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## GLOBAL TRADE

**In 2026, global trade could surprise on the upside** (while the WTO anticipates 0.5% growth in merchandise trade). It would be supported by AI, solid GDP growth and more moderate trade tensions than in 2025. However, this moderation is threatened by geopolitical risks, the fragility of the China/US truce and the possible invalidation of "reciprocal" tariffs by the Supreme Court (which could call into question the bilateral agreements signed with the United States). On the other hand, the strengthening and signing of other trade agreements remain on the table (EU-Mercosur), while the USMCA agreement will be reviewed in July 2026.

## ADVANCED ECONOMIES

### UNITED STATES

**In 2026, employment will be the deciding factor.** Growth in Q3 2025 – +1.1% q/q (+4.3% annualised), the highest since 2023 – demonstrates the economy's resilience to shocks and points to a solid pace in 2026 ([Eco-Perspectives](#)). Growth is being driven by consumption, foreign trade (higher exports, lower imports) and AI-related investment. **The challenge for 2026 will be whether or not activity and employment data can be reconciled.** The deterioration of the labour market in 2025 (rise in unemployment, decline in job creation on a half-yearly average) prompted the Fed to lower its key interest rate, while fears about inflation eased. Household confidence (Conference Board) ended the year down (89.1, -3.8 points) and the "employment" component is at its lowest since 2021. *Coming up: December employment report (Friday), ISM non-manufacturing (Wednesday), University of Michigan consumer sentiment (Friday).*

### EUROPEAN UNION

**Reforms to continue in 2026.** The Carbon Border Adjustment Mechanism (CBAM) has been in force since 1<sup>st</sup> January: it imposes a carbon price equivalent to that of the EU ETS (between EUR 70 and EUR 80 per tonne of CO<sub>2</sub>) on imports of 303 carbon-intensive products (steel, cement, aluminium, nitrogen fertilisers, hydrogen and electricity). The CBAM will replace the EU ETS free allowances by 2034. Transnational funding programmes (ReArm Europe, NextGeneration EU) will also ramp up. In the Eurozone, the manufacturing PMI recorded its sharpest contraction since March in December (48.8 vs. 49.6 in November) according to the final estimate. *Coming up: December inflation (Wednesday), November unemployment and producer prices, European Commission confidence surveys (Thursday).*

**- France: In 2026, growth is expected to return to its pre-dissolution level (1.1%).** The business climate has already rebounded, with the manufacturing PMI (50.7 in December, its highest level in three and a half years, compared with 47.8 in November) supported in particular by the easing of supply constraints in the aerospace industry and German demand. The services PMI has been at its highest level since August 2024 for the past two months. In December 2025, the INSEE business climate returned to a level not seen since June 2024. Harmonised inflation is expected to remain moderate (1.1% on average in 2026, 0.7% y/y in December). However, fiscal uncertainty is unlikely to be completely resolved: the budget deficit (5% of GDP in 2026 according to our forecasts) is expected to exceed the government's initial target for the second consecutive year. *Coming up: consumer confidence (Wednesday), foreign trade (Thursday), industrial production (Friday).*

**- Germany: 2026 between growth supported by public spending, reforms and a still-weak industry.** In December, the manufacturing PMI wiped out its gains from the previous nine months, falling to 47 (48.2 in November). Business expectations are positive, supported by the expected increase in public spending on defence and infrastructure, but export sectors (automotive, chemicals) remain heavily penalised by the decline in markets (United States, China). The public investment programme should support growth and employment. The entry into force on 1<sup>st</sup> January 2026 of the increase in the minimum wage should support private consumption. *Coming up: December unemployment (Wednesday), November industrial orders (Thursday), November trade balance and industrial production (Friday).*

**- Italy: Growth is expected to be supported in 2026 by a reduction in income tax** (from 35% to 33% for the middle class). Support to struggling businesses will be increased, financed in particular by new taxes on banks and insurance companies and on small parcels imported from outside the EU. Taxation on share transfers and other financial transactions and on the income of wealthy foreign residents will increase. The reduction in the public deficit is expected to continue (to 2.8% in 2026 after 3% in 2025). The manufacturing PMI deteriorated significantly in December (47.9, down 2.7 points month-on-month, the lowest since March 2025), confirming the difficulties facing Italian industry. *Coming up: December inflation (Wednesday), December economic sentiment and household confidence (Thursday).*

**- Spain: Growth will remain strong in 2026 (2.3%).** The decline in the manufacturing PMI in December (-1.9 points to 49.6, the lowest since April 2025) should be temporary. Expectations for new business continued to rise. Inflation slowed in December according to the flash estimate (+3.0% y/y; -0.2 pp m/m), due to favourable base effects for the "energy" and "transport" components. *Coming up: December economic sentiment and consumer confidence (Thursday).*

### JAPAN

**For the BoJ, the lights are green to continue monetary adjustment in 2026.** The Summary of Opinions from the 18-19 December meeting anticipates further key rate hikes in 2026 (we forecast two, see our latest [EcoPerspectives](#)). The BoJ is confident about economic activity and the continuation of "moderate" wage and price increases. These rate hikes would also be justified by the weakening of the yen.

### UNITED KINGDOM

**2026 will be a busy political year, with local elections** (7 May) set to renew the elected representatives of 136 local authorities (out of 317). Relations with the EU will also be on the agenda again, 10 years after the Brexit referendum. Property prices ended the year down 0.4% month-on-month according to Nationwide, but recorded a solid increase of 2.7% in 2025 (2.0% in 2024). PMI indices rebounded in December (+0.9 points) to 52.1, both in manufacturing (+0.4 points to 50.6) and services (+1.8 points to 52.1).

