Nr. 136, 2026 | Q3

Economic Outlook

World Economy in Spring 2026

Finalized September 02, 2026

Klaus-Jürgen Gern, Stefan Kooths, Johanna Krohn, Wan-Hsin Liu und Jan Reents

Research Group
Business Cycles and Growth

KIEL Institut

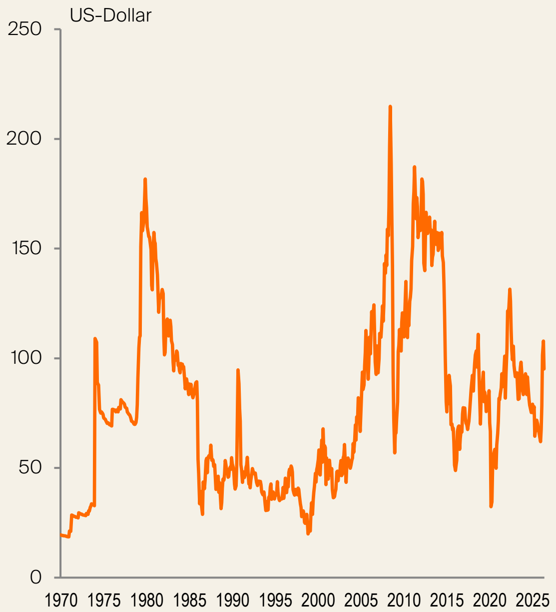
World Economy in Autumn 2026: Middle East Conflict Hampers Economic Activity

Klaus-Jürgen Gern, Stefan Kooths, Johanna Krohn, Wan-Hsin Liu und Jan Reents

Despite higher energy prices and heightened geopolitical risks, the expansion of the global economy slowed only modestly in spring 2026. Pronounced declines in output were confined to the countries in the Persian Gulf region, while GDP continued to expand at a comparatively strong pace in most other econ-omies. Global economic activity is likely to have regained momentum over the summer months. The boom in AI technology continues to fuel activity, stimulating trade and investment and driving economic growth particularly in Asia. An end to the conflict in the Gulf is not currently in sight, and oil prices have risen again recently. Financial markets nevertheless appear to be pricing in the expectation that oil and gas production and transportation in the Gulf region will return to normal in the foreseeable future. However, the risks remain considerable. Forward prices for crude oil decline only gradually as the deliv-ery date moves further into the future. Against this backdrop, we have raised our forecast for global output growth, measured at purchasing power parity, from 2.9% to 3.0% for this year. For next year, we continue to project growth of 3.2%, and we expect the same rate of expansion in 2028. Given the as-sumed path of energy prices, inflation is likely to ease only gradually. In addition to the risk of another substantial rise in oil prices in the event of a prolonged closure of the Strait of Hormuz, the marked in-crease in long-term interest rates is also a source of concern. Higher long-term rates are putting addi-tional pressure on public finances and are also making it more difficult to finance private investment.

The global economy remained resilient in the face of higher crude oil and liquefied natural gas (LNG) prices and heightened uncertainty following the Iran war. The attack on Iran by the United States and Israel on 28 February 2026 and the subsequent closure of the Strait of Hormuz - through which around 20 percent of globally traded crude oil and LNG, respectively, had previously been transported - triggered by far the largest supply shock in the history of the global oil market. Despite this strain, the global economy proved remarkably resilient. One reason was the moderate price response relative to the scale of the supply shortfall, which according to the International Energy Agency exceeded 10%, compared with less than 5% during the 1973/74 oil crisis. Prices initially rose sharply but quickly settled at levels that had been

Figure 1:
Real crude oil price



Monthly data, with Brent crude oil price (Brent) deflated using the U.S. Consumer Price Index (CPI) and expressed in constant July 2026 U.S. dollars.

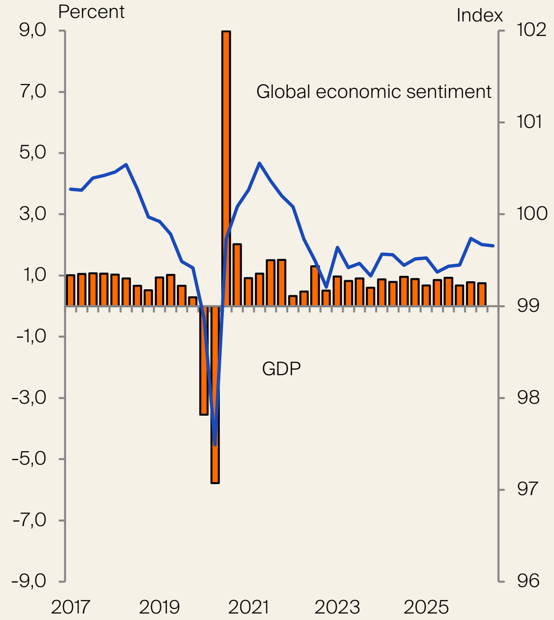
Source: LSEG

reached several times in recent years during geopolitical crises, such as in 2022, or during periods of strongly rising demand, such as in 2007 and 2012/13, and which in real terms remain well below historical peaks (Figure 1). Global activity was also supported by continued strong growth in demand for capital goods associated with the rapidly increasing need for computing capacity and energy infrastructure as artificial intelligence is further developed and deployed. In many countries, significantly higher defence spending provided an additional boost.

The global economy continued to expand at a solid pace in spring, albeit somewhat more slowly than before. Global growth moderated overall in the second quarter of 2026, but outside the Gulf region the loss of momentum was very limited.[1] Our global economic climate indicator, which is based on sentiment indicators from 42 countries (no Gulf country included), declined only slightly and remained above its level of the past three years during the summer (Figure 2).

The effects of the Iran war are clearly visible in world trade and global industrial production, but they remain largely confined to the Gulf economies. Global industrial production fell by 2 percent in March, largely reflecting a collapse in output in the countries directly affected by the conflict. Industrial production in the Middle East and North Africa fell by more than one quarter when the war began, while industrial output in other emerging market economies remained stable and even accelerated in advanced economies. The increase was particularly strong in the advanced Asian economies excluding Japan, including Taiwan, South

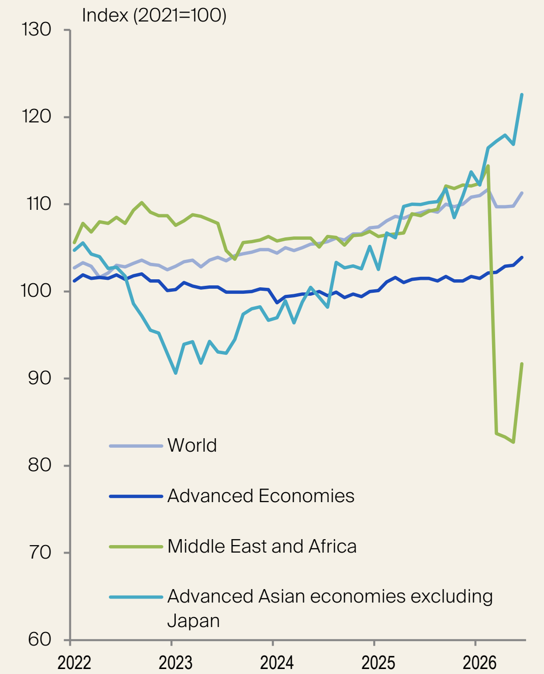
Figure 2:
World Economic Activity



Quarterly data, seasonally adjusted. Global economic sentiment is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

Figure 3:
IIndustrial production by groups of countries

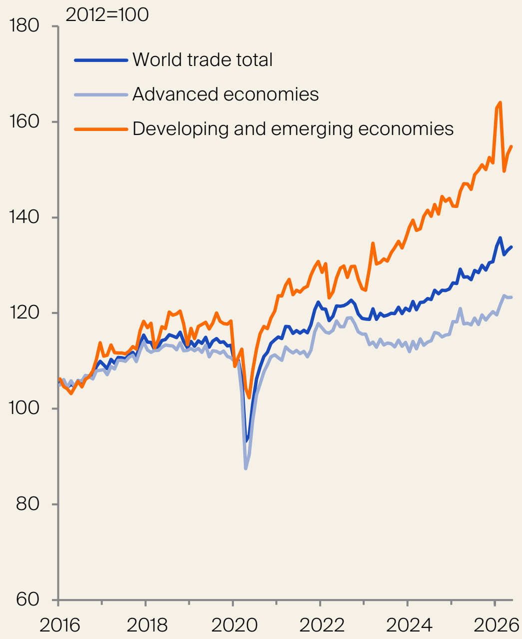


Monthly data, seasonally adjusted. Industrial production volume excluding construction

[1] Our estimate for quarterly world GDP growth is based on a country sample that does not include Gulf countries.

Korea and Singapore, which are highly integrated into value chains relevant for AI technology (Figure 3). World trade showed a similar pattern, with the marked decline in March largely attributable to the collapse in trade by the Gulf states. Goods trade among advanced economies continued to expand, while exports from Asian emerging market economies were only briefly affected and have recently risen sharply. Imports by Asian emerging market economies, and China in particular, remain subdued, however, probably mainly because of lower oil imports. World trade rebounded abruptly following the temporary reopening of the Strait of Hormuz in June (Figure 4), but this recovery is unlikely to have been sustained given that the passage has again been largely blocked again since mid-July.

Figure 4:
World Trade

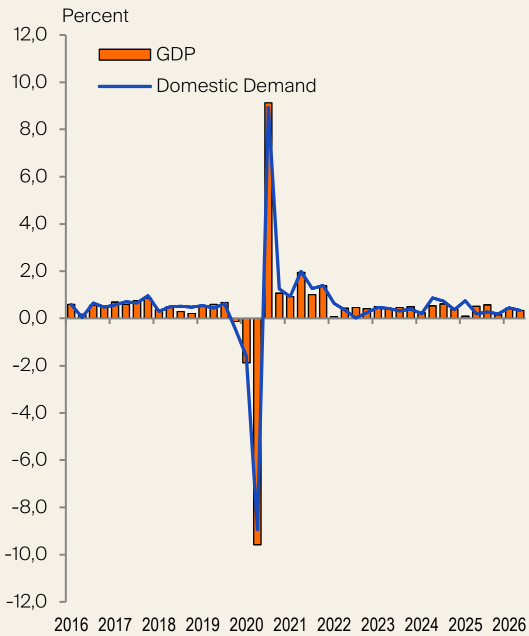


Monthly Data.

Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

In the advanced economies, aggregate output continued to grow at a broadly unchanged pace. The group as a whole again recorded a solid increase of around 0.4 percent (Figure 5). In the United States, GDP growth slowed only marginally, with investment moderating somewhat, while private consumption rose very strongly on the back of substantial tax refunds. Activity slowed somewhat more in Japan and the United Kingdom, although aggregate output still increased appreciably. In the euro area, the pace of expansion even picked up significantly. Private consumption appears to have lost momentum as higher energy prices eroded purchasing power, while investment rebounded following a decline in the previous quarter. Recent fluctuations in euro area growth have largely reflected pronounced swings in Irish GDP.[2] Excluding Ireland, the

Figure 5:
GDP and Domestic Demand in the G-7



Price adjusted; seasonally adjusted; yoy change. G7 consists of USA, Japan, Canada, Germany, France, Italy and UK.

Source: OECD *Main Economic Indicators*, Kiel Institute calculations.

[2] Exports by multinational pharmaceutical companies, which account for a substantial share of Irish industrial production, were expanded massively in the first months of last year in connection with US tariff policy and were subsequently scaled back again. Changes in the accounting treatment of licensing rights of multinational companies also have a substantial impact on the level of GDP. These changes affect measured GDP but do not influence economic activity in Ireland and frequently give rise to sizeable revisions. An alternative activity measure published by the Irish statistical office, which

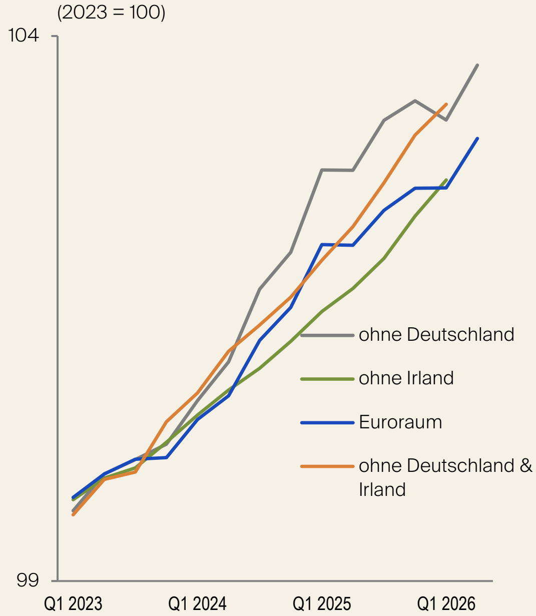
euro area economy continued to expand at a broadly unchanged moderate pace (Figure 6).

Economic momentum eased somewhat in the emerging market economies. In China in particular, aggregate output grew much more slowly than in the previous quarter, although this appears to have reflected a renewed intensification of domestic structural problems rather than the impact of the Iran war. In India, by contrast, economic momentum remained high despite widespread expectations of a slowdown, and most other emerging market economies also continued to record sizeable output gains.

Oil prices are projected to decline over the forecast horizon, but to remain well above pre-war levels. Financial markets still appear to assume that the Strait of Hormuz will become passable again within the foreseeable future. This is reflected in the downward-sloping futures curve, with prices declining for contracts with later maturities. Given that negotiations on a lasting resolution of the conflict currently appear to be deadlocked, however, this outcome is far from certain. Futures prices are currently above the levels observed during the brief reopening in June. From the current level of around USD 90 per barrel, the price of Brent crude is projected to fall only gradually to USD 72 by the end of 2028 (Figure 7). This is also trajectory underlying our forecast, which is somewhat lower than the assumption made in June. By contrast, European LNG prices, both spot and forward, are now considerably higher than expected in June.

