Marubeni Institute

株式会社丸紅経済研究所

World Economic Outlook

Testing Global Resilience Against Surging Energy Prices

June 2026

*Translated from the original Japanese version released on May 26, 2026

Table of Contents

Global Economy Set for Temporary Slowdown

Executive Summary

- **Global economic growth in 2025 reached +3.4%, outperforming initial forecasts*.** Although Trump's tariffs were expected to significantly slow the global economy, the absence of large-scale retaliation by trading partners, the subsequent lowered tariff rates, and some exemptions for essential trading items helped avoid a serious deterioration. Stronger-than-expected AI (artificial intelligence) investment momentum also supported growth.
- Global growth is projected to decline to +2.7% in 2026, recovering to +3.1% in 2027.
- The 2026 growth rate will depend heavily on the depth and duration of Middle East tensions. This report is based on the assumption that cargo volumes through the Strait of Hormuz will not return to pre-conflict levels until end-2026. During the blockade, commodity prices remain elevated due to supply concerns over crude oil, natural gas, and derivatives. Prices are expected to decline following a U.S.–Iran agreement to lift the blockade, though the pace will be gradual, only approaching pre-conflict levels by end-2027. Financial conditions will temporarily tighten due to rising prices and higher long-term interest rates driven by increased uncertainty and growing anxieties on government finance. Thereafter, as upward pressure on prices ease, inflation expectations will also be subdued, and together with a decline in uncertainty, financial conditions are expected to loosen.
- **AI investment will continue to serve as a growth driver in 2026, partially offsetting the impact of the situation in the Middle East, though downside risks persist from data center construction delays due to material shortages.** From 2027, investment growth is expected to moderate, entering a phase where prior investments will be tested on their ability to generate free cash flow. AI's employment impact hinges on social implementation and productivity gains. Concerns persist over the scale and pace of AI investment, alongside financial instability risks from AI-driven disruption of existing industries.
- In the U.S., downside risks include a slowdown in personal consumption and delays in data center construction; in China, an economic drag from structural reforms; in the Euro area, a loss of industrial competitiveness due to rising energy prices; and in ASEAN and India, a deterioration in public finances caused by price-control measures and currency depreciation. On the other hand, accelerated energy transition and supply diversification may benefit some industries and regions.

(*) The growth forecast for 2025 announced by the IMF in January 2025 was +3.3%, and the forecast published in April 2025 was +2.8%. At present, growth is expected to reach +3.4%, which is higher than these earlier projections.

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World Economic Outlook

Growth forecasts revised downward across major countries and regions

Real GDP Growth Forecast (YoY, %)

	World Share 2025 (%)	2025 Actual	2026 Forecast	2027 Forecast	Changes from last time (26/2) (%pts) 2025	2026	2027
World	**100**	**3.4**	**2.7**	**3.1**	--	▲0.6	▲0.1
Developed countries	**39.4**	**1.9**	**1.5**	**1.7**	+0.1	▲0.3	--
U.S.	14.6	2.1	2.0	2.0	▲0.1	▲0.4	--
Euro area	11.4	1.4	0.7	1.2	▲0.1	▲0.7	▲0.3
U.K.	2.2	1.4	0.4	0.8	+0.1	▲0.4	▲0.3
Japan	3.3	1.1	0.5	0.7	--	▲0.1	--
(Fiscal Year)	-	0.8	0.5	0.8	--	▲0.2	+0.2
Emerging countries	**60.6**	**4.4**	**3.5**	**4.0**	--	▲0.6	▲0.1
China	19.6	5.0	4.0	3.8	--	▲0.2	▲0.2
India	8.2	7.6	6.2	6.4	+0.2	▲0.7	▲0.1
ASEAN-5	5.2	4.5	3.7	4.0	▲0.1	▲0.5	▲0.3
Central and Eastern Europe	7.6	2.0	1.6	2.0	--	▲0.7	▲0.4
Latin America	7.1	2.4	1.8	2.5	--	▲0.4	▲0.2
Middle East and Central Asia	7.5	3.6	1.6	4.5	▲0.1	▲2.3	+0.5
Sub-Saharan Africa	3.6	4.5	4.1	4.3	+0.1	▲0.5	▲0.3

* The composition of each region and group is based on the IMF. World shares are based on purchasing power parity (PPP). Actual figures for 2025 are based on IMF data or official national releases (with some estimates included). ASEAN-5 refers to Indonesia, Malaysia, Philippines, Singapore, and Thailand. (Source) Marubeni Institute

Key Assumptions and Highlights

- This report is based on the assumption that the U.S. and Iran will agree on lifting the Strait of Hormuz blockade by end of June. However, normalization requires approximately 2 months for safety verification by shipping companies, followed by an additional 2–3 months for traffic volume recovery (clearing backlogs and stabilizing logistics costs).
- No additional damage to Middle Eastern production facilities or Houthi disruption in the Red Sea is assumed. Non-OPEC crude oil production increases, including by the U.S., are expected to be limited.
- In the U.S. and China, rising prices—particularly energy—will pressure consumer spending, though AI-related investment in the U.S. and the export sector in China will underpin growth.
- In Japan and Europe, rising prices will suppress real incomes and weigh on domestic demand. Central banks are expected to raise rates in the near term, dampening corporate investment.
- In ASEAN, rising energy prices and supply constraints will significantly suppress production. Sharp price increases may lead to demand suppression policies or demand destruction in some countries and sectors.
- In India, surging energy and agricultural input costs (including fertilizers), combined with currency depreciation, will push up inflation, slowing the pace of consumption and production growth that was robust the previous year.

*If the Strait of Hormuz blockade is not lifted by end-2026, with additional facility damage and rerouting disruptions, financial conditions will remain tight for longer, and the global economic growth is projected to be 2.0% in 2026 and 2.3% in 2027.

