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Economic Outlook

World Economy in Spring 2026

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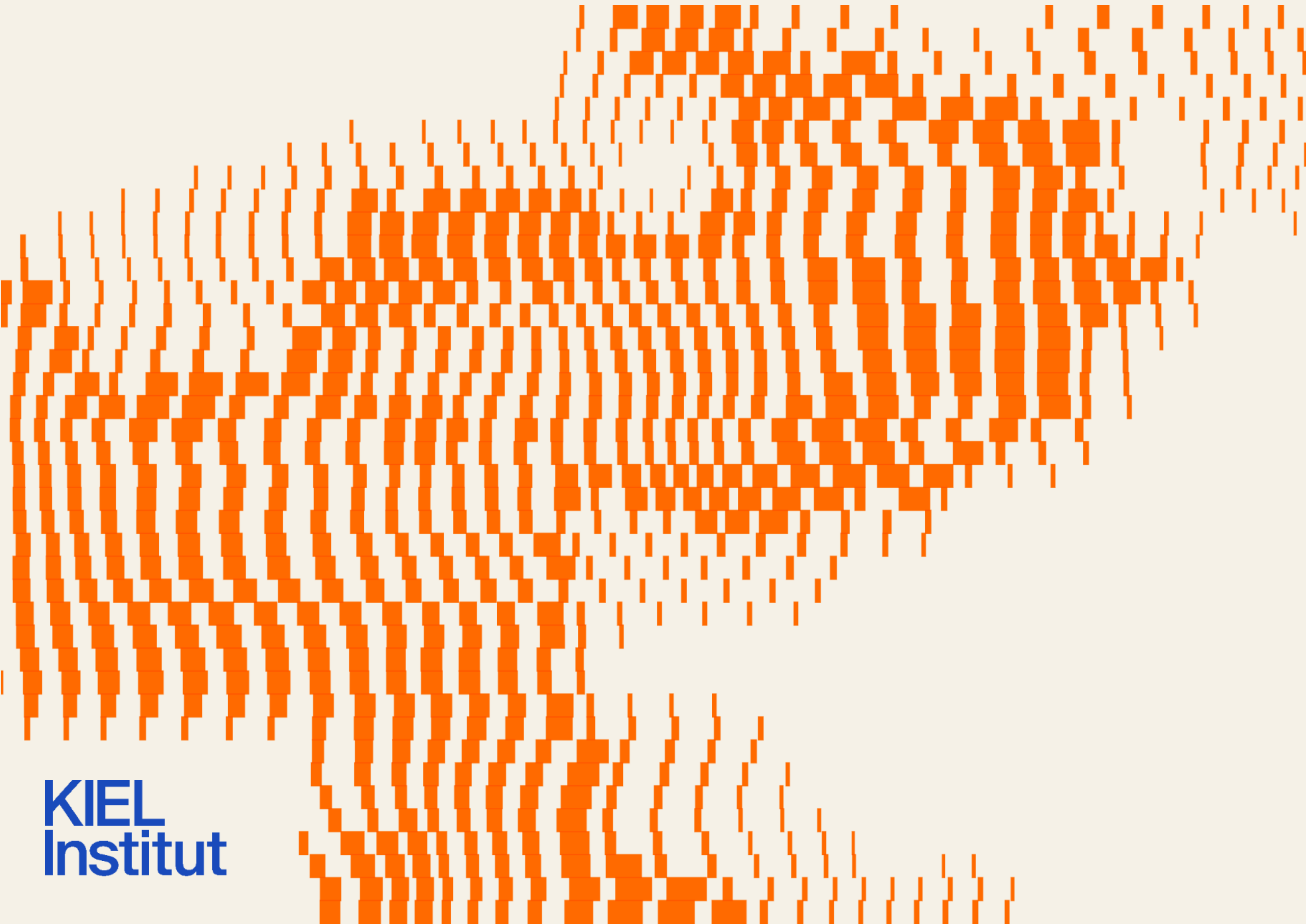
Research Group
Business Cycles and Growth



KIEL Institut

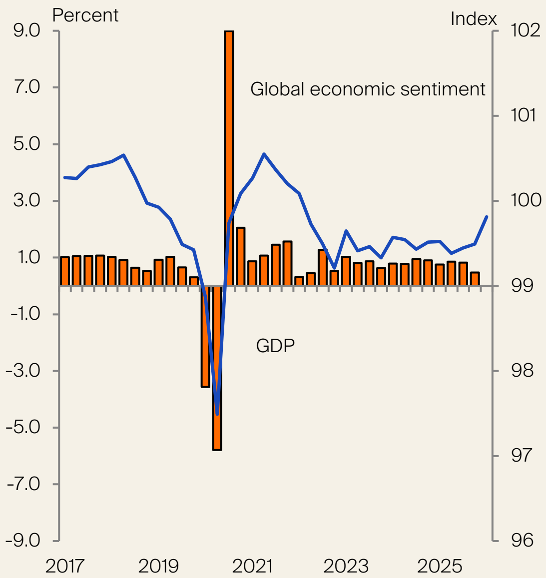
World Economy in Spring 2026: Middle East Conflict Hampers Economic Activity

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

The world economy remained robust in 2025 despite the strains caused by the trade conflicts and the resulting increased uncertainty and entered the new year with decent momentum. However, the war with Iran now threatens to severely disrupt energy supplies, with potentially serious consequences for economic activity. It is, however, currently widely expected that production and transport of oil and gas from the Persian Gulf will return to normal levels relatively soon. In this case, which also forms the basis of our forecast, the effects would not be substantial and would be limited to a slight dampening of global production and a temporary rise in inflation. We therefore expect the global economy to remain on an upward trend, buoyed by strong impetus for trade and investment from the boom in AI technology. Monetary policy has been significantly loosened worldwide over the past year and is now supporting the economy in most countries. In addition, a number of countries are providing stimulus through fiscal policy. While the economic outlook in China remains clouded, the expansion in the United States should remain robust. In Europe, the gradual economic recovery is likely to continue from the second half of this year onwards, following a few months of slowdown caused by high energy prices. All in all, and unchanged from our forecast of last December, we expect global output – measured on the basis of purchasing power parities – to grow by 3.1 percent this year and 3.2 percent next year. However, given the uncertainty surrounding the developments in the Middle East, there is a significant risk of a considerable slowdown in the global economy.

Global economic activity in spring 2026 is being weighed down by a sharp rise in prices for crude oil and liquefied natural gas (LNG), as well as by increased uncertainty following the war with Iran. Following the start of military strikes by the United States and Israel on Iran on 28 February 2026, global market prices for oil and LNG rose sharply. The most pressing issue at present is the effective closure of the Strait of Hormuz, which provides access to the Persian Gulf and through which roughly 20 percent of global output of oil and LNG are transported. Should this key transport route remain significantly restricted for an extended period, supply shortages and forced reductions in energy consumption could occur, with serious consequences for global production. At present, most observers expect oil supply from the

Figure 1:
World Economic Activity

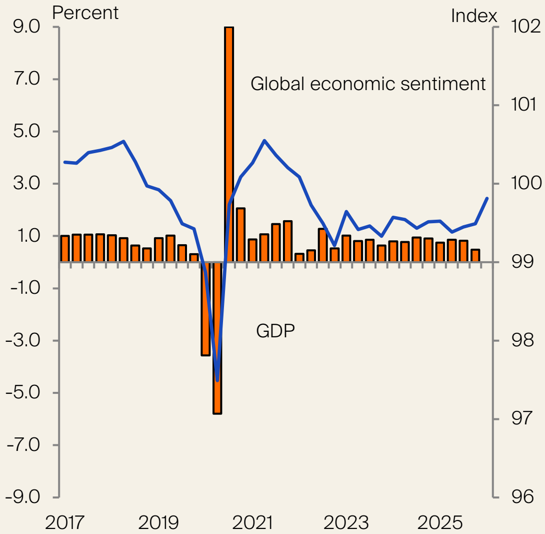


Quarterly data, seasonally adjusted. Global economic sentiment is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

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

Gulf to normalize within a few weeks. Our forecast also assumes a scenario in which oil prices remain at their current elevated level for only a few weeks before declining swiftly again starting in summer. Under these conditions, the impact on the global economy would likely be limited and would primarily take the form of a temporary increase in inflation rates. Nonetheless, uncertainty remains high, as indicated by various news-based measures of geopolitical uncertainty and the increased volatility observed in financial markets (Figure 1). A prolonged disruption to energy supply from the Gulf remains the most significant risk to the global economic outlook.

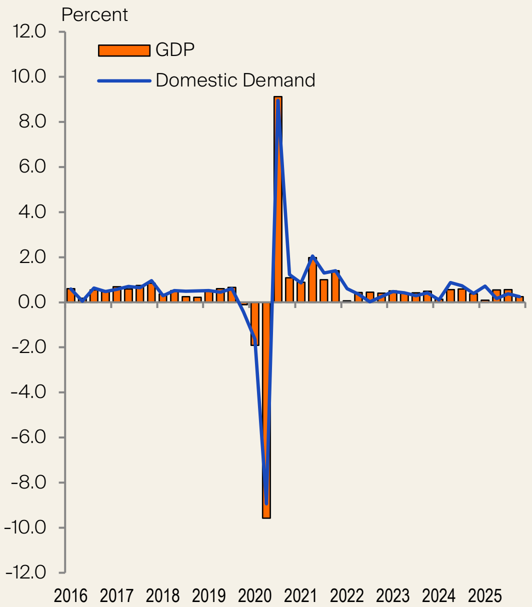
Figure 2:
World Economic Activity



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:
GDP and Domestic Demand in the G7 Economies



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.