Risks to oil prices are substantial. As long as the Strait of Hormuz remains effectively closed, the crude-oil market faces a sizeable

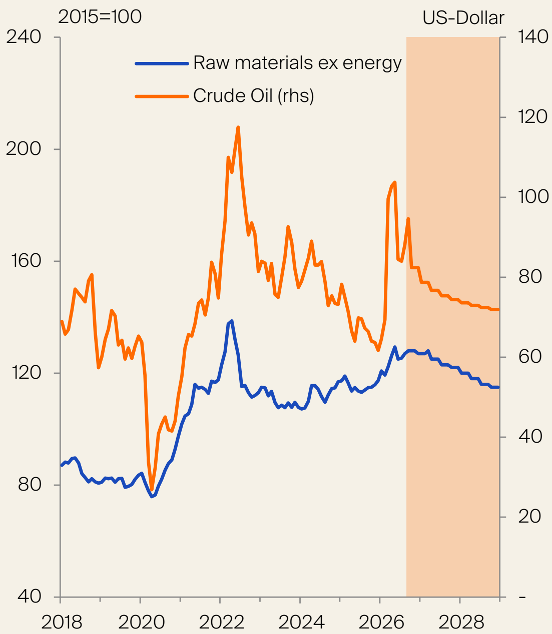
Figure 6:
Bruttoinlandsprodukt im Euroraum



Quartalsdaten, preis-, kalender- und saisonbereinigt.

Quelle: Eurostat, Volkswirtschaftliche Gesamtrechungen..

Figure 7:
Raw material prices



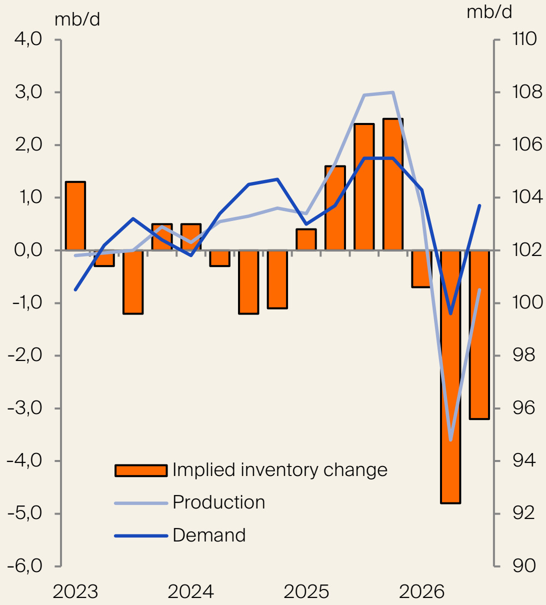
Monathly data, data edge: shaded: forecast.
Raw meterials ex energy: HWWI-Index, USD-based; Crude Oil: Spot market, Brent.

Source: International Petroleum Exchange; HWWI, Rohstoffpreisindex, Kiel Institute forecast.

removes distortions arising from multinational-company activity ("Modified Domestic Demand"), points to a stable upward trend in the Irish economy, although data are currently available only through the first quarter.

supply deficit (Figure 8). It is uncertain how long excess demand can continue to be met through a drawdown of the very ample inventories accumulated before the war. Estimated global inventories are very high, but only part of these stocks is available for use, as substantial quantities are required for the smooth operation of oil processing or are in transit.[3] Inventories are also distributed very unevenly across regions. Government reserves have already been released to the market on a substantial scale in a coordinated action by EIA member countries. If the Strait of Hormuz were to remain shut for longer, mounting concerns about physical shortages could drive crude-oil prices sharply higher again. Conversely, a lasting reopening could sooner or later lead to an oversupply of crude oil and a steep decline in prices, especially if the Gulf states sought to regain market share by forcing higher-cost producers out of the market.

Figure 8:
World oil market balance



Quarterly data; Mill. Barrel per day, Inventory change calculated as difference between demand and production. Q2 2026: estimate.

Source: International Energy Agency, Monthly Oil Market Report; Kiel Institut calculations.

Prices of non-energy commodities are also elevated. Alongside energy prices, other commodity prices have risen markedly since the start of the Iran war. While fertilizer prices, which initially increased particularly strongly, as the Gulf states had previously supplied around one-third of global demand for urea, a nitrogen fertiliser produced from natural gas, have moderated in recent months, prices of other commodities have remained elevated or increased further lately. Commodity production is generally energy-intensive, while industrial demand has so far remained strong. Prices of non-ferrous metals have therefore increased by around 10 percent since March. Food prices are also on a clear upward trend. In some regions, including Europe, lower yields due to reduced fertilizer use have been compounded by adverse weather conditions, further weakening harvests. The marked increase in grain prices in July was probably also related to the escalation of the war between Russia and Ukraine, which threatens to impair the shipping capacity of these two major grain exporters.

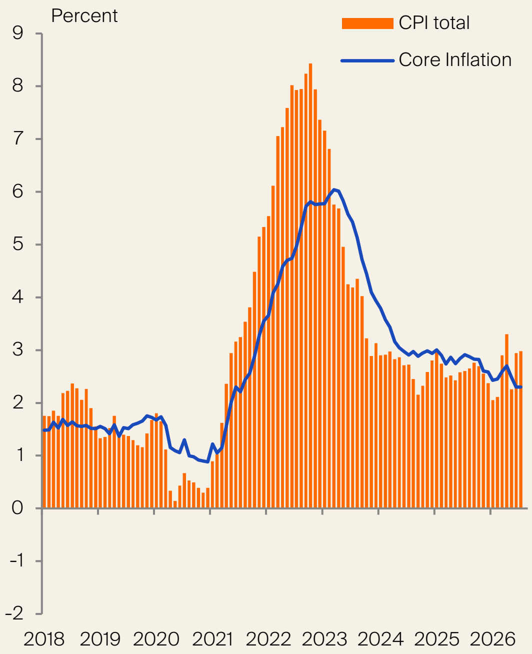
Consumer price developments continue to be shaped by energy prices. Inflation has risen noticeably in the advanced economies in the wake of the Iran war. In the G7 economies, headline inflation increased from 2.4 percent in February 2026 to 3.4 percent in May, mainly because of higher energy prices. As fuel prices declined in June, headline

[3] The International Energy Agency estimates current global stocks of oil and oil products at 7.9 billion barrels, of which roughly half is likely to be crude oil. In purely arithmetic terms, at a market deficit of 3 million barrels per day these stocks would be sufficient to secure crude-oil supply for three years.

inflation also eased somewhat, to 2.9 percent (Figure 9). Core inflation, excluding energy and food, remained comparatively stable. It declined most recently and, following a temporary increase in the spring, was even below its level at the start of the year in July. There is therefore currently little evidence that the energy price shock is triggering a broader increase in consumer price pressures.

Monetary policy in the advanced economies is responding cautiously to the rise in inflation. Apart from the Bank of Japan, which continued its gradual increase in policy rates – although these remain very low – the ECB is so far the only major central bank to have changed rates, raising the deposit facility rate by 25 basis points in June after holding it at 2.0 percent for almost a year (Figure 10). The decision reflected core inflation remaining above target, persistently strong services price increases and concerns about second-round effects from the rise in energy prices. In line with financial-market pricing, we expect a further move in September. Balance-sheet policy continues to be mildly restrictive as APP and PEPP holdings gradually decline because maturing securities are no longer reinvested. The Bank of England has likewise continued to reduce its holdings of government bonds, but has so far kept its policy rate unchanged despite a renewed rise in headline inflation. We expect an interest rate hike later this year. Given moderate economic momentum, additional tightening would likely be considered only if wage and services price pressures strengthened again, also because the interest rate level remains significantly higher than in the euro area. The same applies to the United States, where the target range for the federal funds rate has remained unchanged at 3.50-3.75 percent since December 2025. We expect

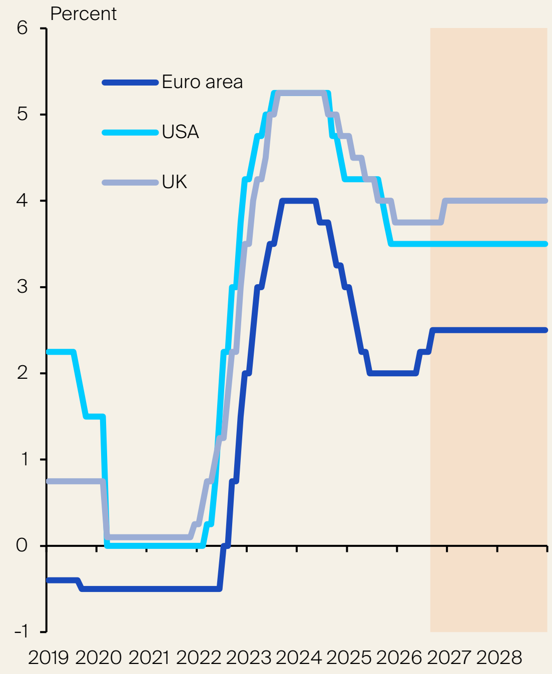
Figure 9:
CPI Inflation in Industrial Countries



Monthly Data; yoy change.

Source: OECD, *Main Economic Indicators*; Kiel Institute calculations.

Figure 10:
Policy rates in major advanced economies



Monthly data. Euro area: Deposit Facility Rate, USA: Federal Funds Rate, UK: BoE base rate.

Source: LSEG Datastream. shaded area: forecast of IfW Kiel.

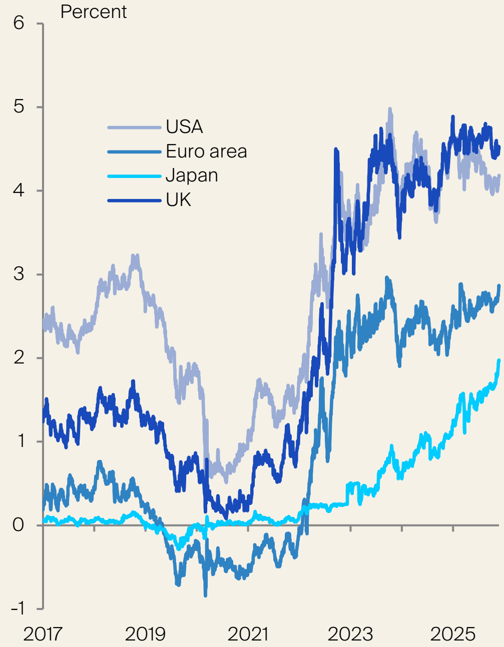
no change over the forecast horizon. A wait-and-see stance is supported by the recent weakening in labor market data and some easing in consumer price inflation. The government also expects rates to be lowered rather than raised in order to stimulate activity and, apparently, to reduce public sector financing costs. On the other hand, core PCE inflation - an indicator closely watched by the Federal Reserve - and inflation expectations remain considerably higher than desired. As a result, there is a substantial risk that interest rates will actually be raised over the coming months.

Fiscal policy is supporting activity for the time being. Although public debt has already risen sharply in most countries in recent years, budget deficits are increasing further in many economies this year, reflecting governments' desire to finance additional expenditure on defence, infrastructure, industrial-policy priorities and, more recently, renewed measures to cushion the rise in energy prices rather than a weak cyclical position of the economy. The European Commission, for example, intends to allow part of the existing national escape clause for financing additional defence spending to be used for energy security measures.[4] Under this proposal, funding of up to 0.3 percent of GDP per year, or 0.6 percent cumulatively, could be used over 2026-28 for certain measures to reduce dependence on fossil fuel imports. As a result, the aggregate euro area government deficit is projected to rise from 2.9 percent of GDP last year to 3.4 percent this year and 3.5 percent next year, once again clearly exceeding the 3 percent ceiling set out in the Maastricht Treaty. In the United States, the continuation of reduced income-tax rates from the first Trump administration together with further tax cuts is creating sizeable holes in the budget. Part of the additional tariff revenue that had been intended to help finance these measures must be refunded, and future tariff revenue will also be substantially lower than previously budgeted because tariff rates are now lower. Spending cuts are unlikely to offset this, particularly given the substantial additional expenditure required to finance the Iran war and replenish ammunition stocks. The US federal budget deficit is therefore expected to rise from 5.8 percent to 6.3 percent this year and to remain at a similarly high level next year. Fiscal policy in Japan is also expansionary. Overall, fiscal policy in the advanced economies is supportive this year and broadly neutral next year. For 2028, we expect greater efforts to reduce budget deficits.

Long-term interest rates have risen significantly and threaten to materially constrain fiscal room for manoeuvre. Yields on 10-year government bonds have increased markedly over the course of this year and in some cases reached multi-year highs (Figure 11). In the euro area they were last higher during the sovereign debt crisis in 2011; in the United Kingdom, during the 2008 financial crisis; in the United States, apart from a brief episode in November 2023, in 2007; and in Japan, as far back as 1996. If long-term rates remain at these levels for an extended period of time or rise further, debt-service costs will place a much heavier burden on public budgets as an increasing volume of long-dated securities issued during the low-interest-rate period matures and must be replaced with substantially higher-yielding debt. Such a development would materially reduce fiscal space over the longer term, especially as public debt ratios in

[4] This escape clause has already been activated by 18 countries, most recently Spain in June.

Figure 11:
Yield of 10-year government bonds



Daily data.