Middle East Situation: Stakeholder Perspectives

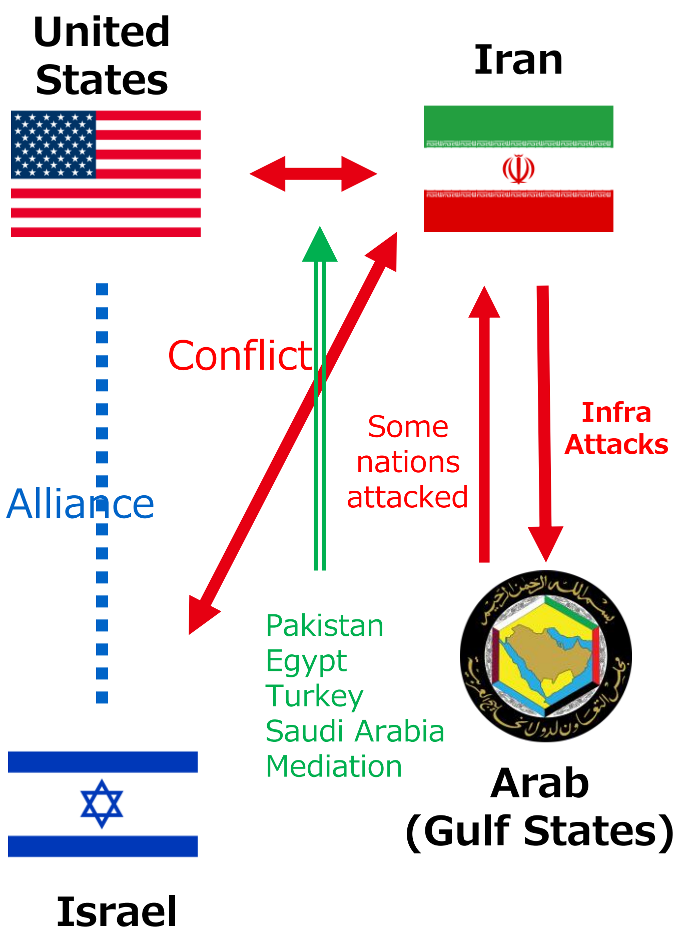
Neither the U.S. nor Iran seek prolonged conflict; Threats of escalation and probing for a compromise are happening in parallel

President Trump Seeking to Break the Status Quo

- Initially the U.S. may have assumed a short-term military operation to install a U.S.-backed leader, following the "Venezuela model."
- Agreed to a temporary ceasefire following Iran's strong retaliation and economic disruption from the Strait of Hormuz blockade, but subsequent negotiations have stalled. The U.S. aims to break the stalemate by tightening pressure, implementing a counter-blockade on vessels arriving in and departing from Iran, and hinting at renewed attacks.
- Domestically, dissatisfaction with rising inflation and intervention abroad is growing, and support for President Trump is declining. Net approval (approval minus disapproval) stands at -20%, 10 points lower than during Trump's first term or Biden's presidency at the same stage.
- While it may fall short of a settlement that fully contains Iran, if negotiations can secure certain concessions on normalizing transit through the Strait of Hormuz and restricting nuclear development, there is a possibility that the U.S. will declare the end of the operation while continuing to discuss the detailed conditions.

Pursuit to Thoroughly Weaken Iran

- Israeli public opinion is generally supportive of the attack on Iran. The Netanyahu government, facing elections by October, may have sought to rally domestic support through a hardline approach.
- Israel may oppose any U.S.–Iran agreement short of regime change or permanent abandonment of Iran's nuclear program. While the Lebanon ceasefire holds, continued strikes against Iran's proxy Hezbollah could complicate U.S.–Iran negotiations.



Fighting Desperately to Preserve the Regime Through Global Economic Disruption

- Since the Hamas attack in October 2023 and the U.S. airstrikes in June 2025, the political influence of the revolutionary regime has weakened. Amid domestic unrest including mass protests in late 2025 and facing existential threats from large-scale attacks and the assassination of the Supreme Leader, Iran has chosen total resistance.
- Facing an absolute disadvantage in firepower, Iran has pursued asymmetric warfare through attacks on Gulf states' infrastructure and shipping. The selective blockade of the Strait of Hormuz has proven an effective deterrent, strengthening Iran's negotiating position vis-a-vis the U.S.
- On the other hand, the Iranian economy is deteriorating. With food prices rising at an annual rate of 115%, the impact of a prolonged war cannot be ignored. Further escalation risks irreversible economic damage, including destruction of energy production facilities, potentially destabilizing the regime. An early negotiated settlement serves Iran's interests as well.

Mediation Efforts and Post-Conflict Order Positioning

- Iranian attacks have severely undermined the security narrative that underpinned economic development, exposing the limits of reliance on the U.S.
- Countries such as Pakistan, with ties to both Iranian and U.S. leadership, are mediating—also seeking enhanced international standing and economic support.
- The UAE has withdrawn from OPEC, pursuing diplomacy oriented toward post-conflict shifts in regional order.

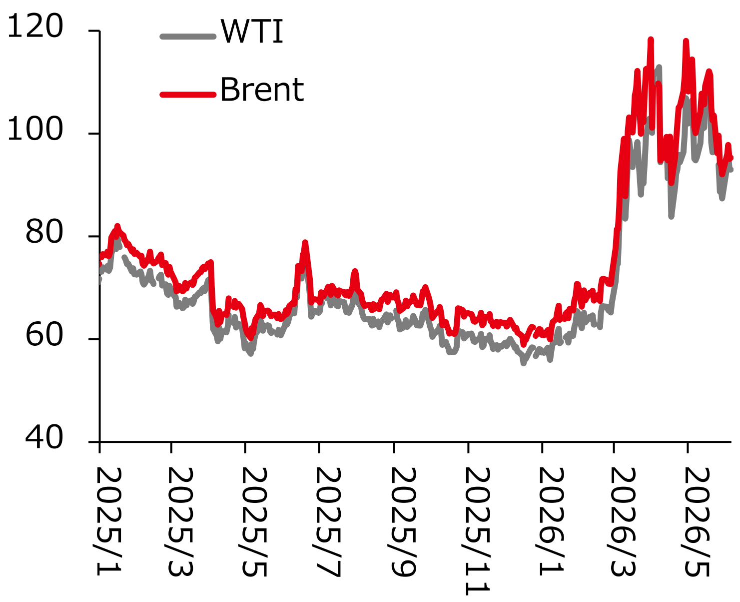
(Source) Marubeni Institute

Middle East Situation: Crude Oil Entering Stock-draw Phase

Supply shortages and demand suppression becoming evident

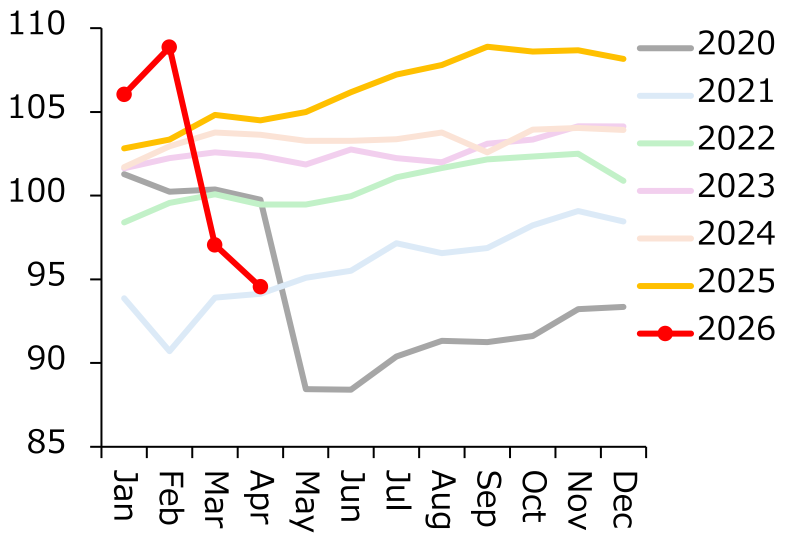
- Brent surged from around $70 pre-attack to nearly $120. It adjusted to $90 following ceasefire developments, but volatility has increased again amid ongoing uncertainty.
- The key concern is logistics disruption at the Strait of Hormuz. Pre-attack crude shipments completed arrivals by late April, and supply constraints are now materializing. Global crude oil production in April fell to approximately 95 million barrels/day, a decline of roughly 13 million barrels/day from pre-conflict levels. Rerouting by Saudi Arabia and the UAE has reached capacity, and Iran is expected to reduce output. Alternative supply from the U.S. and others remains limited for now.
- The crude oil market has entered a phase reliant on stock drawdowns and demand suppression, with supply shortages becoming acute in countries with limited reserves. Even if Strait of Hormuz shipping resumes, a return to pre-war supply-demand balance will take considerable time.

