ECONOMIST ENTERPRISE EIU VIEWPOINT

Informe con un solo clic: Mundo

25 de marzo de 2026

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Principales cambios en las previsiones desde el 25 de febrero.

- El ataque de Estados Unidos e Israel contra Irán provocó un fuerte aumento en los precios del petróleo y del gas natural licuado (GNL), perturbó las cadenas de suministro globales y agravó aún más la incertidumbre geopolítica, con importantes repercusiones en los mercados financieros mundiales. Los acontecimientos se desarrollan con rapidez. Las previsiones aquí descritas asumían un precio promedio del petróleo **Brent Blend de tan solo 87 dólares por barril en el segundo trimestre** . Una vez que Irán comenzó a tomar represalias contra la infraestructura energética regional y cerró el estrecho de Ormuz, los precios del petróleo y del GNL se dispararon aún más. En consecuencia, elaboramos una nueva base de referencia provisional para el precio del petróleo, en la que este alcanza un máximo de 111 dólares por barril en el segundo trimestre, y dos escenarios alternativos más elevados que reflejan una mayor escalada y un conflicto más prolongado.
- **Prevemos que el crecimiento global se desacelerará de un estimado del 2,8 % en 2025 al 2,7 % en 2026.** Esto refleja, en parte, la trayectoria de precios del petróleo más altos que asumimos a principios de mes, compensada por un desempeño ligeramente mejor en varias economías a finales de 2025, lo que habría resultado en revisiones al alza de las previsiones por país para 2026. La incorporación del nuevo escenario base de precios del petróleo más altos dará como resultado una mayor inflación y perspectivas de crecimiento más débiles cuando procesemos esa trayectoria en nuestra próxima ronda de pronósticos. **Nuestros escenarios alternativos de precios del petróleo sugieren que los riesgos para el crecimiento se inclinan claramente a la baja, y los riesgos de inflación se inclinan claramente al alza.**
- **Las perspectivas para los precios mundiales del petróleo han cambiado drásticamente, y no solo a corto plazo.** El repunte inmediato de los precios de la energía refleja las restricciones al paso de petróleo, GNL y productos refinados por el estrecho de Ormuz, así como los daños a la infraestructura energética en Irán y en la región del Golfo. Es probable que los precios de la energía se mantengan significativamente elevados durante algún tiempo mientras se restablece dicha capacidad. Si bien los productores marginales en otros lugares, como Estados Unidos, responderán a los precios más altos aumentando la producción, es improbable que este incremento sea suficiente para compensar la capacidad perdida en la región del Golfo en un futuro próximo. Además, el esfuerzo por reconstruir las reservas de petróleo agotadas durante la escasez actual contribuirá a mantener una prima en los próximos años.
- **El conflicto en Oriente Medio amenaza con provocar importantes perturbaciones en el crecimiento del comercio mundial.** La región no está integrada de forma significativa en las cadenas de valor globales, lo que significa que es improbable que las posibles interrupciones reproduzcan los problemas en las cadenas de suministro que afectaron al comercio mundial en 2021-22 (cuando los confinamientos por la pandemia y la escasez de buques portacontenedores dispararon las tarifas de flete marítimo y provocaron importantes retrasos en el transporte). En cambio, **las principales perturbaciones provendrán del aumento de los costes mundiales de la energía, el transporte, los fertilizantes y otras materias primas industriales importantes (como el helio), especialmente tras el cierre del estrecho de Ormuz por parte de Irán.**

Tendencias clave

- **La guerra en Irán condiciona plenamente el panorama económico.** El grado y la duración de la restricción del flujo de petróleo, GNL y otras materias primas importantes procedentes del Golfo determinarán los precios y, por ende, su impacto en la economía global. Es principalmente la conmoción en los precios de la energía la que impulsará la inflación y frenará el crecimiento. Sin embargo, ya hemos observado importantes repercusiones en los mercados financieros mundiales que también lastrarán el crecimiento. El 20 de marzo, los mercados bursátiles europeos habían caído cerca de un 10 % con respecto al 26 de febrero, y el mercado estadounidense en general, cerca de un 6 %, mientras que los rendimientos de los bonos habían aumentado globalmente en más de 30 puntos básicos.

- La guerra ya ha escalado más allá de lo que muchos esperaban inicialmente. Los iraníes, en lugar de limitarse a atacar a Israel y los intereses estadounidenses en la región, han emprendido una guerra contra la infraestructura energética como parte de una estrategia para provocar un impacto económico global tal que Estados Unidos e Israel decidan cesar sus ataques. Además, el cierre del estrecho de Ormuz a casi todo el tráfico está causando un daño económico adicional a los países del Golfo, con la esperanza de que estos aumenten la presión sobre Estados Unidos para que detenga los combates. El alza de los precios de la energía ha obligado a Estados Unidos a permitir la salida de petroleros iraníes del Golfo, y ha levantado las sanciones al petróleo iraní, como ya hizo anteriormente con algunos envíos de petróleo ruso. Por su parte, los iraníes están negociando con algunos países importadores para permitir el tránsito por el estrecho de suministros limitados de petróleo y GNL.
- Antes del inicio de la guerra, se preveía que los factores favorables superarían ligeramente a los adversos en 2026. Esperábamos que el crecimiento económico mundial se mantuviera relativamente estable en 2026-27, con un promedio anual del 2,8 %. Entre los factores favorables se incluyen políticas fiscales y monetarias de apoyo, así como la inversión y el despliegue de inteligencia artificial. Queda por ver en qué medida estas fuerzas podrán respaldar la resiliencia de la economía global ante la nueva crisis.
- Aún existen otros obstáculos, como la debilidad de la economía china, los elevados riesgos geopolíticos y de seguridad, y la naturaleza errática de la política comercial estadounidense. Sin embargo, el impacto de esta última parece estar disminuyendo; el ritmo de las nuevas medidas arancelarias estadounidenses se está ralentizando y cada vez hay más indicios de que Estados Unidos y sus socios comerciales están demostrando una mayor resistencia a sus efectos adversos.
- **El dólar estadounidense y los mercados financieros de EE. UU. parecen beneficiarse de una huida hacia activos refugio.** El dólar se fortaleció al inicio del conflicto frente a la mayoría de las monedas de las economías avanzadas, pero posteriormente se debilitó. Ha subido aproximadamente un 2 % en comparación con los niveles previos a la guerra. Los mercados de valores estadounidenses han tenido un mejor desempeño que los europeos. Prevemos que, una vez resuelto el conflicto, la reasignación de capitales hacia EE. UU. disminuirá o se revertirá, y el dólar reanudará una depreciación gradual.

Global forecast data

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March 25th 2026

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	3.4	3.4	3.3	3.4
Developed economies	6.1	3.0	1.7	1.8	1.9	2.0	1.7	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	2.7	2.8	2.7	2.8
Developed economies	6.0	3.0	1.6	1.7	1.8	1.8	1.6	1.8	1.8	1.9
Developing and emerging economies	7.0	4.0	4.4	4.1	4.1	3.9	4.2	4.0	3.8	3.9
North America	6.1	2.7	2.8	2.7	2.1	2.4	1.8	2.2	2.2	2.3
Europe	6.8	3.3	1.1	1.6	1.6	1.5	1.8	1.8	1.6	1.8
Euro area	6.4	3.7	0.5	0.9	1.4	1.2	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	2.4	2.3	2.4	2.4
Middle East	4.5	7.1	2.1	2.0	2.1	1.9	3.8	3.2	3.1	3.2
Africa	4.0	4.0	3.0	3.3	4.0	4.3	3.7	3.7	3.8	3.8
Inflation (av; %)										
World	6.9	9.8	8.3	6.4	5.1	5.3	4.3	3.9	3.5	3.4
Developed economies	3.0	7.0	4.5	2.7	2.5	2.5	2.3	2.0	2.0	2.0
Developing and emerging economies	10.4	12.2	11.5	9.6	7.3	7.7	6.0	5.4	4.8	4.6
Trade in goods (%)										
World	10.5	3.6	-1.1	2.4	4.5	2.2	2.5	2.5	2.5	2.2
Developed economies	10.6	4.7	-2.8	1.0	4.0	1.6	2.1	2.1	2.0	2.0
Developing and emerging economies	10.1	1.4	2.6	5.2	5.4	3.5	3.3	3.5	3.3	3.2

Global overview

Mundo | Estructura económica

March 25th 2026

El crecimiento mundial se estancará en medio de una nueva crisis en el suministro de energía.

La principal fuente de tensión para la economía global en 2025 fueron los aranceles comerciales estadounidenses. En 2026, la guerra entre Estados Unidos e Israel e Irán se convirtió en el principal motor de las crisis económicas y la incertidumbre. La Operación Furia Épica , que comenzó el 28 de febrero con ataques estadounidenses e israelíes contra Irán, se intensificó significativamente en marzo. Los contraataques iraníes se dirigieron a la región del Golfo y más allá, y el Estrecho de Ormuz, por donde normalmente transita aproximadamente una quinta parte del petróleo y el gas natural licuado (GNL) mundiales, quedó prácticamente cerrado al transporte marítimo comercial. Esto está provocando una crisis en los precios de la energía y en la cadena de suministro que, según nuestras previsiones, elevará la inflación, reducirá el gasto de los consumidores, retrasará la flexibilización monetaria y ralentizará el crecimiento en 2026-2027.

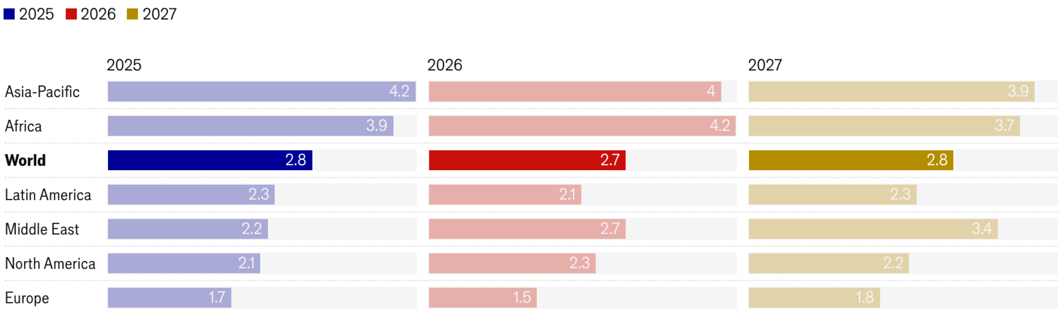
Our baseline assumption is that the conflict will continue until roughly the end of April, with all sides claiming a victory thereafter, and energy prices moderating as traffic starts to resume through the Strait. In this scenario, the main impact on the global economy will be in the second quarter of 2026, with dated

Brent Blend crude oil prices peaking at US$111/barrel in the second quarter, before moderating to US$87/b by the end of the year. With severe damage to Qatar's LNG infrastructure, gas prices have also spiked. Oil and gas prices are the main economic transmission channel, with Asia and Europe most exposed. Notably, the direct effects of the oil price shock on inflation and growth, as well as the heightened uncertainty, have begun to weigh significantly on global financial markets. Slumping equity markets and rising bond yields will serve as another source of drag on global growth. There will also be disruption to tourism (especially in and via the Gulf region), fertiliser production (and hence crop yields later this year), vital inputs to semiconductor chips (such as helium) and a muted impact more broadly on global shipping, aviation and supply chains.

On this basis, we forecast that global growth will slow from 2.8% in 2025 to 2.7% in 2026-27. We assume that the conflict will remain time-limited for three main reasons. First, munitions are being run down rapidly by the air strikes, with Israel and the US soon set to run low on defensive interceptors, and Iran on missile launchers. Second, global pressure for a ceasefire is building as energy price pressures intensify. Third, domestic discontent will rise in Israel and the US as consumer prices increase, with the US midterm elections in November an important consideration for the US president, Donald Trump. **Even so, downside risks are substantial.** Greater regional escalation, irreversible destruction of energy infrastructure and a longer duration of the conflict could keep oil prices above US$100/b all year, resulting in a sharper inflationary shock, worsening market volatility with attendant larger downward growth revisions.

Major region performance

Real GDP at market exchange rates; annual % change



Source: EIU.

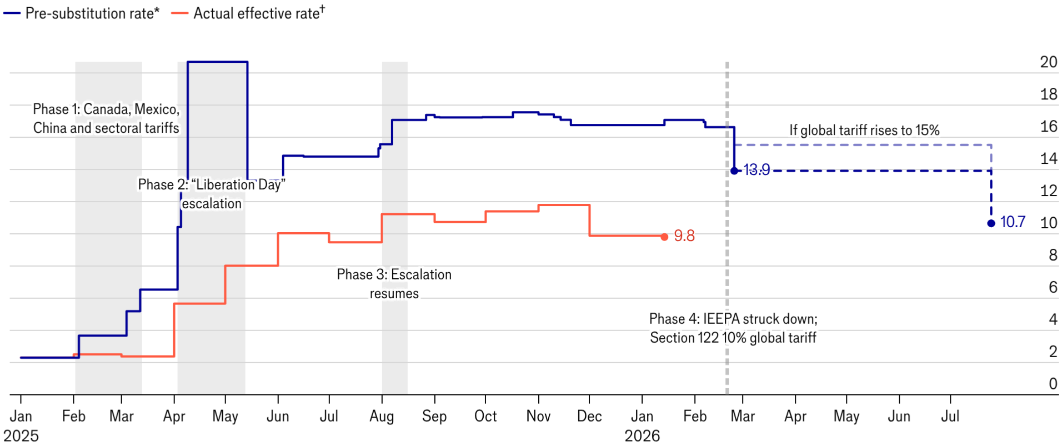
The US economy is fairly well insulated from the Middle East price shock. We do expect higher energy costs to push up inflation, squeeze real incomes and make the Federal Reserve (Fed, the US central bank) more cautious. However, shale oil and LNG producers will benefit, and the AI-related investment cycle will continue to provide impetus to US growth. In addition, lower borrowing rates and tax incentives for corporate investment will underpin economic growth in 2026-27. Consumer spending will slow as labour market momentum remains weak and immigration growth constrained, but headline growth will remain robust at 2.5% in 2026, before slowing in 2027 as the marginal contribution of AI investment to growth diminishes over time.

