

Event Update - IMF World Economic Outlook

April-2026

Global real GDP growth lowered amid the ongoing Middle East conflict..

In its latest World Economic Outlook (WEO) report, the IMF forecasted global real GDP growth at 3.1% for 2026 and 3.2% for 2027, marking a downward revision of 20 bps for the 2026 projection. The forecast for 2027 was kept unchanged vs. the expectation in Jan-2026. According to the IMF, the small downward revision to global growth compared with the Jan-2026 WEO update reflects offsetting factors such as lower tariffs, existing policy support, and stronger-than-expected performance at the end of 2025 and early 2026 in some economies, which help partly offset the impact of the Middle East conflict. In a no-conflict scenario, the IMF projected global growth at 3.4% in 2026 (a 10 bps upward revision) and 3.2% in 2027, compared with its January 2026 WEO update.

The IMF indicates that cumulative growth over 2026–27 is revised down by 50 bps for low-income net energy-importing economies compared with the January 2026 WEO Update. This compares with a smaller 20 bps downward revision for energy-importing advanced economies, while net energy-exporting economies see neutral or positive revisions. The IMF estimates that under a severe scenario, global growth would be affected significantly, where growth would decline by 1.3% in 2026, bringing it close to recession territory, and by 1.0% in 2027 to 2.2%. Inflation would also rise sharply, reaching 5.8% in 2026 and 6.1% in 2027. Higher oil and gas prices are expected to reduce growth by 0.6% point in 2026 and a further 0.5% point in 2027. Under the adverse scenario, the IMF expects global growth to fall by 0.8 % in 2026 to 2.5%, and by a further 0.2 % in 2027 to 3.0%. Inflation is expected to rise to 5.4% in 2026 and 3.9% in 2027, mainly driven by higher energy prices, while tighter financial conditions and higher inflation expectations continue to weigh on growth in 2027. In both scenarios, emerging markets are more affected than advanced economies.

Growth projections for the MENA region witnessed a steeper downward revision of 280 bps for 2026 to 1.1%, mainly led by a downward revision of growth forecast for oil exporters. Projections for 2027 was revised upward by 80 bps to 4.8% for the MENA region. Saudi Arabia's growth forecast is lowered by 140 bps to 3.1% in 2026 and revised up by 90 bps to 4.5% in 2027.

Country/Regions	Apr - 2026 Forecasts			Rev. from Jan-26	
Real GDP Growth	2025	2026e	2027e	2026e	2027e
World Output	3.4%	3.1%	3.2%	-0.2%	0.0%
Advanced Economies	1.9%	1.8%	1.7%	0.0%	0.0%
United States	2.1%	2.3%	2.1%	-0.1%	0.1%
Euro Area	1.4%	1.1%	1.2%	-0.2%	-0.2%
EM and Developing Economies	4.4%	3.9%	4.2%	-0.3%	0.1%
China	5.0%	4.4%	4.0%	-0.1%	0.0%
India	7.6%	6.5%	6.5%	0.1%	0.1%
Middle East & Central Asia	3.6%	1.9%	4.6%	-2.0%	0.6%
Saudi Arabia	4.5%	3.1%	4.5%	-1.4%	0.9%
Sub-Saharan Africa	4.5%	4.3%	4.4%	-0.3%	-0.2%
Trade Volume Growth	2025	2026e	2027e	2026e	2027e
World Trade Volume					
Advanced Economies - Exports	3.7%	2.5%	2.7%	0.4%	0.3%
EM & Dev. Economies - Exports	7.4%	3.5%	5.4%	-0.1%	1.2%
Advanced Economies - Imports	4.7%	2.6%	3.1%	0.8%	0.8%
EM & Dev. Economies - Imports	5.7%	2.7%	4.9%	-0.9%	0.4%
Consumer Prices Change	2025	2026e	2027e	2026e	2027e
Advanced Economies	2.5%	2.8%	2.2%	0.6%	0.1%
EM and Developing Economies	5.2%	5.5%	4.6%	0.7%	0.3%

Sources : IMF WEO - Apr-2026

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Based on futures market data, the average oil price is expected to be USD 82.22/b in 2026 and USD 75.97/b in 2027. Oil prices are projected to rise by 21.4% due to disruptions in production and transportation in the Middle East, with the average spot price reaching around USD 82 per barrel. Natural gas prices are expected to be more heavily affected than oil due to the difficulty of restarting production and limited backup reserves. Prices surged in March 2026 after shipments through the Strait of Hormuz were halted, disrupting about 8.5 million barrels per day of crude exports as per the IMF because of limited alternative routes.