## EMERGING ECONOMIES

### AFRICA & MIDDLE EAST

**- Sub-Saharan Africa: In 2026, growth will be robust but uneven.** It will be driven by the economies of East Africa (Ethiopia, Kenya, Tanzania) and West Africa (Côte d'Ivoire, Ghana). In South Africa and Nigeria, continuous reforms will be crucial. In Senegal, against a backdrop of worrying deterioration in public finances, negotiations with the IMF will be clo-



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sely monitored. For small textile-exporting countries, which are highly vulnerable to US tariff increases, the priority will be to conclude a trade agreement with Washington.

**- Gulf countries: In 2026, downward pressure on oil prices will remain in focus.** In Saudi Arabia, the authorities are forecasting a budget deficit of 3.3% of GDP this year, compared with 5.2% in 2025, without calling into question the major economic transformation programme. The resurgence of regional unrest (Yemen, Iran) will need to be monitored.

### ASIA

**In most South Asian countries, monetary easing has ended or is about to end, and fiscal room for manoeuvre is becoming more limited. In India, the main focus in 2026 will be the trade agreement with the United States.** In other countries, apart from negotiations with the United States, the attention will be focused on upcoming general elections (particularly in Thailand), regional elections (in India), border conflicts (Thailand/Cambodia, India/Pakistan), strategies towards Chinese products, and developments in the electronics market.

**- PMIs ended 2025 on a fairly positive note:** in December, they were all above or equal to 50. However, the Indian index continues to decline. The outlook for export order books improved significantly compared to November for China, South Korea and Taiwan.

**- China: New Plan.** December's PMIs (above 50 in the manufacturing and non-manufacturing sectors) and President Xi Jinping's New Year's address sent a message of confidence about the economy's short-term outlook. Details of the 2026-2030 Five-Year Plan will be announced in March. Key factors to watch include 1) policies to support domestic consumption and 2) industrial strategy (innovation, subsidies, anti-involution campaign) and the outlook of the yuan, which will influence the degree of competitive pressure of Chinese goods on export markets. Rivalry with the United States and tensions in the Asia-Pacific region (South China Sea, Taiwan Strait) will remain key concerns.

**- Singapore and Vietnam: Solid growth.** In 2025, economic growth reached 4.8% in Singapore (4.4% in 2024) and 8% in Vietnam (7.1% in 2024), largely driven by exports. In 2026, renewed trade tensions with Washington remain possible. For Singapore, the main risk is the possible adoption of US tariffs on electronic products. Vietnam continues to discuss the details of the agreement announced last August, while its trade surplus with the United States reached new records (the third highest after China and Mexico).

### EMERGING EUROPE

**- PMI: Mixed signals.** In December, manufacturing PMIs rose slightly in the Czech Republic, Hungary and Romania. In the Czech Republic, the index crossed the 50 threshold for the first time since June 2025. In contrast, the index declined in Poland after increasing for five consecutive months. Overall, PMIs have improved in recent months, but industrial production has remained sluggish.

**- Elections in the short term.** Attention will first focus on Bulgaria's entry into the Eurozone on 1<sup>st</sup> January 2026, three years after Croatia. Amidst the ongoing political turmoil, Bulgaria still has no government or budget for 2026. New parliamentary elections are likely in the short term. In Hungary, parliamentary elections are scheduled for April 2026.

### LATIN AMERICA

**In 2026, the repercussions of US intervention in Caracas, the geopolitical context and US relations with countries in the region will weigh on the economic outlook.** After the presidential election in Chile in December, we will be monitoring the elections in Costa Rica (February), Colombia (March and May), Peru (April) and Brazil (October). Argentina will also be a major focus given the non-zero risks on external debt repayment.

**- PMI down in December 2025.** The PMIs for Brazil, Mexico and Colombia fell significantly (by more than 1 point) compared to November. In Brazil, Chile and Mexico, they all remain well below 50. In Mexico, opinion on export order books continued to contract for the third consecutive month.

**- Argentina: 2026 budget passed.** On 26 December, senators passed the 2026 budget, a week after the green light of the Parliament. This is the first budget passed by both houses since Javier Milei came to power in 2023. Fiscal balance remains the goal, albeit with optimistic assumptions about growth and disinflation. The adoption of the budget reassures foreign investors and Argentine's savers. Indeed, the Treasury will have to repay USD 4.3 billion in dollar-denominated bonds on 9 January, and the freezing of dollar accounts by Argentines who repatriated their assets under the tax amnesty will end in January.

**- Colombia: Inflationary pressures and risk of fiscal slippage.** The government has announced a 23% increase in the minimum wage for 2026, exceeding the 16% demanded by labour unions. The measure will have a significant inflationary effect, and the Central Bank may soon raise its key interest rate for the first time since May 2023.

### COMMODITIES

**- On the oil market, 2026 is starting with two major trends:**

**1/ increased geopolitical risk** (from an already high level) with the materialisation of a US foreign policy based on the control of key raw materials;

**2/ oversupply, at least in H1 2026.** The impact of these two factors on prices could cancel each other out, at least in the short term.

**- Over the last fortnight, geopolitical tensions have risen in key oil-producing regions:**

**1/ GCC:** temporary rise in tensions between Saudi Arabia and the UAE in Yemen;

**2/ Iran:** return of the cycle of protests/repression against a backdrop of economic collapse and pressure from the US and Israel;

**3/ Venezuela:** overthrow of President Maduro. No significant impact on the market in the short term, and therefore on prices (Brent has remained virtually stable for the past fortnight). Venezuela has become a marginal producer (0.9 mb/d before the tightening of the US embargo, i.e. less than 1% of global production). The US embargo on oil flows remains in effect.