The European economy will grow by a lacklustre 1.5% in 2026, with higher energy costs dampening consumer spending and industrial activity. Europe is less vulnerable than in 2022, at least, owing to diversification of energy suppliers and a less energy-intensive economy. The energy price shock will be sharper in the south European economies that are most reliant on Qatari LNG; that said, a slight bump to growth could come from higher tourist inflows as the Gulf's appeal is dimmed. The main driver of growth in Europe this year will be stronger investment spending. This will be spurred in part by the construction deadline in August for EU-funded projects under the post-pandemic recovery fund, and in part by the fiscal policy U-turn in Germany. We expect this to drive a surge in German infrastructure and defence spending, with regional spillover effects, pushing up European growth to 1.8% in 2027.

Asia will be the second-fastest-growing region—just behind Africa—with growth decelerating only mildly from 4.2% in 2025 to about 4% in 2026-27. The region is exposed to higher energy prices, but we expect the time-limited price spike in our core forecast to be manageable (while noting the risks). For China, the diversification of oil imports, a growing share of renewable energy and a large volume of reserves provides an important buffer. China has moderated its growth target to 4.5-5% this year, to allow room for structural reforms and higher-quality growth. Robust global investment in AI will keep demand for semiconductors significant, benefiting the Asian economies with dominant positions in electronics supply chains. India will maintain strong growth momentum, even as higher energy prices push up inflation (it is the second-largest energy importer globally). It will remain 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; %



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.

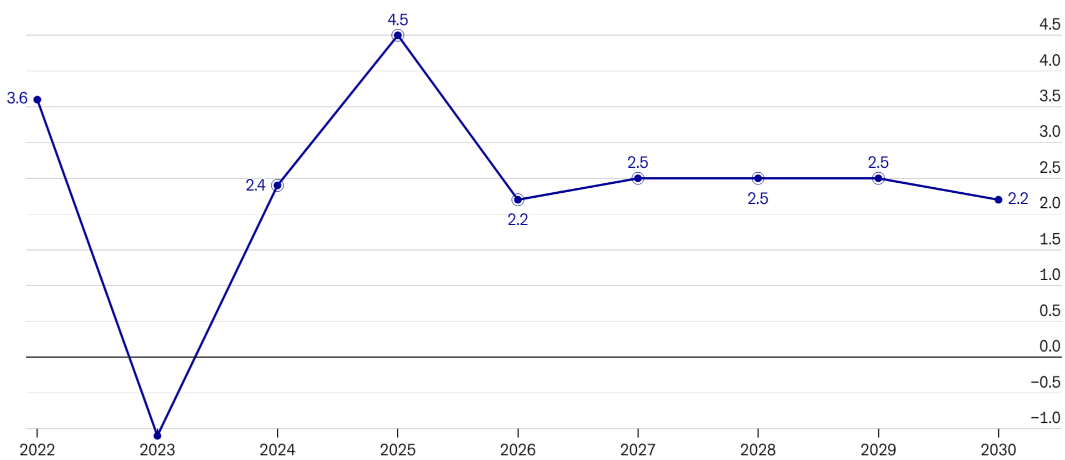
Challenges to trade will persist, but so will trade growth

Global trade faces a modest slowdown in 2026-27, reflecting the lagged effect of US tariffs and global value-chain disruptions from pricier energy inputs. Global trade has proved resilient to worsening US protectionism, although surging demand tied to AI has played a supporting role, particularly for East Asian exporters of advanced electronics and some industrial commodity exporters. The reduction of trade barriers in the rest of the world in response to US protectionism is a further supportive factor, including the interim trade agreement between the EU and Mercosur, the Latin American trade bloc, which is set to remove tariffs on more than 90% of traded goods when provisionally implemented this year.

The conflict in the Middle East presents a shock to global trade growth. The region is not significantly embedded in global value chains, meaning that potential disruptions will not be on the scale of the supply-chain snarls that roiled global trade in 2021-22. Instead, the main impact will come from elevated global energy and transport costs. This will affect a range of businesses at the micro level, particularly in terms of pricier inputs ranging from oil and LNG to chemicals. Highly energy-intensive industries will be the worst affected, with fertiliser a stand-out example, presenting risks to crops and food supply later this year. Some shortages will also emerge: lack of cooking gas in Indian cities has already created operational disruptions for the food service sector. The attacks across the Gulf have also severely disrupted aviation, with airspace closures causing delays across one of the world's main global transit hubs.

Global trade growth will soften in 2026, after the front-loading from 2025

Global trade volumes; % change



Source: EIU.

Note. 2025 value is an EIU estimate; values for 2026 onwards are EIU forecasts.

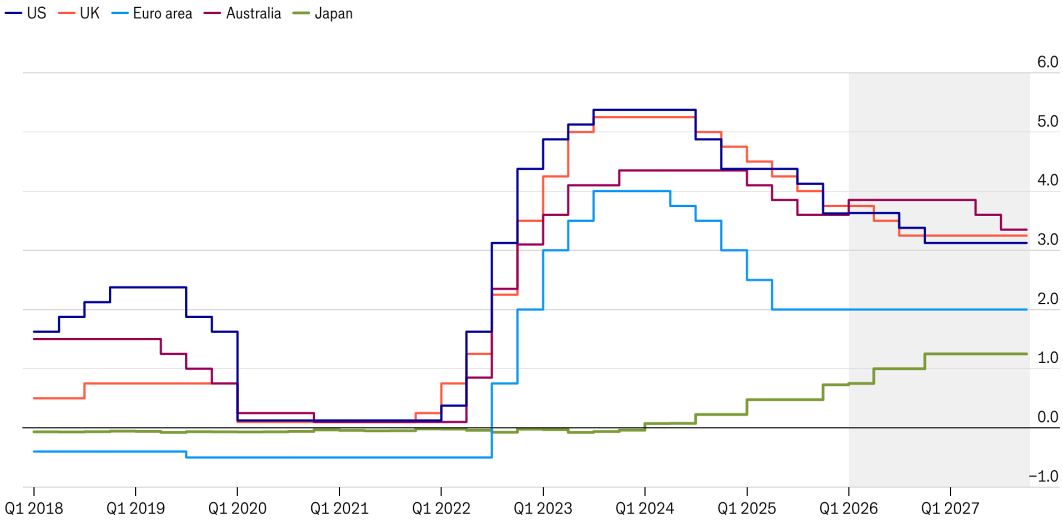
US trade policy will remain a significant source of risk. Following the US Supreme Court's rejection of the 1977 International Emergency Economic Powers Act (IEEPA) tariffs (the so-called reciprocal tariffs), President Trump is reconstructing his tariff wall. Sectoral tariffs, for example on metals and cars, remain in place, and a new 10% global blanket tariff will last until late July. Investigations into unfair trade practices under Section 301 have begun, and we expect more under the national security Section 232 rationale, with the goal of imposing new, more permanent tariffs once the blanket rate expires. This has thrown existing "napkin deals" into question and implies that trade policy uncertainty will persist. Nonetheless, we do not expect trade policy to be as volatile as in 2025, as the tools available to Mr Trump have been narrowed.

Economic policy will remain supportive at the expense of future space

The Fed still faces a tough balancing act. We maintain our view that it will keep the target range unchanged in the first half of the year. Softer activity and labour market data would ordinarily support renewed easing later in the year, but there is now a risk that higher energy costs will push up inflation, offsetting this. We now expect just one 25-basis-point cut, in the fourth quarter of 2026, taking the policy rate to a range of 3.25-3.5%, followed by one further cut in the first quarter of 2027. The Fed will move cautiously to ensure that inflation expectations remain anchored. Similarly, the European Central Bank (ECB) will take a wait-and-see approach. Our forecast is that the policy rate will remain on hold at its current 2% in 2026-27.

Energy price shock will encourage central bank caution

Policy interest rate; %, end-period



Source: central banks; EIU.

In Asia, inflation is mostly below central bank targets, and monetary policy easing has run its course, although the lagged benefits of past easing will continue to flow through. On our baseline assumption of a time-limited oil price spike, we expect most Asian central banks to look through the increase in inflation and maintain their current policy stance. Fiscal policy will act as the first line of defence, with governments using subsidies, tax cuts and price controls to cushion the impact. However, if energy prices remain elevated for longer, inflation will increase more sharply, forcing some central banks—particularly in more vulnerable economies such as Pakistan, Sri Lanka, the Philippines, Thailand and Vietnam—to tighten policy, despite slowing growth.

Fiscal easing will be used to protect firms and consumers from higher energy costs and, in some major economies, to support growth. We expect energy price support measures to be more targeted than in 2022, however, given less fiscal space. Broader spending ambitions are 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.

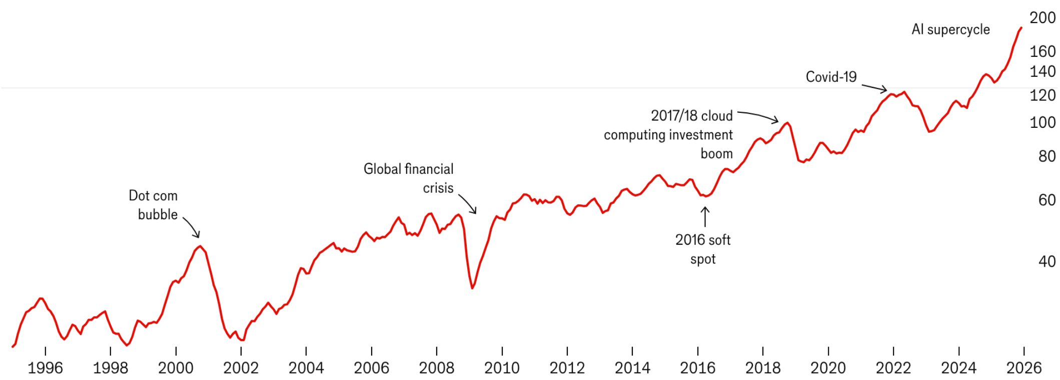
However, **spending will come at the expense of future fiscal space, higher borrowing costs and risk of financial market volatility**. Elevated long-term government bond yields across many economies indicate that markets are sceptical about fiscal expansion in the context of public debt levels that have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



Sources: Semiconductor Industry Association; EIU.

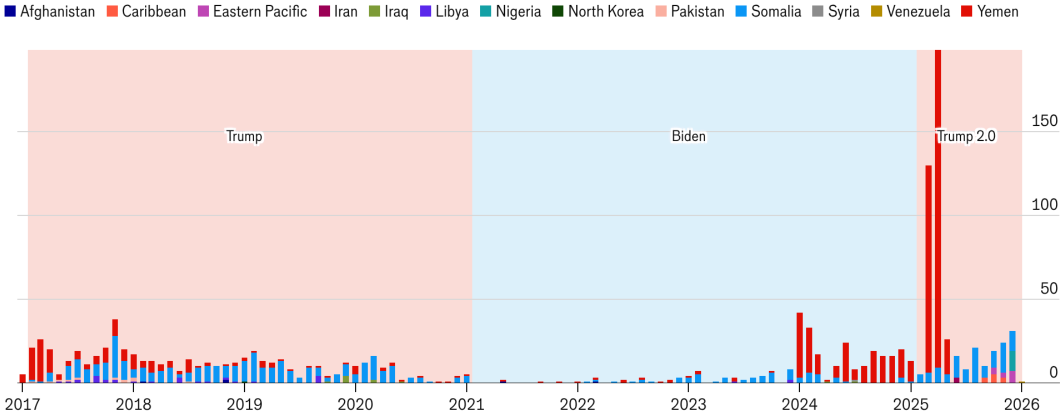
Near-term productivity spillovers beyond the technology sector will remain limited, with broader gains emerging only gradually as adoption deepens. Technological competition will intensify. Governments will continue to prioritise strategic technologies—including semiconductors, batteries, power generation 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. Even before Mr Trump began his second term as US president the global rules-based order—held together in part by US leadership, economic co-operation and expanding global trade—was 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. This trend will only be accelerated by a US foreign policy that is bold against the vulnerable and cautious with the strong, driven less by strategy than by a transactional calculation of domestic reward, energy dominance and personal legacy.

Trump 2.0 marks a sharper turn towards use of military force

US military strikes, 2017-25, by month and target*



Source: EU Institute for Security Studies (EUISS); Armed Conflict Location & Event Data (ACLED); Yemen Data Project; New America; EIU.

*these include the Venezuela raid in the first week of 2026.

The US is aggressively reasserting its control and influence over the Americas. The forcible ousting of the president of Venezuela, Nicolás Maduro, on January 3rd by President Trump highlights the US's willingness to intervene in the region, including by using armed force, to pursue its objectives. In March the Trump administration set up a counter-cartel coalition with a dozen regional, right-wing allies as part of a US-led security initiative. 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.

