

The background of the slide is a photograph of a person standing in a large, open, paved plaza. The person is wearing dark clothing and holding a bright red umbrella. They are standing in front of a large, white, geometric building with a roof made of many small, white, diamond-shaped tiles. The sky is a clear, light blue. The overall scene is bright and modern.

2026 **Global** **economic** **outlook.**

Steady, but fragile global growth.

About ACCA.

We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over **252,500** members and **526,000** future members in **180** countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

Find out more at **accaglobal.com**

Introduction.

This is our third annual economic outlook publication. We hope it will help you and your stakeholders navigate the many challenges, risks and opportunities in the global economy in the year ahead.

In [Section 1](#), we discuss the prospects for the global economy and key countries in 2026, as well as some of the major risks.

In [Section 2](#), we interview former IMF Chief Economist Ken Rogoff about his views on the outlook for the global economy and discuss his recent book *Our Dollar, Your Problem*.

In [Section 3](#), we highlight and discuss the key risk events to watch in 2026.

In [Section 4](#), we highlight three key trends we will be closely following in the coming year: i) developments with artificial intelligence (AI); ii) developments in advanced economy bond markets; and iii) developments with global trade.

Finally, in [Section 5](#), we publish summaries of interviews with three business leaders, who provide their perspectives on how they see the prospects for the world and their regions and countries, and, where relevant, their companies in 2026.

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Executive summary.

Global growth proved more resilient than expected in 2025, despite the major disruptions to global trade and heightened policy and geopolitical uncertainty.

On a central case scenario, the global economy looks set to expand at a reasonable, if not particularly exciting, pace once again in 2026. Growth will be supported by the easing in monetary policy across much of the world over previous quarters, fiscal stimulus in key countries, the current global artificial intelligence (AI) boom, and, most likely, some reduction in trade policy uncertainty compared with 2025. But it is a fragile and volatile backdrop, amid heightened uncertainty, not least on the geopolitical front, and a wide array of risks, which are primarily on the downside.

The US economy looks set to be the strongest performer once again among the major advanced economies, aided by fiscal stimulus, supportive financial conditions, and the AI boom. With important elections looming, President Trump may also double down on efforts to boost the economy and could begin to show more restraint on some of his policies that have unsettled businesses and investors. Growth is likely to remain positive, but sluggish in the UK and euro area, with fiscal stimulus in Germany

supporting activity in the latter. Growth in China is generally expected to moderate in 2026, while remaining faster than the global average. The Indian economy has proved resilient to the large increase in US import tariffs, benefiting from robust consumer spending growth. It is likely to remain the world's fastest-growing major economy once again in 2026, and recent reforms could potentially help improve its longer-term performance.

We interviewed former IMF Chief Economist Ken Rogoff about his views on the global economy and discussed his recent book *Our Dollar, Your Problem*. He suggested that the global economy was solid but not exciting, and argued that the huge uncertainty is not reflected in financial markets to the extent it should be. He warned of a big stock market fall at some point over the next three years but acknowledged the market could go up significantly before falling back. Despite the surprisingly positive economic picture, given where it seemed we were six months ago, he saw downsides to President Trump's policies, with the negative consequences for the US economy likely to be felt in 2027 and 2028. He is cautious about AI's impact on the economy and warns that there's every possibility that we see a bigger backlash against it than we have seen with globalisation. He expects the US dollar to remain the world's dominant currency, but thinks its market share will shrink. He argues that the odds of a US fiscal crisis happening within four to five years is more likely than not, while acknowledging that a shock may be needed to set it off.

Among the major events in 2026, on the political front, US mid-term elections in November will be key. With a wafer-thin majority in the House of Representatives, and given the traditional swing against the party occupying the White House, the Republicans

may lose their majority, which would constrain President Trump's room for manoeuvre on policy for the remainder of his term. Local elections in France, Germany and the UK will also receive attention, as investors gauge the upward momentum of right-wing populist parties. Meanwhile, personnel changes and other developments at the US Federal Reserve (Fed) will be very closely watched, with President Trump set to announce a new Chair. Concerns about threats to the Fed's independence could build in 2026.

In addition to closely monitoring the usual ebb and flow of economic and financial markets data throughout the year, we will also be paying particularly close attention to three key trends in 2026: i) developments with AI; ii) developments in advanced economy bond markets; and iii) developments in global trade. If evidence begins to build that AI investment is boosting productivity at firms, fears about an AI bubble could generally ease. Alternatively, if doubts about its productivity-enhancing effects were to build, the risk of a market correction could increase. Meanwhile, a material further rise in government bond yields in advanced economies, perhaps due to rising concerns about the sustainability of the public finances, threats to the Fed's independence or policy tightening in Japan, would clearly be negative for financial markets and the global economy. As regards trade, we will continue to monitor the ripple effects from the changes in US trade policy in 2025, while remaining alert to a further deterioration in global trade relations, amid the risk that some of the hastily agreed trade deals and truces in 2025, could still fall apart.

To enrich our economic analysis, we interviewed three business leaders from different parts of the globe. Renowned business writer and columnist Wu Chen sees a two-speed global economy

'I see huge uncertainty around the global economy which is not reflected in financial markets to the extent it should be.'

Former IMF Chief Economist
Ken Rogoff



in 2026, with the high-speed part being AI. He suggests the low-speed part in the US and West will reflect affordability issues, while in China it is a result of continued structural issues. He argues that China needs to raise the share of consumption in its economy. Mike Fowler, Group Finance Director of Leekes Retail and Leisure Group, is concerned about a lack of a pro-business agenda from the UK government, and suggests that the downside risks to growth are far greater than the inflation risks now. Ebrima Sawaneh, Group Chief Financial Officer and Chief Operating Officer at Arise Port & Logistics, is cautiously constructive on African economic prospects in 2026. He suggests that '... there are risks and opportunities in 2026 and beyond, but key for organisations will be resilience, decarbonisation readiness and digital reliability, which includes cybersecurity management'.



Section 1: Prospects for the global economy in 2026.

The global economy proved much more resilient than expected in 2025, despite the major trade disruptions and heightened uncertainty.

2025 was a momentous year for international trade and the global economy. Measures of US trade policy uncertainty surged to record levels in April, as President Trump unveiled much larger than expected import tariffs on the country’s trading partners. The average effective US tariff rate is now around 17%, the highest since the 1930s, and up from just 2.4% in 2024 (see [Chart 1](#)). There is very wide variation in tariffs across countries, however, with Brazil, China and India currently facing very high rates.

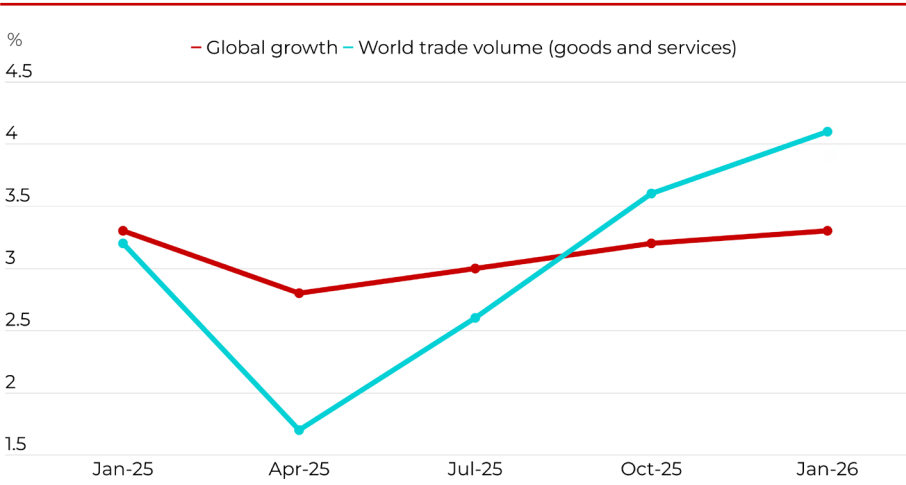
Despite the enormous trade disruptions, which initially fuelled sharp declines in stock markets and other risk assets, in 2025 the global economy proved much more resilient than expected. This is well highlighted by the progression of the forecasts by the International Monetary Fund (IMF) since January 2025 (see [Chart 2](#)). After initially falling quite sharply in April, by October, these forecasts for growth in the global economy and global trade were broadly similar to the January estimates published just before President Trump’s inauguration.

