economy—by trimming the benchmark seven-day reverse repo rate (the policy interest rate). Other economies will keep policy unchanged at broadly

neutral levels, including India. Policy elsewhere will continue or begin a tightening cycle, including in Australia, Malaysia and Japan. **We expect the Bank of Japan (BOJ, the central bank) to continue steady interest-rate rises as fiscal stimulus** and wage negotiations keep a floor under inflation. Overall, however, past easing and a continued benign inflation environment mean that **monetary conditions will be a tailwind to Asian economic growth in 2026-27.**

There will be some further fiscal easing to support growth across major economies. This will be concentrated in the US, Germany and Japan. In the US the One Big Beautiful Bill Act, passed in 2025, will provide most tax relief to higher-income households and capital-intensive firms. In Japan a decisive victory in a **February snap election** will enable the new prime minister to pursue her expansionary policy agenda. In Europe **Germany's fiscal pivot** will begin to feed through and a rush of EU funds is possible as countries attempt to claim **expiring recovery funds**. The more indebted governments in Europe like France, Italy and the UK will struggle to find fiscal space to support productivity investments and meet rising welfare costs and demands for better public services.

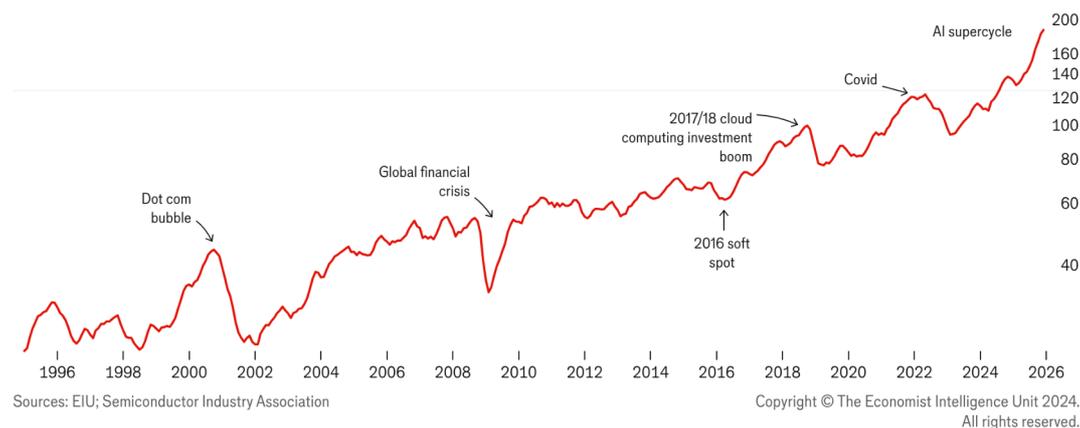
However, **spending will come at the expense of future fiscal space, higher borrowing costs and risk of financial market volatility.** Elevated long-term government bond yields across many economies indicate that markets are sceptical about fiscal expansion in the context of public debt levels that have yet to recede since the pandemic.

From AI acceleration to adoption

Innovation will remain a central driver of global growth over the medium term, largely beyond the reach of direct government control. AI-related capital spending is underpinning US growth and driving a sustained expansion in semiconductor capacity across Asia, as well as supporting investment and construction cycles in the Middle East and advanced Asian economies such as Malaysia and Singapore. Strong global demand for semiconductor chips continues to boost exports among major producers—most notably Taiwan—although the pace of expansion is unlikely to be sustained indefinitely. We expect the current AI-led investment upcycle to persist for the remainder of the decade, but with diminishing marginal returns. Although investment levels will remain elevated, growth in capital spending will slow as capacity comes on stream and profitability normalises, reducing its incremental contribution to GDP growth.

Semiconductor sales continue to soar

World semiconductor sales; three-month moving average; 2018 = 100



Near-term productivity spillovers beyond the technology sector will remain limited, with broader gains emerging only gradually as adoption deepens. Technological competition will intensify. Governments will continue to prioritize strategic technologies—including semiconductors, batteries, power generation and biotechnology—reinforcing techno-nationalism and policy fragmentation. However, despite initiatives such as Mr Trump's AI Action Plan, policymakers have limited leverage over the trajectory of innovation, which will continue to be shaped primarily by basic research, private research and development investment and strong profit incentives.

Geopolitical risks abound

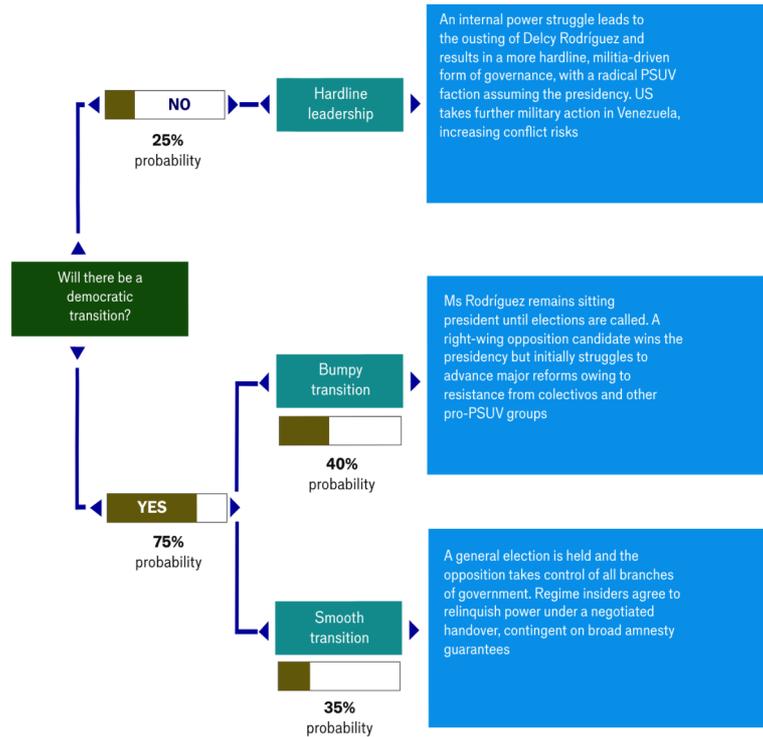
Geopolitical risks will pose the main threat to global economic growth and stability in 2026-30. These include the fraying and fragmentation of relations between the US and its close allies in North America and western Europe, conflicts in eastern Europe and the Middle East, and mounting tensions between major powers in an increasingly multipolar world.

Geopolitical shifts that were under way well before Mr Trump's second term as US president had already set the global economy on a new path, heading towards an uncertain future. The global rules-based order, held together in part by US leadership, economic co-operation and expanding global trade, was already giving way to increasing great-power competition and new alliances. The eruption of significant armed conflict in Europe, the Middle East and elsewhere partly reflects the decline of the rules-based order and a vacuum of global leadership. These developments make for a more uncertain future that serves as a headwind to global growth in the short to medium term. **As the global order evolves governments will feel less constrained to pursue strategic goals and be more driven by realpolitik.**

The US is aggressively re-asserting its control and influence over the Americas and particularly in its own backyard. On January 3rd US forces captured the authoritarian president of **Venezuela, Nicolás Maduro, in a snatch-and-grab operation** following a series of air strikes across three Venezuelan states, including the capital, Caracas. Moreover, the US has threatened to bend the leadership in Colombia, Cuba and Mexico to its will in the interests of promoting its own national

security and strategic interests. Latin America will be a higher priority than it was during Mr Trump's first term, owing to China's growing trade and investment linkages with the region, and we expect that the Trump administration will continue to take a more interventionist approach in pursuing its interests.

Venezuela will face an uneven democratic transition



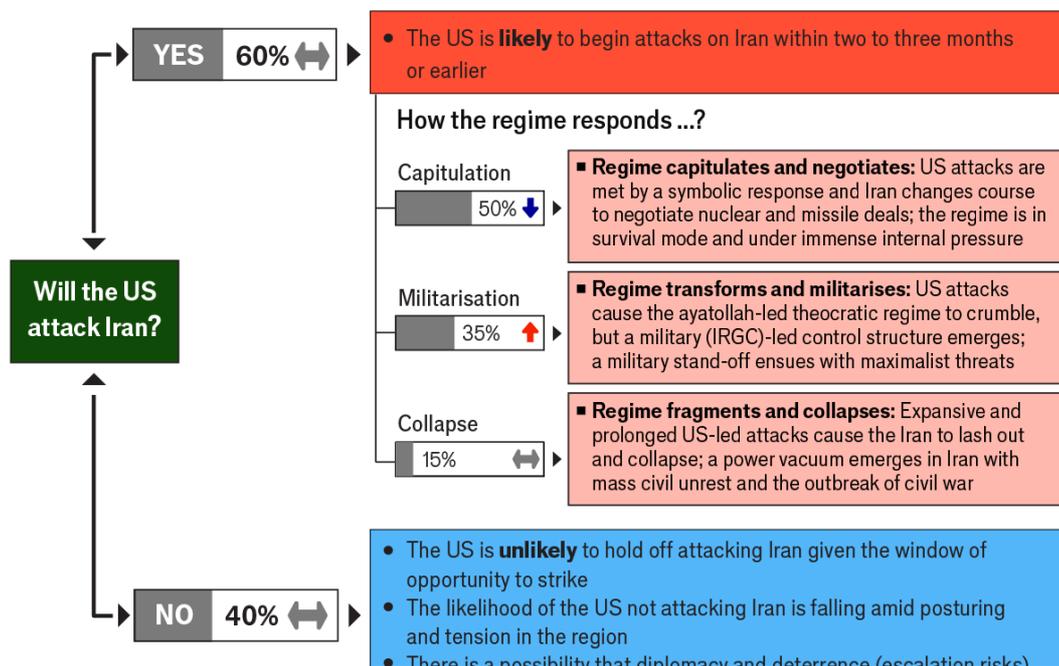
Source: EIU.

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Mr Trump retains his interest in Greenland but has ceased his strong-arm tactics. We expect Greenland to remain an autonomous territory of Denmark, but that the US will increase its military presence in the area and gain greater access to Greenland's natural resource wealth. The dispute has exposed weaknesses in the NATO alliance, but as yet does not seem to have caused significant irrevocable damage.

Easing geopolitical tensions weighing on the global economy are unlikely to be maintained, despite temporary de-escalation in some conflicts. An uneasy truce between Israel and Hamas, the initial phase of a Gaza peace plan and a fragile Israel–Iran ceasefire have reduced immediate pressures in the Middle East. However, the risk of renewed conflict on both fronts remains high. We judge that the US is likely to launch targeted strikes on Iran to degrade its nuclear and military capabilities, despite the risk of retaliation and regional escalation. Our baseline scenario is regime capitulation, in which the regime survives but is weakened and more open to negotiation. The main alternative is regime militarisation under the Islamic Revolutionary Guards Corps (IRGC), and the tail risk is regime collapse, which would lead to severe regional instability and energy disruption.

The US attacks Iran—what next?



There is a possibility that diplomacy and deterrence (escalation risks) could prevent attacks

Rising probability ↑ Falling probability ↓ Stable probability ↔

Interpretation of probability



Source: EIU.

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Elsewhere, conflict will remain entrenched. The war in Ukraine is expected to continue throughout 2026, with Ukraine still seeking to counter Russia's recent escalation as it secures new defensive and offensive capabilities. In Asia China's manoeuvres in the South China Sea and around Taiwan will keep regional tensions elevated and sustain the risk of US-China confrontation throughout 2026-30. North Korea's unveiling of new long-range nuclear-capable missiles and its increasingly confrontational rhetoric add to an already crowded geopolitical risk landscape.

Ukraine war: tabling the odds

Scenario probabilities 2026-30

When does fighting end?

High [color scale] Low

		Overall	2026	2027	2028	2029	2030
Better outcomes for Russia 75%	Russian victory	15%	3%	3.5%	4%	3%	1.5%
	Finlandisation	41%	16%	14%	7%	3%	1%
	Frozen conflict	19%	4%	5.5%	5%	3%	1.5%
Better outcomes for Ukraine 25%	Imperfect security guarantees	19%	8%	6%	3%	1.5%	0.5%
	Robust security guarantees	5%	2%	1.5%	0.8%	0.5%	0.2%
	Ukrainian victory	1%	0.2%	0.2%	0.2%	0.2%	0.2%
Total in year:			33.2%	30.7%	20%	11.2%	4.9%
			Early end (64%)		Drawn-out conflict (36%)		

Source: EIU.

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Action is being taken to bolster "strategic autonomy" among non-US Western allies. Doubts surrounding the US's commitment to Ukrainian security and NATO more broadly are forcing European countries to lift defence expenditure and better co-ordinate military and defence-industrial policy among themselves. At the 2025 NATO summit held in June last year NATO countries committed to raising core defence spending to 3.5% of GDP (from 2% of GDP previously) by 2035, with a further 1.5% of GDP on related infrastructure, but we are sceptical that this target will be reached given competing demands on public spending and limited fiscal space. US allies in Asia are less likely to be subject to shifts in US policy, given their role in helping the US to compete with China, but pressure on them to raise military spending will similarly intensify. Steps to build greater defence self-reliance will take years, which presents risks; for example, Europe would have no ready substitute for US defence, nuclear or intelligence deterrence capabilities if these were suddenly withdrawn.

We are moving into a more complex, multipolar world with various centres of power and influence, and shifting alignments. Emerging middle powers are likely to increase in geopolitical importance, with Saudi Arabia and Turkey prime examples of those that are increasing their economic and military heft. The influence of regional trade blocs like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) could also rise in importance. Other forums for co-operation, including the Shanghai Co-operation Organisation (SCO) and BRICS events, will become more prominent as international leadership meetings. However, continued disagreements will constrain the geopolitical clout of these groupings, but the direction of travel—towards a more complex and multipolar world—is clear.

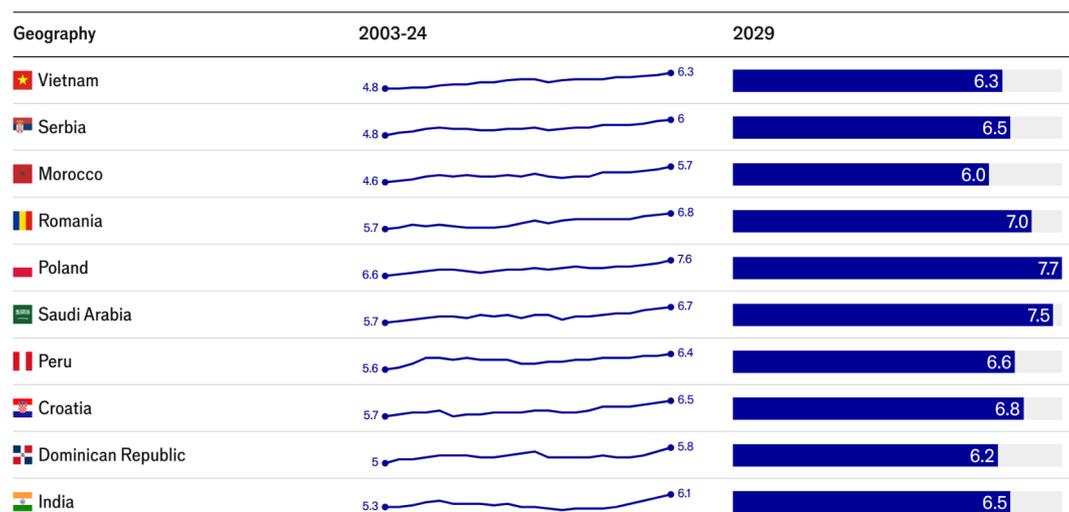
Structural reforms offset external headwinds

In spite of external headwinds, business environments will continue to improve over the coming years, with changes in our Business Environment Rankings having historically been a strong predictor of future growth. India, which we expect to be the world's fastest-growing major economy in 2026-30, will continue to make strides in this area at the national and state level (we have recently produced an in-depth assessment of the latter). Meanwhile, global efforts to pursue free-trade agreements, and so to develop new markets outside the US, are accelerating. A free-trade deal between the EU and Mercosur—a Latin American customs union comprising Argentina, Bolivia, Brazil, Paraguay and Uruguay—that has been

25 years in the making entered the final stage of its approval process in September. Several other deals are also in progress.

Top ten most improved business environments over the past decade

EIU business environment ranking; score out of 10



Source: EIU.

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Global forecast data

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Real GDP (% change)										
World (market exchange rates)	6.4	3.4	2.7	2.7	2.8	2.7	2.8	2.8	2.7	2.8
Developed economies	6.0	3.0	1.6	1.7	1.8	1.8	1.8	1.8	1.8	1.9
Developing and emerging economies	7.0	4.0	4.4	4.1	4.0	4.0	4.1	4.0	3.8	3.9
US	6.2	2.5	2.9	2.8	2.1	2.3	2.2	2.3	2.2	2.3
China	8.6	3.1	5.4	5.0	5.0	4.6	4.5	4.3	4.1	4.0
Japan	3.6	1.3	0.7	-0.2	1.2	0.8	1.0	1.0	0.8	0.9
Euro area	6.4	3.7	0.5	0.9	1.4	1.3	1.5	1.5	1.5	1.5
World (PPP exchange rates)	6.6	3.8	3.5	3.3	3.4	3.4	3.5	3.4	3.3	3.4
Developed economies (PPP exchange rates)	6.1	3.0	1.7	1.8	1.9	2.0	1.9	1.9	1.9	1.9
Developing and emerging markets (PPP exchange rates)	6.9	4.3	4.6	4.3	4.3	4.2	4.4	4.3	4.0	4.1
World trade growth (%)										
Goods	11.2	3.2	-0.8	2.1	2.2	1.8	2.8	2.8	2.7	2.7
Consumer price inflation (%; av)										
World	6.9	9.8	8.3	6.4	5.1	4.8	4.2	3.9	3.5	3.4
Developed economies	3.0	7.0	4.5	2.7	2.5	2.3	2.2	2.0	2.0	2.0
Developing and emerging economies	10.4	12.2	11.5	9.7	7.3	6.8	6.0	5.4	4.8	4.6
US CPI	4.7	8.0	4.1	2.9	2.7	3.0	2.7	2.2	2.2	2.2
China CPI	0.8	1.9	0.3	0.2	-0.1	0.9	0.5	0.7	1.1	1.2
Euro area CPI	2.6	8.5	5.4	2.4	2.1	2.0	2.0	2.0	2.0	2.0
Japan CPI	-0.2	2.5	3.3	2.7	3.2	1.7	1.7	1.8	1.6	1.6
Export price inflation (%)										
Manufactures (US\$)	6.3	-0.8	4.8	0.8	1.9	2.8	3.6	1.6	2.6	1.2
Commodity prices										
Oil (US\$/barrel; Brent)	70.44	99.82	82.62	80.70	69.04	67.83	64.46	63.20	58.78	58.59
% change	66.5	41.7	-17.2	-2.3	-14.5	-1.8	-5.0	-2.0	-7.0	-0.3
World non-oil commodity										

World non-oil commodity prices (US\$, % change)	41.2	17.9	-15.7	-3.1	2.1	-3.8	0.9	4.7	1.7	1.6
Food, feedstuffs & beverages (weighted index)	37.9	23.9	-15.1	-7.2	0.4	-9.8	-0.7	3.2	1.9	1.8
Industrial raw materials (weighted index)	44.2	8.5	-15.8	4.4	4.0	4.8	3.5	6.0	1.6	1.3
Main policy interest rate (% end-period)										
Federal Reserve, main policy rate	0.13	4.38	5.38	4.38	3.63	3.13	3.13	3.12	3.13	3.13
ECB, main policy rate	-0.50	2.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Bank of Japan, main policy rate	-0.02	-0.02	-0.04	0.23	0.73	1.25	1.25	1.25	1.25	1.25
Bank of England, main policy rate	0.25	3.50	5.25	4.75	3.75	3.00	3.00	3.00	3.00	3.00
Exchange rates (av)										
US\$ effective (2010=100)	116.84	125.93	125.80	129.06	130.44	129.62	129.12	128.90	127.56	127.67
¥:US\$	109.77	131.46	140.49	151.46	149.63	159.33	156.73	156.00	155.20	153.70
US\$:€	1.18	1.05	1.08	1.08	1.13	1.18	1.18	1.17	1.16	1.16
Rmb:US\$	6.45	6.74	7.08	7.20	7.19	6.94	6.92	6.88	6.86	6.82
US\$:£	0.73	0.81	0.80	0.78	0.76	0.74	0.73	0.73	0.74	0.74
¥:€	129.85	138.25	151.93	163.85	168.66	188.55	184.65	182.46	180.05	178.31

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Exchange rates

[World](#) | [Exchange rates](#)

February 25th 2026

Overview

- The US dollar will be relatively stable in broad nominal terms this year. We do not expect the US government to significantly undermine the Fed's independence. Downward pressure from Fed cuts will be offset by the continuing appeal of US asset markets.
- The degrees of appreciation in the euro and sterling in 2025 will not be repeated in the short term, although both currencies will make modest gains in 2026. The euro will begin to depreciate against the dollar again from 2027—a trend that will extend until at least late 2028 during a period of disappointing growth.
- Japan's comparatively weak growth trend, together with rising concerns about the country's demography and public debt sustainability, will maintain depreciatory pressure on the yen, which will fluctuate within a range of ¥155-165:US\$1 in 2026. However, the narrowing bilateral real interest-rate differential between the US and Japanese currencies will lend moderate support to the yen in the second half of 2026.
- Tariffs will weigh on many export-dependent emerging-market currencies in the short term, but interest-rate reductions will also be a source of downward pressure. China will largely resist building appreciation pressure in 2026, but the renminbi will trend upwards in nominal terms in the medium term.
- We expect the US dollar to appreciate on a broad nominal basis in 2027-30, but the aggregate trend will be constrained by a strengthening renminbi. Higher long-term US yields and stronger growth than in most other advanced economies will continue to drive net inflows.

