

Less Uncertainty Ahead? Economic & Trade Outlook for 2026

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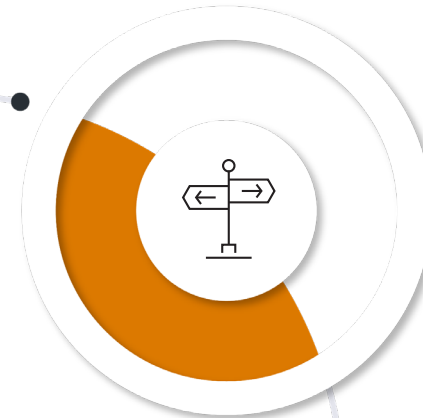
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Major global economic and geopolitical shifts since January 2025

Many economic and trade environment “anchors” of the pre-pandemic period are now more uncertain

Trade tensions

- Offshoring to reshoring
- Protectionism
- Geopolitical frictions

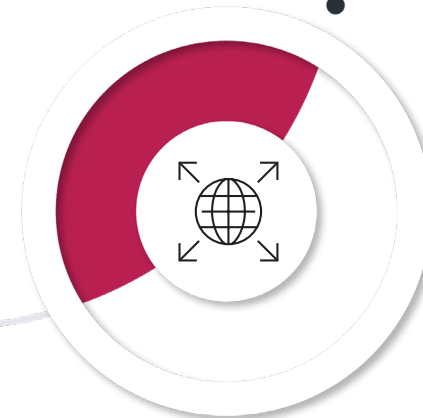


Lagged return of inflation

- Imported goods tariffs
- Protected US producers
- Seaport ship call fees

Higher capital costs

- Slower FRB rate cuts
- Inventory carrying costs
- Higher risk premiums

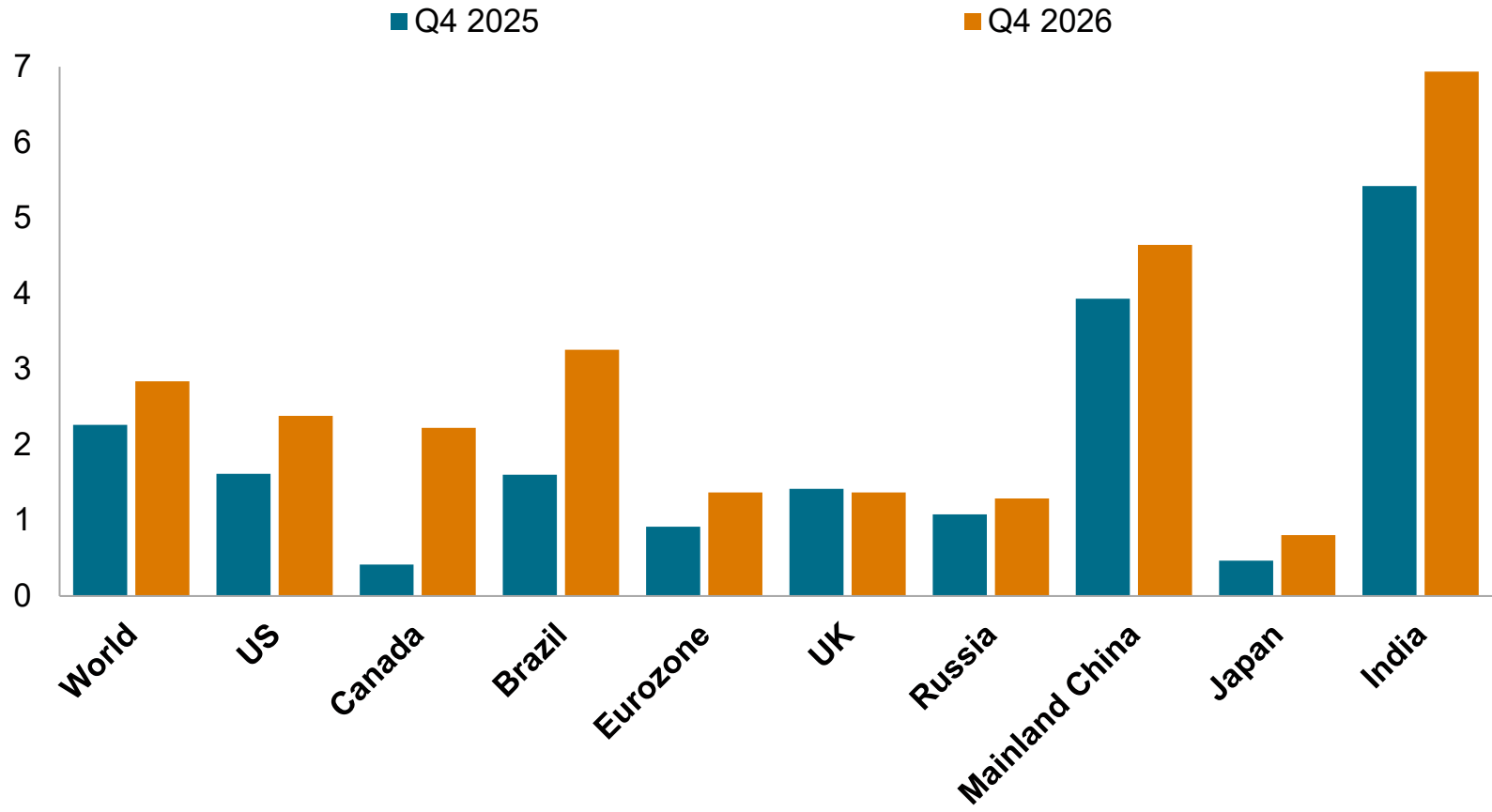


Fiscal fragilities

- Elevated debt and deficits
- Political instabilities
- Foreign US asset appetite

World economic growth momentum uneven in 2026

Real GDP forecasts (% , YOY)



As of September 2025.
Source: S&P Global Market Intelligence.