Chart 1: US average effective tariff rate



Various factors help explain the resilience. On the trade side, these include the lack of retaliation against the US by most of its trading partners, the frontloading of exports to the US earlier in the year ahead of expected tariff increases, and the various tariff pauses enacted by President Trump (which helped stabilise sentiment among global investors) and subsequent trade deals. The much smaller than expected impact of tariffs on US inflation was also important, lessening the shock to consumers and providing more space for the Federal Reserve (the Fed) to cut interest rates to counter the softening in the labour market. The rise in US import tariffs was a disinflationary shock for the rest of the world, with many other central banks easing monetary policy quite meaningfully over 2025 to support their economies. The weaker US dollar also provided greater room for policy manoeuvre, particularly in emerging economies, and helped ease global financial conditions.

Chart 2: How IMF forecasts for 2025 have changed since January 2025



Source: IMF (2025a, 2025b, 2025c, 2025d, 2026)

Meanwhile, the persisting global artificial intelligence (AI) boom provided an important boost to the global economy. The rapid share price gains of technology companies helped send US stock markets to new highs, boosting global financial conditions and supporting US consumer spending amid large wealth gains. Robust investment in AI-related equipment and data centres has also supported US growth and helped boost technology-related exports from regions such as Asia Pacific. Strikingly, according to the World Trade Organisation (WTO), AI-related goods contributed 43% of the growth in global goods trade by value in the first half of 2025 when compared with a year earlier, despite accounting for just 15% of total goods trade (WTO 2025).

A steady global expansion seems likely in 2026, although it is a fragile economic backdrop amid elevated uncertainty and a wide array of risks.

As a central-case scenario, it is sensible to assume that the global economy will expand at a broadly similar pace in 2026 as in 2025, at just over 3%. While that is meaningfully slower than the 3.7% average growth rate in the pre-pandemic decades, it is still a reasonable, if not particularly exciting, pace of global expansion. The World Bank forecasts growth of 3.1% in 2026 (see Table 1) (World Bank Group 2026), down slightly from 2025, while the IMF forecasts an expansion of 3.3% (IMF 2026). The former sees growth largely unchanged in both the advanced economies and ‘emerging market and developing economies excluding China’ (EMXC).

The global economy should continue to benefit from the AI boom. This should help keep global financial conditions favourable and boost business investment and consumer spending, while supporting technology-related industrial production and exports. Activity growth around the world should also benefit from the reduction in US trade policy uncertainty from its heights last year, and President Trump could become somewhat more cautious about igniting major new trade conflicts as important Congressional elections approach in November (see Section 3).

Moreover, monetary policy easing by central banks in 2025 should increasingly support global growth, although significant further rate cuts seem less likely in the advanced economies in 2026, with interest rates now at, or close to, their neutral levels in a number of countries. Among the major central banks, the US Fed still seems likely to cut interest rates a bit further and

some modest easing may occur from the People’s Bank of China, but the European Central Bank (ECB) will probably remain on hold, while the Bank of Japan should continue, very cautiously, to normalise interest rates. Greater monetary easing by the US relative to some of the other major countries could put some additional downward pressure on the US dollar, which would help ease global financial conditions and provide increased space for central banks in emerging markets to cut rates, where appropriate.

Table 1: World Bank economic forecasts, January 2026

	2024	2025e	2026f
WORLD*	3.3	3.3	3.1
AEs	1.7	1.7	1.6
EMs	4.3	4.2	4.0
EMXC	3.8	3.7	3.7
CHINA	5.0	4.9	4.4
US	2.8	2.1	2.2
EURO AREA	0.9	1.4	0.9
INDIA**	6.5	7.2	6.5

Source: World Bank Group (2026).
**World’ is GDP growth based on Purchasing Power Parity calculation methodology.
AEs= Advanced economies, EMs= Emerging market and developing economies, EMXC= EMs excluding China.
e= estimate, f= forecast.
**The Indian numbers are based on fiscal years.



Fiscal policy should also support the global economy in 2026, amid fiscal easing in a number of major economies. The One Big Beautiful Bill Act (OBBBA) in the US will provide tax cuts for households, as well as incentives for business investment, and the Congressional Budget Office (CBO) estimates that it will boost growth by 0.9% in 2026 (Slok 2026a). Increased fiscal stimulus is also set to boost growth in Germany and Japan (Slok 2026a, IMF 2026) and fiscal policy will remain supportive of activity growth in China. Of course, expansionary fiscal policy will do little to allay growing concerns about elevated government debt levels around much of the world.

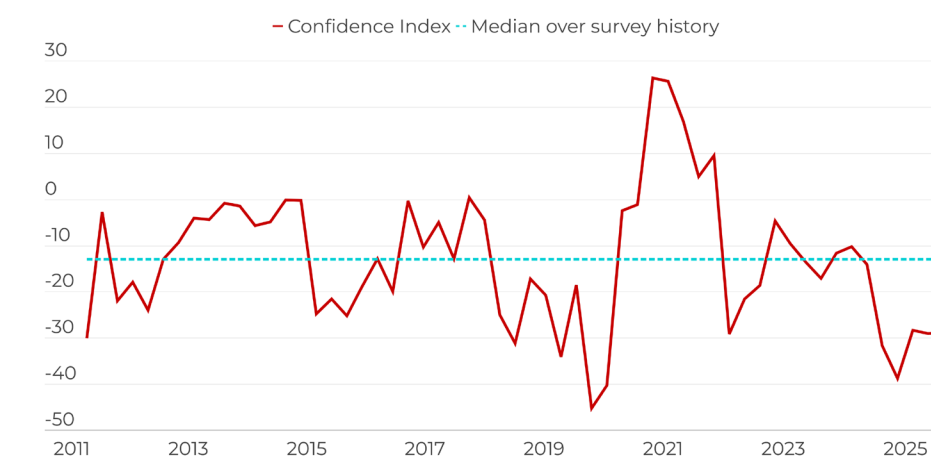
Headwinds to growth are likely to come from the continued unwinding of the previous frontloading of exports to the US ahead of expected tariff increases, as the impacts of higher US import tariffs increasingly work their way through the global economic system, and as still-elevated global uncertainty continues to weigh on business and consumer sentiment. Softer labour markets in a number of key countries, if they persist, would also be likely to weigh on consumer spending. Indeed, the employment indicators in our quarterly Global Economic Conditions Survey (GECS) of accountants and other finance professionals, which reflect hiring and firing decisions of firms, point to subdued labour markets in North America and Western Europe at present (ACCA 2026). Employment-related developments need to be monitored very closely over coming quarters.

‘...geopolitical risks are likely to remain front and centre once again in 2026.’

Risks remain elevated in a highly volatile and uncertain world

The elevated global uncertainty, and wide array of risks, which are primarily on the downside, suggest that the global economic expansion may be on a rather fragile footing in 2026. Indeed, despite the resilience in the global economy last year, accountants globally remained downbeat and cautious in our Q4 2025 GECS (see [Chart 3](#)) (ACCA/IMA 2026). In a similar vein, the current surge in the price of gold and other precious metals continues to indicate the apprehensiveness of global investors.

Chart 3: GECS Confidence Index for accountants, globally



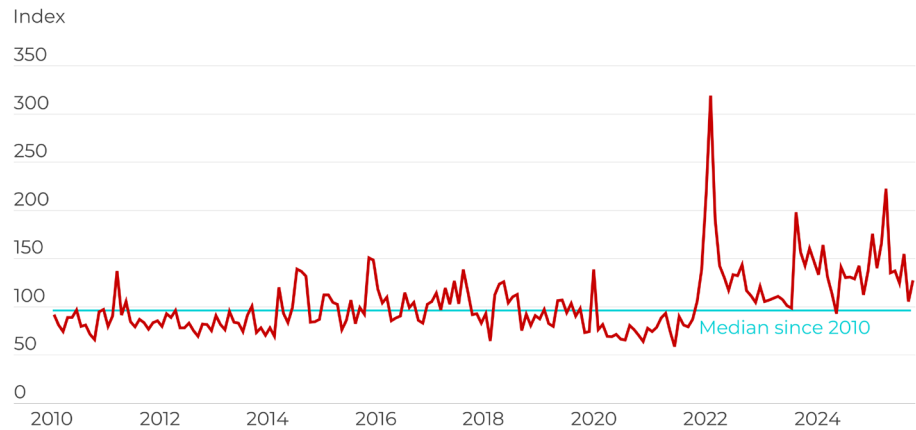
Source: ACCA/IMA (2026)

The January capture by the US of Venezuelan President Nicolas Maduro and threats to take over Greenland reinforce the view that geopolitical risks are likely to remain front and centre once again in 2026 (see [Chart 4](#))¹, with continuing conflict in Ukraine, tensions in the Middle East and superpower rivalry. Meanwhile, a re-escalation in trade tensions remains a major risk, as evidenced by President Trump's recent threat (that was subsequently withdrawn) to enact new tariffs on European countries if a deal could not be agreed to allow the US to purchase Greenland. There is clearly a reasonable chance that some of the hastily agreed trade deals and truces between the US and its trading partners in 2025, could begin to fall apart. At the same time, the diversion of Chinese exports to other markets in the face of higher US import tariffs could also lead other countries to adopt increasingly restrictive trade measures.