The US dollar will depreciate modestly on a broad nominal basis in annual average terms in 2026, but much of this movement will be due to a high starting point in 2025—the quarter-on-quarter trend over 2026 will be fairly stable. We expect a similar modest downward trend in 2027. Hedging and diversification away from the dollar will be more moderate in 2026-27 than in 2025, and positive pressure will come from further inflows into US asset markets, even during a period of rate cuts. Abrupt negative economic shocks are still, in most scenarios, likely to lead to safe-haven-driven appreciation of the US currency. This would include a US equity market collapse or a major military conflict elsewhere in the world. Further increased US dollar hedging among investors could put downward pressure on the currency, although there is now more limited scope for a burst of repositioning similar to that recorded after the April "Liberation Day" shock. Politicisation of US economic institutions, most notably the Fed, remains the highest risk catalyst for sustained US dollar depreciation. However, we expect Mr Trump to ease pressure on the Fed after further interest-rate cuts in 2026.

US term premium at highest level since 2013 debt-ceiling crisis

Ten-year US Treasury yield, ACM decomposition; %

— Overall yield — Term premium — Risk-neutral yield



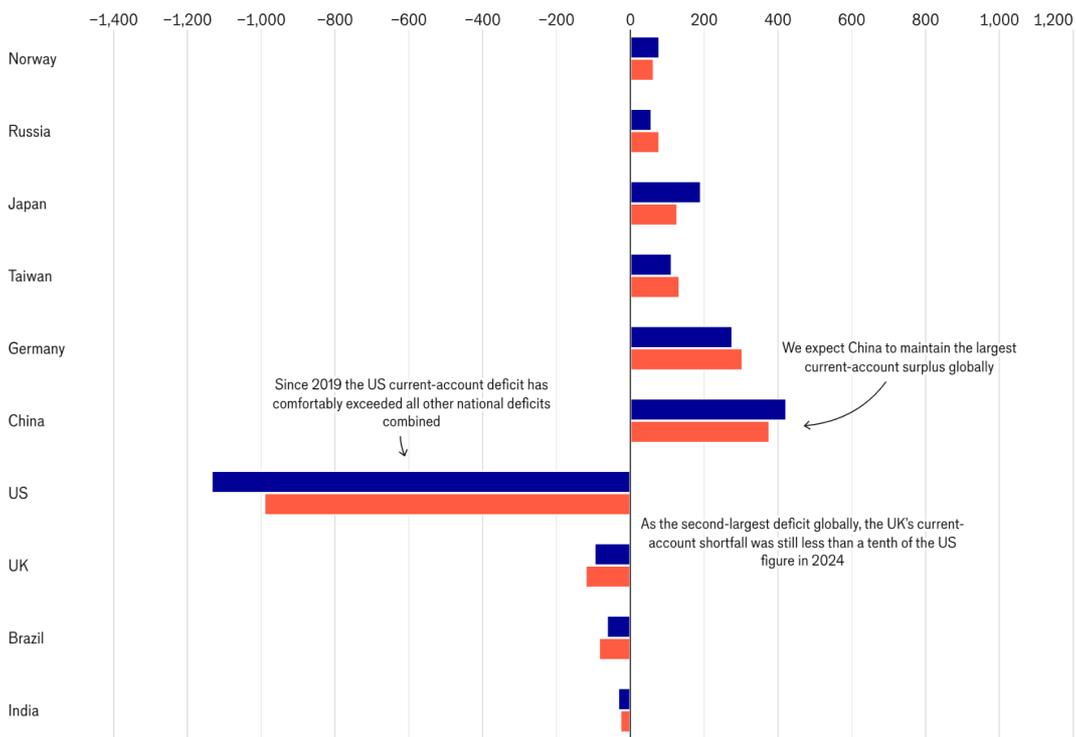
Medium-term dollar depreciation will be moderate, not sharp

There are slim prospects for a sustained drop in the value of the US dollar in the medium term. Our baseline assumes that even by 2030 the dollar will have retained much of its cumulative gains from 2014-24. An increase in risk premia on long-term US government bond yields and large open equity markets will limit investor diversification. More fundamentally, insufficient volumes of alternative low-risk securities at the global level—the corollary of the unrivalled size of the US capital-account surplus on the one hand and current-account surpluses among US trading partners on the other—mean that any erosion of support for the US dollar will be short-lived. The normalisation of monetary policy in Japan is one of the few potential sources of significant downward pressure on the US dollar that would not necessarily entail real-economic structural change in one or more economies. However, we do not believe that Japan will achieve sustainable demand-driven inflation sufficient to warrant sustained policy tightening.

US current-account deficit by far the largest and acts as sink for excess global savings

Largest current-account surpluses and deficits; US\$ bn

■ 2024 ■ 2029



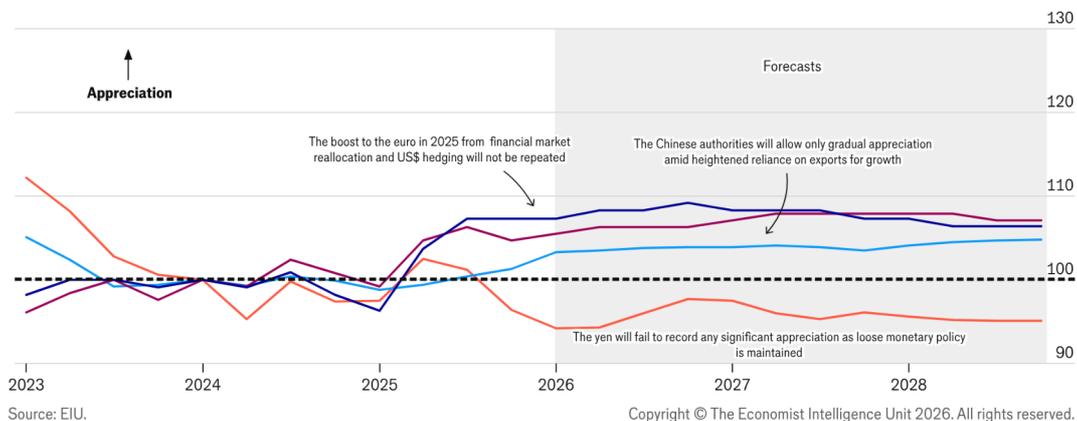
The yen will remain weak against the US dollar compared with historical levels. We assume that there will be sustained depreciatory pressure on the yen after the snap election in Japan in early February, as the result will cement the Takaichi government's expansionary fiscal intentions. The Bank of Japan will sanction a cumulative 50-basis-point policy rate increase, to 1.25%, by early 2027, but the real rate of return will not be sufficient to draw back capital en masse from abroad, and carry trade activity will be only briefly disturbed—if at all—as investors' expectations settle again on a decreasing likelihood of further increases. As a result, a depreciation trend will resume in 2027-28. We do not expect any significant appreciation in the final years of the decade. By 2030 Japan's currency will still be far weaker in real (consumer and producer price inflation-adjusted) terms against the US dollar than in 2021. Assuming modest wage growth, this implies that Japan will be substantially more competitive in terms of labour costs than in the 2010s, although higher import costs will offset this advantage in most sectors.

The euro will build on recent gains against the US dollar in 2026, albeit to a lesser extent than last year, as investor sentiment improves and the short-term interest-rate differential with the US narrows. The uptick in sentiment will rely heavily on signs of a more expansionary fiscal policy in Germany, but as this narrative fades at the regional level and growth underwhelms, the euro will weaken gradually from 2027. However, the exchange rate will still be higher in real and nominal terms against the US dollar by 2030 than it was in 2024. For sterling, 2026-28 will be a period of slow recovery, first against the US dollar and then also against the euro, as the British government aspires to greater fiscal prudence. The pound will stabilise in annual average terms in 2028-30 during a period of still-weak growth compared with the historical average.

Softening fears for US institutional decline will prevent further significant depreciation

US\$ per local currency unit; indexed Q1 2024=100

— EUR — JPY — CNY — GBP



Mixed prospects for emerging-market currencies

Many politically stable emerging-market currencies will record modest real depreciation against the US dollar in 2026. Exposure to the US as an export market will play a role during a period of higher tariffs and weaker demand, but faster domestic rate cuts will be the bigger driver for many. However, there is a short-term risk that countries already identified by the US as intervening to suppress the values of their local currencies will be forced to allow appreciation under US pressure. Taiwan in effect did so in 2025 (as did Switzerland among US-labelled “manipulators” in the advanced-economy bracket), and other Asian countries are at high risk, including Vietnam and South Korea.

The Chinese government will sanction only a modest, steady rate of nominal renminbi appreciation in the medium term, despite upward pressure from its large current-account surplus and intermittent tensions with major trading partners, including the US and the EU. Owing to persistently low domestic inflation, this will mean that the renminbi will depreciate in real terms throughout 2026-30.

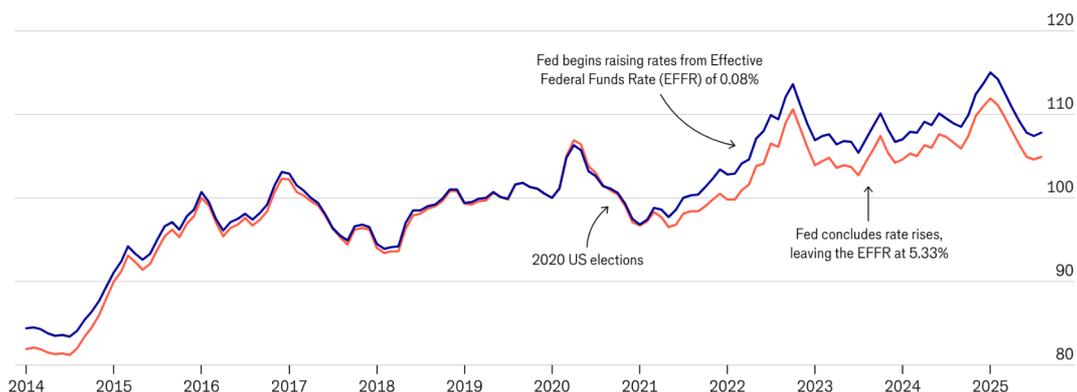
De-dollarisation will make little headway

The historical strength of the US dollar will become less of a cause for concern for the Trump administration, and we do not believe that the US will enact measures directly targeting currency depreciation. The US would need to co-ordinate multilateral action and reduce US monetary policy rates relative to other major economies to sustainably reduce the broad value of the currency. On the former, the international political conditions for an effective Plaza Accord-type agreement as with Japan in the 1980s do not exist, owing to poor US-Chinese relations and the predominance of independent monetary authorities, including in the US. With regard to the latter, our baseline forecast assumes that the Trump administration will not secure sufficient influence over the Fed to force rates down relative to other major central banks, although this forecast is subject to high risks in 2026-27.

Recent US dollar decline is modest against decade-long upward trend

US dollar broad effective exchange rates, monthly av; 2020=100

— Real broad effective — Nominal broad effective



Source: US Federal Reserve Board; EIU.

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The dominance of the US dollar and US-tied payment systems internationally will hold for the foreseeable future.

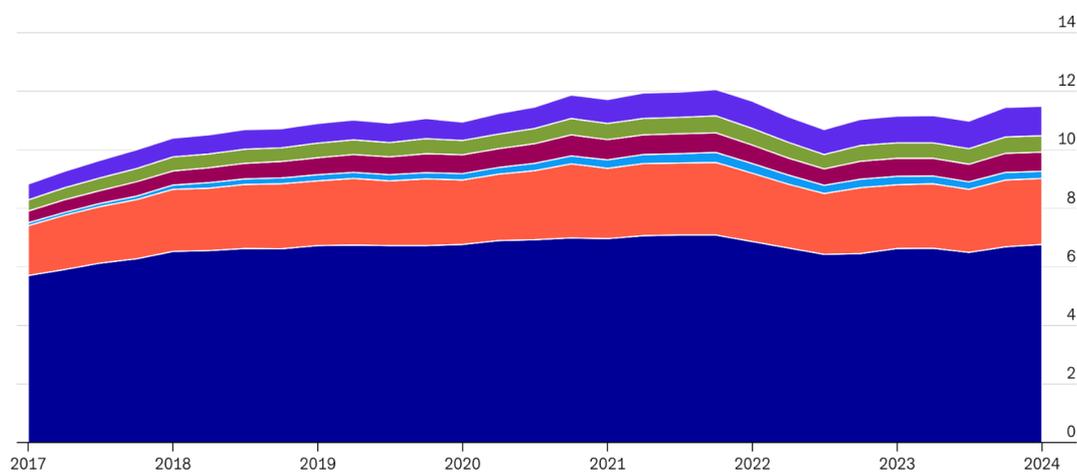
Frustration with sanctions and the overwhelming influence of US policy on international liquidity are pushing some emerging markets to explore alternatives to the current US dollar-dominated international financial architecture. A combination of China's importance in global trade and its ongoing development of new financial messaging and clearance systems makes it a prime candidate among non-US-aligned countries to provide an alternative. However, the intrinsic role of the US dollar in international finance—tied to the unrivalled size of the US current-account deficit—and China's insistence on maintaining overarching influence on its exchange rate and capital flows rule out the emergence of a parallel to the US-dominated system for decades to come. An increase in the share of trade settled directly in renminbi will partly insulate China from US-aligned financial coercion, but this should not be interpreted as the beginning of a comprehensive shift in international markets towards the renminbi or payment systems outside of the direct US influence.

China will nonetheless continue to develop an alternative financial infrastructure with international partners. This will be backed by efforts to increase renminbi liquidity without comprehensive capital-account liberalisation, but this will have little impact on the status quo in 2026-30. Operating entirely outside the US-dominated system will remain a riskier and more costly option for sovereigns and firms, which in most cases will appeal only to entities that are already subject to US-backed sanctions.

Central bank reserve composition reflects hierarchy of demand and liquidity among internationally traded currencies

Total official allocated foreign-exchange reserves; US\$ trn

■ US dollar ■ Euro ■ Renminbi ■ Yen ■ Pound sterling ■ Other currencies



Source: IMF.

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World trade

[World](#) | [Trade](#)

February 25th 2026

Overview

- Global trade has proved resilient to worsening US protectionism, although surging demand tied to AI has played a supporting role. We nevertheless expect global trade growth to slow modestly in 2026, reflecting the lagged effect of US tariffs.
- The trade and foreign policy of Mr Trump will remain the key risk to an otherwise benign outlook. US-China relations have entered a period of fragile stability, although tensions over technology and rare earths could cause this truce to unwind.
- Mr Trump's blanket "reciprocal" tariffs are currently being challenged in the US Supreme Court. There is a high likelihood of these duties being struck down, prompting the Trump administration to double down on sectoral tariffs, which are not currently under legal challenge.

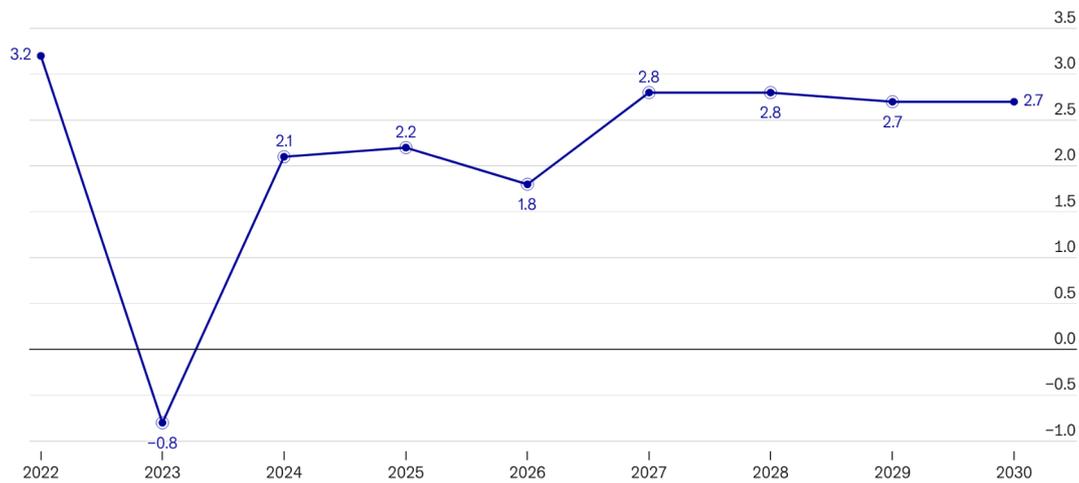
Global trade will slow in 2026

The outlook for global trade in 2026 points to another year of volatility, given persistent uncertainty around US trade policy and signs of deepening global protectionism elsewhere. **The delayed US tariff shock, resulting from Mr Trump's repeated postponement of his "Liberation Day" tariffs, will be most pronounced in 2026.** This will soften growth in world trade volumes over the first half of this year.

Global trade growth will soften in 2026, reflecting the lagged effect of US tariffs

Global trade volumes: % change

Global trade volumes, % change



Source: EIU.

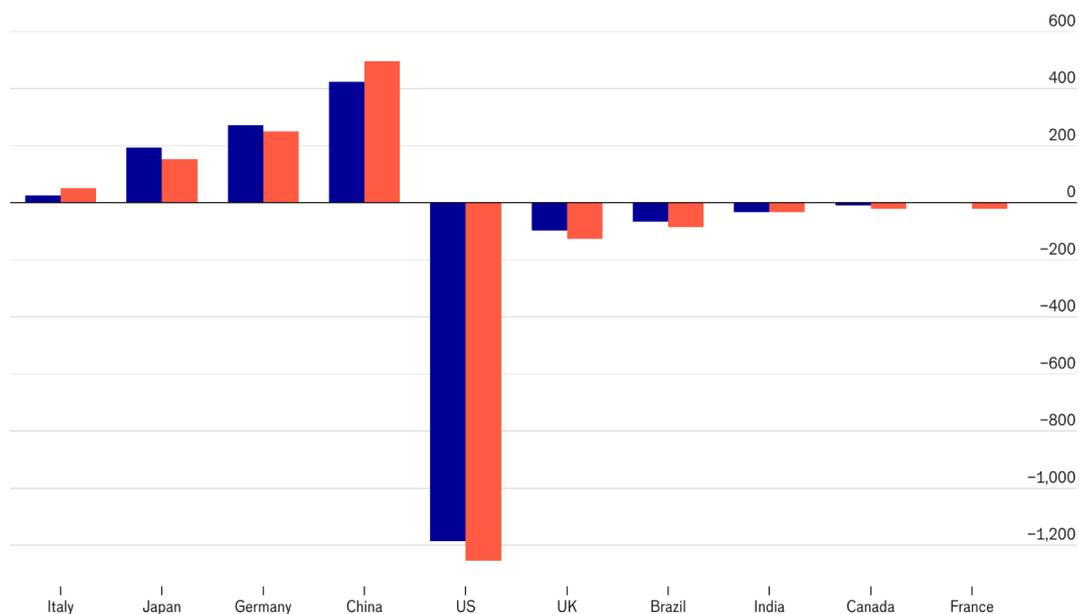
Note. 2025 value is an EIU estimate; values for 2026 onwards are EIU forecasts. Copyright © The Economist Intelligence Unit 2026. All rights reserved.

Ongoing efforts by other countries to offset potentially lower US demand by trading with each other—a concept described as “World Minus One”—will struggle given the dominant role the US plays in total external demand. This will have implications for Asia in particular, which is heavily reliant on external trade (including US final demand). This will also carry economic (and diplomatic) consequences for Europe, as global exporters look to replace US demand by reducing the prices of exports to EU markets.

The US current-account deficit is the largest and acts as a sink for excess global savings

Largest current-account surpluses and deficits; US\$ bn

■ 2024 ■ 2030



Source: IMF; EIU.

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There are upside risks to our global trade growth forecasts. Mr Trump has struck a more cautious tone on US trade policy in recent months. Since November he has largely resisted adopting sweeping new duties. Those that have been adopted, such as tariffs on imported semiconductors and derivative electronics, include so many exemptions that we assess the global trade landscape to remain largely unchanged. Although tariff-related uncertainty will persist as a broad theme in 2026, Mr Trump’s sensitivity to the role of tariffs in fanning domestic cost-of-living pressures, which will carry political consequences at the US midterm elections in November, means that we expect him to act cautiously. This suggests fewer policy-related disruptions to global trade in 2026.