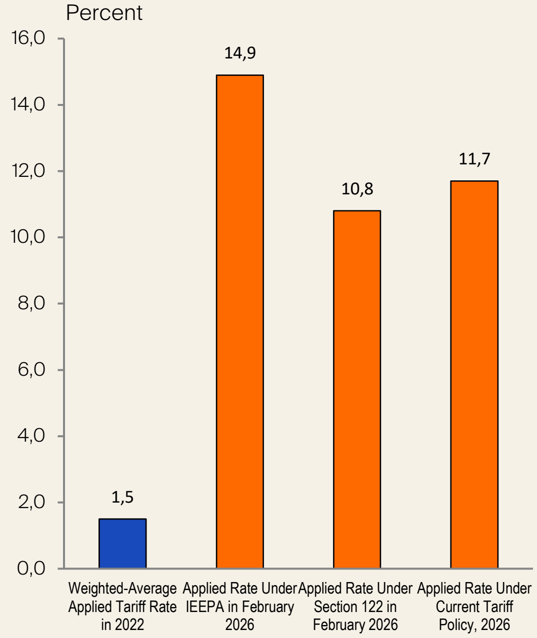
Source: LSEG.

most countries are now considerably higher than they were 15 or 20 years ago. In the United States, interest expenditure has already risen from 5.3 percent of total federal outlays in 2020 to 13.8 percent in 2025. The Treasury has meanwhile sharply reduced the share of long-term bonds used to finance the budget deficit in an effort to contain the rise in debt-service costs. This entails significant risks if policy rates increase, as higher short-term rates would then feed through more quickly to the budget.

The rise in interest rates likely reflects both higher inflation expectations and a growing supply of government bonds associated with large budget deficits. At the same time, firms are competing more intensively for savings, for example to finance massive AI-related investment. Corporate bond yields have also risen by a similar amount, but they are not unusually high because spreads over government securities have narrowed substantially in recent years. The restraining effect of higher interest rates on the private sector is therefore likely to remain limited.

US tariffs have been put on a more permanent footing, but trade policy uncertainty persists. After the US Supreme Court ruled on 20 February that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unlawful, a blanket tariff of 10 percent was introduced for 150 days under a different legal provision. As a result, the average applied tariff rate on US imports fell from 14.9 percent to 10.8 percent (Figure 12). On 24 July, this temporary arrangement was replaced by new tariffs that are potentially permanent, raising the applied tariff rate to 11.7 percent. In August, following the breakdown of trade negotiations, the US administration announced a 50 percent tariff on part of Canadian exports to the United States. The affected product groups account for only around 5 percent of Canada's US-bound

Figure 12:
Trade-Weighted Average Applied Tariff Rates



The weighted average applied tariff rate measures the statutory tax rate imposed on different products from different countries, and it differs from average effective rates measured by actual tariff revenues as a share of total goods imports.

exports, but the decision nevertheless underscores that punitive tariffs remain part of the Trump administration's policy toolkit.

Outlook: Global economy regains momentum

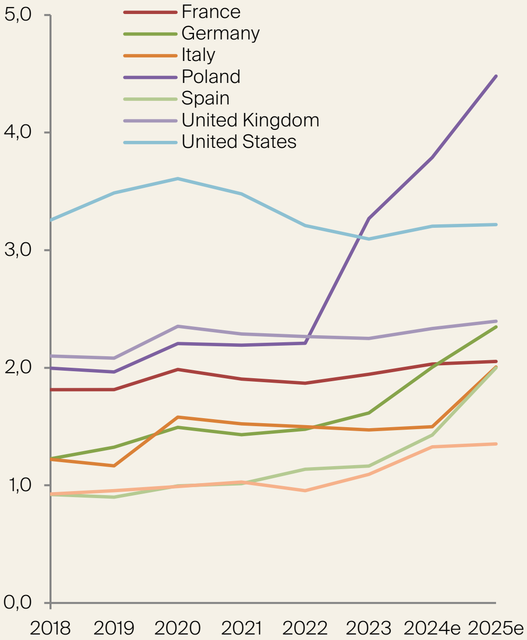
The drag from higher energy prices and uncertainty is expected to diminish over the forecast horizon. Higher crude oil and LNG costs will initially continue to weigh on global activity, but under our assumptions for the level and path of crude oil and LNG prices these effects gradually fade. Higher energy prices are unlikely to alter the inflation environment on a lasting basis, so a substantial tightening of monetary policy through higher interest rates will probably not be required. At the global level, the adverse effects of higher energy prices are also mitigated by the fact that some countries and firms benefit from the increase, strengthening their financial position and thereby generating additional demand.

The growing use of AI remains a key engine of global activity. The expansionary forces associated with the spread of artificial intelligence are likely to remain intact for the time being. Investment demand is expected to continue to be driven by the need for additional data-processing capacity and high expenditure on research and development. The substantial electricity requirements associated with AI applications also call for large-scale investment in generation capacity and grids. Growth in these investment categories is nevertheless likely to moderate gradually over the forecast horizon. The AI boom is also supporting activity through financial markets, where share price gains at listed firms involved in the sector are driving market performance and generating wealth effects that also strengthen private consumption.

The AI boom also entails cyclical risks. There is currently no indication that enthusiasm for AI is coming to an end. However, the earnings could fall short of expectations underpinning investment and corporate valuations, either because willingness to pay for AI applications ultimately proves insufficient or because technological innovation renders apparently promising investments obsolete. In such a scenario, the repricing of firms could be substantial and could weigh materially on activity through lower investment and adverse wealth effects.

Higher defence spending is supporting economic activity. In many countries, the changing geopolitical environment has led to a substantial increase in defence efforts after years in which they had tended to decline. In some economies, such as Poland and the Baltic states, this adjustment took place on a large scale immediately after Russia's attack on Ukraine. There is therefore likely to be only limited additional stimulus from further government demand in these countries going forward. This broadly also applies to Japan, where the targeted level of spending has almost been reached. By contrast, some western European countries, including Spain and Italy, began to increase military expenditure noticeably only relatively recently and are still well below the stated NATO target of 3.5 percent of GDP (Figure 13). Additional support to activity can therefore still be expected over the forecast horizon. This also applies, not least, to the United

Figure 13:
Defence expenditure as a share of GDP (%)



Source: NATO. Defence expenditure as a share of GDP, calculated in constant 2021 U.S. dollars and expressed as a percentage of real GDP. "e" denotes estimates.

States, where substantial additional expenditure is likely to be approved to replenish stocks used in the Iran war and further strengthen military capacity.

Following a modest setback this year, global output growth is projected to strengthen again over the next two years. For the current year, we expect global output growth to slow from 3.4 percent to 3.0 percent. For 2027 and 2028, we then project a stronger expansion of 3.2 percent, respectively (Table 1). Compared with our June forecast, this represents an upward revision of 0.1 percentage point for this year and a downward revision of 0.1 percentage point for next year (Gern et al. 2026). At market exchange rates, global output growth is projected at 2.5 percent this year, down from 2.4 percent in June, and 2.7 percent in each of the following two years. Growth in the advanced economies as a whole is expected to come in at 1.8 percent in all three forecast years based on purchasing power parities. Based on market exchange rates, respective growth rates are 1.5 percent this year and 1.7 percent in the next two years (Table 2). Overall, economic momentum in the emerging market economies is expected to change only little. World merchandise trade, which rose by 4.4 percent in 2025, is expected to increase by 5.2 percent on average in 2026 despite the spring decline, reflecting the strong increase at the beginning of the year. For 2027 and 2028, we expect trade growth of 3.7 percent and 3.1 percent, respectively.

Table 1:
Real GDP and consumer prices in the global economy

	Weight	Gross domestic product				Consumer prices			
		2025	2026	2027	2028	2025	2026	2027	2028
World economy total	0	3.4	3.0	3.2	3.2	4.4	5.1	4.2	3.6
including									
Advanced economies	40.6	1.9	1.8	1.8	1.8	2.6	2.9	2.4	2.2
China	19.6	5.0	4.6	4.5	4.4	0.0	0.8	1.0	1.0
Latin America	6.5	2.1	2.0	2.3	2.3	12.1	13.3	8.0	6.1
India	8.2	7.3	6.9	6.7	6.7	1.6	3.6	4.5	4.2
East Asian emerging economies	7.2	3.6	4.1	4.0	3.9	1.8	3.1	2.3	2.2
Russia	3.4	1.0	0.4	0.0	0.5	9.2	6.8	7.5	6.5
Africa	4.7	4.0	3.7	3.8	3.8	9.4	8.9	8.0	7.2
Memorandum item:									
World trade volume (goods)		4.4	5.2	3.7	3.4				
World economy (GDP weights using current US-dollar exchange rates)		2.8	2.5	2.7	2.7	3.6	4.1	3.3	2.9

Percent. Weights according to GDP in 2024 based on purchasing power parities. GDP, consumer prices: change over previous year. East Asian emergin economies: Thailand, Malysia Indonesia and Philippines. Africa: Egypt, Nigeria, South Africa, Algeria, Ethiopia.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; Kiel Institute calculations; shaded area: Kiel Institute forecast.

Table 2:
Real gross domestic product, consumer prices and unemployment rate in advanced economies

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
European Union	42.1	1.5	1.1	1.4	1.4	2.5	2.8	2.6	2.1	6.0	6.0	5.7	5.5
Euro area	35.7	1.3	0.8	1.2	1.2	2.1	2.7	2.5	2.0	6.4	6.3	6.1	5.9
Sweden	0.9	1.6	2.8	2.4	1.8	2.6	1.3	2.1	2.0	8.9	8.6	8.0	7.5
Poland	2.3	3.6	3.4	3.0	2.8	3.3	3.0	3.0	2.5	3.2	3.0	3.0	3.0
United Kingdom	5.1	1.3	1.3	1.5	1.5	3.4	3.1	2.5	2.5	4.3	4.8	5.0	4.8
Switzerland	1.0	1.4	1.7	1.0	1.2	0.2	0.5	0.2	0.3	4.0	4.2	4.4	4.2
Norway	0.7	1.2	1.2	0.6	1.2	3.0	3.2	2.8	2.8	4.0	4.5	4.4	4.3
United States	34.2	2.1	2.0	2.0	2.1	2.7	3.2	2.4	2.3	4.3	4.2	4.1	4.1
Canada	3.1	1.9	0.9	2.1	2.3	2.4	2.6	2.4	2.1	6.4	6.6	6.5	6.4
Japan	7.8	1.2	0.8	1.0	0.9	3.2	1.8	2.0	1.5	2.5	2.5	2.4	2.4
South Korea	3.8	1.1	3.5	2.8	2.4	2.1	2.6	2.2	2.0	2.8	2.8	2.8	2.7
Australia	2.2	2.0	2.2	2.2	2.4	2.8	3.8	3.0	2.8	4.2	4.4	4.4	4.3
Total	100.0	1.7	1.5	1.7	1.7	2.6	2.9	2.4	2.2	4.9	4.9	4.8	4.6

Based on GDP at prices and exchange rates of 2025 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2025.

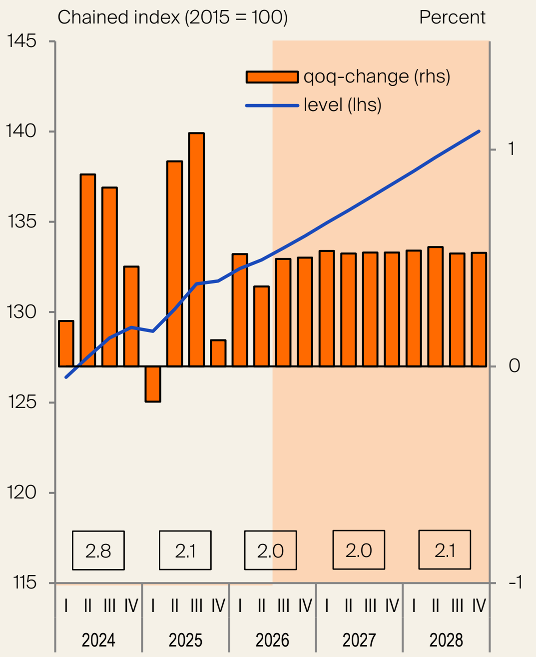
Source: Eurostat, VGR; OECD, Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada, Canadian Economic Account; shaded: Kiel Institute forecast.

Regional Developments

Moderate expansion in the United States

US economic activity slowed slightly in the second quarter. GDP increased by 0.4 percent quarter on quarter, following 0.5 percent in the first quarter, pointing to broadly stable momentum in the US economy, mainly driven by domestic demand (Figure 14). Private consumption rose by 0.9 percent from the previous quarter, supported by tax refunds, with spending on durable goods particularly strong. Fixed investment decelerated somewhat but remained robust, especially equipment investment, at 3.2 percent, and investment in intellectual property products, at 2.1 percent. The continuing boom in artificial intelligence is likely to have played an important role. AI-related investment also contributed to an increase in construction investment in office buildings including data centers and in energy infrastructure (US Census 2026). Overall non-residential construction investment continued to decline, however.

