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MACROECONOMIC *view*

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2026 Outlook - The world according to Trump, Year II



KEY HIGHLIGHTS

- Last year, the global economy demonstrated remarkable resilience in adapting to shocks.
- Trump initially sparked panic with his tariff threats but later softened his stance.
- This easing, combined with fiscal stimulus in several countries, is expected to support growth.
- However, multiple geopolitical tensions could weigh on market sentiment.
- Europe faces triple pressure—from the United States (Trump), Russia, and China (competition).



Before marketing a new product, its designers always subject it to unusual conditions of use in order to assess whether it will break or at least identify any weak points that need to be reinforced. Last year, the whole world underwent a high-intensity stress test under Donald Trump's leadership. The result was conclusive: the economy was shaken up, but there was no apparent breakage. Global growth remained slightly above 3%, and the major stock markets saw double-digit gains.

The year has barely begun and the 2025 stress test already looks like a walk in the park. Dictators have been deposed (Venezuela), others have been weakened (Iran), decades-old military alliances are on the verge of breaking down (NATO over the issue of Greenland), the Fed chairman is being prosecuted in a criminal case... We are writing this in mid-January. Other events of major importance are looming: the appointment of a new Fed chairman to take office in May, the US midterm elections in November, the Supreme Court's rulings on the legality of certain tariffs, the outcome of negotiations for a ceasefire in Ukraine after four years of war, and the ongoing rivalry between the US and China, with the key issue being whether to maintain or break the tariff truce that was so difficult to negotiate last year.

It is somewhat surprising that the general mood is one of optimism. The latest reports from the IMF, the OECD, and other institutions are quick to point out weaknesses in the economy (trade friction) and the financial sphere (risk of an AI bubble bursting), but they all agree on the incredible resilience of the global economy. This leads to an extrapolation of a growth rate of just over 3%. This is the central trajectory. Let's see how it breaks down by major region.

United States - Neither the tariff war, nor trade friction with the entire world, allies and adversaries alike, nor repeated attacks on the Fed, nor the longest government shutdown in history, have brought the economy to its knees. Fears of recession last spring quickly evaporated. The labor market weakened significantly, but AI spending continued to boom. Long-term rates fluctuated between 4% and 4.5% due to opposing forces: the Fed's rate cuts on the one hand (-75 basis points in 2025) and the maintenance of a large budget deficit on the other (more than 6% of GDP). For 2026, real GDP growth is projected to be around 2%. Demand should benefit from the tax cuts passed last year and, if inflation eases, from a little more monetary easing.



Europe - European countries were also badly shaken in 2025 by rising US tariffs, competition from China, and the threat of US military disengagement. Ultimately, growth was decent but weak, and still uneven among the major countries. The modest recovery is expected to continue in 2026, based on the dual assumptions of a) a decline in household savings rates and b) an acceleration in the German economy thanks to Merz's stimulus plan. In this context, inflation is expected to remain just below the 2% target. The ECB completed its cycle of rate cuts in June 2025 and is not expected to lower its key rates further in this context.

Germany - Two opposing forces will influence business conditions. On the positive side, after a year of announcements and preparations, the infrastructure and defense investment plan should take shape. However, many observers fear delays in implementation. The business climate remains uncertain. On the negative side, China's industrial juggernaut is now a major competitor in all areas, which will weaken the export engine. Overall, the effect of fiscal stimulus should prevail.

France - The country is in total denial about its fiscal problems, which are the most acute in the entire eurozone, under the complacent eye of the markets. The political world already has its eyes fixed on the 2027 presidential election, while the French are oversaving and companies, faced with unprecedented fiscal uncertainty, are holding back on investment and hiring. Nothing new to expect.

China - The Chinese economy remains paradoxical. Industrially, its dominance in many sectors is becoming increasingly apparent. At the macro level, however, internal weaknesses are becoming more pronounced: weak consumption, the ongoing real estate crisis, price deflation, and demographic winter. This "model" can only be sustained by gaining market share in the rest of the world, so that excess production can be absorbed by foreign demand, particularly in Europe. In turn, this can only reinforce protectionist measures in the rest of the world. In 2026, China is set to unveil a new five-year plan consolidating its ambitions for leadership in the technological fields.

Compared to the central trajectory, which is fairly positive overall, there are several risks of deviation to consider. The risk of a US recession has been so overestimated in recent years that it seems to have disappeared for good. In fact, this risk remains in two forms. First, a retreat by consumers pressured by job shortages and a cost-of-living crisis. Second, a financial shock affecting households whose wealth has never been so heavily invested in the stock markets. On the other hand, we must mention the most troubling scenario, which would be a resurgence of inflation under the combined effect of various fiscal stimulus plans, global monetary easing, and a Fed perceived as less impervious to political pressure from Donald Trump.

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