

**Marubeni**  
**Institute**

株式会社丸紅経済研究所

# **World Economic Outlook Update**

## **Will the AI boom sustain its momentum?**

March 2026

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# Economic Growth in Major Countries/Regions

## ▽ Real GDP growth forecast (YoY, %)

	world share 2024 (%)	2025 Prospects	2026 prediction	2027 prediction	Changes from last time (25/12) (%pt)		
					2025	2026	2027
<b>World</b>	<b>100</b>	<b>3.4</b>	<b>3.3</b>	<b>3.2</b>	+0.2	+0.3	--
<b>Developed countries</b>	<b>39.6</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	+0.1	+0.3	--
US	14.8	2.2	2.4	2.0	+0.2	+0.5	--
Euro area	11.5	1.5	1.4	1.5	+0.1	+0.1	+0.1
UK	2.2	1.3	0.8	1.1	▲0.1	▲0.1	--
Japan	3.3	1.1	0.6	0.7	--	+0.1	--
(Fiscal Year)	-	0.8	0.7	0.6	--	+0.1	▲0.1
<b>Emerging countries</b>	<b>60.4</b>	<b>4.4</b>	<b>4.1</b>	<b>4.1</b>	+0.2	+0.1	--
China	19.3	5.0	4.2	4.0	+0.3	--	--
India	8.2	7.4	6.9	6.5	--	+0.1	--
ASEAN-5	5.1	4.6	4.2	4.3	+0.3	--	--
Central and Eastern Europe	7.8	2.0	2.3	2.4	+0.2	+0.1	--
Latin America	7.2	2.4	2.2	2.7	--	▲0.1	+0.1
Middle East and Central Asia	7.4	3.7	3.9	4.0	+0.2	+0.5	+0.2
Sub-Saharan Africa	3.5	4.4	4.6	4.6	+0.3	+0.4	+0.1

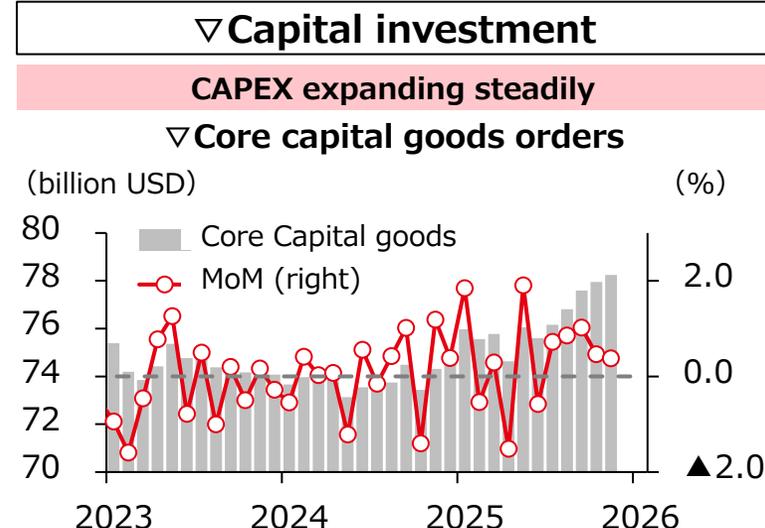
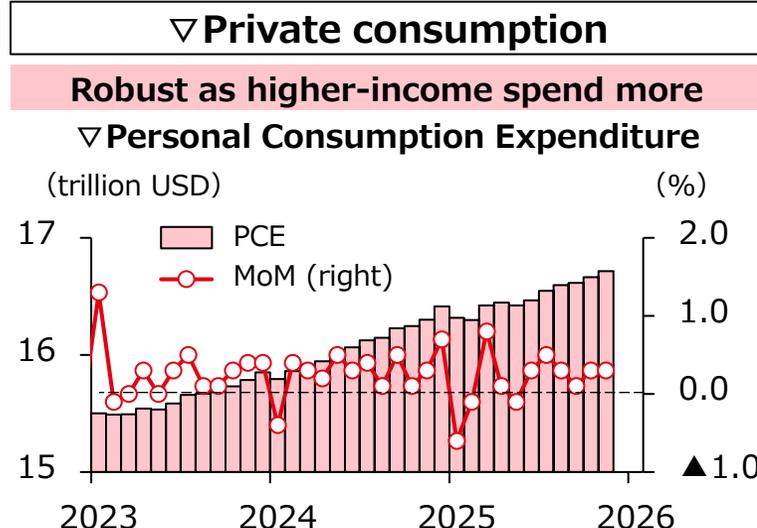
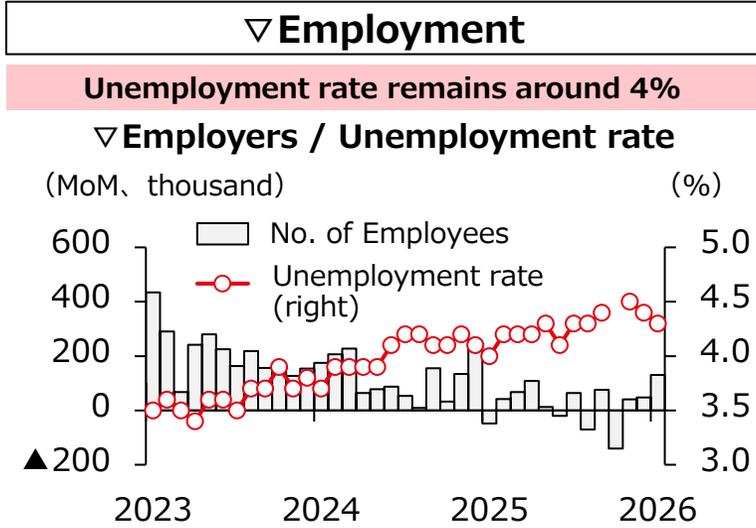
- We expect the global economy to grow 3.3% in 2026, almost the same as the prior year.
- In 2025, AI-related investment supported the economy through multiple channels (real demand creation, rising tech equity prices, etc.). Caution is rising over the prior rapid pace of capital outlays, and power infrastructure constraints could become a bottleneck for AI development, risking a slowdown in investment.
- The AI boom benefits exporters of related goods (ASEAN in particular), with spillovers globally.
- The U.S. 2026 growth outlook is revised up notably. However, much reflects the base effect of late-2025 acceleration. Even though the stimulus on consumption is expected in early-2026 through large tax refunds, some slowdown versus late-2025 is likely. Policy uncertainty, including tariffs, persists.
- In Japan, despite a strengthened political footing after the LDP's landslide in the lower-house election, markets will focus on how the Takaichi administration's active fiscal stance impacts fiscal metrics.
- After the Supreme Court struck down tariffs under IEEPA and the administration announced new tariffs under Trade Act §122, tariff uncertainty in the U.S. has re-emerged. While disruption is unavoidable, the macro impact appears limited at present. Still, the changed status of tariffs as a negotiation tool and reduced tariff revenue could constrain the administration going forward.