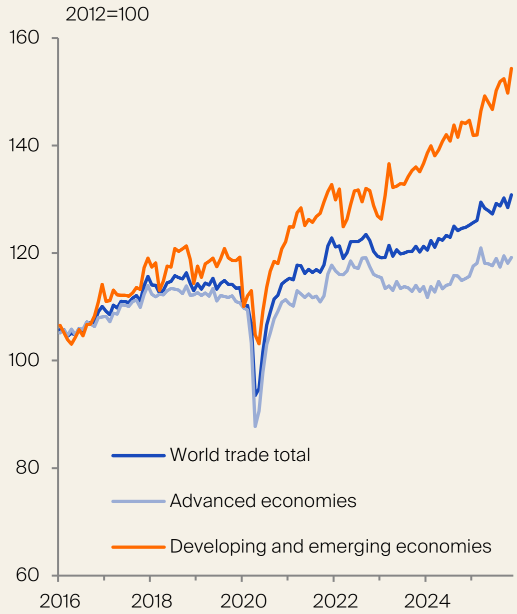
The world economy remained robust in 2025. Global output continued to expand at a solid pace throughout 2025 despite the considerable economic policy uncertainty triggered by the US administration's trade policy. On average, global output is estimated to have increased by 3.4 percent, matching the growth rate recorded in the previous year. While the pace of expansion slowed noticeably in the fourth quarter (Figure 2), this was largely attributable to a temporary slowdown in the United States following the government shutdown in October and November. Indicators for early 2026 continued to signal robust global expansion until very recently. Among advanced economies, the US economy expanded significantly in the second half of 2025, while output growth in Europe remained subdued and Japan's economy stalled. In emerging economies, overall output growth appears to have slowed somewhat—marginally in China and more markedly in Latin America. Overall, global economic expansion likely continued at a moderate pace during the fourth quarter of 2025. Purchasing managers' indices suggest that global production continued to expand at a robust pace at the start of the new year. In manufacturing, activity even accelerated.

Growth in the advanced economies slowed temporarily in the fourth quarter. Real GDP in the G7 economies increased by only 0.25 percent, representing a notable slowdown (Figure 3). The principal cause was the longest government shutdown in US history, which led to a sharp decline in federal government consumption. However, economic momentum was also weak in the other major advanced economies. In the euro area, GDP growth slowed slightly to 0.2 percent, while the United Kingdom once again recorded only 0.1 percent growth. In Japan, economic activity inched up slightly following a decline in the previous quarter. Leading indicators for early 2026 nevertheless suggested a modest improvement in economic momentum. Purchasing managers' indices improved significantly in Japan and the United Kingdom and remained firmly in expansionary territory in both the United States and the euro area.

Economic expansion in emerging markets continued to be strongest in Asia. In China, GDP growth accelerated slightly to 1.2 percent quarter-on-quarter in the fourth quarter. However, economic momentum remained overall subdued, and the year-on-year growth rate declined to 4.5 percent, the lowest level since 2023. Exports continued to support the Chinese economy despite a sharp decline in shipments to the United States, while investment activity weakened significantly. In India, strong economic expansion likely continued thanks to economic policy stimulus, despite ongoing trade tensions with the United States. In the ASEAN economies, developments were mixed but overall growth remained robust. Economic activity in Latin America was uneven toward the end of the year, with weak growth in Brazil and a recovery in Mexico, resulting in only modest expansion overall. Official statistics indicate that Russia's economy experienced a slight acceleration in the fourth quarter, although year-on-year output growth remained modest at 1 percent.

International trade in goods expanded strongly in 2025 despite the US trade policies. Global merchandise trade grew by 4.4 percent, significantly faster than in 2024, when growth amounted to 2.5 percent (Figure 4). The strong increase early in the year largely reflected front-loaded purchases by US importers in anticipation of new tariffs. Once the tariffs were introduced, imports into the United States declined temporarily. At the same time, trade between other countries—particularly within Asia—expanded significantly. However, there is evidence that differences in tariff rates across countries resulted in trade diversion that artificially inflated global trade statistics (Gern et al. 2025). Asian economies also benefited disproportionately from the global boom in AI-related technologies. Imports of IT equipment into the United States continued to rise throughout the year. These products were largely exempt from

Figure 4:
World Trade



Monthly Data.

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

additional tariffs. According to estimates by the World Trade Organization (WTO 2025), nearly half of the increase in global trade during the first half of 2025 was attributable to this product category.

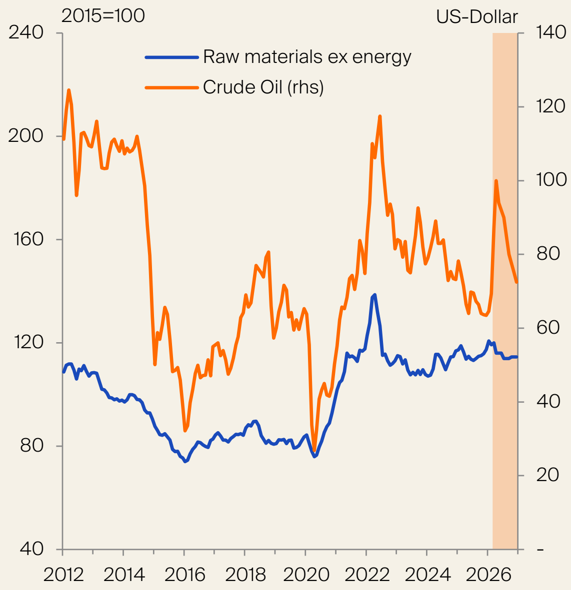
US tariffs were recently reduced slightly. On February 20, the US Supreme Court ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) are unlawful because such tariffs fall within the authority of Congress. This applies in particular to the tariffs imposed on April 2, 2025—known as Liberation Day—at varying rates for different countries and to the so-called Fentanyl tariffs imposed on China, Canada, and Mexico. Sector-specific tariffs introduced on a different legal basis, such as those on steel, aluminum, and cars, are not affected by the ruling. Nevertheless, the decision invalidates tariffs that account for 60 percent of the tariff revenue collected since Donald Trump took office in 2025. The US government responded by introducing tariffs under a different legal provision that allows the president to impose tariffs of up to 15 percent for a maximum period of 150 days without congressional approval. Initially, a uniform tariff rate of 10 percent was set for all countries. As a result, the average tariff level for US imports will fall from 13.8 percent to 10 percent (York and Durante 2026). The overall economic effects of such a change are positive on balance, not least for the United States, which ultimately bears by far the largest share of the tariff burden (Hinz et al. 2026). However, the relative position of individual countries in the competition for the US market will change under the new rules, tariffs will fall relatively sharply for countries that were previously subject to particularly high tariff rates, such as India, Brazil, and, not least, China. In contrast, tariffs for other countries will hardly decrease. These include, for example, the European Union and the United Kingdom, whose relative competitive position has thus deteriorated.

Trade policy uncertainty has risen again. With the decision of the supreme court and the responses of the US administration, uncertainty about the future trade framework has increased again. It remains to be seen what will happen after the 150-day tariff period expires in mid-June, especially since the latest transitional tariffs are already being challenged in court. It is unclear to what extent other authorities for tariffs can be found or whether additional sectoral tariffs will be imposed to compensate for the considerable revenue shortfalls currently facing the US Treasury. Finally, the bilateral trade agreements that have now been concluded with a number of economies, including the EU, will probably have to be revised to take account of the new framework.

Energy prices have risen sharply since the outbreak of the Iran war. Even before the conflict began, oil prices had been trending upward despite a substantial supply surplus in global markets expected by the International Energy Agency (IEA 2026). Rising tensions between the United States and Iran had already contributed to rising prices in combination with more stringent US sanctions on Russian oil. With the outbreak of war and the effective closure of the Strait of Hormuz, markets are now facing a scenario that had long been considered the worst-case outcome of Middle East crises. Against this backdrop, market reactions may be considered moderate. The price of Brent crude oil initially rose by around USD 10 per barrel to above USD 80, subsequently climbing briefly above USD 100 before stabilizing at approximately USD 90, only slightly above the trading range observed in the years 2023 and 2024 (Figure 5).

We expect energy exports from the Gulf to resume in the near future and prices to fall swiftly back to pre-war levels. The military superiority of the United States and Israel suggests that safe passage through the Strait of Hormuz may be restored in the foreseeable future and that the disruption in the shipment of crude oil, oil products, and LNG from the Persian Gulf will last only a few weeks. In this case, prices for energy commodities are likely to decline again soon. We expect the price of crude oil to be roughly the same at the end of this year as it was before the war and return to USD 65 by the end of 2027. The market situation is also likely to ease as a result of the OPEC+ countries' decision to increase production quotas in light of the crisis and the United States' apparent willingness to ease sanctions on Russian oil in order to meet demand. The decline in LNG prices is expected to be somewhat slower, as stocks in the northern hemisphere are largely depleted after the winter and high demand is expected over the summer as stocks will have to be replenished. If safe passage through the Strait of Hormuz remains impossible for an extended period, or if production facilities in the Gulf countries are damaged to such an extent that leads to prolonged supply losses that cannot be offset by additional production elsewhere (most of the short-term reserve capacity for crude oil is located in Saudi Arabia), significantly higher prices will likely persist for a longer time.