The continued global development of AI remains another supportive factor. US demand for advanced electronics and related intermediate components, many of which cannot be sourced domestically, will remain solid. The contribution of AI investment in driving recent US real GDP growth, for example, matches the recent explosion in export activity among electronics-heavy exporters in East and South-east Asia. These factors could preserve the current upswing in the global electronics cycle, keeping a floor under export growth in some markets like Taiwan over 2026, even as trade activity softens in other industries. Alternatively, a sudden correction in US demand for AI components would inflict disproportionate shocks to these markets and would challenge our view that global trade growth will see only a modest slowdown in 2026, given how reliant international trade activity has become on electronics.

New demand is also being generated by China’s growing overseas footprint and ongoing supply-chain restructuring in

response to global uncertainty. Factory establishment in new markets is driving demand for raw materials and capital goods, while the elongation of global value chains—done to evade both tariffs and US scrutiny over transshipments—has led to an uptick in demand for intermediate goods. These trends are already evident in China's **monthly trade data**, which has remained robust despite the application of higher US tariffs. **Deepening trade linkages across the global south—often with China at the centre—will provide support to global trade volumes in 2026-27, even as US imports continue to soften from their 2025 highs.**

Transatlantic trade tensions are simmering, while the US-China trade outlook has stabilised

US trade relations with the EU and the UK are coming under increasing pressure. Although Mr Trump ultimately walked back from his threat to impose tariffs across a wide range of European allies in January, tied to his threats over Greenland, unresolved frictions over trade issues (like EU digital service taxes) will preserve the risk of transatlantic trade tensions reigniting. If the US *were* to ultimately revive and deliver on his 10% tariff threat, then we would expect most targeted countries to respond with tit-for-tat measures (the EU would also be likely to freeze its **"napkin deal"** with the US, repeating a tactic that it deployed in January).

This hypothetical scenario would probably inflict only moderate disruptions to actual trade flows. Tariffs that target specific EU countries, rather than the entire bloc, would just encourage transshipment. French exporters could seek to reroute their US-bound products via Belgium, for example, although this would nevertheless risk triggering the US's 40% transshipment tariff, which the US has threatened but never actually deployed. More worrisome would be the room for further escalation. **The EU would consider activating elements of its anti-coercion instrument (termed the "trade bazooka"),** which could result in export controls, regulatory changes and other retaliatory measures against US firms. Doing so would require months of planning, as well as the majority support of the European Council and Commission, suggesting that this process would be gradual and relatively well-telegraphed.

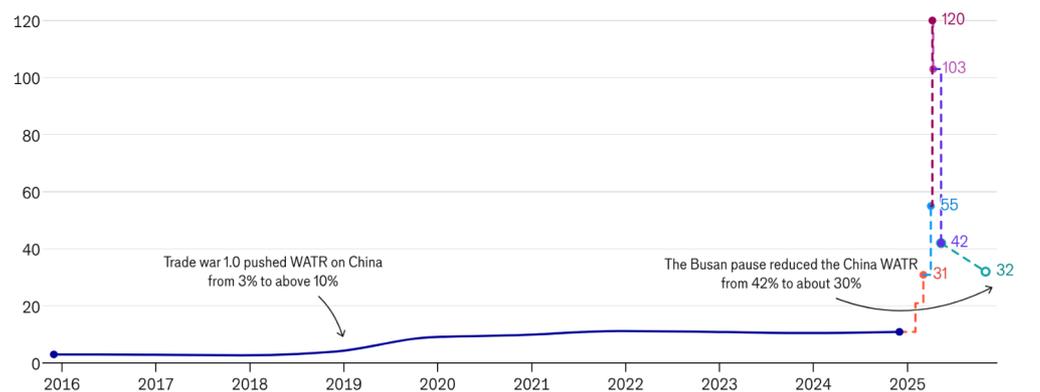
By contrast, the fragile US-China trade truce struck in late 2025 looks set to persist into early 2026. The meeting between Mr Trump and Xi Jinping, the Chinese president, in South Korea in October 2025 re-established co-operation across a wide range of economic and security topics (while postponing **some actions**—including recently announced **reciprocal port fees**, the expansion of US export controls to sanctioned subsidiaries and the adoption of Chinese rare earth export controls—for one year). The US has also reduced its tariff rate on China to about 30%, while China has pledged to resume US agricultural purchases. **Mr Trump is reportedly planning to visit China in April 2026, which we expect will yield a brief period of stability as both sides look to secure another successful engagement between the two leaders.**

There are many potential triggers for bilateral frictions to reignite. Despite their recent détente, China's willingness to weaponise its rare earth export control regime, or to slow-walk purchases of US agricultural commodities (particularly soybeans) could provoke US ire. **There is a risk that the US could perceive China as dragging its feet on these agreed terms, setting the stage for another swift escalation in US tariff rates.** Alternatively, geopolitical developments elsewhere—such as the ongoing **China-Japan spat over Taiwan**—could also be potential triggers of bilateral instability. Although our current forecasts do not expect US-China relations to suddenly deteriorate, there is a very high risk (more than 40%) that other economic or security tensions could derail this brief period of stability.

US tariffs on China remain three times higher than at the start of 2025

US weighted average tariff rate (WATR) on China; %

— Pre-2025 — Fentanyl tariffs — April 2nd "Liberation Day" — 125% reciprocal escalation — Electronics exemption — Geneva pause — Busan pause



Source: US International Trade Commission; EIU.

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In any case, the structural tensions in the US-China relationship outline a poor trajectory for bilateral ties in 2026-27.

Regardless of the latest meetings in South Korea, we do not expect either side to fully dismantle their export control regimes, given their national security justifications and the institutional complexities underpinning their frameworks. Both countries also view these policy actions as leverage in ongoing trade negotiations. For example, **our forecasts do not assume that China will fully dismantle its upgraded rare earth export control scheme—even if it provides more clarity on "general licences" governing the outbound shipment of some controlled materials. This will keep US industrial security under threat over the long term.**

Consequently, we retain our view that a comprehensive US-China trade deal will remain elusive in 2026. The attention on tariffs and export controls has distracted from more fundamental issues in the bilateral relationship. These include discussions around China's market-distorting economic practices, as well as the stagnation of its business environment

reforms and stalled domestic market access efforts. These distractions, as well as the regular levying of tit-for-tat economic threats, will prevent the restoration of trust and goodwill in US-China relations over 2026-30.

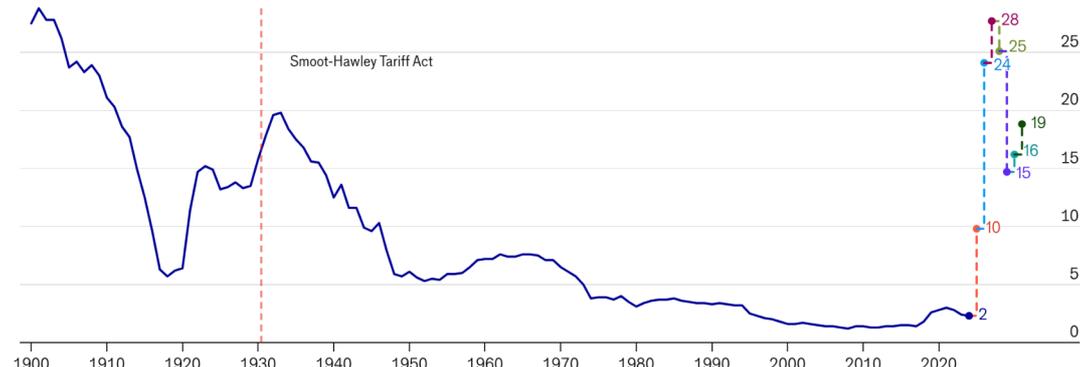
Higher US tariffs are here to stay

Tensions in the US-China relationship paint the backdrop of Mr Trump's wider tariff agenda: his "Liberation Day" tariffs, activated on August 7th, are the highest in almost a century. We estimate that the US weighted average tariff rate (WATR) is now about 15%. This represents a significant protectionist turn in US trade policy, which will not be fully unwound in 2026-30. We forecast that the US's "core" import tariffs will remain in place for the foreseeable future. These include the 10% "blanket tariff", which was a campaign pledge of Mr Trump and was justified under the International Emergency Economic Powers Act (IEEPA).

The August 1st reciprocal tariffs push the effective rate back to Smoot-Hawley levels

US weighted average tariff rate (WATR); %

— Average rate on all imports — February and March tariffs* — April 2nd tariffs — April 9th pause — April 11th electronics exemption — May 12th Geneva pause† — May 30th 50% metals tariffs — August 1st‡§



Source: White House; USITC; US Census Bureau; EIU.

*Includes tariffs on China, Canada and Mexico, and 25% steel and aluminium tariffs.

†Includes April 29th "non-stacking" order and May 8th UK-US framework agreement.

‡Does not include copper tariffs.

§EIU updated Canada and Mexico tariff assumptions on July 22nd to reflect the latest data, lowering both effective tariff rates.

Note. Horizontal axis extended to show change in 2025 tariff rates.
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However, the bulk of these IEEPA tariffs—which include the 10% baseline tariff, as well as the market-specific "reciprocal tariffs"—are now under legal challenge via the US Supreme Court. **We see a high likelihood (40% probability) that the Supreme Court will invalidate Mr Trump's tariffs.** A decision is likely to be issued in the first half of 2026. Unwinding these tariffs would be logistically difficult owing to potential refunds that would have to be processed at a time when the US civil service is suffering from severe manpower shortages, as well as undesirable from the point of view of the additional fiscal revenue that the duties provide.

Even so, if Mr Trump's IEEPA tariffs are struck down, we expect this to encourage his administration to pursue its trade policy via sectoral tariffs. These duties could include Section 232 and/or Section 301 investigations leading to sector-specific tariff rates that build on current levies, including those on automotives and auto parts (at 25%, although there are some exemptions), aluminium, copper and steel (50%)—and, increasingly, any "derivative" products from those metals, including consumer goods—justified on the basis of national security. He could also replace the struck-down measures with other tariffs of up to 15%, via Section 122 of the Trade Act of 1974.

The chief legal avenue through which the Trump administration pursues these actions has been and will continue to be via Section 232 of the Trade Act of 1962, although other investigations are also possible. The administration has already opened tariff investigations into aircraft parts, polysilicon and other sectors (although the actual tariff actions taken to date have largely included wide-ranging exemptions or delays to actual application). **Countries with which the US has already negotiated "napkin deals" are not automatically exempt from these sectoral duty rates.** This suggests that tariff negotiations between the US and many of its trade partners will continue in 2026, despite the much-publicised signing of these frameworks in 2025 (and as part of ongoing back-and-forth over actual trade deal implementation).

US tariff tracker: February 2026

Purple=likely to remain; blue=likely to be reduced or revised; green=not in force

US trade action	Tariff rate	Effective date	Status	What next?
Country tariffs (Section 122 basis)				
Global blanket tariff	10%	February 24th 2026	Applied in full, threat to rise to 15%	Likely to expire after 150-day period
End of de minimis treatment	10%, or US\$80-200 flat fee	August 29th	Applied to China from May 2nd, globally from August 29th	Likely to expire after 150-day period
Country tariffs (IEEPA basis)				
Fentanyl/border: Canada	35%	March 4th	Invalidated	Invalidated by February 20th Supreme Court ruling
Fentanyl/border: Mexico	25%	March 4th	Invalidated	Invalidated by February 20th Supreme Court ruling

Fentanyl/border: China	10%	February 3rd-March 4th; lowered from 20% November 10th	Invalidated	Invalidated by February 20th Supreme Court ruling
Reciprocal: China	10%	April 9th	Invalidated	Invalidated by February 20th Supreme Court ruling
Reciprocal: rest of world*	10-50%	April 9th	Invalidated	Invalidated by February 20th Supreme Court ruling
Sectoral tariffs (Section 232 basis)				
Aluminium and steel	50%	March 12th; raised from 25% June 4th	Applied, with carve-outs for UK	Likely to remain
Automotive (finished vehicles)	25%	April 3rd	Applied, with carve-outs for UK, EU, Japan, South Korea	Likely to remain
Automotive (auto parts)	25%	May 3rd	Applied, with carve-outs for UK, EU, Japan, South Korea	Likely to remain
Copper (semi-finished, scrap and derivatives)	50%	August 1st	Applied in full	Likely to remain
Pharmaceuticals†	100% for patented drugs	October 1st	Paused to allow companies to negotiate investment deals	Paused; but additional tariffs likely
Softwood timber and lumber	10%	October 14th	Applied, with carve-outs for UK, EU, Japan and Taiwan	Likely to remain
Upholstered wooden furniture	25%	October 14th; increase to 30% delayed to January 2027	Applied, with carve-outs for UK, EU and Japan	Likely to remain
Wooden cabinets and vanities	25%	October 14th; increase to 50% delayed to January 2027	Applied, with carve-outs for UK, EU and Japan	Likely to remain
Medium and heavy trucks	25%	November 1st	Applied in full	Likely to remain
Semiconductors, chipmaking equipment and derivative electronics‡	25% on specific chips	January 15th 2026; China-specific Section 301 tariffs delayed to 2027	Applied narrowly against very advanced chips	Additional tariffs likely

Sectors at risk (Section 232 basis unless specified)

Critical minerals	Investigation launched April 22nd	Tariffs possible
Aircraft, jet engines and parts	Investigation launched May 1st	Tariffs possible
Polysilicon and derivatives	Investigation launched July 1st	Tariffs possible
Drones and related components	Investigation launched July 1st	Tariffs possible
Wind turbines	Investigation launched August 13th	Tariffs possible
Car seats	Section 337 investigation launched August 25th	Tariffs possible
Medical consumables and equipment	Investigation launched September 2nd	Tariffs possible
Robotics and industrial machinery	Investigation launched September 2nd	Tariffs possible

Source: EIU.

*Reciprocal "rest of world" tariffs do not include Canada, Mexico or China.

†The 100% rate applies to patented drugs; media reports suggest that the EU and Japan retain a 15% rate on all pharmaceutical exports.

Note. Non-exhaustive list of major US trade actions as at February 24th 2026. All dates 2025 unless specified.

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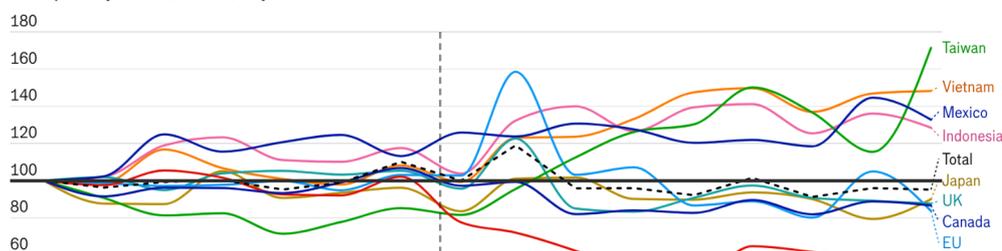
China will remain the explicit and implicit target of Mr Trump's trade policy, including in relation to tariff agreements struck between the US and other countries. Mr Trump's tariff announcement in August 2025, in which he implemented his long-delayed "Liberation Day" tariffs from April, included the imposition of a 40% tariff on goods that use transshipment strategies to evade US tariffs. This matched provisions in the US's trade frameworks struck with Indonesia, the Philippines and Vietnam. We interpret this as largely targeting Chinese exporters, who are increasingly using third country "connector economies" across Asia and Latin America to retain "backdoor access" to the US market. **We expect the US to re-focus its trade agenda on transshipments in 2026, particularly in regard to the enforcement of these protocols.** This will be difficult, however, given that the threshold of what constitutes a transshipment remains undefined.

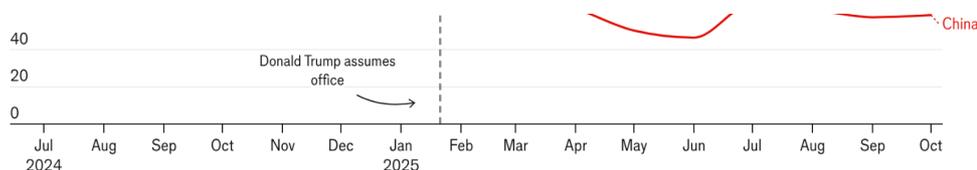
Keeping an eye on future trade tensions

US tariffs are causing a reshaping of global trade linkages, including by shutting many Chinese exporters out of the US market. This lost market access will force Chinese companies to find new drivers of demand, particularly as domestic economic weakness—which we anticipate will persist over the remainder of the 2020s—encourages local firms to go overseas to survive. This will cause global trade frictions to multiply. These factors will increasingly put the EU-China relationship in focus, given growing anxiety among EU policymakers that Chinese goods will flood European markets.

US tariffs are changing import patterns with its trade partners

US imports by market; US\$ bn; July 2024=100





Source: US Census Bureau; EIU.

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We consequently expect EU-China trade tensions to re-emerge as a major flash point, given the EU's concerns that Chinese goods will flood European markets. Based on takeaways developed under our Archimedean Trade Index—so named to capture the idea of trade displacement—we expect that the most exposed European sectors will include textiles, toys and electronics, but also furniture, luggage and several categories of higher-end goods. These dynamics will eventually force the deployment of European trade defence measures against a wide range of Chinese-manufactured products, even as targeted deals (such as on electric vehicles) reduce some sector-specific tensions.

Commodity prices

[World](#) | [Commodity](#) | [Industrial commodities](#) | [Agriculture](#) | [Energy commodities](#) | [Critical minerals](#)

February 25th 2026

Commodity price forecasts

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Oil prices										
Brent; US\$/barrel	70.44	99.82	82.62	80.70	69.04	67.83	64.46	63.20	58.78	58.59
Non-oil commodities (% change)										
Total	41.2	17.9	-15.7	-3.1	2.1	-3.8	0.9	4.7	1.7	1.6
Food, feedstuffs & beverages	37.9	23.9	-15.1	-7.2	0.4	-9.8	-0.7	3.2	1.9	1.8
Beverages	21.1	16.7	-3.0	51.8	18.7	-25.6	-13.6	-0.9	-0.7	0.6
Grains	43.1	31.4	-20.8	-22.3	-3.9	3.3	4.7	4.8	2.8	2.4
Oilseeds	41.2	15.5	-16.4	-14.4	-9.6	-9.3	3.9	4.7	2.5	1.7
Sugar	37.6	4.7	26.6	-13.1	-16.2	-14.2	3.8	3.0	1.7	1.9
Industrial raw materials	44.2	8.5	-15.8	4.4	4.0	4.8	3.5	6.0	1.6	1.3
Metals	46.0	5.4	-13.4	5.9	6.8	5.9	2.4	5.9	1.4	1.2
Fibres	40.7	28.4	-26.9	-8.8	-10.4	0.3	8.9	8.8	3.2	2.4
Rubber	27.1	-7.8	-10.7	28.2	1.7	-2.9	8.3	1.2	0.7	-0.2

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Overview

- Crude oil prices are currently supported by heightened geopolitical tensions around Iran and the concerns that a deteriorating security situation could affect oil production there, as well as trade flows in the region. We now forecast that dated Brent prices will average US\$69.4/b in the first quarter and US\$67.8/b for the full year—about US\$6.5/b higher than in our previous forecast.
- Prices for most base and ferrous metals will trend upwards as climate change and technological advancements, particularly relating to the decarbonisation agenda, keep demand for aluminium, copper and nickel high. We forecast that prices of industrial raw materials will start rising significantly again this year, after US trade policy held them back in 2025.
- Beverage prices will fall sharply in 2026, from record highs in 2025. Cocoa and coffee will lead the decline as supply improves, although climate-related risks remain a cause for concern.

Geopolitical risk is providing support to oil prices, but the market remains oversupplied

Oil prices have been stronger than expected in early 2026, trading near multi-month highs as markets balance sizeable structural surpluses with elevated geopolitical risk. The market remains structurally oversupplied, with the International Energy Agency (IEA) reporting that supply continues to exceed demand and inventories are still rising. Nonetheless, geopolitical tensions have increasingly become the dominant driver of crude price dynamics in the near term.

In Iran, the world's sixth-largest oil producer, uncertainty remains high amid persistent nationwide unrest and domestic instability, compounded by a rising risk of US military action. Although major disruptions to crude output have yet to materialise, the fragility of the political environment—together with the risk of renewed violence and Iran's strategic position along the Strait of Hormuz—is sustaining a significant geopolitical risk premium in oil prices. Recent military

exercises near the strait, and the prospect of further confrontation with external powers, have encouraged cautious positioning among traders. Further cycles of unrest and retaliation are highly likely, with attendant risks of external intervention.

