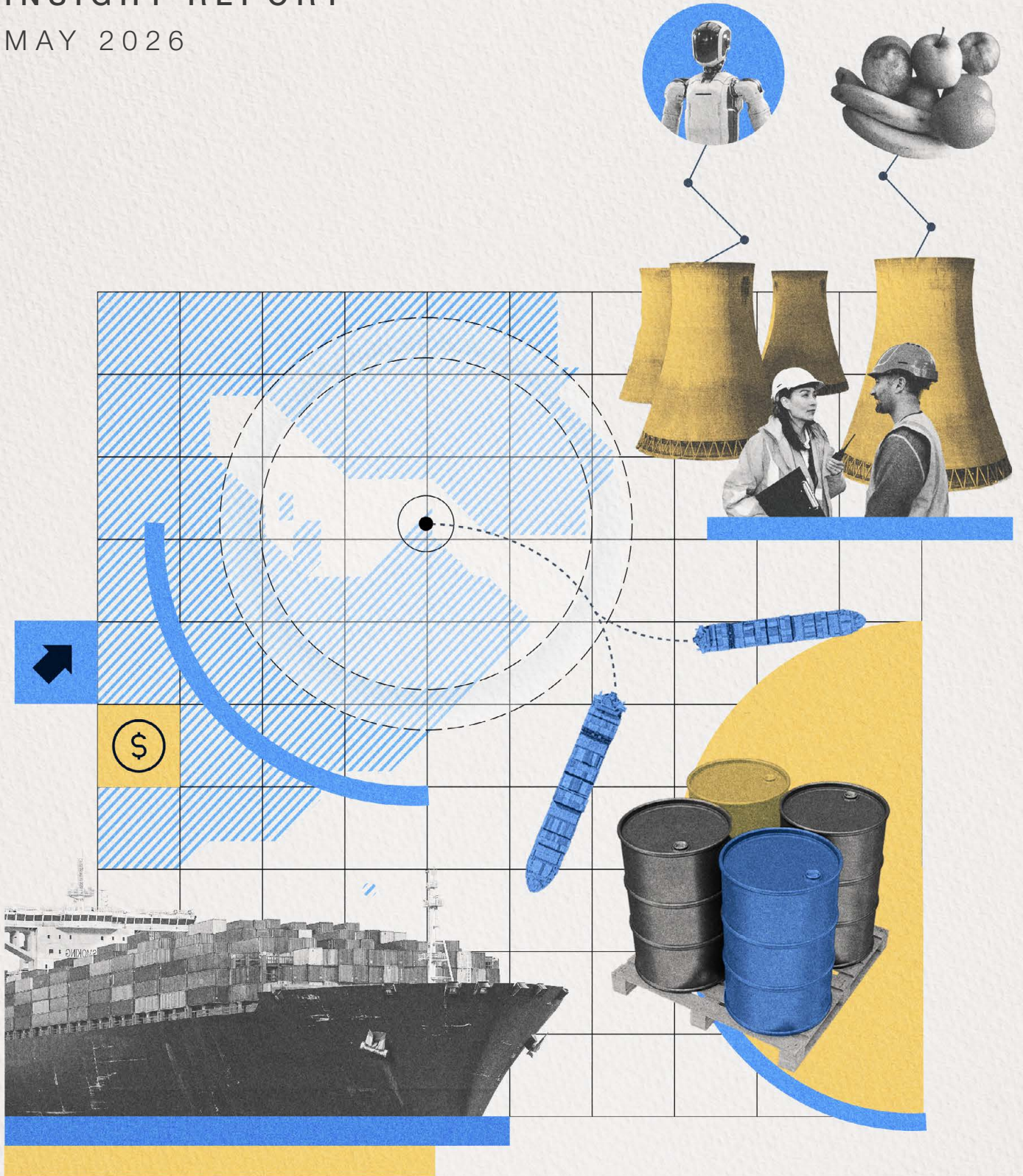


Chief Economists' Outlook

INSIGHT REPORT

MAY 2026



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May 2026

Chief Economists' Outlook

This briefing builds on the latest policy development research as well as consultations and surveys with leading chief economists from both the public and private sectors, organized by the World Economic Forum's Centre for the New Economy and Society.

It aims to summarize the emerging contours of the current economic environment and identify priorities for further action by policy-makers and business leaders in response to the compounding shocks to the global economy from geoeconomic and geopolitical events.

The survey featured in this briefing was conducted from 6 April to 17 April 2026.

Executive summary

In the May 2026 edition of the Chief Economists' Outlook, sentiment among surveyed chief economists regarding global economic prospects has deteriorated. In the survey, 89% of respondents anticipate global growth over the next 12 months to weaken, with 21% expecting a significantly weaker outlook. The escalation of conflict in the Middle East, including the closure of the Strait of Hormuz, has disrupted global supply chains, elevated prices for affected goods and significantly increased uncertainty and volatility.

Inflationary pressures are expected to intensify, with 94% of surveyed chief economists anticipating higher global inflation in the coming year. Energy and food prices are identified as primary drivers, with supply shocks projected to have lasting effects. While 58% of respondents do not see a global recession as imminent, there are limited expectations of increased economic resilience in the short term. Volatility is expected to rise, with most chief economists anticipating fluctuations in debt and equity markets.

Artificial intelligence (AI) remains a key driver of optimism, with over 90% of chief economists surveyed expecting increased adoption in the next year. However, expectations regarding the speed

and breadth of productivity gains are moderating, with broader benefits expected to take longer to materialize than previous forecasts by the community.

Regional outlooks remain divergent. The US and India are expected to maintain moderate to strong growth, supported by investment and consumption, but face inflationary pressures. China's outlook has improved, while Europe's growth prospects have weakened amid energy shocks and stagflation risks. South-East Asia shows resilience but is exposed to energy and food import vulnerabilities. The Middle East and North Africa face sharp deterioration in growth and employment, while the outlook for Sub-Saharan Africa and Latin America holds steady.

Multinational companies are reassessing strategies in response to the changed risk landscape. The US, India and South-East Asia are seen as the most attractive business environments, driven by scale, flexibility and supply-chain positioning. Europe remains competitive due to regulatory predictability and consumer demand, while China's intense competition and slim margins temper its appeal. Sub-Saharan Africa and the Middle East and North Africa are less attractive for multinationals at present, reflecting infrastructure constraints and geopolitical risks.

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A shifting economic outlook

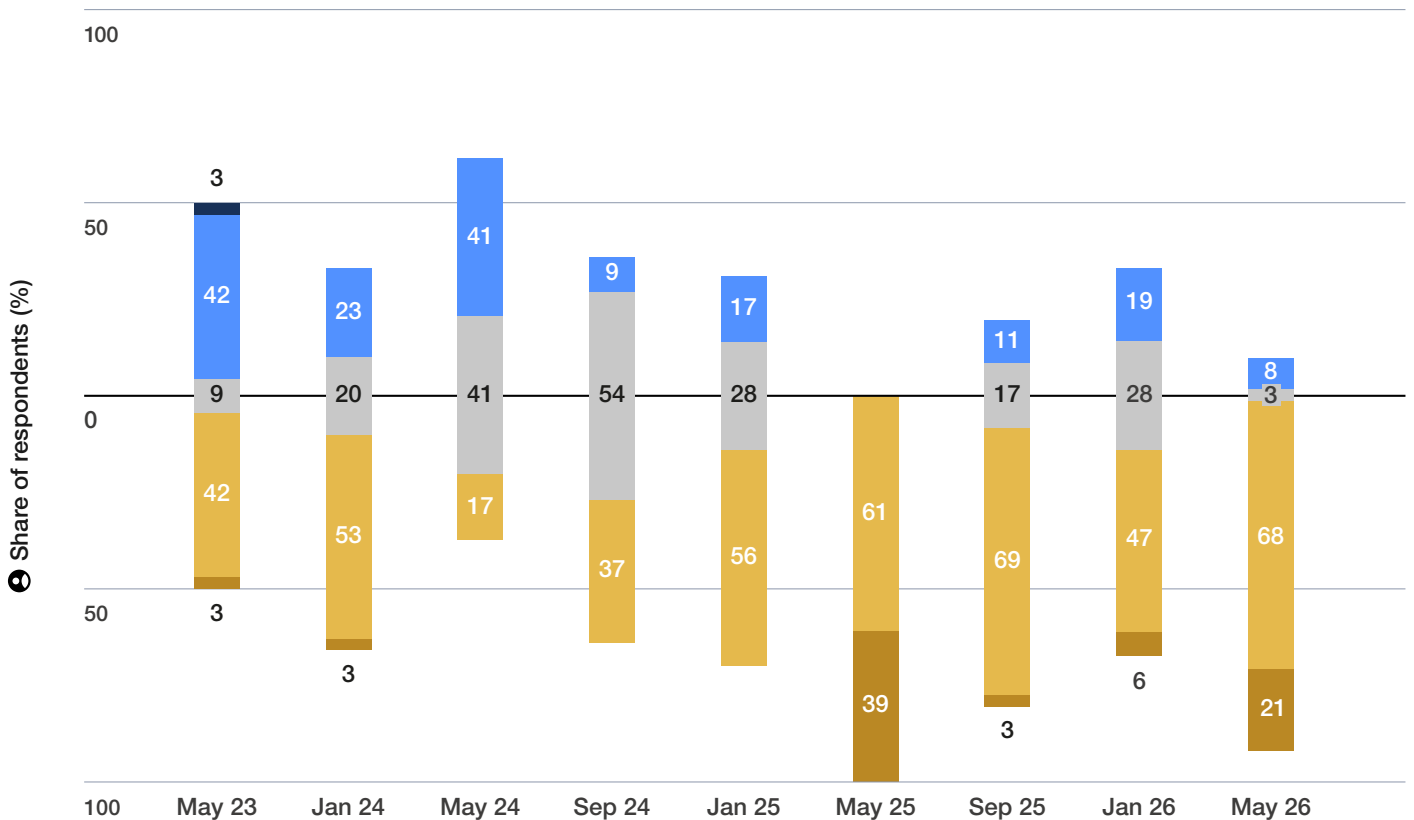
In the May 2026 Chief Economists' Outlook, the mood has darkened considerably. Of the chief economists surveyed, 89% anticipate global growth over the next 12 months to weaken, with 21% expecting a significantly weaker outlook. The conflict in the Middle East and the ongoing disruptions in the Strait of Hormuz have erased the cautious optimism of the beginning of the year,

as supply shortages of fuel, fertilizer and other essential goods ripple through the global economy. Against a backdrop of geoeconomic confrontation and deep uncertainty, the global business environment is adjusting to new realities. Artificial intelligence (AI) adoption continues to proceed unevenly, with significant opportunities and risks emerging in the process.

Figure 1: The global economic outlook

Looking to the next 12 months, what are your expectations for the future condition of the global economy?

■ Much weaker ■ Somewhat weaker ■ Unchanged ■ Somewhat stronger ■ Much stronger



Note: Chief Economists Surveys are conducted 7–8 weeks ahead of the launch of a new Chief Economists' Outlook. In previous May editions, chief economists looked at the remainder of the year. In other editions, the outlook for the year ahead is given. The numbers in the graphs may not add up to 100% because figures have been rounded up/down.

