



Economic outlook 2026-27: Stretching the limits

17 December 2025

Allianz Research

Content

Page 3-4

Executive Summary

Page 5-9

Global outlook: Exceeding previous expectations but downside risks remain

Page 10-12

Inflation and central banks: divergence ahead

Page 13-14

Developed markets: running on two speeds

Page 15-16

Emerging markets: selectivity after a year of rally

Page 17-19

Corporates: Earnings to continue to grow amid fragmentation and capex divergence

Page 20-28

Capital markets outlook: Resilience despite late-cycle conditions

Executive Summary

Ludovic Subran
Chief Investment Officer
& Chief Economist
ludovic.subran@allianz.com

Jordi Basco Carrera
Head of Private Markets Investment
Strategy
jordi.basco_carrera@allianz.com

Ana Boata
Head of Economic Research
ana.boata@allianz-trade.com

Maxime Darmet Cucchiarini
Senior Economist for UK, US & France
maxime.darmet@allianz-trade.com

Lluís Dalmau Taules
Economist for Africa & Middle East
lluis.dalmau@allianz-trade.com

Guillaume Dejean
Senior Sector Advisor
guillaume.dejean@allianz-trade.com

Bjoern Griesbach
Head of Macroeconomic and Capital
Markets Research
bjoern.griesbach@allianz.com

Jasmin Gröschl
Senior Economist for Europe
jasmin.groeschl@allianz.com

Michael Heilmann
Senior Investment Strategist
michael.heilmann@allianz.com

America Hernandez
Senior Investment Strategist
america.hernandez@allianz.com

Alexander Hirt
Head of Credit and Equity
alexander.hirt@allianz-trade.com

Bernhard Hirsch
Head of Rates and Emerging Markets
bernhard.hirsch@allianz-trade.com

Françoise Huang
Senior Economist for Asia Pacific
francoise.huang@allianz-trade.com

Patrick Krizan
Senior Investment Strategist
patrick.krizan@allianz-trade.com

Ano Kuhanathan
Head of Corporate Research
ano.kuhanathan@allianz-trade.com

Maria Latorre
Sector Advisor, B2B
maria.latorre@allianz-trade.com

- **Global GDP growth remains strong... for now.** It is expected to reach +2.9% in 2026 and +2.8% in 2027, following a robust +3% in 2025. Carryover growth from a strong 2025 in the US and China, as well as sustained momentum in the face of disruptions, account for over two-thirds of the upward revision compared to last quarter.
- **The US economy is increasingly running on two speeds.** The impact of the trade war has been milder, at just -0.6pp in 2025 vs -1.6pp estimated in Q2. This improvement is due to reduced tariffs (to 11% effective from 27% announced on 2 April) through sector exclusions and strategic trade deals with key partners. Additionally, the information and communication sector, including AI, has fueled more than half of US GDP growth in 2025, contributing a substantial +1.1pp, and this trend is expected to continue in 2026. We have revised on the upside our forecast for 2026 to +2.5% on the back of a more resilient consumer, a higher credit impulse and the positive impact of AI.
- **China's export growth remains the front-runner – despite the trade war!** Growth has exceeded expectations, buoyed by stronger-than-anticipated external demand (and soft imports). This surge was driven by frontloading from the US in the first half of the year, strategic rerouting to circumvent tariffs, expanding market shares in the rest of the world, a weaker currency and competitive prices. Meanwhile, domestic demand still struggles to recover sustainably, with further policy support needed and likely to be announced by Q1 2026. In this context, and with many sectors in overcapacity, price pressures remain low.
- **The Eurozone outlook remains par for the course, with moderate growth ahead amid structural challenges.** GDP growth is expected at +1.1% in 2026 after +1.4% in 2025. Excluding volatile national accounts in Ireland, the Eurozone economy will accelerate from +0.9% in 2025 to +1.2% in 2026 and +1.3% in 2027. Germany's economy should reach +0.9% growth in 2026 – a strong rebound after three consecutive years of stagnation or recession but still underwhelming given the available fiscal stimulus as structural headwinds persist. France's GDP will grow by +1.1% despite the ongoing political challenges, benefiting from a renewed investment cycle.
- **Global trade surprised on the upside as companies stepped up to the plate with rerouting and mitigation strategies.** Half of the improvement in our forecast for trade growth (from +2% to +3.5% in 2025 and from +0.6% to +1.3% in 2026) has been driven by lower tariffs, firms' rerouting and mitigation strategies, as well as a surge in AI-related investments. Overall, the trade war pushed volume of containers back to 2017 highs, mainly driven by Asia.

Pierre Lebard
Public affairs Officer
pierre.lebard@allianz-trade.com

Maxime Lemerle
Lead Advisor, Insolvency Research
maxime.lemerle@allianz-trade.com

Yao Lu
Investment Strategist
yao.lu@allianz.com

Lina Manthey
Investment Strategist
lina.manthey@allianz.com

Maddalena Martini
Senior Economist for Italy, Greece, Spain
& Benelux
maddalena.martini@allianz.com

Luca Moneta
Senior Economist for Emerging Markets
luca.moneta@allianz-trade.com

Giovanni Scarpato
Economist for Central & Eastern Europe
giovanni.scarpato@allianz.com

Sivagaminathan Sivasubramanian
ESG and Data Analyst
sivagaminathan.sivasubramanian@allianz-trade.com

Katharina Utermöhl
Head of Thematic and Policy Research
katharina.utermaehl@allianz.com

Ziqi Ye
Investment Strategist
ye.ziqi@allianz.com

- **Emerging markets are not just watching from the sidelines: They remain resilient overall, still enjoying a more positive cycle than developed markets and generally solid external positions.** EMs overall remain resilient, still enjoying a more positive cycle than developed markets and generally solid external positions. Support from a lower USD and the Fed easing cycle had allowed many EM central banks to cut rates more than expected in 2025. But some countries may face slowing momentum going forward (e.g. India, Indonesia, Romania, Russia or Taiwan), while current account deficits have been widening for some (Argentina, Chile, Colombia, Indonesia, Philippines, Romania, Türkiye) and surpluses have turned into deficits for others (Saudi Arabia, Czech Republic, Poland), requiring close monitoring.
- **Monetary and fiscal policy: supportive in the US, neutral in Europe.** We strongly believe the Fed will end its easing cycle sooner than markets expect, with the Federal Funds rate to settle at 3.5% after one more 25bps cut in Q1. Sticky core inflation and accelerating growth will prevent rates from going too far below the Taylor rule. In contrast, the ECB is poised to hold rates at 2.0%, with risks tilted to the downside. On fiscal policy, the US benefits from a tangible growth impulse supported by the One Big Beautiful Bill's loosening of financial conditions whereas Europe's lingering fiscal concerns are visible in France's struggle to cut spending (leaving deficits near -5.1% of GDP) and contribute to higher long-term yields. Germany's fiscal deficit is set to reach -4.0% of GDP in 2026 after -3.1% of GDP in 2025, the highest in more than a decade outside the pandemic.
- **Corporates are going the distance in 2026 with strong momentum** US earnings rose +15% in Q3 2025, and global AI capex is set to reach USD571bn. Europe has rebounded, led by tech and pharma, while auto lags. Balance sheets are solid, though refinancing will be costlier. As many corporates have deleveraged, they have room to increase borrowing to fund necessary capex. Insolvencies are expected to increase by +3% in 2026, especially in the US and Europe. Despite robust fundamentals, geopolitical fragmentation and default risks still cloud the outlook.
- **Despite being in the late cycle, capital markets are still going for gold.** A volatile year draws to a close, but global equities posted a third year of robust gains. Rates remained broadly stable, given the heavy news-flow, while dollar the weakness come to a halt in the second half of 2025. Beneath the surface, however, caution prevails: Defense stocks and gold emerged as 2025's standout performers - not AI. Looking ahead, we expect rates and currencies to trade largely sideways and equity returns to slow but not falter as the AI boom continues at a slower pace. We see a critical juncture for private markets in 2026: Rising energy and grid investment, the ongoing AI boom and shifting real-estate values are clarifying where long-term value is returning, even as weaker assets show stress in a more mainstream market. In this environment of structural demand and selective pressure, disciplined investors focusing on resilient cash flows and early positioning across private markets are best placed to capture durable, risk-adjusted returns.
- **The following downside risks need to be considered: institutional, geopolitical and financial.** Firstly, institutional risks, including central bank independence, protectionism and election outcomes, increase the likelihood of negative policy shifts. Secondly, geopolitical risks and national security priorities will continue to cause volatility. Finally, financial risks, such as the possibility of an AI-equity correction, renewed de-dollarization pressures, turbulence in private credit markets and concerns over the sustainability of public debt, will continue to increase throughout 2026, pushing the limits of a benign late financial cycle.



Global outlook: Exceeding previous expectations but downside risks remain

Global GDP growth is exceeding expectations: We now expect it to reach +2.9% in 2026 following a robust +3% in 2025. The +0.4pp upward revision in our forecast is largely driven by the US and China, which together account for over two-thirds of the adjustment. In the US, the negative impact of the trade war has been significantly reduced, with a revised estimate of -0.6pp in 2025, down from the -1.6pp projected back in Q2. This stems from strategic trade deals and sector-specific tariff reductions, which have significantly reduced the trade uncertainty and the impact on growth and inflation. The information and communication sector, particularly AI, is a major contributor, driving over half of US GDP growth in 2025 (+1.1pp), a trend expected to persist into 2026. The rest is explained by the positive fiscal impulse (+0.4pp), a higher credit impulse (+0.3pp) and a more significant positive impact from AI investments (+0.2pp). All together, this raises our US GDP growth forecast to +2.5%. China is also outperforming expectations, fueled by stronger-

than-anticipated external demand, thanks to strategic maneuvers such as frontloading from the US, tariff circumvention, a weaker currency and expanding market shares in emerging markets. Eurozone growth is projected to increase to +1.1% in 2026 following a +1.4% rise in 2025. Germany is set to break free from its economic stagnation, accelerating to +0.9% growth in 2026, while France's GDP is expected to grow by +1.1%, bolstered by a renewed investment cycle and a dynamic export landscape despite ongoing political challenges. Although the region faces high fiscal concerns affecting long-term interest rates, it benefits from lower short-term rates that are facilitating a credit-growth resurgence.

Table 1: Real GDP growth forecasts, %

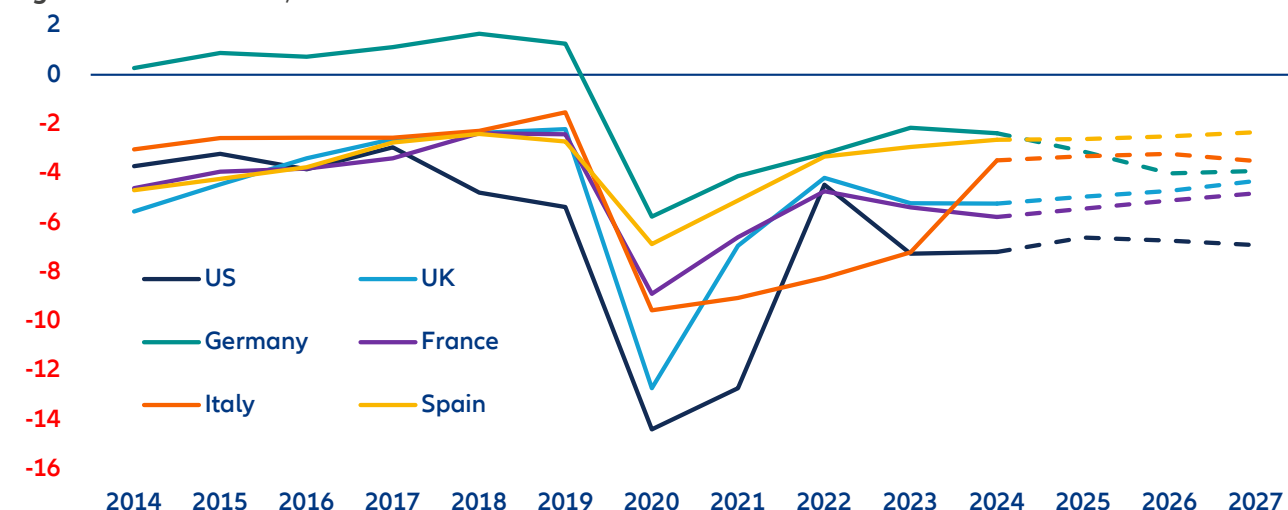
Growth (yearly %)	2023	2024	2025f	2026f	2027f
Global	2.9	2.9	3.0	2.9	2.8
USA	2.9	2.8	2.1	2.5	2.0
Latin America	2.1	1.8	2.5	2.3	2.5
Brazil	3.2	3.0	2.4	2.2	2.2
UK	0.3	1.1	1.4	1.0	1.2
Eurozone	0.6	0.9	1.4	1.1	1.4
Germany	-0.7	-0.5	0.2	0.9	1.3
France	1.6	1.1	0.8	1.1	1.1
Italy	1.1	0.5	0.6	0.8	1.0
Spain	2.5	3.5	2.9	2.1	2.0
Central and Eastern Europe	1.3	2.3	2.3	2.6	2.7
Poland	0.2	3.0	3.4	3.8	2.6
Russia	4.1	4.3	0.9	2.0	2.0
Türkiye	5.1	3.3	3.4	3.5	3.8
Asia-Pacific	4.5	4.1	4.5	4.2	4.0
China	5.4	5.0	5.0	4.7	4.4
Japan	1.2	-0.2	1.4	1.4	1.0
India	8.8	6.7	7.4	6.5	6.3
Middle East	2.1	1.8	2.5	3.1	3.3
Saudi Arabia	0.6	2.0	3.8	3.9	3.7
Africa	2.7	3.4	3.9	3.9	4.0
South Africa	0.8	0.5	1.1	1.3	1.5

Sources: LSEG Datastream, Allianz Research

Yet, several risks are looming. US institutional uncertainty, including Federal Reserve leadership changes, tariff fluctuations and mid-term election outcomes, increase the probability of a negative policy shift. Geopolitical tensions may intensify, ranging from an escalation in Ukraine including a NATO-Russia involvement to a breakdown of the US-China trade truce, with tariffs potentially reaching 100%. Financial risks include a possible AI-equity correction, renewed de-dollarization pressures, turbulence in private credit markets and “Truss-style” instability in government bond markets in high-deficit economies. In Europe, the lack of reform in Germany could limit efforts to stimulate economic growth with fiscal stimulus. Any of these factors could lead to less growth, unfavorable inflation dynamics and market instability.