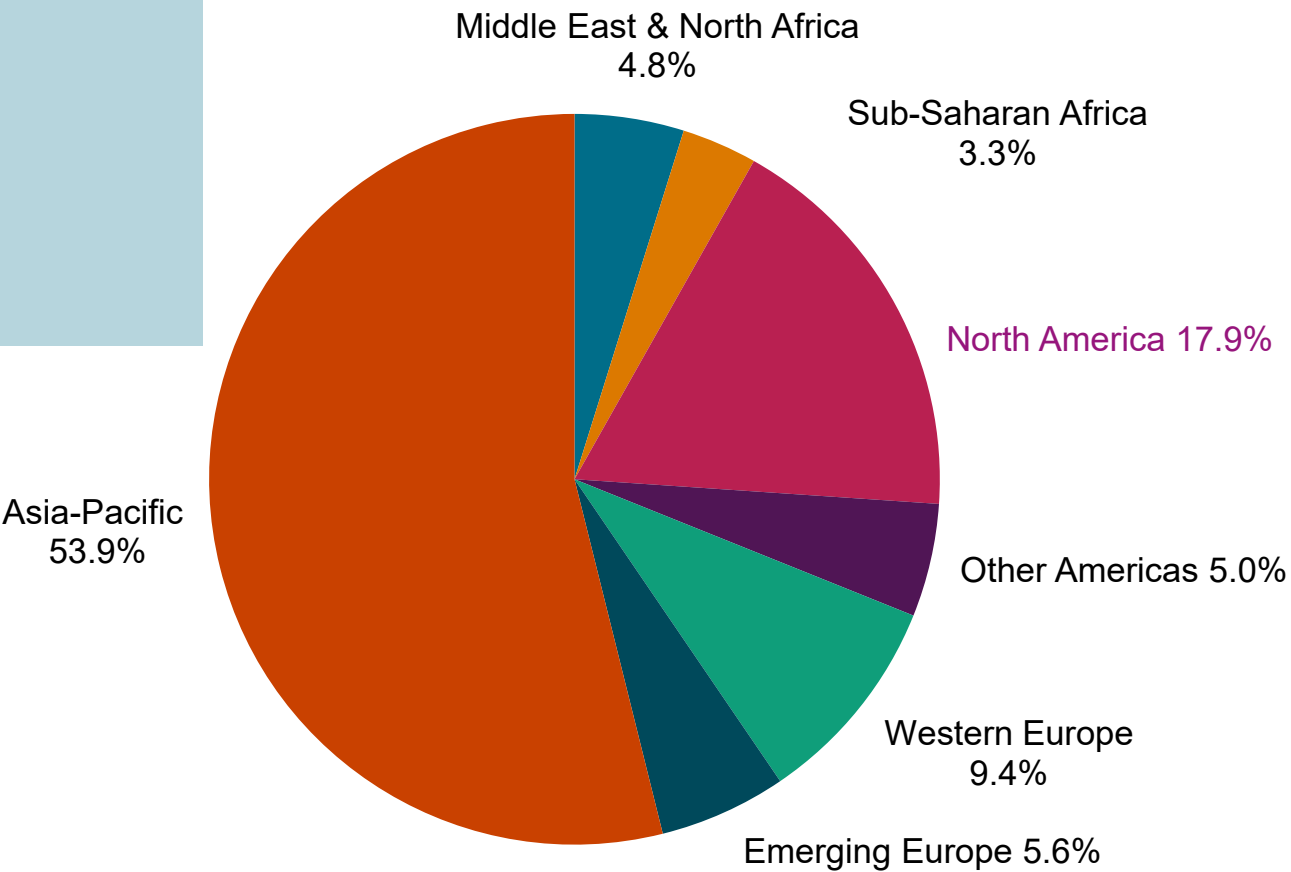


Long-term growth in the world economy remains dominated by Asia-Pacific region

Percent of world real GDP growth, 2024–2034

Notable contributions:

Mainland China	31.9%
United States	15.8%
India	9.0%
ASEAN	6.5%



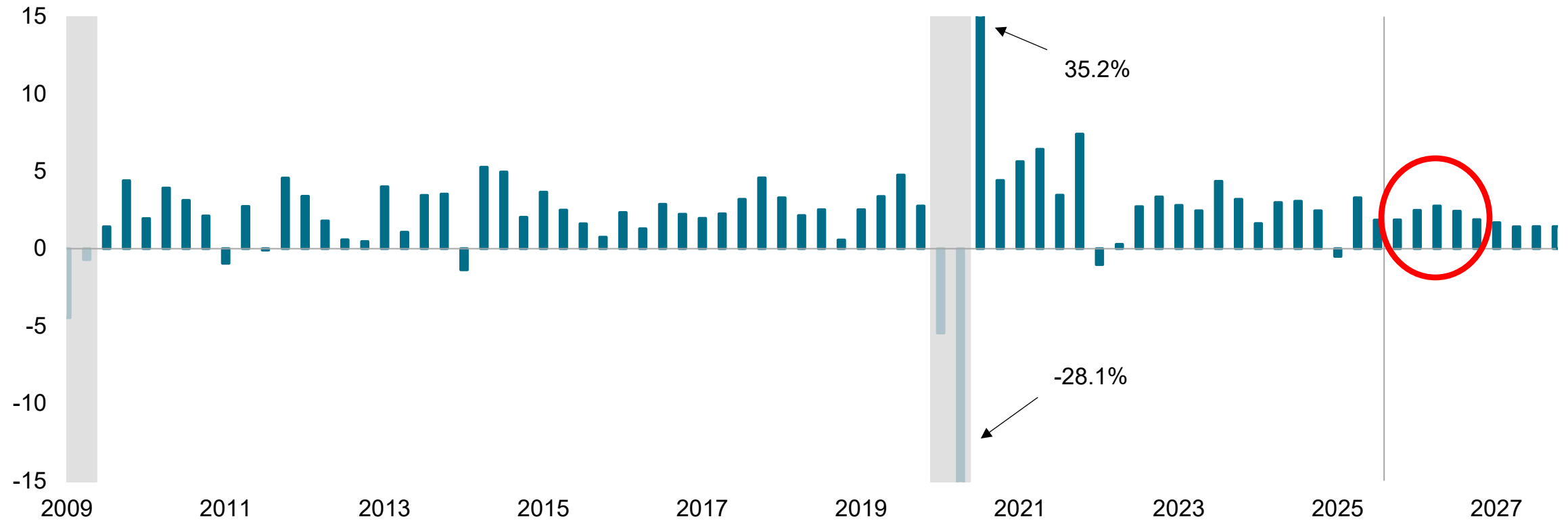
Data compiled Sept. 15, 2025.
Source: S&P Global.



US GDP growth decelerating in 2025, weaker Q4 before 2026 growth uptick

Real GDP growth

Annual percent change



Data compiled Sep. 26, 2025.

Sources: Bureau of Economic Analysis, S&P Global Market Intelligence.

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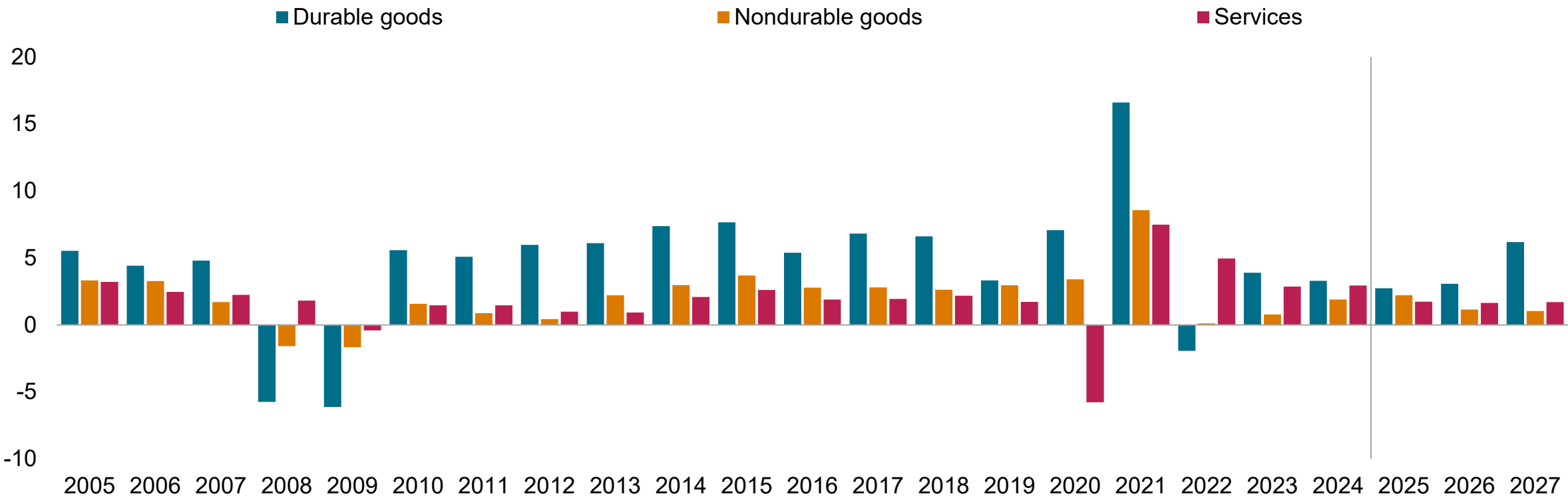
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Resilient US consumer spending is almost 70% of GDP (goods alone are 24%)