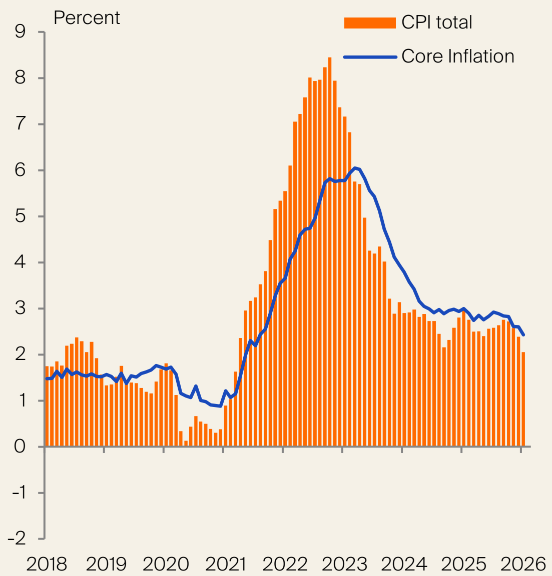
Figure 5:
Raw material prices



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.

Figure 6:
CPI Inflation in Industrial Countries



Monthly Data; yoy change.

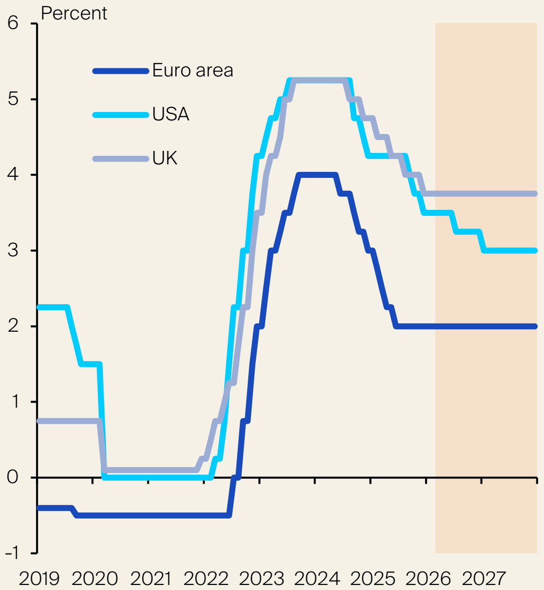
Source: OECD, *Main Economic Indicators*; Kiel Institute calculations.

Energy prices will drive up consumer price inflation for a while. Inflation had slowed noticeably in advanced economies in recent months. In the G7 countries, the inflation rate was only 2.0 percent in January 2026, compared with 2.8 percent in September 2025 (Figure 6). The core rate (consumer prices excluding energy and food), which previously had remained elevated at just under 3 percent for almost a year and a half, also fell noticeably to 2.4 percent. As a result of the rise in energy prices, inflation is now expected to increase significantly in the coming months. Experience shows that higher energy prices gradually fuel core inflation as well. However, if the rise in energy prices is only temporary, as expected, the effects on core inflation are likely to remain limited and there will be no sustained inflationary process triggered that would require a monetary policy response.

Central bank interest rates in advanced economies are gradually converging. Monetary policy in advanced economies has evolved differently over the past year. Initially, the interest rate cuts that began in summer 2024 were largely synchronized across major central banks. However, in the first half of 2025 the European Central Bank (ECB) reduced its deposit facility rate further to 2.0 percent, while the US Federal Reserve maintained its target range for the federal funds rate at 4.25–4.5 percent. Since then, the situation has changed. The ECB has kept rates unchanged since June 2025, while the Federal Reserve—responding to growing concerns about economic growth—cut rates in three steps to 3.5–3.75 percent starting in September. Looking ahead, we expect only gradual additional easing in the United States, with two further rate cuts over the forecast horizon (Figure 7). The Bank of England is likely to pause its easing cycle amid uncertainty regarding inflation developments. The Bank of Japan, by contrast, has entered a gradual tightening phase and raised its policy rate to 0.75 percent in December 2025 while signaling gradual further increases may follow.

Interest rate cuts continue to predominate in emerging markets. Monetary policy easing – like the previous tightening – began earlier overall in emerging markets than in advanced economies. Interest rate cuts have prevailed since January 2024 (Figure 8). Since November 2025, key interest rates have been

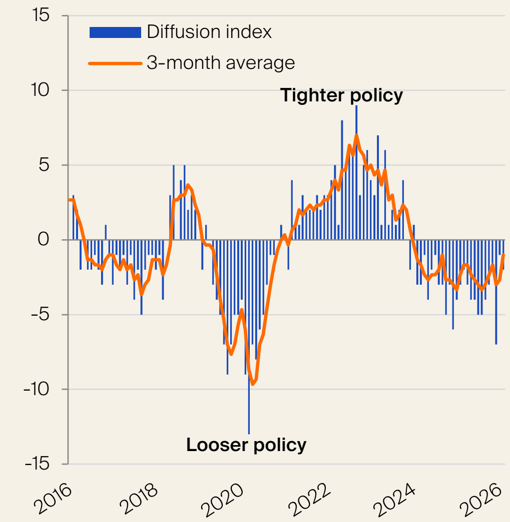
Figure 7:
Policy rates in major advanced economies



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

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

Figure 8:
Monetary Policy in Emerging Markets



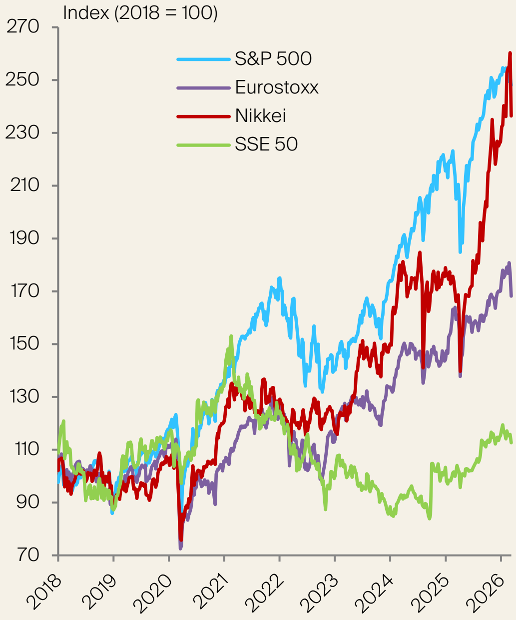
Monthly data. The diffusion index is the number of central banks raising policy rates less the number of central banks decreasing policy rates in a given month. Emerging markets included are: Argentina, Brazil, Chile, China, Colombia, Indonesia, India, Mexico, Malaysia, Peru, Philippines, Russia, Thailand, Turkey, South Africa.

Source: Bank of International Settlements (BIS); Kiel Institute calculations.

cut in China, Mexico, Malaysia, the Philippines (twice), Russia (twice), Thailand, and Turkey (three times), and raised only in Indonesia.

The financial markets have reacted without panic to the outbreak of the war with Iran. Stock prices have ended their upward trend for the time being. There were noticeable losses on the world's leading stock exchanges, but not yet large enough to have a significant impact on the economy, for example through wealth effects on consumption. In the United States in particular, where stock market gains play a important role in financing consumption, declines in share prices were limited, with the S&P 500 falling by less than 2 percent. The losses on the Euro Stoxx and the Japanese Nikkei index were more pronounced, at around 5 percent and almost 10 percent, respectively. Even so, they were not dramatic, especially as they followed a period of strong price rises and merely erased the gains of the preceding few weeks (Figure 9). Long-term interest rates in advanced economies rose slightly in the wake of the outbreak of war. In the United States, they had previously been trending slightly downward, while in the eurozone and – particularly clearly – in Japan, they had already been on an upward trajectory.

Figure 9:
Stock prices in major advanced economies and China



Weekly data. Last value: 9 March 2026.

Source: LSEG Datastream

Fiscal policy continues to support economic activity in many advanced economies. Fiscal consolidation has generally been limited after the sharp increase of government debt during the pandemic and the energy crisis triggered by the Russian attack on Ukraine. Budget deficits remained elevated, and in some cases they have increased again, particularly in the United States and France. Rising real interest rates imply that the share of government revenue devoted to debt service will increase in the coming years. In the United States, the retention of reduced income tax rates from Trump's first term in office, together with further tax cuts, is creating substantial funding issues within the US budget. The additional customs revenues earmarked for financing may now have to be partially refunded; in any case, they will be significantly lower than budgeted in the future. Spending cuts are unlikely to compensate for this, especially as considerable additional expenditure will be incurred to finance the war in Iran and the replenishment of ammunition stocks that is now due. We therefore expect the budget deficit in the United States to rise again. In Europe, increased defense spending is largely financed through increased borrowing following a relaxation of fiscal rules. Overall, fiscal policy in advanced economies is expected to remain mildly expansionary.