Fiscal policy divergence will persist between the US and Eurozone. In the US, fiscal policy is set to be less of a drag on growth in 2026. The federal deficit is expected to increase only marginally, reaching -6.7% of GDP. Higher customs receipts (+USD75bn expected relative to 2025) and welfare spending cuts should largely offset the impact of tax reductions and increased spending on defense and homeland security. This will shift the fiscal stance from negative (-0.9% of GDP) in 2025 to broadly neutral in 2026. The Eurozone’s fiscal outlook is marked

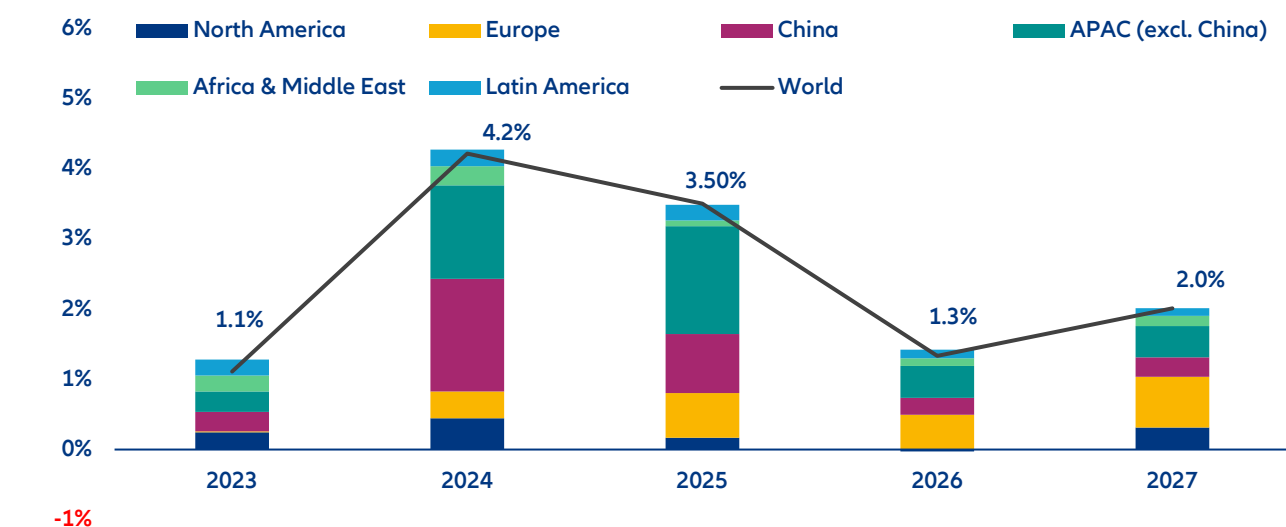
by diverging national positions and shaped by the dual challenge of deploying NGEU funds and adapting to new security priorities. The slow pace of fund absorption and the need to balance economic recovery with increased spending pressures are testing policymakers’ ability to sustain growth and resilience. Germany is pursuing an expansionary stance, with major infrastructure investments, but slow implementation and additional fiscal pressures are limiting the immediate impact on growth. France continues to grapple with a large deficit and fiscal uncertainty as efforts to consolidate public finances are complicated by political pressures and competing budgetary demands. Italy has adopted a prudent approach but faces fiscal challenges as NGEU support phases out and new commitments emerge. In Spain, robust economic growth is overshadowed by political gridlock, with the government unable to pass a new budget and at risk of missing out on the full benefits of its NGEU allocation. Nevertheless, the overall Eurozone fiscal stance is expected to remain broadly neutral in 2026 and 2027.

Figure 1: Fiscal balance, % of GDP

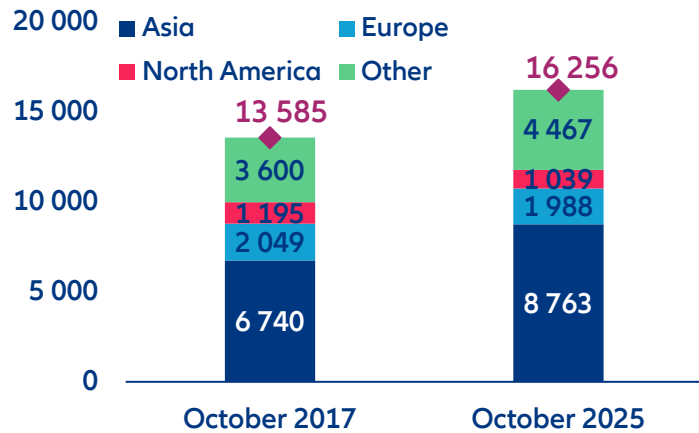
Sources: LSEG Datastream, Allianz Research

Amid a transformative year for global supply chains, global trade showed resilience through 2025, and will continue to do so through the beginning of 2026. Yet, the negative impact of higher tariffs should ultimately translate into slower growth. Rerouting and trade diversification meant that higher US tariff rates have had a milder impact on global trade than previously feared. Additionally, there has been a visible softening in the tone of US trade policy since autumn. In this context, global trade will likely continue to show resilience through the end of 2025 and we have raised our forecast for full-year growth in volume terms by +1.5pps to +3.5% (see Figure 4). The deals and softening in US trade policy explain 0.1pp of the revision, and strategic frontloading, rerouting and

trade diversification explain another 0.3pp. With more resilient trade in goods than previously expected, trade in services has also been supported, contributing another 0.3pp. The continued outperformance of AI-related sectors and the resilience of the global economy have also lifted global trade this year more than we had forecast. This resilience should continue in the beginning of 2026 and we expect growth +1.3% for the full year, with potential upside as uncertainty persists. North America and Asia-Pacific are expected to face the largest decelerations through 2026, while Europe should come out among the most resilient, driven by improvements in Germany and the UK compared to the previous year (see Figure 2).

Figure 2: Global trade of goods and services, annual growth, %

Sources: CPB, Allianz Research

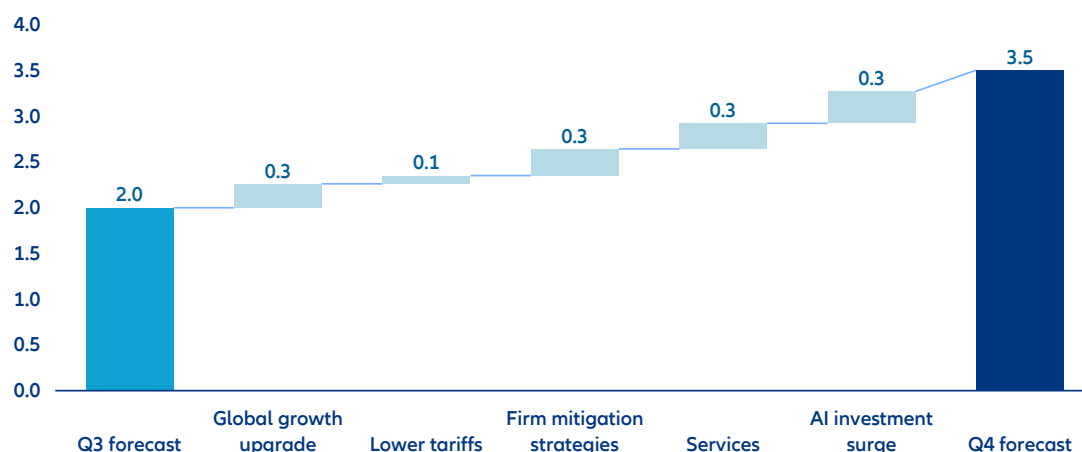
Figure 3: Total global container volume, thousand TEUs

Sources: CTS, Allianz Research

Global container trade is shifting towards Asia and emerging regions, while freight prices normalize from post-pandemic extremes. Between October 2017 and October 2025, global volumes rose by +19.7% (from 13.5mn to 16.2mn twenty-foot equivalent units (TEUs)), almost entirely driven by Asia (+2.0mn TEUs, lifting its share from 50% to 54%) and “other” regions (from 3.6mn to 4.45mn), while Europe slipped slightly (from 2.04mn to 1.98mn) and North America fell more sharply (from 1.19mn to 1.04mn). Comparing October 2024 and October 2025 shows that trade relationships are gradually rebalancing: Intra-Asia flows rose from 27.1% to 27.6% of world TEUs, while Asia–North America and Asia–Europe declined (from 12.8% to 11.5% and 9.6% to 9.1%, respectively). Since January 2024, CTS freight indices have moved from a brief post-pandemic repricing phase into a clear cooling. After the sharp 2021–22 surge (Asia at 270, total around 200), prices fell back toward their long-run 60–80 range

in 2023 before a smaller, Asia-led rebound in 2024, which left indices still relatively elevated in October 2024 (Asia at 103, Europe at 74, North America at 64). Since early 2025, however, the adjustment has turned decisively disinflationary: From April to October 2025, the global index declined from 78 to 73, pulled down mainly by Asia (from 86 to 80), with Europe and North America easing further to 67 and 61. A 70% volume / 30% weighted price composite therefore still signals expanding trade in level terms, but momentum has clearly rolled over: The mixed indicator peaks in mid-2024 when higher volumes coincide with temporarily firmer rates, then turns mildly contractionary by late 2025 as falling prices and softer Asian growth more than offset resilient North American volumes, leaving North America as the only region with a modestly positive mixed signal.



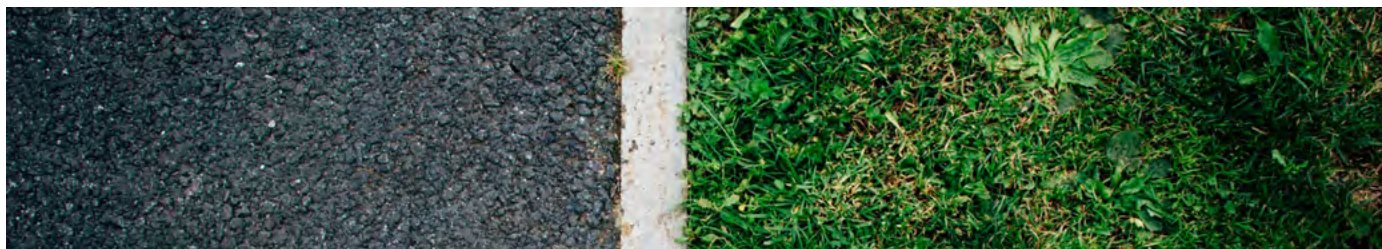
Figure 4: AI boom, services and rerouting behind global trade upside revision, %

Sources: Allianz Research

Going into 2026, softer trade growth will likely be driven by a slowdown of Asian exports, in particular from Taiwan, Thailand, Indonesia, Vietnam and China. Yet, ongoing negotiations of free-trade agreements, including those with the EU, India, ASEAN and the UAE, as well as the implementation of already signed ones (such as the EU-MERCOSUR), could provide upside risks to trade growth in 2026, and in the long-term could contribute to shifting the shape of global trade in the future. The year ahead will not be without surprises. With tariffs likely to be overturned by the US Supreme Court, the White House may resort to other tools, such as Section 338 or Section 122, to keep them at a high level. In parallel, ongoing Section 232 investigations could result in the introduction of tariffs on new products.

In the US, the effective tariff rate likely remained around 11-12% in October, still at the highest level since the 1940s. But there is likely limited room for further upside going forward: We estimate it could reach 14% at most by year end. Data on collected duties in USD terms are already available until October, but imports data are not yet available to calculate the actual tariff rate. Judging from available survey data (e.g. the imports index of the ISM manufacturing survey) and taking into account the trend in the past few months, the effective US tariff rate is likely to have only marginally crept up in September

and October, from the 11.2% reported for August. In comparison, we had estimated a theoretical tariff rate of 17% in September and 15% in October, with the gap likely explained by continued mitigation strategies from firms. This gap is likely to continue to decline until the end of the year as corporate adaptive behaviors run their course. Moreover, a number of recent changes in US trade policy have further lowered our estimate of the theoretical tariff rate to 14%. Most importantly, the list of goods that are exempt from US reciprocal tariffs has been expanded further, mainly including more food products. This is a clear sign of US tariff policy softening as the US consumer starts to feel the effects: US inflation stood at 3% in September (with categories such as coffee and beef seeing the fastest acceleration since the beginning of the year) as companies seem to be passing on the higher costs. We estimate that inflation likely rose further to 3.2% in October. In November, the White House issued a new executive order that reduced food tariffs across the board.