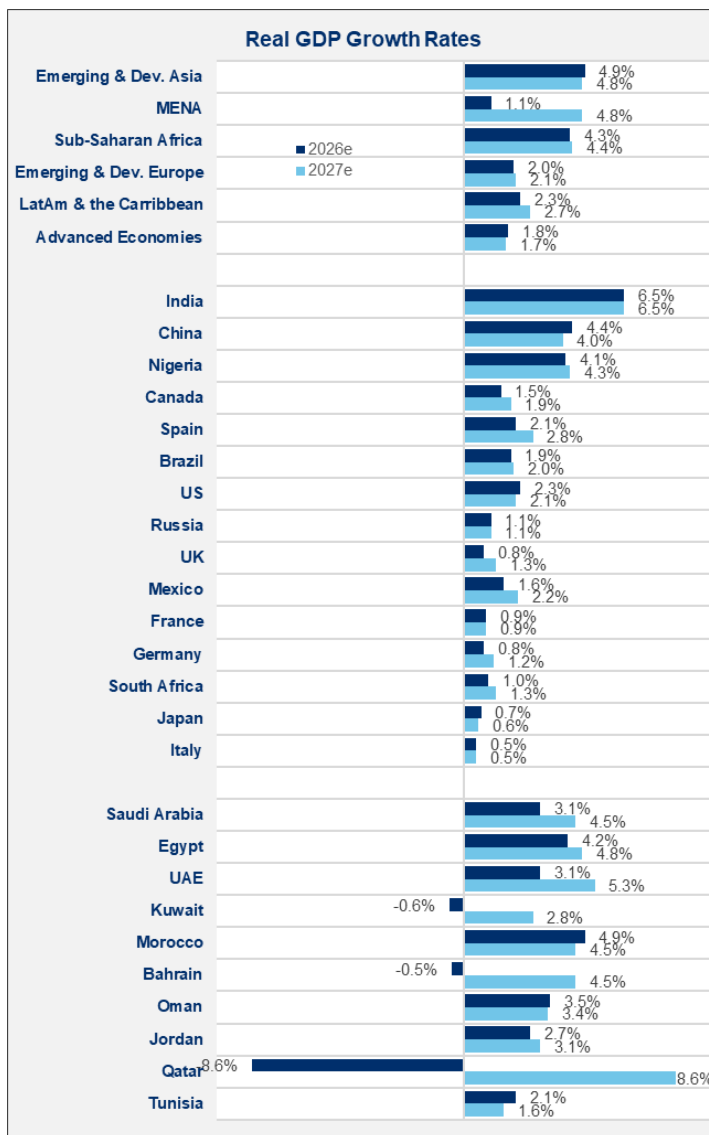
Growth outlook for Advanced Economies

Growth in advanced economies is projected at 1.8% in 2026, followed by a slight moderation to 1.7% in 2027. The Middle East conflict had a modest impact on advanced economies, reducing 2026 growth by 0.2%, with gains in the United States and Japan offsetting larger losses in energy importing regions like the Euro Area and the United Kingdom. Similarly, growth for emerging market and developing economies was revised down by 30 bps to 3.9% in 2026 and revised up by 10 bps to 4.2% in 2027 mainly due to the Middle East conflict that affected growth unevenly due to differences in geographic proximity, financial linkages, remittances, and energy dependence. Overall, it has a greater impact on emerging and developing economies, lowering their projected 2026 growth compared to pre-conflict estimates. According to IMF projections, growth in the US is expected to decline from 2.3% (-10 bps downward revision) in 2026 to 2.1% (10 bps upward revision) in 2027. The 2026 downgrade reflects a small drag from the Middle East conflict, partly offset by a post-shutdown rebound, stronger productivity, and positive carryover effects. The upgraded 2027 outlook is supported by fiscal incentives and corporate investment measures, while technology-driven gains gradually moderate but continue to offset weaker immigration and softer consumption.

Meanwhile, growth in the Euro Area is expected to decline by 20 bps to 1.1% in 2026, before picking up modestly to 1.2% in 2027 reflecting the fading boost from strong late-2025 activity and the increasing negative impact of the Middle East conflict over time. These pressures are expected to reflect high energy costs and a stronger euro, which continue to weigh on manufacturing. Defense spending is expected to support growth, but mainly in later years as it is phased in gradually. Within the region, growth expectations for Germany were revised down by 30 bps to 0.8% in 2026 and lowered by 30 bps to 1.2% for 2027. The growth forecast for UK is projected to decline from 1.3% in 2025 to 0.8% in 2026, a downward revision of 50 bps reflecting the impact of the war and a slower pace of monetary easing, Growth is projected to rebound to 1.3% in 2027, but remains below earlier forecasts due to elevated energy prices.