The US capture of Venezuela's authoritarian president, Nicolás Maduro, on January 3rd will have a limited impact on oil markets. Despite holding the largest oil reserves in the world, Venezuela's production is lower than that of other major producers, and any meaningful rise is unlikely in the immediate future given the poor condition of its oil infrastructure. However, Venezuelan crude previously directed to China is likely to be rerouted increasingly to US refineries.

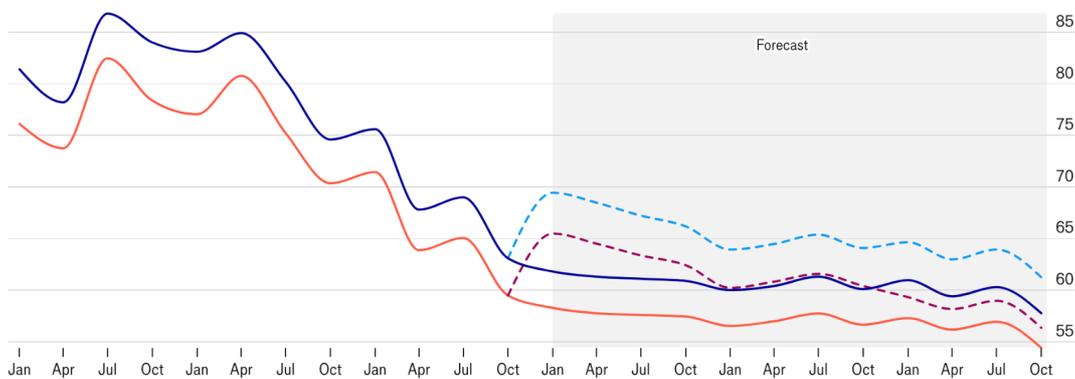
Concerns about the impact of Mr Trump's trade policies on global growth caused oil prices to fall significantly in 2025. Their decline could have been steeper were it not for the sharp rise in inventory builds, with OECD stocks increasing substantially in the middle of the year and China adding similarly to its strategic holdings. These unusual inventory patterns have absorbed pockets of excess supply and reduced immediate downward pressure on prices.

Although we forecast a sizeable surplus in 2026, we do not expect prices to decline significantly, but instead to be supported by geopolitical instability and average US\$67.8/b in 2026. Although we expect some moderation later in the year as seasonal demand patterns evolve and supply continues to grow, the near-term price floor is higher than what we previously forecast, driven by ongoing uncertainty arising from tensions in the Middle East tensions and potential supply disruptions. We expect the market to tighten in 2027-30, which will prevent prices from falling more quickly. Oil demand growth in the developing world (excluding China) will remain strong, and global production growth is unlikely to meet market expectations. **We expect Brent prices to trade in a tight range between US\$61/b and US\$65/b in 2027-28.**

Increased uncertainty has lifted the floor for oil prices

US\$/barrel; quarterly average

— Brent (January forecast) — WTI (January forecast) - - Brent (February forecast) - - WTI (February forecast)



Source: World Bank, EIU.

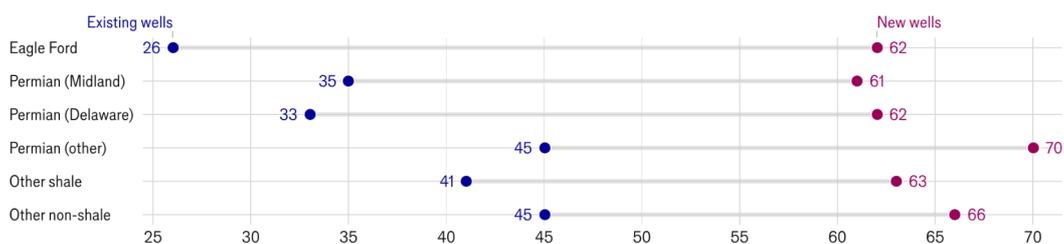
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We forecast that the price of West Texas Intermediate will average US\$63.9/b in 2026—uncomfortably close to the level needed to profitably drill a new well in the shale patch, according to the most recent survey by the Federal Reserve Bank of Dallas. Shale oil production has already started to fall, and will continue to decline over our forecast period, with rising offshore production only partially making up the difference. Meanwhile, OPEC+ will proceed with caution in raising output further, as shown by its recent decision to refrain from increasing production in the first quarter of 2026. However, production gains in non-OPEC countries like Brazil and Guyana will remain strong.

Risks in the medium term are more balanced. On the upside, the most prominent risk is a deterioration of the security situation around Iran that spills over into the rest of the region, affecting oil trade flows and infrastructure. Also, US production could decline by much more than we currently expect. As the world's largest producer, this would cause the market to tighten significantly, with implications for prices. The possibility of a peace deal between Ukraine and Russia, and the return of Russian crude to developed markets, particularly in Europe, is a downside risk to our forecast, as is a reversal of the current inventory build, especially by China.

US producers unlikely to drill new wells as West Texas Intermediate (WTI) prices look set to fall below US\$64/b from 2026

Breakeven prices in the US, WTI; US\$/b



Source: Federal Reserve Bank of Dallas; EIU.

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A wave of new LNG supply will pull gas prices down

We expect European natural gas prices to ease to about US\$10.2/mmBtu on average over 2026-27, reflecting weak

economic growth and increased supply of LNG. Gas markets will also be influenced by US policy on global terms of trade and regional conflicts. European prices rose sharply in early 2026 after the US President Trump threatened to impose tariffs on eight European allies over their opposition to his plan to annex Greenland. The tariff threat was later withdrawn, but the dispute raised questions about Europe's growing dependence on US LNG imports. In 2025 the EU increased its purchases of US LNG by 30% year on year, partly with a view to reducing the bloc's trade surplus with the US. The European benchmark Title Transfer Facility (TTF) was also affected by a wave of cold weather and drawdowns from already low storage levels. In late January the TTF price reached about US\$14/mmBtu, its highest level since a weather-related spike in early 2025.

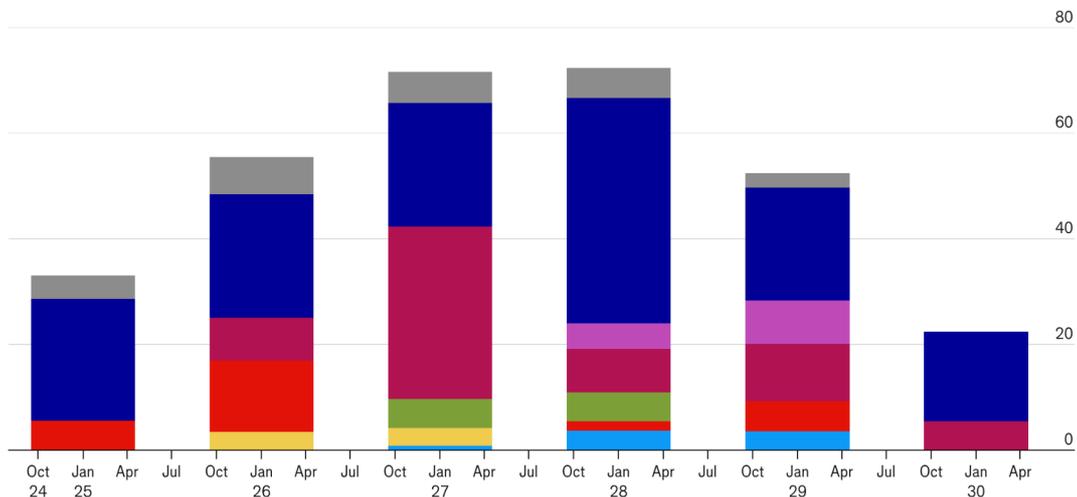
We have revised our 2026 forecast for the European TTF price from US\$10.3/mmBtu to US\$10.8/mmBtu to reflect the first-quarter price spike. We expect prices to ease over the next two quarters, with a seasonal pick-up towards year-end as winter approaches, and to average US\$9.6/mmBtu in 2027. Abundant LNG supply from the US, Qatar and West Africa should be sufficient to compensate for the winding down of imports from Russia, which accounted for about 5% of total EU natural gas consumption in 2025. European prices will be affected if, as we expect, increased demand for natural gas feedstock pushes up the US Henry Hub price benchmark, on which most LNG sales to Europe are based.

According to the IEA, about 55bn cu metres of LNG producing capacity will come online in 2026—an increase of about 20bn cu metres on 2025. Most of the new capacity will be in the US (23bn cu metres), Canada (13bn cu metres) and Qatar (8bn cu metres). In the US, Exxon Mobil's Golden Pass will add about 26bn cu metres/year of capacity when fully operational (the company had hoped that the project would be online either by end-2025 or early 2026), while in Qatar, the long-awaited first train of the North Field East expansion project should come online by mid-2026.

Annual LNG liquefaction capacity additions will rise in the second half of this decade

LNG liquefaction capacity; bn cu metres/year

■ Argentina ■ Australia ■ Canada ■ Nigeria ■ Qatar ■ UAE ■ US ■ Other



Source: EIU.

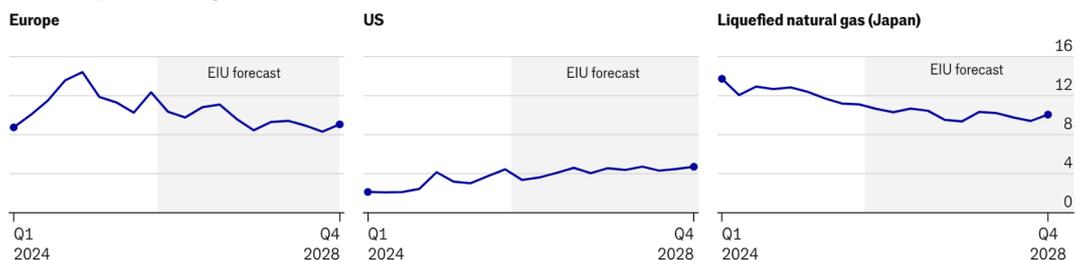
Note. Data include only projects at the post-investment-decision stage. Copyright © The Economist Intelligence Unit 2026. All rights reserved.

The US has secured gas deals with the EU, Japan and South Korea, linking concessions on tariffs to commitments to boost imports of LNG. The targets announced in these agreements have little chance of being met, and many aspects of these deals have yet to be formally agreed in detail. Moreover, the move by the US Supreme Court to invalidate the Trump administration's blanket tariffs on February 20th raises questions about the durability of these agreements. The administration moved quickly to replace the initial tariffs with a 15% global baseline tariff under another trade statute; this measure is only valid for 150 days unless extended by Congress (which we consider unlikely).

Meanwhile, China is strengthening its energy links with Russia. The two sides have reached a preliminary agreement to start construction of a new pipeline, Power of Siberia 2, although commercial details have yet to be worked out. Combined with moves by the EU to phase out all imports of Russian gas, this will probably support increased US LNG supply to Europe over the long term. In response to pressure from Mr Trump, the EU has said that it aims to bring forward its deadline for halting imports of LNG from Russia by one year to end-2027.

Gas prices are converging towards US levels

Benchmark price of natural gas; US\$/mmBtu



Source: World Bank; EIU.

Note. Benchmark prices quoted are Title Transfer Facility in Europe, Henry Hub in US and contract prices for LNG in Japan.

Metal prices are poised to rise in 2026-27

We forecast that prices of industrial raw materials will start rising significantly again from 2026, after US trade policy held them back last year. Base metals in particular are set to make strong gains in 2026-27. Aluminium has been one of the hardest-hit of the base metals, with the Trump administration having extended existing 25% tariffs on aluminium and steel to all countries, and then doubled the tariff to 50%. However, new trade agreements between the US and major trading partners and blocs have bolstered market sentiment for aluminium (and all base metals more generally) since mid-2025.

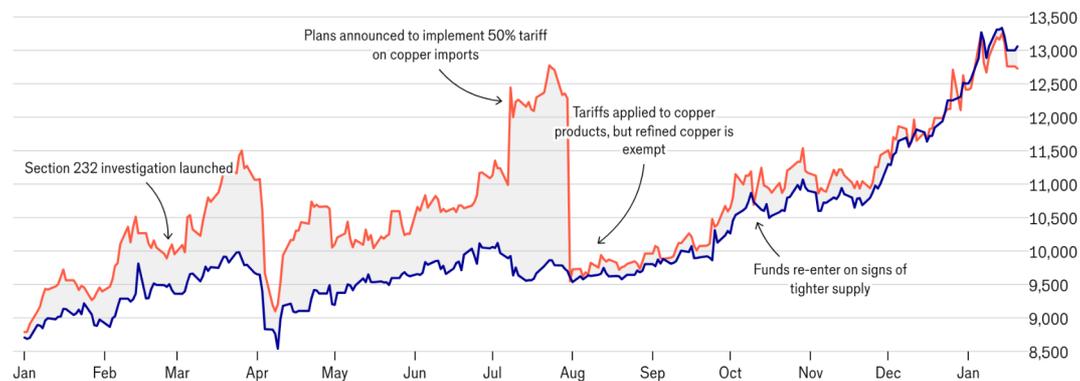
Copper prices, especially on the US Commodities Exchange (Comex), have been exceptionally volatile given the ever-changing tariff landscape, with the Trump administration announcing 50% tariffs on copper imports in early July, only to backtrack and exempt imports of copper ore and refined copper by the end of the month. The administration is also implementing quotas, with the aim of retaining more domestically produced copper feedstock for domestic use, which will also tighten the global market given the importance of US scrap copper to supply chains in China and the rest of Asia.

We expect the London Metal Exchange (LME) cash price to average US\$12,425/tonne in 2026, up by nearly 25% from an estimated US\$9,947/tonne in 2025. This marks an upgrade from US\$11,600/tonne previously forecast after the LME cash price surged to a record high of US\$14,253.50/tonne on January 29th. Significant investment in AI will boost copper demand, particularly from data centres and related power infrastructure, and disruptions at two of the world's largest copper mines in September have reinforced bullish price sentiment.

Signs of tighter supply will keep copper prices elevated in the near term

High grade copper; US\$/tonne

— London Metal Exchange — Chicago Mercantile Exchange



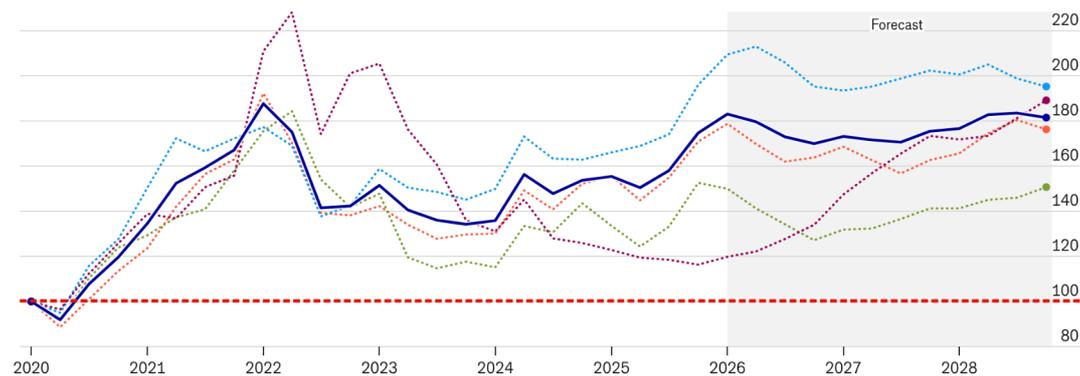
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Copper consumption in the long term will be supported by green investment, infrastructure spending and China's push for electric vehicles (EVs), but short-term demand faces headwinds from global policy uncertainty, geopolitical tensions and US tariff rises. Factors like resource nationalism and stricter environmental laws will limit the pace of mine supply growth, which will cause copper prices to continue rising. Copper consumption will remain supported by green energy investments and infrastructure upgrades. The global nickel market will remain oversupplied in the short run, but we continue to forecast rapid demand growth from downstream applications, particularly stainless steel production and EV batteries. Refined nickel production in Indonesia and China has started a period of rapid growth that will persist in 2026, materially loosening the global market, but this will be constrained by weaker mine supply in the long term. Nickel-mining companies are already exhibiting capital discipline in response to low prices, deferring expansion projects and sometimes even shuttering uneconomic mine capacity.

Base metal prices will remain bullish in the medium term

Average prices; Q1 2020=100

--- Aluminium --- Copper --- Nickel --- Zinc — Weighted base metals index



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The energy transition will raise demand for critical minerals like cobalt, graphite and lithium. Demand for certain base metals, critical minerals and rare earths used in clean energy technology—notably copper, nickel, zinc, cobalt, lithium, graphite and silicon—will increase twofold, and in some cases up to fivefold, by 2030, according to the IEA. Recent demand has not lived up to these expectations, however, with prices for many critical minerals and rare earths falling to all-time lows and likely to remain depressed until the second quarter of 2026.

Easing beverage costs will lower agriculture prices

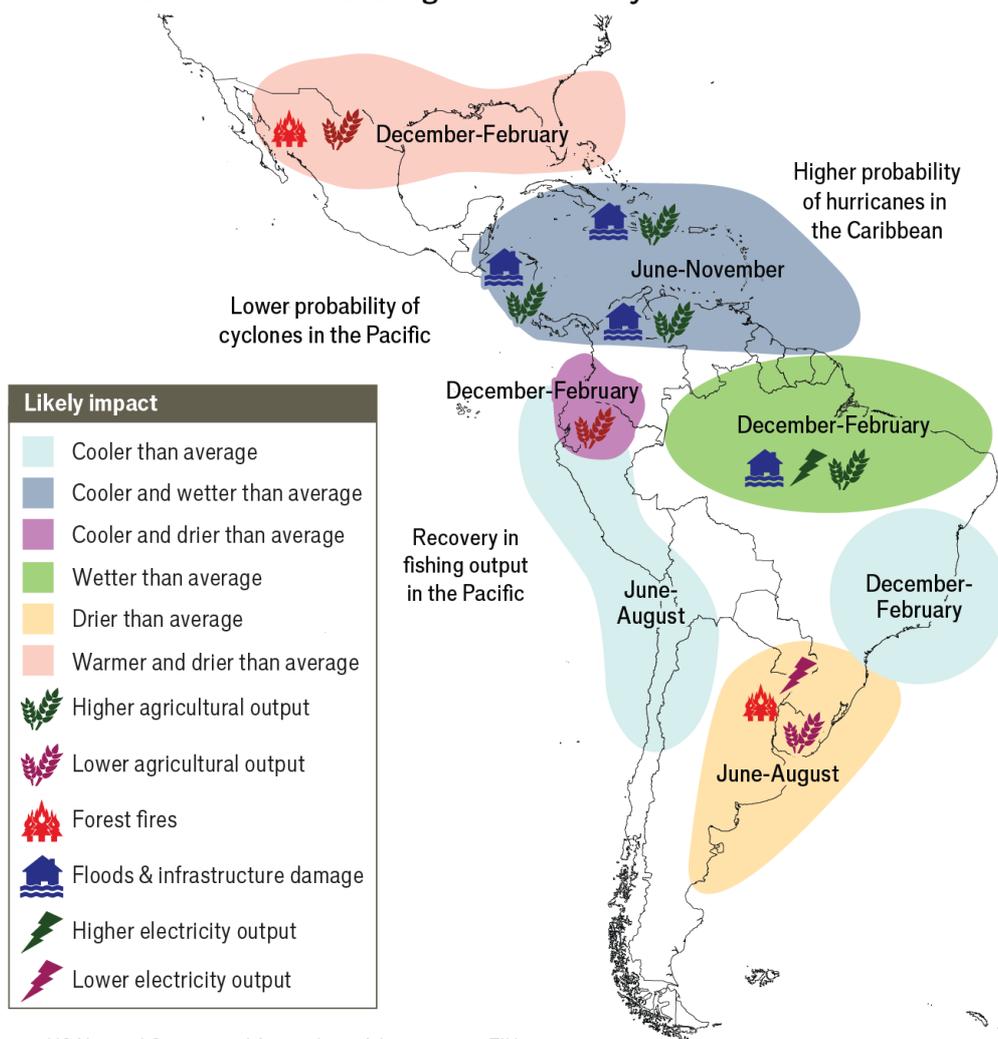
We forecast that the food, feedstuffs and beverages index will fall sharply in 2026, after the beverages subcomponent hit an all-time high in 2025. The spike in coffee and cocoa futures was mainly due to poor weather conditions in 2024. Beverage prices already started to trend downwards significantly in the second half of 2025, and will continue to fall sharply this year.

Palm oil prices will remain under pressure early in the year owing to high stocks, particularly in Malaysia, but are expected to stabilise and recover from mid-2026 as inventories draw down and supply tightens, with upside risks from La Niña. Soybean prices will stabilise and edge higher in 2026, supported by improved US-China trade relations and a narrowing global surplus, although ample supply will cap gains.

With sugar output in big producers like Brazil, India and Thailand expected to increase significantly in 2025/26, we forecast that the global surplus will rise, dragging prices down. Rice prices, which fell after India lifted its export ban in October 2024, will continue to fall.