Figure 14:
GDP in the United States



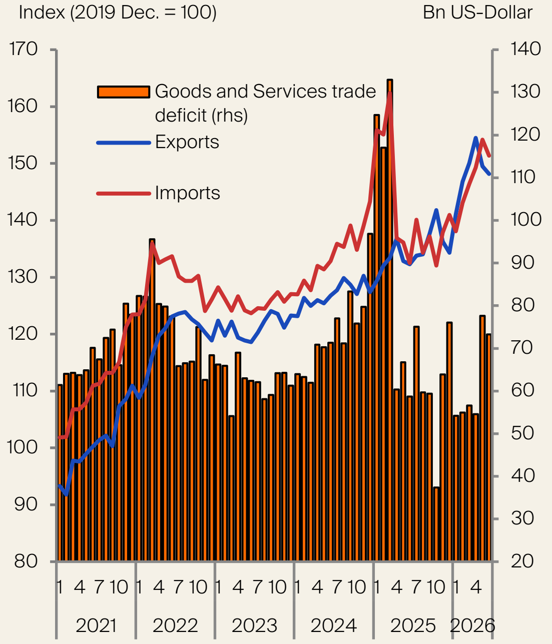
Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

Residential investment edged up for the first time since early 2025. Exports rose sharply again in April, and oil exports reached a record 5.7 million barrels per day in May following the closure of the Strait of Hormuz (Reuters 2026). Overall, exports in the second quarter were 1.1 percent higher than in the previous quarter. Imports rose by 3.0 percent at the same time, widening the trade deficit again (Figure 15).

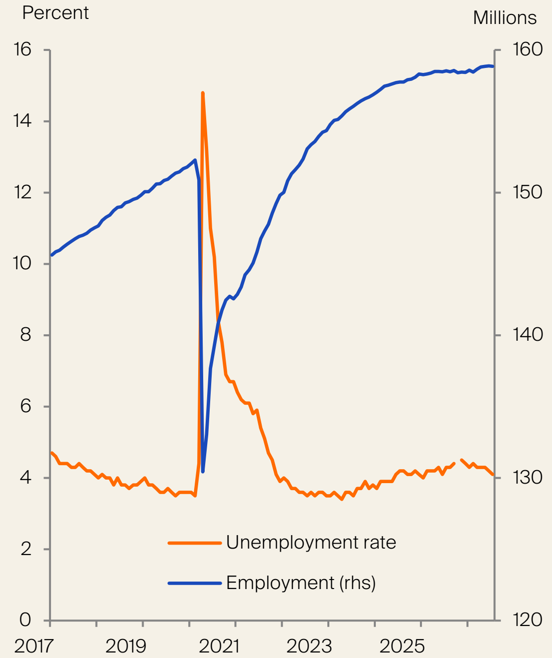
Labor market momentum has weakened further. The number of jobs created has declined continuously since February, and employment even fell by 23,000 in July. Average monthly employment growth from April to July was well below the first-quarter pace and less than half the monthly average recorded in 2024. Despite sluggish employment growth, the unemployment rate declined from 4.4 percent in February to 4.1 percent in July, its lowest level in a year (Figure 16) as the labor force contracted. Between January and July, the labor force shrank by around 1.4 million people, including a decline of roughly 264,000 in July alone. Both population ageing and the Trump administration's tighter migration policy are likely to have contributed to this development (Box 1).

Figure 15:
International Trade of the United State



Monthly data, seasonally adjusted.
Source: US Census Bureau, U.S. Bureau of Economic Analysis; *U.S. International Trade in Goods and Services;* Kiel Institute calculations.

Figure 16:
Labour Market in the United States



Monthly data, seasonally adjusted.

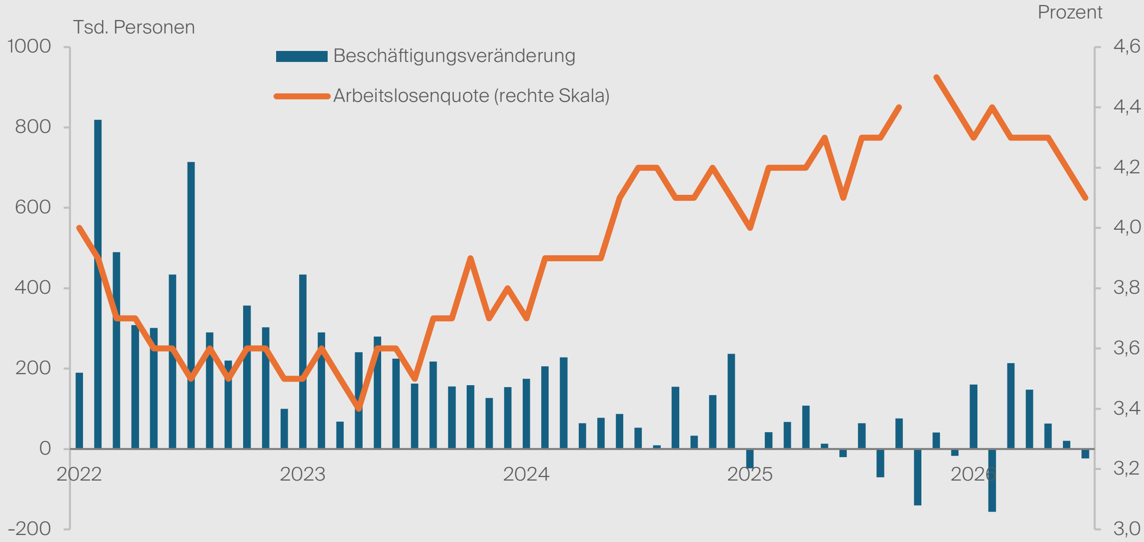
Source: US Bureau of Labor Statistics, *Employment Situation.*

Box 1:
Declining break-even employment growth in the US labor market

Developments in the US labor market are an important indicator for assessing cyclical conditions in the United States. Under its dual mandate of price stability and maximum employment, the Federal Reserve closely monitors labor market conditions alongside inflation. Three indicators are particularly important for an overall assessment of the labor market: the number of jobs created, the unemployment rate and developments in hourly wages. When labor market conditions are favorable, employment typically rises strongly, the unemployment rate is low and real hourly wages increase. When the labor market weakens, by contrast, employment growth slows, the unemployment rate tends to rise and real hourly wages increase more slowly or may even decline.

Since 2025, however, this typical pattern has been less evident in the United States. In 2025, an average of only 10,000 new jobs per month were created, substantially fewer than in previous years. In 2026, job creation increased markedly in the spring, but has risen only weakly since May, and employment even fell by 23,000 in July. While this development in itself suggests a pronounced cooling of the labor market, it has so far been accompanied by only a slight increase in unemployment. The unemployment rate rose to 4.5 percent in November 2025 but subsequently declined again. It averaged 4.3 percent both in 2025 as a whole and over the first seven months of the current year, and most recently fell to 4.1 percent (Figure K1-1).

Abbildung K1-1:
Beschäftigung und Arbeitslosenquote in den Vereinigten Staaten



Monatsdaten, saisonbereinigt.

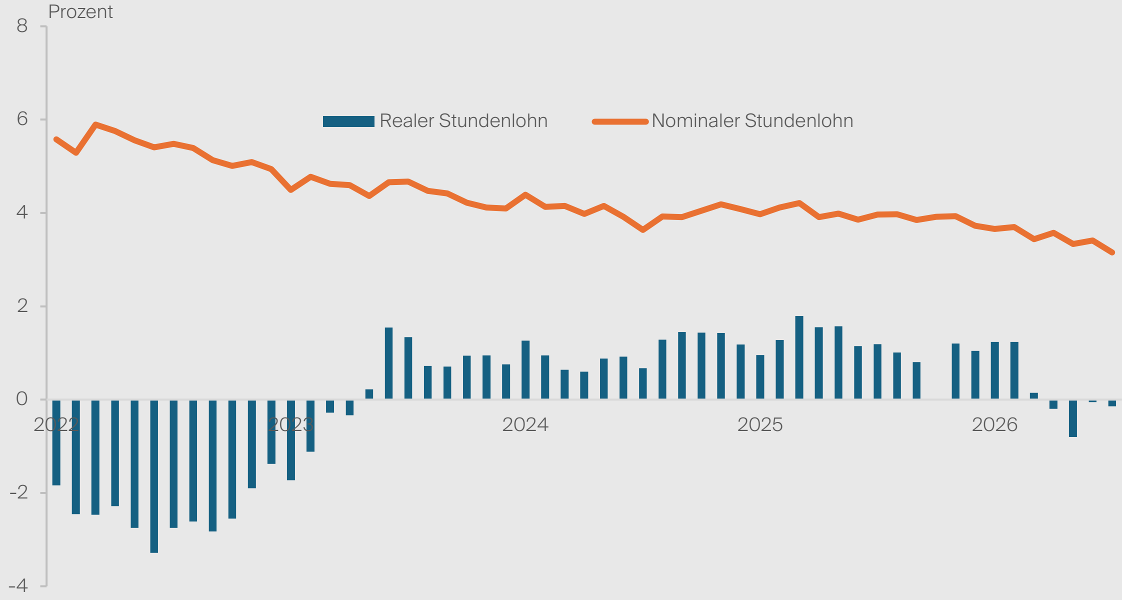
Quelle: US Bureau of Labor Statistics, *Employment Situation*; Beschäftigungsveränderung: Berechnungen des Kiel Instituts.

This apparently contradictory development suggests that fewer new jobs may now be required to keep the US unemployment rate stable. Work by Mercan (2025) and Cheremukhin et al. (2026) supports this assessment. In particular, population ageing and lower immigration as a result of tighter migration policy have slowed labor supply growth and thereby reduced the so-called break-even employment growth. According to Mercan (2025), monthly break-even employment growth for 2026 falls from 150,000 jobs on the basis of the CBO population projection from January 2024 to 77,000 jobs on the basis of the downward-revised CBO projection from September 2025. Under Mercan's additional assumption of zero net migration, it falls to only 29,000 jobs per month. Cheremukhin et al. (2026) also show that the demographic headwinds asso-ciated with lower immigration have recently coincided with a decline in labor force participation. Taking this decline into account, estimated break-even employment growth is even lower than under the assumption of a constant labor force participation rate.

The decline in break-even employment growth should therefore be considered, when interpreting current employment developments. Monthly employment growth so far in 2026 is significantly lower than in the years before 2025, but on average still exceeds the break-even level of 29,000 jobs estimated by Mercan (2025) under the assumption of zero net migration. In light of recent developments, this assumption does not appear unrealistic. Edelberg et al. (2026), for example, expect net migration in 2026 to be very low or even negative. The US labor market is therefore less dynamic than in the years before 2025, but low employment growth is likely to overstate the actual weakening of the labor market when assessed against earlier benchmarks.

Meanwhile, growth in nominal hourly wages has weakened in recent months. At the same time, inflation has risen and, as a consequence, year-on-year growth in real hourly wages has recently been negative on several occasions (Figure K1-2). Sluggish wage growth may indicate that labor demand has also weakened and that slower employment growth is not solely attributable to lower labor supply. This is consistent with the analysis by Edelberg et al. (2026), according to which lower immigration reduces not only labor-supply growth but also labor demand through lower consumer spending and weaker economic growth. Overall, the currently subdued employment dynamics are therefore likely to reflect both lower labor supply and weaker labor demand.

Abbildung K1-2:
Reale und nominale Stundenlöhne in den Vereinigten Staaten

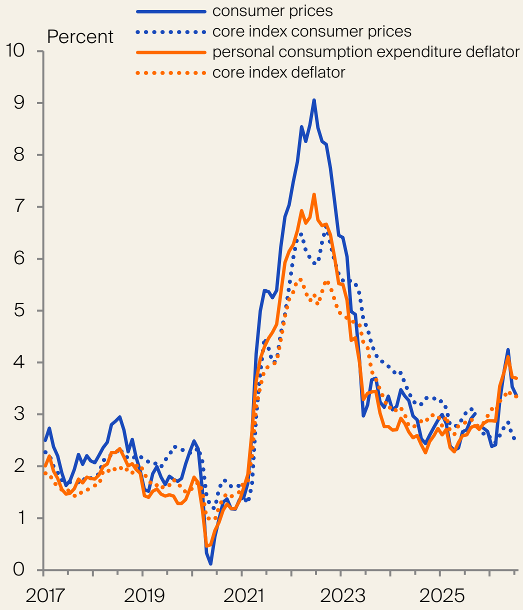


Monatsdaten, saisonbereinigt; Veränderung gegenüber dem Vorjahr.

Quelle: US Bureau of Labor Statistics, *Employment Situation*; Berechnungen des Kiel Instituts.

Inflationary pressure stemming from the Iran war has eased recently. Consumer prices in July were 3.3 percent higher than a year earlier. Although inflation thus remained elevated, it is markedly below its peak of 4.2 percent in May. Lower energy prices following the temporary reopening of the Strait of Hormuz played a key role here. Core inflation also declined and, at 2.5 percent in July, returned to its pre-war level. The private consumption expenditure deflator followed a similar pattern, although the decline in the core rate was smaller (Figure 17). Inflationary pressure is likely to remain elevated, and the outlook is subject to considerable uncertainty. Upside risks stem from the unresolved conflict in the Persian Gulf and from further trade-policy measures. On 24 July 2026, new tariffs of 10 percent and 12.5 percent were introduced under Section 301 of the US Trade Act of 1974 on imports from 60 trading partners that account for 99 percent of US imports by value (Office of the USTR 2026). These tariffs largely replace those in force since February. In August, high tariffs were announced on a range of Canadian products. Further USTR investigations under Section 301 are still pending, suggesting the risk of further punitive tariffs in the offing.