\*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, Philippines, Singapore, and Thailand.  
Source: Marubeni Institute

# US Economy: Overview

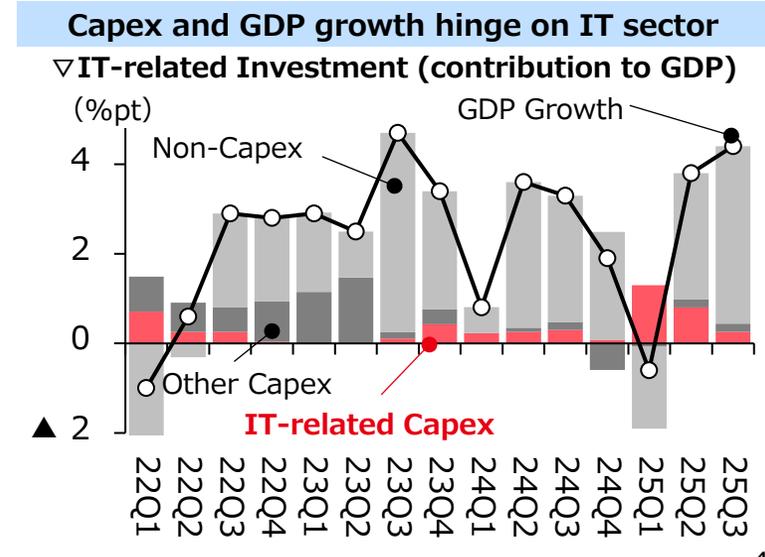
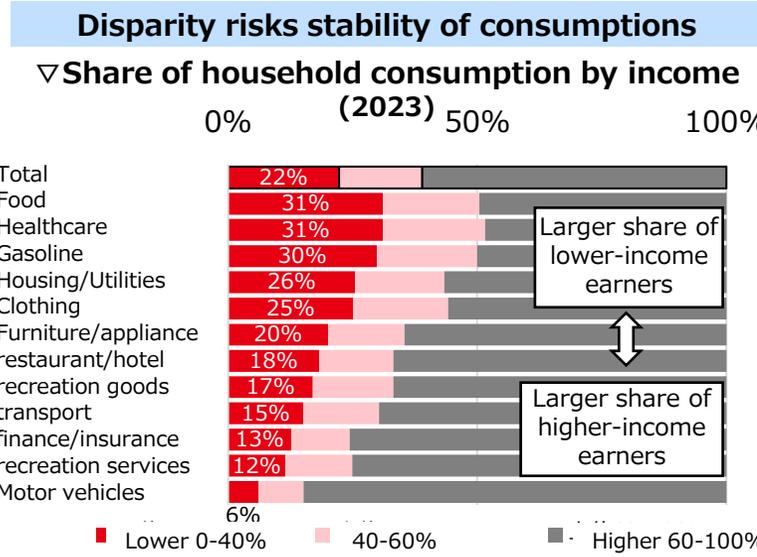
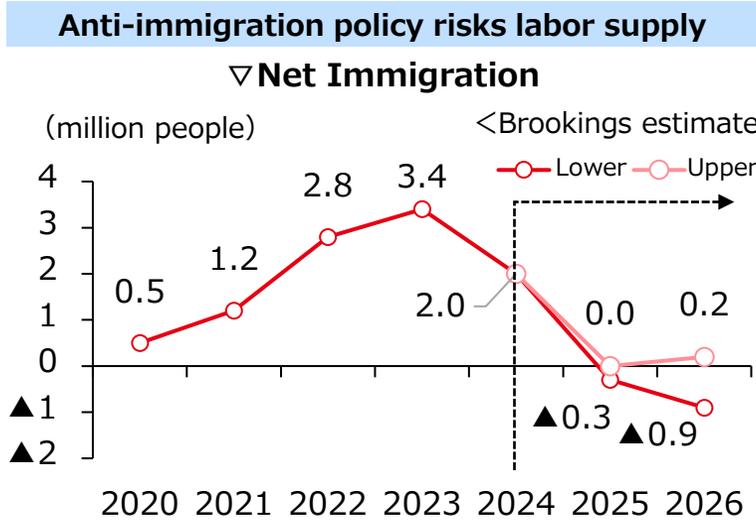
## Structural labor-market shifts and unbalanced consumption/investment pose risks

Trends



\*非国防資本財受注（航空除く）

Risks



# US Economy: Personal consumption

## Consumption supported by fiscal easing and equity gains

- Large tax refunds: The One Big Beautiful Bill (OBBB), enacted July 2025, opened refund applications for overpaid taxes from Jan 2026. Refunds are estimated to be up to \$100bn (approx. 0.3% of GDP), temporarily lifting consumption via higher disposable income.
- Wealth effect from equities: U.S. households' direct & indirect equity holdings increased by about \$9.0tn through Q3 2025 vs. last year end, stimulating spending especially among higher-income households with larger financial-asset shares.

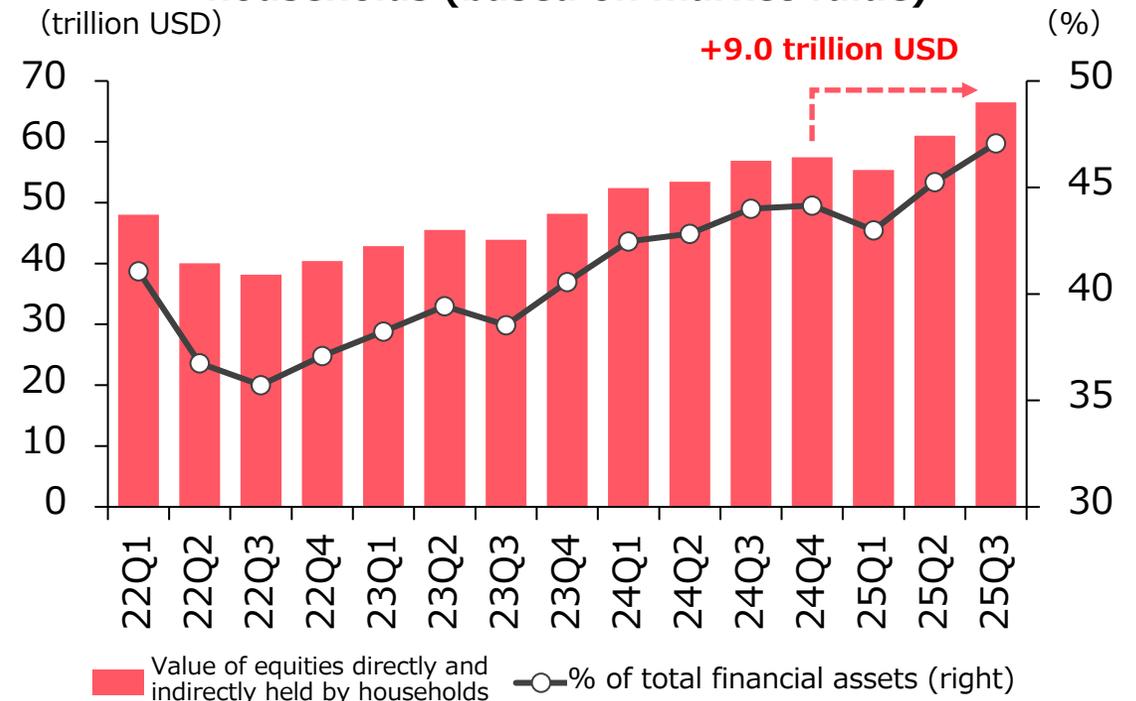
### ▽ Household-focused measures in OBBB

- Personal income tax cuts in 2025: \$128.7 billion
- Refund increase in 2026: Up to \$100 billion (0.3% of GDP)

