

Event Update - IMF World Economic Outlook Update

January-2026

Global growth remains resilient amid uncertainty ...

In its latest World Economic Outlook (WEO) report, the IMF forecasted global real GDP growth at 3.3% for 2026 and 3.2% for 2027, marking an upward revision of 20 bps for the 2026 projection. The forecast for 2027 was kept unchanged vs. the expectation in Oct-2025. According to the IMF, Global growth is expected to remain steady, as slowing momentum in high-tech sectors continues to partially offset weakness elsewhere. Tariffs and uncertainty are likely to weigh on activity, but their impact is expected to ease through 2026 and 2027.

The IMF indicates that global economic growth remains notably resilient despite significant US-led trade disruptions and heightened uncertainty, with most of the improvement driven by the United States and China. This steady outlook is expected to balance trade policy headwinds with strong AI-driven investment mainly in North America and Asia alongside fiscal and monetary support, accommodative financial conditions, and a highly adaptable private sector. In terms of downside risks, IMF highlighted the reassessment of AI-driven productivity could dampen investment, trigger financial market corrections, and reduce household wealth, while renewed trade tensions or geopolitical conflicts could disrupt markets, supply chains, and commodity prices.

According to the IMF, aggregate global growth in Q3-2025 slowed to an annualized 2.4%, above expectations, with gains in some countries offset by weaker outcomes in others. France grew 2.2% on stronger aerospace exports, while Germany's GDP remained flat due to falling exports. Japan contracted 2.3%, partly offset by consumption, amid weak residential investment and exports. China slowed to 2.4%, as weak domestic demand was partly offset by resilient exports. In the US, growth accelerated to 4.3%, supported by technology investment, which added 0.3 percentage points to GDP in the first nine months and offset Q4 drag from the government shutdown. Technology investment also lifted activity in Spain and the UK, though less than in the US.

Country/Regions	Jan-2026 Updated Forecasts				Rev. from Oct-2025	
	2024	2025	2026e	2027e	2026e	2027e
Real GDP Growth						
World Output	3.3%	3.3%	3.3%	3.2%	0.2%	0.0%
Advanced Economies	1.8%	1.7%	1.8%	1.7%	0.2%	0.0%
United States	2.8%	2.1%	2.4%	2.0%	0.3%	-0.1%
Euro Area	0.9%	1.4%	1.3%	1.4%	0.1%	0.0%
EM and Developing Economies	4.3%	4.4%	4.2%	4.1%	0.2%	-0.1%
China	5.0%	5.0%	4.5%	4.0%	0.3%	-0.2%
India	6.5%	7.3%	6.4%	6.4%	0.2%	0.0%
MENA	2.2%	3.4%	3.9%	4.0%	0.2%	0.3%
Saudi Arabia	2.6%	4.3%	4.5%	3.6%	0.5%	0.4%
Sub-Saharan Africa	4.1%	4.4%	4.6%	4.6%	0.2%	0.1%
Trade Volume Growth						
World Trade Volume	3.6%	4.1%	2.6%	3.1%	0.3%	0.0%
Advanced Economies	2.0%	3.0%	1.9%	2.4%	0.4%	0.2%
EM and Developing Economies	6.3%	5.7%	3.6%	4.4%	0.0%	0.0%
Consumer Prices Change						
Advanced Economies	2.6%	2.5%	2.2%	2.1%	0.0%	0.0%
EM and Developing Economies	7.9%	5.2%	4.8%	4.3%	0.1%	0.1%

Sources : IMF WEO Update - Jan-2026

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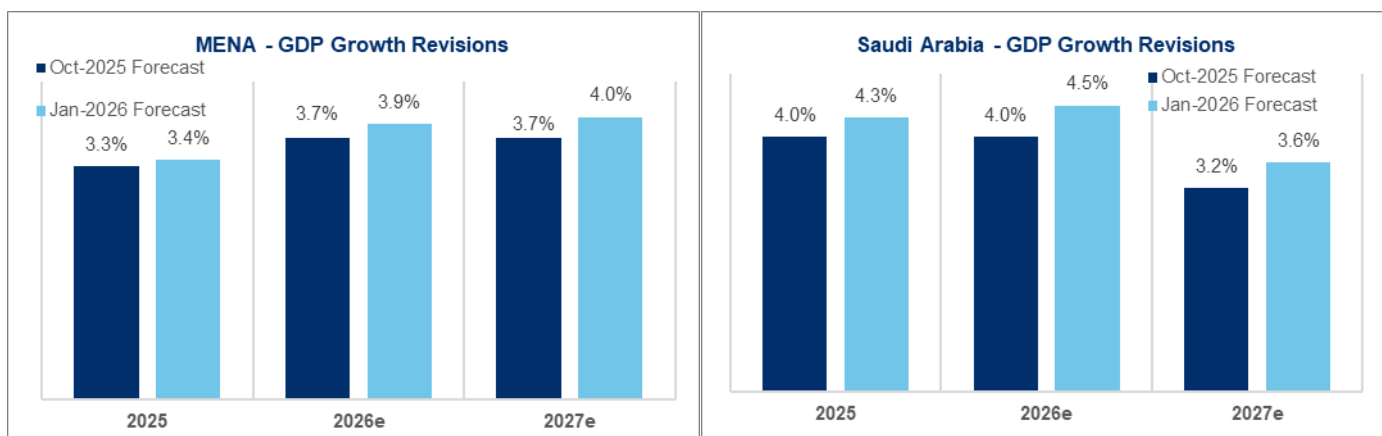
Advanced Economies and Emerging Market and Developing Economies

Real GDP growth for Advanced Economies was revised up by 20 bps for 2026 to 1.8% compared with the October 2025 forecast, while the projection for 2027 remained unchanged at 1.7%. The United States' GDP growth is projected at 2.4% in 2026 and 2.0% in 2027. Compared with the October 2025 WEO Update, this reflects an upward revision of 30 bps for 2026, while the 2027 projection was revised downward by 10 bps. The outlook for 2026 has been revised upward, reflecting stronger-than-expected GDP growth in Q3 2025 and a rebound in activity in early 2026 following the end of the federal government shutdown. Growth is expected to remain solid in 2027, supported in the near term by corporate investment incentives under the One Big Beautiful Bill Act of 2025. While technology-driven momentum is projected to moderate, it will continue to partially offset the effects of slower consumer spending and lower immigration.