Crude Oil Prices (Front-Month)



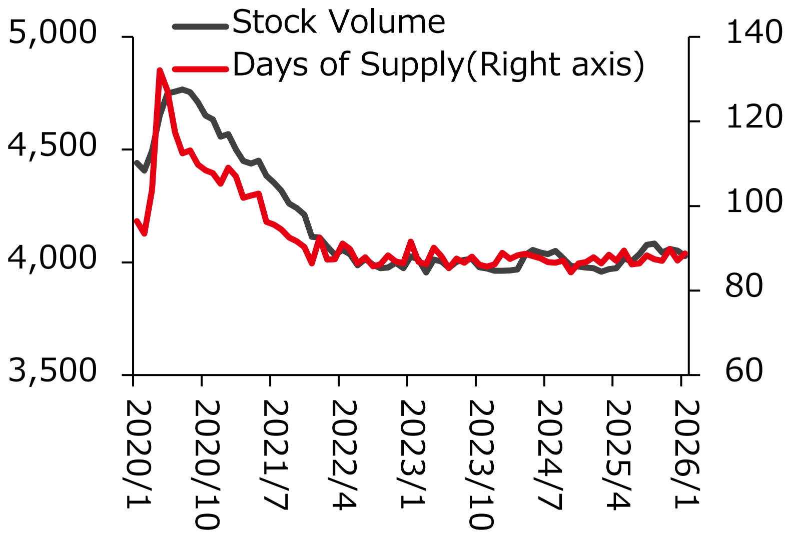
(Source) LSEG

Global Crude Oil Production



(Note) Includes crude oil (incl. condensate) and other liquid fuels.
(Source) U.S. Energy Information Administration (EIA)

OECD Crude Oil Inventories

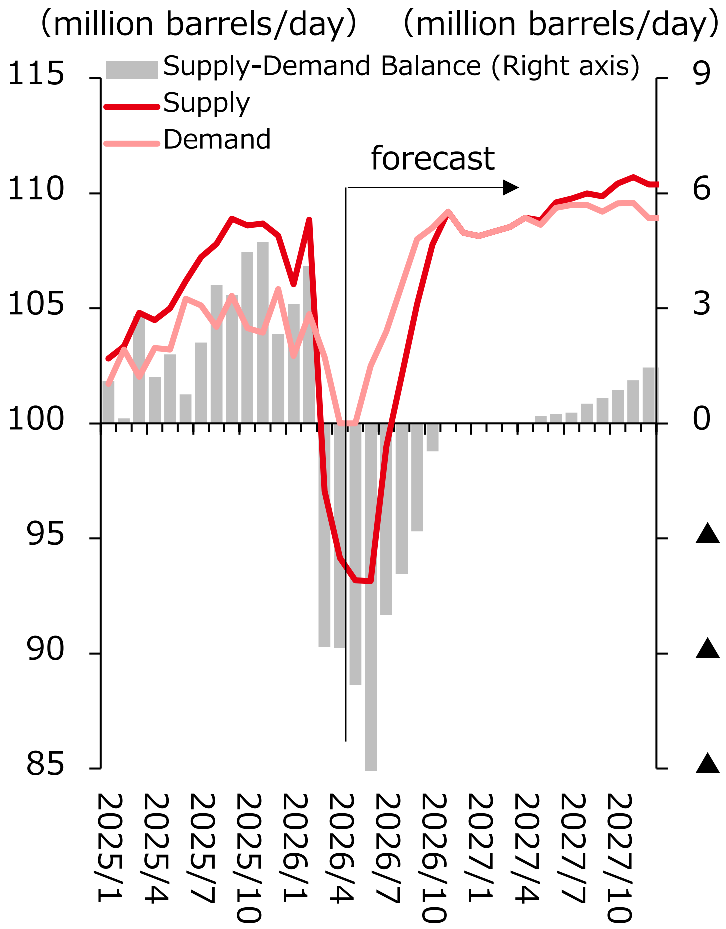


(Note) Includes crude oil (incl. condensate) and other liquid fuels. Includes commercial and strategic reserves.
(Source) U.S. EIA

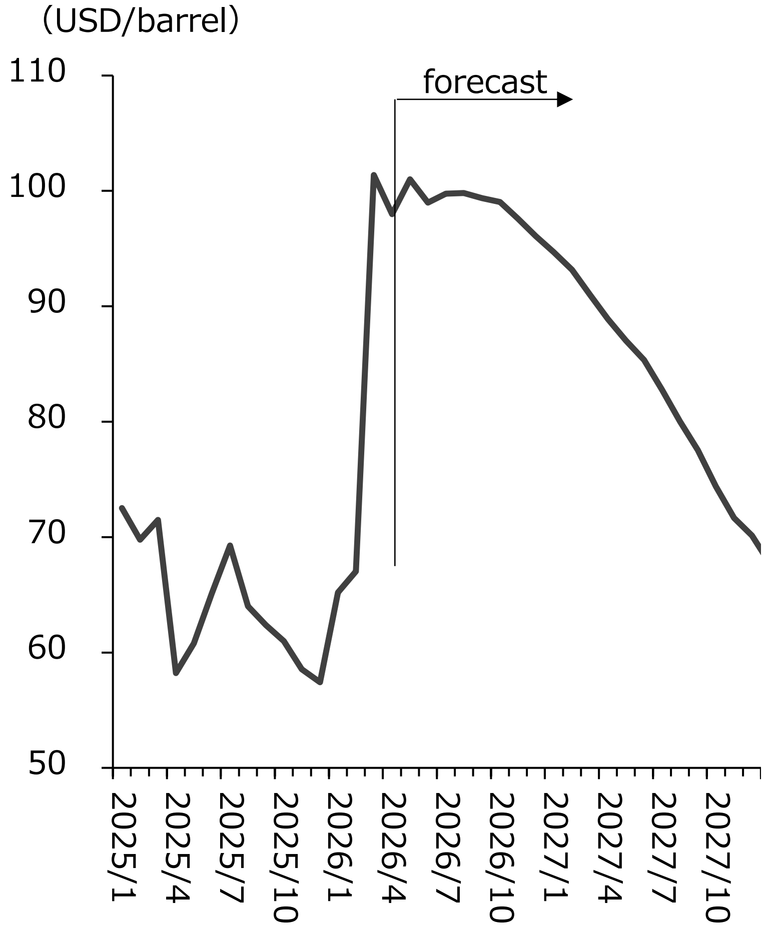
Middle East Situation: Crude Oil Prices (WTI Basis)