Inflation and central banks: divergence ahead

We expect inflation to remain firmly around target in the Eurozone, but overshoots to persist in the US, the UK and Japan. In the Eurozone, moderate growth, anchored private-sector inflation expectations and lower energy prices have weighed on inflation throughout 2025, keeping it around the 2% ECB target for most of the year. There is notable regional dispersion, though, with Spain, the Netherlands and other smaller countries recording higher price growth. We expect inflation dispersion to fade through 2026. Eurozone inflation is expected to slightly undershoot on the back of low energy prices feeding through, but should remain close to 2%. In the US, inflation has hovered around 2.8-3.0% recently, and we expect little progress towards the Fed's 2% target by 2027 amid good growth momentum, limited spare

capacity and high private sector medium-term inflation expectations. In the UK, weakening growth momentum and a loosening labor market should help to moderate lingering inflationary pressures in 2026, as indicated in business surveys. Inflation is expected to slip below 3% by early 2026 and approach 2% by end 2026. In Japan, while the supplementary budget announced by the government in late-November is likely to temporarily reduce headline inflation (through energy subsidies and tax cuts), it should also stimulate domestic demand in an already inflationary context of weak currency and elevated wage growth. Core inflation is likely to remain above 2% in our forecast period, while headline inflation is expected to average 1.9% in 2026 and 2.4% in 2027 (after 3.2% in 2025).

Table 2 : Inflation forecasts, yearly, %

Inflation (yearly %)	2023	2024	2025f	2026f	2027f
Global	6.1	4.5	4.0	3.5	3.0
USA	4.1	3.0	2.8	3.0	2.8
Latin America	14.8	16.6	11.1	9.2	4.9
Brazil	4.6	4.4	5.3	4.3	3.1
UK	7.3	2.5	3.4	2.6	2.3
Eurozone	5.4	2.4	2.1	1.9	2.0
Germany	6.0	2.3	2.2	2.1	2.2
France	4.9	2.0	0.9	1.3	1.6
Italy	5.6	1.0	1.6	1.7	2.0
Spain	3.5	2.8	2.6	2.1	2.1
Central and Eastern Europe	11.0	3.9	5.0	3.9	3.2
Poland	11.4	3.8	3.9	3.1	2.9
Russia	5.9	8.4	8.9	6.1	2.6
Türkiye	53.9	58.5	35.0	25.1	15.7
Asia-Pacific	3.1	2.2	1.3	1.6	1.9
China	0.2	0.2	0.0	0.4	0.9
Japan	3.3	2.7	3.2	1.9	2.4
India	5.7	5.0	2.5	4.2	4.4
Middle East	16.3	10.4	17.3	12.4	9.1
Saudi Arabia	2.5	1.5	1.9	2.6	2.2
Africa	16.9	15.0	11.5	9.1	7.5
South Africa	5.9	4.4	3.1	3.0	3.1

Sources: national, Allianz Research

US and Eurozone labor markets both show signs of resilience, but their dynamics are somewhat diverging.

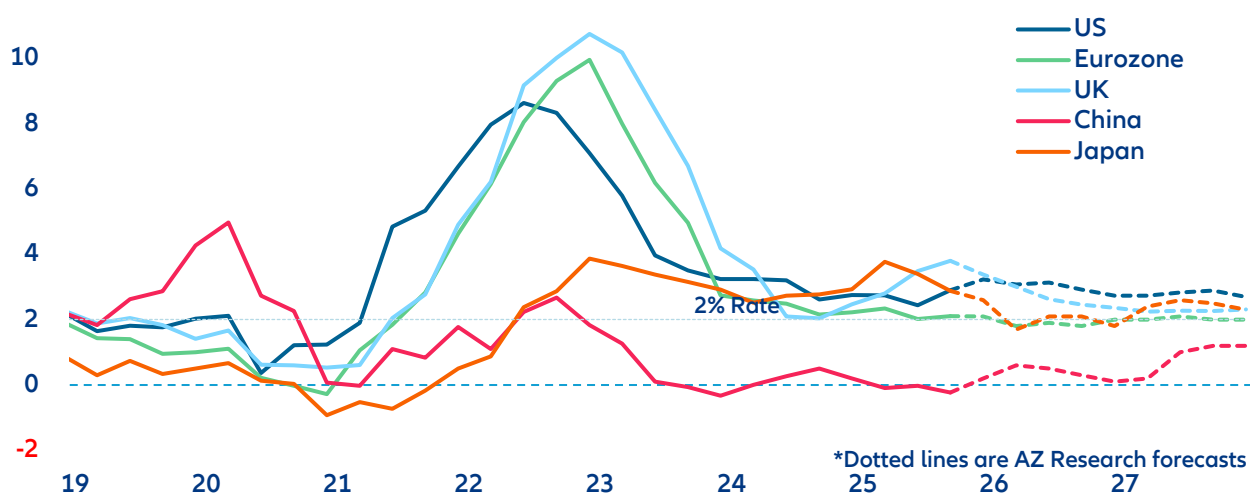
In the US, labor demand has softened since the summer, influencing recent monetary policy moves despite persistent inflation. Hiring is weighed down by policy uncertainty, tariff pressures and weak non-tech sector demand (non-ICT industries represent 93% of the economy but contributed less than half of GDP growth in early 2025). Weak labor force growth, partly due to tighter immigration, has kept unemployment from rising faster, but recent data point to the rate climbing toward 4.7-4.8% by March 2026, up from 4.4% in September, before stabilizing. In contrast, the Eurozone labor market remains robust, with unemployment steady at 6.4% for eight months, supporting growth despite economic headwinds. Employment growth is expected to slow, but as activity accelerates, productivity should improve. Wage growth remains strong but is set to ease gradually, helping balance household incomes and inflation. Overall, the Eurozone's stable employment and moderating wage growth should support a balanced recovery, with only a slight uptick in unemployment expected in 2026 before stabilizing in 2027.

The US Fed is expected to deliver one final rate cut in March amid labor market weakness. From that point on, however, sticky inflation and good underlying growth momentum should keep policymakers on hold and shift their focus back toward inflation risks. Although there are signs that labor demand has stabilized, we expect the pick-up of the unemployment rate to continue through early 2026, which will keep the Fed focused on labor market risks. After a pause in January, amid internal

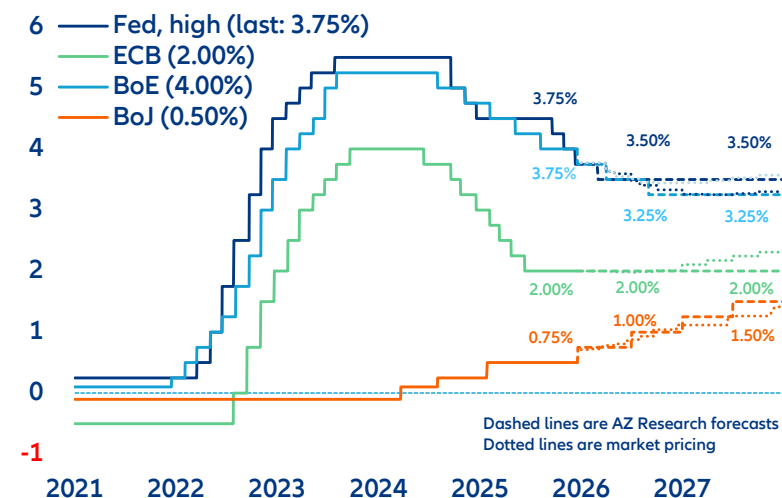
divisions within the FOMC, we expect the Fed to deliver a 25bps cut in March. Further out, good growth momentum, partly fueled by monetary easing, should start to reinvigorate labor demand, easing the Fed's concerns. The focus will then shift back to inflation persistence. The Fed Funds rate would settle at 3.5% upper bound. However, with internal divisions growing there could be less consensus over future decisions. The balance of doves versus hawks will not change much, with the arrival of some hawkish regional Fed governors in the 12-voting member Committee offsetting a probably very dovish new Fed Chairman. The removal of Governor Cook, if validated by the Supreme Court, could nonetheless tip the balance towards lower Fed Funds rates than we expect.

The ECB will remain on hold and contrary to recent speeches and market pricing, we do not see a rate hike as the most likely next step. The ECB is expected to keep its deposit rate unchanged at 2.0% going forward. While the central bank's recent speech has turned more hawkish and markets are pricing in hikes as the next move, we disagree. Even in the near term, risks are tilted to the downside, with standardized measures of credit demand, economic sentiment, consumer confidence and manufacturing PMIs remaining in negative territory. Germany's ability to lift the region's growth in 2026 are clouded by structural headwinds from red tape to demographics. The AI revolution will rather have a negative impact on inflation than a positive one in Europe. Supply-side effects (higher labor productivity leading to lower labor demand) will most likely outweigh demand-side effects (investment demand for data centers) as Europe as of now is an "AI consumer" not

Figure 5: Quarterly inflation rates, y/y, %



Sources: LSEG Datastream, Allianz Research

Figure 6: Monetary policy key rates, %

Sources: Bloomberg, Allianz Research

an “AI contributor”, with global tech giants located elsewhere. Last but not least, even if the current policy rate of 2% sits near the estimated neutral rate, historically, it was mostly far below that rate. Given all the structural headwinds, from geopolitics to demographics to fading competitiveness, it seems more likely that Europe will need monetary policy support than restrictiveness.

The Bank of England is expected to deliver 50bps of rate cuts through 2026. The BoE has kept a dovish bias through 2025, despite GDP growing at a decent clip and inflation stubbornly way above the Bank’s 2% target. However, positive developments on inflation, a cooling economy and loose labor market should prompt the BoE to continue cutting rates through 2026, albeit cautiously. The hike in the National Living Wage and the rise in the National Insurance (NI) contributions in April 2025 initially supported wage and price pressures as businesses passed on higher labor costs to selling prices. However, there is increasing evidence that these policies have started to weaken labor demand, which should eventually cool down wage and price pressures. We expect a 25bps cut in the April Monetary Policy Committee (MPC), followed by another one in September, taking the bank rate to 3.25%. We expect another cut throughout 2027 as inflation dynamics continues to normalize.

The Bank of Japan is likely to bring its policy rate to 1.5% by end-2027, from 0.5% currently. The BoJ started its rate-hiking cycle in March 2024, ending nearly a decade of negative rate policy. With underlying inflation still elevated, we expect the BoJ to continue its tightening cycle. Speeches by Governor Ueda since the beginning

of this month, highlighting inflationary pressures and receding economic uncertainties, mean a 25bps increase to 0.75% will very likely be delivered at the 18-19 December monetary policy meeting. This would bring the policy rate closely in line with levels prescribed by the Taylor rule. Beyond the short term, we still see three more rate hikes by end-2027, bringing the policy rate to 1.5%. Quantitative tightening is also likely to continue: Purchases of Japanese sovereign bonds are being reduced by JPY400bn every quarter until March 2026, and by JPY200bn thereafter to reach JPY2trn purchases per month in Q1 2027. The BoJ’s balance sheet size stands above 100% of GDP – down from a peak of c.130% but still far above other developed markets’ central banks and above the pre-quantitative easing era.

For all but the Fed, rapid quantitative tightening continues – as long as markets are able to absorb the additional supply in an orderly manner. The BoE, ECB and BoJ still have significantly larger balance sheets relative to the size of the economy compared to the Fed and compared to the pre-quantitative-easing area – above all the BoJ. This means that bond investors will need to absorb large amounts of government bonds amid already high fiscal deficits. In fact, at the current pace, the equivalent bond supply of 3.2% (ECB), 2.4% (BoE) and 6.4% (BoJ) of GDP in 2026 will have to be absorbed by private investors just from QT. This is in stark contrast to the Fed, which has not only stopped QT in December 2025 but simultaneously also started to buy Treasury bills at USD40bn per month to manage liquidity. This translates to a negative supply of government debt of -1.0% in 2026, even after considering a slowdown of this “front-end-QE” over the course of 2026.



Developed markets: running on two speeds

The US economy is expected to grow by +2.5% in 2026, gently accelerating from 2025 (+2.1%) as policy uncertainty eases, macro loosening gains traction and AI capex continues to power ahead. We have nudged up our 2026 GDP forecast substantially (+0.9pp). The strength of AI spending, notably capex, has surprised on the upside recently. We estimate that AI spending alone contributed more than 25% to US GDP growth in 2025, mostly driven by capex. Besides, the contribution of ICT industries – both manufacturing (computers, semiconductors etc) and services (software and data processing, computer systems design etc) activities – to GDP growth has picked up rapidly, reaching more than 1p p. We expect these trends to strengthen a bit through 2026. Moreover, consumer spending has held up well to tariffs and policy uncertainty, despite persistently depressed sentiment recorded in surveys. Tariffs and weak job creations have contributed to the gloom. US households have continued to spend, though much of the spending has stemmed from more wealthy households. While consumer spending is a key downside risk for the outlook, we think that macro easing should help to support spending and labor demand in the quarters ahead. Tax cuts are coming through 2026 from the One Big Beautiful Bill, and there is increasing evidence that the Fed's easing since September has started to feed through to higher credit creation. We expect GDP growth to cool to +2% in 2027 on the back of fading euphoria for AI capex and lower equity market valuations.

Eurozone growth has once again showcased its economic resilience in 2025, defying global challenges and setting the stage for a moderate acceleration in 2026, driven by reduced uncertainty and Germany's impactful fiscal stimulus. Growth slightly exceeded expectations in Q3 with a +0.3% q/q increase, primarily due to a rebound in investment (+0.9% q/q from -1.7% in Q2). However, net trade negatively impacted growth for the second consecutive quarter. Leading indicators suggest subdued growth at the end of 2025, aligning with our forecast of a modest +0.1% q/q growth in Q4. Looking forward, we anticipate Eurozone growth to accelerate sequentially, bolstered by a rebound in Germany as its fiscal stimulus takes effect, though this is expected to occur only from the middle of next year. Consequently, we have revised our GDP forecasts upward for 2025 and 2026 to +1.4% and +1.1%, respectively (from previous estimates of +1.2% and +0.9%), while our expectations for 2027 remain stable at +1.4%. Excluding the volatile national account of Ireland, the region's growth is much weaker but constantly accelerates going forward (2025-2027: +0.9%, +1.2% and +1.3% excluding Ireland).