Outlook: Temporary Headwinds for global activity

Higher energy prices and increased geopolitical uncertainty will temporarily dampen global economic growth but are unlikely to trigger a severe downturn. Under the assumptions underlying our forecast, the rise in energy prices will prove temporary and will not lead to a sustained increase in inflation. As a result, monetary policy is unlikely to respond with higher interest rates. Moreover, higher energy prices also generate positive income effects for energy-exporting countries and companies, which can partly offset the negative impact on importers. Global growth is therefore expected to slow only slightly before regaining momentum later in the forecast period. However, increased uncertainty resulting from a less predictable geopolitical environment and from renewed concerns about US trade policy is having a dampening effect.

The global economy will regain momentum in the course of the coming year. With energy prices expected to decline significantly again, the burden on the global economy will progressively ease from the middle of this year onwards. In addition, there are underlying upward forces at work: the outlook for private consumption is favorable in most countries, as wages have generally risen faster than inflation. Fiscal policy is also accommodative in many countries. Last but not least, investment demand is likely to continue to be driven by high demand in the IT sector, where the rapid implementation of AI technology requires a corresponding expansion of data processing capacities and the necessary infrastructure. However, after the strong increase in investment associated with the AI boom, growth in these investments is likely to gradually slow down over the forecast period.

The world economy is growing somewhat more slowly this year. For the current year, we expect global growth to ease to 3.1 percent, from 3.4 percent in 2025. For 2027,

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

	Weight	Gross domestic product				Consumer prices			
		2024	2025	2026	2027	2024	2025	2026	2027
World economy total	0	3.3	3.3	3.1	3.2	6.7	4.8	5.2	3.8
including									
Advanced economies	40.3	1.9	1.9	1.7	1.7	2.7	2.6	2.6	2.3
China	19.3	5.0	5.0	4.7	4.6	0.2	0.0	1.0	1.0
Latin America	6.6	2.0	2.0	1.9	2.4	27.3	13.4	19.3	5.4
India	8.2	6.7	7.8	6.9	6.6	2.7	2.4	3.4	3.8
East Asian emerging economies	7.1	3.9	3.4	3.7	3.8	2.3	2.0	2.2	2.1
Russia	3.5	4.1	1.0	0.5	0.5	8.4	9.2	8.5	8.0
Africa	4.6	3.0	3.7	3.7	4.0	17.6	12.5	11.5	8.6
Memorandum item:									
World trade volume (goods)		2.5	4.6	1.6	2.3				
World economy (GDP weights using current US-dollar exchange rates)		2.8	2.8	2.6	2.7	5.1	3.8	4.1	3.0

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.

we expect a partial recovery to 3.2 percent (Table 1). This means that we have not changed our forecast for this year compared to the December forecast (Gern et al. 2025). Based on market exchange rates, the rates of change in world GDP are 2.6 percent this year and 2.8 percent next year. Measured at market exchange rates, global output growth is projected to reach 2.6 percent in 2026 and 2.8 percent in 2027

Across advanced economies as a whole, the GDP growth rate is expected to decline from 1.7 percent to 1.5 percent this year. For next year, we anticipate a rise to 1.8 percent (Table 2).

Global trade is likely to suffer significantly in the short term. World trade in goods, which grew by 4.4 percent in 2025, is expected to increase by only 1.4 percent in 2026, before recovering to 3.4 percent in 2027. A key factor in this dynamic is the high proportion of crude oil, oil products, and LNG transported from the Persian Gulf, which accounts for roughly 2 percent of global trade in value terms. This traffic has currently come to a virtual standstill and, due to capacity constraints, cannot be made up for on a large scale once the Strait of Hormuz is safely passable again.

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

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
European Union	41.3	1.0	1.6	1.2	1.6	2.6	2.4	2.6	2.2	6.0	6.0	5.8	5.6
Euro area	35.1	0.9	1.5	1.0	1.4	2.4	2.1	2.3	2.1	6.4	6.4	6.2	5.9
Sweden	0.9	1.0	1.8	2.3	2.2	2.0	2.6	2.3	2.0	8.4	8.9	8.6	8.0
Poland	2.3	3.0	3.6	3.3	3.2	3.7	3.3	3.2	2.3	2.9	3.1	2.9	2.8
United Kingdom	5.1	1.1	1.3	0.7	1.4	2.5	3.4	2.5	2.0	4.3	4.8	5.5	5.2
Switzerland	1.0	1.4	1.3	0.3	1.0	1.1	0.2	0.5	0.3	4.0	4.2	4.4	4.2
Norway	0.7	1.5	1.2	1.7	0.6	3.1	2.8	3.2	2.7	4.0	4.4	4.3	4.2
United States	34.9	2.8	2.2	2.4	2.2	3.0	2.7	2.7	2.4	4.0	4.3	4.4	4.4
Canada	3.1	1.0	1.7	0.9	1.9	2.4	2.1	2.5	1.9	6.4	6.8	6.6	6.4
Japan	7.8	-0.2	1.2	0.7	0.9	2.7	3.2	2.2	1.7	2.5	2.5	2.5	2.4
South Korea	3.9	2.0	0.9	1.1	2.1	2.3	2.1	2.4	1.7	2.8	2.8	2.9	2.7
Australia	2.3	1.0	2.0	2.2	2.3	3.2	2.8	3.5	2.6	4.1	4.2	4.2	4.1
Total	100.0	1.6	1.7	1.5	1.8	2.7	2.6	2.6	2.2	4.8	4.9	4.9	4.7

Based on GDP at prices and exchange rates of 2024 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 2024.

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

Regional Developments

The US economy remains robust. The deceleration of growth in the last quarter of 2025 primarily reflects the government shutdown in late 2025. Strong private consumption and continued investment in AI-related infrastructure are expected to continue to support economic activity going forward, with higher gasoline prices in spring 2026 having no lasting significant impact. GDP is projected to grow by 2.4 percent in 2026 and 2.2 percent in 2027. Inflation is expected to average 2.7 percent in 2026 before declining to 2.4 percent in 2027.

Economic growth in China is expected to gradually slow further, reflecting weak investment and continued difficulties in the real estate sector. At the same time, exports and policy stimulus continue to support economic activity. GDP growth is projected at 4.7 percent in 2026 and 4.6 percent in 2027, following 5.0 percent in 2025.

Japan's economy has recently experienced weak growth, but economic activity is expected to pick up gradually. GDP growth is projected at 0.7 percent in 2026 and 0.9 percent in 2027, broadly in line with estimates of potential growth.

In the euro area, the modest economic expansion remains on track. A projected deceleration of euro area growth from 1.5 percent in 2025 to 1.0 percent in 2026 is entirely due to developments in Ireland where one-off factors pushed growth above 12 percent last year. Underlying growth remains stable in 2026 and should pick up to 1.4 percent in 2027. Inflation will rise temporarily due to higher energy prices and is projected at 2.3 percent in 2026 and 2.1 percent in 2027. The unemployment rate is forecast to decrease further from already historically low levels.

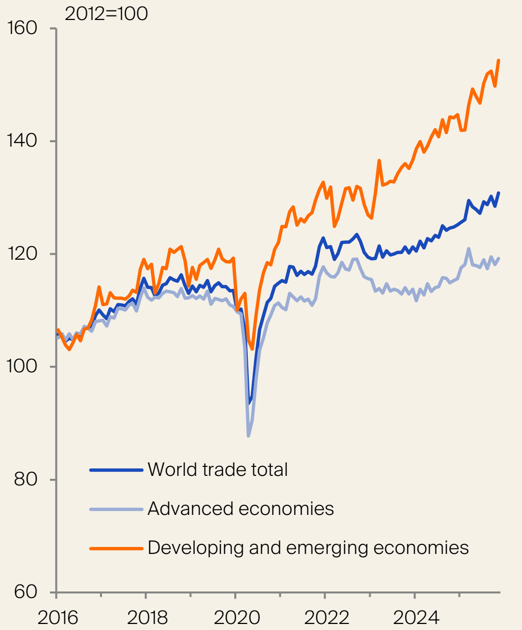
Economic growth in the United Kingdom will gradually pick up. The modest growth rate of 0.7 percent projected for 2026 partly reflects sluggish growth in the second half of 2025. For 2027 we expect a more solid increase of GDP by 1.4 percent in 2027. Despite a temporary surge in energy prices, we forecast inflation to decrease in 2026 from 2025 as a result of sizeable base effects.

Other Emerging Economies. India continues to experience strong economic growth supported by policy stimulus and strong domestic demand. Southeast Asian economies benefit from strong global demand for electronics and semiconductors. Latin American economies are expected to expand moderately, while growth in Russia, although benefiting from higher energy prices, will be restrained by capacity constraints.