There is an elevated risk of escalation in the conflict in the Middle East. Given the complex web of actors involved in the fighting, the risk of a miscalculation remains high: widely suspected Iranian missile and drone misfires implicating Turkey and Azerbaijan have raised the prospect of clashes spreading beyond the Middle East, and the fallout of ongoing clashes between Israel and Hizbullah and Lebanon threaten to proliferate across the border into Syria. A political meltdown in Iran in the event of an Islamic Revolutionary Guard Corps (IRGC)-led coup, ethno-religious insurgency or popular uprising would further complicate the regional environment and threaten to escalate the fighting into a prolonged regional war, with global spillovers.

Strains within NATO will continue to worsen, but we do not expect the alliance to collapse, not least given continued European security reliance on the US. Most recently, the US's decision to strike Iran with Israel, but apparently without consulting other allies, and then to demand support from NATO allies to reopen the Strait of Hormuz (which they refused) has created new US-EU tensions within NATO. This followed strong-arm tactics from the US to buy or take Greenland by force in January, which have subsequently eased but may reoccur. In view of the US's lack of reliability as a partner, European efforts to bolster strategic autonomy through greater defence spending and co-ordination will gain pace, with France announcing in March that it would extend its nuclear security umbrella across Europe, and start increasing its nuclear warheads for the first time since 1992. US allies in Asia will also be subject to US pressure to raise security spending, but in all of these instances, building defence self-reliance will take years, with risks remaining in the interim.

Conflict elsewhere will remain entrenched. We believe that the war in Ukraine is most likely to end before 2028, with a slightly greater probability of ending in 2026 than in 2027, although no deal is currently imminent. Russian grey zone activities will continue across Europe in the meantime, with Russia benefiting from higher energy prices and an easing of US sanctions on countries that buy Russian oil. 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. Speculation that China may take military action on Taiwan while the US is distracted by the Middle East is rising, but our core view differs: such a decision would depend primarily on domestic factors, military readiness and the potential costs of sanctions rather than short-term US distraction. 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 → 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.

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. 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 (a coalition that represents more than 45% of the world's population) events, will become more prominent. 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 in 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 levels (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. The trade deal between the EU and Mercosur is the closest to implementation, but EU-India and EU-Australia deals are not far behind, and negotiations on several others are in progress.

Top ten most improved business environments over the past decade

EIU Business Environment Ranking; score out of 10

Geography	2003-24	2029
Vietnam	4.8 – 6.3	6.3
Serbia	4.8 – 6	6.5
Morocco	4.6 – 5.7	6.0
Romania	5.7 – 6.8	7.0
Poland	6.6 – 7.6	7.7
Saudi Arabia	5.7 – 6.7	7.5
Peru	5.6 – 6.4	6.6
Croatia	5.7 – 6.5	6.8
Dominican Republic	5 – 5.8	6.2
India	5.3 – 6.1	6.5

Source: EIU.

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	2.7	2.8	2.7	2.8
Developed economies	6.0	3.0	1.6	1.7	1.8	1.8	1.6	1.8	1.8	1.9
Developing and emerging economies	7.0	4.0	4.4	4.1	4.1	3.9	4.2	4.0	3.8	3.9
US	6.2	2.5	2.9	2.8	2.2	2.5	1.8	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	1.1	0.6	0.9	1.0	0.8	0.9
Euro area	6.4	3.7	0.5	0.9	1.4	1.2	1.5	1.5	1.5	1.5
World (PPP exchange rates)	6.6	3.8	3.5	3.3	3.4	3.4	3.4	3.4	3.3	3.4
Developed economies (PPP exchange rates)	6.1	3.0	1.7	1.8	1.9	2.0	1.7	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	10.5	3.6	-1.1	2.4	4.5	2.2	2.5	2.5	2.5	2.2
Consumer price inflation (%; av)										
World	6.9	9.8	8.3	6.4	5.1	5.3	4.3	3.9	3.5	3.4
Developed economies	3.0	7.0	4.5	2.7	2.5	2.5	2.3	2.0	2.0	2.0
Developing and emerging economies	10.4	12.2	11.5	9.6	7.3	7.7	6.0	5.4	4.8	4.6
US CPI	4.7	8.0	4.1	2.9	2.7	3.2	2.7	2.2	2.2	2.2
China CPI	0.8	1.9	0.3	0.2	-0.1	1.2	0.5	0.7	1.1	1.2
Euro area CPI	2.6	8.5	5.4	2.3	2.1	2.2	2.1	2.0	2.0	2.0
Japan CPI	-0.2	2.5	3.3	2.7	3.2	2.0	1.8	1.8	1.6	1.7
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)	70.4	99.8	82.6	80.7	69.0	94.6	77.9	71.9	58.8	58.6
% change	66.5	41.7	-17.2	-2.3	-14.5	37.1	-17.7	-7.6	-18.3	-0.3
World non-oil commodity prices (US$, % change)	41.2	17.9	-15.7	-3.1	2.1	-3.8	0.9	4.7	1.7	1.6
Food, feedstuffs & beverages (weighted index)	37.9	23.9	-15.1	-7.2	0.4	-9.8	-0.7	3.2	1.9	1.8
Industrial raw materials (weighted index)	44.2	8.5	-15.8	4.4	4.0	4.8	3.5	6.0	1.6	1.3
Main policy interest rate (%, end-period)										
Federal Reserve, main policy rate	0.13	4.38	5.38	4.38	3.63	3.38	3.13	3.12	3.13	3.13
ECB, main policy rate	-0.50	2.00	4.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Bank of Japan, main policy rate	-0.02	-0.02	-0.04	0.23	0.73	1.25	1.25	1.25	1.25	1.25
Bank of England, main policy rate	0.25	3.50	5.25	4.75	3.75	3.25	3.25	3.25	3.25	3.25
Exchange rates (av)										
US$ effective (2010=100)	116.82	125.92	125.79	129.04	130.36	127.85	127.81	127.59	126.31	126.42
¥:US$	109.77	131.46	140.49	151.46	149.63	158.45	156.73	156.00	155.20	153.70
US$:€	1.18	1.05	1.08	1.08	1.13	1.17	1.18	1.17	1.16	1.16
Rmb:US$	6.45	6.74	7.08	7.20	7.19	6.90	6.86	6.83	6.80	6.77
US$:£	0.73	0.81	0.80	0.78	0.76	0.74	0.74	0.73	0.74	0.74

¥:€	129.85	138.25	151.93	163.85	168.66	185.87	184.65	182.46	180.05	178.31

Exchange rates

Mundo | Tipos de cambio

March 25th 2026

Overview

- The US dollar will depreciate modestly in broad nominal terms in 2026, although the war in the Middle East has sharply reduced the scope for weakness. Safe-haven demand, surging oil prices and the postponement of monetary policy easing across major economies are providing broad support. Risks are skewed towards a stronger dollar than our forecast assumes.
- The euro will build on recent gains against the dollar, to US$1.17:€1 in annual average terms, supported by a narrowing interest-rate differential and improved fiscal sentiment in Germany. However, the energy shock from the Strait of Hormuz closure has curtailed near-term momentum and the European Central Bank (ECB) has begun to signal the possibility of rate increases rather than further cuts.
- Sterling will appreciate modestly, to about US$1:£0.74, aided by the hawkish stance of the Bank of England (BoE, the UK's central bank) and relatively lower energy import dependency. However, weak underlying growth and thin fiscal headroom leave the pound vulnerable if the energy shock persists.
- The yen will be the weakest major currency, depreciating sharply against both the dollar and the euro, despite the tightening bias of the Bank of Japan (BOJ, Japan's central bank). We forecast an annual average of ¥158.45:US$1, a deterioration of nearly 6% from 2025, reflecting the Takaichi government's expansionary fiscal stance and an insufficient real rate of return to draw back Japanese capital from abroad.
- The renminbi will appreciate in nominal terms, to Rmb6.90:US$1, but this largely reflects the reversal of tariff-driven overshoot in 2025 rather than a proactive Chinese decision to let the currency strengthen. Iran's offer of Hormuz passage in exchange for yuan settlement is operationally significant but will not alter the dollar's dominance within our forecast horizon.
- Energy-importing emerging-market currencies face intensified pressure from the terms-of-trade shock. The duration of the Strait of Hormuz closure is the single-most important variable for the global exchange-rate outlook in 2026.

The US dollar will depreciate modestly on a broad nominal basis in annual average terms in 2026, but considerably less than in 2025—and the risks are firmly to the upside. The outbreak of war in the Middle East following US-Israeli strikes on Iran on February 28th has transformed the near-term exchange-rate landscape. Safe-haven demand, the petrodollar effect of surging oil prices and the postponement of anticipated monetary policy easing across all major economies have provided broad support for the greenback. 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. Our baseline assumes the federal funds rate will fall to 3.38% by end-2026, but the Federal Reserve (Fed, the US central bank) has signalled a more cautious path than markets had expected before the war; if the Strait of Hormuz closure persists into the summer, the dollar's annual average would probably overshoot our forecast. Abrupt negative economic shocks are still, in most scenarios, likely to lead to safe-haven-driven appreciation. Politicisation of US economic institutions, most notably the Fed, remains the highest-risk catalyst for sustained dollar depreciation, although we expect Mr Trump to ease pressure on the US central bank after further interest-rate cuts. The broad dollar index will continue drifting lower through 2027-30, but the pace will be gradual, constrained by higher long-term US yields and stronger growth than in most other advanced economies.

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 rise to US$1.17:€1 as the short-term interest-rate differential with the US narrows, but the energy shock from the Hormuz closure has curtailed near-term momentum and risks are firmly to the downside. Sterling will strengthen to about US$1:£0.74, aided by comparatively lower energy import dependency, but weak underlying growth leaves it vulnerable if the energy shock proves persistent.

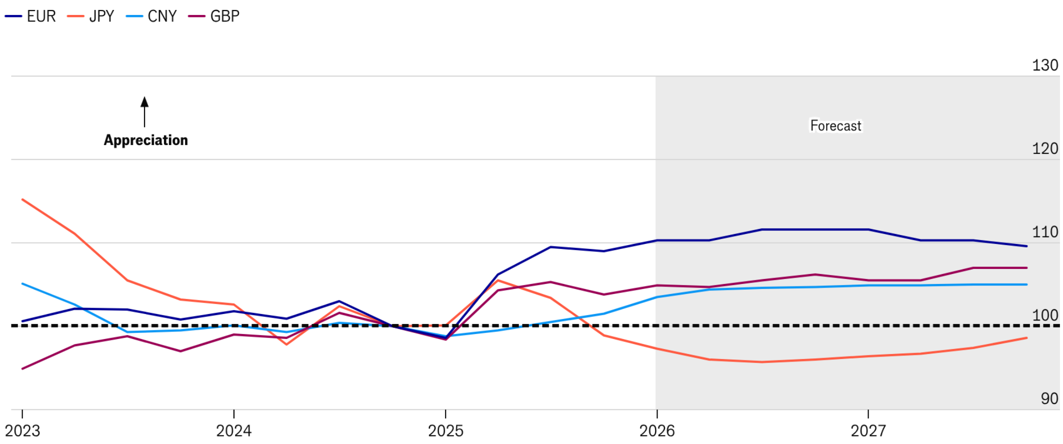
The yen will be the weakest major currency in 2026 by a significant margin, depreciating to an annual average of ¥158.45:US$1—nearly 6% weaker than in 2025—and falling roughly 10% against the euro (to

¥185.87:€1). The narrowing bilateral real interest-rate differential will lend moderate support in the second half of the year, but structural depreciatory pressure from weak growth, adverse demographics and fiscal expansion will dominate.

Tariffs and higher energy costs will weigh on many export-dependent and energy-importing emerging-market currencies in the short term. China will manage the renminbi tightly at about Rmb6.90:US$1 in 2026, a nominal appreciation that largely reflects the reversal of tariff-driven overshoot in 2025. The renminbi will trend upwards to Rmb6.77:US$1 by 2030.

The US dollar will weaken modestly in 2026, but risks are skewed to the upside

US$ per local currency unit; 2024 Q4 =100



Source: EIU.

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—mean that any erosion of support 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 structural change elsewhere.

The yen will remain weak against the dollar compared with historical levels. Victory in the snap election in early 2026 has cemented the Takaichi government's expansionary fiscal intentions. The BOJ will sanction a cumulative 50-basis-point 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 as investors' expectations settle on a decreasing likelihood of further increases. The conflict has brought the yen to about ¥159.5:US$1, approaching the ¥160 level that previously triggered official intervention; Japan's top currency official has warned that the government is prepared to act. The BOJ held the policy rate at 0.75% in March despite a hawkish dissent from a board member, Hajime Takata. The BOJ governor, Ueda Kazuo, signalled that tightening remains possible if the conflict's growth drag proves temporary. The yen will recover gradually from its 2026 trough, but the pace will be slow, reaching ¥153.70:US$1 by 2030—still far weaker in real terms 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, but higher import costs will offset this advantage in most sectors.

The euro will appreciate to US$1.17:€1 in 2026, with the uptick relying heavily on signs of a more expansionary fiscal policy in Germany. However, the conflict has placed that forecast under considerable strain. The ECB held rates at 2% on March 19th, raised its 2026 headline inflation forecast to 2.6% (from 1.9% in December) and cut its growth projection to 0.9%. European gas prices have roughly doubled to €60-74/MWh after Iranian strikes damaged Qatari LNG export capacity, which could take three to five years to fully repair. Traders have begun to price in rate increases later this year, a reversal coloured by the experience of 2022; An ECB board member, Isabel Schnabel, has warned of the "scars" that episode left on household expectations. If the Hormuz closure persists through the European gas refill season—storage at the start of the crisis was at just 30% of capacity—the euro area will face acute risks of technical recession in energy-intensive economies. The euro will edge higher to US$1.18:€1 in 2027 as the fiscal narrative provides residual support, before weakening gradually to US$1.16:€1 by 2029-30 during a period of disappointing growth. The exchange rate will nonetheless be higher in real and nominal terms by 2030 than in 2024. For sterling, the BoE's unanimous hold at 3.75% in March—more hawkish than the 7/2 split markets had expected—and the repricing towards two to three increases in 2026 provide carry-driven support but signal a more difficult environment than our baseline of cuts to 3.25% assumes. UK GDP growth stalled in January before the war's effects materialised, and the thinnest fiscal headroom in the G7 limits the government's room to absorb the energy shock. The pound will stabilise at about US$1:£0.73-0.74 through 2028-30 during a period of still-weak growth compared with the historical average.