Germany is expected to post modest GDP growth of just +0.2% in 2025, with a gradual improvement to +0.9% in 2026 and +1.3% in 2027 as fiscal measures, including the EUR500bn infrastructure fund and tax incentives for investment and R&D, begin to take effect. While this marks a positive shift after three years of

contraction or stagnation, progress remains slow due to bureaucratic headwinds and a lack of significant reforms. The additional growth contribution from the defense and infrastructure packages should reach 0.5pp and 0.6pp in 2026-27, reflecting a cautious utilization of funds, where expenditures accumulate quickly but are not deployed fast enough to unlock the full growth potential. Moreover, business sentiment has worsened, with companies reporting weaker order books and a deteriorating outlook, especially in manufacturing and services. As a result, economic momentum remains weak at the end of 2025, and a meaningful recovery in GDP is expected only by mid-2026.

In France, growth should accelerate moderately to +1.1% in 2026, from +0.8%, thanks to a pick-up in business investment and exports. French GDP was held back by a very weak consumer in 2025, with low sentiment being exacerbated by the political crisis. Meanwhile, residential investment continued to underperform. On the other hand, corporate investment accelerated through the year, powered by a pickup of industrial (notably capital goods) and information & communication investments. Furthermore, exports momentum strengthened. We expect these trends to continue in 2026: Increased defense and infrastructure spending in Europe will benefit French corporates in the manufacturing sector, while AI take-up could support overall investment. Exports of transportation materials are expected to accelerate.

Italy is expected to regain some momentum thanks to recovering domestic demand. The upward revision of Q3 growth to +0.1% q/q offers some relief for 2025, after earlier signs of cooling. We now expect the economy to expand by a modest +0.6% in 2025, with growth picking up to +0.8% in 2026 and +1.0% in 2027. Fiscal performance has improved, with higher revenues helping to narrow the deficit toward the 3% target (though we still expect 3.3% of GDP this year). NGEU funds are supporting the outlook by both boosting the economy and reducing the need for deficit-financed spending. As one of the main beneficiaries, Italy has absorbed NGEU funds at a rate above the EU average (over 70% versus 55%). However, the actual spending rate is only around 45-50%, meaning resources worth about 5% of GDP still need to be deployed. This gap suggests that even if Italy receives its full EUR194bn allocation by end-2026, the growth benefits will likely extend beyond 2026. On the other hand, fiscal headwinds remain for 2027, especially as NGEU grants are now counted as capital revenues, which helps ease deficit pressures. Political stability has also played a role, and Italian 10-year government bond spreads are now at their lowest level since November 2009.

Spain's economic momentum remains robust despite ongoing political turmoil, which could weigh on medium-term prospects. Upward revisions to 2024 growth (from

+3.1% to +3.5%) and a stronger Q3 have pushed our GDP forecasts to +2.9% in 2025, +2.1% in 2026 and 2.0% in 2027 – still ahead of other major Eurozone economies. However, challenges persist. The minority government's inability to approve a new budget for the third year in a row means it will operate with the outdated 2023 budget in 2026, delaying a return to a normal fiscal calendar. There are also concerns over Spain's ability to fully absorb its EUR164bn NGEU allocation before the 2026 deadline, with just over 40% disbursed so far. Missing out would mean lost opportunities for investment and reform, potentially limiting long-term growth. On prices, mixed inflation pressures persist: Easing energy costs are offset by persistent service and food price increases, keeping overall inflation near 3% towards the end of 2025. Core inflation remains sticky due to strong domestic demand and wage growth, while recent energy-price volatility has further strained household budgets.

UK growth is expected to cool in 2026 to +1.0% as growth-boosting one-offs fade. In 2025, the UK economy is likely to grow by a decent +1.4%, supported by strong business and residential investment ahead of expected tax hikes. Rapid wage growth, fueled by government policies, has also helped to power consumer spending (+0.9% expected, after -0.2% in 2024). But we think most of these mostly policy-driven factors will fade through 2026. Fiscal policy has become more predictable following the Autumn Budget, with no major changes in legislation announced for 2026. Both residential and business investment are set to normalize, though public infrastructure spending should keep solid momentum. We remain more positive on consumer spending though (+1.1% expected), thanks to easing inflation. GDP growth should pick up slightly in 2027 (+1.2%), supported by past monetary easing, though the economy has little spare capacity to grow much faster.

Japan's short-term outlook is supported by the government's latest stimulus plan: We expect GDP growth at +1.4% in 2026 and +1% in 2027, after +1.4% in 2025. The FY2025 supplementary budget, announced in late-November, amounts to JPY21.3trn (3.3% of GDP), including measures that address the rising cost of living, long-term investments and defense spending. The package has led us to revise on the upside on growth forecasts for Japan – although less ambitiously than what the government assumes, as we accounted for uncertainties regarding the precise timing of implementation of certain measures and potential tightening of financial conditions. Overall, the economic outlook should be supported by a recovery in domestic demand (especially private and public consumption) and receding risks externally thanks to the deal reached with the US.



Emerging markets: selectivity after a year of rally

China's economic outlook remains resilient amid outperforming exports and soft domestic demand, and continued policy support is expected into 2026. We are revising on the upside our GDP growth forecasts for China, to +5% in 2025 (+0.2pp), +4.7% in 2026 (+0.5pp) and +4.4% in 2027 (+0.1pp). Growth has exceeded expectations, buoyed by stronger-than-anticipated external demand (and soft imports). This surge was driven by frontloading from the US in the first half of the year, strategic rerouting to circumvent tariffs, expanding market shares in the rest of the world, a weaker currency and competitive prices. Meanwhile, domestic demand still struggles to recover sustainably, with further policy support needed and likely to be announced by Q1 2026. In this context, and with many sectors in overcapacity, price pressures remain low. We have revised on the downside our forecasts for inflation to 0% in 2025, 0.4% in 2026 (-0.6pp) and 0.9% in 2027 (-0.6pp).

Emerging markets excluding China are expected to grow by +3.6% in 2025, +3.7% in 2026 and +3.8% in 2027. Beyond the aggregates, idiosyncrasies mean that selective and tactical positioning may be required going into 2026. Emerging markets (EMs) overall remain resilient, still enjoying a more positive cycle than developed markets and generally solid external positions. Support from a lower USD and the Fed easing cycle had allowed many EM central banks to cut rates more than

expected in 2025. But going into 2026, we expect the easing to decelerate and some countries may face slowing momentum ahead (e.g. India, Indonesia, Romania, Russia or Taiwan). In the meantime, current account deficits have been widening for some EMs (such as Argentina, Chile, Colombia, Indonesia, Philippines, Romania, Türkiye), while surpluses have turned into deficits for others (e.g. Saudi Arabia, Czech Republic, Poland), requiring close monitoring. Finally, political uncertainties could represent downside risks, especially in Latin America and Emerging Europe.

Table 3: Key drivers and challenges for emerging market economies

Emerging Asia, excluding China	<p>We have revised up our growth forecasts for Asia-Pacific overall, to +4.5% in 2025 (+0.3pp), +4.2% in 2026 (+0.5pp) and +4% in 2027 (+0.1pp), reflecting a milder slowdown going forward than previously expected. The economic outlooks were revised on the upside for most major economies in the region, except for the Philippines and Thailand – in part reflecting political uncertainties and comparatively weaker export competitiveness. In contrast, upwards revisions were particularly large for economies such as Taiwan and Vietnam. For most of the region, an economic slowdown is expected by 2027 as the negative impact of the US trade war is digested and domestic monetary easing runs its course.</p> <p>Inflation is generally contained in the region, being within central banks' target ranges in many cases (e.g. Indonesia, South Korea), while others see below-target inflation (e.g. India, the Philippines, Taiwan, Vietnam) or even deflationary pressures (e.g. China, Thailand). On aggregate, inflation for Emerging Asia excluding China overall is forecast at 2.1% in 2025, 2.9% in 2026 and 2.7% in 2027. This is coherent with the fact that most central banks in the region are likely nearing the end of their monetary easing cycles, with many having cut policy rates more than previously expected in 2025.</p> <p>In terms of geopolitical risks, the top potential flashpoints in the region are located in the Taiwan Strait, the South China Sea and the Korean peninsula. The latest bilateral tensions between China and Japan require monitoring, as well as the Cambodia-Thailand conflict and the relations between India and Pakistan.</p>
Emerging Europe	<p>Growth in Emerging Europe is set to gradually strengthen through 2026, supported by resilient domestic demand and a rebound in investment as EU Recovery and Resilience Facility funds are deployed ahead of their mid-2026 deadline. However, the recovery will remain uneven across the region. Czechia and Poland are expected to outperform, with Czechia benefiting from broadening growth beyond consumption and Poland from a renewed pickup in investment activity and solid household demand. By contrast, Hungary and Romania are likely to lag behind: Hungary's pre-election fiscal expansion is failing to translate into stronger activity, while Romania's sizeable fiscal consolidation will weigh on short-term growth prospects. External demand will provide only limited support given weak European industrial momentum and the lingering impact of US-EU trade frictions, particularly in automotive supply chains. Growth in the region will average +2.6% in 2026 and +2.7% in 2027.</p> <p>Inflation across the region will remain above central bank targets in 2026, reflecting persistent core pressures and firm domestic demand. Disinflation has slowed, with price stickiness particularly evident in services and housing. While temporary base effects may ease headline rates in some countries, underlying inflation will stay elevated. Inflation will average 3.9% in 2026. Convergence toward target is expected only in 2027, with inflation expected to average 3.2%.</p> <p>Monetary easing is nearing completion. In Poland, the central bank is expected to deliver one final rate cut in early 2026 before pausing, while other central banks are likely to stay on hold at least through the first half of the year. The Czech National Bank is expected to maintain its current stance amid firm growth and persistent core inflation. Hungary's NBG is expected to stay on hold at least until the elections, and Romania's NBR is unlikely to begin easing before mid-2026 as inflation remains elevated.</p> <p>Turkey is heading towards 2026-27 showing signs of overheating amid sticky inflation and tighter-for-longer monetary policy. Growth remains close to potential (+3.5% in 2026 and +3.8% in 2027), but external vulnerabilities – large financing needs, a still-significant current account deficit and dependence on portfolio inflows – continue to pose a risk despite improving reserve dynamics. Political pressures ahead of the 2027 election cycle and persistently high inflation remain the key factors to watch.</p>
Latin America	<p>Latin America enters 2026–27 with a mixed but generally resilient outlook, with GDP growth forecast at around +2.4% per year. Argentina shows clearer stabilization and easing inflation, though liquidity constraints remain. Brazil's growth should stay slightly below the regional average, with hesitant monetary easing during a politically charged 2026 election year. Mexico continues to benefit from North American supply-chain integration, but weaker remittances and softer consumption weigh on momentum, and the USMCA review in July 2026 adds a key policy risk. The Andean region retains selective pockets of strength, such as Chile, though political uncertainty – most notably Peru's April 2026 vote – could limit the upside. Colombia faces the sharpest headwinds as lower commodity prices, cooling domestic demand and persistent fiscal concerns curb growth prospects. A crowded electoral calendar in 2026-27, combined with moderating commodity prices, persistent domestic inflation and tighter fiscal stances, will increase social and political risk in the region amid increased militarization.</p>
Africa and the Middle East	<p>The USD depreciation, tariff shock and low global oil prices continue to have diverging impacts across the region. Yet, growth holds, up given solid fundamentals. Africa is set to grow by +4% in 2025 and 2026. The Middle East is set to grow by +2.6% in 2025 and +3.2% in 2026 following an upward revision, given the mitigated impact of low oil prices, with increased debt issuance and higher oil production from previous years. Inflation continues to fall, especially in those countries hit by price shocks in 2024.</p> <p>In Africa, limited exposure to the US market helped most countries avoid the tariff shock – except for South Africa – while benefiting from rising commodity prices. Gold, silver and copper exporters (Ghana, Zambia and South Africa) benefited from price surges. Financing conditions improved with a depreciated USD, lowering import costs, and reducing yields, even though these remain above pre-Ukraine war levels, except for South Africa, which saw a larger decline. Many countries in the continent went back to the Eurobond market, almost doubling issuance from previous year. African equities rallied, outperforming developed peers, with the S&P Africa 40 Index growing 50% YTD.</p> <p>In the Middle East, low oil prices impacted fiscal positions across the region, prompting countries to turn to debt markets to support high spending. Bahrain remains the weakest sovereign in the GCC, and the UAE remains the most diversified economy in the region, with strong non-oil growth. Saudi Arabia (KSA) and Kuwait continue to be highly dependent on oil, but the large sums of FX reserves at the central bank and low debt ratios have supported economic activity and allowed spending to continue. In KSA, spending has been recalibrated from big infrastructure projects to other areas as AI. Qatar is expected to outperform in 2026, given the coming online of important new gas fields. The cease-fire between Hamas and Israel and the government normalization in Syria and Lebanon are supporting growth in a region hit by conflict for over a decade. General elections in Israel by October 2026 are the regional political event to watch as support for the Netanyahu coalition will be tested. Egypt, the region's most populated country, is emerging from a deep crisis. Growth is expected above +4% in the 2025/27 period with the potential return of traffic through the Suez Canal, which will largely benefit revenues.</p>

Sources: Allianz Research



Corporates: Earnings to continue to grow amid fragmentation and capex divergence

Corporate profits are poised for strong gains in 2026. After a surprisingly robust 2025, global companies are entering 2026 with rather strong earnings momentum and expanding margins. In the US, Q3 2025 profits jumped +15% y/y, with 82% of firms beating expectations. Importantly, growth has broadened beyond the “Magnificent 7” tech giants. Earnings are expected to grow by double digits in 2026, driven by the tech industry but also industrials (aerospace & defense, capital goods), consumer discretionary (mostly services but also the automotive industry, which benefits from a positive post-tariff valuation re-rating) and biotechnology. The latter should see striking growth, driven by cost discipline but also resilient demand, thanks to domestic (tax & rate cuts) and external (export boost from weaker US dollar) positive externalities. Already-high profit margins should get even higher in 2026 as companies reap the benefits of restructuring (from layoffs to office downsizing) and investments in productivity tools like AI. Europe is gearing up for a rebound: while Eurozone earnings grew only +1% in Q3, indicators are turning positive and consensus sees a +12% EPS rise in 2026 notably led by the still-strong performance of the bank industry but also consumer discretionary firms, which are expected to leverage an expected consumption recovery under supportive macro conditions next year. Notably, when stripping out an unusually weak auto sector, Europe’s profit picture looks much healthier. The upshot is a world where US corporate earnings lead, Europe catches up and even a subdued China is stabilizing. Barring shocks, expanding margins and modest revenue tailwinds (helped by easing rate policy and contained inflationary pressure) should

translate into another year of robust profit growth, though any disappointment on AI or increased trade and (geo) political uncertainty could spark volatility.