In 2027 beverages prices will continue to correct, but prices for grains and oilseeds will rise more significantly. Previous falls in prices for grains will limit plantings, particularly for rice, which will lift prices. In addition, low global stockpiles relative to consumption will boost prices for maize (corn) and wheat in 2026-27. The main risks to our agricultural commodities forecasts stem from the return of the [La Niña weather pattern](#), which we expect to be mild and short lived, but which will limit the downside for agricultural commodity prices in 2026.

La Niña affects Latin America's regions differently



Source: US National Oceanic and Atmospheric Administration; EIU.

Top global risks and opportunities

World | Politics | Policy | Economy

February 25th 2026

Events may diverge from EIU's forecasts in ways that affect global business operations. The main risks to our global economic forecast are represented by the following scenarios. They are allocated into macroeconomic, security, financial, political stability and foreign trade & payment categories. Each risk scenario receives a Risk Intensity score. The scoring criteria are listed below.

Very high probability = greater than 40% probability that the scenario will occur over the next two years; high = 31-40%; moderate = 21-30%; low = 11-20%; very low = 0-10%.

Very high impact = change to global annual GDP compared with the baseline forecast of 2% or more (increase in GDP for positive scenarios, decrease for negative scenarios); high = 1-1.9%; moderate = 0.6-0.9%; low = 0.2-0.5%; very low = 0-0.1%.

Risk intensity is a product of probability and impact, on a 25-point scale.

Global risk scenarios: Q1 2026

Risk score intensity colour key



Scenario summary	Category	Probability	Impact	Intensity
Clashes between Russian forces and NATO countries spark a wider conflict	Security	Moderate	High	12
Re-evaluation of the AI sector causes a US stockmarket crash and investment slump	Financial	Moderate	High	12
Fast adoption of AI tools disrupts the labour market	Macroeconomic	High	Moderate	12
Tariffs surge among major economies, triggering a multilateral trade war and economic recession	Foreign trade & payments	Low	Very high	10
US-China military conflict in Asia leads to economic and supply-chain shockwaves	Security	Low	Very high	10
US's refusal to fulfil collective defence commitment or forceful takeover of Greenland deals a fatal blow to NATO	Security	Low	Very high	10
Sovereign debt stress in advanced economies triggers a global financial crisis	Financial	Low	High	8
Cyber-attack successfully damages critical infrastructure, temporarily crippling a major economy	Security	Low	Moderate	6
Food and water shortages lead to war and mass migration	Political stability	Moderate	Low	6
A new global pandemic emerges as co-operation and monitoring falters	Macroeconomic	Very low	Very high	5

Source: EIU.

Note. Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

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EIU Operational Risk: From detailed country risk assessments across crucial operational categories to customisable risk matrices and real-time event analysis, our Operational Risk service provides you with the tools needed to confidently anticipate and mitigate risk. [Find out more.](#)

Clashes between Russian forces and NATO countries spark a wider conflict

World | Security risk

February 25th 2026

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
12	Moderate	High

Context

Russia has ramped up its provocative “grey zone” activities—destabilising yet plausibly deniable activities that fall short of open warfare—against NATO countries. These have primarily taken the form of airspace incursions, including by MiG-31 jets in Estonian airspace, a 50-minute incursion into Romanian airspace by a Russian drone and a major [incursion over Poland by Russian drones](#), which triggered emergency NATO consultations and the deployment of additional NATO

resources along the alliance's eastern border. Our core forecast is that Russia will continue to test NATO's patience and resolve, but that it will stick to these grey zone tactics, including further incursions, cyber-attacks, covert attacks such as arson and damage to undersea infrastructure.

Trigger

Several factors could tip the Russia-NATO confrontation into direct military conflict. As Russia increases its provocations and Russia-NATO relations remain poor, an accidental escalation is the most likely scenario. NATO countries in Europe's eastern flank have increased their military presence and are bolstering their defence capabilities, including under the EU's €150bn Security Action for Europe (SAFE) fund and NATO's "Operation Eastern Sentry", which aims to reinforce military assets in this area. An accidental Russian strike on one of these assets, the misinterpretation of friendly fire as NATO forces multiply in the region, or a miscalculation by either side could lead to more kinetic exchanges. In a more extreme scenario Russia could misconstrue a mild response to its provocations as a prompt to launch a more formal war along its borders with NATO.

Impact

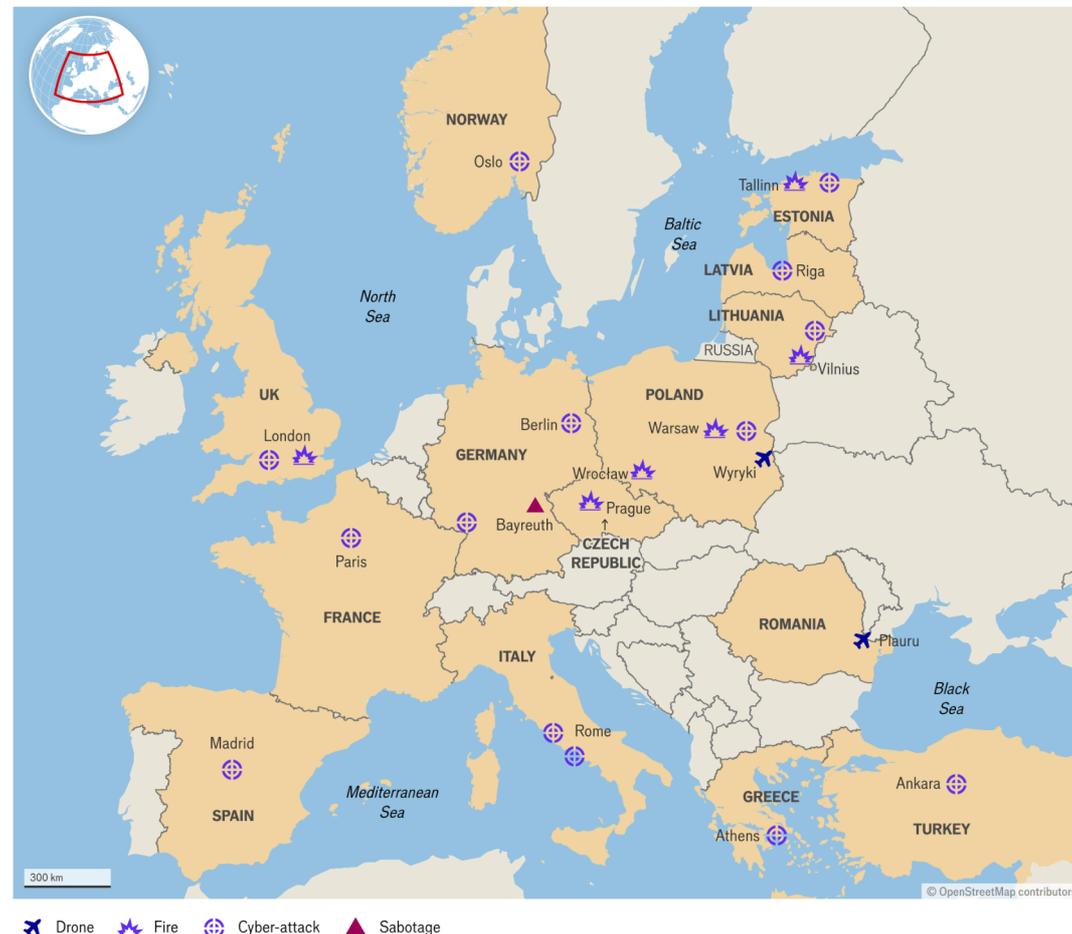
A direct conflict between NATO countries and Russia would weigh heavily on the region's economy as investor uncertainty spikes. Russia would probably target critical infrastructure, which could disrupt transport links across the region or information systems, with Finland, Sweden and the Baltic states especially vulnerable. Domestic political and social instability would increase as Russia aimed to unsettle the region's Russian-speaking minorities. In an extreme scenario Russia could also try to convince other countries that have already provided it with military support (notably Iran and Belarus) to join the conflict, expanding the conflict beyond NATO's borders.

Mitigation

Businesses operating in Europe and particularly in NATO border states should be aware of potential disruptions to their workflows arising from expanded Russian aggression. Businesses should seek to reinforce their information security systems to protect against cyber-attacks and take measures to ensure the continuity of supply chains. Companies should also prepare contingency plans for the possibility that a deteriorating security situation between Russia and NATO states leads to a tightening of security measures and take appropriate measures to keep their staff safe.

Russia maintains pressure on Europe with "grey zone" activities

Select major grey zone activities carried out by Russia in Europe since 2022, as confirmed by European governments



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Cyber-attack successfully damages critical infrastructure, temporarily crippling a major economy

World | Security risk

February 25th 2026

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
6	Low	Moderate

Context

Given the substantially higher costs of direct military conflict and the difficulty in identifying perpetrators of cyber-attacks, cyber-warfare—particularly when it targets communications, energy, transport and logistics infrastructure or public services—will be increasingly adopted by non-state actors seeking asymmetric advantages, to create mass confusion and chaos, and to reduce public confidence in governments of targeted countries. These tactics could also be deployed by states as part of a broader military campaign.

Trigger

A complete diplomatic breakdown between states could lead to an escalating string of tit-for-tat cyber-attacks targeting software that controls state infrastructure. A host of geopolitical flashpoints (including the Russia-Ukraine war, the Israel-Hamas conflict and US-China tensions) have increased the likelihood of a major state-on-state cyber-attack.

Impact

Countries that are engaged in military operations or provide military assistance overseas are also vulnerable to cyber-attacks by terrorist groups. Cloud-based systems, which are becoming increasingly attractive as a cost-saving alternative for businesses and governments, present vulnerable targets for would-be hackers. Digitalisation of national electricity grids and the integration of solar- and wind-power-generated electricity into existing grid networks, particularly in Europe, have also augmented their vulnerability to cyber-attacks and system failure, which could lead to a sub-national or even national breakdown of economic and social activity. A mass cyber-attack on urban communications and transport systems could severely disrupt social and economic activities in the short term, causing temporary panic and disorder. Meanwhile, cyber-attacks targeting the financial sector could lead to increased market volatility and disruption to inter-bank settlements, and undermine the general functioning of the financial system.

Mitigation

Companies should prepare offline communication and operation strategies for their employees as part of contingency planning scenarios in the event of mass cyber-attacks targeting wider financial, energy, transport and communications systems. They should also be aware of adjacent risks tied to corporate espionage, phishing and ransomware attacks aimed at extracting trade secrets, business intelligence or payment. Companies involved with developing or maintaining infrastructure should pay special attention to their own IT security, implement robust contingency planning and monitor government initiatives.

US-China military conflict in Asia leads to economic and supply-chain shockwaves

World | Security risk

February 25th 2026

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
10	Low	Very high

Context

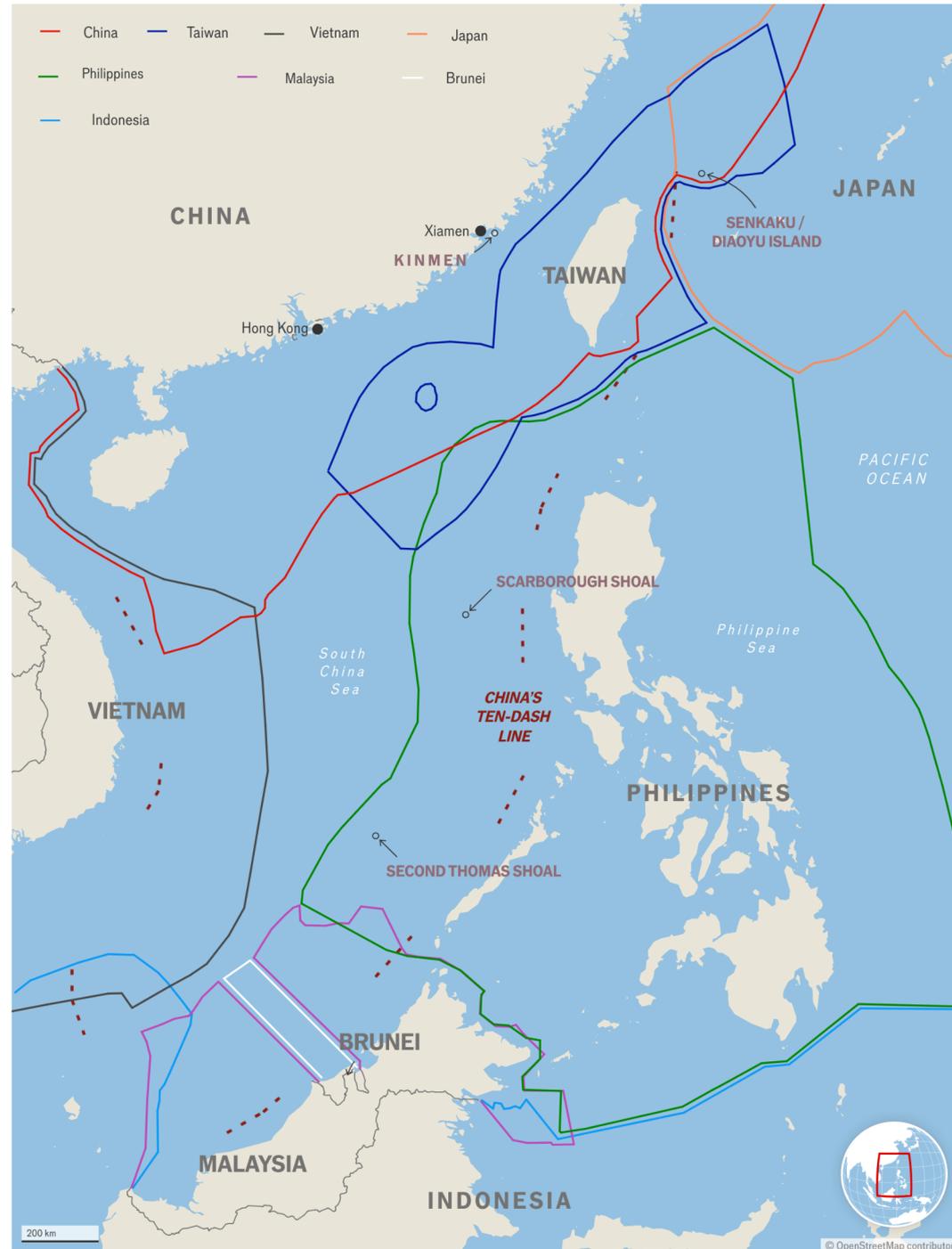
There will be periods of heightened tensions related to developments in domestic and international politics. China holds frequent military exercises around Taiwan, and continues to enhance capacities and increase operations of its navy, armed coast guard and air force drills in the region. It also lays claim to territory in the South China Sea—notably involving the

Philippines—that is disputed by some countries in the region, and is increasing economic and military activities there.

Trigger

There is a risk of a miscalculation spiralling into a wider confrontation, given frequent Chinese military exercises around Taiwan, territorial disputes and the deployment of coast guard and navy vessels in the region. The Trump administration's shift towards a more transactional and unilateral approach to the US alliance system has added another layer of uncertainty. The Trump administration's strategic pivot towards the Indo-Pacific region leaves much room for ambiguity. Mixed messages from the administration have stoked doubts among US allies and adversaries alike over the US's commitment to the security of treaty allies or strategic positions in the region. Inadvertently, this confusion and uncertainty could embolden China to become more assertive in its projection of military power in the region, raising the risk of clashes. China's potential attempt to impose an economic blockade of Taiwan could also possibly trigger a wider regional conflict, particularly if freedom-of-navigation operations by third-party countries, including the US and Australia, across the Taiwan Strait lead to maritime confrontations with the Chinese navy and casualties on either side.

The overlapping claims in the South China Sea



Source: Maritime Awareness Project.

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Impact

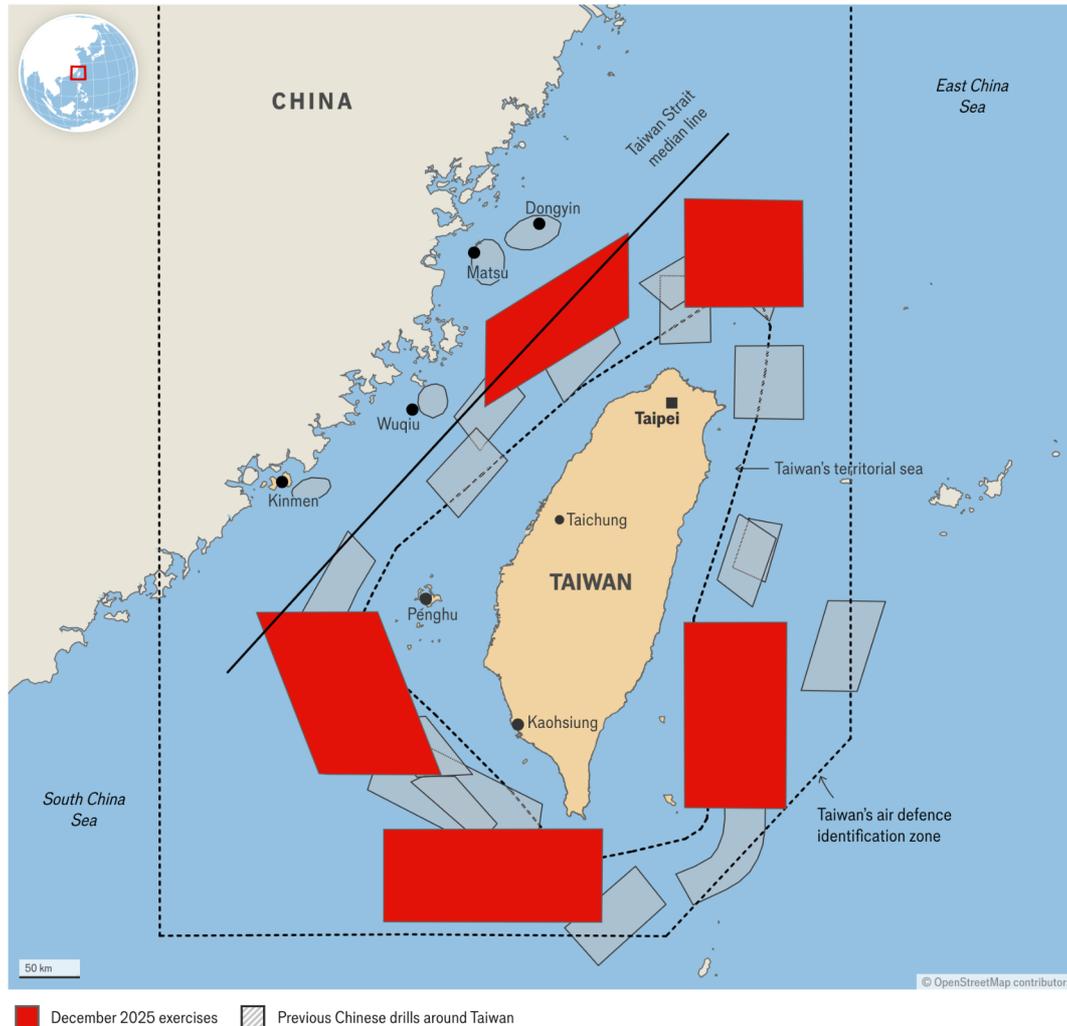
Assuming US intervention on behalf of its defence treaty allies (such as the Philippines) or Taiwan (given a strong strategic interest), a US-China military conflict in Asia would be devastating for the region's export-oriented economies and would severely disrupt global supply chains of goods ranging from high-end microchips to mass consumer goods. Military confrontation across the Taiwan Strait will be particularly disruptive for high-tech industries, given the global reliance on the island's cutting-edge semiconductor sector and its location on regional shipping routes. Other than US military involvement, differing forms of support could also come from US regional allies such as Australia, South Korea and Japan, and prompt the EU and other US-aligned governments to impose trade and investment restrictions on China. North Korea and Russia could choose to support China, presenting a low but non-negligible risk of nuclear escalation. Third markets (and companies) elsewhere would be forced to "choose sides" between China and the Western economies.

Mitigation

Companies should monitor China's grey zone tactics in the Taiwan Strait and South China Sea, particularly with regard to unilateral moves to shift existing administrative or legal frameworks in its favour, as they signal a more aggressive approach in those regions. Any Chinese offensive towards Taiwan would probably be signalled through a military build-up in Chinese regions near the island, as well as changing rhetoric in domestic media (such as in response to political developments in Taiwan). Firms should also watch the Chinese coast guard's activities in disputed maritime areas, as these could lead to unintended conflicts and escalation. A conflict in East Asia would severely disrupt supply chains and corporate operations, although this could be mitigated by pre-emptive diversification of production and staffing bases to geographies that are less likely to be drawn into the conflict, as well as stockpiling.

China's "Justice Mission 2025" drills around Taiwan

December 2025



Source: Xinhua; Taiwan Ministry of National Defense; Financial Times; Bloomberg; EIU.