2025 growth in consumer spending on durable goods slowed but up in 2026

Real US consumer spending

Percent change



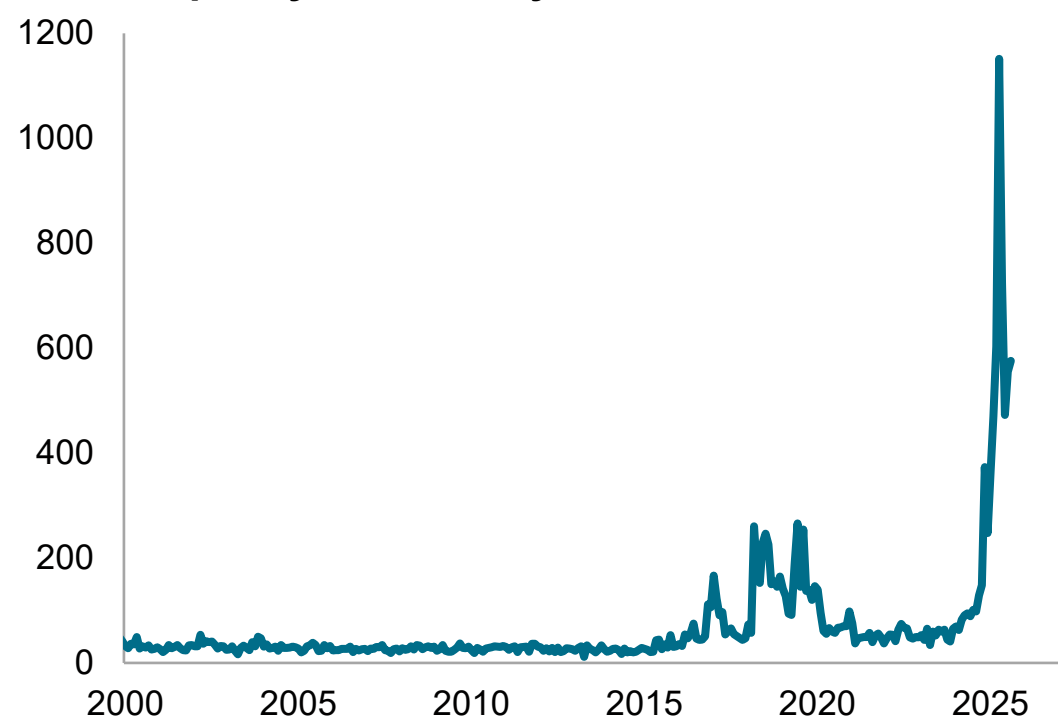
Data compiled Aug. 28, 2025.
Sources: Bureau of Economic Analysis, S&P Global Market Intelligence.
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Extreme trade uncertainty and weak business confidence slow growth

Increased risk premiums slow business investment, slowing the economy

US trade policy uncertainty index*



As of September 2025.
* 100= 1% of news articles contain references to trade policy uncertainty
Source: PolicyUncertainty.com

Global PMI output expectations dropped to one of lowest levels in recent years



Data compiled August 2025.
PMI value of 50 = no change in 12 months' time.
Sources: S&P Global's PMI; J.P.Morgan.



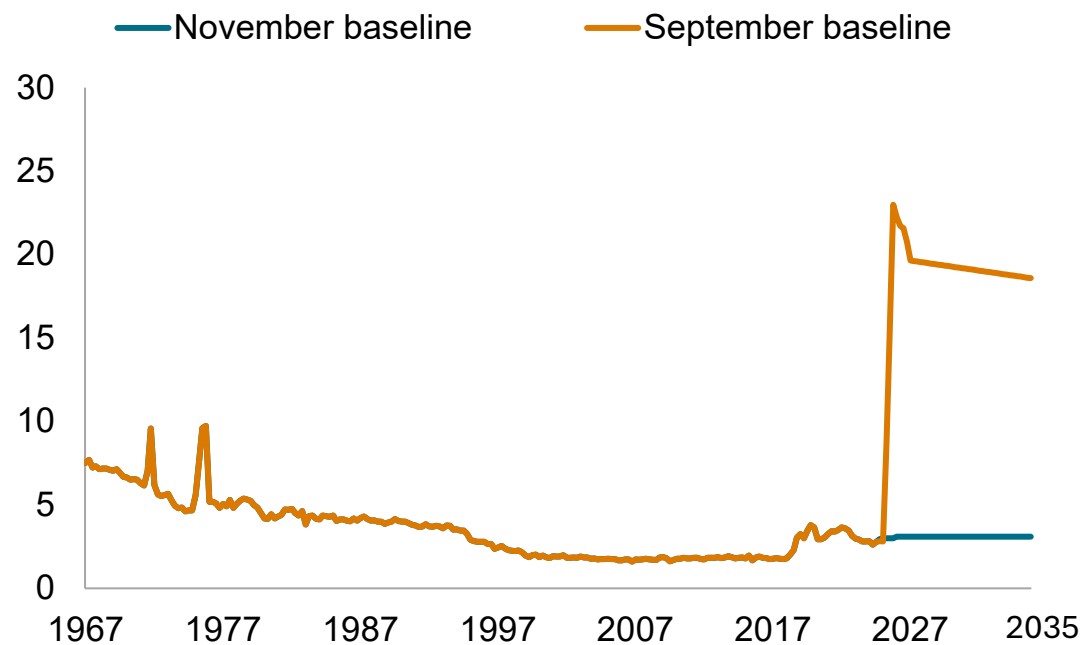
Trade policy disruptions have the US economy performing below potential

Tariffs are inflationary, with a lag, leading to tighter monetary policy, higher capital costs, lower investment.
Tariffs on imports that are inputs to production raise factor costs making US producers less price competitive.