Sector divergences are widening, with tech continuing to thrive. The profit outlook for 2026 differs starkly by industry. Technology remains the standout winner, powered by secular growth in digital demand. The AI boom has not only spurred capex for tech leaders but is already boosting earnings, which are set to rise well into double digits next year. But the stronger the expectations, the higher the risks of disappointing and suffering a price correction as a result. Pharmaceutical companies are also enjoying a solid cycle, pledging USD440bn so far this year for new drug-manufacturing plants in the US. Healthcare is relatively insulated from cyclical swings and is riding a wave of innovation (e.g. blockbuster obesity treatments). In contrast, the automotive sector is still facing challenges. Europe’s car industry in particular faces its toughest stretch in decades, squeezed by the costly electric transition and intense competition from Chinese electric-vehicle rivals. German auto production has slumped over the past few years to adapt to weakening demand, mostly harmed by the period of high inflation and interest rates, with new US tariffs adding to the woes this year. The bright spots are niches like hybrids and suppliers pivoting to new tech, but broadly automotive was among the worst performers this year in terms of earnings. The industry does have a history of adaptation and resilience, which contribute to a positive surprise in 2026 with a quicker-than-expected recovery. But investors will be allocating resources to the winners in 2026 (AI, healthcare, high-end manufacturing)

while restructuring and belt-tightening will continue in sectors such as automotive. The overall corporate outlook is upbeat, but success will be very sector-specific in the year ahead.

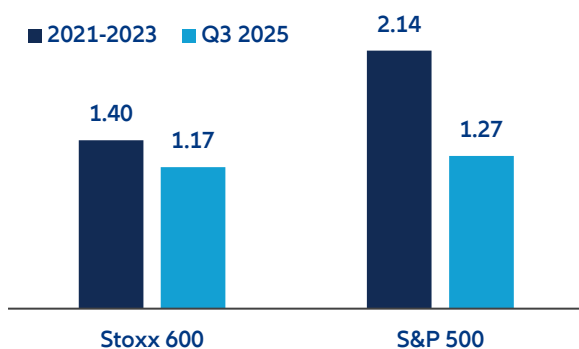
Corporate balance sheets are stretched but still solid. Despite still-high borrowing costs, most large companies have avoided a leverage crunch. In aggregate, corporate finances remain healthy, with ample liquidity and high profits. Firms spent the past decade terming out debt at low rates, and many have fortified their cash reserves, keeping net leverage in check. Indeed, overall leverage remains manageable by historical standards. That said, high-grade US companies today face yields near 5% on new issuances (vs about 3.5% on average over the past 15 years) which means refinancing will be costlier. Heavily indebted firms and smaller borrowers without cash buffers could see interest expenses eat into earnings. Default rates, while still low, have crept up from their 2021 trough, especially in high-yield credit. The good news is that banks and bond markets remain open for solid issuers, and many companies have pro-actively refinanced or deleveraged (see Figure 7). With the Fed likely to cut rates gradually, interest burdens may plateau, but prudent cash management will be crucial, notably in a new business environment dominated by AI technology whose development and implementation may turn out expensive and offer no guarantee on returns (magnitude and timeline).

An investment boom, led by AI, is driving most capital expenditure but some sectors need to ramp up. Fears of an economic slowdown have not stopped companies from spending aggressively on strategic projects – especially in tech. The ongoing AI boom is igniting a capex surge. The four biggest US tech firms together plan to spend nearly USD400bn on AI-related capex in 2026, a staggering jump from around USD150bn in 2023 for what is already considered today as the largest investment cycle ever: The

economic weight of the current capex economic is at least 30%, superior to the Dotcom capex cycle in the late 1990s. In fact, Wall Street estimates global AI capital investment will hit USD571bn in 2026 as businesses race to expand data centers and computing power. This investment cycle extends well beyond Silicon Valley. Demand for AI infrastructure is spilling into construction (to build server farms), utilities (powering energy-hungry chips) and industrials (chip, cloud and software providers to furnish and operate data-center servers) along the supply chain. Many firms are also accelerating broader capex plans to capitalize on government incentives. In the US, new tax breaks are pulling forward investments in manufacturing and tech. The tone from management teams is bullish: Corporate guidance skews heavily toward higher spending rather than cutbacks. After a cautious period during the rate hikes, companies now appear ready to open their wallets. Tech hardware and cloud players, for example, are reporting capacity backlogs and expanding budgets by double digits on the bold assumption that demand will grow up accordingly. In 2026 the private investment cycle should remain solid, with the AI revolution at its core, but we could see investors becoming more attentive to the pace of AI adoption and profitability trajectory of the whole ecosystem and turning more picky about what they buy/fund. As some sectors have been trailing behind in terms of investments (see Figure 8), they should leverage stronger balance sheets and lower interest rates to catch up in terms of capex to benefit from the ongoing AI-driven economic expansion.

Geopolitical rifts are reshaping supply chains, pushing firms to build resilience. The world's boardrooms remain fixated on global fragmentation, from US-China tensions to war-related disruptions. One clear trend is the partial unwinding of China-centric supply chains: China's share of US goods imports has plunged from 14% in 2024 to about just below 10% in August 2025 as US companies diversify towards Mexico, Southeast Asia and other partners. This

Figure 7: Debt-to-equity ratios



Sources: LSEG Workspace, Allianz Research

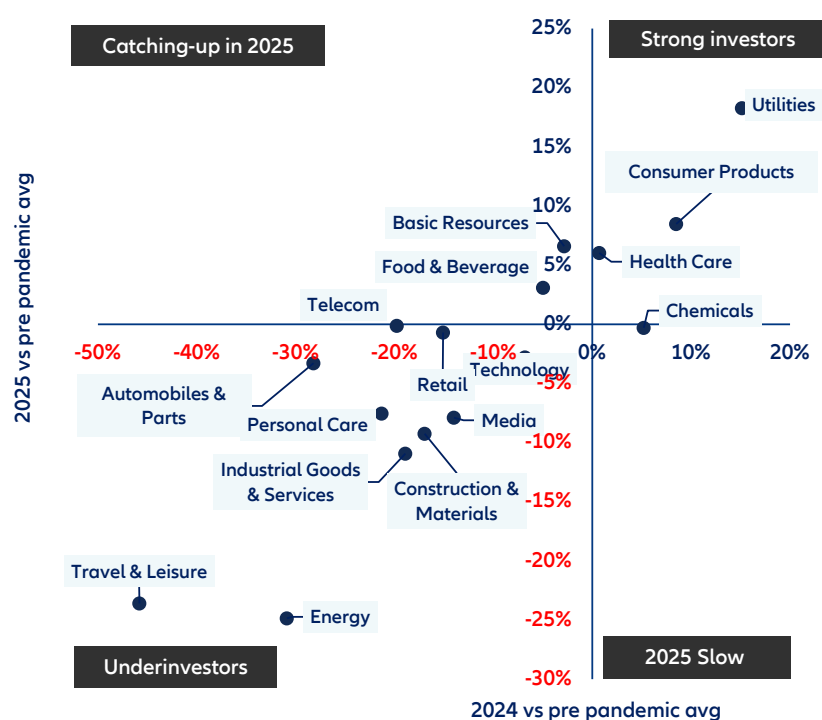
“de-risking” has some limitations since there is substantial rerouting of global trade. Furthermore, such shifts come with upfront costs: duplicating suppliers, building new facilities and often higher transportation costs. As a consequence, inventory has become a key buffer that firms need to manage carefully. US business inventories remain elevated, though they have started to normalize as supply shocks ease – the overall inventory-to-sales ratio stood at 1.37 in late 2025, down from 1.41 a year earlier as firms were already preparing for a potential second Trump term. In Europe, critical manufacturers are stockpiling components amid energy security and geopolitical worries as the region remains dependent over China for some critical inputs that play a pivotal role in ongoing digitalization (eg. chips, electric batteries). 2025 also saw a new trend in the opportunistic inventory consolidation driven by the stronger purchasing power of the euro. We expect 2026 to bring some relief as US trade policy is expected to be a bit more predictable than in 2025, but the frictionless era is over. Companies are effectively buying an insurance policy via diversified production and slightly fuller warehouses. The payoff is less vulnerability to geopolitical flare-ups but the price is a marginal hit to efficiency and potentially higher working capital needs.

The global rise in insolvencies should decelerate to +3% in 2026 from +6% in 2025, overshadowing ebbing insolvencies in most countries and regional divergences.

We expect a limited decrease in 2027. Our headline indicator currently shows a +6% increase year-to-date

globally for Q3 2025, with a persisting upside trend in most countries despite already high levels. We expect 2025 to end with business insolvencies rising or stable in two-thirds of countries, representing 70% of global GDP, and with three out of four countries exceeding 2016-2019 levels. The largest increases are expected in Hong Kong, Türkiye, Greece, Italy and Switzerland in relative terms (+44%, +40%, +40%, +35% and +28% year-on-year, respectively), and in Italy, Germany, Switzerland, France and the US in absolute terms (+3,400 cases, +2,500, +2,400, +1,900 and +1,800, respectively). The largest decreases are likely in India (-27%), Russia (-25%), Canada (-22%) and the Netherlands (-15%). Looking ahead to 2026, the global rise in insolvencies is expected to continue, albeit at a slower pace of +3%, for the fifth consecutive year, driven primarily by North America (+4%) and APAC (+4%). Western Europe would be an exception on the downside (-2%) with most countries within the -5%/0 range, still indicating a prolonged high number of cases. Our forecasts for 2027 anticipate a more widespread downside trend, with all regions contributing to the dynamic except APAC, which could still be boosted by China (+4% with China, -4% excluding China). Regional decreases would be moderate, with three out of four countries to record a lower number of insolvencies. Our headline index would however remain +22% above its 2016-2019 average in 2027, with lower levels in North America (+14%) and APAC (+14%).

Figure 8: Reinvestment ratios for global sectors



Notes: The reinvestment ratio measures how much of a company's available cash is being reinvested back into the business, mainly through capex

Sources: Bloomberg, Allianz Research



Capital markets outlook: Resilience despite late-cycle conditions

Capital markets have proved strong despite late-cycle conditions. As a volatile year ends, global equities mark a third straight year of solid gains near +20%, while interest rates held broadly steady despite the heavy news flow, credit spreads are at record lows and the dollar's weakness halted in the second half of 2025. Beneath the surface, caution dominates: Defense stocks and gold were the year's standout performers – not AI. Looking ahead, we expect rates and currencies to move largely sideways and equity returns to moderate, though not collapse, as the AI boom slows to a steadier pace. The US dollar should remain stable, supported by a more hawkish Fed than markets currently anticipate. Private markets face a pivotal year in 2026: rising energy and grid investment, continued AI momentum and shifting real-estate valuations are revealing where long-term value is re-emerging, even as weaker assets come under strain.