Mixed prospects for emerging-market currencies

Many politically stable emerging-market currencies will record modest real depreciation against the 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 the dominant near-term driver has become the terms-of-trade shock from higher energy costs, compounded by the hawkish repricing of global monetary policy that has limited central banks' ability to cut. The Philippine peso has fallen to a record low, South Korean equities suffered their worst single-day crash since 2008, and oil-dependent Asian economies have absorbed fuel-price increases exceeding 30%. There is a short-term risk that countries already identified by the US as intervening to suppress the values of their 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. The People's Bank of China (PBC, the central bank of China) has set its daily fixing rate stronger since the conflict began, despite the dollar's surge, to contain inflationary pass-through from higher energy import costs. The tension between supporting exporters, managing the energy bill and preventing capital outflows is acute—more so than at any point since 2015.

De-dollarisation will make little headway

The dominance of the US dollar and US-tied payment systems internationally will hold for the foreseeable future, notwithstanding the most operationally significant test to date. Iran's reported offer to allow limited tanker passage through the Strait of Hormuz in exchange for yuan-denominated settlement—under which an estimated 12-17m barrels of crude have already been shipped to China via shadow fleet—has demonstrated that the infrastructure for non-dollar energy trade is now functional. The Shanghai International Energy Exchange, the Cross-Border Interbank Payment System and a network of bilateral swap agreements have provided the plumbing; the Hormuz crisis has provided the occasion to use it at scale.

However, the structural constraints remain binding. China maintains capital controls, its financial markets lack the depth and openness required of a reserve-currency issuer, and the volume of yuan-denominated energy trade is a fraction of the dollar-based market. The episode will accelerate incremental non-dollar settlement among countries already subject to US sanctions, but should not be interpreted as the beginning of a comprehensive shift. The US would need to co-ordinate multilateral action and reduce monetary-policy rates relative to other major economies to sustainably reduce the broad value of the currency. The international political conditions for an effective Plaza Accord-type agreement do not exist, owing to poor US-Chinese relations and the predominance of independent monetary authorities. Our baseline assumes the Trump administration will not secure sufficient influence over the Fed to force rates down relative to other major central banks, but this is subject to high risks in 2026-27. Operating entirely outside the US-dominated system will remain a riskier and more costly option for most sovereigns and firms.

World trade

Mundo | Comercio

March 25th 2026

Overview

- The Iran war poses the biggest near-term risk to global trade growth. Although we expect the most significant disruptions from the conflict to be localised, the ripple effect of higher energy prices on international supply chains and transport networks represents the biggest risk to these assumptions.
- The trade and foreign policy of Mr Trump remains another key risk to our global trade forecasts. This is despite the invalidation of most of Mr Trump's tariffs by the US Supreme Court. The administration will look to rebuild his tariff wall via new sector- and issue-specific trade investigations, which face lower risks of legal challenge. US-China relations have entered a period of fragile stability, although tensions over technology, rare earths and the Middle East could cause this truce to unwind.
- Global trade has otherwise proved resilient to worsening US protectionism, although surging demand tied to artificial intelligence has played a supporting role. We nevertheless expect global trade growth to slow modestly in 2026, reflecting the lagged effect of US tariffs and global value-chain disruptions from pricier energy inputs.

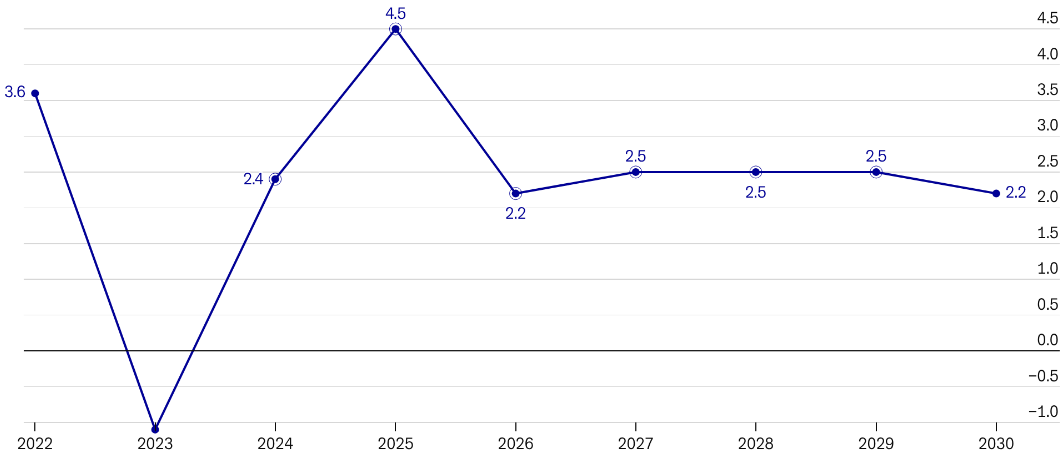
The Iran war and US trade policy pose the biggest near-term risks to global trade

The conflict in the Middle East threatens significant shocks to global trade growth. The region is not significantly embedded in global value chains, meaning that potential disruptions are unlikely to replicate the supply-chain snarls that roiled global trade in 2021-22 (when pandemic lockdowns and a shortage of container ships drove up sea freight rates and prompted significant transport delays). Instead, **the main impacts will derive from elevated global energy and transport costs, particularly following Iran's closure of the Strait of Hormuz.** Iranian attacks on regional LNG storage facilities will further shock international fuel supplies and ignite upward pressure on global fuel costs.

There is a significant likelihood of a severe impact on businesses at the micro level, particularly in terms of pricier inputs ranging from oil and LNG to chemicals and fertiliser. These dynamics threaten wider macro-level reverberations, particularly in regards to manufacturing in markets across Asia. **Although we had already expected global trade growth to soften this year, recent events could cause this correction to be sharper than we currently forecast.** The intensity of the global trade risk outlook is almost wholly dependent on the geopolitical outlook for the region. A conflict that lasts for months—rather than the six weeks that we currently assume—would drive further downgrades to our global and regional production forecasts, to the detriment of the global trade landscape.

Global trade growth will soften in 2026, after the front-loading from 2025

Global trade volumes; % change



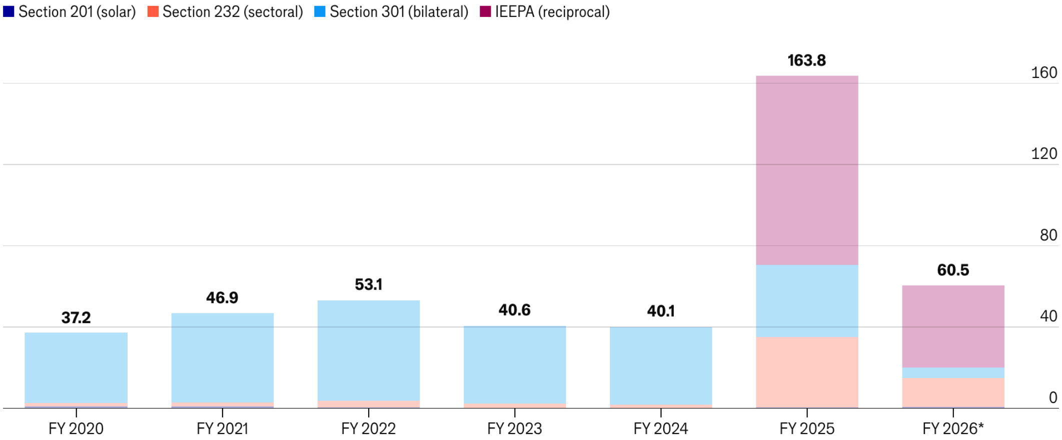
Source: EIU.

Note. 2025 value is an EIU estimate; values for 2026 onwards are EIU forecasts.

Our 2026 forecast for global trade growth already accounted for significant volatility prior to the outbreak of the Iran war. **This was based on the assessment that although the Trump administration might temper its tariff application slightly, its overarching protectionist agenda would remain intact.** The Supreme Court's recent ruling invalidating the IEEPA tariffs has only heightened the urgency of this agenda. With the foundational pillar of Mr Trump's tariff regime struck down, we expect the administration to be highly motivated to implement alternative trade barriers, driven largely by its growing reliance on import duties to fund US government revenue.

US$133bn of duties was collected under IEEPA by December 2025

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



Source: US Customs and Border Protection; EIU.

*US Customs and Border Protection data updated to 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 the US Treasury's total customs receipts.

The US administration has already moved swiftly to rebuild Mr Trump's tariff wall. Shortly after the court ruling, the Trump administration imposed a blanket 10% tariff under Section 122 of the Trade Act of 1974, although these are only in force until late July (absent Congressional authorisation for an extension). The likely difficulty facing Mr Trump in securing legislative support for the resurrection of his tariff policy—particularly ahead of the US midterms in November, which may be defined by voter concerns over the cost of living—means that he will rely more heavily on the executive branch to implement his agenda. He has already set the ground work for this via the adoption of sector-specific tariffs spanning automotives to imported metals.

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.

More recently, the administration has complemented those actions with new Section 301 investigations into overcapacity and forced labour. The targeted markets include (but are not limited to) economies with which the US had previously struck "napkin deals", which locked in US tariff rates (at varying levels) in return for trade policy and market access concessions. **The scope of these actions suggests that the Trump administration is looking to restore the enforcement mechanisms behind those frameworks, which are now under question as a result of the Supreme Court ruling on the IEEPA tariffs.** These anxieties are not without merit: Malaysia has already announced that it no longer plans to adhere to its napkin deal. Legislatures and officials in the EU and Taiwan have also questioned the validity of their agreements, particularly in the context of new US tariff application via Section 122, raising concerns about their future ratification.

The consultation periods for the latest Section 301 probes suggest that future tariffs could materialise by late in the second quarter. We assume that the US will look to "bridge" the period following the expiration of the Section 122 duties. Duty rates could be similar to previously announced tariff levels under the IEEPA regime. However, the US Trade Representative has also signalled the unveiling of future investigations covering digital trade and environmental regulations. These could lift Section 301 tariffs beyond previous rates, particularly if these duties are allowed to be compounding. Other potential triggers for future tariff action could include the activation of US duties (threatened at rates of 40%) on transshipments—protocols which the US announced in late 2025 (including via several napkin deals), but which it has not publicly enforced to date.

How possible is diversification beyond the US?

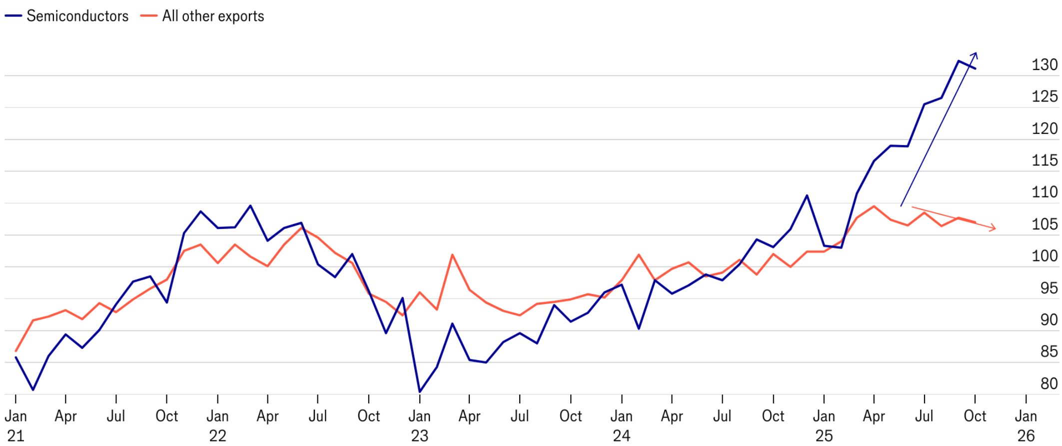
Ongoing efforts by other countries to offset potentially lower US demand by trading with each other—a concept described as "World Minus One"—will be challenging given the dominant role the US plays in total external demand. This will have implications for Asia in particular, which is heavily reliant 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.

There are nevertheless upside risks to our global trade growth forecasts. Despite the recent tariff investigations, Mr Trump had struck a more cautious tone on US trade policy in advance of the US Supreme Court decision. Since November he had 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 as remaining 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. In any case, **we expect US trade policy to become more institutionalised in 2026, with timelines for tariff adoption tempered by legal processes that include consultations with the business community.**

The continued global development of AI remains another supportive factor, assuming that disruptions from the Iran war avoid undermining electronics production (in Asia) or roiling financial markets (in the West). 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. **However, the lift from this strong trade performance will be uneven, with demand for non-technology exports probably continuing to struggle despite the demand-side boom tied to AI.** 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.

Trade is turning into a story of semiconductors versus the rest

Asian merchandise exports; US$; seasonally adjusted; 2024=100



Source: EIU.