In Japan, growth is projected at 0.7% in 2026 and 0.6% in 2027, unchanged from previous estimates supported by fiscal stimulus, strong domestic demand carryover from 2025, and measures to mitigate higher energy prices, partly offset by weaker external demand and the Middle East conflict. Meanwhile, China’s GDP growth is revised down by 10 bps to 4.4% in 2026, reflecting lower U.S. effective tariff rates on Chinese goods, while stimulus measures help offset the negative impact of the Middle East conflict. The forecast for 2027 is unchanged at 4.0%, reflecting emerging structural headwinds including a slowdown in the housing sector, a declining labor force, lower returns on investment, and weaker productivity growth.

India’s growth is revised up by 10 bps to 6.5% in both 2026 and 2027. The upgrade for 2026 reflects strong carryover from the robust 2025 performance and a reduction in additional U.S. tariffs on Indian goods from 50% to 10%, which more than offsets the negative impact of the Middle East conflict. Growth is expected to remain at 6.5% in 2027. Growth in the Middle East and Central Asia region is projected to slow from 3.6% in 2025 to 1.9% in 2026 before rebounding to 4.6% in 2027. This reflects a downward revision of 20 bps for 2026 and an upward revision of 60 bps for 2027, as the region is most directly affected by the conflict and is expected to experience a subsequent rebound, particularly among commodity exporters. Emerging and developing Europe is projected to grow by 2.0% in 2026 and 2.1% in 2027. Both forecasts have been revised down by 30 bps. In Russia, growth is projected to be revised up by 30 bps to 1.1% and is expected to remain at 1.1% in 2027, supported by higher commodity prices.



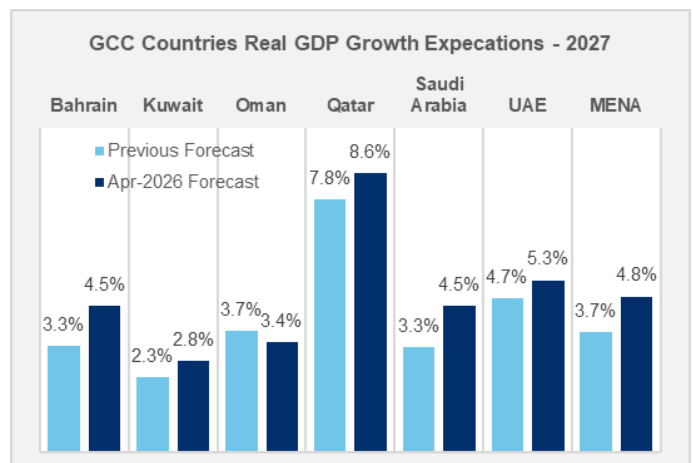
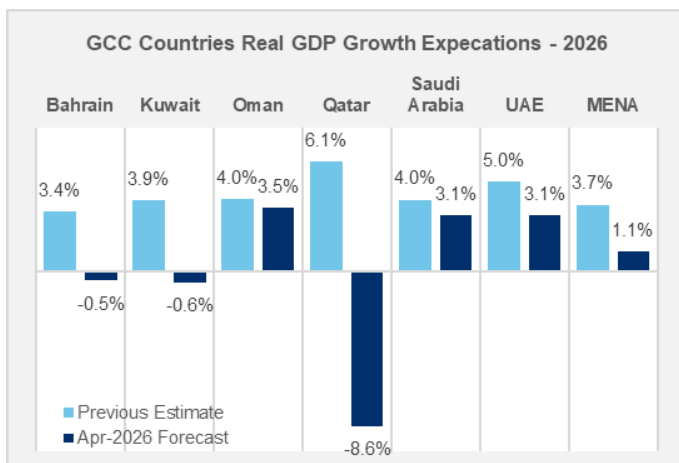
Source : IMF WEO - Apr-2026

MENA & GCC GDP Growth

Growth for the Middle East and North Africa region was lowered by 280 bps for 2026 and revised upward by 80 bps for 2027 to an expected growth of 1.1% and 4.8%, respectively. Saudi Arabia's growth was slashed by 140 bps for 2026 to 3.1%, while the 2027 outlook was revised upward by 90 bps to 4.5%. Most of the GCC countries witnessed downgrades in their GDP growth forecasts for 2026 vs. October 2025 Forecast. According to the IMF, lower production and exports lead to a significant downward revision of GDP growth projections for 2026, depending on the extent of damage to energy and transport infrastructure, as well as reliance on the Strait of Hormuz and access to alternative export routes. As a result, the contraction in 2026 growth is more pronounced in Bahrain, Iran, Iraq, Kuwait, and Qatar, and relatively smaller in Oman, Saudi Arabia, and the United Arab Emirates.