Source: Chief Economists Surveys and Outlooks. (May 2023–May 2026).

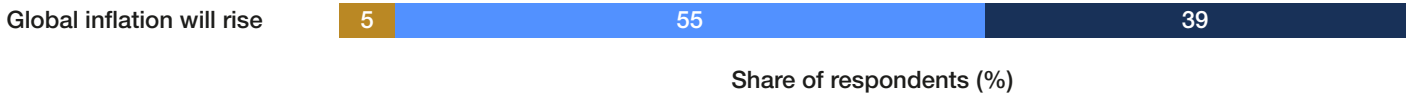
Global trade continues to show remarkable resilience in the face of constant disruption. After a record year in 2025, growing by 7.5% to \$35 trillion, preliminary data points towards a continued expansion in goods trade and a potential slowdown in services.¹ The outlook is cautious, however, with relatively weak trade growth in early 2026 driven by higher prices rather than higher volumes and

ongoing tensions in the Middle East casting a long shadow over the second half of the year.² Global foreign direct investment (FDI) increased by 14% to \$1.6 trillion in 2025, though this expansion was largely in developing economies.³ A highly uncertain investment outlook for 2026 now seems all but certain, with geopolitical tensions flaring up and geoeconomic fragmentation deepening.⁴

Figure 2: Global inflation

Looking at the next 12 months, do you agree/disagree with the following statements?

Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree



Source: Chief Economists Survey. (May 2026).

With energy and food making up a significant share of household consumption around the world, rising prices in these categories are likely to push global inflation higher. In total, 94% of chief economists surveyed agree or strongly agree that global inflation will rise in the next 12 months. Even in the optimistic scenario of a short conflict in the

Middle East, the International Monetary Fund (IMF) anticipates a rise in global inflation from 4.1% in 2025 to 4.4% in 2026.⁵ Recent evidence points to a strong uptick in inflation in several major economies, as detailed in the growth, policy and geoeconomic outlook section of this report.

Figure 3: Recession and resilience

Looking at the next 12 months, do you agree/disagree with the following statements?

Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree



Source: Chief Economists Survey. (May 2026).

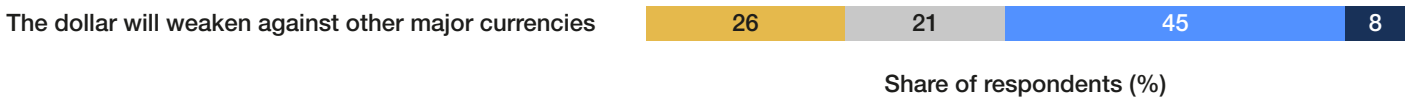
At the time the survey was conducted in April 2026, 58% of respondents disagreed or strongly disagreed that a global recession would occur within the next 12 months. At the same time, 6 in 10 chief economists surveyed do not expect the global economy to become more resilient in

the next 12 months either. Discussions with the community provided more context to this result: supply chain adjustments and reconfigurations of energy systems will take some time. There may be a positive impact on resilience in the longer term, but it will likely take more than a year to manifest.

Figure 4: US dollar

Looking at the next 12 months, do you agree/disagree with the following statements?

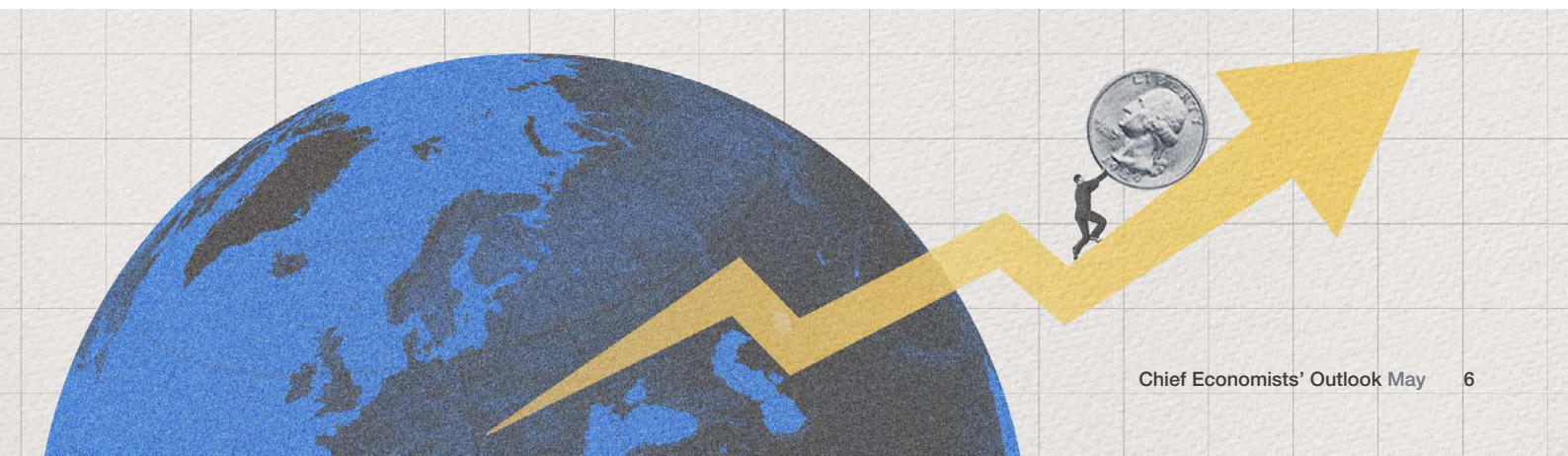
Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree



Source: Chief Economists Survey. (May 2026).

In this complex context, the outlook for the US dollar is also changing. In September 2025, 78% of surveyed chief economists expected the US dollar to weaken against other major currencies. In this edition, that share dropped to only 53%.

After the US currency surged at the beginning of the conflict in the Middle East, gains have recently been reversed amid a shift towards a more pessimistic outlook, both on a swift end to the conflict and the currency's future performance.⁶



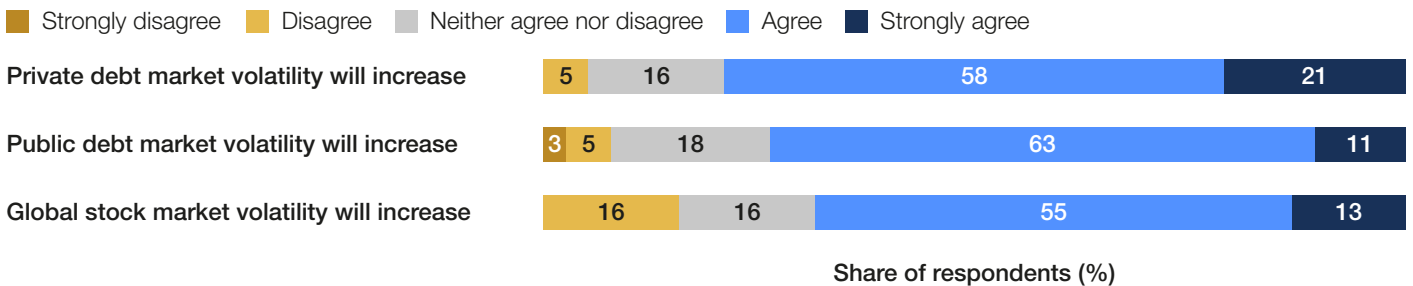
Volatility increases

Of chief economists surveyed, 79% expect volatility in private debt markets to rise over the next 12 months, while 74% say the same of public debt markets. Signs of strain are already becoming apparent. After marking down some loans in the portfolios of private credit groups in March, a new market of credit default swaps against flagship private credit funds has now emerged.^{7,8} Public debt markets have been resilient so far, but deeper structural developments are ongoing.⁹ Borrowing by governments and companies hit a record in 2025 and is set to rise again in 2026, even as long-duration demand weakens and maturities shorten.¹⁰ Public debt ratios are still climbing, and interest spending has increased from 2% to nearly 3% of GDP (gross domestic product) in only four years.¹¹ Additionally, a number of major economies have seen long-term borrowing costs rise.¹²

Further, 68% of chief economists expect global stock-market volatility to increase over the next year. Stock market volatility remains elevated in Europe, but has not reached the levels of last year's tariff turmoil or the COVID-19 pandemic crash.¹³ Wall Street's fear gauge, the Chicago Board Options Exchange (CBOE) Volatility Index (VIX), closed at 17.08 on 7 May, down from a late-March high of over 30, suggesting the spring scare has ebbed rather than vanished.¹⁴ Signals in Asia are similar, with Hong Kong's volatility benchmark hovering around 21 in late April, also down from almost 30 in late March.¹⁵ However, increasing pressure induced by the Middle East conflict could quickly destabilize this perspective and volatility may broaden rather than disappear.

Figure 5: Market volatility

Looking at the next 12 months, do you agree/disagree with the following statements?



Source: Chief Economists Survey. (May 2026).

AI sentiment is cooling

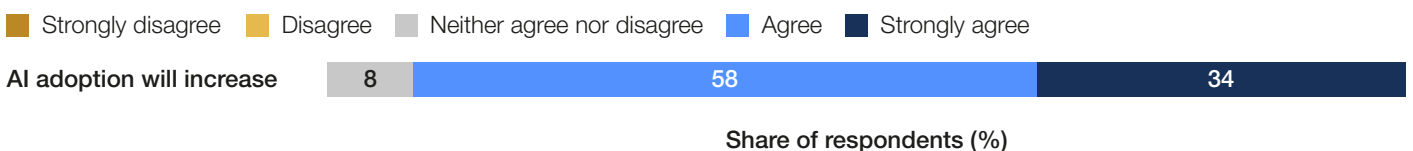
The key driver of optimistic sentiment among surveyed chief economists is the view that AI adoption will unlock meaningful productivity gains. More than 9 in 10 respondents agree or strongly agree that AI adoption will increase in the next 12 months. Adoption is moving so quickly that signs of significant supply constraints are now emerging.¹⁶ There are also clear signs that adoption is progressing unevenly when viewed through both geographic and business lenses.¹⁷

Most chief economists surveyed expect imminent, meaningful AI-related productivity gains in

information technology and digital communications (Figure 7), in line with expectations in January. The first wave of gains is emerging in areas where the work itself is digital, allowing AI to interact directly with code, data and workflows. Recent evidence shows that ICT workers remain the heaviest users and among the first to record immediate productivity benefits.¹⁸ In many cases, the technology is improving the very systems on which the industry already runs, so the loop from adoption to measured output may be shorter than elsewhere.

Figure 6: AI adoption

Looking at the next 12 months, do you agree/disagree with the following statements?