Figure 17:
Consumer prices in the United States



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: .US Bureau of Economic Analysis, *Personal Consumption Expenditures Price Index;* US Bureau of Labor

Fiscal policy remains expansionary. In addition to the substantial revenue losses associated with the One Big Beautiful Bill Act of 2025, the Iran war has generated significant further spending.[5] According to US Secretary of Defense Hegseth, related defense expenditure had already reached USD 37.5 billion by mid-July (New York Times 2026). At the end of June, the White House submitted a request to Congress for almost USD 88 billion in additional funding for the current fiscal year. Around USD 67 billion of this amount is earmarked for the Department of Defense, equivalent to roughly 7 percent of the defense budget planned for fiscal year 2026 or 0.2 percent of US GDP in 2025. For fiscal year 2027, the White House is requesting total defense funding of USD 1.5 trillion, around 50 percent more than in the current initial budget (The White House 2026). In addition, by July the Trump administration had refunded more than 60 percent of the USD 166 billion in total tariff revenue collected under the IEEPA tariffs. As a consequence, net tariff revenue was negative from May to July. Against this background, the budget deficit in the first ten months of fiscal year 2026 had already reached USD 1.8 trillion, only USD 50 billion below the CBO's spring deficit forecast (CBO 2026). Given

[5] According to CBO (2025) estimates, the OBBBA is likely to increase the budget deficit by USD 3.4 trillion over 2025-34, mainly because of tax cuts that reduce government revenue by an estimated USD 4.5 trillion.

the fiscal policy currently in prospect, the budget deficit is expected to rise to 6.3 percent of GDP this year and to remain at a high level over the rest of the forecast horizon.

Pressure on the Federal Reserve to raise interest rates has eased compared with the summer. The levels and recent movements of key policy indicators point in different directions. On the one hand, inflation – measured by consumer prices or the deflator for personal consumption expenditures – remains well above the 2 percent target. At the same time, the unemployment rate remains low at 4.1 percent. Recent Federal Reserve communications still indicate that bringing inflation under control remains a high priority, not least because a prolonged period of elevated inflation could affect inflation expectations and wage- and price-setting behavior (Board of Governors of the Fed 2026). This suggests that monetary policy will remain restrictive for the time being. On the other hand, inflation has already declined in recent months, while labor market momentum has weakened despite the low unemployment rate. In our assessment, the likelihood of rate increases has therefore declined recently. If energy prices ease on a sustained basis, rate cuts next year would even appear realistic.

Output growth is expected to remain moderate over the forecast horizon. Activity is being held back by the additional costs and uncertainty associated with the Iran war, unpredictable tariff policy and a highly restrictive migration policy. At the same time, continued expansionary fiscal policy and substantial AI-related investment provide support. We expect GDP to increase by 2.0 percent in the current year. Growth is projected to remain at a similar pace in the following two years, at 2.0 percent and 2.1 percent, respectively. Output growth over the forecast horizon is therefore somewhat below the rate of potential growth estimated before migration policy was tightened. Inflation is expected to remain elevated at 3.2 percent in 2026 before declining to 2.4 percent and 2.3 percent in the following years. Owing to the reduced supply of labor, the unemployment rate is expected to remain low, averaging 4.2 percent this year and 4.1 percent in each of the following two years (Table 3).

Table 3:
Key indicators for the United States 2025–2028

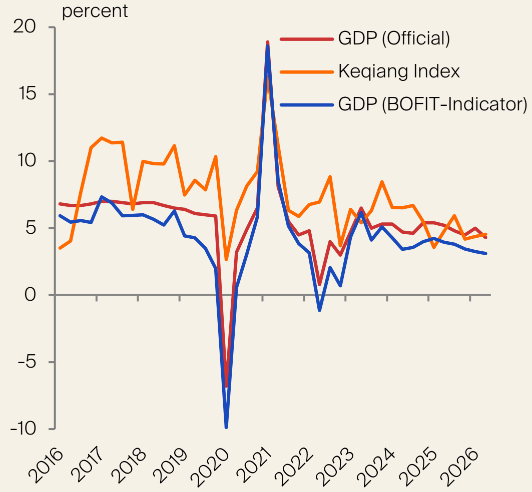
	2025	2026	2027	2028
Gross Domestic Product	2.1	2.0	2.0	2.1
Domestic expenditure	2.3	2.2	2.3	2.3
Private consumption	2.6	1.9	1.9	2.1
Government expenditure	1.1	0.5	2.3	2.0
Gross fixed capital formation	2.7	5.1	3.7	3.2
Machinery and equipment	8.3	10.4	7.3	4.4
Intellectual property rights	5.6	9.0	5.0	4.2
Structures	-5.3	-5.4	-2.8	0.3
Residential Investment	-2.2	-3.9	-1.4	0.6
Change in inventories	-0.1	-0.4	-0.1	0.0
Net exports	-0.1	-0.2	-0.3	-0.1
Exports	1.6	4.9	2.6	2.3
Imports	2.7	3.5	6.1	4.0
Consumer prices	2.7	3.2	2.4	2.3
Unemployment rate	4.3	4.2	4.1	4.1
Current account balance	-3.8	-3.6	-4.0	-4.0
Gov. budget balance (federal)	-5.8	-6.3	-6.4	-6.1

Percent. GDP: volumes, change over previous year, percent. — Net exports, inventories: contribution to growth, percentage points. — Unemployment rate: unemployed in relation to labor force. — Current account balance, government budget balance: percent of nominal GDP.— Budget balance: fiscal year.

Source: US Department of Commerce, *National Economic Accounts*; US Department of Labor, *Employment Situation and Consumer Price Index*; US Department of the Treasury, *Monthly Treasury Statement*; Kiel Institute calculations; shaded: Kiel Institute forecast.

Slower economic expansion in China

Figure 18:
China: GDP and alternative indicators



Quarterly data. GDP (official): year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of RMB lending from financial institutions, electricity consumption and railway freight cargo volume; GDP (BOFIT- Indicator): estimated year-on-year growth rate, simple average.

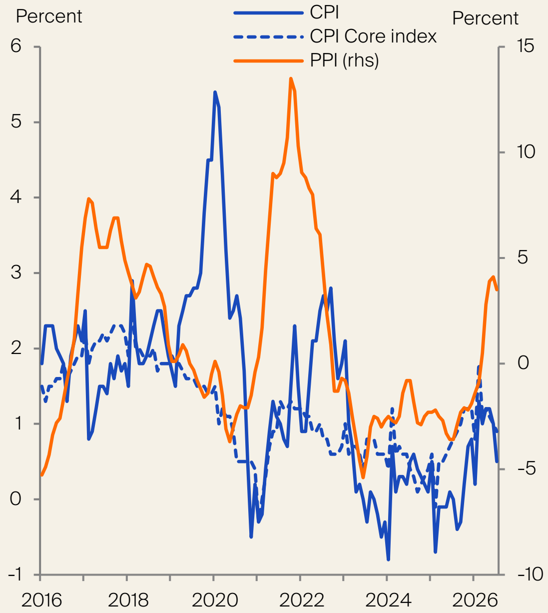
Source: Kiel Institute calculations based on data from National Bureau of Statistics, National Energy Agency, and People's Bank of China; GDP (BOFIT-Indicator) from Bank of Finland.

Momentum in the Chinese economy has weakened noticeably despite stronger exports. The US Supreme Court's February decision against a substantial share of the tariffs introduced by President Donald J. Trump, together with the Trump-Xi Summit in Beijing in May, supported a strong recovery in Chinese exports to the United States, which in the second quarter were almost 20 percent above their level a year earlier. Exports to other countries also continued to trend upward, leaving exports as an important driver of growth. They were not sufficient, however, to offset the slowdown in domestic demand despite economic policy stimulus. According to official data, GDP increased by only 0.9 percent in the second quarter, after 1.3 percent in the first quarter (Figure 18), the weakest quarterly increase since early 2024. In the first half of the year, GDP was only 4.7 percent above its year-earlier level. Growth was therefore not only substantially weaker than the pre-pandemic trend but also weaker than in the years following the pandemic. It nevertheless remained within the government's 2026 target range of 4.5-5.0 percent.

The property crisis continues to weigh heavily on the Chinese economy. Prices of new homes in China's 70 large and medium-sized cities fell further and have now been declining on trend for five years. Sales of new homes also continued to fall, although the decline moderated somewhat in the second quarter. Real-estate investment declined accordingly and in the first half of 2026 was 18 percent below its year-earlier level. By contrast, investment rose in some sectors identified by the Chinese government as strategic or security-relevant, including other transport equipment and information and communications technology. Overall fixed-asset investment nevertheless fell by almost 6 percent in the first half of the year. Apart from the first months of the pandemic in 2020, this was the sharpest decline in decades. Fixed investment by private firms fell particularly strongly. Persistently weak confidence among private-sector firms poses a considerable challenge for the leadership in Beijing.

Inflation remains low despite the global oil price shock. In the first months of the year, inflation was somewhat elevated by Chinese standards, at just over 1 percent, but remained substantially lower than in most other economies. Economic policy measures are likely to have dampened the price shock, including the partial release of strategic oil reserves accumulated previously at much lower prices, temporary export restrictions on energy goods and direct price controls on petroleum products. Most recently, inflation declined from 1.0 percent in June to 0.5 percent in July. In addition to the ceasefire between the United States and Iran, the combination of industrial production capacity that has been expanded massively over many years and weak domestic demand exerted downward pressure on prices. Core inflation followed a similar pattern to headline inflation but declined less markedly, from 1.0 percent to 0.9 percent in July. Stronger price increases in services were a key factor(Figure 19).

Figure 19:
China: Inflation



Monthly data; y-o-y growth rate. Core index: CPI excluding food and energy.

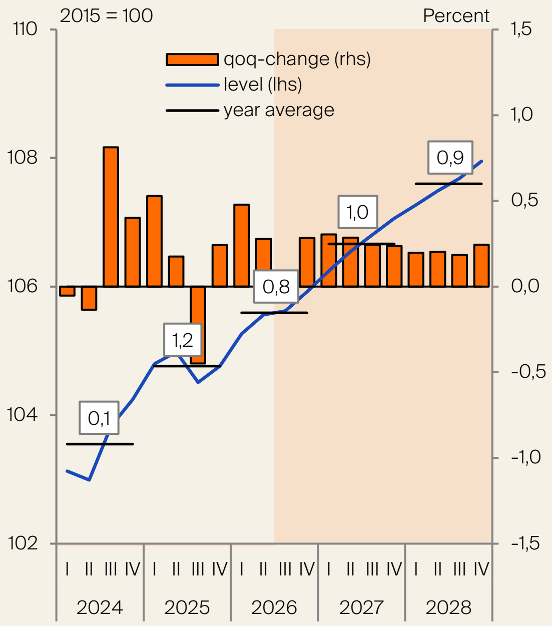
Source: National Bureau of Statistics.

Current indicators point to a persistently weak pace of expansion. With the exception of a slight recovery in June, the official manufacturing purchasing managers' index (PMI) has been on a broadly downward trend since the start of 2026. In July, the index declined again to 49.2, remaining in contractionary territory. The sub-indices for output, new orders and employment were all below the expansion threshold. The decline in the services PMI was less pronounced, although at 49.3 in July it reached its lowest level since 2024. The consumer confidence index, which is published with a longer lag, stood at 89.9 in May, below the respective annual averages of the previous three years. The property climate index, which had declined continuously since April 2025, is no longer published monthly by the Chinese statistical office this year.

The longer-term outlook for the Chinese economy remains subdued, although in the near term there is scope for some strengthening, primarily through a strongly expansionary fiscal policy. The ongoing property crisis and weak domestic demand from firms and households are likely to continue to weigh on the Chinese economy. At the same time, calls are increasing, including from the EU and some of its member states, for trade-defense measures against Chinese exports in response to state-supported distortions of competition. To counter domestic economic weakness in particular, China is likely to continue its policy support measures and maintain an expansionary fiscal stance. According to the International Monetary Fund, the overall government deficit had already risen to 7.9 percent of GDP in 2025 as a result of expansionary fiscal policy (IMF 2026). Given the current signs of cyclical weakness, further expansionary measures can be expected in the coming months. Persistently large deficits are nevertheless pushing government debt higher and are likely to constrain fiscal space increasingly over the longer term. Overall, we forecast aggregate output growth to slow gradually to 4.5 percent and 4.4 percent in the next two years, respectively, following 4.6 percent this year. Inflation is expected to remain low.

Economic activity in Japan loses momentum

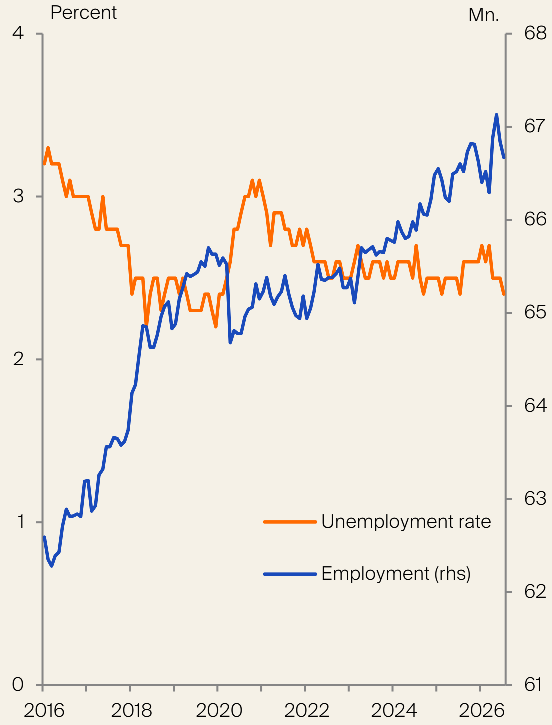
Figure 20:
GDP Japan



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

Figure 21:
Labour market in Japan



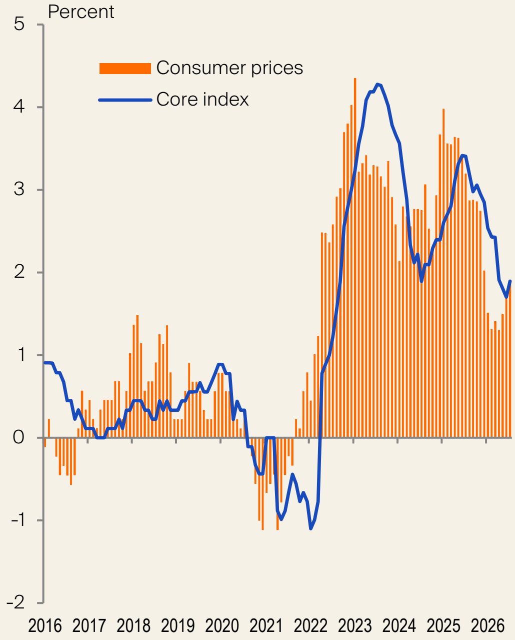
Monthly data; seasonally adjusted.