Measures	2025 Revenue Effect, billion USD
Child Tax Credit Increase	▲ 8.9
Standard Deduction Increase*	▲ 18.3
SALT Cap Increase**	▲ 32.2
New \$6,000 Additional Deduction for Seniors***	▲ 16.8
New Deduction for Auto Loan Interest***	▲ 6.8
New Deduction for Tips***	▲ 7.0
New Deduction for Overtime Income***	▲ 38.7
<b>Total</b>	<b>▲ 128.7</b>

\*Permanent or increased measures of the 2017 Tax Reform (TCJA) (adjusted for inflation every year). \*\*The SALT deduction cap was newly established by the TCJA and subsequently increased by the OBBB (time-limited measure until 2029). Timed measures until 2028. Source: FRB; DOC, Tax Foundation

### ▽ Value of equities directly and indirectly held by households (based on market value)

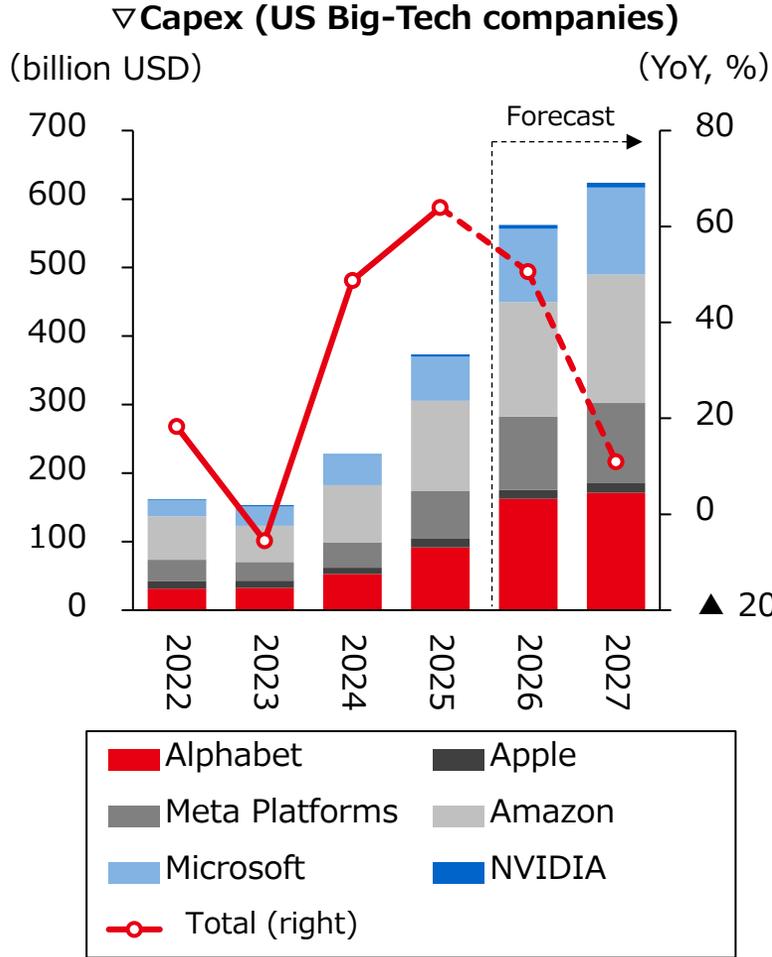


\*The sum of the actual holdings of shares taking into account investment trusts, etc. Source: FRB

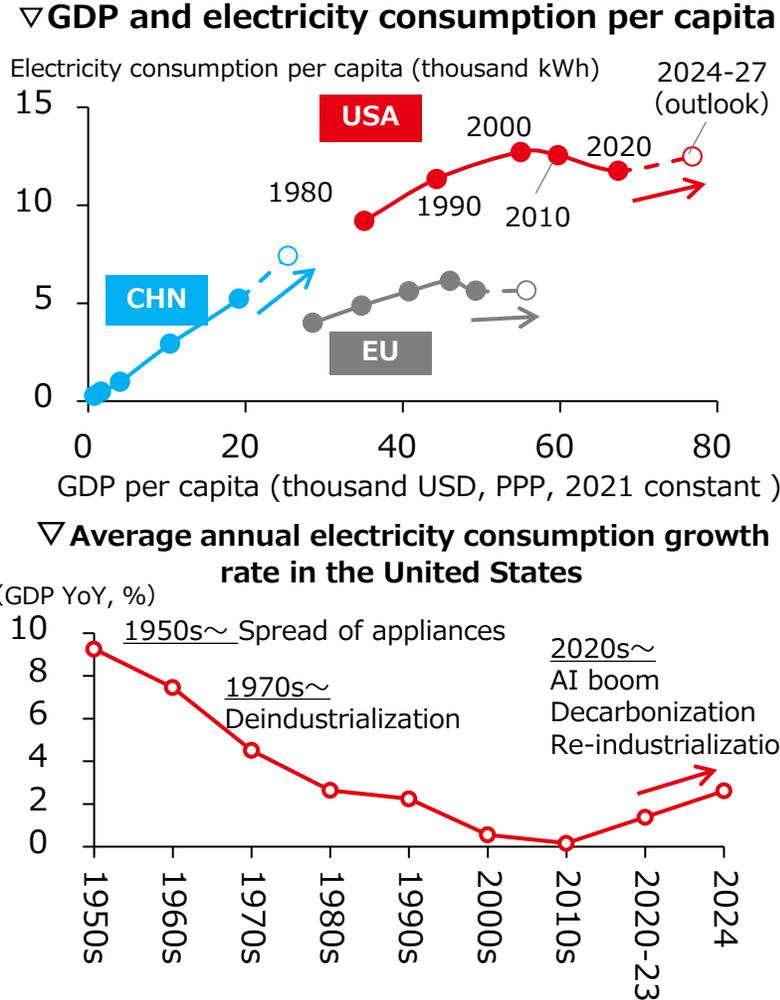
# AI Economy: Where AI-related Investment Is Headed

Big Tech's capex expansion may slow. Power infrastructure constraints could curb investment

## AI-related investment could peak around 2026

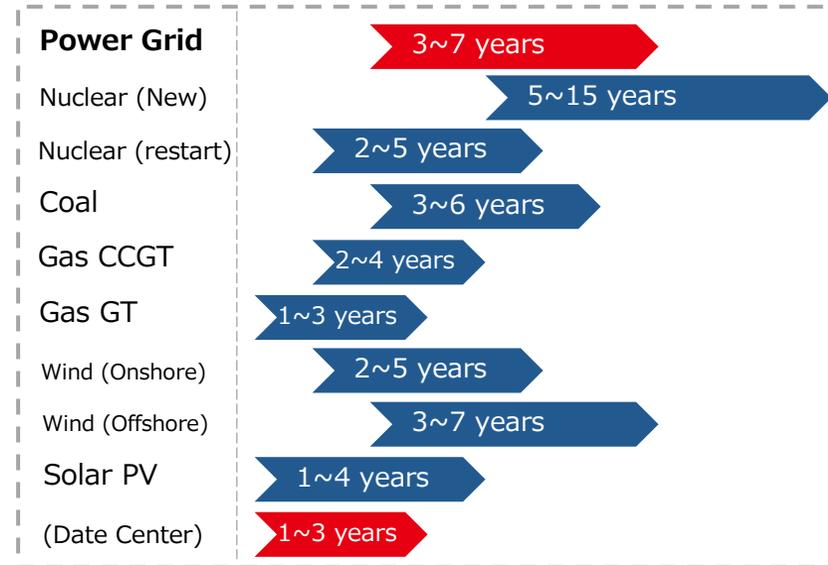


## Long-term electricity demand appears to be at a turning point



## Power Constraints can be a major bottleneck for Data Center investment

### ▽ Average timeline for power infrastructure construction



**Structural solutions to the tight supply and demand of electricity will take time in the medium to long term.**

- The construction of power infrastructure, especially power grid, takes several years, leading to a mismatch with the timeline for data center construction
- The lack of power infrastructure may be a more decisive source of supply constraints compared to the shortage of GPUs (semiconductors)

Note: Forecast is a market consensus as of Feb. 20.  
Source: LSEG

Source: (Upper) IEA, EIA, IMF  
(Lower) NERC, etc.