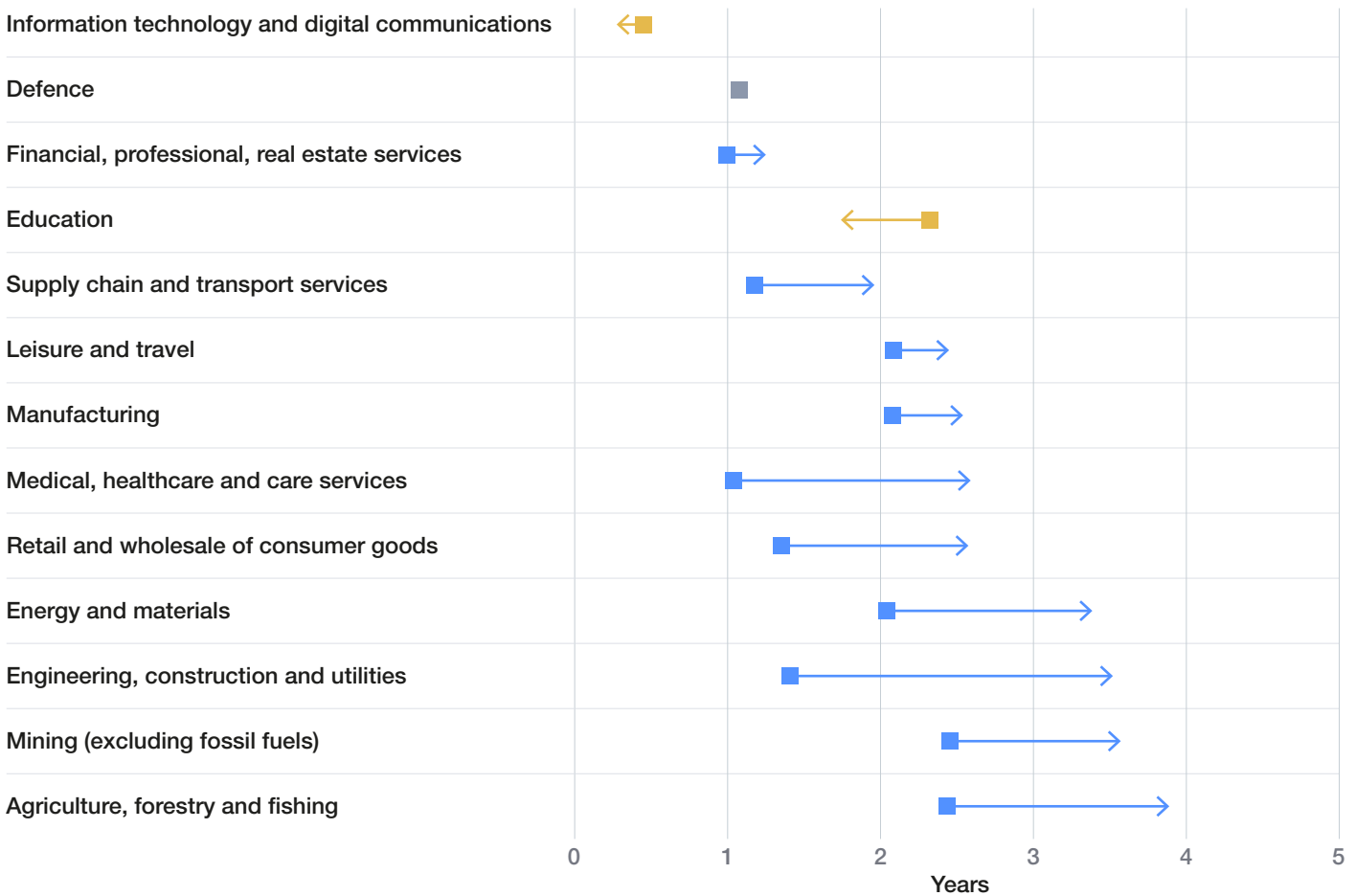


Source: Chief Economists Survey. (May 2026).

Figure 7: AI adoption: industries

How long do you think it will take for the adoption and deployment of AI tools to generate meaningful productivity gains across the following industries?

■ January 2026 ← → May 2026



Note: Median values. Data for defence industry available only for May 2026.

Source: Chief Economists Survey. (May 2026).

Meaningful gains in financial, professional and real estate services are expected within about one year in the latest survey. Recent experimentation in payments points to AI-mediated payment initiation, real-time fraud screening and automated compliance at transaction speed.¹⁹ In real estate, firms are beginning to redesign complaint handling, renewals and reporting around agentic workflows rather than one-off drafting tools.²⁰ This timing suggests that the sector is moving beyond the first round of copilots and into the harder work of redesigning workflows, accountability and client processes.

Compared to the previous edition, however, respondents' views on the technology's short-term impact on productivity have cooled across most industries, with IT and education as the exceptions. Respondents now anticipate meaningful productivity gains in education to materialize slightly earlier. The adoption of AI in education holds immense potential to revolutionize teaching methodologies, personalize learning experiences and streamline administrative processes.²¹

In all other industries, the median expected arrival of meaningful productivity gains has increased,

suggesting that broad-based productivity improvements from AI adoption may take longer to observe than previously thought.²² The payoff from general-purpose technologies has often required years of complementary investment, and the current AI wave still appears concentrated in larger firms and knowledge-intensive services, with legal, data, skills and infrastructure constraints slowing adoption beyond the frontier.²³ The result may be a more staggered cycle than the early anticipation implied, with visible wins arriving unevenly and a wider macroeconomic payoff emerging only once management practices, power infrastructure and workforce adaptation catch up.²⁴

Of the chief economists surveyed, most expect meaningful gains in defence within the next two years. The technology is moving quickly: the latest American budget plans point to a sharp increase in spending on autonomous and remotely operated systems across air, land and sea, with drones at the centre of the push.²⁵ AI can lower the cost of reconnaissance, targeting and force protection, but doctrine, interoperability, training and safety failures remain concerns across the sector.²⁶

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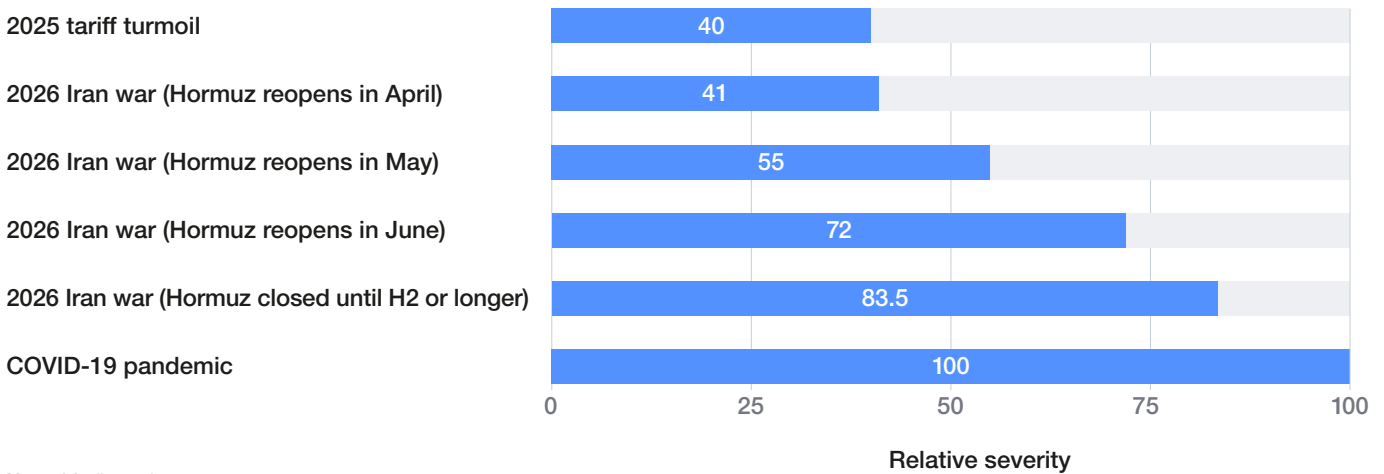
Disruption and its implications

The relatively optimistic outlook for the global economy in January 2026 took a turn for the worse on 28 February when the US and Israel launched a series of air strikes on Iran.²⁷ Iran responded with missiles and drones across the region, and, within days, the Strait of Hormuz, a critical narrow marine passage between Iran and Oman, was effectively shut to all commercial traffic except for vessels of Iran and its allies.²⁸ Before the conflict, about 10% of global seaborne trade volume passed through the strait annually.²⁹

After several ships had been hit, outbound flows of crude oil, liquified natural gas (LNG) and fertilizer-related goods broke down almost simultaneously.³⁰ In response to attacks on Iran's own energy system, Tehran then widened retaliation to Gulf energy assets, and on 18 March struck Qatar's Ras Laffan industrial complex, a facility that normally delivers about a fifth of global LNG supply, with repairs expected to take three to five years.³¹

Figure 8: Relative crisis size

Please indicate the relative severity of impact of the following events on the global economy.



Note: Median values.

Source: Chief Economists Survey. (May 2026).

Further damage to energy infrastructure in the region altered the nature of the shock from a temporary shipping interruption towards a durable loss of supply, the effects of which have since rippled through the global economy. Flows through the Strait of Hormuz collapsed from roughly 20 million barrels a day to a trickle, and the scramble for replacement gas sent Asian and European LNG prices surging.³² A two-week ceasefire announced on 7 April changed the tempo of the crisis without removing the pressures on the global economy.³³ On 12 April, the US launched a naval blockade, also closing the Strait of Hormuz to Iran-affiliated traffic.³⁴ By late April, Brent crude

had temporarily surpassed \$125 a barrel, with further sharp increases expected if the Strait of Hormuz remains closed.³⁵ At the time of writing, the strait remains closed and crude oil is above \$110 a barrel.

When asked about the relative severity of the impact on the global economy, chief economists already place the current closure duration of the Strait of Hormuz decisively above the impacts of the 2025 tariff turmoil. Were the status to remain unchanged, the impact on the global economy is expected to approach levels last seen during the COVID-19 pandemic.

Industry impacts

When asked in early April about the level of disruption caused by the conflict in the Middle East across different industries, surveyed chief economists identified energy and materials as the most affected industry by some margin. In total, 58% of respondents described disruption as very high and another 39% as high, painting a near-unanimous picture of a severe impact, with currently unfolding events destined to cause lasting alterations to the industry even under the most optimistic scenarios about the duration of the conflict.³⁶ However, disruption can take on many shapes. Price surges caused significant windfall profits for energy companies, and a recent decision by the United Arab Emirates to leave the Organization of the Petroleum Exporting Countries (OPEC) could alter market dynamics and add new complexities.³⁷

Supply chain and transport services came in second, with 76% of respondents characterizing the level of disruption as high or very high. The closure of the Strait of Hormuz is among the worst-case scenarios of supply chain disruptions with secondary effects far beyond the Gulf itself. At the time of writing, about 2,000 commercial vessels