Data annex

1 World Economy

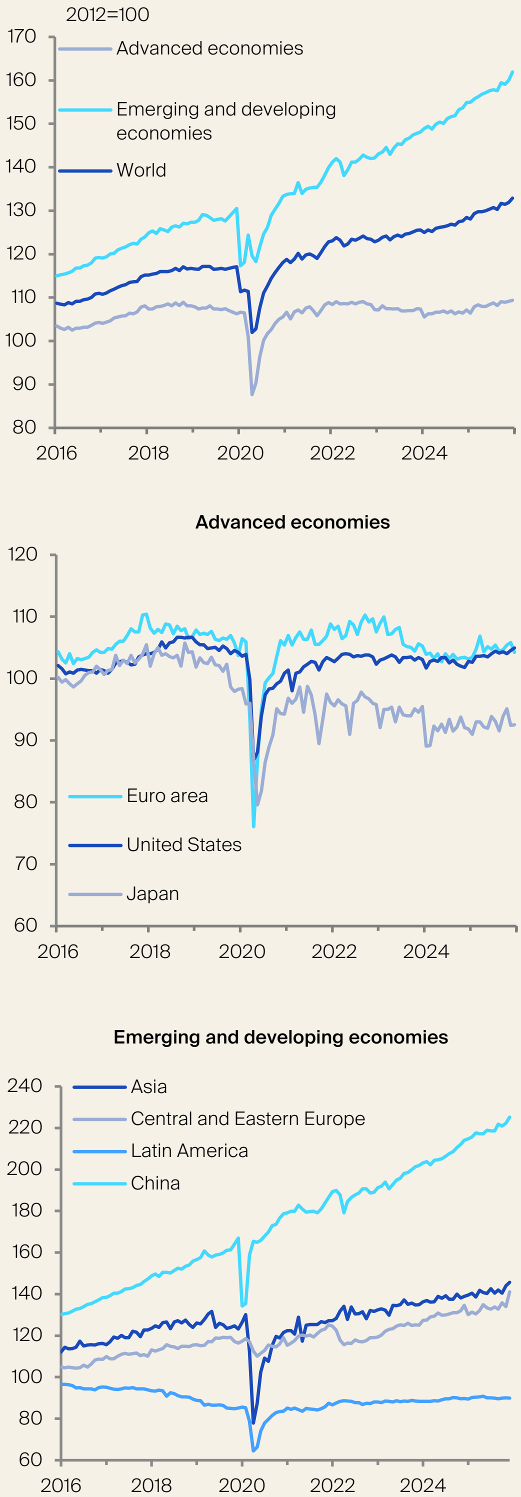
Figure 1.1:
World Trade



Monthly Data.

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

Figure 1.2:
Industrial Production by country groups

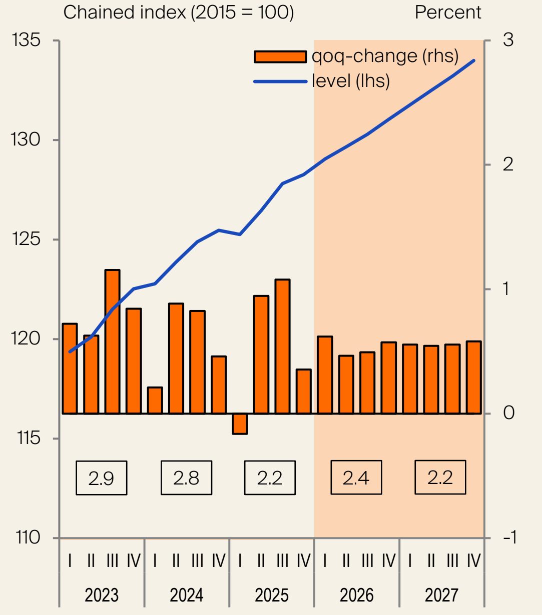


Monthly data. Last value: Julz 2024.

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

2 United States

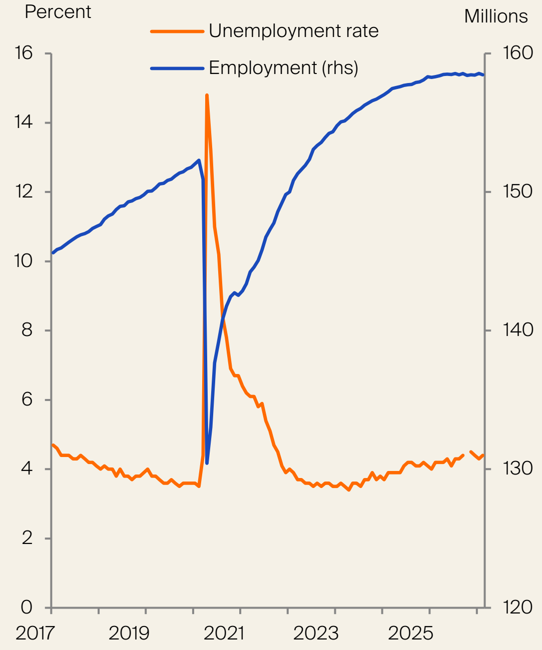
Figure 2.1:
GDP



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

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

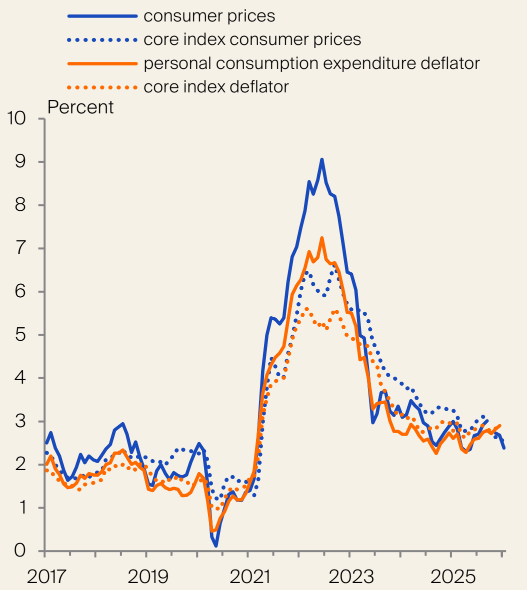
Figure 2.2:
Labour Market



Monthly data, seasonally adjusted.

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

Figure 2.3:
Consumer prices



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 Statistics, *Consumer Price Index.*

Table 2.1:
Key indicators for the United States

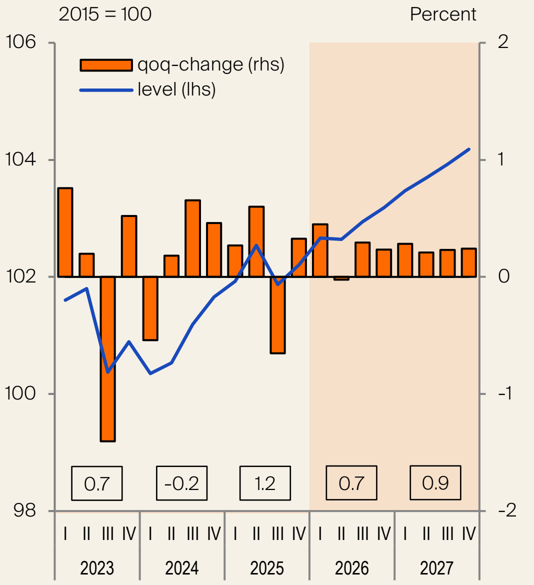
	2024	2025	2026	2027
Gross Domestic Product	2.8	2.2	2.4	2.2
Domestic expenditure	3.1	2.3	2.1	2.2
Private consumption	2.9	2.7	2.3	1.9
Government expenditure	3.8	1.2	0.4	2.0
Gross fixed capital formation	3.0	2.7	2.7	3.6
Machinery and equipment	3.5	8.2	3.8	3.3
Intellectual property rights	3.5	5.8	7.3	7.0
Structures	1.1	-5.0	-3.3	-0.3
Residential Investment	3.2	-2.2	-3.7	-0.5
Change in inventories	0.0	-0.1	-0.2	0.1
Net exports	-0.3	-0.1	0.4	0.0
Exports	3.6	1.7	1.4	1.3
Imports	5.8	2.7	-1.0	3.6
Consumer prices	3.0	2.7	2.7	2.4
Unemployment rate	4.0	4.3	4.4	4.4
Current account balance	-4.0	-3.7	-3.3	-3.5
Gov. budget balance (federal)	-6.3	-5.8	-6.3	-6.4

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.

3 Japan

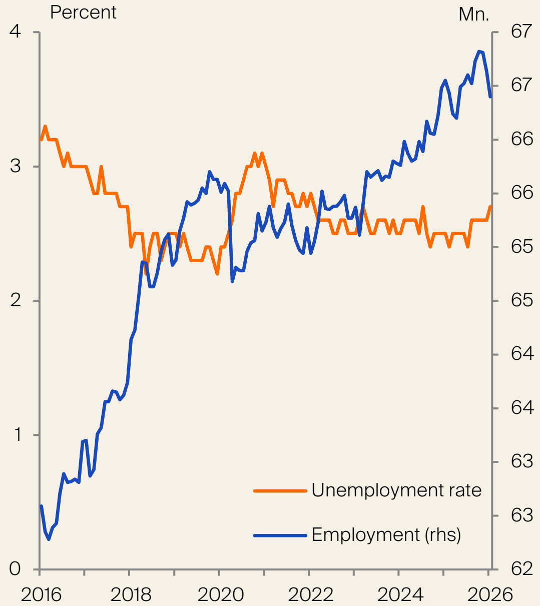
Figure 3.1:
GDP



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

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

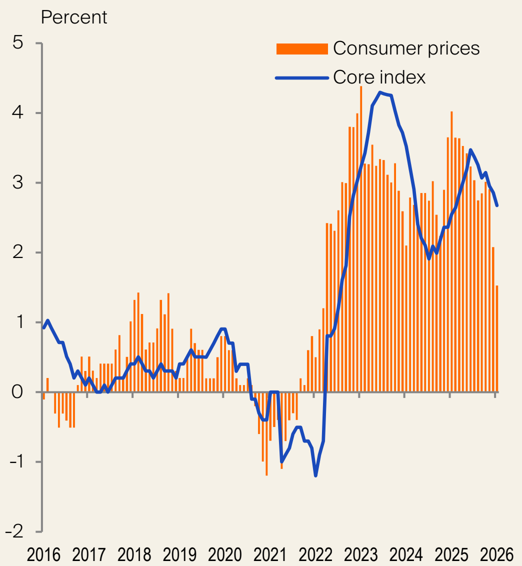
Figure 3.2:
Labour market



Monthly data; seasonally adjusted.