Richly priced financial markets could be vulnerable if one of the known downside risks materialises or if there is a major unexpected shock. As noted earlier, the global AI boom was a key support to the global economy in 2025. Nonetheless, a number of observers, including leading central banks and multilateral institutions, have warned about the risk that an AI bubble is building, as with the 'Dot-Com' bubble in the late 1990s. A sharp and sustained correction in equity markets would be very negative for the global economy. Similarly, sharp moves higher in government bond yields in a country such as the US, perhaps due to mounting concerns about the independence of the Fed or the sustainability of the public finances, would also have quite damaging consequences, through its impacts on other financial markets and by raising borrowing costs for governments and the

private sector. The rapid growth in the relatively opaque non-bank financial sector over the past decade could also make the global economy more vulnerable in the event of a large correction in financial markets and slowing in global growth.

Chart 4: Geopolitical risk index



Source: Caldaro, D. and Iacoviello, M. (2022)

The global economy is not without plausible upside scenarios in 2026, particularly if downside risks fail to materialise in a meaningful way. The US economy could be a source of upside risks, particularly if tariff-related inflation remains quite muted, and monetary and fiscal stimulus helps fuel some strengthening in the labour market. With important Congressional elections in

‘The global economy is not without plausible upside scenarios in 2026...the US economy could be a source of upside risks.’



¹ The data in the chart goes up to December 2025. Hence, it does not capture the intensification of geopolitical risks in 2026.

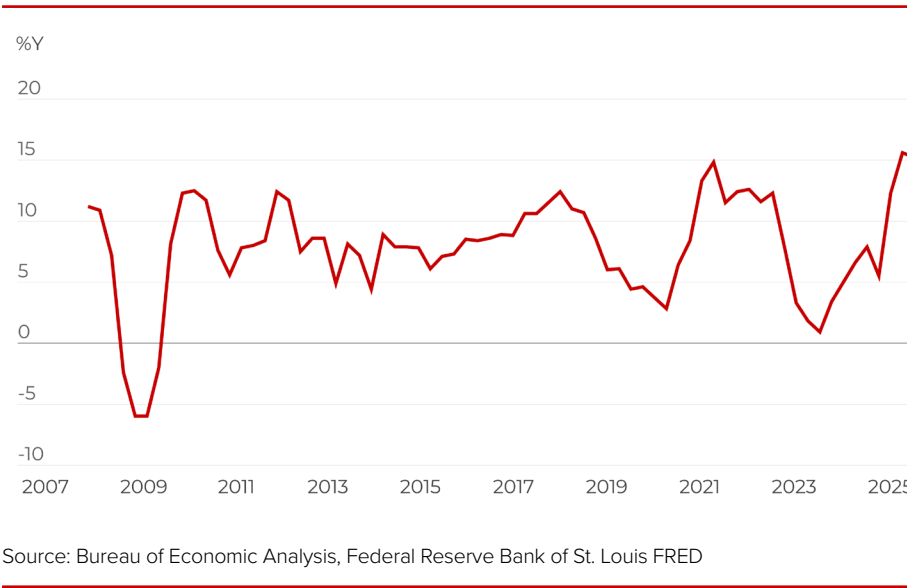
November, President Trump may also attempt to double down on policies to boost growth and could begin to show more restraint on some of his policies that have unsettled businesses and investors. Moreover, US productivity growth has been relatively strong over the past several years, and notably robust in recent quarters. If evidence starts to build that AI investment is beginning to raise productivity growth meaningfully, that could boost global financial markets and fuel an acceleration in business investment in a number of countries.

Country commentary

Looking at specific countries, the US economy proved much more resilient than expected over 2025, despite the rise in import tariffs and heightened policy uncertainty. Nevertheless, growth still probably moderated to just over 2% after an expansion of 2.8% in 2024. The economy looks set to expand in the 2–2.5% range in 2026, which would be the fastest of the major advanced economies. The latest consensus estimate among economists polled by Bloomberg is for an expansion of 2.1% (Slok 2026b), while the World Bank (2026) and IMF (2026) expect growth of 2.2% and 2.4% respectively. Growth should be supported by fiscal policy amid the boost from the OBBBA, and recent interest rate cuts, as well as some likely modest additional monetary easing, probably after the arrival of the new Fed Chair. The AI boom should continue to boost business investment (see [Chart 5](#)) and support consumer spending amid favourable financial conditions and rising household wealth. Even so, higher tariff-related inflation, as well as the softer labour market, may weigh on consumer spending.

There has been significant uncertainty in recent months regarding the prospects for the US economy in 2026, although the balance of risks appears to have recently shifted more to the upside (Slok, 2026b). As noted above, the US is a source of upside risk for the global economy this year. Nevertheless, downside risks still remain in the US, including much higher-than-expected tariff-related inflation, a sharp correction in technology stocks, and a more pronounced weakening in the labour market.

Chart 5: US non-residential fixed investment: Information processing equipment and software



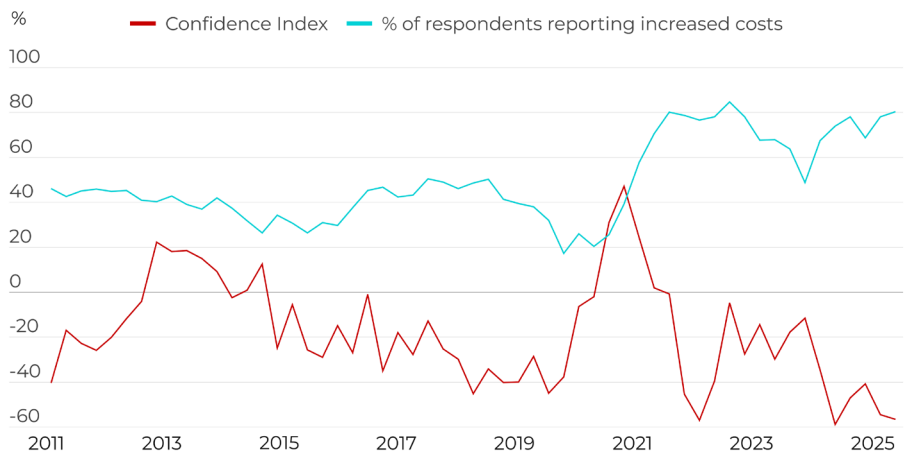
The euro area economy looks to have expanded by around 1.5% in 2025, which was a positive outcome in the face of the increase in US import tariffs. A slightly slower pace of expansion seems

likely in 2026, although growth will probably be a little north of 1%. Consumer spending is likely to be the key driver of growth again, amid an unemployment rate near record lows and positive real income growth, while business and residential investment should benefit from past monetary easing. Trade could be a drag amid higher US tariffs, the stronger euro, and owing to intensifying competition from China in key industries. With monetary policy around neutral territory, the European Central Bank (ECB) may sit on its hands in 2026, although modest additional easing is possible. Fiscal policy should be quite supportive of growth, as Germany steps up its spending on defence and to improve its infrastructure. In its latest forecasts, the ECB expects growth of 1.2% in 2026 (ECB 2025) while the World Bank Group (2026) and IMF (2026) expect growth of 0.9% and 1.3% respectively. Downside risks could come from developments with US trade policy, further appreciation in the euro, increasing competition from China, and increased political uncertainty in France and Germany.

In the UK, growth was positive but modest in Q2 and Q3 and looks to have been soft in Q4. Confidence among UK companies remains depressed, according to the Q4 2025 GECS (see [Chart 6](#)) (ACCA/ IMA 2026), with the proportion of firms reporting increased operating costs extremely high by historical standards. Elevated domestic cost pressures suggest that the Bank of England still needs to move cautiously with monetary easing, but a weak economy and labour market suggest some additional scope for rate cuts this year. This should provide some support to growth, as should a continued fall in inflation towards the Bank's 2% target. Fiscal policy will be a drag, however, amid continuing attempts to reduce the deficit. Overall, the economy is likely to remain sluggish with growth close to 1% in 2026, slightly lower than the expansion of around 1.4% in 2025. In

the November Budget, the Office for Budget Responsibility (OBR) forecast growth of 1.4% in 2026 (OBR 2025), the IMF expects an expansion of 1.3% (IMF 2026), while HM Treasury’s average of independent forecasts published in January was at 1.1% (HM Treasury 2026).