US import tariff rates stay elevated long-term

Average effective tariff rate

Customs duties as a percentage of nonpetroleum imports

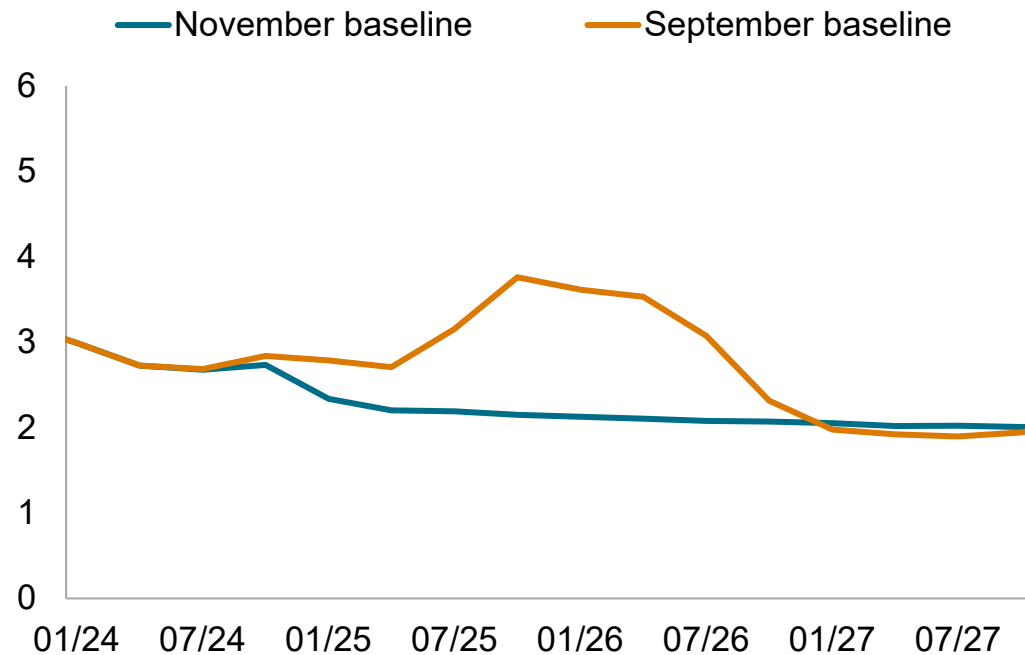


Data compiled Sept. 9, 2025.
Source: S&P Global Market Intelligence.

Inflation over 2% FRB target in 2026 then falls

Core personal consumption expenditures inflation

4-quarter percent change



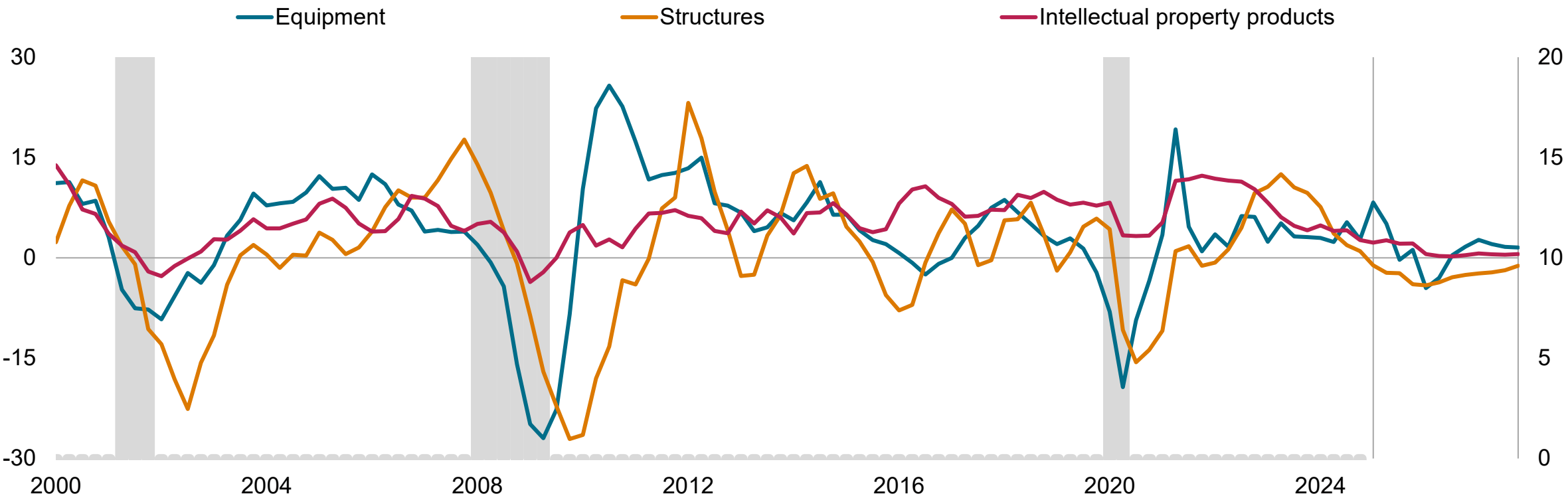
Data compiled Sept. 9, 2025.
Sources: S&P Global Market Intelligence; Bureau of Economic Analysis.



US businesses slowed 2025 capital spending faced with uncertainty; pick up in 2026 assuming less uncertainty and interest rates decline

Real business fixed investment

Year-over-year percent change



Data compiled Jul. 25, 2025.

Sources: Bureau of Economic Analysis, S&P Global Market Intelligence.

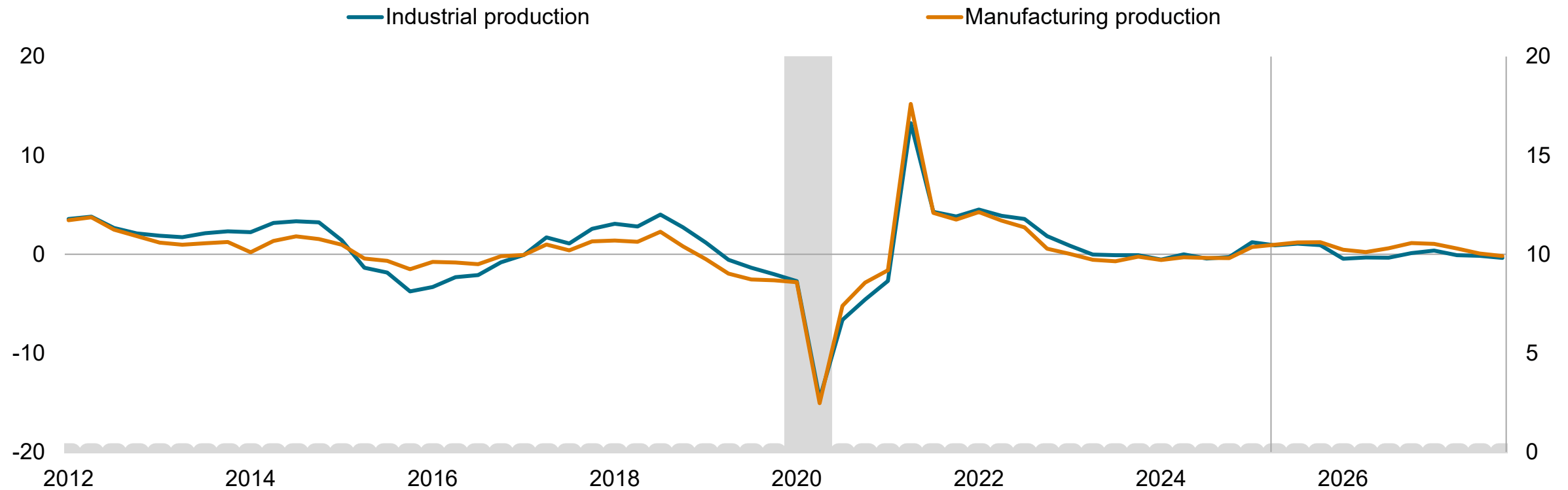
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US industrial production growth nearly flat in 2025; slows in 2026

US industrial production

Year-over-year percent change



Data compiled Aug. 28, 2025.

