Loomis Sayles Global GDP Themes and Forecasts

July 2026

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August 6, 2026 - 8 min read Global GDP Themes and Forecasts

Global GDP Themes and Forecasts Market Commentary & Outlook Macro Strategies

The 2026 US growth outlook looks solid, supported by strong corporate health/earnings, resilient spending and fiscal policy. The labor market appears stable. We don't expect a large wave of layoffs on the horizon if profits remain strong. Higher energy costs have interrupted the gradual disinflation story, but we expect disinflation to resume eventually and gradually after the energy shock runs through the economy. It's probably too early to look for major productivity gains, but incremental progress can also help the inflation story. We expect the Fed to remain on hold for the remainder of this year at least, but still think their next move will be lower. Risk appetite should remain positive.

China's economy is beginning to show signs of recovery, with inflation moving out of negative territory, which could serve as a catalyst for broader economic improvement. The People's Bank of China will likely hold interest rates steady for the time being due to global geopolitical uncertainty.

Europe is in the early stages of the credit cycle, driven by supportive monetary policy, substantial and iterative fiscal stimulus and improving financial conditions. We expect growth to re-rate higher and while we like the euro on a fundamental basis, we have moved to neutral given the risk of commodity supply and price effects related to the Strait of Hormuz closure.

USA & CANADA

INVESTMENT OUTLOOK IS PREDOMINANTLY BRIGHT

Strong bottom-up fundamentals should propel the global equity rally through year-end and into 2027.

Earnings growth rather than multiple expansion has predominantly fueled recent equity market gains across the globe. This trend is likely to continue.

AI-related capital expenditures are driving earnings with far-reaching multi-sector implications. It's a powerful trend that remains intact.

Canada's growth prospects may improve heading into 2027, and inflation looks set to trend lower toward 2.0%. The Bank of Canada may be reluctant to raise rates while inflation is in check.

UNITED KINGDOM

NEW PRIME MINISTER FACES NO SHORTAGE OF DIFFICULT DECISIONS

New Prime Minister Andy Burnham is trying to boost growth, while containing party divisions and navigating a tight fiscal environment as well as an energy price spike.

Should Burnham achieve substantial changes in the welfare system, the party could start to tackle productivity issues and build momentum for further difficult reforms.

A drop in oil prices would be a huge benefit, as the Bank of England could proceed with a delayed cutting cycle.

EURO AREA

ONE RATE HIKE ENOUGH?

The European Central Bank raised rates in June, and they may not need to do much more. To date, there has been little evidence of second round effects of the energy price spike.

That said, price and supply disruptions continue to weigh on European industrial activity.

The economic and trade relationship with China is increasingly becoming a central political issue in Europe. It may feature in upcoming regional elections in Germany and next year's French presidential election.

LATIN AMERICA

MARKET-FRIENDLY POLITICAL TREND CONTINUES

Sentiment on the region continues to be positive, supported by market-friendly political shifts, commodities demand and more proactive US foreign policy and economic engagement.

We are constructive on Colombia and Peru following recent elections. In Colombia, we expect the new government to pivot to fiscal consolidation, while improved business sentiment should lift depressed private investment. In Peru, where headline macroeconomic fundamentals are already strong, we expect dividends from renewed political stability after years of uncertainty.

Argentina's credit trajectory remains positive, with the country benefiting from another upgrade in July. While we still have reservations about the country's external position, strong reserve accumulation so far this year and ample financing options have lowered near-term risks.

For Brazil, the upcoming election is increasingly the main driver for asset prices. While not the ideal candidate, markets can live with another four years of former president Lula. Brazil benefits from diversified commodities production, very high carry and strong external buffers.

ASIA PACIFIC

ASIA PRESENTS A MIXED OUTLOOK

While the AI-led technology upcycle is boosting exports from many Asian economies, including Thailand, not all countries are participating in the same way. Thailand's trade deficit has widened substantially, and we expect the large deficit to continue.

Korea's growth is holding up while the KOSPI (Korea Composite Stock Price Index) has been on a bumpy ride amidst the global semiconductor selloff, but nevertheless still up 35% year to date. The ongoing correction has been relatively contained with limited volatility in foreign exchange and interest rate markets for now.

Malaysia continues to enjoy solid and resilient growth owing to an AI tailwind and domestic strength offsetting the drag from Middle East conflict.

Singapore's economy, another AI spending beneficiary, should remain fairly strong. However, inflation will likely pick up as domestic costs start to reflect higher global crude oil prices in the second half of the year.

Indonesia continues to suffer from policy uncertainty. The sudden resignation of the central bank governor on July 27 was the latest in a long list of headlines.

JAPAN

POLITICAL AND FISCAL SENSITIVITY GUIDING CENTRAL BANK'S PATH

Japan is growing above potential as AI capital expenditures and domestic investment become more important than deficient demand.

Labor scarcity is broadening wage growth and reinforcing the automation and productivity investment cycle.

Underlying inflation remains above 2%, while subsidies mask pipeline pressure that should re-emerge after summer.

CHINA

K-SHAPED RECOVERY AND A CONSUMPTION DILEMMA

China's economy is sharply bifurcated: exports, AI, renewable energy, and robots are booming, while consumption, property and domestic fixed asset investment continue to drag.

Despite massive household savings, consumption remains severely impaired by weak confidence and stagnant nominal wage growth. Consequently, Beijing will sustain its production- and export-led growth model.

CEEMEA i

COUNTRY DEVELOPMENTS AGAINST A BACKDROP OF WAR

South Africa's surprise rate decision sparked a mild selloff, but authorities have demonstrated conservatism in monetary and fiscal affairs that we think will anchor markets medium term.

Turkish disinflation remains under the clouds of elevated geopolitical risk, but persists under the leadership of the Finance Minister Mehmet Simsek and Central Bank Governor Fatih Karahan, with carry offering a substantial risk premium.

Poland has remained the growth champion of Europe despite external risks and a slowing euro zone.

High-frequency data shows that industrial production and construction has remained resilient. In Hungary, high-frequency data has been subdued, but European Union funds are expected to boost growth starting in the fourth quarter.

The Gulf Cooperation Council ii will be pressured by the latest episode of escalation in the Persian Gulf. Saudi Arabia and the United Arab Emirates were able to sustain exports to a degree during the initial phase of the conflict by utilizing pipeline infrastructure that bypassed the Strait of Hormuz. However, ongoing disruptions in the Red Sea may constrain Saudi Arabia's ability to maintain those production levels and fully capitalize on higher oil prices going forward. Kuwait and Qatar are constrained in their ability to bypass a closure of the Strait of Hormuz, leaving their hydrocarbon exports particularly exposed to prolonged disruptions. As a result, energy sector activity is likely to remain under pressure for as long as geopolitical tensions persist.

Endnotes

i CEEMEA=Central and Eastern Europe, Middle East and Africa

ii Gulf Cooperation Council countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Author

The Loomis Sayles Macro Strategies Team

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