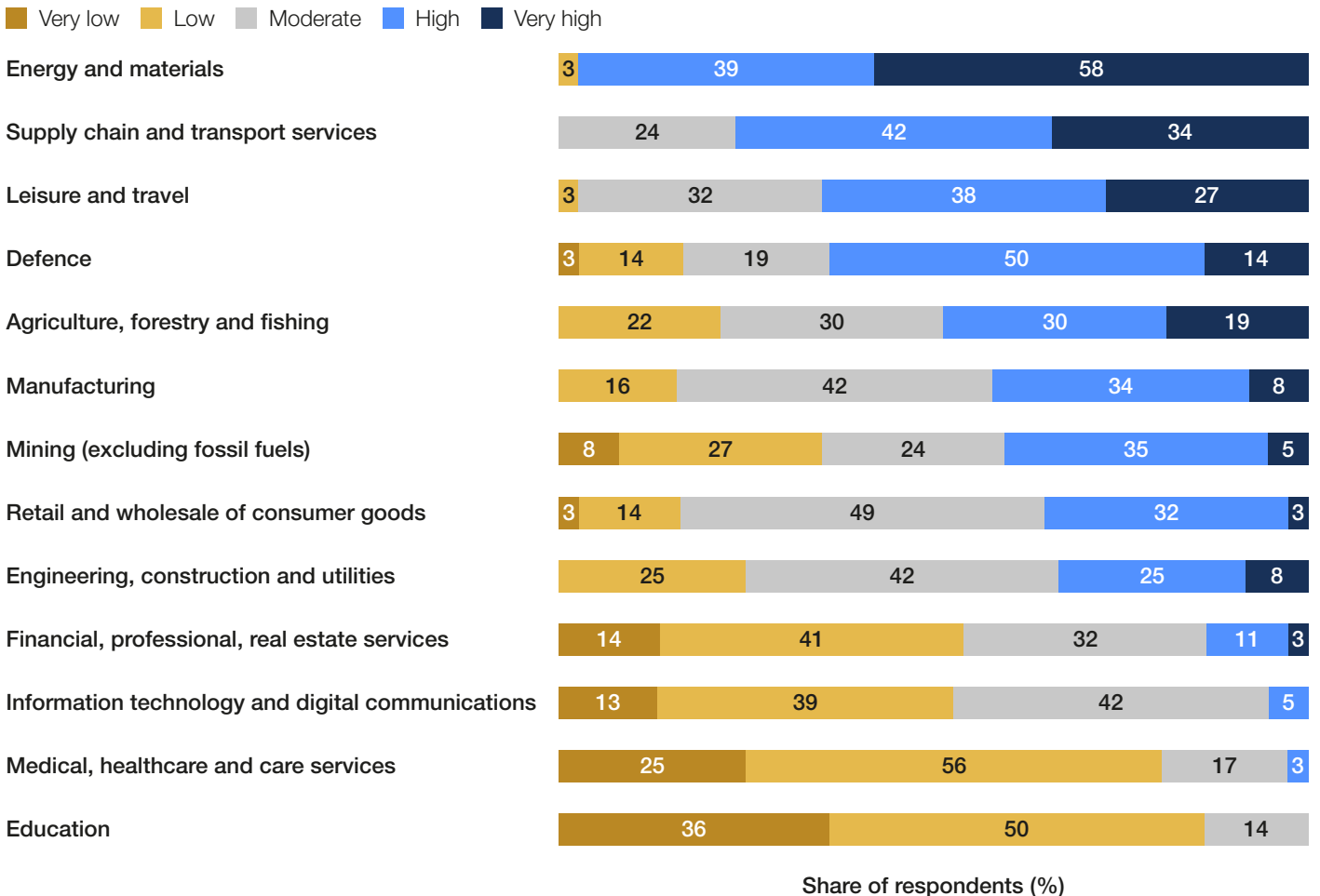
remained stranded within the Gulf, accounting for around 5% of global tonnage.³⁸ Shipping in the Red Sea remains at risk of disruption as well, causing tanker traffic via the Cape of Good Hope to reach a new record high in April.³⁹

The leisure and travel industry also faces high or very high levels of disruption, according to 65% of respondents. The conflict caused immediate and severe disruptions to air traffic in the region, with departures from the main Gulf hubs collapsing and travellers getting stranded at airports as well as substantial rerouting of existing connections.⁴⁰ Tourism in the Middle East has contracted, and all trips that would have previously crossed the region are now affected by a changed risk perception.⁴¹ As a result, flows might be redirected to other parts of the world, though ballooning jet fuel prices could render many connections economically unviable.⁴²

Of respondents surveyed, 64% describe the defence industry as also facing high or very high levels of disruption, as defence spending surges across the globe, and a conflict-driven technology race unfolds that could yield unforeseen secondary outcomes.⁴³

Figure 9: Industry impact

How do you rate the current level of disruption caused by the conflict in the Middle East in the following industries?



Source: Chief Economists Survey. (May 2026).

The agriculture, forestry and fishing industry is placed in fifth position, with 49% of respondents viewing the current level of disruption as high or very high. Consultations with chief economists pointed out a range of reasons for this relatively low placement. Produce exports from Sub-Saharan Africa previously destined for the Middle East need to be rerouted in search of new markets, facing significantly extended transit times and higher costs.⁴⁴ However, the medium-term impacts might be severe. Normally, up to 30% of internationally traded fertilizers cross the Strait of Hormuz.⁴⁵ The dominant view is that the level of disruption in this industry is likely to surge

towards the top of this list once fertilizer shortages begin to exert their full impact later in the year. There are grave concerns that disruptions to food production could have devastating consequences, particularly in countries dependent on food imports.⁴⁶

Other industries are seen as somewhat less affected, though this may evolve as the conflict's impact ripples through supply chains. Manufacturing industries may face shortages of critical components, particularly in cases where inputs from the chemical industry are needed.⁴⁷ Adjustment processes to new price structures may also disrupt the retail sector.

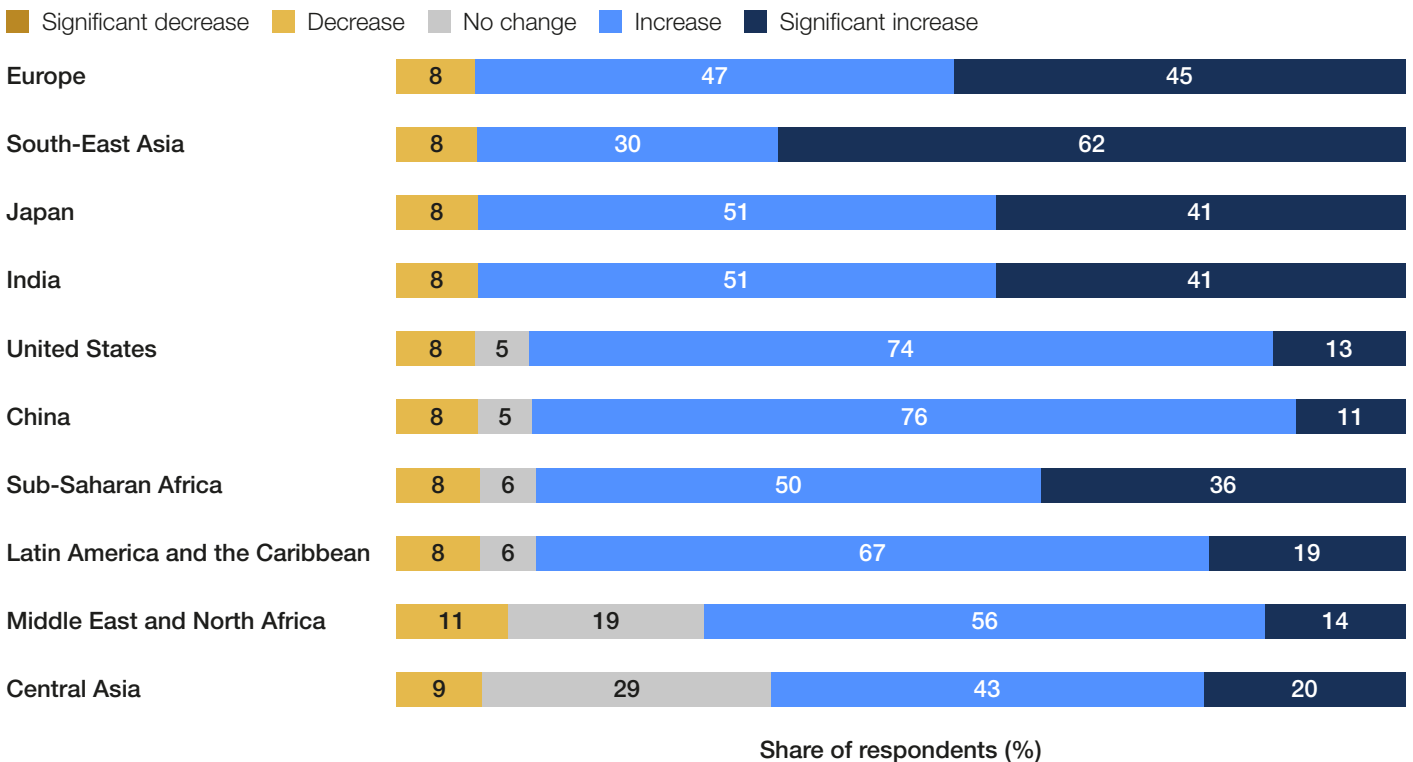
Regional impacts

As the last shipments to leave the Strait of Hormuz before the conflict reach their destinations, markets look set to catch up with the physical realities of an unprecedented supply crunch.⁴⁸ Since the supply delay induced by shipping distances remains

unchanged, even an immediate end to the conflict would likely not prevent a considerable amount of short-term demand destruction. Instead, the different geographies will be impacted sequentially and with varying degrees of intensity.

Figure 10: Energy prices

Looking at the next 12 months, how is the conflict in the Middle East likely to affect energy prices in the following geographies?



Source: Chief Economists Survey. (May 2026).

The main pressure point is energy prices. In most regions, energy prices are expected to increase by the vast majority of surveyed chief economists, and energy price increases were repeatedly flagged among the major concerns in the current global outlook. South-East Asia is expected to bear the brunt, with 62% of respondents anticipating significantly higher energy prices over the next 12 months. In Europe, this number drops to 45%, and in both Japan and India, to 41%. Over one-third

of respondents (36%) foresee a significant energy price increase in Sub-Saharan Africa.