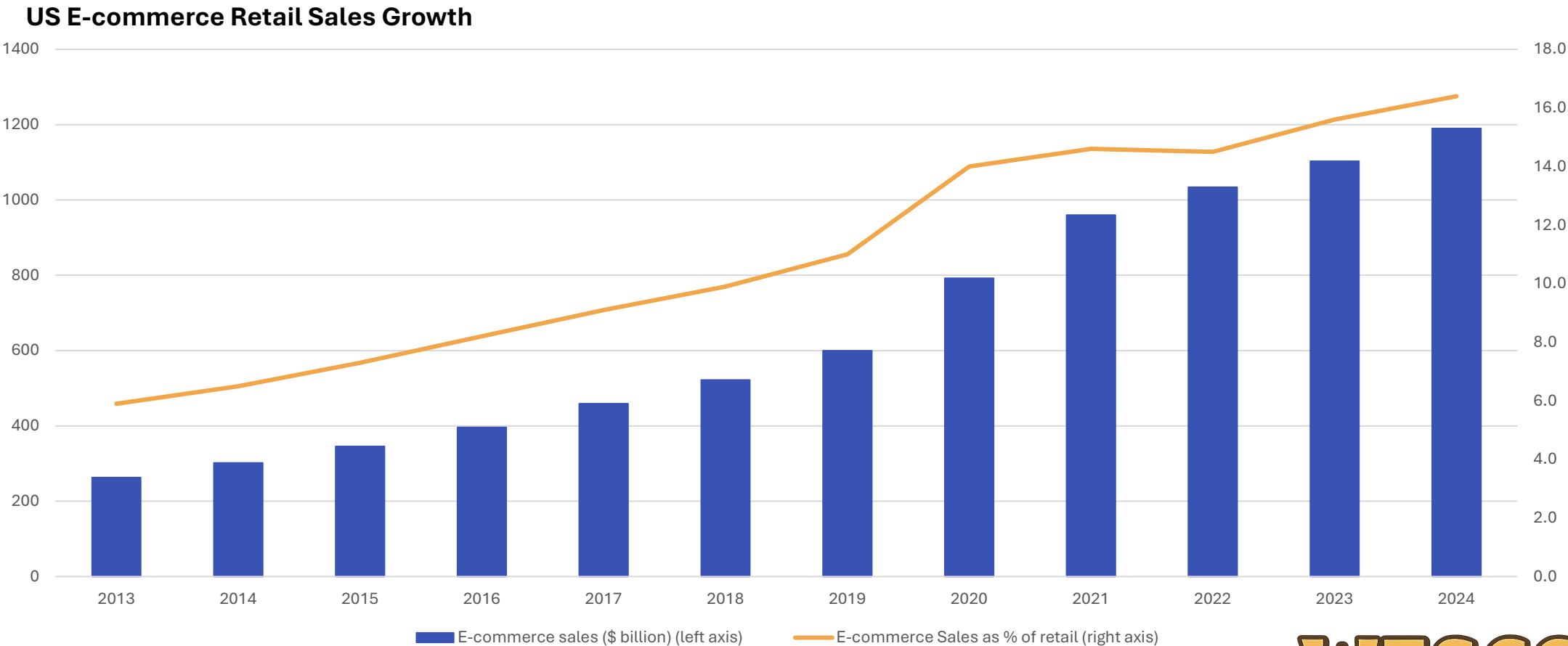
Sources: Federal Reserve, S&P Global Market Intelligence.

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E-Commerce retail sales demand has shifted cargo demand

- Tripling of E-Commerce sales in 7 years (2015-2022) disrupted supply chains 2020-2023
- End of de minimis exemption now shifting demand from direct import by air to ocean container



Source: CSCMP State of Logistics Report; US Census Bureau Quarterly Retail E-Commerce Sales Report

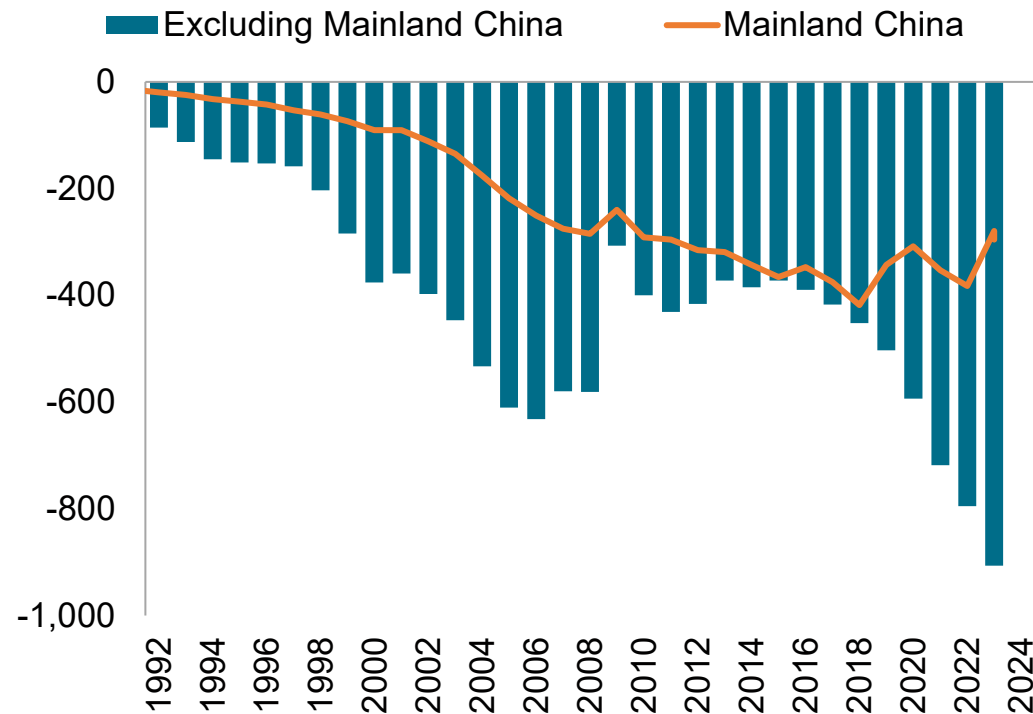


US country trade deficits shifting despite 2025 reciprocal tariffs

Deficit with mainland China has narrowed since 2018, but deficits with other countries have grown