Near $100 through year-end, declining to $70 by end-2027 as production recovers

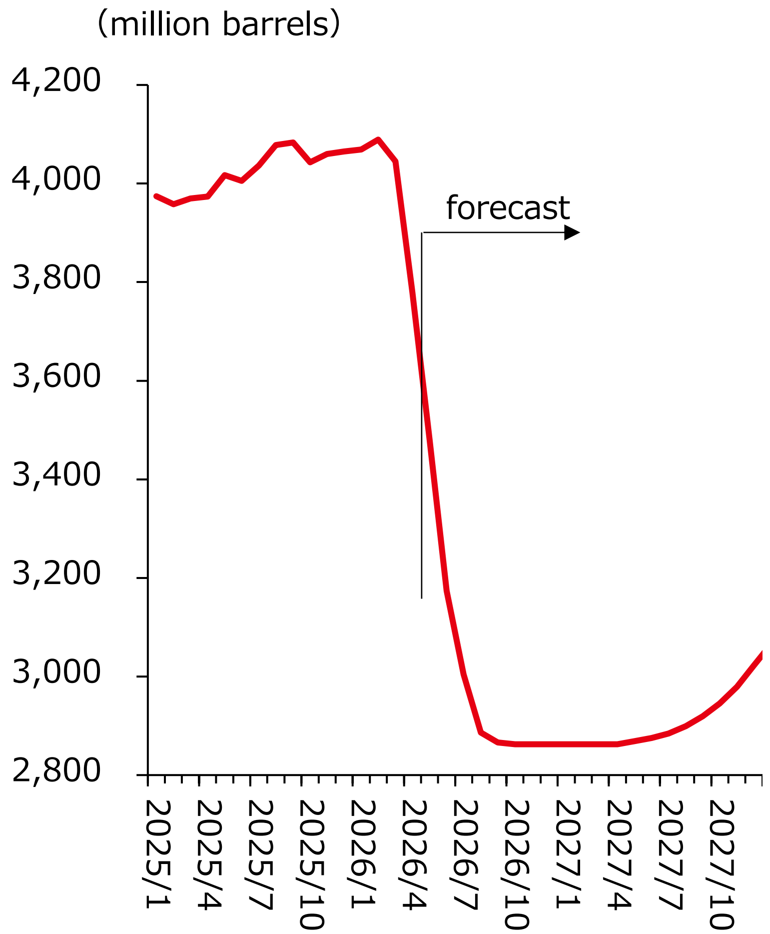
Crude Oil Supply-Demand Outlook



Crude Oil Price Outlook



Crude Oil Inventory Outlook



(Note) The crude oil price outlook was prepared based on conditional forecasts derived from estimating a structural VAR model with four variables: crude oil supply, consumption, inventory levels, and prices, under certain assumptions regarding the future paths of supply, consumption, and inventories. For the identification of structural shocks, the above order was assumed as the contemporaneous causal ordering, and a Cholesky decomposition was employed.

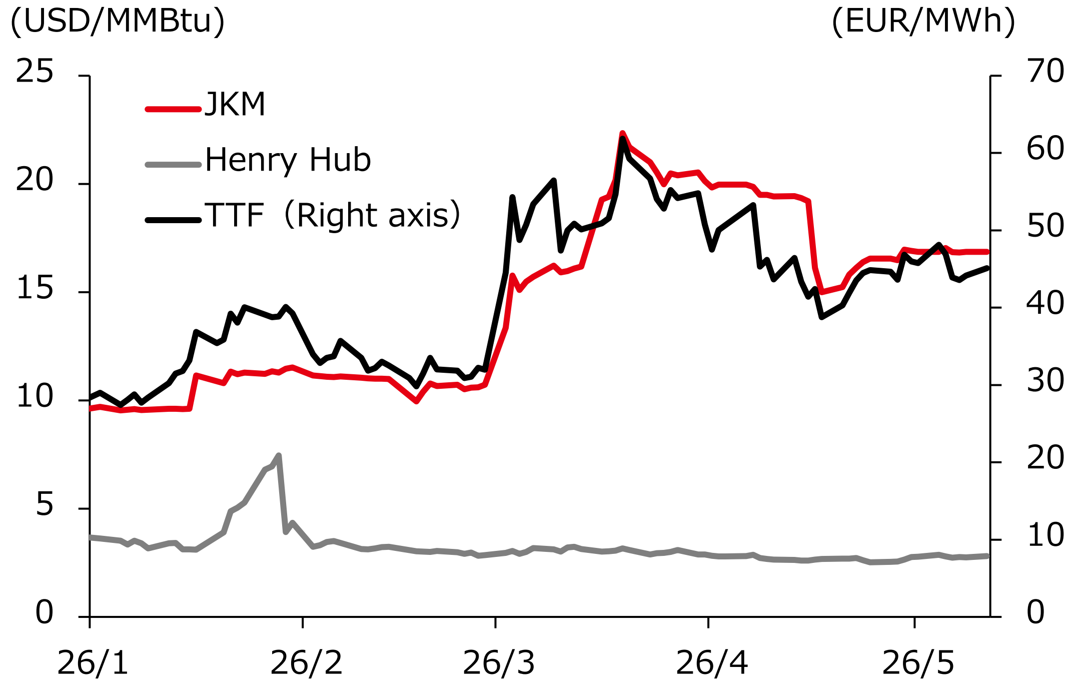
(Source) Compiled by Marubeni Institute based on U.S. Energy Information Administration (EIA), LSEG

Middle East Situation: LNG

While supply-demand conditions will remain tight within the year, U.S.-led efforts will bring a recovery in supply by 2027