Source: Department of Labor.

Figure 3.3:
Consumer prices



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

Source: Statistics Bureau of Japan.

Table: 3.1
Key Indicators Japan

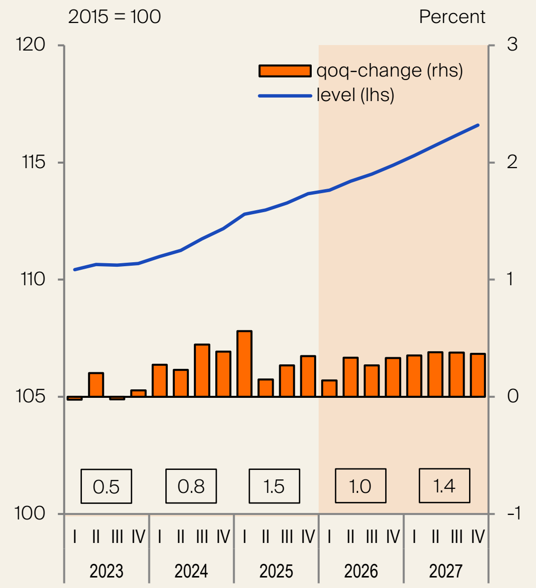
	2024	2025	2026	2027
Gross Domestic Product	-0.2	1.2	0.7	0.9
Domestic demand	-0.3	1.4	0.7	1.0
Private consumption	-0.6	1.5	0.9	1.0
Government consumption	1.6	1.0	1.2	0.7
Gross fixed investment	3.0	0.9	1.3	1.1
Enterprises	-0.1	1.9	2.2	2.0
Residential Investment	-1.0	-2.4	-2.3	0.6
Public investment	-1.8	-0.3	1.0	-2.2
Inventories	0.0	0.0	0.0	0.0
Net exports	0.0	-0.2	0.0	0.0
Exports	0.9	2.9	0.0	1.8
Imports	0.9	4.0	-0.1	1.9
Consumer prices	2.7	3.2	2.2	1.7
Unemployment rate	2.5	2.5	2.5	2.4
Current account balance	4.5	4.8	3.8	4.3
Fiscal balance	-1.6	-1.4	-2.3	-2.0

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.

4 Euro Area

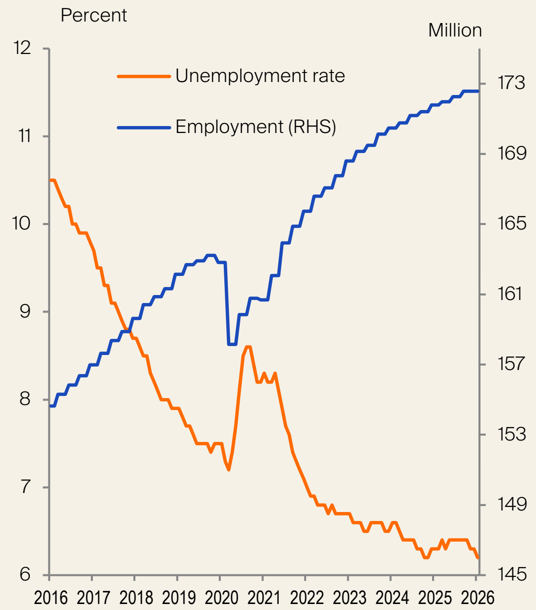
Figure 4.1:
GDP



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.

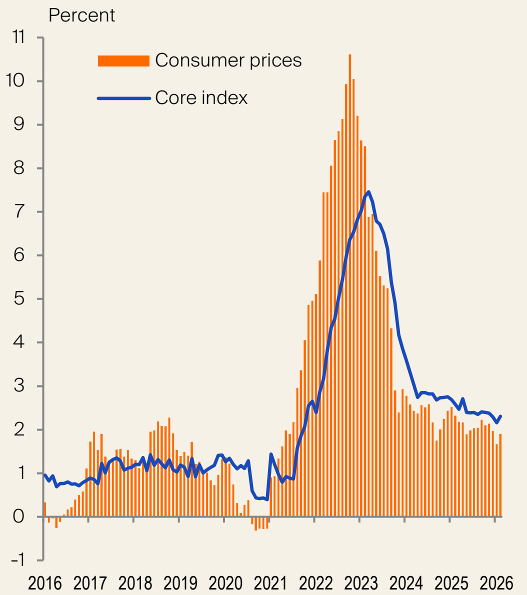
Figure 4.2:
Labor market



Monthly data; seasonally adjusted.

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

Figure 4.3:
Consumer prices



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

Source: Eurostat, *Price Statistics*.

Table 4.1:
Key indicators for the Euro area

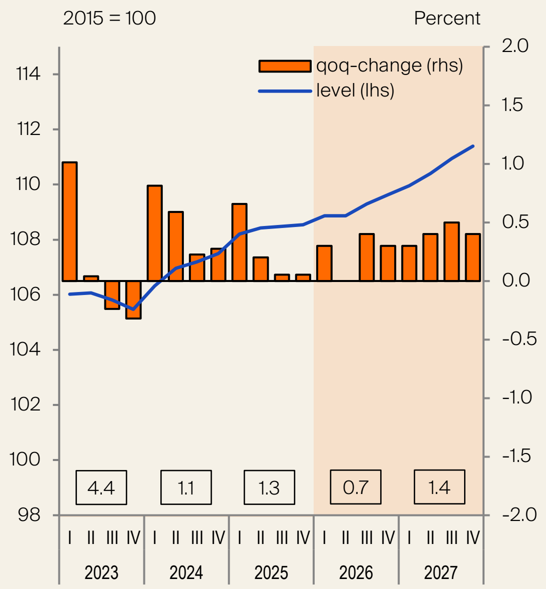
	2024	2025	2026	2027
Gross domestic product	0.9	1.5	1.0	1.4
Domestic expenditure	0.6	2.2	1.5	1.6
Private consumption	1.3	1.5	1.5	1.8
Government consumption	2.3	1.6	1.2	0.9
Gross fixed capital formation	-2.6	3.1	1.7	1.9
Inventories	-0.1	0.3	0.0	0.1
Net exports	0.3	-0.6	-0.5	-0.2
Exports	0.5	2.2	0.5	1.5
Imports	-0.2	3.7	1.6	2.1
Consumer prices	2.4	2.1	2.3	2.1
Unemployment rate	6.4	6.3	6.1	5.9
Current account balance	2.6	2.7	2.4	2.2
Government budget balance	-3.1	-3.3	-3.4	-3.5

GDP: volumes, change over previous year, percent. Net exports, 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.

5 United Kingdom

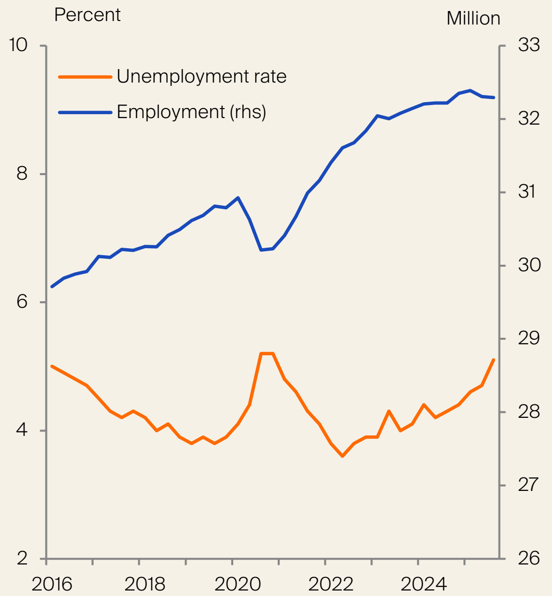
Figure 5.1:
Bruttoinlandsprodukt



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

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

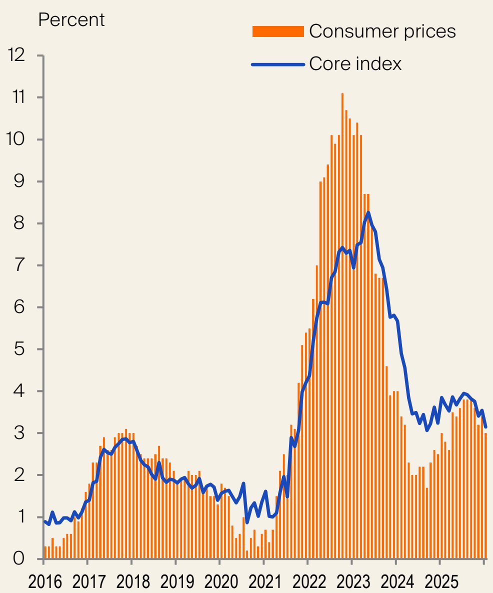
Figure 5.2:
Labor market



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices



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

Source: Office for National Statistics, *Economy*.