Growth in the Euro Area, was revised upward by 10 bps to 1.3% in 2026 and remained unchanged at 1.4% for 2027, respectively. Growth in 2027 is expected to be slightly stronger, supported by higher public spending especially in Germany and continued robust performance in Ireland and Spain. The forecast is broadly unchanged from October-2025, with moderate growth reflecting ongoing structural challenges. The planned rise in defense spending is likely to have a noticeable impact only in later years, as targets are gradually phased in by 2035. Unlike other regions, the Euro area benefits less from recent technology-driven investment. Manufacturing will continue to face headwinds from persistently high energy prices after Russia-Ukraine conflict, further compounded by the Euro's real appreciation against currencies of similar exporters.

Growth forecast for United Kingdom was retained at 1.3% for 2026 and 1.5% 2027 consistent with the October-2025 forecast. In the United Kingdom, inflation, which rose last year partly due to one-off regulated price changes, is projected to return to target by the end of 2026, supported by slower wage growth amid a weakening labor market. The IMF raised the growth forecast for Emerging Markets and Developing Economies by 20 bps to a growth of 4.2% in 2026 followed by 10 bps downward revision to growth in 2027 that is expected to come in at 4.1%.

For the Asia region, the IMF upgraded China's forecast by 30 bps to 4.5% in 2026 after 5.0% growth in 2025, driven by lower US tariffs on Chinese goods following the year long trade truce agreed in November-2025, alongside two years of planned stimulus measures. For 2027, growth is expected to slow to 4.0%, as structural headwinds take hold. The Growth forecast for India for 2026 was revised upward by 20 bps to 6.4% vs. the expectations in October-2025 reflecting a stronger than expected Q3-2025 performance and robust momentum in the Q4-2025. The growth rate for 2027 was kept unchanged from the previous forecast as cyclical and temporary factors fade.



Source : IMF WEO Update - Jan-2026

MENA Region

Growth in MENA region was revised upward by 20 bps for 2026 and by 30 bps for 2027, reaching 3.9% and 4.0%, respectively. In the Middle East and Central Asia, growth is expected to pick up from 3.7% in 2025 to 3.9% in 2026 and 4.0% in 2027, driven by higher oil output, strong domestic demand, and ongoing reforms. According to the IMF, growth in Saudi Arabia is projected to rise to 4.5% in 2026, witnessing an upward revision of 50 bps. Saudi Arabia's Growth in 2027 is expected to reach 3.6%, reflecting 40 bps upward revision. Based on futures market data as of November 20, 2025, the anticipated average price of oil is expected to be USD 62.13/b for 2026 and USD 62.17/b for 2027.

Global Trade Volumes

World trade volume growth is expected to fall from 4.1% in 2025 to 2.6% in 2026 before rising to a growth of 3.1% in 2027. These movements reflect front-loading behavior and adjustments in trade flows in response to new policies. According to the IMF, over the medium term, expansionary fiscal measures in economies with current account surpluses are expected to help reduce global imbalances, partly offsetting this effect, the technology-driven investment boom is likely to continue attracting capital flows to the United States, even as it gradually eases. Trade growth in Emerging Market and Developing economies was retained at 3.6% for 2026 and 4.4% for 2027 consistent with the October-2025 forecast, whereas the growth for the Advanced Economies was revised up by 40 bps to 1.9% for 2026. Next year, Advanced Economies also saw an upward revision of 20 bps to 2.4% .

Inflation

According to the IMF, Global inflation is expected to decline from 3.8% in 2026 to 2.4% in 2027. This outlook is broadly unchanged from the October-2025 WEO, reflecting continued softening demand and lower energy prices. At the same time, inflation dynamics remain uneven, with divergence persisting between the United States and most other economies. With the impact of higher tariffs gradually passing through, US core inflation is projected to return to its 2% target in 2027, while Australia and Norway are expected to see a more prolonged period of inflation above target.

In the United Kingdom, inflation which increased last year partly due to one-off regulated price changes, is expected to return to target by the end of 2026 as slower wage growth from a weakening labor market takes effect. In Japan, inflation is projected to ease in 2026 and align with the country's target in 2027 as food and commodity prices decline.

In the Euro area, headline inflation is expected to remain around 2 %, with core inflation declining to that level by 2027. In China, inflation is projected to rise from low levels, while in India, it is expected to return close to target following a significant drop in 2025 due to subdued food prices.

According to the IMF, Global risks continue to lean to the downside. Economic resilience is concentrated in a few sectors and underpinned by policy support, leaving it exposed to potential shocks. If AI-driven productivity gains fall short, investment could weaken, stock markets could correct, consumption could slow, and spillovers could ripple through trade and financial markets. Trade tensions, including tariffs or restrictions on key inputs, could disrupt supply chains and heighten inflationary pressures, while rising protectionism could further compress profit margins.

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