At the time of writing, this effect was already visible at gas stations around the world. In South-East Asia, in early March, the pressure increased to the point where some governments introduced mandatory work-from-home and school-closure regulations and encouraged citizens to conserve energy in any way possible.⁴⁹ Due to the travel time

of fuel shipments, other regions are experiencing delays. The Philippines is an example of how that lag played out in practice: late March brought an energy emergency, and late April brought a rate rise as policy-makers tried to contain fuel- and fertilizer-driven inflation risks.⁵⁰

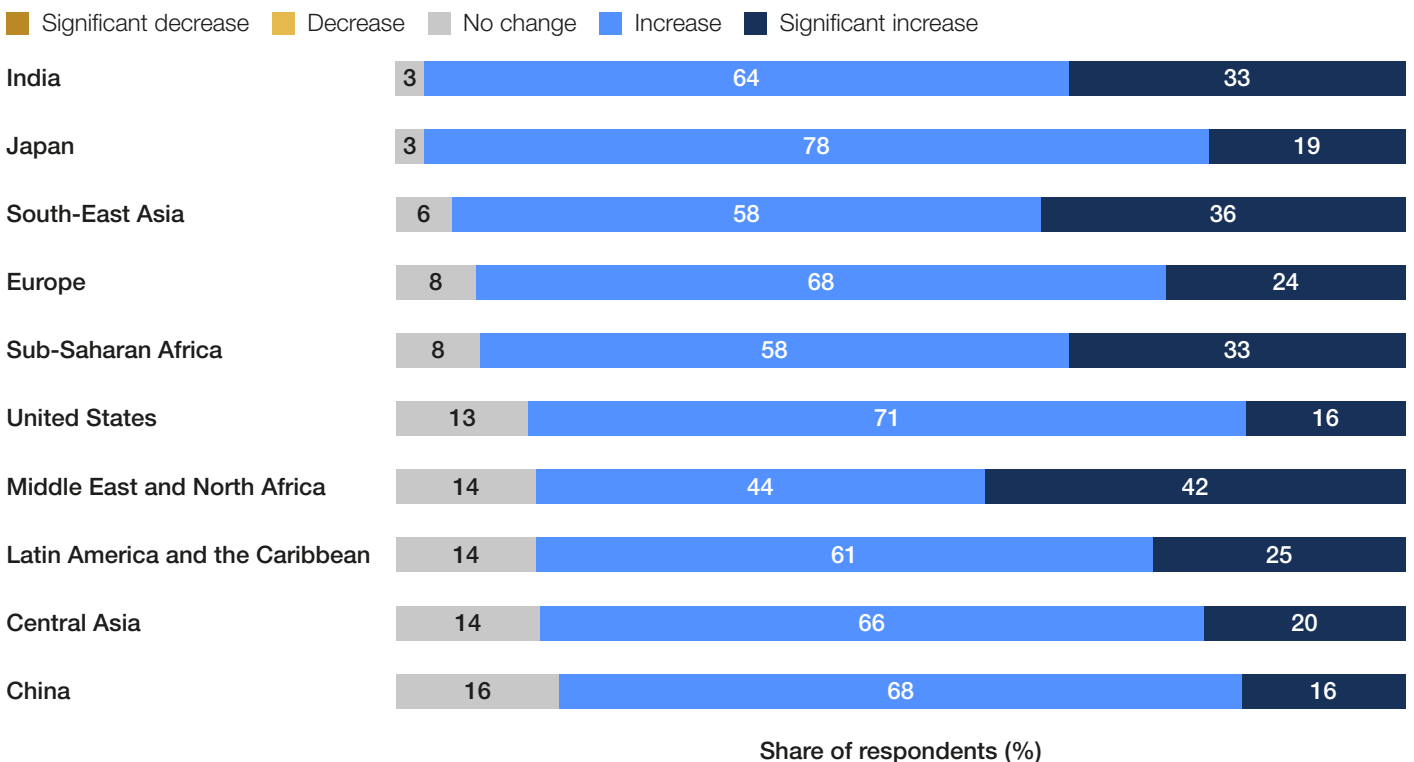
Both the US and China are somewhat shielded from the worst impacts of the fuel supply crunch. Only small shares of respondents expect significant energy price increases in the next 12 months in either country (13% and 11% of respondents in the US and in China, respectively). The US recently became a net exporter of crude oil for the first time since the Second World War, suggesting that there is some room to shield domestic consumers from even higher price increases.⁵¹ In the case of China,

recent indications that the country could restart fuel exports give off a similar impression.⁵² Additionally, inflationary pressure induced by higher fossil fuel prices aligns with Chinese efforts to increase the share of renewable energy and end deflation at the producer level.⁵³

In addition to the immediate impact of the conflict on the global economy through increased energy prices, increasing food prices are also destined to create disruption with some delay. The closure of the Strait of Hormuz has substantially reduced the globally available supply of fertilizer, which, in turn, will likely have dramatic effects on future harvests. Trade tracking showed a simultaneous break in shipments of sulphur, ammonia and other fertilizer-related products.⁵⁴

Figure 11: Food prices

Looking at the next 12 months, how is the conflict in the Middle East likely to affect food prices in the following geographies?



Source: Chief Economists Survey. (May 2026).

By late April, sulphur prices had risen sharply from mid-February levels, tightening fertilizers costs significantly.⁵⁵ More than four in five chief economists surveyed anticipate increased or significantly increased food prices across all geographies. Risks are particularly acute in the Middle East and North Africa, where many countries are highly exposed to food price shocks.⁵⁶ In total, 42% of respondents anticipate the region's food prices to increase significantly over the next 12 months.

Compared to the 2022 Russia-Ukraine food supply shock, the conflict in the Middle East is impacting

food prices more gradually. In 2021, Russia and Ukraine together accounted for about 30% of global wheat exports, and Russia was also a major fertilizer exporter.⁵⁷ When those flows were disrupted, the Food and Agriculture Organization of the United Nations (FAO) Food Price Index jumped by 12.6% in March 2022.⁵⁸ By contrast, the same index rose 2.4% in March 2026 and another 1.6% in April, well below the March 2022 jump.⁵⁹ However, a prolonged disruption of the Strait of Hormuz could still become a serious food shock by cutting fertilizer availability and raising farm-input costs.

Growth, policy and geoeconomic outlook

Regional growth and policy expectations

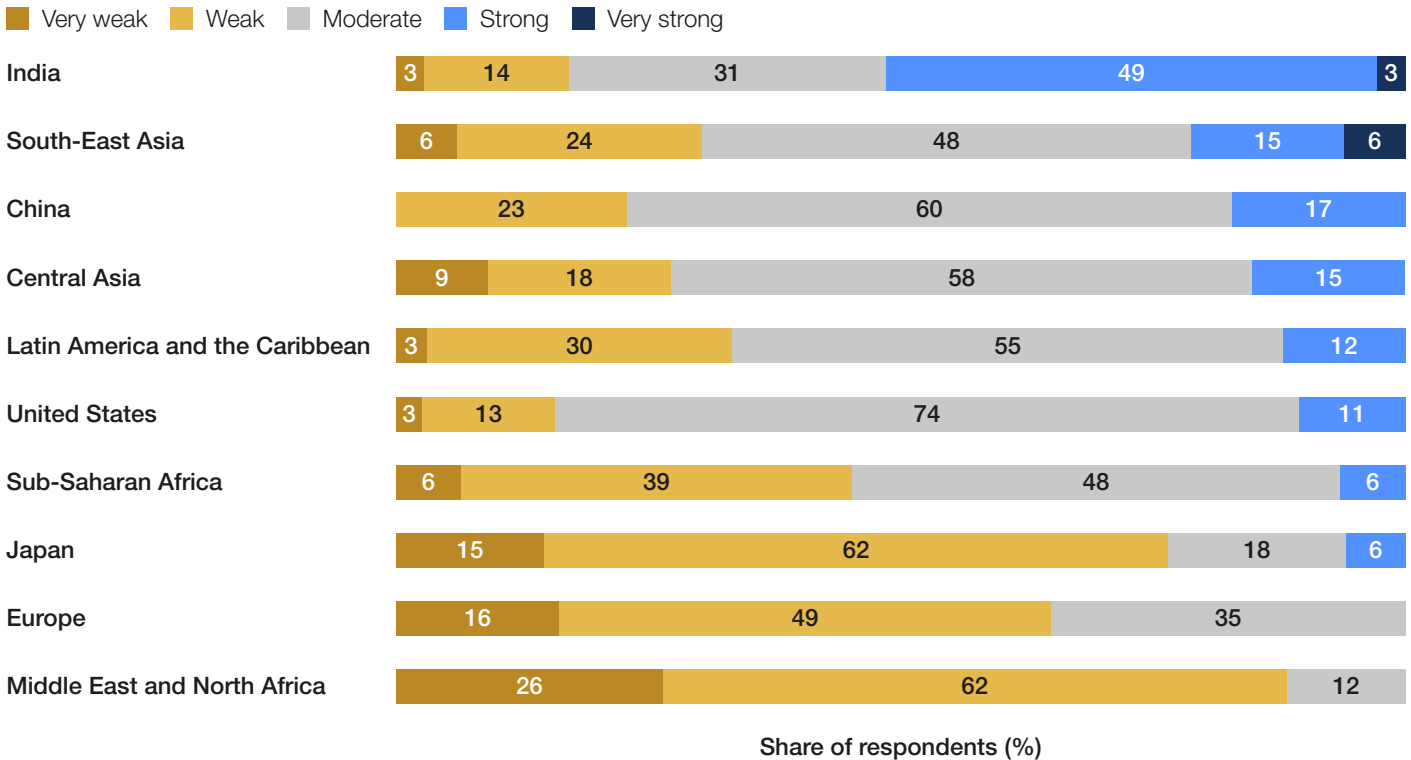
United States

The US economy is expected to continue its growth trajectory, though on an increasingly narrow path. In the latest survey, 74% of chief economists expect moderate growth in the year ahead, with expectations slightly tempered compared to January 2026. Although the economy entered the year with less momentum than previously anticipated, a quick bounce back from government shutdown-induced stalling is anticipated for the first quarter. Revised national accounts showed that annualized growth in the final quarter of 2025 was only 0.7%.⁶⁰ First-quarter

US GDP did indeed bounce back to 2% annualized growth, but remained below expectations.⁶¹ Growth in the US is still being carried by AI investment, consumption and government spending.⁶²

Recent labour market data supports a steady outlook. After surging by 178,000 in March, the largest monthly increase since December 2024, nonfarm payroll employment increased by another 115,000 in April while the unemployment rate remained unchanged at 4.3%.⁶³ However, 61% of chief economists expect weak employment growth over the next 12 months, pointing towards a more fragile hiring environment in the months ahead.

Figure 12: Growth
Looking at the next 12 months, what is your expectation for economic growth in the following geographies?



Source: Chief Economists Survey. (May 2026).

Inflation remains the main source of unease. More than half of surveyed chief economists (52%) expect high or very high inflation, while 47% expect moderate inflation, a moderate worsening from January 2026 (Figure 14). Higher oil prices linked to conflict in the Middle East are expected to lift fuel costs and then gradually feed through into other

consumption goods.⁶⁴ Respondents are split on monetary policy, while 62% expect looser fiscal policy in the next 12 months (Figure 15). In April, the central bank kept rates unchanged and signalled a difficult balance: activity was still expanding, but job gains had remained low, inflation was already elevated, and uncertainty had increased.⁶⁵