Real GDP is expected to contract in Qatar and Kuwait in 2026, with downward revisions of 14.7% to -8.6% and 450 bps to -0.6%, respectively. GDP change in Bahrain is projected to fall by 390 bps to -0.5% in 2026. While the forecast for UAE is expected to reach 3.1% (-190 bps), on the other hand, Saudi Arabia and Oman is expected to fall by 90 bps and 50 bps to 3.1% and 3.5%, respectively. For the year 2027, Qatar is expected to be the fastest growing economy in the GCC with a growth of 8.6% after an upward revision of 80 bps followed by the UAE with a growth of 5.3% (60 bps). Growth in Saudi Arabia is expected to reach 4.5% (130 bps) followed by Bahrain with a growth of 4.5% (120 bps). Kuwait is expected to see an upward revision of 50 bps to reach 2.8%. Oman was the only GCC countries to see a downward revision of 30 bps with growth expected to come in at 3.4%.

IMF expects the growth to rebound in 2027 for most economies, assuming energy production and transport normalize over the coming months. However, this outlook may undergo revisions if the conflict persists or the extent of damage is reassessed. For commodity importers in the MENA region, higher commodity prices lead to a modest downward revision of growth in 2026 and 2027. The impact varies across countries depending on their exposure to energy, energy-related products, and food imports, as well as differences in pre-conflict economic conditions.



Source : IMF WEO - Apr-2026

Inflation expected to increase

Global headline inflation is projected to increase from 4.1% in 2025 to 4.4% in 2026, before easing to 3.7% in 2027. The 2026 forecast has been revised up by 70 bps, reflecting higher expected energy and food prices. U.S. core inflation is expected to return to the 2% target in 2027, driven by gradual pass-through from higher tariffs, limited transmission of higher energy prices, easing services inflation in a broadly balanced labor market, and sustained but gradually normalizing productivity growth that supports supply-driven disinflation.

According to the IMF estimates the UK inflation forecast rose in 2025 due to one-off increases in regulated prices and is expected to temporarily approach 4% before returning to target by the end of 2027. This decline reflects fading effects of higher energy prices and downward pressure on wage growth from a weakening labor market. In Japan, inflation is expected to ease in 2026 compared to 2025 and gradually move toward the target by the end of 2027, as food and commodity prices decline.

In the euro area, headline inflation is expected to temporarily rise above 2% in 2026 and remain above target in 2027. Core inflation is projected to increase more gradually but stay above 2% through 2028. In China, inflation is projected to gradually rise from low levels, while in India it is expected to return close to target as softer food prices in 2025 reverse a sharp decline.

Global Trade Volumes

The IMF expects global trade growth to reach 2.8% in 2026 and 3.8% in 2027, with an upward revision of 20 bps and 70 bps from January 2026 predictions, mainly reflecting the trends in global output growth. These projections reflect early front-loading and tariff-related effects that gradually diminish as trade linkages and production networks adjust. Over the medium term, global imbalances are expected to narrow only modestly. Fiscal expansion in some surplus economies supports a cyclical reduction, while ongoing technology-driven investment continues to attract capital flows to the United States, even as tech investment gradually moderates. While stronger U.S. productivity could enhance competitiveness and improve the trade balance, robust domestic demand and sustained capital inflows are expected to keep the current account deficit wider than pre-COVID levels.

Growth in imports were revised upward by 80 bps for Advanced Economies to 2.6% for 2026 and to 3.1% for 2027. For emerging market and developing economies, growth in import is revised down by 90 bps to 2.7% in 2026, before being revised up by 40 bps to 4.9% in 2027. Exports from advanced economies are expected to rise by 40 bps in 2026 and 30 bps in 2027, reaching 2.5% and 2.7%, respectively. Similarly, export growth in emerging market and developing economies is expected to be revised down by 10 bps in 2026, before improving by 120 bps in 2027, reaching growth rates of 3.4% and 5.4%, respectively.

Macroeconomic Implications of Rising Defense Spending

According to the IMF, following the end of the cold war, the number of global conflicts declined, and governments worldwide reduced the share of public resources allocated to defense spending and military build-ups. However, geopolitical tensions began to reemerge in the mid-2010s, with the number of conflicts increasing substantially thereafter. This shift has led countries to reassess and adjust their defense spending priorities. As a result, between 2020 and 2024, 50% of countries increased their defense budgets, and by 2024 nearly 40% allocated more than 2% of GDP to defense, compared with 27% in 2018.

Defense expenditure has increased significantly in recent years. Over the past five years, approximately half of all countries have raised their military budgets, while arms sales by the world's largest defense firms have doubled in real terms over the past two decades. In light of escalating geopolitical tensions, this upward trend is expected to persist. A study covering 164 countries since 1946 shows that substantial increases in defense spending have become more frequent, particularly among emerging market and developing economies. In a typical boom, which lasts more than two and a half years, defense expenditure increased by approximately 2.7% points of GDP, with roughly two-thirds financed through higher fiscal deficits.

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