Chart 6: UK: Global Economic Conditions Survey

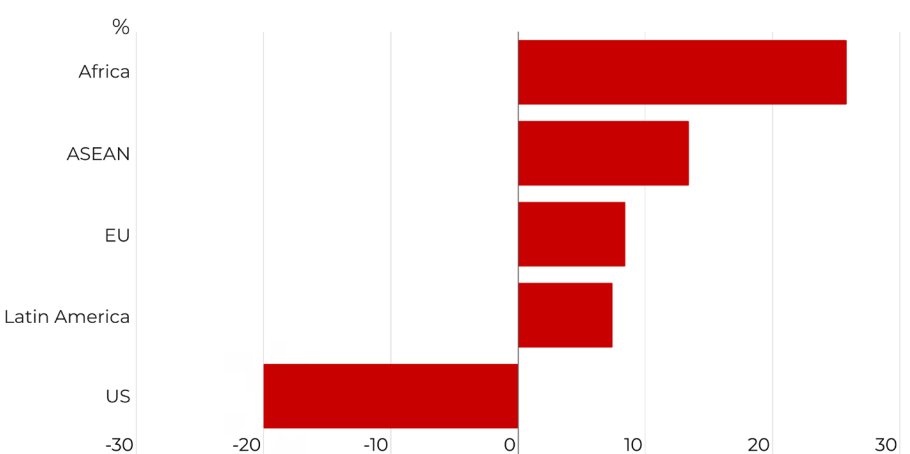


Source: ACCA/IMA (2026)

China’s economy expanded by 5% in 2025, with exports providing a key support despite the rise in US import tariffs. While exports to the US fell sharply, they increased strongly to other parts of the world (see [Chart 7](#)), with the goods trade surplus setting a new record in 2025. Exports of high-end goods such as cars, semiconductors and ships surged over the year (Bloomberg News 2026). Despite external strength, the domestic economy remains

weaker. In December, retail sales increased by just 0.9% on a year-on-year basis, while fixed-asset investment contracted over 2025. Problems in the real estate market continue to weigh on consumer confidence and spending, as well as investment, with efforts to rein in overcapacity also seemingly weighing on the latter. A pivot towards aggressive stimulus does not appear to be in the offing, but fiscal policy is likely to remain supportive and some modest additional monetary easing seems more likely than not. The World Bank Group (2026) and IMF (2026) forecast growth of 4.4% and 4.5% respectively in 2026. This would represent some moderation from 2025 but would be still faster than the global average. Developments in the housing market and global trade remain downside risks, while more aggressive policy support could raise upside possibilities.

Chart 7: China annual change in exports, by region, 2025



Source: Leahy and Ho (2026)



Despite much higher-than-expected US import tariffs, the Indian economy has proved much more resilient than expected, expanding by 8.2% in year-on-year terms in the July–September quarter, aided by robust consumer spending growth and rapid expansions in both the manufacturing and services sectors. The National Statistics Office has raised its growth estimate for 2025² to 7.4%, which would represent an acceleration from the 6.5% expansion in 2024. The World Bank Group (2026) and IMF (2026) forecast growth of 6.5% and 6.4% in 2026. Overall, India should remain the world’s fastest-growing major economy once again this year. The economy should continue to benefit from fast growth in consumer spending amid low inflation, cuts in the goods and services tax and easier monetary policy, as well as strong investment in infrastructure by the government, while service sector growth is likely to remain robust, aided in part by exports. Recent policy reforms, including to the labour market, could help raise the economy’s performance over coming years. Any trade deal with the US would also be a key positive for the economy, as would continued low global oil prices. Developments with domestic food prices is a key risk worth watching, as always.

² Note: forecasts for the Indian economy are usually made on a fiscal year basis. For example, an annual forecast for calendar year 2025 will be based on the fiscal year 2025/26. This will run from the beginning of April 2025 to the end of March 2026

Bridging the Skills gap

This Global Economic Outlook for 2026 points to a reasonably constructive forecast for the world economy, whilst also recognising the considerable downside risks, and high level of uncertainty that continues to prevail. ACCA will continue to argue that a strong global accountancy profession is an essential pillar for a strong and thriving global economy, and that it plays a key role in the effective functioning of capital markets. This is why we continue to advocate our “Bridging the Skills gap” theme for 2026-2027, and call to policy makers to help “Build accountancy capacity so that businesses, the public sector and economies have access to skills and expertise to thrive”.

Our call to action for policymakers is simple:

- Widen access to the accountancy profession through inclusive educational, vocational and workplace policies that allow anyone to develop the accountancy skills needed.
- Develop and grow the accountancy profession across all sectors, championing sustainability and technology skills to ensure the profession meets the market needs.

Driving sustainable business

The highly volatile and uncertain geopolitical and macro-environment which our Global Economic Outlook for 2026 identifies, presents significant crosswind challenges to businesses to successfully navigate. ACCA firmly believes that the foundation for a successful global economy is sustainable businesses. Our “Driving Sustainable Business” theme for 2026-2027 is a call to policy makers to continue to “Drive policies, regulations and standards that deliver prosperous, ethical, sustainable organisations and economies”.

Our call to action for policymakers is simple:

- Drive the adoption of policies and regulations related to sustainable practices and ethical decision making which reinforce corporate social responsibility and enable the transition to net zero whilst fostering diverse and inclusive workforces.
- Drive the adoption of international standards which draw on global best practice, enable harmonisation across jurisdictions, facilitate international trade, and maintain accountability and trust.





‘I see huge uncertainty around the global economy which is not reflected in financial markets to the extent it should be.’

Section 2: Interview with Ken Rogoff.

In this section, ACCA Chief Economist Jonathan Ashworth asks former IMF Chief Economist Ken Rogoff about his thoughts on the prospects for the global economy and his recent book *Our Dollar, Your Problem*.

[Kenneth Rogoff](#) is Maurits C. Boas Professor at Harvard University, and former chief economist at the IMF. He has long ranked among the top dozen most cited economists, and is an international grandmaster of chess.

It’s been a monumental year for the global economy amid the sharp rise in US import tariffs. What are your thoughts on the current state of the global economy and how do you see its prospects in 2026?

The global economy is solid but not exciting, and certainly there is a growing chance of a US recession. It is difficult though, because the recent government shutdown means we don’t have the data we usually rely on to know what is going on in the economy. I think the tariffs had less effect than some of the more hysterical observers predicted, but if you looked at economic models, they would have said the effects for the US economy would not be so great, since we are a closed economy and trade does not matter as much for us.

But I see huge uncertainty around the global economy which is not reflected in financial markets to the extent it should be, including over President Trump’s policies, geopolitical problems, and above all, developments in the stock market. At some point in the next three years, there will be a massive stock market fall of 30%, but I can’t tell you whether it will go up 60% before it goes down 30%. I am describing a world of really unusual volatility and it is hard to make a big, certain call in one direction or the other right now.

Looking around the world. China is looking increasingly like the Japanese economy, or at least some version of it. I am more constructive on Europe simply because there’s so much catch up that it can do, and it should benefit from the fiscal stimulus coming from rearmament and the increased spending needed to electrify the continent to help deal with Artificial Intelligence (AI). The latter should also help improve its productivity performance. In addition, in my view the authorities are under a lot of pressure to pull back from some of their environmental, social and governance (ESG) policies, which I would argue probably haven’t been that great for growth. Clearly, I recognise the right-wing populism and political fracturing, but I’m constructive on Europe as being a place that might give outperformance.

Despite the surprisingly positive economic picture given where it seemed we were six months ago, I think there are a lot of downsides to President Trump's policies. Pulling back from global trade and slowing immigration will cause structural problems, and the models I see suggest the negative consequences of these policies on the US economy will be felt in 2027 and 2028. Populist policies work until they don't.

What are your thoughts on the prospects for India's economy?

The good news is that India will continue to be the fastest growing large economy for as far as the eye can see, benefitting tremendously from rapid growth in its labour force. Though there remains the challenge that a lot of young workers are still having to work in subsistence agriculture, with the economy not being able to absorb them. Nevertheless, the government has stepped up spending on infrastructure, which is a dramatic change, and they're benefiting from the fact that many companies are diversifying production away from China. I think India should certainly grow at 7% or 8% over the next few years, of course it could even grow at 10%, but I think it is really on track to grow more like 7% or 8% for a long time.

How do you see AI impacting economies?

I am on the more cautious side of the academic debate regarding the impact of AI. In my opinion, job losses are going to be much bigger than the growth gains, although that certainly could point to upside for the stock market. I think a fair chunk of the stock market

optimism in the US reflects a belief that profits are going to go up and labour costs are going to go down due to the shedding of workers. In terms of the future of AI, there's every possibility that we see a backlash bigger than with globalisation.