Source: Department of Labor.

Economic momentum in Japan has weakened noticeably. After GDP expanded quite strongly, by 0.5 percent, in the first quarter of 2026, it continued to increase appreciably in the second quarter (Figure 20). The 0.3 percent rise, however, was driven mainly by another increase in exports, albeit a smaller one than in the first quarter, and by strong growth in government consumption, while private-sector demand declined. Private consumption stagnated and investment, especially business investment, fe<ll markedly. Imports also declined substantially. The cooling of activity was barely visible in the labor market, however. Employment most recently fell again following a sizeable increase in the spring, but the ratio of vacancies to applicants changed little and the unemployment rate even continued to trend downward, to 2.4 percent most recently (Figure 21).

Inflation has risen again, although so far only moderately. Price pressures in Japan, which had eased markedly to around 1.5 percent at the start of the year, have strengthened somewhat in recent months. At 1.9 percent in July, however, inflation remained slightly below the Bank of Japan's target (Figure 22). Persistently low services inflation exerted a dampening effect. Government subsidies for household energy also kept the increase in the energy component moderate despite fuel prices having risen 15 percent above their level a year earlier. The subsidies are currently scheduled to remain in place until September. By contrast, price pressures on other goods have strengthened noticeably, probably also reflecting the marked depreciation of the yen. Food price inflation has also picked up again recently.

Figure 22:
Consumer prices in Japan



Monthly data; change over previous year. Core index: consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan.

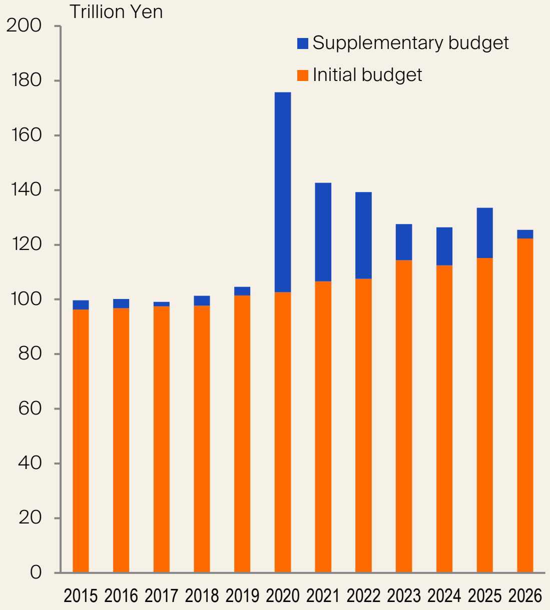
Monetary policy has continued on a path of gradual tightening, with the policy rate raised slightly again in June. At 1 percent, however, the short-term interest rate remains substantially negative in real terms. The Bank of Japan has justified the slow pace of rate increases by pointing to limited domestic price pressures amid only moderate wage growth. The yen, however, has depreciated sharply again against the backdrop of interest rates that remain very low by international standards, further amplifying the already strong rise in import prices caused by higher commodity prices. After the exchange rate reached a 40-year low at the end of July, the authorities even intervened in the foreign-exchange market with record volumes in a coordinated effort with the US government in an attempt to halt the depreciation. The intervention appears to have had only limited success, as the yen has come under renewed pressure in recent weeks.

The rise in long-term interest rates has continued. The yield on 10-year government bonds has increased by almost one percentage point since the start of the year and stood at just over 3.0 percent at the end of August 2026, its highest level since 1996. The yield on 30-year bonds has even reached an all-time high. In addition to higher inflation expectations, the rise at the long end probably also reflects the central bank's reduction of its bond holdings through progressively lower reinvestment of proceeds from maturing securities. Since tapering began in summer 2024, holdings have fallen from just under 600 trillion yen to 520 trillion yen. Monthly purchases have been reduced from 6 trillion yen to 2.5 trillion yen at present, with a further decline to 2 trillion yen planned by April 2027. At the same time, the supply of government bonds is increasing, as the government plans to raise new issuance by 15 trillion yen this year.

Fiscal policy is currently expansionary but faces major challenges because of the rapidly increasing debt service burden. In November last year, the government adopted a large, partly multi-year program providing for additional expenditure and, to a limited extent, tax cuts. In addition to supporting household purchasing power, the program pursues industrial-policy objectives, in particular the promotion of investment in AI and semiconductor production, and is also intended to finance rising social expenditure associated with demographic ageing. Defense spending is also increasing substantially again this year, whereas the pace of upgrading military spending is progressively fading going forward.[6] The regular budget for fiscal year 2026, from April 2026 to March 2027, increased substantially compared with the previous year (Figure 23). Expenditure is also likely to rise markedly in the final outturn as a result of further sizeable supplementary budgets. A first supplementary budget of 3.1 trillion yen, equivalent to 0.5 percent of GDP, was already approved in June, mainly to finance additional subsidies for household energy. Debt service is meanwhile becoming an increasing burden, also because of higher interest rates. Government interest payments are expected to rise by around 25 percent both this year and next year. By next year they will have doubled relative to 2022 reaching 2.2 percent of GDP. If long-term interest rates remain at their current level or rise further, interest expenditure is likely to continue increasing sharply in the years ahead given gross public debt of more than 200 percent of GDP. Against this backdrop, the scope for further fiscal stimulus over the forecast horizon is likely to be limited.

Economic activity is expected to regain some momentum over the forecast horizon. The current headwinds from geopolitical developments should gradually subside. At the same time, Japan will continue to benefit from the AI boom given its important role in semiconductor value chains. Business investment is therefore also expected to increase next year. Private consumption should provide further support as real wages rise noticeably. Overall economic momentum will nevertheless remain moderate, as

Figure 23:
national Budget Japan



Horizontal axis: fiscal.years

Source: OECD Economic Surveys: Japan, Ministry of Finance Japan

Table: 4
Key Indicators Japan

	2025	2026	2027	2028
Gross Domestic Product	1.2	0.8	1.0	0.9
Domestic demand	1.4	0.3	1.0	0.9
Private consumption	1.3	1.0	1.1	0.9
Government consumption	0.9	2.0	0.9	0.8
Gross fixed investment	1.4	-0.1	0.9	1.0
Enterprises	2.5	-0.4	1.7	1.7
Residential Investment	-1.8	0.5	1.3	1.6
Public investment	-0.3	0.5	-2.5	-2.5
Inventories	0.0	0.0	0.0	0.0
Net exports	-0.2	0.5	0.0	0.0
Exports	2.5	2.3	2.1	2.0
Imports	3.8	-0.4	2.0	2.2
Consumer prices	3.2	1.8	2.0	1.5
Unemployment rate	2.5	2.5	2.4	2.4
Current account balance	4.8	4.5	4.9	4.5
Fiscal balance	-1.0	-2.1	-1.9	-1.6

Percent. GDP: volumes, change over previous year. percent. — net exports, inventories: contribution to growth, percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance, fiscal balance: percent of nominal GDP.

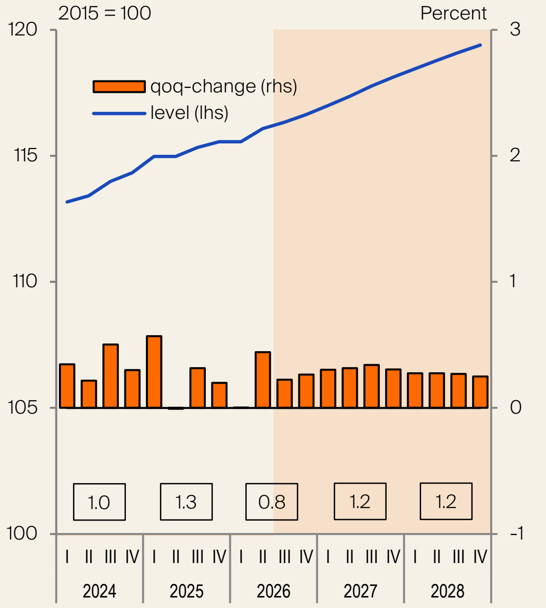
Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; Kiel Institute calculations; shaded area: Kiel Institute forecast.

[6] Under the so-called defense build-up program, defense spending in the budget increased by almost 60 percent between 2022 and 2025. Following very strong increases in previous years, only a 3.9 percent rise is planned for 2026, bringing spending close to the target of 8.9 trillion yen set for 2027. This is equivalent to around 1.5 percent of GDP. Despite the strong increases of recent years, defense spending therefore remains low by international standards.

demographic ageing constrains potential growth both through labor supply and through demand, for example for housing. While fiscal policy will continue to provide support in the short term, a more restrictive stance is expected next year and beyond. Higher interest rates will also exert a dampening effect. Overall, we expect the economy to expand by 1.0 percent and 0.9 percent in the next two years, respectively, only slightly faster than the average pace recorded this year (Table 4).

Euro area economy continues to expand moderately

Figure 24:
GDP in the Euro Area



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, Fachserie 18, Series 1.3; shaded: Kiel Institut forecast.

The underlying moderate growth in aggregate activity has continued. Fluctuations in euro area GDP growth were shaped by pronounced swings in output in Ireland. Despite the drag from the effects of the Iran war, euro area output rose by 0.4 percent in the second quarter, substantially faster than in the previous quarter, when it merely stagnated (Figure 24). Excluding Ireland, output increased at a steady pace of 0.3 percent. On the expenditure side, private consumption appears to have provided only limited support in the second quarter, as higher energy prices and uncertainty related to the conflict in the Middle East weighed on purchasing power and consumer confidence.[7] Private investment is likely to have increased again after declining in the first quarter. Additional public investment in defense and infrastructure also supported the euro area economy. Exports rose strongly in nominal terms. Imports increased even more, however, although partly reflecting higher energy prices. On the production side, construction activity picked up, with the increase driven mainly by civil engineering while building construction stagnated. Industrial production also rose with its quarterly average 0.9 percent above the level in the first quarter. Output gains were particularly strong for intermediate and capital goods.

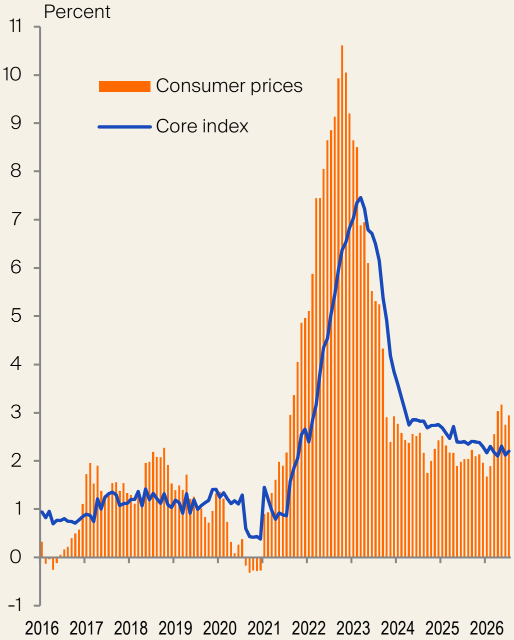
Inflation in the euro area has recently remained above the inflation target. After falling below 2 percent at the beginning of the year, headline inflation rose to 3.2 percent in May. Following a decline to 2.8 percent in June and 2.9 percent in July, it increased again markedly to 3.3 percent in August. Developments in recent months have been driven mainly by the energy component. In July, energy prices were 10.3 percent higher than a year earlier, after 8.5 percent in June, and the rate rose further to 14.3 percent in August. Core inflation excluding energy, food, alcohol and tobacco changed

[7] Detailed results for the expenditure components were not yet available for all countries when this report was completed.

only little and stood at 2.4 percent in August (Figure 25). Within the core index, the strongest price pressure continued to come from services, although the rate eased from 3.3 percent to 3.0 percent. Inflation in non-energy industrial goods increased somewhat but remained low at 1.2 percent. So far, higher energy, transport and production costs have therefore fed through only to a limited extent to consumer prices for industrial goods. At the same time, inflation in food, alcohol and tobacco has eased in recent months and came in at 1.2 percent in August. Under our assumed path for energy prices, headline inflation is expected to remain above core inflation in the coming months.

The euro area labor market remained robust overall, although momentum weakened somewhat. Employment increased only marginally again in the second quarter, rising by 0.1 percent from the previous quarter. At the same time, a declining number of vacancies points to a further easing in labor demand. Nevertheless, there is still no indication of a pronounced deterioration in labor-market conditions. Wage pressures, which had declined markedly last year, have not eased further recently. The euro area unemployment rate according to the ILO definition stood at 6.4 percent in July, having moved broadly sideways at a historically low level since mid-2024 (Figure 26), while developments in different countries showed diverging trends. In France, the unemployment rate rose markedly from 7.7 percent a year earlier to 8.2 percent, in Germany it increased slightly from 3.7 percent to 3.9 percent. Unemployment in Spain, by contrast, continued to decline, with the rate falling from 10.5 percent to 10.0 percent. In Italy, it decreased from 5.9 percent to 5.8 percent, which is very low by historical standards.

