

**Marubeni
Institute**

株式会社丸紅経済研究所

World Economic Outlook 2026

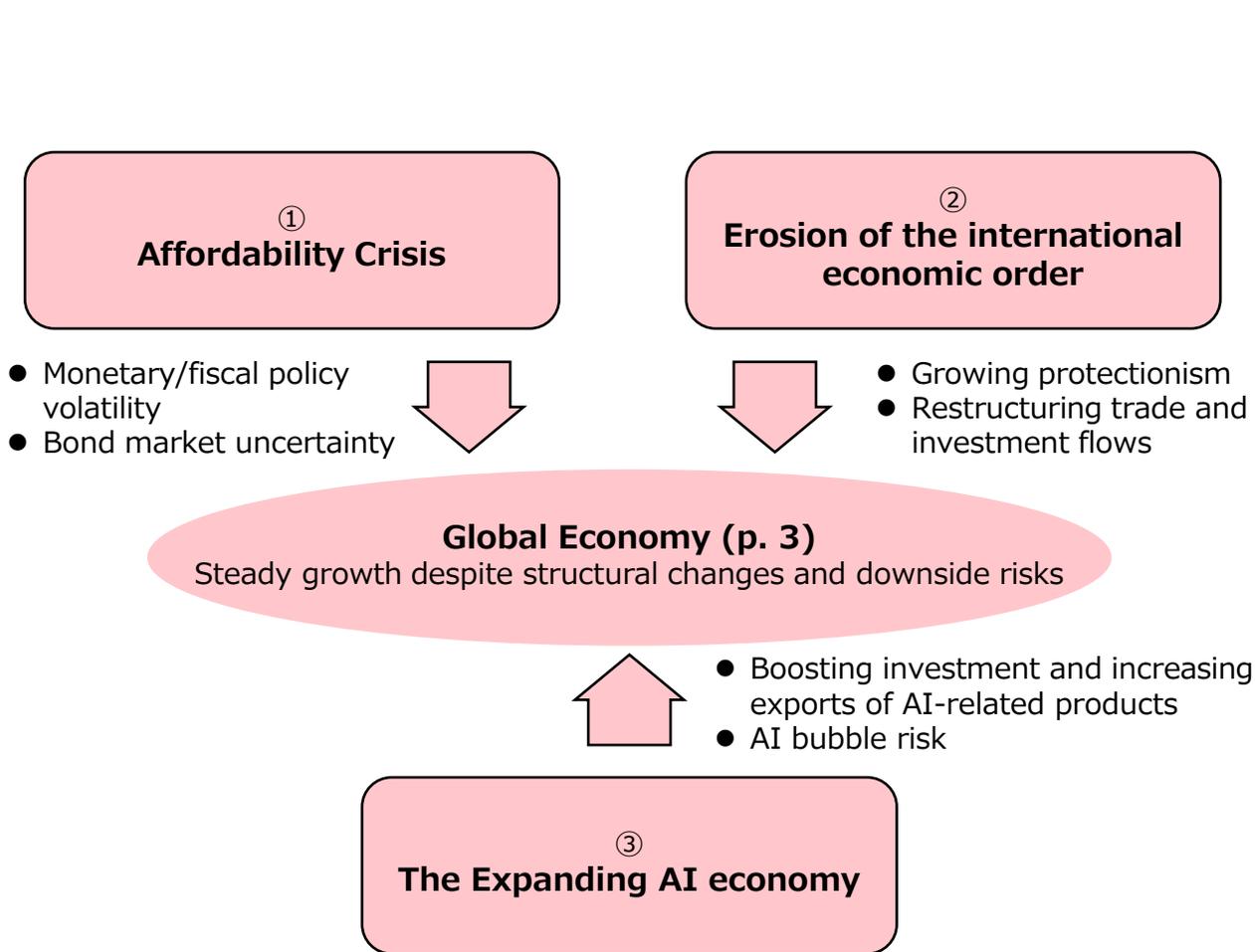
Steady Global Growth Expected Despite Volatile Conditions

January 2026

*Translated from the original Japanese version released on December 18, 2025 (slightly modified)

Affordability crisis, erosion of the international economic order, the expanding AI economy

Three key factors that could impact the global economy in 2026



① Affordability crisis (pp. 4-9)

In the United States, the "affordability crisis," triggered by the rising cost of living, has developed into a top political issue. Changing policy priorities could force policy course corrections, or policies could also drift in the absence of effective solutions. It is important to note that affordability issues could also lead to similar policy course corrections in countries other than the United States.

② Erosion of the international economic order (pp. 10-16)

The erosion of the international economic order, which was already evident, has accelerated in response to the US tariff measures. While the short-term backlash from the 2025 frontloading is occurring, countries and companies are seeking ways to adapt to the new environment. Structural changes in trade and investment flows will encourage survival of the fittest in a new competitive environment.

③ The Expanding AI Economy (pp. 17-20)

Artificial intelligence is already boosting the current economy in the form of large-scale capital investment and growth expectations in the stock market, even without further development. Its impact is wide-ranging, including the construction of data centers, the spread of cross-sectional applications, and its impact on the labor and electricity markets. Meanwhile, the risk of an AI bubble is one of the most important factors that will determine the future ups and downs of the stock market .

Growth rates of major countries and regions

Global economy to grow resilient despite volatile conditions

▽ Real GDP growth forecast (YoY, %)

	world share 2024 (%)	2025 Prospects	2026 prediction	2027 prediction	Changes from last time (25/8) (%pt)	
					2025	2026
World	100	3.2	3.0	3.2	+0.3	+0.2
Developed countries	39.6	1.7	1.6	1.7	+0.3	+0.3
US	14.8	2.0	1.9	2.0	+0.3	+0.4
Euro area	11.5	1.4	1.3	1.4	+0.5	+0.4
UK	2.2	1.4	0.9	1.1	+0.3	▲ 0.2
Japan	3.3	1.1	0.5	0.7	-	▲ 0.1
(Fiscal Year)	-	0.8	0.6	0.7	▲ 0.1	-
Emerging countries	60.4	4.2	4.0	4.1	+0.3	+0.1
China	19.3	4.7	4.2	4.0	+0.2	-
India	8.2	7.4	6.5	6.5	+1.0	+0.5
ASEAN-5	5.1	4.3	4.2	4.3	+0.2	+0.2
Central and Eastern Europe	7.8	1.8	2.2	2.4	-	+0.1
Latin America	7.2	2.4	2.3	2.6	+0.2	+0.1
Middle East and Central Asia	7.4	3.5	3.4	3.8	+0.1	+0.2
Sub-Saharan Africa	3.5	4.1	4.2	4.5	+0.1	+0.3

*The composition of each region and group is based on the IMF . World shares are based on purchasing power parity (PPP). ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
(Source) Marubeni Institute

<Summary>

- The global economy is expected to maintain 3% growth in 2026 , despite the ongoing risk such as the affordability crisis and the erosion of the international economic order.
- One factor supporting the growth of the global economy is the accumulation of agile responses by countries and companies that are fending off headwinds arising from global fluidity:
 - ✓ Many countries are not retaliating against Trump's tariffs, but are instead moving to diversify their trading partners and expand domestic demand.
 - ✓ Many companies are responding flexibly to the worsening business environment and implementing reforms to increase profits.
 - ✓ The disruption will prompt supply chain restructuring and lead to increased inventory.
 - ✓ Europe has eased fiscal discipline and shifted to a significant increase in defense spending.
 - ✓ In India and ASEAN, consumer markets and infrastructure investment are expanding steadily, contributing more to global economic growth than the total of developed countries.
 - ✓ Global inflation and the excess money are pushing up stock prices.
 - ✓ AI-related investment is expanding rapidly in the U.S. The economic effects of AI-related trade such as semiconductors will be spreading to countries like ASEAN as well
- (1) the worsening affordability crisis which can lead to indecisive monetary and fiscal policies, (2) trade and investment disruptions due to the further expansion of protectionism, and (3) uncertainty surrounding AI investment can hinder the global economy's growth.

What is the affordability crisis?

As this becomes a political issue, it can lead to policy corrections and confusion.

What is the affordability crisis?

- **Affordability (living conditions)** : The level of comfort in life. Influenced by income including social security, prices, financial costs, etc.
- **Affordability crisis** : Rising prices for basic cost of living such as food and housing have a direct impact on middle- and low-income households, who spend a high proportion of their income on these items. The number of people who cannot see an improvement in their standard of living despite rising wages is increasing, and with the growing income gap as a backdrop, this has gone beyond a simple decline in macro purchasing power and become a political issue. In the US, coupled with cuts in support for middle- and low-income earners, dissatisfaction with the Trump administration is growing.

Public opinion poll: Percentage of people who consider cost of living to be the most important issue

<By income>

(USD)	cost of living issue	others
Over 100k	48%	52%
50k to 99k	52%	48%
25k to 49k	61%	39%
Less than 25k	61%	39%

<2024 Vote>

Trump	53%	47%
Harris	57%	43%
Non Vote	58%	42%

(Source) Politico (Survey period : November 14-17 , 2025)

Reduced room for discretionary expenditure

Expectations and disappointments for Trump administration

Growing political discontent (Republican losses in off-year elections)

Despite efforts to suppress voter dissatisfaction, policies tend to be ad hoc and expansionary in the absence of effective solutions