Source: IEA, etc.

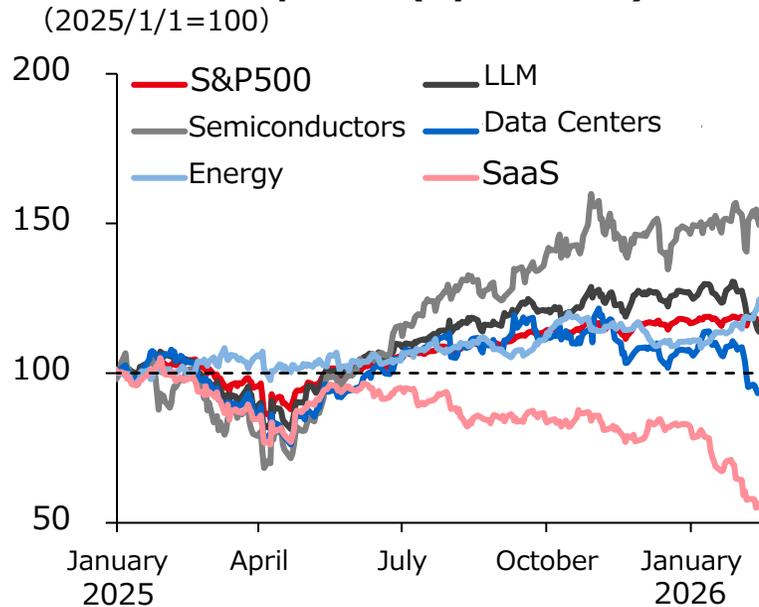
# The AI Economy: AI and the Stock Market

## The impact of AI on the stock market is getting more complex

### ▽The main concerns surrounding AI stocks

- **SaaSocalypse:** Following the announcement of Anthropic's autonomous AI agent and business plug-in, the stock prices of SaaS-related companies fell sharply. Goldman Sachs' distribution of winners and losers by popularizing AI to customers has also contributed to the concerns of some companies.
- **Data Center and Power Investment:** The construction of power infrastructure (especially power grid) takes several years, leading to a mismatch with the timeline for data center construction. This has led to concerns that power shortages will be a restraining factor for data center investment.
- **Challenges against US hegemony in AI sector:** As in the DeepSeek shock from China in early 2025, there is a possibility that other countries/players will challenge the superiority of AI development environment in the United States.

### ▽Stock prices (by themes)



### ▽AI stock correction events and stock prices (1-day change, %)

Date	2025/1/27	2025/11/6	2025/12/12	2026/2/3
Events	DeepSeek Shock	Michael Barry Shock	Complex Shock	Anthropic Shock
Features	The Rise of Chinese-made AI	Palantir Short Selling, AI Bubble Concerns	Broadcom Earnings: Concerns about deteriorating profit margins, Oracle DC postponement report	Concerns about AI eroding SaaS businesses
S&P500	▲1.5	▲1.1	▲1.1	▲0.8
LLM*	▲1.4	▲1.8	▲1.3	▲1.7
Semiconductors	▲15.8	▲3.0	▲5.6	▲2.8
Data Centers	▲2.3	▲2.7	▲2.2	▲2.0
Energy	+2.4	▲0.0	+0.5	+2.6
SaaS**	+2.2	▲2.8	+0.1	▲7.9