The title of your recent book *'Our Dollar, Your Problem'*³ is based on the famous remark by a former US Treasury Secretary to European leaders. Please could you highlight some key takeaways, and discuss how you see the dollar's role as the world's preeminent currency evolving and how you view the balance between external and internal threats to its supremacy?

The book is a history of the last six or seven decades of the global financial system and I use the US dollar as a unifying theme. It is not the only thing the book is about. One of the other unifying themes I talk about a lot is that we repeatedly see a "This Time is Different" mentality among financial markets, economists and policy makers. I discussed the view espoused by many leading economists ten to fifteen years ago that real interest rates would remain at zero or negative forever, that government debt is a free lunch, and there is nothing to worry about. But I argued back then, look at history. We've had periods where interest rates were low and now, they are not. The fact that interest rates I think have normalised is one of the things that is a problem for the US dollar because the US is by far the world's biggest debtor, and when interest rates go up, it's not good. And there's a real question of how we're going to deal with that.

³ <https://yalebooks.co.uk/book/9780300275315/our-dollar-your-problem/>



'Despite the surprisingly positive economic picture given where it seemed we were six months ago, I think there are a lot of downsides to President Trump's policies.'

In terms of the dollar, one claim of the book is that it had been in a slow decline for a decade before the arrival of President Trump. Part of that reflects the fact that it had been rising in the 21st century and had reached its peak ten years ago in terms of dominance, but for many reasons it has since become less so. The main one is that China has been moving to become less dependent on the US dollar. Asia today is half of the US dollar block by many measures. Europe used to be, and now it is not even in it. I think we'll see something similar with some separation of the Asian currencies from the dollar. The Chinese Renminbi is going to become more important regionally in Asia, and in Latin America and Africa. The US dollar will remain on top, but its market share will shrink. This is likely to mean higher interest rates for the US, and its ability to impose sanctions and huge advantage in surveillance are going to disappear.

In terms of President Trump, some of his policies are positive for the US dollar, some negative, although I tend to think the balance is more likely on the latter. On the positive side are the administration's pro-AI policies, which are clearly good for the dollar short term (even though I don't think AI is good for humanity or jobs as we discussed), as is its support for the growth in US dollar Stablecoins (although the thin regulations mean we are likely to get a lot more tax evasion and illegal activity). The muscularity in foreign policy is probably on balance US dollar positive too because countries which want to be in the US security envelope tend to be more likely to use the currency, although I believe we are losing soft power.

But there are many negative policies. The rule of law is being weakened tremendously, amid a move to a system with so much

‘The US dollar will remain on top, but its market share will shrink.’

more arbitrary power, which a future President could also abuse. Large fiscal deficits and government debt are clearly a problem. I suggested in the book that the odds of a fiscal crisis happening in five to ten years were more likely than not, now I would say within four to five years. Central Bank independence is also a cornerstone of US dollar dominance, and I think President Trump will be successful in undermining it. Tariffs are also hugely dollar negative. Impediments to trade in goods spill over into trade in financial assets as tariffs reduce capital flows. Since the US benefits so much from these, it loses.

Overall, I think the odds of the US having more instability and unstable policy are high, and even if the US dollar remains the preeminent currency, that's going to be bad for other countries.

It is probably an understatement to say you are quite cautious. You think over the next five years there's a significant chance of a US debt crisis?

You would likely need a shock at some point to set it off. If there are no shocks for the next twenty-five years e.g., no pandemics, no crises, no wars, we'll continue to slowly weaken but not fall apart. But we are less resilient. Our debt is more than twice as high than at the time of the global financial crisis and interest rates are actually much higher than even before it, they're more like levels at the turn of the century. The political system is fractured and unable to deal with anything. If there is a big shock, we are going to have problems.



Section 3: Key events in 2026.

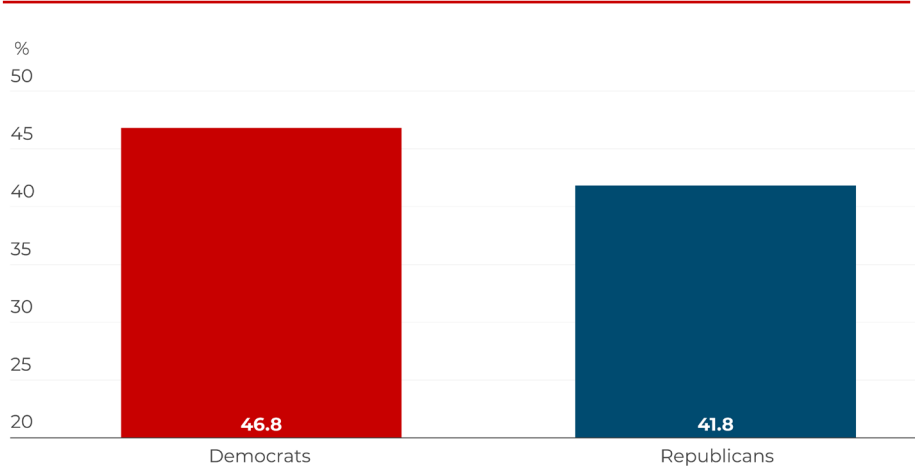
In this section, we highlight some of the key events to watch over the coming year.

After the monumental year for global elections in 2024, it will be another relatively quiet year on the political front (see [Chart 9](#)), although the world will continue to absorb and monitor the impacts of the major domestic and foreign policy changes by the Trump administration.

Key politically will be US mid-term elections in November. The Republicans currently control all three branches of government: the White House, Senate and House of Representatives. The latter two are up for grabs. Gubernatorial elections in New Jersey and Virginia in November, as well as some other elections, showed large swings against Republican candidates compared with the 2024 Presidential election, with the ‘affordability crisis’ said to be an important factor. Current Generic Congressional Vote polls suggest that the Democrats have the advantage against their Republican counterparts (see [Chart 8](#)).

Republicans currently enjoy a wafer-thin majority in the House, and given the usual mid-term swing against the incumbent party in the White House, the odds are that the Democrats will win the majority. Given the favourable geographical mix of seats up for grabs, the Republicans look favourites to maintain their majority in the Senate, albeit potentially diminished. A loss of control of the House of Representatives to the Democrats would constrain President Trump’s room for manoeuvre on the policy front in the second half of his current, final four-year term.

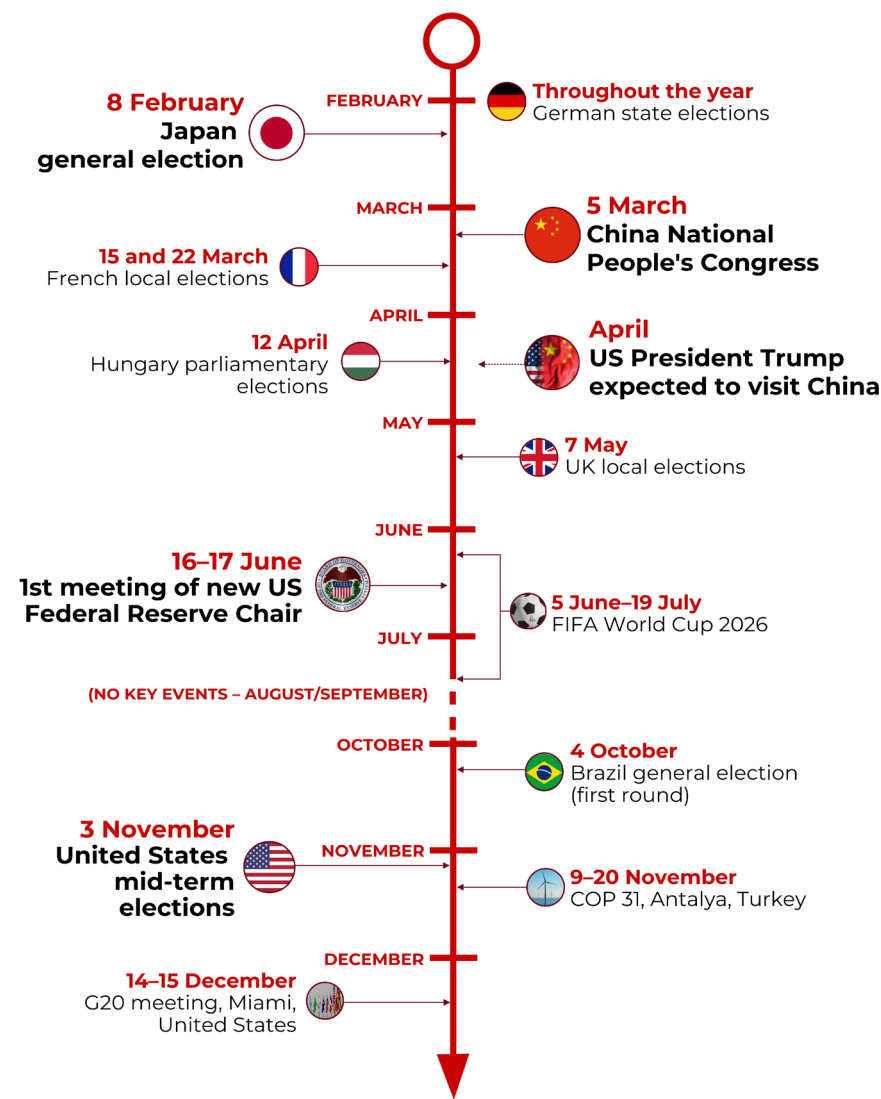
Chart 8: 2026 Generic Congressional vote:
RealClearPolitics poll average



Source: RealClearPolitics Poll Average, 4 December – 19 January

Amid the rise in populism across Europe, attention will continue to focus on political developments in the region, even in the absence of a general election in a major country. The populist right-wing Reform party could make significant gains in UK local elections in May, while a poor showing for the government could raise speculation about a leadership challenge to Prime Minister Keir Starmer.