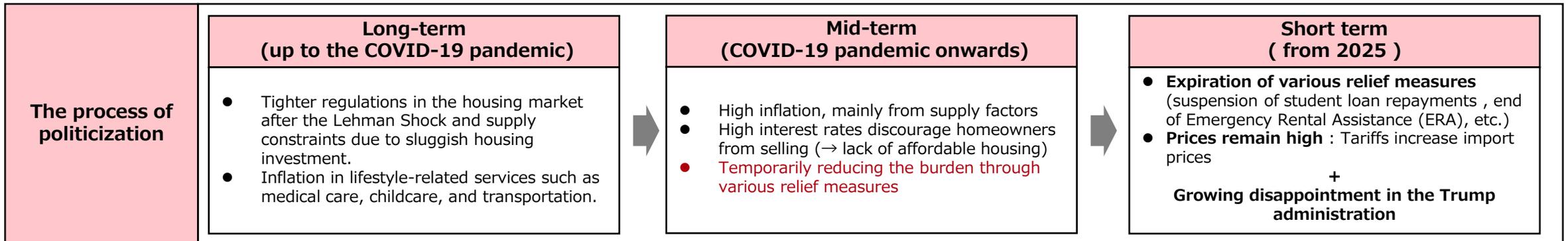
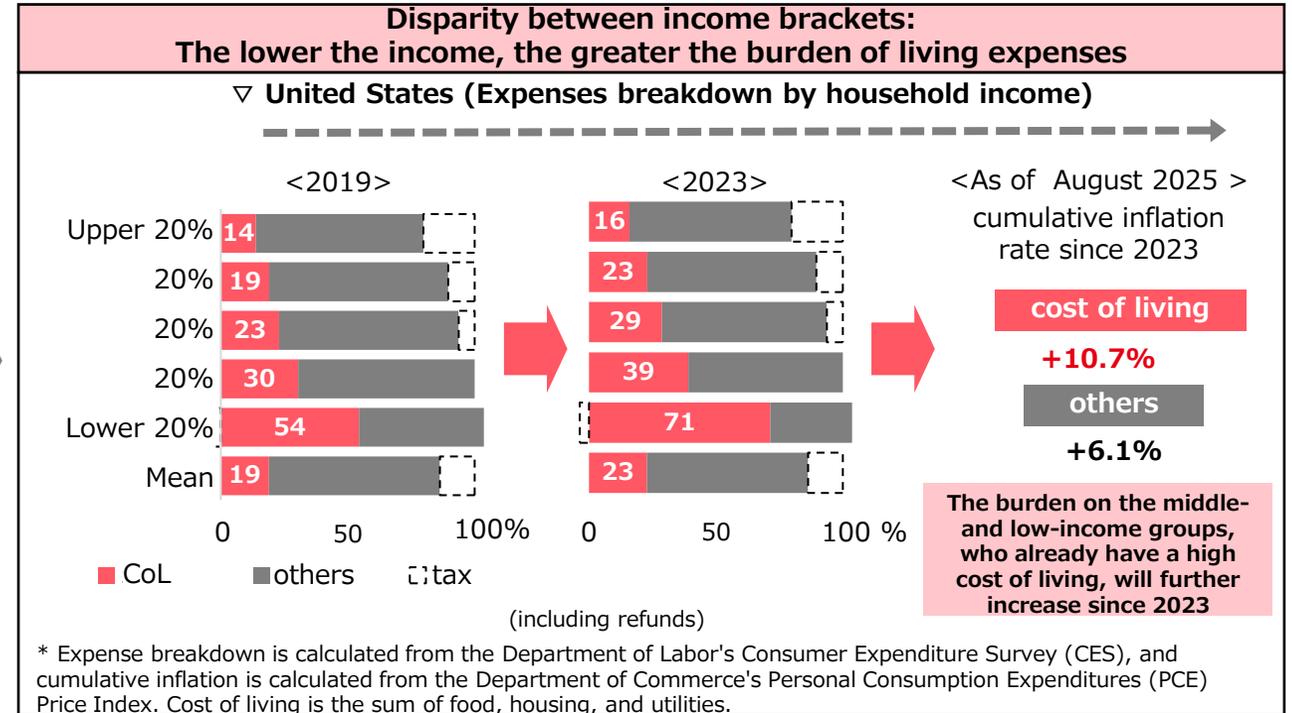
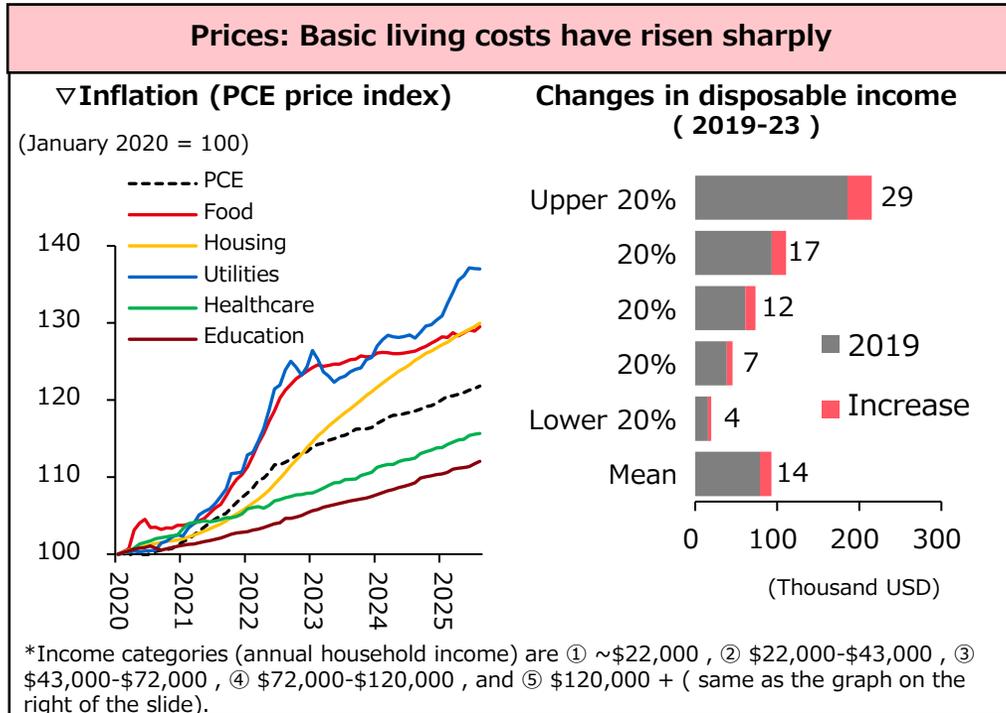
- **A growing tendency toward ad hoc measures continues, but a breakthrough is difficult** : As addressing the affordability crisis becomes a priority for the administration, policy resources are likely to be directed toward households in the form of price control measures and income compensation. As decision-making becomes even more ad hoc, it is difficult to foresee policies large enough to alleviate dissatisfaction. The affordability problem stems from the long-standing structure of the US economy, making a short-term solution difficult. In addition, already implemented Trump administration policies, such as tariffs and OBBA* , have exacerbated the affordability problem, making the road to restoring support for the administration difficult.
- **Fiscal policy will be expansionary overall** : The normal cycle which shows fiscal stimulus in time of recessions and fiscal consolidation in booms is becoming hardly seen, and a tendency toward a more giveaway-styled fiscal policy will become stronger. Given the difficulty of implementing targeted policies for middle- and low-income earners, excessive stimulation of overall demand could lead to a chain reaction of inflation, and if the market judges fiscal policy to be lax, there is a risk of interest rates rising sharply.

*OBBA (One Big Beautiful Bill) : A comprehensive fiscal and budget reform law enacted in July 2025 .

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Politicization of the affordability crisis

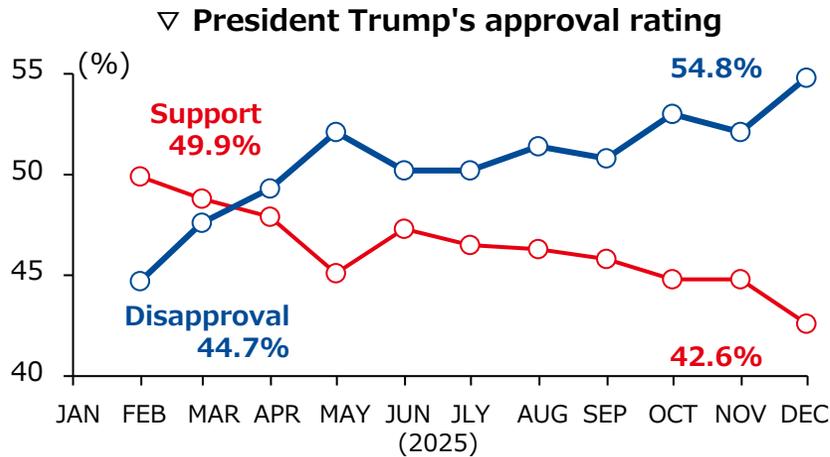
Lower-income households have particularly suffered from post-pandemic inflation



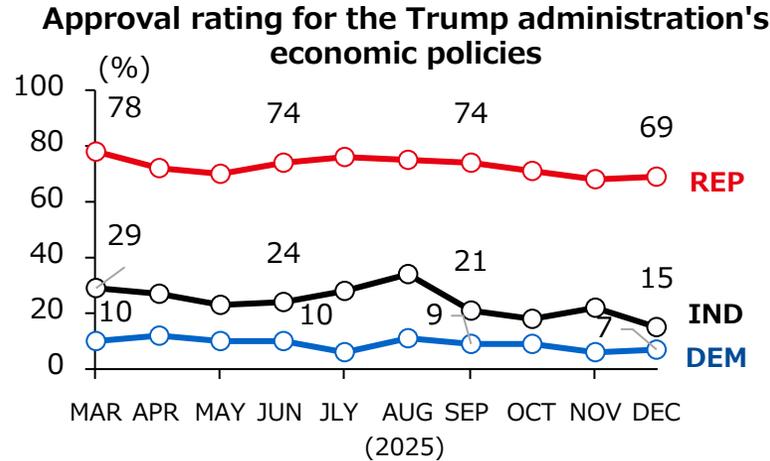
(Source) U.S. Department of Labor, Department of Commerce.

The affordability crisis and the Trump administration

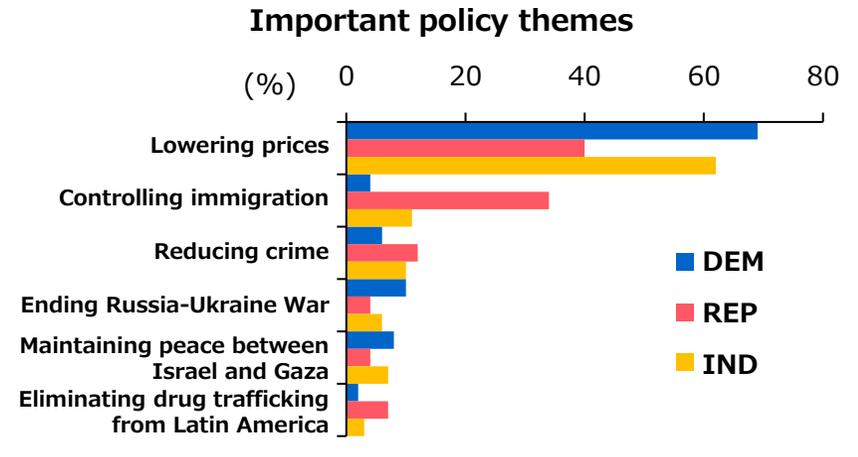
Existing policies have only exacerbated the affordability crisis. Even attempts to correct course are lacking.