\*LLM: Large Language Model\*\*SaaS: Software as a Service

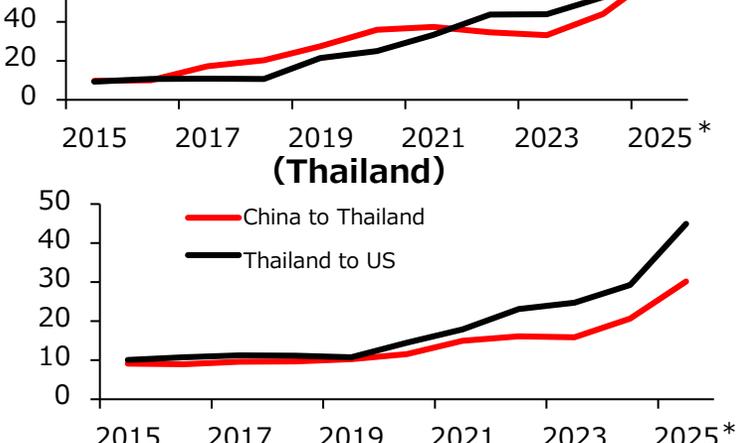
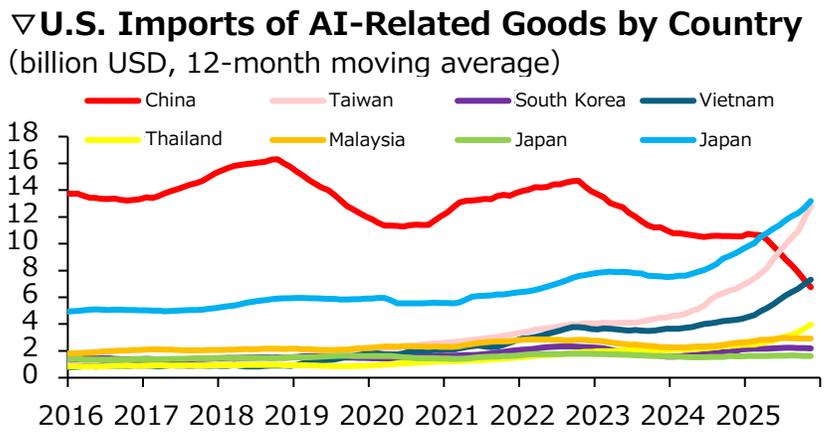
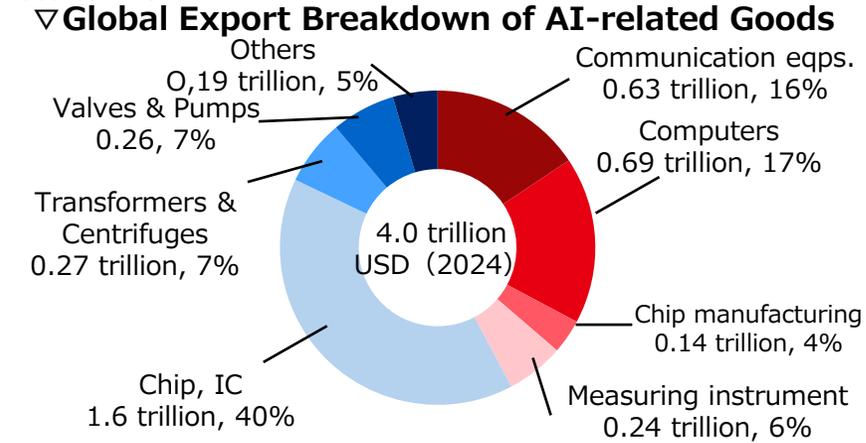
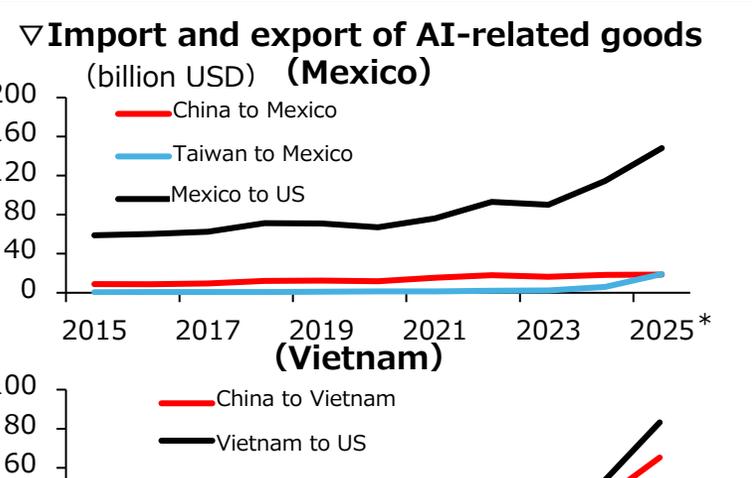
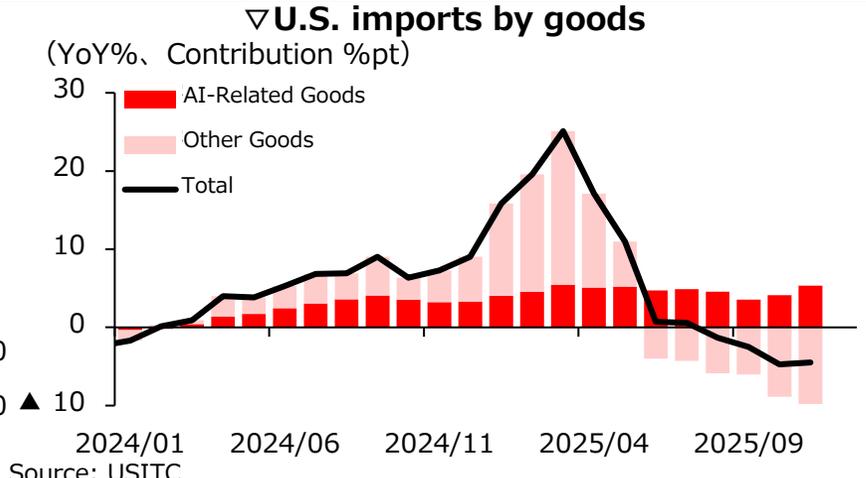
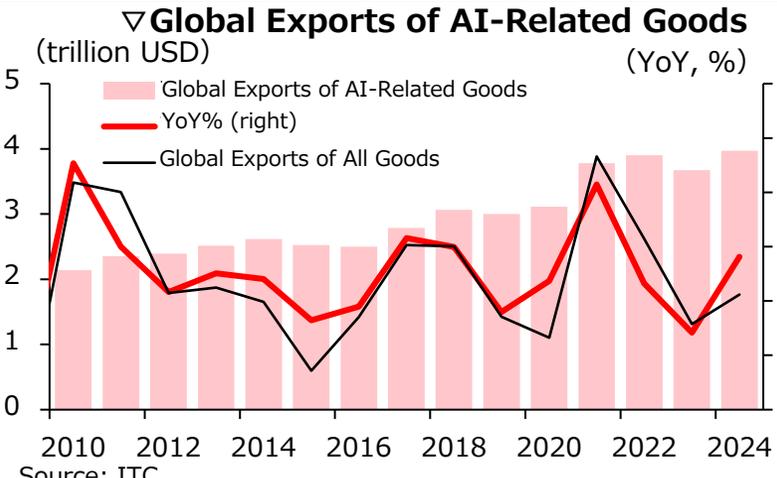
The S&P 500 is the total market cap. of the components. The component stocks of each theme are as follows : LLM (Alphabet, Microsoft, Amazon, Meta, Palantir) 、 Semiconductors (NVIDIA, AMD, Broadcom, Micron, Applied Materials, Intel, Lam Research) 、 Data Centers (Equinix, Digital Realty Trust, Akamai, Oracle, Amazon) 、 Energy (NextEra Energy, Duke Energy, Southern Company, Dominion Energy, AES) 、 SaaS (Salesforce, ServiceNow, Adobe, Workday, Intuit)

Source: LSEG

# AI Economy: Trade Flows for AI-Related Goods

## AI related demand in the United States spreads to the global supply chain

Global exports of AI-related goods have generally expanded at a pace that exceeds total overall exports in recent years. In the United States, overall imports decreased due to tariffs, while imports of AI-related goods remained steady. Several patterns can be seen in the procurement of AI-related goods in the country. While there was a significant decrease from China, semiconductors and other products increased from Taiwan, and from Mexico, it expanded significantly against the backdrop of progress in local production. Imports from Southeast Asia are also increasing, but behind the scenes, imports from China are simultaneously increasing into Southeast Asian countries, which suggests that a major rerouting is occurring. On the other hand, direct investment in Southeast Asia is also increasing, and local production may advance in the future.



Note: Export to US (JAN-NOV), Others (Total Year)  
Source: USITC, ITC

# Japan's Economy: Economic and Fiscal Management

There remain financial constraints on policy promotion even after the LDP's landslide victory in the elections

In the House of Representatives election in February, the LDP won more than two-thirds of the seats alone, a historic victory  
 → Takaichi's government is able to promote policies under a strengthened political foundation.

### Industrial Policy

- Promote bold investment promotion measures through multi-year budgets and long-term funds. In particular, budgets for crisis management investments and growth investments are managed separately over multiple years.
- Investment promotion tax breaks. Under certain conditions, it is possible to apply immediate amortization or tax credits for capital investment such as productivity improvement
- Build a country-independent supply chain

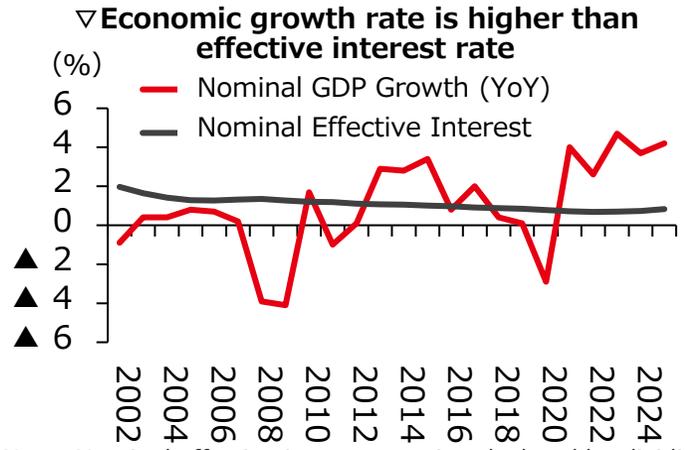
### Measures against Inflation

- Increase in the basic deduction amount of income tax
- Bipartisan National Assembly to Consider Integrated Social Security and Taxation Reform, Including the Design of a System for Tax Credits with Benefits
- The feasibility of a 2 year temporary revocation of food and beverage consumption tax will be intensely discussed.
- Conduct an interim summary before the summer and aim to submit tax reform-related bills as soon as possible