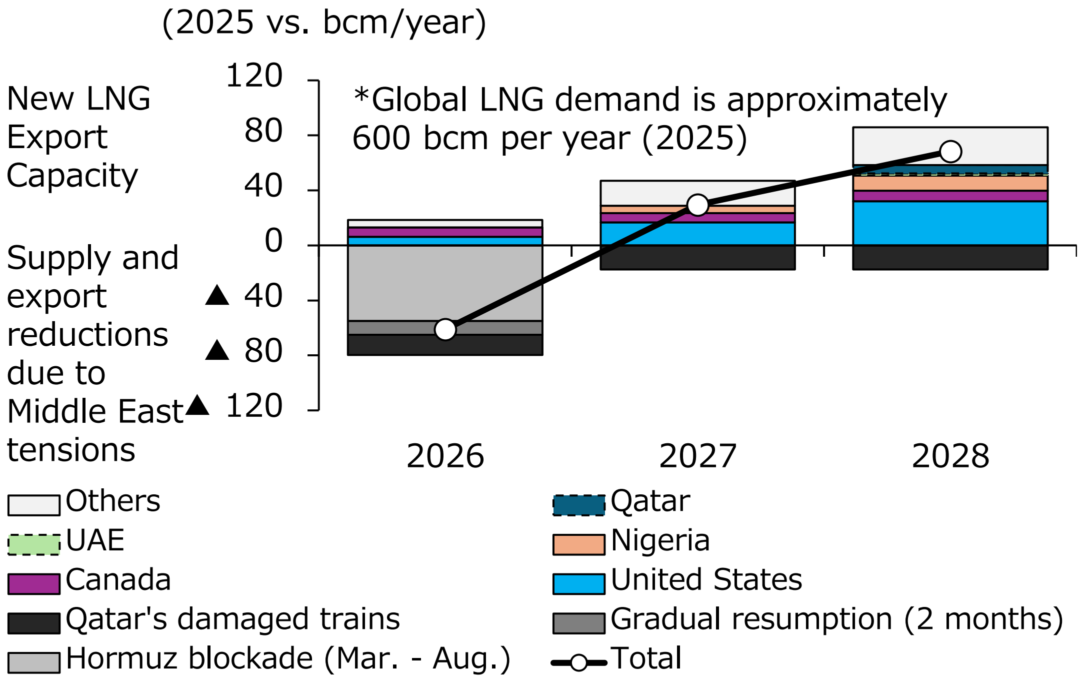
- LNG passing through the Strait of Hormuz accounts for approximately 20% of global supply, at 110bcm/year, with no alternative transportation. As LNG cargoes that had passed through the strait before the attack began to arrive sequentially, the impact gradually became evident, with transport volumes declining by 2% year-on-year in March and by 10% in April. Even after the Strait reopens, restarting liquefaction facilities requires several weeks, and damage to Qatar's LNG export facilities could take up to 5 years to restore.
- Export expansion led by North America is expected, but pipeline and liquefaction constraints will limit growth in 2026. As a result, 2026 will see tight supply-demand conditions, with adjustments of demand continuing through measures such as switching fuel to coal-fired power. From 2027 onward, supply capacity will expand, led by the U.S. Even amid damage to Qatar's export facilities and delayed production expansion, supply levels are expected to recover to 2025 levels.

Gas Prices



(Source) LSEG

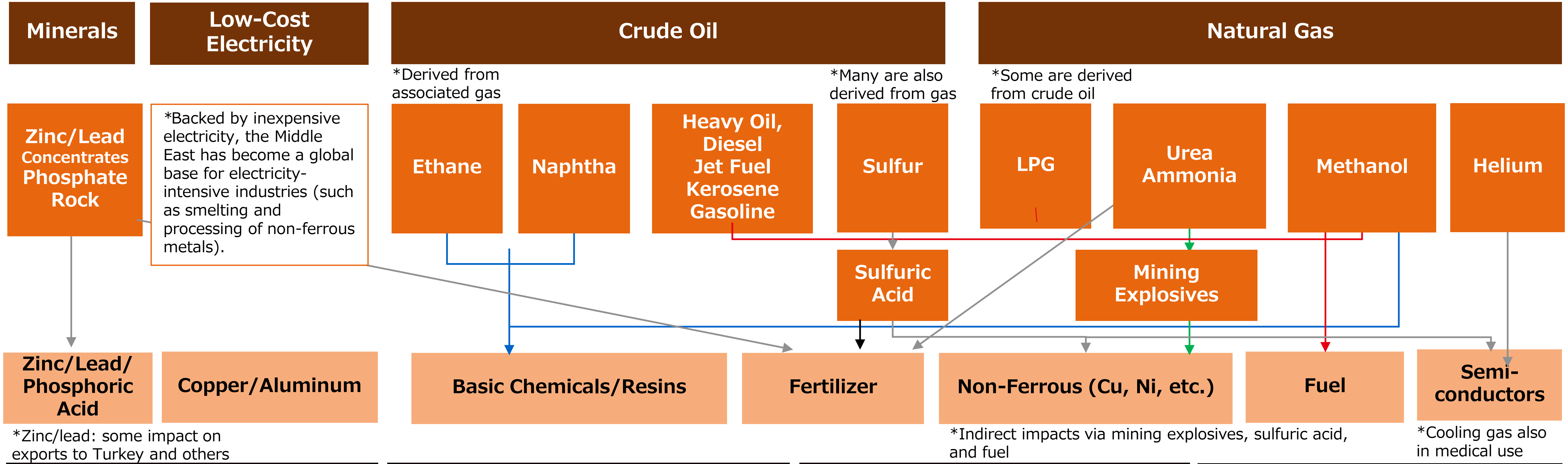
LNG Supply Capacity Change Factors



(Note) New LNG export capacity is shown as a cumulative total from 2026.
(Source) Compiled by Marubeni Institute from various sources

Middle East Situation: Supply Chain Impact

Impacts may extend to chemicals, fuels, fertilizers, and non-ferrous metals



Automotive

Many basic materials such as aluminum alloys, resins, and synthetic rubber depend on Middle Eastern feedstocks. Naphtha shortages and rising non-ferrous metal prices, combined with increased logistics costs and war insurance premiums, are constraining parts supply. Material shortages and extended lead times are affecting production processes, impacting finished vehicle volumes and export capacity.

Construction

Chemical, fuel, and non-ferrous metal price fluctuations directly impact construction costs. Supply constraints and price surges in PVC pipes, insulation materials, paints, waterproofing materials, adhesives, and resin building materials are key concerns.
Copper, aluminum, and construction timber are also vulnerable to rising ocean freight, insurance premiums, and extended delivery times.
Higher material costs and procurement delays are expanding risks of increased construction expenses and project timeline extensions.

Food and Agriculture

Rising fertilizer, fuel, and packaging costs are driving food price increases. India and Africa are particularly dependent on Middle Eastern fertilizers. Immediate impacts are felt in harvesting, transportation, and processing (cold-chain logistics, fisheries) due to fuel price surges. Packaging cost increases are also a factor. Fertilizer impacts may materialize later depending on planting cycles.

Fuel

In Europe, supply concerns persist given dependence on Middle Eastern jet fuel. In the U.S., consumer anxiety about rising gasoline prices continues. In Southeast Asia, high fuel prices are accelerating EV and energy-saving policies.
For marine fuel, bunker prices, insurance premiums, and rerouting costs are squeezing freight margins. Beyond production constraints, concerns about prohibitive shipping costs and inability to transport goods are equally significant.