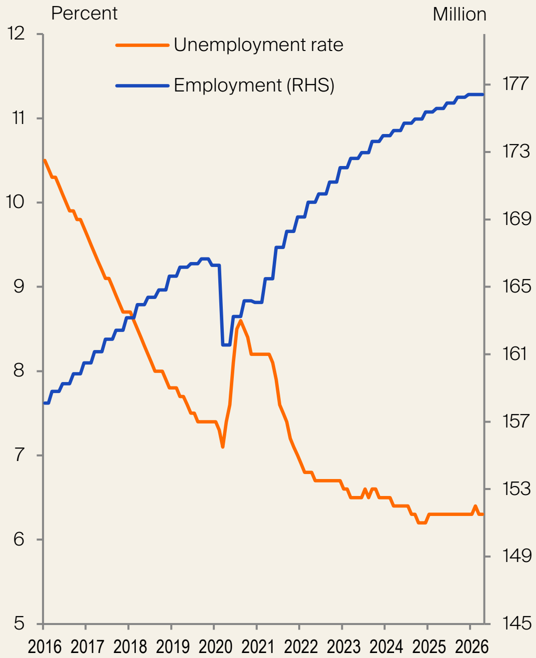
Figure 25:
Consumer prices in the Euro Area



Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, *Price Statistics*.

Figure 26:
Labor market in the euro area



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

Economic activity remained weak in France. After GDP fell by 0.2 percent at the start of the year, output was unchanged in the second quarter. A pronounced negative contribution from changes in inventories of -0.7 percentage points was the main drag. Final demand, by contrast, strengthened somewhat. Private consumption recovered and rose by 0.3 percent after declining by 0.3 percent in the previous quarter. Government consumption increased by 0.4 percent, somewhat more strongly than before. Gross fixed capital formation was reduced again, but the pace of decline slowed from 0.8 percent to 0.3 percent. Net trade provided considerably stronger support. Exports increased by 2.9 percent, mainly because of sharply higher aircraft exports, while imports rose by a much more moderate 1.1 percent.

Growth momentum in Italy decelerated somewhat in the second quarter. GDP growth slowed slightly from 0.3 percent at the start of the year to 0.2 percent in the second quarter. The expansion was driven by private domestic demand. Private consumption increased by 0.4 percent, while government consumption declined slightly. Gross fixed capital formation rose by 0.3 percent, supported mainly by investment in non-residential structures, whereas investments in residential construction and in equipment declined. Exports of goods and services increased by 0.8 percent, while imports rose much more strongly, by 1.7 percent.

The Spanish economy continued to expand strongly. Among the four largest euro area member states, Spain again recorded the strongest increase. GDP rose by 0.7 percent from the previous quarter, after 0.6 percent at the start of the year. The expansion was broad-based and driven mainly by domestic demand. Supported by continued favorable labor market developments, private consumption increased by 0.7 percent. Gross fixed capital formation rose by 0.5 percent, with support coming primarily from residential and other construction investment and, to a lesser extent, from investment in machinery and equipment. Government consumption also increased by 0.3 percent. Overall, domestic absorption contributed 0.6 percentage points to output growth. Exports rose by 0.8 percent, somewhat more strongly than imports, which increased by 0.6 percent.

Fiscal policy in the euro area is mildly expansionary this year, although the stance differs considerably across member states. In Germany, additional spending on defense and infrastructure is a major stimulus. In the southern euro area economies, greater use of the remaining EU funds from the Recovery and Resilience Facility is likely to provide further support this year. Higher current expenditure and additional nationally financed public investment are also contributing. By contrast, the relief measures adopted in response to the energy price shock have so far been of little significance for the euro area as a whole, amounting to less than 0.1 percent of GDP (European Fiscal Board 2026). The fiscal stance is expected to be broadly neutral next year. The expiry of the Recovery and Resilience Facility will have a dampening effect, but this will be offset by higher public expenditure in other areas, particularly on defense. At the same time, higher interest rates are reducing fiscal room for maneuver over the forecast horizon, especially in highly indebted member states, as interest expenditure rises.

The euro area economy is expected to continue expanding at a moderate pace over the forecast horizon. Recent survey results point to firmer activity at the beginning of the third quarter. After the composite PMI rose from 50.0 in June to 52.0 in July, it increased slightly further in the preliminary August reading. The manufacturing PMI in particular rose markedly again most recently. Output, however, increased much more strongly than new orders, while backlogs of work continued to be reduced. This suggests that the industrial recovery is not yet fully underpinned by firmer demand. Regional differences also remained pronounced. In July, Spain and Italy, with composite readings of 56.5 and 52.5 respectively, showed substantially stronger momentum than, for example, France, where the index remained below the expansion threshold at 49.4. In Spain and Italy, the main impetus came from services. This year, elevated energy prices are likely to continue weighing on private consumption, while uncertainty related to the Iran war and higher financing costs will burden business investment. Heatwaves in July and August are also likely to have impaired activity, particularly in agriculture, electricity generation and transport. Expansionary fiscal policy, especially additional defense expenditure, provides support. Overall, GDP is projected to increase by 0.8 percent this year and by 1.2 percent in each of the following two years (Tables 5 and 6). The unemployment rate is expected to average 6.3 percent this year and 6.1 percent and 5.9 percent in the following two years. We project consumer price inflation of 2.7 percent in 2026, 2.5 percent in 2027 and 2.0 percent in 2028.

Table 5:
Key indicators for the Euro area

	2025	2026	2027	2028
Gross domestic product	1.3	0.8	1.2	1.2
Domestic expenditure	2.0	1.3	1.2	1.3
Private consumption	1.4	0.9	1.2	1.4
Government consumption	1.4	1.7	1.1	1.2
Gross fixed capital formation	3.0	1.7	2.1	2.0
Inventories	0.2	0.0	-0.1	-0.1
Net exports	-0.6	0.4	0.0	-0.1
Exports	2.0	0.8	1.9	1.8
Imports	3.6	1.7	2.0	2.2
Consumer prices	2.1	2.7	2.5	2.0
Unemployment rate	6.4	6.3	6.1	5.9
Current account balance	1.7	1.4	1.7	1.7
Government budget balance	-2.9	-3.4	-3.5	-3.2

GDP: volumes, change over previous year, percent. Net ex-ports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP.

Source: Eurostat, *National Accounts*; Kiel Institute calculations; grey shaded area: Kiel Institute forecast.

Table 6:
Real gross domestic product, consumer prices and unemployment rates in the European Union

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Germany	24.0	0.3	1.0	0.9	0.7	2.3	2.6	2.5	1.8	3.8	3.9	3.7	3.4
France	15.9	0.9	0.4	0.8	1.2	0.9	2.3	2.2	1.8	7.7	8.2	8.2	8.0
Italy	12.0	0.7	0.9	0.8	0.7	1.6	2.4	2.2	1.9	6.1	5.4	5.1	5.0
Spain	8.9	2.8	2.5	1.8	1.9	2.7	3.6	3.4	2.4	10.5	10.1	9.6	9.2
Netherlands	6.2	1.6	1.4	1.4	1.6	3.0	2.7	2.4	2.0	3.9	3.9	3.8	3.6
Belgium	3.4	1.0	0.6	0.9	1.1	3.0	2.7	2.3	2.0	6.2	6.2	6.0	5.8
Austria	2.7	1.0	0.8	1.1	1.3	3.6	2.7	2.1	2.1	5.7	5.7	5.5	5.3
Ireland	3.2	8.1	-7.0	4.0	2.4	2.0	3.0	2.6	2.2	4.7	5.0	4.7	4.5
Finland	1.5	0.8	1.6	1.5	1.7	1.8	2.3	2.2	2.1	9.7	10.5	10.5	10.0
Portugal	1.6	1.9	1.9	1.9	1.9	2.2	2.8	2.3	2.1	6.0	5.7	5.5	5.4
Greece	1.3	2.2	1.8	1.8	2.1	2.9	3.3	2.8	2.4	8.9	8.5	7.9	7.5
Slovak Republic	0.7	0.8	0.8	0.9	1.1	4.2	3.5	2.3	2.0	5.4	5.8	5.8	5.7
Bulgaria	0.6	3.2	2.6	2.5	2.7	1.4	2.6	3.4	2.8	3.5	3.1	3.0	2.9
Luxembourg	0.5	0.6	1.1	1.4	1.6	2.5	3.1	2.0	2.0	6.6	6.9	6.5	6.1
Kroatien	0.5	3.4	1.8	2.3	2.5	4.4	3.8	2.6	2.6	4.9	4.3	4.1	4.0
Slovenia	0.4	0.9	4.0	2.3	2.4	2.5	3.1	2.9	2.2	3.9	3.8	3.5	3.4
Lithuania	0.4	2.9	3.3	2.4	2.3	3.4	4.3	2.7	2.3	6.9	6.9	6.7	6.6
Latvia	0.2	2.1	2.7	2.6	2.4	3.8	2.8	2.7	2.6	6.9	6.7	6.5	6.4
Estonia	0.2	0.6	2.3	2.0	2.2	4.8	2.8	2.7	2.2	7.4	6.5	5.8	5.3
Cyprus	0.2	3.8	2.9	2.3	2.6	0.8	3.0	2.7	2.0	4.4	3.3	3.0	2.9
Malta	0.1	4.4	4.1	2.9	3.0	2.4	2.1	2.2	1.7	3.0	2.9	2.8	2.8
Sweden	3.2	1.6	2.8	2.4	1.8	2.6	1.3	2.1	2.0	8.9	8.6	8.0	7.5
Poland	4.9	3.6	3.4	3.0	2.8	3.3	3.0	3.0	2.5	3.2	3.0	3.0	3.0
Denmark	2.2	3.5	3.9	1.7	2.0	1.8	2.1	2.7	2.1	6.4	6.4	6.0	5.6
Czech Republic	1.8	2.7	1.9	2.4	2.2	2.4	2.1	2.7	2.4	2.9	3.1	2.9	2.7
Romania	2.0	0.7	-1.1	2.1	2.6	8.9	7.2	3.4	3.1	6.1	6.4	6.2	5.9
Hungary	1.2	0.4	1.9	2.2	2.5	4.4	2.3	3.0	2.9	4.4	4.4	4.2	4.0
European Union	100.0	1.5	1.1	1.4	1.4	2.5	2.8	2.6	2.1	6.0	6.0	5.8	5.5
Addendum:													
European Union 11	86.7	1.4	0.9	1.2	1.2	2.1	2.6	2.5	2.0	6.5	6.5	6.2	6.0
Accession countries	12.7	2.4	2.1	2.5	2.5	4.6	3.8	3.0	2.6	4.3	4.3	4.2	4.0
Euro Area	84.7	1.3	0.9	1.2	1.2	2.1	2.7	2.5	2.0	6.4	6.3	6.1	5.8
Euro Area without Germany	60.7	1.7	0.8	1.3	1.4	2.0	2.7	2.5	2.1	7.2	7.1	6.8	6.6

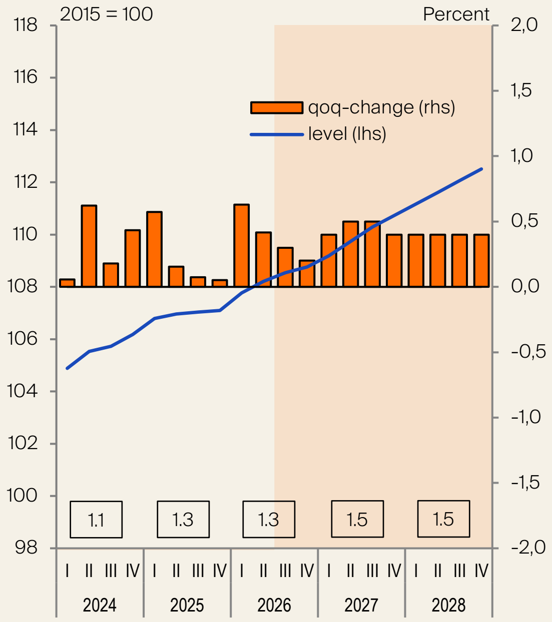
Based on GDP at prices and exchange rates of 2025 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2025. Accession countries since 2004.

Source: Eurostat, National Accounts; shaded: IfW forecast.

Moderate expansion in the United Kingdom

Aggregate output increased appreciably again in the spring following robust growth in the first quarter. GDP rose by 0.4 percent from the previous quarter in the second quarter, after increasing by 0.6 percent previously (Figure 27). This appears to continue a pattern observed several times since 2022, in which relatively strong first-quarter readings are followed by smaller gains in the second quarter and fairly weak developments in the second half of the year, suggesting some problems with the seasonal adjustment of the data. On the expenditure side, government consumption was held back by school closures owing to extreme heat, while investment growth accelerated, mainly because of higher IT spending. Looking to the third quarter, forecasters expect output growth to slow further in line with the pattern of previous years, whereas sentiment indicators paint a more positive picture. Consumer confidence rose strongly

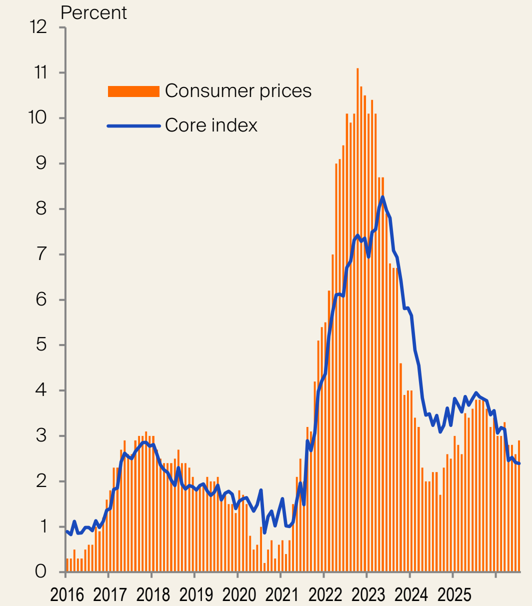
Figure 27:
GDP in the UK



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

Figure 28:
Consumer Price Inflation in the UK



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy.*

in July, and the purchasing managers' index points to an acceleration of private-sector activity.