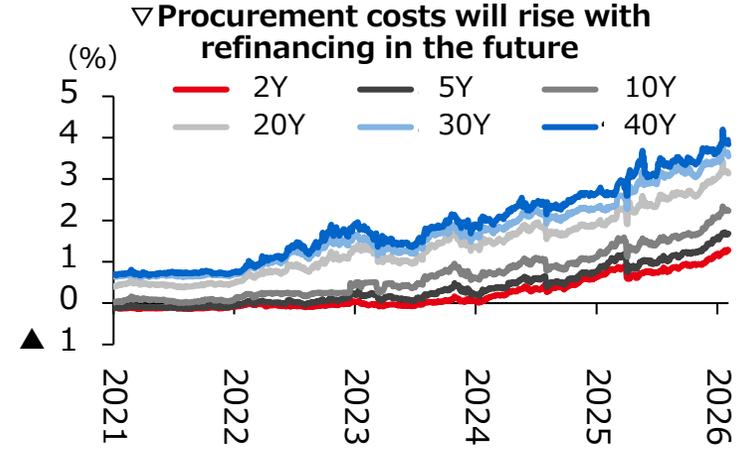
### Defense expenditure

- Promoting the fundamental strengthening of defense capabilities
- Improvement of the treatment of Self-Defense Forces

## Financial Restraints

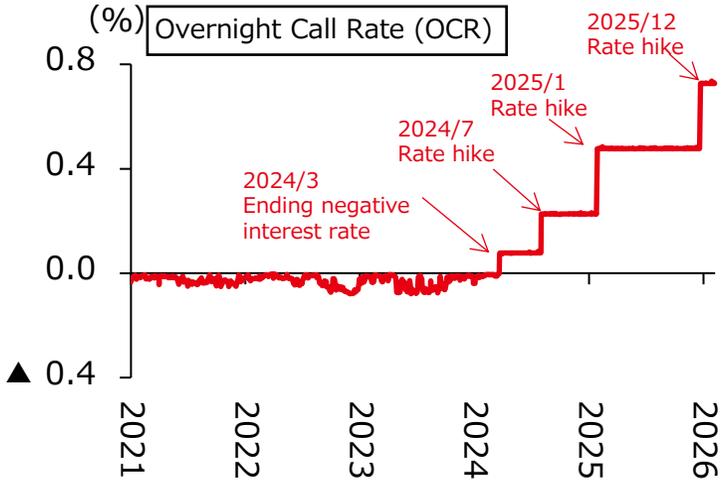


Note: Nominal effective interest rate is calculated by dividing interest expenses by the balance of government bonds.  
 Source: Cabinet Office

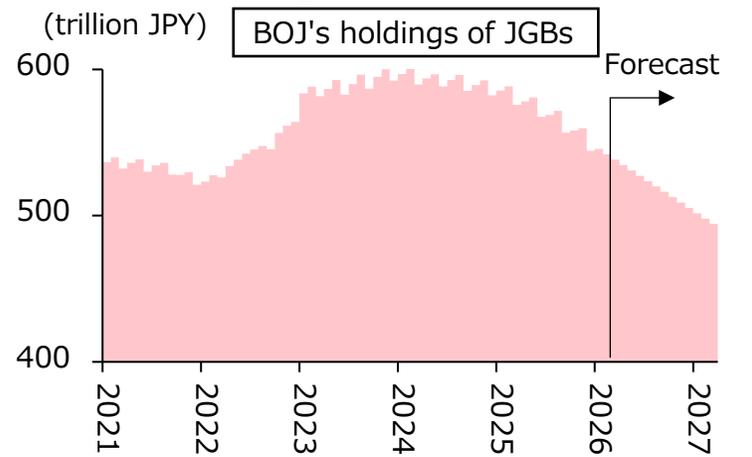


Source: LSEG

▽ Upward trend in interest rates will continue amid the expected BoJ's interest rate hike and shrinking of government bond holdings



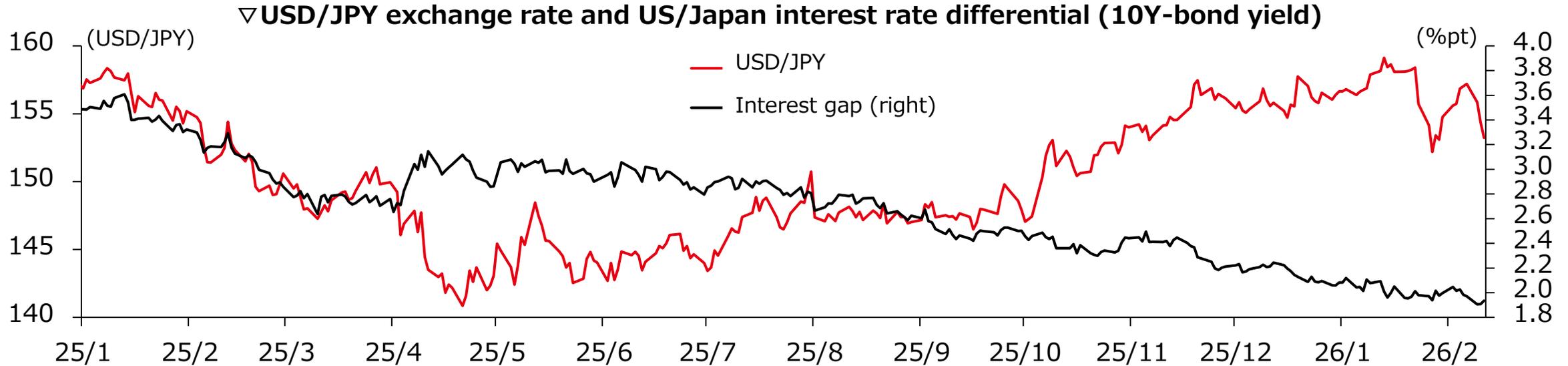
Source: LSEG



Note: Forecast is based on the pace announced by BOJ  
 Source: Bank of Japan

# Japan's Economy: Exchange rate (USD/JPY)

The yen moved in the low range due to speculation about "active finance" and "financial repression". Speculation about market intervention is a supporting factor for the yen