Table: 5.1
Key Indicators United Kingdom

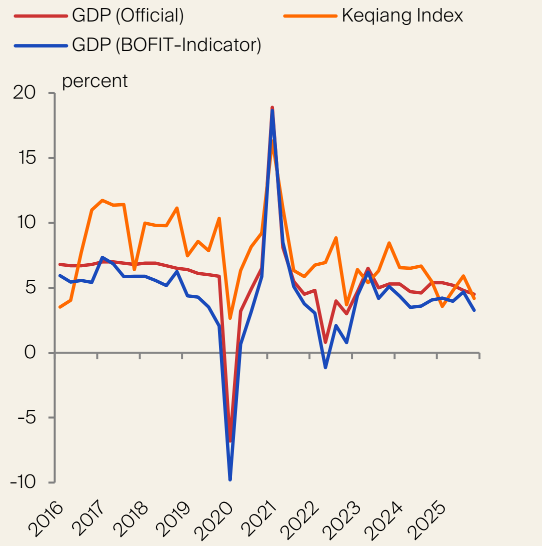
	2024	2025	2026	2027
Gross Domestic Product	1.1	1.3	0.7	1.4
Domestic demand	0.8	1.3	0.8	1.2
Private consumption	-0.2	1.0	0.9	1.0
Government consumption	3.4	2.0	1.5	1.0
Gross fixed investment	1.8	3.4	0.8	2.9
Inventories	0.8	0.1	-0.1	0.0
Net exports	-0.7	-0.3	-0.1	-0.2
Exports	0.6	3.0	0.9	1.9
Imports	2.6	3.9	1.2	2.3
Consumer prices	2.5	3.4	2.5	2.0
Unemployment rate	4.3	4.8	5.5	5.2
Current account balance	-2.2	-2.1	-2.4	-2.2
Fiscal balance	-6.0	-5.4	-4.5	-4.0

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.

6 China

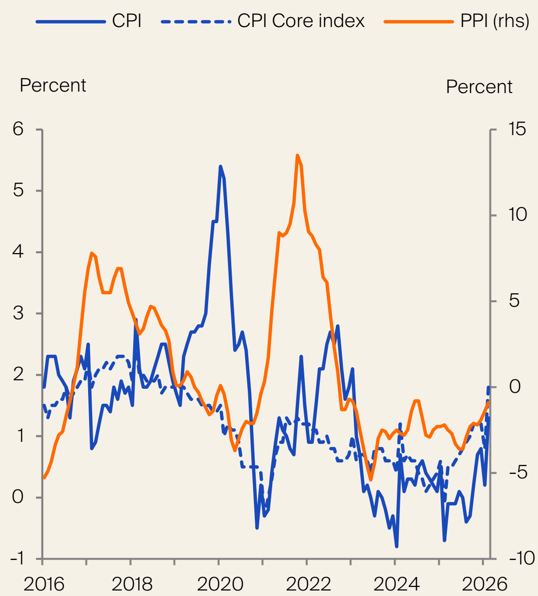
Figure 6.1:
GDP and alternative indicators



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.

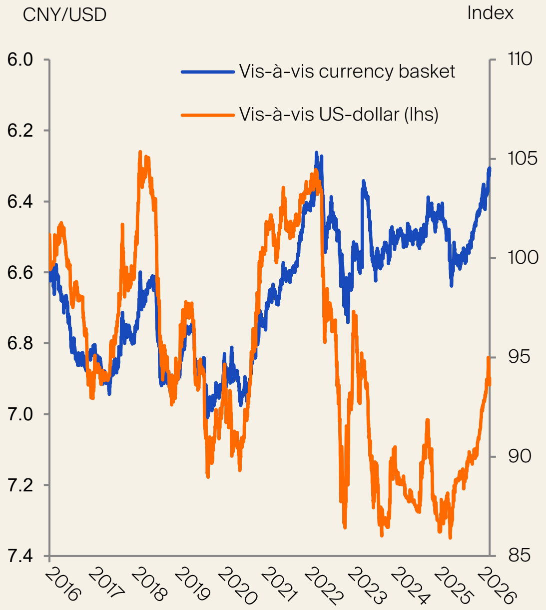
Figure 6.2:
Inflation



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

Source: National Bureau of Statistics.

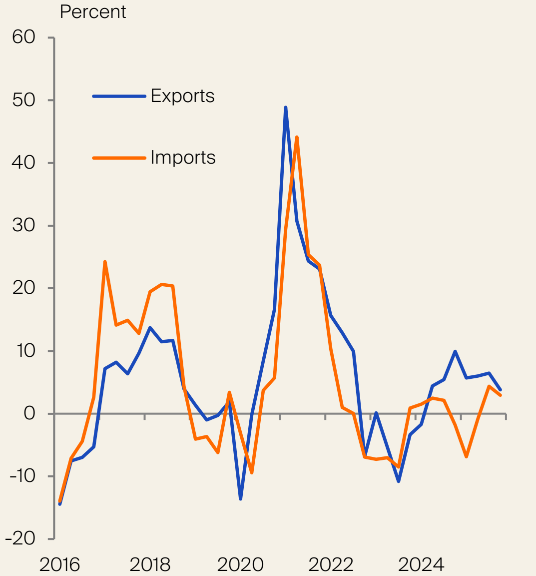
Figure 6.3:
Exchange rates



Daily data.

Source: Refinitiv Data; China Foreign Exchange Trade System; Index: 2015.01.01 = 100); Kiel Institute calculations.

Figure 6.4:
Foreign trade

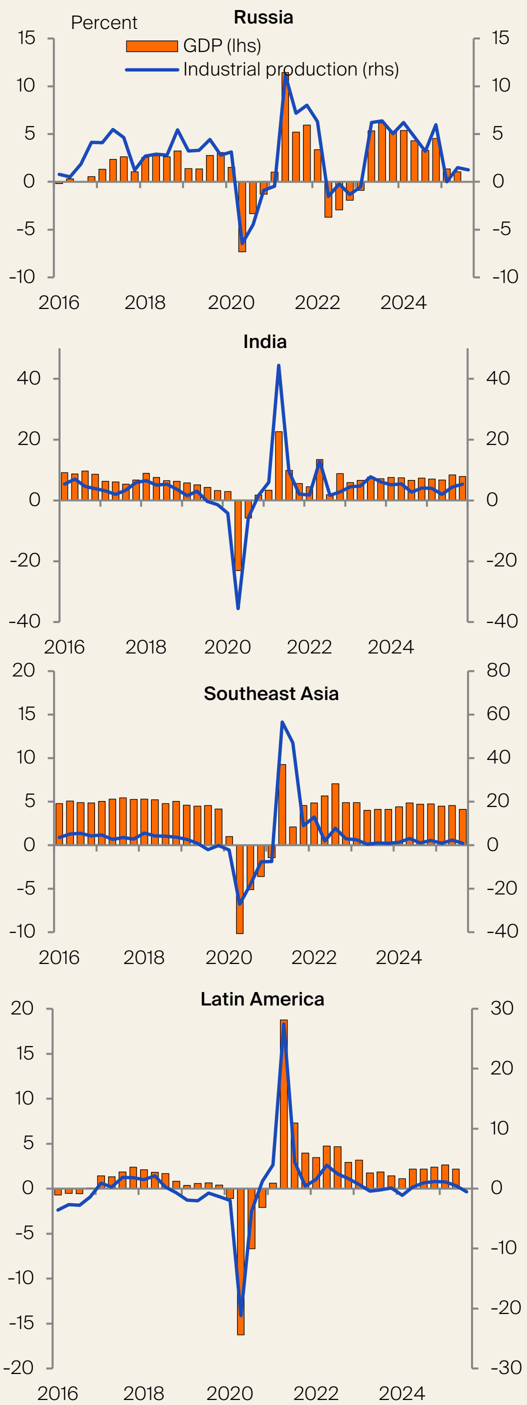


Change compared to the previous year based on quarterly averages.

Source: General Administration of Customs China.; Kiel Institut calculations.