Note. EIU aggregation of national data and partial estimates for October 2025.

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, and 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 have remained robust despite the application of higher US tariffs in 2025. **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.**

The US-China trade outlook has stabilised, but risks abound

The fragile US-China trade truce struck in late 2025 looks set to persist in the near term. 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%, and China has pledged to resume US agricultural purchases. **Although Mr Trump has reportedly delayed his planned visit to China in March 2026, as a result of the Iran war, we still expect the two presidents to meet in May or June.** This will yield another brief period of stability as both sides look to secure another successful engagement between the two leaders.

There are still 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 could be potential triggers for instability. These could include the ongoing China-Japan spat over Taiwan, tensions over the US Section 301 probes (both of which target China), or Mr Trump's attempts to pressure China to help reopen the Strait of Hormuz (which we do not expect will successfully prompt Chinese intervention). 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 undermine our benign assumptions.

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 its export control regime, 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.**

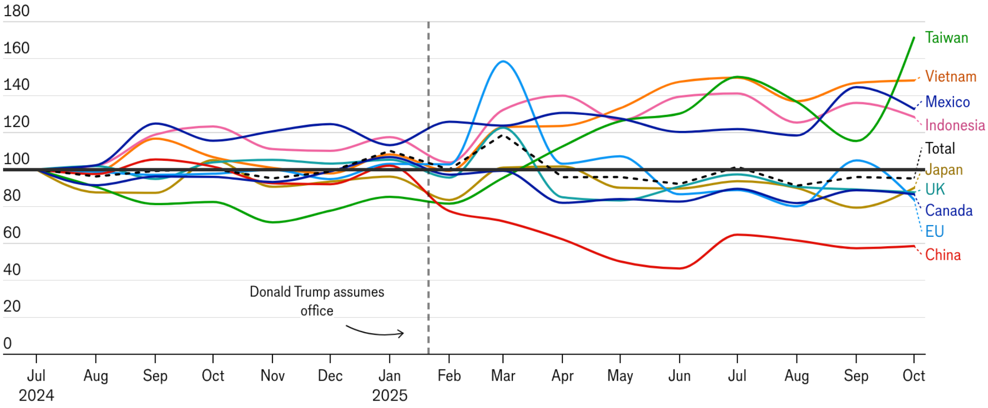
Consequently, we retain our view that a comprehensive US-China trade deal will remain elusive in 2026. The attention on tariffs and export controls has distracted from more fundamental issues in the bilateral relationship. These include discussions around China's market-distorting economic practices,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

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.

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

Mundo | Producto | Productos industriales | Agricultura | materias primas energéticas | Minerales críticos

March 25th 2026

Commodity price forecasts

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Oil prices										
Brent; US$/barrel	70.4	99.8	82.6	80.7	69.0	94.6	77.9	71.9	58.8	58.6
Non-oil commodities										
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

Overview

- The conflict in Iran is having a significant impact on energy markets. Trade flows through the Strait of Hormuz—a critical waterway for oil and gas exports from the Gulf—have collapsed almost entirely, triggering a sharp surge in prices. We now expect Brent crude oil and LNG to average US$94.7/b and US$13.1/mmBtu respectively in 2026.
- Prices for most base and ferrous metals will trend upwards. In the short term this will reflect uncertainty over supply amid heightened geopolitical risk. Over the long term climate change and technological

progress, particularly relating to the decarbonisation agenda, will keep demand—and prices—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 contained them 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.

The war in Iran upends commodities markets

Geopolitical risk has become the dominant driver of energy markets, with crude prices soaring following the outbreak of war in Iran. The conflict has reduced flows through the Strait of Hormuz, through which about 20% of the world's oil and LNG exports pass, to almost zero, triggering a sharp surge in prices. We now expect Brent crude oil to average US$94.7/b in 2026 (about US$26/b higher than in 2025) and LNG prices to average US$13.1/mmBtu (about US$1.4/mmBtu higher than in 2025). Iran's ability to disrupt traffic through this critical chokepoint, coupled with attacks on energy infrastructure across the Gulf, has raised the risk of a severe global energy shock.

To its benefit, the oil market entered the conflict with relatively strong buffers. Ample supply in preceding months had allowed major consumers to build inventories; China alone held stocks sufficient to cover about four months of imports. Additional volumes remain available in floating storage outside the Gulf, including an estimated 120m-150m barrels tied to sanctions-evading trade involving Russia and Iran, some of which could re-enter formal markets if conditions deteriorate further. There is also some scope to reroute exports; Saudi Arabia and the UAE can divert about 9m barrels/day via pipelines that bypass the Strait of Hormuz.

Even so, these buffers are proving insufficient to offset the scale of the supply disruption. Of the 20m barrels or os of oil that normally transit the strait every day, the vast majority are blocked, and only a small share can be redirected. The stranded volumes are forcing producers to shut in an estimated 6.5m b/d of crude output and 2m b/d of refined products.

The severe disruption has prompted an unprecedented policy response. The International Energy Agency (IEA) has pledged to inject 400m barrels into the market in the largest release of strategic reserves in its history—more than double the volume released following Russia's invasion of Ukraine in 2022. Even so, Iran's ability to block traffic through Hormuz, combined with attacks on energy infrastructure across the Gulf, has already pushed oil prices to multi-year highs and threatens to produce the most severe global energy crisis in decades.

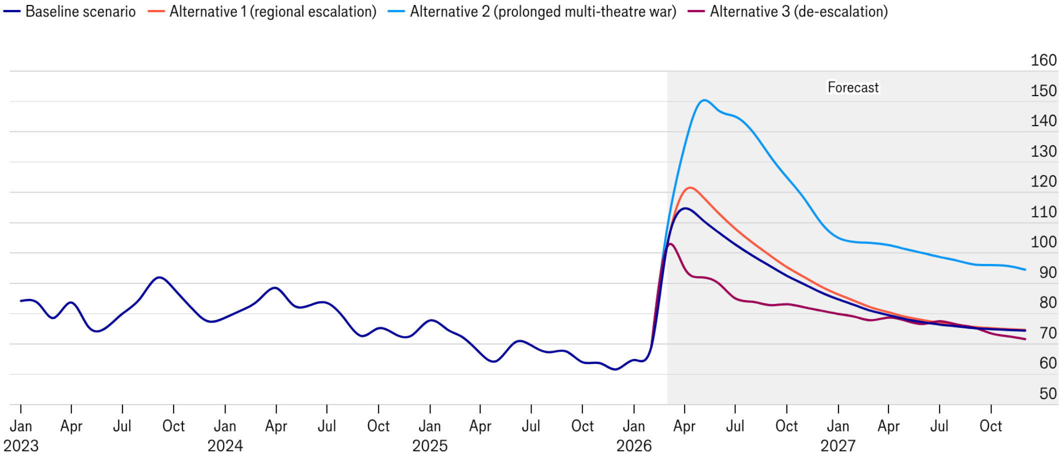
The US capture of Venezuela's authoritarian president, Nicolás Maduro, on January 3rd did not have a significant impact on oil markets, as Venezuela's oil production is unlikely to grow significantly in the short and medium term, owing to challenges in restoring and upgrading infrastructure. However, Venezuela's crude exports have rerouted toward the US, to China's detriment. 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 the country's oil infrastructure.

Concerns about the impact of Mr Trump's trade policies on global growth caused oil prices to fall significantly in 2025. Their decline would 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.

Despite the current surge in oil prices, we expect oil demand in the developing world (excluding China) to continue increasing in 2027-30. This will cause the market to tighten, as supply is unlikely to meet market expectations, especially after damage to some production infrastructure inflicted by the war in Iran. **We expect Brent prices to trade between US$71/b and US$78/b in 2027-28.**

Oil price projections: Iran scenarios

Dated Brent Blend; US$/barrel monthly average



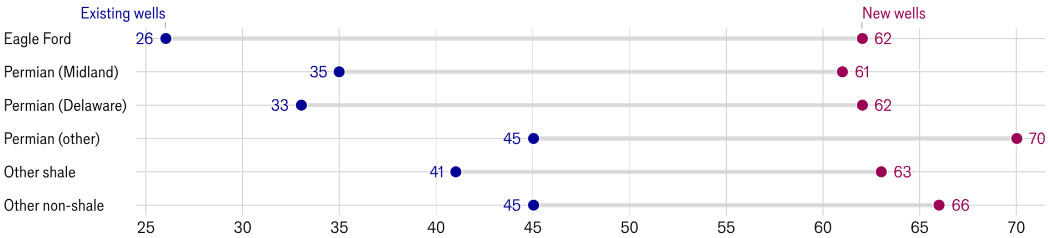
Source: World Bank; EIU.

We forecast that the price of West Texas Intermediate will average US$88.6/b in 2026, which could provide a needed boost to US producers. Shale oil production had already started to fall before war broke out in Iran, as oil prices were uncomfortably close to the level needed to profitably drill a new well in the US shale patch, according to the most recent survey by the Federal Reserve Bank of Dallas.

Risks in the medium term are more balanced. On one hand, the war in Iran could escalate into a prolonged multi-theatre war, causing serious damage to oil infrastructure across the Middle East. In this scenario, global oil output would remain subdued for years to come, putting upward pressure on prices. On the other hand, 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. In addition, surging prices could encourage producers in non-OPEC countries such as Brazil and Guyana to increase output even faster than the current trend, limiting the pace of price growth.

US producers need US$64/b to profitably drill a new well

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



Source: Federal Reserve Bank of Dallas; EIU.

Production shutdowns in Qatar will drive the surge in international gas prices

We have revised up our forecast for European natural gas prices in 2026 to US$13.2/mmBtu to reflect the impact of the conflict in the Gulf on the world energy market; we expect prices to spike and then return to their previous trend of gradual easing—a product of rapid growth in LNG supply from the US and Qatar. A prolonged conflict involving the destruction of oil and gas facilities and disruption to trade routes would result in a larger and longer-lasting increase in prices.

We now expect LNG contract prices to increase in mid-2026 to their highest level in three years owing to the conflict in the Persian Gulf and the interruption of supplies from Qatar; we have raised our forecast to US$13.1/mmBtu on average in 2026. Despite the Gulf crisis, we expect global LNG imports to increase in 2026-27, but by a much smaller margin than widely anticipated before the US-Israeli attack on Iran in late February; an expected surge in LNG imports by China, India and other South Asian countries—mainly to feed their power generation sectors—will stall as these countries increase coal consumption instead amid high LNG prices.

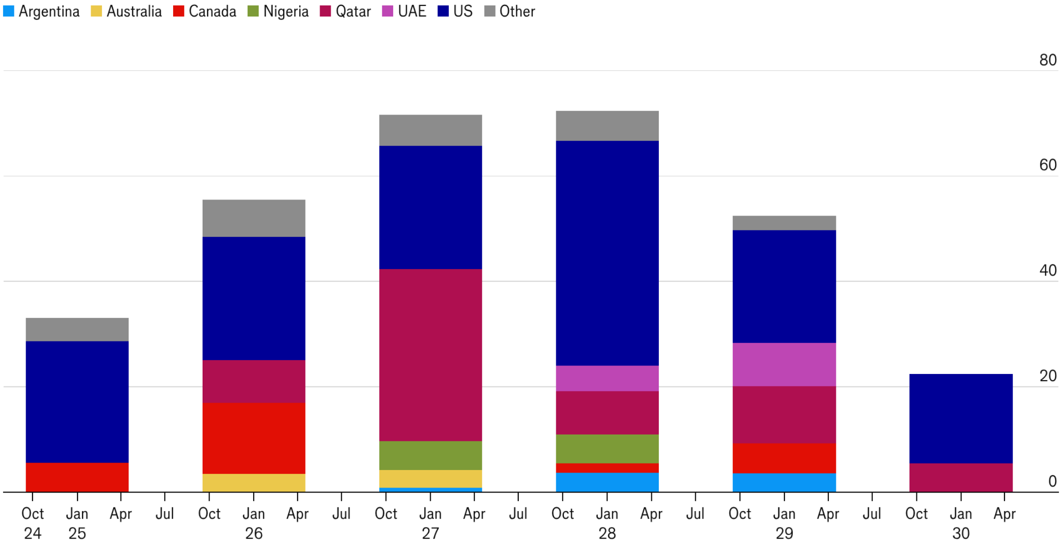
Exports from the US will continue to grow rapidly, with further additions to global supply from Canada, Australia and Nigeria. Qatar's huge expansion plan will face delays, and we do not expect it to start up until mid-2027 at the earliest.

In addition to the war in the Middle East, gas markets are being shaped by US policy on global terms of trade and regional conflicts. European prices rose sharply in early 2026 after Mr Trump threatened to impose tariffs on eight European allies over their opposition to his plan to annex Greenland. Although he later withdrew the tariff threat, 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.

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), although there is a high likelihood that the Qatari expansion will be delayed significantly. 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).

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

LNG liquefaction capacity; bn cu metres/year



Source: EIU.

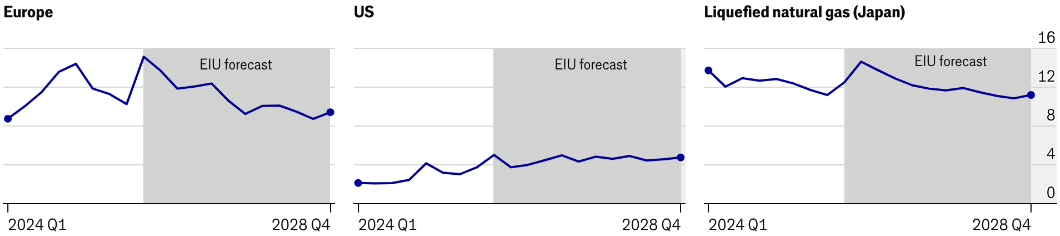
Note. Data include only projects at the post-investment-decision stage

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, a 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.