US trade balances

US\$B, annual

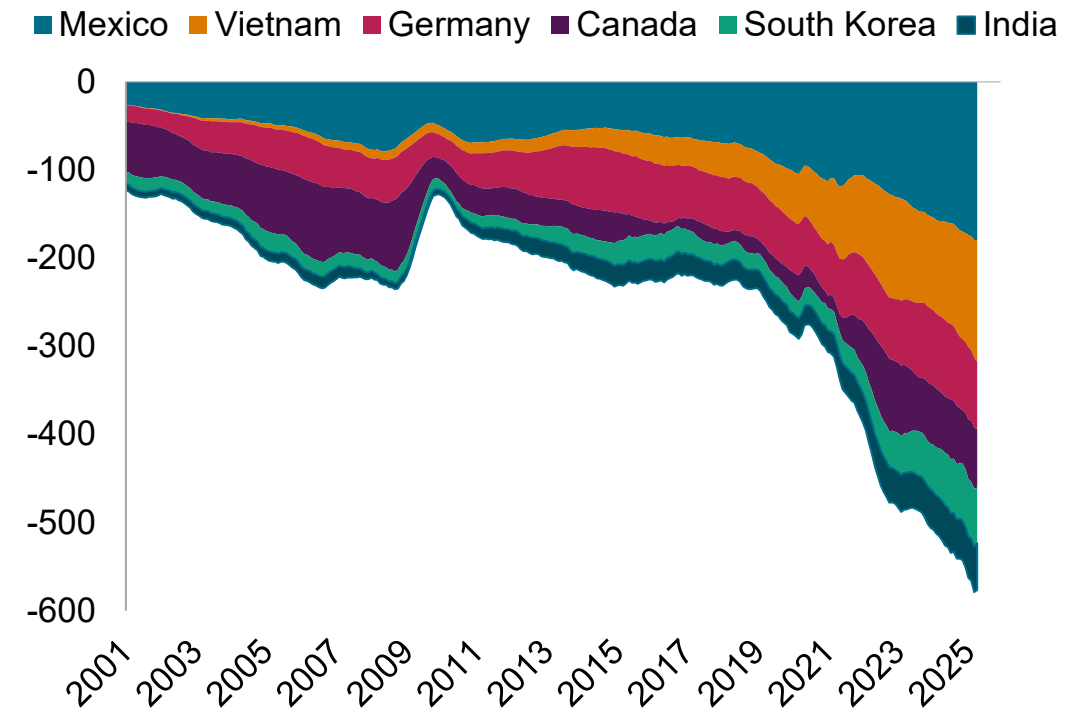


As of October 2025.

Source: S&P Global Market Intelligence.

US trade balances

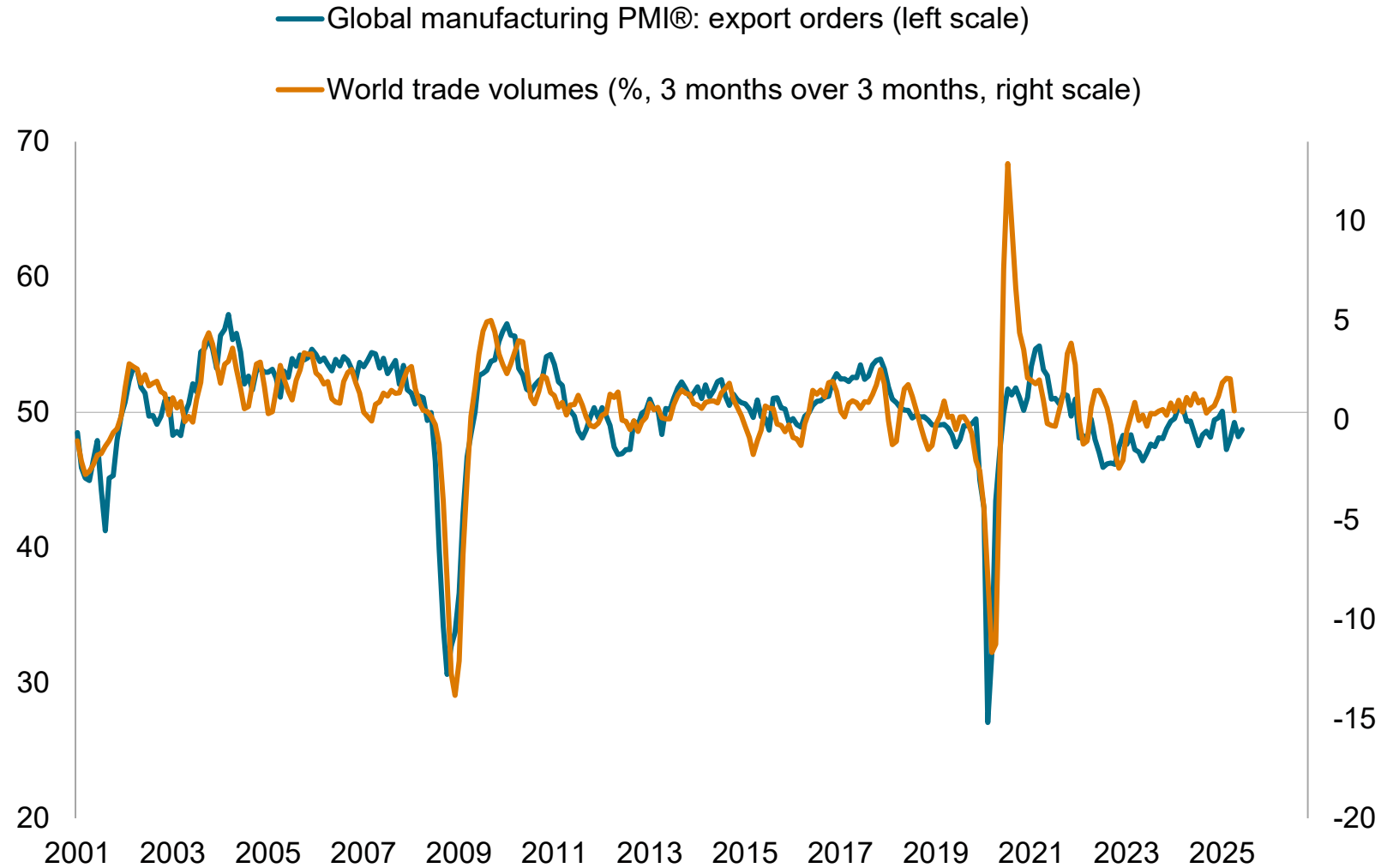
US\$B, 12 month rolling sum



As of October 2025.

Source: IMF.