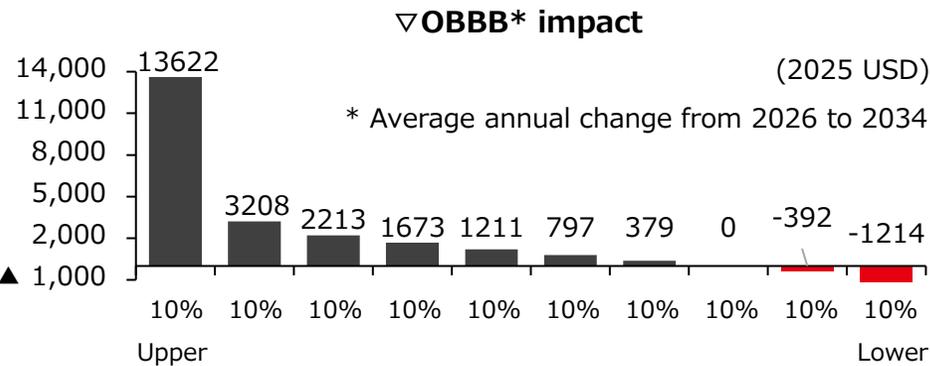
(Source) RealClearPolitics



(Source) Associated Press, University of Chicago

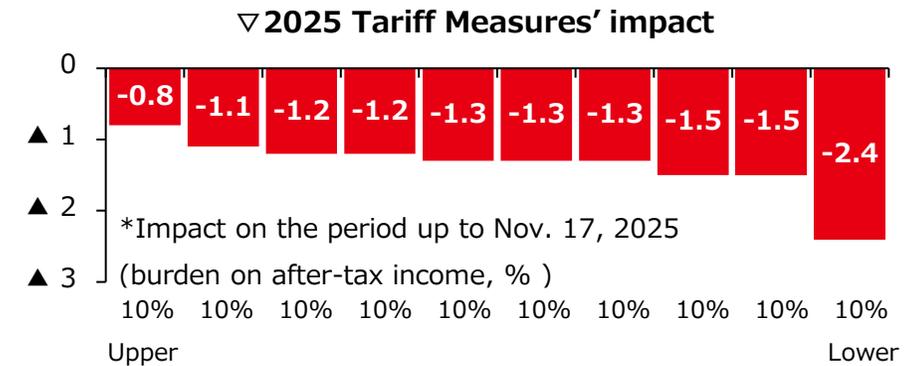


(Source) NPR (survey period: Nov.10-13, 2025)



*OBBB: One Big Beautiful Bill Act (Source) Congress Budget Office

Existing policies are worsening the affordability crisis



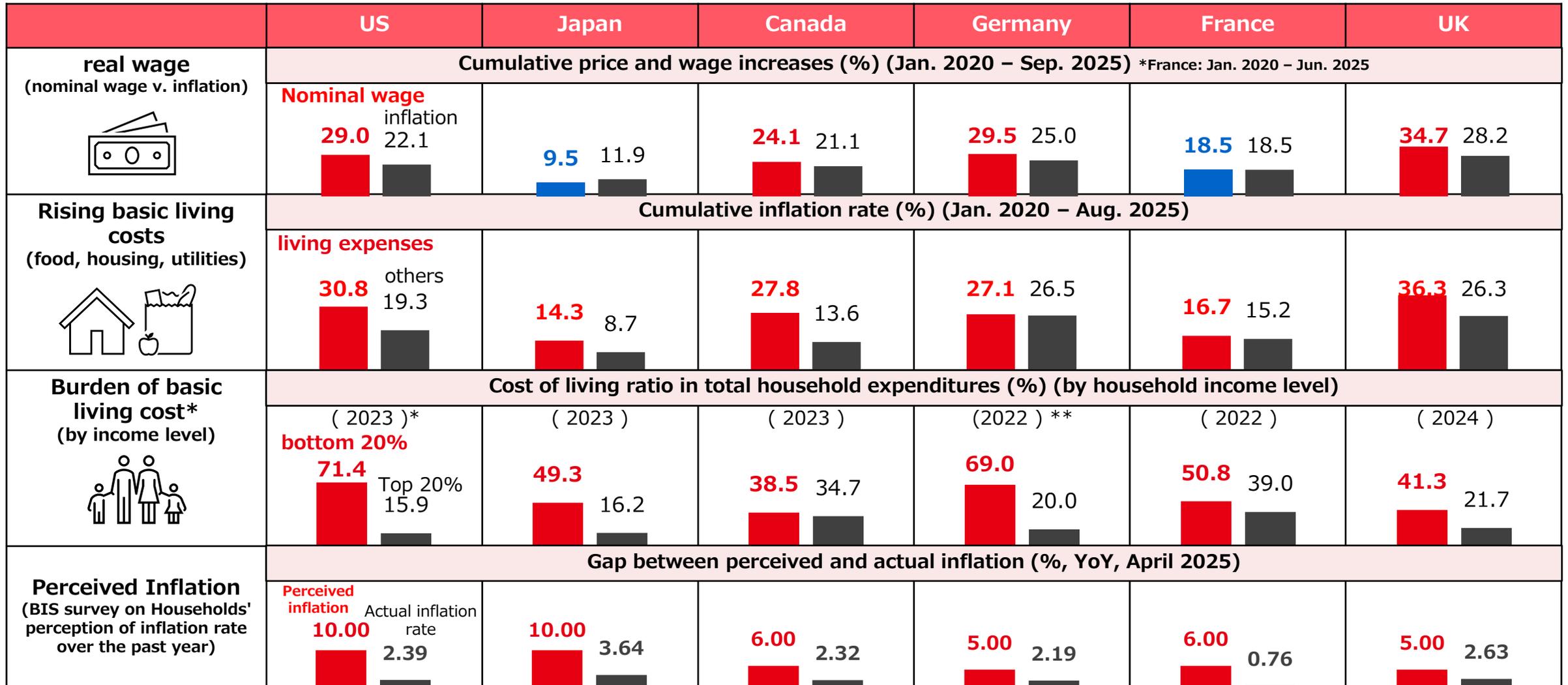
(Source) Yale University, the budget lab

<Trump Administration Response>

- November 2026 midterm elections approaching, an urgent issue is how to retain supporters who are leaving due to the affordability crisis.
- Although measures such as excluding agricultural products from tariffs (November 2025) and a "dividend" scheme funded by tariff revenue have been planned, the situation is such that no effective solutions are available.

The affordability crisis may not be a US-only problem

Rising living costs are exacerbating the burden on low-income families outside the U.S.



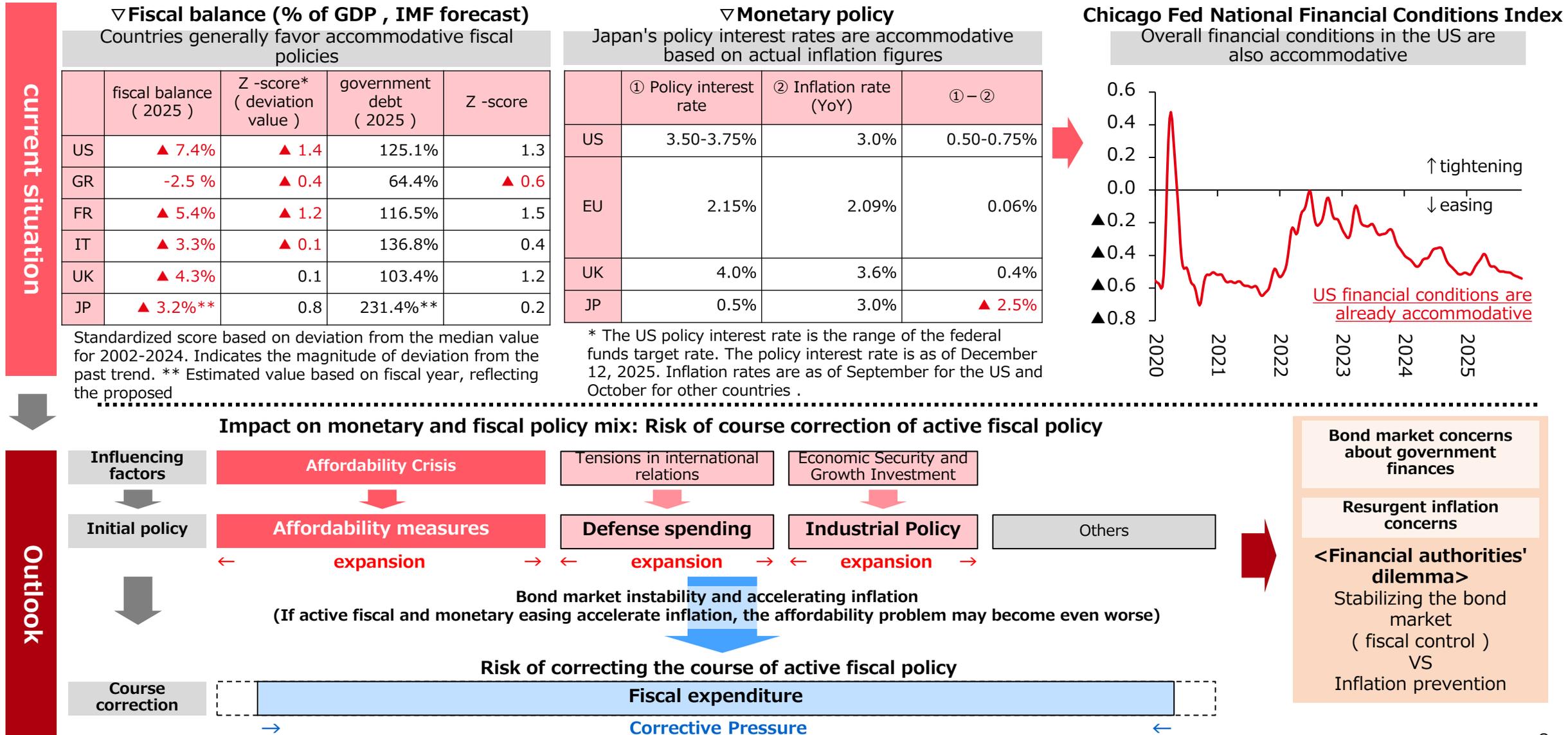
*Basic living costs include food, housing, and utilities. US data refers to PCE price index, while other countries to CPI.

** The figures for the US and Germany are for living expenses as a percentage of income. For Germany, the comparison is between households with a monthly income of 1,250 euros or less and 5,000 euros or more.

(Source) National statistical bureaus, BIS, etc.

