World Economic Outlook, 2026

***Prelims**: Current events of national and international importance | Reports & Indices*

Why in News?

The World Economic Outlook, 2026 was released recently.

- **Released by** – International Monetary Fund (IMF), twice a year.
- **Purpose** – It presents analyses and projections of the world economy in the near and medium term, covering advanced, emerging, and developing economies.

Key Findings

- **India's Status** – India will *remain among the world's fastest-growing major economies*, with its GDP projected to *expand by 6.4% in FY2026-27*, supported by strong private consumption and robust services sector activity.
- **Global Economic Growth** – Projected to slow to 3.0% in 2026 before recovering to 3.4% in 2027.
- **Reason for Slowdown** – Ongoing risks linked to the war in the Middle East, trade fragmentation and potential corrections in market expectations for AI.
- **Headline Inflation** – Projected to rise from 4.1% (2025) to 4.7% in 2026 and is expected to drop to 3.9% in 2027, mainly due to higher energy and food prices.
- **Core Inflation** – Expected to moderate only gradually.
- **Energy Prices** – Now 25% higher than before the war began on February 28 and are expected to stay elevated.
- **Trade Volume Growth** – Expected to decelerate sharply from 5% in 2025 to 3.5% in 2026, before improving to 4.3% in 2027.
- **Emerging Markets & Developing Economies** – Growth is projected to ease to 3.8% in 2026 before recovering to 4.5% in 2027.
- **Asian Economies** – China's growth is projected to slow to 4.6% in 2026 due to higher oil prices and structural headwinds. Vietnam is revised upward to 7.5%, while Malaysia is expected to expand 4.7% on the global tech cycle.
- The UK is expected to grow 1.0% in 2026, Japan 0.6%, and South Korea 2.6% on strong semiconductor demand.
- **United States** – Growth is projected at 2.3% in 2026 and 2.2% in 2027, broadly unchanged from the IMF's April forecast.
- **Euro Area** – Projected at 0.9% in 2026, reflecting weaker carryover from the first quarter, higher energy prices and subdued consumer confidence.
- **Middle East & Central Asia** – Growth is projected to slow sharply to 0.7% in 2026 before rebounding to 6.5% in 2027, following a prolonged closure of the Strait of

Hormuz.

- **Major Commodity-Producing Economies** – Iraq, Kuwait and Qatar are expected to witness sharp economic contractions in 2026, while Saudi Arabia is projected to grow by 1.7%.

Reference

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