Conflict premium lifts gas forecasts

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

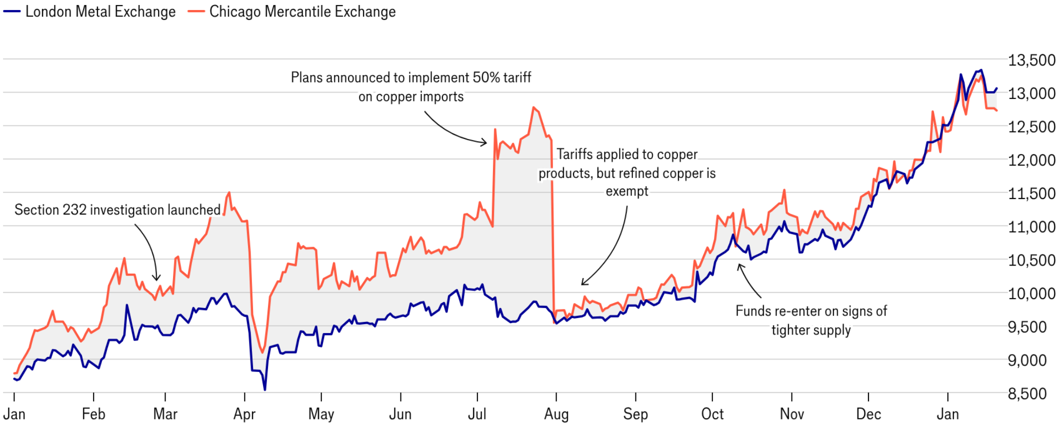
We forecast that prices of industrial raw materials will start rising significantly again from 2026, after US trade policy held them back last year. Base metals in particular are set to make strong gains in 2026-27. The war in Iran is boosting aluminium prices, as it has disrupted exports from the UAE, Bahrain and Saudi Arabia—significant global exporters. Aluminium was initially hit particularly hard by the US trade war; the Trump administration 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, have been exceptionally volatile given the ever-changing tariff landscape, with the Trump administration announcing 50% tariffs on copper imports in July 2025, 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 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$12,350/tonne in 2026, up by nearly 25% from an estimated US$9,947/tonne in 2025. 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

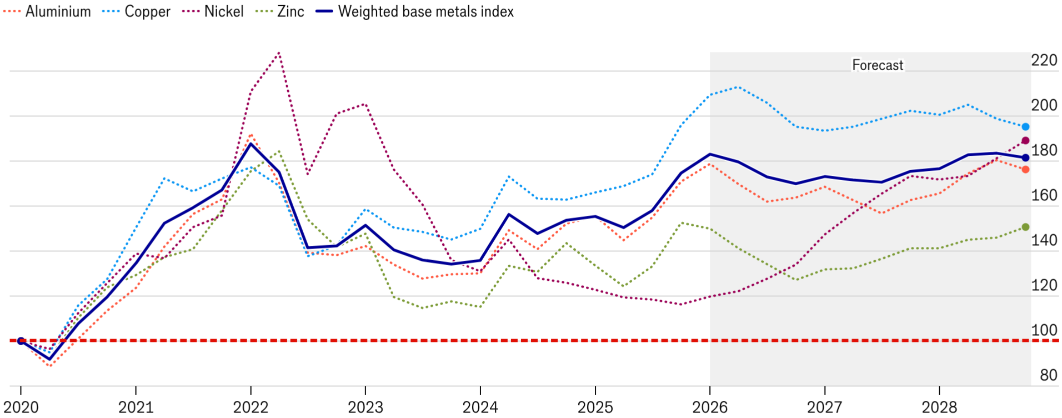


Source: Chicago Mercantile Exchange; London Metal Exchange; EIU.

Copper consumption will be supported in the long term 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. 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 begun to grow rapidly—a trend that we expect to continue over 2026. This will loosen the global market considerably, but weaker mine supply will curb the effect 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



Source: EIU.

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 mid-2026.

Easing beverage costs will lower agriculture prices

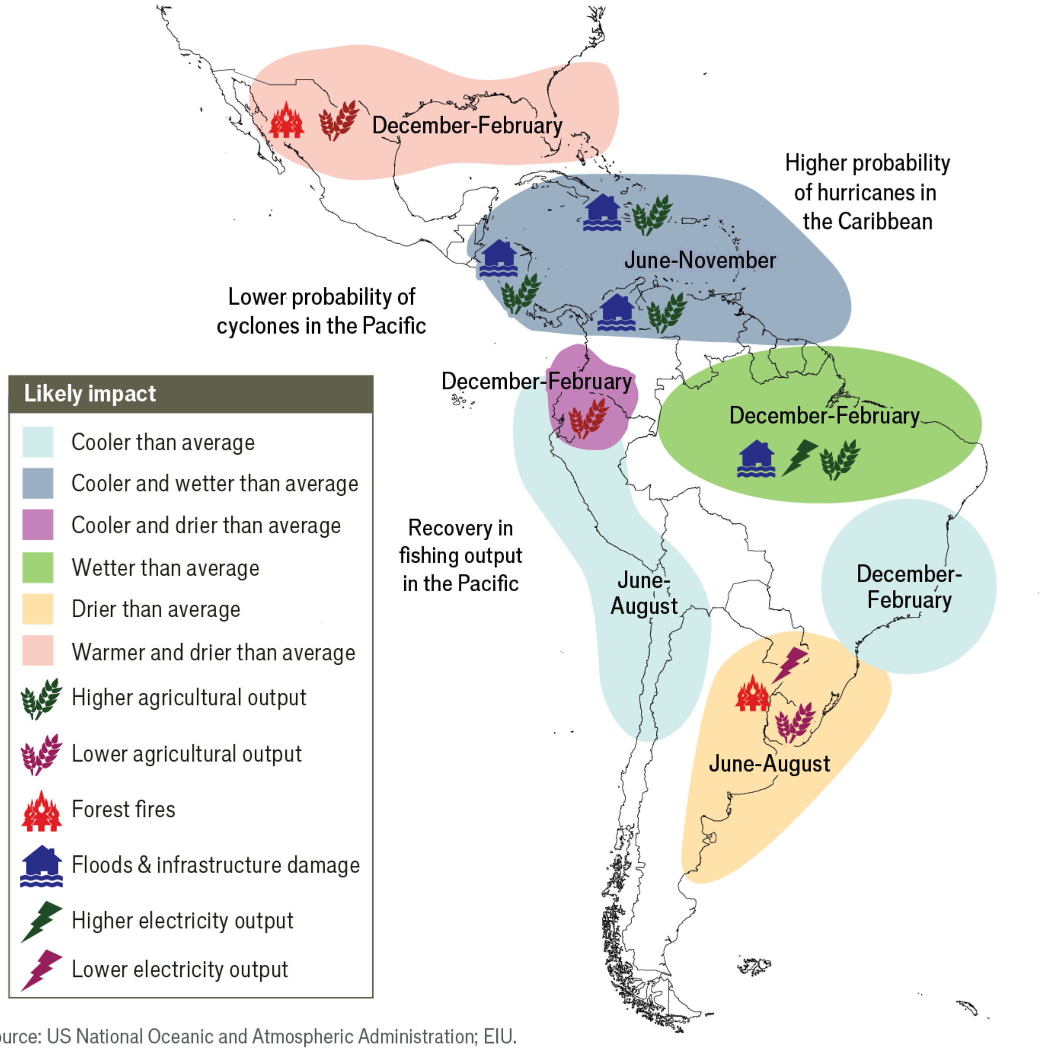
We forecast that the food, feedstuffs and beverages index will fall sharply in 2026, after the beverages subcomponent hit an all-time high in 2025. The spike in coffee and cocoa futures was mainly due to poor weather conditions in 2024. Beverage prices started to trend downwards significantly in the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

The global rise in diesel prices is stoking demand for biodiesel as the transport and industrial sectors seek cheaper alternatives. This has buoyed prices of palm oil, which is often used in biodiesel production. Similarly, higher fossil fuel prices are supporting sugar prices as demand for sugarcane from ethanol producers increases, but sugar will nevertheless remain under pressure as the market shifts from a global production deficit of 400,000 tonnes in the 2024/25 season to a forecast surplus of 4.9m tonnes in 2025/26.

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. 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 unpredictable weather, which could affect planting and harvesting seasons globally.

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

March 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 and 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

0-4 | 5-8 | 9-12 | 13-16 | 17-25

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
Drawn-out Iran war drags world economy into stagflation	Foreign trade & payments	Low	Very high	10
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
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.

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

March 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. In recent months 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 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, and 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 relations with NATO 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

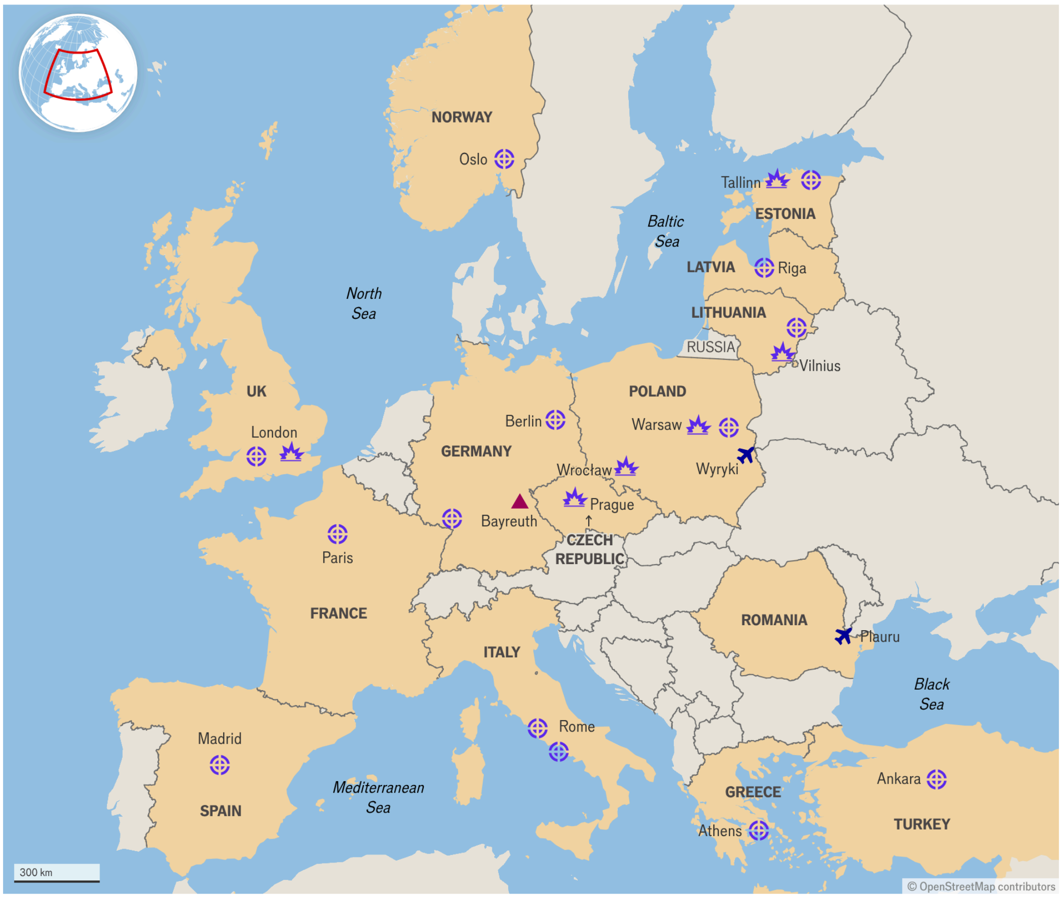
A direct conflict between NATO countries and Russia would weigh heavily on the region's economy as investor uncertainty spikes. Russia would probably target critical infrastructure, which could disrupt transport links across the region or information systems, with Finland, Sweden and the Baltic states 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



Drone Fire Cyber-attack Sabotage

Source: EIU.

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

World | Security risk

March 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 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.

Greenland is at the centre of rising geopolitical competition in the Arctic

Source: IBRU, Durham University.

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 armoury, defence equipment, aviation, electronics and construction, could expect a positive outlook in an environment of a global race to build defence capabilities.