How the affordability crisis affects the course of fiscal/monetary policies

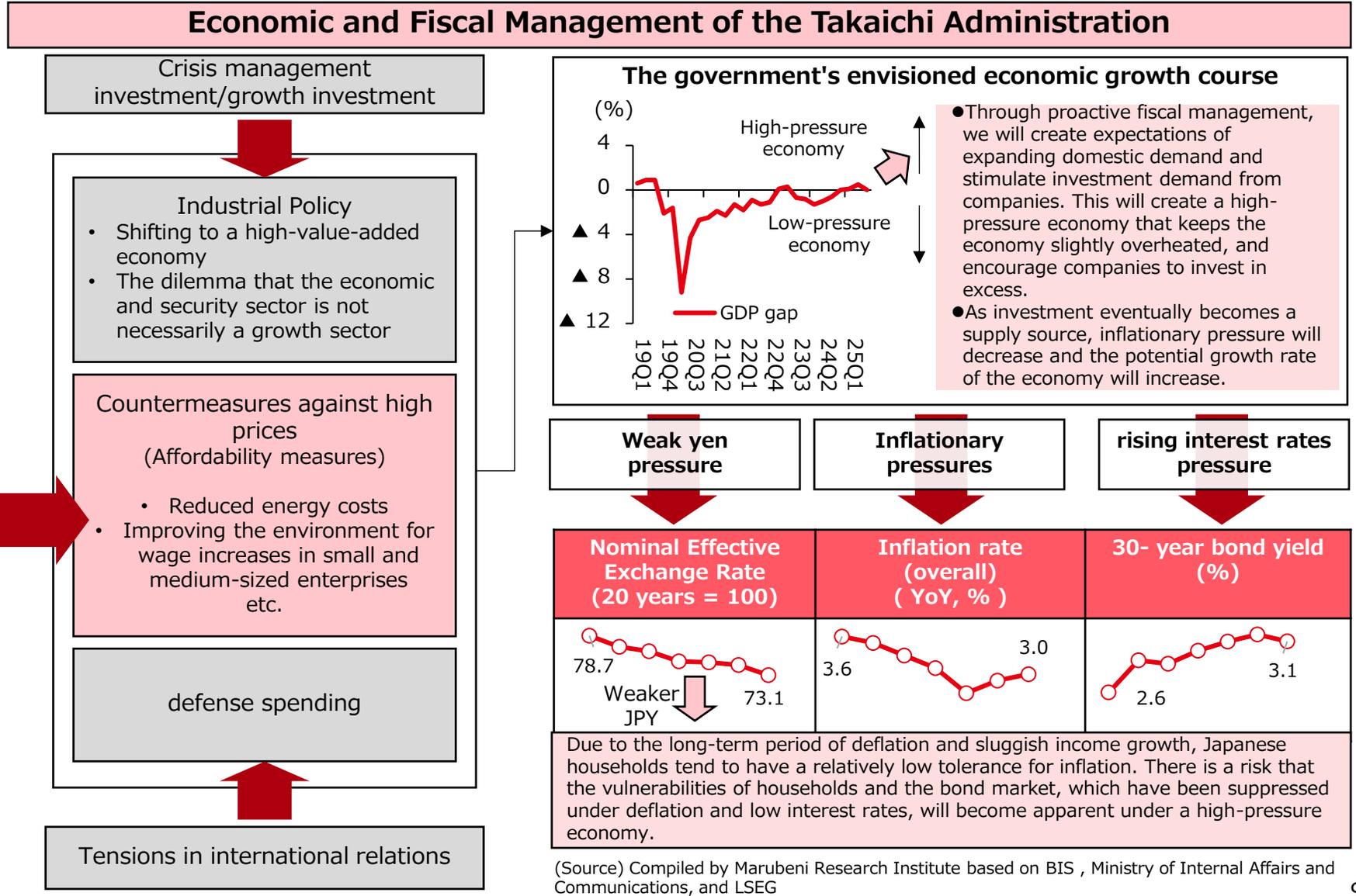
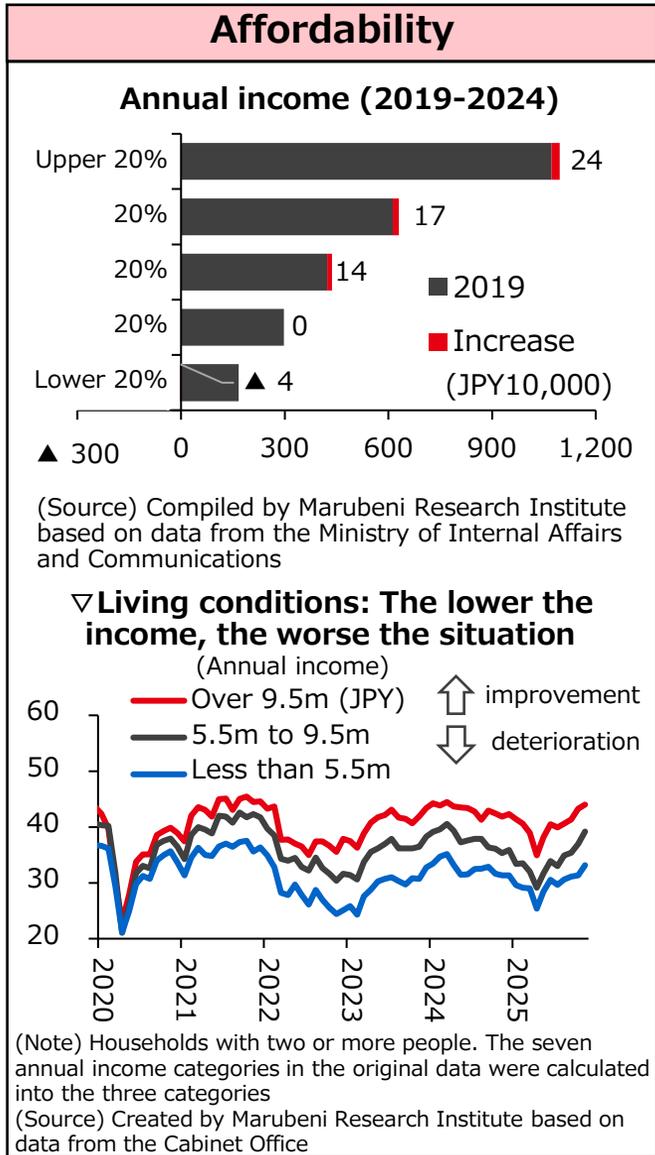
Fiscal expansion in response to the affordability crisis could lead to a financial repression



(Source) IMF , national central banks and statistical offices, Federal Reserve Bank of Chicago

Japan's Affordability Issues: Economic and Fiscal Management

Excessive fiscal policy may lead to a weaker yen, inflation, and rising interest rates

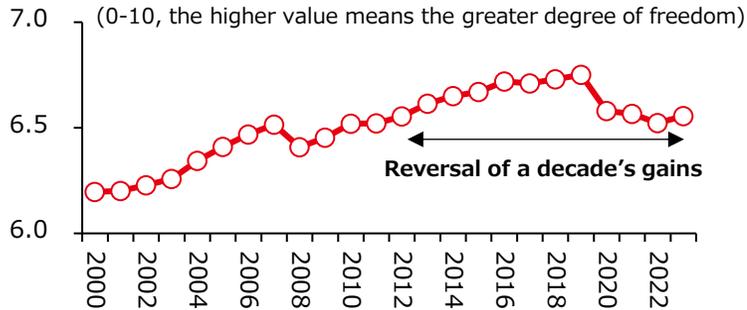


Erosion of the international economic order

Structural changes in trade and investment flows are going on despite remaining uncertainty

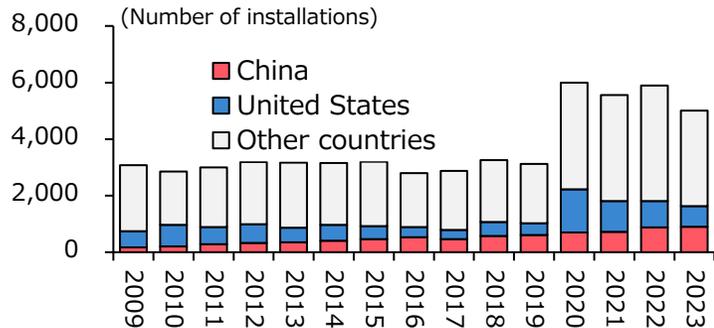
Erosion of the international economic order

Index of Economic Freedom of the World (EFW)



Evaluation is based on five areas : 1) size of government, 2) legal system and property rights, 3) sound currency, 4) freedom of international trade, and 5) regulations. The figures shown are the average values for 165 countries and regions.

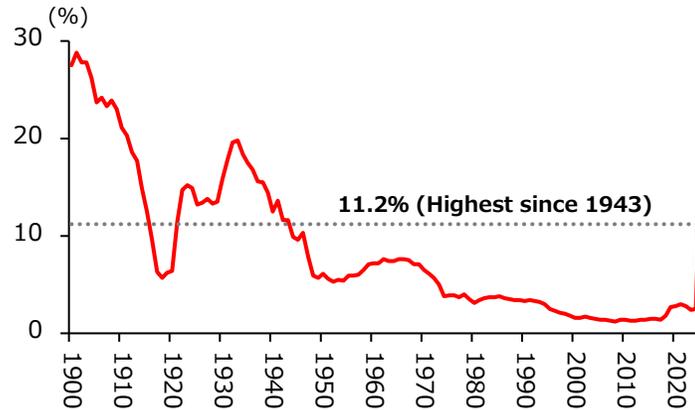
Trade and investment intervention measures



*This is a compilation of trade and investment intervention measures that the source judges to be harmful, including tariffs, import quotas, export subsidies, and restrictions on government procurement.

The US tariff wall has definitely increased

US average effective tariff rate



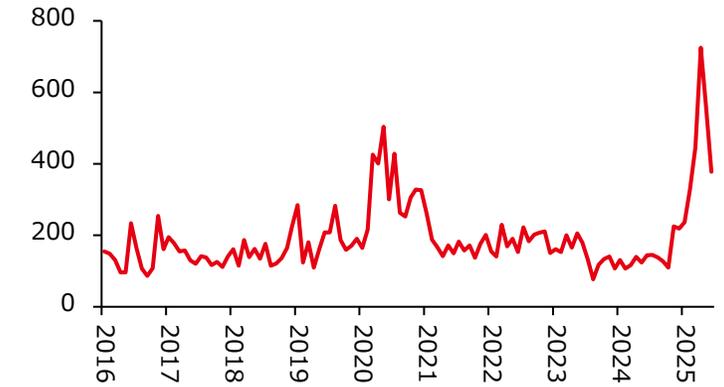
*Tax Foundation estimates

Tariff measures and legal basis

Reciprocal tariffs	International Emergency Economic Powers Act (IEEPA) Illegal/invalid judgment (Appeal pending)
Fentanyl tariffs (Canada, Mexico, China)	
Tariffs on India and Brazil	Trade Expansion Act Article 232
Item-specific tariffs (steel, aluminum, copper, etc.)	
List tariffs (China)	Trade Act of 1974 Article 301

Structural changes in trade and investment under uncertainty

Economic Policy Uncertainty Index (US)



- US tariff measures and investment deals in the US
- China's overproduction and export offensive
- Trade and supply chain diversification strategy
- Expanding investment in key technologies and strategic fields
- AI-related investment and trade demand

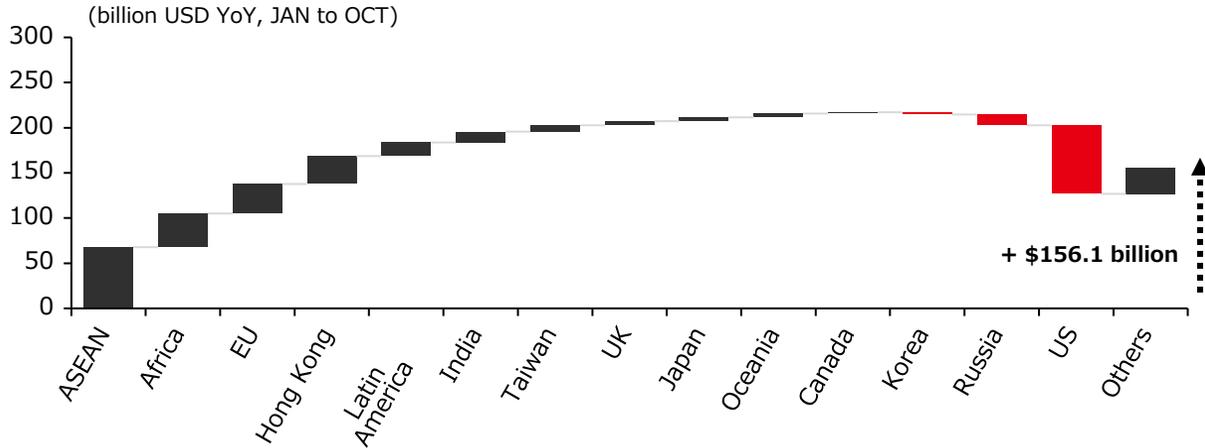
Structural changes in international trade and investment flows