Chart 9: Key events in 2026



Source: National/International sources and Wikipedia

‘Key on the political front in 2026, will be US mid-terms in November.’

In Germany, the far-right Alternative für Deutschland party (AfD) is currently leading in some national opinion polls, and the state elections throughout the year will be watched closely for further signs of its upward momentum (Hoyer 2011). Political developments will also be closely watched in France, with the all-important Presidential election due in April 2027. The country is on its fifth different prime minister since the beginning of 2024, and a new round of parliamentary elections could be called if the government were to lose a no-confidence vote (see Berthelot 2026). Political instability is making it very difficult for the government to take the necessary measures to try and put the country’s public finances on a more sustainable footing. The Hungarian election will also be watched closely, where most opinion polls suggest far-right populist Viktor Orban’s Fidesz party is currently trailing (Simon and Escritt, 2026).

Elsewhere, Japan’s relatively new prime minister, Sanae Takaichi, has called a snap general election on 8 February, hoping to use her personal popularity to increase her party’s majority in the important House of Representatives. In Latin America’s largest economy, Brazil, opinion polls suggest that centre-left incumbent Lula da Silva currently leads his expected challengers in October’s general election (Rosati 2025).

Outside the political realm, close attention will be focused, as always, on China’s National People’s Congress in March, commonly referred to as the ‘Two Sessions’. Investors will pay particular attention to the presentation of the ‘Report On The Work of The Government for 2026’ by Prime Minister Li Qiang. This will provide details of the government’s GDP growth and inflation targets for 2026 and its likely fiscal policy stance, as well as various other policies and priorities. The government will also formally launch its 15th Five Year Plan. Suzuki (2025) notes that ‘... The draft of the country’s road map sets technology self-sufficiency and industrial upgrades as key priorities, while also aiming to “significantly” raise the share of consumption in the economy’.

In the US, major attention will focus on the impacts of personnel changes and other developments at the Fed. Current Fed Chair Jay Powell’s term will end in May, with his yet to be announced replacement set to chair their first meeting in June. Investors will also watch to see if Powell decides either to step down completely or remain on the board as a governor until 2028. If he chooses the former, in line with recent precedent (Liesman 2026), that would provide President Trump another opportunity to appoint a governor. Concerns have increased about the politicisation of the Fed, amid a Department of Justice probe into Chair Powell’s Congressional testimony on renovations of the Fed’s buildings (Wallbank 2026) and following attempts by the administration to remove Governor Lisa Cook for alleged misstatements on mortgage applications (Dudley 2026). The Supreme Court will rule on whether she can be removed, which could set an important precedent. A further intensification of fears about the Fed’s independence in 2026 could fuel a weakening in the US dollar and a rise in Treasury yields.



Section 4: Three key trends we are watching in 2026.

In addition to closely monitoring the usual ebb and flow of economic and financial markets data throughout the year, we will be paying particularly close attention to three key trends: i) developments with AI; ii) developments in advanced economy bond markets; and iii) developments with global trade.

i) Developments with AI

The global AI boom was an important contributor to the resilience of the global economy in 2025 in the face of the major disruptions in global trade. The surge in the value of technology stocks helped lift US equity indices to record highs last year, with the ‘Magnificent 7’ stocks accounting for around 45% of the rise in the S&P 500 (Morgan 2025). Share price gains helped ease financial conditions in the US and around the world, while the beneficial wealth effects supported consumer spending among high-income Americans, at a time when their lower-income counterparts have been under pressure. Meanwhile, AI-related business investment has surged in the US, offsetting weakness in other types of investment, and fuelling technology-related exports from regions such as Asia Pacific.

‘If evidence starts to build that AI investment is boosting productivity at firms, fears about a bubble should ease.’

Chart 10: Cyclically adjusted price-earnings ratio*



*Price earnings ratio is based on average inflation-adjusted earnings from previous ten years.

Source: Robert J. Shiller

Amid the sharp rise in the price of technology stocks, a number of institutions and observers have cited the risk of an ‘AI bubble’, similar to the ‘Dot-com’ bubble in the 1990s. They cite commonly used equity valuation metrics that suggest that the US stock market is now at its most richly priced since the late 1990s (see [Chart 10](#)). Circular financing agreements between leading technology firms,

suppliers and customers, as well as off-balance sheet financing, have also contributed to comparisons between the present and the ‘Dot-com’ bubble.

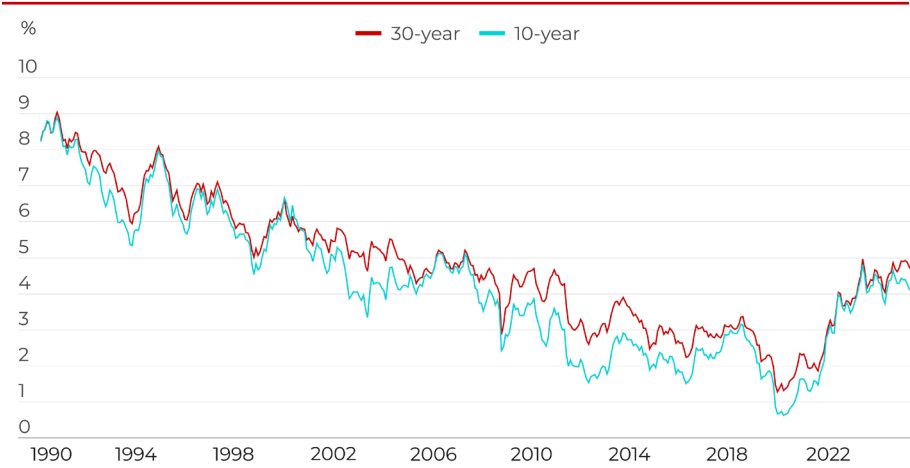
Close attention will be paid to the use of AI in businesses in 2026 and any productivity benefits. If evidence starts to build that AI investment is beginning to pay off by boosting productivity at firms, fears about a bubble should generally ease. Alternatively, if doubts about its productivity-enhancing effects were to build, the risk of a market correction could increase.

ii) Developments in advanced economy bond markets

Government bond yields have risen sharply in most advanced economies in recent years, amid rising inflation and higher central bank interest rates, loose fiscal policy, and government debt levels as a share of GDP that are very elevated by historical standards.

In the US, whose government borrowing rates are a key driver of those in the rest of the world, 10-year and 30-year government bond yields have risen to levels seen before the Great Financial Crisis of 2008–09 (see [Chart 11](#)). Yields have also risen sharply in countries such as the UK and France, where domestic economic and political situations have made it difficult for governments to take the necessary measures to put the public finances on a more sustainable footing. Meanwhile, countries where bond yields have typically been very low in recent decades, such as Germany and Japan, have also seen them move significantly higher, with a pivot to major fiscal easing in the former being a contributor last year, while the continued normalisation of monetary policy is key in the latter.