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

World | Security risk

March 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

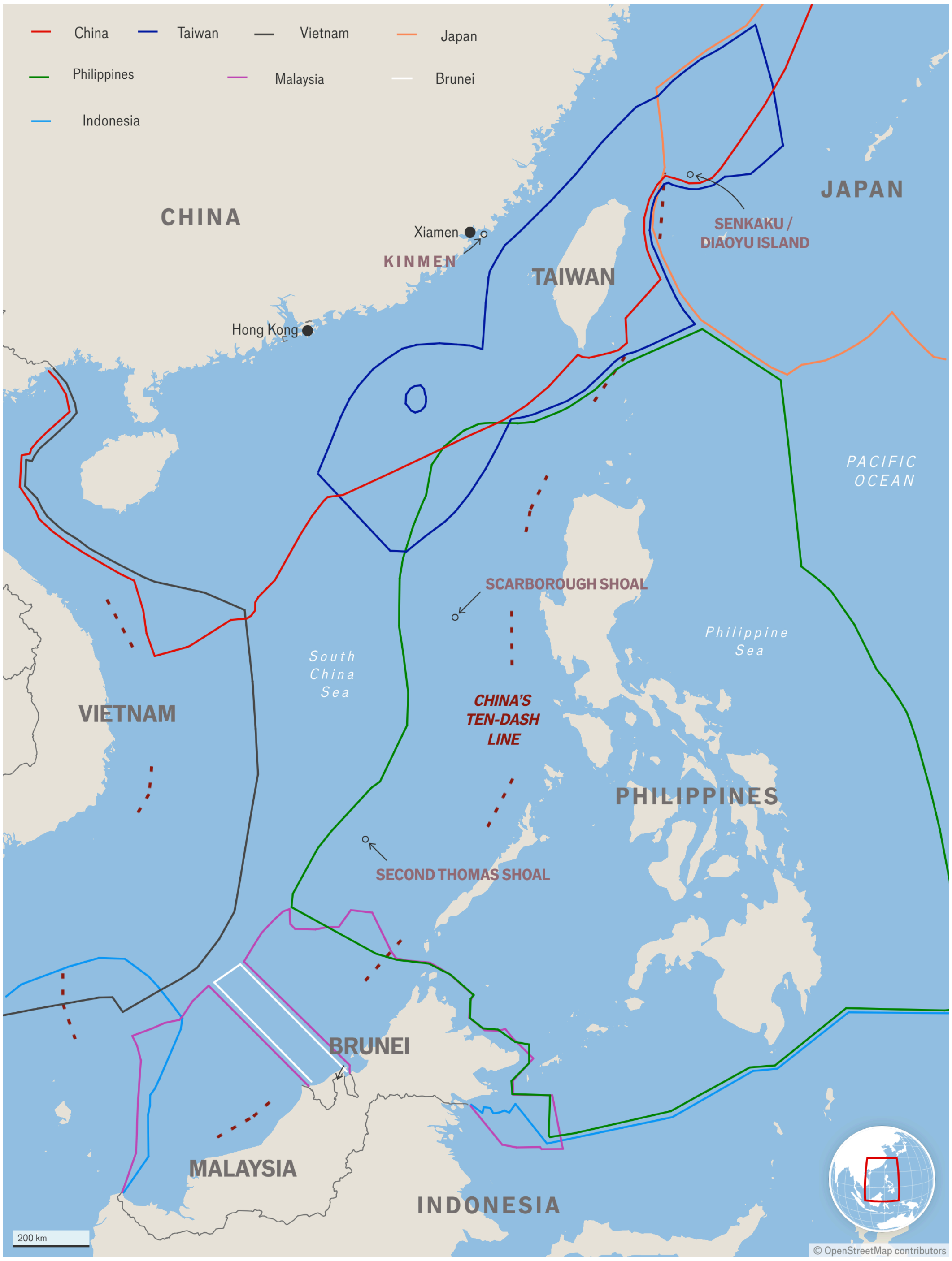
Context

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.

Impact

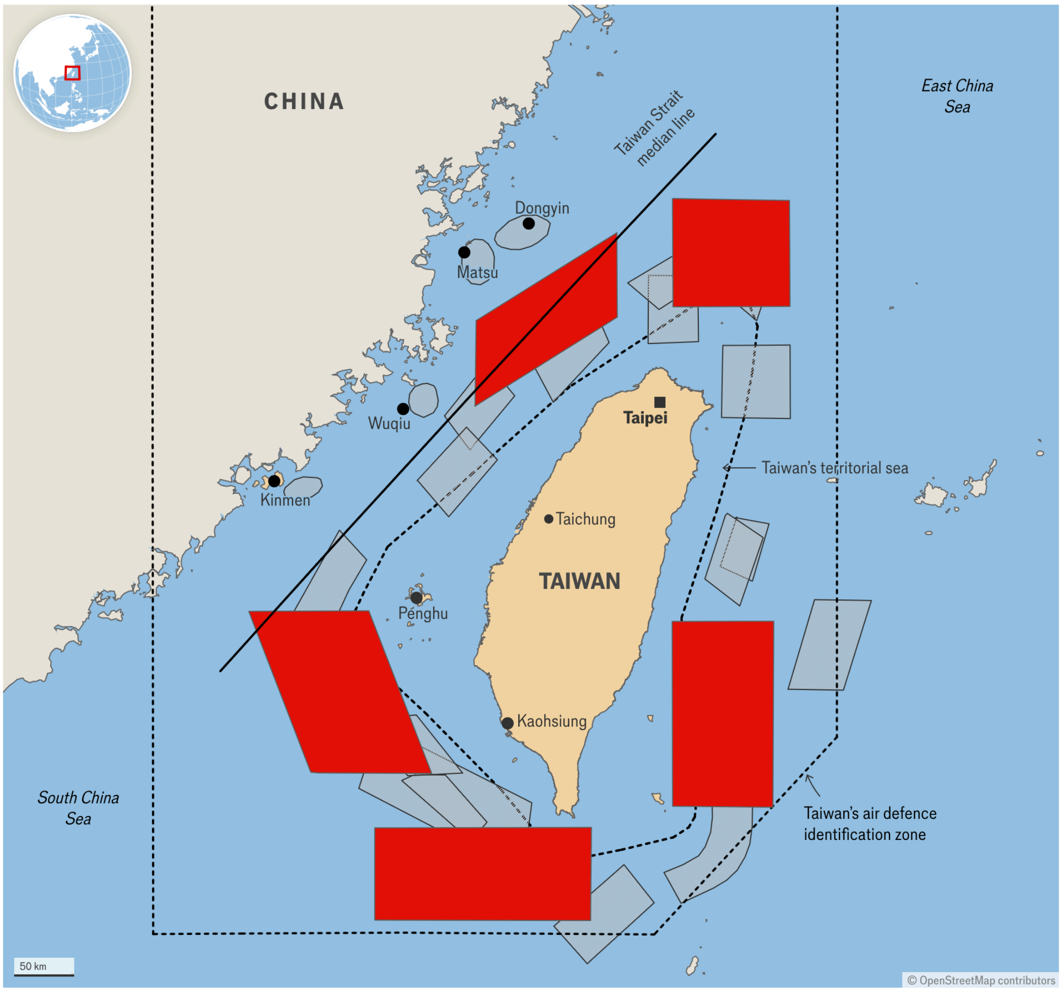
Assuming US intervention on behalf of its defence treaty allies (such as the Philippines) or Taiwan (given a strong strategic interest), a US-China military conflict in Asia would be devastating for the region's export-oriented economies and would severely disrupt global supply chains of goods ranging 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 the 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



December 2025 exercises | Previous Chinese drills around Taiwan

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

Drawn-out Iran war drags world economy into stagflation

World | Security risk

March 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 attack on Iran by the US and Israel has drastically undermined security and safety across the Middle East and unleashed an energy shock to the world economy. Iran's subsequent retaliation against military targets and energy infrastructure across the region, and crucially, the de facto closure of the Strait of Hormuz, through which about 20% of global crude oil shipments pass, has led to soaring energy commodity prices and violent swings in the global financial markets, with a growing threat of stagflation as the war grinds on. So far, Iran has resorted to selective strikes on targets in the Gulf States. For their part, the Gulf countries have largely confined themselves to defensive measures against Iranian missile and drone attacks. Other global powers have refrained from getting directly involved in the conflict.

US-Iran conflict scenarios

Capitulation Baseline: 50% ↓	**Regime capitulation [Baseline scenario: 50% ↓** • Multi-week (4-6) war with stand-off and all sides claim victory • Iranian regime survives—weak but with means to re-escalate • Immense internal pressure in Iran with bouts of civil unrest • US focused on midterm poll and Israel focused on neighbours • Western containment and negotiation to regain stability
Militarisation Alternative: 35% ↑	**Regime militarisation [Alternative scenario: 35% ↑** • Multi-month (2-3) war with stand-off and all sides claim victory • Iranian regime militarises—IRGC weak but state control • High re-escalation risk, brinksmanship and selective strikes • US focused on midterm poll, deterrence and containment • Western powers and Israel working to undermine new regime
Collapse Tail: 15% ↑	**Regime Collapse [Tail scenario: 15% ↑** • Multi-month (4+) war with eventual Iranian state collapse • Power vacuum in Iran—mass civil unrest and civil war • Prolonged (years) regional insecurity and instability • Uncontrolled spillover across borders—GCC, Iraq, Syrian, etc. • Long-term Western military presence—security/containment

Source: EIU.

Trigger

Our baseline forecast expects that hostilities will wind down from mid-April, with US and Israeli attacks limited to aerial bombing and the Gulf states remaining on the defensive. The impact of the Iran war will grow exponentially if active clashes extend beyond eight weeks (making it a multi-month war) and shipments through the Strait of Hormuz remain severely disrupted. The probability of this scenario will increase if Iran decides to attack energy facilities and water desalination infrastructure in the region in a systematic and broad manner, forcing the Gulf states to switch from defence to attacks against military targets and infrastructure in Iran.

Impact

A drawn-out war that drags countries across the region into active combat and maintains a de facto closure of the Strait of Hormuz over a large part of 2026 would have a devastating effect on the world economy, with stagflation a prominent threat. Oil prices would surge to US$200 per barrel (US$200/b) and stay above US$100/b beyond 2026, causing strong supply-push inflation across the world. Countries in Europe and Asia would be most exposed to the energy shock, as many have a heavy structural dependence on energy imports from the Middle East. The broad escalation of the war could cause severe damage to oilfields and gasfields and storage facilities in the region, forcing some of them offline. Repair and restart of production would be time-consuming, and energy flows out of the Middle East could remain under the pre-war level deep into 2027. The impact would reverberate first through petroleum industries and energy-intensive industries such as chemicals and metallurgical production. Fertiliser production would sharply decrease in 2026 as a large proportion of critical input including urea and sulphur is produced in and exported from the Middle East. This would in turn constrain crop production and push up food prices in 2027. Surging energy and maritime logistics costs would spread through global supply chains and keep inflation higher for longer. A prolonged energy shock would steeply raise inflation expectations, forcing households to cut back spending and firms to shelve investment plans. Central banks in economies facing rampant price growth could be forced to revert to monetary policy tightening, aggravating headwinds on the demand side and raising borrowing costs for governments that would have been under renewed pressure for fiscal stimulus. Global financial markets would also reinforce the negative feedback loop. A combination of a growth and inflation hit, heightened risk aversion and rising global interest rates is likely to result in strong capital outflows from emerging markets, placing strains on their external stability. Interest-rate increases, currency intervention and even capital and import controls would probably have to be deployed. The most damaging factor would be if these events killed off the currently positive global capital expenditure cycle in AI-related infrastructure. Sell-offs in financial markets would reduce the willingness and ability of firms to invest and also raise the risk of an AI investment bust.

Mitigation

Firms should include the scenario of a protracted and wide-ranging war in the Middle East and persistent disruptions to energy exports from the region in their contingency plans. This should include increasing stocks of materials derived from petroleum products, planning alternative supply chains and trading routes bypassing the war-affected region, devising hedging strategies against recurrent volatility in the financial markets and making adequate preparations for a steep decline in global trade and economic growth amid persistently elevated inflation. Businesses should also be aware that even when active war stops, Iran—as long as the Islamic regime survives—will still have the capacity and incentives to block or obstruct trade flows through the Strait of Hormuz. Therefore, firms should expect an extended period of elevated energy costs and trade disruptions in and out of the Gulf region.

Food and water shortages lead to war and mass migration

World | Political stability risk

March 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.

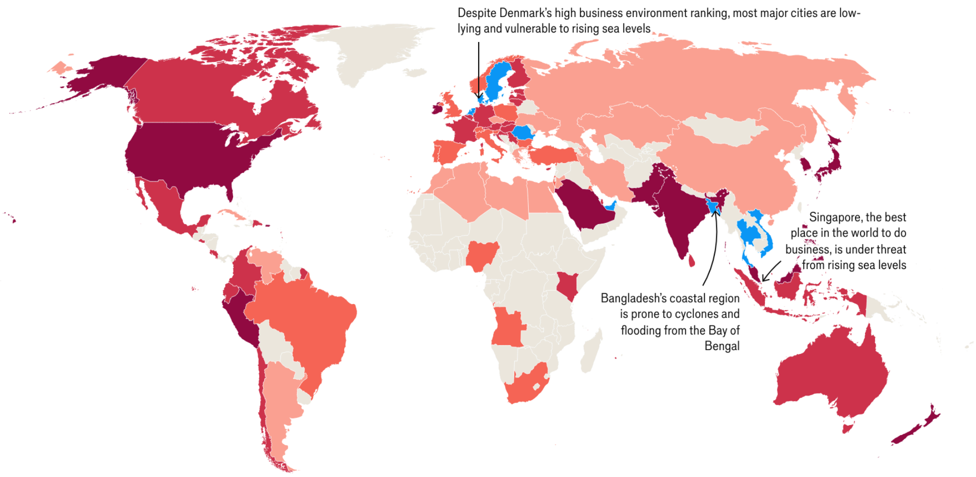
Trigger

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).