Global trade volumes grew in 1st half of 2025, before recent downturn



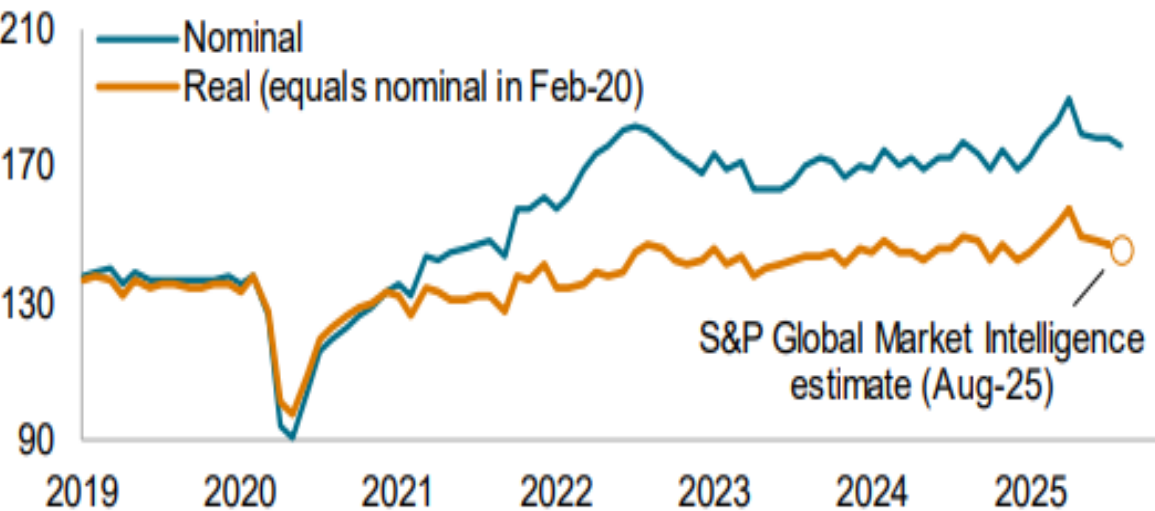
As of September 2025.

Sources: S&P Global Market Intelligence; CPB.

US imports have fluctuated in 2025 month-to-month with weak export growth

US monthly goods exports

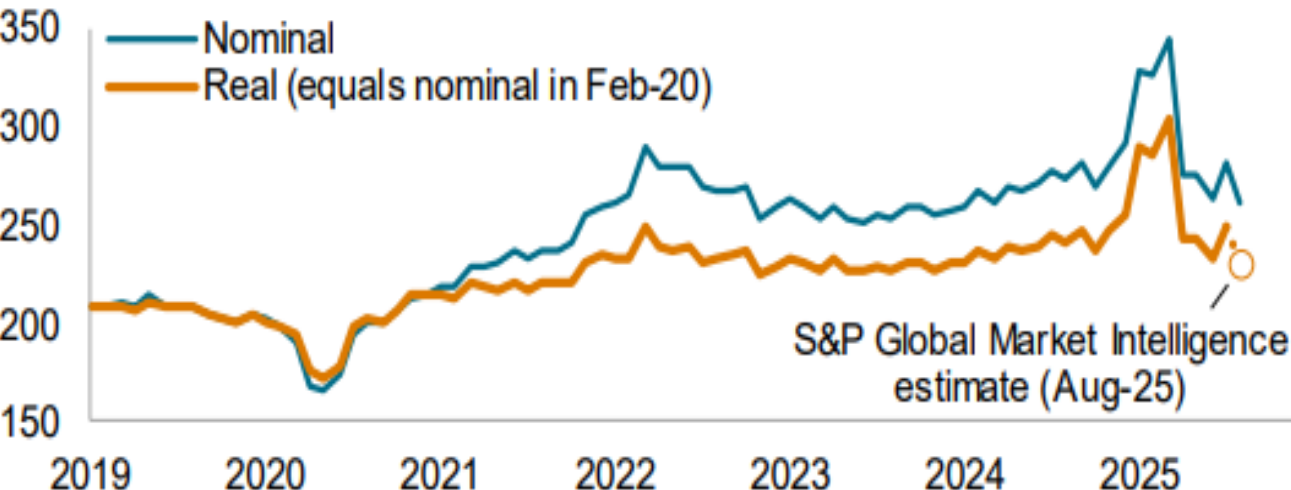
Billions US \$, monthly



Data accessed Sept. 25, 2025.
Sources: Census Bureau; S&P Global Market Intelligence.
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US monthly goods imports

Billions US \$, monthly



Data accessed Sept. 25, 2025.
Sources: Census Bureau; S&P Global Market Intelligence.
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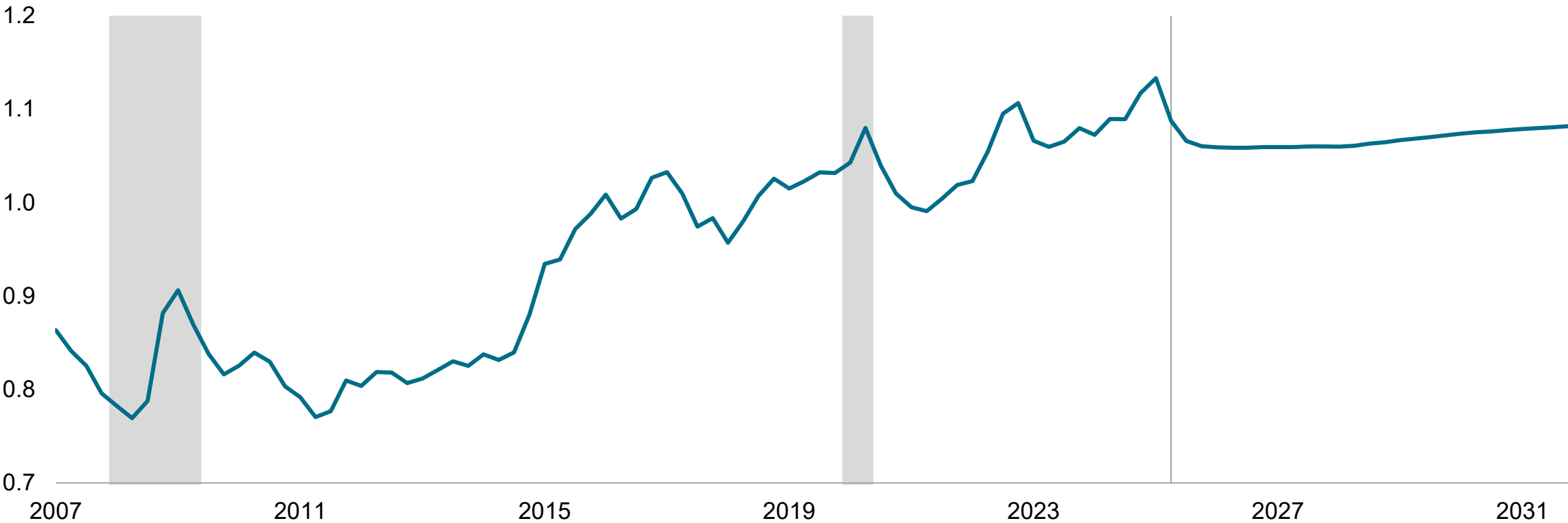


The dollar’s trade-weighted exchange rate decline in 2025 has not boosted US exports much, due to trade policies and differences by country

The broad US dollar index has declined 5% in 2025; but is down 10% versus advanced economy currencies