Chart 11: US Treasury yields



Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of St. Louis FRED

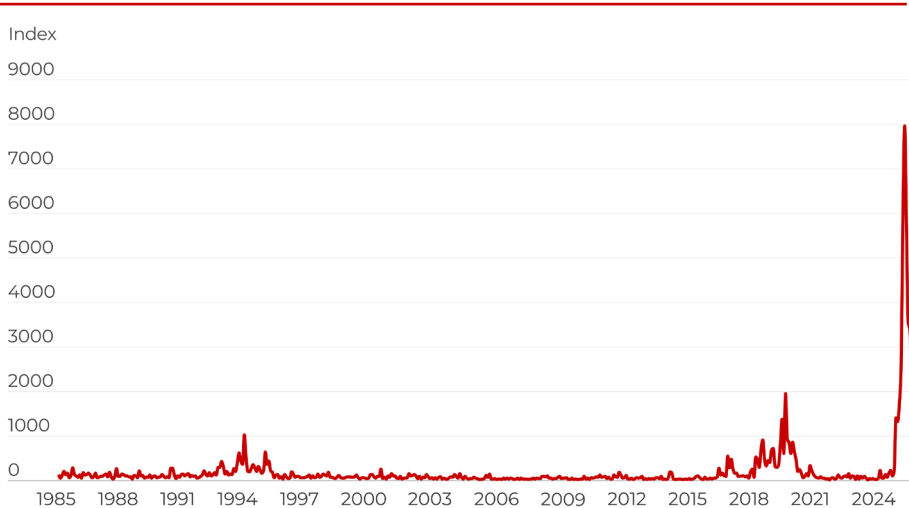
A further material move higher in government bond yields in 2026 in the US and other countries would be likely to weigh on global financial markets, increase debt-servicing costs and hurt economic growth. There are various potential catalysts for such a rise. Growing investor concerns over the sustainability of the public finances or about the independence of the Fed, could be important contributors, as could rising political instability. Moreover, in the US, if inflation is much higher than expected, that could make it difficult for the Fed to continue cutting interest rates, and if growth proved much stronger than expected, investors could even begin to discount interest rate hikes in the future. Developments in Japan also need to be watched closely, given the important global footprint of its investors. With the Bank of Japan likely to continue with its normalisation of monetary policy, higher interest rates in the home market could make Japanese investors increasingly inclined

to invest at home, which could push up government borrowing costs in other advanced economies, and there is a risk that this process could happen quite abruptly.

iii) Developments with global trade

2025 was a monumental year for international trade, with the US raising its average effective tariff rate from 2.4% in 2024 to around 17% at present – the highest rate since the 1930s (The Budget Lab 2025). After surging to record levels in April, measures of US trade policy uncertainty have fallen back materially, albeit remaining very elevated by historical standards (see [Chart 12](#)).

Chart 12: US trade policy uncertainty index*



* Reflects the frequency of articles in US newspapers that discuss policy-related economic uncertainty and also contain one or more references to trade policy.
Source: Baker et al. (2016).



‘Overall, global trade developments generally appear broadly consistent with continued ‘Slowbalisation’, rather than a major pivot to deglobalisation.’

Despite the major disruptions, global trade looks to have actually grown faster than global GDP in 2025, with the IMF forecasting an increase in trade of 4.1% (IMF 2026). Several factors have boosted global trade. First, many exporters frontloaded their exports to the US earlier in the year, before the expected tariff increases. Second, trade has been re-routed to some extent through countries facing lower tariffs, which has lessened some of the tariff-related shock. Third, the global economy has proved more resilient than expected, limiting the extent of any cyclical slowdown in trade. Fourth, the global AI boom has boosted trade growth. The WTO estimates that trade in AI-related products accounted for 43% of growth in the value of global goods trade in the first half of 2025 when compared with a year earlier (WTO 2025).

That is not to say that the rise in US import tariffs is not affecting global trade: indeed, clear shifts in trade patterns are evident between some of the major countries. Chinese exports to the US fell sharply in 2025, while exports to other regions rose strongly (see [Chart 7](#)). The share of US goods imports accounted for by China has fallen from over 13% in 2024 (US Census Bureau 2025a) to just over 9% in the year-to-date October 2025 (US Census Bureau 2025b). Meanwhile, the IMF estimates that global trade growth will slow to 2.6% in 2026, albeit only slightly lower than global GDP growth (IMF 2026).

Overall, global trade developments generally appear broadly consistent with continued ‘Slowbalisation’, where global trade

largely moves sideways as a share of GDP, rather than showing a major pivot towards deglobalisation. Nevertheless, further changes in the patterns of trade were evident in 2025 and the overall risks remain clearly on the downside. Trade deals announced between the US and some of its partners in 2025 could still unravel. Close attention also needs to be paid to the truce between the US and China, which is set to end in November 2026. At the same time, with Chinese exports being diverted from the US to other regions, the risk is that other countries could increasingly raise barriers to Chinese imports. Finally, a key uncertainty is the outcome of an expected Supreme Court ruling on the legality of some of President Trump’s tariffs.



Section 5: How do business leaders see the world in 2026?

In this section, we interview three business leaders from different regions of the world, garnering their views on how they see the prospects for the global economy, the regions and countries where they are based, and, where relevant, their companies in 2026⁴.

Interview 1: Wu Chen

Wu Chen is a renowned business writer and columnist. He is the author of eight books and previously served as the Executive Editor of *The Economist Global Business Review*.

What are your thoughts on the prospects for the global economy in 2026, as well as your own region and country?

There will be a two-speed economy. AI [artificial intelligence] is the high-speed part, with the boom set to continue. In China, a key focus is on its application in the workplace, although it is also likely to be used to replace knowledge workers. In the US, we have seen a continued boom, which I do not think is a bubble, or at least not one that will burst yet. In the US and the West, the low-speed part is a result of affordability issues, driven by high inflation. In China, it reflects continued structural issues, as a result

⁴ The views expressed in these interviews are the personal views of the interviewees and do not necessarily reflect the views of the company they represent or ACCA. We are incredibly grateful to the interviewees for providing their time and expertise for the interviews.

of three major problems: i) the struggling real estate market, where I don't see a turnaround yet; ii) while China is one of the most advanced countries in applying AI in organisations, the downside of this is a very challenging job market for younger graduates; and iii) the government have suggested they would like to see gains in households' disposable income, but we haven't yet seen meaningful policies likely to achieve this. We are currently in deflation, which is challenging to escape, and we don't want to repeat the experience of Japan.

What are your thoughts on the key opportunities and challenges facing the Chinese economy in 2026 and beyond?

Instead of supply-side reform, China needs demand-side reform. The manufacturing sector is very strong, and the recent boom in exports to the rest of the world has been an important driver of growth. But that is not sufficient because, as a very large country, China needs to ensure that consumption grows faster than other sectors, since it still only accounts for about 37%–38% of gross domestic product (GDP), which is much lower than among our global peers. We need to figure out how we change that.

There are three things that need to change: i) confidence about the future; this is already improving amid the AI boom, with China proving that it can be a technology leader, allowing business dynamism to return; ii) households need confidence that their wages and job opportunities will increase in the near future, which is not the case at the moment; and iii) reduced regulation in many of the service sectors, such as healthcare and education, so that the needs of the middle class and upper middle class can be better met.

‘There will be a two-speed economy. AI is the high-speed part, with the boom set to continue.’

The green transition and developments with AI are likely to continue to be major global themes over coming years. What are your thoughts on the current state of play in China with regard to the green transition and AI, and how do you see future prospects?

Owing to the scale and continued improvement of its manufacturing sector, and where electrification is going to be key in the future, China is now offering very price-competitive solutions for the global green transition. We need to recognise that, but the challenges for such a rollout include both geopolitics and the need to protect traditional industries. For AI, as mentioned previously, in China the key focus is applying it to address practical problems, whereas the US has a greater focus on developing the next generation of artificial general intelligence (AGI). Meanwhile, China is unique in that many of its AI models are open source, allowing everybody to benefit from their development. In the next five years, Nvidia's dominance will end, and Chinese competitors will be equally good at providing advanced chips. If China can succeed in that, it would prove that its own ecosystem is sophisticated enough to be able to deliver sterling results.



Interview 2: Mike Fowler, FCCA

Mike Fowler, FCCA, Group Finance Director of Leekes Retail and Leisure Group, which incorporates Leekes Retail, the Vale Resort Hotel and Spa, and Hensol Castle Resort Developments Ltd. <https://www.leekes.co.uk/>.

What are your thoughts on the prospects for the global economy in 2026, as well as your own region?

Government debt is at high levels and inflation has been quite stubborn across much of the world. This means that central banks are going to have to keep interest rates higher than they have been historically. Rising import tariffs are another challenge and create uncertainty. There is good scope for growth in certain emerging markets, such as India.

Rising tariffs don't directly affect us, but they are another source of uncertainty. Key for our business is the UK. BREXIT has hurt the economy quite significantly, reducing our competitiveness and making us a lesser player on the world stage. The economy was moving in the right direction before the 2024 general election, but some of the subsequent policy decisions have not been well thought out and have had a negative impact. The large rise in National Insurance Contributions for employers was very damaging, and the stealth tax rises through the freezing of income tax thresholds are disappointing. The downside risks to growth are far greater than the inflation risks now, with unemployment likely to rise gradually and interest rates come down. The lack of a pro-business agenda from the government concerns me.