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US's refusal to fulfil collective defence commitment or forceful takeover of Greenland deals a fatal blow to NATO

World | Security risk

February 25th 2026

Security risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
10	Low	Very high

Context

The US military presence and nuclear umbrella have underpinned NATO's deterrence against potential military threats since the foundation of the military alliance in 1949. However, under Mr Trump's second term, the US has emerged as a potential threat to NATO solidarity and continuation, particularly through his administration's proclaimed interest in acquiring Greenland, an autonomous territory of a NATO member state, Denmark. Mr Trump's suggestion of making US military support dependent on a NATO member state's level of defence spending has raised further questions about the US's commitment to Article 5 of NATO's treaty, which guarantees mutual defence.

Trigger

There are several factors that risk badly damaging NATO's strength, solidarity and credibility as a military bloc, or even causing a breakdown of the organisation in its current form and scale. One hinges on the US's commitment to the mutual defence of all NATO member states. If Russia, sensing vulnerability in Europe's defence, extends its military operations beyond Ukraine to NATO member states such as the Baltic countries or Finland, and the US refuses to deploy troops to their defence, this would represent a collapse of the collective defence principle. Separately, if the US decides to take over Greenland by military force, rather than acquiring greater security and economic control of the island through negotiations with Denmark, it would effectively put an end to NATO.



Impact

A substantive crack in NATO solidarity caused by either a US refusal to honour the mutual defence commitment or military actions against another NATO member state would mark a fundamental change in the global security landscape, as it would severely damage the trans-Atlantic security alliance. European countries, led by Germany, France and the UK, would have to drastically accelerate and expand existing military upgrading, enlargement and reorganisation plans, with the aim of rapidly establishing defence capacities independent of US support and co-operation. US allies in other parts of the world, including Japan, South Korea and Australia, would also become uncertain about the US commitment to their defence and feel compelled to raise defence spending, weapons procurement and development. This change in defence expenditure would in turn generate uneasiness among rival powers and could initiate a global arms race. In an extreme scenario regional

powers such as Japan, South Korea and Saudi Arabia could contemplate acquiring nuclear weapons of their own to deter nuclear-armed regional powers. The repercussions would not be confined to security policy, as a substantive change in fiscal policy would be necessary to enable a large jump in public expenditure on defence and infrastructure upgrading. Many advanced economies in Europe and Asia, already burdened by demographic ageing and associated rising costs for healthcare and social care, would be pressed to reduce their state welfare system and increase their debt. Overall, this shift would result in a structural weakening in consumer spending, which would be partially offset by greater investment in infrastructure, manufacturing, and research and development.

Mitigation

In general, companies should base their procurement, production, recruitment and sales plans on the premise of a more fragmented global market and supply chains that are increasingly prone to disruptions caused by localised conflicts and economic warfare. They are also advised to watch the US government's rhetoric and policy changes regarding trade and defence policies of allied countries in Europe and Asia to gauge the strength of US commitment to its global security responsibilities. Certain industries, particularly armory, defence equipment, aviation, electronics and construction, could expect a positive outlook in an environment of a global race for defence capabilities building.

Food and water shortages lead to war and mass migration

World | Political stability risk

February 25th 2026

Political stability risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
6	Moderate	Low

Context

Climate change models point to an increased frequency of extreme weather events. Severe droughts and heatwaves have already weighed on crop yields, and global temperatures in 2025 exceeded the records reached in 2024.

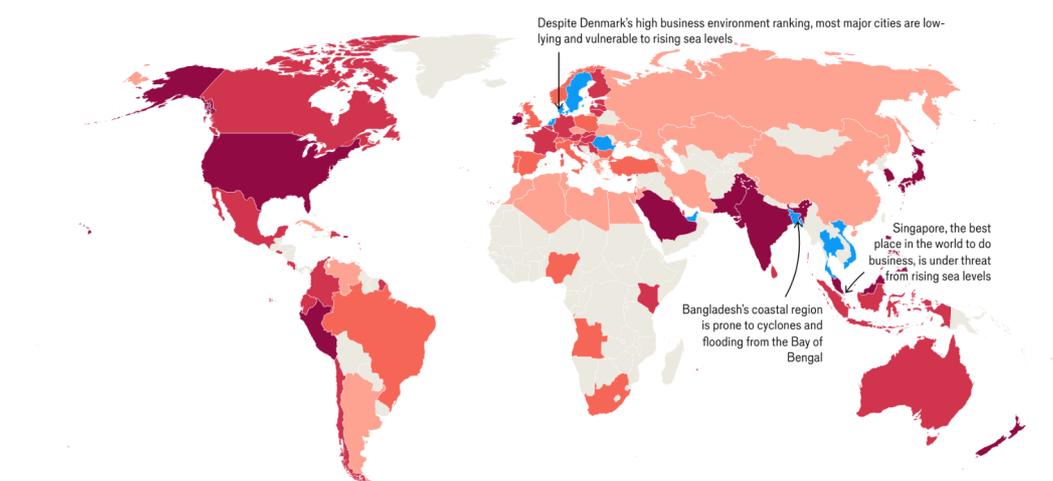
Trigger

So far, extreme weather events have been sporadic and in different parts of the world, but they are likely to start happening in a more synchronised manner as climate challenges rise. This would intensify the impact of such events and make their near-term management more difficult.

Climate change is a greater risk to the business environment in some countries than others

Difference between BER and ND-GAIN Scores (normalised): the climate risk gap

■ <-1 ■ -1-0 ■ 0-1 ■ >1 ■ Top 10 countries



Source: Notre Dame Global Adaptation Initiative Vulnerability Index (ND-GAIN); EIU Business Environment Rankings (BER). Copyright © The Economist Intelligence Unit 2025. All rights reserved.

Impact

If extreme weather events have a significant impact on production, this could lead to shortages, straining global supply chains and stoking inflation. Higher agricultural commodities' costs would extend to households, raising the cost of living and food insecurity. Food and water shortages in parts of the world, including the Middle East, Africa's Sahel region and South Asia, could lead to mass migration, or even resource wars, triggering severe political effects that could ripple across

multiple countries. Countries in the Sahel are particularly vulnerable to food and water shortages, as a wave of coups has severely weakened state capacity to deliver necessities to the population, and political instability and a reduced presence of UN peacekeeping forces have raised the risk of conflict in the region. Bangladesh, one of the world's most densely populated countries, is highly exposed to climate change-related weather disasters, which could cause mass population displacement, industrial disruptions, food and shelter shortages and the spread of infectious diseases. Although advanced economies are relatively well prepared to withstand weather events, European countries in particular are still exposed to their effects such as migration and refugee inflows as a result of weather disasters and food scarcity in poorer countries.

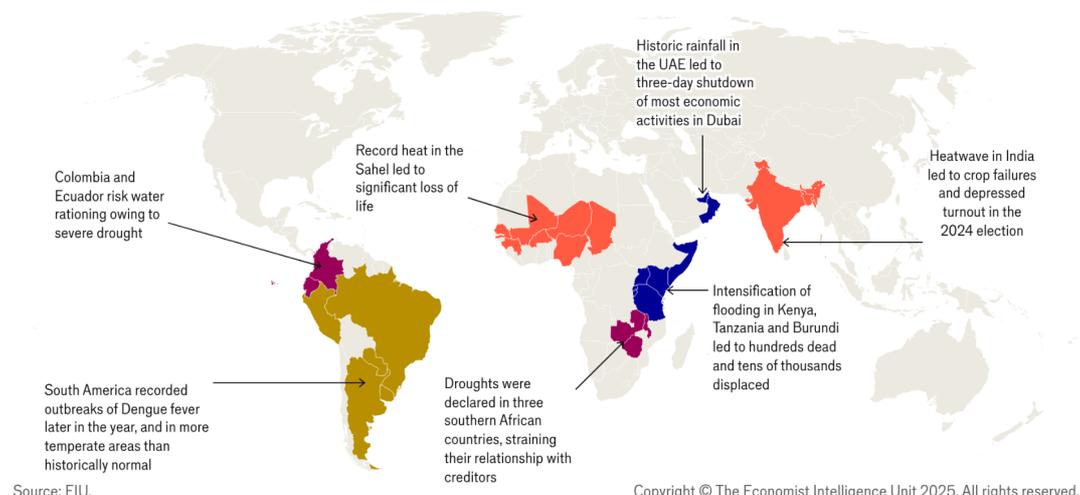
Mitigation

Companies that operate in regions where food production and supply are vulnerable to extreme weather conditions should be aware of the risk of social unrest and political instability caused by severe food shortages. Advances in technology and AI have made it easier to climate-proof assets. There are business opportunities for development and commercialisation of drought-resistant, double-cropped grains.

The world was hit by multiple severe natural disasters in 2024

Climate change and El Niño have exacerbated physical risks around the world

■ Disease outbreak ■ Drought ■ Flooding ■ Heatwave



A new global pandemic emerges as co-operation and monitoring falters

World | Macroeconomic risk

February 25th 2026

Macroeconomic risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
5	Very low	Very high

Context

The US, which has been the largest contributor of funds to the World Health Organisation (WHO), withdrew from the organisation in January 2025. The US government, under Mr Trump, also plans to cut funding and staffing for the Department of Health and Human Services as a part of an overall drive to downsize the federal bureaucracy and to cut public expenditure. These decisions will significantly weaken the global capacity to prepare for, monitor and contain the spread of infectious diseases; engage in medical information sharing; and develop vaccines and treatment for new viruses. Disputes surrounding the origin of the covid-19 pandemic compounded distrust between countries, particularly between the US and China, which will further impede timely sharing of virus-monitoring data and medical research.

Trigger

Continuing practices of intensive farming, urban expansion, and a decline in international aid for disease control and prevention will increase risks of viral mutations and cross-species transmission, including from wild animals to humans. An outbreak of a new infectious virus with no existing vaccine could become endemic and spread across borders via international travel, triggering a pandemic.

Impact

The impact of a new pandemic would be unevenly felt across the world, based on individual countries' medical emergency preparedness; availability of contingency medical resources; monitoring and tracking capacity; vaccine research, development and production capabilities; government effectiveness; and public trust in public officials. Many countries, particularly in Asia, would draw on experiences gained during the covid-19 pandemic and swiftly restrict international travel, and implement mass virus tracking and monitoring to contain the spread during the early stages. Meanwhile, viral outbreaks in the US, particularly the densely populated urban areas, could be more difficult to prevent and contain, as a lower degree of trust in official information would undermine early monitoring, contingency response and preventive measures. Disruptions to the global economy would be less severe than during the covid-19 pandemic, when the global economy contracted by 3.2% in 2020. Governments across the world would adopt early containment measures if possible, and avoid stringent lockdowns, which were the main cause of the economic downturn during the covid-19-induced recession. Still, international trade and travel, and domestic economic and social activities would be heavily affected. Agricultural businesses would be particularly exposed to damage caused by an international spread of transmissible diseases, including mass culling of exposed animals and crop failures, leading to decreasing production and severe commercial losses for farmers.

Mitigation

Companies should regularly evaluate and adjust their contingency plans for pandemics, particularly the resilience of procurement channels; demand elasticity of their products and services; and consider the capacity of remote working for their staff. Monitoring information published by international organisations and public health authorities of the countries where companies operate would also aid early detection of and preparation for pandemics and other major health risks.

Fast adoption of AI tools disrupts the labour market

World | Macroeconomic risk

February 25th 2026

Macroeconomic risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
12	High	Moderate

Context

With decreasing cost of training, and fast-expanding capabilities and adaptability, [AI tools](#) based on large language models (LLM) have shown substantive and substantial potential for mass commercialisation and application in the corporate world. Many companies have started to use AI assistants or analytics tools to support or replace human employees in administrative, customer services, data collection and compilation, and desk research roles.

Is AI getting closer to being able to do everything that a human can?

Difference between the 2022 and 2023 surveys



Trigger

Corporate adoption and application of AI tools will be gradual and non-linear, and the scale and speed will vary between industries. In this sense, it is difficult to determine one specific trigger event; rather, it is the cumulative and secondary effects that could transform demand and supply of labour skills, creating mismatches and disruptions.

Impact

One of the risks is that the speed and scale of AI adoption will outpace market capabilities to adjust to and absorb it, leading to mass job displacement as new jobs created in emerging AI-related industries and roles fail to compensate for the jobs replaced by industrial automation facilitated by AI tools. Even if governments and the private sector organise and cooperate on re-skilling and retraining workers to effectively work with AI and explore newly created jobs, the process will take time and, in the interim, frictional unemployment will rise. Many workers will have to accept jobs with lower pay, a more demanding work environment and less security. The resulting unemployment and underemployment will exacerbate existing social and political tensions related to economic inequality and disparate life opportunities. Another risk is a loss of career opportunities for young workers, which in time will restrict future labour supply and raise labour costs for business.

Many entry-level positions are among those most vulnerable to AI-enabled automation, as the productivity gained from AI adoption allows companies to reduce hiring of those roles. The reduced job availability also limits early career workers' opportunities to learn on the job, and cultivate work skills and a good work ethic. Over time, this will reduce the talent pool for companies to promote to senior positions, with scarcer supply leading to higher costs.

Mitigation

Companies are advised to actively encourage and promote proactive and lifelong learning among their employees to facilitate learning new skills, particularly skills that are conducive to working on and tapping AI tools. They should work with and communicate to the government to provide financial support and training for workers in temporary unemployment owing to technology disruptions in order to alleviate resistance to and backlash against AI adoption. Businesses should also refrain from significantly reducing the intake of entry-level workers and should redesign their in-house training programmes to develop skills that are suitable to the new AI-human collaborative work mode.

Tariffs surge among major economies, triggering a multilateral trade war and economic recession

World | Foreign trade and payments risk

February 25th 2026

Foreign trade & payments risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
10	Low	Very high

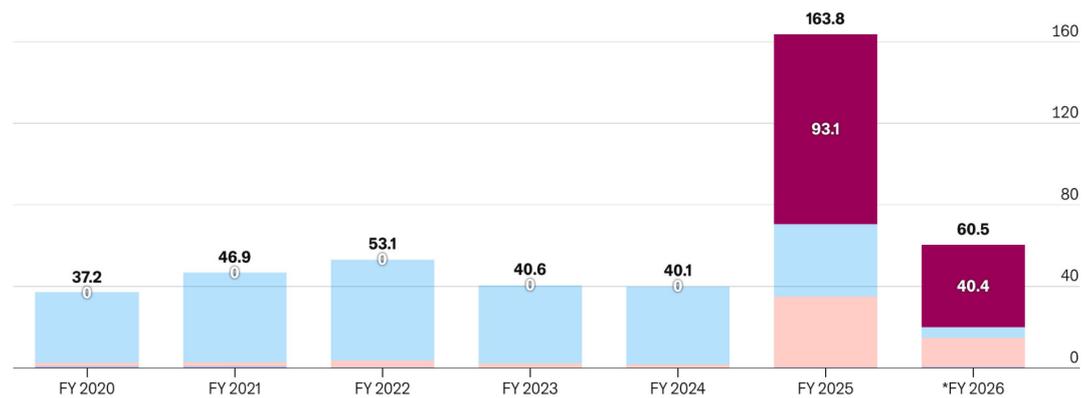
Context

In 2025 the US shifted to a highly protectionist trade policy featuring elevated tariffs and export restrictions for both economic and geopolitical purposes. The risk of another bout of sharp rises in US tariffs is low for 2026-2027, despite persistent uncertainty following the [US Supreme Court's ruling](#) in February 2026 invalidating the tariffs imposed by Mr Trump, under the International Emergency Economic Powers Act (IEEPA). However, the impact of higher US tariffs and greater frictions in global trade will continue to ripple through the global economy, and some secondary effects could lead to renewed international trade conflicts and undercut global economic growth.

US\$133bn of duties have been collected under IEEPA as at December 2025

Customs revenue collected to date by tariff measure, US fiscal years; US\$ bn

■ Section 201 (Solar) ■ Section 232 (Sectoral) ■ Section 301 (Bilateral) ■ IEEPA (Reciprocal)



Source: US Customs and Border Protection; EIU.

*Customs and Border Protection data updated until December 14th 2025. Data for 2026 include receipts to date. Data shown include revenue from statutory trade remedy and sanctions measures—Sections 201, 232 and 301 and IEEPA—but exclude regular most-favoured nation tariff revenue, anti-dumping and countervailing duties, and other routine customs fees captured in Treasury's total customs receipts.

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Trigger

Despite averting another round of escalation in the US-China trade conflict in October 2025, a lingering risk of a breakdown in the temporary bilateral trade truce will remain in 2026. Similarly, despite new trade frameworks formed by the US and some of its largest trading partners including the EU, South Korea and Vietnam, details regarding overlapping levies, implementation of promised investment in the US and definition of important concepts such as transshipment remain murky. This will mean that the risk of disputes over implementation and escalation of trade conflicts will persist. Separately, the reaction of other economies to Chinese companies' efforts to diversify their export markets represents

another potential trigger of a global trade war. Chinese exporters might compensate lost US orders by increasing sales in non-US economies, including the EU, Japan and emerging markets with a large consumer base. This would lead to a sudden influx of price-competitive goods into these economies, potentially overwhelming local manufacturers. In response, local governments could initiate anti-dumping investigations, impose import restrictions and raise tariffs on Chinese products, triggering a new wave of tit-for-tat retaliatory trade measures. On its part, China has grown increasingly adept and less restrained in leveraging its dominance in the global supply chains of some critical materials, including rare-earth metals, for economic and political influence. An abrupt drop of Chinese supply of critical industrial materials to countries with which it is engaged in trade or diplomatic disputes represents another risk to global production and trade. In a severe scenario the EU, Japan, Brazil, India and the US could all be involved to various degrees in trade wars with China, causing significant disruption to global economic exchange and growth.

Made (but not always mined) in China

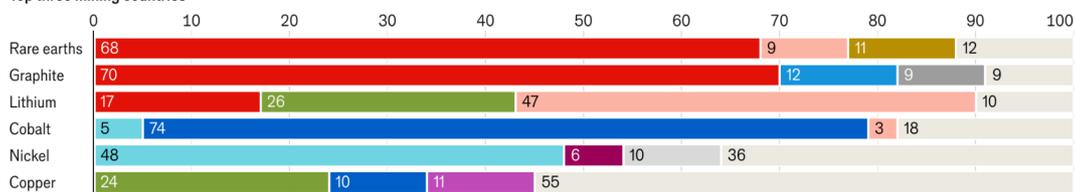
% of global output, 2022

China Chile Indonesia Russia Democratic Republic of Congo Australia Mozambique Peru US Finland Philippines Malaysia Madagascar Japan Argentina Canada Estonia Others

Top three processing countries



Top three mining countries



Source: International Energy Agency; USGS; EIU.

Note. Hover to see country values. Copyright © The Economist Intelligence Unit 2025. All rights reserved.

Impact

The outbreak of a multilateral global trade war, which differs from a unilateral rise in US tariffs on its trading partners, would severely undermine global goods demand, investment and industrial production, leading to much slower growth or even economic recession for countries integrated in the global manufacturing supply chain, as well as significant financial market volatility. If China decides to expand and prolong its restrictions or block exports of raw materials that are critical to semiconductors, clean energy and automobile sectors (such as rare earths and graphite), this could cause shortages of such materials after Western companies exhaust their inventory. This would in turn undermine high-tech production and research in the West. Trade wars between the US and its allies like Germany, France, Japan, South Korea and Australia could complicate co-operation in other areas like security and supply-chain investment. With major economies choosing to follow suit by introducing higher tariffs on imports across the board, the ensuing disruptions would dampen global trade flows and could lead to a sharp slowdown in the global economy. Competitive currency devaluations as countries seek to protect their export shares are also possible.

Mitigation

Companies should expand their monitoring of trade policies and changes beyond the focus of the US administration. It is crucial to understand and evaluate the impact of announced and potential changes in major economies' tariff regime and non-tariff tools that affect external trade. Companies are also advised to adjust their investment, procurement and sourcing, production allocation and staffing plans to a new global setting of elevated uncertainty and volatile policy changes in the next two years. Contingency plans should account for potential increases in tariff, production and shipping costs, and disruptions to global value chains. Advance stockpiling and localisation of production in end-markets may offer limited protection.