Government bonds: Move to the belly and look for the carry. Government bond yield curves in the US, the UK and Eurozone are entering a late-cycle bear flattening trend where the short end adjusts to the end of monetary easing cycles while the long end gradually reflects a growth and inflation outlook associated with a soft landing. Short-term terminal rates will stabilize at 3.5% in the US, 2.0% in the Eurozone and 3.25% in the UK. The US front end will be surrounded by more volatility from US repo market jitters due to friction in the absorption of increased T-Bill issuance and despite the Fed's purchases. Throughout 2026, the long-term yield will settle at 4.25% for 10y US

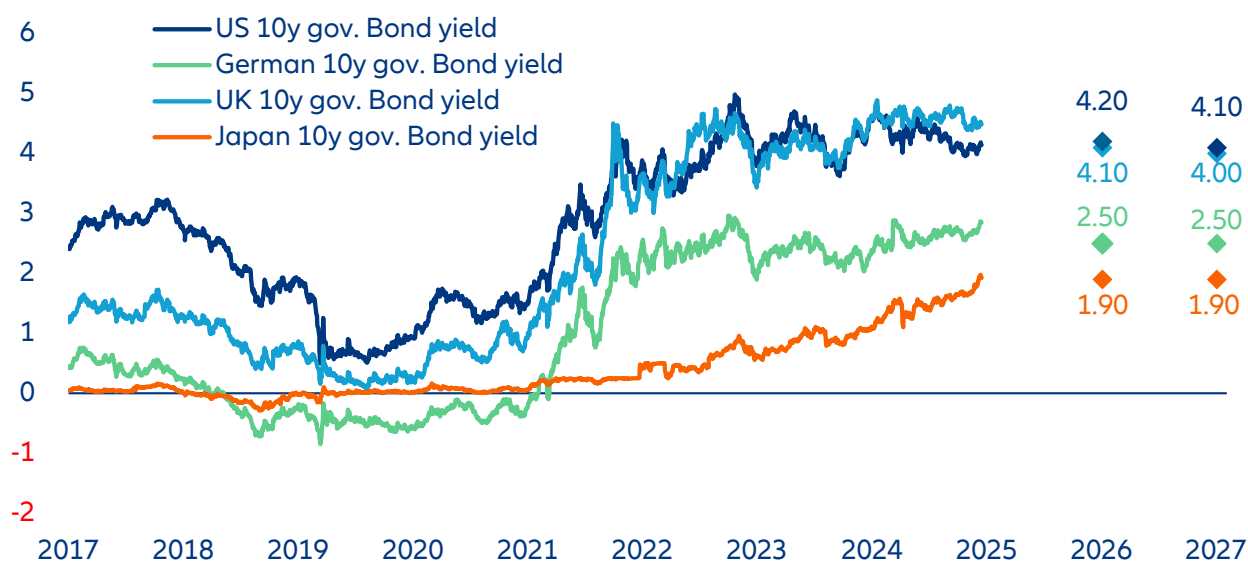
Treasuries, 2.5% for 10y German Bunds and 4.5% for 10y UK Gilts. Fiscal uncertainty remains the predominant upside risk for this scenario. Over the last few years, markets have already incorporated persistently higher deficits through a sharp rise in term premia, but another expansionary shock could quickly reshape the yield curves and lead to a bearish re-steepening. We see a more pronounced risk of this in the US and Japan compared to the UK and the Eurozone. In such late-cycle environments, with risks grouped at the long end of the curve, bond investors cannot solely rely on long-duration strategies but should also focus on carry optimization. In this context, the relatively steep belly segment of the curves emerges as sweet spot, allowing to benefit from the soft-landing scenario without a disproportionate exposure to possible term premium repricing. Comparing different government bond curves, we prefer European duration versus US Treasuries, playing the term premium differential as a mirror of better fiscal discipline. Gilts look attractive relative to US Treasuries and even German Bunds. Even after their recent rally, they still trade near their cheapest levels in a decade while recent fiscal efforts to regain market credibility create a clearer path for the Bank of England to cut rates.

Table 4: Capital market forecasts

EMU	Last*	Unit	2023	2024	2025f	2026f	2027f
Government Debt							
ECB deposit rate	2.00	%	4.00	3.00	2.00	2.00	2.00
10y yield (Bunds)	2.85	%	2.03	2.36	2.90	2.50	2.50
10y EUR swap rate	2.91	%	2.48	2.39	2.90	2.30	2.30
20y EUR swap rate	3.20	%	2.51	2.39	3.20	2.50	2.50
Italy 10y sovereign spread	68	bps	168	117	70	80	80
France 10y sovereign spread	71	bps	53	83	70	90	70
Spain 10y sovereign spread	45	bps	97	70	40	60	50
Corporate Debt							
Investment grade credit spreads	76	bps	135	101	80	100	115
High-yield credit spreads	273	bps	395	311	270	350	375
Equity							
Eurostoxx (total return p.a.)	24 ytd	%	19	10	24	9	7
US							
Government Debt							
Fed Funds rate (high)	3.75	%	5.50	4.50	3.75	3.50	3.50
10y yield (Treasury)	4.18	%	3.87	4.57	4.20	4.20	4.10
Corporate Debt							
Investment grade credit spreads	80	bps	104	82	80	95	120
High-yield credit spreads	291	bps	334	292	290	345	400
Equity							
S&P 500 (total return p.a.)	17 ytd	%	26	25	17	11	8
UK							
Government Debt							
BoE rate	4.00	%	5.25	4.75	3.75	3.25	3.25
10y yield sovereign (Gilt)	4.50	%	3.54	4.57	4.50	4.10	4.00
Corporate Debt							
Investment grade credit spreads	80	bps	134	91	80	100	115
High-yield credit spreads	418	bps	515	364	420	450	470
Equity							
FTSE 100 (total return p.a.)	23 ytd	%	8	10	23	5	5
Emerging Markets							
Government Debt							
Hard currency spread (vs USD)	166	bps	215	202	170	200	210
Local currency yield	6.34	%	6.19	6.39	6.30	5.80	5.70
Equity							
MSCI EM (total return p.a. in USD)	31 ytd	%	10	8	31	11	9
FX & Commodities							
EUR USD	1.18	\$ per €	1.10	1.04	1.18	1.16	1.18
Oil (Brent)	62	\$ per bl	78	75	62	61	67
Natural gas (Dutch TTF)	27	€ per MWh	32	49	27	32	30

Notes: Year end figures * As of 12.Dec 2025

Sources: LSEG Datastream, AIM SE

Figure 9: Government bond yields, %

Sources: LSEG Workspace, Allianz Research

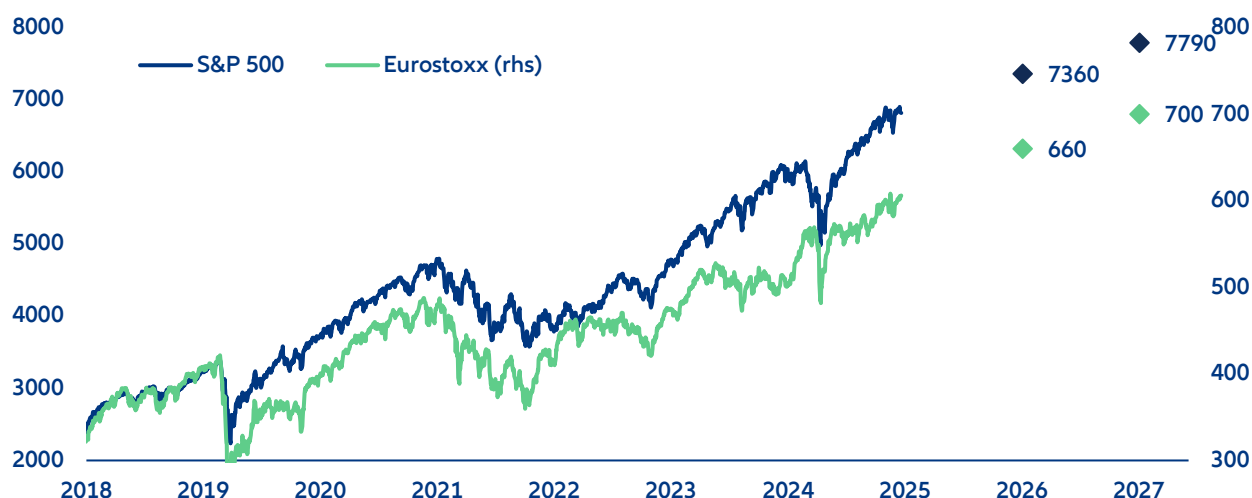
EGB spreads convergence as fiscal risk align. While markets frequently emphasize differences in Eurozone sovereign spreads, the underlying theme here remains convergence. In absolute terms, European government bonds (EGBs) are now pricing in higher fiscal risk, as evidenced by generally wider asset swap (ASW) spreads. However, this risk has become more evenly distributed. The ASW spread range has not been this tight since the Euro crisis, and both the median and average are converging, indicating that risks are being priced more symmetrically. This suggests that the market is assigning a common fiscal risk premium to European sovereigns. In some respects, this resembles the situation before the introduction of the euro, when spread developments were frontrunning institutional progress. To reverse the current convergence trend, Europe would need to enact a disruptive policy shift that leads to renewed fragmentation, as seen during the Euro crisis in 2012. Given the current geopolitical environment, in which fiscal integration is advancing through the common good of security, we consider such a scenario unlikely. Nevertheless, much of the positive convergence effect is already reflected in EGB spreads. Our outlook therefore expects spreads to move sideways. But the generally narrow spread range does not exclude episodes of volatility for individual issuers, primarily driven by political risks ahead of elections. For example, we anticipate that toward the end of 2026, ahead of the French presidential election in spring 2027, French sovereign spreads could come under temporary pressure (10y with 90bps over Germany) and trade wider than those of Italy. But as long as the overall convergence trend persists, such spread widening should be viewed as an opportunity. This view is further supported by the Eurozone's increased safe haven demand, stemming from the unpredictability of US politics.

We expect the dollar to remain broadly stable going forward, but downside risks outweigh the upsides. De-dollarization has ebbed out in the second half of 2025 with the EUR/USD exchange rate hovering around 1.15-1.18, and capital inflows by foreigners strongly resumed after "Liberation Day". Our forecast assumes fewer Fed cuts than markets currently price in, preserving a relatively favorable interest-rate differential that supports the dollar. Also, from a Real Effective Exchange Rate (REER) perspective, the euro looks fairly priced unlike some Asian currencies – especially the yen and yuan – which still look deeply undervalued versus the dollar's overvaluation. Uncertainty on our EUR/USD outlook remains high: A sharper than expected deterioration of Fed independence, or a revival of the Mar-a-Lago accord with some sort

of revenge tax on foreigners owning US assets, could undermine confidence in the greenback. Still there are also some upside risks to the dollar – in particular if US economic exceptionalism continues and at the same time Europe's growth underwhelms or political woes around the upcoming presidential election in France in 2027 deteriorate investor confidence.

Global equity markets continue to benefit from a supportive macro environment, with AI expected to remain an important driver into 2026. Earnings growth is expected to generate robust returns, particularly in the US and emerging markets, which offer the most significant exposure to the AI boom. While Europe and the Pacific markets are somewhat lagging, they offer relative defensiveness should volatility rise. The AI-driven surge in technology earnings revisions has led to heightened investor expectations, making the market more sensitive to any slowdown in capital expenditure or growth momentum. Current trends indicate that the AI cycle will remain stable through 2026, with US technology maintaining its leading position and EMs benefiting from structural adoption. Our analysis shows that the earnings expectations for the S&P 500 equally weighted is also solid i.e. growth not solely driven by mega-cap tech. This suggests healthier market breadth than in 2025, reducing the risk of an AI-driven bubble concentrated in a few stocks as earnings momentum spreads beyond the 'Magnificent 7'. The market's foundation may broaden as macroeconomic growth stays resilient. However, at ambitious valuations, heightened scrutiny of AI will influence sentiment and likely trigger occasional setbacks.

The fundamentals are supported by robust earnings momentum, which is further reinforced by anticipated rate cuts in the US and a favorable global environment. Emerging markets continue to demonstrate a positive outlook, supported by Fed easing, solid growth prospects and increasing exposure to AI adoption. Conversely, Pacific markets show a slight negative bias, driven primarily by fiscal challenges and JPY weakness. In Europe, conditions should underpin earnings growth into 2026, though catalysts for valuation expansion remain more limited than in the US. Overall, positioning and sentiment appear balanced, even as near-term momentum may moderate following recent rallies. Based on current projections, we expect European equities to deliver year-on-year growth of around +9% in 2026, followed by +7% in 2027. For the US, returns are anticipated at +11% for 2026, approximately +8% in 2027.

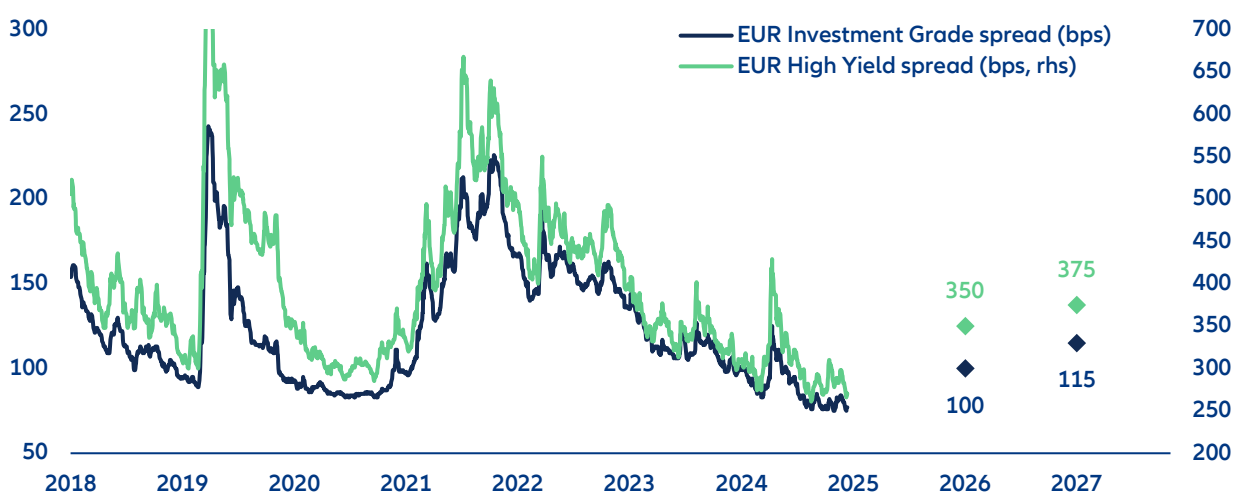
Figure 10: US and European equity indices

Sources: LSEG Datastream, AIM

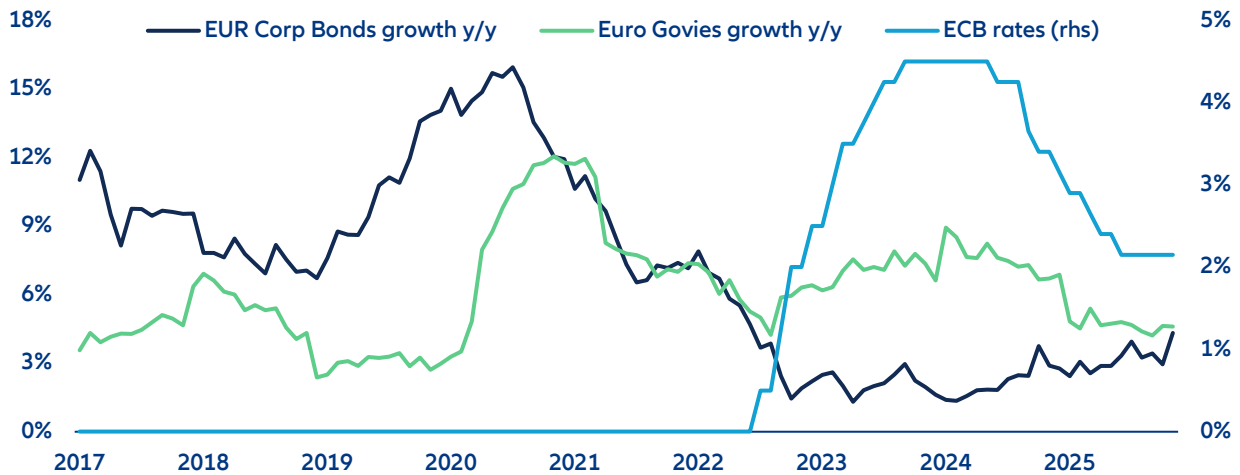
Credit markets are set to close 2025 on a strong note.