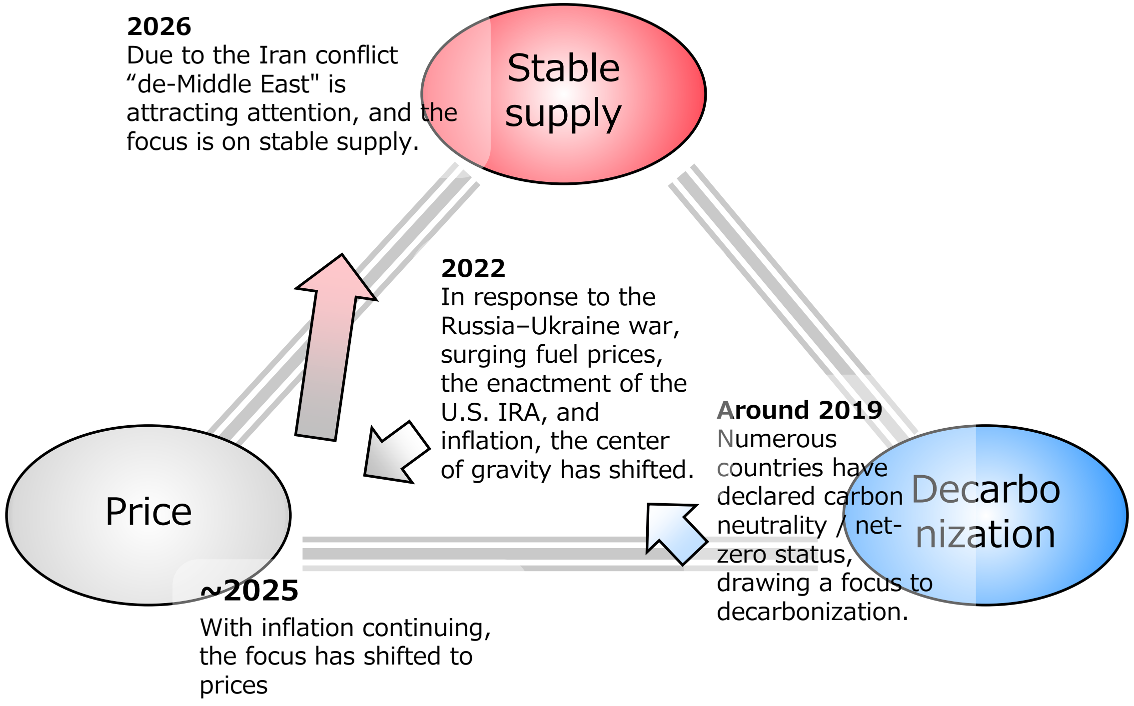
(Source) Marubeni Institute

Middle East Situation: Changes in Resource and Energy Environment

Is the trend toward moving away from the Middle East and prioritizing a stable supply of resources and energy merely a passing fad or a new trend?

- **Current situation** : The vulnerability of supply chains, particularly in resources and energy, has been exposed once again. The need to ensure redundancy not only during crises but also during normal times is being recognized. In the energy sector in particular, the focus has shifted to stable supply among the " trilemma" —stable supply , economic efficiency (price), and sustainability (decarbonization). The need to “de-Middle East" is coming into focus.
- **Outlook** : In some countries, resources and energy sources that contribute to "de-Middle East" migration, such as coal, will be increasingly used for power generation, even if they have a high carbon content. On the other hand, decarbonization technologies such as recycled materials and alternative fuels are also attracting attention as means of ensuring stable supply in the medium to long term, even if they are relatively less price-competitive. However, it will be crucial to closely monitor whether the willingness among stakeholders to accept a certain level of cost burden for stable supply will persist even after the current crisis has passed .

Recent shifts in the energy trilemma



(Source) Created by Marubeni Institute

Examples of alternative fuels and recycling

Example	Overview	Market, Cost
Synthetic fuel	Hydrocarbons are produced by synthesizing carbon dioxide and hydrogen. When produced using recovered CO2 and hydrogen generated by water electrolysis using renewable energy, it is called e-fuel .	In the EU, vehicles with synthetic fuel-compatible engines will be allowed to be sold beyond 2035. The production of naphtha will also be permitted. The Japanese government is "promoting necessary efforts to achieve commercialization by the early 2030s." The market size is expected to expand from \$5.7 billion to \$21.7 billion by 2032. Current manufacturing costs are approximately 700 yen /liter (compared to 170 yen /liter for standard gasoline). The cost of procuring CO2 and hydrogen remains a challenge.
Renewable Naphtha	Hydrocarbons are produced from vegetable oils, waste oils, and waste plastics through HEFA (hydrogenated esters and fatty acids).	EU environmental regulations are expected to drive increased use of blended oil by oil refining companies. Current production costs are 1.5 to 2 times higher than conventional naphtha. The market size is projected to expand from \$720 billion to \$2 trillion by 2036 .
Recycled plastic	Used plastics are collected, crushed, sorted, and pelletized to produce recycled plastic resin.	The EU has mandated the use of recycled plastics in some plastic products. The market size is expected to expand from \$60 billion to \$126 billion by 2034. Even in the United States, which lags behind in recycling, recycling of packaging materials and automobiles is progressing.

(Source) Compiled by Marubeni Institute from various sources

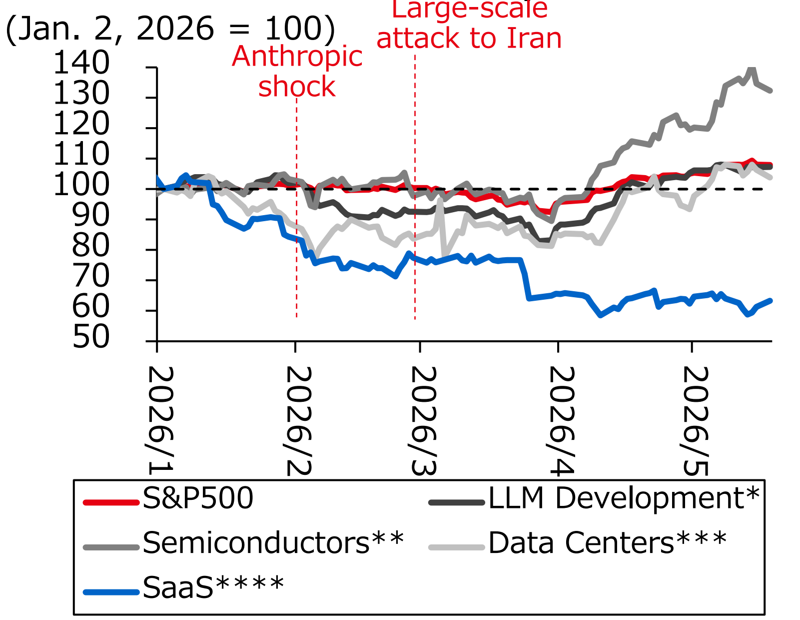
AI Impact: Trends in AI- Related Investments

Behind the booming investment, a series of layoffs are occurring. The surge in capital investment is putting pressure on the cash flow of US hyperscalers

Stock price

- AI- related stocks, with the exception of SaaS stocks, have recovered to pre-tension levels in the Middle East. Semiconductor stocks, which are highly capital-efficient, are performing strongly.
- SaaS has remained weak, reflecting the announcement of a high-performance AI agent by Anthropic.