Monetary and fiscal policy are providing no stimulus. The central bank has left policy rates unchanged over the course of this year. For autumn, we expect a small increase to counter a renewed acceleration in inflation, which had fallen markedly in April, mainly because of base effects related to the regulation of household energy prices (Figure 28). Fiscal policy faces major challenges. Government bond yields are the highest in G7, and the debt-service burden is rising significantly against the background of public debt of around 100 percent of GDP. The fiscal consolidation required under the debt rule has been postponed for the time being, while higher-than-expected inflation is eroding the real value of budget plans. In addition, substantial extra resources must be mobilized for defense. Overall, we expect the fiscal stance to be mildly restrictive over the forecast horizon.

GDP growth is expected to accelerate slightly next year. The main factors are increasing private consumption as real incomes begin to rise more rapidly again and stronger investment momentum, which also in the United Kingdom is benefiting from the AI boom. Government expenditure, by contrast, is likely to grow more slowly on trend. Overall, we expect growth of 1.5 percent in 2026 and 2027, following 1.3 percent in the current year (Table 7).

Table 7
Key Indicators United Kingdom

	2025	2026	2027	2028
Gross Domestic Product	1.3	1.3	1.5	1.5
Domestic demand	1.8	1.6	1.6	1.6
Private consumption	1.1	0.9	1.4	1.4
Government consumption	1.7	2.0	2.0	1.5
Gross fixed investment	4.0	2.4	3.8	3.0
Inventories	0.1	0.2	-0.1	0.0
Net exports	-0.5	-0.3	-0.2	-0.1
Exports	1.3	2.3	2.6	2.2
Imports	2.7	3.0	3.0	2.4
Consumer prices	3.4	3.1	2.5	2.5
Unemployment rate	4.3	4.8	5.0	4.8
Current account balance	-3.0	-2.5	-3.2	-3.0
Fiscal balance	-6.1	-5.5	-5.2	-4.6

Percent. GDP: volumes, change over previous year. percent. — net exports, inventories: contribution to growth, percentage points. — Unemployment rate: Unemployed in relation to labor force. — Current account balance, fiscal balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy.* Shaded area: Kiel Institute forecast.

Economic conditions in emerging market economies

Aggregate output in India continues to expand very strongly. Despite the global energy crisis triggered by the Iran war, GDP growth remained robust and in the second quarter of 2026 output was 7.8 percent higher than a year earlier. Tax cuts supported a marked increase in private consumption, while investment growth rose even more sharply. Strong economic momentum has been accompanied by a noticeable rise in inflation. At the end of 2025, the central bank reduced its policy rate again to 5.25 percent. Since then, previously low consumer price inflation has increased gradually and most recently reached 4.5 percent, already above the monetary policy target. To prevent price pressures from strengthening further and inflation from rising above the upper bound of the tolerated range of 2 to 6 percent, interest rates are likely to be raised in the coming months. This should contribute to some moderation in economic momentum over the forecast horizon. With growth rates of just under 7 percent, however, output growth will remain very high by international standards (Table 8).

The picture in Latin America is mixed. In Brazil, economic activity increased by 0.5 percent in the second quarter from the previous quarter, a marked slowdown from the 1.0 percent rise recorded previously. A decline in private consumption was the main drag, while investment increased substantially. The central bank began cutting interest rates in March and has since reduced the policy rate from 15 percent to 14 percent. Real interest rates nevertheless remain very high. As inflation increased again in the spring and most recently stood at 4.2 percent, slightly above target, monetary easing is likely to proceed only slowly for the time being. Against this background, we expect economic expansion to remain moderate over the forecast horizon. Mexico recorded a strong rebound in the second quarter of 2026, with GDP increasing by 1.4 percent following the decline in the first quarter. Activity rose markedly in industry and construction as well as in services. Mexico is currently benefiting again from its close integration into US supply chains and the growing relocation of global production capacity to North America. The gradual reduction in policy rates since April last year, from 11.25 percent to 6.5 percent, effective since May 2026, is providing additional support to domestic demand. The sustainability of the recovery nevertheless remains fragile given the country's high dependence on the US market and continued uncertainty about future trading conditions. In Argentina, the economy expanded only at a moderate pace after the previously strong recovery from the severe recession in 2024. Observers even expect a slight decline in output in the second quarter. Unemployment has risen again

Table 8:
Real gross domestic product and consumer prices in selected emerging market economies

	Weights	Real GDP				Consumer prices			
		2025	2026	2027	2028	2025	2026	2027	2028
Indonesia	5.1	5.1	4.9	4.8	5.0	1.9	3.1	2.7	2.4
Thailand	1.9	2.4	1.5	3.0	3.0	-0.1	1.9	0.6	1.0
Malaysia	1.5	5.2	4.7	4.5	4.2	1.4	1.8	1.3	1.5
Philippines	1.5	4.4	2.6	3.4	4.2	1.6	5.5	3.0	3.0
Total	10.0	4.5	3.9	4.2	4.4	1.4	3.0	2.1	2.1
China	41.7	5.0	4.6	4.5	4.4	0.0	0.8	1.0	1.0
India	17.4	7.3	6.9	6.7	6.7	1.6	3.6	4.5	4.2
Asia total	69.1	5.5	5.1	5.0	5.0	0.6	1.8	2.0	1.9
Brazil	5.0	2.3	1.8	2.0	2.0	5.0	4.5	4.2	3.8
Mexico	3.5	0.5	1.5	1.8	2.0	3.8	3.9	3.5	3.2
Argentina	1.5	4.2	2.8	3.0	2.9	41.9	33.0	30.0	28.0
Colombia	1.2	2.6	2.7	2.4	2.2	5.1	5.8	5.0	5.0
Chile	0.7	2.6	1.3	2.1	2.3	4.2	3.8	3.0	2.8
Peru	0.7	3.2	2.8	3.0	3.0	1.5	3.4	2.4	2.0
Latin America total	12.6	2.1	1.9	2.2	2.2	8.9	7.8	7.0	6.5
Egypt	2.4	4.4	4.3	4.5	4.2	13.6	14.5	12.5	11.0
Nigeria	2.3	3.9	3.5	3.8	3.7	15.8	15.0	14.5	14.0
South Africa	1.0	1.1	1.5	1.6	1.5	3.2	4.3	3.7	3.5
Algeria	0.9	3.7	3.8	3.2	3.2	3.5	5.7	4.5	3.5
Ethiopia	0.5	8.0	7.5	8.0	8.0	13.1	10.0	10.0	10.0
Africa total	7.1	3.9	3.8	3.9	3.8	11.5	11.8	10.7	9.9
Russia	7.3	1.0	0.4	0.0	0.5	9.2	6.8	7.5	6.5
Tyrkiye	3.8	3.6	3.0	3.6	3.8	32.5	30.0	26.0	20.0
Total	100.0	4.6	4.2	4.1	4.2	4.3	4.7	4.6	4.1

In percent. Weights: According to 2025 GDP at purchasing power parities. — GDP: price adjusted; changes compared to the previous year. — Consumer prices: changes compared to the previous year. — Asia total, Latin America total: based on listed countries.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; national statistics; Kiel Institute calculations; shaded: Kiel Institute forecast.

since mid-2025, while inflation remains very high at more than 30 percent. Nevertheless, macroeconomic stability has improved markedly since President Milei's shift in economic policy towards fiscal discipline and a restrictive monetary policy alongside a liberalization of the foreign-exchange market.

The Russian economy is under increasing strain. The statistical office reported surprisingly strong economic growth for the second quarter, with GDP rising by 1.3 percent from a year earlier following a decline of 0.2 percent in the previous quarter. It is unlikely, however, that this increase can be sustained. The underlying economic fundamentals have weakened considerably. Fiscal reserves are largely depleted, the banking system is coming under increasing pressure, and an ever larger share of resources is being directed towards continuing the war against Ukraine (Becker et al. 2026). More recently, the direct consequences of the war have also impeded economic activity in Russia. In July and August, a successful Ukrainian drone campaign targeting oil and gas infrastructure, logistics centers of major online retailers and maritime transport appears to have hit the economy hard. A sharp decline in refinery output has caused nationwide fuel shortages; the loss of large quantities of traded goods has wiped out the assets of many small retailers and reduced households' consumption opportunities; and attacks on ships and port facilities have hampered exports and supplies in some parts of the country. Aggregate output in Russia is therefore likely to have fallen in the third quarter.

Literatur

Becker, T., Egorov, K., Garcia-Herrero, A., Klein, M., Korhonen, I., Ribakova, E., Risinger, L., und Schularick, M. (2026). Endgame: Russlands Wirtschaft unter Druck. Kiel Report, 9. Juni. https://www.kielinstitut.de/de/publikationen/endgame-russlands-wirtschaft-unter-druck-19856/.

Board of Governors of the Federal Reserve System (Board of Governors of Fed) (2026), Minutes of the Federal Open market Committee, July 28-29, 2026, https://www.federalreserve.gov/monetarypolicy/fomcminutes20260729.htm.

Congressional Budget Office (CBO) (2025), Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline, July 2025, https://www.cbo.gov/publication/61570.

CBO (2026), The Budget and Economic Outlook: 2026 to 2036, February 2026, https://www.cbo.gov/publication/62105.

Cheremukhin, A., Wilson, D. und Zhou, X. (2026), Break-even Employment Declines as Unauthorized Immigration Outflows Continue, Federal Reserve Bank of Dallas, Dallas Fed Economics, https://www.dallasfed.org/research/economics/2026/0331.

Edelberg, W., Veuger, S. und Watson, T. (2025), Macroeconomic Implications of Immigration Flows in 2025 and 2026: January 2026 Update, The Brookings Institute, https://www.brookings.edu/articles/macroeconomic-implications-of-immigration-flows-in-2025-and-2026-january-2026-update/.

European Fiscal Board. (2026). Assessment of the Fiscal Stance Appropriate for the Euro Area in 2027. European Commission, June 10, 2026, https://commission.europa.eu/document/download/9bcb5262-177c-475b-b9d3-7333b087b0f5_en.

International Monetary Fund (IWF) (2026), Fiscal Policy under Pressure: High Debt, Rising Risks, April 2026, https://www.imf.org/en/publications/fm/issues/2026/04/15/fiscal-monitor-april-2026.

Mercan, Y. (2025), Declining Immigration and an Aging Population are Reducing Breakeven Employment Growth, Federal Reserve Bank of Kansas City, Economic Bulletin, October 15, 2025. https://www.kansascityfed.org/research/economic-bulletin/declining-immigration-and-an-aging-population-are-reducing-breakeven-employment-growth/.

New York Times (2026), Hegseth Estimated Cost of Iran War has Reached $37.5 Billion, July 21, 2026, https://www.nytimes.com/live/2026/07/21/us/trump-news.

Office of the United States Trade Representative (Office of the USTR) (2026), Fact Sheet: USTR Section 301 Action in Response to the Failure of 60 Economies to Ban Imports Produced with Forced Labor, https://ustr.gov/about/policy-offices/press-office/fact-sheets/2026/july/fact-sheet-ustr-section-301-action-response-failure-60-economies-ban-imports-produced-forced-labor.

Reuters (2026), US Oil Exports in July Fall to Lowest Level in Eight Months, Data Shows, August 3, 2026, https://www.reuters.com/business/energy/us-oil-exports-july-fall-lowest-level-eight-months-data-shows-2026-08-03/.

The White House (2026), Rebuilding Our Military, https://www.whitehouse.gov/wp-content/uploads/2026/04/rebuilding-our-military-fact-sheet.pdf.

US-Census Bureau (2026), Monthly Construction Spending, July 2026, September 1, 2026, CB26-140, https://www.census.gov/construction/c30/current/index.html.

Impressum

Kiel Institut für Weltwirtschaft

Standort Kiel

Kiellinie 66, 24105 Kiel

Telefon + 49 431 8814-1

info@kielinstitut.de

Standort Berlin

Chausseestraße 111, 10115 Berlin

Telefon +49 30 30830637-5

berlin@kielinstitut.de

Das **Kiel Institut für Weltwirtschaft – Leibniz Zentrum zur Erforschung globaler ökonomischer Herausforderungen** ist eine rechtlich selbständige Stiftung des öffentlichen Rechts des Landes Schleswig-Holstein.

Das Institut wird vertreten durch den Vorstand:

Prof. Dr. Moritz Schularick, Präsident, Geschäftsführender Wissenschaftlicher Direktor

Michael Doberschütz, Geschäftsführender Administrativer Direktor (m.d.W.d.G.b.)

Prof. Dr. Christoph Trebesch, Vizepräsident

Zuständige Aufsichtsbehörde

Ministerium für Allgemeine und Berufliche Bildung, Wissenschaft, Forschung und Kultur des Landes Schleswig-Holstein
Jensendamm 5, 24103 Kiel

Umsatzsteuer ID

DE 251899169

Kielinstitut.de/publikationen