Euro investment-grade (IG) spreads tightened by roughly 25bps year-to-date, while high-yield (HY) rallied by about 40bps, which on a risk-adjusted basis represents an underperformance to IG. Across the Atlantic, US credit ended flat, despite bouts of volatility and record issuance through the year. Euro IG credit thus delivered an excess return of 2.3%, outperforming the 1.3% posted by US IG. The rally was underpinned by a familiar cocktail: limited net issuance and strong demand from yield-hungry investors, anchored by average but stable credit metrics. Yet, the tide is turning. Following ECB rate cuts, firms have

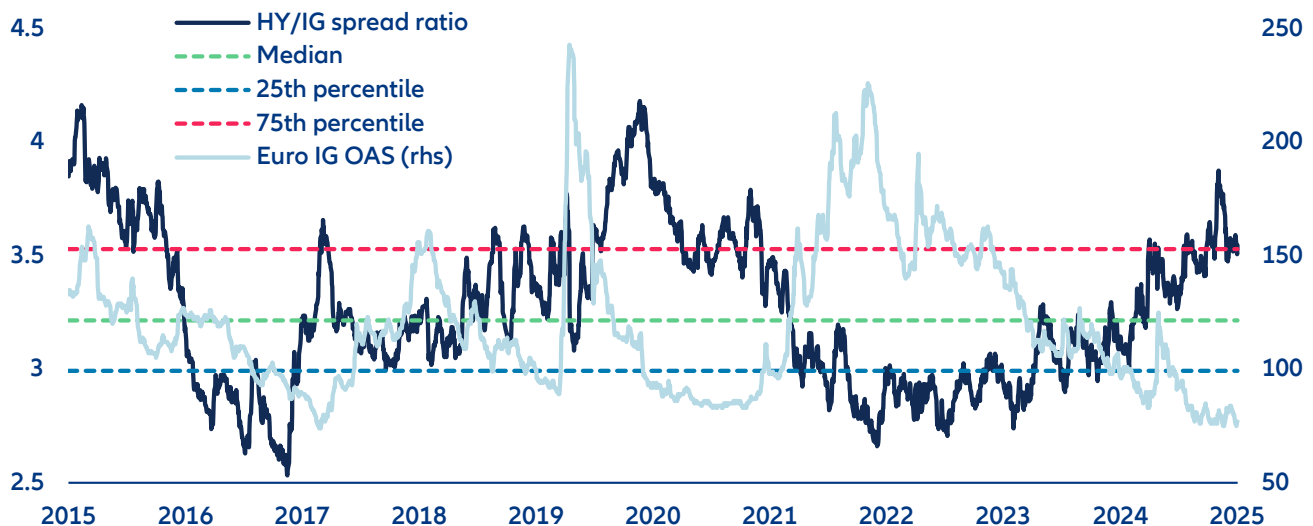
slowly ramped up borrowing – the amount of corporate bonds outstanding is growing at about +4.3% and now on par with government bonds issuance, which is slowing (see Figure 12). And comparing to long-term average growth of 7%, there is still room for more corporate issuance. Add rising debt needs from AI-capex and 2026 looks set for heavier supply, tilting supply scarcity to a less favorable dynamic than in recent years. Demand at the mercy of sentiment could swiftly turn on risk events.

Figure 11: European credit spreads, bps

Sources: LSEG Datastream, AIM

Figure 12: Euro corporate bonds and treasury bonds amount outstanding,% y/y

Sources: LSEG Datastream, AIM SE

Figure 13: Euro high-yield to investment-grade spread ratio

Sources: LSEG Datastream, AIM SE

Credit fundamentals, while off their peak, remain reassuring. Upgrades have slowed across IG and HY non-financials, but default rates are expected to dip below historical norms. Credit metrics hover near median levels, signaling a solid basis rather than distress. One trend worth-mentioning: the widening relative valuation gap between IG and HY. Today the HY-to-IG spread ratio (3.5x) sits near the 75th percentile, from just the 10th two years ago (see Figure 13). This de-compression trend reflects the “up-in-quality” trade and investors’ caution toward riskier credits – a stance likely to persist in 2026 as uncertainty lingers.

Looking ahead, we expect a gentle widening of credit spreads in 2026. We forecast Euro IG spreads at 100bps and US IG at 95bps by end-2026, with Euro/US HY at 350bps and 345bps respectively. The increasing amount of Yankees and Reverse-Yankees links the US and Euro markets and the marginal divergence we project results from difference in local growth and financial conditions. That implies negative excess returns – around -0.2% for Euro IG and -0.1% for US IG, though falling rates would cushion total returns. In short: carry will no longer do all the heavy lifting.

Emerging market debt: strong fundamentals and supportive outlook. Emerging market sovereign spreads are currently around historic lows and also tight relative to US credit – recently driven by strong flows into the asset class.

The rally in H2 2025 has enabled many issuers to secure favorable financing, and with debt issuance expected to be much lower in 2026, spreads should remain supported. Fundamentals are encouraging: The growth gap between emerging and developed markets is set to widen, and central banks still have some flexibility to ease policy as inflation is trending downward. Sovereign credit quality continues to improve, indicated by a positive rating upgrade-to-downgrade ratio and no sovereign defaults in 2024 and 2025. However, these positive dynamics are already fully priced in and we expect a moderate widening of spreads from current levels in 2026. The outlook for EM local currency debt is more promising. LC debt has seen less of a rally in 2025 and we see potential to outperform in the coming year. Overall, the combination of solid fundamentals, supportive technicals and prudent issuance creates a favorable backdrop for EM debt, offering opportunities in local currency debt.

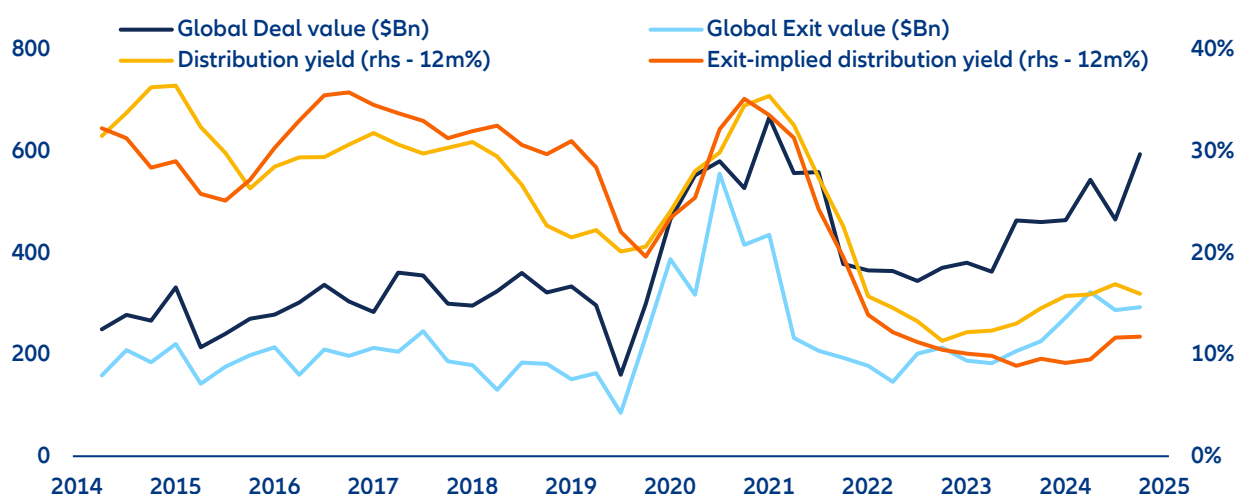
Private markets are heading into 2026–27 with the tension of a sequel and the promise of a reboot.

The era of easy money has concluded, the substantial valuation reset is largely behind us and the subsequent two years will center on demonstrating who can transform today's powerful themes into tangible, consistent cash flows. In this context, global fundraising has decreased by

23%/y, reaching USD1.25trn. This decline is accompanied by a -46% reduction in the number of funds closing, resulting in one of the most selective LP (Limited Partner) environments in a decade. Despite the challenges, there are notable characters emerging in this more challenging environment. Secondaries have surged to a record USD122.6bn in rolling-year inflows, and private debt has already raised USD154bn through Q3, indicating the areas where investor conviction is growing for the next stage.

Private equity enters the new cycle with a stronger footing, characterized by cleaner valuations and a clearer path to value creation. The excess of the boom era has diminished, creating healthier entry points, particularly in Europe, and a market where steady operational progress and strategic growth are being reprioritized. Fundraising continues to be more selective but also more focused, with capital flowing to managers who have a track record translating major themes into resilient earnings. As financing conditions improve, M&A and IPO activity should gradually revive, improving exit visibility. However, distributions may still lag given the uncertain year ahead. Deal flow is already gaining traction as bid-ask spreads narrow and a backlog of quality assets returns to market. In this context, while entry valuations are a tad higher, the US still offers some of the clearest exposure to the emerging "AI dividend," making it an important anchor for PE growth in the next phase.

Figure 14: The PE deal – exit gap widens, without liquidity solutions distributions would be lower



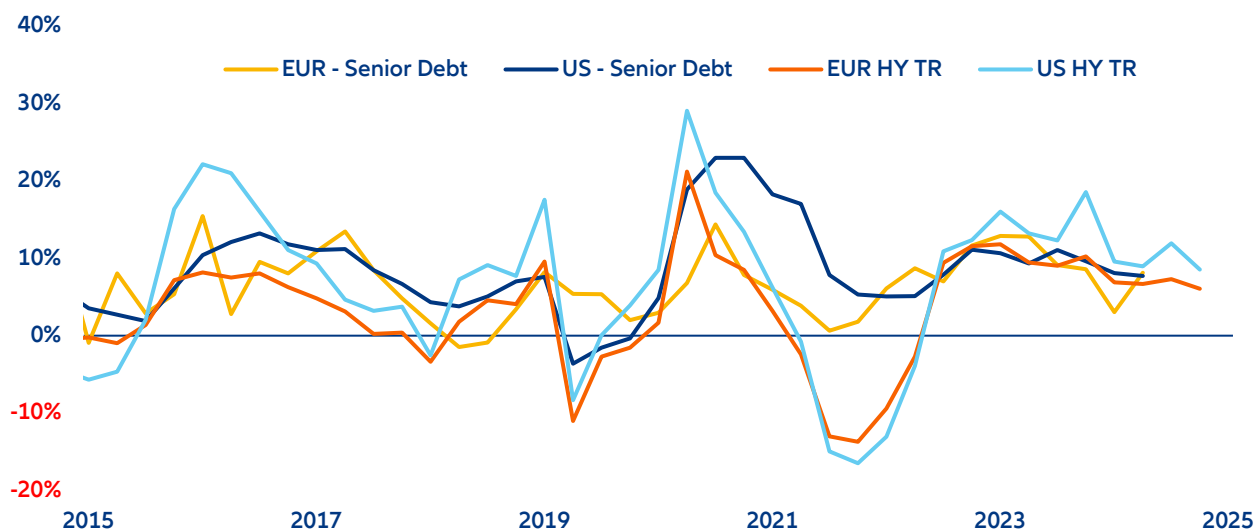
Note: Geography – Global; Last data point Q2 2025

Sources: Pitchbook, AIMSE

Private debt enters 2026–2027 with strong momentum, resilient fundamentals, and widening differentiation beneath the surface. Direct lending remains one of the most active segments, supported by steady refinancing needs and a renewed pickup in new-money LBO financing. Dividend recapitalizations have selectively re-emerged as valuations stabilize. Beneath this activity, borrower fundamentals continue to hold up better than expected, with leverage anchored in the 5–6× range and interest-coverage ratios largely stabilizing as companies adapt to higher-for-longer funding costs. Defaults remain contained, though leading indicators point to a gradual normalization rather than further easing. However, pressure remains uneven, with around 40–45% of borrowers continuing to post negative free operating cash flow, particularly in consumer services, commercial services, and smaller legacy software businesses. In terms of pricing, spreads have settled into a new normal around

500–525bps, while competition between syndicated and private markets intensifies. A key catalyst ahead is the mid-market maturity wall, with a substantial share of maturities falling in 2026–2028, making refinancing conditions a central storyline. For investors, the appeal of private debt remains strong, but outcomes will increasingly depend on disciplined underwriting and the ability to navigate a growing divergence between resilient and stressed borrowers.