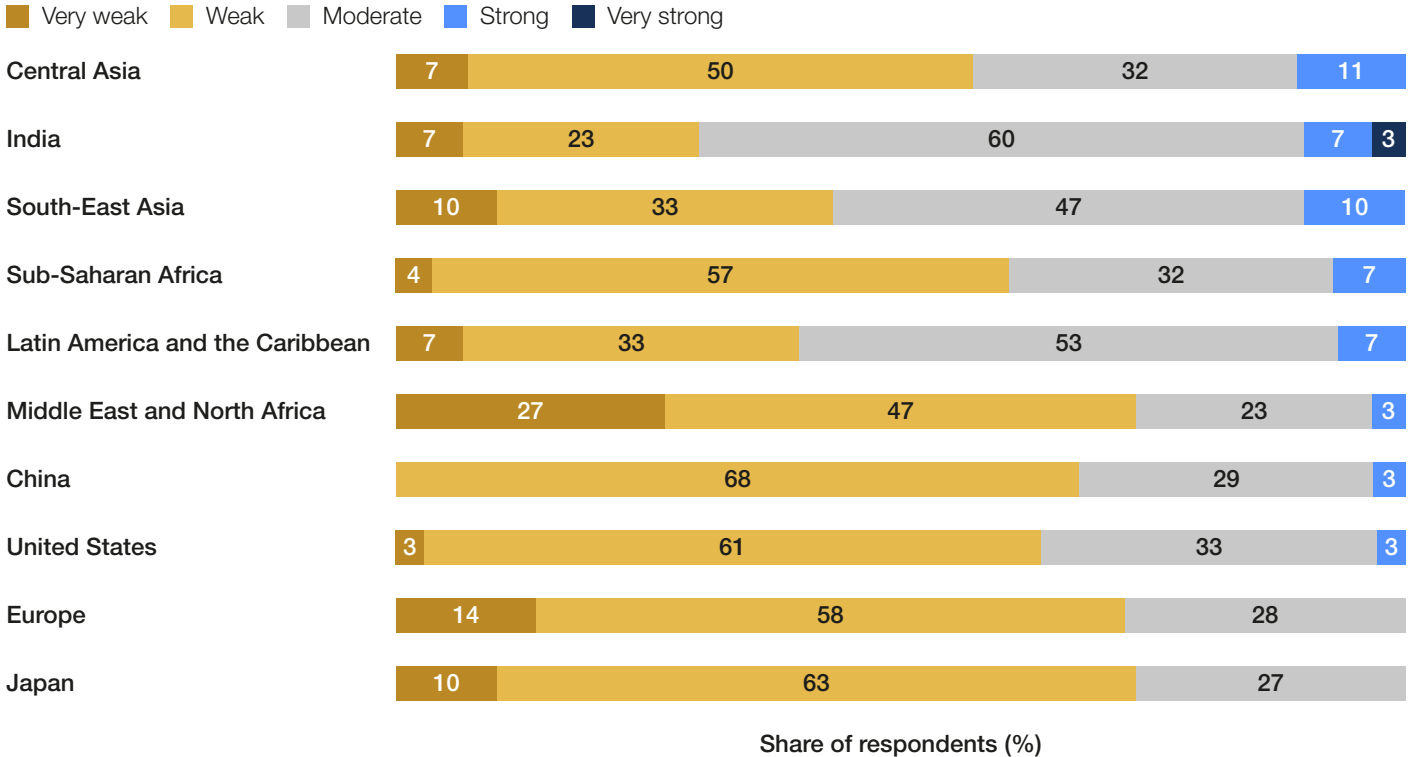
China

China's outlook has improved compared to the start of the year. In the latest survey, 77% of chief economists expect moderate or stronger growth in the year ahead, up from 71% in January 2026.

This upward shift is consistent with strong export performance in early 2026. Recent reporting suggested that the economy had rebounded ahead of the Iran crisis with year-on-year growth of 5% in the first quarter of 2026, driven by the rapid expansion of equipment and high-tech manufacturing.⁶⁶

Figure 13: Employment

Looking at the next 12 months, what is your expectation for employment growth in the following geographies?



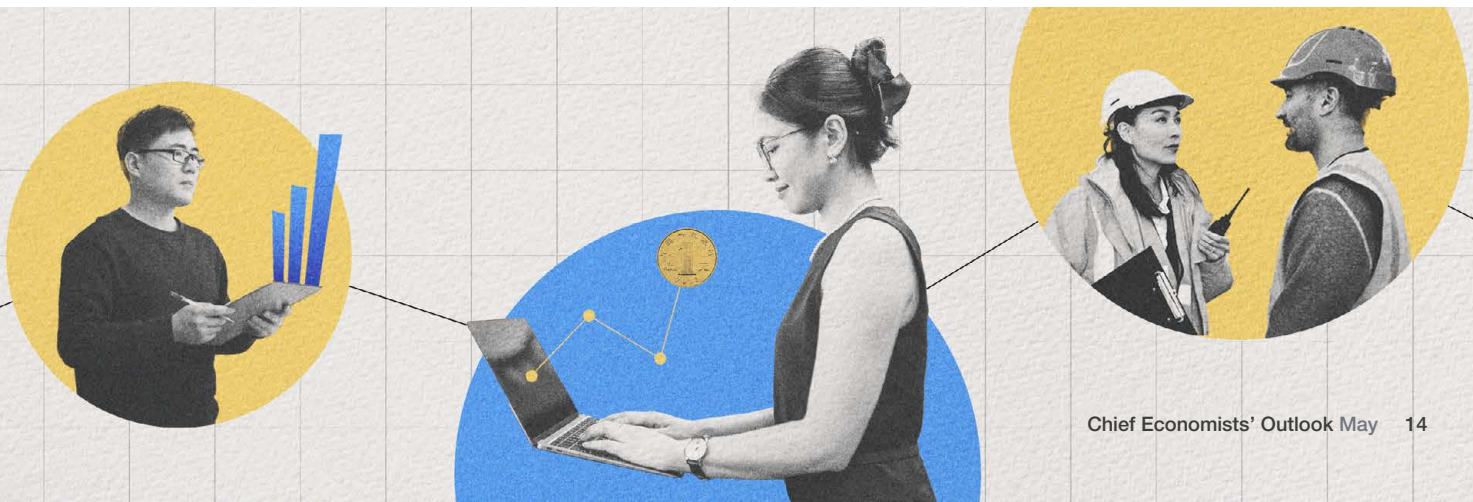
Source: Chief Economists Survey. (May 2026).

The labour market remains relatively stable. In March, urban unemployment stood at 5.4%, down 0.1% from the previous month.⁶⁷ Chief economists surveyed are somewhat cautious, with 68% anticipating weak employment growth in the next 12 months (Figure 13).

Inflation expectations have changed materially. More than half of surveyed chief economists, 53%, now expect moderate or higher inflation, a substantial increase from January 2026, when only 24% expected moderate inflation. This raises hopes of low positive inflation rates in the near future. In March, consumer prices recorded a mild increase

while producer prices recorded positive growth rates for the first time in over three years.⁶⁸

In the survey, 85% of respondents expect monetary policy to remain unchanged. Benchmark lending rates were left unchanged in April for the 11th consecutive month as stronger early-year activity had reduced the urgency of easing.⁶⁹ Fiscal policy, by contrast, could change. In the survey, 68% expect looser fiscal policy in the next 12 months (Figure 16). Official guidance in March outlined record-high fiscal expenditure and a strong emphasis on infrastructure investment, consumption support and other demand measures in the year ahead.⁷⁰



Europe

Europe's outlook has mildly deteriorated again. In the latest survey, 65% of chief economists expect weak or very weak growth in the year ahead, up from 53% in January 2026. The European Central Bank (ECB) revised its forecast for euro area GDP in 2026 downward by 0.3% to 0.9%.⁷¹ Germany is heading into a fourth year of near-stagnation, with a growth forecast of 0.9% as higher energy prices blunted the effect of a large spending push.⁷² Weak growth momentum at the beginning of the year is reinforced by the impacts of the conflict in the Middle East.

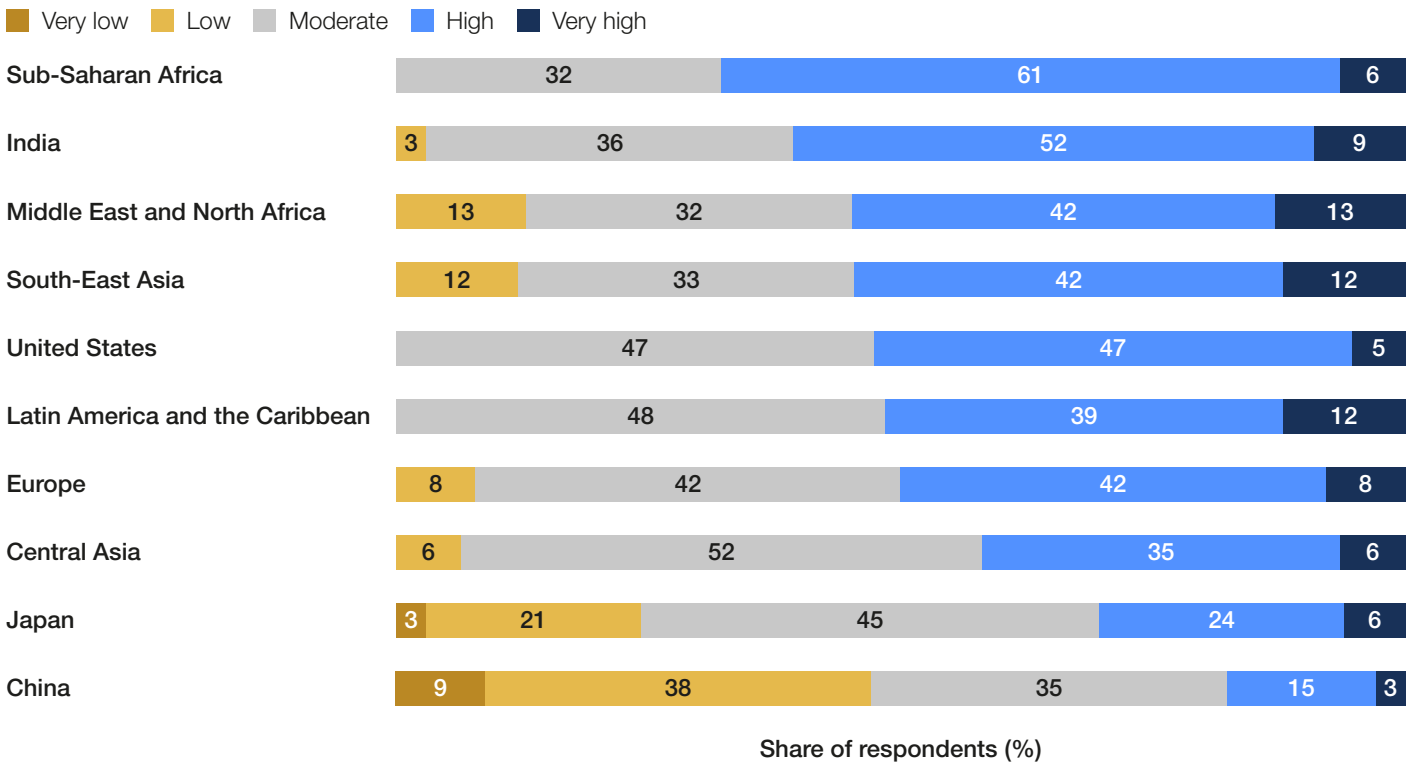
The labour market looks somewhat more stable than the growth outlook, but the forward view remains concerning. In the survey, 72% of chief economists expect weak or very weak employment

growth over the next 12 months. In March, the seasonally adjusted unemployment rate stood at 6.2% in the euro area and at 6.0% in the European Union (EU), both still low by historical standards.⁷³

Inflation now looks like the biggest near-term complication. Half of chief economists surveyed expect high or very high inflation over the next 12 months, a sharp increase from January, when only 6% held this view. March projections suggested that the latest energy shock could lift inflation materially in 2026 while also weakening growth, with the scale of the effect depending on how persistent supply disruptions prove to be.⁷⁴ In March, Eurozone inflation jumped to 2.6% in the euro area and up to 2.8% in the EU amid the Middle East energy shock.⁷⁵ Europe may now be facing a more recognizable stagflation risk than it did at the start of the year, though much still depends on the duration of the shock.

Figure 14: Inflation

Looking at the next 12 months, what is your expectation for inflation in the following geographies?