Trade flows

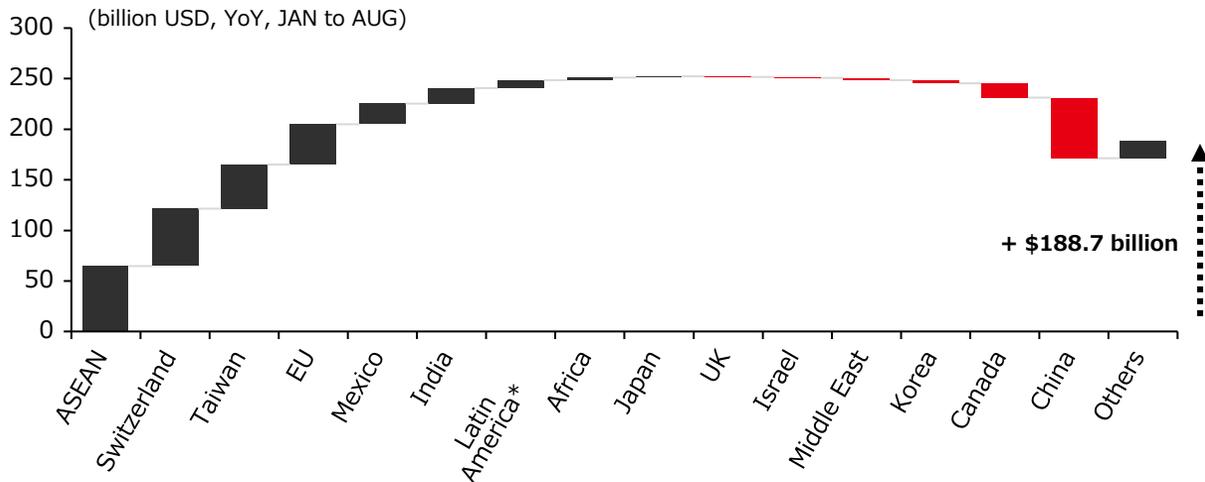
Structural changes in trade flows are underway behind the short-term backlash to frontloading

2025 : Frontloading before tariffs has disrupted trade flows

▽China's exports (2025)



▽US imports (2025)



* Excluding Mexico
(Source) ITC

2026 : Rebound from frontloading and structural changes

(US) Estimated frontloading effect by product type (quantity basis)

2024/11 ~2025/8	total	food	Raw materials and intermediate goods	capital goods	car	consumer goods	others
Import share	100%	6%	17%	33%	13%	27%	4%
Deviation from the trend line	+11.9%	+7.2%	+20.6%	+16.7%	▲ 17.5%	+23.3%	+4.4%

* Trend lines were estimated for each product type for the period from January 2022 to June 2024 based on seasonally adjusted real import data . Deviations (%) from the trend line were calculated for the period from November 2024 to August 2025 , when a rush of imports is believed to have occurred .



Imports of various goods are expected to experience a short-term decline as a reaction to frontloading before the tariff implementation

Exceptions: [Automobiles] Frontloadings are limited due to differences in tariff measures and USMCA exemptions (in fact, overall imports are declining) , **[Capital goods]** There is a general upward trend due to imports of AI-related products

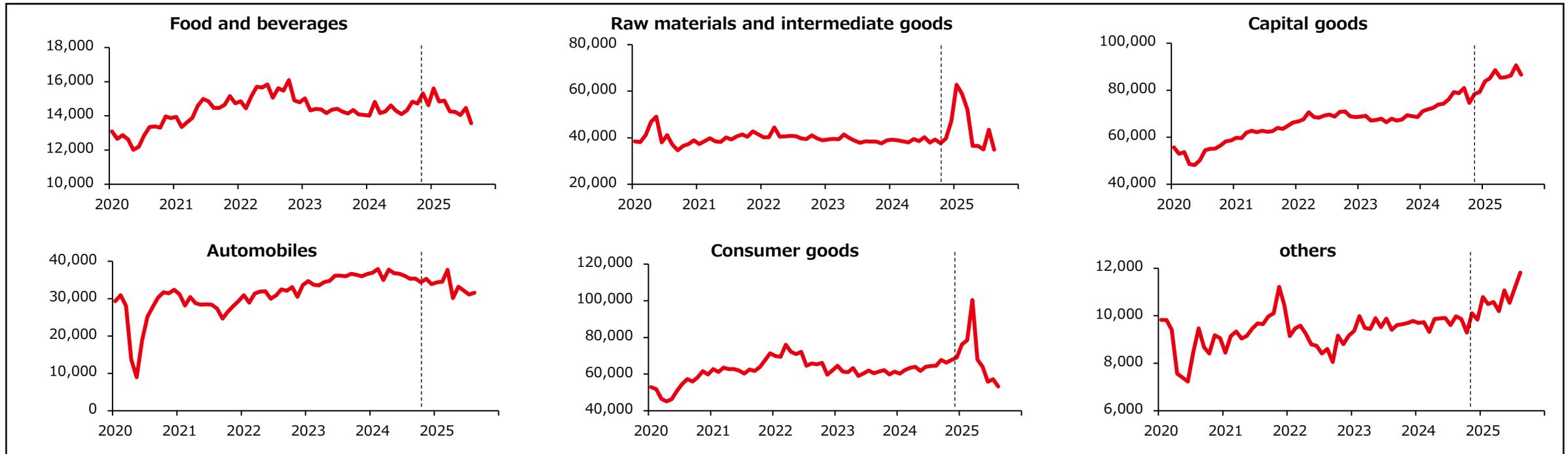
▽Structural changes (medium to long term)

US	<ul style="list-style-type: none"> ● Maintenance and manipulation of tariff measures ● Strengthening regulations on circumvention exports 	<ul style="list-style-type: none"> ● Establishment of tariff measures/adjustment in response to political and economic conditions ● Restrictions on imports of "Chinese products" via detours
China	<ul style="list-style-type: none"> ● Expanding exports outside US ● Relocation of production bases overseas 	<ul style="list-style-type: none"> ● Diversifying export destinations in response to US tariff hikes ● Relocation of production bases to ASEAN countries
others	<ul style="list-style-type: none"> ● Diversification of export and import destinations ● "Fishing in troubled waters" 	<ul style="list-style-type: none"> ● Expanding exports to countries other than the US and accelerating FTA/EPA negotiations ● Increasing opportunities as a detour export base to the US / Some countries with relatively low tariff has competitiveness in the US market.

Frontloading trends in the US by product

Noticeable rush to import raw materials, intermediate goods, and consumer goods.

▽ US real imports (seasonally adjusted, 2017 base, million dollars)



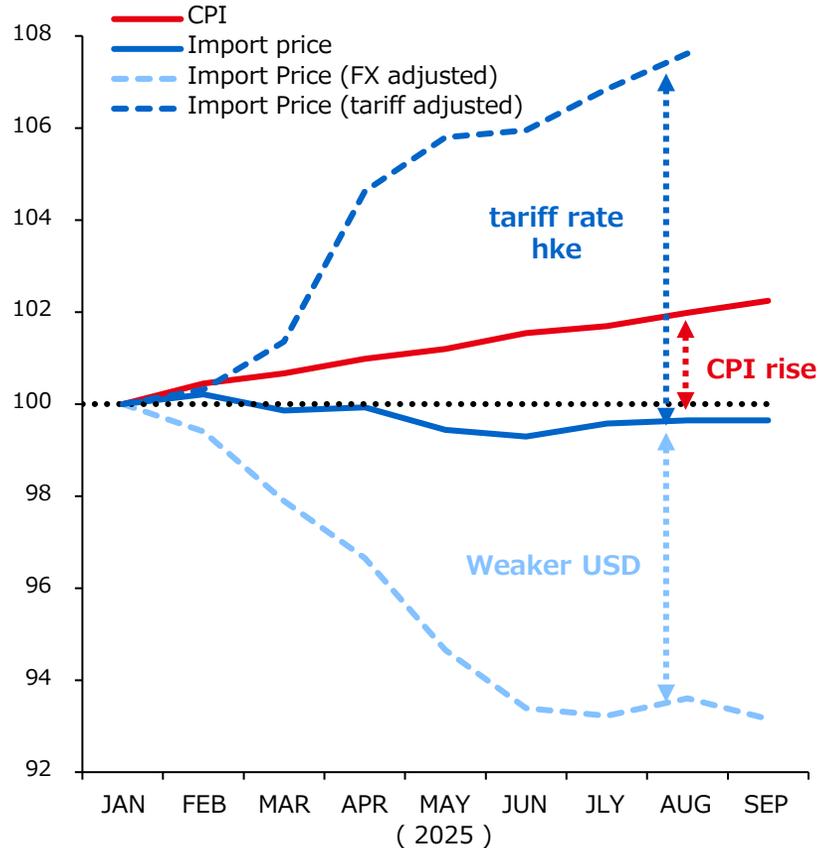
US tariff measures and pass-through effects

Inflationary pressures are already being felt in some individual goods such as beef and coffee.