Figure 15: Private debt is providing enhanced returns throughout the cycle

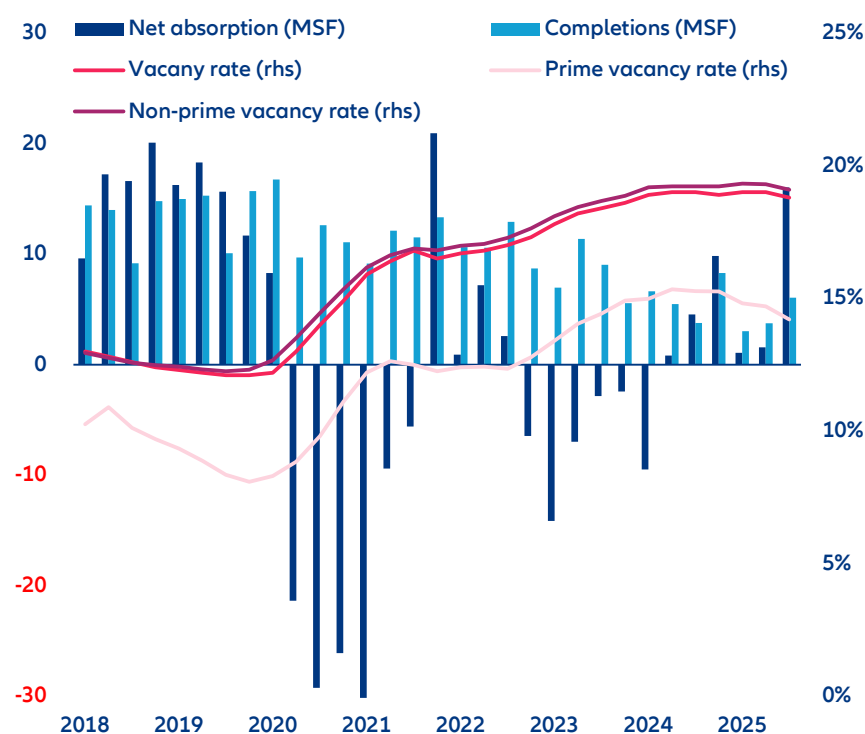


Sources: PitchBook, LSEG DataStream; AIM: Data as of Q1 2025

Real estate is moving from a deep repricing into an early recovery phase, with performance increasingly driven by sector and quality dispersion. Elevated macro and geopolitical uncertainty have slowed the rebound this year, but performance, liquidity and sentiment indicators suggest the market has entered an early upswing. Returns at both fund and asset level are turning positive, and transaction volumes are recovering, albeit less strongly than expected at the start of the year. Fundraising is also improving, with investors favoring logistics, residential and niche sectors such as data centers and life sciences, where supply remains structurally tight. Office remains the most challenged and polarized sector: Even as return-to-office requirements have risen to 4.0 days from 2.2 days in 2022, the gap between prime, energy-efficient Central Business District assets and non-prime stock continues to widen. The AI rush adds a second medium-term headwind: While only 11% of US firms are cutting jobs today, headcount is expected to fall by -4% next year and -11% over three

years, particularly in office-heavy functions. Overall, higher entry yields after the repricing improve real estate's relative value, especially versus elevated valuations in many other asset classes. Financing conditions are easing, with lower borrowing costs and greater debt availability, even if terms remain tighter than in the 2010s. Shrinking new supply and high development hurdles support existing high-quality assets. However, structural fiscal pressures and inflation volatility are likely to keep long-term rates elevated, limiting the scope for broad-based cap-rate compression. This means NOI growth, rather than multiple expansion, is likely to be the primary return driver this cycle, making asset quality, market selection and operational value creation the key differentiators.

Figure 16: Office demand continues to improve with bifurcation between prime and non-prime intensifying



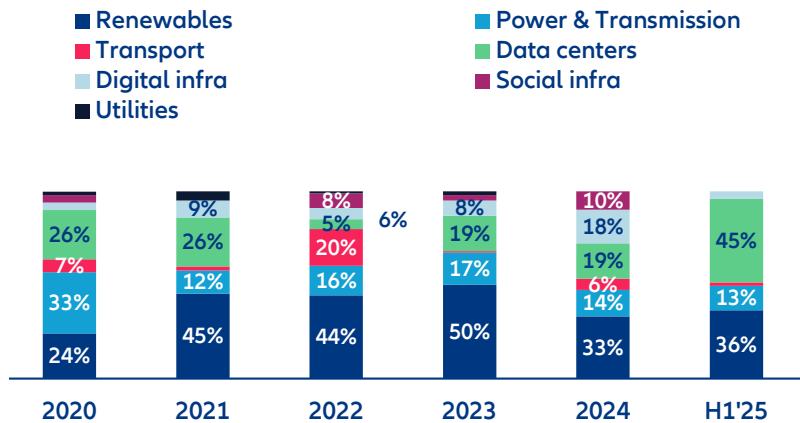
Sources: CBRE, AIM

Infrastructure equity is poised to become a leading area of investment in private markets, strategically positioned at the nexus of AI, electrification and decarbonization.

The asset class has demonstrated consistent performance, with a steady 0.8% quarterly return and more than 11% annualized over the past five years. This profile is characterized by low volatility and steady income. The next phase is driven by the scale of investment required. Global grid spending is accelerating to unprecedented levels, governments are promoting renewable energy and storage and electrification, ranging from electric vehicles to heat pumps to industrial processes, is generating multi-decade demand for regulated and contracted assets. The most significant trend is the expansion of AI and data centers, which is transforming power markets. Hyperscalers are allocating substantial capital budgets for this growth, and data-center electricity consumption is projected to increase by +100% by 2030. Additionally,

the Bloomberg New Energy Finance (BNEF) has revised its forecasts, anticipating that the load capacity of data centers in the US could exceed 100 GW by 2035, marking a significant upward adjustment of over 33% from previous estimations. This wave is creating opportunities not only in the data centers themselves but also in the enabling layers, transmission upgrades, substations, flexible generation, cooling, fiber and edge networks. A clear link exists between AI activity and utility earnings in the US; Europe, on the other hand, combines strong policy support with slightly more attractive entry valuations, but slower permitting. The investment case remains consistent across both: Infrastructure equity enters the next cycle with resilient performance, secular tailwinds and one of the most balanced risk-return profiles in private markets.

Figure 17: Fueled by AI frenzy, data centers capture 50% of H1 fundraising



Note: Data as of H1 2025
Sources: Infrastructure Investor, AIM SE

A photograph showing a group of diverse hands of various skin tones stacked on top of each other, resting on a thick, textured tree branch. The background is a lush green forest with sunlight filtering through the leaves. The text 'Our team' is overlaid on the image, with 'Our' in white and 'team' in yellow.

Our team

Chief Investment Officer
& Chief Economist
Allianz Investment Management SE



Ludovic Subran
ludovic.subran@allianz.com

Head of Economic Research
Allianz Trade



Ana Boata
ana.boata@allianz-trade.com

Head of Macroeconomic & Capital
Markets Research
Allianz Investment Management SE



Bjoern Griesbach
bjoern.griesbach@allianz.com

Head of Outreach
Allianz Investment Management SE



Arne Holzhausen
arne.holzhausen@allianz.com

Head of Corporate Research
Allianz Trade



Ano Kuhanathan
ano.kuhanathan@allianz-trade.com

Head of Thematic & Policy Research
Allianz Investment Management SE



Katharina Utermoehl
katharina.utermaehl@allianz.com

Macroeconomic Research



Luis Dalmou Taules
Economist for Africa & Middle East
luis.dalmou@allianz-trade.com



Maxime Darmet Cucchiarini
Senior Economist for UK, US & France
maxime.darmet@allianz-trade.com



Jasmin Gröschl
Senior Economist for Europe
jasmin.groeschl@allianz.com



Françoise Huang
Senior Economist for Asia Pacific
francoise.huang@allianz-trade.com



Maddalena Martini
Senior Economist for Southern
Europe & Benelux
maddalena.martini@allianz.com

Outreach



Luca Moneta
Senior Economist for Emerging
Markets
luca.moneta@allianz-trade.com



Giovanni Scarpato
Economist for Central & Eastern
Europe
giovanni.scarpato@allianz.com



Heike Baehr
Content Manager
heike.baehr@allianz.com



Maria Thomas
Content Manager and Editor
maria.thomas@allianz-trade.com



Lorenz Weimann
Head of Media Relations and
Operations
lorenz.weimann@allianz.com

Corporate Research



Guillaume Dejean
Senior Sector Advisor
guillaume.dejean@allianz-trade.com



Maria Latorre
Sector Advisor, B2B
maria.latorre@allianz-trade.com



Maxime Lemerle
Lead Advisor, Insolvency Research
maxime.lemerle@allianz-trade.com



Sivagaminathan Sivasubramanian
ESG and Data Analyst
sivagaminathan.sivasubramanian@allianz-trade.com



Pierre Lebard
Public Affairs Officer
pierre.lebard@allianz-trade.com

Thematic and Policy Research



Michaela Grimm
Senior Economist,
Demography & Social Protection
michaela.grimm@allianz.com



Patrick Hoffmann
Economist, ESG & AI
patrick.hoffmann@allianz.com



Simon Krause
Economist, ESG & Insurance
simon.krause@allianz.com



Hazem Krichene
Senior Economist, Climate
hazem.krichene@allianz.com



Kathrin Stoffel
Economist, Insurance & Wealth
kathrin.stoffel@allianz.com



Markus Zimmer
Senior Economist, ESG
markus.zimmer@allianz.com

Recent Publications

05/12/2025 | [What to watch](#)
 02/12/2025 | [High hopes, heavy footprint: Aviation's quest for climate-neutral skies](#)
 28/11/2025 | [What to watch](#)
 27/11/2025 | [Black Friday: The icing on the cake for US retail?](#)
 20/11/2025 | [What to watch](#)
 18/11/2025 | [Allianz Green Transition Tracker 2025 - A decade after Paris: Progress, paralysis and the race to net zero](#)
 14/11/2025 | [What to watch](#)
 12/11/2025 | [Can we afford to save nature? The economics of the Half-Earth scenario](#)
 06/11/2025 | [What to watch](#)
 05/11/2025 | [Old trade routes for new trade wars?](#)
 31/10/2025 | [What to watch](#)
 29/10/2025 | [The electro-state era: From Made in China to Powered, Designed and Financed by China?](#)
 23/10/2025 | [What to watch](#)
 21/10/2025 | [Global Insolvency Outlook 2026-27: Don't look down!](#)
 16/10/2025 | [What to watch](#)
 14/10/2025 | [Feeding a warming world: Securing food and economic stability in a changing climate](#)
 09/10/2025 | [What to watch](#)
 07/10/2025 | [Big beautiful data centers: How AI and infrastructure are giving a second wind to an ailing construction sector](#)
 02/10/2025 | [Economic Outlook 2025-27: 10 Top-of-Mind Questions, Answered](#)
 25/09/2025 | [Powering ahead: Global Wealth Report 2025](#)
 18/09/2025 | [What to watch](#)
 16/09/2025 | [Agentic AI: The self-driving economy?](#)
 11/09/2025 | [What to watch](#)
 10/09/2025 | [The fertility rate paradox: Education is key](#)
 05/09/2025 | [What to watch](#)
 03/09/2025 | [Sector Atlas 2025: Trade war is a sector war after all](#)
 01/08/2025 | [What to watch](#)
 30/07/2025 | [3.5% to 2035: Bridging the global infrastructure gap](#)
 25/07/2025 | [What to watch](#)
 18/07/2025 | [What to watch](#)
 11/07/2025 | [What to watch](#)
 08/07/2025 | [The market alone won't fix it: the dilemma of climate-neutral real estate](#)
 03/07/2025 | [Summertime Sadness: Mid-year economic outlook 2025-26](#)
 01/07/2025 | [What to watch](#)
 26/06/2025 | [What to watch](#)
 25/06/2025 | [Allianz Pulse 2025: Confused and disappointed – but less pessimistic](#)
 20/06/2025 | [What to watch](#)
 18/06/2025 | [Cash back to shareholders or cash stuck to finance customers? American and European firms deal with trade war differently](#)

Discover all our publications on our websites: [Allianz Research](#) and [Allianz Trade Economic Research](#)

Director of Publications

Ludovic Subran, Chief Economist
Allianz Research
Phone +49 89 3800 7859

Allianz Group Economic Research

https://www.allianz.com/en/economic_research
<http://www.allianz-trade.com/economic-research>
Königinstraße 28 | 80802 Munich | Germany
allianz.research@allianz.com

 @allianz

 allianz

Allianz Trade Economic Research

<http://www.allianz-trade.com/economic-research>
1 Place des Saisons | 92048 Paris-La-Défense Cedex | France
research@allianz-trade.com

 @allianz-trade

 allianz-trade

About Allianz Research

Allianz Research encompasses Allianz Group Economic Research and the Economic Research department of Allianz Trade.

Forward looking statements

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

No duty to update

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.