How will it impact your organisation?

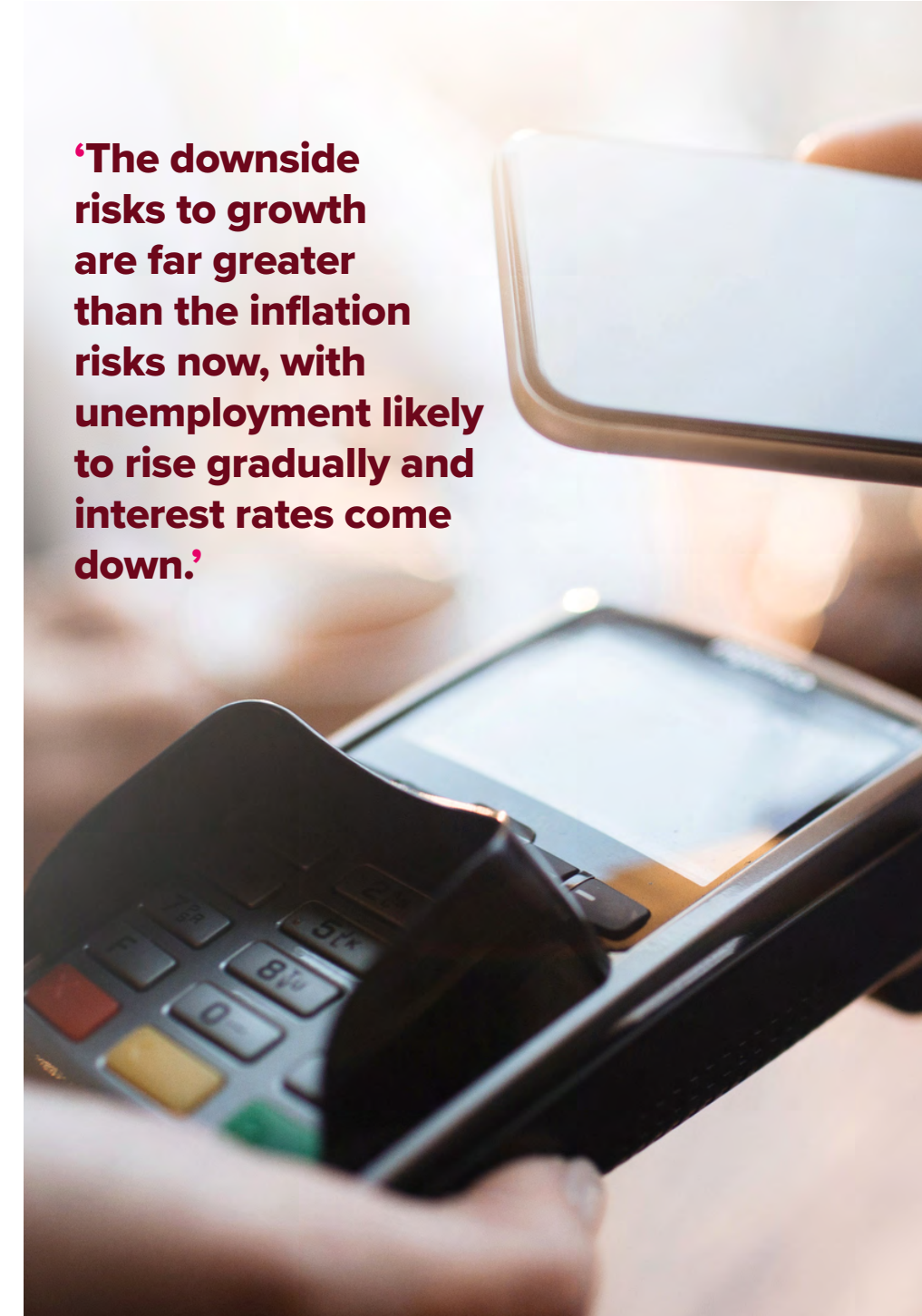
We are a profitable and well-capitalised business that has been operating for 130 years. Our hotel resort is very profitable, the distillery business is showing strong improvements in growth and our retail business is profitable, although the rising cost base is a challenge for the last of these. The increase in National Insurance Contributions for employers had a significant negative impact on our business, and the National Minimum and National Living Wage rates have risen sharply in recent years. We are also paying higher business rates, with the system being quite archaic and in need of reform. Overall, we are in a good position, though, and will continue to invest significantly over the next three years. That said, there are signs that a lot of smaller, less-capitalised companies are struggling, and I fear there is insufficient support for business start-ups.

We are seeing a little bit of a shift towards spending money on experiences and away from purchasing goods and services, which may be a knock-on from the pandemic, with people wanting to enjoy themselves more. This is benefiting our hotels and leisure businesses, while the challenges to disposable income are probably weighing on retail at the moment.

What are the key risks and challenges facing your organisation in 2026 and beyond?

Given that we are a consumer-facing business, the biggest risks come from all the various economic challenges households face, as well as a rising cost base due to the tax rises and other cost increases continually facing businesses.

'The downside risks to growth are far greater than the inflation risks now, with unemployment likely to rise gradually and interest rates come down.'



Interview 3: Ebrima Sawaneh, FCCA

Ebrima Sawaneh, FCCA, Group Chief Financial Officer and Chief Operating Officer, Arise Port & Logistics. <https://www.arisepl.com/>.

What are your thoughts on the prospects for the global economy in 2026, as well as your own region?

There is potential for growth, which is confirmed by the latest forecasts from the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) with both expecting global economic expansions of around 3% in 2026. But it is a fragile environment, given that the world continues to grapple with geopolitical and trade issues. Regarding Africa, I am cautiously constructive. The African Development Bank projects growth of 4.3% in 2026. But an important test of success for the continent will be whether it can create jobs and increase per capita living standards, thereby reducing the risk of social unrest.

How will this impact your organisation?

We operate three ports that are largely used for the export and import of minerals and general cargoes. Given the economic prospects in the two countries where we operate, Gabon and Côte d'Ivoire, there are opportunities and potential for growth in our business. Both had successful elections in 2025, and the government of Gabon projects non-oil growth of 9.2% in 2026. Meanwhile, Fitch Ratings has recently upgraded its sovereign rating for Côte d'Ivoire, and projects gross domestic product (GDP) growth of 6.5% in 2026.

Of course, activity levels at ports can be volatile depending on trade uncertainty or other external shocks that may impact the supply chain. Hence, our focus for next year will be on maintaining the reliability of our service, while keeping close observation of our customers' planning for exports or imports, in order to manage our capacity and, more importantly, our working capital.

What are the risks and other key challenges facing your organisation in 2026 and beyond?

For any organisation today, a common risk is geopolitics, with issues in all the major regions, including *coups d'état* in Africa. Geopolitical events can result in the rerouting of vessels and push up freight rates and insurance costs. Sustainability issues are another risk. For example, the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) comes into effect in January 2026. Affected organisations will have to create mechanisms to decarbonise and, if they don't, it is not just a matter of reputation: they may also be priced out of the market. This is very important for us as a port operator, because we are part of supply chains that ultimately serve the EU market - either directly, where our customers export cargoes to Europe, or indirectly, where raw materials move to China for processing and the finished products are then exported onwards to the EU.

'...an important test of success for the continent will be whether it can create jobs and increase per capita living standards, thereby reducing the risk of social unrest.'

We also see risks and opportunities in local beneficiation strategies, such as in the mining sector, where some countries want to build their own smelters or process the cargo instead of simply exporting raw materials. We see this more as an opportunity because it will bring a mix of cargoes from which our ports can benefit.

For us as a port operator, artificial intelligence (AI) is a big opportunity, but its implementation needs to be managed in phases. In 2025, we have used it to improve the efficiency of language translation, as well as in research. There are also opportunities to use it for logistics mapping and predictive analytics. One of our goals in 2026 is to look at easier business-case uses, so that the benefits can be observed and buy-in from stakeholders gained, before considering larger projects. Nonetheless, as organisations increasingly use AI, they also become more prone to cybersecurity risks. Cybersecurity is an issue that most institutions can't look at simply from a risk-management perspective: increasingly, it is also something that boards will have to consider.

Finally, for institutions investing in Africa, social sustainability is very important. With a rapidly growing youth population, a significant number of jobs need to be created to reduce the risk of social unrest, which could affect the sustainability of your business. Hence, political and economic developments need to be closely monitored.

In summary, there are risks and opportunities in 2026 and beyond, but key for organisations will be resilience, decarbonisation readiness and digital reliability, which includes cybersecurity management.

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ACCA
The Adelphi
1/11 John Adam Street
London WC2N 6AU
United Kingdom

020 7059 5000
accaglobal.com

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