▽ Import Price Index (US)

The impact of exchange rate fluctuations and tariff hikes are limited so far

(January 2025 = 100)

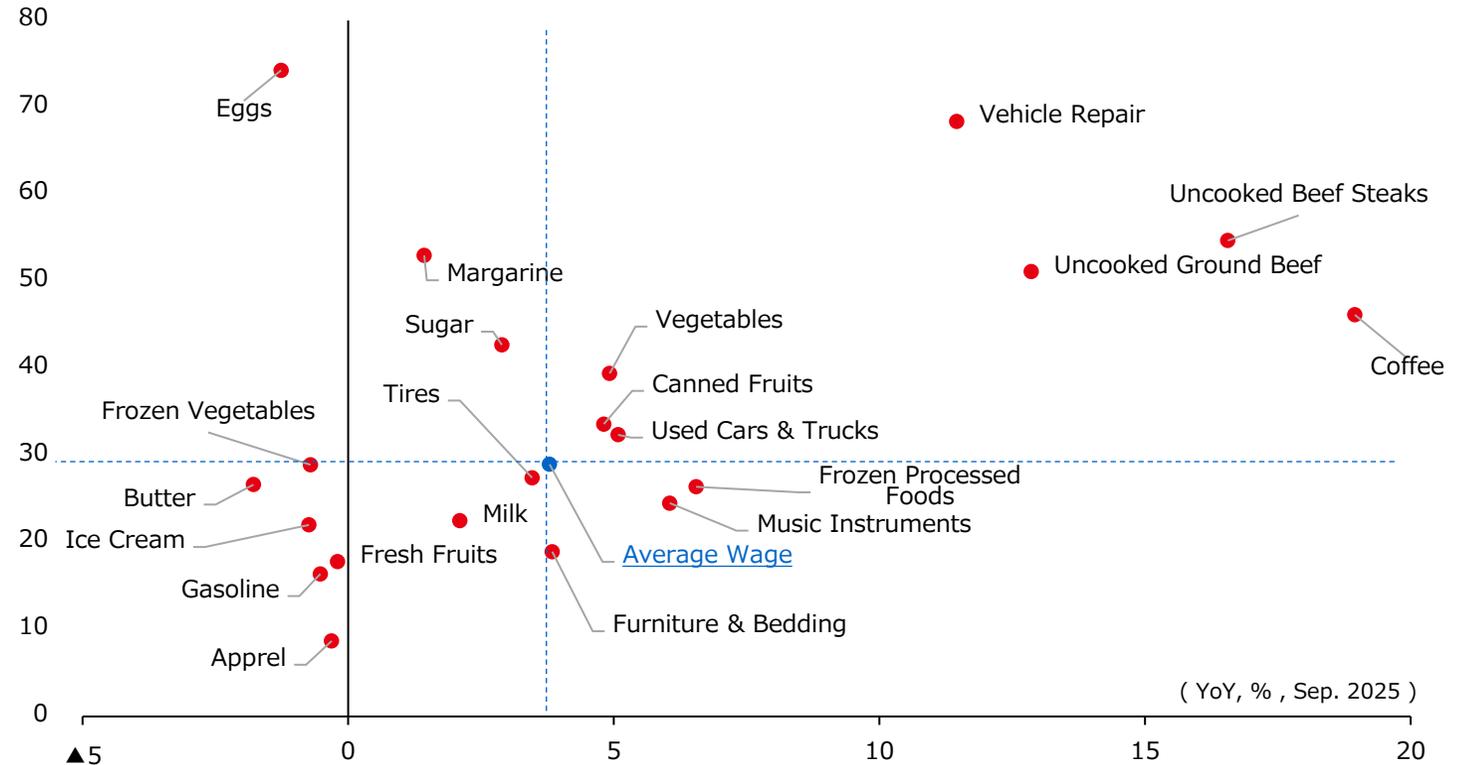


* Import prices/nominal effective exchange rate. US import prices converted into the currency of the exporting country.
 (Source) Compiled by Marubeni Research Institute based on the U.S. Department of Labor and PII

▽ Consumer Price Index (CPI, by item)

Prices of beef and coffee are rising at a rate that far exceeds wage growth. There is also upward pressure on used cars and furniture.

(Cumulative Inflation, %, Jan. 2020 to Sep. 2025)



Import prices (year-on-year, %, September 2025 / cumulative increase, %, 2020) : Coffee beans (+32.2% / +137.7%), agricultural machinery and materials (+ 26.2% / +102.7%), copper (+18.6% / +70.3%), fertilizer (+15.7% / +85.0%), bakery goods (+5.4% / +40.4%), durable goods (+5.3% / +42.2%), petroleum (+4.3% / +37.1%), furniture (+2.3% / +12.0%)
Items exempt from "reciprocal tariffs" (as of November 14, 2025) : Fertilizer, beef, bananas, oranges, tomatoes, cocoa, spices, tropical fruits and fruit juices, coffee, tea, seeds and oils.

Investment Flow

Restructuring supply chain investments are progressing in response to changes in the international situation

~ 2025 : Changes in investment strategies and the international environment

Investment environment and trends

China Plus One strategy (China risk), strengthening US inward investment regulations, COVID-19 pandemic (strengthening just-in-case), Russia-Ukraine war (European risk), return of strategic sectors (semiconductors, etc.) to domestic markets, decarbonization-related investments, and Middle East strategies to move away from oil-dependent economies



Direct investment: Rise in emerging countries such as ASEAN

(net inflow, \$billion)

(year)	00-04	05-09	10-14	15-19	20-24	Recent increase/decrease
Europe *	1,559	2,811	1,883	2,145	1,240	▲ 904
US	737	1,008	1,030	1,669	1,308	▲ 361
Japan	38	55	13	55	114	+59
Africa	81	232	259	237	330	+93
China	254	431	612	685	799	+114
ASEAN	129	277	562	688	980	+292
South Asia	41	176	189	268	246	▲ 22
middle east	59	251	202	194	330	+136
Latin America	323	493	915	760	784	+23
others	748	1,123	1,866	2,284	767	▲ 1,517
world	3,969	6,857	7,530	8,985	6,898	▲ 2,087

* Excludes Luxembourg, the Netherlands and Ireland, which were identified as having large "conduit financial flows" in the UNCTAD report.

* Highlighted figures are maximum values. Recent increases/decreases are a comparison of 2020-24 and 2015-19 .

(Source) UNCTAD

2026: Uncertainty weighs on investment in the US, but opportunities expand in specific fields

▽Key points that will influence investment flows

Policy uncertainty centered on the United States

- The continued high level of policy uncertainty under the Trump administration will have a particularly chilling effect
- Higher production costs due to higher tariffs will weigh on manufacturing and other industries

Relocation and expansion of production bases in response to changes in the trade environment

- Further expansion of production bases into regions such as ASEAN and India
- Political instability as well as institutional and infrastructure issues will continue to be a burden on the entry of new companies in particular.

The rise of industrial policy

- Investment support for key technologies and strategic sectors
- The risk of "government failure" regarding the selection of investment destinations remains.

AI- related investments

- Robust AI- related investment is centered on the US, data center construction is expanding outside the US as well. The trend toward data localization is also providing support.
- Uncertainty continues over the return and sustainability of AI investments

Trump deals

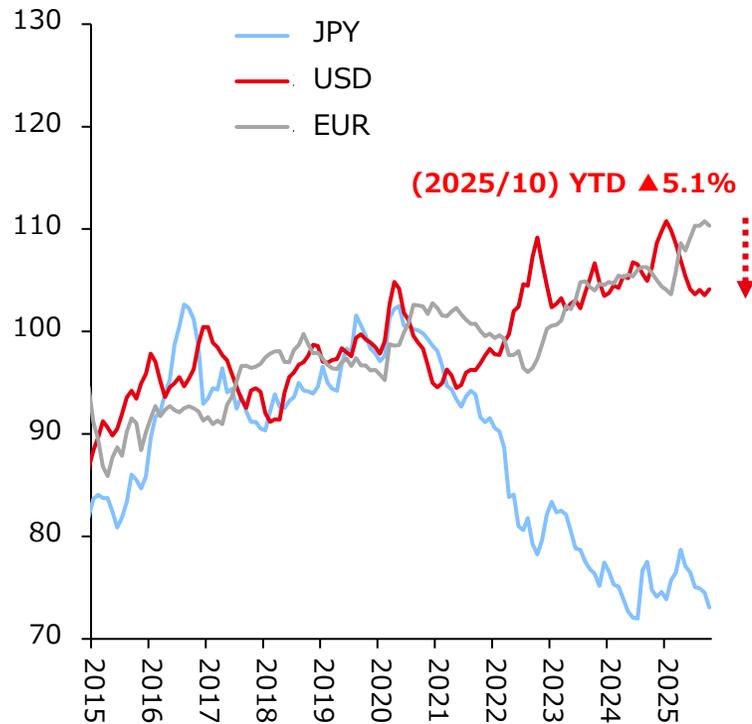
- Although investment commitments such as \$550 billion by Japan, remain uncertain in terms of their implementation plans, this will be one factor affecting investments in the United States by the deal-making countries.

Declining confidence in the US dollar

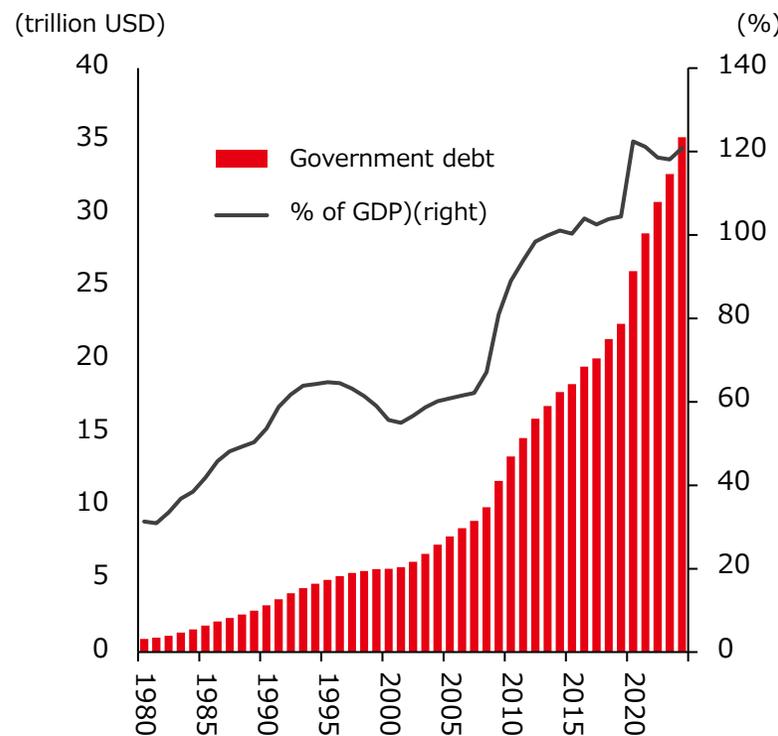
Concerns about the dollar as the world's reserve currency are growing, while no alternative currency is in sight

- The dollar continues to depreciate under the Trump administration** : The nominal effective exchange rate, which indicates the overall strength of a currency against trading partners, will decline through 2025. While the dollar remains in a strong range, with U.S. government debt remaining at a historically high level of over 120 % of GDP , coupled with high policy uncertainty under the Trump administration, distrust of the U.S. dollar is growing. On the other hand, with no alternative currencies in sight, demand for the dollar is likely to remain solid.
- Gold prices surge** : While the dollar continues to depreciate, the price of gold as a safe asset has risen significantly. This is thought to be due to concerns about the dollar and inflation risks, and there is a growing trend among not only private investors but also central banks around the world to increase their gold holdings as a reserve asset. According to the World Gold Council, which conducts anonymous surveys of central banks around the world in 2025, 76% of those surveyed (69% in 2024) said that the proportion of gold in reserve assets will increase in five years.