7 Other Emerging Economies

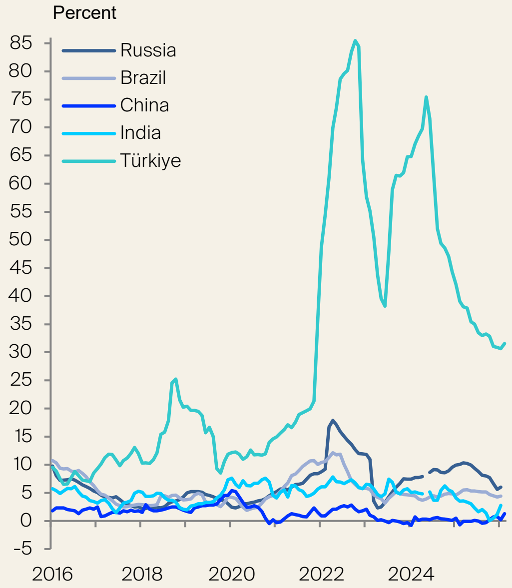
Figure 7.1:
GDP and Industrial production in Emerging Economies



Quarterly data; volumes; seasonally adjusted; change over previous year; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentinia, Brasil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices; Kiel Institute calculations.

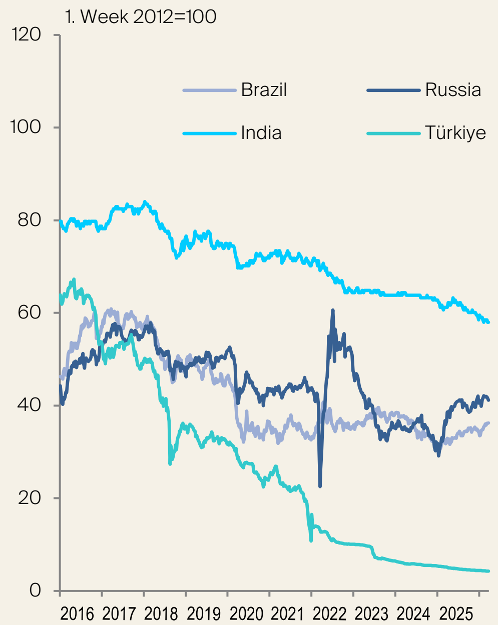
Figure 7.2:
Consumer prices



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-Dollar exchange rates



Weekly data.

Source: LSEG

8 Tables

Table 8.1:
Real gross domestic product, consumer prices and unemployment rates in the European Union

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Germany	24.0	-0.5	0.4	0.5	1.2	2.5	2.2	2.5	2.1	3.4	3.8	3.8	3.6
France	16.2	1.1	0.9	1.0	1.0	2.3	0.9	1.5	1.5	7.4	7.7	7.6	7.4
Italy	12.2	0.6	0.7	0.8	1.1	1.1	1.6	2.2	2.2	6.5	6.1	5.9	5.7
Spain	8.8	3.5	2.8	2.2	1.9	2.9	2.7	2.8	2.8	11.4	10.5	9.8	9.5
Netherlands	6.2	1.1	1.9	1.7	1.4	3.2	3.0	2.5	2.5	3.7	3.9	3.9	3.7
Belgium	3.4	1.1	0.9	0.9	1.2	4.3	3.0	2.3	2.3	5.7	6.2	6.2	5.9
Austria	2.7	-0.8	0.7	0.8	1.5	2.9	3.6	2.3	2.3	5.2	5.7	5.7	5.5
Ireland	3.1	2.5	12.4	-2.5	2.8	1.3	2.0	2.7	1.8	4.3	4.7	4.5	4.3
Finland	1.5	0.4	0.2	1.4	1.7	1.0	1.8	1.9	2.1	8.4	9.7	10.0	9.5
Portugal	1.6	2.2	1.9	2.3	1.9	2.7	2.2	2.4	2.0	6.5	6.0	5.6	5.5
Greece	1.3	2.1	2.2	2.1	2.0	3.0	2.9	3.0	2.0	10.1	8.9	8.0	7.3
Slovak Republic	0.7	1.9	0.8	1.1	2.0	3.2	4.2	3.9	3.0	5.3	5.4	5.6	5.4
Bulgaria	0.6	3.2	3.2	2.6	2.7	4.4	1.4	3.4	3.0	4.2	3.5	3.3	3.2
Luxembourg	0.5	0.3	0.6	1.5	1.5	2.3	2.5	2.0	1.9	6.3	6.5	6.7	6.0
Kroatien	0.5	3.8	3.2	2.8	2.6	4.0	4.4	3.4	2.6	5.1	4.8	4.2	4.0
Slovenia	0.4	1.7	0.9	2.0	2.3	2.0	2.5	2.2	2.0	3.7	3.9	3.7	3.5
Lithuania	0.4	3.0	2.9	2.8	2.3	0.9	3.4	3.1	2.3	7.1	6.9	6.3	6.0
Latvia	0.2	-0.3	2.1	2.4	2.5	1.3	3.8	2.9	2.5	6.9	6.9	6.7	6.3
Estonia	0.2	-0.1	0.5	1.3	2.2	3.7	4.8	3.5	2.7	7.6	7.4	6.5	5.5
Cyprus	0.2	3.9	3.8	3.0	2.5	2.3	0.8	2.7	1.7	4.9	4.4	4.1	4.0
Malta	0.1	6.2	4.0	4.2	3.0	2.4	2.4	3.2	1.7	3.2	3.0	2.9	2.8
Sweden	3.1	1.0	1.8	2.3	2.2	2.0	2.6	2.3	2.0	8.4	8.9	8.6	8.0
Poland	4.7	3.0	3.6	3.3	3.2	3.7	3.3	3.2	2.3	2.9	3.1	2.9	2.8
Denmark	2.2	3.5	2.9	2.7	1.9	1.3	1.8	2.5	2.1	6.2	6.4	6.4	6.0
Czech Republic	1.8	1.1	2.6	2.5	2.6	2.4	-1.8	1.4	2.2	2.8	2.9	2.9	2.6
Romania	2.0	0.9	0.7	-0.1	2.7	5.3	8.8	7.9	4.5	5.4	6.1	6.1	5.8
Hungary	1.1	0.6	0.3	1.6	2.5	3.7	4.4	3.1	2.9	4.4	4.4	4.3	4.1
European Union	100.0	1.0	1.6	1.2	1.6	2.6	2.4	2.6	2.2	6.0	6.0	5.8	5.6
Addendum:													
European Union 11	87.0	0.9	1.5	1.0	1.4	2.3	2.0	2.3	2.1	6.5	6.5	6.3	6.1
Accession countries	12.4	2.0	2.3	2.2	2.8	3.7	4.1	4.0	2.8	4.1	4.3	4.1	3.9
Euro Area	85.1	0.9	1.5	1.0	1.4	2.4	2.1	2.3	2.1	6.4	6.3	6.1	5.9
Euro Area without Germany	61.1	1.4	1.9	1.1	1.5	2.4	2.0	2.3	2.2	7.4	7.2	6.9	6.7

Based on GDP at prices and exchange rates of 2024 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 2024. Accession countries since 2004.

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

Table 8.2:
Real gross domestic product and consumer prices in selected emerging market economies

	Weights	Real GDP				Consumer prices			
		2024	2025	2026	2027	2024	2025	2026	2027
Indonesia	5.0	5.0	5.1	5.2	4.9	2.3	1.9	2.8	2.2
Thailand	1.9	2.9	2.4	2.5	3.0	0.4	-0.1	0.4	1.0
Malaysia	1.5	5.1	5.2	4.7	4.5	1.8	1.4	1.7	1.6
Philippines	1.5	5.7	4.4	3.9	4.6	2.9	1.8	2.8	2.5
Total	9.9	4.7	4.5	4.4	4.4	1.9	1.4	2.2	1.9
China	41.3	5.0	5.0	4.7	4.6	0.2	0.0	1.3	1.0
India	17.5	7.2	7.5	6.9	6.6	4.6	2.2	4.5	3.8
Asia total	68.7	5.5	5.6	5.2	5.1	1.6	0.8	2.2	1.8
Brazil	5.1	3.4	2.4	1.6	2.3	4.4	5.0	4.6	4.0
Mexico	3.6	1.4	0.5	1.5	1.8	4.7	3.8	4.1	3.5
Argentina	1.5	-1.3	4.2	2.5	3.0	220.0	41.9	33.0	25.0
Colombia	1.2	1.6	2.7	2.4	2.5	6.6	5.1	5.0	4.2
Chile	0.7	2.6	2.4	1.8	2.3	4.3	4.2	3.0	2.6
Peru	0.7	3.5	3.2	2.9	3.0	2.4	1.5	2.4	1.8
Latin America total	12.8	2.1	2.2	1.8	2.3	29.9	8.8	7.6	6.1
Egypt	2.4	2.4	3.8	4.3	4.8	33.3	20.0	15.0	12.0
Nigeria	2.3	3.4	3.0	2.8	3.0	33.3	27.0	35.0	20.0
South Africa	1.1	0.5	1.0	1.2	1.5	4.4	3.8	4.5	4.5
Algeria	0.9	3.5	3.5	3.0	3.2	4.0	3.7	3.6	3.5
Ethiopia	0.5	8.1	7.0	7.0	7.5	21.7	21.0	15.0	12.0
Africa total	7.1	3.0	3.3	3.4	3.7	24.5	17.8	18.4	12.4
Russia	7.5	4.3	1.0	1.0	0.5	8.4	9.2	7.5	7.5
Tyrkiye	3.8	3.3	3.6	3.2	4.0	58.5	34.9	33.5	28.0
Total	100.0	4.7	4.5	4.2	4.2	9.5	5.0	5.7	4.6

In percent. Weights: According to 2024 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.

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