Broad nominal trade-weighted US dollar exchange rate index

Index, 2017 = 1.0



Data compiled Aug. 28, 2025.
Sources: Federal Reserve, S&P Global Market Intelligence.
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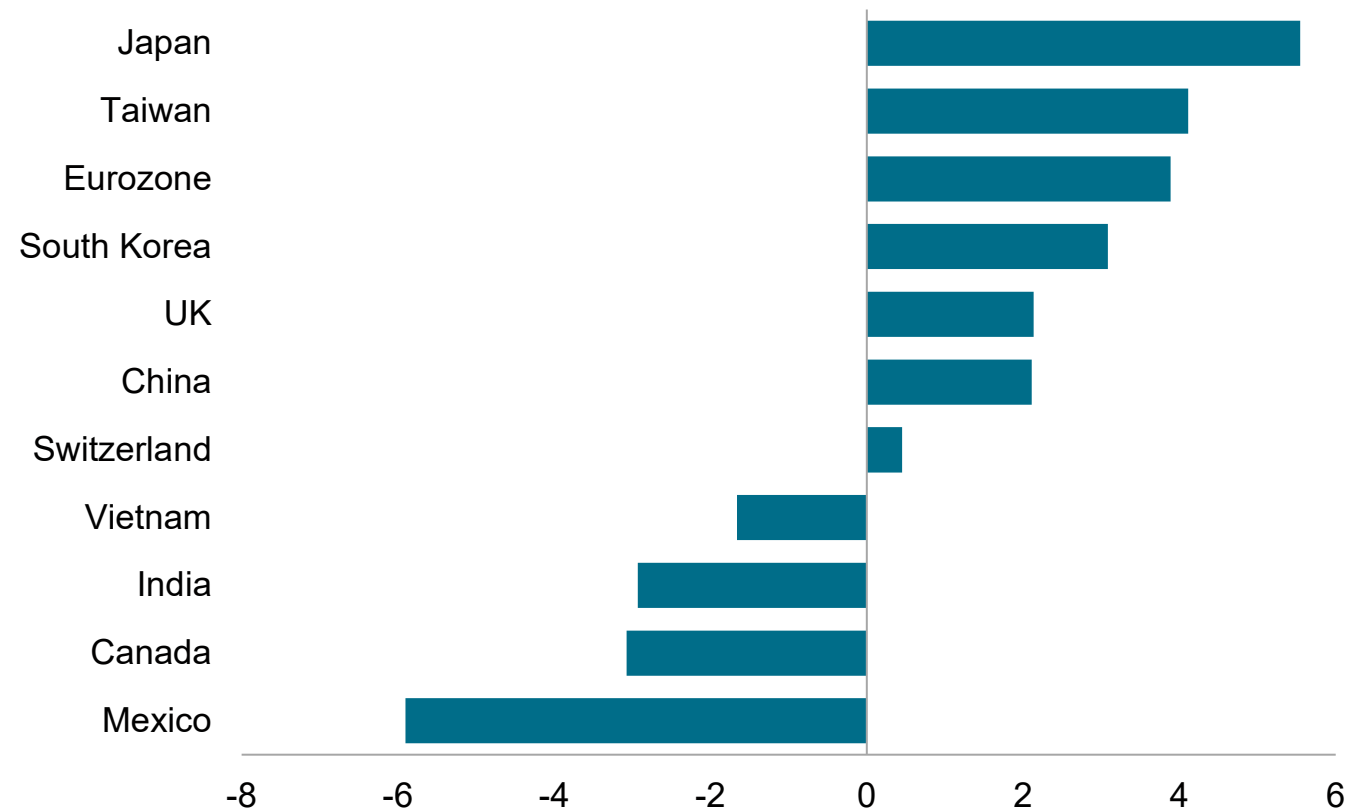
US dollar exchange rate shifts tied to monetary policies as well as trade

A weaker dollar can boost US exports and dampen import demand

Yen, Euro, Renimbi strengthen against the dollar; Mexico, Canada, India, Vietnam weaken against the dollar

Forecast foreign currency changes to Q4 2026 versus US dollar

%, Q2 2025 to Q4 2026



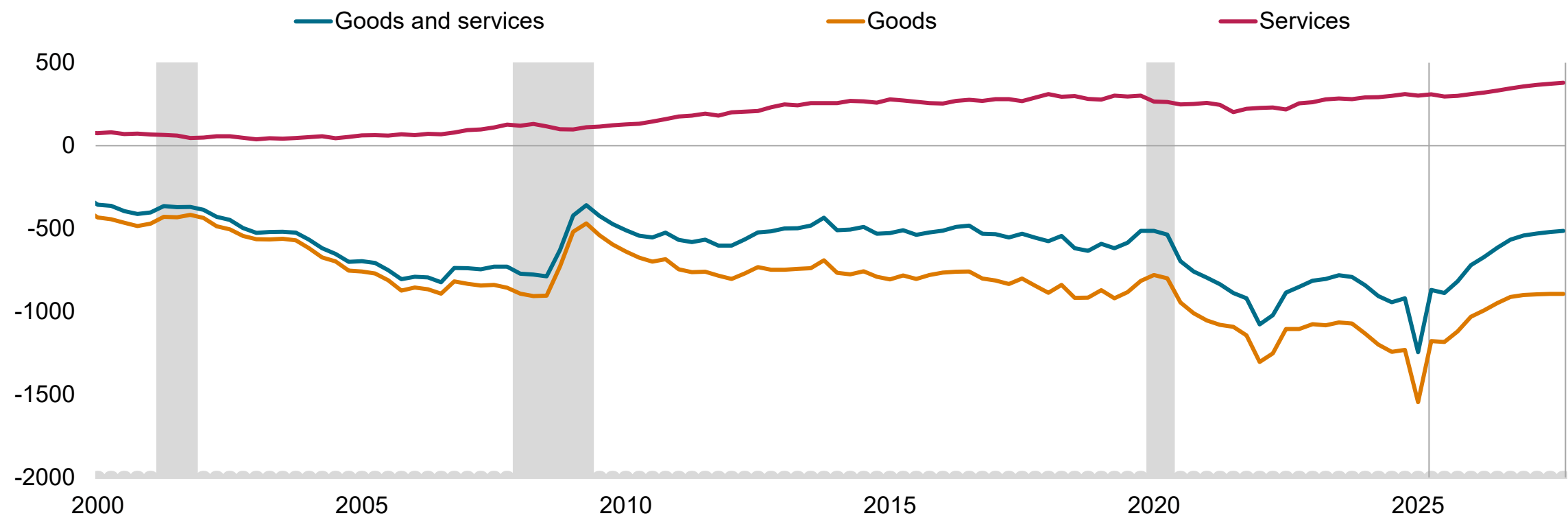
As of October 2025.
Source: S&P Global Market Intelligence.



The US surplus in services trade partially offsets the deficit in merchandise trade

US net exports, national income and product accounts

Billions of dollars, annual rate



Data compiled Sep. 26, 2025.
Sources: Bureau of Economic Analysis, S&P Global Market Intelligence.
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