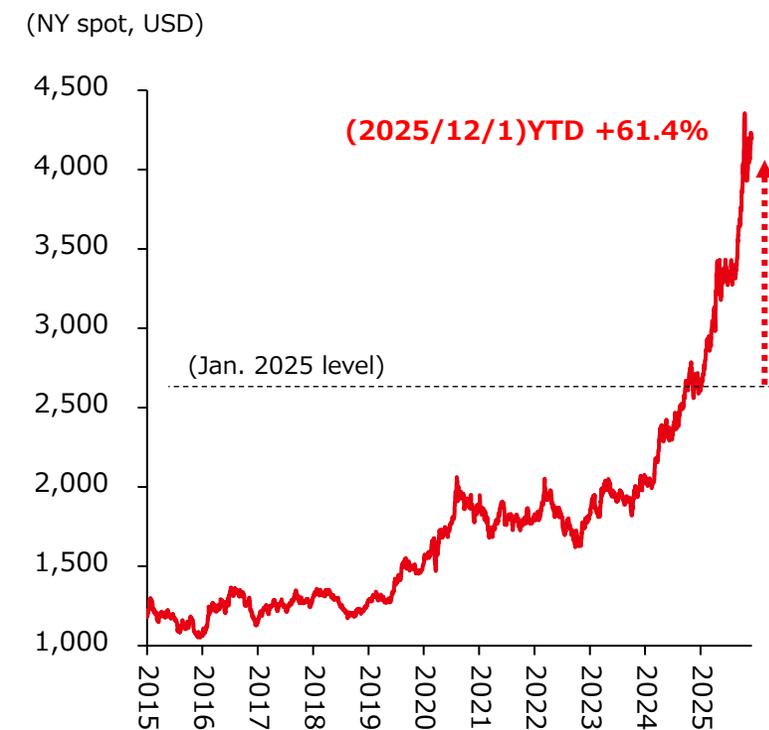
▽ Nominal effective exchange rate



▽ Trends in US government debt



Gold price

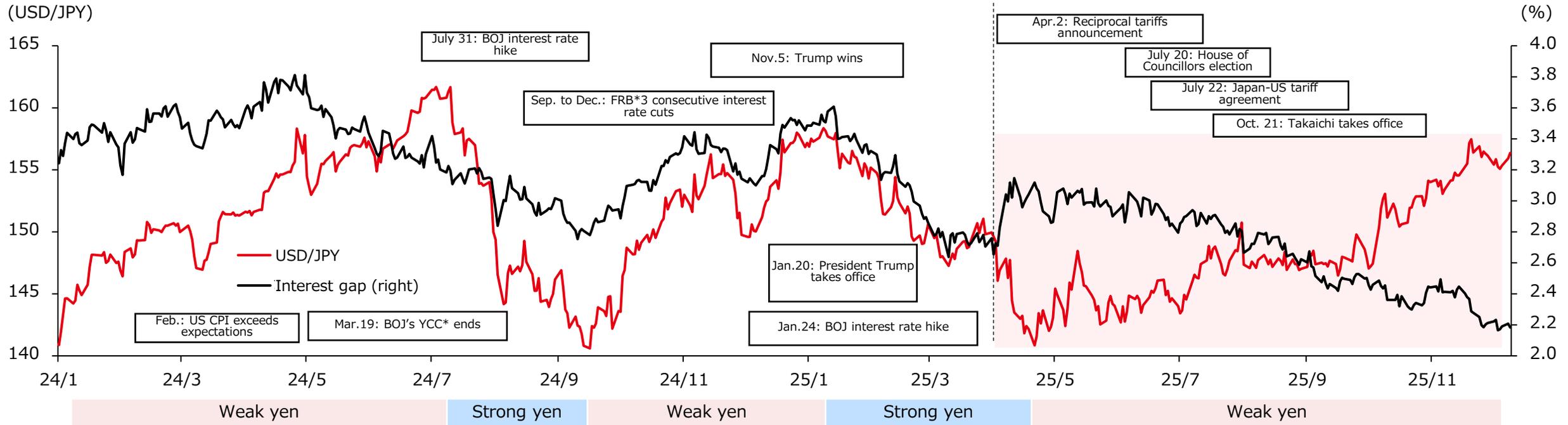


(Source) BIS , US Treasury Department, LSEG , World Gold Council (WGC)

Exchange rate (USD/JPY)

JPY continues to depreciate despite narrowing gap between US and Japanese interest rates

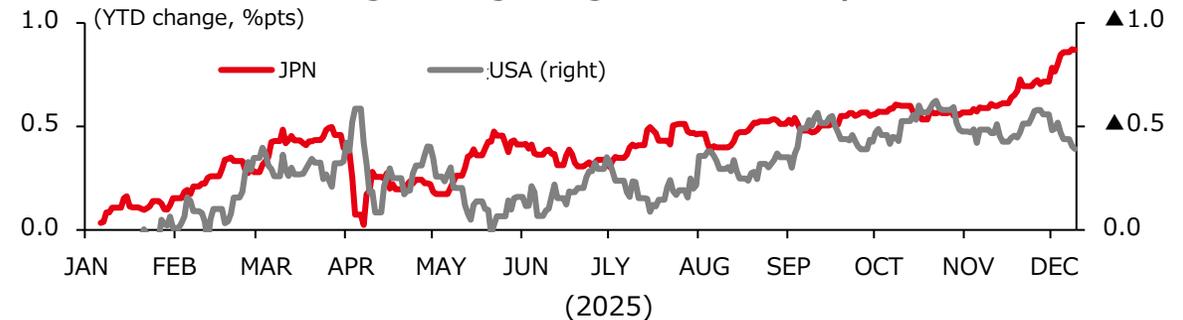
▽ USD/JPY exchange rate and US/Japan interest rate differential (10Y-bond yield): The gap between the US/Japan interest rate differential is widening



*YCC (Yield Curve Control), FRB (Federal Reserve Board)

- Under the second Trump administration, the nominal effective exchange rate of the US dollar continues to decline, but the Japanese yen continues to depreciate even more, so the trend of a weak yen against the dollar continues.
- The Bank of Japan is raising interest rates while the Federal Reserve is lowering interest rates, Japan's interest rates are particularly susceptible to upward pressure amid growing concerns about Japan's fiscal situation. As upward pressure on interest rates continues due to fiscal concerns, the situation in which the dollar/yen exchange rate does not follow the interest rate differential is expected to continue for the time being.

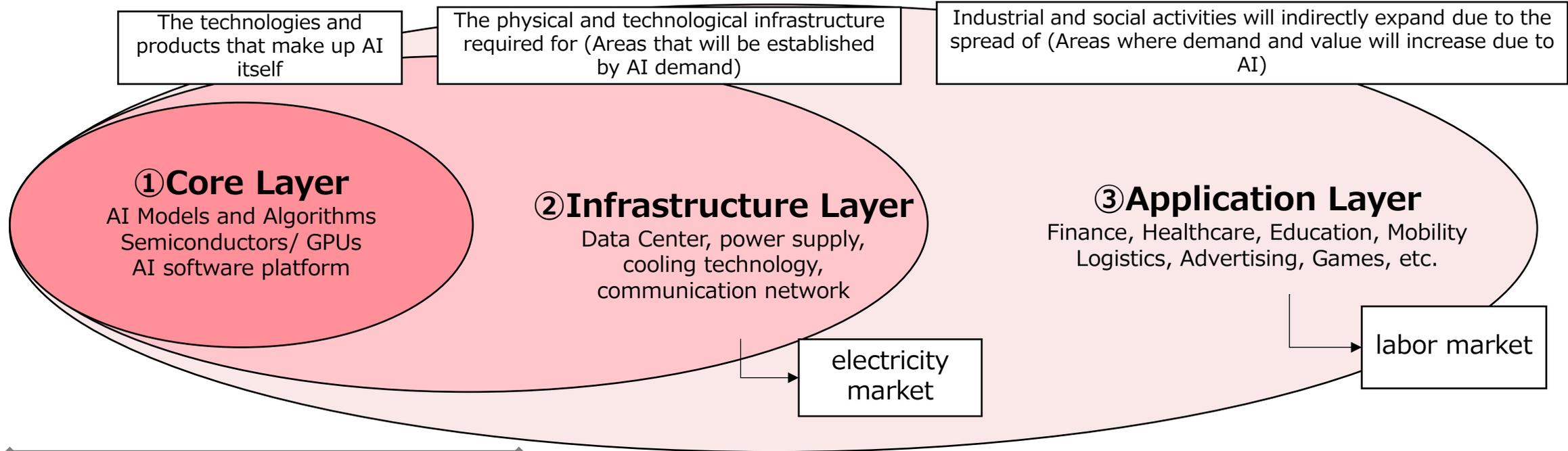
▽ Japan-US interest rates (10 -year bonds): Interest rates in Japan in particular are rising due to growing fiscal uncertainty



The expanding AI economy

AI economy continues to expand based on the three layers

▽The "AI economy" layer



- ① Returns (high growth expectations, network effects)
Risks (technological obsolescence, upfront investment, intensifying competition)
- ② Return (relatively stable future cash flow due to long-term contract)
Risks (capital intensive, regulatory and environmental risks, demand fluctuations due to technological innovation)
- ③ Returns (prospects for relatively early profitability, applicability to a wide range of industries)
Risks (uncertainty about the effects of implementation, regulatory and social acceptance, securing human resources)

The size of the AI market * is expected to grow from \$ 0.2 trillion (2023) to \$ 4.8 trillion (2033), equivalent to Germany's current GDP (UNCTAD)

*Total sales of AI-related software, SaaS, cloud AI, automation services, etc. (Infrastructure division not included)

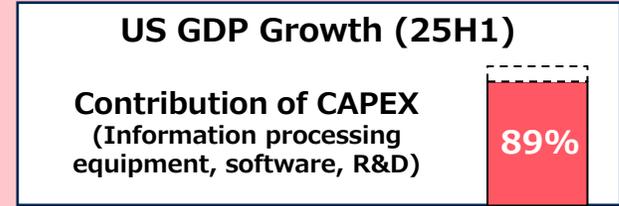
(Source) UNCTAD

AI investment

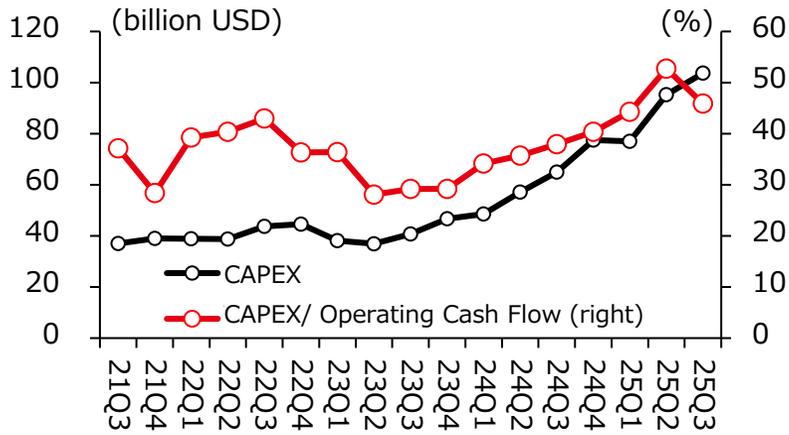
AI fundraising and monetization become even more delicate

Current situation: AI- related investments are supporting the US economy

- Led by major tech companies, the expansion of capital investment, particularly in AI- related fields, is supporting the US economy.
- Investments in related infrastructure such as semiconductors, servers, network devices as well as data centers, power plants and transmission networks will proceed in stages.