Source: Chief Economists Survey. (May 2026).

In the survey, 61% of respondents expect tighter monetary policy in the euro area, considering the inflation shift. For now, the ECB is staying the course, keeping rates unchanged at the end of April.⁷⁶ At the same time, 65% expect looser

fiscal policy over the next 12 months. In May, Italy called on the EU to relax fiscal rules and allow for the cushioning of rising energy prices by treating energy security with the same urgency as defence spending.⁷⁷



India

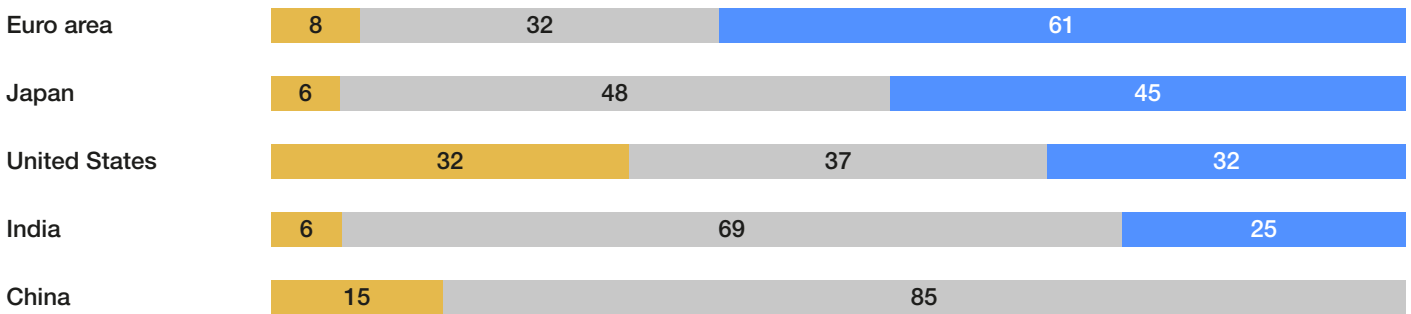
India's growth prospects continue to stand out. Of the chief economists surveyed, 52% expect strong or very strong growth in the year ahead, making India the geography with the strongest growth expectations in the survey. Early 2026 reporting

pointed to a broader opening in trade policy and to a policy push behind infrastructure, technology and domestic capacity-building.⁷⁸ While the economy still remains resilient and growth for 2026–27 is projected at 6.5%, it faces rising risks from the conflict in the Middle East.⁷⁹ Depreciation pressures have forced the central bank to shed \$40 billion in foreign-exchange reserves in March to stabilize the currency.⁸⁰

Figure 15: Monetary policy

Looking at the next 12 months, what is your expectation for monetary policy in the following geographies?

Looser Unchanged Tighter



Share of respondents (%)

Source: Chief Economists Survey. (May 2026).

In the survey, 70% of chief economists expect moderate or stronger employment growth over the next 12 months. Recent labour data suggest a more mixed picture. The unemployment rate rose to 5.1% in March from 4.9% in February, mainly because of a rise in urban joblessness, while labour-force participation also edged lower.⁸¹

Inflation has become the most pressing concern. In the survey, 61% expect high or very high inflation in the next 12 months. Consumer-price inflation was still only 3.4% in March, up modestly from 3.21% in February, as a broader shock to inflation from the conflict in the Middle East has yet to manifest.⁸²

A majority of respondents (69%) expect monetary policy to remain unchanged. The central bank kept the policy rate at 5.25% in April and retained a neutral stance, suggesting a preference for waiting rather than moving quickly in either direction.⁸³ Fiscal policy is also expected to remain steady. In the survey, 62% of chief economists expect fiscal policy to remain unchanged over the next 12 months, which broadly fits a February budget that was framed around continuity, technology, skills and infrastructure while keeping the deficit target at 4.3% of GDP.⁸⁴

Japan

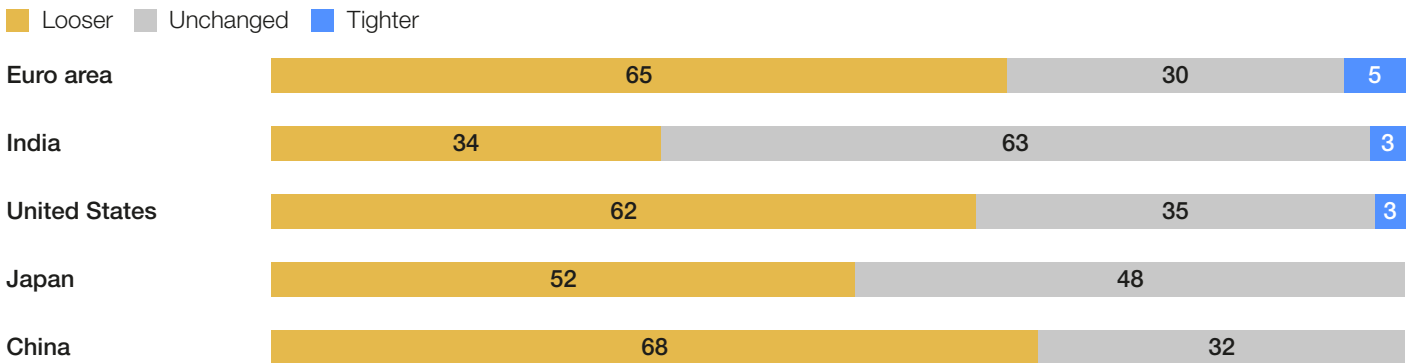
Japan's economic outlook is subdued, with 77% of chief economists expecting weak or very weak growth in the year ahead. This places Japan among the weakest-performing geographies in the survey. Growth is expected to slow to 0.8% in 2026 as the economy is getting hit by higher energy prices and external uncertainty.⁸⁵ Recent performance has been resilient, however, with robust domestic demand and low unemployment, hovering at 2.5% and near its historical low.⁸⁶

For the next 12 months, 73% of chief economists expect weak or very weak employment growth.

Of surveyed respondents, 30% expect high or very high inflation over the next 12 months, while 24% anticipate low or very low inflation. Official consumer-price data showed headline inflation rising to 1.5% in March from 1.3% in February.⁸⁷ Nearly half of chief economists surveyed (48%) expect monetary policy to remain unchanged in the year ahead, while 45% expect further tightening. In March, the policy rate was left unchanged at 0.75%.⁸⁸

Figure 16: Fiscal policy

Looking at the next 12 months, what is your expectation for fiscal policy in the following geographies?



Share of respondents (%)

Source: Chief Economists Survey. (May 2026).

Fiscal policy appears relatively uncertain. In the survey, 52% expect looser fiscal policy in the next 12 months while 48% expect fiscal policy to remain unchanged. That expectation fits a record budget

for 2026, with larger allocations for defence, debt service and broader support measures, even if it also raises questions about the country's long-term fiscal space.⁸⁹



South-East Asia

In the survey, 48% expect moderate growth in South-East Asia in the year ahead, while a further 21% expect strong or very strong growth, placing the region among the best performers in the global outlook. The region had shown resilience to the tariff war, helped by supply-chain adaptation that led to the creation of several conduit countries to facilitate flows between geopolitical blocs.⁹⁰ Despite this, external demand softened, and a growing inflow of cheaper Chinese goods could temper the outlook.⁹¹

Nearly half (47%) of chief economists expect moderate employment growth over the next 12 months, while 43% expect it to be weak or very weak. Employment conditions could stay serviceable rather than strong, with considerable variation across economies and sectors.⁹²

Inflation is the clearest area of concern, with 54% of chief economists surveyed expecting high or very high inflation in the next 12 months. The region's dependence on energy and food imports creates significant vulnerabilities to the conflict in the Middle East, with dependencies for wheat, soybeans and rice ranging from 80–100%.⁹³ Net imports of oil and gas in the region are among the highest in Asia, which in turn is the main buyer of oil and gas shipped through the Strait of Hormuz.⁹⁴ In response to the impacts of the conflict, Malaysia and Thailand have begun tightening fiscal policy.⁹⁵ Monetary policy stances have remained broadly cautious, with central banks in Indonesia, Malaysia and Thailand keeping rates unchanged in their most recent meetings.⁹⁶

Middle East and North Africa

The outlook for the Middle East and North Africa has deteriorated sharply. A majority (88%) of chief economists now expect weak or very weak growth over the year ahead, a dramatic reversal from January, when respondents still saw the region as one of the brighter spots in the global growth landscape. Recent disruptions to shipping routes and energy infrastructure have darkened the regional picture, and the World Bank now expects growth excluding Iran to slow from 4.2% in 2025 to 1.6% in 2026.⁹⁷ The region is unlikely to move as one, however. Oil exporters may retain some ability to cushion the shock, while importers and conflict-affected economies face harsher adjustment.⁹⁸

Employment looks likely to soften, with 74% of surveyed chief economists expecting weak or very weak employment growth over the next 12 months as firms postpone hiring. Trade, tourism and investment are interrupted with no immediate relief in sight.⁹⁹ The conflict could also affect other economies by disrupting remittances sent from the region. In Gulf Cooperation Council (GCC) countries, migrant workers account for between 76% and 95% of private sector employment.¹⁰⁰ Disruptions to local labour markets and to remittance flows could further increase the pressure on recipient countries.¹⁰¹

With 55% expecting high or very high inflation, the survey points to price pressures that could stay uncomfortable even if activity resumes. A longer disruption around the Strait of Hormuz would likely send prices skyrocketing as supplies of imported goods dry up.¹⁰² Monetary and fiscal policy are relegated to economic firefighting and mitigating the impacts of the conflict. In keeping a strong fiscal position, Saudi Arabia's budget deficit is widening.¹⁰³ Meanwhile, central banks in the region have opted for caution: in the United Arab Emirates and Egypt, rates remained unchanged in March and early April, respectively, while Saudi Arabia has not changed rates since December 2025.¹⁰⁴

Sub-Saharan Africa

In Sub-Saharan Africa, 54% of chief economists surveyed expect moderate or strong growth in the year ahead, 45% anticipate weak or very weak growth, and little changed from the previous edition. Activity has held up better than many feared, with growth projected to remain steady at 4.1% in 2026.¹⁰⁵

A majority (61%) of respondents expect weak or very weak employment growth over the next 12 months. Growth is still not strong enough to create jobs at the pace required by the region's expanding labour force, with more than 620 million people expected to enter the labour market by 2050.¹⁰⁶

Inflation appears to be the clearest regional pressure point. The survey shows 67% of chief economists expecting high or very high inflation in the next 12 months, the highest among all geographies and a sharp rise from the previous edition's 25%. Higher fuel, food and fertilizer prices, together with tighter financial conditions, are likely to raise inflation and disrupt activity across the region.¹⁰⁷ For now, major central banks remain on guard while keeping interest rates constant, at 6.75% in South Africa in March.¹⁰⁸

Latin America and the Caribbean

The outlook for Latin America and the Caribbean still points to middling growth rather than a clear upswing. The survey shows 55% of chief economists expect moderate growth in the year ahead. The World Bank projects growth in the region to slow from 2.4% in 2025 to 2.1% in 2026, marking it as one of the slowest-growing regions in the world due to subdued investment and constrained financing conditions.¹⁰⁹