Theme-based stock price trends



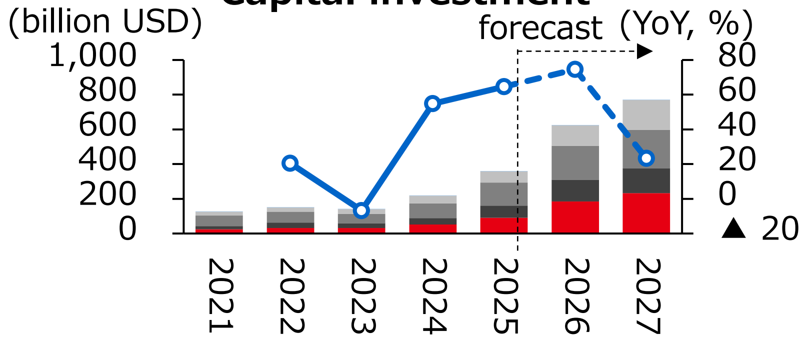
*Large Language Model : Palantir, Microsoft, Amazon, Meta, Alphabet
** NVIDIA, AMD, Broadcom, Micron, Applied Materials, Intel, Lam Research
*** Equinix, Digital Realty Trust, Akamai, Oracle, Amazon
**** Software as a Service : Salesforce, ServiceNow, Adobe, Workday, Intuit

(Note) Data is valid until May 18, 2026
(Source) LSEG

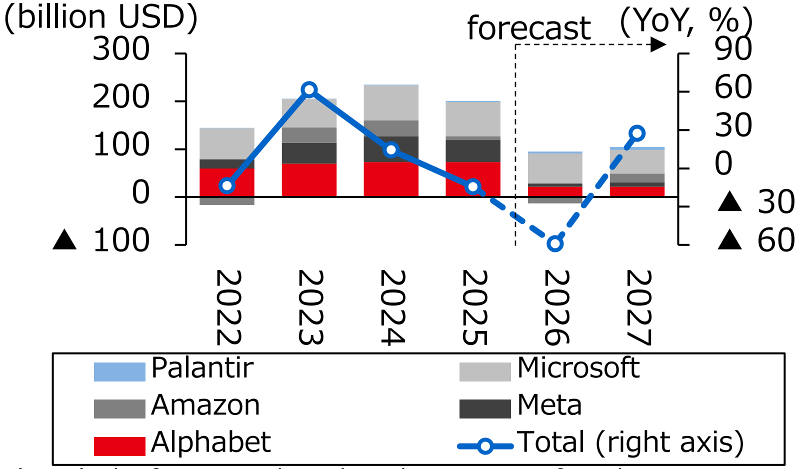
Capital investment / Free cash flow

- AI- related investments (LLM and data centers) is contributing to a deterioration in companies' cash flow.
- There are concerns that investor sentiment could rapidly deteriorate if expected returns sufficient to justify current valuations of AI-related stocks fail to materialize.

Capital investment



Free Cash Flow



(Note) The forecast is based on the average of market expectations as of May 18, 2026
(Source) LSEG

AI company cuts jobs

- The reason given for the layoffs is increased productivity due to the spread of AI , but some point out that the real intention is to accelerate profitability improvements.
- If profitability does not improve, the risk of increased unemployment due to economic downturn will also increase.

Company	Timing	Plan Overview
Amazon	2025/10	Citing productivity gains from AI adoption and organizational restructuring, the company laid off 14,000 managers.
	2026/1	Approximately 16,000 employees were laid off (combined with the announcement in October 2025 , this represents a cumulative total of 2% of all employees).
Block	2026/2	Citing functional replacement by AI, the company laid off more than 4,000 employees representing nearly half of the workforce.
Oracle	2026/3	Thousands of employees were immediately laid off due to organizational restructuring and a mismatch with business needs.
Meta	2026/4	To offset AI- related investment costs, the company laid off approximately 8,000 employees, representing 10 % of its workforce.
Microsoft	2026/4	The company offered voluntary retirement to approximately 7% of employees in the United States.
Snap	2026/4	Citing productivity gains from AI adoption, the company laid off approximately 1,000 employees, equivalent to 16% of its workforce.

(Source) Compiled by Marubeni Institute based on various news reports, etc.

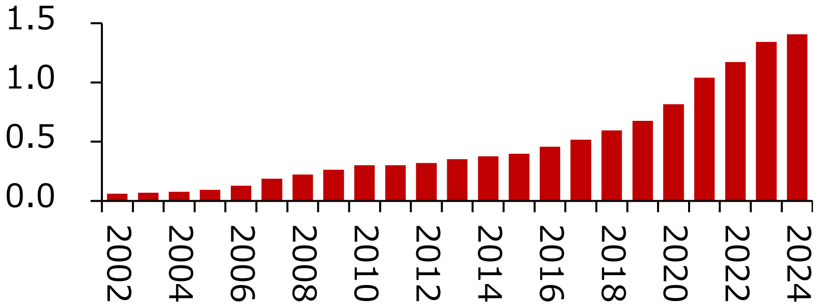
AI Impact: Private Credit Supporting AI-related Investment

Amid concerns about deteriorating credit conditions, attention should be paid to the potential ripple effects on the financial system and a slowdown in AI- related investments

Private Credit

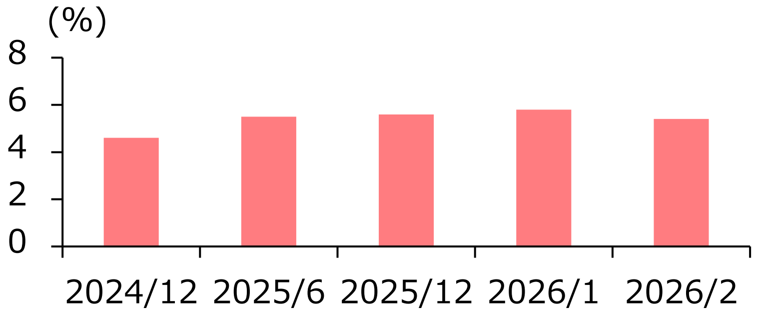
- Private credit assets under management total about $2 trillion worldwide, with 70 % of that concentrated in the United States.
- Since 2025, concerns over credit conditions – stemming from borrower defaults – have emerged, triggering a sharp increase in redemption requests.