Re-evaluation of the AI sector causes a US stockmarket crash and investment slump

[World](#) | [Financial risk](#)

February 25th 2026

Financial risk scenario

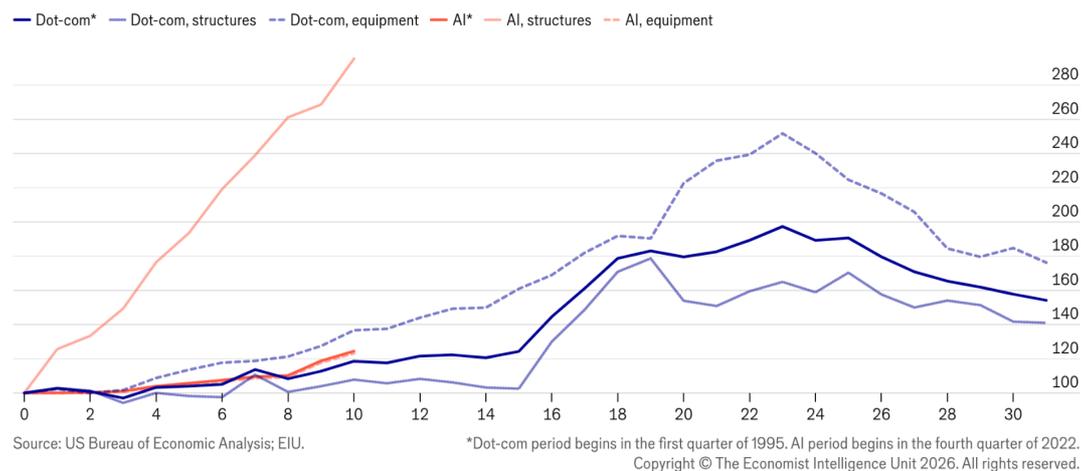
Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
12	Moderate	High

Context

Strong growth in the tech industry supercharged business investment and pushed the US stockmarket to historic highs in 2025. Although progress has been made in applying and commercialising AI tools and raising productivity in the process, it has so far failed to match the ambitious investment trend and valuations in the industry. There is also an increasing discrepancy between the booming Wall Street and the slowing Main Street as the US economy starts to show signs of weakness. The US equity market is also highly concentrated at the moment, with the top ten companies accounting for about 35% of total capitalisation. Most of these are tech companies. Their valuation is based on growth prospects rather than current profitability, which leaves them vulnerable to shifts in industrial development.

AI investment is tracking the dot-com period

Real investment, by technology cycle and category; start = 100*
Quarters since start of the boom



Trigger

The risk of a AI-triggered stockmarket crash will be moderate in 2026 but it will increase in the outlook period. Big tech companies are in a fierce race to build data centres and develop AI. The enormous sum of capital expenditure on AI infrastructure, including data storage, computational power and servicing software, has weakened these companies' cash flows, and increasingly led them to debt issuance and private credit funds (which typically raise funds through bank loans). Crucially, despite the promised benefits of mass-scale application of AI tools and productivity gains, the gap between the AI industry's profitability and its required return on capital remains wide. The core part of data centres is the processors—graphic processing units—and they have a replacement cycle of just three or four years as a result of fast technological advancement. The resulting high requirement for return on capital means that companies that are engaging in large-scale data centre building will eventually face investor calls for profitability. If such demand cannot be met, a re-evaluation of the industry could follow, triggering a stockmarket crash. Separately, the growing exposure of big tech companies to the private credit market as they increase debt issuance to finance ambitious plans for processors' acquisition, data centre building and AI development adds another layer of financial risk. High AI-related leverage sets up direct linkage between the tech industry and the bond market, which will in turn magnify the impact of a potential bursting of the AI bubble.

Impact

The applicability, profitability and impact of AI tools vary across industries and companies. As the race of introducing and commercialising new AI tools becomes more fierce, we expect a shift from tidal rises in valuation across the industry to a more competitive landscape where front-runners reap the benefits of new applications at the expense of competitors. A US stockmarket slump will have substantial repercussions across the US and global economies. According to a Gallup survey in May 2025, 62% of Americans own stocks. Equity also accounts for an important role in retirement savings funds and other investment portfolios. A stockmarket crash will quickly transmit into the real economy as household incomes, both current and expectations of future inflows, get hit, leading to a weaker propensity to spend. Investment in the AI industry has been a major driving force of US economic growth since 2024. Similarly, demand for AI-related microchips and other electronics has underpinned strong export growth across Asian economies. Therefore, a re-evaluation of the prospect of the AI sector and a plunge in investment would aggravate the drag on the economy across the global supply chain. The increasing linkage between AI investment and bank loans represents another layer of risk. If a setback in the AI industry leads to an abrupt rise in insolvency through the private credit funds, a liquidity crisis in the banking sector could be triggered.

Mitigation

Investors are advised to avoid over-concentration in the US stockmarket, particularly the tech companies. They should also

monitor the share of AI development financing through private credit linked to bank loans, as sustained, large increases in this domain would indicate reduced ability of tech companies to finance new capital expenditure through their own resources and greater exposure of the banking sector to the industry.

Sovereign debt stress in advanced economies triggers a global financial crisis

World | Financial risk

February 25th 2026

Financial risk scenario

Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5))
8	Low	High

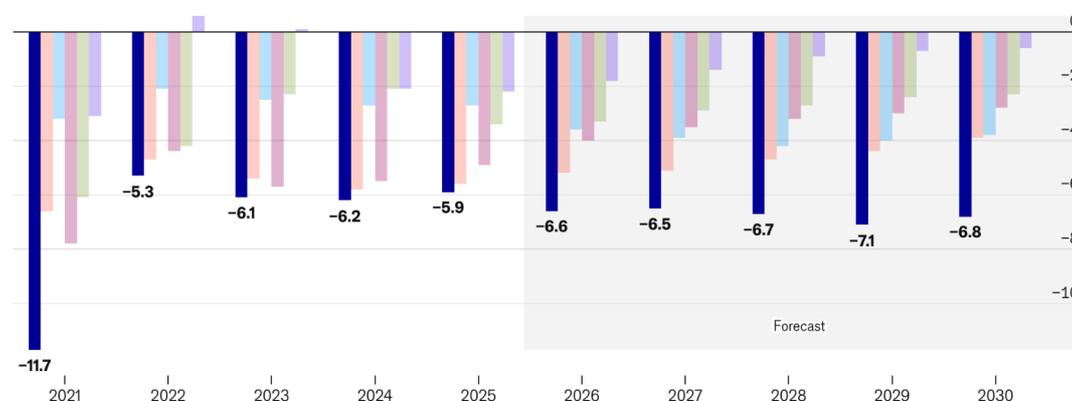
Context

Public debt has been creeping up across advanced economies since the covid-19 pandemic, with the public debt/GDP ratio reaching historic levels in many countries, including the US, Italy, France and Japan. It is unlikely that a significant sovereign debt consolidation is forthcoming. Most advanced economies face the challenge of an ageing population, which demands greater public spending on healthcare and social services while potentially reducing future tax revenue. The return of active war on the European continent and intensifying great power rivalry will continue to raise geopolitical tension and require increases in defence spending. Meanwhile, interest rates across the world have risen steeply from the historical lows during the pandemic, as central banks shifted focus to inflation management, which in turn makes debt servicing more costly.

The US stands out among advanced economies for fiscal deficit size

Budget deficit; % of GDP

■ US ■ France ■ Germany ■ UK ■ Japan ■ Canada



Source: National ministries; EIU.

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Trigger

One of the triggers of a global sovereign debt crisis could be a technical default by the US government. The unfunded tax cuts and continued high demand for public spending on defence, healthcare and social welfare mean that the US government will remain reliant on borrowing to finance its budget. This brings the risk of US default on its sovereign debt repayment commitments as government borrowing reaches the limit set by Congress. Although the Republican Party controls both houses of Congress, its different factions, including the MAGA ("Make America Great Again") camp and traditional conservatives, have different spending priorities and hold varying views on fiscal prudence. Such diverging views on fiscal policy present the risk of failure to reach an agreement on raising the government debt ceiling, potentially triggering a technical default on US debt. Japan and European countries, including France and Italy, represent another source of risk as investors demand higher risk premia in response to the growing fiscal conundrum in these economies, as various policy areas demand higher public spending even as deteriorating technological and export competitiveness and worsening demographic profiles limit economic growth.

Impact

A US sovereign default, even if technical in nature, would cause havoc in financial markets. It would raise short-term funding rates and lead to a shortage of liquidity. A prolonged failure to resolve the default would trigger a broad-based sell-

off of equity and fixed-income assets, spreading into the housing market via surging mortgage rates and hurting household spending in the US. The ensuing systemic rise in global borrowing costs due to surging risk premiums would also challenge emerging-market debt-servicing capabilities, which, combined with an economic downturn in the US, could cause a global recession. Market turmoil will also spur a rush into safe-haven assets, including gold, digital currencies, Japanese yen and select advanced economies' bonds, resulting in a drastic unwinding of US asset positions and triggering an abrupt devaluation of the US dollar.

Mitigation

Firms should follow the US government's proposed changes to taxation and public spending plans, and monitor the US Treasury's plans for new bond issuance. Companies could adopt hedging measures to safeguard against volatility in the US dollar exchange rate, and ensure risk control and mitigation in emerging markets.

Automotive

World | Automotive

November 30th 2025

The global automotive industry has suffered multiple setbacks in recent years, including the covid-19 pandemic and military conflicts in eastern Europe and the Middle East, as well as geopolitical and trade tensions between China and the West. Now, however, the automotive sector is in the midst of another major challenge, after Donald Trump, the US president, raised that country's import tariffs to 25% for imported cars from April 2025, for auto parts from May 2025 and for commercial vehicles, buses and associated components from November 1st 2025. There are big exceptions: the EU, Japan, the UK and others have negotiated reduced rates of 10-15%, while trade conducted under the US-Mexico-Canada Agreement (USMCA) is exempt. Even so, the tariffs will still prove hugely disruptive to automakers and their globally integrated supply chains over the forecast period.

At the same time, Mr Trump's moves to roll back many of the environmental policies put in place by his predecessor, Joe Biden, are raising questions over the industry's ongoing transition to electric vehicles (EVs). US subsidies for EVs ended in September 2025 and are unlikely to be reinstated unless there is a change of administration over the forecast period. The EU is also coming under increasing pressure to loosen its targets for EV adoption and emissions cuts, including its 2035 deadline to phase out sales of new internal combustion engine (ICE) vehicles. It, along with the US, has also raised import barriers, particularly for EVs made in China. These policy changes are likely to slow the rollout of EVs, particularly in the US, and have forced EIU to cut its forecasts for EV sales. However, we believe that the electrification of road transport will continue, with Chinese EV-makers playing an increasingly dominant global role as they expand exports and (helped by subsidies) bring costs down.

These trends, combined with the pandemic, have already resulted in a period of considerable volatility in global new-vehicle sales. In the 60 geographies covered by this report, new-car sales were up by 11.2% year on year in 2023 and by 3.4% in 2024, reversing the pandemic-driven slump of 2020. We estimate that 2025 growth will come in at a relatively robust 4.7% despite the disruption caused by the tariffs. This means that annual unit sales have not only surpassed their 2019 levels, but are also close to matching the records set in 2017. The recovery was propelled partly by stronger-than-expected economic growth in the US, but mainly by still-strong sales of EVs. Global sales of new commercial vehicles and buses (CVs) have also surpassed pre-pandemic levels but fell by an estimated 5.0% year on year in 2025.

Over our five-year forecast period, sales growth will be positive but subdued, given the shock that Mr Trump's tariffs have given to the global economy. In 2025-29 we foresee new-car sales rising at a compound annual growth rate (CAGR) of 4.1%, with sales of new CVs reporting a much weaker CAGR of 1.1%. These forecasts are subject to considerable downside risks, given the huge uncertainty surrounding the global economy. The impacts of tariffs, including the costs of rerouting supply chains and shifting production, will eventually have to be passed onto consumers in the form of higher vehicle prices, dampening sales, while barriers to EV adoption will add further pressure. Even so, by 2029 total annual new-vehicle sales, at about 109m units globally, will be far higher than their 2017 peak of 95m units.

World automotive industry

Combined totals for the world's 60 biggest markets, as of November 2025

	2023	2024	2025	2026	2027	2028	2029
New passenger-car registrations (m)	62.6	64.6	67.7	70.5	73.1	76.3	79.2
% change	11.2	3.4	4.7	4.2	3.7	4.4	3.7
Stock of passenger cars per 1,000 population	191.6	195.2	199.0	203.4	207.9	213.0	218.4
New electric-vehicle registrations (m)	13.6	17.2	19.9	21.1	23.1	25.4	28.1
% change	34.5	26.2	15.7	5.8	9.8	9.7	10.8
New commercial-vehicle registrations (m)	28.2	28.6	27.2	27.5	28.2	29.1	30.2
% change	13.0	1.4	-5.0	1.1	2.8	3.2	3.8
Patrol consumption (m tonnes)	1070.7	1087.6	1074.4	1088.6	1102.2	1117.0	1088.7

Per-capita consumption (in tonnes)	1072.7	1087.0	1074.4	1088.0	1103.3	1117.2	1088.7
% change	0.8	1.4	-1.2	1.3	1.4	1.3	-2.6

Source: EIU.

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Despite our reduced forecast, EV sales will remain a major driver of growth, reporting a robust CAGR of 10.3% in 2025-29. However, the changed policy environment, combined with buyers' continuing anxieties about range, prices and poor charging infrastructure, is discouraging many carmakers from continuing their heavy investment into EV rollouts. Nearly every major carmaker has slowed their EV model plans, while Porsche (Germany) and Volvo (Sweden) are among those to have cancelled plans for full electrification. Instead, some will double down on investment into ICE engines, but we also expect strong sales of hybrid vehicles. The rollout of self-driving vehicles will also continue to disappoint expectations, but robotaxis in particular will become increasingly common. Meanwhile, the integration of artificial intelligence (AI) across the value chain, particularly into production and logistics, will gather pace. Here, too, carmakers will be forced into difficult decisions as they try to navigate US-China trade barriers over inputs such as semiconductors, as well as the need for customisation and control of their in-car technology.

As they cope with trade uncertainties, technological changes and the fitful shift to EVs, carmakers will also have to navigate longer-term trends. These include population ageing and growth, new models of financing car sales, the expansion of internet sales networks and changing consumer attitudes. Catering for demand on a flexible basis will be difficult given geopolitical tensions around trade, which are only likely to increase as China's carmakers make further inroads into international markets.

Key forecasts

- The automotive industry faced considerable uncertainty during 2025 amid a global trade war. We estimate that sales of new CVs fell by 5.0% for the year, although new-car sales rose by 4.7%, propelled by EVs.
- Over the 2025-29 forecast period, we expect new-car sales to rise at a CAGR of 4.1% and sales of new CVs and buses to rise at a CAGR of 1.1%. By 2029 total new-vehicle sales will reach a record of 109m units, around 15% more than their pre-pandemic peak.
- Policy backtracking, notably in the US, will slow electrification of the new-car market and the shift away from ICE vehicles. We have reduced our forecasts for EV adoption. Even so, we forecast that global sales of new EVs will rise from 17.2m units in 2024 to 28.1m units by 2029, with China accounting for over half of sales.
- The EV transformation will continue to reshape global competition within the car industry, with Chinese carmakers, led by BYD, gaining global market share at the expense of incumbents. However, governments in the US, EU and elsewhere will continue to raise trade barriers to incentivise local investment and protect domestic industries.
- Trade barriers will force carmakers into difficult decisions about where to expand or maintain production capacity, how to redirect supply chains, and what technologies to incorporate into their vehicles and production processes. However, the adoption of self-driving technology, robotics and artificial intelligence will continue, albeit fitfully.
- Risks to our forecast are mainly on the downside, amid geopolitical and trade tensions, changes to the energy transition and supply chains, and uncertainty in both consumer and business spending.

Consumer goods

[World](#) | [Consumer goods](#)

July 15th 2025

In late 2025, when EIU published [What to watch in 2025: consumer goods & retail](#), it expected global retail sales to expand by 2.3% in real (or volume) terms in 2025, the fastest rate since 2021, underpinned by slowing inflation. Things have since taken a slight turn for the worse, especially with slower consumption growth in the US amid the policy uncertainties under the new administration of Donald Trump, which have more than offset any benefits arising from increased government stimulus to boost consumption in China. An economic slowdown in the US and China, combined with trade disruptions, will have repercussions across the world. Consequently, we now expect real growth in retail sales volume to slow slightly to 2% in 2025. Risks to our forecast, however, remain high. We will monitor consumer spending and unemployment in major markets in the second half of 2025, and adjust our forecast accordingly.

Energy

[World](#) | [Energy](#)

June 10th 2025

Trade wars and policy uncertainty are weighing on the world economy and creating volatility in energy markets. Rising protectionism is leading to a global environment of weaker growth and reduced productivity. EIU expects the global economy to grow only by 1.9% in 2025, with the US slipping into recession. Energy consumption will feel the weight of a sombre economic outlook, and growth will decelerate to 1.2% in 2025 from 1.6% in 2024.

Amid slowing global activity and increased supply from OPEC+, crude oil prices are also projected to fall, to an average of US\$65.1/barrel in 2025-26, below earlier estimates.

Energy demand in Asia will grow at about 1.6% in 2025, down from 2.4% in 2024, as trade wars have an impact on an already weakened China's economy. In the US, growth will be tepid at 0.4%, while Europe's energy consumption will continue what is now a long-term downward trend.

We expect energy consumption to increase by 2% in the Middle East and Africa this year—similar to 2024—and by 1.5% in South America, a slowdown from 2% in 2024.

During our forecast period (2025-34), energy consumption will continue growing in Asia (at 1.6% in average per year), the Middle East and Africa (1.7%), and South America (1.4%), and remain almost flat in North America (0.4%) and Europe (-0.2%).

Global natural gas consumption will increase by 1.3% in 2025, mainly supported by strong demand in Asia (where consumption will grow by 2.6%) and the Middle East and Africa (2.5%). Pushed by higher consumption for power generation, natural gas demand will also expand in South America (1.6%). In North America it will remain barely flat (0.5%), as economic headwinds affect consumption in the residential and industrial sectors. Gas demand in Europe (excluding Russia) has finally stabilised, after declining sharply in 2022-23 owing to the supply crunch caused by Russia; however, we do not expect gas consumption in Europe to return to pre-war levels during our 2025-34 forecast period—although not our core forecast, a thaw in the EU-Russia relations could drive rapid demand growth if Europe incentivises imports of cheap natural gas from Russia.

Long-term support for natural gas demand will come from Asia, where it will expand by an annual average of 2.9% in 2025-34, mainly driven by the industrial sector and some replacement of coal by gas in the power generation sector. Global gas demand will increase by an annual average of 1.6% in 2025-34.

Global coal demand will remain flat in 2025, after growing marginally in 2024. Although coal demand will rise in the US, supported by favouring policies from the administration of Donald Trump, the US president, it will slip slightly in China on the back of weak demand from the industrial and power-generation sectors.

We have revised up our long-term forecast for coal global demand, and now expect it to remain flat until 2029 and to decline slightly thereafter, whereas we previously expected it to peak in 2026. This revision is on the back of a slower than anticipated phasing out of coal use in power generation in China and renewed support for coal consumption in the US.

We forecast that oil consumption will grow by just 0.4% in 2025, as a weak economy and increased EV penetration hit demand. It will remain largely flat during our forecast period, as consumption in Asia stagnates amid rapid adoption of EVs in China, where we forecast that oil demand will peak in 2027. Owing to the effect of the new US policies of the Trump administration, we have revised up our forecast for oil demand in the US, and expect it to remain flat during our forecast period rather than decline slowly.

Demand in Europe will decline, albeit slightly, every year of our forecast period. On the other hand, the Middle East and Africa (1.4% per year in average over 2025-34) and South America (1%) will continue supporting growth, as well as India, which will be the main driver of global oil demand growth in the next ten years.

As a big part of the fight against climate change is to expand the electrification of the economy, we expect power consumption to increase worldwide during our forecast period, at an average of 2.6% per year, with Asia accounting for most of that growth.

Adoption of renewable energies will continue to expand steadily. We expect that combined solar and wind capacity will grow by about 440 GW globally in 2025—of which 340 GW will be of solar photovoltaic and about 100 GW wind. This, although impressive by historical levels, is 90 GW less than in 2024, when China installed 277 GW of solar power.

As usual, most of the new capacity will be in Asia (77% of total solar and 74% of total wind). North America will install about 9% of total solar and 5% of total wind, while Europe will install 8% of total solar and 14% of the global wind capacity. The Middle East and Africa, and South America will lag far behind.

We expect capacity additions to remain at high levels of about 430-480 GW per year during our forecast period, of which 320-350 GW will be of solar and 100-130 GW will be of wind. Asia will remain the largest market, representing 82% of total solar additions and 72% of wind capacity additions in 2034.

The energy crisis has prompted some governments to rethink their plans to phase out nuclear power, as sentiment shifted in favour of reliable energy supplies. Although this renewed interest has had only a limited impact on nuclear investments in Europe and the Americas so far, several new nuclear projects are being developed in Asia. As global nuclear installed capacity expands, we forecast that global power generation from nuclear energy will grow steadily during our forecast period, at about 2.5% per year in 2025-34.

Efforts to decarbonise outside the electricity sector have been slower. For the industrial and transport sectors, governments and companies will need to accelerate the rollout of electric vehicles (EVs), and encourage the adoption of electric heat-pumps and alternatives for industrial use. We currently expect only five of the 65 countries covered by our EV forecasts to end the sale of new fossil-fuel cars by 2034.