## ▽ Key dominating factors surrounding the dollar-yen exchange rate

<p><b>JPY depreciation</b></p> <p>↑</p> <p>↓</p> <p><b>JPY appreciation</b></p>	<ul style="list-style-type: none"> <li>● Concerns about the "indulgence" of the Takaichi administration's "responsible and active finance" ("National Assembly" discussion on consumption tax cuts, "Solid policy")</li> <li>● Japan's preference for overseas investment continues (popularity of overseas stocks, new NISA system)</li> <li>● \$550 billion investment deal in the U.S. (pressure on the Japanese government continues even after IEEPA tariff invalidation ruling)</li> </ul> <ul style="list-style-type: none"> <li>● Japan's huge current account surplus (strong primary income balance boosted up. Decline in inbound demand mainly due to a decrease in Chinese tourists.)</li> <li>● The US Federal Reserve's monetary policy (though multiple interest rate cuts widely expected, concerns for persistent inflation remain. Mr. Walsh's nomination as Fed chairman is regarded as an uncertain factor)</li> <li>● Bank of Japan's monetary policy (carry on tightening as promised but cautiously against backdrop of unstable economic and fiscal conditions. The government may implicitly show desire to halt interest rate hike amid projected expansion of government spendings)</li> </ul> <ul style="list-style-type: none"> <li>● High likelihood of narrowing of the interest rate differential between Japan and the United States (narrowing by about 1 percentage point over the past year)</li> <li>● The government's and the Bank of Japan's stance to curb yen depreciation (in line with the U.S. government's preference, the market perception that excessive yen depreciation can be corrected through market intervention, etc.)</li> </ul>
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# International Affairs: U.S. Regional Strategy

The Trump administration announced a reorganization of U.S. foreign policy. Changes in U.S. foreign engagement pose a risk of instability in each region

## ▽The Trump Administration's Foreign Policy: Collating Strategic Documents with Actual Actions

(1) What they say: NSS and NDS	(2) What they do (2025/1~2026/2)
Criticism of liberal internationalism / confirmation of "Non-Intervention"	Negotiations with authoritarian countries / frequent military intervention
Emphasis on Western Hemisphere ("Monroe Doctrine", "sphere of influence")	Exercising power in Latin America / Maintaining influence outside Western Hemisphere
Alliances that emphasize burden sharing and self-reliance and self-help efforts	Demands for Allies to Expand Defense Spending and Tariff Measures / Pressure to buy U.S. Defense Products (negative against Allies' self-reliance in defense production)

## ▽U.S. NSS Recognition and Response Policy for the Five Regions (pp.15-29) \*

### C. Europe

#### Promoting European Greatness

- (1) Defense burden on European countries, end of Russia-Ukraine war
- (2) Greenland's territorial remarks, strengthening of sanctions against Russia and ceasefire negotiations

### D. Middle East

#### Shift Burdens, Build Peace

- (1) Weakening Iran, promotion of investment and industrial cooperation,
- (2) Houthi bombing, Middle East visit and investment agreement, attack on Iranian nuclear facilities

### E. Africa

#### From aid to trade & investment

- (1) Stop grant aid and strengthen mutually beneficial investment and trade relations with promising countries. Emphasis on energy and critical minerals.
- (2) USAID suspension, implementation of "mutual tariffs", Lobito corridor and DRC investment projects, Islamic air strikes in Nigeria

Source: White House



### A. Western Hemisphere

#### Trump Corollary to the Monroe Doctrine

- (1) Defending the mainland by refusing to infiltrate foreign countries and dealing with immigration and drug problems
- (2) Venezuelan military intervention, tightening of sanctions against Cuba, remarks on Greenland's territorial occupation

### B. Asia (Indo-Pacific)

#### Next century's key economic and geopolitical battlegrounds

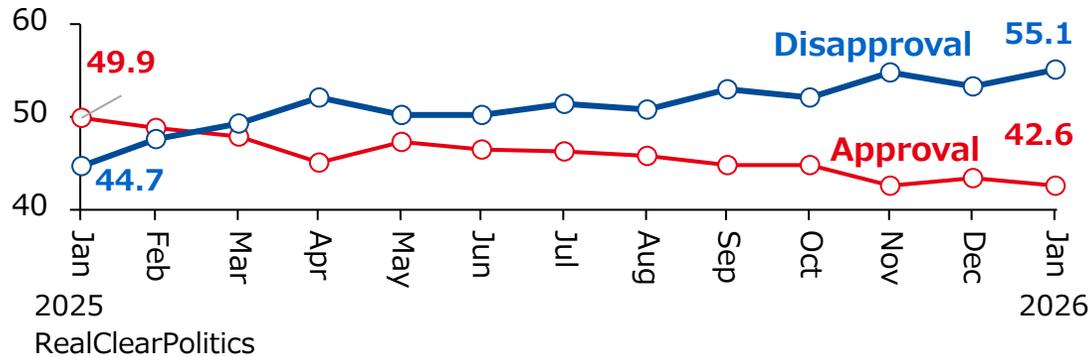
- (1) Maintaining a Free and Open Indo-Pacific (FOIP), developing a deterrence of objectivity in the first island chain, strengthening self-help among allies, and ensuring superiority over China, including economic and technological competition
- (2) Tariff exchange and deals with China, indirect exclusion of China through deals with other countries, demands for increased defense spending from Japan, South Korea, etc., and abolition of the Indo-Pacific Economic Framework (IPEF)

# International Affairs: Linkage between U.S. Domestic and Foreign Policy

The Trump administration's response to the "internal troubles" may affect not only the US domestic policy but also foreign policy

## ▽ "Internal troubles" for Trump administration

President Trump's approval/disapproval ratings



### Affordability

Continued soaring cost of living  
Dissatisfaction with economic policy

Minneapolis Crisis  
Criticism of ICE

IEEPA Tariff Invalidation Judgment  
Criticism on Fed Chairman's Criminal Investigation

### Immigration

### Consolidating power



## ▽ Expected administration's response menu

\*Exercising (1) ~ (3) in combination

### (1) Course Correction

Correcting the course of policies that worsen internal troubles

- Relaxation of tariff measures (exemption from agricultural products, pharmaceutical raw materials, natural resources, etc.)
  - Relaxing of ICE's crackdown on illegal immigration in Minnesota
  - Reconsideration for sustaining of ACA (Obamacare)
  - Consideration of regulations restricting housing purchase by institutional investors
  - Consideration of a \$2,000 cash payment ("tariff dividend")
- tariff relaxation related to the cost of living, etc., expands U.S. fiscal concerns

### (2) Blame Game

The exchange of accusations over responsibility for internal troubles

- (Domestic) Democratic governor criticizes state governments, middlemen criticize price increases
- (Overseas) Enforcing trading partners to perform investment and trade commitments in the U.S. deals (South Korea, Japan, EU, etc.)

→ Weakening of government functions due to division (risk of government shutdown, etc.), threat of tariffs

### (3) Diversionary Foreign Policy

Activating foreign policy to divert attention from internal troubles

- Intervention in regional conflicts (political and military)
- Critical stance on the existing international order (withdrawal from international organizations, etc.)