U.S. private credit assets under management



(Note) 2024 is up to the second quarter.
(Source) FRB

U.S. private credit default rate

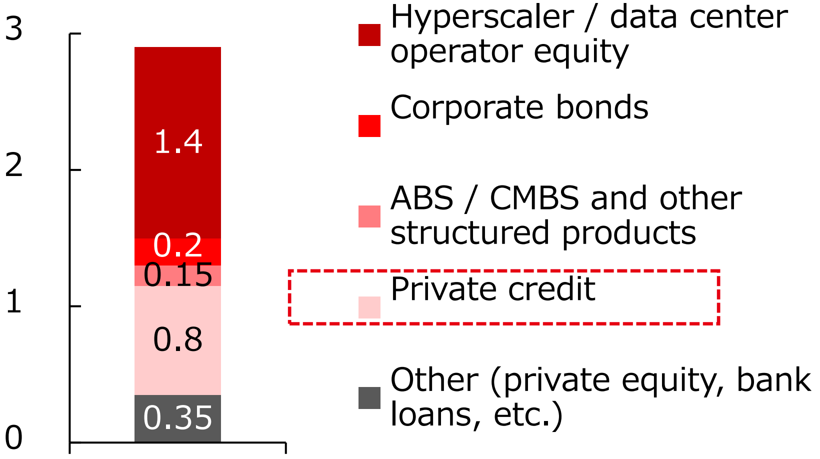


(Note) Default also includes debt restructuring and changes in terms.
(Source) Created by Marubeni Institute based on Fich Ratings

AI-related investments, data center construction investments, and the financial environment

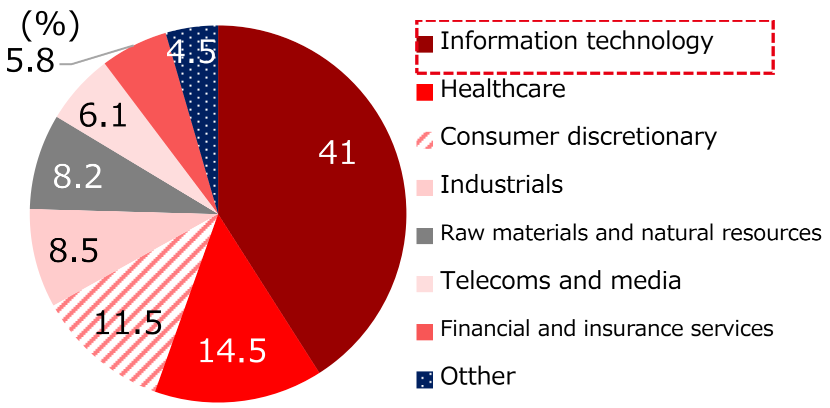
- Amid strong AI-related demand, private credit is filling funding gaps that cannot be fully met by equity or bank financing.
- Exposure to data centers accounts for only a few percent of the private credit market overall.
- However, heightened tensions in the Middle East could constrain supplies of power and construction materials, potentially delaying projects, while rising interest rates and declining revenues also pose risks of debt deterioration
- A tightening of lending standards amid an economic slowdown could slow the pace of AI-related investment.

Data center construction costs and financing structure



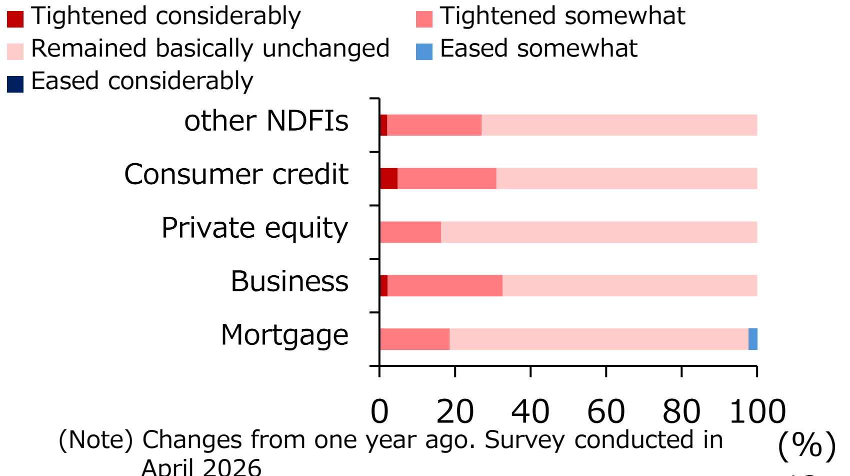
(Note) Construction costs for 2025-2028
(Source) Compiled by Marubeni Institute based on Morgan Stanley and various news reports

Private credit sector allocation



(Note) Percentage of deal volume accounted for in 2021-2023
(Source) IMF

Changes in banks' lending attitudes towards non-bank financial institutions



(Note) Changes from one year ago. Survey conducted in April 2026
(Source) FRB

U.S.-China relations

The U.S. President's visit to China (May 13-15), the first in nine years, confirmed the continuation of the temporary "truce"

Current situation

- Following the escalation of tensions after the start of the second Trump administration, a "truce" was agreed upon at the US- China summit in October 2025. Measures such as some tariffs and export controls were postponed until November 2026.
- Although some of China's export control measures on critical minerals and other goods to the U.S. have been postponed, supply constraints still appear to be ongoing.
- Following the ruling that some of Trump's tariffs were unconstitutional, the reciprocal tariff rates were reduced to 10%. (The U.S. relies on Section 122 of the Trade Act, which addresses balance of payments deficits.)

US-China summit (May)

Agreed to pursue “**a constructive relationship of strategic stability**”

Establishing “**The Board of Trade** " and " **The Board of Investment**"

Continue efforts to manage relationships through dialogue.

Enphasis on sharing perceptions on **economic cooperation** (access to the Chinese market and Chinese investment in the US) and on **the situation in the Middle East.**

Expanding exports to China and alleviating concerns regarding China's export control measures were highlighted as achievements.

The "**Taiwan issue**" is positioned as the most important issue in US-China relations.

Mutual tariff reductions and mutual trade promotion were highlighted as achievements.

⇒ A meeting aimed at achieving tactical stability amidst structural conflict.

While the two sides confirmed the continuation of negotiations aimed at entrenching a mutual restraint framework during the Trump administration, no visible results have been secured at this point.

Key points for the future

(Tariff substitution) The US Section 122 tariffs expire in July . They are expected to be replaced by Section 301 tariffs. Attention is focused on whether China will accept.

(Incentives for cooperation) Xi Jinping is scheduled to make a state visit to the United States this fall (September ?). In addition, there are speculations that talks will take place at the APEC Summit in Shenzhen (November) and the G20 Summit in Miami (December). With the November deadline for the "truce" agreement in mind, working-level negotiations are also expected to accelerate. With important dates approaching, such as the US midterm elections (November) and China's Communist Party Congress (fall of 2027), there is likely a shared desire to avoid economic disruption.

(Medium- to long-term uncertainty) Deep-rooted mutual distrust remains unresolved. Trump's actions are unpredictable, and a scenario in which his successor administration leans towards a hardline stance against China cannot be ruled out. If China intensifies its pressure on Taiwan and neighboring countries, it will provoke a backlash within the United States. Both sides are promoting the development of autonomous economic systems in preparation for a future resurgence of conflict.