A macroeconomic outlook for 2026

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Despite all the crises, conflicts, and uncertainties we face, the global economy is likely to continue growing in 2026, not rapidly, but reasonably robustly. Growth will be based on positive developments in Asia and a US-centered but fundamentally global upswing in AI investments. However, risks continue to emanate from protectionist tendencies, which flared up again at the beginning of the year in connection with the Greenland crisis. An economic war between Europe and the US could have quickly ruined the prospects for positive development in 2026.

The US remains ahead of the EMU in terms of growth

In the US, the tech and AI boom remain the key drivers. High investment in data centers, software, and hardware are providing sustained momentum, flanked by continued expansionary fiscal policy and at least one interest rate cut by the US Federal Reserve. On the other hand, developments on the labor market, with virtually no job gains since April 2025, are having a dampening effect and will significantly reduce the driving force behind private consumer demand in 2026.

Europe must continue to prepare for headwinds in exports in 2026. Intense competition with China and US tariffs are having an impact. Hopes are pinned on rising spending on defense equipment and infrastructure, as well as increasing private consumption. In particular, an improvement in the German economy is to be expected, as many billions will be invested not only in the already rapidly growing defense sector, but also in infrastructure. In view of the coalition's debt agreements and a number of minor reforms, such as depreciation allowances and industrial electricity prices, growth of 1.2% in Germany seems realistic. The EU as a whole is likely to grow at a rate of 1.4%, slightly above the German rate.

The disruption caused by Donald Trump, who is calling free trade, capital movements, and the independence of the Federal Reserve into question, is often said to offer opportunities for Europe and the Euro. That is certainly true. But in order to take advantage of these opportunities, for example to attract more international investment or strengthen the global role of the Euro, structural reforms need to be implemented that increase the competitiveness of the economy and make the EU more attractive as a business location. Until that happens, the US will maintain its lead in growth.

The AI boom has only just begun in the real economy

Spending on high-tech infrastructure will continue to grow in 2026 if the plans of the major tech companies are implemented. By 2025, additional spending by the tech industry on data centers, computers, software, and power supply had already generated a large part of the growth.

In the coming years, AI will find its way into the broader economy. The still relatively low adoption rate will increase, leading to a rise in investment in communications and information technology outside the tech sector as well. With what is likely to be only a short

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delay, the cross-sectional technology of AI will enable significant productivity gains in many industries. And these productivity gains will remain, even if the stock market prices of some AI companies appear exaggerated and periods of market correction are likely to occur.

Asia remains a growth engine for the global economy

China's economic development is remarkable. Despite the burden of the highest US tariffs and a real estate sector that is only slowly stabilizing after years of severe recession, the economy achieved 5% growth in 2025. In 2026, the rate is expected to remain high at 4%. China has more than compensated for the sharp decline in exports to the US with rising exports, particularly to ASEAN countries and Europe. Competition with Chinese suppliers is likely to intensify on the European market in 2026. China's exports to other Asian countries are, at least in part, the result of changes in production and supply chains designed to bypass US tariff barriers, but they are nonetheless export successes.

China's upswing and investments have contributed to the continued remarkable economic momentum in the Asian region. ASEAN countries are expected to expand by more than 4% next year, overtaking developed countries. India's economic upswing, with recent growth of 7%, is also contributing to the momentum in the Asian region.

Risks for 2026: High government deficits and international imbalances

Despite significant cuts in key interest rates by central banks in the US and Europe, capital market yields in these regions remained at elevated levels in 2025 and so far in 2026. This reflects investors' fears that rising government debt will become a significant burden on capital markets.

In the US, the government budget deficit is likely to remain at around 7.5% of GDP in 2026. The high budget deficit is stimulating demand and putting pressure on the current account balance through rising imports. The IMF assumes that, despite tariff barriers, the US current account deficit will remain at a similar level to 2025 at 3.5% of gross domestic product in 2026.

In view of the US current account deficit, trade policy tensions are unlikely to ease and a return to multilateralism and free trade is not to be expected. On the contrary, the US government could be tempted to combat the negative external balance (and the government deficit) by further increasing tariffs or by taking targeted measures to reduce capital imports.

The high government deficits of the US and other countries also pose a risk to the capital markets. Given the very high refinancing needs of many countries, investors will demand a high risk premium for holding government bonds if there is no consolidation of deficits in sight.

Stock markets will slow down in 2026

Stock market valuations are well above their historical averages, especially in the US. This means that company shares are correspondingly expensive when measured against current earnings.

Further price increases ultimately depend on whether corporate earnings develop in line with the current optimistic estimates or perhaps even exceed them. For 2026, analysts' consensus forecasts predict a further increase in earnings of around 14% for the S&P 500 and MSCI Europe. Achieving such earnings growth is already ambitious, but exceeding it and triggering further price increases on the stock markets is rather unlikely in a moderate growth environment.

Therefore, rather moderate stock returns – clearly in the single-digit range – should be expected for 2026. The fantastic gains of the last three stock market years – more precisely, since mid-2022 – will not be repeated.

A slight reduction in equity budgets, good diversification, and slightly higher liquidity and bond holdings could be the conclusions for investors.

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Rating system of the absolute valuation	
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