→ Frequent limited military interventions, deterioration of the functioning of international organizations

### 5 alarm signs of the Republican camp for the midterm elections

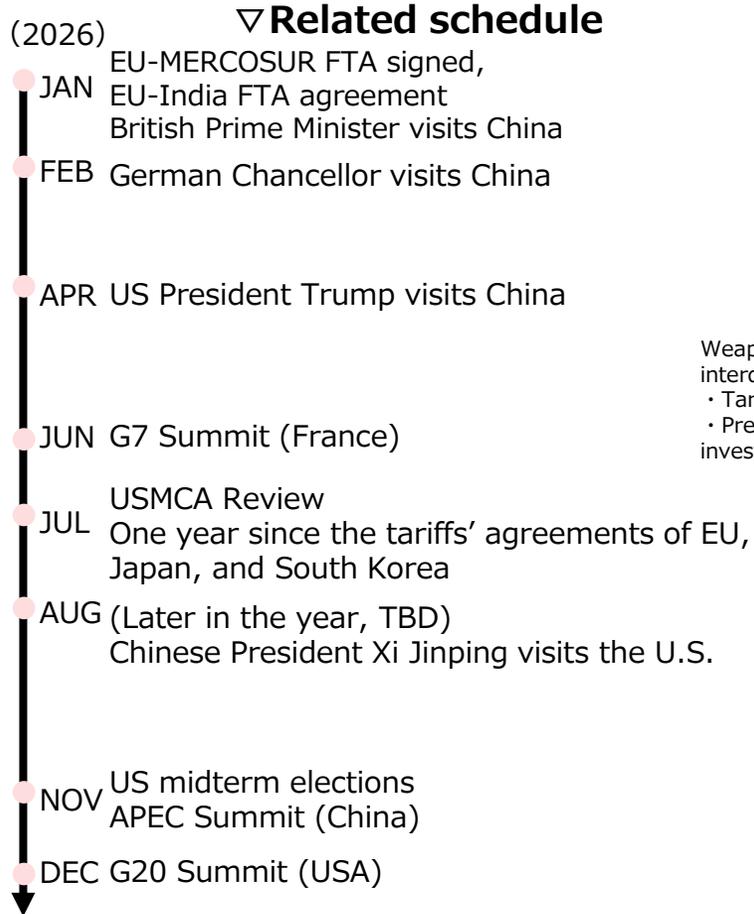
(1) Decline in President Trump's approval rating, (2) Increasing criticism of economic policies, (3) Democratic Party breakthrough in the most recent elections (NY mayor, VA/NJ governor, TX upper and lower lawmakers, etc.), (4) Retirement of quite a few incumbent Republicans, (5) Democratic dominance in congressional voting tests

# International Affairs: The Future of the International Economic Order

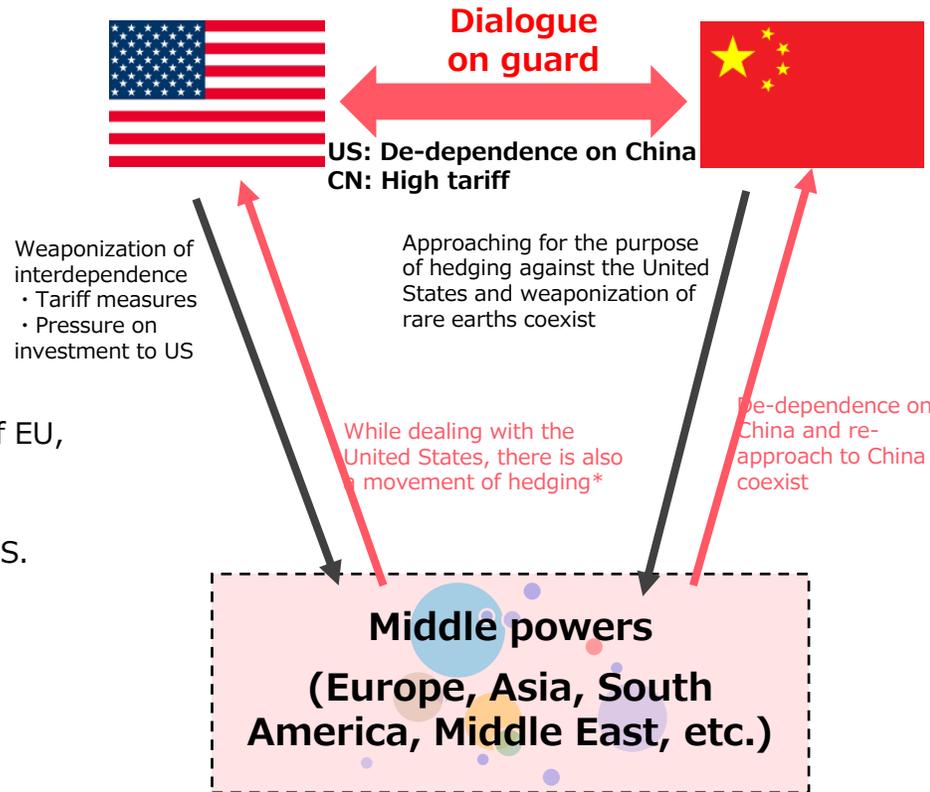
While maintaining the leading position of the United States, locally, hedging (diversification) in response to uncertainty in the United States

While each country commits to the deal with the United States, efforts for lessening reliance on the United States both economically and politically are likely to persist.

There are only signs of a change in the economic and financial position of the United States



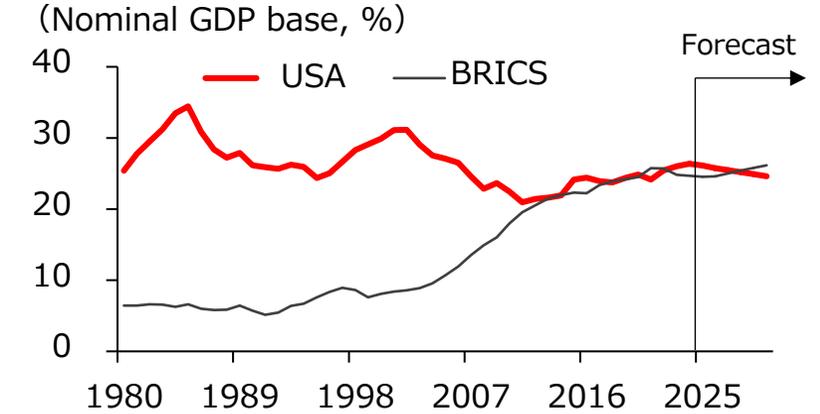
▽ **Distance adjustment phase of the US, China, and middle powers**



\*Hedging: Shifting from U.S.-centric external relations to building more diversified relationships including the cultivation of FTA network

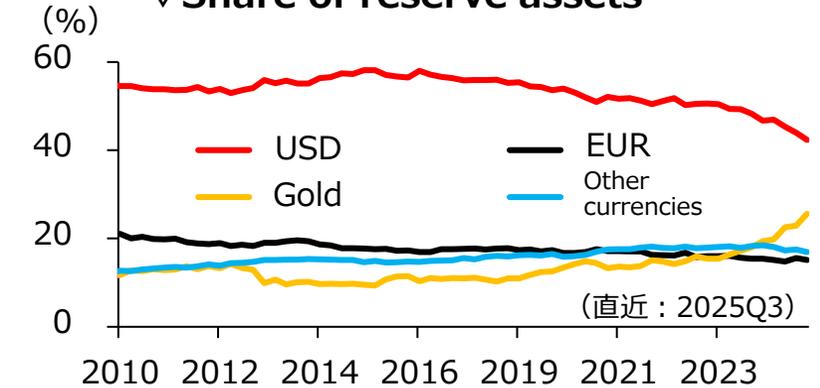
Source: Marubeni Institute

▽ **Economic share**



Source: IMF World Economic Outlook (Oct. 2025)

▽ **Share of reserve assets\***



Note: \*Excluding foreign currency + gold, SDR, etc. Changes in composition ratios include changes in holdings, as well as market valuation factors.

Source: IMF, WIND

Source: Marubeni Institute

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