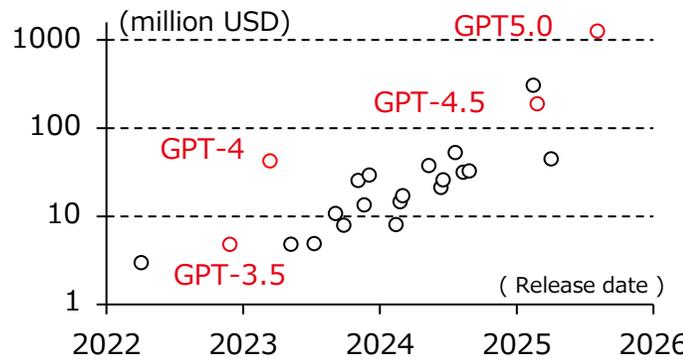


Capital expenditures by US tech giants*



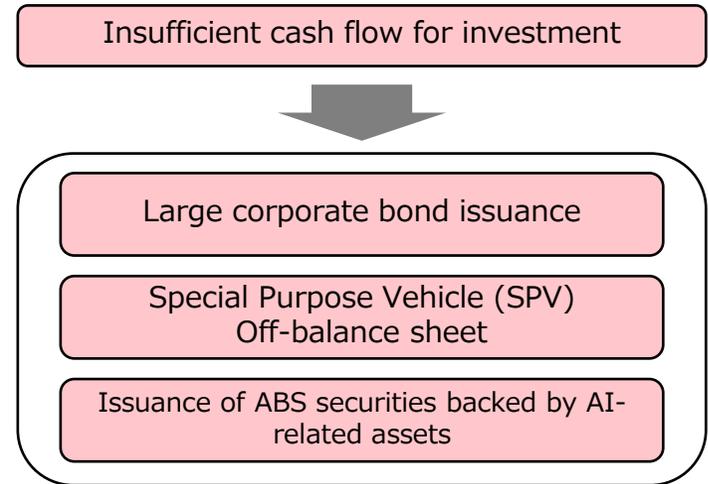
*Alphabet, Amazon, Apple, Broadcom, NVIDIA, Tesla, Microsoft, Meta

Generative AI development costs: increasing exponentially



*GPT5.0 is at the lower end of the estimated range (\$1.25-\$2.5 billion)

∇ Trends surrounding fundraising for AI-related investments



Outlook: While the economic support effect of AI-related investments will continue for the time being, investors' outlook will become even more critical.

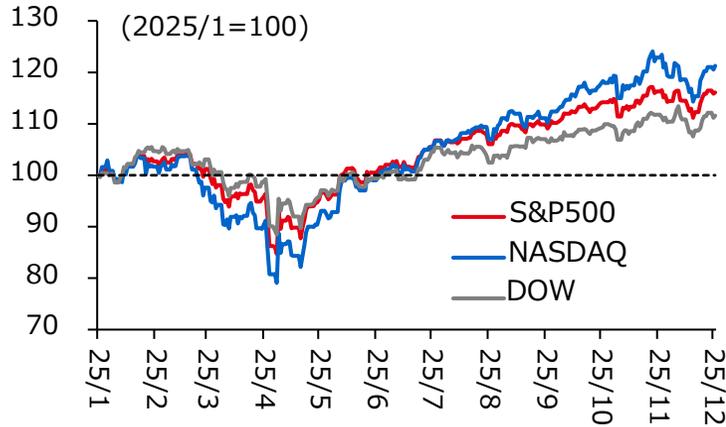
- AI-related investment will continue steadily, based on the investment plans of major companies, without being significantly affected by short-term fluctuations in the labor market or trade environment.
- On the other hand, as companies shift the funding sources for their AI-related investments from operating cash flow to instruments such as corporate bonds, Investors will be more critical of the prospects for profitability in AI-related business.

AI Economy and the US Stock Market

AI-related stocks will have a major impact on the future of the US stock market

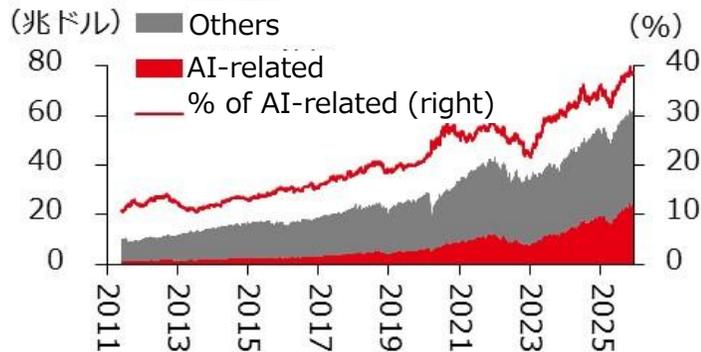
Major stock indexes (US)

Tech-centric Nasdaq outperforms



S&P 500 market capitalization

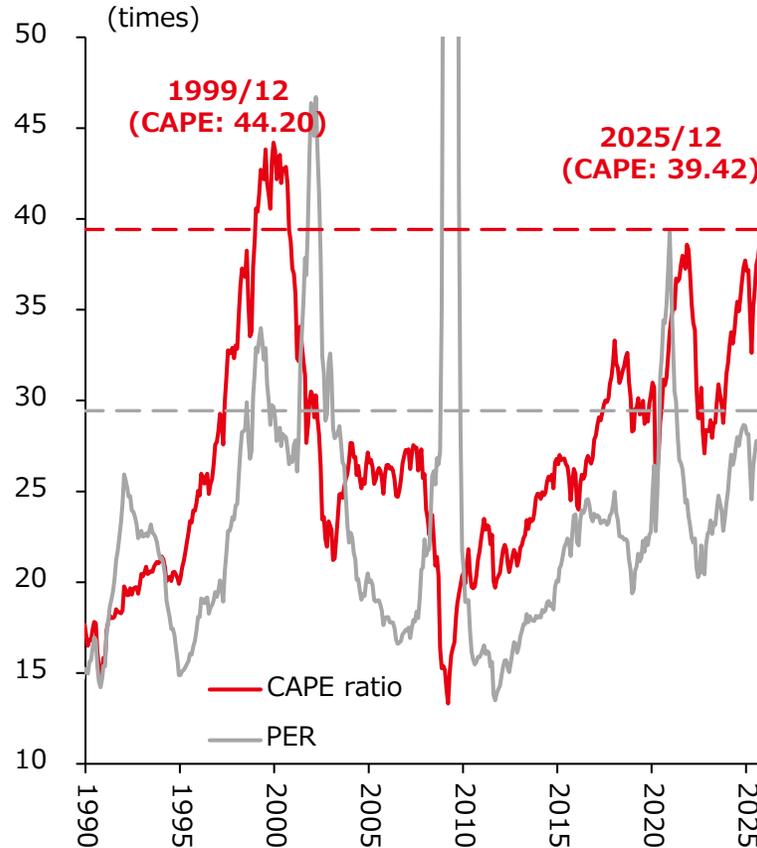
Major AI- related stocks account for approximately 40 % of the market capitalization



*Total for the 13 companies in the table on the right.
(Source) LSEG

S&P 500 : CAPE ratio*

Adjusted price-to-earnings ratios approach those of the dot-com bubble



*An index calculated by dividing stock prices by 10 -year average earnings and adjusting for inflation using the Consumer Price Index. It evaluates whether stock prices are overvalued or undervalued in the long term by removing the effects of short-term earnings fluctuations and economic cycles.
(Source) Shiller Data

Performance of major AI- related stocks

Some stocks are pricing in significant future growth expectations

(2025/12/1)	Market capitalization (trillion dollars)	PER (times)
NVIDIA	4.4	44.9
Apple	4.2	38.5
Alphabet	3.8	31.1
Microsoft	3.6	34.9
Amazon	2.5	33.1
Broadcom	1.8	97.8
Meta	1.6	22.3
Oracle	0.6	46.5
Palantir	0.4	399.2
AMD	0.4	112.3
IBM	0.3	37.4
Salesforce	0.2	34.1
Adobe	0.1	20.1
total	24.0	—

0~30 times	30 to 40 times	40 to 80 times	80 times or more
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(Source) LSEG

Energy Market and AI

AI will increase energy demand while its impact will be uneven across regions

▽ Policy issues surrounding energy and their current situation

1. Energy transition

Faced with the trilemma of responding to climate change, energy security, and providing affordable energy, many countries are facing the difficulty of energy transition. COP30, even when the latest NDCs were compiled, the decline was only within the range of 2.3 to 2.5 degrees Celsius, once again highlighting the difficulty of achieving the 1.5 degree Celsius target.

Climate change response

Affordability

Energy Security*

*Includes economic security (such as issues related to critical minerals) and power security (strengthening of power infrastructure).

In addition to the energy transition, addressing energy additions is becoming an important issue

2. Energy Addition

Power generation forecast

Unit: GWh

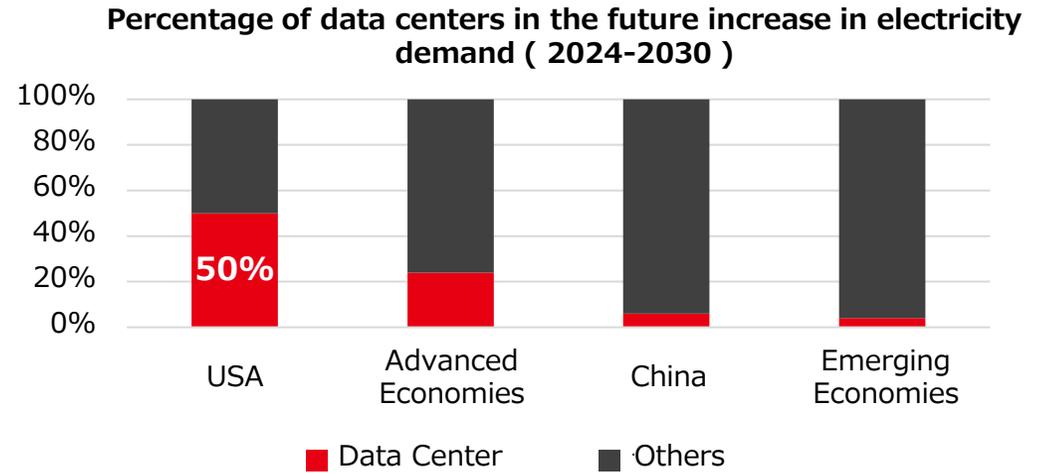
IEA forecast

Background to the increase in global electricity demand

Factors include industrial electrification, air conditioning, and AI

(Source) IEA

▽ Regional unevenness in increased electricity demand due to AI



▽ Energy reduction effect through the use of AI