Impact

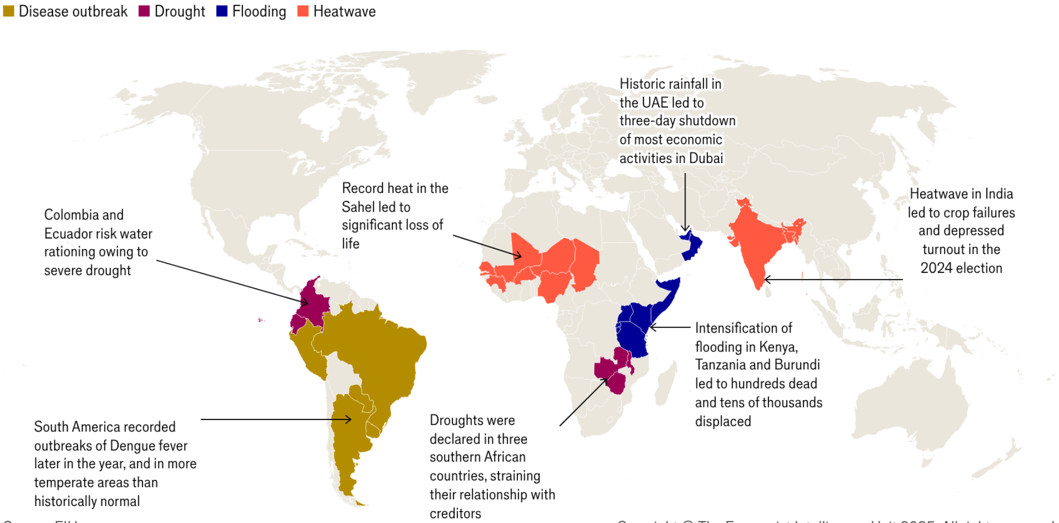
If extreme weather events have a significant impact on production, this could lead to shortages, straining global supply chains and stoking inflation. Higher agricultural commodity costs would extend to households, raising the cost of living and food insecurity. Food and water shortages in parts of the 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 the 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



Source: EIU.

Fast adoption of AI tools disrupts the labour market

World | Macroeconomic risk

March 25th 2026

Macroeconomic risk scenario

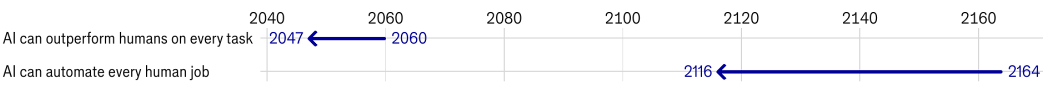
Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
12	High	Moderate

Context

With decreasing cost of training, and fast-expanding capabilities and adaptability, AI tools based on large language models (LLMs) 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 service, 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



Source: The 2023 Expert Survey on Progress in AI; EIU.

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 co-operate on re-skilling and retraining workers to effectively work with AI and explore newly created jobs, the process will take time. 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 for 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.

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

World | Macroeconomic risk

March 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.

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

World | Foreign trade and payments risk

March 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

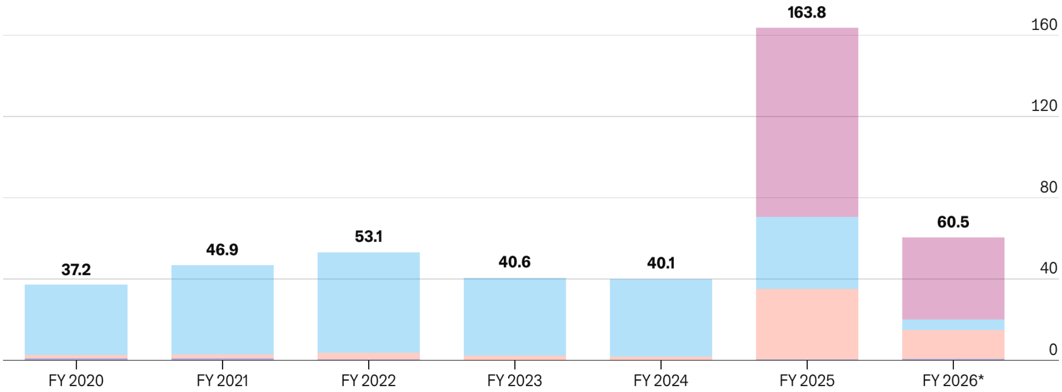
Context

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 was collected under IEEPA by 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.

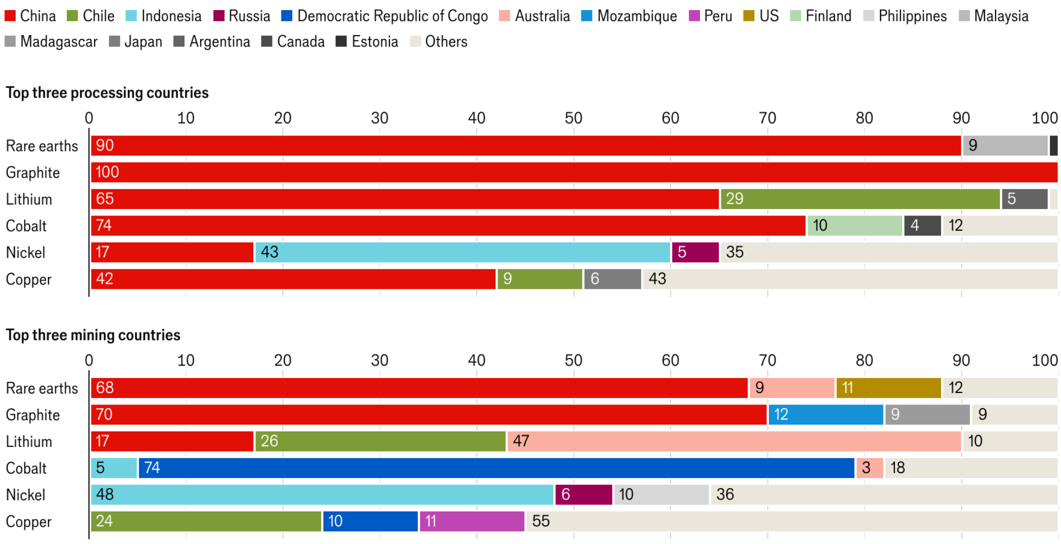
*US Customs and Border Protection data updated to December 14th 2025. Data for 2026 include receipts to date. Data shown include revenue from statutory trade remedy and sanctions measures—Sections 201, 232 and 301, and IEEPA—but exclude regular most-favoured nation tariff revenue, anti-dumping and countervailing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

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



Source: International Energy Agency; USGS; EIU.

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 regimes 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

March 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

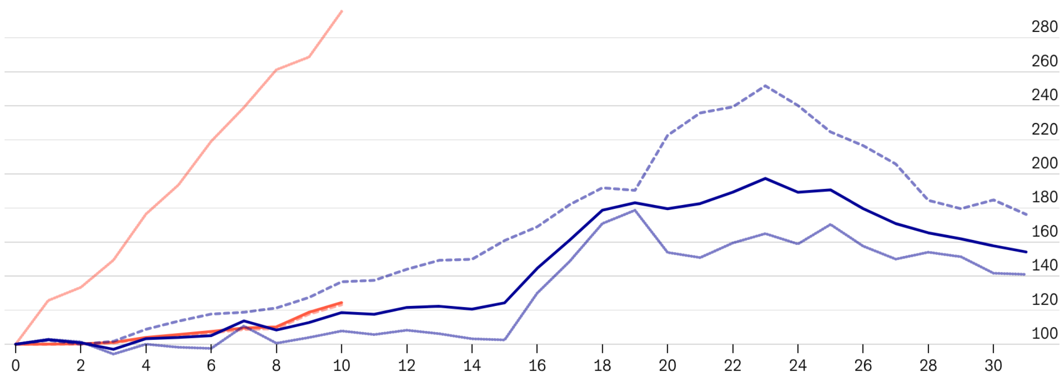
Context

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

Dot-com* | Dot-com, structures | Dot-com, equipment | AI* | AI, structures | AI, equipment



Source: US Bureau of Economic Analysis; EIU.

*Dot-com period begins in the first quarter of 1995. AI period begins in the fourth quarter of 2022.

Trigger

The risk of a AI-triggered stockmarket crash will be moderate in 2026 but it will increase in the outlook period, particularly as the war in the Middle East drags on and disrupts global energy supply and electronics manufacturing. 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 to introduce and commercialise 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

March 25th 2026

Financial risk scenario

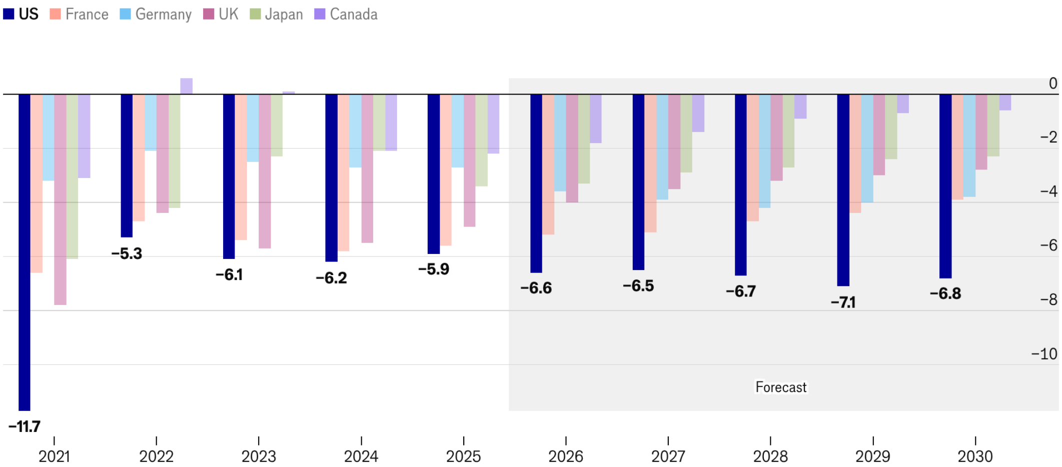
Risk intensity (probability x impact)	Probability: Very low (1) - Very high (5)	Impact: (Very low (1) - Very high (5)
8	Low	High

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



Source: National ministries; EIU.

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
Petrol consumption (m tonnes)	1072.7	1087.6	1074.4	1088.6	1103.3	1117.2	1088.7
% change	0.8	1.4	−1.2	1.3	1.4	1.3	−2.6

Source: EIU.

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 robitaxis 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.

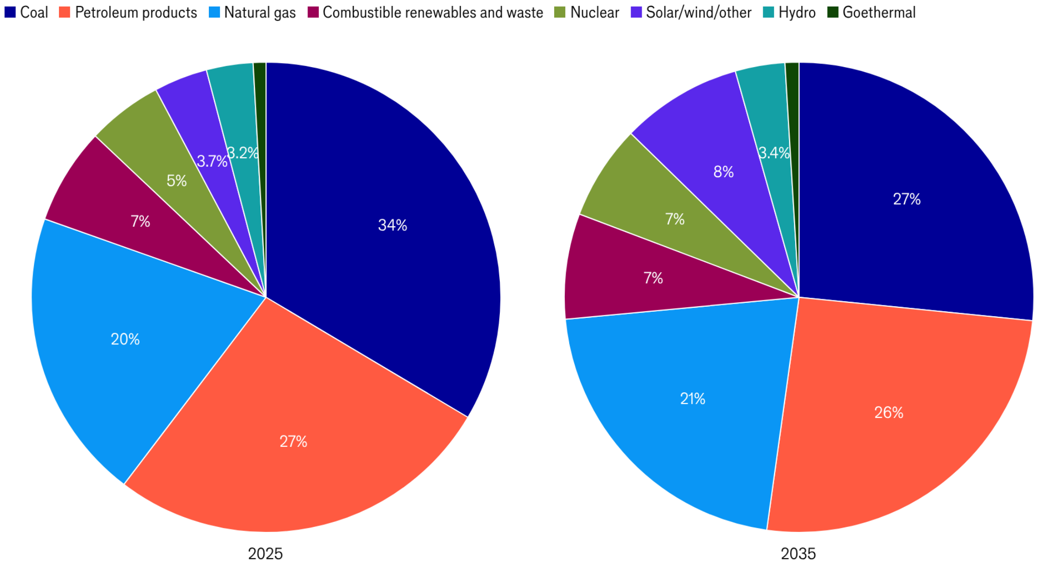
Despite the bullish outlook for renewables, the global energy mix remains heavily reliant on fossil fuels (oil, gas and coal), which will account for an estimated 81% of total energy consumption in 2025. Our forecasts suggest that this will drop only marginally to 77% by 2034.

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; %



Source: EIU.

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.

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.

Telecommunications

World | Tech and telecoms

July 14th 2025

World telecoms and technology industry

	2021	2022	2023	2024	2025	2026	2027	2028	2029
Telephone main lines (m)	830.9	813.7	798.9	773.7	769.5	767.5	768.2	770.6	776.2
Telephone main lines (per 100 people)	13	12.7	12.4	11.9	11.8	11.7	11.7	11.6	11.7
Mobile subscribers (m)	6,977.8	7,102.1	7,227.9	7,405.7	7,597.9	7,810.6	8,029.7	8,248.1	8,474.2
Mobile subscriptions (per 100 people)	109.5	110.9	112.2	114.3	116.6	119.2	121.9	124.6	127.4
Internet users (m)	4,262.2	4,488.3	5,008.7	5,263.6	5,516.7	5,761.8	5,910.6	5,985.4	6,059.6
Internet users (per 100 people)	66.9	70.1	77.7	81.2	84.6	87.9	89.7	90.4	91.1
Broadband subscriber lines (m)	1,263.9	1,348	1,419.9	1,487.6	1,578.9	1,673.6	1,777.8	1,885.4	1,990
Broadband subscriptions (per 100 people)	19.8	21	22	23	24.2	25.5	27	28.5	29.9
Personal computers (per 100 people)	47.3	47.8	48.4	48.9	49.4	49.9	50.3	50.7	51
Total IT spend (US$ bn)	3,066.0	3,156.11	3,298.57	3,613.15	4,009.74	4,349.51	4,714.79	5,108.28	5,451.0

Source: EIU.

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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