Despite the bullish outlook for renewables, the global energy mix remains heavily reliant on fossil fuels (oil, gas and coal), which will account for an estimated 81% of total energy consumption in 2025. Our forecasts suggest that this will drop only marginally to 77% by 2034.

We expect that coal will be the largest source of electricity in 2025 (35% of total) and over our forecast period, accounting for 30% of total electricity globally by 2034. Natural gas will remain the second-largest source, accounting for about 20% of the total.

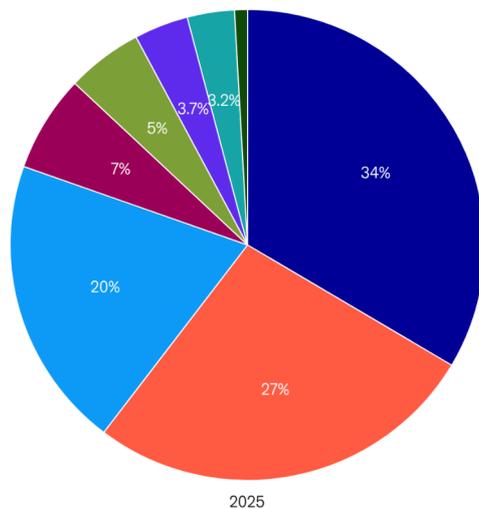
Massive growth will make solar the third-largest source (with its share rising from 7% in 2025 to 14% by 2034), followed by

wind (rising from 9% to 13%), hydro (falling from 13% to 12%) and nuclear (holding steady at 9%). By 2034 the global electricity mix will be split evenly between fossil fuels and non-CO2-emitting sources.

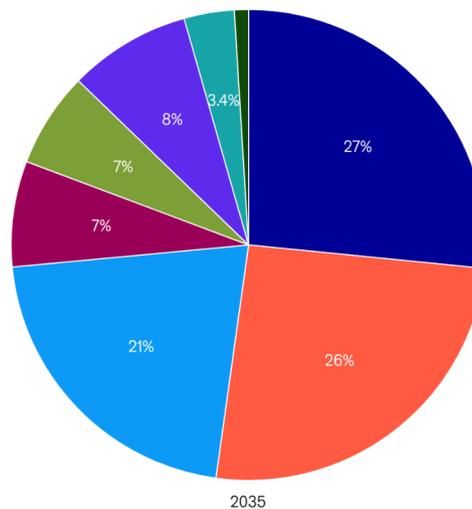
'Fossil fuels will remain the largest energy source

Energy consumption by source; %

■ Coal ■ Petroleum products ■ Natural gas ■ Combustible renewables and waste ■ Nuclear ■ Solar/wind/other ■ Hydro ■ Geothermal



Source: EIU.



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Key forecasts

Gross domestic energy consumption in the 69 countries covered by our service will increase by an annual average of 1.1% in the ten-year forecast period.

Global coal consumption is expected to peak in 2029, two years later than China in 2027. However, it will still account for a quarter of the energy mix by 2034. Most of the decline will be in Europe and North America, whereas countries such as India, Indonesia, Pakistan and Russia will increase their use of coal.

Supported by the decline in coal use, consumption of natural gas will grow at about 1.6% per year during the forecast period. We expect that natural gas will represent about 25% of total energy consumption by 2034.

We forecast that oil demand will grow at an average annual rate of 0.5% between 2025 and 2034. However, the share of oil in total energy demand will decline slightly during the forecast period, from 28% in 2023 to 27% in 2034.

Consumption of renewable energy will grow strongly between 2025 and 2034. Power generation from solar energy will grow at about 11% annually, and power generation from wind will expand at about 8% per year. Generation from hydropower and from geothermal sources will also grow, albeit slowly.

Power generation from nuclear energy will grow at a rate of about 2.5% per year during the forecast period. Nearly half of the nuclear reactors currently being constructed are located in China; India's nuclear capacity will also expand substantially.

Global electricity consumption will increase at an annual rate of 2.6% between 2025 and 2034, and will be strongest in Asia, followed by South America and the Middle East and Africa.

Financial sector

World | [Financial services](#)

August 28th 2025

The global financial services industry, which has broadly prospered as interest rates rose, now faces a reversal as policy rates go into decline in many markets, including the US. Banking margins will compress from end-2025, and the generous dividends offered to shareholders during the high-rate period are likely to fall substantially. However, bank profitability will be supported by fee-based income from trade finance and M&A deal commissions. We believe that bank failures will remain rare given the substantial increase in capital reserves since the global financial crisis of 2008.

The deadline for full compliance with Basel III regulations, applicable to the world's largest and systemically important banks, was originally January 1st 2025, but implementation has been patchy. The US and the UK have already reduced their capital requirements. The EU has largely proceeded with the deadline but pushed back certain rules, such as those for market risk, until at least 2027. Deadlines are also likely to be delayed in several countries, with compliance occurring at different points in time.

The global payments landscape is undergoing a dramatic transformation. Digital payments are no longer an alternative mode of payment but now constitute the majority of online spending, driven by a decade of innovation from leaders like Alipay and PayPal. This shift has given rise to new threats to traditional payment systems, with Buy Now, Pay Later (BNPL)

services challenging credit cards at the point of sale and stablecoins disrupting cross-border payments. Regulators worldwide are responding to this evolution, with new frameworks being developed for both BNPL and stablecoins. Asia has led in interlinking fast payment systems, while the EU and US have enacted laws to regulate stablecoins, signaling a major move towards a digital-first financial ecosystem.

Insurers will grapple with tepid growth in their main developed markets while endeavouring to diversify into more promising emerging markets. Rising claims and payouts related to extreme weather events will prompt some insurers to exit high-risk areas entirely. Life insurers will thrive, however, as expanding middle classes in developing countries seek savings and protection policies; they will also demand coverage for new homes and vehicles.

An emphasis on fiscal prudence around the world means that rich countries will trim state healthcare and pensions, while developing nations will avoid creating welfare states comparable to developed countries. Over time this will open up space for private insurers and fund managers. However, risk aversion among investors and a growing appetite for low-cost products such as exchange-traded funds will reduce the margins of active fund managers. The sector will also shift markedly to the east as fast-rising incomes in emerging Asia drive demand for new savings products.

Global financial markets are growing, but face headwinds from rising geopolitical polarisation and protectionist policies. US equities have been resilient to policy risks with the strong performance of technology stocks compensating for weakness in manufacturing sectors such as automotive. London is losing its financial hub dominance, but Hong Kong is regaining its status as a major market for initial public offerings (IPOs) while China's secondary market is surging. Significant stress is emerging in bond markets due to US fiscal debt and a jump in corporate debt defaults.

World financial services industry*

	2023	2024	2025	2026	2027	2028	2029
Total loans by financial industry (US\$ trn)	144.3	147.2	161.7	169.4	181.4	196.1	192.9
Loans by financial industry (% of GDP)	146.5	143.5	151.8	151.0	153.2	159.4	149.7
Deposits in banking system (US\$ trn)	111.0	111.7	120.1	126.0	132.5	139.9	147.5
Bank loans outstanding (US\$ trn)	105.9	106.2	114.9	120.6	127.0	134.3	142.2
Bank loans (% of bank assets)	59.3	58.9	59.1	59.2	59.3	59.5	59.7
Bank loans (% of bank deposits)	95.4	95.1	95.7	95.7	95.9	96.0	96.4
Total personal disposable income (US\$ trn)	56.9	60.5	63.4	67.2	70.7	73.5	77.1
Number of high net worth households (m)	38.5	41.0	43.7	48.4	52.7	55.8	58.5
Number of bankable households (m)	1100.9	1120.0	1154.9	1206.3	1246.3	1288.2	1328.0
Financial industry lending per household (US\$ '000)	82.8	83.3	90.4	93.6	99.2	106.4	103.8

Source: EIU.

Note. 2025-29 values are EIU forecasts.

*World refers to sum of 60 countries covered in EIU's industry service.
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Healthcare

[World](#) | [Healthcare policy](#) | [Healthcare](#)

April 14th 2025

The surge in healthcare spending prompted by the covid-19 pandemic has now ended in most countries. EIU estimates that, even though funding for covid-19 care and vaccinations fell in 2022-23, inflation continued to propel global healthcare spending upwards in nominal US dollar terms. However, high inflation meant that health spending fell in real terms in both years. Although inflation eased during 2024, so did health spending, rising by just 3.1% in US dollar terms across the 60 countries covered by our forecasts. This points to yet another fall in real terms. Given the strong demand for care, ageing populations, higher input costs and the wage demands of health workers, many healthcare systems came under increasing strain.

We expect this to remain the case in 2025, when growth in global health spending will be constrained by slower economic growth as a result of the trade war, as well as cuts in US aid funding. Governments will also be under fiscal pressure amid a need to reduce debt and to increase spending on defence. Although these factors will persist into 2026, health spending will start to accelerate again over the rest of our five-year forecast period as the problems of population ageing come to the fore and new health technologies are deployed. We currently expect healthcare spending to rise at a compound annual growth rate (CAGR) of 4.7% in 2025-29. However, this forecast is under review as the impact of US trade tariffs on the 60 economies included in this report becomes clearer, with considerable downside risks.

Pharmaceutical sales will grow at a CAGR of 4.6% in 2025-29. Having risen to the challenge of meeting global demand for covid vaccines and treatments, pharmaceutical companies now find themselves facing a major challenge from US trade policy. As of April 8th 2025, most pharmaceuticals and active pharmaceutical ingredients are exempt from tariffs, but the threat of future tariffs remains high. While we do not expect the US administration to introduce blanket tariffs on pharmaceuticals, it may well introduce more targeted ones, as well as other measures to force US drugmakers to return

production (and tax payments) to the US. On the upside, diabetes and weight management remain huge growth drivers for the pharmaceutical industry, although oncology will continue to be the biggest disease area. We also expect more advances in personalised medicine, AI-driven diagnostics and gene editing.

With budgets stretched, pharmaceutical companies will be under pressure to cut prices and improve their gathering of cost-effectiveness evidence. Geopolitical debates over supply chains and intellectual property rights will increase as the effects of the global trade war feed through. We expect US-China tensions over biotechnology to increase, while the EU will struggle to maintain its dominance of global trade in patented drugs.

Key forecasts

- Healthcare expenditure has been volatile in the wake of the pandemic. We estimate that total current health expenditure in the 60 countries covered by our data rose by 3.1% in US dollar terms in 2024, down from 5% in 2023. The slowdown reflected lower inflation as well as increasing fiscal pressures as governments try to increase spending on defence. However, in real (inflation-adjusted) terms, global health spending continued to fall.
- As a result of the slowdown, we estimate that healthcare spending accounted for 10.2% of global GDP in 2024, down from a peak of 11% in 2020. The decline affected North America the most, with health spending's share of the economy falling from 17.6% in 2020 to 15.4% in 2024. Europe and South America also saw substantial drops, while Asia-Pacific saw a smaller decline. The share of GDP devoted to healthcare rose in the Middle East, however, as governments and companies reinvested earnings from higher oil prices.
- We expect growth to pick up only slightly to 3.6% in 2025, still below the projected rate of consumer price inflation. Over our five-year forecast period health spending will expand at a CAGR of 4.7% a year in nominal US dollar terms as countries try to catch up with demand for non-covid care and cater to the demands of ageing populations. However, this forecast remains under review as we assess the impact of new US tariffs on the global economy, with considerable downside risks.
- Many healthcare systems will remain under strain from strong demand for care, recruitment difficulties and demands for higher wages from existing staff. Reforms aimed at expanding access to care were derailed by the pandemic in many countries, and continue to falter amid economic and political turmoil. We expect governments to focus on improving efficiency and cutting costs, at least during the first two years of the forecast period.
- Pharmaceutical spending will rise at a CAGR of 4.6% in US dollar terms over the five-year forecast period. Although pharmaceuticals are currently exempt from US tariffs, companies will come under pressure to increase production in the US, which remains the world's biggest pharmaceutical market by far. However, we expect investment in the sector to be subdued amid the policy uncertainty.
- The biggest opportunities in 2025-29 will be in obesity medications, rare disease drugs and cell and gene therapies, as well as opportunities involving the use of mRNA technology. Developments in artificial intelligence (AI) will accelerate drug discovery and diagnosis, and will increasingly be used to monitor supply chains and care delivery.

World healthcare expenditure

EIU estimates and forecasts for aggregate of 60 major economies

	2023	2024	2025	2026	2027	2028	2029
Healthcare spending (US\$ trn)	10.4	10.7	11.1	11.7	12.4	12.9	13.5
Healthcare spending (US\$ per head)	1,628	1,665	1,715	1,792	1,885	1,951	2,042
Healthcare spending (% of GDP)	10.3	10.2	10.3	10.4	10.4	10.3	10.3
Expenditure by source							
Public/compulsory healthcare expenditure							
Public/compulsory healthcare expenditure (US\$ bn)	7,858	8,127	8,427	8,846	9,316	9,640	10,112
Public/compulsory healthcare expenditure (% change)	5.5	3.4	3.7	5.0	5.3	3.5	4.9
Public/compulsory healthcare expenditure (% of total healthcare spending)	76.2	76.6	76.4	76.4	76.4	76.0	75.9
Government schemes expenditure							
Government schemes expenditure (US\$ bn)	3,070	3,179	3,290	3,451	3,639	3,778	3,980
Government schemes expenditure (% change)	3.9	3.5	3.5	4.9	5.5	3.8	5.3
Government schemes expenditure (% of public/compulsory health expenditure)	39.1	39.1	39.0	39.0	39.1	39.2	39.4
Private healthcare expenditure							
Private healthcare expenditure (US\$ bn)	2,451	2,483	2,592	2,723	2,872	3,036	3,210
Private healthcare expenditure (% change)	4.8	1.3	4.4	5.0	5.5	5.7	5.7
Private healthcare expenditure (% of total healthcare spending)	23.8	23.4	23.5	23.5	23.6	23.9	24.1
Out of pocket expenditure							
Out of pocket expenditure (US\$ bn)	1,749	1,772	1,864	1,957	2,074	2,193	2,318

Out of pocket expenditure (% change)	5.4	1.3	5.2	5.0	6.0	5.7	5.7
Out of pocket expenditure (% of private health expenditure)	71.3	71.4	71.9	71.9	72.2	72.2	72.2
Out of pocket expenditure (% of total healthcare spending)	17.0	16.7	16.9	16.9	17.0	17.3	17.4
Voluntary insurance expenditure							
Voluntary insurance expenditure (US\$ bn)	709	711	728	766	798	844	892
Voluntary insurance expenditure (% change)	3.9	0.2	2.5	5.2	4.2	5.7	5.7
Voluntary insurance expenditure (% of private health expenditure)	28.9	28.6	28.1	28.1	27.8	27.8	27.8

Source: EIU; based on data from OECD and World Bank.

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Telecommunications

World | [Tech and telecoms](#)

July 14th 2025

World telecoms and technology industry

	2020	2021	2022	2023	2024	2025	2026	2027	2028
Telephone main lines (m)	842.1	831.2	813.3	798.4	784.2	776	768.9	761.9	755.2
Telephone main lines (per 100 people)	13.3	13.1	12.7	12.4	12.1	11.9	11.7	11.6	11.4
Mobile subscribers (m)	6,843.6	6,977.8	7,102.1	7,228.8	7,417.7	7,607	7,828.1	8,060.7	8,291.8
Mobile subscriptions (per 100 people)	108.2	109.7	111.1	112.4	114.6	116.9	119.6	122.5	125.4
Internet users (m)	3,993.2	4,231.1	4,454.1	4,791.1	5,094.4	5,340.3	5,578.2	5,775.4	5,902.3
Internet users (per 100 people)	63.2	66.5	69.7	74.5	78.7	82	85.2	87.8	89.3
Broadband subscriber lines (m)	1,167.3	1,263.9	1,347.8	1,420.7	1,517	1,611	1,708.1	1,815.7	1,926.9
Broadband subscriptions (per 100 people)	18.5	19.9	21.1	22.1	23.4	24.8	26.1	27.6	29.1
Personal computers (per 100 people)	46.7	46.8	46.9	47.1	47.2	47.2	47.2	47	46.8
Packaged software sales (US\$ bn)	700.1	802.8	888.3	994.6	1,121.4	1,272.8	1,444.7	1,638.6	1,854.9
IT hardware spend (US\$ bn)	1,220.7	1,458.7	1,448.2	1,444.8	1,584.2	1,710.1	1,811.2	1,910.6	2,008.5
IT services spend (US\$ bn)	734.1	789.2	802.2	833.5	862.9	906.5	954.6	1,005.4	1,058.4
Total IT spend (US\$ bn)	2,655.4	3,051.2	3,138.5	3,273	3,568.6	3,889.3	4,210.4	4,555	4,921.4
Total telecoms revenues (US\$ bn)	9,543.6	10,026	9,020.2	9,413.7	8,648.3	8,267.4	8,326.4	8,550.5	8,799.2

Source: EIU.

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Overview

Mobile and broadband subscriptions will continue to rise over EIU's 2025-29 forecast period, while fixed-line connections will fall in most countries covered in EIU's global telecommunications forecasts. We expect global GDP to expand by a tepid 2.1% in 2025, as trade barriers, climate change and technology advancements in developed economies will limit convergence for emerging markets.

Operators will continue to focus on the rollout of 5G networks during the forecast period. Boosting mobile broadband access in developing countries will be a priority for operators. At the enterprise level, the covid-19 pandemic has accelerated digital transformation. This will continue to spur investment in remote communications, cloud infrastructure, artificial intelligence (AI) and data analytics.

The launch of Open AI's ChatGPT in November 2022 has supercharged AI, making it much easier to use. Companies have been using different types of AI for many years, but adoption remains slow, as it needs to fit the business case rather than merely being used for the sake of it. After a period of experimentation, there will need to be a period of implementation, with returns on investment and productivity improvements at the forefront. So far 2025 has been the year of AI agents (or agentic AI), which are autonomous systems that can act on their own without human input. But there will be a time when the massive investments made in semiconductors will need to make a return; in 2025 Alphabet (Google), Amazon, Meta (Facebook) and Microsoft are planning to spend more than US\$325bn in capital expenditure (capex), mostly on AI.

The big five US tech players—Alphabet, Amazon, Apple, Meta and Microsoft—will continue to dominate in the overall tech, media and telecommunications (TMT) market. There will be continued political debate around their power.

The election of Donald Trump to the US presidency has had an impact on the tech sector. His administration has so far favoured innovation over regulation, and to allow free speech online as a guiding principle. Because Mr Trump wants the US to retain its primacy, this will have a global impact on allies and foes alike. However, potential tariffs on semiconductors and electronic products could create major headwinds to the sector.

Key forecasts

We expect mobile subscriptions to grow at an average annual rate of 2.8%, reaching 8.5bn by the end of the forecast period. Greater investment in mobile network infrastructure, and higher take-up of budget handsets and smartphones will boost mobile penetration to 128.4 per 100 people by 2029.

Macroeconomic and geopolitical conditions are having an impact on the sector. Digital transformation will remain a major driver, and we remain confident about the industry's long-term prospects. Over the forecast period 5G will continue to be developed through three major use cases—enhanced mobile broadband, fixed wireless access and the enterprise segment.

The development of advanced networks such as fibre will ensure continued high demand for fixed broadband, with the number of subscriber lines forecast to exceed 2bn in 2029.

Regulators and governments will continue to disagree with operators and tech companies over issues such as consolidation, regulation and taxation. The EU will be at the forefront, and conflict is likely with the US under the Trump administration.

AI has been at the forefront since the launch of ChatGPT in November 2022. The chatbot makes AI easier to use, but if it is to gain widespread adoption, the technology needs to fit the business case. Policymakers are also seeking to regulate AI, with the strictest regulation in the EU in the guise of the AI Act. The Trump administration will go the other way, clearly favouring innovation over regulation.

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London

Economist Intelligence
The Adelphi
1-11 John Adam Street
London, WC2N 6HT
United Kingdom
Tel: +44 (0) 20 7576 8181
E-mail: london@eiu.com

New York

Economist Intelligence
900 Third Avenue
16th Floor
New York, NY 10022
United States
Tel: +1 212 541 0500
E-mail: americas@eiu.com

Hong Kong

Economist Intelligence
1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: +852 2585 3888
E-mail: asia@eiu.com

Gurugram

Economist Intelligence
Skootr Spaces, Unit No. 1,
12th Floor, Tower B, Building No. 9
DLF Cyber City, Phase - III
Gurugram - 122002
Haryana
India
Tel: +91 124 6409486
E-mail: asia@eiu.com

Dubai

Economist Intelligence
PO Box No - 450056
Office No - 1301A
Aurora Tower
Dubai Media City
Dubai
United Arab Emirates
Tel: +971 4 463 147
E-mail: mea@eiu.com

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