Six in ten chief economists surveyed expect moderate or stronger employment growth over the next 12 months. Although higher degrees of informality in some economies blur the picture, relatively contained unemployment rates in the region suggest resilient formal labour market participation despite weaker growth.¹¹⁰

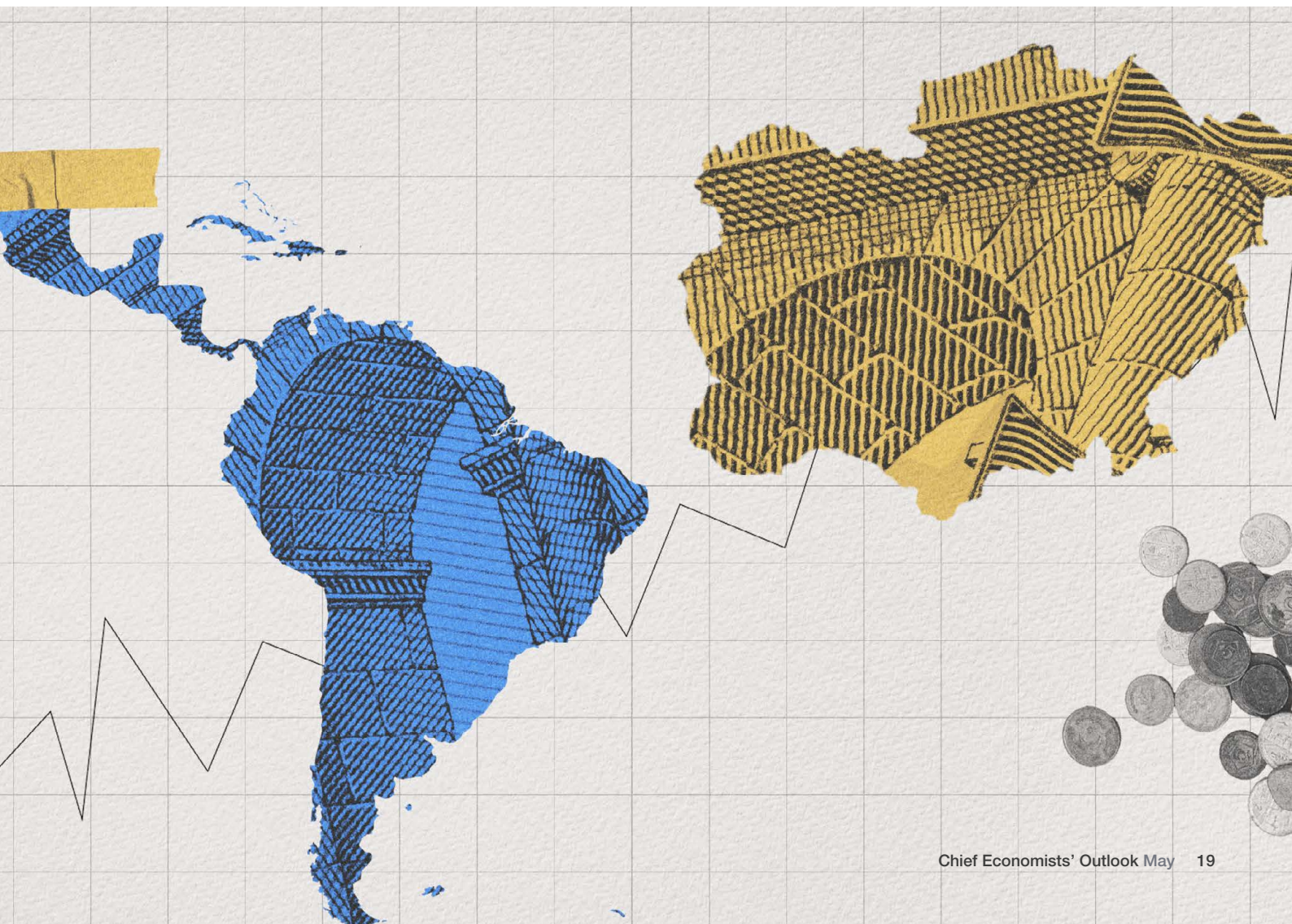
Inflation remains the more uncomfortable part of the outlook, with 51% of chief economists expecting high or very high inflation, and 48% expecting moderate inflation. Recent reporting on Argentina suggests that price increases prove harder to squeeze out as the economy loses momentum.¹¹¹ Inflation may no longer be falling in a simple, synchronized way, and the balance between disinflation and growth is becoming harder to manage. The broader regional picture is one of modest growth, moderate job creation and moderate to high inflation, forcing central banks and finance ministries to stay pragmatic.

Brazil and Mexico's central banks recently lowered interest rates by 25 basis points each to 14.50% and 6.75%, respectively, while Argentina continued to maintain a tight monetary policy stance.¹¹²

Central Asia

The outlook for Central Asia points to confident growth, despite increasing headwinds. In the latest survey, 73% of chief economists expect moderate or stronger growth in the year ahead. The IMF projects growth across the wider region to slow to 4.8% in 2026 as earlier spillovers fade and new geopolitical and trade shocks raise costs and uncertainty.¹¹³ Growth prospects remain high in Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, all of which the Asian Development Bank forecasts to grow faster than 6.5% in 2026.¹¹⁴ Yet, 57% of respondents expect weak or very weak employment growth. At the end of March, Kazakhstan reported a slightly lower unemployment rate of 4.6% for 2025.¹¹⁵

Inflation, rather than growth, may prove the binding constraint in this region as well. Inflation sentiment is split: 52% expect moderate inflation, and 41% expect high or very high inflation. Monetary policy in the region remains broadly unchanged for now. In their most recent decisions, the central banks of Kyrgyzstan, Uzbekistan, Azerbaijan and Kazakhstan all kept rates at the same level.¹¹⁶



Global business environment

The May 2026 Chief Economists' Outlook finds a global economy that is disrupted by conflict and risks deeper economic scarring in the months ahead. The new risk landscape has changed previously held views on the attractiveness of different business environments, with multinational companies now evaluating a new global playing field. In this context, the chief economists were asked to identify the top three most attractive business environments in the year ahead.

The resulting ranking suggests that scale, strategic flexibility and supply chain position matter more than headline growth alone. The US leads with 65% of respondents placing it in their top three, followed by India with 56% and South-East Asia with 50%. Policy volatility has made planning harder, but the US retains the deepest pool of capital and customers, and the AI-related build-out of data centres and infrastructure gives multinationals a strong reason to stay close to the centre of demand rather than retreat from it.

India offers the clearest blend of scale, growth and potential among large emerging markets. New Delhi has kept opening channels for trade and capital, maintaining an active economic policy stance and expanding market access. In particular, India embraced free trade by entering into new agreements, including with the EU in

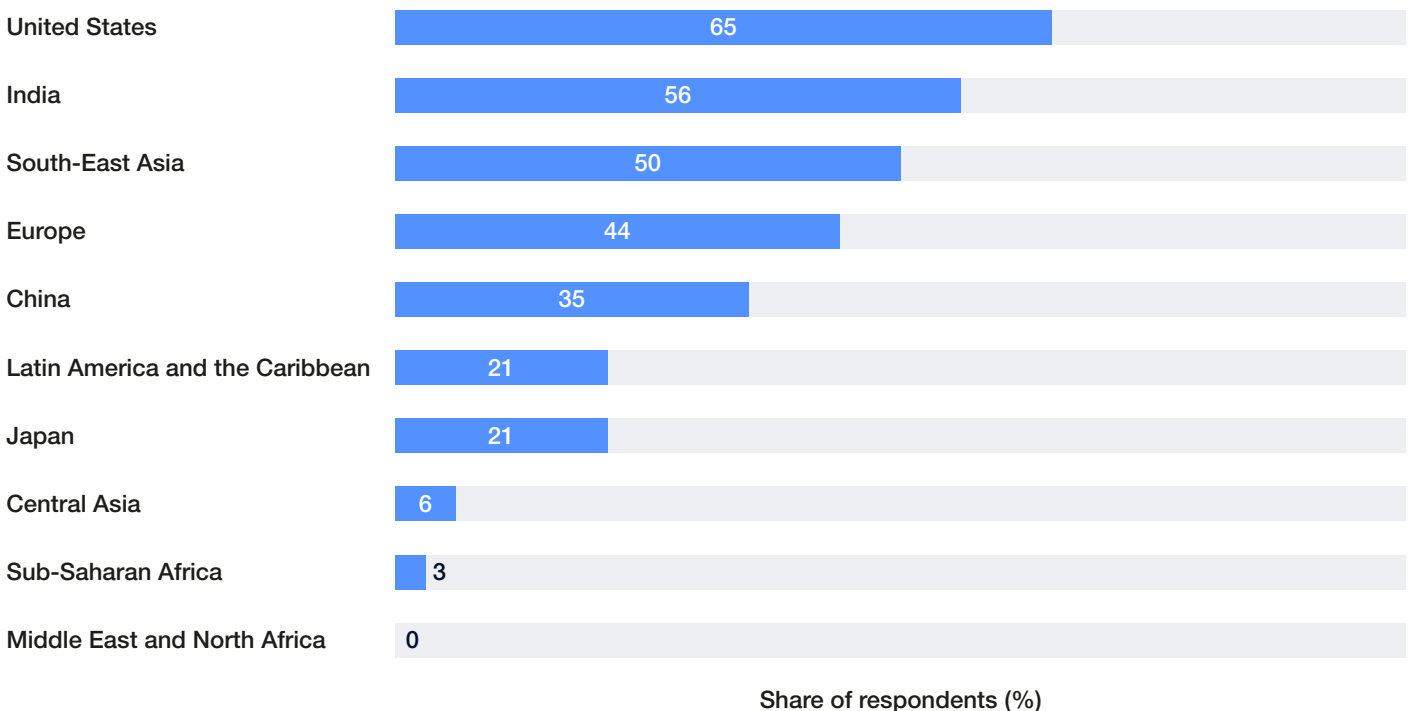
January 2026.¹¹⁷ South-East Asia is attractive to multinational companies because it is growing fast, keeps attracting strong foreign investment and is becoming a bigger supply-chain base as firms diversify production.¹¹⁸

Europe comes in fourth place with 44% of surveyed chief economists placing it in their top three. Although growth has been weak, the region still offers stability, affluent consumers and promising spending trajectories on defence and infrastructure that could create new demand in adjacent sectors. Europe remains ahead of China, where just over one-third of respondents (35%) see an attractive business environment for multinationals in the year ahead. This fifth place reflects a business environment characterized by intense local competition and slim profit margins creating a trade-off with the considerable size of the domestic market.

No respondent placed the Middle East and North Africa within the top three most attractive business environments for multinationals in the year ahead. In the Middle East and North Africa, the shock induced by the wider conflict has again reminded multinationals how quickly regional upside can be overtaken by geopolitical risk. These results present a combination of fundamentals as well as the effects of the current geopolitical conflict, providing a useful barometer of current business sentiment.

Figure 17: MNE business environment

Looking at the next 12 months, which of following geographies will likely have the most attractive business environment for multinational companies? (Select the top three)



Source: Chief Economists Survey. (May 2026).

Contributors

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